



Economic Situation in the Community of Madrid

Subdirectorato General for Economic Analysis
Directorate General for Economic Affairs

III /2022

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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 the economic indicators have picked up on 2022 is based on a comparison with the usual levels in the pre-pandemic reference months. This report, therefore, sheds light on monthly indicator values from March 2019 to February 2020 and the variations in 2022 levels relative to pre-pandemic levels, alongside the usual year-on-year rate of change. They are all geared towards spotting possible shifts in recent normalisation patterns, which are of particular relevance in the current context of high uncertainty about economic developments.

Close date: 28 November 2022, except for Quarterly Regional Accounts (5 December 2022)

I. Overview of the economic situation

Since the publication of the previous report two months ago, the issues affecting the global economic outlook have intensified.

The ongoing war in Ukraine is no closer to a resolution, but has taken perilous new paths. Russia's annexation of Donetsk, Luhansk, Kherson and Zaporizhzhia, following a referendum devoid of international recognition; Russia's use of non-Russian weaponry; the strange events, still unclear, of the sabotage of the North Stream 1 and 2 facilities; and the two deaths in Poland, NATO territory, have only added to the already existing international strain and pose a threat of further escalation of the conflict.

A global polarisation along two major blocs is as evident as it is worrying, and the sanctions and counter-sanctions imposed substantiate this. Diplomacy has nevertheless been deployed in recent weeks to curb any escalation of the confrontation between these blocs, at a key moment in the shaping of a new global geopolitical framework, in which no one wants to lose weight, but in which much more is at stake than the economic pre-eminence of some powers over others.

The European energy dependence on Russian gas has exacerbated rising energy prices, already stretched to a breaking point, and this has extended to all goods and services, driving inflation to heights not seen since the creation of the single currency, thus jeopardising anchored inflation expectations. Determined to avoid this, the ECB announced its return to making price stability its sole banner, adopting the steepest rate hikes in its history after the summer, with a view to ensuring a rapid corrective effect on prices and that the adjustment in terms of activity is temporary and as limited as possible. It is now considered highly likely that the European economy will be in technical recession for a couple of quarters, which has led the ECB to announce that inflation targeting may be put on the back burner, calling into question the announced 75 basis point hike in December.

However, this well-intentioned approach runs up against circumstances that cast serious doubts on the ability of the articulated measures to achieve their purpose: the existence of supply factors in the foundations of the current inflationary process may condition the effectiveness of these restrictive monetary measures. Moreover, the significant rise in post-COVID public debt, which is highly asymmetric by state, is particularly dangerous in peripheral countries such as Spain and Italy, which already have historical experience of unsustainable risk premium spreads.

The ECB thus faces the daunting challenge of averting financial fragmentation that risks greatly complicating an already Herculean task of managing the effects of the adjustment phase on activity and employment, which will likely differ greatly among the economies within the Monetary Union and which, moreover, have very different pre-crisis recovery levels.

It is therefore, key for the coming quarters, to observe how activity and employment will respond to changes in the public policy mix. In this context of considerable global uncertainty, the response of the agents and markets will play a very important role in relation to the combination of economic policy measures that can be articulated in the short term. It is worth noting the "warning to sailors" that was the rapid devaluation of the pound after the announcement of expansionary fiscal policies by the now resigned Prime Minister Truss, which forced the Bank of England to act no less expeditiously.

In this regard, the very ambitious European recovery plan, entailing the largest fiscal expansion ever articulated within the European Union, is key at present, not only because of the dynamizing and transforming effect on the economy it intends to have and on whose success depends the progress on the stormy path of a "single" European fiscal policy, but also because it may be the last deployment of funds "allowed" by the markets, which have been very reluctant to new expansions of public debt.

We must not lose sight of the fact that the current scenario of rising interest rates generates an ever-increasing cost of sovereign debt, which, in combination with reduced growth in activity, defines a very problematic scenario in terms of the effort that will be required to sustain expansionary fiscal policies in the coming years.

However, third-quarter activity and employment performance in the Community of Madrid, covered in this report, can undoubtedly be considered satisfactory.

The region's GDP continued growing in the third quarter: 0.2% quarter-on-quarter and 4.7% year-on-year. While a notably dampened pace compared to previous quarters, it nevertheless signals a further step towards the recovery of pre-COVID activity levels. Regional GDP is currently only one percentage point shy of where it was in Q4 2019.

These figures represent a containment with respect to the first half of the year, in which investment and external demand were the most dynamic components. In addition, a compositional change in quarter-on-quarter growth can be observed in the third quarter, namely a positive contribution of final consumption expenditure which, despite reduced investment and a slightly negative contribution from the foreign component, drives regional GDP growth. In terms of supply, the slowdown in services explains the weaker increase in activity; the intensity of the correction is greater in the other two large sectors, with construction even registering a limited reduction in its GVA (with seasonally and calendar adjusted series), which does not prevent both industry and construction from registering current levels of activity above those of the pre-pandemic period.

This slowdown in growth is consistent with our baseline environment. The performance profile of domestic GDP has been very similar, the 0.2% quarter-on-quarter increase translating into a year-on-year growth of 3.8% in the third quarter, slowing down by 1.3 and 3 points, respectively, the increases of the second quarter. The estimated GDP growth for the Eurozone and the EU is 0.2% quarter-on-quarter, which generates year-on-year growth of 2.1% and 2.4%, when in the second quarter it was 0.7% quarter-on-quarter and 4.3% year-on-year in both territories.

The labour market's third quarter performance shows different signals depending on the source. Registry data continue revealing highly dynamic growth in Social Security enrolments and large year-on-year reductions in the number of unemployed registered at the employment offices in the third quarter, though the pace is slowing compared with the previous quarter, albeit still very moderately. Thus, in year-on-year terms, Social Security enrolment grew by 4.4% while unemployment fell by 24.8% in the third quarter, dropping six tenths of a point and 1.3 points, respectively, compared with the second quarter. This slowdown is not unexpected; rather it was to be expected, given the levels of both series: enrolment data at the highest levels for a third quarter in the series and the lowest registered unemployment figures for this quarter since 2008.

The October results confirm positive labour market momentum, which reached a new all-time high in enrolment and an atypical reduction in registered unemployment in the month, a fall that should be seen in relation to the regularisation of discontinuous permanent jobseekers inactive in late October.

However, the third-quarter results of the Spanish Labour Force Survey (LFS; also referred to by its Spanish acronym EPA -Encuesta de Población Activa) were worse than expected, with irregular 3Q employment and unemployment behaviour in the region of a still expansive period in terms of activity. After historic results for the LFS in the second quarter, reaching the highest levels of employed and active persons in the series, employment fell and unemployment rose substantially, causing activity to fall while the population over 16 years of age increased, raising unemployment by 1.1 points to 11.3% of the labour force (active population) in the third quarter. Consequently, there has been a very significant slowdown in the year-on-year growth rate of jobholders and a notable tempering in sliding year-on-year unemployment, to 1.2%, currently at -3.8%.

The LFS results also have the particularity that the under-25 group has shaped these overall results, an aspect that should be taken into account when drawing conclusions from these data and which could explain, in part, the apparent divergence with the registration data, at least with those relating to unemployment, since registration at the INEM offices is a resource that is less used by young people without the right to benefits. We will have to keep an eye on the results from all sources in the fourth quarter to see whether the signs of labour market exhaustion that seem to be emerging from the LFS results for the third quarter are confirmed. In any case, it should be borne in mind that the LFS, as a survey, examines declarative data, and that the unemployment situation reflected by a worker may not match his/her administrative position, especially in the light of recent changes in the definition of unemployment.

Price trends also merit special attention, as they continued their downward trend after peaking in July, with regional inflation in October standing at 6.3%, three points lower than in August, one point lower than in October in Spain and 4.1 points lower than the average for EU-27. This decline began very discreetly in the behaviour of core inflation, for which the Community of Madrid (CoM) is salient in the national context as the region with the most contained growth in the historically less volatile components of the shopping basket. The regional economy's performance is thus outstanding in terms of prices: not only the Autonomous Community with the lowest levels of general and core inflation in recent months, but it is also the one that has seen the lowest price rises since the start of the health crisis. A more competitive economy, with free business hours, and the lowest ratio of public debt to GDP are undoubtedly factors that explain, at least in part, this situation.

However, the current rates are clearly very high and their trend is a key element in the more immediate development of the regional, national and global economies. Never before has there been such a smooth and global inflationary

spiral as the current one: there is no economy that has not had inflation problems in 2022, as the danger of global indexation, which would generate a wage-price-rate feedback loop, is widespread.

External demand for goods has been extraordinary, not only in terms of the volume of exchanges with foreign countries, but also because of the factors that are driving these, which explain the two-digit growth rates of the main flows in the region and in Spain, as well as the particular year-on-year growth of exports from the Community of Madrid.

International trade flows set historical highs in the third quarter in the region, and the cumulative figures for the year already exceed, in the case of exports, the levels of all previous full years, and in terms of imports, it is already very similar to the figures throughout 2021 and far exceeds previous years. Until September, foreign sales amounted to €41 billion, and purchases were €80 billion. Two elements explain these results: the rise in the price of energy products and the recent allocation to Madrid of all national gas exports, which joins the already existing exports of electricity. Fuels and mineral oils are thus the most significant imports in Madrid, accounting for 22.6% of purchases of goods abroad up to September, when they accounted for only 3.1% in the same period of 2019. Pharmaceuticals are the second most imported items in 2022, and continue to be the most exported, accounting for about 25% of regional sales abroad.

The complicated global economic scenario, especially disruptive in Europe, presents a number of risks, all of them downside risks, on the materialisation of which depends whether 2023 will be a year of slowdown, stagnation or crisis. The uncertainty about the evolution of the ultimate determinants of growth and the occurrence of risks means that the forecasts for 2023, which is already very close, have an unknown amplitude of up to two points in the forecasts for Spain. Focusing on the estimates published for the Community of Madrid, the dispersion is half a point, the same as this subgroup of analysts' forecasts for the national total.

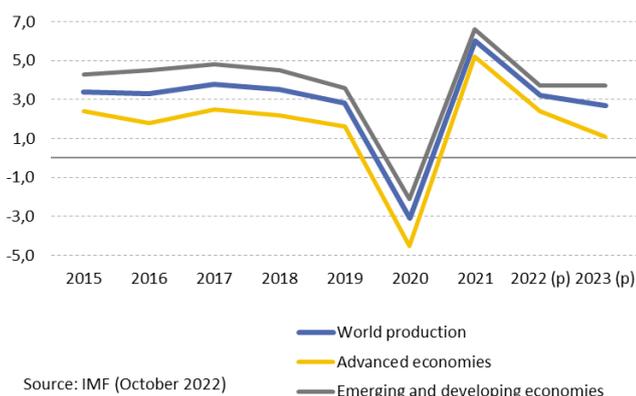
II. International context

Inflation and uncertainty.

The world economy is moving through a turbulent series of events compounding rather than subsiding over time. The highest inflation in several decades, tightening financial conditions in most regions, the Russian invasion of Ukraine and the persistence of the COVID-19 pandemic have significantly affected the outlook.

Monetary and fiscal policy normalisation, which some analysts believe has been too lax for too long, with the well-meaning but unfocused objective of helping governments during the pandemic, is cooling demand as policymakers seek to bring inflation back to the target level. However, an increasing number of economies are experiencing slowing growth, if not outright contraction. The future health of the global economy hinges critically on the proper calibration of monetary policy, the course of the war in Ukraine, and the possibility of further pandemic-related supply-side shocks, such as in China.

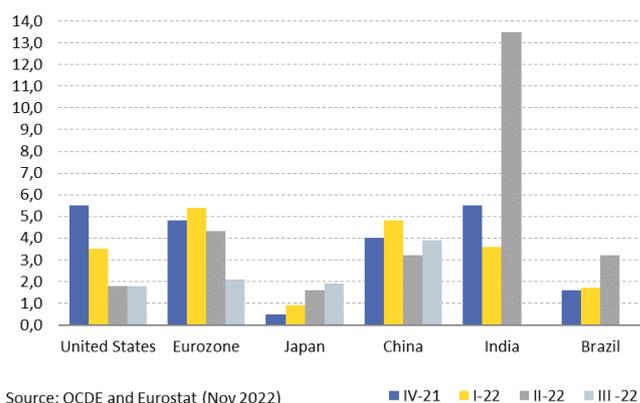
World economic growth 2015–2023



According to the International Monetary Fund's baseline forecast, growth will slow from 6% in 2021 to 3.2% in 2022. Excluding the global financial crisis and the acute phase of the COVID-19 pandemic, this is the weakest growth profile since 2001, and reflects major slowdowns in the major economies: a contraction of US GDP in H1 2022, very weak growth in the Eurozone in H2 2022, and prolonged lockdowns across China, curiously in tandem with the deepening crisis in the real estate sector. In Europe, meanwhile, the significant rate cuts reflect the repercussions of the war in Ukraine and tightening monetary policies. Global inflation is forecast to rise from 4.7% in 2021 to 8.8% in 2022, before falling to 6.5% in 2023 and 4.1% in 2024, forecasts which, if normally wrong, are risky to say the least in today's environment. Upward inflation "surprises" have been more widespread in advanced economies, and more varied in emerging market and developing economies; it should be noted that never in history has there been a monetary issue like the one that has occurred since the subprime

crisis, with money flowing mainly to the financial and commodity markets and not reaching the consumer goods market, and therefore the CPI, until the first quarter of 2021. This reminds us how, once again, the economic and political authorities have confused inflation with the CPI, the disease with its measuring instrument. In 2023, a restrictive monetary policy is expected to begin to take effect and global output growth is expected to be as low as 2.7%.

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



Risks to the outlook remain large and tilted downwards. Monetary policy could err in determining the precise direction to reduce inflation. Further energy and food price shocks could prolong persistent inflation. Tighter global financial conditions could lead to widespread over-indebtedness in emerging markets. Russia's disruption of gas supplies could depress production in Europe. A resurgence of COVID-19 or new global health alerts could further slow growth. A further exacerbation of the crisis in China's real estate sector, as yet uncertain when it will finally show its face, will have repercussions on the local banking sector and a profound impact on the country's growth. Geopolitical fragmentation could hinder trade and capital flows, rendering cooperation on climate policy even more cumbersome.

