

SEMINAR ON IBERIAN ECONOMIC INTEGRATION

22 / OCTOBER / 2026

RSB/RSB

PERSPECTIVES ON IBERIAN ECONOMIC INTEGRATION

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STRUCTURE OF THE OCCASIONAL PAPER

1

**TRADE
IN GOODS
& SERVICES**

2

**ENERGY
MARKETS**

3

**LABOUR
MARKETS**

4

**CROSS-
BORDER
INVESTMENT
& FINANCIAL
LINKAGES**

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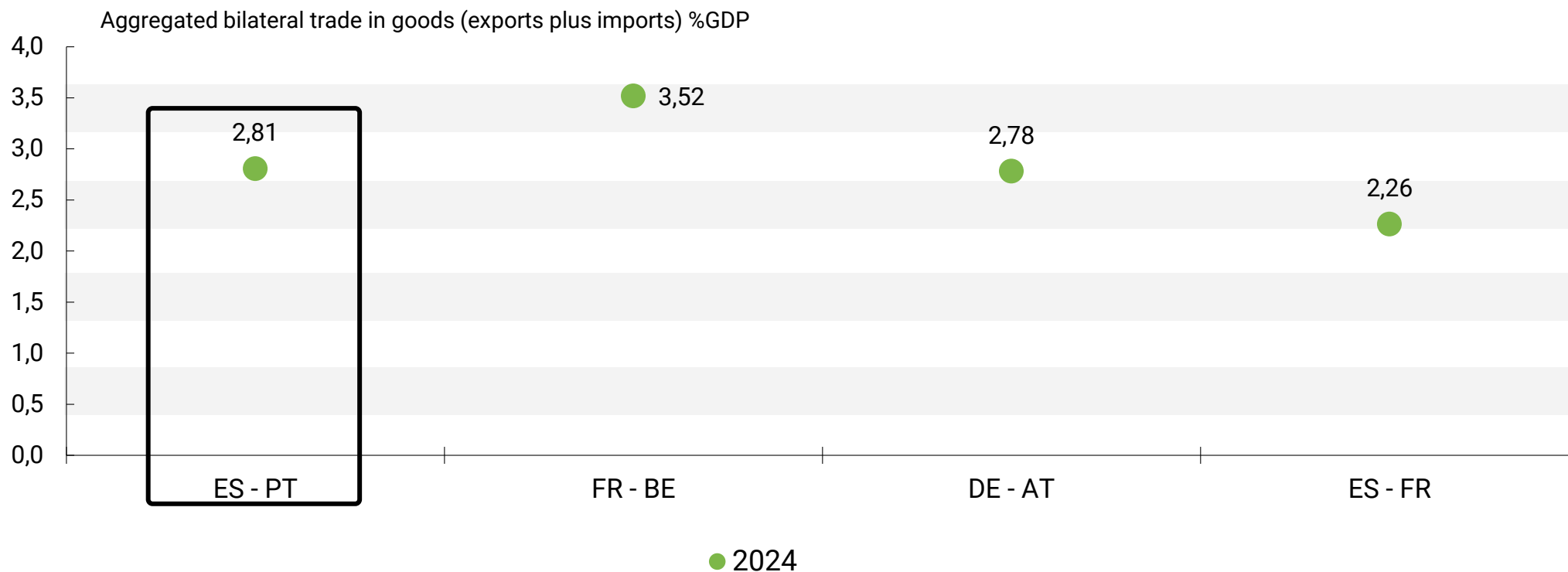
#1

KEY TAKEAWAY:

- Spain and Portugal have become increasingly integrated in the trade of goods since their accession to the EU, outpacing integration in other EU country pairs.
- In contrast, the degree of Iberian integration in the trade of services remains comparatively lower from an EU perspective.

SPAIN AND PORTUGAL HAVE BECOME INCREASINGLY INTEGRATED IN THE TRADE OF GOODS SINCE THEIR ACCESSION TO THE EU

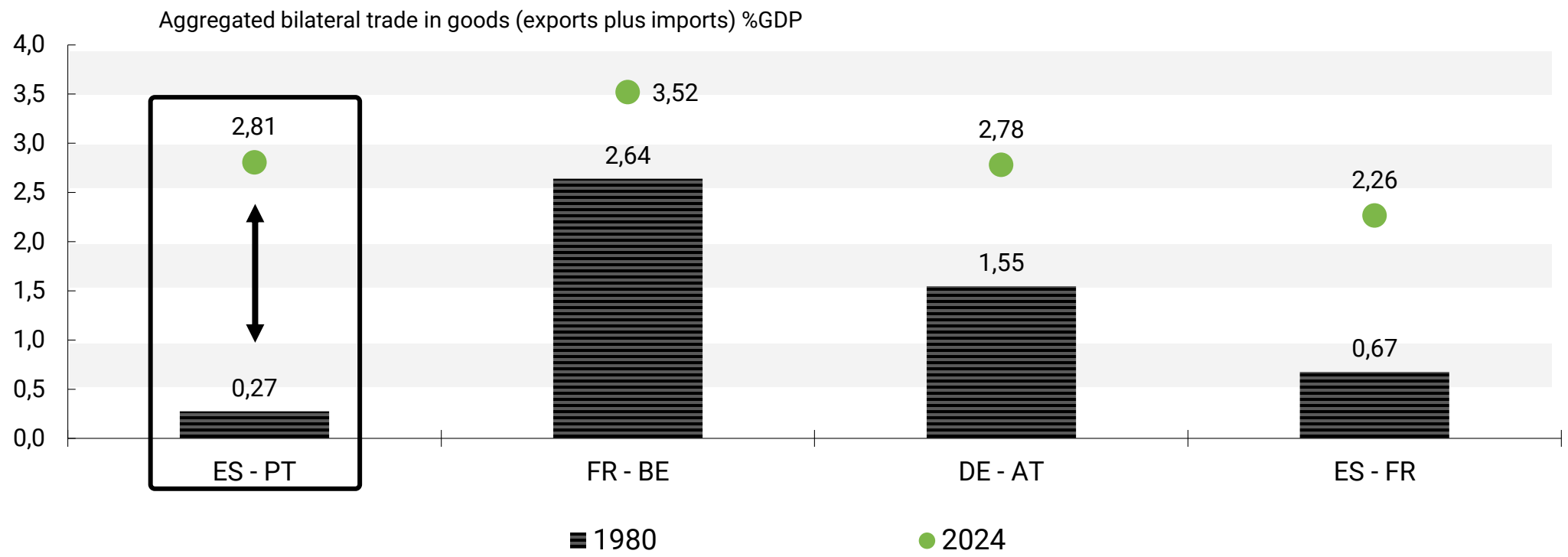
TRADE IN GOODS BETWEEN DIFFERENT PAIRS OF COUNTRIES IN 1980 AND 2024



Sources: International Monetary Fund and World Bank. Aggregated bilateral trade in goods (exports plus imports) among as a share of pairwise GDP.

SPAIN AND PORTUGAL HAVE BECOME INCREASINGLY INTEGRATED IN THE TRADE OF GOODS SINCE THEIR ACCESSION TO THE EU

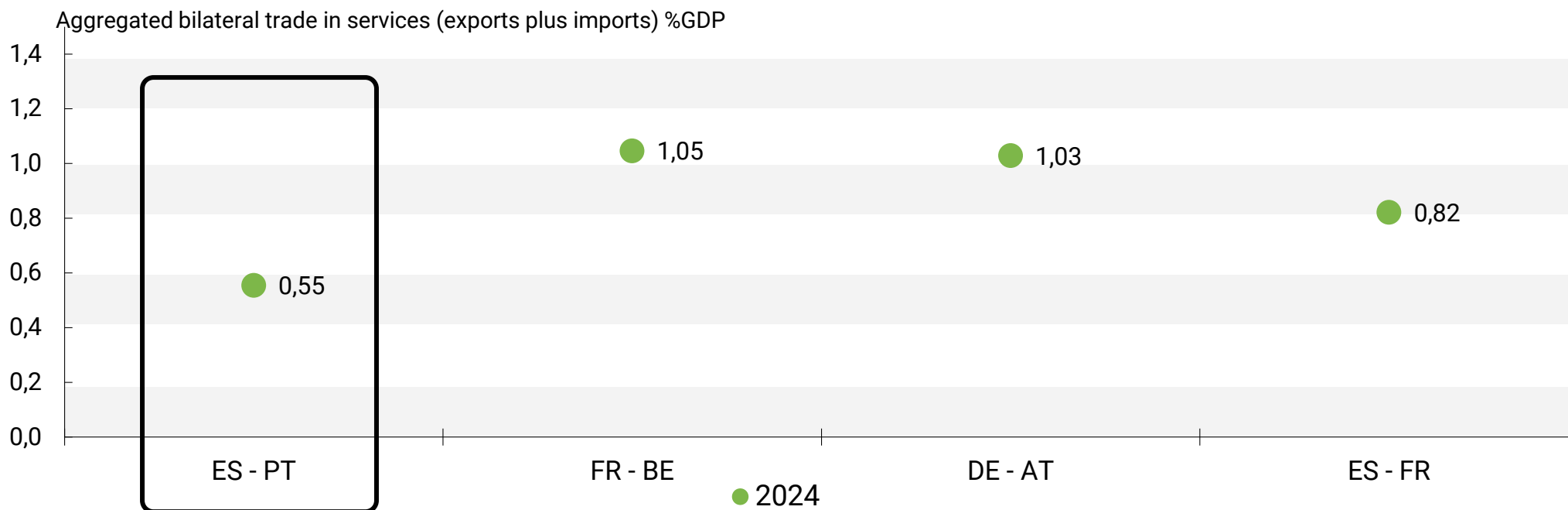
TRADE IN GOODS BETWEEN DIFFERENT PAIRS OF COUNTRIES IN 1980 AND 2024



Sources: International Monetary Fund and World Bank. Aggregated bilateral trade in goods (exports plus imports) among as a share of pairwise GDP.

INTEGRATION IN SERVICES REMAINS COMPARATIVELY LIMITED

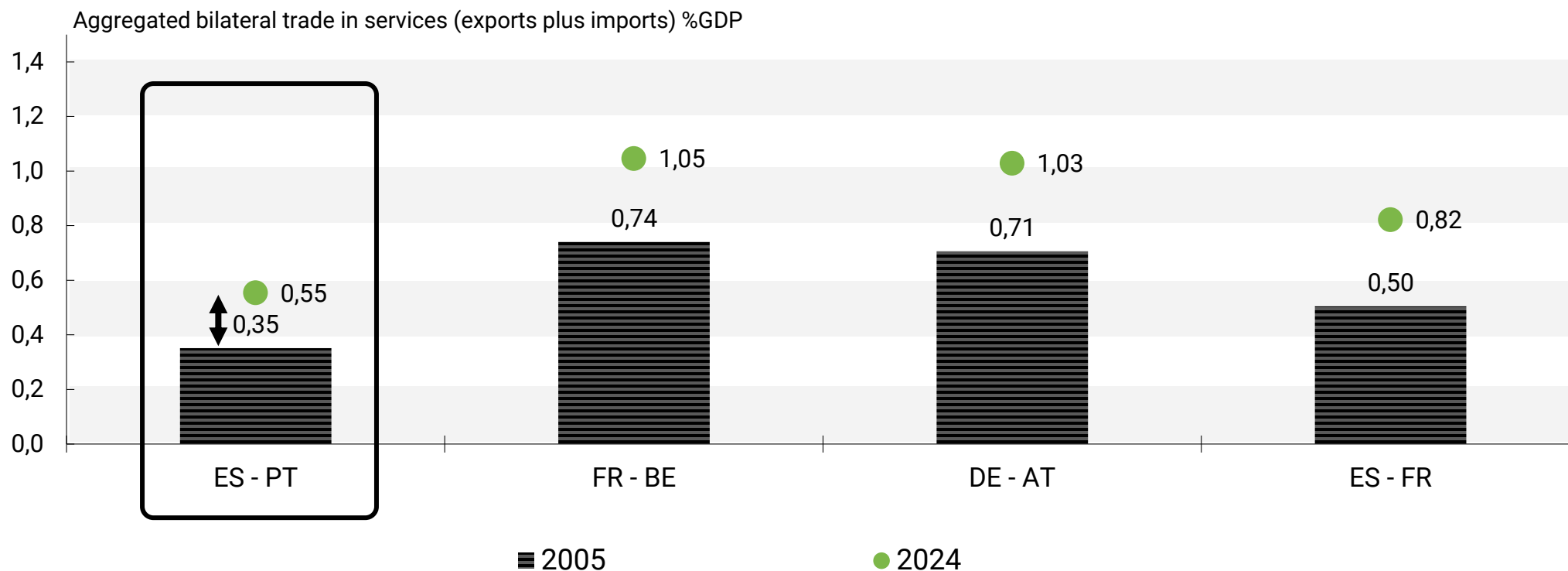
TRADE IN SERVICES BETWEEN DIFFERENT PAIRS OF COUNTRIES IN 2005 AND 2024



Sources: WTO-OECD and World Bank. Aggregated bilateral trade in services (exports plus imports) as a share of pairwise GDP.

INTEGRATION IN SERVICES REMAINS COMPARATIVELY LIMITED

TRADE IN SERVICES BETWEEN DIFFERENT PAIRS OF COUNTRIES IN 2005 AND 2024



Sources: WTO-OECD and World Bank. Aggregated bilateral trade in services (exports plus imports) as a share of pairwise GDP.

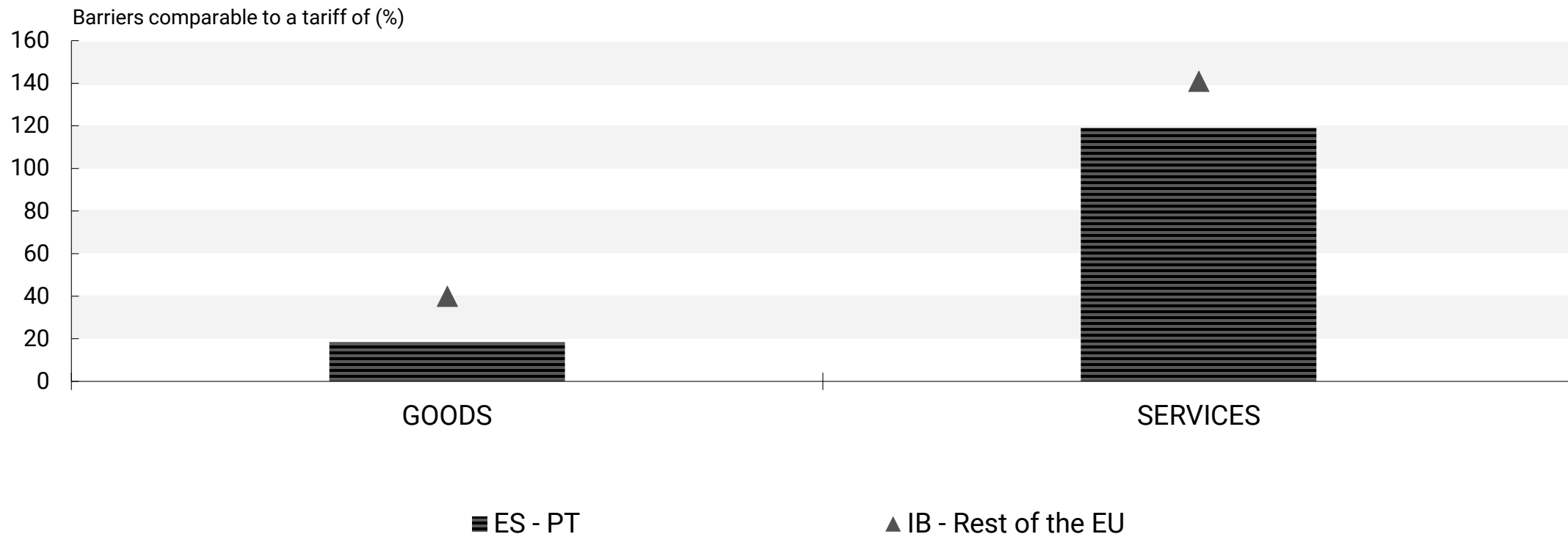
#2

KEY TAKEAWAY:

- Implicit trade barriers remain an obstacle to deeper Iberian integration, equivalent in their effects to tariffs of around 20% in manufacturing and more than 100% in services.

