

# Economic Situation in the Community of Madrid

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**Note on the analysis of the evolution of economic indicators in this report:**

An assessment of how economic indicators have recovered throughout 2021 and in early 2022, it requires a comparison with the levels seen in the reference months before the pandemic broke out. This report therefore focuses on the monthly indicator values since 2019 and on the changes in the levels in 2021 versus 2019, rather than the usual use of year-on-year rates, thereby illustrating the upward or downward corrections in the evolution of the latest published data. As a result, the axes in some graphs have been forced in order to ensure that the extreme, one-off variations due to the outliers of March and April 2020 do not prevent the most recent normalisation patterns from being observed.

## I. Overview of the economic situation

Economic activity in the fourth quarter of 2021 has once again been conditioned by the pandemic. The emergence of the new Omicron variant in December, and its increased transmissibility, triggered a new wave of pandemics worldwide. Nonetheless, given the high effectiveness of vaccines against new strains and the high percentage of the population immunised, the measures put in place to control infection have had a much more limited impact in terms of loss of economic activity than in previous outbreaks.

The upturn in the pandemic in the latter part of the year was compounded by the worsening of some of its indirect economic consequences: supply chain problems (due to the revival, among other factors, of the "zero COVID" policy in China) and inflationary pressures. Rising inflation, and especially its perception as transitory or more persistent, is proving decisive in shaping monetary stimulus measures of the main central banks already in the very short term.

In this regard, the US Federal Reserve will raise rates at its March meeting (markets expect it to raise rates five more times in 2022), with the possibility of cutting its balance sheet, in a context of an early recovery of pre-pandemic activity levels (second quarter of 2021) and a fully employed labour market, with the level of unfilled vacancies close to historical highs and significant wage pressures. The European Central Bank is facing a different scenario because of the evolving core inflation, albeit at levels well below the United States, and also the degree of recovery of activity, which reveals significant territorial asymmetries despite having just reached pre-pandemic levels in the eurozone in the fourth quarter (matching them in the EU in the third quarter). In this context, the European Central Bank remained committed to its roadmap at its February meeting: its asset purchase programme will end in 2022 and, while recognising the existence of short-term inflation risks, it nevertheless anticipates no rate hikes this year.

The recent escalation of the Russia-Ukraine conflict, however, may hasten substantial changes to previously outlined plans. The economic consequences include increased inflationary pressures due to higher gas prices, which is only the tip of the iceberg. An armed conflict of such a geopolitical scale is profoundly disruptive: exacerbating market volatility, altering the decision-making patterns of agents, causing economic blockages in trade in goods, services and capital, and proving extraordinarily difficult to model. In this regard, it should be noted that the economic forecasts currently available, which will be discussed below, made no provision for the outbreak of war in its central scenarios, but rather a diplomatic shortening of it. Thus, the immediate future of this conflict will be decisive, and whether it becomes a new disruptive element will depend on the dimension it acquires.

This is also when the effects of the previous crisis are still visible and disturbing, due to its territorial, sectoral and social asymmetry. Some of the extraordinary mechanisms introduced to alleviate their historically unparalleled socio-economic effects must be withdrawn, while others must now serve as an engine of change to increase the production capabilities of the economies, which also face the challenge of defining credible strategies for financing their swollen debt in the short and medium terms.

Fourth quarter growth data for Europe reveal a clear slowdown in quarterly rates; the EU went from 2.2% growth in the third quarter to 0.4% in the fourth quarter; the Eurozone from 2.3% to 0.3%, which has not prevented the year-on-year rates from accelerating in both areas by seven tenths of a percentage point to 4.8% in the EU and 4.6% in the EU-19. Current output levels hover 0.4% stronger than in the fourth quarter of 2019 in the EU, and equal to pre-pandemic levels in the Eurozone. Pending full country-by-country data, Germany is still 1.5% below pre-crisis GDP, while France has exceeded it by 0.9 points.

Spain's performance is very similar to the pattern described above: quarterly GDP growth fell by six tenths of a percentage point to 2% in the fourth quarter, but year-on-year growth picked up from 3.4% in the third quarter to the current 5.2%. Activity, however, continues to trail by 4% in the fourth quarter of 2019, and Spain is the country lagging the furthest behind in the European context. Growth in 2021, as a whole, is thus two tenths of a percentage point lower than that recorded in the EU and the eurozone, 5.2% in both, after Spain experienced the largest fall in the EU in 2020, 10.8%, compared with a decline of 6.4% in the eurozone, which was 5.9% in the EU as a whole.

The Community of Madrid's GDP grew by 3% quarter-on-quarter in the fourth quarter, only 2.6% below the pre-pandemic level. For the year as a whole, it grew by 6.5% in 2021, after falling by 10.3% in the previous year.

Although incomplete in terms of activity, this recovery contrasts with the indicators for the labour market, which prolonged the positive trend apparent in the third quarter into the fourth quarter, a trend that is

also being confirmed in the first quarter of the year by the variables recorded in the registry. According to the Spanish Labour Force Survey (LFS; also referred to by its Spanish acronym EPA -Encuesta de Población Activa), employment reached its all-time high of 3,175,600 employed in the fourth quarter, 1,100 more than in the pre-pandemic peak, while unemployment figures posted the largest quarter-on-quarter reduction in its history, at 15%, falling to 357,500, 3,400 more than in the fourth quarter of 2019. At 10.1%, the current unemployment rate is one tenth of a percentage point above the all-time low of the fourth quarter of 2019 in a context of a slight moderation in the activity rate, in the quarter and in the year, to 63.1% due to the increase in the flow of inactive people in this quarter, despite which it continues to be the highest of all Spanish regions, at 4.4 points above the national average.

Social Security enrolments reached an all-time high in December, very close to 3.4 million, 2.7% higher than in the same month of 2019, with both main contribution regimes, as well as male and female enrolments, also breaking all-time records. The seasonal reduction in January, however, the smallest in the series, meant that the volume of Social Security enrolments at the start of the year was the highest for a January, and 3.0% higher than in January 2020. Moreover, this noteworthy registration rate occurs against a background of a continued reduction in the number of workers protected by ERTE furlough schemes, down to 21,639 in January 2022. Unemployment has fallen sharply by more than 45,000 to 356,000. This rapid reduction is partly due to the elimination in December of the automatic extension of job applications, which had already been introduced in the rest of Spain.

International trade in goods in the region in the fourth quarter, and for the year as a whole, also merits special mention. Exports and imports in December surpassed all previous records and raised the annual figure to unprecedented heights. Total exports in 2021 grew by 35.3% y-o-y, foreign purchases by 29.3% (after final data for 2020 are known), driven by the increase in the fourth quarter of 39.8% and 42.8% respectively. The largest contributions to these developments continue to come from pharmaceuticals (through trade in COVID vaccines) and fuels and motor fuels (driven by higher prices and the recent HQ effect of gas swaps).

Sectorial activity variables show a strengthening of recovery patterns in the last quarter of the year, albeit with not insignificant differences depending on the sector or branch. Industrial indicators show tentative recovery profiles, affected by the significant increase in production costs and the shortage of certain components, although the impact of the latter is more limited in Spain than in other neighbouring countries.

Construction activity and employment variables reflect the current buoyant momentum in the residential market, as prices continue rising. New construction variables also reactivated after the temporary halt in new developments in 2020, while civil engineering works also picked up steam in the second half of the year.

Services paint a rather uneven picture in terms of recovery to pre-pandemic levels of activity, although all indicators seem to have moved in this direction in the fourth quarter. The still incomplete recovery of tourism-related activities and passenger transport are holding back overall tertiary indicators, which are currently below pre-pandemic volumes, both for the quarter and for the year. The strength of regional domestic demand is also evident in terms of consumption, some indicators of which are well above pre-COVID levels.

The year 2022, therefore, looks set to be the decisive year for a full recovery in activity, not without risks, some of which are growing and deeply disruptive. However, 2022 has unique determinants that are set to drive growth: the favourable monetary conditions, as of the date of this report, together with the materialisation of a significant part of the European Recovery Fund (Next Generation EU), and the suspension of balanced budget rules, make 2022 a key year for the proper design and implementation of structural reforms aimed at amplifying the growth potential of the Spanish economy, and also for setting up a strategy of gradual fiscal consolidation in the short and medium term, which will strengthen the perception of Spain in the financing markets. These conditions, however, pose a risk to the perception of the EU's monetary policy, which will now need to reconsider the way out of debt and deficit, further hampered by the crisis triggered by the Russian invasion of Ukraine.

The currently available regional growth forecasts for 2022, all of which, as mentioned above, are based on the assumption of a non-belligerent approach to the Russia-Ukraine conflict, put the increase in regional GDP at 6.1% on average, two tenths of a percentage point higher than Spain's domestic forecast. This progress would place regional activity in 2022 very close to pre-pandemic levels, although still slightly below the national average. Current estimates project robust GDP growth of 4.5% in the region by 2023, slightly above the average for Spain.

However, a wave of new forecasts is expected in the near future, after the extent to which the Russian-initiated war may have an impact on global economic developments becomes clear. Consequently, uncertainty, volatility, complexity and ambiguity have once again come into the spotlight.

***Close of information 28 February 2022, except for Quarterly Regional Accounts (15 March 2022)***

## II. International context

### The global economic recovery remains resilient despite multiple stumbling blocks.

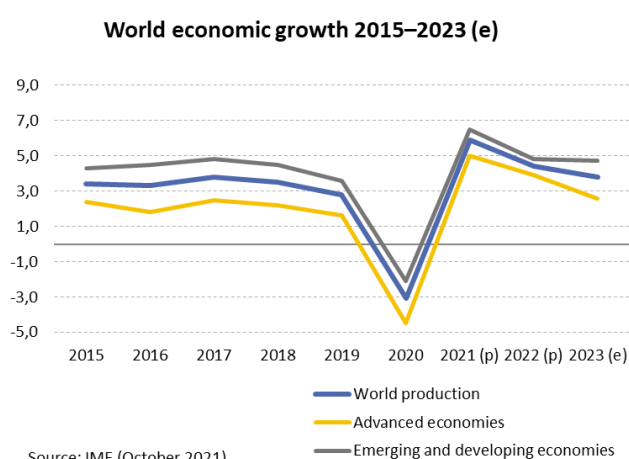
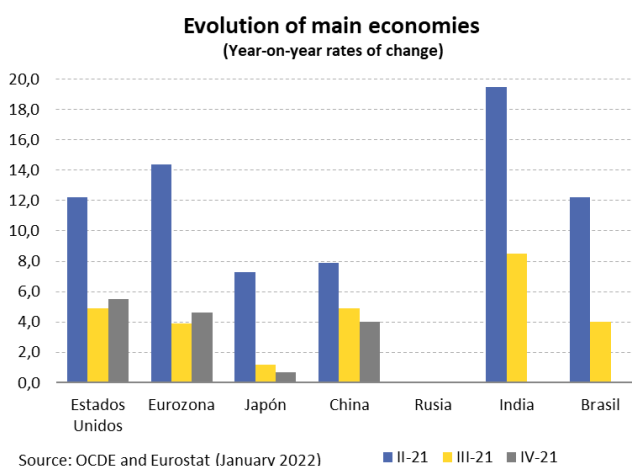
The global economy began 2022 on weaker-than-expected footing. As the new omicron variant of the virus that causes COVID-19 spreads, countries have reinstituted mobility restrictions. As a result of higher energy prices and supply disruptions, inflation is higher and more widespread than expected, especially in the US and in many emerging market and developing economies. In addition, the ongoing contraction in China's real estate sector and the unexpectedly sluggish recovery of private consumption have limited growth prospects. Global growth is projected to ease from 5.9 per cent in 2021 to 4.4 per cent in 2022, half a percentage point lower in 2022 than projected in the October edition of the IMF's World Economic Outlook, largely because of a cut in the projections for the two largest economies. Russia's military incursion into Ukraine may have potential negative effects on growth and, above all, inflation.

### The most recent macroeconomic data releases have generally confirmed the worsening of the global economic growth and inflation mix in the fourth quarter.

The medium-term challenges to the business cycle will remain significant, as rising inflation and the emergence of bottlenecks in much of the production chain combine with widespread high levels of debt, the shift in monetary policy in a number of countries and the uncertainty associated with the evolution of COVID. The IMF estimates that the global supply-demand mismatch, alone, lowered growth in 2021 by 0.5 percentage points and raised inflation by 1 percentage point. Despite this, global activity grew by 5.9% in 2021 and could grow by over 4% in 2022. The recovery therefore continues to show a high degree of resilience and, above all, is being accompanied by a remarkable performance of the labour market.

Strained tensions between Russia and Ukraine could lead to a further reduction in gas supplies to Europe, which could hardly be compensated by an increase in liquefied gas from the USA or Qatar, and would add further upward momentum to recent price behaviour in the Eurozone, negatively affecting economic activity through the loss of purchasing power and the impact on the sectors most exposed to energy prices. The ECB's anxiety is likely to focus on an increased risk of second-round effects on prices, forcing interest rate hikes to be brought forward. Indeed, markets are leaning towards this possibility, and now anticipate a 25 bps rise by the end of 2022.

The **US** is already above pre-COVID levels, having grown by 1.7% quarter-on-quarter in Q4 21 and leaving the year-on-year rate at 5.5%. The GDP in the **Eurozone** increased by a meagre 0.3% quarter-on-quarter in Q4 21, bringing the year-on-year rate to 4.6% and already reaching pre-pandemic levels. **China** fared better, growing by 1.6% quarter-on-quarter in Q4 21, bringing the year-on-year rate to 4.0%.



### III. National framework

#### 1. Growth

##### Investment driven domestic GDP growth in the fourth quarter.

The Spanish economy grew again in the fourth quarter, by 2%, according to the INE's Quarterly National Accounts data. This marks the end of a second half of the year in which the recovery has gained momentum compared to the weakness of the first part of the year.

Gross capital formation grew by 8.5% quarter-on-quarter, with positive contributions from construction, machinery and equipment, and intellectual property products; on the other hand, consumption ended the year as it began, with a contraction, on this occasion of 1%, which was seen in household and public sector consumption. On the foreign demand side, exports (6.5% quarter-on-quarter) show higher growth than imports (3.5%).

##### GDP gained momentum in the latter part of the year and grew by 5.2% year-on-year.

In year-on-year terms, GDP growth picked up in the fourth quarter with a rate of 5.2% compared with 3.4% in the previous quarter, continuing the recovery process, although activity is still 4% below the level of the fourth quarter of 2019. Based on these figures, INE's initially estimates that 2021 will end with an overall growth of 5%.

Domestic and foreign demand contributed to the improvement in the fourth quarter, contributing 3.6 and 1.7 percentage points respectively to year-on-year GDP growth. Investment picked up after a moderate third quarter and in continuation of the solid wake of momentum for investments in machinery and equipment (10.3%) and intellectual property assets (10.4%), despite a further contraction of investment in construction, with a fall of 2.8%. Consumption growth was more moderate and more subdued than in the previous period for households (2.4%) and the general government sector. (1.3%). In terms of foreign demand, exports grew by 15.8% and imports by 11.1%, fuelled by the dynamic performance of services, particularly tourism.

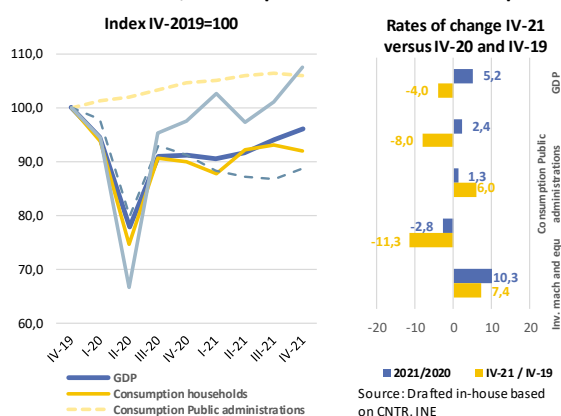
#### 2. Foreign sector

##### In Spain, foreign trade in goods maintained double-digit growth in the last quarter, closing 2021 as the best year in the history of the series, with record volumes for both flows.

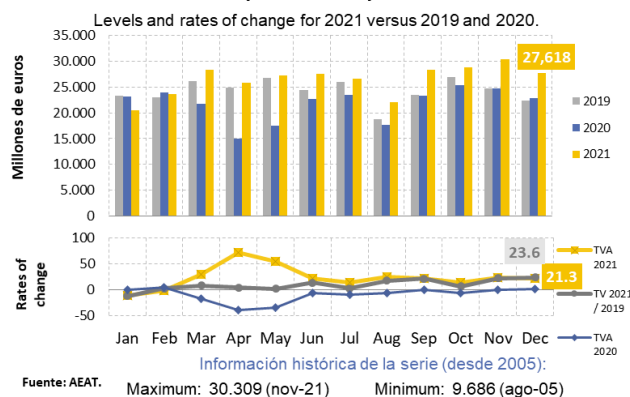
Spanish exports of goods grew by 18% in the fourth quarter of 2021 versus the same period in 2020 (final data), and by 17.1% compared to the same period in 2019. The 2021 year-end is expected to close with a 20.1% year-on-year increase in sales, which translates into an annual volume of €316,609 million, a record figure for the series. The Community of Madrid is the second Spanish region that contributes the most to the increase, with 3.9 percentage points.

Fourth quarter imports in 2021 rose 32% compared to the same quarter in 2020, and 23.1% compared to the same period in 2019. Foreign purchasing volume from Spain in 2021 thus tallies €342,787 million, another unprecedented figure, 23.8% higher than in 2020. The trade balance for the year thus recorded a deficit of €26,178 million.

Evolution of GDP, consumption and investment in Spain



Exports from Spain



### 3. Labour market

**Pandemic containment measures have boosted the Spanish labour market and LFS for the fourth quarter of 2021, as people affected by the ERTE furlough schemes are classified as employed.**

The number of employed persons in Spain in the fourth quarter of 2021 increased by 153,900 compared to the previous quarter (0.8%), and by 840,600 employed persons in the year (4.3%), tallying 20,184,900. The comparison with the fourth quarter of 2019 also reveals that national employment has increased by 1.1% versus this pre-pandemic period.

There were 1,938,700 employed workers who did not work during the reference week in the fourth quarter of 2021, an increase of 49,600 compared with the same quarter of the previous year. This increase was mainly due to increased holiday leave and sickness or accident-related reasons; while absence from work due to temporary lay-offs (ERTE furlough schemes) or partial unemployment for technical or economic reasons decreased.

Unemployment in Spain in the fourth quarter of 2021 fell by 312,900 compared with the previous quarter (-9.2%) and, in year-on-year terms, by 616,000 (-16.6%) to 3,103,800 unemployed. The comparison with the fourth quarter of 2019 reflects a 2.8% decrease.

