

Testimony before the Committee on Economic Affairs, Trade and Digital Transformation

# Presentation of the Annual Report 2025\*

\* English translation from the original in Spanish

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Governor of the Banco de España

23 June 2026

# 1

## **International environment**

# 2

## **The Spanish economy: developments and outlook**

2.a Overview of the Spanish economy

2.b Financial position of the private sector

# 3

## **Structural challenges facing the Spanish economy**

3.a Housing: affordability problems and supply-side constraints

3.b Productivity and business growth: the role of financing

# 4

## **The Banco de España's response**

1

**International environment**

2

**The Spanish economy: developments and outlook**

- 2.a Overview of the Spanish economy
- 2.b Financial position of the private sector

3

**Structural challenges facing the Spanish economy**

- 3.a Housing: affordability problems and supply-side constraints
- 3.b Productivity and business growth: the role of financing

4

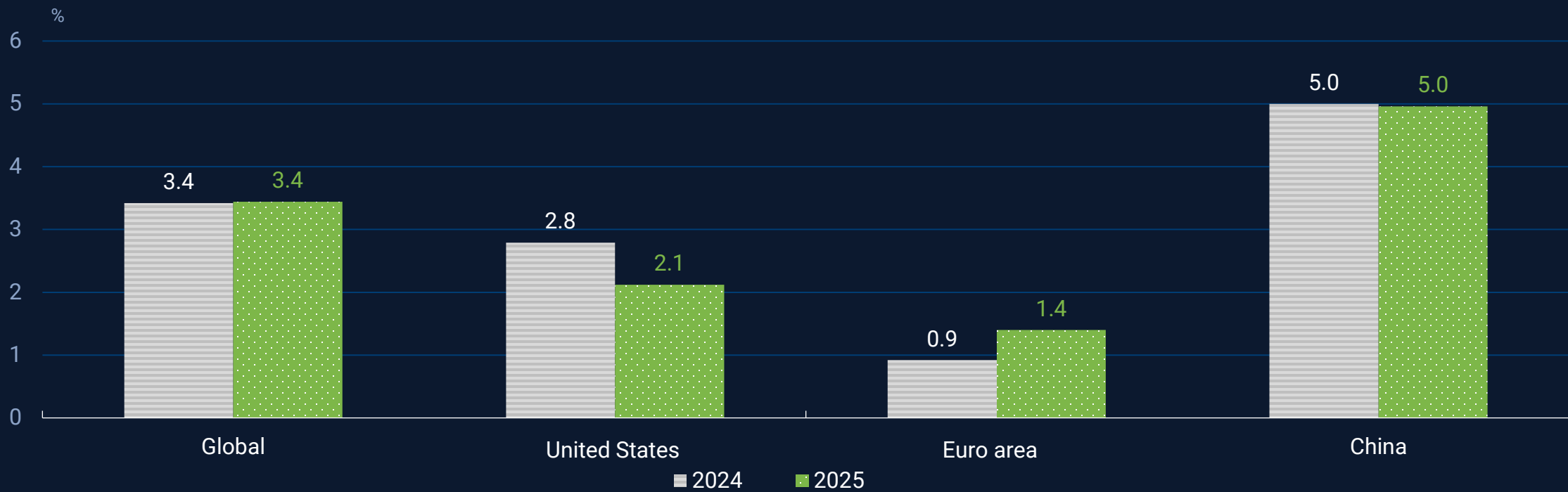
**The Banco de España's response**

# 2025 and 2026: turbulent years for the global economy



# The global economy showed resilience in 2025, in the face of increased uncertainty

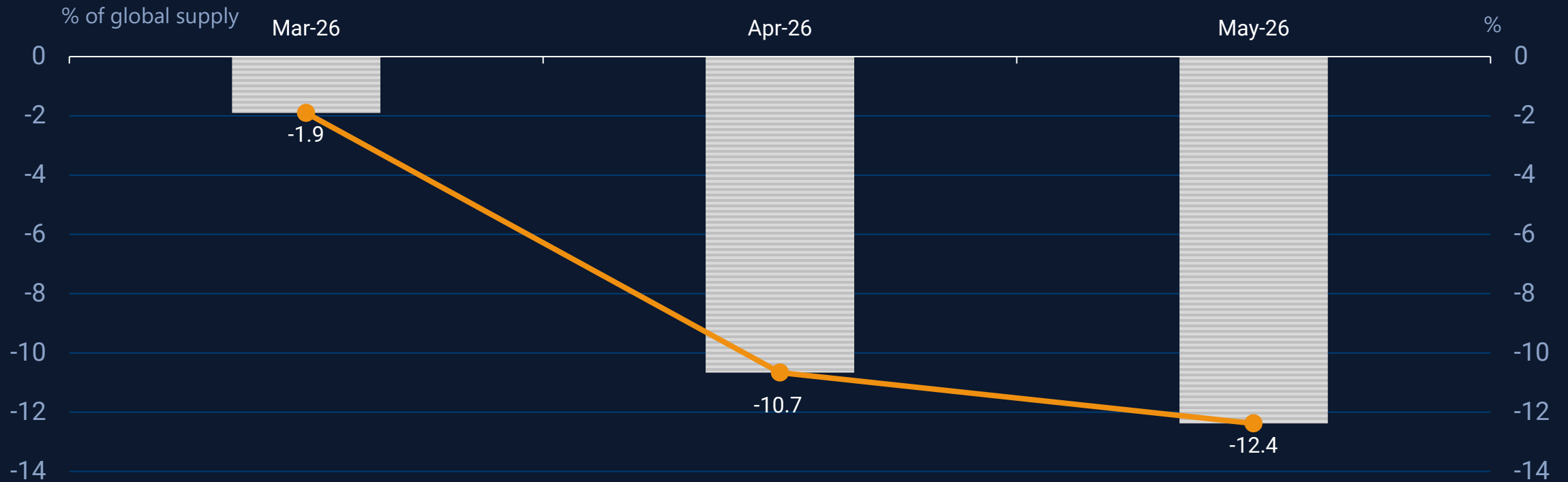
## GDP GROWTH



Source: IMF (World Economic Outlook).

# The conflict in the Middle East has caused an unprecedented drop in oil production ...

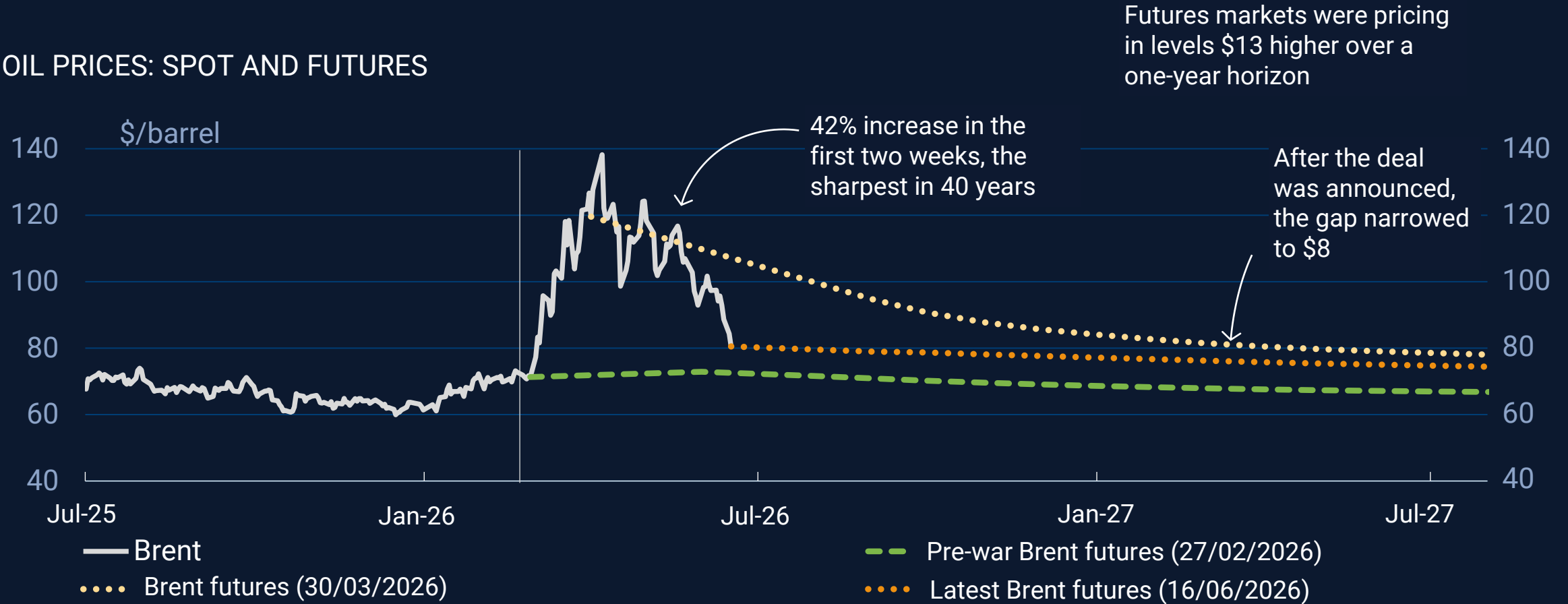
DECLINE IN GLOBAL OIL PRODUCTION IN 2026 FOLLOWING THE CLOSURE OF THE STRAIT OF HORMUZ



Source: IEA.

# ... with a significant impact on oil prices

## OIL PRICES: SPOT AND FUTURES



Futures markets were pricing in levels \$13 higher over a one-year horizon

42% increase in the first two weeks, the sharpest in 40 years

After the deal was announced, the gap narrowed to \$8

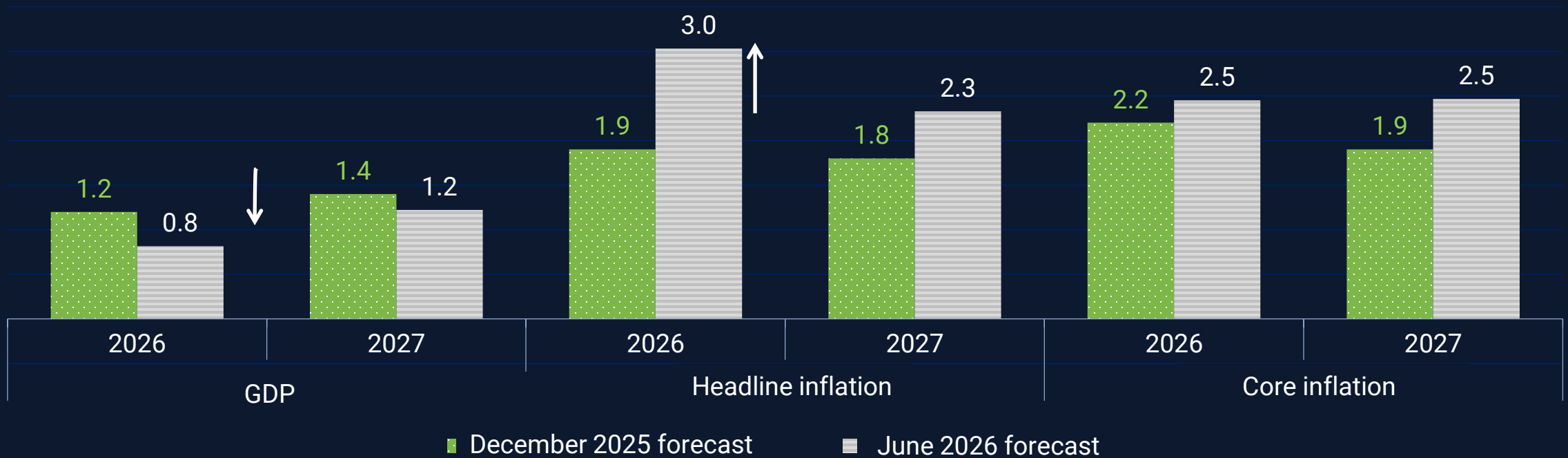
Source: LSEG.

## The nature of the current shock requires geopolitical and economic scenarios to be considered

Scenario	Drop in supply	Geopolitical status
Diplomatic resolution	Short term, -4.5% No long-term decline	Regime stability, negotiated de-escalation, sanctions
Prolonged stagnation	Short term, -7.5% Long term, -0.6%	Weakened regime, fragile ceasefire with periodic disruptions, security premiums
Severe escalation	Short term, -13% Long term, -2.5%	Risk of collapse, widespread regional conflict, threat of sustained closure

# The shock implies higher inflation and somewhat lower growth in the euro area

COMPARISON OF DECEMBER 2025 AND JUNE 2026 EUROSISTEM STAFF MACROECONOMIC PROJECTIONS

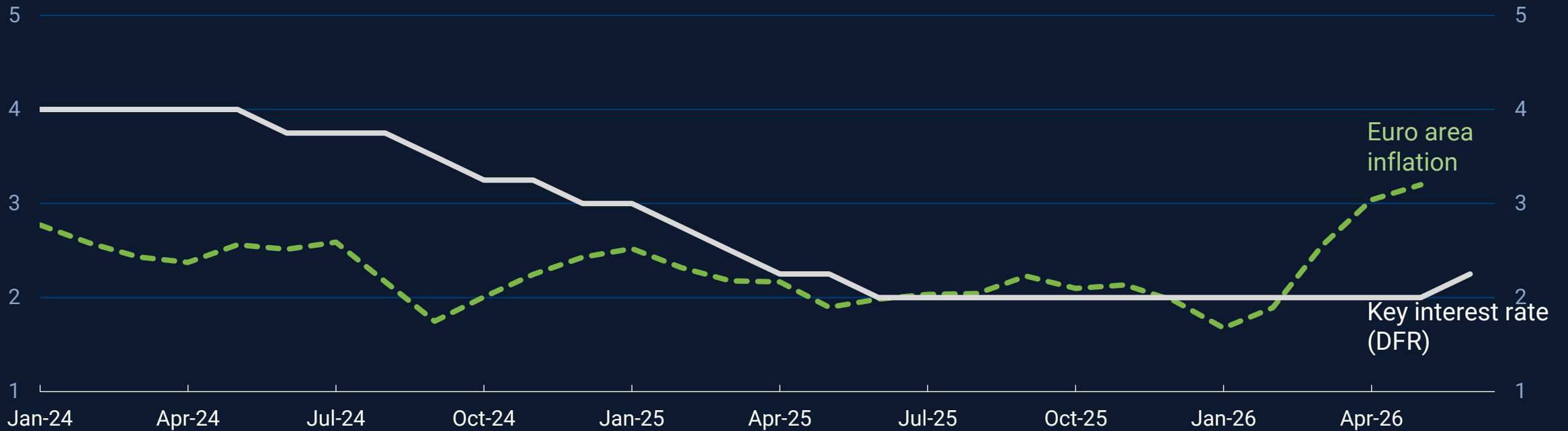


Source: Eurosystem.

# The monetary policy response

In June the ECB raised rates by 25 basis points to contain inflationary pressure, continuing a data-dependent approach and remaining well-positioned to navigate the high level of uncertainty.

EURO AREA KEY INTEREST RATE (%)



Sources: ECB. Monthly data at month-end. The key interest rate is the deposit facility rate.

