



ASSESSMENT OF THE IMPACT OF THE DANA ON THE FINANCIAL SYSTEM AND THE ECONOMY: A CENTRAL BANK PERSPECTIVE*

SPANISH ASSOCIATION OF ECONOMICS JOURNALISTS (APIE)
MACROECONOMICS CONFERENCE
BANCO DE ESPAÑA

20.11.2024

* ENGLISH TRANSLATION FROM THE ORIGINAL IN SPANISH

WHY WE MONITOR THE DANA'S IMPACT

THE WORK OF THE BANCO DE ESPAÑA INCLUDES:



1 OVERSEEING THE PROPER OPERATION OF THE PAYMENT SYSTEM



2 ANALYSING THE STABILITY OF THE FINANCIAL SYSTEM



3 ANALYSING THE SPANISH ECONOMY

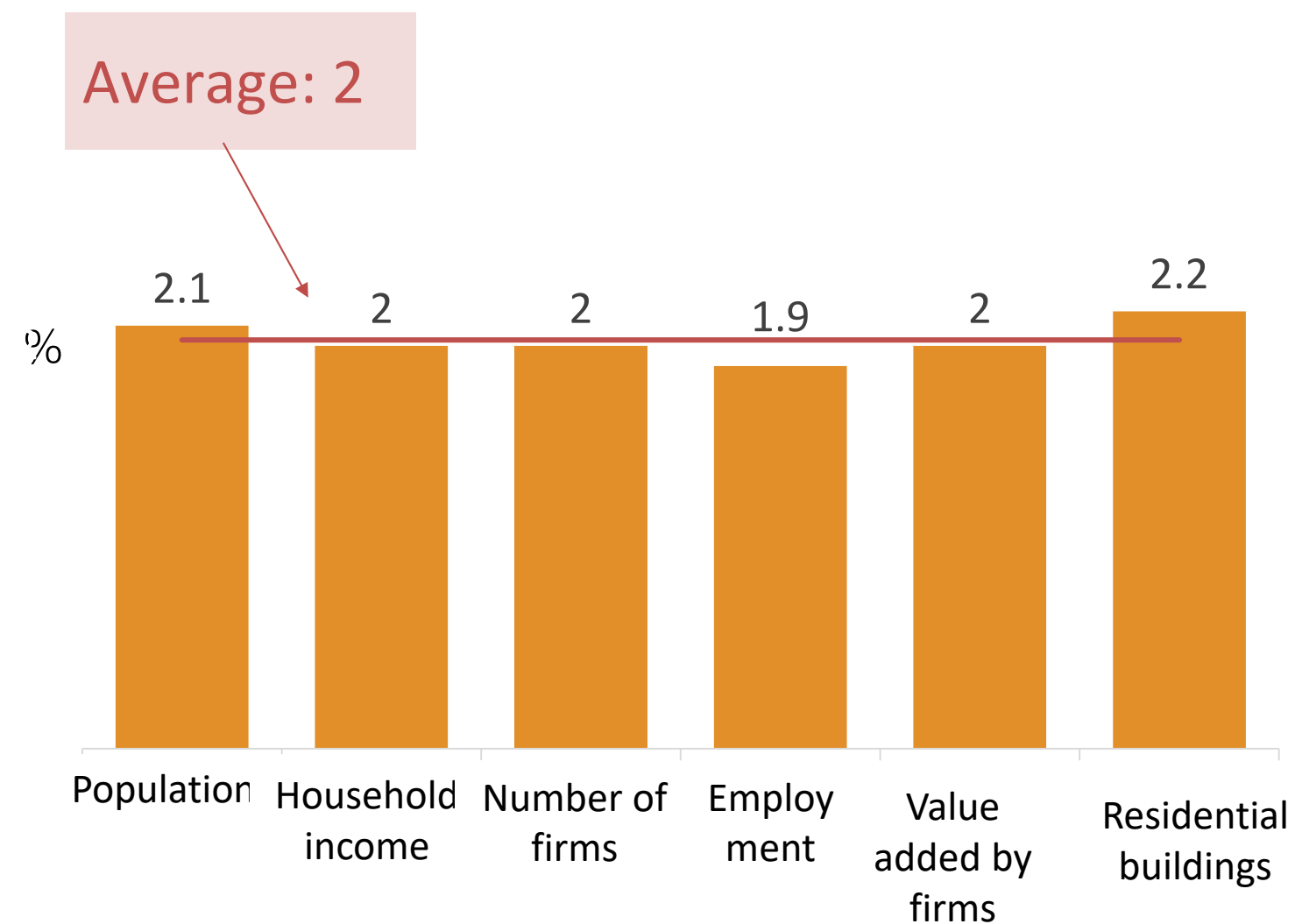
REAL-TIME DATA
MONITORING



Introduction: the economic importance of the regions affected by the DANA

AFFECTED REGIONS IN THE PROVINCE OF VALENCIA AS A SHARE OF THE TOTAL IN SPAIN

ENTIRE ECONOMY



INDUSTRY



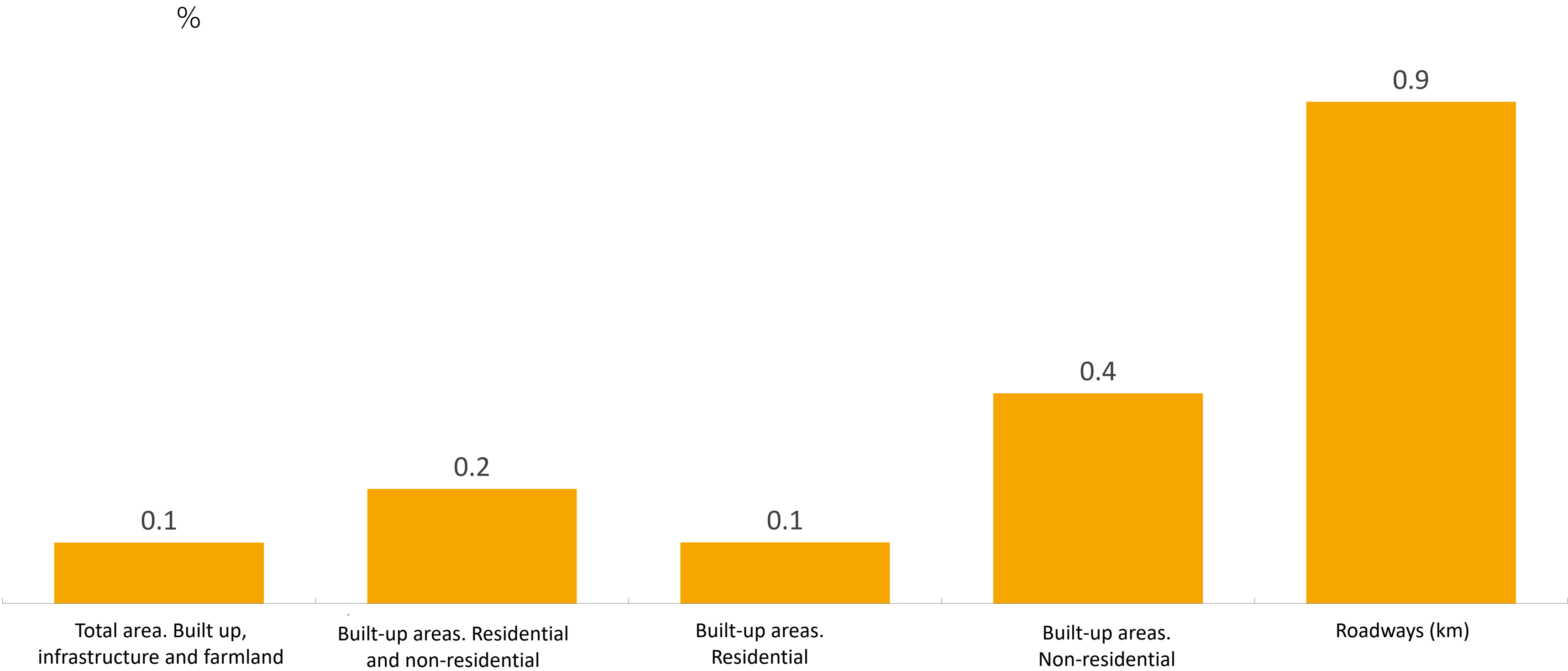
Sources: INE, Banco de España, Catastro, Copernicus EMA and DIRCE.

- The affected region in Valencia represents around **2% of national totals in several metrics**

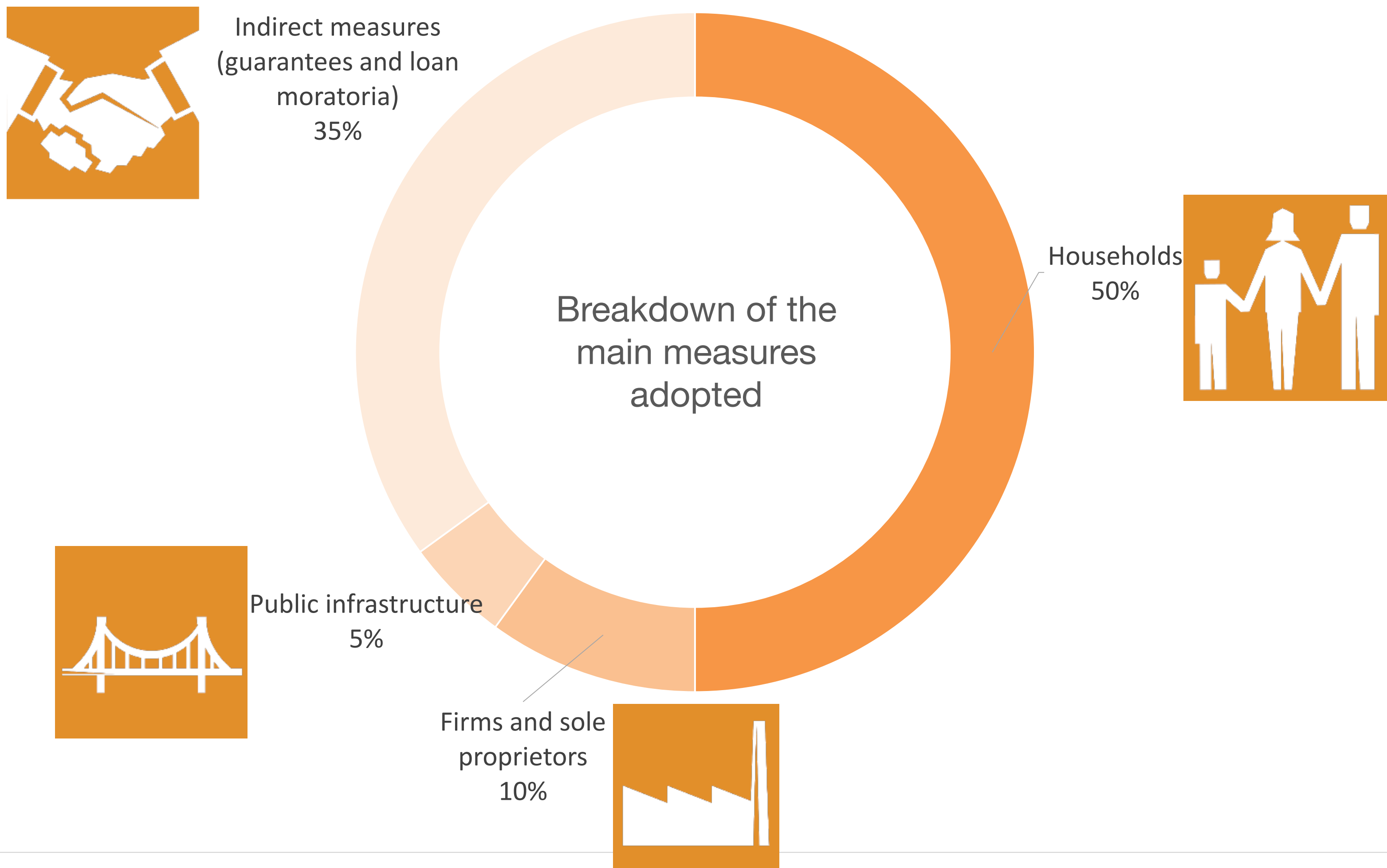
- The region is home to an **above-average amount of industry**

