

# Economic Situation in the Community of Madrid

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## **Disclaimer:**

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

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

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

**Close date: 23/11/23**

## I. Overview of the economic situation

In the two months since the previous Economic Situation Report was completed, our circumstances have again been shaken by the outbreak of a new armed conflict. The unjustified and indiscriminate attack on the state of Israel by the terrorist organisation Hamas, which governs the Gaza Strip, and the subsequent response of the Hebrew state to the murder of over 1,400 people and the kidnapping of over 220 has exploded onto the international scene and the extent of its consequences, both in human lives and in terms of geopolitical polarisation, is still unknown.

This new-old rift is unfolding in the midst of the seismic repositioning of the major economic blocs, which bring with them very different political and social models. In this context, the implications of the election results (both concluded and in process) on both sides of the Atlantic only add to the uncertainty of what may be the economic, political and social future in the short and medium term.

A shift in fiscal and monetary policies continued in the third quarter without notable developments. The interruption of rate hikes by the ECB and the Federal Reserve is accompanied by continued messages from both institutions about their active monitoring of price evolution and the response of financial markets. The aim is to avoid that an excessively early discount at the start of the rate cut would undermine the ability of current tightening measures to control inflation.

As far as fiscal policy is affected, the European Commission's demands are clear and firm: a return to the rules of fiscal austerity and the design of budgetary frameworks and structural reforms that allow for the reduction of public debt in the short and medium term, especially in those countries such as Spain where it has increased significantly. The next round of Next Generation-EU funding is at stake, as well as, less explicitly but no less importantly, keeping the most indebted countries out of the gaze of market doubts about their solvency, since it is not known how the EU-20 would deal with a future risk premium crisis of sovereign debt.

However, this report aims to illustrate the economic performance in Q3 2023, and this has been, once again contrary to expectations, better than expected. The effects of the rapid increase in interest rates and the persistence of inflation on activity are undeniable, but at a national and regional level, they are resulting in a clear deceleration of growth, which, unlike in the EU, is still positive. The strength and resilience of the labour market is for the time being allowing us to avoid a recession that at the beginning of 2023 was predicted to hit the economy in the second half of the year.

The performance of the regional labour market is playing a key role in supporting activity and consumption, and vice versa, in a balance that is as delicate as it is essential for good socio-economic performance in the Region of Madrid. In this sense, the Q3 LFS data has once again set record highs in the labour force, as a result of a greater increase in the number of unemployed individuals than the reduction in employment, compared with a second quarter of exceptional behaviour in which jobholders and the labour force reached record highs.

With almost 3.3 million employed and 386,800 unemployed individuals, the region's unemployment rate rose by nine tenths of a point, affecting 10.5% of the labour force, and the participation rate fell by one tenth of a point, to 63.3% of the population over 16 years of age, a group that continues to grow with unique dynamism, which, given the current demographic profile, highlights the position of the Region of Madrid as a centre of attraction for talent and the generation of participation.

An analysis of LFS flows sheds light on the behaviour of unemployment and employment, which is different from what would have been expected for a third quarter with GDP growth. In this respect, the current increase in unemployment contradicts the seasonal pattern, but its composition provides important nuances for its interpretation, since it is the incorporation of previously inactive population that generates the greatest boost, together with a slower outflow of unemployed individuals into employment. This last component also plays an essential role in the decrease in the number of employed individuals, which unexpectedly fell in a third quarter still in an expansionary phase, together with a significant outflow of employed individuals towards inactivity, consistent with the retirement processes of the large contingent of those born at the end of the '50s. Yet, this demographic pattern should also be draining the pool of the unemployed, but there is a unique permanence in the search for employment, which, together with a very dynamic incorporation of the inactive population, could be related to the need for households to add income in the face of the rising cost of living, encouraged by the good performance of the regional labour market.

The persistent rise in prices is clearly the defining feature of the current situation. The latest data shows inflation stabilising at high levels, with CPI at 3.2% in the region in October and 3.5% in Spain. Core inflation seems to be slowly but steadily slowing to 4.8% in the region of Madrid in October and 5.2% in Spain as a whole, after having

started the year at 6.6% and 7.5% respectively. Beyond the normalisation of inflation evolution profiles, it is price levels that are changing the behaviour of economic agents to a greater extent.

Consumer perceptions of the inflation they are experiencing are not accurately reflected in the evolution of traditional price-monitoring indicators. A good example of this dissociation is the current food price situation, whose increases over the last two months, being lower than those recorded a year ago, have a downward impact on headline inflation. The focus is on food, as this is the shopping basket component to which consumers are most sensitive.

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

In this regard, if we compare the current price indices (October 2023) with those from two years ago (October 2021), there has been an increase in the price of the shopping basket, as measured in CPI terms, of 9.7% in the region (11% in Spain). In the case of the food subgroup, it rises to 26.5%, and is even more pronounced for the most frequently purchased items: 87.2% for oils and fats, 60% for sugar, around 40% for eggs, milk and potatoes, 36% for bread, and 28% for pulses and vegetables. Furthermore, this price increase over the last two years has not shown a single month of falling prices in the case of the food subgroup, with the average increase over the last 24 months being 1% MoM.

Another fact illustrating the magnitude of consumer-perceived inflation is that cumulative inflation over the previous decade (between October 2012 and October 2021) was 7.8%, which is even lower than the price increase since October 2021, the above mentioned 9.7%. In addition, food prices rose by 14.2% over said decade, much lower than the 26.5% increase seen in the last two years. In fact, one must accumulate the inflation of the previous 15 years (between October 2006 and October 2021) to find a similar increase in food prices to the one experienced between October 2021 and October 2023: 27.1% in the previous 15 years, 26.5% in the last two years. It can therefore be said that since Spain's entry into the euro area, there has never been such a disruptive episode in prices.

It is precisely the base effect that the change in prices generates in nominal variables that explains a large part of the YoY decline in exports and imports of goods in Q3, 24.3% and 14% respectively, which does not prevent both from reaching the highest transaction values for a Q3 of the year, second only to those recorded in 2022. It should be borne in mind that there are no deflated series for international trade by region. Pharmaceuticals and fuels and mineral oils were the main items responsible for the increase in these flows in 2022, are also those mainly responsible for the decline in Q3, continuing the process of returning to pre-crisis trends, both in terms of the composition of these flows and the map of the main trade partners.

The estimates available on the evolution of GDP in Spain and in the Community of Madrid in Q3 unanimously point to an easing of YoY growth, higher in Q4; but this will not prevent the year from closing with growth that, on average, analysts put at 2.7% and with a positive differential of four tenths of a percentage point with respect to the estimates made by these institutions for Spain. By 2024, the forecast is for a clear slowdown in activity, around 1.8% in the region, and 1.7% in Spain.

## II. International context

### Divergences across economic sectors and regions remain

Economic activity continues to feel the effects of the inflationary spike which was triggered nearly two years ago by the supply-demand imbalances resulting from the pandemic and the rise in energy and food prices caused by the war in Ukraine. The global economy was initially more resilient than expected, but in recent quarters the drag from financial conditions, which have been pushed into clearly restrictive territory by central banks in the need to fight inflation, is becoming more noticeable, weighing particularly on real estate markets, investment and activity. However, the cooling is more pronounced in advanced economies than in emerging economies, and within both groups there are notable exceptions, such as the USA's resilience in the former and China's difficulties in the latter.

Although China's economic activity continues to be dragged down by a real estate crisis that is likely to continue, GDP managed to grow by a remarkable 1.3% QoQ in Q3, after 0.5% in Q2 (revised down by 0.3 p.p.). On a YoY basis, growth slowed to 4.9% (from 6.3% in Q2), reflecting the fading of base effects that were present in the previous quarter as a result of the country's Q2 2022 lockdowns. On the positive side, activity indicators showed a quarter with a positive trend, pointing to a recovery in private consumption. By contrast, investment slowed further, affected by persistent weakness in the real estate sector.

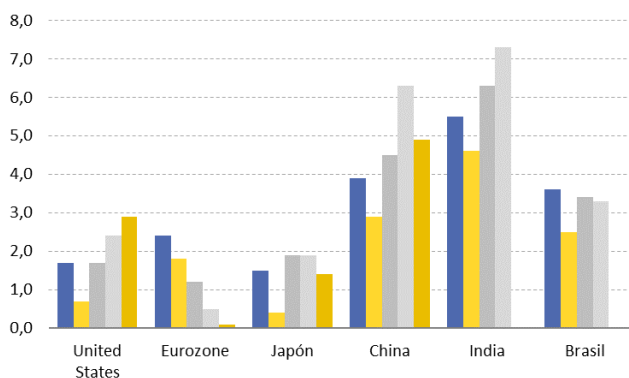
In the Eurozone, GDP fell by 0.1% in Q3, after growing by 0.2% in Q2 (revised upwards by 0.1 p.p.). This figure

partly reflects the volatility of GDP in Ireland (-1.8% QoQ compared to +0.5% in Q2), although excluding the Irish data the Eurozone would have virtually stagnated in Q3. This sluggishness in activity was more or less generalised across the major economies, with a 0.1% QoQ decline in Germany, following stagnation in the first half of the year, a moderate 0.1% increase in France (not so modest considering that the 0.5% in Q2 was strongly boosted by temporary effects, after which more reversal could be observed) and stagnation in Italy, 0% in Q3 compared to -0.4% in Q2, while Spain was more dynamic (0.3%).

The positive side of the cooling of activity in the Eurozone can be observed in inflation, with the latest figures reinforcing the view that it will not exceed 3% in the coming months. Specifically, headline inflation growth in the Eurozone slowed sharply in October to 2.9% YoY (-1.4 p.p.), while core inflation fell by 0.3 p.p. to 4.2%. The region as a whole has not seen such slow growth in headline inflation since summer 2021, and in core inflation since summer 2022. The fall in October reflected a strong base effect from energy prices, which contracted by 11.1% YoY, undoing the energy stress experienced in autumn 2022, but it is notable that all other components also saw steady slowdown.

In the Eurozone, the first available confidence indicators for Q4 point to a continuation of sluggish activity. In contrast, the USA's composite PMI for October remained in somewhat expansionary.

