

April 2025

Prepared with information available as of April 7th, 2025

Activity

- ▶ **The ECB cut rates by 25bp in March**, leaving the depo at 2.50%. The market expects three additional cuts in 2025. Market expectations moved upwards, to just two cuts, after the German announcement of higher public spending, and downwards back to three cuts after *Liberation Day*.
- ▶ **Oil prices have dropped to close to 65\$/barrell**, at the time of writing, following Trump's tariff announcement and an unexpected production increase announced by OPEC+ scheduled for May. In the short term, slower expected economic growth increases downside risks on oil prices.
- ▶ **Uncertainty and downside risks have increased after April 2**. Our 2.5% GDP growth projection for Spain was set last month assuming that US tariffs and uncertainty would subtract 0.2 percentage points to growth this year. Depending on how negotiations evolve, the associated uncertainty, and where tariffs ultimately settle, we will assess whether we need to revise our projections. Nonetheless, the impact of trade tensions on the Spanish economy is expected to be lower than in the US or other economies more exposed to the North American market.
- ▶ **Domestic demand is expected to be the main driver of growth in 2025**, owing to the decline in interest rates, some recovery of households' purchasing power, demographic growth, and ongoing support from NGEU funds. External demand, instead, is forecast to moderate, affected by the normalization of growth in the tourist sector, weak Euro Area growth and strong import growth driven by the strength of internal demand.
- ▶ **Early indicators of economic activity suggest GDP growth of around 0.6% qoq in Q1**. Employment grew 0.6% qoq in Q1 and the composite PMI averaged 54.4 points. CaixaBank's Consumption indicators decelerated with respect to the previous quarter, but probably due to a calendar effect related with the Easter holiday.
- ▶ **Headline inflation declined 0.7 p. p. to 2.3% in March**, driven by lower electricity prices and, to a lesser extent, lower fuel prices. Underlying inflation declined 0.2pp to 2.0%, hitting its lowest record since November 2021.
- ▶ **House prices accelerated in 2024 and are expected to grow at a similar rate in 2025**. After growing 5.8% in 2024, we expect MIVAU indicator (appraisal value) to grow by 5.9% in 2025. For the INE index (transaction price), prices grew 8.4% in 2024, and we forecast growth of 7.2% in 2025.
- ▶ **The public deficit in 2024 was 3.2% of GDP, 2.8% excluding Dana-related expenditures**, below the 3% target set by the Government and the European Commission. We expect the deficit to remain at 2.8% in 2025, as ongoing expenses from the Dana and potential increases in defense spending offset higher tax revenues due to dynamic activity growth and the end of energy-related fiscal measures.

Banking Sector

- ▶ **New lending shows positive dynamics**. Higher activity levels in Feb'25 continue to drive new lending, accelerating the growth of the stock of credit. Domestic NPL ratio remains stable around 3.3% in December, below Dec'23 levels and in line with the historical average prior to the financial crisis. Profitability is increasing and ROE has reached 14.6% in 4Q24 (vs. 10.5% in Euro Zone), driven mainly by good performance of the interest margin.

Main economic forecasts

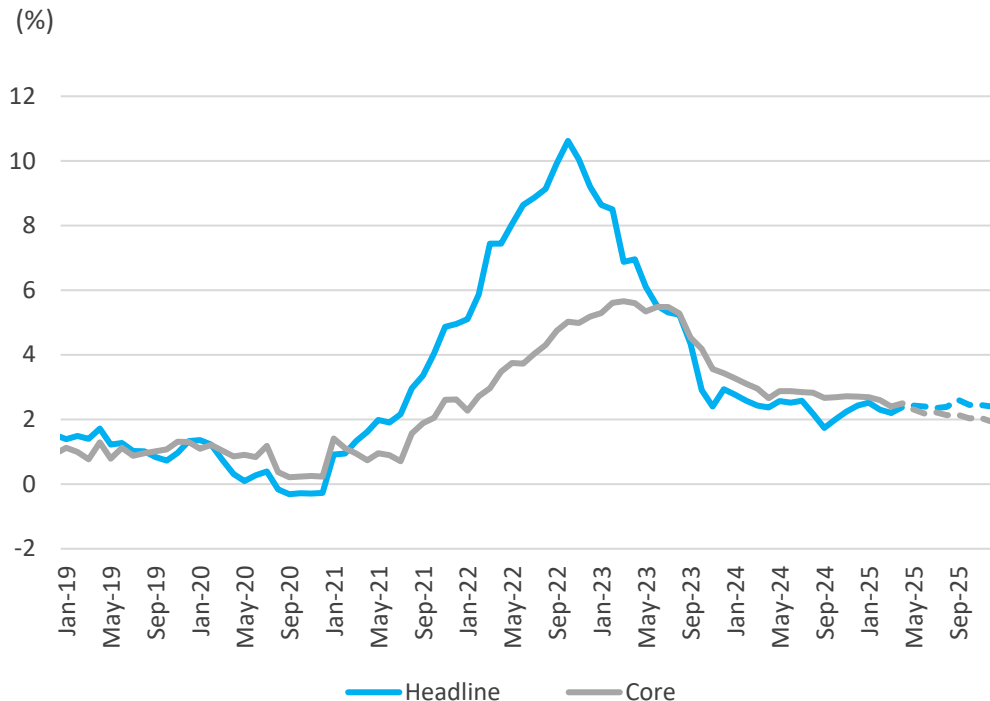
%, YoY, unless otherwise specified	2016	2017	2018	2019	2020	2021	2022	2023	Forecast		
									2024	2025	2026
GDP	2.9	2.9	2.4	2.0	-10.9	6.7	6.2	2.7	3.2	2.5	2.1
Private Consumption	2.6	3.1	1.8	1.0	-12.2	7.2	4.9	1.7	2.8	3.1	2.4
Public Consumption	0.9	1.0	2.1	2.2	3.5	3.6	0.6	5.2	4.1	1.9	0.8
Gross Fixed Capital Formation (GFCF)	2.0	6.8	6.5	4.9	-8.9	2.6	3.3	2.1	3.0	3.1	3.0
GFCF - equipment	1.6	9.1	4.2	1.7	-13.5	3.3	2.9	1.1	2.3	3.8	1.5
GFCF - construction	0.9	6.8	10.1	8.4	-8.4	0.5	2.2	3.0	3.5	3.0	3.8
Exports	5.4	5.6	1.7	2.3	-20.1	13.4	14.3	2.8	3.1	2.1	2.3
Imports	2.6	6.7	3.9	1.3	-15.1	15.0	7.7	0.3	2.4	2.9	2.5
Unemployment rate	19.6	17.2	15.3	14.1	15.5	14.9	13.0	12.2	11.3	10.7	10.2
CPI (average)	-0.2	2.0	1.7	0.7	-0.3	3.1	8.4	3.5	2.8	2.5	2.2
External current account balance (% GDP)	3.1	2.8	1.9	2.1	0.8	0.8	0.4	2.7	3.0	2.9	3.1
General Government Balance (% GDP)	-5.3	-3.0	-2.6	-3.0	-10.0	-6.7	-4.6	-3.5	-3.2	-2.8	-2.6
General government debt (% GDP)	101.9	101.1	99.7	97.6	119.2	115.6	109.4	105.1	101.8	101.2	101.0
Housing prices	1.9	2.4	3.4	3.2	-1.1	2.1	5.0	3.9	5.8	5.9	3.0
Risk premium (vs. 10Y Bund, bps, Dec.)	124	120	97	88	86	67	104	102	81	65	75
Bank credit (to the private domestic sector)	-2.9	-1.9	-2.6	-1.2	2.5	0.5	-0.4	-3.4	0.7	2.1	3.2

Note: All GDP figures are based on ESA-2010 methodology.

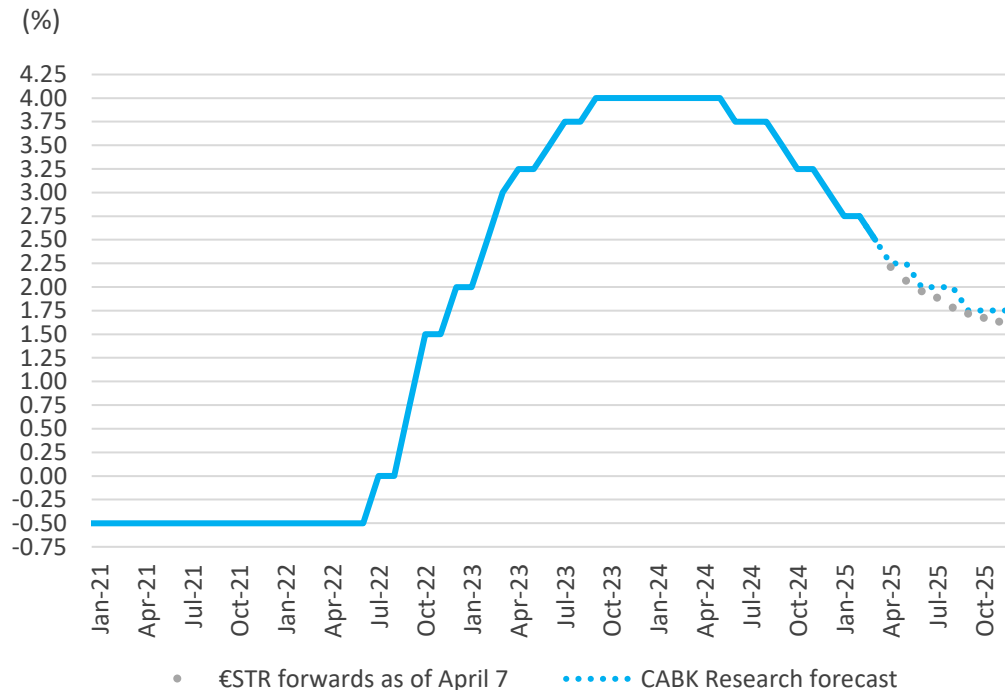
Source: CaixaBank Research.