Introduction: the impact on physical capital – infrastructure and buildings

FLOODED REGIONS IN THE PROVINCE OF VALENCIA AS A SHARE OF THE TOTAL IN SPAIN, AS AT 31 OCTOBER 2024



Introduction: the main fiscal measures in response to the DANA – Royal Decree-Laws 6/2024 and 7/2024



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REAL-TIME DATA
MONITORING



Monitoring cash distribution and access to cash

Credit institutions

- A more agile **procedure** to **exchange damaged banknotes** has been put in place

The Valencia branch of the Banco de España

- **Fully operational**, all employees coming to work
- Calm situation. **Footfall is still low**, with few damaged banknotes being exchanged
- The first **damaged banknotes from credit institutions** were deposited on 15 November.
So far, their value amounts to €720,000 (22,700 banknotes)

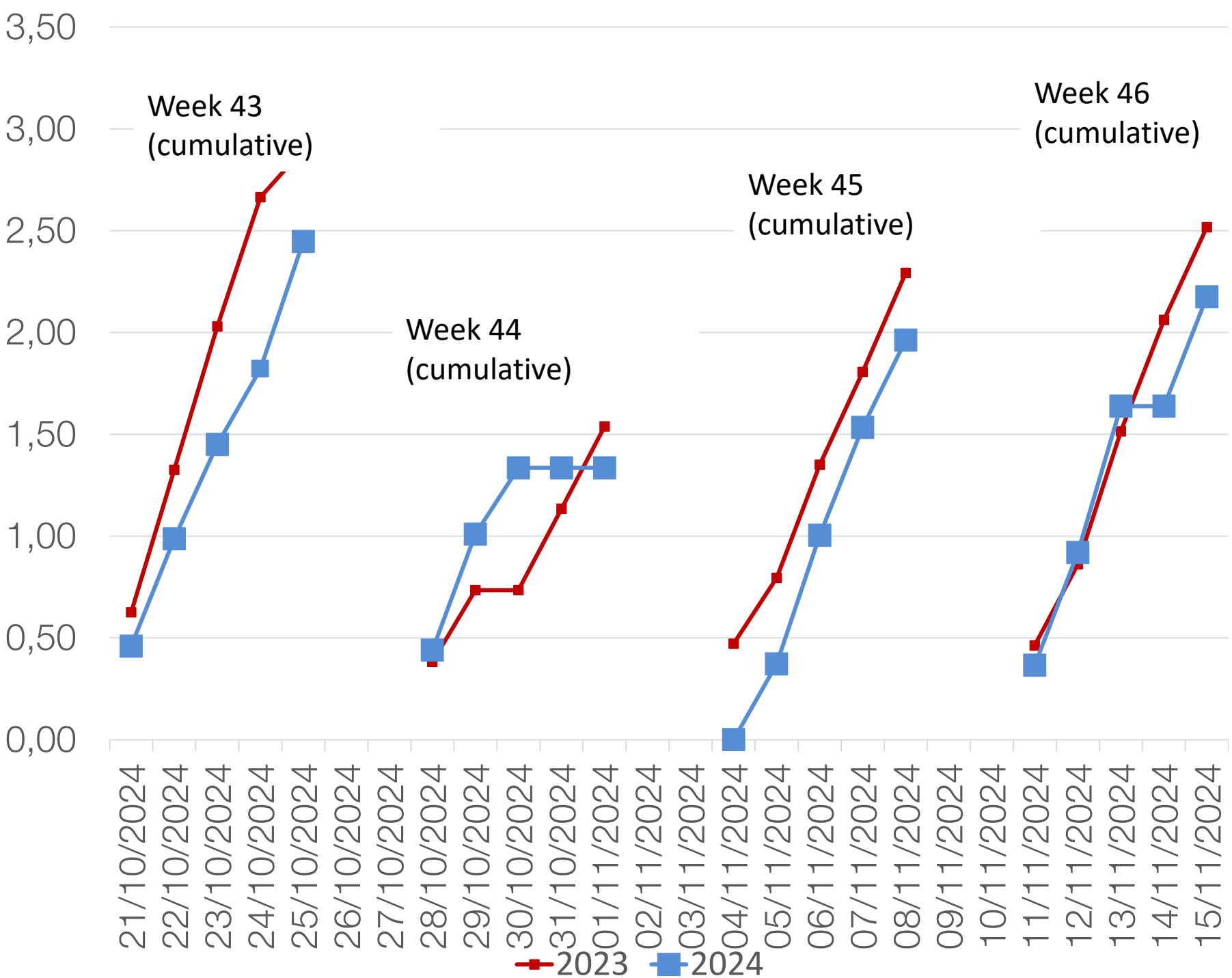
Cash-in-transport companies (CITs)

- **Loomis and Prosegur** are **fully operational, with** 100% of their ATMs in good working order

