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Spain, Spring 2020

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European Commission
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Post-Programme Surveillance Report

Spain, Spring 2020

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The cut-off date for the data included in this report is 30 April 2020.

⁽¹⁾ The executive summary of this report was adopted as Commission Communication C(2020) 3360 on 18 May 2020. The rest of the report is the Staff Working Document SWD(2020) 90 accompanying this Communication.

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ABBREVIATIONS

BDE	Banco de España
CCB	capital conservation buffer
CCyB	countercyclical capital buffer
CDS	credit default swap
CET 1	common equity tier 1
CNMV	Comisión Nacional del Mercado de Valores
COVID-19	coronavirus disease 2019
ECB	European Central Bank
ESM	European Stability Mechanism
GDP	gross domestic product
ICO	Instituto de Crédito Oficial
IFRS	International Financial Reporting Standards
INE	Instituto Nacional de Estadística
LCR	liquidity coverage ratio
MIP	macroeconomic imbalances procedure
NFCs	non-financial corporations
NPL	non-performing loan
P2G	Pillar 2 Guidance
PPS	Post-programme surveillance
RoE	return on equity
Sareb	Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria S.A.
SMEs	small and medium-sized enterprises

EXECUTIVE SUMMARY

This thirteenth surveillance report provides an assessment of Spain's economic and financial situation following its exit from the financial assistance programme in January 2014. Staff from the European Commission, in liaison with the European Central Bank⁽²⁾, held some meetings with the Spanish authorities in mid-April in preparation of the present report. The ESM participated in the meetings on aspects related to its own Early Warning System. Following the COVID-19 related social distancing measures and travel restrictions, the meetings were held in the form of telephone conferences with the Spanish authorities. The report focuses on macroeconomic and financial sector developments over the past months, complementing the surveillance by the Commission under the European Semester of economic policy coordination. However, the coverage of this report is more limited than usual. The pandemic, and the necessary measures put in place by the government as of mid-March to stem its spread, are set to have an unprecedented negative impact on the Spanish economy in 2020. The size of this impact, and the extent to which the sizeable support measures put in place by the government will cushion it, could not be fully assessed at the time this report was written.

Spain is set to experience a sharp economic downturn in 2020, followed by a strong rebound in 2021. Economic activity was on a moderating growth path before the outbreak of the COVID-19 pandemic. GDP growth stood at 2.0% in 2019, well above the euro area average (1.2%). Based on the European Commission 2020 spring forecast, the disruption to economic activity caused by the virus, coupled with the containment measures put in place as of March, are expected to result in an unprecedented contraction in economic activity in the first half of 2020. With restrictions starting to be lifted gradually in May, output is forecast to rebound strongly, but the lost output will not be fully recovered within 2021. This forecast is subject to large uncertainty, namely relating to the pace of relaxation of the restrictions to economic activity and households' and firms response to it, as well as the possibility of a resurgence of new pandemic waves in the autumn. Activity in the services sector, in particular tourism-related activities, is the most severely hit and will be slower to resume. Measures to limit job losses and support corporate liquidity and households' income are cushioning the impact of the crisis. Still, the unemployment rate is expected to rise sharply in 2020. Job losses should be partly reabsorbed as activity picks up again. The severe economic downturn is also set to worsen the fiscal balance and lead to a significant increase in the debt-to-GDP ratio in 2020.

The full impact of the coronavirus crisis on the Spanish banking sector cannot be assessed yet, but the resilience of the sector built during the past few years will help to preserve its overall stability. The Spanish banking sector successfully enhanced its resilience during the past decade and entered the crisis with strong liquidity and adequate capitalisation. Banks also managed to decrease their non-performing loan (NPL) ratios to just above the EU average. At the same time, narrow margins due to the low interest-rate environment and subdued lending growth have kept profitability under pressure, as in most other EU Member States. Since the start of the coronavirus crisis, significant efforts have been made by the national authorities and EU institutions and supervisory authorities to preserve bank lending to the economy and help households and firms to bridge their loss in revenues. However, depending on the speed of the economic recovery, banks may be affected by the falls in economic activity and asset prices and the increasing economic strain on their borrowers. Credit risk is only partially mitigated by the government schemes and regulatory forbearance put in place, and the share of NPLs in banks' assets is likely to increase. Spanish banks are also likely to face further pressure on profitability, similarly to other European peers. After having significantly decreased over the past years, banks' holdings of sovereign bonds could increase again.