# 1

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# 2

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# 3

## **Structural challenges facing the Spanish economy**

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# 4

## **The Banco de España's response**

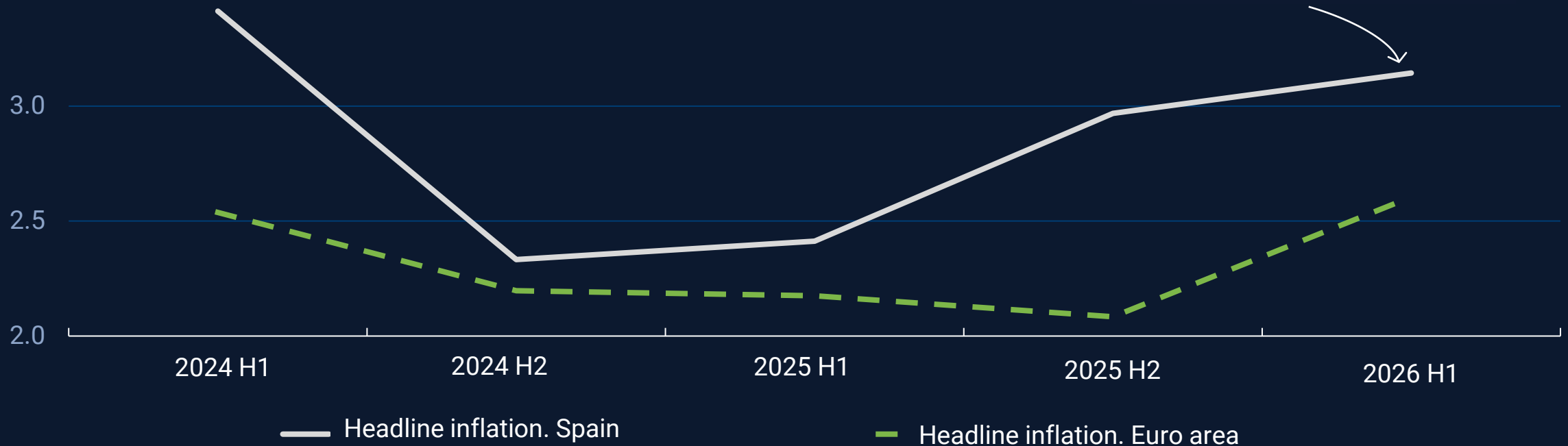
## Key features of growth in 2025

- GDP **grew by 2.8% in 2025**, 0.7 pp less than in 2024, **outpacing the euro area as a whole** (1.4%), Germany (0.2%), France (0.8%) and Italy (0.5%). **GDP per capita grew by 1.8%**, likewise more than in the euro area (1.1%).
- Growth was based on the **momentum in domestic demand**, particularly durable consumption and **investment**, driven by **capital goods, housing and intangibles, supported by the improvement in financial conditions**.
- The **contribution of external demand** was negative (-0.7 pp), weighed down by trade in goods, despite the strong performance of non-travel services.
- Prior to the conflict, **supply-side factors** continued to drive growth: **lower energy prices than in other European economies, utilisation of the stock of tourism capital and robust labour supply**.

## The rise in inflation in Spain in the wake of the shock has been similar to that of the euro area

### HEADLINE INFLATION

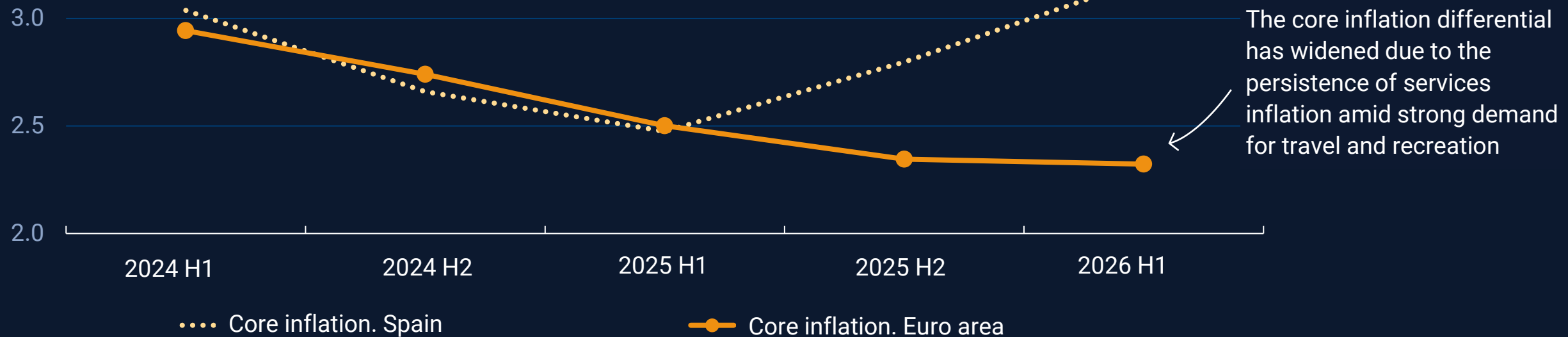
% year-on-year



## However, the core inflation differential with the euro area has widened

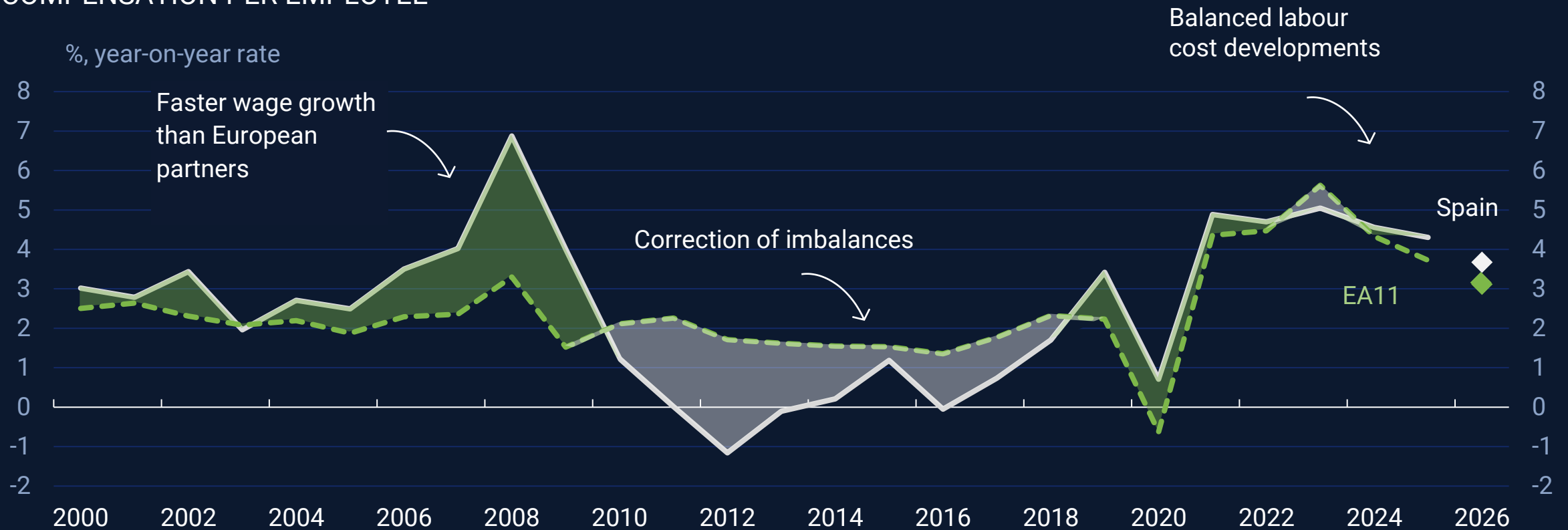
### CORE INFLATION

3.5 % year-on-year



## Although wage growth is in line with European trends

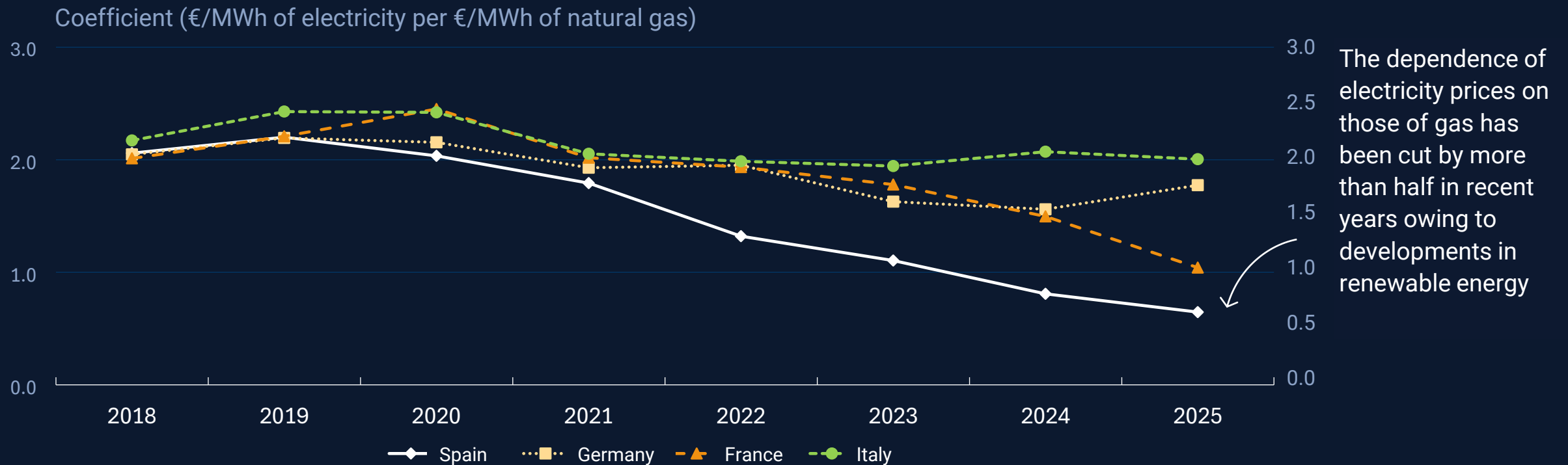
### COMPENSATION PER EMPLOYEE



Source: INE and Banco de España. EA11: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain.

## The energy generation mix also gives rise to gains in competitiveness ...

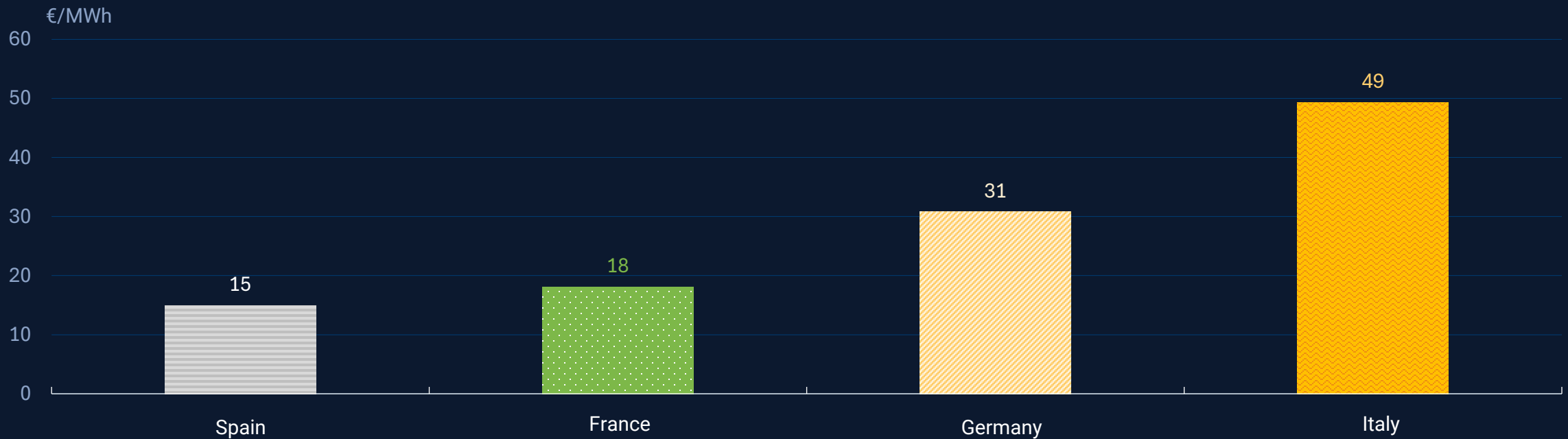
### RELATIONSHIP BETWEEN ELECTRICITY AND NATURAL GAS PRICES



Sources: ENTSO-E, OIMP, MIBGAS, EEX. Estimated coefficients of the regression  $\text{Electricity price} = \beta * \text{natural gas price} * \text{year} + \gamma * \text{CO2 price} + \epsilon$ , using weekly data.

## ... and protection against energy shocks, with fluctuations in fossil fuel prices being passed through to a lesser extent

CHANGE IN ELECTRICITY AND NATURAL GAS FUTURES PRICES IN THE THREE WEEKS AFTER THE SHOCK

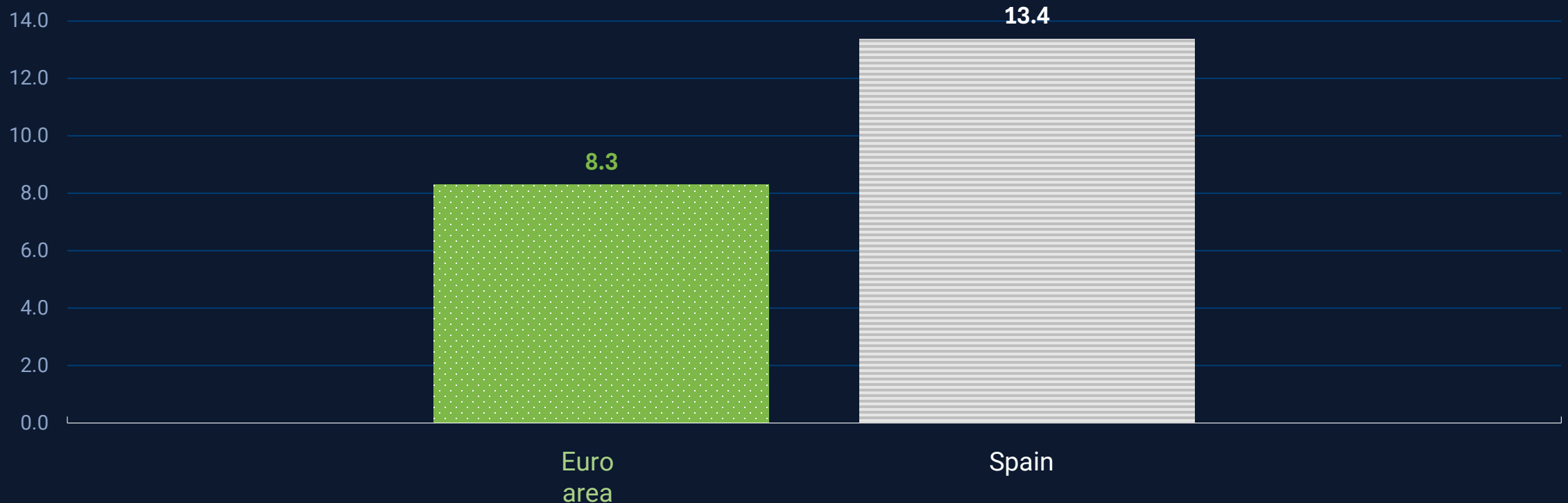


Source: ENTSO-E, OIMP, MIBGAS, EEX. Difference in the average price of quarterly futures for electricity base load, with maturities between 2026 Q2 and 2027 Q1, and of natural gas futures over the same period. Difference between prices traded on 19 March and 23 February.