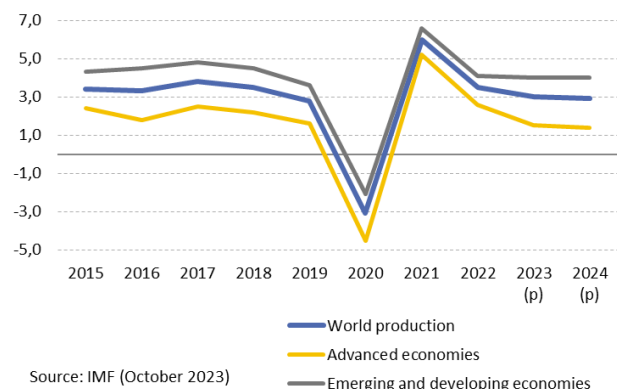
**Evolution of main economies**  
(Year-on-year rates of change)



Source: OCDE and Eurostat (November 2023)

■ III-22 ■ IV-22 ■ I-23 ■ II-23 ■ III-23

**World economic growth 2015–2024**



Source: IMF (October 2023)

— World production  
— Advanced economies  
— Emerging and developing economies

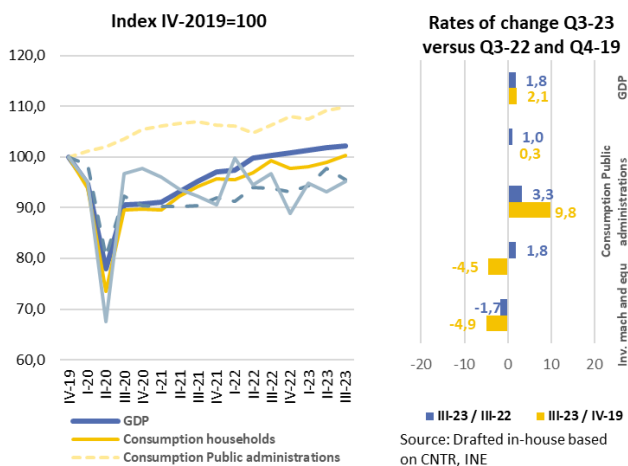
### III. National framework

#### 1. Growth

As expected, growth in the Spanish economy slowed in the third quarter. According to the Spanish National Accounts data, national GDP grew by 0.3% QoQ, one tenth of a percentage point less than in the previous period, the slowest rate of growth in the last six quarters.

Domestic demand sustained growth in activity, driven by private consumption, which increased by 1.4%, offsetting a weaker performance in investment, which fell by 0.8% in the quarter. As a result, domestic demand contributed eight-tenths of a percentage point to GDP growth and offset the foreign sector's negative contribution.

Evolution of GDP, consumption and investment in Spain



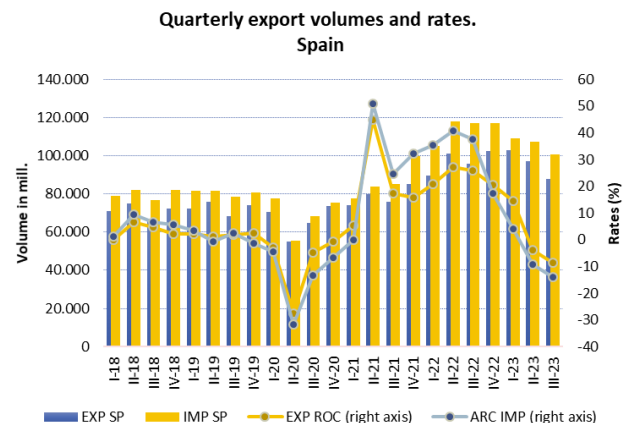
In YoY terms, the pace of GDP growth slowed by two tenths of a percentage point to 1.8%, the most moderate rate since the upturn in Q2 2021 following the outbreak of COVID-19. Nevertheless, the Spanish economy continues to make progress in its recovery, standing 2.1% above the level of activity in Q4 2019 as a whole, although some of its components have not yet managed to return to the pre-pandemic situation.

In this third quarter, YoY growth has primarily been based on domestic demand, although its contribution has slowed compared to the previous quarter, with private consumption falling from 2.2% to 1% in this quarter, although for the first time it has managed to exceed pre-COVID levels, at 0.3%. Similarly, construction investment slowed to 1.8% and investment in machinery and equipment intensified its Q2 downturn to -1.7%, still 4.5% and 4.9% away from recovering pre-pandemic values, respectively.

#### 2. Foreign sector

In Q3 2023, the trade balance in Spain accentuates the decreases registered in the previous quarter, although volumes remain higher than before the pandemic. Spanish exports of goods thus decreased by 8.5% in Q3 2023 against the same period in 2022, with a recorded volume of €87.6344 billion. So far this year, Spanish sales grew by 0.3% to €287,585,500. In terms of volume, this translates to -4.7% YoY, as the prices, when approximated by the unit value index, increased by 5.3%. On the other hand, imports slowed in Q3 to €100.8104 billion, 14% less than in the same period of 2022. In the cumulative January-October period, purchases amounted to €317.1819 billion, 6.7% less than in the same period of the previous year. Import prices fell by 0.8% YoY so that, in terms of volume, merchandise imports in 2023 declined by 6% YoY.

In the cumulative January-October period, the sectors that made the greatest contribution to the annual rate of change in exports (0.3%) were *automotive* (contribution: 2.8 p.p.), *Capital goods* (1.9 p.p.) and *Food, beverages and tobacco* (0.8 p.p.). At the opposite extreme, the



sectors that made a more pronounced negative contribution in this period were *energy products* (contribution -2.4 p.p.) and *non-chemical semi-manufactures* (-1.3 p.p.), *chemicals* (-0.5 p.p.) and *raw materials* (-0.4 p.p.). The destinations with the greatest positive contributions to the rate of change in sales were: Germany (0.9 p.p.), Panama (0.7 p.p.), Italy (0.6 p.p.) and Turkey (0.6 p.p.). On the negative side, contributions from Belgium (-1.1 p.p.), the Netherlands (-0.8 p.p.), Gibraltar (-0.3 p.p.) and Algeria (-0.3 p.p.).



### 3. Labour market

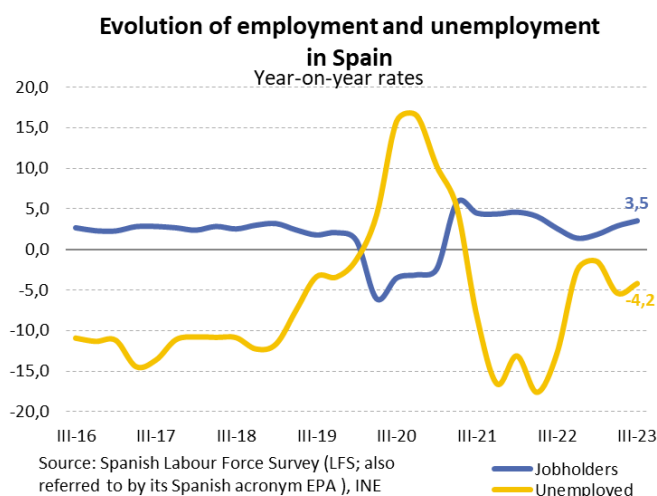
**Slowing labour market profile in Q3, which is confirmed by October data.**

The LFS results reveal increases in employment and a decrease in unemployment for the quarter, both improved results compared to a year ago. The increase in employment generates a new all-time high, as does the number of active individuals. The unemployment rate rose in the quarter, as did the participation rate, given that the growth of the population aged 16 and over remained more limited than that of the labour force.

As a result, employment increased in the quarter by 209,200 persons over the figure observed a year ago, which generated an acceleration in the YoY increase of 0.6 points to 3.5%. Unemployment also increased in the quarter by 92,700 workers, to 2.85 million, slowing the pace of the YoY decline. The seasonally adjusted series put the quarterly increase in employment at 0.8% (1% original series), while unemployment remained at very similar levels to those of the previous quarter, interrupting the falling trend, which had been the dominant trend since the first quarter of 2021.

The unemployment rate rose by two tenths of a point to 11.6% and the participation rate, at 59.4%, increased by four tenths of a point.

**Social Security Enrolment at an all-time high.** YoY growth stabilised at 2.7%, up from 2.8% in Q2 and higher than in the previous two quarters. The latest figure, October 2023, generates a new high for female enrolments, while the total and the main schemes remain below the July level. The seasonally-adjusted series continues to ease its gains over the last four months. There are 2.7 million registered unemployed individuals in Q3, down 7.4% YoY and 11.5% compared to pre-pandemic period; in October there is a seasonal rise in unemployment.

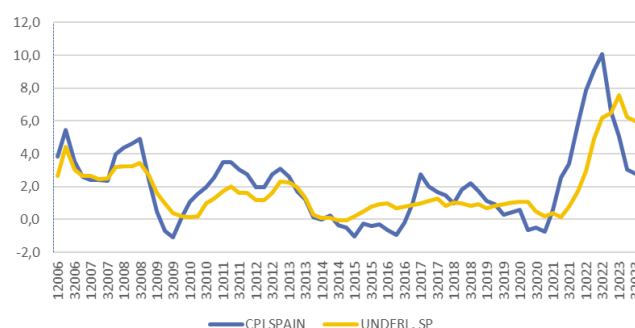


### 4. Prices

**Inflation in the whole of Spain gradually picked up in Q3; core inflation, after the increase in July, seems to be easing again, but still remains high.**

CPI inflation reached an average rate of 2.8% in Q3 2023, 0.3 p.p. lower than in the previous quarter; however, after the year's low of 1.9% in June, a new upturn began, leading to a rate of 3.5% in September. The latest figure for October slows the upward trend and repeats the September figure of 3.5%. The core rate reached 6% in Q3 compared with 6.2% in the previous quarter, as the slight upturn in July seemed to be contained in August and September; in October (the latest data published) the rate of decline increased to 5.2%, the lowest rate since May 2022.

Quarterly headline and core for Spain



The upward trend in Q3 was marked by the increase in fuel prices, with the "Transport" group starting the quarter with a rate of -5.3% and registering inflation of 3.8% in September, thus recording an average rate of -0.2% in the quarter. However, the most inflationary groups, 'Food and non-alcoholic beverages' and 'Alcoholic beverages and tobacco', with rates of 10.6% and 7.7% in the quarter, contribute negatively, owing to modest containment, largely favoured by what happened a year ago with more intense increases than those of 2023. 'Housing', another key group a year ago and the one that subtracted the most from the rate, registered an average rate of -15.4% in Q3 (-12% in Q2); the average rate in Q3 2022 for this group was 20.6%. Lastly, 'Restaurants and hotels', which registered an average rate of 6.4%, showed a gradual downward trend, although the latest figure repeated September's value of 6.3%.