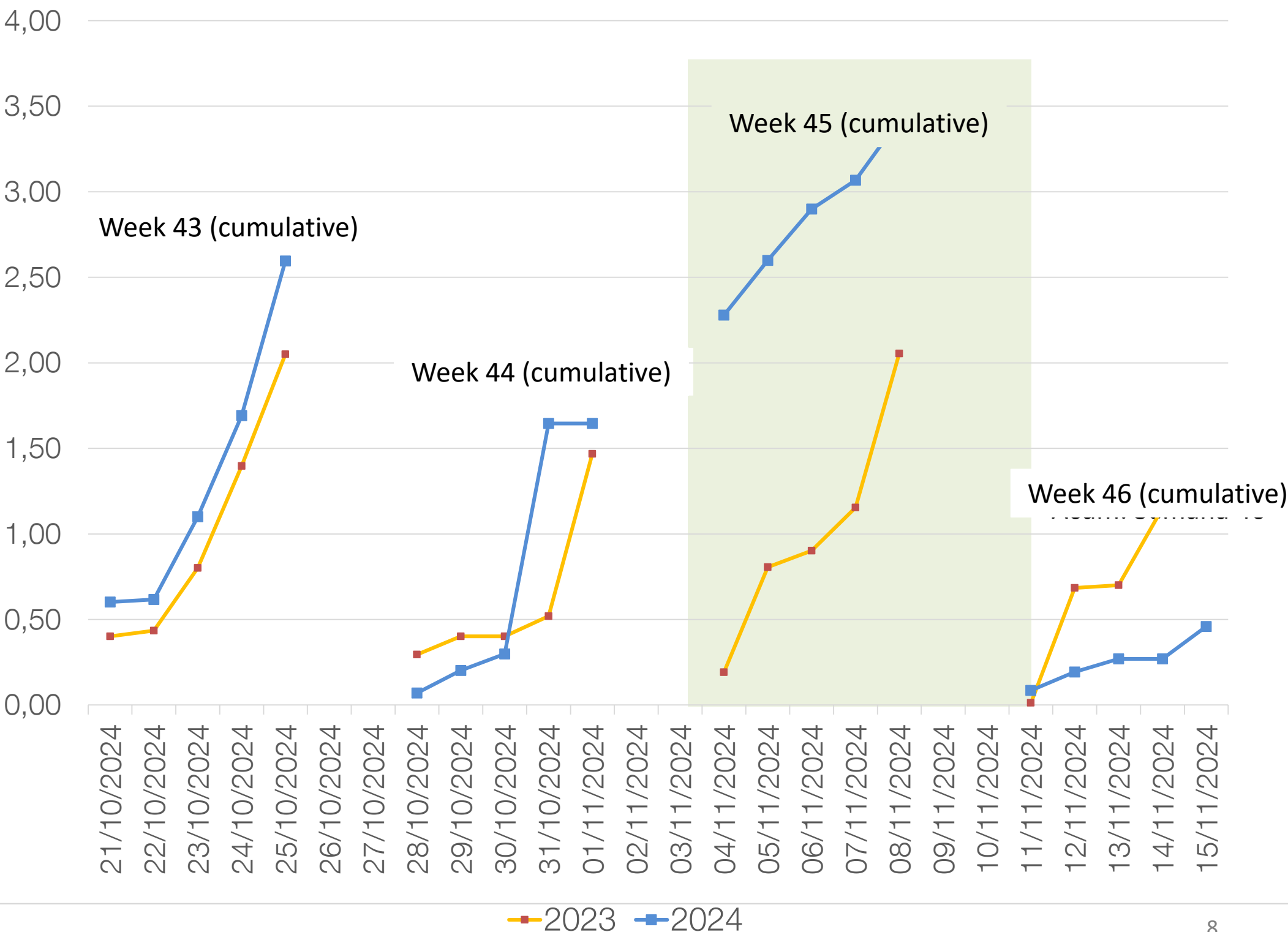
Monitoring payments and lodgements

Lodgement levels are similar to the previous year

- Those corresponding to damaged banknotes are not, as yet, significant

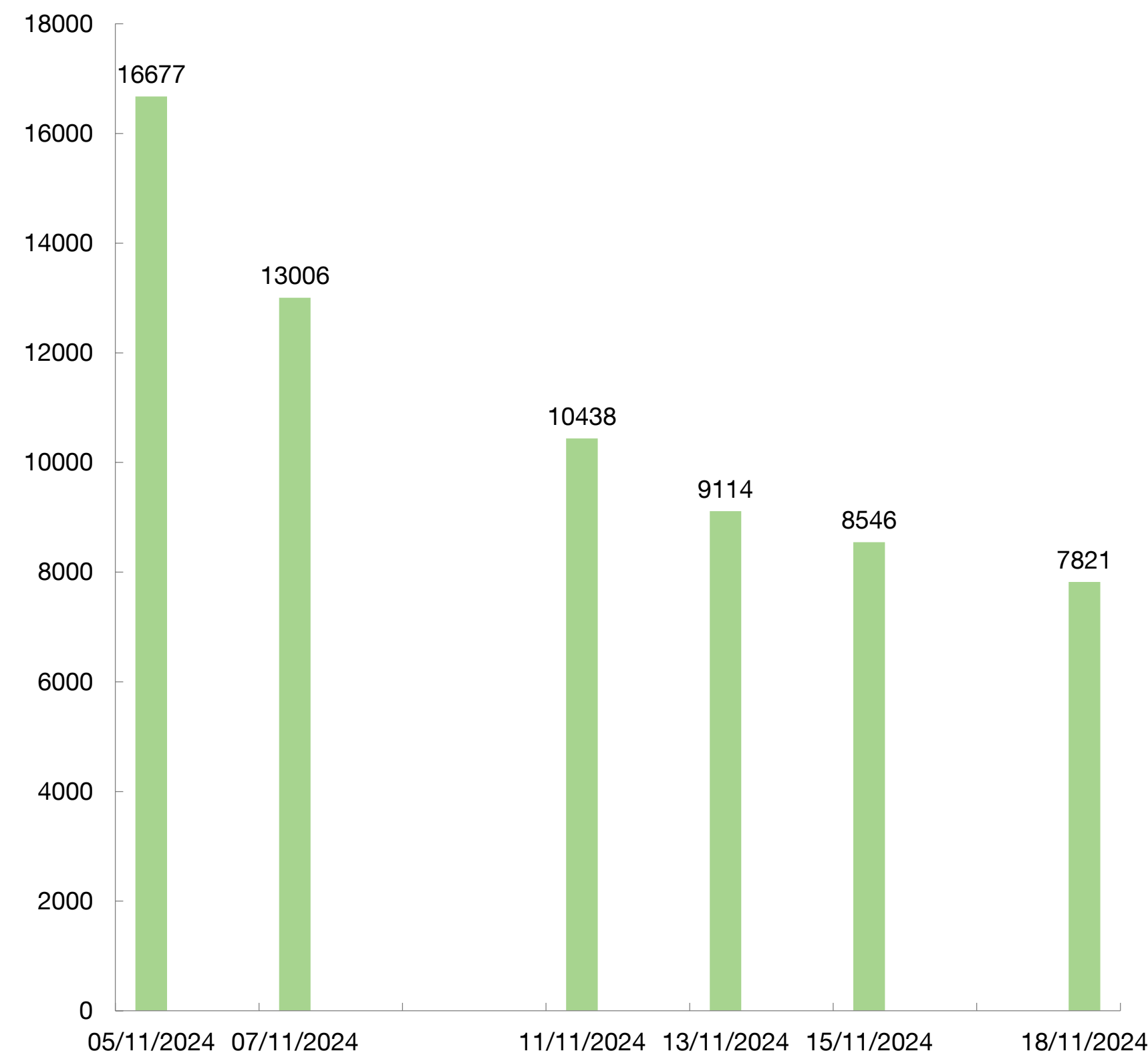


There were around twice as many payments as last year to handle a potential increase in demand

