SEFO

SPANISH AND INTERNATIONAL
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Housing pressures and structural challenges facing the Spanish economy

funcas

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Letter from the Editors

After several years marked by overlapping shocks— including the pandemic and the energy crisis triggered by Russia's invasion of Ukraine and the resulting cycle of monetary tightening—the global economy had begun to move toward a phase of relative stabilisation. Inflation pressures were easing and financial conditions were gradually normalising. Yet the eruption of conflict involving Iran has once again highlighted the fragility of this environment. Energy markets remain the most immediate transmission channel through which geopolitical tensions affect inflation and economic activity in Europe, raising the risk that renewed price pressures could complicate the path toward price stability and economic growth, even as other sources of financial market volatility—such as stresses emerging in segments of private credit—remain present.

Within this context, the March issue of *Spanish and International Economic & Financial Outlook (SEFO)* examines several structural forces shaping the European and Spanish economies, ranging from geopolitical developments and fiscal governance to housing market dynamics and the growing pressures facing younger households.

The issue begins by examining Europe's rearmament effort and the economic implications of the continent's changing security environment. With a combined GDP of roughly €20 trillion and an industrial base comparable in scale to that of the United States, Europe has the economic capacity to sustain a strong defence posture. Defence spending is rising rapidly, particularly in Germany, Poland, and the Nordic countries, but investment is unequal across the Union and remains predominantly national, limiting its overall effectiveness. Despite higher budgets, critical capability gaps persist in areas such as air and missile defence, spacebased assets, and cybersecurity. The preference for *juste retour* (fair return) arrangements and national champions has undermined collaborative projects, leading to production inefficiencies, delays, and weak incentives to scale proven systems, as illustrated by the slow ramp-up of platforms such as SAMP/T. Achieving NATO-level spending targets—potentially lifting European defence outlays toward €700 billion annually—will not translate into effective military power either, unless spending is redirected toward genuinely joint capabilities. Closing Europe's most acute gaps will require prioritizing a small number of high-impact projects, reducing industrial fragmentation, and refocusing flagship initiatives such as Iris2 on defence-driven common assets rather than national interests.

The next contribution turns to developments in the European banking sector and the implications of excess capital for bank valuations. European banking has entered a new phase in which the policy focus has shifted from strengthening resilience to

simplifying an increasingly complex regulatory framework. Banks continue to hold capital levels well above minimum requirements, raising the question of whether excess capital acts as a buffer that enhances stability or as a drag on profitability and shareholder value. From a valuation perspective, bank market performance depends on the spread between return on equity and the cost of equity, making capital accumulation without a corresponding increase in profits potentially dilutive. Empirical analysis of large euro area banks shows a negative relationship between capital levels and valuation multiples, which becomes more pronounced when focusing specifically on capital held above regulatory and supervisory thresholds. The evidence suggests that markets distinguish between required capital, which underpins resilience, and excess capital, which carries an opportunity cost unless it reduces risk or supports sustainable growth. As such, holding capital beyond prudential needs may weigh on returns and valuations, particularly when it does not translate into lower funding costs or higher earnings.

Turning to Spain, the remainder of this issue examines several structural challenges shaping the country's economic outlook. The next article assesses the outlook for the Spanish economy in the coming years and the risks posed by the current geopolitical environment. The Spanish economy has shown remarkable resilience in recent years, maintaining strong growth despite a succession of external shocks. This performance has been supported primarily by robust domestic demand and strong population growth, while the contribution from foreign trade has weakened. Under the baseline scenario, economic activity is expected to continue expanding at a solid pace over the next two years, although gradually slowing as the effects of immigration, tourism and the European recovery funds begin to fade. GDP growth is forecast at around 2.4% in 2026 and 1.8% in 2027, still above the eurozone average but increasingly reliant on internal demand. This growth pattern is also likely to keep inflation somewhat higher than in the rest of the euro area. The main downside risk to this outlook stems from the outbreak of a new conflict in the Middle East and its potential impact on energy prices. A sustained increase in oil and gas prices would push inflation higher and erode household purchasing power, weakening private consumption, the main engine of current growth. Under such a scenario, the economic slowdown would be more pronounced than expected, demonstrating the vulnerability of the current expansion to external energy shocks.

Fiscal institutions also remain central to Spain's economic outlook. The following contribution analyses proposals to reform the regional financing framework. Spain's latest proposal for reforming the regional financing system marks a shift away from more disruptive, bilateral models towards a more standardized federal framework. The reform aims to meet a range of regional demands, including calls from some territories to increase resources for underfunded regions, to address disparities in per-capita funding, and to expand total revenues for the regional fiscal tier. The proposal also introduces several new funding mechanisms, which add complexity and raise questions about transparency, fiscal co-responsibility and the overall distribution of resources across territories. The reform would generate close to 21 billion euros in additional resources for the regions in 2027. However, the increase relative to a no-reform scenario would be significantly lower, as part of this amount reflects taxes already being collected and revenue growth that would occur under the current system. Even so, the fiscal impact would constrain the central government's room for manoeuvre under increasing spending pressures for pensions, defence, and debt servicing. Simulations show that the distribution of additional funding benefits both territories that have argued they are under-financed and regions with stronger fiscal capacity. However, the combination of high fiscal cost, uneven distributional effects, and the need for an absolute majority in Congress makes the political path to reform and its ultimate viability uncertain.

Housing pressures, however, represent one of the most significant structural challenges currently facing the Spanish economy. The next article analyses whether recent price increases signal the emergence of a new housing bubble. The sharp increase in house prices in 2024 and 2025 has reignited concerns about the possible emergence of a new housing bubble in Spain. A comparison with the early-2000s cycle shows that, despite strong price growth and high transaction volumes, the current macroeconomic context differs substantially from the period preceding the financial crisis. Credit expansion remains far more contained, and housing construction is well below the levels seen during the previous boom, resulting in a cumulative deficit of nearly 700,000 homes since 2020. However, household expectations about future house prices remain very strong. Evidence from the 2025 Home Price Expectations Survey indicates that buyers overestimate recent price increases by nearly double and anticipate substantial future revaluations. These beliefs play an important role in shaping purchasing decisions and can reinforce demand pressures in tight housing markets. The coexistence of relatively solid fundamentals with highly optimistic expectations highlights the importance of monitoring the latter as a potential source of market overheating. Incorporating expectations into housing market surveillance may therefore be crucial for anticipating emerging risks and designing effective housing policies.

Housing affordability pressures are particularly acute among younger households, many of whom now rely on rental markets. In Spain, renting has become the default option for young adults leaving the parental home, with nearly 50% of under-35s now living in rental housing. Large urban areas host the largest share of young renters, accounting for six out of ten households. At the same time, rental costs, including service charges and utilities, have risen sharply, absorbing roughly 35% of household expenditure and leaving many young adults financially stretched. Non-European immigrant households have also grown to represent more than 40% of young renters over the past decade and are often exposed to the highest levels of financial strain. Additionally, rent overburdening varies significantly based on autonomous community, generally affecting densely populated, wealthy, or touristic regions such as Catalonia, the Basque Country and the Balearic Islands more than less dense and lower-demand regions. Taken together, close to 60% of young renters nationwide continue to devote more than 30% of their spending to housing, highlighting the depth and persistence of Spain's rental affordability problem.

Housing dynamics are also closely linked to broader patterns of wealth accumulation and inequality across generations. Wealth inequality in Spain has increased markedly since the early 2000s, with divergence both across age groups and within generations. Older households have consolidated their position through asset revaluation, while younger cohorts face lower homeownership rates and weaker income growth, limiting their capacity to accumulate wealth. Housing plays a central role in this process, amplifying disparities between owners and non-owners and reinforcing differences across generational cohorts. At the same time, intragenerational inequality has intensified, particularly among younger households, where wealth is increasingly concentrated at the top of the distribution. Intergenerational transfers are set to become more significant as population ageing progresses and cohort sizes shift, raising average inheritance per capita. However, these transfers are unevenly distributed and closely tied to existing wealth concentration. As a result, inheritance may reinforce rather than reduce intragenerational disparities.

The housing affordability challenge also has a broader structural dimension across Europe. Since the mid-2010s, housing affordability has re-emerged as a central policy challenge across Europe, including in Spain, with rents in large Spanish cities rising by 50–70% in nominal terms between 2015 and 2025. Comparative evidence indicates that widely used policy instruments, such as rent controls and demand-

side subsidies, tend to reduce supply or translate into higher prices when housing construction is inelastic, while large-scale social housing models have stabilised markets only under specific institutional and historical conditions that are difficult to replicate. Spain's structural weakness lies in its historically ownership-focused model and the automatic expiration of protection on subsidised housing, which has left a social rental stock of just 1.5–2% of total housing, far below the EU average. At the same time, homeownership among 30- to 34-year-olds has fallen by more than 20 percentage points since 2002, emphasizing the intergenerational dimension of the problem. Spain's effort to improve housing accessibility, the 2023 Right to Housing Law, follows the European pattern of short-term relief combined with risks of reduced formal rental supply. The accumulated evidence suggests that sustained affordability ultimately depends on expanding effective supply through more flexible zoning, faster licensing and greater legal certainty for tenants and landlords.

Finally, this issue of SEFO examines the relationship between tourism activity and housing pressures in destinations experiencing strong visitor flows. Overtourism has re-emerged as a major challenge for many European destinations since the end of the pandemic, generating pressure on local infrastructure, housing markets and natural resources. Beyond its social and environmental impacts, excessive tourism can also undermine the visitor experience and weaken a destination's long-term competitiveness. Tourist taxes are frequently criticised for raising costs and discouraging demand, yet the author argues that economic theory suggests that a carefully calibrated tax can help correct the externalities associated with tourism activity. From this perspective, by increasing the cost of visiting congested destinations, such taxes can moderate demand and reduce pressure on common resources. If properly designed, the author suggests they may also encourage a shift in demand towards visitors who place greater value on quality. In practice, this tends to attract tourists who are less sensitive to higher prices. The article points to evidence from the Balearic Islands, one of Europe's most mature and tourism-intensive destinations, to demonstrate this logic. That said, simulations based on tourism demand elasticities suggest that the existing tax would need to increase by between 15 to 20 euros to generate a meaningful reduction in peak-season demand. The author concludes that, while not a standalone solution, a stronger tourist tax could play an important role in managing tourism pressure while reinforcing the long-term competitiveness of the destination.

What´s Ahead (Next Month)

Month	Day	Indicator / Event
April	1	Non financial quarterly sector accounts (4th. quarter)
	1	Tourists arrivals (February)
	6	Social Security registrants and official unemployment (March)
	9	Industrial production index (February)
	10	Financial Accounts Spanish Economy (4th. quarter)
	14	CPI (March)
	21	Services Production Index (February)
	21	Foreign trade report (February)
	28	Labour Force Survey (1st. quarter)
	28	Retail trade (March)
	29-30	ECB monetary policy meeting
	29	Preliminary CPI (April)
	30	Preliminary GDP (1st. quarter)
	30	Non-financial accounts, State (March)
	30	Non-financial accounts: Central Government, Regional Governments and Social Security (February)
	30	Balance of payments monthly (February)
May	4	Eurogroup meeting
	5	Tourists arrivals (March)
	5	Social Security registrants and official unemployment (April)
	8	Industrial production index (March)
	14	CPI (April)
	19	Foreign trade report (March)
	25	Services Production Index (March)
	28	Retail sales (April)
	29	Preliminary CPI (May)
	29	Non-financial accounts, State (April)
	29	Non-financial accounts: Central Government, Regional Governments and Social Security (March)
	29	Balance of payments monthly (March)

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What Matters

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The limitations of European rearmament

Europe has the economic scale and industrial capacity to build credible military capabilities. Yet, national procurement practices and fragmented industrial strategies continue to slow progress and leave critical capability gaps unaddressed.

Daniel Gros

Abstract: With a combined GDP of roughly €20 trillion and an industrial base comparable in scale to that of the United States, Europe has the economic capacity to sustain a strong defence posture. Defence spending is rising rapidly, particularly in Germany, Poland, and the Nordic countries, but investment is unequal across the Union and remains predominantly national, limiting its overall effectiveness. Despite higher budgets, critical capability gaps persist in areas such as air and missile defence, space-based assets, and cybersecurity. The preference for *juste retour (fair return)* arrangements and national champions has undermined collaborative projects, leading to production inefficiencies, delays, and weak incentives to scale proven systems, as illustrated by the slow ramp-up of platforms such as SAMP/T. Achieving NATO-level spending targets—potentially lifting European defence outlays toward €700 billion annually—will not translate into effective military power either, unless spending is redirected toward genuinely joint capabilities. Closing Europe's most acute gaps will require prioritizing a small number of high-impact projects, reducing industrial fragmentation, and refocusing flagship initiatives such as Iris2 on defence-driven common assets rather than national interests.

Background

The European "Pillar" within NATO represents a large, even if somewhat sluggish economic

mass. The combined GDP of the European NATO members amounts to about € 20 trillion, more than 2/3rds of that of the US. The NATO goal of 3.5% of GDP would result in € 700 billion in defence expenditure, about double the current level (of € 350 billion), and, at current exchange rates, not far from the present US total of around € 800 billion (equivalent to 950 billion USD).

There can be no doubt about the economic potential for a strong European defence inside or in support of the alliance.

Moreover, Europe also has the industrial capacity to produce its own weapons. In terms of the value of industrial production, the EU is at par with the US since industry represents a larger share of EU GDP.

The goal of 3.5% of GDP for defence remains distant as the average for the EU is still only slightly above 2%, but even the smaller increase that has materialized since the start of the full-scale invasion of Ukraine has already led to important shifts in relative spending.

Since 2021, defence spending at constant prices (to strip out the effect of the surge in inflation in 2022) has been essentially flat in the US (up only 20 billion in real USD terms) whereas that of EU Members has increased by 150 billion (including the UK and Norway would bring the increase to 170 billion). Most of the additional spending of NATO is thus happening in Europe.

We start with a rough estimate of the macroeconomic impact this increase might have, and how the spending increase has been distributed so far across Member States. It then turns to the question of whether the fiscal rules under the Stability and Growth Pact might represent an obstacle to further increases.

This paper starts by analyzing Union support schemes for defence investment in various forms (SAFE, EDF, European or EU preference for military procurement, *etc.*).

This is followed by a critical examination of how joint projects work in practice and how preferences for national champions have slowed down progress in key high-tech areas.

Macroeconomic impact

Achieving the NATO goal of increasing military expenditure to 3.5% of GDP (+ 1.5% in infrastructure) would represent a significant demand boost even if one discounts some reclassification of existing expenditure.

With military spending now running at about 2% of GDP, even achieving the 3.5% of GDP target would represent an increase of 1.5 percentage points of GDP, or about €300 bn more than today. Not all European Member Countries are likely to achieve this goal any time soon. But for the ones that are on course (Germany and the Nordics) this increase will represent a significant boost to domestic demand as a large proportion of the increase is spent at home.

The available research suggests that each 1 percentage point of GDP in military spending increases demand by about 0.5–0.6 points of GDP. The increase still in the pipeline should thus provide a demand boost worth about 1% of GDP (somewhat more for those countries where the increase is largest, *i.e.* Germany). This is significant given a trend growth rate for the EU of around 1 to 1.5%.

“ The goal of 3.5% of GDP for defence remains distant as the average for the EU is still only slightly above 2%, but even the smaller increase that has materialized since the start of the full-scale invasion of Ukraine has already led to important shifts in relative spending. ”

> “ 3 countries, Germany, the Netherlands and Poland, account together for about two thirds of the EU total increase in investment spending. ”

The composition of military spending is changing as well. Up to 2022 procurement accounted for only a small share (typically 20-25%) of total military spending, with the largest part going to personnel (including pensions) and running costs. By contrast, a large part of the increase is now spent on procurement.

The latest EDA report shows that overall EU military expenditure has increased from close to €250 bn in 2022 to over € 350 billion in 2025 (estimated). Discounting for inflation, the increase is less impressive, but still important (from 1.5 to 2.1% of GDP in 2025).

Moreover, investment (equipment plus R&D and R&T) has doubled since 2022 and amounted to about € 100 billion in 2024, or about 30% of total defence spending. These figures also imply that one half of the increase in military spending went to equipment.

This should not be surprising given that past expenditure on equipment had been below NATO targets and European allies have transferred part of their stockpiles and (mostly older) equipment to Ukraine. Equipment is thus likely to dominate the ongoing surge in defence expenditure as in the short run it is easier to increase orders for new tanks, artillery or ammunition than to find thousands of new soldiers.

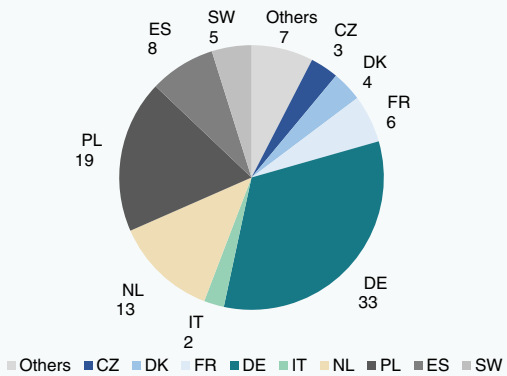
So far, the overall increase is not evenly distributed. According to data published by the European Defence Agency, 3 countries, Germany, the Netherlands and Poland, account together for about two thirds of the EU total increase in investment spending.

The pie chart below shows the percentage distribution of the overall increase in military investment of EU countries between 2022 and 2024. Apart from the German, Dutch and Polish contributions, the Scandinavians are also important relative to their weights in the EU economy.

The German share might rise further over the coming years given the high increase planned

Exhibit 1 **Shares in the increase in defence investment 2022-2024**

Percentage



Source: European Defence Agency.

for the next few years. By contrast, the Southern Member States have so far increased their defence investment spending very little, with the partial exception of Spain.

Data on military expenditure is always subject to some margin of error given the different definitions adopted by different organisations.

Do the euro area fiscal rules represent a brake on defence spending?

Governments usually find it politically impossible to reduce other spending (or increase taxes) to finance the ramping up of defence expenditure. This implies that much of the increase will result in higher deficits. (Germany even changed its constitution in early 2025 to allow much of its defence spending to be financed outside its "debt brake".)

Euro area Member States had just agreed in 2024 on a multi-year program to bring deficits down to more sustainable levels. Increasing deficits now because of higher defence spending would have been against the rules of the Stability and Growth Pact and might have led even to fines within the so-called excessive deficit procedure.

This is why the Commission has proposed exempting, at least temporarily, up to 1.5 percentage points of GDP of additional defence expenditure from the country-specific trajectories which Member States had only recently agreed with the Commission. Up to now, 16 Member States have asked for this "National Economic Clause" (NEC), representing about 45% of the GDP of the EU. The impact of this tweak to the fiscal rules is thus likely to be minor.

Existing Union financial support for defence investment

Another mechanism to support increased defence spending is the Security Action for Europe (SAFE) under which the EU will provide 150 billion € in loans to Member States to finance common procurement, *i.e.* contracts involving at least two EU Member States, or one EU Member State and Ukraine (EEA countries are also eligible). For critical assets SAFE can also finance procurements by individual Member States. Unfortunately, no information is available at present as to the extent to which this has been the case. The overall numbers suggest that a large share went for domestic procurement.

The first advantage of SAFE loans is the low interest rate on EU bonds. The importance of this factor has diminished for countries like Italy as risk premia have fallen. But the interest rates on EU loans are still higher than those paid by Germany and the Nordic countries. This is why these low debt countries have not requested any SAFE loans. Another advantage is the ability of the EU to provide financing at very long-term maturities that are often not available for smaller Member States and those outside the euro area.

The 150 billion € in loans foreseen for SAFE amount to less than 1 % of the GDP of the EU. But this sum looms relative to the still limited amounts spent on defence equipment. 150 billion € is more than two times larger than the annual expenditure on equipment and research of the Member States that have requested SAFE funds.

Demand for SAFE loans has been strong with 19 Member States requesting a total of 150 billion €. [1] All Central and Eastern Member States (including Hungary) have

"Another mechanism to support increased defence spending is the Security Action for Europe (SAFE) under which the EU will provide 150 billion € in loans to Member States to finance common procurement."

Table 1 **SAFE loan allocations (provisional)**

Country	SAFE loan (€ billions)	GDP 2024 (€ billion)	Loan / GDP ratio (%)	Spread bps to EU debt	Gain* % GDP	SAFE allocation/ Equipment spending
Poland	43.7	1,134	4.8	240	1.2	3.2
Romania	16.7	354	4.1	410	2.7	6.6
France	16.2	2,921	0.55	71	0.0	1.0
Hungary	16.2	206	6.6	410	4.4	7.5
Italy	14.9	2,192	0.68	71	0.0	2.1
Belgium	8.3	614	1.35	49	0.0	6.7
Lithuania	6.4	78	8.2	—	—	7.0
Portugal	5.8	285	1.8	46	0.0	7.2
Latvia	5.7	40	11.9	—	—	10.3

** See footnote 3 for details of calculations.*

Source: European Commission and European Defence Agency.

requested SAFE loans plus France and Spain (the two large euro area countries with risk premia above those of the EU). 15 of these national plans reportedly involve cooperation with Ukraine. The long duration of SAFE loans might be the reason why especially smaller Member States have requested very large amounts, often multiples of their present annual expenditure on equipment.

For some smaller Member States like Latvia or Lithuania the SAFE loans represent a considerable share of their GDP (close to 12%) for Latvia. For large countries like Italy or France, SAFE loans are of secondary importance (amounts equivalent to less than 1% of GDP). A better measure of the economic benefit of SAFE loans is the amount of interest payments saved.

For the smaller Baltic countries with low debt ratios, the interest savings are of secondary importance since their governments can finance themselves at low rates. But the amounts requested (and now approved) represent multiples of their (2024) equipment spending.

But for other countries the difference between the interest on SAFE loans and national debt is larger, especially for Hungary, Romania (both of which pay about 4 percentage points more than the EU) and Poland (spread of 2.4%), resulting in higher interest rate savings.

If one uses these interest rates to calculate the interest savings [2] one finds that Hungary is by far the biggest beneficiary of the SAFE scheme, with a gain worth over 4% of GDP. [3] For Romania the interest savings amount to 2.7% of GDP and about 1.2% for Poland.

For all other countries, interest savings are negligible as a fraction of GDP, but SAFE still covers multiples of annual spending. Even for Italy the amount requested is at 15 billion € about twice as large as national equipment spending of around 7 billion.

For Hungary, the large implicit subsidy from SAFE might have been one of the considerations that led it not to veto in the December European Council the issuance of EU bonds for financial support for Ukraine.

“ At this stage, the key problem for Europe seems to be not so much whether enough money and financing will be available, but how it will be spent in a way that closes capability gaps and creates more cohesive European force structures. ”

The European Defence Fund

The European Defence Fund is mainly symbolic. It has an annual budget of about 1 billion €, until 2027, with one third allocated for collaborative research and two thirds for collaborative capability development projects that complement national contributions.

The problems with joint procurement: Development and production

At this stage, the key problem for Europe seems to be not so much whether enough money and financing will be available, but how it will be spent in a way that closes capability gaps and creates more cohesive European force structures. There are no fully satisfactory solutions to this problem.

Joint procurement is often mentioned as a key to unlock efficiency gains because of economies of scale and the sharing of development costs. However, the gains from joint procurement should not be overestimated.

For most land-based systems (tanks, infantry fighting vehicles, artillery, including mobile anti-aircraft) the development costs are not that large, and economies of scale are exhausted after production runs of a few hundred. In this area European producers seem to be competitive even if one could argue that there are still too many of them.

Development costs as a source of efficiency gains are much higher relative to the final price for high tech platforms, such as airplanes, space-based assets and ships. It is in these areas that joint procurement could potentially lead to large cost savings.

However, many multi-country development projects are plagued by delays and cost overruns. This is due to the incentives facing individual countries participating in these projects, both in the development and the production stage.

Development: Every single participating country (Ministry of Defence, often pushed by national champions) has an incentive to insist on adding a further capability of the joint aircraft or ship. The cost of additional features, and the resulting delays, are borne by everybody whereas the benefit of having the aircraft being able to perform a role that is important for one country remains at the national level. The national representatives that steer these projects naturally have a tendency to propose capabilities that correspond to their idiosyncratic needs and the technology of their national champions.

Production: The *juste retour* principles lead to inefficient production lines in which enterprises of all the participating countries must have their ‘fair’ share.

Two examples, one from the past and the other from the present illustrate these two fundamental handicaps of collaborative projects.

The A300 transporter project was years late and its development cost was at €30 billion over €10 billion above budget, shows the problems that can arise in the development phase when 7 participating nations have widely different requirements. With less than 200 planes built so far, the development costs amount alone to 150 million per plane, the same order of magnitude as the production costs, and the price at which these planes are sold. Given this experience, the split between

France and Germany over the big European Fighter Project FCAS [4] might be a blessing in disguise. The competition between France and the smaller remaining consortium might produce two better aircraft at a lower cost than would have been likely under an unwieldy consortium with constant internal tensions.

The other example of the disadvantages of government to government projects concerns the SAMP/T, the land-based version of a family of theatre air defence systems based on the Aster missiles, a project that started in the early 1990s. [5] Here only 2 countries (France and Italy) were involved in the development phase (for the terrestrial versions) and that might have facilitated the relative success in developing an advanced system, which is reportedly similar in capabilities to the Patriot (except against medium range missiles). Developing and producing this system at scale should have been an absolute priority to close a key capability gap and would have been of critical importance for Ukraine. But no additional systems have been produced in 4 years of the war.

In this case the problem lies in the production phase. The system is produced by Eurosam, [6] a joint venture of MBDA France, MBDA Italy, and Thales Group. MBDA has stated that it takes 22 months to produce additional missiles and 3-4 years for new systems. One key reason is that many components must be sourced from specific suppliers in the two participating countries (France and Germany). With different parts allocated to different countries some components must be shipped multiple times across frontiers which creates additional delays given the national export control procedures that have to be satisfied each time.

The Member States behind Eurosam (mainly FR and IT for the land-based variant) have so far not opened up to a more flexible production structure for fear of losing industrial capacities. Despite the urgency of the needs of Ukraine and the geopolitical imperative to have a European alternative to the Patriots a contract to accelerate production was signed only early 2025. [7] The main reason for this delay was that it was necessary to reach agreement among three governments (from countries with frequent government changes) to amend the original agreement that led to the development of the system. Moreover, the two lead countries have little fiscal space and were neither able nor willing to provide the financing for the necessary investment in additional production capacity.

Unfortunately, SAFE does not contain any provisions on competitive tendering. Member States routinely invoke Article 346 TFEU to avoid putting military contracts to open tenders. [8] As SAFE funds go to governments it thus cements the government-to-government structure of the European defence industry. While full competitive tendering might be difficult for complex systems, it should have been possible to make SAFE loans conditional on the establishment of more than one production line for critical components – preferably outside the recipient countries.

The industrial logic behind *juste retour*

The key problem bedevilling large joint projects is not only sovereignty in military matters, but also the prevailing industrial logic. Defence planners regard it as their duty to preserve certain industrial capacities (and intellectual property) at home. This tendency is of course stronger in the larger EU Member States (and the UK).

> “The areas where Europe lags behind the US (*e.g.* avionics and missiles) are the areas where collaborative projects are most needed, but these are also the areas where countries are most reluctant to abandon the *juste retour*.”

It is this industrial logic that is behind the insistence of the *juste retour* principle. The desire to keep certain industrial capabilities at home is strongest in high tech areas, especially electronics. This leads to a conundrum: the areas where Europe lags behind the US (*e.g.* avionics and missiles) are the areas where collaborative projects are most needed, but these are also the areas where countries are most reluctant to abandon the *juste retour*.

A new approach to joint projects: Separate development but European production

Experience suggests that smaller groups of countries, or even one country alone, work better for the development of new weapon systems. However, once the new technology has been developed and tested other countries should consider buying and production should then be competitive, at least at the suppliers and components level to put the industrial capacities of the entire EU to work. The country, or small consortium, that has developed the new product should of course be compensated for the development costs, and can retain the intellectual property, but when other countries buy the system, the value chain should not be limited to the one country or the group that has developed it.

At first sight it seems more 'European' to announce large joint projects. But, as the problems with the ambitious Future Combat Air System (FCAS) show, these large multi-country projects create rifts between countries that have different needs. Moreover, the resulting delays and cost-overruns create a public image of a Europe that does not work. It would thus be better to be less ambitious in developing 'European' systems and concentrate on getting countries to buy the best system, rather than from their national champions.

Conclusions

Europe has the economic wherewithal to strengthen rapidly its military and develop a competitive defence industry. But this requires more than ramping up spending at the national level. European producers are competitive in many mid-tech, mostly land based systems. The private sector is now investing heavily in these areas and expanding production at a rapid pace.

However, there remain multiple military capability gaps, mostly in high-tech areas like air and missile defence, cyber and space-based intelligence. Promising systems, capable of closing these gaps, exist in a number of cases, but they are not being scaled up sufficiently quickly because Member States are not willing to lose control over them, preferring that their national champions remain big fish in a small pond, rather than making them fit for a more competitive and much larger EU market.

The recent tensions over Greenland have once more illustrated the geopolitical cost of Europe not having key capabilities to defend itself and keep Ukraine in the field. But it remains to be seen whether this common imperative can overcome national interests.

Notes

[1] The major beneficiaries are: Poland, 43.7 billion; Romania, 16.7 billion; France and Hungary, 16.2 billion; Italy, 14.9 billion euros. https://ec.europa.eu/commission/presscorner/detail/en/speech_25_2050

[2] The interest savings were calculated as 15 years of annual savings at the amount of SAFE loans allocated times the difference between the interest rate on EU bonds and national bonds.

[3] The figures reported here are the initial allocations. It remains to be seen whether the Commission can subject SAFE payments to any conditionality.

[4] https://en.wikipedia.org/wiki/Future_Combat_Air_System

[5] For some recent developments see https://www.mbda-systems.com/european-cooperation-defence-occar-contracts-eurosam-additional-sampt-ng-systems

[6] https://eurosam.com/

[7] See this announcement of the OCCAR website: https://www.occar.int/news/occar-fsafpaams-amendment-15-contract-signature-increase-and-

acceleration-of-aster-missile-production-for-france--italy-and-the-uk-2?utm_source=chatgpt.com

[8] See Edit Wagner (2025) Safeguarding the Effectiveness of the Security Action for Europe through Soft Law', https://iep.unibocconi.eu/safeguarding-effectiveness-security-action-europe-through-soft-law

Daniel Gros. IEP Bocconi

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Bank valuations and the effects of excess capital

European banks are holding capital well above supervisory requirements, even as regulatory simplification rises up the policy agenda. Yet this may be counterproductive, as excess capital —absent clear improvement in risk or profitability— is linked to lower returns and weaker market valuations.

Ángel Berges, Jesús Morales and Ricardo Goizueta

Abstract: European banking has entered a new phase in which the policy focus has shifted from strengthening resilience to simplifying an increasingly complex regulatory framework. Banks continue to hold capital levels well above minimum requirements, raising the question of whether excess capital acts as a buffer that enhances stability or as a drag on profitability and shareholder value. From a valuation perspective, bank market performance depends on the spread between return on equity and the cost of equity, making capital accumulation without a corresponding increase in profits potentially dilutive. Empirical analysis of large euro area banks shows a negative relationship between capital levels and valuation multiples, which becomes more pronounced when focusing specifically on capital held above regulatory and supervisory thresholds. The evidence suggests that markets distinguish between required capital, which underpins resilience, and excess capital, which carries an opportunity cost unless it reduces risk or supports sustainable growth. As such, holding capital beyond prudential needs may weigh on returns and valuations, particularly when it does not translate into lower funding costs or higher earnings.

Paradigm shift in bank supervision

Nearly two decades on from the Great Financial Crisis, bank regulations in Europe have moved, remarkably successfully, from a paradigm centred on sealing cracks through successive layers of regulatory requirements to one in which the key challenge is no longer that of raising the resilience bar but rather ensuring that the resulting complexity does not distort incentives, dim the regulatory signal or erode efficiency. This shift is the backdrop for the political and institutional push for simplification: in March 2025, the Governing Council of the ECB set up a High-Level Task Force on Simplification (HLTF) to develop proposals for making the prudential, supervisory and reporting framework less complex for fear it may be disproportionately burdening the banks and, ultimately, limiting the system's ability to finance the real economy. The endorsement by the Governing Council of the HLTF's recommendations last December marks a milestone: simplification is no longer a rhetorical aspiration but rather an explicit aim of supervisory policy.

The HLTF is not proposing a counter-reform that would jeopardise the maxim of preserving financial system stability but rather fine-tuning of the regulatory framework framed by a series of governing principles that delimit the scale of the simplification thrust: (i) maintaining current resilience levels; (ii) ongoing effectiveness in meeting microprudential, macroprudential and resolution objectives; (iii) fostering European harmonisation and financial integration; and (iv) upholding international cooperation and implementation of Basel III. In other words, the "paradigm shift" does not consist of lowering the bar but rather changing the manner in which it is upheld: less complexity, more consistency, more predictability for banks and investors and, above all, more select and risk-based supervision to channel resources (those of the supervisors and of those supervised) towards material and emerging risks.