ECB: economic policy uncertainty calls for a more cautious approach

Euro area: HICP inflation



ECB deposit rate

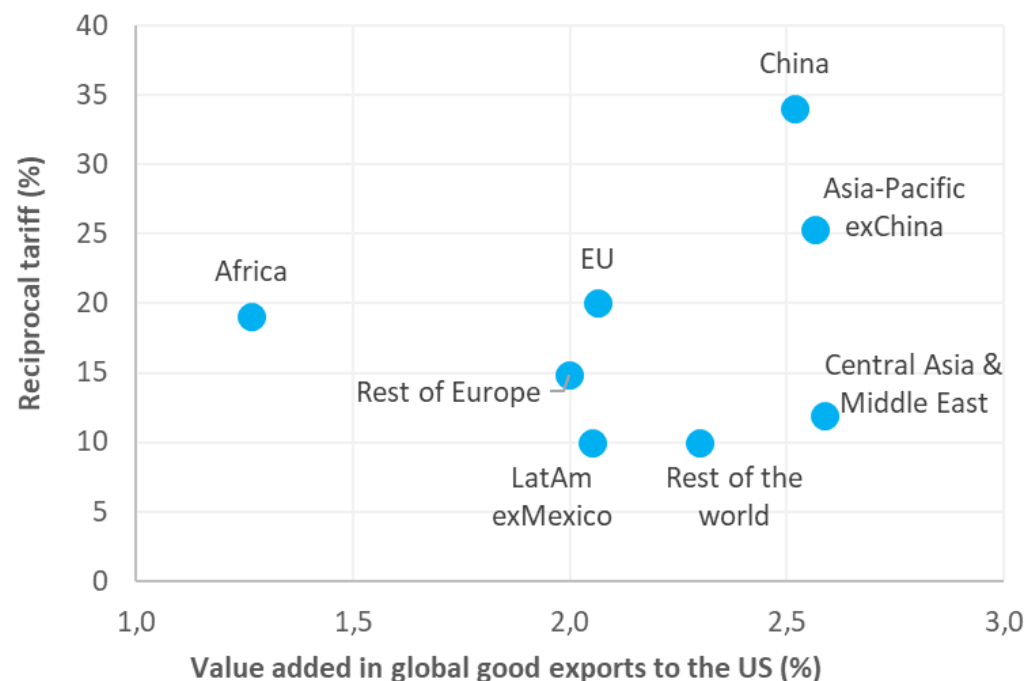


- ▶ **The ECB cut rates by 25bp in March** (sixth rate cut since June 2024), leaving the depo at 2.50% in a widely expected decision which was fully priced-in by markets. The move is supported by greater confidence in achieving the 2% inflation target, though the ECB now expects to reach it after 2025 (by Q1-26).
- ▶ **Going forward, the ECB is expected to continue cutting rates.** The market expects three additional cuts in 2025, which is our baseline scenario as well. In a context of high volatility and policy uncertainty, the ECB will continue to rely on data to decide whether to pause or cut at future meetings.
- ▶ **Market developments could help the doves' case in upcoming meetings.** Inflation dynamics could help the ECB to reach (and even undershoot) the inflation target sooner than expected.
 - On the one hand, the euro's recent appreciation should cushion the impact on prices that global trade disruptions will have on imported goods.
 - On the other hand, Asian goods avoiding the US market could potentially create a larger inflow of cheaper goods into the EU, placing additional downward pressure on prices.

Trump tariffs 2.0: a new period of high trade policy uncertainty

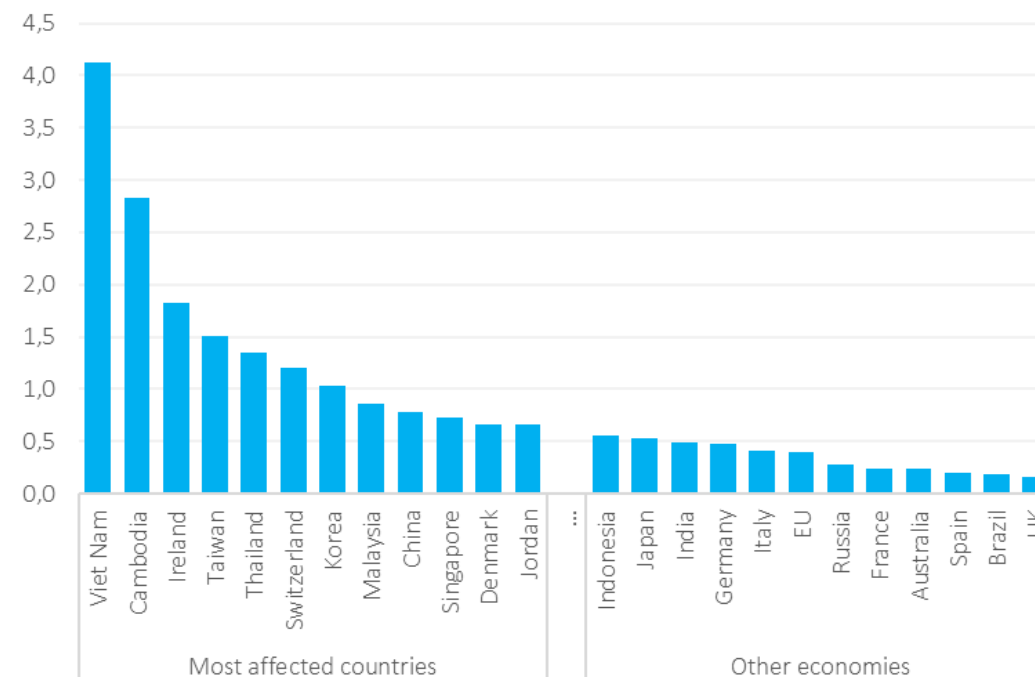
Value added in global good exports to the US and reciprocal tariff

GDP-weighted



Potential initial effect of full implementation of reciprocal tariffs

Percentage of total value added

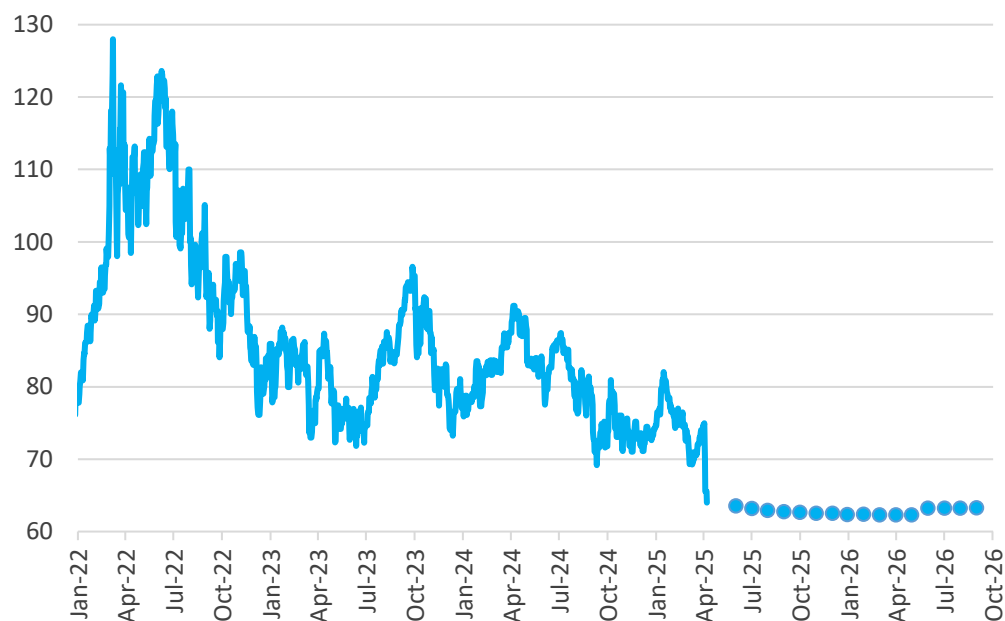


- ▶ **Reciprocal tariffs announced amid escalating protectionism.** Effective April 5, a universal 10% tariff was imposed on imports from all trading partners, with additional reciprocal tariffs on 57 countries commencing April 9 (on hold now for 90 days except for China). Consequently, the average import tariff was set to surge from approximately 3% to historic highs of 20–30%. These sort of tariffs would decelerate global growth, with the heightened uncertainty complicating precise impact assessments. While President Trump has signaled that there is room for negotiation, uncertainty remains very high as to the final outcome.
- ▶ **Asia as the primary target, moderate impact expected on the EU.** Reciprocal tariffs on China are notably high and could be on other Southeast Asian countries, potentially causing substantial economic disruption. This scenario could precipitate a reconfiguration of global value chains in the mid-term while introducing deflationary risks in the short-term due to significant trade diversion. In the European Union, the region's lower average integration with the US implies a moderate potential initial impact.