Positive LFS data are matched by the results for average monthly Social Security enrolment, as the average enrolment number in the fourth quarter of 2021 grew by 3.9% versus the same quarter of the previous year. Moreover, according to the latest data published in January 2022, enrolment grew year-on-year by 4.2% and 4.3% compared with the same month in 2019 (pre-pandemic level). In January, Social Security enrolment in Spain reached 19,627,161. For the third consecutive time since the second quarter of 2021, quarterly averages of registered unemployment have fallen year-on-year, by 17.5% in this fourth quarter; the latest published data for January 2022 indicates a year-on-year fall in unemployment of 21.2%, and 5% from January 2019 (pre-pandemic level). Spain's unemployment figure in January stood at 3,123,078.

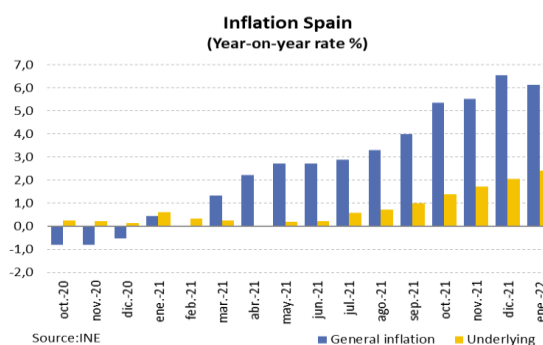
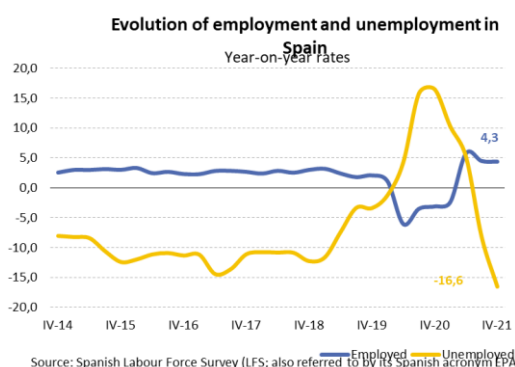
### 4. Prices

**The escalation of energy prices continues, pushing inflation in the last quarter of 2021 to the highest level in 20 years. The underlying rate, excluding energy and unprocessed food, shows a softer upward profile at more moderate levels.**

Inflation in the fourth quarter averaged 5.5%, ending the year with an average inflation in 2021 of 3.1% (-0.3% in 2020). January's figures halted the rise, shedding four tenths of a percentage point to stand at 6.1%. Inflation unfortunately picked up again in February 2022 and reached 7.4% year-on-year, the highest since 1989.

The 'Housing' and 'Transport' groups contribute most to the rise in headline inflation in 2021. At its origin is the rise in the price of energy products, with a direct impact on both groups. The *Electricity* subclass recorded an inflation rate of 72% in December, an all-time high, while *Liquid fuels* reached 62.7% in November, the highest in the quarter. Their values tempered in January, rising by 46.4% and 44.6% respectively.

The underlying rate continued to rise at the end of the year and recorded an average increase of 1.8% in the fourth quarter, compared to an average increase of 0.8% for the year. The published figure for January is 2.4%, far from the overall figure, but with already high values, which rises to 3% in February. European inflation, in turn, extended its upward trend in the fourth quarter of 2021, from 4.1% in October to 5% in December. The latest figure, from January 2022, stands at 5.1%.



## IV. Recent developments in Madrid's economy

### IV.1. Economic growth

#### Madrid's economy closes 2021 with annual GDP growth of 6.5%.

Following the historic GDP contraction of 10.3% in 2020, regional economic activity has been progressively recovering throughout the year, in a context marked by the effects of the pandemic. Even so, the Community of Madrid's GDP grew by 6.5% compared to the previous year, showing greater dynamism than the national average, which advanced by 5% according to INE data.

This is clear from the latest data from the Quarterly Regional Accounts of the Community of Madrid, according to which the regional GDP grew by 3% quarter-on-quarter in the fourth quarter, compared with 2% in Spain as a whole, driven mainly by the improvement in household consumption.

#### The significant pick-up in regional demand in the latter part of the year resulted in a year-on-year GDP growth of 3.1% in the fourth quarter.

Madrid's GDP increased by 3.1% in year-on-year terms, a more moderate pace than that achieved in the previous quarter due to the particular momentum that the regional economy experienced in the fourth quarter of 2020, when it grew by 4.5% quarter-on-quarter while Spain grew by 0.2%. The region therefore continues to recover the ground lost in this crisis, standing in the fourth quarter 2.6% below the level of GDP in the fourth quarter of 2019. The Spanish economy shows a year-on-year increase of 5.2% in this period, although it is somewhat further away from pre-COVID levels, still 4% below.

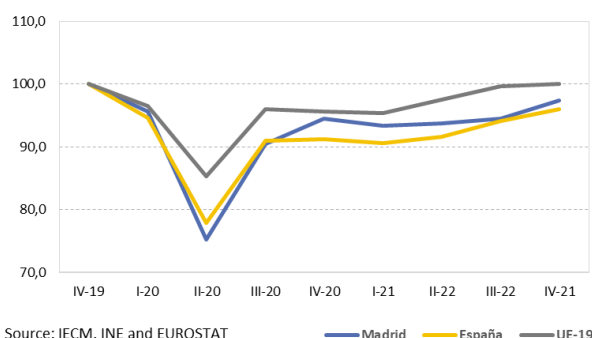
Regional demand in the fourth quarter continued to grow at 3%, though this growth rate eased by two tenths of a point versus the previous period; with a lower contribution from foreign demand to Madrid's GDP growth, from 1.6 points to three tenths of a point.

#### This upturn is mainly explained by the improvement in regional demand, particularly the regained momentum of household consumption.

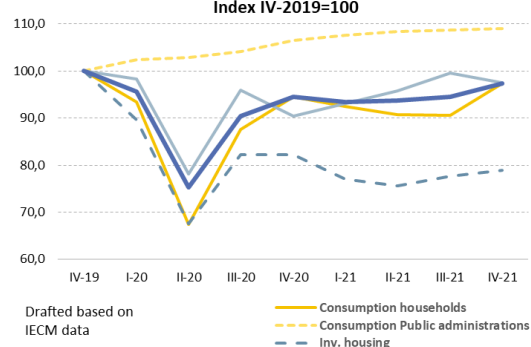
In terms of demand components, final consumption expenditure eased its growth rate by nine tenths of a percentage point to 2.8% year-on-year; household consumption increased by 3.1%, although it is still 2.6% below the fourth quarter of 2019, while government consumption, which has not stopped growing, is now 9.1% above its pre-pandemic level. Investment, meanwhile, rebounded from the stagnation recorded in the previous period and rose 3.6% year-on-year, thanks to the rebound in non-residential investment (7.8%) and despite a further deterioration of 4% in residential investment. The situation of both components differs substantially with respect to the fourth quarter of 2019, each lower by 2.5% and 21.1% respectively.

On the supply side, and in year-on-year terms, the four main sectors are growing; in all of them the pace of growth is more subdued than in the previous quarter, although not in all of them with the same intensity. The services sector has proven itself to be the most resilient, with a 3.2% growth, decelerating by nine tenths of a percentage point from the previous period. Industry experienced a somewhat greater moderation of 1.4 points, although it maintained a significant year-on-year increase of 3.9%. Conversely, growth in construction slowed down by 5 points compared to the third quarter, with a meagre 0.6% increase.

**Impact of COVID-19 crisis in Madrid, Spain and the EU**  
Gross Domestic Product, index IV-2019=100



**Evolution of GDP, consumption and investment**  
Community of Madrid  
Index IV-2019=100



QUARTERLY ACCOUNTS OF THE COMMUNITY OF MADRID BASE 2013										
(Volume indices, seasonally and calendar-adjusted data)										
			Quarter-on-quarter rate of change (%)							
	2020	2021	I 2020	II 2020	III /2020	IV 2020	I 2021	II 2021	III /2021	IV 2021
Agriculture	-	-	-0,3	-0,9	-1,4	0,2	3,3	2,4	0,0	-2,7
Industry	-	-	-2,7	-15,1	11,5	1,2	0,6	3,1	0,3	-0,1
Construction	-	-	-4,9	-23,9	25,8	6,6	-0,9	0,3	-0,3	1,5
Services	-	-	-4,6	-20,8	19,8	4,0	-1,5	0,2	1,4	3,2
GVA	-	-	-4,5	-20,4	19,2	3,9	-1,3	0,5	1,2	2,7
<b>GDP</b>	-	-	<b>-4,4</b>	<b>-21,3</b>	<b>20,2</b>	<b>4,5</b>	<b>-1,2</b>	<b>0,3</b>	<b>0,9</b>	<b>3,0</b>
Final Consumption Expenditure	-	-	<b>-4,4</b>	<b>-20,2</b>	<b>20,2</b>	<b>6,3</b>	<b>-1,3</b>	<b>-1,1</b>	<b>-0,1</b>	<b>5,4</b>
- households	-	-	-6,6	-27,8	29,9	7,9	-2,2	-1,8	-0,2	7,5
- Public sector and NPISH	-	-	2,4	0,6	1,1	2,3	1,1	0,7	0,2	0,3
<b>Gross Capital Formation</b>	-	-	<b>-4,8</b>	<b>-22,0</b>	<b>22,4</b>	<b>-3,9</b>	<b>-0,2</b>	<b>1,2</b>	<b>3,6</b>	<b>-1,0</b>
- Investment in housing	-	-	-10,3	-24,6	21,6	0,0	-6,3	-1,9	2,8	1,5
- Rest of investment	-	-	-1,6	-20,6	22,8	-5,8	3,1	2,8	4,0	-2,2
<b>Regional demand</b>	-	-	<b>-4,4</b>	<b>-20,5</b>	<b>20,6</b>	<b>4,5</b>	<b>-1,1</b>	<b>-0,7</b>	<b>0,5</b>	<b>4,3</b>
<b>External demand <sup>(1)</sup></b>	-	-	<b>-0,2</b>	<b>-2,3</b>	<b>1,1</b>	<b>0,2</b>	<b>-0,1</b>	<b>1,0</b>	<b>0,4</b>	<b>-1,0</b>
<b>GDP COMMUNITY OF MADRI</b>	-	-	<b>-4,4</b>	<b>-21,3</b>	<b>20,2</b>	<b>4,5</b>	<b>-1,2</b>	<b>0,3</b>	<b>0,9</b>	<b>3,0</b>
<b>GDP SPAIN (Forecast)</b>	-	-	<b>-5,4</b>	<b>-17,7</b>	<b>16,8</b>	<b>0,2</b>	<b>-0,7</b>	<b>1,2</b>	<b>2,6</b>	<b>2,0</b>
			Year-on-year rates of change (%)							
	2020	2021	I 2020	II 2020	III /2020	IV 2020	I 2021	II 2021	III /2021	IV 2021
Agriculture	-3,1	3,6	-2,9	-3,8	-3,1	-2,4	1,1	4,5	6,0	2,9
Industry	-8,6	5,3	-2,3	-17,6	-7,9	-6,7	-3,6	17,1	5,3	3,9
Construction	-11,4	8,6	-4,8	-28,1	-9,6	-3,0	1,1	33,2	5,6	0,6
Services	-10,1	6,0	-2,6	-23,4	-8,7	-5,8	-2,8	23,0	4,1	3,2
GVA	-10,1	6,1	-2,7	-23,1	-8,7	-5,8	-2,6	22,9	4,3	3,1
<b>GDP</b>	<b>-10,3</b>	<b>6,5</b>	<b>-2,7</b>	<b>-24,0</b>	<b>-9,0</b>	<b>-5,5</b>	<b>-2,3</b>	<b>24,6</b>	<b>4,5</b>	<b>3,1</b>
Final Consumption Expenditure	<b>-9,0</b>	<b>7,1</b>	<b>-2,7</b>	<b>-22,7</b>	<b>-7,9</b>	<b>-2,5</b>	<b>0,7</b>	<b>24,7</b>	<b>3,7</b>	<b>2,8</b>
- households	-13,6	8,3	-5,0	-31,8	-12,1	-5,5	-1,0	34,6	3,4	3,1
- Public sector and NPISH	4,9	4,3	4,0	4,3	4,7	6,5	5,2	5,3	4,4	2,4
<b>Gross Capital Formation</b>	<b>-12,6</b>	<b>2,8</b>	<b>-3,4</b>	<b>-25,2</b>	<b>-9,1</b>	<b>-12,6</b>	<b>-8,4</b>	<b>18,8</b>	<b>0,6</b>	<b>3,6</b>
- Investment in housing	-18,4	-3,9	-7,6	-31,3	-16,7	-17,8	-14,1	11,8	-5,5	-4,0
- Rest of investment	-9,2	6,4	-0,9	-21,6	-4,8	-9,6	-5,3	22,6	3,9	7,8
<b>Regional demand</b>	<b>-9,6</b>	<b>6,4</b>	<b>-2,8</b>	<b>-23,2</b>	<b>-8,1</b>	<b>-4,2</b>	<b>-0,9</b>	<b>23,7</b>	<b>3,2</b>	<b>3,0</b>
<b>External demand <sup>(1)</sup></b>	<b>-1,4</b>	<b>0,6</b>	<b>0,0</b>	<b>-2,4</b>	<b>-1,4</b>	<b>-1,6</b>	<b>-1,5</b>	<b>2,5</b>	<b>1,6</b>	<b>0,3</b>
<b>GDP COMMUNITY OF MADRI</b>	<b>-10,3</b>	<b>6,5</b>	<b>-2,7</b>	<b>-24,0</b>	<b>-9,0</b>	<b>-5,5</b>	<b>-2,3</b>	<b>24,6</b>	<b>4,5</b>	<b>3,1</b>
<b>GDP SPAIN (Forecast)</b>	<b>-10,8</b>	<b>5,0</b>	<b>-4,3</b>	<b>-21,5</b>	<b>-8,7</b>	<b>-8,8</b>	<b>-4,3</b>	<b>17,7</b>	<b>3,4</b>	<b>5,2</b>

(1) Contribution to GDP growth

Source: Institute of Statistics of the Community of Madrid and INE (Quarterly Spanish National Accounts Forecast)

## Sidebar I. Sector contributions to quarterly GDP growth

### Offer

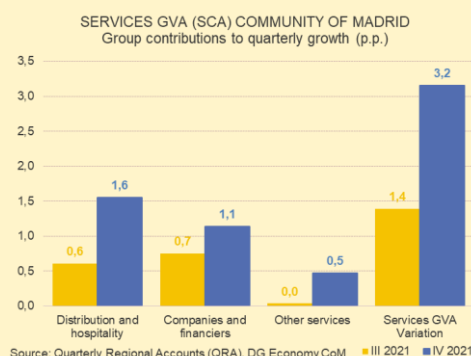
The latest Quarterly Regional Accounts data published by the Directorate-General for Economic Affairs of the Community of Madrid reported that the volume of regional **gross value added (GVA)** in the fourth quarter of 2021 **grew 2.7%**, accelerating 1.5 points more than the previous quarter.

Adjusting growth to one decimal place, all sectors made positive contributions to quarterly GVA growth in the fourth quarter, except industry which drained 0.01 point (with a weight of 10.4% of GVA): *Agriculture and livestock*, *Construction* (weight 5.7%) 0.1 p.p. and, above all, *Services*, with a weight of 83.8%, which contributed 2.7 points.

In turn, the **services sector grew 3.2%** in the period, accelerating 1.8 points more than in the previous quarter. All groups participated in the recovery, with the most salient contributions from *distribution and hospitality* (1.6 points and a weight of 27.2% of services), followed by *business and financial services* (1.1 points, and the highest weight in services at 47.5%); and finally, *other services*, with a contribution of 0.5 points and the lowest weight (25.3%).

GVA demand (SCA) COMMUNITY OF MADRID			
Sector contributions to quarterly growth (p.p.)			
		III 2021	IV 2021
Contributions	Agriculture and livestock	0,0	0,0
	Industry	0,0	0,0
	Construction	0,0	0,1
	Services	1,2	2,7
GVA Variation (%)		1,2	2,7

Source: Quarterly Regional Accounts (QRA). DG Economy CoM



All values are presented seasonally and calendar adjusted, SCA, and comparisons are always in relation to the previous quarter.

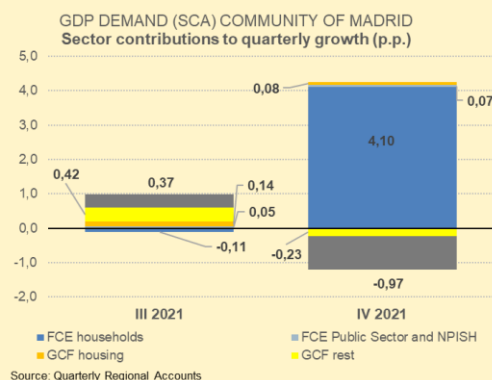
### Demand

The Community of Madrid's **GDP** volume grew by **3%** in the fourth quarter of 2021, driven by the contribution of 4.2 points from Final Consumption Expenditure (FCE). However, gross capital formation (-0.2 points) and foreign demand (-1 points) tempered GDP growth.

Household consumption made the largest contribution to growth, with 4.1 points, corresponding to its greater weight in GDP (56.3%). Consumption by general government and non-profit institutions serving households (NPISH) contributed 0.07 points, representing 21.5% of GDP. The two components of gross capital formation (GCF) account for 15.3% of the weight of GDP and, while housing investment contributes 0.08 points to GDP growth, the rest of investment drains -0.23 points to the increase.

GDP Demand (SCA) Community Of Madrid			
Sector contributions to quarterly growth			
		III 2021	IV 2021
Contributions	FCE households	-0,1	4,1
	FCE Public Sector and NPISH	0,1	0,1
	FCE	-0,1	4,2
	GCF housing	0,1	0,1
	GCF rest	0,4	-0,2
GCF		0,6	-0,2
External demand		0,4	-1,0
GDP variation (%)		0,9	3,0

Source: Quarterly Regional Accounts. DG Economy



## IV.2. Demand and production

### IV.2.A. Domestic demand

**The figures for passenger car registrations in the fourth quarter of 2021 failed to surpass pre-pandemic levels for the year as a whole.**

The Directorate-General for Traffic reports that passenger car registrations in the fourth quarter totalled 86,043 units, 844 more than in the same period of 2019, up 1%, and the third highest number for this period since they began reporting this figure in 2004. However, the comparison with the fourth quarter of 2020 shows a drop of 9.1% due to the fact that this period saw a peak for that quarter. The whole of 2021 is 18% up on 2020, a year of closures and dealer restrictions, with the lowest figures since 2014, i.e. -5.8% compared to 2019. Stock shortages due to the lack of semiconductors and the vagaries of the health crisis have meant that pre-pandemic levels have not been exceeded in the last year. The latest figure for January 2022 reflects an increase of 12.7% year-on-year, considering that the comparison is with the worst January since 2009; the drop compared to January 2020 is 39.8%.

