2

FINANCIAL SITUATION OF HOUSEHOLDS, NON-FINANCIAL CORPORATIONS AND GENERAL GOVERNMENT

2 FINANCIAL SITUATION OF HOUSEHOLDS, NON-FINANCIAL CORPORATIONS AND GENERAL GOVERNMENT[1]

Figure 2.1
Financial situation of households, firms and general government (a)

HOUSEHOLDS	Sound performance of income, employment and wealth Historically low debt level Lower interest rates contribute to reducing the interest burden, which is expected to stand at a moderate level in the coming years
FIRMS	Sound performance of profit, albeit unevenly across sectors Historically low debt level Lower interest rates contribute to reducing the interest burden, which is expected to stand at a moderate level in the coming years
PUBLIC SECTOR	High debt level Upward pressures on government expenditure (defence, demographics, etc.) Lack of specificity in fiscal consolidation plans Fiscal vulnerabilities in global systemically important economies

SOURCE: Banco de España.

a The green (red) shields denote the circumstances of the financial position of each sector that constitute strengths (vulnerabilities) should risks materialise. The strengths (vulnerabilities) reduce (increase) the likelihood of occurrence and/or the impact of the risks to financial stability.

2.1 Households

Household income continued to increase in 2025 H1. The average year-on-year growth of household income[2] in the first six months of the year was 5.9%, 0.6 percentage points (pp) less than in 2024 H2 (Chart A2.2.1.1 in Annex 2). Real income per household[3] also grew at a slower pace (2.4% year-on-year, 0.7 pp less than in 2024 H2), standing 4% above the pre-pandemic level (average in 2019). The increase in income fed through to consumption more

1 It should be noted that the values of some variables used in this Chapter of the report may differ from those presented in previous reports, as they are periodically revised. Specifically, the entities responsible for preparing the Quarterly Non-Financial Accounts for the Institutional Sectors (the National Statistics Institute), the financial accounts and the balance of payments and international investment position (the Banco de España) and the General Government Accounts (the National Audit Office) periodically review the data in a coordinated fashion. The data from 2022 Q1 were reviewed in September 2025.

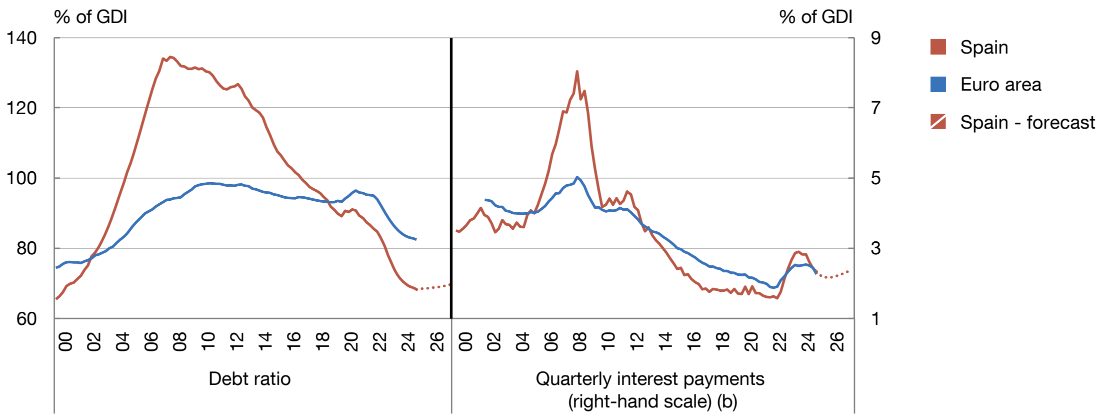
2 Household income is measured using gross disposable income (GDI) in the National Accounts. This aggregate includes compensation of employees, gross operating surplus (GOS), gross mixed income, property income and net taxes paid.

3 Real income is calculated by applying the private consumption deflator to the nominal values. The year-on-year increase in the number of households was 1% in 2025 H1.

Chart 2.1

Spanish households' debt and interest burden ratios continued to decline and are expected to stand at moderate levels in the coming years

2.1.a Households' debt ratio and interest burden as a percentage of GDI (a)



SOURCES: ECB, Eurostat, INE and Banco de España. Latest observation: 2025 Q2.

a Seasonally adjusted data. The future paths of the ratios for Spain are estimated based on the projected GDI, interest rates and lending volumes included in the Banco de España's 2025 Q3 macroeconomic projections.

b Quarterly flow of interest effectively paid by households (i.e. the value of financial services implicitly received by households when they take out loans is not excluded) as a percentage of quarterly GDI.