Trump's tariffs fuel commodities gloom

Brent oil prices (and futures)

\$ per barrel



Commodity prices

	Metric	Price	Change (%)			
			Last Month	Year to Date	2023	2024
Commodities	index	99,2	-5,4	0,4	-12,6	0,1
Energy	index	28,6	-10,5	-3,2	-25,6	-3,9
Brent	\$/barrel	64,1	-8,9	-14,1	-10,3	-3,1
Natural Gas (Europe)	€/MWh	35,7	-10,7	-27,0	-57,6	51,1
Precious Metals	index	296,1	1,4	11,2	4,1	19,0
Gold	\$/ounce	3041,5	4,5	15,9	13,1	27,2
Industrial Metals	index	135,7	-10,1	-3,3	-13,7	-1,6
Aluminum	\$/Tm	2378,5	-9,1	-6,8	0,3	7,0
Copper	\$/Tm	8780,0	-6,0	0,1	2,2	2,4
Agricultural	index	56,5	-2,7	-0,9	-9,3	-8,7
Wheat	\$/bushel	528,5	-1,0	-4,2	-20,7	-12,2

- **Uncertainty and fears prevail over market fundamentals.** In the short term, we expect increased volatility and lower commodity prices, as tariffs introduce significant uncertainty regarding the impact on global economic growth.
- In March, Brent crude prices traded within a relatively narrow range (\$69–\$74 per barrel), as markets weighed the potential impact of an escalating trade war and a decelerating global economy. However, in early April, Trump's tariffs and OPEC+ increased production announcements scheduled for May (411k barrels per day vs 138k expected), sent prices down to c. \$65/bbl. Additionally, Trump's position on encouraging major oil companies to pump more exerted further downward pressure on barrel prices. Gold is trading above \$3,000 per ounce, as economic uncertainty and heightened geopolitical risk continue to drive demand for the traditional safe-haven asset.
- We consider that, in this environment of heightened uncertainty and slower economic growth, the risks to prices of cyclical commodities — particularly energy and industrial metals — are skewed to the downside. If trade tensions persist, we will likely be forced to revise down our price forecasts for Brent crude as for TTF natural gas, currently at \$76/bbl avg. price and 50€/MWh avg. price in 2025, respectively.

Trump 2.0: Spain's exposure to the US is relatively low

Spain: goods exports to the United States

Category	Effective previous tariff	Effective tariff "Liberation day"	Exports towards U.S. (€ Mil.)	Exports towards U.S. (%)
Minerals and metals	2.8	24.1	2697.4	6.4
Mechanical, office and computing machinery	1.0	21.0	2492.3	9.5
Chemicals	1.5	15.1	3529.8	5.9
Electrical machinery and electronic equipment	0.8	20.4	1525.0	7.0
Oilseeds, fats and oils	0.5	20.5	1252.4	14.5
Petroleum	7.0	27.0	1003.8	6.2
Transport equipment	0.5	21.8	881.2	1.4
Other manufactures	1.1	21.1	798.9	7.7
Rubber, leather and footwear	4.7	24.7	629.5	6.0
Fruits and vegetables	3.7	23.7	539.1	3.5
Beverages and tobacco	0.2	20.2	475.5	7.0
Wood, paper, furniture	0.7	15.8	623.9	5.6
Fish and fish products	0.7	20.7	291.0	6.1
Other manufactures	5.3	25.3	1439.2	5.5
Total	2.1	20.8	18179.0	4.7
% GDP			1.14	

Source: CaixaBank Research, based on data from DataComex, WTO and own computations.

- ▶ In Spain, exports of goods and non-tourism services to the US represented 1.14% and 0.7% of GDP, respectively. Sectors with higher exposure to tariff's increase (higher exports to US) are: chemicals, production of capital goods (mechanical, office and computing machinery, electrical machinery and electronic equipment), and minerals and metals.
- ▶ We estimate that a 1pp increase in tariffs reduces nominal extra-EU goods exports to the destination on average by 1% mainly though a reduction in quantities. Upper bound: not considering trade substitution to other destination markets or a possible euro depreciation.
- ▶ Total value added in Spain embodied in direct merchandise exports or other countries' exports to the US amounts to c1.3% of total value added in the economy, compared to 2.3% for the EU (estimated for 2023).

Macroeconomic scenario

Annual variation (%), unless otherwise stated

	2024	2025	2026	2027	Cum. 25-27
GDP	3.2	2.5 (2.3)	2.1 (2.1)	2.0 (2.0)	6.7 (6.5)
Unemployment rate (% labor force) ²	11.3	10.7 (11.2)	10.2 (10.8)	9.7 (10.5)	-1.6 (-1.1)
Inflation rate (average of period, %)	2.8	2.5 (2.5)	2.2 (2.2)	2.2 (2.0)	7.1 (6.9)
House prices	5.8	5.9 (3.6)	3.0 (2.6)	2.4 (2.4)	11.7 (8.9)

Note: (1) old scenario in parenthesis. (2) Cumulative is difference between 2025 and 2023.

GDP: analysts' forecast

Year-on-year change (%)

Ordered by forecasts in 2025	2025	2026	Cum. 25-26
BBVA Research (Mar. 14)	2.8	1.8	4.7
Bank of Spain (Mar. 11)	2.7	1.9	4.7
Government (Feb. 5)	2.6	2.2	4.9
OECD (Mar. 17)	2.6	2.1	4.8
CaixaBank Research (Feb. 24)	2.5	2.1	4.7
Consensus Forecast (Mar. 14)	2.5	1.9	4.4
Funcas panel (Mar. 17)	2.5	1.9	4.4
Airef (Jan. 15)	2.5		
Funcas (Jan. 16)	2.4	2.0	4.4
European Commission (Nov. 15)	2.3	2.1	4.4

- **GDP grew by 3.2% in 2024**, a notable pace, well above the Eurozone average of 0.7% and above our previous forecast made in September (2.8%).
- **Risks surrounding the growth forecasts for the Spanish economy have slightly shifted downwards.** Our growth projections for 2025 assumed an impact of tariffs of 0.2 percentage points of GDP including the direct and indirect effects of tariffs and uncertainty. We will have to assess whether to adjust our projections depending on how negotiations evolve and where tariffs ultimately settle. The ultimate impact of tariffs could be softened by a depreciation of the euro against the US dollar, an imperfect passthrough of tariffs to EU export prices and partial trade substitution towards third countries and augmented by a protracted scenario of uncertainty.

Drivers of growth: domestic demand to take the lead

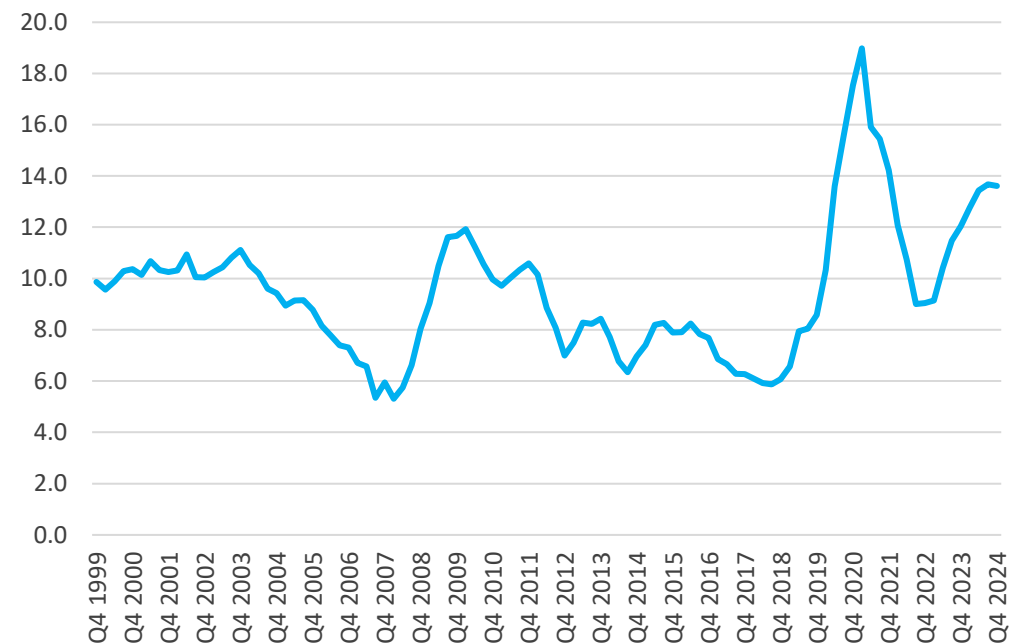
Macro growth components

Year-on-year (%)

	2014-19	2024	2025 (f)	2026 (f)
GDP	2.6	3.2	2.5	2.1
Private consumption	2.2	2.8	3.1	2.4
Public consumption	1.3	4.1	1.9	0.8
Investment	4.8	3.0	3.1	3.0
Exports	3.9	3.1	2.1	2.3
Imports	4.4	2.4	2.9	2.5

