



Comunidad
de Madrid

Economic Situation in the Community of Madrid

Subdirectorato General for Economic Analysis
Directorate General for Economic Affairs

IV/2023

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Disclaimer:

The Community of Madrid does not make its own predictions about the growth of the regional economy. Those included in this report have been published by various independent sources and are cited as such.

Note on the analysis of the evolution of economic indicators in this report.

An assessment of how economic indicators have recovered following the COVID crisis is based on a comparison with the usual levels in the reference months prior to the outbreak of the pandemic. This report, therefore, sheds light on monthly indicator values from March 2019 to February 2020 and the variations in 2023 and 2024 levels relative to pre-pandemic levels, alongside the usual year-on-year rate of change. They are all geared towards spotting possible shifts in activity evolution patterns, which are particularly relevant in the current context in which the performance of the economy is conditioned by multiple factors, some of them non-economic, with a great disruptive capacity.

Close date: 23/02/24

I. Overview of the economic situation

The economic trend in the three months that have elapsed since the publication of the previous report on the Economic Situation of the Community of Madrid is characterised by the continuation of the dynamics prevailing at that time. This continuity is, however, not only news, as it is against the forecast, but very good news, considering, on the one hand, the looming risks and, on the other, the expected responses of agents in the new interest rate scenario.

Once again, the first lines of this report should underline that the economic performance in Q4 2023 was much better than expected, not only in relation to what was forecasted a year ago, but in relation to also to what was considered likely only three months ago. Despite the forecasted economic slowdown, indicators point to an acceleration of growth in Q4 at national and regional level, and the weakness expected for the last half of 2023 has shifted to an acceleration and consolidation of activity levels supported by the dynamism of domestic demand and the strength of the labour market. A slowdown is therefore once again postponed until the first half of 2024, which is also expected to be short if the estimated timeframes for the first interest rate cuts are met.

It is worth stopping to reflect on what has happened over the last year and a half: the drastic increase in the price of money responded to the urgent need to rein in inflation that was approaching double digits on both sides of the Atlantic, defusing second-round effects that would have led to a lowering of inflation expectations.

With inflation around 10% in the summer of 2022, the European Central Bank made its first rate hike since 2016, to 0.5%, only months after the Federal Reserve's first increase; by December they were already at 2.5%, with no visible effect on containing inflation, which was still close to 10% at the end of 2022. The reference rate continued to rise until September 2023, remaining since then at 4.5% in the Eurozone, and one point higher in the USA. Inflation response has been slower than expected, and its persistence at rates closer to 4% than the 2% target, especially core inflation, is delaying the start of the rate cut which now seems to be postponed to the second half of 2024.

However, this slow and incomplete response of inflation to the sharpest rate hike in history should be viewed in relation to the evolution of economic activity. It has shown a unique resistance that not only breaks with economic theory, but also with historical patterns. The USA, far from entering a recession, grew by 2.5% in 2023, as was the case in Spain and in line with the estimate also for our region, while the Eurozone continues to evade a fall in activity.

A miracle or change in the fundamentals? Neither one nor the other, the explanation is to be found in new factors that did not exist at other times when restrictive monetary policies were in place. These include the effects of an expansionary fiscal policy of unknown dimensions both in the USA and in the EU, the lax budgetary policies, the consequences of the pandemic both in terms of pent-up savings and in terms of changing consumer behaviour, all in a context of extraordinarily strong labour markets. It has also been key that the armed conflicts in Ukraine and Israel, with dramatic consequences in terms of lives lost, have so far neither escalated territorially nor spiralled into systemic crises. In other words, and as is usual in complex environments, each situation has its own specific characteristics and, consequently, the approaches taken in each one may not necessarily provide the same response, nor within the same timeframe.

Therefore, it is clear that 2023 was a year that was once again surprisingly positive, without this result having to conceal the fragility of the balances and the exceptional nature of the foundations on which it was built.

Our focus will now turn to summarising the region's economic performance in Q4 2023, as a starting point for what is to come in 2024. This report pays particular attention to developments in the labour market and inflation, as well as to external trade in goods, whose performance should be analysed taking into account the role that base effects are playing.

The latest estimates of regional growth for Q4, published by AIREF, put GDP growth in the Community of Madrid at 0.6% quarter-on-quarter and 2% year-on-year, identical to the national rate. In the annual calculation, the region's growth would have exceeded the national figure by half a point, at 3%, the highest in the peninsula and only higher in the island territories. After a 2022, in which Madrid was the region with the greatest progress in recovering the level of pre-covid activity, already standing at 1.8% above Q4 2019 according to official INE data, independent analysts estimate, in line with AIREF, an average growth for 2023 that would only be exceeded by the Canary Islands and the Balearic Islands, both being regions that would be close to pre-pandemic levels in 2023.

The performance of the regional labour market is the cornerstone on which activity and consumption are based, and it is essential for the socio-economic performance of the Community of Madrid to be in harmony with these three

variables. The LFS for Q4 has set a new all-time high in labour force participation and jobholders, and also stands out for its dynamism, which is not at all common when these variables reach record highs. Moreover, unemployment has fallen, which is unusual for a Q4 of the year, and it has fallen significantly; it only fell more sharply in the Q4 of 2021 and 2002. However, the excellent results of Q4 are due both to the worse than expected performance of the labour market in Q3 and to the Ministry's employment definitions, especially in terms of permanent job seekers, which, in the case of registered employment, would lead to an underestimation of the number of unemployed, which at the national level was close to 630,000 people up to November last year¹.

With close to 3.7 million jobholders and 361,000 unemployed individuals, the region's unemployment rate declined by eight tenths of a point, falling again from 10% of the labour force to 9.7%, and the participation rate added three tenths of a point, to 63.6% of the population over 16 years of age. The growth of the working-age population continues to be very noticeable and differential, which, given the current demographic profile, highlights the position of the Community of Madrid as a centre of attraction for talent and the generation of activity. At the end of this report, there is a box on the region's demographic evolution, the results of which in 2023 have just been published, far exceeding existing projections in terms of both population and households.

The two boxes also show the results of the Community of Madrid's household employment situation and the evolution of hours worked in the region, as well as the number of employees who did not work in the reference week based on the reasons why they did not do so, in order to observe the changes occurring in these variables in relation to the pre-pandemic situation. More fully employed households (driven by the dynamism of single-person households) illustrate the positive trend in the post-pandemic regional labour market. This does not correspond to a similar increase in hours worked, whose slower increase reflects a greater fragmentation of employment, accounting for fewer hours worked per week than before the pandemic. Another notable feature is the increase in the percentage of jobholders who did not work in the reference week compared with that observed before the health crisis, whose indirect effects seem to partly explain this increase, in which the ageing of the population may also be playing a role.

Regarding the trend in prices, the latest data shows a slow but apparently steady decline in headline inflation, at least in the region, remaining at 2.7% in January, half a percentage point below that of October, the latest available data at the close of the previous quarterly report. The recent upturn in inflation in Spain has interrupted the decreases of the end of 2023, and stands at 3.4% in January, only one tenth of a percentage point lower than in October. Compared to the general rate, the growth of core inflation has grown less sharply, with the year-on-year growth rate in the Community of Madrid dropping 1.8 points since October and 1.6 points in Spain, although it is still above general inflation, with rates of 3% in the region and 3.6% in the country as a whole.

Beyond the slow normalisation of inflation evolution profiles, it is price levels, which are determining the behaviour of economic agents, guided by perceived inflation. Consumer perceptions of the inflation they are experiencing differs from the one described above. A good example of this dissociation is the current food price situation, which have been rising steadily since June 2021, but whose increases in the last four months of 2023, because they were lower than those recorded a year earlier, had an impact on the overall CPI. We can put the focus on food, as this is the shopping basket component to which consumers are most sensitive.

However, household behaviour does not depend on their expense items growing at a slower pace, but rather on them continuing to rise, given the current resistance of prices to falling. Thus, as long as inflation moderation, as measured by the annual CPI rate of change, is caused by smaller price increases rather than by a fall in prices, the evolution of the statistical indicator will differ from the inflation as perceived by agents on which its behaviour is based. In fact, prices are not falling, but rather rising less than they did a year earlier. And that is the perception that carries over into the expectations of families.

If we compare the current price indices (January 2024) with those from two years ago (January 2022), there has been an increase in the price of the shopping basket, as measured in CPI terms, of 8.2% in the region (9.5% in Spain). In the case of the food subgroup, it rises to 24.4%, and is even more pronounced for the most frequently purchased items: 93% for oils and fats, 62% for sugar, and around 35% for eggs, milk and potatoes.

Since Spain's entry into the Eurozone, there has never been such a large and sustained episode of price increases.

It is precisely the base effect that the change in prices generates in nominal variables that explains a large part of the year-on-year decline in exports and imports of goods in Q4, -31.8% and -10.5% respectively, and for the year as

¹ VII Quarterly Labour Market Observatory (2023). Felgueroso (FEDEA) and Doménech (BBVA Research), coord. Bulletin no. 7, 20 November. Available [here](#).

a whole, -13% and -11.7%. These declines do not prevent both from reaching the highest transaction values for a Q4 of the year and for the annual calculation, second only to those recorded in 2022. It should be borne in mind that there are no deflated series for international trade by region. Pharmaceuticals, fuels and mineral oils were the main items responsible for the increase in these flows in 2022, and are also those mainly responsible for the decline in Q4 and the year, continuing the process of returning to pre-crisis trends, both in terms of the composition of these flows and the map of the main trade partners.

This is the picture of the last quarter of 2023 and of the year as a whole. Expectations for 2024 point to a downturn in the global economy, with strong asymmetries by territory and particularly weak EU economies, which would however continue to avoid recession, with insignificant growth. As for Spain, analysts estimate an increase in activity considerably above the European average, in a range between 1.4% and 1.7%, and a more dynamic quarterly profile in the second half of the year, a period in which the markets expect the first rate cut by the ECB to take place. In the regional context, the independent forecasting bodies point to a generalised slowdown, but one that is contained in magnitude and quite homogeneous by territory, once again highlighting the Community of Madrid as one of the most dynamic regions.

II. International context

Risks to global growth are balanced and a soft landing is possible

In a context of geopolitical uncertainty, high interest rates and cooling global demand, the major advanced economies ended the year 2023 better than had been expected a few quarters ago, supported by strong labour markets and a boost from certain supply factors (fading global bottlenecks and the post-pandemic normalisation of certain lagging sectors). On top of these factors, inflation has been rising in recent months, resulting in a change in expectations for advanced economies, leaving behind the stagnating inflationary fears of 2023 and expecting a soft landing in 2024, with the aim of definitively doubling inflation growth without a further deterioration in economic activity. This change is reflected in the IMF's latest world economic outlook, which forecasts a 2024 'less to more' scenario for the Eurozone and a mild slowdown in the USA, while China's economy continues to be dragged down by its real estate crisis and the consequent brake on consumption and investment.

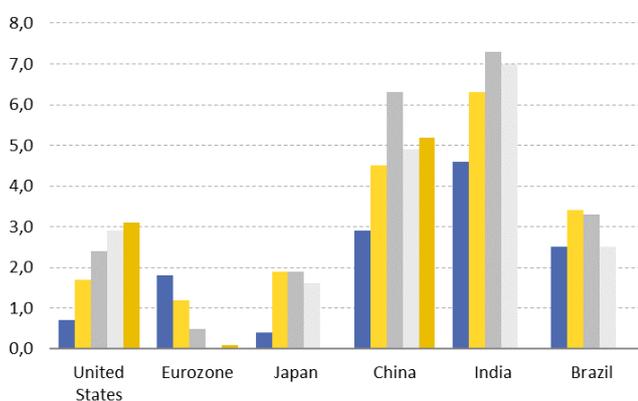
GDP figures published in January show disparate dynamics at the end of 2023 among the main international economies. On one hand, the Eurozone remained sluggish as in recent quarters, with GDP stagnating in the Q4 (0% quarter-on-quarter, after -0.1% in Q3 and +0.1% in Q2), weighed down by the weakness of Germany (-0.3%) and the same stagnation in France (0%), while Italy (+0.2%) and especially Spain (+0.6%) showed a better performance. In contrast, the USA's GDP advanced by a solid 0.8% quarter-on-quarter, above both what the indicators suggested and what the analysts' consensus forecasted, with a notable boost from consumption. Therefore, the USA managed to record growth of 2.5% in 2023 as a whole, a remarkable figure not only compared to 1.9% in 2022 but, especially

with respect to the 0.4% predicted by the consensus of analysts one year ago. Lastly, China's activity slowed quarter-on-quarter to +1% in Q4 (1.5% in Q3), but managed to meet the target set by the authorities by growing by 5.2% over the year as a whole.

In addition to the strong official employment and unemployment data, wage data shows growth of between 4% and 5% on both sides of the Atlantic; this may be one of the key factors for inflation to end up growing at 2% in the coming quarters. Inflation rates have so far been moving in a favourable direction, boosted by the end of the direct energy shock and the practical waning of its indirect effects, as well as by the reduction of the monetary issuance that triggered (sic) the pandemic and is at the root of the process of destroying currency value. Thus, in the Eurozone, the January data reflected an overall CPI of 2.8%, with energy prices falling by 6.3% year-on-year and core inflation dropping to 3.3%. In the USA, with more delayed data, headline CPI inflation in December was 3.4% year-on-year, and core inflation was 3.9%. We must be aware that, on the path towards the magic figure of 2% (the monetary authority's solution to all our problems), the shopping basket will cost almost 20% more than before the pandemic and the ensuing monetary explosion; in other words, we must be aware that prices will certainly grow less, but starting from a much higher level.

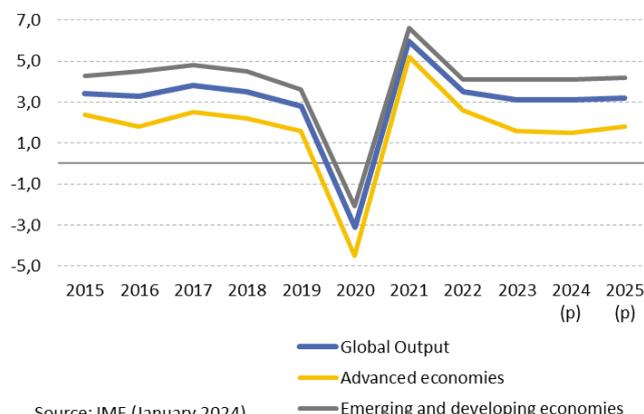
Business activity in the Eurozone declined at its slowest pace in eight months in February, with the services sector stabilising and offsetting a new sharp slowdown in the manufacturing sector. Business confidence for the coming twelve months improved to ten-month high, encouraging companies to increase their workforces at a rate not seen since July 2023, adding to signs that the economic slowdown in the Eurozone is easing.

Evolution of main economies
(Year-on-year rates of change)



Source: OCDE and Eurostat (January 2024)

World economic growth 2015–2024



Source: IMF (January 2024)

III. National framework

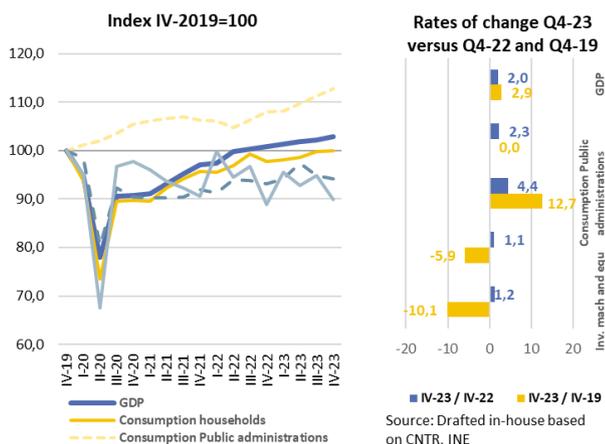
1. Growth

In Q4, the Spanish economy surprises with a growth of 0.6%, raising the overall growth for 2023 to 2.5%.

According to the INE's quarterly advance accounting data, this increase in national GDP was two tenths of a percentage point higher than in the previous period and was mainly sustained by the domestic contribution, with a considerable increase in public administrations' consumption of 1.4%. Household consumption weakened from the previous quarter with an increase of 0.3% and GFCF fell by 2%.

In year-on-year terms, the slowing trend of the last five quarters came to a halt, with an increase of 2%, the main source of which was consumption, both by households (2.3%) and by public administrations (4.4%), with investment growing at a much more modest pace (1.1% in construction and 1.2% in machinery and equipment). External demand stopped contributing to growth in this quarter.

Evolution of GDP, consumption and investment in Spain



In 2023 as a whole, growth in the Spanish economy came mainly from domestic demand, which contributed 1.7 points to GDP growth. Consumption has displayed a more favourable performance than investment, especially that of public administrations, which increased by 3.8% over the year and ended the year 12.7% above the pre-pandemic level; household consumption rose by 1.7% over the year and in Q4, after four years, reached its pre-COVID-19 level.

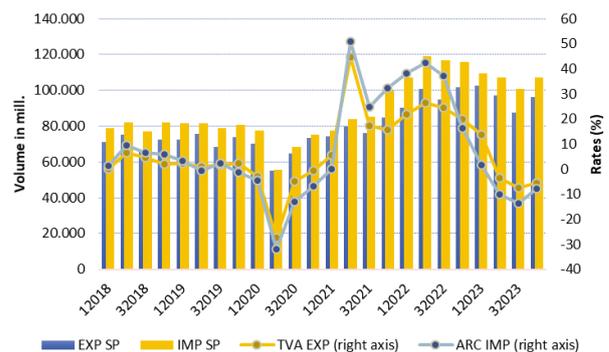
In contrast, investment has been much more affected by the conditioning factors of the environment, especially investment in machinery and equipment, which contracted by 1.8% year-on-year and is still more than 10% below the pre-pandemic level; investment in construction performed better in 2023, with an increase of 2.2%, but ended the year 5.9% below Q4 2019.

2. Foreign sector

In the year's Q4, Spain's trade balance softened the previous quarter's decreases and closed 2023 as the second best year in the series. Spanish exports of goods thus decreased by 5.6% in Q4 2023 against the same period in 2022, with definitive data, -6.3% with provisional data, and with a recorded volume of €87,634.4 million. On the other hand, imports slowed in Q4 to €96,103 million, 7.7% less than in the same period of 2022 with definitive data, and -8.7% with provisional data.

In 2023, Spanish exports of goods reach €383,688.6 million, 1% less than in 2022 with definitive data, and -1.4% with provisional data; even so, this is the second best value in the series. In terms of volume, exports fell year-on-year by 5.1%. On the other hand, **Spanish imports recorded €424,248 million,** a decrease of 7.6% compared to the final data for 2022, and -7.2% with provisional data; again, the second best annual figure in the series. In terms of volume, imports fell year-on-year by 5.4%.

Quarterly export volumes and rates. Spain



In the year as a whole, the sectors that made the greatest contribution to the annual rate of change in exports were *automotive, capital goods and food, beverages and tobacco*. At the opposite extreme, the sectors that made a more pronounced negative contribution in the year were *chemicals, energy products, non-chemical semi-manufactures and raw materials*. For imports, the same sectors are repeated as for exports in their rising contribution, and *energy products, chemicals, non-chemical semi-manufactures and consumer manufactures* in their falling contribution.

3. Labour market

The results for Q4 close a year of very positive developments in the labour market.

The LFS results register a volume of jobholders above 21 million, a figure never before reached in a Q4 of the year, despite the slight reduction of 19,000 individuals in the quarter, which has not prevented a new dynamism in the year-on-year increase of 3.8% in the number of jobholders.

The number of unemployed is below 3 million for the third consecutive quarter, 24,600 less than in the previous quarter. This is a return to the historical pattern of falling unemployment in Q4s, which was interrupted by the 2022 rate. As a result, the year-on-year decline in unemployment picked up by more than two percentage points to -6.4%.