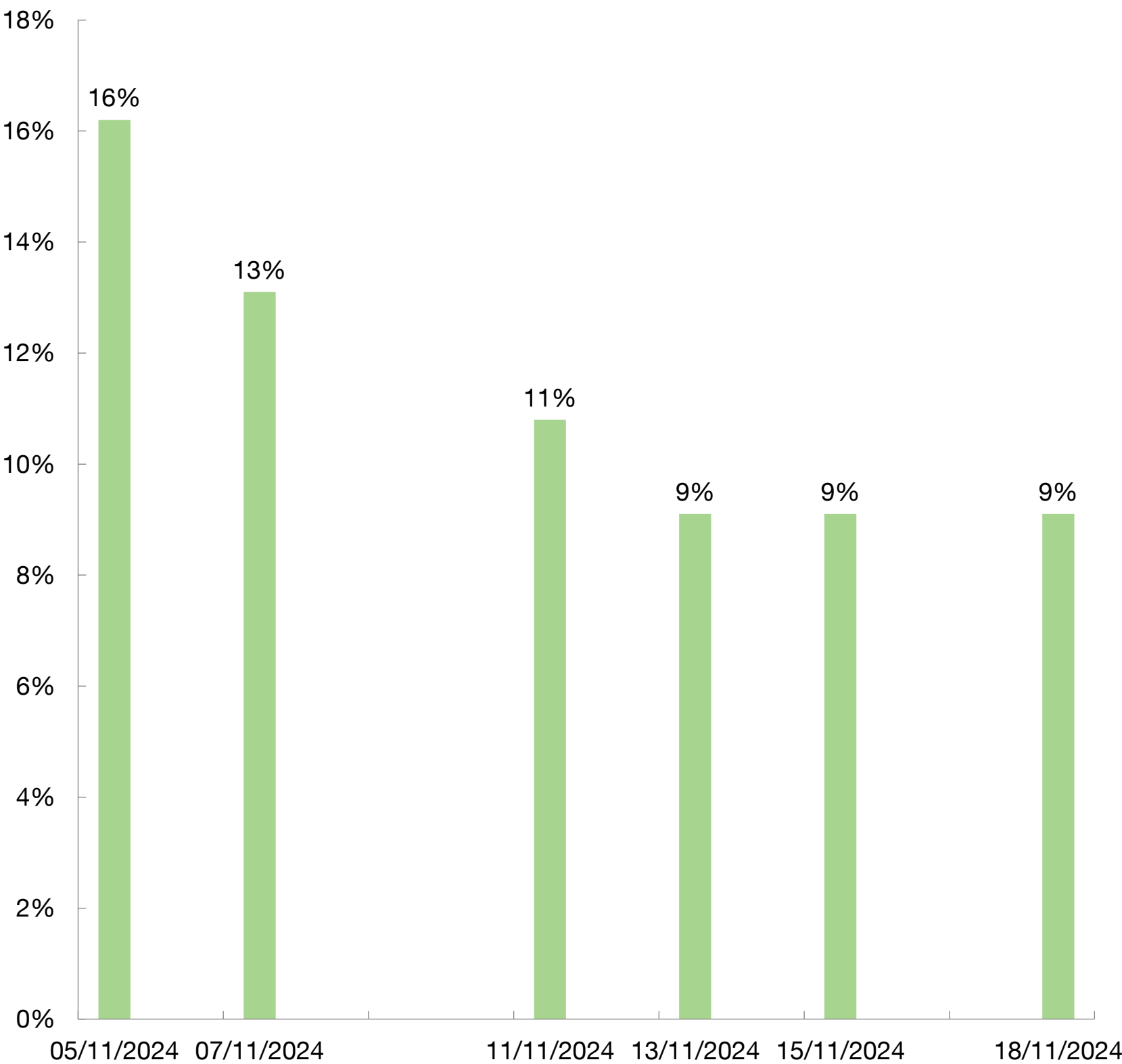


Impact on points-of-sale (POSs): 9% of POSs in the area are still out of order

NON-OPERATIONAL POSs: TOTAL

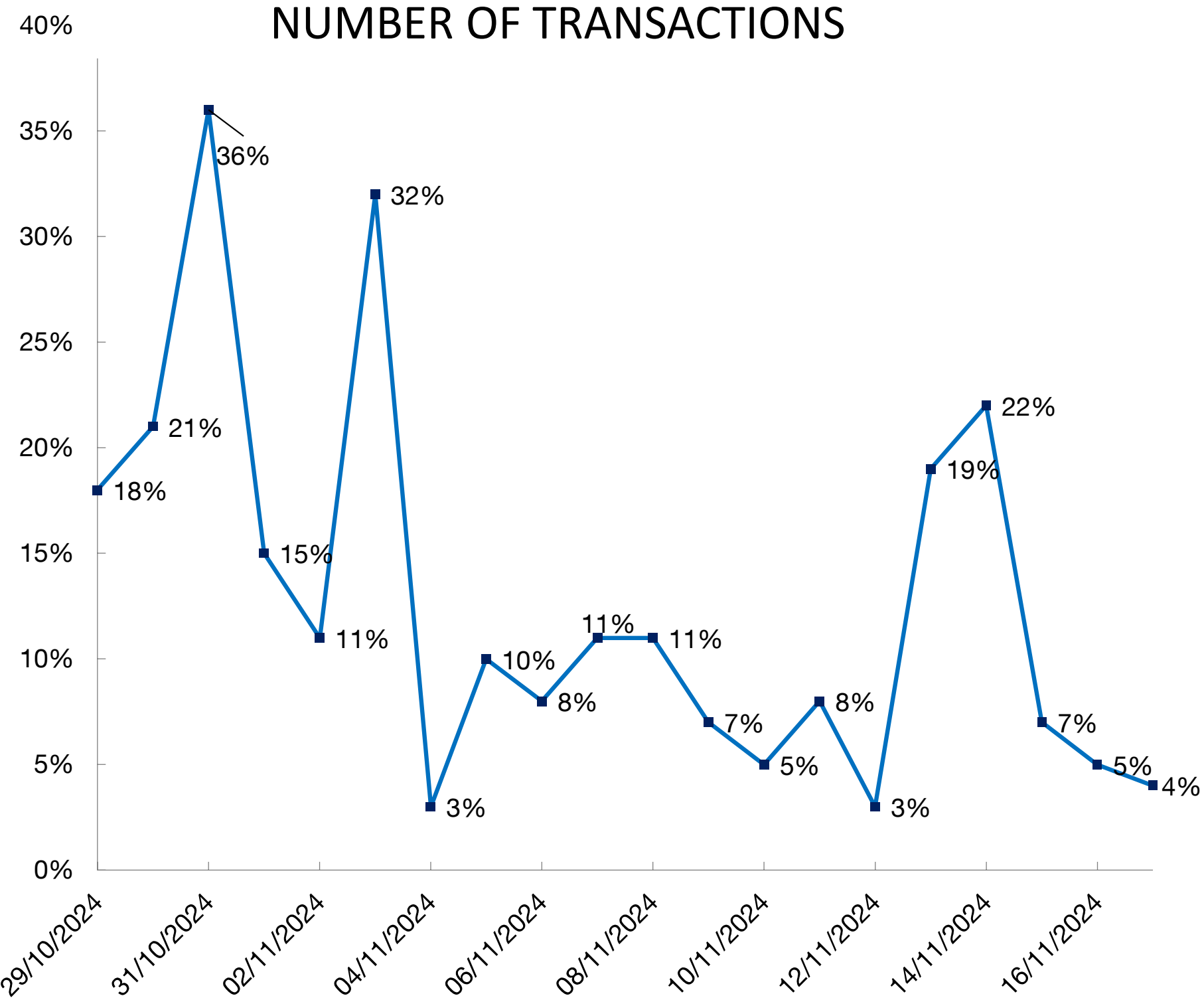
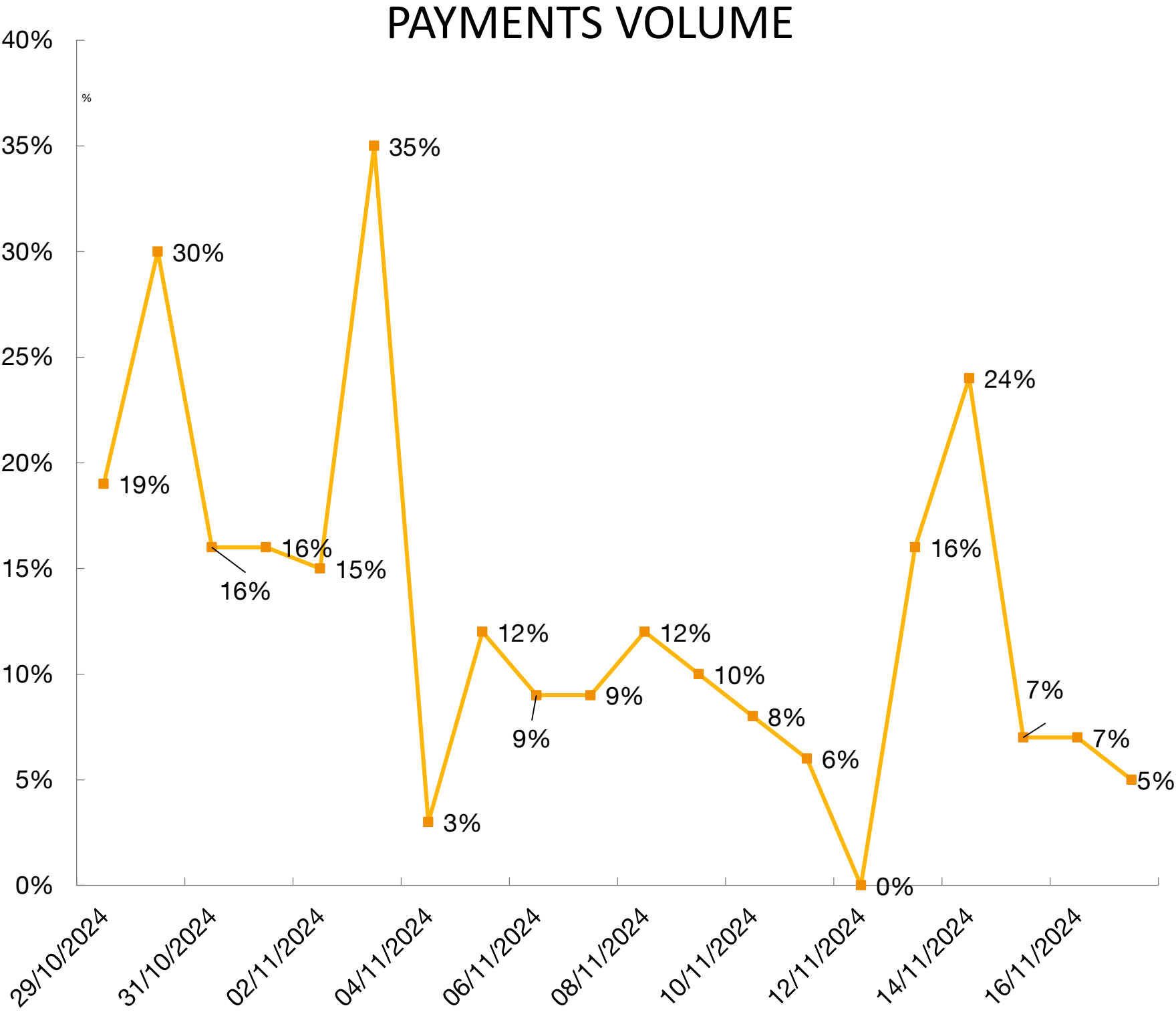


NON-OPERATIONAL POSs AS A PERCENTAGE OF THE TOTAL IN THE AFFECTED AREA



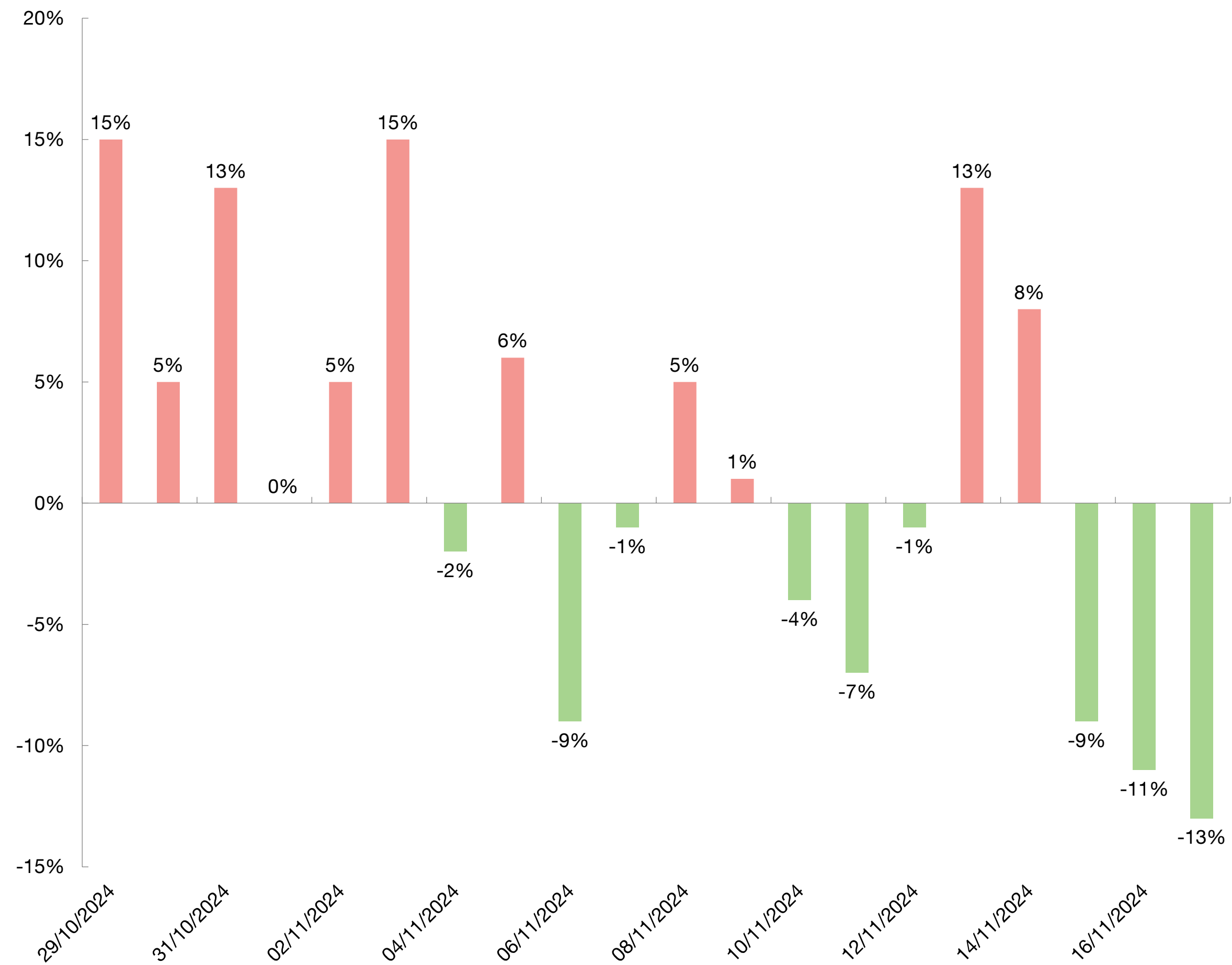
Source: Redsys.
(1) Affected areas in Valencia (the worst-hit area), Albacete, Málaga, Cádiz and Seville.

Impact on card payments: the increase in the rest of Spain is higher than that seen in the affected areas (relative to one year earlier)



Source: Redsys.

Impact on ATM cash withdrawals: the increase in the rest of Spain is higher than that seen in the affected areas (relative to one year earlier)



Source: Redsys.

