1 The cost of new financing to households has eased somewhat in recent months, but remains high

— Financial markets’ expectations of a slight decline in the key interest rates in the euro area over the coming quarters, which have been tentatively borne out by the 25 basis point (bp) cut decided at the European Central Bank (ECB) Governing Council’s June meeting, have led to a slight reduction in the cost of new bank loans since 2023 Q4. The decline was somewhat sharper in lending for house purchase, around 40 bp between October 2023 and May 2024 (see Chart 1.a).

— Likewise, according to the Bank Lending Survey (BLS), banks have stopped tightening their credit standards for loans to households for house purchase, while the tightening of standards for consumer credit and other lending has moderated (see Chart 1.b). At the same time, the fall in households’ demand for funds has slowed and banks anticipate that such applications may start to increase in 2024 Q2.

SOURCE: Banco de España.

a Bank rates are narrowly defined effective rates (NDERs), which exclude related charges, such as repayment insurance premiums and fees, and are adjusted seasonally and for the irregular component. Latest observation: May 2024.

b Percentage of banks reporting a tightening (an increase in the case of demand) less percentage reporting an easing (a decrease in the case of demand).
2 New lending for house purchase has remained rising, but the stock of debt has continued to decline owing to high repayments …

— New lending for house purchase in Spain has continued its recovery in the first few months of 2024 (see Chart 2.a), against a backdrop of strong growth in employment income and employment, and in which financing conditions began to show some signs of moderation. This recovery in new credit flows is at an earlier stage in the euro area.

— At the same time, Spanish households have continued to repay loans at relatively high levels in a high interest rate environment. This trend has not been mirrored in the euro area, where the stock of variable-rate mortgages is lower than in Spain.¹ As a result, the outstanding balance of mortgages has continued to fall in Spain, albeit at an increasingly slower rate (1.7% year-on-year in May), while in the euro area it is rising very moderately (see Chart 2.b).

### Chart 2

#### 2.a Volume of new lending and repayment of loans for house purchase (a)

- **Spain**
- **Euro area**
- **Average 2015-2019. Spain**
- **Average 2015-2019. Euro area**

#### 2.b Outstanding balance of loans for house purchase (b)

- **Spain**
- **Euro area**

### SOURCES: ECB and Banco de España.

| Three-month cumulative flows using monthly seasonally adjusted data. Excludes renegotiations of existing loans, but includes: i) refinancing; ii) restructuring, when the interest rate is no lower than market rate with a similar term and credit risk, iii) novations; iv) debtor subrogations; v) creditor subrogations; and vi) acquisitions of loans in which the borrower is not entitled to modify the terms as a result of the acquisition. |
|——|
| Data adjusted for seasonality and securitisation. In the euro area the adjustment for securitisation is only available from December 2021. |

3 ... and consumer credit has remained buoyant

— The stock of consumer credit has picked up in recent months, reaching year-on-year growth of 7.2% in May, widening the gap to the euro area, where the pace of growth remains below 3% (see Chart 3.a). By type of loan, the momentum since 2023 has been driven by lending for the purchase of durable goods, although purchases of non-durable goods have also made a positive contribution in 2024 Q1 (see Chart 3.b). This change occurred in an environment of robust increases in nominal spending on consumer durables (this type of expense is the sort of consumption most likely to be financed with credit) which, in four-quarter cumulated terms, rose by 8% year-on-year in 2024 Q1.

— The stock of other lending (which covers loans to sole proprietors) continued to fall up to May, in both Spain and the euro area, although the rate of decline has slowed.

**Chart 3**

3.a Outstanding balance of consumer and other lending. Year-on-year rates of change (a)

3.b Outstanding balance of consumer credit by purpose. Rates of change and contributions (b)

**Sources:** ECB and Banco de España.

a Data adjusted for seasonality and securitisation. In the euro area the adjustment for securitisation is only available from 2023.

b Year-on-year rates of change calculated on outstanding amounts, meaning that they are affected by reclassifications and write-offs/write-downs. As a result, they differ from those shown in Chart 3.a, which are calculated as the net flow in the period divided by the outstanding balance at the beginning of the period.

c Loans that have been derecognised by the originating credit institution and transferred, either to securitisation special purpose entities or another type of assignee (but continue to be administered by a monetary financial institution) or to Sareb (the asset management company for assets arising from bank restructuring). No information is available to assign a purpose to them.
In early 2024, household income continued to increase on the back of employment and wage growth ...

