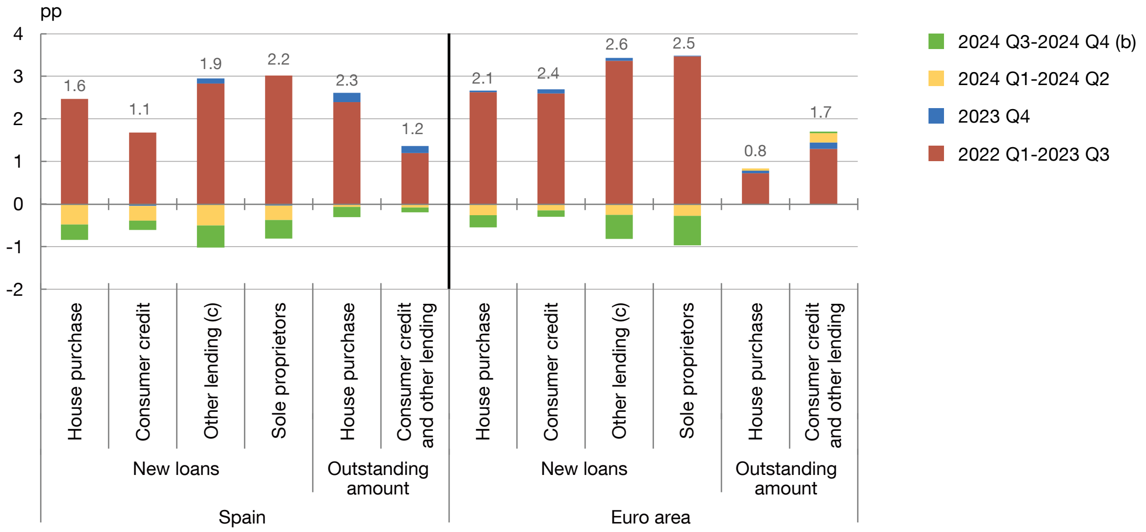
1 Favourable developments in financing conditions drove demand for loans to households in 2024 H2

— In keeping with the less restrictive monetary policy stance, the cost of new lending to households continued to decline in 2024 H2 (Chart 1.a). In contrast to the lesser pass-through of key interest rates in Spain compared with the euro area average during the interest rate hiking cycle that began in 2022, in 2024 the cumulative decline in lending rates was generally more marked in Spain. The higher prevalence of variable-rate mortgages and short-term consumer loans in Spain contributed to a decrease in the average cost of outstanding loans in 2024, while in the euro area the average cost continued to rise.

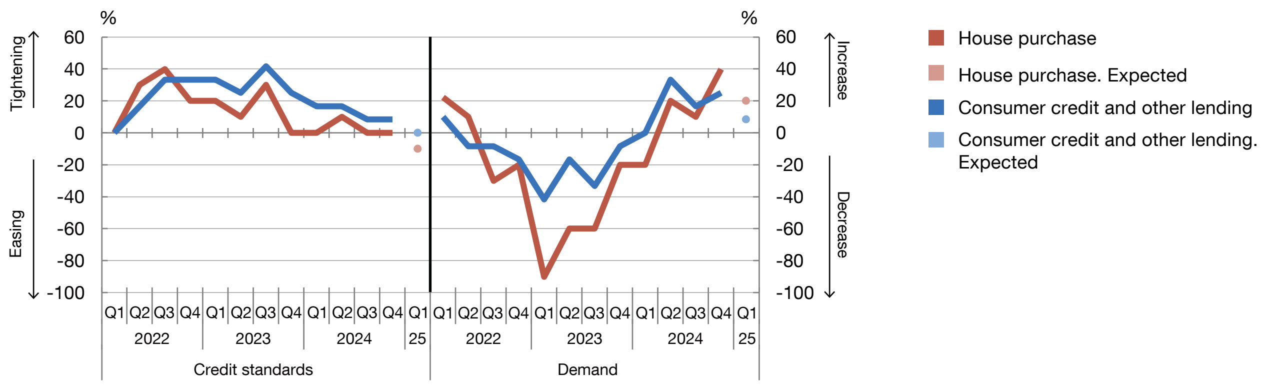
— According to the BLS, credit standards for loans for house purchase remained stable in 2024 Q3 and Q4, while those for consumer credit and other lending tightened less than in previous quarters. Loan demand rose from Q2, driven mainly by a decline in the cost of borrowing (Chart 1.b).

Chart 1

1.a Change in the cost of bank loans to households (a)



1.b Change in credit standards and demand for bank loans to households in Spain. BLS (d)



SOURCES: ECB and Banco de España.

a Bank rates are narrowly defined effective rates (NDERs), i.e. they exclude related charges such as repayment insurance premiums and fees. Interest rates on new loans are adjusted seasonally and for the irregular component.
b Data to November.
c Excludes loans to sole proprietors.
d The percentage of banks reporting a tightening/increase less the percentage reporting an easing/decrease.

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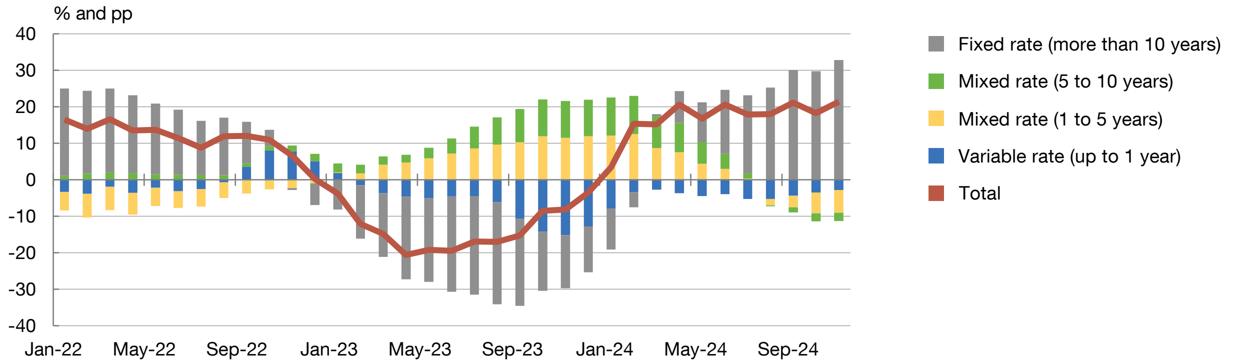
2 This translated into more robust lending for house purchase ...

— The volume of new loans for house purchase continued to rise in 2024 H2, with an increase in fixed-rate mortgages and a decline in mixed or variable-rate mortgages (Chart 2.a). Fixed-rate mortgages accounted for 62% of total new mortgage loans in 2024 H2 (to November), compared with 44% in the same period of 2023. Mixed and variable-rate mortgages represented 28% and 10%, respectively, compared with 40% and 16% one year earlier.[1]

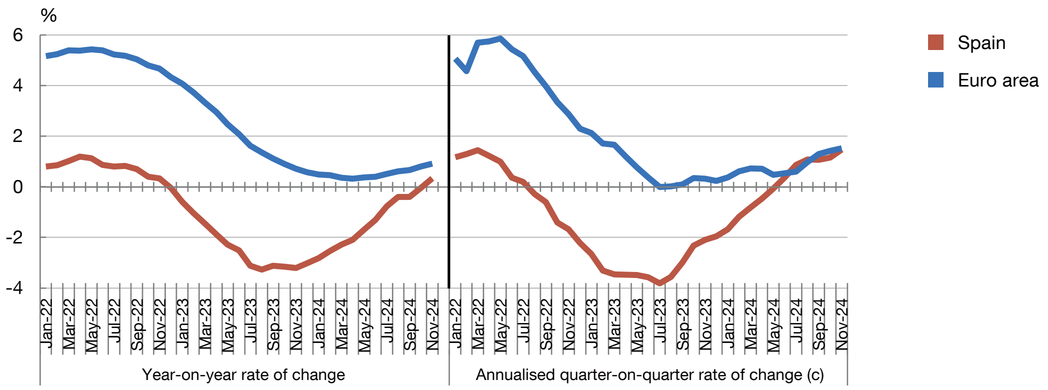
— The outstanding amount of mortgages to households began to rise in mid-2024, ending two years of continuous declines. In November 2024 the year-on-year growth rate stood at 0.3%, while the annualised quarter-on-quarter rate was 1.5% (Chart 2.b). Lending for house purchase likewise gained momentum in the euro area, with the outstanding amount up 0.9% year-on-year in November 2024 (1.5% in annualised quarter-on-quarter terms).

Chart 2

2.a Volume of new lending for house purchase. Year-on-year rate of change and contributions by initial rate fixation period (a)



2.b Outstanding amount of loans for house purchase. Rate of change (b)



SOURCE: Banco de España.

a Three-month cumulative data. Includes renegotiations of existing loans. The classification of the mortgage rate type based on the initial rate fixation period is an approximation and may not reflect the loan's actual rate type.
b Securitisation adjusted data (for the euro area, data are only available from December 2021).
c Seasonally adjusted data.

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1 See note a of Chart 2.a the definition used for these types of loans.

3 … and an acceleration in consumer lending

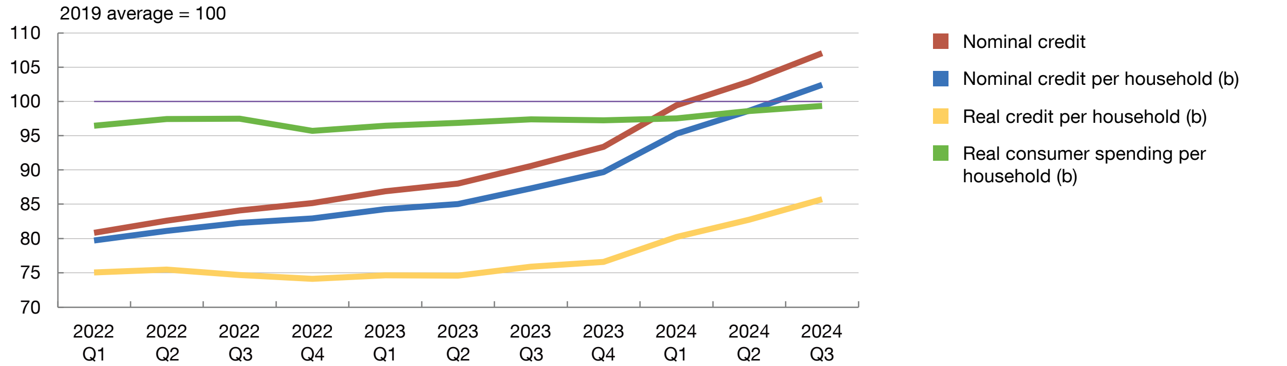
— In 2024 H2 new consumer lending continued to grow in nominal terms (20.6% year-on-year to November) and in real terms per household (Chart 3.a). In 2024 Q3 real private consumer spending per household had nearly recovered pre-pandemic figures, while the real flow of credit remained 14% below those levels.

— According to the CCR, the year-on-year growth in new consumer credit was broad-based across income levels (proxied by the average income for the household's postcode district), but somewhat more pronounced among lower-income households (4.7 pp higher in the bottom quintile of the income distribution than in the top quintile). This increase primarily owes to a rise in the number of borrowers and, to a lesser extent, higher credit per household.