IBERIAN INTEGRATION STILL FACES TRADE BARRIERS, PARTICULARLY IN SERVICES

IMPLICIT TRADE BARRIERS



Sources: Banco de España and Banco de Portugal, based on OECD TiVA. In this case, “goods” refers to manufacturing goods. Average 2013-2022.

OTHER TAKEAWAYS:

- Services integration remains low but is broadening beyond tourism.
- Manufacturing has been the main driver of deeper Iberian value chains, especially in motor vehicles, food products and chemicals.
- Reducing the implicit barriers by half could deliver sizeable economic gains, boosting trade and GDP in both Spain and Portugal.

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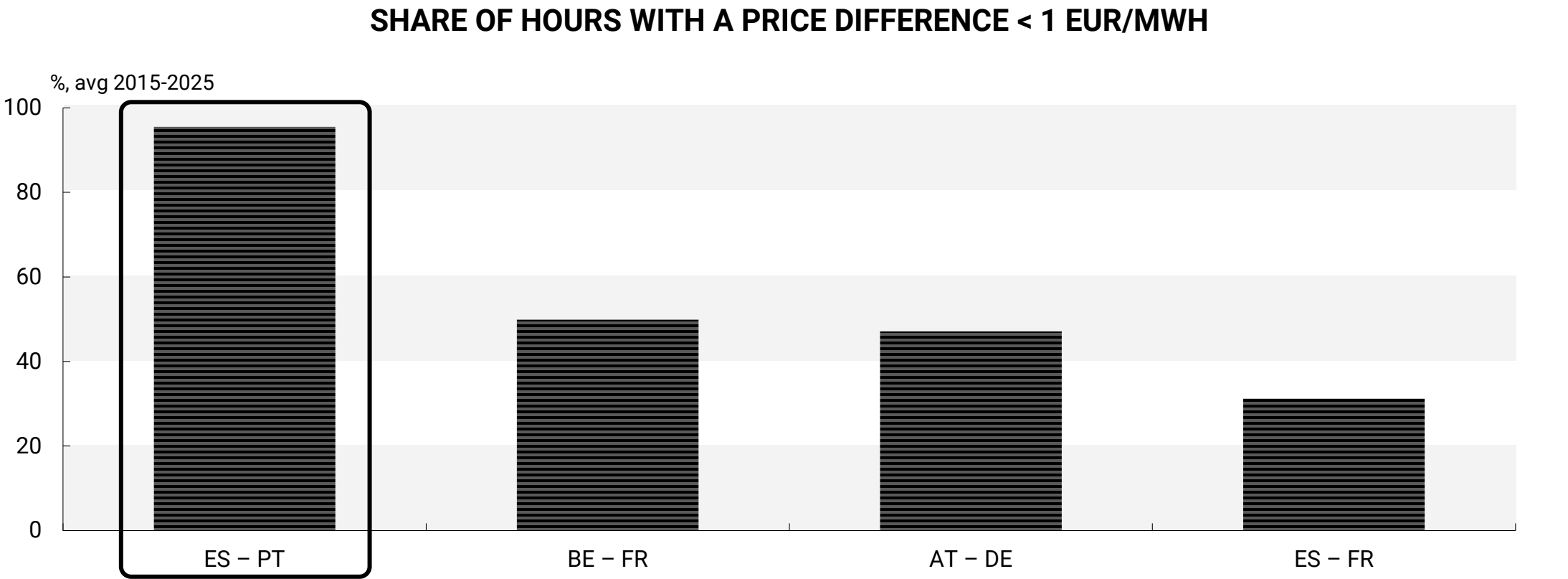
**CROSS-
BORDER
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#1

KEY TAKEAWAY:

- Spain and Portugal wholesale electricity markets are highly integrated, with prices coinciding in 95% of hours – one of the highest shares in the EU.

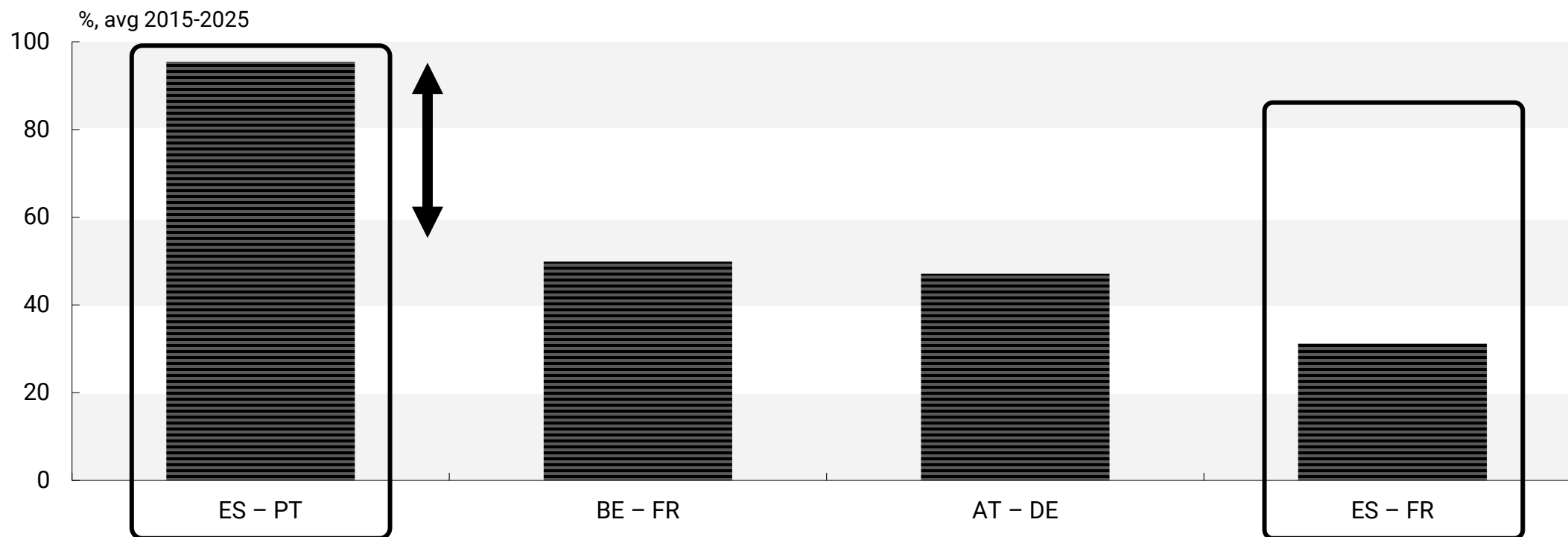
SPAIN AND PORTUGAL WHOLESALE ELECTRICITY MARKETS ARE HIGHLY INTEGRATED, WITH PRICES COINCIDING IN 95% OF HOURS



Sources: EMBER and ENTSO-E. For each EU border, price coupling is defined as hours in which the absolute difference between hourly wholesale electricity prices is ≤ 1 €/MWh. The metric is reported as the average percentage of such hours over the period 2015-2025.

SPAIN AND PORTUGAL WHOLESALE ELECTRICITY MARKETS ARE HIGHLY INTEGRATED, WITH PRICES COINCIDING IN 95% OF HOURS

SHARE OF HOURS WITH A PRICE DIFFERENCE < 1 EUR/MWH



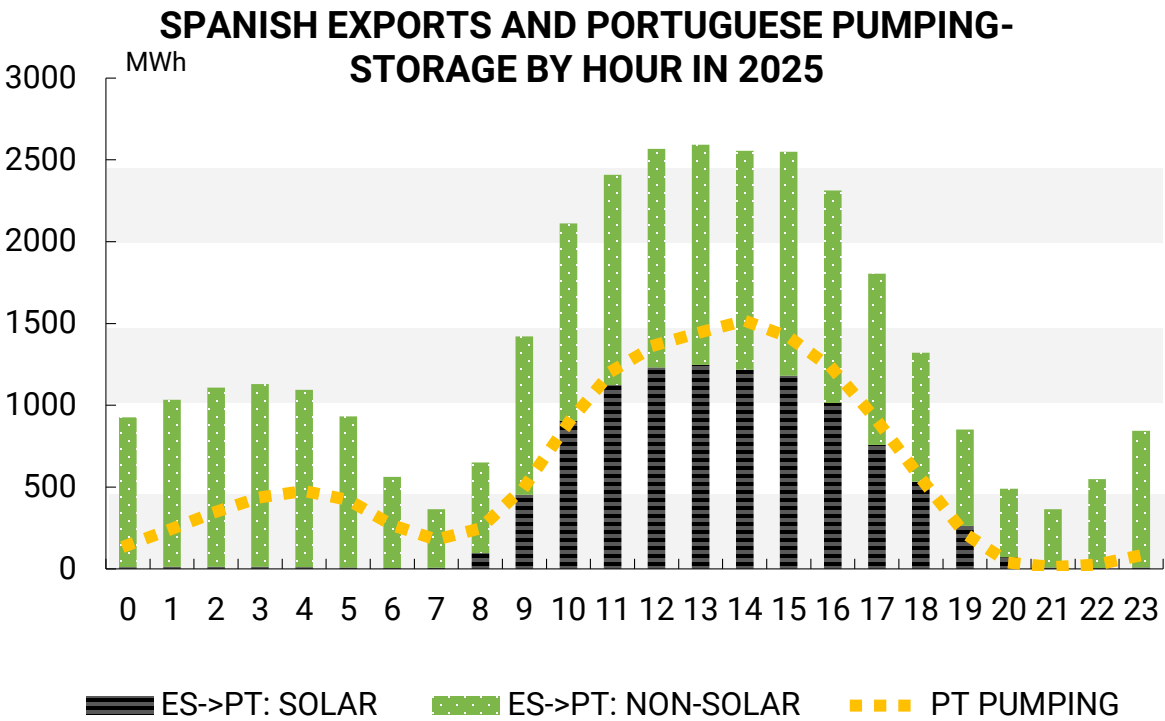
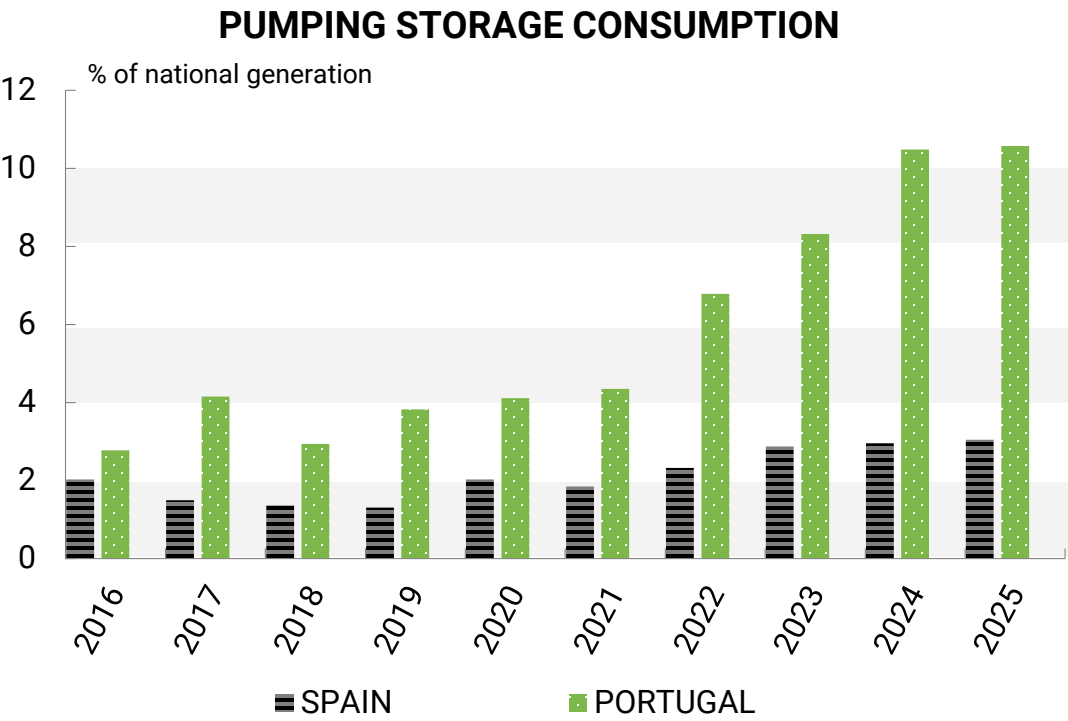
Sources: EMBER and ENTSO-E. For each EU border, price coupling is defined as hours in which the absolute difference between hourly wholesale electricity prices is ≤ 1 €/MWh. The metric is reported as the average percentage of such hours over the period 2015-2025.

#2

KEY TAKEAWAY:

- Technological complementarity: Portugal's hydro-pump storage capacity absorbs Spanish solar oversupply during midday hours.

PORTUGAL'S HYDRO-PUMP STORAGE CAPACITY ABSORBS SPANISH SOLAR OVERSUPPLY DURING MIDDAY HOURS



Source: ENTSO-E. Left panel: pumping storage as a share of national generation. Right panel: bars show Spanish gross exports by hour of the day; green-shaded bars show the weight of solar technology in the Spanish generation mix average at the time. The line shows the average hydro-pumping storage by hour of the day.

OTHER TAKEAWAYS:

- Iberia is highly dependent on energy imports, largely oil and gas, but has more diversified suppliers than the EU
- Electricity trade between Spain and Portugal has expanded in recent years, driven by Spanish exports: Spain exports electricity to Portugal during midday solar peaks, while Portugal exports back to Spain in the morning and at night, leveraging hydropower flexibility.

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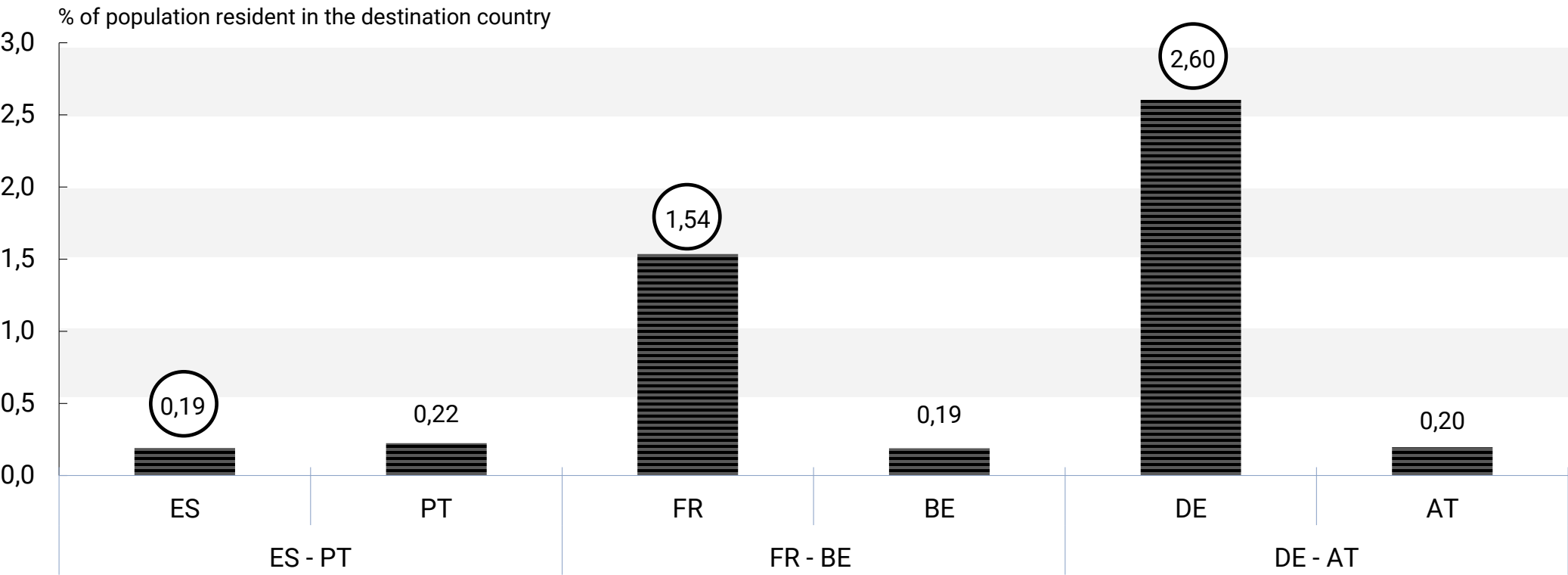
#1

KEY TAKEAWAY:

- Migration flows between Spain and Portugal are limited when compared to other relevant EU country pairs.

