SEFO

SPANISH AND INTERNATIONAL
ECONOMIC & FINANCIAL OUTLOOK

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Challenges for Spanish industry under COVID-19 and beyond

funcas

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Letter from the Editors

With lockdown measures having eased, the Spanish economy is beginning to show signs of incipient recovery. Activity levels hit bottom in April and began to recover in May, a process which gathered pace in June, as the 'easing' measures accelerated. Recovery is expected to continue into 2021, albeit not reaching pre-pandemic levels; however, current forecasts remain subject to an unusually high degree of uncertainty, not only because of the possibility of a second wave requiring new restrictions, but also regarding the behaviour of certain key macroeconomic variables, such as the savings rate and international tourism. Given the impact of COVID-19 on the Spanish economy and the country's fiscal constraints, the ability to access the EU Recovery Plan will be critical to Spain's recovery, alongside tapping already available EU-level emergency programs.

Within this context, the July issue of *Spanish and International Economic and Financial Outlook (SEFO)* first assesses the EU-level response to COVID-19, as well as how the pandemic has impacted the Spanish economy overall, as well as the impact across the key sectors of the economy.

OECD forecasts indicate that Spain is one of the countries most impacted by COVID-19. However, its fiscal stimulus measures are small in comparison with other countries, such as the UK and Germany. For this reason, Spain's recovery will rely heavily on support from EU funds. Given the time-sensitive nature of responding to the pandemic's economic consequences and the schedule of European Recovery Plan payments, it is essential that Spain accesses other EU funding initiatives. The Spanish government has already expressed its desire to use the SURE scheme, which will be available until the end of 2022, and may also use the ESM credit line, which would provide Spain with 10-year financing on more attractive terms than those offered by the financial markets. However, the ability to tap these EU initiatives will depend on Spain's capacity to demonstrate the allocation of funds to support the EU's twin green and digital transition objectives.

COVID-19 is forecast to have contributed to an 18% quarter-on-quarter decline in GDP in 2Q2020. While lockdown measures have eased, the economy is not expected to reach pre-pandemic levels until at least 2023. From a sectoral perspective, the automotive industry was particularly hard hit, with a contraction of nearly 90% in April and May. Likewise, the services sector's turnover index in April declined by 42%. However, job losses in the construction sector exceeded those of the services industry. International trade has been strongly affected, too. April figures show exports declined by 32% in real terms compared with February, and imports dropped by 29%. COVID-19 also contributed to a significant expansion of government debt by more than 24 billion euros in 1Q2020. While the Spanish economy should experience a rebound in 3Q2020, it will not make up for the ground lost during the state of emergency. In general, projections are subject to significant uncertainty due to potential new outbreaks, the increase in

savings rates, and the fate of furloughed workers once the employment support scheme expires.

As regards the Spanish financial system, the COVID-19 pandemic has disrupted Spain's credit markets and payments methods. In regard to the former, it has triggered the need for financial aid programmes, including state guarantees of business loans. Notably, the volume of outstanding business loans in Spain, which had registered year-on-year growth of 1% in January and 0.4% in February, accelerated to 1.1% in March and to 3.1% in April. As for origination, while new loans amounted to 55.12 billion euros in January and February, the aggregate amount for March and April rose to 89.91 billion euros, providing a glimpse of the extra effort made by Spain's banks to extend financing during the pandemic. Turning to payments, ATM cash withdrawals contracted by 9.3% year on-year in April, having registered growth of 0.3% in 2019. Meanwhile, point-of-sale card payments, which had sustained growth of 9.4% in 2019, increased by a much lower 2.3% in the first quarter of 2020. That said, this does not foretell the death of cash, with certain segments of the Spanish economy still displaying strong preferences for this form of payment.

Relatedly, as is the case with equities across a broad range of sectors, bank stocks have also been disrupted. COVID-19 issued a substantial blow to banks' share prices across the globe but especially in Europe. Notably, this occurred in the context of a three-year-long sector valuation slump despite an improvement in banks' capital and liquidity levels. Analysis of banks' equity prices and COVID-19 incidents shows the intensity of the equity market contractions sustained by the national banking systems is somewhat correlated with the incidence of the pandemic. Looking more deeply at the impact, data show these market corrections have sharply eroded banks' price-to-book ratios. However, the industry has broadly seen a recovery since the lows of March, due to fiscal and monetary stimulus, the possibility of a vaccine, and effectiveness of lockdown measurements. Interestingly, those banks that have made the greatest loss provisions have also been the institutions to perform most strongly during the recovery.

The next section of the July *SEFO* provides an analysis of various key sectors of the Spanish economy, and their recent performance/resilience both in the face of COVID-19 as well as more broadly in the context of addressing existing challenges. We start off by examining trends in the services sector, in particular, the tourism sector, among the most crucial to Spain's GDP. We then look at the manufacturing sector more generally, to be followed by a more in-depth analysis of Spain's performance in high-tech exports, as well as within the automotive industry.

COVID-19 resulted in a sudden interruption in global tourism after years of sustained growth. In Spain, the tourism sector accounted for 12.3% of GDP and 12.7% of employment in 2018. Both the European Commission and Spanish government have unveiled plans to support the tourism sector. Taking into account the furlough scheme and business stoppage benefits, the state guarantee lines, and the deferral of taxes, the government estimates it has earmarked 19.54 billion euros to the tourism sector. Nevertheless, some sector representatives have argued that these funds are moderate in size compared with the losses the sector faces in 2020. Specifically, tourism export receipts could fall to around 33.6 billion euros, representing more than a 50% decline from 2019. While a diversion of residents' expenditure abroad could cushion the pandemic's impact on the tourism sector's GDP and on the balance of payments in 2020, the forecast for 2021 is less optimistic. As oil prices rebound and a rise in internal demand leads to an increase in imports, the strong current account dynamics observed since 2013 may weaken.

COVID-19 has unleashed a massive shock on Spain's industrial sector before it had achieved the production levels of 2008, prior to the Great Recession. The impact of the pandemic on the manufacturing sector is the result of a dual supply and demand shock. The direct contraction in the manufacturing industry's GVA is estimated at 11.1%, solely due to transport and electrical equipment. This figure rises to 24.2% when the knock-on effect on the rest of the economy's sectors is considered. Spanish manufacturers are particularly sensitive to foreign demand considering that 40% of their output is exported, which means the anticipated drop in world exports could have a major impact on industry.

While data show that the competitiveness of the Spanish manufacturing industry is relatively strong, productivity is lower than that of Germany, Italy and France. This underperformance is attributable to human and technological capital, two factors which Spanish companies include on their balance sheets under intangible assets. These challenges could be more surmountable through the adoption of more robust technology and industrial policy coordinated by the Spanish government in concert with private industry.

The COVID-19 crisis highlights the importance of a robust science and technology base in a country. One way of measuring this is by analysing exports of high-tech products. Looking at export intensity of high-tech products, Spain ranks 25th out of the 27 EU member states and in terms of net trade, it is the country with the highest deficit in this product category among the four major EU economies. From 2008 to 2013, high-tech imports fell by close to 30% (in a context of rising exports). However, between 2013 until 2018, this category of imports increased by 45%, pointing to certain shortcomings in the national high-tech product manufacturing sector. While it is tempting to draw a connection between investment in R&D and export intensity in high-tech products, data analysis indicates there is no linear relationship between the two variables. Unsurprisingly, Spain trades more with its EU than its non-EU partners. By sector, Spanish high-tech exports are dominated by the aerospace and chemistry industries, while electronics and telecommunications dominate on the import side. Given the importance of high-tech exports for national science and knowledge, it is crucial that Spain improves these indicators.

The Spanish automotive sector is a key part of the country's industrial sector, accounting for 9% of GDP and nearly 8% of employment. Notably, export growth between 2013 to 2019 was equivalent to a constant annual rate of 2.6%, just shy of growth in Germany (2.9%) but ahead of Italy (2.4%) and France, where annual average growth in exports has been just 0.5%. However, export growth has been slowing, a concern given that historically eight out of every ten vehicles produced in Spain are exported. This slowdown in exports has also occurred in countries, such as Germany, Italy and France, leading to a deterioration of trade balances in the automotive sector. Unfortunately, the arrival of COVID-19 interrupted a recovery in car exports, leading to an annual export contraction of 87.9% in April. That said, there are longer term challenges other than COVID-19 that threaten the future growth of the industry, including significant competition from abroad, slower growth in new car registrations in Europe, and uncertainty regarding the cleanest alternative technology for cars. The latter is of particular importance and will call for the design of transitional measures that address the reorganisation of the production of diesel cars, which, in any case, are less environmentally harmful than previous diesel models.

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What´s Ahead (Next Month)

Month	Day	Indicator / Event
August	4	Social Security registrants and official unemployment (July)
	7	Industrial production index (June)
	13	CPI (July)
	21	Foreign trade report (June)
	28	Retail trade (July)
	31	Preliminary CPI (August)
	31	Balance of payments monthly (June)
September	2	Social Security registrants and official unemployment (August)
	10	Non-financial accounts, State (July)
	10	Non-financial accounts, Regional Governments and Social Security (June)
	10	ECB monetary policy meeting
	11	Industrial production index (July)
	11	CPI (August)
	21	Foreign trade report (July)
	23	Balance of payments quarterly (2nd quarter)
	23	Quarterly National Accounts (2nd quarter)
	29	Preliminary CPI (September)
	30	Non-financial accounts, State (August)
	30	Non-financial accounts, Regional Governments and Social Security (July)
	30	Non-financial accounts, General Government (2nd quarter)
	30	Quarterly Non-financial Sector Accounts (2nd quarter)
	30	Balance of payments monthly (July)

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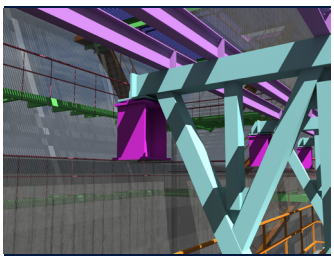
What Matters



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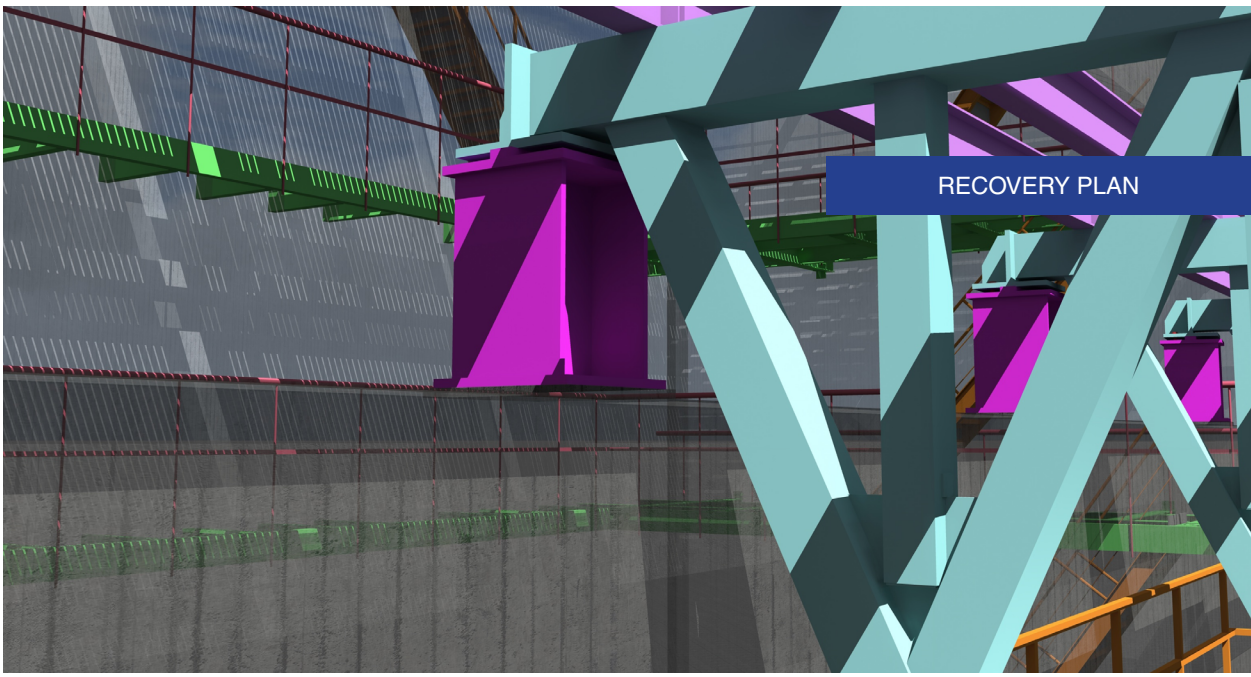

Spain and the European Recovery Plan

Given the impact of COVID-19 on Spain's economy and the country's fiscal constraints, the ability to access EU-level funding will be key to Spain's recovery. While there are numerous initiatives Spain could benefit from, the EU Commission will want to see evidence of how this funding will support its twin green and digital transition objectives.

Eduardo Bandrés, Lola Gadea, Vicente Salas and Yolanda Sauras

Abstract: OECD forecasts indicate that Spain is one of the countries most impacted by COVID-19. However, its fiscal stimulus measures are small in comparison with other countries, such as the UK and Germany. For this reason, Spain's recovery will rely heavily on support from EU funds. Given the time-sensitive nature of responding to the pandemic's economic consequences and the schedule of European Recovery Plan payments, it is essential that Spain accesses other EU funding initiatives. The Spanish government has already expressed its desire to use the SURE scheme, which will be available until the end of 2022, and may also use the ESM credit line, which would provide Spain with 10-year financing on more attractive terms than those offered by the financial markets. However, the ability to tap these EU initiatives will depend on Spain's capacity to demonstrate the allocation of funds to support the EU's twin green and digital transition objectives.

> “ Spain’s fiscal stimulus measures account for 3.7% of 2019 GDP, which is below levels observed in France (4.4%), the UK (8.0%), the US (9.1%) or Germany (13.3%). ”

Introduction

The OECD’s most recent forecasts (2020) suggest that Spain, France and Italy will be the advanced economies hit hardest by the coronavirus crisis. The OECD has estimated a GDP contraction of over 11% in 2020, and potentially over 14% in the event of a second wave. The IMF forecasts (2020) point in a similar direction, with a contraction in GDP of between 12.5% and 12.8% projected this year in all three countries.

So far, the economic policy response has been faster and more on target than in prior crises. However, the Spanish public sector’s budgetary fire-power faces two comparative disadvantages: a structural deficit of around 3% of GDP, one of the highest in the European Union; and a public debt to GDP ratio of 95.5% at the end of 2019, more than 17 percentage points above the EU-27 average.

The comparison between the public funds earmarked by the core eurozone countries to address the crisis and the impact on their economies highlights the differing fiscal wherewithal for tackling the problem, measured not only by the current state of their public finances (deficit and debt) but also the market’s assessment of the sustainability of those finances, whether via the credit ratings assigned to the debt they issue or the risk premiums priced into their debt instruments.

According to the calculations performed by Anderson *et al.* (2020), Spain’s fiscal stimulus measures account for 3.7% of 2019 GDP, which is below levels observed in France (4.4%), the UK (8.0%), the US (9.1%) or Germany (13.3%). The deferral of tax and social security payments in Spain offers an even starker picture, accounting for 0.8% of GDP, far behind Italy (13.2%), France (8.7%) and, again, Germany (7.3%). Lastly, the total funds mobilised via public support mechanisms for the provision of liquidity rank Spain somewhere in the middle (9.2%), well behind Italy (32.1%), Germany (27.2%), the UK (15.4%) and France (14.2%). Countries hit very hard by the pandemic have not been able to respond with fiscal measures in proportion to the intensity of the economic shock they are suffering due to their relatively weaker fiscal position. [1]

As a result, to avoid an incomplete and asymmetric recovery from the crisis in Europe, it is vital to formulate a strategy that helps member states recover their pre-crisis levels of growth and employment without having to depend on their own financial muscle. As the European Commission itself has acknowledged, such a strategy would also sidestep the negative consequences of an uneven recovery on the internal market and the European project itself.

The Commission’s proposal (2020a, 2020b), while having garnered broad political support within the Union, has been subject to major changes by the European Council held on July 17th-21st. Four aspects were generating debate: the size of the programme and its financing; the mix between direct aid (grants) and loans; the terms and conditions; and, the criteria for allocation among the various countries.

The aim of this paper is to review the content (programmes, budget assignations, execution timeframe, criteria for allocating the funds by country) of the European Recovery Plan as part of the broader European programme to help member states tackle the costs of the health and economic crisis, with particular focus on the opportunities and challenges it poses for Spain.

> “On June 4th, the ECB increased the size of its emergency asset purchase programme by 600 billion euros and extended its application until at least the end of June 2021.”

European funds for supporting income and kick-starting the economic recovery

Europe, heavily criticised for its tardiness and lack of determination in tackling the Great Recession, has reacted decisively to the challenges posed by this unprecedented crisis. The first to react was the European Central Bank (ECB) with a new 750 billion-euro asset purchase programme (PEPP), which it approved in March, granting greater flexibility in terms of asset eligibility and allocation among jurisdictions than previous bond buying initiatives. On June 4th, the ECB increased the size of the programme by 600 billion euros and extended its application until at least the end of June 2021.

The European Union's response has come in several stages. In mid-March and early April it announced a range of measures, including: activating the Stability and Growth Pact escape clause; allowing more flexible use of the EU budget; approving a Temporary Framework for state aid –permitting member states to step in to help with their companies' liquidity needs–; and, creating a 2.7 billion-euro Emergency Support Instrument for member states' health systems. It later eased the rules on the use of EU structural funds, eliminating the joint financing obligation and allowing the transfer of money between funds and regions to meet their particular pandemic-related needs. Then, in early May, the scope of the Temporary Framework for state aid was expanded to allow public intervention in the form of the recapitalisation and acquisition of the subordinated debt of non-financial companies.

In parallel, two pan-European programmes were rolled out to provide member states with access to funds on highly favourable terms: (i) a new instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE), with a budget of 100 billion euros in the form of loans; and, (ii) a 240 billion euro loan through the European Stability Mechanism (ESM) designed to finance direct and indirect healthcare and prevention-related costs due to the COVID-19 crisis. In addition, the activities of the European Investment Bank (EIB) were reinforced with a 25 billion euro guarantee fund, which could generate up to 200 billion euros of new financing. The goal of these programmes is to cover potential liquidity needs, albeit at the cost of increasing member states' borrowings, competing therefore with the availability of funds issued through the ECB.

The SURE Instrument, the ESM credit line, and the EIB guarantee scheme comprise between them a package of measures which can be used by member states throughout 2020 without special conditionality attached. The potential to mobilise 540 billion euros of loans is a good first step in responding swiftly to the fallout from the crisis.

Even though attention has focused almost exclusively on the European Recovery Plan –also known as Next Generation EU– in recent

> “The activities of the European Investment Bank were reinforced with a 25 billion euro guarantee fund, which could generate up to 200 billion euros of new financing.”

weeks, it is important to note that regardless of how long it takes to finally approve it, and the amendments it may suffer along the way, the financing will not arrive immediately. A reading of the various documents written by the Commission points to a dichotomy between the continuous calls for speed in processing and rolling out the funds as a prerequisite for the success of the overall plan, on the one hand, and the desire to tie the aid to medium- and long-term reform plans aimed at fostering the transition towards a greener, more digital and more resilient economy.

It is for that reason that we believe that the package of measures endorsed by the European Council on April 23rd (SURE, ESM credit line and EIB guarantees) may prove a valuable tool in funding a portion of the national fiscal stimulus measures without having to wait for the European Recovery Plan to materialise. The Spanish government has already expressed its desire to use the SURE scheme, which will be available until the end of 2022, and may also use the ESM line, although it has not yet formally stated its intention to do so. The Spanish Treasury's financing effort in the wake of the COVID-19 crisis has increased gross issuance by 104.54 billion euros compared to initial forecasts, which would put public debt this year 20 percentage points higher than the debt to GDP ratio observed in 2019.

However, as the ESM itself has noted (2020a), despite the increase in debt triggered by the coronavirus crisis, Spain's public debt is sustainable in the medium- to longer- term (10 years). Specifically, 50% of its debt is held by residents and the take-up in the markets for recent Treasury issues, which were raised on very favourable terms, has been strong. In addition, the ECB's intervention in the form of the Pandemic Emergency Purchase Programme (PEPP) is playing a key role in stabilising the eurozone's bond markets.

Without getting into political considerations, the use of the ESM credit line set to support businesses during the crisis could facilitate funding equivalent to up to 2% of Spanish GDP (nearly 25 billion euros) at below-market rates. Moreover, it could be made available immediately in exchange for simply committing to reinforce the Spanish economy's economic and financial fundamentals. By way of comparison, the Spanish government has approved a 16 billion euro COVID-19 fund for transfer to the regions to finance the pandemic's main costs and the associated collapse in revenue.

The ESM funds are, therefore, an alternative that is not subject to special conditionality rules and are available if necessary to support the healthcare system as it grapples with the direct and indirect effects of COVID-19. The credit line would potentially provide 10-year financing at a total cost equivalent to 0.07% -0.08% for seven-year paper. At least 11 countries in the eurozone, including Spain, would be able to secure financing on more attractive terms than those offered by financial markets (ESM, 2020b).

The European Recovery Plan: Next Generation EU

Having acknowledged the need for more forceful intervention that puts member states on an even footing in terms of their ability to support a recovery, the European Union has drawn up an ambitious Recovery Plan as part of its Multi-Annual Financial Framework. The Plan has the support of France and Germany, who had previously presented an initiative endowed with 500 billion euros and targeted at the sectors and regions most affected by the pandemic.

Whereas the 2021-2027 Multi-Annual Financial Framework had a budget of 1.074 trillion, the financial instrument proposed by

> "Despite the increase in debt triggered by the coronavirus crisis, Spain's public debt is sustainable in the medium– to longer– term (10 years)."

Table 1 **New recovery instrument**

Billions of 2018 euros

	Grants	Loans
Recovery and Resilience Facility	312.5	360.0
REACT-EU initiative	47.5	
Just Transition Fund	10.0	
Agricultural Fund	7.5	
InvestEU programme	5.6	
Reinforcement of rescEU	1.9	
Horizon Europe	5.0	
Total Next Generation	390.0	360.0

Source: European Council, July 21st, 2020.

the Commission in response to the COVID-19 crisis (Next Generation EU) amounts to 750 billion euros between 2021 and 2024. It is a one-off emergency programme that marks a quantitative and qualitative leap in EU dynamics which puts European political and economic policy in a new realm that will require funding, political guidance and, as a prerequisite, consensus between the member states.

Table 1 shows the budget allocations contemplated for each of the initiatives and programmes.

Although the Multi-Annual Financial Framework runs from 2021 to 2027, each line of initiative has its own execution timeline. However, the idea is to allocate the vast majority of the funds earmarked to the Next Generation EU programme before December 31st, 2024, since, as the document itself emphasises, the success of the various initiatives depends not only on the funds and policies put into play but also the speed with which they are deployed.

Although the idea was to concentrate the allocation of 90% of the funds in the next two years, the timetable contemplated in the Next Generation EU programme distributes the actual outlays over a time horizon of at least seven years so that its effective availability will be spread out throughout the entire 2021-2027 Multi-Annual Financial Framework. For example, in the case of the initiatives targeted explicitly at helping member states with their recovery, the 312.5 billion euros included in the form of grants are scheduled for allocation in the amount of 70% in the first two years but their payment during those first two years represented just 24% of the total in the Commission's proposal.

> "At least 11 countries in the eurozone, including Spain, would be able to secure financing on more attractive terms via ESM funds than those offered by financial markets."

Spain should be one of the biggest beneficiaries in terms of the volume of funds allocated, due to the impact of COVID-19 on its healthcare system and the devastating impact on GDP and employment levels. However, the allocation criteria contemplated by the European Commission are not in all instances directly related with the prevailing crisis and vary depending on the various programmes' objectives. For the direct aid in support of member states' recovery efforts (312.5 billion euros in total), the allocation criteria in 2021 and 2022 are: population, the inverse of GDP per capita and the average rate of unemployment during the last five years, all relative to the EU averages and subject to certain limits in the case of the last two variables. In the allocation for 2023, the criteria will be the loss in real GDP observed over 2020 and the cumulative loss over the period 2020-2021. As for the REACT-EU initiative (47.5 billion euros), allocation will be based on the contraction observed in GDP and in total youth unemployment as a result of the pandemic. On the basis of the above criteria, and those that may conceivably be used to allocate funds from the other programmes (not all of which are explicit in the Commission documents), Spain may receive around 72.7 billion euros of grants: 59 billion from the Recovery and Resilience Facility, 12.4 billion from ReactEU and the rest from other programmes. Lastly, given that the allocation of the loans under the Recovery and Resilience Facility (360 billion euros) is subject to a ceiling of 6.8% of each countries' gross national income, Spain could apply for more than 70 billion euros.

The schedules for the disbursements included in each programme's annexes reveal that the availability of the funds will be tied to delivery of a series of milestones and objectives by member states. The documents also suggest that the use of the funds should be interpreted more as a supply-side policy underpinned by green and digital transition and economic resilience targets rather than as an exercise designed to stimulate a demand-fuelled recovery.

The European Recovery Plan can therefore be characterised more as a financial framework for member states' supply-side policies (*i.e.,* reforms) than a form of fiscal stimulus for urgent economic recovery, although the multiplier effect of the public investments contemplated on each country's and the bloc's GDP is undeniable. The simulations run by the European Commission (2020c) on the macroeconomic impact of a 750 billion euro recovery plan with 93.5% of the funds in the form of public investment point to an impact of between 2.8 and 4.2 percentage points of GDP between 2021 and 2024 for the group of highly-indebted countries, which includes Spain, alongside Italy, Portugal, Greece and Cyprus. The impact also depends on the Plan's ability to mobilise private investment and assumes that all of the funds are invested during the first four years.

Programme timing, recommendations and assessment criteria

The deployment of the funds, which will be spread out over seven years, will be subject to delivery of certain objectives and a strict reform programme marked by precise implementation milestones. The evaluation and approval of the programmes, their monitoring, and the release of the funds as the milestones are met will fall within the remit of the European Commission and Council.

The recovery plans drawn up by each member state will be integrated into their respective national reform programmes,

“ Spain may receive around 72.7 billion euros of grants: 59 billion from the Recovery and Resilience Facility, 12.4 billion from ReactEU and the rest from other programmes. ”

“ The documents that flesh out the Recovery Plan anticipate that the assessments of the national programmes will factor in their alignment with the priorities identified at the European level. ”

which are presented annually along with the updated stability programmes. The Commission and Council will then make their recommendations, which will be incorporated into the national plans. The documents that flesh out the Recovery Plan anticipate that the assessments of the national programmes will factor in their alignment with the priorities identified at the European level, particularly with respect to the twin green and digital transition, the long-lasting effects of the measures, their coherence and the ability to substantiate the sums requested in the form of reform and investment proposals.

Against that backdrop, on May 20th, 2020, the European Commission published the Council Recommendation on the 2020 National Reform Programme of Spain (European Commission, 2020d). This document refers to the Country Report on Spain published on February 26th, 2020 (European Commission, 2020e), as part of its assessment of the progress made on structural reforms as part of the so-called 2020 European Semester Framework for the coordination of economic policies across Europe. It is worth taking a look at the key points made in these documents insofar as they contain some of the criteria which in all likelihood will be used to analyse the programmes presented by Spain under the scope of the European Recovery Fund.

By way of example, some of the lines of initiative falling under the scope of the funds allocated to supporting member states' recovery and resilience, which is the largest 'pot' of funds contemplated within the Plan (655 billion euros), condition the EU aid on the reform proposals contemplated in the European Semester and the twin green and digital transition objectives. By the time the Spanish government presents its draft budget for 2021 in Brussels, it will need to include the investment and reform programme for Spain with all the corresponding requirements and financing formulae.

As noted in the Communication from the Commission (2020a) COM(2020) 456 Final, the three political principles that should inspire the states' reform strategies and long-term growth plans are the European Green Deal; digitalisation of the economy; and, a fair and inclusive recovery, all of which underpinned by an effort to build a more resilient European economy by focusing on strategic sectors and areas. Those principles are bound to shape the European authorities' assessments of the national programmes presented in a bid to obtain the new European funds.

Recovery and resilience

The Council Recommendation on the 2020 National Reform Programme of Spain (European Commission, 2020d), issued on May 20th, 2020, outlines the lines of initiative that should be prioritised for access to the recovery funds: (i) the front-loading of public investment projects and the promotion of private investment in order to drive demand; and, (ii) support for companies in the sectors hardest hit by the crisis. Importantly, these investment initiatives must be strategically

“ By the time the Spanish government presents its draft budget for 2021 in Brussels, it will need to include the investment and reform programme for Spain. ”

oriented. Although the Commission wants all EU countries to focus on these requirements, it is more pressing in its recommendations for Spain on account of its distance from European trends. Specifically, Spain must increase productivity and foster innovation, guided by the twin digital and green transition objectives.

In the context of the European Semester, the European Commission (2020e) has highlighted the scant growth in the productivity of the Spanish economy in recent years. In pinpointing some of the reasons for that shortfall, it warns of shortcomings in the field of innovation where Spain's performance is below the EU average. In particular, it notes the slow digital uptake in the SME segment, the low number of ICT experts, and the drag implied by overly-high reliance on temporary contracts among employees, which exacerbates inequalities and labour poverty. Hence, its insistence on supporting the digitalisation of businesses, notably SMEs and micro-enterprises.

The European Union also underlines the need to reinforce research and innovation governance at all levels, specifically the importance of increasing cooperation between research centres and the business community, raising the share of students in science and digital technologies, and increasing the attractiveness of vocational education. In short, it calls on Spain to refocus the resources earmarked to the research effort and enhance education and skills training so as to drive productivity gains.

Cohesion and REACT-EU

The tremendous impact of the COVID-19 pandemic in Spain has exposed, in the opinion of the Commission, existing structural shortcomings in health infrastructure, regional disparities in health spending, physical resources and staff, coordination issues between the different levels of government and the need to reinforce primary care and develop e-health. The core lines of initiative of the European Recovery Plan prioritise investment in the healthcare sector, which the Spanish authorities must address.

Regional cohesion also features in the agenda and observations formulated by the European Commission, which advocates for stronger cooperation between the different levels of government. This could be accomplished through projects aimed at reducing the digital divide between urban and rural areas, investing in rail for freight transport and ensuring equal access to digital learning for students in rural areas and from vulnerable households. Education therefore emerges as an area of strategic importance for any investment projects presented in Europe.

In the broadest sense, the promotion of inclusive growth entails lowering the incidence of poverty and social exclusion, reforming assistance and reinsertion programmes for the long-term unemployed, temporary workers and the self-employed, and reducing disparities in regional minimum income schemes.

Just Transition Fund

The transition towards a carbon-neutral and digitalised economy are two of the objectives which the European authorities have frequently cited as conditions for accessing the recovery funds. The European Recovery Plan explicitly contemplates the allocation of funds to projects aimed at a just transition and a specific regime under the aegis of the Invest EU programme.

Spain is one of the member states with greatest exposure to climate change and the Commission has flagged the importance of new measures designed to accelerate the transition in the areas of sustainable mobility, decarbonisation of energy and building energy efficiency.

“ Education emerges as an area of strategic importance for any investment projects presented in Europe. ”

> “The Commission has flagged the importance of new measures designed to accelerate Spain’s transition in the areas of sustainable mobility, decarbonisation of energy and building energy efficiency.”

The European Commission has issued a raft of recommendations along these lines. In the context of higher public and private investment, execution of those recommendations could be accelerated to boost the economic recovery and create new jobs. This would include investments in energy infrastructure, the reduction of energy consumption in private and public buildings, sustainable transport, the development of renewable energies, water and waste management, circular economic initiatives, *etc*.

Conclusion

The scale of the challenges facing the Spanish economy as a result of the COVID-19 crisis will require the entire arsenal of expansionary monetary and fiscal policy in order to repair the economic and social damage caused by the pandemic, facilitate the return to a stable growth path, and tackle the reforms needed to deliver the twin green and digital transition objectives. On the monetary front, the European Central Bank has expanded its asset repurchase programme twice and passed a package of exceptional measures that provide considerable relief to debt issuers in the eurozone countries with the highest risk premiums. Fiscal policy, however, remains part of national policy, which means that the health crisis has the potential to become an asymmetric shock which undermines the position of those countries with less firepower for reactivating their respective economies. This necessitates the deployment of the European financing programmes in order to mobilise funds that help the national productive sectors make the required adjustments, overcome the effects of the economic shutdown, resume a sustainable growth trajectory, and support job creation.

The European Union has responded faster and more forcefully than in previous crises due to the destructive and unprecedented impact of the pandemic. The Commission itself has acknowledged that the biggest spending programme in its entire history –the European Recovery Plan– needs to be cast in terms of a European public good with benefits that will extend to all of the member states’ economies irrespective of the amounts ultimately allocated to each.

Spain stands to receive grants equivalent to 5.8% of its GDP in 2019 and loans equivalent to up to 6.8% of its GNI.

However, the Plan suffers from three problems that seriously limit its capacity as an instrument for economic recovery. Firstly, its amount: 5.4% of EU-27 GDP does not seem to be a sufficient stimulus to tackle a crisis of this size. Second, its implementation schedule, too long to cope with the immediate needs to boost demand in the countries most affected by the pandemic. And third, its orientation, more concerned with medium-term reforms, than with ensuring the immediate reactivation of the economy. It would be advisable, therefore, to complete the Plan with other fiscal stimulus programs, with more immediate execution and aimed at mitigating the effects on the productive and social sectors hardest hit by the crisis.

The urgency of the situation therefore warrants making the most of the programmes already on offer by the European Union in 2020 via a package of measures approved in May: the SURE Instrument, the ESM credit line and the EIB guarantees.

While the European Recovery Plan is being negotiated, all levels of government should prepare to leverage the full potential of the Plan and articulate a roadmap for a sustainable economic recovery.

Notes

[1] Note that the estimates for national fiscal support in response to the pandemic may vary relative to earlier estimates published by Funcas in other publications, as these figures are being constantly updated.

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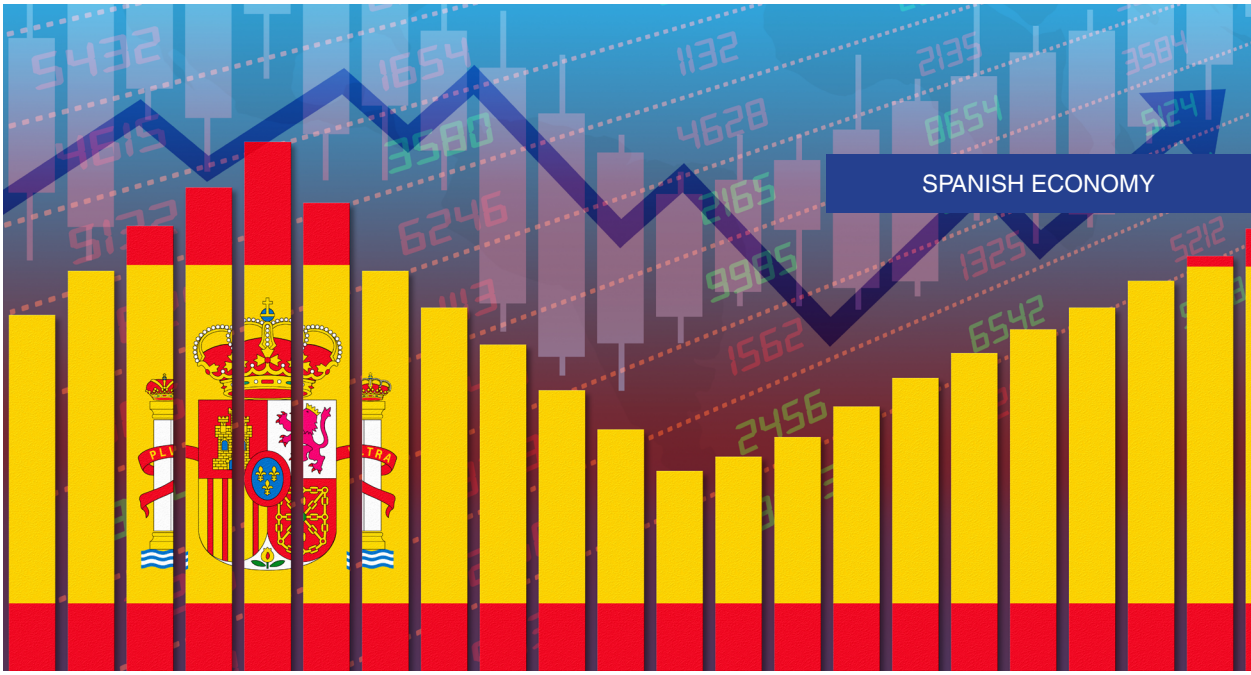


The Spanish economy: Signs of recovery in the midst of high uncertainty

COVID-19 has led to an abrupt decline in output in key sectors, which form the backbone of the Spanish economy, and the projected recovery in the second part of 2020 will only make up for part of the ground already lost. While growth should rebound more strongly in 2021, there are significant downside risks related to new outbreaks, rising unemployment and subdued demand reflecting a rise in precautionary savings.

Raymond Torres and María Jesús Fernández

Abstract: COVID-19 is forecast to have contributed to an 18% quarter-on-quarter decline in GDP in 2Q2020. While lockdown measures have eased, the economy is not expected to reach pre-pandemic levels until 2023, at best. From a sectoral perspective, the automotive industry was particularly hard hit, with a contraction of nearly 90% in April and May. Likewise, the services sector's turnover index in April declined by 42%. However, job losses in the construction sector exceeded those of the services industry. International trade has been strongly affected, too. April figures show exports declined by 32% in real terms compared with February, and imports dropped by 29%. COVID-19 also contributed to a significant expansion of government debt by more than 24 billion euros in 1Q2020. While the Spanish economy should experience a rebound in 3Q2020, it will not make up for the ground lost during the state of emergency. In general, projections are subject to significant uncertainty due to potential new outbreaks, the increase in savings rates,

> An analysis of the trend in the various manufacturing segments reveals that the automotive sector was the hardest hit in March and April, registering a contraction of close to 90%.

and the fate of furloughed workers once the employment support scheme expires.

First green shoots

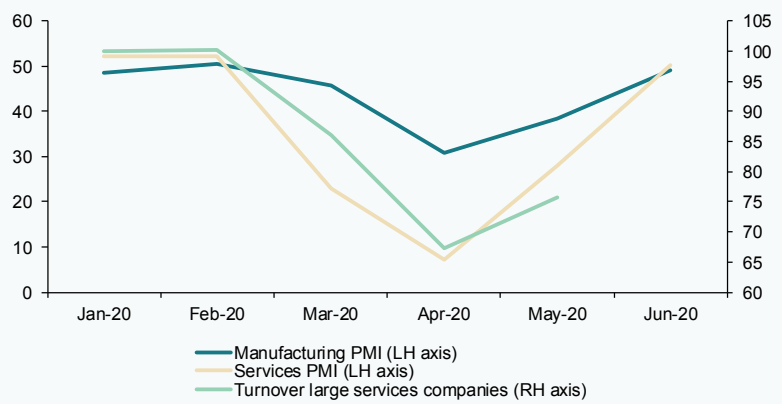
Having contracted by 5.2% in the first quarter of the year as a result of the collapse in activity during the second half of March, the situation in Spain will deteriorate further in the second quarter, when GDP is expected to decrease by 18% quarter-on-quarter. Activity levels hit bottom in April and began to recover in May, a process which gathered pace in June, as the 'easing' measures accelerated, albeit without reaching pre-pandemic levels.

For example, Spain's industrial production index (IPI) contracted by 33% in April with respect to February, recovering a scant third of that decline in May. However, according to the manufacturing PMI and industrial confidence index, the recovery gained traction in June (Exhibit 1). An analysis of the trend in the various manufacturing segments reveals that the automotive sector was the hardest hit in March and April, registering a contraction of close to 90%. That collapse undermined the momentum underway since the middle of last year as the sector began to recover from the slump that emerged in September 2018. The next hardest-hit sectors were the textile, garment, leather and footwear, and furniture segments, which sustained smaller but still sizeable declines. The segments affected the least were the food and pharmaceutical industries. The rest –capital and semi-manufactured goods– fell somewhere in the middle. The May figures suggest that the sectors most impacted by the crisis were, with the exception of the garment sector, also the sectors to post the strongest incipient recoveries. Nevertheless, production volumes were still well below crisis levels in May.

Exhibit 1

Manufacturing and services industry activity indicators

Indices (PMIs) and absolute numbers rebased to January = 100 (SCA series)



Sources: Markit Economics, INE and Spanish Tax Agency.

> “ May figures suggest that the sectors most impacted by the crisis were, with the exception of the garment sector, also the sectors to post the strongest incipient recoveries. ”

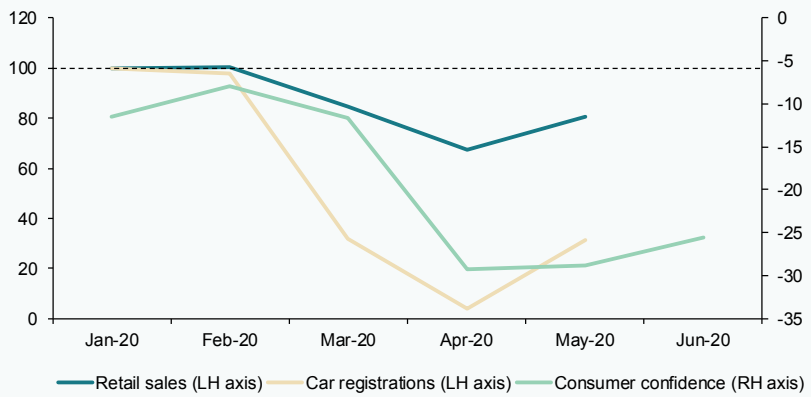
In the services sector, the contraction was initially harsher than in the manufacturing sector. There was a 42% decline in the services sector's turnover index in April along with the collapse in the number of overnight stays and tourist arrivals. The services segments most affected were eateries, hospitality establishments, and the retail sector. In other areas, such as professional and telecommunications services, the impact was smaller. However, the services PMI readings suggest that following a modest recovery in May, activity picked up sharply in June (Exhibit 1).

The construction sector was more heavily affected at the start of the crisis than expected, with job losses in March and April exceeding the services sector and a drop in cement consumption of over 50%. However, it is also the sector to have rebounded most sharply. In May alone, cement consumption regained 72% of the above loss and between May and June around 60% of the jobs destroyed in March and April were created, a much stronger recovery than observed in either the services or manufacturing industries.

Exhibit 2

Consumption indicators

Indices (cons. conf.) and absolute numbers rebased to January = 100 (SCA series)



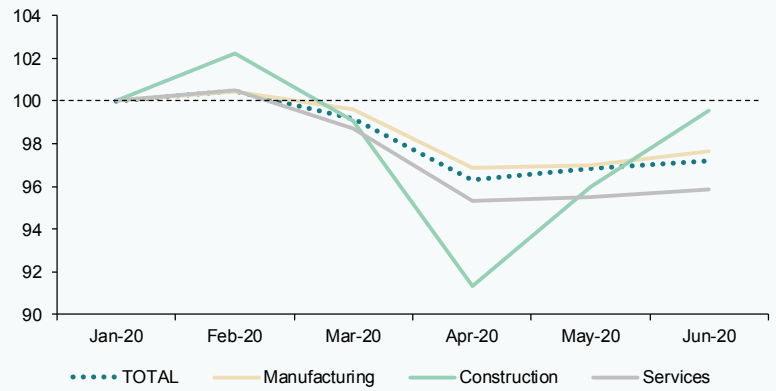
Sources: INE and ANFAC.

> “ The construction sector experienced job losses in March and April exceeding the services sector and a drop in cement consumption of over 50%. ”

Exhibit 3

Social Security contributors

Numbers rebased to January = 100



Source: Ministry of Inclusion, Social Security and Migration.

Turning to international trade, the most recent figures date to April and show exports declined by 32% in real terms compared with February, as well as a drop in imports of 29%. These figures suggest a sharper impact than observed in overall international trade. Specifically, global trade declined by 16% and exports from developed economies were 25% lower in April. [1] Drilling down by segment reveals exactly the same pattern as the IPI readings. The products registering the sharpest decline in exports were automotive products, followed by textiles, garments, leather goods, and footwear. In contrast, exports of food products actually increased.

The consumer confidence indicators are also showing some encouraging signs. Having fallen sharply in March and April, retail sales rebounded in May, as did car registrations and the consumer confidence index in June, albeit still far from pre-crisis levels (Exhibit 2). Other high-frequency indicators, such as POS card payments, also point to a sustained recovery, with volumes closing in on pre-crisis levels by the end of June.

The job market is also showing signs of a recovery. Around 170,000 of the nearly 800,000 contributors who lost their jobs between March and April found work in June (Exhibit 3). Additionally, roughly 1.5 million employees out of a total 3.3 million affected as of the end of April exited furlough.

The balance of payments has deteriorated in the wake of the crisis. The drop in expenditure on imports, accentuated by the oil price correction, was not enough to make up for the collapse in tourism receipts. Consequently, the current account showed a 2.5 billion euro deficit for the first four months of the year, compared to a modest surplus during the same period in 2019.

Lastly, public finances are beginning to show the impact of the crisis. In the first four months of the year, the deficit at all levels of government except for the local corporations stood at 24.04 billion euros, compared to 6.74 billion euros in the first quarter of 2019. The expenditure related with COVID-19 amounted to nearly 8.9 billion euros, while public revenue fell by 3 billion euros.