This ambition translates into three major areas of action —regulation, supervision and reporting— which, taken together, point to a common goal: making the prudential signal clear again.

On the regulatory front, the HLTF flags the need to reduce "the number of capital stack elements", which exceeds those foreseen by the Basel standards, and ensure uniform application across jurisdictions. Hence the recommendation to cut the number of elements by, for example, merging the different capital buffers into two (a non-releasable buffer and a releasable buffer) and simplifying the leverage ratio framework, where the EU introduces more elements than the Basel III framework. The underlying thesis is that when the capital buffers are multiplied through potentially overlapping calibrations, uncertainty around effective stringency increases and it becomes harder to externally assess the amount of "usable" capital and the margin for manoeuvre (the "distance to MDA"). In other words, complexity is not neutral: it can hinder capital planning, encumber dialogue between the banks and their supervisors and cloud market interpretations.

In terms of the supervisory framework, the proposal is to move towards greater proportionality and a more risk-based approach. The HLTF proposes increasing the scope of the supervisory regime for small and non-complex institutions (SNCIs) and revising the mandatory nature of certain requirements, replacing them with more flexible rules, without jeopardising prudential targets. In parallel, the Governing Council itself has tied this reform agenda to its reform of the Supervisory Review and Evaluation

" Simplification is no longer a rhetorical aspiration but rather an explicit aim of supervisory policy. "

> “Regulatory complexity is not neutral: it can hinder capital planning, encumber dialogue between the banks and their supervisors and cloud market interpretations.”

Process (SREP). It wants to extend the objectives of the SREP reform to new areas by promoting a unified supervisory culture within the SSM and improved analytical tools to better assess the impact and effectiveness of its supervision.

On the reporting front, the HLTF has proposed a “single request / report once” ecosystem. The notion of an integrated system in which the same repository of information can be used for statistical, prudential and resolution purposes is a bet on standardisation so as to reduce overlap and prioritise data reuse and traceability, accompanied by materiality thresholds for public inventories of non-market sensitive reporting requirements and periodic reviews.

In sum, this reorientation of the regulatory and supervisory framework seeks to leave the stability of the financial system intact while increasing transparency, proportionality and introducing a more risk-based approach. All of which ushers in a debate about the advisability of a widespread industry practice: the accumulation of more capital than required by the supervisors by way of *de facto* prudential rule.

It is against the backdrop of this debate that this article addresses, from an empirical perspective, whether there is a gap between the amount of capital the prudential framework deems sufficient and the additional capital that the banks decide to hold as a discretionary buffer and how that excess ultimately translates into value creation or destruction for shareholders.

The structural link: ROE, COE and shareholder value creation

From the bank valuation perspective, the market value of a bank is the present value of its expected ability to generate future profits from the capital the market has provided it with.

Metrics such as the price-to-book value (P/B) multiple —the relationship between a bank’s share price in the financial markets and its book value per share— tell us whether the market is valuing a bank at more or less than its accounting book value and, by extension, represents an increasing function of the spread between the return generated by the bank (ROE) and that required by its shareholders (COE).

It is more expensive for all firms to finance themselves with equity than third-party borrowings. The reason is that equity not only carries out a financing function, like all other liabilities, but also performs an economic or guarantee function as shareholders are first in line to absorb losses in the event they materialise.

This absorption of first losses is precisely the reason why the return required by

> “The reorientation of the regulatory and supervisory framework seeks to leave the stability of the financial system intact while increasing transparency, proportionality and introducing a more risk-based approach.”

“When a bank increases its stock of capital in the absence of an equivalent increase in profits, the impact is automatic ROE dilution (higher denominator).”

shareholders (expressed as the cost of equity, or COE) incorporates a higher risk premium than other sources of financing. The fact that the banks, unlike other sectors of the economy, are bound by minimum capital requirements, increases asymmetry for investors and has a direct impact on bank valuations.

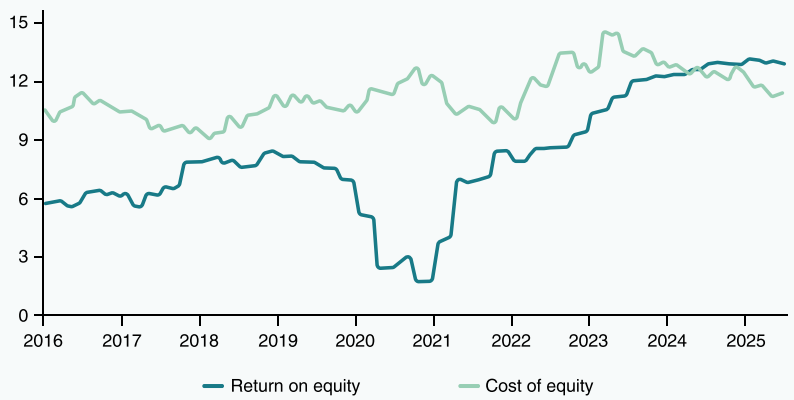
As a result, when the bank sector does not reach a minimum return that compensates for this higher equity risk premium (ROE below the COE), its stock market value falls below its book value (P/B below 1x).

Exhibit 1 shows how for many years the European banks generated a much lower return on equity (ROE) than what the markets expected (COE). In the new rate environment that emerged in the wake of the spike in inflation in 2022, their ROE began to climb steadily higher, clearly exceeding the COE for the last two years.

The market's response has been a sharp increase in valuation multiples (P/B), from levels well below 1x to well above, with the highest-valued banks, including the Spanish banks, closing in on a multiple of 2x.

It is important to underscore that P/B multiples do not react merely to prevailing ROE levels but mainly to expectations about their sustainability, discounted to present value at the COE. That is why, even in years of fleeting improvements, if the market does not perceive a structural change in the ability to generate profits, valuations remain depressed. This conceptual framework provides the background for reopening the debate about excess capital. When a bank increases its stock of capital in the absence of an equivalent increase in profits, the impact is automatic ROE dilution (higher denominator).

Exhibit 1 **Return on equity and cost of equity of listed eurozone banks, 2016 – 2025**



Source: ECB.

> “For the P/B ratio not to suffer, the increase in capital needs to be accompanied by a sufficient decrease in the COE and/or an increase in the structural rate of growth.”

For the P/B ratio not to suffer, this movement needs to be accompanied by a sufficient decrease in the COE (shaped by lower perceived risk, less volatile earnings or a lower probability of tail events) and/or an increase in the structural rate of growth. If the additional capital does not meaningfully produce either of those two effects, the discounted cash flows will trend lower, exerting downward pressure on the P/B multiple. The correlation between ROE, COE and P/B therefore expresses the logic underpinning value creation in the banking sector: the market does not attach a premium to capital *per se* but rather to the ability to turn that capital into profits that are sustainable in the long term.

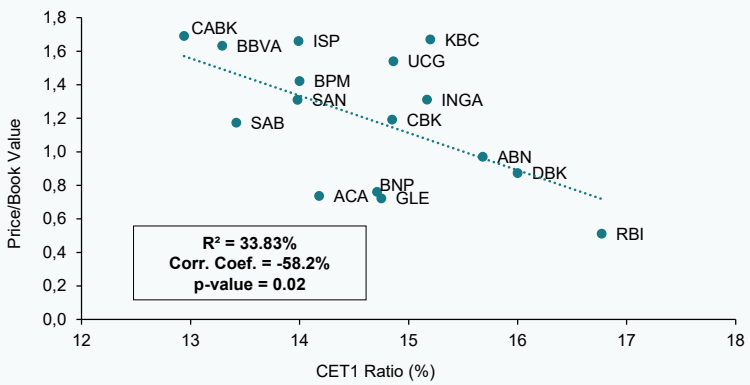
Excess capital and impact on valuation

Considering the fact that, in practice, the majority of banks in the eurozone present higher levels of tier 1 (CET1) capital than they are required to under the prudential framework or by the supervisor, including all of their idiosyncratic requirements under the forward-looking and risk-adjusted SREP, the question is whether that additional, discretionary buffer is interpreted by the market as an efficient insurance policy (reduction of risk and the COE) or, to the contrary, as idle capital with a cost of opportunity (dilution of the ROE and compression of the ROE-COE spread).

To explore this correlation empirically, we analysed a sample of the largest listed banks in the eurozone, including the 16 banking groups with over 200 billion euros of assets, which represent approximately 54% of bank assets in the eurozone.

In a first exercise (Exhibit 2), we correlate the valuation multiple (P/B) with tier 1 capital (CET1). Due to how it is constructed, this metric mixes three components: (a) the

Exhibit 2 **Correlation between P/B and CET1 2016 – 2025. Listed eurozone banks with >200 billion euros of assets, 3Q25**



Source: Authors' own elaboration based on S&P Capital IQ data.

> “The market penalises excess capital more decisively than absolute capital levels.”

amount of capital needed to meet the banks’ minimum requirements; (b) the capital buffer kept by the banks out of precaution or strategically; and (c) differences in business model, asset composition and density of risk-weighted assets (RWA), implying that a given CET1 ratio is not comparable in terms of prudential buffer.

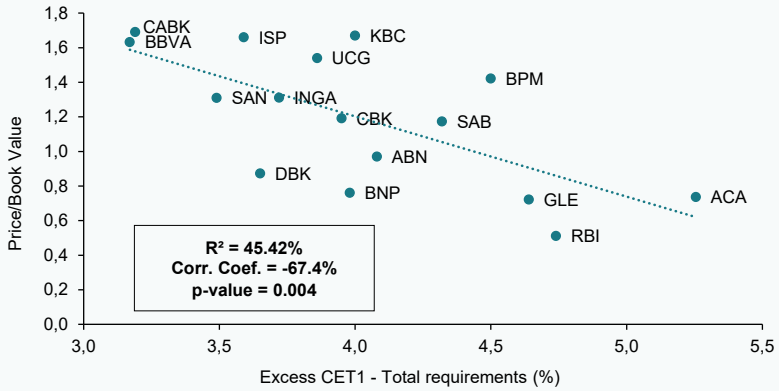
The results obtained, a negative correlation of -58% and R^2 of 34%, suggest that the market, on average, associates a higher CET1 ratio with lower multiples. They also make it clear that the CET1 ratio on its own is an imperfect measure for explaining valuation as it does not distinguish between minimum required capital and excess capital.

To do that, we look at an alternative correlation (Exhibit 3), relating the P/B multiple with surplus capital, measured as the difference between observed CET1 and the stack of minimum capital requirements, including the regulatory buffers (capital conservation, countercyclical, systemic risk), requirements for systemic importance (O-SII/G-SII), P2R and an estimation of P2G based on the results of the EBA’s stress tests [1].

This time the correlation is much clearer: a negative correlation coefficient (-67%), an R^2 of 45.4% and a p-value for the explanatory variable (excess capital) of 0.004; in statistics, the exogenous variable is considered to have explanatory power when its p-value is under 0.05. The model suggests that the market penalises excess capital more decisively than absolute capital levels. In other words, the signal that appears to matter more in bank valuations is not “how much CET1 you have”, but rather “how much CET1 are you holding in excess, after your SREP and different buffer requirements, than is reasonably prudential”.

This reading is consistent with the underlying rationale: if the supervisory threshold already incorporates a forward-looking assessment of risks (adverse scenarios, loss-absorbing capacity, idiosyncratic vulnerabilities), any additional capital may be interpreted by

Exhibit 3 **Correlation between P/B and excess CET1 capital relative to regulatory and supervisory requirements for the listed eurozone banks with >200 billion euros of assets, 3Q25**



Source: Authors’ own elaboration based on S&P Capital IQ data.

> “Spanish banks’ lower capital excess is rewarded by the market, challenging the view that they are undercapitalised when assessed relative to supervisory requirements rather than total capital.”

the market as redundant, unless it provides clear benefits in the form of a lower COE or more profitable growth. In the absence of that mitigation, the excess will tend to act as a “drag” on the return on equity and, by extension, on P/B.

Note, lastly, that the Spanish banks rank in the upper left-hand section of the exhibit, indicating a smaller capital excess, which is rewarded by the market. This outcome offers an alternative argument to the common interpretation that the Spanish banks are the least capitalised in Europe, a reading which should be made analysing excess capital relative to requirements rather than in terms of total capital. At the end of the day, assuming, after more than a decade in place, that the European supervisor has gained credibility with its forward-looking approach, it would not appear to make sense to hold substantially more capital than required by the supervisor, especially considering that the market does not reward that stance, indeed, it appears to penalise it.

Conclusions

The evidence obtained indicates that the more excess capital held relative to the effective prudential threshold, the greater the likelihood that we are talking about capital with an opportunity cost and, by extension, associated with lower valuation multiples. This finding is consistent with the theoretical framework outlined in this article: the market does not reward capital for mere accumulation but rather its ability to translate into sustainable profitability above the cost required by shareholders.

The most illustrative part of this exercise is not the sign of the correlation but rather how its explanatory power changes as the capital variable approaches the magnitude of real importance to investors: the amount of capital that exceeds (or otherwise) the relevant prudential threshold. This suggests that the market distinguishes between the capital needed to meet prudential requirements already configured through a forward-looking prism and additional capital that needs to be justified in terms of lower risk or higher future profitability.

This matter is particularly relevant because supervisors and investors do not analyse capital through the same lens. The former set their requirements based on forward-looking metrics that attempt to anticipate the ability to absorb losses throughout the economic cycle. The latter, on the other hand, assess additional capital in terms of its impact on value creation: whether or not it helps deliver a sustainable improvement in risk-adjusted profitability or reduce the cost of equity.

Ultimately, for the shareholder, a euro retained at a bank in the form of voluntary reserves only makes economic sense if it generates a higher return than it could earn by investing that euro in other assets with a comparable risk profile. If that additional capital does not improve the estimated ROE or considerably reduce the COE, financial logic dictates that it should be redistributed, in the form of dividends or repurchases, rather than remaining as idle capital on the balance sheet.

Moreover, this conclusion is particularly relevant against the backdrop of the current debate around regulatory simplification: if the aim is to make the capital stack more transparent and predictable, the notion of excess capital should be made more observable, leading to greater market discipline for banks and investors alike.

Notes

[1] To estimate the P2G element, we followed the approach taken by the ECB, which classifies the banks into four capital guidance buckets depending on the level of capital depletion observed in the last round of bi-annual stress tests coordinated by the EBA.

Given that the supervisor does not publish the exact level of P2G capital assigned to each entity but does publish the level of capital depletion emanating from the stress tests, we used the mid-point of the P2G interval associated with each capital depletion category as our reference.

Ángel Berges, Jesús Morales and Ricardo Goizueta. Afi

Geopolitical risks and the outlook for Spain's growth cycle

The Spanish economy is expected to continue growing faster than the eurozone in the coming years, although the expansionary cycle is likely to lose momentum as some of its recent drivers fade. A sustained increase in energy prices linked to the Iran conflict represents the most immediate risk to this baseline scenario.

Raymond Torres and María Jesús Fernández

Abstract: The Spanish economy has shown remarkable resilience in recent years, maintaining strong growth despite a succession of external shocks. This performance has been supported primarily by robust domestic demand and strong population growth, while the contribution from foreign trade has weakened. Under the baseline scenario, economic activity is expected to continue expanding at a solid pace over the next two years, although gradually slowing as the effects of immigration, tourism and the European recovery funds begin to fade. GDP growth is forecast at around 2.4% in 2026 and 1.8% in 2027, still above the eurozone average but increasingly reliant on internal demand. This growth pattern is also likely to keep inflation somewhat higher than in the rest of the euro area. The main downside risk to this outlook stems from the outbreak of a new conflict in the Middle East and its potential impact on energy prices. A sustained increase in oil and gas prices would push inflation higher and erode household purchasing power, weakening private consumption, the main engine of current growth. Under such a scenario, the economic slowdown would be more pronounced than expected, demonstrating the vulnerability of the current expansion to external energy shocks.

Foreword

The Spanish economy has continued to perform well, judging by the preliminary growth figure for 2025 (2.8%, compared to the eurozone average of 1.5%), coupled with strong job creation. However, this healthy headline result masks an increasingly imbalanced profile: growth currently depends entirely on domestic demand, while foreign trade has gone from making a positive contribution at the start of the current expansionary cycle to a negative one. Domestic demand led growth has also made inflation somewhat sticky, with CPI rising faster than the eurozone average.

Against this backdrop, the eruption of the conflict in Iran ushers in a new threat to the goals of sustaining growth while curbing inflation. This paper presents our baseline scenario for the Spanish economy for the next couple of years, as we envisaged it before the onset of the hostilities in the Middle East. It then analyses the impact on inflation and GDP of a sustained increase in energy prices, the main channel through which the armed conflict is likely to affect the real economy.

Baseline scenario

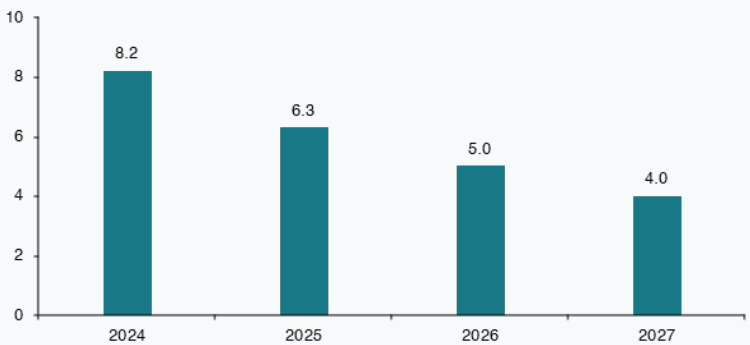
Our baseline scenario is predicated on certain assumptions around macroeconomic policy and immigration; the latter having played a crucial role in explaining the Spanish economy's recent outperformance. In terms of macroeconomic policy, we assume that the cycle of rate cuts has come to an end and that the deposit facility rate, the ECB's most important benchmark, will remain at 2% throughout the projection period. The eurozone's central bank believes that current settings are compatible with its inflation target and a slight recovery in the eurozone economy, while leaving it with some room to react in response to shocks.

Secondly, we assume that fiscal policy will go from being expansionary thanks to the disbursement of the Next Generation EU funds to neutral, as those funds are depleted. This inflexion point is expected to come into sharper focus from next year.

As for immigration, we assume the slowdown in the number of foreign arrivals to extend throughout the forecast horizon. The foreign labour force would grow by 5% this year and by 4% in 2027 (compared to 8.2% in 2024 and 6.3% in 2025) (Exhibit 1). This assumption presupposes that the recently announced scheme for the legalisation by undocumented workers will affect employment only (as we will see below) and

Exhibit 1 **Growth of the foreign labor force**

Percentage



Source: INE (2024 and 2025) and Funcas forecasts (2026 and 2027).

> "In 2026, GDP growth is forecast at 2.4%, up 0.5 percentage points from Funcas' October projection, attributable above all to the carryover effect from last year."

not inflows of foreign labour, at least not in the short term.

Underpinned by these assumptions, the Spanish economy is expected to continue to grow at a healthy rate, albeit tending to slow. In 2026, GDP growth is forecast at 2.4%, up 0.5 percentage points from Funcas' October projection, attributable above all to the carryover effect from last year (Appendix). This carryover effect alone accounts for 0.3 points of the upward growth revision.

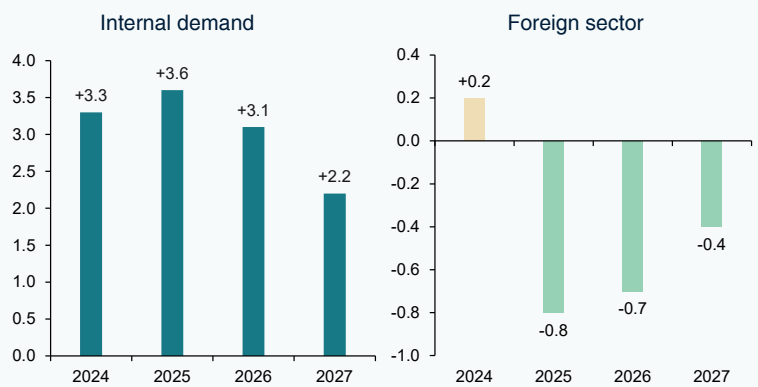
The expansion will be driven solely by domestic demand, which is expected to contribute 3.1 points, up one point from our October projection. Private consumption stands out, buoyed by job creation and, to a lesser extent, increased real earnings. Investment is expected to continue to grow, thanks to the recovery in residential construction (still insufficient to close the housing gap) and the need to accelerate execution of the remaining Next Generation EU funds. However, corporate investment is expected to remain the slowest-growing component of total investment.

On the other hand, the foreign sector is expected to detract 0.7 points from GDP growth, which is more pessimistic than in our previous projections (Exhibit 2). This outcome is the result of the slowdown in exports in the context of European economic weakness, global trade tensions and, in Spain, overtourism and reduced competitiveness at some of the most popular tourist destinations. In parallel, imports are expected to grow by more than internal demand, revisiting long-run elasticities and exacerbating the foreign sector's negative contribution to GDP growth. Imports from China are expected to be particularly strong as Chinese companies strive to accelerate their exports to mitigate an increasingly sluggish home market.

Exhibit 2

Contribution to GDP growth in Spain

In percentage points



Source: INE (2024 and 2025) and Funcas forecasts (2026 and 2027).

> The foreign sector is expected to detract 0.7 points from GDP growth, which is more pessimistic than our last set of forecasts.

In 2027, the Spanish economy will again register above-average performance, with GDP growing by 1.8%, up 0.1 point from our previous projections. The upward revision reflects the persistence of relatively strong domestic demand, while the foreign sector would continue to undermine growth. Overall, the drop-offs in tourism and in the fiscal stimulus derived from the end of Next Generation EU funds, along with weaker population growth —*i.e.,* the factors underpinning the ongoing growth cycle— will be felt more acutely next year.

The growth pattern, dominated by domestic demand and a weak foreign sector, will drive a reduction in the current account surplus to 2% of GDP in 2027, down nearly one point from 2025. That is still a solid surplus, however, in addition to reflecting an improvement in investment (thanks to the residential segment, mainly) rather than a drop in national savings.

The momentum in domestic demand also explains the fact that inflation is expected to remain at around 2.5% this year, whereas the eurozone average is forecast at under 2%, suggesting a loss of competitiveness. This unfavourable inflation gap is expected to continue in 2027, albeit narrowing, due to the above-mentioned slowdown in domestic demand.

Despite being less balanced than at the start of the growth cycle, economic growth should lead to the creation of around 800,000 net new jobs in the next two years, allowing unemployment to dip below 9%, down 0.2 points from the previous projections. In addition to the jobs created by sheer economic momentum, the legalisation of undocumented workers will have the effect of increasing employment, as happened during a previous amnesty episode back in 2005, which has been used as a benchmark for the present projections.

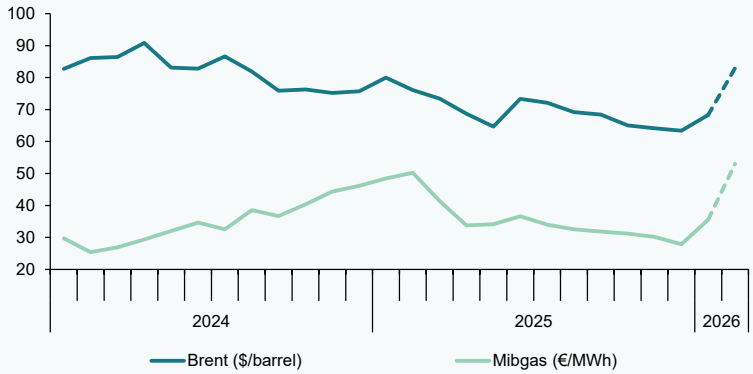
Economic growth should also help rein in the current budget imbalances, which will improve thanks to higher tax receipts –an effect which is basically cyclical, rather than reflecting any structural improvement. We are forecasting a reduction in the public deficit to 2.3% of GDP in 2026. Stripping out interest payments, Spain would report a surplus (of 0.1% of GDP) for the first time since 2007. In light of the anticipated slowdown in growth, the additional improvement in 2027 is expected to be very small. At the end of next year, government debt is forecast at 97.8% of GDP, which is still a relatively high figure.

Conflict in Iran

Energy prices are a factor to be considered in any scenario. Their moderation over the past few years has been one of the key factors behind the subsequent drop in inflation and boom in consumption. Our baseline scenario is underpinned by the assumption that Brent oil prices will remain at around $65 per barrel throughout the projection period, that Mibgas gas prices will remain at the levels they started the year at (€35 per MWh) and that one euro will continue to trade around $1.17.

> If Brent and Mibgas prices were to remain at current levels for the rest of the year, the average inflation rate would rise to 3.4% and core inflation would increase to 2.8%, one and 0.3 points above the baseline forecasts, respectively.

Exhibit 3 **Brent and Mibgas prices**



Sources: Bank of Spain and Migbas.

However, in the days following the onset of the war in Iran (the last weekend of February), oil prices rose above $80 and Mibgas prices topped €53, while the euro slid to $1.16. If this situation were to persist, it would imply a significant change with respect to our baseline scenario (Exhibit 3).

If Brent and Mibgas prices observed at the time of writing were to remain at current levels for the rest of the year, the average inflation rate would rise to 3.4% and core inflation would increase to 2.8%, one and 0.3 points above the baseline forecasts, respectively. An increase in the cost of these energy products hits consumer wallets directly and immediately via the impact on fuel and electricity bills. It also implies an increase in production costs, which, if persistent, would be passed along the production chain and ultimately to end consumers, giving rise to a second round of price increases, which would be reflected in core inflation.

The higher cost of fuel and electricity would weigh on private consumption, the main engine of growth in the short term. Exports would also be affected by the negative fallout on other countries' economies. Tourism would be another transmission channel via the higher cost of flights and the general impact of inflation on visitors' purchasing power; however, it is possible that this impact would be partially mitigated by a perception of Spain as a more attractive, specifically a safer, destination than competitor destinations near to the Middle East. One last possible transmission channel would be investment. Indeed, investment decisions could be put on hold or postponed as a result of the uncertainty.

The sum of all of these effects, factoring in the small mitigating effect of slower growth in imports, could detract around half a percentage point from GDP growth in 2026. The impact would be, therefore, stagflationary, *i.e.,* an increase in inflation and, in parallel, a slowdown in economic activity.

Upside and downside

Uncertainty continues to dominate the international context, marked by the transition

> "The sum of all of these effects could detract around half a percentage point from GDP growth in 2026."

Table 1 **Impact of a hypothetical protracted increase in energy prices**

Annual growth rates, 2009

	Baseline scenario (a)	Shock scenario (b)
CPI	2.4	3.4
GDP	2.4	1.9

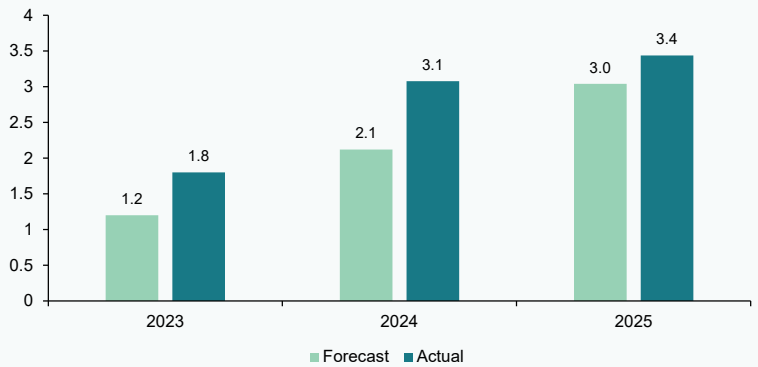
(a) Brent oil: $65 per barrel; Mibgas: €35 per MWh.
(b) Brent oil: $83 per barrel; Mibgas: €53 per MWh.

Source: Funcas.

from a rules-based multilateral system to an asymmetric power-based order. The latest episode is the conflict in the Middle East, which could lead to new threats for trade and transatlantic relations in general. Moreover, the EU has failed to agree on a strategy for counteracting the initiatives emanating from the Trump administration and does not seem to be making progress on strengthening the single market. Domestically, tourism could be affected by more than anticipated due to a loss of competitiveness. Elsewhere, uncertainty continues to weigh on corporate investment and as the European funds run out, this weakness could become more apparent than we are forecasting.

As for the upside, household consumption could increase by more than we are forecasting. Indeed, in recent years, private consumption has proven consistently stronger than anticipated. Between 2023-2025, it

Exhibit 4 **Growth in household consumption: Comparison between the forecasts as of January of each year and the actual figures**



Source: INE and Funcas.

> “Uncertainty continues to dominate the international context, marked by the transition from a rules-based multilateral system to an asymmetric power-based order.”

registered real growth of 8.5%, topping our forecasts every year (Exhibit 4). The deviations with respect to our forecasts were shaped by (i) higher than expected growth in consumption per capita; and (ii) higher than forecast population growth. The higher growth in consumption per capita was in turn the result of higher than expected growth in gross disposable income, in spite of the fact that the savings rate came in higher than planned.

Going forward, foreign worker arrivals could be stronger than anticipated, which would stimulate consumption and activity in the sectors where labour is in higher demand. In addition, there is some uncertainty around the sustainability of the current savings rate, which is projected at 11% at the end of the forecast horizon, *i.e.* well above the levels considered normal a few short years ago. In this set of forecasts, we assume that this change is structural, shaped by factors such as immigration or the need to save more to purchase a home. We are forecasting a reduction in the savings rate in the coming years, in line with this hypothesis. However, certain circumstantial factors, which will wane with time, could prevail, pushing consumer spending higher.

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Appendix

Economic forecasts for Spain, 2026-2027

Annual change in % unless otherwise indicated

	Actual data				Funcas forecasts		Change in forecasts (a)	
	2014-2019 Average	2020-2022 Average	2023-2024 Average	2025	2026	2027	2026	2027
GDP and aggregates, constant prices								
GDP	2.6	0.4	3.0	2.8	2.4	1.8	0.5	0.1
Final consumption, households and NPISHs	2.2	-0.4	2.4	3.4	2.8	2.1	0.8	0.3
Final consumption, government	1.2	2.6	3.7	1.8	1.6	1.5	0.4	0.3
Gross fixed capital formation	5.0	-0.9	4.7	6.3	5.6	3.4	2.2	0.8
Construction	5.2	-1.5	4.8	5.2	6.1	4.4	1.7	1.4
Capital goods and other products	4.7	-0.2	4.7	7.5	5.1	2.2	2.9	0.0
Exports of goods and services	4.0	1.1	2.7	3.4	1.8	1.9	0.2	0.1
Imports of goods and services	4.4	1.7	1.4	6.3	4.2	3.2	1.8	1.0
Domestic demand (contribution in pp)	2.6	0.5	2.4	3.6	3.1	2.2	1.0	0.4
External demand (contribution in pp)	0.0	-0.1	0.5	-0.8	-0.7	-0.4	-0.5	-0.3
GDP, current prices: - billions of euros	--	--	--	1,685.8	1,768.9	1,838.1	--	--
- % change	3.4	4.5	7.6	5.7	4.9	3.9	1.1	0.2
Inflation, employment and unemployment								
GDP deflator	0.8	2.8	4.6	2.9	2.5	2.1	0.6	0.1
Household consumption deflator	0.7	2.9	4.3	2.8	2.5	2.1	0.5	0.1
Compensation per employee (per FTE)	1.2	3.4	4.8	4.3	3.0	2.6	0.0	0.0
Employment (LFS)	2.4	1.3	2.7	2.6	2.3	1.3	0.8	0.2
Unemployment rate (Spanish LFS, % of labour force)	18.8	14.5	11.8	10.5	9.5	9.0	-0.1	-0.2
Financial equilibrium (% of GDP)								
National savings rate	21.9	22.4	24.1	24.4 (b)	24.4	24.4	-0.3	-0.5
National investment rate	19.6	21.7	21.1	21.5	22.2	22.5	0.3	0.4
Current account surplus (+) or deficit (-)	2.3	0.7	3.0	2.9 (b)	2.3	2.0	-0.5	-0.7
Spain's net lending (+) or borrowing (-) position	2.7	1.4	4.1	4.0 (b)	3.2	2.3	-0.6	-0.7
Public surplus (+) or deficit (-)	-4.0	-7.0	-3.3	-2.5 (b)	-2.3	-2.2	0.4	0.4
Government debt, EDP criteria	101.3	114.8	103.4	100.8	98.8	97.8	0.6	0.3
Other variables								
Real GDP per capita	2.4	-0.1	1.8	1.7	1.5	1.3	0.4	0.1
Eurozone GDP	2.0	1.1	0.9	1.5	1.3	1.4	0.2	-0.7
Household savings rate (% of GDI)	7.2	13.6	12.2	12.0 (b)	11.5	11.0	-0.2	-0.2
Household debt (% of GDI)	100.5	86.9	71.1	67.7 (b)	66.6	65.6	-2.4	-3.9
Consolidated gross debt of NFCs (% of GDP)	84.7	82.4	64.7	61.2 (b)	59.4	58.4	-1.8	-3.0
12-month Euribor (annual average, %)	0.01	0.10	3.57	2.22	2.20	2.20	0.3	0.2
Yield on 10Y Spanish bonds (annual average, %)	1.58	0.97	3.31	3.22	3.25	3.25	-0.1	-0.1

(a) Change in percentage points between current and last set of forecasts.

