

Fiscal sustainability in Spain and Europe: Navigating a new landscape

WHAT MATTERS

Spain's fiscal policy after three years of budget rollovers

Spain's fiscal consolidation: Falling short of its economic momentum

Spain's expenditure overshoot raises adjustment pressures for 2027

Defence spending and debt sustainability: The euro area's fiscal rules post 2024

Financing a federal Europe: A roadmap for a European treasury

Scaling up: Lessons from **Spain's fastest-growing medium-sized firms**

European banks and cyber risk: How AI is changing the equation

The supervisory review and evaluation process (SREP) over a decade on: Consolidation, integration and simplification

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SEFO

SPANISH AND INTERNATIONAL
ECONOMIC & FINANCIAL OUTLOOK

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Letter from the Editors

Fiscal sustainability has moved back to the centre of the European economic policy debate. The return of binding fiscal rules comes at a time when governments face rising demands on public resources—from defence and the green and digital transitions to ageing, infrastructure and climate-related risks—while debt levels and financing costs continue to constrain fiscal space. For Spain, these pressures are compounded by a prolonged period of budget roll-overs and expenditure growth that has tested the adjustment path agreed under the new EU framework.

Against this backdrop, the September issue of *Spanish and International Economic & Financial Outlook (SEFO)* examines the choices confronting Spain and Europe as they seek to reconcile new spending priorities with fiscal sustainability. The issue begins with Spain's economic and budgetary outlook, before examining the country's fiscal consolidation and expenditure trajectory. It then broadens to the European fiscal framework and the debate over the appropriate scale and design of common fiscal capacity, before turning to the corporate and financial-sector challenges shaping the wider economic environment.

We begin with an assessment of Spain's fiscal policy after three years of budget roll-overs. The Spanish Congress has not

approved a new budget since 2023, which means that the same accounts have been extended in nominal terms for the past three years. However, allocation adjustments, supplementary appropriations, and credit injections have made it possible to increase actual expenditure far above what the rollover implies. Central government and Social Security spending now run 14% and 20% above their initial budgeted levels, respectively, a gap worth 78 billion euros. Moreover, regional governments, unaffected by the freeze, have kept expanding their own budgets, compounding the divergence between formal budgetary limits and actual fiscal behaviour. Revenue has grown even faster than spending, up close to 24% across all levels of government, driven by economic growth and the decision not to index personal income tax schedules on inflation. Yet, spending increases have outpaced this windfall enough to leave fiscal policy broadly expansionary. Adjustments have also skewed budgetary priorities, favouring defence, industry, and economic affairs, while education and housing lag behind despite mounting social pressure. The result is a fiscal framework that avoids the contractionary drag typically associated with budget freezes but sacrifices the coherence and targeting a properly negotiated budget would provide.

The discussion then turns to Spain's fiscal consolidation under the new EU

framework, examining whether the adjustment is keeping pace with the country's economic momentum. Net primary expenditure growth reached the upper limit permitted under the new EU fiscal framework in 2025, after taking into account the additional flexibility provided by the national escape clause for higher defence spending. Recalculating the fiscal adjustment using the updated potential growth and GDP deflator estimates contained in Spain's Annual Progress Report suggests that the structural primary deficit should have been reduced by around 0.72% of GDP, more than twice the 0.3% adjustment actually achieved. This discrepancy highlights an asymmetry in the new fiscal framework: while adverse economic developments are accommodated through stress scenarios and escape clauses, stronger-than-expected economic performance does not result in a corresponding tightening of the expenditure path. Although the government envisages a larger structural adjustment in 2026, projections from the Independent Authority for Fiscal Responsibility (AIReF) and the European Commission point to significant implementation challenges, particularly given spending pressures at the regional, local and Social Security levels. These challenges are compounded by the absence of an approved 2026 budget, a draft budgetary plan submitted to Brussels or binding fiscal discipline agreements with subnational governments. Against this backdrop, Spain's current economic momentum provides an opportunity to accelerate structural fiscal consolidation and build greater fiscal space ahead of a future slowdown and mounting expenditure pressures.

We then look more closely at Spain's expenditure overshoot and the fiscal adjustment pressures building for 2027. In 2025, Spain cut its public deficit to 2.4% and brought debt down to 100.7% of GDP, continuing compliance with its European targets. Underneath those headline numbers, net primary expenditure, the control variable under the new EU fiscal framework, has grown faster than promised

in every year but 2024, eroding the buffer Spain had built through strong post-pandemic growth. A defence spending escape clause and a pending energy-crisis exemption keep 2026 growth within bounds, but both are accounting adjustments that leave the underlying spending trajectory unchanged, and AIReF projects Spain breaching its permitted deviation from 2027 onward. Compounding the problem, the government has not passed a budget since 2023, governing instead through budgetary modifications that have grown to an unusually large share of total state spending, with the draft 2027 budget setting a record spending ceiling. As expenditure still outruns the fiscal plan's pathway, the 2027 adjustment is expected to fall on the revenue side, driven overwhelmingly by personal income tax and social security contributions. That reliance on labour taxation runs against the European Commission's repeated recommendation that Spain shift its tax base toward consumption, property and environmental levies.

From Spain, the issue broadens to the European fiscal framework. Within this context, we assess the implications of the new rules and the additional flexibility granted for higher defence spending. Euro area countries entered the COVID-19 crisis with markedly more fiscal restraint than the United States or United Kingdom. Since 2022, the bloc's average deficit has stabilized near 3% of GDP even as deficits diverge sharply while the gulf in debt levels between Germany and the region's more indebted members remains. Against this backdrop, the 2025 decision to accommodate rearmament through the National Escape Clause allows countries to raise spending by up to 1.5% of GDP a year for four years without breaching their agreed adjustment paths. A synthesis of the official debt sustainability framework demonstrates that full use of this flexibility would raise debt ratios only marginally and require a correspondingly small additional improvement in primary balances once the adjustment period ends in 2031. The greater vulnerability lies in the

interest-rate projections set in 2024 that remain the baseline for the Commission's debt sustainability analysis; but that have already been overtaken by market developments, with French borrowing costs now close to two percentage points higher. Because the rules keep this baseline fixed unless a government formally requests a recalculation, the gap between assumed and actual financing costs is likely to persist rather than correct itself. The fiscal cost of accommodating defence spending appears manageable, but the framework's credibility will depend on how it is enforced once interest-rate assumptions catch up with reality.

This *SEFO* also includes a longer-term reflection on the creation of a European treasury, written from the perspective of greater fiscal integration in the EU—something that, under current circumstances, appears distant for both political reasons and because of the weak fiscal position of some EU countries.

The issue then turns to the corporate sector, examining the characteristics of Spain's fastest-growing medium-sized firms. Medium-sized enterprises occupy a distinctive position in Spain's corporate landscape, combining sufficient scale to shape economic activity with the flexibility to keep adapting and growing. Among this group, a subset of 100 firms that already qualified as medium-sized in 2008 went on to record the highest cumulative growth rates in the sample through 2024. These firms expanded without diluting their productivity: their revenue per employee grew at an annual rate of 10.7% between 2019 and 2024, roughly twice the pace of the broader sample since 2008. Investment kept pace with that growth, and their return on assets reached 8.5% in 2024, the highest level in the series. Labour costs per employee rose too, but more slowly than revenue, showing that their competitiveness has not come from holding down wages. They also grew without leaning more heavily on debt, financing their expansion mainly through funds generated internally. These patterns

point to investment, productivity and financial prudence as the traits that distinguish firms capable of sustained growth from those whose expansion proves temporary.

Attention then shifts to the financial sector, where we analyse the growing importance of cyber risk for European banks and the ways in which artificial intelligence is changing both the threat landscape and banks' defences. European banks absorb the majority of cyberattacks recorded across the region's financial system, accounting for 56.5% of incidents and making them the sector's principal target. Their exposure stems from managing extensive digital infrastructure and services, whose disruption is immediately visible and costly. The entry into force of DORA (Digital Operational Resilience Act) has tightened incident reporting, stress testing and oversight of external technology providers, formalizing obligations that previously varied widely across institutions. Artificial intelligence is reshaping this landscape from the defensive side, enabling faster anomaly detection, alert triage and vulnerability remediation, as demonstrated by initiatives such as Anthropic's Project Glasswing. However, the same capabilities lower the barrier to sophisticated attacks, with 82.4% of banks identifying AI-enabled social engineering, deepfakes and credential theft as their foremost concern. Durable resilience will depend less on any single control than on governance frameworks that treat AI simultaneously as a defensive asset and a source of concentrated, supplier-linked risk.

Finally, we close this issue with an examination of the European Banking Authority's revised SREP Guidelines and the new supervisory risks that banks will need to address from 2027. The European Banking Authority's (EBA's) revised SREP Guidelines consolidate previously dispersed provisions into a single supervisory framework and incorporate developments in the EU banking regulatory landscape since the last major update. The review retains the core SREP

architecture while reorganising the treatment of risks, institutions and supervisory measures to improve consistency and flexibility. Among the most significant changes are the integration of ESG factors, emerging risks and operational resilience, alongside new provisions covering third-country branches and subsidiaries, the output floor limiting reductions in capital requirements from banks' internal models, the Digital Operational Resilience Act (DORA) and credit spread risk in the banking book. The Guidelines also introduce a more flexible escalation framework for supervisory measures and expand proportionality for Category 4 institutions—small and non-complex banks with lower-risk profiles—including the possibility of extending the minimum cycle for a full SREP assessment from three to five years for qualifying institutions. For banks, the revised framework does not change their underlying regulatory obligations but will affect how those obligations are assessed and translated into supervisory requirements. With the Guidelines due to apply from 1 January 2027, institutions should prepare in advance for greater supervisory scrutiny of next-generation risks and ensure that the relevant documentation, metrics and risk management frameworks are in place.

What's Ahead (Next Month)

Month	Day	Indicator / Event
October	2	Social Security registrants and official unemployment (September)
	2	Tourist arrivals (August)
	6	Industrial production index (August)
	8	Financial Accounts Institutional Sectors (2 nd quarter)
	8	Eurogroup meeting
	14	CPI (September)
	15-16	European Council meeting
	20	Services Production Index (August)
	20	Foreign trade report (August)
	27	Labour Force Survey (3 rd quarter)
	28-29	ECB monetary policy meeting
	29	Retail trade (September)
	30	GDP 3 rd quarter, advance estimate
	30	Preliminary CPI (October)
	30	Non-financial accounts: Central Government, Regional Governments and Social Security (August)
	30	Non-financial accounts, State (September)
	30	Balance of payments monthly (August)
November	4	Social Security registrants and official unemployment (October)
	4	Tourist arrivals (September)
	6	Industrial production index (September)
	9	Eurogroup meeting
	13	CPI (October)
	17	Foreign trade report (September)
	24	Services Production Index (September)
	27	Preliminary CPI (November)
	27	Retail trade (October)
	30	Non-financial accounts: Central Government, Regional Governments and Social Security (September)
	30	Non-financial accounts, State (October)
	30	Balance of payments monthly (September)

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What Matters



5 **Spain's fiscal policy after three years of budget rollovers**

Spain has operated under a rolled-over budget since 2023, and yet State and Social Security spending have climbed 14% and 20%, respectively, through a series of ad-hoc allocation adjustments which have helped meet one-off contingencies and investment targets funded from European funds. However, the lack of comprehensive budgetary planning has tended to weaken fiscal policy's capacity to respond coherently to new priorities.

Raymond Torres



13 **Spain's fiscal consolidation: Falling short of its economic momentum**

Spain comfortably outperformed its 2025 deficit and debt targets under the Medium-Term Fiscal-Structural Plan, supported by stronger-than-expected nominal growth; however, the fiscal adjustment linked to the committed expenditure path does not adjust to stronger economic performance, resulting in a structural consolidation effort that fell short of what would have been warranted by the improved macroeconomic environment. With spending pressures set to increase, a more ambitious adjustment will be needed in the years ahead.

Diego Martínez-López



21 **Spain's expenditure overshoot raises adjustment pressures for 2027**

Net primary expenditure grew 4.8% in 2025 and is on track for 4.7% in 2026, both well above the pathway Spain committed to under its Medium-Term Fiscal-Structural Plan. The defence and energy-crisis escape clauses keep Spain within its 2026 deficit limit by a narrow margin, but a 0.3% of GDP adjustment, worth around 5.3 billion euros, still remains for 2027.

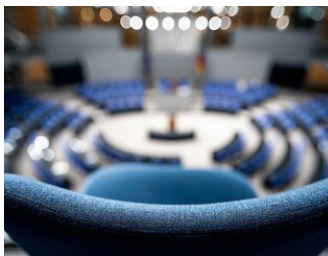
Desiderio Romero-Jordán



29 **Defence spending and debt sustainability: The euro area's fiscal rules post 2024**

The EU's new fiscal rules, in force since 2024, are already being tested by the need to finance higher defence spending and by a sharp rise in interest rates. The National Escape Clause carries a modest fiscal cost, but the framework's debt sustainability analysis still rests on interest-rate assumptions that market developments have already overtaken.

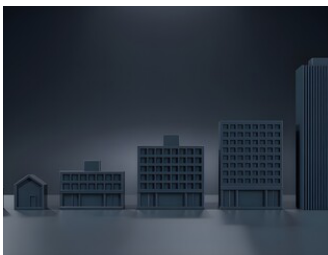
Daniel Gros



39 **Financing a federal Europe: A roadmap for a European treasury**

Recent crises have expanded the EU's fiscal capacity through temporary instruments, while growing demands for defence, cross-border infrastructure and the green and digital transitions are increasing pressure for greater fiscal coordination. A more federal fiscal architecture would require stronger own resources and disciplined borrowing capacity, while overcoming significant legal, institutional and political obstacles.

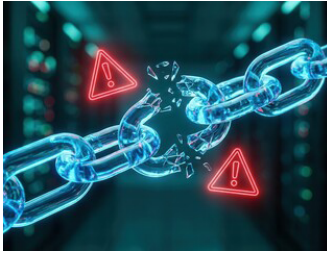
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47 **Scaling up: Lessons from Spain's fastest-growing medium-sized firms**

Medium-sized enterprises hold a distinctive position in Spain's corporate landscape, combining sufficient scale to shape economic activity with the flexibility to keep adapting and growing. Among Spain's medium-sized enterprises, the 100 firms with the strongest cumulative growth since 2008 combined rising productivity, sustained investment and lower debt levels, allowing them to grow sustainably without compromising their financial resilience.

Pablo Guijarro and Irene Peña, AFI



55 **European banks and cyber risk: How AI is changing the equation**

Cyber risk remains the top operational concern for European banks, cited by nearly three-quarters of institutions even as reported attack rates ease and realized losses continue to climb. Artificial intelligence now sits on both sides of this equation, sharpening banks' detection and response capabilities, while equipping adversaries with faster, more convincing tools of their own.

Pedro Cuadros-Solas and Nuria Suárez



63 **The supervisory review and evaluation process (SREP) over a decade on: Consolidation, integration and simplification**

The EBA's revised SREP Guidelines bring ESG, emerging risks and operational resilience into the core of bank supervision, alongside new rules for third-country branches and other regulatory developments. The result is a more flexible framework that seeks to focus supervisory attention on the areas of greatest risk.

Aitana Bryant, Andrea Blana and Jaime Morillo, AFI

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

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Spain's fiscal policy after three years of budget rollovers

Spain has operated under a rolled-over budget since 2023, and yet State and Social Security spending have climbed 14% and 20%, respectively, through a series of ad-hoc allocation adjustments which have helped meet one-off contingencies and investment targets funded from European funds. However, the lack of comprehensive budgetary planning has tended to weaken fiscal policy's capacity to respond coherently to new priorities.

Raymond Torres

Abstract: The Spanish Congress has not approved a new budget since 2023, which means that the same accounts have been extended in nominal terms for the past three years. However, allocation adjustments, supplementary appropriations, and credit injections have made it possible to increase actual expenditure far above what the rollover implies. Central government and Social Security spending now run 14% and 20% above their initial budgeted levels, respectively, a gap worth 78 billion euros. Moreover, regional governments, unaffected by the freeze, have kept expanding their own budgets, compounding the divergence between

formal budgetary limits and actual fiscal behaviour. Revenue has grown even faster than spending, up close to 24% across all levels of government, driven by economic growth and the decision not to index personal income tax schedules on inflation. Yet, spending increases have outpaced this windfall enough to leave fiscal policy broadly expansionary. Adjustments have also skewed budgetary priorities, favouring defence, industry, and economic affairs, while education and housing lag behind despite mounting social pressure. The result is a fiscal framework that avoids the contractionary drag typically associated with budget freezes but

“ Far from stagnating, expenditure across all levels of government has increased by 19% during the three-year rollover period, while tax receipts have registered even higher growth, of close to 24%. ”

sacrifices the coherence and targeting a properly negotiated budget would provide.

Introduction

The debate around public finances is typically high on the agenda in advanced democracies and forms the cornerstone of economic policy. This is why the annual approval of a new budget is usually an essential step in allowing governments to pursue their macroeconomic goals within a coherent and concerted framework. In this regard, Spain's situation has drawn interest as the most recent set of Congress-approved public accounts dates to 2023. The country has been operating under rollover budgets ever since.

This unusually long period without new approved accounts has coincided with a build-up of geopolitical challenges, most recently the conflict in the Middle East, [1] for which the budget drawn up three years ago was not designed. Since 2023, artificial intelligence has also burst onto the scene and Spain's population has grown by close to one and a half million people, mostly immigrants. These technological and demographic developments, coupled with the growth cycle itself, have generated new priorities for public policy. The goal of this paper is to explore how Spain's fiscal policy has responded to these developments in spite of the constraints implied by having to roll the budget over, and over.

A largely expansionary budget in spite of the rollovers

As per article 134.4 of Spain's Constitution, the rollover of the State budget limits the government's room for manoeuvre in terms of both spending and revenue. The system is designed to ensure continuity so that the failure to pass a new budget does not imply the suspension of public activity (unlike in the

U.S., for example, where the government may be forced to shut down certain public services). Nevertheless, the rollover limits the ability to respond to unforeseen developments or challenges since a budget that is carried over has the effect of freezing, at least in theory, the various budget allocations in current euros.

The reality, however, has been different. Far from stagnating, expenditure across all levels of government has increased by 19% during the three-year rollover period (discounting interest payments and the Next Generation European funds), [2] while tax receipts have registered even higher growth, of close to 24% (Exhibit 1). This is partly shaped by the fact that the rollover of the state budget has not extended to the regional authorities, which draw up their own annual accounts. And the reality is that, with few exceptions, the regional governments' finances have remained expansionary in nature.

Moreover, the expenditure incurred by the State and the Social Security system, the main areas of government affected by the budget rollover, is running 14% and 20%, respectively, above the initially contemplated budgeted amounts, which is equivalent to an increment of 78 billion euros (Exhibit 2).

The gap between the budget rolled over and effective expenditure is explained by the use of several allocation adjustments and other instruments originally designed to cover one-off situations, [3] which have ultimately proliferated in response to the needs arising in recent years, particularly inflation-driven requirements.

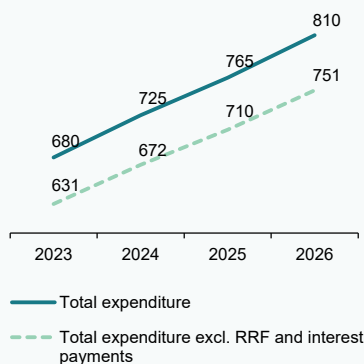
Among the mechanisms that allow for an increase in budgetary allocations, the most notable are, firstly, allocation increases, intended primarily for the servicing of debt

Exhibit 1

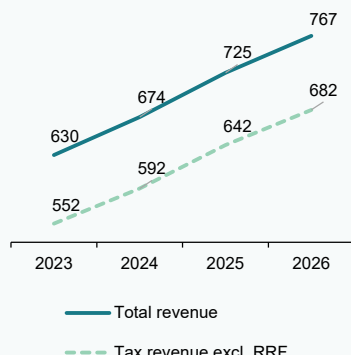
General Government revenue and expenditure

In billion euros

Non-financial expenditure, all levels of government



Non-financial revenue, all levels of government



Source: IGAE and Funcas estimates for 2026.

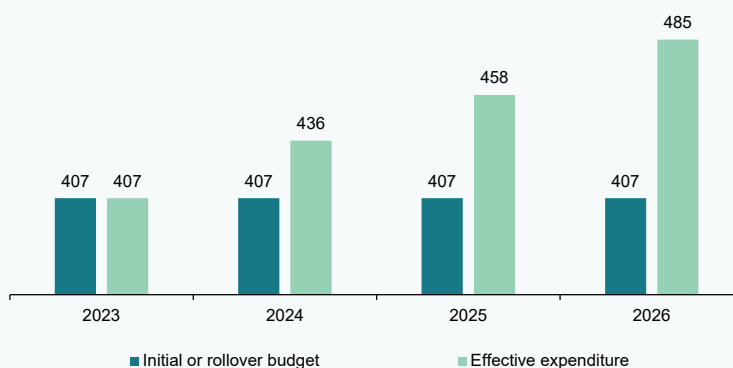
and the payment of pensions and other social security benefits. Secondly, extraordinary and supplementary appropriations can be activated to allow a duly-justified increase in expenditure, generally through the approval of a decree-law. [4] For example, the

payments on account made to the regional and local authorities are adjusted using this mechanism. Lastly, credit injections allow for the incorporation of unforeseen revenue, such as that derived from the European funds. In this case, no parliamentary approval

Exhibit 2

Total expenditure of State and Social Security

In billion euros



Note: The exhibit presents the sum of non-financial spending of the central government and Social Security system as per the initial budget (rolled over since 2024) and the final budget, i.e. after making the various allocation adjustments and deducting the amounts transferred by the central government to the Social Security system. The 2026 data are Funcas estimates based on information available up until June 2026.

Source: IGAE and Funcas.

is required, as the additional funds are earmarked to specific expenditure items.

Despite being legally grounded, these mechanisms were originally intended as one-off adjustments rather than as sources of recurring funding, as has ultimately been the case. Note, however, that any increase in funds arising from budget allocation adjustments must be consistent with the expenditure ceiling; consequently, in practice, it is this target — rather than the limits set out in the rolled-over budgets — that has acted as an anchor to the system.

As with current expenditure, allocation adjustments have also been deployed to provide leeway for financial transactions (which are off-budget operations that do not appear in the deficit as conventionally measured). This has led to a significant deviation from what might be expected in a context of budgetary deadlock (Exhibit 3). Indeed, over the past three years, the State has authorised allocation adjustments totalling 47.7 billion euros in order to capitalise several public and private companies, extend loans and purchase financial assets.

The increase in financial asset purchases means that public sector borrowing requirements have exceeded the deficit itself,

defined as the difference between public revenue and non-financial expenditure. Last year, the public sector borrowing requirement amounted to 4% of GDP, compared with a deficit of just 2.4%. Given the size of borrowing requirements, public debt has followed a slow downward trend, despite the strong expansionary cycle.

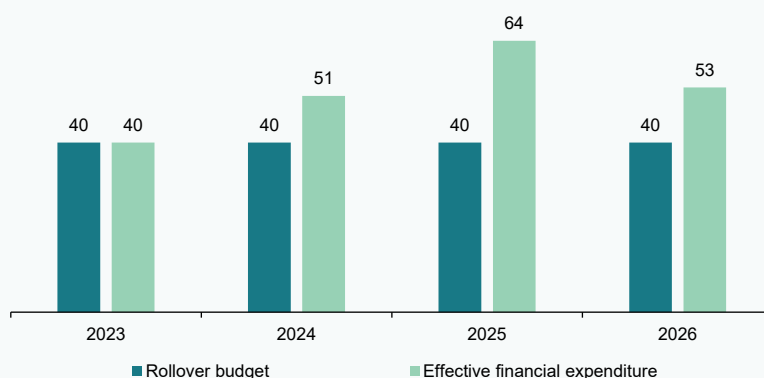
As with spending, public revenue has expanded sharply, deviating from the levels provided by the rolled-over budgets. In 2025, for example, the revenue generated by the central government was 21% above the benchmark indicated by the extended budget. Unlike the situation with expenditure, however, this phenomenon has materialised automatically, without the need for discretionary measures by the government, having derived from the economy's growth, as well as the decision not to adjust personal income tax thresholds to inflation developments. These factors, along with the European funds received under the Next Generation programme, have brought considerable revenues to the public purse.

Altogether, while under normal circumstances the rollover of the budget can be expected to slow down the economy, on this occasion fiscal policy has proven broadly expansionary, as the spending increases have more than offset the growth in revenue.

Exhibit 3

Purchases of financial assets by the central government

In billion euros



Source: Funcas based on IGAE.

“ Unlike the normal budgetary cycle, in which policies are designed in response to the prevailing macroeconomic context and taking long-term priorities into account, the proliferation of piecemeal and disconnected adjustments has tended to undermine overall coherence. ”

However, Spain's economic momentum would have justified a more cautious approach in order to create a buffer ahead of potential adverse shocks. In short, unlike the normal budgetary cycle, in which policies are designed in response to the prevailing macroeconomic context and taking long-term priorities into account, the proliferation of piecemeal and disconnected adjustments has tended to undermine overall coherence.

Budgetary priorities versus the economy's needs

Beyond its macroeconomic impact, the rollovers have been executed unevenly across different categories of public expenditure and revenue, undermining the efficiency of fiscal policy in terms of responding to the country's needs. In some cases, the spending freeze has been fully implemented, acting as a straitjacket, whereas in others it has been applied with flexibility.

The additional funds freed up through allocation adjustments have been earmarked

to specific items, which in many cases have also benefited from credit transfers, *i.e.*, the reallocation of funds between functions without altering total expenditure. The use of transfers has become more widespread thanks to a regulatory change introduced via article 9 of the 2023 Budget Act, which has made it possible to move funds more flexibly between different budget categories without the need for parliamentary approval.

The upshot is that the central government's payments to the regional and local authorities have scarcely been affected by the carryover of the 2023 budget: since that year, the regional and local authorities have received 32 billion euros in the form of allocation adjustments from the central government, over and above the initial allocation provided for in the extended budget (Table 1). The Social Security system has also received an additional injection of funds to protect pensions and other benefits against inflation. Specifically, since the initial Social Security budgets, based on 2023 figures, were not sufficient to mitigate the effects of

Table 1 **Central government budget allocation adjustments**

In billions of euros

	In billions of euros	As a % of the total
Transfers to the regional governments	18	21.9
Transfers to the local authorities	14	16.8
Transfers to the Social Security	23	26.9
Financial costs	10	12.2
Non-financial investments	12	14.5
Other	7	7.7
Total	84	100.0

Sources: Funcas based on IGAE.

“ Areas benefiting most from budgetary adjustments have been defence, industry and economic affairs, while the most disadvantaged areas include education, science, innovation and universities. ”

inflation, the Social Security system received additional allocations totalling 23.2 billion euros in 2024 and a further 37.5 billion in 2025, including transfers from the central government and other sources. Finally, another area that has expanded in recent years has been investment, notably in defence and rearmament.

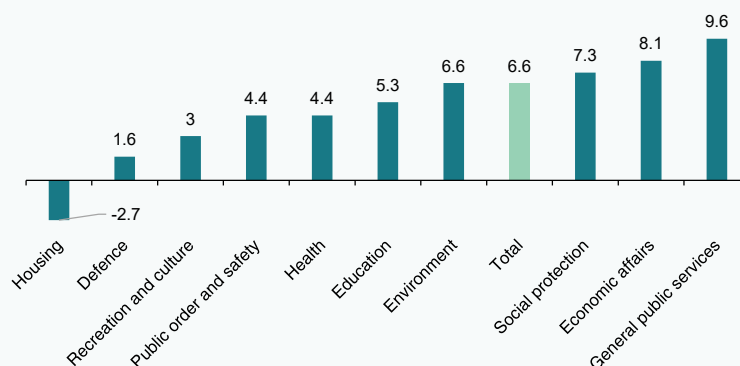
The shift in priorities comes into clearer focus when examining the breakdown of the budgetary adjustments by function, an exercise that is only possible at the central government level due to limitations in the statistics available for the other levels of government. The analysis shows that the areas benefiting most have been defence, industry (a major recipient of European funds) and economic affairs (through equity contributions to companies). The most disadvantaged areas include education (although in this case it is the regional governments that control the bulk of the budget), as well as science, innovation and universities. The situation regarding

housing is more complex. Although housing has received additional appropriations, evidencing its growing social significance, the percentage actually spent has been very low: payments executed amounted to 34% of available funds in 2024 and 28% in 2025, meaning that actual expenditure has barely increased during these years characterised by a housing crisis.

The snapshot is similar looking at all levels of government on aggregate. Based on data on the functional breakdown of expenditure for 2024, the last year for which this information is available, there has been a significant increase in the funds allocated to general public services, economic affairs and social protection (Exhibit 4). Conversely, education and housing appear to have taken a back seat, according to the expenditure data, highlighting the negative impact of the budget rollovers on fiscal policy efficiency. Lastly, the meagre growth depicted in defence expenditure is misleading, as the allocations

Exhibit 4

Public expenditure by function of government, annual rate of growth, 2024



Source: IGAE.

“ A more neutral fiscal policy would have made sense given Spain's economic buoyancy and the need to create some fiscal space to absorb future crises or support the economy in harder times. ”

recorded in these statistics do not include financial transactions and other capital injections into the sector.

Economic policy implications

In short, thanks to the flexibility provided by the normative framework, repeated budget rollovers have not prevented certain necessary adjustments, such as those needed to manage the European funds.

However, generally speaking, the successive budget extensions have undermined fiscal policy efficiency. From a macroeconomic perspective, the freeze on budget allocations has not played the contractionary role that might have been anticipated. To the contrary, primarily as a result of allocation adjustments and other instruments, which have provided the authorities with financial leeway and increased spending power. In tandem, the legislative deadlock has prevented the tax policy adjustments called for by the economic cycle. Lastly, regional governments, which fall outside of the scope of the general state budget affected by the budget freeze, have been able to stick with their budget plans. A more neutral fiscal policy would have made sense given Spain's economic buoyancy and the need to create fiscal space to absorb future crises and support the economy in harder times.

In parallel, despite certain flexibility, the budget extensions have hampered the response to the country's shifting needs. Supplementary appropriations have multiplied in a piecemeal manner, in response to unfolding crises, without an overarching and concerted budgetary framework. The result is that social priorities have not necessarily been reflected in the budgetary reality. Housing and education, for example, have not received sufficient attention. All of this highlights the importance of improving transparency around budgetary

adjustments and periodically assessing their impact from the point of view of fiscal policy efficiency. Suffice to say that this should not serve as an excuse for further delaying the approval of a new budget that addresses the challenges of our times.

Notes

- [1] For further analysis of the impact of that conflict, refer to Torres and Fernández (2026).
- [2] For an analysis of the NextGen funds and their fit with the budget, refer to González Simón, et al.
- [3] For a recent analysis of this tool, refer to Galán (2026).
- [4] It is also possible to finance these credits using the contingency fund, although in practice this mechanism is limited by the size of that fund.

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Spain's fiscal consolidation: Falling short of its economic momentum

Spain comfortably outperformed its 2025 deficit and debt targets under the Medium-Term Fiscal-Structural Plan, supported by stronger-than-expected nominal growth; however, the fiscal adjustment linked to the committed expenditure path does not adjust to stronger economic performance, resulting in a structural consolidation effort that fell short of what would have been warranted by the improved macroeconomic environment. With spending pressures set to increase, a more ambitious adjustment will be needed in the years ahead.

Diego Martínez-López

Abstract [1]: Net primary expenditure growth reached the upper limit permitted under the new EU fiscal framework in 2025, after taking into account the additional flexibility provided by the national escape clause for higher defence spending. Recalculating the fiscal adjustment using the updated potential growth and GDP deflator estimates contained in Spain's Annual Progress Report suggests that the structural primary deficit should

have been reduced by around 0.72% of GDP, more than twice the 0.3% adjustment actually achieved. This discrepancy highlights an asymmetry in the new fiscal framework: while adverse economic developments are accommodated through stress scenarios and escape clauses, stronger-than-expected economic performance does not result in a corresponding tightening of the expenditure path. Although the government envisages

a larger structural adjustment in 2026, projections from the Independent Authority for Fiscal Responsibility (AIReF) and the European Commission point to significant implementation challenges, particularly given spending pressures at the regional, local and Social Security levels. These challenges are compounded by the absence of an approved 2026 budget, a draft budgetary plan submitted to Brussels or binding fiscal discipline agreements with subnational governments. Against this backdrop, Spain's current economic momentum provides an opportunity to accelerate structural fiscal consolidation and build greater fiscal space ahead of a future slowdown and mounting expenditure pressures.

Fiscal target outperformance: When economic momentum masks the issue at heart

Fiscal consolidation processes need to be sensitive, among other things, to where in the cycle an economy finds itself. The escape clauses in the fiscal rules tackle this issue in the event of unforeseen developments or sharp economic downturns. If, however, the situation is the other way around, *i.e.*, the economy performs better than initially forecast, the fiscal path does not undergo a commensurate update.

Spain's public finances illustrate this matter. 2025 was the first year of application of the Medium-Term Fiscal-Structural Plan (MTFSP) (Government of Spain, 2024), which sets down the fiscal commitments for all levels of government in the context of the new European economic governance framework.

Thanks to healthy nominal growth, the Spanish government outperformed its public deficit and debt targets in 2025. Both figures came in below the initial estimates, despite a weaker consolidation effort than assumed under the MTFSP, fully using up the

permitted room for deviation in net primary expenditure (without cyclical grounds for doing so) and triggering the national escape clause which allows an increase in defence spending without penalisation.

This paper questions the fact that Spain's fiscal consolidation requirements were not recalibrated in light of the upward revisions to its potential growth rate and GDP deflator. We do so by calculating by how much the structural primary deficit should have been corrected to take stock of the momentum provided by the current cycle and higher potential output. We make those calculations in a manner consistent with the methodology prescribed under the new European economic governance framework.

Brief introduction to the expenditure path concept

In this section we summarise the process followed to determine the net primary expenditure path, the new fiscal framework's core operational indicator. Targets are set around an adjusted public expenditure concept which excludes discretionary revenue measures, interest expenditure, cyclical unemployment expenditure, national expenditure on the co-financing of programmes funded by the EU, and expenditure on EU programmes fully matched by revenue from EU funds. That metric is known as net primary expenditure.

A maximum net expenditure path is established for a period of five years, seven if associated with the launch of certain structural reforms, as is the case in Spain (2025-2031), which must be met by the country over the entire term of effectiveness of its fiscal plan. Temporary deviations from the limits are allowed: 0.3% of GDP in any given year and no more than 0.6% of GDP on a cumulative basis. Excess spending in one year can be offset against below-ceiling expenditure another year.

“ Thanks to healthy nominal growth, the Spanish government outperformed its public deficit and debt targets in 2025. ”

Table 1 **Components of the expenditure rule**

Percentage

	2025	2026	2027	2028	2029	2030	2031
Growth in potential GDP (1)	2.0	2.1	1.8	1.6	1.6	1.2	1.1
GDP deflator (2)	2.7	2.4	2.4	2.4	2.4	2.3	2.3
Fiscal adjustment (% of GDP)	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
Fiscal adjustment (in expenditure terms) (3)	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0
Growth in net primary expenditure [(1)+(2)+(3)]	3.7	3.5	3.2	3.0	3.0	2.5	2.4

Source: Medium-Term Fiscal-Structural Plan 2025-2028.

The precise definition of the maximum rates of growth in net primary expenditure is the result of merging two analytical methodologies. The first is a debt sustainability analysis (DSA), based on forward-looking macroeconomic scenarios and certain fiscal assumptions. Here the aim is to simulate the fiscal adjustment, measured in terms of the structural primary balance, needed for the public debt-to-GDP ratio to embark on a sustained downward trajectory. That trajectory must be sustainable beyond the end of the fiscal plan (2031) even in situations of financial stress derived from adverse interest and/or GDP growth rates.

That fiscal adjustment is then used to obtain the permitted ceiling for growth in net primary expenditure. It is arrived at by summing the growth in potential GDP, estimated using a standardised methodology at the European level, and the rate of change in the GDP deflator. For the earlier years of the plan, the potential GDP and the deflator rely on estimates and for the latter years, they are calculated so as to ensure convergence with the targets yielded by the DSA. That sum is then reduced by the fiscal consolidation effort, understood as the change in the structural primary balance as determined by the above-mentioned DSA, and expressed in terms of net primary expenditure.

The result of this process for the Spanish public sector (all levels of government) throughout the plan horizon is shown in

Table 1. The last row of the table indicates the maximum permitted rate of growth in net primary expenditure for each year.

This new fiscal approach coexists with the older thresholds for triggering the Excessive Deficit Procedure (EDP): a deficit of over 3% of GDP or a public debt ratio of over 60% of GDP or an unsatisfactory pace of deleveraging, which in the case of Spain is at least one percentage point per annum. On 12 June 2026, the European Council authorised Spain to deviate from the MTFSP to spend more on defence [2]. The magnitude of the deviation is capped at a cumulative 1.5% of GDP between 2025 and 2028.

What happened in 2025?

Framed by these institutional coordinates, this section outlines the paradox implicit in Spain's performance with respect to the MTFSP in 2025, its first year of application. Specifically, we highlight how Spain managed to comfortably meet (in reality, surpass) its public deficit and debt reduction targets while making a smaller fiscal consolidation effort than agreed in the plan. In fact, that effort was right at the limit of the permitted deviation, after activating the national escape clause to allow higher spending on defence.

Table 2 illustrates the sequence for determining the net primary expenditure growth rate for 2025 and 2026 according to

Table 2

Determination of net primary expenditure growth

	2025	2026
Growth in net primary expenditure (1)	4.8	4.7
Growth in defence spending (% of GDP)	0.1	0.2
Growth in defence spending (in expenditure terms) (2)	0.25	0.5
Growth in net prim. expen. less growth in defence spending (in expend. terms) [(1)-(2)]	4.55	4.2
Permitted annual deviation: 0.3% of GDP (in expenditure terms) (3)	0.75	0.75
Growth in net primary expenditure for MTFSP purposes [(1)-(2)-(3)]	3.8	3.45

Source: Annual Progress Report of the Kingdom of Spain, 2026.

the Annual Progress Report (Government of Spain, 2026). In 2025, the starting point is the rate of growth after the above-mentioned adjustments of 4.8%.

Expenditure on defence (according to the Classification of the Functions of Government — COFOG) amounted to 1% of GDP in 2025, up 0.1 percentage points from 2024. That additional tenth of a point of GDP of defence spending, according to the recently activated national escape clause, can be deducted from the growth in public expenditure for expenditure rule purposes. To map that percentage of GDP onto a public expenditure scale, it is assumed that the latter accounts for around 40% of GDP, which implies a discount of 0.25 percentage points. [3]

That brings us to the government's figure for the growth in net primary expenditure of 4.55%, which it rounds to 4.5%, given as the outcome for the year. The new European fiscal governance framework allows a maximum annual deviation of 0.3% of GDP, which is equivalent in expenditure terms to room for manoeuvre of 0.75 percentage points over the ceiling committed to in the MTFSP, which is 3.7% (Table 1). Once again resorting to

rounding, Spain meets that upper limit, just about.

Nevertheless, Spain comfortably met its MTFSP public deficit and debt targets in 2025. The deficit commitment was 2.5% of GDP and Spain delivered a deficit of 2%, excluding one-offs. The public debt target was 101.4% of GDP and the actual figure was 100.7%.