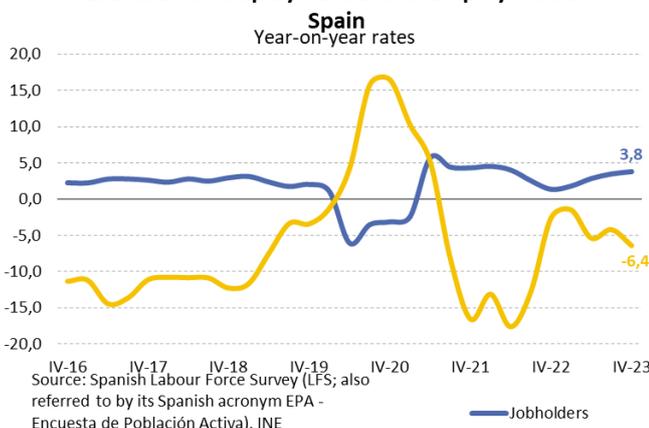
The unemployment rate remained at 11.8% of the labour force, only two tenths of a point below the relative low of Q2 of this year. Unemployment rates below 11.5% can be found in the quarters prior to the financial crisis of 2009.

The participation rate fell by four tenths of a point to 59% of the population aged 16 and over, because of a fall in the labour force in the quarter which contrasts with the growth of the working-age population. However, the current participation rate is half a percentage point higher than one year ago.

Social Security Enrolment at an all-time high. In Q4, the number of new enrolments exceeded 20.8 million, the highest figure in the series, which continues to show a remarkable dynamism, with a year-on-year rise of 2.6%. The number of unemployed (2.7 million) increased very slightly in the quarter and moderated the year-on-year fall from 7.4% in Q3 to 5% in Q4.

The first known data for 2024 shows a continuation of the above trends.

Evolution of employment and unemployment in Spain

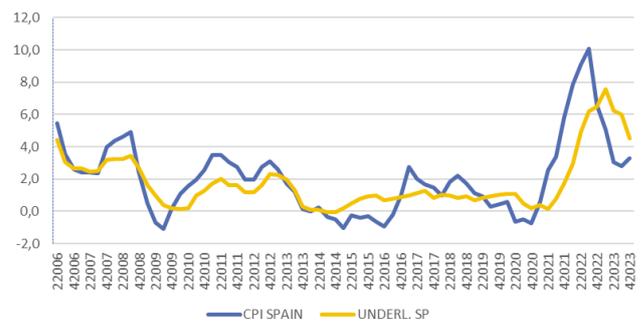


4. Prices

In Q4, inflation in Spain as a whole rebounded slightly; in contrast, core inflation fell considerably, bringing the rate of convergence between the two closer.

CPI inflation reached an average rate of 3.3% in Q14 2023 (2.8 in the previous quarter), although over the quarter it showed a downward trajectory. Thus, inflation closed 2023 with a rate of 3.1% (5.7% in Dec. 2022). The latest January figure breaks with the downward trend and is three tenths of a point higher than in December, with a rate of 3.4%. However, the core rate reached 4.5% in Q4, compared to 6% in the previous quarter. In December a rate of 3.8% was recorded, the lowest of the year (7% in Dec. 2022). For the first month of 2024, in the latest published data, the core inflation rate was contained by two tenths of a point, registering a rate of 3.6%.

Quarterly headline and core for Spain



The downward trend recorded during Q4 was marked by a decrease in the growth of inflation in two of the four groups, with the greatest weight on general inflation, which are also two of the most inflationary groups: 'Food and non-alcoholic beverages' which closed the year with an inflation rate of 7.3% (it was above 10% in the three months of the previous quarter) and 'Restaurants and hotels' which registered a rate of 5.5% (above 6.4% in Q3). As for the other two groups with the highest weighting, they registered the lowest rates in Q4, but grew compared to the previous quarter: 'Housing' which recorded -6.4% (-15.4% in the previous quarter), and 'Transport' with a rate of 1.7% (-0.2% in Q3). The latest data corresponding to 'Housing' showed a significant rise in January, partly due to the fall in electricity and gas subsidies, raising its rate to 1.5%. In contrast, 'Transport' fell to -0.1%.

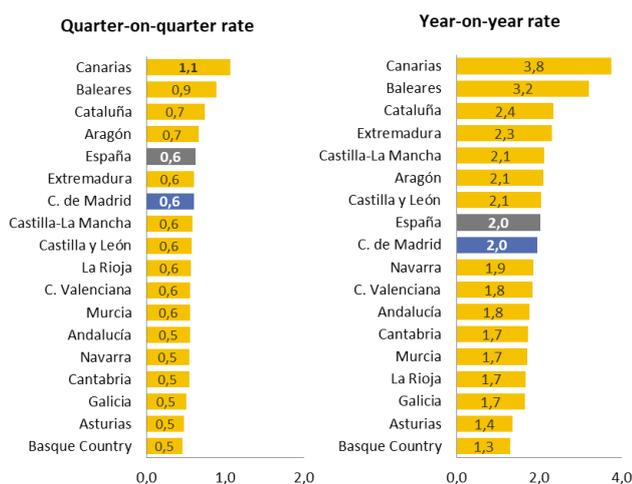
In the international context, the harmonised indicator in the EU cut its rate in Q4 to 2.7% (5% in Q3). It closed the year with an inflation rate of 2.9%, a slight improvement of four tenths of a point compared with November. In the latest published data from January, it was cut by one tenth of a point and recorded a year-on-year rate of 2.8%.

IV. Economic growth and forecasts

IV.1. Economic growth

The Community of Madrid closed 2023 with an increased quarter-on-quarter growth rate. AIReF, in its estimates by Autonomous Communities, points to 0.6% growth in the region, two tenths of a percentage point higher than the previous quarter and similar to that of the country as a whole. In year-on-year terms, the growth rate stood at 2%, coinciding with the growth rate published by the INE for Spain.

Economic growth and forecasts. AIReF Q4 2023

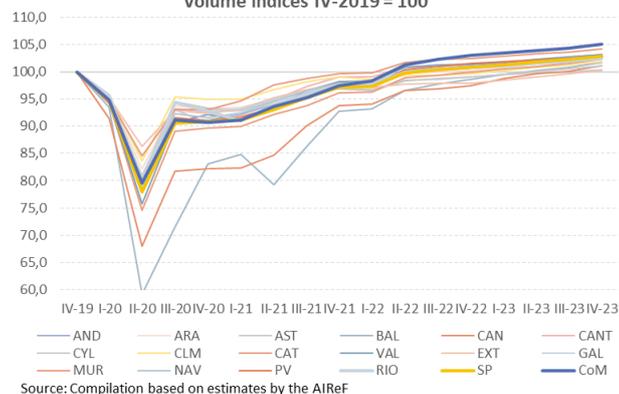


Source: AIReF. February 2024

According to this data, average growth in the Community of Madrid in 2023 as a whole would stand at 3%, the third highest in the regional context, after the Balearic Islands and the Canary Islands. The dynamism of Madrid in its recovery from the crisis caused by the pandemic makes it the region with the greatest progress in this area, exceeding the pre-covid level by 5% in Q4 2023, while the national average is 2.9% higher. For the first time in Q4, all regions are reported to have recovered their activity levels.

GDP AUT. REG.

Volume indices IV-2019 = 100

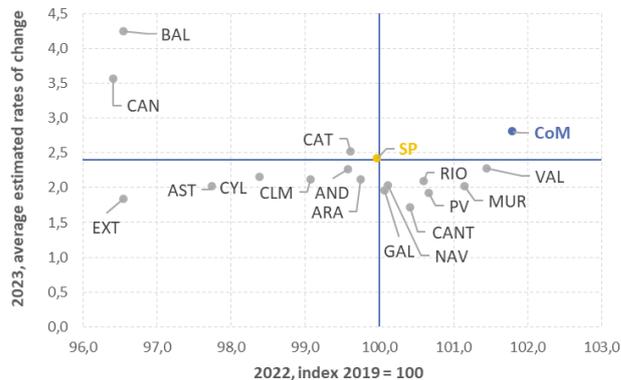


Source: Compilation based on estimates by the AIReF

The regional government's preliminary estimates for the performance of the Madrid economy in the last quarter of the year are in line with those of AIReF, with growth in the final part of the year expected to be around 2%. If this first estimate were confirmed, growth for the year 2023 as a whole would be around 3%.

The 2023 estimates drawn up by other independent analysts are in line with those of AIReF, although they are not currently available with a regional and quarterly breakdown. In January, BBVA Research published its forecasts by Autonomous Community, with an estimated rate of 3% for the Community of Madrid in 2023, six tenths of a percentage point higher than the rate for Spain. Similarly, CaixaBank Research's estimate, also for January, stands at a similar rate of 2.9%, half a point above the corresponding national figure. Hispalink (December '23) and CEPREDE (January '24) estimate a somewhat lower growth of 2.7%, although still higher than the national average and among the most dynamic of all regions.

Post-covid recovery in 2022 and GDP growth in 2023



* Based on data from the CRE (INE) for 2022 and the average of the rates of change estimated by CEPREDE, BBVA Research, CaixaBank Research, AIReF and Hispalink.

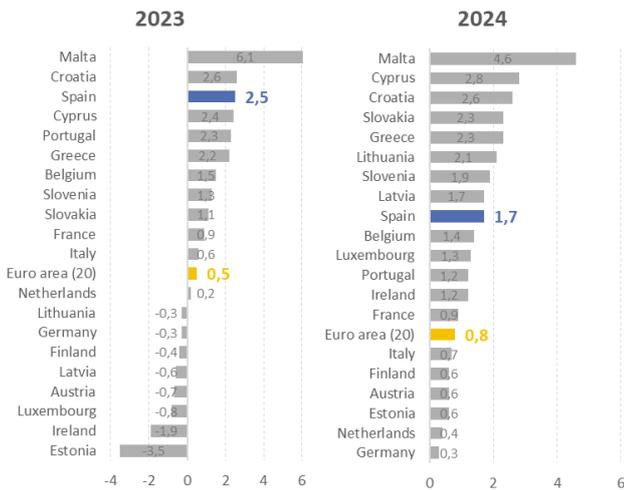
Averaging the previous analysts' estimates for each of the regions in 2023, we can observe Madrid's strength in the regional context. Therefore, of those regions that in 2022 had recovered the pre-pandemic GDP level in terms of volume (2019), only the Community of Madrid grew to above the national average in 2023. Therefore, in 2023, Madrid maintained the differential dynamism it showed in 2022, which allowed it to reach the most advanced pre-covid position of all the regions and which, according to these estimates, it will continue to consolidate in 2024.

IV.2. Forecasts

After a 2023 in which the global economy held up better than expected, 2024 is projected to be a year of somewhat softer growth. This is what the OECD points out in the recent update of its forecasts, which place world economic growth for this year at 2.9%, two tenths of a point lower than in 2023, as the effects of the tighter financial conditions on consumption and investment, as well as the moderation of international trade, are expected to continue. The asymmetries in growth by area will also persist, such that the Eurozone will prolong the stagnation experienced in 2023, with an increase of 0.6%, three tenths of a percentage point lower than projected in November.

Along the same lines, the European Commission's revised expectations in February continue to foresee a scenario of stagnation of activity in 2024 in the EU-20, with a growth rate of 0.8%, four tenths of a percentage point below its autumn forecasts.

Growth projections in Eurozone countries



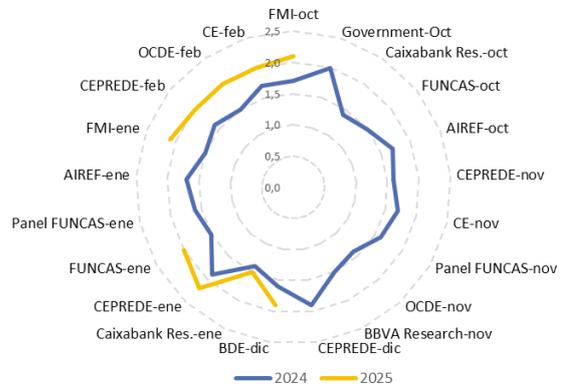
Source: European Commission's forecasts for winter, February 2024

In a European context, 2024 is expected to be a year of decelerating growth for Spain, after having far exceeded expectations throughout 2023. Thus, the OECD forecasts that the Spanish economy will grow by 1.5% in 2024, representing a deceleration of one point compared to 2023. Likewise, the European Commission foresees a milder moderation trend, with a rate of 1.7%. Despite this, both institutions expect Spain to maintain a differential dynamism over the large Eurozone economies.

Other available forecasts for Spain fall in this vicinity, mostly between 1.4% and 1.7%, below the government's latest estimate of 2% in October. Among the most recent ones, AIREF, 1.7%, CaixaBank

Research, 1.4%, FUNCAS Panel, 1.6%, FUNCAS, 1.5%, and CEPREDE, 1.6% are notable.

Evolution of national GDP growth forecasts 2024 and 2025 since October 2024

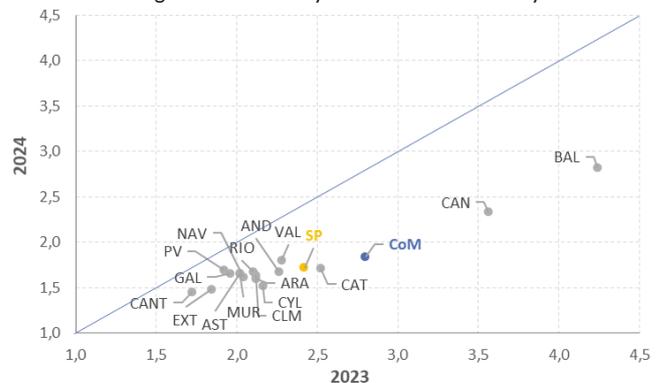


Expectations for 2025 suggest that the Spanish economy will become more dynamic. Most analysts are not yet offering forecasts for next year, although the current outlook unanimously anticipates a pick-up in growth, which will be supported by the gradual easing of financial conditions and the return of inflation to rates close to 2%. Thus, consumption is expected to be supported by rising real incomes in a context of a strong labour market, and investment is expected to be bolstered as the deployment of NGEU funds gains traction.

The estimates by Autonomous Community, prepared between December and January, reflect a generalised slowdown in 2024, with projections for the region standing in a range between 1.6% and 2.4% (1.8% on average), slightly above the national average of 1.7%, and again among the regions with the best growth prospects for this year and next, when growth is expected to average up to 2.4%.

GDP growth forecasts by Autonomous Community.

Average of various analysts' estimates for each year



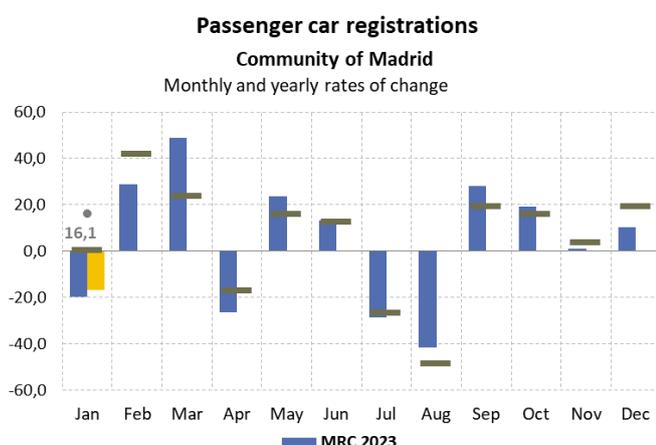
* Source: Based on the latest forecasts by Autonomous Community by CEPREDE, BBVA Research, CaixaBank Research, AIREF and Hispalink.

V. Recent developments in Madrid's economy

V.1. Demand and production

V.1.A. Domestic demand

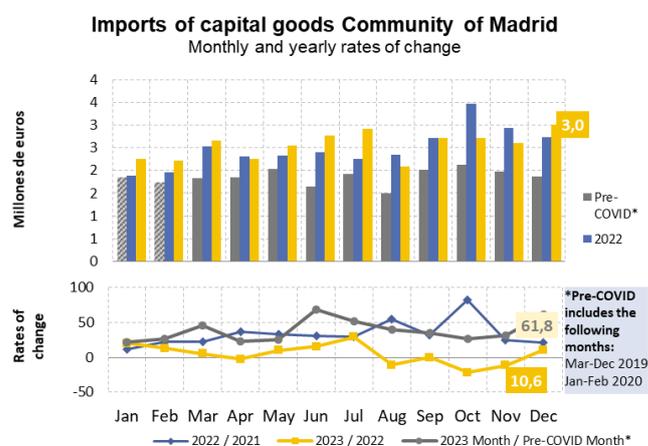
The figures for passenger car registrations in Q4 2023 returned to double-digit growth. According to the Directorate General of Traffic (DGT), Q4 passenger car registrations stood at 98,217 units, the third highest ever for this quarter in the series (data since 2004), which is 13,676 units and 16.2% more than a year ago, making four consecutive quarters of growth; compared to Q4 2019, it is 15.3% higher. The latest data published by the DGT, corresponding to the month of January 2024, grew and accelerated year-on-year to 16.1%, when in December 2023 it grew by 12.1%; in January, with 29,144 units registered, it reached the second highest number for this month in the series and 4,040 units more than a year ago. According to ANFAC, this growth at the start of the year, is mainly due to the rental channel; meanwhile, although the microchip crisis has been resolved, we must take into account the impact that the tensions of geopolitical conflicts may have on the sector, which could cause delays and increases in transport costs, which in turn could put upward pressure on the price of vehicles in the coming months.



Source: DGT.

Lorry and van registrations in Q4 2023, at 22,958 units, reached the highest figure for this period since 2007, and grew and accelerated by 26.6%; they increased year-on-year by 23.3% in Q3, and exceeded pre-pandemic levels by 40.7%. The latest data, for January 2024, returned to positive rates, after December's 4.9% drop which broke a twelve-month upward trend; this month, with 6,071 units of vehicles registered, was the second highest volume in the series for a January and grew year-on-year by 22.7%. According to ANFAC data, all sales channels have experienced increases this month, with the exception of rental companies, with notable increases in the corporate channel and sales to the self-employed.

Petrol consumption reached the highest volume for a Q4 since 2005, although it slowed the increase of the previous quarter which was 6.4%, growing by 2.5% compared to 2022 and 10.1% compared to the same quarter in 2019. The most recent figure from December reveals the second highest consumption for this month since 2005, but it fell year-on-year by 4.1%, the first negative rate, after growing for seven consecutive months, taking into account that the comparison is established with the highest volume for a December since 2005; compared to the same month in 2019, it increased by 11.7%. Diesel consumption in this quarter accelerated its downward trend with a fall of 5.5%, after losing 0.8% in Q3 and dropping 22.9% compared to 2019. The most recent data for December shows the lowest consumption in the series for this month (data since 1997), falling year-on-year by 14.7%; in November, it fell by 0.6% and it still fails to exceed pre-pandemic levels, falling by 22.9% compared to the previous year. Rising prices, together with the



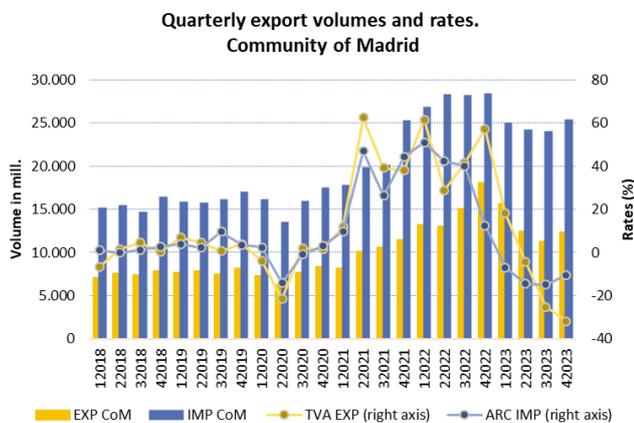
demonization of diesel, has led to a downward trend in the consumption of these fuels despite government subsidies.

Imports of capital goods in Q4 2023 show the second highest figures in the quarterly series. Thus, it reached €8,337.5 million, falling by 8.9% compared to the same period of the previous year, as the comparison is made with the maximum of the quarterly series; compared to Q4 2019, the volume is higher by 38.7%. In December, the latest available data, imports reached €3,061.8 million, the second highest volume in the series (data since 1995), returning to positive rates after four months of declines and growing year-on-year by 10.6% and 61.8% compared to the same month of 2019. It finishes 2023 with the highest volumes in the historical series and growing by 3%, compared to 2022, the highest in the series until then.