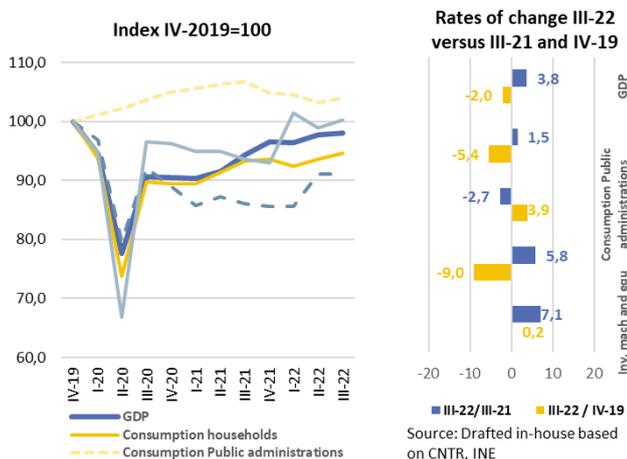
Despite this bleak outlook, economies continue to grow. The U.S. did so by 0.6 points quarter-on-quarter in Q3 2022, leaving the year-on-year rate at 1.8%. The Eurozone GDP increased by 0.2% quarter-on-quarter in the third quarter, with a year-on-year rate of 2.1%. China, in turn, improved by 3.9% quarter-on-quarter in the second quarter, bringing the year-on-year rate to 3.9%, while Japan fell by 0.3%, although its year-on-year rate remained at 1.9%.

III. National framework

1. Growth

Quarterly accounting data (published in the Quarterly Spanish National Accounts [QNA]) point to a slowdown in the recovery of the Spanish economy in 3Q 2022, with a 0.2% growth in GDP versus the previous quarter, which had posted a surprising 1.5% increase. This weaker third-quarter growth can be attributed to shrinking construction investments and a sluggish increase in exports, though with a new surge in imports. Household consumption, on the other hand, continued growing at a rate similar to the second quarter, only a tenth of a percentage point lower, year-on-year. Conversely, government consumption recovered together with investment in machinery and equipment, which rebounded after the previous quarter decline.

Evolution of GDP, consumption and investment in Spain



The year-on-year growth rate eased considerably as a result of weaker domestic demand and the external sector. Year-on-year GDP growth was down three points from the second quarter to 3.8%, continuing the recovery process, albeit with less intensity, so that GDP is still 2% below the level of the fourth quarter of 2019.

This slowdown comes from a sluggish growth in consumption, 0.3% year-on-year, to which the moderation in the growth of consumption by households (1.5%) and a 2.7% drop in consumption by the public sector (2.7%) contribute. Investment also lost momentum, though construction, machinery and equipment investment increased, albeit without compensating for the drop in the change in inventories. As for the external component, exports slowed down, given that the growth of exports of services fell, although those of goods increased; on the other hand, imports grew at a faster pace, due to the acceleration of the goods item.

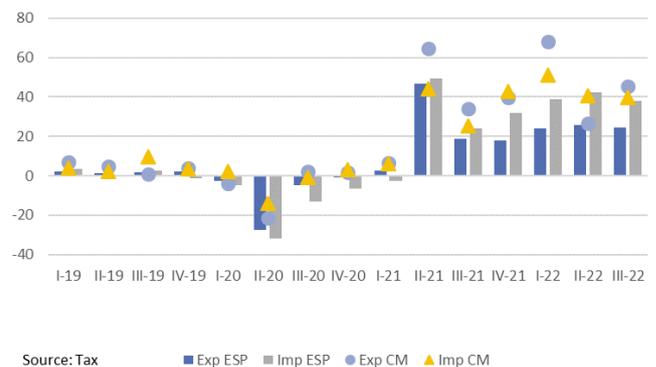
2. Foreign sector

In the third quarter of 2022, Spain's trade in goods with other countries continued the extraordinary dynamism of previous quarters and continued to set records so far this year, both in terms of volume and rates. Spanish exports of goods grew by 24.4% in Q3 2022 versus the same period in 2021 (provisional data), compared to 25.6% in the previous quarter, posting a volume of €95,754 million. Imports increased to €117,228 million, up 38.1% versus the 42.2% of the previous quarter. The data recorded for both flows are the second best figures in the series for that period, after those of the previous quarter. The trade balance for the third quarter recorded a deficit of €21,473 million.

In terms of volume so far this year, exports increased by 4.8% year-on-year, as their prices, proxied by unit value indices, rose by 18.9%, and imports rose by 10.6% year-on-year, as their prices increased by 26.4%.

The sectors that contributed most to the increase in the annual rate of change of exports in the cumulative January-September 2022 are *Energy products, Chemicals, Non-chemical semi-manufactures and Capital goods*. By subsectors, *Petroleum and derivatives, Medicines and Coal and electricity*. The destinations with the greatest positive contributions to the rate of change in sales were: France, Portugal, Belgium and Italy.

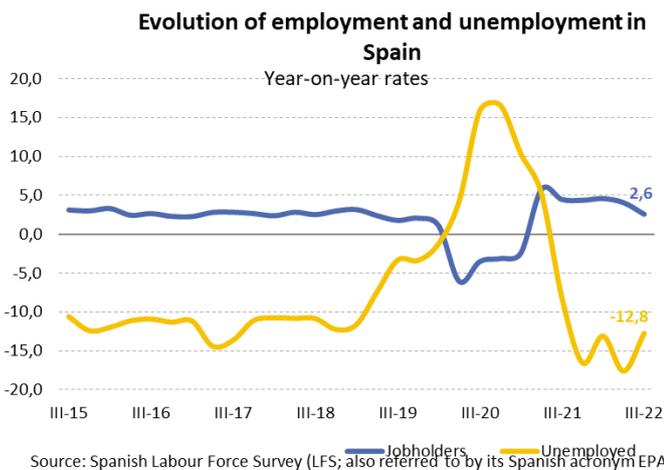
Foreign Trade Quarterly year-on-year rates



In the analysis of the contributions to the interannual rate of domestic exports in 2022 (24.2%), the region with the greatest positive contribution was the Community of Madrid, with 5.5 percentage points, whose sales represented 14.3 % of the total.

3. Labour market

According to the LFS, the third-quarter labour market is lagging, though recorded data are holding up, with some nuances. After positive LFS results in the second quarter, third-quarter results draw a mixed depiction of the most recent performance of the domestic labour market. While the active population is now at its highest level in the series, at over 23.5 million, its increase in the quarter is due jointly to the increase in the number of employed and unemployed, 77,700 and 60,800 more people respectively, 0.4% and 2.1% more than in the second quarter. Despite this increase in unemployment, their number remains below 3 million.



The seasonally adjusted series show a fall in employment in the third quarter of 0.1% and a more moderate decline in unemployment rates than in the original series of 0.3%.

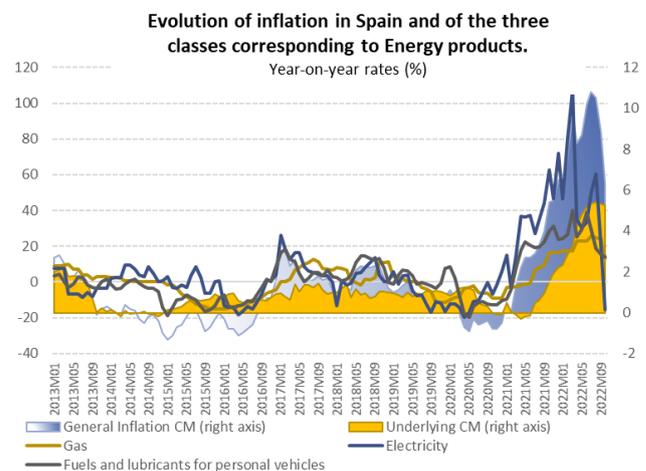
The year-on-year evolution shows a loss of dynamism in both employment growth and the decline in unemployment, with rates in the third quarter of 2.6% and -12.8%, which are 1.4 and 4.8 points respectively lower than in the second quarter.

The active population increases in the quarter and year, but only the quarterly increase is greater than the population over 16 years of age. Consequently, the national activity rate increases in the quarter stands at 58.9%, two tenths of a percentage point below that of the third quarter of 2021. The quarterly unemployment increase, higher than activity increases, pushed the unemployment rate up two tenths of a percentage point to 12.7%, 1.9 points lower than a year ago.

Similarly, Social Security enrolment grew by 3.5% year-on-year on average in the third quarter (4.8% in the second quarter), with enrolment in October 2022 being the highest for this month in the history of the series. Registered unemployment also tempered its decline in the quarter, though October's figure surprises on the downside.

4. Prices

Energy prices have been contained, with a positive impact on the CPI, which remains at very high levels. Inflation measured by the CPI recorded an average rate of 10.1% in the third quarter of 2022, reaching the maximum of the year in July with 10.8%. The latest published data for October put it at 7.3%, the third decline in inflation since July. However, taking into account that in October 2021 inflation already reached 5.4% (and thus making the index point to an overall price increase of 13.1% since October 2020), the reality is that we are moving at very high levels. The dependency on the most volatile elements, such as electricity, gas and fuels, means that the current containment (derived, fundamentally, from the fact that the CPI only considers the regulated electricity tariff, the PVPC, which represents around 40% of households) could turn into new price hikes at any time. The transfer of the rise in energy product prices to such basic groups as 'Food' and 'Hotels and restaurants', which grew by 15.4% and 7.9% year-on-year in October, does not favour the downward trajectory of inflation. The price of electricity tempered, in October reaching its lowest price since August 2021; primarily due to falling gas prices, and rendering it unnecessary to apply the so-called "gas cap" mechanism. *Electricity* thus posted a year-on-year rate of -15.4% in October, versus 62.8% in October 2021. Gas rose by 13.3%, compared to 16.5% in September, and *Fuels and Lubricants*, which grew by 28.6% in September, rose by 14% in October.



Core inflation, which has been accompanying the rising general inflation at a certain distance, has slowed down its ascent, albeit at a much more restrained decline. In this regard, the index hit 6.2%, which is as high as it is worrying.

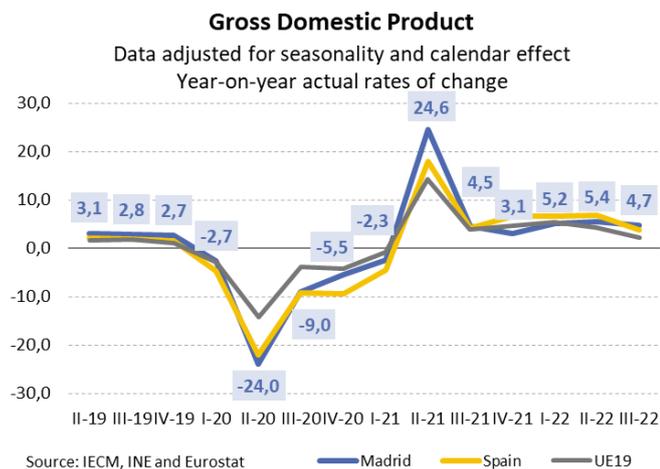
In the international context, the harmonised indicator in the EU sustained its upward trend in the third quarter and kept it up right through to the final October figures. After 8.9% in July, it hit 10.6% in October, surpassing double-digit inflation for the first time. Spain was the country with the second lowest year-on-year rate in October.

IV. Recent developments in Madrid's economy

IV.1. Economic growth

The performance of the Madrid economy is likely to cool down in Q3 2022 amidst growing national and international uncertainty. This can be inferred from the Community of Madrid's Regional Accounts, whose data reveal weakened GDP growth, following the already mild growth in the first half of the year.

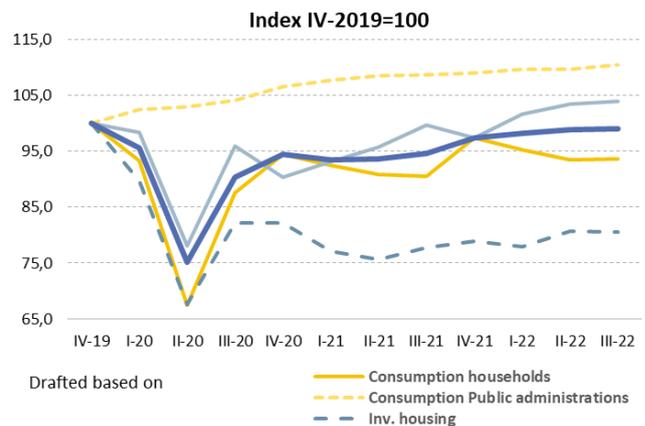
The regional GDP grew by 0.2% quarter-on-quarter in Q3 2022, in real terms and seasonally and calendar-adjusted data, versus 0.6% in Q2. At the national level, the quarterly growth rate is equally subdued, also 0.2%, with a much more pronounced deceleration of 1.3 points versus the previous period, according to advance data from the QNA of the INE (National Statistics Institute). In year-on-year terms, regional GDP grew by 4.7% in Q3, seven tenths lower than in the previous period. The return to pre-pandemic levels continues to progress, albeit at a slower pace given the current circumstances, with GDP in the region at 1% below the level of activity prior to the onset of the pandemic. The slowdown in GDP growth in Spain is sharper in the third quarter, falling three percentage points from the previous period, with a year-on-year rate of 3.8%. The national aggregate is now further away from pre-COVID levels by two percentage points, even though the contraction in Q2 2020 was more intense in the region than in the national aggregate.



Consumption rebounded moderately in the quarter, while investment slipped. In terms of comparison with the previous quarter, household consumption grew again slightly (0.1%), after having fallen in the first half of the year. In contrast, investment was weaker, with a limited increase of 0.3%. Investment in housing shrunk by 0.1% while other investments grew moderately by 0.5%. Regional demand thus improved, compared with the falls of the previous two quarters, although with a

very modest growth of 0.3%, which, moreover, was dragged down by external demand that drained 0.1 points from GDP growth.

Evolution of GDP, consumption and investment



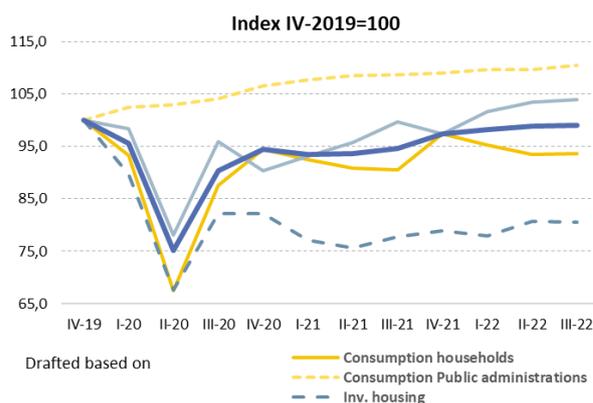
Regional and external demand both contribute to the slowdown in Madrid's year-on-year GDP growth rate. However, not all domestic demand components slackened; in fact, consumption picked up its pace of growth to 2.8% through a more dynamic performance by households (3.3%) and general government (1.6%). That said, household consumption was 6.4% below and general government consumption was 10.4% above pre-pandemic levels. The pace of investment, in contrast, slackened by 3.5 points to 4.1%, a deceleration that was observed both in housing, which grew by 3.7%, and in other investments, which rose by 4.3%. The latter is a long way off from recovering its pre-COVID levels of activity, still 19.4% below, while other investments are already 3.9% above their pre-pandemic levels.