The fiscal consolidation effort, however, fell short of the MTFSP commitment: 0.3% *vs.* 0.4% of GDP. Although Spain only missed that target by a tenth of a point, considering the fact that it activated the national escape clause for defence spending and used up all the permitted deviation in expenditure, that miss stands out by comparison with its ample outperformance in terms of the deficit and debt.

This paradox is explained by the growth in potential GDP in nominal terms. The forecasts contemplated in the MTFSP for 2025 called for growth in potential GDP and a GDP deflator of 2% and 2.7%, respectively, implying growth in nominal potential GDP of 4.7% (Table 1). The reality, however, is that those metrics came in higher, at 2.6% and

“ The fiscal consolidation effort, however, fell short of the MTFSP commitment: 0.3% *vs.* 0.4% of GDP. ”

“ The effort to reduce the structural primary deficit loses power as an adjustment variable just as the need to do so potentially becomes more pressing. ”

2.9%, respectively, equivalent to nominal potential GDP growth of 5.5%.

The government is aware of the situation, but its interpretation is pro-cyclical, which goes against fiscal orthodoxy. Indeed, the Progress Report itself states that “if the expenditure rule for 2025 were calculated today, it would have been 4.5% instead of the 3.7% contemplated in the Structural Fiscal Plan. That suggests that the growth in eligible net expenditure of 4.5% registered in 2025 would be in line with that rule calculated as of today”.

Both the letter and spirit of the new European economic governance framework stipulate that the reference spending path is fixed. There is a small amount of room for revising the MTFSP, but it is not applicable in the case of Spain (Article 15 of Regulation (EU) 2024/1263 of the European Parliament and of the Council [4]). As a result, the above-mentioned governmental narrative regarding what would happen if everything were recalculated is completely misguided.

The problem lies more with the fact that there is an asymmetric pro-cyclical design flaw in the new European fiscal rules. In other words, the rules anticipate adverse or unforeseen developments sufficiently well. The stressed scenarios, contemplation of potential one-offs and general or national escape clauses accommodate the negative impact of a host of developments on the region's public finances.

But what happens if an economy performs better than contemplated in the MTFSP? The established net primary expenditure path is not modified. Think about an increase in the rate of potential GDP growth, widening the output gap, [5] and, by extension, the cyclical component of the public balance, reducing the estimated weight of the structural component. Or imagine a higher-than-initially estimated rate of growth in the GDP deflator, which could stimulate growth in public spending via supply-side costs.

In light of both circumstances, the effort to reduce the structural primary deficit loses power as an adjustment variable just as the need to do so potentially becomes more pressing, given foreseeably upward slippage in budgeted public expenditure (as per inherited budgets in the case of Spain). Both factors played out in this manner in Spain's public finances in 2025.

What happens next?

Given what happened in Spain in 2025, the consolidation effort should be recalibrated to preserve, in the wake of the considerable upward revision to potential GDP and/or the GDP deflator, the degree of fiscal adjustment originally envisaged in the MTFSP. Below we set out a simple alternative that would factor in this chain of events. Table 1 showed the contribution by the three dynamics in play in defining the maximum permitted ceiling for growth in net primary expenditure. Those weights

“ Given what happened in Spain in 2025, the consolidation effort should be recalibrated to preserve the degree of fiscal adjustment originally envisaged in the MTFSP. ”

Table 3

Components of the expenditure rule (contributions in %) as per the MTFSP, factoring in the revised macroeconomic forecasts

	2025	2026	2027	2028	2029	2030
Growth in potential GDP (1)	2.6	2.6	2.4	2.4	2.2	2
GDP deflator (2)	2.9	3.1	2.6	2.3	2.1	2
Fiscal adjustment (in expenditure terms) (3)	-1.8	-2.2	-1.8	-1.7	-1.3	-1.5
Fiscal adjustment (% of GDP)	-0.72	-0.88	-0.72	-0.68	-0.52	-0.6
Growth in net primary expenditure [(1)+(2)+(3)] (4)	3.7	3.5	3.2	3	3	2.5
Growth in defence spending (in expenditure terms) (5)	0.25	0.5	–	–	–	–
Growth in net prim. expen. plus growth in defence spending [(4)+(5)]	3.95	4	–	–	–	–

Sources: Growth in potential GDP and GDP deflator: Annual Progress Report of the Kingdom of Spain, 2025 and 2026 and AIReF Monitoring Report on the 2025-2028 MTFSP for the other years. Author's own elaboration.

remain constant in the event of fluctuations in the macroeconomic variables.

Table 3 illustrates how, leaving the expenditure growth ceilings unaltered, the mix of the three ingredients would shift if the new potential GDP growth and deflator figures set out in the Annual Progress Report for 2025 and 2026 were used, modelling the AIReF forecasts for 2027-2030 (AIReF, 2026).

For 2025, the fiscal adjustment requirement should not have been the 0.4% of GDP set down in the MTFSP (Table 1) (and which Spain missed by 0.1pp), but rather 0.72%. That would have made it possible to comply with the MTFSP's restrictive path from the outset, while allocating the room freed up by the national escape clause to defence spending. [6]

For 2026, the government's response is aligned with this approach. Although the MTFSP agreed with Brussels calls for a consolidation effort of 0.4% of GDP, the forecasts provided in the Annual Progress Report contemplate an improvement in the structural primary deficit of 0.8% of GDP, which is very close to our simulation.

The issue here, and with the government's fiscal strategy as a whole, lies not so much with the aim of delivering this figure as much as how it will be achieved. Without a state budget for 2026, not having sent a draft budgetary plan to Brussels and in the absence of binding and operational fiscal discipline agreements with either the regional or local governments (which between them account for over 40% of total public expenditure), it is unclear how the announced deficit reduction will be achieved.

Indeed, the AIReF believes that the government will miss this target as it is forecasting growth in net primary expenditure of 5.8% this year, which is considerably above the government's estimate of 4.7% (AIReF, 2026). The figure committed to in the MTFSP is 3.5%. The European Semester also expects the fiscal adjustment to be in line with the original figure set down in the MTFSP (0.4% of GDP), which is half of the target announced by the Spanish government (European Commission, 2026b).

In sum, given the substantial improvement in the forecasts for the Spanish economy's potential growth, fiscal policy should be more contractionary. Logically, this extends beyond

the state to all levels of government, notably including the Social Security, which needs to be at the heart of this debate, and the regional governments.

Conclusions

In an environment of mounting pressure on public expenditure, fiscal consolidation during periods of growth is more important than ever. Even though the impact of some of the new spending requirements (such as defence) on the fiscal rules will be cushioned in the near term, in the longer term (after 2028), they will require additional adjustments (Marín et al., 2024). As shown in this paper, however, the economic momentum currently being enjoyed in Spain is not being leveraged with the intensity it should be to further reduce the public debt ratio.

This situation could be described as an institutional flaw in the European fiscal rules, which are not tightened sufficiently when things turn out better than forecast. This laxity could fuel governments' fiscal egos by allowing them to outperform in variables that are heavily influenced by the economic cycle, such as the public deficit and debt, while neglecting the real adjustment needed in their structural public deficits.

This phenomenon is particularly significant in the case of Spain, where a substantial portion of the adjustment stems from the fiscal drag in personal income tax, so that its fiscal consolidation is overly dependent on the growth portion of the cycle.

Added to this is the absence of any formal, institutional guidance on the direction Spanish fiscal policy will take in the coming

quarters. It is entirely likely that Spain will ring in 2027 without a formal budget for the fourth year in a row. The country has yet to send Brussels the draft budgetary plan required under European legislation.

According to the simulation carried out in this paper, the structural primary deficit should have been cut by more than twice as much as it was in 2025: by up to 0.7% of GDP instead of the acknowledged 0.3%, or around 6.7 billion euros on top of the 5 billion euros reduced. This estimate is not out of sync with others referring to 2026 and beyond. For example, AIREF believes that the adjustments needed to comply with the European expenditure rule will require a consolidation effort of 0.6% of GDP in 2027; by the national expenditure rule, the estimated adjustment would be required in 2026 and would be in the order of 0.5% of GDP (AIREF, 2026).

The reasoning we have expounded here is that the extra adjustment should have already been made in 2025, in line with the counter-cyclical approach the new framework is supposed to inspire. And that reinforced effort should continue in the years to come judging by the forecasts for potential GDP growth and the deflator. In sum, the idea is to adjust the structural deficit by more when the economy is growing faster than expected. This would both satisfy the prevailing counter-cyclical thinking and mitigate the consolidation effort needed in future years.

Notes

- [1] The author would like to thank Santiago Lago for his valuable feedback. The author nevertheless assumes sole responsibility for all views expressed, as well as for any errors or omissions.

“ According to the simulation carried out in this paper, the structural primary deficit should have been cut by more than twice as much as it was in 2025: by up to 0.7% of GDP instead of the acknowledged 0.3%, or around 6.7 billion euros on top of the 5 billion euros reduced. ”

- [2] Council Recommendation of 12 June 2026. <https://data.consilium.europa.eu/doc/document/ST-9913-2026-INIT/en/pdf>
- [3] Spain's Annual Progress Report uses this very methodology.
- [4] <https://eur-lex.europa.eu/eli/reg/2024/1263/oj/eng>
- [5] Indeed, that is what happened in Spain. The MTFSP contemplated an output gap of 0.8% of GDP for 2025, whereas the recent Annual Progress Report cites that metric at 1.2%. Spain's independent fiscal institute, the AIREF, puts it at 1.9% (AIREF, 2026), with the European Commission estimating an even higher 2% (European Commission, 2026a).
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Spain's expenditure overshoot raises adjustment pressures for 2027

Net primary expenditure grew 4.8% in 2025 and is on track for 4.7% in 2026, both well above the pathway Spain committed to under its Medium-Term Fiscal-Structural Plan. The defence and energy-crisis escape clauses keep Spain within its 2026 deficit limit by a narrow margin, but a 0.3% of GDP adjustment, worth around 5.3 billion euros, still remains for 2027.

Desiderio Romero-Jordán

Abstract: In 2025, Spain cut its public deficit to 2.4% and brought debt down to 100.7% of GDP, continuing compliance with its European targets. Underneath those headline numbers, net primary expenditure, the control variable under the new EU fiscal framework, has grown faster than promised in every year but 2024, eroding the buffer Spain had built through strong post-pandemic growth. A defence spending escape clause and a pending energy-crisis exemption keep 2026 growth within bounds, but both are accounting adjustments that leave the underlying

spending trajectory unchanged, and AIReF projects Spain breaching its permitted deviation from 2027 onward. Compounding the problem, the government has not passed a budget since 2023, governing instead through budgetary modifications that have grown to an unusually large share of total state spending, with the draft 2027 budget setting a record spending ceiling. As expenditure still outruns the fiscal plan's pathway, the 2027 adjustment is expected to fall on the revenue side, driven overwhelmingly by personal income tax and social security contributions. That reliance

“ A strong performance in 2024, when Spain kept growth in public spending 1.2 points below the MTFSP pathway, was almost entirely wiped out in 2025, when spending increased by 1.1 points more than that benchmark. ”

on labour taxation runs against the European Commission's repeated recommendation that Spain shift its tax base toward consumption, property and environmental levies.

Fiscal plan 2025-2031: Where are we? Where are we headed?

Under the Medium-Term Fiscal-Structural Plan (MTFSP), Spain committed to keeping growth in primary expenditure at an annual average of 3% between 2025 and 2031. For the first three years of the plan, growth in expenditure was capped at 3.7% (2025), 3.5% (2026) and 3.2% (2027). Those limits become gradually more stringent from 2028, landing at 2.4% in 2031. Framed by those assumptions, Spain is on a trajectory towards achieving a balanced budget by 2031 (deficit of 0.8%). That is clearly an ambitious objective in light of the country's recent fiscal track record.

The first years under the new fiscal rules have had a clearly positive effect in terms of the public deficit. Spain brought its deficit to 2.4% in 2025, down from 3.3% in 2023 and 3.2% in 2024. Its public debt ended 2025 at 100.7% of GDP, down from 105.2% in 2023 (Eurostat, 2026). However, as shown in Table 1, the growth trajectory in net primary expenditure, the control variable in the new fiscal framework, is exhibiting signs of deterioration. A strong performance in 2024, when Spain kept growth in public spending 1.2 points below the MTFSP pathway (4.1% *versus* 5.3%), was almost entirely wiped out in 2025, when spending increased by

1.1 points more than that benchmark (4.8% *versus* 3.7%). The government's forecasts for 2026 confirm the deterioration, with spending expected to outstrip the MTFSP benchmark by 1.2 points (4.7% *versus* 3.5%). The AIReF's outlook is considerably worse: Spain's independent fiscal institution is forecasting growth in primary expenditure of 6.4%, which is nearly three points above the fiscal plan pathway. In cumulative terms, the AIReF's no-policy-change scenario has growth in primary spending at 16.1% in 2026 compared to 13.0% in the MTFSP. Looking further ahead, the gap is expected to widen over the 2024-2031 horizon: AIReF is forecasting cumulative growth in expenditure of 42.7%, which is significantly above the 29.9% forecast set down in the fiscal plan.

The trend in the control account, shown in Table 2, highlights the deviations accumulated in expenditure relative to the pathway contemplated in the MTFSP. Those deviations are mitigated by two mechanisms. The first is the escape clause for defence spending, in place since 2025, whereby the calculation excludes the growth in military spending relative to the volume registered in 2024. Application of that clause in 2026 has the effect of reducing the growth in primary expenditure from 4.7% to 4.2%. The second clause relates to the temporary measures introduced in February 2026 in response to the energy crisis unleashed by the war in Iran. Use of this second mechanism has yet to be endorsed by the European Commission. It should be noted that both clauses are simple

“ In 2027 and 2028, Spain would breach the maximum permitted threshold of cumulative control account deviation by 0.3 and 0.6 percentage points of GDP, respectively. ”

Table 1 **Growth in net primary expenditure**

Percentage

	2024	2025	2026	2027	2028	2029	2030	2031
Annual growth (MTFSP)	5.3	3.7	3.5	3.2	3.0	3.0	2.5	2.4
Cumulative growth (MTFSP)	5.3	9.2	13.0	16.6	20.1	23.7	26.8	29.9
Progress Report without defence escape clause	4.1	4.8	4.7	—	—	—	—	—
Progress Report with defence escape clause (annual)	4.1	4.5	4.2	—	—	—	—	—
Progress Report with defence escape clause (cumulative)	4.1	8.7	13.3	—	—	—	—	—
AIReF annual growth (no-policy-change scenario)	4.1	4.8	6.4	5.2	4.2	4.0	3.9	3.8
AIReF cumulative growth (no-policy-change scenario)	4.1	9.1	16.1	22.1	27.2	32.3	37.5	42.7

Sources: AIReF (2026a), Government of Spain (2024, 2026) and author's own elaboration.

accounting manoeuvres and do not correct excessive growth in spending. Indeed, they do not eliminate the need to make structural adjustments in order to correct potential imbalances.

In the best case scenario, combined application of the two clauses could put the

cumulative control account deviation at 0.6% of GDP in 2026. That is the maximum deviation allowed under the European fiscal rules. However, growth in expenditure is projected to increase the cumulative deviation to 0.9% in 2027 and to a further 1.2% in 2028. In 2027 and 2028, Spain would breach the maximum permitted threshold by 0.3 and

Table 2 **Trend in and outlook for the control account**

Percentage of GDP

	2024	2025	2026	2027	2028
Progress Report with escape clause	0.4	0.2	-0.1	—	—
AIReF without defence escape clause	0.4	-0.1	-1.2	-1.7	-2.2
AIReF with defence escape clause	—	0.1	-0.9	-1.3	-1.6
AIReF with defence and energy crisis escape clauses	—	—	-0.6	-0.9	-1.2
Forecast adjustment assuming defence and energy crisis escape clauses (millions of euros)	—	—	—	5,339	11,213

Note: The minus sign indicates an adverse deviation whereby net primary expenditure increases by more than the MTFSP benchmarks.

Sources: AIReF (2026b), Government of Spain (2026) and author's own elaboration.

“ The government has failed to uphold its constitutional obligation to present a budget since 2023, resorting to budgetary modifications contemplated in Spanish legislation to continue public activity. ”

0.6 percentage points of GDP, respectively. The adjustments needed to return the control account to within the permitted limit amount to 5.34 billion euros in 2027 and 11.21 billion euros in 2028. Nevertheless, implementation of fiscal consolidation measures, particularly on the public spending side, can be expected to come up against considerable difficulties in the current context of parliamentary fragmentation and political uncertainty in Spain.

Draft budget for 2027: Ongoing growth in expenditure

The general state budget for 2023 has been rolled over for three years in a row. The government has failed to uphold its constitutional obligation to present a budget since 2023. For public activity to continue, it has had to resort to a number of budgetary modifications contemplated in Spanish legislation. What is exceptional about the current situation is that the repeated carryover of the 2023 budget has led to abusive use of those modifications: 52.34 billion euros in 2024, 76.94 billion euros in 2025 and 33.49 billion euros up to May 2026 (IGAE, 2024, 2025, 2026a). [1] Those figures represent a significant portion of total state expenditure, specifically, 16.8% in 2025, which is three times the figure for 2023 (5.2%), the last year Spain had a proper budget (IGAE, 2024). A considerable part of those modifications stems from spending commitments, some of

which are very significant, such as the cost of servicing the country's debt and paying its pensioners. In fact, in 2025, those two items of expenditure accounted for 53% of the total volume of modifications approved (IGAE, 2026).

The modifications make it hard to track the changes made, in terms of both items of expenditure where the changes materialise and their amount. Moreover, depending on the circumstances, the modifications only have to be approved by the Ministry of Finance or the Cabinet, without the need for prior parliamentary oversight. This combination of reduced transparency and approval leniency may have contributed to the growth in net primary expenditure observed since 2024. In any case, this dynamic has been enabled by the sharp growth in revenue from the main taxes – personal income tax, VAT, corporate tax and excise duties – which, taken together since 2021, have grown by an average of 11.4% per annum (AEAT, 2026).

Despite still lacking sufficient support, the government has taken steps to present a new budget in 2027. At the time of writing, the risk that the draft 2027 budget will not be approved is very high. The Catalan political agenda, the government's internal problems and posturing by its coalition partners ahead of the end of the current political cycle make a fourth budget extension in 2027 a plausible

“ The draft budget is clearly expansionary, setting a record ceiling for spending of 226.03 billion euros for 2027, which would mark an annual increase of around 14 billion euros or 0.8 points of 2026 GDP if approved. ”

prospect. Given those circumstances, the key aspect of the draft budget for our purposes is the thrust of the spending policies that the government is expected to implement in 2027, whether or not the new budget is passed. Note that Spain's prime minister has stated his intention to serve out his full term, which runs to July 2027.

The forecasts for the country's public finances are underpinned by real GDP growth estimates of 2.2% in 2027, 2.1% in 2028 and 2% in 2029. Those figures have been endorsed by AIREF. The draft budget is clearly expansionary, setting a record ceiling for spending of 226.03 billion euros for 2027. If approved, it would mark an annual increase of around 14 billion euros, which is equivalent to 0.8 points of 2026 GDP. For now, we lack detailed information about where the increases will go and how they will be funded. The government has merely announced more spending in certain policy areas such as housing, grants and R&D. We would, however, highlight two key aspects. Firstly, the spending ceiling is forecast to increase by 6.6% in nominal terms, which is higher than the forecast growth of 5.5% in nominal GDP. Secondly, as per the MTFSP, the deficit target for 2027 is 1.8% of GDP. As outlined in the previous section, Spain would need an adjustment of 0.3 points of GDP (5.3 billion euros) to keep its control account within the limits allowed under the European fiscal rules. The adjustments in 2027 will, accordingly, necessarily have to come on the public revenue side.

Public revenue in 2026 and 2027: What can we expect?

As shown in Table 3, total revenue is expected to increase from 42.5% of GDP in 2026 to 43.0% in 2027. The rate of growth in total funding those years is forecast at 6.5% and

6.2%, respectively. Both rates are above the forecasts for nominal GDP growth, of 5.5% and 5.0%, respectively (Government of Spain, 2026). The government will benefit from forecast increases in revenue, which are estimated at 46.2 billion euros and 47.2 billion euros in 2026 and 2027, respectively. Table 4 reveals that the bulk of that increase stems from labour taxation. Specifically, receipts from personal income tax are expected to increase by 14.3 billion euros in 2026 and 14.4 billion euros in 2027, with revenue from social security contributions projected to increase by 14.1 billion euros and 15.6 billion euros, respectively. Personal income tax and social security contributions are expected to contribute, combined, 61.3% of the increase in public revenue in 2026 and an even higher 63.7% in 2027.

This revenue growth pattern is not aligned with the recommendations the European Commission has been making repeatedly for several years now. The Commission has been urging Spain to shift some of the tax burden away from labour to environmental taxes and taxes on consumption and property ownership in order to foster growth and employment. In contrast, as is shown in Table 3, reliance on labour taxes is expected to continue to increase in Spain over the coming years due to: (i) increases in social security rates designed to fund pension expenditure (via the so-called intergenerational equity mechanism and the solidarity payment); and (ii) the failure to index the personal income tax brackets.

In light of the growth in spending, the government agreed a fiscal plan with the European Commission last May designed to increase tax revenue by 8.51 billion euros in 2026, so as to comply with the European

“ In light of the growth in spending, the government agreed a fiscal plan with the European Commission last May designed to increase tax revenue by 8.51 billion euros in 2026, so as to comply with the European tax rules. ”

Table 3 **Trend in public revenue, 2025 - 2027**

Item	2025	2026	2027
As a percentage of GDP (%)			
Total revenue (excl. Recovery, Transformation and Resilience Plan)	42.1	42.5	43.0
Tax revenue	24.8	25.0	25.4
Personal income tax	9.6	9.9	10.2
Corporate income tax	3.1	3.2	3.2
VAT	6.8	6.8	6.9
Product taxes	3.1	2.9	3.0
Social security contributions	13.3	13.4	13.6
Rate of change (%)			
Total revenue (excl. Recovery, Transformation and Resilience Plan)	—	6.5	6.2
Tax revenue	—	6.4	6.7
Social security contributions	—	6.3	6.6

Sources: AIReF (2026a), Ministry of Economy, Trade and Business (2026) and author's own elaboration.

tax rules (Ministry of Economy, Trade and Business, 2026b). The most important measure in that plan is the government's express decision not to deflate personal income tax, a move expected to unlock 2.29 billion euros of revenue. The government has opted not to address the fiscal drag issue ever since 2020, despite its adverse impact on real household income (Romero-Jordán, 2025).

The remainder, 6.21 billion euros, stems from measures that have already been approved and, therefore, with a limited impact on the public debate. Such is the case of the rollover of the tax on high net worth individuals, the extension of the deduction limits imposed on corporate groups and earlier corporate and savings tax and tobacco excise duty reforms. The temporary measures contained

Table 4 **Change in tax revenue, 2025 - 2027**

	2025-2026	2026-2027
Total revenue (excl. Recovery, Transformation and Resilience Plan)	46,186	47,168
Personal income tax	14,248	14,417
Social security contributions	14,121	15,663
Corporate income tax	4,657	2,848
VAT	6,310	7,921
Product taxes*	-683	4,450

Note: * Includes excise duty, stamp duty and other taxes on products and transactions (excluding VAT).

Sources: AIReF (2026a), Ministry of Economy, Trade and Business (2026) and author's own elaboration.

in this plan, such as the decision not to index personal income tax, are discounted from net primary expenditure, such that they lower the growth in eligible spending (AIREF, 2026b). Even factoring in that discount, growth in expenditure in Spain is expected to remain above the pathway set down in the MTFSP.

Notes

[1] For illustrative purposes, that figure is 3.7 times the 2023 equivalent.

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Defence spending and debt sustainability: The euro area's fiscal rules post 2024

The EU's new fiscal rules, in force since 2024, are already being tested by the need to finance higher defence spending and by a sharp rise in interest rates. The National Escape Clause carries a modest fiscal cost, but the framework's debt sustainability analysis still rests on interest-rate assumptions that market developments have already overtaken.

Daniel Gros

Abstract: Euro area countries entered the COVID-19 crisis with markedly more fiscal restraint than the United States or United Kingdom. Since 2022, the bloc's average deficit has stabilized near 3% of GDP even as deficits diverge sharply while the gulf in debt levels between Germany and the region's more indebted members remains. Against this backdrop, the 2025 decision to accommodate rearmament through the National Escape Clause allows countries to raise spending by up to 1.5% of GDP a year for four years without

breaching their agreed adjustment paths. A synthesis of the official debt sustainability framework demonstrates that full use of this flexibility would raise debt ratios only marginally and require a correspondingly small additional improvement in primary balances once the adjustment period ends in 2031. The greater vulnerability lies in the interest-rate projections set in 2024 that remain the baseline for the Commission's debt sustainability analysis; but that have already been overtaken by market developments, with French borrowing costs

now close to two percentage points higher. Because the rules keep this baseline fixed unless a government formally requests a recalculation, the gap between assumed and actual financing costs is likely to persist rather than correct itself. The fiscal cost of accommodating defence spending appears manageable, but the framework's credibility will depend on how it is enforced once interest-rate assumptions catch up with reality.

Introduction

The euro was born with fiscal rules attached because its creators realised that fiscal problems in one country could have system wide implications (Gros and Thygesen 1998). The focus of the rules was initially mostly on deficits, hence the canonical “reference value” of 3% of GDP. The sovereign debt crisis of 2010-2012 then showed that markets tended to focus on debt levels. This prompted a change of emphasis, with the adoption of a new rule regarding the minimum reduction in debt countries should aim at in order to reach 60% of GDP, the other reference value of the Maastricht Treaty that had until then been mostly ignored. The debt reduction rule was simple, but also mechanic. The debt ratio should be reduced each year by $1/20^{\text{th}}$ of the excess of the ratio over 60% of GDP.

However, this debt reduction rule was perceived as too strict and too mechanical. The Commission thus proposed a new approach that was considered state of the art in economics. Each country would be subject to debt sustainability analysis based on the specific national circumstances. The aim of this DSA would be to identify the surplus or deficit the country could run in order to first stabilize and then gradually reduce the debt ratio – even under stress conditions.

The new rules entered into force in 2024. But at that time most member countries had deficits considerably above the levels that would stabilize debt ratios. This had been foreseen. A core element of the new rules was that countries were given an initial adjustment period of 4-7 years during which they were supposed to bring down their deficits to the level that would permit debt stabilization.

Most member countries thus agreed with the Commission on a 7-year plan to reduce deficits so that they would reach by 2031 the level needed to put their debt levels on a downward path.

But in 2025 Europe realized that it needed to reinforce its own defense spending. The NATO target for defense spending was increased from 2% to 3.5% of GDP. This created a conundrum for the EU institutions. It would have been politically very awkward to insist that countries adhere to the deficit reduction path already agreed. [1] That would have required cutting expenditure elsewhere at a time when most political leaders promised that there would be no cut in social spending because of defense needs.

But just adding defense expenditure without any cuts elsewhere would have been incompatible with the central aim of the new rules, namely, to bring debt under control. The compromise was to allow countries to exceed their agreed deficit and spending path by 1.5% of GDP for 4 years, but to insist that their deficits should still be reduced to the level needed to put their debt ratio on a downward path. This is the essence of the National Escape Clause whose consequences will be analyzed below.

But before delving into the European details, it is useful to consider the broader, global background.

“ The National Escape Clause allows countries to exceed their agreed deficit and spending path by 1.5% of GDP for 4 years, but insists that their deficits should still be reduced to the level needed to put their debt ratio on a downward path. ”

Recent developments in fiscal policy: A transatlantic comparison

The urgency to increase defense spending comes on the heels of another major fiscal emergency, the COVID-19 pandemic. Countries everywhere ran massive deficits to stabilize economy during this period.

The COVID era

While the fiscal pressure from COVID was roughly similar everywhere, the data in Table 1 below show that on average euro area countries have been much more prudent than their Anglo-Saxon peers. The cumulated deficits of the euro area since 2020 were below 30 percentage points of GDP only one half of the US value of close to 60% (first column). The UK also cumulated deficits of over 45 percentage points, one half higher than the euro area average.

The euro area's fiscal rules were suspended during the COVID era, but it seems that they did have a moderating impact. This can also be seen in the small increase in the debt level,

which was only 4.5 percentage points of GDP over this period, one fourth of the US or UK level (second column).

The third column in Table 1 shows large gaps between cumulated deficits and debt-ratio. The difference reflects nominal GDP growth, which had been quite different during the Covid period across these three economies. Growth (both real and nominal) has been strongest in the US and the discrepancy between deficits and the increase in the debt ratio is correspondingly large for the US whose cumulated deficits since the Covid crisis amounted to almost 60% of GDP while the debt ratio increased by only 17 points, 42 percentage points less. For the euro area and the UK, one observes somewhat smaller differences between cumulated deficits and the increase in the debt ratio.

The UK has run smaller deficits than the US over this period. But its debt ratio increased more. This illustrates the tight constraint a low growth economy puts on fiscal policy.

Table 1 **Pandemic-period fiscal arithmetic**

Economy	Cumulated deficits 2020–2026	Debt-ratio change 2019–2026	Difference: deficits minus debt change
United States	59.4	+17.0	42.4
Euro area	28.4	+4.5	23.9
United Kingdom	46.4	+18.7	27.7

Notes: Debt ratios are end-year stocks, so the relevant stock-flow comparison is the average deficit during 2020–2026 against the change in debt from end-2019 to end-2026. The same logic applies to 2022–2026 against the end-2021 to end-2026 debt change

Source: General government, percent of GDP; debt is gross debt. IMF Fiscal Monitor April 2026, Tables 1.1 and 1.2. (IMF).

“ The striking result from the COVID era was that very large cumulative deficits translated into much smaller increases in debt ratios, mainly because nominal GDP also rose strongly. ”

Post-COVID consolidation?

The striking result from the COVID era was that very large cumulative deficits translated into much smaller increases in debt ratios, mainly because nominal GDP also rose strongly. This changed from 2022 onwards, in the sense that debt levels have been fairly constant over the last 4 years as shown in column two of Table 2, and deficits have somewhat come down.

Since 2022, there has been some consolidation in the euro area deficit, stabilizing around 3% of GDP, while the UK's deficit has somewhat fallen to close to the euro area value.

By contrast, the US the deficit has even increased to now 7.5% of GDP, 4 percentage points more than the euro area. However, the US-EA difference in deficits exaggerates the difference in the sustainability of their fiscal position.

A key implication of Table 2 is that a euro-area deficit near 3% of GDP roughly stabilizes its debt ratio of close to 90% of GDP when nominal GDP grows around 3% (1% real plus 2% inflation). In the US, nominal growth of 5% can stabilize debt near 120% of GDP with a deficit around 6%. This is why one sees little increase in the US debt ratio since 2021 despite deficits above 6% of GDP. However, the present deficit of 7.5% of GDP would lead to further increases in the US debt ratio until it reaches 150% of GDP.

These numbers illustrate a key issue for any debt sustainability analysis: given the growth rate of nominal GDP, it is easier to stabilize a high debt level. But experience has shown that a high debt level, even if stabilized, increases the vulnerability to financial stress. This is why the euro area fiscal rules aim not only at stabilizing debt but putting it on a downwards path even under stressed scenarios.

Table 2 **Post-COVID fiscal consolidation**

Economy	Average deficit 2022–2026	Average annual debt-ratio change 2021–2026	2026 deficit
United States	6.8	+0.2	7.5
Euro area	3.3	–1.1	3.3
United Kingdom	5.2	+0.0	3.9

Source: General government, percent of GDP; debt is gross debt. IMF Fiscal Monitor April 2026, Tables 1.1 and 1.2. (IMF).

“ Given the growth rate of nominal GDP, it is easier to stabilize a high debt level, but experience has shown that a high debt level, even if stabilized, increases the vulnerability to financial stress. ”

Interest payments and primary deficits

The deficit figures discussed so far hide one underlying problem, namely the increase in interest payments on public debt resulting from higher rates. Policy discussions usually concentrate on headline deficits. But the government cannot control interest expenditure. To gauge political pressure on the budget one should look at the so-called primary balance, *i.e.* the balance between revenues and non-interest expenditure. This is the key variable under the fiscal rules as discussed below.

While interest rates have considerably increased since 2024, the interest burden for most euro area governments has increased only moderately because most public debt is long-term which means that each year only a fraction of public debt must be refinanced at higher market rates. This delayed pass-through is one of the key reasons why European governments will face budget pressure just to keep overall deficit constant, even without considering the need to increase defense expenditure.

Recent differentiation inside the euro area

The euro area average hides large differences across member states. In 2024 Germany had by far the smallest deficit (2.7% GDP) compared to over 3% for Italy and Spain and close to 6% for France. In 2026 Germany's deficit has increased to almost 4% of GDP, whereas Italy and Spain dropped below the 3% benchmark. Even France has slightly reduced its deficit to just around 5% of GDP. There has thus been some convergence with Germany deteriorating while the remainder of the large countries slightly improved.

While there has been some convergence in deficits, there remains a very large difference in debt levels between Germany (close to 60%) and Italy, France and Spain, all with

debt levels above 100% of GDP. Spain is the only highly indebted country for which the debt ratio is declining because of its higher growth.

Dealing with rearmament expenditure: The National Escape Clause

In early 2025 the Commission invited member states to activate the National Escape Clause (NEC) (European Commission, 2025). The NEC allows a country to exclude increases in defense spending of up to 1.5% of GDP for four years from the fiscal rules, thus allowing rearmament spending without immediately imposing large cuts elsewhere (AIREF, 2026). A country that uses this room fully ends the adjustment period with a debt level up to 1.5% of GDP higher than under its baseline plan. This implies that it will then have to run a lower deficit than under the original plan. [2]

Among the largest euro area countries, only Germany has asked for the full flexibility allowed under the NEC. France has declined to use it. Italy and Spain have asked to use the NEC only for very small amounts (and Italy has even been allowed to use the NEC for some energy subsidies).

The key role of interest rate forecasts in the DSA

While the high debt countries have so far been reluctant to use the NEC it is still worthwhile asking how much expenditure restraint would be required by a higher debt level of 6 percentage points of GDP. Since the only variable a government can control is its primary balance, the core question of the DSA is: "what primary balance is required for debt sustainability?" Assumptions about future interest rates play a key role here because they determine how much the government must spend on debt service.

“ Spain is the only highly indebted country for which the debt ratio is declining because of its higher growth. ”

There are thus two key variables in the DSA, the overall deficit and the primary balance. Interest costs play a key role in determining both.

Moreover, the DSA also tries to model carefully how the economy evolves in the short run in order to determine the starting point for the 10-year period following the end of the adjustment (*i.e.* 2031-2040). Modeling the shorter-term evolution requires taking into account dozens of relationships, like the demand effect of higher expenditure on GDP, the impact of ageing on public finances, how the evolution of interest rates determines government debt service, *etc.* This in turn is based on dozens of parameters and complex feedback loops. Bruegel's publicly available implementation (Darvas et al., 2024) takes up more than three thousand lines of code and requires information that is not always publicly available. It seems thus impossible to determine the fiscal effort required by the increase in the debt ratio of 6 percentage points that would result from using the NEC.

Standard debt sustainability analysis is usually based on the idea that debt is sustainable if it stabilizes as a ratio of GDP. For a standard DSA, it does not make any difference whether the debt is stabilized at 60 or 120% of GDP as shown in the example above. But the DSA of the new fiscal rules has a more ambitious target. Debt is deemed sustainable if the debt-to-GDP ratio is on a “plausibly downwards” path which is defined as the condition that the debt ratio must decline even under a set of different pre-defined shock scenarios during a ten-year period, following the initial adjustment period, *i.e.* over 2031 to 2041. The DSA thus requires assumptions or projections for interest and growth rates far into the future.

Debt stabilization requires that the primary surplus be at least equal to the debt ratio multiplied by the difference between the interest rate and the growth rate (the famous “ $r-g$ ”). As Blanchard (2019) emphasizes, very high debt levels become sustainable with low interest rates and “public debt may have no fiscal cost” when growth rates are higher than the interest rate.

The DSA of the Commission does not incorporate this scenario of growth rates higher than interest rates. Instead, (long-term) interest rates are assumed to converge towards 4% in the very long run, while the growth rate is roughly 3% for most countries, especially those with high debt. This implies that under the DSA, the $r-g$ factor should converge towards 1(%) in the very long run. This might have appeared to be overly conservative when it was chosen in 2022 because until then the growth rate had been higher than the interest rate, leading to the conclusion of Blanchard 2019. However, the recent worldwide increase in interest rates has vindicated this caution. It remains an open question whether the interest rate – growth rate could further deteriorate.

A key point about the DSA is that different countries have different values of $r-g$ depending on the exact path of their growth rates and the interest cost of their debt.

A first source of differences in $r-g$ across countries is differences in national growth rates. The growth potential of most euro area countries is low, usually somewhat around 1%, limited by low productivity growth combined with a falling workforce. As a result, differences in potential growth rates among euro area member countries are small (fractions of a percentage point), (European Commission, 2026).

A more important source of differences in the $r-g$ factor comes from differences in interest rates. The DSA is based on the rates expected in 2031, *i.e.* at the end of the adjustment period. A key assumption of the DSA is that future interest rates can be calculated from the implicit forwards incorporated in very long-term interest rates. For example, the difference between 5-year and 15-year rates as of 2026 allows one to calculate the 10-year rate the market expects in 2031.

This use of forward rates to determine future expected interest rates is controversial because longer term rates incorporate a term premium. This effect seems particularly important for highly indebted countries that pay a risk premium. Galvão and Rush (2026)

“ The current baseline values will remain the official guide for the fiscal rules, likely to create additional adjustment needs when the transition periods end in 2031. ”

claim that using the difference between very long rates and medium-term ones could lead to an over-estimate of future rates by up to 2 percentage points.

The baseline for the DSA was established by the Commission in 2024. At the time interest rates were generally much lower than today. But the risk premia (“spreads”) of the other large euro area member countries also changed, improving for Spain and Italy, but deteriorating for France.

Table 3 below thus shows in column 2 the interest rates for the 2030s period as calculated by the Commission in 2024 and in column 3 how these rates would be if they were recalculated based on today’s (mid-2026) data. It is apparent that German rates have increased by about 100 basis points (1.0 percentage point). French rates have increased even more (almost 1.5 percentage points) because the spread on French bonds has increased, whereas the rates have increased much less for Spain and Italy

because in these two cases the spread has fallen.

The first column in Table 3 also shows that the rates government paid in 2025 are still much lower than present market rates shown in column 3 because the average cost of debt adjusts slowly: most outstanding debt was issued earlier at lower rates, and only the maturing portion is refinanced each year at current market rates. This implies that the interest cost is bound to increase as governments have to refinance their debts. The increase will be particularly steep for France for which the current market rate is now over 2 percentage points higher than the average cost it was paying as recently as 2025.

The 2030s rates projected under the 2024 baseline of the Commission were higher than the cost of debt measured by the implicit rates then. This had led to the criticism mentioned above that using simple forward rates would over-predict future interest burden. However, the prudence of the Commission seems to have

Table 3 Interest rates on public debt, today *versus* DSA
Percentage

Country	2025 implicit interest rate on public debt	Baseline DSA projections for 2030s (as agreed in 2024)	September 2026 market rates
Germany	1.8	2.5	3.5
France	2.2	3.2	4.5
Spain	2.5	3.6	4.0
Italy	3.1	4.3	4.4

Source: ANECO, investing.com and down calculations. N.b. implicit rates defined as interest payments divided by debt (AMECO).

been vindicated ex post in that market rates are already now higher than predicted for 2031 as one can see by comparing columns 2 and 3.