V.1.B. External demand

In Q4, the Community of Madrid's trade balance accelerated the pace of year-on-year declines, but closes 2023 as the second best year ever, second only to 2022. Community of Madrid exports fell year-on-year by 31.8%, speeding up the rate of decline compared to the previous quarter, standing at €12,301 million, a figure only surpassed for a Q4 by that of 2022. And so, it closes 2023 with sales 13% lower than in 2022.

In Q4 2023, the Community of Madrid imported 10.5% less than one year ago. The €25,391 million purchased is the second best figure in the series, after reaching its peak in Q4 2022. In 2023, 11.7% less was purchased than in 2022.



The strong trade dynamics of the two main categories in 2022 weigh on year-on-year comparisons in 2023. Exports of *Pharmaceuticals*, the leader in sales, subtracted 29.6 percentage points (p.p.) from the Q4 rate. €1,700 million was exported, a lower figure than the previous quarter, and 76% less than one year ago. It is followed by *Fuel; mineral oils*, which drained the rate with 3.4 p.p. in Q4 and €1,334 million exported, 32% lower than in the last quarter of 2022. On the positive side, *Machinery and mechanical appliances* added 1.7 p.p. to the change in Q4, followed by *Motor vehicles; tractors*, which contributed 1.4 p.p.

In 2023 as a whole, the two categories most affecting the decrease in exports compared to 2022 were *Pharmaceuticals*, which subtracted 11.7 p.p. from the rate; the €10,213.4 million sold in 2023 are 40.5% less than in 2022, but 15.6% more than in 2021. *Fuels; mineral oils* drained the rate with -5.0 p.p., down 33.7% year-on-year, but the €5,773 million exceeded sales by 66.3% in 2021. On the positive side, the categories with the most dynamic performance were *Motor vehicles;*

tractors, which added 2.5 p.p. to the rate; the €5,633 million euros sold set an all-time record for annual sales in the series. This was followed by *Machinery and mechanical appliances*, which contributed 1.4 p.p. to the rate; the €5,040 million sold is also an all-time high for sales in one year.

As for Madrid's imports, the category that most depressed the Q4 rate was *Fuels and mineral oils*, which subtracted 8.4 p.p.; €2,913 million purchased in this period reduced the figure of a year ago by 45%. This was followed by *Pharmaceuticals*, subtracting 2.6 p.p. from the last quarter's rate, and posting 19.2% less than in Q4 2022. On the other hand, *Aircraft; spacecraft* added 1.4 p.p. to the Q4 rate; 89% more than a year ago. This was followed by *Electrical appliances and equipment*, which added 0.8 p.p. to the change in imports in Q4.

EXPORTS OF THE 5 MAIN TARIFF OF THE COM				
CUMULATIVE TO DEC 2023	Volume	RC	Contrib.	%total
30 PHARMACEUTICAL PRODUCTS	10.213	-40,5	-11,7	19,8
27 FUELS, MINERAL OILS	5.773	-33,7	-5,0	11,2
87 VEHICLES OTHER THAN RAILWAY OR TI	5.633	36,1	2,5	10,9
84 MACHINERY AND MECHANICAL APPLI/	5.040	20,1	1,4	9,8
85 ELECTRIC APPLIANCES AND MATERIAL	3.236	7,4	0,4	6,3
TOTALS	51.591,7	-13,0		
IMPORTS OF THE 5 MAIN TARIFF OF THE COM				
CUMULATIVE TO DEC 2023	Volume	RC	Contrib.	%total
30 PHARMACEUTICAL PRODUCTS	13.657	-12,6	-1,8	13,9
27 FUELS, MINERAL OILS	12.145	-48,4	-10,2	12,3
85 ELECTRIC APPLIANCES AND MATERIAL	12.096	-3,4	-0,4	12,3
84 MACHINERY AND MECHANICAL APPLI/	10.761	-1,7	-0,2	10,9
87 VEHICLES OTHER THAN RAILWAY OR TI	10.020	8,1	0,7	10,2
TOTALS	98.479,3	-11,7		

Source:AEAT

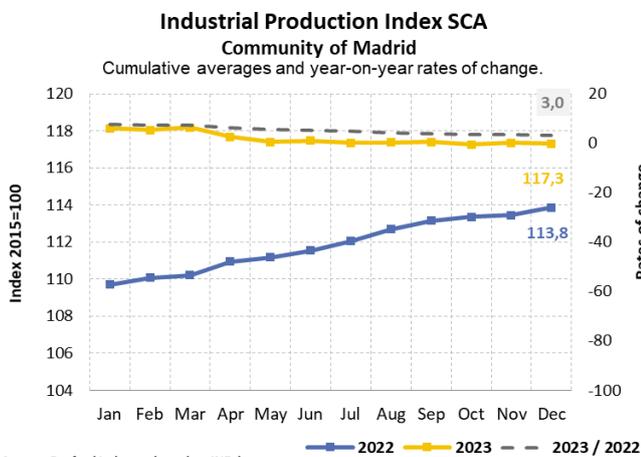
For the year as a whole, the two categories that most reduced the rate were repeated, although the order was different. *Fuels; mineral oils* reduced the rate by -10.2 p.p. in 2023; €12,145 million purchased means 48.4% less than in 2022, but 32% more than in total 2021. In addition, *Pharmaceuticals*, which were down 1.8 p.p. with €13,657 million imported, 12.6% less than in 2022 and, in this case, 10.6% less than in 2021, the year in which the vaccine against COVID began being administered. On a rising trend, the categories that most increased the rate, although in a much more discreet way, were *Motor vehicles; tractors*, which contributed 0.7 p.p. to the rate in 2023; the €10,020 million imported are the second best accumulated figure in a single year in the series, after 2007. This was followed by *Optical and measuring instruments*, which added 0.5 p.p. to the rate. As for country performance in 2023: Belgium is the main export constraint, while Italy is the main export driver. For imports, it was the USA, China and Switzerland that slowed down the most and Germany and the Netherlands that contributed the most.

V.1.C. Manufacturing

1. Industry

The Index of Industrial Production contracted in Q4.

In December, and with seasonal and calendar adjusted (SCA) data, the Community of Madrid IPI presented a year-on-year decline of 1.3%, which contrasted with the positive performance shown in the last 27 months and was more intense than the 0.2% decline in Spain as a whole. In Q4 as a whole and in year-on-year terms, the IPI (SCA) grew by 0.9% in the Community of Madrid, 1.2 points higher than in Spain as a whole, which fell by 0.3% in year-on-year terms. In Q4, the Community of Madrid IPI was 0.1 percentage point higher than in Q3, but more moderate than in Q1 and Q2, which were 7.2% and 3.4%, respectively.



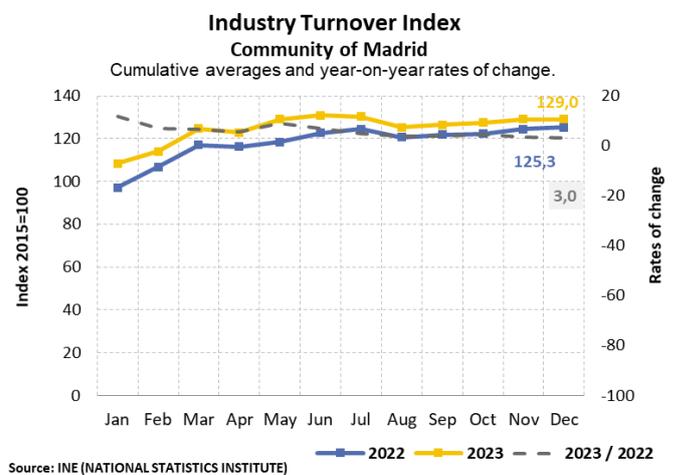
By components, in the Community of Madrid IPI (in year-on-year and SCA terms) we can observe positive year-on-year growth rates for Q4 2023 in consumer goods of 0.9% (durables by 6.3% and non-durables by 0.6%), as well as energy, which grew by 3.8%; negative year-on-year rates of change on average in Q4 were recorded for capital goods (1.6%) and intermediate goods (2.3%).

The Turnover Index, although it contracted in November, maintained a favourable progression in the cumulative January-November period.

The Community of Madrid's Industrial Turnover Index has shown positive year-on-year rates since November 2021 and for 19 consecutive months; this favourable evolution was cut short in June, July and August 2023, with negative year-on-year growth rates of 2.4%, 6.9% and 4.5%. This negative performance was corrected in September with a growth of 4.7% and, in Q4, by 8.4% in October, falling again in November by 2.8% and in December by 3.4%.

The Industrial Turnover Index of the Community of Madrid showed a negative year-on-year rate of change of 2.1% in Q3 2023 after nine consecutive quarters of growth, starting in Q2 2021. In Q4, it showed a weak growth of 0.3%, contrasting with growth rates of 6.5% and 7.2% in Q1 and Q2. The latest available data for December reveal a year-on-year decrease of 2.9%.

Year-on-year growth in 2023 stood at 3%, representing a clear deceleration compared to the previous two years, when it grew by 11.6% in 2021 and 17.7% in 2022, while the Spanish industry as a whole recorded a year-on-year contraction of 1.9%.



Madrid's industry continues on the path of slowing down that began in 2022, although it maintains mild growth that contrasts with the contraction of Spanish industry.

From the second half of 2022 onwards, Madrid's industry has shown signs of slowing down, with positive but falling year-on-year rates in the different indicators available quarter after quarter.

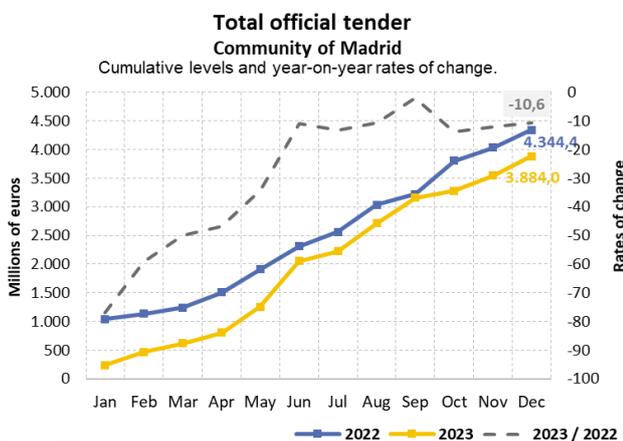
For its part, Spanish industry as a whole presents negative change rates in the cumulative year 2023 in both the Industrial Production Index (SCA) (0.7%) and in industrial revenue (1.9%).

2. Construction

Total tenders contracted in 2023 due to a significant decline in Q1 and Q4 and a slowdown in Q2 and Q3.

After the magnificent performance of public tenders in construction recorded in 2021 and 2022, total tenders contracted by 10.6% in the cumulative year 2023 to €3,883.9 million. It is worth recalling that 2022, with a total tender volume of €4,344.4 million, showed the highest level of activity since 2009.

By quarter, in Q1 2023, total tenders fell year-on-year by 50% compared to Q1 2022, a decline driven by a 77.2% drop in civil works. In Q2 and Q3, total tenders showed positive rates of change with year-on-year growth of 34.3% and 20.5%, favoured by increased building tenders, which largely outpaced the slight growth in civil works. In Q4, total tenders fell year-on-year by 35.2% due to a sharp year-on-year decline in civil works of 74.3%.



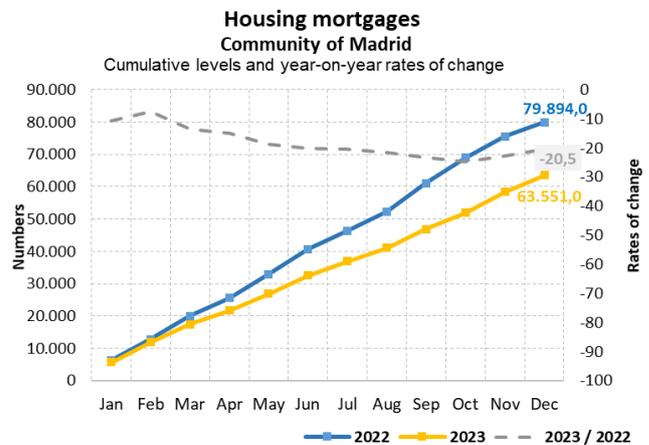
Source: SEOPAN.

With regard to the leading indicators with data up to November 2023, all of them declined in year-on-year terms. Thus, in the January-November cumulative period, building permits fell by 53.1%, accumulating in November thirteen months of negative year-on-year variations. The number of housing permits fell year-on-year by 21.7%. The total surface area with permits fell by 22.2% and the total amount of surface area with permits another 16.4%. In the same cumulative period, work completion certifications, a lagging indicator, also fell by 16.2%.

The residential market shrank significantly.

The INE (National Statistics Institute) reports that home sales and purchases decelerated significantly in 2022, growing by 35.1% less than in the previous year, to 3.2% YoY. In the January-December 2023 cumulative period, housing sales and purchases fell by 16%, a year-on-year decline caused by both a 14.3% drop in new housing sales and a 16.5% drop in pre-owned housing. This downward trend in the sale and purchase of homes in the Community of Madrid is accentuated quarter by

quarter throughout 2023, with year-on-year declines of 11.1% in Q1, 13.8% in Q2, 21.2% in Q3 and 18.8% in Q4. In December, the latest monthly data available, housing sales and purchases fell year-on-year by 21.7% for the thirteenth consecutive month.



Source: INE.

The housing mortgage statistics, both in terms of the number of mortgages and in terms of equity, showed a very positive performance in 2021 and 2022. Thus, at 79,894 home mortgages, 2022 marked the year with the highest volume since 2010, while, at €16,703 million, it had the highest volume of capital loaned since 2008. This excellent performance was cut short in 2023, with a negative year-on-year variation rate of 20.5% in the number of home mortgages and 22.2% in capital provided, decreases that are slightly higher than those registered by the Spanish mortgage market as a whole, with 17.8% in the number and 19.4% in capital.

Construction in Madrid speeds up its contraction over the course of 2023.

In 2023, the main indicators for the sector point to a progressive deterioration in our region, slightly more intense than that of the Spanish economy as a whole, both in terms of tenders and home sales and purchases, and in the mortgage market.

3. Services

The Services Sector Activity Indicators (SSAI) fell again in Q4, although they improved on pre-pandemic levels. In Q4 2023, SSAI revenue dropped year-on-year by 4.2% in the Community of Madrid, marking the third consecutive negative quarter after growing uninterrupted since Q2 2021, while it slightly increased in Spain (+0.4%). This undeflated index level stood at 16.9% above Q4 2019 in the region, and 20.3% in Spain.

The latest available data for December shows a year-on-year decline of 6% in the Community of Madrid and 0.7% in Spain.

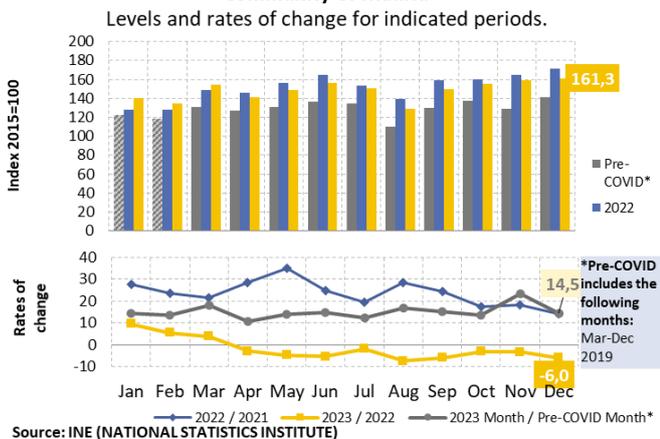
The SSAI employment index points to a different evolution to the business index in both the Community of Madrid and Spain. It continues to grow, albeit at a slower pace. Year-on-year growth in the Community of Madrid in Q4 2023 was 2.6%, while in Spain as a whole it stood at 1.9%, continuing the growth path initiated in Q2 2021. Moreover, the indicator in Q4 2023 exceeded pre-pandemic levels, advancing 5.1% in the region and 2.9% in Spain compared to the Q4 2019.

In Q4 2023, urban transport in Metro de Madrid posted a significant year-on-year increase of 10.1%. Urban bus transport also posted increased growth, with an 18% year-on-year increase. While the former shows an incomplete recovery and is close to pre-pandemic levels, urban bus transport is already 6.3% above the levels of Q4 2019.

Turnover and Employment figures in the Retail Trade Index (RTI) consolidated increases in Q4 2023. Q4 2023 deflated RTI turnover index in the Community of Madrid was 4.4% higher year-on-year, continuing the progress initiated in Q3 2020, and already surpassing pre-pandemic levels, although losing dynamism compared to previous quarters. The most recent figure, from December 2023, shows a year-on-year increase of 1.7%, and although with less intensity, it consolidated growth after sixteen consecutive months.

In Spain, the index grew year-on-year by 4.5% in Q4, the fifth consecutive increase and 3.1% above the pre-pandemic level.

Services Sector Activity Indicators. Turnover.
Community of Madrid

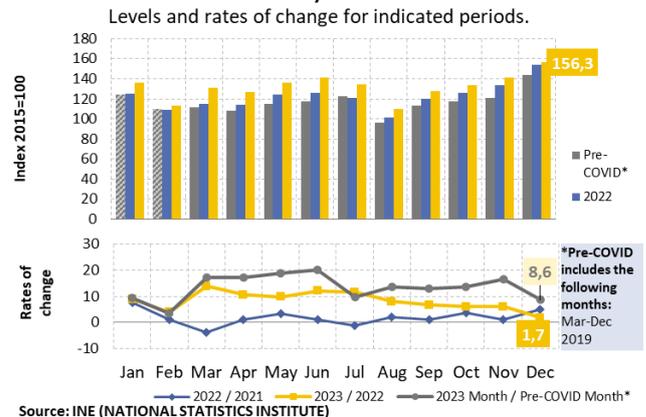


The latest available data for December reveal a year-on-year growth of 2.5% in the Community of Madrid and 1.8% in Spain.

Air passenger and freight traffic, as well as metro and urban bus transport have improved their performance, and are surpassing pre-pandemic levels, with the exception of metro transport. Passenger flows at Adolfo Suarez Madrid Barajas Airport increased in Q4 2023 to 15,221,818 passengers, versus 13,792,642 in Q4 2022, and now exceed the 15,133,277 passengers registered in Q4 2019.

Additionally, freight traffic at Madrid airport increased year-on-year by 19.3% in Q4 2023, and is 16.6% above pre-pandemic levels.

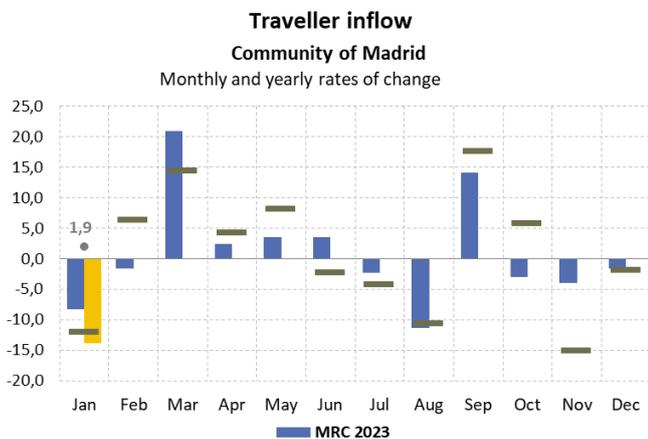
Retail Trade Index. Turnover.
Community of Madrid



In turn, in Q4 2023, the regional employment rate continues on the positive growth path that began in Q2 2021, and which was only interrupted by stagnation in the last quarter of 2022; it grew year-on-year by 3.5% in the region and by 1.8% in Spain. Similarly, and in relation to Q4 2019, it posted an increase of 2.1%.

Hotel activity in the Community of Madrid improved in Q4 2023, with its post-pandemic recovery strengthening. In Q4 2023, slightly more than 3,232,464 passengers were welcomed compared to 3,075,871 in the same quarter of the previous year, continuing the upward trend that began in Q2 2021. The current level is higher than pre-pandemic levels, with 0.5% more tourists than in the same period of 2019, when it exceeded 3.2 million travellers, reaching a record high for the series in a fourth quarter.

Overnight stays paralleled the behaviour of incoming travellers. In Q4, there were 6,574,190, surpassing the same period of the previous year by more than 64,000, and coming close to the 2019 6,472.65 which marked the series record for this quarter since 2004. In January 2024, in the latest data published, overnight stays, were again close to pre-pandemic levels; if we add those of tourist flats, overnight stays were significantly higher.