In the international context, the harmonised indicator in the EU cuts its rate to 5% in Q3. In the latest published data from October, the downward trend accelerated, with a YoY rate of 2.9%.

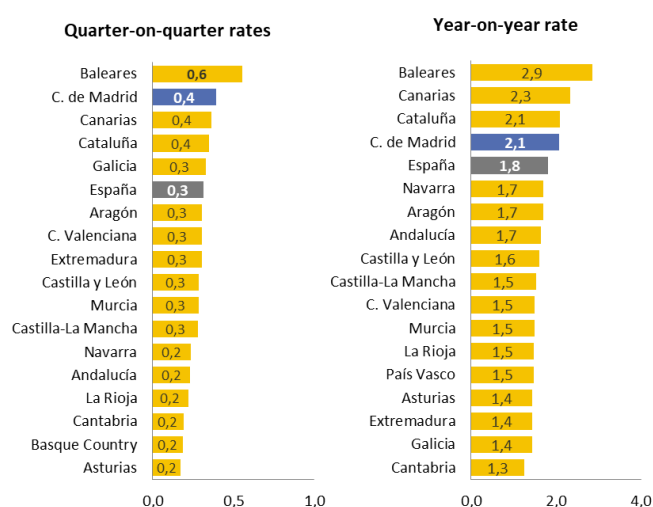


## IV. Economic growth and forecasts

### IV.1. Economic growth

The Community of Madrid continues to grow in the third quarter, although it seems to do so at a slightly slower pace. AIReF, in its forecasts by Autonomous Regions, points to 0.4% growth in the region, one tenth of a percentage point higher than the national rate and the second highest of the Spanish regions, although slightly lower than in the previous quarter. In YoY terms, the growth rate estimated by this institution stands at 2.1%, three tenths of a percentage point above the national average, placing it among the most dynamic of the regions overall.

#### Quarterly regional growth estimates. AIReF Q3

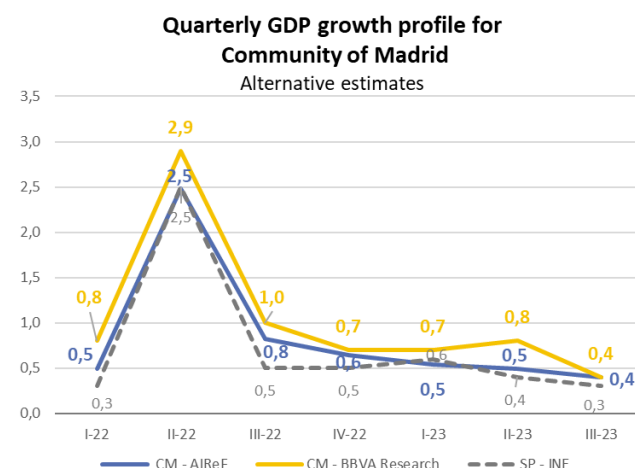


Similarly, the growth estimates for the region for the second half of 2023 in BBVA Research's *Situación Madrid* report put the region's growth in Q3 at 0.4%, although the slowdown compared to the increase in Q2 would be somewhat more intense. The report notes that the economy's weaker momentum is due to less dynamic external demand, higher energy prices and high interest rates, although throughout the year the positive performance of consumption, industrial production and employment has helped to maintain growth, which according to its forecasts will be among the highest of all the regions for the year as a whole.

Moreover, CEPREDE's estimates by Autonomous Region also reflect the progressive moderation of the regional growth rate, which could stand at 1.8% YoY in the third quarter; four tenths of a percentage point lower than in the previous period and, as in the rest of the estimates, higher than the national rate, which stands at 1.4%.

The initial estimates of the regional government point to similar growth in Q3, which could be one tenth of a percentage point below Q2 growth. This growth would be mainly based on consumption, compensating for a deterioration in gross capital formation and practically no contribution from external demand.

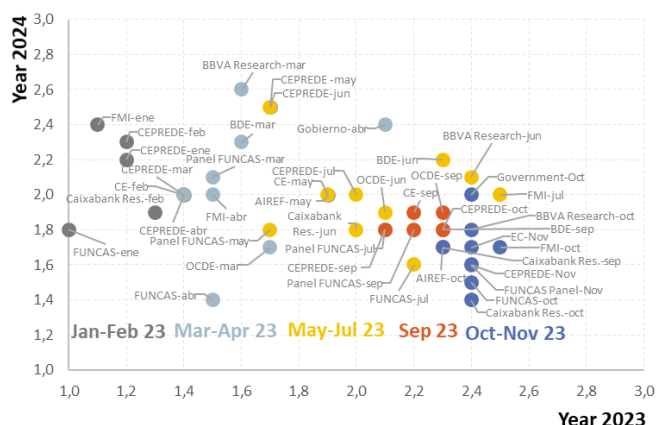
Compared to the same quarter of the previous year, the region's GDP could have grown by around 2%, according to these preliminary estimates, slowing down by four tenths of a percentage point compared to the previous period. Consumption is expected to have slowed slightly and investment to a somewhat greater extent, while external demand is expected to have maintained a similar contribution to that of Q2.



## IV.2. Forecasts

With just over a month before the end of 2023, national GDP growth estimates are around 2.4% and a scenario of moderation is projected for next year. The forecasts released in October and November have once again seen further upward revisions in the expected growth for 2023 as a whole, generally coinciding in a tight range between 2.3% and 2.5%.

Evolution of national GDP growth forecasts 2023 and 2024

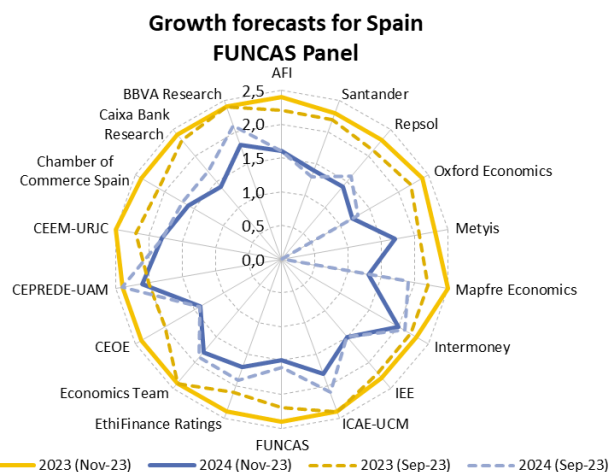


Looking ahead to 2024, there are logically greater discrepancies in the projections, although they follow two common patterns: growth moderation compared to 2023 and a progressive decline in expectations. The Spanish government's forecasted figure is the highest of those released in the last two months, at 2%, with other analysts forecasting figures ranging between 1.4% and 1.8%.

In its Autumn Report, the European Commission expects the Spanish economy to grow by 2.4% in 2023 and 1.7% in 2024, in a European context that will grow by a modest 0.6% this year as a whole, but for which a small upturn is expected next year, at an expected rate of 1.2%.

Among the factors behind the Spanish economy's slowdown, which has already started to be felt in the second half of 2023, is the loss of momentum in the external sector, due to the reduced strength of the tourism sector and the weakening of its main trading partners. Moreover, higher interest rates will have an impact on investment, and lower employment dynamism will have an impact on consumption.

The latest edition of the FUNCAS Panel again shows upward revisions for 2023 and downward revisions for 2024. Fourteen of the nineteen analysts participating in the November panel upgraded forecasts for 2023 to between 2.3% and

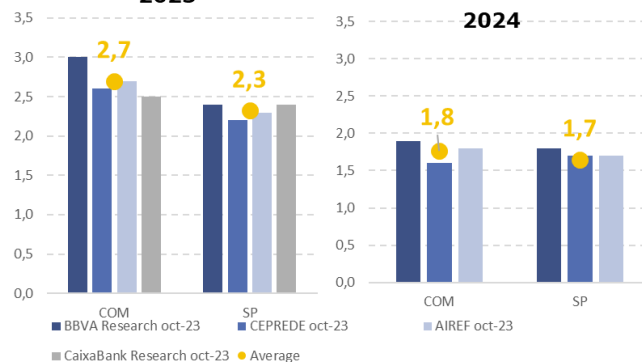


2.5%, although the majority upgraded their forecasts to 2.4%, which is the consensus figure, two tenths of a percentage point higher than the September panel; this difference increases to seven tenths of a percentage point when compared with six months ago. For 2024, the panellists forecast growth rates between 1.2% and 2.1%, with the average at 1.6%, thereby down two tenths of a percentage point from the consensus figure of two months ago, with twelve analysts downgrading their forecasts.

The Community of Madrid is expected to continue performing more dynamically than the Spanish economy as a whole this year and the next, according to the latest regional estimates produced in October. The risks and uncertainties that are present in the global context are reflected in the forecasts available for Madrid, which stand at an average of 2.7% for 2023 (ranging from 2.6% to 3.0%), compared to the average of 2.3% projected by the same analysts for Spain.

By 2024, they all expect a slowdown in growth for both Spain and the Region of Madrid, with projections for the region standing in a range between 1.6% and 1.9% (1.8% on average), slightly above the national average.