⁽²⁾ European Central Bank (ECB) Staff participated in this mission, and in the drafting of this report, in accordance with the ECB's competences and thus provided expertise on financial sector policies and macro-critical issues, such as headline fiscal targets and sustainability and financing needs.

Spain retains the capacity to service its ESM debt. The resilience of Spain's economy and financial sector upon entering the COVID-19 crisis and the support provided by the Eurosystem, as well as Spain's enhanced debt profile, reduce the vulnerabilities that stem from the increase in gross government debt. Recent debt auctions have shown continued investor trust in Spain's economy and sovereign debt in spite of the COVID-19 outbreak.

1. INTRODUCTION

1. Spain successfully exited the financial assistance programme for the recapitalisation of financial institutions in January 2014. The Programme was agreed by the Eurogroup on 9 July 2012 for a period of 18 months⁽³⁾ and provided financing by the euro area Member States of up to EUR 100 billion. Eventually, Spain used EUR 38.8 billion for bank recapitalisation, under restructuring and resolution plans approved by the European Commission consistently with State-aid rules, and around EUR 2.2 billion for capitalising SAREB, the Spanish asset management company⁽⁴⁾ repayments. The outstanding amount of the ESM loan stands at EUR 23.7 billion, which represents 57% of the total amount disbursed to Spain under the programme.

2. Staff from the European Commission, in liaison with the European Central Bank, held some meetings with the Spanish authorities in preparation of the present report⁽⁵⁾. The ESM participated in the meetings on aspects related to its own Early Warning System. Following the COVID-19 related social distancing measures and travel restrictions, the meetings were held in the form of telephone conferences with the Spanish authorities. Post-programme surveillance (PPS) aims at a broad monitoring, on a biannual basis, of the repayment capacity of a country having received financial assistance⁽⁶⁾,⁽⁷⁾. There is no policy conditionality under PPS, although the Council can issue recommendations for corrective actions if deemed necessary and appropriate.

3. The spring 2020 PPS focuses on the Spanish financial sector, complementing the

surveillance under the European Semester of economic policy coordination. The 2020 Country Report for Spain⁽⁸⁾ was published on 26 February 2020. It included an In-Depth Review on the prevention and correction of macroeconomic imbalances under Article 5 of Regulation (EU) No 1176/2011. The Commission's analysis in that review led it to conclude that Spain still experiences large, though declining, stocks of external and internal debt, amid high unemployment. These imbalances have cross-border relevance⁽⁹⁾. However, since the Country Report was published, Spain witnessed the outbreak of the COVID-19 pandemic, along with other countries. The pandemic, and the necessary measures put in place by the government as of mid-March to stem its spread, are set to have an unprecedented negative impact on the Spanish economy in 2020. The size of this impact, and the extent to which the sizeable support measures put in place by the government will cushion it, could not be fully assessed at the time this report was written. The coverage of the report is therefore more limited than usual.

⁽⁸⁾ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020SC0508>

⁽⁹⁾ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0150>

⁽³⁾ However, the completion of the restructuring of the banks receiving public support under the State aid rules was due to take place after the exit from the programme.

⁽⁴⁾ For more details see the report: https://ec.europa.eu/info/publications/economy-finance/evaluation-financial-sector-assistance-programme-spain-2012-2014_en.

⁽⁵⁾ The cut-off date for the data included in this report is 30 April 2020.

⁽⁶⁾ PPS is foreseen by Art. 14 of the two-pack [Regulation \(EU\) N°472/2013](#). It starts automatically after the expiry of the programme and lasts at least until 75% of the financial assistance has been repaid.

⁽⁷⁾ The previous PPS report was published in November 2019: https://ec.europa.eu/info/publications/post-programme-surveillance-report-spain-autumn-2019_en

2. MACROECONOMIC DEVELOPMENTS

4. Economic activity in Spain was on a moderating though still robust growth path before the outbreak of the COVID-19 pandemic. GDP grew by 2.0% in 2019, above the euro area average (1.2%), and the 2020 winter forecast projected growth to reach 1.6% this year. While indicators for January and February pointed to a similar growth pace than in the last quarter of 2019, the severe outbreak of the pandemic in early March led to an escalation of strict confinement measures that severely limited economic activity. As a consequence, output is estimated to have already declined substantially in the first quarter of 2020, by 5.2%.⁽¹⁰⁾