DOWNLOAD

than to savings. Thus, although the household saving rate decreased in 2025 H1 by 0.3 pp compared with 2024 H2, it remained at historically high levels (12.6%) (Chart A2.2.1.2 in Annex 2).

The household debt-to-income ratio decreased somewhat. It stood at 68.3% in 2025 Q2, 2.4 pp less than a year earlier, and at a level not seen since 2000. It is also lower than that observed in the euro area (82.5%) (Chart 2.1).[4] The decline in the ratio was driven by income growth, which more than offset the increase in lending to households. The ratio is expected to rise only marginally over the next few years, to close to 70% at end-2027.

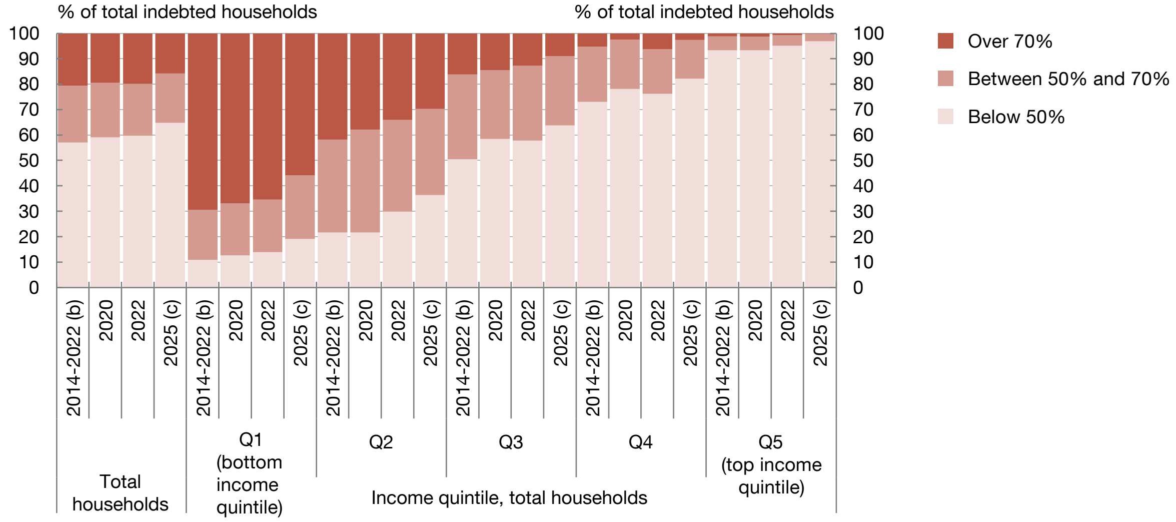
The interest burden declined slightly in 2025 H1, influenced by lower interest payments and higher nominal income. In 2025 Q2 the interest burden stood at 2.3% (Chart 2.1), the same level observed in the euro area and below the historical average (3.5%). It is expected to drop to 2.2% in 2026 Q1 and to reach 2.4% in 2027 Q4. These developments could favour households' consumption and therefore contribute to improving their well-being, as shown in Box 2.1, which analyses the relationship between indebtedness and consumption.

By the end of this year the proportion of indebted households with high expense burdens relative to their income is expected to decrease compared with 2022. In particular, it is estimated that the proportion of indebted households that spend a large part