## The labour market remains robust ...

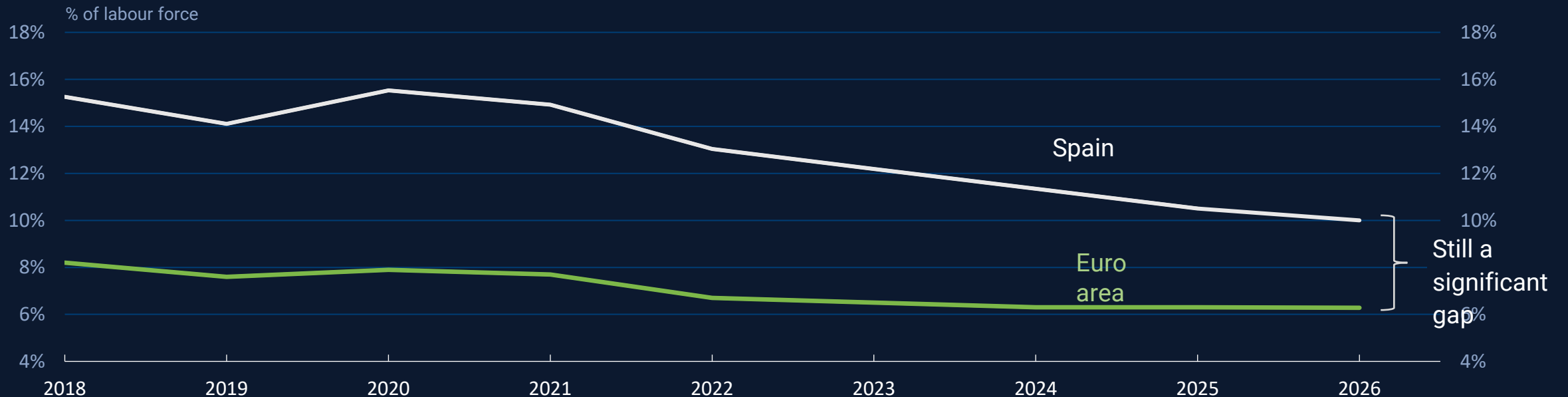
Employment creation has been significantly higher than that seen in the euro area

ACCUMULATED GROWTH IN EMPLOYMENT BETWEEN 2018 AND 2025 (%)



## ... although the unemployment rate remains above that of other euro area countries

### UNEMPLOYMENT RATE



## The persistence of that gap is a result of significant structural challenges

### Improve the performance and governance of active labour market policies:

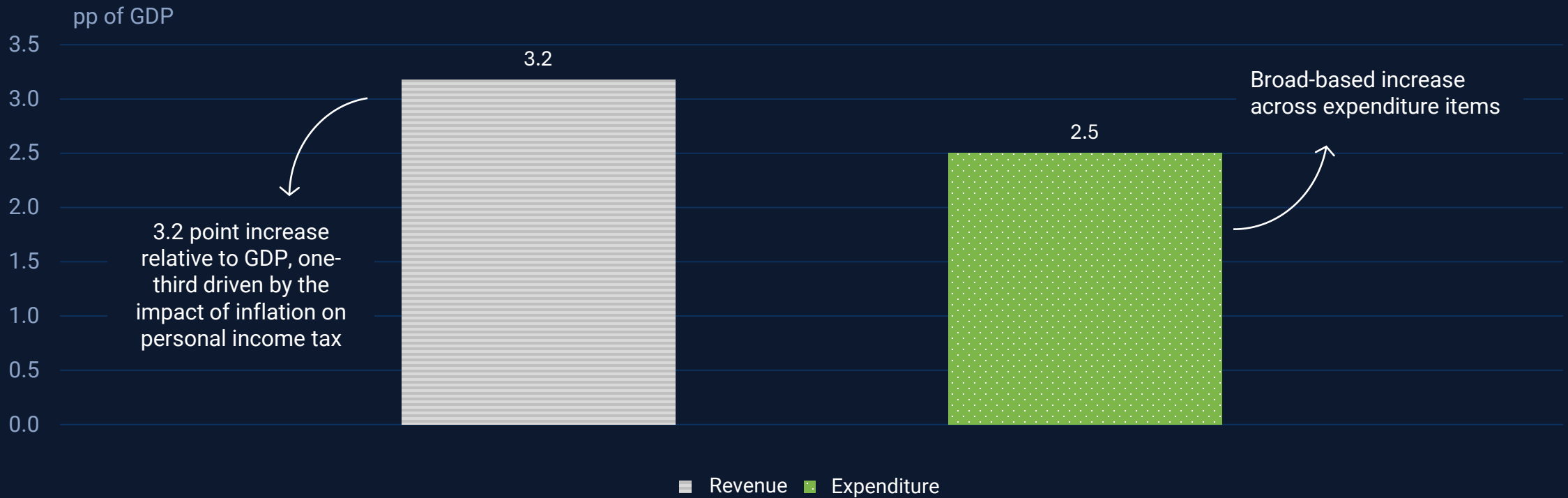
- Bolster **training and re-training policies** to align unemployed persons' qualifications with business needs

There is a need to ensure that policies protecting the unemployed offer appropriate incentives to re-enter the labour market

- **The coverage rate of unemployment benefits rose to 80% in 2025, around 20 pp higher than in 2004, when the unemployment rate was similar.**
- **The contribution rate of unemployment benefits (7.05%) is more than double that of the large European countries**
- **The open-ended nature of the benefit and the enhanced pension contribution base (125%) for the pension benefit of the unemployment benefit for those aged 52 and over lead to lower labour market re-entry rates (over-50s account for 42% of long-term unemployment)**

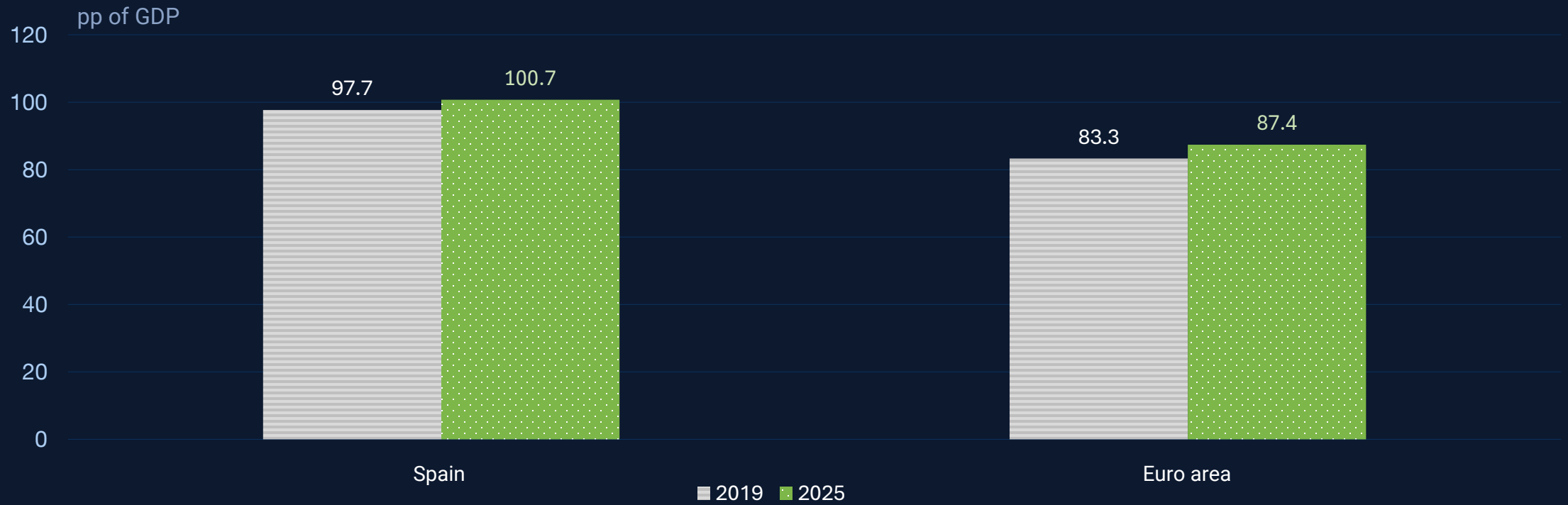
## Government expenditure has grown at a pace similar to revenue since 2019, against a backdrop of robust tax revenue

### CHANGE IN GOVERNMENT EXPENDITURE AND REVENUE IN SPAIN BETWEEN 2019 AND 2025



# Nevertheless, public debt remains above pre-pandemic levels, despite the strong GDP growth

## PUBLIC DEBT



## The adoption of the new fiscal framework is not being used as an opportunity to improve medium-term fiscal planning

### OBJECTIVES OF THE NEW FISCAL FRAMEWORK

- Bolster the sustainability of medium-term public debt
- Improve the predictability of fiscal policy and its link to reforms and investment
- Simplify the framework in a single operational indicator: growth in net spending

### OUTCOME

- The use of margins of flexibility and the extension of the adjustment period from four to seven years lead to **unambitious medium-term objectives given the favourable macroeconomic environment**
- Such an extension must be grounded in a **thorough assessment of the effect on potential growth** of the reforms and investments that justify it
- **More detail is needed about the budgetary measures to be adopted and regarding the path of future revenue and expenditure**, including at different tiers of government, to improve the objectives' **credibility**

## Households' financial situation continues to improve ...

### HOUSEHOLD DEBT RATIO



# ... as does that of firms

## FIRMS' DEBT RATIO



Sources: ECB, Eurostat, INE and Banco de España. Latest observation: 2025 Q4.

1

2

2.b Financial position of the private sector

3

4

## The Spanish banking sector's financial position remains favourable

	<i>Dec 2025, % (a)</i>	<i>2014-19, % (b)</i>	
Profitability has improved significantly and operational efficiency is high...	<b>Return on assets (ROA)</b>	<b>0.95</b>	<b>0.51</b>
	<b>Cost-to-income ratio (c)</b>	<b>42.5</b>	<b>52.3</b>
... amid credit growth in Spain and a continued improvement in credit quality	<b>Credit growth (Spain)</b>	<b>3.9</b>	<b>-3.0</b>
	<b>NPL ratio (Spain)</b>	<b>2.7</b>	<b>8.9</b>
There are no funding or liquidity pressures...	<b>Short-term liquidity ratio (LCR)</b>	<b>171.9</b>	<b>162.4</b>
	<b>Long-term liquidity ratio (NSFR)</b>	<b>134.7</b>	<b>136.6</b>
... and institutions continue to strengthen their solvency	<b>Common Equity Tier 1 Ratio (CET1)</b>	<b>13.9</b>	<b>12.4</b>
	<b>Tier 1 Capital Ratio (CET1 + Additional capital)</b>	<b>15.5</b>	<b>13.0</b>

Source: Banco de España. Latest observation: December 2025 / March 2026.

a. Credit growth and NPL ratio data are for March 2026.

b. Average of the December figures in each year. Liquidity coverage ratio data begin in 2016 and NSFR data begin in 2021.

c. The cost-to-income ratio is calculated as operating expenses divided by the net income from banking activity. The lower this ratio, the more efficiently a bank conducts its banking operations.

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# 2

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# 3

## **Structural challenges facing the Spanish economy**

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# 4

## **The Banco de España's response**

# Affordability problems and constraints on supply growth are the main challenges facing the housing market

## RECOVERY OF DEMAND

- Demographic growth
- Economic growth: employment and household income
- Easing of financial conditions
- Other sources of demand: tourist dwellings, non-residents

## SUPPLY CONSTRAINTS

- Land and urban planning
- Productivity, profitability and firm size
- Labour availability

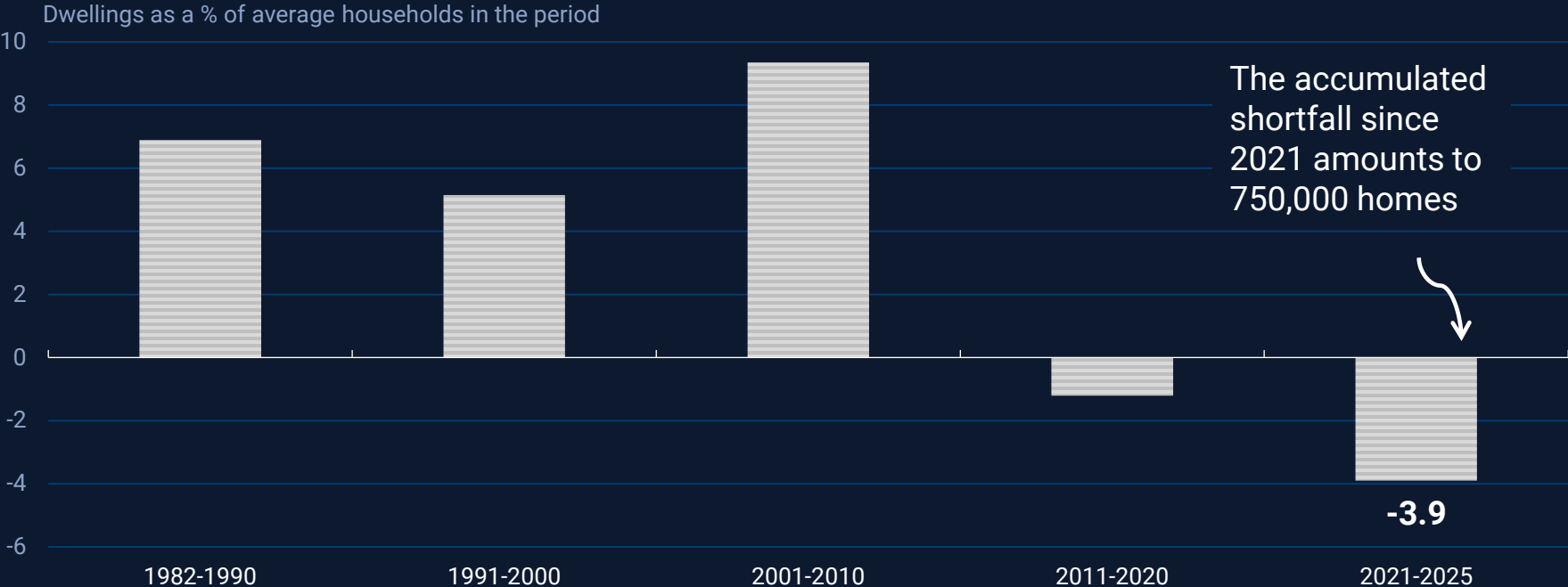


## OUTCOME: AFFORDABILITY PROBLEMS

- House purchase **prices** and **rents** are, on average, **growing faster** than household **income**

# Household formation is outpacing new housing supply, which has worsened the housing shortfall since 2021

ACCUMULATED SHORTFALL BETWEEN NEW HOUSING CONSTRUCTION AND NET HOUSEHOLD FORMATION



The accumulated shortfall since 2021 amounts to 750,000 homes

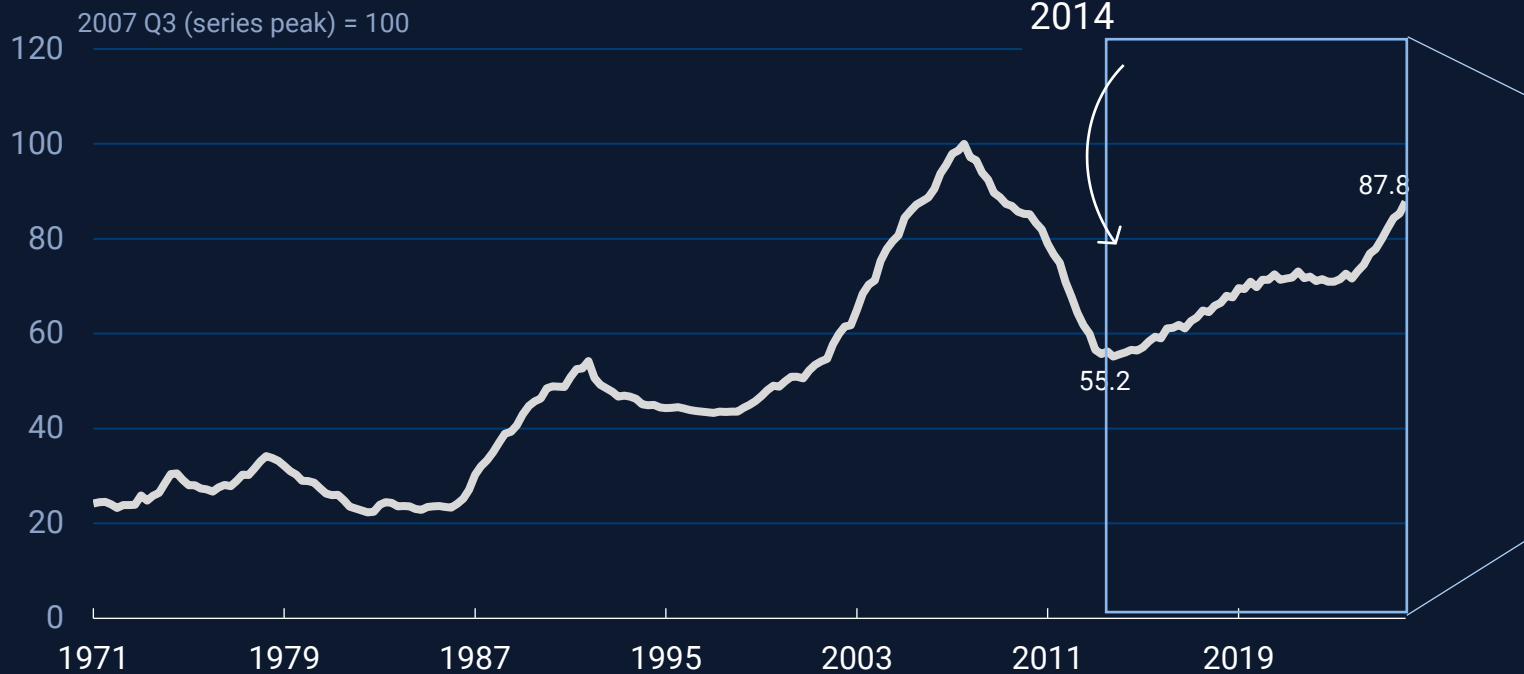
Accumulated shortfall 2021-25, as a % of average number of households

- Portugal: -7%
- Netherlands: -4.7%
- Italy: -1.5%
- France: 0%
- Germany: 0.5% (more housing starts than new households)

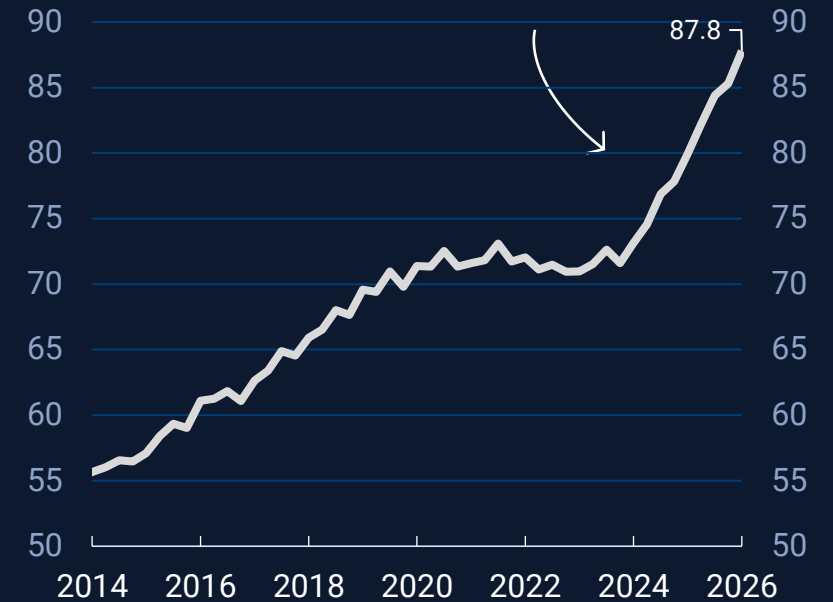
Source: Banco de España, drawing on data from Eurostat, INE and Ministerio de Transportes y Movilidad Sostenible. The shortfall is calculated, for each period considered, as the difference between the number of residential units completed and the change in the number of resident households. For the euro area, Germany, France, Italy and Portugal, the housing shortfall is calculated as the sum of the difference, in each year between 2021 and 2025, between residential units approved two years earlier (to account for estimated construction time) and net household creation. For Spain, the housing shortfall is calculated as the sum of the difference, in each year between 2021 and 2025, between residential units completed and net household creation.