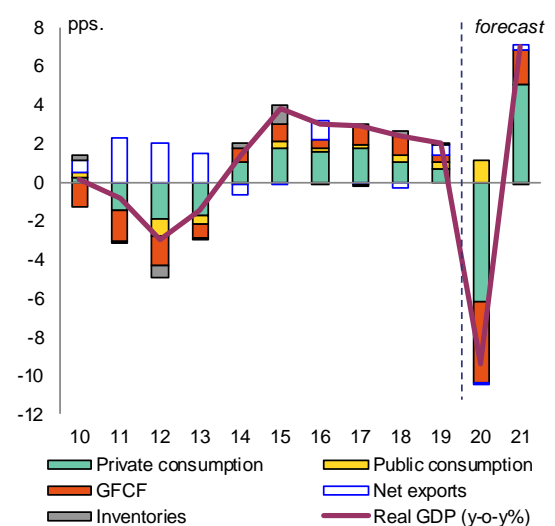
5. Spain is set to experience an unprecedented downturn in 2020, followed by a strong but uneven rebound in 2021. Under the assumption of a gradual lifting of the restrictions to economic activity starting in mid-May, real GDP is expected to contract further in 2020-Q2, before experiencing a strong rebound in the second half of 2020. Still, GDP is forecast to decline by 9.4% in 2020 as a whole. The impact of the crisis is expected to be particularly severe in the services sector, where containment measures are set to remain in place for longer, especially in tourism-related activities. In the manufacturing sector, activity would resume sooner but disruptions in global value chains and weak demand may impede the normalisation of activity before the end of the year. Based on the European Commission 2020 spring forecast, real GDP would expand by 7% in 2021, leaving output almost 3% below its 2019 level. This forecast is subject to a larger degree of uncertainty than in normal times. The uncertainty relates to the pace of relaxation of the restrictions to economic activity and the short-term response of private agents to it, as well as the possibility of a resurgence of new pandemic waves in the autumn.

6. Policy measures to support households' income and corporate liquidity will cushion the impact of the crisis. Short-time work schemes have been made more attractive for employers so as to mitigate job losses during the confinement period. In addition, several measures have been taken to ease access to unemployment benefits for workers on temporary contracts, as well as to

protect the self-employed by means of benefits for suspension of activity and tax deferrals. To provide firms with liquidity, the authorities have put in place public guarantees for bank loans, tax deferrals and financing facilities to SMEs through Instituto de Crédito Oficial credit lines. Still, the fall in employment not covered by short-time work schemes will push the unemployment rate up to nearly 19% in 2020, and only part of this increase will be reversed in 2021.

7. Domestic demand is set to drive GDP developments this year and the next. Private consumption and investment are expected to sharply drop in 2020, as spending is put on hold during the confinement period, and demand strengthens only gradually, in line with the assumed lifting of containment measures. Housing demand and prices are likely to experience a sharp drop, with a gradual pick-up in housing transactions as activity recovers its normal functioning. Exports are expected to shrink strongly in 2020, in the context of declining global growth and a severe impact of the crisis on the tourism sector. Though imports will also contract this year, the contribution of net exports to growth is expected to be slightly negative in 2020, before turning positive in 2021 as trade flows recovers.

Graph 2.1: Composition of GDP growth



GFCF: gross fixed capital formation.

Source: INE, European Commission Economic Forecast, spring 2020.

⁽¹⁰⁾ See INE press release of 30 April: <https://www.ine.es/daco/daco42/daco42/cntr0120a.pdf>.

8. The economic downturn is set to further worsen the fiscal balance. In 2019, the general government deficit widened from 2.5% to 2.8% of GDP, the first increase in the deficit since 2012. In 2020, the disruption in economic activity and the measures put in place to preserve employment and protect workers and households will likely have a strong impact on the general government deficit. The contraction of the tax bases will lead to a significant drop in revenues, while unemployment benefits and other social transfers are expected to grow fast due to the increase in unemployment and the ample use of short-time work and other income support schemes. Together with increased health expenditure to cope with the pandemic and the increase in pensions and public sector pay stipulated for 2020, the deficit is expected to reach about 10% of GDP in 2020, and reduce to 6.7% of GDP in 2021 with the gradual recovery of the economy.