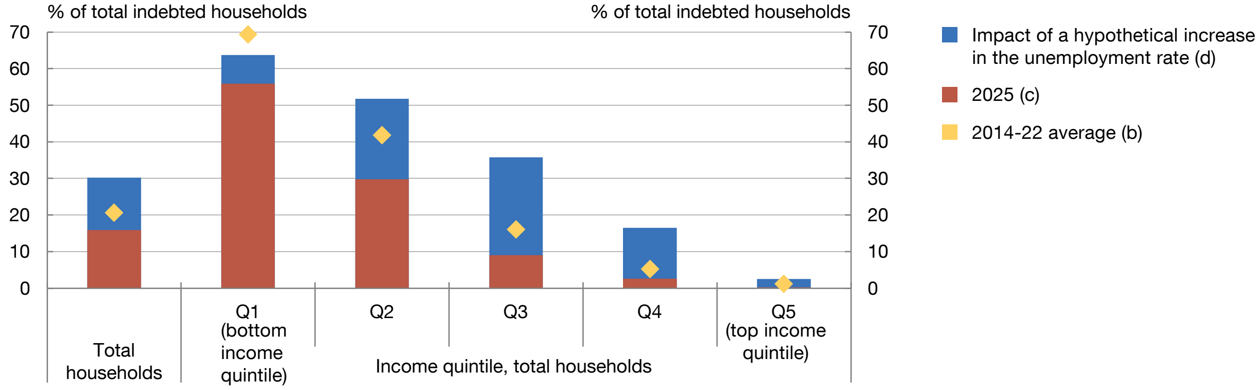
4 Households' outstanding debt is seasonally adjusted.

Chart 2.2
It is estimated that the percentage of indebted households with high expense burdens relative to their income has declined up to 2025 and that there is some sensitivity to significant changes in unemployment

2.2.a Indebted households based on range of the essential expenses-to-gross income ratio, by income quintile (a)



2.2.b Percentage of indebted households whose essential expenses exceed 70% of their income, in the event of a hypothetical increase in the unemployment rate by one standard deviation from its historical average (a)



SOURCE: Banco de España. Latest observation: 2022.

a It is assumed that indebted households in 2025 are the same as in 2022. Essentials include debt servicing, food, and utility bills and rental of the main residence.
b Average percentages in the period.
c Note A2.2.1.3 in Annex 2.
d Results obtained from 100 alternative simulations with an increase in the unemployment rate by income quintile consistent with that included in the 2022 EFF (the latest observed) plus one standard deviation from the historical average. The standard deviation is calculated, for the total population and for each separate quintile, based on the unemployment rate observed in the years in which the EFF was conducted (2002, 2005, 2008, 2011, 2014, 2017 and 2022). This increase (of 4.6 pp for all households) is a significant, albeit not extreme, change in the unemployment rate (which is distributed, in most cases, across a range of a few standard deviations from the mean).

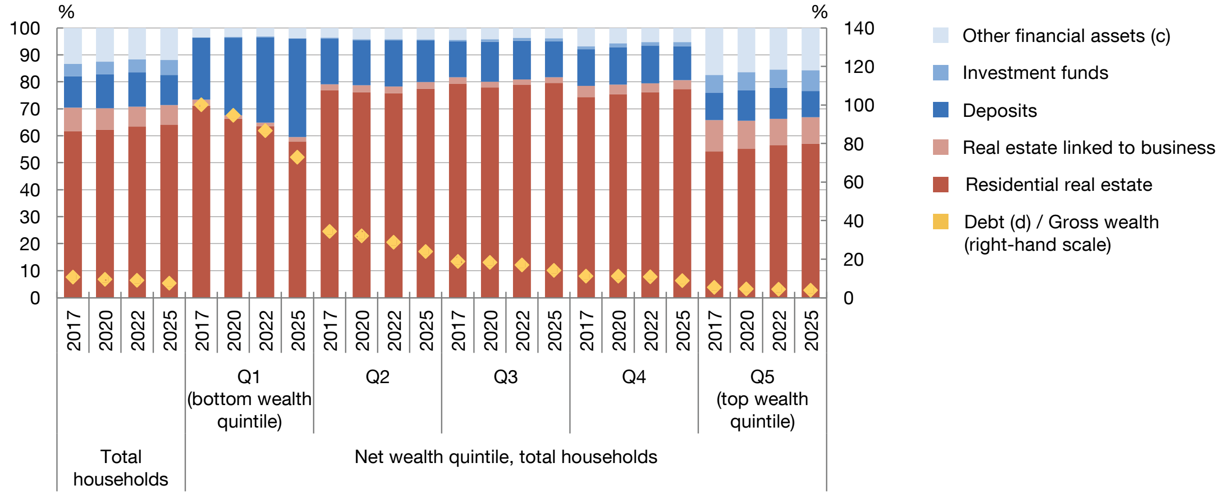
(over 70%) of their income on essentials will stand at 15.8% at end-2025, 4.1 pp less than in 2022 and nearly 5 pp below the 2014-22 average.[5] Low-income indebted households will see the largest drop relative to 2022 (9.5 pp) (Chart 2.2.a).