BILATERAL IBERIAN MIGRATION IS LOW COMPARED WITH THAT OBSERVED BETWEEN OTHER PAIRS OF EU COUNTRIES

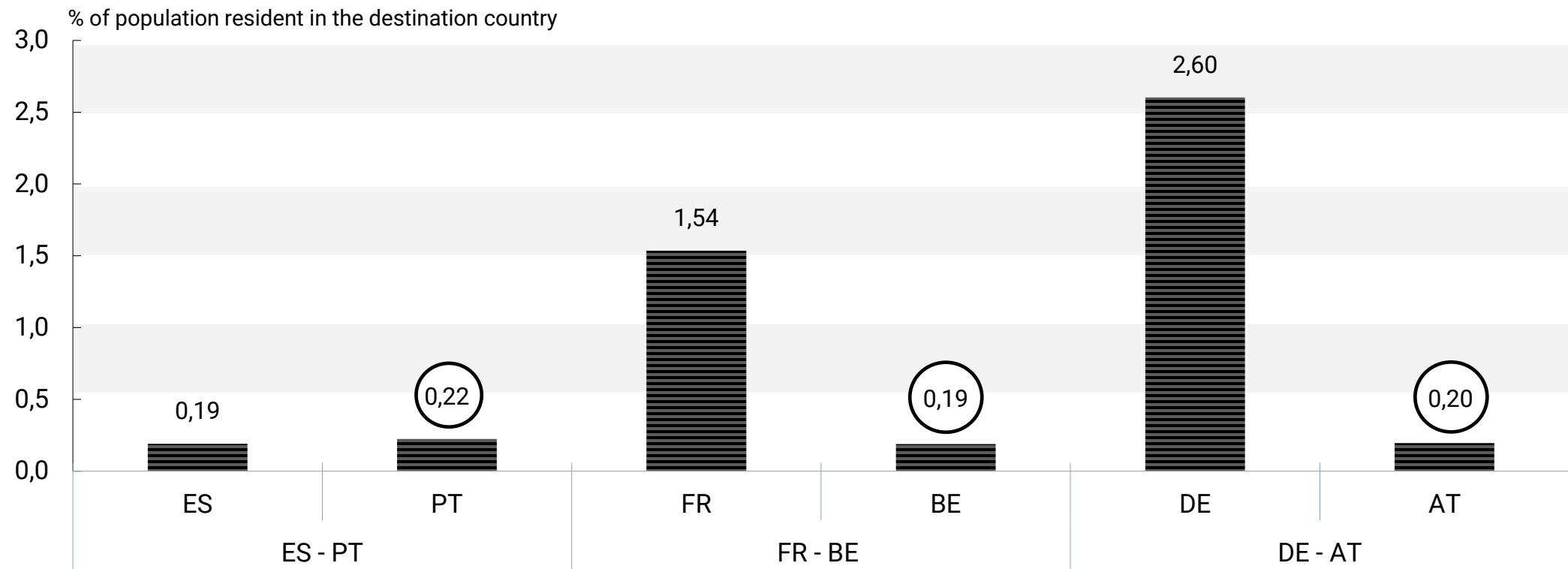
BILATERAL IMMIGRANTS ACROSS PAIRS OF EU COUNTRIES (2025)



Source: Eurostat.

BILATERAL IBERIAN MIGRATION IS LOW COMPARED WITH THAT OBSERVED BETWEEN OTHER PAIRS OF EU COUNTRIES

BILATERAL IMMIGRANTS ACROSS PAIRS OF EU COUNTRIES (2025)



Source: Eurostat.

#2

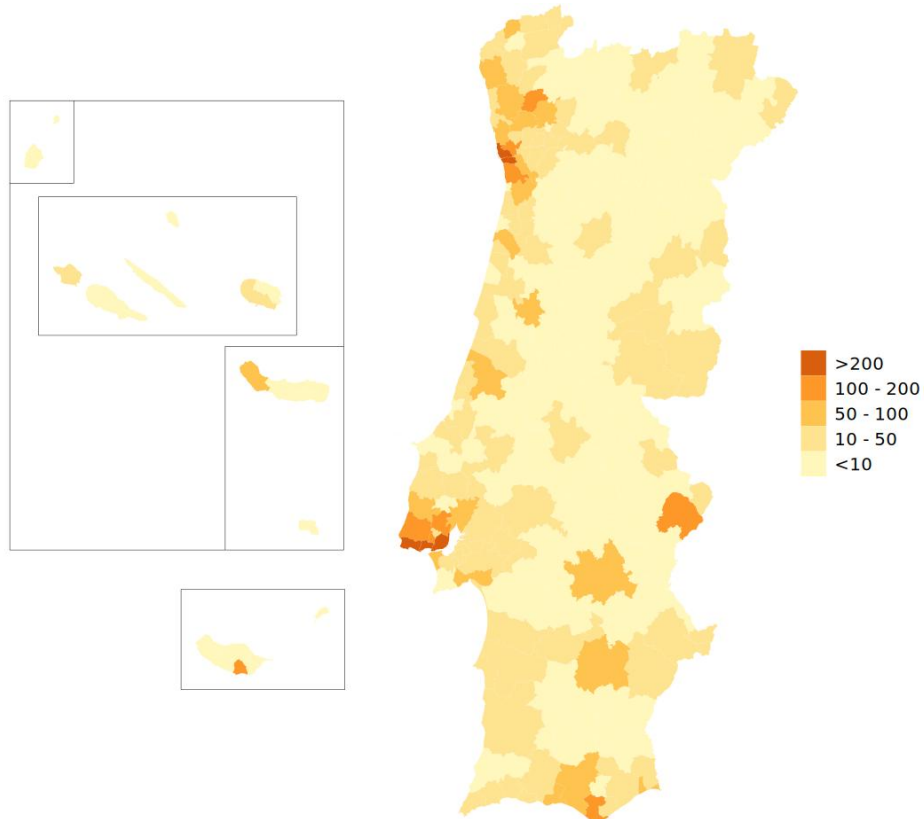
KEY TAKEAWAY:

- Iberian movers account for a larger share of employment in border regions, but Portuguese workers in Spain and Spanish workers in Portugal remain mostly concentrated in urban areas.

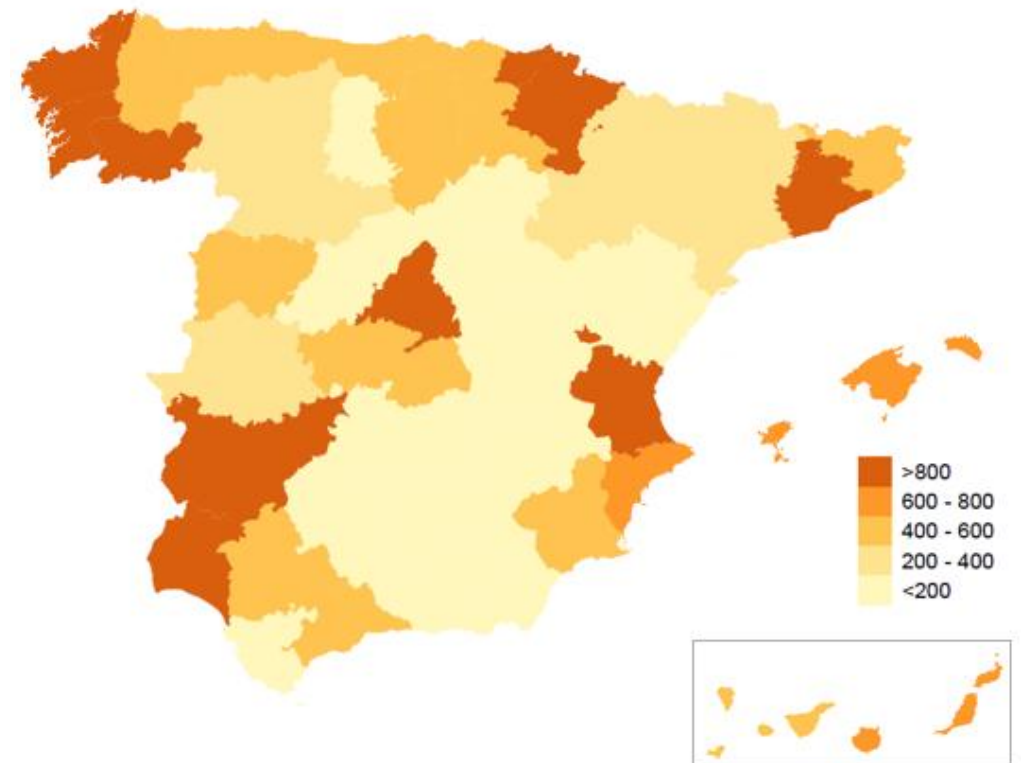
IBERIAN MOVERS TEND TO CONCENTRATE IN URBAN AREAS

NUMBER OF SPANISH / PORTUGUESE EMPLOYEES, BY FIRM LOCATION

2025



2024

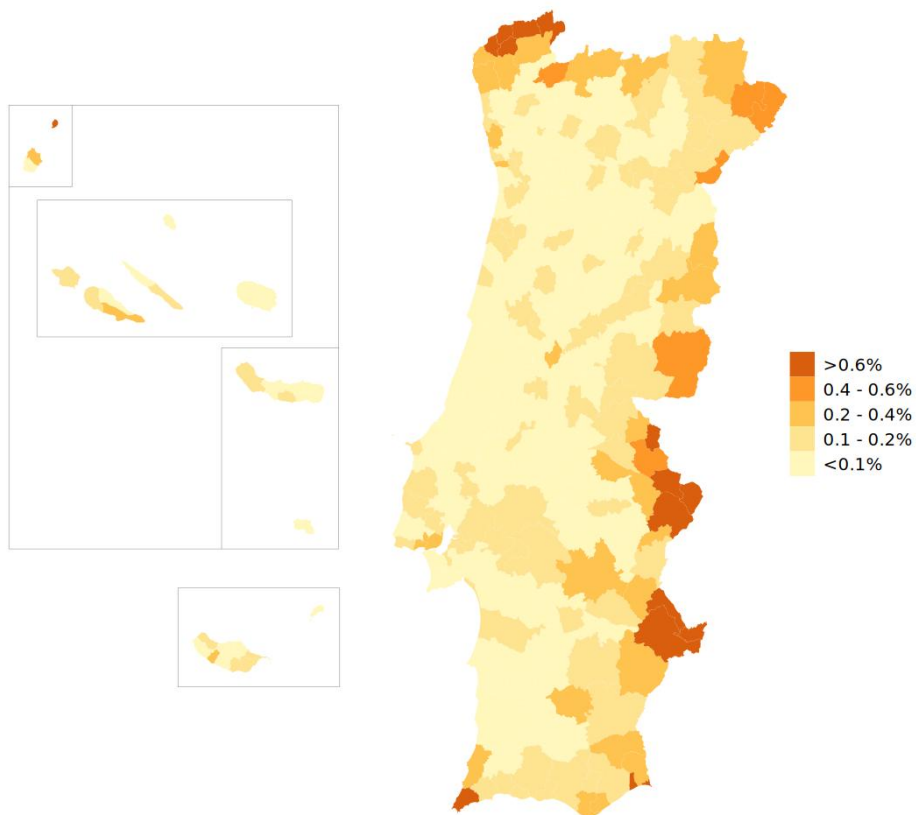


Sources: Social Security (PT) and MCVL (ES).

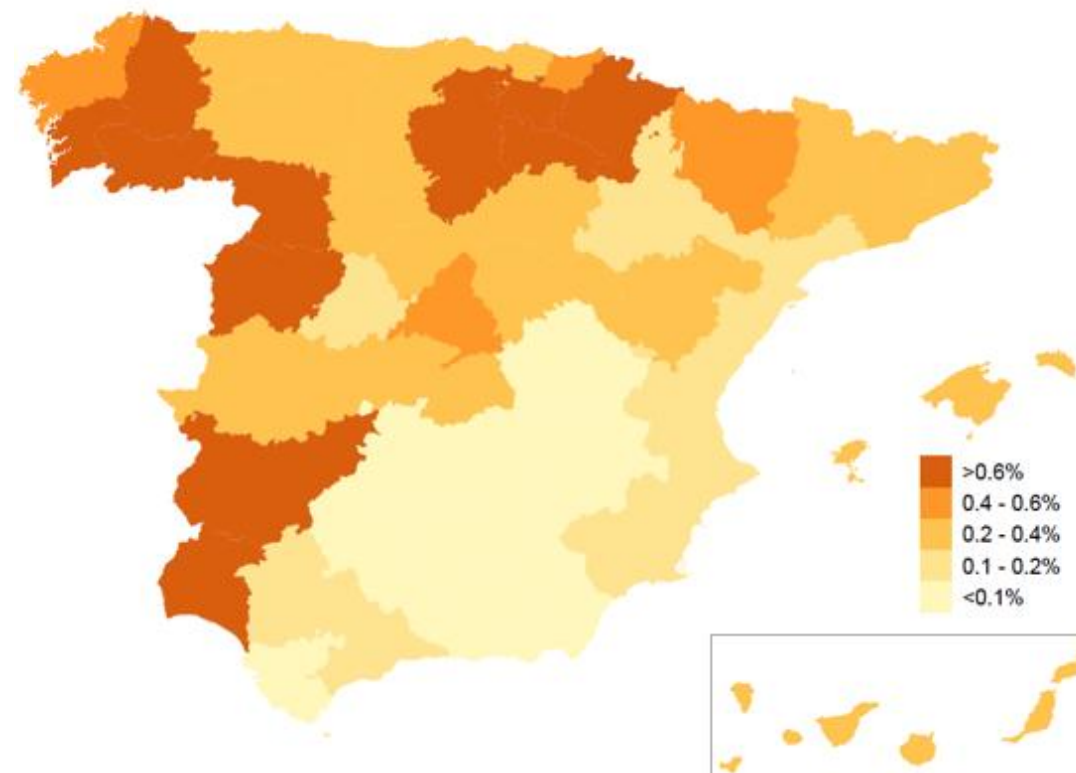
WHEN LOOKING AT SHARES ON EMPLOYMENT, THE PICTURE IS DIFFERENT: THEY CONCENTRATE IN BORDER REGIONS

SHARE OF SPANISH/PORTUGUESE EMPLOYEES ON TOTAL EMPLOYMENT, BY FIRM LOCATION

2025



2024



Sources: Social Security Records (PT) and MCVL (ES).

OTHER TAKEAWAYS:

- The educational attainment of movers has increased, particularly among Spanish residents in Portugal
- Spanish workers in Portugal mainly work in services, and Portuguese workers in Spain have shifted from construction and agriculture to services
- Portuguese workers in Spain stay longer than Spanish workers in Portugal: both groups show similar permanence as other EU immigrants, but much shorter than those from other origins.
- The wage gap between Spain and Portugal has narrowed a little during last years, but it is still substantial. Sector, age and gender composition effects cannot explain it.