# Real house prices stand at 2005 levels, driven by higher real household income, and have been accelerating since 2024 ...

## REAL HOUSE PRICES



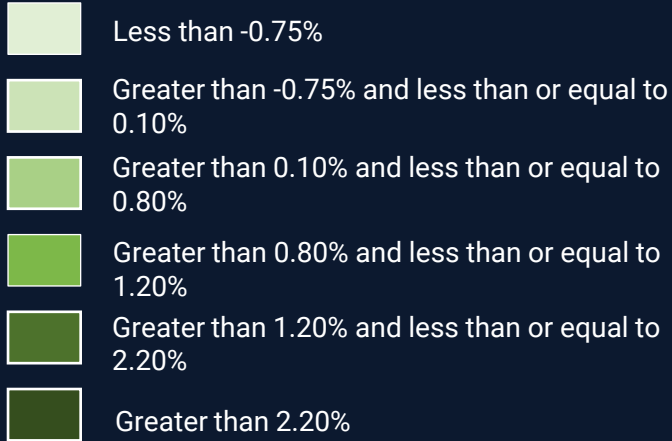
Real price growth has intensified since 2024, amid supply constraints



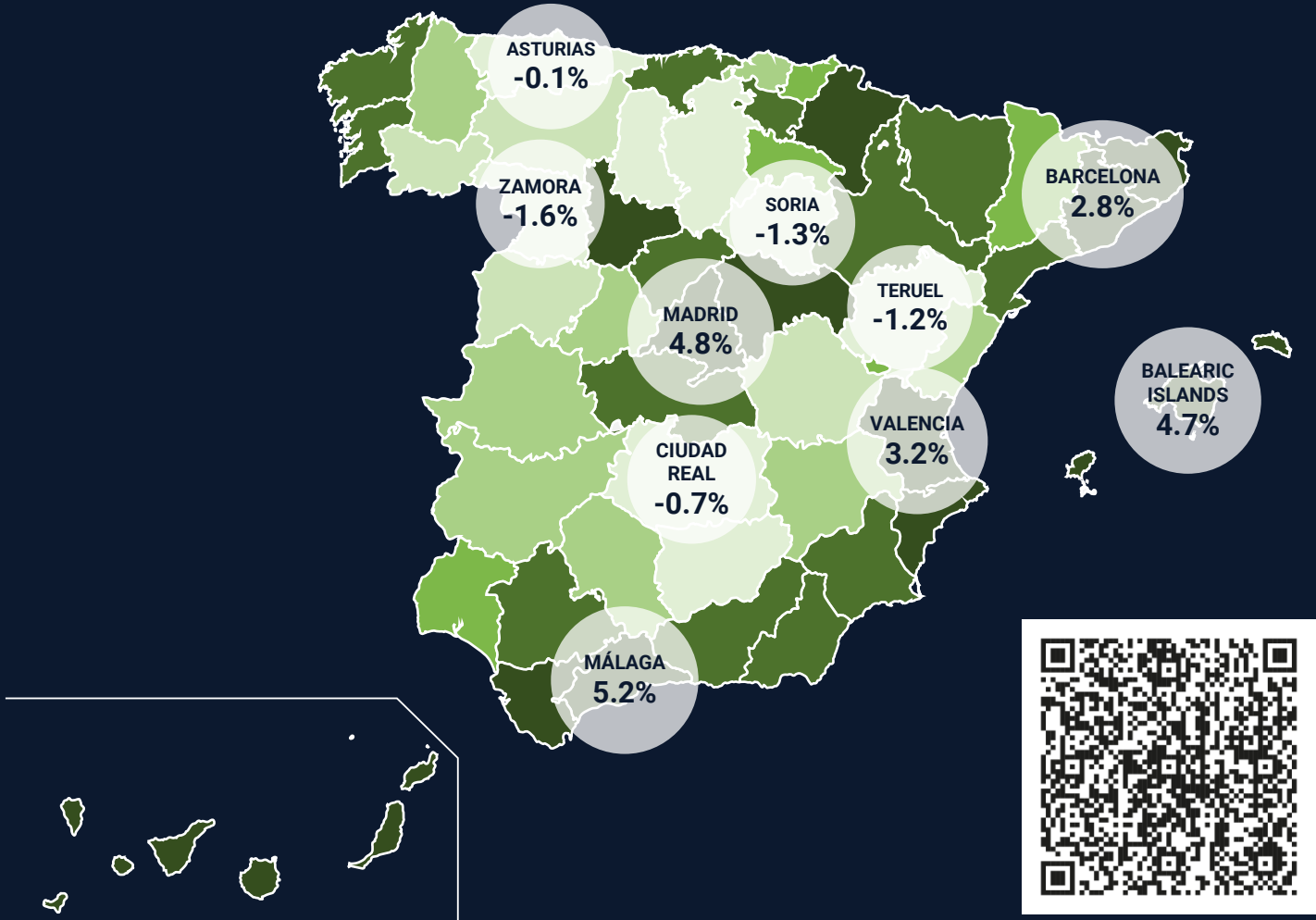
... albeit with high territorial dispersion, with growth concentrated in provinces where demand is highest ...

AVERAGE ANNUAL INCREASE IN REAL HOUSE PRICES (2014-25)

Average annual increase in real house prices (2014-25):

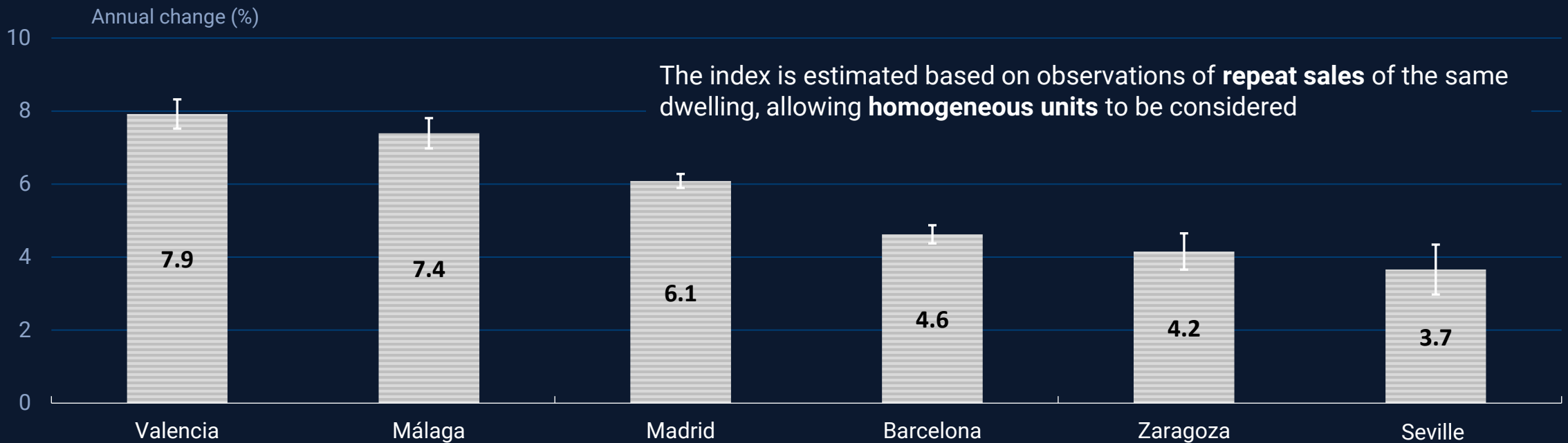


Source: Banco de España, drawing on data from the Consejo General del Notariado and INE.



## ... and significantly higher price growth in the large urban areas

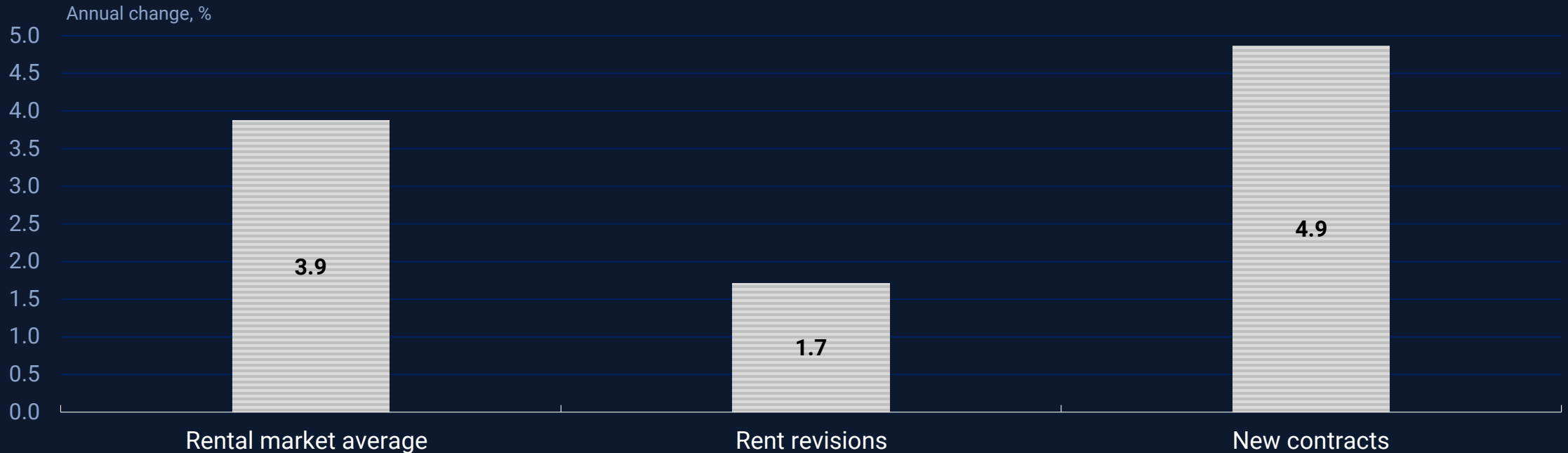
AVERAGE ANNUAL GROWTH IN THE CASE-SHILLER REAL HOUSE PRICE INDEX (2014-24)



Source: Banco de España, drawing on data from the Consejo General del Notariado. The index is estimated based on observations of repeat sales of the same dwelling. For each property, the log change in the price between the current sale and the previous sale is calculated, and a regression with time effects is estimated, using weights that are inversely proportional to the predicted variance of the error component, depending on the time elapsed between the two sales. The sample is restricted to the observations for that area. Standard errors and 95% confidence intervals for the price index are calculated using clustering by district and by transaction year.

# The growth in house prices can also be seen in rising rents for new contracts ...

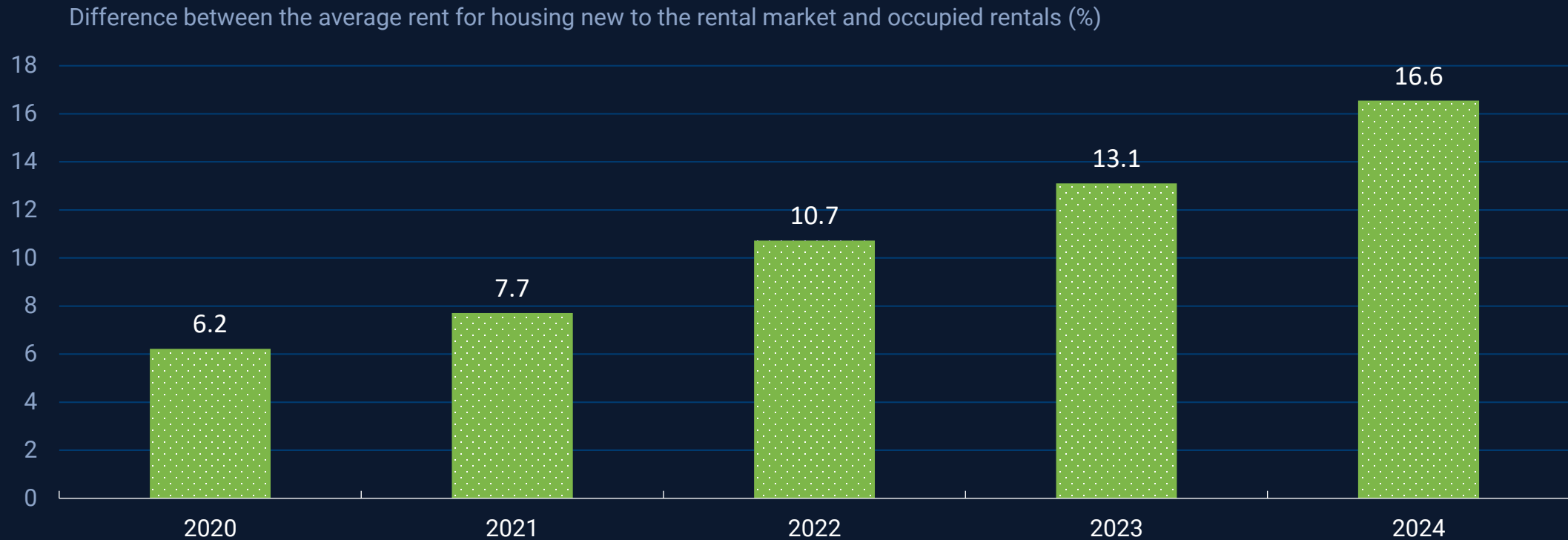
## ANNUAL AVERAGE RENT RISE BETWEEN 2019 AND 2024



Sources: Banco de España, drawing on data from AEAT and INE. "Rental market average" refers to the average rent per m<sup>2</sup> of all rented dwellings. "Rent revisions" refers to contracts that remain in place for two consecutive years. "New contracts" refers to newly signed contracts.

## ... with a greater increase in the rents of houses entering the rental market

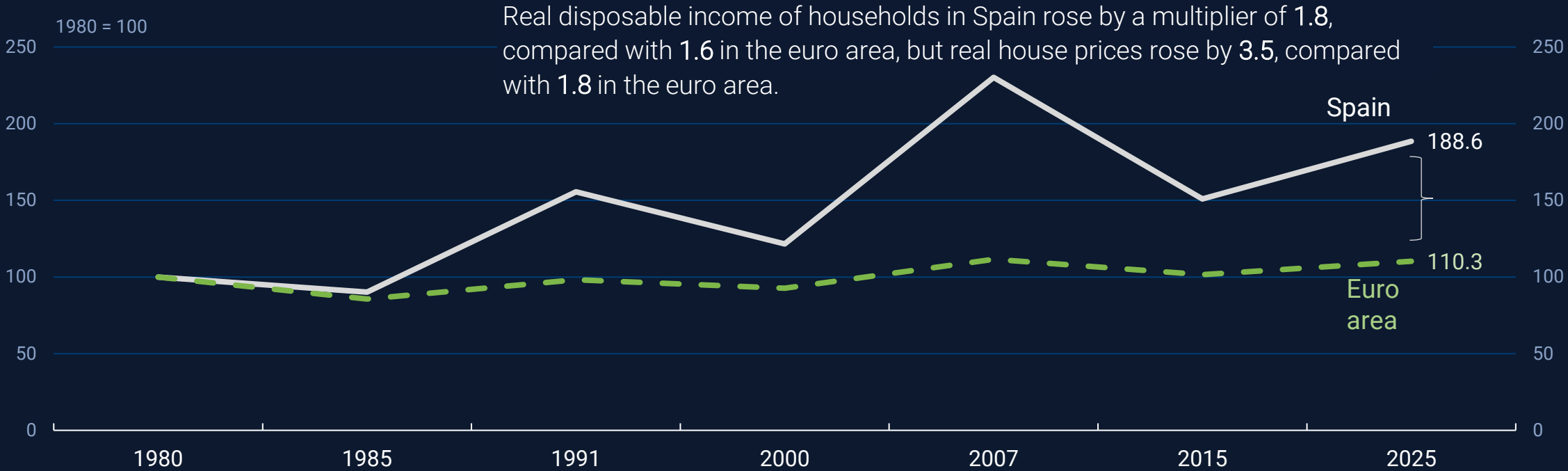
### ENTRY PREMIUM ON RENTS FOR NEWLY RENTED UNITS



Source: Banco de España, drawing on data from AEAT. The entry premium in period t is calculated as the ratio of the average rent of housing entering the market in period t to the average rent of housing which remains rented in periods t and t-1. Prices are in euro per m<sup>2</sup>. The geographical composition is adjusted by calculating the entry premium for each census tract, which is subsequently aggregated by weightings in proportion to the rented floor area of the rental housing inflows.