5 Estimated drawing on the latest Spanish Survey of Household Finances (EFF) 2022 and the assumptions described in note A2.2.1.3 in Annex 2. Essentials include debt servicing, food and utility bills and rental of the main residence. According to this survey, the proportion of indebted households is 57%. By income bracket, this percentage was 42% for the lowest-income quintile, 50% for the second lowest, 60% for the third, 65% for the fourth and 69% for the fifth.

Chart 2.3

Households' debt-to-gross wealth ratio decreased in 2025, in parallel to the increase in the share of residential real estate assets and investment funds in their total assets

2.3.a Distribution of household assets, by net wealth quintile (a) (b)



SOURCES: ECB and Banco de España. Latest observation: 2025 Q1.

a Households' distributional wealth accounts (DWA). Includes around 85% of financial wealth (cash, debts pending collection, pension plans and other insurance are not included in this statistic) and 95% of households' real estate wealth according to the financial accounts. The data for 2017, 2020 and 2022 correspond to year-end, while those for 2025 correspond to end-2025 Q1.
b In 2025 Q1 the first quintile (20% of households with the lowest net wealth) concentrated 0.2% of total net wealth; the second, third and fourth quintiles concentrated 4%, 9% and 18% of total net wealth, respectively; and the last quintile concentrated 69% of total net wealth.
c Includes bonds, shares and life insurance.
d Includes only loans (does not include sole proprietors' trade debt).

This proportion of indebted households that must allocate a large portion of their income to essentials would show some sensitivity to significant changes in unemployment. Chart 2.2.b presents the results of a sensitivity exercise in response to a hypothetical increase of 4.6 pp in the unemployment rate, calibrated in line with its historical variability.[6] The results suggest that the percentage of indebted households spending a large portion of their income on essentials would increase by 14.4 pp, with a larger increase expected among middle-income households. The increase is smaller among lower-income and higher-income households. The latter tend to have other sources of income aside from employment. Income decreases less among low-income households than among middle-income households thanks to safety net mechanisms that ensure a minimum income. Although middle-income households also benefit from these mechanisms, their previous labour income was higher and, accordingly, the relative loss in income when they become unemployed is more significant for them.

Real household wealth grew by 8.3% year-on-year in 2025 Q2. This increase was mainly driven by real estate and (to a lesser extent) financial asset revaluation (Chart A2.2.1.4 in

6 An increase of one standard deviation is applied. This is calculated, for the total population and for each separate quintile, based on the unemployment rate observed in the years in which the EFF was conducted (2002, 2005, 2008, 2011, 2014, 2017 and 2022), excluding 2020. This increase is a significant, albeit not extreme, change in the unemployment rate (which is mostly distributed across a range of a few standard deviations from the This increase (of 4.6 pp for all households) is a significant, albeit not extreme, change in the unemployment rate (which is distributed, in most cases, across a range of a few standard deviations from the mean).

Annex 2). Although house price appreciation boosts homeowner wealth, it limits access to housing for potential new buyers (Chart A2.2.1.5 in Annex 2). The composition of household assets in 2025 Q1, compared with 2022, shows an increase in the share of residential real estate assets and investment funds and a decrease in the share of deposits. This change in the composition at aggregate level is shaped by the households in the top 20% of the net wealth distribution, which concentrate around 70% of wealth. By contrast, the share of deposits increased among lower-net wealth households (Chart 2.3).

Households' debt-to-gross wealth ratio decreased across the board. Thus, it stood at 7.4% for total households in 2025 Q1 (-1.5 pp compared with 2022), with an especially sharp reduction among lower-net wealth households, for which the ratio declined by 13.8 pp, to 72.8% (Chart 2.3).

2.2 Non-financial corporations

Gross operating profit (GOP) grew in 2025 H1, albeit somewhat unevenly across sectors. In June firms' nominal GOP[7] had risen by 5.9% year-on-year. Profit grew in the construction and real estate sector and, particularly, in the trade and other services[8] sectors. Conversely, the industry (excluding refined petroleum products), hospitality and energy sectors recorded decreasing profits (Chart A2.2.2.1 in Annex 2).