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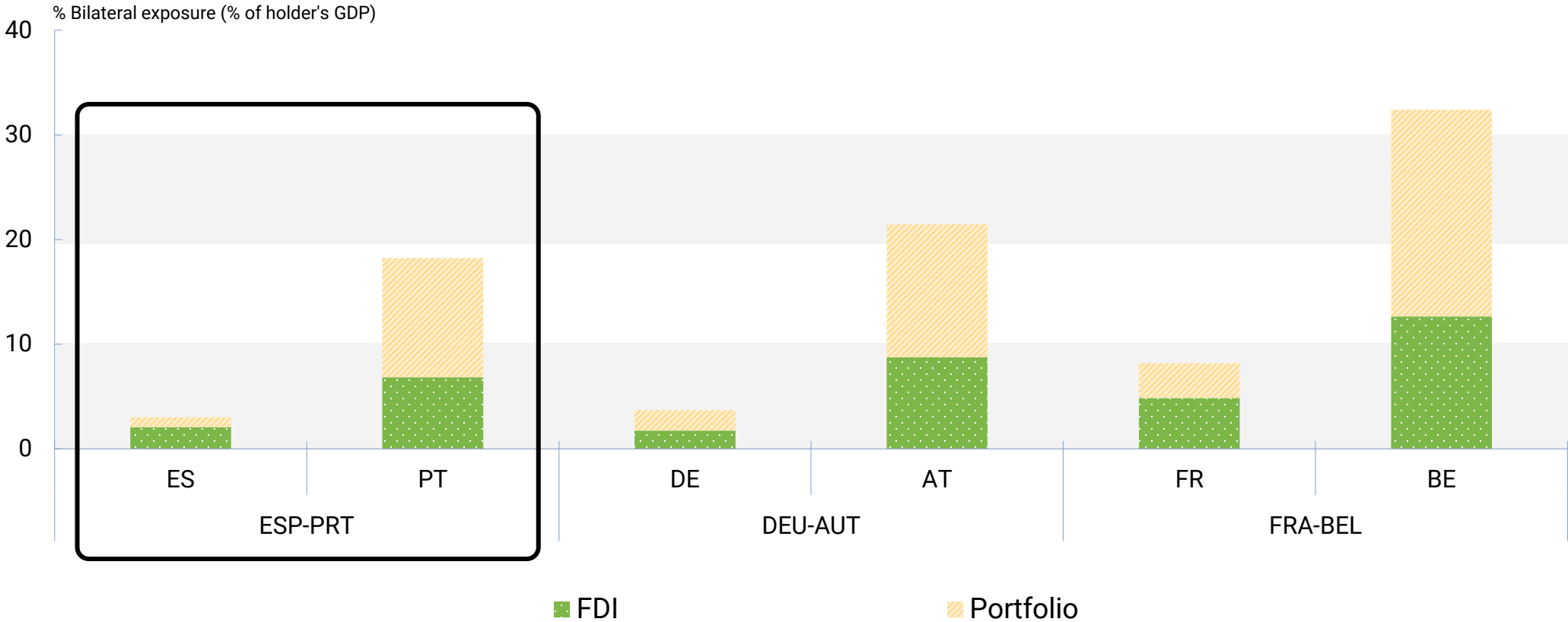
#1

KEY TAKEAWAY:

- Spain-Portugal linkages in FDI and portfolio investment are weaker than in other EU country pairs, but stronger in cross-border banking exposures

FOREIGN DIRECT INVESTMENT AND PORTFOLIO POSITIONS ARE MODEST WHEN COMPARED WITH OTHER PAIRS

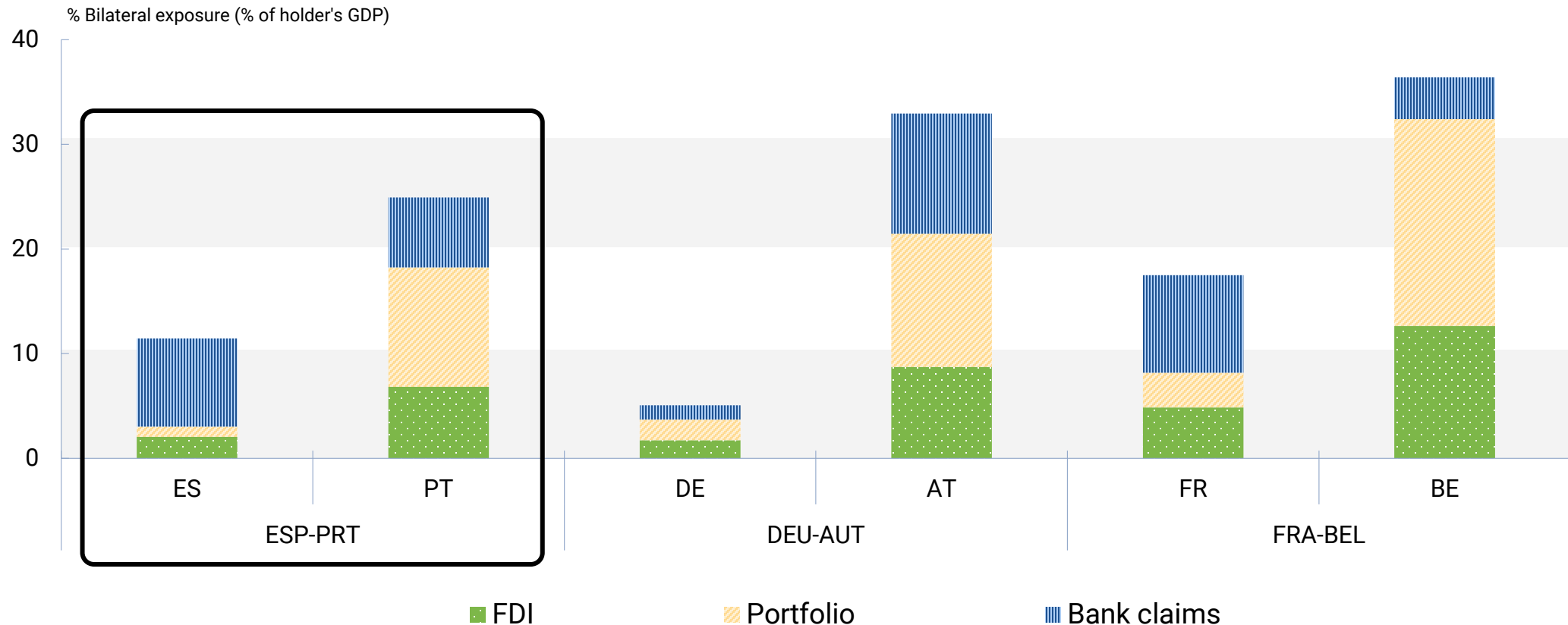
BILATERAL FINANCIAL LINKAGES (Average 2020-2024)



Sources: IMF and BIS.

BANKING IS AN IMPORTANT DIMENSION OF INTEGRATION FOR BOTH SPAIN AND PORTUGAL

BILATERAL FINANCIAL LINKAGES (Average 2020-2024)



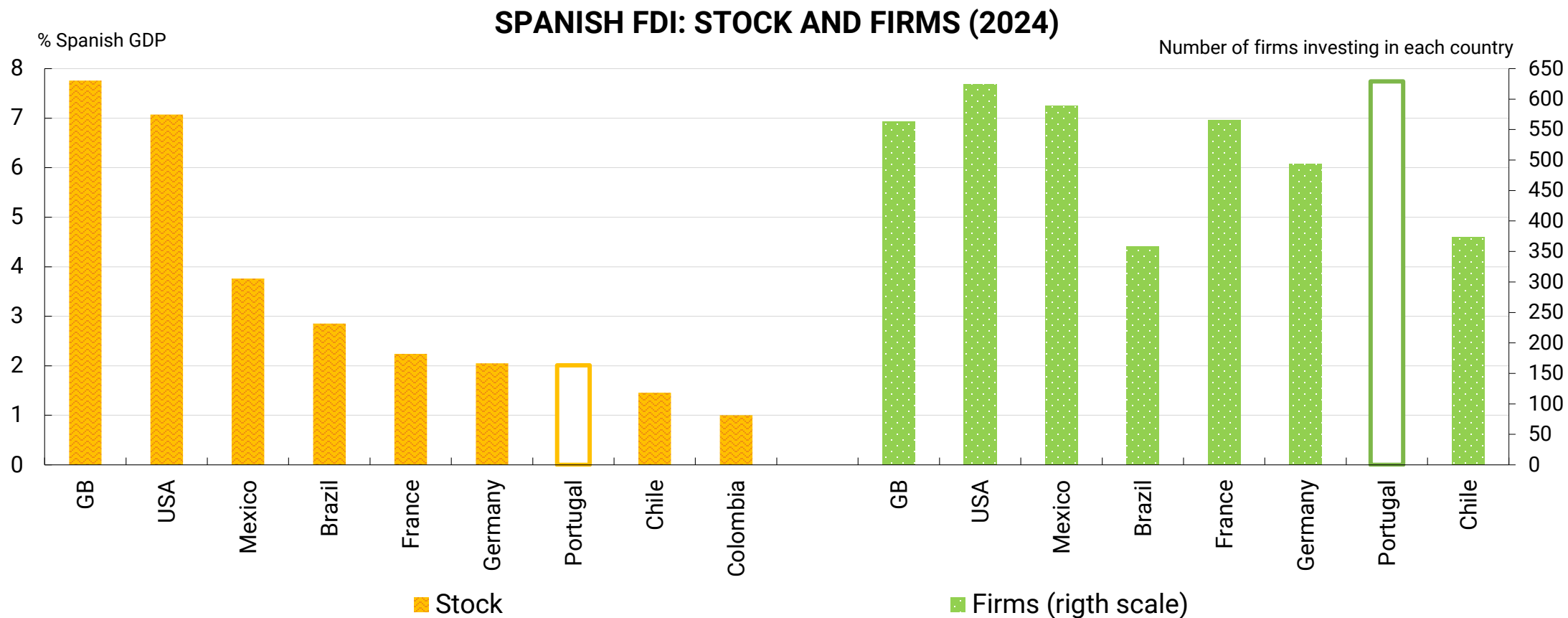
Sources: IMF and BIS.

#2

KEY TAKEAWAY:

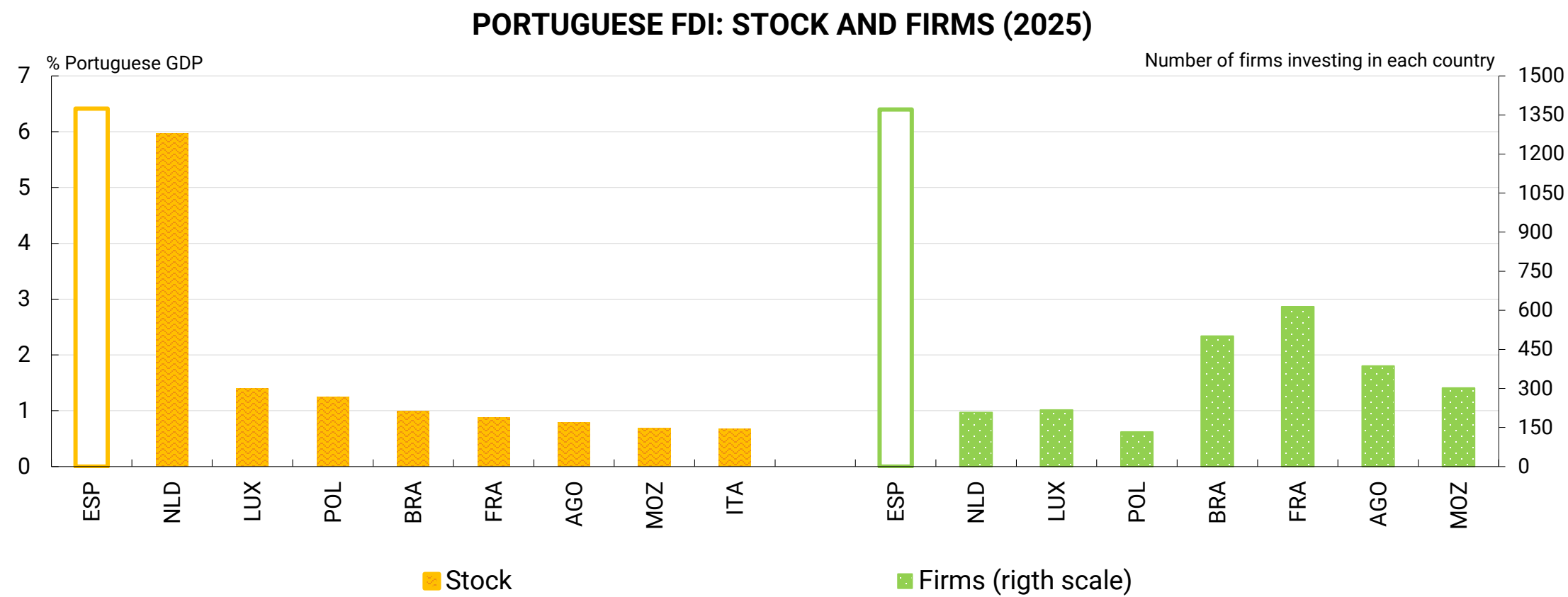
- Portugal is one of the preferred destinations for Spanish firms but the total stock of FDI is low
- Spain is Portugal's leading FDI partner, ranking first in both stock and number of firms

PORTUGAL IS ONE OF THE PREFERRED DESTINATIONS FOR SPANISH FIRMS BUT THE TOTAL STOCK OF FDI IS LOW



Source: BeLab, Banco de España.

SPAIN IS PORTUGAL'S LEADING FDI PARTNER, RANKING FIRST IN BOTH STOCK AND NUMBER OF FIRMS



Source: Banco de Portugal (BoP statistics).