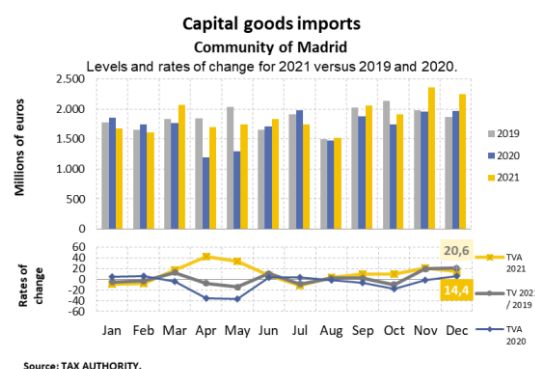
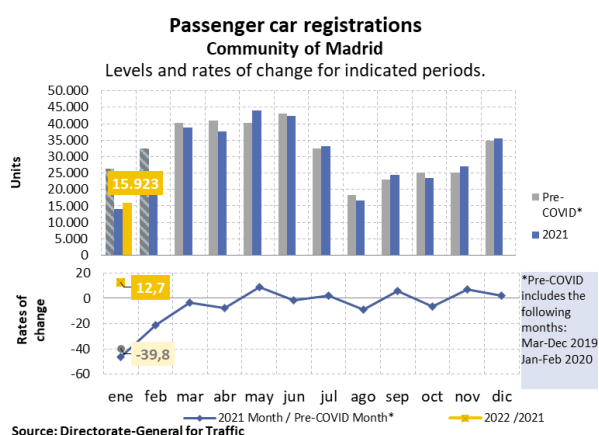
The 17,285 registrations of lorries and vans in Q4 2021 are 967 higher than in the same period of 2019, an increase of 5.9%; the comparison with the same quarter of 2020 shows a drop of -15.2%. Between January and December 2021, the increase is 19.2% year-on-year, and 5.1% for 2019 as a whole. In January 2022, they fell by 16.4% year-on-year, and by 25.6% compared to January 2020, with 2022 being the lowest January figure in the last six years.

**Petrol consumption in the fourth quarter of 2021 reached its highest level since 2008, whereas diesel consumption was unable to recover.**

Petrol consumption in Q4 2021 reaches the highest volume for this period since 2008 and is 1.3% higher than in the same period of 2019, and 25.6% higher than in 2020. The latest data published for December reflects the highest consumption for this month (along with 2019) since 2008, a 15.5% year-on-year increase, the highest in the series for a December month, but unchanged from 2019. Diesel consumption, in turn, continues to fall with a fourth quarter posting the second lowest volume for that quarter in the entire series since 2004, with only 2020 being lower; the comparison with the same quarter of 2019 shows a decrease of 14.2%; the December figure, despite the positive increase of 3.4% year-on-year, has not been able to offset the drop in the fourth quarter of 2021, finally showing a fall of 10.8% compared to 2019. Both petrol and diesel consumption closed 2021 with year-on-year increases of 25.6% and 4.8% respectively, rates that are obviously highly conditioned by the comparative year, which was marked by restrictions due to the outbreak of the pandemic; the comparison with 2019 shows falls of 2.2% and 13.7%, respectively.

**Imports of capital goods rise in Q4 and in 2021 as a whole.**

Imports of capital goods stood at €6,525 million in Q4, the highest amount for this period in the series, exceeding the same quarter of 2019 by 8.6%, and by 15.1% compared to the same quarter of 2020. It also reached a record high for the month in December, up 14.4% year-on-year, and 20.6% for 2019. Growth in 2021 as a whole was 9.2% year-on-year and 1.2% over 2019.



## IV.2.B. Foreign demand

**The Community of Madrid's trade balance in the fourth quarter of 2021 experienced new double-digit growth for both exchanges, making 2021 the best year in history, with volumes much higher than the previous one (2019).**

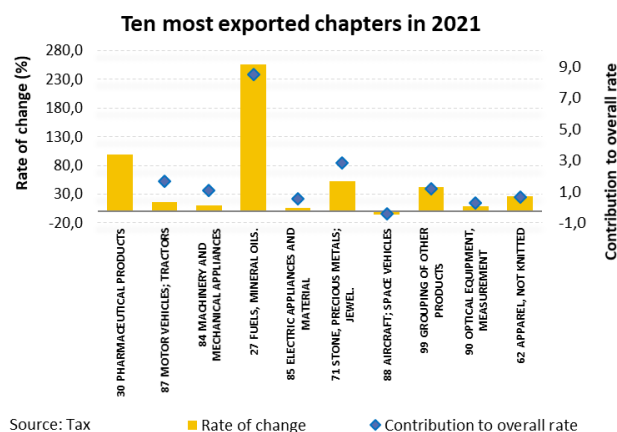
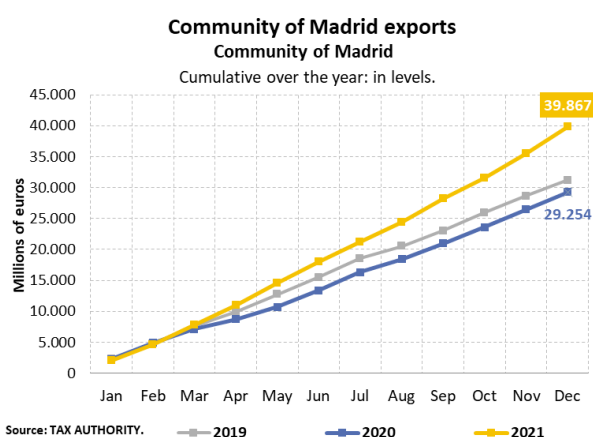
Exports from the Community of Madrid increased by 39.8% in the fourth quarter of 2021 compared to the same period in 2020, and by 42% compared to the same period in 2019. Accordingly, the exports made in the fourth quarter of 2021 by the Community of Madrid amounted to €11,623 million, an all-time value in the series for a single quarter. Cumulatively in 2021, the Community of Madrid exported goods outside Spain for a record €39,867 million, namely 35.3% higher than 2020 and 27.9% more than 2019.

Purchases abroad in the Community of Madrid in the fourth quarter of 2021 were 42.8% higher than a year ago. Purchasing figures stood salient at €24,975 million, hitting a new series record for a quarter. Thus, compared to the fourth quarter of 2019, the growth is 46.9%. Madrid's total imports in 2021 amounted to a record €81,569 million, 29.3% more than in 2020 and 26.3% more than in 2019.

**Pharmaceuticals, playing a leading role in the fight against COVID-19 and Fuels; mineral oils, including electricity and natural gas in the midst of escalating prices, underpin the extraordinary tone of the trade balance in 2021.**

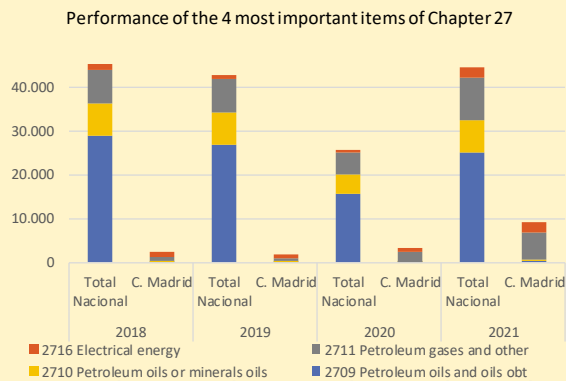
The last quarter of the year confirms the leading role of the two TARIC countries that contribute most to export growth in 2021: *Pharmaceuticals and Fuels; mineral oils*. The sum of the contribution of both TARICs is 22.7 points for the year as a whole. The Community of Madrid sold Pharmaceuticals worth €8,392 million, 21.1% of total sales, and 99.6% more than in 2020. These include \$4,435 million for heading *30022010 vaccines against coronaviruses*, with Belgium as the main destination. From the European customs tariff (TARIC) *Fuels; mineral oils*, exports in 2021 amounted to €3,469 million, 256% higher than in 2020, and 208% higher than in 2019. They also include €2,628.3 million correspond to code *2716 Electrical energy* and are mainly destined for France and Portugal. We should also mention *Stones, precious metals; jewellery*, of which we sold €2,416 million, 53% more than in 2020 and 71% more than in 2019.

Madrid's imports are the same, albeit with *Fuels; mineral oils* ranking first, of which we acquired €9,269 million in 2021, a record figure, 178% more than in 2020. These include €2,707 million corresponding to code *271111 LNG*, mostly from the US, Russia and Nigeria. And €2,358 million corresponding to code *2716 Electrical Energy* supplied by France and Portugal. *Pharmaceuticals* accounted for a record purchase volume of €15,152 million, which represents 18.6% of total purchases in Madrid. These include €5,405 million for code *30022010 vaccines against coronaviruses*, with Switzerland, the USA and Belgium as major suppliers.



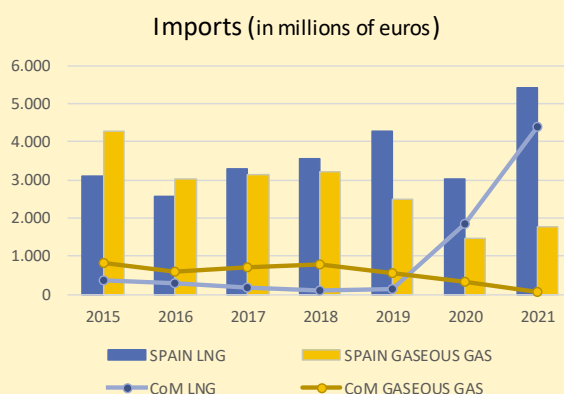
## Sidebar II: Energy product import trends in the Community of Madrid and Spain since 2018

Chapter 27 *Fuels; mineral oils*, including gas and electricity trade, has grown extraordinarily in the past two years, which we shall examine in this sidebar. Of the 16 items included in chapter 27, four represent more than 95% in Spain and 99% for the Community of Madrid in 2021: 2709 *Petroleum oils and oils obtained from bituminous minerals; crude*, 2710 *Petroleum oils*, 2711 *Petroleum gas and other gaseous hydrocarbons* and 2716 *Electrical energy*. The following chart depicts how they have fared in Spain and the Community of Madrid.



The sum of the weight of the last two items in the Community of Madrid absorbs almost 90% of chapter 27 in 2021, with a growth of 131% over 2020. The trend in both accounts for much of the growth in this chapter. Heading 2711 includes the two subheadings for gas, 271111 Liquefied Natural Gas and 271121 Gas in Gaseous State, whose trajectories are depicted in the chart below. Gas imports have been affected by two developments that underpin the favourable performance in

the Community of Madrid. Gas demand in 2020 was 4% higher than the average of the last ten years, confirming a sustained growth trend over the last few years. 2020 has also been a year marked by the entry into force, as of 1 April, of a **new regulation**, which implies another way of understanding access to the Spanish Gas System's capabilities: the **virtual balancing tank**, which brings together the management of the six Spanish regasification plants and virtualises their storage at a single point. This makes commercial management easier for users and provides greater flexibility and liquidity to the Spanish regasification plant system. This new regulation has been successfully implemented in an exceptional situation due to the global pandemic of COVID-19, complying with the roadmap established by the CNMC. This implementation led to the creation of the figure of the Technical Gas System Manager, who is in charge of all capacity allocations, with the exception of outflows to final consumers and international European connections. ENAGÁS GTS, S.A.U., with registered offices in Madrid, is the Technical Manager. **The Community of Madrid is thus the importing community for nearly all the LNG purchased in Spain by April 2020.**



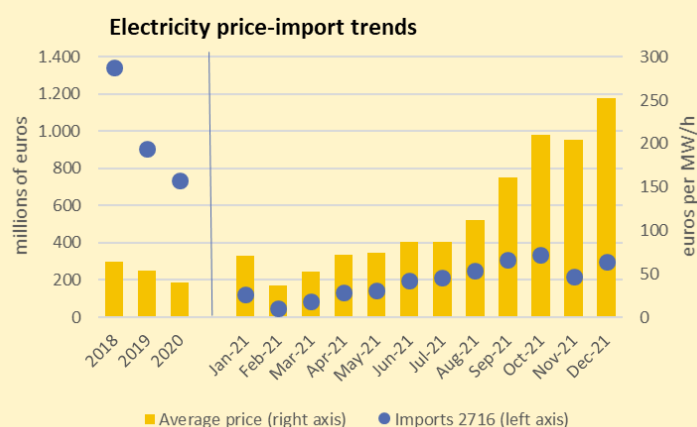
natural gas (LNG), in what are known as LNG carriers and through subheading 271111.

Meanwhile, in late October, **Algeria closed one of the two pipelines** through which the natural gas extracted in that country was piped to Spain. The industry's attention then turned to maritime transport. A pipeline supplying more than 20% of Spain's annual consumption of this raw material had just been shut down and the expected offloading by ship into the Spanish system in November was increased. Thus, a large part of the gas supply to Spain comes in the form of liquefied

Sea shipping first entails liquefying the gas, loading it onto specific vessels intended solely for this purpose, and then returning it to a gaseous status at its destination, via regasification plants. There are six facilities in Spain that perform the latter task: Mugardos (A Coruña), Bilbao, Barcelona, Sagunto (Valencia), Cartagena and Huelva.

As the figures in the chart above show, liquefied natural gas (LNG) is gaining prominence in energy markets. After Asia, Europe is now one of the world's largest importers of LNG. Within Europe, Spain is the largest importer of LNG on the continent, and the sixth largest buyer in the world. In 2020 alone, 238 LNG carriers unloaded in Spain. The US and Nigeria received the highest number of shipments (62 and 47), followed by Russia and Qatar (35 and 30).

Moreover, heading 2716 *Electrical energy* covers imports of electrical energy through Red Eléctrica de España, which is the sole transmission agent and operator of the Spanish electricity system (TSO), whose head office is located in Alcobendas (Community of Madrid). Thus, all electricity imported into Spain is imputed to the Community of Madrid. The main suppliers are France and Portugal. The chart below shows that fluctuations in electricity prices have marked the evolution of imports, which in recent months have reached historic highs.



This explains how TARIC 27, which includes, among other products, the import of gas and electricity, recorded a year-on-year increase of 77.1% in the Community of Madrid in 2020, though it fell in Spain by 39.3% compared to the previous year. When disaggregated, subheading 271111 LNG saw an increase of 1,431.4% in 2020 compared to 2019 for the Community of Madrid, while at the national level it experienced a 26.7% year-on-year decrease, highlighting

the Community of Madrid's headquarters effect with the entry into force of the Technical System Manager. Thus, the Community of Madrid's share of purchased LNG in Spain increased from 2.3% in 2018 to 81.3% in 2021. In 2021, subheading 271111 LNG posted a year-on-year increase of 197.2% in the Community of Madrid. In 2021, the heading 2716 *Electrical Energy* recorded an increase of 220.8% year-on-year. Chapter 27 therefore increased by 178% in 2021 vs. 2020 and is the largest contributor to import growth in 2021, with 9.4 points, ahead of the leader, *Pharmaceuticals*, which contributed 9 points.

2018-2021 TREND FOR CHAPTER 27 FUELS, MINERAL OILS													
TARIC	AREAS	2018			2019			2020			2021		
		Millions of euros	Annual rates	% CoM/Spain	Millions of euros	Annual rates	% CoM/Spain	Millions of euros	Annual rates	% CoM/Spain	Millions of euros	Annual rates	% CoM/Spain
CHAPTER 27 FUELS, MINERAL OILS	SPAIN	47.770,61	18,0		44.685,87	-6,5		27.118,20	-39,3		46.576,84	71,8	
	CoM	2.521,81	-3,8	5,3	1.880,63	-25,4	4,2	3.331,13	77,1	12,3	9.268,81	178,2	19,9
ITEMS		Millions of euros	Annual rates	% OF TARIC 27	Millions of euros	Annual rates	% OF TARIC 27	Millions of euros	Annual rates	% OF TARIC 27	Millions of euros	Annual rates	% OF TARIC 27
2711 Petroleum gases and other gaseous	SPAIN	7.671,20	9,0	16,1	7.532,51	-1,8	16,9	5.086,41	-32,5	18,8	9.602,39	88,8	20,6
	CoM	880,75	0,6	34,9	693,12	-21,3	36,9	2.349,52	239,0	70,5	6.089,05	159,2	65,7
271111 Natural gas, liquefied	SPAIN	3.545,91	7,2	7,4	4.266,52	20,3	9,5	3.126,24	-26,7	11,5	7.017,90	124,5	15,1
	CoM	81,21	-49,0	3,2	125,38	54,4	6,7	1.919,95	1.431,4	57,6	5.706,97	197,2	61,6
2716 Electrical energy	SPAIN	1.343,58	13,5	2,8	904,87	-32,7	2,0	734,86	-18,8	2,7	2.357,82	220,9	5,1
	CoM	1.343,58	13,5	53,3	904,87	-32,7	48,1	734,79	-18,8	22,1	2.357,82	220,9	25,4

Source: Tax Authority

### IV.2.C. Foreign direct investment

#### Foreign investment received in Madrid increased, though it remains below the previous year's levels.

Foreign direct investment (FDI) received in Madrid in the third quarter of 2021, discounting in Foreign Securities Holding Entities (ETVE), stood at €4,438 million; up 251.9% versus the second quarter and down 1.4% year-on-year. The FDI also increased in the quarter in Spain as a whole, though 1.5% lower than a year ago. Madrid continues to be the preferred destination for investment in Spain, accounting for 73.3% of the national total.

There is a diverse composition in terms of the origin of the investment received in Madrid in the third quarter. Three countries account for 61.6% of FDI in the region: Japan (28.1% of the total), which invests in *electricity, gas, steam and air supply and programming and consultancy*; Russia (18.1%), which invests exclusively in retail trade; and the USA (15.5%), with even broader sector diversification (*education, programming and consultancy, building construction, etc.*).

In terms of sectors, the first three branches account for 60.2% of the total. The main destination is *energy supply*, covering 26.2%, followed by *retail trade* (18.2%) and *programming and consultancy* (15.7%).

In the cumulative figure up to the third quarter, FDI received decreased considerably compared to the same period in 2020, by 34.9%, bringing the total figure to €7,878 million. The US, Japan and the UK appear as the main investors in the region, with 45.3% of the total. By sector, the first three branches, the same as in the third quarter, account for 47.8% of the total. Thus, *energy supply* accounts for 25.8%, *programming and consultancy* 11.4% and *retail trade* 10.6%.