Year-on-year supply-side growth could be observed in all non-agricultural sectors, albeit at a moderate pace in services and industry. The services sector posted a 4.6% increase, 1.3 points below the rate of the second quarter, and industry decelerated by three tenths of a point to 4.4%. Construction, in turn, kept a stable growth rate of 4.1%, more moderate than in the previous period. Industry was the sector that held the best position relative to its pre-pandemic activity level, standing 1.4% above it, while construction barely exceeded it by 0.1%. However, the services sector, as a whole, is still 1.4% below Q4 2019.

Within tertiary activities, *distribution and hospitality services* continued to post the most dynamic year-on-year growth in the third quarter, albeit more moderate

than in the previous period, with a rate of 8.6%; however, their deterioration was so severe during the pandemic that they are still 6.8% below pre-COVID levels. *Business and financial services* advanced by 3.5% y-o-y, also decelerating from the previous quarter, while still improving compared to the level of Q4 2019, which they now outperform by 0.3%. *Other services* increased by 2.9% and consolidated its recovery, already exceeding the level of activity prior to the pandemic by 1.3%

Evolution of GDP, consumption and investment



QUARTERLY ACCOUNTS OF THE COMMUNITY OF MADRID BASE 2013										
(Volume indices, seasonally and calendar-adjusted data)										
			Quarter-on-quarter rate of change (%)							
	2020	2021	IV 2020	I 2021	II 2021	III 2021	IV 2021	I 2022	II 2022	III 2022
Agriculture	-	-	0,2	3,3	2,4	0,0	-2,7	-0,5	0,1	1,9
Industry	-	-	1,2	0,6	3,1	0,3	-0,1	2,6	1,8	0,1
Construction	-	-	6,6	-0,9	0,3	-0,3	1,5	1,4	1,5	-0,3
Services	-	-	4,0	-1,5	0,2	1,4	3,2	0,5	0,8	0,2
GVA	-	-	3,9	-1,3	0,5	1,2	2,7	0,7	0,9	0,2
GDP	-	-	4,5	-1,2	0,3	0,9	3,0	0,8	0,6	0,2
Final Consumption Expenditure	-	-	6,3	-1,3	-1,1	-0,1	5,4	-1,4	-1,4	0,3
- households	-	-	7,9	-2,2	-1,8	-0,2	7,5	-2,1	-1,9	0,1
- Public sector and NPISH	-	-	2,3	1,1	0,7	0,2	0,3	0,5	0,0	0,7
Gross Capital Formation	-	-	-3,8	-0,2	1,2	3,6	-1,0	2,5	2,3	0,3
- Investment in housing	-	-	0,0	-6,3	-1,9	2,8	1,5	-1,1	3,4	-0,1
- Rest of investment	-	-	-5,8	3,1	2,8	4,0	-2,2	4,3	1,8	0,5
Regional demand	-	-	4,6	-1,1	-0,7	0,5	4,3	-0,8	-0,7	0,3
External demand ⁽¹⁾	-	-	0,2	-0,1	1,0	0,4	-1,0	1,5	1,3	-0,1
GDP COMMUNITY OF MADRI	-	-	4,5	-1,2	0,3	0,9	3,0	0,8	0,6	0,2
SPAIN GDP	-	-	-0,1	-0,2	1,4	3,1	2,3	-0,2	1,5	0,2
			Year-on-year rates of change (%)							
	2020	2021	IV 2020	I 2021	II 2021	III 2021	IV 2021	I 2022	II 2022	III 2022
Agriculture	-3,1	3,6	-2,4	1,1	4,5	6,0	2,9	-0,9	-3,1	-1,2
Industry	-8,6	5,3	-6,7	-3,6	17,1	5,3	3,9	6,0	4,7	4,4
Construction	-11,4	8,6	-3,0	1,1	33,2	5,6	0,6	2,9	4,1	4,1
Services	-10,1	6,0	-5,8	-2,8	23,0	4,1	3,2	5,3	5,9	4,6
GVA	-10,1	6,1	-5,8	-2,6	22,9	4,3	3,1	5,2	5,7	4,6
GDP	-10,3	6,5	-5,5	-2,3	24,6	4,5	3,1	5,2	5,4	4,7
Final Consumption Expenditure	-9,0	7,1	-2,5	0,7	24,7	3,7	2,8	2,7	2,5	2,8
- households	-13,6	8,3	-5,5	-1,0	34,6	3,4	3,1	3,1	3,0	3,3
- Public sector and NPISH	4,9	4,3	6,5	5,2	5,3	4,4	2,4	1,8	1,1	1,6
Gross Capital Formation	-12,6	2,8	-12,6	-8,4	18,8	0,6	3,6	6,5	7,6	4,1
- Investment in housing	-18,4	-3,9	-17,8	-14,1	11,8	-5,5	-4,0	1,2	6,7	3,7
- Rest of investment	-9,2	6,4	-9,6	-5,3	22,6	3,9	7,8	9,1	8,0	4,3
Regional demand	-9,6	6,4	-4,2	-0,9	23,7	3,2	3,0	3,4	3,3	3,1
External demand ⁽¹⁾	-1,3	0,5	-1,6	-1,5	2,5	1,6	0,3	2,0	2,3	1,9
GDP COMMUNITY OF MADRI	-10,3	6,5	-5,5	-2,3	24,6	4,5	3,1	5,2	5,4	4,7
SPAIN GDP	-11,3	5,5	-9,5	-4,4	17,9	4,2	6,6	6,7	6,8	3,8

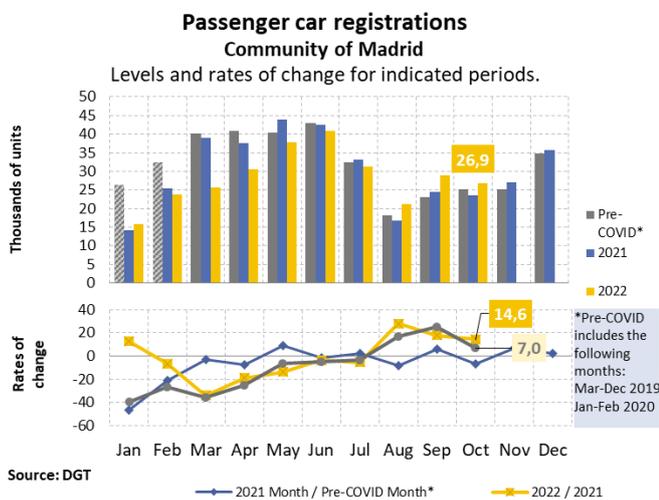
(1) Contribution to GDP growth

Source: Institute of Statistics of the Community of Madrid

IV.2. Demand and production

IV.2.A. Domestic demand

Passenger car registrations in Q3 2022 recovered after four quarters on a downward trend. According to the Directorate General of Traffic, Q3 passenger car registrations stood at 81,484 units, the third highest ever for a third quarter in the series (data since 2004) and 9.7% ahead of last year, increasing by 7,195 units, and 10.4% more than in the same period of 2019. The most recent figure for October reflects the third consecutive year-on-year increase (14.6%) following six continuous downward trending months; also managing to top pre-pandemic levels by 7%. This month, 26,931 passenger cars were registered, the highest October figure in the series. ANFAC reports higher registrations across all channels, yet there is also a notable increase in the corporate and rental channel, with the most modest increase in the private vehicle channel. However, the positive results of this month, August and September were not enough to correct the accumulated data up to October, dropping 5.8% compared to the same period in 2021 and 12.9% versus the same period in 2019. Growing economic uncertainty in light of the geopolitical situation, higher inflation, interest rate hikes hindering decisions to buy, especially in consumer channels, and the persistent crisis concerning semiconductors, are elements that continue affecting this sector.

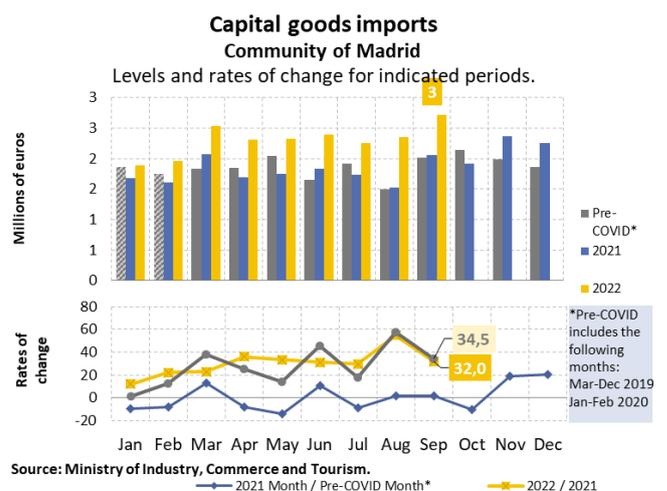


Lorry and van registrations in Q3 2022 (15,185 units) posted the lowest for this quarter in the last five years, giving up 4.6% versus the same quarter in 2021, i.e., 731 fewer registrations, standing at 0.4% lower versus the same period in 2019. The data for October, with a year-on-year rate of -8.3% (similar to the -4.9% in September), returns to negative territory after a respite of August, when it broke the six-month trend of consecutive falls, but failed to reach the levels of October 2019 (dropping 4.2%). It also experienced declines in the cumulative January-October period,

18.6% less than in the same period of 2021 and 14.7% lower than in 2019.

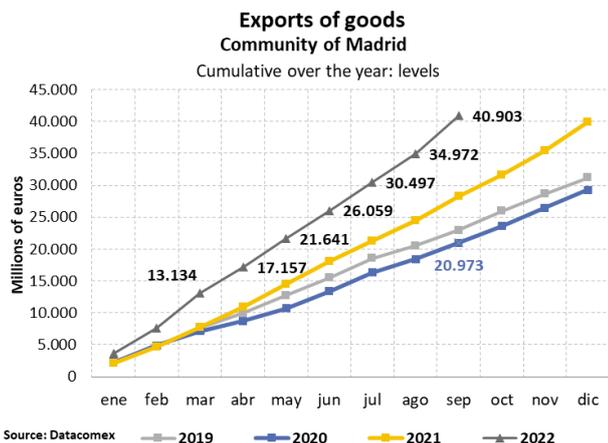
In the third quarter of 2022, petrol consumption reached the highest volume for this quarter since 2006, growing by 4.9% compared to 2021; in the comparison with the same quarter of 2019 it increased by 7.8%. The most recent data for September (up 7.5% year-on-year) reveal the highest consumption for this month since 2005, also exceeding pre-pandemic consumption by 12%. Diesel consumption in the quarter fell by 5.9% versus 2021 and a comparison with Q3 2019 reveals a 15.5% drop; the most recent data (corresponding to September) show the lowest consumption in the series for this month in the last three years, following five months of consecutive falls. Higher diesel prices versus lower gasoline prices, despite government subsidies, would seem to explain this behaviour, though the decline has slowed to 2.3% year-on-year, or a fall of 12.9% versus September 2019.

The extraordinary rise in imports of capital goods continues in Q3 2022. these imports have grown and accelerated to €7,325.3 million, the most in the quarterly series and also with the highest increase, 37.7% versus the same period of 2021, and 35.3% more than Q3 2019. September peaked at a record €2,716.6 million in the monthly series (since 1995), up 32% year-on-year, with the highest growth for a September since 2015. In this regard, the volume is already 34.5% higher than September 2019



IV.2.B. Foreign demand

The Community of Madrid's trade balance posted a notable increase in exports, accelerating the pace of the previous quarter, while imports increased in line with the second quarter, with record figures in both flows. In Q3 2022, Community of Madrid exports increased by 45.3% year-on-year and 26.4% quarter-on-quarter, reaching €14,844 million, a new quarterly high-water mark in the history of the series.



The Community of Madrid purchased 39.9% more from abroad in the third quarter of 2022 than a year ago, an increase very similar to the 40.4% increase it experienced in the previous quarter. Purchasing figures stood salient at €27,925 million, hitting a new series record for a quarter.

There is one leading force behind the dynamic trade balance in the Community of Madrid, *Fuels and mineral oils*, with an outstanding growth contribution. Fuels and mineral oils continued dominating in the third quarter of 2022, with a contribution to export growth of 19.9 points, which translates into sales of €2,872.2 million, 244% more than a year ago. Nearly 77% corresponds to tariff "2716 Electrical energy", which we exported 291% more than in Q3 2021. This growth is largely explained by the inflationary escalation of electricity prices and also the fact that the Community of Madrid accounts for all of Spain's electrical energy sales abroad. *Pharmaceuticals* remained the leader, with €2,985.3 million in exports this quarter, the third highest figure in the series in this period, representing a year-on-year growth of 26.9% and a contribution to export growth of 6.2 points. This increase is mainly due to the momentum of September, after a decline in August. September marked a new record in monthly sales of this heading, mostly coronavirus vaccines, associated with the new booster dose in the autumn campaign. Both headings cover almost 58% of Madrid's sales. *Aircraft; spacecraft* is the third highest contributor this quarter with 4.15 points, driven by its appearance in July with shipments of €420

million to the Netherlands and two further shipments of approximately €170 million to Singapore and France.

The role of *Fuels and mineral oils* in Madrid's imports has also intensified. We acquired €6,350 million in Q3 2022, the highest volume in the quarter, contributing 21.2 points to the increase in Madrid's purchases, and representing 23% of the total imported by the Community of Madrid in that quarter, when a year ago it constituted just over 10%. The most prominent tariff is 2711 *Petroleum gas and other gaseous hydrocarbons*, which includes Liquefied Natural Gas (LNG), of which we imported €4,703 million this quarter, 341% more than a year ago and 75% of the total acquired by Spain. The next tariff is 2716 *Electricity*, of which we bought €989 million, 28% more than a year ago. This is followed, in terms of contribution to the increased imports in this quarter, by *Electrical appliances and material*, with a contribution of 4.7 points and purchases of €3,303 million, 43% more than in the same quarter of 2021. This is reared up by *Pharmaceuticals*, a major contributor to the change in imports in previous months which, since the previous quarter, has been making a negative contribution to import growth, as the role of vaccines in the fight against COVID-19 declines. With 2.6 points subtracted this quarter, it is the only chapter in the ranking that slows down the advance.