The most recent data from the Banco de España's Business Activity Survey (EBAE) point to moderately expansionary business activity in the second half of the year. Firms' turnover, in seasonally adjusted terms, increased slightly in 2025 Q3 and the outlook for Q4 is positive.[9] In any event, firms remain concerned about economic policy uncertainty and labour shortages, although the percentage of firms affected by factors related to rising financial costs has continued to decline.

Despite a slight increase, the debt ratio remains at historically low levels, similar to those of the euro area. The debt-to-GOS ratio rose by 0.2 pp from end-2024, to 310% (Chart 2.4).[10] This is similar to the figure for the euro area (312%) and, from a historical perspective for Spain, stands at levels not seen since 2000. Meanwhile, Spanish firms' debt-

7 GOP (which is similar to GOS, used in the National Accounts) is profit obtained from firms' ordinary business activity, after payments to suppliers and other operating expenses and remuneration of labour. If positive, it can be used to pay tax, fund investments or remunerate shareholders and financial creditors. GOP data are obtained from combined data of the Spanish tax authorities (AEAT) and the Central Balance Sheet Data Office Quarterly Survey (CBQ).

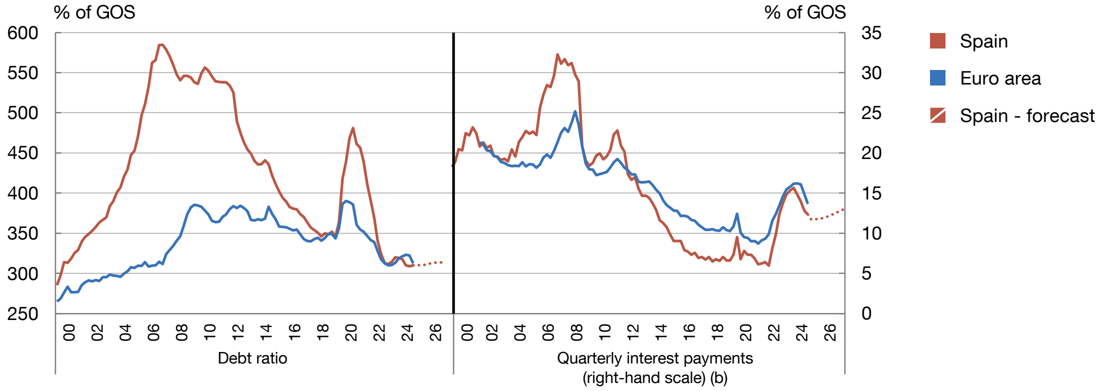
8 Including transportation and storage, information and communication, professional, scientific and technical activities and administrative and support service activities.

9 Alejandro Fernández Cerezo and Mario Izquierdo. (2025). "The Banco de España Business Activity Survey: 2025 Q3". *Economic Bulletin - Banco de España*, 2025/Q3.

10 In the National Accounts, GOS (similar to GOP) is a corporate profit measure defined as value added (the difference between the value of the goods and services produced and the goods and services consumed) at factor cost, less personnel costs. It is the balance available to firms to reward their shareholders and financial creditors, to pay taxes and, potentially, to finance all or part of their investment. GOS is used to construct the ratios in this section owing to its greater historical depth.

Chart 2.4
Spanish firms' debt and interest burden ratios stand at moderate levels, which are expected to persist in the coming years

2.4.a Firms' debt ratio and interest burden as a percentage of GOS (a)



SOURCES: ECB, Eurostat, INE and Banco de España. Latest observation: 2025 Q2.

a Seasonally adjusted data. The future paths of the ratios for Spain are estimated based on the projected GOS, interest rates and lending volumes included in the Banco de España's 2025 Q3 macroeconomic projections.
b Quarterly flow of interest effectively paid by firms (i.e. the value of financial services implicitly received by firms when they take out loans is not excluded) as a percentage of quarterly GOS.

DOWNLOAD

to-GDP ratio amounted to 62.5% in June 2025, below the figure for the euro area (66.6%). The projections point to a slight increase in debt levels until end-2026.