9. The debt ratio is set to increase significantly, but vulnerabilities are reduced by mitigating factors and the support provided by the Eurosystem. In 2019, the debt ratio stood at 95.5% of GDP, down from 97.6% in 2018. The European Commission 2020 spring forecast projects the general government debt-to-GDP ratio to rise by around 20 percentage points in 2020, to almost 116% compared to one year earlier, before falling back to about 114% in 2021. The impact of the recession and fiscal support measures also imply significantly higher government financing needs in 2020 (to more than 20% of GDP, from 17.4% in 2019) and, to a lesser extent, in 2021. However, market conditions for financing debt remain favourable so far, with the most recent debt auctions in March and April confirming comfortable demand for both long and short-term government securities. Yields on 10-year bonds are still low by historical standards, and spreads against the 10-year German bund remain contained, but have increased (see Chapter 3). In 2019, the interest burden, both as a percentage of GDP (2.2%) and as a percentage of total revenue (5.8%) has fallen in the past 6 years to levels not seen since 2004, despite the fact that the total debt stock has tripled since that time. Asset purchases by the Eurosystem on the secondary market are expected to contribute to stabilise the sovereign debt market. In addition, the government debt profile mitigates vulnerabilities. Its average maturity has lengthened over time, reaching close

to 8 years in 2019. A predominant share of debt is issued at fixed rates and interest payments would remain contained by historical standards throughout the projection period, even under more adverse conditions.

10. Continued external surpluses and high nominal GDP growth enabled the reduction of Spain's external net debtor position, which nevertheless remains high and could entail some degree of vulnerability. In 2019, the current account surplus remained at 2% of GDP, despite the slowdown in international trade flows. Spain's Net International Investment Position narrowed to 74% of GDP in 2019, 23 percentage points below the peak reached during the financial crisis, but still above prudential and fundamental-based benchmarks.

11. The stock of private debt continued declining, but at the end of 2019, deleveraging needs persisted. The total stock of debt of the non-financial private sector amounted to 129.8% of GDP in consolidated terms at the end of 2019 - 56.9% of GDP held by households and 72.9% of GDP by non-financial corporations (NFCs). In both cases, debt ratios are significantly lower than those recorded prior to the global financial crisis, and below average euro area levels. However, according to the Commission estimates, they remain above prudential levels and fundamental-based benchmarks.

3. FINANCIAL SECTOR TRENDS

12. At the start of the coronavirus crisis, Spanish banks enjoyed overall strong liquidity, adequate capitalisation, and profitability that was slightly above the average of EU Member States. In September 2019, the liquidity coverage ratio of Spanish banks stood at 158.2%, exceeding the regulatory minimum requirement of 100% and the European average of 147.8%⁽¹¹⁾. The profitability of the Spanish banking sector remained under pressure in the first three quarters of 2019, as in other European countries. It slightly dropped over 2019 (RoE at 7.1% for the first nine months in 2019 compared to 8.2% in 2018). The common equity tier 1 (CET 1) ratio of Spanish banks increased by 20 basis points year-on-year, to 12.2% in Q3 2019, above the required levels for all credit institutions but still below the EU average (15%) (see Table A.1 of Annex A).

13. Spanish banks continued to reduce their non-performing loans (NPLs). The share of NPLs in total loans was 3.4% at the end of Q3 2019, still slightly above the EU average of 2.9%. As regards provisioning levels, ECB data for Spain show a decrease in the coverage ratio (43.9% at the end of September 2019 vs. 44.1% a year earlier), which remains below the EU average of 46.2%.

14. According to provisional figures by the Bank of Spain for Q4 2019, the banking sector further improved its performance. The NPL ratio fell further to 3.1% (its lowest level since 2014) and the liquidity coverage ratio was at 164.8%. Capital ratios of all Spanish credit institutions increased slightly in Q4 2019, compared to the same quarter of the previous year. The common equity tier 1 ratio (CET 1) stood at 12.79%; the Tier 1 ratio, at 14.06%, and the total capital ratio increased to 15.94%⁽¹²⁾.

15. The full impact of the coronavirus crisis on the Spanish banking sector cannot be assessed yet. It will depend, inter alia, on the duration of the restrictive measures.