Exports of the top 5 TARIC of the Community of Madrid				
CUMMATIVE TO SEP 2022	Volume	Rate of Cha	Contrib.	%total
30 PHARMACEUTICAL PRODUCTS	10.102,2	78,6	15,7	24,7
27 FUELS, MINERAL OILS	6.731,5	293,0	17,8	16,5
84 MACHINERY AND MECHANICAL APPLIAN	3.088,4	17,9	1,7	7,6
87 MOTOR VEHICLES; TRACTORS	2.734,4	0,5	0,0	6,7
85 ELECTRIC APPLIANCES AND MATERIAL	2.116,0	-0,3	0,0	5,2
Imports of the top 5 TARIC of the Community of Madrid				
CUMMATIVE TO SEP 2022	Volume	Rate of Cha	Contrib.	%total
27 FUELS, MINERAL OILS	18.341,8	276,6	23,8	22,6
30 PHARMACEUTICAL PRODUCTS	11.769,5	8,2	1,6	14,5
85 ELECTRIC APPLIANCES AND MATERIAL	9.132,0	35,3	4,2	11,2
84 MACHINERY AND MECHANICAL APPLIAN	7.763,0	16,6	2,0	9,6
87 MOTOR VEHICLES; TRACTORS	6.401,7	22,3	2,1	7,9

The countries that accompany the variation in these chapters include France and Portugal as importers of *Electricity*, and Belgium for *Pharmaceuticals*; the USA appears as a supplier of both Liquefied Natural Gas and *Pharmaceuticals*, particularly in light of the importance of coronavirus vaccines and medicines.

IV.2.C. Manufacturing

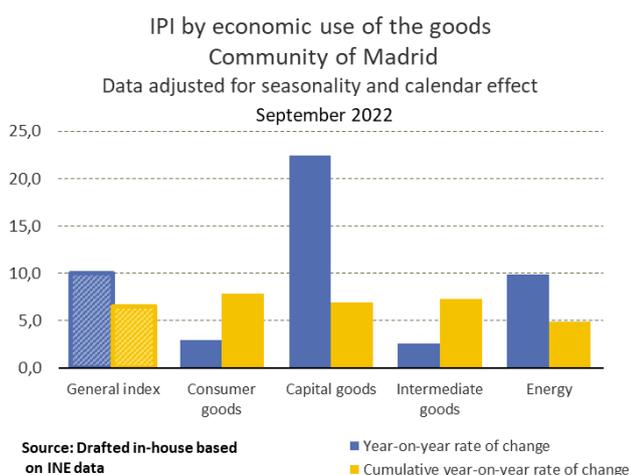
1. Industry

Slackened Industrial Gross Value Added.

According to the Quarterly Regional Accounts data for the Community of Madrid referring to the third quarter of 2022, industrial GVA slowed significantly, although it remained positive, registering a seasonally adjusted quarter-on-quarter growth of 0.1%, 1.7 points below the increase recorded in the second quarter, which already showed a quarter-on-quarter deceleration at that time. The sector's growth in the third quarter is slightly lower than that of the regional GDP of 0.2%. In year-on-year terms, the increase slackened by 0.3 percentage points to 4.4% in the third quarter, which is also a little more moderate than the overall GDP figures.

The Industrial Production Index continued its recovery throughout 2022

In September, the IPI in the Community of Madrid with seasonal and calendar adjustment (SCA) kept the momentum of the first eight months of 2022, with a growth of 10%, 2.6 percentage points lower than in August and similar to July's 10.1%. With these still provisional data, the annual average indicator for the first nine months of 2022 grew by 6.5% year-on-year, 3.5% above the cumulative value prior to the pandemic (January-September 2019). The September figures for Spain were less favourable, with a year-on-year increase of 3.6%, 1.6 points lower than in August, also presenting lower growth in annual average January-September, 3.6% year-on-year and 0.1% below the cumulative value prior to the start of the pandemic (January-September 2019).

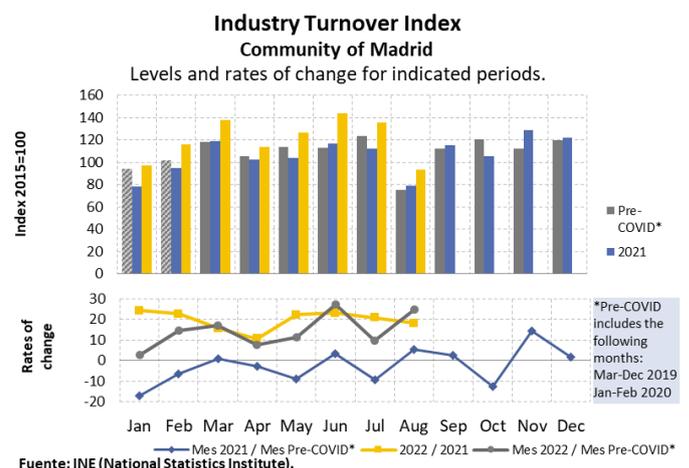


Among the four components of the IPI in the Community of Madrid (in year-on-year and SCA terms), of note in September was the moderation of growth in consumer goods, of 3%, as a result of the contraction in non-durable consumer goods, which fell by 3.2%, not offset

by the slight increase of 3.3% in durable consumer goods. Capital goods maintained an excellent performance, growing by 22.5%, while intermediate goods grew more moderately in September, only 2.6%, while energy grew again strongly by 9.8%. Only consumer durables, which are down 0.7%, and on average so far this year, are below the pre-pandemic level for the same period January-September 2019. Consumer goods, with a 7.9% growth, intermediate goods with 7.3%, investment goods with 6.9% and, to a lesser extent, energy with 4.8%, recorded average levels of activity that exceeded the pre-pandemic levels in the January-September period.

The Turnover Index also exhibited a favourable progression, with very significant growth in 2022 as a whole.

The Industrial Turnover Index of the Community of Madrid has been showing high year-on-year rates of change for 17 of the last 18 months, registering in August a year-on-year growth of 18.2%, or 2.7 percentage points below that of July. The last five quarters show double-digit year-on-year growth rates, with 18.9% in the second quarter or 1.4 percentage points lower than in the first quarter. On an annual average basis and for the period January-August 2022, revenue grew by 19.6% year-on-year, 13% above the same period in 2019.

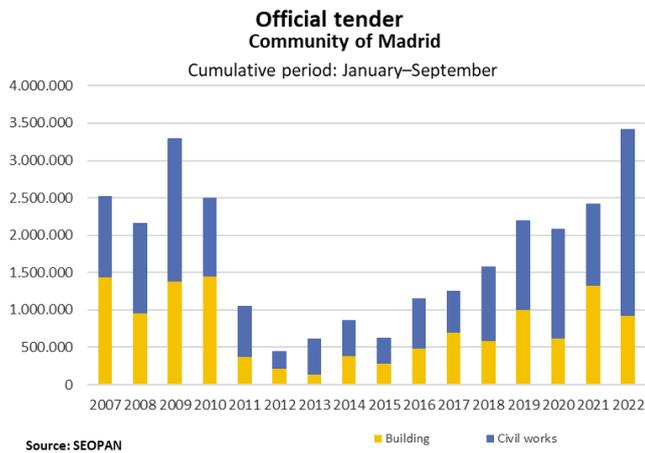


2. Construction

Construction GVA kept up the year-on-year pace of growth in the third quarter. According to the Community of Madrid's Quarterly Regional Accounts, construction in Madrid recovered the growth path of GVA in 2021, advancing by 8.6%, the highest rate in the 2011-2021 series. Although GVA in construction grew in the four quarters of 2021, it did so unevenly, with a very moderate increase of 0.6% in the fourth quarter of the year. The sector regained momentum in Q1 2022, growing by 2.9% y-o-y, accelerating in Q2 to 4.1% y-o-y, a pace that held in Q3 2022.

Total tenders throughout the cumulative 2022 at its best level since 2006. The high bidding volumes recorded in each of the first three quarters of 2022 attest to the remarkable dynamism of this variable. After the magnificent performance of public tenders in construction recorded in 2021 as a whole, the cumulative year 2022 shows the highest level of activity since the cumulative year 2006, with a total tender volume of €3,423 million. The first quarter was the most dynamic with a 185.4% year-on-year growth, while the second quarter showed a more moderate growth of 41.9%, and the third quarter showed a year-on-year contraction of 16.5%.

This excellent performance is explained by the magnificent evolution of civil tenders, which represent 73.1% of total tenders, while building tenders maintain a more moderate growth profile.



With regard to the rest of the leading indicators with data up to August 2022, all of them have grown in year-on-year terms in the accumulated period since January, except for building permits, which have contracted by 6.9%. Housing approvals grew by 22.9% year-on-year in the first eight months of the year, the total surface area approved by 18.5% and the total amount of surface area approved by 26.8%. In the January-August accumulated period, the lagged indicator of work completion certifications fell by 8.9% year-on-year.

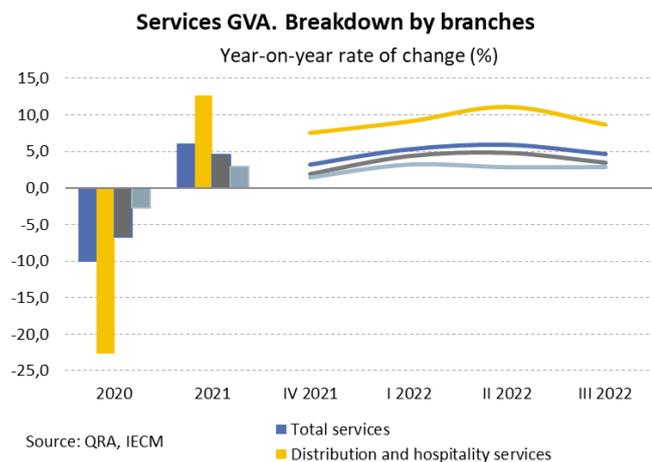
The excellent performance of the residential market, which has been underpinned by the recovery in construction, moderated. The post-pandemic performance of the residential segment has proved to be differential, ahead of the recovery of the overall economic activity driven by the investment of part of the savings accumulated during confinement. The INE reports that housing sales and purchases accelerated significantly in 2021 as a whole, growing by 38.3% with respect to 2020, and are 12.7% above pre-pandemic levels. This expansionary trend in 2021 continues more moderately in 2022, with a more modest year-on-year growth of 4.2% and a slight deceleration throughout the year. In Q3 2022, new home sales and purchases fell by 17% year-on-year, while those of used homes fell by 2.8%.



With a total of 73,174 mortgages constituted, mortgage statistics reveal that the number of transactions formalised on housing in 2021 was 3.7% above pre-pandemic levels, with 2021 presenting a relative maximum in the series since 2010 and the capital subscribed approaching €15,000 million, its highest value since 2008. The strong performance of the mortgage market continued in January-August 2022, with year-on-year growth of 8.8% in the number of mortgages and 19.1% year-on-year in the amount of capital formalised.

3. Services

Annual GVA growth in the services sector continues in Q3 2022 in the Community of Madrid. According to the Community of Madrid's Quarterly Regional Accounts, the real GVA of services (SCA) grew by 0.2% in Q3 2022, with respect to the previous quarter, and by 4.6% year-on-year. This performance underpins the annual performance of services GVA, which grew by 6% in 2021 after a fall of 10.1% in 2020.



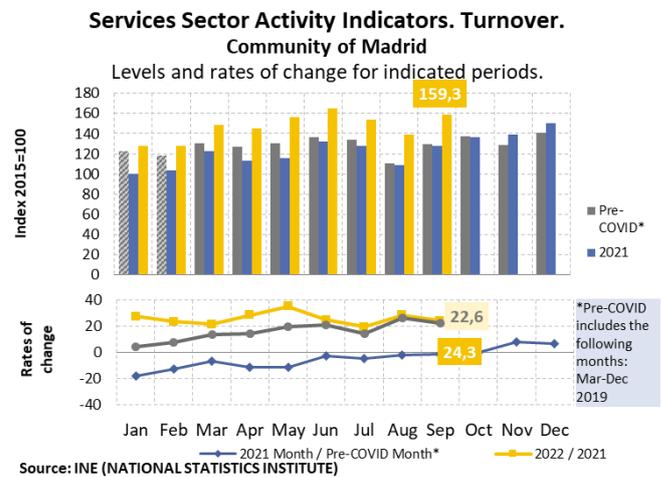
All the branches that make up the services aggregate (*Business and financial services, Distribution and hospitality, and Other services*) show growth in real GVA (SCA) of 0.2% with respect to the previous quarter. In year-on-year terms, all branches showed significant growth in Q3 2022: *Distribution and hospitality* grew by 8.6%, *Business and financial services* by a further 3.5% and *Other services* by 2.9%.

The Services Sector Activity Indicators (SSAI) kept up an annual growth above pre-pandemic levels. In the third quarter the average for the IASS in terms of turnover in the Community of Madrid grew by 23.9% in the second quarter of 2022 versus the same quarter for the previous year, somewhat more than the 20.4% figure for Spain as a whole. This increase continues, for the sixth consecutive time, the pattern that began in Q2 2021, breaking with the pandemic-induced falls in the index that began in Q1 2020. The level of the index, and in relation to the third quarter of 2019, is 20.7% higher in the case of our region and 19% higher in the case of Spain.

The latest data available, corresponding to September, show a year-on-year growth of 24.3% in the Community of Madrid and 20.1% in Spain.

The SSAI employment index points to a recovery similar to the business index in both the Community of Madrid and Spain, albeit at a slower pace. The average growth in the Community of Madrid in Q3 2022 versus the third quarter of the previous year is 4.5%, compared to 3.7%

in Spain and, in the same way as for business, it maintains the increases since Q2 2021. The average quarterly level in this third quarter stands above pre-pandemic levels, advancing 2.2% in the region and 0.6% in Spain with respect to Q3 2019.



Performance improved for air passenger and freight traffic, and also metro and city bus transport.

Passenger movements at Adolfo Suarez Madrid Barajas airport increased by 67.8% year-on-year in August 2022 (165.8% year to date), with 32,021,456 passengers from January to August 2022; although still a long way from the 41,004,910 passengers for the same period in 2019, which is the highest figure for this month since 2005.