Forecasts for 2020-2021

The forecasts assume a virus scenario of controlled outbreaks that do not necessitate the reintroduction of lockdown measures. They

Table 1 **Economic forecasts for Spain, 2020-2021**

Annual rate of change in percentages, unless otherwise indicated

	Actual data				Funcas forecasts	
	Average 1996-2007	Average 2008-2013	Average 2014-2019	2019	2020	2021
1. GDP and components, constant prices						
GDP	3.7	-1.3	2.6	2.0	-9.8	7.8
Final consumption, households and NPISHs	3.7	-2.1	2.2	1.1	-12.1	7.9
Final consumption, government	4.2	0.9	1.2	2.3	7.4	3.6
Gross fixed capital formation	6.1	-7.6	4.0	1.8	-14.7	9.0
Construction	5.5	-10.7	3.2	0.8	-13.7	8.4
Capital goods and other products	7.5	-2.7	4.9	2.7	-15.7	9.6
Exports of goods and services	6.5	1.8	4.1	2.6	-20.4	13.7
Imports of goods and services	8.7	-4.0	4.3	1.2	-17.8	11.4
Domestic demand (a)	4.4	-3.1	2.5	1.5	-8.4	6.8
Net exports (a)	-0.7	1.8	0.1	0.5	-1.4	0.9
GDP, current prices: - billions of euros	--	--	--	1,245.3	1,133.3	1,233.9
% change	7.3	-0.8	3.4	3.6	-9.0	8.9
2. Inflation, employment and unemployment						
GDP deflator	3.5	0.5	0.8	1.6	0.9	1.0
Household consumption deflator	3.1	1.7	0.8	1.2	-0.1	1.2
Total employment (national accounts, FTEs)	3.3	-3.4	2.4	2.3	-5.4	2.2
Unemployment rate (Spanish labour force survey)	12.5	20.2	18.8	14.1	18.2	16.7
3. Financial equilibrium (% of GDP)						
National savings rate	16.7	18.8	21.6	22.9	21.3	22.1
- of which, private savings	13.3	22.9	23.6	23.7	30.3	26.6
National investment rate	26.7	21.7	19.4	20.8	19.9	20.0
- of which, private investment	17.9	17.8	17.2	18.8	17.6	17.3
Current account surplus/(deficit)	-4.5	-2.9	2.2	2.0	1.0	1.9
Spain's net lending (+) or borrowing (-) position	-3.7	-2.4	2.6	2.3	1.7	2.4
- Private sector	-3.8	6.4	6.6	5.2	12.9	9.4
- Govt. deficit excl. financial sector bailout debt	-0.9	-8.1	-3.9	-2.8	-11.3	-7.0
Government debt, EDP criteria	52.2	67.6	98.5	95.5	116.1	116.1
4. Other variables						
Eurozone GDP	2.5	-0.3	1.8	1.2	-8.5	5.5
Household savings rate (% of GDI)	9.5	8.8	6.6	7.4	15.8	10.9
Gross borrowings, households (% of GDI)	93.3	128.5	101.7	91.2	88.5	82.5
Gross borrowings, non-financial corporates (% of GDP)	91.5	133.4	103.2	93.1	106.4	97.7
Spain's gross external borrowings (% of GDP)	60.6	162.4	168.4	169.3	191.5	177.4
12-month Euribor (annual %)	3.74	1.90	0.01	-0.22	-0.22	-0.20
Yield on 10Y Spanish bonds (annual %)	5.00	4.74	1.58	0.66	0.55	0.65

(a) Contribution to GDP growth in percentage points.

Sources: 1996-2019: INE and Bank of Spain; Forecasts 2020-2021: Funcas.

> “ GDP is expected to rebound by 16.3% in the third quarter of 2020; however, recovery is set to be both uneven across sectors and insufficient to recover the ground already lost. ”

also factor in the economic policy measures already announced (state-sponsored loans for troubled businesses, extension of the furlough scheme, select support for demand and sector-specific plans). They do not incorporate either a European Recovery Plan or a State Budget for 2021 (at preliminary stages).

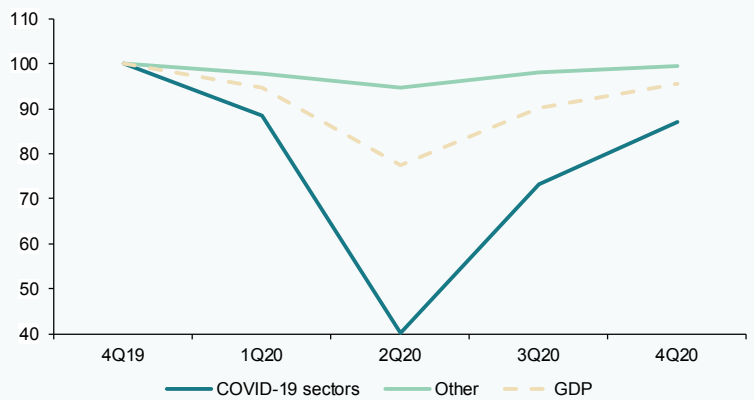
In light of the above assumptions, it is expected that the rebound initiated in the wake of the lockdown will continue during the months ahead, as more and more businesses come back to life and supply chains are reconfigured. We also expect to see new signs of recovery on the demand side. Households may decide to increase purchases of durable goods, having postponed decisions during the lockdown. Tourism is expected to stage a slight recovery and exports should restart, particularly among European countries. As a result of the above (and the increase in activity underway since early May which will automatically have a knock-on effect in the months to come), GDP is expected to rebound by 16.3% in the third quarter (Table 1). However, the recovery is set to be uneven (Exhibit 4). Certain sectors, such as the food, chemicals and pharmaceutical industries, as well as the health services and others that function well under remote working conditions, are likely to spearhead the recovery. At the other end of the spectrum, the hospitality and catering, transport, culture, leisure and performance and automotive industries are expected to experience a prolonged recession. The other manufacturing and the construction sectors will fall somewhere in the middle.

In addition, the recovery expected in the second half of the year will fail to make up for the ground lost during the state of emergency. Once pent-up demand has been released,

Exhibit 4

Forecasts by sectors

Numbers rebased to 4Q19 = 100



Source: Funcas.

private spending is likely to suffer from a spike in precautionary savings shaped by households' fear of losing work or a significant proportion of their income. The household savings rate is expected to near 16% in 2020, an all-time high, while private consumption is expected to collapse by 12%. Investment is likely to experience an even greater blow, due to the extraordinary uncertainty surrounding the duration of the pandemic and its global impact, thereby affecting business expectations. The decline in investment is estimated at 15%, which would put the corporate sector's capital expenditure efforts back at 2015 levels. Foreign trade will detract from growth due to the disarray in global trade, coupled with the crises affecting the tourism and automotive sectors which, between them, account for over 25% of export receipts in Spain. Public sector demand, shaped by the growth in health spending and investment, is likely to prove the only bright spot.

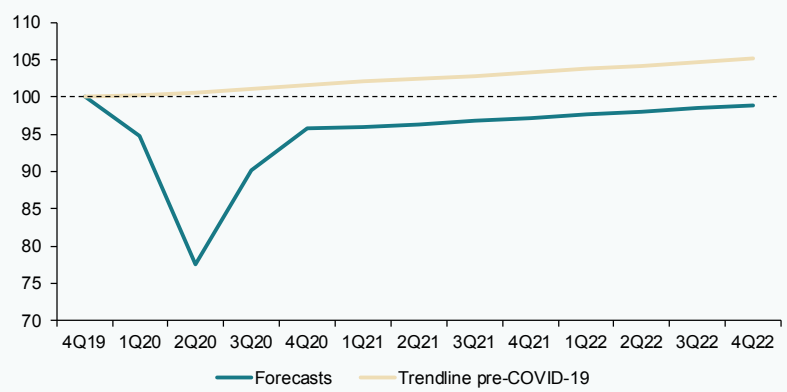
For 2020 as a whole, the forecasts point to an unparalleled contraction in GDP of 9.8%, due to a collapse in both domestic and foreign demand. The impact on the job market should be smaller than in the last crisis, thanks to the furlough schemes rolled out to enable businesses facing liquidity problems to contractually retain their employees. Fewer jobs will be lost than might be expected on account of the scale of the GDP contraction. This, coupled with the decline in the labour participation rate, should cushion the impact of the crisis on unemployment. Despite that, the average unemployment rate is estimated at 18.2% in 2020.

The recovery should gather pace in 2021. Growth that year is forecast at 7.8%, in part thanks to carry over effects and in part thanks to stronger contributions from private demand and tourism. As the level of uncertainty surrounding the health crisis diminishes (due to the availability of either an effective therapy or, in the best of cases, a vaccine), households might become more inclined to spend rather than save, and businesses to invest. Foreign trade should also make a positive contribution to growth in 2021 due to the gradual normalisation of international travel and tourism. Nevertheless, the numbers suggest that GDP will not revisit pre-crisis levels until 2023, or even later, considering the economic trajectory before the onset of the pandemic (Exhibit 5).

Exhibit 5

GDP forecasts

Numbers rebased to 4Q19 = 100



Source: Funcas.

> “The recovery will benefit the job market but the impact will be subdued by the fact that the end of the furlough scheme will dampen companies’ hiring needs.”

The recovery will benefit the job market but the impact will be subdued by fact that the end of the furlough scheme (the full return to work of people currently under the scheme or on short-time arrangements) will dampen companies’ hiring needs. In addition, the entry into the workforce of youths who had prolonged their studies will drive the participation rate higher. As a result, the unemployment rate is expected to come down slowly and remain above pre-crisis levels at the end of the projection horizon.

In the absence of information about the direction of fiscal policy, the public deficit would diminish due to the interplay of automatic stabilisers. All that improvement will achieve, however, is to stabilise government borrowings at high levels of around 116% of GDP.

Risks and opportunities

The forecasts remain subject to an unusually high degree of uncertainty and, by extension, a much higher than usual margin of error. This is not only because of the possibility of a second wave that would require new confinement measures or restrictions on certain economic activities, but also the significant uncertainty regarding the trend in certain macroeconomic variables. By way of example, it is only possible to make a reasonably informed guess about how high precautionary savings will rise, a factor set to prove an important determinant of the scale of the recovery in consumption. Another source of uncertainty –a very significant one in the case of the Spanish economy– relates to the trend in international tourism in the short- and medium- term, which is very hard to quantify and requires reliance on estimates. A final aspect that is particularly hard to forecast is what will happen to employment when the furlough scheme ends. It is possible that many companies, observing a permanent loss of business, will ultimately have to let some of their employees go, potentially triggering a second round of layoffs at the end of this year or the early part of next year.

Lastly, on the positive side, it is not inconceivable that a recovery plan at the European level, coupled with a reform programme, could stimulate corporate investment, helping to underpin the recovery from 2021 onwards.

Notes

[1] CPB World Trade Monitor.

Raymond Torres and María Jesús Fernández. Economic Perspectives and International Economy Division, Funcas

Changes in financing trends and payments preferences under COVID-19

COVID-19 has increased the volume of business loans and disrupted traditional preferences for cash transactions in Spain. While the demand for credit may persist depending on the duration of the crisis, the uptick in card payments should not be interpreted as a definitive movement away from the use of cash.

Santiago Carbó Valverde and Francisco Rodríguez Fernández

Abstract: The COVID-19 pandemic has disrupted Spain's credit markets and payments methods. In regard to the former, it has triggered the need for financial aid programmes, including state guarantees of business loans. Notably, the volume of outstanding business loans in Spain, which had registered year-on-year growth of 1% in January and 0.4% in February, accelerated to 1.1% in March and to 3.1% in April. As for origination, while new loans amounted to 55.12 billion euros in January and February, the aggregate amount for March and April rose to 89.91 billion euros, providing a glimpse of the extra effort made by Spain's banks to extend financing during the pandemic. Turning to payments, ATM cash withdrawals contracted by 9.3% year-on-year in April, having registered growth of 0.3% in 2019. Meanwhile, point-of-sale card payments, which had sustained growth of 9.4% in 2019, increased by a much lower

2.3% in the first quarter of 2020. That said, this does not foretell the death of cash, with certain segments of the Spanish economy still displaying strong preferences for this form of payment.

Introduction: Financial context and regulatory responses

The financial context as Spain exits the most restrictive aspects of its pandemic response could be described as one of cautious optimism. If new lockdowns are not required, the economic recovery may begin to gather pace. The financial sector is emerging as a key driver not only of the economic recovery but in the effort to mitigate the most immediate effects of COVID-19 on economic activity.

The underlying risks, exacerbated by the growth in public and private debt in recent years, have been contained by (even more) expansionary monetary intervention. On June 4th, the European Central Bank said it was expanding its Pandemic Emergency Purchase Programme (PEPP) by 600 billion euros and extending its duration until at least June 2021. It also signalled it would reinvest maturing principal payments from securities purchased under the PEPP until at least the end of 2022. These announcements were well received by the equity markets, which were beginning to view Europe as increasingly ready to reopen for business. However, in recent weeks, the good news has been mingled with fears of fresh outbreaks and the difficulties in permitting mobility between the EU member states and third countries in the current epidemiological context. Either way, the monetary accommodation has meant that the Eurosystem's liquidity flows have remained immune from the effects of COVID-19. Indeed, the financing received by the banks from the ECB, which had increased by around 1% monthly between January and March, jumped by 4.3% in April and 5.1% in May.

The various EU members states have gone to noteworthy lengths to mitigate the effects of COVID-19 with financing programmes and solvency support. That said, some initiatives have been more or less generous and included different mixes of liquidity *versus* capital reinforcement programmes. In Spain, the largest programme has been the state-backed guarantee scheme. The fifth and last tranche of this scheme was activated on June 16th. It consists of 15.5 billion euros of loan guarantees with priority access for the self-employed, SMEs and firms from the tourism and automotive sectors.

Based on data as of June 1st, Spanish banks had extended 35.28 billion euros of financing to SMEs and self-employed professionals and an additional 12.97 billion euros to other enterprises. In total, they had provided 63.144 billion euros of financing. By comparison, in April and May of 2019, they granted 57.18 billion euros of loans, suggesting that they are lending more in 2020 than they would have in the absence of the coronavirus-induced uncertainty.

It is hard to imagine the economic effects of COVID-19 proving so limited in impact or duration that further extraordinary financing will not be needed in the coming months. Against that backdrop, this article attempts to estimate how much credit will be needed to alleviate the impact of the coronavirus and stimulate economic recovery. It also addresses matters of a more microeconomic nature related with citizens' financial behaviour during the pandemic. Specifically, we look at how COVID-19 may have affected the manner in which Spaniards pay for things and the

“ On June 4th, the European Central Bank said it was expanding its Pandemic Emergency Purchase Programme (PEPP) by 600 billion euros and extending its duration until at least June 2021. ”

> As of June 1st, Spanish banks had extended 35.28 billion euros of financing to SMEs and self-employed professionals and an additional 12.97 billion euros to other enterprises.

controversy arising around the advisability of using electronic payment methods at the expense of cash.

How much credit is enough?

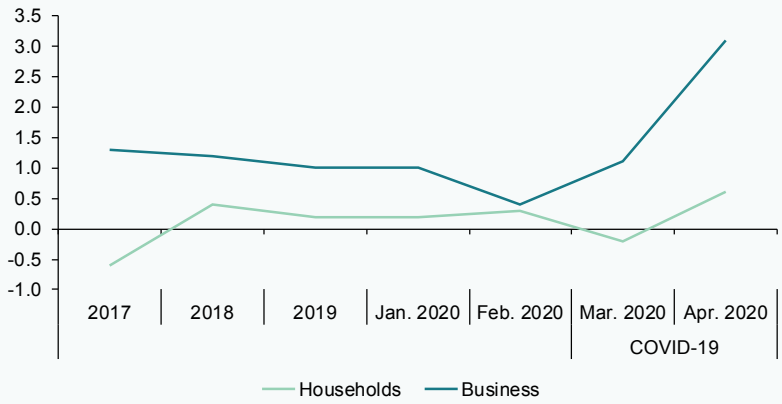
Answering this question is constrained by limitations, mainly of an interpretative nature. Firstly, the financing extended can serve as a 'bridge' for covering business outlays during the period of idleness but cannot resolve some of the other existing issues. By this we mean that new financing will not solve the problems of a significant number of companies that were already facing viability issues. Unfortunately, these companies will not be able to survive the ramifications of the lockdown measures. For similar reasons, the relative 'success' of the loans extended to businesses will also depend on the non-occurrence of fresh outbreaks requiring new partial or total shutdowns, as many companies' solvency would be compromised by additional leverage. On the other hand, it is hard to establish the reference parameters for determining how much credit is necessary to cover businesses' liquidity needs. If the financing attributable to the extraordinary measures rolled out to mitigate the effects of COVID-19 reaches the targeted 100 billion euros (the estimated total size of the state guarantee scheme), we would be talking about an amount equivalent to around 30% of the new loans needed by Spanish companies in 2019. However, it is very likely that the vast majority of the COVID-19 funds will be used to cover income losses and urgent outlays rather than being earmarked for investment. One approach is to look at the relationship between credit demand during the period affected by the pandemic and subsequent months. Although there are no official statistics, there is anecdotal evidence from a number of Spanish banks to suggest that the demand for financing (the state guarantee scheme and other standard loans) has significantly outstripped supply. However, the demand for credit has been largely met through the guarantee and similar schemes so that in the event that new tranches were to materialise, it would be possible to identify the amount of residual demand for credit.

Some recent figures point to a significant increase in company lending in March and April (the only months impacted by COVID-19, in part or in full, for which numbers are available). The first panel of Exhibit 1 shows the year-on-year rate of change in the outstanding volume of financing for Spanish households and businesses. In the household lending segment, the total loan book decreased slightly in March (by 0.2% year-on-year) compared to prior months but went on to recover in April (+0.6%). In the corporate lending segment, which is where the bulk of the public-private schemes are targeted, the volume of credit outstanding increased by 1% in January and 0.4% in February. This trend continued during lockdown, with the volume of outstanding credit rising by 1.1% in March and 3.1% in April. The second panel depicts the volume of new business loan origination. Having amounted to a combined 55.12 billion euros in January and February, the aggregate for March and April increased considerably, to 89.91 billion euros.

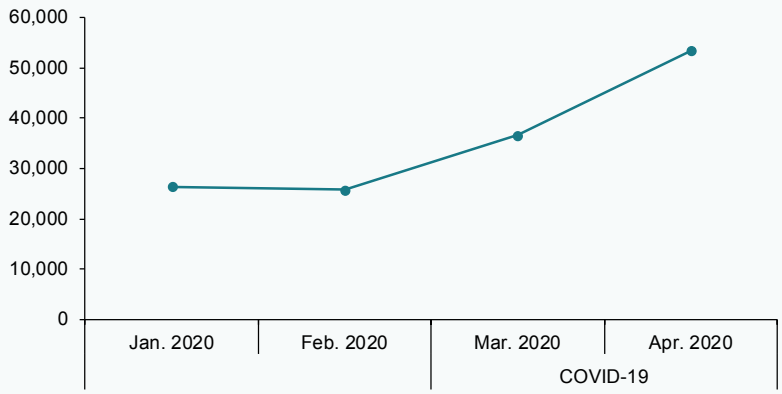
> In the corporate lending segment, the volume of credit outstanding increased by 1.1% in March and 3.1% in April.

Exhibit 1 **Household and business financing**

A. Year-on-year change



B. New business loan origination



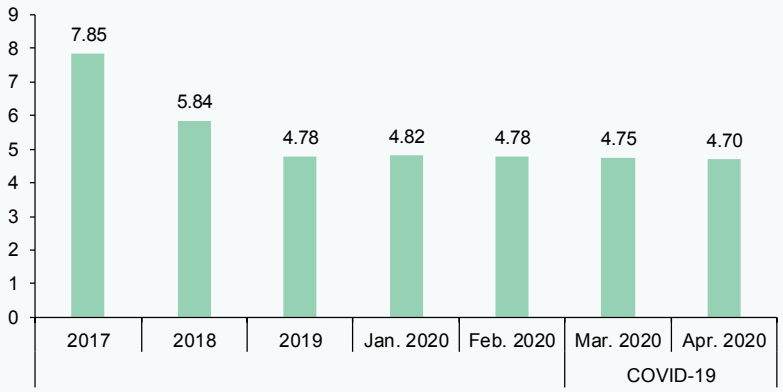
Source: Bank of Spain and authors' own elaboration.

Although a significant proportion of the financing extended enjoys state-backed guarantees, a limit on new loans is an appropriate risk control measure. Loan non-performance is likely to increase in the coming months in tandem with some of its key drivers, such as the unemployment rate. Based on the most recent data available, the non-performance ratio (Exhibit 2) remained at 4.70% in April, below the readings for March (4.75%) and February (4.78%).

The biggest increases in non-performance will most likely come after the summer. The public guarantees for those non-performing loans will also have adverse effects on Spain's public

Exhibit 2

Non-performance ratios at deposit-taking banks



Source: Bank of Spain and authors' own elaboration.

finances. Importantly, the extent of the rise in non-performance and the ability to bring it quickly under control will depend largely on the occurrence of new outbreaks and their impact on the economy.

Payments in times of lockdown... and beyond

As outlined above, the primary concerns during the pandemic centre on business financing and viability. In this matter, public policies and private strategies constitute a significant social experiment – the impact of which remains unknown. For households, however, one of the biggest financial experiments in the wake of COVID-19 has affected something as basic and all-important as how to pay for things. Among the rumours and misinformation prompted by the irruption of the pandemic, one of the earliest to emerge is related to the importance of using electronic methods rather than cash for hygiene purposes. However, many monetary authorities (the ECB and the Bank of Spain included) have since said there is no foundation for such claims. Also, the Bank for International Settlements (BIS) said in its April bulletin (No. 3: "COVID-19, cash, and the future of payments") that the scientific evidence suggests that the probability of transmission of the virus via banknotes is very low *when compared with other frequently-touched objects, such as credit card terminals or PIN pads*. In fact, the coronavirus can survive on a stainless-steel surface between 10 and 100 times longer than on our cotton-fibre banknotes.

The BIS also said that even though we are advancing towards greater use of digital payments, many consumers need to use cash and should be permitted to do so without constraints. That is perhaps the most important observation in terms of gauging the trend in retail payments post COVID-19. Generational change and technological momentum point to growing use of electronic payment instruments in the long-term.

> "Many monetary authorities have stated there is no foundation for the claim that card payments are more hygienic than cash."

> “Notes and coins in circulation increased from 1.3 trillion euros in January to 1.38 trillion in May.”

However, all payment instruments have their own advantages and disadvantages. Many citizens continue to prefer to pay in cash and, in light of recent efforts in some European countries to impose limits on its use, the ECB has come to their rescue stating that money is legal tender and cannot be forbidden, particularly considering how dependent a significant percentage of the population is on it for their payments. The Bank of Spain published its latest survey on payment preferences in 2018 in which it found that 53% of Spanish citizens say cash is their most commonly used method of payment (57% in small towns), while 43% expressed a preference for debit cards.

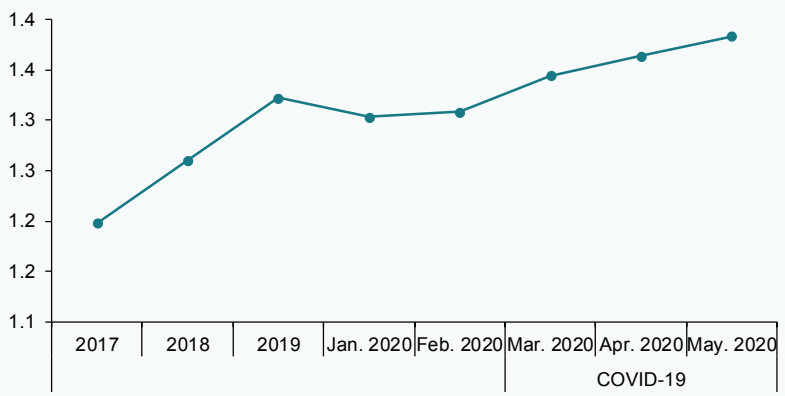
It remains to be seen whether COVID-19 will drive a significant and permanent change in payment preferences. In the meantime, the evidence does not point conclusively in that direction. In the eurozone, the value of banknotes and coins in circulation (Exhibit 3) has increased in recent months, particularly during the COVID-19 crisis period (between March and May). Specifically, notes and coins in circulation increased from 1.3 trillion euros in January to 1.38 trillion in May.

However, it is also important to the methods used to settle transactions. The most recent data in Spain suggests that the lockdown triggered a significant decline in the use of payment instruments in general. As shown in Exhibit 4, according to Bank of Spain data, ATM cash withdrawals contracted by 9.3% year-on-year in 1Q2020, having registered growth of 0.3% in 2019. Meanwhile, point-of-sale card payments, which had sustained growth of 9.4% in 2019, increased by a much lower 2.3% in the first quarter of 2020. We will have to wait until economic and social activity normalises to assess whether the payment

Exhibit 3

Banknotes and coins in circulation in the eurozone

Value, trillions of euros

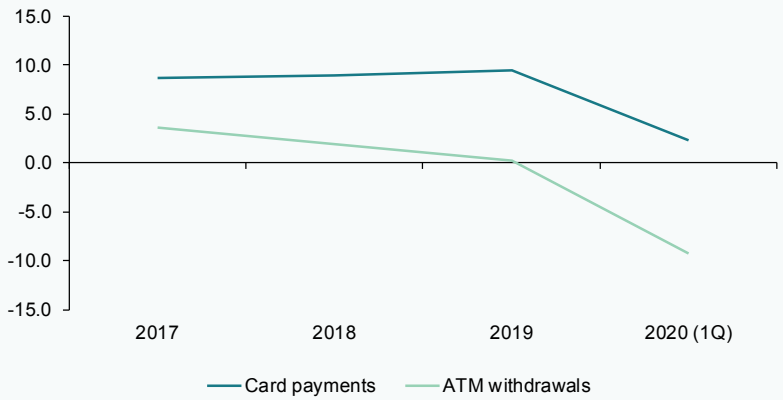


Source: ECB and authors' own elaboration.

Exhibit 4

POS card payments and ATM cash withdrawals

YoY change



Source: Bank of Spain and authors' own elaboration.

trends observed prior to the pandemic have shifted meaningfully.

Conclusions

COVID-19 is causing one of the biggest social and economic disruptions of recent decades. For households and businesses, how to get financing and how to make payments have become key concerns.

In the credit arena, the articulation of public-private financing schemes has enabled the provision of liquidity vital to keeping many businesses afloat. However, it is hard to determine if they will prove sufficient in the medium-term. All signs suggest that further intervention will be required and that the current programmes will have to be extended, including the state-backed guarantee scheme.

As for payments, the coronavirus and the resulting need for social distancing are conducive to the use of contactless payments. However, it has also evidenced the fact that much of society needs or still prefers to pay with cash so that the imposition of restrictions on its use could lead to financial exclusion and issues for basic household activities.

Beyond question, however, is the fact that COVID-19 represents an exogenous factor from which economic studies stand a lot to learn. Future studies will examine not only which public policies or bank strategies are best in the credit and retail payments fields, but also whether this pathogen has by itself triggered structural changes in basic financial activities.

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Francisco Rodríguez Fernández. University of Granada and Funcas

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Banks' market value in times of COVID-19

Although COVID-19 hit banks' share prices hard across the globe, the effect was particularly acute in Europe. However, analysis shows that those banks that have recognised the highest provisions have outperformed during the recovery period since the market fell to its lowest point in March.

Ángel Berges, Marta Alberni and Diego Aires

Abstract: COVID-19 issued a substantial blow to banks' share prices across the globe but especially in Europe. Notably, this occurred in the context of a three-year-long sector valuation slump despite an improvement in banks' capital and liquidity levels. Analysis of banks' equity prices and COVID-19 incidents shows the intensity of the equity market contractions sustained by the national banking systems is somewhat correlated with the incidence of the pandemic. Looking more deeply at the impact, data show these market corrections have sharply eroded banks' price-to-book ratios. However, the industry has broadly seen a recovery since the lows of March, due to fiscal and monetary stimulus, the possibility of a vaccine, and effectiveness of lockdown measurements. Interestingly,

> “From the start of 2017, the general Eurostoxx Index gained 20% while the banks index fell by the same amount over the three-year period.”

those banks that have made the greatest loss provisions have also been the institutions to perform most strongly during the recovery.

Background

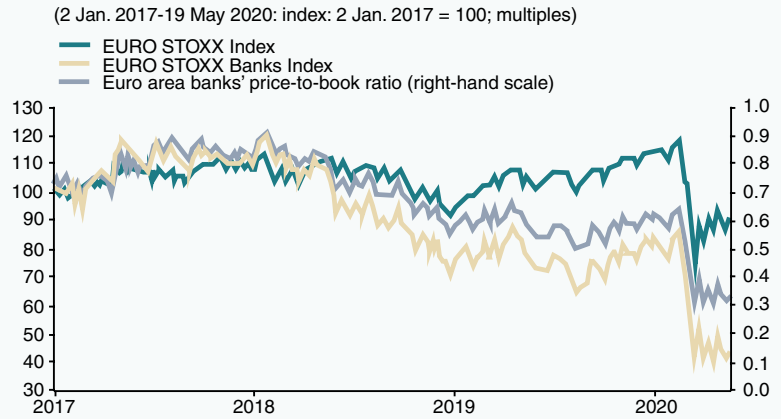
The lockdown introduced to curb the COVID-19 pandemic contributed to sharp declines in banks' share prices during the initial weeks of crisis. While the effect was global, it was particularly acute among European banks. This occurred in the context of a three-year-long sector valuation slump, shaped by extremely low business growth and ultra-low and even negative rates, which combined have compressed banks' return on equity (ROE). (Berges, Pelayo and Rojas, 2018).

Exhibit 1 highlights the underperformance of the Eurostoxx Banks Index compared to the broader Eurostoxx over the last three years. From the start of 2017, the general index gained 20% while the banks index fell by the same amount over the three-year period. Notably, this decline excludes the adverse impact of COVID-19, which accentuated the downward trend.

The sector's negative stock market performance contrasts sharply with the improvement observed in its key metrics, as noted by the ECB in its recent *Financial Stability Review*. From 2017 to 2020, the eurozone's banks have exhibited a clear improvement in their capital and liquidity levels as well as the quality of their assets. This has provided the sector with a significant buffer for tackling the inevitable slump in economic activity due to COVID-19.

Exhibit 1

European bank valuations *vs.* broader market (Eurostoxx, Eurostoxx banks, P/BV ratios)



Source: ECB, Financial Stability Review.

Exhibit 2

Snapshot of European banks' solvency, liquidity and asset quality

Percentages

Source: ECB, Financial Stability Review.

Pandemic response measures sent the markets into free-fall

It was against this backdrop of sector devaluation and the banks' reinforcement of their capital and liquidity buffers that the COVID-19 crisis emerged. The health crisis was unprecedented and marked by significant uncertainty as to its intensity and duration. This, coupled with the pro-cyclical nature of the banking business, has left banks particularly vulnerable to the adverse economic ramifications of COVID-19, notwithstanding the buffers built up in recent years.

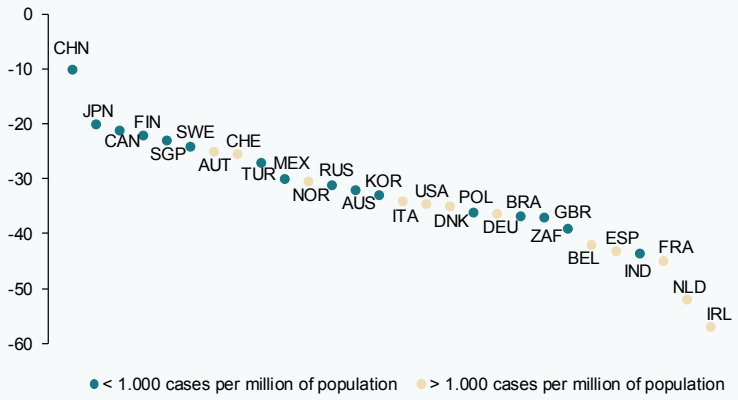
That vulnerability is already evident in equity price data highlighted in Exhibit 3. It shows how the intensity of the equity market contractions sustained by the national banking systems is somewhat correlated with the incidence of the pandemic. While differences in infection rates and investor behaviour suggest these data should be analysed with caution, the data do indicate a global contraction in banks' share prices occurred in response to COVID-19 and the lockdown measures adopted to combat it.

The market correction has sharply eroded the banks' valuation measurements, specifically their price-to-book (P/BV) ratios. As shown in Exhibit 4, the crisis triggered by the pandemic has taken an even greater toll on the European banks, whose valuations were already depressed, with their stocks trading at less than book value across the board. However, the exhibit allows us to make an additional observation. Since the middle of March, which is when the coronavirus was declared a global pandemic, the US and Scandinavian (Denmark, Norway and

"The market correction has sharply eroded the banks' valuation measurements, specifically their price-to-book (P/BV) ratios."

Exhibit 3

Change in banks' equity prices depending on incidence of COVID-19

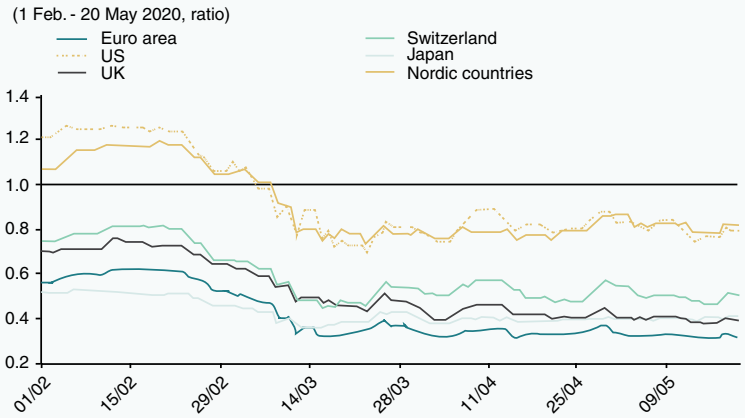


Source: Afi, IMF (Global Financial Stability Report), *April 2020.*

Sweden) banking systems, the only ones that had been trading at a P/BV ratio of more than one, have seen their valuations dip below that threshold. Consequently, at present, all the world's banking systems are trading below book value.

Exhibit 4

P/BV ratios for different banking systems



Source: ECB, Financial Stability Review.

> "The strong rebound observed between March and the start of June can be attributed to monetary and fiscal stimulus, progress on a vaccine, and the success of lockdown measures."

Banking sector staging a more pronounced recovery than other sectors

The last three months have been marked by several changes in equity investor sentiment (the so-called risk-on and risk-off phases). This has clear-cut implications for the banks' share prices, which are always more volatile than the market as a whole (the banks' betas range between 1.4 and 1.6). The sharp corrections sustained in March gave way to a strong recovery in April, only to be followed by a fresh rout during the first half of May. Since then, banks' share prices have been recovering healthily.

The strong rebound observed between March and the start of June can be attributed primarily to three factors:

- The first is the arsenal of economic policies rolled out to combat the adverse macroeconomic shock caused by the pandemic. In terms of monetary policy, the main central banks around the world have acted swiftly (unlike in previous crises), deploying expansionary monetary policies including conventional (rate cuts in the US and Europe) and unconventional measures, thus preventing the onset of a liquidity crisis that could hurt the flow of credit to the real economy. In terms of fiscal policy, the vast majority of governments have passed fiscal stimulus measures (of varying nature and intensity) with the aim of mitigating the adverse consequences of the crisis. In Europe, there has been decisive progress on shaping a pan-European recovery plan which, for the first time, contemplates grants and not just loans.

- The second factor relates to the progress made on a vaccine for the virus, decreasing the probability priced in by the market that new outbreaks will shut the economy down again.

- The third factor is the proven positive impact of the lockdown measures in controlling the pandemic in much of the world. That success is paving the way for an accelerated transition towards a 'new normalcy' in the main economies. While

Table 1 **Bank underperformance and outperformance during market contractions and rebounds**

Percentage

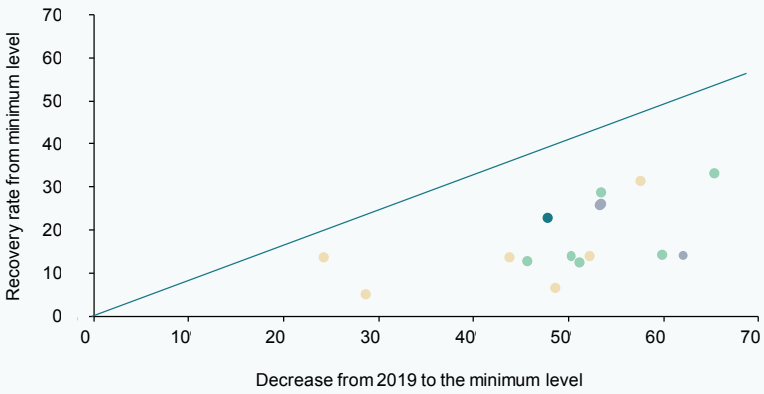
	Europe (EuroStoxx)		Spain (IBEX)	
	Aggregate	Banks	Aggregate	Banks
Maximum fall	-38	-56	-39	-52
Recent recovery	9	26	6	13

Source: Afi, Factset.

Exhibit 5

Share price recovery proportionate to the prior correction

Percentage



Sources: Afi, SNL, Factset.

this is good news for the stock markets, the risk of fresh outbreaks lingers.

Regardless of the relative importance of each of the three factors, what is clear is that during the general stock market recovery that occurred to June, the banks outperformed the broader stock market in Spain and across Europe by about as much as they underperformed during their period of contraction.

The same holds if we break that analysis down for a sample of European banks (including Spanish banks) with the rebounds broadly as strong as the original contractions.

Exhibit 5 compares the maximum contractions registered in 2020 (between year-end 2019 and the height of the pandemic crisis), which range between 30% and 70% (horizontal axis), with the recovery, measured as the percentage recovery left to reach pre-crisis highs (vertical axis).

The exhibit shows how the banks that suffered the harshest share price corrections have gone on to sustain the strongest recoveries. In other words, the percentage rebound is somewhat correlated to the prior contraction, a sort of correction mechanism. However, the exhibit reveals an observation with all the dots on the scatter plot below the diagonal line. This indicates that each of the entities analysed have yet to fully recover from the share price rout caused by the pandemic.

Share price recovery and first-quarter provisioning effort

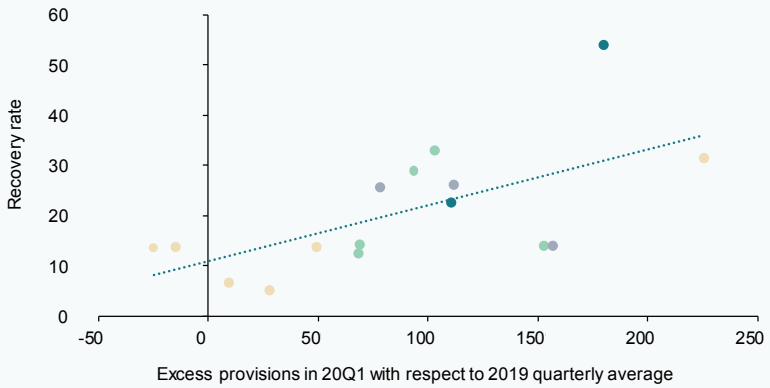
We next look at the relationship between the rates of recovery and the level of prudence exhibited by the various banks in response to the COVID-19 outbreak, with a specific focus

> “The banks that suffered the harshest share price corrections have gone on to sustain the strongest recoveries.”

Exhibit 6

Share price recovery: Correlation with provisioning effort

Percentage



Sources: Afi, SNL, Factset.

on provisions recognised in their first-quarter 2020 financial statements.

Analysis of the banks' first-quarter earnings presentations shows that the entities (including Spanish banks) have taken a decidedly prudent approach. Spanish banks have recognised sizeable volumes of impairment losses against their first-quarter 2020 profits. In the case of Spain, the impairment losses recognised in the first quarter of 2020 were roughly double the average recorded in the four quarters of 2019, acknowledgement that in the current context of heightened uncertainty, the traditional credit risk assessment models could fall short.

Against that backdrop, Exhibit 6 shows how the equity market has rewarded those banks that have made greater provisioning efforts. For a wide sample of European and Spanish banks, the exhibit presents: a) their percentage recovery from lows on the vertical axis; and, b) the excess, in percentage terms, of the provisions recognised in the first quarter of 2020 compared to the 2019 quarterly average on the horizontal axis.

Exhibit 6 shows there is a clear positive correlation between the volume of credit loss provisions recognised by the banks and the recovery in their share prices. The market has rewarded prudence as the banks that have recorded higher allowances have outperformed their peers.

Should this correlation continue to hold during the coming (quarterly) reporting seasons, we would see the opposite of what we witnessed during the financial crisis of 2008-2012, when the general perception was that the banks were much slower in writing

> "There is a clear positive correlation between the volume of credit loss provisions recognised by the banks and the recovery in their share prices."

their assets down for impairment than other sectors.

Conclusion

As we have shown in this paper, the equity market correction triggered by the COVID-19 crisis has hit the banking sector particularly hard. So much so that no banking system anywhere in the world is currently trading at above book value. The European banks' extremely depressed valuation measurements have forced the supervisory authorities to ban the payment of dividends to facilitate the replenishment of capital in case they are unable to tap the equity markets.

However, expansionary monetary and fiscal policies, coupled with expectations regarding the development of a vaccine and the end of lockdown, have paved the way for the recovery since financial markets fell to their lowest point in March. The banks have outperformed the broader market during the recovery, as expected given the cyclical nature of the industry. Additionally, the recovery has been stronger among those banks whose share prices had been hit hardest by the onset of the health crisis and those institutions that recognised higher volumes of provisions against their first-quarter 2020 earnings.

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Ángel Berges, Marta Alberni and Diego Aires. A.F.I. - Analistas Financieros Internacionales, S.A.

The blow to tourism and the recovery of the Spanish economy

With the tourism sector having accounted for 12.3% of GDP and 12.7% of employment in 2018, the paralysis of international travel has dealt a hard blow to the Spanish economy. Although both state and EU-level support have been mitigating factors, it is unlikely that the tourism sector will rebound quickly, with adverse consequences for Spanish GDP growth and the current account balance.

Gonzalo García Andrés and Andreu García Baquero

Abstract: COVID-19 resulted in a sudden interruption in global tourism after years of sustained growth. In Spain, the tourism sector accounted for 12.3% of GDP and 12.7% of employment in 2018. Both the European Commission and Spanish government have unveiled plans to support the tourism sector. Taking into account the furlough scheme and business stoppage benefits, the state guarantee lines, and the deferral of taxes, the government estimates it has earmarked 19.54 billion euros to the tourism sector. Nevertheless, some sector representatives have argued that these funds are moderate in size compared with the losses the sector faces in 2020. Specifically, tourism export receipts could fall to around 33.6 billion euros, representing more than a 50% decline from 2019. While a diversion of residents' expenditure abroad could cushion the pandemic's impact on the tourism sector's GDP and on the balance of payments in 2020, the forecast for 2021 is less optimistic. As oil prices rebound

and a rise in internal demand leads to an increase in imports, the strong current account dynamics observed since 2013 may weaken.

Introduction

The COVID-19 pandemic is an unprecedented shock that morphed into an economic crisis. While a recovery will eventually follow, it is difficult to forecast and bound to be uneven across various sectors and countries. Both the scale of the initial loss of activity and the ongoing disruption in supply and demand depend on the risk of contagion. Of all sectors, tourism has taken one of the hardest hits due to its dependence on air travel, activities that involve contact with large groups (restaurants, museums, bars, clubs, beaches), and the risk that tourists could be left stranded and therefore dependent on a foreign healthcare system.

As of May 7th, the World Tourism Organisation calculated that international tourist arrivals could fall by between 60% and 80% worldwide in 2020 compared to 2019, implying a loss of export receipts equivalent to between 910 billion and 1.2 trillion euros. In Spain, the tourism sector accounted for 12.3% of GDP and 12.7% of employment in 2018, according to the National Statistics Office's satellite accounts; 54% is foreign tourism. The share of GDP includes the direct effect (6.4% in 2017) and the indirect effects on other sectors. In 2019, the trade surplus in tourism amounted to 46 billion euros, making it a core component of the current account surplus the Spanish economy has reported since the last crisis.

The second quarter of 2020 will be marked by a virtual standstill in foreign tourist arrivals, as foreshadowed in the visitor and expenditure figures for April. The first tourists began to return on June 21st and although bookings indicate signs of an uptick in interest from several of Spain's core markets, business volumes are set to be far from normal all summer long. To alleviate the economic and social costs of this situation, the sectors and authorities have been taking action on several fronts. In May, the European Commission unveiled a package of guidelines for the coordinated reopening of its borders (albeit a competency delegated to member states) and the resumption of tourism within the European Union. The Spanish government has presented a plan for supporting the sector and the regional and local governments are working to facilitate the return of foreign tourists. While less sector-specific in scope, the Recovery Plan presented by the European Commission on May 27th includes the tourism sector as one of the recipients of the funds.

An unprecedented blow after an extraordinary cycle

The sudden interruption in global tourism comes after years of sustained growth. International mobility had reached historical levels before the pandemic. Recent estimates (Recchi, Deutschemann and Vespe, 2019) point to nearly 3 billion cross-border movements in 2016. Tourism represents an overwhelmingly high percentage of these movements.

Spain has managed to retain its status as one of the most popular tourist destinations in the world, thereby benefitting from this growth cycle. In 2019, Spain welcomed 83.7 million tourists (78.1% of whom were European) who spent 91.33 billion euros. As shown in Exhibit 1, despite the slowdown observed in 2017, both tourist arrivals and export receipts were extremely strong in the run-up to the pandemic.

The strength of the tourism cycle is also evident in its contribution to growth in GDP (Exhibit 2), averaging 0.5 percentage points between 2014 and 2019. Indeed, tourism GDP

> "In 2019, the trade surplus in tourism amounted to 46 billion euros, making it a core component of Spain's current account surplus."

> In 2019, Spain welcomed 83.7 million tourists (78.1% of whom were European) who spent 91.33 billion euros.

Exhibit 1

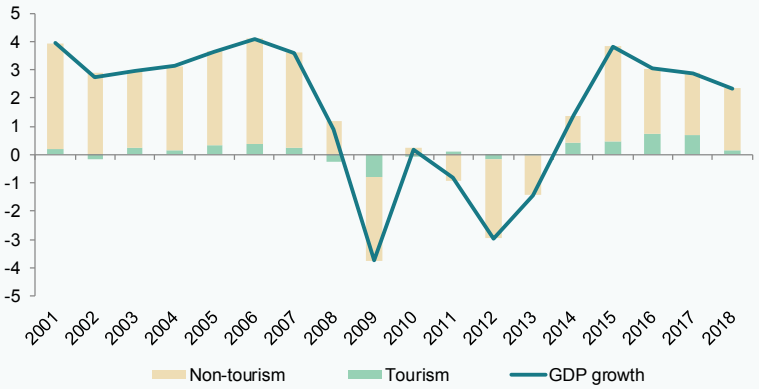
Tourist arrivals and revenue from tourism

% change, YoY

Source: Afi, INE.

Exhibit 2

Contribution by tourism to annual GDP growth



Source: Afi, INE.

> “The perceived risk of transmission could deter foreign tourists, stimulate tourism nearer to home and drive travellers away from more crowded environments.”

increased from 118.12 billion euros in current 2015 prices to 147.95 billion euros in 2018. In constant terms, it registered growth of 18% in just three years, lifting its weight in GDP by 1.3 percentage points. An analysis of average GDP growth in Spain by region reveals that the regions with the strongest growth (the strongest being the Balearic Islands with average real growth of 3.2%) are those with the highest incidences of tourism.

Although the nature of the pandemic means that it should prove a temporary negative shock, this is unlikely to be the case for the tourism sector. Not only is the sector expected to take longer to recover to 2019 levels, the crisis is also likely to drive structural changes in demand for tourism services. The perceived risk of transmission could deter foreign tourists, stimulate tourism nearer to home and drive travellers away from more crowded environments. Although recovery came relatively swiftly after crises of confidence in the past (such as the 9/11 attacks), on this occasion it is highly likely that it will take longer for tourist mobility to reach pre-pandemic levels.