Forecasts for Community of Madrid and Spain  
Average rate of change of real GDP

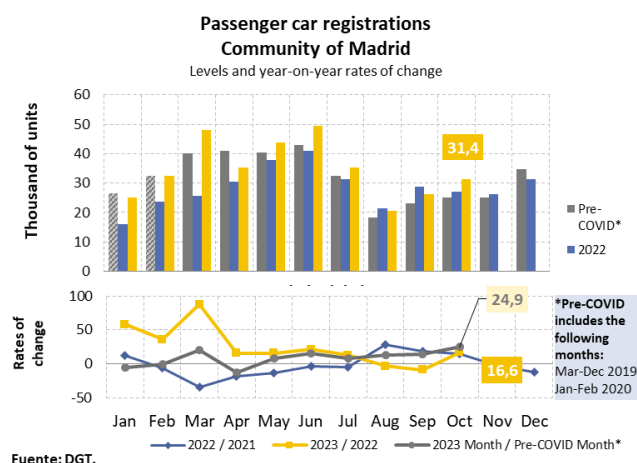


## V. Recent developments in Madrid's economy

### V.1. Demand and production

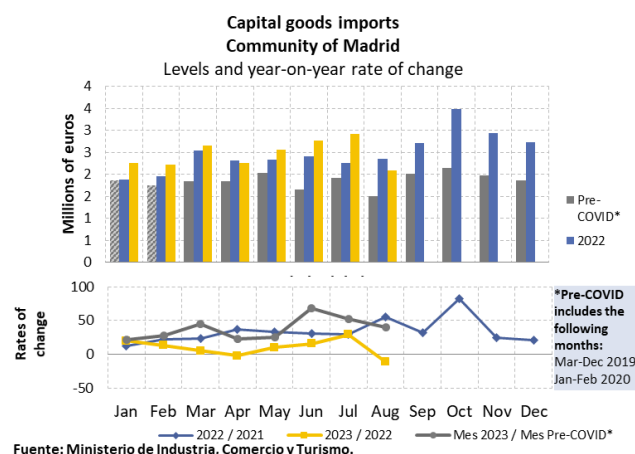
#### V.1.A. Domestic demand

**Passenger car registrations in Q3 2023 slowed sharply from the increases of the previous two quarters.** According to the Directorate General of Traffic (DGT), Q3 passenger car registrations stood at 82,127 units, the third highest ever for this quarter in the series (data since 2004), which is 643 units and 0.8% more than a year ago. This makes three consecutive quarters of growth, although the double-digit increases in the previous two quarters are slowing down; compared to Q3 2019, it is 11.2% higher. The latest data published by the DGT, corresponding to the month of October, returns to positive figures after the slowdowns of August and September, which broke with seven months of consecutive YoY gains; with 31,414 units registered, it is the highest number for an October in the series, and 4,483 units more than a year ago; it should be noted that the comparison is made with the highest volume in the series for this month to date, and that it is up 16.6% YoY and 24.9% compared to October pre-pandemic. According to ANFAC, the existence of stock at dealerships and the ambitious campaigns aimed at the end customer are driving demand; furthermore, the drop in inflation and the slowdown in interest rates are having a positive effect on the private customer channel, which accounts for almost half of the sales volume and is driving the market.



Lorry and van registrations in Q3 2023, at 18,716 units, reached the highest figure for this period since 2007, and saw an increase of 23.3% YoY, and 22.7% compared to the same period in 2019. The latest data for October, now eleven months on the rise at 7,685 units, grew and accelerated to 41.9% YoY, the second highest increase for an October in the series, which has been growing in double digits for all months so far in 2023, with the exception of August, when it increased by 4.9% YoY; the comparison with October 2019 improved by 35.9% on the volumes from then.

**Petrol consumption reached the highest volume for a Q3 since 2006,** although it slowed the increases of the previous two quarters, growing by 6.4% compared to

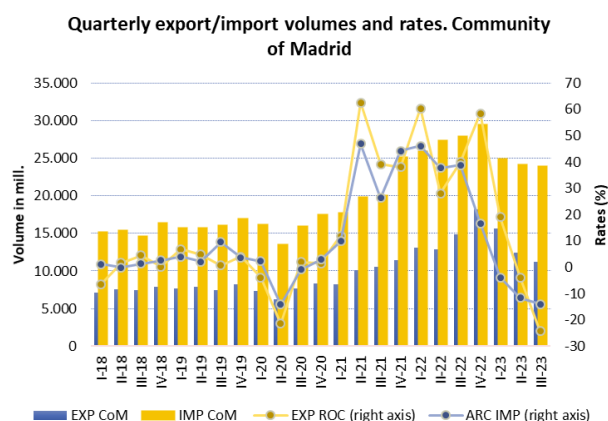


2022 and 14.6% compared to the same quarter in 2019. The most recent figure from September reveals the highest consumption for this month since 2005, but slows to 1.9% YoY after growing by 2.9% in August; up 14.1% from September 2019. Diesel consumption in this quarter slowed down its downward trend with a fall of 0.8%, dropping by 8.4% in the second quarter; it fell by 16.1% compared to 2019. The most recent data for September shows the lowest consumption in the series for this month since 2000 and returned to negative YoY rates, dropping 4.2% after the respite in August, when it grew 2.8% after seven months of continuous declines. It has not yet managed to exceed pre-pandemic levels, losing 16.5%. Rising prices, together with the demonisation of diesel, has led to a downward trend in the consumption of these fuels despite government subsidies.

**Imports of capital goods in Q3 2023 show the second highest figures in the quarterly series.** Thus, it reached €7.5893 billion, an increase of 5.4% compared to the same period of the previous year, although the slowdown that started in Q1 2023 continues; they are still 42.6% higher than in Q3 2019. The latest available data, for September, imports amounted to €2.715 billion, the second highest volume for this month, dropping a modest 0.1%, as the comparison is made with the highest amount for a September in the series. Compared to 2019, it increased by 34.4%.

## V.1.B. External demand

In Q3, the Community of Madrid's trade balance intensified the pace of YoY declines, but remained at levels only exceeded by 2022, an extraordinary year. Community of Madrid exports fell 24.3% YoY, speeding up the rate of decline compared to the previous quarter, standing at €11.232 billion, a figure only surpassed for a Q3 by that of 2022.



Community of Madrid purchases abroad in Q3 2023 stood 14% lower than a year ago, compared to the decrease to 11.6% in the previous quarter. At €24.002 billion, the high purchasing figures are the second best in the series, after the peak in Q3 2022.

The sharp increases in sales of certain categories in 2022 weigh on the year-on-year comparisons in the return to normality of its exchanges. The category *Fuels: mineral oil* subtracted 10.6 p.p. from the quarterly rate, selling 55% less than a year ago, although the €1.297 billion sold was the highest figure in a quarter until Q4 2021. The weight of this category went from 19.4% in Q3 2022 to 11.6% one year later. *Pharmaceutical products*, the leader in sales, reduces the quarterly rate by 7.3 p.p. €1.908 billion is exported, a lower figure than the previous quarter, and 36% less than one year ago; September 2022 was the second highest figure in the history of the series for this category. The third largest negative contribution came from *Aircraft: spacecraft* with -4.2 p.p., after a 63% decrease in sales compared to the same quarter in 2022.

Meanwhile, and with less intensity, the categories that most boosted the rate in the third quarter were: *Motor vehicles: tractors* (the category that most boosted the export rate so far in 2023) with a contribution of 1.8 p.p. and sales of €1.203 billion, 18% lower than in the

previous quarter, which held the record for a single quarter, but 30% higher than a year ago. This is followed by *Miscellaneous food preparations* with a 1.1 p.p. contribution to the Q3 rate, a category with a weight of 0.3 p.p. only a year ago, but with a spectacular growth of 410%.

As for Madrid's imports, the category that most depressed the quarterly rate is *Fuels and mineral oils* which subtracted 13 p.p.; 2.71 billion bought in this quarter reduced the figure of a year ago by 57%, aggravated by the YoY comparison with Q2 2022 which recorded the second best figure in the series. Its steady declines in recent months make it the most import-draining category so far this year. It is followed at a distance by *Electrical appliances and material*, with a fall of 1.2 p.p. in its contribution to the rate.

In contrast, the most significant positive contribution with 2.3 p.p., comes from *Aircraft: spacecraft*, of which €900 million were purchased in Q3 2023, increasing the figure by 233% compared to the same quarter of 2022. As for the leader, *Pharmaceuticals*, we bought 2.1% more this quarter than one year ago, and it is the quarter of 2023 with the highest volume. However, in the months of August and September, purchases fell; in fact, in the cumulative January-September period, it is the second category that most drained the rate with a fall of 1.5 p.p.

As for the countries that most drained the variation of exports in Q3 2023, Belgium (-13.2 p.p.), affected by the drop in vaccines, France (-5.6 p.p.) and Portugal (-2.5 p.p.), due to reductions in electricity prices. On the other hand, the countries that most drove the variation in sales were Italy (2.1 p.p.), China (1.6 p.p.) and Germany (1.5 p.p.). In terms of purchasing, the main contributors to the decline were China (-3.5 p.p.), the USA (-1.6 p.p.) and Portugal (-1.2 p.p.). On the rise are Italy (0.8 p.p.), the Netherlands (0.8 p.p.) and Germany (0.5 p.p.).

Exports of the 5 main TARIC of the CoM					
CUMMULATIVE TO SEP 2023	Volume	(Rate of Chan	Contrib.	%total	
30 PHARMACEUTICAL PRODUCTS	8.513	-15,7	-3,9	21,7	
27 FUELS, MINERAL OILS	4.440	-34,0	-5,6	11,3	
87 VEHICLES OTHER THAN RAILWAY OR TI	4.121	50,7	3,4	10,5	
84 MACHINERY AND MECHANICAL APPLI/	3.622	17,3	1,3	9,2	
71 STONE, PRECIOUS METALS; JEWEL.	2.404	14,8	0,8	6,1	
TOTALS	39.290,7	-3,9			
Imports of the top 5 TARIC of the C.M					
CUMMULATIVE TO SEP 2023	Volume	(Rate of Chan	Contrib.	%total	
30 PHARMACEUTICAL PRODUCTS	10.569	-10,2	-1,5	14,5	
27 FUELS, MINERAL OILS	9.232	-49,7	-11,2	12,6	
85 ELECTRIC APPLIANCES AND MATERIAL	8.566	-6,2	-0,7	11,7	
84 MACHINERY AND MECHANICAL APPLI/	8.034	3,5	0,3	11,0	
87 VEHICLES OTHER THAN RAILWAY OR TI	7.248	13,2	1,0	9,9	
TOTALS	73.088,7	-10,0			

Source: AEAT

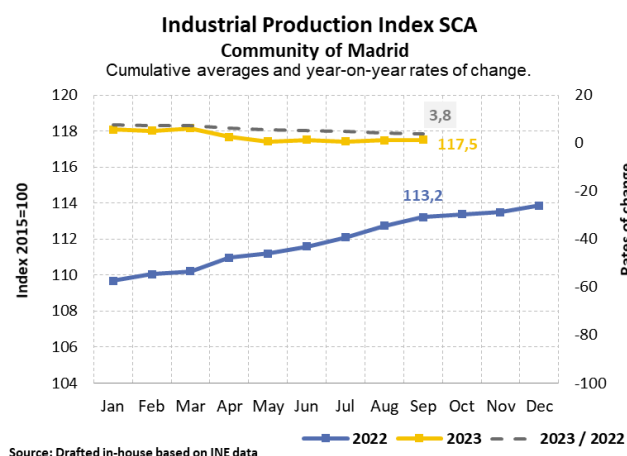


## V.1.C. Manufacturing

### 1. Industry

#### The Industrial Production Index once again moderates its dynamic tone in Q3 2023.

In September, and with seasonal and calendar adjusted (SCA) data, the Community of Madrid IPI maintained its positive performance of the last twenty months, although with very moderate YoY growth of 0.6%, which in any case was better than the YoY decline of 1.4% for Spain as a whole, which has posted negative rates for the sixth consecutive month. In Q3 as a whole and in YoY terms, the IPI (SCA) grew by 0.9% in the Community of Madrid, 3.1 points higher than in Spain as a whole, which fell by 2.2% in YoY terms. In Q3, the Community of Madrid IPI was more moderate than in Q1 and Q2, when it was 7.2% and 3.5%, respectively.