Using the DSA methodology and 2026 market rates to extract the forward rates from 2031 onwards would result in significantly higher expected rate for all countries. However, the DSA regulation keeps the baseline input constant unless a government demands a recalculation. Given the circumstances no government is likely to make such a formal demand. Even for Italy it is unlikely that a new calculation would lead to lower rates even if the Commission were to change the way in which these future rates are computed by considering the upwards bias resulting from high-risk premia. This implies that the current baseline values will remain the official guide for the fiscal rules. This is likely to create additional adjustment needs when the transition periods end in 2031.

Keeping in mind the trend nominal growth rate for most euro area countries, this implies that the $r-g$ as calculated by the Commission in 2024 is slightly negative for Germany, about zero for France, but close to 1% for Spain and Italy. If one were to use 2026 market data, the $r-g$ factor would be much higher, especially for Germany. But, at least for the time being, the rules will be applied based on the favorable 2024 baseline.

Buffers for a ‘plausible downward’ path

The euro area fiscal rules require more than mere debt stabilization. The primary balance must be sufficient to put the debt ratio on a ‘plausibly downward’ path. This means in practice that debt will be on a declining path after the adjustment period, even under adverse scenarios, *i.e.*, the primary balance has to incorporate buffers relative to the one required just to stabilize the debt ratio.

Gros and Hofer (2026a and 2026b) provide a detailed analysis for the different adverse scenarios and show that they can be approximately summarized in a simple formula: to bring debt on a ‘plausibly downwards path’ the debt-stabilising primary balance must be augmented by a buffer

equal to roughly 1% of the debt ratio. While this simplification cannot replace the full calculations, it helps provide an order of magnitude for assessing the additional fiscal effort resulting from higher debt.

Under this hypothesis, the increase in the debt ratio of 6 percentage points allowed under the NEC would eventually require an improvement in the primary balance of only 0.06% of GDP for France (given that $r-g$ is zero the total additional adjustment need is just 1 times the increase in the debt/GDP ratio) to remain within the fiscal rules. For Spain and Italy, for which $r-g$ is close to 1 the required increase in the primary balance would only be at most 0.12% of GDP.

The total adjustment in the primary balance required from these countries is of course much larger, in the order of 2 percentage points of GDP. The calculation made here refers only to the additional adjustment need coming from using the NEC, which is an order of magnitude lower.

These low values should not be surprising. An increase in the debt ratio of 6 percentage points of GDP amounts only to about 1/20th of the existing debt of France or Italy. Almost all of the huge existing debt was accumulated in times of low military spending. Financing a few years of additional defense spending with debt adds very little to the existing mountain of public debt.

Conclusions

The new fiscal rules introduced in 2024 are facing already a double-barreled stress test. The need to strengthen defense risks derailing the expenditure plans agreed very recently. Moreover, interest rates have moved sharply higher.

This analysis suggests two conclusions.

First, the new fiscal framework is less demanding than the previous debt reduction rule, but it has a limit to flexibility. It gives governments time to adjust and now allows temporary deviations for defence spending (National Escape Clause), yet it ultimately requires primary balances strong enough to

put debt on a plausibly declining path by 2031. This is a more demanding standard than the mere debt stabilization of a conventional debt sustainability analysis.

Second, the fiscal cost of the National Escape Clause seems limited. Even full use of the clause would add only about 6 percentage points of GDP to debt, a small increment relative to the existing debt stocks of France, Italy and Spain. The additional primary adjustment required after 2031 would therefore be modest compared with the adjustment already embedded in the fiscal-structural plans.

The larger risk lies elsewhere. Higher market interest rates will eventually lead to higher costs than foreseen in the Commission's debt-sustainability calculations. For now, the official baseline remains anchored in the more favourable 2024 assumptions. This buys time, but it also creates a potential cliff after the adjustment period. The real test of the new rules will thus not be whether they can accommodate a few years of extra defence spending, but whether they will be enforced if the interest-rate environment shifts permanently.

Notes

[1] As an aside, one should reflect on the fact that the need for higher defense spending in Europe had been already evident by 2024. It should thus have been factored in the first adjustment plans. But it took repeated threats from Donald Trump to leave NATO to force the Europeans to agree on this increase in defense spending.

[2] The details on how countries might ramp up their defense expenditure and then gradually adjust their overall expenditure to become compliant with the debt reduction path is left out here. See the analysis by the European Parliament (2025 and 2026).

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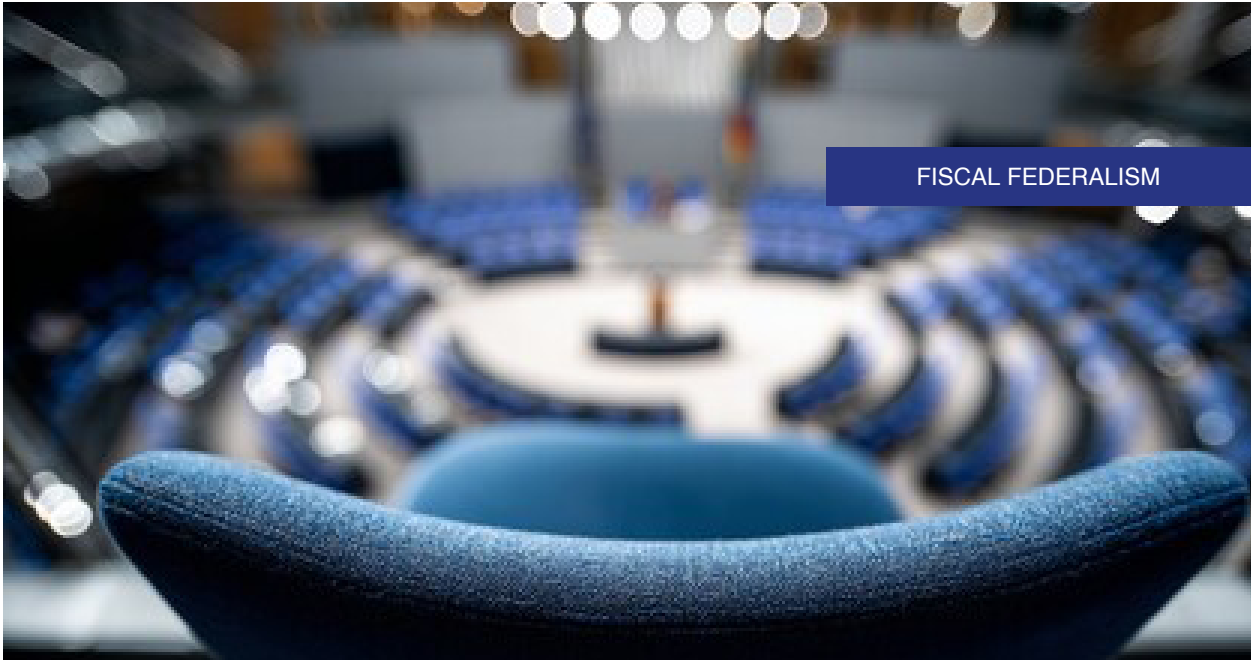
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Financing a federal Europe: A roadmap for a European treasury

Recent crises have expanded the EU's fiscal capacity through temporary instruments, while growing demands for defence, cross-border infrastructure and the green and digital transitions are increasing pressure for greater fiscal coordination. A more federal fiscal architecture would require stronger own resources and disciplined borrowing capacity, while overcoming significant legal, institutional and political obstacles.

Santiago Lago-Peñas

Abstract: The COVID-19 pandemic and the war in Ukraine have accelerated a familiar pattern of crisis-driven European integration. When the costs of inaction become apparent, the European Union (EU) has resorted to extraordinary instruments that temporarily and imperfectly expand its capacity to act. Moving from this reactive approach towards a genuinely federal fiscal architecture would require recognising that some public goods and strategic investments

can be provided more efficiently at the European level, supported by visible and politically legitimate own resources. A European treasury could provide a framework for financing shared priorities, including defence and security, external action, major cross-border infrastructure, collective insurance against extreme risks and asymmetric shocks, and investment in the green and digital transitions. Such a framework would need to strike an

appropriate balance between taxation and borrowing while addressing significant legal, institutional and political-economy obstacles. Progress would therefore depend on what can realistically be achieved in the short term and on the further steps that could command sufficient support over the medium term.

Foreword [1]

The COVID-19 pandemic and war in Ukraine extended a pattern of European integration in which crises spark forward movement (Costas and Lago-Peñas, 2015). The response to the financial crisis, the pandemic and, more recently, the war in Ukraine, illustrates this dynamic: the EU has created instruments such as SURE to sustain job protection schemes, issued debt to finance the Next Generation EU programme and shored up its role in providing Ukraine with financial and military support. Although these initiatives have in practice broadened the EU's fiscal space, they remain exceptional and of limited duration.

The leap to a genuinely federal treasury will require the structural reallocation of powers from the member states to the European level in areas where economies of scale, cross-border externalities, and coordination requirements are both more pronounced and tangible. The goal of this paper is twofold: to delineate which functions should be assumed at the European level and provide guidance in terms of size, composition and governance, emphasising realistic short-term measures alongside more far-reaching medium- and long-term steps.

What exactly do we mean by a federal European treasury?

A robust federal treasury needs to be built around three fundamental pillars. Firstly,

the strategic transfer to the European level of the governance of pure public goods (Fuest and Pisani-Ferry, 2019); the reinforcement of the European macroeconomic stabilisation policies, which could include emergency unemployment insurance schemes (Beblavý and Maselli, 2014; Dolls et al., 2018); and a stronger commitment to coordinated responses to shared challenges of different kinds. The public goods referred to include defence and security, external action and cross-border infrastructure. The shared challenges include preparing for and responding to extreme events and some of the strategic investments set down in the Draghi Report and Competitiveness Compass.

Secondly, a system of own tax revenue streams, with sufficient collection power, visible to citizens and articulated around the principle of vertical neutrality, *i.e.*, any increase in European revenues must be accompanied by an equivalent reduction in national taxes or contributions.

Lastly, the federal European treasury needs the ability to take on a disciplined amount of leverage to finance investments with intergenerational returns and dampen shocks, underpinned by a credible fiscal base and subject to explicit rules around leverage and debt service ratios relative to ordinary revenue.

Experience with fiscal federalism suggests that the transfer of spending powers without commensurate tax-raising powers generates opaque transfers, fiscal discipline and fiscal illusion issues and conflicts over distribution. A multi-level treasury structure must steer clear of these risks by establishing a clear link with taxation and political representation.

“ The leap to a genuinely federal treasury will require the structural reallocation of powers from the member states to the European level in areas where economies of scale, cross-border externalities, and coordination requirements are both more pronounced and tangible. ”

“ Adding together the required increase in investment in defence and security, reinforcement of cross-border infrastructure and provision of systematic support for the green and digital transitions, the order of magnitude of a European budget capable of assuming those functions would be somewhere between 3% and 5% of GDP. ”

Budget size and financing

The current European Union budget is just over 1% of the EU's gross domestic product (GDP) and is financed mainly through national contributions calculated over gross national income, funds based on VAT and customs duties and new sources, such as the contribution levied on unrecycled plastics. This architecture hails from a past focused on the construction of the single market and the financing of cohesion and agricultural policies, rather than on the provision of pure public goods.

The spending needs associated with defence, economic security, cross-border infrastructure and the green and digital transition would imply far higher requirements if these functions were increasingly assumed at the European level. The commitments recently assumed within NATO, which include most of the EU member states, set a target for total defence and security spending that could go as high as 5% of GDP by 2035, compared to the current level of just over 2%. Although not all that effort needs to be channelled at the European level, the current gap illustrates the scale of the budget challenge.

Adding together the required increase in investment in defence and security, reinforcement of cross-border infrastructure and provision of systematic support for the green and digital transitions, the order of magnitude of a European budget capable of assuming those functions would be somewhere between 3% and 5% of GDP, depending on the extent to which the latter are centralised (in some cases, expense coordination could be a good substitute for centralised execution). It is risky to

attempt to put an exact figure on the budget size because the political viability of transferring responsibilities from member states to the EU is limited in the short term. Nevertheless, a European budget assuming these additional functions would need to be substantially larger than the EU budget today (Bouabdallah et al., 2025).

Against that backdrop, the weight of European debt has been rising. As of the end of April 2026, the EU's outstanding debt amounted to around 761 billion euros, mainly associated with the NGEU and SURE programmes and aid for Ukraine, which is equivalent to roughly 3.9% of EU GDP. However, when expressed as a share of ordinary income, the EU's debt ratio is already higher than that of the most indebted member states (Greece and Italy), underscoring the need to shore up the tax base and prevent debt from becoming a permanent substitute for European taxes. Added to this is the challenge of the delicate context surrounding the sovereign debt accumulated by member states. Although debt ratios have fallen from the peaks reached during the pandemic, the average stood at 83% in 2025, with significant fiscal risks in the short term and, in many countries, a deteriorating outlook over the medium and long term, alongside an upward-sloping interest rate curve (European Commission, 2026).

Short-term outlook: What can be done quickly?

In the short term, the space for advancement involves making the most of the existing instruments and carrying out reforms that do not require in-depth modification of the Treaties. First of all, in the last

“ In the short term, the space for advancing towards a federal European treasury involves making the most of the existing instruments and carrying out reforms that do not require in-depth modification of the Treaties. ”

two years a political window has opened for centralising a growing share of the defence and security effort at the European level, particularly in the "security" area, which includes critical infrastructure, cyber defence, innovation and adjacent technological capabilities. Without having to immediately assume the 5%-of-GDP target established as the long-term benchmark within NATO, the EU can already coordinate and finance joint programmes to increase efficiency and reduce overlaps across the 27 national armies and governments.

Secondly, over the past decade, the Commission has presented several proposals to diversify the EU's own resources, associated with emblematic policies such as the Emissions Trading Scheme (ETS), the Carbon Border Adjustment Mechanism, and the OECD Pillar One corporate tax reform. The most recent proposal, presented in July 2025 in the context of the Multiannual Financial Framework (MFF) 2028-2034, contemplates assigning some of the revenue from the ETS and CBAM to the European budget and introducing new sources based on uncollected electronic waste, excise duties on tobacco and the creation of a Corporate Resource for Europe (CORE), an annual financial contribution levied on large businesses, scaled

according to their net turnover brackets. Gradual progress in implementing these proposals is realistic and would diversify the EU's sources of financing and reduce its dependence on national contributions based on gross national income. Moreover, there is room to increase VAT compliance and introduce levies on e-commerce imports from outside the EU. Taken together, these measures would broaden and diversify the EU's income stream without having to depend exclusively on national contributions.

Lastly, there is scope for cementing the use of proven collective insurance schemes like SURE, transforming extraordinary responses into more stable mechanisms capable of creating an economic security buffer in the event of severe shocks. This transition can be undertaken gradually, tapping spending ceilings and clear rules to avoid perverse incentives.

Medium- and longer-term outlook: Towards a European treasury

Over a longer-term horizon, the ambition should be to create an authentic European treasury responsible for multiannual fiscal planning, end-to-end debt management, relations with the national contributors

“ In the medium term, two non-mutually exclusive avenues are worth exploring: Gradual reform within the Treaties to broaden the shared tax bases and reinforce the role of the European Parliament; and a route of enhanced cooperation among willing groups of countries, emulating the blueprint used to forge ahead with the creation of the euro. ”

and tax authorities and the preparation of sustainability reports.

From a legal standpoint, the main lever remains Article 311 of the Treaty on the Functioning of the European Union (TFEU) and decisions on own resources, which today require unanimity in the Council and ratification by national parliaments. In the medium term, two non-mutually exclusive avenues are worth exploring: gradual reform within the Treaties to broaden the shared tax bases and reinforce the role of the European Parliament; and a route of enhanced cooperation among willing groups of countries, emulating the blueprint used to forge ahead with the creation of the euro.

The remit should encompass collective defence programmes with a greater emphasis on European planning and funding, external action and industrial policies relating to critical technologies and cross-border transport, energy and digital communications networks, as well as safeguards against extreme events subject to ‘radical uncertainty’, which could overwhelm the fiscal capacities of heavily indebted countries. [2] Even though extending the field to include ordinary social protection programmes is more controversial, the experience built up around collective insurance for unemployment and stabilisation mechanisms in response to asymmetric shocks provides a foundation on which to build, while respecting the diversity of national welfare states. The synthesis of studies presented in Lago Peñas (2026) points to an annual cost that could reach half a percentage point of EU GDP.

On the income side, progress would need to be made towards stable and significant participation in the major taxes, especially VAT and corporate income tax. With respect to VAT, its broad and relatively stable base, coupled with the high degree of harmonisation already attained, lends itself to articulating a European tranche that would partially replace the current national contribution, to be offset by an equivalent reduction in the national tranches. In the area of corporate tax, the higher mobility of tax bases, the risk

of unhealthy tax competition and the need to preserve the uniformity of the internal market justify moving towards a common tax base, structured so that the European and national authorities could share regulatory powers and revenue streams. This shift should preserve aggregate tax neutrality, strengthen the visibility around the link between European taxation and policies and be accompanied by common administration and control mechanisms to limit fraud, avoidance and discrepancies in compliance.

On the political economy of European integration

Unquestionably, the creation of a federal European treasury faces considerable legal, institutional and political economy obstacles. The need for unanimity on the creation of own resources and subsequent national ratification renders each attempt at fiscal reform a complex process, vulnerable to cross-border vetoes and tensions between net contributors and net recipients.

Moreover, differences in priorities among countries, the surge in euroscepticism and the perception that fiscal federalisation implies higher taxes and greater public interventionism fuel resistance. Vertical fiscal neutrality, *i.e.*, the reduction of national taxes as European taxes increase, could be key to mitigating that resistance by explaining that the change does not necessarily affect the overall size of the public sector.

Elsewhere, the link between taxation and political representation needs to be reinforced to ensure the legitimacy of the new federal treasury. Expanding the role of the European Parliament in the creation and supervision of the EU’s own resources, together with formulas for involving the national parliaments in key decisions, could help to close the gap between Europe’s taxpayers and its tax decisions. Lastly, the fiscal illusion associated with the extensive use of debt and the moral hazard implicit in risk-sharing must be addressed through clear rules and transparency.

Conclusions

Recent experience shows that the EU is capable of moving forward on its fiscal integration when crises reveal the costs of inaction. However, relying solely on this reactive dynamic will not be enough to tackle structural challenges such as the twin green and digital transitions, economic security, and the provision of public goods.

A federal European treasury, as depicted in this paper, would provide a coherent framework for reallocating powers, reinforcing its fiscal capacity and making the provision of public goods and management of risks more efficient and equitable. In the near term, the priority should be to gradually expand the joint effort around defence and security, consolidate collective insurance schemes and link new sources of revenue to emblematic policies, while respecting vertical fiscal neutrality.

In the medium term, the agenda should be to build a European treasury with a clear mandate and broader remit. The political economy underpinning this process suggests that the windows of opportunity will remain open in times of crisis but also that consolidation of a federal treasury will require consistent agreements over time, transparency and stronger links between taxation and meaningful representation.

Notes

[1] This paper is based on a longer document whose title translates as “Building a federal European treasury: Goals and instruments”, which can be retrieved from https://www.funcas.es/documentos_trabajo/la-construccion-de-una-hacienda-federal-europea-objetivos-e-instrumentos/

[2] Between 1981 and 2023, natural disasters caused around €900 billion in direct economic losses in the European Union, at 2023 prices. Only around a quarter of the losses resulting from extreme weather and climate events were insured. This protection gap does not mean that all uninsured losses are borne by the public sector, but it can place considerable pressure on public finances when governments intervene to fund emergency relief, compensation or reconstruction (European Central Bank and European Insurance

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Scaling up: Lessons from Spain's fastest-growing medium-sized firms

Medium-sized enterprises hold a distinctive position in Spain's corporate landscape, combining sufficient scale to shape economic activity with the flexibility to keep adapting and growing. Among Spain's medium-sized enterprises, the 100 firms with the strongest cumulative growth since 2008 combined rising productivity, sustained investment and lower debt levels, allowing them to grow sustainably without compromising their financial resilience.

Pablo Guijarro and Irene Peña

Abstract: Medium-sized enterprises occupy a distinctive position in Spain's corporate landscape, combining sufficient scale to shape economic activity with the flexibility to keep adapting and growing. Among this group, a subset of 100 firms that already qualified as medium-sized in 2008 went on to record the highest cumulative growth rates in the sample through 2024. These firms expanded without diluting their productivity: their revenue per employee grew at an annual rate of 10.7%

between 2019 and 2024, roughly twice the pace of the broader sample since 2008. Investment kept pace with that growth, and their return on assets reached 8.5% in 2024, the highest level in the series. Labour costs per employee rose too, but more slowly than revenue, showing that their competitiveness has not come from holding down wages. They also grew without leaning more heavily on debt, financing their expansion mainly through funds generated internally. These patterns point to investment,

“ Spain is home to almost 12,000 medium-sized companies, which, out of a census of approximately 3.3 million enterprises, recorded around 312 billion euros of revenue in 2024 (equivalent to nearly 20% of Spanish GDP) and employed 1.3 million people (7% of wage-earners in Spain). ”

productivity and financial prudence as the traits that distinguish firms capable of sustained growth from those whose expansion proves temporary.

Medium-sized enterprises in Spain's corporate sector

The headline figures characterising Spain's business ecosystem often lead to misleading conclusions. One of the most common is that “there is a dearth of medium-sized enterprises in Spain”. While their share in percentage terms may seem negligible — they account for less than 1% of the business population — the picture changes when viewed through the lens of their economic contribution. The reality is that Spain is home to almost 12,000 companies, [1] which, out of a census of approximately 3.3 million enterprises, recorded around 312 billion euros of revenue in 2024 (which is equivalent to nearly 20% of Spanish GDP) and employed 1.3 million people (7% of wage-earners in Spain).

Far from constituting a marginal segment, these mid-sized businesses are key economic players with a significant ability to generate income, jobs and investment. Moreover, their footprint is not limited to the major metropolitan areas but extends nationwide,

acting as an economic catalyst in regions with very diverse productive structures.

As an intermediate link between the dominant presence of micro and small businesses and large enterprises, whose business model — generally more global and complex — cannot always be directly extrapolated, medium-sized enterprises represent a particularly interesting benchmark for a significant part of the Spanish business landscape. Indeed, medium-sized enterprises combine sufficient scale to have a significant impact on economic activity with a high degree of organisational and strategic flexibility.

Another key takeaway from our analysis of the factors that shape their development is that this cohort is an exponent of business consolidation. In most cases, reaching this threshold entails evolving from the smaller size categories and overcoming the most vulnerable stages of the business life cycle. This aspect is particularly relevant in Spain, where high business turnover is a key determinant of the country's capacity for growth, with annual business start-up and closure rates of around 10% and approximately half of all newly incorporated companies not surviving beyond five years.

“ Business consolidation is particularly relevant in Spain, where high business turnover is a key determinant of the country's capacity for growth, with annual business start-up and closure rates of around 10% and approximately half of all newly incorporated companies not surviving beyond five years. ”

“ Spain stands among the countries with the highest share of scalers — businesses able to sustain high growth over several years, creating jobs, boosting productivity and catalysing the business ecosystem. OECD evidence published in 2021 places Spain among the leading countries analysed. ”

Logically, not all medium-sized enterprises have followed the same growth path. The sample includes companies that, having reached the size threshold, have remained relatively stable, alongside others that have continued to grow consistently, further increasing their scale, productivity and ability to generate value.

This heterogeneity is not surprising. The OECD (2021) notes that a very significant share of companies (nearly half of the total in both the U.S. and Europe) do not have explicit growth ambitions. That does not necessarily imply reduced competitiveness, productivity or efficiency. What it does underline is that policies and strategies that target business performance should not necessarily hitch themselves exclusively to growth in size. [2]

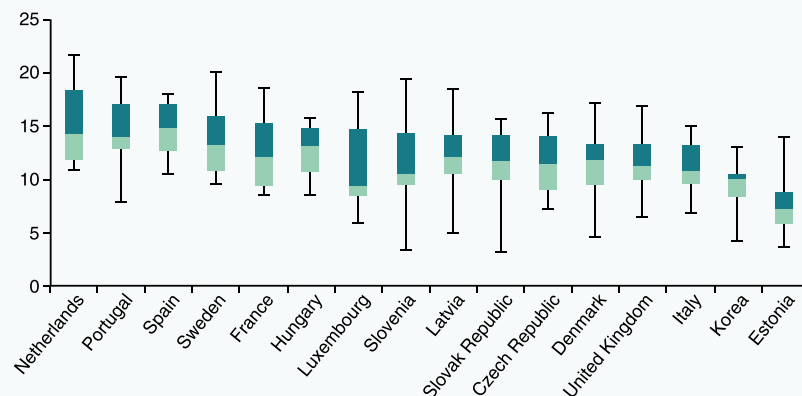
There is, however, another group of companies whose strategy does involve consistently increasing in size. In these instances, the challenge is not only to grow but to do so sustainably and accompanied by more productivity, profitability and investment. It is precisely these companies that the OECD has coined as ‘scalers’: businesses able to grow on a sustained basis over prolonged periods of time, which, thanks to their ability to generate jobs, fuel productivity and catalyse the business ecosystem, play a particularly important role in economic growth.

Beyond their direct contribution, the OECD highlights these firms’ exemplary value by serving as role models for the purposes of identifying practices and strategies conducive to being replicated by other companies with growth ambitions.

Exhibit 1

Share of employment scalers in all non-micro SMEs in 2017

Within countries and across sectors. Percentage



Note: The boxes show the interquartile range (first to third quartiles) of high-growth firm shares across sectors within each country. The line inside each box represents the median, while the whiskers indicate the minimum and maximum values.

Source: OECD (2021).

Spain has one of the highest shares of scalers in the OECD. As we will analyse next, the term “scaler” should not be misconstrued by limiting it to small businesses. The mid-size segment also includes businesses that are capable of exceptional growth during long periods of time.

Identifying the growth leaders

A start-up has an easier time scaling up because it starts from a small base. For start-ups, the challenge is to adapt to their new scale and stabilise financially. The situation is different for companies that, having already achieved a relevant scale, manage to deliver significantly above-average growth rates for prolonged periods of time. Sustained growth at these companies can hardly be attributed, at least not exclusively, to circumstantial factors or favourable economic tailwinds but reflects consistent strategic decisions, an appropriate business model and an ability to continually adapt.

With the aim of identifying the aspects that determine growth in this second category of companies, this section analyses a sample of firms that qualified as medium-sized in 2008, either in terms of employment (between 50 and 250 employees) or turnover (between 10 and 50 million euros), selecting those that registered the highest cumulative annual rates of growth between 2008 and 2024. From the overall sample, we selected the 100 growth leaders with a view to analysing the hallmarks of the companies which, starting from an established position, managed to sustain growth over a period of 16 years.

The analysis draws from the SABI database, which compiles information on all of the firms that deposit their financial statements with the Companies Register. The sample excludes listed companies, public organisations, state-

owned companies and financial institutions. We only analysed companies with full financial information for the entire period analysed, prioritising the use of consolidated financial statements and, when the latter were not available, separate financial disclosures.

Snapshot of the top 100 medium-sized scalers

Although the top 100 growth leaders were selected on the basis of their performance over a broad time horizon, the analysis outlined next focuses on a shorter period, between 2019 and 2024, with the aim of capturing these companies’ most recent track record in order to best depict their current performance and situation. Our interest lies in understanding the nature of these companies’ outperformance and the underlying drivers.

The first distinguishing feature of the companies analysed is that their expansion does not start from a small base. They were all already medium-sized companies at the start of the period, which implies that they had moved beyond the initial stages of consolidation and were operating with well-developed business structures. Nevertheless, they virtually doubled their revenues on aggregate between 2019 and 2024, from 7.17 billion euros to 14.08 billion euros. That translates into average annual growth of 17.5%, a figure that remains very high even if the time horizon is extended back to 2008 (annual growth of 16.9%). These figures demonstrate that we are not looking at growth associated with economic tailwinds but rather a sustained growth trajectory.

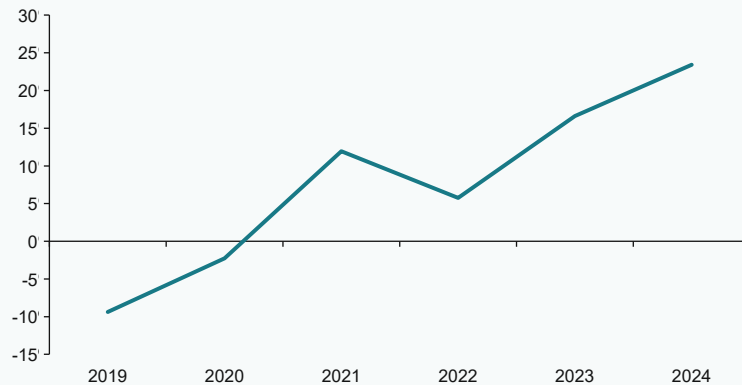
That revenue momentum has been accompanied by a noteworthy ability to create jobs. Between 2019 and 2024, these companies’ aggregate headcount increased

“ The median value for this group of 100 leaders increased from 152,000 euros per employee in 2019 to 252,000 euros in 2024, annual growth of 10.7%. ”

Exhibit 2

Annual rate of change in revenue per employee

Median | 2019-2024



Source: Authors' own elaboration based on SABI data.

from 53,225 to 75,692, implying the creation of over 22,000 jobs in just five years. This tells us that these businesses' growth has not been driven exclusively by efficiency gains or M&A activity but also capacity expansion.

However, the feature that best defines these companies' performance is the quality of the growth generated and not simply its intensity. The growth in volumes and employment has been accompanied by a very significant increase in productivity. Using revenue per employee as our proxy, the median value for this group of 100 leaders increased from 152,000 euros per employee in 2019 to 252,000 euros in 2024, annual growth of 10.7%. That pace of growth is virtually twice that observed in the entire period (2008-2024: 5.9%). Moreover, it has intensified consistently, marking the highest reading in the series in 2024.

In addition, the observed productivity gains proved consistent with a positive trend in labour costs per employee. During the period analysed, staff costs per employee increased by approximately 3% per annum, from 37,000 to 43,000 euros. However, the share of staff costs over revenue decreased from 24.7% to 18.7% over the same timeframe, as the companies' topline growth far outstripped the growth in their labour costs. In other words, for every euro earmarked to remunerating their employees, the 100 top-performing medium-sized scalars are currently generating almost 30% more revenue than five years ago. This pattern shows that their competitiveness does not stem from a strategy of labour cost contention but rather an enhanced ability to generate added value.

It is essential to note that the productivity gains are not a transient phenomenon but rather the result of sustained investment.

“ Productivity gains are not a transient phenomenon but rather the result of sustained investment — these firms' investing activity increased by around 60% between 2019 and 2024, depicting an ongoing effort to add capacity, modernise and develop their businesses. ”

On aggregate, these firms' investing activity increased by around 60% between 2019 and 2024, depicting an ongoing effort to add capacity, modernise and develop their businesses. Although investment intensity measured as a percentage of revenue declined over the period, it is not attributable to a drop-off in investment but rather the extraordinary and even higher growth in the denominator. As a result, the reduction in the ratio of investment over revenue reflects these companies' ability to transform that capital expenditure into revenue growth.

The trend in profitability reinforces this interpretation. Their return on assets (ROA) marked the highest reading in the series in 2024 at 8.5%, up 18% from the 2019 equivalent. What this indicates is that the increase in investment, in addition to unlocking sustained revenue growth, helped deliver more efficient use of the firms' assets and honed their ability to generate profits.

These findings are consistent with the international evidence, which identifies a close correlation between productivity and business growth. A number of studies show that the companies that go on to enjoy periods of sharp growth tend to present higher initial levels of productivity, profitability and investment intensity. In addition, the

companies that post higher productivity gains enjoy a higher probability of becoming high-revenue-growth firms (Moschella et al., 2019; Coad, 2010; Arrighetti and Lasagni, 2013; Du and Temouri, 2015). The metrics for the subset of companies analysed here endorse that correlation: their growth has not been limited to more revenue and employment but has been accompanied by a sustained improvement in revenue per employee, investment and profitability.

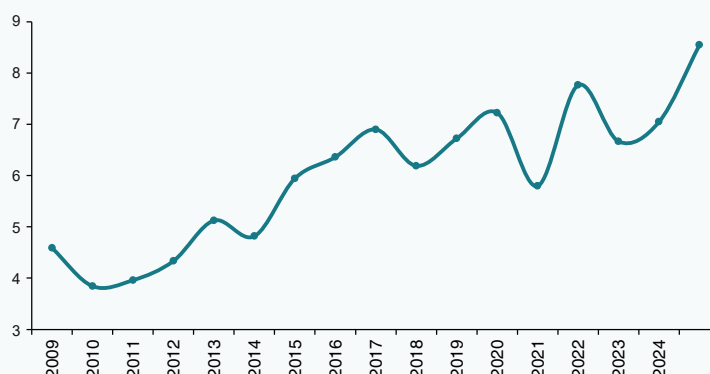
Another significant finding is that the growth experienced by the companies in our sample was not accompanied by a significant increase in indebtedness. To the contrary, their borrowings accounted for just 8.2% of total assets in 2024 and came down consistently throughout the period analysed. This deleveraging points to prudent financial management whereby business expansion is funded primarily by funds generated internally, underpinned by a capital structure that is solid enough to finance their growth without significantly increasing their exposure to financial risk.

Note, lastly, that these companies' growth is not concentrated in a single region or specific sector of the economy. The 100 medium-sized growth leaders are highly diversified geographically and sector-wise, with our

Exhibit 3

Trend in the growth leaders' ROA

Median | 2009-2024. Percentage



Source: Authors' own elaboration based on SABI data.

sample including companies from 13 Spanish regions and the five major sectors of economic activity. This diversity confirms that standout growth can be achieved in very different business environments and is not limited to a single area of specialisation.

Nevertheless, the analysis does reveal a predominance of services sector activities. Specifically, 74 of the 100 top performers belong to the services and wholesale-retail sectors. The most populated subsector is the wholesale trade (16 companies), followed by technological activities and information technologies (9 companies). The growing relevance of the latter highlights the increasingly important role played by knowledge-intensive activities as an engine of business growth.

What drives sustained growth among these leading companies?

The analysis of the drivers underlying the performance of the subset of growth leaders yields a number of conclusions, which serve as a final summary. Aligned with the OECD's focus on scalers, the analysis allows us to identify business management strategies with the potential for replication. The idea is not to present a single model for success but rather to signal some of the traits shared by this group of medium-sized enterprises which have managed to stay on a growth trajectory for a prolonged period of time.

Firstly, their growth should be assessed on its quality and not only on its intensity. Revenue growth is just one dimension of business performance. The evidence gathered shows that the real success comes when topline growth is accompanied by job creation, productivity gains and higher profitability. When this happens, the growth takes on a qualitative character, translating into more value generation and not only revenue growth.

Productivity is not an automatic consequence of growth. More scale does not in itself guarantee efficiency gains. The companies analysed demonstrate that intense job creation can be compatible with very significant growth in revenue per employee, indicating

that their growth has been accompanied by organisational, technological or business improvements. Although the evidence is not conducive to drawing conclusions as to cause and effect, it does show that growth and productivity can go hand in hand when business scaling is underpinned by investment and internal business model transformation.

Their commitment to investing is another key takeaway. The performance of the 100 growth leaders reveals that the growth observed was accompanied and enabled by an ongoing investment effort. The addition of more capacity, incorporation of technology and development of new markets appear to form part of the business scaling process. The overlap between higher investment volumes and profitability gains suggests that capital expenditure helps generate more value, in addition to unlocking scale.

Access to finance is also relevant for business growth. However, the analysis indicates that the businesses' financial structure needs to facilitate rather than dictate the growth strategy. The leading firms' financial management is characterised by lower leverage and healthy cash flow generation. Their financial caution would not appear to have constrained their growth; to the contrary, it seems to have given them the room to invest continually and navigate a particularly challenging economic environment in the wake of the pandemic-induced recession of 2020. This highlights the fact that debt is a tool at the service of business strategy, which companies must be able to tap but must under no circumstances use as a permanent substitute for the business's intrinsic ability to generate recurring funds.

Lastly, the highly diverse regional and sector mix presented by the top-performing scalers tells us there is more than one growth model. The success stories observed abound in both traditional activities and knowledge-intensive sectors and are well distributed around most of Spain. More than the business carried out or the geographic location of the firms, the analysis suggests that the common denominators lie with the ability to invest on an ongoing basis, unlock productivity gains

and manage their finances so as to accompany their growth without compromising their financial equilibrium.

Notes

- [1] The European Union defines medium-sized enterprises as firms with fewer than 250 employees, annual turnover of less than 50 million euros and under 43 million euros of assets.
- [2] *Radiografía del tejido empresarial español: en busca del crecimiento*, a report published by Afi in 2025 whose title translates as Snapshot of the Spanish business ecosystem: In search of growth.

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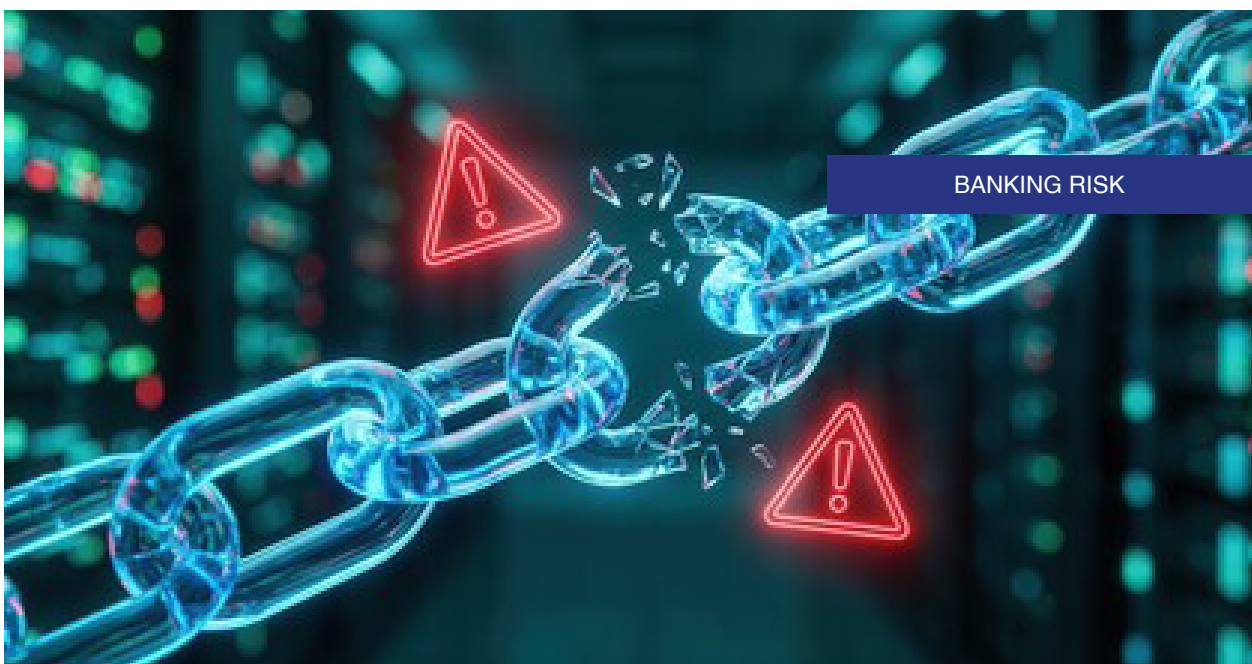
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European banks and cyber risk: How AI is changing the equation

Cyber risk remains the top operational concern for European banks, cited by nearly three-quarters of institutions even as reported attack rates ease and realized losses continue to climb. Artificial intelligence now sits on both sides of this equation, sharpening banks' detection and response capabilities, while equipping adversaries with faster, more convincing tools of their own.