Households' savings rate

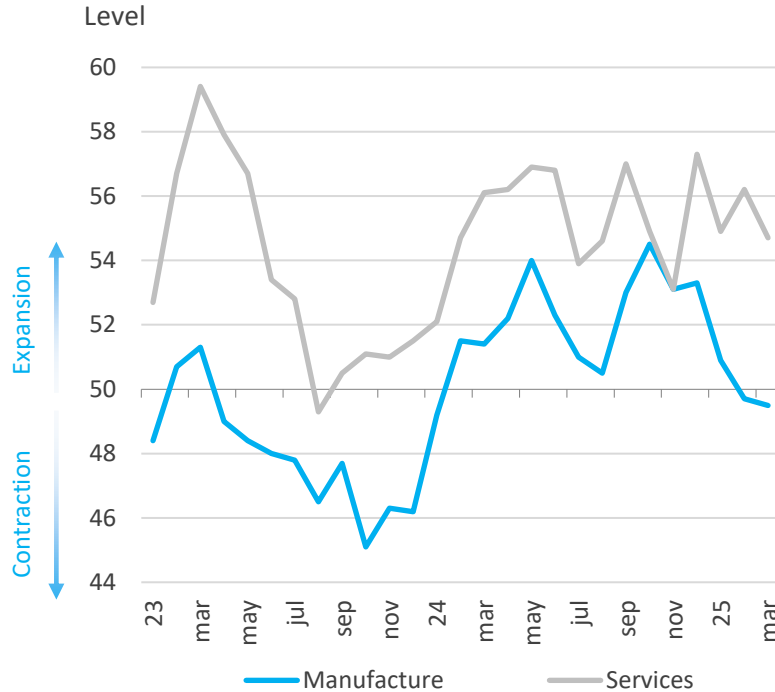
% of gross disposable income (cum. 4 quarters)



- ▶ **Domestic demand is expected to be the main driver of growth in 2025.** Household consumption is expected to become the main pillar of growth thanks to the decline in interest rates, some recovery of purchasing power, and demographic growth. The financial situation of households is solid (household debt-to-GDP stands at 44.1% vs 51.9% in the Euro Area) and the elevated savings rate points to further room for growth. Investment is also expected to gain traction, as interest rates decline and ongoing support from NGEU funds.
- ▶ 2025 GDP growth will keep dynamic but soften a bit due to the moderation of public consumption and the external sector, the latter affected by tourism normalization, weak Euro Area growth, and more dynamism in imports owing to the strength of internal demand.

Growth set to remain elevated in Q1, according to economic indicators

PMI indices

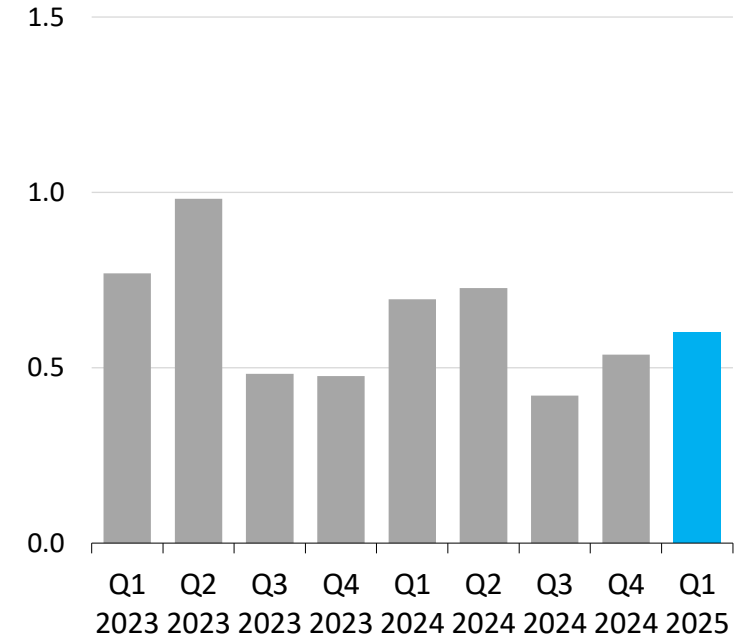


Macroeconomic indicators

	Q1 2025	Q4 2024	Data up to
Workers registered to the Social Security system (qoq growth in % SA)	0.6	0.5	Mar.
CaixaBank Consumption Monitor (yoy growth in %)	3.4	4.0	3 rd week of Mar.
Retail sales (yoy growth in %)	0.2	0.9	Feb.
Industrial Production (yoy growth in %)	-0.8	1.5	Feb.
Composite PMI level, >50 expansion	54.4	55.1	Mar.

Social Security registered members

Qoq change (%)



- ▶ **The composite PMI has declined slightly in Q1-25 compared to the previous quarter average but remains at an elevated level.** Drilling down, we see a deterioration of the Manufacturing PMI, owing to a worsening of external demand driven by tariff and geopolitical related uncertainty, while the Services PMI has improved compared to the previous quarter.
- ▶ **Employment maintains a dynamic tone**, with an increase of 2.2% year-on-year. Correcting seasonality, affiliates grew by 23 thousand workers in March. Quarterly employment growth (seasonally adjusted) accelerated 0.1 p. p. in Q1 compared to the previous quarter, reaching 0.6%.
- ▶ **The consumption indicator of the CaixaBank Monitor slowed down in the first three weeks of March to 1.7% yoy**, a disappointing reading. However, the slowdown in consumption in March may have been affected by adverse meteorological conditions in the first half of the month as well as by a calendar effect, as Easter last year fell on March.
- ▶ Taking into account available indicators, **we expect GDP growth of 0.6% qoq in Q1 2025**, an elevated figure but slightly below that of the previous quarter (0.8% qoq).

Inflation down to 2.3% in March

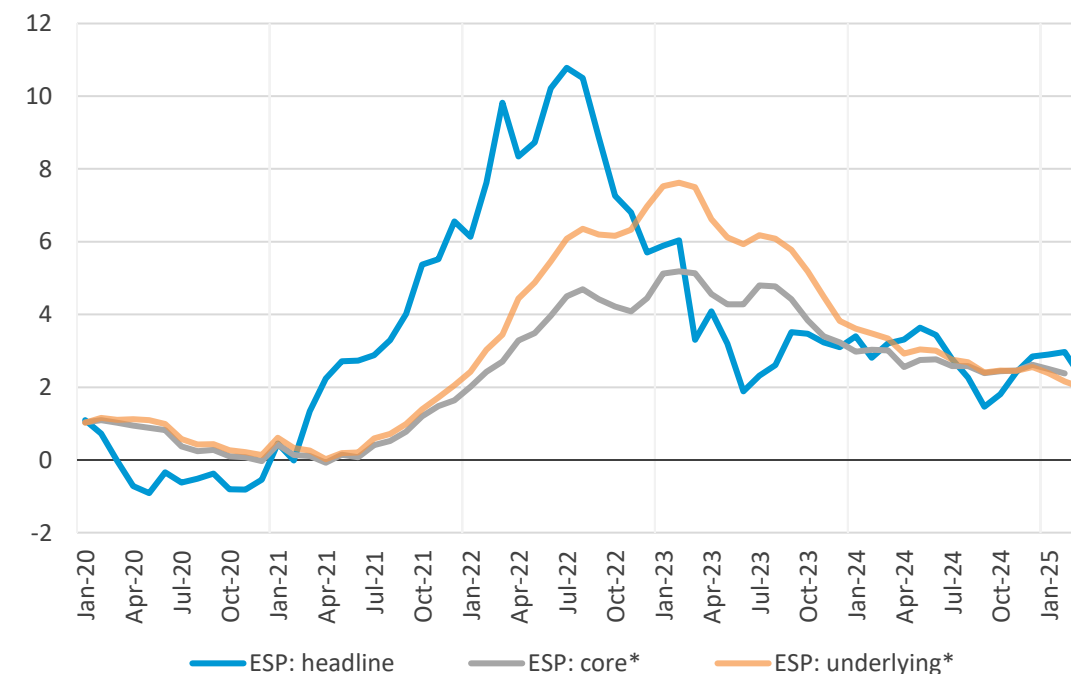
Inflation forecasts

Year-on-year change (%)

	2024	2025	2026	2027
Headline inflation	2.8	2.5	2.2	2.2
Underlying inflation (excl. energy and non processed food)	2.9	2.3	2.3	2.1
Core inflation (excluding energy and food)	2.7	2.5	2.4	2.0
- Industrial goods	0.7	0.7	0.8	0.9
- Services	3.5	3.3	3.1	2.5
Food, beverages & tobacco	3.6	2.0	2.0	2.0
Energy	1.0	4.3	1.2	4.1