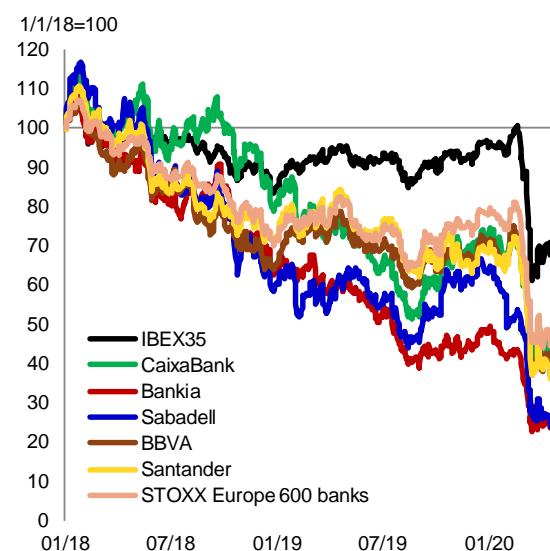
⁽¹¹⁾ ECB Statistical Data Warehouse: https://sdw.ecb.europa.eu/quickview.do?SERIES_KEY=420.SUP.Q.ES.W0.ZI3017.T.Z.Z.Z.PCT.C

⁽¹²⁾ For more details, see press note of 14 April 2020: https://www.bde.es/f/webbde/GAP/Secciones/SalaPrensa/NotasInformativas/20/presbe2020_32.pdf

16. Spanish financial markets reacted immediately to the economic disruption caused by the pandemic. Sharp drops in prices reflected growing fears for the domestic and global economy. Between January and April 2020, the share prices of Spanish banks decreased by about 37-60%, a larger fall than the one experienced by the national stock market index (IBEX 35) and similar to the decline in the European sectoral index STOXX® Europe 600 Banks (see Graph 3.1).

17. The sovereign debt market also reacted to the economic shock. With yields on 10-year Spanish government bonds hovering around 0.384-1.137% since January 2020, pressure from yields for the moment is low. Between 17 January and 17 April 2020, the sovereign spread vis-à-vis the German bund widened by 58 basis points, to 127 basis points. Likewise, the 5-year Spanish credit default swap (CDS) value increased by 53.8 basis points, from 19.6 points on 17 January 2020 to 73.4 basis points at the end of April 2020. In April, S&P and Moody's confirmed their sovereign credit rating for Spain respectively at A and Baal, with stable outlook.

Graph 3.1: IBEX35, STOXX® Europe 600 Banks and selected Spanish bank stocks



Source: Madrid stock exchange via Macrobond, own calculations.

18. After having significantly decreased over the past years, banks' holdings of sovereign bonds could increase again. The share of

government bonds in the balance sheets of domestic banks decreased from 9.4% in December 2018 to 8.1% in December 2019, making banks less vulnerable to hikes in government yields. Also, the share of the banking sector in total Spanish government bonds outstanding more than halved since 2012, from around 30% to less than 14% in January 2020⁽¹³⁾. Going forward, as the government financing needs increase to fund the crisis response, the banking sector may increase again the share of government bonds in its portfolio.

19. Among the measures taken to respond to the economic crisis caused by the coronavirus pandemic, some directly affect the financial sector. As mentioned in Section 2, the government has adopted successive packages of measures to counteract the effects of coronavirus, including loan guarantees and tax deferrals for the self-employed, SMEs and large corporations in order to prevent liquidity crises⁽¹⁴⁾. The state-owned development bank, Instituto de Crédito Oficial (ICO), operates the largest guarantee credit lines in collaboration with financial institutions. The government has also adopted payment moratoria of up to 3 months on bank mortgage loans and consumer loans to support vulnerable individuals affected by the crisis. The Spanish banking association announced additional payment moratoria, whereby customers can get, upon request, a deferment of up to 12 months on the capital repayment of a mortgage on their first home, and up to 6 months on the capital repayment of consumption loans. The national securities regulator (CNMV) banned short selling of shares for two months until 18 May (with a possibility of further extension) in an attempt to shield domestic stocks from the volatility caused by the coronavirus outbreak.

20. Measures taken or promoted by the ECB allow banks to (temporarily) free up capital in support of borrowers and/or to absorb losses on existing exposures. The ECB will allow banks to temporarily operate below the level of capital defined by the Pillar 2 Guidance (P2G), the capital

conservation buffer (CCB), and the liquidity coverage ratio (LCR). The flexibility on the application of the Pillar 2 Guidance will significantly enhance the capacity of Spanish banks to mitigate the impact of the crisis and absorb an increase in loan delinquencies. Release of the countercyclical capital buffer (CCyB) by the national macro-prudential authorities is also intended to achieve this objective, but Spanish banks cannot benefit from it since the CCyB in Spain is set at zero. Spanish banks also follow the ECB recommendations not to pay dividends for the financial years 2019 and 2020 or buy back shares during the COVID-19 pandemic, to preserve the banks' capital level (however, some banks had already paid dividends before the ECB announcement).