The ratio of interest payments to GOS continued on its downward trend in 2025. Despite the slight increase in debt, interest payments declined between April and June for the fourth consecutive quarter, due to the progressive pass-through of the recent monetary easing cycle. Their share in GOS stood at 12.3%, 3 pp below their peak of the last ten years (15.7%), recorded in June 2024 (Chart 2.4). The interest burden remained below both that of the euro area (13.7%) and the historical average since 2000 (16.4%). The projections suggest that this ratio will stop decreasing at end-2025 and pick up slightly in 2026 and 2027.

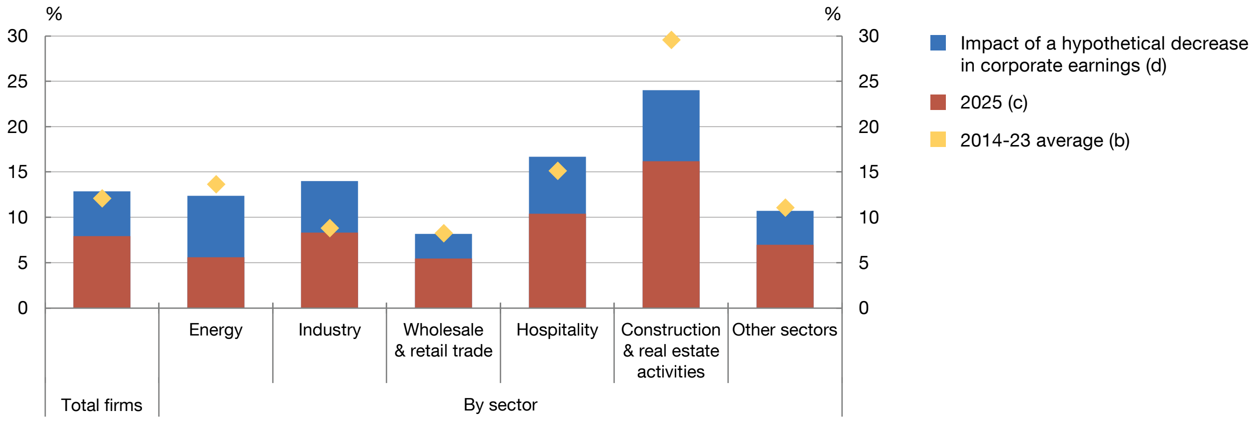
According to estimates based on granular firm-level data, the decline in the debt burden in 2025 was widespread across sectors of activity.[11] This indicator, calculated only for firms with financial debt, decreased across all sectors of activity and the value that it will foreseeably reach at end-2025 will be well below the average for the period 2014-23 (excluding 2020), except in the industry sector, where the two values will be very similar (Chart 2.5).

11 The debt burden ratio is defined as financial costs / gross operating profit + financial revenue. The source for calculating the ratio is the Integrated Central Balance Sheet Database (CBI by its Spanish initials) and the last year for which there are complete CBI data is 2023. Changes in the GOS are estimated based on the variation observed by sector in the AEAT data (or CBQ data for sectors not available in the AEAT) between 2023 and 2025. Financial costs are approximated under the assumption that the decline in the 3-month EURIBOR between 2023 and 2025 is passed through in full to the average cost of debt and that debt variations in each sector mirror those derived from the bank credit information available in the Central Credit Register.

Chart 2.5

In general, firms improved their ability to cover their financial costs in 2025. However, some sectoral heterogeneity may emerge in the event of a significant drop in profits

2.5.a Indebted firms' debt burden in the event of a hypothetical decrease in corporate earnings by one standard deviation from its historical average (a)



SOURCE: Banco de España. Latest observation: 2023.

a The debt burden is defined as financial costs / (gross operating profit + financial revenue). Excluding firms without financial debt.
b Excluding 2020.
c Note A2.2.2.2 in Annex 2.
d Data estimated assuming that the GOP estimated for 2025 declines by the equivalent of one standard deviation of the median GOP (at NACE Rev. 2 division level) for 2002 to 2023, excluding 2020.

In the event of a hypothetical significant decrease in profits, the impact on the debt burden ratio would be heterogeneous across sectors of activity. Starting from the situation in 2025, a sensitivity exercise in response to a hypothetical fall in ordinary profit was conducted, calibrated based on its historical variability,[12] which would entail a 42% GOP fall for the sample of indebted firms as a whole. The results reveal an increase in the debt burden of almost 5 pp, which would be sharper in the construction and real estate, energy and hospitality sectors. Despite this increase, the debt burden would remain at levels similar to the average for the period 2014-23, except in industry, where it would be somewhat higher, evidencing a greater potential vulnerability to a fall in profits.

