SEFO

SPANISH AND INTERNATIONAL
ECONOMIC & FINANCIAL OUTLOOK

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Investment and productivity in an era of change and uncertainty

funcas

WHAT MATTERS

Private investment: The weak link in Spain´s expansionary phase

Economic profits and investment dynamics in **Spanish non-financial corporations**

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Spanish banks across the 2020–2025 rate cycle: Divergent margin drivers between SIs and LSIs

Shadow banking and financial stability in an era of private credit

Structural adjustments and stability in **European sovereign debt markets**

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Letter from the Editors

After several years marked by overlapping shocks—pandemic disruption, geopolitical fragmentation, inflationary pressures and abrupt monetary tightening—the global economy has entered a phase of relative macroeconomic stabilisation. Growth has proven more resilient than anticipated, financial markets have absorbed successive episodes of volatility, and inflation has retreated from its recent peaks. Yet beneath this apparent normalization lies a more persistent challenge: the difficulty of translating favourable cyclical conditions into sustained gains in productivity and long-term growth. Across advanced economies, and particularly in Europe, investment remains the weak link.

Within this context, the January issue of *Spanish and International Economic & Financial Outlook (SEFO)* focuses on that disconnect. We explore why private investment has often failed to respond more forcefully despite strong growth and improved financing conditions.

Our starting point is the paradox at the heart of Spain's current expansion. Healthy economic growth coupled with strong inflows of European funds under Next Generation EU should have created a favourable climate for corporate investment, a key variable for productivity and future prosperity. However, private investment has lagged expectations while remaining below pre-pandemic levels. Indeed, despite a recent pick-up, gross fixed capital formation among the non-financial corporations lies 1.4% lower than in 2019, adjusting for inflation. This lag reflects the climate of uncertainty, at home and abroad, which has encouraged firms to delay investment decisions and accumulate surplus savings despite positive macroeconomic conditions. To unlock potential private investment flows, it is thus vital to tackle the impediments that undermine the knock-on effects of the Next Generation programme, including the need to increase legal certainty, strengthen institutional stability and diversify the financing instruments available to the economy.

A deeper understanding of this weakness in Spain requires looking beyond headline profits and conventional accounting measures. Spanish non-financial corporations generated modest economic profits averaging 3% of output over 2000–2024, though profits fell near zero during the 2009–2013 crisis and remained weak after the pandemic. Corporate investment mirrored these economic profits, rising when returns exceeded capital costs and stalling when profits were insufficient, even as output and employment recovered. Over the period examined, firms shifted from buying intermediate goods toward internal production, increasing the share of value added and producing more capital-intensive goods. This structural shift amplified the

lag between growth in output and employment and the pace of investment, as firms prioritized profitability over rapid expansion of capacity. Accounting profits masked these dynamics, offering a misleading signal of incentives to invest. The patterns suggest that slow investment in recent years reflects rational adjustments to economic returns rather than widespread financial constraints, highlighting the importance of measuring opportunity costs alongside traditional profit metrics.

Importantly, aggregate indicators often fail to capture the divergence across Spanish corporations. Spanish business profitability follows a clearly procyclical pattern, with the average return on investment reaching 6.7% in 2024, matching levels last observed in 2008 after more than a decade marked by crisis-related volatility. Beneath this aggregate recovery, however, profitability remains highly uneven across sectors, regions, and firm sizes, reflecting persistent differences in productivity, capital intensity, exposure to competition, and business strategies. Microenterprises—accounting for nearly 90% of firms with employees—continue to post the weakest returns, consistent with their pronounced productivity gap, while medium-sized firms currently outperform both small and large enterprises. Sectoral disparities are likewise substantial and persistent over time, with information and communication, electricity, and distributive trade at the upper end of the profitability distribution, and real estate and primary activities at the lower end. Regional differences are largely shaped by productive specialization and business demographics, illustrating how structural features of local economies condition firms' ability to generate profits. Given the central role of profitability in ensuring business viability, supporting investment, and sustaining employment and public revenues, the evidence underscores the need for public policies that foster productivity growth—through stable and efficient regulation, incentives for reinvestment, and investment in human capital, technology, and intangible assets.

Looking beyond Spain, expectations about future productivity are increasingly shaped by technological change and financial markets. Artificial intelligence is emerging as a structural force with heterogeneous effects on productivity, employment, and stock market valuation. Estimates suggest a potential global GDP increase of around 14% by 2030, yet productivity gains remain limited by slow diffusion, uneven adoption, and organizational frictions, with most firms still failing to extract measurable returns from AI investment. At the same time, AI tends to reinforce industrial concentration and labour market polarization, as exposure to automation varies sharply across occupations and countries. Financial markets have moved far faster than the real economy: As of 2025, seven companies account for 35% of S&P 500 capitalization, and equity valuations have reached levels close to historic extremes. This divergence reflects strong expectations of future AI-driven profitability, amplified by abundant global liquidity and speculative dynamics. Whether current valuations can be sustained will depend on the timing and magnitude of realized productivity gains, as well as on how AI reshapes competition, capital allocation, and income distribution.

At the same time, the productivity effects of AI depend critically on how work and skills adjust. Generative AI is already reshaping work, primarily by reorganizing tasks within occupations rather than eliminating jobs outright. Because jobs bundle tasks of varying difficulty, automation can either raise or lower expertise thresholds depending on which tasks are removed, producing outcomes in which wages and employment may move in opposite directions. Task-level evidence shows that roughly two-thirds of tasks removed since the late 1970s were routine, while abstract tasks account for most tasks added, pointing to increasingly divergent labour-market trajectories across AI-exposed occupations. Labour-market impacts will depend not only on technical capability but also on human agency and adoption choices. Firm-level evidence indicates seniority-biased technical change: junior employment declines

following generative AI adoption—driven mainly by slower hiring—with reductions approaching 10% within two years. At the same time, AI offers opportunities in education by scaling expert feedback at low marginal cost, with randomized trials showing learning gains of around four percentage points. Economics education, in particular, is highly exposed to these changes but also well positioned to adapt, provided curricula shift toward AI literacy and complementary skills such as judgement, verification, communication, and applied project work. In Spain, where youth unemployment stood at 25.42% in Q3 2025, these dynamics make the early-career bottleneck especially salient, strengthening the case for expanding AI-enabled training capacity and redesigning school-to-work pathways, building on the demonstrated successes of dual vocational education.

How firms finance investment is an essential part of this story. The European IPO market continues its multi-year slowdown, with Spain mirroring the regional decline despite strong equity returns, record private equity dry powder, and favourable liquidity conditions in 2025. Globally, around 1,300 IPOs raised USD 170 billion in 2025, the vast majority in the United States, while Europe recorded just 105 deals, alongside net delistings in Spain. This disconnect reflects structural impediments: narrow liquidity windows, heavy regulatory and reporting obligations, and fragmented capital markets that amplify execution risk for mid-caps. At the corporate level, European firms often avoid the scrutiny and governance constraints of public markets, instead raising capital privately. Spain's new BME Easy Access mechanism seeks to reduce timing and execution frictions by decoupling admission to trading from fund-raising, potentially easing free-float buildup under volatile conditions. Yet going public remains a strategic transformation rather than a financing event, requiring changes in governance, internal controls, culture, and long-term capital markets strategy. Building a more dynamic European IPO ecosystem will require EU capital markets integration, proportionate listing regimes, broader investor participation, and a shift in corporate perceptions toward public markets.

Meanwhile, banks remain central to the transmission of financial conditions. The near six-year period from 2020 to mid-2025 offers a complete interest-rate cycle for analysing the evolution of Spanish banks' net interest margins. After prolonged margin compression under zero or negative rates, the rapid monetary tightening of 2022–2023 enabled a recovery driven primarily by funding cost dynamics, followed by a more gradual adjustment as policy rates returned toward a "new normal" of 2%. Disaggregating the margin highlights an asymmetric adjustment between assets and liabilities: funding costs showed lower sensitivity during the tightening phase, while asset yields were more sensitive, driving margin expansion; as rates moved lower, this pattern partially reversed, reducing the extraordinary boost from the liability side and restoring a more balanced contribution to margin generation. However, aggregate results mask structural differences between significant institutions (SIs) and less significant institutions (LSIs). During the tightening phase, LSIs exhibited higher starting margins and lower funding-cost, widening their advantage, whereas SIs sustained comparatively higher asset yields due to portfolio composition. Overall, the cycle confirms that margin resilience depends not only on rate levels but on institutional structure, balance sheet mix, and competitive dynamics in both credit and deposit markets.

Beyond banks, non-bank finance has become increasingly relevant. The non-bank financial institution (NBFI) system, commonly referred to as shadow banking, has reached systemic scale and is now a central feature of global financial intermediation. In Europe, non-bank financial institutions manage more than €50 trillion in assets, around 42% of the financial system, while global private credit has surpassed $3 trillion, expanding rapidly outside the traditional regulatory perimeter. This growth is accompanied by structural vulnerabilities linked to high leverage, liquidity

and maturity mismatches, and increasingly dense interconnections with banks. Exposures between banks and non-bank entities already amount to trillions of dollars, concentrating risks in a small number of systemic institutions and increasing the potential for two-way contagion. Spain shows a lower domestic weight of non-bank finance, at roughly 34% of the system, but remains exposed through international funds, leveraged credit markets, and indirect banking channels. Shadow banking has become a durable source of both diversification and fragility, strengthening the case for integrated monitoring, cross-sector stress testing, and coordinated regulatory responses.

Finally, the broader macro-financial environment frames all investment decisions. European sovereign debt markets are entering a period of structural change, with declining demand from the ECB and pension systems intersecting with rising supply linked to the green and digital transition, increased defence spending, and support for Ukraine. While these shifts imply hundreds of billions of euros in reduced demand and increased issuance, sovereign spreads have tightened and market functioning has remained notably stable by historical standards. This reflects clearer policy frameworks, greater transparency around ECB portfolio normalization, and more credible government signalling, which have allowed market participants to incorporate evolving demand–supply dynamics into pricing models. This relative stability is reassuring when compared to recent performance during moments of crisis. Market participants should continue to pay attention to the structural changes underway in European sovereign debt markets, but there is currently no cause for alarm.

What´s Ahead (Next Month)

Month	Day	Indicator / Event
February	3	Social Security registrants and official unemployment (January)
	3	Tourist arrivals (December)
	4-5	ECB monetary policy meeting
	6	Industrial Production Index (December)
	13	CPI (January)
	16	Eurogroup meeting
	19	Foreign trade report (December)
	24	Services Production Index (January)
	27	Preliminary CPI (February)
	27	Balance of payments monthly (December)
March	3	Social Security registrants and official unemployment (February)
	4	Tourist arrivals (January)
	4-5	ECB monetary policy meeting
	5	Industrial Production Index (January)
	9	Eurogroup meeting
	11	Retail trade (January)
	13	CPI (February)
	18-19	ECB monetary policy meeting
	19-20	European Council
	23	Foreign trade report (January)
	24	Balance of payments quarterly (4^{th} quarter)
	25	Services Production Index (January)
	26	Quarterly National Accounts (4^{th}, 2^{nd} estimate)
	27	Preliminary CPI (March)
	30	Retail trade (February)
	31	Non-financial accounts, State (December, January and February)
	31	Non-financial accounts: Central Government, Regional Governments and Social Security (December and January)
	31	Non-financial accounts, Total Government (4^{th} quarter)
	31	Balance of payments monthly (January)

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What Matters

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Despite strong growth and unprecedented EU funding, private investment in Spain has failed to recover to pre-pandemic levels, reflecting a persistent gap between the country's favourable macroeconomic conditions and corporate investment behaviour. Heightened uncertainty and structural impediments have limited the crowding-in effects of public investment, weakening incentives for firms to commit capital despite supportive financing conditions.

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Private investment: The weak link in Spain´s expansionary phase

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Raymond Torres

Abstract: Healthy economic growth coupled with strong inflows of European funds under Next Generation EU should have created a favourable climate for corporate investment, a key variable for productivity and future prosperity. However, private investment has lagged expectations while remaining below pre-pandemic levels. Indeed, despite a recent pick-up, gross fixed capital formation among the non-financial corporations lies 1.4% lower than in 2019, adjusting for inflation. This lag reflects the climate of uncertainty, at home and abroad, which has encouraged firms to delay investment decisions and accumulate surplus savings despite positive macroeconomic conditions. To unlock potential private investment flows, it is thus vital to tackle the impediments that undermine the knock-on effects of the Next Generation programme, including the need to increase legal certainty, strengthen institutional stability and diversify the financing instruments available to the economy.

Introduction

Investment plays a prominent role in the current environment of technological change and geopolitical tension. In his report on the future of European competitiveness, Mario Draghi attributed the EU's economic decline relative to the U.S. to weak investment, particularly in innovation (Torres and González Simón, 2025). Investment is also vital to addressing Europe's vulnerabilities *vis-a-vis* other superpowers, particularly in the areas of AI, energy and defence.

In the case of Spain, high economic growth coupled with the availability of a massive volume of European funds and the downtrend in interest rates, have created a climate ripe for investment. So far, however, the results are falling short of expectations (Torres *et al.,* 2025). The goal of this paper is, on the basis of an analysis of the most recent trends, to look at some of the macroeconomic factors that may be shaping the current investment cycle.

Recent trends: Strong public investment *versus* lagging private investment

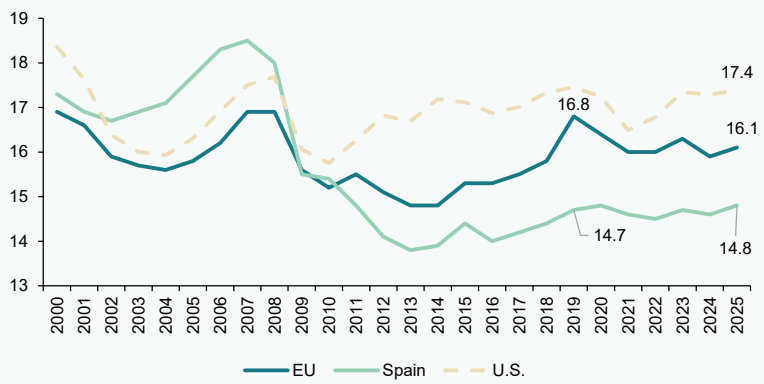
This paper focuses on productive investment, which excludes investment in housing. It is measured using gross fixed capital formation as per the national accounts. This aggregate encompasses the purchase of equipment and machinery, transport materials, intellectual property products (a category which serves as a proxy, albeit imperfect, for investment in intangibles) and infrastructure. Productive investment is primarily undertaken by the private sector (non-financial corporations) and the public sector (government).

Broadly speaking, productive investment has fluctuated over time (Exhibit 1). During the real estate bubble, the percentage of domestic product earmarked to productive investment —a proxy for the sacrifice a country is willing to assume in deferring current consumption with the hope of improving its standard of living in the future—, reached very high levels, both in historical terms and by comparison with other advanced economies. With hindsight, it is clear that the accumulation of capital was excessive as many of the funds invested, financed by borrowing, fuelled a bubble, without reinforcing the country's productive capacity. That episode provides tangible evidence of the fact that investment only leads to efficiency gains if the funds are well allocated, which in turn depends on the presence of a functional financial system and the macro-prudential controls, both of which failed at the time of the financial crisis.

Exhibit 1

Productive investment, 2000-2025

Gross fixed capital formation excl. residential investment, percentage of GDP



Sources: Author's own elaboration based on INE, Eurostat and BEA.

> “Businesses are still exercising caution when it comes to adding capacity, even during years of sharp economic growth.”

More recently, investment has been more muted; following a slight recovery prior to the pandemic, the investment rate has been oscillating around low levels. Despite an uptick in 2025, the investment rate remains at 14.8% of GDP (average for the first half of the year), which is virtually the same as five years ago and below the level expected when the economy is as dynamic as it currently is.

Both the EU as a whole and the U.S. invest considerably more as a per cent of their GDP than Spain. It is encouraging that productive investment has increased in recent years but the trend is not yet sufficiently robust to close the gap with the main advanced economies.

Within productive investment, the weakest link is transport materials and, to a lesser degree, machinery and equipment. What these trends tell us is that businesses are still exercising caution when it comes to adding capacity, even during years of sharp economic growth. Investment in “Other buildings and structures”, a category which includes infrastructure, communication networks and non-residential buildings, has fluctuated around a slightly upward path. On the other hand, intangible assets are the most dynamic category. Recall that intangible assets and other buildings and structures are among the areas benefitting most from the NGEU funds. The overall picture, however, is that even with the boost provided by these funds, productive investment continues to lag the European average.

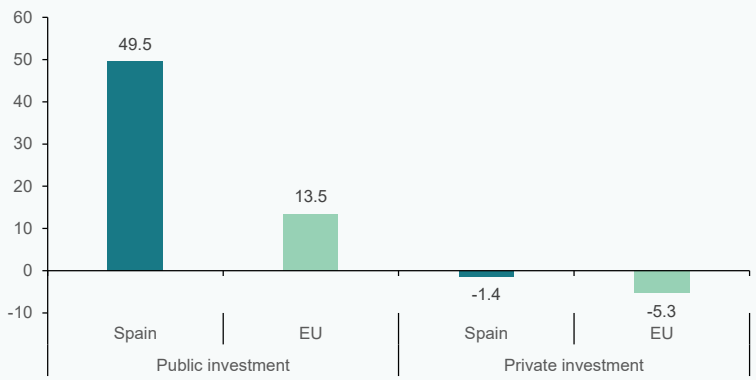
The key to this underperformance lies with lethargic corporate investment (Exhibit 2). Among the institutional sectors, the non-financial corporations have been the most lacklustre: their gross fixed capital formation has contracted by 1.4% since 2019, adjusting for inflation.

This lukewarm level of corporate investment is surprising for several reasons. Firstly, it contrasts with the trend in public sector investment, which has increased by nearly

Exhibit 2

Public and private investment, constant prices

Growth between 2019 and 2025, percentage



Note: The exhibit shows the rate of growth in investment (GFCF) in the government and NFC sectors, both of which deflated by the GFCF deflator.
Source: Author's own elaboration based on the institutional sector accounts published by the INE.

> “Among the institutional sectors, the non-financial corporations have been the most lacklustre: their gross fixed capital formation has contracted by 1.4% since 2019, adjusting for inflation.”

50% over the same period (again in real terms), thanks to the lift from the European funds. These public funds were expected to have a bigger knock-on (or crowding-in) effect on private investment. By investing in collective goods, the state can create a climate conducive to private initiative. Indeed, a crowding-in effect was one of the specific targets of the European funds. Some of the strategic sector-specific plans assumed that private investment would be several times more than the public funds provided under the NGEU programme.

Secondly, Spanish corporations have gone through a period of growth theoretically conducive to adding to their capital stock. Their European peers, which have had to navigate a much harsher macroeconomic environment, have invested at similar rates to Spanish businesses (or even more in terms of GDP | Exhibit 1). [1]

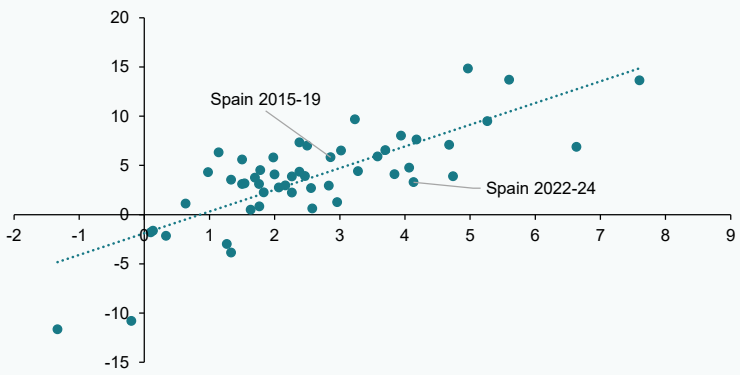
A positive macroeconomic context tends to boost private investment, a variable which is typically procyclical, *i.e.* it amplifies cyclical swings. In fact, during the expansionary 2015-2019 period, private investment outpaced GDP growth in nearly all EU economies. [2] In Spain, for example, annual growth in investment rebounded to 5.8%, nearly twice the growth observed in GDP over the same timeframe. The pandemic dealt a harsh blow, triggering unprecedented contraction in private investment, evidencing the pro-cyclical nature of this variable.

In the last few years, however, this procyclical behaviour has not held, at least in Spain, with investment increasing by 3.3% in the last three years (adjusting for inflation), which is nearly one point less than GDP, breaking with the historical correlation and exhibiting a lower elasticity than is observed in other European countries (Exhibit 3). By the same

Exhibit 3

GDP and private investment in expansionary cycles

Annual average rates of growth for 2015-2019 and 2022-2024, percentage



Note: Each dot represents an EU country. For example, in Spain, annual GDP growth averaged 4.1% between 2022 and 2024 while growth in private investment averaged 3.3%, in inflation-adjusted terms. GDP and investment growth averaged 2.9% and 5.8%, respectively, between 2015 and 2019.
Source: Author's own elaboration based on Eurostat statistics.

> “Public funds were expected to have a bigger knock-on (or crowding-in) effect on private investment.”

token, private investment has yet to revisit pre-pandemic levels, whereas GDP is already 10% above that mark.

The sectoral breakdown signals similarly sluggish private investment relative to public investment. Investment during the period was concentrated in the sectors that are direct recipients of public investment, namely government and defence, education and healthcare. In contrast, industry, a priority focus of the European funds, has registered modest growth. Even more surprisingly, the investment rate in the sectors related with tourism has fallen, perhaps due to the protracted effects of the pandemic. A similar pattern is on display in other European economies, evidencing a certain reluctance to invest in the sectors more closely entwined with tourism. On the other hand, the investment rate in professional services and information and communication services has increased sharply, albeit very much in line with the European experience.

The long shadow of uncertainty

The question is, therefore, why has private investment proven less dynamic than in previous growth cycles? In general terms, investment decisions depend on the future profits expected by businesses and the relationship between those profits and transaction costs. The decision is, in reality, a calculated bet, as the future is by definition uncertain, which is where both objective trends, such as enterprise sales and profits, and intangible factors, like investor and business sentiment, come into play. These factors all weigh on expectations for demand, prices, production costs and other variables taken into consideration when deciding whether to invest.

According to several studies, business profitability does not appear to be a constraint, at least in general terms. [3] Although it is concerning that some sectors are having a hard time making money, in no instance does this circumstance appear to be discouraging or curtailing investment judging by the available studies. It is a fact that profits after tax and interest are already back above pre-pandemic levels, whereas investment has shrunk (adjusting for inflation in both cases).

Likewise, the trend in foreign direct investment (FDI) signals a relatively profitable ecosystem. FDI reflects the inflow of foreign capital in order to create companies, add to existing capacity or reinvest existing profits. It is therefore a good proxy for major international investors' confidence in the future of the economy. Some forms of FDI do not necessarily or immediately translate into productive investment. For example, capital inflows can take the form of an injection of funds into existing companies without leading to new productive capacity, unlike other forms of FDI, such as the creation of production units or greenfield investments, which translate into investment almost right away. In general, however, FDI brings in stable funds for present or future productive development, unlike investments in securities, which are volatile in essence as their whole purpose is to deliver short-term gains.

> “Business profitability does not appear to be a constraint for private investment, at least in general terms.”

On paper, FDI has continued to be a boon for the Spanish economy: the influx of foreign capital for productive uses has averaged 3.3% of GDP over the last five years, which is above the pre-pandemic contribution and also higher than the level observed in other advanced economies. This trend contrasts with the contraction in inbound FDI in the eurozone as a whole.

The most plausible explanation behind weak private investment lies with uncertainty and its corollary, namely surplus corporate savings. Indeed, the non-financial corporations have registered an uninterrupted net lending position since the real estate bubble burst rather than a borrowing requirement, as might be expected due to the very nature of corporate activity, which is to use external capital to finance growth. That surplus has been oscillating at between 10% and 20% of disposable income. Other European countries have similarly been recording a surplus, albeit generally of a lower magnitude (Exhibit 4). In economies like Sweden and the U.S., companies are tapping the markets to top up the savings generated, evidencing higher confidence in the future.

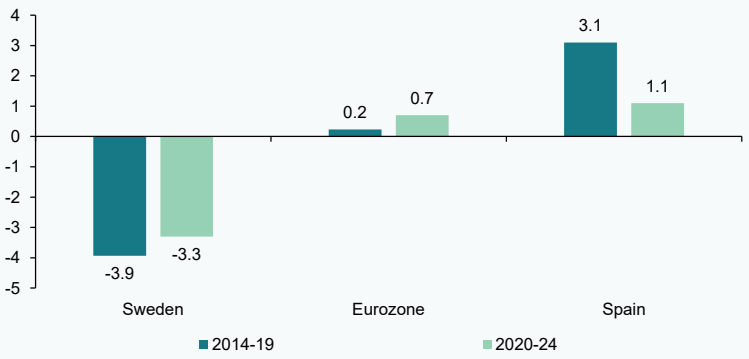
Surplus savings, when not invested in productive assets, are used in part to accumulate financial assets (such as cash, bank deposits, bonds and other financial instruments) and in part to repay liabilities. Specifically, the corporate sector has accumulated financial wealth (financial assets less financial liabilities) of around 2.2% of GDP per annum on average between 2014 and 2024. That is five times the eurozone average: in no other large EU economies have enterprises been more cautious in this respect. This has translated into sharp deleveraging, leaving enterprise debt at record lows and significantly below the European average.

The trend in surplus corporate savings is attributable to the prevailing uncertain climate. Risk is an omnipresent factor in investment decisions, which is why economic agents are particularly cautious during periods of uncertainty. By definition, the acquisition of a piece of equipment, such as a machine or software programme, is a financial bet made by a business today with the expectation of generating a return in the future. [4] This is why uncertainty acts as a check, particularly when it is "fundamental", meaning it is not possible to attribute a probability to different future scenarios. [5] Uncertainty similarly

Exhibit 4

Spanish corporations' surplus savings

Net financial transactions, percentage of GDP



Note: The exhibit depicts the financial savings, i.e., the difference between financial assets and financial liabilities, of non-financial corporations, as a % of GDP.
Source: Author's own elaboration based on Bank of Spain financial accounts.

“ These past few years have been characterised by a succession of shocks for the investment climate. ”

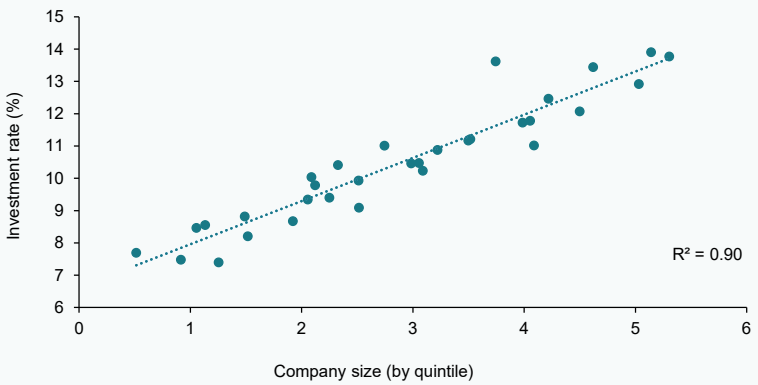
affects expectations around the cost of capital, a key variable in companies' investment decision-making. [6]

These past few years have been characterised by a succession of shocks for the investment climate, starting with the health crisis and followed by the onset of war in Ukraine and its ramifications for inflation and, more recently, the increase in U.S. import tariffs as geopolitical tension runs high.

Domestically, an unpredictable or fluctuating regulatory framework is also seen as a risk, which may have led some companies to park their profits in financial assets instead of investing them in productive assets. One recent study highlights the importance of economic policy uncertainty on investment decisions. Fernández Cerezo *et al.* (2025). The complexity of the paperwork involved in applying for the NGEU funds and the perceived delays in paying them out may also have inhibited or delayed investment decisions.

The climate of uncertainty may weigh more on investment decisions at small businesses, which comprise the bulk of the Spanish productive fabric, either because they lack the skilled professionals needed to address it, unlike the larger corporations which also have ready access to the more established consultants, or because their investment time horizons tend to be shorter. A fragmented productive system is, therefore, vulnerable to economic swings. In addition, small businesses face more difficulties than their larger peers when it comes to borrowing money. Bank loans embody a risk premium for small units, increasing the cost of their investments. By contrast, the established firms not only have access to cheaper financing, they can also attract non-bank funds by tapping the fixed-income and private equity markets directly, or turning to their shareholders. Hence the increasing correlation between investment rates and company size (Exhibit 5).

Exhibit 5 **Investment and company size**



Note: Each dot represents the average investment rate (investment flows over real stock of assets in t-1, as a %) for corporations grouped by size into quintiles. Company size is measured using their average headcounts. Time horizon: 2017-2023.
Source: Author's own elaboration based on CBBE data (Bank of Spain).

> The climate of uncertainty may weigh more on investment decisions at small businesses, which comprise the bulk of the Spanish productive fabric.

Key takeaways

The Spanish private sector is investing less than its European peers, which are in turn investing less than U.S. firms. The recent upward trend is encouraging, but probably not enough to reverse the situation, highlighting the importance of tackling the macroeconomic factors that are constraining corporations' investment decisions.

The key lies with uncertainty, abroad and at home, underscoring the need to render Spanish and European economic policy more predictable. Matters are not being helped by the successive budget rollovers or, at the European level, faltering over the capital markets union initiative. A pressing priority is to increase the knock-on effect of public investment, boosted by the NGEU funds, on private investment, undertaking reforms designed to strengthen legal certainty, address other factors related with institutional stability, and diversify the financing instruments available to the economy, a matter of particular importance for small businesses.

Notes

[1] Between 2019 and 2025, the investment rate of the non-financial corporations decreased by 1.9 percentage points relative to GDP, compared to an average EU contraction of 1.3 percentage points, calculated using Eurostat statistics.

[2] Latvia and Luxembourg were the exceptions.

[3] According to a recent study by the Bank of Spain based on its Business Activity Survey, profitability acts as a secondary constraint for both large and small enterprises (it is not that it is not a factor, just that at present it would not appear to be curtailing investment as much as other factors, such as uncertainty, for example). Refer to Fernández Cerezo *et al.* (2025).

[4] According to a recent study, as many as four out of every five firms miscalculate their cost of capital when assessing investments, leading to defective resource allocation. Refer to Gormsen and Huber (2024).

[5] Prestigious economists such as Keynes and Frank Knight made a clear distinction between the risks that might occur with a certain probability and fundamental uncertainty, which cannot be quantified. Refer to Dimand (2021).

[6] See the paper by Vicente Salas in this issue of SEFO.

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Economic profits and investment dynamics in Spanish non-financial corporations

Spanish NFCs earned modest economic profits averaging 3% of output between 2000 and 2024, fluctuating from 4–5% before the 2008 crisis to near zero after the pandemic. Investment closely followed the gap between these profits and the user cost of capital, while the sector shifted toward producing internally rather than buying intermediate goods.

Vicente Salas Fumás

Abstract: Spanish non-financial corporations generated modest economic profits averaging 3% of output over 2000–2024, though profits fell near zero during the 2009–2013 crisis and remained weak after the pandemic. Corporate investment mirrored these economic profits, rising when returns exceeded capital costs and stalling when profits were insufficient, even as output and employment recovered. Over the period examined, firms shifted from buying intermediate goods toward internal production, increasing the share of value added and producing more capital-intensive goods. This structural shift amplified the lag between growth in output and employment and the pace of investment, as firms prioritized profitability over rapid expansion of capacity. Accounting profits masked these dynamics, offering a misleading signal of incentives to invest. The patterns suggest that slow investment in recent years reflects rational adjustments to economic returns rather than

widespread financial constraints, highlighting the importance of measuring opportunity costs alongside traditional profit metrics.

Foreword

Business profits are important for macroeconomic analysis for several reasons. [1] Firstly, together with wages, profits influence the formation of the prices of the goods and services sold in the market. Secondly, expectations about future profits shape corporations' investment and hiring decisions, which, on aggregate, determine the fate of the economy's productive capacity. Thirdly, profits act as a residual rather than a predetermined income stream, cushioning the effects of economic shocks and cyclical changes on the trend in unit labour costs. Lastly, business profits constitute the portion of value added that remunerates the providers of capital (complementing the other part, which is used to remunerate workers), thus more or less profit has consequences for income distribution. However, there is no single measure of business profit, and it is important to understand which metric is best suited to the type of macroeconomic analysis to be performed.

This paper estimates the annual economic operating profit of the universe of non-financial corporations (NFCs) in Spain between 2000 and 2024, *i.e.,* since the birth of the euro, and appraises its utility in informing production and investment decisions. [2] Economic operating profit is calculated as the difference between the value of output and total costs, including intermediate consumption, employee compensation and the user cost of capital. The data for the value of output, cost of intermediate consumption and cost of labour come from the Spanish economy's annual financial statements by institutional sector, published by Spain's statistics office, the INE, particularly for the NFC sector. The cost of capital *per se* is not referenced in either the national accounts or the corporations' accounting records, therefore, the estimation of economic profit requires prior estimation of this cost.

Corporations purchase intermediate inputs and labour services in the market. In theory, it is possible for them to likewise rent the capital services needed for production in the market. In practice, however, the production of goods and services is carried out using fixed and working capital that is owned by the corporations around which business activities are articulated for legal purposes. These capital services are provided in-house so that there is no market rental price that can be used to allocate a cost to them, hence the term "user cost of capital". Accounting standards take stock of the costs of intermediate consumption and remunerated labour to calculate profit as these are explicit costs (market transactions), but do not factor in the user cost of capital, which constitutes an opportunity cost. Calculating the user cost of productive capital requires knowing the unit cost and stock of the capital services used by the Spanish NFC sector. The unit cost is calculated for this paper; the stock information comes from an earlier piece of research (Salas Fumás, 2025b).

The contents of this paper are primarily informational rather than analytical. In other words, profit is not explained as a result of *ex ante* business decisions, thus its performance is not expressly correlated with developments in technology, the economic cycle or relative prices. By way of new information, besides the estimates of the user cost of capital and economic profit, the analysis notably reveals changes in the relative weights of intermediate consumption and its corollary gross value added ("buy" *versus* "make") in the value of NFC output and the remarkably close

> "In this article, profit is not explained as a result of *ex ante* business decisions, thus, its performance is not expressly correlated with developments in technology, the economic cycle or relative prices."

relationship between economic profit, as a proxy for the incentive to invest, and NFC net capital formation in Spain.

The paper is divided into a first section addressing the differences between accounting and economic profit and user cost of capital theory; section two estimates the user cost of capital; the third section is devoted to calculating economic profit as the bottom line in the NFC profit and loss statement for the period analysed; section four analyses the relationship between economic profit and investment in fixed capital; and the concluding section underlines the most important takeaways and the limitations of the study.

Accounting *versus* economic profit

The calculation of the accounting and economic profit generated by the production of goods and services for sale in the market, which is then applied to the estimate of NFC profits in Spain, is summarised in Table 1.

Both profit measures are calculated by subtracting the production costs incurred from revenue (value of the goods and services produced at their market sales prices), however, the costs taken into consideration are different for each. Accounting profit includes the costs of the inputs purchased in the market, intermediate goods and wage labour and also the consumption of capital services in the form of the depreciation sustained by a corporation's productive capital during the financial year. Net operating accounting profit is the residual that remains after deducting from gross output the explicit costs of intermediate consumption, wages and the costs of replacing the capital consumed.

If corporations were to rent their capital assets in the market, the rental price would turn the cost of capital into an explicit cost and accounting profit would coincide with economic profit. However, high "agency" costs of rental (related with asymmetric information between capital owners and users; Jensen and Meckling [1976]) mean that it makes sense for businesses to organise their productive activity around legal persons —corporations— in which the law grants separate legal personality to purchase and hold owned goods, specifically including the capital goods needed for production. Corporations furnish themselves with the capital services needed to produce internally and there is no market price for benchmarking the cost of the transaction even though there is a cost of opportunity. Accounting standards, which would allow for the recognition of the rental of capital as a cost, do not contemplate the user cost associated with internal provision of the resource, as it constitutes an implicit or opportunity cost.

When the capital used in production is owned by the corporation that formulates a profit and loss statement, accounting profit is not a reliable measure of the economic "value" created by production because it ignores the opportunity cost of tying up their capital. Economic profit is a better proxy for the

Table 1 **Synopsis of the items taken into consideration to compute accounting profit (left-hand column) and economic profit (right-hand column)**

Accounting approach	Economic approach
Gross output	Gross output
- Intermediate consumption	- Intermediate consumption
= Gross value added	- Cost of labour (employee compensation)
- Compensation of employees	- User cost of capital
= Gross operating profit	*= Economic operating profit*
- Consumption of capital (depreciation)	
= Net operating profit	

Source: Author's own elaboration.

economic value created. However, the user cost of capital is not a publicly available metric and requires estimation, as explained next.

Calculating the user cost of capital

The theory

In economic theory, the user cost of capital emerges as a shadow price associated with the optimal value of a dynamic optimisation problem. The firm determines the volume of output and inputs per period in order to maximise the present value of its future cash flows, subject to two constraints: (i) the technological constraint, represented by the production function; and (ii) the capital accumulation constraint, shaped by the stock at the start of the period, the flow of new investment and depreciation as a result of use and/or technological obsolescence.

The shadow price or cost of one unit of capital service corresponds to the capital accumulation constraint and is determined by (Jorgenson, 1963; Hall and Jorgenson, 1967):

$$User\ \text{cost}\ per\ unit\ of\ capital\ services = cp_K = \left(\frac{R-\rho_K}{1-u}+\delta\right)p_K$$

And the total cost,

$$Total\ user\ \text{cost}\ of\ capital = cp_K K = \left(\frac{R-\rho_K}{1-u}+\delta\right)p_K K$$

Where p_K is the current market price per unit of capital service, R is the nominal annual after-tax return per euro of financing in alternative investments with similar risk to that of the corporation, $p_K=\dot{p}_K$, which is the annual rate of change in the price per unit of capital service. δ is the annual rate of depreciation of the stock of capital over a one-year period of usage, u is the rate of tax levied on corporate profits, and K is the stock of capital service units.

The term $p_K K$ is the stock of capital services valued at current replacement prices, hence $\left(\frac{R-\rho_K}{1-u}+\delta\right)$ is the component of the cost per current euro invested in the stock of productive capital. It includes the financial cost component $\frac{R-\rho_K}{1-u}$ (the real pre-tax return expected by the providers of capital to cover the opportunity cost of not investing in other assets of similar riskiness) and the per unit loss of productive capital over a financial year, δ.

Estimating user cost capital

Total user cost comprises a unit cost, cp_K, and a stock of units of capital services, K. The source of the estimated stock of capital of Spain's NFCs is Salas Fumás (2025b). The unit cost calculation is summarised in Exhibit 1.

Average annual cost per unit of capital service, cp_K, and per euro invested, c is 19% and 15%, respectively. This difference is explained by the trend in the market price per unit of capital service, p_K, (trend in the GFCF deflator). The cost c = 15% is equal to 9%, capital depreciation (average), plus 6%, the real pre-tax financial cost (average).

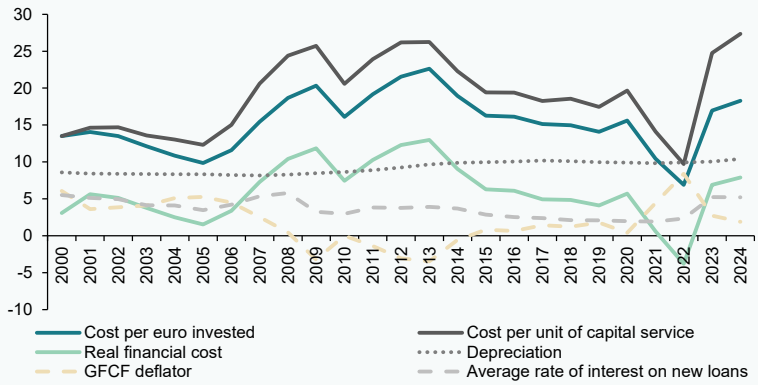
User cost of capital exhibits considerable variability over time, ranging from 10% to 27%, due mainly to volatility in the price of capital assets. The pronounced drop in the user cost in 2021 and 2022, together with the swift increase in the following two years, is explained by inflation in asset prices during the bout of inflation (4.4% and 8.4%, respectively, compared with rates of growth of 1.79% in 2019 and 0.4% in 2020). Interest rates charged for bank loans varies over time in line with the ECB's official interest rates, topping 5% in 2000, 2007-2008 and 2023-2024 and dipping below 2% in 2020 and 2021. The depreciation rate was around 8.5% until 2011, since when it has risen to a steady 10%, suggesting a shift in the

“ The user cost of capital exhibits considerable variability over time, ranging from 10% to 27%, due mainly to volatility in the price of capital assets. ”

Exhibit 1

Estimated unit cost of using capital for an annual period for NFCs in Spain cp_K and its components

Figures stated as percentages



Note: Cost per unit of capital service, $cp_K = \left(\frac{R - \rho_K}{1-u} + \delta\right) p_K$. *Cost per euro invested,* $c = \left(\frac{R - \rho_K}{1-u} + \delta\right)$. *Depreciation,* δ. *Real financial cost,* $\frac{R - \rho_K}{1-u}$. *Change in the price of capital,* p_K. *Borrowing cost, component of* R. *Definition:* R *= Interest rate on new bank loans provided to NFCs (annual average) + a constant economic risk premium of 3 percentage points. Source: Bank of Spain.* p_K*= The gross fixed capital formation (GFCF) deflator for the Spanish economy as a whole. Source: Bank of Spain.* p_K*= Annual rate of change in the GFCF deflator.* δ *= Capital consumption for the year per euro of operating capital stock adjusted for embodied technological progress. Source: Author's own elaboration (Salas Fumás, 2025a, b).*
Source: Author's own elaboration.

composition of the corporations' stock of assets to a shorter average useful productive life.

Geoeconomic and geopolitical turbulence in recent years likely raised risk premia, suggesting that the unusually low user cost of capital recorded in 2021 and 2022 may not fully reflect underlying financing conditions and would have been closer to the levels observed before and after that period.

NFC profit and loss statement

Exhibit 2 depicts the trend in the main items of the Spanish NFCs' profit and loss statement between 2000 and 2024, using headings shown in the right-hand column of Table 1.

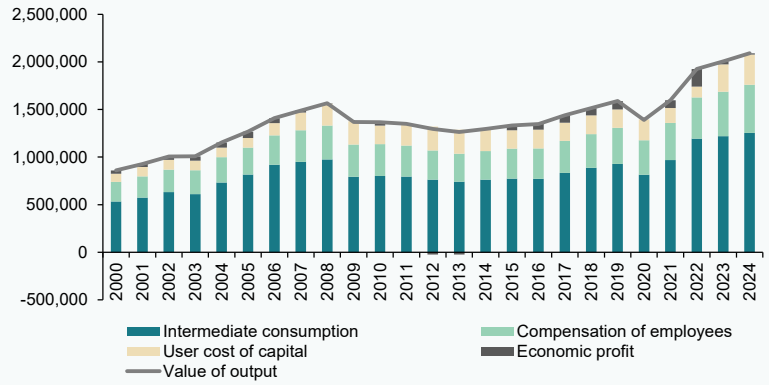
The value in current euros of the production of goods and services in Spain initially increased between 2000 and 2008, going on to contract until 2013, before embarking on a period of recovery interrupted by the economic fallout from the COVID-19 pandemic. The value of output in 2000, in current euros, was 0.86 trillion euros. In 2008, the end of the first growth cycle, the value of output, 1.57 trillion current euros, was nearly double that of 2000. In the five years between 2009 and 2013, gross output trended lower, ending that period at 1.26 trillion euros. From 2014, the value of output began to climb again and, having surmounted the adversity implied by the pandemic, amounted to more than 2 trillion current euros in 2024.

Until 2007, the cost of intermediate consumption grew faster than the value of output. The opposite was the case between 2008 and 2020, when intermediate consumption lost share in gross output, from 62% to 58%. Employee compensation, with the exception of 2020, has been relatively stable at around 24% of gross output. After 2020, intermediate consumption over gross output once again increased to 60%.

Exhibit 2

Annual profit and loss statement for the NFC sector in Spain, 2000-2024

Million euros



Sources: Author's own elaboration based on INE data. Value of output, compensation of employees and intermediate consumption taken from the NFC sector annual financial statements published by the INE. Cost of capital calculated as the product of the unit cost of capital (Table 1) and the Spanish NFC sector's stock of operating capital, taken from Salas Fumás (2025a).

On average, throughout the entire period, the user cost of capital accounts for 13% of gross output, albeit varying considerably over time. In 2000, the user cost of capital totalled over 86 billion current euros, equivalent to 10% of the value of output, where it held steady until 2006. From 2007 on, the user cost of capital increased by proportionately more than gross output, peaking at 20% in 2013 (254.5 billion euros of imputed cost in absolute terms). Between 2014 and 2019, its share of gross output trended back down, to 12% in 2019. With the disruption caused during and after the pandemic, in 2024, the user cost of capital reached its highest level in absolute terms, at 317.3 billion current euros, 15% of the value of output that year.

Economic profits are modest in relative terms, albeit positive on average, at 3% of output or revenue. Expressed as margins, economic profits also vary over time: from a steady 4% – 5% until 2008, they headed towards or below zero between 2009 and 2013, recovering to pre-financial crisis levels between 2014 and 2019. During and right after the pandemic, economic profits were more erratic relative to revenue, marked by the episode of sharp inflation, and were close to zero in 2024.

The sum of the user cost of capital and economic profit yields the gross operating surplus, which is equivalent to accounting profit before depreciation charges. The gross accounting surplus averages 16% of output over the period analysed (14% until 2007 and 17% in 2008). The relative stability in accounting profit over output in the NFC sector masks uneven trends in its two components: the user or opportunity cost of capital and economic profit. This implies a loss of informational content compared to the insight gleaned by

> "The relative stability in accounting profit over output in the NFC sector masks uneven trends in its two components: the user or opportunity cost of capital and economic profit."

separating accounting profit into the user cost of capital and economic profit.

Breakdown of the profit and loss statement: "Buy" or "make"

The value of NFC output is made up of intermediate consumption and its complement, gross value added. The latter in turn includes employee compensation, the user cost of capital and economic profit (or loss). Intermediate consumption denotes the costs incurred by the NFCs to purchase the goods and services used in their production processes from the market (including imports from abroad). The value added —the difference between the value of the Spanish NFC sector's output and the value of the resources purchased from the market— represents the increase in the value of the inputs purchased from outside the firm created by transforming them using labour services (direct and indirect) and capital services. Corporations decide whether to buy more and reduce the value added through internal production, or vice versa, produce more in-house and buy less from the market, implying a more, in the case of the former, or less vertically integrated NFC sector in Spain, in the case of the latter.

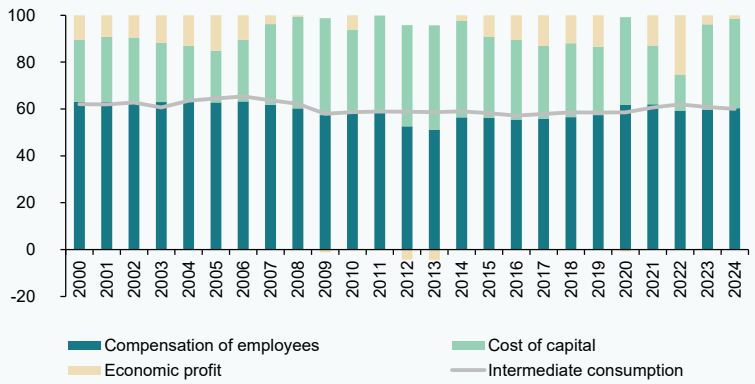
Exhibit 3 shows the share of intermediation consumption over the value of output over the period analysed and the composition of gross value added in terms of the relative shares of employee compensation, user cost of capital and economic profit. Between 2000 and 2006, intermediate consumption's share of output increased from 62% to 65.4%. Therefore, during those years, the sector bought relatively more and made relatively less. From 2007 on, the share of intermediate consumption fell and that of value added increased: the NFCs bought fewer intermediate goods and services from outside and replaced them with internal production. As a result, the share of intermediate consumption decreased from 65.4% in 2006 to 59% in 2009. since when it has barely budged with the exception of the year of the pandemic when the share of intermediate consumption increased briefly.

The shift towards making more and buying less coincided with a change in the composition of gross value added, marked by a higher weight of the cost of capital and lower weight of employee compensation, from 63% in 2000-2006 to 56% in 2013 and beyond. The share of employee compensation in gross output, however, has been remarkably steady

Exhibit 3

Decomposition of NFC gross value added between employee compensation, the cost of capital and economic profit (bars) and the share of intermediate consumption over the value output (line)

Percentage



Source: Author's own elaboration based on Exhibit 1.

at around 24%. The difference between the share of employee compensation in output relative to value added suggests a bias in the make-or-buy shift: the products and services made by the sector as a result of this shift are more capital intensive than those produced in the past. [3]

The conclusion, necessarily tentative, of the findings this far can be summed up as follows: In 2006, the cost of capital increased on the back of the increase in the ECB's interest rates in response to underlying inflationary pressure. Expectations shifted. The outlook was for slower growth in demand and production. In 2008, the international financial crisis not only weighed on growth but drove it into negative territory; demand, output and employment contracted, as did utilisation of the productive capacity accumulated during the prior period of growth. The deflation of the prices of capital goods during the debt crisis increased the opportunity cost of capital and some of the capital stock was withdrawn. However, in parallel, the Spanish NFCs attempted to increase utilisation of available productive capacity by replacing purchases with manufacturing and, within manufacturing, prioritising relatively capital-intensive goods and services.

Economic profits and investment

The theory

Corporations select their desired stock of productive capital at any point in time with a view to maximising their economic value (maximising the discounted present value of the cash flows generated by the sale of the goods and services they produce to the market). The optimal or desired stock depends on exogenous factors such as market conditions, technology and decision-maker information. Adjustment costs explain why the differences between the current and desired stock are not eliminated immediately but rather gradually via annual investment flows.

Theoretically, the speed of adjustment between the current and desired stock is determined as the equilibrium between minimising the adjustment costs and minimising the loss of opportunity attributable to a stock of capital other than the desired level. Investment theory (Tobin, 1969) establishes a positive linear correlation between the rate of investment and the ratio between the economic value of an additional unit of capital and its replacement cost (marginal q). Given that the marginal q is not observable, the empirical literature tends to use the average q as a working proxy (Hayashi, 1982). Since in our case we do not have either the marginal or the average q, the proxy used for the incentive to invest is the relationship between the rate of operating profit (return on operational assets) and user cost per unit of capital. When the return is higher than the cost, a firm is motivated to add capacity as this would add value, the more so the bigger the difference. To the contrary, if profitability is equal to or less than the cost, the decision consistent with the theory of investment would be to maintain capacity (when they are equal) or reduce it.

Profitability, user cost and investment rate for the NFC sector on aggregate between 2000 and 2004 are shown in Exhibit 4. The gross return on operating capital is defined as the ratio between the annual gross operating surplus and operating assets valued at current replacement prices at the end of the year. User cost of capital is the real opportunity cost per euro of capital at replacement prices, c (Exhibit 1). The net investment rate is equal to the difference between gross capital formation and capital consumption in current euros, divided by the stock of operating assets in current euros.