OTHER TAKEAWAYS:

- Spain is Portugal's largest financial counterparty, with a persistent share of about a quarter of euro-area exposures concentrated in banks and firms; the composition is shifting from bank instruments towards equity.
- From Spain's perspective Portugal is a small share of external exposures, concentrated in banks and firms, declining on the asset side and stable on the liability side.
- Equity returns in Spain and Portugal are strongly correlated, but less so than in the Germany-Austria and France–Belgium pairs

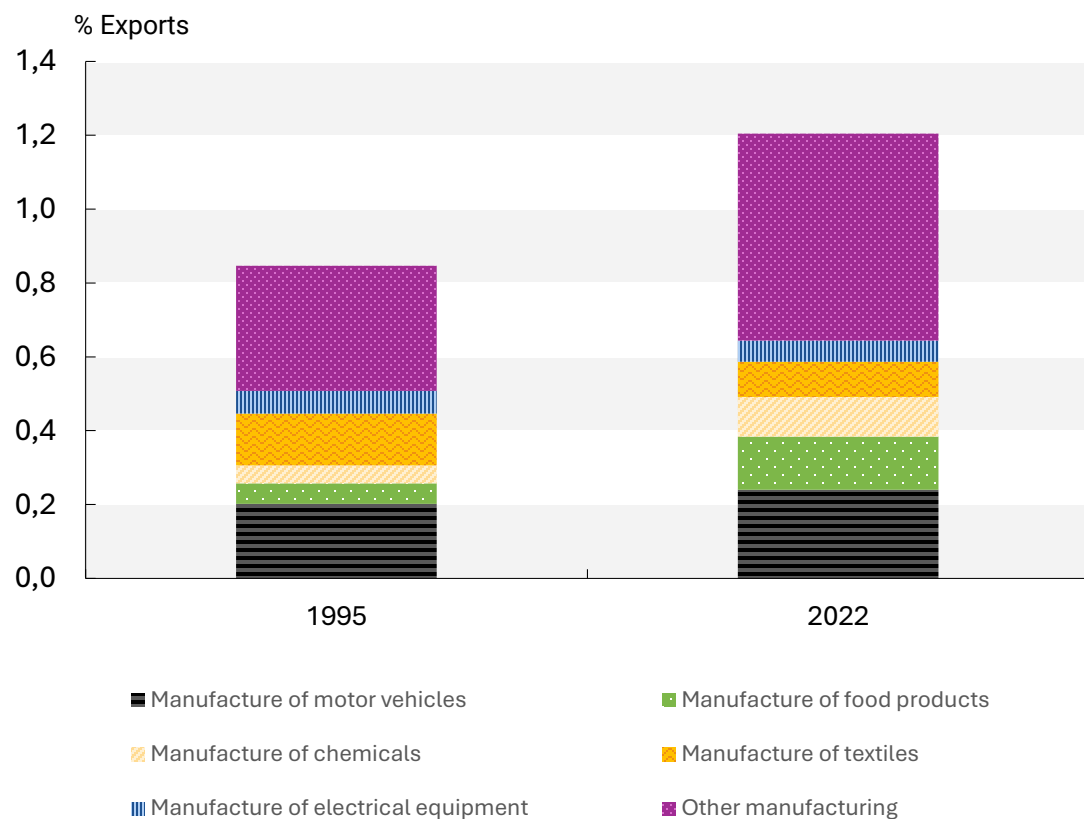
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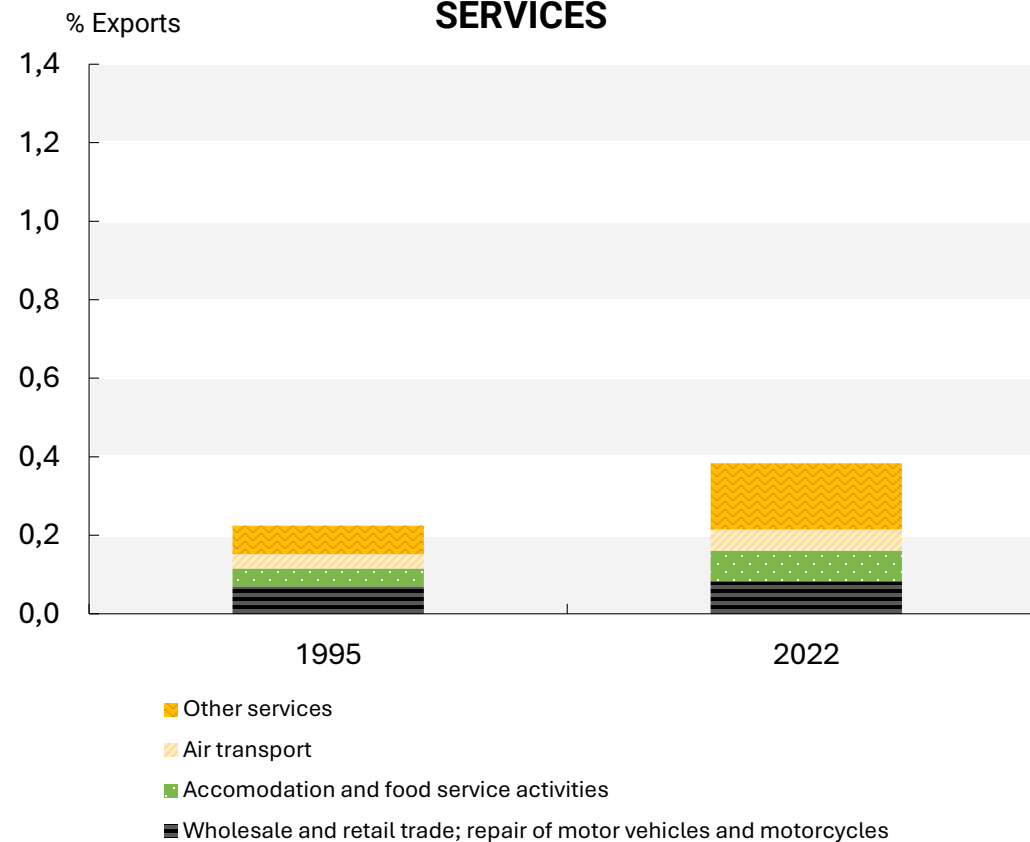
APPENDIX

MANUFACTURING DRIVES DEEPER IBERIAN VALUE CHAINS

**PARTICIPATION IN IBERIAN VALUE CHAINS:
MANUFACTURING**



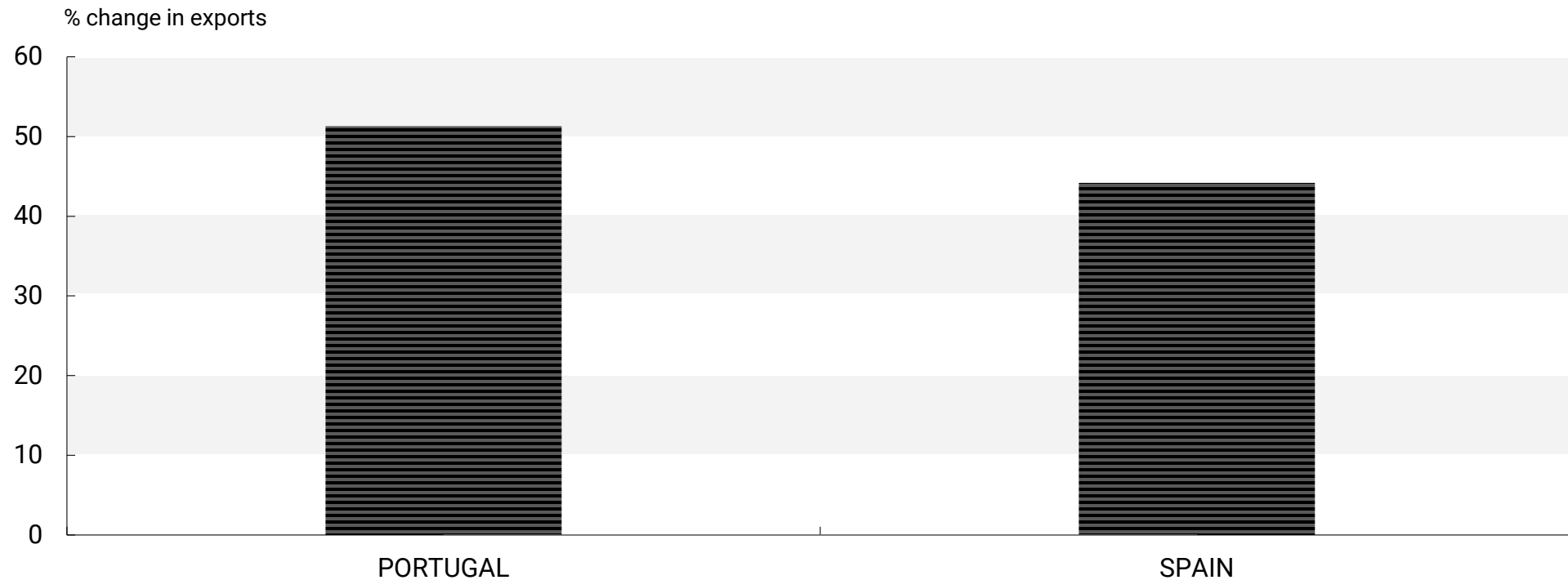
**PARTICIPATION IN IBERIAN VALUE CHAINS:
SERVICES**



Source: OECD TiVA. Index of participation in Iberian value chains is defined as the sum of t(i) the Spanish value added embedded in the Portugal's exports and (ii) the Portuguese value added embedded in Spain's exports, divided by both countries' gross exports.