— Employment income continued to rise vigorously in 2024 Q1, by 8.3% year-on-year, although slightly below end-2023 levels (8.7%). This increase was the result of favourable developments in both the number of employees and nominal earnings per employee (see Chart 4.a).

— Year-on-year growth in households’ gross disposable income (GDI) stood at 9.1% in 2024 Q1 (4.9% in real terms) an increase which is also partly driven by the rising number of households. Real GDI per household in 2024 Q1 stood nearly 4% higher than its level in 2019 (see Chart 4.b).

— Robust job creation in recent years appears to be helping alleviate income inequality. The Spanish National Statistics Institute’s (INE) Survey of Income and Living Conditions shows a fall in income inequality\(^2\) in 2022 (latest available figure) for the second consecutive year, standing below the levels recorded prior to the global financial crisis.

\(^2\) This fall can be seen whether inequality is measured on the basis of the disposable income ratio of the top 20% of earners relative to the bottom 20% or using the Gini coefficient.
... which, together with the relative slack in consumption, helped the saving rate to remain above its historical average

— The household saving rate rose in Spain and the euro area, to 14.2% and 15.3%, respectively, of GDI in 2024 Q1, above their historical averages (see Chart 5.a).

— The proportion of cash and overnight deposits in Spanish households’ portfolio of liquid assets continued to fall up to May (see Chart 5.b). New term deposits, which were remunerated at 2.6% in May (50 bp below the euro area average, but 253 bp above their end-2021 level, when remuneration was practically zero prior to monetary policy tightening), account for a large share of net investments. In contrast, Treasury bills appear to have lost their lustre somewhat after their interest rate dropped slightly, to 3.4% at one year in May, from their peak of 3.9% in October 2023.

**Chart 5**

**5.a Household saving rate (a)**

**5.b Liquid assets. Quarter-on-quarter rate of change and contributions (b)**

**SOURCES:** Eurostat, INE and Banco de España.

a Seasonally adjusted data.
b Seasonally adjusted data. Quarter-on-quarter rate of change calculated as net flows divided by the outstanding balance, which excludes the price effects of investment funds since December 2021. The latest figures date from May 2024, apart from Treasury bills and total liquid assets, which date from April.
c Net subscriptions (excluding valuation effects).
6. Asset appreciation has once again helped drive up nominal wealth, although real wealth appears to have barely changed

— Gross household wealth continued to rise in 2023 H2, underpinned by the appreciation of both financial assets and real estate and, to a lesser extent, by net asset purchases (see Chart 6.a). Real wealth, however, appears to have remained virtually unchanged. The favourable asset price developments continued in 2024 Q1, with the IBEX 35 climbing by 9.6% and house prices by 2.4% since 2023 Q4.

— Asset appreciation has uneven effects on the financial situation of households, given the differences in the level of their wealth and portfolio composition (see Chart 6.b). According to the Distributional Wealth Accounts, although housing makes up the main component across all household groups, financial assets (excluding bank deposits) account for a larger share of the total assets of the wealthiest households. For instance, the wealthiest 10% of households hold 26% of their wealth in shares, investment fund shares and debt securities, compared with 4.8% in the case of those below the 70th net wealth percentile.

**Chart 6**

### 6.a Gross wealth. Quarterly change by component (a)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Component</th>
<th>2021 1Q</th>
<th>2021 2Q</th>
<th>2021 3Q</th>
<th>2021 4Q</th>
<th>2022 1Q</th>
<th>2022 2Q</th>
<th>2022 3Q</th>
<th>2022 4Q</th>
<th>2023 1Q</th>
<th>2023 2Q</th>
<th>2023 3Q</th>
<th>2023 4Q</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Change in nominal gross wealth</td>
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<tr>
<td></td>
<td>Change in real gross wealth</td>
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<tr>
<td></td>
<td>Net acquisition of non-financial assets</td>
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<td>-200</td>
<td>-250</td>
<td>-300</td>
<td>-100</td>
<td>-150</td>
<td>-200</td>
<td>-250</td>
<td>-100</td>
<td>-150</td>
<td>-200</td>
<td>-250</td>
</tr>
<tr>
<td></td>
<td>Net acquisition of financial assets</td>
<td>100</td>
<td>150</td>
<td>200</td>
<td>250</td>
<td>100</td>
<td>150</td>
<td>200</td>
<td>250</td>
<td>100</td>
<td>150</td>
<td>200</td>
<td>250</td>
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<tr>
<td></td>
<td>Appreciation: real estate</td>
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<td>Appreciation: financial assets</td>
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<tr>
<td></td>
<td>Inflation (b)</td>
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</tbody>
</table>