> "The return on capital remains below 2019 levels and the cost of capital has come under pressure via a risk premium altered by economic and political tensions."

> “The average economic profit margin over gross output should not necessarily be interpreted as evidence of extraordinary windfalls or insufficient competition in the NFC sector as a whole in Spain, but rather as an indication of the economic costs associated with the accumulation of productive capital, when positive.”

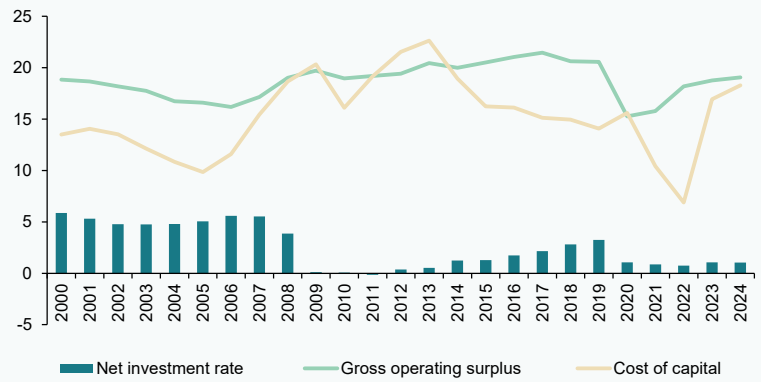
Between 2000 and 2007, the return on capital was well above the cost of capital and the net investment rate reached 5% per annum (close to the pace at which the stock of capital services increased). Between 2009 and 2013, the return on and cost of capital were virtually the same, the incentives to add capacity disappeared and the net investment rate was virtually zero. The incentive to increase productive capacity returned between 2014 and 2019, and the net investment rate trended upward over the years. The pandemic interrupted that growth, causing the net investment rate to decline. It has remained very low until the end of the period. This evidences the lag in the recovery in corporate investment in recent years relative to the rebound in growth and employment. The explanation for this lag according to Exhibit 4 is the lack of an incentive to invest: the return on capital remains below 2019 levels and the cost of capital has come under pressure via a risk premium altered by economic and political tensions.

Exhibit 4 evidences the limitations of using the return on capital calculated using accounting profit, instead of economic profit, as a measure for the incentive to invest. In the years prior to 2007, accounting profit trended lower while the net investment rate remained at a high; between 2009 and 2013, on the other hand, accounting profit increased while the net investment rate remained at close to zero. The incentives to invest that accompanied the growth in the rate of investment between 2014 and 2019 came from a drop in the user cost of capital, as profitability remained virtually flat. The lack of economic incentives, with

Exhibit 4

Incentive to invest (difference between profitability and cost of capital) and rate of net investment in fixed operating assets. NFC sector in Spain

Values stated as percentages



Source: Author's own elaboration.

profitability still below pre-pandemic levels and a volatile cost of capital could explain why corporate investment is lagging the recovery in growth and employment since the health crisis. [4]

Investment theory assuming increasing adjustment costs implies the need for positive economic profits even in competitive markets as those profits are needed to offset the costs associated with the gradual adjustment of the stock of capital. The economic profit estimated in this paper does not explicitly factor in adjustment costs, thus the positive margins observed during the periods of positive net investment can be interpreted as necessary to offset those costs. In this sense, the average economic profit margin over gross output, of around 3% between 2000 and 2024, should not necessarily be interpreted as evidence of extraordinary windfalls or insufficient competition in the NFC sector as a whole in Spain, but rather as an indication of the economic costs associated with the accumulation of productive capital, when positive.

Conclusions and implications

This paper provides new information about the earnings performance of the NFCs that produce goods and services in Spain for sale in the market. The profit and loss statement drawn up aims to answer certain questions about the trend in economic profits in the NFC sector and find a plausible explanation for the trend in corporate investment. Economic profit calculations are not automatic, requiring the estimation of the user cost of capital, a variable of interest in its own right as a price estimate for an important production input. The profit and loss statement was elaborated in the paper starting from the value of output rather than value added, as is more common, allowing for an assessment of the effects of the corporations' decisions to "buy" (more intermediate consumption) or "make" (more value added) through the composition of the value of output. Our analysis detects a shift, from 2009 on, towards make over buy, evidenced by an increase in the share of gross value added in NFC output in Spain from that year, presumably substituting national production for imports.

Evidence presented for 2000-2024 also reveals a trend in the net rate of investment in capital that is, in general terms, aligned with what the economic models explaining corporate investment would predict. Episodes of greater net investment coincide with periods in which the return on capital is clearly above the cost of using it, whereas the periods of stagnation or contraction in the stock of capital coincide with periods of slim or nil economic profit. The results suggest that the weakness in corporate investment since the global financial crisis —and more recently in the post-pandemic period— reflects relatively weak incentives to invest, once the user cost of capital and higher risk premia during periods of macroeconomic uncertainty, inflation, and financial volatility are taken into account. The decoupling between the recovery in output and employment and the trend in aggregate NFC investment in Spain in recent years is not necessarily due to the existence of widespread financial restrictions or anomalous corporate conduct but rather an adjustment in the desired stock of capital consistent with the prevailing economic incentives in terms of the trade-off between profitability and the cost of capital.

From a structural perspective, the paper signals that the existence of positive economic profits is compatible with competitive markets in the presence of relevant adjustment costs. The estimated average economic profit margin for the NFC sector on aggregate of 3% over a period of 25 years should not be interpreted as evidence of extraordinary profits or insufficient competition, but rather the buffer needed to offset the costs associated with the gradual adjustment of productive capacity.

The paper's findings underline the importance of the user cost of capital as a key determinant of corporate investment. The policies that affect this cost, including monetary policy, how capital is taxed, depreciation schedules and investment incentives, may have a significant impact on the accumulation of capital, even in the absence of substantial changes in corporations' accounting profitability.

Secondly, the analysis suggests that the traditional indicators based on accounting profits provide an incomplete signal of the incentives to invest. To study investment over cycles and diagnose its key drivers, it is important to complement these metrics with measures of economic profits that factor in the opportunity cost of capital.

Thirdly, the results highlight the role of macroeconomic uncertainty and risk premiums. Episodes of high inflation, financial volatility and geopolitical uncertainty can increase the cost of capital and weaken the incentive to invest, even when apparent profitability is high. In this context, all of the factors that contribute to macroeconomic stability (economic policy credibility, regulatory visibility, *etc.*) can have a two-fold influence on investment: by impacting both profitability and the cost of capital.

Lastly, the results urge caution when interpreting corporate profits from the standpoint of competition. On the one hand, the mark-up and accounting profit are not sufficient indicators of market power as they do not consider the user cost of capital. On the other hand, given adjustment costs, the existence of positive economic profit margins may indicate the need to finance the adjustment in productive capacity and not necessarily the existence of excessive market power.

The paper has limitations that should be taken into consideration in appraising specific findings. The aggregate data impede recognition of the heterogeneity of the business ecosystem. The cost of capital and economic profit estimations need being complemented by robust analysis of the underlying assumptions (for example, measurement of the risk premium, rate of capital depreciation, taxation, *etc.*). It would be preferable to expand the analysis to separate out the price and quantity effects in the composition of the profit and loss statement, which for this paper have been taken together.

Notes

[1] Some are expressly mentioned in the reasons provided in justifying the creation of the Business Margins Observatory (OME for its acronym in Spanish) in 2022 https://www.observatoriomargenes.es/wme/es/

[2] The contents of this paper are based on a more in-depth paper by the same author on business profits in Spain since joining the euro (Salas Fumás, 2025a).

[3] The observed or estimated amounts of revenue and costs are the result of aggregating the individual production decisions of each corporation in order to maximise its economic profit. Albeit of great interest, this paper does not correlate the observed values with the exogenous technology, demand and market demand parameters that explain them as equilibrium values. Karabarbounis (2024) establishes this formal correlation to explain the trend in the compensation of employees in gross value added across developed economies.

[4] If the analysis is widened to factor in gross investment as well as net investment, we see that in 2019, the gross investment rate was similar to that of 2007, whereas the net investment rate in 2019, of 3%, was below that of 2007, of 5%. The fact that the net investment rate was lower in 2019 than in 2007 while the gross investment rate was similar is explained by the difference in capital depreciation rates, which have trended higher throughout the period analysed. The higher depreciation rate suggests changes in the composition of the non-financial assets on the NFCs' balance sheet, from a longer average useful life (slower depreciation) to a shorter one (faster depreciation).

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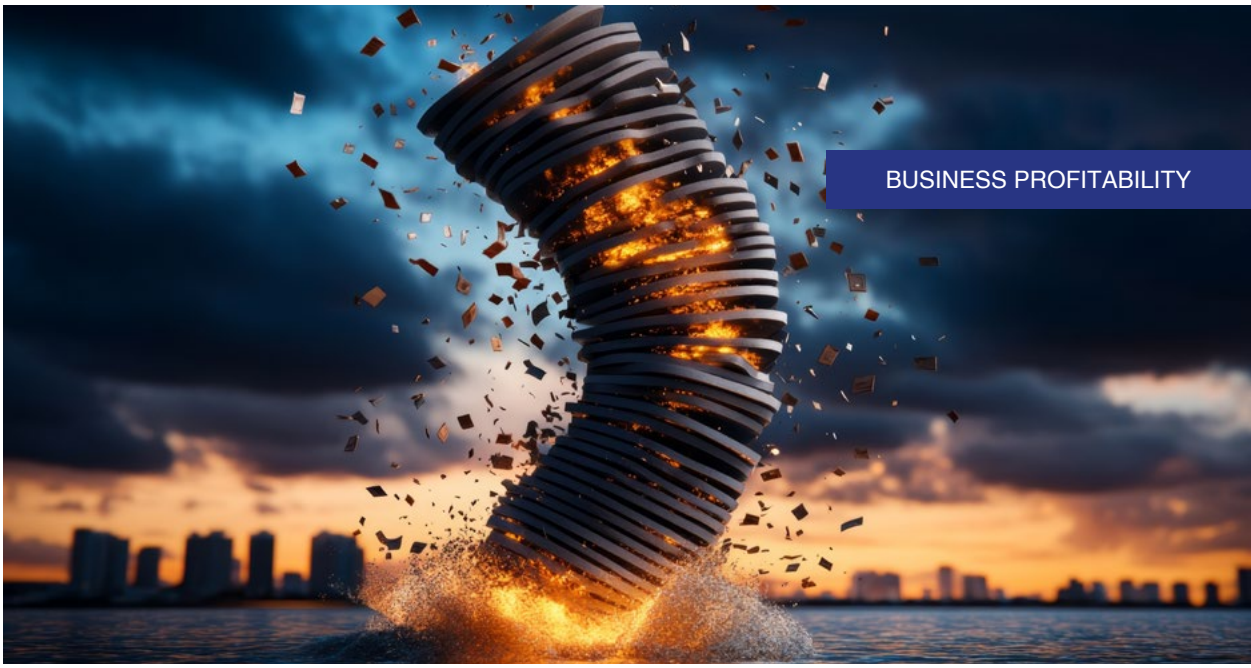


The drivers of business profitability in Spain: Size, sector and regional dynamics

Spanish business profitability has recovered to pre-crisis levels in line with the economic cycle, but remains deeply uneven across firms, sectors, and regions. Differences in productivity, firm size, and exposure to competition are some of the factors that explain the disparities in profitability levels.

Joaquín Maudos

Abstract: Spanish business profitability follows a clearly procyclical pattern, with the average return on investment reaching 6.7% in 2024, matching levels last observed in 2008 after more than a decade marked by crisis-related volatility. Beneath this aggregate recovery, however, profitability remains highly uneven across sectors, regions, and firm sizes, reflecting persistent differences in productivity, capital intensity, exposure to competition, and business strategies. Microenterprises—accounting for nearly 90% of firms with employees—continue to post the weakest returns, consistent with their pronounced productivity gap, while medium-sized firms currently outperform both small and large enterprises. Sectoral disparities are likewise substantial and persistent over time, with information and communication, electricity, and distributive trade at the upper end of the profitability distribution, and real estate and primary activities at the lower end. Regional differences are largely shaped by productive specialization and business demographics, illustrating how structural features of local economies condition firms' ability to generate profits. Given the central role of profitability in ensuring business

> “Up until 2024, the economy has been clearly recovering, allowing business profitability to revisit the levels seen in 2008.”

viability, supporting investment, and sustaining employment and public revenues, the evidence underscores the need for public policies that foster productivity growth—through stable and efficient regulation, incentives for reinvestment, and investment in human capital, technology, and intangible assets.

Foreword

For any economy to perform well, its productive structure needs to be populated by profitable companies. Only profit-making companies can grow (reinvesting their profits) and innovate, unlocking productivity gains and enabling them to compete in the marketplace. Profitability is also an enabler of job creation and better pay and helps sustain the welfare state by lifting public revenue.

In contrast, if the business ecosystem is populated by scantly profitable firms, it is less resilient to adverse shocks, if nothing else because unprofitable companies are unable to shore up their own funds, which exist precisely to cover unanticipated losses. If profits are slim, the ability to invest and, by extension, grow is jeopardised.

For all of these reasons, it is important to analyse business profitability, which reflects the efficiency with which companies use their inputs, providing an indicator of financial stability and the quality of their business models. To achieve the required profitability threshold, it is important to create a conducive climate, marked by adequate regulatory frameworks, institutional stability and productivity-friendly policies. Only in this manner will economic growth be sustainable, supported by profitable firms.

Against this backdrop, the goal of this paper is to analyse the profitability of the Spanish business ecosystem from different perspectives: over time, by sector, by region and by company size. This multidimensional analysis is possible thanks to the wealth of information provided by the Bank of Spain’s BExplora database, whose statistics run until 2024. Specifically, it provides information for the non-financial private sector since 2008 by region and province for 12 sectors of the economy and four company size categories (micro, small, medium and large). [1] The analysis of the differences in profitability associated with business size is of particular interest, underlining the importance of size-driven productivity differences.

Profitability and the economic cycle

Business profitability is closely and consistently correlated to the economic cycle. During years of growth, the boom in demand and improvement in consumer and investor confidence allows businesses to make better use of their installed capacity and helps drive down unit costs (leveraging potential economies of scale), which translates into higher profits and margins. In contrast, during years of contraction, demand shrinks and confidence deteriorates in the face of greater uncertainty, translating into lower revenue and higher unit costs and exerting downward pressure on profits and margins. These transmission mechanisms explain why profitability is procyclical, while also fuelling a vicious circle which feeds the cycle: higher profits translate into higher investment and employment, feeding the expansion, whereas scarce profits or losses lead to job losses and make it impossible to invest, accentuating the contraction.

Exhibit 1 illustrates this clear correlation between business profitability and the economic cycle in Spain. In the year the Great Recession broke out, 2008, the Spanish economy reported a healthy return on investment of 6.7%, going on to hit a trough of 3.9% in 2012 (the year in which Spain had to

Exhibit 1

Trend in the ordinary return on investment

Percentage

Source: Bank of Spain.

ask for a bailout for its banks from Europe). From there, profitability embarked on a slow recovery until 2019, when it reached 5.8%. In 2020, the economic crisis unleashed by the COVID-19 pandemic triggered a contraction of 10.9%, pushing profitability down to 3.9%, similar to the 2012 figure. Since then, up until 2024, the economy has been clearly recovering, allowing business profitability to revisit the levels seen in 2008 (6.7%). [2]

Profitability differences by sector

The economic cycle does not have the same impact on all areas of activity, affecting the various levels of profitability recorded by the various productive sectors. Some sectors, such as construction and activities exposed to certain types of consumption, tend to be more cyclical, so that their profitability fluctuates with greater intensity and marks bigger differences between the peak and trough of the cycle. Other more strategic sectors (energy, food and certain basic services, for example) are more stable throughout the cycle, spelling more stable profitability. However, irrespective of the effect of the economic cycle, there are structural factors (such as the intensity with which capital and labour are used, the risk assumed by each sector via exposure to business volatility, the degree of competition and the level of openness to international markets) that affect the level of profitability a sector can aspire to.

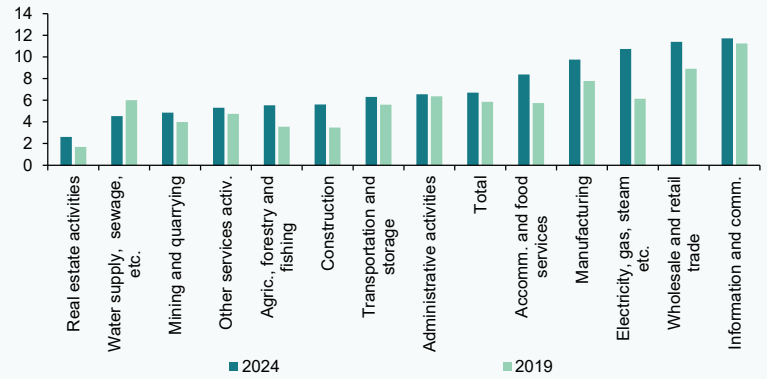
As shown in Exhibit 2, regardless of the year analysed, there are marked differences in profitability across sectors. Focusing on 2024 (the most recent year for which these figures are available), profitability ranges from a low of 2.6% (which is less than half of the average) in real estate activities to a high of 11.7% in the information and communication sector, so that the highest value is nearly five times the lowest. Profitability is also notably high in the wholesale and retail trade sector (11.4%)

> “Focusing on 2024, profitability by sector ranges from a low of 2.6% (which is less than half of the average) in real estate activities to a high of 11.7% in the information and communication sector.”

Exhibit 2

Business profitability differences by sector: 2019 and 2024

Percentage



Source: Bank of Spain.

and the electricity sector (10.7%). Compared to 2019 (the year before the onset of the pandemic), there are some differences in the ranking but the same sectors lie at either extreme. In general, irrespective of the year analysed, certain sectors rank consistently in the top part of the ranking, including information and communication, electricity and the distributive trade. The same is true of the bottom end, where the real estate activities and primary sectors are regulars.

The comparison between 2024 and 2019 indicates that except for one sector (water supply and sewage), profitability has increased across the board, with the electricity sector standing out for its 4.6 pp increase.

Profitability and size

One aspect of profitability of particular analytical interest is the relationship between profitability and company size. Specific factors explain the positive correlation, including the differences in unit costs associated with size, the capacity to innovate and the quality of the human capital used. For these reasons, larger companies tend to present higher profitability levels, exhibiting their ability to leverage economies of scale, higher observed productivity levels, access to financing on more attractive terms and capacity to diversify into new markets and products, mitigating risk. In contrast, smaller companies tend to bear more onerous financial conditions, cannot unlock economies of scale, have less negotiating power with suppliers and are less productive. However, within the SME universe, it is important to distinguish again by size, as micro enterprises tend to pose the lowest profit levels, among other things because they are the least productive.

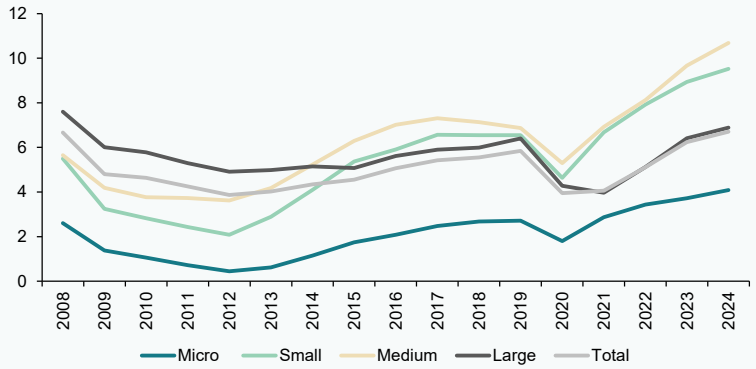
As shown in Exhibit 3, the differences in profitability by company size are significant regardless of the year analysed. The micro enterprises (those with fewer than 10 employees, which in Spain account for 89% of all companies with employees) are by far the least profitable; the differences are

> “Micro enterprises, which in Spain account for 89% of all companies with employees, are by far the least profitable.”

Exhibit 3

Business profitability differences by company size

Percentage



Source: Bank of Spain.

narrower across the rest of size categories. There is no linear correlation between size and profitability, although this condition does hold between 2008 and 2013 (profitability increases moving from one size category to the next one up). Since then, the medium-sized enterprises have been the most profitable, albeit only marginally more profitable than the small businesses. The large enterprises lost their profitability leadership in 2013 and the gap has been widening in recent years. In 2024, the return on investment at the large enterprises was 6.9%, compared to 9.5% at small businesses and 10.7% at the medium-sized firms. Among micro enterprises, profitability that year was just 4.1%.

The fact that the largest companies are reporting lower profitability levels than the smaller companies (other than the micro enterprises) may be attributable to several factors. Firstly, the larger companies tend to be more focused on international markets, where competition is usually more intense, translating into tighter margins. Secondly, many large corporations strategically seek high sales volumes and global market shares, sacrificing profits and margins to a degree. The higher costs associated with international expansion derived from logistics, compliance efforts spanning multiple jurisdictions and organisational complexity may also influence their lower profitability; they are also more exposed to external factors such as exchange rate fluctuations and geopolitical uncertainty. The impact of these factors may vary by sector but help explain why certain larger companies report lower profitability levels than their smaller counterparts.

Productivity: Size matters

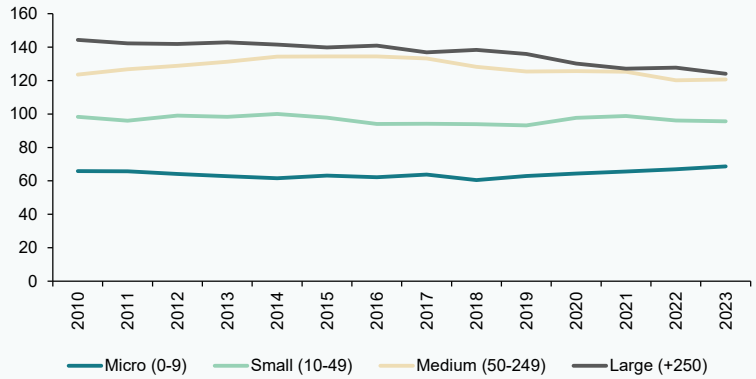
As already noted, productivity is a clear but not the only determinant of profitability. As a result, the productivity ranking need not necessarily imitate the profitability ranking.

> “Regardless of the year analysed, there is a positive and continuous correlation between size and productivity moving from one size category to the next.”

Exhibit 4

GVA per employee in the non-financial private sector

Total economy = 100



Note: SBS data available for sections B to N and Division S95 of NACE Rev. 2, excluding sector K.
Source: Eurostat (Structural Business Statistics, SBS).

What the Spanish case tells us is that company size is crucial in explaining productivity differences among companies. This is borne out by Exhibit 4, which depicts GVA per employee for the entire non-financial private sector and by company size. In this case, regardless of the year analysed, there is a positive and continuous correlation between size and productivity moving from one size category to the next. Looking at 2023 (the most recent year for which this variable is available), labour productivity at the large enterprises is 24% above the average. At the medium-sized companies it is also 21% higher but at the small and micro enterprises, productivity is 4.4% and 31.3% below the average, respectively. These are sizeable differences that persist throughout time.

Profitability differences by region

We have seen that there are substantial differences in business profitability levels from one sector to another. It is important to remember this when interpreting the profitability differences by region, which are largely explained by the various productive structures characterising each region, although business demographics also play a role (for example, the higher the share of micro enterprises, the lower the region's likely profitability mark). It is therefore logical for the regions more specialised in the more profitable sectors (those that use capital, technology and knowledge more intensely, which are more productive and better positioned to leverage economies of scale) to post higher profitability levels. In contrast, the regions where the less productive sectors are relatively more important are bound to be less profitable. In addition, as already noted, each sector tends to perform differently with respect to the economic cycle, similarly affecting regional profitability differences. Overall, productive specialisation conditions businesses' ability to generate profits and may explain a substantial part of the regional differences in profitability.

Focusing on the most recent statistics for 2024, we again see important differences in average business profitability levels by region (Exhibit 5). Compared to the national average of 6.7%, businesses in Asturias present an average rate of just 3.8%, compared to 8.4% in Castile & Leon. Average regional business profitability is also above the 8% mark in Navarre and Extremadura. The Madrid figure is a surprisingly low 5.9%. This may be attributable to the relatively high weight in its economy of the services sector, specifically administrative, real estate and professional services, among others, relative to higher

> “There are substantial differences in business profitability levels from one region to another.”

margin sectors. The high business density encountered in Madrid also depicts a more competitive market, which translates into lower margins.

Key messages and takeaways

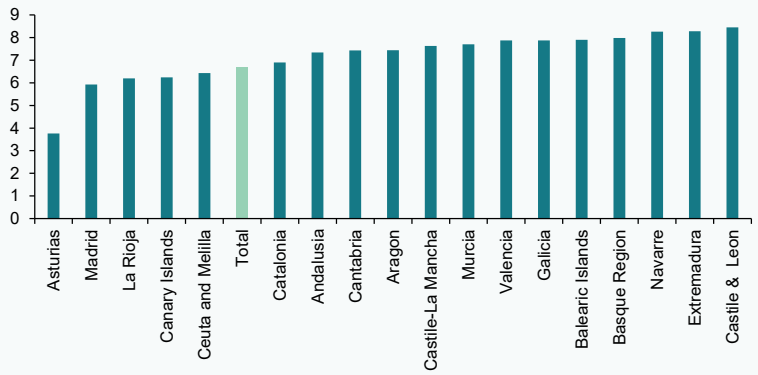
a) Business profitability performs in a clearly procyclical manner. The Spanish experience empirically confirms this correlation, borne out by a return on investment in 2024 (a year of clear growth) of 6.7%, which is similar to that observed in 2008 and well above the trough of 3.9% recorded during the worst years of crisis (2012 and 2020).

b) The economic cycle has an uneven impact on business profitability, varying significantly by sector. The more cyclical activities, such as construction and certain classes of consumer goods, present bigger profitability swings from cycle peak to trough, whereas profitability in more strategic or basic sectors is relatively stable. Beyond the cycle, structural factors such as capital intensity, business volatility (and therefore risk), competition intensity and openness to international markets shape sector profitability levels. The data show that these differences are persistent over time: some sectors rank systematically towards the top of the table, with others featuring consistently towards the bottom. In 2024, sector profitability ranged from very low levels in real estate activities to high percentages in information and communication, energy and the distributive trade.

c) The differences in profitability by company size are substantial irrespective of the year analysed. The micro enterprises are by far the least profitable, with the differences narrower across the other size categories. A linear correlation does not exist between size and profitability: although this condition holds between 2008 and 2013, since then, the medium-sized companies

Exhibit 5 **Business profitability differences by Spanish region, 2024**

Percentage



Source: Bank of Spain.

have been the most profitable, albeit not much more so than the small businesses. In 2024, profitability across large enterprises averaged 6.9%, compared to 9.5% for the small businesses and 10.7% at the medium-sized companies. Among micro enterprises, profitability that year was just 4.1%. Lower average profitability in the cohort of large firms compared to the SME universe may be attributable to several factors, including their orientation towards international markets, bringing greater exposure to competition, and/or different business strategies (based more on volume than profitability).

d) One factor that clearly affects business profitability is productivity. The Spanish evidence conclusively demonstrates the importance of size on productivity. The low productivity of the micro enterprises (which represent 89% of the population of businesses with employees), which in turn shapes their low profitability, stands out.

e) There are marked differences in business profitability by region, affected by productive specialisation and differential business demographics.

In addition to these messages gleaned from the empirical evidence provided, it is important to underscore the value of having a competitive and profitable business ecosystem, profits being a prerequisite for company viability. Thus, the authorities need to design economic policies that help companies be profitable, taking action around the factors that shape productivity and growth. That means creating an efficient and stable regulatory environment that reduces uncertainty and designing taxation to stimulate the reinvestment of profits and innovation. Productivity also remains a critical factor and can be enhanced by addressing its key determinants, including investment in intangible assets—central to digitalisation—as well as training and the adoption of new technologies.

Notes

[1] The ordinary return on investment (our proxy for profitability) is defined as the ratio between ordinary net profit plus financial costs and net assets (equity + interest-bearing borrowings). Ordinary net profit is defined as gross value added less personnel costs plus financial income less financial costs less net depreciation and operating provisions.

[2] The trend in the return on investment is similar to the pattern in the corporate mark-up, expressed as gross operating surplus over revenue, set down in the Bank of Spain report (2025).

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AI's impact on productivity and market dynamics

Artificial intelligence promises major efficiency gains but may also reinforce industrial concentration, labour market polarization, and stock market overvaluation. The current AI-driven market boom raises questions about the growing disconnect between technological expectations and real-economy fundamentals.

Funcas Finance and Digitalization Area

Abstract: Artificial intelligence is emerging as a structural force with heterogeneous effects on productivity, employment, and stock market valuation. Estimates suggest a potential global GDP increase of around 14% by 2030, yet productivity gains remain limited by slow diffusion, uneven adoption, and organizational frictions, with most firms still failing to extract measurable returns from AI investment. At the same time, AI tends to reinforce industrial concentration and labour market polarization, as exposure to automation varies sharply across occupations and countries. Financial markets have moved far faster than the real economy: As of 2025, seven companies account for 35% of S&P 500 capitalization, and equity valuations have reached levels close to historic extremes. This divergence reflects strong expectations of future AI-driven profitability, amplified by abundant global liquidity and speculative dynamics. Whether current valuations can be sustained will depend on the timing and magnitude of realized productivity gains, as well as on how AI reshapes competition, capital allocation, and income distribution.

Introduction

Artificial intelligence (AI) has emerged in the last decade as a disruptive technology with profound economic implications. Its

> “AI, as a general-purpose technology, could automate a large fraction of tasks in almost all sectors, greatly increasing efficiency.”

rapid advancement—exemplified by deep learning systems and generative tools such as large language models—has generated both excitement and concern. On the one hand, AI is expected to boost productivity, accelerate global growth, and increase incomes, just as other widespread technologies (electricity, computing, the internet) did in their time. But on the other hand, there are fears that it could replace jobs and deepen economic and social inequalities. The net impact is difficult to predict, as AI will be deployed in complex ways across the economy. Even so, there is consensus that we are facing a new technological revolution with potentially transformative macroeconomic effects.

Currently, the "fever" for AI is evident in both business investment and financial markets. The rapid spread of applications such as ChatGPT since 2022 has popularized the debate on the automation of cognitive tasks, not just manual or routine ones. Companies in multiple sectors are experimenting with AI to optimize processes, improve decision-making, or reduce costs. At the same time, investors have raised the valuations of AI-related technology companies to historically high levels, anticipating extraordinary future profits. This situation raises the paradox of a real economy that does not yet fully reflect the promises of AI, compared to markets that act as if the productive future were already guaranteed. This article rigorously but accessibly analyzes the implications of AI in four interrelated economic dimensions: productivity and growth; employment and inequality (including industrial concentration); and the relationship between AI and financial markets, particularly the possibility of overvaluation disconnected from the real economy.

Impact on productivity and growth

One of the main channels through which AI can transform the macroeconomy is productivity. Productivity—the amount of output obtained per unit of factor, whether labor or capital—is the fundamental driver of long-term economic growth and improved living standards. However, in recent decades, productivity has grown at a disappointingly low rate in many advanced economies. For example, in the United Kingdom, France, Italy, and Spain, the cumulative rate of change in total factor productivity between 2013 and 2019 was below 2.5%. This phenomenon has led some economists to wonder whether AI could be the innovation that revives the rate of productivity growth. There are optimistic arguments that see AI as a technological change comparable to the steam engine or electricity, capable of generating significant increases in output per worker/unit of capital invested. These analyses point out that AI, as a general-purpose technology, could automate a large fraction of tasks in almost all sectors, greatly increasing efficiency. Unlike previous waves of automation focused on routine tasks, today's AI (especially generative AI) has the potential to complement or replace complex cognitive tasks, allowing many workers to devote more time to creative or higher value-added work. In the most promising scenario, this would lead not only to higher productivity, but also to a permanently higher growth rate, as AI drives innovation in scientific research, new product development, and continuous improvements in production processes.

> “The impact of AI on productivity is expected to be heterogeneous across countries.”

> "95% of companies do not see significant returns on their substantial investments in AI because they have not been able to effectively implement the models in their daily operations."

However, there is another line of analysis that is more cautious and suggests that the effects of AI on productivity could be gradual and modest. Acemoglu and Restrepo (2019) warned that many optimistic forecasts may overestimate the short-term impact. In fact, several reports have predicted that AI will boost economic growth by up to 5% per year in economies such as the United States, but Acemoglu (2024) points out that even revolutionary technologies of the past (such as electricity) took decades to become fully widespread. In any case, as Chaar *et al.* (2025) indicate in an OECD study, the impact of AI on productivity is expected to be heterogeneous across countries. In general, emerging economies risk benefiting less from AI due to the low incidence of knowledge-intensive services, where the gains from AI are mainly concentrated. Table 1 shows a compilation of GDP growth estimates compiled by PwC. A crucial factor in explaining why productivity does not yet fully reflect the rise of AI is the slow and uneven diffusion of these technologies in businesses. Although there has been an explosion of interest in generative AI since 2022-2023, the reality is that few companies have successfully integrated AI into their core business functions.

According to Nygaard *et al.* (2025), 95% of companies do not see significant returns on their substantial investments in AI because they have not been able to effectively implement the models in their daily operations. This study highlights the gap between technical potential and practical adoption: in information-intensive sectors such as finance and insurance, only about 10% of companies use generative AI, and even in the information technology sector, which is at the forefront of digitization, adoption was around 25% of companies by 2023.

Furthermore, according to the OECD (2024), in 2019 only 0.34% of the workforce had AI skills, reflecting the shortage of personnel trained to deploy these tools. All these indicators suggest that we are still in the early stages. It is also important to distinguish what type of AI applications are being implemented, as this determines their effect on productivity. Uses of AI that simply automate existing tasks can lead to incremental, sometimes disappointing, efficiency gains. Acemoglu and Restrepo (2019) call this "so-so automation": cases where a machine replaces a worker, but the increase in production is minimal. One example cited is self-checkout machines in supermarkets, which replace some cashiers but do not substantially reduce costs or prices (the customer does the employee's job, but the store does not sell more groceries as a result).

Similarly, the technological waves of the late 20th century (computing, the internet) eliminated routine administrative jobs, but created professions that did not previously exist (programmers, data analysts, network

> "The evidence suggests that the big leaps in productivity from AI are yet to come, and that achieving them will require reorganizing processes, training specialized human capital, and accumulating knowledge about how AI can transform business models."

Table 1 **Projected percentage increase in GDP by 2030 due to AI (by region)**

Region	Estimated GDP increase in 2030 (%)
World (average)	+14
China	+26
North America (U.S. and Canada)	+14.5
Europe and advanced Asian economies	~10
Emerging economies (*e.g.*, Latin America, Africa)	< 6

Source: PwC, "Sizing the Prize" (2017). Projected impact of AI on GDP compared to a scenario without AI.

technicians, *etc.*). The creation of new tasks was the mechanism that sustained employment and wage growth for much of the 20th century. With AI, new jobs will be created, but whether this will significantly replace previous jobs is more doubtful. According to the OECD, macro data could continue to show mediocre growth of around 1% per year in the productivity of advanced economies, prolonging the recent trend.

In the alternative, more optimistic scenario, AI is adopted in a more complementary way, freeing workers from certain tasks and pushing them toward creative, problem-solving, or high-value human interaction tasks. Under this scenario, AI would truly become the catalyst for a new productive revolution, in which, in addition to doing the same things faster, entirely new things would be done. It is plausible that reality contains elements of both paths. For now, the evidence suggests that the big leaps in productivity from AI are yet to come, and that achieving them will require reorganizing processes, training specialized human capital, and accumulating knowledge about how AI can transform business models.

Employment, inequality, and industrial concentration

The impact of AI on the labor market is the subject of intense debate. Unlike previous automations focused on manual or routine tasks, modern AI has the ability to also affect cognitive and highly skilled occupations, which broadens its disruptive reach. An analysis by the International Monetary Fund (2025) estimates that nearly 40% of global employment is exposed to AI in some way, a percentage that rises to 60% in advanced economies. This is because machine learning algorithms and generative systems can take on tasks that were previously performed by professionals, from writing text or code to analyzing medical images. However, exposure does not equate to complete replacement or dislocation: of the total number of jobs exposed, approximately half could benefit from AI as a complement (*i.e.*, AI tools would increase human worker productivity), while the other half corresponds to jobs where AI could perform a substantial portion of current tasks, reducing the need for human labor. In extreme cases, some of these jobs could disappear or be radically transformed if task automation reaches its limit. This duality explains how AI can simultaneously increase efficiency and displace jobs, depending on the type of tasks that predominate in each occupation.

Regarding technological unemployment figures, it is important to note that so far there has been no wave of mass layoffs attributable to AI. In fact, initial data suggest that at this early stage, AI may be creating as many or more jobs than it destroys. This indicates that many companies are hiring AI specialists, data engineers, or other professionals to implement and manage these new tools, offsetting cuts in other areas. However, these figures are still quite small. According to an OECD report (OECD, 2023), despite the rapid growth in demand for AI skills, online vacancies in advanced countries related

> "As long as performance improvements continue to be associated with larger and more expensive models, only corporations with multimillion-dollar budgets will be able to lead the technological frontier."

to AI accounted for less than 1% of all job offers in the period 2019-2022. This finding partly alleviates immediate fears of mass unemployment, but it does not guarantee that the balance will not tip toward net job losses in the future. Much will depend on the pace of adoption and the ability of technology to replace tasks entirely. Benchmark studies such as OpenAI (2023) have estimated that about 19% of workers have at least half of their tasks susceptible to automation by AI. However, it should also be noted that a job is more than the sum of individual tasks: it involves social skills, judgment, adaptability, and versatility. Therefore, having 50% of tasks "exposed" does not mean that the occupation will disappear, but rather that its tasks will evolve. The challenge lies in how job roles will be reconfigured: if AI takes over the routine part, workers can focus on the creative or relational aspects, making their work more productive; but if AI ends up taking over even the core tasks, the job could disappear.

From a historical perspective, the advent of AI reignites the old debate between techno-optimists (who believe that technology creates more jobs than it destroys) and techno-pessimists (who predict structural unemployment). AI could deepen this polarization, as it automates both routine and some non-routine tasks that previously protected mid-level professionals. This raises the risk of a widening gap between highly skilled workers (able to leverage AI) and the rest. As the IMF (2025) points out, AI is likely to increase income inequality in most scenarios if no action is taken: workers complemented by AI will see their productivity and wages rise, while those displaced or unable to adapt will see their incomes stagnate or fall. In addition, returns on capital could increase in companies that successfully adopt AI, disproportionately benefiting owners and shareholders (who are typically concentrated in the upper income strata). This set of factors suggests a trend toward greater income concentration: countries and individuals with more resources to invest in AI may reap most of the gains, widening existing gaps.

One area where the influence of AI is very palpable is in industrial structure and market competition. In recent decades, many advanced economies have experienced increased industrial concentration, meaning that a larger share of the market is captured by the leading companies in each sector. This phenomenon of "superstar companies" has coincided with the era of digitalization and globalization, during which companies such as Amazon, Google, and Microsoft have become dominant. The introduction of AI could further reinforce this trend if only a few players are able to exploit its full potential. In a plausible scenario, only the largest companies can afford the massive investment in computing and data required to develop advanced AI, giving them an insurmountable advantage over smaller competitors. Even today, training a state-of-the-art model requires enormous resources: for example, training the GPT-4 model costs around $100 million, and running it operationally involves around $700,000 per day in computing expenses. However, the example of DeepSeek, which has achieved performance similar to ChatGPT with only $5.6 million in development costs, could open the door to accelerated democratization of generative AI. [1] In any case, as long as performance improvements continue to be associated with larger and more expensive models, only corporations with multimillion-dollar budgets will be able to lead the technological frontier. The global technology sector is dominated by just six large companies, which not only lead innovation but also "buy out their competitors

> The high stock prices of technology companies suggest that the market is incorporating expectations of extraordinary future profits thanks to AI.

and limit innovation" by others. This non-creative concentration—where competition is eliminated through acquisitions—may lead to less dynamism in the long term, as dominant firms may lack incentives to fully deploy technologies that cannibalize their existing business models.

However, a future of greater technological concentration is not inevitable. Several analysts propose an alternative scenario in which AI is democratized. For example, the proliferation of open-source AI models (such as certain models released by Meta or academic communities) could allow medium-sized and even small companies to access cutting-edge AI tools without incurring the enormous costs of developing them from scratch. If this open ecosystem flourishes, many companies could implement AI tailored to their niche markets, reducing the gap between giants and entrepreneurs (IMF, 2025).

AI and financial overvaluation: Disconnect between the real economy and markets

The euphoria surrounding AI has not only permeated economic discourse but has also driven a spectacular *rally* in the stock markets, especially in technology stocks. Many investors, anticipating that AI will trigger huge increases in future profitability, have pushed the share prices of companies linked to this technology to very high levels. This has raised concerns about a possible "AI bubble" in financial markets, characterized by valuations that are disconnected from the current fundamentals of the real economy.

A glance at market indicators reflects this dynamic. By the end of 2025, iconic companies of the AI era had reached unprecedented market capitalizations: for example, Nvidia key manufacturer of chips for AI computing—briefly became the world's most valuable company, with a market value of around $4.5 trillion, surpassing even Apple and Microsoft (the latter two hovering around $3.9 trillion each). This company's market capitalization currently accounts for almost 4% of global GDP and 16% of U.S. GDP. [2] Historically, no company has ever had such a significant weight in the global and American economies. In addition, collectively, the 10 largest listed companies (almost all in the technology-digital sector) came to represent more than a third of the total value of the S&P 500 index, the highest level of stock market concentration in more than 60 years (Table 2). To put this phenomenon into perspective: Nvidia alone accounted for around 8% of the S&P 500, and the so-called Big Tech companies (Apple, Microsoft, Amazon, Alphabet/Google, Meta) plus a few associates (Tesla, Nvidia) formed the core of the market, accounting for most of the index's gains in 2023-2024. This

Table 2 **Combined share of the seven largest companies in the S&P 500 capitalization**

Year	Weight of the seven largest companies in the S&P 500 (%)
2015	12.3
2023	30.0
2025	35.0

Source: S&P 500 data (Reuters, 2025; The Motley Fool, 2025).

situation is reminiscent of other phases of irrational exuberance and raises the question of whether current prices can be sustained if reality ultimately fails to meet high expectations.

The "Magnificent Seven" (Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta, and Tesla) went from accounting for 12% of the index in 2015 to approximately one-third in 2023, reaching 35% in 2025 (Table 2), reflecting a market highly concentrated in a few winning companies of the digital age. In fact, the global capitalization of these seven companies has exceeded the aggregate GDP of the European Union. [3] This concentration implies greater market vulnerability: if only one or two of these leading stocks were to suffer a significant correction, they would drag down the entire index.

The high stock prices of technology companies suggest that the market is incorporating expectations of extraordinary future profits thanks to AI. However, these forecasts may clash with the reality of the productive economy, at least in the short and medium term. While stock prices soared in 2023-2024, the global economy faced modest growth and persistent uncertainties: episodes of inflation that forced interest rate hikes, cooling demand in several countries, and even heightened geopolitical risks. Normally, higher interest rates and signs of economic slowdown would put the brakes on the stock markets, but the effect of AI has counteracted these factors. This led to a notable disconnect between the markets and the real economy: on the one hand, financial markets anticipating a jump in productivity and profits thanks to AI; on the other, productivity and growth data that do not yet show that jump.

One indicator that illustrates this disconnect is the relative valuation of the stock market. Shiller's CAPE ratio (price divided by 10-year average real earnings) for the S&P 500 reached levels close to 40 in 2025, one of the highest in the last 140 years, only marginally surpassed by the peak of the dot-com bubble in 1999-2000. This implies that investors are paying $40 for every dollar of average cyclically adjusted earnings, a sign of extreme optimism about the future. Using the traditional P/E ratio (price to current earnings), the valuation is also around the 95th percentile historically, *i.e.,* in the top 5% of how expensive the market has been.

Why might investors be overestimating the economic impact of AI? One possibility is that there is a time lag: markets anticipate (perhaps rightly) that AI will transform the economy but underestimate the timeframe and difficulties of that transformation. As discussed, integrating AI involves organizational changes, investment in human capital, and overcoming technical challenges. Substantial gains for corporate profits may come, but later than the financial hype suggests. Another possibility is the classic speculative dynamic: investors buy shares in AI-related companies not only for their fundamentals, but because they trust that other investors will buy them later at even higher prices, fueling a self-reinforcing cycle of increases (which defines a bubble). In 2023, there were striking examples, such as small companies adding "AI" to their names and seeing their share prices rise suddenly without any real changes in their business, reminiscent of episodes of speculative mania in the past.

It should be noted that, while there is some general overvaluation (as indicated by the low implied risk premium on equities, around only 2% in the U.S.), the market's dependence on a few leading stocks makes the situation more fragile. By 2025, the bull market was largely sustained by the exceptional results of those five to seven giant companies. A significant stumble by any of the "magnificent seven" could trigger a proportionally large drop in the S&P 500 of around 10% or more, with a domino effect on confidence.

None of this means that the AI revolution will not generate real value for the economy and businesses. In fact, many of the promises may well be fulfilled in the long term: productivity gains, the creation of new markets, improved business margins and, ultimately, higher profits. Several tech giants are investing heavily in AI, and in some cases, we are

already seeing improvements in operational efficiency or new related lines of business (*e.g.*, AI-optimized cloud services, specialized chips sold at high margins, *etc.*). In other words, there are fundamentals that support some optimism. The problem lies in the timing and magnitude of the disconnect: markets seem to have "discounted" today's benefits that may take a decade to materialize, and on a scale that is not guaranteed. If the real economy manages to live up to expectations—that is, if AI does indeed trigger a boom in productivity and corporate profits in the coming years—then current valuations could gradually be validated without a collapse through growth in the denominators (profits). Conversely, if improvements are more modest or slower, the correction will come through the numerator (prices), as stock market history has repeatedly shown.

Conclusions

The AI revolution presents a complex and nuanced picture for the macroeconomy and markets. In terms of productivity, AI promises efficiency improvements and possibly a new boost to long-term growth, but so far, its aggregate fruits have been limited and may take time to mature. Much will depend on whether we manage to orient the technology toward the creation of new tasks and complementarity with human labor, rather than reducing it to simplistic automation that generates non-creative destruction. In terms of employment and equality, AI has a dual nature: it can increase the productivity of many workers and generate new roles, but it also threatens to further polarize the labor market and concentrate the benefits among those who have the skills or capital to take advantage of it. This poses challenges in terms of adaptation, training, and policies to mitigate a "winner-takes-all" dynamic. Finally, in financial markets, AI has triggered a wave of optimism that has pushed valuations to historic highs, creating a gap with the real economy. This phenomenon reminds us of the risks of extrapolating the future without sufficient support in the present, while underscoring the enormous confidence (or speculation) placed in the potential of AI.

Notes

[1] https://www.digidop.com/blog/deepseek-vs-chatgpt

[2] https://eu.36kr.com/en/p/3530812600114053

[3] https://uk.finance.yahoo.com/news/magnificent-seven-surpass-eu-gdp-050117138.html

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Funcas Finance and Digitalization Area

Generative AI and the future of work and education

Generative AI is reshaping labour markets primarily by reorganizing tasks within occupations rather than eliminating jobs outright, with uneven effects on wages, employment, and access to entry-level roles. These outcomes depend not only on technical capabilities, but also on human agency, institutional choices, and how education systems adapt to shifting expertise thresholds.

Antonio Cabrales

Abstract: Generative AI is already reshaping work, primarily by reorganizing tasks within occupations rather than eliminating jobs outright. Because jobs bundle tasks of varying difficulty, automation can either raise or lower expertise thresholds depending on which tasks are removed, producing outcomes in which wages and employment may move in opposite directions. Task-level evidence shows that roughly two-thirds of tasks removed since the late 1970s were routine, while abstract tasks account for most tasks added, pointing to increasingly divergent labour-market trajectories across AI-exposed occupations. Labour-market impacts will depend not only on technical capability but also on human agency and adoption choices. Firm-level evidence indicates seniority-biased technical change: junior employment declines following generative AI adoption—driven mainly by slower hiring—with reductions approaching 10% within two years. At the same time, AI offers opportunities in education by scaling expert feedback at low marginal cost, with randomized trials showing learning gains of around four percentage points. Economics education, in particular, is highly exposed to these changes but also well positioned to adapt, provided curricula shift toward AI literacy and complementary skills such as

> “Automation can redistribute opportunity even when it raises productivity, because it expands the set of workers who can meet the entry threshold by removing expert tasks.”

judgement, verification, communication, and applied project work. In Spain, where youth unemployment stood at 25.42% in Q3 2025, these dynamics make the early-career bottleneck especially salient, strengthening the case for expanding AI-enabled training capacity and redesigning school-to-work pathways, building on the demonstrated successes of dual vocational education.

Introduction

AI is best understood as a technology that reorganizes tasks within occupations. Because jobs bundle tasks of different difficulty, the same AI capability can lower barriers to entry in some roles while raising them in others, and it can increase wages in roles that shrink in employment. A task-based approach is therefore essential for predicting distributional effects and for designing education and training responses.

This essay compiles evidence from the economic literature to argue that the effects of AI on labour markets can be nuanced. Wages and employment can go up or down depending on the task composition of the different sectors. But humans can, and will, impact how this adoption process develops. One sector of the population that will be particularly impacted is that of young workers, as many tasks that were done by junior employees will be taken over by AI. As a result, education needs to be seriously rethought. However, AI also brings large opportunities for the educational sector, which may mitigate the impacts on young workers.

The future labour market: Expertise, task re-bundling, and human agency

Expertise and entry barriers

One of the most interesting perspectives on the impact of emerging technologies in the labour market is given by Autor and Thompson (2025). They start with a model that assumes an expertise hierarchy. More expert workers can perform the tasks of less expert workers, but not vice versa. Since occupations bundle tasks, workers must be able to perform all non-automated tasks in the bundle. The most expert remaining task therefore sets an entry threshold. Automation can lower that threshold by removing expert tasks (making it feasible for less expert workers to enter) or raise it by removing inexpert tasks and leaving a more demanding residual bundle. This *expertise redundancy* channel means that automation can redistribute opportunity even when it raises productivity, because it expands the set of workers who can meet the threshold. That way it can increase competition among incumbents and pressure wages. On the other hand, if it tightens the threshold, it can restrict entry and raise wages for a smaller set of qualified workers.

Task quantity versus *task expertise*

The authors distinguish task quantity (how much work an occupation does) from task expertise (how demanding the remaining tasks are). Task quantity behaves like a demand shift. When an occupation gains tasks, demand for its labour tends to rises. When it loses tasks, demand tends to fall. Task expertise behaves like a supply shift because rising expertise requirements shrink the pool of qualified workers. This yields a key prediction. Namely, occupations that become more expert-driven may see higher wages but lower employment, while occupations that become less expert-driven may see lower wages but higher employment. The prediction matters for interpreting AI. The same automation shock can increase pay in a role while reducing the number of employees (think of architects, many of whose low-level tasks have been automated) or expand them in a role while compressing pay and making

work more standardized (think of taxi-drivers, whose special knowledge of a city geography has been replaced by GPS systems).