Sources: 2014-2025: INE and Bank of Spain; (b) forecast values as well as forecasts 2026-2027: Funcas.

Reforming Spain's regional financing regime

The Ministry of Finance's 2026 proposal seeks to overhaul the common financing regime, reduce disparities, and expand regional resources. But its fiscal cost and asymmetric effects on regional revenues complicate both budget sustainability and political viability.

Santiago Lago Peñas

Abstract: [1] Spain's latest proposal for reforming the regional financing system marks a shift away from more disruptive, bilateral models towards a more standardized federal framework. The reform aims to meet a range of regional demands, including calls from some territories to increase resources for underfunded regions, to address disparities in per-capita funding, and to expand total revenues for the regional fiscal tier. The proposal also introduces several new funding mechanisms, which add complexity and raise questions about transparency, fiscal co-responsibility and the overall distribution of resources across territories. The reform would generate close to 21 billion euros in additional resources for the regions in 2027. However, the increase relative to a no-reform scenario would be significantly lower, as part of this amount reflects taxes already being collected and revenue growth that would occur under the current system. Even so, the fiscal impact would constrain the central government's room for manoeuvre under increasing spending pressures for pensions, defence, and debt servicing. Simulations show that the distribution of additional funding benefits both territories that have argued they are under-financed and regions with stronger fiscal capacity. However, the combination of high fiscal cost, uneven distributional effects, and the need for an absolute majority in Congress makes the political path to reform and its ultimate viability uncertain.

Foreword

On 30 July 2024, two Catalan political parties, *Partit dels Socialistes de Catalunya* (PSC) and *Esquerra Republicana de Catalunya* (ERC) struck an agreement to support the appointment of the socialist party's candidate, Salvador Illa, as the president of the regional government of Catalonia. That agreement implied a radical change in the so-called "common" regional financing regime. As argued by Lago Peñas (2024), the wording of that document placed Catalonia on par with the confederate-style models, such as those of the Basque region and Navarre, under which regional governments collect and manage most taxes themselves and transfer an agreed contribution to the central government in exchange for national services.

Although that agreement did not come into effect, it has served as the basis for the Ministry for Finance's effort to formulate a proposal applicable to the common-regime governments as a whole. The proposal was presented by the Minister on 9 January 2026 (Ministry for Finance and Civil Service, 2026). The goal of this paper is to analyse its fundamental elements and possible effects and outcomes. To that end, the rest of the article is structured into three sections. The first section provides an overview of the most noteworthy aspects of the proposal; the second section analyses its impact on central and regional government funding; and the third addresses the political economy underlying the proposed reforms.

Key aspects of the proposal

First, the draft moves away from the disruptive and confederate approach derived from the agreement of 2024, instead proposing to reform the existing model. In contrast to tax coordination and asymmetric bilateralism, the proposal returns to the logic of a federal-style regional financing regime, in which tax revenues are shared between central and regional governments and redistributed through common equalisation mechanisms applied to all regions.

The second positive takeaway is that the proposal would substantially reduce dispersion in funding per adjusted inhabitant compared to the prevailing model. [2] This would materialise in two ways: firstly, because the regions currently presenting below average funding (Valencia, Murcia, Castile-La Mancha and Andalusia) would receive significantly more; and secondly, because the regions furthest removed from the average (La Rioja, Cantabria and Extremadura) are among the four regions that would receive fewer additional funds in per-capita terms.

After that, things become less clear. Elimination of the so-called "convergence funds" and *ad-hoc* adjustments constitutes progress in terms of simplicity and transparency. The same applies to the decision of bringing fund accrual and collection closer together in time, doing away with the distortions and perverse incentives triggered by the outgoing system of settlements two years after accrual. [3] Unfortunately, new pieces have been tacked on to the model which do the opposite. The climate fund and SME VAT tranche are cases in point. [4]

The first mechanism seeks to reinforce the financial resources of the regions affected the most by extreme events, but does so by injecting unconditional funding, resorting to an allocation rule based on an unsubstantiated measure of regional impact and in the absence of a comprehensive national readiness and response strategy. It would be more reasonable to base it on a thorough and complete prior needs assessment vis-a-vis foreseeable extreme events (floods, storms, fires, *etc.*) and more appropriately designed tools. Only at the end of such a process would it make sense to identify the need to transfer additional funds to the

> "The proposal would substantially reduce dispersion in funding per adjusted inhabitant compared to the prevailing model."

"The proposal increases the shares of the main taxes collected by the regional treasuries and integrates or reorganises funds that, in the current model, function as add-ons, outside of the main allocation system."

regional treasuries, funds which should be conditional and compensatory so as to guarantee additionality and be awarded in amounts aligned with the estimates so formulated.

As for the SME VAT tranche, here the advantages in terms of regional financing autonomy and shared responsibility are not clear. It appears to be a mechanism ultimately intended to guide the distribution of funds within the system: one single region would receive three-quarters of the funds allocated under the scope of this mechanism.

The proposal increases the shares of the main taxes collected by the regional treasuries and integrates or reorganises taxes that, in the current model, function as add-ons, outside of the main allocation system: taxes on wealth, bank deposits, gaming activities, and waste deposits. However, the SME VAT tranche complicates the system and does little to strengthen shared fiscal responsibility, which is similarly true of the increased share of VAT receipts. Moreover, surpassing the symbolic payout threshold whereby regional governments receive half of the revenues from personal income tax also raises questions, as the latter is a fundamental taxation tool for the central government.

Lastly, the Ministry of Finance intends to update the regulatory tax collection calculations, *i.e.*, the theoretical amount of tax revenue that would be received by each region if they all applied the same tax rules and managed their collection in the same manner, which would improve the accuracy of the calculations used to determine the amounts of the equalization grants. Today, taxes such as inheritance and gift tax and stamp duty are outdated: tax regulations are obsolete and misaligned with economic reality (in both directions), and it is necessary to run the calculations for the newly integrated taxes.

The financial consequences of the proposal

According to the Ministry of Finance, in 2027 (the year the reforms are due to take effect), the model would yield the regional governments an additional nearly 21 billion euros (net) of funds, which is around 1.2% of the nominal Spanish GDP forecast that year. Never was so much additional financing on the table in a reform process. Without question, this volume of transfers would limit the central government's room for manoeuvre at a time of growing pressure on spending, especially on pensions, defence, and debt servicing. The need to continue to reduce the structural deficit to prepare for a less benign economic and tax revenue scenario than Spain has been enjoying for the last three years requires analysing the impact against the backdrop of already tight medium term fiscal planning: AIReF is projecting that under the current European fiscal rules, Spain would breach both the annual and cumulative spending

"The model would yield the regional governments an additional nearly 21 billion euros (net) of funds, which is around 1.2% of the nominal Spanish GDP forecast that year."

> “The regions with bigger tax capacity, especially Catalonia, are among those that stand to benefit the most, apart from the under-financed regions.”

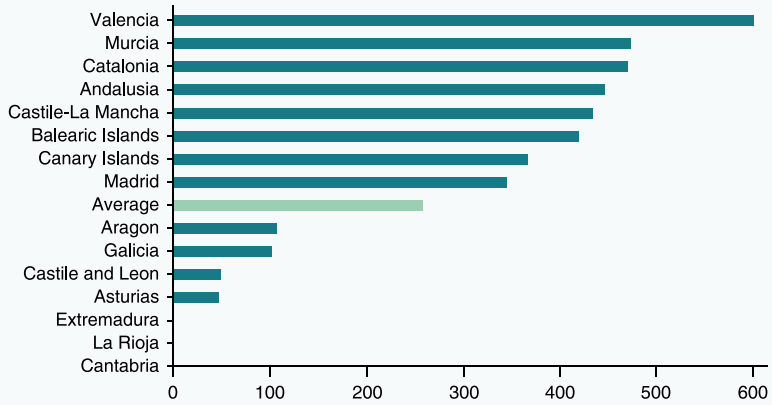
growth limits in 2027, triggering the need for additional cuts (Lago Peñas, 2025b).

Nevertheless, there are two nuances when it comes to putting the proposed increase in regional financing into context. The first is that some of the increase would come from the collection of taxes that are already being diverted to the regions, specifically approximately 3.2 billion euros, which reduces the figure above to under 18 billion euros. The second is that even in the absence of reforms, the system is already providing substantially increased funding. According to Ministerial figures, payments on account have been increasing at an average of 10.9 billion euros year-on-year for the last three years (2024–2026). In that sense, if the contrafactual scenario is how much more the regions would receive in 2027 relative to a no-reform scenario, the net difference narrows to around 10 billion euros, even assuming that the growth in payments on account is likely to slow relative to the trailing 3-year average due to the slowdown in GDP growth.

Turning our attention to how those additional funds are to be allocated among the regions,

Exhibit 1

Absolute gains per inhabitant between the current and the proposed models



Note: Data in euros per inhabitant. For the financing under the current model, we include the taxes and levies already collected by the regional governments in 2023 from outside of the system (stamp duty, tax on waste directed to landfill, and the compensation received by Andalusia, the Canary Islands and Extremadura for the bank deposit tax).
Source: Author's own elaboration and the regional financing system fund settlement statistics for 2023 (Ministry for Finance and Civil Service, 2025).

> “Although it is designed to avoid nominal losses, the gains from the proposal are very asymmetric, and the agreement will therefore inevitably generate 'political losers'.”

stark differences emerge. Exhibit 1 shows how no region loses funds in per-capita terms due to the application of the *status quo* criterion. However, the gains are very different, running as high as 600 euros per inhabitant in Valencia. In other words, the proposed reforms imply a considerable shift in relative shares of financing for the majority of regions.

Exhibit 2 better illustrates the movements in ranking; here, the numbers are weighted by adjusted inhabitants. Two patterns emerge. The first is that the regions that were further from the average, represented by 100, in either direction, converge towards that average. That is true of Cantabria, La Rioja and Extremadura, at one end of the ranking, and Valencia, Murcia, Andalusia and Castile-La Mancha at the other end. The range narrows from 90-122 to 96-112, excluding the Canary Islands on account of the idiosyncrasies derived from its special tax regime. The second pattern is that the regions with bigger tax capacity, Catalonia, the Balearic Islands, and Madrid, are among those that stand to benefit the most, apart from the under-financed regions, and this effect is clearly stronger for the first one. The "no re-ranking principal" holds that interregional solidarity should not alter the regional ordering of wealth. That criterion is still not upheld for the most part in these reforms (it is for Catalonia) but they are a step in that direction. That outcome is helped by the loss of relative funding of other regions with below-average fiscal capacity such as Castile and Leon, Asturias and Galicia.

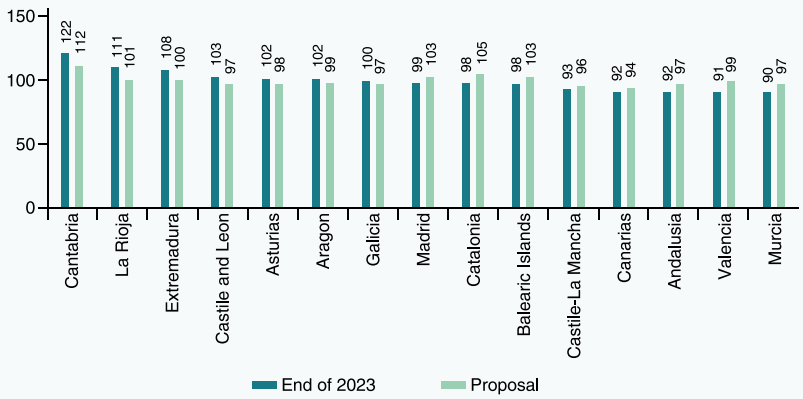
The political economy underlying the agreement

The political economy surrounding the Ministry of Finance's proposals suggests it will be hard to push the reforms through for one key reason: although it is designed to avoid nominal losses, the gains are very asymmetric, and the agreement will therefore inevitably generate "political losers". Opting for an essentially quantified and closed proposal facilitates its technical scrutiny but also activates immediate stock-taking: each region can calculate its gain and take a position framed by a zero-sum mentality, even if its aggregate improves.

The big winners are the regions that are currently at the bottom end of the ranking of

Exhibit 2

Position on ranking of financing received per adjusted inhabitant. 2023 settlements and proposed model



Note: Average amount of financing per adjusted inhabitant = 100. For the financing under the current model, we include the taxes and levies already collected by the regional governments in 2023 from outside of the system (stamp duty, tax on waste directed to landfill and the compensation received by Andalusia, the Canary Islands and Extremadura for the bank deposit tax).
Source: Author's own elaboration and the regional financing system fund settlement statistics for 2023 (Ministry for Finance and Civil Service, 2025).

financing per adjusted inhabitant, as well as Catalonia. The pressure exerted by Catalonia in favour of the "no re-ranking principal" means it would climb several spots on the ranking of financing per adjusted inhabitant. This thrust also benefits Madrid and the Balearic Islands, albeit to a lesser degree. Following equalisation, the regions with more fiscal capacity will retain a bigger portion of their initial advantage, reinforcing the correlation between fiscal power and retained funds. Insofar as a considerable number of regions are against application of the no-ranking principal, conflict looms around this vector.

Notes

[1] The author would like to thank Xoaquín Fernández Leiceaga and María Cadaval Sampedro for their feedback and Alejandro Domínguez for his assistance researching this topic.

[2] The way in which the Spanish model factors in interregional differences in public service costs and spending needs is the so-called adjusted inhabitant's calculation: a measure of the population which adjusts the number of residents in each region by weighting it by variables such as the age of the population, dispersion, surface area and island status.

[3] To the extent that the collection of the main taxes (VAT, personal income tax, excise duties) is carried out by the central administration and that the main blocks of transfers also depend on the evolution of tax revenues, the funds are advanced to the autonomous communities based on revenue forecasts. Once the actual collection is known, the differences are settled.

[4] The SME VAT tranche is a voluntary mechanism by which a region can opt to receive a portion of the VAT generated by the SMEs located in that region, calculated as the difference between the share of VAT paid by those SMEs and the region's share of final consumer spending.

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Housing market expectations and the risk of a new bubble in Spain

The sharp rise in house prices in 2024–2025 has renewed concerns about a new housing bubble. While macroeconomic indicators point to strong fundamentals and limited credit risk, household expectations about future price increases remain unusually high and may amplify market dynamics.

José García Montalvo

Abstract: [1] The sharp increase in house prices in 2024 and 2025 has reignited concerns about the possible emergence of a new housing bubble in Spain. A comparison with the early-2000s cycle shows that, despite strong price growth and high transaction volumes, the current macroeconomic context differs substantially from the period preceding the financial crisis. Credit expansion remains far more contained, and housing construction is well below the levels seen during the previous boom, resulting in a cumulative deficit of nearly 700,000 homes since 2020. However, household expectations about future house prices remain very strong. Evidence from the 2025 *Home Price Expectations Survey* indicates that buyers overestimate recent price increases by nearly double and anticipate substantial future revaluations. These beliefs play an important role in shaping purchasing decisions and can reinforce demand pressures in tight housing markets. The coexistence of relatively solid fundamentals with highly optimistic expectations highlights the importance of monitoring the latter as a potential source of market overheating. Incorporating expectations into housing market surveillance may therefore be crucial

for anticipating emerging risks and designing effective housing policies.

The macroeconomic perspective

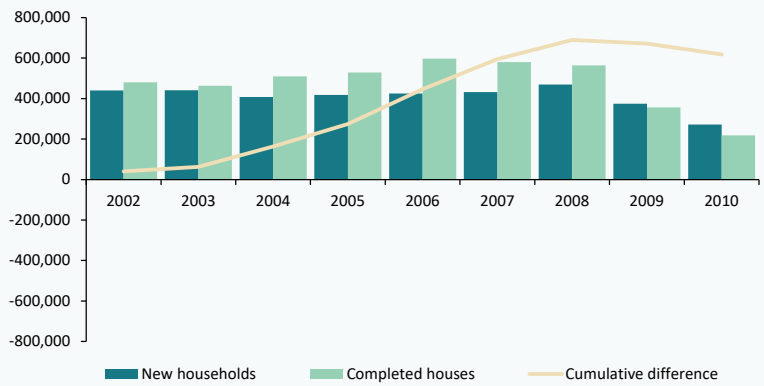
Comparing the current situation with the bubble of the noughties from the macroeconomic perspective, we see that some of the indicators are reminiscent of the past: double-digit growth in prices (12.7% year-on-year by mid-2025), annualised transaction volumes of close to 750,000 (similar to 2004) and very narrow discounts to asking prices (around 6%, close to the 5.7% observed in 2007). However, there are also crucial differences: during the last bubble, 60% of the homes sold were newly built homes, compared to just 22% at present. In addition, as shown in Exhibit 1, in this cycle, Spain is completing around 100,000 homes a year relative to 230,000 new households, implying a cumulative deficit since 2020 of nearly 700,000 homes. In the noughties, by contrast, there was a clear surplus of supply (household formations of around 350,000 per year compared to around 650,000 new builds) so that the growth in prices observed during that period had a different origin: excessive credit.

The credit statistics confirm this shift: in 2007, the outstanding balance of credit for construction and real estate activities

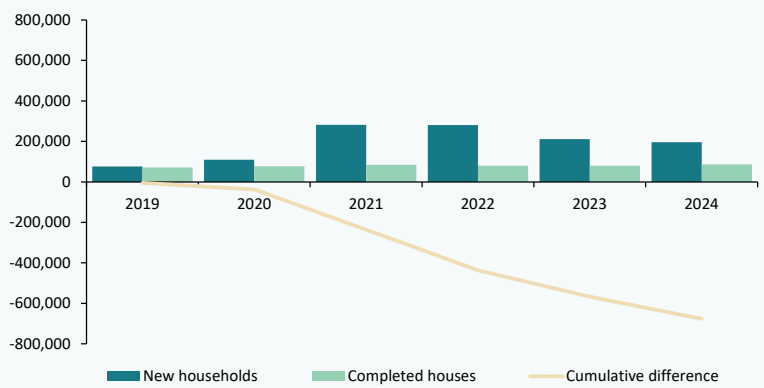
Exhibit 1

Household formation *versus* housing completions: 2002-2010 *versus* 2019-2024

A. 2002-2010



B. 2019-2024



Sources: Author's own elaboration based on INE and Ministry of Housing and Urban Agenda data.

> “Whereas the discount, number of transactions and real house prices are at levels comparable to those of 2007,2004, and 2003, the credit and risk indicators are still aligned with those of 1999-2002, indicating an advanced price cycle, lagged considerably by the credit and risk cycle.”

was equivalent to 41.6% of GDP, and the balance of credit extended to finance the purchase of homes was equivalent to 62%; in 2025, those percentages were just 5.8% and 30.8% of GDP, respectively. Moreover, the average LTV ratio on home mortgages is currently around 65% with just 10.9% of mortgages extended with LTV ratios of over 80%, whereas the majority presented LTV ratios of over 100% before the last bubble burst. In addition, the Bank of Spain notes that macroprudential indicators (LTI, LSTI, the distribution of high ratios, price heterogeneity) are well below bubble thresholds and provincial heterogeneity is only increasing in the upper percentile of the price distribution, indicating discrimination between markets experiencing strong demand relative to those with weak fundamentals, in contrast to the indiscriminate growth observed at the beginning of the century. Using the standard definition of a macroeconomic bubble (prices not justified by fundamentals), at present, the growth in GDP, employment and population and the drop in rates explain a large part of the trend in prices, leaving a relatively small unexplained fraction (48% compared to 45% in the noughties). In addition, the Bank of Spain’s synthetic indicator of housing market vulnerabilities is very significantly below the levels observed in 2004-2008. Table 1 summarises the current “time position” of each indicator with respect to the last cycle: whereas the discount, number of transactions and real house prices are at levels comparable to those of 2007,2004, and 2003, the credit and risk indicators are still aligned with those of 1999-2002, indicating an advanced price cycle, lagged considerably by the credit and risk cycle.

Table 1 **Comparison between key macroeconomic variables today and their similarity with the levels observed prior to 2008**

	Period prior to 2008
Discount to asking price (Tecnocasa)	2007
House transactions (Ministry)	4Q04
Real house prices (Ministry)	3Q03
Outstanding home mortgage credit as % of GDP	2002
Synthetic indicator of housing market vulnerabilities	2001
Provincial price heterogeneity (p10)	2000
Outstanding construction and developer credit as % of GDP	1999
Share of LTI > 5x	1999
Share of LSTI > 30%	1999

Sources: Author’s own elaboration.

The microeconomic perspective: Expectations around house prices

It is well known that expectations about future house prices condition individuals' decisions around spending, saving, borrowing and the choice between renting or buying, transmitted via the wealth and collateral channels and potentially amplifying cycles in either direction. Expectations that house prices will rise increase anticipated property wealth, effectively ease credit constraints and increase borrowing and residential investment, generating synchronised positive movements in GDP, consumption, investment and hours worked that the models using extrapolative expectations and collateral constraints reproduce reasonably well. Previous surveys and experiments show there is a causal link between greater optimism about future prices and the probability of considering buying a home, higher exposure to real estate assets and fewer savings, so that shocks to expectations about credit and house prices can trigger significant fluctuations, even in the absence of major changes in fundamentals.

Expectations also play a central role in financial stability, as overly optimistic beliefs fuel self fulfilling increases in prices, borrowings and construction, followed by sharp corrections when expectations realign. Indicators tracking optimism around housing and credit are closely related with subsequent price growth.

At the micro level, expectations influence the decision whether to buy or rent and transaction timing, size and location and their interaction with income and credit conditions can intensify demand-side pressure in tight markets; by the same token, pessimistic or very uncertain expectations reduce investment in housing and durable consumer goods with effects that depend on household wealth and financial health. In economic policy, expectations around housing should be a key focus, as central bank messaging influences how these expectations are formed and because their monitoring provides a leading indicator of exuberance which complements other valuation and credit metrics, justifying their inclusion in stress tests and macroprudential rules.

Recently there has been talk of a possible "vibecession", meaning a gap between the relatively solid macroeconomic indicators and very depressed consumer sentiment. Since 2020, the models that correlate confidence with GDP, unemployment and inflation have lost some of their ability to explain consumer sentiment in the U.S. and other countries. A number of explanations have been put forward for this: the impact of the total price hikes accumulated since 2020 rather than the current rate of inflation; the inequality of inflation, which penalises lower income households more; the role of mortgage and consumer loan rates, which consumers perceive as a form of "inflation"; growing political polarisation, amplified by the traditional and social media; and a perceived rapid rise in house prices that is not reflected in the official price indices but does affect citizens' lived reality. In Spain, the ability of GDP, unemployment and inflation to explain the CIS consumer confidence index falls from a high correlation of 77% (2004 2019) to 57% when the figures out to 2025 are included. We can identify two episodes of "vibecession" when confidence was well below estimated levels, the second of which coincides with the acceleration in growth in house prices in the last two years and growing citizen concern about housing affordability. Individuals feel that official inflation is not adequately capturing their perception of the cost of living, which is heavily affected by the rapid rise in house prices.

" Since 2020, the models that correlate confidence with GDP, unemployment and inflation have lost some of their ability to explain consumer sentiment in the U.S. and other countries. "

There are different empirical approaches to measuring expectations around housing prices: household surveys (Fannie Mae's NHS, the New York Fed's SCE Housing Module, surveys conducted by the Bank of Italy, Bank of Spain, ELSA, DNB and the CES ECB), surveys of experts and professionals, approaches based on the lifetime experiences, indicators derived from online searches and structural models that infer expectations from statistics on prices, rents, vacant housing and sign restrictions. The aggregate results confirm a significant variability over time and across different individuals; a strong correlation between recent price trends and revised expectations; less fluctuation in expectations than in prices; and a tendency to overreact to market momentum in the long term, as is reasoned by extrapolative expectations models. Several studies show that subjective overvaluation of one's own home affects portfolios and consumption, reducing risky assets and lifting spending and investment in risk-free assets, reinforcing the idea that perceptions and expectations have real effects.

Despite their importance, there is a scarcity of specific information about house price expectations. García Montalvo (2026) uses a survey to analyse the expectations of recent and future homebuyers as of the end of 2025 and compares the results with those obtained using an essentially identical instrument in 2005 (García Montalvo, 2006). The design follows the original proposed by Case and Shiller (2003). [2] Unlike the Case and Shiller design, however, the Spanish survey focuses, in both 2005 and 2025, on recent and future buyers with the aim of capturing the expectations of those paying closest attention to the market and it follows CATI methodology rather than online surveys, in order to narrow the response time interval to control for respondent exposure to different pieces of news. The 2025 Survey was carried out in November 2025 by IMOP Insights, polling people who had either bought a house in the last five years or were planning to buy one within the next year in eight major metropolitan areas: Coruña, Barcelona, Bilbao, Madrid, Malaga, Murcia, Valencia and Zaragoza.

The description of the survey sample and the local markets reveals significant heterogeneity across cities in, for example, recent house price growth, cumulative revaluation since 2014, the presence of foreign buyers or purchases by legal entities. Asked about the use of housing, the survey reveals that around 73% of the buyers in 2025 plan to live in the houses as their primary residence, 10 points less than in 2005, offset by growth in purchases of second homes, houses for rental and for personal reasons, notably including gifting to children. The usage responses provided by the future buyers participating in the 2025 Survey bear more of a resemblance to the 2005 buyers than the 2025 buyers in terms of the percentage use as primary residence. Analysing use by socio-economic level, we find that the higher that level, the lower the share of use as primary residence and the higher its use as second home. This pattern was already observed in the 2005 Survey. The importance of viewing housing as a profitable investment, which was very strong in 2005 (45.3% said this was important), fell in 2025, with 10.4% considering it a key factor, although 40.6% agreed it was somewhat important. The importance attached to housing as a profitable investment is highest in Madrid, Malaga, Murcia and Valencia and, in terms of year of purchase, increased from 2021, peaking in 2024 and falling in 2025. The importance of the investment aspect is higher in the upper and medium upper socio-economic levels,

“ The description of the survey sample and the local markets reveals significant heterogeneity across cities in, for example, recent house price growth, cumulative revaluation since 2014, the presence of foreign buyers or purchases by legal entities. ”

reproducing the pattern observed 20 years ago, albeit less intensely.

The perception of the risk of buying a home has barely changed since 2005: around 41% of participants believe the purchase implies significant risk, which is virtually identical to the 2005 figure, while just 22% identified the risk as very low. Perceived risk is higher in Malaga and Murcia. By year of purchase, perceived risk was trending lower until 2024 but increased sharply in 2025, coinciding with the acceleration in price growth. The increase is even higher among those who have not yet bought but are planning to do so within the next year. By socio-economic level, the perception that buying a home carries high risk is more common among the lower classes, decreasing as income and education levels increase, a pattern that is similar to that of 2005.

In the block of questions related to reasons for purchase, the belief that now is a good time to buy because houses will be more expensive in the future was the most important factor identified in 2025, as was the case in 2005, followed by difficulties in finding rental housing and the fear of not being able to afford to buy later on. This pattern is similar in all cities except for Barcelona, where the difficulty in finding somewhere to rent is a much bigger driver of the purchase decision, which makes sense in light of how tight the local rental market is. The trend by year of purchase shows that until 2025, the predominant driver was the expectation of future price increases; however, among future buyers, the main factor, by a wide margin, is the difficulty in finding rental housing. By socio-economic level, in the upper and medium upper classes, the main reason remains the expectation of higher prices, whereas in the middle classes, the difficulty in finding somewhere to rent is practically as much of a driver and in the medium low categories, the difficulty in finding rental housing is the main reason for the decision to buy.

As for the reasons given for the growth in prices, in 2025, the participants mainly signalled the growth in land prices, citing the role of foreign buyers with deep pockets in second place and higher construction costs in third place. Other factors such as low interest rates, slim stock market returns, illicit funds and increased purchasing power are considered less important. This hierarchy contrasts with 2005, when the reasons most cited after land prices were low rates and illicit funds, suggesting a shift in the narrative from demand and financing to supply issues and pressure from foreign buyers with lots of funds. There are geographical differences: in Barcelona, Coruña, Madrid and Murcia, the participants attached more importance to the role of foreign buyers, whereas in Bilbao, Malaga, Valencia and Zaragoza, land prices were cited as the key factor.

The analysis of the participants' quantitative perceptions and expectations around house prices shows that they substantially overestimate the recent increase in prices and are expecting very significant revaluations in the medium term. Their perception is that house prices in Spain have increased by 26.6% in the last 12 months, which is roughly twice the official figure. They expect house prices in the cities they live in to increase by around 16% in 2026, whereas the expectation for average house price revaluation in Spain over the next 10 years is close to 27%, figures which are both much higher than those of 2005. By socio-economic level, both the current perceptions and expectations for future growth

> "The trend by year of purchase indicates that, until 2025, the predominant driver was the expectation of future price increases; however, among prospective buyers, the main factor by a wide margin is the difficulty of finding rental housing."

increase clearly and systematically as those levels drop. This pattern also held in 2005 but is now more intense, with the lower socio-economic classes reporting much higher price growth perceptions and expectations in 2025.

Another interesting aspect relates to the perception of house price overvaluation. Nearly 89% of those polled believe that housing is overvalued, which is a very high figure and not too far from the 94.5% observed in 2005. However, in 2025, around 30% of those who perceive overvaluation think housing is overvalued by more than 50%, compared to 40% in 2005. The perception that housing is overvalued is more pronounced in Malaga and Valencia, compared to Barcelona and Madrid back in 2005, indicating a shift in the perceived tight market focal points. The 2025 Survey also collected information about mortgage burdens, the form of purchase and family assistance. Around 25% of the participants said they had received or expect to receive family help with the purchase, up five points from 2005, with higher percentages of assistance in the upper and medium upper echelons. Forty-eight percent said they will have to repay that money.

The econometric analysis of the perception of growth in house prices reveals that demographic factors (age, gender and level of education) are statistically significant. The younger participants believe prices have increased by more than the older participants, while the men and individuals with university studies perceive smaller increases in house prices. Actual price growth, as measured in the official statistics, is not significantly informing price growth perceptions. On the other hand, demographic characteristics are not significant in explaining future expectations for house prices once the perception of house price growth during the past year, or the gap between perceived and actual price growth, is included. This suggests the existence of a clearly extrapolative mechanism underlying current expectations for future prices irrespective of real price growth.

In sum, in 2005, both the macroeconomic indicators and buyer expectations pointed to the formation of a major credit bubble. Today's macroeconomic indicators show no signs of a credit bubble in the residential property sector. However, household expectations around house prices are running high; they believe that prices are growing at twice the pace they actually are and are extrapolating those expectations to the future. Households expect house prices to rise very strongly in the future and underestimate the risk of a price correction. These beliefs generate extrapolative and FOMO patterns that affect purchase decisions, reduce negotiation intensity and potentially fuel a self-fulfilling price dynamic similar to that of 2007. The difference is that today, the criteria for extending mortgages remain stringent, in contrast to the period that culminated in the financial crisis of 2007, and that situation is unlikely to change going forward. This time, therefore, credit will act as a constraint, mitigating the impact of house price growth expectations. The combination of "no bubble" in macroeconomic terms and very high price expectations underscores the need to monitor the latter, incorporate them into macroprudential policy design and communication, and focus housing policy on expanding supply—particularly rental housing—to prevent further price increases and the associated "vibecession" from

"The combination of "no bubble" in macroeconomic terms and very high price expectations underscores the need to monitor the latter, incorporate them into macroprudential policy design and communication, and focus housing policy on expanding supply to prevent further price increases from ultimately affecting financial stability and social cohesion."

ultimately affecting financial stability and social cohesion.

Notes

[1] This paper is a synthesis of the study titled *¿Existe una burbuja en el mercado inmobiliario español?; El papel de las expectativas del precio de la vivienda en España*, published in Investigaciones de Funcas, 26/2026.

[2] The need to formulate a questionnaire that would lend itself to a precise comparison implied limitations in terms of modifying the original instrument to include other characteristics such as probabilistic elicitation, changes in the definition of the socio-economic groupings, *etc.*

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The growing challenges of renting for young Spaniards

Half of all Spaniards under 35 who have left the parental home now rent, with most living in large cities where demand is most concentrated. High prices and limited supply are pushing many to peripheral neighbourhoods and municipalities, while rent and associated costs consume a growing share of household budgets.