### 6.b Composition of asset portfolios by instrument based on net wealth.

**Distributional Wealth Accounts, 2023 Q4 (c)**

<table>
<thead>
<tr>
<th>Household grouping</th>
<th>Housing</th>
<th>Deposits</th>
<th>Debt securities</th>
<th>Shares</th>
<th>Investment fund shares</th>
<th>Pension funds and insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deciles 1-7 (d)</td>
<td>100</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Decile 8</td>
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<td>20</td>
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<td>0</td>
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<td>0</td>
</tr>
<tr>
<td>Decile 9</td>
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<td>40</td>
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<td>0</td>
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<tr>
<td>Decile 10</td>
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<td>60</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Sources:** ECB and Banco de España.

- **a** Seasonally adjusted flows.
- **b** Proxied by the consumption deflator.
- **c** Experimental statistic published by the ECB on the distribution of wealth among households. The chart shows the financial asset portfolio of households at end-2023, distributed among household groups according to their net wealth and including detailed information from the Household Finance and Consumption Survey for 2021.
- **d** The first seven deciles are grouped because the distribution is highly similar for all of them.
The household debt ratio has continued to decline …

— The household debt ratio decreased to 72% of GDI in 2024 Q1, its lowest level since end-2001 and 14 percentage points (pp) below the euro area average (see Chart 7.a). In both Spain and the euro area, deleveraging has been strongest within loans for house purchase.

— In Spain the debt ratio has decreased over the last two years primarily on account of the inflation-linked erosion of the real value of debt and also, since end-2022, higher real incomes and a contraction in the stock of loans (see Chart 7.b). Over a broader timescale, the decline in indebtedness among Spanish households also reflects the fact that home ownership has become less affordable for younger households than it was for previous cohorts (see Box 1).

**Chart 7**

7.a Household debt ratio

7.b Breakdown of quarterly change in debt ratio (c)

**Sources:** INE, ECB and Banco de España.

a Estimated drawing on bank loans to households.

b Loans received from non-residents in each area.

c Seasonally adjusted outstanding amount.

---

3 In 2024 Q1 this ratio stood at 46% and 53% of GDP in Spain and the euro area, respectively.
... but the interest burden rose slightly relative to income in 2024 Q1

— Nevertheless, the net interest burden (interest payments less interest income) has fallen below 2% of GDI, due to an increase in interest income. This net interest burden is around 20 bp higher than the average recorded since 1999, but 160 bp lower than the peak levels of 2008 (see Chart 8.a).

— The average cost of the outstanding amount of household loans has remained virtually unchanged in recent months, standing at 4.6% in May 2024. According to the simulations conducted using the Central Credit Register (CCR) and market interest rate expectations at end-May, the cost of 26% of outstanding mortgages in March 2024 could decrease by 50-80 bp between March and December 2024 owing to the lower reference interest rates on floating-rate loans.⁴

**Chart 8**

**8.a Households’ net interest burden (a)**

<table>
<thead>
<tr>
<th>% of quarterly GDI (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.5</td>
</tr>
<tr>
<td>1.0</td>
</tr>
<tr>
<td>0.5</td>
</tr>
<tr>
<td>0.0</td>
</tr>
<tr>
<td>-0.5</td>
</tr>
<tr>
<td>-1.0</td>
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<tr>
<td>-1.5</td>
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<tr>
<td>-2.0</td>
</tr>
<tr>
<td>-2.5</td>
</tr>
<tr>
<td>-3.0</td>
</tr>
<tr>
<td>-3.5</td>
</tr>
</tbody>
</table>

**SOURCES:** INE and Banco de España.

- Seasonally adjusted interest income and payment flows prior to the allocation of financial intermediation services indirectly measured (FISIM).
- GDI is seasonally adjusted and excludes net interest income after the allocation of FISIM.