Routine-task automation and bifurcation

Using task data over 1977–2018, Autor and Thompson document a major compositional shift: routine tasks account for a large share of tasks removed, while abstract tasks account for most tasks added. Their summary statistics make the asymmetry very clear, roughly two-thirds of tasks removed were routine, whereas most tasks added were abstract. The crucial point is that routine tasks are not uniformly low skill. In some occupations they embody a high level of expertise (for example, specialized procedures and rule-bound decision tasks), while in others they are supporting tasks around a more expert core. Therefore, routine-task automation should bifurcate outcomes across routine-intensive jobs. The authors built a predictor based on 1977 task content that captures whether removing routine tasks would lower or raise an occupation's expertise threshold. Occupations exposed to predicted expertise loss experienced declines in task expertise and wages, while those exposed to predicted expertise gain experienced increases in task expertise and wages. Also, in line with the model, rising expertise is also associated with relative employment decline. Quantitatively, they show routine tasks falling from roughly half of tasks in 1977 to under one-third by 2018, and they estimate that about 66% of tasks removed were routine while only around 17% of tasks added were routine. Abstract tasks constituted roughly three-quarters of tasks added. These descriptive patterns in their work suggest that many AI-exposed occupations will not share the same wage or employment trajectory.

Human agency and uneven adoption

Technical feasibility is not the only element needed to forecast labour-market change. Human preferences and agency will be crucial to understand the evolution in the coming years. Shao *et al.* (2025) built a large database, WORKBank (844 tasks, 104 occupations) and rated tasks on a Human Agency Scale using worker surveys and expert assessments. Workers express positive attitudes toward automation for a substantial share of tasks (about 46% on their measure), but agreement between workers and experts on the appropriate level of agency is low (around 27%), with workers tending to prefer more human control. The implication is that adoption will be a bumpy road. Even where an AI agent could technically perform a task, organizations may still choose human-in-the-loop designs because of accountability, safety, or perceived meaning of the work. Conversely, workers may welcome automation of unpleasant or repetitive tasks that experts view as hard to automate safely.

Implications

Together, the papers reviewed so far imply that the labour market will not simply have uniform upskilling. Instead, AI will reshuffle expertise thresholds. Some roles will become more expert-focused, better paid, and harder to enter. Others will become less expert-focused, and easier to enter. In addition, the speed and direction of change will depend on how workplaces allocate responsibility for AI outputs, including oversight, auditing, and error management. These agency tasks are likely to expand precisely where AI is most useful, creating new demand for workers who can validate outputs, design workflows, and communicate uncertainty in high-stakes settings. They further note misalignment in innovation incentives. Mapping a sample of AI-agent startups onto the desire–feasibility space, about 41% fall into low-priority or *red-light* regions, which could slow high-value adoption.

Early career access and the scarcity of traineeships

You may have heard from young people in the last two years about their increasing difficulties of lining up internships and traineeships. These stories are more than anecdotes. Hosseini and Lichtinger (2025) show that generative AI is driving what could be called seniority-biased technical change. They identify firm adoption using postings for *GenAI integrator* roles and track employment by seniority using large-scale résumé and vacancy data. In their event-study estimates, junior employment falls after adoption and reaches close to ten percent

> “Junior employment falls after AI adoption and reaches close to ten percent reduction within about two years, while senior employment is comparatively stable.”

reduction within about two years, while senior employment is comparatively stable. Their triple-difference specifications reinforce the evidence on timing. The effects are small before widespread GenAI diffusion and then decline sharply in the period when generative AI adoption accelerates.

The mechanism is mainly reduced junior hiring rather than spikes in separations. This is consistent with career-ladder compression. Entry roles often involve bounded cognitive tasks that are increasingly automatable or compressible (drafting, analysis that can be easily put in a template, routine coding, and document review). Even if AI raises the productivity of individual juniors, the equilibrium number of junior roles can still fall if the volume of junior-suitable tasks declines. The result is fewer paid learning opportunities and a harder transition from education into work.

Hosseini and Lichtinger (2025) also highlight an intertemporal channel for labour impacts. If firms expect entry-level tasks to become automated soon, they may delay hiring to avoid future redundancy and adjustment costs, shifting attention from layoffs to missing first jobs. In distributional terms, it raises the stakes for education quality, signalling, and access to networks. This is very worrying, because those advantages are not evenly distributed, and it may explain the explosion of private universities that emphasize precisely those points in Spain. It also makes early-career policy and curriculum design central parts of an inclusive AI transition.

Opportunities for AI in improving education: Scaling real-time expertise

The previous studies discussed highlight the importance of education in the AI transition. The question is if AI can also help to modernize education. Wang *et al.* (2025) give a positive answer to the question. They provide causal evidence that AI can improve education when it scales expert practices rather than by replacing instructors. They introduce Tutor CoPilot, which offers real-time suggestions to tutors during live sessions. In a preregistered randomised controlled trial in an in-school virtual maths tutoring programme serving Title I (underprivileged) students, access to CoPilot increased topic mastery by about four percentage points on an intent-to-treat basis. There were larger gains, of about nine percentage points, for initially lower-rated tutors.

Message-level analyses indicate that CoPilot changes pedagogy, not just speed. Treated tutors were more likely to use high-quality strategies associated with deeper learning. For example, by asking guiding questions and giving steps to student reasoning, they were less likely to simply provide answers. The intervention therefore functions like coaching embedded into practice. It helps tutors adopt expert-like moves when they matter. And it is easily scalable.

> “Access to CoPilot increased topic mastery by about four percentage points on an intent-to-treat basis, reflecting greater use of high-quality teaching strategies rather than simply faster instruction.”

This is good news for labour-market access given previous discussion. If firms supply fewer traineeships, education and training systems must deliver more feedback and guided practice before labour-market entry. AI systems that embed expert guidance into real activity can help students reach competence earlier and can support reskilling later in life. The paper's cost discussion strengthens this point, contrasting the high expense of conventional professional development with an estimated marginal cost on the order of tens of dollars per tutor per year in their setting.

Challenges for economics education and what to do about them

These findings have implications for education in the field of economics. Oschinski *et al.* (2025) argue that economics education must adapt quickly because economics graduates enter jobs with high AI exposure and changing skill demands. Analysing shifts in job-skill requirements between 2015 and 2023, they report declining importance of some finance- and accounting-specific software skills and rising importance of statistical software, writing/editing, and analytical skills. They also highlight movement from traditional management skills toward project management and policy analysis. The broad message is that economics programmes should teach modern empirical workflows and communication, not only disciplinary theory.

These shifts imply that curricula must be designed with complementarity in mind. If AI can generate plausible drafts of text, code, and routine analysis, student assessment cannot focus on simple routine tasks. Instead, we should move urgently to test capabilities that make AI use reliable. For example, problem formulation, the logic of identification and inference, robustness checks, examining the provenance of data, or communicating transparently uncertainty.

In practice, this means we must include more project-based empirical work with replication packages, oral defences, in-class data exercises, and explicit instruction in AI literacy and verification. Students should practise using AI tools to accelerate drafts while being graded on the quality of judgement they apply to verify, contextualise, and improve those drafts.

Economics education is also a case where Shao *et al.* (2025) agency lens is directly relevant. Graduates will be expected to supervise AI tools and remain accountable for outputs in policy and business settings. Teaching should therefore cover when AI assistance is appropriate, how to document verification steps, and how to manage risks such as hallucination, biased data, and overconfident reporting.

And whereas Oschinski *et al.* (2025) is based on economics training, many of these insights are likely to replicate well in other fields.

Implications for Spain

Spain's context makes early-career access especially relevant. As Exhibit 1 shows, youth unemployment is consistently much higher in Spain than in other European countries. Even today, when economic conditions are very good, youth-labour reporting summarizing the *Labour Force Survey (EPA)* indicates an under-25 unemployment rate of 25.42% in Q3 2025 (INJUVE, 2025). When baseline entry conditions are weak, reductions in junior hiring associated with AI adoption can have amplified welfare costs by delaying the

> "Analysing shifts in job-skill requirements between 2015 and 2023 reveals declining importance of some finance- and accounting-specific software skills and rising importance of statistical software, writing/editing, and analytical skills."

> “The evidence points to two priorities: reinforcing apprenticeships and dual training to keep career pathways accessible, and scaling training capacity through AI-enabled feedback and coaching to improve instruction quality and progression into stable employment.”

transition into stable careers and extending scarring effects.

Two priorities follow from the evidence. First, we need to strengthen apprenticeships and traineeships, so career ladders remain climbable, potentially through incentives tied to accredited training plans and employer reporting on progression outcomes. Second, we need to expand training capacity by using AI to scale feedback and coaching in vocational education and universities. Spain's ongoing vocational education training (VET) modernization efforts (Bentolila *et al.,* 2020, 2023) provide an institutional route to deploy AI-enabled tutoring and coaching tools that raise the quality of instruction at scale. Specifically, Exhibit 2 shows descriptive statistics for the differences in employment between school based and dual VET. Bentolila *et al.* (2023) show there are also causal differences using an instrumental variables (IV) distance estimator. Dual education, at all levels, including university, provides a proven template to the challenge created by the lack of internships.

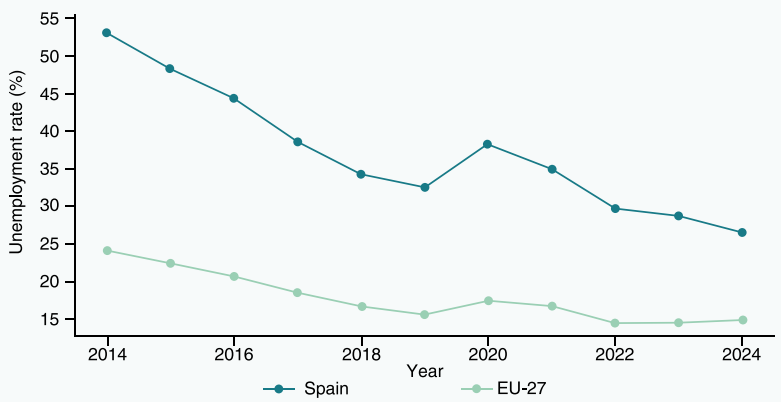
A practical approach is to integrate AI-supported feedback into work-based learning: for example, tutors, mentors, or supervisors could use co-pilot style tools to standardise high-quality coaching, while assessment focuses on demonstrated competencies and verified outputs. Given Spain's many SMEs, sectoral partnerships could pool resources for shared AI-enabled training.

Finally, Spain should evaluate these interventions using pilots and clear metrics on progression from training into stable employment. Embedding safeguards, like documentation, human accountability, and auditing in sensitive applications can align

Exhibit 1

Youth unemployment rate (aged < 25), Spain *vs.* EU-27

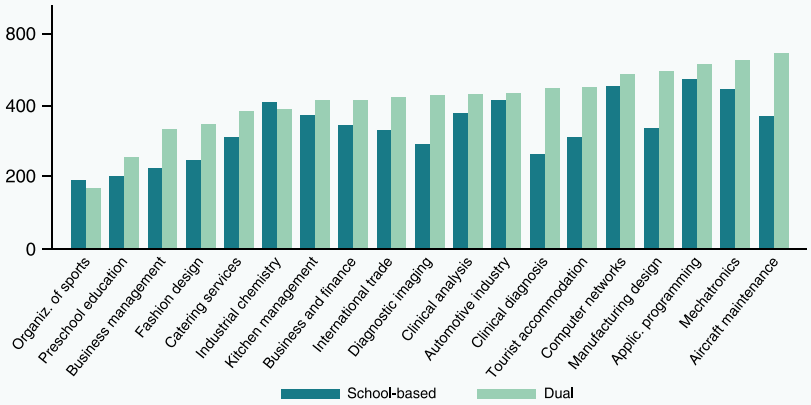
(Annual, 2014–2024)



Source: Idescat (compiled from Eurostat).

Exhibit 2

Average days worked (full time equivalent) by track and field for graduates from tertiary-level VET in Madrid in 2014-2016



Source: Baseline sample in Bentolila et al. *(2023).*

adoption with worker preferences for agency and can increase trust.

The final implication is curricular. Spanish economics and business programs can improve graduates' prospects by embedding dual training, AI literacy, verification, and applied project work into core courses. In labour markets where entry jobs may be fewer but more demanding, the quality and credibility of demonstrated skills at graduation becomes an even more important determinant of access.

Conclusion

AI will reshape work by re-bundling tasks and shifting expertise thresholds. Autor and Thompson (2025) show why this can produce bifurcation, as some roles become more expert and harder to enter, and others less expert and more commodified. Shao *et al.* (2025) show that adoption depends on human agency and governance as much as on capability. These perspectives imply uneven change and a growing premium on oversight, verification, and responsibility.

Hosseini and Lichtinger (2025) provide early evidence that generative AI adoption is associated with reduced junior employment driven mainly by slower hiring, implying scarcer traineeships and tougher school-to-work transitions. Education is therefore pivotal. Wang *et al.* (2025) demonstrate that Human–AI systems can scale real-time expertise and improve learning at low cost, while Oschinski *et al.* (2025) outline how economics education can respond by embedding AI literacy and shifting assessment toward judgement, reproducibility, and communication. For Spain, where youth unemployment remains elevated, an inclusive AI transition will depend on maintaining pathways into work while upgrading training so new entrants can meet higher initial thresholds and to better support mobility throughout the life course. The current success of VET can serve as a template for making this feasible.

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Rebuilding momentum in Europe's IPO pipeline

IPO markets remain subdued in Europe despite strong secondary-market performance and private equity dynamism. Structural fragmentation, compliance burdens, and limited liquidity windows constrain the pipeline even in the face of reforms that seek to lower execution risk and expand issuer participation.

Patricia Muñoz González-Úbeda and Irene Peña Cuenca

Abstract: The European IPO market continues its multi-year slowdown, with Spain mirroring the regional decline despite strong equity returns, record private equity dry powder, and favourable liquidity conditions in 2025. Globally, around 1,300 IPOs raised USD 170 billion in 2025, the vast majority in the United States, while Europe recorded just 105 deals, alongside net delistings in Spain. This disconnect reflects structural impediments: narrow liquidity windows, heavy regulatory and reporting obligations, and fragmented capital markets that amplify execution risk for mid-caps. At the corporate level, European firms often avoid the scrutiny and governance constraints of public markets, instead raising capital privately. Spain's new BME Easy Access mechanism seeks to reduce timing and execution frictions by decoupling admission to trading from fund-raising, potentially easing free-float buildup under volatile conditions. Yet going public remains a strategic transformation rather than a financing event, requiring changes in governance, internal controls, culture, and long-term capital markets strategy. Building a more dynamic European IPO ecosystem will require EU capital markets integration, proportionate listing regimes, broader investor participation, and a shift in corporate perceptions toward public markets.

> “ Both the number of IPOs in Europe and the volume of proceeds raised shrank in 2025. ”

Capital markets: Situation and outlook

In recent years, the geopolitical, macroeconomic and financial environments have experienced episodes of pronounced volatility. Nevertheless, the public markets have digested them relatively rapidly and performed well. In 2025, despite the general uncertainty generated by U.S. trade policy, the capital markets demonstrated a clearly positive performance, underpinned by moderate to high nominal growth, expansionary fiscal policies and monetary policy easing as inflation neared the central banks' target rates, leaving behind the tension in financing conditions observed in 2022.

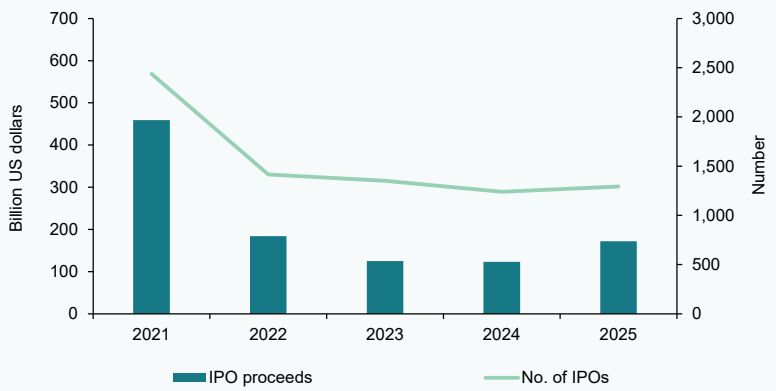
Although 2025 was a year of indiscriminate growth in the supply of capital, the dissipation of uncertainty did help improve investor appetite for risk and gradually reactivate market activity, striking a reasonable balance between the cost of capital, corporate discipline and investor appetite.

As a result, the equity markets have notched up several very good years, buoyed by sharp growth in corporate earnings. The fixed-income markets were characterised by normalisation in general terms of the sovereign yield curve and corporate credit spread tightening in 2025.

Turning to the equity markets, global initial public offerings (IPOs) numbered close to 1,300 in 2025, raising around 170 billion dollars, according to Dealogic. The U.S. remained one of the most active markets in the world, largely thanks to its ability to offer access to large volumes of capital and a wide and diversified investor base capable of capturing the interest of foreign issuers. As a result, the number of IPOs and proceeds increased by close to 30% and 40%, respectively, by comparison with 2024.

In Europe, on the other hand, the situation remained downcast. Indeed, both the number of IPOs in Europe and the volume of proceeds raised shrank in 2025. Specifically, the number of transactions decreased by 20% to 105 IPOs (from 131 in 2024), while the volume of proceeds raised contracted by around 10%.

Exhibit 1 **No. of IPOs and proceeds, 2021-2025**



Source: Dealogic.

Exhibit 2

IPOs and delistings in Spain

Number

Source: CNMV.

In Spain, the pattern clearly mimicked that of the European markets. The number of IPOs continued to fall and the overall number of companies listed on the Spanish stock exchange actually fell, as delistings outnumbered IPOs.

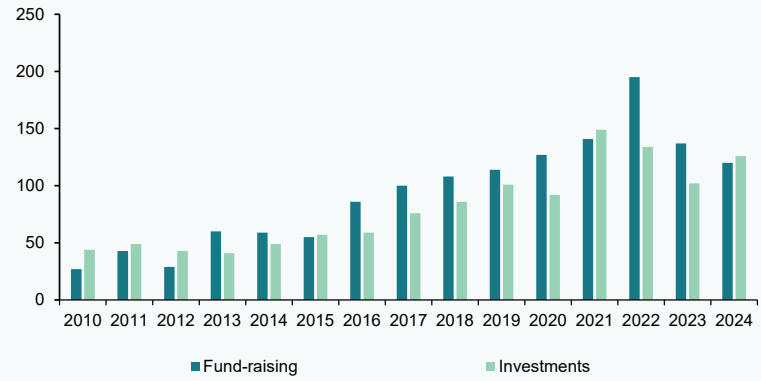
This sluggish IPO activity contrasts with how well listed companies performed in Europe, which would be expected to draw other unlisted players to this growth opportunity, and dynamism in private equity, where IPOs constitute a traditional exit mechanism.

The main European stock indices hit new records throughout 2025. The Euro Stoxx, Europe's blue chip index, gained a little over 20% last year, outperforming its U.S. counterpart, the S&P 500, which rose by around 18%. Although the financial sector played an important role in this performance, the majority of sectors, particularly services

Exhibit 3

Fund-raising *versus* investment in Europe

Billions of euros



Source: Invest Europe.

> “The boom in private equity has not translated into more vigorous IPO activity.”

and manufacturing, demonstrated clearly positive performances.

In parallel, over the past decade, Europe has been enjoying a cycle of sharp growth in private equity, which has emerged as one of the main sources of financing for corporate growth. Private equity fund-raising doubled between 2014 and 2024, to around 120 billion euros, locking in investment capacity for the years to come.

However, the boom in private equity has not translated into more vigorous IPO activity. Far from proving the main exit mechanism for private equity firms, the role of IPOs is clearly residual: in 2024, just 4% of exits in Europe took the form of a public listing. In fact, delistings actually outnumbered new listings, with the trend in taking public companies private gathering traction.

Looking to 2026, the economic horizon is once again considerably uncertain. The consensus forecast is for moderate global economic growth of around 3%, accompanied by inflation, which, while still above the central banks' targets, should continue to converge towards 2.5%. Against this backdrop, monetary policy may well become a more limited and data-driven support factor, whereas fiscal and geopolitical risks could increase the probability of episodes of volatility.

The market is likely to remain selectively receptive to IPOs, favouring companies with diversified business models that are cycle-resilient and offer clear strategies for value creation. In terms of investor demand, it is reasonable to expect the U.S. to continue to reap the rewards of the depth and liquidity of its capital markets, allowing it to absorb a significant number of new issues.

In Europe, on the other hand, despite a solid business fabric replete with companies well positioned to go public, momentum in the IPO market is likely to depend more on the effectiveness of the structural reforms designed to reduce capital markets fragmentation and facilitate the IPO route for companies.

Factors detracting from IPO dynamism

Market factors: Timing risk and liquidity windows

The traditional IPO process is characterised by significant rigidity in terms of timing derived from the need to set the forecast placement and listing date several months ahead of time. From the early stages (mandating the underwriters, drafting the prospectus and having it approved by the regulator, preparing for the roadshow and defining the indicative price range), the entire transaction pivots around a specific point of time in the market which, at the planning stages, is uncertain by definition and highly dependent on liquidity conditions.

During this interval, the issuer assumes the market risk associated with potential adverse changes in the financial environment. Beyond the issuer's business and earnings performance, it is exposed to episodes of volatility, geopolitical tensions and harsher financing conditions. A deterioration in the environment not only affects valuations, it can jeopardise the IPO's entire viability.

The combination of timing risk and narrow liquidity windows creates uncertainty that discourages companies from embarking on an IPO at times when visibility is limited. Issuers face sizeable costs (financial, organisational and reputational) with no guarantee that the window will stay open until the listing is complete. As a result, IPOs tend to be concentrated around very specific moments of time, reinforcing a markedly procyclical trend.

> "Although regulatory requirements are essential to preserving investor confidence and ensuring the markets work smoothly, their relative impact on certain types of issuers can have a significant impact on the decision as to whether or not to proceed with an IPO."

Regulatory and compliance factors

Accessing the regulated markets via an IPO means having agreed to abide by a stringent and complex regulatory framework designed to ensure transparency, investor protection and market integrity. Key requirements include drafting an offering prospectus and having it authorised, complying with market abuse regulations, embracing advanced corporate governance standards and complying on an ongoing basis with financial and non-financial reporting requirements in accordance with the International Financial Reporting Standards (IFRS) and other applicable European standards.

For many companies, the obligation to operate under strict reporting and control standards brings crucial credibility and access to a wider investor base. However, for some companies, especially smaller ones, these requirements can also be perceived as an additional barrier to accessing the market. Internal adaptation for these requirements entails sizeable investments in human and technological resources and outside advisors.

The costs of complying with the host of regulations that comes into play as a listed company can be disproportionate to the size of the company and expected benefits of the listing, at least initially.

Although these requirements are essential to preserving investor confidence and ensuring the markets work smoothly, their relative impact on certain types of issuers can have a significant impact on the decision as to whether or not to proceed with an IPO.

The comparative experience suggests that while these requirements are similarly stringent in the U.S., their relative impact on issuers is considerably different. In the U.S., the greater depth and liquidity of the market, coupled with its wider and more diversified institutional investor base, make it easier to absorb issues of different sizes with less execution friction and greater stability.

The U.S. market also yields significant economies of scale in terms of the cost of IPOs and ongoing listings. Wide coverage by research analysts, the standardisation of market practices and the concentration of trading facilitate more efficient price formation and reduce the marginal cost of regulatory compliance. Against this backdrop, the costs associated with issuers' transparency, reporting and corporate governance requirements tend to get diluted in higher market values.

In Europe in contrast, and especially in the national markets, the companies face structurally lower liquidity and significant

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> “In order to circumvent some of the restrictions implied by the traditional IPO process, in Spain, BME Easy Access introduces an important change to how issuers access the regulated markets.”

fragmentation. The coexistence of different regulatory frameworks, supervisory authorities and market practices increases operational complexity along with the costs of going and remaining public. On top of that, analyst coverage is more limited, particularly for mid-caps, reducing visibility *vis-a-vis* investors and amplifying the impact of compliance costs on the IPO decision.

This comparison highlights the fact that the absolute level of regulatory requirements and the market context in which they apply are both key. Whereas in the U.S., scale, liquidity and market depth cushion the impact of transparency requirements, in Europe these same requirements can become a barrier to listing and continuing to trade in the public securities markets.

Corporate factors and the boom in private markets

Numerous OECD and ECB studies underline the fact that many European firms prefer to avoid the public exposure, market discipline and partial loss of control that comes with going public. According to the ECB, these corporate preferences go a long way to explaining the European listing gap: A listing is seen as costly (one-off and recurring costs can prove disproportionate relative to issuers’ size and the expected listing benefits), transparency as intrusive and reinforced corporate governance as demanding.

In tandem, the “competition” posed by the private markets is reducing the flow of IPOs and fuelling delistings by offering companies the chance to access high volumes of funds and scale up their businesses without having to deal with the commitment that comes with a public listing.

Easy Access: A disruptive mechanism designed to facilitate IPOs

In order to circumvent some of the restrictions implied by the traditional IPO process, in Spain, BME Easy Access, an initiative already approved by the securities market regulator, introduces an important change to how issuers access the regulated markets. The main novelty is the reversal of the order of the IPO process. Instead of concentrating prospectus approval, share placement and the start of trading around a single point in time, this model allows issuers to start with the prospectus approval process after their shares are admitted to trading, even if they have yet to attain the minimum free float. The placement with investors can take place later, in one or more transactions, within a timeframe of 18 months, which can be extended depending on market conditions.

This approach significantly reduces execution risk. By separating the listing from the fund-raising event, the issuer does not have to speculate about what the markets will be like on a specific date months ahead of time. Issuers can build their free float in a gradual and flexible manner, shielding them more from volatility.

Easy Access: Advantages

- Reduced market risk by allowing issuers to plan placements at much shorter notice and tap real liquidity windows.
- Flexibility around timing, as the issuer decides when, in what manner and how much to raise within a defined framework.
- Improved pricing power by not having to fix a set price when registering the

prospectus, alleviating downward pressure on valuations.

- Transparency and visibility from the start as the issuer trades on a regulated market from day one.

- A tool for financial sponsors and private equity investors by facilitating staggered and orderly exits without distorting the market.

From the regulatory standpoint, Easy Access does not dilute investor protection standards. Issuers remain fully bound by all of the obligations incumbent upon listed companies from as soon as their shares are admitted to trading. The innovation here is limited to a more efficient reorganisation of the steps in the process, in line with current developments in the European framework and the future Listing Act.

Although not a valid solution for all companies, Easy Access is a particularly useful tool for bigger companies in search of long-term financing that are ready to assume more stringent transparency and corporate governance standards.

Strategic and legal implications of going public

The decision to list on a regulated market via an IPO has many ramifications beyond the immediate fund-raising goal. A listing constitutes, above all, a corporate transformation process with profound implications for the issuer's corporate governance, internal controls systems and organisational culture. From that perspective, an IPO needs to be viewed as a long-term strategic decision and not just a one-off financial transaction.

Corporate transformation and organisational discipline

A stock market listing implies a qualitative leap in management and control standards. Some of the most important changes include the professionalisation of the board of directors, reinforcement of the supervisory and internal control roles and adoption of a culture of transparency and accountability. Financial discipline gets reinforced by the obligation to report at regular intervals and the constant scrutiny of the market, stimulating more rigorous management and long-term thinking.

The requirements associated with a public listing should not be seen solely as a regulatory burden. To the contrary, the implementation of high corporate governance standards helps to strengthen the organisation, improve decision-making quality and reduce operating, financial and reputational risks. In this sense, a listing can provide a catalyst for better practices and greater corporate resilience.

Legal requirements around transparency and corporate governance

From as soon as their shares are admitted to trading, listed companies become subject to a stringent legal framework designed to ensure transparency with the market and protect investors.

The most important obligations include the periodical and ongoing reporting of financial and non-financial information; compliance with market abuse regulations, including the requirement to manage inside information properly; and the implementation of corporate governance structures in line with international standards and best practices. This compendium of obligations requires a solid organisational structure and a compliance function that is fully embedded into the corporate strategy.

Strategic benefits of going public

Beyond the legal requirements, a listing ushers in significant strategic benefits, notably including reinforced credibility and corporate reputation, easier and recurring access to the capital markets and greater visibility *vis-a-vis* institutional and global investors. A public listing can also generate liquidity for shareholders and provide an effective currency for corporate transactions, such as M&A activity or buy-and-build strategies.

In sum, an IPO creates a stable framework for growth and discipline, which, despite

requiring a considerable effort in terms of compliance and transparency, provides the companies willing to take up that gauntlet with a solid platform for embarking on a long-term capital markets strategy.

Conclusions: Action needed to create a more dynamic IPO ecosystem

Analysis of the market, regulatory and structural factors that facilitate or hinder IPOs reveals that the reactivation of the primary equity market in Europe requires a coordinated, ambitious and systemic response. It is not enough to fine-tune the existing procedures. It is necessary to take action to create an environment that balances investor protection, operating efficiency and strategic appeal for issuers.

One essential line of action is to definitively complete the integration of the European capital markets, in line with the objectives of the Capital Markets Union and its evolution towards a Savings and Investments Union. The current fragmentation, at the regulatory, supervisory and infrastructure levels, limits market depth and liquidity, increases listing costs and impinges Europe's ability to compete with other more integrated jurisdictions, like the U.S. Harmonising requirements and strengthening a truly pan-European market would unlock economies of scale, widen the investor base and enhance price formation, facilitating larger transactions, as well as access to the primary market for mid-sized companies with growth ambitions.

In parallel, it is vital to continue to adapt the requirements for accessing the regulated markets, without in any way jeopardising existing transparency and integrity principles. Initiatives like Easy Access, coupled with the reforms emanating from the Listing Act, represent meaningful progress towards a more proportionate and efficient approach by reducing procedural rigidities and execution risk without diluting investor protection. The goal is not deregulation but rather the elimination of unnecessary entry costs and the creation of a more flexible and predictable listing framework.

Moreover, consolidation of a dynamic IPO ecosystem means having to widen and diversify the institutional and retail investor bases. Revising the regulatory, fiscal and prudential biases that have historically favoured debt financing, in addition to channelling more savings into equity instruments, would help reinforce liquidity and the market's ability to absorb new issues.

Lastly, in addition to these regulatory and market reforms, it is essential to forge a change of perception around listings in the corporate sector where many firms, particularly family-run businesses, continue to see an IPO as a loss of control or regulatory burden. Education around strong corporate governance, professional management and reinforced internal control systems should focus on their potential to drive business sustainability, better decision-making and long-term risk mitigation.

A listing can also play a key role in succession planning by providing an orderly and transparent framework for facilitating shareholder transitions, while ensuring the

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continuity of cherished business endeavours. In parallel, recurring access to capital and continuous scrutiny by investors and analysts help boost productivity, the efficient allocation of resources and more sophisticated risk management.

In short, a combination of tighter European integration, more efficient and proportionate listing processes, a wider investor base and corporate culture shift is key to building a more dynamic, competitive and resilient IPO ecosystem capable of channelling savings into productive investments and fuelling the long-term growth of Europe's businesses.

Patricia Muñoz González-Úbeda and Irene Peña Cuenca. Afi

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Spanish banks across the 2020–2025 rate cycle: Divergent margin drivers between SIs and LSIs

Six years of rate fluctuation reveal distinct asset-liability management strategies across Spanish banks. Funding costs drove margin gains during tightening, while asset yields regained primacy as rates normalised, with significant divergence between SIs and LSIs.

Marta Alberni, Ángel Berges and Laura Ciriza

Abstract: The near six-year period from 2020 to mid-2025 offers a complete interest-rate cycle for analysing the evolution of Spanish banks' net interest margins. After prolonged margin compression under zero or negative rates, the rapid monetary tightening of 2022–2023 enabled a recovery driven primarily by funding cost dynamics, followed by a more gradual adjustment as policy rates returned toward a "new normal" of 2%. Disaggregating the margin highlights an asymmetric adjustment between assets and liabilities: funding costs showed lower sensitivity during the tightening phase, while asset yields were more sensitive, driving margin expansion as rates moved lower, this pattern partially reversed, reducing the extraordinary boost from the liability side and restoring a more balanced contribution to margin generation. However, aggregate results mask structural differences between significant institutions (SIs) and less significant institutions (LSIs). During the tightening phase, LSIs exhibited higher starting margins and lower funding-

cost, widening their advantage, whereas SIs sustained comparatively higher asset yields due to portfolio composition. Overall, the cycle confirms that margin resilience depends not only on rate levels but on institutional structure, balance sheet mix, and competitive dynamics in both credit and deposit markets.

Trend in the net interest margin in the context of rate cycle changes

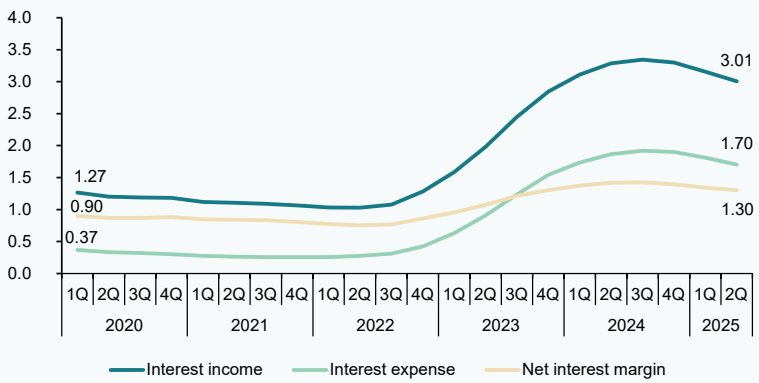
Following a protracted period of deleveraging and recapitalisation after the financial crisis, the bank sector was obliged to operate for more than five years in an environment of extraordinarily low interest rates, compressing their margins structurally and limiting their ability to generate profits via their traditional borrowing-and-lending role. That scenario would then give way, in a few years, to a shift in monetary policy, shaped firstly by intense and swift increases in official rates, creating space for a recovery in net interest margins, and subsequently by an adjustment to an intermediate level of around 2%, currently viewed as the "new normal". This complete interest rate cycle has had different implications for the banks' ability to generate profits which is better understood by decomposing the net margin into the return earned on their interest-bearing assets and the cost of their liabilities relative to Euribor during the different sub-periods analysed.

Between 2020 and 2021, the Spanish bank sector operated with slim net interest margins, as shown in Exhibit 1, with profitability gradually tapering to just below 0.9% of average total assets (on an unconsolidated basis), according to the data published by the Bank of Spain. Looking to Exhibit 2, in the context of zero or even negative rates since 2015, the banks' inability to cut deposit rates below zero meant that the contribution to the net margin via the liability side of the equation was very limited or likewise negative. In practice, it was the yield earned on their assets, understood as the spread applied to the banks' loan and fixed-income portfolios relative to Euribor, that allowed the banks to continue to generate profits as households and businesses continued to leverage and the banks continued to digest non-performing assets.

From the second half of 2022, the spike in inflation and ensuing official rate increases by the European Central Bank (ECB) triggered the start of a phase of margin recovery. As analysed in earlier papers (Alberni *et al.*, 2022), the lag between asset *versus* liability

Exhibit 1 **Trend in net interest margin**

Percentage of ATAs

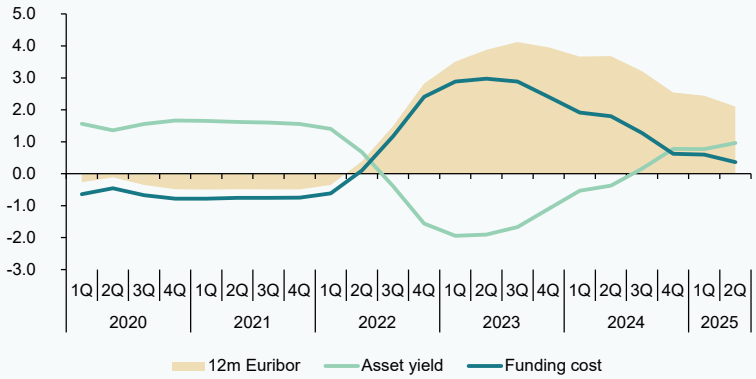


Note: Average yield = (interest income / average total assets) - 12m Euribor.
Funding cost = – (interest expenses / average total assets) + 12m Euribor.
Source: Authors' own elaboration based on Bank of Spain data.

Exhibit 2

Trend in average asset yield and funding cost

Percentage



Note: Average yield = (interest income / average total assets) - 12m Euribor.
Funding cost = – (interest expenses / average total assets) + 12m Euribor.
Source: Authors' own elaboration based on Bank of Spain data.

repricing was key during this phase. The rate increases squeezed the spread on assets over Euribor. Initially, the increase in Euribor had a positive impact due to the increase in the rates applied to new lending transactions and the significant weight of the portfolio benchmarked against floating rates. However, these tailwinds were not sufficient to make up for the customary lag in the pass-through of higher rates to the entire credit portfolio, exacerbated by shrinkage in the stock of household and business credit in 2022 and 2023 and the initially more inelastic response in returns on the fixed-income portfolio, marked by a majority skew towards a held-to-maturity model.

In the meantime, the cost of funding headed in the other direction. The average funding cost, particularly the cost of customer deposits, remained well below Euribor throughout the cycle and repriced with a lag, due to the existence of ample surplus liquidity across the system, easing competitive pressure around the rates offered to capture savings during this period. As a result, the spread between funding costs and the benchmark rate of interest widened. The combination of the two trends explains why the aggregate net interest margin did not peak until the second quarter of 2024, when it reached just over 1.4% of average total assets.

The ECB's decision to embark on rate cuts in June 2024 marked a new turning point for the trend in the net interest margin, which started to correct very gently from the peak, albeit remaining well above the level observed at the start of the period under analysis. During this phase, the yield on assets eked out somewhat of a recovery thanks to the drop in Euribor, which eased pressure on the spread over the

"The combination of increased interest rates and low funding costs explains why the aggregate net interest margin did not peak until the second quarter of 2024, when it reached just over 1.4% of average total assets."

> “The relative contribution of assets and liabilities depends critically on the stage of the benchmark rate cycle.”

benchmark index. In addition, the advent of renewed growth in the stock of credit in 2025, particularly in the retail banking segment, together with the delayed pass-through of the rate increases to returns on the fixed-income portfolio, may have helped mitigate the effective reduction in investment returns. However, the support provided by the funding cost began to slip. The reduction in official rates was not passed through symmetrically to deposit rates, which were high relative to the period of negative rates, so that the spread over Euribor started to narrow. As a result, the liability side of the equation began to lose the extraordinary momentum observed during the period of rate hikes, converging towards a more neutral role, while the asset side gradually recovered its traditional relative role in margin generation.

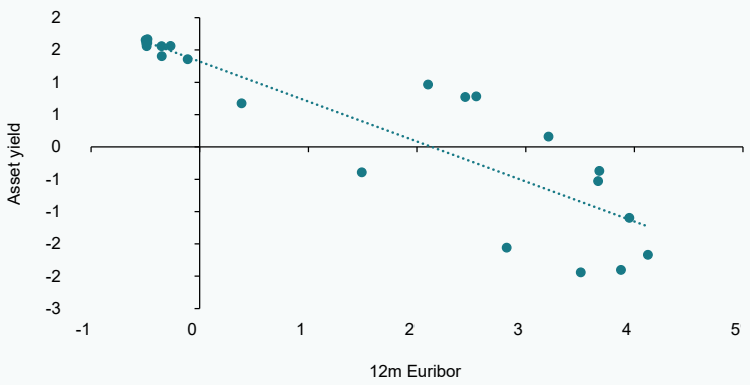
Overall, the results reveal that the relative contribution of assets and liabilities depends critically on the stage of the benchmark rate cycle. As illustrated in Exhibits 3 and 4, the sensitivity (“beta”) of the asset yield is negative relative to 12m Euribor (-24bp for every 1% increase), while the cost of funding is positively and more strongly correlated (beta: +45bp). This means that for every 1% increase in Euribor, the compression in the asset spread is more than offset by the improvement in the liability spread, generating a net positive impact on the aggregate net interest spread. During a period of rate cuts, realising that the sensitivities to movements in Euribor are not symmetric all across the entire sample, the mechanism would work in the opposite manner, yielding an improvement in the asset spread, partially alleviating the deterioration in the liability spread, albeit without fully neutralising it. As a result, and as borne out by Exhibit 2, the banks’ net interest margin has been “fed” by funding costs when rates were high, whereas when rates were low, only asset yields made a positive contribution to the net margin.

Contrasting responses during the full rate cycle: SIs *versus* LSIs

Having analysed the recent trend in the aggregate net interest margin for the Spanish

Exhibit 3 **Sensitivity of asset yields to 12m Euribor**

Percentage

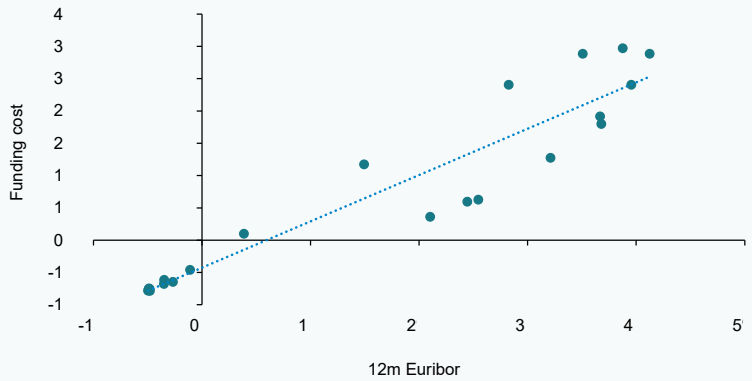


Note: Each point on the exhibit shows information for a quarter during the period analysed.
Source: Authors’ own elaboration based on Bank of Spain data.

Exhibit 4

Sensitivity of funding costs to 12m Euribor

Percentage



Note: Each point on the exhibit shows information for a quarter during the period analysed.
Source: Authors' own elaboration based on Bank of Spain data.

bank system, our next task is to analyse whether the trends identified were uniform across the banks or, to the contrary, there were contrasts. To do so, we examine possible differential effects as a function of entity type by drawing a comparison between the significant and less significant institutions [1] in a bid to identify how the structural characteristics of each group may have conditioned their ability to generate margins over the course of a full rate cycle.

a) Trend in net interest margin during period of rate increases

According to the patterns depicted in Exhibit 5, when rates were going up, the SIs and LSIs presented well differentiated trends in terms of net interest margin ("NIM"). Specifically, the LSI aggregate analysed started from a structurally higher NIM before the start of the rate tightening and, throughout that phase, consistently presented a systematically higher margin compared to the SI composite. Moreover, this group's margin etches out a considerably steeper slope after the start of the rate increases, suggesting a greater ability to leverage the new rate environment and translating into a higher cycle beta. The combination of a higher starting point and greater sensitivity to the cycle meant that by the end of the period of rate tightening, the gap between the two groups' margins was wider than at the start of the period analysed.

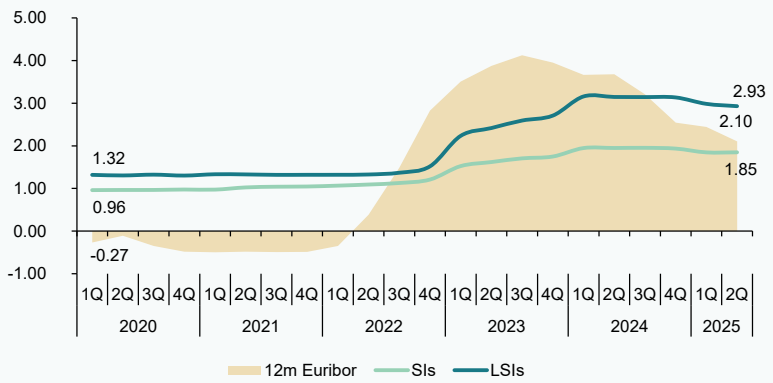
This warrants deeper analysis into the trend in each component of the net interest margin for the two types of institutions. Looking at the asset yield (Exhibit 6), the comparison is slightly more favourable for the universe of SIs, which react a little sooner and more intensely than the LSIs, indicating greater sensitivity to the rate cycle on the asset side. In margin terms, this translates into smaller asset yield compression relative to Euribor at the SIs than at the LSIs. This better ability to sustain asset yields is explained by portfolios with a less pronounced skew towards fixed-income portfolios (which account for around 19.2% of total assets at the SIs, compared to

> "When rates were going up, the SIs and LSIs presented well differentiated trends in terms of net interest margin."

Exhibit 5

Trend in NIM at SIs *versus* LSIs

Percentage



Source: Authors' own elaboration based on Bank of Spain data.

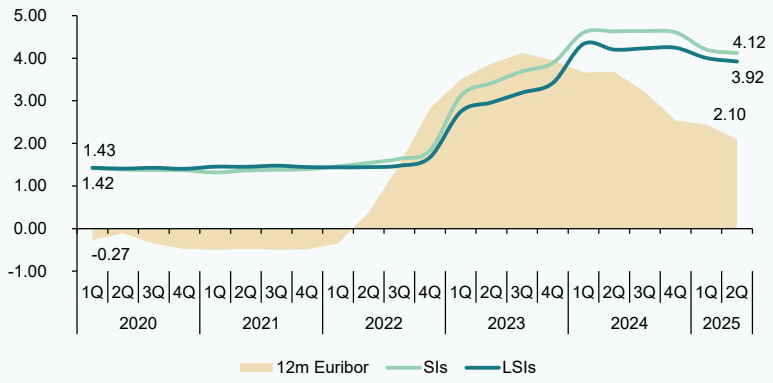
24.7% for the LSI sample). The corollary is a relatively bigger share of credit at the SIs, and within this, higher relative exposure to the business and consumer lending segments.

The higher assumption of credit risk associated with these segments and the higher percentage of transactions arranged at rates that are more sensitive to the cycle and with shorter average maturities than in other segments like the mortgage segment (where the loan term averages around 25 years) is conducive to faster and fuller pass-through of rate increases to asset returns. In contrast, at the LSIs, the higher share of household mortgages, where competition is fierce, leaving tighter spreads in its wake, coupled with higher exposure to SMEs than to large enterprises, exerts pressure on the trend in their interest income and, by extension, their asset yields. By the same token, the higher weight of fixed-income securities at the LSIs

Exhibit 6

Trend in asset yield at SIs *versus* LSIs

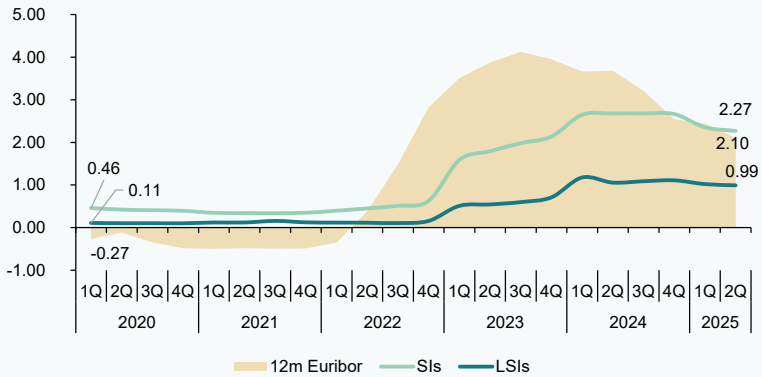
Percentage



Source: Authors' own elaboration based on Bank of Spain data.

Exhibit 7 **Trend in funding costs at SIs *versus* LSIs**

Percentage



Source: Authors' own elaboration based on Bank of Spain data.

further conditions their earnings performance as the securities in these portfolios tend to be largely fixed-rate. This, coupled with a limited ability to rotate these assets, whether due to accounting considerations or structural balance sheet risk management factors, reinforces this negative impact on asset yields, as is borne out by the previously analysed patterns.

However, the biggest difference in the NIM trend between SIs and LSIs is unquestionably in funding costs (Exhibit 7). The LSIs have consistently kept their funding costs considerably below those of the SIs, a difference only heightened during the period of rate increases. In margin terms, this translates into more pronounced widening of the funding cost spread relative to Euribor at the LSIs. On the other hand, the significant institutions experienced an earlier and sharper increase in funding costs than the LSIs, evidencing greater sensitivity of funding costs to the rate environment, shaped largely by the SIs' greater reliance on the wholesale funding markets.

As for retail market funding, the presence of significant institutions in markets where competition is more intense and, in general, whose customers are more sensitive to the rates offered for their savings, put additional pressure on deposit costs for these banks, curbing the scope for a bigger improvement in funding costs. By comparison, the proximity banking model that predominates at the LSIs affords them a more granular and highly stable deposit base and gives them more liquidity, allowing them to curb deposit rates and maximise the spread relative to Euribor.

b) Trend in net interest margin during the period of rate decreases

During the last phase of rate cuts and stability, the NIM has corrected more intensely at the LSIs than at the SIs. In sensitivity terms, this is aligned with a higher beta again at the LSIs

> "The biggest difference in the NIM trend between SIs and LSIs is unquestionably in funding costs, with LSIs consistently keeping their funding costs considerably below those of the SIs."

during rate tightening, whose NIM corrects by proportionately more, albeit preserving somewhat of an advantage over the SIs.

In terms of interest income, the growth in loan books at both groups of institutions has slightly mitigated the negative effect of the downtrend in benchmark rates. Nevertheless, the SIs are managing to keep their asset yields above those of the LSIs, which is consistent with their greater exposure to segments with higher credit risk, allowing them to preserve somewhat wider spreads even when rates are falling. This pattern is consistent with the trend described by the Bank of Spain for the non-financial corporation (NFC) segment (Medrano and Salas, 2025). In that analysis, the authors infer greater price-setting ability in this segment in recent years, whereby the loan portfolios in the NFC segment partially mitigate the downward pressure on interest income at times when rates are coming down, helping to preserve the observed higher profitability levels.

In addition, the correction in interest income in the case of the LSIs may be being exacerbated by their relatively larger liquidity positions, in line with the gradual reduction in the remuneration offered to place these balances at the Deposit Facility, limiting their ability to sustain income levels in a context of rate cuts.

Again, however, the bigger discrepancy is observed in funding costs. The SIs continue to bear a higher funding cost than the LSIs, consistent with a funding model more reliant on wholesale funds, as well as issues related with regulatory demands. During the recent period of rate cuts, however, they managed to cut their funding costs more intensely, thanks to both lower issuance costs and more active management in many cases of term deposit renewals, taking advantage of maturing deposits to gradually lock in lower remuneration rates. This is consistent with the previously mentioned lower funding cost sensitivity enjoyed by this group, allowing them to pass through to a lesser degree the successive negative impact on that cost of Euribor decreases in relative terms, whereas for the smaller sized institutions, the extraordinary contribution provided by the rate increases corrected more sharply.