# The cost burden of purchasing a home is rising faster than household income ...

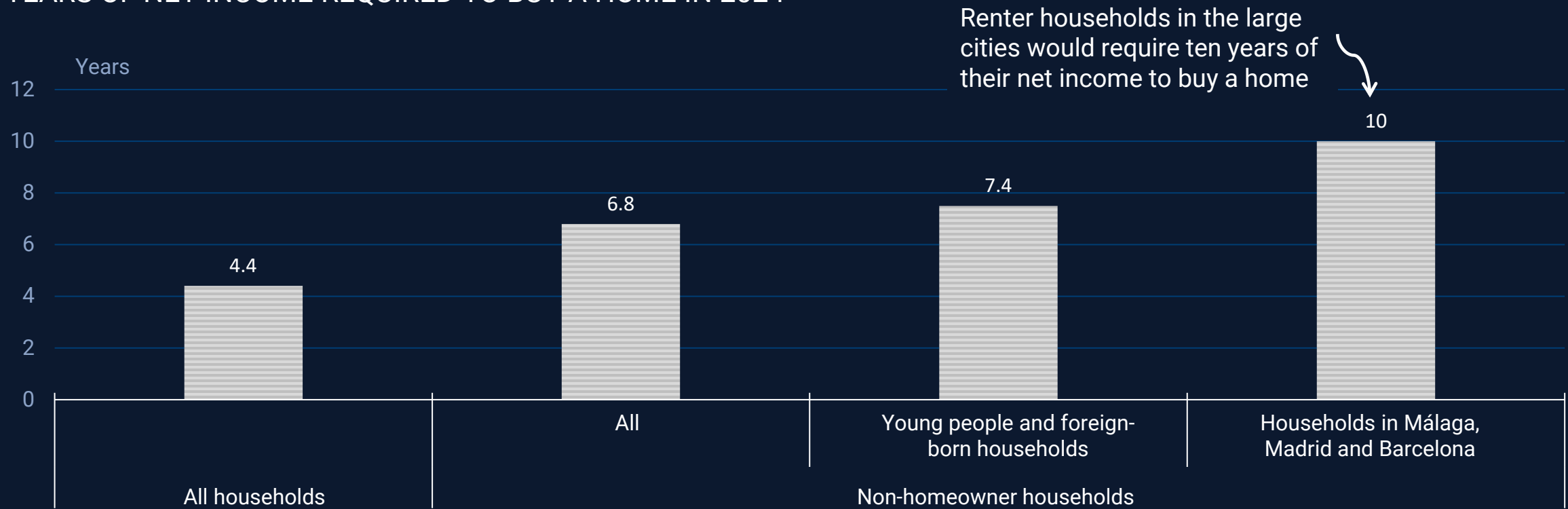
## POTENTIAL COST BURDEN ON HOUSEHOLDS OF PURCHASING A HOUSE



Source: OECD, Analytical House Price Indicators (OECD 2026). The indicator is calculated as the ratio of the residential house price index to household net disposable income per capita according to National Accounts data. An increase in this ratio indicates a higher average potential cost burden for households wishing to purchase a home.

# ... and is highest among young adults and new residents, and in the large cities

## YEARS OF NET INCOME REQUIRED TO BUY A HOME IN 2024

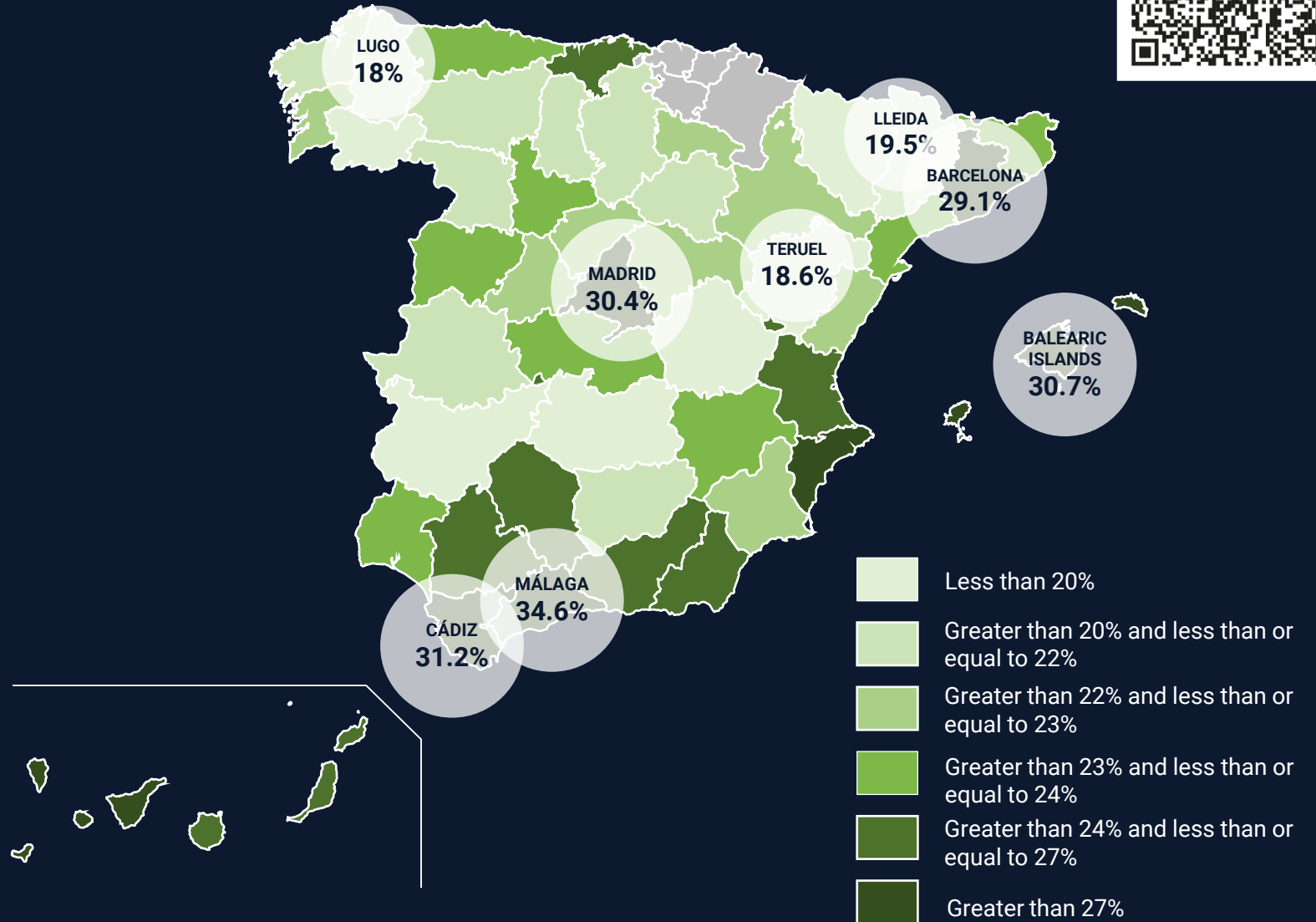


Source: Banco de España, drawing on data from the Household Panel (AEAT, INE and IEF), AEAT and the Consejo General del Notariado.

The difficulty of buying a house shifts demand to the residential rental market ...

... raising rents and the rental burden, which stands at 30% of net household income in the areas with the highest demand

AVERAGE RENT AS A % OF NET INCOME



Source: Banco de España, drawing on data from the Household Panel (AEAT, INE and IEF) and AEAT.

## The supply of new housing collapsed after 2008 and has not recovered owing to a wide range of interlinked factors...

### GENERAL GOVERNMENT

The **large-scale production of land and housing in the 2000s** gave rise to a surfeit of supply...

... stymying new land development, compounded by **new problems in local urban land planning and management...**

... which are exacerbated by the **lack of coordination and investment**, for example, making it difficult to **connect new developments to the electrical grid**

### CONSTRUCTION AND DEVELOPMENT SECTOR

The **post-2008 collapse**, along with a **structural drop in productivity of >20% since 1995**

- Low adoption of technology and industrialised construction

**Lower productivity linked to small firm size**

- Firms with >250 workers: 10%-15% of employment and 25%-30% of GVA

Small firm size and the productivity shortfall **constrain profitability and residential investment capacity**

### LABOUR MARKET

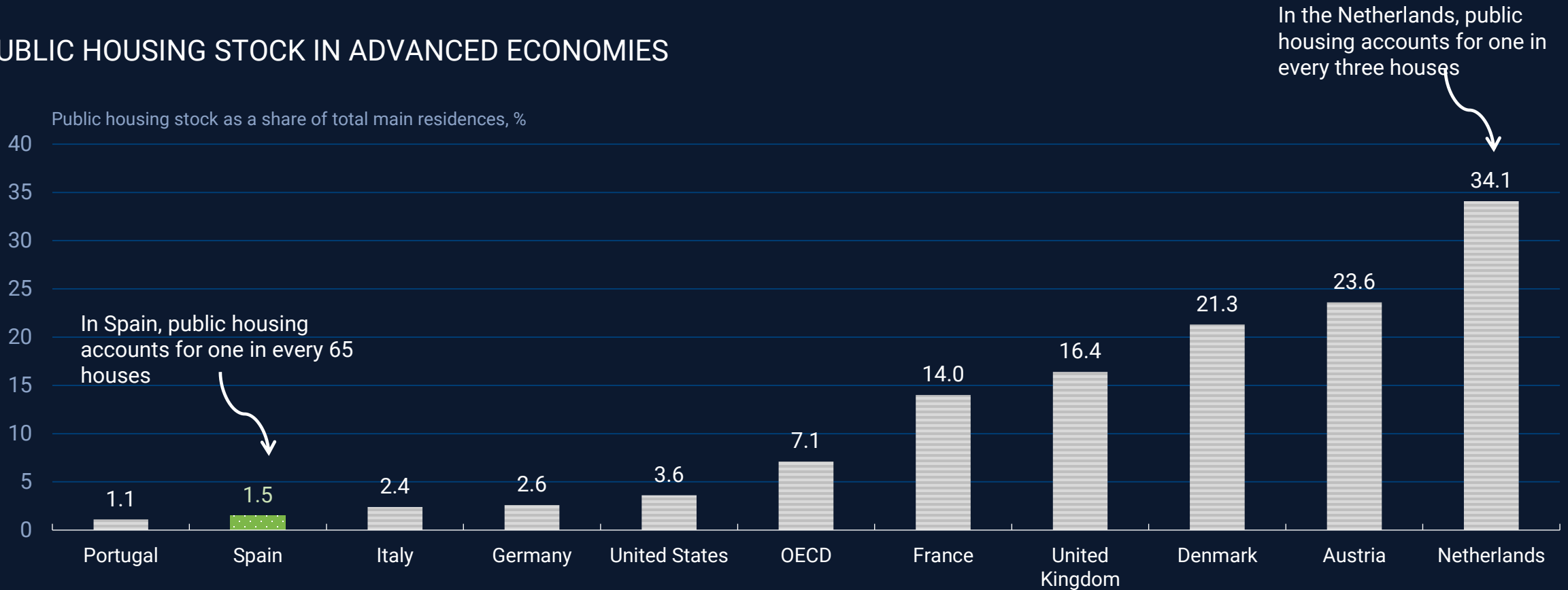
In spite of the recent increase, **employment accounts for around 7% of all social security registrations, 4 pp less than in 1999**

**Productivity per hour worked has fallen** and GVA per employee is 25% lower than the average in the Spanish economy

Firms citing **labour shortages** as a constraints on their activity: 63% in 2025 Q4

# ... and the public housing stock, which is small by international standards, has no capacity to ease affordability problems

## PUBLIC HOUSING STOCK IN ADVANCED ECONOMIES



Source: Banco de España, drawing on data from INE and Ministerio de Transportes y Movilidad Sostenible, and, for advanced economies, from the OECD for 2022.

1

2

3

3.a Housing

4

## Housing market problems spill over to the economy as a whole, increasing the risk of adverse effects

### MAIN TRANSMISSION CHANNELS

- **Consumption and saving more sensitive** to changes in real estate prices
- Persistent pockets of **socially vulnerable** households
- Changes in the **intergenerational distribution of wealth**
- Effects on **potential economic growth** through impact on demographics and human capital accumulation
- **Reduced labour mobility**
- Misallocation of factors of production resulting in **aggregate productivity losses**

## Analysis points to the need to prioritise structural policies to increase housing supply, against a backdrop of closer coordination among public administrations

### MAIN MEASURES:

### SOME EXAMPLES:

1. Actions aimed at **boosting housing supply**

- Affordable **public housing**, with a **greater role played by local authorities**
- Promote **industrialised construction**
- Boost **refurbishing and repurposing** of vacant dwellings

2. Emphasis on **urban planning and land management** measures

- **Adjustments to the Land Act and regulatory simplification**
- **Increase administrative capacity of local government**
- **Transport infrastructure and town planning**

3. Policies to **contain growth in demand**: transitory, with proper design and analysis of associated risks

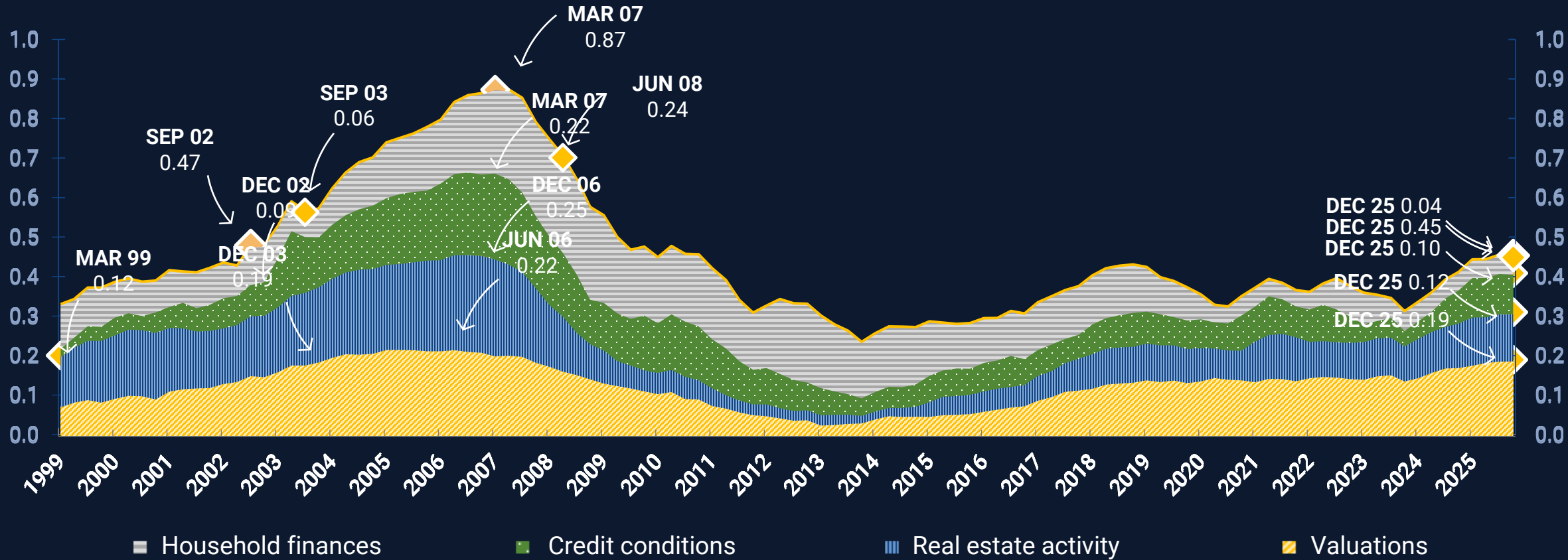
- **Limits on housing used for non-residential purposes**
- **Measures targeting areas or groups** may be ineffective in areas where supply is rigid