---

⁴ See “Box 1. Monetary policy transmission to interest payments on the bank debt of households and firms”, in *Report on the financial situation of households and firms. Second half of 2023* for more information on the calculation methodology used.
9 The credit quality of household loans has deteriorated somewhat since September 2023

— Troubled loans to households grew by 5.3% between September 2023 and March 2024 (chiefly in 2023 Q4), owing to a rise in Stage 2 loans (which account for 65% of troubled loans), and despite a slight decrease in non-performing loans (NPLs) (see Chart 9.a). The increase in troubled loans was observed across the board, but was sharper in consumer credit, with declines recorded only in other lending (which includes sole proprietors).

— The troubled loan ratio stood at 9.7% in March (see Chart 9.b), a rise of 0.6 pp from 2023 Q3 and similar to end-2019 levels. This increase was attributable to the Stage 2 ratio, which rose to 6.3%, while the NPL ratio held stable at 3.3%. These ratios are 1.2 pp higher and lower, respectively, than their pre-pandemic levels.

SOURCE: Banco de España.

a Aggregate of deposit institutions and specialised lending institutions (SLIs).

b NPLs and Stage 2 loans refer to the gross carrying amount of troubled assets in banks’ portfolios. Loans are classified as non-performing when they are in default (there are amounts more than 90 days past due) or when there are indications that the loan is unlikely to be paid (e.g. the equity of a firm is negative). Loans are classified as Stage 2 when their credit risk has increased significantly since initial recognition, but they do not meet the requirements to be classified as non-performing. They generally include those with amounts more than 30 days past due.
The cost of new financing to firms has fallen slightly since last autumn ...

- As in the case of household loans, average interest rates on new lending to firms have declined slightly, in line with the fall in market reference rates amid expectations of cuts to key ECB interest rates.

- In May the lending rate on loans of up to €1 million had dropped 21 bp from the peaks observed in autumn 2023, while in the case of larger loans, it had fallen by 6 bp. Although the average cost of long-term debt security issuances has risen since early 2024, in June it was still around 40 bp below its October 2023 peak (see Chart 10.a).

- Interest rates on new lending have declined across all loan sizes and firms’ risk profiles. The increases in such costs during the recent period of monetary policy tightening were also broad-based and of a similar magnitude across the different segments, although they were somewhat higher for larger loans (see Chart 10.b).

**Chart 10**

10.a Cost of new financing to NFCs (a)

10.b Change in the cost of new bank financing to NFCs by credit risk and loan size (b)

**SOURCE:** Banco de España.

a Bank rates are narrowly defined effective rates (NDERs), i.e. they exclude related charges and are adjusted seasonally and for the irregular component. Latest observation: May 2024 (bank rates) and June 2024 (debt securities).

b Drawing on the Central Credit Register (CCR) and Central Balance Sheet Data Office integrated database (CBI) following Roberto Blanco, Elena Fernández, Miguel García-Posada and Sergio Mayordomo (2023), “An estimation of the default probabilities of Spanish non-financial corporations and their application to evaluate public policies”, Documentos Ocasionales - Banco de España, 2319. A firm is considered to have low credit risk if its probability of default is lower than or equal to 1%, medium credit risk if it is higher than 1% but lower than or equal to 3% and high credit risk if it is higher than 3%.
11 … and the deterioration in firms’ access to credit appears to have stopped

— According to the BLS, credit standards remained unchanged between January and March 2024 both for firms as a whole and for large firms (for the second consecutive quarter), but lending to small and medium-sized enterprises (SMEs) continued to tighten somewhat (see Chart 11.a).

— However, according to the Survey on the Access to Finance of Enterprises (SAFE) in the euro area, SMEs’ perception of the availability of bank credit remained broadly stable in Q1, in contrast to the deterioration they had reported in previous editions (see Chart 11.b).

— Constraints on access to credit for some firms during the recent period of monetary policy tightening appear to have continued to hamper investment among the SMEs affected, slightly more so than before the pandemic (see Box 2).