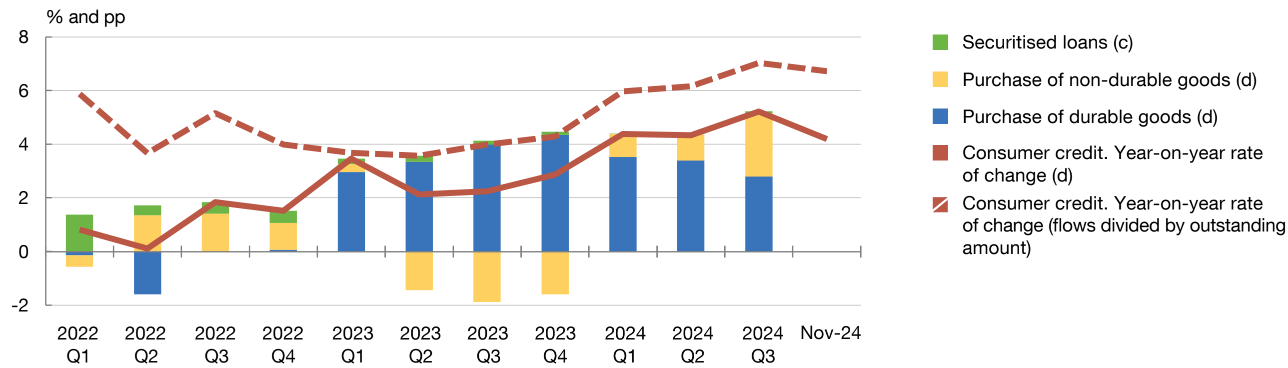
— The outstanding amount of consumer credit grew by 6.7% year-on-year in November 2024. Purchases of durable goods remained the main driver of this growth, although the contribution of non-durable goods purchases has increased since early 2024 (Chart 3.b), amid a recovery in household consumer spending.

Chart 3

3.a Volume of new consumer loans and private consumer expenditure (a)



3.b Outstanding amount of consumer credit, by purpose. Year-on-year rate of change and contributions



SOURCES: INE and Banco de España.

a Seasonally adjusted series. For the real-term series, the private consumption deflator is used.
b Divided by the total number of households (both with and without loans).
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). The purpose of the loans cannot be determined on the information available.
d Year-on-year rates calculated based on outstanding amounts, meaning they are affected by reclassifications and write-offs.

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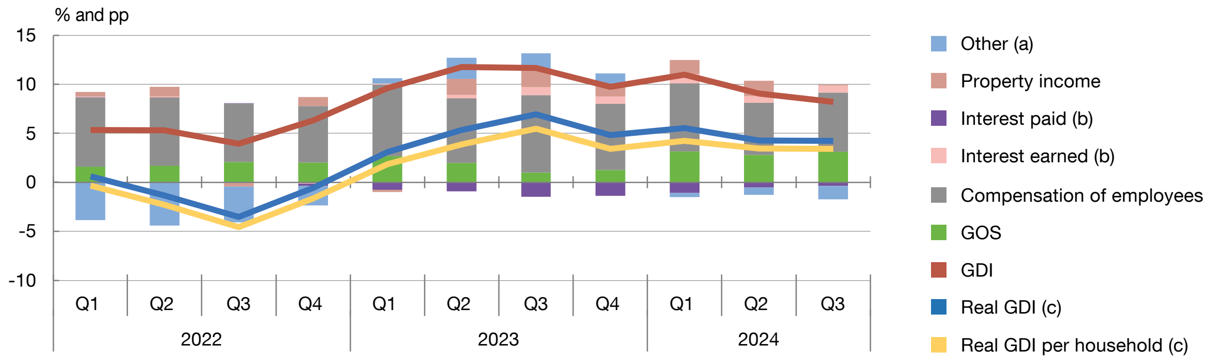
4 Household income continued to grow in real terms per household in 2024 Q3 ...

— Household GDI grew by 8.2% year-on-year in 2024 Q3, 0.8 pp less than in the previous quarter, while in real terms the growth rate held at 4.2% (Chart 4.a). The slowdown in nominal GDI owed mainly to more sluggish growth in property income, while the contribution of employee compensation to the increase in GDI was up by 0.7 pp to 6 pp thanks to employment growth, which offset the easing in compensation per employee.

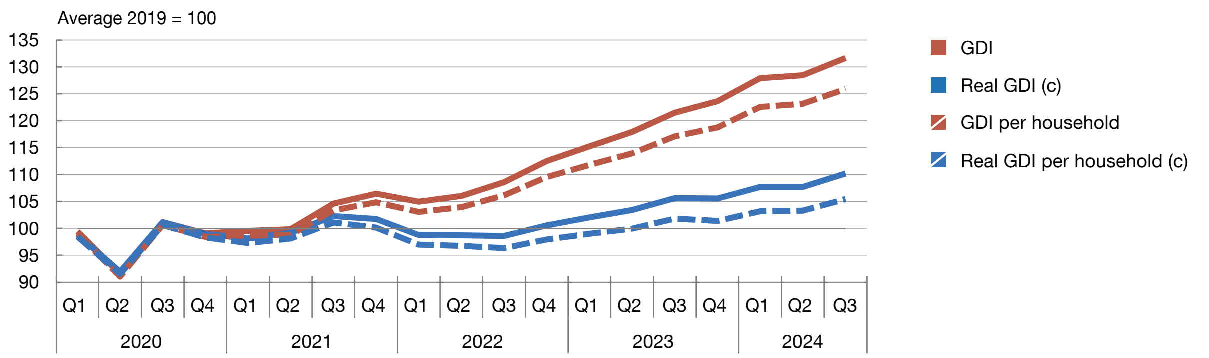
— In 2024 Q3, real GDI per household was 5.4% higher than its 2019 average (Chart 4.b).

Chart 4

4.a Households' GDI. Year-on-year rate of change and contributions



4.b Households' GDI (d)



SOURCES: INE and Banco de España.

a Includes allocation of FISIM.
b Prior to allocation of FISIM.
c The private consumption deflator is used.
d Seasonally adjusted series.

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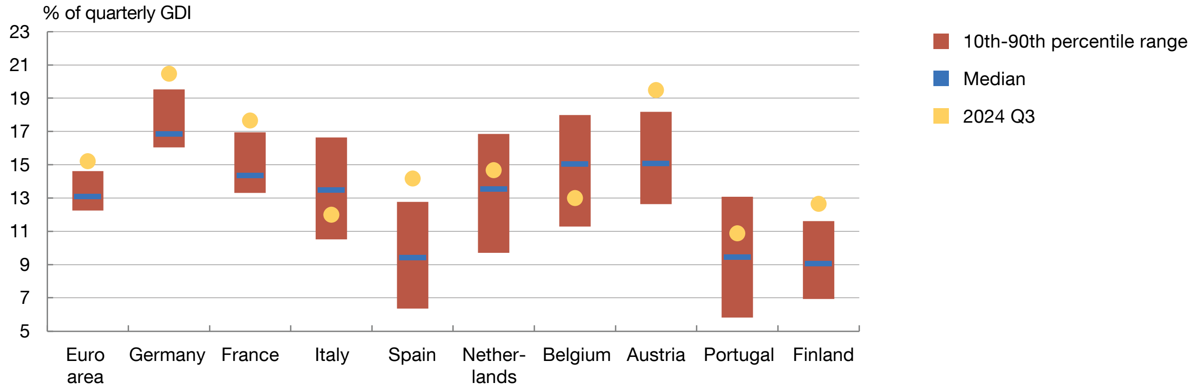
5 … while the saving rate rose slightly, holding at historically high levels

— As a share of GDI, household saving increased by 1.1 pp in 2024 Q3 to 14.2%. As in most euro area countries, the saving rate stands at historically high levels, above the 90th percentile of the series since 1999 (Chart 5.a). This situation may reflect, among other factors, a decline in households' marginal propensity to consume, which, according to the Spanish Survey of Household Finances (EFF by its Spanish acronym), was especially pronounced among higher-income households, renter households and those whose liquid assets have increased the most.

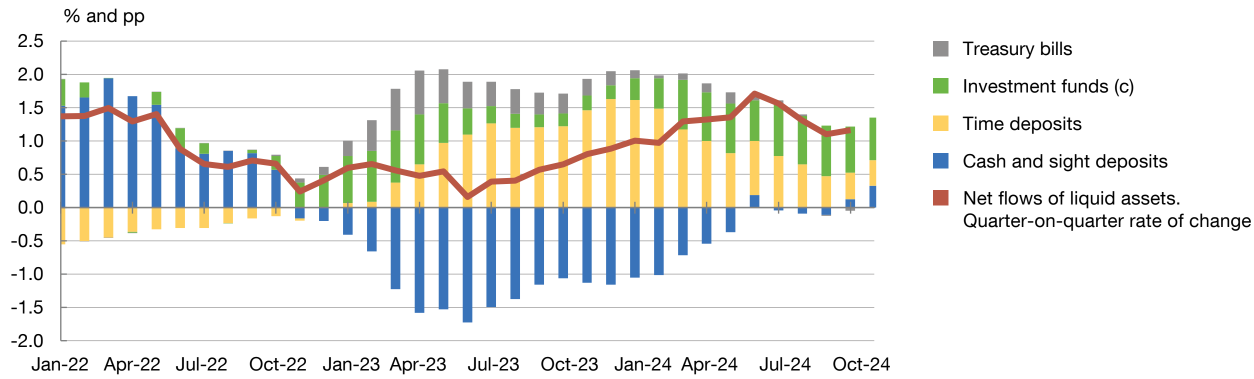
— Net investments in time deposits slowed in 2024 H2 (Chart 5.b), after their remuneration began to decline from July, with a cumulative decrease of 44 bp to 2.2% in November. Net outflows of cash and sight deposits came to an end, with net inflows beginning to appear in late 2024, while net subscriptions of investment funds grew at similar rates to H1.

Chart 5

5.a Household saving rate from a historical perspective (1999-2024) (a). International comparison



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



SOURCES: European Commission, INE and Banco de España.

a Seasonally adjusted quarterly data.
b Seasonally adjusted data. Quarter-on-quarter rate of change calculated as net flows divided by the outstanding amount, which excludes the price effects of investment funds from December 2021. The latest data are for November 2024, except for Treasury bills and total liquid assets, which are for October.
c Net subscriptions (excl. valuation effects).

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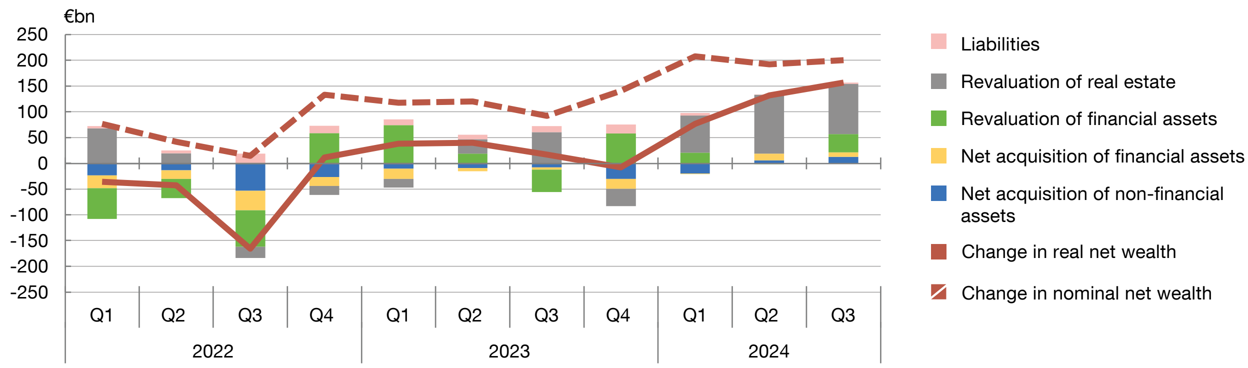
6 Rising property prices continued to drive up the wealth of homeowners …

- Households' real net wealth grew in 2024 Q3, supported by both asset revaluation and, to a lesser extent, net asset purchases (Chart 6.a). The main driver was house price growth (up by 2.1% on the previous quarter), followed by the revaluation of financial assets. The contributions, in real terms, of net purchases of financial assets and real estate turned positive from Q2, having been negative since mid-2021.