Headline, underlying and core CPI

Year-on-year change %

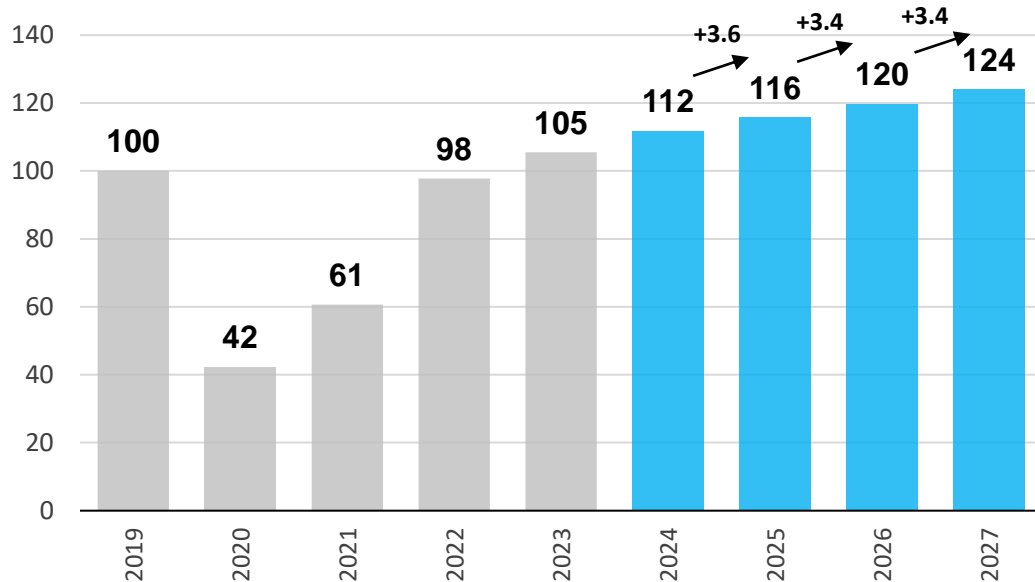


- ▶ **Headline inflation down 0.7 p. p. to 2.3% in March.** Inflation went down strongly after rising for five consecutive months. The fall in headline inflation was driven by lower electricity prices and, to a lesser extent, by lower fuel prices. Similarly, underlying inflation (excl. energy and non-processed food) declined 0.2pp to 2.0%, hitting its lowest record since November 2021.
- ▶ **Inflation is heading into the second quarter of the year with improved prospects.** Increases in the headline indicator in recent months have been primarily due to rising energy prices, which may have peaked. The sharp correction in the prices of major energy commodities, together with lower than expected oil prices should contribute to a moderation of inflation in the coming months.

Positive outlook for the tourist and external sector

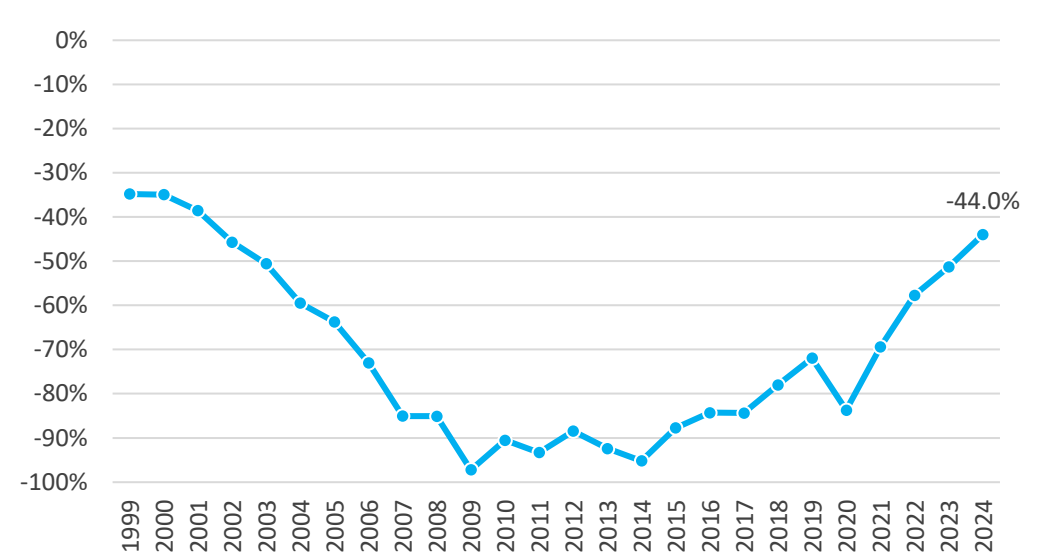
Tourism GDP

Index (100 = 2019)



Net international investment position

% of GDP



Note: (*) 2024 is up to Q3 2024.

- **Tourism will continue to contribute to robust growth, albeit to a smaller extent than in 2024.** In 2024 the tourism sector grew 6.0% and had a GDP growth contribution of 0.7pp. Given the tourism GDP has recovered to 12% above its pre-pandemic level, we expect growth to normalize to a still strong 3.6% in 2025, and to add 0.5pp to growth. The key factors behind this solid rate of expansion include the recovery of purchasing power in the home countries of international tourists, and the high level of competitiveness of the Spanish tourism sector. We expect tourism to continue contributing positively to the Spanish economy in 2026, growing an additional 3.4% and adding 0.45pp to growth.
- **The tourism sector had a solid, but slowing, start to 2025.** International arrivals are up 7.7% year-on-year in February 2025, while international expenditure increased 7.6% in the same month. Domestic overnight stays in February 2025 are down -3.8% yoy as Spanish tourists continue to travel more abroad. Inflation in tourism services has decelerated to 4.4% in January 2025 but remains relatively elevated.
- **The current account balance shows a surplus for the thirteenth consecutive year.** The current account surplus reached 3.0% in 2024, expanding the substantial surplus of the previous year (2.7%) and above the average surplus of the 2015-2019 period, which was 2.4%. The good performance over the last thirteen years has significantly reduced the large deficit in the net international investment position, from 97% of GDP in 2009 to 44% in 2024. Looking ahead, we foresee a slight deterioration of 0.1 percentage points in the current account surplus in 2025, owing to the loss of dynamism in non-energy exports because of weak Euro Area growth and the strength of imports, pulled by strong domestic demand. However, as Euro Area growth gains strength from 2026 onwards, we expect the current account surplus to reach or exceed 3.0% again.

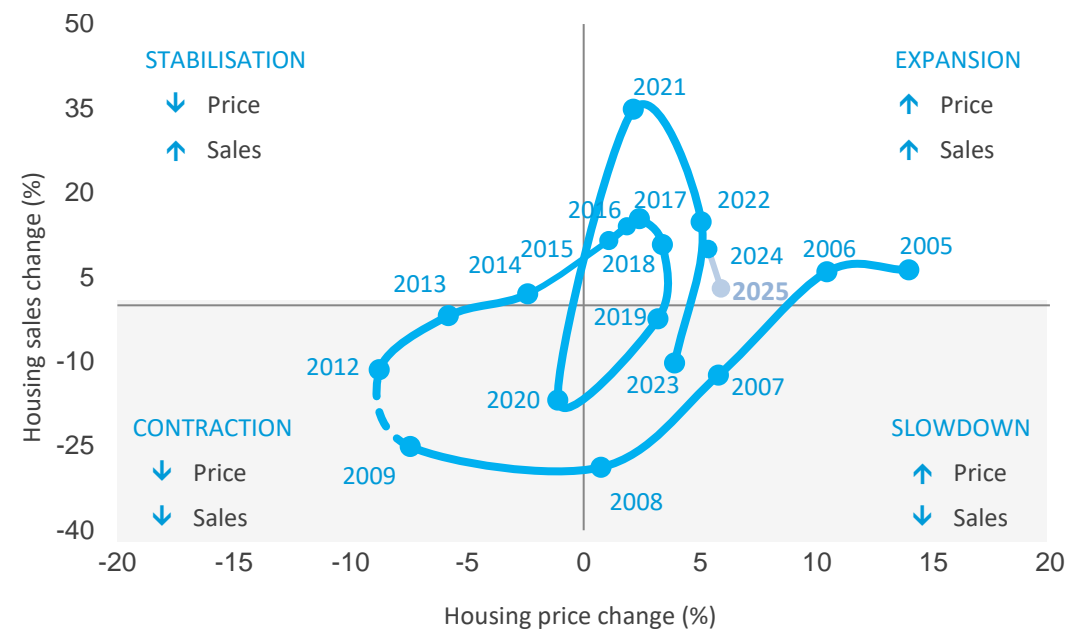
The housing market is in expansionary mode

Forecasts for the real estate market

	2014-19	2022	2023	2024	2025
Housing sales (Thousand)	428	650	584	642	650 <i>578</i>
New building permits (Thousand)	73	109	109	128	135 <i>125</i>
House price (appraisal, MIVAU) Year-on-year (%)	1.6	5.0	3.9	5.8	5.9 <i>3.6</i>
House price (transaction, INE) Year-on-year (%)	4.4	7.4	4.0	8.4	7.2 <i>4.1</i>

Note: Previous forecast in parenthesis (July 2024).

CaixaBank Research housing clock



Note: The period 2010-2011 is excluded due to the impact of fiscal incentives.

Source: CaixaBank Research, based on data from INE and MIVAU.