Desiderio Romero-Jordán

Abstract: In Spain, renting has become the default option for young adults leaving the parental home, with nearly 50% of under-35s now living in rental housing. Large urban areas host the largest share of young renters, accounting for six out of ten households. At the same time, rental costs, including service charges and utilities, have risen sharply, absorbing roughly 35% of household expenditure and leaving many young adults financially stretched. Non-European immigrant households have also grown to represent more than 40% of young renters over the past decade and are often exposed to the highest levels of financial strain. Additionally, rent overburdening varies significantly based on autonomous community, generally affecting densely populated, wealthy, or touristic regions such as Catalonia, the Basque Country and the Balearic Islands more than less dense and lower-demand regions. Taken together, close to 60% of young renters nationwide continue to devote more than 30% of their spending to housing, highlighting the depth and persistence of Spain's rental affordability problem.

The rental option: At peak levels among young adults

High house prices have pushed many young people into renting. [1] This option has not improved their access to housing. Since 2019, average rents have increased by around

> In 2023 - 2024, the percentage of people under the age of 35 living in rentals was close to 50%.

40% (Idealista, 2025a). [2] However, the purchasing power of young adults under the age of 35, measured by their total expenditure, has increased by 23.5%. This article analyses the financial burden facing the people in this age category when renting somewhere to live. To do that, we use the microdata from the Household Budget Survey for 2015 to 2024. From here on, we identify the household age as that of the main earner.

As our starting point, Table 1 shows the trend in the incidence of rental tenancy for each age group. In 2023 - 2024, the percentage of people under the age of 35 living in rentals was close to 50%. That percentage is much higher than for any of the other age brackets. The age group with the next highest incidence of rental living is the 35 to 45 category, where that percentage was 33.6% in 2024. The percentages fall off swiftly the higher the age bracket, falling to 8.2% among those over the age of 65. Looking back over time, the figures for the last decade yield several conclusions for the under-35s. The pandemic abruptly interrupted the growth in the share of rental tenancy, which later resumed. The figure observed for 2024 is actually higher than that of 2019 (48.9% *vs.* 47.9%). The figures for 2023 — 2024 point to stabilisation in rentals among the youngest age group, having solidified as the main route for those moving out of the parental home. In 2024, home ownership accounted for 39.8% and free or semi-free tenancy represented 11.3%.

Youth rental is a markedly urban phenomenon, concentrated in large municipalities, especially provincial capitals. In 2024, around six of every 10 young

Table 1 **Incidence of rental tenancy by age cohort**

Age bracket	Pre-pandemic			Post-pandemic				Δ 2019 - 2024	Δ 2015 - 2024
	2015	2017	2019	2021	2022	2023	2024		
<35 years	39.5	42.9	47.9	37.3	42.7	49.4	48.9	1.0	9.4
35 to 45 years	23.7	26.6	27.1	26.0	26.9	29.7	33.6	6.5	9.8
46 to 55 years	14.8	16.5	15.6	15.8	17.3	20.1	20.6	5.0	5.8
56 to 65 years	9.5	11.0	11.1	9.9	10.9	11.6	11.0	-0.1	1.5
>65 years	6.7	7.1	7.3	7.2	7.5	8.1	8.2	0.9	1.5
Total	18.8	20.8	21.8	19.2	21.0	19.9	20.5	-1.3	1.6

Source: Author's own elaboration based on INE microdata (2025).

> Since the pandemic, the combined effect of high prices and insufficient supply has been pushing young people out to medium-to-large bordering municipalities.

Table 2 **Percentage of households living in rental housing by size of municipality of residence**

Size of municipality of residence (no. of inhabitants)	Pre-pandemic			Post-pandemic				Δ 2019 - 2024	Δ 2015 - 2024
	2015	2017	2019	2021	2022	2023	2024		
>=100,000	55.9	52.9	53.4	54.4	59.4	63.1	58.8	5.4	2.9
50,000 - 100,000	11.9	13.5	13.7	9.6	11.3	12.4	12.2	-1.5	0.3
20,000 - 50,000	14.4	15.5	15.8	15.2	11.3	9.9	10.3	-5.4	-4.1
10,000 - 20,000	6.6	6.9	9.3	8.5	4.5	4.2	8.7	-0.5	2.2
<10,000	11.2	11.3	7.9	12.4	13.4	10.4	10.3	2.4	-0.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	--	--

Source: Author's own elaboration based on INE microdata (2025).

households resided in municipalities with over 100,000 inhabitants, reflecting better job prospects, with roughly half living in provincial capitals. [3] Since the pandemic, the combined effect of high prices and insufficient supply has been pushing young people out to medium-to-large bordering municipalities (50,000 to 100,000 inhabitants). This shift is allowing them to find less expensive housing without renouncing better job opportunities. However, this alternative is driving prices higher in the municipalities surrounding the largest cities, including Madrid, Barcelona, Valencia and Seville (Marrero, 2025). Displacement to the peripheries of large urban areas is a common phenomenon across the OECD. These large cities are home to as much as 50% of the OECD's population and have generated 60% of all jobs in the past 15 years (OECD, 2016). To reduce the shortfall of supply for the under-35s, in 2023, Spain's Right to Housing Act introduced personal income tax relief on up to 70% of rental income for owners who rent homes to people in this age range in the residential markets classified as 'tight'. As far as we are aware, there is no specific evidence as to how this measure has worked out but the impact is thought to have been small. [4] The reason is that supply is driven by structural factors which have not been affected by targeted measures. One of the most important factors is the lack of legal certainty for individual landlords in the event of payment default (OCU, 2023).

Immigrant households close to leading demand for rental housing among youths

Over the past decade, in terms of households that rent their homes, the under-35s have

> "It is foreseeable that over the medium-term horizon the percentage of young non-European immigrant households renting their homes will surpass the percentage of Spanish-born households in the same situation."

fallen as a percentage of total households, from 31.5% in 2015 to 25.2% in 2024 (Table 3). Among young households (Table 4), the largest group corresponds to those whose main earner was born in Spain, despite seeing its share fall by nearly 10 points since 2015 (from 59.1% to 50.2%). The share of young households whose main earner was born in the rest of the world (mainly in Latin America and Africa) has increased from 30.3% to 40.4%. Lastly, the group of households whose reference person was born in other EU countries has held steady at around 10%. AIReF (2025) estimates an average annual inflow of immigrants of 288,000 people out to 2050. These demographic changes will reconfigure the share of young households who rent by place of birth. [5] It is foreseeable that over the medium-term horizon the percentage of young non-European immigrant households renting their homes will surpass the percentage of Spanish-born households in the same situation.

The rental cost overburden has stabilised (for now)

We use two complementary measures to calibrate the percentage amounts households devote to renting their homes. The first is the rental burden (Rb), computed as expenditure on rent over total household expenditure. In addition, as proposed in the Housing Act of 2023, we calculate the cost overburden (Rob) which factors in, in addition to rent, the cost of service charges, water and electricity.

Since the pandemic, around one-third of total household spending (Rb) goes to rent. [6] The cost overburden (Rob) in the post-pandemic era has averaged 36%, pressured by higher energy and food prices in the wake of the invasion of Ukraine and the ensuing energy crisis. The comparison between the years before and after the pandemic reveals a clear deterioration in the cost burdens/overburdens

Table 3 **Percentage of households living in rental housing by year and age bracket**

As a % of total households

Age bracket	Pre-pandemic			Post-pandemic				Δ 2019 - 2024	Δ 2015 - 2024
	2015	2017	2019	2021	2022	2023	2024		
<35 years	31.5	28.5	29.5	22.6	24.9	26.2	25.2	-4.3	-6.2
35 to 45 years	32.4	32.3	31.8	35.1	31.6	29.7	31.7	-0.1	-0.8
46 to 55 years	18.5	19.4	19.2	21.6	22.6	23.5	22.9	3.8	4.4
56 to 65 years	9.0	10.3	10.3	10.9	11.3	10.8	9.8	-0.5	0.8
>65 years	8.6	9.5	9.3	9.9	9.7	9.8	10.4	1.2	1.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0		

Source: Author's own elaboration based on INE microdata (2025).

> "In 2015, around five out of ten households presented an overburden metric of over 30%- by 2024, that percentage had climbed to close to six out of 10."

Table 4 **Percentage of households under the age of 35 living in rental housing by year and country of birth of the main earner**

Age bracket	Pre-pandemic			Post-pandemic				Δ 2019 - 2024	Δ 2015 - 2024
	2015	2017	2019	2021	2022	2023	2024		
Spain	59.1	61.0	61.8	59.2	54.4	49.0	50.2	-11.5	-8.9
Rest of EU	9.6	9.3	9.5	5.9	9.7	8.7	6.1	-3.3	-3.5
Rest of Europe	1.02	1.4	1.3	1.3	1.4	1.5	3.3	2.0	2.2
Rest of world	30.3	28.4	27.5	33.7	34.4	40.9	40.4	12.9	10.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	--	--

Source: Author's own elaboration based on INE microdata (2025).

faced by young households who rent. On average, both metrics have increased by between three and four points. This situation could begin to ease in 2026 if price growth stabilises. Indeed, the December report put out by Fotocasa (2025) maintains that the rental market could be close to reaching peak growth, following three consecutive years of record figures.

In 2024, nearly four out of every ten young households' rent cost burdens exceeded 30%, so crossing the affordability red line (Table 5). The issue is even more acute considering the cost overburden, a measure by which nearly six out every ten youths cross the 30% affordability threshold. These results evidence the financial vulnerability and crisis facing young home

Table 5 **Burden / overburden of youths living in rentals**

	Pre-pandemic			Post-pandemic			
	2015	2017	2019	2021	2022	2023	2024
Rent burden (Rb)	25.9	25.5	26.5	30.8	29.3	29.2	27.6
Rent overburden (Rob)	31.9	31.5	32.3	37.4	36.0	35.5	35.0
% of young households with Rb of >30%	31.1	28.8	32.9	41.8	45.4	47.6	38.1
% of young households with Rob of >30%	47.1	44.1	50.1	59.7	60.0	61.8	58.0

Source: Author's own elaboration based on INE microdata (2025).

Table 6 **Percentage of young households with Rob of >30% by country of birth and household type**

Household type	Spain	Non-European	p-value
Single adult	60.7	84.5	0.010***
Couple without children	48.4	59.0	0.375
Couple with children	32.1	61.3	0.008***
Single parent	45.2	48.5	0.878

**** Statistical significance of 1%.*
Source: Author's own elaboration based on INE microdata (2025).

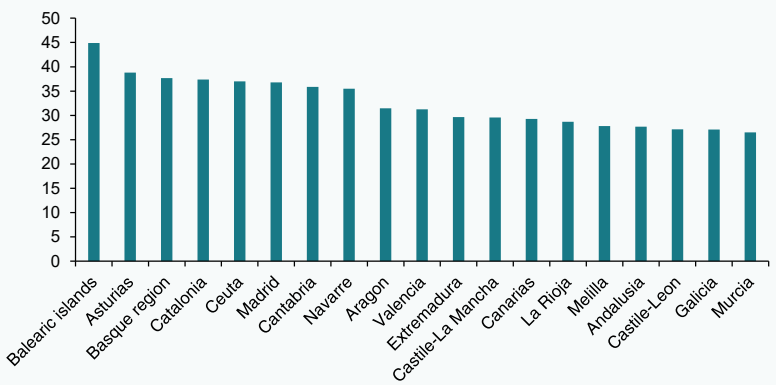
renters. This issue has gotten worse in the last decade. In 2015, around five out of 10 households presented an overburden metric of over 30%. By 2024, that percentage had climbed to close to six out of 10.

The affordability crisis is most intense among immigrant households, regardless of household type (Table 6). However, the differences are only statistically significant for young people living alone and couples with children. As Table 6 shows, over 84% of young immigrants living alone face an overburden level of over 30%, compared to 60.7% for single householders born in Spain. In the case of couples with children, the percentages are 61.3% *versus* 32.1%, respectively. The rising overburden makes it harder for young renters to make ends meet while implying a high barrier for those looking to leave the parental home.

Significant regional differences in the overburden

The cost overburden level, Rob, ranges from a high of 47.6% in the Balearic Islands to a low of 25.9% in Galicia (Exhibit 1). In ten

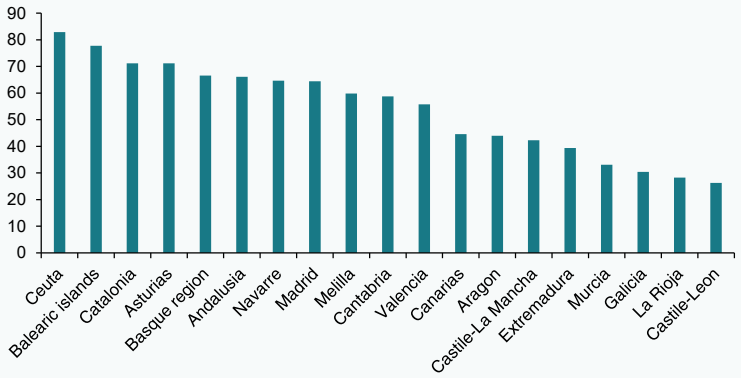
Exhibit 1 **Rent overburden levels (Rob) 2024**



Source: Author's own elaboration based on INE microdata (2025).

> “ In ten Spanish autonomous regions or cities, the overburden metric is above 30%. ”

Exhibit 2 **Percentage of households with Rob of >30% 2024**



Source: Author’s own elaboration based on INE microdata (2025).

Spanish autonomous regions or cities, the overburden metric is above 30%. They are: the Balearic Islands, Asturias, Catalonia, Basque region, Ceuta, Madrid, Cantabria, Navarre, Extremadura, Valencia, Castile-La Mancha and Aragon. As allowed under Law 12/2003 on the right to housing, Catalonia, the Basque region and Navarre have declared some municipalities within their territories as ‘tight’ residential market regions. [7] The price limits imposed in those regions as a result do not appear to have improved the average cost overburden levels faced by young renters. Indeed, in Catalonia, these measures have only had the effect of reducing the rents charged for the most expensive housing (Montalvo *et al.,* 2023). At the opposite end of the overburden spectrum lie Castile-Leon, Galicia and Murcia, with metrics of under 28%.

The autonomous cities / regions with the highest percentages of overburdened households are Ceuta (83%), the Balearic Islands (78%), Catalonia (72%), Asturias (71%), the Basque Country (67%), Andalusia (66%), Navarre (65%), and Madrid (64%). At the other end of the spectrum are Murcia (33%), Galicia (30%), La Rioja (28%), and Castile and León (26%). Exhibit 2 shows that a higher average overburden percentage predisposes a region to a higher percentage of households with overburdens of more than 30%. By the same token, the regions with lower average readings likewise present smaller shares of households with overburden levels of over 30%. The regional differences in burden and overburden levels indicate that the cost-of-renting crisis cannot be tackled with one-size-fits-all solutions.

Notes

[1] In Spain, the average age of young people leaving the parental home is very close to 30.

[2] In addition, supply has contracted sharply. In the largest cities, such as Madrid and Barcelona, the stock of permanent rental housing has shrunk by 41% (Idealista, 2025b).

[3] Note that 13 of Spain’s 50 provincial capitals have fewer than 100,000 inhabitants, a threshold also not reached by the two autonomous cities, Ceuta and Melilla. On the other hand, there are municipalities, concentrated particularly in Madrid and Barcelona, with considerably more than 100,000 inhabitants.

[4] Based on this same approach, the Spanish government is planning to launch a deduction from personal income tax of 100% for rental income generated by landlords from leases renewed without putting up the rent.

[5] The gradual ageing of the Spanish population has reduced the population aged between 20 and 35 born in Spain by 870,800 people. In contrast, the immigrant population in that same age bracket has increased by 875,400 thousand.

[6] Total household consumption expenditure includes the full value of goods and services consumed, excluding imputed rent.

[7] This declaration, which the regions themselves have the discretion to make or not make, requires, in addition to an overburden metric of >30%, an increase in rents of at least 3 percentage points more than cumulative CPI in the region in question over the previous five years.

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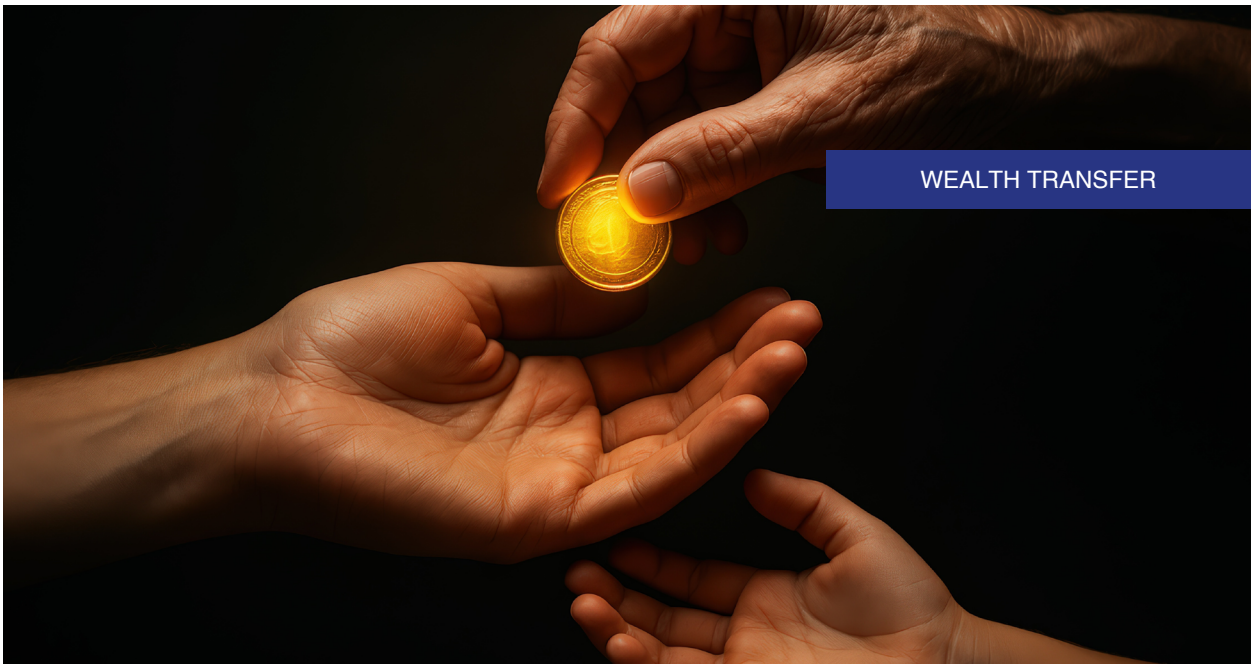


Inheritance and inequality: Spain's widening wealth divide

Wealth inequality in Spain has intensified along both intergenerational and intragenerational lines, driven largely by housing market dynamics and uneven income trajectories since the financial crisis. Looking ahead, demographic shifts will increase the volume of wealth transferred across generations, but have the potential to amplify, rather than reduce, existing disparities.

Marina Asensio and Daniel Manzano

Abstract: Wealth inequality in Spain has increased markedly since the early 2000s, with divergence both across age groups and within generations. Older households have consolidated their position through asset revaluation, while younger cohorts face lower homeownership rates and weaker income growth, limiting their capacity to accumulate wealth. Housing plays a central role in this process, amplifying disparities between owners and non-owners and reinforcing differences across generational cohorts. At the same time, intragenerational inequality has intensified, particularly among younger households, where wealth is increasingly concentrated at the top of the distribution. Intergenerational transfers are set to become more significant as population ageing progresses and cohort sizes shift, raising average inheritance per capita. However, these transfers are unevenly distributed and closely tied to existing wealth concentration. As a result, inheritance may reinforce rather than reduce intragenerational disparities.

Introduction

In recent decades, economic inequality has returned to the fore of academic and economic policy debate. Although this debate

> “Wealth tends to become more concentrated than income and that concentration tends to become stickier with time due to wealth accumulation, asset revaluation and intergenerational transfer mechanisms.”

often focuses on income distribution, the evidence available suggests that the wealth inequality phenomenon has its own scale and dynamics, with more persistent implications for social mobility and equal opportunities. Specifically, wealth tends to become more concentrated than income and that concentration tends to become stickier with time due to wealth accumulation, asset revaluation and intergenerational transfer mechanisms (Anghel *et al.,* 2018; Palomino *et al.*, 2021).

Spain is a case of particular interest for two reasons. Firstly, household wealth in Spain is characterised by the significant weight accounted for by property, so that house prices are a key factor in wealth accumulation dynamics. Secondly, the period following the financial crisis was marked by income adjustments and conditions that made it harder for young people to get on the property ladder, curbing their ability to save and, by extension, accumulate wealth.

From a generational perspective, recent evidence points to a widening wealth gap between age brackets. The older generations are accounting for a growing share of total wealth, while the younger generations have seen their ability to build wealth impaired by greater difficulties in buying a house, income corrections in the wake of the financial crisis and growing reliance on rental tenancy. In parallel, within each generation, we are seeing an increase in wealth inequality, particularly among younger households, suggesting that the wealth gap is not only intergenerational but also intragenerational.

Beyond these wealth accumulation dynamics, intergenerational wealth transfer is emerging as a key factor for understanding where inequality may be headed. Population ageing and the demographic configuration of the age groups affected shape the volume of wealth available to pass on, as well as its distribution among recipient households. However, the impact of these transfers is not neutral from the distributive perspective and can, in certain circumstances, help exacerbate existing inequalities.

The aim of this paper is to comprehensively analyse the inter- and intra-generational wealth gap in Spain and the role played by the transfer of wealth among generations. Using microdata from the *Survey of Household Finances*, we examine the factors that have contributed to the widening of these gaps in recent decades and explore, looking forward, the demographic and distributive implications of the wealth transmission process currently underway.

Data and empirical approach

The empirical analysis contained in this paper is based on the microdata from the *Survey of Household Finances* (the Survey) compiled by the Bank of Spain. The Survey is the main source of information for studying Spanish household wealth as it provides detailed information about the composition of that wealth, household indebtedness, income and sociodemographic characteristics; moreover, the data are very conducive to comparisons over time.

The Survey is carried out every two years and follows a sample structure that is particularly suited to analysing wealth inequality due to the relative over-representation of the households in the upper wealth distribution brackets, which represent a small percentage of the total population. In addition, it features a longitudinal panel design whereby some of

the households can be monitored over time, which is particularly useful for analysing the trend in wealth, and how wealth is accumulated and depleted, over the course of our lives.

Our approach combines two complementary strategies. Firstly, we conduct an analysis by the age of the household reference person, which allows us to examine the distribution of wealth among generations and compare generations' stock of wealth over the years at equivalent stages of their life cycle. Secondly, we analyse the internal distribution of wealth within each age bracket using concentration indicators and comparisons by deciles in an attempt to capture the intragenerational dimension of the inequality phenomenon.

This analysis is complemented by hypothetical intergenerational wealth transfer simulations. Without intending to estimate structural causes, these exercises do facilitate transparent and quantitative assessment of the relative role of two factors: (i) the amount of wealth accumulated (including asset revaluation); and (ii) demographics (relative size of the benefactor and recipient cohorts) in the volume of wealth transferred per person.

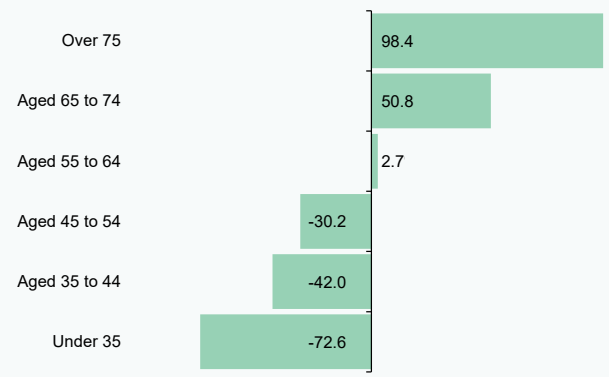
The paper therefore follows a descriptive, analytical approach designed to characterise the economic and demographic mechanisms underlying the trend in wealth inequality in Spain and enable informed debate about its economic and social implications.

Intergenerational wealth gap: Wealth accumulation, property revaluation and generational divergence

The empirical evidence available for Spain reveals that intergenerational wealth inequality has intensified significantly since the start of the twenty-first century. Beyond the normal differences expected over the life cycle (by which households accumulate wealth as they age), the widening of the intergenerational gap also reflects structural

Exhibit 1 **Rate of change in median net wealth by age category, 2002-2022**

Percentage



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

"The empirical evidence available for Spain reveals that intergenerational wealth inequality has intensified significantly since the start of the twenty-first century."

> “Housing operates as both cause and effect in intergenerational wealth inequality: Price growth makes it harder for young people to buy a house, while simultaneously enriching those who already own property.”

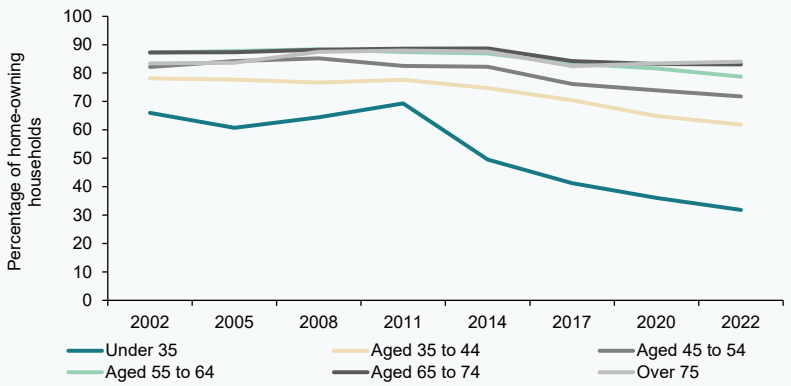
dynamics that have favoured uneven wealth accumulation across cohorts.

A first indicator of this divergence is the trend in net wealth concentration by age category. Since the beginning of the century, the households headed up by persons over the age of 65 have seen their share of total wealth increase consistently, while the younger age categories have lost share. This displacement cannot be explained solely by population ageing as it also reflects very different trends in the stock of wealth among different generations. In real terms, between 2002 and 2022, median net wealth fell for all households under the age of 54 but increased significantly for households over the age of 65.

Housing plays a central role in this dynamic. In Spain, property constitutes a core component of household wealth, such that differences in tenure status and in the age that households get themselves on the property ladder have persistent effects on wealth accumulation. The older generations report systematically high primary home ownership rates and tend to also report a higher incidence of second homes and other real estate assets. In contrast, the younger generations have seen the percentage of homeowners fall sharply.

This divergence in property ownership has significantly amplified the intergenerational wealth gap. The house price growth recorded at different times since the turn of the century has handed the households that already owned property a disproportionate benefit, inflating their wealth, while those excluded from the home ownership market have been left out of this asset appreciation process. As a result, housing operates as both cause and effect in intergenerational wealth inequality: price growth makes it harder for young people to

Exhibit 2 **Percentage of homeowners by age category of household reference person**



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

"This combination of lower disposable income and less affordable housing has structurally impeded the younger generations' ability to accumulate wealth."

buy a house, while simultaneously enriching those who already own property.

On top of these asset dynamics, income comes into play. Although income inequality is narrower than wealth inequality, income patterns have also contributed to a wider generation gap. The older age categories are the only ones whose real median income is currently higher than was observed at the turn of the century, whereas younger households have seen their income deteriorate since the financial crisis, persistently impairing their ability to save. This combination of lower disposable income and less affordable housing has structurally impeded the younger generations' ability to accumulate wealth.

The aggregate result is an intergenerational gap that is bigger than would be expected considering age factors only. A comparison across generations at the same juncture of their life cycle shows that today's young households accumulate less wealth than the generations before them did at their same age. This unequal starting point is the scenario in which, as we analyse in the next sections, both intragenerational inequality and intergenerational wealth transfer come into play.

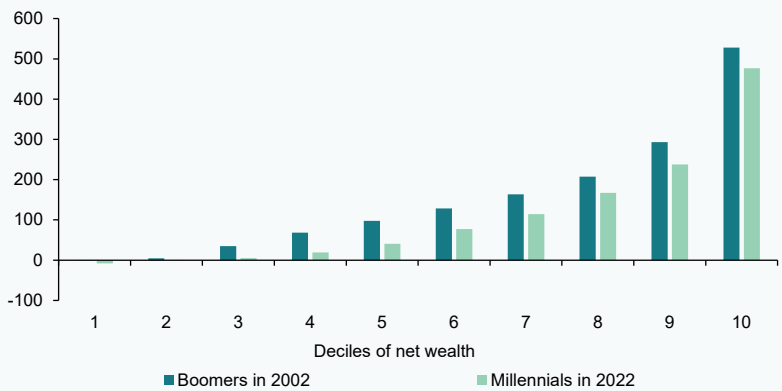
Intragenerational gap: Inequality within generations and the impact of home ownership

Our analysis of the intergenerational wealth gap reveals considerable differences across the different age groups but only offers a partial vision of the wealth inequality dynamic. To fully understand its scope, we need to examine how wealth is distributed within each generation, in other words, to analyse the intragenerational wealth gap. The recent evidence for Spain indicates that this dimension of inequality is not only meaningful, it has

Exhibit 3

Distribution of net wealth among millennial households in 2022 *versus* baby boomer households in 2002

Thousands of real 2022 euros



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

intensified considerably in recent decades, especially among the younger generations.

A first illustrative exercise consists of comparing the distribution of wealth for different generations at the same age. Analysing the net wealth of households headed up by people over the age of 45, we see that the millennials present clearly lower levels of wealth than reported by the baby boomers when they were the equivalent age at the start of the century. This difference is on display throughout the wealth distribution for this cohort and is not circumscribed to the lower wealth categories, suggesting widespread deterioration of the millennials' wealth relative to the generations that went before them.

In addition to this comparison in absolute terms, it is insightful to analyse the internal wealth distribution within each cohort. The evidence reveals that wealth is more concentrated among the millennials in 2022 than it was among the baby boomers when they were at a similar stage of their life cycle (2002). Specifically, 58% of the millennials' stock of net wealth is concentrated in the top decile of the distribution, whereas the bottom half combined accounts for less than 4% of the total wealth accumulated by their generation.

If we compare this intragenerational gap with that presented by boomer households in 2002, the distribution by decile was much more equitable. In that generation, the richest 10% of households held less than 40% of the net wealth of their generation, while the bottom half accounted for 12.2%.

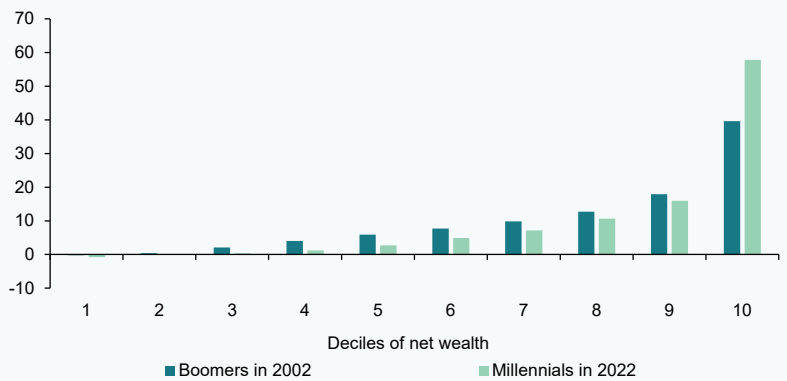
Housing also plays a central role in the intragenerational inequality dynamic. Given the predominant weight of property or housing wealth, being a homeowner or not emerges as a key wealth differentiation factor. Young households that have managed to get on the property ladder, often with help from families or via inheritance, benefit in two ways: they become wealthier as asset prices increase and they are able to save more thanks to not being exposed to the high cost of renting.

In contrast, a growing percentage of young households is being forced into the home rental market. The sustained growth in rents in the main urban areas has increased the burden of renting for these age groups, reducing their ability to save and, by extension, undermining their ability to accumulate wealth. This mechanism generates a negative loop in terms of inequality: households who do not buy their homes get stuck in rents that limit their ability to build wealth, gradually widening the gap with respect to homeowners.

Exhibit 4

Distribution of net wealth among millennial households in 2022 *versus* baby boomer households in 2002

Percentage of total net wealth held by each decile

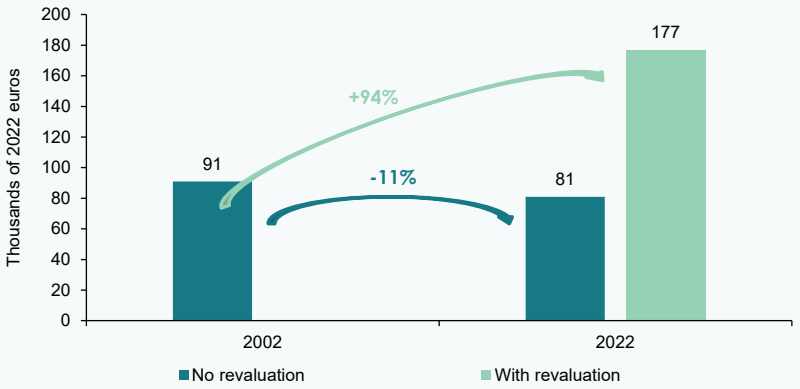


Source: Authors' own elaboration based on Bank of Spain figures.