Source: INE (NATIONAL STATISTICS INSTITUTE)

By markets, the most influx of travellers to the Community of Madrid in this quarter again corresponds mostly to foreigners (53.4%), slightly higher than the pre-pandemic weight of 52.8%. The number of national travellers is higher than pre-pandemic levels, while the number of foreign travellers is 0.7% lower. Overnight stays by foreigners exceeded nationals for this quarter, with 52.6% of the total in 2023 by 55% in Q4 2019, although they are still 3.4% lower than the pre-pandemic figures.

The latest published data from January 2024 reveals year-on-year growth of 1.9% in the number of travellers and 5.7% in overnight stays.

With regard to the occupancy rate, the average of 59% for Q4 2023 is an improvement on the 56.5% of the same quarter in 2022 and is close to the same quarter in 2019, when it reached 61%. The figure for January 2024 puts the occupancy rate at 48.1%, four points below the same month in 2020.

With regard to the profitability indicators of the hotel sector, in Q4 2023, the Average Daily Rate (ADR) per occupied room stood at €129.5 in the Community of Madrid, 30.9% higher than the average rate in Q4 2019. The latest published figure, in January 2024, puts the rate at €114.60. The regional daily average for Revenue per Available Room (RevPAR) was €97.20 in Q4 2023, 30.2% higher than in the same quarter of 2019. The data from January 2024 puts it at €69.90.

In Q4, the combined analysis of service sector indicators shows signs of progressive moderation.

By branches of activity, there was a generalised slowdown in their dynamism, with the exception of certain branches related to transport and tourism.

It should be noted that the turnover indicator for the service sector has fallen for the third consecutive quarter, after the sharp upturns experienced in 2022.

Likewise, a recovery of all service sector indicators is also observed across the board, with many of them above pre-pandemic levels.

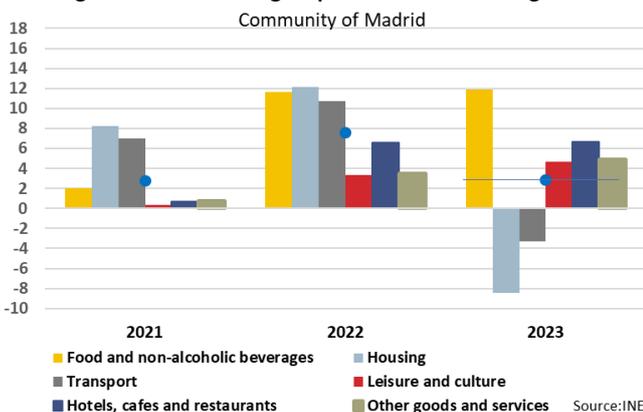
V.2. Prices and wages

Headline inflation closed the last quarter of 2023 with a slight uptick; however, core inflation flexed downwards, with the lowest rates of the year.

Headline inflation reached 3% in the last quarter of the year, up from 2.5% in the previous quarter; in October, it reached a quarterly high of 3.2%, falling in the last two months to 2.7% in December. Thus, the year ended with an average headline inflation rate of 3%, compared to 7.5% in 2022. The latest published data for January 2024 remained stable at the previous month's rate of 2.7%. On the other hand, **core inflation**, in which only the more structural and less volatile components are involved, was on a downward trajectory, ending the year at 3.4%, the lowest rate since 2023; the average rate in Q4 was 4.1% year-on-year, 1.2 percentage points lower than in the previous quarter. Average inflation in 2023 was at 5.2%, compared to 4.6% in 2022. At the start of 2024, it appeared to maintain the trend of recent months and cut its rate to 3%, the lowest since February 2022.

Looking at the average rates in 2023 of the groups with the greatest weight, and comparing them with the two previous years, we can see that, except for the two groups directly related to *Energy products*, such as 'Housing' and 'Transport', the rest register average rates of change equal to or higher than those of 2022, and this despite the fact, that average inflation in 2023 is almost half of that observed in 2022.

Average inflation for the groups with the most weight in 2023



However, **in analysing by contribution** to the change in headline inflation in 2023 of the groups that make up the shopping basket, it can be seen that the 'Food and non-alcoholic beverages' group stands out for its downward contribution to the change in inflation. This group starts the year with an inflation rate of 15.4% and in December, it recorded a rate of 7.9%. However, this decrease of 7.5 p.p. over the year was accompanied by monthly increases, reaching 1.8% in February and the minimum of 0.2% in May and August. Thus, despite this downward influence on headline inflation and the fall in-

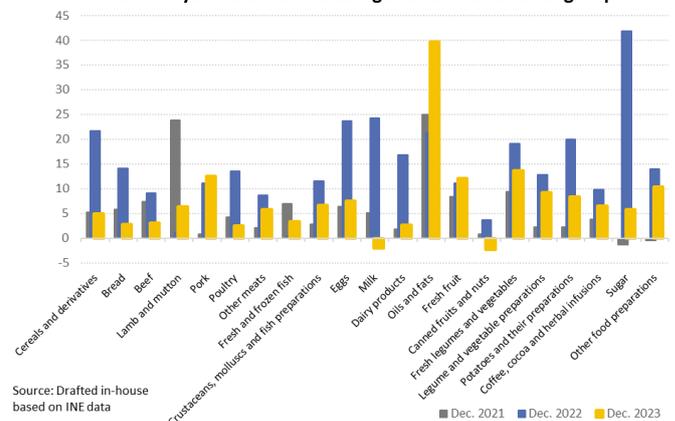
group inflation, food and non-alcoholic beverage prices rose month by month throughout 2023, with a resulting impact on consumers' wallets.

'Restaurants and hotels', 'Furniture and household goods' and 'Housing' in terms of their downward contribution to headline inflation in 2023, followed the other groups Conversely, the groups that most drove the change in inflation for the year were 'Communications', 'Transport' and 'Clothing and footwear'.

In analysing the components corresponding to the Food subgroup and its performance throughout the year, it is worth mentioning some of the most notable increases experienced in 2023:

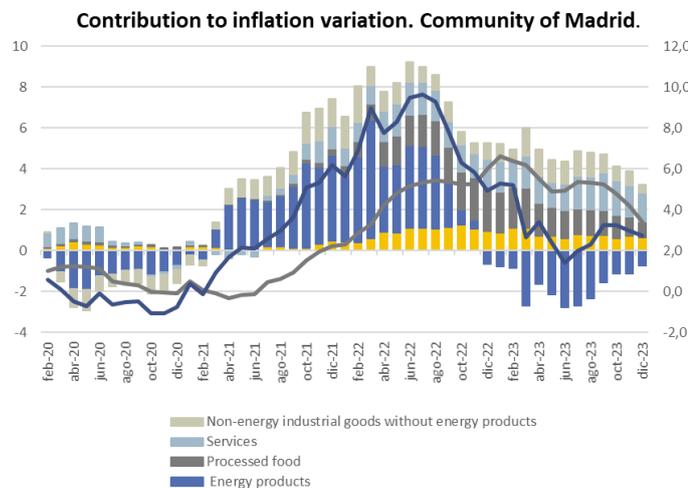
Oils and fats accumulated an increase of 39.7%, and the accumulated increase since the beginning of the pandemic is 143.4%. Fresh legumes follow it *and vegetables* with a price increase of 13.6% during the year and 33.6% since March 2020. Next is *Pork*, 12.5% more expensive than in December 2022, 29.2% since March 2020. Lastly, *Fresh fruit* increased by 12.1% compared to December 2022, and accumulated an increase of 32% since the beginning of the pandemic. Thus, the *Food* subgroup closed 2023 with a 7.7% increase in the year, as opposed to the 2.7% of the headline CPI; since February 2020, it has accumulated an increase of 32.3%.

Year-on-year rates for the Categories of the Food subgroup



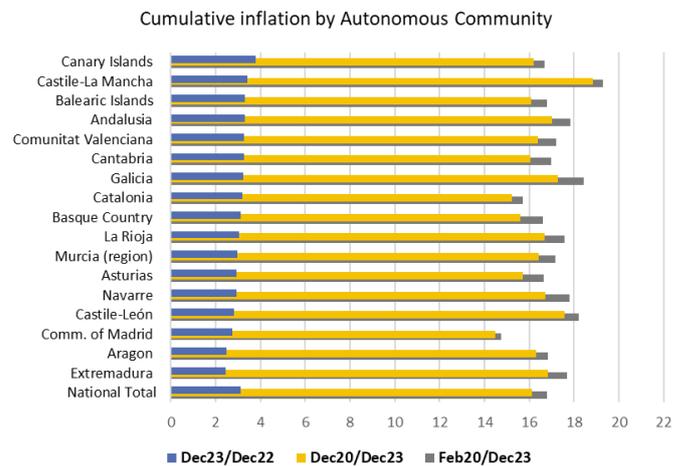
In the analysis by special groups, *Energy products*, which in Q4 2022 slowed its increase, in the last months of 2023, attenuated the knock-on effect of the year-on-year comparison, reducing the negative influence on the headline rate. This group closed the year with a year-on-year rate of -6.4%. Meanwhile, the rise in Food prices, both *processed* and *unprocessed*, slowed down, not because of a decrease in prices but because of a less intense rise than a year ago. Thus, the year closed with *unprocessed food* prices rising by 7.6%, compared

to 10.8% in 2022, and *processed food* by 7.8%, compared to 20% the previous year; despite the decrease compared to 2022, both groups recorded very high rates. This was followed by Services, with a price increase in 2023 of 3.2%. In addition, lastly, Non-Energy Industrial Goods recorded inflation of 1.3% in 2023.



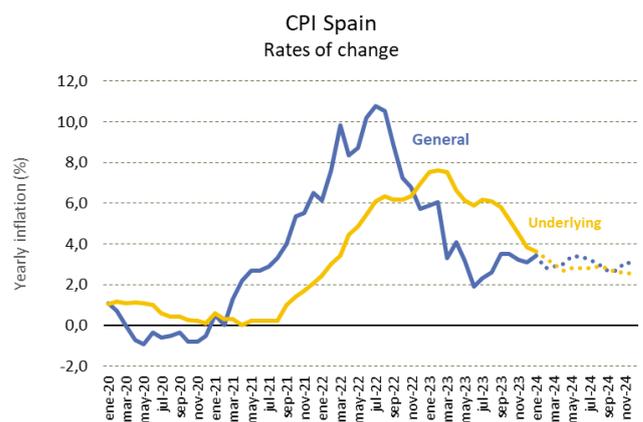
Core inflation, which exceeded the year-on-year rate of headline inflation in every month of 2023, reached its highest differential in the history of the series in March and June with 3.5 points above. From the last four-month period onwards, the two began to converge, ending the year with a differential of seven tenths of a percentage point. The latest data for January reduced this differential to three tenths of a percentage point.

Compared with the other Autonomous Communities, headline inflation accumulated in the Community of Madrid since the start of the pandemic (until December 2023) rose to 14.7%; the region with the lowest rate, in a scenario that peaked at 19.3%



was Castile-La Mancha. In cumulative inflation from Dec 2020 to Dec 2023, the Community of Madrid again recorded the lowest rate, 14.5%. As for 2023, only Extremadura and Aragon recorded lower rates than the Community of Madrid. In the case of **core inflation**, the Madrid region has been at the lowest level in Spain from July 2022 to September 2023; in December, only Aragon and Extremadura recorded a lower rate than the Community of Madrid. Moreover, the latest data published places the Community of Madrid with the lowest core inflation, together with Extremadura.

The new Funcas forecasts for Spain's CPI revise it slightly downwards, in a central scenario under the hypothesis of a crude oil price around 85 dollars/barrel. The new forecast for 2024 projects an average rate of 3.1%, with a December rate of 3%. The average core rate will be 2.9% and the year-on-year rate in December will be 2.5%.



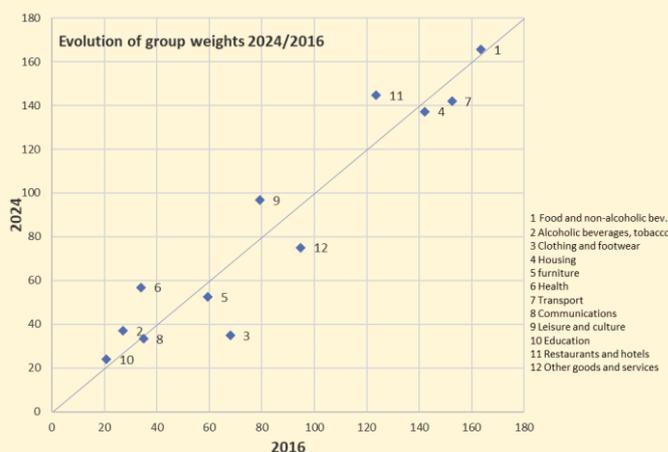
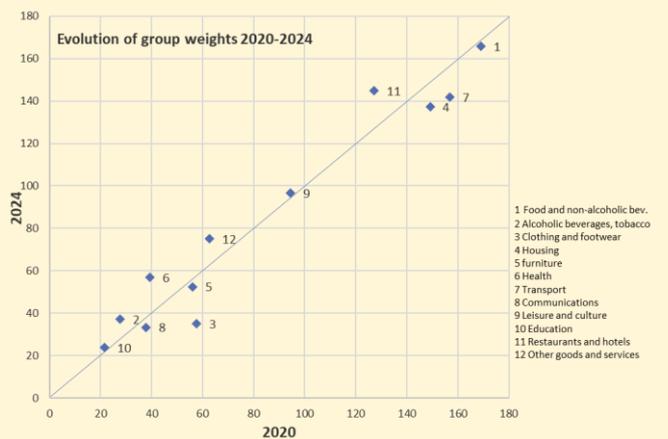
Source: Historical data INE; *FUNCAS Forecast

Box I. Evolution of the composition of the shopping basket in terms of the CPI: 2015-2024

Inflation has very important effects on people's personal economy, both because of the loss of purchasing power, which means that less goods and services can be purchased with their money, and because it devalues their savings if they are not invested in products that generate a higher return or interest than inflation. To measure the inflation rate, the two most commonly used methods are the GDP deflator and the consumer price index (CPI). We will analyse the evolution of the composition of the shopping basket in terms of the CPI.

Origin of the weighting of the items that make up the shopping basket. The Consumer Price Index, which is published monthly, aims to measure the evolution of the price level of consumer goods and services purchased by Spanish households. The 2016 base system follows the definition of consumption expenditure from the Household Budget Survey (HBS), which defines it as *'the monetary flow spent by a household and each of its members to pay for certain goods and services, either for the household itself or to be transferred free of charge to other households or institutions'*. One characteristic of this indicator is its **representativeness**, which is determined by its adaptability to the economic reality of the moment. To this end, the selected items in the shopping basket must be those most consumed by the majority of the population, the shops in the sample must be the most visited, and the relative importance of each item in the shopping basket must be in line with household consumption trends. To respond to part of these objectives, the weighting (proportion of expenditure on each product out of total expenditure) of the items used in the CPI calculation are updated annually. This is done through the Household Budget Survey (HBS), which provides annual information on the nature and destination of household consumption expenditure. The reference period for weighting is obtained as follows: For the year 2023, the weighting has been calculated because of HBS data, which provides the basic information on household expenditure on consumer goods and services for the year 2021. To address the delay between this reference period for weighting and the reference period for prices (December 2023), the weighting is using information on price and quantity developments from the CPI and other sources, such as private consumption developments from the National Accounts and information provided by supply sources in the different sectors. Thus, the reference period for weighting during the year 2024 is December 2023. In addition, in subsequent years it will be the month of December prior to each year, since, as we have said, weighting will be updated annually, using the annual information from the HBS and other sources.

This annual adjustment of weighting is made for certain levels of geographical and functional breakdown, using the information available closest to the time of the adjustment. Furthermore, there is a base change every five years, where weighting will be updated for all levels of functional and geographical breakdown. This is to ensure that the indicator is representative.



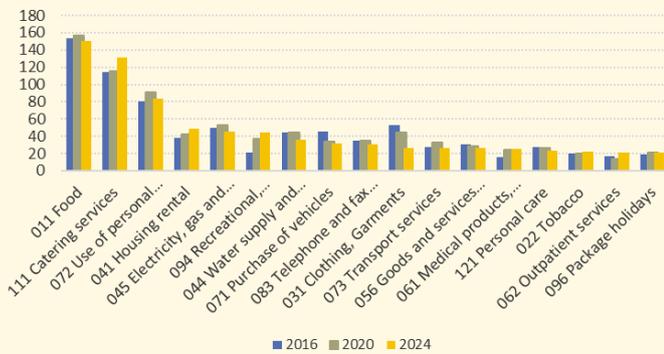
Evolution of weighting 2016-2020-2024 by GROUPS.

The weighting we will assess corresponds to the expenditure structure of the years 2015, 2019 and 2023.

Certain changes in household consumption behaviour can be observed over the last eight years. We can clearly see an increase in the expenditure weighting of the groups related to leisure activities, 'Leisure and culture' and 'Restaurants and hotels', as well as 'Health'. As for the groups that decreased their weight compared to 2016, 'Clothing and footwear' stands out, as well as 'Other goods and services', which includes different services and appliances related to *Personal care and Insurance* related to health, housing and transport.

Evolution of weighting by subgroup.

Evolution of the weighting of the subgroups with the greatest weight in the Community of Madrid

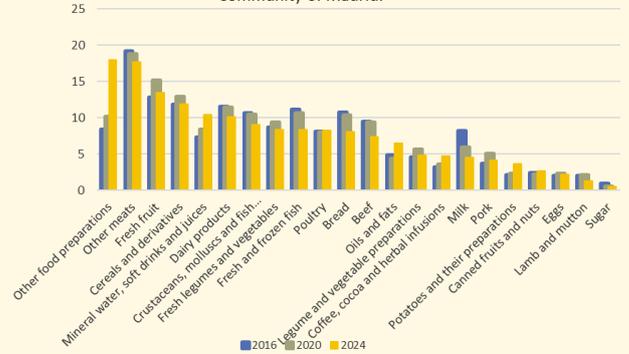


Among the subgroups with a weight of more than 2%, those with the largest increase in weight in 2024 compared to 2016 were *062 Recreational, sport and cultural services*, followed by the two health-related subgroups, *Medical products, appliances and equipment* and *Ambulatory services*. Rental accommodation, Catering, and canteens followed this. Conversely, the subgroups that decreased their weight include *031 Clothing*, *071 Purchase of vehicles*, *044 Water supply, and other housing services*.

The 'Food and non-alcoholic beverages' group was the one with the greatest weight in the shopping basket, and among the subgroups, Food was the one that accumulated the most importance. In its performance, it slightly lost weight compared to 2016 and slightly gained weight compared to 2020. If we look at the evolution in the breakdown **by category**, both for food and for beverages, we can see a weight decrease in fresh products, such as meat (except poultry), fresh and frozen fish, and seafood, as well as bread, milk and dairy products. On the other hand, the products with the greatest weight are *Other food preparations*, *potatoes and their preparations* and all beverages, including alcoholic beverages.

This evolution of consumer behaviour clearly underlies the price increase experienced by a large part of the items in the CPI shopping basket in 2022 and 2023, and especially by those of regular consumption and basic necessities, with consumers substituting the most expensive items for those that are more affordable.

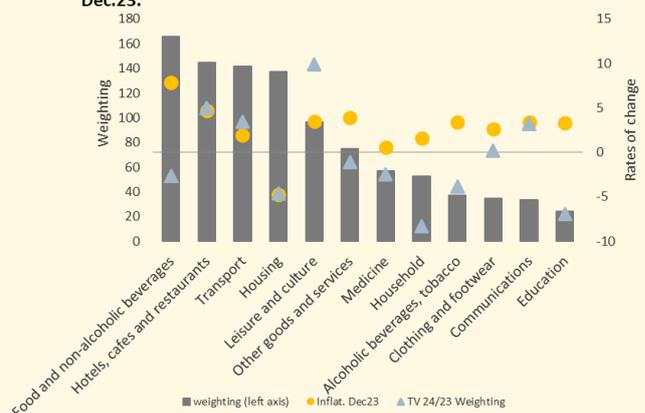
Weights of the Food and Beverages categories. 2016-2020-2024. Community of Madrid.