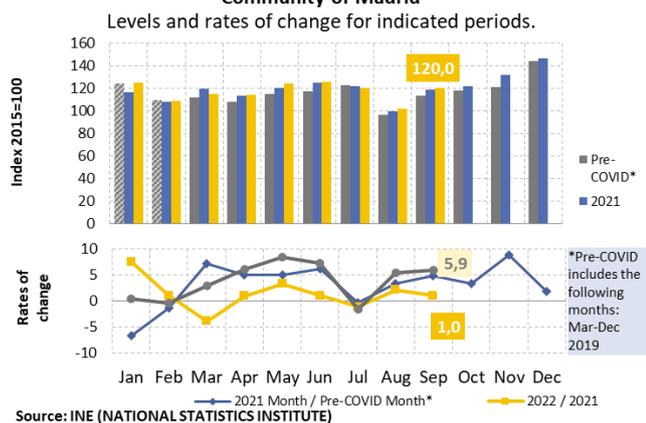
Meanwhile, freight traffic at Madrid airport grew by 3.7% year-on-year in August 2022, and by 15.8% in the year to date, the highest level in cumulative terms for the period since 2005.

In Q3 2022, urban transport in Madrid's metro service shows a significant year-on-year growth of 22.3%. The same behaviour is observed in urban bus transport, growing by 17.5% versus Q3 2021. However, the figures are still below Q3 2019 figures at 13.6% and 14.7%, respectively.

Turnover and Employment figures in the Retail Trade Index (RTI) continued to rise in the third quarter 2022.

The Q3 2022 average of the deflated RTI turnover index in the Community of Madrid is 0.6% higher than in the same quarter of 2021, continuing the progress started in Q3 2020; since then, it exceeds the pre-pandemic level in terms of quarterly averages. The most recent data, from September 2022, grew by 1% year-on-year, after falling by 1.1% in July.

Retail Trade Index. Turnover. Community of Madrid



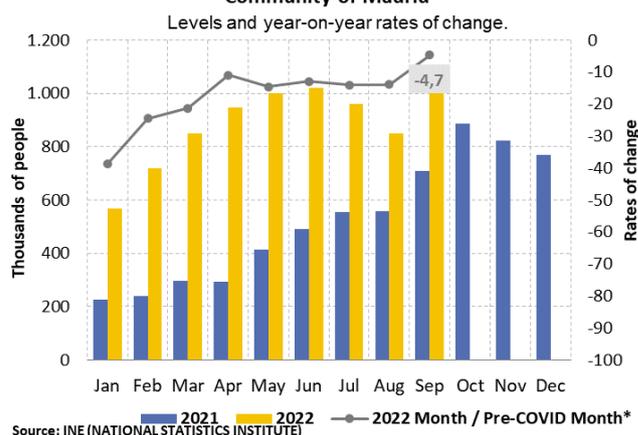
In Spain, the quarterly average of the index in Q2 2022 falls by 0.7%, versus the same quarter of 2021, interrupting the increase of the previous quarter and standing 4.2% below the pre-pandemic level.

In turn, in Q3 2022, the RTI employment rate in the Community of Madrid increased by 1.5% year-on-year, compared to 2.5% in Spain, and continues the growth path that began in the second quarter of 2021; moreover, compared to the same quarter of 2020, it grew by 4.5%, versus 4.3% in Spain. These favourable developments are confirmed by the latest data for September.

Hotel activity in the Community of Madrid continues to improve in Q3 2022, still below 2019 levels. Almost 3,000,000 passengers (2,838,928) arrived in the third quarter 2022 compared to the 1,822,931 passengers in the third quarter of the previous year, in line with the trend that began in the second quarter of 2021. However, the level is still below the pre-pandemic data; in Q3 2022, 10.8% fewer tourists came than in the same quarter of 2019, when the number of travellers exceeded 3.1 million. 51.2% of travellers received in the Community in Q3 2022 were domestic travellers.

The most recent data published, corresponding to September 2022, with 1,029,249 passengers, is 45.1% better than the same month of the previous year, with over 319,786 additional passengers; however, it is still 4.7% below the figure for September 2019, which registered an entry of 1,079,479 passengers.

Traveller inflow Community of Madrid



Overnight stays in the Community of Madrid paralleled the behaviour of incoming travellers. In Q3 2022, there were 5,656,950 overnight travellers, nearly two million more than in Q3 2021, when only 3,726,380 overnight stays were tallied, but almost one million less than in Q3 2019, which posted 6,569,788 overnight stays.

The most recent data, published in September 2022, puts overnight stays in the Community of Madrid at 2,026,993, 39.4% more than a year ago, although 10.8% lower than those recorded in September 2019.

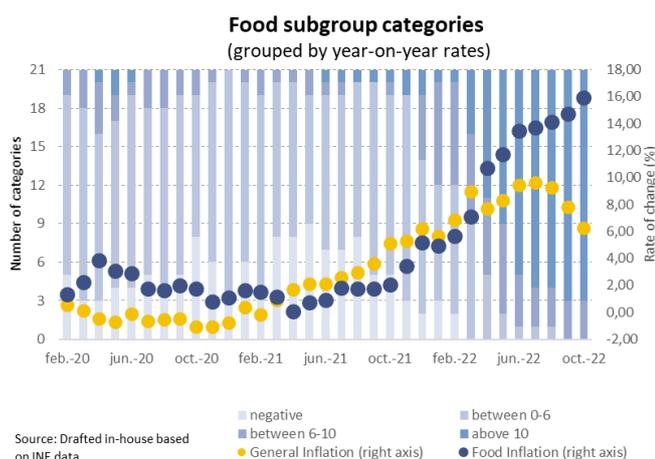
With regard to the occupancy rate, the Q3 2022 average of 54.6% is a clear improvement on the 41.4% of Q3 2021 and is close to Q3 2019 levels, when it reached 62.3%.

In September 2022, the occupancy rate rose to 58.9%, an improvement on the 46.9% of the previous September, but still below the 65.4% of September 2019.

The trend remained positive in the third quarter, although it has not yet recovered to pre-pandemic levels.

IV.3. Prices and wages

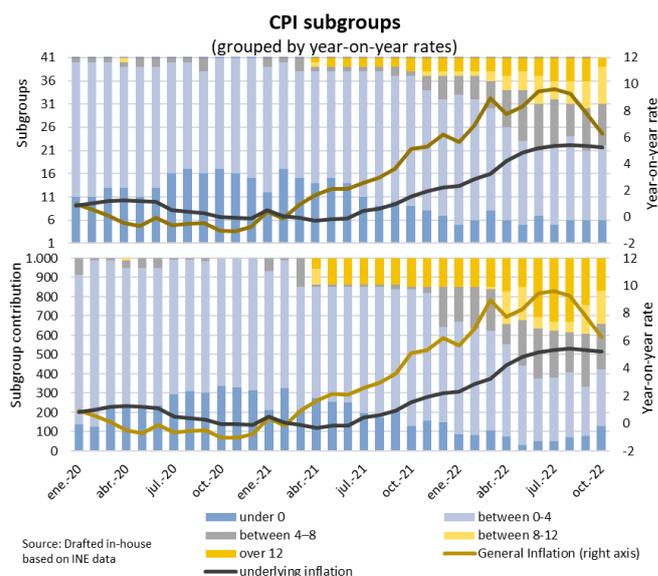
During the third quarter, inflation in the Community of Madrid curbed the upward trend and began to fall sharply, dragged down by the containment of energy product prices, albeit not consistently. Several groups, including Food, nevertheless continued rising. The year-on-year CPI in the Community of Madrid peaked for the year in July at 9.6% and began a decline that led to the rate for October, the most recent figure published, at 6.3%. Average inflation in the Community of Madrid in the third quarter of the year was 8.9% in CPI terms.



This turnaround in general inflation stems from the containment of energy products. Brent crude oil dipped below \$90 in September, after hitting \$122 in June. Electricity prices flattened in October, with an average bill of €85.63, the lowest since August 2021; mainly driven by the temporary gas price drop, which deactivated the "gas cap" mechanism for several days. Additionally, government subsidies for public transport fares in September also contributed. However, this containment, transferred directly to the groups 'Housing', with 1.8% inflation in October and 16.2% in the third quarter, and 'Transport', with 5.9% in the month and 10.8% in the third quarter, is not reflected in other groups such as 'Food and non-alcoholic beverages', which show a growth of 15.5% in October, and 13.7% in the third quarter; under this category, in particular, some basic headings such as *Milk*, with a 27.4% increase, *Eggs* with a 26.5% increase, or *Cereals and derivatives* with a 26.3% increase in twelve months. Likewise, 'Restaurants and hotels' rose by 8.2% in the year (7.1% in the third quarter), driven by the subgroup *Catering services*, which in October reached its highest level with a 6.5% increase, and the subgroup *Accommodation services*, which reached its lowest level of the year in August with a 20.4% increase, increased by 25.9% in October. A further group with an upward trajectory and continuing in this line is 'Furniture, household goods and

articles for routine household maintenance', which in October recorded the highest inflation values in its history with 6.9%, the same value as in August. Finally, it is worth mentioning 'Other goods and services', which also posted an upward profile that, for the moment, has not stopped, reaching an increase of 4.4% in October, compared to an average of 3.9% in the third quarter.

Core inflation, involving only the most structural and less volatile components, has been slowing its rate of increase in Madrid and its trajectory changed in September. The average Q3 value was 5.4%, down from 4.7% in the previous quarter, falling for the second consecutive month one tenth of a point in October to 5.2%. It therefore holds the lowest rate of all the autonomous communities. Looking in more detail at the subgroups of the Madrid shopping basket, we can see that, although 46% of the subgroups register inflation above 4%, this represents a weight of 57% of the total. The double chart shows how, although the number of subgroups with inflation over 12 is small, the weight it represents over the total number of groups is more significant, which is not the case with the other end of the bars, which are more intense blue. In other words, the products in the shopping basket that have become more expensive tend to hold a more prominent place in our domestic economy. The most recent data for October indicate the most inflationary subgroups, namely *Accommodation services* (25.9% year-on-year), *Food* (15.9%) and *Glassware, tableware and household utensils* (11.2%), most of which are included in the core inflation calculation.



Sidebar I. Inflation (CPI) trends since the start of the pandemic

February 2020-October 2022 Cumulative Inflation

The cumulative inflation from February 2020 to October 2022 is analysed below by Autonomous Community, measured by the CPI. **The CoM is the region where prices have increased the least since the outbreak of the pandemic**, 11.4%, compared to 13.2% in Spain, and 15.7% in Castilla-La Mancha, the worst affected.

Regarding its trend over the months, with respect to the rest of the regions, we can see in the second graph that, except in some months of 2020 when inflation in the Community of Madrid was higher than in Spain as a whole, Madrid has behaved less inflationary than Spain as a whole, and in 2022 it has always been among the regions with the lowest inflation.

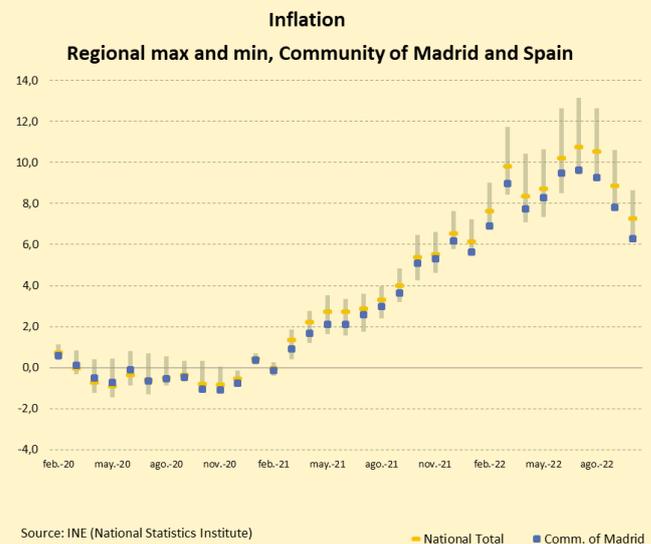
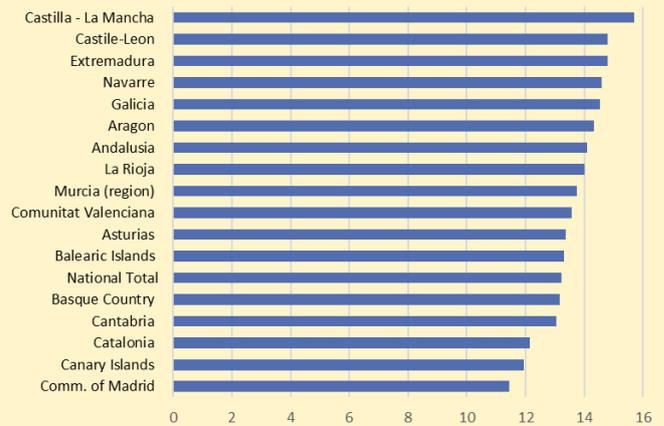
When analysed by groups, there are noticeable effects of the pandemic and higher energy product prices on group weighting variations in the Community of Madrid for 2022, compared with the figures for 2020. The groups that have increased their representation the most are 'Food and non-alcoholic beverages', whose weighting increased by 18.144%; 'Medicine', contributing 13.5% more than in 2020; 'Alcoholic beverages and tobacco', up 9.655%; 'Hotels and restaurants', whose weighting jumped 7.838%; and, finally, 'Housing', posting a weighting increase of 7.535%.

In terms of pricing behaviour by groups, Madrid is the region where prices have grown the least in the 'Housing' and 'Transport' groups, with 16.1% and 12.4% respectively, compared to 21.4% and 15.6% in Spain overall.

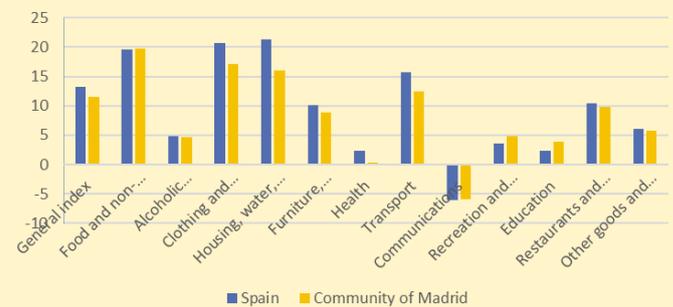
In contrast, Madrid ranks as the region with the second highest price increase in 'Leisure and culture' (4.9% versus 3.6% nationally) but also second lowest price decrease in the 'Communications' group (-5.9% versus -6.1% nationally), both groups holding relatively little weight in the shopping basket.