Chart 11

11.a Change in bank lending standards for NFCs. BLS (a)

11.b Change in perceived bank loan availability among Spanish firms. SAFE (b)

SOURCES: ECB and Banco de España.

a Percentage of banks reporting a tightening less percentage of banks reporting an easing. The percentage is zero for the expectations of both SMEs and large firms.

b Percentage of SMEs reporting an improvement less percentage of SMEs reporting a deterioration.

c The survey is conducted every quarter as of 2024. The results of the quarterly survey cannot be compared with those of the half-yearly survey, since both the firm samples and the time frames are different.
Meanwhile, demand for bank credit no longer appears to be declining, but it remains weak

— According to the BLS, in 2024 Q1 demand for loans remained unchanged for SMEs and decreased slightly for large firms (see Chart 12.a). For 2024 Q2, the BLS envisages loan applications to remain stable across all firm sizes.

— Based on the responses of the banks surveyed, the weakness of demand is mainly due to the negative impact of higher interest rates, as well as to lower financing needs (for fixed asset investment, inventories and working capital), fewer mergers and corporate restructuring processes and the use of internal financing.

— Unlike the BLS, the SAFE shows a slight increase in the percentage of SMEs that applied for bank loans in 2024 Q1. Nevertheless, between October 2023 and March 2024, this percentage stood at historically low levels (see Chart 12.b).

**Chart 12**

**12.a Change in Spanish NFCs’ demand for bank loans. BLS (a)**

**12.b Percentage of SMEs that have applied for bank loans in Spain. SAFE (b)**

**Sources:** ECB and Banco de España.

**a** Percentage of banks reporting an increase less percentage of banks reporting a decrease. The percentage is zero for the expectations of both SMEs and large firms.

**b** As a percentage of SMEs for which bank loans (including subsidised loans) are relevant. Firms are classified as such if they have used bank financing in the past or are considering using it in the future.

**c** The survey is conducted every quarter as of 2024. The results of the quarterly survey cannot be compared with those of the half-yearly survey, since both the firm samples and the time frames are different.
13 Against this background, the financing raised by Spanish firms has stopped decreasing

— The Financial Accounts of the Spanish Economy show that in 2023 Q4 the total balance of financing raised by firms rose slightly compared with the previous quarter. Financing indicators point to a continuation of this trend in 2024 Q1.

— New bank loans to firms in Spain have gained momentum in 2024 and, for the first time since September 2022, the outstanding balance of such credit has posted a quarter-on-quarter growth rate close to zero, although it continued to decline in year-on-year terms (see Chart 13.a). These developments come amid a slight improvement in financing conditions and a halt to the decline in credit demand by SMEs. In the euro area there has been little change in the stock of bank loans.

— The year-on-year drop in the balance of financing raised by Spanish firms through bond issuance has also moderated, with the rate of decline remaining very low since the beginning of 2024 (see Chart 13.b).

SOURCES: ECB and Banco de España.

a Securitisation adjusted data.
b Seasonally adjusted data.
c The data for Spain include issuances by non-resident subsidiaries, but the euro area data do not (they do include issuances within the euro area when the parent and the subsidiary are domiciled in different countries).
In 2024 Q1 turnover remained broadly stable in year-on-year terms, with some sectoral heterogeneity, ...

— Nominal turnover fell by 0.6% year-on-year in 2024 Q1, according to the combined information of the Spanish tax revenue service (AEAT) and the Central Balance Sheet Data Office Quarterly Survey (CBQ) (see Chart 14.a).

— Turnover in construction and real estate activities, hospitality (grouped with trade in Chart 14.b) and other services grew at a notable year-on-year rate. Growth in the latter two cases is in line with the significant contribution of tourism to GDP growth in 2024 Q1. By contrast, turnover declined in industry, trade (influenced by fuel retailers) and, above all, energy, with the decline in prices lying behind the drops in the latter two sectors.

— The Banco de España Business Activity Survey (EBAE) points to an increase in turnover in Q2 relative to Q1, albeit uneven across sectors.
15 ... while the margin on sales rose on average, but declined slightly in terms of GVA

— In 2024 Q1 the margin on sales was higher than in the previous quarter both for firms overall and in most of the sectors analysed (see Chart 15.a).