The cost in terms of jobs will unquestionably be considerable and will force relocation to other activities (construction, national tourism, logistics service and last-mile delivery). The sector's gross operating surplus (including gross mixed income) is also set to contract sharply in 2020; nevertheless, the drop in the return on capital will come after years of strong growth, so that the companies that remain viable should be able to withstand the blow.

In sum, the challenge facing the sector is to withstand the shock, find a path towards sustained gradual recovery, preserve Spain's competitive position relative to other destinations and make an effort to adapt, renew and boost the quality of what Spanish tourism has to offer.

Public measures designed to facilitate the transition

The tourism sector has been one of the most active sectors in tapping the furlough and state-backed loan guarantee schemes rolled out by European governments to mitigate the impact of the pandemic. According to the data presented by the Spanish government, the state guarantee scheme has supported the provision of over 10.5 billion euros of financing to nearly 83,000 companies from the tourism, leisure and culture sector, in addition to the 400 million euro Thomas Cook line (which was reallocated to mitigate the consequences of the pandemic). In parallel, 147,000 sector companies have used the furlough scheme for 948,000 employees, while the scheme providing compensation for the temporary closure of activities has benefitted 260,000 self-employed professionals.

On May 13th, the European Commission unveiled a support package for the tourism and transport sector articulated around the following key initiatives:

- A coordinated approach for lifting the restrictions on free movement within the EU.
- A coordinated approach in support of the gradual and safe renewal of transport for passengers and workers.
- A recommendation on vouchers as an attractive alternative to reimbursement for flight cancellations. Customers must expressly accept a voucher instead of reimbursement; vouchers should be protected against carrier insolvency; and vouchers should be refundable if not redeemed within one year of issuance.

> “The European Commission estimates that the tourism sector requires investment of 161 billion euros.”

- Common criteria and principles for the safe and progressive resumption of tourism services, including specific safety protocols for hospitality establishments.

In the Recovery Plan presented on May 27th, the European Commission estimated losses for the sector of between 171 and 285 billion euros, equivalent to 26.4% of total estimated losses attributable to the pandemic. The Commission estimates that the tourism sector requires investment of 161 billion euros. The European Recovery Plan, a coordinated investment plan to be financed through the issuance of joint debt, will focus on the digitalisation and sustainability of the tourism sector. However, the sector can also benefit from several of the tools contemplated prior to the Recovery Plan which will be earmarked to the regions and sectors hit hardest by the pandemic. Both the increased use of digital technology and progress on the sustainability front represent drivers for enhancing the quality of tourism services.

On June 18th, the Spanish government presented its programme, dubbed *Plan for Boosting the Tourism Sector: Towards a Safe and Sustainable Sector,* which comprises 28 measures endowed with 4.26 billion euros of funding articulated around five initiatives:

- *Restoring confidence in Spain as a destination:* Embracing health safety as the priority, the plan formulates 21 specific recommendations for the prevention of transmission, which will be formalised as UNE and ISO specifications and standards. Compliance with the standards will be distinguished with a safe tourism seal.

- *Measures for reactivating the sector:* On the job front, the most important measure relates to the terms for the *force majeure* extension of the furlough scheme from June 30th, which will facilitate a gradual return to work at tourist service providers. The plan also contemplates measures for facilitating training and the acquisition of new skills to prepare employees to provide more specific services. To maintain the flow of financial support, a preferential sub-tranche of 2.5 billion euros has been set aside within the state guarantee scheme for tourism businesses. Lastly, the government will launch a mechanism that enables self-employed professionals and businesses with mortgages secured by assets used in tourism activities to obtain a moratorium on principal repayments for up to 12 months.

- *Improving Spain's competitiveness as a tourist destination:* This section includes a raft of measures, mostly in the form of loans on advantageous terms, for financing investments in sustainability and digitalisation, including investments aimed at advancing towards smart tourism destinations.

- *Boosting tourism sector knowledge and intelligence:* The goal here is to improve the quantity and quality of data tracking trends in sector demand, with an emphasis on key issuer markets and domestic tourism.

- *Marketing and publicity.*

Taking into account the furlough scheme and business stoppage benefits, the state guarantee lines, and the deferral of taxes, the government estimates it has earmarked 19.54 billion euros to the tourism sector. Nevertheless, some sector representatives have argued that these funds are moderate in size compared with the losses the sector faces in 2020. However, it is important to highlight that the goal of public intervention is not to compensate for or reduce losses but rather to mitigate to the extent possible the impact on jobs; create the health, safety and logistical conditions needed to restore foreign tourists'

“ The 64% drop in foreign visitors in March was followed by zero arrivals in April, activity levels that will likely be seen in May and June data as well. ”

confidence in Spain; and, facilitate adaptation to an environment set to remain challenging for many months to come. Beyond these short-term objectives, the sector support policies need to be framed by a vision for boosting and transforming the quality of the services offered in Spain. The plan unveiled by the government should constitute a first step in articulating a national strategy that relies on public-private sector coordination and supports invesments in high qualiy tourst services that are safe, sustainable, and technologically advanced.

Sector prospects

The outlook for the rest of 2020 and 2021 remains shrouded by uncertainty. Any significant setback in combatting COVID-19 would further erode confidence and thus prove very costly. If setbacks are avoided, the sector will begin to recover. However, it will take time to return to pre-crisis levels. The following estimates, built from foreign tourist arrival estimates in order to arrive at estimates for revenue and tourism GDP, depict a baseline scenario with a lower than normal probability of materialisation.

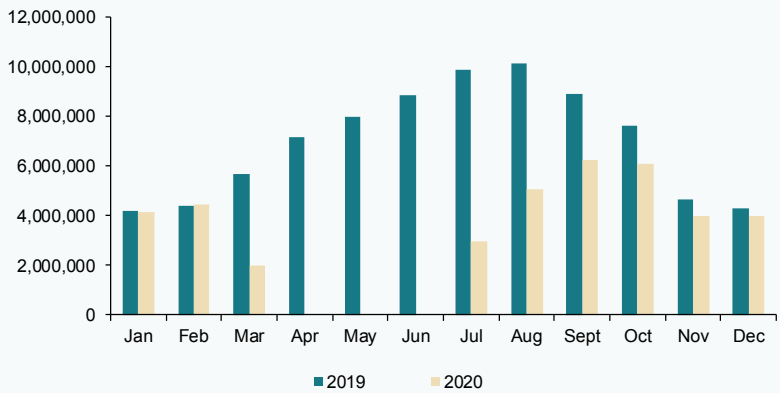
The 64% drop in foreign visitors in March was followed by zero arrivals in April, activity levels that will likely be seen in May and June data (despite partial reopening towards the end of the month) as well. Compared to 2019, this washout quarter implies a loss of income (in balance of payment terms) of 22 billion euros. In the third quarter, we assume international visitor arrivals could reach 50% of 2019 levels, with incremental increases expected based on current bookings. For the fourth quarter, we assume that international arrivals will return to 80% of last year's numbers.

There is a direct correlation between tourism receipts and the international visitor arrivals and in turn between tourism receipts in real

Exhibit 3

International tourist arrivals, actual and forecast

Millions of people



Source: Afi, INE.

> “ Domestic tourism in Spain accounted for over 48 billion euros of expenditure in 2019. ”

terms (deflated) and tourism GDP, so that we can get a clear idea of the damage this pandemic will leave in its trail.

Historically, the relationship between growth in tourism revenue and tourist arrivals has not been one to one. That is because of the various factors that affect tourist expenditure: average stays, average daily spending and tourists' geographic distribution. As a result, an increase of 2% in visitors implies a smaller percentage increase in revenue. However, that correlation is likely to be affected by the current situation. We expect the relationship to be close to one to one in the wake of the drastic collapse in business volumes. This is borne out if we look at the international arrival figures for the first quarter of the year. In March visitors fell by 25% (three-month average), with revenue dropping in tandem (-23%).

The loss of visitors will therefore trigger a drastic reduction in tourism export receipts, which could fall to less than half of the 71.24 billion euros of revenue reported from tourism in the balance of payments accounts in 2019. In 2020, we estimate receipts of around 33.6 billion euros. The impact on the balance of payments will therefore be of an unparalleled magnitude and will hit tourism GDP heavily.

Some of the foreign visitors lost could be offset by domestic tourism. Faced with the new restrictiosn, lower incomes, and health concerns, families may decide to switch destination and stay in Spain, particularly for most of the high season. Domestic tourism in Spain, according to the Resident Tourism Survey, accounted for over 48 billion euros of expenditure in 2019, the third quarter being the most important, representing 40% of annual expenditure. In contrast, Spaniards spent 16 billion euros abroad. However there are a number of issues that may limit the extent to which domestic tourism offsets the drop in foreign visitors:

- The magnitude of the figures involved (14.2 million domestic tourists forecast between July and September *versus* 28.9 million in 2019),
- Most of the travel undertaken by Spanish residents between July and September is already domestic tourism (> 85%), such that the scope for the diversion of tourists is limited; and,
- Average daily expenditure by domestic tourists is 70% below that of foreign visitors (ETR and Egatur).

As a result, it is hard to imagine domestic tourism making up for the loss of foreign visitors. However, diversion of resident expenditure abroad (in 3Q2020) could cushion the pandemic's impact on the tourism sector's GDP and on the balance of payments (expenditure by Spanish tourists abroad is accounted for within foreign payments).

Looking only at factors related with the tourism sector, the effect on the current account will be negative. Specifically, the loss is estimated at around 25 billion euros, [1] which would leave the surplus at around 21 billion euros, compared to 46 billion euros in 2019. This represents a reduction of just under two percentage points of GDP.

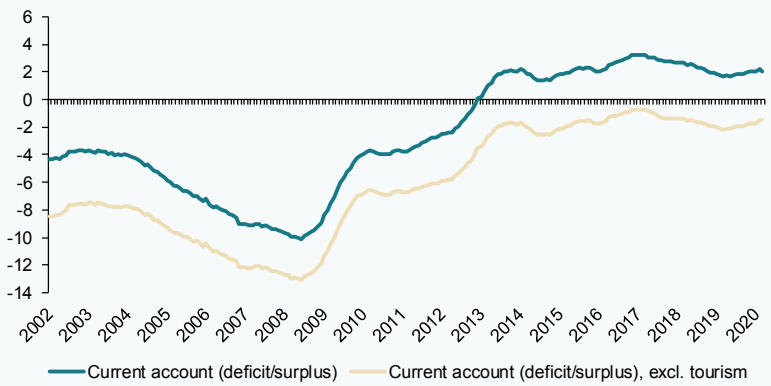
However, the impact will be partially offset by the reduction in oil consumption. We estimate savings of 10 billion euros in 2020 thanks to the correction in oil prices alone. That figure is set to be higher as a result of the sharp drop in intermediate and end demand. As a result, it is conceivable that the current account surplus will not be eroded this year on account of various offsetting forces.

In contrast, 2021 looks less promising in terms of the current account as the recovery in internal demand is likely to fuel imports and, if expectations for a global rebound materialise,

Exhibit 4

Current account surplus

% of GDP



Source: Afi, Bank of Spain.

oil prices may rise, too. Additionally, any structural damage due to the pandemic will likely affect social dynamics the hardest and, by extension, sectors such as hospitality and eateries. Under these circumstances, the tourism sector is unlikely to fully recover (meaning a return to 2019 business volumes) while the shadow of a new outbreak lingers. As a result, the new current account dynamics observed since 2013, marked by strong surpluses that can almost be described as structural, could disappear.

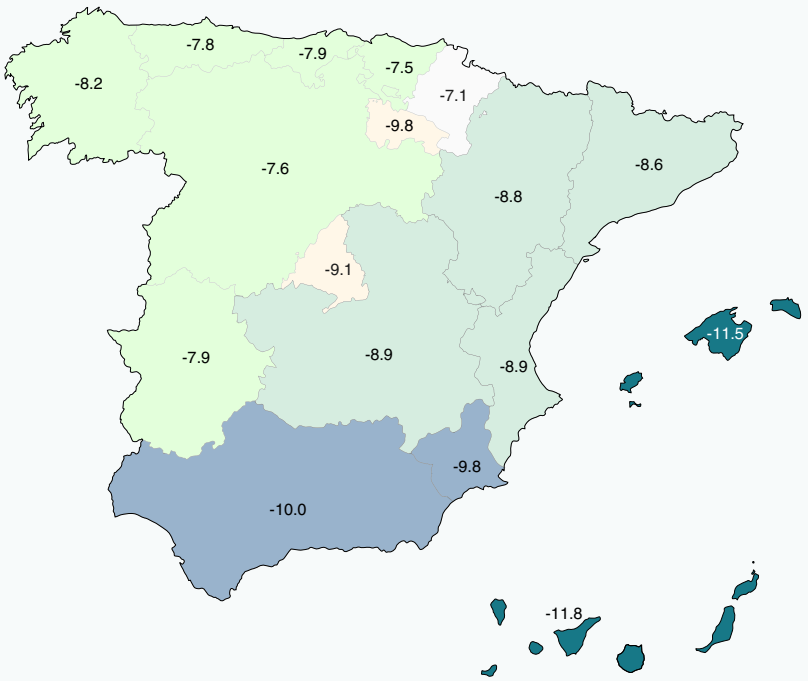
The effect on tourism GDP will be severe. Given that foreign tourism accounts for half of the sector's activity, using income indicators as our benchmark, the net loss would be equivalent to the estimated decline in the tourism current account surplus (25 billion euros), which is just short of 20% of tourism GDP. This approach assumes that the portion of Spanish residents that cease to import tourist services will switch to the home market. However, we believe this is an overly optimistic hypothesis as some of that income will be channelled into savings. As a result, it is likely that the effects of the shock on tourism GDP will be higher, possibly close to 25%.

That prospect has a direct impact on the forecasts for regional growth in Spain in 2020. The regions most exposed to tourism, namely the Balearic and Canary Islands, in which tourism GDP and employment account for over 30% of the totals, stand to see their growth contract by as much as four percentage points more than the least exposed regions. The differences in economic structure will therefore determine the intensity of the GDP contraction.

> "Any structural damage due to the pandemic will likely affect social dynamics the hardest and, by extension, sectors such as hospitality and eateries."

Exhibit 5

Forecast growth in GDP by region in 2020



Source: Afi, INE.

Conclusion

Of the unprecedented contraction forecast for Spanish GDP in 2020, between 2 and 2.5 percentage points may be due to a decline in tourism. Over the short-term, the key concern should be to stem the loss of jobs by facilitating the gradual rehiring of employees under the furlough scheme and the sector and geographical mobility of those who do lose their jobs. Taking a longer-term perspective –acknowledging that it is impossible to tell how the pandemic will affect trends in international mobility– it is important to take advantage of the slump in demand to invest with the aim of pushing Spain out along the digitalisation and sustainability curves to put it in a better position to offer higher quality and value-added services at a lower environmental cost.

Notes

[1] If we assume that Spanish overseas tourism will trend in line with overseas arrivals, tourism payments abroad would decline by an estimated 11 billion euros, which is roughly one-third of revenue.

“ Of the unprecedented contraction forecast for Spanish GDP in 2020, between 2 and 2.5 percentage points may be due to a decline in tourism. ”

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Spanish manufacturing in the wake of COVID-19

Along with causing a contraction in output, COVID-19 has highlighted some of the vulnerabilities in Spain's industrial sector including its reliance on foreign demand and low productivity. These challenges could be addressed, in part, through a robust industrial policy by the Spanish government with a particular focus on emerging technology and cooperation between the public and private sectors.

Rafael Myro

Abstract: COVID-19 unleashed a massive shock on Spain's industrial sector before it had achieved the production levels of 2008, prior to the Great Recession. The impact of the pandemic on the manufacturing sector is the result of a dual supply and demand shock. The direct contraction in the manufacturing industry's GVA is estimated at 11.1%, solely due to transport and electrical equipment. This figure rises to 24.2% when the knock-on effect on the rest of the economy's sectors is considered. Spanish manufacturers are particularly sensitive to foreign demand considering that 40% of their output is exported, which means the anticipated drop in world exports could have a major impact on industry. While data show that the competitiveness of the Spanish manufacturing industry is relatively strong, productivity is lower than that of Germany, Italy and France. This underperformance is attributable to human and technological capital, two factors which Spanish companies include on their balance sheets under

intangible assets. These challenges could be more surmountable through the adoption of more robust technology and industrial policy coordinated by the Spanish government in concert with private industry.

Introduction

The Spanish economy had barely recovered from the effects of the Great Recession when the COVID-19 induced recession emerged. Numerous forecasters put the year-on-year contraction in Spanish GDP at over 10% in 2020 and agree that it is unlikely GDP will recover to 2019 levels before the last quarter of 2022. That would put average annual GDP growth between 2008 and 2022 at just 0.4%.

The industrial sector is expected to be less affected than parts of the services sector. Nevertheless, it is now facing a massive shock before it had achieved the production levels of 2008, prior to the Great Recession.

The recovery from the pandemic, which is likely to start in the third quarter of this year and gradually gain pace if there are no major new outbreaks of COVID-19, will mark the start of a new era. This period will not be limited to recovering from both the temporary and permanent damage caused by the pandemic. It will also entail accelerated industrial restructuring at the European level in an attempt to turn the unanticipated recession into an opportunity for forcefully addressing two key challenges: digitalisation, with a focus on the development of artificial intelligence and the data economy; and, the energy transition.

Compared with the main EU economies, Spain will be more affected by the pandemic. Unfortunately, it has less fiscal room to combat it, and will rely on the support it may receive from the EU in the form of both flexibility on fiscal consolidation and aid disbursed from the recently presented recovery plan, *Next Generation EU*. Importantly, the government needs to build a broad consensus among both economic and political agents and identify targeted initiatives carefully.

To help formulate these objectives, this article analyses the effects of the pandemic on the Spanish manufacturing industry and the latter's competitive positioning in the European context. Lastly, it defines the industrial policy objectives and tools needed in today's climate.

The impact of the pandemic on manufacturing output

The impact of the pandemic on the manufacturing sector is the result of a dual supply and demand shock. The former relates to: a) the restrictions on the supply of inputs sourced from other countries as a result of impediments to cross-border transportation; b) the closure of non-essential commercial activities as a result of the state of emergency in force between March 14th and June 21st; and, c) the stoppage of all non-essential activities –not just commercial– between March 30th and April 9th. The demand shock is the result of a contraction in end demand in the home market and exports as a result of the lockdown in Spain and abroad. Additionally, the demand shock has been shaped by the loss of household income and uncertainty regarding the economic outlook, crucial to gross fixed capital formation (GFCF).

In its estimates of the effects of the pandemic on the Spanish economy, the Bank of Spain assumes that the restrictions on supply will have virtually shut down the manufacturing of automobiles. This shutdown affected the rest of the manufacturing sector only indirectly, except for the two-week suspension of all

> "Forecasters put the year-on-year contraction in Spanish GDP at over 10% in 2020 and agree that it is unlikely GDP will recover to 2019 levels before the last quarter of 2022."

> During the two-week suspension of all non-essential activities, the Bank of Spain estimates that around 50% of all manufacturing activity will have been affected.

non-essential activities, during which the Bank of Spain estimates that around 50% of all manufacturing activity will have been affected. As a result, the manufacturing industry, excluding the automotive segment, is not believed to have been directly affected by the events. However, there will have been an important indirect effect on the remaining productive activities, particularly those most directly affected by the pandemic: hospitality, leisure and eateries, as well as transport, trade and construction.

According to estimates compiled by Prades and Tello (2020), each week of partial closure during the state of emergency [1] will have driven a contraction in the Spanish economy's overall gross value added (GVA) of 17% directly and of 28% indirectly, adding in the knock-on effects on other activities. The direct contraction in the manufacturing industry's GVA is estimated at 11.1%, solely due to transport and electrical equipment. This figure rises to 24.2% when the knock-on effect on the rest of the economy's sectors is considered. Applying that estimate to just 16 days in March yields a reduction in manufacturing GVA in the first quarter of 2020 close to that registered in Spain's quarterly accounts in a preliminary estimate of 2.77%, far from the higher figure published on June 30th of 7.2, which could be explain by the extraordinary impact on exports and gross investment in machinery and equipment, as explained in the following text.

The above approaches attempt to measure the effect of the supply shock, which largely overlaps with the harder to estimate demand shock. However, the latter may affect some productive activities more than others, making it a crucial input for analysing the impact on manufacturing. The manufacturers are particularly sensitive to foreign demand, considering that 40% of their output is exported, and to demand for capital goods, which is met exclusively by industry. The drastic drop anticipated in world exports, which the WTO is estimating within a very wide range of between 13% and 32%, could therefore have had a major impact on industrial activity. The Bank of Spain estimates that in the least severe scenario, exports will contract by 16.7% in 2020 in comparison with 2019 (Bank of Spain, 2020). [2] Moreover, the contraction in gross fixed capital formation (not just capital but also construction goods), estimated at 20.6% by the central bank in the best-case scenario, will also have hit manufacturers hard. The scale of those contractions is very similar to those observed in 2009, during the first three quarters of the year in respect of exports and all four quarters in respect of GFCF. However, demand for capital goods fell by considerably more during that crisis. Manufacturing GVA contracted by 11.4% in 2009 as a whole, falling by a little more than that during the first quarter. Fortunately, the outlook for 2020 is much brighter for the second half of the year.

The most recent data available appear to confirm the above estimates, albeit pointing to a possibly higher impact via the adverse trends in exports and demand for capital goods. Indeed, in March alone, affected by

> In March alone, affected by the partial closure of factories for a little over a fortnight, exports of goods contracted by 16.6% year-on-year, and in April by 39.3%.

> “Not only does the manufacturing sector need to make up for the ground lost during the two recessions, it must do so in an environment of ecological and digital transformation accelerated by COVID-19.”

the partial closure of factories for a little over a fortnight, exports of goods contracted by 16.6% year-on-year, and in April by 39.3%. The sectors hit the hardest were the automotive, capital goods, energy products and consumer products sectors. The hardest-hit destinations were France, Germany, Italy, Portugal and the UK.

The industrial production numbers are also pointing in this direction (Exhibit 1), revealing a sizeable drop in production in March and a record collapse in April (-33.6%) and May (-24.5%), explained by the extraordinary measures taken to curb the pandemic. Spain, together with Italy, is the EU country in which demand for electricity has registered the most pronounced year-on-year decline (Costa and Batalla, 2020).

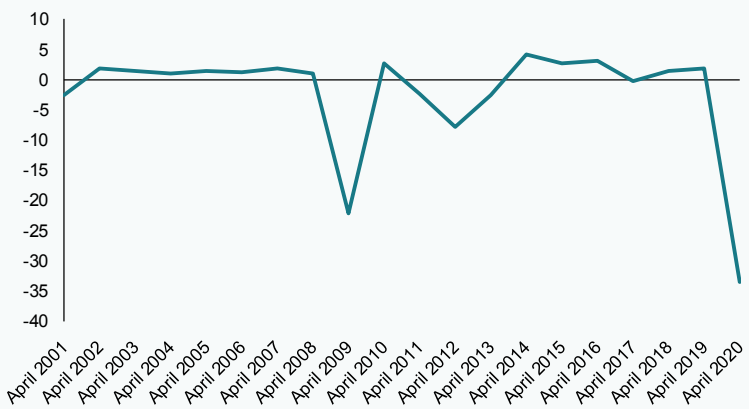
Based on these data, manufacturing GVA is forecast to decline by around 11% in 2020, compared to 2019. Exhibit 2 outlines these forecasts based on the highly optimistic assumption that manufacturing activity will reach 94% of third-quarter 2019 levels in the third quarter of this year and 95% by the fourth quarter. In this best-case scenario, manufacturing GVA would recover to 2016 levels in 2021 and 2019 levels in 2022, still below the level recorded prior to the Great Recession.

The pandemic means that the competitiveness challenge which the Spanish manufacturing industry must embrace is even more pressing now. Not only does the sector need to make up for the ground lost during these two recessions, it must do so in an environment of ecological and digital transformation accelerated by COVID-19. Moreover, there is the EU context to consider, whereby the institutions, supported by Germany and France, are strongly advocating for reindustrialisation, greater technological and productive autonomy *vis-à-vis* the US and China, as well as the

Exhibit 1

Industrial production index, Spain

Year-on-year rates of change

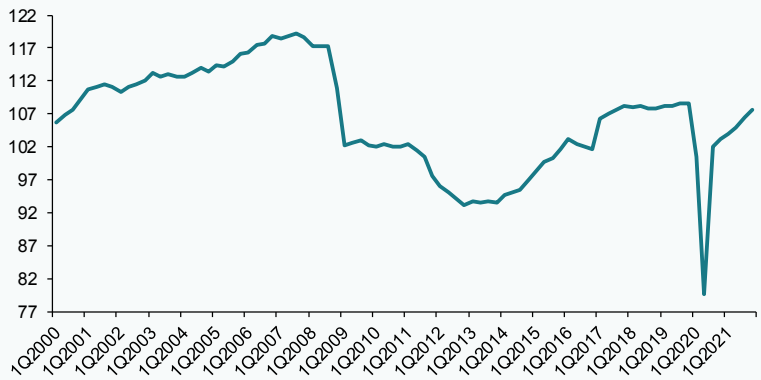


Source: INE.

Exhibit 2

Trend in manufacturing GVA

Indexed, rebased: 100 = 2015



Sources: INE, national quarterly accounts and author's own elaboration.

provision of significant funds for industry and advanced services.

This strategic focus represents an opportunity for Spain, which also stands to benefit from the recovery instrument recently presented by the European Commission, the so-called *Next Generation EU*. However, this requires greater integration in the regional European value chain. Additionally, Spain needs to help its more symbolic companies exit from the crisis in the best possible conditions, using all of the available tools, even that of a temporary provision of equity funds by the State, a possibility recently open by the European Commission, after relaxing the rules for subsidizing companies.

Spanish industry in the European context

Measured on the basis of real gross value-added, the Spanish manufacturing sector is the fourth biggest in the EU. Its output is one-fifth of Germany's and half that of Italy, and only slightly above that of Ireland.

Notably, Spanish industry has become more global since Spain joined the EU in 1986. As a result, its share of international trade in goods has increased to above Spain's share of global GDP [3]. The Great Recession accelerated the international expansion process, which helped Spain's companies partially mitigate the adverse effects of the collapse in internal demand (Almunia *et al.*, 2018). As a result, the importance of Spanish industry within the overall economy, measured by its share of total value added –12.4%– has not fallen significantly and remains on a par with the shares commanded in other countries, such as France (11.35%), though lower than Germany (23.2%) and Italy (16.8%).

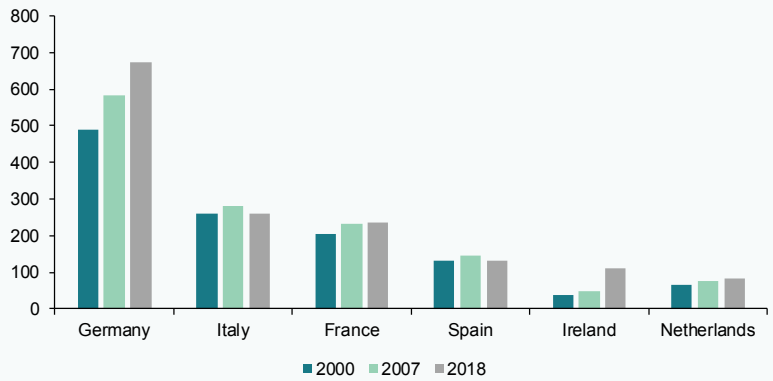
With their expansion into foreign markets, Spanish companies have increasingly

> "With their expansion into foreign markets, Spanish companies have increasingly inserted themselves into global value chains, particularly European ones."

Exhibit 3

The manufacturing sector in 2018

Billions of 2015 euros



Source: Eurostat.

inserted themselves into global value chains, particularly European ones. A good example is the automotive industry, a key export sector for Spain that ranks second in Europe after Germany. The sector's reach now extends to Morocco, such that Spanish automobile manufacturer SEAT has gone from importing inputs for the manufacture of end products in Spain to exporting inputs for assembly in Morocco (Moreno and Fernandez, 2019). Trade in intermediate goods with Germany, France the UK and Italy, in particular, is very intense (Table 1).

Although the numbers show that the automotive industry continues to grow, it faces radical change as a result of the shift towards electric vehicles and new forms of urban mobility. If Spain is to defend its current position, it will have to commit seriously to emerging technologies, while designing transitional measures to support the production of less environmentally harmful diesel cars.

The growing inroads made by Spanish goods in international markets have been accompanied by growth in the export of intermediate services, most importantly the so-called *advanced services*, specifically business-to-business, telecommunication and IT services. In fact, Spain ranks eleventh among global suppliers. These services are significantly entrenched in manufacturing production and are very important to unlocking productivity gains in the industry (Blázquez, Díaz Mora and González, 2019) [4].

Data show that the competitiveness of the Spanish manufacturing industry and the Spanish economy as a whole is relatively strong. Together with Germany, the sector has proven remarkably resistant to the onslaught of Chinese trade following the Asian giant's entry into the WTO.

Additionally, if we analyse the scope for diversification of the Spanish manufacturing industry, we can identify many opportunities

"Data show that the competitiveness of the Spanish manufacturing industry and the Spanish economy as a whole is relatively strong."

Table 1

Import content of automotive exports by country, GVA

Percentages

	Spain	Germany	France	Italy	UK
EU-14	26.0	13.2	13.3	14.3	19.0
EU-13	3.0	4.3	2.1	4.6	4.7
Total EU	29.0	17.5	15.4	18.9	23.7
US	2.1	2.3	4.7	1.7	3.7
Japan	1.6	1.2	0.7	0.8	2.2
China	2.1	1.6	1.2	2.0	2.9
RoW	11.2	8.8	10.3	10.5	11.9
Total	46.1	31.4	32.3	33.9	44.4

Source: Gandoy et al.*, 2016.*

for growth in the chemicals, mechanical machinery, scientific and optical instruments and food industries, alongside new developments such as artificial intelligence, electric vehicles, renewable energies, biochemistry, healthcare and security (Álvarez and Vega, 2016).

The productivity challenge

In order to remain competitive, it is essential that the Spanish manufacturing industry tackles its formidable productivity challenge. In 2018, Spanish labour productivity was lower than in Germany, Italy and France (Exhibit 5). Moreover, unlike other countries

Exhibit 4

Stock of FDI in Spanish manufacturing firms

Millions of euros

Source: Eurostat.

which saw an improvement in labour productivity during the economic recovery, Spain's indicator was actually lower in 2018 than in 2015.

The productivity problem extends beyond the manufacturing sector to include the services sector, too. Exhibit 6 compares productivity levels for manufacturing and several services in Spain with those of Germany (more specialized in manufacturing) and the UK (specialized in services). In fact, the trend in Spanish manufacturing companies' efficiency levels (measured using total factor productivity or TFP) is stronger compared with the trend in the services sector (excluding IT and communication).

This underperformance is attributable to human and technological capital, two factors which Spanish companies include on their balances sheets under *intangible* assets. According to Corrado, Lasinio and Iommi (2016) intangible assets can be divided into three categories: software and databases (computerised information); technology (innovative property); and, economic competencies, which include employee training, marketing, branding and business management assets (management quality). In comparison with other economies, Spain stands out for the low weight of these intangible assets as a percentage of its GDP, particularly those related with innovation and economic competencies.

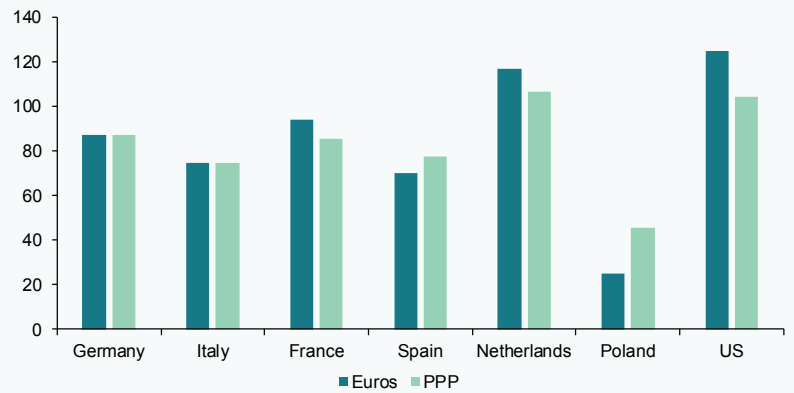
Industrial policy objectives

Industrial policy should stimulate the development of the intangible assets that are key to corporate competitiveness. Importantly, the production of many intangible assets is

Exhibit 5

Labour productivity in 2018

Thousands of 2015 euros per person employed



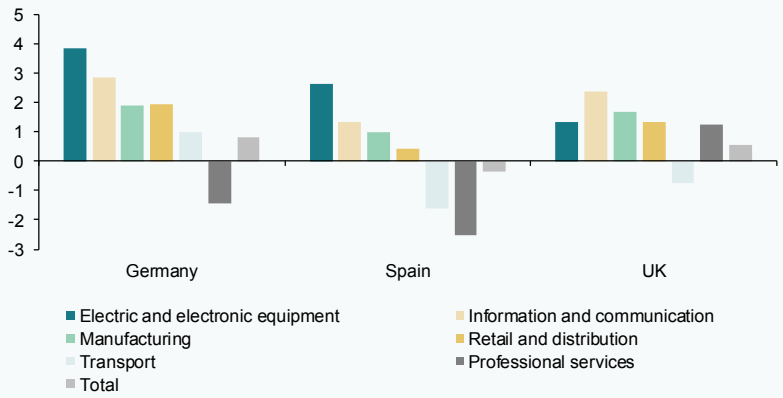
Source: Eurostat.

> "The trend in Spanish manufacturing companies' efficiency levels is stronger compared with the trend in the services sector."

Exhibit 6

Growth in TFP in different industries

2001-2016 (percent)



Source: Euklems.

subject to several kinds of externalities that disincentivize production in the absence of public support, making a case for government intervention. For the technology research and innovation arenas, addressing these externalities is especially important given the ongoing digital transformation and environmental sustainability concerns.

There is scope for the Spanish government to play an increased role in supporting technological developments and innovation. Technology policy is the fundamental industrial policy for an advanced economy like Spain. In close cooperation with the private sector, government actions could facilitate areas of innovation that have high risks or externalities linked to the R&D process. As technology advances, these areas of innovation will increase both in number and importance, especially given today's work in advanced data analytics and AI.

Medium-sized enterprises should be at the core of any government support for private sector innovation. In Spain, these firms should be defined as employing between 150 and 1,000 people and are key to maintaining the country's competitiveness. Whereas technology diffusion means small-sized enterprises end up benefitting from new technologies with relative ease, medium-sized enterprises have to make a bigger technological effort to grow.

In addition to stimulating the development of intangible assets, industrial policy faces the enormous challenge of restructuring sectors with significant economies of scale that are being highly affected by prevailing energy transition targets, particularly the automotive sector and transportation in general. For this reason, Spain could benefit from increased involvement with Germany, France and Italy

"Importantly, the production of many intangible assets is subject to several kinds of externalities that disincentivize production in the absence of public support, making a case for government intervention."

in the search for car battery factories and in the development of AI.

Conclusion

Today's technological and environmental challenges warrant a new industrial policy. At the same time, the Spanish manufacturing industry needs to consolidate its position as a core part of the European industrial landscape. This can be achieved through active government intervention and greater cooperation between the public and private sectors alongside collaboration between academic institutions and companies. Specifically, the public sector should encourage greater cohesion among private firms and encourage them to formulate medium- and long-term action plans.

Such a policy should be based on: i) a central administration and regional administrations with larger budgets and better technically-trained staff; and, ii) expanded specialized cooperation between public-private bodies based on international best practices. In close proximity to companies, such agencies could help define the future prospects and strategic options available for each manufacturing activity, as well as contribute to the implementation of the different policies, specializing horizontally and in some cases in specific sectors (automobile, aeronautics, for example).

This approach to policymaking could benefit from support and guidance via the industrial restructuring unfolding in Europe. Initiated by multiple stakeholders, including the European Round Table of Industrialists (ERT), and sketched out by the French and German governments, this European reindustrialisation momentum has received a strong boost from the pandemic, which has heightened the risk of business destruction. The European Commission has thrown its weight behind the reindustrialisation initiative, endorsing the application of large-scale programmes designed to prop up corporate income, easing business aid rules and even opening the door to temporary state intervention of flagship companies.

The time is ripe for committing strategically to the manufacturing industry and advanced services sectors. It is an effort that will require thoughtful and sustained work for many years. What is needed is an apparatus designed for orderly interaction with industrial companies that does not currently exist.

Notes

[1] As opposed to the severe shut-down, which refers to the period from March 30th to April 9th when all non-essential businesses were forced to close.

[2] The contraction in exports is expected to affect tourism and non-tourism services the most but also lead to a decline in industrial production of 5%, affecting GVA by an amount that is hard to calculate.

[3] Spain's share of goods exports is currently 1.3 times its share of global GDP, a ratio that is higher than that of France but below that of Italy and Germany.

[4] The export of these services has transformed Spain's balance of payments. Today's surplus accounts for 2% of GDP, compared to a slight deficit at the end of the 1990s.

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Spanish high-tech exports

Despite having registered sustained growth in recent years, Spanish exports of high-tech products as a percentage of total exports are the lowest of the four major EU economies. This indicator can be used as a proxy for the country's strength in science and technology, suggesting a more robust policy approach may be required to generate and draw large-scale international science and high-tech investments to Spain.

Ramon Xifré

Abstract: The COVID-19 crisis highlights the importance of a robust science and technology base in a country. One way of measuring this is by analysing exports of high-tech products. Looking at export intensity of high-tech products, Spain ranks 25th out of the 27 EU member states and in terms of net trade, it is the country with the highest deficit in this product category among the four major EU economies. From 2008 to 2013, high-tech imports fell by close to 30% (in a context of rising exports). However, between 2013 until 2018, this category of imports increased by 45%, pointing to certain shortcomings in the national high-tech product manufacturing sector. While it is tempting to draw a connection between investment in R&D and export intensity in high-tech products, data analysis indicates there is no linear relationship between the two variables. Unsurprisingly, Spain trades more with its EU than its non-EU partners. By sector, Spanish high-tech exports are dominated by the aerospace and chemistry industries, while electronics and telecommunications dominate on the import side. Given the importance of

> “In 2018, high-tech product export intensity in Spain (5.5%) was less than half of the EU average (11.7%), ranking 25th out of the 27 EU member states.”

high-tech exports for national science and knowledge, it is crucial that Spain improves these indicators.

Introduction

The COVID-19 crisis has revealed the extent to which countries need a robust science and technology base. From the onset of the crisis, it was clear that the best-prepared countries were those that boasted a specialised, well-funded and advanced base.

Importantly, the *industry of science* not only serves to tackle public health crises and other emergencies, but also offers an avenue for economic development. This is due to its important knock-on effects for a host of economic activities that generate high, or very high valued-added, as well as stable and skilled employment opportunities (Poncela García, 2016; Cáceres Núñez, 2016).

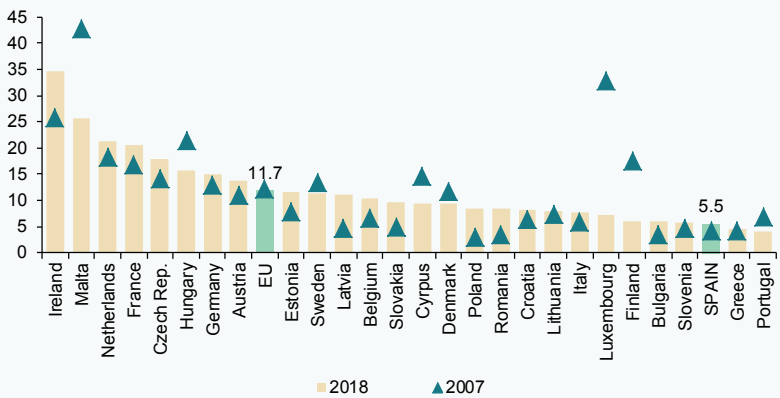
This article analyses a specific aspect of the industry of science in Spain, namely high-tech product exports. These exports can be seen as a proxy for the reach and robustness of the national knowledge generation ecosystem as their existence requires an appropriate public support system as well as a private sector capable of monetising its developments on the international knowledge frontier.

Export intensity of high-tech products

Our analysis relies on the Eurostat statistical specifications to define the universe of high-tech products (Eurostat, 2016). Based on the SITC Rev.4 product classification, Eurostat considers nine lines of manufacturing to

Exhibit 1

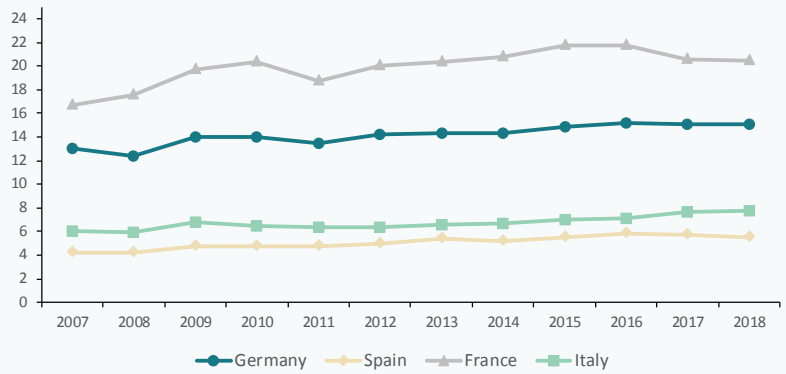
Exports of high-tech products as a percentage of total exports in 2007 and 2018



Source: Eurostat.

Exhibit 2

Exports of high-tech products as a percentage of total exports, 2007-2018



Source: Eurostat.

be high-technology products. These sectors are aerospace, computers and office machines, electronics and telecommunications, pharmacy, scientific instruments, electrical machinery, chemicals, non-electrical machinery (numerically controlled machinery), and armaments.

One of the most common ways of measuring high-tech exports is to calculate their weight in total exports of goods. Exhibit 1 provides that percentage for the 27 EU member states in 2007 and 2018. Exhibit 2 provides the trend in that same percentage for the four major EU economies (Germany, France, Italy and Spain) between 2007 and 2018.

Exhibit 1 shows that in 2018, high-tech product export intensity in Spain (5.5%) was less than half of the EU average (11.7%), ranking 25th out of the 27 EU member states.

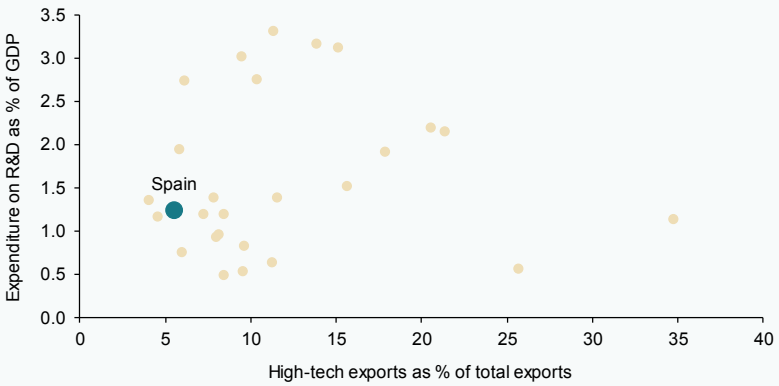
Exhibit 2 shows how export intensity ratios are structural. The intensities presented by the four largest EU economies were relatively stable between 2007 and 2018, with a slight general upward trend. Spain ranks last among those four economies, not far behind Italy, even though export intensity in high-tech products in Spain has increased by 1.3 percentage points, from 4.2% to 5.5%, during the 11-year period. France is the clear leader, with an export intensity of close to 22% in 2015 and 2016, albeit trending slightly lower since then. Germany occupies the middle ground, exhibiting slower yet steady growth.

The analysis might suggest that export intensity in high-tech products depends significantly on another equally structural variable, investment in R&D. To examine whether that is the case, Exhibit 3 plots the export intensity of high-tech products for the 27 EU member states against their R&D investment intensity (domestic expenditure on R&D as a percentage of GDP) in 2018.

There is no linear relationship between the two variables (the correlation coefficient is an insignificant 0.004). That observation fits with other documented findings which show that the role played by high-tech exports in economic growth is more important in developing economies than in advanced economies (Crespo Cuaresma and Wörz,

Exhibit 3

Exports of high-tech products as a percentage of total exports and expenditure on R&D as a percentage of GDP. EU-27 in 2018



Source: Eurostat.

2005; Falk, 2009). In fact, the key drivers of high-tech exports remain somewhat of an open issue. The body of literature on the subject suggests that a country's ability to attract foreign investment, coupled with certain specific and ad-hoc measures such as collaboration with large-scale international scientific projects, may play a crucial role (Wilkinson and Eliot Brouthers, 2000).

Trade balance in high-tech products

Exhibit 4 takes a different perspective, depicting the net trade balance (exports less imports) for the four largest EU economies with the rest of the world (in millions of euros).

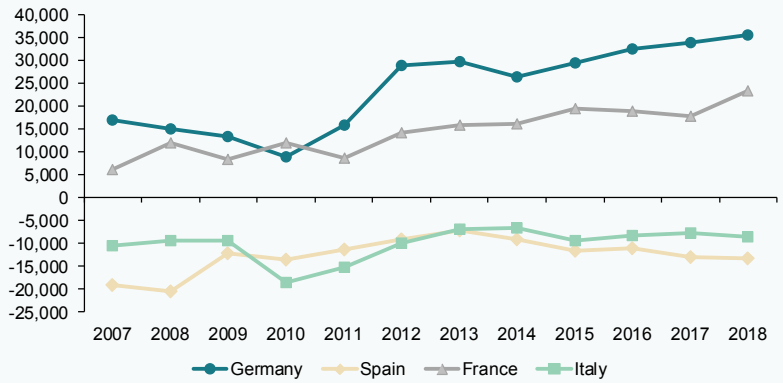
The figures show that Spain and Italy are not only the countries with the lowest export intensities in high-tech products but are also the countries that present trade deficits in this category of goods, *i.e.*, they import more than they export. In Spain, the deficit amounted to over 13.2 billion euros in 2018, while in Italy it stood at 8.5 billion euros. The best performing country is Germany, with a trade surplus in high-tech products of over 35.5 billion euros in 2018, followed by France, with a surplus of nearly 23.4 billion euros. Regarding trends, the two groups of countries also present differences. The countries with trade surpluses have increased those surpluses significantly in recent years, while Spain, which had managed to cut its deficit by half between 2008 and 2013, has seen it widen since 2014. Italy's deficit, on the other hand, has been relatively constant. The resulting snapshot is not only one of certain countries with trade surpluses and others with deficits but also a contrasting trend between the former (France and Germany) and the latter, particularly Spain.

> "In Spain, the deficit in high-tech exports amounted to over 13.2 billion euros in 2018."