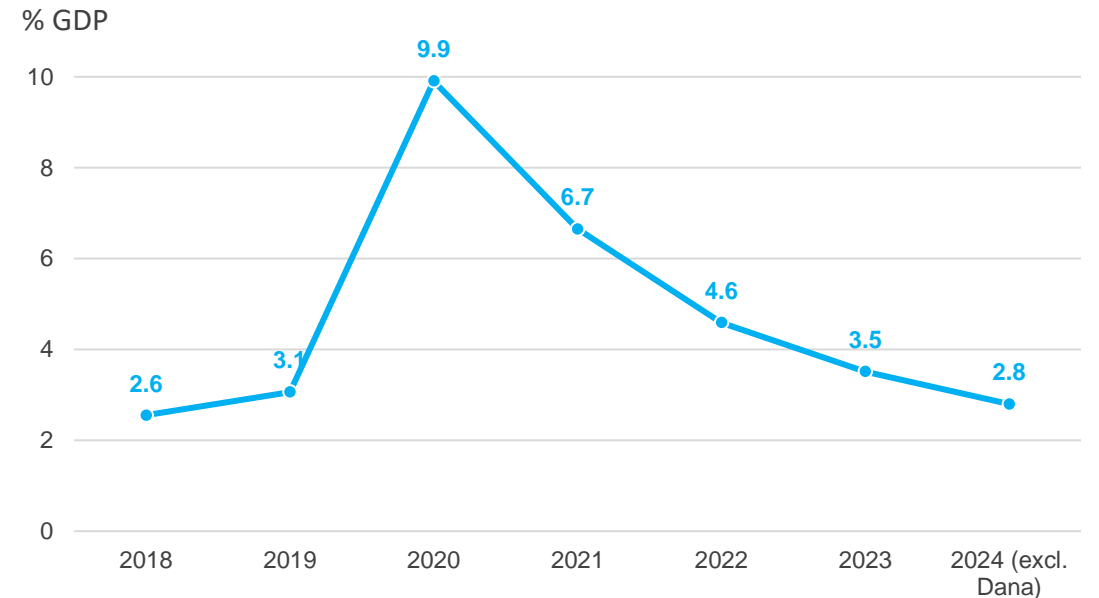
- ▶ **The housing market is in expansionary mode:** housing demand is very strong while supply is starting to pick-up from very low levels. Housing prices are growing at a significant pace.
- ▶ **Housing prices accelerated in 2024 and are expected to grow at a similar rate in 2025.** After growing 5.8% in 2024, we expect MIVAU indicator (appraisal value) to grow by 5.9% in 2025. For the INE index (transaction price), prices grew 8.4% in 2024, and we expect them to grow 7.2% in 2025.
- ▶ **Housing demand is very strong.** The number of housing sales increased by 10% in 2024 and reached around 642k units due to strong demand factors, especially population growth, job creation, foreign demand and the decline in interest rates. We expect housing transactions to increase up to 650 units in 2025. In January, housing sales increased by 11.0% YoY.
- ▶ **Housing supply is gaining some traction.** New building permits increased by 16.7% in 2024 and reached 128k units. We expect that the housing supply will continue to increase, gradually reducing the gap with demand. However, the cumulative housing deficit of the past few years is significant and will continue to exert upward pressure on prices.

Public deficit in 2024 has decreased sizably till 2.8% of GDP (w/o dana)

Public accounts

	2023 M€	2024 M€	2024-2023 %
Revenues	628.283	672.659	7.1
Tax revenues	354.220	381.436	7.7
Social contributions	197.037	210.240	6.7
Expenditures	680.952	722.846	6.2
Public employee compensation	163.373	172.350	5.5
Social transfers	251.936	268.961	10.1
Gross capital formation	44.321	42.319	-4.5
Subsidies	20.707	18.480	-10.8
Interest	35.707	38.986	9.2
Public deficit	-52.669	-50.187	-4.7
Dana impact	0	-5.590	
Public deficit excluding dana	-52.669	-44.597	-15.3

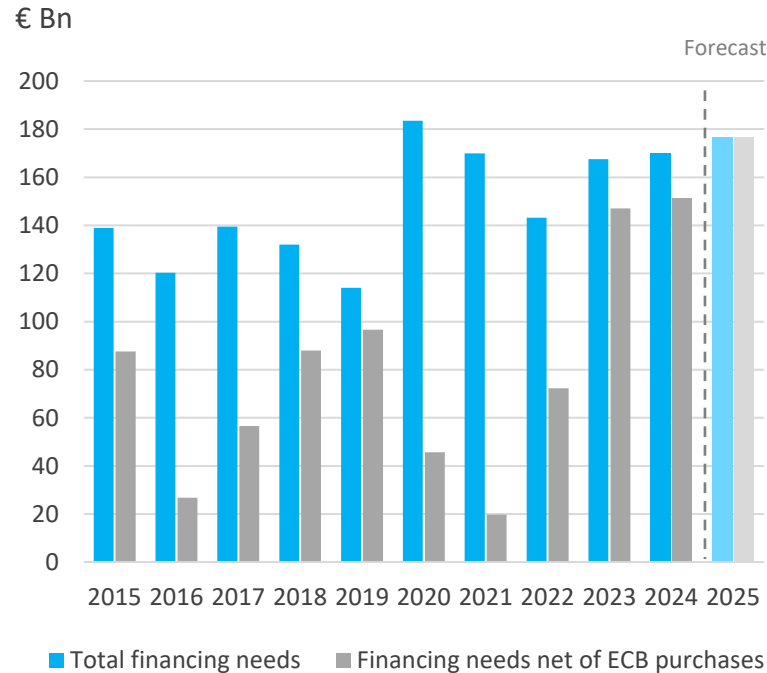
Public deficit



- ▶ **Deficit 2024:** The public deficit for 2024 was 50,187 million euros (3.2% of GDP), in line with the forecast by CaixaBank Research. The expenditure due to the Dana amounted to 5,590 million euros (0.4 percentage points of GDP). Excluding these exceptional expenses, the public deficit was 2.8% of GDP, 0.2 pp below the target set by the Government and the European Commission and 0,7 pp below 2023. The deficit was reduced thanks to a vigorous growth in public revenues of 7.1% while public spending (excl. Dana) grew by 5.3%.
- ▶ **Public debt** reached 1.62 trillion euros at the end of 2024, an increase of €46bn compared to 2023 as public expenditure remains elevated. In terms of GDP, the debt ratio was 101.8%, that is -3.3 p. p. compared to 2022, but +4.2 p. p. compared to the end of 2019.
- ▶ **2025 Outlook:** we forecast a deficit of 2.8% for 2025. Despite ongoing expenses from the Dana and potential increases in defense spending, higher tax revenues (projected to grow by 6.0% year-on-year) owing to the dynamism of activity will offset these costs. Expenses are expected to grow moderately, less than revenues, due to lower inflation (pension revaluation at 2.8% in 2025 vs. 3.8% in 2024) and the end of the energy-related fiscal measures (they had a fiscal cost of 0.4% of GDP in 2024).
- ▶ Following the Airef pension report, which estimates revenues from new pension reform measures, no additional measures (such as increases in social contributions) are needed until at least 2028 to finance pensions, as Spain is adhering to the spending rule agreed with the European Commission.
- ▶ **The Government will mobilize 7.4bn in financial resources and redirect 6.7bn** (including 5bn in loans from the NGEU Addendum) **to help sectors affected by tariffs.** The total amount mobilized is therefore 14.1bn, while Spanish goods exports to the US total around 19bn. The impact on the deficit is likely to be immaterial as it will be implemented through guarantee lines and loans.

State's financing needs increase, but they can be absorbed by the larger participation of domestic and nonresident investors

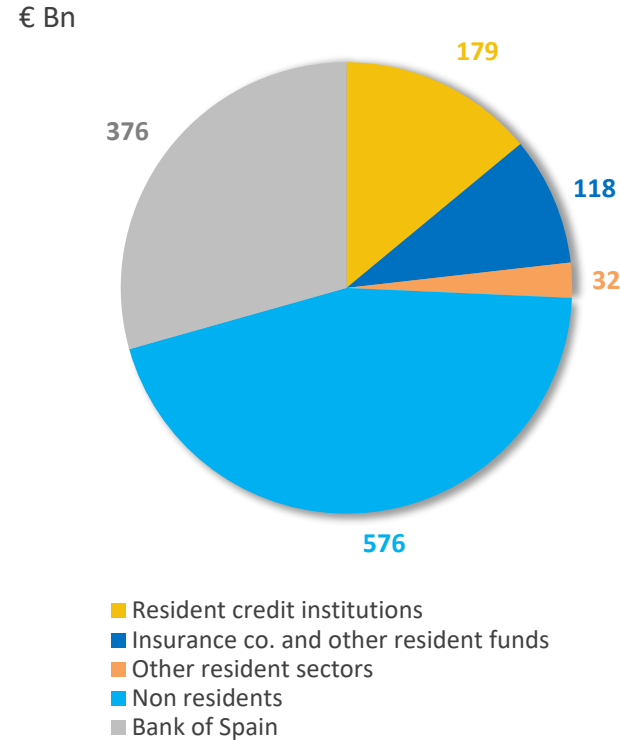
Spain: Gross financing needs



Note: *Amortisation funds do not include short-term bills.