Pedro Cuadros-Solas and Nuria Suárez

Abstract: European banks absorb the majority of cyberattacks recorded across the region's financial system, accounting for 56.5% of incidents and making them the sector's principal target. Their exposure stems from managing extensive digital infrastructure and services, whose disruption is immediately visible and costly. The entry into force of DORA (Digital Operational Resilience Act) has tightened incident reporting, stress testing and oversight of external technology providers, formalizing obligations that

previously varied widely across institutions. Artificial intelligence is reshaping this landscape from the defensive side, enabling faster anomaly detection, alert triage and vulnerability remediation, as demonstrated by initiatives such as Anthropic's Project Glasswing. However, the same capabilities lower the barrier to sophisticated attacks, with 82.4% of banks identifying AI-enabled social engineering, deepfakes and credential theft as their foremost concern. Durable resilience will depend less on any single control than

on governance frameworks that treat AI simultaneously as a defensive asset and a source of concentrated, supplier-linked risk.

Introduction

This paper analyses the European banking sector's exposure to cyber risk, the implications for its operational resilience and the potential role of artificial intelligence (AI) in mitigating or amplifying this source of operational risk. Using EuRepoC and European Banking Authority (EBA) data, we show that the banks have been the victims of a substantial share of the cyberattacks sustained in the European financial sector and that cyber risk constitutes their biggest operational concern. Although the share of banks reporting recent attacks has fallen, the losses materialised as a result of those events have increased. AI has the potential to reinforce the detection of vulnerabilities and the defensive response but could also fuel faster, more automated and more sophisticated attacks.

Cyber risk, operational resilience and AI

Digitalisation is thoroughly transforming the banking business. A growing percentage of transactions are being carried out through digital channels. Payments are processed in real time, employees access applications and data from multiple environments and the banks depend on complex networks of technology service, market infrastructure and cloud platform suppliers. Admittedly, this transition is reducing costs, improving the customer experience and broadening the service offering. However, it is increasing the attack surface in parallel.

Cyber risk is no longer merely a technical issue: it has become a key source of operational risk. Incidents could prevent customers from accessing their accounts, disrupt payments, compromise confidential information, corrupt data or facilitate fraudulent transactions. Operational resilience, therefore, does not consist solely of preventing incidents. It implies identifying critical functions, anticipating adverse scenarios, mitigating the impact of a disruption and restoring service. Against this backdrop, the Digital Operational

Resilience Act (DORA), in force since 17 January 2025, tightens the management of ICT risk, notification of incidents, stress tests and control of external technology suppliers (European Union, 2022).

AI-based tools have the ability to enhance the detection of anomalies, analyse high volumes of alerts, identify vulnerabilities and accelerate the bank's response to incidents. However, those same capabilities can be used by threat actors. The EBA believes that the rapid development of frontier AI models could amplify operational and cybersecurity risks through the malicious use of AI-based tools.

The aim of this paper is to analyse the significance of cybersecurity risk for the European banks and its impact on their operational resilience. To do that, we first look at the banks' position as a target for cyberattacks aimed at the financial sector. We then examine the perception of operational risk and recent trends in the attacks suffered by the banks. Lastly, we analyse the double-edged role of AI as a defensive tool and potential threat amplifier.

The banking sector in the crosshairs of cybercriminals

Cybercriminals are particularly attracted to banks. The banks manage money, personal data and passwords; play a core role in payment systems; have ties with numerous customers, businesses, public authorities and suppliers; and provide services whose disruption is immediately apparent. A cyberattack can in one fell swoop generate a financial gain for the attacker, a high cost for the bank and significant reputational damage.

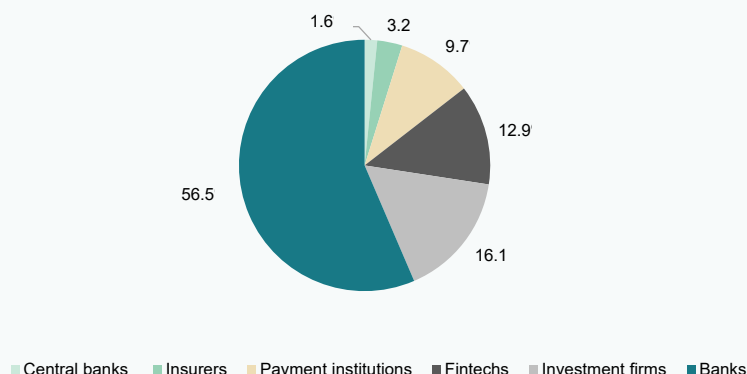
Exhibit 1 provides the breakdown of cyberattacks recorded in the European financial system based on information from EuRepoC. Banks account for 56.5% of the total number of attacks. At a considerable distance are investment service firms (16.1%), fintechs (12.9%), and payment institutions (9.7%). Insurers were victims of 3.2% of attacks and central banks 1.6%.

“ The first European annual report on major ICT-related incidents under DORA tallied 3,383 incidents in the European financial sector as a whole in 2025, around one-third of which had a cross-border impact. ”

Exhibit 1

Breakdown of cyberattacks in the European financial sector

Percentage



Source: Authors' own elaboration based on EuRepoC data.

Illegitimate access to an account or an employee's login credentials can facilitate transfers, fraud or extortion. The banks operate over large-scale digital infrastructure characterised by a high number of users and connections. The greater the number of access points, applications, interfaces and suppliers involved in provision of service, the larger the potential attack surface. The need to operate almost continuously increases the cost of attacks on availability, such as denial-of-service attacks or ransomware.

The outsourcing of services, use of shared software, cloud computing and connection with payment infrastructures create shared dependencies. A failure of or attack on a supplier can hit several institutions at the same time. The first European annual report on major ICT-related incidents under DORA tallied 3,383 incidents in the European financial sector as a whole in 2025, around one-third of which had a cross-border impact. System failures and external events were the

predominant driver of major incidents and nearly one-third originated from failures attributable to third-parties. In this context, digital resilience therefore requires tackling malicious actions, as well as ICT failures and ecosystem dependencies (European Supervisory Authorities, 2026a).

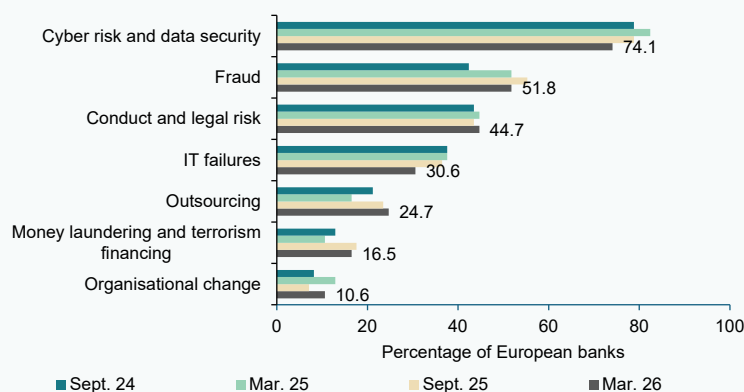
Cyber risk: Determining the operational risk and its materialisation

The perceived threat of cyber risk is evident in the responses provided by the banks in the EBA's six-monthly survey of 85 banks from the European Union and European Economic Space. Exhibit 2 illustrates the percentage of banks that identify the different sources of operational risk presented as a primary source of operational risk. The categories are not mutually exclusive: a given bank can view several sources of risk as relevant at the same time (EBA, 2026a).

“ In March 2026, 74.1% of the banks surveyed cited cyber risk and data security as a key operational risk driver, which was 22.3 percentage points ahead of fraud, mentioned by 51.8% of the banks. ”

Exhibit 2

Sources of operational risk (percentage of European banks surveyed answering in the affirmative)



Source: Authors' own elaboration based on EBA data.

In March 2026, 74.1% of the banks surveyed cited cyber risk and data security as a key operational risk driver, which was 22.3 percentage points ahead of fraud, mentioned by 51.8% of the banks. Behind fraud were conduct and legal risk (44.7%); IT failures (30.6%); and outsourcing (24.7%). Cyber risk and data security was identified as a key driver of operational risk by 78.8% of the banks in the September 2024 assessment, a higher 82.4% in March 2025, back to 78.8% in September 2025 and down to 74.1% in March 2026. The drop from the peak is tangible. Nevertheless, cyber risk ranked as the leading driver in all the assessments (EBA, 2026a). The reduction

in perceived cyber risk since March 2025 may reflect stabilisation in the number of attacks, reinforcement of defences, more mature risk management and DORA framework implementation.

Exhibit 3 depicts the trend in the percentage of European banks which fell victim to at least one cyberattack capable of provoking a major ICT-related incident in the previous six months. That percentage has been trailing lower, from 54.2% in September 2023 to 50.6% in September 2025 and 43.5% in March 2026 (EBA, 2026a). Despite the downtrend, the level remains high: in March 2026, more than four

“ Despite the reduction in the number of entities affected, from 54.2% in September 2023 to 43.5% in March 2026, the materialised losses derived from the latest cyber events have increased, reaching around 730 million euros in 2025, up from 650 million euros in 2024. ”

Exhibit 3

Percentage of European banks reporting having fallen victim to at least one cyberattack in the previous six months



Source: Authors' own elaboration based on EBA data.

out of every 10 banks faced at least one attack which resulted or could have resulted in a major incident in the previous six months.

Despite the reduction in the number of entities affected, the materialised losses derived from the latest cyber events have increased, reaching around 730 million euros in 2025, up from 650 million euros in 2024. These losses have also increased relative to common equity tier 1 (CET1) capital, albeit remaining at a low level on aggregate, at close to 0.04%. Accordingly, the direct costs of the cyberattacks would not appear to pose, by themselves, a significant threat to the European banks' solvency. However, the blended average may mask more significant impacts at certain entities and not fully reflect indirect costs such as the loss of business, customer payouts, reputational damage or the investments needed to restore and reinforce systems (EBA, 2026b).

The role of AI: Friend or enemy?

AI increases the banks' prevention, detection and response capabilities while at the same time providing attackers with more powerful and accessible tools. The relevant question is not, therefore, whether AI is intrinsically beneficial or harmful, but rather which actors are using it, to what end and framed by which controls?

On the defence front, AI systems can continuously analyse large volumes of logs, network traffic and transaction patterns to identify abnormal conduct that could be missed using static rules. They can also help prioritise alerts, detect malicious code, review software, summarise threat information and automate certain initial containment tasks. In terms of fraud, they can combine signals from multiple sources and adapt models for changing patterns. Their biggest advantage is the ability to process information at a speed virtually impossible for human teams to match, reserving expert intervention for the highest-risk cases (FSB, 2024 and 2026a).

The Anthropic case clearly illustrates this potential. In April 2026, the company unveiled Project Glasswing, a cybersecurity initiative using its unreleased frontier AI model, Claude Mythos Preview, to identify and correct vulnerabilities in critical global software. The initial partners included technology and cybersecurity players and one systemic financial institution: JPMorganChase. The participants using the model uncovered thousands of high-severity vulnerabilities, yielding a score of 83.1% on CyberGym, a vulnerability reproduction evaluation metric, compared to a score of 66.6% for Claude Opus 4.6. The initiative was articulated as a restricted-access research programme designed for defensive

Table 1 **Role of AI in cyber risk management**

Mitigator	Amplifier
Continuous analysis of logs, network traffic and transactions.	Automation and personalisation of attacks.
Capacity to prevent, detect and respond.	Speedy discovery and exploitation of vulnerabilities.
Prioritisation of alerts and ability to detect threats and fraud.	Use of social engineering to attack more effectively.
Review of software, summary of threats and automation of containment tasks.	Concentration of services at shared suppliers: correlation and contagion risk.

Source: Authors' own elaboration.

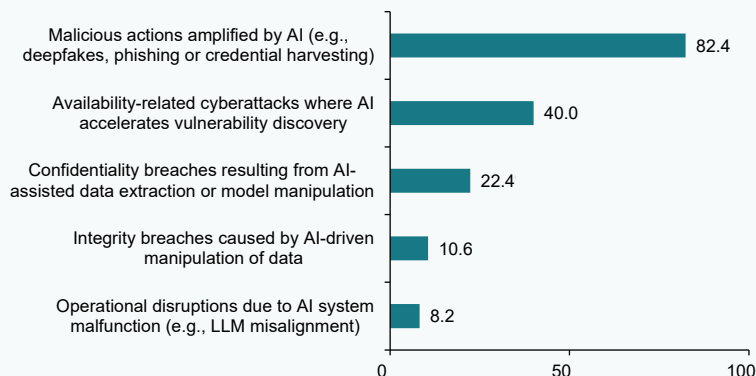
security use cases (Anthropic, 2026; Rodríguez Fernández, 2026). What is clear is that a model capable of detecting a vulnerability can help correct it but could also help facilitate its use by malicious actors. If the time needed to discover a flaw falls below the time needed by organisations to validate it, develop a patch and deploy it securely, the advantage could shift to the attacker.

Generative AI also lowers the barriers to social engineering. It can draft convincing and personalised messages in different languages, imitate communication styles and produce synthetic audio or video content.

This could increase the effectiveness of phishing campaigns, imitation of managers or suppliers or theft of credentials. The combination of the information obtained from open sources, stolen data and automated generation facilitates attacks targeted at specific employees with access to sensitive payments, systems or data. Deepfakes and other forms of imitation generated using AI show how the ICT risk could materialise through the manipulation of individuals and not necessarily via direct system intrusion.

Exhibit 4 shows how the European banks perceive the different ways in which AI could

Exhibit 4 **Percentage of European banks that believe that their vulnerability to the following types of ICT incidents could be amplified by AI**



Source: Authors' own elaboration based on EBA data.

“ The predominant concern relates to malicious actions enabled by AI, including deepfakes, automated phishing and credential harvesting, as cited by 82.4% of the banks. ”

amplify the adverse impact of ICT incidents. The predominant concern relates to malicious actions enabled by AI, including deepfakes, automated phishing and credential harvesting, as cited by 82.4% of the banks. This high percentage shows that the main fear is not yet autonomous model failure but rather AI's ability to render already familiar techniques more credible, scalable and effective.

Exacerbating the issue, many banks depend on a small number of cloud, model, hardware and software suppliers. The FSB has warned that AI could amplify vulnerabilities related to dependencies on third parties, cyber risk and model risk. If numerous banks use similar infrastructure, a failure or vulnerability can generate correlated effects. Management of AI cannot, therefore, be limited to validating each individual application but must also focus on identifying common dependencies, substitution options and continuity plans (FSB, 2024).

Conclusions

Cyber risk is high on European banks' agenda. AI can help them defend against this risk through better detection of anomalies, analysis of threats, identification of vulnerabilities and response times. However, it can also facilitate malicious uses. That is why it is not surprising that 82.4% of the banks believe that AI has the ability to amplify malicious actions, with 40% flagging the scope for denial-of-availability attacks and the exploitation of vulnerabilities.

The response should therefore be articulated around four principles:

- Prevention and shrinkage of the attack surface: updated software, strict access control and continuous vulnerability management.

- Speed of detection and response in line with the speed of the threat: permanent monitoring, defensive use of AI, skilled professionals and clear escalation protocols.

- Resilience *vis-à-vis* in-house and third-party failures: verified copies, proven recovery and exit plans around critical suppliers.

- AI governance: inventory of models, assessment of each use case, data quality and security, adversarial tests, traceability and human supervision proportionate to the gravity of the situation.

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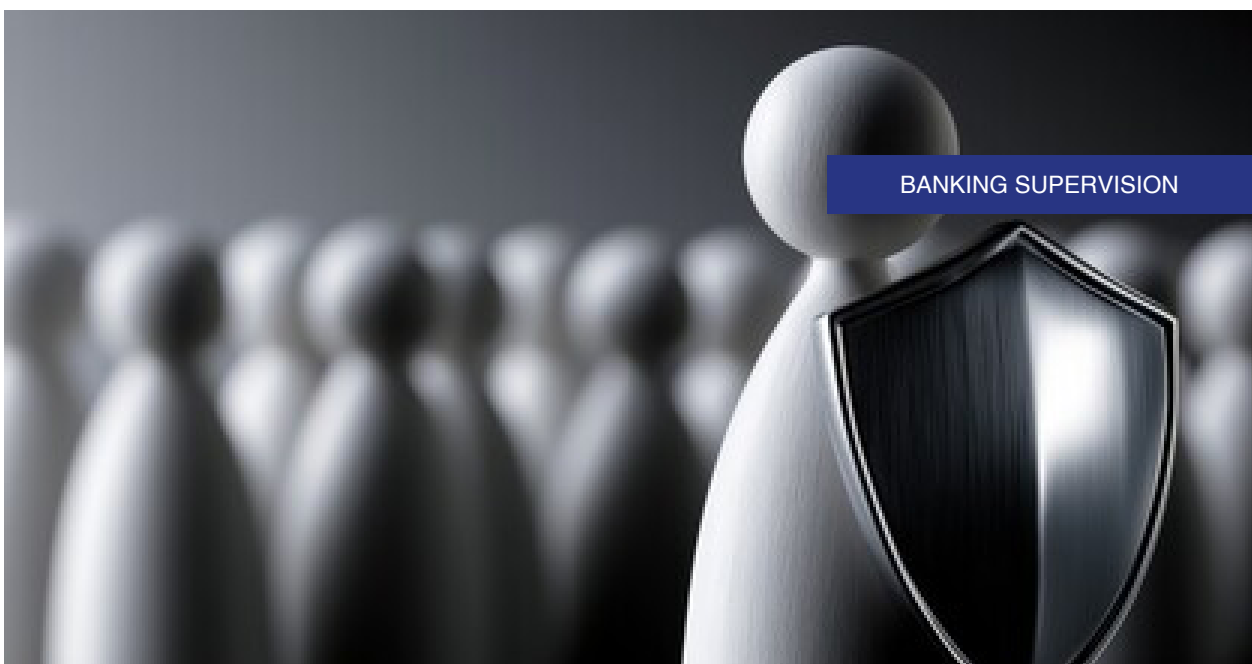
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The supervisory review and evaluation process (SREP) over a decade on: Consolidation, integration and simplification

The EBA's revised SREP Guidelines bring ESG, emerging risks and operational resilience into the core of bank supervision, alongside new rules for third-country branches and other regulatory developments. The result is a more flexible framework that seeks to focus supervisory attention on the areas of greatest risk.

Aitana Bryant, Andrea Blana and Jaime Morillo

Abstract: The European Banking Authority's (EBA's) revised SREP Guidelines consolidate previously dispersed provisions into a single supervisory framework and incorporate developments in the EU banking regulatory landscape since the last major update. The review retains the core SREP architecture while reorganising the treatment of risks, institutions and supervisory measures to improve consistency and flexibility. Among the most significant changes are the

integration of ESG factors, emerging risks and operational resilience, alongside new provisions covering third-country branches and subsidiaries, the output floor limiting reductions in capital requirements from banks' internal models, the Digital Operational Resilience Act (DORA) and credit spread risk in the banking book. The Guidelines also introduce a more flexible escalation framework for supervisory measures and expand proportionality for Category

4 institutions—small and non-complex banks with lower-risk profiles—including the possibility of extending the minimum cycle for a full SREP assessment from three to five years for qualifying institutions. For banks, the revised framework does not change their underlying regulatory obligations but will affect how those obligations are assessed and translated into supervisory requirements. With the Guidelines due to apply from 1 January 2027, institutions should prepare in advance for greater supervisory scrutiny of next-generation risks and ensure that the relevant documentation, metrics and risk-management frameworks are in place.

Twelve years of supervision under the SREP framework: The need for an update

Twelve years on from the onset of the Banking Union, Europe's banks are considerably more resilient than in the run-up to the Great Financial Crisis. A large part of that positive transformation is attributable to the supervisory review and evaluation process (SREP). Since its creation in 2014, the SREP has been articulating the bank supervisory effort in the European Union: under its umbrella, the competent authorities build a comprehensive vision of each institution's risk profile, viability and sustainability and determine the capital, liquidity and governance measures derived from each

evaluation. It is, therefore, an exercise in abstraction that translates all the information gathered through on-site inspections, remote reviews and ongoing dialogue between the supervisor and the institution into specific Pillar 2 Requirements (P2R) and Guidance (P2G).

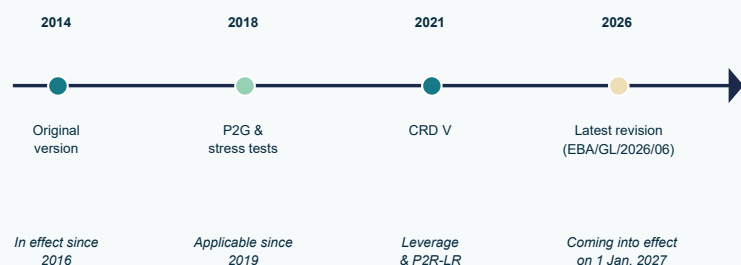
Since its first version, the framework has demonstrated a noteworthy ability to adapt, undergoing two significant updates prior to the one addressed in this paper: in 2018, with the addition of the P2G dimension and the mapping of stress test outcomes into capital expectations, as per the EBA's Pillar 2 Roadmap; and in 2021, to reflect the changes ushered in by the Capital Requirements Directive (CRD) V, including assessment of the risk of excessive leverage (P2R-LR and P2G-LR) and the requirement to cooperate with the AML/CFT supervisors. Lastly, on 26 July 2026, the EBA published its third major update of its Guidelines (revised) on common procedures and methodologies for the supervisory review and evaluation process (SREP) and supervisory stress testing (EBA/GL/2026/06).

This third review was not prompted by shortcomings in the existing framework but rather a dual effort to unlock continuous improvement. On the one hand, the risk perimeter that needs to be covered by the

Exhibit 1

How the SREP Guidelines have evolved, 2014-2026

12 years of SREP: From the original version to the streamlined 2026 Guidelines



Source: EBA and authors' own elaboration.

“ The political and institutional streamlining drive has yielded one of its clearest exponents in this review: less red tape without compromising an iota of the prudential stringency built up over the last decade. ”

supervisor has ballooned: the Banking Package (CRD VI and CRR III), the Digital Operational Resilience Act (DORA) and the IRRBB/CSRBB package on interest rate risk and credit spread risk in the banking book have added risk dimensions that the original SREP, conceived of in a different context, did not contemplate. On the other hand, over a decade of application had yielded a wealth of valuable experience: the peer reviews carried out by the EBA itself and the lessons learnt from recent episodes of market stress pointed not to design flaws, but to room for improvement of a framework that, in substance, has shown itself to work.

It is important to underline, therefore, as the EBA does, that *this review does not alter the SREP's architecture*: the framework continues to be articulated around an assessment of the institutions' business model, internal governance, risks to capital and risks to liquidity and funding, with a common scoring system and integrated

communication of results. What is changing is the manner in which these elements are documented, how they connect up and how flexibly they are applied (proportionality). Indeed, the review can be distilled into three complementary goals:

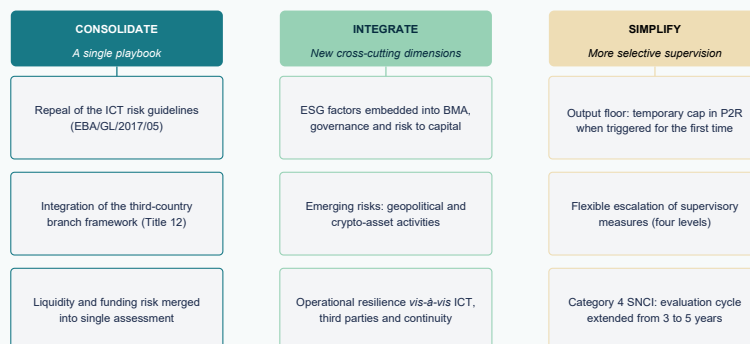
- *Consolidating* into a single playbook provisions that were scattered across different sets of guidelines up until now.
- *Integrating* next-generation risks across the board.
- *Simplifying* the wording to unlock more selective and risk-focused supervision.

This threefold aim — consolidation, integration and simplification — is in sync with the regulatory thrust currently shaping the European banking system. The political and institutional streamlining drive, tangible in the agenda pursued by the ECB's High-

Exhibit 2

Schematic summary of the main changes introduced by the revised SREP Guidelines

Three goals, nine changes: The rationale behind the revised SREP Guidelines



Source: EBA and authors' own elaboration.

Level Task Force on Simplification, has yielded one of its clearest exponents in this review: less red tape without compromising an iota of the prudential stringency built up over the last decade.

Consolidation: A single supervisory playbook for the SREP

The first of the three objectives translates into the centralisation, within a single text, of provisions that were formerly addressed in separate sets of guidelines. The most tangible example of this line of initiative is the repeal of the specific Guidelines on ICT Risk Assessment under the SREP, whose contents are now part of the core SREP framework, specifically within operational risk. The revised Guidelines clarify that ICT risks are part of the operational risk category and that DORA strengthens its prudential treatment.

They also introduce a new section devoted specifically to the assessment of branches in third countries, thereby fulfilling the mandate introduced by the CRD VI to harmonise the supervision of these institutions given their increasing presence in the EU. The revised Guidelines also merge the assessments of liquidity and funding risks, which were previously evaluated in a more segmented manner, into a single analytical block.

The centralisation exercise is rounded out with a thorough editorial review: the text referring to provisions already addressed in other legislative documents or evaluations deemed obsolete has been removed; those references have been included in a separate document and will remain accessible for transparency purposes. The desired result is a more manageable text which lessens the burden of regulatory interpretation on the competent authorities themselves

and, by extension, fosters more predictable supervisor engagement from the institutions' standpoint.

Integration: Next-generation risks, institutional boundaries and technical adjustments

The second pillar of the review, and arguably the one with the greatest significance in conceptual terms, entails the cross-cutting integration into the SREP of a set of elements that, until now, had not been addressed in a systematic or unified manner: three new risk dimensions (next-generation risks: ESG factors, emerging risks and operational resilience); differentiated treatment of third-country banking groups; and a series of technical adjustments with prudential implications in areas such as the output floor, the integration of DORA and the inclusion of credit spread risk (CSRBB).

ESG factors. Environmental, social and governance risks are no longer addressed as a standalone category, having been embedded into all elements of the SREP, underpinned by the premise that these risks materialise through traditional financial risk categories. The business model analysis (BMA) will evaluate the impact of physical and transition climate risks on the institutions' viability in the short, medium and, notably long term, with time horizons of at least ten years. As part of the governance assessment, the SREP will assess whether the management body has the knowledge needed to manage these risks and integrate the transition plans. In the assessment of risks to capital, ESG factors will now be treated as drivers of the traditional credit or operational risks.

Emerging risks. Unlike the ESG factors, the Guidelines create a more open-ended category for new or evolving risks presenting

“ Environmental, social and governance risks are no longer addressed as a standalone category, having been embedded into all elements of the SREP, underpinned by the premise that these risks materialise through traditional financial risk categories. ”

significant uncertainty and without proven assessment methodologies for which the EBA has deliberately opted for a high-level treatment that provides the competent authorities with room for flexibility. Two specific examples are referenced: geopolitical risks whose source, management strategy and impact on profitability must be evaluated as part of the BMA, as well as featuring among the low-probability and high-impact risks in the internal capital adequacy assessment process (ICAAP); and crypto-asset activities, which are assessed as part of the BMA when an institution provides related services. It is noteworthy that the EBA stuck with this high-level approach despite the requests received during the consultation phase: several participants called for more specific guidance around the risks derived from artificial intelligence but the banking authority opted instead to rely on the expert judgement of the supervisor in a field in the midst of transformation.

Operational resilience

The revised Guidelines formally adopt the concept of operational resilience, understood as an institution's ability to continue to provide its critical or important functions through disruption. The approach to operational resilience is holistic and integrated; it is not treated as a standalone module. The aim is to build upon areas already covered and assessed, including ICT risk management, third-party risk management and business continuity management, without introducing a new framework or duplicating existing reporting obligations. On the governance front, the management body is expected to play an active role supervising the effectiveness of this approach.

Third-country branches and subsidiaries. The revised Guidelines differentiate between banking groups from outside the EU depending

on whether they operate through a branch or a subsidiary. For branches, the Guidelines address the CRD VI mandate to harmonise their supervision, scaling the intensity of the assessment as a function of their size and risk profile. Unlike other institutions, third-country branches cannot be subject to 'failing or likely to fail' scores. For subsidiaries, a new approach has been introduced to ensure their capital adequacy when they are reallocated market losses from other group entities under transfer pricing arrangements.

Output floor. The Guidelines clarify how the supervisors should proceed when an institution becomes bound for the first time by the output floor, the lower limit designed to stop a bank's internal model calculations from reducing capital requirements too far. A temporary cap then comes into play so that the Pillar 2 requirement does not automatically increase simply due to the change in the risk-weighted asset calculation. The cap is subsequently removed, after the supervisor reviews the requirement, so as to eliminate any potential double-counting effects.

Integration of DORA. ICT risk assessment has been moved to operational risk, clarifying that it forms part of the latter and that DORA strengthens its prudential treatment. The authorities must evaluate compliance with DORA for the ICT services received from ICT third-party providers and with the internal governance guidelines for the non-ICT services received from third-party providers. The revised Guidelines also strengthen data aggregation and risk reporting capabilities through resilient ICT systems, in line with the Basel Committee principles.

Scope expansion to include CSRBB. The scope of the interest rate risk in the banking book (IRRBB) evaluation has been expanded

“ The revised Guidelines formally adopt the concept of operational resilience, understood as an institution's ability to continue to provide its critical or important functions through disruption. ”

to explicitly cover credit spread risk in the banking book (CSRBB). The result is reflected in a combined IRRBB/CSRBB score. The EBA acknowledges, however, that the methodology applicable to CSRBB is less mature, which is why the corresponding guidelines are more proportionate and should be applied more flexibly.

Simplification: Flexible escalation of supervisory measures and increased proportionality

The third aim of the review — simplification — translates into two developments with a direct impact on the intensity and predictability of the supervisory effort.

Firstly, the updated Guidelines introduce a high-level escalation framework designed to guide the authorities when selecting the most appropriate supervisory measures for addressing any deficiencies identified. It is a flexible framework and is not strictly sequential. It is focused on the root causes of the deficiencies, which should be reflected in the scores assigned, and contemplates four increasingly stringent levels of intervention: enhanced supervisory dialogue, like holding a meeting with the management body or requiring a self-assessment; non-binding corrective measures, such as supervisory expectations and recommendations; binding corrective actions, for example, setting qualitative measures or setting/increasing the Pillar 2 or liquidity requirements; and, ultimately, enforcement, including administrative penalties, remedial measures or fines.

Secondly, the updated Guidelines substantially expand the proportionality criteria applicable to Category 4 small and non-complex

institutions (SNCI). They retain the legacy four categories of institutions, defined by the size, systemic importance, scale, nature, and complexity of their activities. Those categories remain the benchmark for adjusting the frequency and scale of supervisory engagement and serve as a benchmark for assessing supervisory convergence *ex-post*. The revised Guidelines provide for an extension of the minimum frequency for the assessment of all SREP elements from three to five years for Category 4 institutions, provided they maintain a stable low-risk profile, sound financial metrics and healthy margins, and quarterly monitoring does not raise material concerns. Competent authorities retain discretion to increase the frequency of engagement whenever warranted. This proportionality rationale is enhanced by the possibility of undertaking lighter reviews of SREP elements or risk areas that are deemed immaterial and a multi-year SREP approach where in-depth assessments of selected risks or risk factors are planned over several cycles.

Scope and implications: What is going to change (and what will stay the same) for the banks?

Insofar as they are addressed to the competent authorities, the Guidelines impact the financial institutions indirectly; they do not speak to their substantive obligations, which continue to be set under the CRD, CRR and their implementing regulations, but rather to the manner in which those obligations are supervised, evaluated and translated into individual capital and liquidity requirements.

The main changes stem from the goal of articulating a more streamlined framework

“ The revised Guidelines provide for an extension of the minimum frequency for the assessment of all SREP elements from three to five years for Category 4 institutions, provided they maintain a stable low-risk profile, sound financial metrics and healthy margins, and quarterly monitoring does not raise material concerns. ”

“ As is often the case with well-designed regulatory simplification, reduced complexity does not imply laxer standards, but rather a sharper focus on what really matters. ”

which brings all of the guidance related to the SREP into a single playbook, integrating ICT risk and third-country branches and merging the liquidity and funding risk assessments. This same rationalisation thrust is evident in the decision to extend the evaluation cycle from three to five years for small and non-complex institutions.

The simplification effort does not, however, imply any relaxation of risk coverage. The more established risks, such as the ESG factors, are being embedded into the supervisory process in a cross-cutting manner, accompanied by a sharper focus on emerging and evolving risks. The approach is more risk-focused, tailoring the scope, depth and intensity of the supervisory effort to each institution's risk profile.

In parallel, the revised Guidelines render the supervisory process more efficient by means of the flexible escalation framework, a clearer link between the findings of each evaluation and the measures taken and clearer communication of the results of the process to the institutions themselves.

This reassessment of the SREP Guidelines comes at a time when the European supervisory agenda is simultaneously pursuing two objectives which can often appear to be contradictory: reducing regulatory complexity while maintaining, without giving an inch, the resilience built up by the European banking system over the past decade. The result, in the case of the SREP, is a more streamlined and better structured text which remains true to the forward-looking rigour that has characterised the process from the outset.

On the other hand, the more intense focus on the treatment of next-generation risks, as

part of the business and governance model analysis, foreshadows more stringent supervisory engagement in these areas. The banks would be well advised to prepare the related documentation, metrics and risk management frameworks sufficiently ahead of their implementation in January 2027. As is often the case with well-designed regulatory simplification, reduced complexity does not imply laxer standards, but rather a sharper focus on what really matters.

Aitana Bryant, Andrea Blana and Jaime Morillo. Afi

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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 21/2026 of 25 August 2026 on transparency and integrity in the activities of lobby groups (*Official State Gazette*: 26 August 2026)

The purpose of this new piece of legislation is to regulate the relationship between lobby groups and public office holders who are susceptible to influence.

Broadly speaking, the key aspects regulated are:

- The definition of the concepts of 'lobby group', 'public official and/or public office holder susceptible to influence', and 'lobbying activity'. Lobby groups are defined as natural and legal persons, as well as entities without legal personality, whether acting on their own behalf or on behalf of third parties, which carry out lobbying activities aimed at public officials and/or public office holders.
- The creation of the Register of Lobby Groups for the General State Administration and its institutional public sector, which is public, free of charge and subject to compulsory registration; it will be managed by the Council for Transparency and Good Governance, will contain information on persons carrying out lobbying activities and must be updated annually.
- The rules of conduct to which lobby groups are subject in their dealings with public officials.
- The obligation to include a 'regulatory footprint report', which will reflect the changes a regulation has undergone as a result of the influence exerted by each

lobby group and will include the identity of the public officials susceptible to influence who have been in contact with such groups.

- The specific sanction regime applicable to lobby groups.
- The development of criteria to ensure interconnection between existing registers, in particular with the EU Transparency Register.
- The obligations regarding the protection of personal data included in the Register of Lobby Groups, in accordance with applicable data protection legislation.

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Spanish economic forecasts panel: September 2026*

Funcas Economic Trends and Statistics Department

Growth in 2026 [1]

Consensus 2026 GDP estimate raised by 0.2pp to 2.5%

According to provisional INE data, Spain's GDP grew by 0.7% during the second quarter, which is 0.2pp more than the analysts were forecasting. Domestic demand accounted for 0.6pp, with foreign trade adding 0.1pp. [2]

The consensus estimate for growth this year has been revised upwards by 0.2pp to 2.5%. Fifteen analysts have raised their estimates and none has trimmed them (Table 1). The upward revisions reflect the better-than-forecast second-quarter growth figure and, to a lesser degree, a slightly higher forecast for the third quarter, of 0.5% (Table 2).

As for the make-up of the GDP growth forecast for this year, domestic demand is expected to contribute 2.9pp (up 0.2pp from the last survey), with foreign demand detracting by 0.4pp (unchanged from our July survey). The forecasts for public consumption, private consumption and investment have all been raised. Analysts are now looking for growth in exports and imports of 1.5% and 2.6%, respectively, down from the July estimates (Table 1).

The number of analysts who perceive more downside risk than upside to their estimates has increased since July but the majority continues to see either more upside or a balance of risks.

Growth in 2027

The projection for 2027 is unchanged at 2%

The consensus forecast for GDP growth in 2027 is unchanged from July, at 2%. This is slightly higher than the projections of leading national and international organisations, except for the Spanish government and AIREF (Table 1).

The growth forecast for 2027 is expected to come entirely from domestic demand, with an estimated contribution of 2.2pp (up 0.1pp from the last survey), with external demand detracting by 0.2pp (compared to an estimated negative contribution of 0.1pp last July). Growth in all components of domestic demand (private consumption, public

consumption and investment) is expected to slow from 2026 (Table 1).

Projections are for quarterly GDP growth of around 0.5% for the first three quarters of 2027 and a slight slowdown to 0.4% in the last quarter (Table 2).

Inflation

Geopolitical tensions translating into higher inflation forecasts

Having settled at 3.2% in the second quarter, headline inflation headed back up to 3.6% in July and climbed to 4.3% in August, fuelled by intensification of geopolitical tensions. Core inflation, meanwhile, continues to move in the range of 2.8%-3%, where it remains very sticky, due mainly to persistent pressures in service prices. Processed food prices, on the other hand, have eased in recent months.

The analysts, expressing due caution on account of the level of uncertainty derived from the geopolitical tensions with a direct impact on inflation via energy prices, believe that headline inflation may have peaked in August and should start to come down during the months to come to end the year at a year-on-year rate of 3.5%. The consensus forecasts for the average annual headline and core inflation rates in 2026 are 3.4% and 2.9%, respectively, both of which are 0.2pp higher than the July forecasts. For 2027, the consensus forecasts have similarly increased, to 2.5% in the case of headline inflation with core inflation projected at 2.6%. The analysts are forecasting headline inflation of 2.2% year-on-year in December 2027 (Tables 1 and 3).

Labour market

Growth in social security contributors accelerating, shaped by legalisation of foreign nationals

Since April, growth in the number of social security contributors has accelerated sharply to year-on-year rates that are well above those of the past two years. The trend, which reflects mainly the incorporation of foreign workers, is tied to the ongoing process of regularisation of undocumented immigrants (which had translated into over

330,000 new contributors as of the end of August). In the meantime, growth in national contributors has been gradually easing.

For 2026 as a whole, the analysts are forecasting year-on-year growth in employment of 2.2%, slipping back to 1.7% in 2027 (both figures are 0.2pp above the July forecasts). Average annual unemployment is forecast at 9.9% this year (down 0.1pp from the last survey), dipping to 9.6% in 2027 (Table 1).