Exhibit 5

Gross wealth accumulated by those over the age of 65 divided by the population aged between 45 and 65

Thousands of real 2022 euros



Sources: Authors' own elaboration based on Bank of Spain and INE data.

In this context, the growing share of the population born outside of Spain in the younger age categories takes on additional relevance as these households present, on average, lower levels of wealth and a lower probability of receiving intergenerational transfers. In short, the growing inequality within generations, particularly among the millennials, conditions the impact intergenerational transfers will have on wealth in the decades to come.

Intergenerational wealth transfer: Demographics, inheritance and outlook for the next generations

The widening of the wealth gap between generations is not caused solely by differences in accumulation processes throughout our lives but is also related to the dynamics by which the wealth accumulated by the previous generation gets passed along to the next generation. In Spain, this process is shaped by two key factors: the high starting concentration of wealth and the demographic structure of the cohorts involved in this wealth transfer.

Looking back in time, it is possible to illustrate the relative weight of both factors using stylised analytical exercises based on the Survey microdata. Specifically, we calculate the hypothetical inheritance that would be received by people between the ages of 45 and 65 (recipients) if we were to distribute in one year the wealth accumulated by those over the age of 65 (benefactors). This simulation of hypothetical wealth distribution across generations allows us to quantify the importance of demographics on the transfer of wealth, and the role played by asset revaluation.

Comparing the situation in 2002 with that of 2022, the average inheritance so calculated increases from 91,000 real euros at the beginning of the century to 177,000 euros in 2022, growth of 95%, which is attributable, essentially, to the revaluation of the wealth accumulated throughout this period by those comprising the donor generation (those over the age of 65 in 2022). Indeed, in the absence of such extraordinary asset revaluation, the average inheritance would have decreased, to around 81,000 real euros in 2022, which is 11% less than would have been received by the preceding generation in 2002.

This latter phenomenon reflects the fact that the recipient generation, today's baby boomers, is far more numerous than the

“ This reduction in the relative size of the recipient cohorts will imply a significant increase in hypothetical wealth transferred per person to the millennials and Gen Z. ”

previous generation: the ratio of recipient to benefactor has increased from 1.30 in 2002 to 1.51 in just 20 years. In other words, the increased size of the recipient generation relative to the donor generation has a negative impact on the average volume of wealth transferred per capita.

This exercise highlights a key question: the transfer of wealth across generations does not create equality. In the absence of real asset revaluation, mere growth in the relative size of the recipient generations reduces the amount of wealth transferred per capita. Therefore, in the case illustrated here, asset price dynamics, particularly house price dynamics, more than mitigated the adverse demographic effect observed in the recent past.

Looking ahead, the demographic effect will work the other way. Current projections suggest that the generations following the baby boomers will be considerably less numerous. If we conservatively assume that real wealth will be stable, [1] this reduction in the relative size of the recipient cohorts will imply a significant increase in hypothetical wealth transferred per person to the millennials and Gen Z.

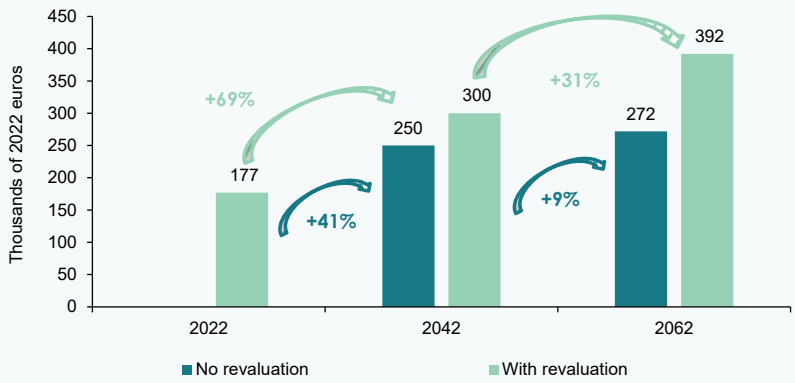
The results of this exercise show that the reduction in the ratio of recipients per benefactor, from 1.51 to 1.07, would increase the average inheritance received by the millennials by 41% between 2022 and 2042. And assuming asset revaluation of just 1% per annum, that average inheritance could increase by nearly 69% with respect to that received by the previous generation in 2022.

However, these figures need to be interpreted with caution. Firstly, because

Exhibit 6

Gross wealth accumulated by those over the age of 65 divided by the population aged between 45 and 65

Thousands of real 2022 euros



Note: Assumes revaluation of 20% for each time interval, i.e., of 1% per annum.
Sources: Authors' own elaboration based on Bank of Spain and INE data.

"As the concentration of wealth in the upper deciles increases, intergenerational wealth transfers cease to act as a broad redistributive mechanism, instead becoming an additional driver of wealth polarisation."

they rely on averages that mask considerable heterogeneity in the distribution of wealth. The evidence shows that wealth accumulation is sharply concentrated at the upper end of the distribution so that a significant percentage of households do not have meaningful amounts of wealth to pass along. In this context, inheritance and donations tend to reproduce and amplify initial inequalities, benefitting the descendants of the richest households disproportionately.

Secondly, growing intrageneration inequality further exacerbates this effect. As the concentration of wealth in the upper deciles increases, intergenerational wealth transfers cease to act as a broad redistributive mechanism, instead becoming an additional driver of wealth polarisation. Consider then the rising number of young people living in Spain who were born outside the country: because of their lower average wealth levels and lower propensity to inherit, their growing share of the population increases the dispersion of wealth per capita within a given age cohort.

Overall, the evidence suggests that although population ageing and the shrinking size of future generations could favour higher average wealth transmission, this process will not automatically correct existing inequalities. To the contrary, in the absence of offsetting mechanisms, the combination of wealth concentration, intragenerational inequality and demographic trends could reinforce the polarisation of wealth in the coming decades.

Conclusions: Wealth transfer and inequalities

The analysis carried out in this paper shows that wealth inequality in Spain has intensified sharply since the start of the twenty-first century, with both the intergenerational and intragenerational wealth gaps widening. Unlike income inequality, wealth inequality tends to be more persistent and to amplify with time due to asset accumulation and revaluation dynamics and intergenerational wealth transmission mechanisms.

From the intergenerational perspective, the evidence confirms a growing divergence in wealth accumulation across the different age categories. The older generations have been accumulating a growing share of total wealth, fuelled primarily by the revaluation of their property assets, as well as relatively more favourable income dynamics. In contrast, the younger generations have seen their ability to build wealth impaired by greater difficulties in getting on the housing ladder, income deterioration in the wake of the financial crisis and growing reliance on rental tenancy.

The intragenerational analysis reveals that, in addition, inequality is not only widening across generations but also within them, particularly among the millennials. The growing concentration of wealth among the top end of the distribution and the home ownership-rental divide are generating increasingly divergent wealth trajectories from early ages.

The intergenerational transfer of wealth, far from automatically alleviating these inequalities, could help amplify them. Although demographic projections suggest that the future generations could receive more wealth on average per capita, this forecast masks sharp heterogeneity associated with the initial concentration of wealth and biased distribution of inheritances.

Overall, the results suggest that the outlook for wealth inequality in Spain will

depend not only on the volume of wealth transferred between generations but also on the terms of access to the assets by which wealth is accumulated, particularly housing. Understanding these mechanisms is essential to anticipating the economic and social challenges associated with population ageing and generational succession and to being able to design public policies that foster more equal opportunities in a context of growing wealth concentration.

Notes

[1] The "no revaluation" scenario assumes there is no accumulation of wealth in real terms in order to isolate the demographic factor. The second scenario, "with revaluation", assumes annual asset revaluation of 1% in real terms. This second scenario is not an attempt to estimate the scope for asset revaluation but rather aims to simulate how much each percentage point of wealth accumulation would add to the demographic effect derived from the shrinking size of future recipient generations.

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Housing affordability in Europe: Long-term implications and lessons for Spain

The European experience shows that rent controls and demand subsidies often produce short-term relief at the cost of long-term distortions. In Spain, structural supply shortages and a weak social housing stock continue to drive rising prices and declining access.

Francisco Rodríguez-Fernández

Abstract [1]: Since the mid-2010s, housing affordability has re-emerged as a central policy challenge across Europe, including in Spain, with rents in large Spanish cities rising by 50–70% in nominal terms between 2015 and 2025. Comparative evidence indicates that widely used policy instruments, such as rent controls and demand-side subsidies, tend to reduce supply or translate into higher prices when housing construction is inelastic, while large-scale social housing models have stabilised markets only under specific institutional and historical conditions that are difficult to replicate. Spain's structural weakness lies in its historically ownership-focused model and the automatic expiration of protection on subsidised housing, which has left a social rental stock of just 1.5–2% of total housing, far below the EU average. At the same time, homeownership among 30- to 34-year-olds has fallen by more than 20 percentage points since 2002, emphasizing the intergenerational dimension of the problem. Spain's effort to improve housing accessibility, the 2023 Right to Housing Law, follows the European pattern of short-term relief combined with

risks of reduced formal rental supply. The accumulated evidence suggests that sustained affordability ultimately depends on expanding effective supply through more flexible zoning, faster licensing and greater legal certainty for tenants and landlords.

Introduction: Housing as a long-term problem

Housing returned to the center of the European economic and political debate in the second decade of this century. After the collapse of the bubble in 2007-2008, many countries expected prices to normalize. This was not the case. Since the mid-2010s, and with particular virulence after the pandemic, rental and purchase prices have reached historic highs in most European capitals. In Spain, rents in large cities rose by 50-70% in nominal terms between 2015 and 2025, with real increases far outstripping wages, according to data from the Bank of Spain and the INE.

The political response has often been excessively short-term and demand-focused. Governments have deployed rent controls, subsidies for young tenants, purchase vouchers, and emergency housing laws, which in many cases share a worrying characteristic: they produce short-term effects that diverge sharply from their long-term consequences. This article examines comparative evidence on the main housing policies implemented in Europe since 2000, analyzes the Spanish case, and draws lessons for the design of a more effective and sustainable housing policy.

The European landscape: Diversity of models and convergence of problems

The common root: Regulation that reduces private supply

Before examining policy responses, it is important to identify the underlying cause of the affordability crisis. In the vast majority of European cities with high prices, the common denominator is not financial speculation—as was the case in 2008—but rather a chronic shortage of new housing (Ezquiaga, 2024). This shortage is not accidental: it is the direct result of restrictive urban planning regulations, slow and fragmented licensing processes, excessive heritage protections, and, in many cases, price controls that discourage private rental construction. Any policy that ignores this structural blockage of private supply is surely doomed to failure, regardless of how many subsidies are allocated to demand or how many price controls are imposed.

Rent controls: Apparent relief, documented adverse effects

Second-generation rent controls have experienced a notable resurgence in Europe since 2015. Germany introduced the *Mietpreisbremse* that year; France reintroduced the *encadrement des loyers* in Paris in 2019; Berlin trialed a complete freeze (*Mietendeckel*) between 2020 and 2021, which was declared unconstitutional; Spain passed its Law on the Right to Housing in 2023 with a regime of tensioned areas.

The empirical evidence is now considerably stronger than it was a decade ago. Kholodilin's (2024) review of more than 200 empirical studies concludes that controls generate a wide range of adverse effects. The most relevant finding is the "spillover effect": when only part of the housing stock is regulated, free-market rents tend to rise as a result of the reduction in available supply in the regulated segment. Mense *et al.* (2022) document this mechanism in the German case: the *Mietpreisbremse* reduced rents in affected contracts but generated a robust and statistically significant increase in rents in the free segment. The case of Berlin's *Mietendeckel* is even more instructive: when the Federal Constitutional

"In the vast majority of European cities with high prices, the common denominator is not financial speculation —as was the case in 2008— but rather a chronic shortage of new housing."

> “More restrictive rental market regulations are associated with lower residential investment and less housing construction.”

Court overturned the law, prices rebounded immediately, demonstrating that the effect had been purely temporary.

In the long term, Kholodilin and Kohl (2023) analyze data from 16 countries for the period 1910-2016 and find that more restrictive rental market regulations are associated with lower residential investment and less housing construction. Controls are not simply ineffective: they reduce available supply, penalize tenant mobility, encourage fraud, and divert political attention from the reforms that are really needed.

Social housing: The case of Vienna and its limitations

At the opposite end of the spectrum are large-scale social housing models. Vienna is the most cited example: around 50% of the Viennese population lives in subsidized housing. What distinguishes the Viennese model is not only its scale, but also its permanence: the municipal housing stock is not sold or deregulated over time. Friesenecker and Kazepov (2021) document the stabilizing effect that this housing stock has on the Viennese private market as a whole. However, the Viennese model is under increasing strain and is difficult to export. Its conditions—more than a century of political continuity, stable financing through a payroll tax, and a civic culture of high institutional trust—do not exist in other European countries. Moreover, the model itself is now facing problems of “golden handcuffs” (tenants with no incentive to move), use by high-income households, and reduced labor mobility.

The Dutch case illustrates the risks: with the largest proportional stock of social housing in Europe (historically above 30%), in 2015 it had to restrict access due to an EU resolution. The result was “forced residualization,” waiting lists of 8-15 years in Amsterdam, and a rise in the private rental market of more than 65% between 2015 and 2023.

Demand subsidies: Adverse effects

Direct rental subsidies are a widespread instrument in Europe. Their advantage is flexibility; their structural weakness is that, in markets with inelastic supply, they tend to be capitalized in prices. The French *Cour des Comptes* has repeatedly documented that a significant portion of the aid is transferred to landlords in the form of higher rents. A system of demand-side subsidies in a market with inelastic supply is, in part, equivalent to a transfer of public resources to the landlord sector.

The Spanish case: From a culture of ownership to a generation of renters

The roots of the model

To understand housing policies in 21st-century Spain, it is essential to understand the specificity of the inherited model. Spain did not build a significant social rental housing stock in the post-war decades. The Franco regime actively promoted private ownership, and this orientation was maintained during the Transition and in the successive democratic decades. The central instrument was Officially Protected Housing (VPO in its Spanish initials): subsidized and mainly intended for purchase, but with temporary protection.

> “In 2025 Spain had a social rental housing stock of only 1.5-2% of the total housing stock, compared to an EU-27 average of 10.5%.”

After a period of between 10 and 30 years, VPOs are automatically incorporated into the free market. This unique mechanism means that the protected stock is consumed as it is created. The cumulative result is that in 2025 Spain had a social rental housing stock of only 1.5-2% of the total housing stock, compared to an EU-27 average of 10.5%. Spain has invested decades of public resources in a system that, far from creating a permanent stock of affordable housing, feeds the free market with housing that is automatically disqualified.

The tenant generation

One of the most significant and least discussed consequences of Spanish housing policies over the last quarter-century is their intergenerational distributional impact. Salas-Rojo (2024) documents a major structural change: the home ownership rate among 30- to 34-year-olds has fallen by more than 20 percentage points between 2002 and 2022. At the same time, the proportion of households over the age of 70 with a second home grew from 30% to 50% over the same period. In 2022, 65.9% of young people aged 18 to 34 still lived in the family home, compared to 53% in 2008. This phenomenon has economic consequences beyond equity: it delays the formation of households, reduces geographic and labor mobility, concentrates housing risk in the private rental market, and generates political pressure on instruments—price controls, rent subsidies—whose long-term effectiveness is limited (see Torres, 2022 and 2023; and González Simón, 2025).

The Right to Housing Act (2023): An initial assessment

Law 12/2023 was created to try to address accessibility issues but has been controversial. Its most debated provisions are the regime for areas with a strained residential market and the extension of tenants' rights. Two years after its entry into force, the assessment is that the law has had an asymmetrical and generally negative impact on the territory. The most significant systemic risk is that it replicates the pattern already documented elsewhere: apparent short-term relief for some existing tenants, a real reduction in the formal rental supply, upward pressure on unregulated segments, and a shift in investment towards other uses such as sale, tourist rentals, or vacant housing.

The study by Pérez García (2025) on Catalonia, which already had previous regional regulation, finds that regulation is associated with a reduction in price growth only in the short term, but also with a significant drop in the number of formal rental contracts. Furthermore, the law does not address the underlying problem at all: the shortage of housing. It does not simplify licensing, free up land, reduce administrative barriers, or offer legal certainty to developers. Without a parallel and sustained expansion of supply, price regulation will not solve anything: it will simply redistribute the shortage in a more opaque way.

Lessons from comparative evidence

The mistake of short-termism

Perhaps the most general lesson that emerges from the literature is that the long-term effects of housing policies systematically diverge from their short-term effects, and often run counter to the intended ones. Demand subsidies improve individual beneficiaries' access in the short term, but they are capitalized into prices and are fiscally unsustainable without a corresponding increase in supply. Rent controls ease the burden on current tenants, but reduce the supply available to future tenants. Any intervention that makes a good cheaper without increasing its supply creates scarcity at some point in the chain.

The Spanish structural flaw: Automatic vulnerability

Spain needs a thorough review of the VPO paradigm. Paradoxically, the more VPO is built, the more the permanent affordable housing deficit increases, because automatic disprotection exceeds new production. The lesson from the Viennese model is not that Spain should replicate it —which would probably not be feasible—but that any affordable housing model requires a housing stock that does not disappear over time. That stock does not have to be public: the experience of Japan, Switzerland, and the Netherlands shows that it is possible to keep

prices down by combining agile regulation, fast licensing processes, flexible zoning, and competitive private markets.

Tourist housing: An overblown debate

One of the most heated—and possibly most exaggerated—debates is that of tourist accommodation. The available evidence suggests that this phenomenon acts as an amplifying factor in certain very specific neighborhoods or cities, but it can hardly explain on its own a shortage problem that affects virtually all large European urban areas. From an economic point of view, taxing the activity through additional tourist taxes has limited effects on the permanent residential supply: in markets with high tourist demand, these costs tend to be passed on to prices or marginally reduce activity without freeing up significant stock for traditional rental. If the objective is to protect the residential stock, the most effective tools are not fiscal but regulatory: limiting the granting of new licenses, reviewing existing ones, and redefining urban planning criteria that distinguish between residential and economic land use. Without a substantial increase in total supply, focusing the debate on tourist housing runs the risk of becoming a convenient substitute for more structural reforms.

The generally ignored alternative: Freeing up private supply

The Spanish debate on housing suffers from a persistent bias toward regulatory and redistributive intervention and an almost total absence of discussion on how to increase supply. There is no discussion of why so few new homes are being built, why licensing processes take years, why developable land is so scarce in large cities, or why a developer who wants to build affordable rentals faces a regulatory maze that makes the project unviable. International experience shows that countries that have managed to contain housing prices without resorting to massive social housing projects have done so through three complementary instruments: flexible zoning that allows for densification and changes in use in response to demand; fast and predictable administrative processes for building permits and changes in use; and legal certainty for landlords and tenants that encourages long and stable contracts. None of these three elements is present in Spain. While the public debate focuses on expropriating empty flats or capping rents, Spanish cities continue to have urban planning regulations from the 1970s, licensing processes that take two years, and a legal framework for renting that changes with each legislative session.

The extended version of this research includes a detailed comparative table (Table 3) with specific lessons for Spanish policy (https://www.funcas.es/documentos_trabajo/politicas-de-vivienda-en-europa-efectos-a-largo-plazo-y-lecciones-para-espana/).

Conclusions

The empirical evidence accumulated on European housing policies in the 21st century allows us to draw conclusions that transcend the ideological controversies in which this debate often becomes entrenched:

The first is that the long-term effects of housing policies are systematically different—and often opposite—to their short-term effects. This means that the political evaluation of these measures, which tends to focus on immediate effects, is structurally biased towards overvaluing instruments that provide temporary relief at the cost of exacerbating the underlying problem.

The second is that the only factor common to all housing markets that have managed to

> “Countries that have contained housing prices without large-scale social housing programmes have relied on flexible zoning, faster permitting, and legal certainty in rental markets.”

contain prices since the financial crisis, and in the long term, is the relative abundance of supply. Spain has failed on both fronts: it has no significant social housing stock and does not facilitate private sector construction on the necessary scale.

The third is that the Spanish case is particularly worrying. A historical model based on subsidized home ownership with temporary protection has, after significant public investment over decades, left a social rental housing stock of barely 2% of the total.

Spain now has an advantage it did not have in 2008: it knows where the problem lies. Quite simply, there is a shortage of housing in cities where there are jobs. Solving this problem does not require inventing complex institutional models or importing solutions from other countries with very different histories. It requires something much more prosaic: freeing up land, speeding up licensing, providing legal certainty, and letting construction happen. Without supply, no housing policy will work. With sufficient supply, many of the interventions currently under discussion would no longer be necessary.

Notes

[1] This article is an abridged version of a more extensive study by the same author for Funcas: https://www.funcas.es/documentos_trabajo/politicas-de-vivienda-en-europa-efectos-a-largo-plazo-y-lecciones-para-espana/. The full version includes detailed comparative tables showing the types of housing policy instruments, a chronology of Spanish policies, and a comparative empirical evaluation.

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Effects of the introduction of a tourist tax

Tourist taxes are often criticised for undermining the competitiveness of destinations. However, in locations experiencing overtourism, a well-designed tax can help ease congestion, improve the quality of the visitor experience, and support a gradual shift towards higher-value tourism.

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Abstract: Overtourism has re-emerged as a major challenge for many European destinations since the end of the pandemic, generating pressure on local infrastructure, housing markets and natural resources. Beyond its social and environmental impacts, excessive tourism can also undermine the visitor experience and weaken a destination's long-term competitiveness. Tourist taxes are frequently criticised for raising costs and discouraging demand, yet economic theory suggests that a carefully calibrated tax can help correct the externalities associated with tourism activity. By increasing the cost of visiting congested destinations, such taxes can moderate demand and reduce pressure on common resources. If properly designed, they may also encourage a shift in demand towards visitors who place greater value on quality. In practice, this tends to attract tourists who are less sensitive to higher prices. Evidence from the Balearic Islands, one of Europe's most mature and tourism-intensive destinations, demonstrates this logic. That said, simulations based on tourism demand elasticities suggest that the existing tax would need to increase by between 15 to 20 euros to generate a meaningful reduction in peak-season

demand. While not a standalone solution, a stronger tourist tax could play an important role in managing tourism pressure while reinforcing the long-term competitiveness of the destination.

Introduction

Overtourism (Peeters *et al.*, 2018) constitutes a growing challenge for the world's most popular destinations. The Balearic Islands, along with other European destinations, are dealing with this intensifying and pressing problem. This paper analyses how a tourist tax can help destinations to curb overtourism, while reinforcing their competitiveness in tandem. The debate tends to pivot around a choice between more revenue and employment *versus* higher social and environmental costs (expensive housing, congestion, degradation). However, that need not be the case: a well-designed tax can alleviate overtourism and generate benefits for both the resident population and the destination's businesses. If a tourist tax manages to enhance the experience for visitors, the destination will be better able to attract tourists who attach greater importance to quality and are willing to pay for it. (see Calveras, 2026) [1].

Overtourism and its consequences

Since the end of the COVID-19 pandemic, the overtourism phenomenon has re-emerged forcefully as a key issue for many destinations in Europe, including Spain. The term "overtourism" (Peeters *et al.*, 2018) refers to saturation in destinations provoked by overuse of their common resources (beaches, roads, natural spaces and urban areas) as a result of tourism (refer, for example, to Picó *et al.*, 2022).

The existence of overtourism does not depend solely on the absolute number of visitors but also on other factors such as the length of their stay or the destination's carrying capacity (McCool and Lime, 2001). Therefore, its presence must be diagnosed at the local or destination level and not at the country level, as there may be significant differences from one destination to another within a given country. For example, the situation in Mallorca is clearly nothing like the situation in Asturias. To accurately measure overtourism, a couple of indicators have been put forward, including tourism density (bed-nights or tourists per km²) and tourist intensity (bed-nights or tourists per resident) for better gauging the phenomenon (Peeters *et al.*, 2018).

The impacts of overtourism materialise at several levels. Firstly, they affect local residents directly: mobility issues, more expensive housing, transformation of traditional neighbourhoods and loss of local commerce, among others. Secondly, there is empirical evidence that overtourism reduces tourist satisfaction and may damage a destination's sustainability. In Yucatán, for example, tolerance for overtourism falls as tourist flows increase, particularly among international tourists, who are more sensitive to environmental quality and tranquillity (Enseñat-Soberanis *et al.,* 2020). Along Spain's Costa del Sol, 26% of visitors said they felt there were too many tourists and that repudiation may be underestimated because those who perceive it do not come back (Jurado *et al.,* 2013). It is worth noting that those who are more sensitive to overtourism tend to have higher education levels, more purchasing power and higher travel budgets, so that preserving a quality experience is key for competitiveness (Jurado *et al.*, 2013).

Tourism tax and its logic

Logically, tourism sector, in turn comprised of different subsectors such as transportation, accommodation, entertainment, eateries, *etc.*, is subject all the usual taxes borne by the rest of the economy: corporate and personal income tax, VAT, *etc*. However, VAT on hotels, eateries and domestic air travel is 10%,

> "The term tourism tax usually refers to taxes on occupancy in paid accommodation that are charged per person and per night."

compared to the general rate of 21%. It is not implausible, therefore, to claim that the sector is, in fact, subsidised.

Regardless, the term tourism tax usually refers to taxes on occupancy in paid accommodation that are charged per person and per night (PwC, 2017). The Impact of Taxes on the Competitiveness of European Tourism report (PwC, 2017) shows how "occupancy taxes make up a small proportion of the overall cost of accommodation" and "range from a minimum of €0.10 (the lowest rate in Bulgaria) to a maximum of €7.50 (the highest rate in Belgium) per person each night, with the average range being between €0.40 and €2.50" (PwC, 2017, 36-37, Table 5).

A tourism tax can serve multiple, compatible goals (Gago *et al.*, 2009):

1. *Generating public revenue*: creating a price payable by tourists for the use of 'free' common goods at the destination (security, roads, beaches, *etc.*).

2. *Correcting externalities*: using the money collected to repair environmental and social damages derived from the negative externalities of tourism (cleaning beaches, investing in public housing, *etc.*).

3. *Pigouvian corrections*: altering agents' conduct by forcing the internalisation of externalities and regulating the flow of tourists to the destination (Baumol and Oates, 1988).

Whereas the amount of the tourism taxes in existence suggests that they are not Pigouvian taxes and would, at any rate, have only a very small impact on modifying the conduct of potential tourists, we now highlight the potential implicit in this Pigouvian logic whereby a tourism tax, beyond raising public revenue and mitigating externalities, has the ability to reduce overtourism and reinforce the competitiveness of tourist destinations and their businesses.

Tourism competitiveness and tourism tax

One of more frequent criticism from the corporate sector against the imposition of a tourism tax is its alleged negative impact on destination competitiveness. This is the vision embodied in the Monitur tourism competitiveness index compiled by Exceltur (an alliance of the leading Spanish tourism companies) to measure the tourism competitiveness of the different Spanish regions.

Monitur defines tourism competitiveness as the regions' ability to build unique and sustainable positioning around tourism in a manner that harmonises economic growth, job creation and social wellbeing. That approach is correct: the competitiveness of a destination is not circumscribed to the competitiveness or profitability of its firms, but also includes social wellbeing in the region and environmental considerations (Ramos and Rey-Maquieira, 2024).

To measure competitiveness, the index uses 90 objective indicators, including the presence, or absence, of tourism taxes, which count negatively where they exist, *i.e.,* assuming they detract from a region's tourism competitiveness. Catalonia and the Balearic Islands, for example, were penalised in the indices for 2018 and 2023 for having introduced and maintained their respective tourism taxes.

This approach by Exceltur and Monitur is, however, wrong on two counts. The relationship between a region's or country's competitiveness and the level of its tax burden depends on several factors, including how the tax receipts are spent or invested, as Paul Krugman already explained years ago (Krugman, 2005; refer also to Medeiros *et al.*, 2019). But not just that. Given that overtourism at a destination undermines both the quality of life of its residents and the satisfaction of its tourists and, by extension, the business of its companies, a tourism tax has the ability to make a positive contribution to destination competitiveness, including that of its businesses.

> “In destinations suffering from overtourism, a well-calibrated tourism tax may even be optimal from the perspective of business profitability.”

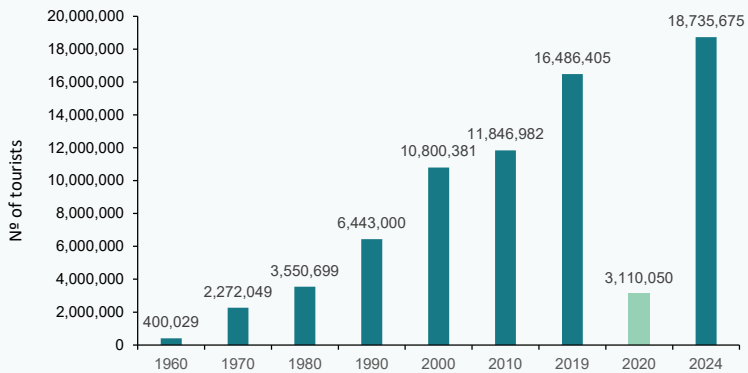
Calveras and Sakovics (2025) show that in destinations suffering from overtourism, a well-calibrated tourism tax may even be optimal from the perspective of business profitability. By pushing up the total cost of the trip, the tax eases tourism pressure and, along with it, saturation, alleviation that is appreciated in particular by visitors with more spending power. This reduced congestion raises the perceived quality of the destination and could increase the propensity to pay of tourists who attach more importance to the experience, with potentially positive effects for sector revenue and margins. For this mechanism to truly lift competitiveness, it has to bring about demand reconfiguration. Specifically, it needs to discourage the types of tourists who are less inclined to pay and draw tourists who are willing to pay more for a better experience.

In this sense, Exceltur’s Monitur index starts from an erroneous theoretical assumption in assuming a necessarily negative relationship between tax burden and tourism competitiveness without factoring in the degree of overtourism at a given destination. The same can be said of the line of reasoning expressed by PwC (2017) in its *Recommendation 1*: “Reduced taxes on tourism can increase the competitiveness of tourist destinations and bring wider economic benefits”, by omitting two key considerations. Firstly, the investment and redistribution potential associated with tax receipts; and secondly, the ability of these taxes to reduce overtourism and, thereby, generate economic value and improve destination competitiveness.

Balearic Islands case study

The Balearic Islands are a mature tourist destination. Exhibit 1 evidences the significant growth sustained in both tourism supply and demand; the volume of visitors has multiplied in recent decades. Peeters *et al.* (2018) identifies Mallorca as a clear case of overtourism. In 2017, the island (with fewer than one million inhabitants) recorded over 11 million tourists, nearly 46 million bed-nights and more than 1.5 million cruise ship

Exhibit 1 **Number of tourists received by the Balearic Islands**



Sources: Authors’ own elaboration based on CAIB and Ibestat data.

visitors. Tourism intensity was very high: 14.9 daily visitors for every 100 residents and 35.6 tourists per km².

Faced with that reality, what role can and/or should a tourism tax play? The Sustainable Tourism Tax (ITS for its acronym in Spanish) in place in the Balearic Islands was approved by the regional government in 2016 and doubled in size in 2018. The tax currently ranges from €1 to €4 per person and night depending on the type of accommodation and its category (see CAIB, 2025).

How high should that tax be to combat overtourism in the Balearic Islands, *i.e.,* to reshape demand for tourist services? Note that the goal of this exercise is not to calculate the optimum tax in terms of social wellbeing but rather to estimate the increase in the existing tax 'needed' to bring about a targeted percentage decrease in demand.

The analysis follows the approach taken by Rosselló and Sansó (2017) in their assessment of the impact of the creation of the Sustainable Tourism Tax in the islands in 2016. To do that, they used a tourism demand model assuming a constant price elasticity and using the number of bed-nights as their proxy for demand and spending per person and day as their proxy for price.

Turning to the statistics for 2019 and 2024, the data (Ibestat) indicate that the number of bed-nights in the Balearic Islands in those years were 109, 469, 735 and 119, 982, 802 over the entire season, respectively, and 91, 447, 867 and 96, 991, 686 during the peak season. The figures indicate a significant increase in tourism pressure during that span of years, specifically growth of 9.6% in total stays and growth of 6.06% during peak season. [2] The Ibestat figures yield weighted average spending per person and day during the peak season of 195 euros in 2024.

For this exercise, we contemplate increasing the tourist tax by a fixed amount for all categories for sound reasons in addition to simplicity: increasing the tax on the lower category segments by relatively more encourages the tourism sector to raise the quality of its offering, so reinforcing its competitiveness (Calveras and Sakovics, 2024).