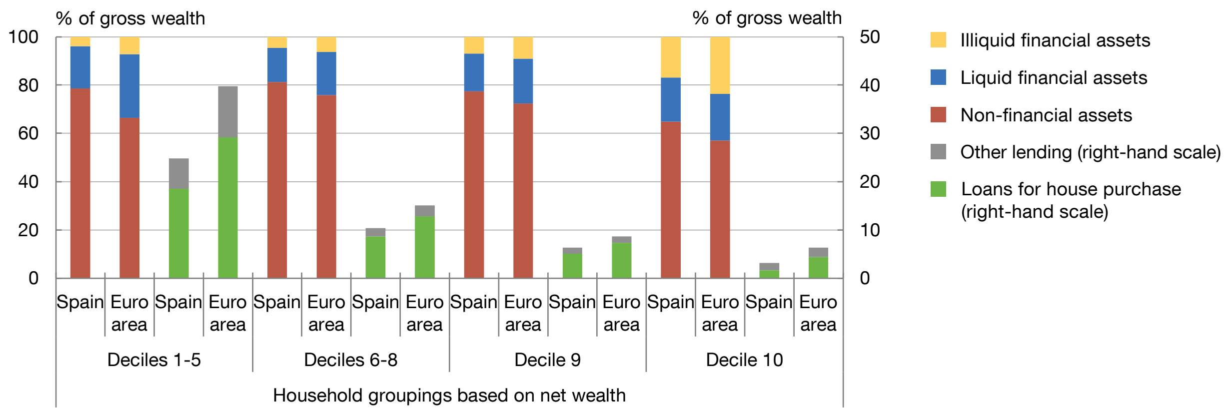
- According to the Distributional Wealth Accounts,[2] Spanish households in all wealth brackets concentrate more of their gross wealth in real estate assets than their euro area counterparts. However, debt for house purchase accounts for a lower percentage of household gross wealth than in the euro area (Graph 6.b). This is largely due to the proportion of dwellings in Spain owned by debt-free households aged over 65.

Char 6

6.a Net wealth. Quarter-on-quarter change by component of real net wealth (a)



6.b Composition of gross wealth by instrument based on net wealth. Distributional Wealth Accounts. 2024 Q2 (b)



SOURCES: ECB and Banco de España.

a Nominal flows are seasonally adjusted and deflated with the consumption deflator. Liabilities are presented with the sign changed.
b Experimental statistics published by the ECB based on data from the 2021 wave of the Household Finance and Consumption Survey.

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2 Experimental statistics produced by the ESCB to provide by distributional information on household wealth.

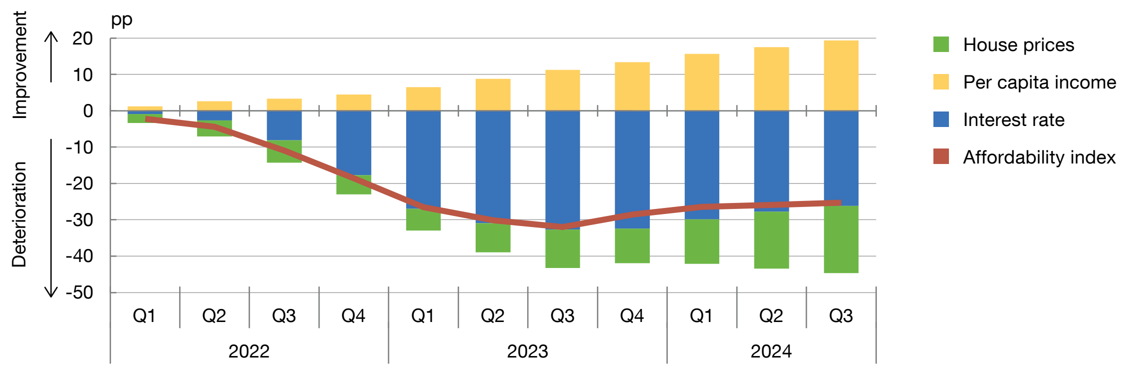
7 … but continued to make housing less affordable for potential new buyers

— Rising house prices have continued to worsen housing affordability. However, since 2023 Q4 this effect has been more than offset by the growth in per capita income and the decrease in borrowing costs. This led to a slight improvement (6.6 pp year-on-year to Q3) in the indicators that proxy home ownership affordability for buyers with mortgage financing, although a large part of the cumulative tightening in the period 2022-2023 persists (Chart 7.a).

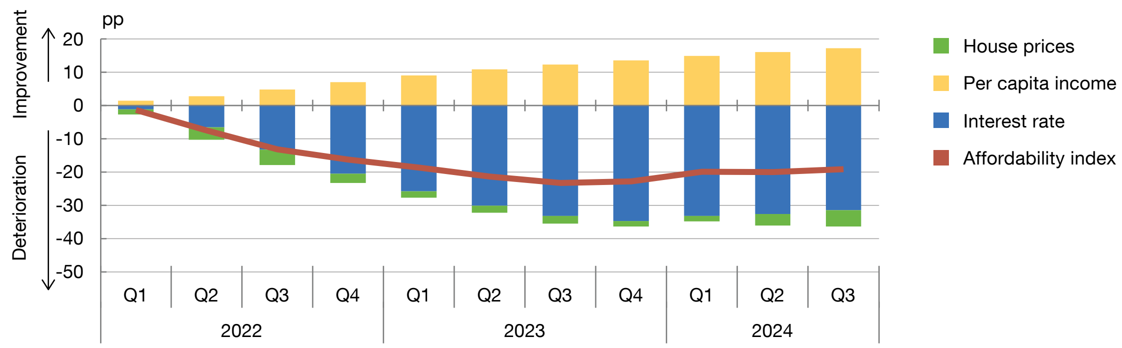
— In the euro area, per capita income growth and lower borrowing costs had a smaller impact on the improvement in affordability in 2024 (7 pp, versus 12.2 pp in Spain) (Chart 7.b). However, lower house price growth in the euro area since 2022 has contained the cumulative deterioration in the affordability index since then (19.2 pp in the euro area, versus 25.3 pp in Spain).

Chart 7

7.a Home ownership affordability. Cumulative change since end-2021. Spain (a) (b)



7.b Home ownership affordability. Cumulative change since end-2021. Euro area (a) (b)



SOURCES: Eurostat, ECB and Banco de España.

a Affordability index calculated following the methodology used in the Atlanta Fed's HOAM Index. The change in the index and its components is expressed in percentage points of the change in their respective logarithms. 2021 Q4 = 100.
b "House prices" is measured using the house price index (HPI), "per capita income" is the ratio of seasonally adjusted GDI to the population and "interest rate" is the cost of new loans to households for house purchase.

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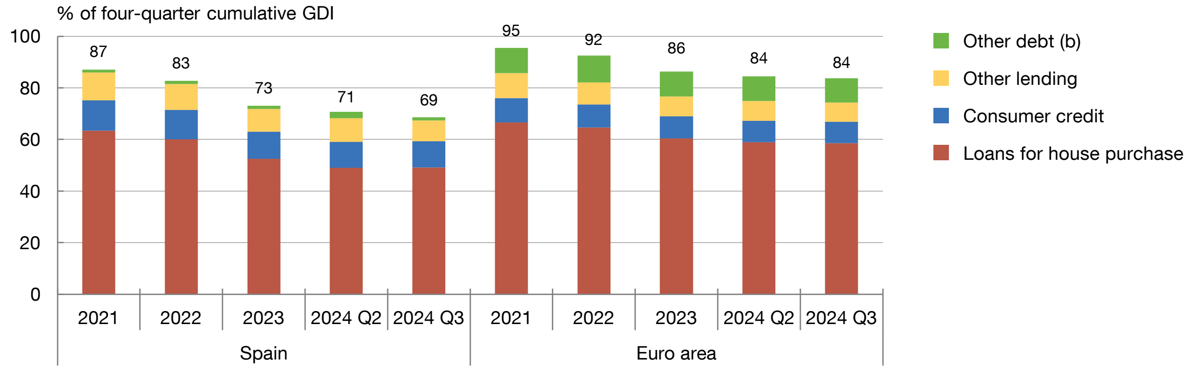
8 The household debt ratio fell slightly in 2024 Q3 ...

— The household debt ratio stood at 69% of GDI (44% of GDP) in 2024 Q3, down slightly from Q2. These figures are below the euro area average, where the household debt ratio stabilised at 84% of GDI (52% of GDP) (Chart 8.a). Unlike in the euro area, since 2013 loans for house purchase have gradually accounted for a smaller share of total Spanish household debt. In 2024 Q3 they represented around 70% of debt, not too dissimilar from the euro area figure, but down almost 7 pp since 2013.

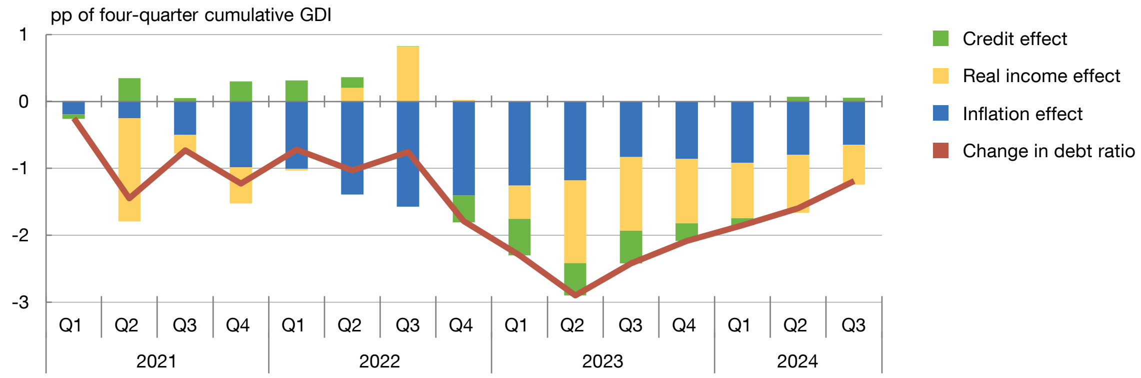
— For the first time since mid-2022, nominal household debt ceased to decline in 2024 Q2 (Chart 8.b). Inflation continued to erode real household debt and, together with the growth in real income, helped bring the debt ratio down.

Chart 8

8.a Household debt ratio (a)



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



SOURCES: INE, ECB and Banco de España.

a Annual figures refer to Q4.
b Loans received from non-residents in each area.
c Seasonally adjusted outstanding amount.

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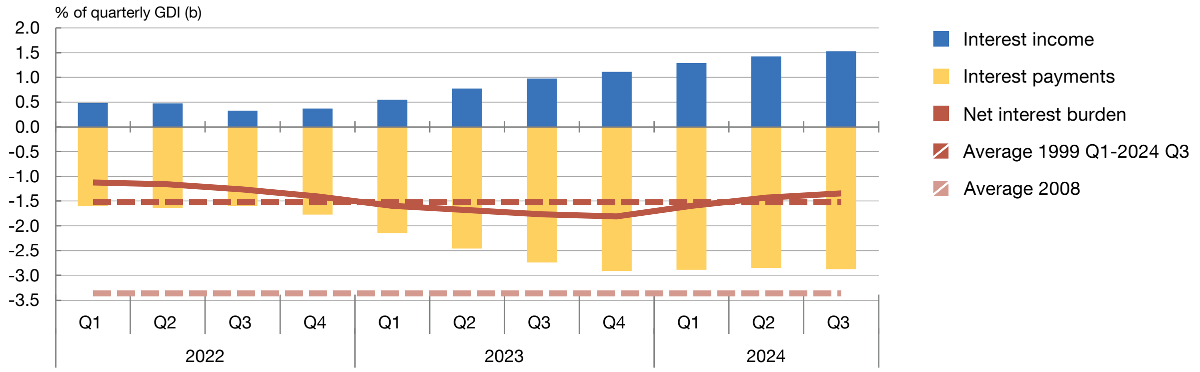
9 … and the interest burden as a percentage of income held steady, as the cost of outstanding debt remained high

— Interest payments rose slightly in 2024 Q3, although as a percentage of GDI they barely changed (Chart 9.a). The average cost of outstanding debt remained at historically high levels despite the slight decrease in recent months. This decline is expected to steepen in 2025 H1, when the cost of over 60% of variable-rate mortgages will fall by more than 100 bp (compared to September 2024), according to simulations conducted using the CCR and the market's interest rate expectations in early January 2025.[3]

— Higher interest income kept the net interest burden (interest payments less interest income) as a percentage of GDI on the downward path it began in early 2024, standing at 1.3% in 2024 Q3, down 0.1 pp from Q2.