Exhibit 4

Net trade balance in high-tech products with the rest of the world, 2007-2018

EUR million



Source: Eurostat.

Exhibit 5 breaks down the trade balance for Spain between imports and exports of high-tech products in millions of euros. The exhibit shows how exports have been trending consistently higher, doubling their value in absolute terms between 2007 and 2018 (from 7.8 to 16.1 billion euros), albeit slowing from 2016 onwards. The pattern in imports presents more ups and down and is the key driver of the fluctuations in the trade deficit.

We can clearly distinguish between two phases in Spain's imports of high-tech

Exhibit 5

High-tech products: Exports, imports and net trade balance in Spain *vs.* the rest of the world, 2007-2018

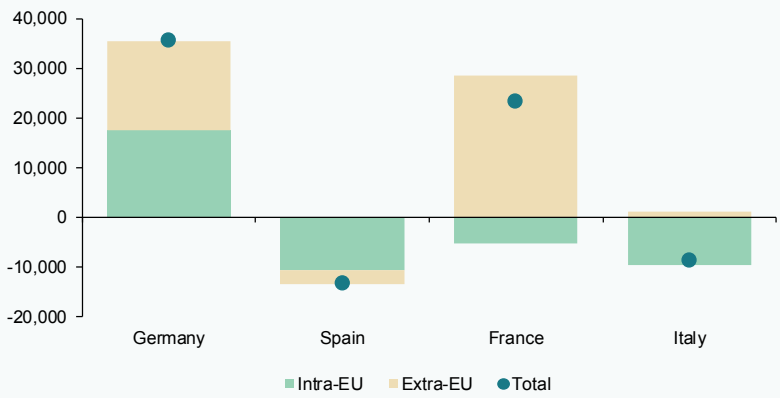
EUR million

Source: Eurostat.

Exhibit 6

Net trade balance in high-tech products with the rest of the world and breakdown by Intra-EU and Extra-EU markets, 2018

EUR million



Source: Eurostat.

products. From 2008 to 2013, imports fell by close to 30% (in a context of rising exports). However, between 2013 until 2018, imports increased by 45% (from 20.2 to 29.4 billion euros), pointing to certain shortcomings in the national high-tech product manufacturing sector.

To understand the geographic patterns underlying these trade trends, Exhibit 6 breaks down the trade balances for each of the four benchmark economies distinguishing between the balance of trade with the rest of the EU (intra-EU trade) and the balance with the rest of the world (extra-EU trade).

Only Germany presents a trade surplus with the rest of the EU, with the other three countries importing more high-tech products from the single market than they export. As for the extra-EU trade balance, Germany and especially France present significant surpluses. In fact, France's trade surplus with non-EU countries is so significantly higher than its intra-EU trade deficit, that it reports an overall surplus. Italy also presents a trade surplus with non-EU trading partners albeit not large enough to offset its intra-EU deficit. Lastly, Spain is the only one of the four countries analysed to register deficits in its trade with both EU and non-EU countries.

Sector analysis

To round out the analysis, we layer in the sector dimension. Table 1 shows worldwide exports and imports of Spanish high-tech products in 2018, again distinguishing between intra-EU and extra-EU destinations.

In aggregate terms, as with exports in general, Spain trades more with its EU than its non-EU partners. The concentration of trade with EU partners is higher in the case of imports (67%) than exports (58%). By sector,

> "Spain's concentration of high-tech trade with EU partners is higher in the case of imports (67%) than exports (58%)."

Table 1 **Spanish exports and imports of high-tech products: Global, Intra-EU and Extra-EU, 2018**

Millions of euros

	Global				Intra-EU				Extra-EU			
	Exports		Imports		Exports		Imports		Exports		Imports	
	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%
Total	16,150		29,431		9,255		19,913		6,895		9,518	
Aerospace	3,883	24.0	3,050	10.4	2,401	25.9	1,398	7.0	1,481	21.5	1,652	17.4
Chemistry	3,598	22.3	5,236	17.8	1,743	18.8	3,721	18.7	1,855	26.9	1,515	15.9
Electr.-telecomm.	2,637	16.3	9,558	32.5	1,434	15.5	5,565	27.9	1,203	17.4	3,993	42.0
Non-elec. mach.	1,823	11.3	1,592	5.4	1,308	14.1	1,253	6.3	515	7.5	338	3.6
Scientific eq.	1,398	8.7	3,628	12.3	785	8.5	2,988	15.0	613	8.9	640	6.7
Pharmacy	967	6.0	4,646	15.8	702	7.6	3,925	19.7	264	3.8	722	7.6
Elec. mach.	888	5.5	669	2.3	477	5.2	437	2.2	411	6.0	231	2.4
Armament	583	3.6	184	0.6	172	1.9	104	0.5	411	6.0	80	0.8
Computer eq.	374	2.3	869	3.0	232	2.5	522	2.6	142	2.1	347	3.6

Source: Eurostat.

> By sector, Spanish high-tech exports are concentrated in the aerospace, chemistry and electronics-telecommunication sectors.

Spanish high-tech exports are dominated by the aerospace and chemistry industries. The former dominates in the intra-EU markets (and therefore the total tally) and the latter dominates in the extra-EU markets. On the import side, a third sector comes into play, electronics and telecommunications. Spanish imports of products from this sector account for over 40% of total imports from extra-EU markets and 28% of those from EU markets. The second spot is occupied by different sectors depending on the market of origin. In extra-EU high-tech imports, it is occupied by aerospace products, while in intra-EU imports, the second place goes to chemistry and pharmacy.

Conclusions

Spanish exports of high-tech products as a percentage of total exports are the lowest of the four major EU economies, despite having registered sustained growth in recent years. In terms of net trade in high-tech products, Spain similarly presents the highest deficit within this group of countries. That deficit narrowed between 2008 and 2013 but has widened since then, due mainly to growth in high-tech imports. 0a net trade deficit with non-EU trading partners. By sector, Spanish high-tech exports are concentrated in the aerospace, chemistry and electronics-telecommunication sectors.

Given the importance of high-tech exports for the national science and knowledge ecosystem (and the high associated social and economic impacts) it is crucial that Spain improve on these indicators. Although the precise factors that drive exports of high-tech products remain open to discussion, strategies designed to generate and draw large-scale international science and high-tech investments in a country appear to be among the most effective.

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Challenges for Spain's auto industry: Mobility model uncertainty and collapse in exports

Although home to Europe's second largest automobile industry, the value of Spanish automotive exports has fallen in recent years due to stagnation in European export markets as well as the prevailing product mix that favours alternative fuel models over diesel vehicles. For this reason, the Spanish and European authorities should design transitional measures that support the production of less environmentally harmful diesel vehicles.

María José Moral

Abstract: The Spanish automotive sector is a key part of the country's industrial sector, accounting for 9% of GDP and nearly 8% of employment. Notably, export growth between 2013 to 2019 was equivalent to a constant annual rate of 2.6%, just shy of growth in Germany (2.9%) but ahead of Italy (2.4%) and France, where annual average growth in exports has been just 0.5%. However, export growth has been slowing, a concern given that historically eight out of every ten vehicles produced in Spain are exported. This slowdown in exports has also occurred in countries, such as Germany, Italy and France,

leading to a deterioration of trade balances in the automotive sector. Unfortunately, the arrival of COVID-19 interrupted a recovery in car exports, leading to an annual export contraction of 87.9% in April. That said, there are longer-term challenges other than COVID-19 that threaten the future growth of the industry, including significant competition from abroad, slower growth in new car registrations in Europe, and uncertainty regarding the cleanest alternative technology for cars. The latter is of particular importance and will call for the design of transitional measures that address the reorganisation of the production of diesel cars, which, in any case, are less environmentally harmful than previous diesel models.

Introduction

Spain produced 2,822,360 vehicles (passenger cars: 2,209,497) in 2019, which makes it the number-two producer of automobiles in Europe after Germany. However, the automotive sector is much more than just the manufacturing of vehicles. It encompasses the manufacturing of parts for those vehicles as well as the sales and after-sales segments. [1] In all, the automotive sector is responsible for 9% of GDP and nearly 8% of employment. [2] The production of vehicles is in the hands of multinational car manufacturers which between them have 17 factories in the country. [3] They are supported by a highly dynamic and innovative parts sector whose footprint is nationwide. As such, it plays a core role in the distribution across Spain of wealth generated in the automotive sector.

Spanish vehicle exports in the international context

The automotive sector is a global industry made up of mature markets (North America, Europe and Japan) and fast-growing developing markets (China, India and Latam). Car manufacturers have maintained local footprints in these so-called major regional markets in order to attract demand. As a result, even though transport and logistics costs have fallen and could justify mass re-location to low-cost producer nations, many automobile manufacturers have made the strategic decision to maintain a presence across several countries within a given region (Sturgeon and Van Biesebroeck, 2010). For example, in Europe there are parent companies (Volkswagen, PSA and Renault) headquartered in mature markets (Germany, France and Italy) that have expanded their manufacturing footprint across other countries. They initially spread to the southern periphery (Spain and Portugal). During the second wave of expansion, new factory locations were concentrated in those countries that joined the European Union in 2004 (Czech Republic, Slovakia, Slovenia and Poland) and in 2007 (Romania and Hungary). More recently, they have set up bases in Turkey and Morocco. This factory location process has been accompanied by a production specialisation phenomenon which explains the intense flows of trade that characterise the automotive sector in Europe.

Spain is one of the biggest exporters of automobiles in Europe. Eight out of every ten vehicles made in Spain are exported. Although the propensity to export is a little lower in the parts sector (58% of output was exported in 2019), the parts makers have accompanied the automakers in their international expansion, locating themselves in proximity to their factories. Analysis of export flows reveals the strengths of a sector that has retained its leadership in Europe but also points to the weaknesses already in existence before the pandemic triggered the current collapse.

“ Although transport and logistics costs have fallen and could justify re-location to low-cost producer nations, many automobile manufacturers have made the strategic decision to maintain a presence across several countries in a given region. ”

> "By 2013, Spain had regained the export receipts recorded prior to the recession and in 2019 it exported 32% more than in 2008."

The new international context requires addressing those challenges if the automotive industry is to overcome the prevailing difficulties unleashed by COVID-19 and survive in an uncertain future.

An analysis of Spanish exports first requires a comparison with exports from the main producers in the European Union (Germany, France and Italy). The flows of exports of motor vehicles and motor vehicle parts and accessories from these countries is illustrated by Eurostat's annual international trade data. The manufacturing of motor vehicles and parts and accessories for the motor vehicles sector is comprised by the export of motor cars (781); motor vehicles for the transport of 10 people or more (783); motor vehicles for the transport of goods (782); motors for road vehicles (713.23); and parts and accessories for road vehicles (784). [4] For a broad perspective, we looked at a complete economic cycle, namely from 2008 until 2019. Exhibit 1.a shows the growth in the value of exports on an indexed basis (to facilitate a comparison of the trends in numbers of very differing magnitudes), revealing an overall positive performance by the Spanish industry this last decade. By 2013, Spain had regained the export receipts recorded prior to the recession and in 2019 it exported 32% more than in 2008. In sum, the Spanish automotive sector has registered export growth equivalent to a constant annual rate of 2.6%, just shy of growth in Germany (2.9%) but ahead of Italy (2.4%) and France, where annual average growth in exports has been just 0.5%.

Spain's strong performance observed during the last decade was driven by particularly dynamic exports between 2012 and 2016, when annual growth averaged 10.6%. As a result, the sector's exports rose up to 19% of all Spanish goods exported. Since 2016, however, Spanish exports of vehicles and parts have lost momentum, accounting for 16.4% of total goods exports in 2019 (Exhibit 1.b).

The stagnation and drop in exports are a pattern also observed in the other countries

Exhibit 1 **Automotive exports*: Spain, Germany, Italy and France**

a. Trend in exports (base 100 = 2008)

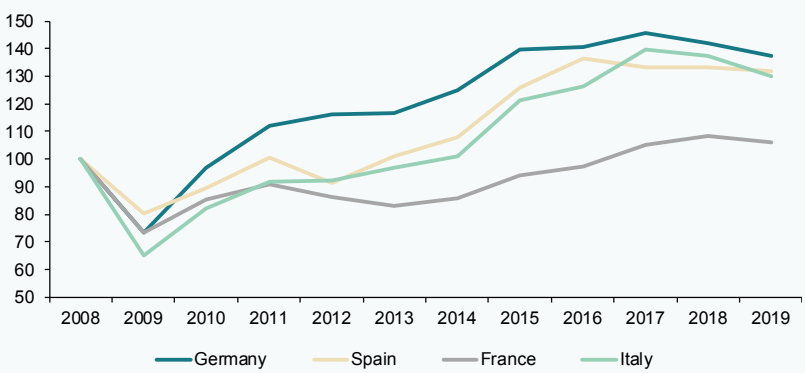
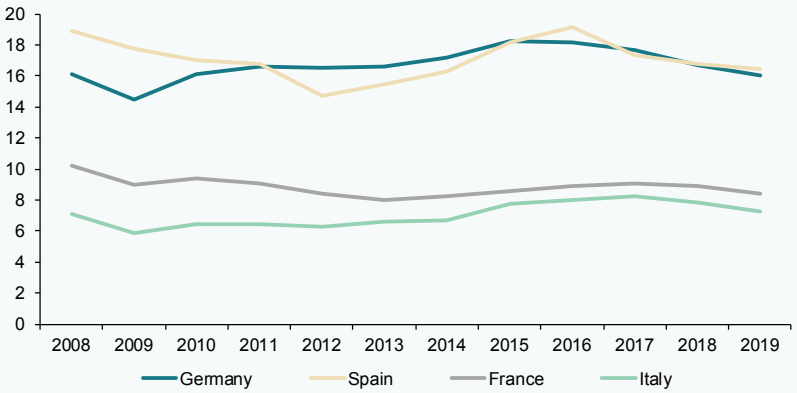


Exhibit 1

Automotive exports*: Spain, Germany, Italy and France

(Continued)

b. Exports as a percentage of total goods exports



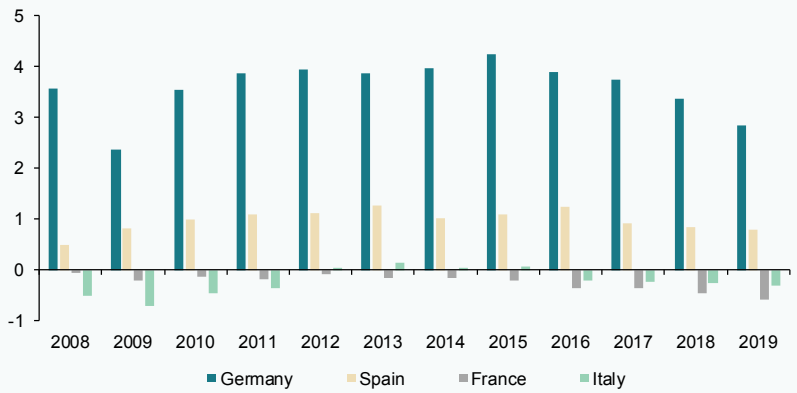
** The figures include all flows of exports of motor cars (781); motor vehicles for the transport of 10 people or more (783); motor vehicles for the transport of goods (782); motors for road vehicles (713.23); and parts and accessories for road vehicles (784). The product code using the SITC classification is in parenthesis.*

Source: Author's own elaboration based on Eurostat data.

Exhibit 2

Trade balance* in the automotive sector: Spain, Germany, Italy and France

As a % of GDP



** Positive/negative values are trade surplus/deficit.*

Source: Author's own elaboration based on Eurostat data.

> "Trade balances in the automotive sector have been deteriorating in Spain as well as other countries, indicating that automotive exports were in trouble before the pandemic."

analysed (in Germany in 2015 and a little later in Italy and France). As a result, the trade balances in the automotive sector have deteriorated. As shown in Exhibit 2, the trade deficits in France and Italy have widened and the trade surpluses in Spain and Germany have narrowed. This indicates that automotive exports were in trouble before the onset of the pandemic. It is crucial to analyse which risk factors were driving the sector's downward trend that not only compromised firms' profitability but also the economies' trade accounts. In Spain, where very few manufacturing sectors present trade surpluses, the sector's exports account for 4% of GDP.

Pandemic-induced collapse of already weakening exports

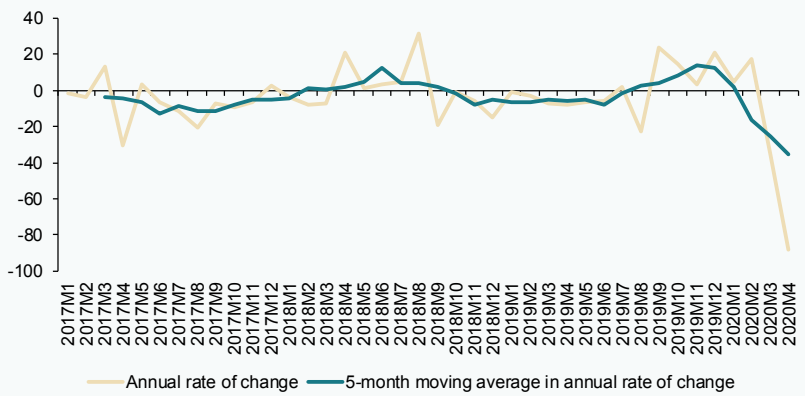
To calibrate the collapse in exports precipitated by the COVID-19 pandemic, we look solely at passenger and off-road vehicles, as they account for the bulk of the vehicles exported by Spain. We also distinguish between sales of new and second-hand vehicles, selecting only exports of new vehicles, which represent 95% of receipts.

Exhibit 3 provides the annual rate of growth in exports of passenger and off-road vehicles declared to the Spanish tax authorities between January 2017 and April 2020. These figures confirm the above-mentioned adverse trend as most months the numbers are negative. Car exports had been recovering since the third quarter of 2019, only to be stopped short by the production shutdown triggered by COVID-19 (Moral, 2020). Specifically, in March, due to the two-week lockdown period, exports contracted by 36.2%. This contraction widened in April to 87.9% year-on-year when the economy was totally shut down for the first half and in ordinary lockdown the rest of the month. [5]

Exhibit 3

Exports of new vehicles, January 2017 – April 2020

Annual rate of change and 5-month moving average



Source: Author's own elaboration based on tax authority data.

> “In March, due to the two-week lockdown period, exports contracted by 36.2%. This contraction widened in April to 87.9% year-on-year.”

Given the scale of the contraction, public intervention will be needed to facilitate a return to pre-pandemic levels. [6] In the next section, however, we focus on establishing the causes of the adverse trend in exports most months in recent years in order to identify all the challenges that need to be tackled.

Automotive exports: Risk factors

There are three key factors that have adversely affected Spanish exports: i) a significant increase in competition from abroad; ii) slower growth in new car registrations in the main European markets to which the majority of Spanish exports go; and, iii) uncertainty regarding the cleanest alternative technology which is resulting in counter-productive demonisation of diesel cars that form an important component of the European automobile manufactures' product mix, to the advantage of Asian automobile manufacturers. On top of these factors, the US has been threatening to impose tariffs on European cars. That said, this threat would mainly affect Germany, which has the highest exposure to the US market. Spain is less exposed to this risk factor as the US accounted for just 2.2% of the value of automotive exports from Spain in the first few months of 2020.

To combat the first risk factor, the sector needs to further boost productivity levels and win business for car models with promising sales forecasts. Spain has done a good job on this front, managing to attract exclusive production (in Europe and sometimes worldwide) for a number of models even though the Multinational Enterprises (MNEs)' decision centres are not in Spain. It is important to continue to pursue this line of initiative.

The cause of the second risk factor lies in the fact that Spanish exports are very concentrated in Europe. Sales to Germany, France, Italy and the UK accounted for 65% of all exports in 2019. In theory, that is only a weakness when those markets register slower than expected growth or are affected by unforeseen developments, such as Brexit. In those four markets, new registrations began to stagnate in 2016 with a considerable decline observed in the UK (Exhibit 4), placing considerable pressure on Spanish exports. To mitigate this situation, firms looked for new markets. Within the European Union, they increased their exports to Poland, while outside the EU they increased exports to Morocco, Turkey, Egypt and Israel, among others. However, the strategy of diversifying outside of the European Union did not yield the desired results and was abandoned. More recently, companies have re-focused on intra-EU exports.

The biggest threat facing the Spanish automotive industry resides with the mix of vehicles it produces. The industry is more intensive in diesel vehicles than other countries it competes with, which embarked on the transition to hybrid and electric models sooner than in Spain. This vulnerability pre-dates the pandemic and is of increasing importance in light of developing mobility models. However, addressing this challenge will be very slow process and require decisions by parent companies

> “Spain is less vulnerable to potential US tariffs as the US accounted for just 2.2% of the value of automotive exports from Spain in the first few months of 2020.”

> "Sales to Germany, France, Italy and the UK accounted for 65% of all Spanish automotive exports in 2019."

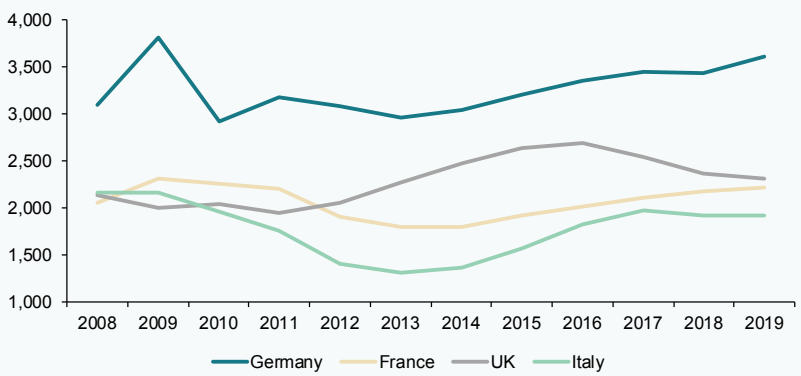
located in other countries. In parallel, there is scope for toning down the 'demonisation' of diesel engines as the newer vehicles are more environmentally friendly than previous diesel models. [7] In fact, the growth in sales of petrol and hybrid petrol vehicles (which at high speeds perform like petrol engines) is driving an increase in total CO_2 emissions as their emissions are, on average, 15% higher than diesel cars. As a result, Spain's 2040 emission reduction target, which requires the elimination of diesel cars, should be accompanied by a clear transition period for all technologies. While many have assumed that diesel engines will be a thing of the past, the degree of uncertainty surrounding this process is very high. Meanwhile, Spanish car manufacturers have begun to modify their product mixes. The new European Emissions Performance Standards Directive (Regulation EU 2019/631 of April 17th, 2019), under which every automobile manufacturer must guarantee that their new vehicles emit fewer than 95 grams of CO_2/km, took effect on January 1st, 2020. Although there is a three-year transition period, breach of the new requirements will entail hefty fines.

Building from the Spanish tax authority's trade data, Exhibit 5 provides the breakdown of new car exports by engine type (petrol, diesel and other) [8] in absolute and relative terms. Until the third quarter of 2017, receipts from the sale of diesel cars overseas accounted for over half of total revenue from new vehicle exports. In September 2017 the new World Harmonized Light Duty Vehicle Test Procedure (WLTP) took effect, resulting in a shortfall of qualifying engines, leading to a shift in the sales trend. Since then, the weight of diesel vehicles in total exports has been falling. However, the growth in petrol vehicles has not been sufficient to maintain export volumes, which, as we have seen, have fallen. Moreover, the prevalence of vehicles fuelled by other engines (hybrid and

Exhibit 4

New registrations in the main destination markets for Spanish automotive exports: Germany, France, Italy and the UK

Thousands of vehicles



Source: ACEA.

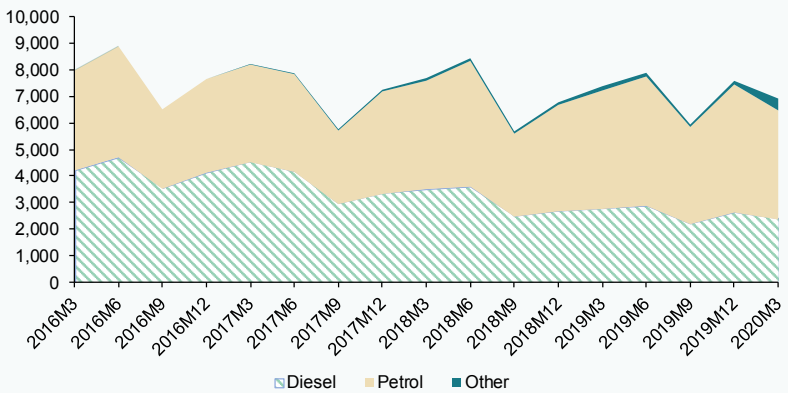
> The growth in sales of petrol and hybrid petrol vehicles is driving an increase in total CO_2 emissions as their emissions are, on average, 15% higher than diesel cars.

electric) is residual, accounting for just 6.5% of all passenger vehicle exports in the first few months of 2020 when the new emission performance standards were already in effect.

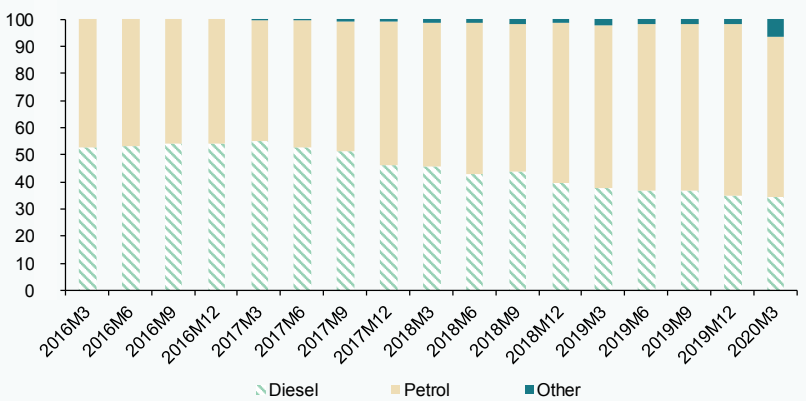
In sum, the Spanish automotive sector is at a clear disadvantage when it comes to hybrid and electric vehicle exports. In addition, the replacement of diesel by petrol cars has had the effect of leaving the average price per new

Exhibit 5 **Breakdown of car exports by engine type**

A. Quarterly aggregates (in millions of euros)



B. Quarterly aggregates (in per cent)



Source: Author's own elaboration based on tax authority data.

> "The replacement of diesel by petrol cars has had the effect of leaving the average price per new car exported stagnant at around 13,358 euros in the last three years."

car exported stagnant at around 13,358 euros in the last three years.

Conclusions

The motor vehicle and parts manufacturing industry is strongly entrenched in the Spanish industrial landscape. Its contribution to wealth creation, employment and the trade surplus is key. This paper takes a look at the recent trend in automotive exports in comparison with Germany, Italy and France, showing that Spain's performance has trended in line with that of the European sector champion, Germany.

Automotive exports (by value) have been trending slightly lower in Spain since 2016, primarily due to the substitution of diesel cars, compounded by a slower transition to more environmentally friendly cars that fetch similar or higher prices. Alternative-fuel vehicles are marginal within Spain's production mix and that weakness is weighing on exports. Meanwhile, sales of petrol-run cars (which are cheaper on average) have not fully offset the downward trend in diesel car sales. The market has also been affected by a drop in new registrations in the UK and stagnation in Germany, France and Italy, the main buyers of the cars made in Spain.

It was against that weak backdrop that exports collapsed in March and April as a result of the economic standstill due to the COVID-19 pandemic. As a result, the sector is facing a challenging environment. However, the current situation also represents an opportunity for the Spanish automotive industry to react and, with the help of the public sector, regain its predominant role in the Spanish economy.

Spanish manufacturers need to shift their production towards cleaner car models in order to capture more consumers. However, the Spanish and European institutions should also roll out measures designed to reduce uncertainty regarding the new mobility models, emissions regime and energy savings requirements. The authorities should design transitional measures for diesel cars manufactured today, which are more fuel efficient than older diesel models. The production of these models cannot be eliminated in the short term without a significant impact on jobs and Spanish industry. The risk is that measures aimed at stimulating demand could largely translate into growth in imports from China –the leader in electric vehicle sales– which, while entirely legitimate, would not resolve the problems facing a manufacturing sector of such strategic importance to Spanish and European industry.

Notes

[1] Laborda and Moral (2017) analyse the post-sales sector (repair shops, dealers, spare parts, rental, consultants and insurance brokers) in Spain.

[2] According to Spain's national car and truck manufacturing trade association, ANFAC,

> "Spanish and European institutions should roll out measures designed to reduce uncertainty regarding the new mobility models, emissions regime and energy savings requirements."

the vehicle and parts industry accounted for 566,400 direct jobs (2.9% of the working population) in 2019.

[3] In May, Nissan announced plans to close its factory in Barcelona in December 2020.

[4] The product code using the SITC classification is in parenthesis. (refer to https://ec.europa.eu/eurostat).

[5] The lockdown began on March 14th; however, on March 29th, the Spanish government decreed a compulsory paid leave for employees who did not provide essential services (Royal Decree-Laws 10/2020 and 11/2020) to further reduce mobility and curb COVID-19 more effectively.

[6] Royal Decree 569/2020 (June 16th, 2020) regulates the efficient and sustainable mobility incentive plan (known as MOVES II) which regulates the provision of subsidies for the purchase of alternative-fuel vehicles, among other lines of initiative.

[7] A passenger vehicle registered in 2000 emitted 230g of CO_2/km. In January 2020, the emissions legislation requires registered vehicles to emit less than 95g/km on average.

[8] Broken down to the eighth digit in the product classification. "Other" includes hybrid diesel and petrol engines and electric cars.

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María José Moral. UNED and Funcas

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)

Bank of Spain Circular amending the Accounting Circular (Circular 2/2020, published in the *Official State Journal* on June 16th, 2020)

Its main purpose is to adapt the Accounting Circular for the changes in international regulations with regard to banks' reporting requirements.

The changes in the Accounting Circular imply the following:

- The institutions' public financial statements can be disseminated by both the sector associations, including the Spanish Association of Savings and Retail Banks (CECA), as well as by the Bank of Spain.

- The accounting and reporting criteria have been adapted for the latest changes in IFRS, *e.g.,* the modification of the definition of 'business' in order to simplify application of the business combinations standard. The new definition helps reporters to determine whether or not the acquisition of a group of assets constitutes a business combination. If the assets acquired meet the definition of a business, the acquiror must recognise goodwill or a gain on a bargain purchase.

- Financial statement requirements have been adapted to reflect the changes made to several European regulations with respect to the gathering of the common financial information which the supervised banks have to send to the ECB via the national competent authorities. Those changes refer to the disclosures about doubtful and restructured exposures, foreclosed collateral, operating and administrative expenses, fee income and expenses, and leases.

  Formatting changes have been made to some of the confidential individual financial statements so that their numbering coincides with that set down in Commission Implementing Regulation (EU) No. 680/2014.

- In light of Recommendation ESRB 2016/14, certain statements have been modified to include information about borrower loan-to-income ratios.

- Some of the banks' reporting requirements have been simplified following the amendments made to Commission Implementing Regulation (EU) No. 680/2014.

- New disclosure requirements have been introduced in order to verify compliance with national standards and to gather statistical information, such as the additional information in relation to the new lease standard, IFRS 16.

- The changes introduce certain necessary clarifications and corrections identified since the Accounting Circular took effect.

- The required technical adjustments have been made to certain EMU statements following the United Kingdom's exit from the European Union on February 1st, 2020.

The Circular took effect the day after its publication. However, the changes related to:

(i) the treatment of remaining investments in a subsidiary, joint venture or associate which ceases to qualify as such; and, (ii) the definition of a 'business' can be applied with effect from January 1st, 2020. In addition, the changes related to loan classification of purchased or originated credit-impaired exposures as a function of expected credit risk must be applied from June 30th, 2020.

The first compliant financial statements to be submitted to the Bank of Spain are those corresponding to the first half of 2020, with certain exceptions for some statements, which will be submitted for the first time in keeping with the new templates as of December 31st, 2020.

Bank of Spain Circular amending the Accounting Circular (Circular 3/2020, published in the *Official State Journal* on June 16th, 2020)

The changes are concentrated in Annex 9 of the Accounting Circular and introduce the concept that restructured, refinanced and refinancing loans do not necessarily need to be classified as standard exposures under special monitoring if they do not qualify for classification as doubtful exposures. Such exposures can continue to be classified as performing so long as the reporting institution can substantiate the fact that it has not identified a significant increase in credit risk since the initial recognition of the loan in question.

The institutions have until June 30th, 2020 at the latest to adapt their methodologies, procedures and accounting practices for application of these modifications. However, the institutions can choose to apply the changes from March 31st, 2020.

The changes contemplated in the Circular will be applied prospectively to all restructured and refinanced transactions, including those arranged prior to the date of first-time application and new transactions performed subsequent to that date (in the context of COVID-19 or in the wake of the health emergency). Prospective application means that the institutions will not have to: (i) revise the classification of their loans or their credit risk coverage in their financial statements with reporting dates prior to June 30th, 2020 (or, if applied earlier, March 31st, 2020); and, (ii) resend accounting information corresponding to those dates or redo the comparative information for 2019.

The Circular also sets out the regime for its first-time application in the banks' public and confidential financial statements so as to be consistent with its first-time application in their annual financial statements.

The Circular took effect the day after its publication.

Royal Decree-law passing complementary measures in the areas of agriculture, science, economy, employment, Social Security and taxation in order to mitigate the effects of COVID-19 (Royal Decree-law 19/2020, published in the *Official State Journal* on May 27th, 2020)

Below is a summary of the main measures taken in the financial arena.

1. Sectoral moratoria

The new legislation introduces regulations governing conventional loan deferral agreements covered by a framework agreement and backed by the associations representing the financial sector (sectoral moratoria or non-legislative moratoria). The regulations have the status of organisational and conduct standards.

- The Bank of Spain must be notified of any such framework sector agreements so that it can register and publish them on its website. The regime stipulates daily reporting to the Bank of Spain equivalent to the regime stipulated for the legislative moratoria. Such reports must include information about the number of applications for payment suspension presented by borrowers, the number of suspensions awarded and denied, the number of beneficiaries,

and the corresponding NACE codes, among other things.

- Such sectoral moratoria can cover all manner of loans, credit arrangements and finance leases. The parties can agree to settle the amounts deferred by: (i) recalibrating the instalments without modifying the maturity date; or, (ii) extending the term of the loan in question by a number of months equivalent to the duration of the deferral. The parties may similarly agree to extend the term of any payment protection or loan repayment insurance purchased.

- Under no circumstances may such moratoria modify the agreed rate of interest; imply additional charges or fees unless the loan is an interest-free loan; be marketed as part of any manner of bundled package; or, imply the introduction of any additional guarantees.

- When a legislative and a sectoral moratoria is awarded simultaneously or successively, the effects of the latter are suspended until the legislative one terminates.

- The simplified information to be provided to borrowers before entering into such an arrangement must enable an understanding of the legal and financial consequences of deferring the loan in question. The information must be provided free of charge using any durable medium.

- Execution of such sectoral moratoria will be exempt from some of the provisions contained in the Law regulating mortgage loan agreements and the Consumer Credit Contracts Law.

- Registration of sectoral moratoria in the corresponding registry will have full effects *vis-à-vis* any registered intermediate creditors even if the latter have not provided their express consent to the deferral.

- Under certain circumstances, credit institutions will be permitted to unilaterally place on public record agreements that imply the deferral of the principal or principal and interest on a secured loan or a finance lease. This equates the procedure with that contemplated for legislative moratoria.

- Notary and registration charges have similarly been aligned with those contemplated for the legislative moratoria. Also, notaries must provide borrowers with an uncertified copy of the corresponding deeds free of charge.

- The moratoria arranged under the scope of these sectoral framework agreements are exempt from stamp duty.

- The legislation sets out transitional arrangements for moratoria arranged prior to effectiveness of this new piece of legislation. The information provision requirement shall be deemed met through the provision of the Standard European Consumer Credit Information or the European Standardised Information Sheet or through the provision of the simplified information before placing the agreement on public record, offering a period of 10 days for withdrawing from the moratoria.

2. Legislative moratoria

- Royal Decree-law 11/2020 has been modified to include finance lease agreements within the scope of the legislative moratoria for unsecured credit agreements in a similar manner to that regulated for sectoral moratoria.

- Royal Decree-law 15/2020 has been modified to add that the notary must provide the borrower with an uncertified copy of the deed unilaterally placing the legislative moratoria of a secured loan on public record free of charge.

- The provision in Royal Decree-law 8/2020 referring to the impossibility of

placing mortgage legislative moratoria on public record during the state of emergency until the freedom of movement has been fully reinstated has been repealed.

3. Reserve fund

Royal Decree 877/2015 has been amended to add a provision addressing the suspension of the obligation to contribute to the reserve fund as a result of the economic effects of the COVID-19 pandemic and the recommendation made by the ECB to limit the distribution of dividends from 2019 and 2020 profits. As a result, banking foundations with controlling interests in banks will not be obliged to make contributions to the reserve fund in 2020.

The suspension of the requirement will not be offset by the contribution next year. Accordingly, the outstanding contributions will be evenly spread out over time, effectively being deferred to 2021-2024.

4. Business measures

Royal Decree-law 8/2020 has been amended to limit the suspension of the obligation to authorise the issuance of annual financial statements, whether ordinary or short-form, separate or consolidated, and, when legally required, the accompanying management report and other documents prescribed under prevailing company law. Companies now have three months from June 1st, 2020 (rather than from the end of the state of emergency, as had been previously established) to issue all of the above documentation.

In addition, the period for holding the general meeting to approve the prior-year financial statements has been reduced from three to two months from the new deadline for issuing the annual financial statements.

5. Fund for Orderly Bank Restructuring (FROB)

Spanish Law 11/2015 (June 18th, 2015), on the recovery and resolution of credit institutions and investment service providers has been amended to allow the current President of the FROB, Spain's resolution authority, to remain in his position until his replacement can be named.

The Royal Decree-law took effect the day after its publication.

Spanish economic forecasts panel: July 2020*

Funcas Economic Trends and Statistics Department

The Spanish economy will contract by 10.8%, worse than previously expected

The available indicators suggest that, following the sharp contraction sustained in the second half of March as a result of the measures adopted to curb the pandemic, GDP hit bottom in April and embarked on a recovery in May which picked up steam in June as the various lockdown restrictions were rolled back.

The consensus GDP forecast for 2020 is for a contraction of 10.8%, up from 9.5% in our last report, with nine of the panellists having become more pessimistic (Table 1). The quarterly pattern forecast is as follows: -17% in 2Q20, +13.1% in 3Q20 and +3.9% in 4Q20 (Table 2).

Both domestic demand and foreign demand are forecast to detract from GDP growth. The former is expected to erode GDP by 10.1 percentage points (1.2 points more than in the last set of forecasts) and the latter by 0.7 percentage points. The analysts agree that the various components of private demand will be hit hard but their forecasts fall within a wide range, particularly with respect to investment. Foreign trade is similarly expected to sustain a significant fall, although it is worth noting a slight improvement in the forecast for the drop in imports compared with the last report. Public spending is the only component expected to stay clearly in positive territory.

The consensus growth forecast for 2021 has increased to 7.2%

The consensus forecast for growth in 2021 stands at 7.2%, which is up 1.1 percentage points from the May report, with the following quarterly growth profile: 1.1%, 1.3%, 1.1% and 0.8% (Table 2). That means that the recovery in 2021 will remain incomplete, serving to only partially mitigate the contraction sustained in 2020.

The rebound in 2021 should be driven mainly by renewed domestic demand –forecast to contribute 6.4 percentage points to growth– with all components recovering, while growth in public spending eases. Foreign trade is expected to contribute 0.8 percentage points to growth in 2021.

In the event of a major second wave in Autumn, the 2020 GDP contraction could widen to 14.3%

In the event of a new outbreak in Autumn of a magnitude requiring fresh lockdown measures, whether full or partial, the contraction in GDP in 2020 could, according to the analysts who answered this specific question, widen to 14.3%. It is worth highlighting the fact that there is a 6.7 percentage-point difference between the highest and lowest estimate in this respect. The growth forecast for 2021 in such a scenario would fall to 5.9% Note that one analyst has already factored such a scenario into his/her baseline forecasts.

Lack of inflationary pressure in 2020 and 2021

The onset of the pandemic triggered an unprecedented correction in crude prices that trickled through to inflation, which remained in negative territory throughout the second quarter (compared to growth of close to 1% at the start of the year). However, in recent weeks, oil prices have been staging a recovery and are currently trading at over $40 per barrel, prompting the analysts to revise their inflation forecasts slightly higher.

Specifically, the consensus forecast for average inflation in 2020 has increased by 0.2 percentage points to -0.2%. The forecast for 2021 has also been raised by 0.1 percentage points to 1%. The estimates for core inflation have been raised to 0.9% in 2020 and 2021.

The year-on-year rates forecast for December 2020 and December 2021 stand at 0% and 1.2%, respectively (Table 3).

Employment has been rising since May, albeit without making up all the ground lost

Following the sharp initial impact on employment at the start of the COVID-19 crisis, when nearly 800,000 social security contributors were lost by comparison with February (using the monthly averages), the numbers improved in May and June. A similar trend is evident in the furlough scheme numbers. Out of an initial 3.3 million people who were initially affected, 1.5 million returned to work by the end of June.

The consensus forecast for employment, in terms of full-time equivalents, is for a contraction of 6% in 2020 and a recovery of 2.4% in 2021. That would put the average unemployment rate at 19.1% this year and 18% in 2021.

External surplus to narrow in 2020 and 2021

To April, Spain presented a current account deficit of 2.4 billion euros, compared to a surplus of 900 million euros in the same period of 2019, due to the sharp drop in receipts from tourism, which was only partially mitigated by the effect of the correction in oil prices.

The balance of payments deficit presented in the first few months of the year is highly seasonal. The consensus forecast is for a surplus of 1% of GDP in 2020 as a whole (down 0.5pp from the May report) and of 1.4% in 2021 (down 0.1pp).

Public deficit set to soar in 2020 and 2021

In the first four months of the year, the deficit at all levels of government except for the local governments stood at 24.04 billion euros, compared to 6.74 billion euros at the same juncture of 2019. The expenditure related with COVID-19 amounted to nearly 8.9 billion euros, while public revenue fell by 3 billion euros.

The consensus forecasts point to a public deficit of 11.9% of GDP in 2020 (up 1.1pp from the May forecasts) and of 7.4% in 2021 (+0.3pp).

The external environment remains highly adverse, despite the rebound observed recently

The main sentiment and confidence indicators have recovered from the all-time lows recorded in April for the global and European economies alike. However, the situation is highly varied, mirroring the incidence of the pandemic. The health emergency is hitting Latin America particularly hard, whereas China and other Asian countries appear to be recovering. Moreover, the rebound is being stymied by the emergence of fresh outbreaks, particularly in the US and, to a lesser degree, in Europe.

In its June economic forecasts, the IMF said it was expecting global GDP to contract by 4.9%, which is nearly 2 percentage points worse than it was estimating only two months earlier. All of the G20 countries other than China are expected to enter a recession (with China growing just 1%, its worse result since it embarked on its programme of market reforms). The eurozone is expected to contract by twice the global average. The IMF experts also flag the risks of a second wave necessitating the reintroduction of fresh lockdown measures, which would have a devastating effect on the economy.

The European Commission's Summer forecasts point in the same direction and single out the role of potential aggravating factors, notably the severity of the business restrictions introduced in the event of new outbreaks, the weight of tourism and other mobility-dependent sectors, and the marginal scope for fiscal policy manoeuvring in highly-indebted countries.

Though both the IMF and the EC are forecasting robust growth in 2021, such projections assume that the pandemic does not worsen this Autumn.

In such a scenario, the analysts virtually all agree that both the global and EU-specific external environment is unfavourable for Spain's economy. However, over half of the analysts believe that the international climate could improve in the months to come, a somewhat more optimistic outlook than expressed in our last report.

Unanimous appraisal of the extraordinary expansionary monetary policy measures

Since our last report, central banks have increased their exceptional liquidity support measures. In June, the ECB decided to increase the government debt repurchase programme (PEPP) designed to help cover the costs of the pandemic by 600 billion euros. That decision put the size of the programme

at 1.35 trillion euros, thus facilitating meeting the states' burgeoning financing needs. In Spain, for example, the scheme for the provision of state-backed guarantees to businesses facing liquidity issues, particularly SMEs, has been increased by 40 billion euros.

Market conditions have reflected the shift to a more accommodating monetary policy and the expectation that this is the stance that will prevail for a prolonged period. The 12-month EURIBOR has eased to -0.3%, close to pre-crisis levels and nearly 0.2 percentage points lower than in May. Likewise, the yield on Spain's 10-year government bonds has been cut to nearly 0.4%, while the country risk premium (spread compared to the German sovereign bond) has been reduced to 90 basis points. As a result, the Treasury is managing to issue bonds on favourable conditions, across all maturities of the yield curve.

The analysts unanimously agree that monetary policy is expansionary and should remain so for the coming months. Although interest rates are still expected to climb gradually higher during the projection horizon, they are forecast to remain at relatively moderate levels, facilitating the funding of the measures taken in response to the pandemic

Slight euro appreciation *vis-à-vis* the US dollar

Since the May assessment, the euro has appreciated slightly against the dollar. Analysts have integrated the fact that, while Europe moves ahead with the phasing out of lockdown measures, the US is still subject to new outbreaks of the pandemic. The analysts expect the euro to remain relatively stable going forward, ending 2021 at 1.13, close to the current values.

A majority of analysts believe that fiscal policy should stimulate the economy until at least 2022

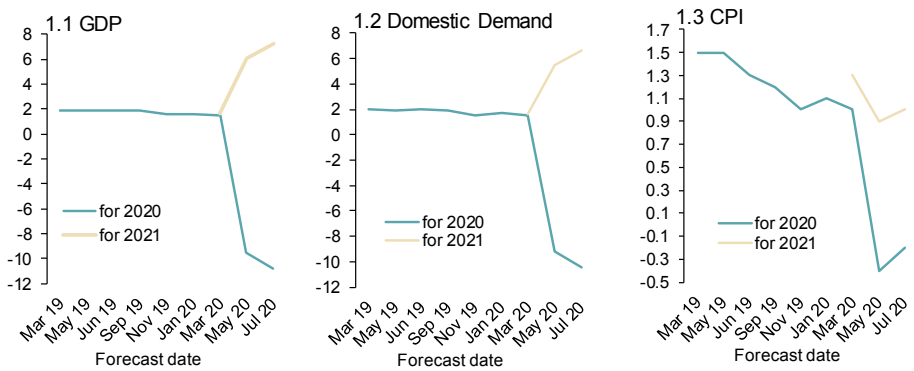
The analysts agree that fiscal policy is clearly expansionary. Moreover, all but one believe that this is the direction fiscal policy should take for the months to come. None of the analysts is calling for fiscal policy tightening at present.