Relationship between weighting and price changes according to the CPI.

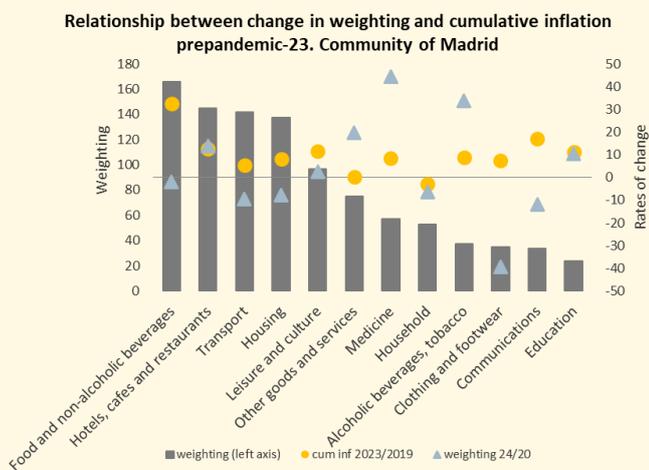
In the following graph we can see that, given the price increase that could initially lead to an increase in spending, the evolution of the weighting of each group behaved differently, since the intervention of the consumer, deciding how to act in the face of higher product prices, is a determining factor in the increase or decrease in the weighting of each group. This can be done either by substituting cheaper items, or by doing without them, or by changing habits in order to reduce or increase spending.

Relationship between change in weighting 24/23 and inflation Dec.23.



Therefore, the group with the highest weight in the shopping basket in 2024, 'Food and non-alcoholic beverages', which showed the highest price increase, reduced its weight in the basket. In this case, as can be seen in the breakdown by heading, the most expensive items (fresh products) were replaced by cheaper ones. Therefore, despite the rise in prices, consumers managed to reduce the weight of this group by choosing cheaper items. With this dynamic of rising prices while reducing the weight of the group, we can also find 'Other

goods and services', 'Medicine', 'Household goods', 'Alcoholic beverages and tobacco' and 'Education'. The next group with the most weight, after 'Food and non-alcoholic beverages', is 'Hotels, cafés and restaurants', which increased its weight in the basket to the same extent as the price of this group increased. It could therefore, be deduced that higher prices did not lead to a decrease in consumer spending in this group. This behaviour on par with the change in prices and the relative weight in the basket also occurred in 2023 in 'Housing' and 'Communications'. 'Leisure and culture' is the only group where the weight of the group increased more strongly than inflation, conveying an increase in spending in this group in spite of the price increase, and above it.



The following graph shows the dynamics of prices and weighting by groups from 2020 (pre-pandemic) to 2023.

With regard to the previous graph, we can see the evolution of Madrid households' consumption patterns since 2020 and after a pandemic that greatly disrupted

the usual life of consumers, restricting mobility and all activities related to leisure, causing collateral effects on working life, along with the rise of teleworking and online shopping.

After practically returning to normal, the shares of consumption in each area changed, with a considerable increase in the share of the 'Medicine' group, especially due to the increase in the weight of Hospital services and Ambulatory services. The same can be said for 'Alcoholic beverages and tobacco', with *Alcoholic beverages* being the group with the largest increase in weight. Price hikes accompanied both groups. 'Other goods and services' is the third group with the highest share of the basket; it comprises insurance and everything related to personal care. However, it did not experience an increase in inflation.

Of the four most prominent groups in the shopping basket, 'Food and non-alcoholic beverages', 'Restaurants and hotels', 'Transport' and 'Housing', only the second most prominent group has increased its weight in the basket over the past four years, despite price hikes. The other three groups have reduced their weight in the basket, even after experiencing price increases.

Therefore, in view of the evolution of the group weighting, we can conclude that consumer intervention in deciding where to spend their money, following a rise in the prices of most of the products in the basket, seems to be oriented towards spending related to leisure, personal care and health care.

V.3. Labour market

1. LFS

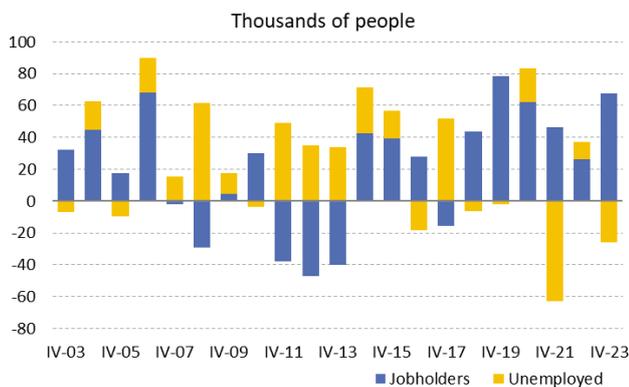
Excellent LFS results in the last quarter of the year.

The regional labour market combined increases in employment and reductions in unemployment of notable intensity, both over the quarter and over the year. As a result, the labour force and number of jobholders is at a new all-time high this quarter, and has recorded an increase in the participation rate due to the greater dynamism of the labour force over 16 years of age. The unemployment rate fell to 9.7%.

The number of jobholders, at 3,353,500, increased by 67,600 in Q4 2023, a quarter-on-quarter increase of 2.1%; only the Q4s of 2019 and 2006 saw greater gains than the current quarter. Because of this particular dynamism in the quarter, year-on-year employment growth accelerated by 1.2 percentage points to 5%, the third highest increase in the history of the series, after those observed in Q1 2015 and Q2 2005.

This strong employment performance in Q4 is partly due to the poor employment performance of the region in Q3. To avoid this distortion, the employment performance in Q4 was analysed in relation to Q2, showing an increase in employment of 51,900 compared to the peak of Q4, which is in line with the average growth recorded in the expansionary phase of the previous cycle (2014-2019) in this same comparison.

QoQ change in employed and unemployed CoM



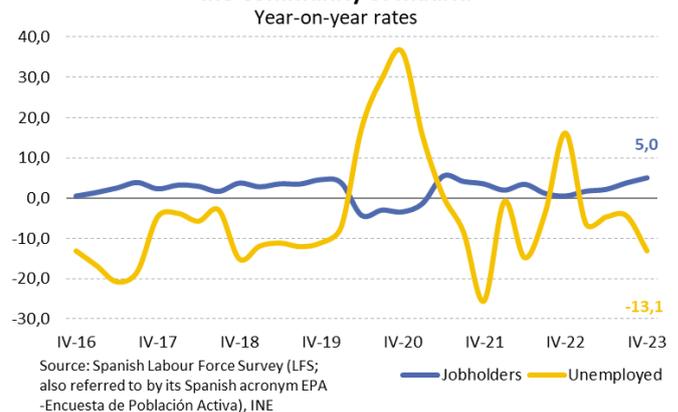
Source: Spanish Labour Force Survey (LFS; also referred to by its Spanish acronym EPA -Encuesta de Población Activa), INE

After a significant increase in the number of unemployed individuals in Q3, in Q4 there was a significant decrease of 25,800 (-6.7% quarter-on-quarter), bringing the total to 400,000, a threshold that was never exceeded in any quarter of 2023. There were 361,000 unemployed individuals in the region at the end of Q4 of the year. This decline in the number of unemployed individuals

stands in contrast to the seasonal pattern of the series, whereby unemployment rose in two out of every three quarterly periods. Furthermore, this decline has only been surpassed in intensity by the Q4s of 2021 and 2002. In year-on-year terms, the fall in unemployment accelerated to -13.1% (-4.4% in the previous quarter), as the quarter-on-quarter decline in 2023 contrasts with the rise of 2.6% observed a year ago.

Given that the increase in jobholders exceeds the decrease in unemployed individuals in the quarter, the **labour force** rose to 3,714,500 people, a record high in the series. The labour force increased by 41,800 people in the quarter, by 1.1%. This increase is in line with the increase observed one year ago and, as a result, the year-on-year increase of 2.9% in the labour force registered a minimal change of 0.1 percentage point.

Evolution of employment and unemployment in the Community of Madrid



Source: Spanish Labour Force Survey (LFS; also referred to by its Spanish acronym EPA -Encuesta de Población Activa), INE

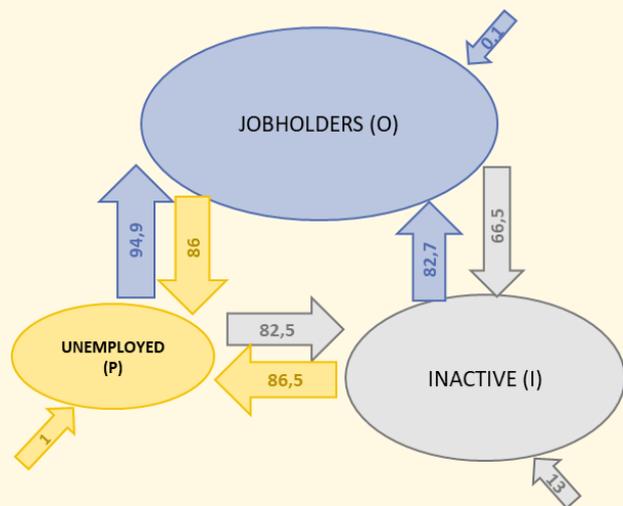
The **participation rate** thus added three-tenths in the quarter and added four-tenths in the year, standing at 63.6% of the over-16 population, reflecting a more dynamic trend in the labour force than in the working-age population in the quarter and year.

Nevertheless, the **unemployment rate** fell by eight-tenths p.p. from the previous quarter to 9.7% of the labour force, the second quarter in 2023 with a single-digit unemployment rate. The differential between the regional and national unemployment rate widened to 2.1 p.p., with the national unemployment rate remaining at 11.8%.

In the regional context, Madrid ranks third in terms of labour force, number of jobholders and unemployment. This quarter recorded the highest participation rate in the national context, and the ninth lowest unemployment rate. It also is the second-fastest growing region in the number of jobholders in both the quarter and the year.

Box II. Q4 2023 labour force flows

The results of the LFFS (Labour Force Flows Survey) in Q4 show, like those derived from the LFS, an increase in employment and a reduction in unemployment.



Jobholders: 2.5 Bilateral O-P balance: 8,9
 Unemployed: -3.9 Bilateral P-I balance: 4
 Inactive: -7.2 Bilateral I-O balance: -16,2

The complete graphical analysis of these results from a historical perspective and at the maximum level of breakdown that the statistical operation allows is available [here](#).

However, the extent of the changes in employment and unemployment differed significantly this quarter between the two operations.

As a result, the flow composition (LFFS), which is the subject of the analysis in this box, only explains a small part of the changes in the stock (LFS), as will be seen below.

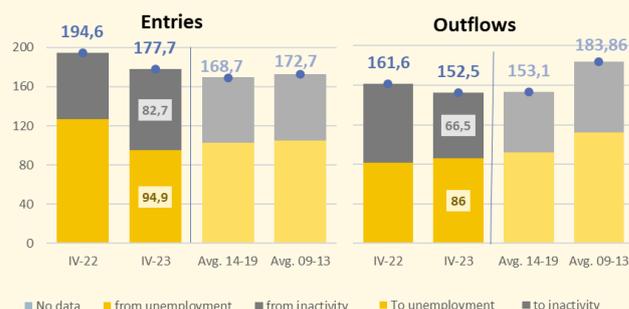
Sidebar using data from Flow Survey (LMSF) with LFS data in Q4-23			
	Thousands of people		
	Jobholders	Jnemployer	Inactive
Q4-23 (LFS=LMSF)	3.353,5	361,0	2.125,5
Q3-23 (LMSF)	3.328,3	364,9	2.132,7
Quarterly difference per LMSF (A)	25,2	-3,9	-7,2
Q3-23 (LFS)	3.285,9	386,8	2.128,4
Quarterly difference per LFS (B)	67,6	-25,8	-2,9
(B) - (A)	42,4	-21,9	-4,3
LMSF-EFS data difference in Q3-23	42,4	-21,9	-4,3
Unexplained difference	0,0	0,0	0,0

Source: Drafted in-house based on LMFS data (INE)

Therefore, although the increase in the number of jobholders by 67,600 in Q4 2023, according to the LFS, was the fourth highest in the series for this quarter, only behind the atypical 2020 and those recorded in 2019 and 2006; the increase according to the LFFS by 25,200 individuals is not particularly noteworthy, as this source recorded higher employment gains in eight years of the series.

As for unemployment, although there is a notable difference in the reduction in unemployment between the two sources, they both exceptionally show a fall in unemployment in Q4, a period that historically has seen increases in unemployment. The **increase in employment** in the quarter was mainly because the outflow was very moderate, and not so much to the dynamism of the inflow, which was at levels very similar to the historical average of Q4s.

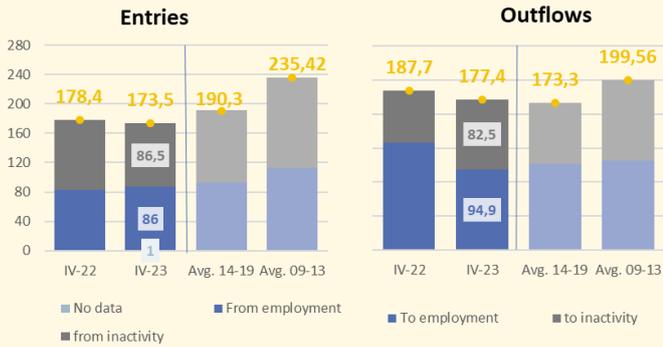
Q4 EMPLOYMENT FLOWS. HISTORICAL TREND



Once again, in this quarter, flows with their origin or destination in inactivity once again played a determining role; of particular significance was the number of 66,500 employed persons who become inactive, in a context of maintained employment, as reflected by the containment of the 86,000 individuals who lost their jobs in the quarter. Therefore, although inflows were not remarkable, especially from unemployment to employment with 94,900 individuals, employment grew due to the relatively high transfer of workers from inactivity and a weak opposite flow.

The **fall in unemployment** was the most notable feature of Q4 results and is mainly the effect of a very contained inflow into unemployment of 173,500, well below the historical average. However, the outflow of 177,400 unemployed individuals is also lower than the series average, but higher than the inflow, resulting in the reported drop in the number of unemployed individuals according to the LFFS. Again, here the inactivity flows play an important role; in fact, the net unemployment-inactivity balance contributes the smallest increase in unemployment in the series. The drop in unemployment in the quarter could have been sharper if the bilateral employment-unemployment balance of 8.9 had shown a similar dynamism to that of previous years, but the contained flow of unemployed to employed, as mentioned above, slowed it down.

Q4 UNEMPLOYMENT FLOWS. HISTORICAL TREND



The LFFS results for Q4 reinforced conclusions already drawn in previous quarters. On one hand, the strength of the regional labour market is not currently very dynamic in terms of employment via inflows, and the capacity to incorporate unemployed individuals into employment is particularly weak, a sign that should be carefully monitored. The strong employment performance is due to contained outflow from employment, which may be related to greater job stability, but also to a delay in the entry into inactivity of the population born in the mid-1950s.

Box III. Employment situation of households in the Community of Madrid according to the LFS, recent trends and pre-pandemic comparison

HOUSEHOLDS COMMUNITY OF MADRID (thousands and %) QUARTER 4								
	Households whose active members are all employed	Households whose active members are all unemployed	Households whose members are all inactive	All households	Single-person households whose members are all			All single-person households
					Jobholders	Unemployed	Inactive	
Level (thousands) [% / total households]								
2019Q4	1,706.5 [64.9]	89.9 [3.4]	614.5 [23.4]	2,627,8	338.4 [49.7]	32.7 [4.8]	309.9 [45.5]	681,0
2021Q4	1,695.8 [63.9]	99.3 [3.7]	637.4 [24.0]	2.652,4	350.4 [49.1]	28.7 [4.0]	334.0 [46.8]	713,2
2022Q4	1,686.4 [62.9]	115.6 [4.3]	641.7 [23.9]	2.681,2	363.8 [49.0]	41.8 [5.6]	336.4 [45.3]	742,0
2023Q4	1,770.7 [65.1]	100.1 [3.7]	627.4 [23.1]	2,718,2	388.0 [52.4]	34.5 [4.7]	317.5 [42.9]	740,0
QOQ differences (thousands)								
2021Q4	95,3	0,9	-31,3	15,7	37,5	-9,0	-10,7	17,8
2022Q4	-18,2	17,5	6,8	6,4	-1,2	14,1	-8,2	4,7
2023Q4	43,7	-4,7	-11,1	6,2	3,2	-2,1	0,8	1,9
Quarter-on-quarter rate of changes (%)								
2021Q4	6,0	0,9	-4,7	0,6	12,0	-23,9	-3,1	2,6
2022Q4	-1,1	17,8	1,1	0,2	-0,3	51,1	-2,4	0,6
2023Q4	2,5	-4,5	-1,7	0,2	0,8	-5,7	0,2	0,3

Source: Compilation based on microdata from the LFS (INE).

The Labour Force Survey for Q4 2023 put the total number of households in the Community of Madrid at 2,718,200, of which, just over one in four (27.2%) were single-person households.

The **total number of households** increased in the quarter and in the year, 0.2% and 1.4% respectively, and exceeded by over 90,000 those existing in Q4 2019.

The number of single-person households also slightly rose in the quarter (by 0.3%), accounting for 30.1% of the increase in total households. However, they were down 0.3% in the year-on-year comparison. Compared to the same pre-pandemic quarter, there were 59,000 more single-person households, accounting for 65% of the total increase in the number of pre-pandemic households.

The **household employment situation** analysis in Q4 2023 is in line with the analysis carried out so far, which used the individual as the unit of measurement.

The labour market dynamism in terms of job creation can be seen in the evolution of **households with all members in the labour force holding employment**. Thus, in Q4 2023, there were 1,770,700; not only did the number grow in the quarter and year, but it did so significantly above the growth in total households, with 2.5% more households with all members in the labour force in the quarter, 5% more over the year (0.2% and 1.4% respectively for total households, as mentioned above). As a result, the weight of this segment rose to 65% of households in the region, 5.3 p.p. above the level in Spain.

The same can be seen in the pre-pandemic comparison, with 64,200 more households with all members in the labour force than in the Q4 2019, an increase of 3.8% compared to a growth of 3.4% in total households.

Meanwhile, the number of **households whose members in the labour force are all unemployed** dropped to 100,100 in Q4 2023, the lowest volume since Q3 2022. Thus, its share of total households has continued to decline from 4.3% in Q1 2023 to 3.7% in the current quarter.

However, the pre-pandemic comparison shows an increase in this segment of households, both in number and weight in the total, as the 89,900 units counted at that time accounted for 3.4% of all households.

Households with all members inactive decreased again in the quarter, to 627,400 households (23.1% of all households), and also in the year, by -2.2%. However, they now account for 2.1% more than in Q4 2019, although this is less than the rise in the number of total households, meaning that their current weight is two tenths of a point lower than that observed at the time.

In Q4 2023, members in **single-person households** were mostly employed, at about 400,000 units, 52.4% of single-person households. 317,500 households with an inactive member (42.9%) followed that.

As was the case for the total number of households with all members **employed**, the **single-person household** segment shows increases in the three quarterly, year-on-year and pre-pandemic comparisons, with the

dynamics of single-person households being a determining factor in their evolution, as we shall see in detail.

There are now 49,600 more single-person households with jobholders than in Q4 2019, which explains the 77.3% increase in this period of the total number of households with all members in the labour force, despite accounting for 'only' 21.9% of these.

Therefore, while households with all employed members in the labour force have increased by 3.8% compared to the pre-pandemic period, single-person households have grown by 14.7%. The year-on-year growth differential for the segment in question (5% vs. 6.7%) is also very positive.

This is not the case in the quarterly comparison, where single-person households have been less dynamic. This result does not cancel out previous gains, meaning that the weight of single-person households with an employed member has increased from 49.7% of all single-person households before the COVID-19 crisis to 52.4% today.

This synchronised development of multi-person households and the single-person segment can also be

observed in the unemployed category, but not in the inactive category.

The number of single-person households with an unemployed member decreased in the quarter-on-quarter and year-on-year comparison, but increased in the relative pre-pandemic comparison.