Chart 9

9.a Households' net interest burden (a)



SOURCES: INE and Banco de España.

a Seasonally adjusted interest income and payment flows prior to the allocation of FISIM.
b GDI is seasonally adjusted and excludes net interest income after the allocation of FISIM.

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3 Variable-rate mortgages accounted for 56% of the total at the end of September 2024.

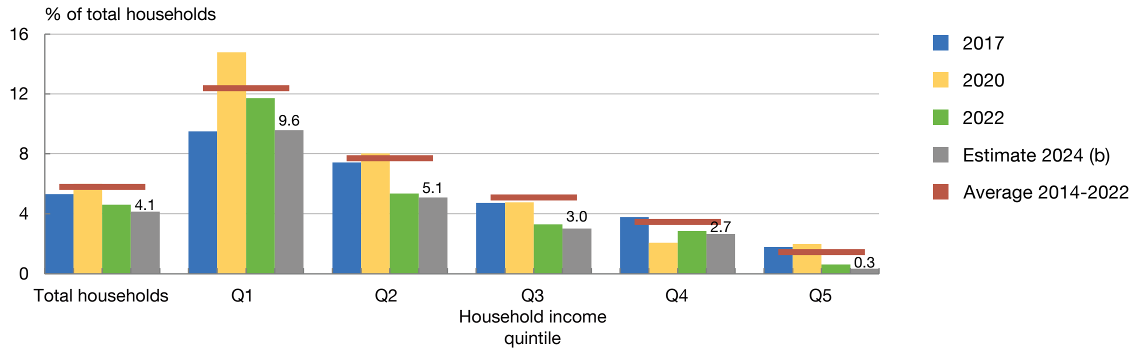
10 Households' financial vulnerability is at historically low levels

— So indicate both aggregate indicators (Box 2) and simulations conducted using the latest EFF (2022). The percentage of households with a high debt burden has fallen by 0.5 pp since 2022 to 4.1% in 2024,[4] below the average for the period 2014-2022 (Chart 10.a). This decrease is widespread across income levels, but sharpest in the first income quintile, and was essentially due to growth in income and employment.

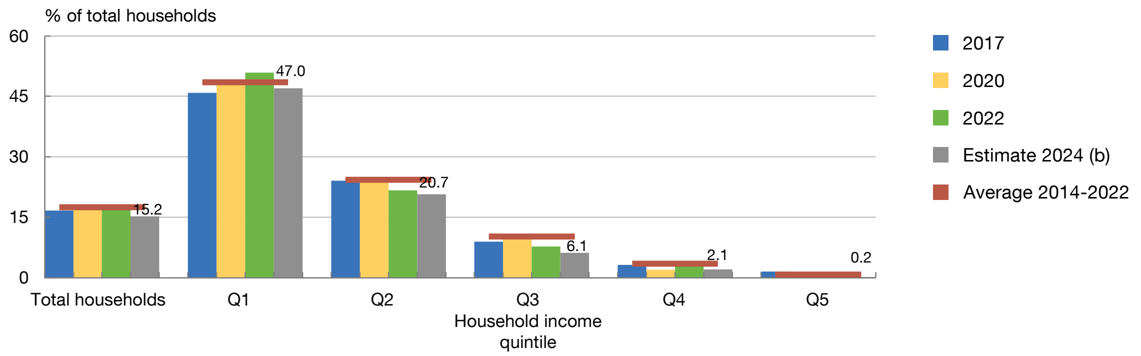
— The percentage of households that spend more than 70% of their income on essentials (including, in addition to debt servicing, food, utilities and rent of the main residence) also decreased relative to 2022, standing at 15.2% in 2024, below the average for the period 2014-2022 (Chart 10.b). Contributing factors included easing food inflation and lower utilities prices.

Chart 10

10.a Percentage of households with a high debt burden (higher than 40% of their gross income), by income quintile (a)



10.b Percentage of households with a ratio of essential expenditure to gross income higher than 70%, by income quintile (c)



SOURCE: Banco de España.

a The debt burden is the ratio of debt payments (including interest and repayment) to gross household income.
b Estimated drawing on the 2022 EFF. It is assumed that the change in the 12-month EURIBOR (average for the year) between 2022 and 2024, of 219 bp, is passed through in full to the cost of variable-rate debt and that the level of debt remains constant and equal to that in 2022. It is assumed that each household's income increases as observed in the National Accounts and is distributed by income quintile as per the Household Budget Survey.
c Essential expenditure is defined as the sum of spending on food, utilities, rent of the main residence and debt servicing.
d The same assumptions as in Chart 10.a are applied, adding the impact of inflation by updating the different expenditure components using the HICP. Between 2022 and 2024 food inflation ran at 15.6%, utilities inflation at -13.6% and rent inflation at 4.3%.

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4 For indebted households it decreased by 0.6 pp to 7.4%.

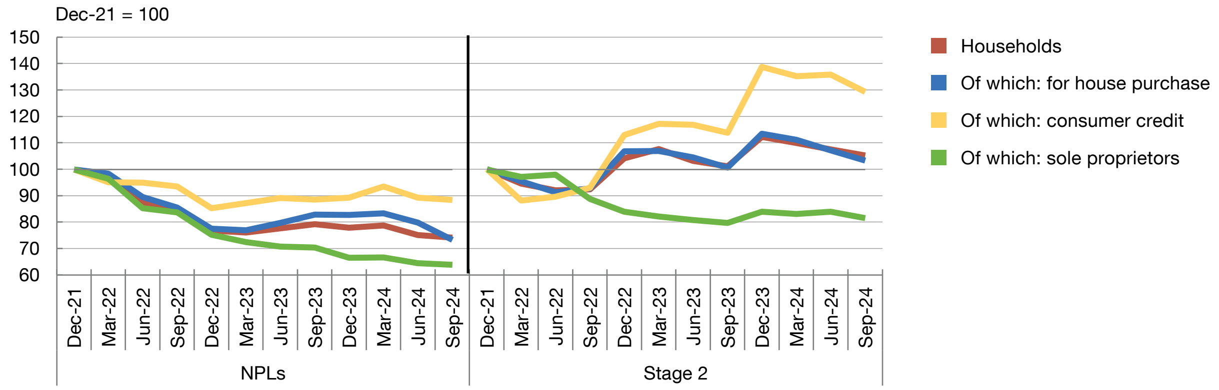
11 Against this background, the credit quality of bank lending to households improved between March and September 2024

— The stock of troubled loans decreased by 4.8%[5] between March and September 2024, due to the decline both in NPLs and in stage 2 loans[6] (Chart 11.a). This decrease was widespread across portfolios and more pronounced in loans for house purchase.

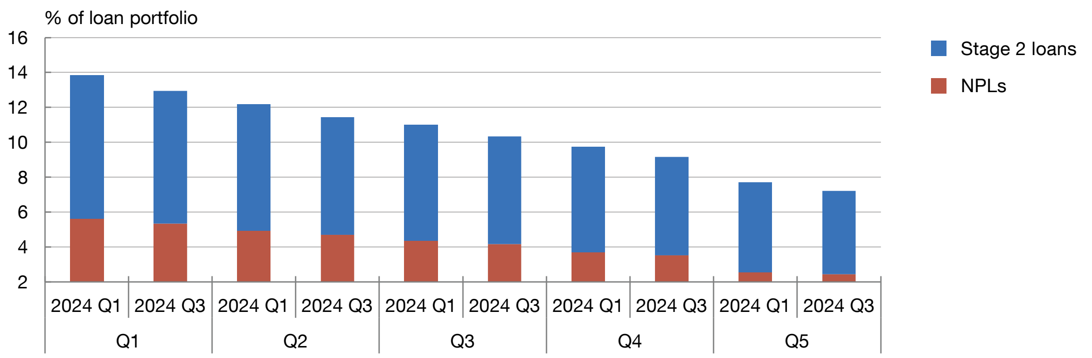
— The troubled loan ratio stood at 9.1% in September, down 0.5 pp from March and 0.6 pp from end-2019. This reflects the decline in the NPL ratio (0.2 pp, to 3.1%) and the stage 2 ratio (0.3 pp, to 6%). There is a decreasing relationship between these ratios and household income (Chart 11.b). Between March and September 2024 the ratios fell across all income levels, doing so more sharply for households residing in lower income postcodes (especially the stage 2 ratio).

Chart 11

11.a NPLs and stage 2 loans. Households (a)



11.b NPL and stage 2 ratios in lending to households, by income quintile (b)



SOURCE: Banco de España.

a Aggregate of deposit institutions and SLIs. 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.
b Prepared drawing on information from the CCR. Quintiles constructed drawing on the INE's postcode income data.

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5 Around 3 pp of this fall was due to transfers off the balance sheet and write-offs by deposit institutions.
6 In September 2024 stage 2 loans accounted for 65.7% of all troubled loans.

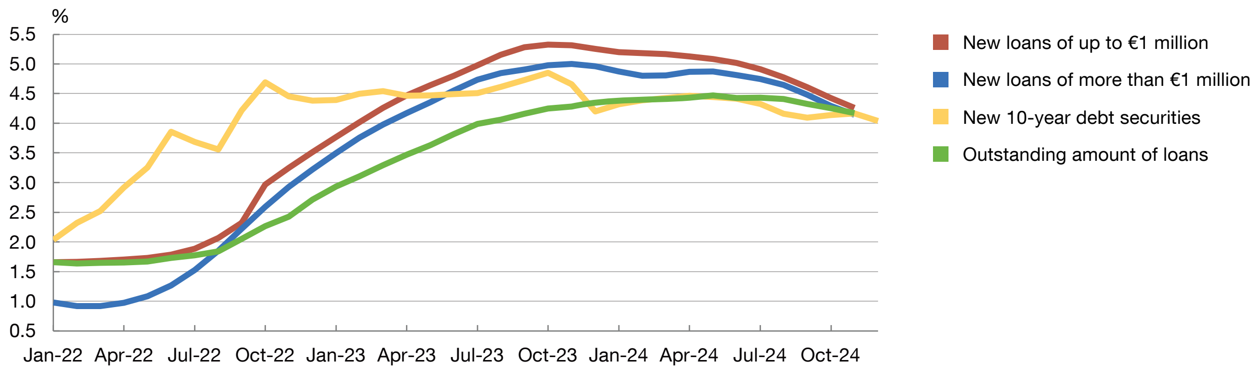
12 Firms’ borrowing costs continued to decrease in 2024 H2

— In line with the looser monetary policy stance, interest rates on new bank loans to firms continued to decline in 2024 H2 (Chart 12.a). Interest rates fell more on loans of up to €1 million (75 bp between June and November) than on loans of over €1 million (67 bp). Meanwhile, the cost of new ten-year debt security issuance decreased by 37 bp between mid-2024 and December, recording a cumulative fall of 81 bp since October 2023.

— The average cost of outstanding bank debt also started to reflect the decrease in interest rates, falling by 30 bp from its May 2024 peak to 4.2% in November. This cost remains at historically high levels, although, if the market’s interest rate expectations bear out, it will continue to decrease over the coming months. Specifically, based on the simulations conducted using the CCR and the market’s interest rate expectations in early January 2025, the cost of 64% of variable-rate loans to businesses will decrease by over 100 bp (compared to September 2024)[7] in 2025 H1.