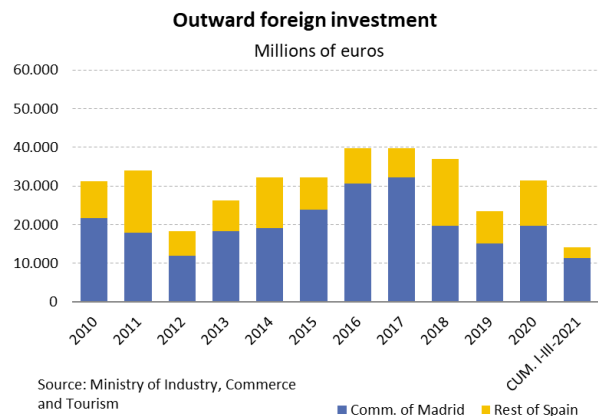
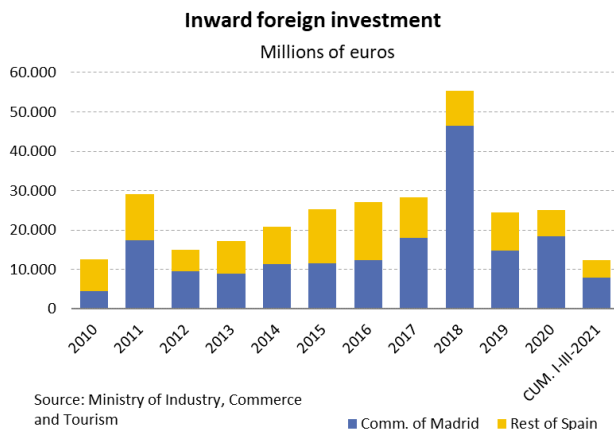
#### The region's outward investment moderated considerably in the third quarter.

Madrid's gross investment abroad in the third quarter of 2021, excluding ETVEs, fell sharply, by 86.6% quarter-on-quarter and 78.5% year-on-year, to €1,154 million. There were also sharp downturns in investment in Spain as a whole, where Madrid accounted for 61.2% of the total in the quarter.

The leading destination for FDI issued from Madrid is France, which accounts for 34.7% of the total, directed almost exclusively at *real estate activities*. The remaining investment is more geographically dispersed, with Brazil occupying the largest share (14.5%), mainly in the *food industry*, followed by other Latin American destinations such as Peru and Mexico.

In sectoral terms, the FDI issued appears highly concentrated; only the first two branches account for 69.3% of the total: *real estate activities* and *financial services except insurance*. The third branch of foreign investment, the *food industry*, accounts for 14.6% of the total.

Considering the investment made by the Community of Madrid abroad so far this year, there has been a decrease of 9.7% compared to the same period in 2020, for a total of €11,331 million. The United Kingdom is particularly significant, accounting for 66.4% of the total, followed by Mexico (8.6%) and the USA (8.6%). (5.6%). By sector, *financial services except insurance* stands out above all others, accounting for 80.6% of the total.



Main countries of origin of foreign investment in the Community of Madrid. Sectoral flow breakdown				
Investment origin	Investment sector	Volume (millions of €)	Total weight of each country	Weight over total of CoM
<b>Q3 2021</b>				
<b>1 JAPAN</b>	<b>Sector totals</b>	<b>1.246,0</b>	<b>100,0</b>	<b>28,1</b>
	35 ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	739,3	59,3	16,7
	62 COMPUTER PROGRAMMING, CONSULTANCY & RELATED ACT	500,7	40,2	11,3
	72 RESEARCH & DEVELOPMENT	6,0	0,5	0,1
<b>2 RUSSIA</b>	<b>Sector totals</b>	<b>802,5</b>	<b>100,0</b>	<b>18,1</b>
	47 RETAIL TRADE, EXCEPT OF MOTOR VEHICLES	802,5	100,0	18,1
	99 ACTIV. OF EXTRATERRITORIAL ORGANISATIONS AND BODIES	0,0	0,0	0,0
	98 UNDIFF. GOODS-& SERVICES-PRODUCING ACTIVITIES	0,0	0,0	0,0
<b>3 UNITED STATES</b>	<b>Sector totals</b>	<b>686,4</b>	<b>100,0</b>	<b>15,5</b>
	85 EDUCATION	177,7	25,9	4,0
	62 COMPUTER PROGRAMMING, CONSULTANCY & RELATED ACT	142,3	20,7	3,2
	41 CONSTRUCTION OF BUILDINGS	129,2	18,8	2,9
<b>Subtotal FDI Received Top 3 countries</b>		<b>2.734,9</b>	<b>-</b>	<b>61,6</b>
<b>Total FDI Received</b>		<b>4.438,2</b>	<b>-</b>	<b>100,0</b>
<b>ACCUMULATED I - III TR 2021</b>				
<b>1 UNITED STATES</b>	<b>Sector totals</b>	<b>1.282,5</b>	<b>100,0</b>	<b>16,3</b>
	93 SPORTS ACTIVITIES AND AMUSEMENT AND RECREATION	226,0	17,6	2,9
	85 EDUCATION	185,1	14,4	2,4
	41 CONSTRUCTION OF BUILDINGS	159,9	12,5	2,0
<b>2 JAPAN</b>	<b>Sector totals</b>	<b>1.257,4</b>	<b>100,0</b>	<b>16,0</b>
	35 ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	739,3	58,8	9,4
	62 COMPUTER PROGRAMMING, CONSULTANCY & RELATED ACT	500,7	39,8	6,4
	77 RENTAL AND LEASING ACT	9,6	0,8	0,1
<b>3 UNITED KINGDOM</b>	<b>Sector totals</b>	<b>1.025,3</b>	<b>100,0</b>	<b>13,0</b>
	35 ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	428,2	41,8	5,4
	11 MANUFACTURE OF BEVERAGES	149,8	14,6	1,9
	65 INSURANCE, REINSURANCE & PENSION FUNDING, EXCEPT SS	103,3	10,1	1,3
<b>Subtotal FDI Received Top 3 countries</b>		<b>3.565,2</b>	<b>-</b>	<b>45,3</b>
<b>Total FDI Received</b>		<b>7.878,1</b>	<b>-</b>	<b>100,0</b>

Source: Compilation based on data from the Ministry of Industry, Trade and Tourism

Main countries of destination of outward foreign investment from the Community of Madrid. Sectoral flow breakdown.				
Investment destination	Investment origin sector	Volume (millions of €)	Total weight of each country	Weight over total of CoM
<b>Q3 2021</b>				
<b>1 FRANCE</b>	<b>Sector totals</b>	<b>400,3</b>	<b>100,0</b>	<b>34,7</b>
	68 REAL ESTATE ACTIVITIES	399,3	99,8	34,6
	63 INFORMATION SERVICES	1,0	0,2	0,1
	99 ACTIV. OF EXTRATERRITORIAL ORGANISATIONS AND BODIES	0,0	0,0	0,0
<b>2 BRAZIL</b>	<b>Sector totals</b>	<b>167,2</b>	<b>100,0</b>	<b>14,5</b>
	10 MANUFACTURE OF FOOD PRODUCTS	150,1	89,7	13,0
	52 WAREHOUSING & SUPPORT ACTIVITIES FOR TRANSPORTATION	16,7	10,0	1,4
	64 FINANCIAL SERV ACTIVITIES, EXCEPT INSURANCE & PENSION FUNDING	0,5	0,3	0,0
<b>3 PERU</b>	<b>Sector totals</b>	<b>98,7</b>	<b>100,0</b>	<b>8,6</b>
	64 FINANCIAL SERV ACTIVITIES, EXCEPT INSURANCE & PENSION FUNDING	95,0	96,2	8,2
	58 PUBLISHING ACTIVITIES	3,7	3,8	0,3
	99 ACTIV. OF EXTRATERRITORIAL ORGANISATIONS AND BODIES	0,0	0,0	0,0
<b>Subtotal FDI ISSUED Top 3 countries</b>		<b>666,3</b>	<b>-</b>	<b>57,7</b>
<b>Total FDI ISSUED</b>		<b>1.153,9</b>	<b>-</b>	<b>100,0</b>
<b>ACCUMULATED I - III TR 2021</b>				
<b>1 UNITED KINGDOM</b>	<b>Sector totals</b>	<b>7.529,4</b>	<b>100,0</b>	<b>66,4</b>
	64 FINANCIAL SERV ACTIVITIES, EXCEPT INSURANCE & PENSION FUNDING	7.528,4	100,0	66,4
	20 MANUFACTURING OF CHEM	0,2	0,0	0,0
	68 REAL ESTATE ACTIVITIES	0,1	0,0	0,0
<b>2 MEXICO</b>	<b>Sector totals</b>	<b>972,5</b>	<b>100,0</b>	<b>8,6</b>
	64 FINANCIAL SERV ACTIVITIES, EXCEPT INSURANCE & PENSION FUNDING	526,6	54,1	4,6
	20 MANUFACTURING OF CHEM	219,0	22,5	1,9
	23 MANUFACTURE OF OTHER NON-METALLIC MINERAL PRODUCTS	167,8	17,3	1,5
<b>3 UNITED STATES</b>	<b>Sector totals</b>	<b>636,4</b>	<b>100,0</b>	<b>5,6</b>
	64 FINANCIAL SERV ACTIVITIES, EXCEPT INSURANCE & PENSION FUNDING	268,9	43,5	2,4
	23 MANUFACTURE OF OTHER NON-METALLIC MINERAL PRODUCTS	254,4	41,2	2,2
	42 CIVIL ENGINEERING	47,2	7,6	0,4
<b>Total FDI ISSUED</b>		<b>11.331,5</b>	<b>-</b>	<b>100,0</b>
<b>Subtotal FDI ISSUED Top 3 countries</b>		<b>9.138,3</b>	<b>-</b>	<b>80,6</b>

Source: Compilation based on data from the Ministry of Industry, Trade and Tourism

## IV.2.D. Manufacturing

### 1. Industry

#### Industrial Gross Value Added grew by 5.3% in 2021.

The Quarterly Regional Accounts of the Community of Madrid for the fourth quarter of 2021 show that industrial GVA slowed down its recovery in this period and shrank slightly, by 0.1% versus the previous period. There was a significant year-on-year growth of 3.9%, albeit more tempered than the third quarter (5.3%), ending the year 3% below the pre-pandemic level. GVA in the Community of Madrid rose by 5.3% in 2021 as a whole, after a fall of 8.6% in 2020.

#### The Industrial Production Index (IPI) was nearing a return to pre-COVID levels, albeit with ups and downs throughout 2021.

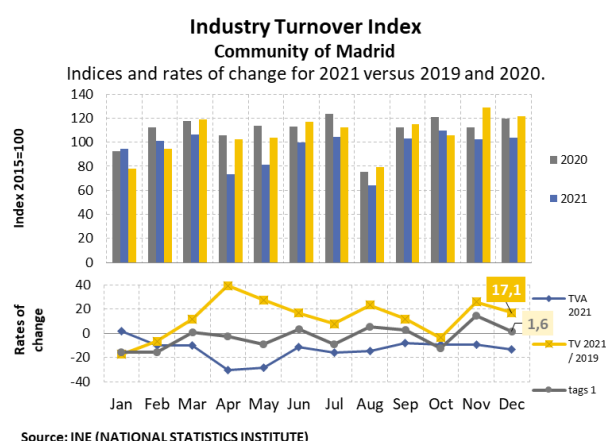
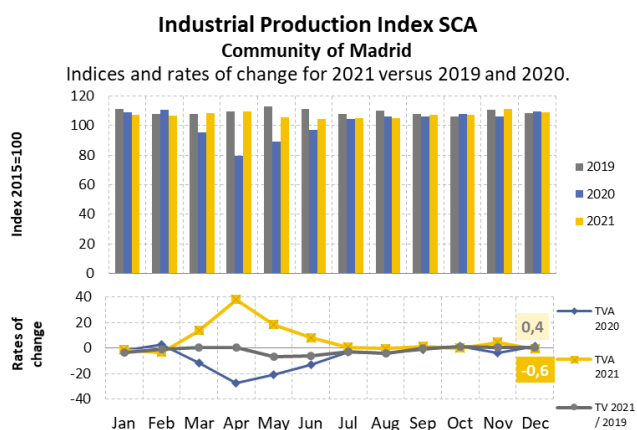
The Community of Madrid's IPI slackened once again in the last month of the year, thereby closing 2021 highly irregularly. After the upturn in November, the IPI posted a year-on-year decline of 0.6% in December, with seasonal and calendar adjustment (SCA). While these data are still provisional, the indicator would be 0.4% ahead of the December 2019 value, as it was in October and November. Spanish SCA figures indicate a further slowdown in the growth of the indicator to 1.3%, reaching a similar level to that of the same month in 2019.

Based on SCA data, the annual average of the IPI in the region rose by 5.5% versus 2020, but was 1.9% lower than in 2019. In Spain, the indicator points to a year-on-year increase of 7.2% in 2021, a reduction of 3.0% when compared to 2019.

In year-on-year terms, SCA figures on performance of the four IPI components in the Community of Madrid in December point to a recoil of the energy index after the upturn in November. The remaining components advanced, though intermediate goods and consumer goods decelerated, and capital goods improved compared to the falls of previous months. When looking at the overall data for 2021, all IPI components grew, headed by intermediate goods (11.7%), followed by capital goods (7.3%), energy (3.8%) and consumer goods (3.3%), though energy alone managed to surpass pre-pandemic values.

#### The Industry Turnover Index improved significantly from the poor performance in 2020.

The Community of Madrid's Industry Turnover Index continued to improve steadily, with a 17.1% growth in December 2021. The index is up, on average, by 11.7% for the year as a whole compared to 2020, when it receded by 13.2%. In December, however, the index remained above the posted figure for the same month of 2019 as a pre-COVID benchmark, yet the 2021 average still sits 3.1% lower than in 2019 as a whole.



## 2. Construction

**Building has been driving the increase in tenders, which recorded the highest levels since 2009, reinforced by civil engineering works in the second half of the year. Leading indicators point to changes in housing preferences that the pandemic appears to have reinforced.**

In 2021 as a whole, public construction tendering posted €3,232 million, a high water mark for activity in the last dozen years and a 27% increase versus 2020 (16.7% versus 2019). These values were sustained by a fourth quarter that replicated the dynamics of previous quarters, resulting in tenders totalling €810.8 million, an amount second only to the fourth quarters of the period 2004 to 2009, and 42.7% higher than the level recorded in the fourth quarter of 2019.

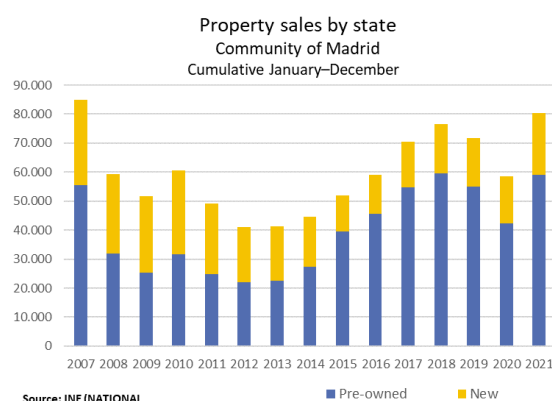
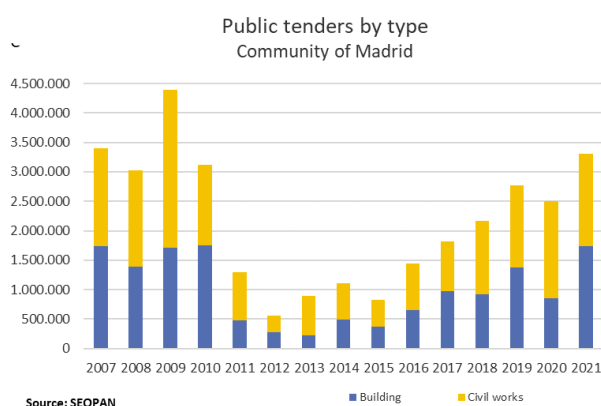
In terms of its composition, the annual amount is distributed almost equally between the building and civil engineering segments (53.6% and 48.7% respectively), though building remains the main driver of the growth in total tenders, doubling compared to 2020 and exceeding by 25.7% the amount published in 2019. Civil engineering works, meanwhile remain 4.6% below the figures posted in 2020, despite the upturn in the second half of the year, though 13.1% above pre-pandemic levels. In the fourth quarter of 2021, six out of every ten euros tendered in the region went to civil engineering works, accounting for €483.7 million, well over twice the amount recorded in the same quarters of 2019 and 2020. Building tenders, having peaked in the second quarter of 2021, continued to taper off and stood at €327 million in the fourth quarter. While experiencing year-on-year growth, this component nevertheless remains 14.4% below the same quarter of 2019.

The building permits issued by the Association of Technical Architects, based on year to November, confirm the dynamic residential market in 2021, as the 3,960 buildings represent the highest volume since 2008 for this period, slightly above the figures in 2017 and 2018. However, residential housing numbers fell by 17,228 in the first eleven months of 2021, the second lowest in the last five years after 2020, suggesting a change in housing trends brought about by the pandemic. As for the later activity indicators, end-of-construction certifications confirm that the sector remained buoyant and, in the absence of December data, 2021 figures will be well above the annual volumes of the 2013-2019 period, though not 2020. However, lower certification volumes were observed from August 2021 onwards, linked to the pause in activity 18 months earlier due to the pandemic.

**The residential market is showing a singular dynamism, and has become the champion for the revival of the construction sector.**

The post-pandemic performance of the residential segment proved decisive, ahead of the recovery in overall economic activity and even in employment, driven by the investment of part of the savings accumulated during the lockdown. Home sales were thus exceptionally elevated in 2021. INE Statistics on the transfer of property rights (ETDP) reveal 18,475 formalised transactions in the fourth quarter, a record high for this period in the entire series since 2007, and 12.2% higher than the fourth quarter of 2019. Once again, the new housing segment posted the highest growth versus the fourth quarter of 2019, with 16.5% growth compared to 10.8% for pre-owned housing; the 13,758 pre-owned housing transactions, meanwhile, are the highest in the series for a fourth quarter, which is not the case for the 4,717 new housing transactions, which were higher than those recorded between 2007 and 2010. Pre-owned housing transactions set an all-time high in the third quarter, with 16,637 transactions, and will close 2021 with close to 59,000 transactions, just 700 below the absolute peak of 2018.

Statistics on mortgages show that the 68,000 operations formalised in 2021, with information up to November, stand out above pre-pandemic levels, thus overcoming the relative subdued start to the year. While mortgage activity in 2021 was lower only to the activity posted in 2010, the current figure is about half of the figure posted during the housing boom that preceded the financial crisis in 2009.