At the LSIs, in contrast, the smaller correction in funding costs is shaped by the lower remuneration offered for customer deposits, providing a sort of floor for the drop in costs and restricting the room for manoeuvre. This may have impeded the scope for passing through the reduction in official rates with the same zest as the SIs, as is borne out by our analysis of the betas for the two groups, resulting in a sharper drop in margin generation on the funding side.

Conclusions

Our analysis reveals that the full rate cycle observed over the past five years has had considerable effects on the trend in the banks' net interest margins and, specifically, on the two underlying components. The intense upfront increase in rates from 0% to 4%, since when they have trended down to 2%, considered the "new normal", has cemented a structural improvement in the upper part of the banks' income statements, buoyed initially by funding costs, which displayed considerable positive sensitivity during the period of rate increases, and, later, by a growing contribution by asset yields as interest rates tapered.

This aggregate trend masks considerable differences between the significant and less significant institutions. The latter benefitted more via funding costs when rates were higher, whereas the SIs exhibited a comparative advantage in terms of asset yields, which made a proportionately bigger contribution as rates fell.

In the coming quarters and years, however, the banks' ability to defend their margins in absolute terms will depend on ongoing momentum in credit, which started to recover in 2025, particularly in the segments more conducive to generating higher spreads.

Notes

[1] To analyse the LSIs as a group, we took a representative sample of 20 Spanish financial institutions.

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Shadow banking and financial stability in an era of private credit

The rapid expansion of non-bank financial institutions is reshaping the geography of financial risk in Europe and globally. High leverage, liquidity mismatches, and growing interconnections with traditional banks raise the probability that future episodes of stress originate outside the regulated banking perimeter.

Pedro Cuadros-Solas, Francisco Rodríguez-Fernández, and Nuria Suárez

Abstract: The non-bank financial institution (NBFI) system, commonly referred to as shadow banking, has reached systemic scale and is now a central feature of global financial intermediation. In Europe, non-bank financial institutions manage more than €50 trillion in assets, around 42% of the financial system, while global private credit has surpassed $3 trillion, expanding rapidly outside the traditional regulatory perimeter. This growth is accompanied by structural vulnerabilities linked to high leverage, liquidity and maturity mismatches, and increasingly dense interconnections with banks. Exposures between banks and non-bank entities already amount to trillions of dollars, concentrating risks in a small number of systemic institutions and increasing the potential for two-way contagion. Spain shows a lower domestic weight of non-bank finance, at roughly 34% of the system, but remains exposed through international funds, leveraged credit markets, and indirect banking channels. Shadow banking has become a durable source of both diversification and fragility, strengthening the case for integrated monitoring, cross-sector

> “ The total value of shadow banking assets amounts to $238.8 trillion, representing around 49.1% of total global financial assets. ”

stress testing, and coordinated regulatory responses.

Introduction: Boom in the non-bank financial system and echoes of 2008

In recent years, the non-bank financial system—also known as *shadow banking* or *NBFS*—has experienced rapid growth globally. According to the latest data from the Financial Stability Board, the total value of shadow banking assets amounts to $238.8 trillion, representing around 49.1% of total global financial assets. Organizations such as the International Monetary Fund (IMF), the Financial Stability Board (FSB), and the Bank for International Settlements (BIS) have recently warned that this boom is accompanied by structural vulnerabilities reminiscent of the imbalances that preceded the 2008 crisis. Although there are differences between the current context and that of fifteen years ago, some similarities are cause for concern: increasing leverage, opacity in certain investments, dependence on private credit ratings, and high financial interconnection between banks and non-bank entities.

The IMF's *Global Financial Stability Report* (October 2025) highlights that the expansion of private financing funds and leveraged credit markets is taking place outside the traditional regulatory perimeter, with less transparency, more lax lending standards, and liquidity structures that are susceptible to amplifying tensions. This "private financing ecosystem" is no longer marginal but has become a structural component of the global financial system, capable of transmitting *shocks* through its growing interconnectedness with banks and markets. Even the role of rating agencies shows parallels with 2008: before the great crisis, they assigned high ratings to complex products (CDOs, ABSs, RMBSs) whose real risk they underestimated. Today, the BIS warns that some smaller agencies may be assigning excessively favorable ratings to private debt issues, incentivized by commercial reasons, which may conceal risks of illiquidity or overvaluation. In addition, there are also doubts about other new ratings, such as those based on sustainability criteria. The relevance of these *ESG ratings* has been increasing. They currently condition the investment flows of many NBFI entities such as investment funds, pension funds, and insurers. The opacity of the criteria and metrics used to assign these ratings, coupled with their heterogeneity, adds an additional layer of uncertainty and risk to the financial system. In short, while not identical to that of 2007–2008, the current situation shares certain mechanisms of fragility that warrant close monitoring.

In this article, we analyze the magnitude of this phenomenon on a global and European scale, and its implications for financial stability, paying specific attention to the Spanish case.

Global outlook: The rise of private credit and leveraged credit

Non-bank credit intermediation has become one of the main drivers of global financial growth. In particular, *private credit* (direct private financing to companies by investment funds, outside the traditional banking circuit) has emerged strongly. Unlike banks, *private credit* funds operate with "locked-in" investor capital (they do not have demand deposits), which eliminates the risk of bank runs but implies less supervision and possible liquidity mismatches. Their flexibility in structuring loans tailored to borrowers has made them formidable competitors to banks in certain niches (*e.g.,* financing *leveraged buyouts* [LBOs]), while also making *them partners* in others (*e.g.,* jointly financing large transactions).

Global figures: Private credit by region

Aggregate data reveal that the *private credit* market has already reached systemic

Table 1 **Global and regional private credit**

Indicator / Region	Approximate value
Global *private credit* (AUM + *dry powder*)	USD 3.0 trillion
– North America	USD 1.8–2.0 trillion
– Europe (including the United Kingdom)	USD 0.5–0.7 trillion
– Asia and other regions	<$0.3 trillion (residual)
Share of *private credit* in corporate credit (U.S.)	≈ 7%
Share of *private credit* in corporate credit (Europe)	≈ 1.6%

Note: The term private credit *refers to the global volume of direct non-bank financing to companies, including both capital already invested (*assets under management*) and committed resources not yet deployed (*dry powder*). The percentages indicate the share of this private financing in total corporate credit.*
Sources: Own calculations based on IMF, BIS, and ESRB data.

dimensions. According to recent estimates, assets under management plus committed capital pending investment (known as "AUM + dry powder") will exceed $3 trillion by the end of 2024. This figure contrasts with just $2 trillion in 2020, reflecting rapid growth in just a few years. Table 1 summarizes the global and regional scale of this market, as well as its relative weight in corporate financing.

Two structural trends stand out from these figures: (a) The global *private credit* market rivals traditional segments such as high-yield bonds and leveraged loans in size, especially in the United States. In fact, in this country, the volume of *private credit* in circulation (around USD 1.8–2 trillion) is comparable to the entire market for syndicated bank loans or junk bonds; (b) Europe, although lagging in absolute volume, is demonstrating accelerated growth dynamics. Capital managed by private credit funds in Europe has tripled in the last decade, exceeding €0.4 trillion in 2024, and continues to rise. However, its share of total European corporate credit remains modest (around 1–2%), reflecting the fact that corporate financing in Europe still relies overwhelmingly on traditional banking.

Leveraged credit: High yield and leveraged loans on the rise

Beyond pure *private credit*, the universe of leveraged credit—which encompasses high-yield debt (speculative-grade high-yield bonds) and leveraged loans to highly indebted companies—continues to expand outside the banking sphere. This type of credit played a central role in the spread of the *subprime* shock in 2007–2008 and is once again the focus of attention today. In the United States, the sum of the *high-yield* bond markets (USD 1.8–2.0 trillion) and leveraged loan markets (USD 1.0–1.5 trillion) is around USD 2.8–3.0 trillion. This figure equals or even slightly exceeds the size of global *private credit,* illustrating the magnitude of higher-risk credit circulating in the system. Each segment accounts for approximately half: for example, the U.S. leveraged loan market is estimated at around USD 1.4–1.5 trillion (an all-time high), while the U.S. junk bond market is around USD 1.5–1.8 trillion. In Europe, the leveraged credit market is less than half the size of the U.S. market, with total estimates of around €1.1–1.3 trillion (including *high-yield* bonds issued in euros and leveraged syndicated loans).

One warning sign highlighted by the IMF is the deterioration in underwriting quality in recent leveraged credit. Specifically, there is a growing proportion of loans with lax covenants (*covenant-lite*, with fewer financial restrictions on the borrower), optimistic valuations, and lower average credit quality, especially in transactions originated by non-bank funds. In fact, several analysts point out that defaults on leveraged credit could rebound after years of prosperity: if we reach

> “Authorities warn of risks of two-way contagion: problems in NBFI can affect banks (via exposures), and conversely, banking tensions could reduce banks' willingness to support the liquidity of non-banks.”

an environment of higher interest rates and lower liquidity, highly indebted companies and the funds that financed them will be put to the test.

Traditional banks' exposure to the NBFI boom

One of the key questions is to what extent the risks of the non-banking system can spread to traditional banks. The main channel is banks' credit exposure to non-bank financial intermediaries (NBFI). Large global banks provide financing to investment funds, market vehicles, and other shadow entities through multiple channels: direct bilateral loans, committed credit lines, repo transactions (securities-backed loans), derivative positions (providing leverage or hedging to funds), and even investments in instruments issued by NBFI. This network of relationships creates significant interdependencies. According to the IMF, U.S. and European banks have accumulated around USD 4.5 trillion in credit exposure to NBFI entities, equivalent on average to 9% of their loan portfolios.

Not all banks participate equally in this business: there is a marked concentration in systemic banks. In the U.S., approximately 50% of total banking assets belong to banks whose exposure to NBFI exceeds their own Tier 1 capital—an indication of risk concentration. The 10 largest U.S. banks alone account for some $710 billion of exposure to NBFI, of which, $300–400 billion is directly linked to private equity/credit funds. In total, U.S. banks are estimated to have $1.2 trillion of exposure to NBFI entities. European banks as a whole account for the remainder of the USD 4.5 trillion (approximately USD 3 trillion), although with a more heterogeneous and often less transparent distribution. Some large European banks have pockets of high exposure—for example, through loans to real estate or *private equity* funds domiciled in European financial centers—although on average European banks are somewhat less involved than their U.S. counterparts.

It is not surprising, then, that authorities warn of risks of two-way contagion: problems in NBFI can affect banks (via the aforementioned exposures), and conversely, banking tensions could reduce banks' willingness to support the liquidity of non-banks. The IMF estimates that, under an adverse scenario in which funds withdraw 100% of their lines and collateral assets are devalued, the CET1 solvency ratios of a significant group of banks (in the case of Europe, 30% of the banking sector) could fall by more than 1 additional percentage point. This could significantly exacerbate an episode of systemic stress.

European perspective: Size, risks, and links to banking

Europe is experiencing a remarkable expansion of its non-bank financial system, although it started from a lower penetration than the United States. According to the ESRB (*European Systemic Risk Board) Non-bank Financial Intermediation Risk*

> “The aggregate assets of the European NBFI sector reached €50.7 trillion at the end of 2024, representing approximately 42% of the assets of the European financial system.”

Monitor 2025, the aggregate assets of the European NBFI sector reached €50.7 trillion at the end of 2024. This figure represents approximately 42% of the assets of the European financial system (a calculation that usually includes investment funds and other non-bank financial intermediaries, excluding banks; if insurers and pension funds are included, the proportion would be closer to 60%). In any case, European shadow banking already rivals traditional banking in size in many markets.

The NBFI sector in Europe encompasses a variety of entities: investment funds (including harmonized UCITS funds and alternative *hedge* funds), venture capital and private equity funds, structured finance vehicles, insurers, pension funds, and other non-bank financial institutions (*OFIs*). Over the last decade, many of these segments have grown, driven by the integration of capital markets in the EU and the adaptation to stricter banking regulatory frameworks after 2008. In fact, part of the growth of NBFI reflects a transfer of activity from banks to markets: for example, the weight of non-bank financing in euro area corporate debt has increased steadily (in 2024, around 30% of credit to non-financial companies in the euro area comes from market funds, compared to 20% in 2010). This *increased* financial *disintermediation* has benefits (it diversifies sources of financing), but it also introduces new vulnerabilities.

There are some key vulnerabilities in Europe. The ESRB, the IMF, and the ECB all agree on four areas of structural risk in the European NBFI sector:

- ***High leverage, which is often difficult to measure.*** This is particularly noticeable in certain alternative funds (global *hedge funds* based in the EU, some UCITS fixed income funds with *absolute return* strategies that allow them to leverage heavily, *etc.*). For example, the ESRB found that a subset of UCITS funds use techniques that raise their gross leverage even above that of many *hedge funds*. This leverage amplifies potential losses and can be hidden off-balance sheet (derivatives, synthetic positions), making it difficult to track.

- ***Maturity transformation and liquidity risk.*** Many *open-end* funds offer daily liquidity to investors but invest in illiquid assets (private credit, real estate, emerging market debt, *etc.*). This creates a liquidity mismatch: in the event of massive outflows (redemptions), managers could be forced to sell illiquid assets at a discount, amplifying the price decline. Recent episodes—such as the sales of real estate funds in the United Kingdom in 2016 or the global *dash for cash* in March 2020—highlighted this vulnerability: funds with illiquid assets suffered heavy redemptions and had to activate liquidity management tools (suspensions, gates, *swing pricing*) to avoid collapse.

  The ESRB warns that liquidity and maturity mismatches remain a critical risk that could trigger systemic stress similar to that seen in 2007–2008, when supposedly liquid structures (ABCP vehicles, SIVs) froze.

- ***Financial interconnectedness and dependence on banks.*** The financial ecosystem is highly interrelated: European NBFI maintains strong links with banks and with each other, via cross-shareholdings, loans, repos, derivatives, and liquidity lines. In particular, many funds rely on wholesale bank funding (*e.g.*, contingent credit lines from banks to manage redemption peaks, or repo loans obtained from banks using assets in their portfolios as collateral). This dependence creates a direct channel of contagion: if a fund gets into trouble and needs liquidity, it will draw down its bank lines and/or sell assets, which may affect its banking counterparties; conversely, if a bank limits lines or experiences stress, funds may find themselves without backup liquidity. In addition, there are conglomerates where a banking group owns asset managers that may require support in the event of problems (the so-called *step-in* risk of the bank towards its non-banking subsidiary). All of this means

> “European authorities emphasize the need to close data gaps and implement pending reforms in areas such as money market funds and open-ended investment funds.”

that idiosyncratic *shocks* can be transmitted through the financial-banking network.

- ***Concentration of risks in a few entities or jurisdictions.*** Although the NBFI sector is diverse, certain exposures are highly concentrated. For example, the ESRB notes that a large fraction of European fund investment is concentrated in U.S. assets (especially technology stocks), which could amplify a sharp adjustment in that segment. Similarly, in the context of real estate funds in the EU, a handful of funds account for most of the sector's bank debt (1% of real estate funds account for >40% of bank debt), and a few large banks are the main lenders. This concentration means that problems in a large fund or a bank with excessive exposures could trigger a cascade effect. There is also geographical concentration: certain countries (Luxembourg, Ireland, the Netherlands) are home to a huge portion of the European NBFI network, sometimes for tax or regulatory reasons, which can transfer risks across borders.

Taken together, these vulnerabilities could amplify cyclical risks in Europe. The ESRB warns that, given the current macrofinancial conditions (high inflation, interest rate hikes, geopolitical volatility), a scenario of significant asset losses—for example, defaults on low-quality corporate credit or declines in commercial real estate—could put pressure on indebted or liquidity-fragile NBFI, triggering forced sales and second-round effects throughout the system. For this reason, European authorities emphasize the need to close data gaps (regulations currently lack full visibility of leverage in certain funds) and implement pending reforms in areas such as money market funds (already reviewed after the tensions of 2020) and open-ended investment funds (where stricter liquidity rules are being discussed).

The Spanish case: lower relative weight, but non-negligible risks

Spain has a unique profile compared to the rest of Europe: its financial system continues to be dominated by traditional banking. According to estimates by the Bank of Spain (*Financial Stability Report*, Autumn 2025), the non-bank financial system (NBFS) in Spain represents around 34% of total national financial assets, compared to ~42% (funds+OFIs) – or up to 60% including insurers – in Europe. In other words, approximately one-third of the Spanish system is "shadow banking," a proportion that has grown slightly (it was 31% in 2015) but remains significantly below the European average. Total assets managed by investment funds have increased by 79.9% in Spain and 92.7% in the euro area since 2015. Table 2 compares some key indicators between Europe and Spain.

The table shows that Spain has a smaller and, in principle, less complex shadow sector than Europe. However, this should not be interpreted as meaning that Spain is isolated from global risks. In more detail, the Spanish system stands out for:

- ***Predominance of traditional institutions and limited activity by domestic alternative funds.*** The Spanish NBFS is mainly composed of traditional domestic investment funds, some credit companies (CFIs) specializing in consumer credit, and international funds operating in the country. Unlike markets such as Luxembourg or Dublin, Spain is not a hub for *hedge funds* or large private equity vehicles; domestic private credit funds are scarce and small in size (domestic *direct lending* is very limited).

Table 2 **Comparison of the non-bank financial system: Europe *vs.* Spain**

Indicator (2024–2025)	Europe (EU)	Spain
Weight of the NBFS in the financial system	≈ 42% (≈60% if insurance is included)	≈ 34%
Private credit assets (approx.)	USD 0.5–0.7 trillion	Marginal (emerging market)
Leverage in investment funds	High in alternative segments; highly heterogeneous	Low in domiciled funds (below EU average)
Bank exposure to NBFI	Significant (≈ USD 3 trillion in EU banks, 9% loans); concentrated in a few large banks	Low (few banks with significant NBFI business; limited exposure overall)
Key vulnerabilities	Liquidity (open-ended funds), asset illiquidity, hidden leverage, bank-fund interconnectedness, specific concentrations	Localized risks: EFC and consumer credit; dependence on external financing (*risk importation*); growing banking interconnection via international funds

Sources: Bank of Spain (IEF Autumn 2025), IMF, ESRB, and own calculations.

In fact, the *private credit* that reaches Spanish companies usually comes from foreign funds (*e.g.,* British or American funds financing corporate transactions in Spain) rather than from local managers. This implies an "import" of risk: developments in the London or New York private equity/credit markets can be transmitted to Spain via the portfolios that these funds hold in Spanish companies.

- ***Low leverage and conservative profile of Spanish funds.*** The Bank of Spain highlights that investment funds domiciled in Spain maintain very low levels of leverage, below the euro area average (*e.g.*, 102.8% for Spanish *hedge funds*, compared to 156.2% for those in the euro area). Due to regulation and practice, Spanish funds—especially those aimed at retail investors—use debt marginally and tend to have high positions in liquid assets (5.6% for domiciled equity funds compared to 2.2% in the euro area). This reduces their immediate vulnerability to redemptions (fewer forced sales). Likewise, these funds' exposure to illiquid or high-risk assets is relatively low compared to other countries (most invest in high-quality public/private fixed income, liquid equities, *etc.*). This prudent nature of the Spanish fund sector is a structural strength. However, it does not guarantee immunity in the event of external shocks: for example, Spanish fixed income funds suffered significant outflows during the March 2020 turmoil in global markets, although they managed to handle them without problems due to their liquidity.

- ***Localized vulnerabilities: CFIs and consumer credit.*** One segment to watch is credit institutions (CFIs)—non-bank entities that grant consumer credit, credit cards, leasing, *etc.* CFIs in Spain have recently experienced a rise in delinquency: the non-performing loan ratio in their consumer credit portfolio rose to 3.7% in June 2025, marking four consecutive quarters of increases. Although this ratio remains below the equivalent delinquency rate in banks (4.1% in consumer credit), it indicates a *deterioration* after years

“ The growing role of NBFI in the financial system also poses challenges for central banks' operational frameworks, potentially leading to reduced effectiveness of traditional monetary policies in the event of liquidity strains or episodes of financial stress. ”

of improvement. In addition, CFIs have seen their market share in consumer loans decline compared to banks, possibly due to greater selectivity in the face of risk. Spanish household consumer debt is moderate, but an economic downturn could put pressure on these specialized intermediaries.

- ***Dependence on international markets and foreign funds.*** As mentioned, much of the non-bank financing for Spanish companies comes from international funds. This means that certain risks can "seep in" from outside: an Anglo-Saxon fund with global liquidity problems could decide to liquidate assets in Spain (*e.g.*, sell Spanish bonds or not renew loans to local SMEs) to cover needs in its main market. Likewise, wholesale financing of international funds by banks in Spain has been increasing slightly—for example, banks established in Spain participating in syndicated loans to infrastructure funds or providing *subscription facilities* to locally operating managers. Although this activity is limited at the moment, it indicates a growing interconnection. The Bank of Spain characterizes the interrelationship between banks and funds in Spain as "limited but growing," with the banking sector's interconnections with the NBFS being greater on the asset side than on the liability side. While financing granted to SFNB intermediaries accounts for 7.9% of the total assets of the main Spanish banks, financing received remains at 7% of assets.

Conclusions

The rise of shadow banking—particularly private credit and leveraged credit outside the traditional banking perimeter—is one of the emerging sources of global systemic risk. Although it is more pronounced in the United States, Europe is also involved, and Spain is no stranger to this dynamic. The comparison with 2008 is not empty alarmism: we find parallels such as rapid growth in leverage outside banking regulation, opaque and illiquid structures sold as daily liquidity, and growing dependence on rating agencies (credit and ESG) that could underestimate the risk of complex assets. In addition, the growing role of NBFI in the financial system also poses challenges for central banks' operational frameworks, which are traditionally bank-oriented, potentially leading to reduced effectiveness of traditional monetary policies in the event of liquidity strains or episodes of financial stress. These elements warrant extreme attention from the authorities.

The analysis gives rise to several policy proposals to strengthen the resilience of the financial system to these risks:

- ***Improve metrics and monitoring of leverage and liquidity in NBFI.*** It is essential to expand and refine the collection of data on non-bank funds: debt levels, cross-exposures, portfolio liquidity, counterparty concentration, *etc.*

- ***Implement integrated banking-NBFI stress tests and macroprudential analysis of systemic risks.*** Stress tests must be adapted to the new interconnected reality. The ESRB and the ECB advocate exercises that simulate combined adverse scenarios, where not only the direct impact on individual banks or funds is calibrated, but also the feedback between them. For example, regulators in the United Kingdom and

Australia have begun to integrate stress tests designed to better understand the interactions between banks and non-bank entities.

- ***Increase transparency and reporting requirements for private credit and alternative funds.*** One specific recommendation is to require private credit managers to report their portfolios and liabilities more frequently and in greater detail, perhaps by extending the AIFMD regulation or creating specific registers.

- ***Strengthen regulatory and supervisory coordination and reduce potential regulatory arbitrage.*** Many shadow banking players operate globally and will take advantage of any divergences between jurisdictions.

- ***Consider financial digitization and new channels of intermediation.*** Finally, we cannot ignore that the *fintech* revolution and innovation (including *DeFi,* cryptoassets, *peer-to-peer* platforms, *etc.*) are creating new forms of "shadow banking."

In conclusion, shadow banking plays a valuable role in diversifying the sources of financing for the economy—*filling the gap* left by traditional banking after the financial crisis, as some experts point out—but its collateral risks cannot be ignored. Financial stability requires a comprehensive view: understanding the *complex financing chains* that today connect banks, funds, and markets, and implementing proactive policies to make the system as a whole more transparent, resilient, and prepared. Only then will we prevent the next crisis from finding its origin in the poorly lit shadows of the financial system.

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Structural adjustments and stability in European sovereign debt markets

European sovereign debt markets are undergoing significant structural shifts that simultaneously reduce demand and increase supply. Yet pricing stability has persisted amid geopolitical uncertainty, reflecting clearer policy signals and more predictable institutional responses.

Erik Jones

Abstract: European sovereign debt markets are entering a period of structural change, with declining demand from the ECB and pension systems intersecting with rising supply linked to the green and digital transition, increased defence spending, and support for Ukraine. While these shifts imply hundreds of billions of euros in reduced demand and increased issuance, sovereign spreads have tightened and market functioning has remained notably stable by historical standards. This reflects clearer policy frameworks, greater transparency around ECB portfolio normalization, and more credible government signalling, which have allowed market participants to incorporate evolving demand–supply dynamics into pricing models. This relative stability is reassuring when compared to recent performance during moments of crisis. Market participants should continue to pay attention to the structural changes underway in European sovereign debt markets, but there is currently no cause for alarm.

> “European sovereign debt markets have entered a period of unprecedented stability for the first time since the global economic and financial crisis.”

Introduction

European sovereign debt markets have entered a period of unprecedented stability for the first time since the global economic and financial crisis. The difference (or spread) in Italian government bond yields over their German counterparts halved, from over 1 percent (or 100 basis points) to just over 60 basis points – the lowest in more than a decade. The spread over Germany for Spanish bonds also fell from over 70 basis points to just under 40 basis points – again the lowest in more than a decade. And the spread for French bonds fluctuated between highs near 85 basis points and lows near 65. [1]

The French spread is higher than France has experienced over the past decade, but still low in context. France has lacked a coherent government since French President Emmanuel Macron dissolved parliament in June 2024, French public debt is over 116 percent of gross domestic product (GDP), the minority cabinet is struggling to pass a budget, and the right-wing Rassemblement National has a strong chance to win the upcoming 2027 Presidential elections. [2] Bond market participants are clearly aware of these facts and yet they do not appear to be pricing in the same kind of turmoil as they have in the past. That stability is interesting because European sovereign debt markets are also changing both in terms of demand and supply.

Demand for European sovereign debt is expected to shrink. The European Central Bank (ECB) is running down its large-scale asset portfolio holdings as it moves toward a new operational framework for connecting changes in the policy through the financial system to the performance of the European economy. [3] In that new framework, the ECB will hold more debt on its portfolio than it did prior to the global economic and financial crisis, but less than it held during the sovereign debt crisis or in the aftermath of the pandemic. At the same time, many pension companies and national pension systems are moving from defined benefit to defined contribution schemes. This changeover will reduce demand for sovereign debt as very long-term assets to match against equally longer-term obligations. Together these moves will subtract demand for sovereign debt worth hundreds of billions of euros. [4]

Meanwhile, the supply of European sovereign debt is expected to rise. Both national governments and European institutions need to issue new debt to cover the costs of the green and digital transition in line with the recovery and resilience programme (Next Generation EU) agreed in July 2020 (European Commission, 2025b). At the same time, Europe is taking on a greater share of the cost of supporting Ukraine in its efforts to defend itself after Russia’s February 2022 full-scale invasion and the Donald Trump administration’s decision to cut American support (European Commission, 2026). European governments are also planning to increase defence spending in light of efforts to stabilise relations within the NATO alliance and concerns about the need to assume responsibility for European security in the

> “Net supply of sovereign debt should rise by hundreds of billions across Europe.”

event the United States withdraws some or all of its security guarantees. The European Commission's 'White Paper for Defence – Readiness 2030', calls for an additional €800 billion in defence spending (European Commission, 2025c). Although the precise formula for financing this expenditure remains to be seen, net supply of sovereign debt should rise by hundreds of billions across Europe as a result.

These factors are well known among financial market participants. Yet an expected fall in demand and rise in supply does not seem to be adding pressure into European sovereign debt markets. If anything, those markets are moving the other way. This suggests that although there are good reasons to pay attention to these structural changes in European sovereign debt markets, they are not cause for alarm. On the contrary, other factors may be more important.

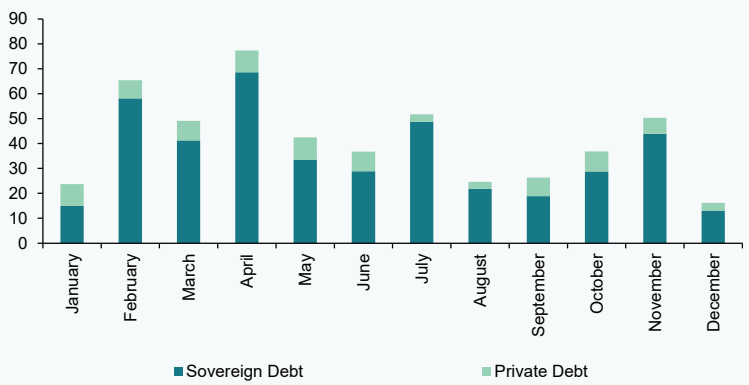
Demand

The changes in demand for European sovereign debt have been underway for a long time. The Governing Council used the large-scale asset purchase programme to support European economic performance during the sovereign debt crisis and a separate pandemic emergency purchase programme in response to the economic shock caused by COVID-19. At their peak, these two programmes respectively pulled €2.6 trillion and €1.7 trillion in sovereign debt instruments out of the markets. The Governing Council of the ECB decided to end new purchases and then stop reinvestment of maturing principal on the asset purchase programme in July 2023 and the pandemic emergency purchase programme in December 2024. By the end of 2025, the sovereign debt holdings on those programmes had shrunk to €1.9 trillion and €1.5 trillion. In other words, the ECB has already returned close to €1 trillion in sovereign debt to the markets by allowing them to mature so that they are rolled over elsewhere. [5]

The expectation is that the ECB will return another €420 billion in sovereign debt from those two programmes to the market in 2026 – with €250 billion running off the large-scale asset programme and the rest coming from the pandemic emergency programme (See Exhibit 1). This is on top of €80 billion in private assets that will be allowed to mature on both sets of accounts. [6] These numbers are important, but the expectation is that actors in the private sector will make good use of the sovereign debt instruments that are released. Much will be reabsorbed for use as collateral both in routine treasury operations made by

Exhibit 1 **ECB monthly net portfolio redemptions, 2026**

Billions of euros



Source: ECB.

> “The ECB will create a structural portfolio of bonds that it holds outright to complement refinancing operations in a process ECB Executive Board Member Isabel Schnabel calls ‘quantitative normalisation’.”

financial and non-financial institutions and eventually with the ECB. This transition is part of a strategy for the ECB’s Governing Council to wean financial institutions off their dependence on central banks to meet their regulatory liquidity requirements and provide a buffer of excess liquidity.

The scale of that dependence is clear from the daily liquidity reporting that the ECB provides. On 7 January 2026, for example, European financial institutions had regulatory reserve requirements worth €170 billion. The consolidated accounts show that the current account balance for those institutions stood at €157 billion, they borrowed another €22.7 billion through open market operations, and some banks even requested loans worth €69 million from the ECB’s marginal lending facility. Meanwhile, that same collection of financial institutions had central bank deposits worth €2.49 trillion. By implication, the ‘excess liquidity’ in the banking system – which is the sum of holdings on the current account and deposit facility, less reserve requirements and any money borrowed on the marginal lending facility – stood at €2.48 trillion. That excess liquidity comes from the ECB’s asset holding.

By returning those assets to the market, the Governing Council hopes to draw down that surplus liquidity and restart inter-bank lending markets. Governing Council members do not expect those interbank markets to return to what they were before the financial crisis, but they see significant room for growth, particularly in collateralised lending. There is space for the ECB to engage in more collateralised lending as well, using a mix of shorter- and longer-term refinancing operations to ensure financial institutions have access to sufficient buffers in case of stress. If those banks decide they need large volumes of excess liquidity, they can always borrow from the ECB and those same sovereign debt instruments currently held as assets will show up on the ECB’s balance sheet as collateral. That changeover could start as soon as the second or third quarter of 2026, though it is expected to begin later. In either case, the sovereign debt instruments being released into the markets will be put to good use. Toward the end of that process, the ECB will create a structural portfolio of bonds that it holds outright to complement these refinancing operations in a process ECB Executive Board Member Isabel Schnabel calls ‘quantitative normalisation’. [7] The final arrangements are still to be worked out, but the plan for doing so is well in place.

The pension case is less complicated. A shift from a defined benefit to a defined contribution regime does reduce the demand for ultra long-term debt. But those debt markets are relatively small. To give a sense of relative magnitudes, the Italian government had €2.5 trillion in government bonds outstanding with a maturity of one year or more. The vast majority of those bonds – 78% or €1.95 trillion – had a residual maturity of ten years or fewer. This number contains some older or ‘off-the-run bonds’ that were issued with longer maturities. The next 14%, or €340 billion, had residual maturities between 10 and 20 years. And the last 8%, or €210 billion, had residual maturities between 20 and 50 years (Bank of Italy, 2026: 1).

While these might look like significant numbers, the implication is that the average volume of debt issued by the Italian state in any given year with a maturity greater than 10 years is just under €14 billion. This means that the share of off-the-run bonds that started off with long maturities and now has a residual maturity of ten years or fewer is no more than €140 billion out of €1.95 trillion. The pension funds may not roll these bonds over

like-for-like, but the extra €14 billion in average annual refinancing is just a small fraction of the €250+ billion that turns over on an annual basis. More importantly, the shift from defined benefit to defined contribution only affects the appetite for pension funds to hold debt obligations with very long maturities. It does not affect their appetite for sovereign debt. Hence this regulatory change is more likely to influence what kind of sovereign debt pensions buy than to take significant demand from the markets.

Meanwhile, the result is likely to lower debt servicing costs for the Italian state. When much of existing very long debt was issued over the past 15 years, the yield curve was relatively flat. As inflation accelerated after the pandemic, that yield curve steepened. In January 2022, for example, the difference in yield between 10-year and 30-year AAA bonds was just 29 basis points, or 0.29 percent. By January 2026, the gap had increased to 56 basis points. [8] Italian bonds trade at a discount to AAA and so the increase would be greater because the premium charged to cover risk to maturity would increase over time. Italian Treasury officials might prefer to issue longer bonds to lengthen the average maturity of their outstanding debt, but the trade-off in terms of debt servicing costs is positive – even if marginal, given the very low volumes involved.

Supply

The supply-side issues are less straightforward than they seem as well. It is true that both national governments and European institutions will issue new debt to cover expenses related to the recovery and resilience facility created during the pandemic. The point to note, however, is that while the amount to be borrowed is significant, it is also much less than the Next Generation EU programme originally promised. When the programme was announced in 2020, the headline number was €750 billion, with €390 billion in grants and another €360 billion in loans – all of which would be financed in the markets. When they adjusted the base year to the start of the project in 2021, the total came to €800 billion.

That adjustment was before the acceleration of inflation after the pandemic in 2022. It was also before the member states ran into expected troubles building coalitions to support specific programmes, finding relevant projects, working through bureaucratic procedures, or translating that money into spending (Jones, 2021a). Along the way, the European Commission made it possible to redirect some of the funds to support a transition away from Russian energy and to purchase military equipment related to the European response to Russia's full-scale invasion of Ukraine. Even so, the total amount that was disbursed by the end of 2025 was 'just' €362 billion. [9] Moreover, because of inadequate take-up of the funds being offered, the overall envelope shrank to €637 billion – in post-inflation euros. [10] Whether that money can be committed before the end of September 2026 or spent before the end of December is an open question. Given historical precedents in terms of Member State absorption of regional and structural funds, it is unlikely.

This accounting is not meant as a criticism of the recovery and resilience facility. On the contrary, that proposal played a vital role in stabilising European bond markets during the pandemic (Jones, 2021b). It has also fostered important investments in green and digital technology, energy independence, and European security. The point is simply that financial market participants had already imagined a much larger level of borrowing. Even the addition of €90 billion for Ukraine

> "The real challenges new borrowing represents are not an increase in supply of sovereign debt instruments but rather the lack of promised productive investment."

does not bring the total up to the original headline figures. Meanwhile, national borrowing to accompany the programme is similarly reduced.

The real challenges this new borrowing represents are not an increase in supply of sovereign debt instruments but rather the lack of promised productive investment (European Commission, 2025b). The Next Generation EU programme had greater potential than EU governments have been able to realise. It is also worrying that Member State governments did not agree on the necessary financing that was originally promised. As a result, servicing the debt is threatening to take away resources from the European budget. That issue will need to be dealt with in the negotiation of a new multiannual financial framework for the European Union to be implemented starting in 2027. In the meantime, it would be helpful if European officials – including heads of state or government – would agree to roll over existing EU debt to avoid cutting back even further on productive spending of shared resources (Busse *et al.,* 2025).

A similar point could be made about borrowing for defence spending. The borrowing involved is significant. The concern is about contribution to growth and hence also debt sustainability. Defence spending has a highly variable fiscal multiplier. A euro of defence spending can generate just €0.60 in additional economic output, or something closer to €2.40 (Erken *et al.,* 2025: 7). From a debt sustainability perspective, a higher multiplier is better, because it implies that each euro spent on defence generates more than a euro in gross domestic product (GDP) and hence also a positive contribution to longer term tax revenues and therefore also government ability to pay down the resulting debt. This creates a seemingly paradoxical situation where borrowing the money for increased defence outlays up front results in a more stable fiscal situation over the medium term (Ilzetzki, 2025: 34-36).

The policy challenges associated with a rapid military buildup are significant. Moreover, European policy makers are aware of the concerns. In its spring economic forecast, the European Commission concluded that the net result of increases in defence spending would be a modest increase in growth with little impact on underlying inflation. The Commission also made recommendations for how those macroeconomic outcomes could be strengthened to ensure greater productivity gains (European Commission, 2025: 81-86). This analysis did not include all of the commitments made in the rest of the year, but the Commission's analysis and similar arguments set a solid baseline for market participants to interpret the outcomes. [11]

Conclusion

European sovereign debt markets are changing in structural terms to rely less on demand from the European Central Bank and due to new requirements on large institutional investors while at the same time accommodating an increase in borrowing both of needed investment and to reinforce European security. These adaptations are taking place against a backdrop of heightened geopolitical risk and uncertainty. Nevertheless, European bond markets are adapting smoothly to the new conditions. The smoothness of this adaptation suggests important improvements in European financial market performance when compared to the turmoil that surrounded the global economic and financial crisis, the sovereign debt crisis, the pandemic, and Russia's full-scale invasion of Ukraine.

The explanation is probably that market participants have known for a while now that these structural changes were coming. The European Central Bank could not maintain such a large asset portfolio indefinitely. Large pension funds could not remain committed to defined benefit programmes. European governments needed to invest in the digital and green transition while at the same time adapting to other shocks, even if they have yet more to accomplish. And Europe needs to provide for its own security in a troubled and uncertain international climate. That European policymakers recognize and are acting on these concerns is reassuring – or at least that seems to be what sovereign debt market participants are telling us.

Notes

[1] These data for yield spreads on sovereign debt are taken from *Il Sole 24 Ore*. (https://mercati.ilsole24ore.com/obbligazioni).

[2] Data for France's debt-to-GDP ratio is taken from the AMECO database of the European Commission.

[3] See, 'Statement by the Governing Council: Changes to the Operational Framework for Implementing Monetary Policy,' (Frankfurt: European Central Bank, 13 March 2024) https://www.ecb.europa.eu/press/pr/date/2024/html/ecb.pr240313~807e240020.en.html

[4] See, 'Why Europe's Biggest Pension Funds are Dumping Government Bonds,' *The Economist* (8 January 2026), https://www.economist.com/finance-and-economics/2026/01/08/why-europes-biggest-pension-funds-are-dumping-government-bonds

[5] These statistics are taken from the ECB and author's presentation includes rounding that accounts for significant numbers. For the precise data on the asset purchase programme, see: https://www.ecb.europa.eu/mopo/implement/app/html/index.en.html. For the pandemic emergency purchase programme, see: https://www.ecb.europa.eu/mopo/implement/pepp/html/index.en.html

[6] These numbers are based on own calculations using ECB data. Those calculations are available upon request.

[7] See 'Towards a New Eurosystem Balance Sheet: Speech by Isabel Schnabel, Member of the Executive Board, at the ECB Conference on Money Markets 2025,' (Frankfurt: European Central Bank, 6 November 2025), https://www.ecb.europa.eu/press/key/date/2025/html/ecb.sp251106~1133f93311.en.html

[8] These data come from the ECB.

[9] See, 'Commission to Issue €90 Billion in EU-Bonds in the First Half of 2026,' (Brussels: European Commission, Press Release, 16 December 2025), https://ec.europa.eu/commission/presscorner/detail/en/ip_25_3067

[10] This figure for the envelope is taken from the European Commission website: https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility_en

[11] See, for example, Lorenzo Bini Smaghi, 'Why Markets Do Not React to Europe's Defense Spending Surge,' (17 March 2025), https://iep.unibocconi.eu/why-markets-do-not-react-europes-defense-spending-surge

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Recent key developments in the area of Spanish financial regulation

Prepared by the Regulation and Research Department of the Spanish Confederation of Savings Banks (CECA)

Royal Decree 999/2025, of 5 November 2025, amending Royal Decree 1012/2015, of 6 November 2015, which enacted Law 11/2015, of 18 June 2015, on the recovery and resolution of credit institutions and investment service firms, and amending Royal Decree 2606/1996, of 20 December 1996, on deposit guarantee funds for credit institutions (*Official State Gazette*: 6 November 2025)

The purpose of Royal Decree 999/2025 is to transpose into Spanish law the amendments introduced to Directive 2014/59/EU by Regulation (EU) 2022/2036 as regards the procedure for meeting the minimum requirement for own funds and eligible liabilities (MREL) for global systemically important institutions (G-SIIs) with a multiple-point-of-entry resolution strategy. It took effect the day after its publication.

Specifically, it amends articles 71.4 and 82.3 of Royal Decree 1012/2015, of 6 November 2015, which enacted Law 11/2015, of 18 June 2015, on the recovery and resolution of credit institutions and investment service firms, to introduce the following:

- Determination of the MREL at G-SIIs. The resolution authorities will take into account all third-country entities that are part of a G-SII that would be resolution entities if they were established in the Union.

- Elimination of the differences between the amount of the MREL of a G-SII with a multiple-point-of-entry resolution strategy and the amount of that group's MREL if the resolution strategy were based on a single point of entry.

Royal Decree-law 12/2025, adopting urgent reactivation, reinforcement and prevention measures under the scope of the immediate response, reconstruction and relaunch plan following the damage caused by the isolated high-altitude depression in several Spanish municipalities between 28 October and 4 November 2024 (*Official State Gazette*: 29 October 2025)

Broadly speaking, Royal Decree-law 12/2025 introduces the following measures of an economic nature:

- The creation of new ICO PRTR loans with non-repayable tranches (non-repayable grant of up to 30% of the face value of the loans) and/or partial interest rate rebate.

- A guarantee line of up to 5 billion euros, available until 31 December 2040, for the State to guarantee the financing extended by financial institutions to households, businesses and self-employed professionals affected by civil protection emergencies.

- The legal regime applicable to the recovery and collection of the portion of loan principal not covered by the guarantees provided.

- The recognition as financial collateral of the pledge or assignment of credit claims against aid provided by the competent authorities and/or emergency insurance compensation, even when the debtor is a consumer, a small business or a micro enterprise.

  The novation of the guarantee financing transactions without loss of the guarantee when the purpose of the novation is to

increase the amount of the financing granted as a result of households, businesses or self-employed professionals applying for new aid under the programmes approved by the competent authorities

Royal Decree-law 13/2025, of 25 November 2025, adopting complementary urgent measures for the economic and social recovery of La Palma Island in the wake of the damage caused by the volcanic eruption (*Official State Gazette*: 26 November 2025)

Royal Decree-law 13/2025 introduced a new package of measures designed to alleviate the adverse consequences of the eruption of the Cumbre Vieja Volcano on La Palma Island. The following financial measure stands out:

- The establishment of a new deadline for applying for a further 6-month extension of the suspension of the interest and principal payment on loans and credits, whether or not secured by a mortgage, for debtors in the municipalities of El Paso, Los Llanos de Aridane and Tazacorte who are registered in the Register of Affected Persons and whose income comes from agriculture.

Law 10/2025, of 26 December 2025, regulating the provision of customer service (*Official State Gazette*: 27 December 2025)

Law 10/2025 introduces minimum levels of quality and assessment of customer service at large enterprises and the companies that provide certain services considered of general basic interest. It took effect the day after its publication but there is a 12-month transition period for companies to adapt their customer service operations.

Financial services in particular will be governed by the sector-specific regulations applicable to them with respect to customer service, Law 10/2025 being supplementary in this respect; customer service supervision falls to the competent supervisory authorities that oversee the sector regulations.

The following generally applicable aspects stand out:

- The legislation enumerates the general principles that the companies it applies to must follow in terms of the provision of customer service and with respect to the information they must provide about their customer service operations.

- Bound companies may offer customers the same communication channel as was used to initiate the contractual relationship for the purpose of notifying enquiries, complaints, claims or incidents, plus, at least, post, telephone and electronic communication.

- They must ensure that the consumer, when notifying enquiries, complaints, claims or incidents to companies that provide services in regions of Spain with official languages in addition to Spanish can do so in Spanish or in any of the official languages whenever the customer service is addressed to customers located in regions with official languages other than Spanish.

- They must ensure that 95% of requests for personalised customer service are attended to, on average, within a period of less than three minutes from when the request is made and it is forbidden to remit customers calling in on a free phone line to numbers that imply a cost for them.

- Consumers or users considered vulnerable who present a complaint or claim or report an incident in person must be provided with the support measures and the individualised and personal assistance they may require.

- The staff providing personalised customer service must have received specialised training appropriate for the sector or activity.

- Customer service provided over the phone may not imply a higher cost than the cost of a call to standard fixed or mobile

number. To attend to persons with hearing impairments, the phone channel must be accessible and must be complemented by an alternative instant written messaging system or a video system with sign language interpretation or an equivalent analogue system.

- The company must provide a record of the enquiry, complaint, claim or incident by providing a receipt in a durable format. If the enquiry, complaint, claim or incident is lodged by phone, the company must record the call and inform the caller that it is doing so.

- The resolution of enquiries, complaints, claims or incidents must be duly substantiated and the response must be provided in the same language in which it was formulated.

- Customer service hours must be aligned with the company's business operating hours. For services of general interest, customer service must be made available 24 hours a day, 365 days a year, for the communication of incidents related with service continuity.

- Customer service systems must be designed using resources and technology that uphold the principles of universal accessibility, equal treatment and non-discrimination.

- The provision of customer service must be clearly differentiated from other activities at the company.

- Enquiries, complaints, claims or incidents must be resolved within no more than 15 working days from their formulation, unless sector regulations stipulate a different timeframe.

This new law repeals Ministerial Order ECO/734/2004, of 11 March 2004, on customer services, dedicated customer service departments and customer ombudsmen at financial institutions and introduces regulatory amendments, notably including the amendment of Law 44/2002, of 22 November 2002, on financial sector reform measures. Specifically, it modifies the section on financial service customer protection with respect to the following aspects: (i) scope of application (adding specialised lending institutions, electronic money institutions and UCIT management companies, among others; (ii) channel availability; (iii) personalised service; (iv) the availability of an operator or agent; (v) the separation of the customer service department or area from the institution's sales and operating services; (vi) the customer service information that must be provided to customers; and (vii) the deadlines for forwarding claims, complaints and enquiries to the Bank of Spain, CNMV and Directorate General of Insurance and Pension Funds.

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Spanish economic forecasts panel: January 2026*

Funcas Economic Trends and Statistics Department

Growth in 2025

Spanish GDP is estimated to have grown by 2.9% in 2025

The consensus is that the Spanish economy registered growth of 2.9% in 2025, as also anticipated in the November survey. Domestic demand is thought to have contributed 3.4 percentage points to GDP growth (up 0.1pp from the November consensus forecast), with foreign demand detracting by 0.5 percentage points (versus -0.4pp in November). Investment and its main components are now believed to have performed better, with the public and private consumption forecasts unchanged. Within the foreign sector, the forecast growth in exports has been revised downwards by 0.1 percentage points, while growth in imports has been adjusted upwards by 0.3 points (Table 1).

Growth in 2026

The forecast for 2026 has been raised by 0.1pp to 2.2%

The consensus forecast for GDP growth in 2026 has increased by 0.1 points to 2.2%, which is in line with the growth forecast by the government and other organisations, other than AIReF, which is forecasting growth of 2.4% (Table 1). As for the quarterly pattern, growth is forecast at around 0.5% each quarter in 2026, which is unchanged from the November survey (Table 2).

Domestic demand is expected to contribute 2.5 points of that growth (up 0.2pp from the November survey), while the foreign sector is expected to detract 0.3 points. The slowdown by comparison with 2025 stems from investment (especially investment in machinery and equipment) and, to a lesser degree, household consumption. Although public consumption is forecast to continue to drag on growth, it is expected to do so by less than in 2025 (Table 1).

The majority of analysts (11) see a similar amount of upside as downside risk to their forecasts, with five of them seeing more upside risk and just three, greater downside.

Inflation

Inflation now expected to be higher in 2026

Having hit a high for the year in October, of 3.1%, headline inflation headed downwards to end the year at 2.9%, implying an average annual rate of 2.7%. Core inflation gathered pace in the second half of the year, rising from 2.2% in June to 2.6% in December, implying an average annual rate of 2.3%. As noted in previous reports, food products and services continue to register stubbornly high rates of inflation.

The consensus forecast for average headline inflation in 2026 has increased by 0.1 percentage points to 2.2%,with the year-on-year rate forecast for December at 2.1%. The consensus forecast for core inflation has similarly increased by 0.1 points to 2.3% (Tables 1 and 3).

Labor market

Unemployment expected to dip to 10% in 2026

According to the Social Security contributor numbers, fourth-quarter job creation kept pace by comparison with the first nine months of the year. In 2025, contributors increased by nearly half a million people, which is similar to the 2024 figure.

The consensus in labour force survey (LFS) terms is that employment increased by 2.5% in 2025, up 0.1 points from the November consensus, and that it will increase by a further 1.7% in 2026 (unchanged from November). Productivity and unit labour costs (ULCs) are calculated from the GDP forecasts, employee compensation and employment in LFS terms. The former is forecast to have grown by 0.4% in 2025 and to increase by 0.5% in 2026, while ULCs are expected to have increased by 2.9% last year and rise another 2.4% this year.

The consensus forecast for the average annual rate of unemployment in 2025 is 10.5%, a figure expected to trend down to 10% in 2026 (Table 1).

Balance of payments

Record current account surplus thanks to services

The current account surplus to October 2025 stood at 46.71 billion euros, which is the best performance on

record at this juncture of the year. This healthy figure reflects the fact that the slight deterioration in the goods deficit was more than offset by the solid surplus in services and reduction in the deficit in the primary and secondary income accounts.

The analysts expect Spain to record a current account surplus of 2.6% of GDP in 2025 and one of 2.4% in 2026, both forecasts unchanged from the last survey (Table 1).

Public deficit

Public deficit estimated at 2.5% in 2026

The fiscal deficit of the public administration excluding local authorities, amounted to 10.25 billion euros in the first 10 months of 2025, compared to 15.28 billion euros in the same period of 2024. Tax receipts have continued to grow at a similar pace year-on-year, buoyed by faster growth in receipts from VAT and other indirect taxes due to the reversal of cuts introduced in prior years. On the other hand, growth in revenue from Social Security contributions has slowed somewhat.

The consensus forecast is for a deficit of 2.7% in 2025 (unchanged from November) and of 2.5% in 2026 (compared to 2.6% in November). The forecast 2026 deficit is above the levels currently forecast by the Spanish government, Bank of Spain, OECD or European Commission (Table 1).