As for productivity and unit labour costs (ULCs), which are estimated based on the forecasts for GDP growth, employee compensation and employment as per the labour force survey, the former is expected to increase by 0.3% this year and the latter, by 3.2% (up 0.2pp from July). In 2027, growth in productivity and ULCs is forecast at 0.3% and 2.8%, respectively.

Balance of payments

Shrinking current account surplus

The current account surplus amounted to 15.1 billion euros in the first half of 2026, which is equivalent to 1.7% of GDP. This is 9 billion euros below the first-half 2025 surplus and the lowest figure on record since 2022. Underlying the erosion is the fact that the improvement in the surplus in travel services was more than offset by the increase in the goods trade deficit and, to a larger extent, the increase in the primary and secondary income deficit, which hit its highest level since 2012, shaped by the run-up in interest rates.

The analysts are looking for a current account surplus of 2.2% of GDP in 2026 and 2% in 2027, unchanged from the July survey (Table 1).

Public deficit

Deficit projections for 2026 and 2027 unchanged

Despite the economic momentum, as of June, Spain's public deficit was largely unchanged from last year's levels. Although tax receipts are benefitting from the economic boom, public expenditure is rising in tandem with revenue.

As was the case in July, the analysts are expecting the deficit to increase to 2.5% of GDP this year, although eight of them believe the deficit will come in below or in line with the 2025 figure. For 2027, the consensus forecast is for a deficit of 2.3% of GDP (down 0.1pp from the July round of forecasting). There is a significant disconnect

between the figures reported by national and international organisations (Table 1).

International context

Deteriorating international environment

The international situation has deteriorated, chiefly as a result of the resurgence of hostilities in the Middle East. In addition to the closure of the Strait of Hormuz, passage through the Bab el-Mandeb Strait, which provides access to the Suez Canal, has been affected by the spread of the conflict in Yemen. The most tangible result is the surge in Brent oil prices, which have jumped from under \$70/barrel in July to nearly \$110. The gas market has also come under strain, particularly in Europe, partly due to the conflicts but also to the demand generated by the need to store this prized commodity ahead of the winter.

The survey respondents echo the deterioration in the international context, with a majority describing it as unfavourable and expecting it to remain so over the coming months, both in the EU and globally (Table 4). Moreover, the number of analysts who expect a prompt improvement has dropped from 5 to 3 in the case of the EU assessments, and from 6 to 1 in the case of the global economic assessments.

Interest rates

Interest rates are rising on the back of the uptick in inflation and accumulation of public deficits

The blockade of the Strait of Hormuz, together with the threats looming over shipping through the Red Sea, have triggered a fresh bout of energy-induced inflation, complicating central banks' efforts to maintain monetary stability. The ECB recently tweaked its interest rates again, raising the deposit facility rate to 2.5%, having increased its forecasts for inflation for the next two years in parallel. The Federal Reserve could follow suit, starting from higher interest rate levels than in the eurozone.

This shift in monetary policy is also underpinned by the resilience the economy is showing in the face of the energy shock and geopolitical tensions. In Germany, economic indicators point to a slight recovery (which is not, however, evident in France), while in the U.S., investment in technology continues to underpin growth and job creation, potentially allowing the central banks to focus on tackling inflation. The analysts expect the ECB's deposit facility rate to remain anchored at 2.5% until mid-2027, which is a quarter of a point higher than the last consensus forecast (Table 2).

Given the uptick in inflation and prospect of monetary tightening, 12-month Euribor has been trending higher and is currently trading above 3.2%, up more than half a point from July. The analysts expect that benchmark rate to ease a little over the coming months, ending next year at around 2.7%, which is nevertheless 0.2pp above the July forecast (Table 2).

In tandem, the return required by the markets for purchasing Spanish 10-year treasury bonds has increased, evidencing market concern about the public deficits being piled up by the major advanced economies. The analysts expect these tensions to persist: they are now forecasting a yield of close to 3.5% at the end of the projection horizon, which is nearly 0.2pp higher than they were predicting in July.

Currency market

Dollar appreciation

The dollar has been appreciating against the euro in recent days due to the growth differential

on either side of the Atlantic and the prospect of a Federal Reserve rate hike. However, the consensus forecast is that the euro will regain a little of the ground lost between now and the end of 2027 (Table 2).

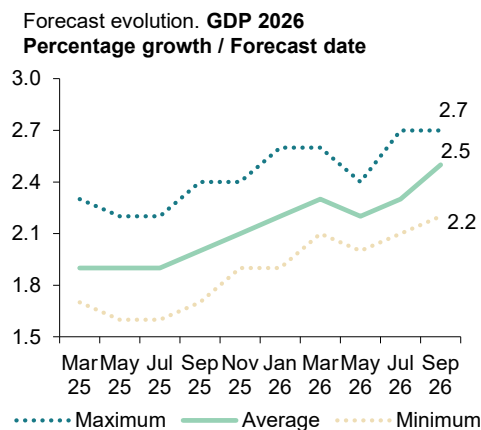
Fiscal and monetary policy considerations

Fiscal policy should be less expansionary

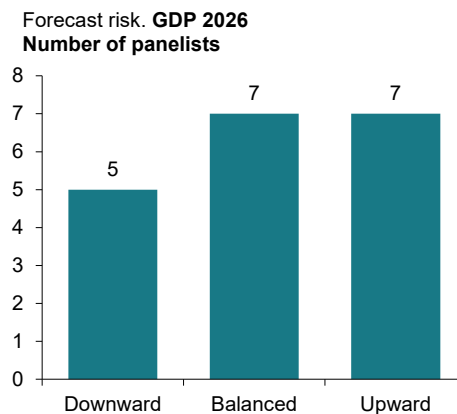
There has been little change in the analysts' assessment of macroeconomic policy. The analysts generally believe that the Spanish economic cycle is sufficiently robust as to not need additional stimulus via fiscal policy. According to a majority of analysts, the budget remains expansionary when it should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

Exhibit 1

Evolution and risk of forecasts



Source: Funcas Panel of Forecasts.



* The Spanish Economic Forecast Panel is a survey conducted by Funcas among the 19 research services listed in Table 1. The survey, which dates back to 1999, is published every two months, in January, March, May, July, September and November. The responses to this survey generate "consensus" forecasts, which are calculated as the arithmetic mean of the 19 individual forecasts. For comparative purposes, albeit not part of the consensus, the forecasts of the Spanish government, AIReF, Bank of Spain and leading international organisations are also presented.

[1] The cut-off date for this round of projections was September 8th.

[2] Spain's national statistics office, the INE, is due to publish its revised annual and quarterly national accounting figures during the month of September. The revised figures could knock off some of the outcomes from this survey, which are based on the annual and quarterly national accounting figures in effect as of the date of its publication.

Spanish economic forecasts panel: September 2026*

Funcas Economic Trends and Statistics Department

Table 1

Economic Forecasts for Spain – September 2026

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

	GDP		Household consumption		Public consumption		Gross Fixed Capital Formation						Domestic demand ³		Exports of goods & serv.		Imports of goods & serv.	
	2026	2027	2026	2027	2026	2027	Total		Capital and intellectual property goods		Construction		2026	2027	2026	2027	2026	2027
Analistas Financieros Internacionales (AFI)	2.6	2.2	3.0	2.2	2.1	1.4	3.7	1.9	2.2	2.1	3.7	1.9	2.8	1.9	1.3	3.6	2.0	3.0
BBVA Research	2.4	2.1	2.8	2.0	2.2	2.5	5.0	5.5	2.7	3.0	5.6	4.9	3.0	2.7	1.4	2.9	3.2	5.1
CaixaBank Research	2.4	2.0	2.6	2.0	2.0	2.0	4.5	2.4	3.5	2.6	4.7	2.3	2.8	2.1	0.6	1.8	1.6	2.1
Cámara de Comercio de España	2.5	1.9	2.7	1.8	2.3	2.5	4.5	3.8	3.3	2.5	4.9	4.2	2.9	2.0	1.4	2.3	2.2	2.8
Centro de Estudios Economía de Madrid (CEEM-URJC)	2.6	2.0	2.6	2.2	2.3	1.6	4.5	3.7	6.4	5.3	4.9	3.5	3.2	2.5	3.3	3.1	5.0	4.2
Centro de Predicción Económica (CEPREDE-UAM)	2.7	2.1	3.0	2.0	2.5	2.0	4.5	3.0	2.5	1.6	4.5	3.0	3.1	2.2	0.9	2.1	2.3	2.7
CEOE	2.6	2.1	3.1	2.2	2.2	1.0	4.6	2.5	2.7	1.2	4.9	2.6	3.2	2.0	1.0	2.4	2.4	2.2
Equipo Económico (Ee)	2.6	2.1	2.9	2.0	3.5	2.6	4.2	2.4	3.4	2.5	4.4	2.1	3.0	2.2	1.2	2.2	2.5	2.6
EthiFinance Ratings	2.5	2.2	2.5	2.1	1.9	1.7	4.0	3.0	4.1	3.0	4.0	2.9	2.6	2.1	2.4	2.3	3.1	3.0
Funcas	2.5	1.8	2.4	1.6	2.0	1.8	4.9	3.8	4.3	2.7	5.4	4.8	2.8	2.1	1.8	2.3	3.1	3.5
Instituto Complutense de Análisis Económico (ICAE-UCM)	2.6	2.0	2.9	2.2	2.0	1.5	4.0	3.0	3.9	2.8	4.0	3.2	2.9	2.2	1.4	2.5	2.1	3.2
Instituto de Estudios Económicos (IEE)	2.5	1.8	3.1	2.2	2.2	1.0	4.6	2.3	2.8	1.1	4.9	2.3	3.2	2.0	0.6	1.5	2.4	2.2
Intermoney	2.2	1.9	2.4	1.9	1.8	1.7	3.7	2.6	3.4	2.1	4.0	3.2	2.4	1.9	2.1	2.6	2.7	2.9
Mapfre Economics	2.3	2.0	2.8	2.1	1.8	1.2	4.4	3.7	--	--	--	--	2.4	2.0	1.1	2.0	1.7	2.4
Metysis	2.6	2.0	2.6	2.1	2.2	2.0	4.3	2.7	3.7	2.5	4.5	3.1	2.8	2.3	1.7	2.2	3.9	3.7
Oxford Economics	2.7	2.2	2.9	2.0	2.1	1.2	4.2	3.4	3.0	2.5	5.5	4.5	3.0	2.2	1.1	2.2	1.8	2.1
Repsol	2.5	2.0	2.9	1.9	2.1	1.5	3.8	4.4	2.2	7.1	3.7	3.0	2.8	2.3	1.5	3.0	2.4	4.1
Santander	2.6	2.2	3.1	2.5	2.1	1.3	3.8	1.8	4.3	1.9	3.8	1.8	3.0	2.2	1.5	3.0	2.5	3.2
Universidad Loyola Andalucía	2.6	2.1	3.0	2.0	2.1	2.0	3.6	2.4	3.8	2.6	2.7	2.3	3.0	2.3	3.0	2.4	3.2	2.8
CONSENSUS (AVERAGE)	2.5	2.0	2.8	2.1	2.2	1.7	4.3	3.1	3.5	2.7	4.5	3.1	2.9	2.2	1.5	2.4	2.6	3.0
Maximum	2.7	2.2	3.1	2.5	3.5	2.6	5.0	5.5	6.4	7.1	5.6	4.9	3.2	2.7	3.3	3.6	5.0	5.1
Minimum	2.2	1.8	2.4	1.6	1.8	1.0	3.6	1.8	2.2	1.1	2.7	1.8	2.4	1.9	0.6	1.5	1.6	2.1
Change on 2 months earlier ¹	0.2	0.0	0.2	0.1	0.3	0.0	0.1	0.0	0.0	-0.1	0.1	0.1	0.2	0.1	-0.2	-0.1	-0.4	-0.2
- Rise ²	15	9	12	9	13	6	7	6	7	6	9	4	16	9	6	6	5	5
- Drop ²	0	1	1	6	2	7	5	6	8	6	7	4	0	2	8	7	9	8
Change on 6 months earlier ¹	0.2	0.0	0.1	0.0	0.3	0.0	-0.4	-0.1	-0.8	-0.6	-0.2	0.3	0.1	0.0	-0.8	0.0	-1.3	0.1
Memorandum items:																		
Government (June 2026)	2.6	2.2	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Bank of Spain (June 2026)	2.3	1.7	2.6	1.6	1.5	1.7	4.1 ^[4]	2.2 ^[4]	--	--	--	--	2.7	1.7	0.8	2.6	2.1	2.8
AIReF (July 2026)	2.5	2.1	2.8	2.2	2.2	2.0	4.3	2.7	--	--	--	--	2.8	2.2	1.3	3.4	2.5	4.1
EC (May 2026)	2.4	1.9	2.9	2.0	1.7	1.8	4.4	2.8	--	--	--	--	2.8	2.0	1.1	2.3	2.4	2.8
IMF (July 2026)	2.1	1.8	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
OECD (June 2026)	2.2	1.7	2.6	1.8	1.4	1.1	4.1	2.1	--	--	--	--	--	--	0.6	2.0	1.7	2.2

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

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

³ Contribution to GDP growth in percentage points.

⁴ Gross Capital Formation.

Table 1 (Continued)

Economic Forecasts for Spain – September 2026

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

	CPI (annual av.)		Core CPI (annual av.)		Wage earnings		Employment (LF5)		Unemployment rate		Current Account (% of GDP)		Gen. Government balance (% of GDP)	
	2026	2027	2026	2027	2026	2027	2026	2027	2026	2027	2026	2027	2026	2027
Analistas Financieros Internacionales (AFI)	3.1	2.6	2.9	2.8	4.5	4.1	2.0	1.3	10.0	9.9	1.7	1.5	-2.6	-2.4
BBVA Research	3.8	2.8	2.9	2.8	--	--	2.4	2.0	9.9	9.6	2.7	1.7	-2.8	-2.5
CaixaBank Research	3.2	2.4	2.8	2.8	3.3	3.3	2.9	1.9	9.8	9.4	2.3	2.5	-2.3	-2.3
Cámara de Comercio de España	3.2	2.4	2.8	2.1	--	--	2.3	1.7	9.7	9.1	2.3	2.1	-2.6	-2.5
Centro de Estudios Economía de Madrid (CEEM-URJC)	3.5	2.6	2.8	2.4	3.4	2.8	1.7	1.4	10.0	9.7	2.1	2.0	-2.5	-2.1
Centro de Predicción Económica (CEPREDE-UAM)	3.3	2.4	--	--	3.9	3.6	2.1	1.4	10.2	10.1	1.6	1.1	-2.7	-2.4
CEOE	3.4	2.1	2.8	2.6	3.8	3.0	2.3	1.8	10.0	9.5	2.0	1.8	-2.4	-2.2
Equipo Económico (Ee)	3.3	2.6	2.8	2.4	3.1	2.8	2.4	2.0	10.0	9.8	2.0	2.1	-2.5	-2.5
EthiFinance Ratings	3.5	2.4	2.7	2.3	3.1	3.1	1.5	1.2	9.8	9.6	2.2	2.2	-2.5	-2.4
Funcas	3.6	2.9	2.8	2.5	3.0	2.8	2.4	1.7	9.8	9.1	2.3	1.8	-2.4	-2.2
Instituto Complutense de Análisis Económico (ICAE-UCM)	3.6	2.8	2.8	2.5	--	--	2.2	1.7	9.9	9.6	2.3	2.0	-2.3	-2.3
Instituto de Estudios Económicos (IEE)	3.3	2.2	2.8	2.5	3.8	3.0	2.3	1.8	9.9	9.4	1.9	1.8	-2.4	-2.3
Intermoney	3.4	2.8	3.1	3.0	--	--	1.8	1.6	9.9	9.8	--	--	-2.4	-2.4
Mapfre Economics	3.4	2.1	3.1	2.5	3.2	2.6	--	--	9.4	8.8	2.7	2.8	-2.3	-2.3
Metysis	3.5	2.6	2.9	2.5	3.2	2.8	2.0	1.5	10.0	9.5	2.2	1.9	-2.5	-2.2
Oxford Economics	3.5	2.6	2.8	2.7	--	--	2.2	1.4	10.1	9.4	2.2	2.7	-2.3	-2.3
Repsol	3.6	2.4	3.0	2.9	--	--	2.3	1.6	10.4	10.3	2.3	2.0	-2.8	-2.4
Santander	3.3	2.1	2.6	2.4	3.6	3.1	2.3	2.1	9.9	9.4	--	--	-2.6	-2.4
Universidad Loyola Andalucía	3.5	2.8	3.0	2.5	--	--	2.4	1.8	9.8	9.6	2.4	2.6	-2.7	-2.5
CONSENSUS (AVERAGE)	3.4	2.5	2.9	2.6	3.5	3.1	2.2	1.7	9.9	9.6	2.2	2.0	-2.5	-2.3
Maximum	3.8	2.9	3.1	3.0	4.5	4.1	2.9	2.1	10.4	10.3	2.7	2.8	-2.3	-2.1
Minimum	3.1	2.1	2.6	2.1	3.0	2.6	1.5	1.2	9.4	8.8	1.6	1.1	-2.8	-2.5
Change on 2 months earlier ¹	0.2	0.2	0.2	0.1	0.2	0.0	0.2	0.2	-0.1	0.0	0.0	0.0	0.0	0.1
- Rise ²	13	11	10	7	8	6	11	8	2	5	2	3	4	4
- Drop ²	2	3	1	3	1	2	0	1	6	6	6	4	4	3
Change on 6 months earlier ¹	0.8	0.4	0.4	0.4	0.2	0.4	0.3	0.2	0.0	0.0	-0.2	-0.2	-0.1	0.1
Memorandum items:														
Government (June 2026)	--	--	--	--	--	--	--	--	9.9	9.4	--	--	-2.1	-1.8
Bank of Spain (June 2026)	3.6 ^[3]	2.6 ^[3]	3.2 ^[4]	3.2 ^[4]	--	--	2.2 ^[5]	1.5 ^[5]	10.0	9.8	--	--	-2.4	-2.3
AIReF (July 2026)	3.3	2.4	--	--	3.1	3.2	2.5 ^[4]	2.0 ^[4]	10.2	10.1	--	--	-2.6	--
EC (May 2026)	3.0 ^[3]	2.5 ^[3]	--	--	3.4	2.9	2.3 ^[5]	1.4 ^[5]	9.9	9.6	1.9	1.8	-2.4	-2.0
IMF (July 2026)	--	--	--	--	--	--	--	--	--	--	--	--	--	--
OECD (June 2026)	3.3 ^[3]	2.9 ^[3]	2.9 ^[3]	2.6 ^[3]	--	--	--	--	10.2	9.8	2.9	2.4	-2.2	-2.2

¹ Difference in percentage points between the current month's average and that of two months earlier [or six months earlier].² Number of panellists revising their forecast upwards [or downwards] since two months earlier.³ Harmonized index.⁴ Harmonized index excluding food and energy.⁵ Persons, according to National Accounts.⁶ Full time equivalent jobs.

Table 2

Quarterly Forecasts – September 2026

	26-I T	26-II T	26-III T	26-IV T	27-I T	27-II T	27-III T	27-IV T
GDP ¹	0.6	0.7	0.5	0.4	0.5	0.5	0.5	0.4
Euribor 1 yr ²	2.57	2.80	3.01	2.92	2.85	2.78	2.73	2.70
Government Bond yield 10 yr ²	3.39	3.42	3.57	3.56	3.54	3.52	3.50	3.49
ECB deposit rates ³	2.00	2.25	2.50	2.50	2.50	2.50	2.25	2.25
Dollar / Euro exchange rate ²	1.156	1.152	1.159	1.163	1.163	1.172	1.175	1.178

Forecasts in yellow.

¹ Qr-on-qr growth rates.

² End of period.

³ Last day of the quarter. Average of responses rounded to the nearest multiple of 0.25.

Table 3

CPI Forecasts – September 2026

Year-on-year change (%)					
Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Dec-27
4.3	4.0	3.9	3.6	3.5	2.2

Forecasts in yellow.

Table 4

Opinions – September 2026

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	1	3	15	3	15	1
International context: Non-EU	0	3	16	1	16	2
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment ¹	0	2	17	2	17	0
Monetary policy assessment ¹	3	16	0	3	15	1

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

Key Facts

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Economic Indicators

Table 1

National accounts: GDP and main expenditure components SWDA*

Forecasts in yellow

		GDP	Private consumption	Public consumption	Gross fixed capital formation			Exports	Imports	Domestic demand (a)	Net exports (a)
					Total	Construction	Equipment & others products				
Chain-linked volumes, annual percentage changes											
2018		2.4	1.7	2.1	6.5	10.1	3.2	1.7	3.9	3.0	-0.6
2019		2.0	1.1	2.2	4.9	8.4	1.4	2.3	1.3	1.6	0.4
2020		-10.9	-12.1	3.5	-8.9	-8.4	-9.4	-20.1	-15.1	-8.8	-2.2
2021		6.7	7.1	3.6	2.6	0.5	4.9	13.4	15.0	6.9	-0.3
2022		6.4	4.9	0.8	4.2	4.0	4.6	14.2	7.7	4.1	2.3
2023		2.5	1.8	4.5	5.9	5.5	6.3	2.2	0.0	1.6	0.9
2024		3.5	3.1	2.9	3.6	4.0	3.1	3.2	2.9	3.3	0.2
2025		2.8	3.4	2.4	5.8	5.2	6.5	3.6	6.2	3.6	-0.7
2026		2.5	2.4	2.0	4.9	5.4	4.3	1.8	3.1	2.8	-0.3
2027		1.8	1.6	1.8	3.8	4.8	2.7	2.3	3.5	2.1	-0.3
2024	III	3.9	3.8	3.9	3.7	5.4	2.0	4.9	4.9	3.7	0.2
	IV	3.7	3.8	2.3	7.4	8.0	6.7	3.8	5.6	4.2	-0.5
2025	I	2.9	3.6	2.6	5.6	3.9	7.5	3.5	6.2	3.6	-0.7
	II	2.6	2.9	2.3	5.2	4.1	6.3	3.8	6.4	3.3	-0.7
	III	2.4	2.7	2.0	6.3	5.9	6.7	1.8	5.3	3.5	-1.1
	IV	2.5	3.1	2.8	4.7	5.9	3.5	1.3	4.1	3.3	-0.9
2026	I	2.6	3.0	2.5	4.0	3.5	4.5	1.1	2.6	3.1	-0.4
	II	2.6	3.5	2.6	5.3	4.0	6.8	1.5	4.3	3.5	-0.9
Chain-linked volumes, quarter-on-quarter percentage changes											
2024	III	0.8	1.2	1.2	0.7	0.3	1.2	1.2	2.2	1.1	-0.3
	IV	0.7	0.5	-0.1	2.6	1.4	3.9	0.8	1.6	0.9	-0.2
2025	I	0.5	0.5	0.7	1.7	2.4	1.0	1.0	1.6	0.6	-0.1
	II	0.7	0.7	0.4	0.1	0.0	0.2	0.7	0.8	0.7	0.0
	III	0.6	1.0	0.9	1.7	2.0	1.5	-0.7	1.2	1.2	-0.7
	IV	0.7	0.9	0.6	1.1	1.4	0.7	0.2	0.5	0.8	-0.1
2026	I	0.6	0.3	0.5	1.0	0.1	2.0	0.9	0.1	0.3	0.3
	II	0.7	1.2	0.5	1.4	0.5	2.5	1.0	2.6	1.1	-0.5
	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		1,687	55.6	19.2	20.6	10.8	9.8	36.6	32.8	96.2	3.8
2026		1,780	55.7	19.3	21.1	11.1	10.0	36.0	33.0	96.9	3.1
2027		1,860	55.5	19.3	21.4	11.4	10.0	35.6	32.7	97.0	3.0

*Seasonally and Working Day Adjusted.

(a) Contribution to GDP growth.

Source: INE and Funcas (Forecasts).

Chart 1.1 - GDP

Level, 2019=100

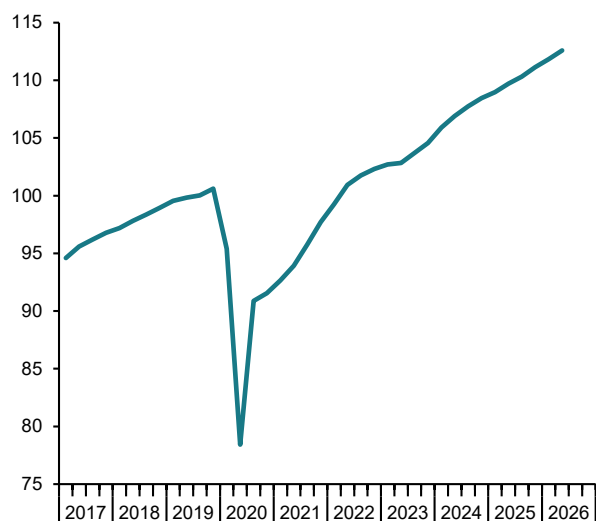


Chart 1.2 - Contribution to GDP annual growth

Percentage points

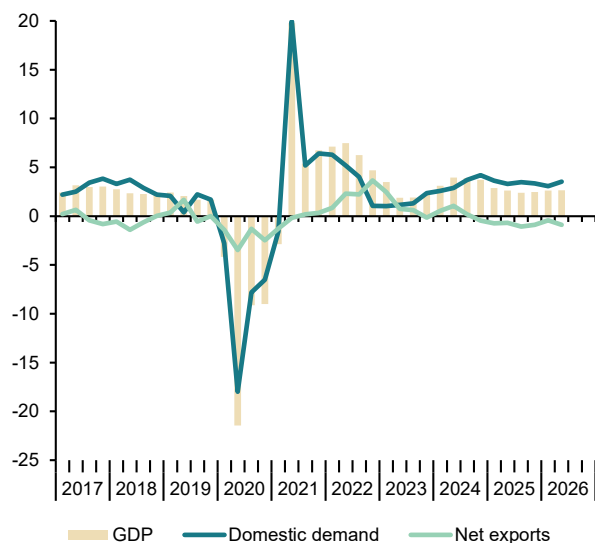


Chart 1.3 - Consumption

Level, 2019=100

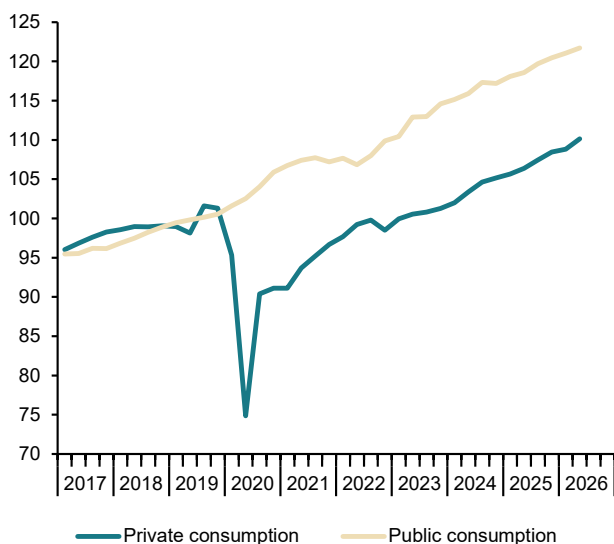


Chart 1.4 - Gross fixed capital formation

Level, 2019=100

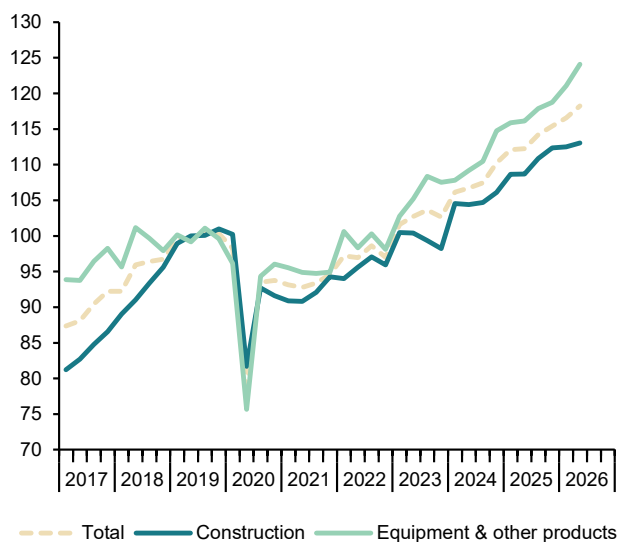


Table 2

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		2.4	4.7	-2.1	0.4	-0.3	3.6	2.5	3.9	1.8
2024		3.8	15.0	5.6	3.7	-0.9	3.3	3.7	3.1	2.8
2025		2.7	11.9	0.6	2.2	6.0	2.5	1.3	2.8	1.8
2024	III	3.9	16.1	6.8	3.8	-1.3	3.2	4.2	2.9	3.9
	IV	3.6	13.3	4.7	3.7	2.0	3.1	3.1	3.2	4.5
2025	I	2.9	14.0	2.4	3.0	2.8	2.5	2.3	2.6	3.1
	II	2.6	12.0	0.6	2.4	6.1	2.4	1.2	2.7	2.9
	III	2.6	12.1	-0.2	2.1	7.7	2.4	1.1	2.8	0.7
	IV	2.7	9.7	-0.2	1.2	7.4	2.6	0.6	3.2	0.4
2026	I	2.8	5.2	0.6	1.8	5.6	2.9	1.0	3.5	1.0
	II	2.8	6.0	1.4	1.8	4.3	2.9	2.0	3.1	0.7
Chain-linked volumes, quarter-on-quarter percentage changes										
2024	III	0.7	0.6	0.9	0.7	0.2	0.6	0.6	0.6	2.1
	IV	0.7	3.4	0.1	1.1	2.0	0.6	0.7	0.5	0.7
2025	I	0.6	8.7	-0.3	0.0	1.4	0.4	0.0	0.5	-0.7
	II	0.7	-0.9	-0.1	0.5	2.3	0.7	0.0	1.0	0.8
	III	0.6	0.6	0.1	0.5	1.8	0.7	0.5	0.7	-0.2
	IV	0.8	1.2	0.2	0.2	1.8	0.8	0.2	1.0	0.4
2026	I	0.7	4.2	0.5	0.6	-0.3	0.7	0.4	0.8	-0.1
	II	0.7	-0.1	0.7	0.5	1.0	0.7	1.0	0.6	0.5
	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		1,365	2.9	16.1	12.0	5.7	75.3	17.2	58.1	9.6
2024		1,457	2.9	15.6	11.9	5.6	75.9	17.1	58.7	9.7
2025		1,532	3.0	15.4	11.7	5.9	75.6	17.2	58.4	10.3

* Seasonally and Working Day Adjusted.

Source: INE.

Chart 2.1 - GVA by sectors

Level, 2019=100

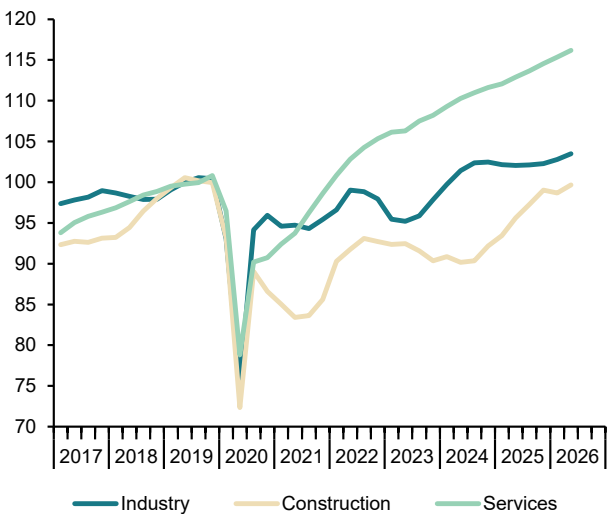


Chart 2.2 - GVA. Industry

Level, 2019=100

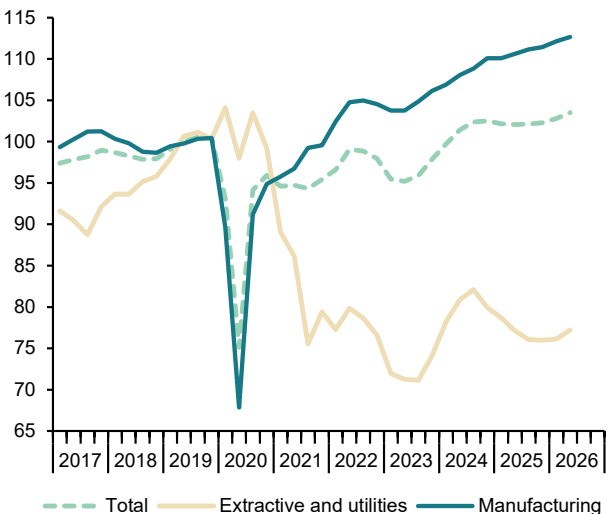


Chart 2.3 - GVA, services

Level, 2019=100

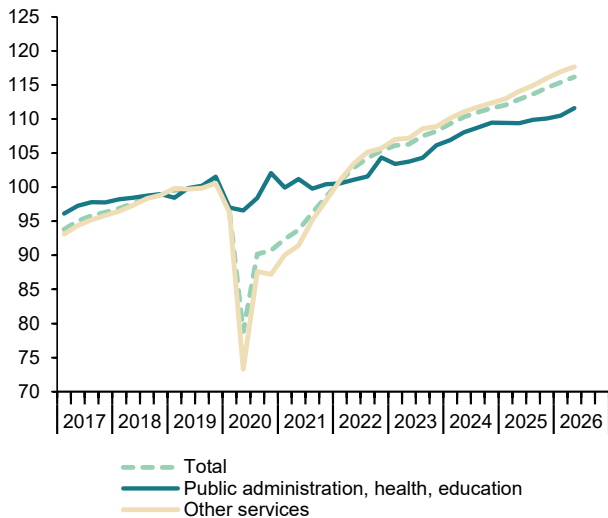


Chart 2.4 - GVA. structure by sectors

Percentage of value added at basic prices

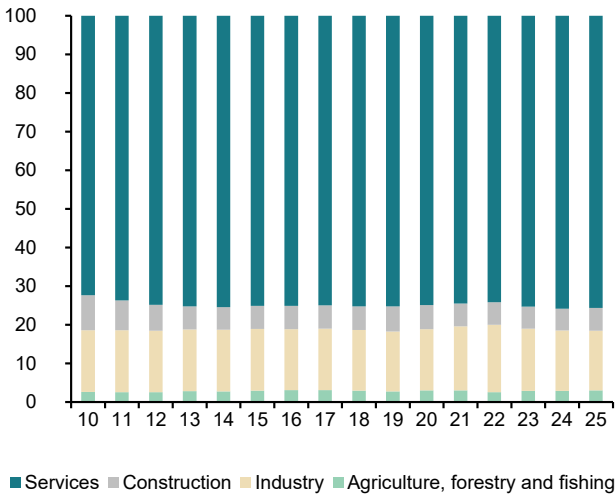


Table 3

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	102.4	95.8	95.6	99.8	97.2	99.4	92.2	107.8	99.5	92.3	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	97.0	91.8	106.5	116.0	105.2	85.9	87.2	98.5	106.8	108.4	106.6	
2021	95.0	100.6	94.5	107.7	114.0	104.4	97.8	93.5	104.6	109.2	104.4	99.0	
2022	101.1	98.1	103.0	111.0	107.8	101.4	104.2	98.5	105.8	112.1	106.0	96.6	
2023	103.4	96.1	107.7	117.1	108.7	101.0	104.6	101.3	103.3	116.8	113.0	94.9	
2024	107.2	93.4	114.8	121.9	106.2	101.2	108.5	104.3	104.0	121.5	116.8	95.1	
2025	110.0	93.9	117.2	127.9	109.1	102.3	110.8	108.2	102.4	127.2	124.2	98.5	
2026	112.8	95.8	117.8	132.1	112.1	102.2	--	--	--	--	--	--	
2027	114.8	96.9	118.5	135.9	114.7	101.8	--	--	--	--	--	--	
2024	III	107.7	95.1	113.2	123.1	108.7	101.1	108.8	104.5	104.1	123.6	118.7	95.1
	IV	108.4	90.8	119.4	123.6	103.5	100.9	110.1	105.5	104.3	123.1	118.1	95.2
2025	I	109.0	92.4	117.9	125.8	106.7	101.5	110.1	106.5	103.3	125.9	121.9	96.4
	II	109.7	93.8	116.9	127.5	109.1	102.1	110.6	106.9	103.5	127.6	123.3	97.8
	III	110.3	93.9	117.5	128.2	109.1	102.5	111.1	109.0	101.9	127.6	125.2	98.7
	IV	111.1	95.4	116.5	129.9	111.5	101.8	111.4	110.5	100.9	127.5	126.4	98.1
2026	I	111.8	93.9	119.1	131.6	110.4	102.2	112.1	112.1	100.0	129.7	129.7	98.6
	II	112.6	95.9	117.4	131.6	112.1	102.8	112.6	114.9	98.0	129.1	131.7	98.1
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	-2.3	4.4	4.6	0.2	2.9	0.6	8.4	-7.2	0.6	8.4	0.1	
2020	-10.9	-3.0	-8.2	6.5	16.0	5.2	-14.1	-12.8	-1.5	6.8	8.4	6.6	
2021	6.7	3.7	2.9	1.2	-1.7	-0.8	13.9	7.3	6.2	2.2	-3.7	-7.1	
2022	6.4	-2.4	9.0	3.0	-5.5	-2.8	6.5	5.3	1.2	2.7	1.5	-2.5	
2023	2.4	-2.1	4.6	5.5	0.9	-0.5	0.4	2.8	-2.3	4.1	6.7	-1.7	
2024	3.7	-2.7	6.6	4.2	-2.3	0.2	3.7	3.0	0.7	4.1	3.4	0.2	
2025	2.6	0.5	2.1	4.8	2.7	1.2	2.2	3.8	-1.6	4.7	6.3	3.6	
2026	2.5	2.0	0.5	3.3	2.8	-0.1	--	--	--	--	--	--	
2027	1.8	1.2	0.6	2.9	2.3	-0.4	--	--	--	--	--	--	
2024	III	3.9	0.0	3.9	4.9	1.0	-0.9	3.8	3.8	0.0	7.0	6.9	-0.4
	IV	3.7	-5.5	9.8	3.1	-6.1	0.3	3.7	2.2	1.5	3.0	1.5	1.1
2025	I	2.9	-0.2	3.1	4.4	1.3	1.4	3.0	3.4	-0.4	5.9	6.4	3.5
	II	2.6	-1.4	4.1	5.7	1.5	1.3	2.4	2.7	-0.3	6.0	6.3	3.5
	III	2.4	-1.3	3.7	4.1	0.4	1.4	2.1	4.3	-2.1	3.2	5.4	3.8
	IV	2.5	5.1	-2.5	5.1	7.8	0.9	1.2	4.7	-3.3	3.5	7.0	3.0
2026	I	2.6	1.6	1.0	4.6	3.5	0.7	1.8	5.2	-3.2	3.0	6.4	2.2
	II	2.6	2.2	0.4	3.2	2.8	0.7	1.8	7.5	-5.3	1.2	6.8	0.3

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

Source: INE and Funcas (Forecasts).