They differ in opinion as to when fiscal policy should start to focus on reducing the structural deficit. Of the 18 analysts providing feedback on this point, 10 believe that such a policy shift should not happen before 2022, with the rest thinking it should occur sooner (Table 4).

Exhibit 1

Change in forecasts (Consensus values)

Annual rates in %



Source: Funcas Panel of Forecasts.

** The Spanish Economic Forecasts Panel is a survey run by Funcas which consults the 20 research departments listed in Table 1. The survey, which dates back to 1999, is published bi-monthly in the months of January, March, May, July, September and November. The responses to the survey are used to produce a "consensus" forecast, which is calculated as the arithmetic mean of the 20 individual contributions. The forecasts of the Spanish Government, the Bank of Spain, and the main international organisations are also included for comparison, but do not form part of the consensus forecast.*

Spanish economic forecasts panel: July 2020*

Funcas Economic Trends and Statistics Department

Table 1

Economic Forecasts for Spain – July 2020

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

	GDP		Household consumption		Public consumption		Gross fixed capital formation		GFCF machinery and capital goods		GFCF construction		Domestic demand	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Analistas Financieros Internacionales (AFI)	-8.9	6.2	-15.6	6.6	5.1	4.7	-9.3	4.0	-11.7	5.0	-7.9	2.9	--	--
Axesor	-10.8	6.9	-8.0	5.1	4.3	1.0	-25.2	8.7	-33.1	9.5	-15.2	7.5	-10.3	6.0
BBVA Research	-11.5	7.0	-12.9	7.8	6.0	0.0	-17.2	5.3	-18.4	9.2	-19.5	1.1	-9.9	6.1
Bankia	-12.7	6.8	-14.2	7.0	4.9	-0.2	-27.8	15.7	-45.5	33.8	-27.8	11.6	-12.8	6.5
CaixaBank Research	-14.0	10.5	-13.5	8.5	5.2	2.4	-31.2	25.5	-28.7	25.5	-35.2	25.6	-13.3	10.9
Cámara de Comercio de España	-10.6	4.3	-12.6	6.5	6.2	3.8	-18.8	-1.8	-20.1	5.9	-22.7	-3.4	-11.1	3.6
Cemex	-9.0	6.0	-11.1	6.5	4.1	2.1	-14.7	7.4	-23.5	11.1	-9.2	5.5	-8.5	5.5
Centro de Estudios Economía de Madrid (CEEM-URJC)	-9.1	6.9	-10.5	8.5	5.8	-2.0	-20.1	10.8	-33.0	22.5	-19.0	8.0	-8.8	6.2
Centro de Predicción Económica (CEPREDE-UAM)	-8.9	7.5	-9.8	8.9	2.9	0.2	-8.9	7.9	-12.5	11.0	-10.6	8.2	-7.1	6.7
CEOE	-10.2	5.9	-10.7	5.9	5.4	-1.1	-28.7	10.6	-38.5	18.3	-25.1	9.0	-10.7	4.7
Equipo Económico (Ee)	-10.0	7.2	-12.7	8.4	4.5	-0.5	-17.7	7.7	-20.7	7.2	-22.6	8.3	-10.3	6.2
Funcas	-9.8	7.8	-12.1	7.9	7.4	3.6	-14.7	9.0	-15.7	9.6	-13.7	8.4	-8.7	7.0
Instituto Complutense de Análisis Económico (ICAE-UCM)	-11.5	7.0	-12.3	7.5	3.2	2.0	-19.6	7.4	-25.3	10.2	-22.5	9.4	-10.6	6.1
Instituto de Estudios Económicos (IEE)	-11.0	5.5	-11.3	5.4	5.0	-0.8	-29.5	8.9	-39.0	10.6	-26.4	9.2	-11.3	4.1
Intermoney	-10.6	7.2	-10.9	7.7	5.3	2.6	-24.0	7.0	-27.0	7.6	-21.0	6.3	-9.9	6.2
Mapfre Economics	-10.6	8.3	-15.1	10.2	4.8	1.8	-14.1	11.3	--	--	--	--	-10.8	7.5
Repsol	-12.1	11.5	-13.1	20.2	5.8	3.0	-15.9	10.8	-16.1	15.3	-20.4	13.0	-9.7	13.2
Santander	-10.1	7.2	-11.1	6.3	7.4	5.5	-20.9	9.4	-34.3	10.6	-12.3	3.9	-8.8	7.1
YGroup Companies	-13.0	6.5	-15.0	6.0	6.0	1.0	-31.9	14.0	-40.0	20.0	-35.0	15.0	-14.2	6.0
Universidad Loyola Andalucía	-10.8	6.9	-12.7	6.6	4.5	-0.1	-17.0	10.7	-21.9	13.1	-16.3	11.5	-9.8	6.2
CONSENSUS (AVERAGE)	-10.8	7.2	-12.3	7.9	5.2	1.5	-20.4	9.5	-26.6	13.5	-20.1	8.5	-10.4	6.6
Maximum	-8.9	11.5	-8.0	20.2	7.4	5.5	-8.9	25.5	-11.7	33.8	-7.9	25.6	-7.1	13.2
Minimum	-14.0	4.3	-15.6	5.1	2.9	-2.0	-31.9	-1.8	-45.5	5.0	-35.2	-3.4	-14.2	3.6
Change on 2 months earlier[1]	-1.3	1.1	-1.2	0.9	0.3	0.1	-0.8	2.4	-2.3	2.1	0.4	1.9	-1.2	1.1
- Rise[2]	2	10	2	9	6	4	6	6	4	5	5	5	5	10
- Drop[2]	9	1	8	2	5	7	5	5	6	5	5	3	5	1
Change on 6 months earlier[1]	-12.4	--	-13.7	--	3.4	--	-22.9	--	-29.7	--	-22.2	--	-12.1	--
Memorandum items:														
Government (April 2020)	-9.2	6.8	-8.8	4.7	2.5	1.8	-25.5	16.7	--	--	--	--	--	--
Bank of Spain (June 2020)[3]	-9.0 /-15.1	7.7 / 6.9	-9.1 / …	9.0 / ...	4.4 / …	-1.5 / ...	-20.6 / …	9.7 / ...	--	--	--	--	--	--
EC (July 2020)	-10.9	7.1	--	--	--	--	--	--	--	--	--	--	--	--
IMF (June 2020)	-12.8	6.3	--	--	--	--	--	--	--	--	--	--	--	--
OECD (June 2020)[3]	-11.1/-14.4	7.5 / 5.0	-13.4/-17.3	9.7 / 7.1	3.2	1.2	-20.1/-24.7	10.3/6.2	--	--	--	--	--	--

[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] *Range reflecting less adverse to more adverse scenarios.*

Table 1 (Continued)

Economic Forecasts for Spain – July 2020

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

	Exports of goods & services		Imports of goods & services		CPI (annual av.)		Core CPI (annual av.)		Labour costs[3]		Jobs[4]		Unempl. (% labour force)		C/A bal. of payments (% of GDP)[5]		Gen. gov. bal. (% of GDP)[6]	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Analistas Financieros Internacionales (AFI)	-16.5	7.2	-18.5	7.8	-0.3	0.7	0.7	0.8	--	--	-2.9	1.2	17.5	16.9	1.4	1.4	-10.0	-6.8
Axesor	-26.3	11.2	-22.9	7.0	-0.2	1.1	1.0	1.0	--	--	-6.0	3.0	20.0	17.0	1.9	1.9	-10.4	-6.3
BBVA Research	-18.1	12.2	-14.6	8.6	-0.1	0.7	0.8	0.5	1.4	0.2	-5.1	0.6	17.4	17.1	-0.4	1.5	-14.4	-8.4
Bankia	-19.1	13.1	-20.2	13.3	-0.2	0.9	--	--	0.6	1.1	-4.9	2.0	19.0	18.7	1.2	1.5	--	--
CaixaBank Research	-24.2	17.6	-22.7	15.6	-0.5	1.5	0.8	1.6	2.3	2.8	-6.4	0.8	19.3	19.5	1.6	2.1	-13.6	-7.6
Cámara de Comercio de España	-20.1	13.6	-24.5	13.3	-0.6	0.9	0.5	0.4	--	--	-8.7	-1.8	19.2	20.1	1.2	1.3	-10.1	-7.4
Cemex	-13.8	7.9	-13.4	7.2	-0.1	1.0	1.2	1.0	--	--	-4.2	1.5	17.5	16.5	0.5	1.0	-11.5	-7.0
Centro de Estudios Economía de Madrid (CEEM-URJC)	-17.2	14.3	-18.0	13.2	-0.1	1.4	0.9	0.8	--	--	-5.5	2.8	19.4	17.7	1.4	1.3	-10.5	-6.6
Centro de Predicción Económica (CEPREDE-UAM)	-17.6	10.0	-13.1	7.2	-0.1	1.4	--	--	1.4	1.5	-7.8	6.1	19.9	14.2	0.3	0.2	-9.4	-4.7
CEOE	-24.5	11.6	-28.1	7.3	0.2	1.3	1.1	1.1	2.0	0.8	--	--	19.5	20.7	2.0	1.5	-11.0	-7.0
Equipo Económico (Ee)	-20.5	15.4	-22.4	13.2	-0.2	0.0	0.3	0.6	1.2	0.0	-7.1	3.4	19.9	18.4	0.9	0.9	-14.7	-8.9
Funcas	-20.4	13.7	-17.8	11.4	-0.1	1.1	1.0	0.9	--	--	-5.4	2.2	18.2	16.7	1.0	1.9	-11.3	-7.0
Instituto Complutense de Análisis Económico (ICAE-UCM)	-13.2	12.8	-10.7	10.6	-0.2	0.6	0.9	0.9	0.5	1.0	-6.0	2.1	19.2	17.2	1.5	1.0	-10.5	-7.0
Instituto de Estudios Económicos (IEE)	-25.2	12.0	-25.2	7.0	0.0	1.2	1.0	1.0	1.8	0.5	--	--	20.5	22.0	2.5	2.8	-11.5	-7.5
Intermoney	-22.1	14.5	-21.5	12.3	-0.2	1.1	0.7	1.0	--	--	-8.0	4.5	19.9	17.9	0.7	1.2	-12.8	-7.6
Mapfre Economics	-17.6	10.6	-19.0	8.4	-0.4	1.7	--	--	--	--	--	--	19.1	16.0	1.9	1.5	-13.0	-6.5
Repsol	-8.5	27.4	-1.8	30.8	-0.2	1.0	1.0	0.9	2.0	0.5	-5.7	4.9	18.6	17.0	-1.4	1.1	-14.0	-10.5
Santander	-26.5	3.6	-24.2	3.5	-0.1	1.4	1.0	0.7	2.3	2.0	-5.1	2.1	17.8	17.1	0.6	0.5	--	--
YGroup Companies	-33.0	14.0	-38.0	12.0	0.0	1.0	1.0	1.2	--	--	-10.0	6.0	22.0	20.0	2.5	3.0	-14.0	-9.0
Universidad Loyola Andalucía	-19.6	12.8	-16.2	11.1	-0.1	0.6	--	--	--	--	-3.6	-1.4	17.5	19.3	-2.0	0.5	-11.1	-6.8
CONSENSUS (AVERAGE)	-20.2	12.8	-19.6	11.0	-0.2	1.0	0.9	0.9	1.5	1.0	-6.0	2.4	19.1	18.0	1.0	1.4	-11.9	-7.4
Maximum	-8.5	27.4	-1.8	30.8	0.2	1.7	1.2	1.6	2.3	2.8	-2.9	6.1	22.0	22.0	2.5	3.0	-9.4	-4.7
Minimum	-33.0	3.6	-38.0	3.5	-0.6	0.0	0.3	0.4	0.5	0.0	-10.0	-1.8	17.4	14.2	-2.0	0.2	-14.7	-10.5
Change on 2 months earlier[1]	-0.1	2.1	2.0	2.1	0.2	0.1	0.5	0.1	0.2	1.2	1.6	-2.0	-1.1	0.1	-0.5	-0.1	-1.1	-0.3
- Rise[2]	4	6	7	6	6	5	8	6	1	3	8	2	2	5	4	6	1	2
- Drop[2]	6	4	4	4	8	4	1	2	2	1	3	10	9	6	7	4	10	8
Change on 6 months earlier[1]	-22.6	--	-22.4	--	-1.3	--	-0.2	--	-0.2	--	-7.4	--	5.6	--	-0.2	--	-9.7	--
Memorandum items:																		
Government (April 2020)	-27.1	11.6	-31.0	9.3	--	--	--	--	--	--	-9.7	5.7	19.0	17.2	--	--	-10.3	--
Bank of Spain (June 2020)[8]	-16.7 /...	21.8 /...	-16.6 /...	19.6 /...	-0.1/-0.3[7]	1.3/0.9[7]	0.9 /0.6[7]	1.1/0.5[7]	--	--	-10.1/...	7.3/...	18.1/ 23.6	18.4/ 24.7	--	--	-9.5 /...	-5.8/...
EC (July 2020)	--	--	--	--	-0.1 [7]	0.9 [7]	--	--	--	--	--	--	--	--	--	--	--	--
IMF (June 2020)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	-13.9	-8.3
OECD (June 2020)[8]	-16.7/-19.8	9.5/5.7	-18/-21.1	10.7/ 7.5	0/-0.2 [7]	0.3/-0.2[7]	0.4/0.3[7]	0.3/ 0[7]	--	--	--	--	19.2 / 20.1	18.7 / 21.9	2.3	2.0	-10.3/-12.5	-6.2/-9.6

[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] *Average earnings per full-time equivalent job.*

[4] *In National Accounts terms: full-time equivalent jobs.*

[5] *Current account balance, according to Bank of Spain estimates.*

[6] *Excluding financial entities bail-out expenditures.*

[7] *Harmonized Index of Consumer Prices (HIPC).*

[8] *Range reflecting less adverse to more adverse scenarios.*

Table 2

Quarterly Forecasts – July 2020

	20-I Q	20-II Q	20-III Q	20-IV Q	21-I Q	21-II Q	21-III Q	21-IV Q
GDP[1]	-5.2	-17.0	13.1	3.9	1.1	1.3	1.1	0.8
Euribor 1 yr [2]	-0.27	-0.15	-0.21	-0.21	-0.20	-0.20	-0.22	-0.18
Government bond yield 10 yr [2]	0.51	0.52	0.56	0.64	0.69	0.77	0.82	0.86
ECB main refinancing operations interest rate [2]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ECB deposit rates [2]	-0.5	-0.5	-0.5	-0.5	-0.49	-0.46	-0.46	-0.45
Dollar / Euro exchange rate [2]	1.11	1.13	1.12	1.12	1.13	1.13	1.13	1.13

Forecasts in yellow.
[1] *Qr-on-qr growth rates.*
[2] *End of period.*

Table 3

CPI Forecasts – July 2020

Year-on-year change (%)					
Jun-20	Jul-20	Aug-20	Sep-20	Dec-20	Dec-21
-0.3	-0.3	-0.3	-0.2	0.0	1.2

Table 4

Opinions – July 2020

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	0	1	19	14	5	1
International context: Non-EU	0	0	20	12	7	1
	Is being			**Should be**		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment[1]	0	1	19	0	1	19
Monetary policy assessment[1]	0	0	20	0	0	20
	2020	**2021**		**2022**		**2023**
	Second half	First half	Second half	First half	Second half	First half
After which point of the year do you consider that fiscal policy should include measures aimed at reducing the structural deficit?	1	3	4	4	5	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				Equipment & others products	Exports	Imports	Domestic demand (a)	Net exports (a)
					Total	Construction							
						Total	Housing	Other constructions					
Chain-linked volumes, annual percentage changes													
2013		-1.4	-2.9	-2.1	-3.8	-8.2	-7.6	-8.7	1.3	4.4	-0.2	-2.9	1.5
2014		1.4	1.7	-0.7	4.1	3.0	9.9	-2.6	5.2	4.5	6.8	1.9	-0.5
2015		3.8	2.9	2.0	4.9	1.5	-3.2	5.7	8.2	4.3	5.1	3.9	-0.1
2016		3.0	2.7	1.0	2.4	1.6	8.9	-4.8	3.1	5.4	2.6	2.0	1.0
2017		2.9	3.0	1.0	5.9	5.9	11.5	0.2	5.9	5.6	6.6	3.0	-0.1
2018		2.4	1.8	1.9	5.3	6.6	7.7	5.3	4.1	2.2	3.3	2.6	-0.3
2019		2.0	1.1	2.3	1.8	0.8	2.9	-1.7	2.7	2.6	1.2	1.5	0.5
2020		-8.4	-10.6	5.1	-17.5	-16.6	-17.5	-15.4	-18.3	-19.4	-21.5	-8.6	0.2
2021		6.0	9.9	0.2	2.2	2.2	3.6	0.5	2.1	17.4	19.3	6.0	0.1
2019	I	2.2	1.2	2.3	4.8	4.0	3.0	5.2	5.6	0.8	0.4	2.1	0.1
	II	2.0	0.7	2.3	0.5	1.7	3.7	-0.7	-0.7	2.6	-0.2	1.1	1.0
	III	1.9	1.3	2.2	1.4	0.0	2.3	-2.9	2.8	3.6	2.7	1.5	0.4
	IV	1.8	1.2	2.4	0.6	-2.2	2.8	-8.2	3.4	3.3	2.1	1.3	0.5
2020	I	-4.1	-6.6	3.6	-6.7	-11.9	-10.6	-13.6	-1.4	-6.3	-7.4	-4.2	0.1
	II	-19.6	-22.8	5.1	-21.1	-22.8	-24.8	-20.3	-19.3	-33.7	-26.5	-16.3	-3.3
	III	-5.0	-5.9	5.6	-21.0	-16.3	-17.0	-15.5	-25.6	-19.9	-26.3	-6.5	1.5
	IV	-5.0	-7.1	5.9	-21.2	-15.2	-17.6	-12.0	-26.9	-17.4	-25.5	-7.1	2.1
2021	I	1.1	4.8	3.0	-12.6	-5.0	-4.2	-6.1	-19.4	-1.8	-3.1	0.8	0.4
	II	20.8	27.6	0.0	6.9	9.4	13.3	4.6	4.5	42.2	27.4	16.0	4.8
	III	2.2	4.3	-0.7	7.3	2.4	3.0	1.6	12.7	19.5	28.0	3.6	-1.3
	IV	2.3	6.1	-1.4	9.7	3.1	3.5	2.6	17.2	17.0	30.0	4.8	-2.5
Chain-linked volumes, quarter-on-quarter percentage changes													
2019	I	0.6	0.4	0.6	1.5	0.4	0.9	-0.2	2.6	1.0	0.9	-1.8	2.4
	II	0.4	-0.1	0.5	-0.8	-0.5	1.1	-2.3	-1.0	1.6	0.5	-1.8	2.1
	III	0.4	0.8	0.6	1.1	-0.8	0.1	-2.0	3.0	0.1	1.4	-1.1	1.5
	IV	0.4	0.1	0.7	-1.2	-1.3	0.8	-3.9	-1.2	0.6	-0.8	-0.2	0.6
2020	I	-5.2	-7.3	1.8	-5.8	-9.6	-12.3	-6.0	-2.1	-8.4	-8.4	-20.0	14.8
	II	-15.9	-17.5	2.0	-16.1	-12.8	-15.0	-10.0	-19.0	-28.1	-20.2	-50.7	34.8
	III	18.7	23.0	1.0	1.2	7.5	10.5	4.0	-5.0	20.9	1.7	51.0	-32.3
	IV	0.3	-1.2	1.0	-1.4	0.0	0.0	0.0	-3.0	3.7	0.2	-2.9	3.2
2021	I	0.9	4.5	-1.0	4.4	1.3	2.0	0.3	8.0	8.9	19.2	12.5	-11.5
	II	0.5	0.5	-1.0	2.6	0.4	0.5	0.3	5.0	4.2	4.9	2.1	-1.7
	III	0.5	0.5	0.3	1.6	0.7	0.5	1.0	2.5	1.6	2.1	2.5	-2.0
	IV	0.4	0.5	0.3	0.8	0.7	0.5	1.0	0.8	1.5	1.8	1.9	-1.5
		Current prices (EUR billions)	Percentage of GDP at current prices										
2013		1,020	59.0	19.9	17.4	8.7	3.9	4.8	8.7	33.0	29.0	96.1	3.9
2014		1,032	59.4	19.6	17.8	8.8	4.2	4.6	8.9	33.5	30.4	96.9	3.1
2015		1,078	58.5	19.5	18.0	8.7	4.0	4.6	9.3	33.6	30.6	97.0	3.0
2016		1,114	58.2	19.1	18.0	8.6	4.4	4.2	9.4	33.9	29.9	96.0	4.0
2017		1,162	58.4	18.6	18.7	9.0	4.8	4.2	9.6	35.2	31.6	96.4	3.6
2018		1,202	58.3	18.6	19.4	9.6	5.3	4.3	9.8	35.1	32.4	97.3	2.7
2019		1,245	57.6	18.7	20.0	10.0	5.7	4.3	10.0	34.9	32.0	97.2	2.8
2020		1,151	55.7	21.6	18.1	9.1	5.1	4.0	9.0	29.7	26.0	96.3	3.7
2021		1,233	58.0	20.4	17.4	8.8	5.0	3.8	8.7	32.8	29.4	96.7	3.3

** Seasonally and Working Day Adjusted. These data are previous to the updating of the first quarter GDP data, made after the closure of this edition.*

(a) Contribution to GDP growth.

Source: INE and Funcas (Forecasts).

Chart 1.1 - GDP

Percentage change

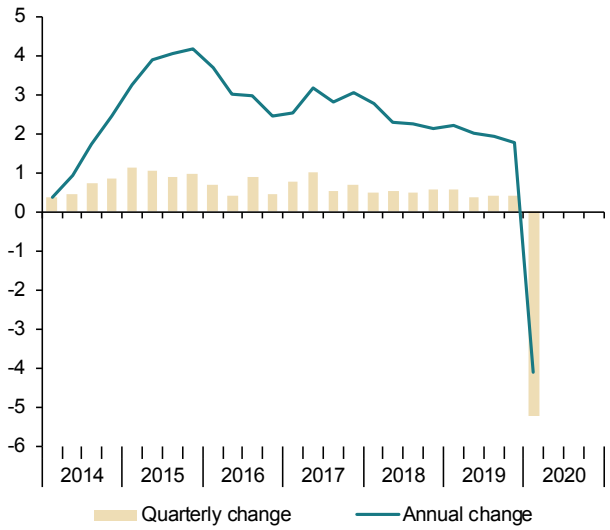


Chart 1.2 - Contribution to GDP annual growth

Percentage points

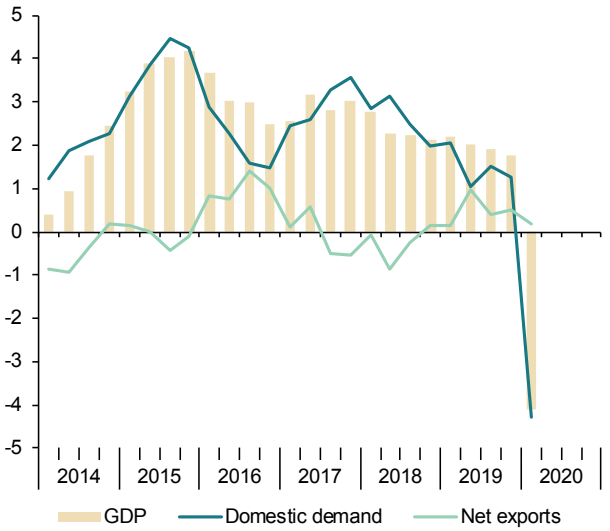


Chart 1.3 - Final consumption

Annual percentage change

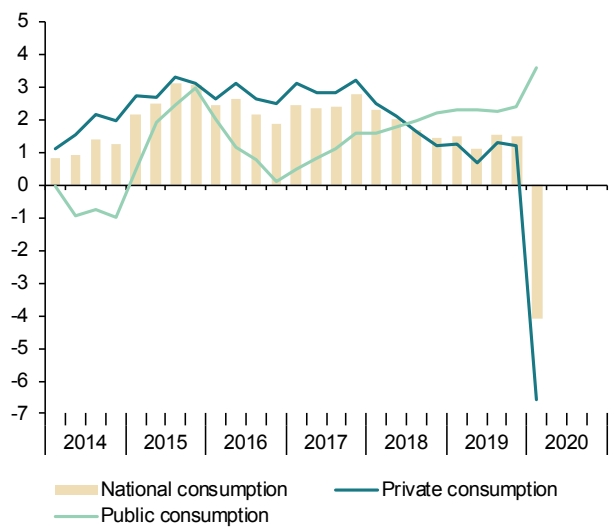


Chart 1.4 - Gross fixed capital formation

Annual percentage change

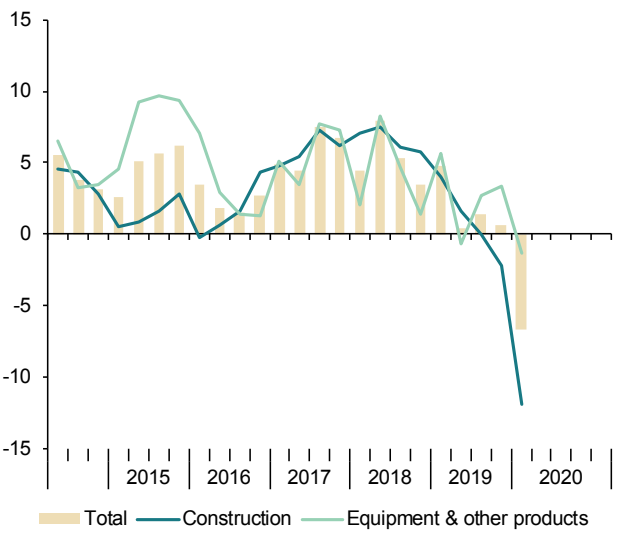


Table 2

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								
2013		-1.3	13.9	-4.0	-1.0	-10.3	-0.4	0.2	-0.7	-3.1
2014		0.9	-1.3	1.3	2.1	-1.3	1.1	-0.7	1.7	6.1
2015		3.3	4.7	3.0	4.6	5.4	3.1	1.1	3.8	9.6
2016		2.8	4.8	4.1	2.3	3.9	2.4	1.4	2.7	5.2
2017		2.9	-3.0	3.1	4.9	4.9	2.9	1.5	3.4	2.8
2018		2.5	5.9	-0.4	0.7	5.7	2.7	1.7	3.0	1.2
2019		2.2	-2.6	0.6	0.4	3.5	2.6	2.0	2.8	-0.1
2018	I	2.8	5.9	0.4	1.7	5.0	3.0	1.9	3.4	2.4
	II	2.4	7.8	-0.3	1.2	5.5	2.5	1.2	2.9	1.5
	III	2.4	3.0	-0.2	0.2	6.2	2.6	1.8	2.9	0.8
	IV	2.3	6.9	-1.5	-0.3	5.9	2.7	2.0	2.9	0.0
2019	I	2.5	-0.1	-0.4	0.1	6.3	2.9	2.2	3.1	-0.5
	II	2.3	-4.5	0.5	0.0	4.5	2.8	2.4	2.9	-0.7
	III	2.1	0.0	1.0	0.7	2.5	2.4	1.9	2.6	0.1
	IV	1.9	-5.4	1.2	0.7	0.9	2.4	1.7	2.6	0.9
2020	I	-4.0	-2.5	-2.2	-2.8	-8.6	-4.1	2.0	-6.0	-4.8
		Chain-linked volumes, quarter-on-quarter percentage changes								
2018	I	0.5	2.5	-0.4	-0.2	1.1	0.6	0.3	0.6	0.5
	II	0.6	2.0	-0.5	0.1	2.0	0.6	0.2	0.8	0.1
	III	0.6	-3.3	-0.1	-0.3	1.4	0.8	0.8	0.8	-0.2
	IV	0.7	5.7	-0.5	0.0	1.3	0.6	0.5	0.7	-0.4
2019	I	0.6	-4.2	0.7	0.3	1.4	0.8	0.5	0.9	-0.1
	II	0.4	-2.5	0.5	0.0	0.4	0.6	0.5	0.6	-0.1
	III	0.4	1.3	0.4	0.3	-0.6	0.4	0.3	0.5	0.6
	IV	0.4	0.1	-0.4	0.1	-0.3	0.6	0.4	0.7	0.5
2020	I	-5.2	-1.4	-2.7	-3.2	-8.1	-5.6	0.8	-7.6	-5.7
		Current prices EUR billions)	Percentage of value added at basic prices							
2013		932	2.9	16.4	12.2	5.8	74.9	18.9	56.0	9.4
2014		940	2.8	16.4	12.4	5.7	75.2	18.7	56.5	9.8
2015		978	3.0	16.4	12.4	5.8	74.9	18.5	56.4	10.1
2016		1,011	3.1	16.2	12.4	5.9	74.8	18.4	56.5	10.2
2017		1,053	3.1	16.2	12.6	6.0	74.7	18.0	56.7	10.3
2018		1,088	3.1	15.9	12.4	6.2	74.8	18.0	56.9	10.5
2019		1,130	2.9	15.8	12.2	6.5	74.8	18.0	56.8	10.2

** Seasonally and Working Day Adjusted. These data are previous to the updating of the first quarter GDP data, made after the closure of this edition.*
Source: INE.

Chart 2.1 - GVA by sectors

Annual percentage change

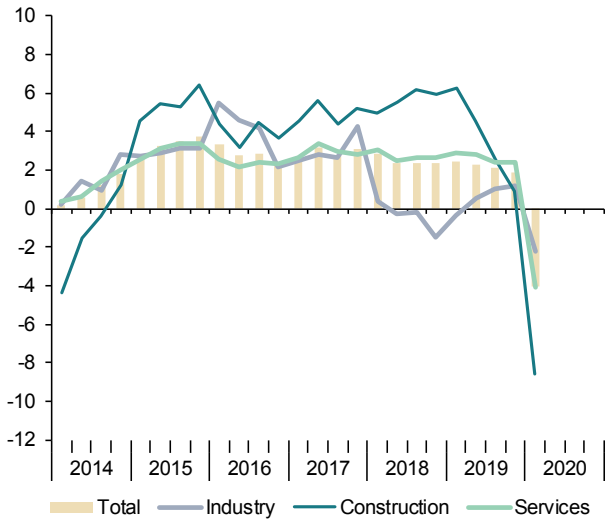


Chart 2.2 - GVA, Industry

Annual percentage change

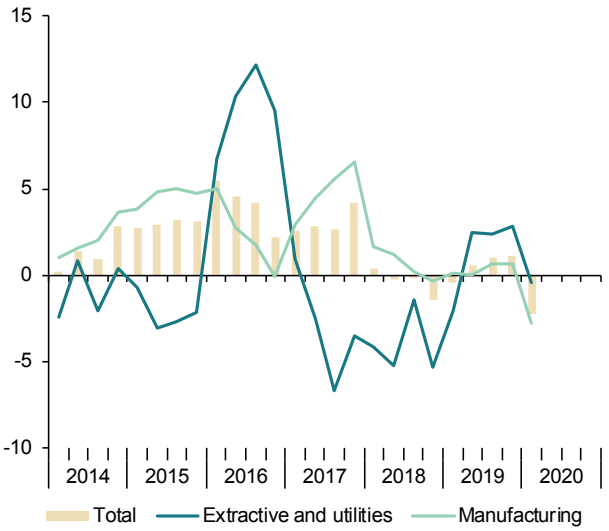


Chart 2.3 - GVA, services

Annual percentage change

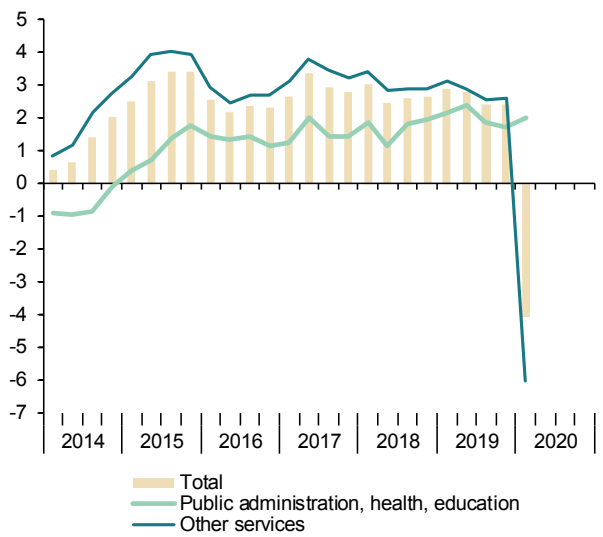


Chart 2.4 - GVA, structure by sectors

Percentage of value added at basic prices

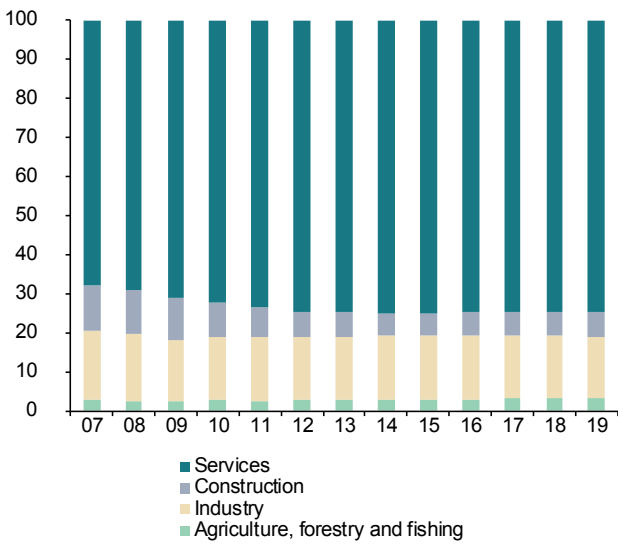


Table 3

National accounts: Productivity and labour costs (*)

Forecasts in yellow

		Total economy						Manufacturing Industry					
		GDP, constant prices	Employment (jobs, full time equivalent)	Employment productivity	Compensation per job	Nominal unit labour cost	Real unit labour cost (a)	Gross value added, constant prices	Employment (jobs, full time equivalent)	Employment productivity	Compensation per job	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
		Indexes, 2010 = 100, SWDA											
2013		95.0	89.3	106.4	101.1	95.1	95.1	93.7	82.7	113.2	105.4	93.1	95.3
2014		96.3	90.2	106.8	101.4	95.0	95.2	95.6	81.2	117.7	106.1	90.2	92.2
2015		100.0	93.0	107.5	102.0	94.9	94.6	100.0	83.1	120.3	105.4	87.6	89.8
2016		103.0	95.6	107.7	101.4	94.1	93.5	102.3	86.0	119.0	105.5	88.7	90.2
2017		106.0	98.3	107.8	102.1	94.7	92.9	107.3	89.2	120.3	106.5	88.5	89.4
2018		108.5	100.8	107.6	103.2	95.9	92.9	108.0	91.0	118.7	107.0	90.1	90.0
2019		110.7	103.1	107.3	105.3	98.1	93.6	108.4	92.6	117.1	108.0	92.2	90.3
2020		101.3	97.6	103.8	95.6	92.1	87.0	--	--	--	--	--	--
2021		107.4	99.9	107.5	105.2	97.8	91.5	--	--	--	--	--	--
2018	I	107.6	99.8	107.9	102.6	95.1	92.7	108.1	90.9	118.9	106.4	89.5	89.9
	II	108.2	100.5	107.7	102.8	95.4	92.6	108.2	91.1	118.7	106.6	89.8	89.5
	III	108.8	101.2	107.5	103.4	96.2	93.3	107.9	91.0	118.5	107.1	90.3	90.0
	IV	109.4	101.9	107.3	103.9	96.8	93.2	107.9	90.9	118.7	107.9	90.9	90.8
2019	I	110.0	102.5	107.3	104.5	97.3	93.5	108.2	91.8	117.9	107.8	91.4	90.4
	II	110.4	103.0	107.2	105.1	98.0	93.6	108.2	92.4	117.2	107.9	92.1	90.2
	III	110.9	103.1	107.6	105.7	98.3	93.8	108.6	93.5	116.2	107.5	92.6	90.6
	IV	111.3	103.9	107.1	105.8	98.8	93.6	108.7	92.6	117.3	108.9	92.8	89.8
2020	I	105.5	101.9	103.5	106.6	103.0	97.7	105.2	92.3	113.9	108.9	95.6	93.1
		Annual percentage changes											
2013		-1.4	-3.3	2.0	1.3	-0.7	-1.1	-1.0	-5.5	4.8	1.7	-2.9	-3.5
2014		1.4	1.0	0.4	0.3	-0.1	0.1	2.1	-1.9	4.0	0.7	-3.2	-3.3
2015		3.8	3.2	0.6	0.6	-0.1	-0.6	4.6	2.4	2.2	-0.7	-2.9	-2.6
2016		3.0	2.8	0.2	-0.6	-0.8	-1.1	2.3	3.5	-1.1	0.1	1.2	0.4
2017		2.9	2.8	0.0	0.7	0.7	-0.7	4.9	3.7	1.1	1.0	-0.2	-0.9
2018		2.4	2.5	-0.2	1.0	1.2	0.1	0.7	2.0	-1.3	0.5	1.8	0.7
2019		2.0	2.3	-0.3	2.0	2.3	0.7	0.4	1.7	-1.3	0.9	2.3	0.3
2020		-8.4	-5.4	-3.2	-9.2	-6.1	-7.0	--	--	--	--	--	--
2021		6.0	2.4	3.5	10.0	6.2	5.2	--	--	--	--	--	--
2018	I	2.8	2.6	0.2	0.6	0.4	-0.8	1.7	3.6	-1.8	0.4	2.3	0.8
	II	2.3	2.4	-0.1	0.9	1.0	-0.1	1.2	2.9	-1.7	0.5	2.3	0.6
	III	2.2	2.5	-0.2	1.3	1.5	0.6	0.2	1.5	-1.3	0.9	2.3	0.8
	IV	2.1	2.7	-0.6	1.3	1.9	0.6	-0.3	0.2	-0.5	0.0	0.6	0.8
2019	I	2.2	2.7	-0.5	1.8	2.4	0.9	0.1	1.0	-0.9	1.3	2.2	0.5
	II	2.0	2.5	-0.5	2.2	2.7	1.1	0.0	1.4	-1.3	1.2	2.6	0.9
	III	1.9	1.8	0.1	2.2	2.1	0.5	0.7	2.7	-2.0	0.4	2.4	0.6
	IV	1.8	2.0	-0.2	1.9	2.1	0.3	0.7	1.8	-1.1	0.9	2.1	-1.0
2020	I	-4.1	-0.6	-3.6	2.0	5.8	4.4	-2.8	0.6	-3.3	1.0	4.5	3.0

(*) These data are previous to the updating of the first quarter GDP data, made after the closure of this edition.

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

Source: INE and Funcas (Forecasts).

Chart 3.1 - Nominal ULC, total economy

Index, 2000=100

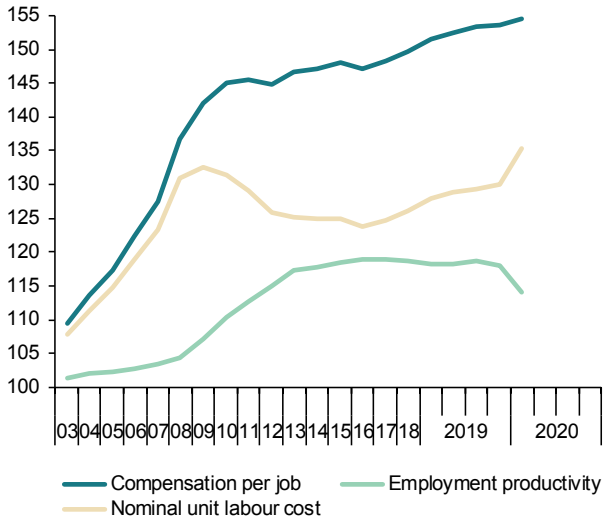
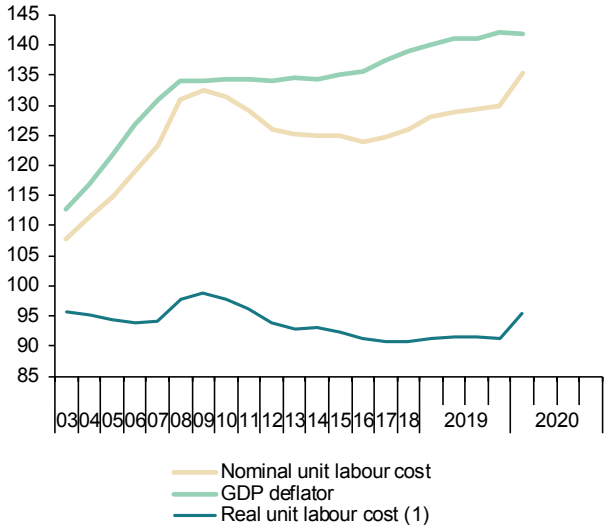


Chart 3.2 - Real ULC, total economy

Index, 2000=100



(1) Nominal ULC deflated by GDP deflator.

Chart 3.3 - Nominal ULC, manufacturing industry

Index, 2000=100

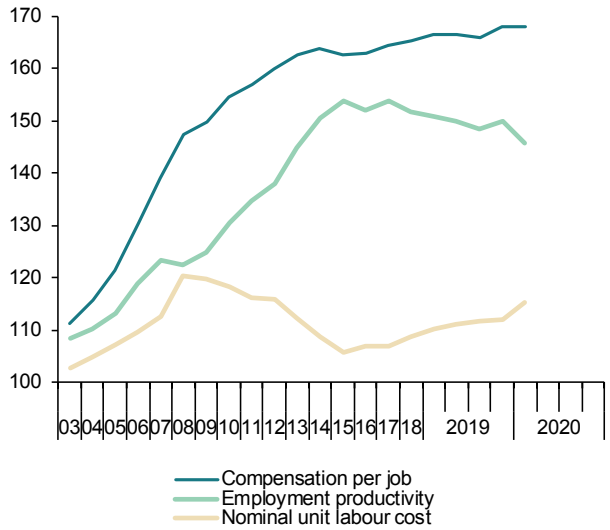
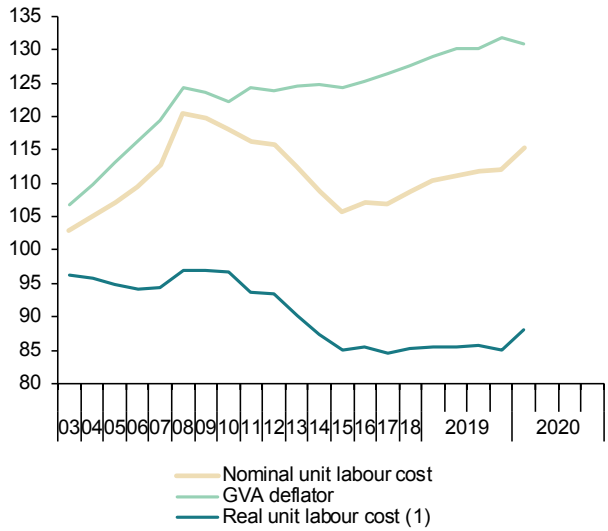


Chart 3.4 - Real ULC, manufacturing industry

Index, 2000=100



(1) Nominal ULC deflated by manufacturing GVA deflator.

Table 4

National accounts: National income, distribution and disposition (*)

Forecasts in yellow

		Gross domestic product	Compen-sation of employees	Gross operating surplus	Gross national disposable income	Final national consum-ption	Gross national saving (a)	Gross capital formation	Compen-sation of employees	Gross operating surplus	Saving rate	Investment rate	Current account balance	Net lending or borrowing
		EUR Billions, 4-quarter cumulated transactions							Percentage of GDP					
2013		1,020.3	467.5	455.0	1,001.1	804.6	196.5	175.7	45.8	44.6	19.3	17.2	2.0	2.6
2014		1,032.2	473.5	455.4	1,017.7	815.4	202.3	184.8	45.9	44.1	19.6	17.9	1.7	2.1
2015		1,077.6	492.9	472.6	1,066.7	840.1	226.5	204.7	45.7	43.9	21.0	19.0	2.0	2.7
2016		1,113.8	503.7	495.8	1,104.8	860.5	244.3	208.9	45.2	44.5	21.9	18.8	3.2	3.4
2017		1,161.9	523.4	518.7	1,151.4	894.6	256.8	225.7	45.1	44.6	22.1	19.4	2.7	2.9
2018		1,202.2	544.6	531.8	1,192.9	924.6	268.2	244.9	45.3	44.2	22.3	20.4	1.9	2.4
2019		1,245.3	570.4	547.9	1,235.3	950.5	284.8	259.6	45.8	44.0	22.9	20.8	2.0	2.3
2020		1,150.6	491.6	547.1	1,130.1	888.9	241.3	219.0	42.7	47.5	21.0	19.0	1.9	2.1
2021		1,232.7	554.9	555.0	1,206.8	965.7	241.1	225.9	45.0	45.0	19.6	18.3	1.2	1.4
2018	I	1,173.2	528.1	524.1	1,161.7	902.1	259.6	228.9	45.0	44.7	22.1	19.5	2.6	2.9
	II	1,182.9	533.1	527.0	1,172.8	909.0	263.8	234.9	45.1	44.5	22.3	19.9	2.4	2.7
	III	1,192.2	538.7	529.1	1,181.7	917.2	264.6	239.1	45.2	44.4	22.2	20.1	2.1	2.5
	IV	1,202.2	544.6	531.8	1,192.9	924.6	268.2	244.9	45.3	44.2	22.3	20.4	1.9	2.4
2019	I	1,213.1	551.2	535.1	1,203.2	931.6	271.5	251.5	45.4	44.1	22.4	20.7	1.7	2.1
	II	1,223.9	558.0	539.3	1,214.5	938.5	275.9	254.6	45.6	44.1	22.5	20.8	1.7	2.3
	III	1,234.5	564.2	543.4	1,224.7	944.5	280.2	258.2	45.7	44.0	22.7	20.9	1.8	2.3
	IV	1,245.3	570.4	547.9	1,235.3	950.5	284.8	259.6	45.8	44.0	22.9	20.8	2.0	2.3
2020	I	1,236.5	574.4	535.3	--	943.6	--	258.5	46.5	43.3	--	20.9	--	--
		Annual percentage changes							Difference from one year ago					
2013		-1.0	-2.9	-0.8	-1.0	-1.8	2.9	-7.6	-0.9	0.1	0.7	-1.2	2.0	2.0
2014		1.2	1.3	0.1	1.7	1.3	3.0	5.2	0.1	-0.5	0.3	0.7	-0.3	-0.5
2015		4.4	4.1	3.8	4.8	3.0	12.0	10.8	-0.1	-0.3	1.4	1.1	0.3	0.5
2016		3.4	2.2	4.9	3.6	2.4	7.8	2.0	-0.5	0.7	0.9	-0.2	1.1	0.7
2017		4.3	3.9	4.6	4.2	4.0	5.1	8.1	-0.2	0.1	0.2	0.7	-0.5	-0.5
2018		3.5	4.0	2.5	3.6	3.4	4.4	8.5	0.2	-0.4	0.2	0.9	-0.7	-0.5
2019		3.6	4.7	3.0	3.6	2.8	6.2	6.0	0.5	-0.2	0.6	0.5	0.1	-0.1
2020		-7.6	-13.8	-0.2	-8.5	-6.5	-15.3	-15.6	-3.1	3.5	-1.9	-1.8	-0.1	-0.2
2021		7.1	12.9	1.4	6.8	8.6	-0.1	3.1	2.3	-2.5	-1.4	-0.7	-0.7	-0.7
2018	I	4.4	3.9	4.9	4.0	3.8	4.4	8.3	-0.2	0.2	0.0	0.7	-0.7	-0.5
	II	4.0	3.9	4.0	4.0	3.6	5.6	9.3	0.0	0.0	0.3	1.0	-0.6	-0.5
	III	3.8	4.0	3.3	3.8	3.5	4.7	8.3	0.1	-0.2	0.2	0.8	-0.6	-0.5
	IV	3.5	4.0	2.5	3.6	3.4	4.4	8.5	0.2	-0.4	0.2	0.9	-0.7	-0.5
2019	I	3.4	4.4	2.1	3.6	3.3	4.6	9.9	0.4	-0.6	0.3	1.2	-1.0	-0.8
	II	3.5	4.7	2.3	3.6	3.2	4.6	8.4	0.5	-0.5	0.2	0.9	-0.7	-0.5
	III	3.6	4.7	2.7	3.6	3.0	5.9	8.0	0.5	-0.4	0.5	0.9	-0.4	-0.2
	IV	3.6	4.7	3.0	3.6	2.8	6.2	6.0	0.5	-0.2	0.6	0.5	0.1	-0.1
2020	I	1.9	4.2	0.0	--	1.3	--	2.8	1.0	-0.8	--	0.2	--	--

(*) These data are previous to the updating of the first quarter GDP data, made after the closure of this edition.