### 3. Services

#### Continued GVA growth in the services sector in the fourth quarter of 2021.

There is a continuation of the regional economic recovery that began in the second quarter, attributed to successive de-escalations and progress in the vaccination. In particular, real GVA in services, adjusted for seasonal and calendar adjustment (SCA), grew by 3.2% versus the previous quarter, and the same in year-on-year terms. This improved the annual performance of services GVA, which grew by 6% in 2021, compared to a 10.1% drop in 2020. However, the volume of services in the region is still 4.7% below pre-pandemic levels in 2021.

All the branches in the services aggregate posted growth in real GVA (SCA) versus the previous quarter, prominently *distribution and hotel and catering services* (6.1%); *business and financial services* (2.3%); and *other services* (1.8%). All branches point to significant growth in the fourth quarter of 2021 and in year-on-year terms, namely *Distribution and hospitality* (7.5%), *Business and financial services* (2%) and *Other services* (1.5%).

#### The Services Sector Activity Indicators (SSAI) kept up annual growth in both the Community of Madrid and Spain, with a business index above pre-pandemic levels.

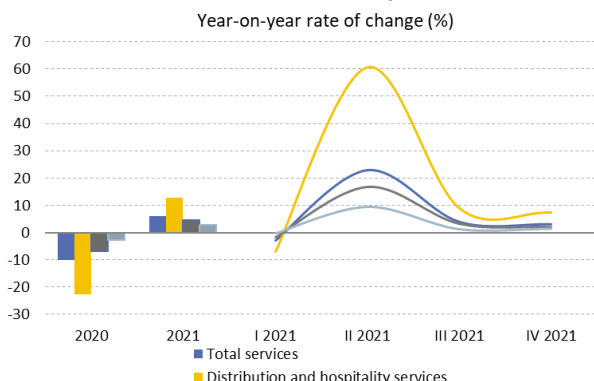
The quarterly SSAI average in the fourth quarter of 2021 grew by 22.1% versus the fourth quarter of the previous year, against 19.7% in Spain. For three straight quarters, this increase continued a pattern of growth that emerged in the second quarter of 2021. This is the first time, in both the Community and Spain, that the fourth quarter figure topped the pre-pandemic figure, namely 4.7% higher in the region than in the fourth quarter of 2019 and 5.6% higher in Spain as a whole. Moreover, the December 2021 index figure for the region, at 150.2, marks the highest level since the beginning of the series in 2005.

The SSAI employment index, in turn, points to a recovery similar to the business index in both the Community of Madrid and Spain, albeit at a slower pace. The Community's average for the fourth quarter of 2021 grew by 3.6% versus the fourth quarter of the previous year, compared to 3.8% in Spain and, similar to business, kept up increases since the second quarter of 2021. However, the quarterly average level in this fourth quarter is below pre-pandemic levels, down 0.8% in the region and 1.4% in Spain versus the fourth quarter of 2019.

#### Performance improved for air passenger and freight traffic, and also metro and city bus transport, though they remain below pre-pandemic levels, except for freight.

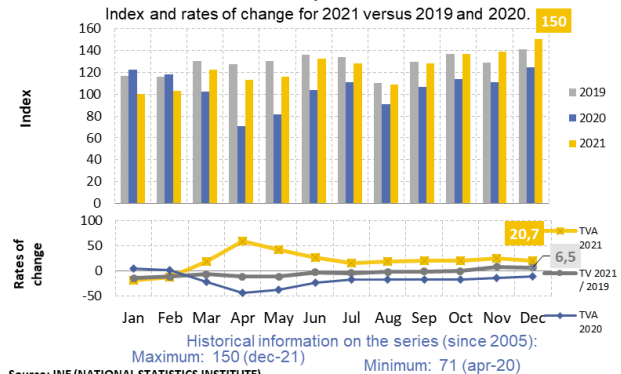
Passenger flows at Adolfo Suarez Madrid Barajas airport rose in the fourth quarter of 2021 to approximately 9,200,000 passengers, compared to 2,400,000 in the same period in 2020, still well below the 15,100,000 in the fourth quarter of 2019. Freight traffic at Madrid airport, however, is up 32.6% year-on-year in the fourth quarter of 2021, rising above pre-pandemic levels, growing by 0.3% versus the fourth quarter of 2019.

Services GVA. Breakdown by branches



SSAI businesses

Community of Madrid



Metro de Madrid's urban transport figures in the fourth quarter of 2021 indicate a significant year-on-year growth of 51.7%, though 25.8% lower versus the same quarter of 2019. Urban bus transport performed similarly, growing by 31.4% compared to the fourth quarter of 2020, but falling by 23.5% compared to the fourth quarter of 2019.

### Turnover and employment figures in the Retail Trade Index (RTI) continued their recovery in the fourth quarter of 2021 in the Community of Madrid.

The quarterly average of the deflated RTI turnover index in the Community of Madrid posted annual growth since the third quarter of 2020, when they returned to pre-pandemic levels. In the fourth quarter of 2021, the index grew by 2.3%, two tenths of a percentage point more than the previous quarter and 4.4% higher than the same quarter of 2019.

In Spain, the quarterly average of the index in the fourth quarter of 2021 fell 0.2% versus the same quarter of 2020, thus interrupting the growth of the two previous quarters, albeit conditioned by the comparison with negative data of the pandemic year. The drop is 3% compared to 2019.

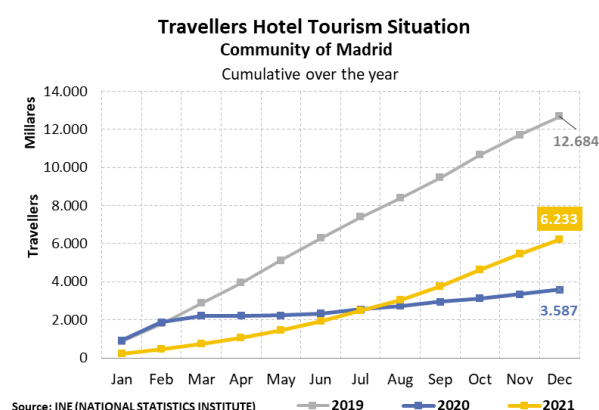
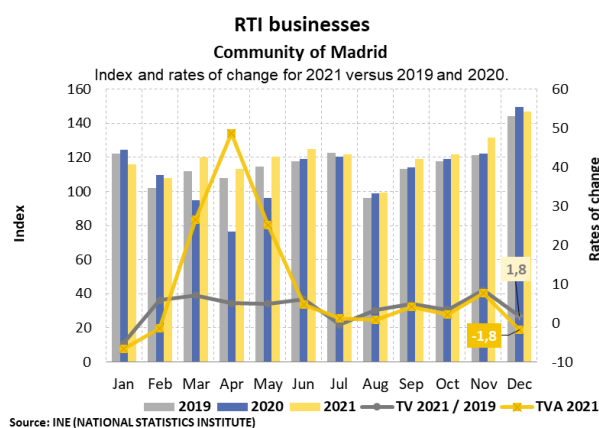
In turn, the quarterly average of the RTI employment index in the fourth quarter of 2021 advances in the Community of Madrid by 2.9% versus 2.3% in Spain, remaining on an accelerated growth path that began in the second quarter of that year; though, compared to the same quarter of 2019, it fell by 1.3%, compared to 1.1% in Spain.

### While hotel activity in the Community of Madrid improved in the fourth quarter of 2021, it still remains below pre-COVID levels.

The comparisons of the hotel occupancy variables for the year 2021 with the year 2020 are conditioned by the entry into force of Order SND/257/2020 of 19 March, which establishes the suspension of the opening to the public of tourist accommodation establishments from the end of March 2020, throughout April and until mid-May 2020.

Slightly more than 2,470,000 passengers arrived in the fourth quarter of 2021 compared to more than 631,000 passengers in the fourth quarter of the previous year, in line with the trend that began in the second quarter of 2021. The level is, however, still below the pre-pandemic data; 23.1% fewer tourists came in this fourth quarter of 2021 than in the same quarter of 2019, when more than 3,215,000 travellers visited our region. Spanish nationals accounted for virtually two out of three (65.3%).

Overnight stays in the Community of Madrid paralleled the behaviour of incoming travellers. Just over 5,000,000 travellers stayed overnight in the fourth quarter of 2021, more than in the fourth quarter of 2020, when there were 1,200,000 overnight stays, but less than in the fourth quarter of 2019, when they reached 6,511,000.



### Sidebar III. Situation of tourism in the Community of Madrid in 2021 through the variables of the hotel tourism business cycle survey

Tourism is one of the sectors most affected by the pandemic. Personal interaction associated with their activities is affected by the restrictions put in place to contain viral transmission: international restrictions on travel to Spain, and also various limitations on domestic activity and mobility. Comparisons are made with the data recorded in 2019 to assess the degree of recovery of this activity over the course of 2021. An observation of some particular variables of the tourism supply will reveal its asymmetrical recovery.

The number of overnight stays in the last month of the year stood at 1,593,177, showing a contraction of 20.9% compared to December 2019, reflecting the gradual attenuation of the rates of decline that have been occurring since April, after remaining above -70% in the first four months of 2021, as a result of the impact caused by the 3rd wave, as shown in Chart 1.

In 2021 as a whole, the 12,565,606 overnight stays in the Community of Madrid marked a 51% reduction versus 2019 figures.

Widespread travel restrictions and low traveller confidence are leading to a reduction in international tourist arrivals, which is reflected in the marked bias in the recovery of overnight stays towards the domestic market in the Community of Madrid. This is also evidenced by the latest data for December 2021, where 61.5% of total overnight stays were by residents compared to 38.5% by non-residents. These figures are a far cry from the situation in December 2019, when 50.2% of overnight stays were made by residents abroad. (Chart 3)

Thus, overnight stays by residents in December are only 2.5% lower than in 2019, while, in 2021 as a whole, total overnight stays by residents fell by 30.6% versus 2019. Non-resident data, however, for the last month of the year reflect a reduction of 39.3% compared to December 2019, which rises to 66.8% when the year as a whole is computed. Such a poor recovery of the international market is linked to the incomplete normalisation of business tourism activities (congresses and trade fairs), as attendance at meetings and congresses has declined. (Chart 4)

The recovery in hotel overnight stays, on the other hand, is slower than in Spain as a whole, especially in terms of foreign visitors, with a fall of 30.8% in December compared to 63.4% in Spain as a whole for the year. This stems from the region's own characteristics: its different seasonality, the predominance of urban tourism and, especially, the significant weight of business tourism, whose time pattern of recovery differs from holiday tourism patterns. This last fact is related to the early appearance of new outbreaks throughout the autumn in our main source countries, given that the complexity of the environment in which the tourism sector currently operates also makes it necessary to take into account the evolution of the pandemic in the countries of origin of our foreign tourists. (Chart 2).

The occupancy rate per hotel vacancy in the region reached 46% in the last month of 2021 compared to 56.5% in December 2019, which puts the rate of change compared to 2019 at -18.6%, compared to -40.8% for the year as a whole. In comparison with overnight stays, this lower deterioration in the occupancy rate is mainly due to the reduction in the number of estimated reservations, which, in the latest data for December 2021, stood at 110,740 reservations, i.e. 2,784 fewer than in December 2019 and 2.5% lower in relative terms. (Charts 5 and 6).

Consequently, the normalisation in the accommodation supply, suggesting a recovery to pre-pandemic levels, happened before the full reactivation of demand (overnight stays). The evolution of the number of operating establishments and employment is along the same lines: 1,012 were open in December, 12.8% lower than those registered in December 2019; and the 12,415 people employed in December 2021 are 17.9% less than in the same month of 2019. (Charts 7 and 8).

It may be inferred from the foregoing that establishments that remain closed would be relatively smaller in size (measured in number of vacancies) and with more staff per vacancy, both characteristics compatible with the highest-ranking hotels, in which overnight stays by foreign tourists tend to have the greatest weight, linked to business tourism, trade fairs and incentives, which have a great weight in the region.

It may therefore be concluded that, throughout 2021, the consolidation of the recovery process of tourism in the Community of Madrid has been evidenced, strongly consolidated in the national market, which by the end of the year had practically reached levels very similar to those of before the health crisis. However, the domestic segment cannot neutralise the effect of the fall in foreign demand, which is closely linked to business tourism.

The first known data for 2022, referring to January, show a notable setback in the aforementioned demand recovery patterns, linked to the magnitude of the sixth wave of contagion, both in terms of its incidence and globalisation.

Chart 1

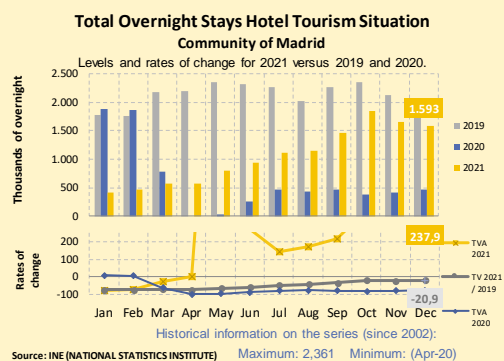


Chart 2

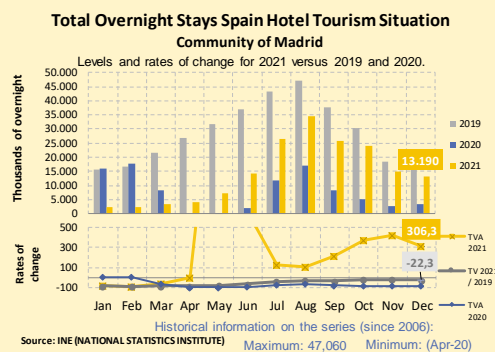


Chart 3

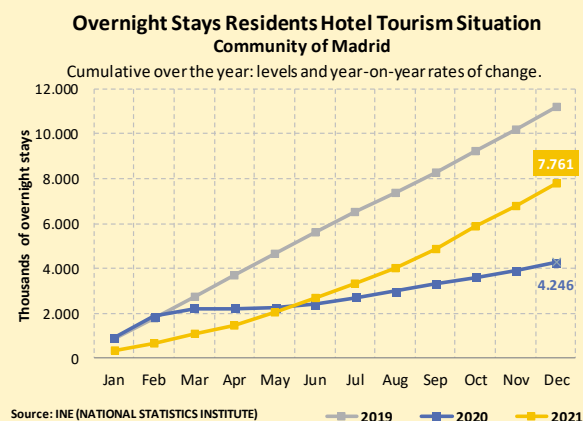


Chart 4

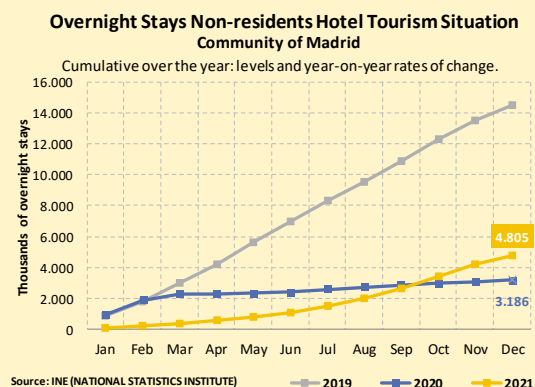


Chart 5

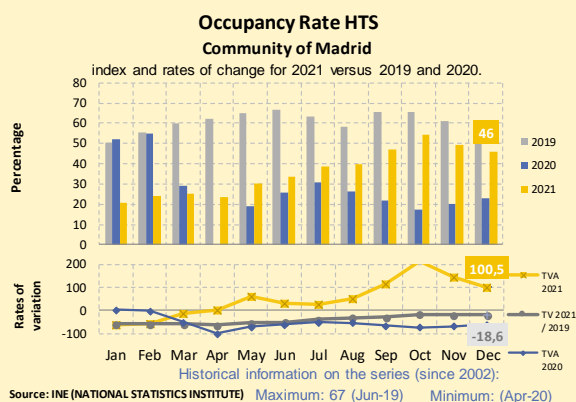


Chart 6

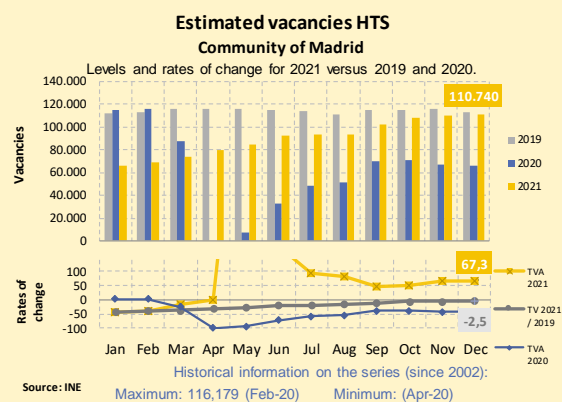


Chart 7

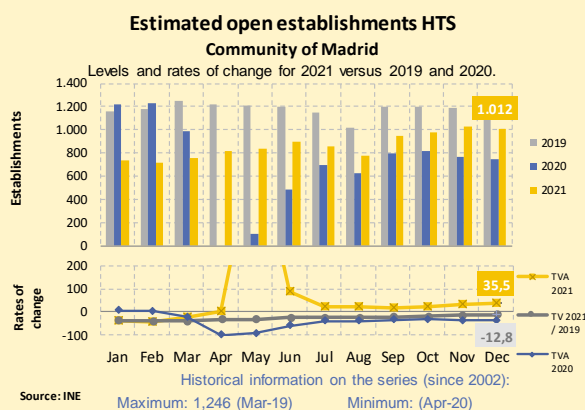
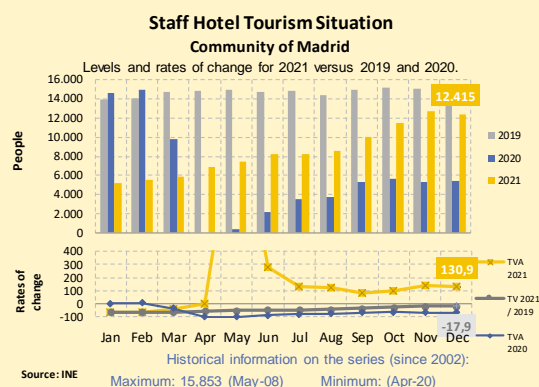


Chart 8



### IV.3. Prices and wages

**Electricity and fuel price hikes extended to the fourth quarter of 2021 and pushed headline inflation to a 20-year high. The core rate, albeit more subdued, shows a moderate upward profile.**

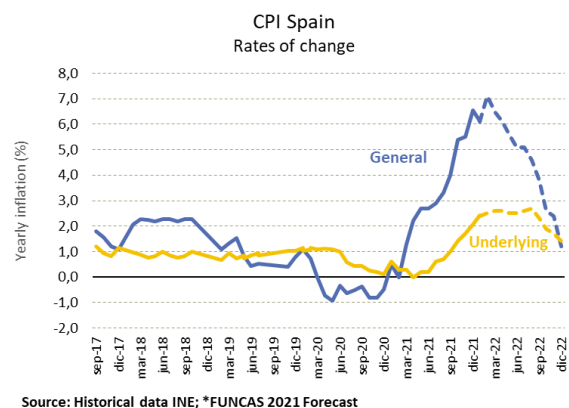
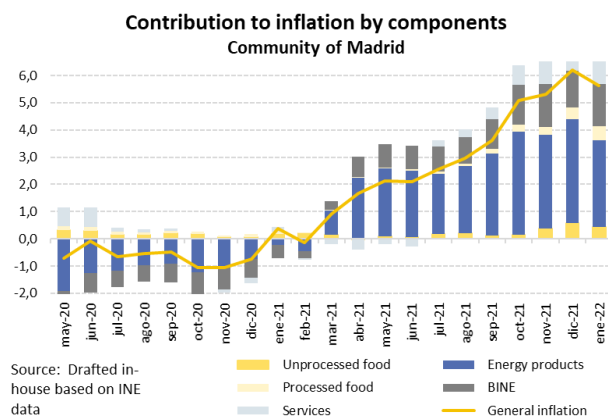
Inflation in the Community of Madrid accelerated its rise in the last quarter of the year, closing the year with a value of 6.2%, the highest in the last 20 years. Thus, average inflation in the Community of Madrid in the fourth quarter of the year was 5.5% (versus 3.1% in the third quarter of 2021). The average for 2021 was 2.7% versus -0.4% in 2020. The latest data published, corresponding to February for Spain as a whole, increased the upward trend to 7.4%.