**Despite the housing market boom,  
risks to financial stability are contained**

# Real estate risks to financial stability are contained

SYNTHETIC INDICATOR OF RISK ASSOCIATED WITH THE REAL ESTATE MARKET

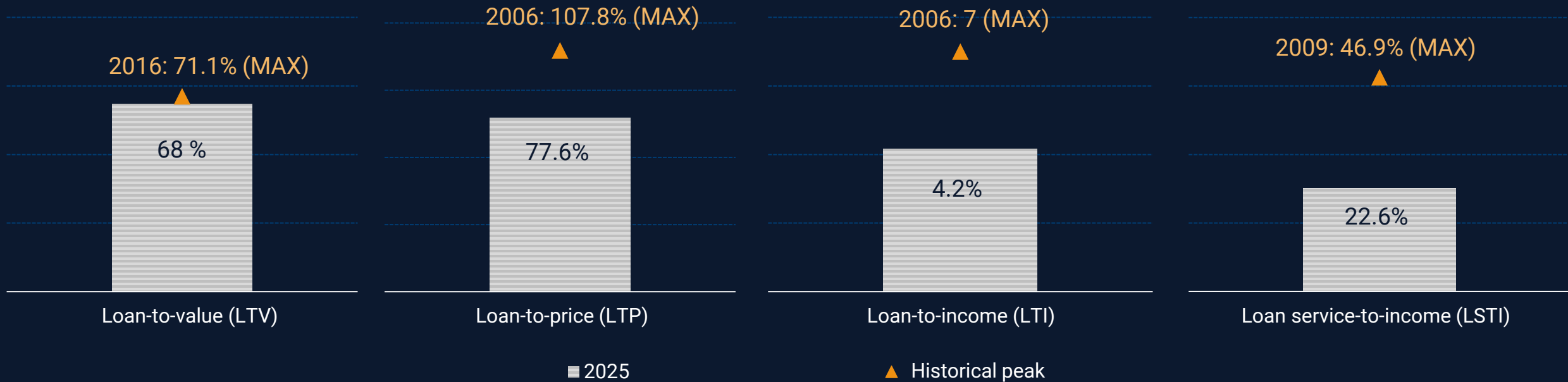


Sources: Banco de España, INE and authors' calculations. Latest observation: December 2025.

The Banco de España uses a synthetic indicator (based on a wide range of indicators) to assess the systemic risk associated with the housing market.

# Mortgage lending standards remain contained and far from their historical peaks

AVERAGE ANNUAL VALUES OF LENDING STANDARDS FOR NEW MORTGAGES



Sources: Banco de España, Colegio de Registradores and European DataWarehouse.

## In this environment, the Banco de España continues to assess potential borrower-based measures (BBMs)

If adopted, these measures would require careful and flexible calibration to maximise financial stability benefits while minimising side effects

### COMPONENTS OF THE COST-BENEFIT ANALYSIS OF BORROWER-BASED MEASURES

#### EFFECTIVENESS

- To what extent can they contain **bank lending growth**?
- How much could they reduce **household and firm indebtedness**?
- How much could **probability of default and expected losses** be lowered?
- Can they **stabilise the property cycle**?

#### EFFICIENCY

- How do the benefits compare with the costs?
- What, if any, are the implications in terms of **borrowing constraints**?
- **Real estate prices and affordability**
- Changes in the **consumption-saving** life cycle of households
- **Heterogeneous effects** on household types (depending on age, income, etc.)

# 1

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# 2

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# 3

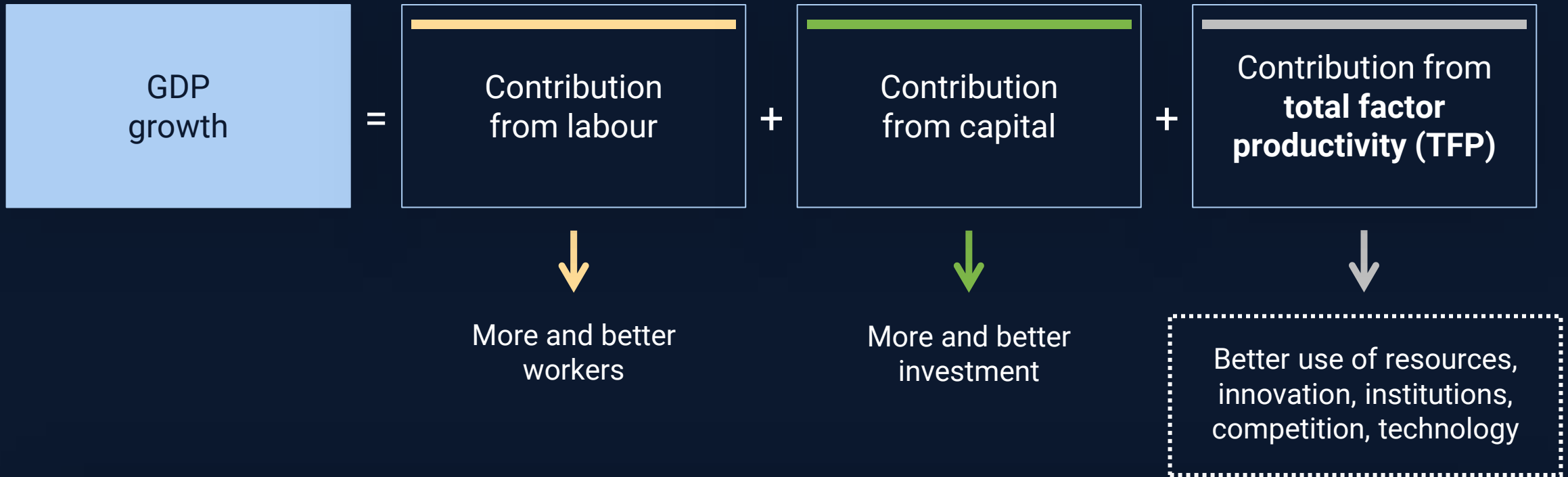
## **Structural challenges facing the Spanish economy**

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# 4

## **The Banco de España's response**

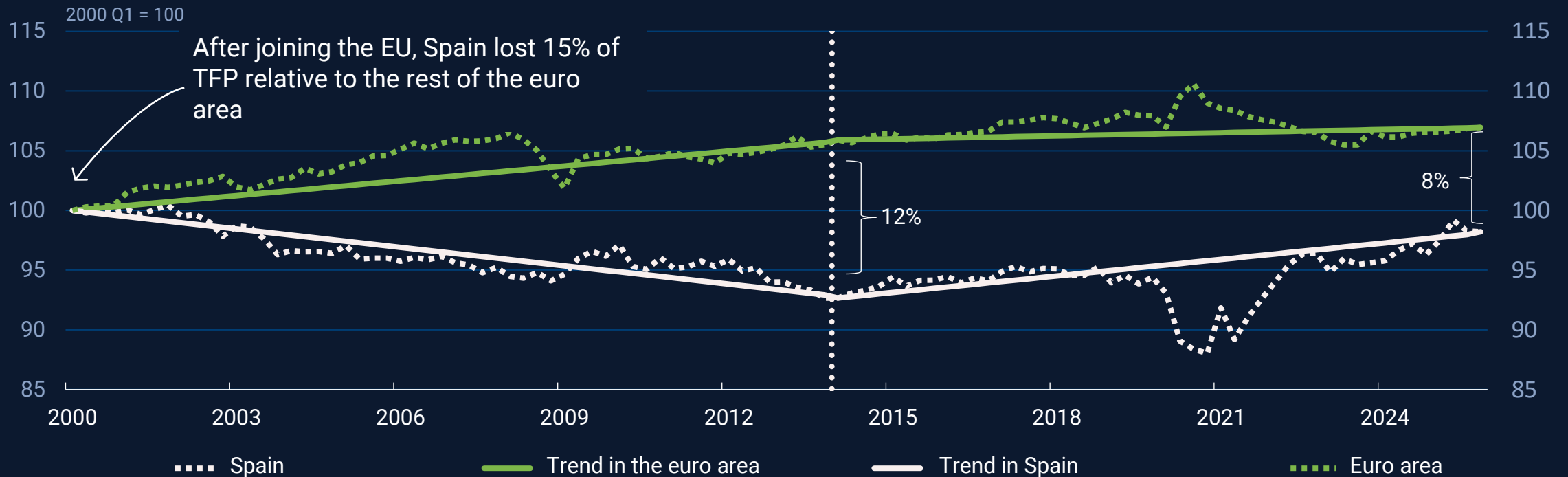
# Total factor productivity is the only inexhaustible source of long-term growth



**Analytical contribution:** new quarterly TFP measurement for Spain and major European countries, which corrects for volatility and cyclical behaviour by factoring in the use of plant capacity and corporate profits

# Following a period of divergence from the euro area, productivity in Spain has improved since 2013

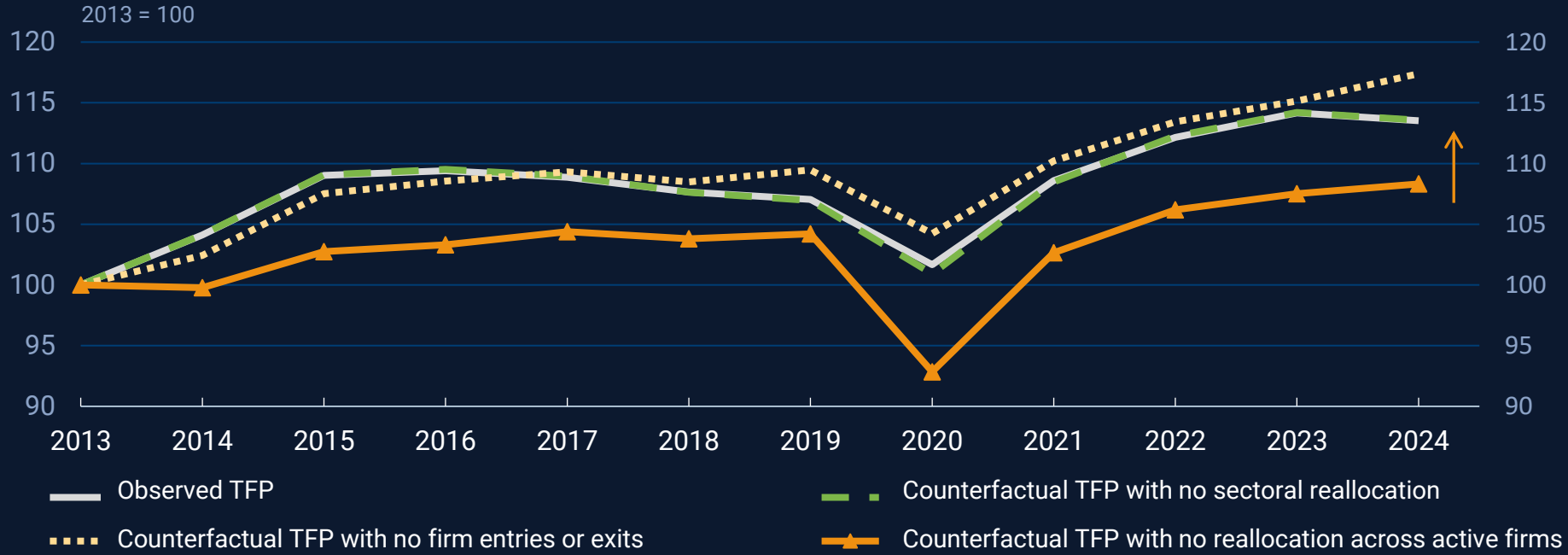
## TOTAL FACTOR PRODUCTIVITY



Source: Banco de España calculations drawing on Eurostat, Ivie, LFS, ESS, European Commission and EUROPROD, based on the methodology of Comin, Quintana, Schmitz and Trigari (2025). The rest of the euro area includes Germany, France, Italy and the Netherlands. The results refer to the market economy, and thus the following sectors are excluded: Agriculture (A), Real estate activities (L), Public Administration (O), Education (P) and Health (Q).

# The improvement is chiefly attributable to the growth of the most productive firms within each sector...

## TOTAL FACTOR PRODUCTIVITY



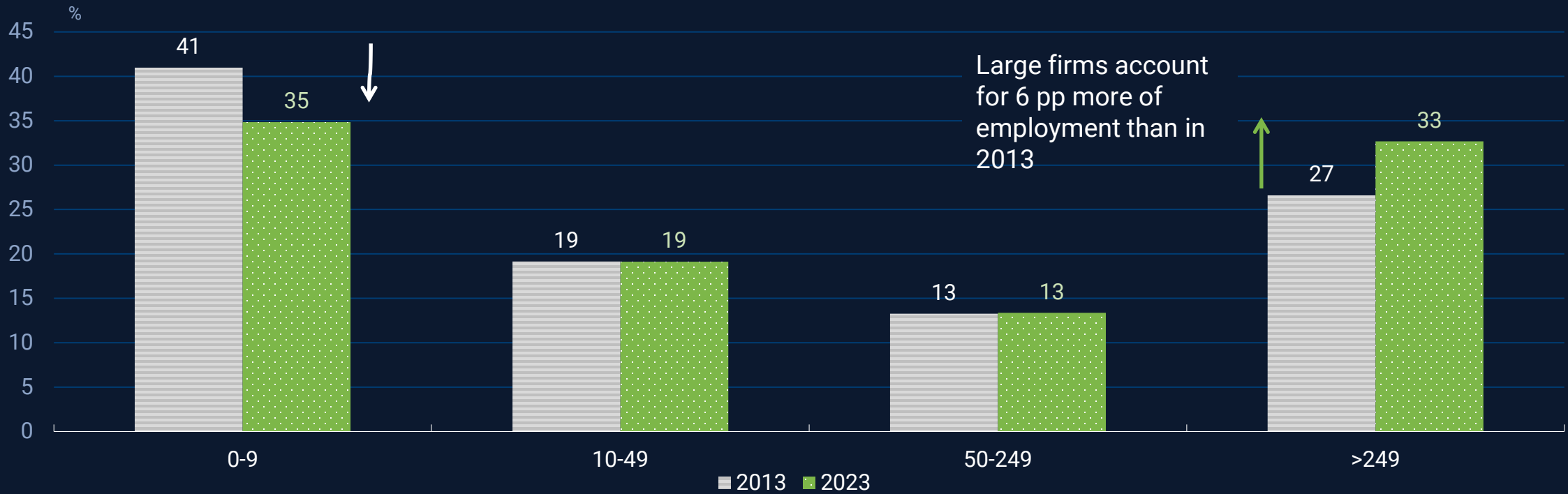
What would have happened if each firm's share in each sector had remained unchanged?

Nearly half of the aggregate productivity gains are attributable to the increase in share of the most productive firms within each sector

Sources: Banco de España (CBI) and Orbis. Observed TFP is derived by aggregating firm-level estimated TFP: first, for four-digit sectors as the value-added weighted sum of firm-level TFP in each sector and, second, as the value-added weighted sum of sectoral TFPs. The "counterfactual TFP with no sectoral reallocation" series replicates the calculation while holding sectoral weights fixed at their 2013 levels. The "counterfactual TFP with no firm entries or exits" series only considers firms included in the CBI database throughout the entire period. The "counterfactual TFP with no reallocation across active firms" series also focuses on firms that remained active throughout the entire period and applies 2013 firm-level weights.