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12.4% of branches in the area are still not open

BRANCHES IN THE
AFFECTED AREA

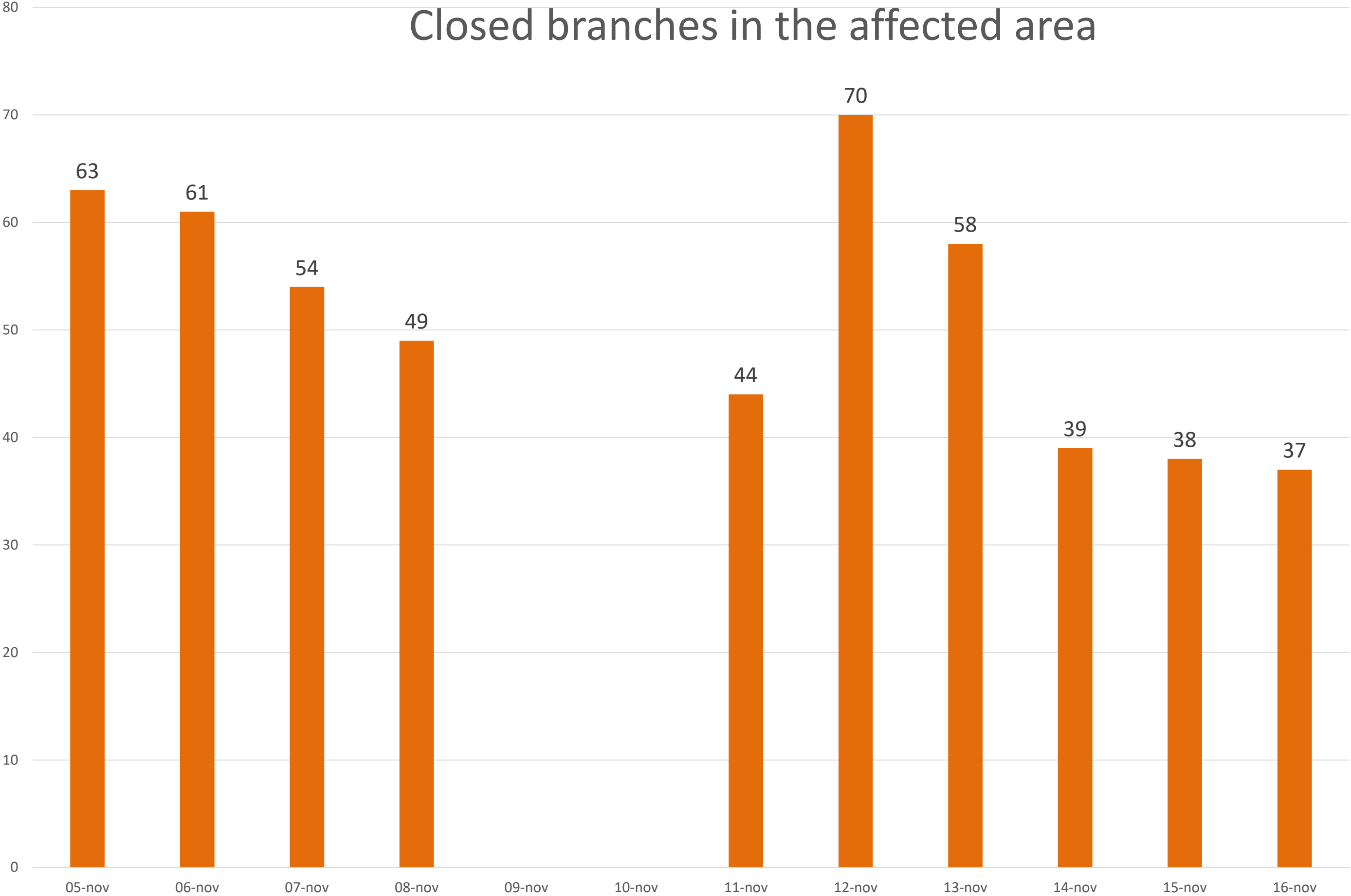
298

CLOSED BRANCHES

37

CLOSED BRANCHES

12.4%



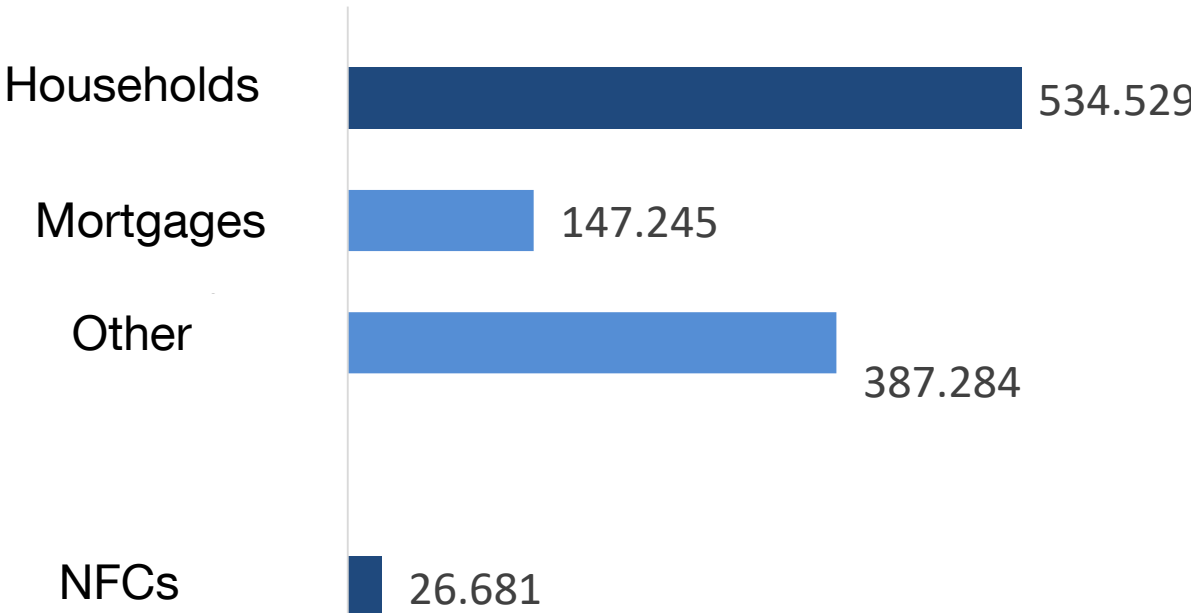
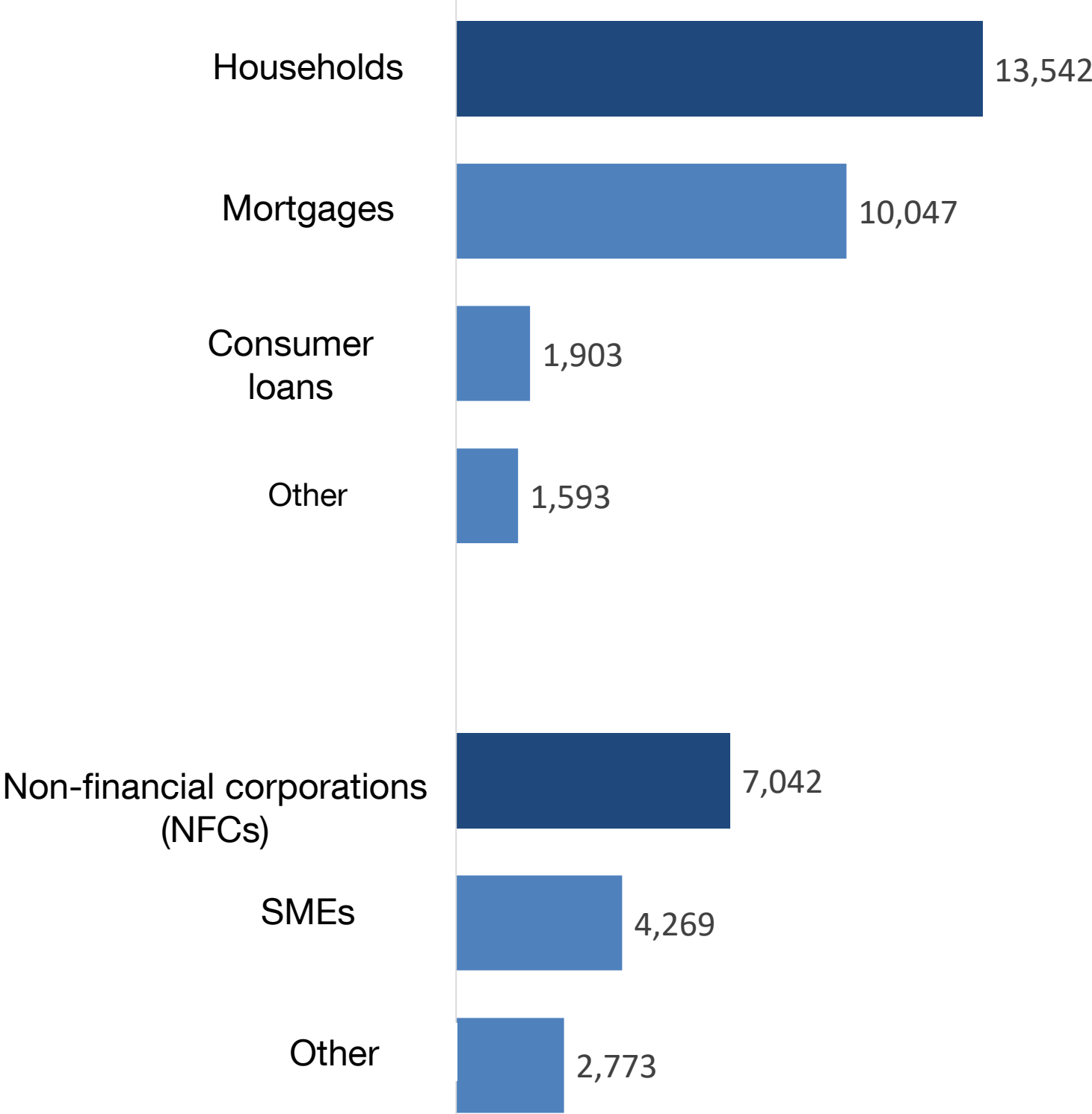
Source: Daily data from institutions.