The price trends between February 2020 and October 2022 in the CoM for 'Food and non-alcoholic beverages', the group with the greatest weight in the regional shopping basket, posted a 19.8% cumulative inflation rate, very similar to the national average of 19.7%.

Cumulative inflation by Autonomous Community for the period February 2020 - October 2022



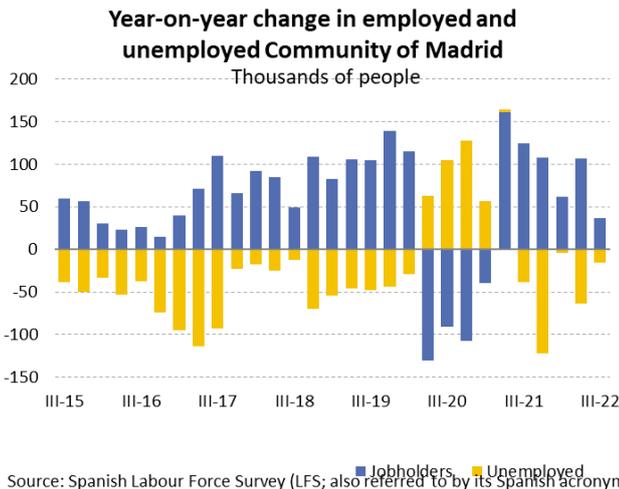
Cumulative inflation by groups for the period February 2020 - October 2022



IV.4. Labour market

1. LFS

Strange third-quarter LFS results. After record highs in activity and employment in the Community of Madrid, as posted for the second quarter in LFS, 3Q 2022 results reveal quarterly decreases in employment but unemployment increases, resulting in a decline in the volume of active workers and activity rate, but also higher unemployment.



Source: Spanish Labour Force Survey (LFS; also referred to by its Spanish acronym E

This quarterly behaviour produced a notable slowdown in year-on-year jobholder growth and also a year-on-year waning of the number of jobseekers, which did not stop year-on-year growth in activity, but did dampen its rate of increase.

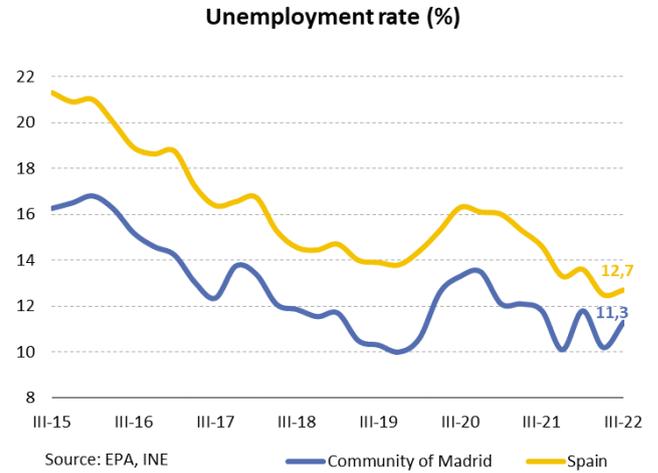
In absolute terms in Q3 2022, the number of jobholders fell by 64,500 to 3,166,500, which is, nevertheless 1.2% more than a year ago, albeit 2.2 points less than the extraordinary year-on-year increase in the second quarter.

The jobless population rebounded after a significant decline in the previous quarter and increased by 38,300 people in the Community of Madrid, with 404,600 jobseekers in the third quarter, 3.8% less than the third quarter of 2021.

The number of inactive workers increased significantly in Q3 2022, both in the period and year-on-year, standing at 2,106,100. The inactive population aged 16 and over rose quarter-on-quarter and year-on-year.

The activity rate in the third quarter of 2022 fell by nine tenths of a percentage point to 62.9% of the population aged at least 16, three points above the national average. Unemployment rose by 1.1 points to 11.3% of the labour force, 1.4 points below the national unemployment rate of 12.7%.

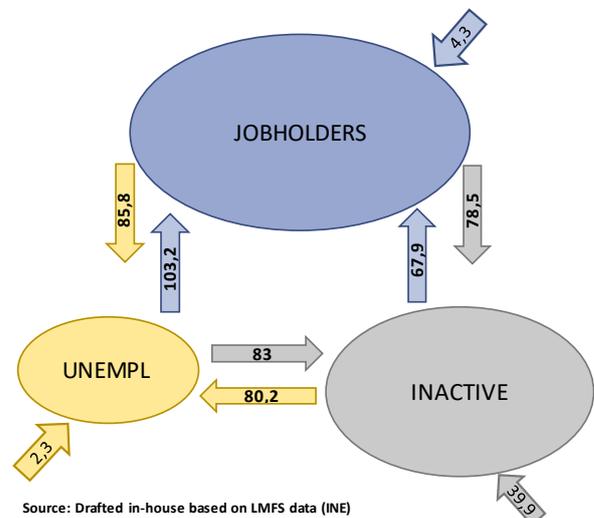
This quarterly dip in employment follows the notable growth in job outflows, whose rise reflected nearly equal parts an increase in the outflow into inactive labour status and an increase in the outflow into unemployment. Accordingly, despite an increase in the



inflow into employment, this is of lesser importance and is due exclusively to the reactivation of the number of inactive workers who are becoming active, while the number of people moving from jobless to jobholding is decreasing.

The rise in unemployment is explained by a return to normal unemployment inflows, after the significant reduction in the previous quarter, in which the aforementioned increase in the flow from employment played an important role; the limited rise in outflows from unemployment has been insufficient to neutralise the increase in inflows, and this rise is also sustained by the increase in the number of unemployed who become inactive.

Diagram of flows between quarters II-22 and III-22



2. Social Security Enrolment

Social Security enrolment remained extraordinarily robust in the third quarter. The average number of new registrations stood at 3,412,646, the highest for a third quarter in the series, having reached an all-time high in the second quarter of 2022. These high volumes still show a singular year-on-year dynamism: although it grew by 4.4%, it decelerated by 6 tenths of a percentage point from the second quarter.

Both genders and the two main schemes have the highest number of employees in a third quarter in the series. Female and general scheme enrolments remained more dynamic, with increases of 4.7% and 4.9% year-on-year in the third quarter. The self-employed regime grew at a more muted rate of 0.9%, six tenths of a percentage point below the increase in the second quarter.

The seasonal reduction in the summer months did not prevent enrolment levels from being the highest in the series for these months. The reduction in the volume of enrolment in the summer months is eminently seasonal in nature and, although July was more intense than the July months of the pre-pandemic decade (2010-2019), the monthly behaviour in August and September was more favourable than then. The most recent data from October confirms this pattern, leading to a new all-time high in enrolment of nearly 3.5 million people.

Consequently, the increase in enrolment relative to 2019 rose from 6.1% in June to 6.4% in October. In year-on-year terms, growth plateaued at 4.3% in the last three months. Both genders and the general regime follow the same patterns while the self-employed, despite the same year-on-year rate since August, posted a slowdown in the rate of increase compared with 2019.

The region had 6.9% more enrolments in the general scheme in October 2022 versus October 2019, and 3.2% more self-employed workers.

While total enrolment set a new record high in October, together with the general scheme, excluding the special agricultural and domestic workers' schemes, an analysis by activity section reveals no peak in enrolment in any of the three main sectors. The tertiary sector peaked in December 2021, albeit in six of its sections: professional, scientific and technical activities, information and communications, public administration and defence, transport and storage, financial and insurance activities, and real estate activities, which account for over one third of the scheme's total enrolment. However, the services sector's headcount figures are the highest for the month of October, and this

CNAE Sections 2009	Community of Madrid					
	General (excluding agricultural and domestic work systems)			Self-employed regime		
	Level oct-22	Weight (%)	Historic high	Level oct-22	Weight (%)	Historic high
A - Agric. Livest. Fore. and Fish	2.484	0,1	jul.-09	2.651	0,6	jun.-22
B... E - Industry	203.205	6,9	ene.-09	16.782	4,0	ene.-09
F - Construction	157.500	5,3	ene.-09	47.575	11,4	ene.-09
G - Comm. Rep. Vehicles	423.118	14,3	dic.-19	82.835	19,8	dic.-15
H - Transport. Storage	162.425	5,5	oct.-22	34.136	8,2	mar.-21
I - Hospitality	194.463	6,6	dic.-19	27.559	6,6	jun.-19
J - Inform. Commun.	262.240	8,9	oct.-22	18.219	4,4	oct.-22
K - Act. Finance & Insur	114.499	3,9	oct.-22	8.648	2,1	dic.-21
L - Act. Real Estate	27.400	0,9	oct.-22	9.419	2,3	oct.-22
M - Actv. Prof. Tech. Sci.	274.574	9,3	oct.-22	61.390	14,7	oct.-22
N - Actv. Admt. Serv. Auxil.	333.598	11,3	jul.-22	26.091	6,2	ene.-09
O - Public Adm Defen., SS	204.073	6,9	oct.-22	193	0,0	ene.-21
P - Education	206.739	7,0	may.-22	16.693	4,0	feb.-20
Q - Actv. Health Serv. Social	254.353	8,6	ago.-22	22.884	5,5	oct.-22
R - Actv. Artis. Rec. & Ent	51.714	1,8	jun.-22	13.823	3,3	jun.-22
S... U - Rest of Serv.	78.054	2,6	feb.-09	29.253	7,0	jun.-22
Total services	2.587.250	87,7	dic.-21	351.143	84,0	jun.-22
Total	2.950.439	100,0	oct.-22	418.150	100,0	jun.-22

SEA: Special Agri System SEEH: Special domestic work system
Source: Ministry of Inclusion, Social Security and Migration

is the case in five of its sections, in addition to the six already listed.

Turning to the self-employed, October's relative peak is due to the sectoral origin of enrolment in the tertiary sector: seven of its thirteen services sections show the highest enrolment in October. The highest levels were also reached in agriculture for this month, although its weight was very residual.

This regional enrolment increase was highly asymmetric by branch of activity, signifying substantial changes in the structure of the labour market with respect to 2019 (refer to the following table).

	Contributio n	RC	Current Weight**	Weight variation (p.p)
Branches* with the greatest (positive) contributions to growth in affiliation				
Programming, consulting and other IT-related activ	1,1	24,6	4,4	0,7
Public administration and defence; compulsory soc	1,0	19,1	5,3	0,6
Education	0,6	9,0	6,4	0,1
Health activities	0,4	8,1	5,2	0,1
Headquarters activities; business and other manag	0,3	26,8	1,3	0,2
Office administrative, office support and other bus	0,3	10,8	3,0	0,1
Wholesale trade and commission trade, except of n	0,3	5,7	5,2	-0,1
Warehousing and support activities for transporta	0,3	22,2	1,2	0,2
Architectural and engineering activities; technical t	0,3	12,0	2,2	0,1
Construction of buildings	0,2	11,6	2,0	0,1
Branches* with the greatest (negative) contributions to growth in affiliation				
Activities of households as employers of domestic	-0,2	-4,4	3,7	-0,4
Retail trade, except of motor vehicles and motorcyc	-0,1	-1,3	8,6	-0,7
Food and beverage services	-0,1	-1,3	6,2	-0,5
Rental activities	-0,1	-7,6	0,8	-0,1
Repair of computers and personal and household g	0,0	-12,4	0,4	-0,1
Travel agency, tour operator and other reservation	0,0	-8,9	0,5	-0,1
Wholesale and retail trade and repair of motor veh	0,0	-2,5	1,6	-0,1
Manufacture of machinery and equipment n.e.c.	0,0	-4,3	0,4	0,0
Pro memoria: TOTAL AFFILIATION	6,7	6,7	100,0	-

* Segment of branches with more than 10,000 affiliations on the last day.

**Contribution of total affiliation on the last day of the month.

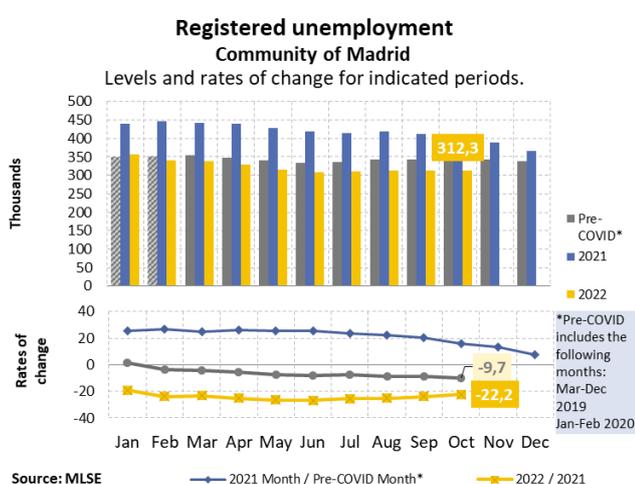
Source: drafted in-house based on MSSyM data

3. Registered unemployment

Unemployment has fallen in the last quarter for both genders and in all sectors of economic activity, bringing current levels below pre-pandemic levels.

Despite a recent positive turn in registered unemployment, its momentum has waned in recent months. Unemployment fell from 316,978 in the second quarter of 2022 to 312,158 in the third quarter.

Registered unemployment data for the region reflect a 24.8% year-on-year decline in the third quarter of 2022, compared to 26.1% in the second quarter of 2022. Accordingly, the registered jobless count in the region stands 8.3% lower than in Q3 2019, with 28,087 fewer people unemployed, or 12.3% less than in Q1 2020.



Both genders have participated in the year-on-year declines in unemployment in the region and the consequent narrowing of their pre-pandemic gaps. Male unemployment continues to show the largest year-on-year fall of 27.1% in Q3 2022, while female unemployment fell by 23.2%. Compared to the pre-pandemic situation, unemployment lags behind the levels in Q3 2019, at 9.9% for men and 7.1% for women; compared to Q1 2020, the figures are 17.2% and 8.7% lower, respectively.

The decreases in the third quarter also occurred in all sectors of activity: 21.8% in industry, 24.2% in services, 25.4% in construction, 26% in agriculture, and 33.2% in "previously unemployed". This decrease is also evident when compared with Q1 2020¹, with current levels of registered unemployment 12.3% lower than they were then, or 43,644 fewer people. All sectors recorded a reduction in unemployment, albeit with varying intensity:

¹ The Community of Madrid closed some of its employment offices in the first half of March 2020 in response to positive cases, which had a differential impact on the activity of the offices and led to an increase in unemployment due to the pandemic in the following months.

10.2% in "previously unemployed", 11.4% in services, 16.1% in agriculture, 16.8% in industry and 19.2% in construction.