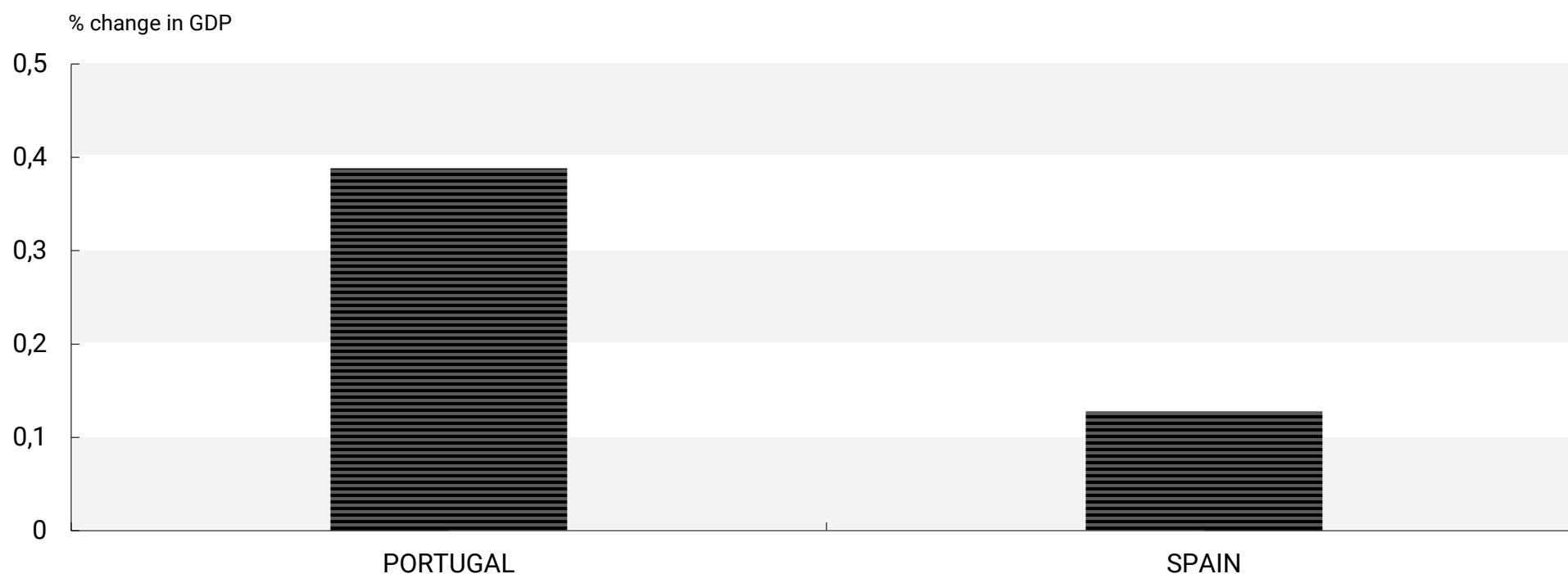
LOWER BARRIERS COULD BOOST TRADE BETWEEN SPAIN AND PORTUGAL

EFFECT OF REDUCING TRADE BARRIERS ON BILATERAL EXPORTS

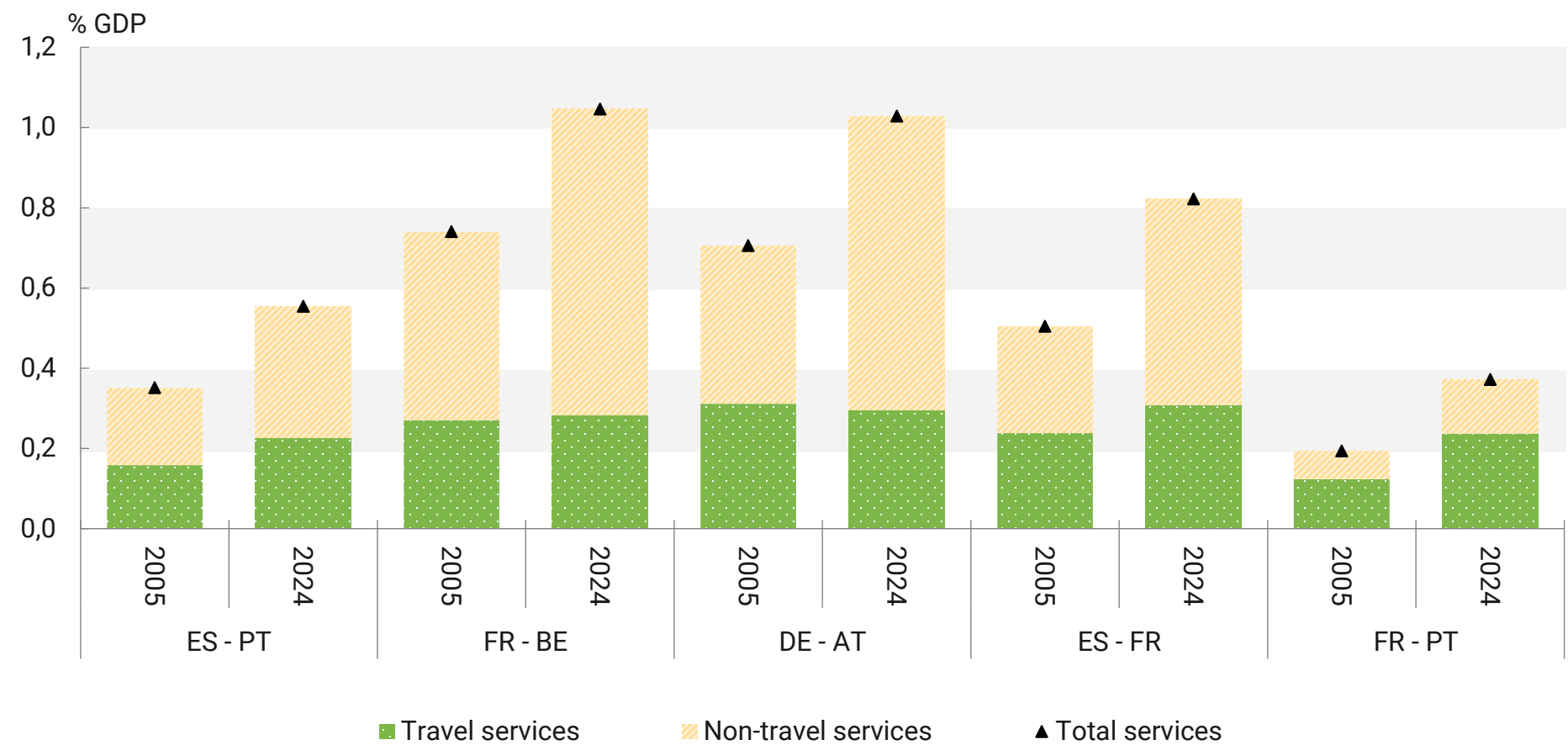


LOWER BARRIERS COULD BOOST GDP IN SPAIN AND PORTUGAL

EFFECT OF REDUCING TRADE BARRIERS ON GDP

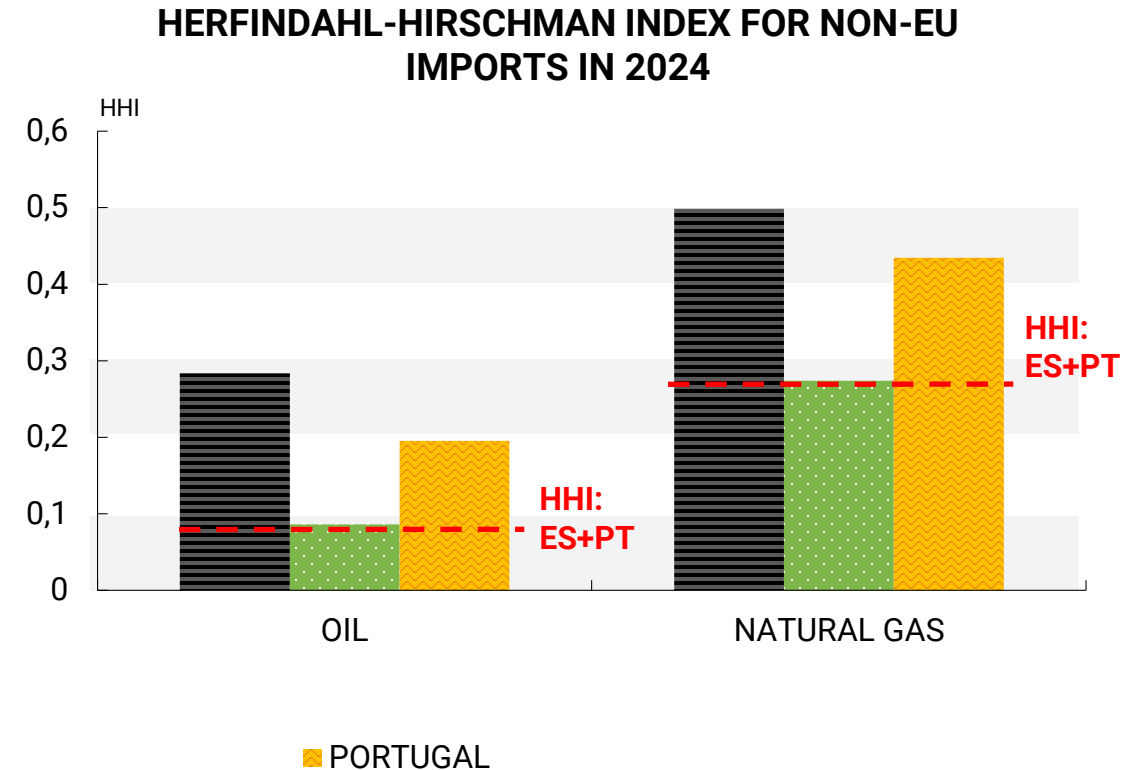
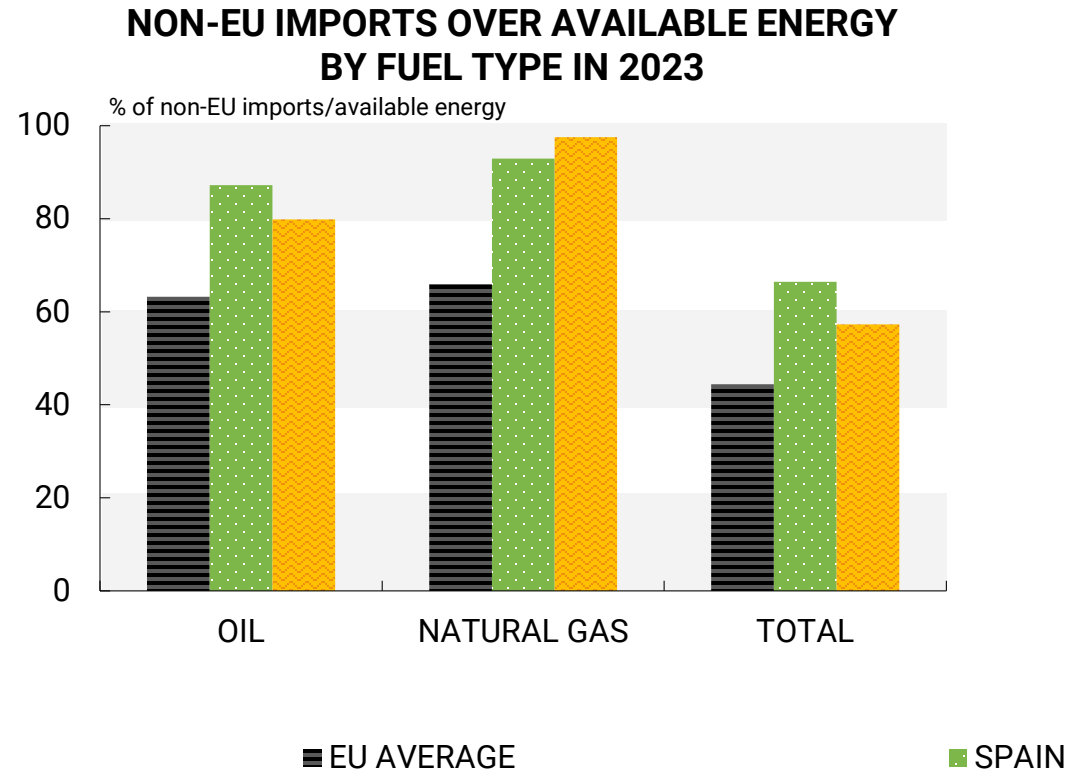


LOWER LEVEL OF IBERIAN INTEGRATION IN TRADE SERVICES IS MAINLY DRIVEN BY NON-TRAVEL SERVICES



Sources: WTO-OECD and World Bank. Aggregated bilateral trade in services (exports plus imports) as a share of pairwise GDP.

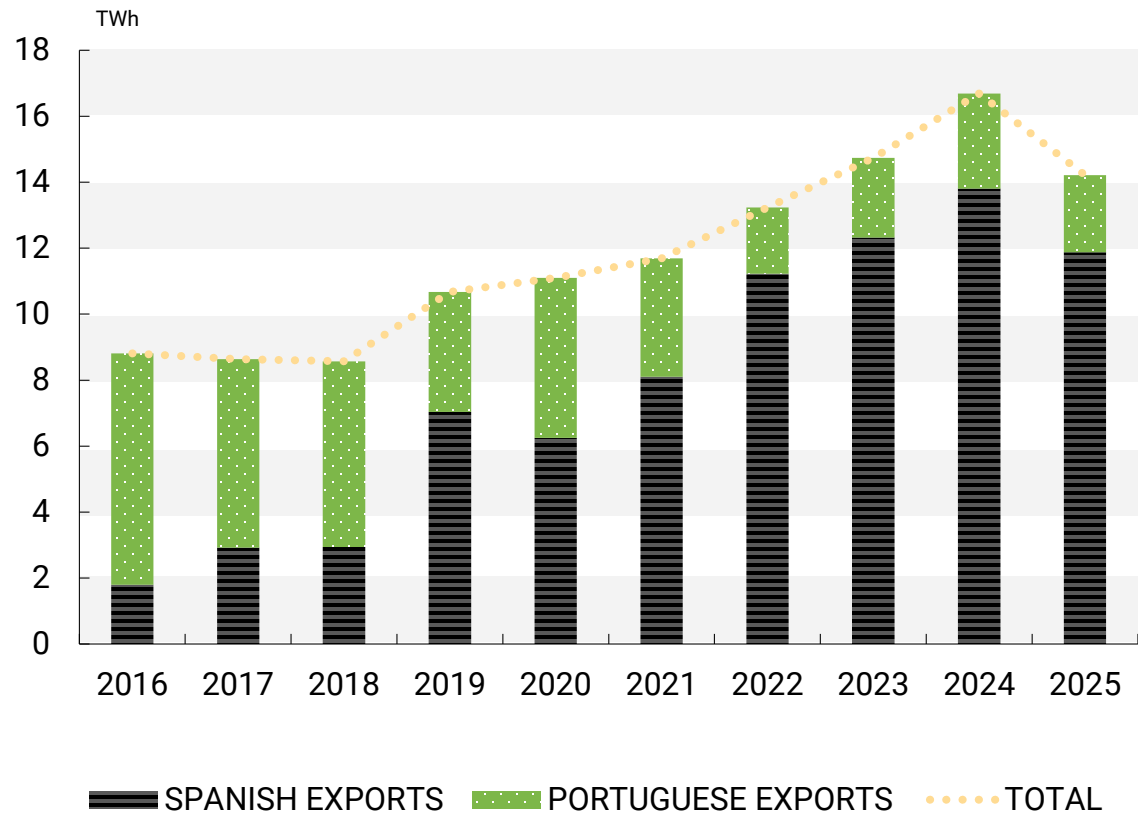
IBERIA IS HIGHLY DEPENDENT ON ENERGY IMPORTS, LARGELY OIL AND GAS, BUT HAS MORE DIVERSIFIED SUPPLIERS THAN THE EU



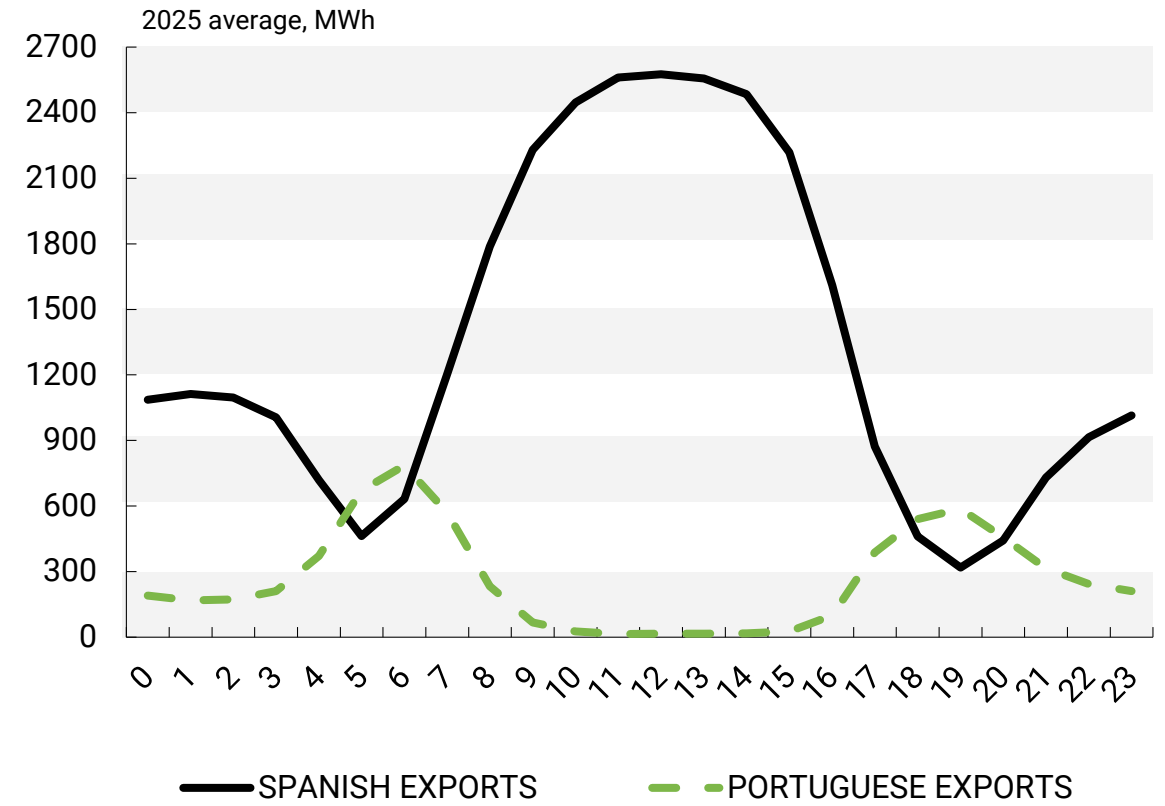
Source: Eurostat. The left-hand panel shows net EU imports as a percentage of available energy. The Herfindahl–Hirschman Index (HHI) in the right-hand panel measures the concentration of import sources and is calculated as the sum of squared shares of each supplier ($HHI = \sum share_i^2$, where $share_i$ = imports from partner i divided by total imports). The index is computed only for non-EU suppliers, using total non-EU imports as the denominator. It ranges from 0 to 1, where values close to 0 indicate diversified sources and values close to 1 indicate strong dependence on a few suppliers. The dashed line shows the HHI computed for the Iberian Peninsula as a single market (Spain and Portugal combined).

IBERIAN ELECTRICITY TRADE HAS EXPANDED, SUPPORTED BY SPANISH SOLAR AND PORTUGUESE HYDROPOWER FLEXIBILITY

BILATERAL ELECTRICITY FLOWS BY YEAR

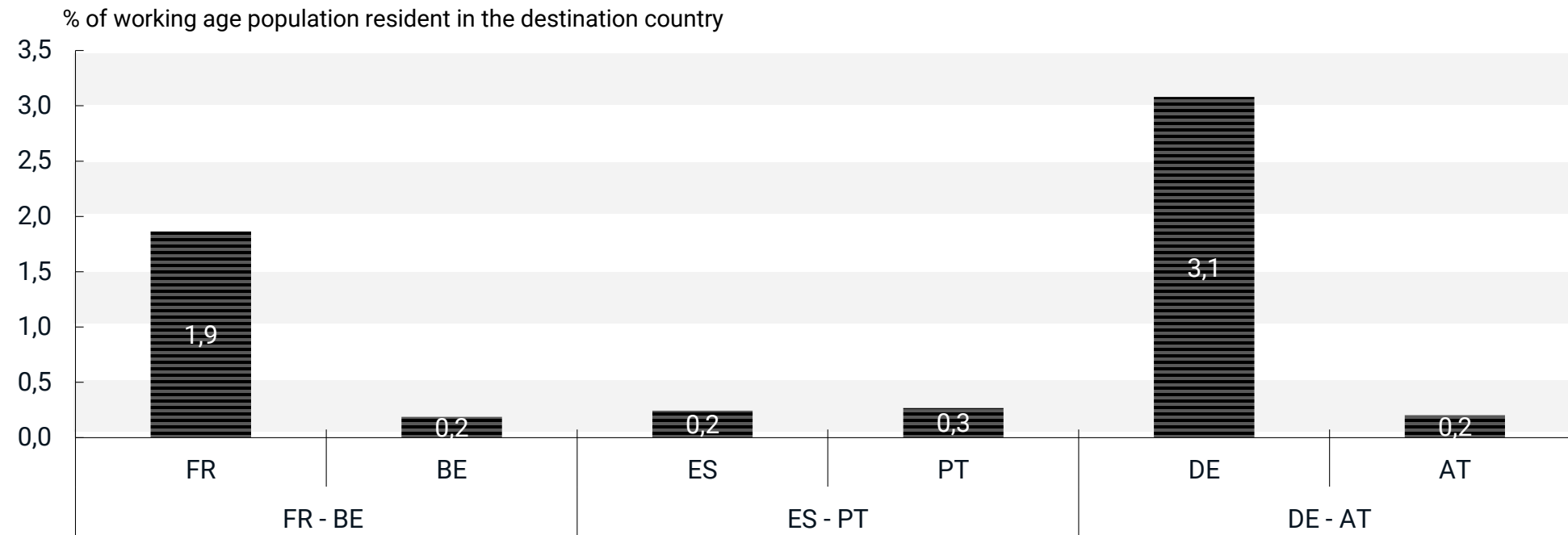


BILATERAL ELECTRICITY FLOWS BY HOUR



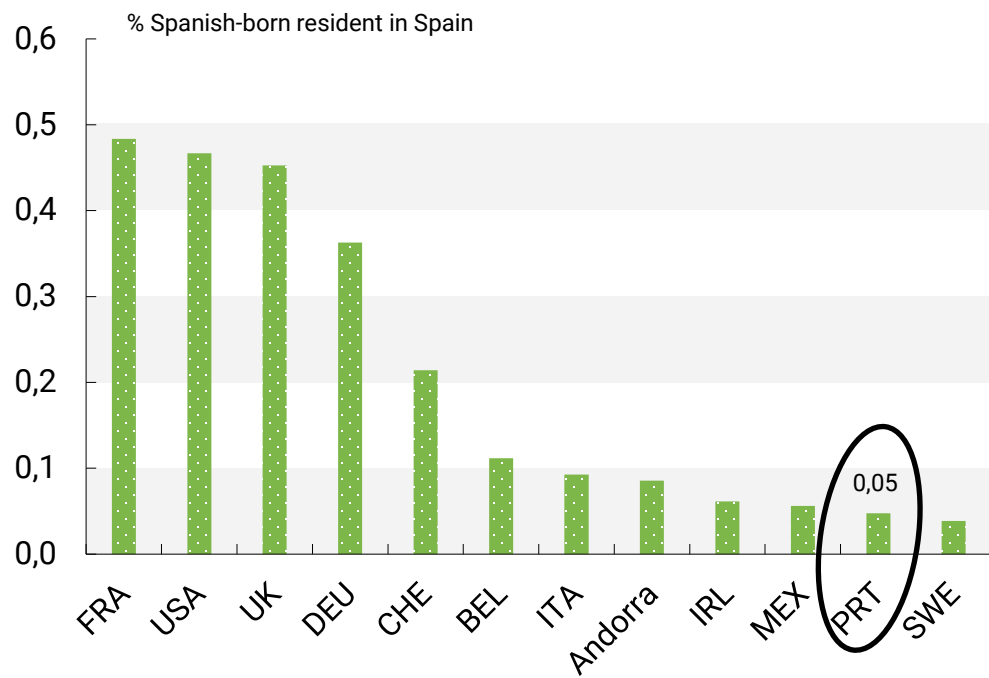
BILATERAL IBERIAN MIGRATION IS LOW COMPARED WITH THAT OBSERVED BETWEEN OTHER PAIRS OF EU COUNTRIES