International context

The European economy is among the hardest hit by global uncertainty

The fate of the global economy remains shrouded in uncertainty, marked by the transition from a rules-based multilateral system to an asymmetric power-based order. The latest episode is the conflict over Greenland, which could lead to new threats for trade and transatlantic relations in general. As of yet, the European Union has not managed to build consensus around a strategy for counteracting the onslaught of U.S. threats. Meanwhile, the progress on strengthening the single market is proving limited compared to the scale of the global challenges, according to the assessment set down by Mario Draghi in his report on European competitiveness.

In its January round of projections, the IMF described the global economy as "resilient" in the face of the various disturbances, forecasting growth of 3.3% for this year –almost unchanged with respect to the past two years. The eurozone, however, is projected to grow by 1.3%, well below the 2.4% expected for the U.S. One powerful differential force driving the U.S. economy is investment, especially in sectors related with AI. Nevertheless, the IMF flags several risks, from geopolitical upheaval, fragmentation of the multilateral system and the bursting of a potential technology bubble.

Despite the global economic resilience forecast by the IMF, panellists consider that global uncertainty will prevail (Table 4). Eleven analysts view the current climate as unfavourable for the EU and 13 hold a similar opinion of the global situation, assessments which are slightly less pessimistic than those expressed in November. The majority believe that the European and global environments will remain adverse in the short term.

Interest rates

The prospect of a fresh interest rate cut has faded

Inflation has stabilised or is converging towards target in the main advanced economies but at different speeds and in an environment of uncertainty that is complicating monetary policy. Tariffs initially interrupted the disinflation process in the U.S., although pressure has eased again in recent months. In the eurozone, overall CPI is already close to 2%, with core inflation converging towards that same marker.

Looking ahead, the outlook for inflation depends on complex factors such as the influence of mercantilist strategies on mineral prices, the impact of AI or the financial markets' reaction to the political pressure exerted on central bank independence (pressure which has parallels in the U.S. Treasury's growing financing requirement). Given the current uncertainty, where risks can go in either direction, both the Federal Reserve and the ECB have opted to leave their interest rates unchanged.

Echoing this, the consensus forecast is that the ECB will leave its deposit facility rate at 2% throughout the projection horizon, unchanged from the last assessment (Table 2). The forecast for Euribor has increased slightly and is now expected to end the year at 2.17% (up 12 basis points from the November consensus).

In light of the high level of global public debt and the prospect of significant public deficits in some of the largest advanced economies, yields on long-

term bonds are trading significantly above the benchmarks set by the central banks. The consensus is that the yield on the 10-year Spanish bond will hover at around 3.3% until the end of the year —a similar path to the November Panel (Table 2).

Currency market

Volatility in the dollar-euro exchange rate on account of global uncertainty

Currency markets are particularly sensitive to global uncertainty. Having appreciated against the euro last month, the dollar has since reversed course on account of the diplomatic crisis unleashed around Greenland and the measures Europe could take in retaliation for the threats being reiterated by President Trump. This development, in constant flux, has yet to be reflected in the analysts' feedback (certain events have taken place after carrying out the survey underlying this Panel). For now, the consensus forecast is that the dollar will appreciate slightly against the euro, to end 2026 at close to $/€1.19, a little above the level anticipated in November (Table 2).

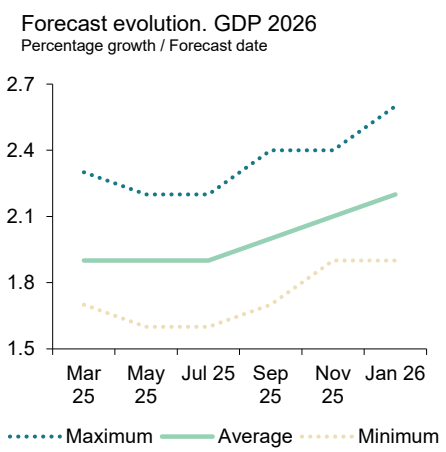
Fiscal and monetary policy considerations

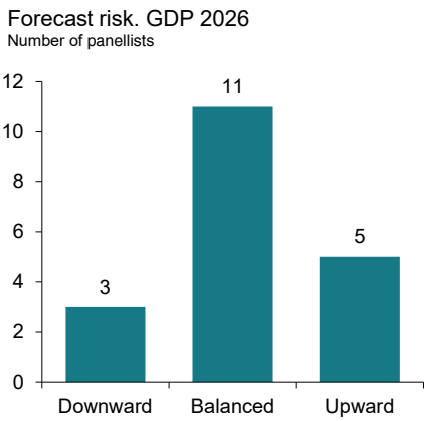
Fiscal policy should be less expansionary

The analysts believe that the Spanish economic cycle is sufficiently robust as to not need additional stimulus via fiscal policy. According to a majority of analysts, the budget remains expansionary when it should be neutral, meaning it should not provide additional stimulus. As for monetary policy, the perception is one of a better fit with the cycle: the consensus is that monetary policy is neutral, which is what the Spanish economy currently requires (Table 4).

Exhibit 1

Evolution and risk of forecasts





Source: Funcas Panel of Forecasts.

** The Spanish Economic Forecast Panel is a survey conducted by Funcas among the 19 analytical services listed in Table 1. The survey, which has been conducted since 1999, is published bimonthly in January, March, May, July, September and November. Based on the responses to the survey, "consensus" forecasts are provided, which are calculated as the arithmetic mean of the 19 individual forecasts. By way of comparison, although not forming part of the consensus, the forecasts of the Government, AIReF, the Bank of Spain and the main international organizations are also presented.*

Spanish economic forecasts panel: January 2026*

Funcas Economic Trends and Statistics Department

Table 1

Economic Forecasts for Spain – January 2026

Average year-on-year change, as a percentage, unless otherwise stated

	GDP		Household consumption		Public consumption		Gross Fixed Capital Formation						Domestic demand[3]		Exports of goods & serv.		Imports of goods & serv.	
							Total		Machinery and capital goods		Construction							
	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026
Analistas Financieros Internacionales (AFI)	2.9	2.2	3.4	2.8	2.0	2.6	5.9	3.1	8.5	2.6	4.8	3.4	3.5	2.7	3.6	1.2	6.1	3.0
BBVA Research	2.9	2.4	3.4	2.9	1.7	2.0	5.6	6.4	8.2	4.2	4.3	6.3	3.4	3.4	3.4	1.8	5.5	5.0
CaixaBank Research	2.9	2.1	3.1	2.4	1.3	0.9	5.3	3.3	8.6	3.3	4.0	3.4	3.3	2.4	4.2	2.2	5.4	2.9
Cámara de Comercio de España	2.9	1.9	3.3	2.0	1.8	2.4	5.3	3.9	7.9	2.4	4.1	4.6	3.3	2.1	3.6	1.9	5.5	2.2
Centro de Estudios Economía de Madrid (CEEM-URJC)	2.9	2.4	3.4	2.8	1.9	1.8	6.5	5.0	9.9	7.0	4.9	4.0	3.6	3.0	3.5	3.5	6.2	5.0
Centro de Predicción Económica (CEPREDE-UAM)	2.8	2.2	3.3	2.5	1.8	2.1	5.8	4.5	8.6	4.2	4.5	4.1	3.5	2.8	3.3	2.3	5.7	4.2
CEOE	2.9	2.3	3.3	2.4	1.8	1.4	5.6	2.8	8.3	1.9	4.4	3.2	3.6	2.4	3.7	3.5	6.0	4.1
Equipo Económico (Ee)	2.9	2.5	3.4	2.9	2.2	2.7	5.7	3.3	8.4	3.1	4.7	3.1	3.3	2.9	3.8	2.4	5.5	3.7
EthiFinance Ratings	2.9	2.3	3.2	2.0	0.7	2.0	8.7	3.3	5.9	3.3	7.2	3.2	3.2	2.3	2.8	1.7	4.8	1.6
Funcas	2.9	1.9	3.1	2.0	1.4	1.2	5.2	3.4	6.3	2.2	4.1	4.4	3.1	2.1	4.0	1.6	5.2	2.4
Instituto Complutense de Análisis Económico (ICAE-UCM)	2.9	2.3	3.1	2.2	1.6	1.8	5.0	3.5	6.8	2.9	4.0	3.8	3.1	2.1	4.0	2.4	5.2	2.5
Instituto de Estudios Económicos (IEE)	2.9	2.1	3.2	2.4	1.8	1.4	5.5	3.4	8.3	1.8	4.2	3.8	3.5	2.5	3.7	2.8	5.6	4.1
Intermoney	2.9	2.2	3.3	2.3	2.0	1.5	5.5	2.9	7.2	2.8	4.2	3.0	2.8	1.9	3.4	2.6	5.1	2.8
Mapfre Economics	2.9	1.9	3.2	2.4	1.4	1.6	4.7	1.7	--	--	--	--	2.8	1.8	4.0	1.2	4.8	0.6
Metyis	2.9	2.3	3.3	2.5	1.9	1.9	5.5	3.4	7.8	3.0	4.0	4.5	3.4	2.3	3.3	2.4	5.4	3.6
Oxford Economics	2.9	2.6	3.3	2.6	1.9	2.2	6.0	5.2	8.5	5.0	5.2	4.0	3.6	2.9	3.7	1.5	6.2	2.2
Repsol	2.9	2.2	3.4	2.7	2.0	2.5	5.9	4.8	8.9	6.3	4.7	2.7	3.6	3.0	3.7	2.6	6.4	5.4
Santander	2.8	2.2	3.3	2.8	1.9	1.9	5.9	3.8	8.4	3.5	4.9	4.2	3.7	2.9	3.5	1.5	6.4	4.2
Universidad Loyola Andalucía	2.8	2.4	3.6	2.6	1.5	1.4	6.1	3.3	11.6	4.1	3.4	2.6	3.6	2.1	3.3	2.2	4.5	2.6
CONSENSUS (AVERAGE)	2.9	2.2	3.3	2.5	1.7	1.9	5.8	3.7	8.2	3.5	4.5	3.8	3.4	2.5	3.6	2.2	5.6	3.3
Maximum	2.9	2.6	3.6	2.9	2.2	2.7	8.7	6.4	11.6	7.0	7.2	6.3	3.7	3.4	4.2	3.5	6.4	5.4
Minimum	2.8	1.9	3.1	2.0	0.7	0.9	4.7	1.7	5.9	1.8	3.4	2.6	2.8	1.8	2.8	1.2	4.5	0.6
Change on 2 months earlier[1]	0.0	0.1	0.0	0.2	0.0	0.1	0.3	0.4	0.1	0.5	0.2	0.4	0.1	0.2	-0.1	-0.1	0.3	0.1
- Rise[2]	2	8	5	7	5	7	10	9	3	7	8	7	7	8	8	4	8	6
- Drop[2]	2	1	3	1	4	1	1	1	2	2	1	2	2	1	3	5	2	3
Change on 6 months earlier[1]	0.5	0.3	0.5	0.6	-0.5	0.2	2.1	1.0	3.3	1.0	1.2	0.9	0.9	0.6	1.3	0.0	2.5	0.6
Memorandum items:																		
Government (November 2025)	2.9	2.2	3.3	2.4	1.7	1.8	5.7	5.1	--	--	--	--	3.4	2.8	3.5	1.9	5.5	3.9
Bank of Spain (December 2025)	2.9	2.2	3.4	2.8	1.8	1.8	6.0 [4]	3.6 [4]	--	--	--	--	3.5	2.7	3.5	2.0	5.8	3.6
AIReF (January 2026)	2.9	2.4	3.3	2.9	2.1	1.9	5.9	3.5	--	--	--	--	3.5	2.7	3.9	2.6	6.2	3.9
EC (November 2025)	2.9	2.3	3.4	2.3	1.7	1.8	5.6	3.4	--	--	--	--	3.3	2.3	3.6	2.3	5.7	2.7
IMF (January 2026)	2.9	2.3	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
OECD (November 2025)	2.9	2.2	3.4	2.7	1.7	1.3	5.6	4.0	--	--	-	--	3.5	2.6	3.6	1.7	5.7	3.2

[1] Difference in percentage points between the current month's average and that of two months earlier [or six months earlier].

[2] Number of panellists revising their forecast upwards [or downwards] since two months earlier.

[3] Contribution to GDP growth in percentage points.

[4] Gross Capital Formation.

Table 1 (Continued)

Economic Forecasts for Spain – January 2026

Average year-on-year change, as a percentage, unless otherwise stated

	CPI (annual av.)		Core CPI (annual av.)		Wage earnings		Employment (LFS)		Unemployment rate		Current Account (% of GDP)		Gen. goverment balance (% of GDP)	
	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026
Analistas Financieros Internacionales (AFI)	2.7	2.0	2.3	2.3	3.5	3.1	2.8	1.3	10.7	10.7	2.7	3.4	-2.8	-2.6
BBVA Research	2.7	2.5	2.3	2.4	3.1	2.4	2.5	2.3	10.6	10.0	3.1	2.1	-2.4	-2.1
CaixaBank Research	2.7	2.2	2.3	2.0	3.8	3.4	2.5	2.0	10.4	9.7	2.3	2.5	-2.7	-2.5
Cámara de Comercio de España	2.7	2.3	2.3	2.3	--	--	2.6	1.6	10.5	10.2	2.1	2.3	-3.0	-2.8
Centro de Estudios Economía de Madrid (CEEM-URJC)	2.7	2.5	2.3	2.4	2.9	3.1	2.0	1.2	10.8	10.2	3.1	2.3	-2.5	-2.2
Centro de Predicción Económica (CEPREDE-UAM)	2.7	2.3	2.3	--	3.5	3.1	2.3	1.7	10.6	10.2	2.9	2.7	-2.2	-2.3
CEOE	2.7	2.3	2.3	2.6	3.5	2.9	2.6	1.9	10.5	9.9	2.5	2.2	-2.6	-2.3
Equipo Económico (Ee)	2.7	2.3	2.3	2.2	3.3	3.0	2.6	2.3	10.6	10.3	2.9	2.1	-2.8	-2.8
EthiFinance Ratings	2.7	2.1	2.3	2.0	3.1	3.0	1.8	1.5	10.4	10.0	2.5	2.2	-2.9	-2.7
Funcas	2.7	2.4	2.3	2.4	3.2	3.0	2.6	1.5	10.3	9.6	2.9	2.8	-2.8	-2.7
Instituto Complutense de Análisis Económico (ICAE-UCM)	2.7	2.3	2.3	2.3	--	--	2.6	1.5	10.5	10.0	2.5	2.3	-2.8	-2.6
Instituto de Estudios Económicos (IEE)	2.7	2.2	2.3	2.3	3.5	2.9	2.6	1.8	10.4	9.7	2.5	2.2	-2.6	-2.3
Intermoney	2.7	2.0	2.3	2.4	--	--	2.5	1.7	10.6	10.2	--	--	-2.7	-2.4
Mapfre Economics	2.7	1.8	2.3	2.2	3.4	2.9	--	--	10.1	9.9	2.9	2.8	-2.9	-2.9
Metyis	2.7	2.1	2.3	2.2	3.4	2.6	2.5	1.6	10.6	10.0	2.6	2.4	-2.6	-2.3
Oxford Economics	2.7	2.4	2.3	2.4	--	--	2.5	1.6	10.6	10.1	2.9	2.8	-2.5	-2.3
Repsol	2.7	2.3	2.3	2.6	3.2	2.8	2.6	2.0	10.5	10.0	2.7	2.4	-2.5	-2.3
Santander	2.7	2.3	2.3	2.3	3.4	3.0	--	--	10.5	10.2	--	--	--	--
Universidad Loyola Andalucía	2.7	2.1	2.3	2.2	--	--	2.9	2.2	10.1	9.3	1.9	1.9	-3.4	-3.5
CONSENSUS (AVERAGE)	2.7	2.2	2.3	2.3	3.3	2.9	2.5	1.7	10.5	10.0	2.6	2.4	-2.7	-2.5
Maximum	2.7	2.5	2.3	2.6	3.8	3.4	2.9	2.3	10.8	10.7	3.1	3.4	-2.2	-2.1
Minimum	2.7	1.8	2.3	2.0	2.9	2.4	1.8	1.2	10.1	9.3	1.9	1.9	-3.4	-3.5
Change on 2 months earlier[1]	0.1	0.1	0.0	0.1	-0.1	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
- Rise[2]	14	11	4	10	0	0	4	5	4	4	4	3	5	6
- Drop[2]	1	1	7	2	3	1	1	1	2	4	0	1	1	1
Change on 6 months earlier[1]	0.3	0.2	0.1	0.2	0.0	0.1	0.5	0.3	-0.2	-0.4	0.2	0.2	0.1	0.2
Memorandum items:														
Government (November 2025)	--	--	--	--	3.9	2.7	2.8 [5]	2.1 [5]	10.5	9.9	2.8	2.2	-2.8	-2.1
Bank of Spain (December 2025)	2.7 [3]	2.1 [3]	2.6 [4]	2.5 [4]	--	--	2.7 [5]	2.0 [5]	10.6	10.0	--	--	-2.5	-2.1
AIReF (January 2026)	2.7	2.0	--	--	3.5	2.7	3.2 [6]	2.6 [6]	10.6	10.2	--	--	-2.5	--
EC (November 2025)	2.6 [3]	2.0 [3]	--	--	3.5	2.8	2.6 [5]	1.9 [5]	10.4	9.8	2.7	2.7	-2.5	-2.1
IMF (January 2026)	--	--	--	--	--	--	--	--	--	--	--	--	--	--
OECD (November 2025)	2.6 [3]	2.3 [3]	2.5 [3]	2.2 [3]	--	--	--	--	10.6	10.1	2.9	2.8	-2.5	-2.3

[1] *Difference in percentage points between the current month's average and that of two months earlier [or six months earlier].*

[2] *Number of panellists revising their forecast upwards [or downwards] since two months earlier.*

[3] *Harmonized index.*

[4] *Harmonized index excluding food and energy.*

[5] *Persons, according to National Accounts.*

[6] *Full time equivalent jobs.*

Table 2

Quarterly Forecasts – January 2026

	25-I Q	25-II Q	25-III Q	25-IV Q	26-I Q	26-II Q	26-III Q	26-IV Q
GDP [1]	0.6	0.7	0.6	0.6	0.5	0.5	0.5	0.5
Euribor 1 yr [2]	2.15	2.08	2.17	2.27	2.19	2.17	2.15	2.17
Government Bond yield 10 yr[2]	3.39	3.16	3.26	3.27	3.26	3.27	3.28	3.29
ECB deposit rates[3]	2.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Dollar / Euro exchange rate[2]	1.081	1.152	1.173	1.171	1.173	1.182	1.188	1.188

Forecasts in yellow.
[1] Qr-on-qr growth rates.
[2] End of period.
[3] Last day of the quarter. Average of responses rounded to the nearest multiple of 0.25.

Table 3

CPI Forecasts – January 2026

Year-on-year change (%)				
Dec-25	Jan-26	Feb-25	Mar-26	Dec-26
2.9	2.4	2.2	2.4	2.1

Forecasts in yellow.

Table 4

Opinions – January 2026

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	0	8	11	6	12	1
International context: Non-EU	1	5	13	0	17	2
	Is being			**Should be**		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment[1]	0	6	13	5	14	0
Monetary policy assessment[1]	0	17	2	3	15	1

[1] In relation to the current state of the Spanish economy.

Key Facts

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Economic Indicators

Table 1

National accounts: GDP and main expenditure components SWDA*

Forecasts in yellow

		GDP	Private consumption	Public consumption	Gross fixed capital formation			Exports	Imports	Domestic demand (a)	Net exports (a)
					Total	Construction	Equipment & others products				
		Chain-linked volumes, annual percentage changes									
2018		2.4	1.7	2.1	6.5	10.1	3.2	1.7	3.9	3.0	-0.6
2019		2.0	1.1	2.2	4.9	8.4	1.4	2.3	1.3	1.6	0.4
2020		-10.9	-12.1	3.5	-8.9	-8.4	-9.4	-20.1	-15.1	-8.8	-2.2
2021		6.7	7.1	3.6	2.6	0.5	4.9	13.4	15.0	6.9	-0.3
2022		6.4	4.9	0.8	4.2	4.0	4.6	14.2	7.7	4.1	2.3
2023		2.5	1.8	4.5	5.9	5.5	6.3	2.2	0.0	1.6	0.9
2024		3.5	3.1	2.9	3.6	4.0	3.1	3.2	2.9	3.3	0.2
2025		2.8	3.4	1.8	6.3	5.2	7.5	3.4	6.3	3.6	-0.8
2026		1.9	2.0	1.2	3.4	4.4	2.2	1.6	2.4	2.1	-0.2
2027		1.7	1.8	1.2	2.6	3.0	2.2	1.8	2.2	1.8	-0.1
2024	I	2.9	2.3	3.8	3.8	3.2	4.4	1.6	1.4	2.7	0.2
	II	3.7	2.9	2.3	3.5	3.4	3.6	2.9	1.7	3.1	0.5
	III	3.6	3.2	3.2	1.9	3.7	0.1	4.9	4.3	3.3	0.3
	IV	3.7	3.8	2.4	5.1	5.7	4.4	3.2	4.4	3.9	-0.3
2025	I	3.0	3.7	1.9	4.8	2.6	7.3	3.2	5.1	3.5	-0.5
	II	2.8	3.5	1.9	5.3	3.3	7.5	3.9	6.5	3.5	-0.7
	III	2.7	3.2	1.6	8.2	7.3	9.3	2.8	6.7	3.8	-1.2
	IV	2.6	3.4	1.7	6.8	7.6	6.0	3.5	6.9	3.6	-0.9
		Chain-linked volumes, quarter-on-quarter percentage changes									
2024	I	1.1	0.5	0.6	1.5	4.6	-1.7	2.2	1.3	0.8	0.3
	II	0.9	1.2	0.0	0.5	0.1	0.9	0.6	0.6	0.9	0.0
	III	0.8	1.2	1.6	-0.6	-1.4	0.3	0.3	1.2	1.0	-0.3
	IV	0.8	0.9	0.1	3.6	2.4	4.9	0.1	1.2	1.2	-0.4
2025	I	0.5	0.4	0.2	1.3	1.5	1.0	2.1	2.0	0.3	0.1
	II	0.7	0.9	0.0	0.9	0.8	1.0	1.3	2.0	0.9	-0.2
	III	0.6	1.0	1.3	2.2	2.4	2.0	-0.7	1.3	1.4	-0.7
	IV	0.8	1.0	0.1	2.2	2.7	1.8	0.8	1.4	0.9	-0.2
		Current prices (EUR billions)	Percentage of GDP at current prices								
2018		1,212	58.1	18.5	19.7	9.8	9.9	34.9	32.1	97.3	2.7
2019		1,254	57.4	18.7	20.3	10.5	9.8	34.7	31.7	97.0	3.0
2020		1,129	56.1	21.7	20.6	10.7	9.9	30.5	29.0	98.5	1.5
2021		1,235	56.1	21.0	20.2	10.4	9.8	33.8	32.8	99.0	1.0
2022		1,376	56.4	20.0	20.5	10.7	9.8	39.7	38.8	99.1	0.9
2023		1,498	55.4	19.6	20.5	10.7	9.8	37.8	34.0	96.2	3.8
2024		1,594	55.4	19.3	20.3	10.6	9.7	37.1	32.9	95.8	4.2
2025		1,686	55.7	19.1	20.7	10.8	9.9	36.6	32.9	96.3	3.7
2026		1,743	55.7	18.7	20.9	11.0	9.9	37.0	33.2	96.3	3.7
2027		1,808	55.7	18.6	21.2	11.2	10.0	36.8	33.2	96.4	3.6

**Seasonally and Working Day Adjusted.*

(a) Contribution to GDP growth.

Source: INE and Funcas (Forecasts).

Chart 1.1 - GDP

Level, 2019=100

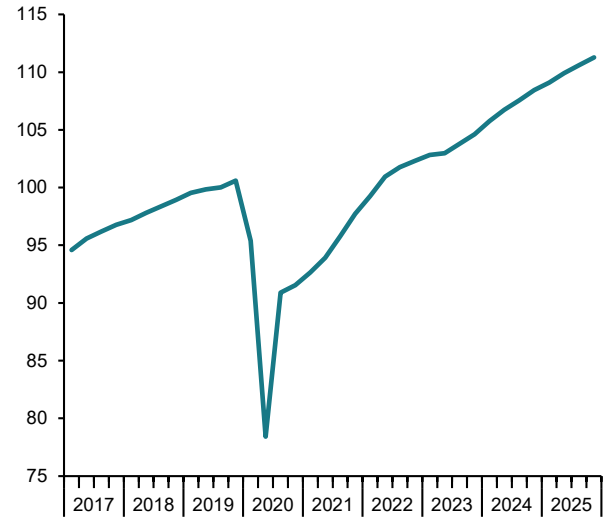


Chart 1.2 - Contribution to GDP annual growth

Percentage points

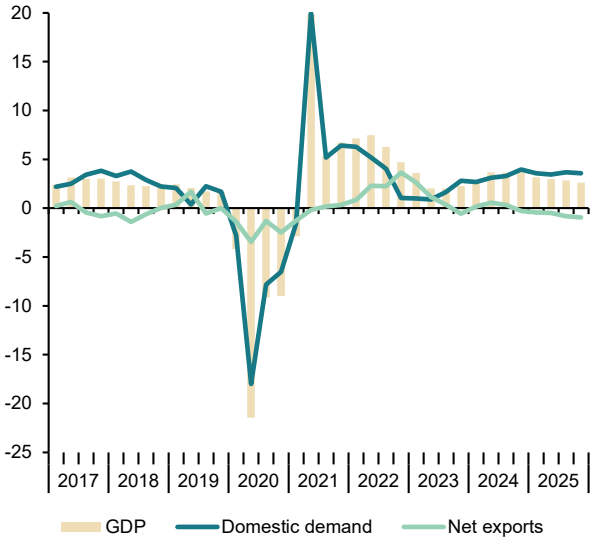


Chart 1.3 - Consumption

Level, 2019=100

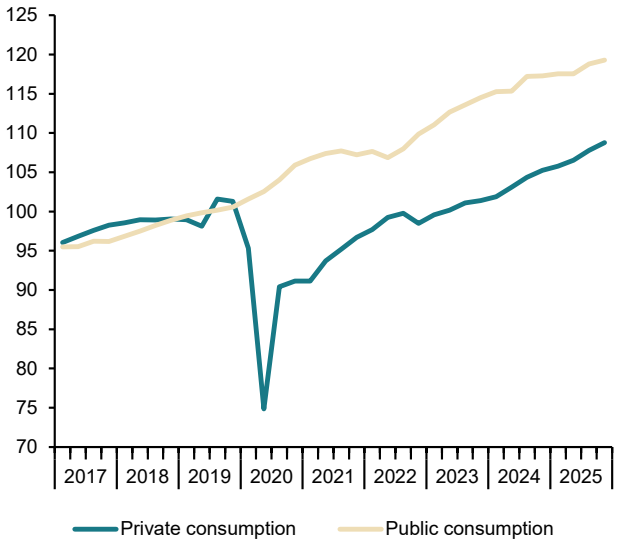


Chart 1.4 - Gross fixed capital formation

Level, 2019=100

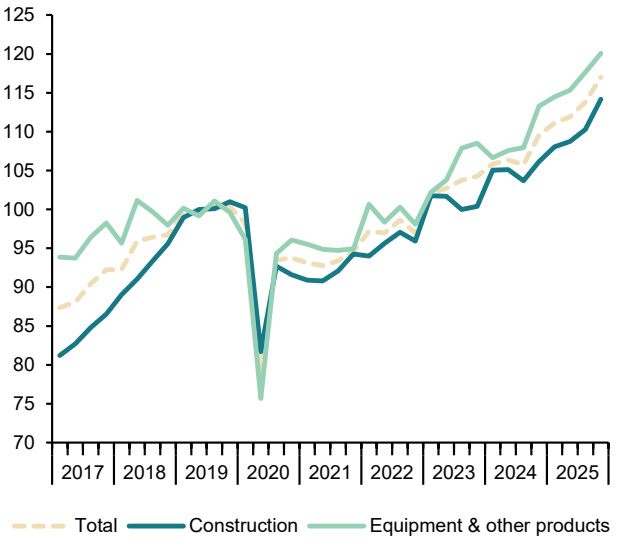


Table 2

National accounts: Gross value added by economic activity SWDA*

		Gross value added at basic prices								
				Industry			Services			
		Total	Agriculture. forestry and fishing	Total	Manufacturing	Construction	Total	Public administration. health. education	Other services	Taxes less subsidies on products
		Chain-linked volumes, annual percentage changes								
2018		2.5	4.2	0.1	-1.1	3.0	2.8	1.4	3.3	1.8
2019		2.1	-2.8	1.9	0.6	4.7	2.1	1.4	2.3	0.9
2020		-10.9	-2.0	-10.4	-14.1	-14.7	-10.9	-1.5	-13.9	-11.7
2021		6.3	7.0	5.8	13.9	-1.0	7.0	1.9	8.8	10.9
2022		6.9	-16.9	3.5	6.5	8.9	8.5	1.5	10.8	1.2
2023		2.6	3.4	-1.8	0.6	1.1	3.8	3.3	3.9	0.7
2024		3.9	10.8	1.9	2.6	4.8	4.0	3.7	4.1	-1.3
2025		3.1	0.5	2.3	2.1	5.6	3.2	1.7	3.6	-0.5
2024	I	3.4	10.3	0.9	1.9	4.7	3.6	4.0	3.5	-2.8
	II	4.3	10.4	2.3	3.7	4.6	4.4	3.8	4.6	-2.6
	III	4.0	15.9	2.5	2.5	4.5	3.9	4.2	3.8	-0.5
	IV	3.9	7.0	1.9	2.4	5.3	4.1	2.9	4.5	1.0
2025	I	3.5	7.2	1.8	1.9	2.4	3.8	2.8	4.1	-0.4
	II	3.1	0.0	2.3	2.0	3.9	3.4	2.3	3.7	1.3
	III	3.2	-2.2	3.0	2.9	6.1	3.2	1.5	3.7	-0.6
	IV	2.9	-1.3	2.8	2.0	7.2	2.8	0.4	3.5	-0.5
		Chain-linked volumes, quarter-on-quarter percentage changes								
2024	I	1.1	6.4	1.5	1.1	3.0	0.6	0.0	0.8	1.4
	II	1.1	0.1	0.3	0.7	1.0	1.3	0.1	1.7	-1.1
	III	0.7	1.7	-0.2	-0.3	-1.4	1.0	1.2	1.0	1.4
	IV	0.9	-1.2	0.4	0.8	2.8	1.0	1.5	0.9	-0.6
2025	I	0.7	6.5	1.3	0.7	0.1	0.3	0.0	0.4	0.0
	II	0.8	-6.6	0.7	0.8	2.4	1.0	-0.4	1.4	0.5
	III	0.7	-0.4	0.5	0.6	0.8	0.8	0.5	0.9	-0.5
	IV	0.8	0.2	0.3	0.1	2.1	0.8	0.0	1.1	0.4
		Current prices EUR billions)	Percentage of value added at basic prices							
2018		1,098	3.0	15.7	11.9	6.1	75.2	17.7	57.5	10.4
2019		1,138	2.8	15.5	11.8	6.5	75.2	17.8	57.4	10.2
2020		1,031	3.1	15.9	11.9	6.2	74.9	19.8	55.1	9.5
2021		1,119	3.1	16.6	12.4	5.9	74.5	18.8	55.7	10.4
2022		1,255	2.6	17.4	12.1	5.8	74.1	17.6	56.6	9.7
2023		1,367	2.9	16.1	12.0	5.8	75.3	17.2	58.1	9.6
2024		1,453	3.0	15.6	11.9	5.7	75.6	17.3	58.3	9.8
2025		1,530	3.0	15.7	11.7	5.9	75.4	17.3	58.2	10.2

** Seasonally and Working Day Adjusted.*

Source: INE.

Chart 2.1 - GVA by sectors

Level, 2019=100

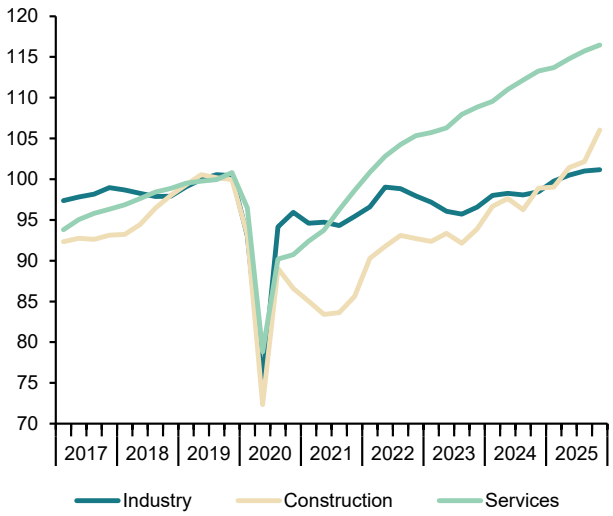


Chart 2.2 - GVA. Industry

Level, 2019=100

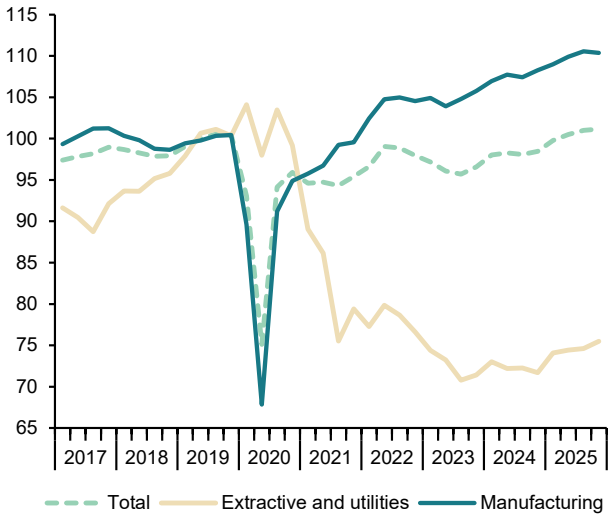


Chart 2.3 - GVA, services

Level, 2019=100

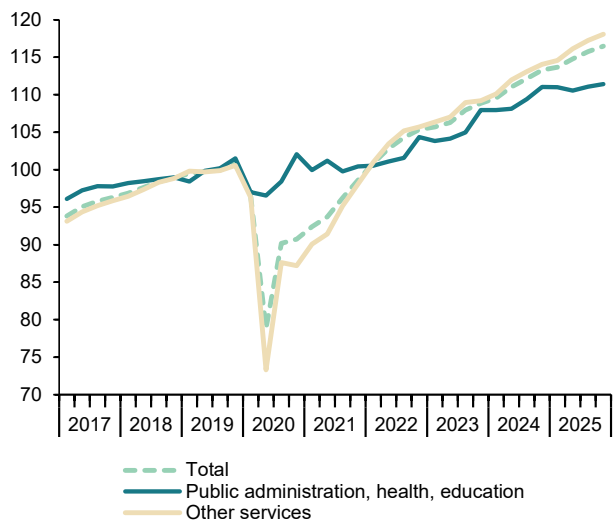


Chart 2.4 - GVA. structure by sectors

Percentage of value added at basic prices

Table 3

National accounts: Productivity and labour costs

Forecasts in yellow

		Total economy						Manufacturing Industry					
		GDP, constant prices	Employment (working hours)	Productivity per hour	Compensation per hour worked	Nominal unit labour cost	Real unit labour cost (a)	Gross value added, constant prices	Employment (working hours)	Productivity per hour	Compensation per hour worked	Nominal unit labour cost	Real unit labour cost (a)
		1	2	3=1/2	4	5=4/3	6	7	8	9=7/8	10	11=10/9	12
		Index, 2019 = 100, SWDA											
2018		98.1	98.3	99.8	95.6	95.8	97.2	99.4	97.9	101.5	99.5	98.0	99.9
2019		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2020		89.1	89.0	100.0	106.5	106.4	105.2	85.9	91.2	94.2	106.8	113.4	106.6
2021		95.0	95.5	99.5	107.7	108.2	104.4	97.8	94.1	104.0	109.2	105.0	99.0
2022		101.1	100.3	100.8	111.0	110.1	101.4	104.2	97.4	106.9	112.1	104.9	96.6
2023		103.6	103.0	100.6	117.1	116.5	100.9	104.8	99.4	105.5	117.0	110.8	95.0
2024		107.1	105.3	101.8	122.7	120.5	101.5	107.6	100.7	106.9	122.5	114.6	95.6
2025		110.1	107.4	102.5	128.6	125.5	102.3	109.8	103.1	106.5	128.5	120.6	98.5
2026		112.2	108.9	103.1	132.5	128.6	102.9	--	--	--	--	--	--
2027		114.1	110.0	103.8	136.1	131.1	102.9	--	--	--	--	--	--
2024	I	105.8	104.1	101.6	121.0	119.1	100.3	107.0	99.9	107.0	120.0	112.1	92.5
	II	106.7	105.0	101.7	121.7	119.7	101.0	107.7	100.6	107.1	121.9	113.8	94.3
	III	107.6	105.2	102.3	123.6	120.9	101.2	107.4	99.9	107.6	124.4	115.7	96.3
	IV	108.4	106.8	101.5	124.2	122.4	101.5	108.3	102.3	105.8	123.5	116.7	97.2
2025	I	109.1	106.1	102.8	126.7	123.2	101.7	109.0	100.8	108.1	128.0	118.4	96.9
	II	109.9	106.6	103.1	127.8	124.0	102.1	109.9	102.0	107.8	128.8	119.5	98.4
	III	110.6	107.9	102.5	128.6	125.4	102.4	110.6	104.1	106.2	128.9	121.4	99.3
	IV	111.3	109.2	101.9	130.7	128.3	102.5	110.4	105.5	104.6	128.5	122.8	99.4
		Annual percentage changes											
2018		2.4	2.5	-0.1	1.5	1.6	0.4	-1.1	1.6	-2.7	1.4	4.2	2.5
2019		2.0	1.7	0.2	4.6	4.4	2.9	0.6	2.1	-1.5	0.6	2.1	0.1
2020		-10.9	-11.0	0.0	6.5	6.4	5.2	-14.1	-8.8	-5.8	6.8	13.4	6.6
2021		6.7	7.2	-0.5	1.2	1.7	-0.8	13.9	3.1	10.4	2.2	-7.4	-7.1
2022		6.4	5.1	1.2	3.0	1.7	-2.8	6.5	3.6	2.8	2.7	-0.1	-2.5
2023		2.5	2.7	-0.2	5.5	5.7	-0.5	0.6	2.0	-1.3	4.3	5.7	-1.6
2024		3.5	2.2	1.2	4.7	3.5	0.6	2.6	1.3	1.3	4.7	3.4	0.6
2025		2.8	2.1	0.7	4.8	4.1	0.7	2.1	2.4	-0.4	4.9	5.3	3.0
2026		1.9	1.3	0.6	3.1	2.5	0.6	--	--	--	--	--	--
2027		1.7	1.0	0.7	2.7	2.0	0.0	--	--	--	--	--	--
2024	I	2.9	1.6	1.2	6.2	4.9	1.3	1.9	-0.8	2.8	5.4	2.5	0.6
	II	3.7	3.0	0.7	3.9	3.2	0.1	3.7	4.3	-0.6	2.8	3.4	0.5
	III	3.6	1.3	2.3	5.5	3.1	-0.6	2.5	-1.2	3.8	7.6	3.7	1.8
	IV	3.7	3.0	0.6	3.5	2.8	0.8	2.4	3.3	-0.9	3.0	3.9	0.3
2025	I	3.1	2.0	1.2	4.7	3.5	1.4	1.9	0.9	1.0	6.7	5.7	4.8
	II	3.0	1.6	1.4	5.0	3.6	1.1	2.0	1.4	0.6	5.7	5.0	4.4
	III	2.8	2.6	0.3	4.0	3.8	1.2	2.9	4.3	-1.3	3.6	4.9	3.2
	IV	2.6	2.2	0.4	5.2	4.8	0.9	2.0	3.1	-1.2	4.0	5.2	2.2

(a) Nominal ULC deflated by GDP/GVA deflator.

Source: INE and Funcas (Forecasts).

Chart 3.1 - Nominal ULC, total economy

Index, 2019=100

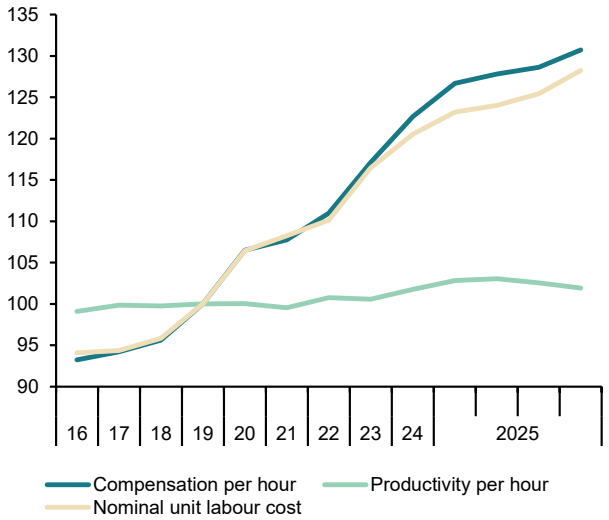
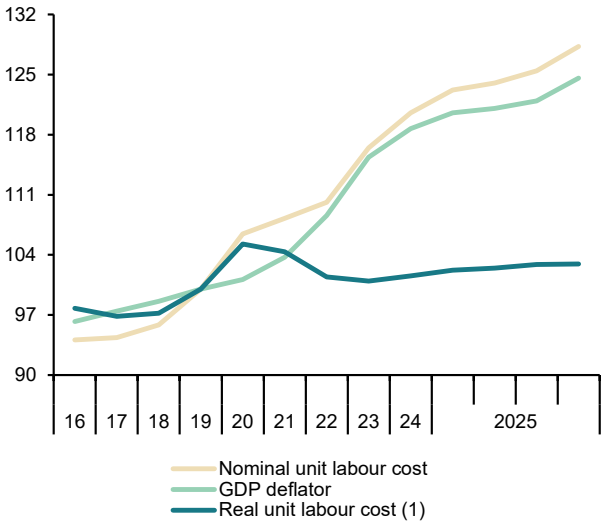


Chart 3.2 - Real ULC, total economy

Index, 2019=100



(1) Nominal ULC deflated by GDP deflator.

Chart 3.3 - Nominal ULC, manufacturing industry

Index, 2019=100

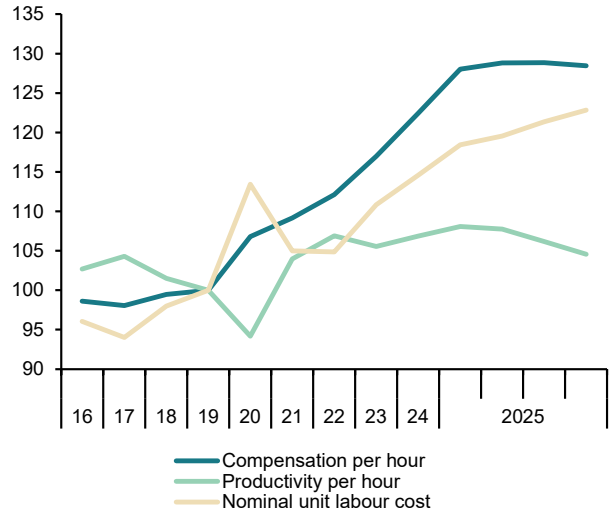
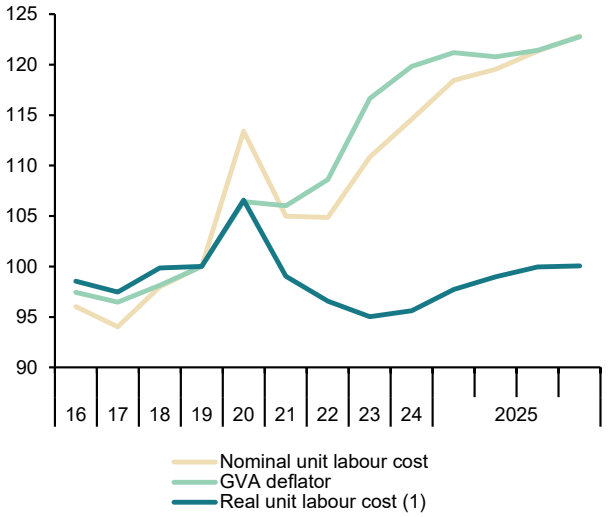


Chart 3.4 - Real ULC, manufacturing industry

Index, 2019=100



(1) Nominal ULC deflated by manufacturing GVA deflator.

Table 4

National accounts: National income, distribution and disposition

Forecasts in yellow

		Gross domestic product	Compen-sation of employees	Gross operating surplus	Gross national disposable income	Final national consum-ption	Gross national saving (a)	Gross capital formation	Compen-sation of employees	Gross operating surplus	Saving rate	Investment rate	Current account balance	Net lending or borrowing
		EUR Billions. 4-quarter cumulated transactions							Percentage of GDP					
2018		1,212.3	550.6	535.3	1,201.8	928.0	273.8	251.0	45.4	44.2	22.6	20.7	1.9	2.4
2019		1,253.7	585.8	540.4	1,243.0	954.2	288.8	262.1	46.7	43.1	23.0	20.9	2.1	2.5
2020		1,129.2	561.9	465.1	1,121.0	879.2	241.8	232.9	49.8	41.2	21.4	20.6	0.8	1.2
2021		1,235.5	604.2	504.3	1,232.8	953.0	279.8	270.2	48.9	40.8	22.6	21.9	0.8	1.6
2022		1,375.9	656.3	587.2	1,369.6	1,051.6	317.9	312.2	47.7	42.7	23.1	22.7	0.4	1.3
2023		1,497.8	711.8	641.9	1,481.2	1,124.0	357.3	316.3	47.5	42.9	23.9	21.1	2.7	3.9
2024		1,594.3	763.7	675.1	1,578.6	1,190.4	388.2	337.6	47.9	42.3	24.4	21.2	3.2	4.3
2025		1,678.7	819.0	700.0	1,660.8	1,260.3	410.8	363.2	48.8	41.7	24.5	21.6	2.8	4.0
2026		1,743.2	848.0	722.9	1,727.4	1,297.2	430.1	381.2	48.6	41.5	24.7	21.9	2.8	3.8
2027		1,808.3	881.1	746.6	1,793.3	1,343.9	449.4	399.7	48.7	41.3	24.9	22.1	2.7	3.0
2024	I	1,519.3	725.4	649.2	1,503.6	1,141.9	361.6	320.6	47.7	42.7	23.8	21.1	2.7	3.9
	II	1,544.7	738.3	660.4	1,528.5	1,159.0	369.5	325.8	47.8	42.8	23.9	21.1	2.8	4.1
	III	1,569.2	750.6	671.2	1,553.8	1,174.6	379.2	331.4	47.8	42.8	24.2	21.1	3.0	4.4
	IV	1,594.3	763.7	675.1	1,578.6	1,190.4	388.2	337.6	47.9	42.3	24.4	21.2	3.2	4.3
2025	I	1,613.1	776.6	681.1	1,597.4	1,206.5	390.9	343.8	48.1	42.2	24.2	21.3	2.9	4.1
	II	1,634.7	789.8	687.7	1,619.5	1,222.5	397.0	349.4	48.3	42.1	24.3	21.4	2.9	4.2
	III	1,657.0	803.0	694.1	1,643.3	1,239.4	403.9	356.6	48.5	41.9	24.4	21.5	2.9	4.0
	IV	1,685.8	819.0	700.0	–	1,260.3	–	363.2	48.6	41.5	–	21.5	–	–
		Annual percentage changes							Difference from one year ago					
2018		3.6	4.3	2.6	3.6	3.3	4.6	9.7	0.3	-0.4	0.2	1.1	-0.9	-0.7
2019		3.4	6.4	0.9	3.4	2.8	5.5	4.4	1.3	-1.1	0.5	0.2	0.3	0.1
2020		-9.9	-4.1	-13.9	-9.8	-7.9	-16.3	-11.1	3.0	-1.9	-1.6	-0.3	-1.3	-1.2
2021		9.4	7.5	8.4	10.0	8.4	15.7	16.0	-0.9	-0.4	1.2	1.2	0.0	0.4
2022		11.4	8.6	16.4	11.1	10.3	13.6	15.5	-1.2	1.9	0.5	0.8	-0.4	-0.3
2023		8.9	8.5	9.3	8.2	6.9	12.4	1.3	-0.2	0.2	0.7	-1.6	2.3	2.5
2024		6.4	7.3	5.2	6.6	5.9	8.7	6.7	0.4	-0.5	0.5	0.1	0.4	0.4
2025		5.3	7.2	3.7	5.2	5.9	5.8	7.6	0.9	-0.6	0.1	0.5	-0.3	-0.3
2026		3.8	3.5	3.3	4.0	2.9	4.7	4.9	-0.1	-0.2	0.2	0.2	0.0	-0.2
2027		3.7	3.9	3.3	3.8	3.6	4.5	4.9	0.1	-0.2	0.2	0.2	-0.1	-0.8
2024	I	7.6	8.3	6.5	7.0	6.5	8.6	2.4	0.3	-0.4	0.2	-1.1	1.3	1.4
	II	7.0	8.0	5.8	6.7	6.3	7.8	3.7	0.4	-0.5	0.2	-0.7	0.9	1.2
	III	6.7	7.6	5.4	6.7	6.2	8.1	5.6	0.4	-0.5	0.3	-0.2	0.5	0.9
	IV	6.4	7.3	5.2	6.6	5.9	8.7	6.7	0.4	-0.5	0.5	0.1	0.4	0.4
2025	I	6.2	7.1	4.9	6.2	5.7	8.1	7.2	0.4	-0.5	0.4	0.2	0.2	0.2
	II	5.8	7.0	4.1	6.0	5.5	7.5	7.3	0.5	-0.7	0.4	0.3	0.1	0.0
	III	5.6	7.0	3.4	5.8	5.5	6.5	7.6	0.6	-0.9	0.2	0.4	-0.2	-0.3
	IV	5.7	7.2	3.7	–	5.9	–	7.6	0.7	-0.8	–	0.4	–	–

(a) Including change in net equity in pension funds reserves.

Source: INE and Funcas (Forecasts).