Similarly, to what has already been mentioned for households with all members in the labour force, those who are unemployed have experienced a more favourable evolution in the single-person segment than in the multi-person segment. The number of single-person households declined in the quarter and in the year, by 5.7% and 17.5% respectively, decreases significantly larger than those observed for households with all members unemployed (4.5% and 13.4%).

It can thus be concluded that the strong performance of the labour market in Q4 has also been reflected when the unit of measurement is the household, with the very favourable dynamics of single-person households being a determining factor in this performance.

HOUSEHOLDS COMMUNITY OF MADRID (thousands and %) Last mobile year								
	Households whose active members are all employed	Households whose active members are all unemployed	Households whose members are all inactive	All households	Single-person households whose members are all			All single-person households
					Jobholders	Unemployed	Inactive	
Level (thousands) [% / total households]								
2023Q1	1,721.7 [63.8]	115.6 [4.3]	650.0 [24.1]	2,696,7	382.3 [51.6]	35.9 [4.8]	322.6 [43.5]	740,8
2023Q2	1,759.4 [65.0]	104.4 [3.9]	635.4 [23.5]	2,707,8	393.9 [53.1]	30.5 [4.1]	317.4 [42.8]	741,8
2023Q3	1,727.0 [63.7]	104.9 [3.9]	638.4 [23.5]	2,712,0	384.8 [52.1]	36.6 [5.0]	316.7 [42.9]	738,1
2023Q4	1,770.7 [65.1]	100.1 [3.7]	627.4 [23.1]	2,718,2	388.0 [52.4]	34.5 [4.7]	317.5 [42.9]	740,0
YOY differences (thousands)								
2023Q1	44,2	-7,2	22,7	31,2	19,7	-0,3	-3,2	16,2
2023Q2	27,0	0,2	11,3	33,8	42,5	-4,3	-24,4	13,7
2023Q3	22,4	6,7	3,5	37,2	19,8	8,9	-27,8	0,9
2023Q4	84,3	-15,5	-14,3	37,0	24,2	-7,3	-18,9	-2,0
Year-on-year changes (%)								
2023Q1	2,6	-5,9	3,6	1,2	5,4	-0,9	-1,0	2,2
2023Q2	1,6	0,2	1,8	1,3	12,1	-12,5	-7,1	1,9
2023Q3	1,3	6,8	0,6	1,4	5,4	32,2	-8,1	0,1
2023Q4	5,0	-13,4	-2,2	1,4	6,7	-17,5	-5,6	-0,3

Source: Compilation based on microdata from the LFS (INE).

Box IV. Post-pandemic changes in absenteeism and hours worked

Employed persons who did not work in the reference week.

The number of individuals in this situation recorded in the Community of Madrid stood at 277,400 in Q4 2023, which was 17,500 more jobholders than one year ago. Relative to Q4 2019, before the covid crisis, the number of jobholders who did not work in the reference week is now higher, by 72,900.

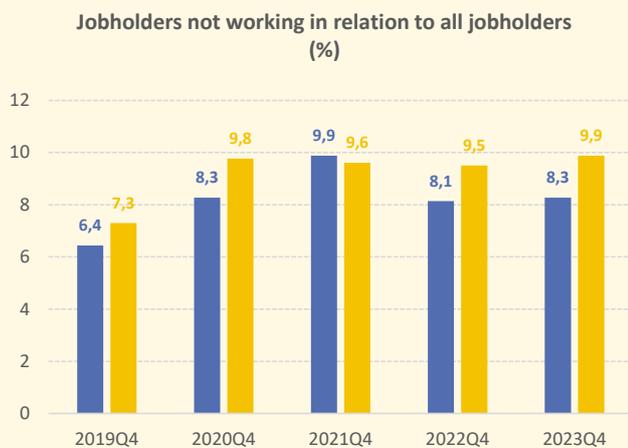
The strong seasonality of this phenomenon makes quarter-on-quarter comparisons unsuitable for the analysis of its evolution.

JOBHOLDERS NOT WORKING IN REFERENCE WEEK BY REASON FOR NOT WORKING (thousands) Community of Madrid					
Reason	2019Q4	2020Q4	2021Q4	2022Q4	2023Q4
Holidays or leave	89,7	68,2	143,3	130,9	131,7
Childbirth	23,9	20,9	22,9	11,4	30,5
Illness or accident	80,1	107,7	131,2	108,6	99,1
Partial lay-off for technical or economic reasons	0,6	13,4	2,7	1,2	1,0
Furlough scheme	0,0	36,0	2,1	0,8	0,0
Strike or labour dispute	0,0	0,0	0,0	0,0	0,0
Other reasons	10,1	3,5	8,1	6,1	13,0
Unknown	0,0	0,0	0,0	0,0	0,0
Unclassifiable	0,0	3,9	3,6	1,1	2,2
Total	204,5	253,7	313,8	260,0	277,4

Source: compilation based on microdata from the LFS (INE).

The proportion of jobholders who did not work in relation to the total number of jobholders in all Q4 since 2019 is slightly lower in the Community of Madrid than in Spain, with the sole exception of 2021, due to the higher incidence of COVID resurgence in the region.

Jobholders who did not work in the reference week in Q4 2023 accounted for 8.3% of the total jobholders in the region, 9.9% in Spain; one year ago, the figures were 8.1% and 9.5% respectively.



Source: compilation based on microdata from the LFS (INE).

■ Community of Madrid ■ Spain

The pre-pandemic gap in both territories is quite relevant: in Q4 2019, only 6.4% of jobholders in the region and 7.3% of jobholders nationally did not work in

the reference week, representing a post-pandemic deterioration in this indicator of 1.8 points and 2.6 points, respectively.

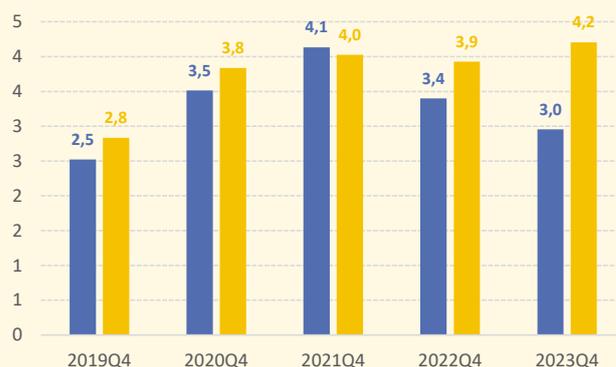
The main reason for work absenteeism in the region in Q4 was *Vacation or leave*, accounting for 47.5% in 2023, 3.6 points more than in 2019. This was followed by the category of *illness or accident*, with 35.7% in 2023, down 3.5 points from its weight in 2019. In the structure of work absences, a shift between the two categories can therefore be observed in the Community of Madrid.

However, in Spain, the situation is somewhat different: although the *Vacation or leave* category is also the main cause of work absenteeism in the quarter both now and before the crisis, it lost weight in 2023, 2.2 points, to 46.6%. Illness or accident gained 3.8 p.p. and accounted for 42.6% of work absences in Q4 2023.

JOBHOLDERS NOT WORKING IN REFERENCE WEEK BY REASON FOR NOT WORKING (thousands) Spain					
Reason	2019Q4	2020Q4	2021Q4	2022Q4	2023Q4
Holidays or leave	711,3	452,1	842,5	918,2	978,5
Childbirth	94,2	106,5	131,9	114,6	132,9
Illness or accident	565,5	742,0	812,4	804,0	893,3
Partial lay-off for technical or economic reasons	13,9	145,3	22,3	17,4	13,6
Furlough scheme	1,5	352,6	41,5	4,6	2,4
Strike or labour dispute	1,4	1,1	1,0	2,4	0,3
Other reasons	63,2	80,1	70,0	75,0	66,6
Unknown	1,5	0,0	0,7	0,1	0,0
Unclassifiable	4,4	9,4	16,4	9,7	11,2
Total	1.457,1	1.889,1	1.938,7	1.946,0	2.098,7

Source: compilation based on microdata from the LFS (INE).

Jobholders not working due to illness or accident in relation to all jobholders (%)



Source: compilation based on microdata from the LFS (INE).

■ Community of Madrid ■ Spain

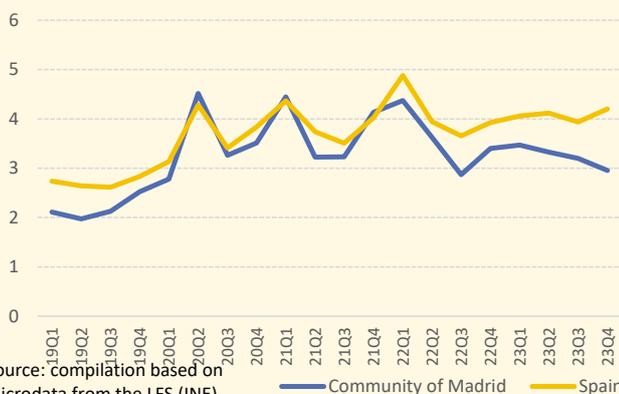
The evolution of absences due to illness or accident in relation to the total number of jobholders in both territories can be seen in the graph above, showing that, although there was an increase in both territories in relation to pre-pandemic, the intensity of the increase was notably lower in the Community of Madrid (+0.5 points in the region vs. +1.4 points in Spain).

The graph below shows the time evolution of this ratio for both territories between 2019 and 2023. This shows that,

- Except at specific moments linked to the waves during the pandemic, the number of jobholders who did not work due to illness or accident in relation to the total number of jobholders was always lower in the Community of Madrid than in the country as a whole.
- This ratio has not recovered to pre-COVID crisis levels, suggesting that, despite the health control of the COVID crisis, its effects on the health of jobholders have not disappeared.
- The gap between the two territories seemed to widen over the course of 2023, especially in Q4.

Among the factors that may be behind this behaviour is the different sectoral specialisation in the Community of Madrid, with a greater weight of activities allowing teleworking, as this work modality can be a useful tool for an early return to work after illness. Also linked to sectoral specialisation would be the lower weight of activities in which physical effort is more pronounced, as well as less ageing of the region's employed population.

Jobholders not working due to illness or accident in relation to all jobholders (%)

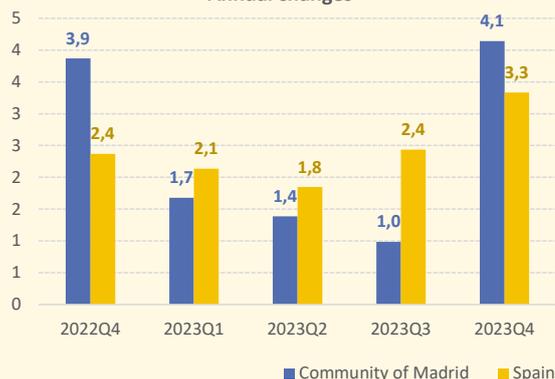


Source: compilation based on microdata from the LFS (INE).

Effective hours worked.

The **total number of effective weekly hours** worked by all jobholders (main employment) in the Community of Madrid in Q4 2023 was 106 million, representing year-on-year growth of 4.1% and 1.5% in relation to that calculated in Q4 2019. In Spain, the total number of hours worked increased year-on-year by 3.3% and 1.8% pre-covid. A recent acceleration in the year-on-year growth profile of this variable can be observed in both territories.

Effective hours worked. Annual changes



Source: compilation based on microdata from the LFS (INE).

In both territories, actual hours worked in each of the four quarters of 2023 far exceed those in the same periods of 2019, breaking with the drops recorded in the second half of 2022.

Effective hours worked. Variation compared to 2019.



Source: compilation based on microdata from the LFS (INE).

However, the **average weekly effective hours per jobholder** in the region only regained pre-pandemic levels in Q1 2022, with the rest remaining below them. Across the region, 35.8 hours per week were worked in Q4 2023, the same as one year ago, but one hour less than in Q4 2019.

Spain has progressed similarly in recent periods, although the pre-crisis levels have not yet been recovered at any time. Thus, the hours worked in Q4 2023 are 3.3% below the effective hours in the same quarter of 2019 in Spain and 2.8% lower in the Community of Madrid. It should be noted that, only in Q3 2020, the number of effective average weekly hours per jobholder was higher in Spain as a whole than in the Community of Madrid.

2. Social Security Enrolment

Social Security enrolment in Q4 2023 reached an all-time high in the quarterly series, with 3,636,879 average enrolments. These high volumes are still proof of a strong YoY dynamism, although it is up 3.8%, one tenth of a percentage point less than the previous quarter's growth.

Both genders and the general and self-employment schemes have the highest number of employees for the quarterly series. Once again, the performance of female enrolment and of the general scheme continued to be more dynamic, both with year-on-year increases in the Q4 of 4.2%. The self-employment scheme grew at a more muted rate of 1.1%, but continued accelerating, this time by four tenths of a percentage point above the increase in Q3 2023, or 0.8%.

The seasonal month-on-month increases in the three months of Q4 favoured enrolment levels reaching consecutive record highs in the series, exceeding 3.6 million in these three months; these circumstances meant that Q4 data was 10.7% above the pre-pandemic levels in total enrolment, with 11.6% in the general scheme and 4.3% in the self-employment scheme.

The analysis of the general scheme, excluding the special agricultural and domestic workers' schemes, is decisive in determining the distribution by activity of total enrolment. In Q4, it accounted for 88.2% of the total, with 87.7% of enrolment in the services sector in this scheme. It should be noted that all sections of this sector in this period experienced year-on-year increases and increases in enrolment as compared with 2022; compared with Q4 2019, only *Rest of services* declined by 1.7%.

The latest available data, corresponding to the month of January 2024, showed a seasonal month-on-month decrease of 0.8%, the same as in January 2022, slightly lower than the average of the last ten years of 0.9% and the average decline of 1% of every January in the series, leading to a record high for a month of January and exceeding, for yet another month, 3.6 million new enrolments, growing by 3.8%, the same rate as in December. The same pattern of behaviour can be seen in the breakdown by gender and in the general scheme, which reach the highest volumes of the series for a month of January: men increased year-on-year by 3.6% and women by 4.1%, while the general scheme increased 4.2%. In all three cases, year-on-year rates are the same as in December; however, the self-employment scheme started to accelerate in July and continued to do so month after month; in January, it grew year-on-year by 1.4%, compared to 1.2% in December.

The analysis of average monthly enrolment in January by sector of activity in the general scheme, excluding the special agricultural and domestic workers' schemes, does not, however, show peak enrolment volumes in the services sector. The tertiary sector already set its ceiling in December 2023. However, this January saw record highs in two service sections, which account for 14.4% of the volume of enrolment in this sector; the highest contributing sections are *Public Administration, Defence and Social Services and Education*, each with a weight of 7.2%.

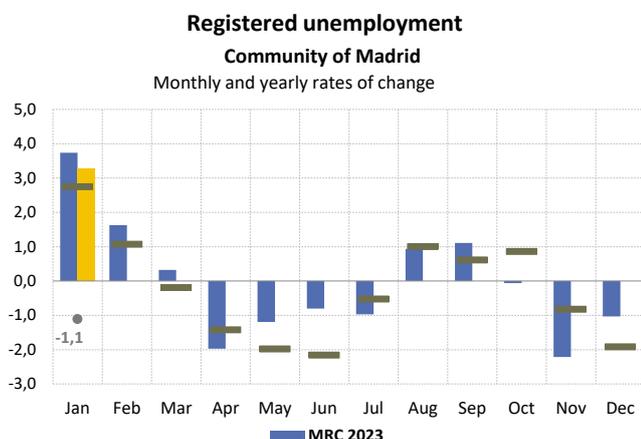
As for the self-employment scheme, and like the general scheme, the historical maximum was reached in the month of December, although in January it reached its highest volume for this month in the series. In self-employment enrolment in the tertiary sector, only one of its service sections, *Real-estate activities*, with a weight of 2.4% of the total, showed historical highs in enrolment.

Average quarterly affiliation to the General Scheme (not farm/domestic) by sections.													
Structure and changes. Community of Madrid.													
CNAE Sections 2009	Q4-23			Q4-22			Q4-19			Rates of change			
	Level No.	Weight (%)	COM/SP ATN (%)	Level No.	Weight (%)	COM/SP ATN (%)	Level No.	Weight (%)	COM/SP ATN (%)	23/22		23/19	
										COM	Spain	COM	Spain
A - Agric. Livest. Fore. Ar	2.448	0,1	3,1	2.479	0,1	3,2	2.546	0,1	3,5	-1,2	2,3	-3,8	10,7
B ... E - Industry	212.391	6,8	9,8	204.407	6,9	9,6	195.448	7,1	9,4	3,9	2,1	8,7	4,7
F - Construction	165.973	5,3	16,8	157.711	5,3	16,6	145.199	5,2	16,6	5,2	3,7	14,3	12,4
G - Comm. Rep. Vehicles	439.425	14,2	17,0	427.309	14,4	17,0	421.655	15,2	17,1	2,8	2,4	4,2	4,3
H - Transport. Storage	173.771	5,6	20,7	163.539	5,5	20,5	149.816	5,4	20,2	6,3	5,1	16,0	13,2
I - Hospitality	207.742	6,7	14,7	196.144	6,6	14,7	198.229	7,2	15,2	5,9	5,9	4,8	8,3
J - Inform. Commun.	276.750	8,9	43,0	263.518	8,9	43,1	222.901	8,0	44,1	5,0	5,3	24,2	27,1
K - Act. Finance & Insur	120.200	3,9	37,5	114.919	3,9	36,8	110.565	4,0	34,5	4,6	2,7	8,7	0,0
L - Act. Real Estate	28.379	0,9	26,5	27.494	0,9	26,5	25.153	0,9	25,6	3,2	3,5	12,8	9,2
M - Actv. Prof. Tech. Sci.	292.429	9,4	32,1	276.123	9,3	31,9	245.346	8,9	31,9	5,9	5,3	19,2	18,5
N - Actv. Admt. Serv. Auxil.	342.816	11,0	24,0	337.982	11,4	24,0	320.616	11,6	23,9	1,4	1,7	6,9	6,5
O - Public Adm Defen., SS	218.602	7,0	19,0	207.553	7,0	17,2	173.414	6,3	15,6	5,3	-4,6	26,1	3,2
P - Education	221.651	7,1	18,3	210.340	7,1	19,6	191.817	6,9	19,7	5,4	12,7	15,6	24,4
Q - Actv. Health Serv. Social	269.366	8,7	14,5	256.466	8,6	14,3	236.812	8,6	14,7	5,0	3,7	13,7	15,3
R - Actv. Artis. Rec. & Ent	54.875	1,8	18,1	52.537	1,8	18,2	50.321	1,8	18,5	4,5	5,0	9,1	11,4
S ... U - Rest of Serv.	78.251	2,5	20,7	78.189	2,6	20,9	79.564	2,9	20,9	0,1	1,2	-1,7	-0,9
Total services	2.724.257	87,7	20,7	2.612.112	87,8	20,6	2.426.209	87,6	20,4	4,3	3,6	12,3	10,4
Total	3.105.069	100,0	19,0	2.976.709	100,0	18,8	2.769.402	100,0	18,6	4,3	3,4	12,1	9,7

(*) The average quarterly data are calculated on the basis of the average monthly data.
Source: Ministry of Inclusion, Social Security and Migration.

3. Registered unemployment

Q4 once again saw a more contained decline in the number of unemployed individuals, with levels improving on pre-pandemic levels. The recent performance of registered unemployment was once again positive in Q4. Unemployment fell from 304,896 in Q4 2022 to 300,174 in Q4 2023, and fell very short of the 342,816 in Q4 2019.



Source: MLSE.

Registered unemployment data for the region reflected less intensity in the pace of unemployment decline, registering a year-on-year fall of 1.5%, compared to 3.6% in Q2 2023 and 3% in Q3 2023. However, the number of registered unemployed individuals in the region was 12.4% lower than in Q4 2019, with 42,642 fewer individuals unemployed. The most recent data

published in January 2024 shows a year-on-year decline in the unemployment rate of 1.1%.

Both genders have participated in the year-on-year decreases in unemployment in the region and improve the pre-pandemic data. Male unemployment showed a lower year-on-year fall reaching 1.2% in Q4 2023, while female unemployment fell by 1.8%. Compared to the pre-pandemic situation, unemployment is below the levels in Q4 2019, 14.9% for men and 10.6% lower for women. The most recent data published, from January 2024, shows a year-on-year decrease of 1.2% in male unemployment and 1% in female unemployment.