— The modest increase in the margin on sales was compatible with the slight decrease in the margin on gross value added (GVA) in the same period (see Chart 15.b). This shows that the weight of personnel costs continued to grow somewhat between January and March at the expense of profits. In this vein, National Accounts data also show a slight decline in gross operating surplus (GOS) as a percentage of GVA in the market economy.

— In any event, the AEAT and CBQ data display sectoral heterogeneity, with modest increases in the margins on GVA in trade, hospitality and construction and real estate activities, and decreases in industry (excluding refined petroleum products), other services and, to a greater extent, energy.

### Chart 15

**15.a Margin on sales. NFCs. AEAT and CBQ data (a)**

**15.b Margin on GVA. NFCs. AEAT and CBQ data (e)**

**SOURCES:** AEAT (Observatorio de Márgenes Empresariales) and Banco de España.

a Defined as GOP (calculated as Turnover - Procurements - Wages) / Turnover. Four-quarter moving sum.

b The following sectors are not included: education, health, public administration, recreation, financial and insurance activities and other services. The information comes from the AEAT, except that relating to electricity, gas, steam and air-conditioning supply, and to coke and refined petroleum products, which comes from the CBQ.

c Includes transportation and storage; information and communication; professional, scientific and technical activities; and administrative and support service activities.

d The energy sector includes mining and quarrying activities, and electricity, gas and water.

e Defined as GOP (Turnover – Procurements – Wages) / GVA (Turnover – Procurements). Four-quarter moving sum.
Against this backdrop, firms’ profits decelerated once again, albeit unevenly by sector

— Gross operating profit (GOP) grew by 4.9% year-on-year in nominal terms between January and March 2024, prolonging the slowing trend of the previous quarters (see Chart 16.a). GOP increased most notably in hospitality, and also grew in trade, construction and real estate activities and other services, while it declined in industry (excluding refined petroleum products) and, especially, in energy.

— In 2024 Q1 financial costs continued to contribute negatively (-4.1 pp) to the year-on-year change in the ordinary net profit (ONP) of the CBQ sample, albeit less than in 2023 on average (-6.8 pp). The contribution of interest income was slightly positive and dividend income remained stable. All of this led to ONP falling by 9.1% year-on-year (see Chart 16.b). Excluding the energy sector, ONP would have increased by 12.8%.

### Chart 16

16.a  GOP. NFCs. Year-on-year rate of change. AEAT and CBQ (a)

16.b Year-on-year change in ONP and contribution by component. NFCs. CBQ (e)

**SOURCES:** AEAT (Observatorio de Márgenes Empresariales) and Banco de España.

- ** GOP** calculated as Turnover – Procurements – Wages. Calendar effect adjusted.
- b The following sectors are not included: education, health, public administration, recreation, financial and insurance activities and other services. The information comes from the AEAT, except that relating to electricity, gas, steam and air-conditioning supply, and to coke and refined petroleum products, which comes from the CBQ.
- c Includes transportation and storage; information and communication; professional, scientific and technical activities; and administrative and support service activities.
- d The energy sector includes mining and quarrying activities, and electricity, gas and water.
- e ONP is defined as GOP plus net financial revenue less net depreciation, impairment and operating provisions. Not calendar effect adjusted. Does not include holding companies.
In early 2024, CBQ firms’ profitability remained relatively steady (with the exception of the energy sector), as did their liquidity buffers

- The return on equity of the CBQ sample stood at 10.1% in 2024 Q1, 0.2 pp lower than in 2023 Q1 (see Chart 17.a).

- The sectoral breakdown shows that the slight decrease observed in the total sample was strongly driven by the fall in profitability in the energy sector, while it increased in the other sectors (industry, trade, hospitality and information and communication).

- According to the CBQ, firms’ average liquidity⁵ held practically stable between January and March 2024 at somewhat above 2019 levels. By sector, there was a drop in trade and hospitality, an increase in information and communication and no significant change in energy and industry (see Chart 17.b).