By components, in the Community of Madrid IPI (in YoY and SCA terms) we can observe positive YoY growth rates for Q3 2023 in consumer goods of 11.8% (durables by 2.4% and non-durables by 12.2%), as well as in capital goods (by 2.6%) and intermediate goods (0.2%). By contrast, energy showed a negative YoY growth rate of 6.2% in Q3. In September, the latest monthly data available, energy only fell by 7.6%.

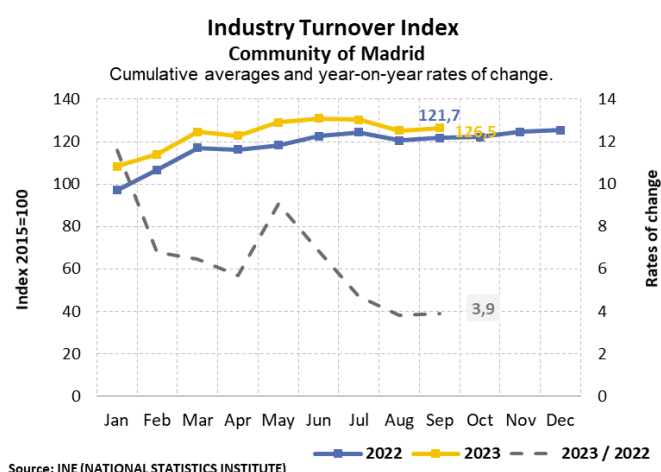
#### The Turnover Index returns to performing performed well, though there was a clear slowdown in the January-July cumulative period.

The Community of Madrid's Industrial Turnover Index has shown positive YoY rates since November 2021 and for 19 consecutive months; this favourable evolution was interrupted in June 2023, when it observed a YoY fall of 2.4%, a situation that was confirmed in July with a decrease of 4.7%.

The Industrial Turnover Index of the Community of Madrid, which presented positive YoY variation rates for 19 consecutive months since November 2021, interrupted this good performance in June, July and

August 2023 with negative YoY variation rates of 2.4%, 6.9% and 4.5%, negative behaviour that was corrected in September with a growth rate of 4.7%.

In the January-September 2023 cumulative period, there is a clear slowdown compared to the same accumulated period of the two previous years in which the Industrial Turnover Index of the Community of Madrid grew by 11.2% in January-September 2021 and by 18.3% in the same cumulative period of 2022.



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

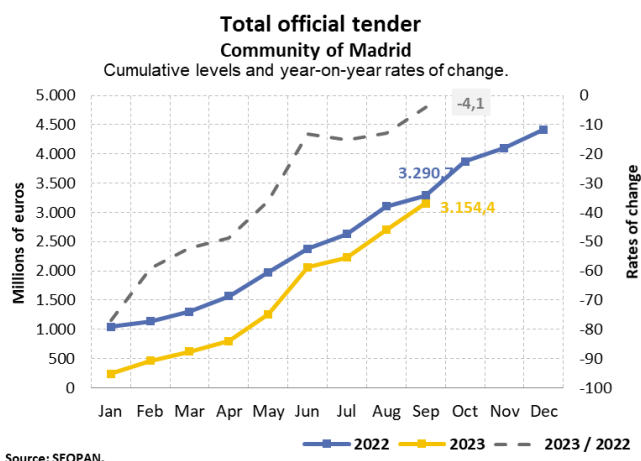
From the second half of 2022 onwards, Madrid's industry has shown signs of slowing down, with positive but falling YoY change rates in the different indicators available quarter after quarter.

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

## 2. Construction

**Total tenders in 2022 hit the best level since 2006, contracting in the cumulative January-September 2023 period due to a decline in Q1 and a slowdown in Q2 and Q3.**

After the magnificent performance of public tenders in construction recorded in 2021 and 2022, the latter being the year with the highest level of activity since 2006 with a total tender volume of €4.5266 billion, total tenders contracted by 5.4% in the first three quarters of 2023 due to the 32.2% drop in civil works tenders. This reduction in the number of tenders originated in Q1, which showed a YoY decline of 52.8%, caused by a YoY drop of 72.5% in civil works, and was not offset by the slowdown in Q2 and Q3 with YoY growth rates of 34.1% and 15.5%. This evolution is marked in both quarters by the very weak evolution of civil works, which grew by 4.2% in Q2 and by 4% in Q3, while building tenders grew, but not enough to reverse the weakness of civil works.

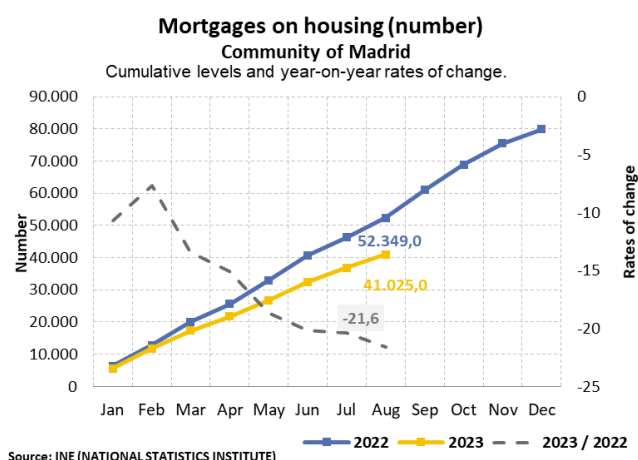


In terms of leading indicators, and with data through August 2023, all contracted year-on-year. Thus, in the January-August cumulative period, building permits fell by 55.7%, accumulating in September ten months of negative YoY variations. The number of housing permits fell by 21.5% YoY. The total surface area with permits fell by 25.3% and the total amount of surface area with permits fell by 18.7%. In the same cumulative period, work completion certifications, a lagging indicator, fell by 18.7%.

### The residential market shrank significantly.

The INE (National Statistics Institute) reports that home sales and purchases decelerated significantly in 2022, growing by 35.1% less than in the previous year, to 3.2% YoY. In the January-August 2023 cumulative period, house sales fell by 15.2%. This downward trend in the sale and purchase of homes in the Community of Madrid is accentuated quarter by quarter throughout 2023; the YoY declines are 11.1% in Q1, 13.8% in Q2 and 21.2%

in Q3. This YoY decline in the January-September 2023 cumulative period was caused both by the 10.8% drop in new housing sales and, to a greater extent, by the 16.4% drop in second-hand housing.



The housing mortgage statistics, both in terms of the number of mortgages and in terms of equity, showed a very positive performance in 2021 and 2022. Thus, at 79,894 home mortgages, 2022 marked the year with the highest volume of home mortgages taken out in Madrid since 2010, while, at €16.703 billion, it had the highest volume of capital loaned since 2008. This excellent performance was cut short in the January-August 2023 cumulative period, with a negative year-on-year variation rate of 21.6% in the number of home mortgages and 21.8% in capital provided, decreases that are slightly higher than those registered by the Spanish mortgage market as a whole, with a drop of 15.4% in the number of mortgages and 17% in the capital provided.

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

Evolution over the course of 2023 of the main indicators of the sector points to a progressive downturn in the sector in our region, with greater intensity than in the Spanish economy as a whole.

### 3. Services

**The Services Sector Activity Indicators (SSAI) fell again in Q3, although they improved on pre-pandemic levels.** In Q2 2023, SSAI revenue dropped 5% YoY in the Community of Madrid, the second consecutive quarter in negative after growing uninterruptedly since Q2 2021, while it has frozen in Spain (+0.02%). This index level stood at 14.6% above Q3 2019 in the region, and 19.1% in Spain. Please note that this indicator is not deflated.

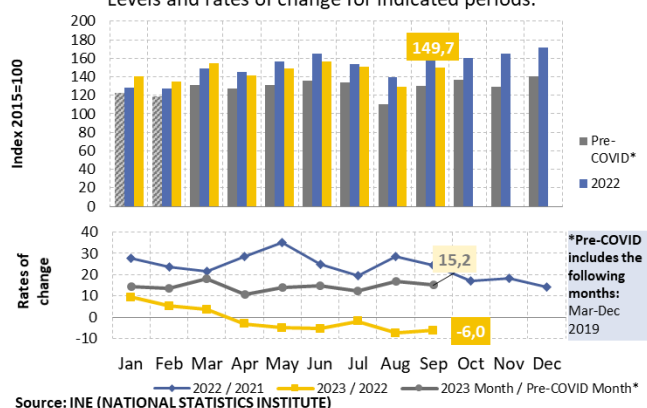
The latest available data for September shows a year-on-year decline of 6% in the Community of Madrid and 0.9% in Spain.

The SSAI employment index points to a different evolution to the business index in both the Community of Madrid and Spain. It continues to grow, albeit at a slower pace. Year-on-year growth in the Community of Madrid in Q3 2023 was 2.5%, 1.9% in Spain and, like business, has continued to grow steadily since Q2 2021. Moreover, the indicator in Q3 2023 exceeded pre-pandemic levels, advancing 4.8% in the region and 2.5% in Spain compared to the Q3 2019.