The most notable upward contributions to the change in inflation in the fourth quarter were made by 'Housing', 'Food and non-alcoholic beverages' and 'Restaurants and hotels'. The first group is directly affected by the increase in electricity prices; thus, the subgroup *Electricity, gas and other fuels* reached an inflation rate of 49.4% in December, the highest for this subgroup. The following chart on the left shows the leading role played by the energy component in the rise in inflation. Food and non-alcoholic beverages' inflation in December was 5.2%, making it the third most inflationary group after the two groups directly affected by the rise in energy products. Some foodstuffs stand out for their sharp rise in prices: *Oils and fats* (rate at around 25% for all three months), *Sheep meat* 23.8% in December (6.9% in October) and *Fresh fruit*, rising from 0.5% in October to 8.4% in December. The contribution of 'Restaurants and hotels' stems from the evolution of *Accommodation services*, with an average inflation in the last quarter of around 30%, which is not really due to a strong rise in prices but to a favourable year-on-year comparison compared to the behaviour of this subgroup a year ago, when prices suffered a significant cut due to the fall in tourists as a result of travel restrictions. This group is partly included in the Services component, whose impact has increased in recent months, as shown in the graph.

Core inflation, a measure that does not include developments in unprocessed food and energy prices, is regaining momentum and continues on an upward path. In the fourth quarter, inflation averaged around 1.9%, rising to 2.2% in December. It stood at 2.3% in January, 3.3 points below the general rate, and grew to 3% in February.

**Funcas again raised the previous month's forecasts in view of January's results.**

Under a central albeit increasingly unrealistic scenario in light of the Ukrainian crisis, and under the assumption that the oil price would fall from the current 95 USD/barrel to 80 USD/barrel from March onwards and the electricity price would remain stable until April and then decline, the average rate for 2022 would be 4.6% year-on-year, thanks to the declining path from the second quarter of the year. The underlying rate was also slightly upgraded from the previous month's forecast, and is expected to average 2.3% in 2022.



## IV.4. Labour Market

### 1. LFS

#### Extending vaccinations and reviving some economic activities have bolstered LFS data for the fourth quarter of 2021 in the Community of Madrid.

In the fourth quarter of 2021, the number of employed persons increased by 1.5% in the Community of Madrid, or by 46,300 persons with respect to the previous quarter, reaching 3,175,600 employed persons, and thus continuing with the growth started in the third quarter of 2020, after the falls in the first half of last year. Likewise, in year-on-year terms, there was an increase in employment of 108,100, 3.5% in relative terms, conditioned by the comparison with the fourth quarter of 2020. However, the level of employed persons is higher than in the fourth quarter of 2019 by 1,100. In this fourth quarter, the number of employed persons not working increased by 60,400 compared with the fourth quarter of the previous year due to the increase in those not working due to holidays and illness, while those affected by ERTE furlough schemes or partial unemployment fell.

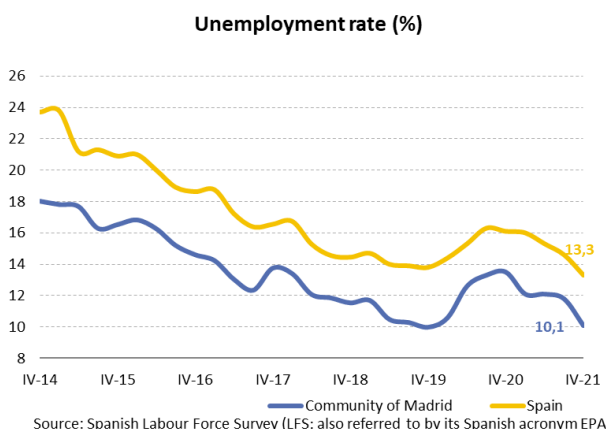
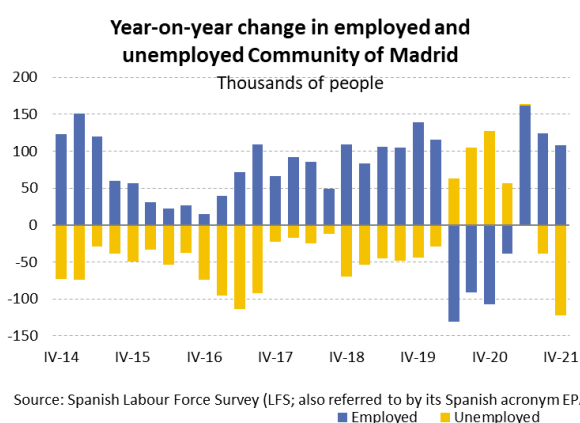
In turn, unemployment in the Community of Madrid shows a significant quarterly fall of 62,900 unemployed, 15%, and, even more, of 122,500 unemployed compared to the same quarter of the previous year, 25.5% less, reaching 357,500 unemployed.

In the fourth quarter of 2021, the activity rate in the Community of Madrid falls four tenths compared to the third quarter and two tenths compared to the same quarter of the previous year, standing at 63.1%, 4.4 points above the national rate of 58.7%. Compared with the fourth quarter of 2019, the activity rate lost three tenths of a percentage point.

For its part, the unemployment rate in the Community of Madrid fell 1.7 points from the previous quarter and 3.4 points year-on-year to 10.1%, 3.2 points below the national unemployment rate of 13.3%. This magnitude remains broadly unchanged from the fourth quarter of 2019 in the region, when it stood at 10%.

As for the inactive population, which has been falling since the third quarter of 2020 due to the reversal of the classification of some unemployed as such, it is important to note that in this fourth quarter of 2021 the levels of the inactive appear to normalise, standing at 2,069,500 people in the region, with an increase of 1.6% compared with the previous quarter and 0.8% compared with the fourth quarter of 2020.

The LFS flows statistics (EFPA) continue to show a normalisation of flows as a whole, which explains the significant variations in the year-on-year comparison. This should not obscure the positive performance of flows in the fourth quarter. The most noteworthy is the rate of entry into employment, which is only lower than a year ago, driven by those who were unemployed in the previous quarter and which in the fourth quarter has reached historic levels. This component also plays an important role in increasing the outflow of unemployment. It is also noteworthy that the inflow into unemployment is at its lowest level since 2007 for a fourth quarter. The less positive note is the increase in outflows of activity, mainly due to the increase in the number of unemployed persons in the previous quarter, although the amounts are far from those of the second quarter of 2020.



### Sidebar IV. Analysis of special variables of the Labour Force Survey

#### Employed who did not work in the reference week.

The LFS data reflect, from the first quarter of 2020, the exceptional situation caused by the COVID-19 health crisis. Following the recommendations of the International Labour Organisation (ILO) and the Statistical Office of the European Union (Eurostat), the LFS classifies workers affected by ERTE furlough schemes in suspension of employment as employed when there is a guarantee of return to work. Workers affected by an ERTE furlough scheme with a reduction in working hours are employed, and this reduction is reflected in the working hours worked.

With average annual data, and as can be seen in the attached tables and graphs, in the Community of Madrid in 2020 there was a significant increase in the number of employed persons who did not work in the reference week, 462,300 on average in 2020, which represents 15.2% of all employed persons compared to 15.8% in Spain, while in the years prior to the pandemic (2018 and 2019) it was around 8.7% compared to 8.5% in Spain.

In the year 2021 a slight recovery is observed, and the employed who were not working in the reference week represent 11.9% of the employed in the region compared to 11.8% in Spain, still above pre-pandemic levels.

As a result of the cause, there was a significant increase in the number of employed persons who did not work due to illness, partial unemployment, ERE or ERTE furlough schemes in 2020, which represented 60% of the employed persons who did not work in the Community of Madrid and 64.3% in Spain, whereas in the pre-pandemic years they represented, on average, 26.8% in the region and 32.0% in Spain. The figure improves in 2021 to 36% in the Community compared to 42% in Spain, but again without recovering pre-pandemic levels. The classification of workers in ERTE or ERE furlough schemes as employed results in total employed in the pandemic year falling by only 1.7% year-on-year, after growing by 3.6% in 2019 and 2.9% in 2021; however, this growth is affected by the fall in 2020, caused by the pandemic.

**EMPLOYED WHO DID NOT WORK IN THE REFERENCE WEEK  
BY REASON FOR NOT WORKING**  
Community of Madrid. Annual averages (thousands)

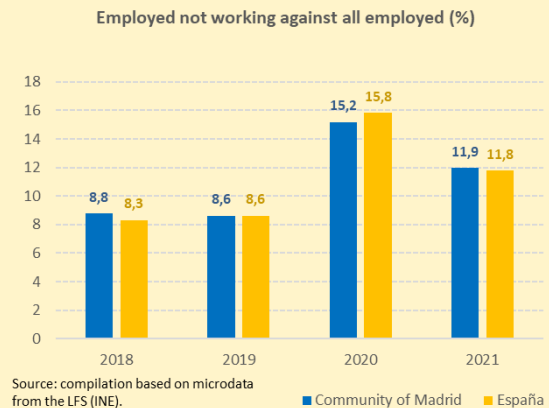
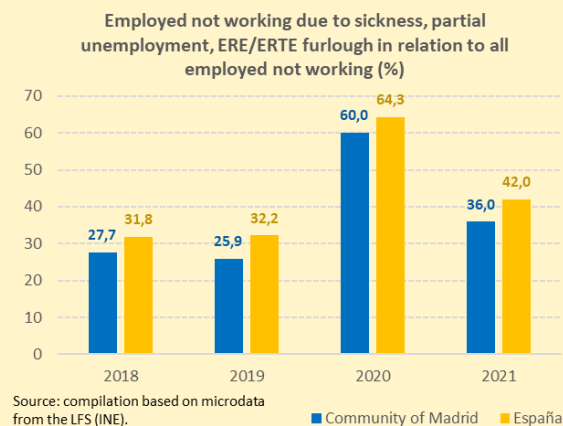
Reason <sup>(1)</sup>	2018	2019	2020	2021
Holidays or leave	167,7	175,6	159,3	208,7
Childbirth	11,8	13,4	17,4	21,9
Illness or accident	70,4	67,7	106,7	117,8
Partial lay-off for technical or economic reasons	1,9	0,9	86,6	3,0
Furlough scheme	0,2	0,4	84,2	13,8
Strike or labour dispute	0,0	0,4	0,0	0,0
Other reasons	10,1	7,9	8,1	9,2
<b>Total</b>	<b>262,0</b>	<b>266,4</b>	<b>462,3</b>	<b>374,4</b>

**EMPLOYED. Community of Madrid**

	2018	2019	2020	2021
Annual averages (thousands)	2.990,9	3.098,9	3.045,6	3.134,2
Yearly variation (%)		3,6	-1,7	2,9

<sup>(1)</sup> Excluding the INE unclassified category.

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



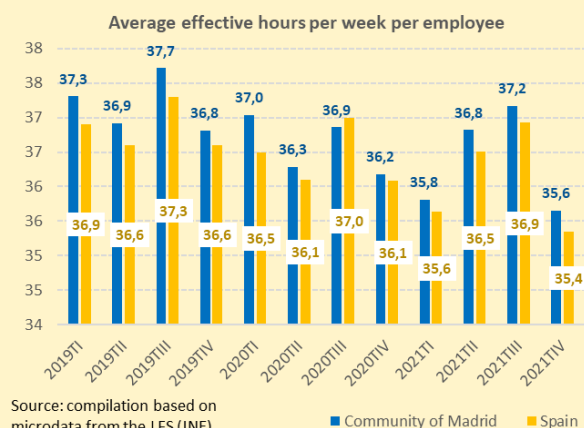
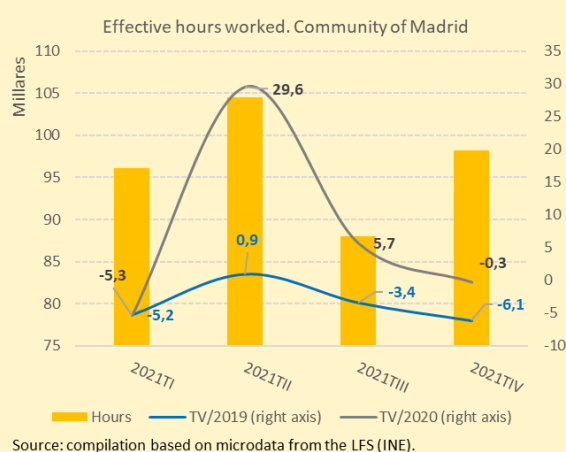
### Effective hours worked.

With the latest data, in 2020 and in the Community of Madrid the total number of effective weekly hours worked by all employed in the main job had fallen by 9.2% year-on-year, compared to an increase of 6.3% in 2021, partly due to the poor 2020 data. In Spain, the year-on-year fall in 2020 was sharper at 11.1% and the recovery in 2021 more vigorous at 8.2%.

The quarterly trend in hours worked in 2021 shows a significant increase of 29.6% in the second quarter, due to the comparison effect with the second quarter of 2020, when the pandemic is in full force; however, compared to the same quarter of 2019, the increase in hours is cushioned to 0.9%.

In the third quarter, hours worked generally fall due to the fact that this is the quarter in which workers usually take their holidays. In 2021, they grew by 5.7% in the third quarter and fell by 0.3% in the fourth quarter, variations affected by the comparison with 2020, as, if the comparison is made with 2019, the falls reach 3.4% and 6.1% with respect to the second and third quarters, respectively.

The average effective weekly hours per employee, although higher in the Community of Madrid than in Spain, failed to improve since 2019 in either of the two territories. In the region (in Spain), they have gone from 37.2 hours (36.9 hours) in 2019, to 36.6 hours (36.4 hours) in 2020, and to 36.4 hours (36.1 hours) in 2021.



## 2. Social Security Enrolment

**Social Security enrolment in the fourth quarter and the month of January performed exceptionally well, reaching a new all-time high in December, with more favourable seasonal trends than in the pre-pandemic period.**

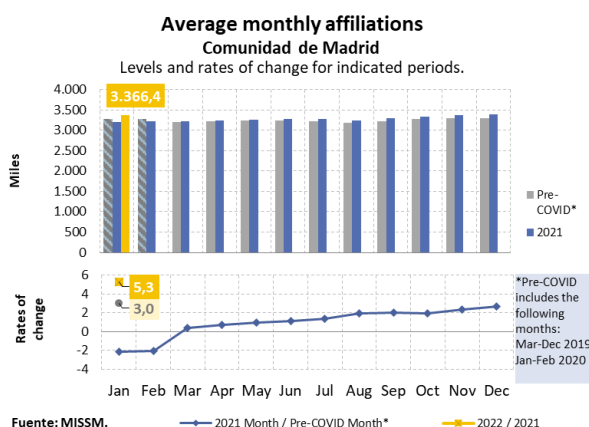
Enrolment reached a new all-time high in the region in December 2021 at 3,391,380 workers, a year-on-year increase of 5.3%, and 2.7% higher than the figure for December 2019, the ceiling for enrolment until October 2021, when the pre-pandemic level of enrolment was exceeded for the first time. The October peak was overtaken by the November and December records, as expected, given the seasonal profile of the series, which was also being reinforced in 2021 by more favourable behaviour than that recorded during 2019. Thus, the December peak is expected to last until the fourth quarter of 2022.

The seasonal fall in enrolment in January of 0.7% month-on-month, more moderate than that observed in the same month of 2019 and 2020 (both 1%), means that, at 3,366,383, it is the highest volume of enrolment for a January in the history of the series. This represents a year-on-year increase of 5.3%, or 3% from the pre-pandemic level of January 2020.

Generalisation is a common feature of the absolute peak in enrolment in December 2021 and the relative peak in January 2022, both for women and men and for the two main contribution schemes, with historical peaks in both periods. The enrolment ceiling stands at 1,773,055 for men, 1,618,316 for women, 2,970,106 overall and 417,670 for the self-employed, achieved in December 2021. In terms of the most recent growth rate, measured in relation to the number of persons employed in January 2020, the largest increases were seen in male enrolment (+3.3%) and in the general scheme (+3.1%), with increases of 2.6% in female enrolment and in the self-employed.

Analysis by activity sections of average monthly enrolment in the general scheme, excluding the special agricultural and domestic employees schemes, shows that December saw the highest level of enrolment in history in services, with five of its sections at record highs, including two of those with the highest volume of enrolment: administrative and support service activities and professional, scientific and technical activities; information and communications, meanwhile, reached its absolute peak in January. In terms of the self-employed, the December peak is also the result of the historical highs recorded by the tertiary sector, with five sections also at maximum levels of affiliation, including administrative activities and auxiliary services. Significant are the two sections that reached it in January: health and social work activities and real estate activities (see table for details of sections and regimes).

This very buoyant trend in enrolment has continued to be compatible with the decrease in the number of workers on ERTE furlough schemes, which stood at 21,639 at 31 January 2022, of whom 19,761 are on ERTes for reasons linked to the pandemic, 18.8% of all workers affected by this type of ERTE in Spain; 12,000 fewer workers than at 31 October, when the new ERTE-COVID modalities were launched, and 104,000 fewer workers than a year ago. The number of staff in ERTE-ETOP furlough schemes (for reasons unrelated to the pandemic) also decreased to 1,878 as of 31 January, 15.9% of the national total. Thus, 0.6% of those affiliated on the last day of January in the region and in Spain were under one of these forms of protection.