We assume that the tax is only increased during the peak season (May to October), although it could make sense to eliminate it during the off season (during which time it is currently subject to a discount). Simple calculations show that the 'necessary' tax increase is $\tau^* = -\frac{195€}{\varepsilon} r$, where, as a reminder, €195 is spending per person and day (proxy for the current price of tourism services); ε represents the price elasticity of demand; and *r* is the targeted percentage reduction in demand. [3]

Table 1 shows the results of the different scenarios modelled. For example, reducing the number of bed-nights during the peak season in 2024 to 2019 levels would imply a decrease of 5.71%. Rosselló and Sansó (2016) assume elasticities of -0.5 and -1, whereas the report on the economic impact drawn up by the regional government when approving the tax in 2016 used an elasticity of -0.47. Note that Rosselló and Santana (2024), using visa costs, conclude that the price elasticity of demand is even lower, at between -0.27 and -0.625.

A plausible and conservative scenario would be to assume price elasticities of between approximately -0.5 and -0.8, coupled with a reduction in demand based on the levels observed in the year prior to the pandemic. Table 1 tells us the increase in tax needed to reduce demand by 5.71% (*i.e.*, to return to 2019 levels) is between 15 and 20 euros,

“ The increase in tax needed to reduce demand by 5.71% (*i.e.*, to return to 2019 levels) is between 15 and 20 euros, approximately. ”

Table 1 **Necessary increase in the tax in euros depending on the desired reduction in demand *r* and price elasticity *ε***

ε/ *r*	3%	5.71% (demand in 2019)	9%
-0.2	29.3	55.7	87.8
-0.5	11.7	22.3	35.1
-0.8	7.3	13.9	21.9
-1	5.9	11.1	17.6

Source: Authors' own elaboration based on Ibestat data.

approximately. [4] Two considerations suggest that Table 1 may underestimate the increase in tax needed to reduce tourist flows. Firstly, assuming that the impact of the tax would be fully passed through to tourists in the form of price increases; and secondly, possible overestimation of the price elasticity of demand by not factoring in the income elasticities of the source markets, which in the case of the Balearic Islands, depict a quality-seeking tourist that is less sensitive to price (refer to CaixaBank Research, 2025, Inchausti-Sintes *et al.*, 2021).

Conclusion

A tourist tax is not a magic pill for overtourism but it probably is the most effective tool available. For it to have a noticeable impact on demand, it needs to considerably higher in amount than at present. According to our estimates, to impact demand in the Balearic Islands, it would need to be increased by between 15 and 20 euros. Although this figure may seem steep, it is still moderate by comparison with daily expenditure per tourist and the average hotel rate in July 2024 (183 euros, Ibestat). In fact, its magnitude would be similar to the effect of increasing VAT on tourism goods and services from the current reduced rate of 10% to the standard rate of 21%. In addition, its implementation could be staggered over several years, which would allow ongoing assessment of its impact and redesign based on the evidence.

Some final thoughts. Firstly, a significant increase in the tax would need to be accompanied by tighter controls over possible attempts at tax evasion (illegal rentals, fraud), including an assessment of hard-to-avoid collection mechanisms, such as charges at ports and airports. Secondly, it would work best in conjunction with other measures: combining it with limits on hotel capacity and holiday rentals could be more effective, as well as facilitating political consensus. Lastly, more than alleviating existing overtourism, the tax would serve to prevent future saturation. However, it will not, by itself, resolve other structural pressures, such as growth in the resident population and second homes and the boom in digital nomads.

Notes

[1] Forthcoming in Funcas, for a more detailed discussion of this topic.

[2] The bed-night count includes nights spent in paid accommodation (hotels, tourist apartments, *etc.*) and those spent off market (second residences, friends' and families' homes, *etc.*). The Balearic tourism tax, as currently configured, only affects bed nights in paid accommodation. The Ibestat figures show that the percentage of visitors to the Balearic Islands that use paid accommodation during the high season has not changed meaningfully between 2019 and 2024, ranging from 85 to 90%.

[3] An increase in the tax r, will bring about a reduction R with respect to demand in the base year = 2024. Specifically, $R = D_{2024} \cdot x \cdot \varepsilon$, where $x = \frac{\tau}{S}$ is the percentage increase in spending S (or price), and ε is the price elasticity of demand. What percentage decrease in the number of bed-

nights is sought by increasing the tax? Taking demand for tourism services in 2024 as our benchmark, a percentage decrease of r means that $\frac{D_{2024}-\hat{D}}{D_{2024}}$, where $\hat{D}$ is the new level of demand after the increase in tax. Therefore, given that $\hat{D}=D_{2024}+R$, and $x=\frac{\tau}{S}$, we derive that the 'desirable' (or necessary) increase in the tourist tax is $\tau^{*}=-\frac{S}{\varepsilon}r$.

[4] Note that the increased tax would only affect visitors staying in paid accommodation and would not affect those exempted from the tax (such as minors under the age of 16).

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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-law 2/2026, of 3 February 2026, adopting urgent measures to address situations of social vulnerability in the area of taxation and regional financing system funds (*Official State Gazette*: 4 February 2026)

Broadly speaking, Royal Decree-law 2/2026 introduces the following financial measures:

- It extends the suspension of eviction proceedings and eviction enforcement for vulnerable households without residential alternatives to 31 December 2026. It introduces a new exception: this suspension will not apply to landlords that own no more than two dwellings.

- The deadline for landlords or property owners to apply for compensation for the rent foregone plus ordinary operating cost/expenses has been extended to 31 December 2027.

It also introduces the same tax measures as were included in Royal Decree-law 16/2025, which was repealed in Congress. Specifically, it introduces the following two novelties in relation to that repealed piece of legislation:

- The Immediate Supply of Information (SII for its acronym in Spanish) and the Monthly VAT Refund Scheme (REDEME): Taxpayers on record with the monthly reimbursement regime may apply for voluntary deregistration from the scheme from the day after effectiveness of Royal Decree-law 2/2026 and 16 February 2026. Regardless, any exits processed during the month of January 2026 during the term of effectiveness of Royal Decree-law 16/2025 will be considered valid.

- It does not regulate the new 'municipal capital gains tax coefficients' contemplated for 2026 for the objective estimation of the tax.

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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		2.4	2.8	1.6	5.6	6.1	5.1	1.8	4.2	3.1	-0.7
2027		1.8	2.1	1.5	3.4	4.4	2.2	1.9	3.2	2.2	-0.4
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		1,769	55.9	19.0	21.3	11.2	10.1	36.0	33.0	97.0	3.0
2027		1,838	56.1	18.9	21.7	11.5	10.2	35.8	33.2	97.5	2.5

**Seasonally and Working Day Adjusted.*

(a) Contribution to GDP growth.

Source: INE and Funcas (Forecasts).

Chart 1.1 - GDP

Level, 2019=100

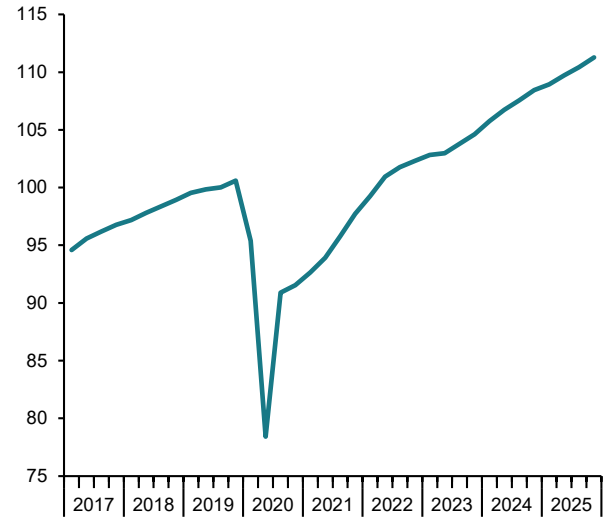


Chart 1.2 - Contribution to GDP annual growth

Percentage points

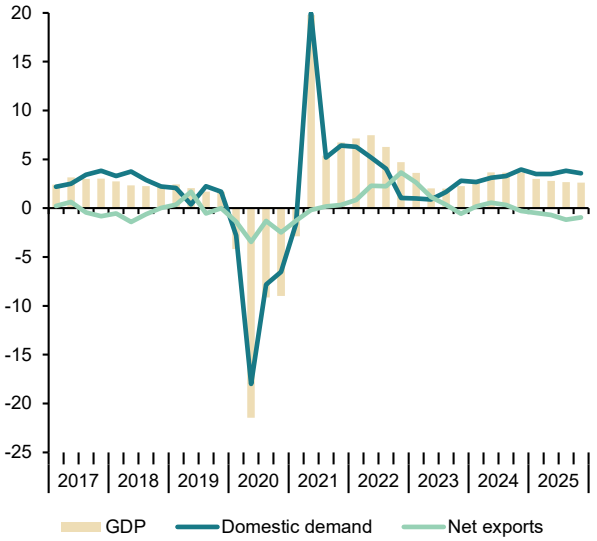


Chart 1.3 - Consumption

Level, 2019=100

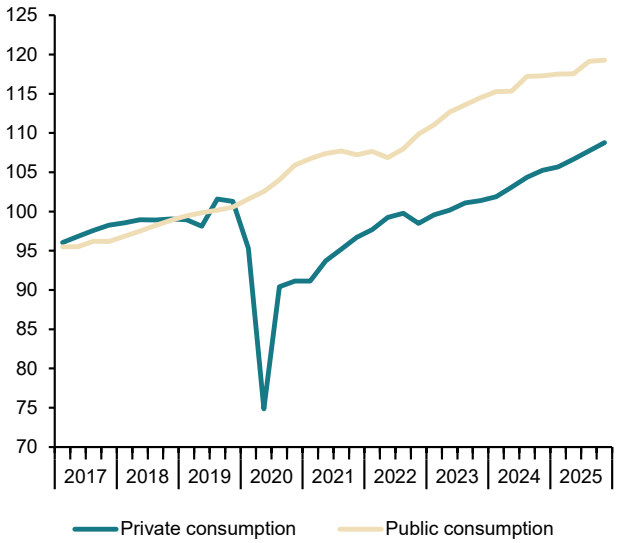


Chart 1.4 - Gross fixed capital formation

Level, 2019=100

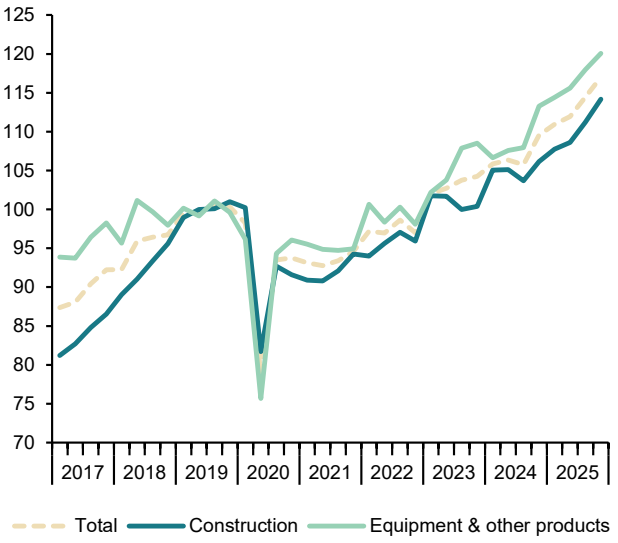


Table 2

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	3.4	6.4	1.5	1.7	2.8	3.7	2.5	4.0	-0.8
	II	3.0	-0.2	2.2	2.0	4.5	3.2	2.3	3.5	0.7
	III	3.1	-2.7	2.8	2.6	7.9	3.0	1.8	3.3	-1.4
	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	0.5	5.8	1.1	0.5	0.5	0.2	-0.3	0.4	-0.4
	II	0.8	-6.1	0.9	1.0	2.7	0.9	-0.1	1.2	0.4
	III	0.8	-0.8	0.4	0.4	1.7	0.8	0.7	0.8	-0.8
	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

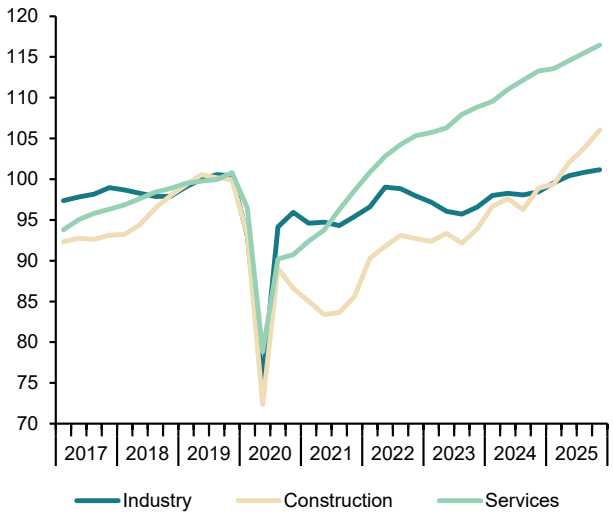


Chart 2.2 - GVA. Industry

Level, 2019=100

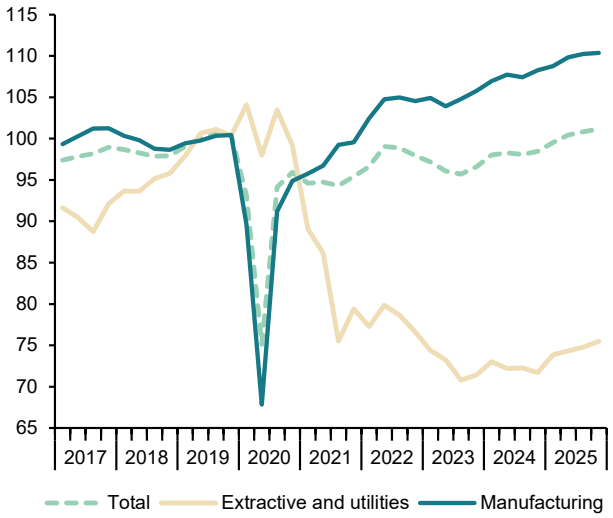


Chart 2.3 - GVA, services

Level, 2019=100

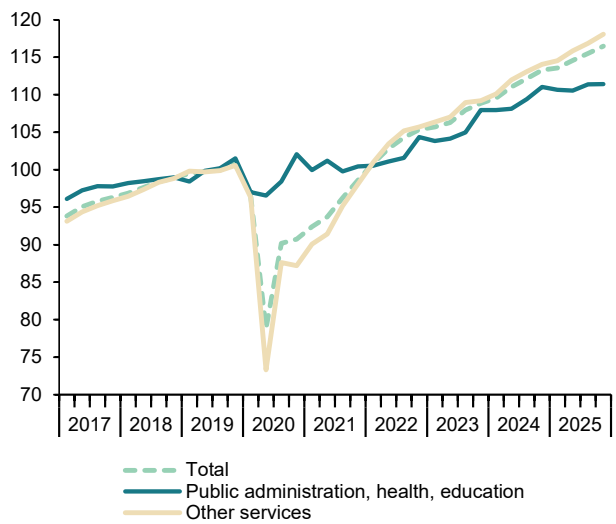


Chart 2.4 - GVA. structure by sectors

Percentage of value added at basic prices

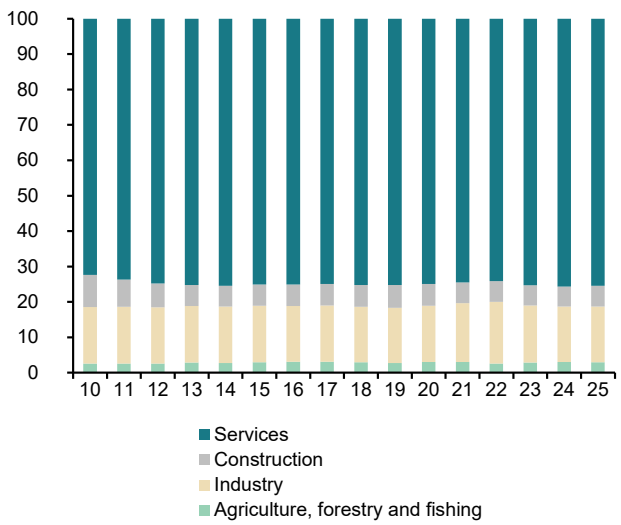


Table 3

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		112.7	109.4	103.0	132.5	128.7	102.4	--	--	--	--	--	--
2027		114.7	110.6	103.7	136.0	131.1	102.2	--	--	--	--	--	--
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	108.9	106.1	102.7	126.8	123.6	101.8	108.8	100.8	107.9	128.2	118.8	97.1
	II	109.7	106.6	102.9	128.0	124.4	102.3	109.8	102.0	107.7	128.7	119.5	98.2
	III	110.4	107.9	102.4	128.6	125.7	102.6	110.2	104.1	105.9	128.4	121.3	99.5
	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		2.4	1.8	0.5	3.1	2.6	0.1	--	--	--	--	--	--
2027		1.8	1.1	0.7	2.6	1.9	-0.2	--	--	--	--	--	--
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	3.0	2.0	1.0	4.8	3.7	1.5	1.7	0.9	0.8	6.9	6.0	5.0
	II	2.8	1.6	1.2	5.2	3.9	1.3	2.0	1.4	0.5	5.6	5.0	4.2
	III	2.7	2.6	0.1	4.1	3.9	1.4	2.6	4.3	-1.6	3.2	4.9	3.3
	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

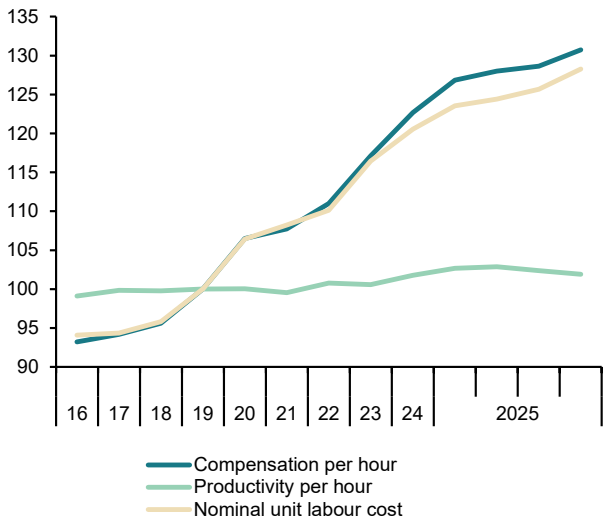
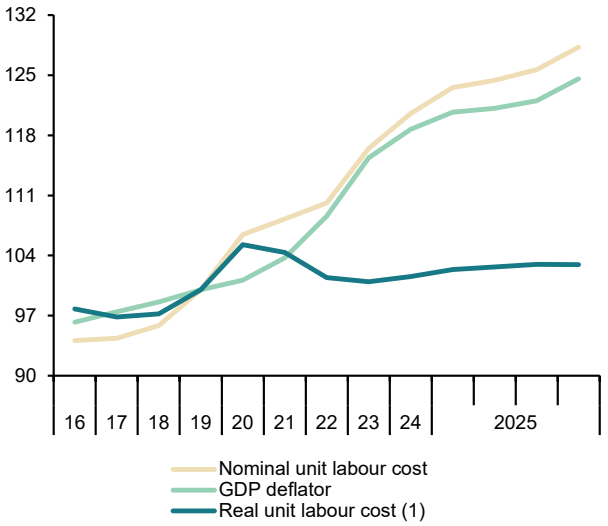


Chart 3.2 - Real ULC, total economy

Index, 2019=100



(1) Nominal ULC deflated by GDP deflator.

Chart 3.3 - Nominal ULC, manufacturing industry

Index, 2019=100

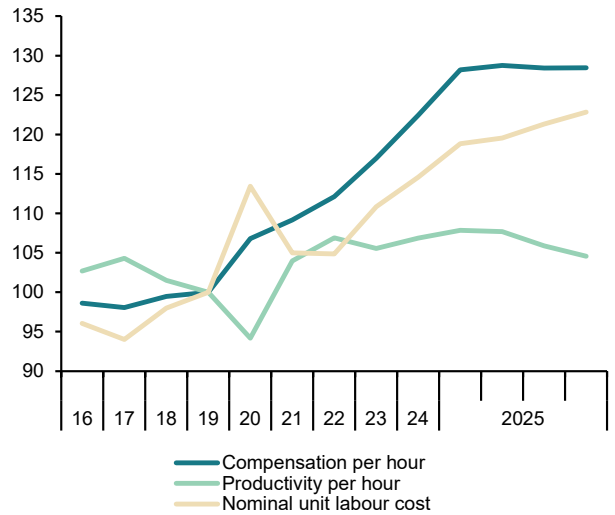
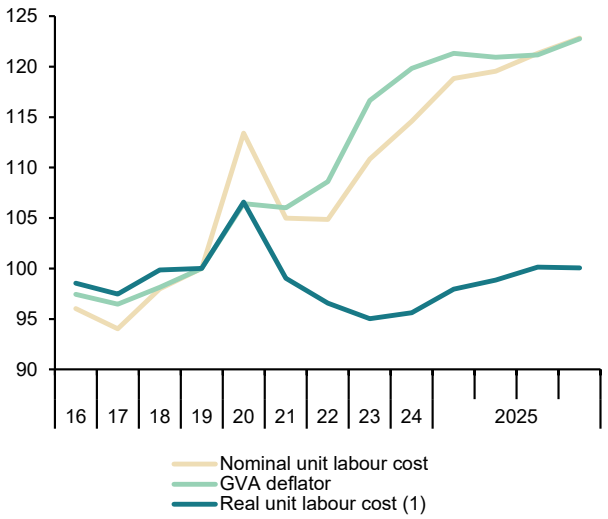


Chart 3.4 - Real ULC, manufacturing industry

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		1,685.8	819.0	700.0	1,672.2	1,260.3	411.9	363.2	48.6	41.5	24.4	21.5	2.9	4.0
2026		1,768.9	860.5	724.9	1,756.4	1,324.6	431.8	391.9	48.6	41.0	24.4	22.2	2.3	3.2
2027		1,838.1	893.5	751.3	1,827.5	1,378.2	449.3	413.4	48.6	40.9	24.4	22.5	2.0	2.3
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	1,613.0	776.7	680.9	1,597.3	1,206.6	390.7	343.7	48.2	42.2	24.2	21.3	2.9	4.1
	II	1,634.5	790.0	687.0	1,619.4	1,222.8	396.6	349.3	48.3	42.0	24.3	21.4	2.9	4.1
	III	1,656.8	803.4	692.6	1,643.3	1,240.0	403.3	357.0	48.5	41.8	24.3	21.5	2.8	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		5.7	7.2	3.7	5.9	5.9	6.1	7.6	0.7	-0.8	0.1	0.4	-0.3	-0.3
2026		4.9	5.1	3.6	5.0	5.1	4.8	7.9	0.1	-0.5	0.0	0.6	-0.6	-0.8
2027		3.9	3.8	3.7	4.0	4.0	4.0	5.5	0.0	-0.1	0.0	0.3	-0.3	-1.0
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	8.0	7.2	0.4	-0.5	0.4	0.2	0.2	0.2
	II	5.8	7.0	4.0	5.9	5.5	7.3	7.2	0.5	-0.7	0.3	0.3	0.1	0.0
	III	5.6	7.0	3.2	5.8	5.6	6.4	7.7	0.7	-1.0	0.2	0.4	-0.3	-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

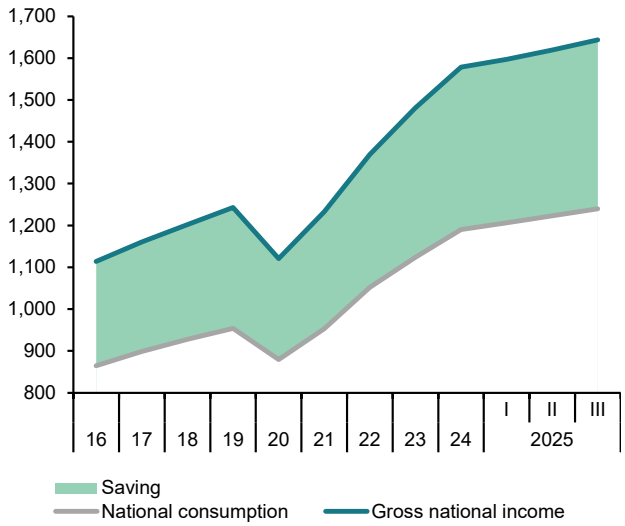


Chart 4.2 - National income, consumption and saving rate

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

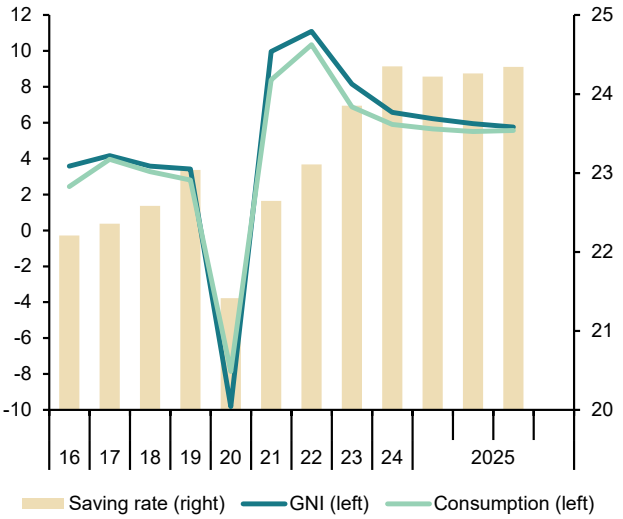


Chart 4.3 - Components of National Income

Percentage of GDP, 4-quarter moving averages

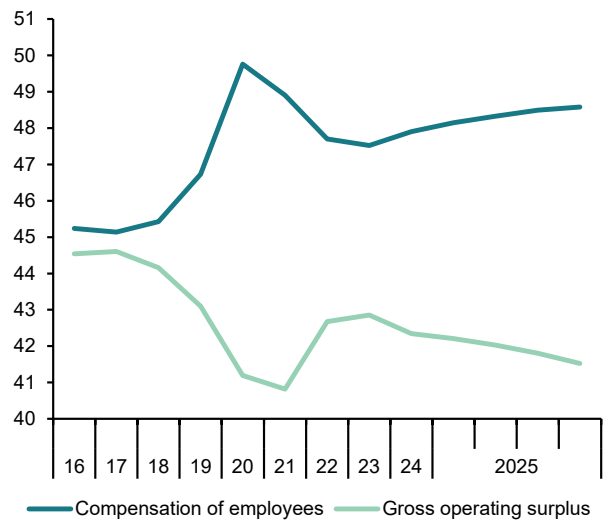


Chart 4.4 - Saving, Investment and Current Account Balance

Percentage of GDP, 4-quarter moving averages

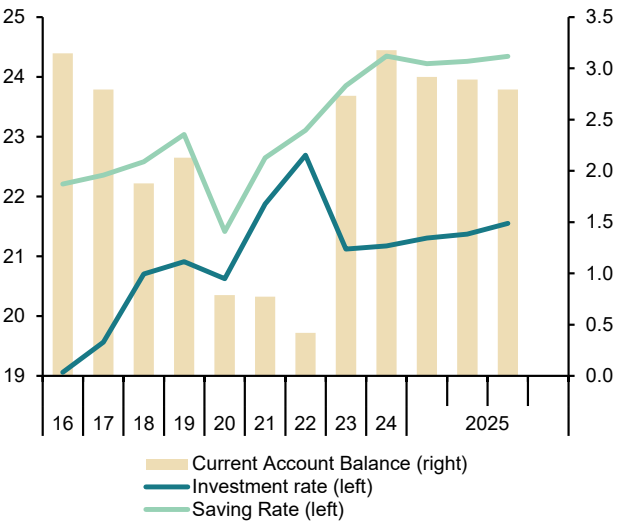


Table 5

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		1,069.2	938.2	128.8	79.1	12.0	4.7	2.8	336.8	239.1	229.2	14.2	13.6	1.3
2026		1,120.4	989.0	129.3	85.0	11.5	4.8	2.4	347.6	246.9	247.4	14.0	14.0	0.6
2027		1,159.6	1,030.6	127.0	89.1	11.0	4.8	2.0	361.2	259.1	263.1	14.1	14.3	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		5.8	6.3	0.0	9.3	-0.7	0.2	-1.1	3.3	5.3	7.5	-0.1	0.9	-0.3
2026		4.8	5.4	0.4	7.4	-0.5	0.1	-0.4	3.2	3.3	7.9	-0.2	0.4	-0.6
2027		3.5	4.2	-1.8	4.9	-0.6	0.0	-0.4	3.9	4.9	6.3	0.1	0.3	-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

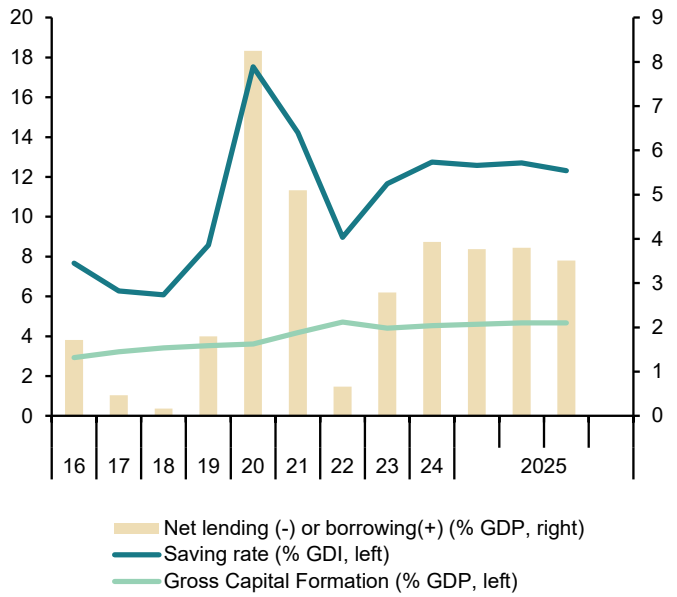


Chart 5.2 - Non-financial corporations: net lending or borrowing

Percentage of GDP, 4-quarter moving averages

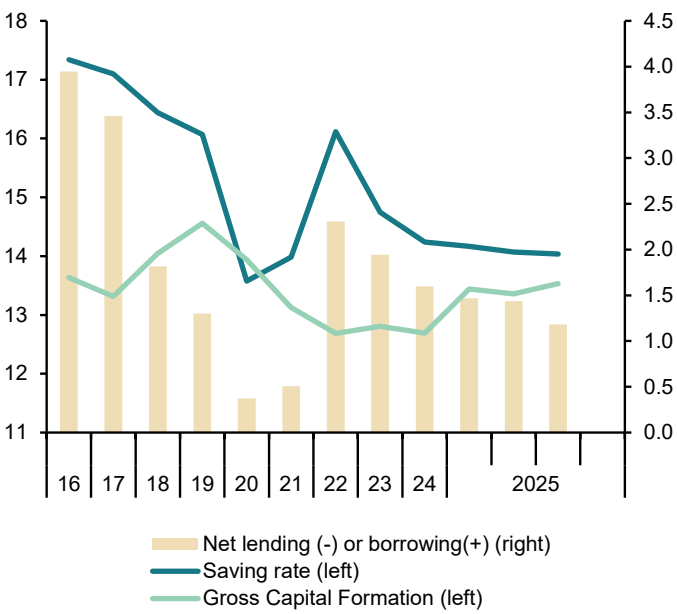


Table 6

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		195.0	215.6	224.3	91.1	726.0	179.0	96.6	40.5	330.9	67.2	54.5	768.8	-42.8
2026		208.0	224.6	235.7	94.3	762.6	185.4	103.0	42.8	346.8	70.5	55.5	804.0	-41.3
2027		218.0	233.5	245.2	83.2	779.9	191.5	108.3	44.9	361.2	72.6	42.5	821.0	-41.2
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		11.6	12.8	13.3	5.4	43.1	10.6	5.7	2.4	19.6	4.0	3.2	45.6	-2.5
2026		11.8	12.7	13.3	5.3	43.1	10.5	5.8	2.4	19.6	4.0	3.1	45.4	-2.3
2027		11.9	12.7	13.3	4.5	42.4	10.4	5.9	2.4	19.7	4.0	2.3	44.7	-2.2
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