BILATERAL IMMIGRANTS ACROSS PAIRS OF EU COUNTRIES IN 2025 (WORKING AGE)

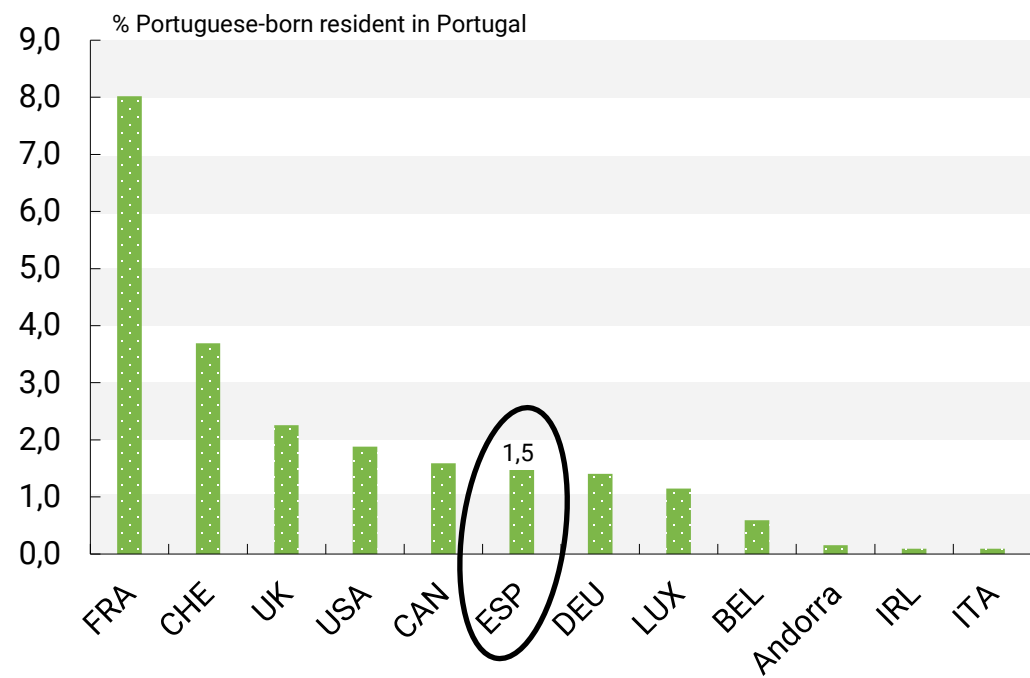


EMIGRATION RATE IS HIGHER IN PORTUGAL; FRANCE IS THE MAIN DESTINATION FOR BOTH IBERIAN COUNTRIES

SPANISH-BORN EMIGRANTS 25-64Y BY MAIN DESTINATION COUNTRY – 2021

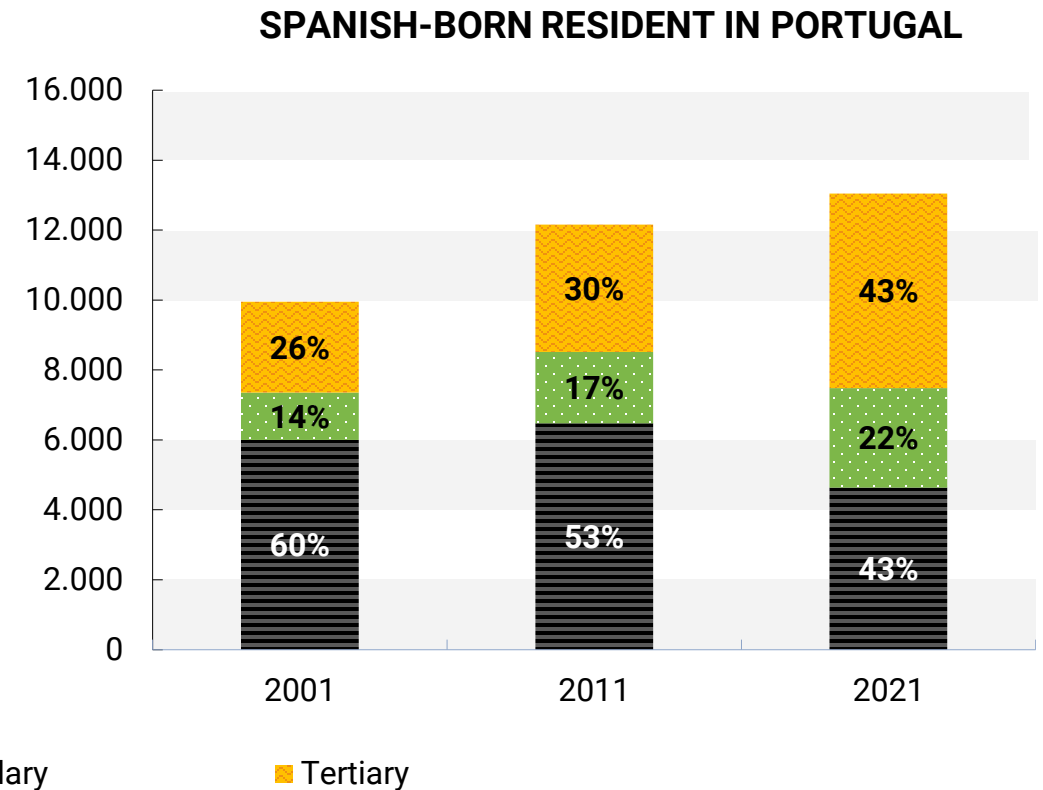
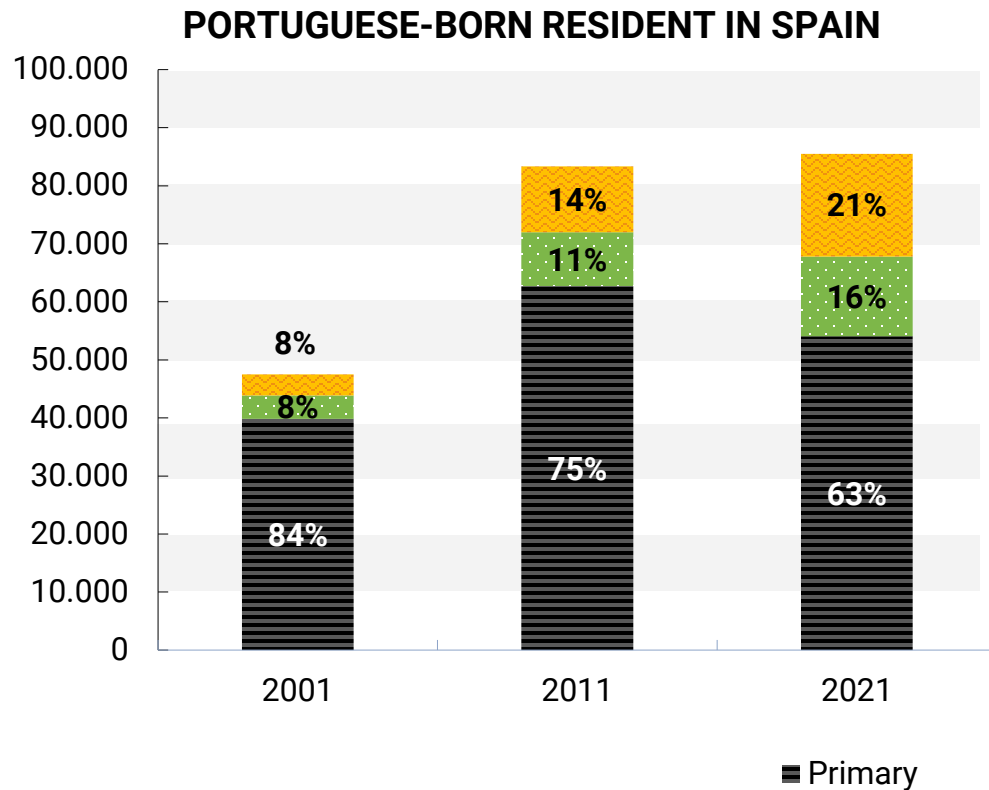


PORTUGUESE-BORN EMIGRANTS 25-64Y BY MAIN DESTINATION COUNTRY – 2021

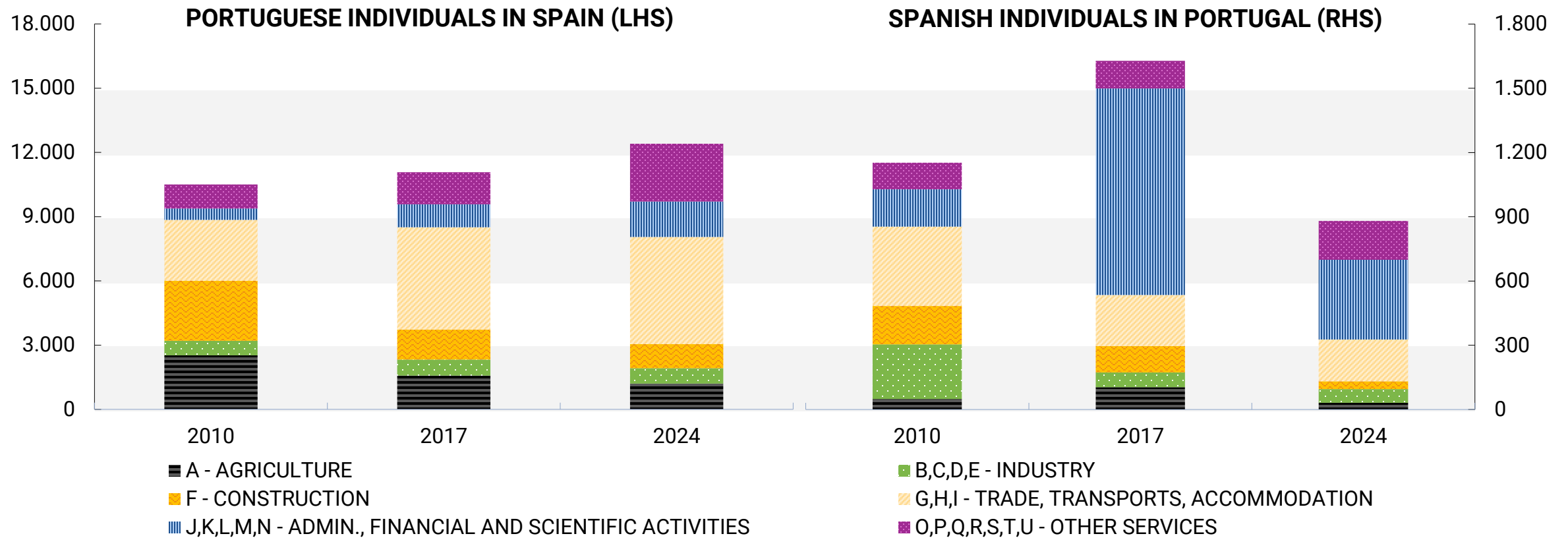


Sources: Eurostat (Census Hub), Government of Andorra, OECD (DIOC), ONS (UK) and U.S. Census Bureau (authors' calculations).
Notes: Scale is very different in both charts, reflecting the higher emigration tradition in Portugal.