21. Spanish banks had comfortable liquidity coverage ratios before the onset of the crisis. Spanish banks have a stable customer deposit base. In case of need, Spanish banks could tap into ECB refinancing operations, including the liquidity support measures announced by the ECB on 12 March and 30 April⁽¹⁵⁾.

22. The forbearance measures taken in support of vulnerable borrowers will stem the credit deterioration of banks' exposures to these borrowers. The expected sharp recession is expected to halt the reduction of non-performing loans and balance sheet de-risking, and NPLs are likely to increase. However, at least in the short term, the adopted forbearance measures (moratoria on mortgage and loan payments) are expected to lead to an increase in forborne exposures by banks rather than an increase in non-performing loans. In addition, the flexible application of IFRS 9 provisions on such moratoria will limit their negative impact on bank balance sheets. From the perspective of the IFRS 9 provisions, payment moratoria do not constitute a significant increase in credit risk that would warrant increased provisioning. In the meantime, the uncertainty induced by the pandemic crisis is likely to translate into a reduced appetite of investors to continue

⁽¹³⁾ <https://www.tesoro.es/deuda-publica/estad%C3%ADsticas-mensuales>

⁽¹⁴⁾ https://www.bde.es/f/webbde/Secciones/Publicaciones/InformesBoletinesRevistas/InformesEstabilidadFinanciera20/ficheros/FSR_Spring2020.pdf

⁽¹⁵⁾ For more details see ECB press releases: https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200312_1~39db50b717.en.html and <https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.mp200430~1ea128265.en.html>

buying non-performing loans sold by banks to clean their balance sheets.

23. Spanish banks are likely to face further pressure on profitability, as in most other EU Member States. Spanish banks' profitability may come under pressure from increasing loan loss provisions, less financial activity in the coming months, and continued margin pressure as very low interest rates persist.

24. The operational risk for banks might have increased during the crisis. Spanish banks have in place business continuity plans to deal with severe crises situations, in which critical functions are maintained, while a large part of the workforce would work remotely. So far, banks have continued to provide their services smoothly. As online transactions by bank clients are expected to increase, cyberattacks or fraud attempts might become more likely.

25. In terms of developments in financial system reform, SAREB announced in March 2020 that it posted EUR 947 million in losses in 2019. The losses resulted mainly from a 34% decline in SAREB's gross annual income. SAREB has been accelerating the pace of foreclosures of non-performing loans to real estate companies in order to seize and sell the underlying property collateral. As a result, 2019 was the first year in which the share of SAREB's income from the sale of properties exceeded the income from its loan assets. Around 69.7% of the original EUR 50.8 billion senior government guaranteed bonds with which SAREB's asset acquisitions were financed remains to be repaid via asset sales before the end of the company's lifetime in 2027. The pandemic and the necessary measures taken to contain its spread are likely to have a negative impact on the valuation of SAREB's assets in 2020.