(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

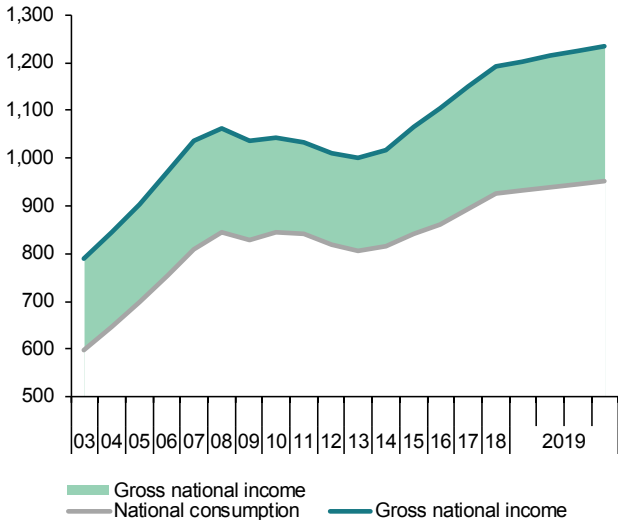


Chart 4.2 - National income, consumption and saving rate

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

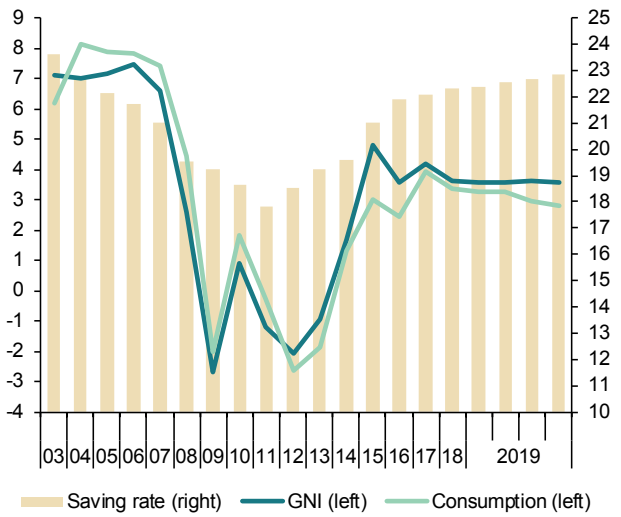


Chart 4.3 - Components of National Income

Percentage of GDP, 4-quarter moving averages

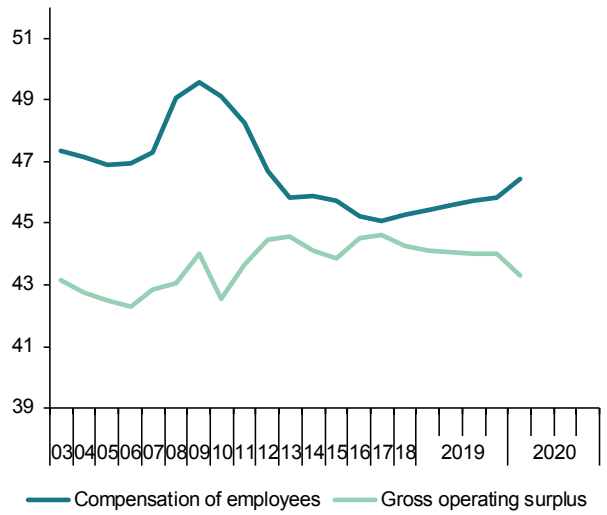


Chart 4.4 - Saving, Investment and Current Account Balance

Percentage of GDP, 4-quarter moving averages

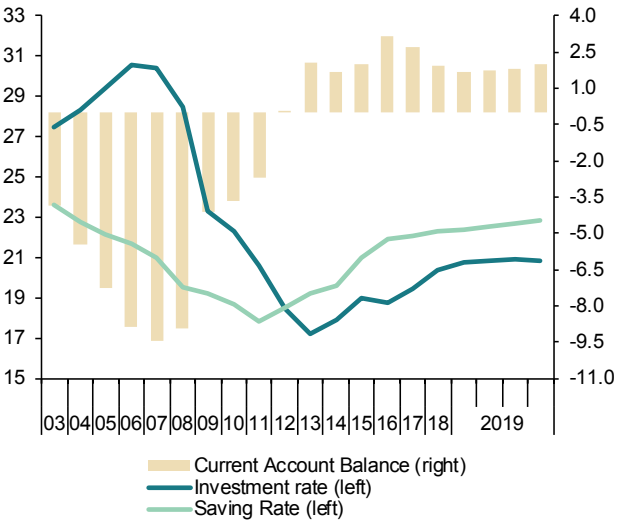


Table 5

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		
2013		655.9	601.7	51.7	31.0	7.9	3.0	1.9	228.6	167.4	114.7	16.4	11.2	5.3
2014		656.2	612.7	41.5	30.2	6.3	2.9	1.0	228.7	171.7	127.7	16.6	12.4	4.7
2015		682.2	630.2	49.0	30.5	7.2	2.8	1.7	241.0	185.1	140.4	17.2	13.0	4.4
2016		700.6	648.3	49.2	31.8	7.0	2.9	1.4	255.3	196.2	149.2	17.6	13.4	4.4
2017		721.1	678.2	39.8	37.1	5.5	3.2	0.0	266.8	202.1	160.1	17.4	13.8	3.8
2018		747.9	700.8	44.3	41.4	5.9	3.4	0.0	270.0	198.8	175.0	16.5	14.6	2.2
2019		777.2	717.3	57.2	40.6	7.4	3.3	1.1	276.8	204.0	191.7	16.4	15.4	1.3
2020		752.2	640.9	108.6	33.5	14.4	2.9	6.3	233.4	178.6	161.8	15.5	14.1	1.7
2021		787.6	714.7	70.1	35.2	8.9	2.9	2.6	222.5	170.1	166.4	13.8	13.5	0.5
2018	I	727.0	684.3	39.8	37.0	5.5	3.2	0.0	268.4	203.9	163.6	17.4	14.0	3.6
	II	734.0	689.5	41.6	38.3	5.7	3.2	0.1	269.5	204.6	166.7	17.3	14.1	3.4
	III	739.7	695.5	41.5	39.3	5.6	3.3	0.0	270.0	202.2	172.1	17.0	14.5	2.7
	IV	747.9	700.8	44.3	41.4	5.9	3.4	0.0	270.0	198.8	175.0	16.5	14.6	2.2
2019	I	754.4	705.5	46.3	42.0	6.1	3.5	0.1	271.4	200.2	179.8	16.5	14.8	1.9
	II	765.7	709.1	54.1	41.5	7.1	3.4	0.8	273.5	199.4	184.6	16.3	15.1	1.5
	III	770.6	713.5	53.9	41.2	7.0	3.3	0.8	274.6	200.7	187.6	16.3	15.2	1.4
	IV	777.2	717.3	57.2	40.6	7.4	3.3	1.1	276.8	204.0	191.7	16.4	15.4	1.3
		Annual percentage changes				Difference from one year ago			Annual percentage changes			Difference from one year ago		
2013		-0.4	-2.0	20.9	-27.0	1.4	-1.1	1.8	0.6	7.4	0.5	1.3	0.2	1.0
2014		0.0	1.8	-19.8	-2.7	-1.6	-0.1	-1.0	0.0	2.5	11.3	0.2	1.1	-0.6
2015		4.0	2.9	18.1	1.1	0.9	-0.1	0.7	5.4	7.8	10.0	0.5	0.7	-0.3
2016		2.7	2.9	0.5	4.2	-0.2	0.0	-0.3	5.9	6.0	6.2	0.4	0.4	0.0
2017		2.9	4.6	-19.3	16.8	-1.5	0.3	-1.4	4.5	3.0	7.3	-0.2	0.4	-0.7
2018		3.7	3.3	11.3	11.6	0.4	0.2	0.0	1.2	-1.6	9.4	-0.9	0.8	-1.5
2019		3.9	2.4	29.2	-1.9	1.4	-0.2	1.1	2.5	2.6	9.5	-0.2	0.8	-1.0
2020		-3.2	-10.7	89.9	-17.5	7.1	-0.3	5.2	-15.7	-12.5	-15.6	-0.9	-1.3	0.5
2021		4.7	11.5	-35.4	5.1	-5.5	-0.1	-3.7	-4.7	-4.7	2.8	-1.7	-0.6	-1.2
2018	I	3.2	4.2	-9.8	9.5	-0.8	0.2	-0.7	4.1	2.4	9.2	-0.3	0.6	-1.0
	II	3.3	3.7	-2.3	11.5	-0.3	0.2	-0.5	3.2	4.0	8.6	0.0	0.6	-0.6
	III	3.6	3.6	4.6	10.0	0.0	0.2	-0.1	2.9	2.5	10.0	-0.2	0.8	-1.0
	IV	3.7	3.3	11.3	11.6	0.4	0.2	0.0	1.2	-1.6	9.4	-0.9	0.8	-1.5
2019	I	3.8	3.1	16.2	13.4	0.7	0.3	0.1	1.1	-1.8	9.9	-0.9	0.9	-1.6
	II	4.3	2.8	30.1	8.3	1.4	0.1	0.8	1.5	-2.5	10.7	-1.0	1.0	-1.9
	III	4.2	2.6	30.0	4.9	1.4	0.0	0.9	1.7	-0.7	9.0	-0.7	0.7	-1.4
	IV	3.9	2.4	29.2	-1.9	1.4	-0.2	1.1	2.5	2.6	9.5	-0.2	0.8	-1.0

Source: INE and Funcas (Forecasts).

Chart 5.1 - Households: Net lending or borrowing

Percentage of GDP, 4-quarter moving averages

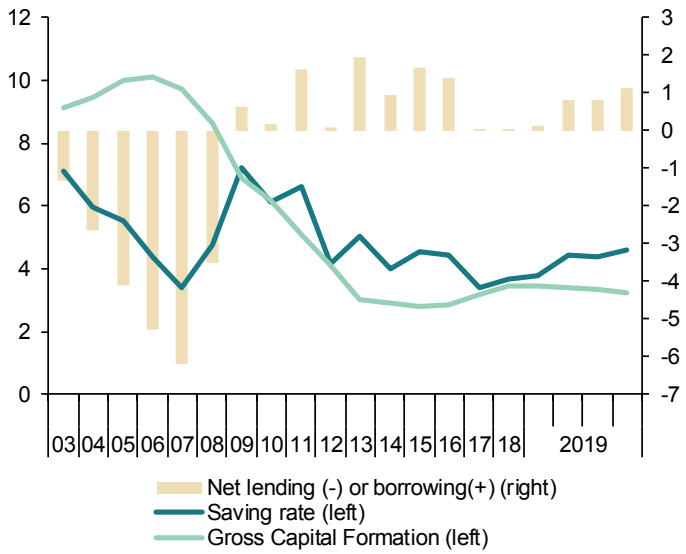


Chart 5.2 - Non-financial corporations: Net lending or borrowing

Percentage of GDP, 4-quarter moving averages

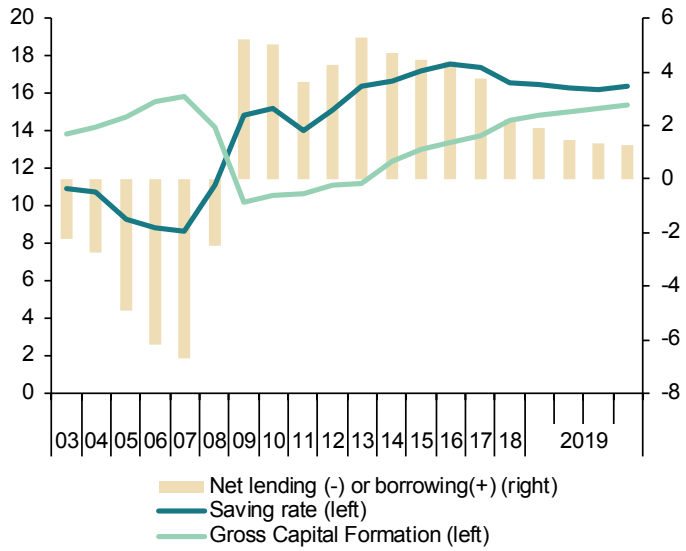


Table 6

National accounts: Public revenue, expenditure and deficit

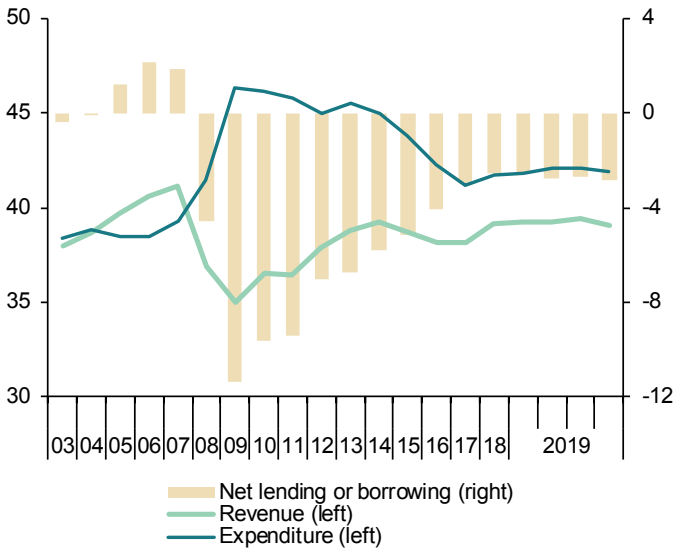
Forecasts in yellow

		Non financial revenue					Non financial expenditures							Net lending(+)/ net borrowing(-)	Net lending(+)/ net borrowing (-) excluding financial entities bail-out expenditures
		Taxes on production and imports	Taxes on income and wealth	Social contributions	Capital and other revenue	Total	Compensation of employees	Intermediate consumption	Interests	Social benefits and social transfers in kind	Gross capital formation and other capital expenditure	Other expenditure	Total		
		1	2	3	4	5=1+2+3+4	6	7	8	9	10	11	12=6+7+8+9+10+11	13=5-12	14
		EUR Billions, 4-quarter cumulated operations													
2013		112.8	102.2	126.9	53.9	395.9	114.4	55.7	35.4	198.8	35.2	28.1	467.6	-71.8	-68.5
2014		118.5	104.4	129.0	52.7	404.6	115.0	56.3	35.5	198.5	32.4	28.0	465.7	-61.1	-59.7
2015		126.4	107.1	131.5	52.1	417.2	119.2	59.0	32.4	198.6	35.4	28.3	473.0	-55.8	-55.2
2016		128.9	110.0	135.6	50.3	424.8	121.5	58.7	30.7	203.0	30.4	28.4	472.7	-48.0	-45.6
2017		135.1	116.9	142.4	49.1	443.5	123.5	59.9	29.3	207.4	30.6	28.0	478.7	-35.1	-34.6
2018		140.9	127.3	149.4	53.4	471.0	127.6	62.1	29.3	216.3	36.3	29.8	501.5	-30.5	-30.4
2019		142.7	129.2	160.5	54.3	486.8	134.1	64.2	28.5	229.6	34.1	31.5	521.9	-35.2	-35.2
2020		127.5	116.4	130.6	53.6	428.1	136.7	68.7	29.5	250.3	30.6	32.1	547.8	-119.7	-119.7
2021		138.9	123.4	152.5	55.1	469.9	139.5	68.7	34.9	245.8	31.0	32.6	552.4	-82.5	-82.5
2018	I	136.6	118.7	144.3	49.3	448.8	124.0	60.1	29.0	208.8	32.2	28.9	483.0	-34.2	-33.8
	II	138.4	120.1	146.0	50.5	455.1	124.8	60.9	28.9	210.5	33.8	28.8	487.7	-32.6	-32.5
	III	139.5	123.0	147.7	51.2	461.4	126.0	61.4	29.3	213.3	34.0	29.1	493.3	-31.8	-31.7
	IV	140.9	127.3	149.4	53.4	471.0	127.6	62.1	29.3	216.3	36.3	29.8	501.5	-30.5	-30.4
2019	I	142.3	127.0	152.4	54.6	476.3	129.3	62.7	28.9	219.2	36.3	30.7	507.2	-30.8	-31.0
	II	142.2	128.9	155.2	54.7	481.0	131.6	63.0	29.3	223.8	36.1	31.2	515.1	-34.2	-34.1
	III	143.0	130.8	157.9	55.3	486.9	132.7	63.5	28.8	225.8	37.0	32.1	520.0	-33.0	-33.0
	IV	142.7	129.2	160.5	54.3	486.8	134.1	64.2	28.5	229.6	34.1	31.5	521.9	-35.2	-35.2
		Percentage of GDP, 4-quarter cumulated operations													
2013		11.1	10.0	12.4	5.3	38.8	11.2	5.5	3.5	19.5	3.4	2.8	45.8	-7.0	-6.7
2014		11.5	10.1	12.5	5.1	39.2	11.1	5.5	3.4	19.2	3.1	2.7	45.1	-5.9	-5.8
2015		11.7	9.9	12.2	4.8	38.7	11.1	5.5	3.0	18.4	3.3	2.6	43.9	-5.2	-5.1
2016		11.6	9.9	12.2	4.5	38.1	10.9	5.3	2.8	18.2	2.7	2.6	42.4	-4.3	-4.1
2017		11.6	10.1	12.3	4.2	38.2	10.6	5.2	2.5	17.9	2.6	2.4	41.2	-3.0	-3.0
2018		11.7	10.6	12.4	4.4	39.2	10.6	5.2	2.4	18.0	3.0	2.5	41.7	-2.5	-2.5
2019		11.5	10.4	12.9	4.4	39.1	10.8	5.2	2.3	18.4	2.7	2.5	41.9	-2.8	-2.8
2020		11.1	10.1	11.4	4.7	37.2	11.9	6.0	2.6	21.8	2.7	2.8	47.6	-10.4	-10.4
2021		11.3	10.0	12.4	4.5	38.1	11.3	5.6	2.8	19.9	2.5	2.6	44.8	-6.7	-6.7
2018	I	11.7	10.1	12.3	4.2	38.3	10.6	5.1	2.5	17.8	2.7	2.5	41.2	-2.9	-2.9
	II	11.7	10.2	12.4	4.3	38.5	10.6	5.1	2.4	17.8	2.9	2.4	41.3	-2.8	-2.7
	III	11.7	10.3	12.4	4.3	38.8	10.6	5.2	2.5	17.9	2.9	2.4	41.4	-2.7	-2.7
	IV	11.7	10.6	12.4	4.4	39.2	10.6	5.2	2.4	18.0	3.0	2.5	41.7	-2.5	-2.5
2019	I	11.7	10.5	12.6	4.5	39.2	10.7	5.2	2.4	18.1	3.0	2.5	41.8	-2.5	-2.6
	II	11.6	10.5	12.7	4.5	39.3	10.7	5.1	2.4	18.3	2.9	2.5	42.1	-2.8	-2.8
	III	11.6	10.6	12.8	4.5	39.4	10.7	5.1	2.3	18.3	3.0	2.6	42.1	-2.7	-2.7
	IV	11.5	10.4	12.9	4.4	39.1	10.8	5.2	2.3	18.4	2.7	2.5	41.9	-2.8	-2.8

Source: IGAE and Funcas (Forecasts).

Chart 6.1 - Public sector: Revenue, expenditure and deficit (a)

Percentage of GDP, 4-quarter moving averages



(a) Excluding financial entities bail-out expenditures.

Chart 6.2 - Public sector: Main expenditures

Percentage of GDP, 4-quarter moving averages

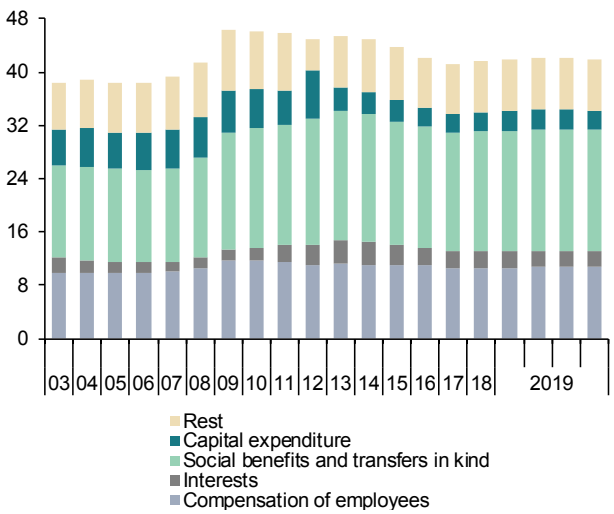


Table 7

Public sector balances, by level of Government

Forecasts in yellow

		Net lending (+)/ net borrowing (-) (a)					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				
2013		-46.5	-16.4	5.7	-11.3	-68.5	849.4	210.5	42.1	17.2	977.3
2014		-35.9	-18.7	5.5	-10.6	-59.7	901.4	237.9	38.3	17.2	1,039.4
2015		-28.2	-18.9	4.6	-12.9	-55.2	939.3	263.3	35.1	17.2	1,070.1
2016		-25.7	-9.5	7.0	-17.4	-45.6	968.4	277.0	32.2	17.2	1,104.6
2017		-20.6	-4.2	6.9	-16.8	-34.6	1,011.5	288.1	29.0	27.4	1,145.1
2018		-15.9	-3.3	6.1	-17.4	-30.4	1,047.3	293.4	25.8	41.2	1,173.3
2019		-16.2	-6.8	3.8	-16.1	-35.2	1,061.2	295.1	23.2	55.0	1,188.9
2020		--	--	--	--	-119.7	--	--	--	--	1,311.6
2021		--	--	--	--	-82.5	--	--	--	--	1,423.7
2018	I	-21.4	-3.1	6.7	-16.0	-33.8	1,029.0	289.7	29.0	27.4	1,162.1
	II	-18.6	-2.9	5.5	-16.5	-32.5	1,034.9	293.4	29.4	34.9	1,166.0
	III	-18.0	-2.9	5.2	-16.0	-31.7	1,048.7	292.4	28.0	34.9	1,177.7
	IV	-15.9	-3.3	6.1	-17.4	-30.4	1,047.3	293.4	25.8	41.2	1,173.3
2019	I	-18.0	-3.2	5.5	-15.3	-31.0	1,066.0	296.9	26.0	43.1	1,196.7
	II	-17.3	-3.9	5.5	-18.4	-34.1	1,072.0	300.6	26.2	48.7	1,207.4
	III	-11.5	-8.2	4.6	-17.8	-33.0	1,070.3	298.1	25.2	52.4	1,203.8
	IV	-16.2	-6.8	3.8	-16.1	-35.2	1,061.2	295.1	23.2	55.0	1,188.9
2020	I	--	--	--	--	--	1,094.9	297.9	22.9	55.0	1,224.2
		Percentage of GDP, 4-quarter cumulated operations					Percentage of GDP				
2013		-4.6	-1.6	0.6	-1.1	-6.7	83.3	20.6	4.1	1.7	95.8
2014		-3.5	-1.8	0.5	-1.0	-5.8	87.3	23.1	3.7	1.7	100.7
2015		-2.6	-1.8	0.4	-1.2	-5.1	87.2	24.4	3.3	1.6	99.3
2016		-2.3	-0.9	0.6	-1.6	-4.1	86.9	24.9	2.9	1.5	99.2
2017		-1.8	-0.4	0.6	-1.4	-3.0	87.1	24.8	2.5	2.4	98.6
2018		-1.3	-0.3	0.5	-1.4	-2.5	87.1	24.4	2.1	3.4	97.6
2019		-1.3	-0.5	0.3	-1.3	-2.8	85.2	23.7	1.9	4.4	95.5
2020		--	--	--	--	-10.4	--	--	--	--	114.0
2021		--	--	--	--	-6.7	--	--	--	--	115.5
2018	I	-1.8	-0.3	0.6	-1.4	-2.9	87.7	24.7	2.5	2.3	99.1
	II	-1.6	-0.2	0.5	-1.4	-2.7	87.5	24.8	2.5	2.9	98.6
	III	-1.5	-0.2	0.4	-1.3	-2.7	88.0	24.5	2.3	2.9	98.8
	IV	-1.3	-0.3	0.5	-1.4	-2.5	87.1	24.4	2.1	3.4	97.6
2019	I	-1.5	-0.3	0.5	-1.3	-2.6	87.9	24.5	2.1	3.6	98.6
	II	-1.4	-0.3	0.4	-1.5	-2.8	87.6	24.6	2.1	4.0	98.7
	III	-0.9	-0.7	0.4	-1.4	-2.7	86.7	24.1	2.0	4.2	97.5
	IV	-1.3	-0.5	0.3	-1.3	-2.8	85.2	23.7	1.9	4.4	95.5
2020	I	--	--	--	--	--	88.6	24.1	1.9	4.4	99.0

(a) Excluding financial entities bail-out expenditures.

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

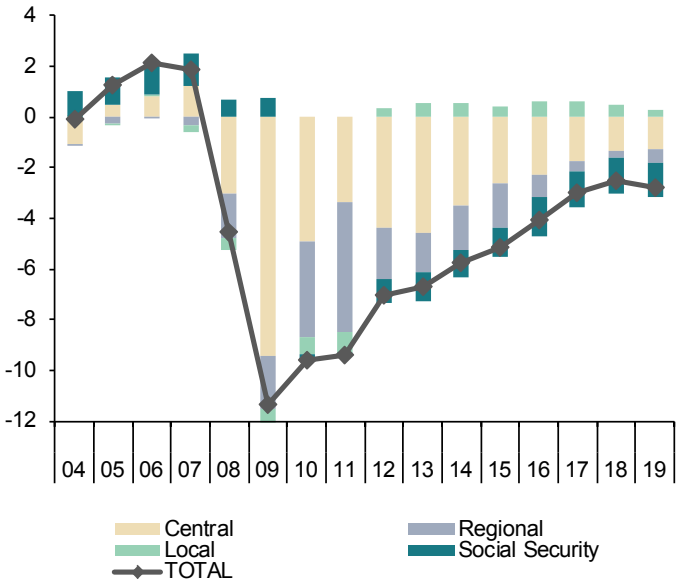


Chart 7.2 - Government debt

Percent of GDP

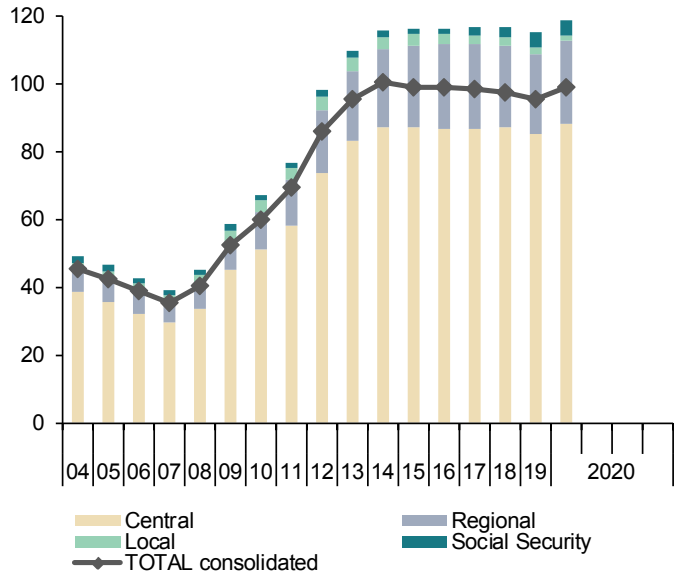


Table 8

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	Industrial orders
	Index	Index	Thousands	1,000 GWH	2015=100	Thousands	Index	Balance of responses	2015=100 (smoothed)	Balance of responses
2013	90.1	48.3	15,855.2	250.0	95.5	2,021.6	48.5	-14.0	93.2	-30.7
2014	100.5	55.1	16,111.1	249.6	96.8	2,022.8	53.2	-7.1	95.3	-16.3
2015	107.8	56.7	16,641.8	253.8	100.0	2,067.3	53.6	-0.3	100.0	-5.4
2016	105.6	54.9	17,157.5	253.8	101.8	2,124.7	53.1	-2.3	102.7	-5.4
2017	108.4	56.2	17,789.6	258.4	105.0	2,191.0	54.8	1.0	107.1	2.2
2018	108.0	54.6	18,364.5	259.3	105.3	2,250.9	53.3	-0.1	108.4	-0.2
2019	104.1	52.7	18,844.1	252.3	106.1	2,283.2	49.1	-3.9	108.9	-4.8
2020 (b)	90.3	33.7	18,441.1	100.9	92.6	2,241.6	42.7	-15.3	93.9	-26.2
2018 III	106.4	52.7	18,428.1	65.4	105.4	2,257.0	52.4	-2.6	108.9	-2.4
IV	105.9	53.7	18,580.7	64.1	104.9	2,265.6	51.8	-1.9	108.9	-2.4
2019 I	104.8	54.5	18,708.3	63.8	106.3	2,273.9	51.1	-3.8	109.4	-5.8
II	104.3	52.4	18,808.4	63.2	106.7	2,281.0	49.9	-4.6	110.0	-2.7
III	105.6	52.0	18,885.3	62.5	106.3	2,286.5	48.2	-2.0	109.9	-4.5
IV	101.8	51.9	18,969.0	63.0	105.4	2,291.5	47.2	-5.2	106.7	-6.3
2020 I	101.2	43.3	18,898.5	61.5	99.9	2,282.5	48.2	-5.4	97.3	-8.6
II (b)	74.1	19.2	18,001.9	36.0	70.9	2,203.2	34.6	-30.1	87.8	-52.6
2020 Mar	99.3	26.7	18,653.3	19.5	90.7	2,263.2	45.7	-7.0	92.9	-7.9
Apr	73.3	9.2	18,020.1	19.0	70.9	2,203.9	30.8	-30.7	87.8	-48.2
May	74.9	29.2	17,983.7	18.6	--	2,202.5	38.3	-29.5	--	-56.9
					Percentage changes (c)					
2013	--	--	-2.9	-2.2	-1.6	-4.4	--	--	-1.9	--
2014	--	--	1.6	-0.2	1.3	0.1	--	--	2.3	--
2015	--	--	3.3	1.7	3.4	2.2	--	--	4.8	--
2016	--	--	3.1	0.0	1.8	2.8	--	--	2.8	--
2017	--	--	3.7	1.8	3.2	3.1	--	--	4.2	--
2018	--	--	3.2	0.3	0.2	2.7	--	--	1.2	--
2019	--	--	2.6	-2.7	0.7	1.4	--	--	0.5	--
2020 (d)	--	--	-1.2	-7.6	-13.0	-1.1	--	--	-13.2	--
2018 III	--	--	0.7	1.0	0.1	0.5	--	--	-0.1	--
IV	--	--	0.8	-2.0	-0.4	0.4	--	--	0.0	--
2019 I	--	--	0.7	-0.5	1.3	0.4	--	--	0.4	--
II	--	--	0.5	-0.9	0.4	0.3	--	--	0.6	--
III	--	--	0.4	-1.1	-0.5	0.2	--	--	-0.1	--
IV	--	--	0.4	0.7	-0.8	0.2	--	--	-2.9	--
2020 I	--	--	-0.4	-2.3	-5.2	-0.4	--	--	-8.8	--
II (e)	--	--	-4.7	-12.4	-29.1	-3.5	--	--	-9.8	--
2020 Mar	--	--	-2.0	-7.0	-13.2	-1.3	--	--	-4.8	--
Apr	--	--	-3.4	-10.3	-21.8	-2.6	--	--	-5.5	--
May	--	--	-0.2	4.6	--	-0.1	--	--	--	--

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

Sources: European Commision, Markit Economics Ltd., M. of Labour, M. of Industry, National Statistics Institute, REE and Funcas.

Chart 8.1 - General activity indicators (I)

Annual percentage changes

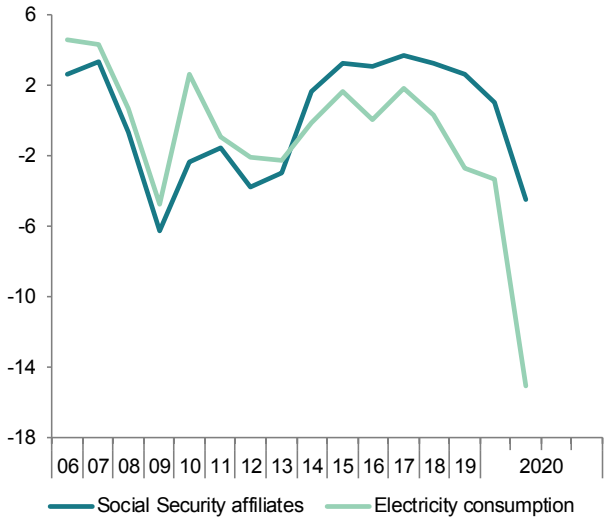


Chart 8.2 - General activity indicators (II)

Index

Chart 8.3 - Industrial sector indicators (I)

Annual percentage changes

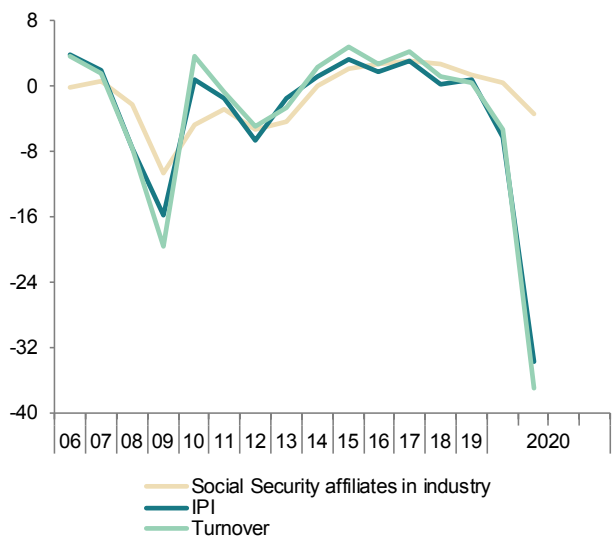


Chart 8.4 - Industrial sector indicators (II)

Index

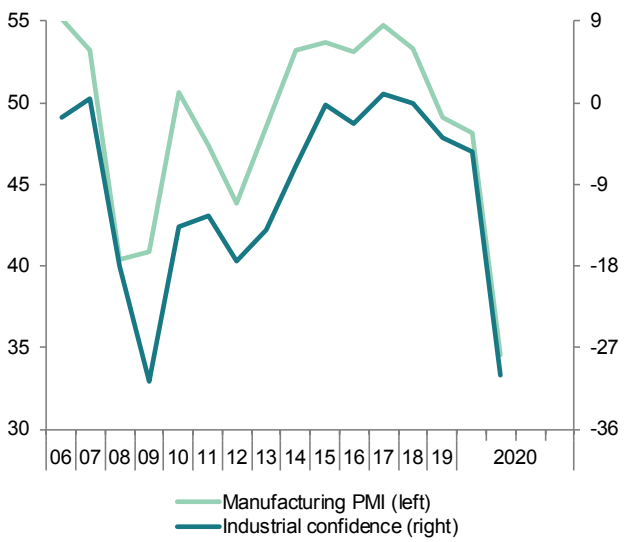


Table 9

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)	Housing permits (f)	Social Security Affiliates in services (g)	Turnover index (nominal)	Services PMI index	Hotel overnight stays	Passenger air transport	Services confidence index
		Thousands	2015=100 (smoothed)	Balance of responses	EUR Billions (smoothed)	Million m^2	Thousands	2015=100 (smoothed)	Index	Million (smoothed)	Million (smoothed)	Balance of responses
2012		1,135.5	101.2	-54.9	7.4	8.5	11,909.7	94.8	43.1	280.7	193.2	-21.5
2013		996.8	93.6	-55.6	9.2	6.8	11,727.9	92.9	48.3	286.0	186.5	-15.3
2014		980.3	92.8	-41.4	13.1	6.9	11,995.5	95.3	55.2	295.3	194.9	9.9
2015		1,026.7	100.0	-25.3	9.4	9.9	12,432.3	100.0	57.3	308.2	206.6	19.4
2016		1,053.9	102.6	-39.6	9.2	12.7	12,851.6	104.2	55.0	331.2	229.4	17.8
2017		1,118.8	111.5	-26.9	12.7	15.9	13,338.2	111.0	56.4	340.6	248.4	22.5
2018		1,194.1	114.2	-4.6	16.6	19.8	13,781.3	117.5	54.8	340.0	262.9	21.7
2019		1,254.9	124.8	-7.0	18.1	20.0	14,169.1	122.2	53.9	342.9	276.5	13.9
2020	(b)	1,206.9	99.8	-17.1	3.7	4.6	13,859.8	99.0	32.5	42.3	42.2	-15.6
2018	III	1,205.9	115.8	-8.3	4.4	4.9	13,829.6	118.6	52.6	84.9	66.3	21.6
	IV	1,224.8	119.0	-1.6	4.9	5.0	13,943.8	120.1	54.0	85.6	67.7	18.0
2019	I	1,244.3	123.1	-0.6	5.0	5.2	14,041.0	121.8	55.3	86.8	69.4	15.5
	II	1,251.8	125.9	-7.8	4.8	5.5	14,135.5	123.5	53.1	88.6	71.0	14.8
	III	1,258.7	125.8	-7.4	4.5	4.8	14,208.3	124.0	53.5	88.8	71.1	14.2
	IV	1,265.1	120.9	-12.4	3.9	4.5	14,287.9	120.1	53.6	81.1	64.7	11.0
2020	I	1,249.2	106.3	-8.6	3.0	4.6	14,251.8	107.4	42.5	56.9	44.2	7.8
	II (b)	1,146.5	91.6	-29.7	0.7	--	13,531.1	94.4	17.5	16.3	11.4	-50.6
2020	Mar	1,206.5	99.4	-10.5	0.8	1.2	14,062.1	101.3	23.0	15.0	11.4	2.3
	Apr	1,120.9	91.6	-27.0	0.7	--	13,576.0	94.4	7.1	10.5	7.6	-47.9
	May	1,172.2	--	-32.4	--	--	13,486.2	--	27.9	5.8	3.8	-53.3
		Percentage changes (c)										
2012		-17.0	-28.2	--	-45.5	-39.9	-2.2	-6.1	--	-2.1	-5.0	--
2013		-12.2	-7.5	--	23.2	-20.3	-1.5	-2.0	--	1.9	-3.5	--
2014		-1.7	-0.9	--	42.6	2.2	2.3	2.6	--	3.2	4.6	--
2015		4.7	7.8	--	-28.2	42.6	3.6	4.9	--	4.4	6.0	--
2016		2.6	2.6	--	-1.7	29.0	3.4	4.2	--	7.4	11.0	--
2017		6.2	8.7	--	37.1	24.8	3.8	6.6	--	2.8	8.3	--
2018		6.7	2.5	--	30.9	24.5	3.3	5.8	--	-0.2	5.8	--
2019		5.1	9.2	--	9.5	1.3	2.8	4.0	--	0.9	5.2	--
2020	(d)	-3.0	-19.8	--	-43.2	-12.2	-0.9	-14.8	--	-62.3	-58.8	--
2018	III	2.0	1.8	--	27.9	32.7	0.8	1.4	--	0.2	1.4	--
	IV	1.6	2.8	--	30.4	23.3	0.8	1.2	--	0.8	2.1	--
2019	I	1.6	3.5	--	33.1	11.0	0.7	1.4	--	1.5	2.5	--
	II	0.6	2.2	--	24.6	6.8	0.7	1.4	--	2.1	2.4	--
	III	0.6	0.0	--	2.0	-3.4	0.5	0.4	--	0.2	0.2	--
	IV	0.5	-4.0	--	-20.0	-8.8	0.6	-3.1	--	-8.6	-9.0	--
2020	I	-1.3	-12.1	--	-41.2	-12.2	-0.3	-10.6	--	-29.9	-31.7	--
	II (e)	-8.2	-13.8	--	-58.6	--	-5.1	-12.1	--	-57.0	-61.1	--
2020	Mar	-5.2	-6.8	--	-49.4	-33.4	-2.1	-6.0	--	-21.6	-23.4	--
	Apr	-7.1	-7.9	--	-58.6	--	-3.5	-6.8	--	-30.3	-33.1	--
	May	4.6	--	--	--	--	-0.7	--	--	-44.6	-50.3	--

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

Sources: European Commision, Markit Economics Ltd., M. of Labour, M. of Public Works, National Statistics Institute, AENA, OFICEMEN, SEOPAN and Funcas.