**Services Sector Activity Indicators. Turnover.**

Community of Madrid

Levels and rates of change for indicated periods.



The latest data available, corresponding to September, show a year-on-year growth of 2.4% in the Community of Madrid and 1.9% in Spain.

**Air passenger and freight traffic and metro and urban bus transport improved their performance, outperforming freight and city bus traffic in pre-pandemic levels.** Passenger flows at Adolfo Suarez Madrid Barajas Airport increased in Q3 2023 to 16,480,222 passengers, versus 14,792,280 in Q3 2022, and are now nearly at the 17,299,189 passengers registered in Q3 2019.

Additionally, freight traffic at Madrid airport increased by 15.6% YoY in Q3 2023, and is 12.5% above pre-pandemic levels.

In Q3 2023, urban transport in Metro de Madrid posted a significant year-on-year increase of 12.4%. Urban bus transport also posted increased growth, with a 32.1% YoY increase. While the former shows an incomplete recovery and is close to pre-pandemic levels, urban bus transport is already 12.1% above the levels of Q3 2019.

**Turnover and Employment figures in the Retail Trade Index (RTI) consolidated increases in Q3 2023.**

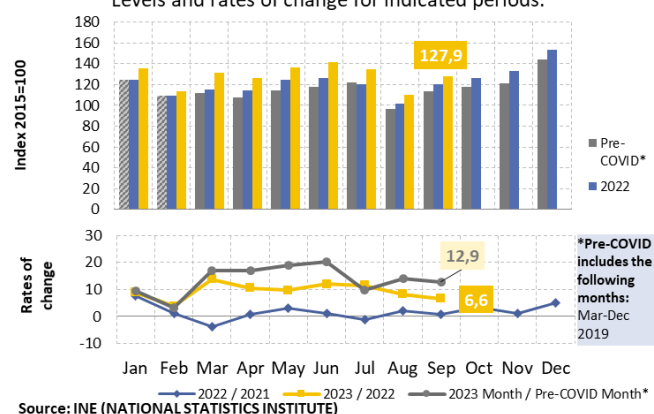
Q3 2023 deflated RTI turnover index in the Community of Madrid was 8.8% higher than in the same quarter of 2022, continuing the progress initiated in Q3 2020, and already surpassing pre-pandemic levels. The most recent figure, from September 2023, shows an increase of 6.6% YoY, although with less intensity, and consolidated after fifteen consecutive months of growth.

In Spain, the index grew by 6.9% YoY in Q3, the fourth consecutive increase and 2.5% above the pre-pandemic level.

**Retail Trade Index. Turnover.**

Community of Madrid

Levels and rates of change for indicated periods.



In turn, in Q3 2023, the regional employment rate continues on the positive growth path that began in Q2 2021, and which was only interrupted by stagnation in the last quarter of 2022; it grew YoY by 1.1% in the region, and by 1.9% in Spain. Similarly, and in relation to Q3 2019, it posted an increase of 1.8%.

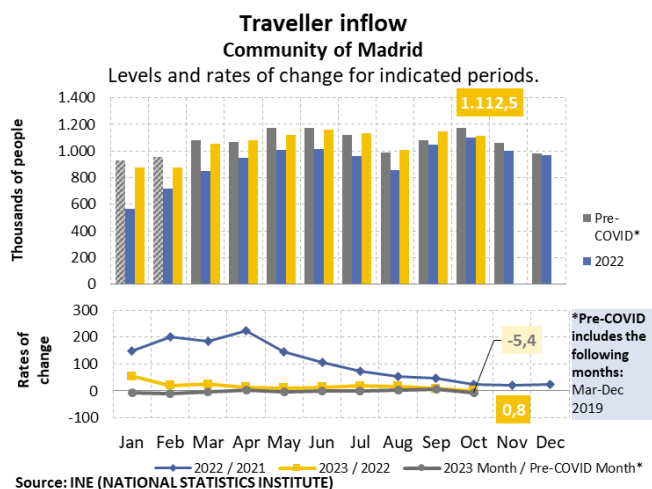
**Hotel activity in the Community of Madrid improved in Q3 2023, and surpassed pre-pandemic levels.**

In 2023, slightly more than 3,288,313 passengers were welcomed compared to 2,865,613 in the same quarter of the previous year, continuing the upward trend that began in Q2 2021. The current level is higher than pre-pandemic levels, with 3.3% more tourists than in the same period of 2019, when it exceeded 3.1 million travellers, a record high for the series in a third quarter.

Overnight stays paralleled the behaviour of incoming travellers. In Q3, 6,510,186 travellers stayed overnight, surpassing the total for the same period of the previous



year by more than 800,000, and coming close to the 2019 total of 6,569,788 overnight stays which marked the series record for this quarter. In October, the latest published data, overnight stays were 1.4 p.p. below those recorded in the same month pre-pandemic.



By markets, the most influx of travellers to the Community of Madrid in this quarter again corresponds mostly to foreigners (51.5%), slightly lower than the pre-pandemic weight of 52.8%. Both the number of national and foreign travellers already surpass pre-pandemic figures. Overnight stays by foreigners exceeded nationals for this quarter, with 57.3% of the total in 2023 (59.9% in Q3 2019), although they are still 5.1% lower than the corresponding pre-pandemic figures.

The latest published data from October 2023 reveals a year-on-year growth of 0.8% in the number of travellers and 3.8% in overnight stays.

With regard to the occupancy rate, the average of 58.5% for Q3 2023 is an improvement on the 54.7% of the same quarter in 2022 and is close to the same quarter in 2019, when it reached 62.3%. The figure for October 2023 puts the occupancy rate at 61.7%.

With regard to the profitability indicators of the hotel sector, in Q3 2023, the Average Daily Rate (ADR) per occupied room stood at €111.8 in the Community of Madrid, 27.1% higher than the average rate in Q3 2019. The latest published figure, in October 2023, puts the rate at €152.70. The regional daily average for Revenue Per Available Room (RevPAR) was €79.10 in Q3 2023, 23.4% higher than in the same quarter of 2019. The data from October 2023 puts it at €122.70.

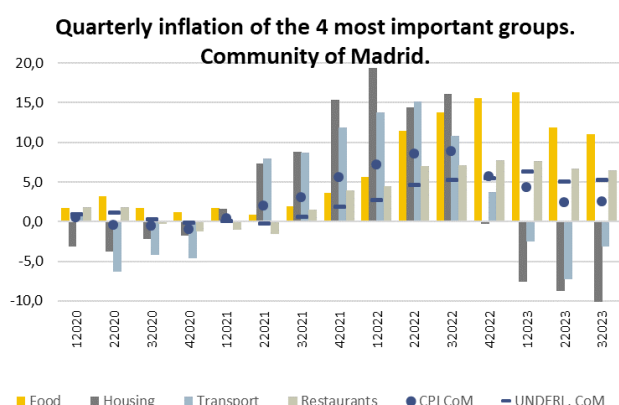
**In Q3, the combined analysis of service sector indicators shows signs of a slowdown.** By branches of activity, there was a fairly generalised moderation in their dynamism, with the exception of certain branches related to transport and tourism, which benefited in Q3 from the seasonal effect.

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

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

## V.2. Prices and wages

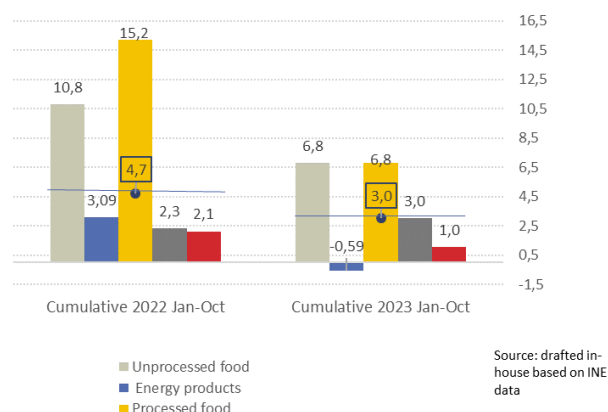
**Headline inflation started Q3 2023 with a mild rebound; core inflation remains at high levels, although growth is slowing. Headline inflation** reached 2.5% in Q3, compared to 2.4% in Q2, although in the current quarter it is again on a clear upward trajectory, accumulating a rise of 1.8 p.p. to end the quarter with an inflation rate of 3.2% in September. The latest data for the month of October seems to stop this upward trend, repeating the value of the previous month. On the other hand, **core inflation**, in which only the more structural and less volatile components are involved, picked up in July, and the rest of the months point to an apparent slowdown, with values that continue to be high, such as 5.2% in September; the average rate for Q3 stood at 5.3% YoY, two tenths of a percentage point higher than in Q2. October's figure (the latest published data) cuts the previous figure by four tenths of a percentage point to 4.8%, the lowest rate since May 2022.



The increase in headline inflation in Q3 is marked by the rise in fuel prices in the middle months of the summer. Therefore, the 'Transport' group, directly affected and the one that most boosted the rise in inflation in the quarter, fell by 8.7% in July and rose by 2.1% in September. On the contrary, the 'Housing' group is the one that most detracted from the general evolution in Q3, conditioned by electricity prices that rose slightly in the quarter, but remained well below those of the same period in 2022; this group recorded its lowest figure of the year in August, with a YoY decrease of 14.5%, and 5.8% in October, the latest data published. The influence of the other groups is very modest.

In the analysis by special groups, *Energy products*, which in July 2022 recorded an inflation rate of 38.4%, fell to 7.2% in October 2022. Moderation in electricity prices, together with the knock-on effect, led to a YoY decrease of 23.2% in this special group in July 2023, and the latest data published, corresponding to the month of October, points to another 9.8%.