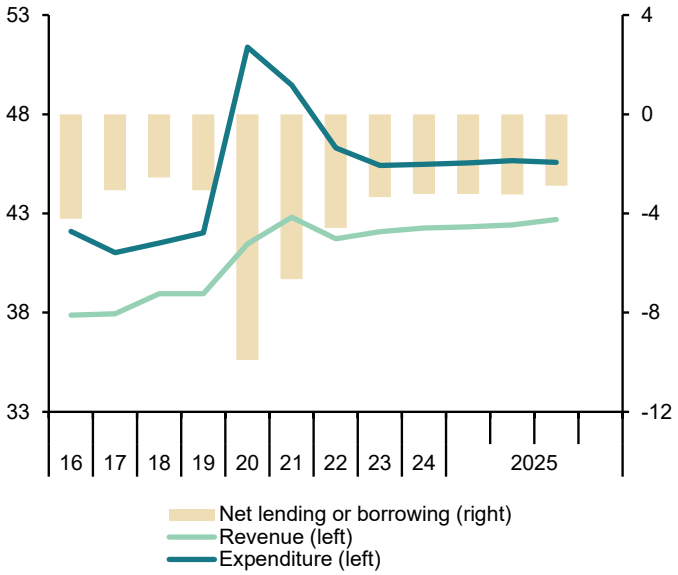


Chart 6.2 - Public sector: Main expenditures

Percentage of GDP

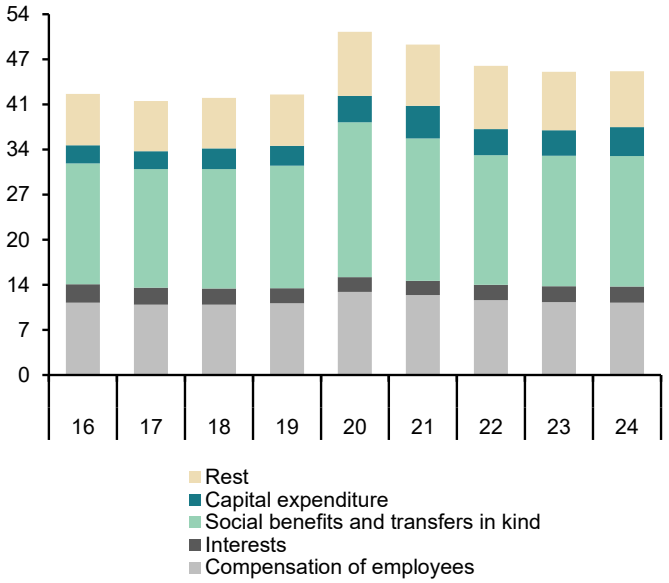


Table 7

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		--	--	--	--	-42.8	--	--	--	--	1,698.7
2026		--	--	--	--	-41.3	--	--	--	--	1,748.0
2027		--	--	--	--	-41.2	--	--	--	--	1,797.2
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		--	--	--	--	-2.5	--	--	--	--	100.8
2026		--	--	--	--	-2.3	--	--	--	--	98.8
2027		--	--	--	--	-2.2	--	--	--	--	97.8
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

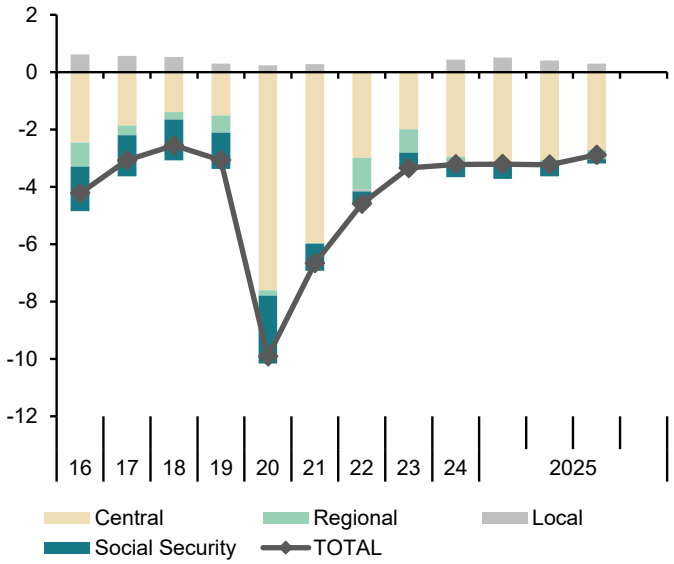


Chart 7.2 - Government debt

Percent of GDP

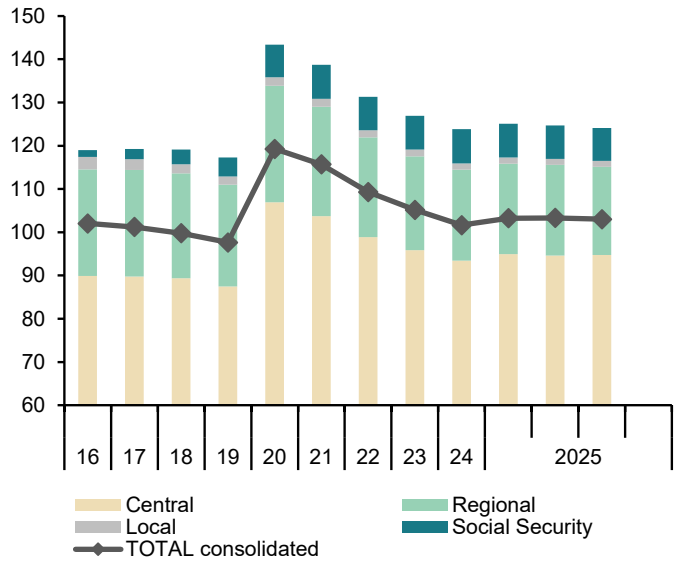


Table 8

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	18,788.1	21.5	99.4	2,250.9	53.3	-0.5	100.0	-0.2
2019	104.7	52.7	19,277.8	20.9	100.0	2,283.2	49.1	-3.6	100.0	-4.9
2020	89.0	41.5	18,881.3	19.9	90.7	2,239.3	47.5	-13.6	89.9	-30.1
2021	105.2	55.3	19,357.3	20.4	97.2	2,277.7	57.0	0.6	95.0	-1.7
2022	101.1	51.8	20,107.7	19.6	99.7	2,332.0	51.0	-0.9	97.7	1.6
2023	100.4	52.5	20,642.6	19.3	98.1	2,371.6	48.0	-6.5	95.7	-11.1
2024	103.1	54.8	21,147.9	19.6	98.5	2,410.7	52.2	-4.9	95.5	-9.7
2025	103.1	54.0	21,635.2	19.9	99.8	2,451.0	50.9	-4.8	96.3	-9.8
2026 (b)	106.2	52.2	21,622.1	23.4	95.2	2,458.6	49.6	-2.4	--	-8.8
2024 II	102.6	56.0	21,101.6	19.4	98.0	2,407.6	52.9	-5.5	95.1	-9.8
III	105.5	54.4	21,205.9	19.7	97.3	2,413.9	51.5	-2.9	95.1	-9.8
IV	102.2	55.0	21,323.1	19.8	98.6	2,424.4	53.6	-6.1	96.5	-10.3
2025 I	103.3	54.4	21,447.6	19.8	98.9	2,436.1	50.0	-5.0	97.1	-10.5
II	102.1	52.0	21,565.2	19.8	99.5	2,444.3	50.0	-5.4	96.7	-8.8
III	102.7	54.1	21,693.2	19.9	99.7	2,456.4	52.6	-5.0	96.4	-10.6
IV	104.4	55.6	21,834.0	20.2	100.3	2,467.4	51.1	-3.8	95.1	-9.3
2026 I (b)	106.2	52.2	21,907.8	20.2	98.6	2,475.0	49.6	-2.4	--	-8.8
2025 Dec	104.6	55.6	21,870.1	20.3	99.0	2,471.1	49.6	-3.5	94.5	-9.0
2026 Jan	106.2	52.9	21,889.6	20.4	98.6	2,473.6	49.2	-2.5	--	-7.8
Feb	106.2	51.5	21,925.9	20.1	--	2,476.4	50.0	-2.2	--	-9.9
Percentage changes (c)										
2018	--	--	3.1	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	1.7	--	--	5.7	--
2022	--	--	3.9	-3.8	2.5	2.4	--	--	2.8	--
2023	--	--	2.7	-1.2	-1.6	1.7	--	--	-2.0	--
2024	--	--	2.4	1.5	0.5	1.6	--	--	-0.2	--
2025	--	--	2.3	1.6	1.3	1.7	--	--	0.8	--
2026 (d)	--	--	2.3	2.3	-0.1	1.7	--	--	--	--
2024 II	--	--	0.7	-1.0	-1.5	0.4	--	--	0.3	--
III	--	--	0.5	1.5	-0.7	0.3	--	--	0.1	--
IV	--	--	0.6	0.2	1.3	0.4	--	--	1.5	--
2025 I	--	--	0.6	0.4	0.3	0.5	--	--	0.5	--
II	--	--	0.5	-0.2	0.6	0.3	--	--	-0.4	--
III	--	--	0.6	0.8	0.2	0.5	--	--	-0.3	--
IV	--	--	0.6	1.3	0.6	0.4	--	--	-1.3	--
2026 I (e)	--	--	0.3	0.2	-1.7	0.3	--	--	--	--
2025 Dec	--	--	0.2	-0.1	-2.4	0.2	--	--	-0.3	--
2026 Jan	--	--	0.1	0.2	-0.4	0.1	--	--	--	--
Feb	--	--	0.2	-1.3	--	0.1	--	--	--	--

(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

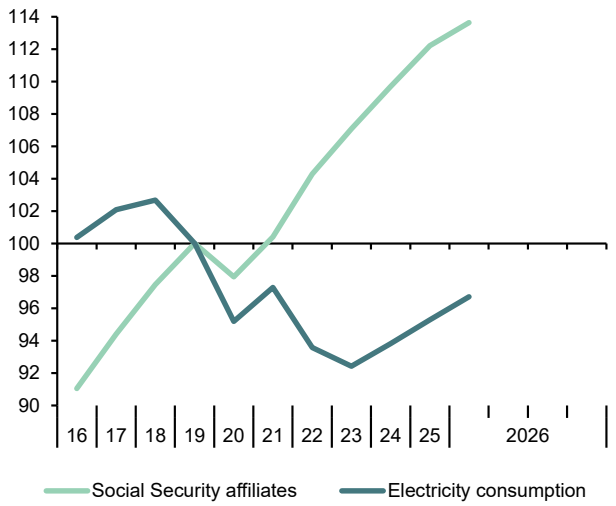


Chart 8.2 - General activity indicators (II)

Index

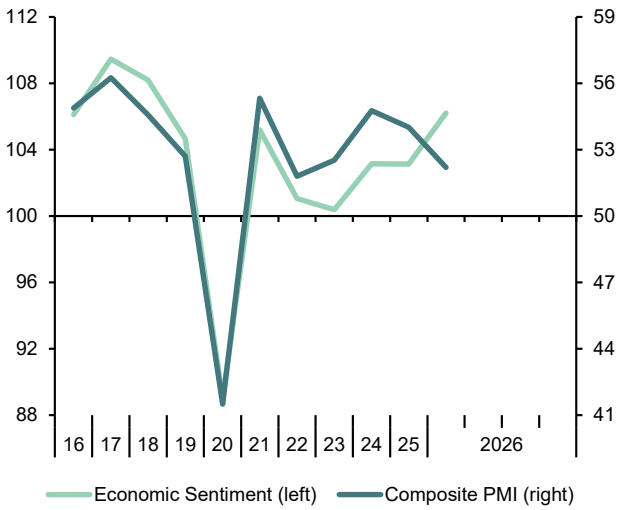


Chart 8.3 - Industrial sector indicators (I)

Level, 2019=100

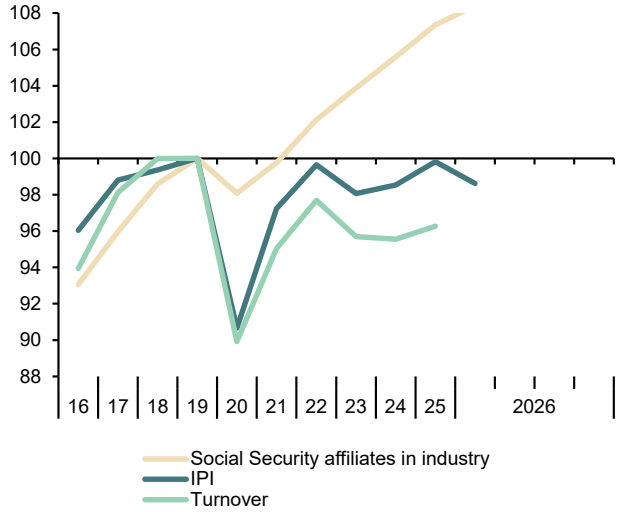


Chart 8.4 - Industrial sector indicators (II)

Index

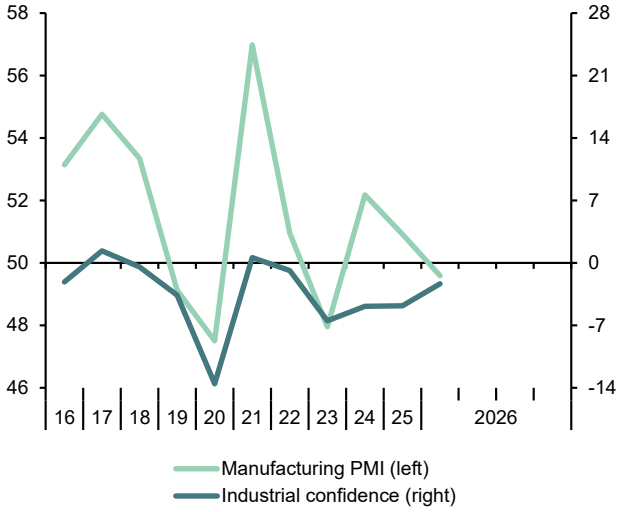


Table 9

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	14,204.9	97.3	54.8	28.3	21.9
2019		1,254.9	100.0	-7.7	100.0	8,855.5	14,602.8	100.0	53.9	28.6	23.1
2020		1,233.1	88.9	-17.5	77.1	7,127.9	14,290.1	83.4	40.3	7.7	6.3
2021		1,237.4	99.5	-1.9	119.8	9,026.5	14,726.0	95.4	55.0	14.4	9.9
2022		1,280.8	99.2	8.8	131.6	9,076.9	15,415.9	102.3	52.5	26.7	20.2
2023		1,329.6	95.5	8.7	126.8	9,123.6	15,889.3	103.7	53.6	28.9	23.5
2024		1,354.4	95.1	7.8	138.5	10,643.4	16,346.6	106.3	55.3	30.3	25.7
2025		1,396.3	98.1	16.0	151.8	11,584.7	16,761.2	110.0	54.5	30.6	26.7
2026 (b)		1,412.2	82.2	20.7	124.6	--	16,721.2	--	52.7	17.4	20.4
2024	II	1,351.1	93.0	8.8	128.6	10,999.0	16,304.9	106.4	56.6	30.3	25.6
	III	1,356.9	93.9	7.1	147.2	10,587.7	16,402.4	107.2	55.2	30.1	26.0
	IV	1,364.3	96.4	9.4	153.2	10,904.3	16,498.0	108.1	55.1	30.6	26.0
2025	I	1,375.8	96.9	13.5	150.7	12,034.0	16,604.7	109.6	55.3	30.3	26.3
	II	1,387.2	97.9	15.7	152.0	11,323.3	16,705.3	110.0	52.2	30.4	26.7
	III	1,403.4	96.7	14.5	132.3	10,085.0	16,808.4	110.9	54.2	30.6	26.9
	IV	1,418.9	98.1	20.5	172.1	12,896.3	16,925.3	111.5	56.4	31.1	27.1
2026	I (b)	1,424.8	95.1	20.7	124.6	--	16,982.4	--	52.7	31.5	27.0
2025	Dec	1,422.3	96.4	19.2	241.8	11,648.0	16,954.2	112.0	57.1	31.3	27.0
2026	Jan	1,424.1	95.1	26.3	124.6	--	16,968.3	--	53.5	31.5	27.0
	Feb	1,425.5	--	15.0	--	--	16,996.5	--	51.9	--	27.0
						Percentage changes (c)					
2018		6.7	3.1	--	28.0	24.7	3.1	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	-2.1	-16.6	--	-73.1	-72.7
2021		0.4	12.0	--	55.3	26.6	3.1	14.5	--	87.4	57.8
2022		3.5	-0.3	--	9.8	0.6	4.7	7.2	--	85.4	103.4
2023		3.8	-3.8	--	-3.7	0.5	3.1	1.3	--	8.2	16.3
2024		1.9	-0.4	--	9.3	16.7	2.9	2.5	--	4.8	9.3
2025		3.1	3.1	--	9.5	8.8	2.5	3.5	--	1.0	4.0
2026 (d)		3.7	-4.3	--	14.2	--	2.4	--	--	3.4	2.7
2024	II	0.4	-2.0	--	-9.6	22.2	0.8	0.8	--	0.7	1.7
	III	0.4	1.0	--	11.8	23.5	0.6	0.8	--	-0.7	1.2
	IV	0.5	2.6	--	28.8	15.8	0.6	0.8	--	1.6	0.3
2025	I	0.8	0.5	--	20.3	19.4	0.6	1.3	--	-0.9	1.1
	II	0.8	1.1	--	18.2	2.9	0.6	0.4	--	0.2	1.3
	III	1.2	-1.2	--	-10.1	-4.7	0.6	0.8	--	0.7	0.8
	IV	1.1	1.5	--	12.4	18.3	0.7	0.6	--	1.4	0.6
2026	I (e)	0.4	-3.1	--	14.2	--	0.3	--	--	1.4	-0.4
2025	Dec	0.1	-2.1	--	19.8	27.1	0.1	0.6	--	0.7	-0.2
2026	Jan	0.1	-1.4	--	14.2	--	0.1	--	--	0.7	-0.2
	Feb	0.1	--	--	--	--	0.2	--	--	--	0.0

(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. (h) Deflated by Funcas.

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

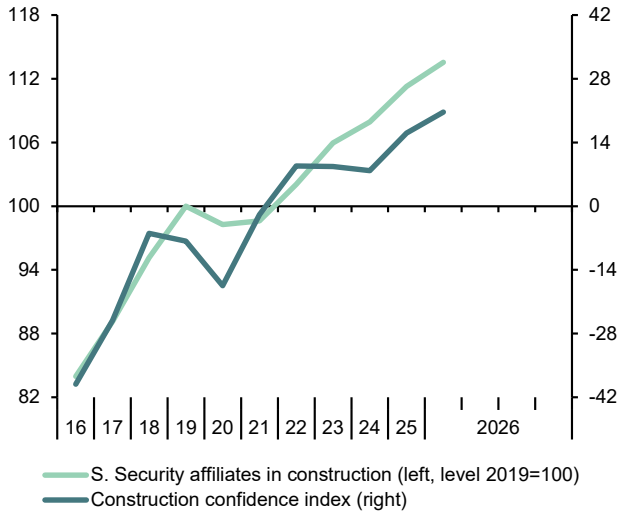


Chart 9.2 - Construction indicators (II)

Level, 2019=100

Chart 9.3 - Services indicators (I)

Level, 2019=100

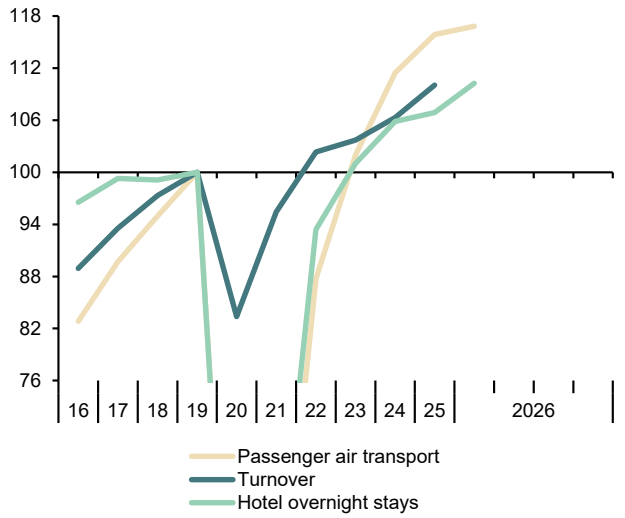


Chart 9.4 - Services indicators (II)

Index

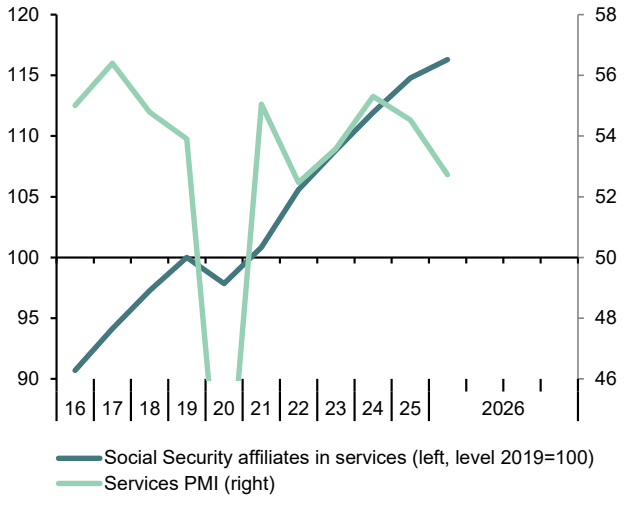


Table 10

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	114.3	21.3	-8.8	140.3	136.1
2026 (b)	107.1	85.2	5.8	-5.3	113.5	19.1	-7.5	--	120.2
2024 II	102.8	92.0	10.2	-10.8	106.5	18.2	10.1	122.3	122.8
III	104.3	91.8	10.1	-8.0	108.6	17.4	-0.7	127.7	119.9
IV	105.4	108.2	10.2	-14.0	109.3	19.8	1.1	133.3	127.3
2025 I	106.2	103.1	10.1	-10.2	112.6	19.6	-7.5	137.0	133.0
II	108.1	105.9	10.2	-8.8	114.3	20.0	-5.0	139.5	137.1
III	109.0	108.8	10.2	-8.6	115.1	20.7	-10.4	141.7	134.9
IV	109.8	121.2	10.2	-7.5	116.6	21.3	-12.6	144.9	137.3
2026 I (b)	109.7	104.1	10.2	-5.3	117.8	20.9	-7.5	--	132.5
2025 Dec	109.5	107.1	10.3	-6.8	116.2	21.7	-11.3	145.9	137.3
2026 Jan	109.7	104.1	10.2	-4.6	117.8	20.9	-6.0	--	132.5
Feb	--	--	--	-6.1	--	--	-9.1	--	--
Percentage changes (c)									
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	4.3	15.3	-0.2	--	6.1	8.4	--	10.4	10.4
2026 (d)	3.6	2.3	2.5	--	5.0	6.0	--	--	2.2
2024 II	0.2	3.2	0.1	--	3.0	-5.9	--	9.3	10.0
III	1.5	-0.2	-0.7	--	8.3	-4.5	--	18.8	-9.2
IV	1.0	17.9	1.0	--	2.8	14.0	--	18.5	27.2
2025 I	0.8	-4.7	-0.8	--	12.6	-1.1	--	11.8	19.1
II	1.8	2.7	0.3	--	6.1	2.1	--	7.3	13.0
III	0.8	2.7	0.3	--	2.9	3.5	--	6.6	-6.3
IV	0.8	11.4	0.0	--	5.1	2.8	--	9.2	7.3
2026 I (e)	-0.1	-14.1	0.4	--	4.4	-1.7	--	--	-13.5
2025 Nov	1.0	-13.1	0.5	--	1.9	-3.8	--	0.7	1.3
Dec	-0.9	-10.2	0.7	--	-1.4	4.6	--	0.7	-0.7
2026 Jan	0.1	-2.8	-0.2	--	1.4	-3.3	--	--	-3.5

(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

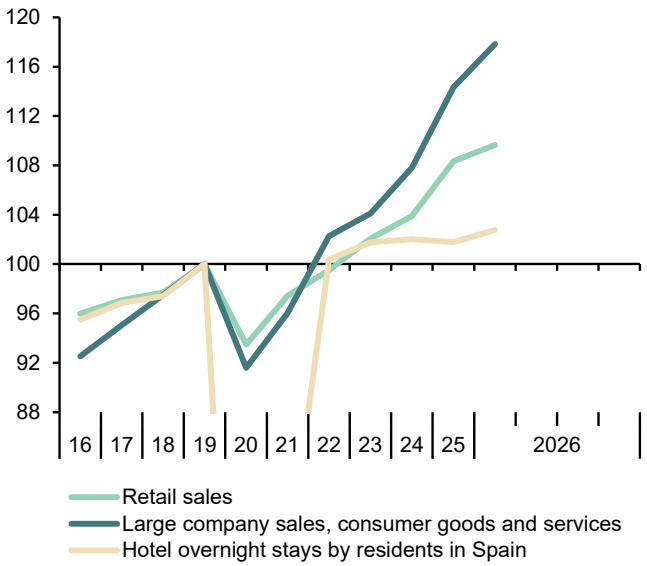


Chart 10.2 - Investment indicators

Level, 2019=100 and balance of responses

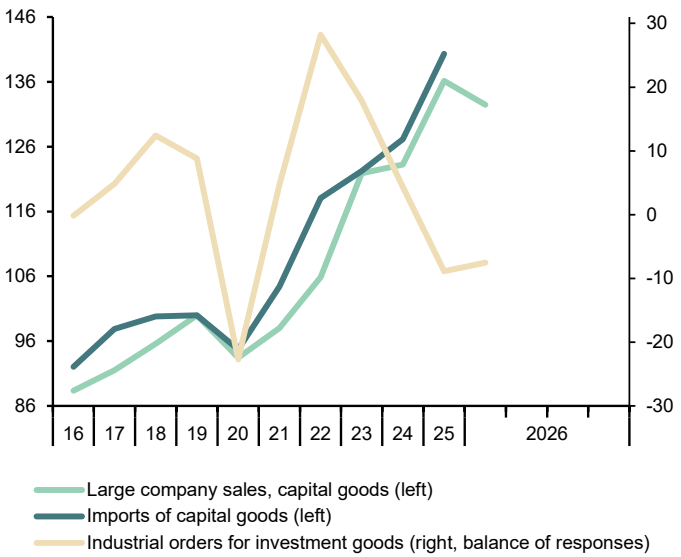


Table 11a

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	
		I	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	25.0	--	22.6	--	2.4	--	--	--	9.6	--	--	--
2027		42.7	25.1	--	22.8	--	2.3	--	--	--	9.2	--	--	--
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. (c) Unemployed in each group over labour force in that group. (d) Annual percentage changes for original data; quarterly percentage changes for S.A. data.

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

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

Thousands and percentage of active population

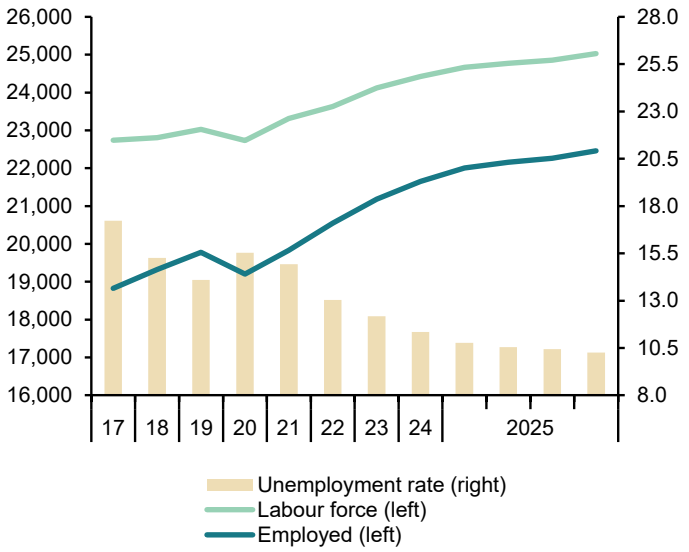


Chart 11a.2 - Unemployment rates

Percentage

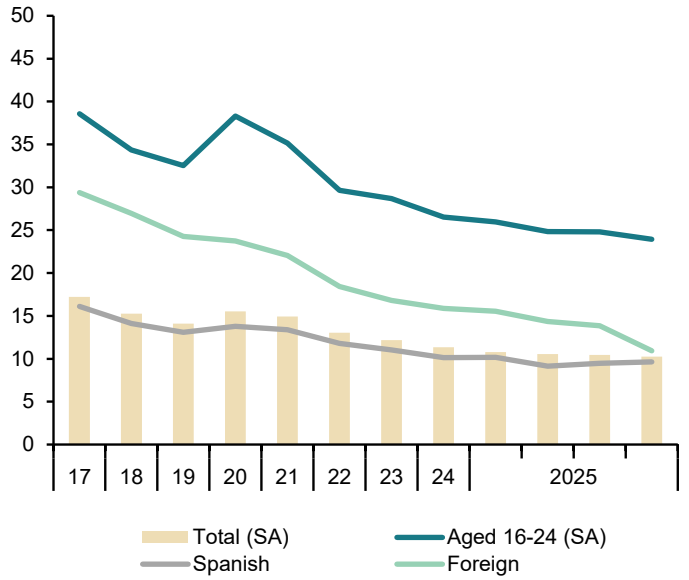


Table 11b

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
	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 (c)	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 (d)	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

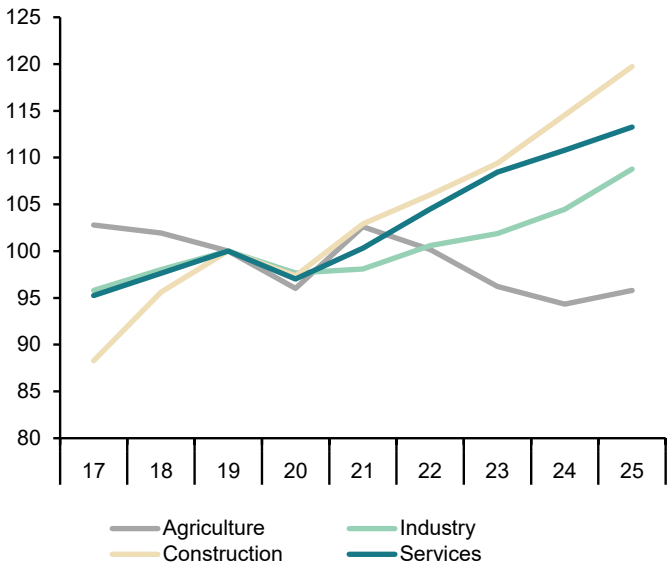


Chart 11b.2 - Temporary employment rate

Percentage over total employees

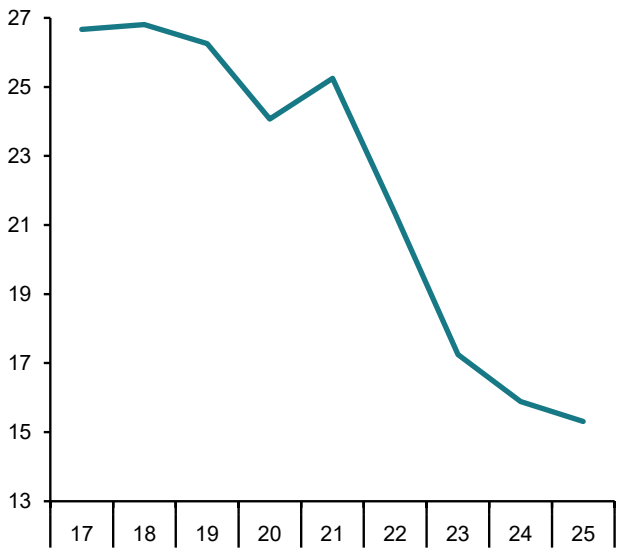


Table 12

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 2025		100.00	70.15	84.82	19.84	50.31	14.67	6.25	8.93	20.92
Indexes. 2021 = 100										
2019		82.2	86.7	83.9	90.1	85.5	74.7	70.9	81.6	73.6
2020		81.9	87.2	84.5	90.3	86.2	75.7	73.5	73.8	75.1
2021		84.4	87.7	85.2	90.9	86.7	76.7	75.3	89.4	76.4
2022		91.5	90.9	89.5	94.7	89.6	84.8	83.5	114.4	84.6
2023		94.8	94.9	95.0	98.7	93.4	95.1	91.2	95.8	94.0
2024		97.4	97.5	97.7	99.4	96.7	98.6	94.3	96.7	97.4
2025		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2026		103.6	102.5	102.5	100.8	103.1	102.6	105.6	113.3	103.5
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		3.6	2.5	2.5	0.8	3.1	2.6	5.6	13.3	3.5
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	2.8	2.6	0.6	3.6	2.1	6.1	-2.5	3.2
	Feb	2.3	2.9	2.7	1.0	3.5	2.3	6.5	-3.1	3.5
	Mar	3.6	2.8	2.6	1.0	3.4	2.5	5.7	11.0	3.4
	Apr	4.3	2.4	2.4	0.9	2.9	2.7	4.8	22.1	3.3
	May	4.6	2.7	2.6	0.9	3.3	2.5	4.2	24.1	3.0
	Jun	4.2	2.6	2.6	0.8	3.2	2.5	3.8	20.4	2.9
	Jul	4.0	2.6	2.5	1.0	3.1	2.7	4.2	17.6	3.1
	Aug	4.0	2.5	2.5	1.0	2.9	2.7	6.6	16.2	3.8
	Sep	3.9	2.5	2.5	0.9	2.9	2.9	6.9	15.3	4.0
	Oct	3.7	2.3	2.3	0.7	2.8	2.8	6.6	14.7	3.9
	Nov	3.4	2.2	2.2	0.6	2.8	2.6	5.9	13.2	3.6
	Dec	3.4	2.2	2.2	0.7	2.7	2.6	5.9	12.7	3.6

Source: INE and Funcas (Forecasts).