Chart 3.1 - Nominal ULC, total economy

Index, 2019=100

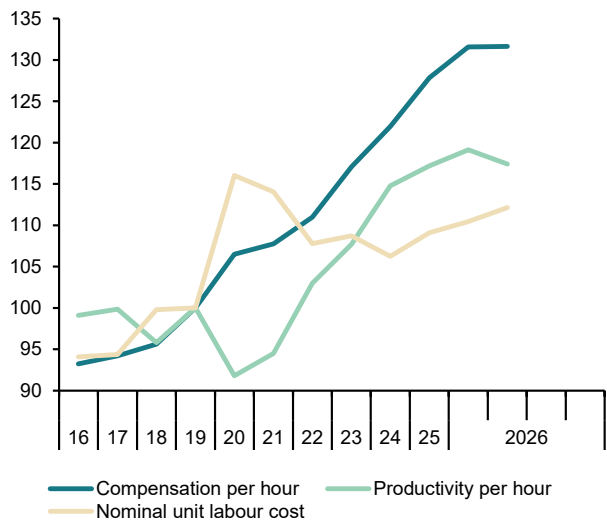
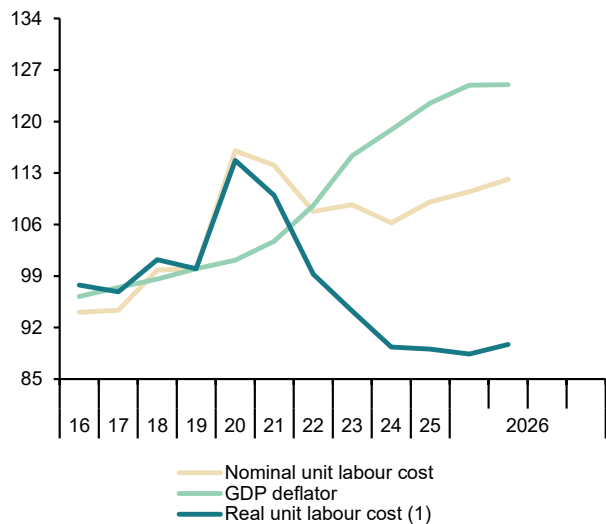


Chart 3.2 - Real ULC, total economy

Index, 2019=100



(1) Nominal ULC deflated by GDP deflator.

Chart 3.3 - Nominal ULC, manufacturing industry

Index, 2019=100

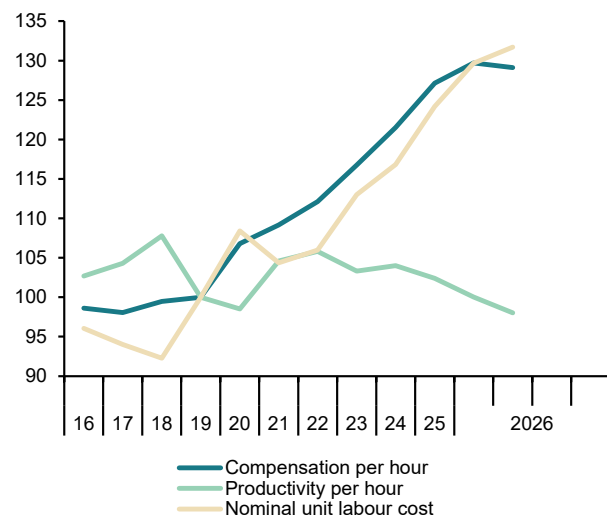
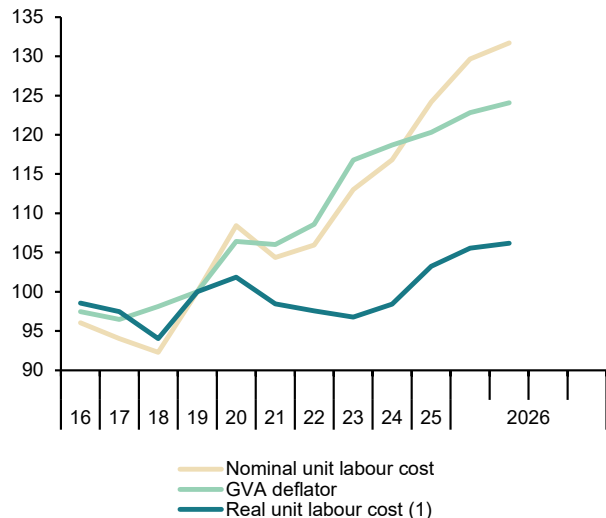


Chart 3.4 - Real ULC, manufacturing industry

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	Compensation of employees	Gross operating surplus	Gross national disposable income	Final national consumption	Gross national saving (a)	Gross capital formation	Compensation 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		1,687.2	818.8	699.5	1,672.1	1,261.4	410.6	361.2	48.5	41.5	24.3	21.4	2.9	4.0
2026		1,779.9	863.3	741.2	1,765.1	1,333.8	431.3	391.2	48.5	41.6	24.2	22.0	2.3	3.3
2027		1,859.8	899.6	767.7	1,837.4	1,391.9	445.5	413.0	48.4	41.3	24.0	22.2	1.8	2.2
2024	III	1,572.6	749.8	674.0	1,557.3	1,176.7	380.6	332.6	47.7	42.9	24.2	21.1	3.1	4.4
	IV	1,598.6	762.3	680.8	1,583.0	1,191.9	391.1	337.7	47.7	42.6	24.5	21.1	3.3	4.5
2025	I	1,617.4	774.9	686.2	1,602.4	1,207.9	394.5	345.1	47.9	42.4	24.4	21.3	3.0	4.3
	II	1,638.4	788.3	691.5	1,625.5	1,222.6	402.9	351.4	48.1	42.2	24.6	21.4	3.1	4.4
	III	1,660.3	802.0	697.0	1,650.0	1,238.1	411.8	359.1	48.3	42.0	24.8	21.6	3.2	4.4
	IV	1,690.0	817.3	703.7	1,679.7	1,257.5	422.3	367.5	48.4	41.6	25.0	21.7	3.2	4.3
2026	I	1,714.9	831.5	712.3	1,701.5	1,274.8	426.7	371.1	48.5	41.5	24.9	21.6	3.2	4.2
	II	1,738.4	845.7	719.8	1,723.5	1,295.8	427.7	378.7	48.7	41.4	24.6	21.8	2.8	3.8
		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		5.8	7.2	3.6	5.9	6.0	5.8	7.0	0.6	-0.9	0.0	0.2	-0.2	-0.4
2026		5.5	5.4	6.0	5.6	5.7	5.0	8.3	0.0	0.2	-0.1	0.6	-0.7	-0.7
2027		4.5	4.2	3.6	4.1	4.4	3.3	5.6	-0.1	-0.4	-0.3	0.2	-0.5	-1.0
2024	III	7.0	7.5	5.9	7.0	6.4	8.8	6.4	0.2	-0.5	0.4	-0.1	0.5	0.9
	IV	6.8	7.2	6.2	7.0	6.0	10.0	7.4	0.1	-0.2	0.7	0.1	0.6	0.6
2025	I	6.4	6.9	5.7	6.5	5.8	8.9	8.2	0.2	-0.3	0.6	0.3	0.2	0.3
	II	5.9	6.9	4.5	6.2	5.5	8.4	8.0	0.4	-0.6	0.6	0.4	0.1	0.2
	III	5.6	7.0	3.4	5.9	5.2	8.2	8.0	0.6	-0.9	0.6	0.5	0.1	-0.1
	IV	5.7	7.2	3.4	6.1	5.5	8.0	8.8	0.7	-0.9	0.5	0.6	-0.1	-0.2
2026	I	6.0	7.3	3.8	6.2	5.5	8.2	7.5	0.6	-0.9	0.5	0.3	0.2	-0.1
	II	6.1	7.3	4.1	6.0	6.0	6.2	7.8	0.5	-0.8	0.0	0.3	-0.3	-0.6

(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

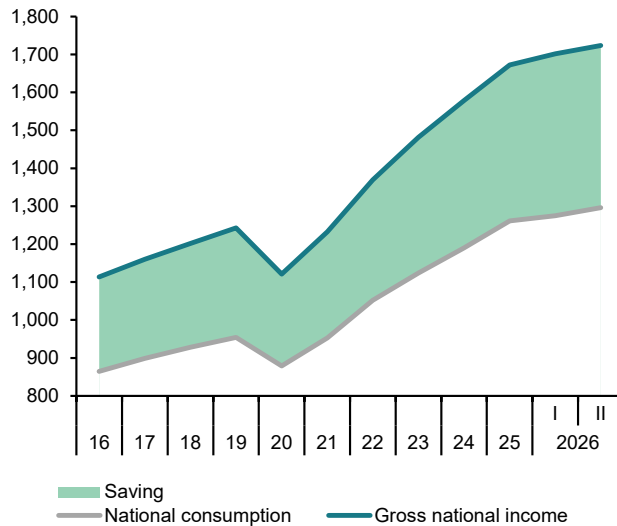


Chart 4.2 - National income, consumption and saving rate

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

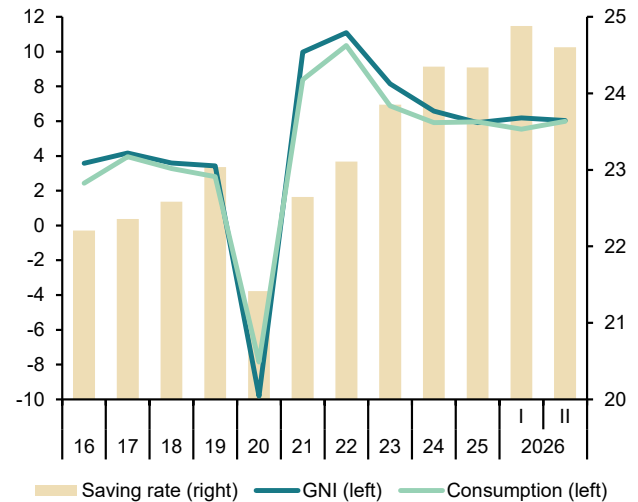


Chart 4.3 - Components of National Income

Percentage of GDP, 4-quarter moving averages

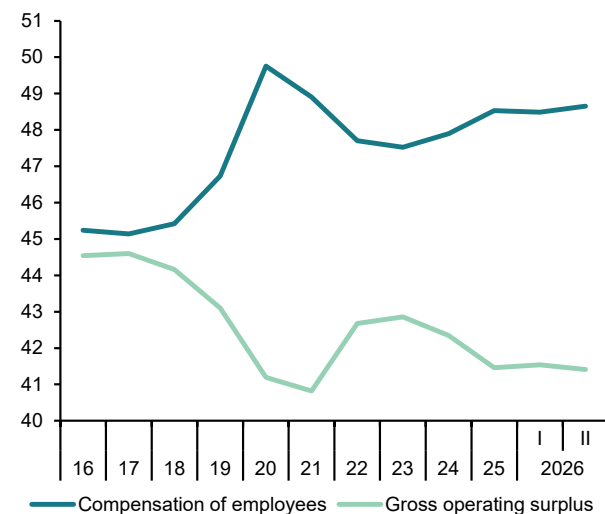


Chart 4.4 - Saving, Investment and Current Account Balance

Percentage of GDP, 4-quarter moving averages

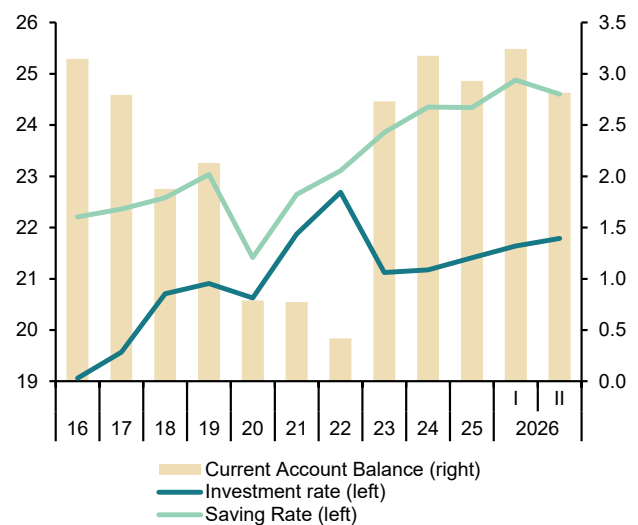


Table 5

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	14.9	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	15.0	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	13.7	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	14.6	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	14.5	2.3	
2023	938.0	830.6	106.6	65.0	11.4	4.3	2.6	315.0	222.5	197.4	14.9	13.2	2.1	
2024	1,012.4	883.8	129.2	71.9	12.8	4.5	3.9	330.0	228.4	214.0	14.3	13.4	1.6	
2025	1,058.8	932.9	126.3	79.3	11.9	4.7	2.8	347.2	238.1	227.8	14.1	13.5	1.2	
2026	1,115.5	990.9	123.0	86.5	11.0	4.9	2.1	357.6	245.7	241.4	13.8	13.6	0.9	
2027	1,160.1	1,033.1	125.6	90.9	10.8	4.9	1.9	373.6	260.7	254.4	14.0	13.7	0.9	
2024	III	993.4	868.9	124.7	70.8	12.5	4.5	324.1	226.1	209.2	14.4	13.3	1.6	
	IV	1,012.4	883.8	129.2	71.9	12.8	4.5	330.0	228.4	214.0	14.3	13.4	1.6	
2025	I	1,023.2	896.0	128.0	74.0	12.5	4.6	332.9	228.6	218.2	14.1	13.5	1.4	
	II	1,037.2	907.5	130.2	76.5	12.6	4.7	336.2	231.8	219.7	14.1	13.4	1.5	
	III	1,046.5	919.0	128.0	77.4	12.2	4.7	341.5	236.6	224.7	14.3	13.5	1.4	
	IV	1,058.8	932.9	126.3	79.3	11.9	4.7	347.2	238.1	227.8	14.1	13.5	1.2	
2026	I	1,071.9	947.2	125.4	80.6	11.7	4.7	351.1	242.7	230.2	14.2	13.4	1.3	
	II	1,087.7	963.6	125.0	81.8	11.5	4.7	355.7	244.6	234.4	14.1	13.5	1.3	
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	0.1	-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	-1.3	-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	0.9	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	0.0	1.8	
2023	9.8	7.1	39.2	0.3	2.4	-0.4	2.0	6.8	0.3	-1.4	-1.2	-1.4	-0.2	
2024	7.9	6.4	21.2	10.5	1.4	0.2	1.3	4.7	2.6	8.4	-0.6	0.2	-0.5	
2025	4.6	5.6	-2.2	10.3	-0.8	0.2	-1.1	5.2	4.3	6.4	-0.2	0.1	-0.4	
2026	5.4	6.2	-2.6	9.1	-0.9	0.2	-0.7	3.0	3.2	6.0	-0.3	0.1	-0.3	
2027	4.0	4.3	2.1	5.1	-0.2	0.0	-0.2	4.5	6.1	5.4	0.2	0.1	0.0	
2024	III	8.4	6.6	24.7	11.0	1.6	0.2	1.0	2.3	-2.3	5.0	-1.4	-0.3	-1.3
	IV	7.9	6.4	21.2	10.5	1.4	0.2	1.3	4.7	2.6	8.4	-0.6	0.2	-0.5
2025	I	6.8	6.2	12.0	10.9	0.6	0.2	0.7	6.2	3.7	9.2	-0.4	0.3	-0.4
	II	6.0	5.9	7.2	11.4	0.1	0.2	0.4	5.8	6.5	7.6	0.1	0.2	0.1
	III	5.3	5.8	2.6	9.3	-0.3	0.2	0.1	5.4	4.7	7.4	-0.1	0.2	-0.2
	IV	4.6	5.6	-2.2	10.3	-0.8	0.2	-1.1	5.2	4.3	6.4	-0.2	0.1	-0.4
2026	I	4.8	5.7	-2.0	8.9	-0.8	0.1	-1.1	5.5	6.2	5.5	0.0	-0.1	0.0
	II	4.9	6.2	-4.0	6.8	-1.1	0.0	-1.1	5.8	5.5	6.7	-0.1	0.1	-0.1

Source: INE and Funcas (Forecasts).

Chart 5.1 - Households: net lending or borrowing

Percentage of GDI/GDP, 4-quarter moving averages

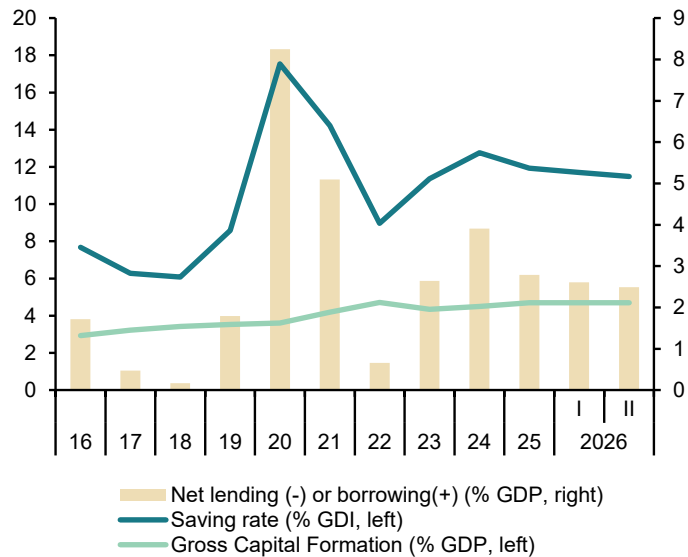


Chart 5.2 - Non-financial corporations: net lending or borrowing

Percentage of GDP, 4-quarter moving averages

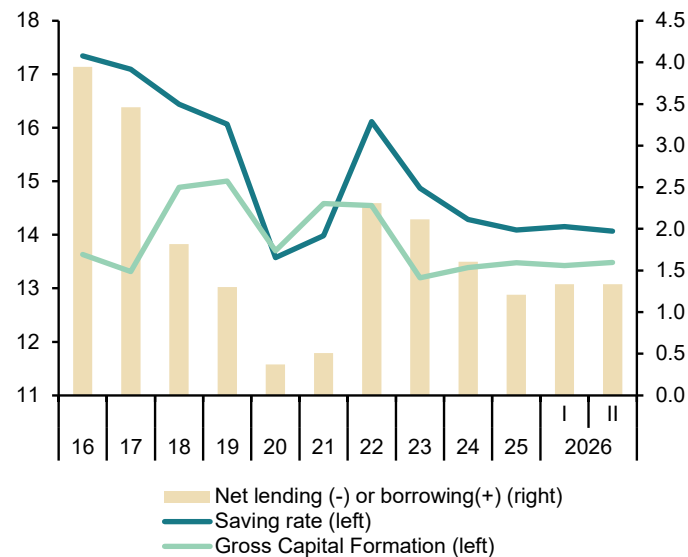


Table 6

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	Compensa- tion of employees	Intermediate consump- tion	Interests	Social benefits and social transfers in kind	Gross capital formation and other capital expenditure	Other expendi- ture	Total	
		I	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		177.2	198.7	210.3	88.1	674.3	172.7	90.0	38.9	311.4	69.3	42.8	725.1	-50.8
2025		191.6	220.7	223.2	90.2	725.7	181.5	97.0	40.5	330.8	69.1	47.5	766.3	-40.6
2026		198.0	238.1	238.6	91.2	765.8	190.6	105.9	41.6	350.0	57.9	62.8	808.7	-42.8
2027		215.3	246.8	248.3	80.4	790.9	197.2	114.5	41.4	367.9	62.1	48.4	831.6	-40.7
2024	III	173.2	194.1	207.3	87.5	662.1	170.4	89.4	39.2	306.3	58.2	42.7	706.3	-44.2
	IV	177.2	198.7	210.3	88.1	674.3	172.7	90.0	38.9	311.4	69.3	42.8	725.1	-50.8
2025	I	180.0	201.4	213.2	89.2	683.8	173.9	91.2	39.8	315.9	70.9	44.7	736.4	-52.6
	II	183.6	205.2	216.5	89.8	695.0	175.4	92.8	40.1	320.6	73.7	46.2	748.9	-53.9
	III	186.9	211.6	219.8	90.6	709.0	176.7	94.6	40.2	324.9	75.6	47.1	758.9	-49.9
	IV	191.6	220.7	223.2	90.2	725.7	181.5	97.0	40.5	330.8	69.1	47.5	766.3	-40.6
2026	I	193.7	224.9	227.7	91.1	737.4	184.1	98.2	40.7	335.5	70.5	48.6	777.6	-40.2
	II	195.1	231.0	230.8	94.7	751.5	187.4	100.0	42.7	341.3	74.7	49.5	795.6	-44.0
		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	5.6	2.4	19.5	4.3	2.7	45.5	-3.2
2025		11.4	13.1	13.2	5.3	43.0	10.8	5.8	2.4	19.6	4.1	2.8	45.4	-2.4
2026		11.1	13.4	13.4	5.1	43.0	10.7	5.9	2.3	19.7	3.3	3.5	45.4	-2.4
2027		11.6	13.3	13.4	4.3	42.5	10.6	6.2	2.2	19.8	3.3	2.6	44.7	-2.2
2024	III	11.0	12.3	13.2	5.6	42.1	10.8	5.7	2.5	19.5	3.7	2.7	44.9	-2.8
	IV	11.1	12.4	13.2	5.5	42.2	10.8	5.6	2.4	19.5	4.3	2.7	45.4	-3.2
2025	I	11.1	12.5	13.2	5.5	42.3	10.8	5.6	2.5	19.5	4.4	2.8	45.5	-3.2
	II	11.2	12.5	13.2	5.5	42.4	10.7	5.7	2.4	19.6	4.5	2.8	45.7	-3.3
	III	11.3	12.7	13.2	5.5	42.7	10.6	5.7	2.4	19.6	4.6	2.8	45.7	-3.0
	IV	11.3	13.1	13.2	5.3	42.9	10.7	5.7	2.4	19.6	4.1	2.8	45.3	-2.4
2026	I	11.3	13.1	13.3	5.3	43.0	10.7	5.7	2.4	19.6	4.1	2.8	45.3	-2.3
	II	11.2	13.3	13.3	5.4	43.2	10.8	5.8	2.5	19.6	4.3	2.8	45.8	-2.5

Source: IGAE and Funcas (Forecasts).

Chart 6.1 - Public sector: Revenue, expenditure and deficit

Percentage of GDP, 4-quarter moving averages

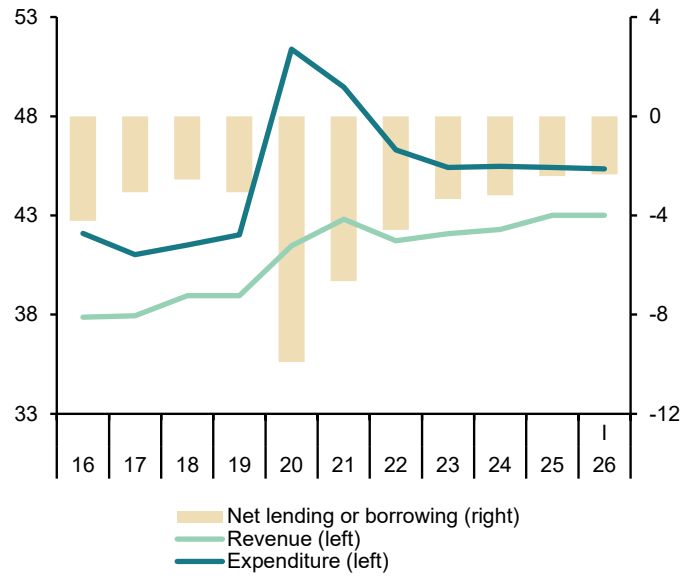


Chart 6.2 - Public sector: Main expenditures

Percentage of GDP

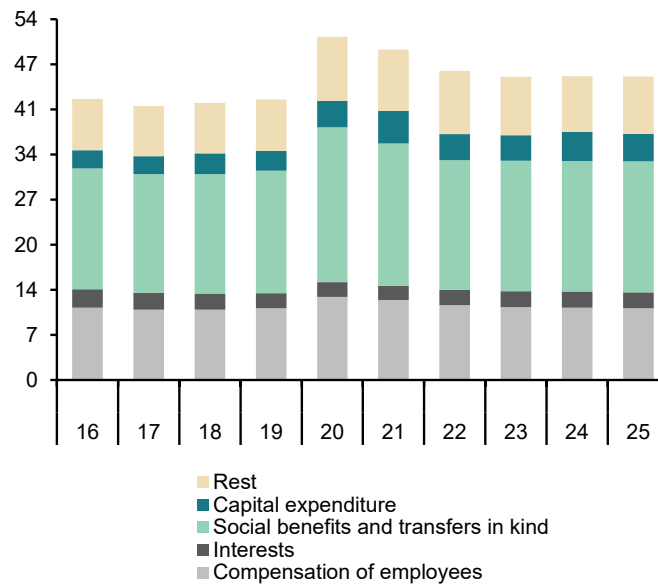


Table 7

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		-47.3	-2.9	7.6	-8.2	-50.8	1,489.3	335.9	22.9	126.2	1,620.6
2025		-33.5	-7.1	5.5	-5.6	-40.6	1,562.6	341.6	20.9	136.2	1,698.4
2026		--	--	--	--	-42.8	--	--	--	--	1,749.1
2027		--	--	--	--	-40.7	--	--	--	--	1,797.8
2024	III	-39.7	-1.8	5.3	-8.0	-44.2	1,504.0	333.2	23.1	116.2	1,635.7
	IV	-47.3	-2.9	7.6	-8.2	-50.8	1,489.3	335.9	22.9	126.2	1,620.6
2025	I	-51.6	-2.8	8.5	-6.7	-52.6	1,533.2	338.2	22.9	126.2	1,667.4
	II	-50.5	-2.7	7.1	-7.8	-53.9	1,548.6	342.8	23.3	126.2	1,690.9
	III	-45.3	-7.1	5.1	-2.7	-49.9	1,571.6	338.8	22.5	126.2	1,709.4
	IV	-33.5	-7.1	5.5	-5.6	-40.6	1,562.6	341.6	20.9	136.2	1,698.4
2026	I	-33.8	-4.8	3.2	-4.7	-40.2	1,602.0	346.9	20.8	136.2	1,739.6
	II	-36.1	-8.1	3.2	-3.1	-44.0	1,613.4	355.2	21.4	136.2	1,762.9
	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		-3.0	-0.2	0.5	-0.5	-3.2	93.4	21.1	1.4	7.9	101.6
2025		-2.0	-0.4	0.3	-0.3	-2.4	92.6	20.3	1.2	8.1	100.7
2026		--	--	--	--	-2.4	--	--	--	--	98.3
2027		--	--	--	--	-2.2	--	--	--	--	96.7
2024	III	-2.5	-0.1	0.3	-0.5	-2.8	95.5	21.2	1.5	7.4	103.9
	IV	-3.0	-0.2	0.5	-0.5	-3.2	93.2	21.0	1.4	7.9	101.4
2025	I	-3.2	-0.2	0.5	-0.4	-3.2	94.7	20.9	1.4	7.8	103.0
	II	-3.1	-0.2	0.4	-0.5	-3.3	94.4	20.9	1.4	7.7	103.0
	III	-2.7	-0.4	0.3	-0.2	-3.0	94.5	20.4	1.4	7.6	102.7
	IV	-2.0	-0.4	0.3	-0.3	-2.4	92.5	20.2	1.2	8.1	100.5
2026	I	-2.0	-0.3	0.2	-0.3	-2.3	93.4	20.2	1.2	7.9	101.4
	II	-2.1	-0.5	0.2	-0.2	-2.5	92.8	20.4	1.2	7.8	101.4

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

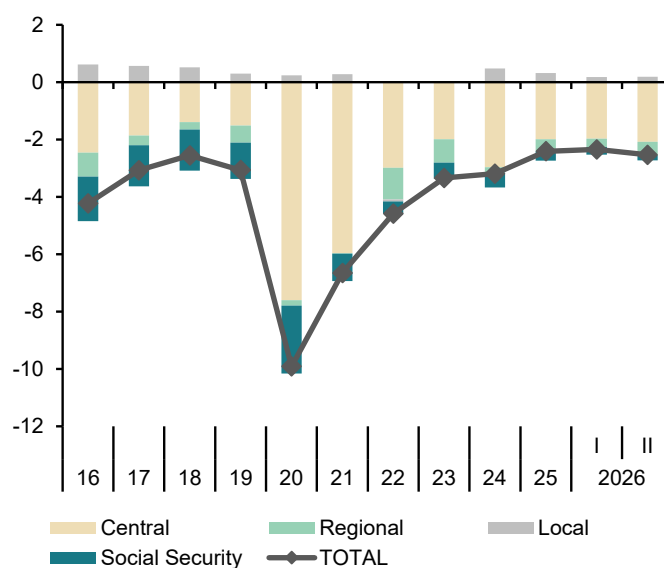


Chart 7.2 - Government debt

Percent of GDP

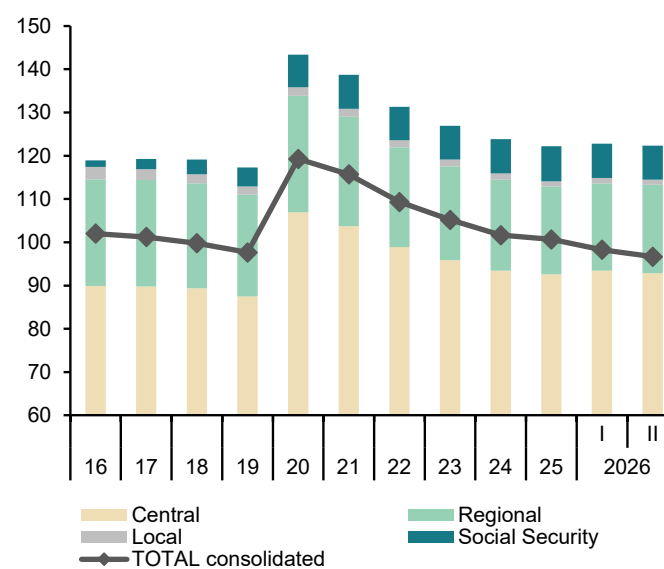


Table 8

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	-0.4	100.0	-0.2
2019	104.6	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	95.1	-1.7
2022	101.1	51.8	20,107.7	19.6	99.7	2,332.0	51.0	-0.9	97.6	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	95.6	-9.7
2025	103.1	54.0	21,635.2	20.0	99.8	2,451.0	50.9	-4.8	96.2	-9.9
2026 (b)	104.0	52.7	22,111.2	20.2	103.0	2,488.8	50.0	-3.1	97.5	-7.5
2024 IV	102.1	55.0	21,321.1	19.7	98.7	2,424.2	53.6	-6.1	96.6	-10.3
2025 I	103.2	54.4	21,454.2	19.8	99.1	2,436.4	50.0	-5.1	96.8	-10.5
II	102.3	52.0	21,570.3	19.9	99.2	2,444.6	50.0	-5.2	96.3	-8.9
III	102.7	54.1	21,682.6	19.8	99.6	2,455.8	52.6	-5.1	96.6	-10.7
IV	104.3	55.6	21,831.8	20.1	100.4	2,467.2	51.1	-3.9	95.5	-9.3
2026 I	105.2	52.3	21,946.7	20.1	99.6	2,477.9	49.3	-3.1	95.9	-9.0
II	103.0	50.7	22,132.8	20.0	101.3	2,491.0	50.9	-4.0	95.9	-7.7
III (b)	104.0	56.2	22,318.6	20.3	101.8	2,504.3	49.8	-2.3	94.8	-5.7
2026 Jul	104.3	56.5	22,283.5	20.4	101.8	2,502.4	50.2	-2.4	94.8	-6.1
Aug	102.1	55.8	22,353.6	20.2	--	2,506.3	49.5	-3.6	--	-5.8
Sep	105.5	--	--	--	--	--	--	-1.0	--	-5.3
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	--	--	5.8	--
2022	--	--	3.9	-3.8	2.5	2.4	--	--	2.7	--
2023	--	--	2.7	-1.2	-1.6	1.7	--	--	-2.0	--
2024	--	--	2.4	1.5	0.5	1.6	--	--	-0.1	--
2025	--	--	2.3	1.6	1.3	1.7	--	--	0.6	--
2026 (d)	--	--	2.6	1.7	1.4	1.9	--	--	-0.7	--
2024 IV	--	--	0.6	0.2	1.4	0.4	--	--	1.4	--
2025 I	--	--	0.6	0.6	0.4	0.5	--	--	0.2	--
II	--	--	0.5	0.3	0.1	0.3	--	--	-0.5	--
III	--	--	0.5	-0.1	0.4	0.5	--	--	0.3	--
IV	--	--	0.7	1.4	0.9	0.5	--	--	-1.2	--
2026 I	--	--	0.5	0.0	-0.9	0.4	--	--	0.5	--
II	--	--	0.8	-0.5	1.8	0.5	--	--	0.0	--
III (e)	--	--	0.8	1.3	0.5	0.5	--	--	-1.2	--
2026 Jun	--	--	0.4	0.6	-0.7	0.2	--	--	0.2	--
Jul	--	--	0.4	0.9	0.6	0.3	--	--	-0.8	--
Aug	--	--	0.3	-1.1	--	0.2	--	--	--	--

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

Sources: European Commission, 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

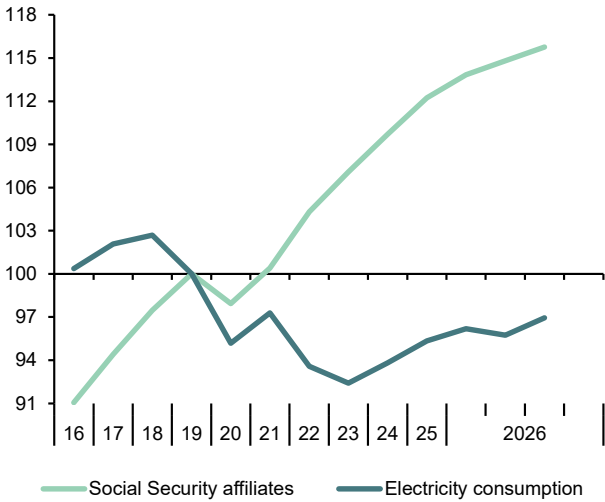


Chart 8.2 - General activity indicators (II)

Index

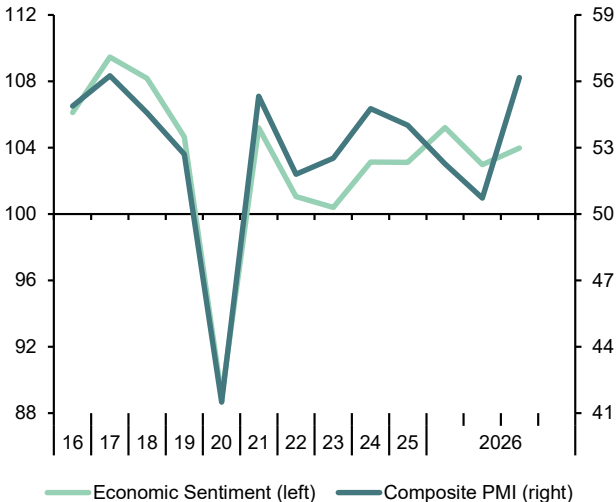


Chart 8.3 - Industrial sector indicators (I)

Level, 2019=100

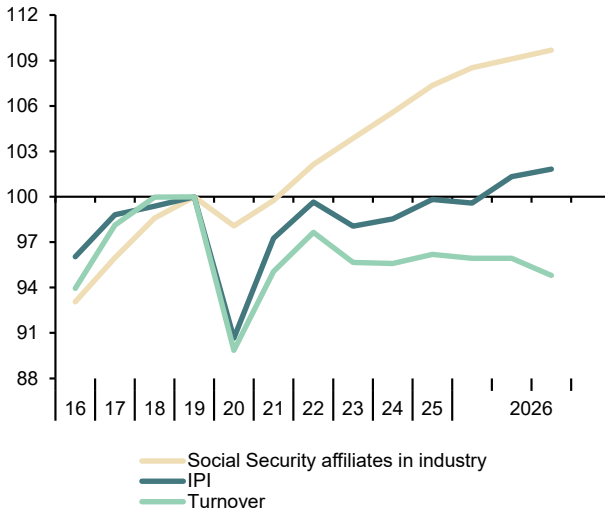


Chart 8.4 - Industrial sector indicators (II)

Index

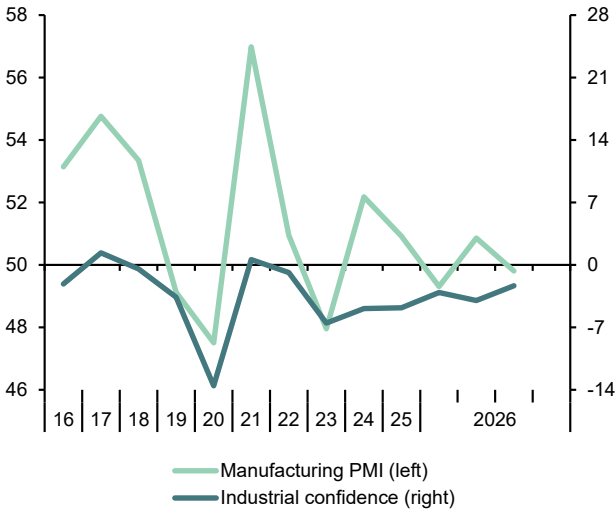


Table 9

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	-17.4	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	95.5	55.0	14.4	9.9
2022		1,280.8	99.2	8.9	131.3	9,076.9	15,415.9	102.4	52.5	26.7	20.2
2023		1,329.6	95.5	8.7	126.3	9,123.6	15,889.3	103.8	53.6	28.9	23.5
2024		1,354.4	95.1	7.8	137.5	10,643.4	16,346.6	106.3	55.3	30.3	25.7
2025		1,396.3	98.1	16.0	146.7	11,584.7	16,761.2	110.2	54.5	30.5	26.7
2026 (b)		1,456.4	100.8	14.8	160.8	12,465.8	17,132.1	110.5	53.4	32.2	28.1
2024	IV	1,363.6	96.4	9.4	151.5	10,904.3	16,496.9	107.8	55.1	30.4	26.1
2025	I	1,377.6	96.8	13.4	143.4	12,034.0	16,609.6	109.5	55.3	30.3	26.5
	II	1,387.9	97.7	15.5	148.2	11,323.3	16,708.2	109.6	52.2	30.5	26.6
	III	1,401.4	96.9	14.8	132.0	10,085.0	16,801.1	110.6	54.2	30.6	26.8
	IV	1,418.0	98.4	20.5	163.2	12,896.3	16,924.3	111.1	56.4	30.7	27.1
2026	I	1,431.6	96.6	18.4	180.1	12,987.3	17,008.6	111.1	52.9	30.7	27.2
	II	1,459.2	98.0	17.5	141.5	10,901.0	17,153.4	111.7	50.7	31.0	27.9
	III (b)	1,486.8	97.7	8.4	--	--	17,291.9	111.2	58.0	31.0	28.3
2026	Jul	1,482.3	97.7	14.7	--	--	17,266.8	111.2	58.3	30.9	28.2
	Aug	1,491.3	--	3.6	--	--	17,317.1	--	57.8	31.0	28.3
	Sep	--	--	7.0	--	--	--	--	--	--	--
Percentage changes (c)											
2018		6.7	3.2	--	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	--	9.6	0.6	4.7	7.2	--	85.4	103.4
2023		3.8	-3.8	--	-3.8	0.5	3.1	1.4	--	8.2	16.3
2024		1.9	-0.4	--	8.8	16.7	2.9	2.4	--	4.8	9.3
2025		3.1	3.1	--	6.7	8.8	2.5	3.7	--	0.8	4.0
2026 (d)		5.0	0.2	--	10.3	10.1	2.7	1.6	--	1.4	4.1
2024	IV	0.6	2.7	--	28.1	15.8	0.6	0.9	--	1.2	0.9
2025	I	1.0	0.4	--	15.9	19.4	0.7	1.6	--	-0.4	1.4
	II	0.8	0.9	--	15.4	2.9	0.6	0.1	--	0.6	0.2
	III	1.0	-0.9	--	-9.8	-4.7	0.6	0.8	--	0.3	0.8
	IV	1.2	1.6	--	7.7	18.3	0.7	0.5	--	0.5	1.2
2026	I	1.0	-1.8	--	25.7	7.9	0.5	-0.1	--	0.1	0.5
	II	1.9	1.5	--	-4.5	18.8	0.9	0.6	--	1.0	2.4
	III (e)	1.9	-0.3	--	--	--	0.8	-0.5	--	-0.3	1.4
2026	Jun	0.8	-1.9	--	10.8	--	0.3	0.8	--	-1.2	0.4
	Jul	0.9	-0.1	--	--	--	0.3	-1.0	--	0.4	0.9
	Aug	0.6	--	--	--	--	0.3	--	--	0.2	0.4