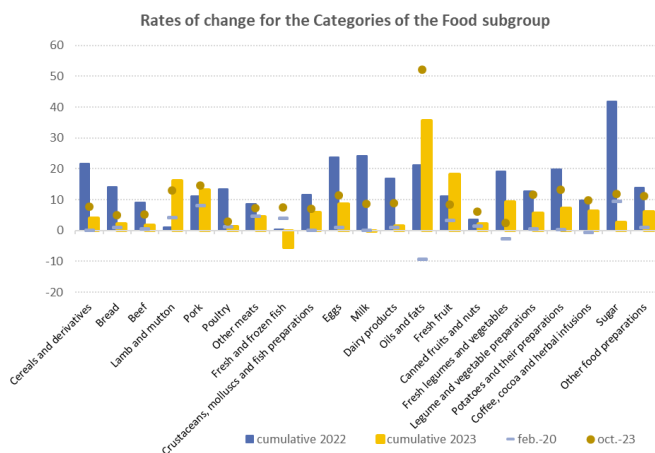
**Inflation trend by special groups**  
Community of Madrid



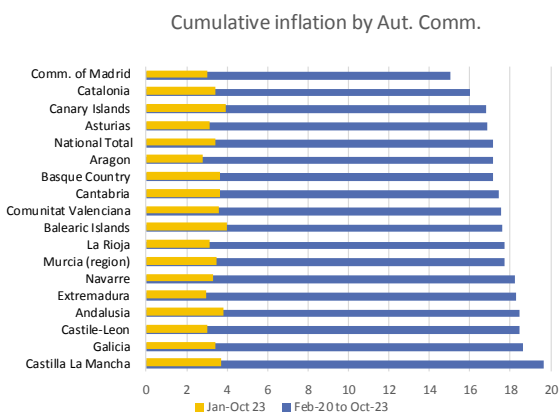
The special group *Processed food* is the most inflationary; this group, which is not part of the core calculation, contributes slightly less to the overall rate, as the stronger increases a year ago lead to a favourable comparison that moderates the YoY rate. So far this year, the rate has gone from an increase of 19.7% in January to 11.2% in October, the latest figure published. However, in the January-October cumulative period, the increase in prices experienced by this group is 6.8%. *Non-processed food*, which does form part of the core calculation, is the next most inflationary special group. This rate is 6.8% in October, but it hardly influences the change in inflation in the quarter; it also accumulates a rise of 6.8% over 2023. In analysing the components corresponding to these two special groups, it is worth mentioning some of the most notable increases accumulated over the course of 2023: *Oils and fats* accumulated an increase of 35.7% in 2023 and recorded a YoY increase in October of 52%; in Spain the same component stands at 48.1%; however, in the European Union it is 5.7%. The sharp monthly rises in oil prices in Spain in recent months, compared to the stabilisation of prices in the European Union, explain this difference. *Fresh fruit* saw its prices increase by 18.2% until October 2023, with an increase this month of 8.4%, similar to the Spanish increase of 8.8%, and slightly higher than the EU increase of 7.7%. *Sheep meat* has risen by 16.3% in 2023, with a YoY increase in October of 12.9%, compared to 8% in Spain and 5.4% in the EU; as with oil, the price increase in recent months has pushed up the rate in the Community of Madrid, compared to a more moderate rise in Spain and stabilisation in the EU. Lastly, *pork* has seen a price increase of 13.2% in 2023, 14.4% in October, compared to 13.8% in Spain and 8.4% in the EU.

*Services* is the other group causing a rise in the headline rate in Q3, with inflation at 3.9%. The cumulative price increase so far in 2023 is 3%. It is the only special group

whose cumulative rise in January-October 2023 exceeds that recorded in the same period in 2022.



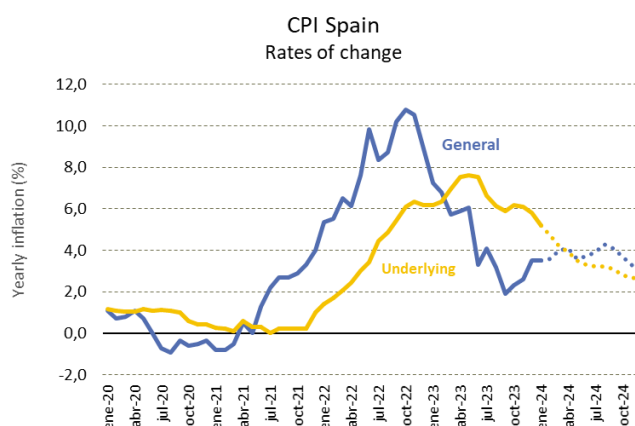
**Compared with the other Autonomous Regions,** headline inflation accumulated in the Community of Madrid since the start of the pandemic (Feb 20-Aug 23) rose to 15.1%; the region with the lowest rate, which reached a maximum of 19.6%, was Castilla-La Mancha. In terms of the evolution of headline inflation, Madrid was the least inflationary region from August 2022 to May 2023. In the case of core inflation, the Madrid region has been at the lowest level in Spain from July



2022 to September 2023; in October, Aragon saw the lowest figure.

**Funcas again qualifies the previous month's forecasts in view of the latest observations for the month of October. The new forecast for Spain in November 2023** notes that the headline rate will resume its upward trend, reaching a rate of 4% in December, with an average rate of 3.6% in 2023. In 2024, inflation would start the year with a rate of 4.1% and gradually decline to a December rate of 2.9%, with an average annual value in 2024 of 3.6%.

Regarding the underlying rate, it would continue its slow decline, leading to a rate of 4.2% in December, with an average rate of 6.1% in 2023. By 2024, the trend would continue, reaching a rate of 2.3% in December and slowing the average rate to 3%. This is assuming that oil prices are around 85 dollars and that the Mibgas price is the one that is discounted today by the futures markets, as well as the reversal of all government measures, VAT on food, measures affecting electricity and gas, and public transport discounts, to spread their impact between 2023 and 2024.



Source: Historical data INE; \*FUNCAS Forecast

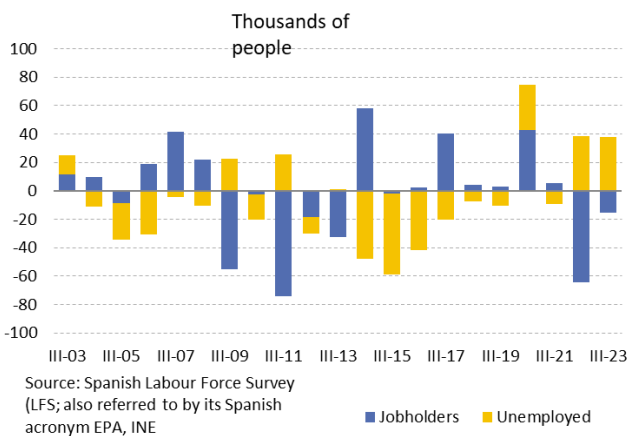
## V.3. Labour market

### 1. LFS

**Poor Q3 LFS results.** Employment fell and unemployment rose compared to an exceptional Q2 in the region. The labour force is at a new all-time high, but this does not lead to an increase in the participation rate due to the greater dynamism of the population over 16 years of age. The unemployment rate rose to 10.5%.

The **number of jobholders** decreased by 15,700, bringing the total number of employed to 3,285,900, below the peak of 3.3 million employed in the previous quarter. Historically, the number of employed individuals has not shown a defined seasonal profile in Q3 the year; behaviour has been marked by the phase of the economic cycle, with increases in employment in Q3 of the years in the expansionary phase, and reductions in those in the recessionary phase. However, following the health crisis, Q3 2022 and Q3 2023 have shifted away from the pattern described above and show reductions. In fact, the greater intensity of the decline in employment seen one year ago (2% compared to the aforementioned 0.5%) explains the acceleration of YoY growth in this quarter to 3.8%, 1.6 points more than in Q2.

QoQ change in employed and unemployed CoM



The **number of unemployed** individuals grew in Q3 after a significant decline in Q2. With 37,600 more unemployed, or 10.8% QoQ, it remains slightly below the 400,000 mark, as has been observed in 2023, standing at 386,800 in Q3. This rise in the number of unemployed individuals is in contrast to the seasonal pattern observed up to 2019, whereby unemployment fell in 80% of the third quarters. The data for 2022 and 2023 counteract this seasonal profile (as well as 2020, of course) and since the intensity of unemployment growth in 2023 is slightly higher than one year ago

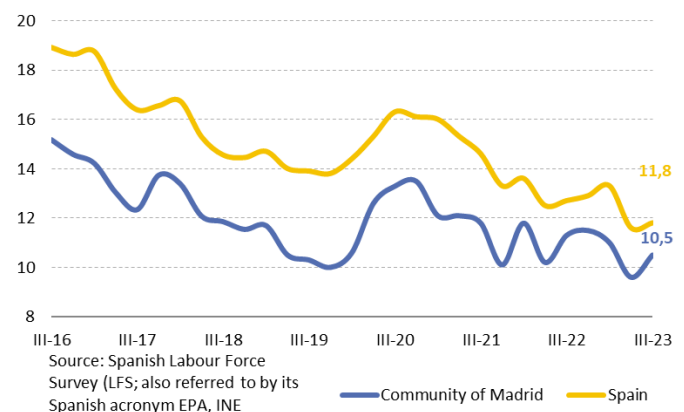
(10.8% vs. 10.5%), the YoY decline in unemployment slows by 3 tenths of a percentage point to 4.4% in Q3 2023.

Just as the increase in unemployed individuals exceeds the decrease in employed in the quarter, the **labour force** in the Community of Madrid rose to 3,672,700 people, a record high in the series. The labour force increased by 21,900 people in the quarter, by 0.6%. This increase contrasts with the decline observed one year ago and, as a result, the YoY increase in labour force once again accelerated significantly, from 1.5% in Q2 to 2.8% at present.

The participation rate in the Community of Madrid fell by one-tenth of a percentage point in the quarter, and by four tenths in the year to 63.3% of the population aged 16 and over. This is the result of a more dynamic behaviour of the working-age population than the labour force in the quarter, but not in the year.

Nevertheless, the **unemployment rate** in the Community of Madrid grew by 0.9 p.p. from the previous quarter to 10.5% of the labour force, eight-tenths of a point lower than observed a year ago.

Unemployment rate (%)



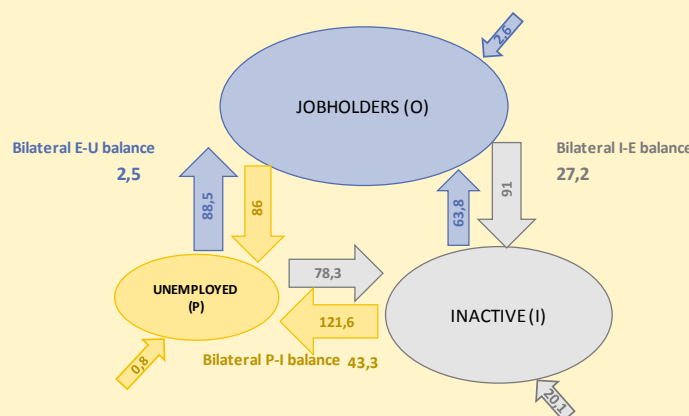
In the regional context, Madrid ranks third in terms of labour force and jobholders, and second in terms of unemployment. This quarter recorded the second highest activity rate in the national context, and the tenth lowest unemployment rate.

