Editorial

The information that has become available over the last six months continues to reflect favourable developments in households’ financial situation. Vigorous economic activity and a strong labour market have once again underpinned growth in household income, via both job creation and increased compensation per worker. This growth in income, along with relatively sluggish consumption, has pushed up the saving rate to above-average levels.

Households’ financial position has also been bolstered by the continuing downward path of their debt ratio, partly as a result of the stock of mortgage loans contracting, albeit at an increasingly moderate rate. Over a broader timescale, the share of debt held by the youngest households has diminished in favour of middle-aged households, owing largely to home ownership having become less affordable for younger households in recent years than it was for previous cohorts (see Box 1).

Despite the sound financial performance of households as a whole, the credit quality of loans granted to this sector has deteriorated somewhat. However, the share of troubled loans held by credit institutions stands close to pre-pandemic levels.

Turning to firms, profits have decelerated, weighed down by increased staff expenses and financial costs, against a backdrop of lower sales price growth and a higher average cost of debt. Nevertheless, financial developments in the corporate sector are proving highly uneven by activity, with services generally outperforming industry, in line with the composition of recent GDP growth in Spain.

In this setting, there has been a moderate increase in the proportion of vulnerable firms, but it remains at low levels by historical standards. The number of insolvency proceedings likewise increased in 2024 Q1 (driven, in part, by the fact that the new special insolvency procedure is more attractive to microfirms), although these continue to affect only a very small part of the business sector. By contrast, no significant deterioration has been observed in the quality of bank loans to this sector.

Financing conditions on the credit markets have improved somewhat, fuelled by market expectations of a less restrictive monetary policy stance in the coming quarters. However, despite the policy rate cuts agreed by the Governing Council of the European Central Bank in June, financing costs remain high by historical standards. Firms’ increased difficulty in accessing credit during the recent period of monetary tightening appears to have had a negative, albeit small, impact on gross fixed capital formation (see Box 2). The latest indicators suggest that the contraction of credit supply and demand is coming to a halt, resulting in some recovery in financing flows to households and firms.
The macro-financial environment will largely determine the future course of the financial situation of households and firms. The Banco de España’s latest macroeconomic projections, published in June 2024, predict, under the baseline scenario, that the Spanish economy will continue on its growth path. Together with the additional policy rate cuts anticipated by the markets for 2024 and 2025, this will tend to strengthen the financial position of households and firms. However, the materialisation of certain adverse macroeconomic scenarios could negatively affect the incomes of these sectors. Moreover, if the outlook for euro area inflation were to deteriorate, this could slow down the pace of monetary policy easing, leading to a lower than expected reduction in financial pressure on indebted agents.