(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 Commission, 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

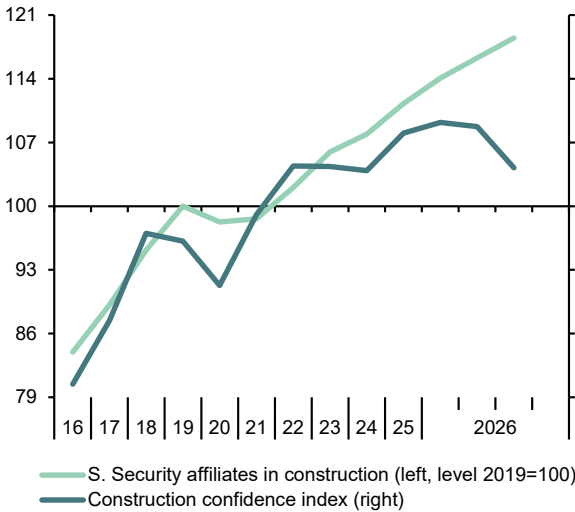


Chart 9.2 - Construction indicators (II)

Level, 2019=100

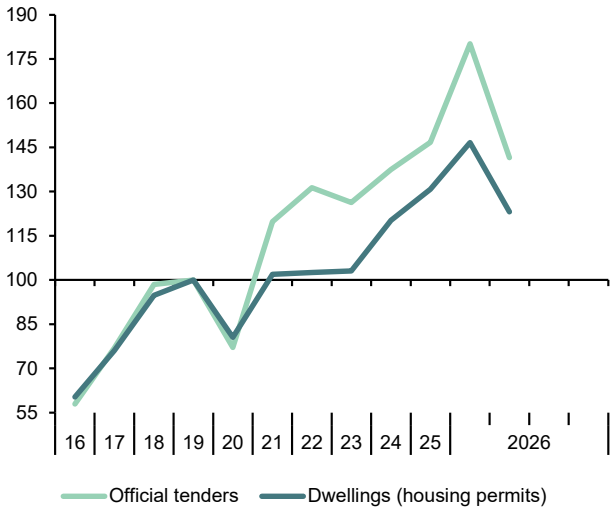


Chart 9.3 - Services indicators (I)

Level, 2019=100

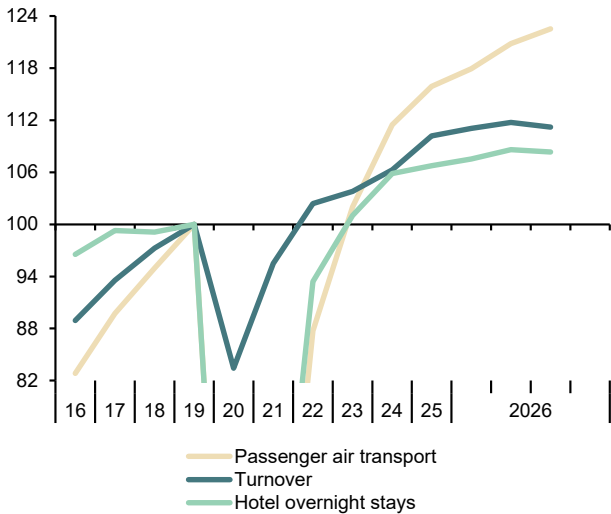


Chart 9.4 - Services indicators (II)

Index

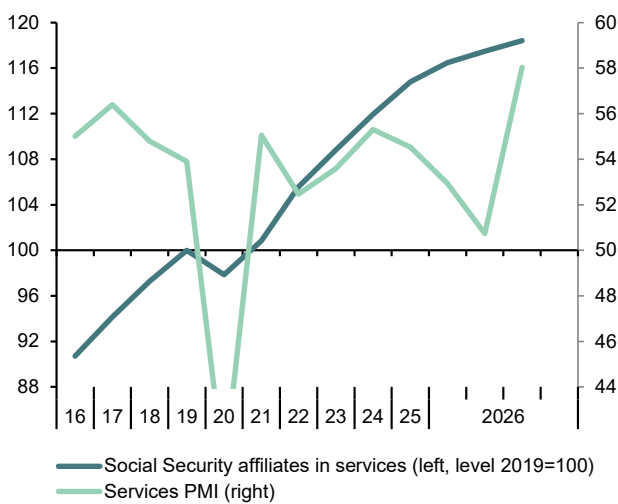


Table 10

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		97.5	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		94.5	78.3	4.3	-25.5	91.6	15.0	-22.7	94.7	93.5
2021		98.1	79.5	7.6	-11.1	96.0	16.4	4.7	104.4	98.0
2022		98.9	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		108.2	108.7	10.2	-8.5	114.3	21.3	-8.9	140.3	136.3
2026 (b)		107.6	121.5	10.7	-7.7	113.4	23.4	-6.4	145.2	143.6
2024	IV	105.4	108.2	10.3	-14.0	109.3	19.8	1.1	133.1	127.3
2025	I	106.2	103.1	10.2	-10.2	112.6	19.6	-7.5	136.8	133.0
	II	107.8	105.9	10.1	-8.8	114.3	20.0	-5.0	139.4	137.2
	III	109.1	108.8	10.2	-8.3	115.1	20.7	-10.4	141.4	134.9
	IV	109.7	121.2	10.2	-6.6	116.6	21.3	-12.6	143.8	138.0
2026	I	109.8	111.2	10.1	-7.0	117.1	21.5	-7.1	146.2	140.1
	II	110.0	111.7	10.3	-6.5	116.2	21.2	-7.6	148.6	145.5
	III (b)	109.9	101.5	10.0	-9.6	115.3	19.9	-4.6	149.8	144.9
2026	Jul	109.7	101.5	10.1	-11.5	115.3	19.9	-4.7	149.8	144.9
	Aug	110.1	--	9.9	-9.0	--	--	-5.4	--	--
	Sep	--	--	--	-8.2	--	--	-3.6	--	--
Percentage changes (c)										
2018		0.7	6.1	0.6	--	2.6	11.4	--	2.0	4.4
2019		2.5	-3.4	2.7	--	2.6	-3.2	--	0.2	4.6
2020		-5.5	-31.7	-57.2	--	-8.4	-21.9	--	-5.3	-6.5
2021		3.8	1.5	77.3	--	4.9	9.3	--	10.3	4.9
2022		0.8	-4.1	32.3	--	6.5	-10.9	--	13.0	8.0
2023		3.1	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		4.2	15.3	0.0	--	6.1	8.4	--	10.4	10.6
2026 (d)		2.2	6.5	0.4	--	2.3	8.4	--	7.2	5.2
2024	IV	1.0	17.9	3.1	--	2.8	14.0	--	17.5	27.2
2025	I	0.7	-4.7	-0.9	--	12.5	-1.1	--	11.6	19.1
	II	1.5	2.7	-0.6	--	6.2	2.1	--	7.9	13.1
	III	1.2	2.7	0.7	--	2.9	3.5	--	5.7	-6.6
	IV	0.6	11.4	0.4	--	5.1	2.8	--	7.1	9.6
2026	I	0.0	-8.2	-0.9	--	2.0	0.9	--	6.7	6.1
	II	0.3	0.4	1.8	--	-3.2	-1.4	--	6.8	16.4
	III (e)	-0.1	-9.1	-3.1	--	-3.1	-6.0	--	3.2	-1.6
2026	Jun	0.2	6.7	-0.4	--	-0.2	-2.0	--	0.4	-0.6
	Jul	-0.7	-12.0	-1.6	--	-0.8	-3.5	--	0.3	-0.1
	Aug	0.4	--	-1.5	--	--	--	--	--	--

(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 Commission. 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

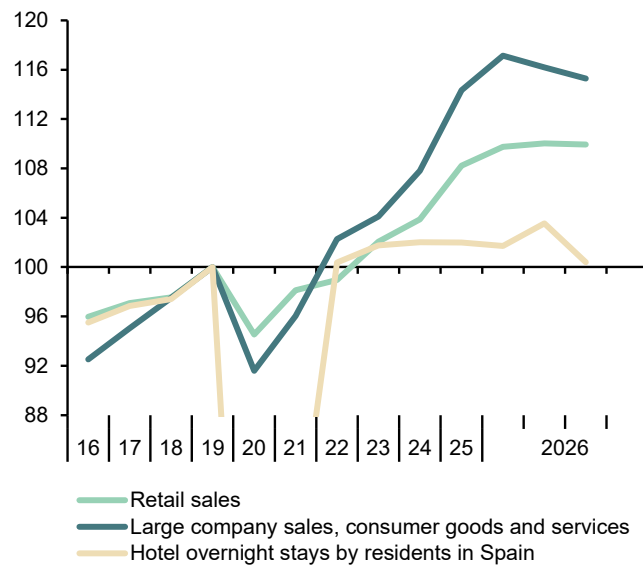


Chart 10.2 - Investment indicators

Level, 2019=100 and balance of responses

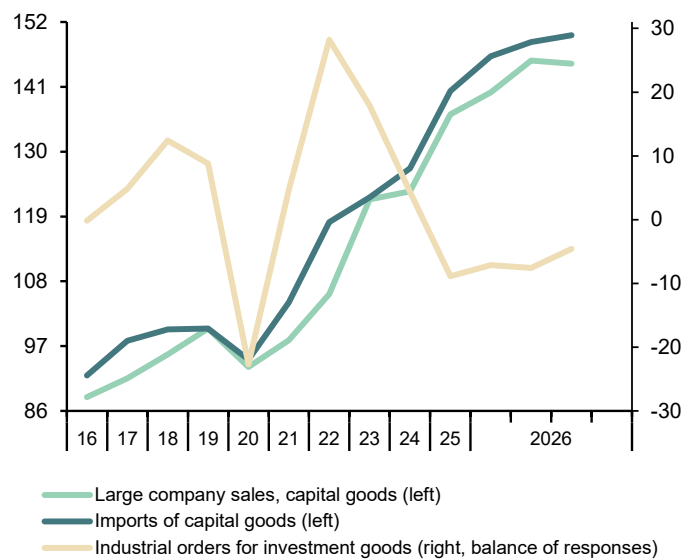


Table 11a

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
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		42.6	25.2	--	22.7	--	2.5	--	--	--	9.9	--	--	--
2027		42.9	25.3	--	23.0	--	2.4	--	--	--	9.3	--	--	--
2024	III	41.6	24.6	24.4	21.8	21.7	2.8	2.8	75.9	--	11.3	25.0	10.1	15.1
	IV	41.8	24.5	24.5	21.9	21.8	2.6	2.7	75.7	--	10.9	26.2	9.5	14.7
2025	I	41.9	24.6	24.7	21.8	22.0	2.8	2.7	76.0	--	10.8	27.2	10.2	15.5
	II	42.0	24.8	24.8	22.3	22.2	2.6	2.6	76.1	--	10.5	24.7	9.1	14.3
	III	42.2	25.0	24.9	22.4	22.3	2.6	2.6	76.3	--	10.4	23.5	9.5	13.8
	IV	42.3	24.9	25.0	22.5	22.4	2.5	2.6	76.4	--	10.3	24.3	9.6	10.9
2026	I	42.5	25.0	25.1	22.3	22.5	2.7	2.6	76.4	--	10.2	25.1	10.2	12.9
	II	42.6	25.3	25.2	22.8	22.7	2.5	2.6	76.5	--	10.1	23.9	9.6	10.6
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		1.2	1.4	--	2.0	--	-4.3	--	--	--	-0.6	--	--	--
2027		0.8	0.7	--	1.4	--	-5.7	--	--	--	-0.6	--	--	--
2024	III	1.4	1.0	0.1	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	0.3	2.2	0.7	-9.3	-2.5	-0.3	0.7	-1.2	-3.6	-1.1	-1.7
2025	I	1.4	1.3	0.6	2.4	0.8	-6.3	-1.0	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	-1.6	0.2	1.0	-1.0	-2.0	-0.9	-1.5
	III	1.3	1.7	0.3	2.6	0.4	-5.1	-0.6	0.4	1.0	-0.8	-1.5	-0.7	-1.2
	IV	1.2	2.0	0.7	2.8	0.8	-4.6	-0.8	0.6	1.1	-0.7	-1.9	0.2	-3.7
2026	I	1.3	1.8	0.4	2.4	0.4	-2.9	-0.4	0.4	0.8	-0.5	-2.0	0.0	-2.6
	II	1.4	1.8	0.4	2.3	0.5	-2.3	-0.4	0.4	0.7	-0.4	-0.8	0.5	-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

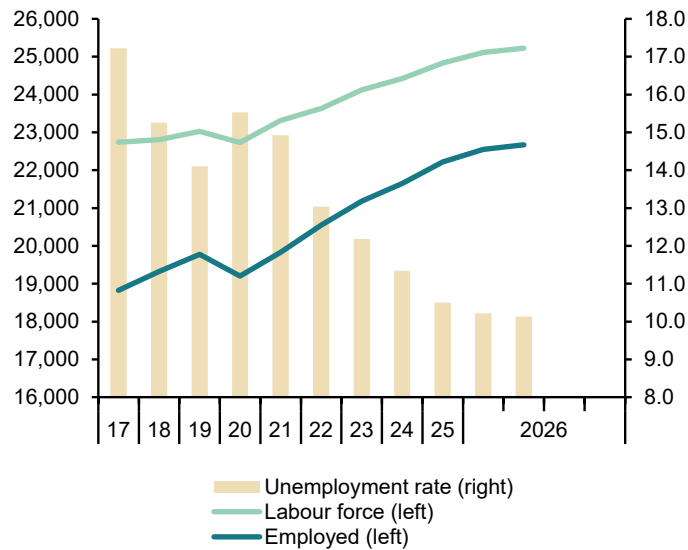


Chart 11a.2 - Unemployment rates

Percentage

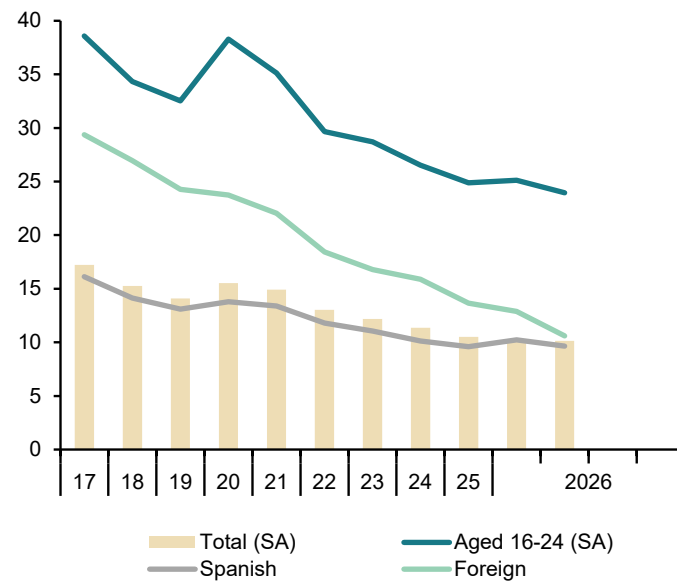


Table 11b

Labour market (II)

	Employed by sector				Employed by professional situation					Employed by duration of the working-day			
	Agriculture	Industry	Construction	Services	Employees				Self employed	Full-time	Part-time	Part-time employment rate	
					Total	By type of contract							
						Tempo-rary	Indefinite	Temporary employment rate (a)					
	I	2	3	4	5=6+7	6	7	8=6/5	9	10	11	12	
Million (original data)												(b)	
2018		0.81	2.71	1.22	14.59	16.23	4.35	11.88	26.8	3.09	16.50	2.83	14.65
2019		0.80	2.76	1.28	14.94	16.67	4.38	12.29	26.3	3.11	16.88	2.90	14.64
2020		0.77	2.70	1.24	14.49	16.11	3.88	12.23	24.1	3.09	16.51	2.70	14.05
2021		0.82	2.71	1.32	14.99	16.66	4.21	12.45	25.2	3.17	17.08	2.75	13.87
2022		0.80	2.78	1.35	15.61	17.37	3.70	13.66	21.3	3.18	17.76	2.78	13.55
2023		0.77	2.81	1.40	16.20	17.96	3.10	14.87	17.2	3.22	18.36	2.82	13.31
2024		0.75	2.89	1.46	16.55	18.44	2.93	15.51	15.9	3.21	18.72	2.93	13.55
2025		0.76	3.01	1.53	16.92	18.94	2.90	16.04	15.3	3.28	19.18	3.04	13.68
2026	(c)	0.79	3.08	1.61	17.06	19.32	2.88	16.44	14.9	3.22	19.46	3.08	13.65
2024	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
2026	I	0.79	3.06	1.58	16.86	19.06	2.81	16.13	14.8	3.24	19.26	3.04	13.62
	II	0.79	3.10	1.64	17.26	19.59	2.96	16.26	15.1	3.19	19.66	3.12	13.68
Annual percentage changes								Difference from one year ago	Annual percentage changes			Difference from one year ago	
2018		-0.8	2.3	8.3	2.5	3.3	3.8	3.1	0.1	-0.5	3.1	0.4	-0.3
2019		-1.9	2.0	4.6	2.4	2.7	0.6	3.5	-0.6	0.5	2.3	2.3	0.0
2020		-4.0	-2.3	-2.6	-3.0	-3.4	-11.4	-0.5	-2.2	-0.5	-2.2	-6.9	-0.6
2021		6.9	0.5	5.7	3.4	3.4	8.5	1.8	1.2	2.6	3.5	2.0	-0.2
2022		-2.4	2.5	3.0	4.2	4.3	-11.9	9.7	-3.9	0.2	4.0	1.2	-0.3
2023		-3.9	1.3	3.2	3.8	3.4	-16.4	8.8	-4.1	1.3	3.4	1.2	-0.2
2024		-2.0	2.6	4.7	2.2	2.7	-5.4	4.3	-1.4	-0.2	1.9	4.1	0.2
2025		1.5	4.1	4.5	2.2	2.7	-1.1	3.4	-0.6	2.2	2.5	3.6	0.1
2026	(d)	3.5	4.0	7.0	1.6	3.1	0.9	3.4	-0.3	-1.9	2.8	-0.3	-0.4
2024	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
2026	I	4.1	5.0	6.6	1.5	3.0	0.6	3.4	-0.4	-0.9	3.0	-1.3	-0.5
	II	2.9	3.1	7.4	1.7	3.2	1.2	3.6	-0.3	-2.9	2.5	0.7	-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

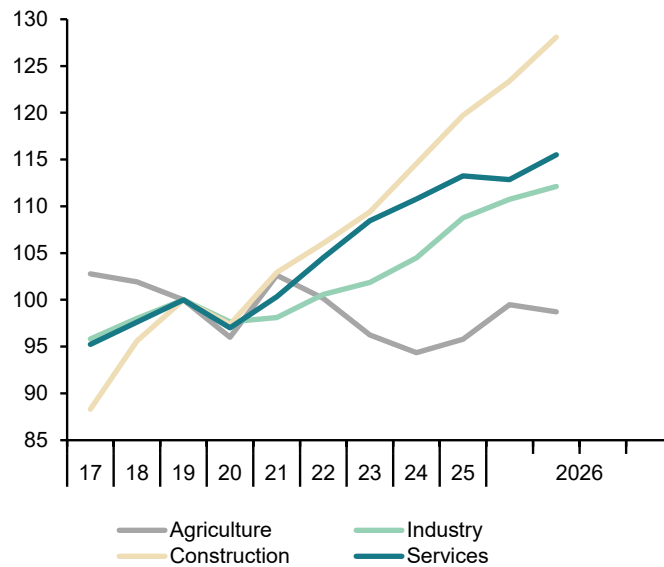


Chart 11b.2 - Temporary employment rate

Percentage over total employees

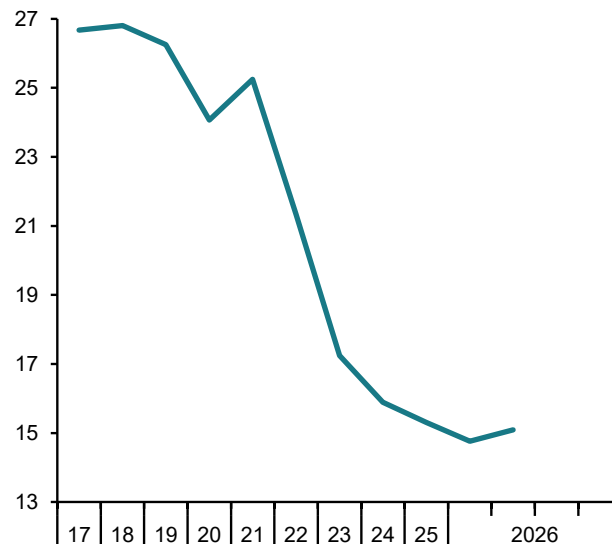


Table 12

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, 2025 = 100										
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	103.1	102.8	101.1	103.8	101.8	104.2	110.8	102.5
2027		106.6	105.9	105.4	102.1	107.2	103.4	106.8	118.2	104.4
Annual percentage changes										
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	3.1	2.8	1.1	3.8	1.8	4.2	10.8	2.5
2027		2.9	2.7	2.5	0.9	3.4	1.6	2.5	6.7	1.9
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	3.4	3.2	2.9	1.6	3.7	2.3	4.8	7.3	3.0
	Apr	3.2	3.0	2.8	1.6	3.4	2.3	4.6	6.6	3.0
	May	3.2	3.2	3.0	0.9	4.1	2.0	3.3	5.9	2.4
	Jun	3.2	3.2	2.9	1.0	3.9	1.8	2.6	6.7	2.1
	Jul	3.6	3.4	3.0	1.1	4.0	1.7	2.3	10.1	1.8
	Aug	4.3	3.3	2.9	1.4	3.9	1.6	4.5	16.9	2.4
	Sep	4.9	3.5	3.1	2.0	3.9	1.5	5.8	21.6	2.7
	Oct	4.5	3.1	2.7	1.1	3.7	1.4	4.3	22.0	2.3
	Nov	4.2	3.0	2.6	1.0	3.7	1.2	3.5	19.1	1.9
	Dec	4.0	3.0	2.6	1.0	3.7	1.0	3.2	17.4	1.7
2027	Jan	4.2	3.1	2.7	1.4	3.8	0.8	3.1	19.2	1.5
	Feb	4.2	3.0	2.7	1.1	3.8	1.0	2.4	19.7	1.4
	Mar	3.3	2.7	2.4	0.5	3.6	1.1	1.8	11.7	1.3
	Apr	3.7	2.8	2.5	0.5	3.7	1.4	1.3	16.1	1.3
	May	3.5	2.5	2.3	1.1	3.1	1.5	1.9	15.4	1.6
	Jun	3.4	2.6	2.4	1.0	3.2	1.7	2.0	12.8	1.8
	Jul	2.8	2.5	2.4	1.1	3.1	1.9	2.9	6.2	2.2
	Aug	2.3	2.5	2.4	0.8	3.2	2.0	3.0	0.5	2.3
	Sep	1.8	2.6	2.5	0.8	3.3	2.0	3.0	-5.0	2.3
	Oct	1.8	2.6	2.5	0.9	3.3	2.0	3.0	-4.5	2.3
	Nov	2.0	2.6	2.5	0.9	3.3	2.0	3.0	-2.8	2.3
	Dec	2.2	2.6	2.5	0.9	3.2	2.0	3.0	-1.4	2.3

Source: INE and Funcas (Forecasts).

Chart 12.1 - Inflation rate (I)

Annual percentage changes

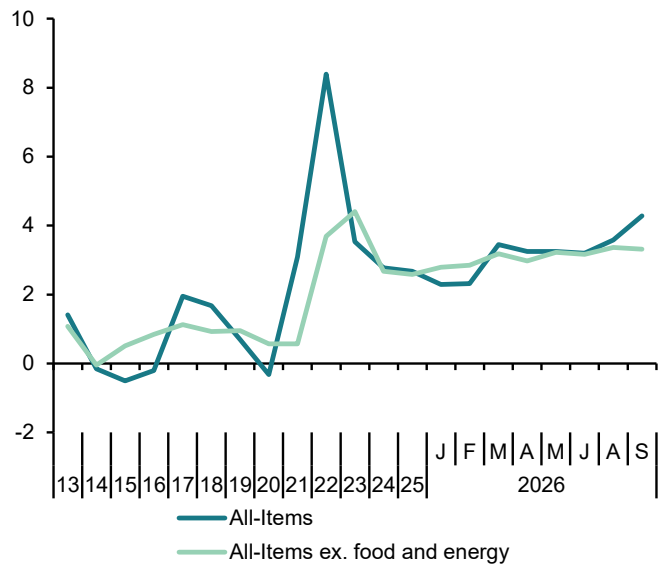


Chart 12.2 - Inflation rate (II)

Annual percentage changes

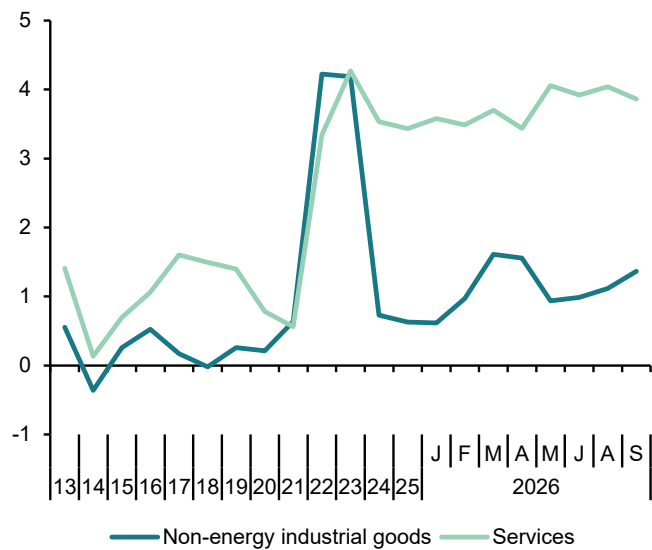


Table 13

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		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	108.0	--
2023		115.4	145.0	126.0	118.2	110.2	96.0	113.8	113.4	115.0	113.7	--
2024		118.9	139.7	126.4	128.1	116.6	105.3	118.3	117.7	120.0	118.7	--
2025		122.5	140.9	126.2	144.4	129.6	107.5	122.3	121.5	124.6	123.0	--
2026 (b)		125.0	148.3	129.3	157.8	142.3	122.9	126.7	125.7	129.5	124.1	--
2024	IV	120.3	142.7	125.8	132.8	120.2	109.1	123.8	124.9	120.7	125.1	--
2025	I	120.9	144.7	126.3	137.5	123.9	107.4	118.7	117.1	123.4	115.6	--
	II	121.6	137.6	126.3	143.0	127.6	112.0	123.8	123.6	124.3	121.5	--
	III	122.5	140.7	126.1	147.2	131.2	104.3	118.3	116.0	124.9	124.7	--
	IV	125.0	140.5	126.3	149.9	135.9	106.3	128.5	129.4	125.9	130.3	--
2026	I	124.9	141.4	127.5	155.2	141.1	116.7	124.6	122.9	129.3	121.5	--
	II	125.0	149.5	130.3	160.4	143.5	129.1	128.8	128.5	129.6	126.7	--
	III (b)		157.0	130.3	--	--	--	--	--	--	--	--
2026	Jun	--	150.0	130.5	--	--	--	--	--	--	--	--
	Jul	--	154.8	130.3	--	--	--	--	--	--	--	--
	Aug	--	159.2	130.4	--	--	--	--	--	--	--	--
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	1.7
2019		1.4	-0.4	0.1	5.1	3.2	0.7	2.2	1.9	3.4	2.6	2.2
2020		1.1	-4.3	0.0	2.1	-1.1	-9.4	-2.2	-2.6	-1.0	6.6	1.7
2021		2.6	17.3	7.0	3.7	2.1	3.7	5.9	6.3	4.8	-0.6	1.6
2022		4.7	35.5	13.6	7.4	5.0	5.0	4.2	4.6	3.1	1.9	3.2
2023		6.2	-4.7	3.6	4.0	3.9	-2.8	5.5	4.8	7.5	5.3	3.7
2024		3.0	-3.7	0.3	8.4	5.8	9.7	4.0	3.8	4.3	4.5	3.4
2025		3.0	0.9	-0.1	12.7	11.2	2.0	3.4	3.2	3.9	3.6	3.5
2026 (d)		3.1	5.1	2.4	12.5	13.2	12.1	4.5	4.5	4.5	4.7	3.0
2024	IV	2.4	-0.2	0.1	11.3	7.0	13.5	3.5	3.5	3.6	3.8	3.4
2025	I	2.3	4.6	-0.1	12.2	9.0	3.2	3.7	3.8	3.6	4.1	3.3
	II	2.8	0.8	-0.4	12.7	10.4	8.1	3.1	2.7	4.1	3.7	3.4
	III	3.2	-0.3	-0.3	12.8	12.1	-0.3	3.0	2.8	3.5	2.5	3.5
	IV	3.9	-1.6	0.4	12.9	13.1	-2.6	3.8	3.6	4.3	4.2	3.5
2026	I	3.3	-2.3	1.0	12.9	13.9	8.7	4.9	5.0	4.8	5.2	2.9
	II	2.8	8.7	3.2	12.2	12.5	15.3	4.1	4.0	4.3	4.3	3.0
	III (e)	--	11.6	3.4	--	--	--	--	--	--	--	3.0
2026	Jun	--	7.0	3.6	--	--	--	--	--	--	--	3.0
	Jul	--	9.4	3.4	--	--	--	--	--	--	--	3.0
	Aug	--	13.2	3.5	--	--	--	--	--	--	--	3.0

(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

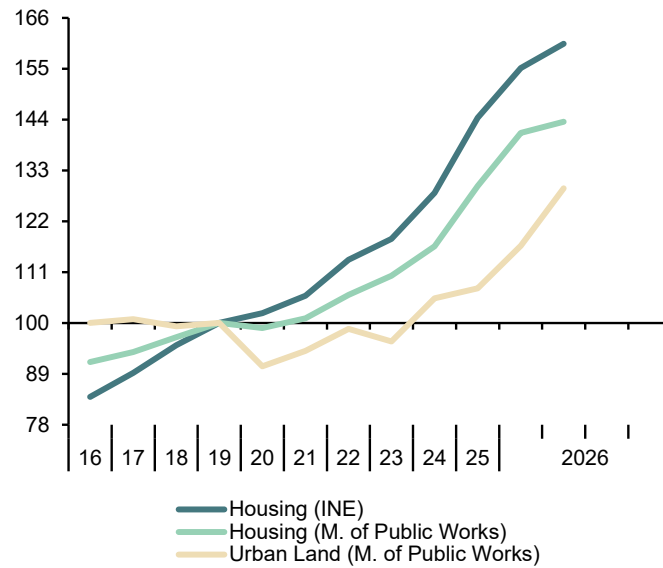


Chart 13.2 - Wage costs

Annual percent change

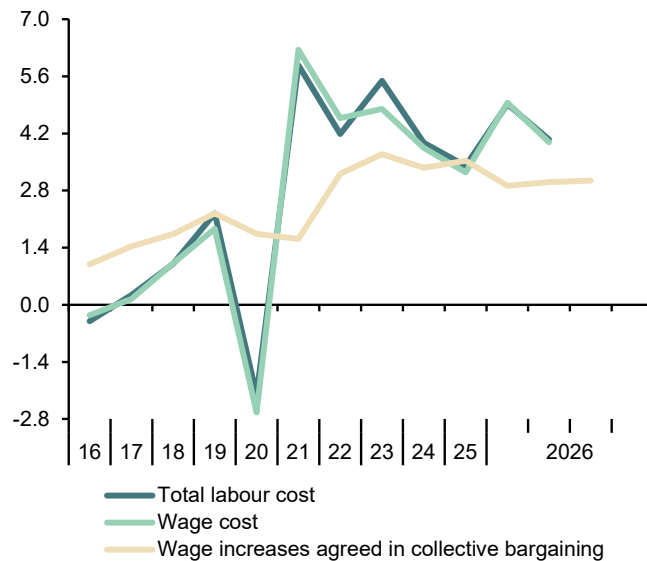


Table 14

External trade (a)

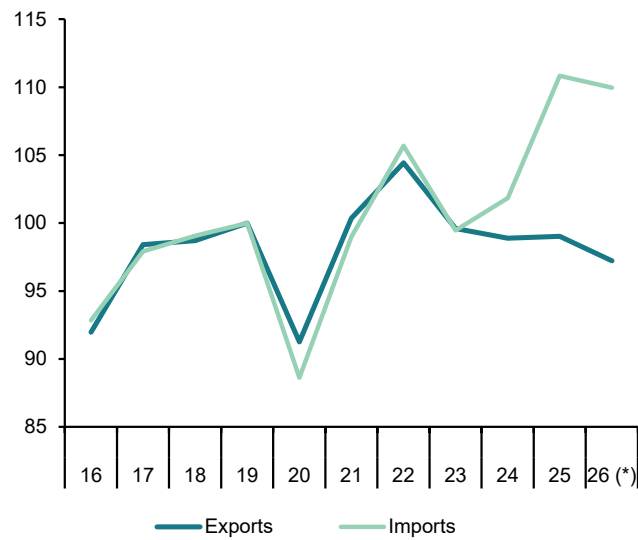
		Exports of goods			Imports of goods			Exports to EU countries (monthly average)	Exports to non-EU countries (monthly average)	Total Balance of goods (monthly average)	Balance of goods excluding energy (monthly average)	Balance of goods with EU countries (monthly average)
		Nominal	Prices	Real	Nominal	Prices	Real					
		2019=100			2019=100							
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		133.5	135.0	98.9	133.9	131.4	101.8	19.8	12.5	-3.6	-0.7	2.5
2025		133.1	134.4	99.0	137.7	124.3	110.8	19.9	12.3	-4.8	-2.1	1.6
2026(b)		137.4	140.8	97.6	145.4	133.0	109.3	20.6	12.6	-5.8	-2.9	1.7
2024	III	133.4	135.1	98.7	131.3	130.8	100.3	20.1	12.1	-3.0	-0.4	3.0
	IV	131.4	136.0	96.6	134.5	129.8	103.6	19.4	12.4	-4.4	-1.3	1.9
2025	I	133.2	135.5	98.3	139.9	128.8	108.6	19.8	12.4	-5.4	-2.1	-2.0
	II	135.6	135.3	100.2	136.1	122.4	111.2	20.0	12.7	-3.8	-1.5	-1.8
	III	131.8	133.8	98.5	136.8	123.5	110.7	20.0	11.9	-4.9	-2.2	-1.7
	IV	132.8	134.4	98.8	139.1	123.2	112.9	19.9	12.2	-5.3	-2.9	-1.1
2026	I	133.7	136.7	97.9	136.2	125.1	108.9	20.1	12.2	-4.3	-1.8	-1.7
	II	140.1	144.1	97.2	153.7	139.1	110.5	21.0	12.8	-7.4	-3.9	-1.7
2026	May	140.1	145.0	96.7	160.1	143.0	111.9	20.9	12.9	-9.1	-5.4	1.6
	Jun	138.1	143.6	96.2	153.6	138.5	110.9	20.7	12.6	-7.8	-5.1	1.0
	Jul	140.0	143.1	97.9	148.1	138.6	106.9	20.9	12.9	-5.9	-3.2	1.5
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		1.1	1.8	-0.7	1.9	-0.5	2.4	-1.1	4.7	-2.7	-0.5	1.9
2025		-0.3	-0.4	0.2	2.9	-5.4	8.8	0.6	-1.7	-3.4	-1.5	1.2
2026(d)		2.2	4.1	-1.8	5.3	6.2	-0.8	3.5	0.1	--	--	--
2024	III	-0.3	-0.5	0.3	-0.2	-1.4	1.2	1.5	-3.0	-2.3	-0.3	2.2
	IV	-1.5	0.6	-2.2	2.4	-0.8	3.2	-3.8	2.3	-3.2	-1.0	1.4
2025	I	1.4	-0.4	1.7	4.0	-0.8	4.8	2.1	0.3	-3.9	-1.5	-1.4
	II	1.8	-0.1	1.9	-2.7	-5.0	2.4	1.3	2.6	-2.7	-1.1	-1.3
	III	-2.8	-1.1	-1.7	0.5	0.9	-0.5	-0.3	-6.7	-3.5	-1.6	-1.2
	IV	0.8	0.4	0.4	1.7	-0.3	2.0	-0.2	2.4	-3.6	-2.0	-0.8
2026	I	0.7	1.7	-1.0	-2.1	1.5	-3.6	1.0	0.3	-2.9	-1.2	-1.2
	II	4.8	5.5	-0.7	12.8	11.2	1.4	4.7	4.9	-5.0	-2.6	-1.2
2026	May	-1.3	0.8	-2.2	8.6	5.4	3.0	-2.7	0.9	--	--	--
	Jun	-1.4	-0.9	-0.5	-4.1	-3.2	-0.9	-0.8	-2.4	--	--	--
	Jul	1.4	-0.4	1.8	-3.5	0.1	-3.6	0.7	2.4	--	--	--

(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)

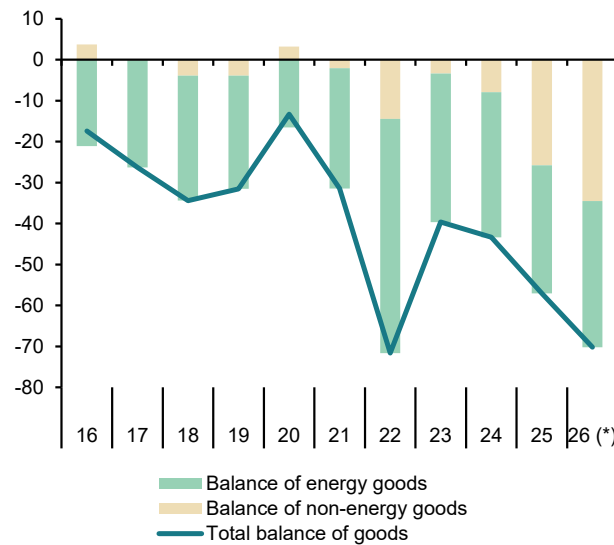
Level, 2019=100



(*) Period with available data, CVE.