Chart 12

12.a Cost of financing to NFCs (a)



SOURCES: Bloomberg Data License and Banco de España.

a Latest data: November 2024 (bank financing) and December 2024 (debt securities). Bank rates are NDERs, i.e. they exclude related charges, such as payment protection insurance premiums and fees. The rates on new loans are adjusted seasonally and for the irregular component.

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7 Variable-rate loans accounted for 70% of the total at the end of September 2024.

13 On the supply side, firms' access to bank credit improved slightly ...

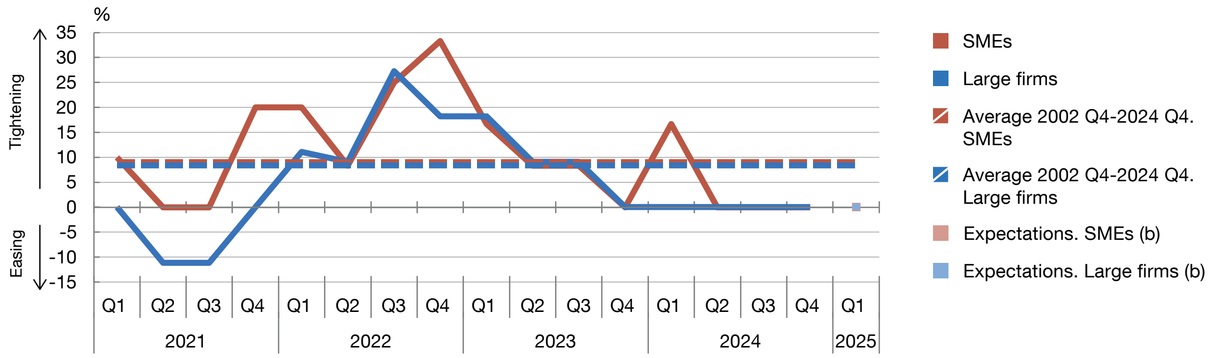
— According to the BLS, credit standards remained unchanged between October and December 2024 for both large firms – for the fifth consecutive quarter – and SMEs (Chart 13.a). Banks expect this stability to continue in 2025 Q1.

— Meanwhile, according to the SAFE, SMEs and large firms alike perceived an improvement in access to bank financing in Q4, thanks to favourable developments in their financial position and banks' greater willingness to lend.

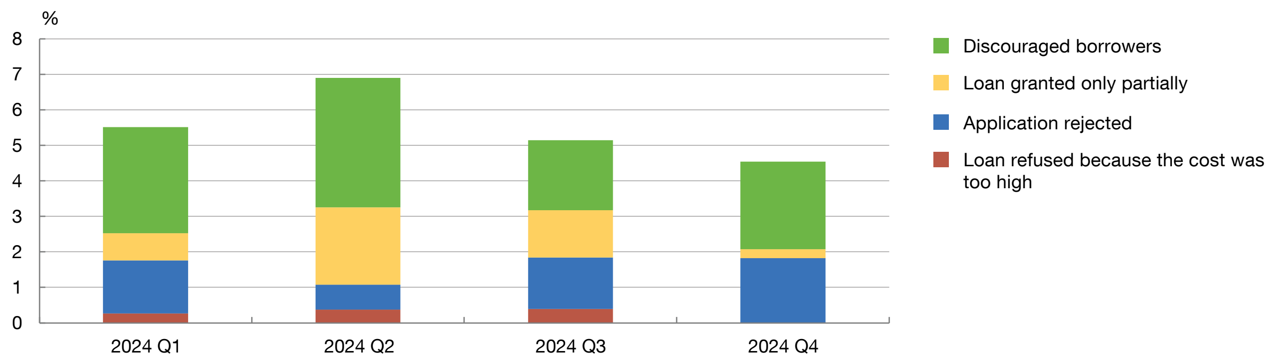
— The SAFE also reveals a decline in the percentage of firms reporting difficulties in accessing bank lending in 2024 Q4 (Chart 13.b). This decrease is due to the reduction in the percentage of borrowers who obtained only part of the amount requested and loans refused because the cost was too high, which offset the increase in the proportion of discouraged borrowers (firms that did not apply for credit because they believed that it would not be granted) and rejected applications.

Chart 13

13.a Change in banks' credit standards for NFCs in Spain. BLS (a)



13.b Proportion of Spanish firms with difficulties in obtaining bank loans. SAFE (c)



SOURCE: ECB and Banco de España.

a Percentage of banks reporting a tightening of credit standards less percentage of banks reporting an easing of credit standards.
b The net percentage is zero for both SMEs and large firms.
c As a percentage of firms for which bank loans are relevant, either because they have used bank financing in the past or because they are considering using it in the future. Discouraged borrowers are firms that did not apply for financing because they believed it would not be granted to them.

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14 … and on the demand side there was an increase in loan applications, although they remain low by historical standards

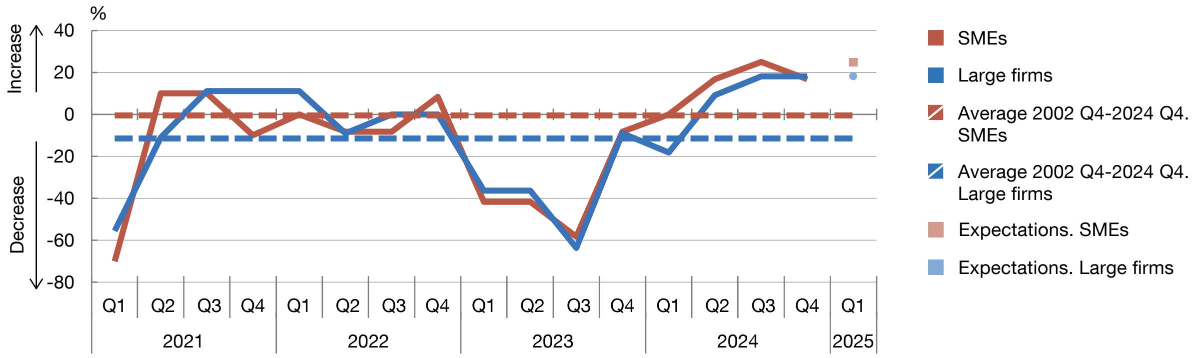
— According to the BLS, loan demand grew between October and December – both in the SME segment and among large firms – for the third quarter running (Chart 14.a). Loan applications are expected to continue rising in 2025 Q1.

— Based on the responses of the banks surveyed, this higher demand is mainly due to the positive impact of lower interest rates, higher financing needs (for fixed investment and inventories and working capital) and reduced use of internal financing.

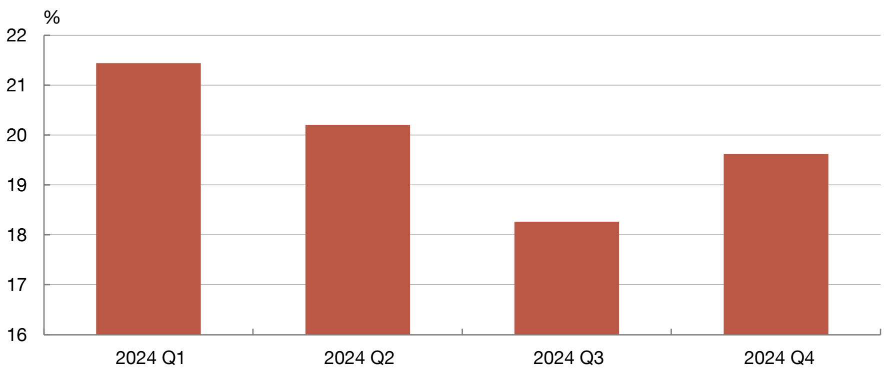
— Based on the sample of firms surveyed in the SAFE, there was also a slight increase in the percentage of firms applying for bank loans in 2024 Q4 (Chart 14.b).However, this percentage is still lower than that recorded in 2024 H1.

Chart 14

14.a Change in Spanish NFCs' demand for bank loans. BLS (a)



14.b Percentage of firms 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.
b As a percentage of firms 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.

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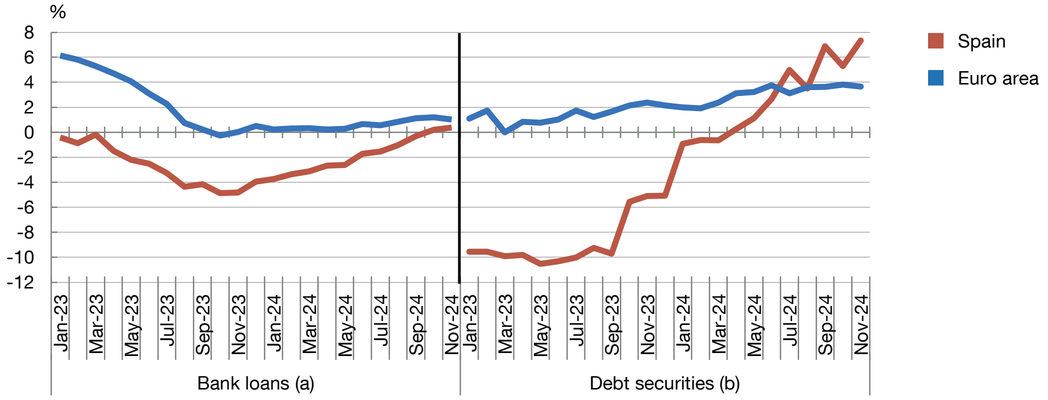
15 As a result, the financing obtained by Spanish firms gathered momentum

— New lending to firms remained somewhat buoyant in 2024 H2 and the outstanding amount stopped falling in year-on-year terms in October, approaching euro area growth rates. The funds raised via debt securities, which account for around 20% of firms' debt, recovered more forcefully, with year-on-year growth rates of more than 7% (Chart 15.a).

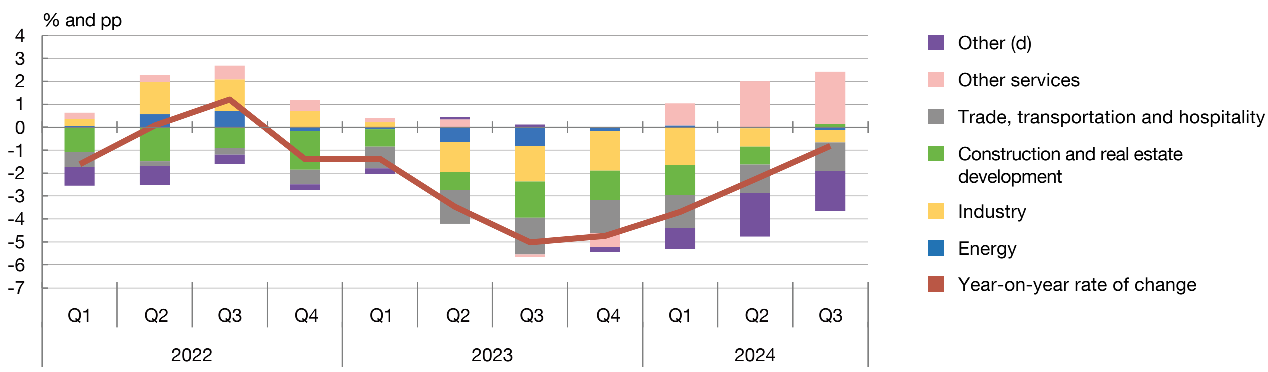
— The sectoral breakdown of bank lending[8] shows that the outstanding amount in services, excluding trade, transportation and hospitality, has been rising in year-on-year terms since the start of 2024. Lending for construction and real estate development began to increase, in year-on-year terms, in 2024 Q3. In the remaining sectors it continued to decline year-on-year, albeit at an increasingly slower rate since end-2023 (Chart 15.b).

Chart 15

15.a Outstanding amount of NFC financing. Year-on-year rate of change



15.b Outstanding amount of NFC financing. Year-on-year rate of change and contributions, by sector (c)



SOURCES: ECB and Banco de España.

a Securitisation adjusted data.
b The data for Spain include issuances by non-resident subsidiaries, unlike the euro area data, which do not (they do include issuances within the euro area when the parent and subsidiary reside in different countries).
c Calculated in terms of outstanding amounts, which means they are affected by reclassifications and write-offs.
d Includes agriculture and fishing and securitised and unclassified loans.