---

Chart 17

17.a ROE. NFCs. CBQ (a) (b)

17.b Liquidity ratio. NFCs. CBQ (b) (d)

SOURCE: Banco de España.

a Ratio defined as ONP / Own funds.

b Holding companies are not included.

c In addition to the sectors shown in the chart, the total includes transportation and storage, activities with limited coverage (for example, construction) and other services, which can lead to the total levels of some indicators being lower than the sum of the other sectors depicted.

d Ratio defined as Cash and cash equivalentes / Total assets.

5 Defined as cash and cash equivalents divided by total assets.
The debt-to-operating surplus ratio is no longer falling since mid-2023 ...

— The aggregate ratio of debt to GOS rose in 2023 Q4 and 2024 Q1, interrupting the downward trend it had followed since mid-2021 (see Chart 18.a). Falling real income and, more recently, slightly higher debt led to a moderate increase in this ratio. However, in terms of GDP, the ratio has continued to decline, to 64.2% in 2024 Q1, a level not seen since 2002 and 3.4 pp lower than the euro area average.

— In the period January-March 2024, the average ratio of debt to ordinary profit (GOP plus financial revenue) for CBQ firms remained stable at the 2023 average (see Chart 18.b). By sector, the ratio increased moderately in information and communication, decreased slightly in trade and hospitality and remained largely unchanged in energy and industry.

Sources: INE and Banco de España.

a Balance of seasonally adjusted outstanding debt. Excluding loans between NFCs resident in Spain. 2024 Q1 is an estimation.
b Interest-bearing borrowing / (GOP + Financial revenue). Excluding holding companies.
c In addition to the sectors shown in the chart, the total includes transportation and storage, activities with limited coverage (for example, construction) and other services, which can lead to the total levels of some indicators being higher than the sum of the sectors depicted.
19 ... and the debt burden as a share of GOS has continued to rise, albeit remaining below the historical average

— The corporate sector’s aggregate net interest burden as a share of GOS rose by 0.5 pp in 2024 Q1, to stand at 9.6% (see Chart 19.a). This increase was due to higher debt servicing costs and a slight decline in interest income, despite the rise in nominal GOS. Nonetheless, the net interest burden is low by historical standards (3 pp and 13 pp below the average since 1999 and the 2007 peak, respectively).

— By sector, the CBQ shows an all-round increase in the average debt burden ratio (the ratio of interest expenses to ordinary profit) in the first three months of 2024, compared with the average for the previous year (see Chart 19.b).

— Based on simulations carried out using the CCR and market interest rate expectations at end-May, around 31% of firms’ outstanding loans at March 2024 will become between 50 bp and 80 bp cheaper between March and December 2024. See footnote 4.

**Sources:** INE and Banco de España.

- Seasonally adjusted interest income and payment flows prior to the allocation of FISIM.
- GOS excludes net interest income after assigning FISIM.
- Interest on borrowed funds / (GOP + Financial revenue). Excluding holding companies.
- In addition to the sectors shown in the chart, the total includes transportation and storage, activities with limited coverage (for example, construction) and other services.
The percentage of vulnerable firms in the CBQ sample rose slightly in 2024 Q1 ...

- The percentage of vulnerable firms in 2024 Q1 was up on the same period of 2023, in terms of both those with negative ONP (up 3.5 pp, to 30%) and those under significant financial pressure (up 2.3 pp, to 16%), while the proportion of highly indebted firms remained unchanged (see Chart 20.a). Nonetheless, in all these cases the figures remain below the average since 2008. The upturn in the proportion of vulnerable firms is in keeping with the slight worsening of the credit ratings assigned by the Banco de España’s in-house credit assessment system (ICAS BE) over the past year.7

- This increase took place across almost all of the sectors analysed (see Chart 20.b), against a backdrop of weaker profits, weighed down by the rise in personnel and financial costs.