Levels of enrolment in main schemes by section in January 2022 and historical highs dated Community of Madrid						
CNAE Sections 2009	General (excluding agricultural and domestic work systems)			Self-employed regime		
	Level Jan-22	Weight (%)	Historic high	Level Jan-22	Weight (%)	Historic high
A - Agri. Livest. Fore. and Fish.	2.669	0,1	jul.-09	2.631	0,6	jul.-21
B ... E - Industry	197.750	7,0	ene.-09	16.859	4,1	ene.-09
F - Construction	147.867	5,2	ene.-09	46.786	11,3	ene.-09
G - Comm. Rep. Vehicles	419.755	14,8	dic.-19	83.925	20,2	dic.-15
H - Transport. Storage	153.085	5,4	dic.-21	34.207	8,2	mar.-21
I - Hospitality	181.606	6,4	dic.-19	27.564	6,6	jun.-19
J - Inform. Commun.	244.830	8,6	ene.-22	17.862	4,3	dic.-21
K - Act. Finance & Insura	110.826	3,9	jul.-21	8.739	2,1	dic.-21
L - Act. Real Estate	26.308	0,9	dic.-21	9.134	2,2	ene.-22
M - Actv. Prof. Tech. Sci.	258.497	9,1	dic.-21	60.447	14,5	dic.-21
N - Actv. Admt. Serv. Auxil.	321.850	11,3	dic.-21	26.209	6,3	ene.-09
O - Public Adm Defen., SS	197.839	7,0	dic.-21	199	0,0	ene.-21
P - Education	202.660	7,1	may.-21	16.738	4,0	feb.-20
Q - Actv. Health Serv. Social	252.199	8,9	ago.-21	22.132	5,3	ene.-22
R - Actv. Artis. Rec. & Ent	48.681	1,7	dic.-19	13.407	3,2	dic.-21
S ... U - Rest of Serv.	76.334	2,7	feb.-09	28.858	6,9	dic.-21
Total services	2.494.469	87,7	dic.-21	349.420	84,1	dic.-21
<b>Total</b>	<b>2.842.755</b>	<b>100,0</b>	<b>dic.-21</b>	<b>415.696</b>	<b>100,0</b>	<b>dic.-21</b>

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

### 3. Registered unemployment

**There has been a rapid reduction in the number of unemployed over the last three months, bringing the current levels slightly above pre-pandemic levels, with already lower levels among men and in the industrial and construction sectors.**

The recent performance of registered unemployment has been equally outstanding. The number of unemployed just over 400,000 in October, dipped below 356,000. The exceptionality of this reduction of more than 45,000 in three months is illustrated by the fact that it took nine months of consecutive declines to obtain a similar fall in absolute terms in early 2021 (February to October). Two factors explain this favourable evolution: the strength of the labour market in the last quarter of the year, as evidenced by the enrolment data and the LFS, and the end of automatic renewals of job applications as of December in the region, a mechanism that had previously been eliminated in all the other Spanish Autonomous Communities. This second factor therefore plays a differential role in the comparative evolution of unemployment in the Community of Madrid from December to February.

Thus, in the last three months, the pace of unemployment has accelerated significantly, from 6.7% in October 2021 to 19.0% in January 2022. The number of registered unemployed in the region is presently only 1.5% higher than in the same month before the pandemic (January 2020), compared to 16.1% in October 2021; this gap was at its widest in December 2020, when unemployment was 27.5% higher than in December 2019. In Spain, the earlier removal of the automatic renewal of claims has meant that, already since November, the number of unemployed is below the pre-pandemic level and 5% lower in January 2022.

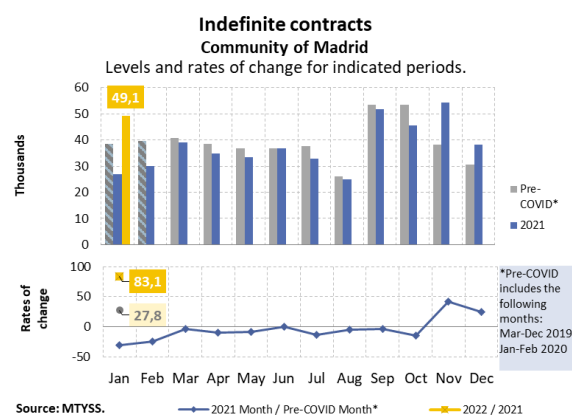
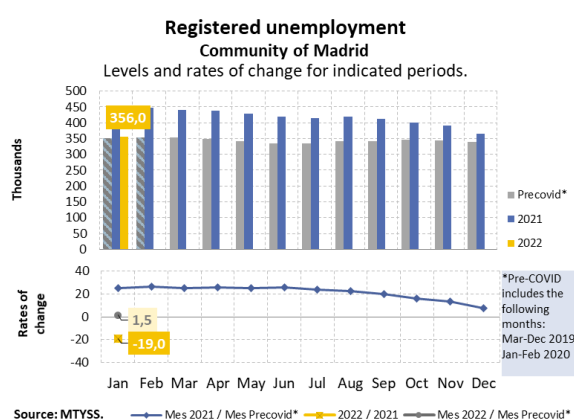
Both sexes and all sectors of activity, including the previously unemployed, participated in this rapid acceleration of year-on-year declines in unemployment in the region and the consequent narrowing of the pre-pandemic unemployment gap. In January 2022, male unemployment is already slightly lower (0.9%) than before the outbreak of the crisis, as is unemployment in the industrial sector (4.3%) and in construction (3.3%), with unemployment among women, the previously unemployed and in the services and agriculture sectors remaining at levels above the pre-pandemic levels of January 2020 (3.3%, 3.2%, 2.3% and 1.7% higher, respectively). In Spain, only unemployment in agriculture is higher than before the crisis.

A disaggregated view of regional unemployment in the services sector shows that unemployment is lower than before the pandemic in 16 of the 48 tertiary branches, including professional, scientific and technical activities. By contrast, of the 32 branches that have current levels of unemployment above pre-pandemic levels, the most relevant are those registered in Public Administration, Social Security and Education, with around 2,000 more unemployed each.

**The recovery of permanent contracts is outstanding, already above pre-pandemic levels.**

Hiring has continued to show significant year-on-year increases in the fourth quarter of 2021, which are maintained in the first month of 2022, with particularly high increases in permanent hiring, so it can be said that a certain dichotomous behaviour is continuing in the labour market, albeit far from the patterns that characterised it at the start of the health crisis.

Thus, the recent levels of permanent employment far exceed those recorded before the pandemic, as early as November, and exceed them by more than 25%. This is not the case for temporary hiring, which, moreover, seems to have suffered a bump in its recovery in January 2022, when the pre-pandemic gap rises to 16.2%; throughout 2021, it has always lagged behind indefinite hiring in its reactivation.



## IV.5. Business environment

Business entrepreneurship kicked off 2021 in the Community of Madrid with the fourth consecutive year-on-year dip, recovering in February and growing until September, when it fell by 1.6%, before recovering in the last three months of the year, growing and accelerating. In Q4, with the creation of 5,568 companies, the highest number of incorporations for this period since 2007 was recorded, 16.5% more than in the same quarter of 2020 and 5.5% and 289 companies more than in Q4 2019. Company incorporations reached 1,915 entities in December, growing by 24.5% year-on-year, the highest increase for a December in the series, 24.1% higher than in the same month of 2019. It should be noted that pre-crisis levels were surpassed in eight of the twelve months of the year in the region. In 2021 as a whole, 23,691 companies were created in the Community of Madrid, the highest number since 2007 and 31.9% more than in 2020, 8.8% more than in 2019, leading the regional ranking of company incorporations, with 23.4% of the total number created in Spain.

Capital subscribed throughout 2021 fluctuated between negative and positive year-on-year rates. In the fourth quarter of the year, investments by new companies posted the lowest volume for this quarter in the series, 25.6% lower than the fourth quarter of 2019, with a drop of 52.1% versus 2020. December's latest figures reveal a year-on-year decline of 79.1%, or 56.8%, compared with December 2019. The cumulative figure for 2021 is the lowest investment figure in the series, 25% lower than a year ago and 3.5% lower than in 2019. Despite these figures, Madrid is the second region where most capital has been subscribed in 2021, with close to 20% of the total national investment made here.

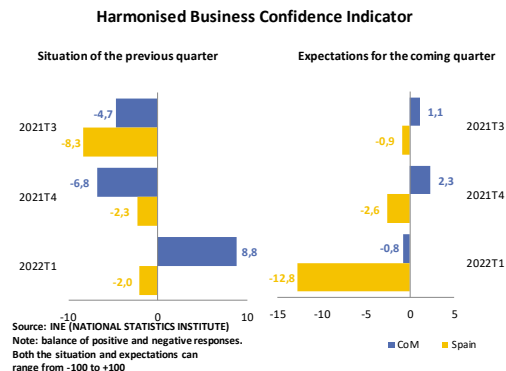
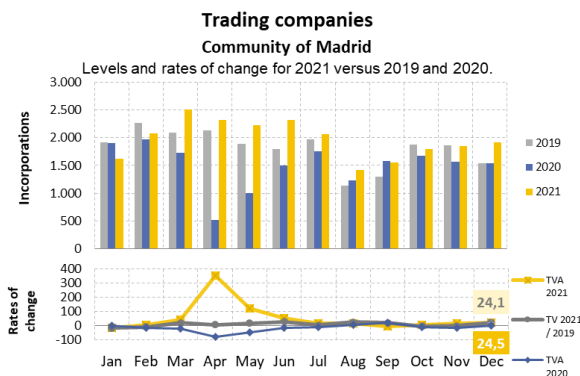
In order to analyse the dissolution of companies in 2021, it should be considered that, as of March 2020, the activity of the Companies Registries was limited due to the pandemic from the second fortnight until the recovery of normality in the registration process by order of 4 June 2020 of the Directorate General for Legal Certainty and Public Faith; on the other hand, the exceptional insolvency moratorium measure established in Law 3/2020 of 18 December 2020 on the exclusion of results for the purposes of the legal cause of dissolution due to losses was extended to 2021 and extended until 30 June 2022, so that the figures should be viewed with caution. In Q4 2021, dissolutions reached record highs for this quarter, increasing by 1.7% compared to 2020 and by 12.7% compared to the same quarter of 2019. In the month of December, they fell by 9.3% y-o-y, and grew by 8.7% compared to 2019; however, in the year-to-date they increased both in 2020 and 2019, by 9.8% and 5.3% respectively.

### The Community of Madrid starts the year as a territorial reference for the relocation of companies.

AXESOR data reported that a total of 125 companies changed their registered office to the Community of Madrid at January 2022; the most represented sector is commerce, with 20% of the transfers, followed by industry with 17.6%; in terms of origin, Catalonia and Andalusia predominate, both contributing 40% of the total arrivals. The balance opened 2022 on a positive note, with 15 companies in favour of our region.

### In early 2022, Madrid entrepreneurs shown themselves to be the most optimistic of all the regions.

Confidence levels of Madrid entrepreneurs for the first quarter of 2022 return to positive rates of 3.1%; with growth only in Madrid and Aragon. The balance stood at +8.8 points, 15.6 points higher than in Q4 2021. Expectations for the coming quarter are, however, negative in the region, -0.8 points, after two quarters of growth.



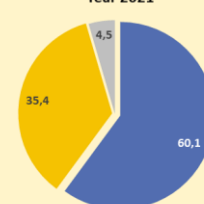
## Sidebar V. Operations of the Central Business Directory in the Community of Madrid

On **13 December 2021**, Spain's National Statistics Institute (INE) published the operation of the **Central Companies Directory** containing aggregated information on companies operating in the national territory with reference to 1 January 2021.

In the Community of Madrid, on the aforementioned date, 547,040 companies remain active, 0.9% less than the previous year, and in Spain 3,366,570 companies, 1.1% less than in 2020.

The first thing that stands out in relation to company size is the **large number of companies with no employees**, 60.1% of them, and the high number with less than 10 employees, 35.4%, which means that **more than 95% of the companies have less than 10 or no employees at all**. Following the recommendations of the European Union, considering companies with fewer than 250 workers as SMEs, **99.7% of companies in the Community of Madrid in 2021 will be SMEs**.

Percentage of companies in the Community of Madrid by number of employees.  
Year 2021



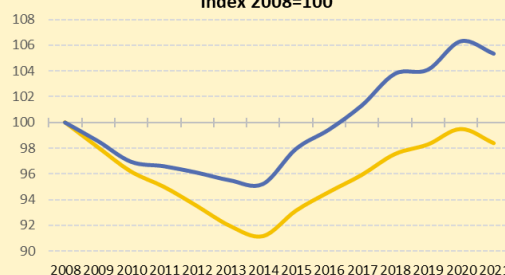
Source: DIRCE. INE

■ No salaried employees ■ <10 employees ■ 10 or more employees

The proportions in Spain are similar, 55.8% with no employees and 40% with less than 10 workers; in turn, 99.9% of Spanish companies are SMEs.

Considering the CNAE 2009 classification, the highest concentration of companies in the Community of Madrid in 2021 were registered under "Professional, scientific and technical activities" (17.0% in CoM and 12.5% in Spain), followed by "Wholesale and retail trade; repair of motor vehicles and/or motorcycles" (16.9% in the CoM and 21.2% in Spain), and "Construction" (11% in the CoM and 12.4% in Spain). The rest of the sections account for less than double digit percentages, in both the Community of Madrid and Spain.

Trends in the number of companies  
Index 2008=100



Source: DIRCE. INE

— España — Comunidad de Madrid

In turn, in terms of **developments in the number of companies** since the 2008 crisis and the subsequent recovery in 2014, as can be seen in the attached chart, the **Community of Madrid performed better**, both in terms of falls and rises, than the national average. In 2017, the region had regained the number of enterprises of 2008, while in 2021 the national total had not yet been achieved.

NUMBER OF COMPANIES BY CNAE 2009 SECTIONS AND EMPLOYEE STRATUM.						
COMMUNITY OF MADRID. 2021						
CNAE Section	Total	salaried employ	1 to 9	10 to 49	50 to 249	over 250
<b>Total</b>	<b>547.040</b>	<b>328.678</b>	<b>193.677</b>	<b>19.110</b>	<b>4.118</b>	<b>1.457</b>
Mining and quarrying	159	77	63	16	3	
Manufacturing	17.456	6.825	7.981	2.132	371	147
Electricity, gas, steam and air conditioning supply	2.416	2.067	254	64	20	11
Water supply; sewerage, waste management and decontamination activities	523	153	234	96	18	22
Construction	60.418	37.072	20.416	2.571	300	59
Wholesale and retail trade; repair of motor vehicles and/or motorcycles	92.263	47.160	41.414	2.901	613	175
Transport and storage	37.205	24.518	11.516	896	189	86
Hospitality	29.452	9.163	18.664	1.318	229	78
Information and communications	20.932	13.018	6.194	1.233	352	135
Financial and insurance activities	15.367	11.078	3.685	391	147	66
Real estate activities	34.001	23.180	10.483	283	41	14
Professional, scientific and technical activities	92.855	62.591	27.318	2.365	425	156
Administrative or auxiliary service activities	42.092	27.351	12.314	1.773	443	211
Education	21.290	14.126	5.686	928	462	88
Health services and social work activities	31.413	21.447	8.784	835	221	126
Arts, entertainment and recreation	19.202	12.521	5.787	715	137	42
Other services	29.996	16.331	12.884	593	147	41

Source: Central Business Directory. INE

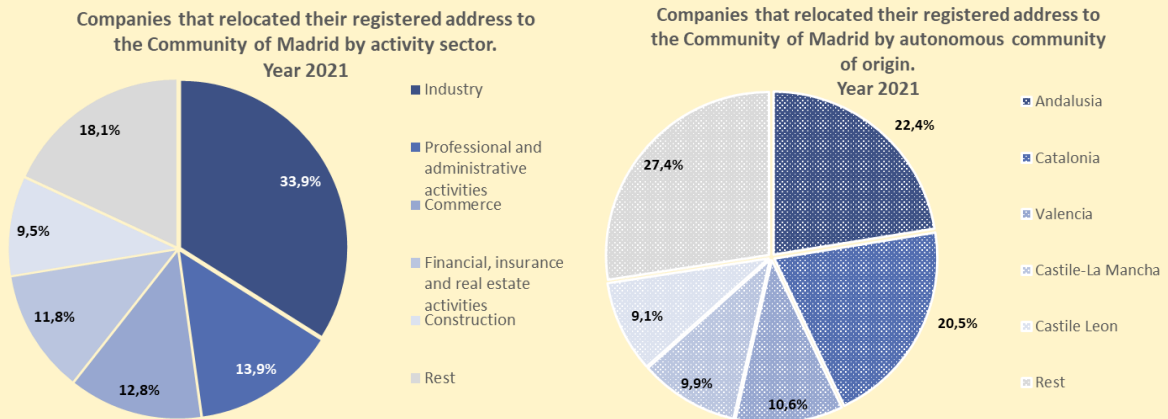
## Sidebar VI. Company movements in the Community of Madrid in 2021

### Companies that relocated their registered address to the Community of Madrid

In 2021, a total of 2,107 companies moved their registered office to the Community of Madrid, according to information provided by Experian, which uses data from the Central Companies Registry.

The following charts demonstrate that among the sectors of economic activity of companies transferring their registered office to the region, *Industry* stood prominent (33.9% of the companies), followed by *Professional and administrative activities* (13.9%) and then *Commerce* (12.8%).

In turn, by autonomous community of origin, Andalusia stands out with 22.4%, followed by Catalonia with 20.5% and Valencia with 10.6%.

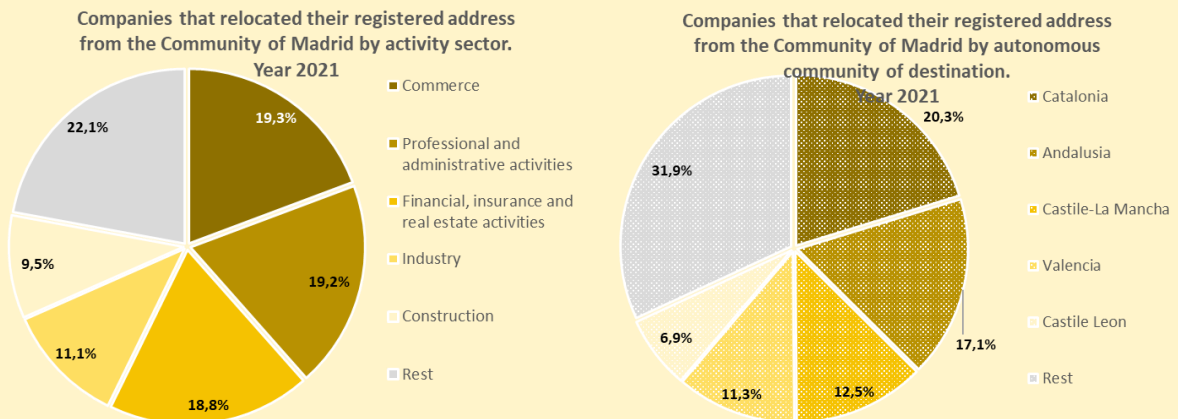


### Companies that relocated their registered address from the Community of Madrid

In 2021, a total of 1,534 companies moved their registered office from the Community of Madrid, which means a balance in favour of the region of 573 companies.