Total credit exposure in the affected area

Total credit exposure in the area: €20,584 million,
amounting to 1.8% of loans

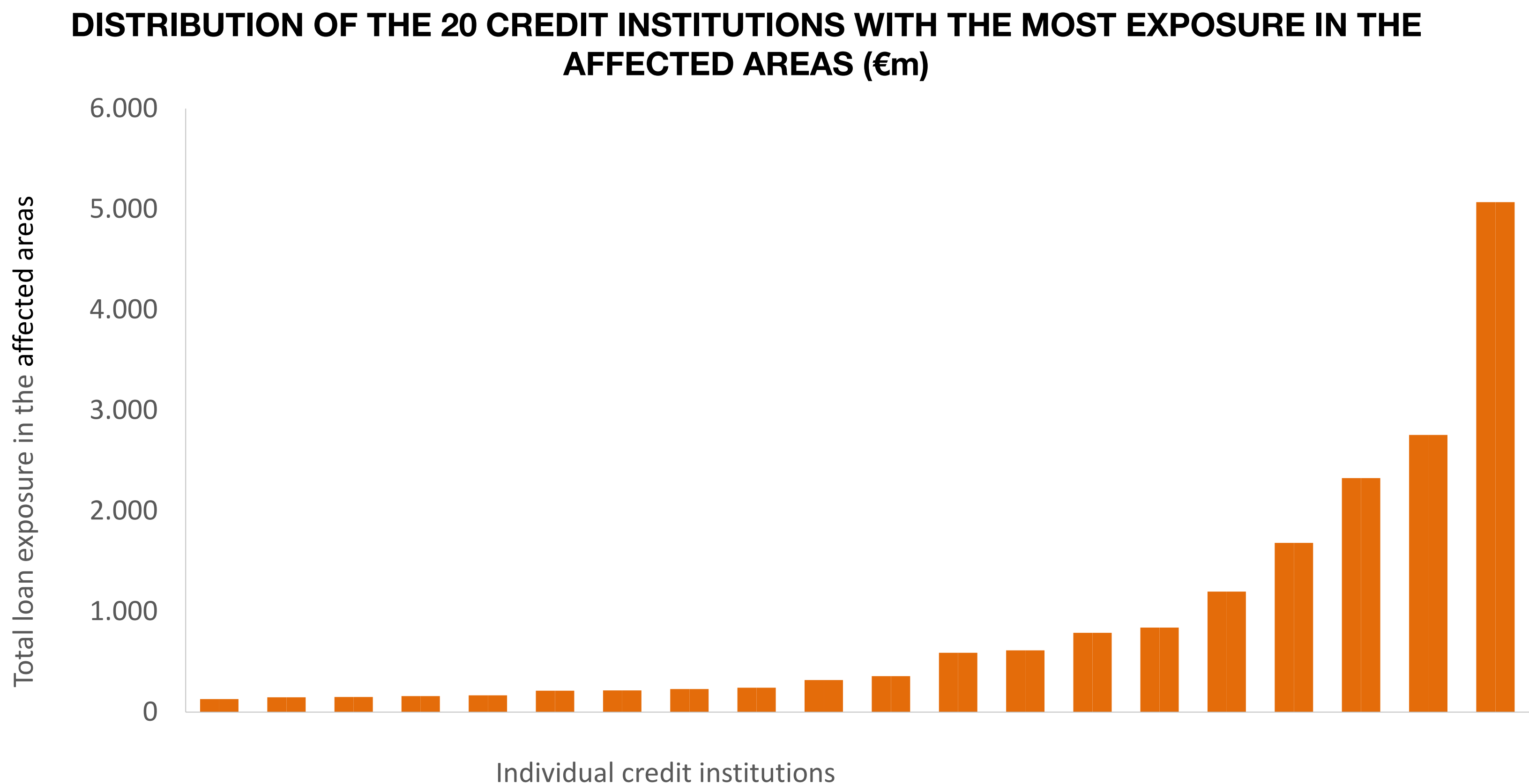
561,210
Customers affected

Breakdown by sector



Source: Central de Información de Riesgos (CCR).

Impact on the banking system: microprudential



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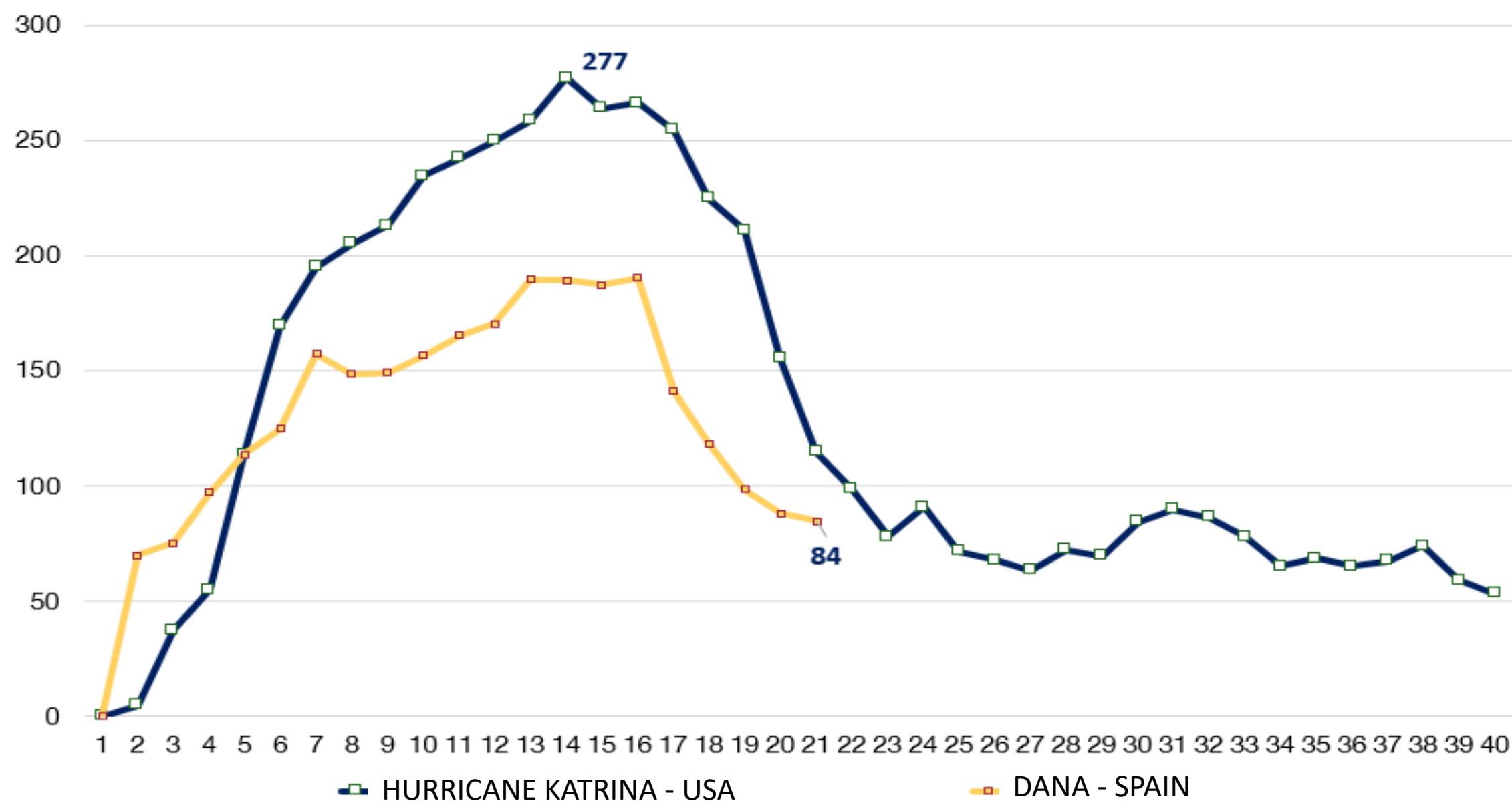
2 ANALYSING THE STABILITY OF THE FINANCIAL SYSTEM



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The supply bottlenecks index shows a strong initial impact followed by gradual easing

The supply bottlenecks index in the United States and Spain in the wake of Hurricane Katrina and the DANA, respectively



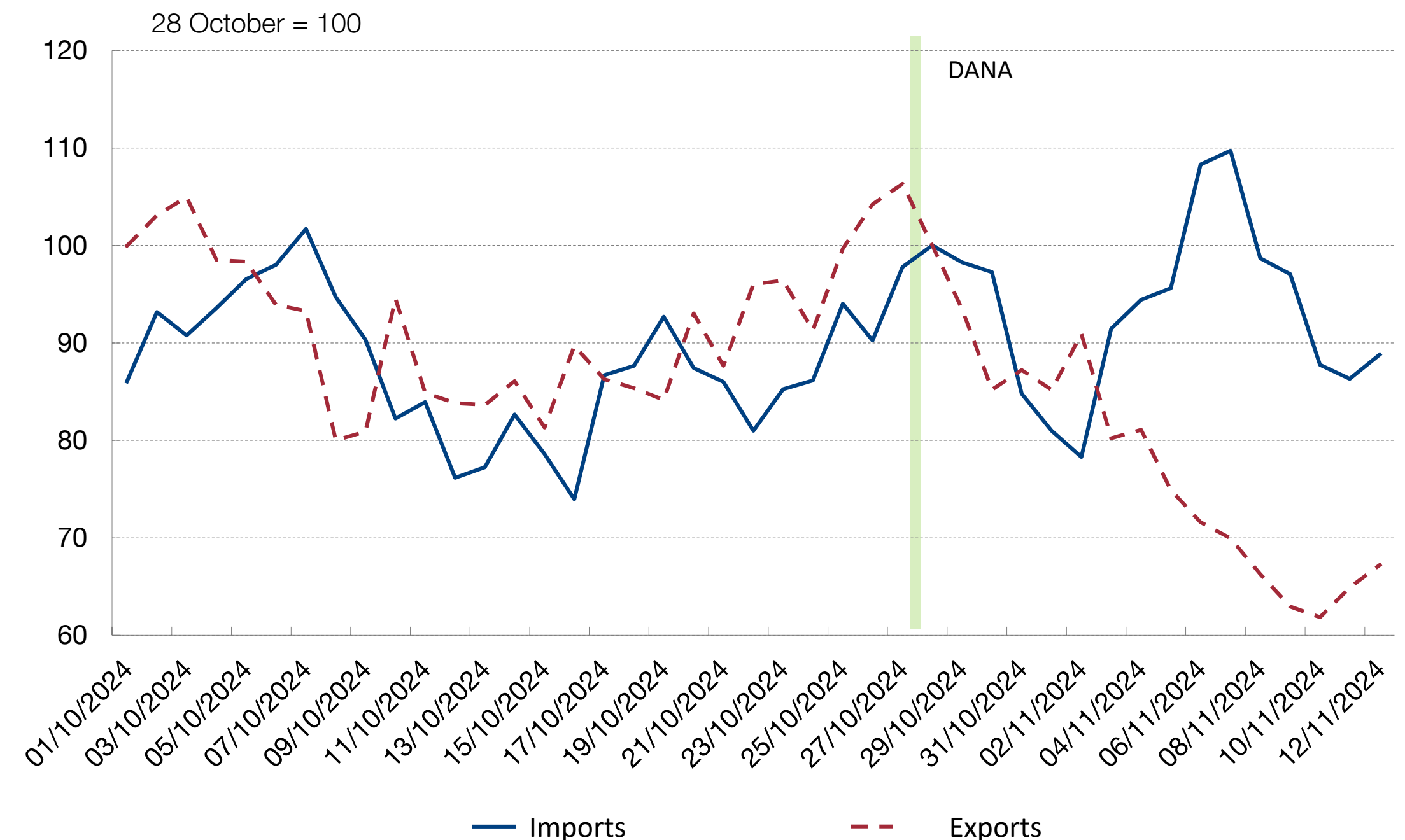
Source: Banco de España. Burriel, Kataryniuk, Moreno-Pérez and Viani (2024). 15-day moving average. Latest data: 14 November.