Chart 4.1 - National income, consumption and saving

EUR Billions, 4-quarter cumulated

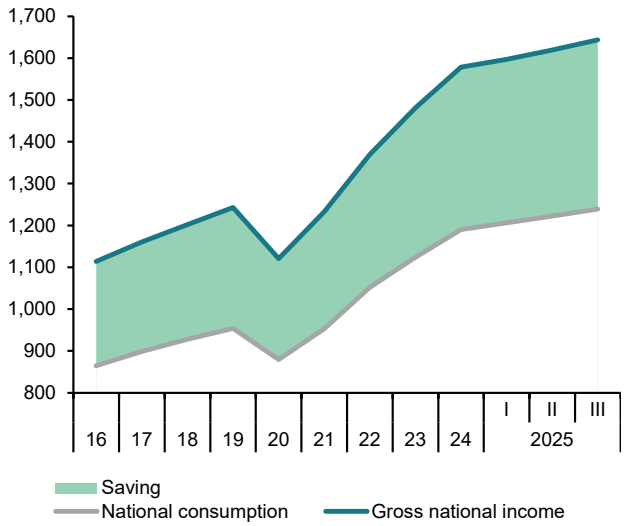


Chart 4.2 - National income, consumption and saving rate

Annual percentage change and percentage of GDP, 4-quarter moving averages

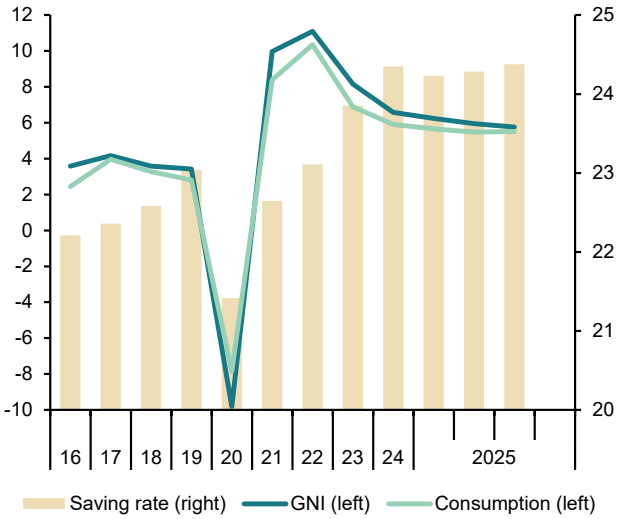


Chart 4.3 - Components of National Income

Percentage of GDP, 4-quarter moving averages

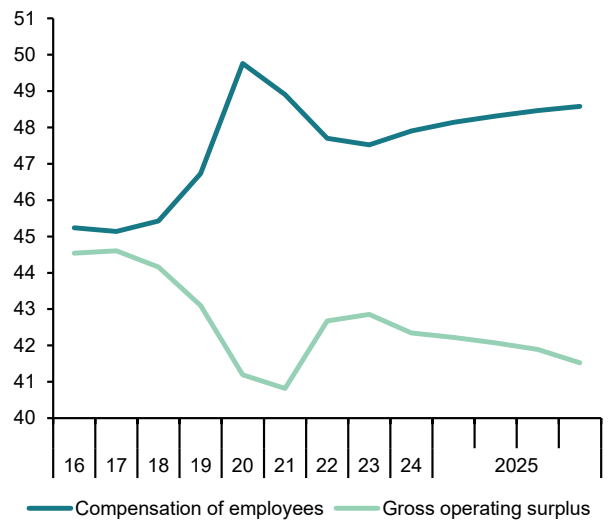


Chart 4.4 - Saving, Investment and Current Account Balance

Percentage of GDP, 4-quarter moving averages

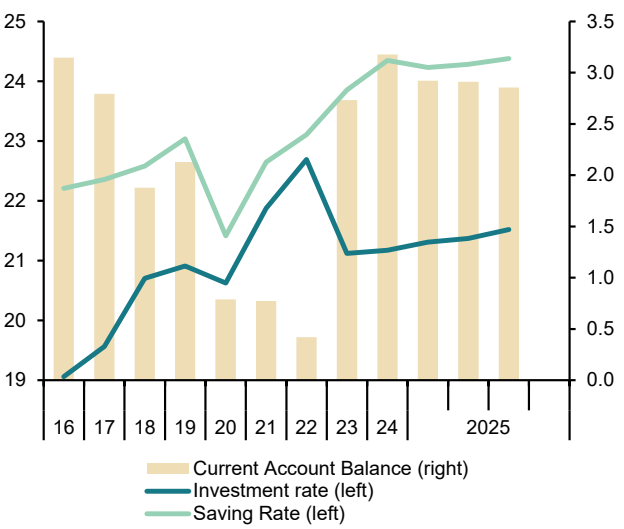


Table 5

National accounts: Household and non-financial corporations accounts

Forecasts in yellow

		Households							Non-financial corporations					
		Gross disposable income (GDI)	Final consumption expenditure	Gross saving	Gross capital formation	Saving rate	Gross capital formation	Net lending or borrowing	Gross operating surplus	Gross saving	Gross capital formation	Saving rate	Gross capital formation	Net lending or borrowing
		EUR Billions. 4-quarter cumulated operations				Percentage of GDI	Percentage of GDP		EUR Billions. 4-quarter cumulated operations			Percentage of GDP		
2018		752.9	704.4	45.7	41.4	6.1	3.4	0.2	270.3	199.3	180.5	16.4	14.0	1.8
2019		790.6	720.0	67.8	44.2	8.6	3.5	1.8	274.1	201.5	188.1	16.1	14.6	1.3
2020		773.0	633.6	135.5	40.8	17.5	3.6	8.3	216.5	153.3	154.7	13.6	13.9	0.4
2021		811.2	693.6	115.4	51.7	14.2	4.2	5.1	237.4	172.8	180.2	14.0	13.1	0.5
2022		854.6	775.8	76.6	64.8	9.0	4.7	0.7	295.0	221.7	200.2	16.1	12.7	2.3
2023		940.7	830.1	109.7	66.0	11.7	4.4	2.8	314.7	220.9	198.3	14.7	12.8	1.9
2024		1,010.9	882.6	128.8	72.4	12.7	4.5	3.9	326.2	227.0	213.2	14.2	12.7	1.6
2025		1,063.9	933.0	128.7	77.3	12.1	4.6	3.0	337.5	233.9	227.4	13.9	13.5	1.1
2026		1,102.2	970.9	129.3	81.8	11.7	4.7	2.6	343.4	238.2	239.1	13.7	13.7	0.6
2027		1,137.2	1,007.9	127.3	86.8	11.2	4.8	2.1	356.8	248.6	250.9	13.7	13.9	0.3
2023	IV	940.7	830.1	109.7	66.0	11.7	4.4	2.8	314.7	220.9	198.3	14.7	13.2	1.9
2024	I	960.5	842.5	117.4	67.7	12.2	4.5	3.1	312.0	218.7	200.3	14.4	13.2	1.6
	II	980.2	855.7	124.1	69.7	12.7	4.5	3.4	315.2	215.7	203.5	14.0	13.2	1.3
	III	993.9	867.5	126.6	71.5	12.7	4.6	3.4	320.8	223.1	207.0	14.2	13.2	1.6
	IV	1,010.9	882.6	128.8	72.4	12.7	4.5	3.9	326.2	227.0	213.2	14.2	13.4	1.6
2025	I	1,023.6	895.7	128.7	74.2	12.6	4.6	3.8	327.3	228.5	216.8	14.2	13.4	1.5
	II	1,040.3	909.0	132.1	76.4	12.7	4.7	3.8	329.6	230.0	218.4	14.1	13.4	1.4
	III	1,050.0	922.1	129.2	77.4	12.3	4.7	3.5	333.7	232.5	224.2	14.0	13.5	1.2
		Annual percentage changes				Difference from one year ago			Annual percentage changes			Difference from one year ago		
2018		2.9	3.2	-0.4	9.7	-0.2	0.2	-0.3	1.6	-0.4	11.3	-0.7	0.7	-1.6
2019		5.0	2.2	48.2	6.8	2.5	0.1	1.6	1.4	1.1	4.2	-0.4	0.5	-0.5
2020		-2.2	-12.0	99.9	-7.7	9.0	0.1	6.5	-21.0	-23.9	-17.7	-2.5	-0.6	-0.9
2021		4.9	9.5	-14.9	26.7	-3.3	0.6	-3.2	9.7	12.7	16.4	0.4	-0.8	0.1
2022		5.3	11.9	-33.6	25.3	-5.3	0.5	-4.4	24.3	28.3	11.1	2.1	-0.4	1.8
2023		10.1	7.0	43.3	1.8	2.7	-0.3	2.1	6.7	-0.4	-0.9	-1.4	0.1	-0.4
2024		7.5	6.3	17.4	9.7	1.1	0.1	1.1	3.7	2.8	7.5	-0.5	-0.1	-0.3
2025		5.2	5.7	-0.1	6.8	-0.6	0.1	-1.0	3.5	3.0	6.7	-0.3	0.9	-0.5
2026		3.6	4.1	0.4	5.9	-0.4	0.1	-0.3	1.7	1.8	5.2	-0.3	0.2	-0.5
2027		3.2	3.8	-1.6	6.1	-0.5	0.1	-0.5	3.9	4.4	5.0	0.1	0.2	-0.3
2023	IV	10.1	7.0	43.3	1.8	2.7	-0.3	2.1	6.7	-0.4	-0.9	-1.4	-1.3	-0.4
2024	I	10.2	6.4	49.8	7.4	3.2	0.0	2.2	1.3	-5.6	-0.8	-2.0	-1.1	-1.2
	II	9.2	6.4	35.8	9.7	2.5	0.1	1.6	-0.4	-7.6	0.3	-2.2	-0.9	-1.5
	III	8.1	6.4	22.8	10.9	1.5	0.2	0.9	1.2	-2.8	3.5	-1.4	-0.4	-1.1
	IV	7.5	6.3	17.4	9.7	1.1	0.1	1.1	3.7	2.8	7.5	-0.5	0.1	-0.3
2025	I	6.6	6.3	9.6	9.5	0.4	0.1	0.6	4.9	4.5	8.3	-0.2	0.3	-0.2
	II	6.1	6.2	6.4	9.7	0.0	0.2	0.4	4.6	6.6	7.3	0.1	0.2	0.2
	III	5.6	6.3	2.1	8.2	-0.4	0.1	0.1	4.0	4.2	8.3	-0.2	0.3	-0.4

Source: INE and Funcas (Forecasts).

Chart 5.1 - Households: net lending or borrowing

Percentage of GDI/GDP, 4-quarter moving averages

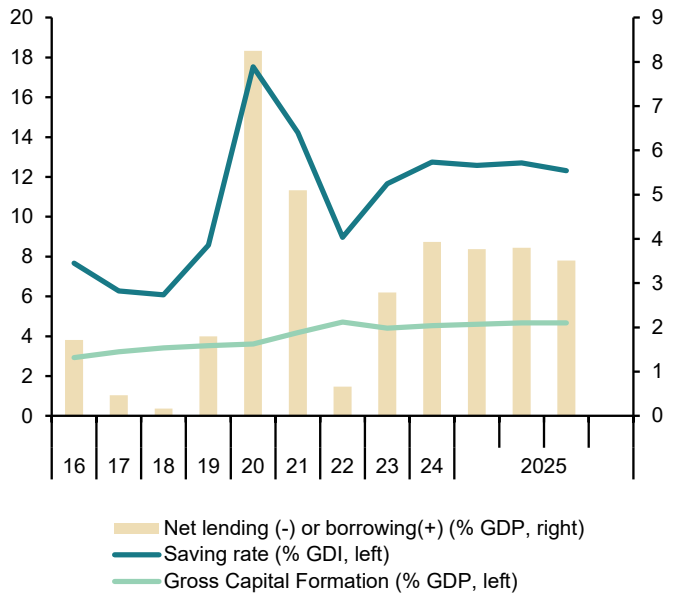


Chart 5.2 - Non-financial corporations: net lending or borrowing

Percentage of GDP, 4-quarter moving averages

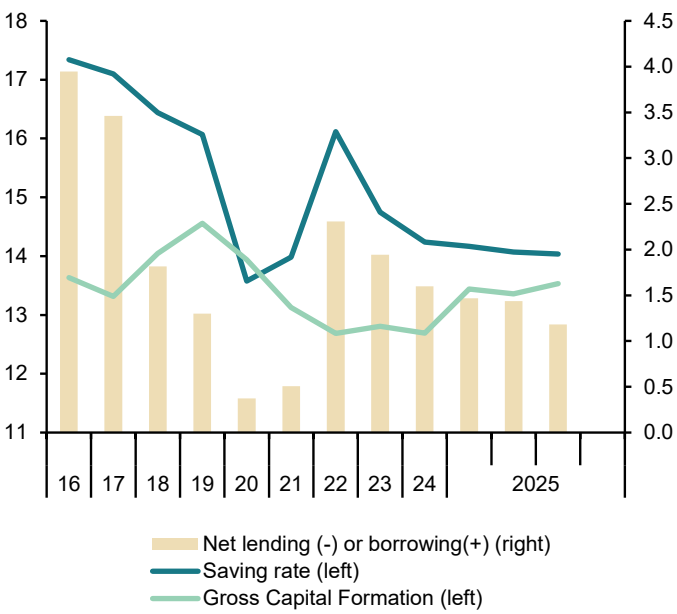


Table 6

National accounts: Public revenue, expenditure and deficit

Forecasts in yellow

		Non financial revenue					Non financial expenditures							Net lending(+)/ net borrowing(-)
		Taxes on production and imports	Taxes on income and wealth	Social contribu-tions	Capital and other revenue	Total	Compen-sation of employees	Intermediate consump-tion	Interests	Social benefits and social transfers in kind	Gross capital formation and other capital expenditure	Other expendi-ture	Total	
		1	2	3	4	5=1+2+3+4	6	7	8	9	10	11	12=6+7+8 +9+10+11	13=5-12
		EUR Billions. 4-quarter cumulated operations												
2018		141.2	127.3	149.5	54.3	472.3	127.7	62.3	29.6	216.7	37.4	29.6	503.2	-30.9
2019		143.1	129.1	160.7	55.5	488.3	134.8	65.0	28.2	229.7	37.2	31.7	526.8	-38.4
2020		126.8	125.3	162.2	54.0	468.3	140.7	66.9	25.1	261.6	44.4	41.5	580.2	-111.9
2021		147.0	143.5	171.7	66.8	529.0	148.1	71.9	26.2	263.6	60.1	41.2	611.1	-82.2
2022		160.4	164.8	180.1	68.7	574.0	154.5	79.6	31.8	266.8	53.4	51.0	637.1	-63.1
2023		165.9	183.1	197.0	84.2	630.2	163.9	86.3	35.6	292.5	57.3	44.8	680.2	-50.0
2024		176.9	198.7	210.3	87.7	673.7	172.7	90.1	38.8	311.3	69.2	42.8	725.0	-51.3
2025		190.9	213.2	221.3	90.9	716.3	178.1	92.5	42.0	328.8	67.2	54.5	763.0	-46.6
2026		200.3	220.3	231.6	93.6	745.7	183.8	95.4	43.4	344.0	70.5	55.5	792.7	-47.0
2027		209.0	227.5	240.7	82.2	759.3	189.9	98.4	45.6	358.1	72.6	42.4	807.0	-47.7
2023	IV	165.9	183.1	197.0	84.2	630.2	163.9	86.3	35.6	292.5	57.3	44.8	680.2	-50.0
2024	I	167.2	186.8	200.2	83.0	637.2	165.8	87.5	37.0	296.6	57.8	44.1	688.9	-51.8
	II	170.9	191.1	203.5	84.3	649.8	167.4	88.3	37.8	301.8	57.4	43.5	696.3	-46.5
	III	173.1	194.1	207.4	87.2	661.8	170.4	89.5	39.2	306.3	58.2	42.6	706.3	-44.4
	IV	176.9	198.7	210.3	87.7	673.7	172.7	90.1	38.8	311.3	69.2	42.8	725.0	-51.3
2025	I	179.5	201.5	213.1	88.5	682.7	173.8	90.8	39.8	315.8	69.8	44.6	734.6	-51.9
	II	183.0	205.2	216.5	88.8	693.4	175.3	91.6	40.3	320.6	72.3	46.2	746.4	-52.9
	III	186.2	211.6	220.3	89.3	707.3	176.5	93.0	40.6	324.8	73.2	47.0	755.1	-47.8
		Percentage of GDP. 4-quarter cumulated operations												
2018		11.6	10.5	12.3	4.5	39.0	10.5	5.1	2.4	17.9	3.1	2.4	41.5	-2.6
2019		11.4	10.3	12.8	4.4	39.0	10.7	5.2	2.3	18.3	3.0	2.5	42.0	-3.1
2020		11.2	11.1	14.4	4.8	41.5	12.5	5.9	2.2	23.2	3.9	3.7	51.4	-9.9
2021		11.9	11.6	13.9	5.4	42.8	12.0	5.8	2.1	21.3	4.9	3.3	49.5	-6.7
2022		11.7	12.0	13.1	5.0	41.7	11.2	5.8	2.3	19.4	3.9	3.7	46.3	-4.6
2023		11.1	12.2	13.2	5.6	42.1	10.9	5.8	2.4	19.5	3.8	3.0	45.4	-3.3
2024		11.1	12.5	13.2	5.5	42.3	10.8	5.7	2.4	19.5	4.3	2.7	45.5	-3.2
2025		11.4	12.7	13.2	5.4	42.7	10.6	5.5	2.5	19.6	4.0	3.2	45.5	-2.8
2026		11.5	12.6	13.3	5.4	42.8	10.5	5.5	2.5	19.7	4.0	3.2	45.5	-2.7
2027		11.6	12.6	13.3	4.5	42.0	10.5	5.4	2.5	19.8	4.0	2.3	44.6	-2.6
2023	IV	11.1	12.2	13.2	5.6	42.1	10.9	5.8	2.4	19.5	3.8	3.0	45.4	-3.3
2024	I	11.0	12.3	13.2	5.5	41.9	10.9	5.8	2.4	19.5	3.8	2.9	45.3	-3.4
	II	11.1	12.4	13.2	5.5	42.1	10.8	5.7	2.4	19.5	3.7	2.8	45.1	-3.0
	III	11.0	12.4	13.2	5.6	42.2	10.9	5.7	2.5	19.5	3.7	2.7	45.0	-2.8
	IV	11.1	12.5	13.2	5.5	42.3	10.8	5.7	2.4	19.5	4.3	2.7	45.5	-3.2
2025	I	11.1	12.5	13.2	5.5	42.3	10.8	5.6	2.5	19.6	4.3	2.8	45.5	-3.2
	II	11.2	12.6	13.2	5.4	42.4	10.7	5.6	2.5	19.6	4.4	2.8	45.7	-3.2
	III	11.2	12.8	13.3	5.4	42.7	10.7	5.6	2.4	19.6	4.4	2.8	45.6	-2.9

Source: IGAE and Funcas (Forecasts).

Chart 6.1 - Public sector: Revenue, expenditure and deficit

Percentage of GDP, 4-quarter moving averages

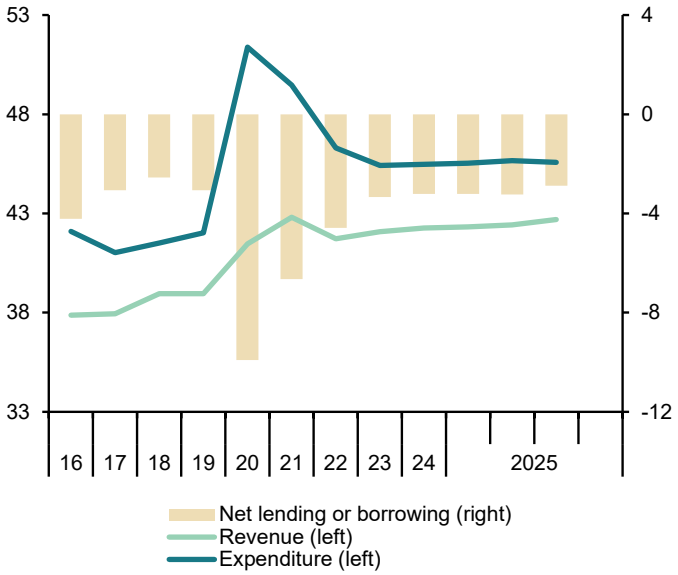


Chart 6.2 - Public sector: Main expenditures

Percentage of GDP

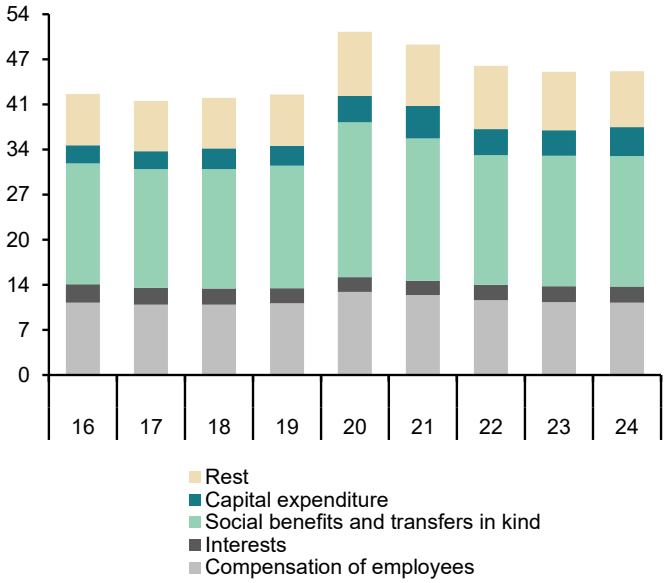


Table 7

Public sector balances by level of Government

Forecasts in yellow

		Net lending (+)/ net borrowing (-)					Debt				
		Central Government	Regional Governments	Local Governments	Social Security	TOTAL Government	Central Government	Regional Governments	Local Governments	Social Security	Total Government (consolidated)
		EUR Billions. 4-quarter cumulated operations					EUR Billions. end of period				
2018		-16.8	-3.2	6.4	-17.3	-30.9	1,083.6	293.4	25.8	41.2	1,209.7
2019		-19.0	-7.4	3.8	-15.9	-38.4	1,096.8	295.1	23.2	55.0	1,224.4
2020		-85.8	-2.2	2.8	-26.7	-111.9	1,207.7	304.0	22.0	85.4	1,346.9
2021		-73.5	-0.3	3.4	-11.7	-82.2	1,281.4	312.6	22.8	97.2	1,429.4
2022		-41.0	-15.2	-1.0	-5.9	-63.1	1,360.2	317.1	23.1	106.2	1,504.1
2023		-29.8	-12.2	0.3	-8.3	-50.0	1,435.7	325.2	23.3	116.2	1,575.4
2024		-46.9	-3.2	7.1	-8.2	-51.3	1,489.3	335.9	22.9	126.2	1,620.6
2025		--	--	--	--	-46.6	--	--	--	--	1,662.2
2026		--	--	--	--	-47.0	--	--	--	--	1,712.2
2027		--	--	--	--	-47.7	--	--	--	--	1,762.8
2023	IV	-29.8	-12.2	0.3	-8.3	-50.0	1,435.7	325.2	23.3	116.2	1,575.4
2024	I	-29.9	-15.0	-0.9	-6.0	-51.8	1,476.2	328.9	23.1	116.2	1,614.7
	II	-24.7	-14.7	0.6	-7.7	-46.5	1,484.7	337.5	23.5	116.2	1,625.7
	III	-39.4	-1.8	4.8	-8.0	-44.4	1,504.0	333.2	23.1	116.2	1,635.7
	IV	-46.9	-3.2	7.1	-8.2	-51.3	1,489.3	335.9	22.9	126.2	1,620.6
2025	I	-51.0	-2.2	8.3	-6.8	-51.7	1,533.2	338.1	22.9	126.2	1,667.4
	II	-49.9	-1.5	6.7	-8.0	-52.7	1,548.6	342.8	23.3	126.2	1,690.9
	IV	-44.8	-5.5	5.1	-2.6	-47.8	1,571.6	338.8	22.5	126.2	1,709.3
		Percentage of GDP, 4-quarter cumulated operations					Percentage of GDP				
2018		-1.4	-0.3	0.5	-1.4	-2.6	89.4	24.2	2.1	3.4	99.8
2019		-1.5	-0.6	0.3	-1.3	-3.1	87.5	23.5	1.9	4.4	97.7
2020		-7.6	-0.2	0.2	-2.4	-9.9	107.0	26.9	1.9	7.6	119.3
2021		-6.0	0.0	0.3	-0.9	-6.7	103.7	25.3	1.8	7.9	115.7
2022		-3.0	-1.1	-0.1	-0.4	-4.6	98.9	23.0	1.7	7.7	109.3
2023		-2.0	-0.8	0.0	-0.6	-3.3	95.9	21.7	1.6	7.8	105.2
2024		-2.9	-0.2	0.4	-0.5	-3.2	93.4	21.1	1.4	7.9	101.6
2025		--	--	--	--	-2.8	--	--	--	--	99.0
2026		--	--	--	--	-2.7	--	--	--	--	98.2
2027		--	--	--	--	-2.6	--	--	--	--	97.5
2023	IV	-2.0	-0.8	0.0	-0.6	-3.3	95.9	21.7	1.6	7.8	105.2
2024	I	-2.0	-1.0	-0.1	-0.4	-3.4	97.1	21.6	1.5	7.6	106.2
	II	-1.6	-1.0	0.0	-0.5	-3.0	96.1	21.8	1.5	7.5	105.2
	III	-2.5	-0.1	0.3	-0.5	-2.8	95.7	21.2	1.5	7.4	104.1
	IV	-2.9	-0.2	0.4	-0.5	-3.2	93.4	21.1	1.4	7.9	101.6
2025	I	-3.2	-0.1	0.5	-0.4	-3.2	94.9	20.9	1.4	7.8	103.2
	II	-3.0	-0.1	0.4	-0.5	-3.2	94.6	20.9	1.4	7.7	103.3
	IV	-2.7	-0.3	0.3	-0.2	-2.9	94.7	20.4	1.4	7.6	103.0

Sources: National Statistics Institute. Bank of Spain (Financial Accounts of the Spanish Economy) and Funcas (Forecasts).

Chart 7.1 - Government deficit

Percent of GDP, 4-quarter cumulated operations

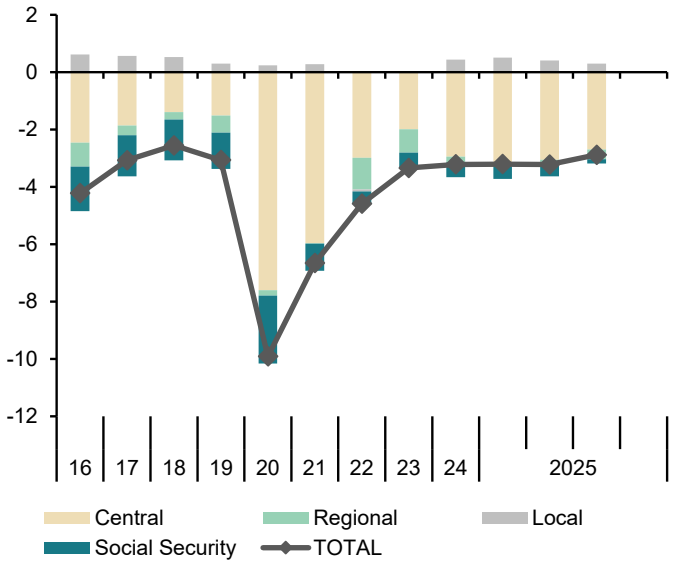


Chart 7.2 - Government debt

Percent of GDP

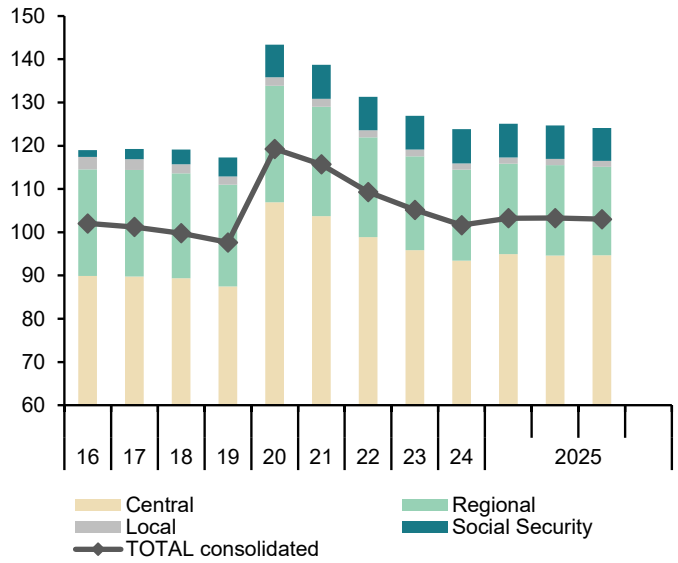


Table 8

General activity and industrial sector indicators (a)

	General activity indicators				Industrial sector indicators					
	Economic Sentiment Index	Composite PMI index	Social Security Affiliates (f)	Electricity consumption (temperature adjusted)	Industrial production index	Social Security Affiliates in industry	Manufacturing PMI index	Industrial confidence index	Manufacturing turnover index deflated (g)	Industrial orders
	Index	Index	Thousands	1000 GWH, monthly average	2019=100	Thousands	Index	Balance of responses	2019=100	Balance of responses
2018	108.2	54.6	18,364.5	21.5	99.4	2,250.9	53.3	-0.5	100.0	-0.2
2019	104.7	52.7	18,844.1	20.9	100.0	2,283.2	49.1	-3.6	100.0	-4.9
2020	89.0	41.5	18,440.5	19.9	90.7	2,239.3	47.5	-13.6	89.9	-30.1
2021	105.2	55.3	18,910.0	20.4	97.2	2,270.4	57.0	0.6	95.0	-1.7
2022	101.1	51.8	19,663.0	19.6	99.7	2,324.3	51.0	-0.9	97.7	1.6
2023	100.4	52.5	20,193.2	19.3	98.1	2,363.7	48.0	-6.5	95.7	-11.1
2024	103.1	54.8	20,700.7	19.6	98.5	2,402.6	52.2	-4.9	95.5	-9.7
2025	103.1	54.0	21,197.0	20.0	100.6	2,442.7	50.9	-4.8	96.8	-9.8
2026 (b)	106.2	--	--	--	--	--	--	-2.4	--	-7.3
2024 II	102.6	56.0	20,638.6	19.4	98.0	2,398.8	52.9	-5.6	95.1	-9.8
III	105.4	54.4	20,761.4	19.6	97.5	2,406.3	51.5	-3.0	95.2	-9.8
IV	102.2	55.0	20,885.8	19.8	98.7	2,416.5	53.6	-6.0	96.5	-10.3
2025 I	103.3	54.4	21,008.7	19.8	98.6	2,427.5	50.0	-5.0	97.0	-10.6
II	102.1	52.0	21,131.2	19.7	99.5	2,436.4	50.0	-5.4	96.8	-8.9
III	102.7	54.1	21,256.0	19.7	100.0	2,447.7	52.6	-5.0	96.7	-10.6
IV	104.4	55.6	21,383.5	20.1	101.4	2,458.6	51.1	-3.8	95.9	-9.2
2026 I (b)	106.2	--	--	--	--	--	--	-2.4	--	-7.3
2025 Nov	104.9	55.1	21,383.4	20.0	101.9	2,458.4	51.5	-3.5	95.3	-8.4
Dec	104.5	55.6	21,424.0	20.8	--	2,462.1	49.6	-3.5	--	-8.8
2026 Jan	106.2	--	--	--	--	--	--	-2.4	--	-7.3
Percentage changes (c)										
2017	--	--	3.7	1.7	2.9	3.1	--	--	3.9	--
2018	--	--	3.2	0.6	0.6	2.7	--	--	1.9	--
2019	--	--	2.6	-2.6	0.6	1.4	--	--	0.0	--
2020	--	--	-2.1	-4.8	-9.3	-1.9	--	--	-10.1	--
2021	--	--	2.5	2.2	7.3	1.4	--	--	5.7	--
2022	--	--	4.0	-3.8	2.5	2.4	--	--	2.8	--
2023	--	--	2.7	-1.2	-1.6	1.7	--	--	-2.0	--
2024	--	--	2.5	1.5	0.5	1.6	--	--	-0.2	--
2025 (d)	--	--	2.4	1.6	1.4	1.7	--	--	1.2	--
2024 I	--	--	0.6	-0.3	1.9	0.4	--	--	-0.7	--
II	--	--	0.6	-0.1	-1.4	0.4	--	--	0.4	--
III	--	--	0.6	0.9	-0.5	0.3	--	--	0.1	--
IV	--	--	0.6	0.8	1.2	0.4	--	--	1.4	--
2025 I	--	--	0.6	0.3	-0.1	0.5	--	--	0.6	--
II	--	--	0.6	-0.5	0.9	0.4	--	--	-0.2	--
III	--	--	0.6	0.1	0.6	0.5	--	--	-0.1	--
IV (e)	--	--	0.6	1.9	1.4	0.4	--	--	-0.8	--
2025 Oct	--	--	0.2	-1.4	0.6	0.1	--	--	-0.2	--
Nov	--	--	0.2	2.1	1.0	0.1	--	--	-1.1	--
Dec	--	--	0.2	4.0	--	0.2	--	--	--	--

(a) Seasonally adjusted, except for annual data. (b) Period with available data. (c) Percent change from the previous quarter for quarterly data, from the previous month for monthly data, unless otherwise indicated. (d) Growth of available period over the same period of the previous year. (e) Growth of the average of available months over the monthly average of the previous quarter. (f) Excluding domestic service workers and non-professional caregivers. (g) Deflated by Funcas.

Sources: European Commision, S&P Global, M. of Labour, M. of Industry, National Statistics Institute, REE and Funcas.

Chart 8.1 - General activity indicators (I)

Level, 2019=100

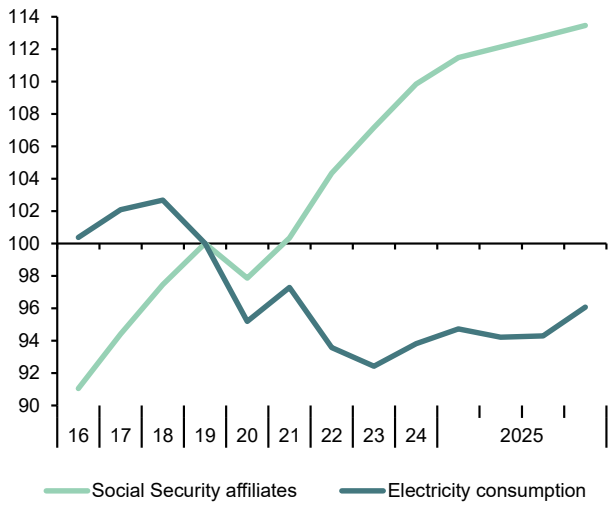


Chart 8.2 - General activity indicators (II)

Index

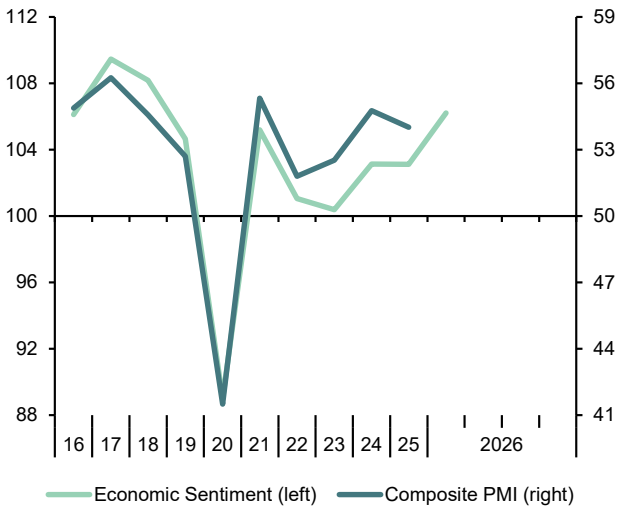


Chart 8.3 - Industrial sector indicators (I)

Level, 2019=100

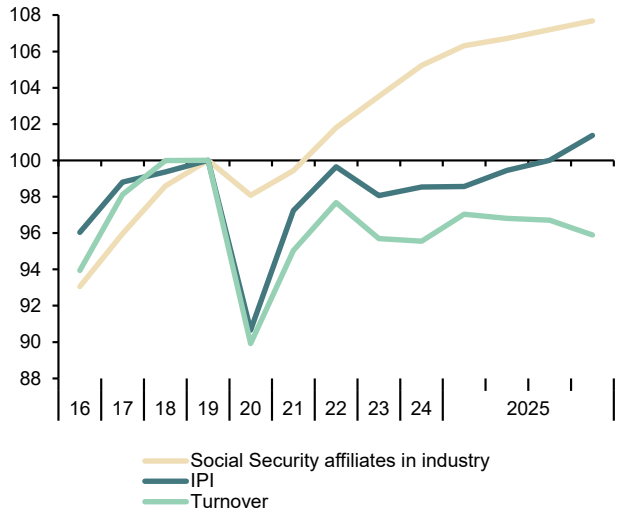


Chart 8.4 - Industrial sector indicators (II)

Index

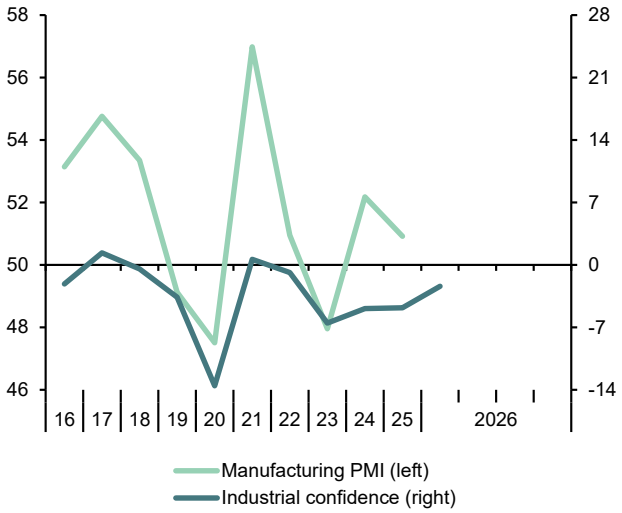


Table 9

Construction and services sector indicators (a)

	Construction indicators					Service sector indicators				
	Social Security Affiliates in construction	Industrial production index construction materials	Construction confidence index	Official tenders (f) (h)	Housing permits (f)	Social Security Affiliates in services (g)	Turnover index deflated	Services PMI index	Hotel overnight stays	Passenger air transport
	Thousands	2019=100	Balance of responses	2019=100	Dwellings, monthly average	Thousands	2019=100	Index	Million, monthly average	Million, monthly average
2018	1,194.1	91.5	-6.0	98.5	8,394.4	13,781.3	97.3	54.8	28.3	21.9
2019	1,254.9	100.0	-7.7	100.0	8,855.5	14,169.1	100.0	53.9	28.6	23.1
2020	1,233.1	88.9	-17.4	77.1	7,127.9	13,849.2	83.4	40.3	7.7	6.3
2021	1,288.6	99.5	-1.9	119.8	9,026.5	14,235.1	95.4	55.0	14.4	9.9
2022	1,333.8	99.2	8.9	131.7	9,076.9	14,926.3	102.3	52.5	26.7	20.2
2023	1,384.6	95.5	8.7	126.9	9,123.6	15,393.2	103.7	53.6	28.9	23.5
2024	1,410.4	95.1	7.8	138.8	10,643.4	15,852.0	106.3	55.3	30.3	25.7
2025	1,454.1	99.4	16.0	144.9	11,527.9	16,273.9	109.1	54.5	30.6	26.7
2026 (b)	--	--	26.4	--	--	--	--	--	--	--
2025 II	1,406.8	92.9	8.8	128.5	10,999.0	15,795.9	106.4	56.6	30.3	25.5
III	1,413.6	93.9	7.1	148.1	10,587.7	15,907.8	107.2	55.2	30.2	25.9
IV	1,421.1	96.4	9.4	153.3	10,904.3	16,014.2	108.1	55.1	30.3	26.2
2025 I	1,432.6	96.4	13.4	150.8	12,034.0	16,117.4	109.6	55.3	30.2	26.3
II	1,444.8	98.1	15.7	151.3	11,323.3	16,221.8	110.0	52.2	30.6	26.7
III	1,461.3	97.8	14.5	135.3	10,085.0	16,322.5	110.9	54.2	30.7	26.9
IV	1,477.2	101.1	20.5	141.1	14,952.0	16,428.1	111.3	56.4	30.7	27.0
2026 I (b)	--	--	26.4	--	--	--	--	--	--	--
2025 Nov	1,477.7	100.7	22.1	144.1	--	16,428.1	111.3	55.6	30.6	27.1
Dec	1,481.2	--	19.3	--	--	16,462.6	--	57.1	30.6	26.9
2026 Jan	--	--	26.4	--	--	--	--	--	--	--
				Percentage changes (c)						
2017	6.2	8.2	--	32.8	26.2	3.8	5.3	--	2.8	8.3
2018	6.7	3.1	--	28.0	24.7	3.3	4.0	--	-0.2	5.8
2019	5.1	9.3	--	1.6	5.5	2.8	2.8	--	0.9	5.3
2020	-1.7	-11.1	--	-22.9	-19.5	-2.3	-16.6	--	-73.1	-72.7
2021	4.5	12.0	--	55.3	26.6	2.8	14.5	--	87.4	57.8
2022	3.5	-0.3	--	9.9	0.6	4.9	7.2	--	85.4	103.4
2023	3.8	-3.8	--	-3.6	0.5	3.1	1.3	--	8.2	16.3
2024	1.9	-0.4	--	9.4	16.7	3.0	2.5	--	4.8	9.3
2025 (d)	3.1	3.6	--	8.9	7.6	2.7	3.5	--	1.0	4.0
2024 I	0.4	1.6	--	9.6	6.2	0.8	0.4	--	2.0	3.7
II	0.5	-2.0	--	-9.6	22.2	0.7	0.8	--	0.5	0.6
III	0.5	1.0	--	12.4	23.5	0.7	0.8	--	-0.1	1.7
IV	0.5	2.7	--	28.5	15.8	0.7	0.8	--	0.4	1.1
2025 I	0.8	0.0	--	20.4	19.4	0.6	1.3	--	-0.5	0.4
II	0.9	1.7	--	17.7	2.9	0.6	0.4	--	1.5	1.4
III	1.1	-0.3	--	-8.7	-4.7	0.6	0.8	--	0.1	0.9
IV (e)	1.1	3.3	--	11.4	23.7	0.6	0.4	--	0.0	0.4
2025 Oct	0.4	3.4	--	25.2	23.7	0.2	-0.1	--	-0.3	-0.2
Nov	0.3	-0.7	--	-2.4	--	0.2	-0.1	--	-0.5	0.2
Dec	0.2	--	--	--	--	0.2	--	--	0.2	-0.5

(a) Seasonally adjusted, except for annual data and (f). (b) Period with available data. (c) Percent change from the previous quarter for quarterly data, from the previous month for monthly data, unless otherwise indicated. (d) Growth of available period over the same period of the previous year. (e) Growth of the average of available months over the monthly average of the previous quarter. (f) Percent changes are over the same period of the previous year. (g) Excluding domestic service workers and non-professional caregivers.

Sources: European Commision, S&P Global, M. of Labour, M. of Public Works, National Statistics Institute, AENA, OFICEMEN, SEOPAN and Funcas.

Chart 9.1 - Construction indicators (I)

Level, 2019=100 and index

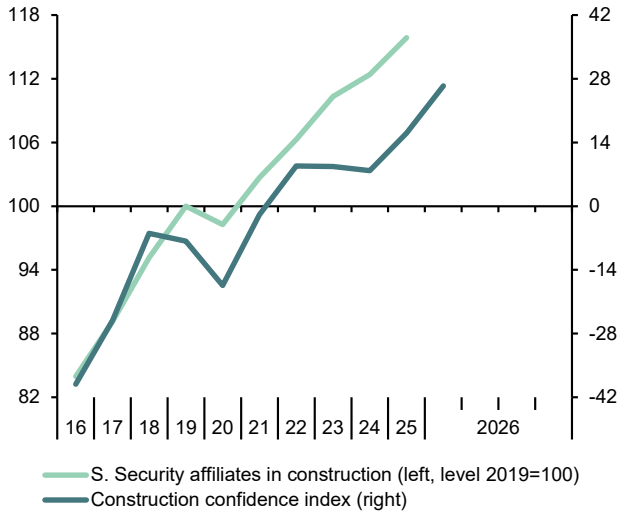


Chart 9.2 - Construction indicators (II)

Level, 2019=100

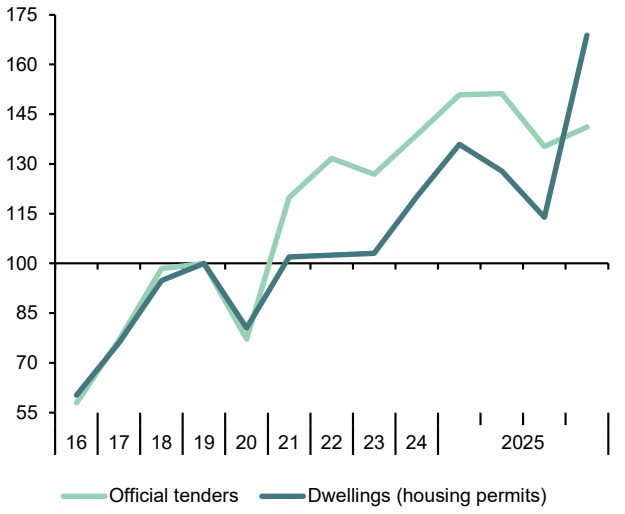


Chart 9.3 - Services indicators (I)

Level, 2019=100

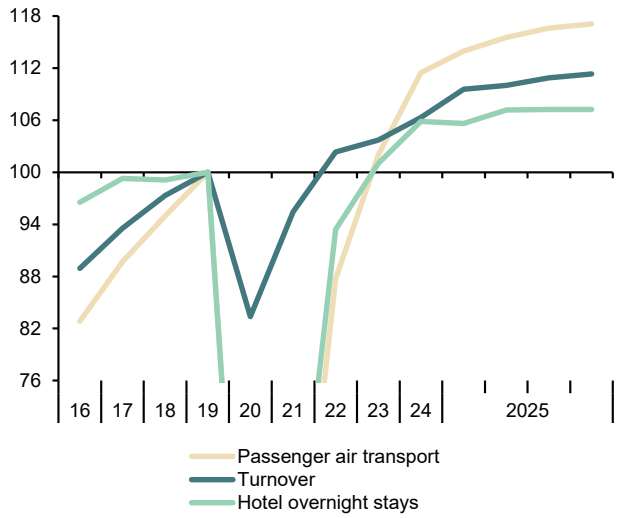


Chart 9.4 - Services indicators (II)

Index

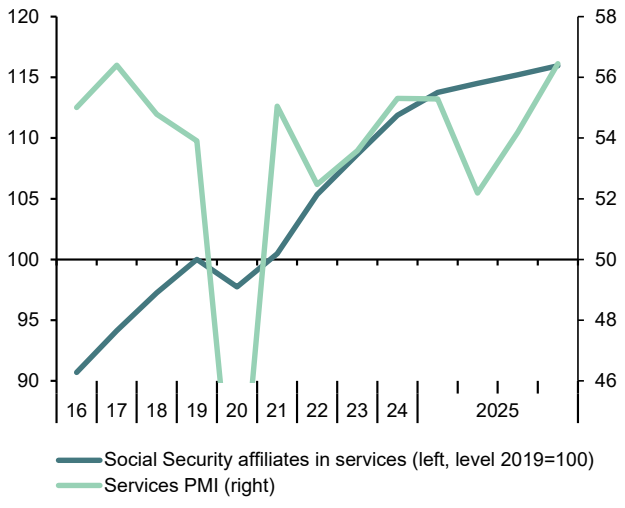


Table 10

Consumption and investment indicators (a)

		Consumption indicators						Investment in equipment indicators		
		Retail sales deflated	Car registrations	Hotel overnight stays by residents in Spain	Industrial orders for consumer goods	Large company sales (consumer goods and services)	Cargo vehicles registrations	Industrial orders for investment goods	Imports of capital goods (volume)	Large company sales (capital goods)
		2019=100	Thousands, monthly average	Million, monthly average	Balance of responses	2019=100	Thousands, monthly average	Balance of responses	2019=100	2019=100
2018		97.7	118.7	9.7	-5.6	97.5	19.9	12.4	99.8	95.6
2019		100.0	114.6	10.0	-2.9	100.0	19.2	8.8	100.0	100.0
2020		93.5	78.3	4.3	-25.5	91.6	15.0	-22.7	94.7	93.5
2021		97.4	79.5	7.6	-11.1	96.0	16.4	4.7	104.4	98.0
2022		99.5	76.2	10.0	-2.8	102.3	14.6	28.2	118.1	105.8
2023		102.1	86.7	10.1	-6.7	104.1	18.0	17.9	122.2	121.9
2024		103.9	94.3	10.2	-10.1	107.8	19.6	4.3	127.1	123.3
2025		108.3	108.7	10.1	-8.8	112.4	21.3	-8.8	138.5	133.7
2026 (b)		--	--	--	-4.5	--	--	-5.9	--	--
2024	II	102.8	92.0	10.2	-10.8	106.5	18.2	10.1	122.3	122.8
	III	104.4	91.8	10.1	-8.0	108.6	17.4	-0.7	127.7	119.9
	IV	105.5	108.2	10.2	-14.0	109.3	19.8	1.1	133.2	127.3
2025	I	106.1	103.1	10.1	-10.3	112.6	19.6	-7.5	136.9	133.0
	II	108.1	105.9	10.1	-8.8	114.3	20.0	-5.0	139.4	137.1
	III	109.0	108.8	10.2	-8.6	115.1	20.7	-10.3	142.1	134.9
	IV	110.0	121.2	10.2	-7.4	116.7	21.3	-12.5	145.4	137.1
2026	I (b)	--	--	--	-4.5	--	--	-5.9	--	--
2025	Nov	110.6	119.2	10.2	-5.8	117.7	20.7	-9.8	146.1	137.9
	Dec	109.7	107.1	10.2	-6.8	--	21.7	-11.2	--	--
	Jan	--	--	--	-4.5	--	--	-5.9	--	--
		Percentage changes (c)								
2017		1.1	9.1	1.4	--	2.7	9.6	--	6.4	3.6
2018		0.6	6.1	0.6	--	2.6	11.4	--	2.0	4.4
2019		2.4	-3.4	2.7	--	2.6	-3.2	--	0.2	4.6
2020		-6.5	-31.7	-57.2	--	-8.4	-21.9	--	-5.3	-6.5
2021		4.2	1.5	77.3	--	4.9	9.3	--	10.3	4.9
2022		2.1	-4.1	32.3	--	6.5	-10.9	--	13.0	8.0
2023		2.6	13.7	1.4	--	1.8	22.9	--	3.5	15.1
2024		1.8	8.8	0.2	--	3.5	9.2	--	4.0	1.1
2025 (d)		4.3	15.3	-0.2	--	6.1	8.4	--	11.4	10.7
2024	I	0.1	-7.4	0.4	--	1.5	2.6	--	0.9	-5.7
	II	0.2	3.2	-0.2	--	3.0	-5.9	--	9.3	10.0
	III	1.5	-0.2	-0.8	--	8.3	-4.5	--	18.8	-9.2
	IV	1.1	17.9	1.2	--	2.8	14.0	--	18.3	27.2
2025	I	0.6	-4.7	-0.9	--	12.6	-1.1	--	11.6	19.1
	II	1.9	2.7	0.4	--	6.1	2.1	--	7.6	13.0
	III	0.9	2.7	0.3	--	2.9	3.5	--	7.8	-6.3
	IV (e)	0.9	11.4	0.1	--	5.7	2.8	--	9.8	6.5
2025	Oct	0.0	10.7	-0.9	--	1.1	-11.3	--	1.0	-4.9
	Nov	1.0	-13.1	0.2	--	1.7	-3.8	--	1.0	1.1
	Dec	-0.8	-10.2	0.6	--	--	4.6	--	--	--

(a) Seasonally adjusted. except for annual data. (b) Period with available data. (c) Percent change from the previous quarter for quarterly data. from the previous month for monthly data. unless otherwise indicated. (d) Growth of available period over the same period of the previous year. (e) Growth of the average of available months over the monthly average of the previous quarter.