The breakdown by activity section of the services sector (CNAE 2009) shows that unemployment fell year-on-year in the third quarter of 2022 in all sections, with notable differences as tertiary activity recovered or increased, with the greatest drop in registered unemployed affecting *Professional, scientific and technical activities* (30% decrease); *Hospitality and Transport and storage* (both fell by 28.6%); *Other services* (26.4% decrease), and *Administrative and support service activities* (25% decrease).

Registered unemployment by sections Community of Madrid										
CNAE Sections 2009	3Tr22				Pandemic max		Pre-pandemic variation: 1TR20			
	Level	Weight (%)	Diff Annual	ARC (%)	Rep. (1)	Level	Date	Difference	RC (%)	Rep. (1)
A - Agric. Livest. Fore. and Fish.	2.379	0,8	-835	-26,0	-0,2	3.470	1TR21	-458	-16,1	-0,1
B ... E - Industry	17.851	5,7	-4.974	-21,8	-1,2	24.732	1TR21	-3.612	-16,8	-1,0
F - Construction	22.683	7,3	-7.716	-25,4	-1,9	33.085	1TR21	-5.381	-19,2	-1,5
G - Comm. Rep. Vehicles	42.511	13,6	-13.358	-23,9	-3,2	59.641	1TR21	-5.533	-11,5	-1,6
H - Transport, Storage	11.312	3,6	-4.524	-28,6	-1,1	17.871	1TR21	-2.998	-21,0	-0,8
I - Hospitality	27.179	8,7	-10.887	-28,6	-2,6	43.980	1TR21	-5.419	-16,6	-1,5
J - Inform. Commun.	11.372	3,6	-3.520	-23,6	-0,8	16.122	3TR20	-1.602	-12,3	-0,5
K - Act. Finance & Insur	5.616	1,8	-412	-6,8	-0,1	6.028	3TR21	255	4,8	0,1
L - Act. Real Estate	2.590	0,8	-839	-24,5	-0,2	3.582	1TR21	-274	-9,6	-0,1
M - Actv. Prof. Tech. Sci.	31.222	10,0	-13.370	-30,0	-3,2	47.878	1TR21	-7.708	-19,8	-2,2
N - Actv. Adm. Serv. Auxil.	50.582	16,2	-16.851	-25,0	-4,1	74.986	1TR21	-9.609	-16,0	-2,7
O - Public Adm Defen., SS	13.418	4,3	-1.948	-12,7	-0,5	15.366	3TR21	1.433	12,0	0,4
P - Education	14.730	4,7	-2.226	-13,1	-0,5	16.956	3TR21	4.329	41,6	1,2
Q - Actv. Health Serv. Social	14.201	4,5	-3.299	-18,9	-0,8	20.185	1TR21	-1.930	-12,0	-0,5
R - Actv. Artis. Rec. & Ent	6.428	2,1	-1.833	-22,2	-0,4	9.458	3TR20	-814	-11,2	-0,2
S ... U - Rest of Serv.	17.613	5,6	-6.333	-26,4	-1,5	26.142	1TR21	-1.999	-10,2	-0,6
Total services	248.775	79,7	-79.399	-24,2	-19,1	350.569	1TR21	-31.870	-11,4	-9,0
No previous employment	20.471	6,6	-10.158	-33,2	-2,4	31.547	2TR21	-2.322	-10,2	-0,7
Total	312.158	100,0	-103.082	-24,8	-24,8	442.805	1TR21	-43.644	-12,3	-12,3

(1) Impact is the contribution of each section to total growth
Source: Directorate General of the Public Employment Service, Ministry of Economy, Taxation and Employment

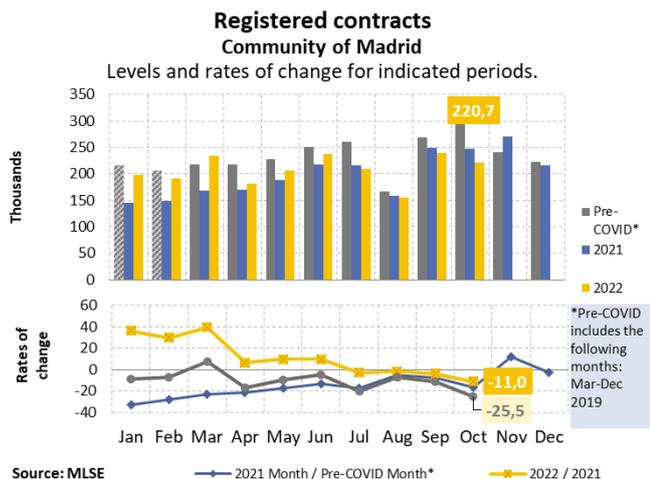
In contrast to this generalised year-on-year reduction, a comparison of the levels in Q3 2022 and Q1 2020 reveals significant increases in registered unemployment in some sections.

A regional comparison of pre-pandemic levels in October 2019 indicates a generalised decline in registered unemployment in all Autonomous Communities, with a broad range of fluctuations from a 31% dip in the Balearic Islands to a 1.8% reduction in Navarre.

Permanent employment hit record highs, well above pre-pandemic levels. Hiring showed significant year-on-year increases already in Q1 2022 of 35.3%, then moderated in Q2 to an increase of 8.7%, and is now down by 3%. In the pre-pandemic comparison, registered contracts are 13.4% lower than in Q3 2019, although this is the highest number of contracts recorded for the third quarter of the year since 2004, standing at 232,792. The most recent data from October 2022 places the number of registered contracts at

Therefore, for this indicator, the figures for the first quarter of 2020 can be considered representative of the pre-pandemic situation.

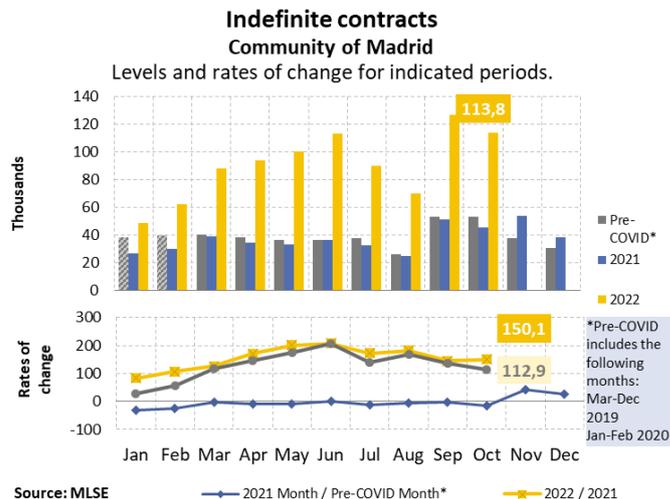
220,700, a year-on-year decrease of 11% and 25.5% less than in October 2019.



Permanent hiring continues at record highs while temporary hiring has already shown year-on-year declines since April, when the transitional period for some temporary contract modalities came to an end.

Thus, year-on-year permanent hiring levels in Q3 2022 stood at 162.2%; however, they tempered compared to the second quarter, at a rate of 193.4%, and were 145.2% higher than those recorded in Q3 2019. This is not the case for temporary hiring, which, moreover, took a sharp dip in its recovery since Q2 2022, with a year-on-year decline of 32.6%, 38.3% in Q3 2022, and 38.3% in Q3 2022. The pre-pandemic gap equates to 45.4% fewer temporary contracts than in Q3 2019. The most recent data for October 2022 show a 150.1% year-on-year increase in permanent contracts and a 47.2% decrease in temporary contracts, with 112.9% more permanent contracts and 56% fewer temporary contracts than in October 2019.

The labour market impact of the reform has led to a "reclassification" of contracts: contracts for specific works in the construction sector were considered temporary until then, whereas now they become indefinite; many temporary contracts have become permanent because, with the elimination of work and service contracts and the strengthening of the causality of temporary contracts, there are activities that, due to their seasonal nature, cannot be covered by any other type of contract.



Accordingly, the number of permanent contracts has risen from 2,261 in January 2022 to 24,214 in October, of which 23,355 were in the services sector. A year-on-year rate increase in the third quarter of the year of 696.4% and 744.6% compared to Q3 2019. The trend in the number of discontinuous permanent jobseekers, registered as jobseekers after having signed a discontinuous permanent contract, should also be taken into account; the figure for October 2022 is 18,653 discontinuous permanent jobseekers. The number of permanent jobseekers in quarterly terms rises from 1,900 in the third quarter of 2019 to 16,047 in Q3 2022.

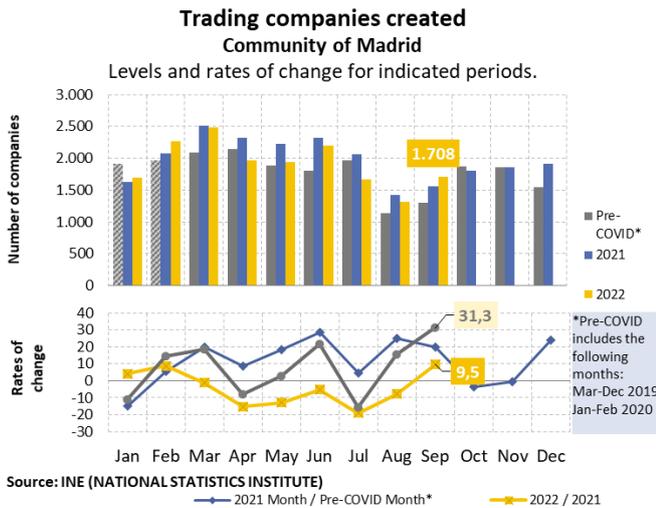


IV.5. Business environment

In the Community of Madrid, after a two-month upward trend at the beginning of the year, business entrepreneurship has experienced successive falls since then and until last September.

The third quarter of 2022 posted the second highest number of company incorporations (4,682 entities created) for this period since 2007, but 7.1% less than in the same quarter of 2021, which marked the highest values for this period since 2007. There were therefore 356 fewer companies created in this quarter than a year ago; the comparison with the same period in 2019 shows the creation of 275 more companies or an increase of 6.2%.

Company start-ups stood at 1,708 in September, the most recent figure and the highest number for this month since 2008, increasing by 9.5% year-on-year, the first positive rate after six consecutive months of declines. The Community of Madrid tops the regional ranking in terms of incorporations both for the month and for the year to date. The relative figures for company start-ups are very significant: 25% of the total number of companies created in Spain in September and 23% of those created in 2022 were created in the region.



Capital subscribed in 2022 has alternated six negative year-on-year rates with positive rates in February, May and September. Third quarter investment by start-ups recorded the highest volume for this quarter since 2014, totalling €309.8m, 52.7% higher than in the same quarter of 2021 and 30% higher than in the same period of 2019.

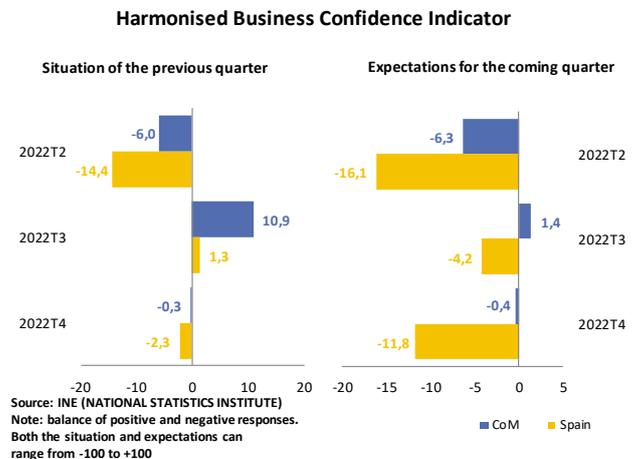
September investment figures stand at €187.2 million, the highest amount for this month since 2010, 406.5% more than a year ago and 276.9% higher than the volume for September 2019, making the Community of Madrid the region where most capital has been subscribed both in September, with 46.8% of the total, and so far this year, with 32.9% of the total accumulated national investment.

The average capitalisation per company was 87.5% higher than the national average in September and 43.4% in the January-September period.

In the third quarter of 2022, dissolutions reached record highs for this quarter, increasing by 28.4% versus 2021 and by 20.5% versus 2019. The year-on-year increase in September was 30.8%, and 10.7% higher than in 2019. To understand these figures correctly, some context will be needed, as the moratorium on insolvency proceedings came to an end on 30 June this year.

In the cumulative January-October period, Madrid once again became the pole of attraction for business from other regions. Experian data reveal that a total of 1,536 companies changed their registered office to the Community of Madrid during this period; industry constituted the most represented sector, with 22.4% of transfers, followed by professional and administrative activities with 17%; once again, the prevailing origins of these transfers were Catalonia and Andalusia, both accounting for 37% of the total arrivals. The balance of companies relocating out of the region was again positive in this period, at 329.

Business confidence levels in Madrid for the last quarter of 2022 reverted to negative rates. The index was down 9.4 points to 3.1%, compared with a 6.3% increase in Q3, which was the largest rise since Q3 2021. We've thus had a negative index in two of the four quarters this year. The current situation balance for the recently concluded quarter stands at -0.3 points, 11.2 points lower than the balance of the previous quarter and showing a worse perception than expected for this moment in the third quarter by 1.4 points. Expectations for the coming quarter are negative in the region, down 0.4 points.

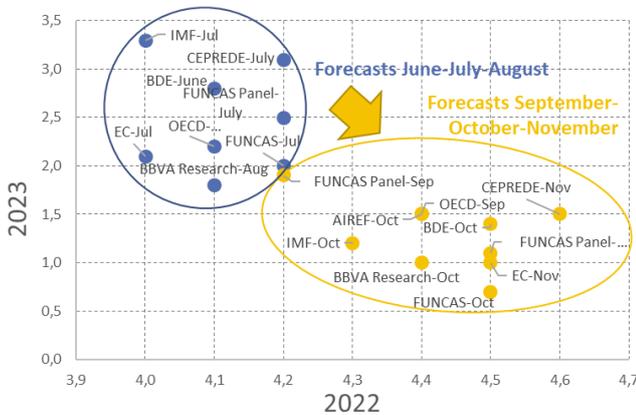


V. Forecasts

Growth forecasts have continued to adjust in the past month, continuing a trend that emerged after summer. Institutions that had not yet done so have now incorporated an upward revision of 2022 growth, while lowering the projection for 2023 very significantly.

The European Commission has done so, for example, in its autumn forecasts, which raise the estimate for 2022 by five tenths of a percentage point to 4.5% compared to the July forecast, and revise downwards the estimate for 2023 from 2.1% to 1%. These forecasts for Spain are part of a European context for which this organisation also points to an improvement in 2022 to 3.2%, but a notable deterioration in 2023, when the Eurozone economy could stagnate, with a slight growth of 0.3%.