## ... and to the increase in firm size

### SHARE IN EMPLOYMENT BY FIRM SIZE



# Firms' financing has played a key role

Deleveraging has strengthened Spanish firms' financial position

Although bank credit now accounts for a smaller proportion of corporate balance sheets, its allocation towards more productive firms has improved notably

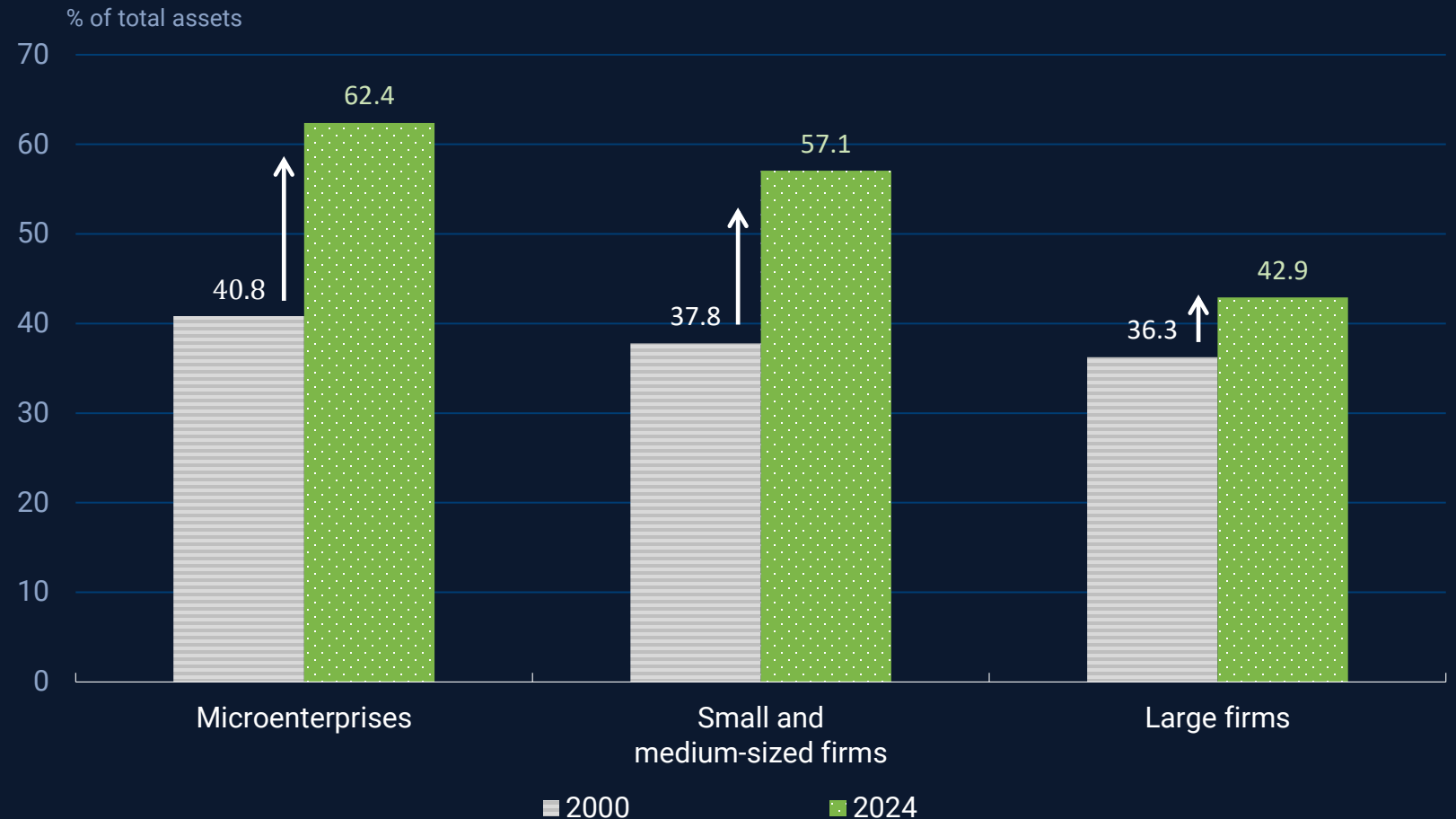
Alternative financing sources such as venture capital have helped boost funding for more productive firms

## Firms have strengthened their financial position by increasing their own funds

This deleveraging also appears to be largely driven by firms' decisions to strengthen capital and reinvest earnings

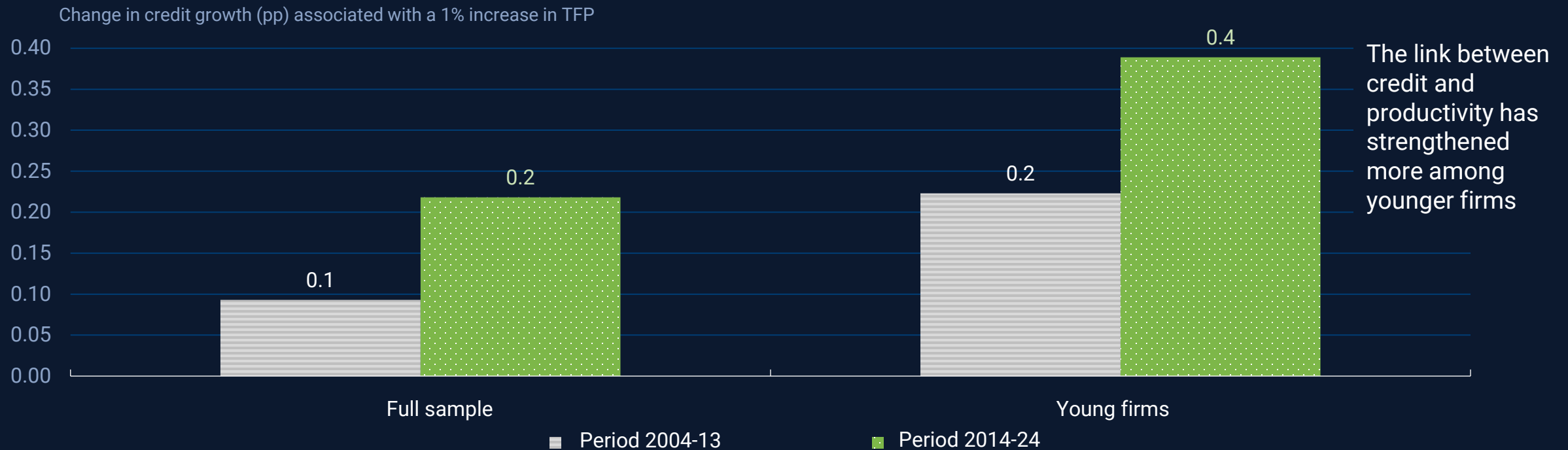
Return on capital has proven to be a key factor in investment decisions and in the recovery following the global financial crisis

### INTERNAL FINANCING OF SPANISH FIRMS, BY SIZE



# Bank credit allocation has improved and become more closely linked to each firm's productivity

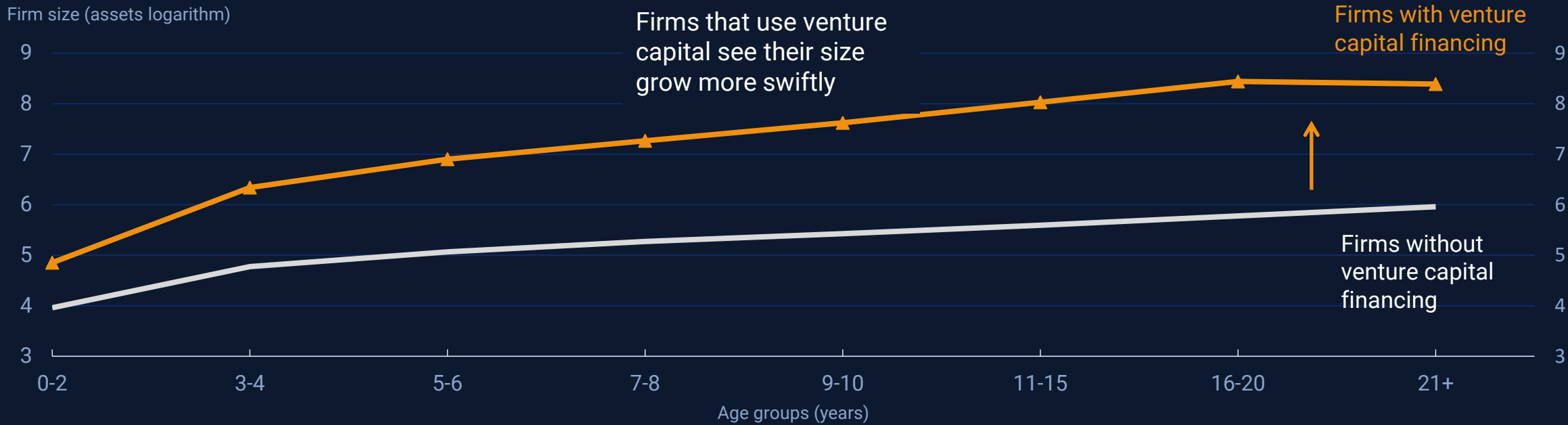
## LINK BETWEEN CREDIT GROWTH AND BUSINESS PRODUCTIVITY



Source: Banco de España. Results from estimating a regression of credit growth on the logarithm of productivity, controlling for other firm characteristics (probability of default, age, size, number of banking relationships, existence of previous troubled loans, affiliation to a business group). All independent variables are lagged by one year. Firm fixed effects and size-industry-province-year fixed effects are also included. Young firms are those created within the last five years, with all others being classified as mature firms. The sample period is 2004-24. All the effects reported are statistically significant.

# Venture capital is associated with growth, innovation and productivity

## LIFE CYCLE OF SPANISH FIRMS, BASED ON THEIR USE OF VENTURE CAPITAL



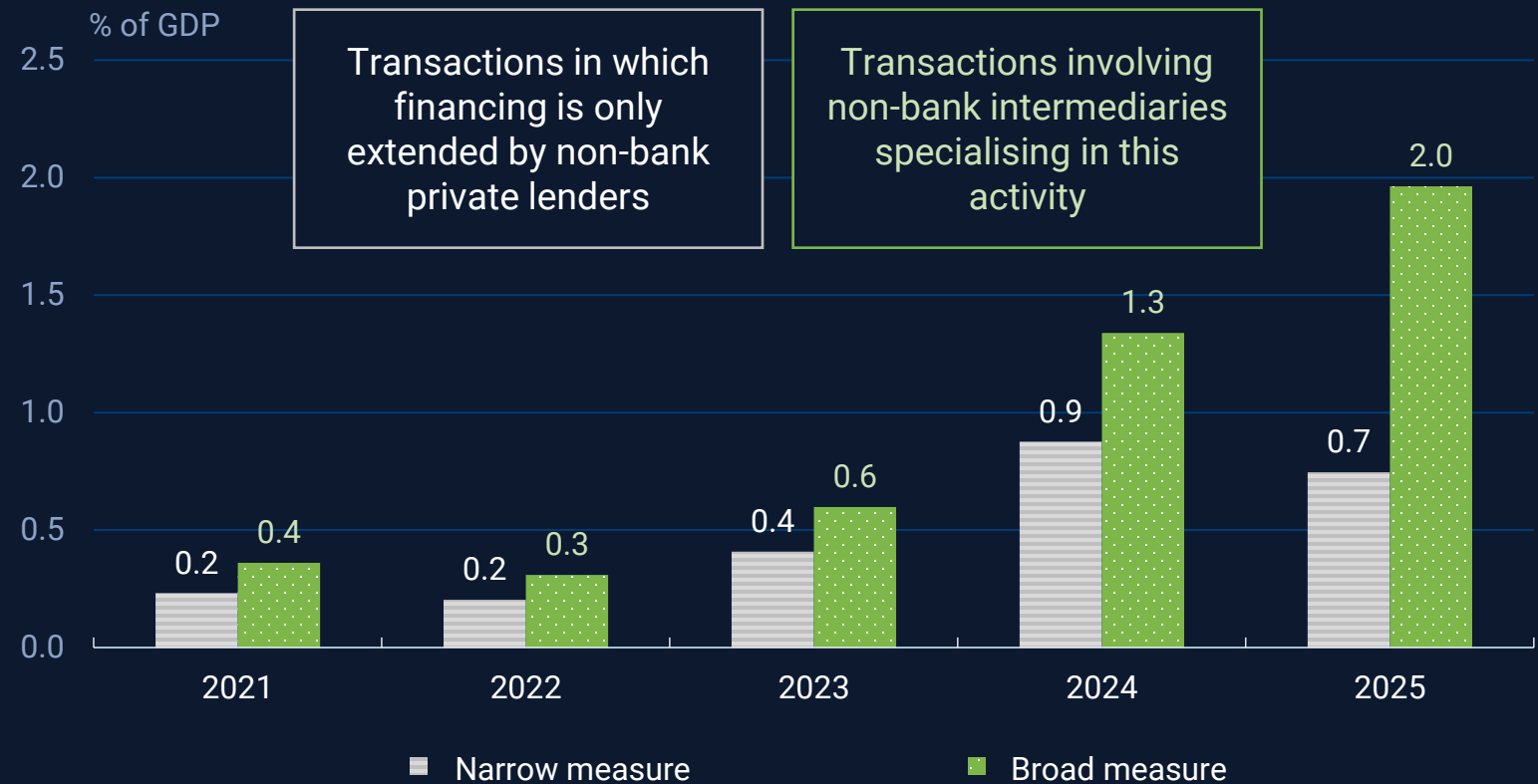
Sources: Banco de España (CBI), Orbis and PitchBook. The dependent variable in the regression model is firm size, defined as the logarithm of total assets. The explanatory variables of interest are: (i) binary variables that take the value 1 when the firm's age, in years, is within a given interval (0-2, 3-4, 5-6, 7-8, 9-10, 11-15, 16-20, and 21 or more); (ii) a binary variable indicating whether the firm received venture capital at any point during the sample period; and (iii) interactions between this latter variable and the age categorical variable. Sector fixed effects (at the two-digit CNAE level) and firm cohort fixed effects are included. The estimation period is 2011-24. Standard errors are clustered at the firm level.

## Private credit can complement bank lending

Private credit flows as a percentage of bank credit flows tripled between 2021 and 2025, increasing from 0.9% to 2.9%

This growth in private credit has raised the stock of borrowing accumulated by firms between 2021 and 2025 by up to 7 pp

NEW PRIVATE CREDIT TRANSACTIONS IN SPAIN: COMPARISON BETWEEN THE BROAD AND NARROW MEASURE (2021-25)

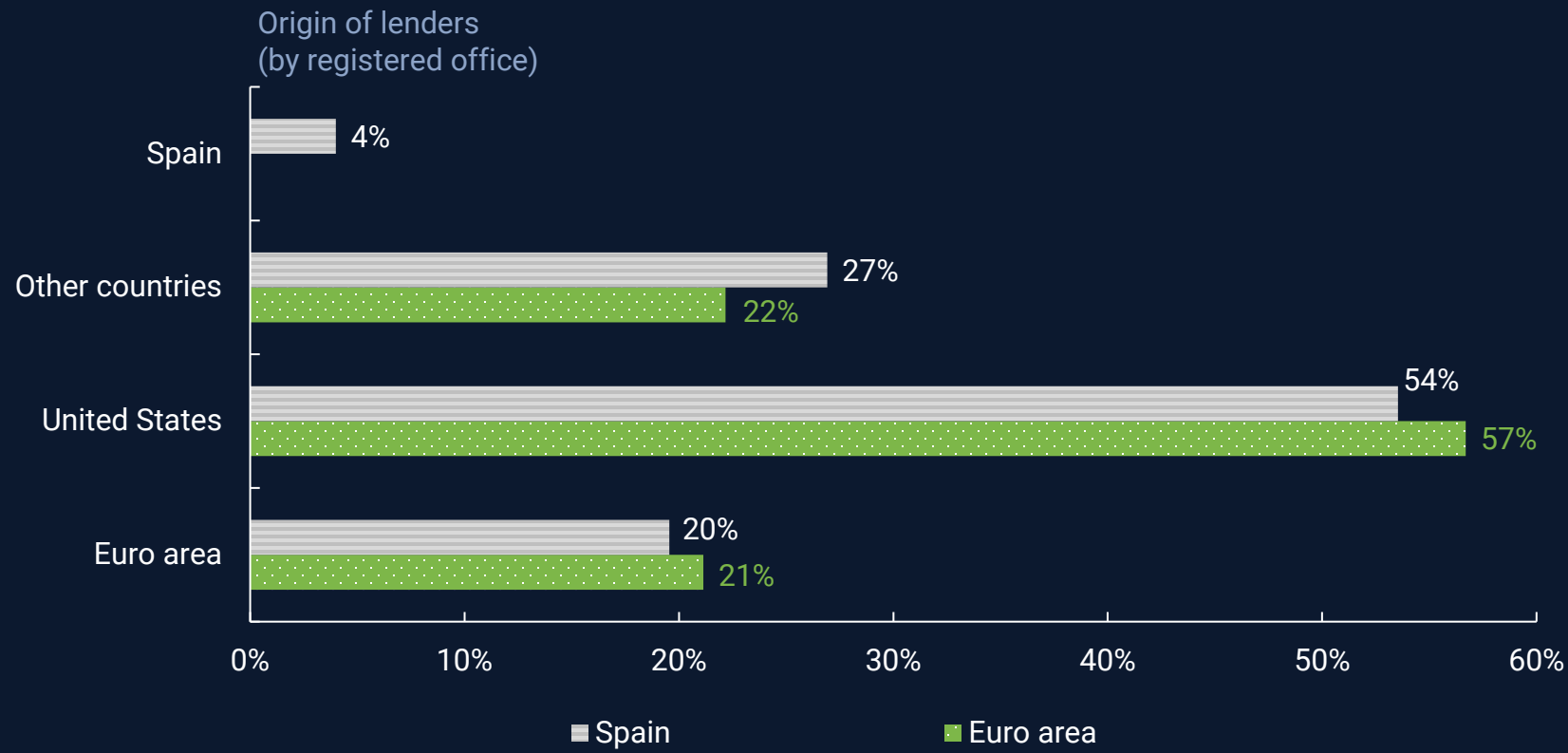


# Lenders are based outside the euro area

80% of the volume originates from funds in the United States and other non-euro area countries