If the current pattern continues (in line with Hurricane Katrina, although slightly less extreme), the estimated impact, in terms of **quarterly growth rate**, would amount to nearly **-0.2 pp in GDP**, and to **0.15 pp in the CPI**

An example of data monitoring: port traffic. Impact on exports and the more robust situation of imports

- Daily port activity data show a **significant drop in the volume of exports from the Port of Valencia**, while imports are displaying more resilience
- The Port Authority of Valencia has requested the logistics sector to **prioritise services imports** as much as possible to avoid the breakdown of firms' and industrial supply chains

Port of Valencia: import and export volumes
(14-day moving average)

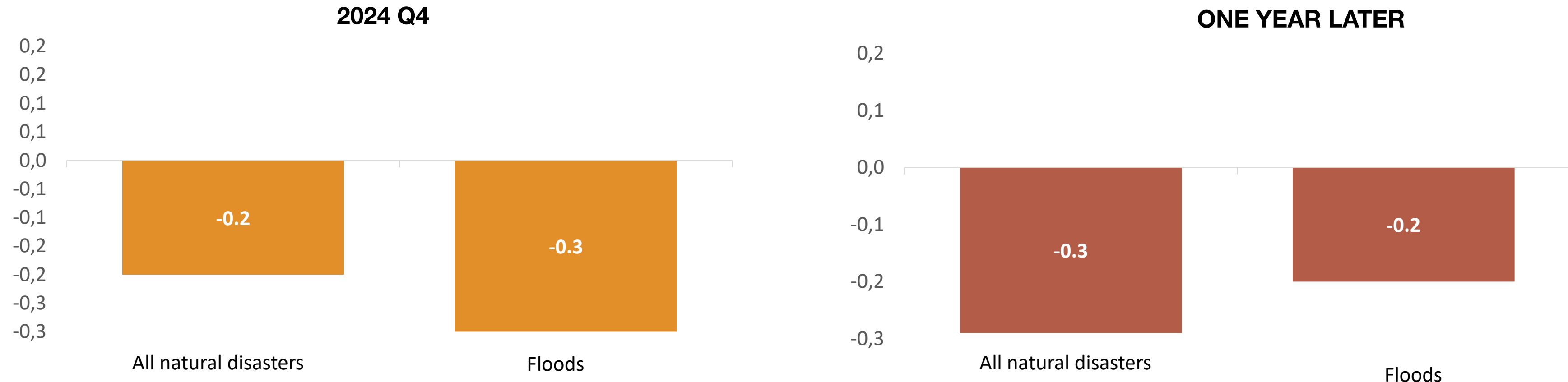


Sources: UN Global Platform and IMF PortWatch (portwatch.imf.org). Latest data: 12 November.

The empirical evidence points to a limited and transitory impact on GDP

- The potential **impact of natural disasters is estimated using data from the last 23 years**: 115 events, including 52 floods, which led to 32 casualties, on average
- **The estimations are subject to a high degree of uncertainty** but, based on previous weather-related events, the **estimated impact on GDP will be -0.2 pp in 2024 Q4 and the negative impact will last for one year**

Impact of weather-related events on estimated GDP

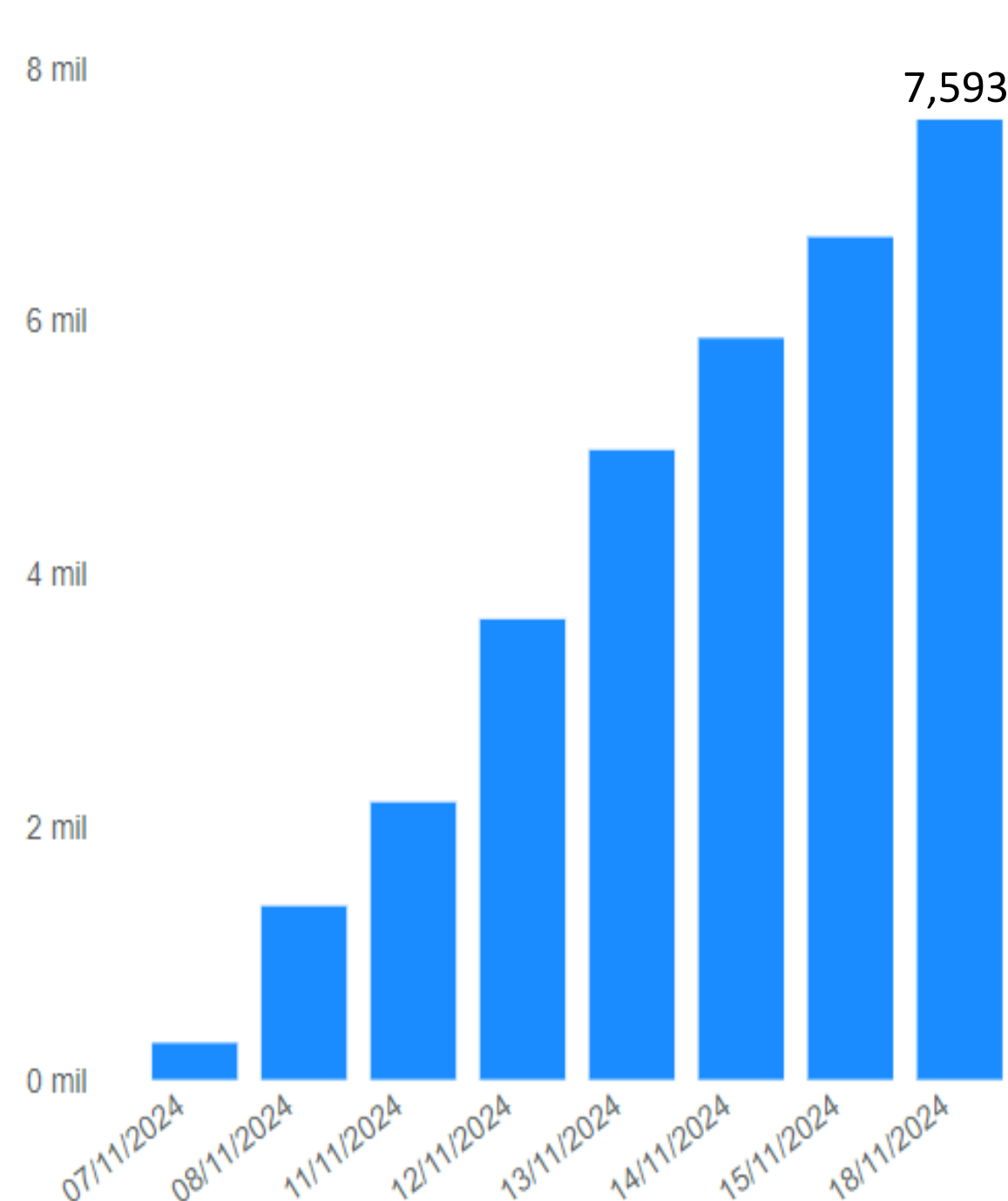


The EM-DAT database includes the following event types: drought, earthquake, epidemic, flood, glacial lake outburst, infectious disease, mass movement, storm, volcanic activity, wildfire. Extreme temperature events are excluded (e.g. the heat wave in Spain in 2022 that led to 11,000 deaths).

We monitor the impact of the measures adopted on a daily basis ...