EDUCATIONAL ATTAINMENT OF IBERIAN MOVERS HAS INCREASED, ESPECIALLY IN THE CASE OF SPANISH RESIDENTS IN PORTUGAL

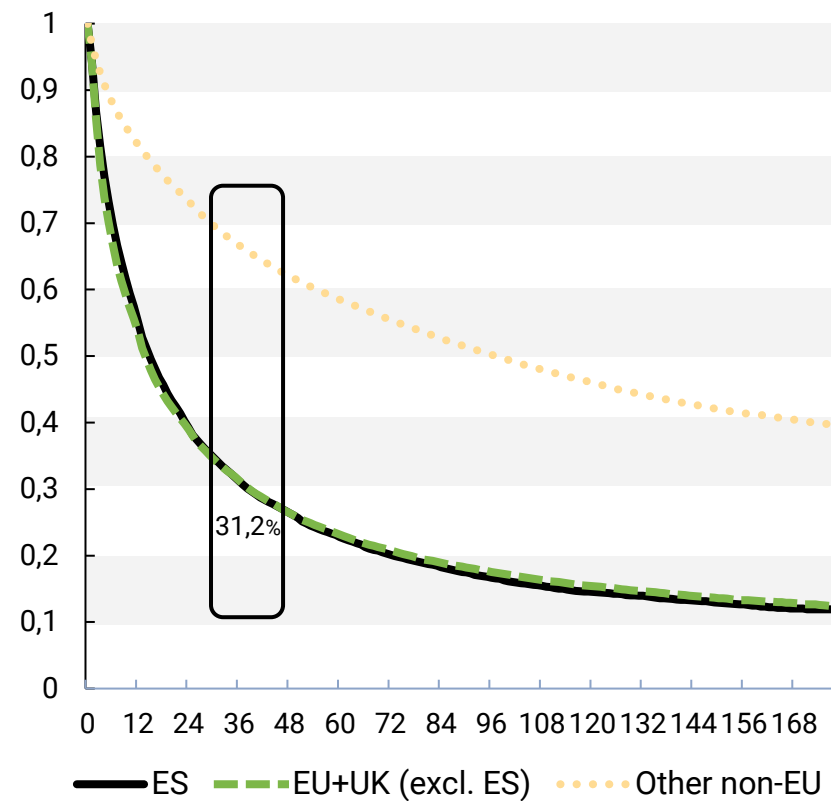


IBERIAN MOVERS SHIFTED FROM OTHER SECTORS TO SERVICES

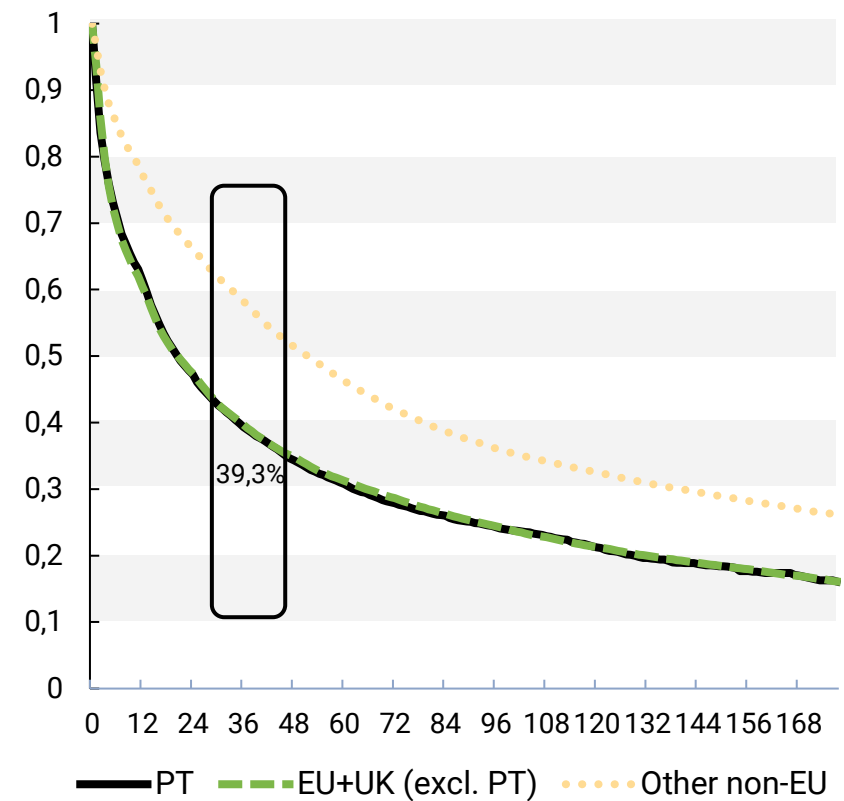


IBERIAN MOVERS STAY IN SPAIN SLIGHTLY LONGER THAN IN PORTUGAL, BOTH SIMILAR TO OTHER EU MOVERS

PERMANENCE OF WORKERS ENTERING PORTUGAL

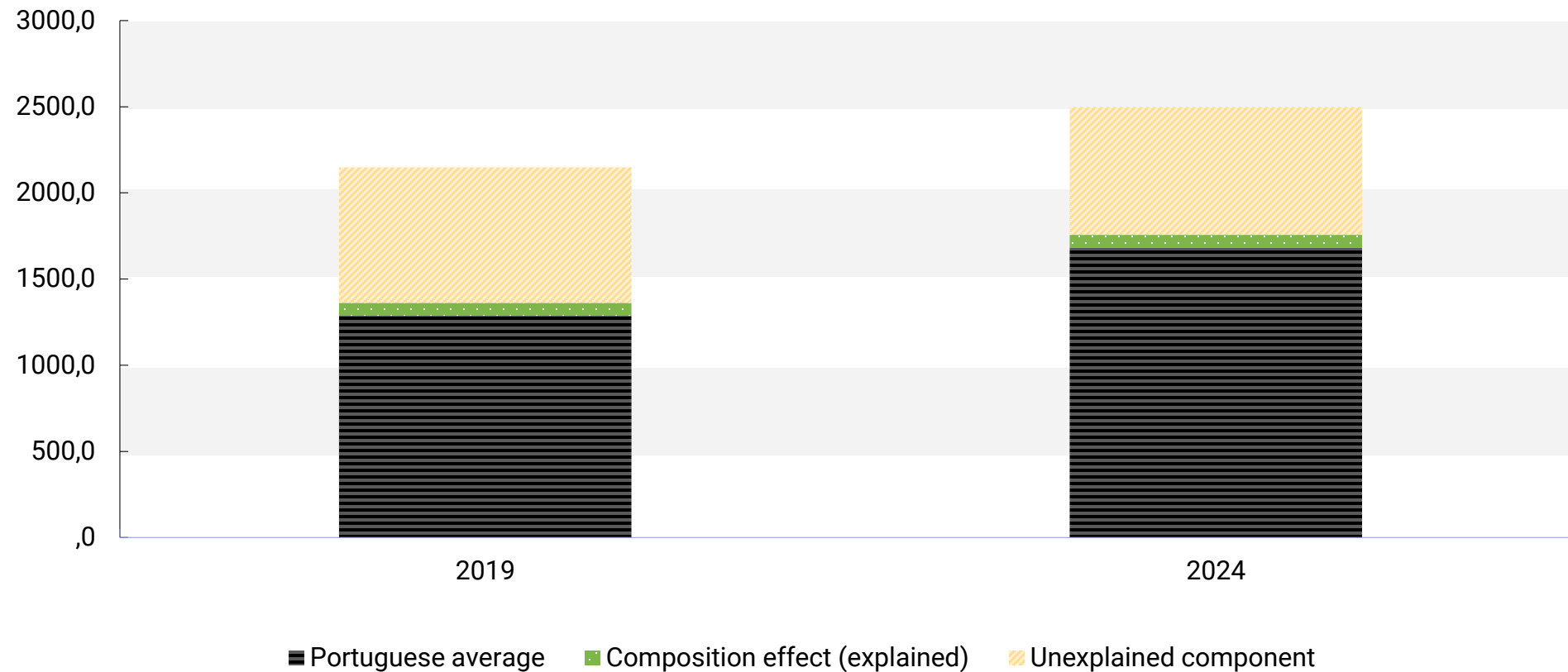


PERMANENCE OF WORKERS ENTERING SPAIN



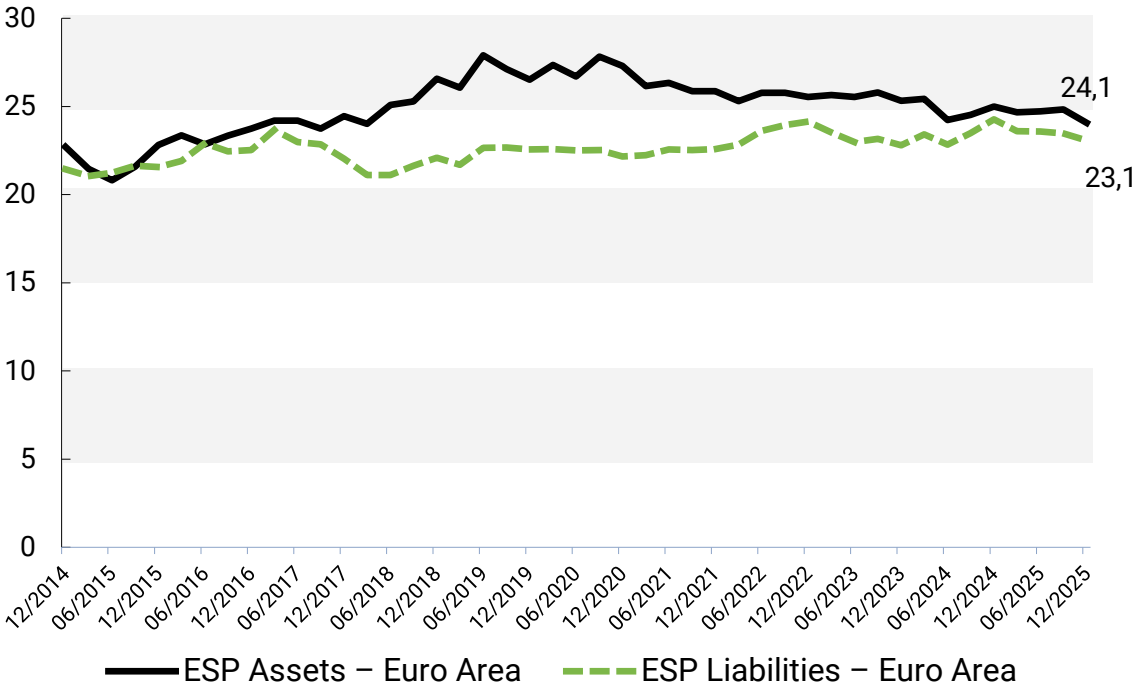
Source: Social security (PT) and MCVL (ES). Kaplan-Meier survival probabilities of immigrants in each country, by origin. Gaps with duration longer than 12 months are considered as separate spells.

WAGES IN SPAIN ARE STILL 49% HIGHER THAN IN PORTUGAL. THIS GAP IS NOT EXPLAINED BY COMPOSITION



SPAIN IS PORTUGAL'S PRIMARY FINANCIAL COUNTERPARTY, REFLECTING DEEP AND PERSISTENT INTEGRATION ACROSS SECTORS AND INSTRUMENTS

FINANCIAL EXPOSURE TO SPAIN
(IN % OF EURO AREA TOTAL EXPOSURES, Q4 2014 – Q4 2025)



Source: Banco de Portugal IIP and Financial Accounts. Series exclude F7, F8 instruments.

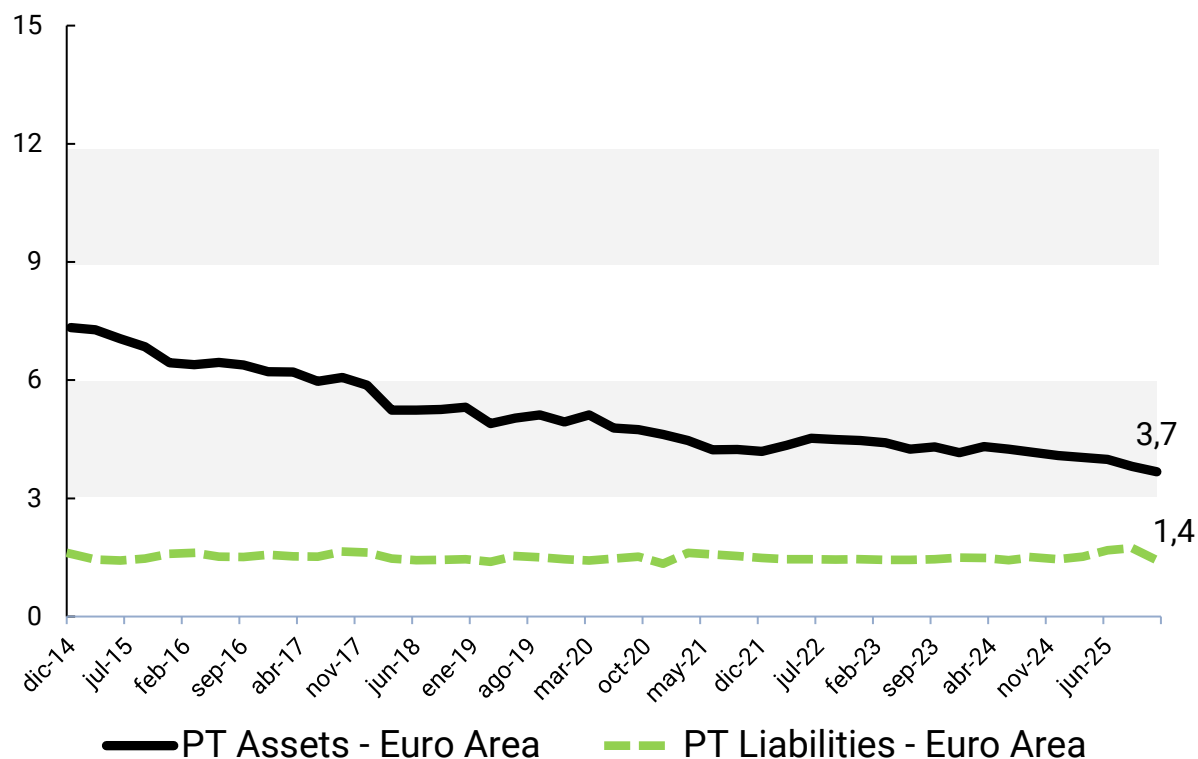
**AVERAGE FINANCIAL ASSETS AND LIABILITIES COMPOSITION, BY
SELECTED COUNTERPARTS (IN %, Q4 2025)**

Counterparty	All sectors	Banks	Firms	Government	Central bank	Insurers	Households
Spain	16.9	24.2	19.7	7.4	14.0	14.8	5.1
France	12.2	18.1	7.9	16.3	20.4	14.0	4.4
Luxembourg	11.4	7.4	9.9	6.3	1.2	17.1	25.8
Netherlands	9.6	4.0	15.8	4.1	3.7	4.7	11.7
Germany	7.5	8.5	5.2	13.0	16.8	4.3	5.7
United States	7.4	5.2	6.0	17.3	1.0	5.7	14.1
United Kingdom	5.9	4.6	8.1	4.3	4.6	4.4	6.1
Italy	5.3	6.8	2.0	14.1	6.3	9.5	0.6
Ireland	4.4	2.9	2.2	4.0	3.8	10.0	13.1
Belgium	2.2	2.4	1.7	3.2	5.4	2.0	1.2
Switzerland	2.1	1.6	2.6	1.1	0.4	1.0	5.1
Latin America & Caribbean	1.9	2.1	2.7	0.4	0.3	1.0	0.9
Japan	1.1	0.1	0.3	1.9	11.7	0.5	0.1
China	0.7	0.3	1.4	0.0	0.3	0.1	0.3
Rest of the world	9.0	10.4	12.1	1.8	6.8	9.0	3.4
Rest of euro area	2.3	1.5	2.1	4.7	3.4	1.9	2.4

Source: Banco de Portugal IIP and Financial Accounts. Sectors and regions are ranked by average size.

FROM SPAIN'S PERSPECTIVE, PORTUGAL REPRESENTS A SMALLER BUT STABLE SHARE OF EXTERNAL EXPOSURES, LARGELY CONCENTRATED IN BANKING

FINANCIAL EXPOSURE TO PORTUGAL
(IN % OF EURO AREA TOTAL EXPOSURES, Q4 2014 – Q4 2025)



Source: Banco de España IIP and Financial Accounts. Series exclude F7, F8 instruments.

AVERAGE FINANCIAL ASSETS AND LIABILITIES COMPOSITION, BY SELECTED COUNTERPARTS (IN %, Q4 2025)

Counterparty	All sectors	Banks	Firms	Government	Central bank	Insurers	Households
Portugal	1.4	1.9	2.3	0.4	0.0	1.7	0.7
Luxembourg	8.3	2.5	11.4	0.1	0.0	10.7	50.7
France	8.0	13.0	8.6	0.2	0.1	16.5	8.3
United Kingdom	7.0	7.2	13.4	0.1	0.0	4.5	3.2
Netherlands	6.8	10.1	9.7	0.2	0.2	10.3	3.0
Ireland	6.6	7.3	9.7	0.4	0.0	8.6	15.5
United States	6.4	8.2	6.5	0.1	0.0	8.5	5.4
Germany	5.6	7.9	8.4	0.4	0.1	8.9	3.9
Latin America & Caribbean	5.2	4.8	7.1	0.2	0.0	1.1	1.4
Italy	4.4	7.4	3.6	0.0	0.5	13.5	1.0
Belgium	1.7	2.3	3.0	0.0	0.0	2.2	0.7
Switzerland	1.3	0.9	2.2	0.0	0.0	2.5	1.9
China	0.3	0.8	0.3	0.0	0.0	0.3	0.1
Japan	0.3	0.1	0.4	0.0	0.0	0.8	0.0
Rest of the world	24.2	24.1	12.3	90.5	13.5	8.1	3.3
Rest of euro area	12.5	1.7	1.2	7.4	85.4	2.1	0.8

Source: Banco de España IIP and Financial Accounts. All regions are mutually exclusive.

IN BANKING, THE IBERIAN FINANCIAL LINKAGES CREATE AN ASYMMETRIC BUT SYSTEMIC TRANSMISSION CHANNEL

MATERIAL COUNTRIES FOR THE BANKING SYSTEM: SUMMARY OF ALL EXPOSURES (2022-2025)

SPANISH BANKING SYSTEM

MATERIAL COUNTRIES FOR SPANISH BANKING SYSTEM: SUMMARY OF ALL EXPOSURES (2022-2025)

Country	Original exposures	Country	Risk Weighed Exposures
United Kingdom	13.8	Mexico	8.6
United States	7.3	United Kingdom	8.0
Mexico	6.4	United States	7.8
Brazil	5.6	Brazil	6.7
Portugal	3.7	Portugal	3.8
Türkiye	2.7	Türkiye	3.7
Germany	2.5	Germany	2.8
Chile	2.2	Chile	2.3
France	2.0	France	2.2
Poland	1.8	Poland	2.0
Italy	1.2	Italy	1.6
Argentina	1.1	Peru	1.6
Oeru	1.1	Colombia	1.4
Colombia	0.8	Argentina	1.0

PORTUGUESE BANKING SYSTEM

MATERIAL COUNTRIES FOR PORTUGUESE BANKING SYSTEM: SUMMARY OF ALL EXPOSURES (2022-2025)

Country	Original exposures	Country	Risk Weighed Exposures
Poland	20.4	Poland	18.2
Mozambique	13.3	Spain	12.6
France	7.1	France	9.2
Spain	5.5	Germany	7.6
Netherlands	3.4	Italy	4.6
Angola	3.3	Mozambique	3.3
Macao	3.3	Belgium	3.2
United States	2.7	Macao	2.9
United Kingdom	2.4	United States	2.8
Luxembourg	2.4	Luxembourg	2.5
Germany	2.2	Netherlands	2.2
Brazil	1.6	United Kingdom	2.2
Cape Verde	1.6	Ireland	1.7
Switzerland	1.0	Angola	1.2

CROSS-BORDER BANKING EXPOSURES ARE RELATIVELY STRONG

BILATERAL FINANCIAL LINKAGES (Average 2020-2024)