The year-on-year decreases observed in Q4 also occurred in all sectors of activity: 5.9% in industry, 3.7% in construction, 3.5% in agriculture, and 1.5% in services; the 'previously unemployed' group recorded an increase of 4%.

This decline is much more evident in comparison with Q4 2019 in all sectors, although with different intensity. It fell 21.1% in industry, 20% in construction, 16.8% in agriculture, 11.2% in services, and 9.2% in the 'previously unemployed' group.

In January 2024, regional unemployment fell year-on-year in all sectors: 7.3% in agriculture, 6.3% in industry, 1.6% in construction, and 1% in services; meanwhile, the 'previously unemployed' group recorded a 4% increase in January for the ninth consecutive month.

REGISTERED UNEMPLOYMENT BY SECTIONS										
Community of Madrid										
CNAE Sections 2009	4Q23					Pandemic max		Pre-pandemic variation: 4Q19		
	Level	Weight (%)	Diff Annual	ARC (%)	Rep. (1)	Level	Date	Difference	RC (%)	Rep. (1)
A - Agric. Livest. Fore. And Fish	2.316	0,8	-85	-3,5	0,0	3.470	1Q21	-467	-16,8	-0,1
B ... E - Industry	16.562	5,5	-1.039	-5,9	-0,3	24.732	1Q21	-4.419	-21,1	-1,3
F - Construction	21.818	7,3	-830	-3,7	-0,3	33.085	1Q21	-5.440	-20,0	-1,6
G - Comm. Rep. Vehicles	39.951	13,3	-1.830	-4,4	-0,6	59.641	1Q21	-5.750	-12,6	-1,7
H - Transport. Storage	11.535	3,8	396	3,6	0,1	17.971	2Q20	-1.074	-8,5	-0,3
I - Hospitality	26.180	8,7	320	1,2	0,1	43.980	1Q21	-4.535	-14,8	-1,3
J - Inform. Commun.	11.841	3,9	650	5,8	0,2	16.165	2Q20	-617	-5,0	-0,2
K - Act. Finance & Insur	5.028	1,7	-451	-8,2	-0,1	6.028	3Q21	-112	-2,2	0,0
L - Act. Real Estate	2.671	0,9	80	3,1	0,0	3.582	1Q21	-91	-3,3	0,0
M - Actv. Prof. Tech. Sci.	30.929	10,3	513	1,7	0,2	47.878	1Q21	-7.531	-19,6	-2,2
N - Actv. Admt. Serv. Auxil.	47.175	15,7	-2.580	-5,2	-0,8	74.986	1Q21	-9.006	-16,0	-2,6
J - Public Adm Defen., SS	12.918	4,3	20	0,2	0,0	15.366	3Q21	1.238	10,6	0,4
P - Education	10.377	3,5	-696	-6,3	-0,2	16.956	3Q21	14	0,1	0,0
Q - Actv. Health Serv. Social	15.393	5,1	-659	-4,1	-0,2	20.185	1Q21	-990	-6,0	-0,3
R - Actv. Artis. Rec. & Ent	5.957	2,0	162	2,8	0,1	9.458	3Q20	-854	-12,5	-0,2
S ... U - Rest of Serv.	18.299	6,1	486	2,7	0,2	26.142	1Q21	-869	-4,5	-0,3
Total services	238.252	79,4	-3.589	-1,5	-1,2	350.569	1Q21	-30.177	-11,2	-8,8
No previous employment	21.225	7,1	822	4,0	0,3	31.547	2Q21	-2.140	-9,2	-0,6
Total	300.174	100,0	-4.722	-1,5	-1,5	442.805	1Q21	-42.642	-12,4	-12,4

(1) Impact is the contribution of each section to total growth

Source: Directorate General of the Public Employment Service. Regional Department of Economy, Taxation and Employment

However, the breakdown by activity sections of the services sector (CNAE 2009) shows that in year-on-year terms, unemployment did not decline in Q4 2023 in all of them. The greatest drop in registered unemployed in relative terms was seen in *Financial and insurance activities* (8.2%); *Education* (6.3%); *Administrative Activities and Auxiliary Services* (5.2%); and *Vehicle trade and repair* (4.4%).

However, a generalised downward trend can be seen in the comparison of the levels in Q4 2023 with those of the same pre-pandemic quarter. Meanwhile, there is a noteworthy increase in the number of unemployed individuals registered only in the sections of *Public Administration, Defence and Social Security* by 10.6% and *Education* by 0.1%.

The latest published data for January 2024, the regional comparison in year-on-year terms shows a generalised decrease in registered unemployment in all the Autonomous Communities, varying widely from a 1.1% reduction in the Community of Madrid to a 12.5% reduction in the Balearic Islands. Similarly, all regions show current levels of registered unemployment lower than in January 2020, with the Community of Madrid ranking third in absolute terms.

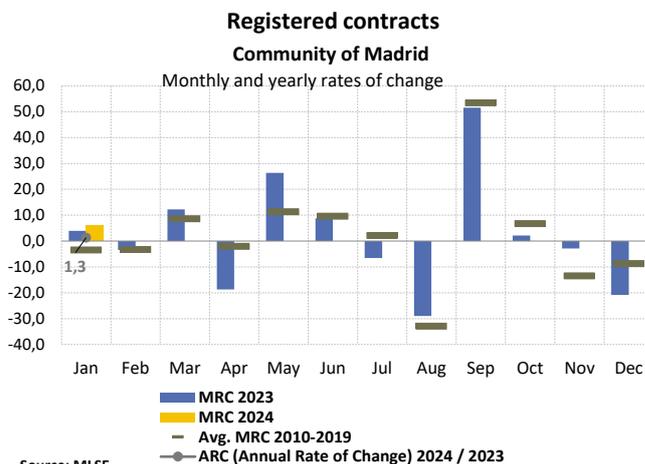
A further drop in hiring data during the quarter.

Hiring continued the downward trend that began in Q3 2022, falling by 4.7% in Q4 2023. In a pre-pandemic comparison, the number of registered contracts is 25.4% lower than contracts signed in Q4 2019. However, the most recent data from January 2024 places the number of registered contracts at 168,659, a year-on-year increase of 1.3%.

Permanent contracts again lost momentum year-on-year in Q4 2023.

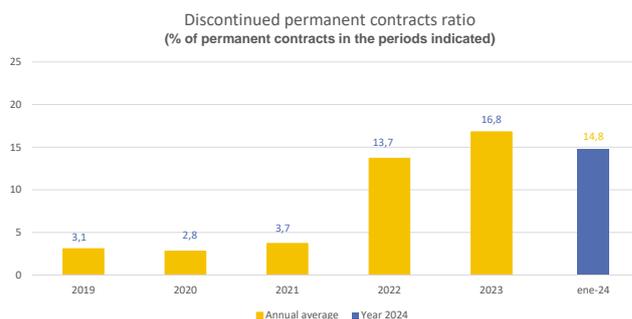
Since the labour reform came into force, the number of permanent contracts has broken records while temporary hiring has already shown year-on-year declines since April 2022, when the transitional period for some types of temporary contracts, established in the 2022 Labour Reform, came to an end.

On the contrary, in Q4 2023, permanent contract levels showed an 8.2% year-on-year decrease, compared to the already slower increase in Q1 2023, when it reached year-on-year growth of 34.7%. This is added to the evolution of temporary contracts, which already took a sharp dip in its recovery since Q2 2022, with a year-on-year decline of 1.5% in Q4 2023, compared to 43.9% in Q1 2023. The pre-pandemic gap equated to 51.4% fewer temporary contracts than in Q4 2019. The most recent data for January 2024 shows a 2.3% year-on-year decrease in permanent contracts for the tenth consecutive month, while temporary hiring recorded its second month of year-on-year growth with 5.3%.



The reclassification of contracts established by the labour reform has led to discontinuous fixed-term contracts that were merely residual becoming more prevalent in the labour market.

Accordingly, the number of discontinuous fixed contracts has risen from 2,261 in January 2022 to 12,498 in January 2024, of which 11,378 were in the services sector. However, year-on-year decreases could already be observed from October 2023 onwards, which were maintained in January 2024.



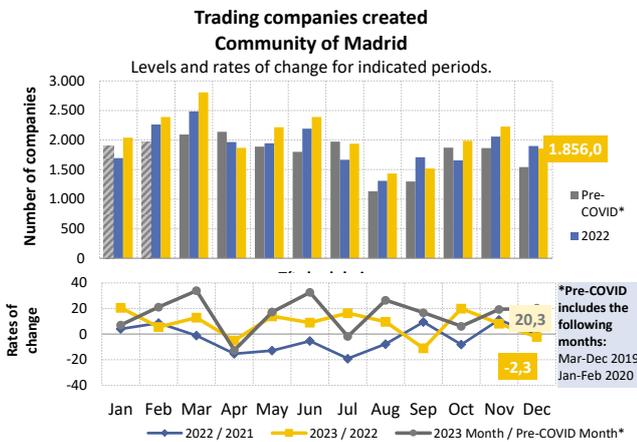
The trend in the number of discontinuous fixed jobseekers, registered as jobseekers after having signed a discontinuous fixed contract, should also be taken into account; the figure for January 2024 is 28,940 discontinuous fixed-term jobseekers, with a year-on-year increase of 22.4%.

V.4. Business environment

Q4 2023 posted the second highest number of company incorporations for this period since 2006, with the creation of 6,069 entities, 8.1% more than in the same quarter of 2022; 456 more companies were incorporated than one year before; compared to the same quarter of 2019, the number of companies created also increased by 790, 15% higher than in the same quarter of 2019.

The creation of new companies reached 1,856 in December (the last known figure), the third highest volume in the series for that month since 2006, but 16.7% less than in November; this month-on-month rate is a larger decrease than the 10.4% average of the seasonal decreases of all December months in the series to date (data since 2004). In year-on-year terms, it fell by 2.3%, after two months of growth; it should be noted that this last comparison was made with the second largest volume for this month since 2006, but exceeded the volumes of the same month in 2019 with 20.3%.

The Community of Madrid topped the regional ranking in terms of incorporations for the month and for the whole of 2023. The relative figures for the creation of new companies are very significant; 23.3% of the total number of companies created in Spain in December, and 22.8% of those set up throughout 2023 did so in the region.



Subscribed capital in the months of Q4 2023 showed double and triple-digit year-on-year growth: 33.2% in October, 127.5% in November and 34.5% in December. In view of this data, the investment made by new companies was €468.5 million, the highest investment for this quarter in the last seven years for this period, 65.7% more than in 2022; the figures for this quarter of 2023 are 59.2% higher than those of the same pre-pandemic period.

Investment in December reached €167.8 million, the highest amount for a December in the last three years,

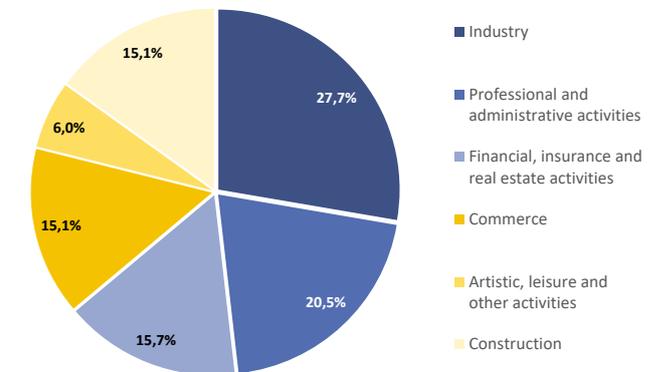
while 23% lower than in November (the highest for any month in 2023), although 34.5% higher than one year ago and the same increase compared to December 2019. The Community of Madrid is the region where the second most capital was subscribed in December, and also the second in the whole of 2023, with 24.2% of total national investment in this month and 21.7% in the year to date. The average capitalisation per company was 3.9% lower than the national average in December; however, the cumulative figure for 2023 was 4.8% lower than the Spanish average.

In 2023, company dissolutions increased only in January and February. In Q4 2023, company dissolutions fell by 17.4% compared to the same quarter in 2022, but grew by 15.3% in comparison with the same period in 2019. In December, company dissolutions increased by 15.8% month-on-month, but fell by 21% year-on-year; when compared with December 2019, they grew by 7%. We must be cautious in this analysis, taking into account the different labour disputes that have been occurring throughout this year in the Judiciary.

The Community of Madrid kicked off 2024 as a host region for companies from other communities.

Experian data revealed that 166 companies changed their registered office to the Community of Madrid in January 2024; the most represented sector is *Industry*, with 27.7%, followed by *Professional and administrative activities*, with 20.5%; the predominant place of origin for this month is Andalusia, with 26.5%, and Catalonia, with 16.3% of the total number of arrivals. The net balance for the region this month was again positive, with 36 companies opting for the Community of Madrid.

Companies that relocated their registered address to the Community of Madrid by activity sector. Cum. Jan-Jan 2024



Source: Experian

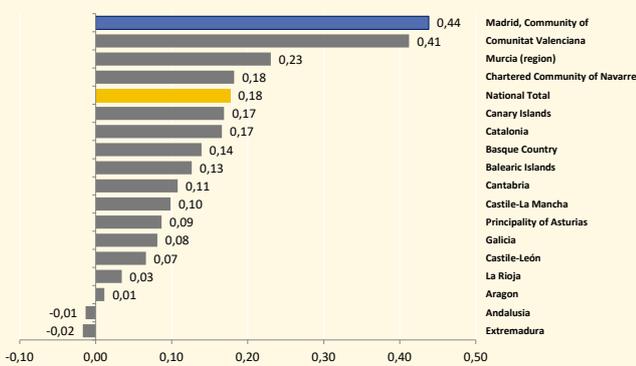
Box V. Key demographics 2023.

The National Statistics Institute published its Continuous Population Statistics, provisional data as of 1/1/2024.

The Community of Madrid exceeds the threshold of 7,000,000 inhabitants for the first time in its history.

According to the data published by the INE in its 'Continuous Population Statistics', the Community of Madrid had 7,000,621 inhabitants on 1 January 2024, 30,547 more people than the previous quarter, accounting for 35.6% of the total national increase (85,870 people) and a growth of 0.4%, the highest of all the Spanish Autonomous Communities and only surpassed by the Autonomous City of Melilla (0.6%).

Relative population growth. Oct23-Jan24



Source: Continuous Population Statistics. INE (NATIONAL)

The foreign population plays a key role in this demographic increase; 40.4% of this increase was due to the foreign population (13,951). Moreover, the group of foreign-born individuals increased by 26,052, meaning some 12,000 people who were foreigners acquired Spanish nationality during the period.

The annual increase is co-led by the Community of Valencia and the Community of Madrid, which recorded a rise of 1.9 percentage points, significantly higher than the 1.1% rise in Spain. Once again, the trend of the foreign population in the Madrid region stands out, with foreigners accounting for 54.9% of the total increase (70,665 foreigners out of a total of 128,718).

During this last year, the number of foreign-born individuals increased by 112,495, a figure which, if we subtract the aforementioned foreign nationals, will give us an approximate number of naturalisations in the period, of almost 42,000.

In analysing the annual differences by gender, nationality and broad age groups, we can observe very interesting aspects of the growth components.

Firstly, it is clear that the foreign population is mainly responsible for the demographic increase, especially in the working-age groups, although all the major groups are represented.

Secondly, there is a decrease in the age group of infants of Spanish nationality, linked to the trend of a progressive decrease in the number of births that has been occurring for several years.

Thirdly, the steady increase continues in the number of people over 65 years of age, especially Spaniards. The steady increase in life expectancy means that there are more and more elderly people who are also living longer and longer.

The latter two points have a direct impact on the progressive demographic ageing characterising Madrid society, and even more so Spanish society, which is only partly mitigated by the inflow of young people from abroad and from other Spanish regions who come in search of work in the region.

All the demographic features mentioned above result in a population structure which is reflected in the population pyramid as of 1 January 2024, which provides us with a snapshot of the reality of Madrid's population. The majority of individuals are concentrated in the age group above 45 years old. The number of working-age people is significantly affected by the foreign population and the fall in the birth-rate is clearly reflected at the bottom of the pyramid. In older age groups, the presence of women is much higher than that of men.

DIFFERENCES IN POPULATION 1/1/2023-1/1/2024. COMMUNITY OF MADRID									
	TOTAL			SPANISH			FOREIGNERS		
	Both sexes	Men	Women	Both sexes	Men	Women	Both sexes	Men	Women
Total	128.718	64.394	64.324	58.053	28.246	29.807	70.665	36.148	34.517
Aged 0-14	-11.331	-5.967	-5.364	-16.564	-8.440	-8.124	5.233	2.473	2.760
15-64	101.920	53.323	48.597	42.076	21.717	20.359	59.844	31.606	28.238
over 65	38.129	17.038	21.091	32.541	14.969	17.572	5.588	2.069	3.519

Source: Continuous Population Statistics. INE (NATIONAL STATISTICS INSTITUTE)

POPULATION PYRAMID OF THE COMMUNITY OF MADRID BY NATIONALITY. 1/1/2024



Source: Continuous Population Statistics. INE Foreigners Spanish

Below is a table with the regional classifications of the main data offered by the Continuous Population Statistics.

REGIONAL POPULATION RANKING (1/Jan/2024)				
TOTAL POPULATION (People)	FOREIGN POPULATION (People)	POPULATION BORN ABROAD (People)	POPULATION BETWEEN 0-15 YEARS OLD (%)	POPULATION 65 YEARS OLD AND OVER (%)
National Total 48.592.909	National Total 6.491.502	National Total 8.775.213	National Total 14,3	National Total 19,2
Andalusia 8.620.120	Catalonia 1.457.452	Catalonia 1.909.413	Murcia (region) 17,0	Principality of Asturias 26,4
Catalonia 8.021.049	Madrid, Community of 1.112.554	Madrid, Community of 1.648.279	Chartered Community of N 15,4	Castile-León 25,4
Madrid, Community of 7.000.621	Comunitat Valenciana 971.429	Comunitat Valenciana 1.189.874	Andalusia 15,3	Galicia 25,2
Comunitat Valenciana 5.316.478	Andalusia 844.997	Andalusia 1.059.411	Castile-La Mancha 15,0	Cantabria 22,5
Galicia 2.705.877	Canary Islands 325.202	Canary Islands 498.518	Catalonia 14,8	Basque Country 22,5
Castile-León 2.389.959	Balearic Islands 259.726	Balearic Islands 337.948	Madrid, Community of 14,8	Aragon 21,2
Canary Islands 2.236.013	Murcia (region) 243.779	Murcia (region) 305.474	Balearic Islands 14,6	Extremadura 21,0
Basque Country 2.227.581	Castile-La Mancha 236.515	Galicia 303.529	Comunitat Valenciana 14,6	La Rioja 20,8
Castile-La Mancha 2.100.523	Basque Country 214.699	Basque Country 294.421	La Rioja 14,4	Chartered Community of Nava 19,6
Murcia (region) 1.569.164	Aragon 189.458	Castile-La Mancha 291.543	Aragon 14,1	Comunitat Valenciana 18,9
Aragon 1.348.918	Castile-León 183.752	Castile-León 254.768	Extremadura 13,6	Castile-La Mancha 18,5
Balearic Islands 1.231.487	Galicia 154.965	Aragon 234.705	Basque Country 13,5	Catalonia 18,4
Extremadura 1.053.423	Chartered Community of N 85.948	Chartered Community of N 127.586	Cantabria 12,8	Madrid, Community of 17,5
Principality of Asturias 1.008.876	Principality of Asturias 60.056	Principality of Asturias 103.400	Canary Islands 12,4	Andalusia 17,4
Chartered Community of Na 678.103	La Rioja 46.770	Cantabria 69.684	Castile-León 12,0	Canary Islands 16,7
Cantabria 591.151	Cantabria 45.291	Extremadura 58.162	Galicia 11,8	Balearic Islands 15,6
La Rioja 324.226	Extremadura 42.783	La Rioja 57.924	Principality of Asturias 10,9	Murcia (region) 15,5
TOTAL POPULATION (Quarterly difference)	TOTAL POPULATION (Year-on-year difference)	FOREIGN POPULATION (Year-on-year difference)	TOTAL POPULATION (Year-on-year rate)	FOREIGN POPULATION (Year-on-year rate)
National Total 85.870	National Total 507.548	National Total 401.882	Comunitat Valenciana 1,9	Principality of Asturias 12,1
Madrid, Community of 30.547	Madrid, Community of 128.718	Catalonia 95.471	Madrid, Community of 1,9	Galicia 11,2
Comunitat Valenciana 21.824	Catalonia 119.086	Comunitat Valenciana 83.273	Balearic Islands 1,8	Castile-León 9,4
Catalonia 13.295	Comunitat Valenciana 100.283	Madrid, Community of 70.665	Catalonia 1,5	Comunitat Valenciana 9,4
Canary Islands 3.768	Andalusia 35.973	Andalusia 31.273	Murcia (region) 1,1	Cantabria 8,6
Murcia (region) 3.607	Canary Islands 22.997	Castile-La Mancha 16.342	National Total 1,1	Extremadura 8,5
Basque Country 3.095	Balearic Islands 21.581	Castile-León 15.818	Canary Islands 1,0	Castile-La Mancha 7,4
Galicia 2.190	Murcia (region) 17.472	Galicia 15.659	Chartered Community of N 0,9	Basque Country 7,2
Castile-La Mancha 2.065	Castile-La Mancha 16.437	Basque Country 14.485	Castile-La Mancha 0,8	Catalonia 7,0
Castile-León 1.576	Basque Country 11.279	Balearic Islands 12.057	La Rioja 0,6	Madrid, Community of 6,8
Balearic Islands 1.553	Aragon 7.629	Canary Islands 10.679	Aragon 0,6	National Total 6,6
Chartered Community of Na 1.232	Galicia 6.453	Aragon 8.414	Basque Country 0,5	Chartered Community of Nava 6,2
Principality of Asturias 873	Castile-León 6.256	Murcia (region) 7.013	Cantabria 0,5	La Rioja 5,5
Cantabria 637	Chartered Community of N 5.948	Principality of Asturias 6.484	Andalusia 0,4	Balearic Islands 4,9
Aragon 155	Principality of Asturias 2.816	Chartered Community of N 5.007	Principality of Asturias 0,3	Aragon 4,6
La Rioja 111	Cantabria 2.764	Cantabria 3.580	Castile-León 0,3	Andalusia 3,8
Extremadura -179	La Rioja 1.944	Extremadura 3.341	Galicia 0,2	Canary Islands 3,4
Andalusia -1.141	Extremadura -883	La Rioja 2.434	Extremadura -0,1	Murcia (region) 3,0

Source: Continuous Population Statistics. INE (NATIONAL STATISTICS INSTITUTE)

Box VI. Comparative analysis of the data from the Continuous Population Statistics and Population and Household Projections compiled by the INE.