Chart 12.1 - Inflation rate (I)

Annual percentage changes

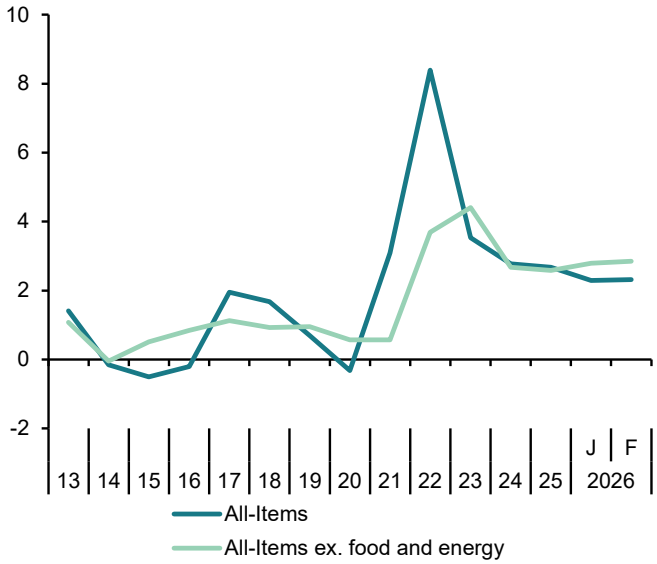


Chart 12.2 - Inflation rate (II)

Annual percentage changes

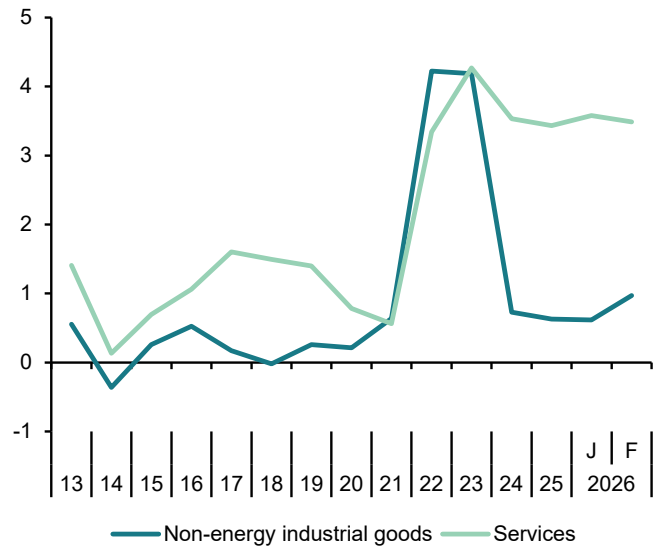


Table 13

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				
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	107.9	--
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		122.1	140.9	126.2	144.4	129.6	107.9	122.3	121.5	124.6	123.0	--
2026 (b)		--	141.3	127.1	--	--	--	--	--	--	--	--
2024	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	124.7	--
	IV	124.6	140.5	126.3	149.9	135.9	--	128.5	129.4	125.9	130.3	--
2026	I (b)	--	141.3	127.1	--	--	--	--	--	--	--	--
2025	Nov	--	140.1	126.4	--	--	--	--	--	--	--	--
	Dec	--	140.6	126.4	--	--	--	--	--	--	--	--
2026	Jan	--	141.3	127.1	--	--	--	--	--	--	--	--
						Annual percent changes (c)						
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		2.9	0.9	-0.1	12.7	11.2	3.7	3.4	3.2	3.9	3.6	3.5
2026 (d)		--	-2.9	0.8	--	--	--	--	--	--	--	2.9
2024	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	2.5	3.5
	IV	3.8	-1.6	0.4	12.9	13.1	--	3.8	3.6	4.3	4.2	3.5
2026	I (e)	--	-2.3	0.6	--	--	--	--	--	--	--	2.9
2025	Dec	--	-3.0	0.8	--	--	--	--	--	--	--	3.5
2026	Jan	--	-2.9	0.8	--	--	--	--	--	--	--	2.9
	Feb	--	--	--	--	--	--	--	--	--	--	2.9

(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

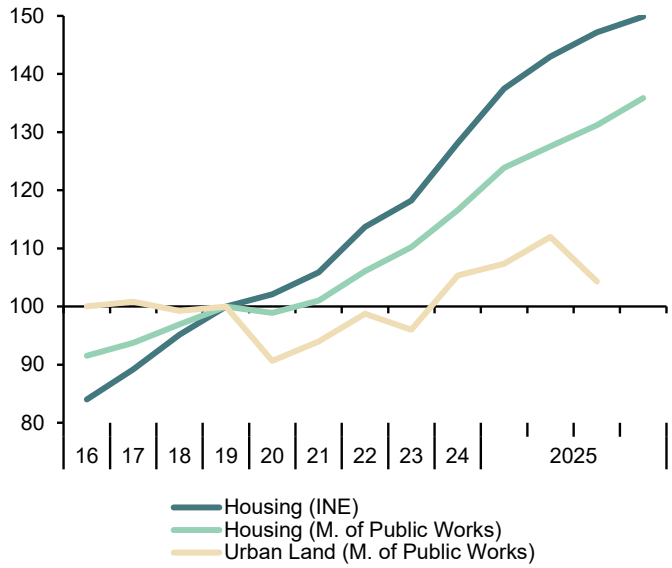


Chart 13.2 - Wage costs

Annual percent change

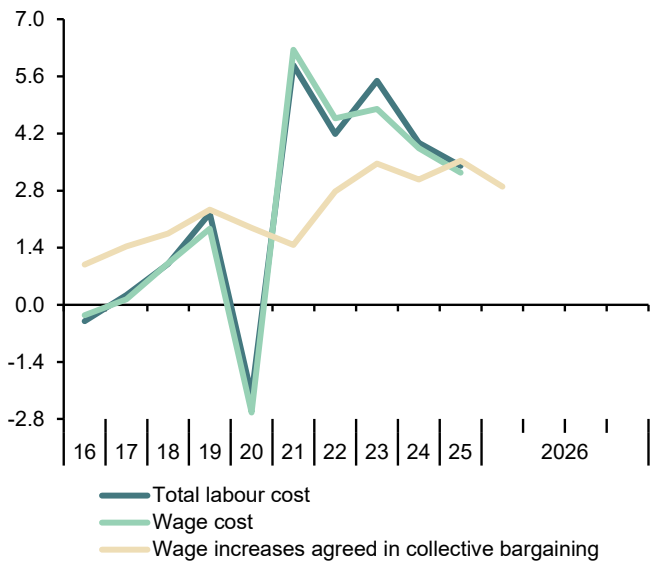


Table 14

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				
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		132.6	135.0	98.2	131.5	131.5	100.0	19.8	12.2	-3.4	-0.6	2.5
2025(b)		133.3	134.6	99.0	137.8	124.5	110.7	19.9	12.3	-4.8	-2.1	1.6
2024	I	131.8	133.1	99.0	128.7	132.6	97.1	19.8	12.0	-2.8	-0.1	2.5
	II	133.3	135.8	98.2	131.5	132.7	99.1	19.9	12.3	-3.1	-0.3	2.9
	III	133.3	135.1	98.7	131.1	130.8	100.2	20.1	12.1	-3.0	-0.4	2.9
	IV	131.8	136.0	97.0	134.7	129.9	103.7	19.4	12.4	-4.3	-1.3	1.9
2025	I	133.8	135.5	98.8	139.4	128.8	108.2	19.8	12.5	-5.1	-2.1	-2.1
	II	134.7	135.3	99.5	135.9	122.4	111.0	19.8	12.7	-4.0	-1.5	-1.7
	III	131.6	133.8	98.3	136.5	123.5	110.5	20.0	11.8	-4.9	-2.2	-1.8
	IV	133.3	134.3	99.2	139.3	123.2	113.1	19.9	12.3	-5.2	-2.9	-1.1
2025	Oct	137.1	134.2	102.2	139.9	123.5	113.2	20.9	12.2	-4.5	-2.4	1.3
	Nov	132.0	133.3	99.0	141.4	125.6	112.5	18.6	13.2	-6.1	-4.0	0.7
	Dec	130.8	135.6	96.5	136.6	120.5	113.4	20.1	11.5	-5.1	-2.4	1.4
		Percentage changes (c)								Percentage of GDP		
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)		0.7	-0.2	0.9	4.6	-5.3	10.5	0.6	0.9	-3.4	-1.5	1.2
2024	I	0.4	0.7	-0.3	-2.2	-0.5	-1.8	-0.4	1.8	-2.1	-0.1	1.9
	II	1.2	2.0	-0.8	2.1	0.1	2.0	0.7	1.9	-2.4	-0.3	2.2
	III	0.0	-0.5	0.5	-0.3	-1.4	1.1	0.8	-1.3	-2.3	-0.3	2.2
	IV	-1.1	0.6	-1.7	2.8	-0.8	3.5	-3.4	2.8	-3.2	-1.0	1.4
2025	I	1.5	-0.4	1.9	3.5	-0.8	4.3	2.2	0.4	-3.7	-1.5	-1.5
	II	0.7	-0.1	0.8	-2.6	-5.0	2.6	-0.1	2.0	-2.9	-1.1	-1.2
	III	-2.3	-1.1	-1.2	0.4	0.9	-0.5	1.1	-7.7	-3.5	-1.6	-1.3
	IV	1.3	0.4	0.9	2.0	-0.3	2.3	-0.6	4.7	-3.6	-2.0	-0.8
2025	Oct	4.2	1.3	2.8	1.5	0.9	0.5	-0.2	12.7	--	--	--
	Nov	-3.7	-0.6	-3.1	1.1	1.7	-0.6	-10.9	8.8	--	--	--
	Dec	-0.9	1.7	-2.6	-3.4	-4.1	0.8	7.8	-13.2	--	--	--

(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. (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

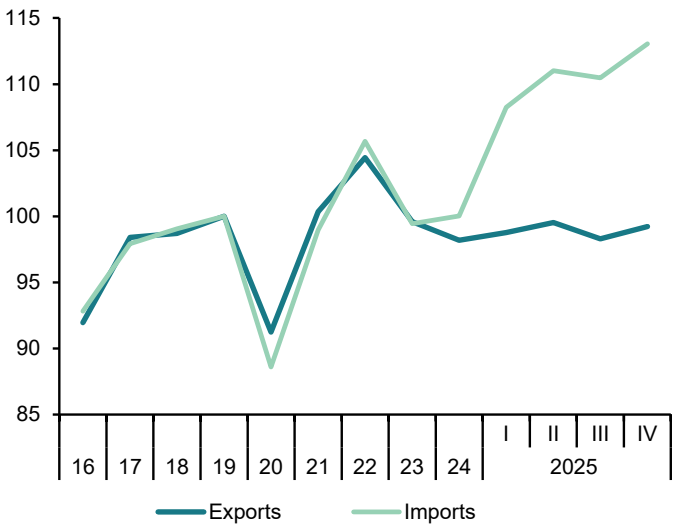
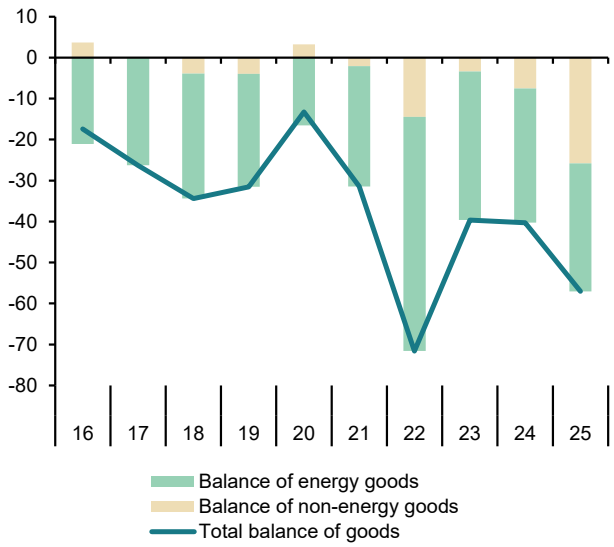


Chart 14.2 - Trade balance

EUR Billions, moving sum of 12 months



(*) Period with available data.

Table 15

Balance of Payments (according to IMF manual)

(Net transactions)

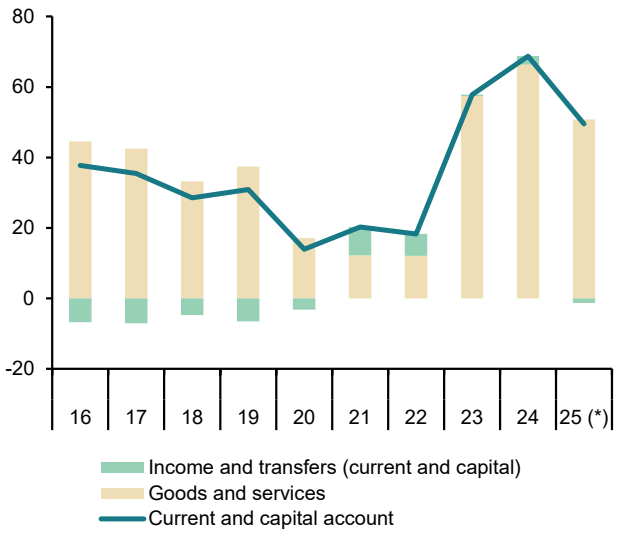
		Current account					Capital account	Current and capital accounts	Financial account						Errors and omissions
									Financial account. excluding Bank of Spain					Bank of Spain	
		Total	Goods	Services	Primary Income	Secondary Income			Total	Direct investment	Porfolio investment	Other investment	Financial 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															
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	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
	Nov	0.21	2.36		-2.16		1.57	1.78	-3.61	1.78	-11.46	5.18	0.89	-0.72	-6.10
	Dec	1.80	1.93		-0.13		5.22	7.02	39.66	2.74	16.70	19.38	0.84	-26.30	6.34
Percentage of GDP															
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

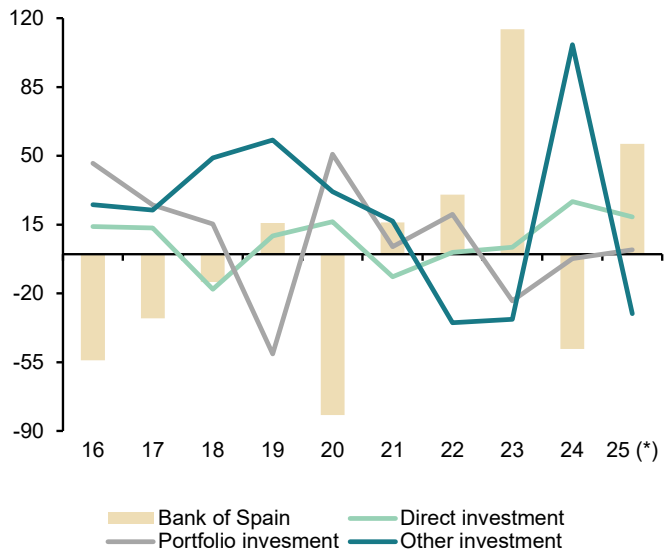
EUR Billions, 12-month cumulated



(*) 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
2018		100.9	94.9	106.3	103.5	103.6	99.9	90.6	93.4	97.0	110.5
2019		99.2	93.5	106.1	104.3	104.8	99.5	90.3	93.8	96.3	109.0
2020		102.6	87.9	116.8	103.9	105.1	98.9	87.1	91.4	95.3	108.3
2021		104.9	93.2	112.6	107.0	107.8	99.3	100.0	100.0	100.0	107.7
2022		103.6	94.6	109.6	115.9	116.8	99.3	129.7	126.0	102.9	106.7
2023		102.6	95.4	107.5	119.9	123.2	97.3	125.6	124.6	100.8	105.7
2024		102.7	97.8	105.0	123.3	126.1	97.8	122.5	121.1	101.2	105.9
2025		103.5	95.4	108.5	126.6	128.9	98.3	123.5	121.1	101.9	106.9
2026 (b)		--	--	--	127.3	128.9	98.7	123.9	121.4	102.1	108.1
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	127.5	98.0	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	129.4	98.1	123.2	120.3	102.4	107.1
	IV	--	--	--	128.0	129.6	98.7	123.0	120.6	102.0	108.0
2025	Nov	--	--	--	127.9	129.4	98.8	122.7	120.9	101.5	108.1
	Dec	--	--	--	128.3	129.7	98.9	123.0	120.5	102.1	108.4
	Jan	--	--	--	127.3	128.9	98.7	123.9	121.4	102.1	108.1
		Annual percentage changes					Differential	Annual percentage changes		Differential	Annual percentage changes
2018		-0.9	-3.0	2.2	1.7	1.7	0.0	2.4	2.6	-0.2	0.8
2019		-1.6	-1.4	-0.2	0.8	1.2	-0.4	-0.3	0.4	-0.7	-1.3
2020		3.4	-6.1	10.1	-0.3	0.3	-0.6	-3.6	-2.6	-1.0	-0.6
2021		2.2	6.0	-3.6	3.0	2.6	0.4	14.9	9.4	4.9	-0.6
2022		-1.2	1.5	-2.7	8.3	8.4	-0.1	29.7	26.0	2.9	-0.9
2023		-1.0	0.9	-1.9	3.4	5.4	-2.0	-3.1	-1.1	-2.0	-1.0
2024		0.1	2.5	-2.4	2.9	2.4	0.5	-2.5	-2.8	0.3	0.2
2025		0.8	-2.5	3.4	2.7	2.2	0.5	0.8	0.1	0.7	0.9
2026 (c)		--	--	--	2.4	1.7	0.7	-2.3	-1.9	-0.4	1.3
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	2.4	0.3	4.1	2.0	2.1	-0.3
	II	--	--	--	2.2	2.1	0.1	0.8	0.1	0.7	0.2
	III	--	--	--	2.8	2.2	0.6	-0.2	-0.4	0.2	1.4
	IV	--	--	--	3.1	2.1	1.0	-1.4	-1.3	-0.1	2.5
2025	Nov	--	--	--	3.2	2.2	1.0	-2.2	-1.3	-0.9	2.4
	Dec	--	--	--	3.0	2.0	1.0	-2.5	-2.0	-0.5	2.8
	Jan	--	--	--	2.4	1.7	0.7	-2.3	-1.9	-0.4	2.5

(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

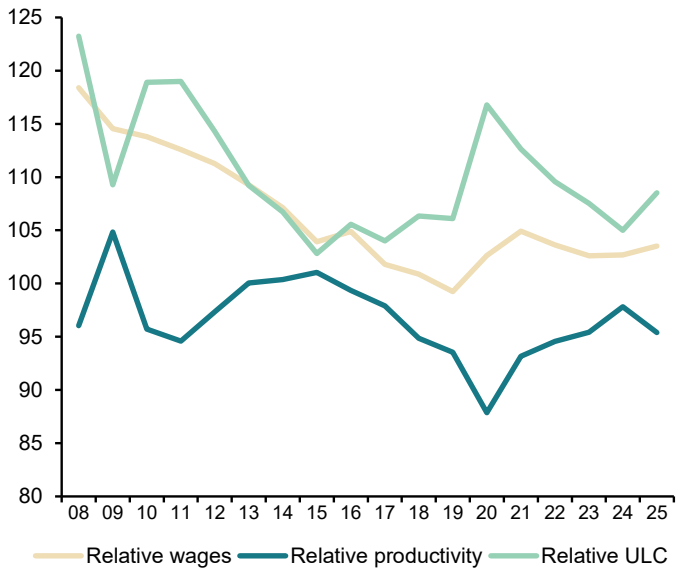


Chart 16.2 - Harmonized Consumer Prices

Annual growth in % and percentage points

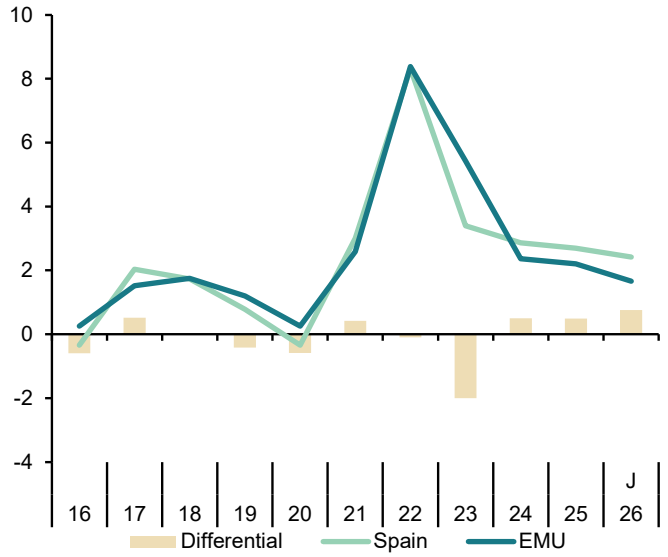


Table 17a

Imbalances: International comparison (I)

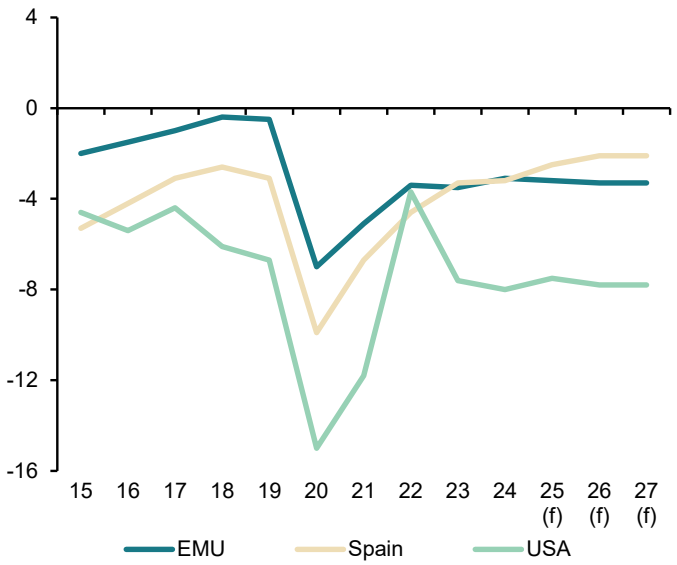
(In yellow: European Commission Forecasts)

	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

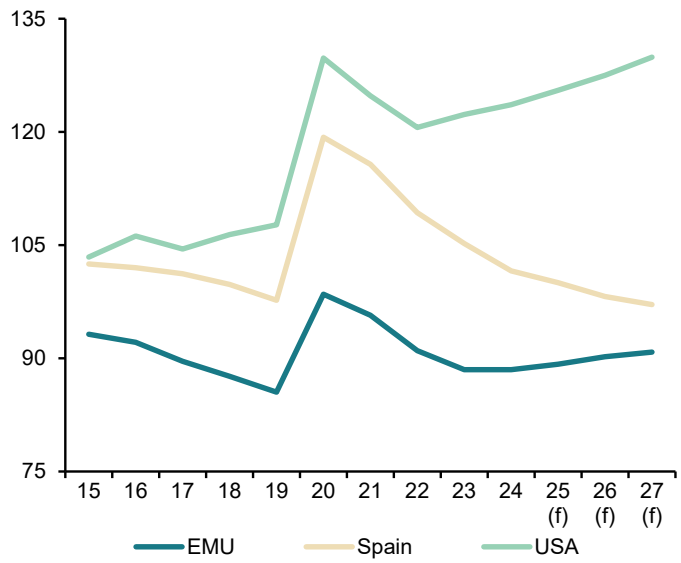
Percentage of GDP



(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

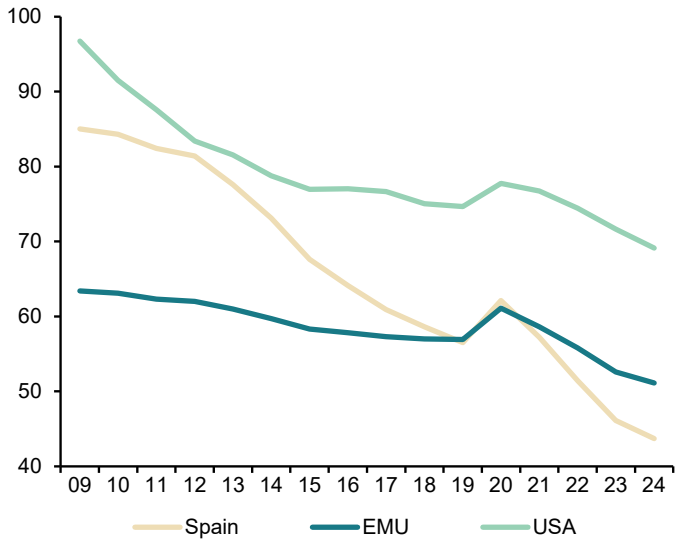
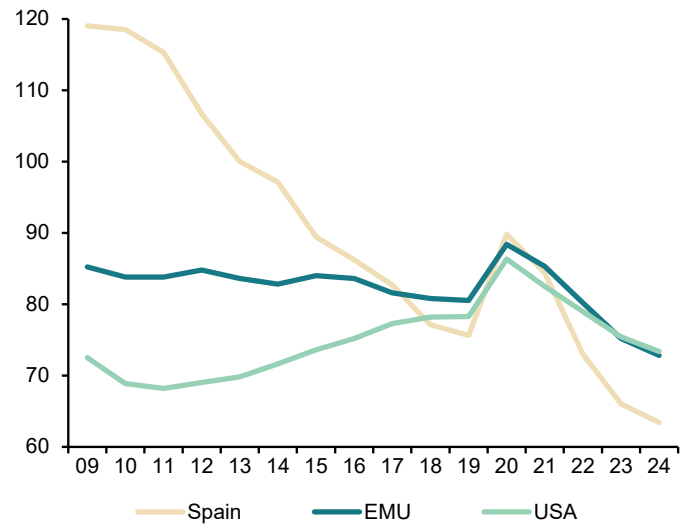


Chart 17b.2 - Non-financial corporations consolidated debt

Percentage of GDP



50 Financial System Indicators

Updated: March 15th, 2026

Highlights		
Indicator	Last value available	Corresponding to:
1-year Euribor interest rate	2.350	March 15, 2026
Bank lending to other resident sectors (monthly average % var.)	-0.4	December 2025
Other resident sectors' deposits in credit institutions (monthly average % var.)	2.0	December 2025
Doubtful loans (monthly % var.)	-2.1	December 2025
Recourse to the Eurosystem L/T (Eurozone financial institutions. million euros)	11,650	February 2026
Recourse to the Eurosystem L/T (Spanish financial institutions. million euros)	1	February 2026
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 2001-2023	2024	2025	2026 February	2026 March 15	Definition and calculation
1. Monetary Supply (% chg.)	ECB	5.3	3.4	3.3	–	–	Change in M3 aggregate (seasonally adjusted)
2. Three-month interbank interest rate	BE	1.4	3.572	2.177	2.011	2.078	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	1.6	3.274	2.202	2.221	2.350	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	1.2	3.645	2.2	1.931	1.933	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	3.2	3.0	3.2	3.2	3.4	Market interest rates (not exclusively between account holders)
6. US dollar (USD)/euro (EUR) exchange rate	BE	1.205	1.082	1.130	1.182	1.161	Official exchange rates US dollar (USD) / Euro (EUR)

Comment "Money and interest rates": At its last meeting on 5 February, the European Central Bank decided to keep the three official interest rates unchanged. This is the fifth pause after several consecutive cuts (up to eight). However, expectations of possible rate hikes due to an inflation rebound linked to the Middle East conflict have led interest rates to increase slightly in the first half of March. In the first half of March, the monthly average of the 12-month Euribor (the main reference for mortgages) rose slightly to 2.350% from an average of 2.221% in February. The 3-month benchmark increased slightly from 2.011% in February to 2.078% in mid-March. The yield on 10-year government bonds rose to 3.4% in mid-March from 3.2% in February (provisional data as of March 15, 2026). Meanwhile, in the first half of March, the average dollar/euro exchange rate depreciated slightly, falling to 1.161 from 1.182 in February.

B. Financial Markets

Indicator	Based on data from:	Average 2001-2022	2023	2024	2025 December	2026 January	Definition and calculation
7. Trading ratio in simple spot transactions with Treasury bills	BE	34.9	26.91	18.1	9.47	–	(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	1.52	–	(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	1.99	1.98	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	-	–	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	5.85	1.85	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	-4.55	-2.05	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	1,808.10 (b)	1,682.00 (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	18,360.80 (b)	17,059.30 (a)	Based on Dec 1989=3000
15. Nasdaq	NASDAQ	4,754.6	12,970.61	19,310.79	22,668.21(b)	22,105.36 (a)	NASDAQ composite index
16. PER ratio (price/ earnings ratio) Madrid Stock Exchange	BE and Madrid Stock Exchange	15.6	27.5	14.4	16.80 (b)	15.15 (a)	Price/earnings ratio on the IBEX-35
17. CBOE Volatility Index (VIX)	VIX	20.05	12.45	17.35	19.86 (b)	27.19 (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 December	20265 January	Definition and calculation
18. Bitcoin price (₿) in dollars ($)	Coinmarket. cap	15,142.47	42,265.19	93,429.20	63,767.03 (b)	70,642.62 (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	-20.33	2.19	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	0.10	2.41	IBEX-35 shares concluded transactions
21. Transactions carried out with IBEX-35 financial futures (% change)	BE	0.3	34.5	-3.5	-4.04	7.14	IBEX-35 shares concluded transactions
22. Transactions carried out with financial options on IBEX-35 shares (% change)	BE	16.0	41.8	4.2	899.91	-63.96	Transactions carried out on IBEX-35 shares

(a) Latest data as of March 15, 2026 (b) February 28, 2026.

Comment "Financial markets": In the first half of March, geopolitical instability due to the Middle East conflict has led Spanish stock market indices to experience declines compared to their closing values at the end of February. The IBEX-35 has lost more than 1,000 points, standing at 17,059.30 points in the first half of March. The Madrid Stock Exchange General Index stands at 1,682 points. Meanwhile, in December (latest data available), there was a decrease in the ratio of simple spot transactions with Treasury bills (to 9.47%). The trading ratio for simple transactions with government bonds decreased compared to the previous month (to 1.52%). In January (latest data available), transactions with IBEX-35 stock futures increased by 7.14%, while financial options on this same index decreased by 63.96% 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 November	2025 December	Definition and calculation
29. Bank credit to other resident sectors (% average monthly change)	BE	4.9	-0.2	0.09	1.2	-0.4	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	1.5	2.0	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	0.9	2.1	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	0.5	1.0	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	6.1	5.5	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	-1.0	-2.1	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	4.3	-0.7	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	0.01	1.8	Percentage change in net equity of the sum of banks, savings banks, and credit unions

Commentary "Deposit institutions. Business performance": In December, the latest data available, there was a 0.4% decrease in lending to the private sector. Deposits increased by 2.0%. Fixed-income securities increased their weight in the balance sheet by 2.1%, and shares and participations increased by 1.0%. Likewise, in December (latest data available), there was a 2.1% 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	11,650 (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	1 (b)	Open market operations: main long-term operations. Total Spain

(a): December 2024.

(b): Latest data as of February 28, 2026.

Comment "Deposit institutions. Market structure and Eurosystem financing": In February 2026, Spanish financial institutions' net recourse to the Eurosystem's long-term programs stood at €11,650 million.

MEMO-ITEM: Since January 2015, the European Central Bank has also been reporting on the amount of the various asset purchase programs. In February 2026, their value in Spain was €487,998 million and €3.6 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	19.3	32.2		
2026 **	49,570,725		18.6					27.4	47.5	14.6	20.2			
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.*

*** Provisional data.*

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	19,760	2.48				43.5
Sources	EPA	EPA	EPF	EPF	EPF	EPA

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			
2025		12.8			
Sources	MU	MEFPD	MEFPD	OECD	OECD

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	30.8	19.5	16.3	8.4
2025				7.6
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	864,169	916,498	167,868	292,951
2026*			1,053,843	1,253	6,666,863	1,564	2,348,590	972	946,414	924,047	165,596	297,582
Sources	MTES	Eurostat	MTES	MTES	MTES	MTES	MTES	MTES	MTES	MTES	MTES	MTES

MTES: Ministerio de Trabajo y Economía Social.

** January data, but for non-contributory pensions (January-February).*

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
2024		2.5	27.2	0.79	0.76			83.2	105	17.8	126
2025								81.4	96	17.4	119
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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