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8 These year-on-year changes are affected by reclassifications and write-offs, as there is no information on net flows by purpose. They are different from those in Chart 15.a, which are calculated as the net flow divided by the stock at the start of the period and only include net transactions.

16 Turnover accelerated between July and September in year-on-year terms …

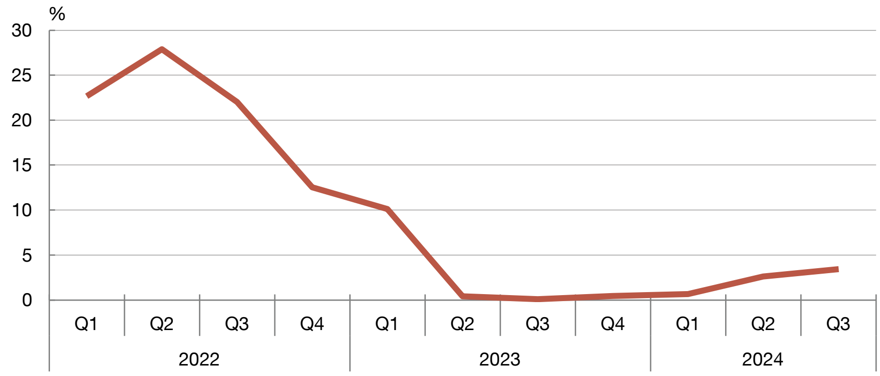
— Nominal turnover increased by 3.4% year-on-year in 2024 Q3, according to the combined information of the Spanish tax revenue service and the CBQ (Chart 16.a). This growth rate is slightly higher than in previous quarters.

— Turnover rose in all economic sectors except energy, which, as in previous quarters, continued to be dragged down by the decline in selling prices (Chart 16.b). In the remaining sectors, turnover grew at a similar or faster pace than in previous quarters, with construction and real estate activities and the "other services" group recording the highest increases.

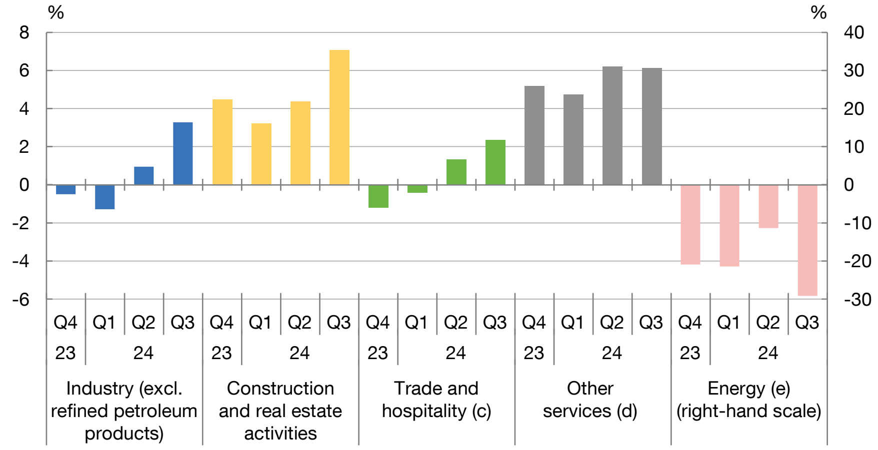
— Meanwhile, the EBAE suggests that firms' turnover also performed well in 2024 Q4, albeit with notable cross-sector heterogeneity, as usual.

Chart 16

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



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



SOURCES: AEAT (VESGEP) and Banco de España.

a AEAT data adjusted for the calendar effect, except for electricity, gas, steam and air-conditioning supply, and for coke and refined petroleum products, which come from the CBQ (whose coverage of these sectors is very high).
b The following sectors are not included: education, health, public administration and financial and insurance activities.
c The low turnover growth rates in this category are mainly explained by firms in the trade sector.
d Includes transportation and storage; information and communication; social, cultural, recreational and other services; and other services for production.
e Includes mining and quarrying, and electricity, gas and water.

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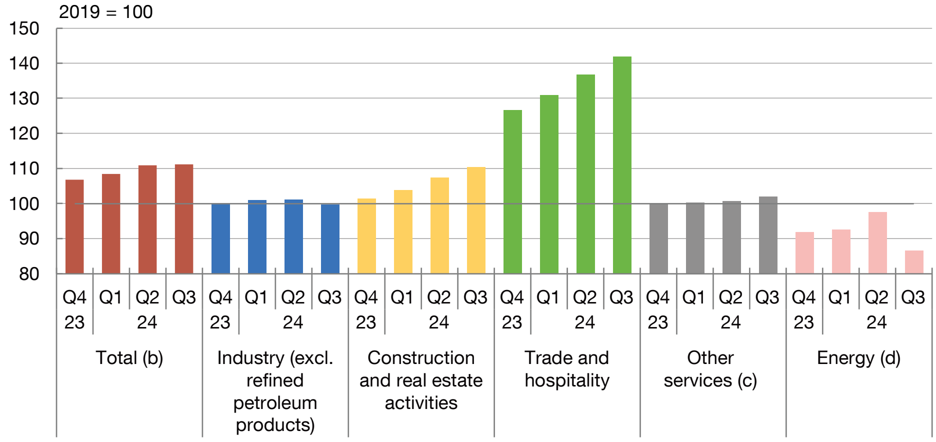
17 … while profit margins remained virtually unchanged, although there are significant sectoral differences

— The margin on sales increased slightly for firms overall (Chart 17.a), while the margin on GVA decreased slightly (Chart 17.b). In this vein, National Accounts data also show a slight decline in GOS as a percentage of GVA in the market economy.

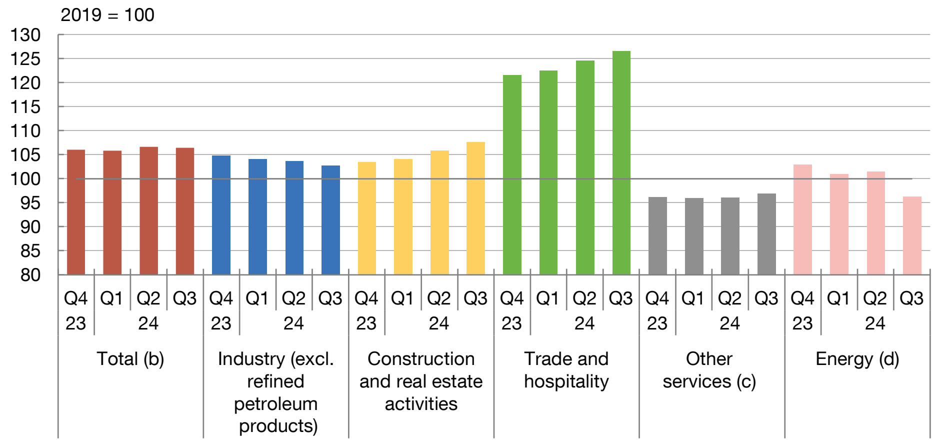
— Both the margin on sales and the margin on GVA increased in construction and real estate activities, in trade and hospitality, and, more moderately, in other services. By contrast, they fell in the energy sector and, albeit only slightly, in the industrial sector (excluding refined petroleum products), where production and wage costs rose more than turnover.

Chart 17

17.a Margin on sales. NFCs. AEAT and CBQ (a)



17.b Margin on GVA. NFCs. AEAT and CBQ (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. AEAT data, except for electricity, gas, steam and air-conditioning supply; coke and refined petroleum products; and wholesale of solid, liquid and gaseous fuels and related products, which come from the CBQ.
c Includes transportation and storage; information and communication; professional, scientific and technical activities; and administrative and support service activities.
d Includes mining and quarrying, and electricity, gas and water.
e Defined as GOP (Turnover – Procurements – Wages) / GVA (Turnover – Procurements). Four-quarter moving sum.

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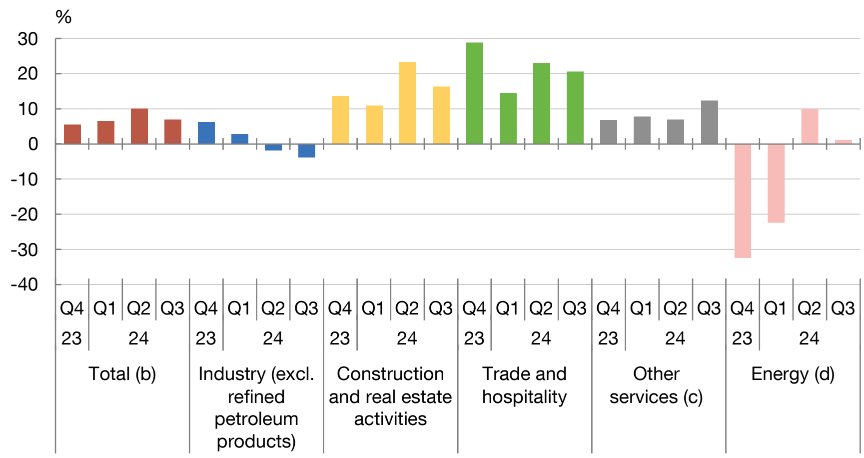
18 Gross operating profit continued to grow robustly across almost all sectors

— Nominal GOP increased between July and September 2024 by 6.9% year-on-year, less than in the previous quarter (Chart 18.a). This increase was seen across practically all sectors, with particularly strong growth in trade and hospitality (21%) and construction and real estate activities (16%). The only sector covered by this report where GOP declined was industry (excluding refined petroleum products), which saw a drop of nearly 4% driven by narrowing margins.

— According to the CBQ, in 2024 financial costs continued to weigh on ONP growth, but increasingly less so. The contribution of GOP between July and September was negative due to the refined petroleum products and energy sectors,[9] whose earnings were affected by shrinking margins. As a result, CBQ firms' ONP fell by 19.4% year-on-year and by 3% in the first three quarters of 2024, although it would have increased by 6.5% in that period if the energy and refined petroleum products sectors were excluded.

Chart 18

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



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

a GOP is 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. AEAT data, except for electricity, gas, steam and air-conditioning supply; coke and refined petroleum products; and wholesale of solid, liquid and gaseous fuels and related products, which come from the CBQ.
c Includes transportation and storage; information and communication; professional, scientific and technical activities; and administrative and support service activities.
d Includes mining and quarrying, and electricity, gas and water.

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9 These sectors account for a very large share of the CBQ firm sample (see Annex 1).

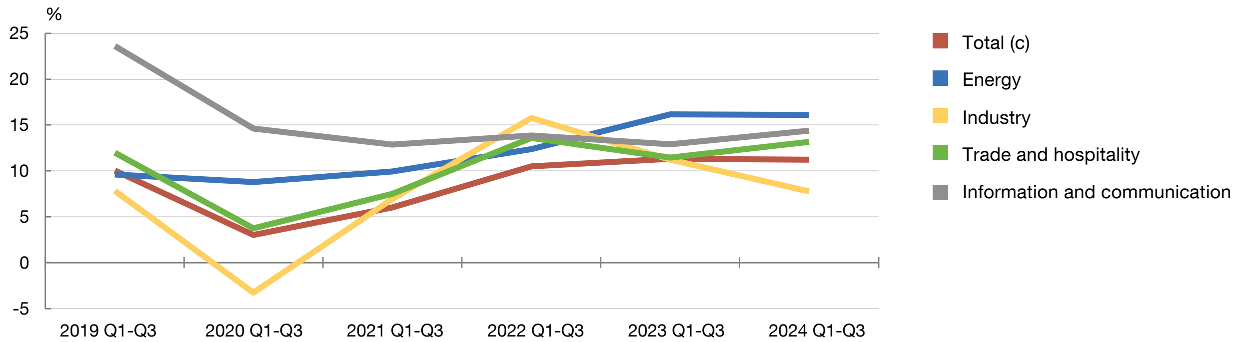
19 The profitability and liquidity buffers of firms in the Central Balance Sheet Data Office Quarterly Survey sample remained stable, on average, in 2024

— The return on equity of CBQ firms stood at 11.2% in the first three quarters of 2024, 0.1 pp less than in the same period in 2023 (Chart 19.a). The breakdown by sector shows uneven developments. There was a drop in the industrial sector with falls in most of its sub-sectors, which were particularly sharp for the refined petroleum products sub-sector. In contrast, other sectors (energy, trade and hospitality, and information and communication) saw levels holding at or above the previous year's levels.