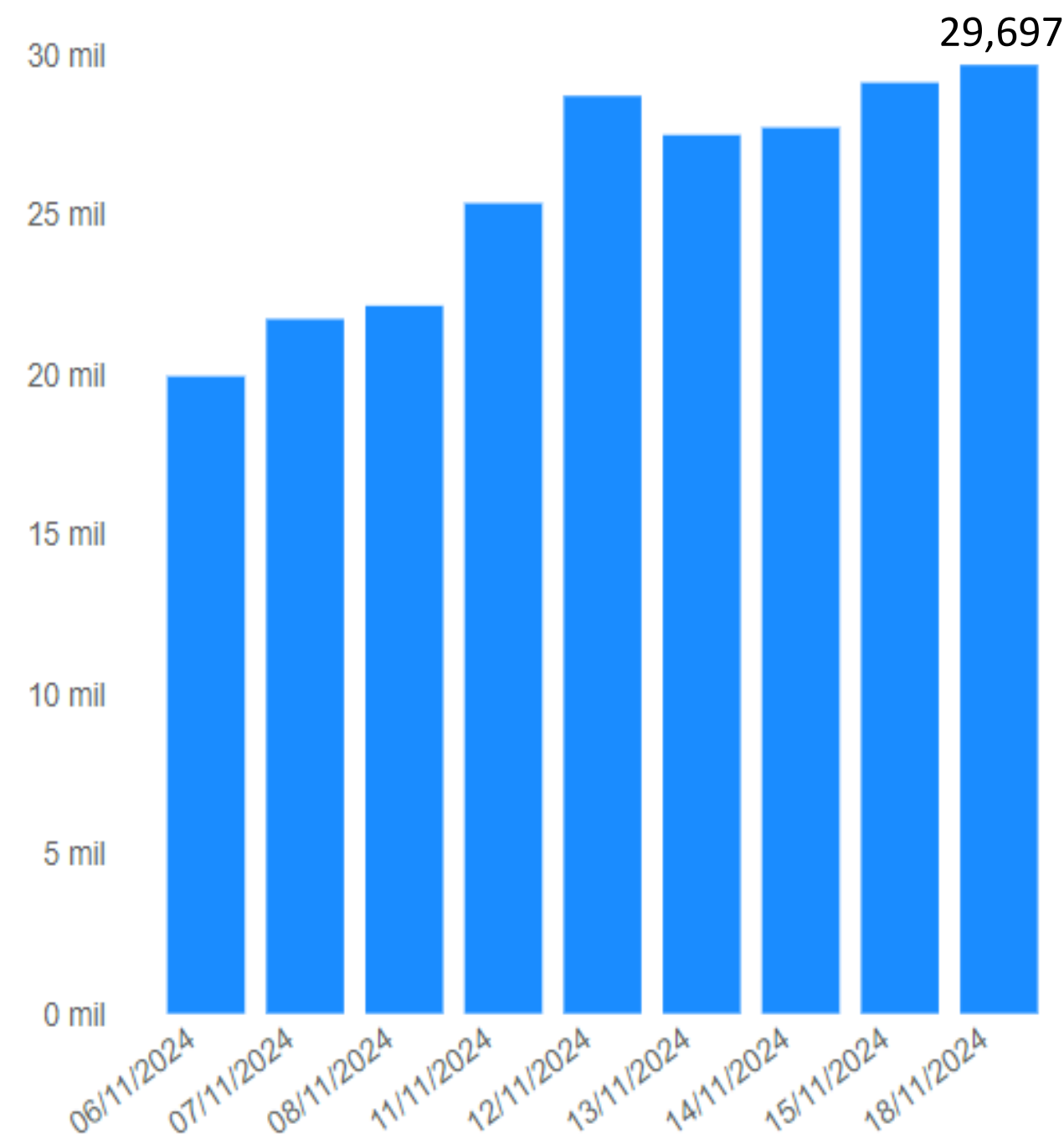
Loan moratoria

Cumulative requests for loan moratoria



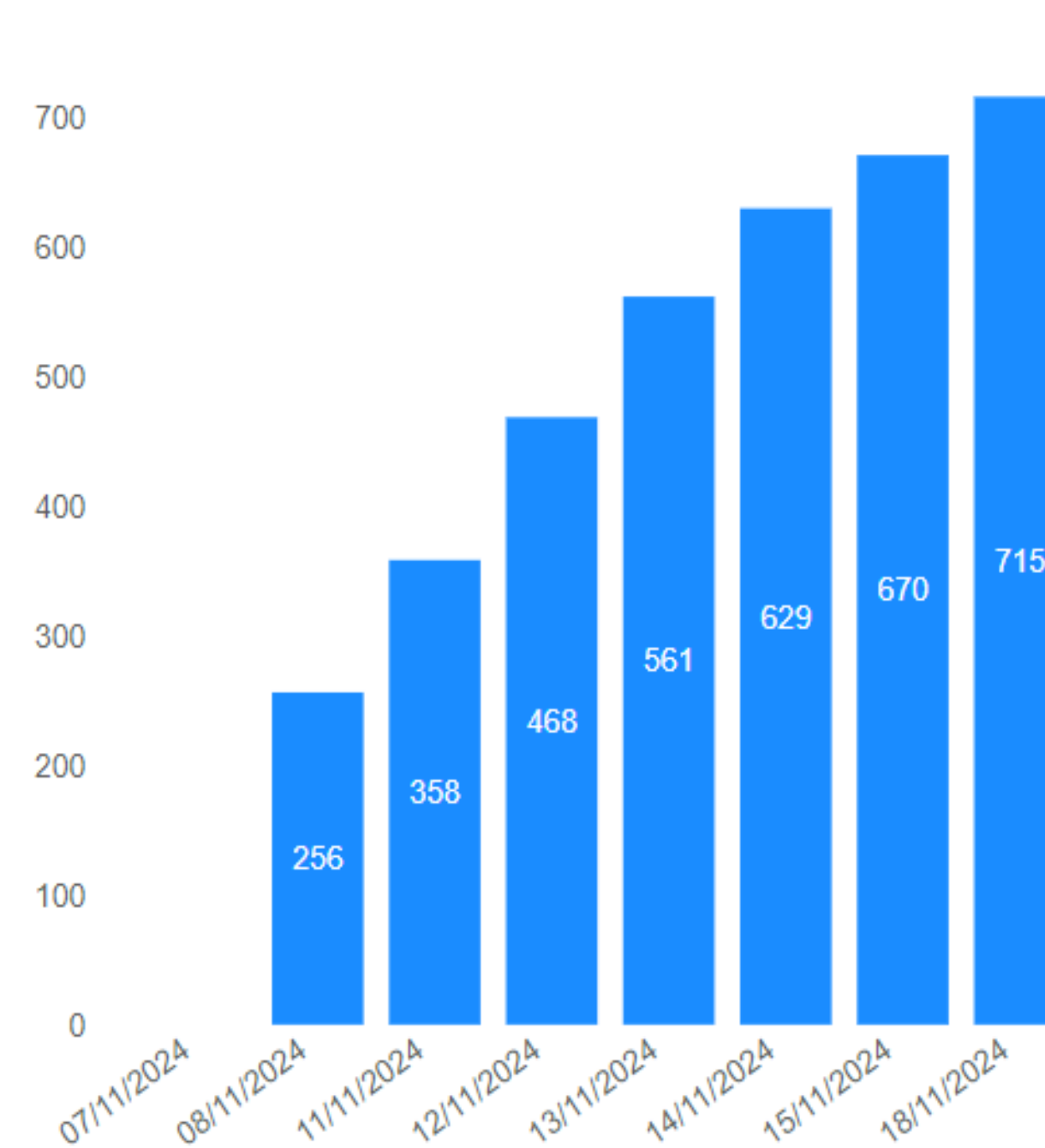
Insurance claims (Insurance Compensation Consortium)

Cumulative claims processed



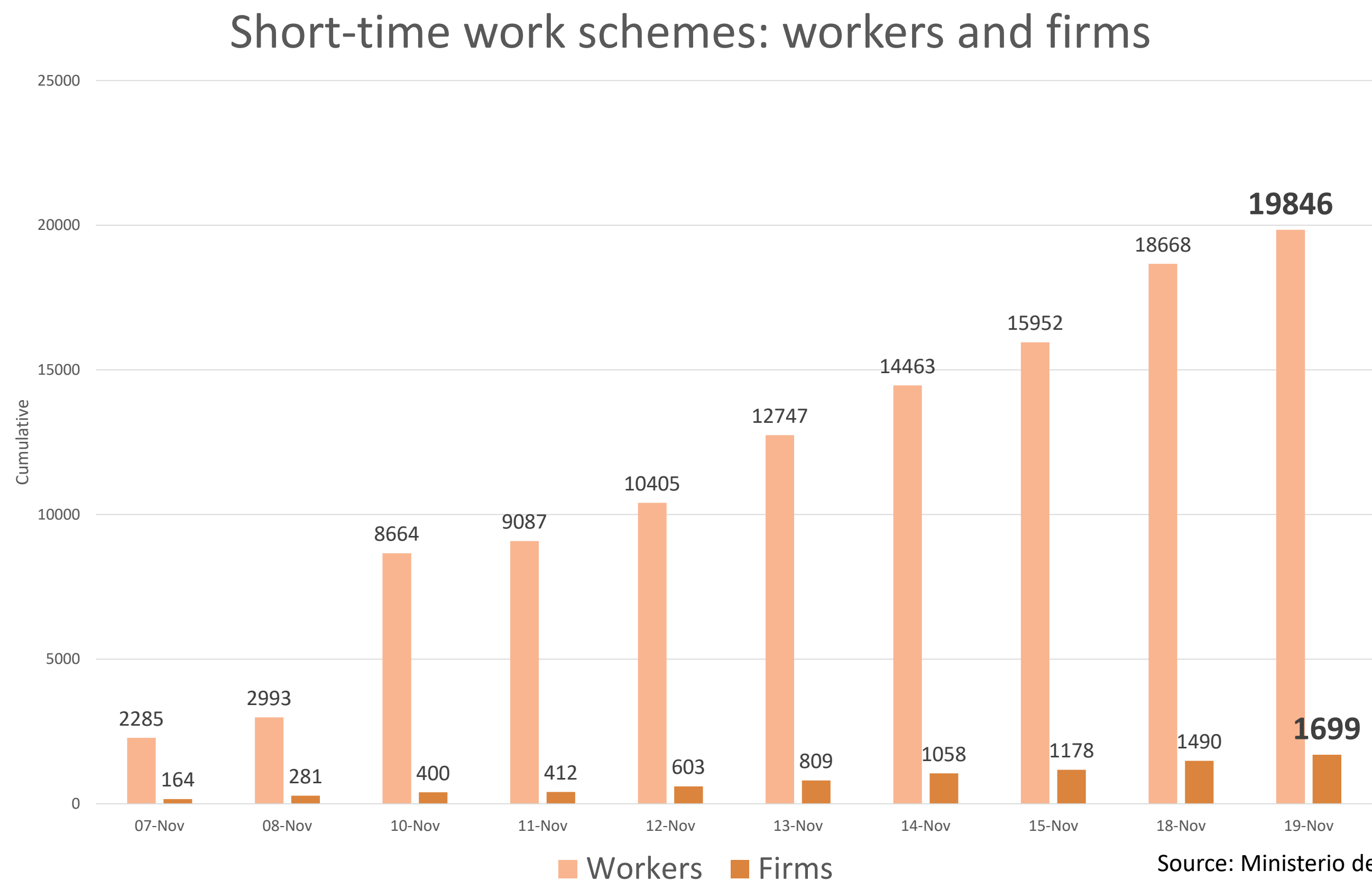
Official Credit Institute (ICO) guarantees

Cumulative applications for ICO guarantees



Source: Daily data from institutions.

... and look at employment and short-time work scheme data to assess the impact of the DANA



Workers on short-time work schemes amount to 1.9% of all employees in the province of Valencia

WHAT ARE WE DOING IN RESPONSE TO THE DANA?

1

We have implemented a MECHANISM TO EXCHANGE DAMAGED BANKNOTES and strengthened the BANCO DE ESPAÑA BRANCH IN VALENCIA

2

We are MONITORING the effects of the DANA on the FINANCIAL SYSTEM using GRANULAR data and sharing it with other institutions and supervisors on a Daily basis

3

We are MONITORING the impact on the ECONOMY and the rollout of the measures adopted by the authorities on a DAILY basis



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