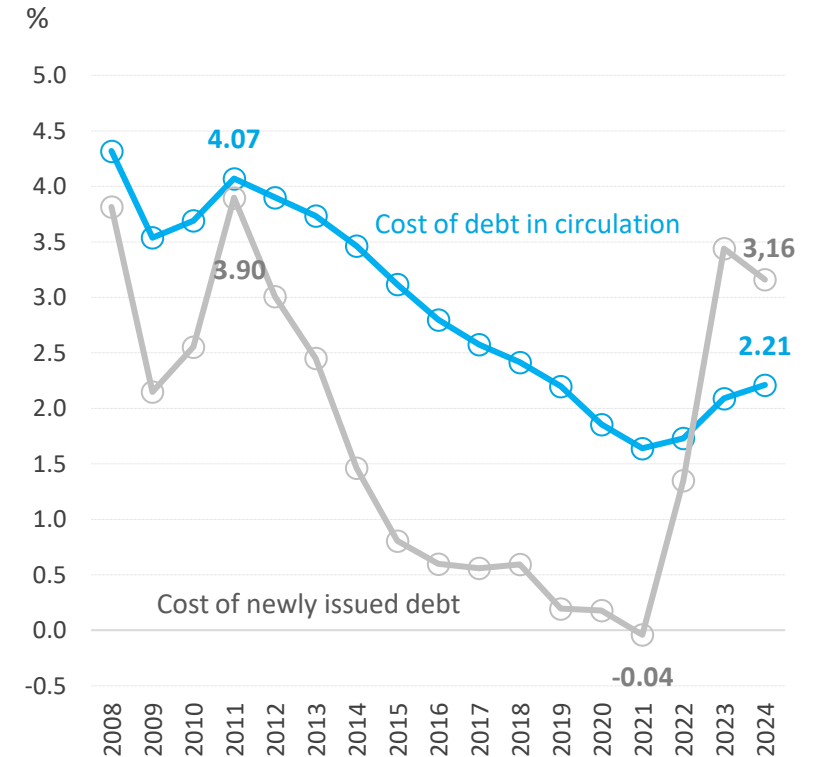
Source: CaixaBank Research, with data from the Directorate-General for the Treasury.

Public debt holdings (excl. bills)



Note: December data.

Cost of debt: State

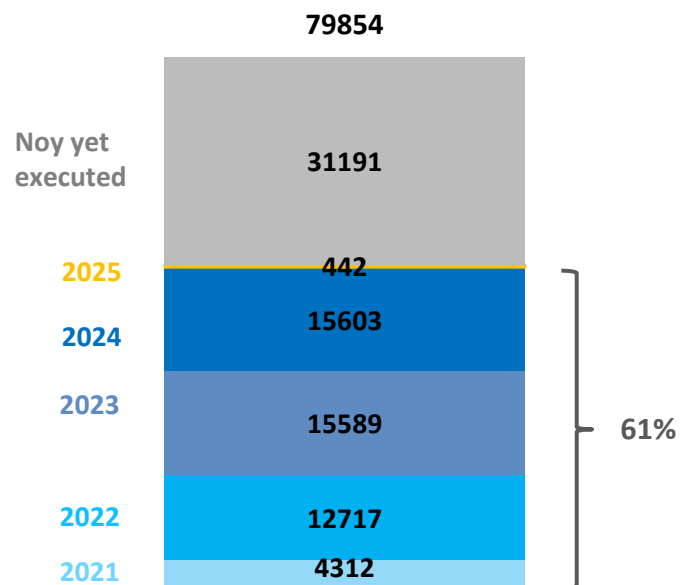


- ▶ **Funding needs in 2025** will be above those of 2015-2024 net of ECB purchases. However, higher interest rates with respect to pre-pandemic levels should maintain the appeal of public debt holdings for investors, whether domestic or non-resident, and facilitate the absorption of Spain's financing needs.
- ▶ **Government debt is diversified across holders.** In 2024 foreign investors increased their holdings of Spanish debt (excl. bills) by €57.4bn, which suggests there is appetite for this type of investment. Retail investors have led domestic interest in Treasury Bills, becoming their main holder, with a historical increase of €23.5bn since December 2022.
- ▶ **In 2025, the average cost of debt is expected to keep at contained levels.** The average lifespan of the stock of debt is elevated (c. 8 years), so the share of debt that needs to be re-financed every year is small. Interest payments on debt of the public administrations could stand at 2.5% of GDP in 2025, a similar level to that of 2024, but much lower than a decade ago (in 2014, it was 3.5%).

NGEU: The Recovery Plan keeps being deployed

Execution of PRTR

Total grants (Million euros)

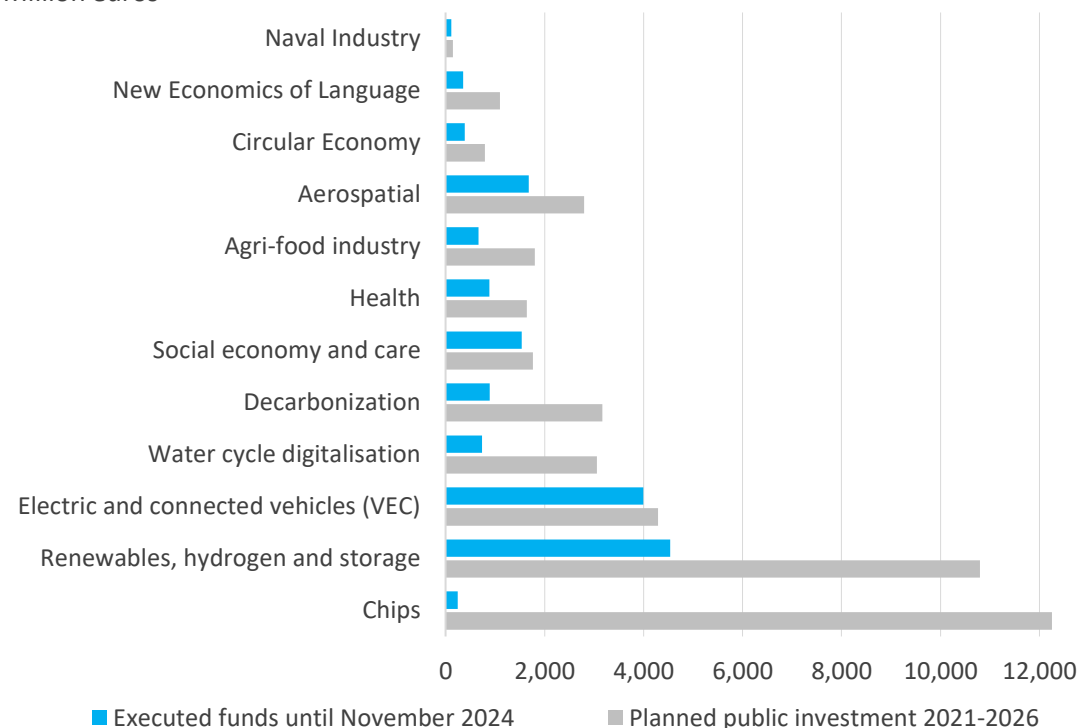


Note: Execution is defined as the awarding of tenders and grants.

Source: CaixaBank Research, based on data from the ELISA portal, Government of Spain.

PERTEs

Million euros



► By the end of December, **tenders and grants amounting to €48.7 billion had been awarded**, which is 61% of the total grant allocation of the Plan (almost €80 billion). In 2024, €15.6 billion have been executed, very similar to the 2023 figure and just a bit higher than in 2022 (12.4bn).

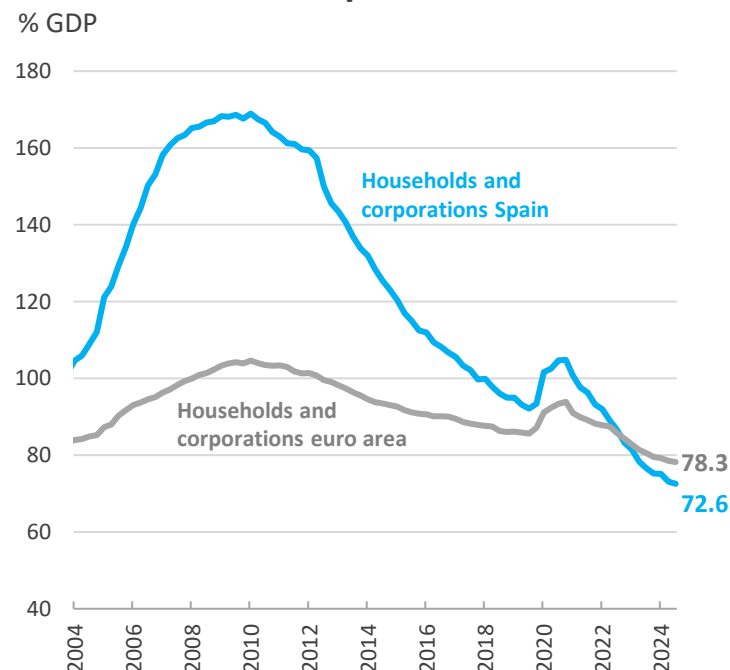
► **Spain has already received €47.9 billion in grants from the EC**; the fifth payment is €23.9 billion (€8 billion in grants and €15.9bn in loans of the Addendum), and has been requested by Spain at the end of December (one of the milestones is tax reform). The EC is still evaluating it. The Government activated in the summer €22 billion from the ICO Verde line and €8.15 billion from the ICO Empresas y Emprendedores line, both part of the Addendum.

► **45% of companies** with projects funded by NGEU funds state that they would not have carried out such investments without the support of this program, while 31% would have only completed part of them, according to a Bank of Spain survey.

► **PERTEs**: a total of €16 billion has been executed (total budget: €43.6 billion). Among the largest allocations, the PERTE for connected electric vehicles (€4 billion executed) and the PERTE for renewable energies (€4.5 billion) stand out positively. The PERTE for industrialized housing will be presented soon.