ANNEX A

Main macroeconomic and financial indicators

Table A.1: Main macroeconomic and financial indicators

	2000 -2007	2008 -2013	2014	2015	2016	2017	2018	2019	2020 (f)	2021 (f)
Core indicators										
GDP growth rate	3.7	-1.3	1.4	3.8	3.0	2.9	2.4	2.0	-9.4	7.0
of which domestic demand incl. stocks	4.5	-3.1	1.9	3.9	2.0	3.0	2.6	1.5	-9.2	6.7
Private consumption (annual % change)	3.7	-2.1	1.7	2.9	2.7	3.0	1.8	1.1	-10.7	8.9
Public consumption (annual % change)	5.0	0.9	-0.7	2.0	1.0	1.0	1.9	2.3	5.8	-0.4
HICP (annual % change)	3.2	2.2	-0.2	-0.6	-0.3	2.0	1.7	0.8	-0.0	1.0
Unemployment rate (% of labour force)	10.6	20.2	24.5	22.1	19.6	17.2	15.3	14.1	18.9	17.0
Gross fixed capital formation (% of GDP)	27.7	21.4	17.8	18.0	18.0	18.7	19.4	20.0	17.1	17.6
Gross national saving (% of GDP)	22.3	18.8	19.6	21.0	21.9	22.1	22.3	22.9	21.2	21.2
General Government (% of GDP)										
Balance (g)	0.4	-8.8	-5.9	-5.2	-4.3	-3.0	-2.5	-2.8	-10.1	-6.7
Gross debt	46.7	67.6	100.7	99.3	99.2	98.6	97.6	95.5	115.6	113.7
Interest expenditure	2.2	2.4	3.4	3.0	2.8	2.5	2.4	2.3	2.4	2.3
Households										
Households saving rate	8.9	8.9	6.3	7.2	7.1	5.5	5.9	7.4	14.0	10.5
Rest of the world (% of GDP)										
Trade balance	-3.7	-0.1	3.1	3.0	4.0	3.6	2.7	2.8	3.4	3.4
Trade balance, goods	-6.8	-4.1	-2.1	-1.9	-1.3	-1.9	-2.4	-2.3	0.1	-0.4
Trade balance, services	3.1	4.0	5.2	5.0	5.3	5.5	5.2	5.1	3.3	3.7
Current account balance	-5.9	-2.9	1.7	2.0	3.2	2.7	1.9	2.0	3.2	2.7
Net financial assets	-55.3	-90.4	-95.2	-88.2	-84.7	-84.9	-79.7			
Net international investment position (h)	-56.5	-91.6	-95.9	-88.9	-85.5	-85.5	-80.2	-74.0		
Competitiveness (index, 2015=100)										
Real effective exchange rate relative to the rest of the euro area	104.4	107.8	100.3	100.0	98.4	98.2	97.6	97.9	94.8	96.8
Real effective exchange rate relative to the rest of the European Union	103.7	109.3	101.4	100.0	99.4	99.6	98.9	99.1	96.8	98.0
Real effective exchange rate relative to the rest of 37 industrialised countries	104.2	111.6	104.1	100.0	99.0	99.9	100.6	99.7	97.8	98.7
Banking sector										
Assets (% of GDP)	214.9	325.0	288.0	262.5	244.9	234.4	220.0	215.0		
Private domestic credit (y-o-y %)	17.8	-3.0	-6.5	-4.2	-4.1	-2.0	-3.9	-1.5		
Non-performing loans (NPLs), total (%) (i)	1.0	7.7	12.5	10.1	9.1	7.8	5.8	4.8		
NPLs, productive activities (%)	1.0	10.8	18.5	14.6	13.1	10.3	6.9	5.4		
* of which, construction, and (%)	0.9	17.3	32.6	30.0	29.1	24.1	14.0	11.7		
* real estate activities (%)	0.5	19.8	36.2	27.5	25.5	18.1	9.0	5.2		
NPLs, residential mortgages (%)	0.4	3.7	6.3	5.1	5.2	5.6	4.9	4.1		
ECB ratios (%) (j)										
NPL (domestic and controlled foreign branches and banks)	n.a.	n.a.	8.1	6.3	5.7	4.4	3.7	3.4		
* of which non-financial corporations	n.a.	n.a.	16.4	12.8	10.9	7.9	5.9	5.1		
* of which households	n.a.	n.a.	5.3	4.5	4.5	4.4	4.0	3.8		
Coverage	n.a.	61.7	46.4	46.8	45.0	42.7	43.7	43.9		
Return on equity (k)	n.a.	1.8	6.7	6.6	5.0	7.0	8.2	7.1		
Return on assets (k)	n.a.	0.1	0.5	0.5	0.4	0.5	0.6	0.5		
Total capital	n.a.	12.1	13.6	14.5	14.7	15.4	15.4	15.4		
CET 1	n.a.	n.a.	11.8	12.7	12.8	12.6	12.2	12.2		
Tier 1	n.a.	9.8	11.8	12.7	13.0	13.2	13.5	13.6		
Loan-to-deposit	n.a.	n.a.	90.3	91.7	92.5	89.3	90.6	93.0		
Interest rates										
10 year spread vis-à-vis the Bund (%)	0.1	2.1	1.5	1.2	1.3	1.2	0.9	0.9		
CDS 5 year (basis points)	n.a.	221.5	90.5	84.1	82.1	67.4	62.6	52.0		

Updated on 30 Apr 2020

(f) Commission 2020 spring forecasts

(g) General government balances include capital transfers related to support of banks

(h) ESA2010 and BPM6

(i) NPLs: ratios, in % of total loans

(j) ECB ratios, end-of-period, 2019Q3

(k) Annualised.

Source: Ameco, BDE, Boursorama, ECB, Eurostat, Macrobond.

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