Evolution of national GDP growth forecasts



Likewise, the results of the FUNCAS Panel for November reflect an average GDP growth in 2022 of 4.5%, three tenths of a percentage point above the September consensus figure. Forecasts by participating analysts range from 4.1% to 4.6%. The vast majority of

forecasts thus range within 0.7% to 2.2% and on average stand at 1.1%, eight tenths of a percentage point lower than the September panel.

While national growth has been revised upwards by an average of around three tenths of a percentage point in the last three months to 4.4%, projections for 2023 were thus significantly lowered, mostly from between 1.8% and 3.3% to between 0.7% and 1.9%. The most recent ones assume that it will be roughly 1%.

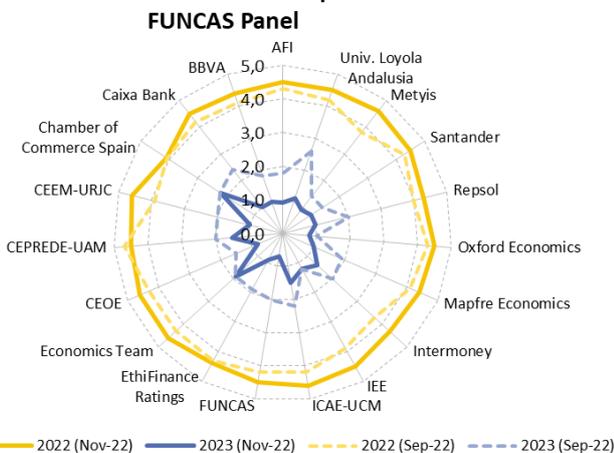
The gloomy picture surrounding national and European expectations is creeping into the outlook for developments in the Spanish regions, with all the most recent estimates reflecting a deterioration in expectations for 2023, despite an improvement in 2022.

BBVA Research and CEPREDE raised the expected growth rate for the Community of Madrid in 2022 by three and four tenths, to 4.7% and 5%, respectively, above the national average and thereby positioning Madrid among the most dynamic regions. AIREF's forecasts point to somewhat more moderate growth in the region at 3.9%, which would be five tenths of a percentage point lower than the national rate.

All forecasts for 2023 reflect a significant and generalised slowdown in growth in the Autonomous Regions. The rate of growth in the Madrid Region could be between 1% and 1.5%, higher than the national rate, in the opinion of BBVA Research, and lower if the CEPREDE and AIREF projections are considered.

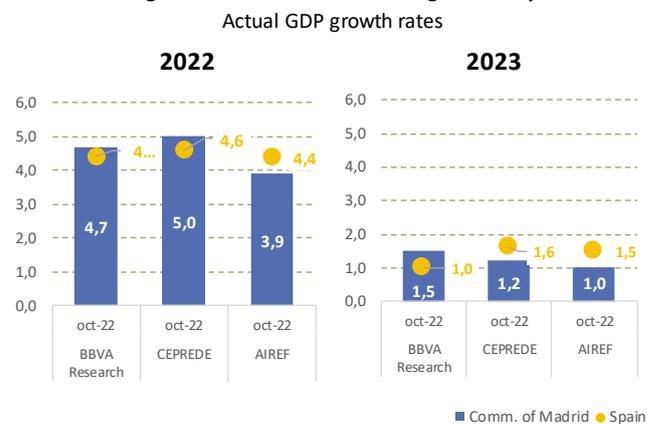
In any case, a situation as complex as the one we are currently experiencing makes the models even more inaccurate than they already are. The COVID crisis disrupted the series, something models have struggled to deal with. This compels institutions to be even more attentive than usual to market signals.

Growth forecasts for Spain



panellists expect the slowdown in the pace of national GDP growth in 2023 to be even greater than expected two months ago, with rates revised downwards by between two tenths and 1.5 percentage points. New

GDP growth forecasts. Madrid Region and Spain



Annex I.

Madrid in the context of European regions

SUMMARY OF INDICATORS FOR EUROPEAN REGIONS ⁽¹⁾								
	High Tech Jobs	High Tech Industry Jobs	High Tech Service Jobs	R&D Expenditure	GDP (ppp)	GDP (ppp) per capita	Household Income (per capita)	
Year of last datum	2021	2021	2021	2019	2020	2020	2019	
Unit of Measurement	Thousands of jobs	Thousands of jobs	Thousands of jobs	% GDP	Millions of € PPP	Euros	Euros PPP	
EU27	European Union (2020)	9.410,8	2.190,4	7.220,5	2,23	29.900	13.394.141	17.100
ES	Spain	812,1	126,5	685,6	1,25	25.200	1.194.956	16.200
AT13	Wien	68,6	11,7	56,9	3,65	44.100	84.493	20.000
BE10	Brussels-Capital	36,4	5,6	30,8	2,32	61.300	75.156	17.500
CZ01	Praha	92,9	12,1	80,8	2,54	60.400	80.199	18.600
DE21	Oberbayern	222,5	66,7	155,8	4,42	52.500	247.523	26.200
DE30	Berlin	187,2		164,8	3,33	38.300	140.433	19.200
ES30	Community of Madrid	262,3	35,9	226,4	1,70	34.100	230.618	20.300
ES51	Catalonia	182,6	44,9	137,7	1,51	29.600	226.787	18.300
FI1B	Helsinki-Uusimaa	91,0	11,7	79,3	3,50	43.500	73.769	19.500
FR10	Île de France	454,6	45,6	409,0		52.700	652.399	21.000
ITC4	Lombardy	239,3	80,8	158,5	1,34	36.800	367.946	21.600
ITI4	Lazio	185,2	31,8	153,4	1,85	32.700	187.537	18.600
NL32	Noord-Holland	111,9	7,4	104,5		51.200	147.674	19.300
PT17	Lisbon	94,0	11,6	82,4	1,67	29.300	83.953	16.900
SE11	Stockholm	148,0	15,3	132,6	3,34	51.600	122.984	20.300
Position of the Community of Madrid in the selection of regions		2	5	2	9	11	4	5

	Activity Rate	Unemployment Rate	Unemployment Rate under 25	Population	Fertility Rate	Expected lifespan (at least 1 year)	
Year of last datum	2021	2021	2021	2021	2020	2020	
Unit of Measurement	%	%	%	People	Children per woman	Years	
EU27	European Union (2020)	78,2	7,0	16,6	447.207.489	1,50	80,4
ES	Spain	76,5	14,8	34,8	47.398.695	1,19	82,4
AT13	Wien	81,4	12,1	19,9	1.920.949	1,29	80,2
BE10	Brussels-Capital	77,6	12,4	30,8	1.226.329	1,60	79,4
CZ01	Praha	85,0	2,3	5,7	1.335.084	1,51	80,3
DE21	Oberbayern	81,2	2,7	5,4	4.719.716	1,51	82,4
DE30	Berlin	82,0	5,7	9,8	3.664.088	1,38	80,9
ES30	Community of Madrid	82,9	11,6	29,4	6.755.828	1,16	82,3
ES51	Catalonia	83,1	11,6	28,9	7.671.252	1,23	82,3
FI1B	Helsinki-Uusimaa	90,1	7,7	15,3	1.702.678	1,30	82,3
FR10	Île de France	81,3	8,0	20,4	12.348.605	1,88	82,7
ITC4	Lombardy	74,5	5,9	21,2	9.981.554	1,27	81,4
ITI4	Lazio	68,4	10,0	34,4	5.730.399	1,18	83,1
NL32	Noord-Holland	82,1	4,5	10,1	2.888.486	1,43	81,7
PT17	Lisbon	91,3	6,8	26,3	2.869.033	1,69	81,4
SE11	Stockholm	92,9	8,2	25,8	2.391.990	1,59	82,3
Position of the Community of Madrid in the selection of regions		6	3	4	4	14	7

(1) Of the 242 European regions in the 2021 Nomenclature of Territorial Units for Statistics (NUTS) for EU27 and excluding the UK from 2020 (equivalent in Spain to the Autonomous Communities), some regions with similar characteristics to the Community of Madrid were selected, many of them capital regions while others prominent regions of representative states of the Union.

Source: Eurostat

Annex II. Relocation of companies to the Community of Madrid

Companies that relocated their registered address to the Community of Madrid²

Last update: October 2022

Cumulative: Total January - October 2022

Companies that relocated their registered address to the Community of Madrid														
By autonomous community of origin and sector of activity. October 2022														
Autonomous comm	01	02	03	04	05	06	07	08	09	10	11	n/d	Total	%
Andalusia	2	11	3	4	2		2	1	1		1		27	15,2
Aragon	1	18	1			2				3			25	14,0
Asturias				1									1	0,6
Balearic Islands		7	3					1	17	1			29	16,3
Canary Islands														
Cantabria									2				2	1,1
Castile-La Mancha		2	1	3	1			2	1	1			11	6,2
Castile Leon	1	7	1	2						1		2	14	7,9
Catalonia		4	3	8			3	7	3		3		31	17,4
Extremadura	2												2	1,1
Galicia			1	1		1	1				1		5	2,8
La Rioja								1					1	0,6
Murcia									3				3	1,7
Navarra														
Basque Country		1		1			1	1			1		5	2,8
Valencia		3	2	3	2	1	1	3	5	2			22	12,4
Others														
Total	6	53	15	23	5	4	8	16	36	5	7		178	100,0
%	3,4	29,8	8,4	12,9	2,8	2,2	4,5	9,0	20,2	2,8	3,9		100,0	
Balance. Inputs - Outputs													89	

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 relocated their registered address to the Community of Madrid														
By autonomous community of origin and sector of activity. Cumulative Jan - Oct 2022														
Autonomous comm	01	02	03	04	05	06	07	08	09	10	11	n/d	Total	%
Andalusia	9	60	29	38	9	5	23	35	37	4	6		255	16,6
Aragon	1	76	6	6	2	2	1	12	10		2		118	7,7
Asturias		1	2	4	1	1	1	4	8	1	2		25	1,6
Balearic Islands	1	16	7	4	1	5	1	8	27	2	1		73	4,8
Canary Islands	3	1	3	10	1	2	4	3	8	1			36	2,3
Cantabria	1		1	3		2		3	6	1	3		20	1,3
Castile-La Mancha	5	28	15	22	6	3	6	16	18	8	8		135	8,8
Castile Leon	3	33	11	20	3	5	4	18	15	5	6		123	8,0
Catalonia		49	24	47	10	8	26	63	63	8	15		313	20,4
Extremadura	3	15	2	2		1	3	2	4		1		33	2,1
Galicia		5	2	7	3	3	3	17	8	6			54	3,5
La Rioja		9	2	2				2	3	3			21	1,4
Murcia	1	2	5	7	1		2	5	9	5	2		39	2,5
Navarra		10	1	9		1	4	2	3		3		33	2,1
Basque Country		6	5	10	1	3	6	11	15	1	6		64	4,2
Valencia	2	33	16	30	3	8	22	40	27	6	6		193	12,6
Others								1					1	0,1
Total	29	344	131	221	41	49	106	242	261	51	61		1.536	100,0
%	1,9	22	8,5	14	3	3	6,9	16	17	3	4		100,0	
Balance. Inputs - Outputs													329	

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 from the Community of Madrid³

Last update: October 2022

Total cumulative: January - October 2022

Companies that move their registered office outside the Community of Madrid													Total	%
By autonomous community of origin and sector of activity. October 2022														
Autonomous commi	01	02	03	04	05	06	07	08	09	10	11	n/d		
Andalusia	1	1	2	3		1		4	4		1		17	19,1
Aragon														
Asturias				2							1		3	3,4
Balearic Islands			1							1	1		3	3,4
Canary Islands				1			1	1	2		2		7	7,9
Cantabria														
Castile Leon		1	1						2				4	4,5
Castile-La Mancha		1	10	1									12	13,5
Catalonia		3	1	1	1		1	5	1	2	1		16	18,0
Extremadura														
Galicia		1	1	2					4		1		9	10,1
La Rioja				1			1						2	2,2
Murcia				1			1	2		1			5	5,6
Navarra														
Basque Country		1		2	1		1						5	5,6
Valencia				2				2	2				6	6,7
Ceuta														
Melilla														
Total	1	8	16	16	2	1	5	14	15	5	6		89	100,0
%	1,1	9,0	18,0	18,0	2,2	1,1	5,6	15,7	16,9	5,6	6,7		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.

Companies that relocated their registered address from the Community of Madrid													Total	%
By autonomous community of origin and sector of activity. Cumulative Jan - Oct 2022														
Autonomous commi	01	02	03	04	05	06	07	08	09	10	11	n/d		
Andalusia	9	19	17	39	4	14	17	38	39	6	10	2	214	17,7
Aragon		8	4	5		1		13	8	3	1		43	3,6
Asturias		1	3	8		2	2	1	7	2	1		27	2,2
Balearic Islands		1	7	5		4	2	10	5	1	3		38	3,1
Canary Islands			7	6		1	14	4	9		4		45	3,7
Cantabria		2	2	2	1		1	1	3	1	1		14	1,2
Castile Leon	5	15	10	20		4	4	5	8	1	4		76	6,3
Castile-La Mancha	5	20	24	30	4	4	5	15	16	3	5		131	10,9
Catalonia	2	27	13	42	4	5	19	83	61	8	11	3	278	23,0
Extremadura	1		1	9		1	1	3	1		1		18	1,5
Galicia	2	7	3	7	2	1	6	7	17	2	6		60	5,0
La Rioja		1		2			2		1				6	0,5
Murcia	1	7	4	10		1	2	6	5	2	4		42	3,5
Navarra		2		2		1		1	1	1			8	0,7
Basque Country		11	2	10	3	2	7	8	9	1	3	1	57	4,7
Valencia	1	21	9	22	4	3	10	41	30	3	3		147	12,2
Ceuta				1			1		1				3	0,2
Melilla														
Total	26	142	106	220	22	44	93	236	221	34	57	6	1.207	100,0
%	2,2	11,8	8,8	18,2	1,8	3,6	7,7	19,6	18,3	2,8	4,7	0,5	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
CNTR	Quarterly Spanish National Accounts	OECD	Organisation for Economic Cooperation and Development
QUARTERLY REGIONAL ACCOUNTS (QRA).	Quarterly Regional Accounts of the Community of Madrid	OPEC	Organisation of Petroleum Exporting Countries
SPRC	Strategic Petroleum Products Reserves Corporation	GDP	Gross Domestic Product
CRE	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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