Sources: European Commision. M. of Economy. M. of Industry. National Statistics Institute. DGT. ANFAC and Funcas.

Chart 10.1 - Consumption indicators

Level, 2019=100 and balance of responses

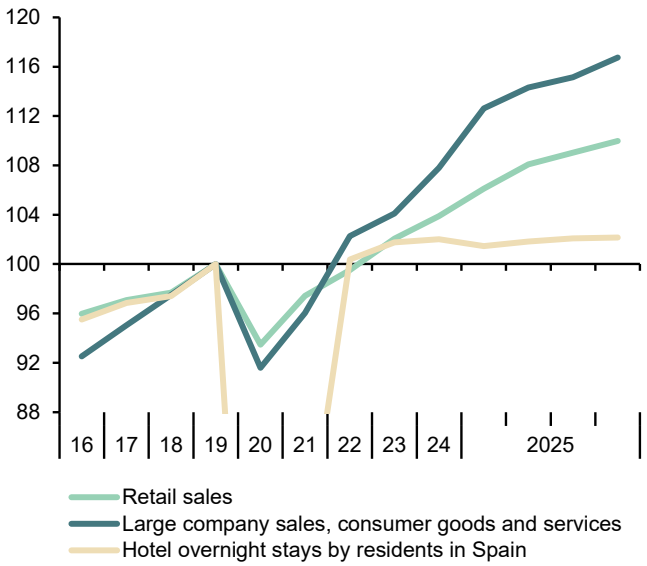


Chart 10.2 - Investment indicators

Level, 2019=100 and balance of responses

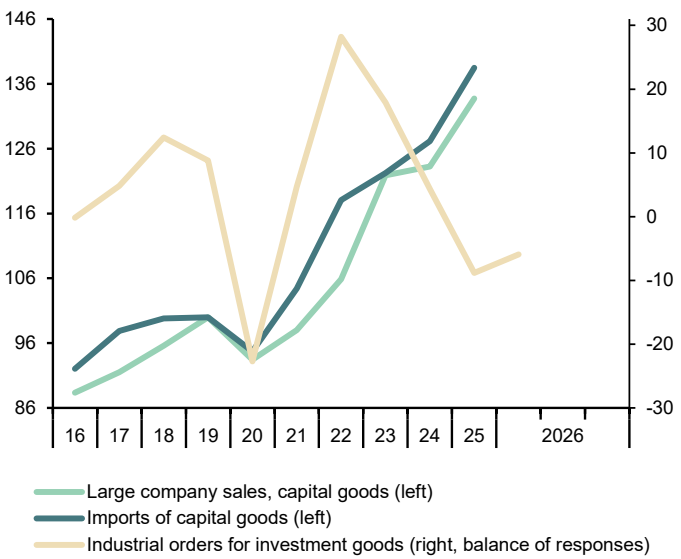


Table 11a

Labour market (I)

Forecasts in yellow

		Population aged 16 or more	Labour force		Employment		Unemployment		Participation rate (a)	Employment rate (b)	Unemployment rate (c)			
											Total	Aged 16-24	Spanish	Foreign
			Original	Seasonally adjusted	Original	Seasonally adjusted	Original	Seasonally adjusted	Seasonally adjusted				Original	
		1	2=4+6	3=5+7	4	5	6	7	8	9	10=7/3	11	12	13
		Million							Percentage					
2018		38.9	22.8	--	19.3	--	3.5	--	74.9	63.4	15.3	34.3	14.1	26.9
2019		39.3	23.0	--	19.8	--	3.2	--	75.0	64.3	14.1	32.5	13.1	24.3
2020		39.6	22.7	--	19.2	--	3.5	--	73.4	62.0	15.5	38.3	13.8	23.7
2021		39.9	23.3	--	19.8	--	3.5	--	74.9	63.7	14.9	35.1	13.4	22.0
2022		40.4	23.6	--	20.5	--	3.1	--	75.3	65.4	13.0	29.7	11.8	18.4
2023		41.0	24.1	--	21.2	--	2.9	--	75.8	66.5	12.2	28.7	11.0	16.8
2024		41.6	24.4	--	21.7	--	2.8	--	75.9	67.2	11.3	26.5	10.1	15.9
2025		42.1	24.8	--	22.2	--	2.6	--	76.2	68.1	10.5	24.9	9.6	13.7
2026		42.4	24.9	--	22.5	--	2.4	--	--	--	9.6	--	--	--
2027		42.6	25.1	--	22.8	--	2.3	--	--	--	9.1	--	--	--
2024	I	41.3	24.2	24.3	21.3	21.5	3.0	2.8	75.9	67.1	11.6	27.1	10.8	17.9
	II	41.5	24.4	24.4	21.7	21.6	2.8	2.8	75.9	67.0	11.6	26.9	10.1	15.8
	III	41.6	24.6	24.4	21.8	21.7	2.8	2.8	75.9	67.2	11.3	26.5	10.1	15.1
	IV	41.8	24.5	24.5	21.9	21.9	2.6	2.7	75.8	67.5	10.9	25.7	9.5	14.7
2025	I	41.9	24.6	24.7	21.8	22.0	2.8	2.7	76.0	67.8	10.8	26.0	10.2	15.5
	II	42.0	24.8	24.8	22.3	22.2	2.6	2.6	76.1	68.0	10.6	24.8	9.1	14.3
	III	42.2	25.0	24.9	22.4	22.3	2.6	2.6	76.3	68.2	10.4	24.8	9.5	13.8
	IV	42.3	24.9	25.0	22.5	22.5	2.5	2.6	76.5	68.6	10.3	23.9	9.6	10.9
		Percentage changes (d)							Difference from one year ago					
2018		0.6	0.3	--	2.7	--	-11.2	--	-0.2	1.3	-2.0	-4.2	-2.0	-2.4
2019		1.0	1.0	--	2.3	--	-6.6	--	0.1	0.9	-1.2	-1.8	-1.0	-2.7
2020		0.8	-1.3	--	-2.9	--	8.7	--	-1.5	-2.4	1.4	5.8	0.7	-0.5
2021		0.9	2.5	--	3.3	--	-1.5	--	1.5	1.7	-0.6	-3.2	-0.4	-1.7
2022		1.1	1.4	--	3.6	--	-11.4	--	0.3	1.7	-1.9	-5.5	-1.6	-3.6
2023		1.5	2.1	--	3.1	--	-4.6	--	0.5	1.1	-0.9	-1.0	-0.8	-1.7
2024		1.4	1.3	--	2.2	--	-5.7	--	0.1	0.7	-0.8	-2.2	-0.9	-0.9
2025		1.3	1.7	--	2.6	--	-5.9	--	--	--	-0.8	--	--	--
2026		0.6	0.4	--	1.4	--	-8.2	--	--	--	-0.9	--	--	--
2027		0.6	0.6	--	1.1	--	-4.1	--	--	--	-0.5	--	--	--
2024	I	1.4	1.7	0.2	3.0	0.5	-6.5	-2.1	0.4	1.2	-1.1	-2.2	-1.2	-1.0
	II	1.5	1.6	0.3	2.0	0.4	-1.9	-0.1	0.2	0.5	-0.4	-1.5	-0.5	-0.5
	III	1.4	1.0	0.2	1.8	0.5	-4.9	-2.7	-0.1	0.4	-0.7	-1.4	-0.8	-0.5
	IV	1.4	0.8	0.4	2.2	0.8	-9.3	-2.6	-0.3	0.7	-1.2	-3.6	-1.1	-1.7
2025	I	1.4	1.3	0.5	2.4	0.7	-6.3	-0.8	0.0	0.7	-0.9	-1.2	-0.6	-2.4
	II	1.3	1.6	0.4	2.7	0.7	-7.3	-1.7	0.2	1.0	-1.0	-2.0	-0.9	-1.5
	III	1.3	1.7	0.4	2.6	0.5	-5.1	-0.7	0.4	1.0	-0.8	-1.5	-0.7	-1.2
	IV	1.2	2.0	0.7	2.8	0.9	-4.6	-1.0	0.6	1.1	-0.7	-1.9	0.2	-3.7

(a) Labour force aged from 16 to 64 years over population aged from 16 to 64 years. (b) Employed aged from 16 to 64 years over population aged from 16 to 64 years.

*Source: INE (*Labour Force Survey*) and Funcas.*

Chart 11a.1 - Labour force, employment and unemployment, SA

Thousands and percentage of active population

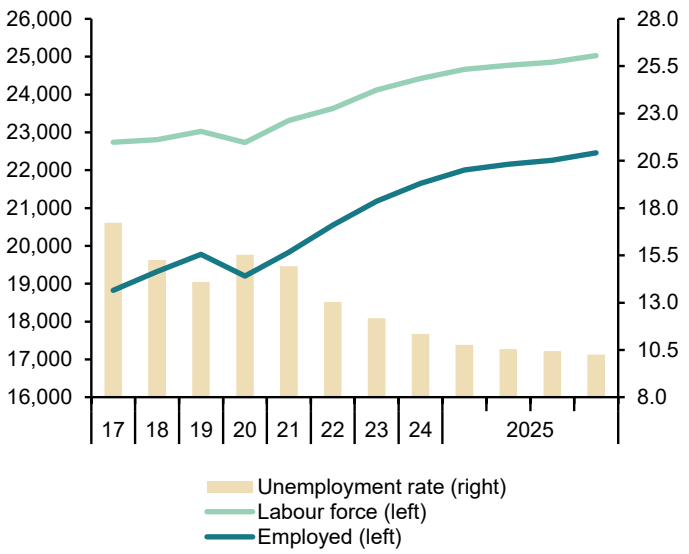


Chart 11a.2 - Unemployment rates

Percentage

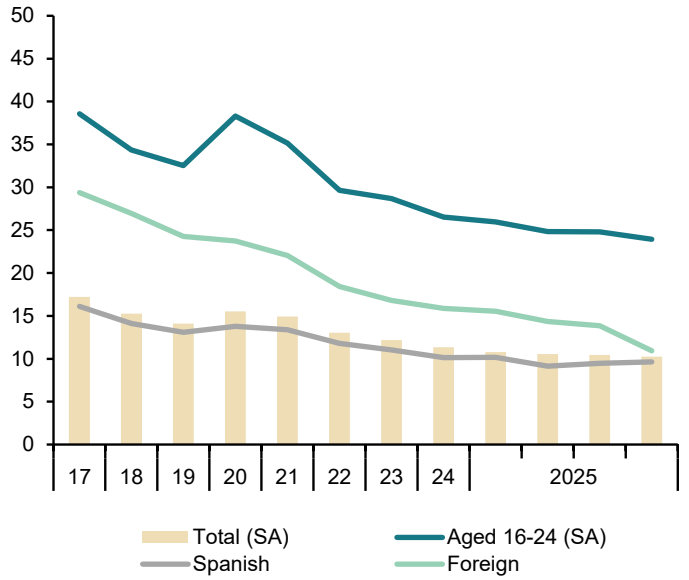


Table 11b

Labour market (II)

		Employed by sector				Employed by professional situation					Employed by duration of the working-day		
						Employees							
							By type of contract						
		Agriculture	Industry	Construction	Services	Total	Tempo-rary	Indefinite	Temporary employment rate (a)	Self employed	Full-time	Part-time	Part-time employment rate (b)
		1	2	3	4	5=6+7	6	7	8=6/5	9	10	11	12
		Million (original data)											(b)
2018		0.81	2.71	1.22	14.59	16.23	4.35	11.88	26.8	3.09	16.50	2.83	14.65
2019		0.80	2.76	1.28	14.94	16.67	4.38	12.29	26.3	3.11	16.88	2.90	14.64
2020		0.77	2.70	1.24	14.49	16.11	3.88	12.23	24.1	3.09	16.51	2.70	14.05
2021		0.82	2.71	1.32	14.99	16.66	4.21	12.45	25.2	3.17	17.08	2.75	13.87
2022		0.80	2.78	1.35	15.61	17.37	3.70	13.66	21.3	3.18	17.76	2.78	13.55
2023		0.77	2.81	1.40	16.20	17.96	3.10	14.87	17.2	3.22	18.36	2.82	13.31
2024		0.75	2.89	1.46	16.55	18.44	2.93	15.51	15.9	3.21	18.72	2.93	13.55
2025		0.76	3.01	1.53	16.92	18.94	2.90	16.04	15.3	3.28	19.18	3.04	13.68
2024	I	0.77	2.83	1.42	16.24	18.06	2.84	15.08	15.7	3.19	18.31	2.94	13.84
	II	0.77	2.89	1.48	16.54	18.44	2.94	15.12	16.0	3.24	18.74	2.94	13.57
	III	0.73	2.91	1.48	16.70	18.67	3.06	15.23	16.4	3.16	19.03	2.79	12.80
	IV	0.74	2.92	1.48	16.72	18.59	2.88	15.50	15.5	3.27	18.80	3.06	14.00
2025	I	0.76	2.92	1.48	16.61	18.50	2.80	15.60	15.1	3.27	18.69	3.08	14.13
	II	0.76	3.01	1.52	16.97	18.98	2.92	15.71	15.4	3.29	19.17	3.09	13.89
	III	0.75	3.07	1.56	17.01	19.11	2.98	15.70	15.6	3.28	19.49	2.90	12.94
	IV	0.78	3.03	1.56	17.09	19.16	2.90	16.06	15.1	3.30	19.37	3.09	13.75
		Annual percentage changes							Difference from one year ago	Annual percentage changes			Difference from one year ago
2018		-0.8	2.3	8.3	2.5	3.3	3.8	3.1	0.1	-0.5	3.1	0.4	-0.3
2019		-1.9	2.0	4.6	2.4	2.7	0.6	3.5	-0.6	0.5	2.3	2.3	0.0
2020		-4.0	-2.3	-2.6	-3.0	-3.4	-11.4	-0.5	-2.2	-0.5	-2.2	-6.9	-0.6
2021		6.9	0.5	5.7	3.4	3.4	8.5	1.8	1.2	2.6	3.5	2.0	-0.2
2022		-2.4	2.5	3.0	4.2	4.3	-11.9	9.7	-3.9	0.2	4.0	1.2	-0.3
2023		-3.9	1.3	3.2	3.8	3.4	-16.4	8.8	-4.1	1.3	3.4	1.2	-0.2
2024		-2.0	2.6	4.7	2.2	2.7	-5.4	4.3	-1.4	-0.2	1.9	4.1	0.2
2025		1.5	4.1	4.5	2.2	2.7	-1.1	3.4	-0.6	2.2	2.5	3.6	0.1
2024	I	-1.2	0.7	6.1	3.3	3.4	-7.2	5.7	-1.8	0.7	2.8	4.1	0.1
	II	-0.6	5.4	5.3	1.3	2.5	-6.6	4.4	-1.5	-0.5	2.0	2.3	0.0
	III	1.3	2.3	4.4	1.5	2.3	-3.4	3.5	-1.0	-1.2	1.5	3.9	0.3
	IV	-7.1	1.9	3.1	2.6	2.5	-4.4	3.9	-1.1	0.4	1.6	6.2	0.5
2025	I	-0.5	3.2	4.3	2.3	2.4	-1.4	3.1	-0.6	2.5	2.1	4.6	0.3
	II	-0.9	4.0	3.1	2.6	2.9	-0.7	3.6	-0.6	1.4	2.3	5.1	0.3
	III	1.9	5.4	5.3	1.9	2.4	-2.9	3.4	-0.8	3.8	2.4	3.7	0.1
	IV	5.9	3.8	5.4	2.2	3.1	0.8	3.5	-0.3	1.1	3.1	1.0	-0.2

(a) Percentage of employees with temporary contract over total employees. (b) Percentage of part-time employed over total employed. (c) Average of available data. (d) Change of existing data over the same period last year.

Source: INE (Labour Force Survey).

Chart 11b.1 - Employment by sector (LFS)

Level, 2019=100

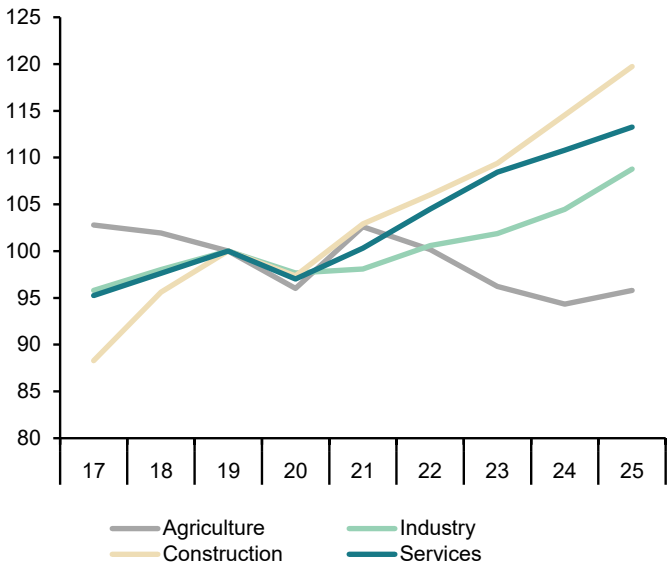


Chart 11b.2 - Temporary employment rate

Percentage over total employees

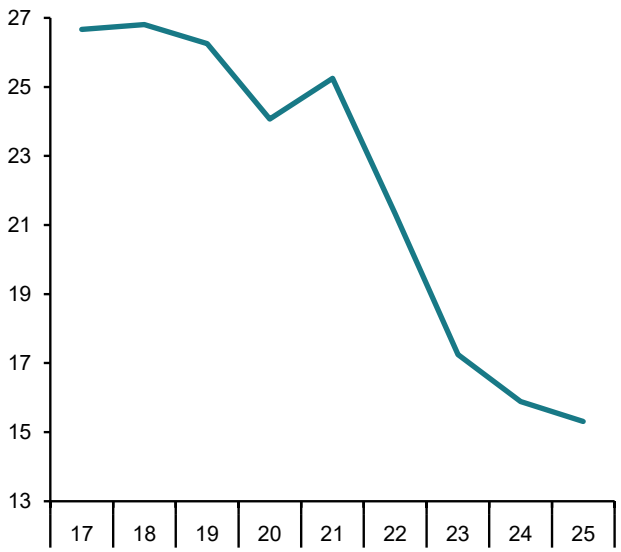


Table 12

Index of Consumer Prices

Forecasts in yellow

		Total	Total excluding food and energy	Excluding unprocessed food and energy				Unprocessed food	Energy	Food
				Total	Non-energy industrial goods	Services	Processed food			
% of total in 2024		100.00	68.37	84.45	20.80	47.57	16.09	6.22	9.32	22.31
Indexes. 2021 = 100										
2019		97.3	98.9	98.5	99.2	98.7	97.5	94.2	91.3	96.3
2020		97.0	99.4	99.2	99.4	99.4	98.7	97.7	82.5	98.4
2021		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2022		108.4	103.7	105.2	104.2	103.3	110.6	110.9	127.9	110.7
2023		112.2	108.3	111.5	108.6	107.8	124.0	121.2	107.1	123.0
2024		115.3	111.2	114.7	109.4	111.6	128.6	125.2	108.1	127.5
2025		118.4	114.0	117.4	110.1	115.4	130.4	132.8	111.8	130.9
2026		121.3	116.8	120.3	110.8	119.1	133.8	139.6	112.6	135.2
Annual percentage changes										
2019		0.7	1.0	0.9	0.3	1.4	0.5	1.9	-1.2	0.9
2020		-0.3	0.6	0.7	0.2	0.8	1.3	3.7	-9.6	2.1
2021		3.1	0.6	0.8	0.6	0.6	1.3	2.4	21.2	1.7
2022		8.4	3.7	5.2	4.2	3.3	10.6	10.9	27.9	10.7
2023		3.5	4.4	6.0	4.2	4.3	12.1	9.3	-16.3	11.1
2024		2.8	2.7	2.9	0.7	3.5	3.7	3.3	1.0	3.6
2025		2.7	2.6	2.3	0.6	3.4	1.4	6.1	3.4	2.7
2026		2.4	2.4	2.4	0.6	3.2	2.6	5.1	0.7	3.3
2025	Jan	2.9	2.5	2.4	0.5	3.4	2.1	2.7	8.1	2.2
	Feb	3.0	2.4	2.2	0.5	3.2	1.3	5.0	9.0	2.3
	Mar	2.3	2.2	2.0	0.5	3.0	1.0	6.5	2.0	2.5
	Apr	2.2	2.8	2.4	0.5	3.9	0.7	6.0	-2.2	2.2
	May	2.0	2.4	2.2	0.6	3.3	1.0	7.1	-2.7	2.7
	Jun	2.3	2.5	2.2	0.6	3.2	1.1	8.0	-0.5	3.0
	Jul	2.7	2.5	2.3	0.6	3.4	1.3	7.2	3.3	2.9
	Aug	2.7	2.6	2.4	0.7	3.5	1.4	5.8	3.4	2.6
	Sep	3.0	2.7	2.4	0.7	3.5	1.5	5.9	6.4	2.7
	Oct	3.1	2.8	2.5	0.8	3.6	1.4	6.0	6.5	2.7
	Nov	3.0	2.8	2.6	0.8	3.7	1.7	6.6	4.7	3.1
	Dec	2.9	2.8	2.6	0.7	3.7	2.1	6.2	3.4	3.2
2026	Jan	2.3	2.9	2.7	0.8	3.8	1.9	6.2	-3.9	3.1
	Feb	2.1	2.7	2.6	0.8	3.5	2.0	5.1	-4.2	2.9
	Mar	2.4	2.6	2.6	0.8	3.4	2.4	4.1	0.1	2.9
	Apr	2.6	2.3	2.4	0.8	3.0	2.7	4.2	3.5	3.1
	May	2.8	2.6	2.6	0.7	3.4	2.6	3.6	4.8	2.9
	Jun	2.5	2.4	2.5	0.6	3.2	2.7	3.3	2.7	2.8
	Jul	2.4	2.4	2.5	0.7	3.1	2.9	3.8	1.0	3.1
	Aug	2.6	2.3	2.4	0.6	3.1	3.0	6.2	1.5	3.9
	Sep	2.6	2.3	2.4	0.5	3.1	3.1	6.6	1.7	4.1
	Oct	2.5	2.2	2.3	0.5	3.0	2.9	6.3	0.9	3.8
	Nov	2.3	2.2	2.3	0.4	3.0	2.7	5.7	0.4	3.5
	Dec	2.3	2.2	2.2	0.5	2.9	2.4	6.0	0.5	3.4

Source: INE and Funcas (Forecasts).

Chart 12.1 - Inflation rate (I)

Annual percentage changes

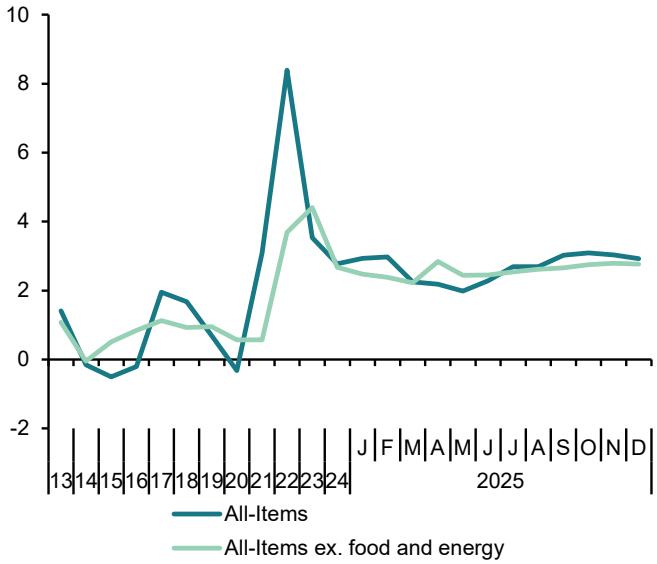


Chart 12.2 - Inflation rate (II)

Annual percentage changes

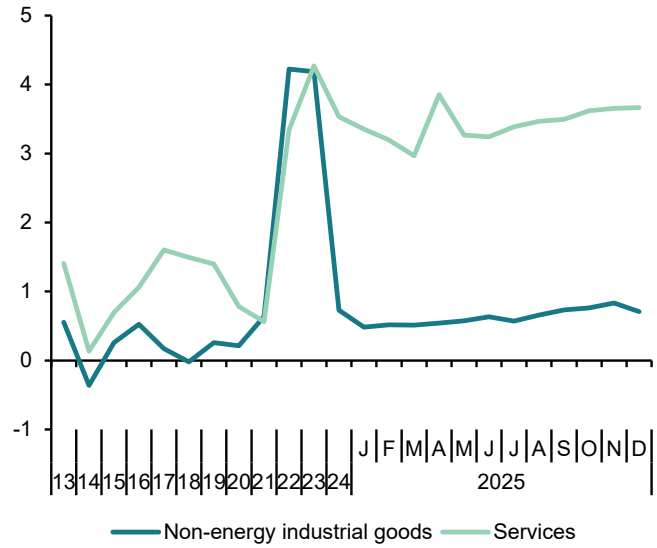


Table 13

Other prices and costs indicators

		GDP deflator (a)	Industrial producer prices		Housing prices		Urban land prices (M. Public Works)	Labour Costs Survey				Wage increase agreed in collective bargaining
			Total	Excluding energy	Housing Price Index (INE)	m^2 average price (M. Public Works)		Total labour costs per worker	Wage costs per worker	Other cost per worker	Total labour costs per hour worked	
		2019=100	2019=100		2019=100			2019=100				
2017		97.4	97.5	98.8	89.2	93.8	100.8	96.8	97.2	95.8	96.0	--
2018		98.6	100.4	99.9	95.2	96.9	99.3	97.8	98.2	96.7	97.4	--
2019		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	--
2020		101.1	95.7	100.0	102.1	98.9	90.6	97.8	97.4	99.0	106.6	--
2021		103.7	112.3	107.0	105.9	101.0	94.0	103.5	103.4	103.8	105.9	--
2022		108.6	152.2	121.5	113.7	106.1	98.7	107.9	108.2	107.0	108.0	--
2023		115.4	145.0	126.0	118.2	110.2	96.0	113.8	113.4	115.0	113.7	--
2024		118.7	139.7	126.4	128.1	116.6	105.3	118.3	117.7	120.0	118.7	--
2025 (b)		122.1	140.9	126.2	142.6	127.6	107.9	120.3	118.9	124.2	120.6	
2024	I	118.1	138.3	126.5	122.5	113.7	104.1	114.5	112.9	119.1	111.0	--
	II	118.1	136.5	126.8	126.9	115.5	103.6	120.1	120.4	119.4	117.1	--
	III	118.7	141.2	126.4	130.4	117.0	104.6	114.8	112.8	120.7	121.7	--
	IV	120.0	142.7	125.8	132.8	120.2	109.1	123.8	124.9	120.7	125.1	--
2025	I	120.7	144.7	126.3	137.5	123.9	107.4	118.7	117.1	123.4	115.5	--
	II	121.2	137.6	126.3	143.0	127.6	112.0	123.8	123.6	124.3	121.5	--
	III	122.0	140.7	126.1	147.2	131.2	104.3	118.3	116.0	124.9	124.8	--
	IV (b)	124.6	140.5	126.3	--	--	--	--	--	--	--	--
2025	Oct	--	140.7	126.2	--	--	--	--	--	--	--	--
	Nov	--	140.1	126.4	--	--	--	--	--	--	--	--
	Dec	--	140.6	126.4	--	--	--	--	--	--	--	--
		Annual percent changes (c)										
2017		1.3	4.4	2.3	6.2	2.4	0.8	0.2	0.1	0.5	0.0	1.4
2018		1.2	3.0	1.1	6.7	3.4	-1.6	1.0	1.0	1.0	1.4	1.8
2019		1.4	-0.4	0.1	5.1	3.2	0.7	2.2	1.9	3.4	2.6	2.3
2020		1.1	-4.3	0.0	2.1	-1.1	-9.4	-2.2	-2.6	-1.0	6.6	1.9
2021		2.6	17.3	7.0	3.7	2.1	3.7	5.9	6.3	4.8	-0.6	1.5
2022		4.7	35.5	13.6	7.4	5.0	5.0	4.2	4.6	3.1	1.9	2.8
2023		6.2	-4.7	3.6	4.0	3.9	-2.8	5.5	4.8	7.5	5.3	3.5
2024		2.9	-3.7	0.3	8.4	5.8	9.7	4.0	3.8	4.3	4.4	3.1
2025 (d)		2.9	0.9	-0.1	12.6	10.5	3.7	3.3	3.1	3.7	3.4	3.5
2024	I	3.1	-6.9	0.1	6.3	4.3	13.0	4.0	3.8	4.5	4.5	2.9
	II	3.1	-4.8	0.4	7.8	5.7	7.9	4.0	4.0	4.1	4.3	3.0
	III	3.2	-2.7	0.7	8.2	6.0	4.9	4.4	4.1	5.2	5.2	3.0
	IV	2.2	-0.2	0.1	11.3	7.0	13.5	3.5	3.5	3.6	3.8	3.1
2025	I	2.2	4.6	-0.1	12.2	9.0	3.2	3.7	3.8	3.6	4.1	3.3
	II	2.6	0.8	-0.4	12.7	10.4	8.1	3.1	2.7	4.1	3.7	3.4
	III	2.8	-0.3	-0.3	12.8	12.1	-0.3	3.0	2.8	3.5	2.6	3.5
	IV (e)	3.8	-1.6	0.4	--	--	--	--	--	--	--	3.5
2025	Oct	--	0.8	-0.1	--	--	--	--	--	--	--	3.5
	Nov	--	-2.5	0.5	--	--	--	--	--	--	--	3.5
	Dec	--	-3.0	0.8	--	--	--	--	--	--	--	3.5

(a) Seasonally adjusted. (b) Period with available data. (c) Percent change from the previous quarter for quarterly data. from the previous month for monthly data. unless otherwise indicated. (d) Growth of available period over the same period of the previous year. (e) Growth of the average of available months over the monthly average of the previous quarter.

Sources: M. of Public Works. M. of Labour and INE (National Statistics Institute).

Chart 13.1 - Housing and urban land prices

Level, 2019=100

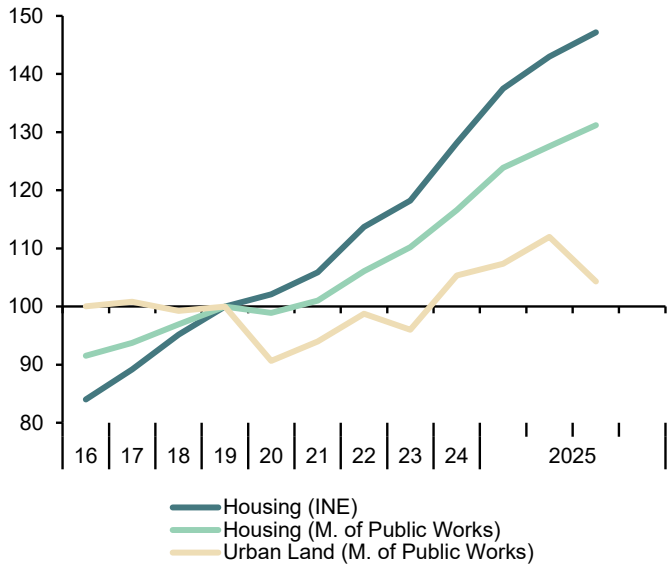


Chart 13.2 - Wage costs

Annual percent change

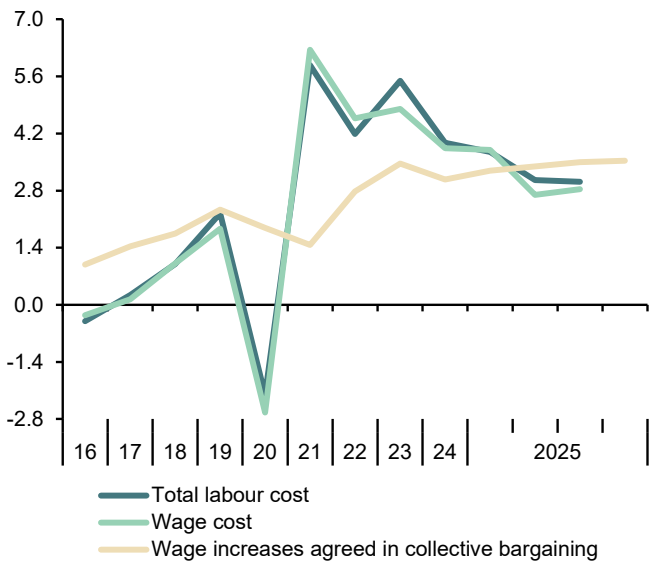


Table 14

External trade (a)

		Exports of goods			Imports of goods			Exports to EU countries (monthly average)	Exports to non-EU countries (monthly average)	Total Balance of goods (monthly average)	Balance of goods excluding energy (monthly average)	Balance of goods with EU countries (monthly average)
		Nominal	Prices	Real	Nominal	Prices	Real					
		2019=100			2019=100			EUR Billions				
2017		94.9	96.5	98.4	93.8	95.8	97.9	13.6	9.5	-2.2	0.0	0.6
2018		98.1	99.3	98.7	99.1	100.1	99.1	14.1	9.7	-2.9	-0.3	0.7
2019		100.0	100.0	100.0	100.0	100.0	100.0	14.3	9.9	-2.6	-0.3	0.8
2020		90.6	99.3	91.2	85.9	96.9	88.6	13.3	8.6	-1.1	0.3	1.3
2021		108.2	107.9	100.3	107.4	108.5	99.0	16.1	10.1	-2.6	-0.2	1.7
2022		133.2	127.6	104.4	142.4	134.8	105.7	20.3	12.0	-6.0	-1.2	3.1
2023		132.0	132.6	99.6	131.4	132.1	99.5	20.0	12.0	-3.3	-0.3	2.6
2024		132.1	134.9	97.9	131.6	131.4	100.1	19.8	12.2	-3.4	-0.6	2.5
2025 (b)		133.1	134.8	98.8	137.3	124.6	110.2	20.1	12.4	-4.6	-2.0	1.9
2023	IV	131.3	132.3	99.2	132.3	133.4	99.2	19.9	11.8	-3.9	-0.5	2.6
2024	I	130.6	133.0	98.2	130.2	133.0	97.9	19.8	11.7	-3.5	0.0	2.5
	II	133.0	135.7	98.0	130.7	132.0	99.0	19.9	12.2	-3.1	0.0	2.9
	III	132.3	135.2	97.9	130.9	130.5	100.3	20.1	11.9	-3.3	-0.1	2.9
	IV	132.6	135.9	97.5	134.5	130.3	103.3	19.4	12.6	-4.2	-1.2	1.9
2025	I	132.9	135.3	98.3	138.4	129.2	107.1	19.8	12.3	-5.2	-1.9	-2.1
	II	133.6	135.3	98.8	135.7	121.7	111.5	19.8	12.5	-4.3	-1.2	-1.7
	III	132.6	133.9	99.0	136.9	123.3	111.1	20.0	12.0	-4.8	-1.7	-1.8
2025	Aug	131.8	134.1	98.2	135.2	123.0	109.9	18.4	13.4	-4.6	-1.6	1.4
	Sep	131.9	132.7	99.4	137.5	121.9	112.8	21.0	10.9	-5.2	-2.8	1.9
	Oct	133.8	134.2	99.7	140.5	124.1	113.2	20.9	11.4	-5.5	-2.2	1.3
		Percentage changes (c)								Percentage of GDP		
2017		7.7	0.7	7.0	10.5	4.7	5.5	8.3	6.9	-2.2	0.0	0.7
2018		3.3	3.0	0.3	5.7	4.5	1.2	3.9	2.5	-2.8	-0.3	0.7
2019		2.0	0.7	1.3	0.9	-0.1	0.9	1.8	2.2	-2.5	-0.3	0.8
2020		-9.4	-0.7	-8.8	-14.1	-3.1	-11.4	-7.0	-12.9	-1.2	0.3	1.4
2021		19.4	8.6	10.0	25.0	12.0	11.7	20.9	17.2	-2.5	-0.2	1.6
2022		23.1	18.3	4.1	32.6	24.2	6.8	25.7	19.0	-5.2	-1.1	2.7
2023		-0.9	3.9	-4.6	-7.7	-1.9	-5.9	-1.2	-0.5	-2.6	-0.2	2.1
2024		0.2	1.8	-1.6	0.1	-0.5	0.6	-1.1	2.1	-2.5	-0.5	1.9
2025(d)		0.8	0.0	0.9	4.9	-5.3	10.9	0.4	1.5	--	--	--
2023	IV	2.1	0.6	1.4	3.1	3.1	-0.1	2.9	0.7	-3.1	-0.4	2.0
2024	I	-0.5	0.5	-1.0	-1.6	-0.3	-1.3	-0.4	-0.7	-2.7	0.0	1.9
	II	1.8	2.1	-0.2	0.4	-0.7	1.1	0.7	3.8	-2.3	0.0	2.2
	III	-0.5	-0.4	-0.1	0.2	-1.1	1.3	0.8	-2.6	-2.5	-0.1	2.2
	IV	0.2	0.6	-0.4	2.7	-0.2	3.0	-3.4	6.3	-3.1	-0.9	1.4
2025	I	0.3	-0.5	0.7	2.9	-0.8	3.7	2.2	-2.7	-3.8	-1.4	-1.5
	II	0.5	0.0	0.5	-1.9	-5.8	4.1	-0.1	1.6	-3.1	-0.8	-1.2
	III	-0.7	-1.0	0.3	0.9	1.3	-0.4	1.1	-3.7	-3.4	-1.2	-1.3
2025	Aug	-1.8	-0.6	-1.3	-2.0	-1.5	-0.6	-11.1	14.6	--	--	--
	Sep	0.1	-1.1	1.2	1.7	-0.9	2.6	14.0	-19.0	--	--	--
	Oct	1.5	1.2	0.3	2.2	1.8	0.4	-0.2	4.7	--	--	--

(a) Seasonally adjusted. except for annual data. (b) Period with available data. (c) Percent change from the previous quarter for quarterly data. from the previous month for monthly data. (d) Growth of available period over the same period of the previous year.

Source: Ministry of Economy and Funcas.

Chart 14.1 - External trade (real)

Level, 2019=100

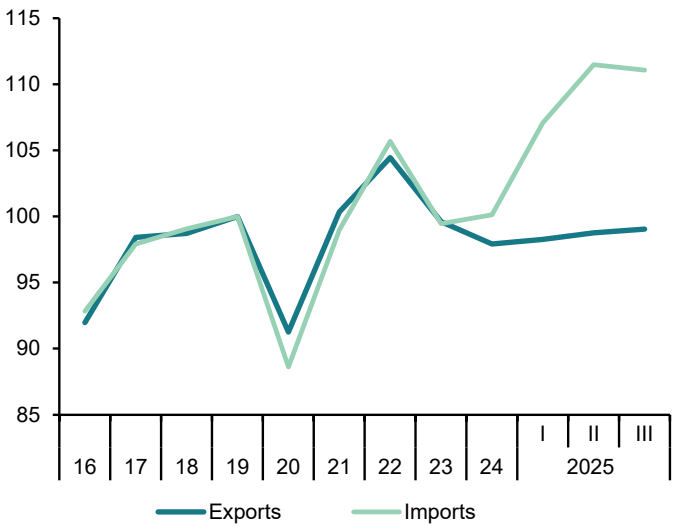
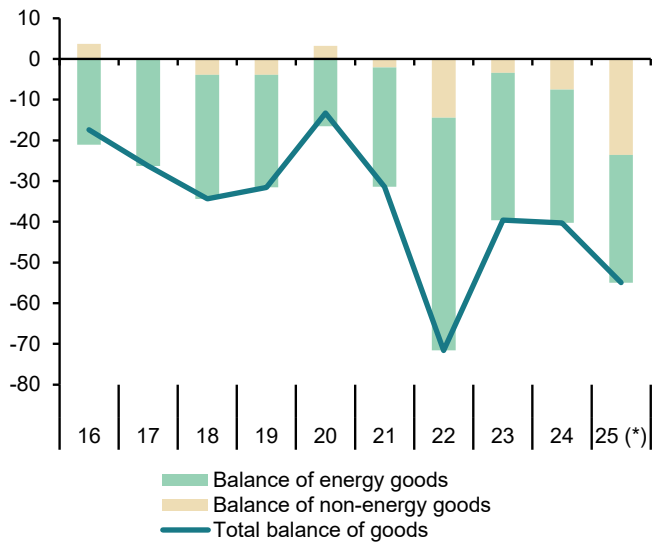


Chart 14.2 - Trade balance

EUR Billions, moving sum of 12 months



(*) Period with available data.

Table 15

Balance of Payments (according to IMF manual)

(Net transactions)

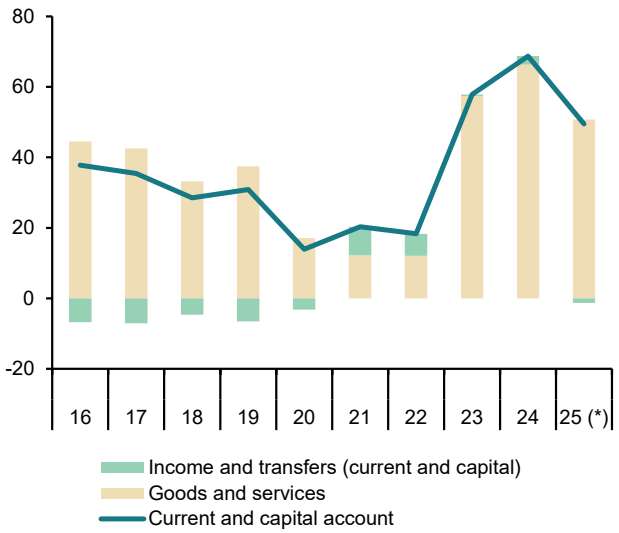
		Current account					Capital account	Current and capital accounts	Financial account						Errors and omissions
		Total	Goods	Services	Primary Income	Secondary Income			Financial account. excluding Bank of Spain					Bank of Spain	
									Total	Direct investment	Porfolio investment	Other investment	Financial derivatives		
		1=2+3+4+5	2	3	4	5	6	7=1+6	8=9+10+11+12	9	10	11	12	13	14
EUR billions															
2017		32.69	-21.19	63.70	-0.49	-9.33	2.79	35.48	68.25	13.23	24.91	22.38	7.72	-32.63	0.14
2018		22.76	-28.25	61.47	0.44	-10.90	5.79	28.55	45.32	-17.91	15.26	48.87	-0.90	-14.25	2.53
2019		26.69	-25.19	62.62	1.21	-11.94	4.20	30.89	11.02	9.30	-50.83	58.08	-5.53	15.76	-4.11
2020		8.91	-7.03	24.15	2.06	-10.27	5.04	13.95	92.45	16.47	50.87	31.79	-6.67	-81.84	-3.34
2021		9.55	-21.30	33.53	8.25	-10.93	10.73	20.29	9.71	-11.60	3.76	16.72	0.84	16.12	5.57
2022		5.76	-60.22	72.29	6.86	-13.17	12.56	18.32	-11.77	0.86	20.18	-34.95	2.13	30.27	0.18
2023		40.92	-35.05	92.50	-4.90	-11.64	16.90	57.82	-60.09	3.51	-23.83	-33.19	-6.58	114.37	-3.54
2024		50.68	-33.86	100.21	-4.02	-11.65	18.06	68.74	132.12	26.69	-2.32	106.46	1.28	-48.21	15.18
2025 (a)		39.53	-36.93	87.70	-2.39	-8.85	9.96	49.49	-9.01	18.93	2.16	-30.30	0.20	56.00	-2.49
2023	IV	8.95	-9.31	20.21	-0.18	-1.77	8.82	17.78	19.33	5.84	-18.16	31.09	0.56	2.00	3.55
2024	I	12.84	-6.36	19.59	-0.03	-0.36	1.83	14.68	46.13	1.43	-14.85	57.89	1.66	-29.04	2.42
	II	13.38	-6.42	27.01	-3.14	-4.07	3.22	16.60	63.12	8.29	17.17	37.92	-0.26	-36.51	10.01
	III	15.27	-10.36	31.57	-1.76	-4.17	4.56	19.84	-4.66	3.36	-23.87	16.68	-0.83	18.21	-6.29
	IV	9.18	-10.71	22.04	0.90	-3.05	8.45	17.63	27.52	13.61	19.23	-6.03	0.71	-0.86	9.03
2025	I	9.97	-12.63	23.04	0.56	-1.01	2.52	12.49	6.99	3.71	-4.55	7.12	0.71	2.76	-2.75
	II	14.17	-9.46	30.18	-2.45	-4.10	3.48	17.65	3.81	2.47	-4.40	5.96	-0.22	20.87	7.03
	III	15.39	-14.84	34.48	-0.50	-3.75	3.96	19.35	-19.80	12.76	11.11	-43.38	-0.29	32.38	-6.78
			Goods and Services		Primary and Secondary Income										
2025	Ago	5.24	6.77		-1.53		0.65	5.89	-1.69	2.63	8.72	-13.40	0.36	2.47	-5.12
	Sep	4.16	4.67		-0.51		2.22	6.38	4.26	3.62	-0.28	1.81	-0.88	-0.82	-2.93
	Oct	7.18	7.50		-0.33		1.97	9.15	5.84	-4.91	14.76	-4.40	0.38	0.27	-3.05
Percentage of GDP															
2017		2.8	-1.8	5.4	0.0	-0.8	0.2	3.0	5.8	1.1	2.1	1.9	0.7	-2.8	0.0
2018		1.9	-2.3	5.1	0.0	-0.9	0.5	2.4	3.7	-1.5	1.3	4.0	-0.1	-1.2	0.2
2019		2.1	-2.0	5.0	0.1	-1.0	0.3	2.5	0.9	0.7	-4.1	4.6	-0.4	1.3	-0.3
2020		0.8	-0.6	2.1	0.2	-0.9	0.4	1.2	8.2	1.5	4.5	2.8	-0.6	-7.2	-0.3
2021		0.8	-1.7	2.7	0.7	-0.9	0.9	1.6	0.8	-0.9	0.3	1.4	0.1	1.3	0.5
2022		0.4	-4.4	5.3	0.5	-1.0	0.9	1.3	-0.9	0.1	1.5	-2.5	0.2	2.2	0.0
2023		2.7	-2.3	6.2	-0.3	-0.8	1.1	3.9	-4.0	0.2	-1.6	-2.2	-0.4	7.6	-0.2
2024		3.2	-2.1	6.3	-0.3	-0.7	1.1	4.3	8.3	1.7	-0.1	6.7	0.1	-3.0	1.0
2025 (a)		3.2	-3.0	7.1	-0.2	-0.7	0.8	4.0	-0.7	1.5	0.2	-2.5	0.0	4.5	-0.2
2023	IV	2.3	-2.4	5.1	0.0	-0.4	2.2	4.5	4.9	1.5	-4.6	7.9	0.1	0.5	0.9
2024	I	3.4	-1.7	5.2	0.0	-0.1	0.5	3.9	12.2	0.4	-3.9	15.3	0.4	-7.7	0.6
	II	3.3	-1.6	6.7	-0.8	-1.0	0.8	4.1	15.7	2.1	4.3	9.4	-0.1	-9.1	2.5
	III	3.9	-2.6	8.0	-0.4	-1.1	1.2	5.0	-1.2	0.9	-6.1	4.2	-0.2	4.6	-1.6
	IV	2.2	-2.5	5.2	0.2	-0.7	2.0	4.2	6.5	3.2	4.6	-1.4	0.2	-0.2	2.1
2025	I	2.5	-3.2	5.8	0.1	-0.3	0.6	3.2	1.8	0.9	-1.1	1.8	0.2	0.7	-0.7
	II	3.3	-2.2	7.1	-0.6	-1.0	0.8	4.2	0.9	0.6	-1.0	1.4	-0.1	4.9	1.7
	III	3.7	-3.6	8.3	-0.1	-0.9	1.0	4.6	-4.8	3.1	2.7	-10.4	-0.1	7.8	-1.6

(a) Period with available quarterly data

Source: Bank of Spain.

Chart 15.1 - Balance of payments: Current and capital accounts

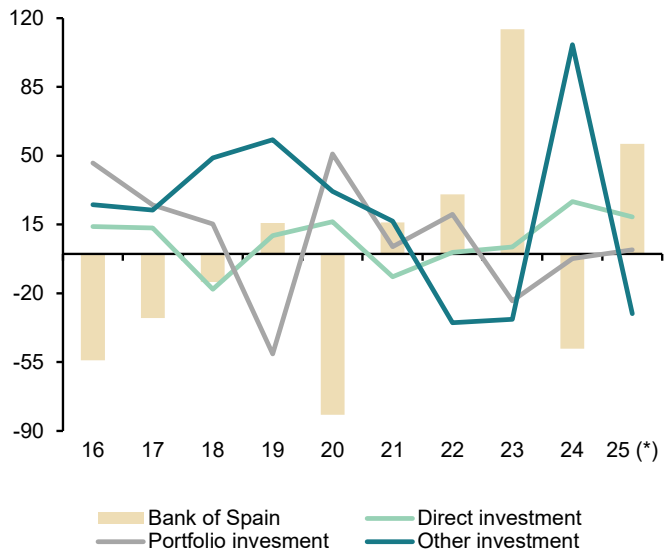
EUR Billions, 12-month cumulated



(*) Period with available data.

Chart 15.2 - Balance of payments: Financial account

EUR Billions, 12-month cumulated



(*) Period with available data.