Chart 9.1 - Construction indicators (I)

Annual percentage changes and index

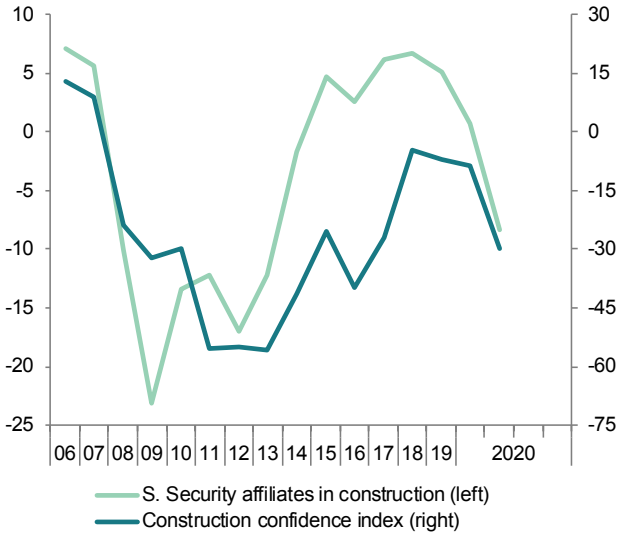


Chart 9.2 - Construction indicators (II)

Annual percentage changes

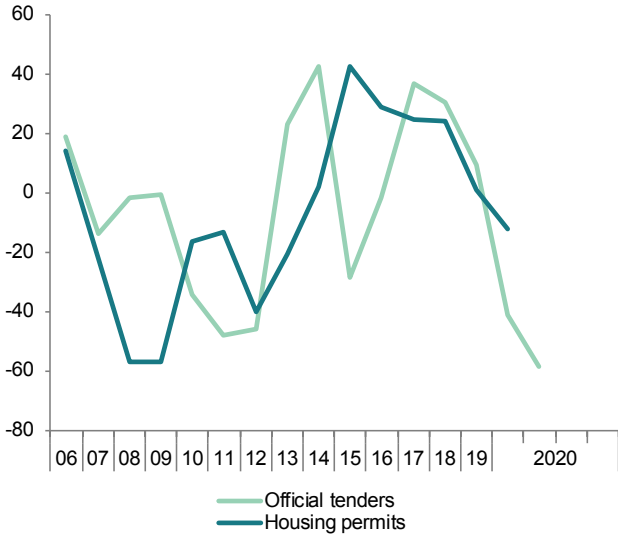


Chart 9.3 - Services indicators (I)

Annual percentage changes

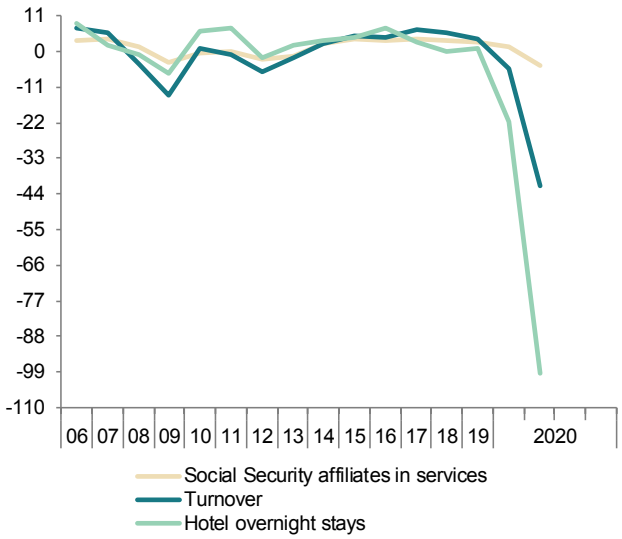


Chart 9.4 - Services indicators (II)

Index

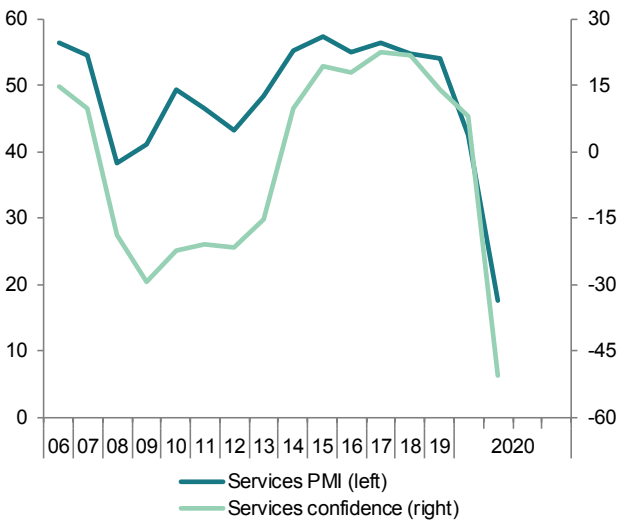


Table 10

Consumption and investment indicators (a)

		Consumption indicators					Investment in equipment indicators		
		Retail sales deflated	Car registrations	Consumer confidence index	Hotel overnight stays by residents in Spain	Industrial orders for consumer goods	Cargo vehicles registrations	Industrial orders for investment goods	Imports of capital goods (volume)
		2015=100 (smoothed)	Thousands (smoothed)	Balance of responses	Million (smoothed)	Balance of responses	Thousands (smoothed)	Balance of responses	2005=100 (smoothed)
2012		98.8	710.6	-33.7	102.1	-24.2	107.7	-38.6	60.6
2013		95.0	742.3	-28.1	100.6	-21.8	107.6	-33.5	68.9
2014		96.0	890.1	-14.5	104.7	-9.1	137.5	-16.5	81.6
2015		100.0	1,094.0	-4.7	110.3	-3.1	180.3	0.2	93.3
2016		103.9	1,230.1	-6.3	114.2	-1.4	191.3	-0.2	97.2
2017		104.7	1,341.6	-3.4	115.8	2.2	207.6	4.9	103.3
2018		105.4	1,424.0	-4.2	116.5	-5.6	230.0	12.4	105.4
2019		107.9	1,375.6	-6.3	119.5	-2.5	220.9	8.8	105.6
2020 (b)		90.8	282.7	-17.8	15.9	-18.0	51.0	-23.8	86.6
2018	III	105.4	359.9	-3.7	29.2	-10.4	58.3	11.3	106.7
	IV	106.1	349.6	-6.2	29.6	-6.3	57.8	8.8	106.0
2019	I	107.3	346.7	-4.8	30.2	-1.5	57.6	10.9	106.5
	II	108.6	350.2	-4.0	30.9	-1.2	57.4	16.4	107.7
	III	109.2	347.8	-5.8	31.0	-5.5	55.5	6.8	106.8
	IV	106.5	314.4	-10.5	28.1	-1.9	49.6	1.2	101.5
2020	I	97.8	221.9	-10.3	19.3	-3.5	37.3	-11.5	90.9
	II (b)	89.0	73.9	-29.0	5.1	-39.8	15.8	-42.2	81.2
2020	Mar	93.7	59.9	-11.6	5.0	-0.8	10.7	-18.9	86.3
	Apr	89.0	44.6	-29.2	3.4	-35.8	8.8	-39.5	81.2
	May	--	29.3	-28.8	1.7	-43.8	7.0	-44.9	--
		Percentage changes (c)							
2012		-7.4	-12.1	--	-8.4	--	-24.2	--	-10.9
2013		-3.8	4.5	--	-1.4	--	-0.1	--	13.7
2014		1.1	19.9	--	4.1	--	27.8	--	18.4
2015		4.2	22.9	--	5.3	--	31.1	--	14.4
2016		3.9	12.4	--	3.6	--	6.1	--	4.1
2017		0.8	9.1	--	1.4	--	8.5	--	6.4
2018		0.7	6.1	--	0.6	--	10.8	--	2.0
2019		2.3	-3.4	--	2.6	--	-4.0	--	0.2
2020 (d)		-10.7	-53.9	--	-60.5	--	-46.6	--	-15.3
2018	III	0.2	-0.6	--	0.7	--	0.5	--	2.1
	IV	0.7	-2.9	--	1.5	--	-0.9	--	-2.9
2019	I	1.1	-0.9	--	2.1	--	-0.3	--	2.0
	II	1.2	1.0	--	2.5	--	-0.4	--	4.6
	III	0.5	-0.7	--	0.1	--	-3.2	--	-3.3
	IV	-2.4	-9.6	--	-9.4	--	-10.7	--	-18.2
2020	I	-8.2	-29.4	--	-31.4	--	-24.9	--	-35.7
	II (e)	-9.0	-50.0	--	-60.1	--	-36.5	--	-36.5
2020	Mar	-4.4	-19.7	--	-22.9	--	-14.6	--	-5.3
	Apr	-5.0	-25.6	--	-32.4	--	-17.4	--	-6.0
	May	--	-34.2	--	-48.8	--	-20.6	--	--

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

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

Chart 10.1 - Consumption indicators

Annual percentage changes and balance of responses

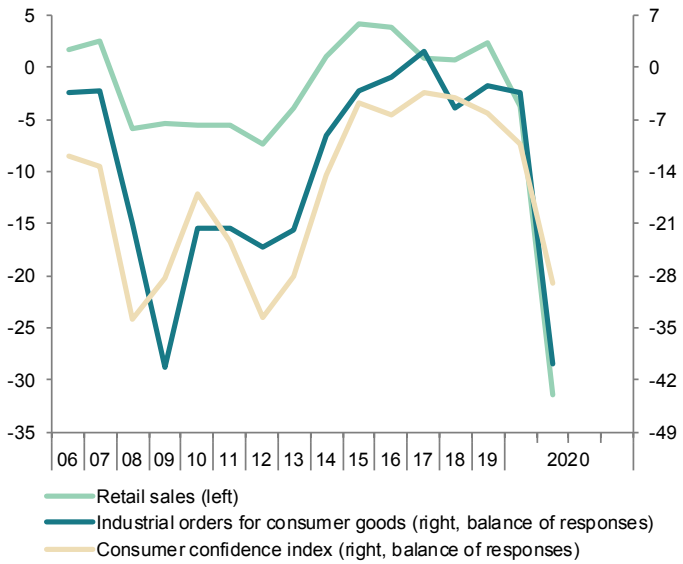


Chart 10.2 - Investment indicators

Annual percentage changes and balance of responses

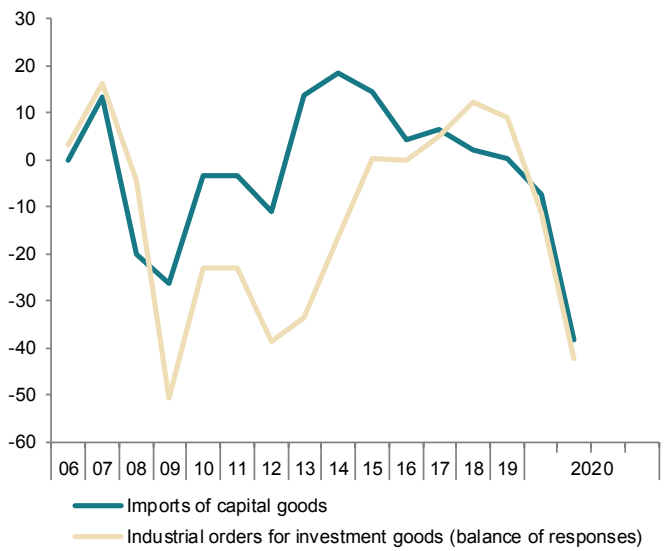


Table 11a

Labour market (I)

Forecasts in yellow

		Population aged 16 or more	Labour force		Employment		Unemployment		Participation rate aged 16 or more (a)	Employment rate aged 16 or more (b)	Unemployment rate (c)			
											Total	Aged 16-24	Spanish	Foreign
			Original	Seasonally adjusted	Original	Seasonally adjusted	Original	Seasonally adjusted	Seasonally adjusted					
		1	2=4+6	3=5+7	4	5	6	7	8	9	10=7/3	11	12	13
		Million							Percentage					
2013		38.6	23.2	--	17.1	--	6.1	--	60.0	44.4	26.1	55.5	24.4	37.0
2014		38.5	23.0	--	17.3	--	5.6	--	59.6	45.0	24.4	53.2	23.0	34.5
2015		38.5	22.9	--	17.9	--	5.1	--	59.5	46.4	22.1	48.3	20.9	30.5
2016		38.5	22.8	--	18.3	--	4.5	--	59.2	47.6	19.6	44.4	18.7	26.6
2017		38.7	22.7	--	18.8	--	3.9	--	58.8	48.7	17.2	38.6	16.3	23.8
2018		38.9	22.8	--	19.3	--	3.5	--	58.6	49.7	15.3	34.4	14.3	21.9
2019		39.3	23.0	--	19.8	--	3.2	--	58.6	50.4	14.1	32.6	13.2	20.1
2020		39.3	23.1	--	18.7	--	4.3	--	58.6	47.6	18.8	--	--	--
2021		39.5	23.1	--	19.2	--	4.0	--	58.5	48.5	17.1	--	--	--
2018	I	38.8	22.7	22.7	18.9	19.0	3.8	3.8	58.6	48.9	16.7	36.3	15.7	24.3
	II	38.8	22.8	22.8	19.3	19.2	3.5	3.6	58.7	49.4	15.3	34.7	14.3	21.9
	III	38.9	22.9	22.8	19.5	19.3	3.3	3.5	58.6	49.6	14.6	33.0	13.7	20.6
	IV	39.0	22.9	22.8	19.6	19.4	3.3	3.4	58.6	49.8	14.4	33.5	13.5	20.8
2019	I	39.1	22.8	22.9	19.5	19.6	3.4	3.3	58.5	50.0	14.7	35.0	13.8	20.9
	II	39.2	23.0	23.0	19.8	19.6	3.2	3.3	58.6	50.0	14.0	33.2	13.1	20.3
	III	39.3	23.1	23.0	19.9	19.7	3.2	3.4	58.6	50.0	13.9	31.7	13.1	19.3
	IV	39.4	23.2	23.1	20.0	19.8	3.2	3.3	58.7	50.3	13.8	30.5	12.8	20.0
2020	I	39.5	23.0	23.0	19.7	19.8	3.3	3.3	58.3	50.0	14.4	33.0	13.3	21.2
		Percentage changes (d)							Difference from one year ago					
2013		-0.5	-1.1	--	-2.8	--	4.1	--	-0.4	-1.1	1.3	2.6	1.5	1.1
2014		-0.3	-1.0	--	1.2	--	-7.3	--	-0.4	0.7	-1.7	-2.3	-1.4	-2.5
2015		0.0	-0.1	--	3.0	--	-9.9	--	-0.1	1.4	-2.4	-4.9	-2.1	-4.0
2016		0.1	-0.4	--	2.7	--	-11.4	--	-0.3	1.2	-2.4	-3.9	-2.2	-3.8
2017		0.3	-0.4	--	2.6	--	-12.6	--	-0.4	1.1	-2.4	-5.9	-2.4	-2.8
2018		0.6	0.3	--	2.7	--	-11.2	--	-0.2	1.0	-2.0	-4.2	-2.0	-1.9
2019		1.0	1.0	--	2.3	--	-6.6	--	0.0	0.7	-1.2	-1.8	-1.1	-1.8
2020		0.2	0.1	--	-5.4	--	33.4	--	-0.1	-2.8	4.7	--	--	--
2021		0.5	0.3	--	2.4	--	-8.8	--	-0.1	0.9	-1.7	--	--	--
2018	I	0.4	-0.1	-0.1	2.4	0.5	-10.8	-2.9	-0.3	0.9	-2.0	-5.3	-2.1	-1.2
	II	0.5	0.5	0.2	2.8	1.1	-10.8	-4.4	-0.1	1.1	-1.9	-4.8	-2.0	-1.7
	III	0.6	0.3	0.1	2.5	0.7	-10.9	-2.9	-0.2	0.9	-1.8	-3.0	-1.8	-2.1
	IV	0.8	0.5	0.2	3.0	0.7	-12.3	-2.6	-0.2	1.1	-2.1	-3.9	-2.0	-2.8
2019	I	0.9	0.7	0.1	3.2	0.6	-11.6	-2.5	-0.1	1.1	-2.0	-1.4	-1.9	-3.4
	II	1.0	0.9	0.4	2.4	0.3	-7.4	0.5	-0.1	0.7	-1.3	-1.5	-1.3	-1.7
	III	1.1	1.0	0.4	1.8	0.2	-3.4	1.1	0.0	0.4	-0.6	-1.3	-0.6	-1.3
	IV	1.0	1.3	0.4	2.1	0.9	-3.4	-2.4	0.1	0.5	-0.7	-3.0	-0.7	-0.8
2020	I	1.0	0.7	-0.4	1.1	-0.4	-1.2	-0.4	-0.2	0.0	-0.3	-2.0	-0.4	0.4

(a) Labour force aged 16 or more over population aged 16 or more. (b) Employed aged 16 or more over population aged 16 or more. (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

Annual growth rates and percentage of active population

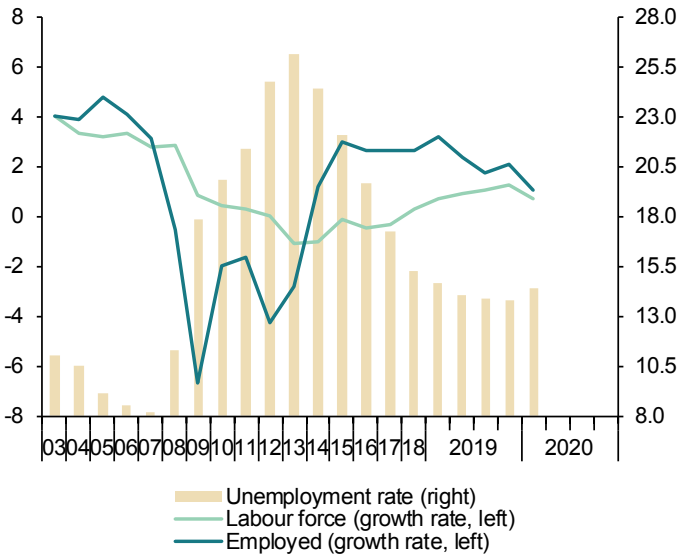


Chart 11a.2 - Unemployment rates, S.A.

Percentage

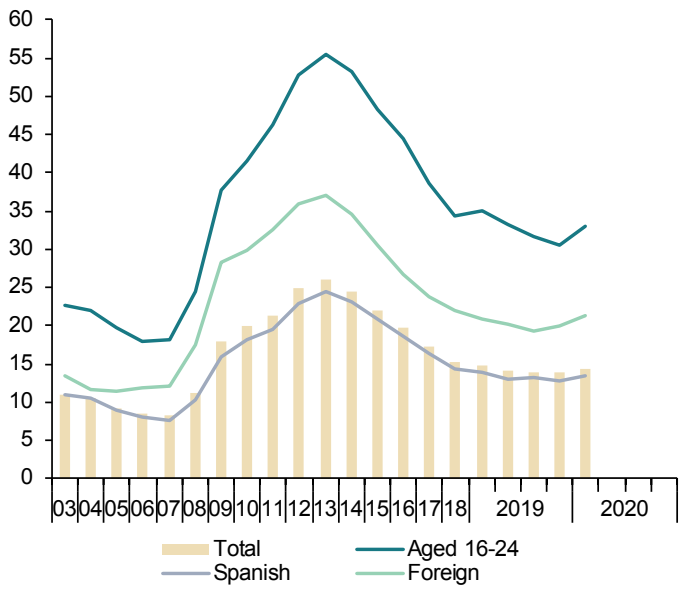


Table 11b

Labour market (II)

	Employed by sector				Employed by professional situation					Employed by duration of the working-day		
					Employees							
						By type of contract						
	Agriculture	Industry	Construction	Services	Total	Tempo-rary	Indefinite	Temporary employment rate (a)	Self employed	Full-time	Part-time	Part-time employment rate (b)
	1	2	3	4	5=6+7	6	7	8=6/5	9	10	11	12
	Million (original data)											
2013	0.74	2.36	1.03	13.02	14.07	3.26	10.81	23.1	3.07	14.43	2.71	15.80
2014	0.74	2.38	0.99	13.23	14.29	3.43	10.86	24.0	3.06	14.59	2.76	15.91
2015	0.74	2.48	1.07	13.57	14.77	3.71	11.06	25.1	3.09	15.05	2.81	15.74
2016	0.77	2.52	1.07	13.97	15.23	3.97	11.26	26.1	3.11	15.55	2.79	15.21
2017	0.82	2.65	1.13	14.23	15.72	4.19	11.52	26.7	3.11	16.01	2.82	14.97
2018	0.81	2.71	1.22	14.59	16.23	4.35	11.88	26.8	3.09	16.56	2.76	14.31
2019	0.80	2.76	1.28	14.94	16.67	4.38	12.29	26.3	3.11	16.95	2.83	14.30
2020 (c)	0.78	2.77	1.28	14.85	16.56	4.14	12.42	25.0	3.12	16.83	2.85	14.47
2018 I	0.83	2.68	1.15	14.21	15.79	4.12	11.67	26.1	3.08	16.06	2.81	14.91
II	0.82	2.72	1.22	14.58	16.26	4.36	11.90	26.8	3.09	16.71	2.64	13.63
III	0.77	2.73	1.24	14.79	16.43	4.51	11.93	27.4	3.09	16.81	2.71	13.90
IV	0.83	2.71	1.28	14.75	16.45	4.42	12.03	26.9	3.11	16.67	2.89	14.80
2019 I	0.84	2.71	1.28	14.64	16.36	4.23	12.12	25.9	3.11	16.57	2.90	14.90
II	0.81	2.76	1.28	14.95	16.69	4.40	12.29	26.4	3.12	16.85	2.95	14.90
III	0.75	2.82	1.27	15.04	16.79	4.48	12.31	26.7	3.08	17.09	2.79	14.03
IV	0.79	2.76	1.28	15.13	16.85	4.40	12.45	26.1	3.12	17.30	2.67	13.38
2020 I	0.78	2.77	1.28	14.85	16.56	4.14	12.42	25.0	3.12	16.83	2.85	14.47
	Annual percentage changes							Difference from one year ago	Annual percentage changes			Difference from one year ago
2013	-0.9	-5.2	-11.4	-1.7	-3.5	-4.6	-3.1	-0.3	0.4	-4.3	6.0	1.3
2014	-0.1	1.0	-3.5	1.7	1.5	5.3	0.4	0.9	-0.4	1.1	1.9	0.1
2015	0.1	4.3	8.1	2.6	3.4	8.3	1.9	1.1	1.1	3.2	1.9	-0.2
2016	5.1	1.6	0.0	2.9	3.1	6.8	1.8	0.9	0.7	3.3	-0.8	-0.5
2017	5.8	5.0	5.1	1.9	3.2	5.6	2.3	0.6	-0.1	2.9	1.0	-0.2
2018	-0.8	2.3	8.3	2.5	3.3	3.8	3.1	0.1	-0.5	3.5	-1.9	-0.7
2019 (d)	-1.9	2.0	4.6	2.4	2.7	0.6	3.5	-0.5	0.5	2.3	2.3	0.0
2018 I	-1.6	4.1	6.5	2.0	2.9	4.4	2.4	0.4	-0.5	3.2	-2.1	-0.7
II	-1.2	3.3	7.2	2.6	3.6	3.6	3.6	0.0	-1.2	4.8	-8.1	-1.6
III	-1.1	2.1	7.4	2.4	3.3	3.5	3.2	0.1	-1.5	3.0	-0.4	-0.4
IV	0.6	-0.1	11.9	3.0	3.3	3.9	3.1	0.2	1.1	2.9	3.2	0.0
2019 I	0.7	1.2	11.2	3.0	3.6	2.7	3.9	-0.2	1.0	3.2	3.1	0.0
II	-1.6	1.5	5.0	2.5	2.7	1.0	3.3	-0.4	1.0	0.9	11.9	1.3
III	-2.9	3.3	2.4	1.7	2.2	-0.7	3.3	-0.8	-0.3	1.6	2.8	0.1
IV	-3.8	2.0	0.3	2.5	2.4	-0.5	3.4	-0.8	0.3	3.8	-7.7	-1.4
2020 I	-6.5	2.2	-0.3	1.4	1.2	-2.2	2.4	-0.9	0.2	1.6	-1.8	-0.4

(a) Percentage of employees with temporary contract over total employees. (b) Percentage of part-time employed over total employed. (c) Period with available data. (d) Growth of available period over the same period of the previous year.

Source: INE (Labour Force Survey).

Chart 11b.1 - Employment by sector

Annual percentage changes

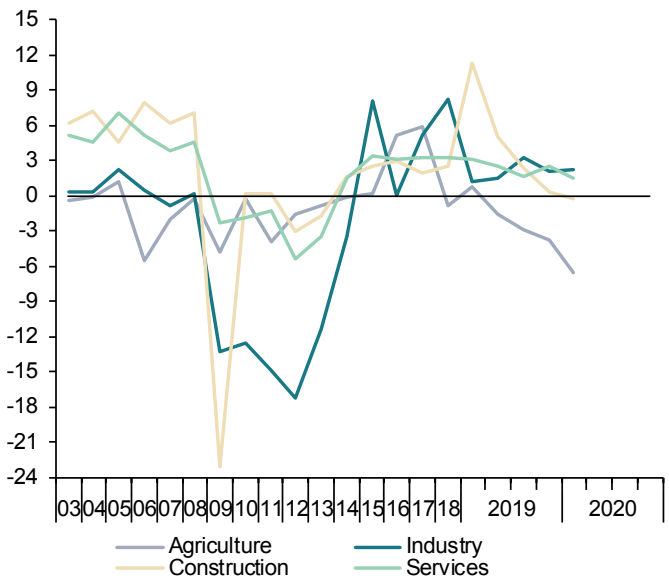


Chart 11b.2 - Employment by type of contract

Annual percentage changes and percentage over total employees

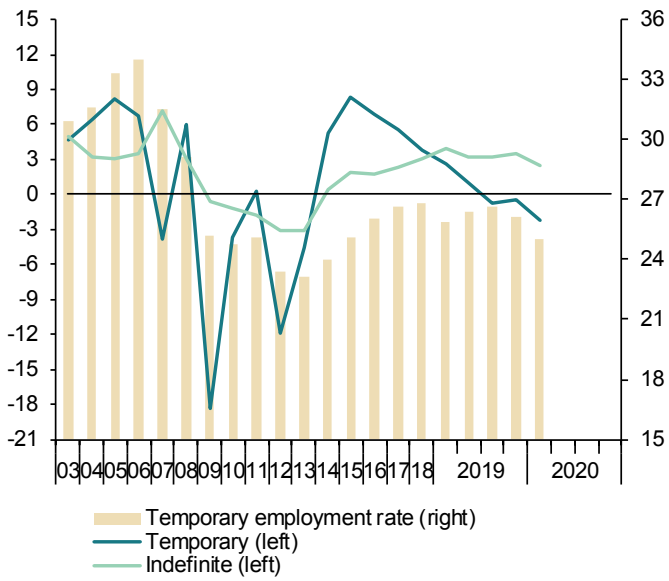


Table 12

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 2019		100.00	65.72	80.55	24.81	40.91	14.83	7.51	11.95	22.34
Indexes, 2016 = 100										
2014		100.7	98.7	98.6	99.2	98.3	98.2	96.0	120.3	97.6
2015		100.2	99.2	99.2	99.5	98.9	99.2	97.7	109.4	98.7
2016		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2017		102.0	101.1	101.1	100.2	101.6	100.7	102.6	108.0	101.3
2018		103.7	102.1	102.0	100.2	103.1	101.7	105.8	114.7	103.1
2019		104.4	103.0	102.9	100.4	104.6	102.2	107.8	113.2	104.0
2020		104.3	103.9	103.9	100.6	105.8	104.1	112.9	101.7	106.9
2021		105.4	104.8	104.9	100.8	107.1	105.5	115.8	102.6	108.8
Annual percentage changes										
2014		-0.2	0.0	0.0	-0.4	0.1	0.4	-1.2	-0.8	-0.1
2015		-0.5	0.5	0.6	0.3	0.7	0.9	1.8	-9.0	1.2
2016		-0.2	0.8	0.8	0.5	1.1	0.8	2.3	-8.6	1.3
2017		2.0	1.1	1.1	0.2	1.6	0.7	2.6	8.0	1.3
2018		1.7	0.9	0.9	0.0	1.5	1.0	3.1	6.1	1.8
2019		0.7	1.0	0.9	0.3	1.4	0.5	1.9	-1.2	0.9
2020		-0.1	0.8	1.0	0.2	1.2	1.9	4.7	-10.2	2.8
2021		1.1	0.8	0.9	0.2	1.2	1.3	2.6	1.0	1.7
2020	Jan	1.1	1.0	1.0	0.3	1.4	1.0	3.5	0.0	1.8
	Feb	0.7	1.1	1.2	0.4	1.5	1.3	2.7	-3.3	1.8
	Mar	0.0	1.0	1.1	0.3	1.4	1.4	3.9	-9.7	2.2
	Apr	-0.7	0.9	1.1	0.3	1.3	1.9	6.9	-17.1	3.5
	May	-0.9	0.9	1.1	0.1	1.3	2.0	5.4	-17.7	3.1
	Jun	-0.5	0.8	1.0	0.1	1.2	2.0	4.3	-13.7	2.8
	Jul	-0.4	0.8	1.0	0.2	1.2	2.1	4.3	-12.8	2.8
	Aug	-0.2	0.7	1.0	0.1	1.1	1.9	4.5	-11.1	2.8
	Sep	0.0	0.7	1.0	0.1	1.0	2.2	5.3	-9.9	3.2
	Oct	-0.1	0.6	0.9	0.0	1.0	2.1	5.3	-10.1	3.2
	Nov	0.0	0.6	0.9	0.0	1.0	2.3	5.0	-9.1	3.2
	Dec	0.2	0.6	0.9	0.1	0.9	2.4	5.3	-8.0	3.4
2021	Jan	0.1	0.7	1.0	0.1	1.0	2.4	5.4	-9.3	3.4
	Feb	0.3	0.7	0.9	0.1	1.0	2.0	5.7	-7.5	3.2
	Mar	0.9	0.7	0.9	0.1	1.0	1.8	4.7	-1.7	2.8
	Apr	1.4	0.7	0.8	0.1	1.1	1.3	1.6	6.0	1.4
	May	1.6	0.8	0.8	0.2	1.1	1.1	2.8	6.9	1.7
	Jun	1.5	0.8	0.9	0.2	1.2	1.1	3.3	5.3	1.8
	Jul	1.4	0.9	0.9	0.3	1.3	1.1	2.7	3.9	1.6
	Aug	1.3	0.9	0.9	0.3	1.3	1.0	2.2	3.2	1.4
	Sep	1.2	1.0	1.0	0.3	1.4	1.0	1.6	2.5	1.2
	Oct	1.1	1.0	1.0	0.3	1.4	0.9	1.1	2.3	1.0
	Nov	1.0	1.0	1.0	0.2	1.4	0.9	0.6	1.8	0.8
	Dec	1.0	1.0	1.0	0.3	1.5	0.8	0.0	1.2	0.6

Source: INE and Funcas (Forecasts).

Chart 12.1 - Inflation Rate (I)

Annual percentage changes

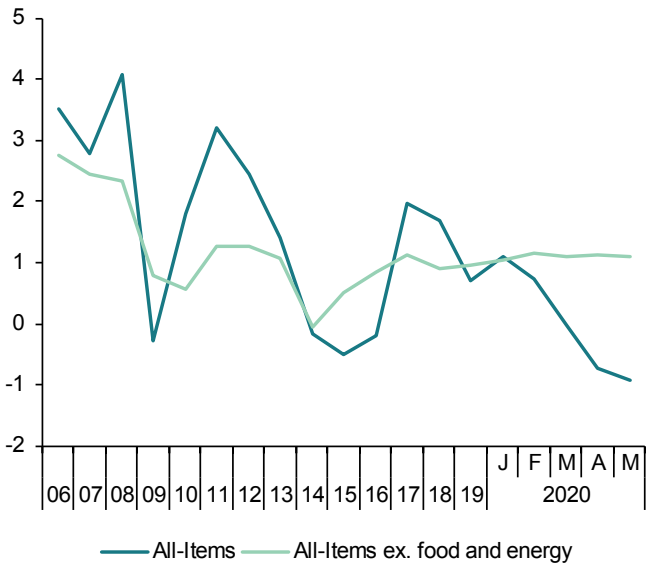


Chart 12.2 - Inflation rate (II)

Annual percentage changes

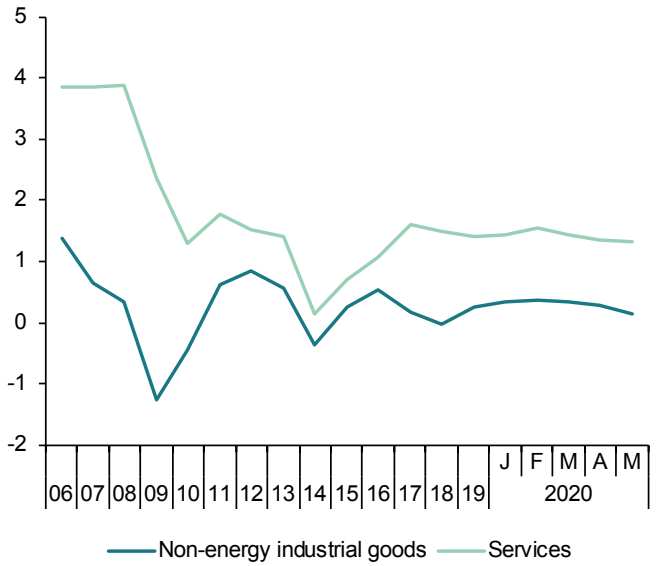


Table 13

Other prices and costs indicators

		GDP deflator (a)	Industrial producer prices		Housing prices		Urban land prices (M. Public Works)	Labour Costs Survey				Wage increase agreed in collective bargaining
			Total	Excluding energy	Housing Price Index (INE)	m^2 average price (M. Public Works)		Total labour costs per worker	Wage costs per worker	Other cost per worker	Total labour costs per hour worked	
		2010=100	2015=100		2007=100			2000=100				
2013		100.1	103.5	100.5	64.3	72.7	55.1	143.8	141.1	152.2	155.2	--
2014		99.9	102.1	99.7	64.5	71.0	52.6	143.3	140.9	150.7	155.4	--
2015		100.5	100.0	100.0	66.8	71.7	54.9	144.2	142.5	149.6	156.5	--
2016		100.8	96.9	99.6	70.0	73.1	57.8	143.6	142.1	148.3	156.3	--
2017		102.2	101.1	101.9	74.3	74.8	58.2	144.0	142.3	149.1	156.3	--
2018		103.3	104.1	103.0	79.3	77.4	57.3	145.4	143.8	150.6	158.5	--
2019		104.9	103.6	103.2	83.3	79.8	57.7	148.7	146.4	155.7	162.7	--
2020 (b)		105.5	100.0	103.3	84.7	--	--	--	--	--	--	--
2018	II	103.2	103.4	103.1	78.8	77.2	58.5	147.0	146.2	149.6	155.6	--
	III	103.3	105.6	103.1	80.5	77.3	55.7	141.3	138.0	151.4	163.3	--
	IV	103.9	105.2	103.0	80.9	78.7	56.6	152.2	152.7	150.6	166.8	--
2019	I	104.2	104.2	103.0	82.1	79.6	57.3	144.1	140.5	155.2	152.1	--
	II	104.8	104.3	103.4	83.0	79.6	59.0	150.6	149.2	155.0	160.4	--
	III	104.9	103.3	103.2	84.3	79.7	58.2	144.3	140.6	155.9	167.0	--
	IV	105.8	102.8	103.0	83.8	80.4	56.5	155.7	155.4	156.6	171.2	--
2020	I (b)	105.5	101.4	103.5	84.7	79.8	--	145.3	141.5	156.7	158.5	--
2020	Feb	--	102.0	103.6	--	--	--	--	--	--	--	--
	Mar	--	98.9	103.3	--	--	--	--	--	--	--	--
	Apr		95.9	102.8								
						Annual percent changes (c)						
2013		0.4	0.6	0.7	-10.6	-5.8	-15.7	0.2	0.0	0.6	0.3	0.5
2014		-0.2	-1.3	-0.8	0.3	-2.4	-4.6	-0.3	-0.1	-1.0	0.2	0.5
2015		0.5	-2.1	0.3	3.6	1.1	4.3	0.6	1.1	-0.7	0.7	0.7
2016		0.3	-3.1	-0.4	4.7	1.9	5.3	-0.4	-0.3	-0.8	-0.1	1.0
2017		1.4	4.4	2.3	6.2	2.4	0.8	0.2	0.1	0.5	0.0	1.4
2018		1.1	3.0	1.1	6.7	3.4	-1.6	1.0	1.0	1.0	1.4	1.8
2019		1.6	-0.4	0.1	5.1	3.2	0.7	2.2	1.9	3.4	2.6	2.3
2020 (d)		1.3	-4.1	0.2	3.2	0.3	--	0.8	0.7	1.0	4.2	2.0
2018	II	1.0	3.0	1.1	6.8	2.6	-2.1	0.6	0.5	1.0	0.9	1.6
	III	0.9	5.0	1.1	7.2	2.2	-4.3	1.9	1.9	1.9	2.7	1.7
	IV	1.3	3.1	0.8	6.6	0.4	3.0	0.9	0.9	0.7	1.2	1.8
2019	I	1.4	1.9	0.2	6.8	1.5	-2.1	2.1	1.7	3.0	2.4	2.2
	II	1.6	0.9	0.3	5.3	1.2	0.9	2.5	2.1	3.6	3.1	2.2
	III	1.6	-2.2	0.1	4.7	1.6	4.5	2.2	1.9	3.0	2.3	2.3
	IV	1.7	-2.3	0.0	3.6	-0.6	-0.2	2.3	1.8	4.0	2.7	2.3
2020	I (e)	1.3	-2.7	0.4	3.2	1.1	--	0.8	0.7	1.0	4.2	2.0
2020	Mar	--	-4.9	0.1	--	--	--	--	--	--	--	2.0
	Apr	--	-8.4	-0.6	--	--	--	--	--	--	--	2.0
	May	--	--	--	--	--	--	--	--	--	--	2.0

(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

Index (2007=100)

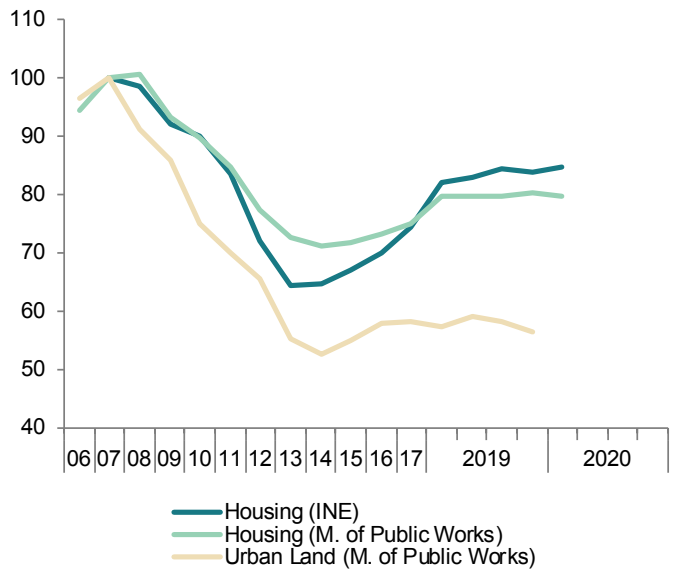


Chart 13.2 - Wage costs

Annual percent change

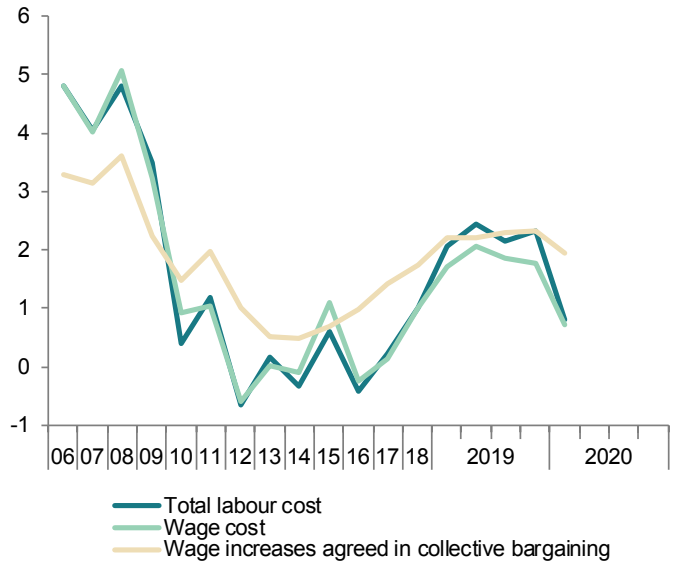


Table 14

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					
		2005=100			2005=100			EUR Billions				
2013		152.1	110.5	137.7	108.3	109.8	98.7	12.3	7.3	-1.4	2.1	1.4
2014		155.2	109.4	141.9	114.0	107.3	106.3	12.7	7.3	-2.1	1.1	0.9
2015		161.2	110.1	146.5	118.0	104.6	112.9	13.5	7.3	-2.1	0.2	0.6
2016		165.4	108.2	153.0	117.5	101.3	116.1	14.2	7.2	-1.4	0.3	1.2
2017		178.2	108.9	163.7	129.8	106.1	122.4	15.1	7.9	-2.2	0.0	1.3
2018		184.0	112.1	164.2	137.2	110.9	123.8	15.6	8.1	-2.9	-0.3	1.3
2019		187.1	112.9	165.9	138.3	110.8	124.9	15.9	8.3	-2.7	-0.4	1.4
2020 (b)		160.6	112.7	142.4	118.8	109.4	108.6	12.4	8.5	-2.3	-0.5	0.7
2018	I	184.8	110.9	166.7	134.7	108.2	124.5	14.2	9.5	-2.3	0.2	0.9
	II	185.0	111.3	166.3	138.1	109.1	126.6	14.0	9.8	-3.0	-0.6	0.4
	III	187.6	112.6	166.6	138.4	112.5	122.9	14.1	9.9	-2.7	-0.1	0.8
	IV	184.0	113.5	162.1	138.7	113.7	122.0	13.7	9.9	-3.2	-0.4	0.6
2019	I	182.1	112.8	161.5	137.7	110.1	125.0	13.9	9.5	-3.3	-0.7	0.7
	II	196.4	111.7	175.8	141.4	110.4	128.1	14.9	10.3	-2.1	0.0	1.1
	III	188.2	112.5	167.4	140.7	109.5	128.5	14.1	10.0	-3.1	-0.9	0.4
	IV	187.5	114.3	164.1	135.8	113.1	120.0	14.1	10.0	-2.2	0.0	0.8
2020	I	174.0	113.3	153.5	128.8	111.1	116.0	13.3	9.0	-2.6	-0.3	0.7
2020	Feb	183.3	114.5	160.1	134.5	110.5	121.7	14.0	9.5	-2.5	-0.3	0.5
	Mar	155.7	113.2	137.5	116.6	110.2	105.8	11.6	8.3	-2.6	-0.5	0.3
	Apr	120.3	110.2	109.2	88.7	102.7	86.4	9.0	6.4	-1.7	-0.8	0.8
		Percentage changes (c)								Percentage of GDP		
2013		4.3	-0.2	4.5	-2.2	-4.2	2.1	3.1	6.3	-1.6	2.5	1.7
2014		2.0	-0.9	3.0	5.2	-2.3	7.7	3.5	-0.4	-2.4	1.3	1.0
2015		3.8	0.6	3.2	3.5	-2.5	6.1	5.8	0.4	-2.3	0.2	0.7
2016		2.6	-1.7	4.4	-0.4	-3.1	2.8	5.3	-2.3	-1.6	0.3	1.2
2017		7.7	0.7	7.0	10.5	4.7	5.5	6.5	10.1	-2.3	0.0	1.3
2018		3.3	3.0	0.3	5.7	4.5	1.2	3.4	3.1	-2.9	-0.3	1.3
2019		1.7	0.7	1.0	0.8	-0.1	0.8	1.7	1.7	-2.6	-0.4	1.4
2020 (d)		-12.4	0.0	-12.3	-12.8	-1.3	-11.7	-12.6	-11.9	--	--	--
2018	I	0.7	0.6	0.1	1.8	0.6	1.2	2.7	-2.2	-2.4	0.2	0.9
	II	0.1	0.3	-0.2	2.5	0.9	1.6	-1.9	3.1	-3.0	-0.6	0.4
	III	1.4	1.3	0.2	0.2	3.1	-2.9	1.2	1.8	-2.7	-0.1	0.8
	IV	-2.0	0.8	-2.7	0.2	1.0	-0.8	-2.9	-0.6	-3.2	-0.4	0.6
2019	I	-1.0	-0.7	-0.3	-0.7	-3.1	2.5	1.2	-4.1	-3.2	-0.7	0.7
	II	7.8	-0.9	8.8	2.7	0.2	2.5	7.3	8.5	-2.1	0.0	1.1
	III	-4.1	0.7	-4.8	-0.5	-0.8	0.4	-5.0	-2.9	-3.0	-0.8	0.4
	IV	-0.4	1.6	-2.0	-3.5	3.4	-6.6	-0.5	-0.3	-2.1	0.0	0.8
2020	I	-7.2	-0.8	-6.4	-5.1	-1.8	-3.4	0.0	0.0	-2.6	-0.3	0.7
2020	Feb	0.1	2.0	-1.8	-0.7	-1.7	1.1	-2.1	3.6	--	--	--
	Mar	-15.1	-1.2	-14.1	-13.2	-0.3	-13.0	-16.9	-12.4	--	--	--
	Apr	-22.7	-2.6	-20.6	-23.9	-6.8	-18.4	-22.2	-23.4	--	--	--

(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.

Chart 14.1 - External trade (real)

Annual percent change

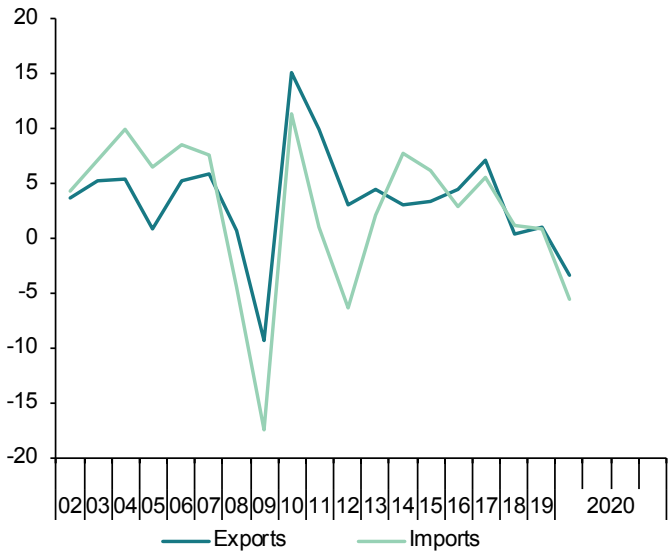


Chart 14.2 - Trade balance

EUR Billions, moving sum of 12 months

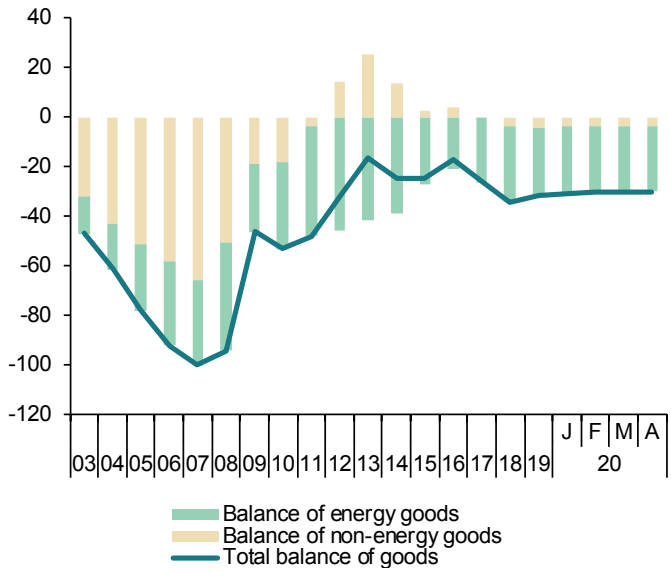


Table 15

Balance of Payments (according to IMF manual)

(Net transactions)

		Current account					Capital account	Current and capital accounts	Financial account						Errors and omissions
		Total	Goods	Services	Primary Income	Secondary Income			Financial account, excluding Bank of Spain					Bank of Spain	
									Total	Direct investment	Porfolio investment	Other investment	Financial derivatives		
		1=2+3+4+5	2	3	4	5	6	7=1+6	8=9+10+11+12	9	10	11	12	13	14
EUR billions															
2013		20.81	-12.61	52.70	-6.82	-12.47	6.19	26.99	-93.14	-10.58	-53.68	-29.92	1.04	124.17	4.04
2014		17.54	-21.26	53.25	-3.79	-10.67	4.54	22.08	-10.00	10.68	-2.67	-19.03	1.01	27.14	-4.94
2015		21.83	-20.68	53.44	-0.24	-10.69	6.98	28.80	69.47	30.07	-5.16	40.75	3.81	-40.79	-0.12
2016		35.37	-14.28	58.70	2.75	-11.80	2.43	37.80	89.49	11.19	46.65	29.09	2.57	-54.02	-2.34
2017		31.09	-22.12	63.71	-0.27	-10.23	2.84	37.80	65.31	11.99	25.08	20.77	7.48	-32.63	-5.11
2018		23.29	-29.33	61.95	2.70	-12.04	5.77	29.05	45.54	-15.19	12.99	46.15	1.58	-14.25	2.23
2019		24.55	-28.15	62.91	2.47	-12.68	4.07	26.61	71.82	10.48	-50.40	67.12	-8.18	14.82	-4.33
2018	I	1.33	-5.71	9.68	0.69	-3.33	0.49	1.82	11.73	4.78	-4.37	10.28	1.04	-14.93	-5.03
	II	9.09	-6.35	18.46	-1.00	-2.02	0.67	9.76	17.02	16.71	1.58	-1.29	0.03	-9.04	-1.78
	III	7.40	-9.56	21.04	-0.63	-3.45	0.89	8.29	8.78	2.78	3.73	-0.22	2.47	0.07	0.56
	IV	5.47	-7.71	12.78	3.64	-3.25	3.72	9.18	31.95	5.81	-6.10	31.97	0.27	-16.89	5.88
2019	I	-1.99	-8.46	10.25	0.68	-4.45	0.76	-1.22	7.21	6.52	19.73	-18.07	-0.97	-7.42	1.01
	II	10.57	-4.37	18.14	-1.03	-2.17	0.74	11.31	45.79	6.18	11.05	26.37	2.19	-35.09	-0.61
	III	8.19	-9.66	21.49	-0.09	-3.55	0.55	8.75	18.82	-3.73	11.84	9.34	1.37	-7.02	3.05
	IV	7.77	-5.65	13.03	2.92	-2.52	2.02	9.79	17.67	2.21	4.03	11.45	-0.02	-4.49	3.39
2020	I	-0.94	-6.33	8.48	1.19	-4.27	0.68	-0.26	42.50	-3.47	31.49	12.60	1.87	-43.40	-0.64
			Goods and Services		Primary and Secondary Income										
2020	Jan	-1.86	0.27		-2.12		0.20	-1.66	-6.02	-0.95	-14.30	11.93	-2.70	2.91	-1.45
	Feb	1.25	1.76		-0.51		0.21	1.46	-16.35	-0.59	-4.46	-10.19	-1.11	13.16	-4.65
	Mar	-0.33	0.13		-0.46		0.27	-0.06	26.31	3.47	3.63	22.23	-3.02	-29.28	-2.91
Percentage of GDP															
2013		2.0	-1.2	5.2	-0.7	-1.2	0.6	2.6	-9.1	-1.0	-5.3	-2.9	0.1	12.2	0.4
2014		1.7	-2.1	5.2	-0.4	-1.0	0.4	2.1	-1.0	1.0	-0.3	-1.8	0.1	2.6	-0.5
2015		2.0	-1.9	5.0	0.0	-1.0	0.6	2.7	6.4	2.8	-0.5	3.8	0.4	-3.8	0.0
2016		3.2	-1.3	5.3	0.2	-1.1	0.2	3.4	8.0	1.0	4.2	2.6	0.2	-4.9	-0.2
2017		2.7	-1.9	5.5	0.0	-0.9	0.2	3.3	5.6	1.0	2.2	1.8	0.6	-2.8	-0.4
2018		1.9	-2.4	5.2	0.2	-1.0	0.5	2.4	3.8	-1.3	1.1	3.8	0.1	-1.2	0.2
2019		2.0	-2.3	5.1	0.2	-1.0	0.3	2.1	5.8	0.8	-4.0	5.4	-0.7	1.2	-0.3
2018	I	0.5	-2.0	3.4	0.2	-1.2	0.2	0.6	4.1	1.7	-1.5	3.6	0.4	-5.2	-1.8
	II	3.0	-2.1	6.1	-0.3	-0.7	0.2	3.2	5.6	5.5	0.5	-0.4	0.0	-3.0	-0.6
	III	2.5	-3.2	7.1	-0.2	-1.2	0.3	2.8	3.0	0.9	1.3	-0.1	0.8	0.0	0.2
	IV	1.7	-2.4	4.1	1.2	-1.0	1.2	2.9	10.1	1.8	-1.9	10.2	0.1	-5.4	1.9
2019	I	-0.7	-2.8	3.4	0.2	-1.5	0.3	-0.4	2.4	2.2	6.6	-6.1	-0.3	-2.5	0.3
	II	3.3	-1.4	5.7	-0.3	-0.7	0.2	3.6	14.5	2.0	3.5	8.4	0.7	-11.1	-0.2
	III	2.7	-3.2	7.0	0.0	-1.2	0.2	2.9	6.2	-1.2	3.9	3.1	0.4	-2.3	1.0
	IV	2.4	-1.7	4.0	0.9	-0.8	0.6	3.0	5.4	0.7	1.2	3.5	0.0	-1.4	1.0
2020	I	-0.3	-2.2	2.9	0.4	-1.5	0.2	-0.1	14.6	-1.2	10.8	4.3	0.6	-14.9	-0.2

Source: Bank of Spain.