The following charts indicate the sector of economic activity, as 19.3% correspond to *Commerce*, 19.2% to *Professional and administrative activities*, and 18.8% to *Financial, insurance and real estate activities*.

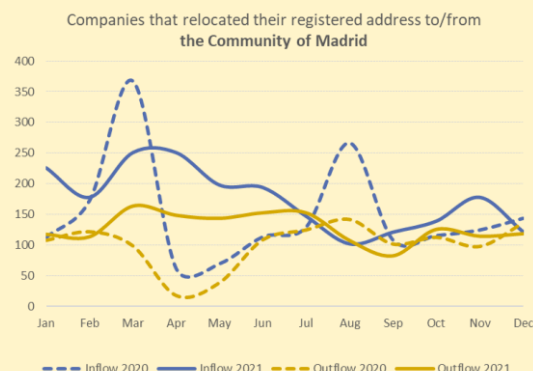
By autonomous community of destination, Catalonia stands out with 20.3%, Andalusia with 17.1% and Castilla la Mancha with 12.5% of the total number of companies.



**A monthly breakdown of company movements**

in 2020 and 2021, as shown in the chart below, reveals that more companies entered the Community of Madrid in March and April, though the number declined in the summer, except in 2020.

In turn, the outflow of companies in the region presented a flatter profile, though it increased also in spring, except in 2020, and decreased in summer.



Companies that relocated their registered address to the Community of Madrid														
By autonomous community of origin and sector of activity. Cumulative Jan-Dec 2021														
Autonomous Comm	01	02	03	04	05	06	07	08	09	10	11	n/d	Total	%
Andalusia	7	230	51	49	2	5	37	26	51	7	7	1	473	22,4
Aragon	2	19	7	9		2	3	7	10	2	1		62	2,9
Asturias	1	4	3	4	3	4	1	5	11	1	1		38	1,8
Balearics	1	4	3	1	1	2	2	17	6		2		39	1,9
Canary Islands		3	9	3	1		5	3	5	1	2		32	1,5
Cantabria		1	1	4				5	1	1	1		14	0,7
Castilla La Mancha	9	18	33	44	12	10	20	19	30	11	2		208	9,9
Castilla Leon	5	66	23	19	7	6	12	14	30	5	5		192	9,1
Catalonia	1	88	31	66	12	25	28	94	67	10	10		432	20,5
Extremadura	4	9	4	12		1	4	4	5	2	1		46	2,2
Galicia	1	6	6	10	2	2	2	10	9		2		50	2,4
La Rioja		34	2	1	1		1	1		1			41	1,9
Murcia	4	5	8	11	2	1	12	13	7	5	3	1	72	3,4
Navarre		4	2			1	1	2	1	1	1		13	0,6
Basque Country		118	2	11	2	2	2	13	15	2			167	7,9
Valencia	1	106	14	24	4	1	11	15	44	3	1		224	10,6
Others			1	2				1					4	0,2
<b>Total</b>	<b>36</b>	<b>715</b>	<b>200</b>	<b>270</b>	<b>49</b>	<b>62</b>	<b>141</b>	<b>249</b>	<b>292</b>	<b>52</b>	<b>39</b>	<b>2</b>	<b>2.107</b>	<b>100,0</b>
<b>%</b>	<b>1,7</b>	<b>33,9</b>	<b>9,5</b>	<b>12,8</b>	<b>2,3</b>	<b>2,9</b>	<b>6,7</b>	<b>11,8</b>	<b>13,9</b>	<b>2,5</b>	<b>1,9</b>	<b>0,1</b>	<b>100,0</b>	
<b>Balance. Inputs - Outputs</b>													<b>573</b>	

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														
By autonomous community of origin and sector of activity. Cumulative Jan-Dec 2021														
A Community/Sect	01	02	03	04	05	06	07	08	09	10	11	s/d	Total	%
Andalusia	6	21	38	63	7	6	16	55	30	8	12	1	263	17,1
Aragón	1	2	6	2		4	3	15	9	2	3		47	3,1
Asturias	1	4	1	5	3	4	2	5	5	1	1		32	2,1
Balearics	2	19	6	3	1	2	2	17	13	2	1		68	4,4
Canary Islands		2	3	9	1	3	7	4	7	2	2		40	2,6
Cantabria		1	3	4		2		4	6	1	2		23	1,5
Castilla León	3	13	10	15	3	10	4	19	22	5	2		106	6,9
Castilla la Mancha	8	29	27	44	9	12	7	12	29	6	7	1	191	12,5
Catalonia	1	32	20	63	4	8	17	83	65	6	11	1	311	20,3
Extremadura	1	1	2	4	1	4	2	4	3		7		29	1,9
Galicia	1	15	4	23	1	8	6	8	18		2		86	5,6
La Rioja		1	1	1		1	1	2	3	1			11	0,7
Murcia	1	4	4	7	1	1	4	7	9		1		39	2,5
Navarre		4	1	3			3	6	4		1		22	1,4
Basque Country		5	9	14	1	3	5	22	29		3		91	5,9
Valencia	2	18	11	36	8	6	16	25	42	7	2	1	174	11,3
Ceuta											1		1	0,1
Melilla														
<b>Total</b>	<b>27</b>	<b>171</b>	<b>146</b>	<b>296</b>	<b>40</b>	<b>74</b>	<b>95</b>	<b>288</b>	<b>294</b>	<b>41</b>	<b>58</b>	<b>4</b>	<b>1.534</b>	<b>100,0</b>
<b>%</b>	<b>1,8</b>	<b>11,1</b>	<b>9,5</b>	<b>19,3</b>	<b>2,6</b>	<b>4,8</b>	<b>6,2</b>	<b>18,8</b>	<b>19,2</b>	<b>2,7</b>	<b>3,8</b>	<b>0,3</b>	<b>100,0</b>	

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.

## V. Forecasts

**While 2022 began with expectations of a recovery, tempered by the emergence of new risks and uncertainties, the escalation of war in Ukraine may radically transform the economic outlook.**

The epidemiological risk has not yet disappeared, although it seems that, with the sixth wave of COVID-19 coming to an end and the population largely vaccinated, its impact seems to be limited. However, the first two months of the year have seen a resurgence of problems that emerged last year, such as those arising from rising energy prices and the consequent rise in the usual inflation indicator, compounded by a major new source of uncertainty, that generated by geopolitical tensions between Russia and Ukraine, aggravated by Russian aggression. This scenario was not included in the forecasts available at the time this report was printed, in the opinion of many experts and despite repeated warnings from the US, they did not expect Russia to strike, though it finally did.

Thus, the risks that were assessed a few weeks ago, far from dissipating, are more present than before, with consequences that could be very adverse with many economies immersed in a difficult process of recovery from the COVID-19 crisis, including Spain. It also remains to be seen what impact the sanctions on Russia that several countries have already announced will have.

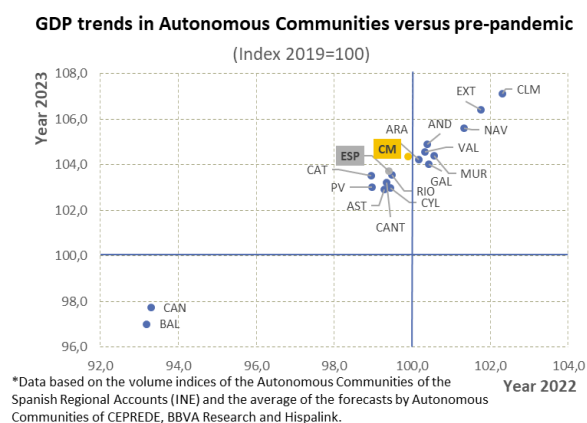
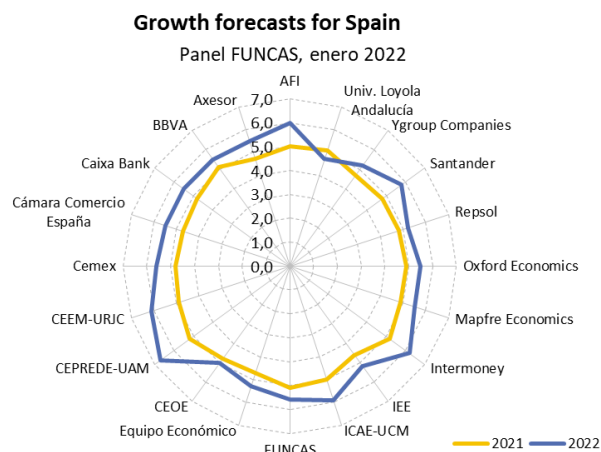
In this context, and with the reservations inherent to the situation, most current forecasts project growth for the Spanish economy in 2022 to be somewhat more dynamic than the estimates for 2021. According to the results of the FUNCAS Panel for January, forecasts for 2022 stand between 4.7% and 6.7%, though the majority are between 5.0% and 6.0%, with a consensus figure of 5.6%, half a point above the average estimate of these analysts for 2021 (which is very similar to what the INE published in the Quarterly Spanish National Accounts [CNTR], 5.0%). On the last day of February, the Association of Economists downgraded Spain's growth forecast by 0.4 points.

**Madrid's economic recovery is expected to drag on until 2023.**

The growth projections for 2022 available at a regional level, as prepared by BBVA Research, CEPREDE and Hispalink prior to the latest events, point to a prolongation of the recovery process of the Madrid economy, at rates ranging between 5.7% and 6.7%, with the average standing at 6.1%, which would accelerate the rate of growth estimated by these analysts for 2021 by eight tenths of a percentage point. All of them reflect a slightly more dynamic evolution in the region than in the country as a whole, for which they project an average growth of 5.9%.

Expectations for 2023 maintain a scenario of strong growth, as can be seen from the two available estimates: BBVA Research forecasts a rate of 5.5%, only two tenths of a percentage point lower than in 2022, while CEPREDE anticipates a greater deceleration, of 2.6 points, to 3.4%.

Based on these forecasts available on average, the GDP of the Community of Madrid in 2022 as a whole will be very close to recovering to the 2019 level, at just 0.1%, and would reach full recovery from the pre-pandemic starting point in 2023, and could be 4.3% higher next year. For Spain, the recovery will be slower in both years according to these projections, so that in 2023 it will be 3.7% above the 2019 level.



## Annex I. Madrid in the context of European regions

SUMMARY OF INDICATORS FOR EUROPEAN REGIONS <sup>(1)</sup>								
		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		2020	2020	2020	2019	2020	2020	2019
Unit of Measurement		Thousands of jobs	Thousands of jobs	Thousands of jobs	% GDP	Millions of € PPP	Euros	Euros PPP
<b>EU27</b>	<b>European Union (2020)</b>	<b>8.913,6</b>	<b>2.123,5</b>	<b>6.790,0</b>	<b>2,23</b>	<b>13.394.141</b>	<b>29.900</b>	<b>17.100</b>
<b>ES</b>	<b>Spain</b>	<b>746,5</b>	<b>127,3</b>	<b>619,2</b>	<b>1,25</b>	<b>1.194.956</b>	<b>25.200</b>	<b>16.200</b>
AT13	Wien	61,8	8,6	53,2	3,64	84.493	44.100	20.000
BE10	Bruxelles-Capitale	31,2	5,3	25,9	2,35	75.156	61.300	17.500
CZ01	Praha	72,8	8,2	64,6	2,56	80.199	60.400	18.600
DE21	Oberbayern	202,9	52,0	150,9	4,49	247.523	52.500	26.200
DE30	Berlin	198,5		178,0	3,38	140.433	38.300	19.200
<b>ES30</b>	<b>Community of Madrid</b>	<b>247,1</b>	<b>35,3</b>	<b>211,8</b>	<b>1,71</b>	<b>230.618</b>	<b>34.100</b>	<b>20.300</b>
ES51	Catalonia	177,4	48,2	129,2	1,52	226.787	29.600	18.300
FI1B	Helsinki-Uusimaa	86,4	12,2	74,3	3,52	73.769	43.500	19.500
FR10	Île de France	464,4	57,2	407,2		652.399	52.700	21.000
ITC4	Lombardy	242,2	80,1	162,1	1,33	367.946	36.800	21.600
ITI4	Lazio	181,5	35,1	146,4	1,86	187.537	32.700	18.600
NL32	Noord-Holland	84,3	8,9	75,4		147.674	51.200	19.300
PT17	Lisbon	75,0	10,6	64,4	1,69	83.953	29.300	16.900
SE11	Stockholm	132,4	12,4	120,0	3,31	122.984	51.600	20.300
Position of the Community of Madrid in the selection of regions		2	5	2	9	4	11	5

		Activity Rate	Unemployment Rate	Unemployment Rate under 25	Population	Fertility Rate	Expected lifespan (at least 1 year)
Year of last datum		2020	2020	2020	2020	2019	2019
Unit of Measurement		%	%	%	People	Children per woman	Years
<b>EU27</b>	<b>European Union (2020)</b>	<b>77,4</b>	<b>7,1</b>	<b>16,8</b>	<b>447.319.916</b>	<b>1,53</b>	<b>81,3</b>
<b>ES</b>	<b>Spain</b>	<b>77,3</b>	<b>15,5</b>	<b>38,3</b>	<b>47.332.614</b>	<b>1,23</b>	<b>84,0</b>
AT13	Wien	79,1	10,6	16,5	1.911.191	1,35	81,1
BE10	Bruxelles-Capitale	75,2	12,3	29,1	1.223.364	1,71	81,6
CZ01	Praha	80,6	2,3	5,0	1.324.277	1,52	81,0
DE21	Oberbayern	82,6	2,7		4.710.865	1,52	82,8
DE30	Berlin	85,1	6,1		3.669.491	1,41	81,5
<b>ES30</b>	<b>Community of Madrid</b>	<b>82,2</b>	<b>12,5</b>	<b>31,8</b>	<b>6.747.068</b>	<b>1,23</b>	<b>85,8</b>
ES51	Catalonia	79,2	12,6	34,0	7.652.348	1,29	84,3
FI1B	Helsinki-Uusimaa	85,4	7,2	20,5	1.689.725	1,28	82,6
FR10	Île de France	81,9	8,2	18,8	12.291.557	1,93	84,6
ITC4	Lombardy	69,9	5,0	19,2	10.027.602	1,33	84,2
ITI4	Lazio	66,2	9,1	32,2	5.755.700	1,18	83,8
NL32	Noord-Holland	84,8	3,9	9,8	2.879.527	1,46	82,4
PT17	Lisbon	84,4	7,7	23,7	2.863.272	1,75	82,2
SE11	Stockholm	91,0	7,6	25,1	2.377.081	1,61	83,9
Position of the Community of Madrid in the selection of regions		7	2	3	4	13	1

(1) Of the 240 European regions in the 2016 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 Madrid<sup>1</sup>

Latest: January 2022

Companies that relocated their registered address to the Community of Madrid														
By autonomous community of origin and sector of activity. January 2022														
Autonomous comm	01	02	03	04	05	06	07	08	09	10	11	n/d	Total	%
Andalusia	1	6	9	5			3	1					25	20,0
Aragon			1	1							1		3	2,4
Asturias			1				1						2	1,6
Balearics														
Canary Islands				1			1	1	1		2		6	4,8
Cantabria											2		2	1,6
Castilla La Mancha	1	3		1			1	2		1	2		11	8,8
Castilla Leon		4	1	3			1	3	2		1		15	12,0
Catalonia		5		7				7	4	1		1	25	20,0
Extremadura														
Galicia					1	1		1	1				4	3,2
La Rioja										2			2	1,6
Murcia			2		1			2		2			7	5,6
Navarre		2	1	1			1						5	4,0
Basque Country		1	1	2				1	3				8	6,4
Valencia		1	1	4					3		1		10	8,0
Others														
<b>Total</b>	<b>2</b>	<b>22</b>	<b>17</b>	<b>25</b>	<b>2</b>	<b>1</b>	<b>8</b>	<b>18</b>	<b>16</b>	<b>4</b>	<b>9</b>	<b>1</b>	<b>125</b>	<b>100,0</b>
<b>%</b>	<b>1,6</b>	<b>17,6</b>	<b>13,6</b>	<b>20,0</b>	<b>1,6</b>	<b>0,8</b>	<b>6,4</b>	<b>14,4</b>	<b>12,8</b>	<b>3,2</b>	<b>7,2</b>	<b>0,8</b>	<b>100,0</b>	
<b>Balance. Inputs - Outputs</b>														<b>15</b>

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

Latest: January 2022

Companies that move their registered office outside the Community of Madrid														
By autonomous community of destination and activity sector. January 2022														
Autonomous comm	01	02	03	04	05	06	07	08	09	10	11	n/d	Total	%
Andalusia	2	1	2			1	2	3	8	1			20	18,2
Aragon		4	1	3				2		1			11	10,0
Asturias				1									1	0,9
Balearics										1			1	0,9
Canary Islands							6						6	5,5
Cantabria														
Castilla Leon			1	2		1	1			1			6	5,5
Castilla La Mancha				5	1			4					10	9,1
Catalonia		2	3	6	1	1	1	5	8	1	4		32	29,1
Extremadura				2									2	1,8
Galicia		1					1		1				3	2,7
La Rioja				1									1	0,9
Murcia		1		1									2	1,8
Navarre														
Basque Country				1		1		2					4	3,6
Valencia		1		3	1		1	3	1	1			11	10,0
Ceuta														
Melilla														
<b>Total</b>	<b>11</b>	<b>6</b>	<b>27</b>	<b>3</b>	<b>4</b>	<b>12</b>	<b>19</b>	<b>19</b>	<b>5</b>	<b>4</b>			<b>110</b>	<b>100,0</b>
<b>%</b>	<b>10,0</b>	<b>5,5</b>	<b>24,5</b>	<b>2,7</b>	<b>3,6</b>	<b>10,9</b>	<b>17,3</b>	<b>17,3</b>	<b>4,5</b>	<b>3,6</b>			<b>100,0</b>	

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.

<sup>1</sup>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

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

## Basic concepts

### 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)
- Situation of Industry in the Community of Madrid (quarterly)
- 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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