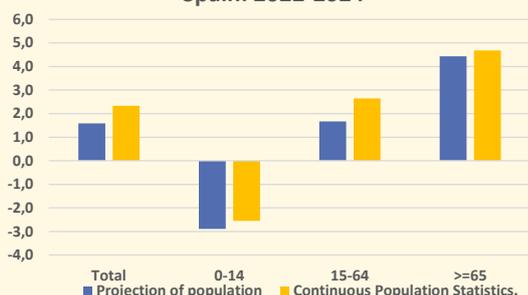
To carry out this analysis, two preliminary clarifications are needed.

Firstly, it is worth noting that the population projections, as the press release highlights (https://www.ine.es/prensa/pp_2022_2072.pdf), 'do not aim to predict the evolution of the population but to determine how the population would evolve if current trends were to continue'. This means that '...they are sensitive to changes in the current demographic context, especially in terms of migration, which is the most volatile component of population dynamics'.

Secondly, it should be noted that the initial data is not consistent. In the Population Projection, the data offered as provisional by the Population Figures as of 1 January 2022 is used as the starting point, and the projection is made from that. In the case of the Continuous Population Statistics, the data chosen is that offered by the Population Census, definitive as of 1 January 2022. In both cases, relative growth has been calculated between that date and the date given by each source for 1 January 2024 (in the case of the CPS, this is provisional) and the result of this calculation is what we have compared.

The data reveals similar trends in both Spain and the Community of Madrid, although in both cases growth was higher than projected. There is a difference of 7 tenths of a percentage point between the increase in Spain and that expected in the projection. For the Community of Madrid, this difference rises to 1.1 percentage points.

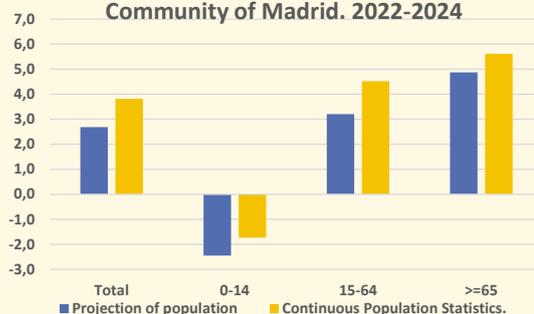
Relative growth of the major age groups in Spain. 2022-2024



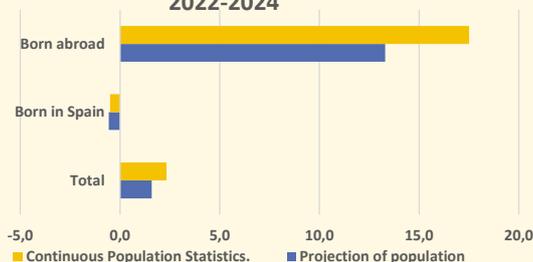
By large age groups, the most relevant difference is in the working-age groups, of one percentage point in Spain and 1.3 in our region. In this regard, it is worth recalling the incidence of the immigrant population, which, as indicated above, is the most volatile component of all those considered in the projections. In the other groups, nationally the differences are very small and somewhat more noticeable in Madrid, but in both cases they coincide in that the younger group

decreases less than projected and, on the contrary, the older group increases more.

Relative growth of the major age groups in the Community of Madrid. 2022-2024



Relative growth by country of birth in Spain. 2022-2024



By birthplace, the increase in the number of foreign-born individuals, which combines the foreign and naturalised population, is confirmed to be higher than projected.

This justifies the total population growth above what was projected. However, the difference in the number of Spanish-born individuals is noteworthy. At the national level, both values coincide in a negative sense. However, in the Community of Madrid there is still a slight increase (0.2%) when the projection expected a decrease.

As for households, the trend is once again very similar at the national and Madrid levels. Growth in the number of households is slightly higher than projected and correlates with the above-mentioned demographic increase.

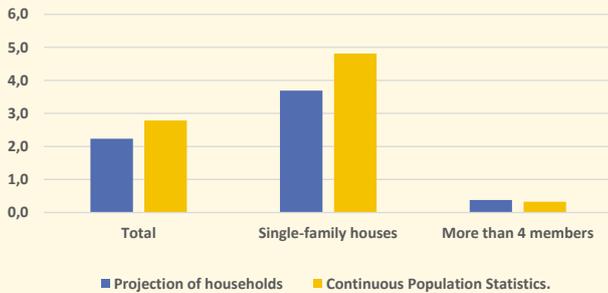
Relative growth by country of birth in the Community of Madrid. 2022-2024



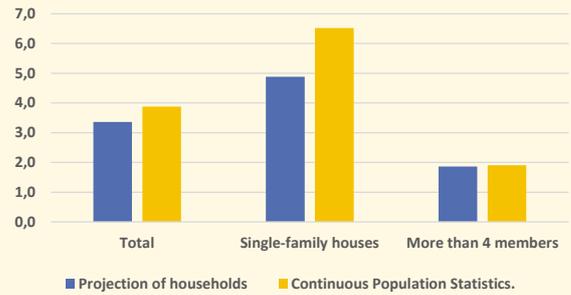
In terms of size, single-family households grew well above expectations, either by people becoming independent or by older people becoming widowed. In Madrid, they do so by 6.5% and, in Spain, by 4.8%.

As for households with 4 or more individuals, the projections coincide fully with those observed in Madrid (1.9% in both cases) and almost fully with those observed in Spain (-0.05%).

Relative growth of households by size in Spain. 2022-2024



Relative growth of households by size in the Community of Madrid. 2022-2024



The average household size is very similar in both sources, and has barely changed over the period, standing at around 2.5 members per household.

Annex Company relocations to the Community of Madrid

Year 2023²

Companies that relocated their registered address to the Community of Madrid														
By autonomous community of origin and sector of activity. Cumulative. Jan-Dec 2023														
Aut.Com./Sector	01	02	03	04	05	06	07	08	09	10	11	s/d	Total	%
Andalusia	8	111	32	34	8	6	11	43	46	8	13	1	321	18,9
Aragon	2	11	5	7		2	3	10	10		1	1	52	3,1
Asturias	1	5	8	5	1	2	1	7	16		2		48	2,8
Balearic Islands	1	2	4	5		5	1	14	8				40	2,4
Canary Islands	1	2	8			1	5	4	3		3		27	1,6
Cantabria		3	4	2	2		1	1	6	5	1		25	1,5
Castile-La Mancha	4	29	26	26	5	2	7	17	20	7	6	1	150	8,8
Castile Leon	8	35	28	29	2	6	4	19	16	6	6		159	9,3
Catalonia	2	43	31	57	10	14	33	89	75	20	7		381	22,4
Extremadura	3	4	10	10	1			1	3	1	1		34	2,0
Galicia		8	3	13	2	1	4	8	14	3		1	57	3,4
La Rioja	1	1	2	1						4	1		10	0,6
Murcia		7	7	15	1	1	3	9	12	2	1		58	3,4
Navarre		15		4	1		3	11	9	1			44	2,6
Basque Country		14	9	12	1	8	6	14	20	5	10		99	5,8
Valencia	5	30	20	24	3	5	14	37	39	4	11		192	11,3
Others			1	3									4	0,2
Total	36	320	198	247	37	53	96	284	301	63	62	4	1.701	100,0
%	2,1	18,8	11,6	14,5	2,2	3,1	5,6	16,7	17,7	3,7	3,6	0,2	100,0	
Balance. Inputs - Outputs													39	

01: Agriculture; 02: Industry; 03: Construction; 04: Commerce; 05: Transport and storage; 06: Hospitality; 07: Information and communications; 08: Financial, insurance and real estate activities; 09: Professional and administrative activities; 10: Public administrations, health and education; 11: Artistic activities and other services; n/d: no data.

Companies that move their registered office outside the Community of Madrid														
By autonomous community of origin and sector of activity. Cumulative. Jan-Dec 2023														
Aut.Com./Sector	01	02	03	04	05	06	07	08	09	10	11	s/d	Total	%
Andalusia	11	28	24	53	8	16	18	48	42	15	10		273	16,4
Aragon	1	6	5	8		1	3	12	7	1	1	1	46	2,8
Asturias		7	5	7		3	3	3	6				34	2,0
Balearic Islands	2	9	3	2		6	2	19	9		1		53	3,2
Canary Islands		6	5	6		5	4	8	8	3	3		48	2,9
Cantabria		2	1	1	1			6	4		1		16	1,0
Castile-La Mancha	5	14	23	20	2	6	6	14	18	4	4	1	117	7,0
Castile Leon	6	44	31	46	9	9	12	26	31	1	9		224	13,5
Catalonia	2	34	20	77	9	12	24	97	61	6	17	2	361	21,7
Extremadura	2	4	7	8		1		1	5	2	1		31	1,9
Galicia	3	4	9	15	2	3	7	16	25		2		86	5,2
La Rioja		1		1				2	3				7	0,4
Murcia	1	1	7	4		1	3	15	3	2	2		39	2,3
Navarre		15	1	2		1	2	9	3		1		34	2,0
Basque Country	1	14	6	14	1	4	11	24	13	2	7	1	98	5,9
Valencia	2	25	17	37	3	5	16	45	28	5	6		189	11,4
Ceuta		1		1			1				1		4	0,2
Melilla			1								1		2	0,1
Total	36	215	165	302	35	73	112	345	266	41	67	5	1.662	100,0
%	2,2	12,9	9,9	18,2	2,1	4,4	6,7	20,8	16,0	2,5	4,0	0,3	100,0	

01: Agriculture; 02: Industry; 03: Construction; 04: Commerce; 05: Transport and storage; 06: Hospitality; 07: Information and communications; 08: Financial, insurance and real estate activities; 09: Professional and administrative activities; 10: Public administrations, health and education; 11: Artistic activities and other services; n/d: no data.

² Source: Experian, with information from the Official Gazette of the Companies Registry (in Spanish: Boletín Oficial del Registro Mercantil, or BORME).

Companies that relocated their registered address to the Community of Madrid														
By autonomous community of origin and sector of activity. Cumulative. January 2024														
Aut.Com./Sector	01	02	03	04	05	06	07	08	09	10	11	s/d	Total	%
Andalusia		26	2	4		1	1	3	6		1		44	26,5%
Aragon			2						3				5	3,0%
Asturias								1			1		2	3,0%
Balearic Islands		1						1	1				3	1,8%
Canary Islands			1						2		5		8	4,8%
Cantabria								1	1				2	1,2%
Castile-La Mancha		2	3	4		1		3	3	1	1		18	10,8%
Castile Leon	1	1		1	1		1	2	1				8	4,8%
Catalonia		3	1	4			3	8	8				27	16,3%
Extremadura				1		1	1	1					4	2,4%
Galicia		1			1				2				4	2,4%
La Rioja														
Murcia			3									1	4	2,4%
Navarre		6		1			1	1	1				10	6,0%
Basque Country		1		1				5	3	1	1		12	7,2%
Valencia		5		6					3		1		15	9,0%
Others														
Total	1	46	12	22	2	3	7	26	34	2	10	1	166	100,0
%	0,6%	27,7%	7,2%	13,3%	1,2%	1,8%	4,2%	15,7%	20,5%	1,2%	6,0%	0,6%	100,0	
Balance. Inputs - Outputs													39	

01: Agriculture; 02: Industry; 03: Construction; 04: Commerce; 05: Transport and storage; 06: Hospitality; 07: Information and communications; 08: Financial, insurance and real estate activities; 09: Professional and administrative activities; 10: Public administrations, health and education; 11: Artistic activities and other services; n/d: no data.

Companies that move their registered office outside the Community of Madrid														
By autonomous community of origin and sector of activity. Cumulative. January 2024														
Aut.Com./Sector	01	02	03	04	05	06	07	08	09	10	11	s/d	Total	%
Andalusia	1	1		4		1		5	7	1	1		21	16,2%
Aragon		1	2	1				2					6	4,6%
Asturias														
Balearic Islands			2	1				2	1				6	4,6%
Canary Islands				1		1		2					4	3,1%
Cantabria														
Castile-La Mancha	1	1	1	5			1	1	2	1			13	10,0%
Castile Leon		7	1	6			1	1					16	12,3%
Catalonia		2	1	6		1	2	4	5	3	1		25	19,2%
Extremadura														
Galicia			1	1			1		3		1		7	5,4%
La Rioja												1	1	0,8%
Murcia		1		1				1	2				5	3,8%
Navarre								2	1				3	2,3%
Basque Country		1	1					3	2		2		9	6,9%
Valencia		1	2	3	1		3	3	1				14	10,8%
Ceuta														
Melilla														
Total	2	15	11	29	1	3	8	26	24	5	5	1	130	100,0
%	1,5%	11,5%	8,5%	22,3%	0,8%	2,3%	6,2%	20,0%	18,5%	3,8%	3,8%	0,8%	100,0	

01: Agriculture; 02: Industry; 03: Construction; 04: Commerce; 05: Transport and storage; 06: Hospitality; 07: Information and communications; 08: Financial, insurance and real estate activities; 09: Professional and administrative activities; 10: Public administrations, health and education; 11: Artistic activities and other services; n/d: no data.

³ Source: Experian, with information from the Official Gazette of the Companies Registry (in Spanish: Boletín Oficial del Registro Mercantil, or BORME).

Concepts, sources and abbreviations used

Frequently used abbreviations and acronyms

P. A.	Public Administrations	ETVE	Foreign Securities Holding Entities
Tax Authority	State Tax Administration Agency	IMF	International Monetary Fund
H&MHT	High and Medium High Tech	FUNCAS	Foundation of the Federated Savings Banks
ECB	European Central Bank	IECM	Institute of Statistics of the Community of Madrid
BDE	Bank of Spain	INE (National Statistics Institute)	National Statistics Institute
AA. CC	Autonomous Communities	MAEYTD	Ministry of Economic Affairs and Digital Transformation
EC	European Commission	MISSYM	Ministry of Inclusion, Social Security and Migration
CoM	Community of Madrid	MITMA	Ministry of Transport Mobility and Urban Agenda
QSNA	Quarterly Spanish National Accounts	OECD	Organisation for Economic Cooperation and Development
QRACM	Quarterly Regional Accounts of the Community of Madrid	OPEC	Organisation of Petroleum Exporting Countries
SPRC	Strategic Petroleum Products Reserves Corporation	GDP	Gross Domestic Product
RAS	Regional Accounts of Spain	SEOPAN	Association of Construction Companies at a National Scale
SCA	Seasonal and calendar adjustment	TARIC	Code for the integrated tariff of the European Union
TC	Trend-cycle component	EU	European Union
DGT	Directorate-General for Traffic	EMU	Economic and Monetary Union
EUROSTAT	Statistical Office of the European Union	GVA	Gross value added

Non-centred moving average of order 12 (MM12).

Series constructed from the original by means of successive arithmetic averages, where each data point is obtained from the average of the last twelve months of the original series. The purpose of constructing a series of moving averages is to eliminate possible seasonal or erratic variations in a series, so that an estimate of the trend-cycle component of the variable in question is obtained.

Trend-Cycle (TC)

A trend is one of the unobservable components into which a variable can be broken down, according to classic time series analysis. It can be extracted or estimated using a variety of techniques and represents the solid evolution underlying the observed evolution of the variable, once seasonal variations and irregular or short-term disruptions are removed. It therefore reflects the long-term evolution of the series. Normally, the trend includes another component, the cyclical component, which includes oscillations that occur in the series over periods of between three and five years, but due to the difficulty of separating them, they usually appear in the so-called trend-cycle component.

Seasonal and calendar adjustment (SCA)

A high-frequency time series analysis technique applied to remove both seasonality (movements that form a pattern and are repeated approximately every year) and calendar effects (representing the impact on the time series due to the different structure of the months or quarters in each year, both in length and composition). The aim of adjusting a variable for seasonality and calendar is to eliminate the effect of these fluctuations on the variable, and thus facilitate the interpretation of the economic phenomenon.

Surveys

These aim to measure the attitude of the subjects to whom the survey is addressed (consumers, the business world, etc.) towards a variable (consumption, production or employment, etc.) in order to anticipate whether in the following months this variable will increase, decrease or remain stable.

Balance of responses

In surveys, the results for the variables under investigation are basically obtained through the differences or balances between the positive and negative responses, although depending on the survey, there are different calculation methods.

Rate of change

A rate of change compares the value of a variable at one point in time with its value at another point in time. Various types of rates of change can be calculated. Among the most common are the following:

- *Month-on-month (quarter-on-quarter, etc.) rate*: Compares the value of a period (shorter than a year: month, quarter, etc.) with that of the immediately preceding period (month, quarter, etc.).

- *Year-on-year rate*: Compares the value of a period with that of the same period in the previous year (same month for monthly data, similar quarter for quarterly data, etc.).

- *Year-to-date cumulative rate of change*: Compares the cumulative value of a period (sum or average, depending on the type of data, of the elapsed months, quarters, etc. of a year) with the same cumulative period of the previous year.

Other periodical publications of the Economics Area

- Notes on the Economic Situation in the Community of Madrid (monthly)
- Foreign Trade Report (monthly)
- Note on EU regional GDP (annual)
- Individual monitoring notes on the main economic indicators of the Community of Madrid (monthly or quarterly depending on the nature of the data):

Social Security Enrolment, Registered Unemployment, Industrial Production Index (IPI), Consumer Price Index (CPI), Mercantile Companies, Retail Trade Indices (RTI), Services Sector Activity Indices (SSAI), Mortgages on homes, Hotel Tourism Situation (HTS), Labour Force Survey (LFS), Foreign Direct Investment (FDI) and Quarterly Regional Accounts (QRA).

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