**Chart 20**

**20.a Percentage of vulnerable firms, according to the CBQ (a)**

<table>
<thead>
<tr>
<th></th>
<th>2023 Q1</th>
<th>2024 Q1</th>
<th>2023 Q1</th>
<th>2024 Q1</th>
<th>2023 Q1</th>
<th>2024 Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td>With negative ONP</td>
<td>25</td>
<td>22</td>
<td>20</td>
<td>22</td>
<td>15</td>
<td>17</td>
</tr>
<tr>
<td>Highly indebted (b)</td>
<td>20</td>
<td>23</td>
<td>18</td>
<td>20</td>
<td>15</td>
<td>17</td>
</tr>
<tr>
<td>Under significant financial pressure (c)</td>
<td>10</td>
<td>12</td>
<td>8</td>
<td>10</td>
<td>5</td>
<td>7</td>
</tr>
</tbody>
</table>

**20.b Percentage of vulnerable firms, by sector. CBQ (a)**

<table>
<thead>
<tr>
<th></th>
<th>2023 Q1</th>
<th>2024 Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>25</td>
<td>22</td>
</tr>
<tr>
<td>Industry</td>
<td>20</td>
<td>23</td>
</tr>
<tr>
<td>Trade and hospitality</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Information and communication</td>
<td>15</td>
<td>17</td>
</tr>
<tr>
<td>Energy</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Industry</td>
<td>15</td>
<td>17</td>
</tr>
<tr>
<td>Trade and hospitality</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Information and communication</td>
<td>7</td>
<td>9</td>
</tr>
</tbody>
</table>

**SOURCE:** Banco de España.

a Excluding holding companies.
b Net financial debt is defined as interest-bearing borrowing less cash and cash equivalents. Firms are classified as highly indebted if their ratio of Net financial debt / (GOP + Financial revenue) is higher than 10 or if they have positive net financial debt and zero or negative earnings.
c Firms under significant financial pressure are proxied as those whose earnings do not cover their interest expenses.

21 ... and insolvencies rose. However, net business creation remained robust

— The number of non-financial corporation (NFC) insolvencies (on a four-quarter moving average basis) increased between January and March (see Chart 21.a). Thus, the insolvency rate (as a percentage of active firms) stood at 0.1%, above the average since 2005 but below the figure observed during the economic crisis of 2008-2013. This trend was shaped by both the worsening financial position of some firms and the fact that the new special insolvency procedure (less costly and faster than the general procedure) is more attractive to microfirms. This procedure has become increasingly popular since it was first introduced on 1 January 2023.

— Net business creation remained robust, thanks to a rise in new entries and, to a lesser extent, a decline in the number of exits (see Chart 21.b). Net business creation as a share of total active firms stood at 0.6% in April 2024 (on a twelve-month moving average basis), drawing close to the average since 1999.

**Chart 21**

21.a Number of NFC insolvencies

21.b Firm entries, firm exits and net creation of NFCs

SOURCES: INE and Colegio de Registradores.

a The figure for total active firms is drawn from the central business directory (DIRCE) and is the sum of (i) public limited companies, (ii) private limited companies, (iii) general partnerships, (iv) limited partnerships, (v) common properties and (vi) cooperative societies.

b Four quarter moving averages. Shown as a percentage of the average active firms since 2022.

c Latest figure: April 2024. 12-month moving averages. The series of firm entries, firm exits and net creation (entries less exits) is shown as a percentage of the number of active firms at 1 January of each year.
Troubled loans to firms continued to fall, although there has been an uptick in NPLs

— At March 2024 troubled loans to firms stood 3.6% below their 2023 Q3 level, thanks to the decline in Stage 2 loans (which account for 68% of outstanding troubled loans) and despite the rise in NPLs (see Chart 22.a).

— The troubled loans ratio stood at 14.2% in March, 0.4 pp lower than in September 2023 (see Chart 22.b) and 0.3 pp up on the end-2019 figure. This decline was due to the reduction in the Stage 2 ratio (down 0.5 pp to 9.7%) and despite the slight rise in the NPL ratio (up 0.1 pp to 4.5%), interrupting the downward trend of recent years. These ratios were 1.9 pp higher and 1.6 pp lower, respectively, than their pre-pandemic levels.

Source: Banco de España.

a Aggregate of deposit institutions and SLIs.
b NPLs and Stage 2 loans refer to the gross carrying amount of troubled assets in banks’ portfolios. Loans are classified as non-performing when they are in default (there are amounts more than 90 days past due) or when there are indications that the loan is unlikely to be paid (e.g. the equity of a firm is negative). Loans are classified as Stage 2 when their credit risk has increased significantly since initial recognition, but they do not meet the requirements to be classified as non-performing. They generally include those with amounts more than 30 days past due.