2.3 General government

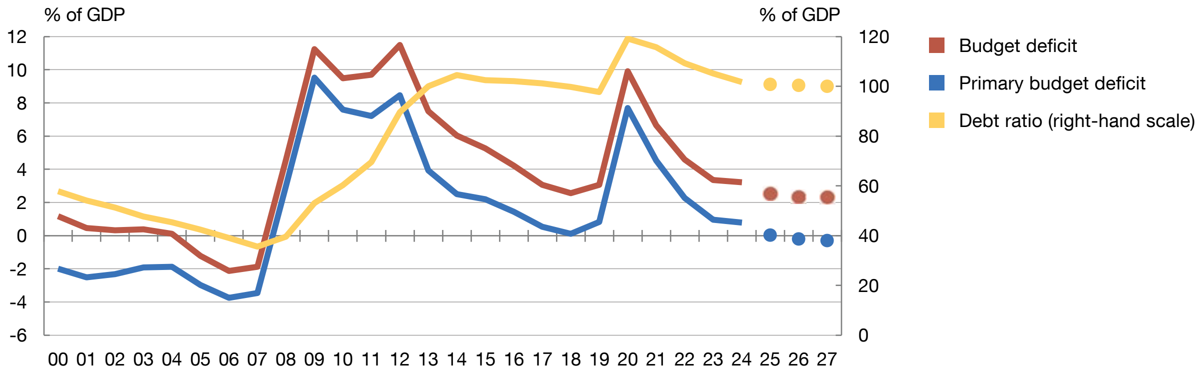
Recent developments in government revenue and expenditure could lead to further progress in the correction of general government deficit in Spain. The notable growth of government revenue in recent months would more than offset the likewise expansionary behaviour of expenditure. Overall, as reflected in the Banco de España's September projections,

12 A decline equal to one standard deviation of the median GOP (at NACE Rev. 2 division level) is estimated for 2002 to 2023, excluding 2020. This decrease is a significant, albeit not extreme, change in the GOP (which is mostly distributed across a range of a few standard deviations from the average).

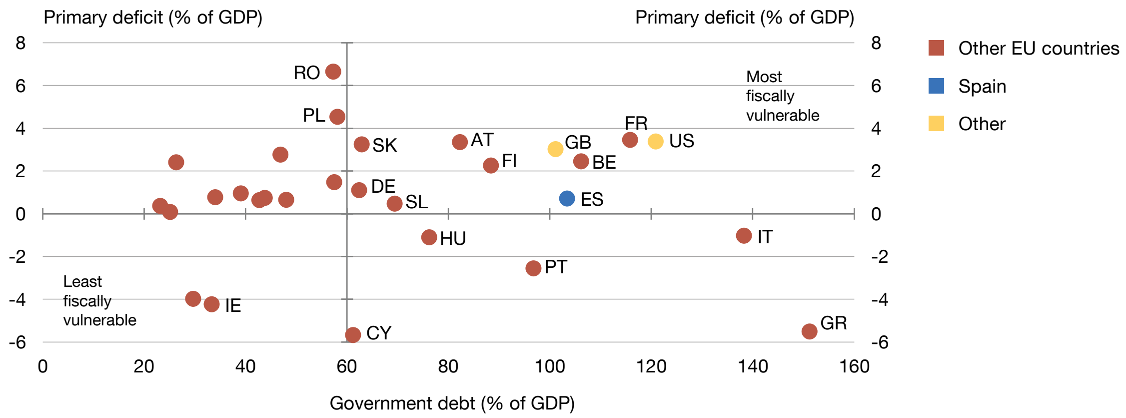
Chart 2.6

Spain remains among the group of countries with larger fiscal vulnerabilities, although progress has been made in recent years

2.6.a General government financial position in Spain (a)



2.6.b International comparison (2025 Q2)



SOURCES: Datastream, Eurostat, Intervención General de la Administración del Estado (IGAE) and Banco de España.

a The dots denote the Banco de España's projections published on 16 September.

DOWNLOAD

at year-end the budget deficit could stand at around 2.5% of GDP, below the Government's 2.8% target. This improvement is expected to continue over the next two years, when a deficit of 2.3% of GDP is anticipated, with minor primary surpluses for the first time since 2007 (Chart 2.6.a).