Banking system: improved credit dynamics

Bank credit to the private sector



Note: latest data available as of Dec-24.
Source: CaixaBank Research with data from ECB, Eurostat.

Private domestic credit

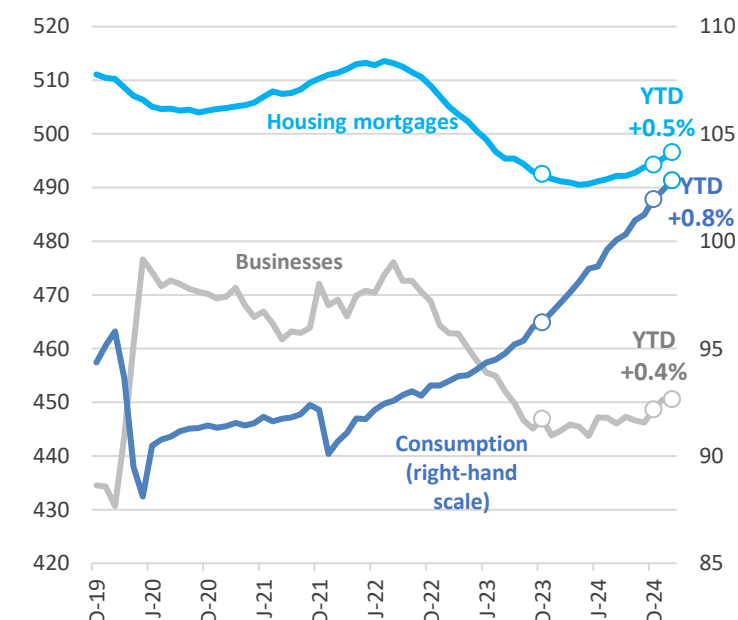
Year-on-year (%)

	Dec-24	Feb-25 (latest)	2025 (forecast)
	% yoy	% yoy	% yoy
Total credit	0.7%	1.5%	2.1%
Households	0.9%	1.6%	2.1%
Housing mortgages	0.3%	1.1%	1.6%
Other purposes	2.3%	3.0%	3.7%
Of which consumption	5.8%	5.9%	6.0%
Businesses	0.4%	1.3%	2.1%
Non-real estate developers ¹	0.2%	0.2%	-
Real estate developers ¹	1.0%	1.0%	-

Note: (1) latest data available Dec-24.
Source: CaixaBank Research with data from Bank of Spain.

Private domestic credit

€Bn, Year-to-year % (seasonally adjusted)

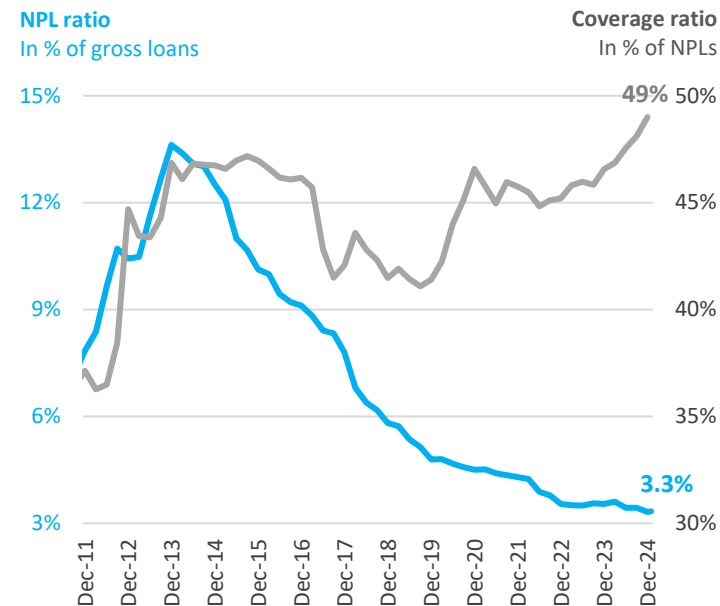


Note: latest data available as of Feb-25.
Source: CaixaBank Research with data from Bank of Spain.

- ▶ **Households and corporate debt levels** (including debt securities) remain below euro area averages in 3Q24. Both sectors have deleveraged in terms of GDP, sitting below pre-pandemic levels.
- ▶ **New mortgage production** continues to show notable dynamics in Feb-25 with the change in interest rate expectations (accumulated new lending from January to February grows +31.7% yoy).
- ▶ **New lending for consumption** increases favored by improvements of consumer confidence (accumulated new lending from January to February grows +15.5% yoy).
- ▶ **New lending to corporates** grows especially in loans above 1M€, but also in smaller ones (accumulated new lending from January to February grows +10.3% yoy).
- ▶ **Consequently, the growth of the stock of credit to the Spanish resident private sector accelerates at the beginning of the year.** We expect this trend to continue in the year and gradually converge to a growth rate below nominal GDP growth.

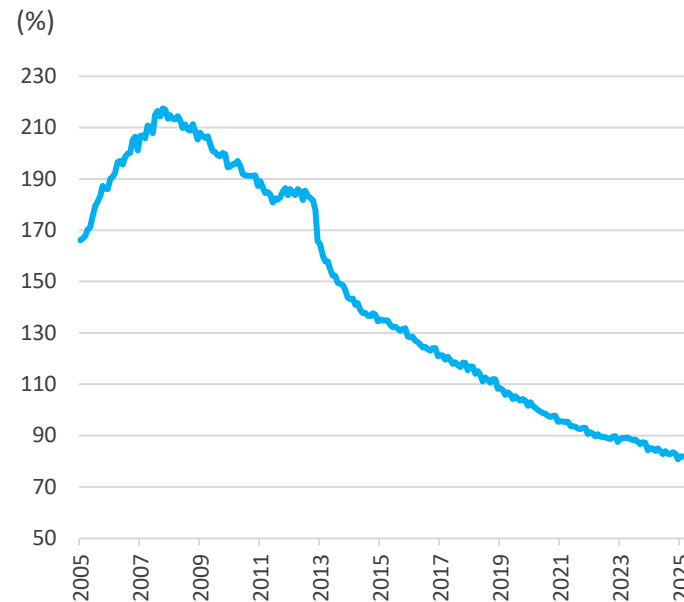
Banking system: solid financials

NPLs and coverage ratios¹



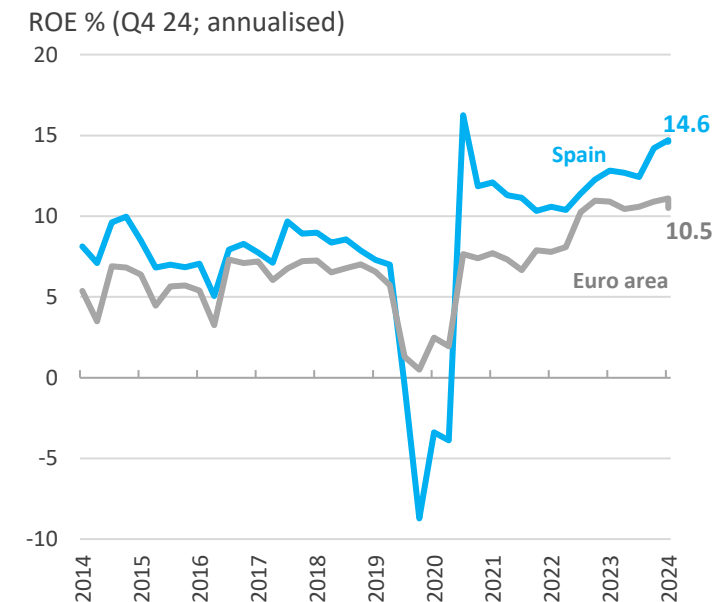
Note: (1) latest available data Jan-25 and Dec-24, respectively
Source: CaixaBank Research with data from Bank of Spain.

HHs & NFCs loan to deposit ratio



Note: loans and deposits to residents in Spain, on a non-consolidated basis. Latest data available Feb-25.
Source: CaixaBank Research with data from Bank of Spain.

Banks' profitability



Source: CaixaBank Research with data from EBA (Dashboard-Q4 24).

- ▶ **NPLs remain stable around 3.3%.** The share of stage 2 loans on a group level decreased to 6.8% in 4Q24, remaining below EU level.
- ▶ **Household and non-financial corporation (NFC) deposits in February 2025 remain close to the all-time high reached at the end of 2024.** Seasonally adjusted data show strong growth (+5.2% yoy in Feb'25). Loan to deposit ratio remains stable at very comfortable levels (c. 90%)
- ▶ **Profitability is increasing (ROE stood at 14.6% in 4Q24)** thanks to the widening of the net interest margin and solid fee growth and despite the extraordinary banking tax (4.8% on domestic net interest and fee income, where such income exceeds €800 million). The government has approved extending the tax on banks for three more years, with a rate that ranges between 1%-7%.
- ▶ **The capital position of Spanish banks remains comfortable with a 12.9% CET1 ratio in 4Q24.** The Bank of Spain's stress test¹ for 2024-2026 show under the adverse scenario the banking sector's overall resilience. The impact on capital consumption would be manageable for all Spanish institutions, specially due to the high initial capital levels and by banks' capacity to generate capital and absorb losses. The BoE has approved the new framework for setting the CCyB and raised it to 0.5% in 4Q24 (to be applicable from Oct'25). It will raise to 1% in 4Q25 (to be applicable from Oct'26).