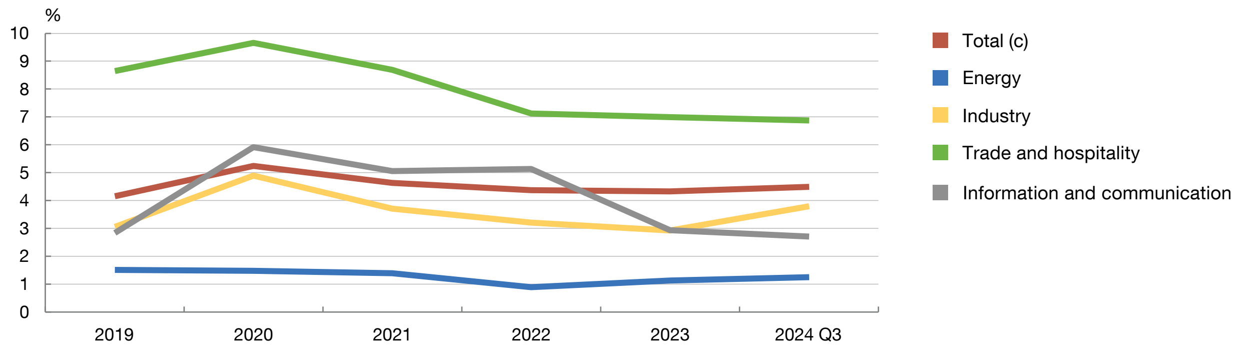
— CBQ firms' average liquidity held stable between January and September 2024 and slightly above 2019 levels. In general, minor variations can be observed across sectors, with the only notable change being a slight increase in the industrial sector (Chart 19.b).

Chart 19

19.a Return on equity of NFCs. CBQ (a) (b)



19.b Liquidity ratio of NFCs. CBQ (b) (d)



SOURCE: Banco de España.

a Ratio defined as ONP / Own funds.
b Holding companies are excluded.
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.
d Ratio defined as Cash and cash equivalents / Total assets.

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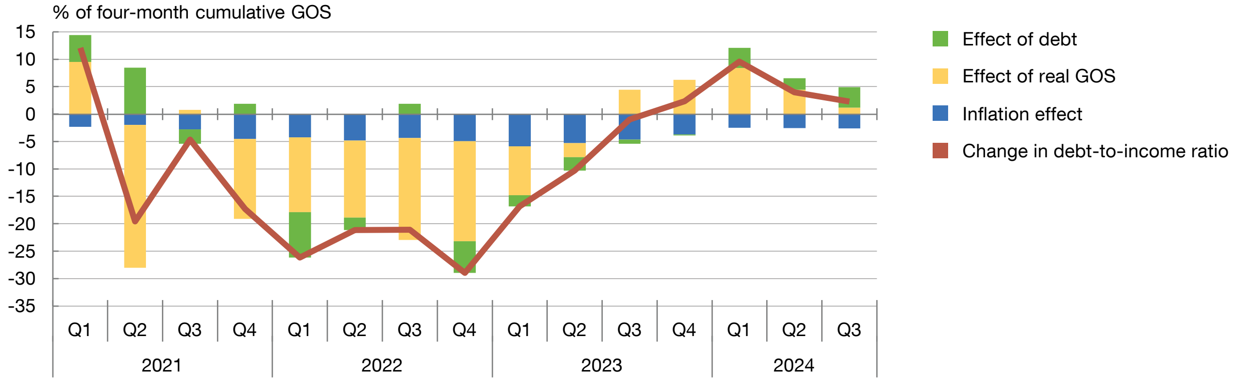
20 The debt-to-operating surplus ratio rose again in 2024 Q3, although it remains at record-low levels ...

— For firms as a whole, debt rose faster than nominal income in 2024 Q3, slightly pushing up the ratio of debt to GOS again, to 332% (Chart 20.a). However, in terms of GDP, the ratio continued to decline, to 64.8%, a level not seen since 2002 and 4.1 pp lower than the euro area average.

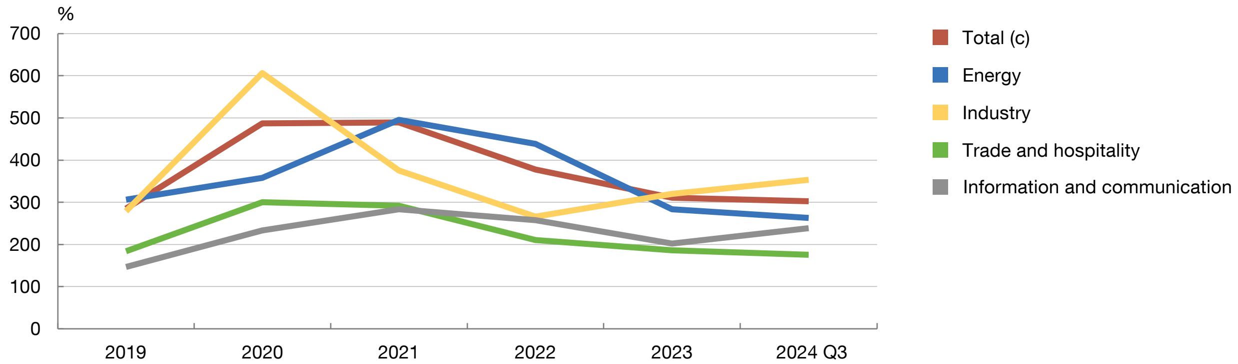
— The average ratio of debt to ordinary profit (GOP plus financial revenue) for CBQ firms remained stable between January and September, relative to the average level in 2023 (Chart 20.b), because the small increase in debt was similar to the growth in ordinary profit. By sector, a slight increase in this ratio was observed in the industrial sector (and in practically all its sub-sectors) and in the information and communication sector, along with moderate declines in the energy and the trade and hospitality sectors.

Chart 20

20.a Quarter-on-quarter change in the debt-to-income ratio. NFCs (a)



20.b Debt-to-income ratio, by sector. NFCs. CBQ (b)



SOURCES: INE and Banco de España.

a Balance of seasonally adjusted outstanding debt. Excluding loans between NFCs resident in Spain.
b Interest-bearing borrowing / (GOP + Financial revenue). The numerator is the balance of the debt held at the end of Q3 and the denominator is the four-quarter accumulated profit. Holding companies are excluded.
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.

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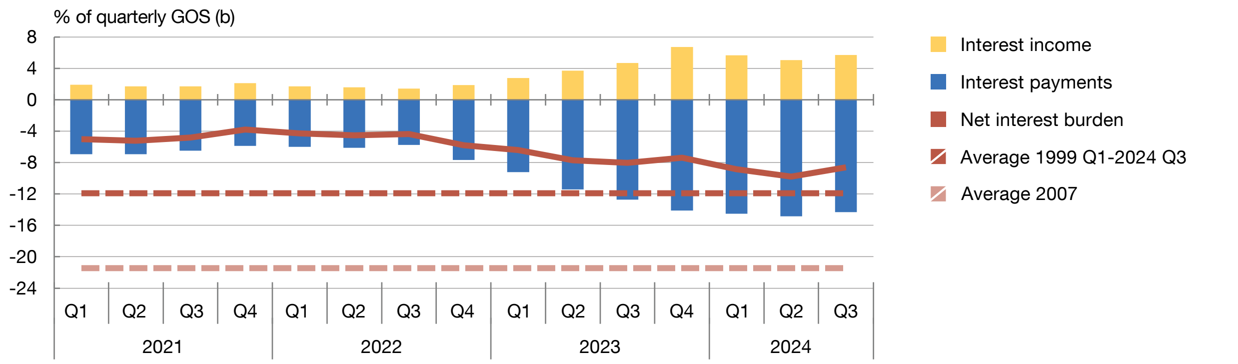
21 … while the net interest burden relative to profits fell

— The net interest burden on the corporate sector, in GOS terms, fell in 2024 Q3 to 9.4%, 4.5 pp below its post-1999 average and 17.9 pp less than the peak reached in 2007 (Chart 21.a). This decline reflected a drop in interest payments, which had not happened since December 2021, and growth in interest income, both in absolute terms and relative to GOS.

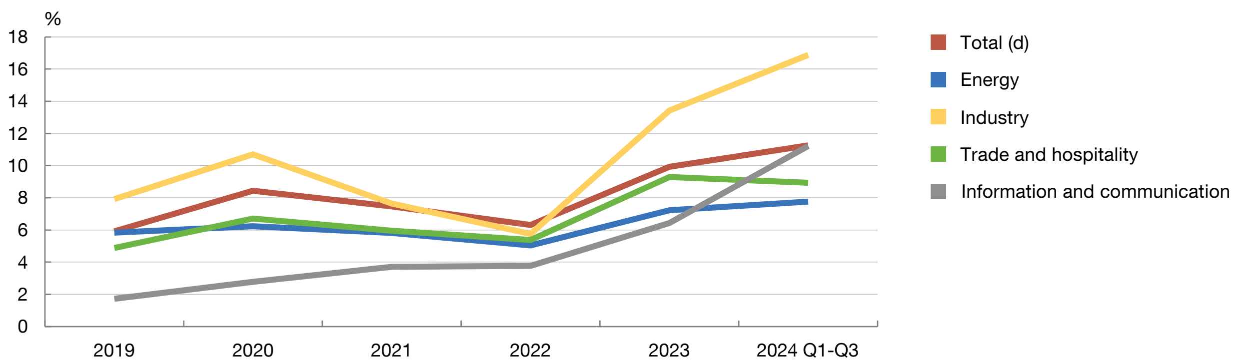
— CBQ data show that in most sectors the average gross debt burden ratio (the ratio of interest expenses to ordinary profit) in the first three quarters of 2024 was higher than the average for the previous year (Chart 21.b). The rise in the industrial sector, which affected most industrial sub-sectors, was particularly sharp, exacerbated by both the increase in financial costs and the drop in ordinary profits. In contrast, this ratio dropped in the trade and hospitality sector, buoyed as it was by strong profits.

Chart 21

21.a NFCs' net interest burden (a)



21.b Gross financial burden, by sector. NFCs. CBQ (c)



SOURCES: INE and Banco de España.

a Seasonally adjusted interest income and payment flows prior to the allocation of FISIM.
b GOS excludes net interest income prior to the allocation of FISIM.
c Interest on borrowed funds / (GOP + Financial revenue). Holding companies are excluded.
d 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.

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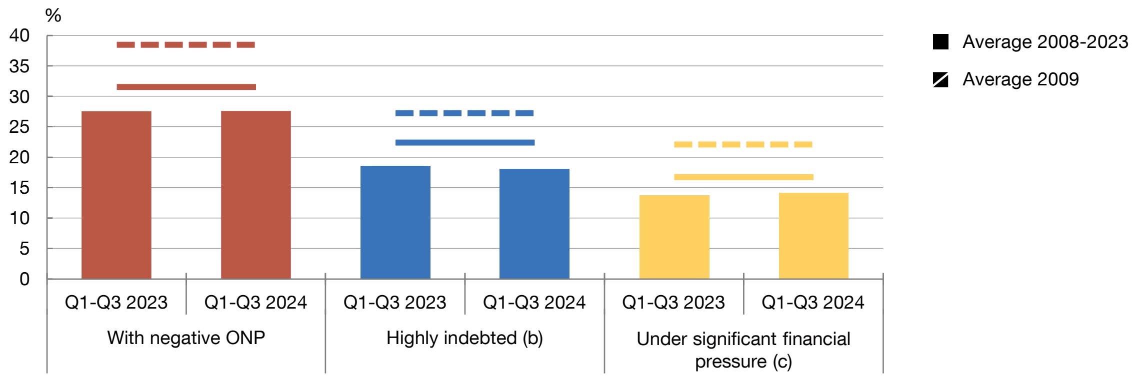
22 The percentage of vulnerable firms held stable and remains at a moderate level from a historical standpoint

— In the first three quarters of 2024, 27% of CBQ firms had negative ONP, 18% were under significant financial pressure and 14% were highly indebted. These levels are very similar to those seen in the same period in 2023 (Chart 22.a). In any event, they are below the average for 2008 to 2023.