In Spain, the five main lenders originate 54% of the volume and provide financing to 27% of borrowers

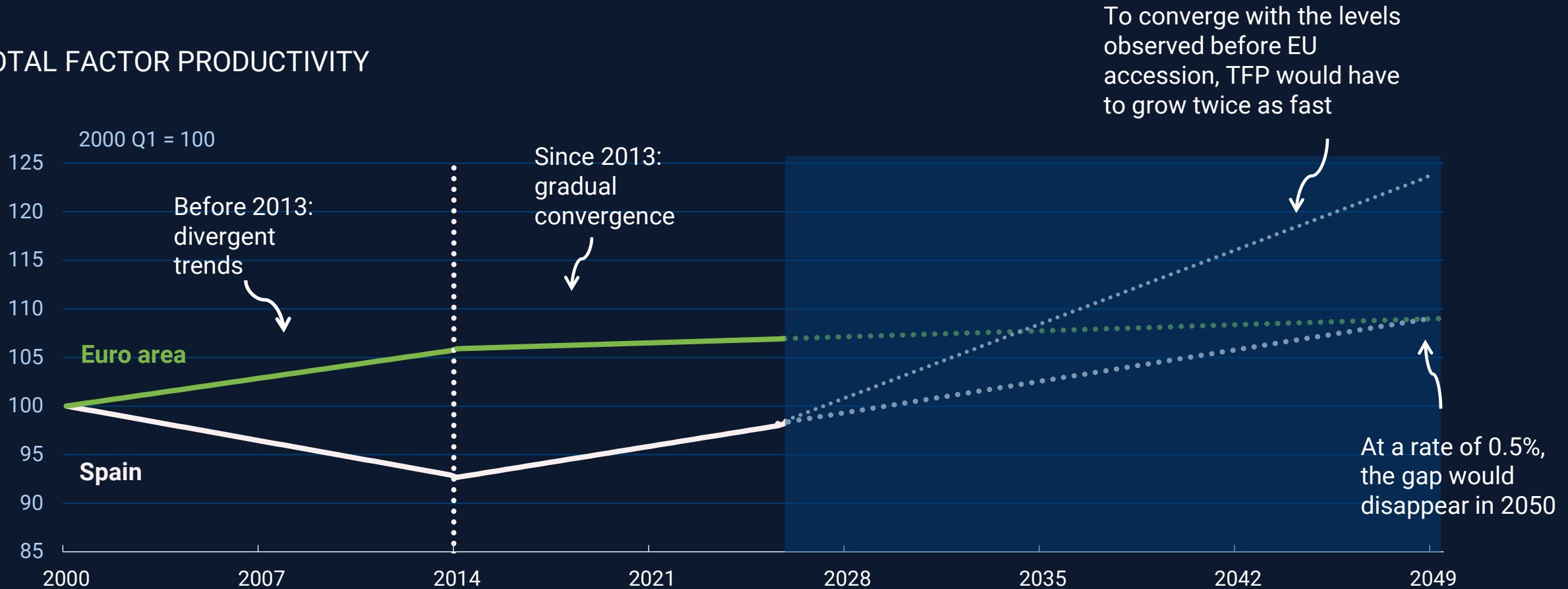
DISTRIBUTION OF THE VOLUME OF PRIVATE CREDIT BY LENDER ORIGIN (AVERAGE 2021-25)



Source: PitchBook. Transactions corresponding to Spanish and euro area firms. Banco de España calculations. Latest observation: December 2025.

# What are the main challenges to closing the productivity gap?

## TOTAL FACTOR PRODUCTIVITY



Source: Banco de España calculations drawing on Eurostat, Ivie, LFS, ESS, European Commission and EUROPROD, based on the methodology of Comin, Quintana, Schmitz and Trigari (2025). The rest of the euro area includes Germany, France, Italy and the Netherlands. The results refer to the market economy, and thus the following sectors are excluded: Agriculture (A), Real estate activities (L), Public Administration (O), Education (P) and Health (Q).

## Two challenges shape convergence: (i) the regulatory framework and administrative coordination and (ii) technology transfer

### REGULATORY FRAMEWORK AND ADMINISTRATIVE COORDINATION

- Regulatory density and fragmentation
- Regional heterogeneity
- Obstacle to SMEs' growth
- Less efficient resource allocation

### TECHNOLOGICAL TRANSFER AND ARTIFICIAL INTELLIGENCE

- Skills mismatch between education and firms' needs
- Importance of technology transfer, increased relevance with the spread of AI
- Key if AI is to lead to widespread productivity gains

## Institutional consensus and continuity in public policy design over time are key to maintaining the improvement

### FINANCIAL SYSTEM

- Banking system restructuring
- New regulatory and supervisory framework
- Better credit allocation

### LABOUR MARKET

- Reforms in 2010, 2012 and 2021
- Less duality
- More internal adjustment and efficient reallocation
- Additional support: migration policies

### DIGITALISATION AND CONNECTIVITY

- Roll-out of more advanced digital infrastructure than in the euro area (higher DESI index between 2015 and 2025):
  - 5G and fibre connectivity
  - Basic digitalisation for firms

### INTERPRET WITH CAUTION

The recent improvement may be attributable to exogenous factors and to public policy and structural reforms alike. The effects are gradual, interact with each other and are difficult to isolate empirically

# 1

## **International environment**

# 2

## **The Spanish economy: developments and outlook**

- 2.a Overview of the Spanish economy
- 2.b Financial position of the private sector

# 3

## **Structural challenges facing the Spanish economy**

- 3.a Housing: affordability problems and supply-side constraints
- 3.b Productivity and business growth: the role of financing

# 4

## **The Banco de España's response**

# A year of progress on 9 strategic challenges

## Enhancing the institution's effectiveness

1

Cultural and organisational transformation

2

Improve the institutional framework

3

Strengthen analytical capabilities

4

## Modernising the financial system

Support and supervise the financial system's adaptation to the new technological environment

5

Foster the euro's international role and a modern, secure and accessible payment system

6

Deepen the macroprudential supervisory framework and simplify banking regulation and supervision

7

## Opening the Bank to society

Protect bank customers in their use of financial services

8

Strengthen the Bank's social utility

9

Reinforce transparency and accountability

# A year of progress on 9 strategic challenges

## Enhancing the institution's effectiveness

- 1** Cultural and organisational transformation → Progress made in the Strategic Plan 2030, one year on
- 2** Improve the institutional framework → Proposal as regards the Law of Autonomy
- 3** Strengthen analytical capabilities → More integrated data management, new modelling tools, synergies between Directorates General

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Enhancing the institution's effectiveness

## We have made progress in the transformation during the first year of the Strategic Plan 2030

PLAN  
ESTRATÉGICO **2030**

---

BANCO DE ESPAÑA  
Eurosistema

### DRIVING EFFICIENCY ACROSS THE ORGANISATION

- Ongoing improvements by re-engineering internal processes
- Integrated platform for internal management, combining processes and data

### FOSTERING TALENT

- Update of the Bank's recruitment and career development model, with projects such as the new entry system for general junior analysts
- Boost to mobility
- Overhaul of the training programme to support upskilling and career development

### HARNESSING THE OPPORTUNITIES OFFERED BY TECHNOLOGY

- Adoption of cloud technology while retaining digital sovereignty
- Fostering of responsible adoption of AI and of innovation to improve understanding

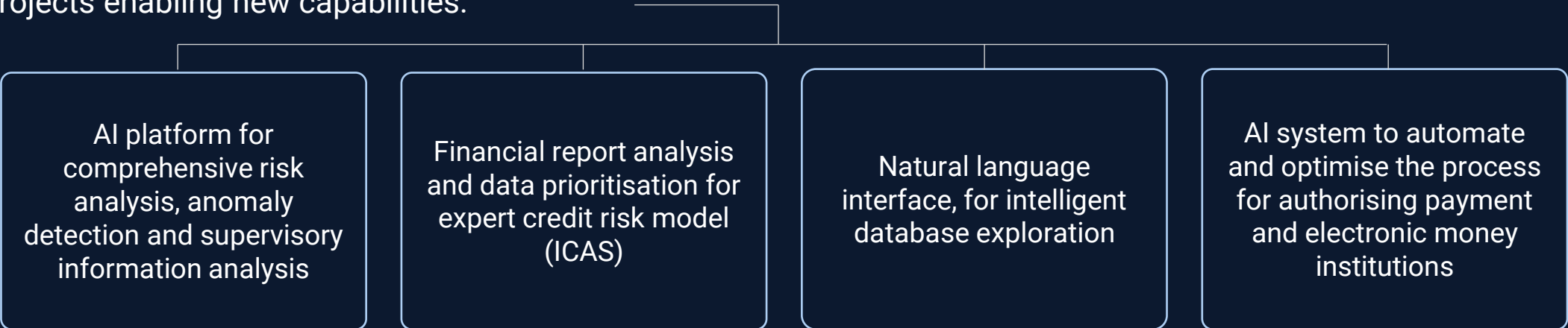
## A year of progress on 9 strategic challenges

### Harnessing the opportunities offered by the international landscape to modernise the financial system

- 4** Support and supervise the financial system's adaptation to the new technological environment → DELTA – AI applied to supervision, money laundering prevention and payments oversight
- 5** Foster the euro's international role and a modern, secure and accessible payment system → Timeline for digital euro
- 6** Deepen the macroprudential supervisory framework and simplify banking regulation and supervision → Drive towards simplifying regulation and implementing contributions

# We have taken an active approach to adapting to AI to tackle new challenges

- 1 Assessment of the impact of frontier AI and quantum computing on financial system continuity
- 2 Development of a market oversight function and a regulatory sandbox linked to conduct supervision
- 3 Training pathways from beginner to advanced levels, reaching 73% of employees
- 4 Projects enabling new capabilities:



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Modern and sovereign payment system

## We continue to make progress in developing a retail digital euro (consumers) and a wholesale digital euro (financial markets)



### INTERNAL DIGITAL EURO PILOT

- To validate its operation in real usage conditions
- Restricted to central bank staff (for legal reasons)

### EU REGULATION ON THE DIGITAL EURO

- Positions established by the Council and the European Parliament
- First trilogue potentially to be held on 16 July

### WHOLESALE DIGITAL EURO

- The Banco de España will be one of the four wholesale digital euro providers, connecting the conventional payment system (TARGET) with distributed ledgers
- Pilot (Pontes) to be launched this year, and will be gradually expanded before concluding in 2028
- Appia will build on Pontes to provide a long-term solution

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Simplify banking regulation and supervision

## We continue to work towards simplifying banking regulation and supervision

### BANCO DE ESPAÑA PROPOSALS



- Streamline the capital requirements structure
- Limit the proliferation of delegated acts and simplify financial reporting
- Greater proportionality for small entities
- More efficient, predictable and rules-based supervision

### IMPLEMENTATION OF THE CONTRIBUTIONS MADE

- 34% reduction in the financial reporting burden on institutions
- We have a target of a cumulative 50% reduction in reporting requirements

# A year of progress on 9 strategic challenges

## Opening the Bank to society

- 7** Protect bank customers in their use of financial services → Conduct-related activities
- 8** Strengthen the Bank's social utility → Open Doors, financial education centres, Museo Banco de España
- 9** Reinforce transparency and accountability → Independent Evaluations Office, initiatives to simplify and disseminate information

## We are making progress in bank customer protection

### FOCUS ON ISSUES WITH THE POTENTIAL TO HARM CUSTOMERS

- Fraud
- Tied selling of ancillary products (insurance)
- Over-indebtedness (consumer loans)
- Fair and proportional treatment (*opening and blocking accounts, estates*)

### CONDUCT AS A CROSS-CUTTING OR SECTORAL RISK

- Improved identification of sectoral risk factors and supervisory priorities
- Boost to thematic inspections
- Governance as a differentiator among institutions (*horizontal review under way*)

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**Strengthen the Bank's social utility**

## We are developing a new financial education strategy, including two centres in Madrid and Barcelona

### WHAT WILL THEY BE?

Public spaces open to everyone, combining exhibitions with an educational and cultural project based on innovative technological features.

### WHAT WILL BE THEIR PURPOSE?

Improving visitors' financial well-being by equipping them with the tools to make better decisions, focusing particularly on the young and on vulnerable groups.



### WHAT WILL THEY BE LIKE?

They will combine an interactive exhibition, gamified immersive solutions and learning spaces



1

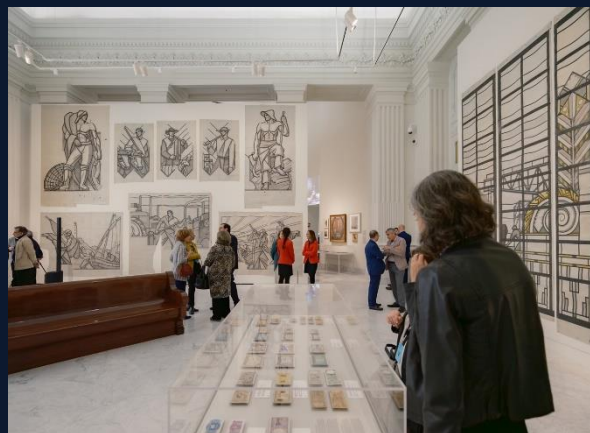
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Strengthen the Bank's social utility

## Sharing our heritage with the public



Temporary exhibitions

- Nearly **100,000** visits to:
  - *“The Tyranny of Chronos”*
  - *“Allegories of What is to Come”*



Open Doors

- Ongoing programme at the Cibeles headquarters:  
7 days a week
- Guided access to the collections and architectural heritage for **27,000 visitors**



*Museo Banco de España*

- Public access to the Bank's art and numismatic collections, its archival and bibliographic heritage and its landmark headquarters  
  
(scheduled to open in 2028-29)

# We continue to submit our activities to independent evaluations



## Evaluations completed:

<p><b>Data governance, management and use</b> <i>(published Dec-25)</i></p>	<ul style="list-style-type: none"><li>• Foster an <b>aligned data strategy</b></li><li>• <b>Train staff</b> in data skills and knowledge</li><li>• <b>Internal culture of collaboration and data sharing</b></li></ul>
<p><b>Financial education activity</b> <i>(published Apr-26)</i></p>	<ul style="list-style-type: none"><li>• Focus on <b>educational institutions</b> (students and teachers) and <b>groups that are financially vulnerable or at risk</b></li><li>• Foster a clear, collaborative and outcome-driven <b>financial education strategy</b></li></ul>

## Evaluations in progress:

**Climate and environment-related activities**  
*(exp. Oct-26)*

**Horizon scanning**  
*(exp. Apr-27)*

# Progress as regards transparency and accountability ...

**1** We are explaining our research better: shorter reports, clearer language and more visual elements

**2** More dialogue with the public: +52% attendance in Open Government Week

**3** Greater presence throughout Spain: increase in communication activities through branch offices

**4** Overhaul of the Institutional Report

- Straightforward explanation of what the Banco de España does and why it matters
- Information structured around the areas of most interest to the public
- More direct and accessible language

+52% downloads\*

Content utility rated 4.8 out of 5

**NEXT STEPS**



**Revamp of the Transparency Portal and content enhancement (2027)**

**Expand the use of clearer, visual and accessible formats to all the Bank's publications (2027)**

## One example of the progress made in accountability: the clearer explanations of the annual accounts

### BEFORE

- Information presented primarily according to accounting logic
- Changes in the main figures not clearly explained
- High level of technical and accounting knowledge required to understand them



### NOW

- Clear questions from the outset: why are the accounts important, what information does the Bank publish and how should it be interpreted?
- The accounts show how monetary policy decisions affect the balance sheet, income and expenses
- Financial information is connected to the Bank's functions: price stability, payment systems, supervision, reserves and banknote issuance
- Information is more understandable, contextualised and useful for accountability vis-à-vis the public and its representatives

We are committed to **going even further**: we are continuing to work to simplify, improve and broaden information, listen to user requirements and reinforce our accountability to the public

# Thank you