Table 16

Competitiveness indicators in relation to EMU

		Relative Unit Labour Costs in manufacturing (Spain/Rest of EMU) (a)			Harmonized Consumer Prices			Producer prices			Real Effective Exchange Rate in relation to developed countries
		Relative hourly wages	Relative hourly productivity	Relative ULC	Spain	EMU	Spain/EMU	Spain	EMU	Spain/EMU	
		2000=100			2015=100			2021=100			1999 I =100
2017		101.7	97.3	104.5	101.7	101.8	99.9	88.5	91.1	97.1	109.7
2018		100.8	94.4	106.8	103.5	103.6	99.9	90.6	93.4	97.0	110.5
2019		99.4	93.3	106.5	104.3	104.8	99.5	90.3	93.8	96.3	109.0
2020		102.8	87.5	117.6	103.9	105.1	98.9	87.1	91.4	95.3	108.4
2021		105.3	92.9	113.3	107.0	107.8	99.3	100.0	100.0	100.0	108.9
2022		104.2	95.1	109.6	115.9	116.8	99.3	129.7	126.0	102.9	108.0
2023		103.9	96.3	107.8	119.9	123.2	97.3	125.6	124.6	100.8	107.0
2024		105.0	100.0	105.1	123.3	126.1	97.8	122.5	121.1	101.2	105.9
2025 (b)		--	--	--	126.6	128.8	98.4	123.5	121.1	101.9	106.5
2024	I	--	--	--	121.7	124.4	97.8	121.3	121.1	100.2	105.9
	II	--	--	--	124.0	126.3	98.2	120.3	120.1	100.1	106.5
	III	--	--	--	123.5	126.6	97.5	123.5	120.9	102.2	105.6
	IV	--	--	--	124.1	126.9	97.8	124.7	122.1	102.1	105.4
2025	I	--	--	--	124.9	127.4	98.1	126.3	123.4	102.3	105.6
	II	--	--	--	126.7	128.9	98.3	121.3	120.1	101.0	106.7
	III	--	--	--	127.0	129.3	98.2	123.2	120.3	102.4	107.1
	IV	--	--	--	128.0	129.5	98.8	--	--	--	108.0
2025	Oct	--	--	--	127.9	129.7	98.6	123.2	120.2	102.5	107.6
	Nov	--	--	--	127.9	129.3	98.9	122.7	120.7	101.7	108.1
	Dec	--	--	--	128.3	129.6	99.0	--	--	--	--
		Annual percentage changes					Differential	Annual percentage changes		Differential	Annual percentage changes
2017		-0.4	-0.3	0.0	2.0	1.5	0.5	4.2	2.7	1.4	1.5
2018		-0.9	-3.0	2.2	1.7	1.7	0.0	2.4	2.6	-0.2	0.8
2019		-1.4	-1.2	-0.2	0.8	1.2	-0.4	-0.3	0.4	-0.7	-1.3
2020		3.4	-6.2	10.3	-0.3	0.3	-0.6	-3.6	-2.6	-1.0	-0.6
2021		2.4	6.3	-3.6	3.0	2.6	0.4	14.9	9.4	4.9	0.4
2022		-1.1	2.3	-3.3	8.3	8.4	-0.1	29.7	26.0	2.9	-0.8
2023		-0.3	1.3	-1.6	3.4	5.4	-2.0	-3.1	-1.1	-2.0	-0.9
2024		1.1	3.8	-2.6	2.9	2.4	0.5	-2.5	-2.8	0.3	-1.0
2025 (c)		--	--	--	2.7	2.1	0.6	1.1	0.3	0.8	0.4
2024	I	--	--	--	3.2	2.6	0.6	-5.1	-5.8	0.7	0.4
	II	--	--	--	3.6	2.5	1.1	-3.5	-2.8	-0.7	0.9
	III	--	--	--	2.3	2.2	0.1	-1.6	-1.7	0.1	-0.1
	IV	--	--	--	2.4	2.2	0.2	0.3	-0.8	1.1	-0.6
2025	I	--	--	--	2.7	2.3	0.4	4.1	2.0	2.1	-0.3
	II	--	--	--	2.2	2.0	0.2	0.8	0.1	0.7	0.2
	III	--	--	--	2.8	2.1	0.7	-0.2	-0.4	0.2	1.4
	IV	--	--	--	3.1	2.1	1.0	--	--	--	--
2025	Oct	--	--	--	3.2	2.1	1.1	0.5	-0.7	1.2	2.1
	Nov	--	--	--	3.2	2.1	1.1	-2.2	-1.5	-0.7	2.4
	Dec	--	--	--	3.0	1.9	1.1	--	--	--	--

(a) EMU excluding Ireland and Spain. (b) Period with available data. (c) Growth of available period over the same period of the previous year.
Sources: Eurostat. Bank of Spain and Funcas.

Chart 16.1 - Relative Unit Labour Costs in manufacturing (Spain/Rest of EMU)

2000=100

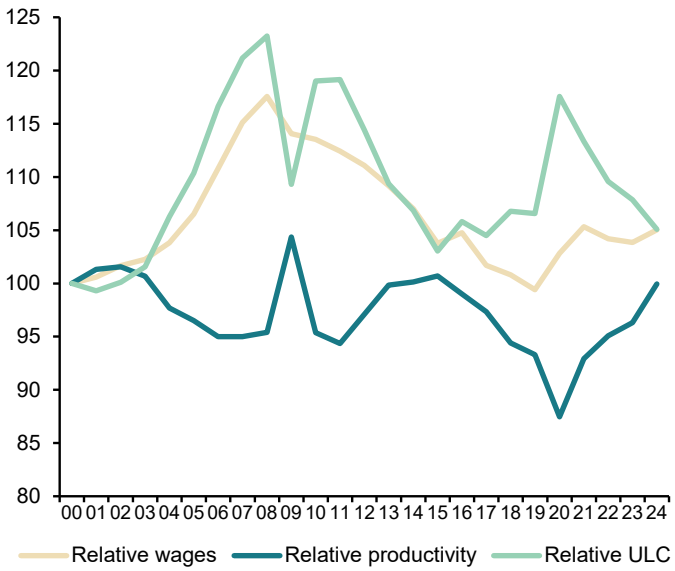


Chart 16.2 - Harmonized Consumer Prices

Annual growth in % and percentage points

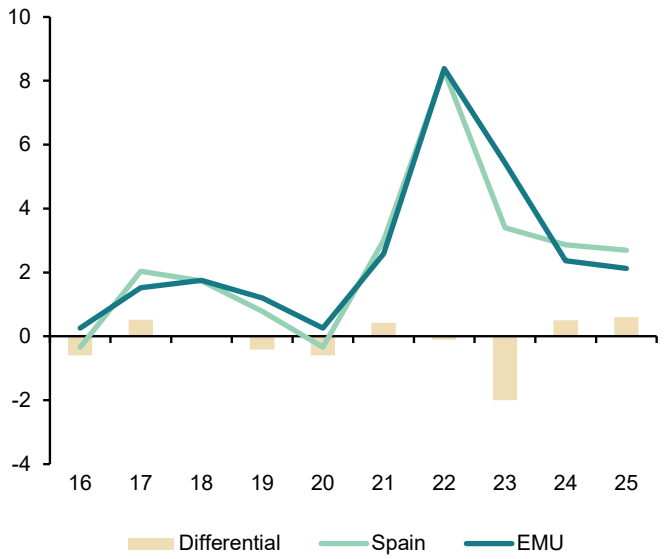


Table 17a

Imbalances: International comparison (I)

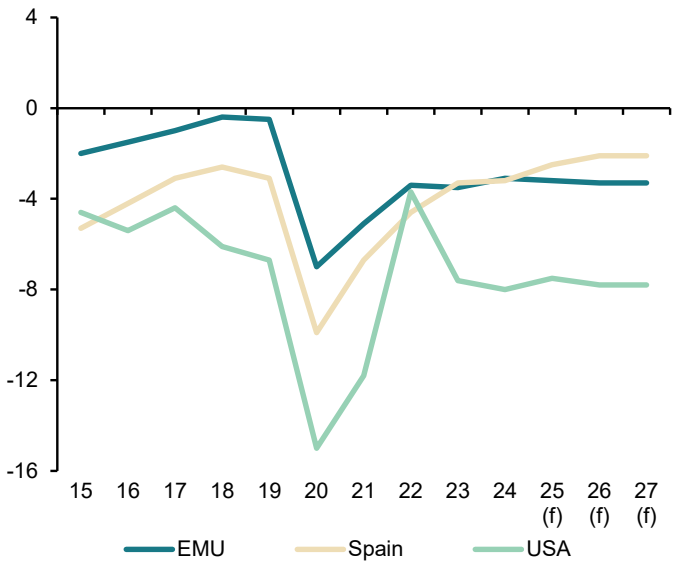
(In yellow: European Commission Forecasts)

	Government net lending (+) or borrowing (-)			Government consolidated gross debt			Current Account Balance of Payments (National Accounts)		
	EMU	Spain	USA	EMU	Spain	USA	EMU	Spain	USA
	Billions of national currency								
2012	-384.9	-119.1	-1,497.0	9,226.3	927.8	16,432.7	223.2	1.6	-424.0
2013	-323.0	-76.8	-983.5	9,561.8	1,025.8	17,352.0	282.5	21.3	-351.2
2014	-260.4	-62.7	-911.1	9,815.0	1,085.2	18,141.4	327.1	18.5	-375.1
2015	-214.2	-57.2	-842.3	9,938.8	1,114.1	18,922.2	345.0	22.2	-423.1
2016	-161.3	-47.4	-1,013.9	10,085.1	1,145.7	19,976.8	403.6	35.3	-401.4
2017	-114.1	-35.9	-868.7	10,180.0	1,184.1	20,492.7	398.8	32.7	-378.0
2018	-52.5	-30.9	-1,263.4	10,284.7	1,209.7	21,974.1	415.0	22.8	-441.2
2019	-65.2	-38.4	-1,441.7	10,383.7	1,224.4	23,201.4	365.8	26.7	-447.3
2020	-812.2	-111.9	-3,198.3	11,447.3	1,346.9	27,747.8	275.2	8.9	-564.6
2021	-643.7	-82.2	-2,803.8	12,073.1	1,429.4	29,617.2	447.9	9.6	-869.2
2022	-466.8	-63.1	-954.1	12,517.6	1,504.1	31,419.7	126.3	5.8	-1,001.2
2023	-513.5	-50.0	-2,100.3	12,975.9	1,575.4	34,001.5	379.8	40.9	-937.8
2024	-466.6	-51.3	-2,332.4	13,480.7	1,620.6	36,218.6	511.0	50.6	-1,179.9
2025	-505.1	-42.4	-2,301.2	14,105.9	1,681.4	38,468.7	425.1	45.5	-1,262.5
2026	-548.2	-36.5	-2,493.7	14,765.8	1,723.2	40,913.6	422.0	46.8	-1,196.7
2027	-566.5	-37.5	-2,610.6	15,383.5	1,774.2	43,477.6	411.6	50.2	-1,235.0
	Percentage of GDP								
2012	-3.9	-11.5	-9.2	92.7	89.6	101.1	2.2	0.2	-2.6
2013	-3.2	-7.5	-5.8	95.1	100.0	102.8	2.8	2.1	-2.1
2014	-2.5	-6.0	-5.2	95.3	104.4	103.0	3.2	1.8	-2.1
2015	-2.0	-5.3	-4.6	93.2	102.5	103.4	3.2	2.0	-2.3
2016	-1.5	-4.2	-5.4	92.1	102.0	106.2	3.7	3.1	-2.1
2017	-1.0	-3.1	-4.4	89.6	101.2	104.5	3.5	2.8	-1.9
2018	-0.4	-2.6	-6.1	87.6	99.8	106.4	3.5	1.9	-2.1
2019	-0.5	-3.1	-6.7	85.5	97.7	107.7	3.0	2.1	-2.1
2020	-7.0	-9.9	-15.0	98.5	119.3	129.8	2.4	0.8	-2.6
2021	-5.1	-6.7	-11.8	95.7	115.7	124.8	3.5	0.8	-3.7
2022	-3.4	-4.6	-3.7	91.0	109.3	120.6	0.9	0.4	-3.8
2023	-3.5	-3.3	-7.6	88.5	105.2	122.3	2.6	2.7	-3.4
2024	-3.1	-3.2	-8.0	88.5	101.6	123.6	3.4	3.2	-4.0
2025	-3.2	-2.5	-7.5	89.2	100.0	125.5	2.7	2.7	-4.1
2026	-3.3	-2.1	-7.8	90.2	98.2	127.5	2.6	2.7	-3.7
2027	-3.3	-2.1	-7.8	90.8	97.1	129.9	2.4	2.7	-3.7

Source: European Commission Forecasts, Autumn 2025.

Chart 17a.1 - Government deficit

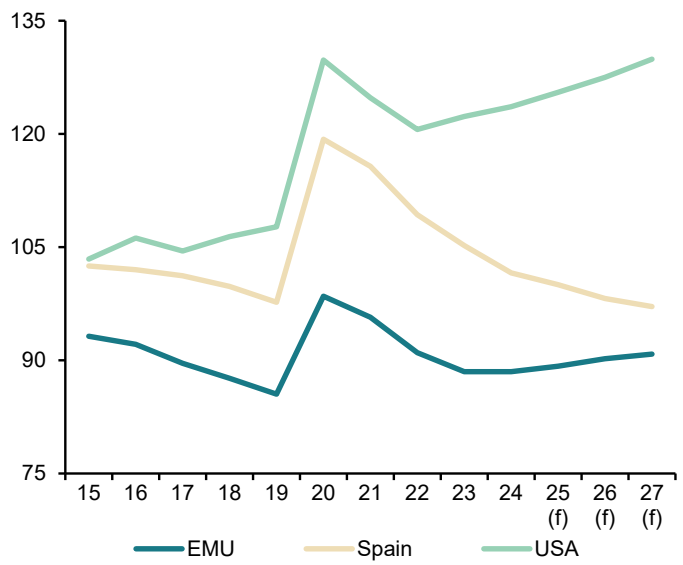
Percentage of GDP



(f) European Commission forecast.

Chart 17a.2 - Government gross debt

Percentage of GDP



(f) European Commission forecast.

Table 17b

Imbalances: International comparison (II)

	Household debt (a)			Non-financial corporations debt (a)		
	Spain	EMU	USA	Spain	EMU	USA
			Billions of national currency			
2009	911.9	5,946.8	14,002.9	1,277.3	7,987.5	10,493.9
2010	908.2	6,089.7	13,770.5	1,276.7	8,078.2	10,362.3
2011	881.1	6,176.0	13,662.1	1,232.7	8,315.3	10,635.6
2012	843.4	6,168.1	13,553.4	1,106.2	8,444.6	11,218.5
2013	796.0	6,139.3	13,766.1	1,025.4	8,406.9	11,781.6
2014	759.9	6,152.0	13,866.2	1,009.1	8,531.4	12,608.8
2015	735.0	6,219.2	14,077.6	971.3	8,954.3	13,462.5
2016	719.8	6,330.9	14,487.0	968.1	9,162.4	14,139.5
2017	712.0	6,518.5	15,032.8	966.6	9,275.0	15,153.0
2018	710.5	6,693.9	15,499.2	935.3	9,486.5	16,150.4
2019	708.6	6,902.8	16,080.5	948.1	9,781.0	16,861.2
2020	701.7	7,095.1	16,616.4	1,014.7	10,268.8	18,456.5
2021	706.4	7,400.7	18,203.3	1,042.0	10,761.9	19,570.6
2022	706.8	7,681.7	19,392.1	1,003.3	11,028.4	20,576.7
2023	690.6	7,707.1	19,920.4	989.0	11,034.5	20,971.7
2024	696.3	7,789.7	20,253.0	1,010.7	11,098.3	21,493.3
			Percentage of GDP			
2009	85.0	63.4	96.7	119.0	85.2	72.5
2010	84.3	63.1	91.5	118.5	83.8	68.9
2011	82.4	62.3	87.6	115.3	83.8	68.2
2012	81.4	62.0	83.4	106.7	84.8	69.0
2013	77.6	61.0	81.5	100.0	83.6	69.8
2014	73.1	59.7	78.7	97.1	82.8	71.6
2015	67.6	58.3	76.9	89.4	84.0	73.6
2016	64.1	57.8	77.0	86.2	83.6	75.2
2017	60.9	57.3	76.7	82.7	81.6	77.3
2018	58.6	57.0	75.0	77.1	80.8	78.2
2019	56.5	56.9	74.7	75.6	80.5	78.3
2020	62.1	61.1	77.7	89.8	88.4	86.3
2021	57.2	58.6	76.7	84.4	85.3	82.5
2022	51.4	55.8	74.4	73.0	80.2	79.0
2023	46.1	52.6	71.6	66.0	75.2	75.4
2024	43.7	51.1	69.1	63.4	72.8	73.4

(a) Loans and debt securities, consolidated.

Sources: Eurostat and Federal Reserve.

Chart 17b.1 - Household debt

Percentage of GDP

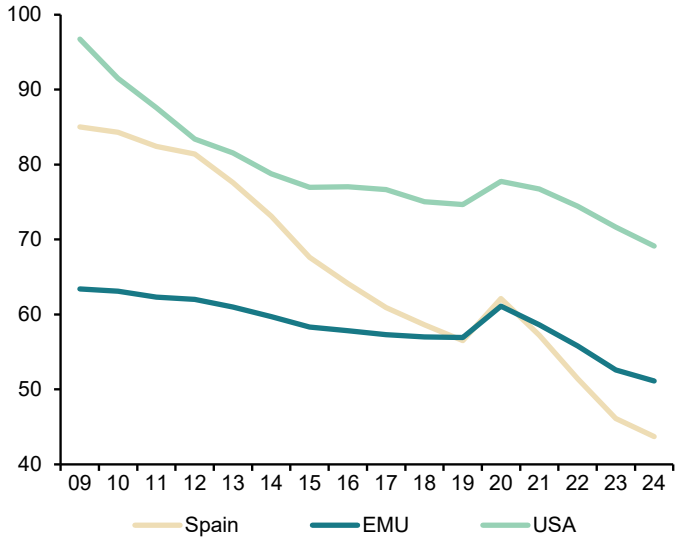
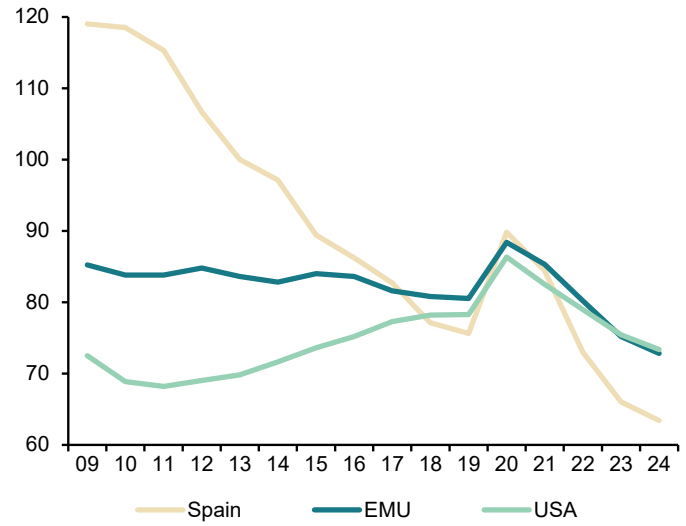


Chart 17b.2 - Non-financial corporations consolidated debt

Percentage of GDP



50 Financial System Indicators

Updated: January 15th, 2026

Highlights		
Indicator	Last value available	Corresponding to:
1-year Euribor interest rate	2.252	January 15, 2026
Bank lending to other resident sectors (monthly average % var.)	-0.5	October 2025
Other resident sectors' deposits in credit institutions (monthly average % var.)	-0.7	October 2025
Doubtful loans (monthly % var.)	-0.6	October 2025
Recourse to the Eurosystem L/T (Eurozone financial institutions. million euros)	11,341	December 2025
Recourse to the Eurosystem L/T (Spanish financial institutions. million euros)	61	December 2025
Ratio of operating expenses to ordinary income	51.1	September 2025
Ratio of customer deposits to employees (thousands of euros)	14,252.44	September 2025
Ratio of customer deposits to branches (thousands of euros)	135,730.25	September 2025
Ratio of "Branches/institutions" ratio	93.8	September 2025

A. Money and Interest Rates

Indicator	Based on data from	Average 2001-2022	2023	2024	2025 December	2026 January 15	Definition and calculation
1. Monetary Supply (% chg.)	ECB	5.5	0.1	3.4	3.0 (a)	-	Change in M3 aggregate (seasonally adjusted)
2. Three-month interbank interest rate	BE	1.2	3.433	3.572	2.051	2.025	Since September 1, 2023, this indicator is shown as a monthly average (or annual average for full years)
3. One-year Euribor interest rate (from 1994)	BE	1.4	3.868	3.274	2.269	2.252	Since September 1, 2023, this indicator is shown as a monthly average (or annual average for full years)
4. Short-term interest rate (one day) for the euro area (€STR)	BE	-0.387	3.205	3.645	1.929	1.932	Very short-term (one-day) reference interest rate for the euro area. This indicator is shown as a monthly average (or annual average for full years).
5. Interest rate on 10-year government bonds (since 1998)	BE	3.0	3.4	3.0	3.3	3.2	Market interest rates (not exclusively between account holders)
6. US dollar (USD)/euro (EUR) exchange rate	BE	1.211	1.081	1.082	1.171	1.168	Official exchange rates US dollar (USD) / Euro (EUR)

(a) Latest data as of November 30, 2025.

Comment "Money and interest rates: At its last meeting on December 18, the European Central Bank decided to keep the three official interest rates unchanged. This is the fourth pause after several consecutive cuts (up to eight). This decision, and the accompanying expectations, were already largely anticipated by the interbank market. In the first half of January, the monthly average of the 12-month Euribor (the main reference for mortgages) fell slightly to 2.252% from an average of 2.269% in December. The 3-month benchmark fell slightly from 2.051% in December to 2.025% in mid-January. The yield on 10-year government bonds fell from 3.3% in December to 3.2% in mid-January (provisional data as of January 15, 2026). Meanwhile, in the first half of January, the average dollar/euro exchange rate depreciated slightly, falling to 1.168 from 1.171 in December.

B. Financial Markets

Indicator	Based on data from:	Average 2001-2022	2023	2024	2025 October	2025 November	Definition and calculation
7. Trading ratio in simple spot transactions with Treasury bills	BE	34.9	26.91	18.1	11.84	12.32	(Amount traded/ outstanding balance) x100 for the market as a whole (not exclusively between account holders)
8. Trading ratio in simple spot transactions with government bonds and debentures	BE	22.1	12.01	11.9	2.26	1.54	(Amount traded/ outstanding balance) x100 for the market as a whole (not exclusively between account holders)
9. Interest rate on Treasury bills with maturity up to 3 months	BE	0.29	3.15	3.16	1.92	1.99	In simple transactions and for the market as a whole (not exclusively between account holders)
10. Interest rate on 10-year government bonds	BE	3.09	3.55	3.1	3.09	3.20	Weighted average rates of 10-year government bond auctions
11. Madrid Stock Exchange capitalization (average monthly variation %)	BE and Madrid Stock Exchange	0.04	1.1	1.1	3.04	1.25	Rate of change for all resident companies
12. Stock market trading volume (average monthly variation %)	BE and Madrid Stock Exchange	2.3	0.2	-0.2	25.20	-5.36	Rate of change in total trading by the Association of Stock Exchanges and Governing Bodies of Stock Exchanges
13. Madrid Stock Exchange general index (Dec 1985=100)	BE and Madrid Stock Exchange	973.3	927.57	1,137.34	1,707.3 (b)	1,743.6 (a)	Based on 1985=100
14. Ibex-35 (Dec 1989=3000)	BE and Madrid Stock Exchange	9,474.8	9,347.05	11,595.0	17,307.80 (b)	17,642.70 (a)	Based on Dec 1989=3000
15. Nasdaq	NASDAQ	4,754.6	12,970.61	19,310.79	23,419.08 (b)	23,530.02 (a)	NASDAQ composite index
16. PER ratio (price/ earnings ratio) Madrid Stock Exchange	BE and Madrid Stock Exchange	15.6	27.5	14.4	19.9 (b)	19.8 (a)	Price/earnings ratio on the IBEX-35
17. CBOE Volatility Index (VIX)	VIX	20.05	12.45	17.35	14.95 (b)	15.76 (a)	Implied volatility of the S&P 500® (SPX) for the next 30 days

B. Financial Markets (continued)

Indicator	Source	Average 2001-2022	2023	2024	2025 October	2025 November	Definition and calculation
18. Bitcoin price (₿) in dollars ($)	Coinmarket. cap	15,142.47	42,265.19	93,429.20	87,508.83 (b)	96,315.48 (a)	Change in the outstanding short-term debt of non-financial firms
19. Short-term private debt. Outstanding balance (% change)	BE	1.1	8.0	2.8	3.44	-2.35	Change in the outstanding long-term debt of non-financial firms
20. Long-term private debt. Outstanding balance (% change)	BE	0.7	-5.7	-0.1	1.51	0.65	IBEX-35 shares concluded transactions
21. Transactions carried out with IBEX-35 financial futures (% change)	BE	0.3	34.5	-3.5	13.05	-6.11	IBEX-35 shares concluded transactions
22. Transactions carried out with financial options on IBEX-35 shares (% change)	BE	16.0	41.8	4.2	-45.9	17.8	Transactions carried out on IBEX-35 shares

(a) Latest data as of January 15, 2026 (b) December 31, 2025.

Comment "Financial markets: In the first half of January, Spanish stock market indices rose compared to their closing values in December. The IBEX-35 exceeded the 17,500-point threshold to close at 17,642.70 points. The Madrid Stock Exchange General Index stood at 1,743.60 points. Meanwhile, in November (latest data available), there was an increase in the ratio of simple spot transactions with Treasury bills (up to 12.32%). The trading ratio for simple transactions with government bonds decreased compared to the previous month (to 1.54%). In November (latest data available), transactions with IBEX-35 stock futures decreased by 6.11%, while financial options on this same index increased by 17.8% compared to the previous month.

C. Savings and financial indebtedness

Indicator	Based on data from:	Average 2008-2022	2023	2024	2025 Q2	2025 Q3	Definition and calculation
23. Net financial savings/GDP (National Economy)	BE	-0.5	4.1	4.9	4.4	4.3	Difference between financial asset and financial liability flows in relation to GDP according to Financial Accounts
24. Net financial savings/GDP (Households and non-profit institutions)	BE	2.1	2.7	4.5	3.1	3.6	Difference between financial asset and financial liability flows in relation to GDP according to Financial Accounts
25. Debt in securities other than shares and loans/GDP (National Economy)	BE	278.7	253.6	249.7	249.9	246.0	Including the debt of public administrations, non-financial corporations, households, and non-profit institutions serving households in relation to GDP
26. Debt in securities other than shares and loans/GDP (Households and non-profit institutions)	BE	62.0	46.1	43.7	44.0	43.1	Including households and non-profit institutions serving households in relation to GDP
27. Financial assets on the balance sheet of households and non-profit institutions. (average quarterly % change)	BE	1.1	2.9	2.1	2.7	1.9	Percentage change in total assets on the financial balance sheet of the Financial Accounts
28. Financial liabilities on the balance sheet of households and non-profit institutions (% average quarterly change)	BE	-0.7	0.1	1.2	3.0	-1.1	Percentage change in total liabilities on the financial balance sheet of the Financial Accounts

Commentary "Savings and debt": In the third quarter of 2025, financial savings in the economy as a whole stood at 4.3% of GDP. In the household sector, the financial savings rate stood at 3.6% of GDP. It can also be seen that the financial debt of domestic economies stands at 43.1% of GDP.

D. Deposit institutions. Business performance

Indicator	Based on data from:	Average 2001-2022	2023	2024	2025 September	2025 October	Definition and calculation
29. Bank credit to other resident sectors (% average monthly change)	BE	4.9	-0.2	0.09	0.1	0.5	Percentage change in credit to the private sector from the sum of banks, savings banks, and credit unions
30. Deposits from other resident sectors in deposit-taking institutions (% average monthly change)	BE	6.0	-0.5	0.39	0.4	-0.7	Percentage change in private sector deposits from banks, savings banks, and credit unions combined
31. Securities other than shares and equity (% average monthly change)	BE	8.3	0.1	0.72	2.3	0.4	Percentage change in securities other than shares and holdings in the assets of banks, savings banks and credit cooperatives combined
32. Shares and participations (average monthly % change)	BE	7.5	0.4	0.25	0.8	0.3	Percentage change in shares and holdings in the assets of banks, savings banks, and credit unions combined
33. Credit institutions. Net position (difference between assets and liabilities of deposit institutions) (% of total assets)	BE	-1.9	5.9	7.24	6.5	6.1	Difference between the item "Credit System" in assets and liabilities as an approximation of the net position at the end of the month in the interbank market
34. Doubtful loans (% average monthly change)	BE	-0.4	-0.2	-0.65	-1.5	-0.6	Percentage change in the item for doubtful loans in the assets of banks, savings banks and credit cooperatives
35. Repurchase agreements (% average monthly change)	BE	2.1	1.9	3.65	2.9	-4.1	Percentage change in repurchase agreements in liabilities of the sum of banks, savings banks, and credit unions
36. Net equity (average monthly change %)	BE	6.3	0.5	0.36	-1.0	-1.1	Percentage change in net equity of the sum of banks, savings banks, and credit unions

Commentary "Deposit institutions. Business performance: In October, the latest data available, there was a 0.5% increase in lending to the private sector. Deposits decreased by 0.7%. Fixed-income securities increased their weight in the balance sheet by 0.4%, and shares and participations increased by 0.3%. Likewise, in October (latest data available), there was a 0.6% decrease in the volume of non-performing loans compared to the previous month.

E. Deposit institutions. Market structure and financing of the Eurosystem

Indicator	Based on data from:	Average 2000-2022	2023	2024	2025 June	2025 September	Definition and calculation
37. Number of Spanish deposit institutions	BE	166	109	108	106	105	Total number of banks, savings banks, and credit unions operating in Spain
38. Number of foreign deposit institutions operating in Spain	BE	76	76	76	79	78	Total number of foreign deposit institutions operating in Spain
39. Number of employees	BE	221,207	161,640	163,496	163,496 (a)	163,496 (a)	Total number of employees in the banking sector
40. Number of branches	BE	34,678	17,603	17,379	17,218	17,168	Total number of branches in the banking sector
41. Long-term Eurosystem appeal (total Eurozone financial institutions) (millions of euros)	BE	579,197	457,994	30,806	13,426	11,341 (b)	Open market operations and standing facilities of the European Central Bank. Eurozone total
42. Appeals to the Eurosystem (total Spanish financial institutions): main financing operations (millions of euros)	BE	21,522	297	6	39	61 (b)	Open market operations: main long-term operations. Total Spain

(a): December 2024.

(b): Latest data as of December 31, 2025.

Comment "Deposit institutions. Market structure and Eurosystem financing: In December 2025, Spanish financial institutions' net recourse to the Eurosystem's long-term programs stood at €11,341 million.

MEMO-ITEM: Since January 2015, the European Central Bank has also been reporting on the amount of the various asset purchase programs. In December 2025, their value in Spain was €497.673 billion and €3.7 trillion in the Eurozone as a whole.

F. Deposit institutions. Efficiency and productivity, risk and profitability

Indicator	Based on data from:	Average 2000-2022	2023	2024	2025 (Q2)	2025 (Q3)	Definition and calculation
43. Ratio of operating expenses to ordinary income	BE	47.53	39.33	41.16	39.95	51.1	Operating efficiency indicator. The numerator and denominator of this ratio are obtained directly from the income statements of deposit institutions
44. Ratio of customer deposits to employees (thousands of euros)	BE	5,082.03	12,992.81	13,282.69	13,713.59	14,252.44	Productivity indicator: business acquisition capacity per employee
45. Ratio of customer deposits to branches (thousands of euros)	BE	34,004.92	116,854.11	123,540.71	130,257.35	135,730.25	Productivity indicator: business acquisition capacity per branch

F. Deposit institutions. Efficiency and productivity, risk and profitability (continued)

Indicator	Based on data from:	Average 2000-2022	2023	2024	2025 (Q2)	2025 (Q3)	Definition and calculation
46. Ratio of branches to institutions	BE	171.29	95.15	94.4	93.07	93.8	Network expansion indicator
47. Employees/ branches	BE	6.38	8.9	9.3	9.5	9.5	Branch size indicator
48. Equity (% average monthly change)	BE	0.64	1.6	1.8	-0.07	-1.1	Indicator of change in deposit institutions' equity
49. ROA	BE	0.42	1.0	1.3	1.3	1.2	Profitability indicator, defined as the ratio of "Profit before tax/ average total assets"
50. ROE	BE	5.51	12.3	15.7	15.5	15.8	Profitability indicator, defined as the ratio "Profit before tax/ equity"

Commentary "Deposit institutions. Efficiency and productivity, risk and profitability: In the third quarter of 2025, the ROA of the Spanish banking sector declined slightly compared to the previous quarter. ROE reached 15.8%.

Social Indicators

Table 1

Population

	Population												
	Total population	Average age	67 and older (%)	Life expectancy at birth (men)	Life expectancy at birth (women)	Life expectancy at 65 (men)	Life expectancy at 65 (women)	Dependency rate (67 or older)	Dependency rate	Foreign population (%)	Foreign-born population (%)	Foreign-born with Spanish nationality (% over total foreign born)	Immigration	Emigration
2013	46,712,650	41.8	15.7	79.9	85.5	18.9	22.8	23.0	46.6	10.8	13.2	24.7	280,772	532,303
2014	46,495,744	42.2	16.0	80.1	85.6	19.0	22.9	23.6	47.3	10.1	12.8	28.7	305,454	400,430
2015	46,425,722	42.5	16.3	79.9	85.4	18.8	22.6	24.1	47.9	9.6	12.7	31.8	342,114	343,875
2016	46,418,884	42.7	16.6	80.3	85.8	19.1	23.0	24.7	48.5	9.5	12.7	33.0	414,746	327,325
2017	46,497,393	43.0	16.9	80.3	85.7	19.1	23.0	25.1	48.9	9.5	12.9	34.4	532,132	368,860
2018	46,645,070	43.2	17.0	80.4	85.8	19.2	23.0	25.4	49.0	9.8	13.3	34.2	643,684	309,526
2019	46,918,951	43.4	17.2	80.8	86.2	19.4	23.4	25.5	48.9	10.3	14.0	33.8	750,480	296,248
2020	47,318,050	43.6	17.3	79.5	85.0	18.3	22.3	25.8	48.8	11.1	14.8	32.9	467,918	248,561
2021	47,400,798	43.8	17.5	80.2	85.8	18.9	23.1	26.0	48.5	11.4	15.3	33.1	887,960[b]	696,866[b]
2022	47,486,727	44.1	17.7	80.4	85.7	19.1	23.0	26.3	48.5	11.6	15.7	33.6	1,258,894	531,889
2023	48,085,361	44.2	17.8	81.1	86.3	19.7	23.5	26.4	48.1	12.7	17.1	32.2	1,250,991	608,695
2024	48,619,695	44.4	18.0	81.4	86.5	19.9	23.6	26.6	47.8	13.4	18.2	32.1	1,288,562	662,294
2025	49,128,297	44.6	18.3					26.9	47.6	14.1	19.1	32.2		
Sources	ECP	IDB	ECP	IDB	IDB	IDB	IDB	ECP	ECP	ECP	ECP	ECP	EMCR and EM*	EMCR and EM*

Dependency rate (67 or older): (population aged 67 or older / population aged 16 to 66) x 100.

Dependency rate: ((population from 0 to 15 years + population from 67 years or older) / population from 16 to 66) x 100.

ECP: Estadística continua de población.

IDB: Indicadores demográficos básicos.

EM: Estadística de migraciones.

EMCR: Estadística de migraciones y cambios de residencia.

** Estadística de migraciones y cambios de residencia (2021 onwards), Estadística de migraciones (up to 2020). Series not comparable.*

b: Break in the series.

Table 2

Households and families

	Households					
	Households (thousands)	Average household size	Households with one person younger than 65 (%)	Households with one person older than 65 (%)	Single-parent households (%)	Emancipation rate 25-29 yeard old (%)
2013	18,212	2.54	13.9	10.3	8.1	50.8
2014	18,329	2.52	14.2	10.6	8.2	50.4
2015	18,376	2.51	14.6	10.7	8.2	48.2
2016	18,444	2.50	14.6	10.9	8.3	47.2
2017	18,513	2.49	14.2	11.4	8.6	46.1
2018	18,581	2.49	14.3	11.5	8.3	46.1
2019	18,697	2.49	14.9	11.2	9.0	45.9
2020	18,794	2.49	15.0	11.4	9.1	43.2
2021	18,746	2.51	15.6	11.0	9.0	37.9
2022	19,078	2.49	15.4	11.7	8.8	40.4
2023	19,369	2.48	16.4	12.0	8.4	42.5
2024	19,537	2.48	16.3	11.9	9.5	42.3
2025*	19,728	2.48				43.7
Sources	EPA	EPA	EPF	EPF	EPF	EPA

** First, second and third quarter data*

EPA: Encuesta de Población Activa.

EPF: Encuesta de Presupuestos Familiares.

Note: The EPA data from 2021 onwards are calculated using a new population base. The EPF data in 2023 are not strictly comparable with previous ones, as they are based on new population estimates.

Single-parent households (%): One adult with a child /children.

Emancipation rate 25-29 yeard old (%): Percentage of persons (25-29 years old) living in households in which they are not children of the reference person.

Table 2 (Continued)

Households and families

	Nuptiality and divorces									
	Marriages per inhabitant	Marriages per inhabitant (Spanish)	Marriages per inhabitant (foreigners)	First marriages over total marriages (%)	Mean age at first marriage, men	Mean age at first marriage, women	Same sex marriages, men (%)	Same sex marriages, women (%)	Mixed marriages (%)	Divorces per inhabitant
2013	0.46	0.49	0.34	84.3	34.3	32.2	1.05	0.91	15.0	0.28
2014	0.49	0.52	0.34	84.3	34.4	32.3	1.03	0.98	13.7	0.29
2015	0.52	0.55	0.34	83.7	34.8	32.7	1.14	1.07	13.1	0.28
2016	0.54	0.58	0.37	83.1	35.1	32.9	1.25	1.22	13.2	0.28
2017	0.55	0.58	0.38	82.4	35.3	33.2	1.34	1.33	14.0	0.29
2018	0.53	0.57	0.36	81.5	35.6	33.4	1.41	1.50	14.2	0.28
2019	0.53	0.57	0.37	80.5	36.0	33.9	1.50	1.59	15.1	0.27
2020	0.28	0.30	0.22	76.6	37.1	34.9	1.66	1.86	17.3	0.23
2021	0.47	0.52	0.30	80.4	36.8	34.6	1.48	1.93	14.8	0.25
2022	0.58	0.63	0.37	81.4	36.7	34.6	1.59	1.89	15.3	0.24
2023	0.55	0.60	0.35	81.5	36.9	34.9	1.84	2.09	16.7	0.22
2024	0.55	0.61	0.36	81.4	37.3	35.2	2.02	2.16	16.7	0.24
Sources	IDB	IDB	IDB	IDB	IDB	IDB	MNP	MNP	MNP	IDB

IDB: Indicadores demográficos básicos.

MNP: INE, Movimiento natural de la población.

Marriages per inhabitant: Average number of times an individual would marry in his or her lifetime, if the same age-specific nuptiality intensity were to be maintained as observed in the current year.

Mixed marriage: Marriage of a Spaniard to a foreigner.

Divorces per inhabitant: Average number of times an individual would divorce in his or her lifetime, if the same intensity of divorce by age as observed in the current year were to be maintained.

	Fertility										
	Average age at first child, total women	Average age at first child, Spanish women	Average age at first child, foreign women	Total fertility rate	Total fertility rate, Spanish	Total fertility rate, foreigners	Births to single mothers (%)	Births to single mothers, Spanish (%)	Births to single mothers, foreigners (%)	Abortion rate	Abortion by Spanish-born women (%)
2013	30.4	31.0	27.3	1.27	1.23	1.52	40.9	41.0	40.2	11.7	62.2
2014	30.6	31.1	27.5	1.32	1.27	1.61	42.5	43.1	39.7	10.5	63.3
2015	30.7	31.2	27.6	1.33	1.28	1.65	44.5	45.5	39.6	10.4	63.9
2016	30.8	31.3	27.6	1.33	1.28	1.71	45.9	47.0	40.7	10.4	64.5
2017	30.9	31.5	27.6	1.31	1.25	1.70	46.8	48.1	41.1	10.5	64.6
2018	31.0	31.6	27.8	1.26	1.20	1.64	47.3	48.9	41.2	11.1	63.7
2019	31.1	31.7	28.1	1.23	1.17	1.58	48.4	50.1	42.4	11.5	62.6
2020	31.2	31.8	28.3	1.18	1.13	1.45	47.6	50.0	39.3	10.3	64.1
2021	31.5	32.1	28.8	1.18	1.15	1.35	49.3	52.0	39.2	10.7	65.1
2022	31.6	32.2	28.5	1.16	1.12	1.35	50.1	53.1	40.3	11.7	66.7
2023	31.5	32.2	28.5	1.12	1.09	1.28	50.0	52.7	41.5	12.2	63.1
2024	31.5	32.3	28.4	1.10	1.07	1.27	50.0	52.4	42.9	12.4	62.2
Sources	IDB	IDB	IDB	IDB	IDB	IDB	IDB	IDB	IDB	MS	MS

IDB: Indicadores demográficos básicos.

MS: Ministerio de Sanidad.

Total fertility rate: Average number of children a woman would have during her childbearing life if she were to maintain the same age-specific fertility intensity as observed in the current year.

Table 3

Education

	Population 25 years and older with primary education (%)	Population 16 years and older with with tertiary education (%)	Population 25-34 with primary education (%)	Population 25-34 with tertiary education (%)	Gross enrolment ratio in pre-primary education, first cycle	Gross enrolment rate in Upper Secondary	Gross enrolment rate in lower vocational training	Gross enrolment rate in upper vocational training	Gross enrolment rate in undergraduate or posgraduate studies	Graduation rate in 4-year university degrees (%)
2013	28.6	28.2	7.6	41.1	33.0	81.5	41.0	40.6	47.6	48.6
2014	26.3	29.0	6.8	41.5	34.2	80.7	41.5	41.7	47.4	50.2
2015	25.2	29.3	7.3	41.0	35.1	80.2	40.3	41.0	47.4	51.8
2016	24.2	29.8	7.2	41.0	36.7	76.9	38.5	43.6	47.7	52.8
2017	23.2	30.4	6.7	42.6	38.5	74.3	37.8	45.1	47.6	53.4
2018	22.3	31.1	6.3	44.3	39.9	72.5	38.1	44.9	47.1	54.8
2019	20.9	32.3	5.8	46.5	41.3	71.0	38.8	47.3	46.7	55.5
2020	19.2	33.4	5.5	47.4	36.0	70.4	41.1	53.6	47.6	
2021	18.4	34.1	5.6	48.5	42.0	69.5	42.3	54.6	47.3	
2022	18.0	34.4	5.6	50.2	46.0	67.1	42.6	55.4	46.1	
2023	17.8	34.9	5.3	52.0	47.9	63.6	43.0	57.0	45.4	
2024	17.0	35.4	5.0	52.6	49.3	62.7	43.3	58.0	45.8	
2025*	16.8	35.8	4.7	52.4						
Sources	EPA	EPA	EPA	EPA	MEFPD and ECP	MEFPD and ECP	MEFPD and ECP	MEFPD and ECP	MU	MU

	Drop-out rate in undergraduate studies (percentage)	Early school leavers from education and training (%)	Public expenditure (%GDP)	Private expenditure (%GDP)	Private expenditure (% total expenditure in education)
2013	33.9	23.6	4.38	1.41	24.5
2014	33.2	21.9	4.31	1.41	24.7
2015	33.2	20.0	4.29	1.36	24.1
2016	33.2	19.0	4.24	1.34	24.1
2017	31.7	18.3	4.22	1.30	23.7
2018	31.4	17.9	4.18	1.33	24.2
2019	30.6	17.3	4.24	1.31	23.7
2020		16.0	4.89	1.43	22.7
2021		13.3	4.84	1.28	20.4
2022		13.9	4.61		
2023		13.7	4.54		
2024		13.0			
Sources	MU	MEFPD	MEFPD	OECD	OECD

** First, second and third quarter data (EPA)*

Note: The LFS data from 2021 onwards are calculated using a new population base.

EPA: Encuesta de Población Activa.

MEFPD: Ministerio de Educación, Formación Profesional y Deportes.

ECP: Estadística continua de población.

MU: Ministerio de Universidades.

OECD: Organisation for Economic Co-operation and Development.

Gross enrolment rate in pre-primary education, first cycle: Enrolled in early childhood education as a percentage of the population aged 0 to 2 years.

Gross enrolment rate in Upper Secondary Education (General) enrolment in Bachillerato a percentage of the population aged 16 to 17.

Gross enrolment rate in Upper Secondary Education (vocational): enrolment in Ciclos Formativos de Grado Medio as a percentage of the population aged 16 to 17.

Gross enrolment rate in Tertiary Education (vocational): enrolment in Ciclos Formativos de Grado Superior as a percentage of the population aged 18 to 19.

Gross enrolment rate in undergraduate or posgraduate studies: Enrolled in official Bachelor's or Master's degrees as a percentage of the population aged 18 to 24.

Graduation rate in 4-year university degrees (%): Percentage of students who complete the degree in the theoretical time foreseen or in one additional academic year.

Drop-out rate in undergraduate studies (percentage): New entrants in an academic year who stop studying in one of the following 3 years.

Early school leavers from education and training (%): Percentage of the population aged 18-24 who have not completed upper secondary education and are not in any form of education and training.

Table 4

Inequality and poverty

	Gini index of equivalised disposable income	At-risk-of-poverty rate (%)	At-risk-of-poverty rate, 2008 fixed threshold (%)	Severe material deprivation (%)
2013	34.7	22.2	30.9	6.2
2014	34.6	22.1	29.9	7.1
2015	34.5	22.3	29.2	6.4
2016	34.1	21.6	26.5	5.8
2017	33.2	21.5	25.5	5.1
2018	33.0	20.7	24.9	5.4
2019	32.1	21.0	21.8	4.7
2020	33.0	21.7	22.8	7.0
2021	32.0	20.4	20.5	7.3
2022	31.5	20.2	20.1	8.1
2023	31.2	19.7	18.7	8.9
2024				8.4
Sources	ECV	ECV	ECV	ECV

ECV: Encuesta de Condiciones de Vida.

Gini index of equivalised disposable income: The extent to which the distribution of equivalised disposable income (net income divided by unit of consumption; modified OECD scale) deviates from a distribution of perfect equity (all individuals obtain the same income).

At-risk-of-poverty rate (%): Population below the poverty line. Poverty threshold: 60% of median equivalised disposable income (annual net income per unit of consumption; modified OECD scale) in each year.

At-risk-of-poverty rate, 2008 fixed threshold (%): Population below the poverty line. Poverty threshold: 60% of median equivalised disposable income (annual net income per unit of consumption; modified OECD scale). In this case, the threshold used is always that of 2008.

Severe material deprivation (%): People with material deprivation in at least 4 items (Europe 2020 strategy).

Table 5

Social protection: Benefits

	Contributory benefits									Non-contributory benefits		
	Public expenditure on minimum income benefits (% GDP)	Expenditure on social protection, cash benefits (% GDP)	Permanent disability, pensions	Permanent disability, average amount (€)	Retirement, pensions	Retirement, average amount (€)	Widowhood, pensions	Widowhood, average amount (€)	Unemployment	Unemployment	Disability	Retirement
2013	0.15	18.2	935,220	908	5,451,465	979	2,336,240	618			195,478	250,815
2014	0.15	17.8	929,484	916	5,558,964	1,000	2,348,388	624			197,303	252,328
2015	0.16	17.0	931,668	923	5,641,908	1,021	2,353,257	631	838,392	1,102,529	198,891	253,838
2016	0.14	16.9	938,344	930	5,731,952	1,043	2,358,666	638	763,697	997,192	199,762	254,741
2017	0.14	16.6	947,130	936	5,826,123	1,063	2,360,395	646	726,575	902,193	199,120	256,187
2018	0.14	16.8	951,838	946	5,929,471	1,091	2,359,931	664	751,172	853,437	196,375	256,842
2019	0.14	17.3	957,500	975	6,038,326	1,138	2,361,620	712	807,614	912,384	193,122	259,570
2020	0.21	21.9	952,704	985	6,094,447	1,162	2,352,680	725	1,828,489	1,017,429	188,670	261,325
2021	0.33	20.1	949,765	994	6,165,349	1,190	2,353,987	740	922,856	969,412	184,378	262,177
2022	0.35	18.4	951,067	1,035	6,253,797	1,254	2,351,703	778	773,227	882,585	179,967	265,831
2023	0.42	18.5	945,963	1,119	6,367,671	1,375	2,351,851	852	801,091	875,969	175,792	272,188
2024			965,412	1,163	6,484,984	1,443	2,351,531	896	840,127	869,316	171,353	282,403
2025*			1,026,943	1,209	6,594,140	1,506	2,348,268	935	861,075	919,520	167,868	292,951
Sources	MTES	Eurostat	MTES	MTES	MTES	MTES	MTES	MTES	MTES	MTES	MTES	MTES

MTES: Ministerio de Trabajo y Economía Social.

** Whole year data, but for unemployment benefits (January-November)*

Expenditure on social protection, cash benefits (% GDP): Includes benefits for: sickness or disability, old age, survivors, family and children, unemployment, housing, social exclusion and other expenses.

Public expenditure on minimum income benefits (% GDP): Minimum insertion wage and migrants' allowances and other benefits. Since 2020 it includes "IMV" minimum income benefits.

Table 6

Health

	Public expenditure (% GDP)	Private expenditure (% GDP)	Private expenditure (% total expenditure)	Primary care doctors per 1,000 people asigned	Primary care nurses per 1,000 people asigned	Medical specialists per 1,000 inhabitants	Specialist nurses per 1,000 inhabitants	Patients waiting for a first consultation in specialised care per 1,000 inhabitants*	Average waiting time for a first consultation specialised care (days)*	Patients waiting for a non-urgent surgical intervention per 1,000 inhabitants*	Average waiting time for non-urgent surgery (days)*
2013	6.2	2.7	29.9	0.76	0.65	1.78	3.04	39.0	67	12.3	98.0
2014	6.1	2.8	30.7	0.76	0.65	1.81	3.14	39.4	65	11.4	87.0
2015	6.1	2.7	29.7	0.76	0.64	1.85	3.19	43.4	58	12.2	89.0
2016	6.0	2.7	29.5	0.76	0.65	1.90	3.27	45.7	72	13.7	115.0
2017	5.9	2.8	30.5	0.77	0.65	1.93	3.38	45.9	66	13.1	106.1
2018	6.0	2.8	30.8	0.77	0.66	1.98	3.45	62.5	96	14.8	129.0
2019	6.1	2.8	30.6	0.78	0.67	1.97	3.50	63.7	88	15.5	121.5
2020	7.6	3.0	27.9	0.78	0.66	2.02	3.74	53.6	99	15.1	147.8
2021	7.2	2.8	27.4	0.77	0.66	2.11	3.90	77.2	89	15.4	122.9
2022	6.8	2.6	27.1	0.78	0.70	2.14	3.87	85.4	95	17.1	120.1
2023	6.6	2.5	26.8	0.79	0.74	2.15	3.87	81.5	101	18.1	128.0
2024		2.5	27.2	0.79	0.76			83.2	105	17.8	126.0
Sources	Eurostat	OECD	OECD	*INCLASNS*	*INCLASNS*	*INCLASNS*	*INCLASNS*	*INCLASNS*	*INCLASNS*	*INCLASNS*	*INCLASNS*

INCLASNS: Indicadores clave del Sistema Nacional del Salud.

** Only in the public health system.*

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Notes

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