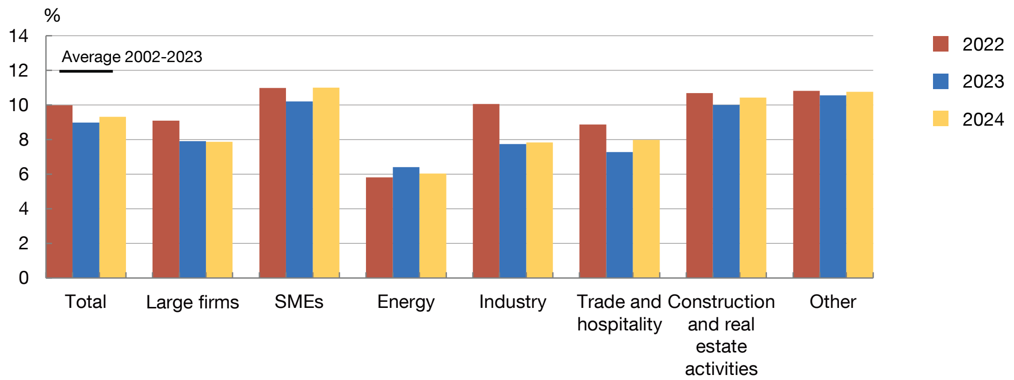
— Estimations drawing on the CBI (with a larger and more representative sample) suggest that employment rose somewhat among firms under significant financial pressure, although this indicator is below its historical average. By size, this uptick was driven by SMEs (Chart 22.b). By sector, the share of employment in vulnerable firms rose slightly in the trade and hospitality sector, with other sectors experiencing only minor fluctuations.

Chart 22

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



22.b Share in employment of firms under significant financial pressure. CBI (c) (d)



SOURCE: Banco de España.

a Holding companies are excluded.
b Firms are understood to be highly indebted when their ratio of net financial debt to (GOP + Financial revenue) is higher than 10, or they have positive net financial debt and zero or negative earnings. Net financial debt is defined as interest-bearing borrowing less cash and cash equivalents.
c Firms whose earnings do not cover their interest expenses.
d The data for 2023 are the result of applying the change in the share in employment of vulnerable firms, calculated using a common sample of firms, to the data for 2022. Data for 2024 are estimated using a sub-sample of firms for which information is available in the CCR or, if such information is not available, by imputing them on the basis of firms operating in the same province and sector (two-digit NACE Rev. 2 level) and of a similar size for which such information is available. The financial costs of each firm are proxied drawing on the average interest rates in 2024 and the average balances of interest-bearing debt. It is assumed that the interest-bearing debt will reflect changes in each firm's bank loans, according to the CCR. It is assumed that the change in GOP is equal to that observed using AEAT data by NACE section or CBQ data, if it contains data on a firm. Holding companies, head offices and dormant firms are excluded, as are firms with misreported data concerning employment, financial costs or interest-bearing debt.

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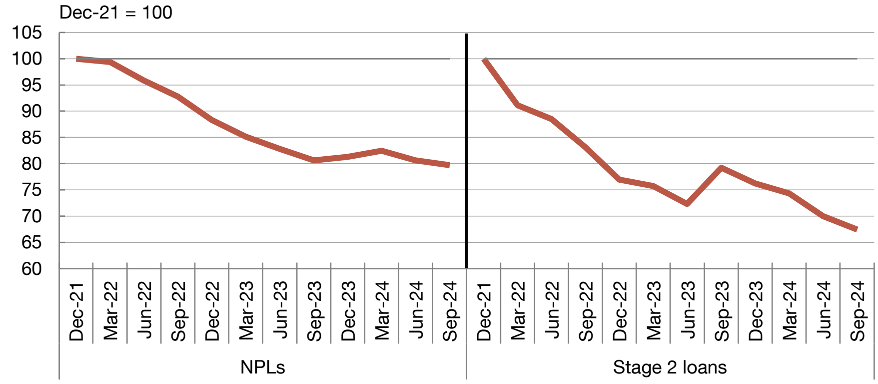
23 The credit quality of loans to non-financial corporations continued to improve ...

— Troubled loans fell by 7.4%[10] between March and September 2024. This decrease came mainly on the back of the fall in Stage 2 loans, which accounted for 67% of the balance of troubled loans in September 2024, as well as the drop in NPLs, which resumed their decline following the slight uptick in early 2024 (Chart 24.a).

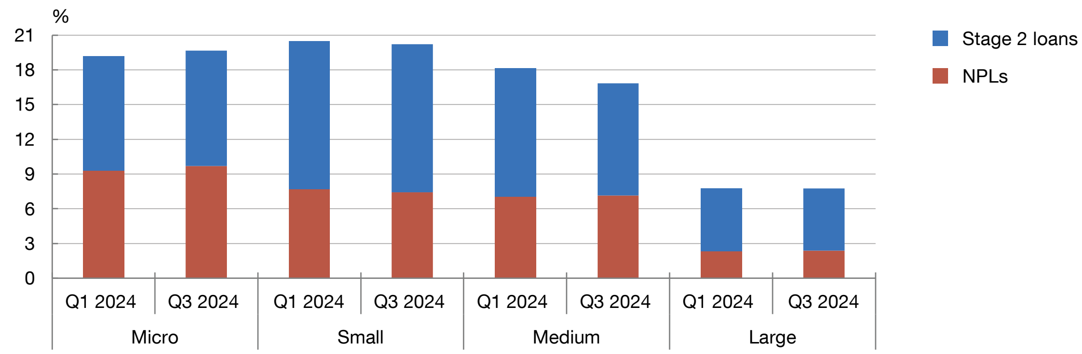
— The troubled loans ratio stood at 13.2% in September, 1 pp lower than in March (7 pp below the end-2019 levels). This fall was owing to the reduction in the Stage 2 ratio (down 0.9 pp to 8.8%) and, less so, the NPL ratio (down 0.1 pp to 4.3%). At 7.7%, the troubled loans ratio among large firms is significantly lower than among other firms (Chart 24.b). In the 12 months to September 2024, the NPL ratio remained relatively stable across all business segments, while the Stage 2 loan ratio fell somewhat among medium-sized firms (by 1 pp).

Chart 23

23.a NPLs and Stage 2 loans. NFCs (a)



23.b NPL and Stage 2 loan ratios, by firm size. NFCs (a) (b)



SOURCE: Banco de España.

a Aggregate of deposit institutions and SLIs. 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. Loans are classified as Stage 2 when their credit risk has increased significantly since initial recognition and generally include those with amounts more than 30 days past due. The data in Chart 23.a are drawn from the amounts in portfolios belonging to banks and specialised lending institutions. The data in Chart 23.b are drawn from the CCR.
b The ratios are calculated with respect to the total amount of loans in each particular portfolio, according to firm size.

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10 Around 2.9 pp of this fall was the result of loans being transferred off the balance sheet and written off by deposit institutions.

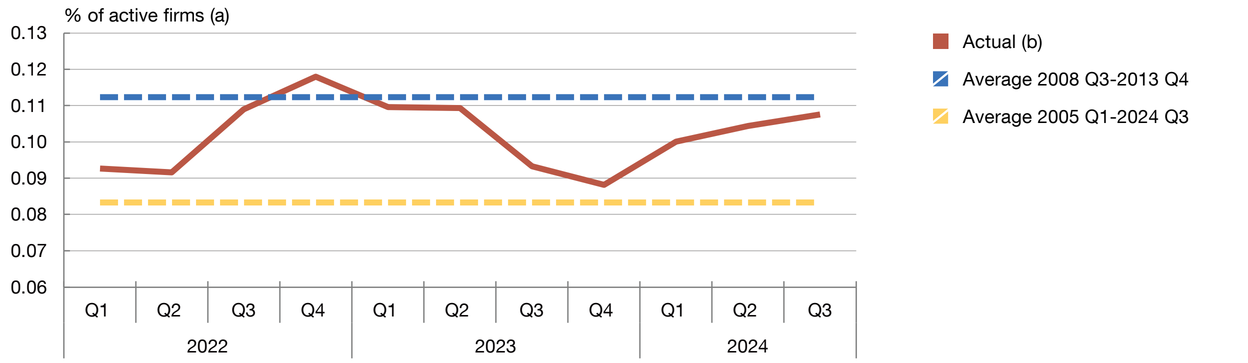
24 … while insolvencies held at low levels compared with most other European countries

— The number of NFC insolvencies (on a four-quarter moving average basis) increased in the second and third quarters of 2024 (Chart 25.a). The insolvency rate (as a percentage of active firms) stood at 0.11%, which, while close to the figure observed during the global financial crisis, is still well below that in most other European countries. This change is mostly owing to the new special insolvency procedure being more attractive to microfirms, as it is less costly and faster than the general procedure. This new procedure has become increasingly popular since it was first introduced on 1 January 2023.

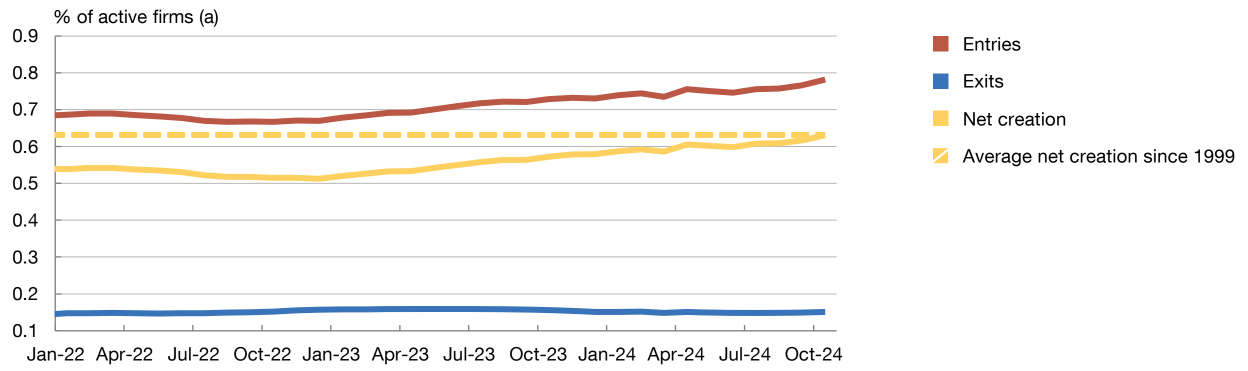
— Meanwhile, although business entries have continued to rise in recent months, the number of exits has barely changed (Chart 25.b). In consequence, net business creation has remained robust, standing at 0.63% of active firms in October 2024, a level similar to its average since 1999.

Chart 24

24.a Number of NFC insolvencies



24.b Firm entries, firm exits and net creation of NFCs (c)



SOURCES: INE and Colegio de Registradores.

a The figure for total active firms is drawn from the DIRCE and is the sum of (i) public limited companies, (ii) private limited companies, (iii) general partnerships, (iv) limited partnerships, (v) joint ownership and (vi) cooperative societies.
b Four quarter moving averages. Shown as a percentage of the average active firms since 2022.
c Latest figure: October 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.

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