Chart 14.2 - Trade balance

EUR Billions



(*) Period with available data, CVE and annualized.

Table 15

Balance of Payments (according to IMF manual)
 (Net transactions)

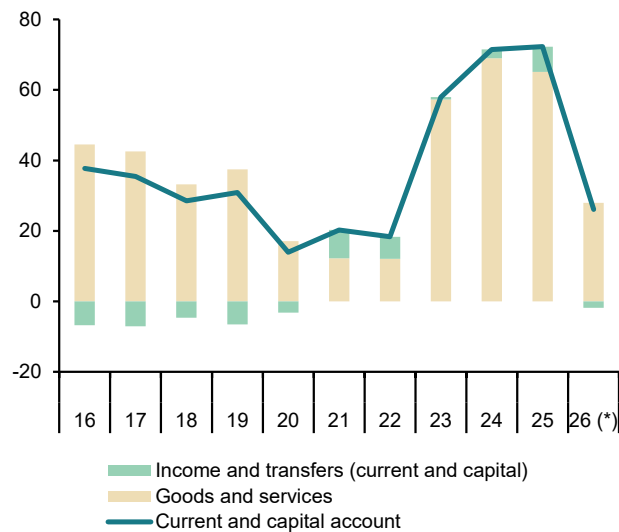
		Current account					Capital account	Current and capital accounts	Financial account						Errors and omissions
		Total	Goods	Services	Primary Income	Secondary Income			Financial account, excluding Bank of Spain					Bank of Spain	
									Total	Direct investment	Portfolio investment	Other investment	Financial 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		41.05	-34.95	92.24	-4.47	-11.77	16.90	57.95	-59.14	1.86	-23.31	-32.12	-5.56	115.74	-1.34
2024		53.40	-33.25	102.22	-3.96	-11.61	18.09	71.49	132.51	22.25	-0.65	109.06	1.84	-48.48	12.54
2025		54.83	-50.27	115.37	3.72	-14.00	17.43	72.26	56.78	25.28	35.74	-7.73	3.50	28.42	12.94
2026	(a)	18.66	-30.27	58.23	-0.06	-9.24	7.47	26.13	58.20	4.16	-11.06	63.35	1.75	-31.13	0.93
2024	III	14.73	-11.49	32.07	-1.77	-4.09	4.56	19.29	-1.40	5.00	-24.55	18.48	-0.34	18.11	-2.58
	IV	11.25	-9.43	22.79	0.96	-3.06	8.47	19.73	25.32	9.74	21.06	-6.22	0.75	-0.91	4.69
2025	I	10.50	-12.59	22.98	1.71	-1.59	2.42	12.92	16.49	7.06	-0.01	6.70	2.74	2.54	6.11
	II	15.98	-9.66	30.64	-1.13	-3.88	3.48	19.46	5.97	1.79	-3.34	7.75	-0.23	20.55	7.07
	III	16.60	-15.40	35.39	0.55	-3.93	3.96	20.56	-17.84	10.93	12.12	-40.45	-0.44	32.27	-6.13
	IV	11.75	-12.61	26.36	2.59	-4.59	7.58	19.32	52.15	5.49	26.98	18.26	1.43	-26.94	5.89
2026	I	9.91	-12.24	25.20	2.04	-5.08	2.44	12.35	45.97	3.04	9.19	36.14	-2.40	-40.06	-6.44
	II	8.75	-18.02	33.03	-2.09	-4.16	5.03	13.78	12.23	1.11	-20.25	27.21	4.15	8.92	7.37
			Goods and Services		Primary and Secondary Income										
2026	May	3.60	5.80		-2.20		0.85	4.45	14.65	5.07	0.98	7.21	1.38	-3.49	6.70
	Jun	3.47	3.45		0.02		3.57	7.03	-1.00	-2.00	-23.38	23.08	1.30	3.88	-4.16
	Jul	5.91	9.22		-3.31		0.99	6.90	-0.76	-0.41	23.11	-23.97	0.50	13.50	5.84
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	-3.9	0.1	-1.6	-2.1	-0.4	7.7	-0.1
2024		3.3	-2.1	6.4	-0.2	-0.7	1.1	4.5	8.3	1.4	0.0	6.8	0.1	-3.0	0.8
2025		3.2	-3.0	6.8	0.2	-0.8	1.0	4.3	3.4	1.5	2.1	-0.5	0.2	1.7	0.8
2026	(a)	4.4	-7.2	13.8	0.0	-2.2	1.8	6.2	13.8	1.0	-2.6	15.0	0.4	-7.4	0.2
2024	III	3.7	-2.9	8.1	-0.4	-1.0	1.2	4.9	-0.4	1.3	-6.2	4.7	-0.1	4.6	-0.7
	IV	2.7	-2.2	5.4	0.2	-0.7	2.0	4.7	6.0	2.3	5.0	-1.5	0.2	-0.2	1.1
2025	I	2.6	-3.2	5.8	0.4	-0.4	0.6	3.3	4.2	1.8	0.0	1.7	0.7	0.6	1.5
	II	3.8	-2.3	7.2	-0.3	-0.9	0.8	4.6	1.4	0.4	-0.8	1.8	-0.1	4.9	1.7
	III	4.0	-3.7	8.5	0.1	-0.9	0.9	4.9	-4.3	2.6	2.9	-9.7	-0.1	7.7	-1.5
	IV	2.6	-2.8	5.9	0.6	-1.0	1.7	4.3	11.6	1.2	6.0	4.1	0.3	-6.0	1.3
2026	I	2.4	-2.9	6.0	0.5	-1.2	0.6	2.9	10.9	0.7	2.2	8.6	-0.6	-9.5	-1.5
	II	2.0	-4.0	7.4	-0.5	-0.9	1.1	3.1	2.7	0.2	-4.5	6.1	0.9	2.0	1.6

(a) Period with available quarterly data.

Source: Bank of Spain.

Chart 15.1 - Balance of payments: Current and capital accounts

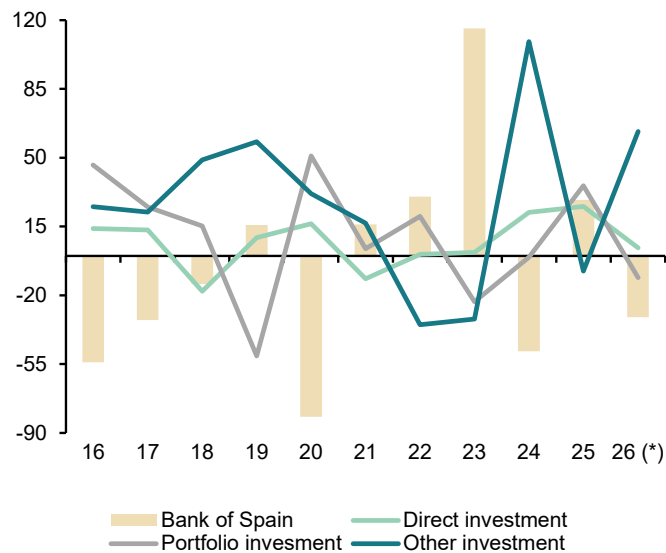
EUR Billions, 12-month cumulated



(*) 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 (d)	
	Relative hourly wages	Relative hourly productivity	Relative ULC	Spain	EMU	Spain/EMU	Spain	EMU	Spain/EMU		
	2000=100			2015=100			2021=100				
2018		100.9	94.9	106.3	103.5	103.6	99.9	90.6	93.4	97.0	97.1
2019		99.2	93.5	106.1	104.3	104.8	99.5	90.3	93.8	96.3	95.4
2020		102.6	87.9	116.8	103.9	105.1	98.9	87.1	91.4	95.3	96.4
2021		104.9	93.2	112.6	107.0	107.8	99.3	100.0	100.0	100.0	97.3
2022		103.6	94.6	109.6	115.9	116.8	99.3	129.7	126.0	102.9	99.1
2023		102.6	95.4	107.5	119.9	123.2	97.3	125.6	124.6	100.8	101.9
2024		102.7	97.8	105.0	123.3	126.1	97.8	122.5	121.1	101.2	101.9
2025		103.3	95.4	108.3	126.6	128.9	98.3	123.5	121.1	101.9	100.9
2026 (b)		--	--	--	130.4	131.9	98.9	127.8	124.3	102.9	102.0
2024	III	--	--	--	123.5	126.6	97.5	123.5	120.9	102.2	102.0
	IV	--	--	--	124.1	126.9	97.8	124.7	122.1	102.1	101.6
2025	I	--	--	--	124.9	127.5	98.0	126.3	123.4	102.3	100.5
	II	--	--	--	126.7	128.9	98.3	121.3	120.1	101.0	101.2
	III	--	--	--	127.0	129.4	98.1	123.2	120.3	102.4	101.0
	IV	--	--	--	128.0	129.6	98.7	123.0	120.6	102.0	101.0
2026	I	--	--	--	128.4	130.1	98.7	124.0	122.1	101.5	101.6
	II	--	--	--	131.2	132.8	98.8	129.9	125.4	103.5	102.3
2026	Jun				131.8	132.8	99.3	130.2	125.4	103.8	--
	Jul	--	--	--	131.8	133.0	99.1	133.3	127.2	104.8	--
	Aug	--	--	--	132.7	133.6	99.3	--	--	--	--
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	0.7
2019		-1.6	-1.4	-0.2	0.8	1.2	-0.4	-0.3	0.4	-0.7	-1.8
2020		3.4	-6.1	10.1	-0.3	0.3	-0.6	-3.6	-2.6	-1.0	1.1
2021		2.2	6.0	-3.6	3.0	2.6	0.4	14.9	9.4	4.9	0.9
2022		-1.2	1.5	-2.7	8.3	8.4	-0.1	29.7	26.0	2.9	1.9
2023		-1.0	0.9	-1.9	3.4	5.4	-2.0	-3.1	-1.1	-2.0	2.8
2024		0.1	2.5	-2.4	2.9	2.4	0.5	-2.5	-2.8	0.3	0.1
2025		0.6	-2.5	3.2	2.7	2.2	0.5	0.8	0.1	0.7	-1.0
2026 (c)		--	--	--	3.4	2.7	0.7	3.3	2.2	1.1	1.1
2024	III	--	--	--	2.3	2.2	0.1	-1.6	-1.7	0.1	1.1
	IV	--	--	--	2.4	2.2	0.2	0.3	-0.8	1.1	-0.2
2025	I	--	--	--	2.7	2.4	0.3	4.1	2.0	2.1	-1.6
	II	--	--	--	2.2	2.1	0.1	0.8	0.1	0.7	-0.9
	III	--	--	--	2.8	2.2	0.6	-0.2	-0.4	0.2	-1.0
	IV	--	--	--	3.1	2.1	1.0	-1.4	-1.3	-0.1	-0.6
2026 I		--	--	--	2.8	2.0	0.8	-1.8	-1.0	-0.8	1.1
	II	--	--	--	3.6	3.0	0.6	7.1	4.4	2.7	1.1
2026	Jun	--	--	--	3.6	2.8	0.8	4.2	5.9	-1.7	--
	Jul	--	--	--	3.9	2.9	1.0	5.4	7.7	-2.3	--
	Aug	--	--	--	4.5	3.2	1.3	--	--	--	--

(a) EMU excluding Ireland and Spain. (b) Period with available data. (c) Growth of available period over the same period of the previous year. (d) With export prices.

Sources: Eurostat. Bank of Spain and Funcas.

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

2000=100

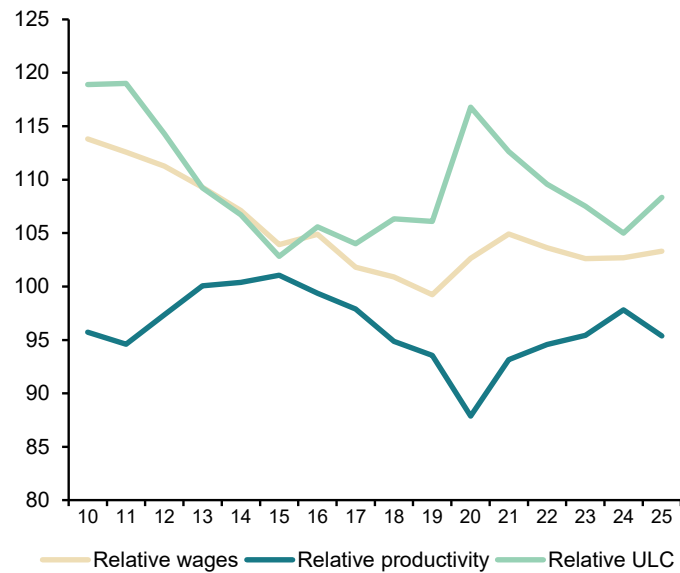
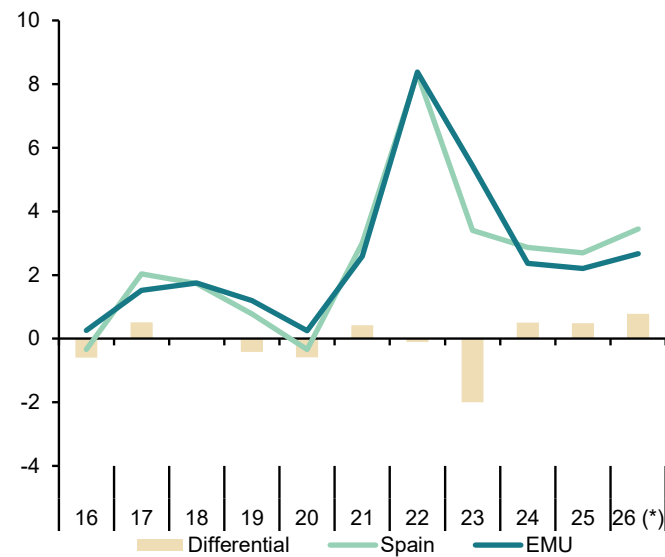


Chart 16.2 - Harmonized Consumer Prices

Annual growth in % and percentage points



(*) Period with available data.

Table 17a

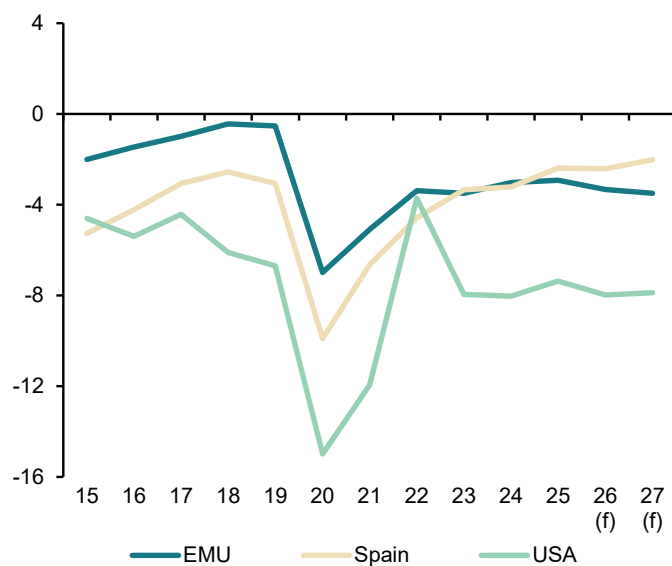
Imbalances: International comparison (I)
(In yellow: European Commission Forecasts)

	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									
2015	-215.1	-57.2	-842.3	9,950.6	1,114.1	18,922.2	345.1	22.2	-423.1
2016	-161.2	-47.4	-1,013.9	10,099.3	1,145.7	19,976.8	405.1	35.3	-401.4
2017	-113.2	-35.9	-868.7	10,193.2	1,184.1	20,492.7	400.4	32.7	-378.0
2018	-51.5	-30.9	-1,263.4	10,297.2	1,209.7	21,974.1	415.3	22.8	-441.2
2019	-64.0	-38.4	-1,441.7	10,395.9	1,224.4	23,201.4	366.8	26.7	-447.3
2020	-815.6	-111.9	-3,203.4	11,462.4	1,346.9	27,747.8	275.5	8.9	-564.6
2021	-646.6	-82.2	-2,835.5	12,090.1	1,429.4	29,617.2	447.7	9.6	-869.2
2022	-468.8	-63.1	-969.3	12,537.0	1,504.1	31,419.7	124.0	5.8	-1,001.2
2023	-515.8	-50.0	-2,211.8	12,998.6	1,575.4	34,001.5	381.1	40.9	-937.8
2024	-464.9	-51.3	-2,355.4	13,506.6	1,620.6	36,218.6	511.2	50.6	-1,179.9
2025	-466.1	-40.3	-2,268.9	14,159.1	1,698.2	38,514.0	392.4	47.1	-1,134.7
2026	-549.3	-42.9	-2,592.1	14,862.4	1,765.9	41,030.0	287.8	33.3	-1,123.3
2027	-598.0	-37.5	-2,666.1	15,570.8	1,833.0	43,621.1	288.8	32.4	-1,218.8
Percentage of GDP									
2015	-2.0	-5.3	-4.6	92.9	102.5	103.4	3.2	2.0	-2.3
2016	-1.5	-4.2	-5.4	91.8	102.0	106.2	3.7	3.1	-2.1
2017	-1.0	-3.1	-4.4	89.3	101.2	104.5	3.5	2.8	-1.9
2018	-0.4	-2.6	-6.1	87.2	99.8	106.4	3.5	1.9	-2.1
2019	-0.5	-3.1	-6.7	85.2	97.7	107.7	3.0	2.1	-2.1
2020	-7.0	-9.9	-15.0	98.2	119.3	129.8	2.4	0.8	-2.6
2021	-5.1	-6.7	-12.0	95.3	115.7	124.8	3.5	0.8	-3.7
2022	-3.4	-4.6	-3.7	90.6	109.3	120.6	0.9	0.4	-3.8
2023	-3.5	-3.3	-8.0	88.0	105.2	122.3	2.6	2.7	-3.4
2024	-3.0	-3.2	-8.0	88.0	101.6	123.6	3.3	3.2	-4.0
2025	-2.9	-2.4	-7.4	88.7	100.7	125.2	2.5	2.8	-3.7
2026	-3.3	-2.4	-8.0	90.2	99.6	126.4	1.7	1.9	-3.5
2027	-3.5	-2.0	-7.9	91.2	98.9	129.0	1.7	1.8	-3.6

Source: European Commission Forecasts, Spring 2026.

Chart 17a.1 - Government deficit

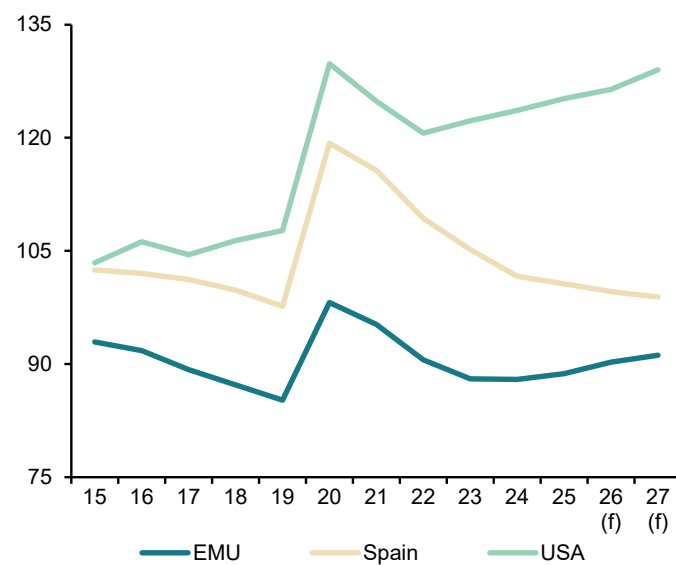
Percentage of GDP



(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						
2015	735.0	6,219.7	13,937.2	971.3	8,958.1	13,596.2
2016	719.8	6,330.5	14,351.3	968.1	9,167.8	14,282.0
2017	712.0	6,518.4	14,853.3	966.6	9,281.7	15,340.3
2018	710.5	6,694.2	15,331.9	935.3	9,494.9	16,389.4
2019	708.6	6,904.2	15,904.9	948.1	9,791.1	17,144.1
2020	701.7	7,096.8	16,353.8	1,014.7	10,280.1	18,783.7
2021	706.4	7,401.5	17,875.1	1,042.0	10,773.7	20,068.8
2022	706.8	7,682.6	19,200.3	1,005.8	11,031.5	21,193.7
2023	690.6	7,705.4	19,734.9	1,019.9	11,081.4	21,654.9
2024	696.3	7,789.5	20,232.0	1,047.5	11,176.5	22,352.6
2025	723.0	7,999.9	20,931.8	1,055.9	11,335.7	23,291.5
Percentage of GDP						
2015	67.6	58.3	76.2	89.4	84.0	74.3
2016	64.1	57.7	76.3	86.2	83.6	75.9
2017	60.9	57.3	75.7	82.7	81.6	78.2
2018	58.6	56.9	74.2	77.1	80.7	79.3
2019	56.5	56.8	73.8	75.6	80.5	79.6
2020	62.1	61.0	76.5	89.8	88.3	87.9
2021	57.2	58.5	75.3	84.4	85.2	84.6
2022	51.4	55.7	73.7	73.1	80.1	81.3
2023	46.1	52.4	71.0	68.1	75.4	77.9
2024	43.7	50.9	69.1	65.7	73.1	76.3
2025	42.9	50.5	68.0	62.6	71.5	75.7

(a) Loans and debt securities, consolidated.

Sources: Eurostat and Federal Reserve.

Chart 17b.1 - Household debt

Percentage of GDP

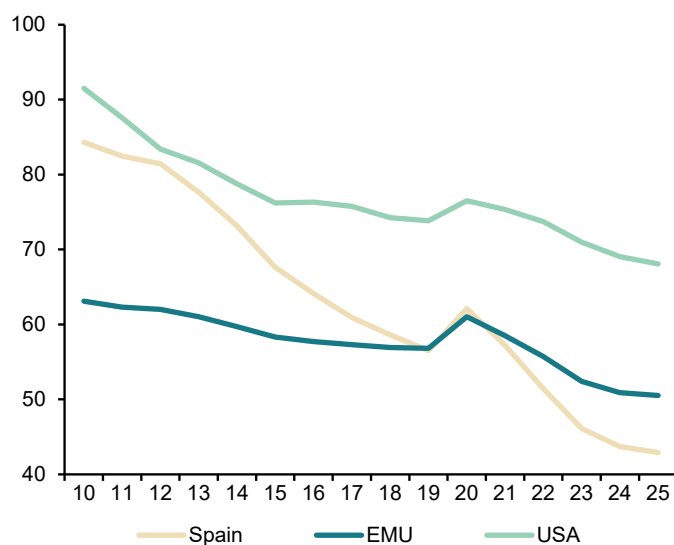
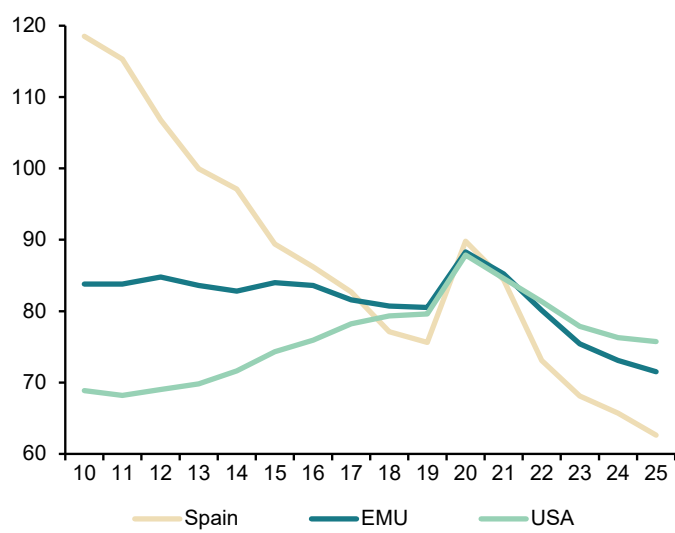


Chart 17b.2 - Non-financial corporations consolidated debt

Percentage of GDP



50 Financial System Indicators

Updated: September 15th, 2026

Highlights		
Indicator	Last value available	Corresponding to:
1-year Euribor interest rate	3.130	September 15, 2026
Bank lending to other resident sectors (monthly average % var.)	0.79	June 2026
Other resident sectors' deposits in credit institutions (monthly average % var.)	1.18	June 2026
Doubtful loans (monthly % var.)	-0.23	June 2026
Recourse to the Eurosystem L/T (Eurozone financial institutions. million euros)	14,244	August 2026
Recourse to the Eurosystem L/T (Spanish financial institutions. million euros)	2	August 2026
Ratio of operating expenses to ordinary income	37.3	Q1 2026
Ratio of customer deposits to employees (thousands of euros)	14,449.90	Q1 2026
Ratio of customer deposits to branches (thousands of euros)	140,633.98	Q1 2026
Ratio of "Branches/institutions" ratio	93.0	Q1 2026

A. Money and Interest Rates

Indicator	Based on data from	Average 2019-2023	2024	2025	2026 August	2026 September	Definition and calculation
1. Money supply (% change)	ECB	5.8	3.4	3.3	-	-	Change in M3 aggregate (seasonally adjusted)
2. 3-month interbank interest rate	BE	0.5	3.572	2.177	2.509	2.647	Since September 1, 2023, this indicator is shown as a monthly average (or annual average for full years)
3. 1-year Euribor interest rate (since 1994)	BE	0.8	3.274	2.202	2.951	3.130	Since September 1, 2023, this indicator is shown as a monthly average (or annual average for full years)
4. Short-term interest rate (one day) for the euro area (€STR)	BE	0.5	3.645	2.2	2.187	2.189	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	1.4	3.0	3.2	3.6	3.9	Market interest rates (not exclusively between account holders)
6. US dollar (USD)/euro (EUR) exchange rate	BE	1.116	1.082	1.130	1.159	1.160	Official exchange rates US dollar (USD) / Euro (EUR)

Commentary "Money and interest rates: At its last meeting, on September 10, the European Central Bank decided to raise interest rates by 25 basis points. This is the second increase in 2026. This rise has gradually passed through to interest rates observed in the interbank markets. In the first half of September, the monthly average of the 12-month Euribor (the main reference for mortgages) increased slightly, moving to 3.130% from an average of 2.951% in August. The 3-month benchmark increased slightly from 2.509% in August to 2.647% in mid-September. The yield on 10-year government bonds increased slightly to 3.9% from 3.6% the previous month (provisional data as of September 15, 2026). Meanwhile, in the first half of September, the average dollar/euro exchange rate appreciated slightly, moving to 1.160 from 1.159 in August."

B. Financial Markets

Indicator	Based on data from:	Average 2019-2023	2024	2025	2026 June	2026 July	Definition and calculation
7. Trading ratio in spot, forward, and repo transactions with Treasury bills	Spanish Treasury	13.23	4.96	6.59	10.15	-	(Average daily amount traded/ outstanding balance) ×100 for the market as a whole (not exclusively between account holders)
8. Trading ratio in spot, forward, and repo transactions with government bonds and debentures	Spanish Treasury	6.74	5.74	6.51	7.41	-	(Average daily amount traded/ outstanding balance) ×100 for the market as a whole (not exclusively between account holders)
9. Interest rate on Treasury bills with maturity up to 3 months	BE	0.36	3.16	2.08	2.24	2.37	In simple transactions and for the market as a whole (not exclusively between account holders)
10. Interest rate on 10-year government bonds	BE	1.4	3.1	3.2	3.4	3.4	Weighted average rates of 10-year government bond auctions
11. Madrid Stock Exchange capitalization (average monthly variation %)	BE and Madrid Stock Exchange	0.41	1.1	2.91	5.36	1.62	Rate of change for all resident companies
12. Stock market trading volume (average monthly variation %)	BE and Madrid Stock Exchange	2.31	-0.2	5.09	6.55	-7.58	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	843.10	1,137.34	1,416.68	1,981.30b	1,949.30a	Based on 1985=100
14. Ibex-35 (Dec 1989=3000)	BE and Madrid Stock Exchange	8,528.62	11,595.0	14,566.94	19,974.10b	19,555.90a	Based on Dec 1989=3000
15. Nasdaq	NASDAQ	11,595.99	19,310.79	20,501.59	26,370.89b	25,981.57a	NASDAQ composite index
16. PER ratio (price/earnings ratio) Madrid Stock Exchange	BE and Madrid Stock Exchange	17.98	14.4	19.03	17.59b	16.61a	Price/earnings ratio on the IBEX-35. Median value
17. CBOE Volatility Index (VIX)	VIX	21.36	17.35	18.93	14.88b	17.20a	Implied volatility of the S&P 500® (SPX) for the next 30 days

B. Financial Markets (continued)

Indicator	Based on data from:	Average 2019-2023	2024	2025	2026 June	2026 July	Definition and calculation
18. Bitcoin price (€) in dollars (\$)	Coinmarket. cap	41,512.91	93,429.20	101,624.49	79,084.48b	75,586.51a	Bitcoin price in dollars (\$)
19. Short-term private debt. Outstanding balance (% change)	BE	-0.56	2.8	1.11	-9.45	17.52	Change in the outstanding balance of short-term debt of non-financial corporations
20. Long-term private debt. Outstanding balance (% change)	BE	-0.13	-0.1	0.04	1.75	-1.24	Change in the outstanding balance of long-term debt of non-financial corporations
21. Transactions carried out with IBEX-35 financial futures (% change)	BE	-1.49	-3.5	-1.82	10.68	-2.64	Transactions carried out on IBEX-35 shares
22. Transactions carried out with financial options on IBEX-35 shares (% change)	BE	22.3	4.2	72.08	25.44	33	Transactions carried out on IBEX-35 shares

(a) Latest data as of September 15, 2026 (b) August 31, 2026

Commentary "Financial markets: In the first half of September, geopolitical instability due to the Middle East conflict and uncertainty over a possible AI slowdown continue to affect Spanish stock markets and drive relative volatility; indices have declined compared to August's values. The IBEX-35 stands at 19,555.90 points in mid-September. The Madrid Stock Exchange General Index stands at 1,949.30 points. Meanwhile, in June (latest data available), the trading ratio in spot, forward, and repo transactions with Treasury bills stood at 10.15%. The trading ratio with government bonds and debentures stood at 7.41%. In July (latest data available), transactions with IBEX-35 stock futures decreased by 2.64%, while financial options on this same index increased by 33% compared to the previous month."

C. Savings and financial indebtedness

Indicator	Based on data from:	Average 2019-2023	2024	2025	2025 (Q4)	2026 (Q1)	Definition and calculation
23. Net financial savings/GDP (National Economy)	BE	2.0	4.9	4.6	4.3	3.5	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	3.6	4.5	3.8	3.4	3.2	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	300.05	249.7	248.2	245.0	245.4	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	55.8	43.7	43.3	42.9	42.5	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	2.1	2.5	3.5	0.5	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	-0.1	1.2	1.0	1.7	0.9	Percentage change in total liabilities on the financial balance sheet of the Financial Accounts

Commentary "Savings and debt": In the first quarter of 2026, financial savings in the economy as a whole stood at 3.5% of GDP. In the household sector, the financial savings rate stood at 3.2% of GDP. It can also be seen that the financial debt of domestic economies stands at 42.5% of GDP.

D. Deposit institutions. Business performance

Indicator	Based on data from:	Average 2019-2023	2024	2025	2026 May	2026 June	Definition and calculation
29. Bank credit to other resident sectors (% average monthly change)	BE	-0.03	0.03	0.31	0.26	0.79	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	0.29	0.43	0.38	1.55	1.18	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	0.26	0.85	1.21	0.76	0.29	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	0.06	0.17	0.32	0.7	0.48	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	0.99	7.21	6.21	3.5	3.5	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	-0.82	-0.57	-1.36	-1.6	-0.23	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	-0.03	3.13	0.60	0.2	-3.8	Percentage change in repurchase agreements in liabilities of the sum of banks, savings banks, and credit unions.
36. Net equity (average monthly change %)	BE	0.08	0.53	0.22	-0.6	1.3	Percentage change in net equity of the sum of banks, savings banks, and credit unions.

Commentary "Deposit institutions. Business performance: In June, the latest data available, there was a 0.79% increase in lending to the private sector. Deposits increased by 1.18%. Fixed-income securities increased their weight in the balance sheet by 0.29%, and shares and participations increased by 0.48%. Likewise, in June (latest data available), there was a 0.23% 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 2019-2023	2024	2025	2025 December	2026 March	Definition and calculation
37. Number of Spanish deposit institutions	BE	112	108	106	105	105	Total number of banks, savings banks, and credit unions operating in Spain.
38. Number of foreign deposit institutions operating in Spain	BE	80	76	78	79	79	Total number of foreign deposit institutions operating in Spain.
39. Number of employees	BE	167,216	163,496	165,842	165,842	165,842a	Total number of employees in the banking sector.
40. Number of branches	BE	20,083	17,379	17,202	17,109	17,040	Total number of branches in the banking sector.
41. Long-term Eurosystem appeal (total Eurozone financial institutions) (millions of euros)	BE	14,004	30,806	13,534	11,650	14,244b	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	199	6	61	0	2b	Open market operations: main long-term operations. Total Spain

(a): December 2025.

(b): Latest data as of August 31, 2026

Commentary "Deposit institutions. Market structure and Eurosystem financing: In August 2026, Spanish financial institutions' net recourse to the Eurosystem's long-term programs stood at €14,244 million. MEMO-ITEM: Since January 2015, the European Central Bank has also been reporting on the amount of the various asset purchase programs. In August 2026, their value in Spain was €455,398 million and €3.3 trillion in the Eurozone as a whole.

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

Indicator	Based on data from:	Average 2019-2023	2024	2025	2025 (Q4)	2026 (Q1)	Definition and calculation
43. Ratio of operating expenses to ordinary income	BE	46.40	38.79	41.57	40.7	37.3	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	12,076.76	12,851.64	13,632.16	14,117.31	14,449.90	Productivity indicator: business acquisition capacity per employee.
45. Ratio of customer deposits to branches (thousands of euros)	BE	102,300.29	120,904.04	132,140.13	136,842.83	140,633.98	Productivity indicator: business acquisition capacity per branch.

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

Indicator	Based on data from:	Average 2019-2023	2024	2025	2025 (Q4)	2026 (Q1)	Definition and calculation
46. Ratio of branches to institutions	BE	105.02	94.4	92.98	93.0	93.0	Network expansion indicator
47. Employees/branches	BE	8.4	9.4	9.5	9.6	9.7	Branch size indicator.
48. Equity (% average monthly change)	BE	0.1	0.4	0.2	0.6	0.57	Indicator of change in deposit institutions' equity
49. ROA	BE	0.6	1.3	1.3	1.3	1.3	Profitability indicator, defined as the ratio of "Profit before tax/average total assets"
50. ROE	BE	7.0	15.9	15.5	15.5	16.7	Profitability indicator, defined as the ratio "Profit before tax/equity"

Commentary "Deposit institutions. Efficiency and productivity, risk and profitability: In the first quarter of 2026, the ROA of the Spanish banking sector remained stable compared to the previous quarter (1.3%). ROE reached 16.7%.

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	13.2	10.8	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	12.8	10.1	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	12.7	9.6	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	12.7	9.5	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	12.9	9.5	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	13.3	9.8	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	14.0	10.3	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	14.8	11.1	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	15.3	11.4	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	15.7	11.6	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	17.1	12.7	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	18.2	13.4	32.1	1,288,562	662,294
2025	49,128,297	44.6	18.3					26.9	47.6	19.3	14.1	32.2		
2026 **	49,596,376		18.5					27.3	47.4	14.6	20.2	32.8		
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 year 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	16.5	11.8	9.6	43.5
2026 *	19,958	2.47				43.8
Sources	EPA	EPA	EPF	EPF	EPF	EPA

* First & second quarter data.

EPA: Encuesta de Población Activa.

EPF: Encuesta de Presupuestos Familiares.

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

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

Emancipation rate 25-29 year 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 (Spaniards)	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 women	Total fertility rate, foreign women	Births to unmarried mothers (%)	Births to unmarried Spanish mothers (%)	Births to unmarried foreign mothers (%)	Abortion rate	Abortion by women born in Spain (%)
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.

Abortion rate: Numer of abortions / women between 15 a 44 years old x 1,000.

Abortions by women born in Spain: Abortions by women born in Spain as percentage of all abortions by women living in Spain.

Table 3

Education

	Population 25 years and older with primary education (%)	Population 16 years and older with tertiary education (%)	Population 25-34 years old with primary education (%)	Population 25-34 years old with tertiary education (%)	Gross enrolment rate in pre-primary education, first cycle	Gross enrolment rate in Upper Secondary Education (general)	Gross enrolment rate in Upper Secondary Education (vocational)	Gross enrolment rate in tertiary education (vocational)	Gross enrolment rate in tertiary education (university: undergraduate and postgraduate)	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	50.2	61.5	43.1	57.7		
2026 *	16.3	36.6	4.4	52.9						
Sources	EPA	EPA	EPA	EPA	MEFPD and ECP	MEFPD and ECP	MEFPD and ECP	MEFPD and ECP	MCIU	MCIU
	Drop-out rate in undergraduate studies (%)		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		4.62					
2023			13.7		4.54					
2024			13.0		4.48					
2025			12.8							
2026 *										
Sources	MCIU		MEFPD		MEFPD		OECD		OECD	

* EPA data are for the first and second quarter. MEFPD and MCIU data are provisional.

Note: The EPA 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.

MCIU: Ministerio de Ciencia, Innovación y 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 as 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 Tertiary Education (university: undergraduate and postgraduate): 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 (%): 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	253,328
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	0.38	18.5	945,963	1,119	6,367,671	1,375	2,351,851	852	801,091	875,969	175,792	272,188
2024	0.41	18.7	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*			1,058,545	1,254	6,699,263	1,570	2,343,551	974	886,943	903,737	164,955	301,418
Sources	MTES	Eurostat	MTES	MTES	MTES	MTES	MTES	MTES	MTES	MTES	MTES	MTES

MTES: Ministerio de Trabajo y Economía Social.

* January to August data, but for unemployment (January-July).

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 assigned	Primary care nurses per 1,000 people assigned	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
2014	6.1	2.8	30.7	0.76	0.65	1.81	3.14	39.4	65	11.4	87
2015	6.1	2.7	29.7	0.76	0.64	1.85	3.19	43.4	58	12.2	89
2016	6.0	2.7	29.5	0.76	0.65	1.90	3.27	45.7	72	13.7	115
2017	5.9	2.8	30.5	0.77	0.65	1.93	3.38	45.9	66	13.1	106
2018	6.0	2.8	30.8	0.77	0.66	1.98	3.45	62.5	96	14.8	129
2019	6.1	2.8	30.6	0.78	0.67	1.97	3.50	63.7	88	15.5	121
2020	7.6	3.0	27.9	0.78	0.66	2.02	3.74	53.6	99	15.1	155
2021	7.2	2.8	27.4	0.77	0.66	2.11	3.90	77.2	89	15.4	123
2022	6.8	2.6	27.1	0.78	0.70	2.14	3.87	85.4	95	17.1	120
2023	6.6	2.5	26.8	0.79	0.73	2.15	3.87	81.5	101	18.1	128
2024	6.5	2.3	27.2	0.79	0.75	2.21	3.91	83.2	105	17.8	126
2025		2.3	26.1	0.79	0.75			84.4	102	17.7	121
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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