Chart 15.1 - Balance of payments: Current and capital accounts

EUR Billions, 12-month cumulated

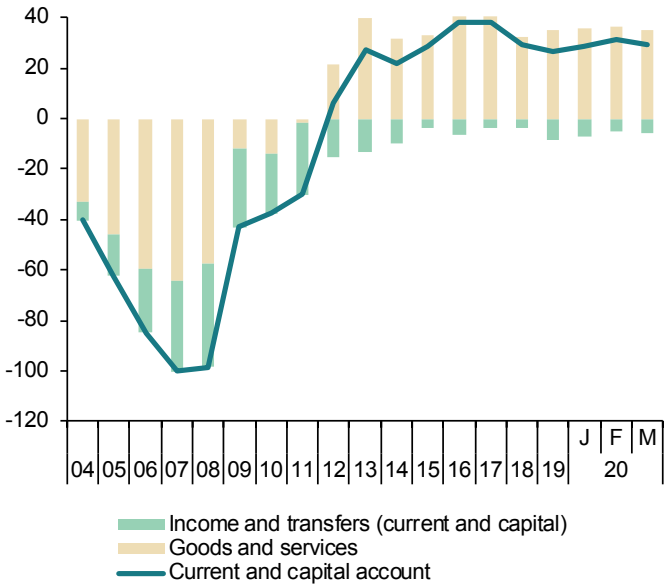


Chart 15.2 - Balance of payments: Financial account

EUR Billions, 12-month cumulated

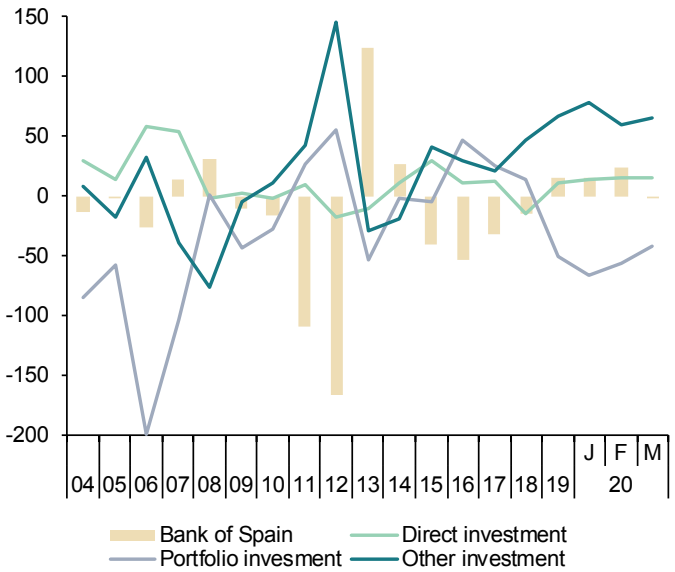


Table 16

Competitiveness indicators in relation to EMU

		Relative Unit Labour Costs in manufacturing (Spain/Rest of EMU) (a)			Harmonized Consumer Prices			Producer prices			Real Effective Exchange Rate in relation to developed countries
		Relative hourly wages	Relative hourly productivity	Relative ULC	Spain	EMU	Spain/EMU	Spain	EMU	Spain/EMU	
		1998=100			2015=100			2015=100			1999 I =100
2013		102.8	98.1	104.8	100.8	99.5	101.3	103.5	104.4	99.1	113.2
2014		101.0	98.2	102.8	100.6	100.0	100.7	102.1	102.8	99.3	112.1
2015		98.6	96.8	101.8	100.0	100.0	100.0	100.0	100.0	100.0	107.6
2016		97.3	93.6	103.9	99.7	100.3	99.4	96.9	97.9	98.9	107.6
2017		97.3	92.8	104.8	101.7	101.8	99.9	101.2	100.7	100.5	109.1
2018		96.2	91.2	105.5	103.5	103.6	99.9	103.8	103.3	100.4	110.1
2019		96.2	92.3	104.2	104.3	104.8	99.5	103.4	103.7	99.8	108.5
2020 (b)		--	--	--	103.9	105.0	99.0	100.5	102.1	98.4	107.4
2018	I	--	--	--	101.7	102.1	99.7	102.2	102.1	100.1	110.1
	II	--	--	--	104.1	103.8	100.3	103.2	102.8	100.4	110.7
	III	--	--	--	103.6	104.1	99.5	105.0	104.0	100.9	109.5
	IV	--	--	--	104.4	104.3	100.1	104.7	104.3	100.4	110.0
2019	I	--	--	--	102.9	103.5	99.4	103.8	104.0	99.8	108.5
	II	--	--	--	105.2	105.3	99.9	104.1	103.9	100.2	109.3
	III	--	--	--	104.0	105.1	99.0	103.1	103.4	99.7	108.0
	IV	--	--	--	105.0	105.3	99.6	102.8	103.4	99.5	108.4
2020	I	--	--	--	103.6	104.7	98.9	101.6	102.8	98.9	107.2
2020	Mar	--	--	--	104.0	105.1	98.9	99.5	101.6	97.9	107.8
	Apr	--	--	--	104.4	105.4	99.0	97.0	100.0	97.0	107.6
	May	--	--	--	104.4	105.3	99.1	--	--	--	--
		Annual percentage changes					Differential	Annual percentage changes		Differential	Annual percentage changes
2013		-1.4	3.2	-4.5	1.5	1.3	0.2	0.6	-0.2	0.8	2.0
2014		-1.7	0.2	-1.9	-0.2	0.4	-0.6	-1.3	-1.5	0.2	-1.0
2015		-2.4	-1.5	-0.9	-0.6	0.0	-0.6	-2.0	-2.8	0.8	-4.1
2016		-1.3	-3.2	2.1	-0.3	0.3	-0.6	-3.1	-2.1	-1.0	0.0
2017		0.0	-0.9	0.8	2.0	1.5	0.5	4.5	2.8	1.7	1.5
2018		-1.1	-1.8	0.6	1.7	1.7	0.0	2.5	2.6	-0.1	0.9
2019		0.0	1.2	-1.2	0.8	1.2	-0.4	-0.3	0.3	-0.6	0.0
2020 (c)		--	--	--	0.1	0.7	-0.6	-3.2	-2.0	-1.2	-1.3
2018	I	--	--	--	1.1	1.1	0.0	0.8	0.0	0.8	2.2
	II	--	--	--	1.8	1.8	0.0	2.8	0.0	2.8	1.7
	III	--	--	--	2.3	2.3	0.0	4.2	0.0	4.2	0.2
	IV	--	--	--	1.8	1.8	0.0	2.4	0.0	2.4	-0.5
2019	I	--	--	--	1.1	1.4	-0.3	1.6	0.0	1.6	-1.5
	II	--	--	--	1.1	1.4	-0.3	0.8	0.0	0.8	-1.3
	III	--	--	--	0.4	1.0	-0.6	-1.8	0.0	-1.8	-1.4
	IV	--	--	--	0.5	1.0	-0.5	-1.8	0.0	-1.8	-1.5
2020	I	--	--	--	0.7	1.1	-0.4	-2.1	0.0	-2.1	-1.2
2020	Mar	--	--	--	0.1	0.7	-0.6	-4.1	-2.4	-1.7	-0.8
	Apr	--	--	--	-0.7	0.3	-1.0	-7.1	-3.9	-3.2	-1.4
	May	--	--	--	-0.9	0.1	-1.0	--	--	--	--

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

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

1998=100

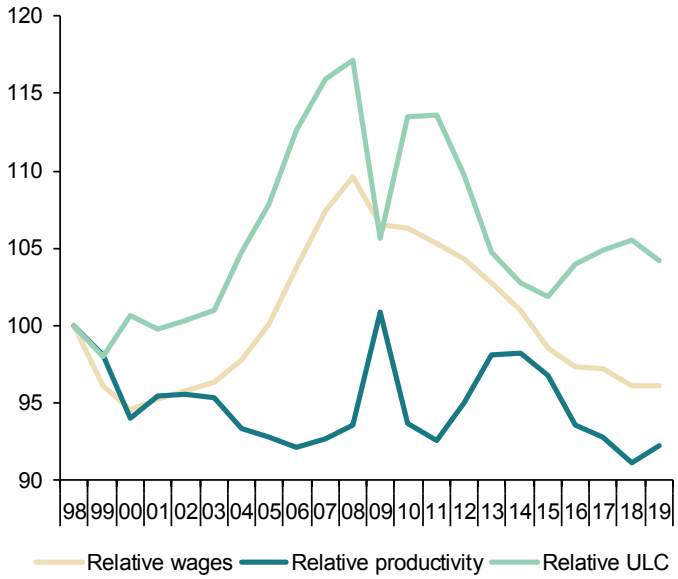


Chart 16.2 - Harmonized Consumer Prices

Annual growth in % and percentage points

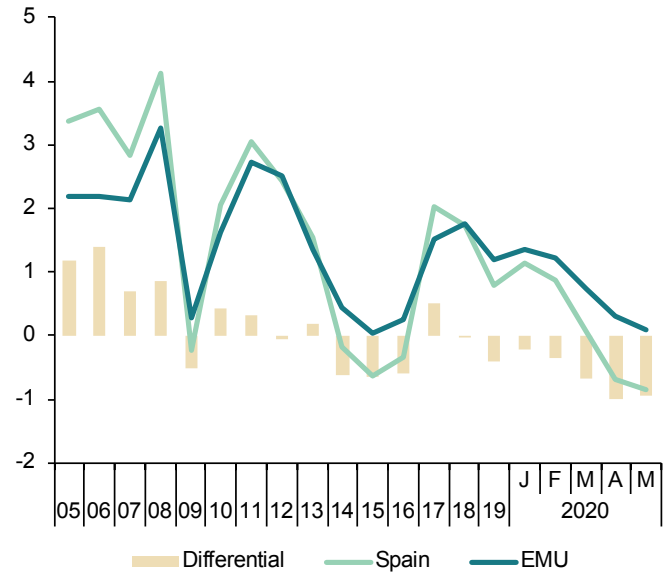


Table 17a

Imbalances: International comparison (I)

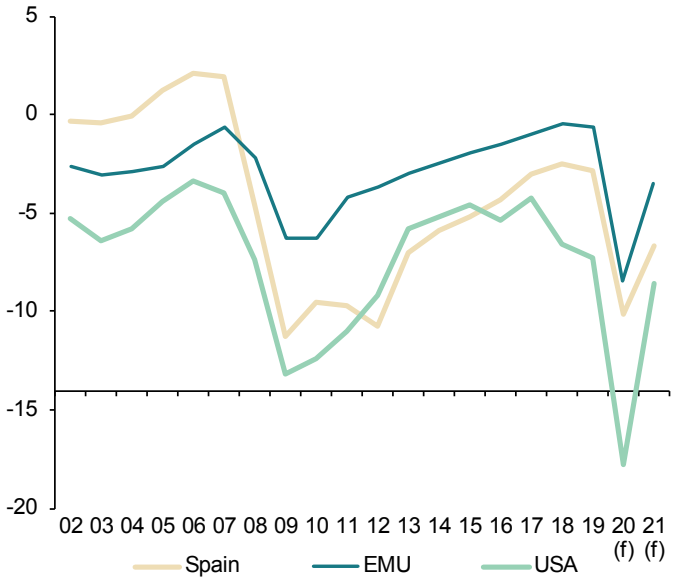
(In yellow: European Commission Forecasts)

	Government net lending (+) or borrowing (-)			Government consolidated gross debt			Current Account Balance of Payments (National Accounts)		
	Spain	EMU	USA	Spain	EMU	USA	Spain	EMU	USA
				Billions of national currency					
2007	20.3	-59.8	-576.0	384.7	6,192.2	9,341.2	-101.4	23.2	-728.5
2008	-50.7	-207.4	-1,084.5	440.6	6,700.8	10,838.3	-98.8	-49.9	-866.1
2009	-120.6	-577.8	-1,896.6	569.5	7,440.5	12,525.9	-43.7	63.4	-564.3
2010	-102.2	-597.8	-1,863.1	649.2	8,199.1	14,301.9	-39.2	59.0	-497.7
2011	-103.6	-414.5	-1,709.1	743.0	8,658.8	15,501.9	-29.0	87.1	-412.4
2012	-110.7	-364.6	-1,493.3	889.9	9,114.9	16,718.0	0.9	226.3	-206.8
2013	-71.8	-299.3	-977.4	977.3	9,429.4	17,582.1	20.8	281.2	-208.2
2014	-61.1	-250.2	-910.9	1,039.4	9,674.6	18,299.9	17.5	315.3	-86.4
2015	-55.8	-208.2	-842.3	1,070.1	9,792.7	19,072.3	21.8	361.3	-169.2
2016	-48.0	-157.8	-1,009.4	1,104.6	9,970.0	19,991.2	35.4	390.6	-329.4
2017	-35.1	-108.0	-831.8	1,145.1	10,061.7	20,688.3	31.1	423.6	-399.0
2018	-30.5	-53.0	-1,357.9	1,173.3	10,161.1	22,369.1	23.3	432.1	-520.3
2019	-35.2	-77.0	-1,549.1	1,188.9	10,250.4	23,806.4	25.2	398.5	-608.0
2020	-114.5	-941.8	-3,541.7	1,307.9	11,440.5	27,127.7	36.1	374.1	--
2021	-81.7	-424.4	-1,813.2	1,389.6	11,855.4	28,987.7	32.7	432.6	--
				Percentage of GDP					
2007	1.9	-0.6	-4.0	35.8	65.9	64.6	-9.4	0.2	-5.0
2008	-4.6	-2.2	-7.4	39.7	69.6	73.7	-8.9	-0.5	-5.9
2009	-11.3	-6.2	-13.1	53.3	80.2	86.7	-4.1	0.7	-3.9
2010	-9.5	-6.3	-12.4	60.5	86.0	95.4	-3.7	0.6	-3.3
2011	-9.7	-4.2	-11.0	69.9	88.4	99.7	-2.7	0.9	-2.7
2012	-10.7	-3.7	-9.2	86.3	92.7	103.2	0.1	2.3	-1.3
2013	-7.0	-3.0	-5.8	95.8	94.9	104.7	2.0	2.8	-1.2
2014	-5.9	-2.5	-5.2	100.7	95.1	104.4	1.7	3.1	-0.5
2015	-5.2	-2.0	-4.6	99.3	93.0	104.7	2.0	3.4	-0.9
2016	-4.3	-1.5	-5.4	99.2	92.2	106.8	3.2	3.6	-1.8
2017	-3.0	-1.0	-4.3	98.6	89.8	106.0	2.7	3.8	-2.0
2018	-2.5	-0.5	-6.6	97.6	87.8	108.7	1.9	3.7	-2.5
2019	-2.8	-0.6	-7.2	95.5	86.0	111.1	2.0	3.3	-2.8
2020	-10.1	-8.5	-17.8	115.6	102.7	136.2	3.2	3.4	--
2021	-6.7	-3.5	-8.5	113.7	98.8	136.6	2.7	3.6	--

Source: European Commission Forecasts, Spring 2020.

Chart 17a.1 - Government deficit

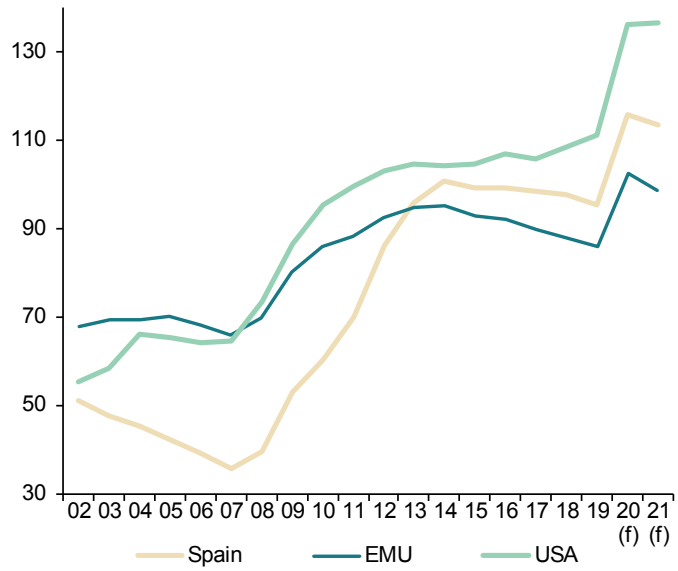
Percentage of GDP



(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			
2005	656.2	4,811.1	12,033.2	954.1	7,210.0	8,145.7
2006	783.5	5,219.4	13,318.5	1,171.9	7,773.6	8,968.7
2007	879.3	5,599.1	14,241.5	1,371.6	8,656.7	10,100.3
2008	916.7	5,833.8	14,110.4	1,460.0	9,257.9	10,666.3
2009	908.9	5,957.1	13,951.1	1,473.5	9,333.5	10,155.2
2010	905.2	6,084.8	13,735.6	1,498.0	9,583.8	10,016.6
2011	877.9	6,170.4	13,586.7	1,458.3	10,090.4	10,271.7
2012	840.9	6,160.6	13,586.5	1,339.2	10,280.5	10,774.9
2013	793.6	6,115.4	13,722.9	1,267.9	10,176.9	11,241.1
2014	757.8	6,135.6	13,971.2	1,207.7	10,750.8	11,972.3
2015	733.3	6,204.4	14,164.4	1,183.7	11,511.8	12,772.9
2016	718.5	6,314.2	14,593.8	1,162.8	11,860.8	13,447.1
2017	711.0	6,478.9	15,147.2	1,150.3	12,152.2	14,389.4
2018	709.6	6,667.8	15,615.6	1,154.6	12,450.2	15,318.2
2019	708.6	6,896.0	16,148.6	1,159.7	12,807.5	16,058.0
			Percentage of GDP			
2005	70.8	57.0	92.3	102.9	85.4	62.5
2006	78.0	58.7	96.4	116.7	87.4	64.9
2007	81.8	59.6	98.5	127.5	92.2	69.9
2008	82.6	60.6	95.9	131.6	96.2	72.5
2009	85.0	64.2	96.6	137.8	100.7	70.3
2010	84.4	63.8	91.6	139.6	100.6	66.8
2011	82.5	63.0	87.4	137.1	103.0	66.1
2012	81.6	62.6	83.9	129.9	104.6	66.5
2013	77.8	61.6	81.8	124.3	102.5	67.0
2014	73.4	60.3	79.7	117.0	105.7	68.3
2015	68.0	59.0	77.7	109.8	109.4	70.1
2016	64.5	58.4	78.0	104.4	109.7	71.9
2017	61.2	57.8	77.6	99.0	108.5	73.7
2018	59.0	57.7	75.9	96.1	107.7	74.4
2019	56.9	57.9	75.4	93.1	107.6	74.9

(a) Loans and debt securities.

Sources: Eurostat and Federal Reserve.

Chart 17b.1 - Household debt

Percentage of GDP

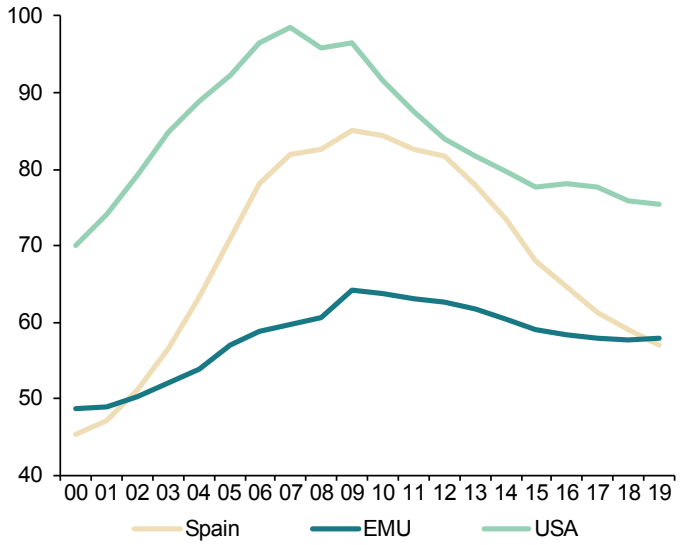
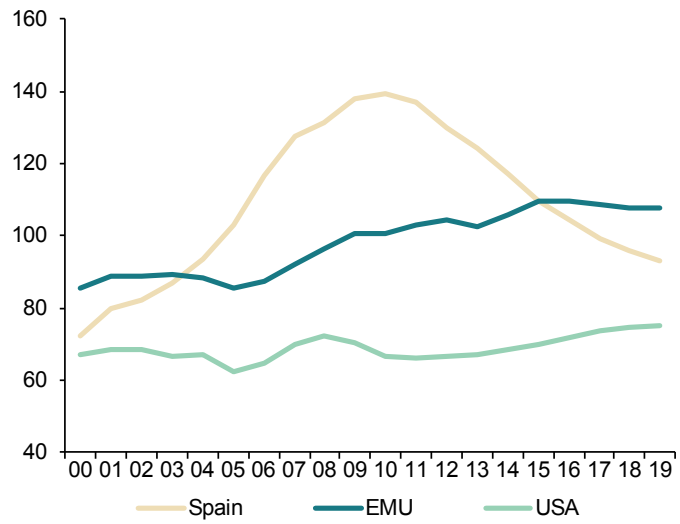


Chart 17b.2 - Non-financial corporations debt

Percentage of GDP



50 Financial System Indicators

Updated: June 30th, 2020

Highlights

Indicator	Last value available	Corresponding to:
Bank lending to other resident sectors (monthly average % var.)	1.6	February 2020
Other resident sectors' deposits in credit institutions (monthly average % var.)	2.1	February 2020
Doubtful loans (monthly % var.)	0.8	February 2020
Recourse to the Eurosystem L/T (Eurozone financial institutions, million euros)	971,253	May 2020
Recourse to the Eurosystem L/T (Spanish financial institutions, million euros)	176,040	May 2020
Recourse to the Eurosystem (Spanish financial institutions million euros) - Main refinancing operations	2	May 2020
"Operating expenses/gross operating income" ratio (%)	56.92	March 2020
"Customer deposits/employees" ratio (thousand euros)	10,040.37	March 2020
"Customer deposits/branches" ratio (thousand euros)	78,602.17	March 2020
"Branches/institutions" ratio	123.24	March 2020

A. Money and Interest Rates

Indicator	Source	Average 2001-2017	2018	2019	2020 May	2020 June	Definition and calculation
1. Monetary Supply (% chg.)	ECB	5.2	4.1	5.0	-	-	M3 aggregate change (non-stationary)
2. Three-month interbank interest rate	Bank of Spain	1.7	-0.309	-0.354	-0.307	-0.413	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	2.1	-0.117	-0.249	-0.085	-0.225	End-of-month data
4. Ten-year Treasury bonds interest rate (from 1998)	Bank of Spain	3.8	1.4	0.6	0.6	0.4	Market interest rate (not exclusively between account holders)
5. Corporate bonds average interest rate	Bank of Spain	3.9	1.5	-	-	-	End-of-month straight bonds average interest rate (> 2 years) in the AIAF market

Comment on "Money and Interest Rates": Interbank rates decreased during June, under an uncertain market situation due to the persistence of COVID-19. The 3-month interbank rate fell from -0.307% in May to -0.413%, and the 1-year Euribor from -0.085% to -0.225%. ECB policy has accentuated its expansionary stance with the latest decisions of the ECB significantly expanding the stimulus program due to concerns surrounding the effects of COVID-19. As for the Spanish 10-year bond yield, it fell to 0.4%.

B. Financial Markets

Indicator	Source	Average 2001-2017	2018	2019	2020 April	2020 May	Definition and calculation
6. Outright spot treasury bills transactions trade ratio	Bank of Spain	18.4	84.2	288.7	28.19	26.81	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
7. Outright spot government bonds transactions trade ratio	Bank of Spain	18.1	49.2	87.2	15.39	13.61	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
8. Outright forward treasury bills transactions trade ratio	Bank of Spain	0.5	1.07	0.01	0.00	0.58	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
9. Outright forward government bonds transactions trade ratio	Bank of Spain	0.5	1.84	1.2	2.43	0.29	(Traded amount/outstanding balance) in the market (not exclusively between account holders)
10. Three-month maturity treasury bills interest rate	Bank of Spain	0.6	-0.52	-0.54	-0.44	-0.54	Outright transactions in the market (not exclusively between account holders)
11. Government bonds yield index (Dec1987=100)	Bank of Spain	701.8	1,164.63	1,311.87	-	-	Outright transactions in the market (not exclusively between account holders)
12. Madrid Stock Exchange Capitalization (monthly average % chg.)	Bank of Spain and Madrid Stock Exchange	0.3	-5.9	1.2	2.5	2.7	Change in the total number of resident companies
13. Stock market trading volume. Stock trading volume (monthly average % var.)	Bank of Spain and Madrid Stock Exchange	3.1	-5.3	-7.4	-44.7	-4.2	Stock market trading volume. Stock trading volume: change in total trading volume
14. Madrid Stock Exchange general index (Dec 1985=100)	Bank of Spain and Madrid Stock Exchange	1,015.6	862.6	881.6	684.7	714.6 (a)	Base 1985=100
15. Ibex-35 (Dec 1989=3000)	Bank of Spain and Madrid Stock Exchange	9,772.1	8,539.9	8,812.9	6,922.3	7,231.4 (a)	Base dec1989=3000
16. Madrid Stock Exchange PER ratio (share value/profitability)	Bank of Spain and Madrid Stock Exchange	15.8	12.2	13.2	12	17.4 (a)	Madrid Stock Exchange Ratio "share value/ capital profitability"
17. Long-term bonds. Stock trading volume (% chg.)	Bank of Spain and Madrid Stock Exchange		-	-	-	-	Variation for all stocks

B. Financial Markets (continued)

Indicator	Source	Average 2001-2017	2018	2019	2020 April	2020 May	Definition and calculation
18. Commercial paper. Trading balance (% chg.)	Bank of Spain and AIAF		-	-	-	-	AIAF fixed-income market
19. Commercial paper. Three-month interest rate	Bank of Spain and AIAF		-	-	-	-	AIAF fixed-income market
20. IBEX-35 financial futures concluded transactions (% chg.)	Bank of Spain	1.3	-6.1	-14.4	-63.9	54.2	IBEX-35 shares concluded transactions
21. IBEX-35 financial options concluded transactions (%chg.)	Bank of Spain	10.3	58.5	30	-28.6	170	IBEX-35 shares concluded transactions

(a) Last data published: June 30th, 2020.

Comment on "Financial Markets": During May, there was a decrease in transactions with outright spot T-bills to 26.81 and of spot government bonds transactions to 13.61. The stock market recovered some ground in June -under considerable volatility- with the IBEX-35 up to 7,231 points and the General Index of the Madrid Stock Exchange to 715. There was an increase in Ibex-35 futures of 54.2% and an increase in options of 170%.

C. Financial Saving and Debt

Indicator	Source	Average 2008-2015	2017	2018	2019 Q3	2019 Q4	Definition and calculation
22. Net Financial Savings/GDP (National Economy)	Bank of Spain	-2.3	2.0	1.5	2.2	2.3	Difference between financial assets and financial liabilities flows over GDP
23. Net Financial Savings/GDP (Households and non-profit institutions)	Bank of Spain	2.1	0.5	0.1	2.4	2.2	Difference between financial assets and financial liabilities flows over GDP
24. Debt in securities (other than shares) and loans/GDP (National Economy)	Bank of Spain	261.5	287.4	280.7	288.9	282.0	Public debt. non-financial companies debt and households and non-profit institutions debt over GDP
25. Debt in securities (other than shares) and loans/GDP (Households and non-profit institutions)	Bank of Spain	64.6	61.3	58.9	57.4	56.9	Households and non-profit institutions debt over GDP
26. Households and non-profit institutions balance: financial assets (quarterly average % chg.)	Bank of Spain	0.5	3.8	-1.6	-0.3	1.5	Total assets percentage change (financial balance)
27. Households and non-profit institutions balance: financial liabilities (quarterly average % chg.)	Bank of Spain	-1.5	-0.1	0.1	-1.5	0.3	Total liabilities percentage change (financial balance)

Comment on "Financial Savings and Debt": During 2019Q4. the financial savings to GDP in the overall economy increased by 2.3% of GDP. There was an increase in the financial savings rate of households of 2.2%. The debt to GDP ratio of the economy reached 282%. Finally, the stock of financial assets on households' balance sheets registered growth of 1.5%, and there was also an increase of 0.3% in the stock of financial liabilities.

D. Credit institutions. Business Development

Indicator	Source	Average 2001-2017	2018	2019	2020 March	2020 April	Definition and calculation
28. Bank lending to other resident sectors (monthly average % var.)	Bank of Spain	6.1	-4.7	0.2	0.9	1.6	Lending to the private sector percentage change for the sum of banks. savings banks and credit unions.
29. Other resident sectors' deposits in credit institutions (monthly average % var.)	Bank of Spain	7.0	0.7	0.3	1.7	2.1	Deposits percentage change for the sum of banks. savings banks and credit unions.
30. Debt securities (monthly average % var.)	Bank of Spain	9.95	-0.9	-0.3	5.5	3.0	Asset-side debt securities percentage change for the sum of banks. savings banks and credit unions.
31. Shares and equity (monthly average % var.)	Bank of Spain	9.3	-8.8	0.5	-3.6	-0.2	Asset-side equity and shares percentage change for the sum of banks. savings banks and credit unions.
32. Credit institutions. Net position (difference between assets from credit institutions and liabilities with credit institutions) (% of total assets)	Bank of Spain	-2.2	-0.6	-1.6	-2.5	-2.6	Difference between the asset-side and liability-side "Credit System" item as a proxy of the net position in the interbank market (month-end).
33. Doubtful loans (monthly average % var.)	Bank of Spain	-0.3	-2.3	-1.7	0.4	0.8	Doubtful loans. Percentage change for the sum of banks. savings banks and credit unions.
34. Assets sold under repurchase (monthly average % var.)	Bank of Spain	2.6	-1.4	-1.1	-13.2	-0.9	Liability-side assets sold under repurchase. Percentage change for the sum of banks. savings banks and credit unions.
35. Equity capital (monthly average % var.)	Bank of Spain	7.8	-4.1	0.3	-2.4	0.04	Equity percentage change for the sum of banksn u savings banks and credit unions.

Comment on "Credit institutions. Business Development": The latest available data as of April show an increase in bank credit to the private sector of 1.6%. Data also show an increase of financial institutions deposit-taking of 2.1%. Holdings of debt securities increased 3%. Doubtful loans grew 0.8% compared to the previous month.

E. Credit institutions. Market Structure and Eurosystem Refinancing

Indicator	Source	Average 2000-2016	2017	2018	2019 December	2020 March	Definition and calculation
36. Number of Spanish credit institutions	Bank of Spain	194	124	122	114	113	Total number of banks, savings banks and credit unions operating in Spanish territory
37. Number of foreign credit institutions operating in Spain	Bank of Spain	75	82	83	81	81	Total number of foreign credit institutions operating in Spanish territory
38. Number of employees	Bank of Spain	246,618	189,280	187,472	181,999(a)	-	Total number of employees in the banking sector
39. Number of branches	Bank of Spain	40,047	28,643	27,320	23,851	23,565	Total number of branches in the banking sector
40. Recourse to the Eurosystem: long term (total Eurozone financial institutions) (Euro millions)	Bank of Spain	318,141	527,317	762,540	642,118	971,253 (b)	Open market operations and ECB standing facilities. Eurozone total
41. Recourse to the Eurosystem: long term (total Spanish financial institutions) (Euro millions)	Bank of Spain	65,106	138,455	170,445	132,611	176,040 (b)	Open market operations and ECB standing facilities. Spain total
42. Recourse to the Eurosystem (total Spanish financial institutions): main refinancing operations (Euro millions)	Bank of Spain	20,270	1,408	96	102	2 (b)	Open market operations: main long term refinancing operations. Spain total

(a) Last data published: December 2018.

(b) Last data published: May 2020.

Comment on "Credit institutions. Market Structure and Eurosystem Refinancing": In May 2020, recourse to Eurosystem funding by Spanish credit institutions reached 176.04 billion euros.

MEMO ITEM: From January 2015, the ECB also offers information on the asset purchase programs. The amount borrowed by Spanish banks in these programs reached 356 billion euros in February 2020, and 2.8 trillion euros for the entire Eurozone banking system.

F. Credit institutions. Efficiency and Productivity, Risk and Profitability

Indicator	Source	Average 2000-2016	2017	2018	2019	2020Q1	Definition and calculation
43. "Operating expenses/gross operating income" ratio	Bank of Spain	49.6	54.03	54.39	53.30	56.92	Operational efficiency indicator. Numerator and denominator are obtained directly from credit institutions´ P&L accounts
44. "Customer deposits/ employees" ratio (Euro thousands)	Bank of Spain	3,756.85	6,532.25	9,461.19	9,574.38	10,040.37	Productivity indicator (business by employee)
45. "Customer deposits/ branches" ratio (Euro thousands)	Bank of Spain	23,407.19	47,309.12	68,190.72	74,450.04	78,602.17	Productivity indicator (business by branch)

F. Credit institutions. Efficiency and Productivity, Risk and Profitability (continued)

Indicator	Source	Average 2000-2016	2017	2018	2019	2020Q1	Definition and calculation
46. "Branches/institutions" ratio	Bank of Spain	203.20	122.22	131.36	123.09	123.24	Network expansion indicator
47. "Employees/branches" ratio	Bank of Spain	6.15	6.97	7.2	7.7	7.9	Branch size indicator
48. "Equity capital (monthly average % var.)	Bank of Spain	0.05	0.84	-0.79	0.25	-1.12	Credit institutions equity capital variation indicator
49. ROA	Bank of Spain	0.43	0.44	0.57	0.59	-0.01	Profitability indicator, defined as the "pre-tax profit/average total assets"
50. ROE	Bank of Spain	6.01	3.66	4.25	6.96	0.21	Profitability indicator, defined as the "pre-tax profit/equity capital"

Comment on "Credit institutions. Efficiency and Productivity, Risk and Profitability": During 2020Q1, there was a fall in the profitability of Spanish banks, driven by the effects of COVID-19, and to some extent, due to the substantial provisions made to cover potential losses.

Social Indicators

Table 1

Population

Population										
	Total population	Average age	65 and older (%)	Life expectancy at birth (men)	Life expectancy at birth (women)	Dependency rate	Dependency rate (older than 64)	Foreign-born population (%)	New entries (all nationalities)	New entries (EU-28 born) (%)
2008	46,157,822	40.8	16.5	78.2	84.3	47.5	24.5	13.1	726,009	28.4
2010	47,021,031	41.1	16.9	79.1	85.1	48.6	25.0	14.0	464,443	35.6
2012	47,265,321	41.6	17.4	79.4	85.1	50.4	26.1	14.3	370,515	36.4
2014	46,771,341	42.1	18.1	80.1	85.7	51.6	27.4	13.4	399,947	38.0
2015	46,624,382	42.4	18.4	79.9	85.4	52.4	28.0	13.2	455,679	36.4
2016	46,557,008	42.7	18.6	80.3	85.8	52.9	28.4	13.2	534,574	33.4
2017	46,572,132	42.9	18.8	80.4	85.7	53.2	28.8	13.3	637,375	30.1
2018	46,722,980	43.1	19.1	80.5	85.9	53.6	29.3	13.7	760,804	25.8
2019	47,026,208	43.3	19.3			53.7	29.6	14.4		
2020●	47,431,256	43.6	19.4			53.5	29.8	15.2		
Sources	EPC	EPC	EPC	ID INE	ID INE	EPC	EPC	EPC	EVR	EVR

ID INE: Indicadores Demográficos INE.

EPC: Estadística del Padrón Continuo.

EVR: Estadística de Variaciones Residenciales.

Dependency rate: (15 or less years old population + 65 or more years old population)/ 16-64 years old population, as a percentage.

Dependency rate (older than 64): 65 or more years old population/ 16-64 years old population, as a percentage.

● *Provisional data.*

Table 2

Households and families

	Households				Nuptiality					
	Households (thousands)	Average household size	Households with one person younger than 65 (%)	Households with one person older than 65 (%)	Marriage rate (Spanish)	Marriage rate (foreign population)	Divorce rate	Mean age at first marriage, men	Mean age at first marriage, women	Same sex marriages (%)
2008	16,742	2.71	12.0	10.2	8.5	8.4	2.39	32.4	30.2	1.62
2010	17,174	2.67	12.8	9.9	7.2	7.9	2.21	33.2	31.0	1.87
2012	17,434	2.63	13.7	9.9	7.2	6.7	2.23	33.8	31.7	2.04
2014	18,329	2.51	14.2	10.6	6.9	6.5	2.17	34.4	32.3	2.06
2015	18,376	2.54	14.6	10.7	7.3	6.5	2.08	34.8	32.7	2.26
2016	18,444	2.52	14.6	10.9	7.5	6.8	2.08	35.0	32.9	2.46
2017	18,512	2.52	14.2	11.4	7.4	7.0	2.11	35.3	33.2	2.67
2018	18,581	2.51	14.3	11.5	7.1	6.6	2.04	35.6	33.4	2.90
2019	18,697	2.52			7.0●	6.6●				
2020■	18,774	2.53								
Sources	LFS	LFS	EPF	EPF	ID INE	ID INE	ID INE	ID INE	ID INE	MNP

Table 2 (Continued)

Households and families

	Fertility					
	Median age at first child, women	Total fertility rate (Spanish women)	Total fertility rate (Foreign women)	Births to single mothers (%)	Abortion rate	Abortion by Spanish-born women (%)
2008	29.3	1.36	1.83	33.2	11.8	55.6
2010	29.8	1.30	1.68	35.5	11.5	58.3
2012	30.3	1.27	1.56	39.0	12.0	61.5
2014	30.6	1.27	1.62	42.5	10.5	63.3
2015	30.7	1.28	1.66	44.4	10.4	65.3
2016	30.8	1.27	1.72	45.8	10.4	65.8
2017	30.9	1.25	1.71	46.8	10.5	66.1
2018	31.0	1.20	1.65	47.3	11.1	65.3
2019●	31.1	1.17	1.59			
Sources	ID INE	ID INE	ID INE	ID INE	MSAN	MSAN

LFS: Labour Force Survey. EPF: Encuesta de Presupuestos Familiares. ID INE: Indicadores Demográficos INE. MNP: Movimiento Natural de la Población. MSAN: Ministerio de Sanidad, Servicios Sociales e Igualdad.

Marriage rate: Number of marriages per thousand population.

Total fertility rate: The average number of children that would be born per woman living in Spain if all women lived to the end of their childbearing years and bore children according to a given fertility rate at each age.

Divorce rate: Number of divorces per thousand population.

Abortion rate: Number of abortions per thousand women (15-44 years).

■ *Data refer to January-March.*

● *Provisional data.*

Table 3

Education

	Educational attainment				Students involved in non-compulsory education					Education expenditure	
	Population 16 years and older with primary education (%)	Population 30-34 with primary education (%)	Population 16 years and older with with tertiary education (%)	Population 30-34 with tertiary education (%)	Pre-primary education	Secondary education	Vocational training	Under-graduate students	Post-graduate studies (except doctorate)	Public expenditure (thousands of €)	Public expenditure (%GDP)
2008	32.1	9.2	16.1	26.9	1,763,019	629,247	472,604	1,377,228	50,421	51,716,008	4.63
2010	30.6	8.6	17.0	27.7	1,872,829	672,213	555,580	1,445,392	104,844	53,099,329	4.91
2012	28.5	7.5	17.8	26.6	1,912,324	692,098	617,686	1,450,036	113,805	46,476,414	4.47
2014	24.4	6.1	27.2	42.3	1,840,008	690,738	652,846	1,364,023	142,156	44,846,415	4.32
2015	23.3	6.6	27.5	40.9	1,808,322	695,557	641,741	1,321,698	171,043	46,597,784	4.31
2016	22.4	6.6	28.1	40.7	1,780,377	687,595	652,471	1.303.252	190,143	47,578,997	4.25
2017	21.4	6.6	28.5	41.2	1,767,179	676,311	667,984	1,287,791	209,754	49,458,049	4.24
2018	20.5	6.4	29.2	42.4	1,750,106	667,287	675,942	1,293,892●	214,528●	50.807.185	4.23
2019	19.3	6.3	30.3	44.7							
2020■	18.5	6.1	30.7	44.8							
Sources	LFS	LFS	LFS	LFS	MECD	MECD	MECD	MECD	MECD	MECD	INE National Accounts

LFS: Labor Force Survey.

MECD: Ministerio de Educación, Cultura y Deporte.

INE: Instituto Nacional de Estadística.

■ *Data refer to January-March.*

● *Provisional data.*

Table 4

Social protection: Benefits

	Contributory benefits*							Non-contributory benefits			
		Retirement		Permanent disability		Widowhood			Social Security		
	Unemployment total	Total	Average amount (€)	Total	Average amount (€)	Total	Average amount (€)	Unemployment	Retirement	Disability	Other
2008	1,100,879	4,936,839	814	906,835	801	2,249,904	529	646,186	265,314	199,410	63,626
2010	1,471,826	5,140,554	884	933,730	850	2,290,090	572	1,445,228	257,136	196,159	49,535
2012	1,381,261	5,330,195	946	943,296	887	2,322,938	602	1,327,027	251,549	194,876	36,310
2014	1,059,799	5,558,964	1,000	929,484	916	2,348,388	624	1,221,390	252,328	197,303	26,842
2015	838,392	5,641,908	1,021	931,668	923	2,353,257	631	1,102,529	253,838	198,891	23,643
2016	763,697	5,731,952	1,043	938,344	930	2,364,388	638	997,192	254,741	199,762	21,350
2017	726,575	5,826,123	1,063	947,130	936	2,360,395	646	902,193	256,187	199,120	19,019
2018	751,172	5,929,471	1,091	951,838	946	2,359,931	664	853,437	256,842	196,375	16,472
2019	807,614	6,038,326	1,138	957,500	975	2,361,620	712	912,384	259,570	193,122	14,997
2020■	1,998,060	6,092,494	1,156	957,890	985	2,356,946	722	1,023,358	261,916	190,274	13,772
Sources	INEM	INSS	INSS	INSS	INSS	INSS	INSS	INEM	IMSERSO	IMSERSO	IMSERSO

INEM: Instituto Nacional de Empleo.

INSS: Instituto Nacional de la Seguridad Social.

IMSERSO: Instituto de Mayores y Servicios Sociales.

** Benefits for orphans and dependent family members of deceased Social Security affiliates are excluded.*

■ *Data refer to January-May.*

Table 5

Social protection: Health care

	Expenditure				Resources				Satisfaction		Patients on waiting list (days)	
	Total (% GDP)	Public (% GDP)	Total expenditure ($ per inhabitant)	Public expenditure (per inhabitant)	Medical specialists per 1,000 inhabitants	Primary care doctors per 1,000 people asigned	Specialist nurses per 1,000 inhabitants	Primary care nurses per 1,000 people asigned	With the working of the health system	With medical history and tracing by family doctor or pediatrician	Non-urgent surgical procedures	First specialist consultations
2008	8.29	6.10	2,774	2,042	1.8	0.8	3.0	0.6	6.4	7.0	71	59
2010	9.01	6.74	2,886	2,157	1.8	0.8	3.2	0.6	6.6	7.3	65	53
2012	9.09	6.55	2,902	2,095	1.8	0.8	3.1	0.6	6.6	7.5	76	53
2014	9.08	6.36	3,057	2,140	1.8	0.8	3.1	0.7	6.3	7.5	87	65
2015	9.16	6.51	3,180	2,258	1.9	0.8	3.2	0.7	6.4	7.5	89	58
2016	8.98	6.34	3,248	2,293	1.9	0.8	3.3	0.6	6.6	7.6	115	72
2017	8.84	6.25	3,370	2,385	1.9	0.8	3.4	0.6	6.7	7.5	106	66
2018	8.90	6.20	3,323	2,341		0.8		0.7	6.6	7.5	129	96
2019											115	81
Sources	OECD	OECD	OECD	OECD	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS

OECD: Organisation for Economic Co-operation and Development.

INCLASNS: Indicadores clave del Sistema Nacional del Salud.

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Notes

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