However, the government debt ratio is likely to remain high, both from a historical standpoint and in the European context. After decreasing by 3.5 pp of GDP in 2024, it is expected to further decline by 0.9 pp in 2025 and 0.7 pp between 2026 and 2027, to stand at around 100% of GDP in 2027, according to the Banco de España's projections (Chart 2.6.a). This level would still be substantially higher (by around 10 pp) than that projected by the ECB for the euro area as a whole. This slower pace of government debt reduction, despite the slight primary surpluses, would be due to a more moderate nominal GDP growth compared with the strong growth recorded between 2021 and 2025.

For its part, the average cost of new financing for the Treasury is currently below 2023 and 2024 levels. In recent months, the average cost of financing for the Treasury remained at around 2.7%, below the 3.1% and 3.4% recorded in 2024 and 2023, respectively, yet above the current average cost of the total outstanding government debt (2.3%).

For the coming years, the markets anticipate a slight increase in the cost of new financing, which would lead to a moderate rise in the general government financial burden. This burden would stand at 2.6% of GDP in 2027, according to the baseline scenario in the Banco de España's projections, compared with 2.4% in 2024.

The high public debt level in Spain makes the country vulnerable to a potential abrupt deterioration in market financing conditions. The average term to maturity of government debt is relatively long (7.7 years, in the case of securities issued by the central government), which would mitigate the short-term impact, but would not eliminate it if the hypothetical tightening of financing conditions were sufficiently sharp. By way of illustration, in a scenario of short, medium and long-term interest rates 1 pp higher from 2026 than those considered in the projection exercise, in 2027 the general government debt burden ratio would stand 0.3 pp above the level projected under the baseline scenario (2.9% vis-à-vis 2.6%).

The vulnerability which the high government indebtedness entails for financial stability is augmented by growing spending needs. The Spanish government will have to address the challenges posed by demographic ageing, geopolitical tensions, the digital transformation and climate change. These issues will require greater government spending, further widening the public finances shortfall if no compensatory measures are taken.

For the time being, the measures that would enable compliance with the Medium-Term Fiscal Structural Plan (MTP), bringing the future path of government debt back to more sustainable levels, have yet to be specified. The MTP submitted by Spain at end-2024 lacks sufficient and specific measures underpinning the net spending commitments undertaken. Also, the absence of a central governmen budget limits the authorities' room for manoeuvre.[13]

On the international front, some systemically important countries show certain vulnerabilities in their fiscal position and others that are in a better position envisage increasing their indebtedness. The former include most notably France, the United States and the United Kingdom. All of them have high government debt levels and sizeable imbalances in their public finances (Chart 2.6.b). Government indebtedness is not high in Germany, but current plans involve a significant fiscal expansion over the coming years.

The recent US tax reform will reduce the medium-term sustainability of government debt. The tax package approved on 1 July (the One Big Beautiful Bill Act of 2025) extends

13 See for instance, the Report on Monitoring of 2025-2028 Medium-Term Structural Fiscal Plan published by the Independent Authority for Fiscal Responsibility (AIRef) in May 2025.

many of the tax cuts deployed during the first Trump Administration in 2017 that were set to expire at end-2025. It also includes additional deductions that are to be partially offset by adjustments to public spending. According to Congressional Budget Office (CBO) estimates, this package will lead to a substantial increase in the budget deficit and the national debt in the medium term.[14] This deterioration of public finances would be somewhat offset by the rise in tariff revenues, whose magnitude is uncertain,[15] as it depends on the tariffs that will ultimately be adopted and their impact on trade flows and economic activity.

14 According to the CBO estimates, the annual budget deficit would increase on average by around 0.9 pp of GDP between 2025 and 2034, standing at around 7% of GDP. As a result, government debt would reach 127% of GDP at the end of that period (29 pp more than in 2024 and 10 pp above the scenario without the tax reform).

15 In August 2025 the CBO estimated that tariff revenues would reduce the primary budget deficit over the period 2025-35 by a total of $3.3 trillion, compounded by a saving of $0.7 trillion in interest outlays. On average, these figures would account for around 1% of annual GDP during that period (the CBO's March 2025 long-term GDP projections were used for this estimate).