Compared to the previous quarter, it is the region where the number of jobholders has fallen the most and unemployment has risen the most in absolute terms. Compared to Q3 2022, Madrid presents the third largest increase in the number of jobholders, in absolute terms.

## Box1. LFS inactive flows, key to explaining the results of Q3 in the region

The Labour Force Flow Statistics (LFFS) in Q3 point in the same direction, as evidenced by the stock variables analysed in the LFS. Flows in the quarter point to a decrease in employment and an increase in unemployment, the breakdown of which is the subject of the analysis in this box.

Diagram of flows between quarters Q2-23 and Q3-23



The **decrease in employment** in the quarter was due to the combination of a high outflow, especially when compared to third quarter values in the pre-covid expansionary phase, and a significantly reduced inflow. The breakdown of inflows and outflows provides some nuance to these results: it is the flow towards inactivity that explains the high outflow from employment, which is consistent with a population structure with large groups of people close to retirement age. Less positive is that the containment of the inflow into employment is due to a reduced incorporation of workers from unemployment, the leading player in the previous quarter with good employment performance, and which in this quarter is significantly reduced, to the point of being notably below the average for Q3 of the 2005-2023 series.

The **rise in unemployment** in the quarter is the result of a confluence of a significantly high inflow into unemployment and a weak outflow from unemployment. Here too, the components making up the inflow and outflow shed additional light on this *a priori* negative result. The final factor behind the increase in unemployment in the region this quarter is the high flow of inactive individuals entering the labour market, while job losses remain in line with the historical average for third quarters. Furthermore, the low level of outflows from unemployment is due to a particularly low number of unemployed individuals who become inactive, which is in addition to the previously mentioned weakness of the incorporation of unemployed individuals into employment in the previous quarter.

A complementary view is offered by the balance between two employment situations. The bilateral balance between employment and unemployment, although positive, is therefore notably lower than would be expected in a Q3 of a year that is still in an expansionary phase.

The **bilateral balance** between the employed and inactive population reduces employment, in line with the ageing of the working-age population. Lastly, the bilateral balance between the unemployed and the inactive population takes on a very unusual importance in this quarter, adding unemployment in an amount only surpassed by Q3 2020 (although at that time the result was determined by the return to counting unemployed as those individuals who were unable to actively seek employment in Q2 2020, which was marked by a lockdown of the population).

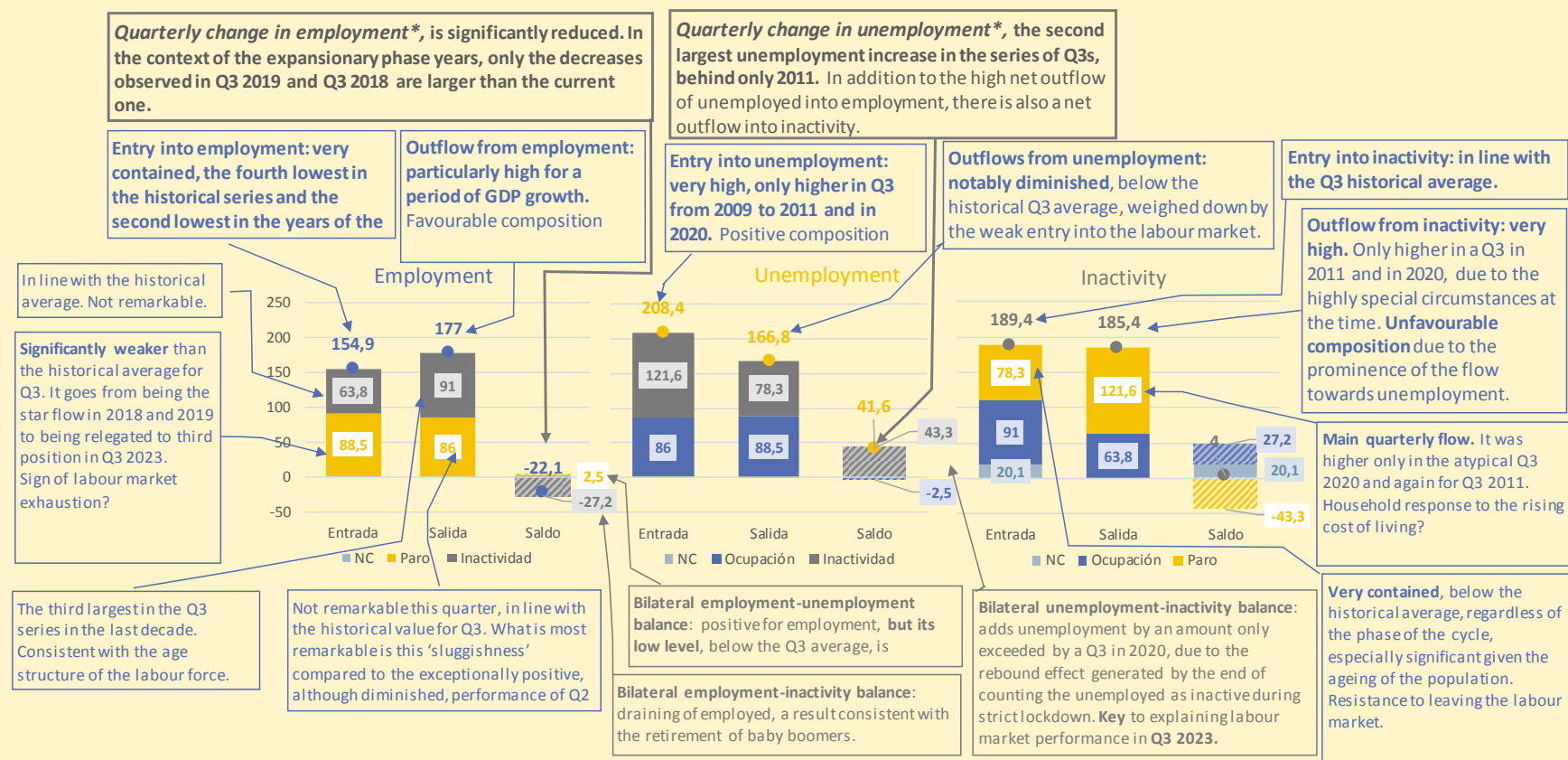
The complete graphical analysis of these results from a historical perspective and at the maximum level of breakdown that the statistical operation allows is available [here](#).

Two conclusions appear to be drawn from the LFFS results: the regional labour market could be showing signs of exhaustion, visible in the reduced capacity to incorporate unemployed individuals into employment, which in other third quarters has been the driving force and protagonist. The second conclusion would clarify this initial weakness, given the increase in the incorporation of people from inactivity, mainly into unemployment, making this the main flow in the quarter. It cannot be discounted that the rising cost of living, together with the strength and dynamism characterising the regional labour market, are playing an important role not only in coming out of inactivity but also in not returning to inactivity from unemployment.

That is, confidence in the creation of regional employment and the need to add economic resources to the household explains why the number of 'discouraged' people is currently very low, with unemployed individuals who would otherwise have opted for inactivity remaining in a situation of unemployment. As a result, the labour force is growing, because so is unemployment.



## Graphical summary of conclusions



\* The quarterly change in employment derived from the LFFS does not coincide exactly with that obtained with LFS data due to the construction design of the data.

Source: Compilation based on LFS flow survey data (INE)

## Sidebar II. Key demographics

The National Institute of Statistics has published the definitive data for 2022 for the **Natural Movement of the Population** and **Basic Demographic Indicators**.

**The Community of Madrid is one of the best performing Spanish regions in terms of the natural population balance in 2022.**

During the year 2022, 50,961 births were registered in the Community of Madrid, with 26,161 boys and 24,800 girls. Of the total number of births, 25.2% were to foreign mothers. This data confirms the downward trend in number of births that has been occurring for over 10 years, with the year 2022 recording the lowest value of all. 14,382 fewer children were born in 2022 than in 2013, down 22% in a decade, and -0.8% from the previous year

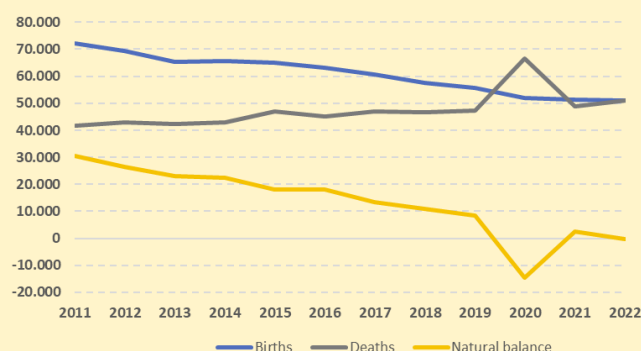
As for number of deaths, 51,144 deaths were registered in the Community of Madrid during this period, which is 2.6% more than the previous year, but the pre-pandemic trend has been re-established. The number of deaths has remained for the most part stable since the first half of 2009, although there has been a slight upward trend. With the exception of 2020, when the number of deaths worldwide was unusually high due to the effects of the pandemic, continuity in the series can be observed, with a gradual increase due to progressive demographic ageing.

As a result of both phenomena, the natural balance (difference between births and deaths) in the reference period was 193 fewer people in the Community of Madrid

Each year the natural balance has become increasingly small as a result of a steady fall in the birth rate and a slight increase in the death rate. In 2020, a negative balance was registered for the first time as a result of the pandemic (almost 14,700 fewer people). However, the Community of Madrid recovered in 2021 by adding 1,509 people. Although some population losses were registered in 2022, it should be noted that only the Region of Murcia gained population; the rest of the Autonomous Regions suffered losses and the Community of Madrid was the one that lost the least. Galicia lost 20,501 people, Castilla y León 17,882, Andalusia 15,995 and Catalonia 14,362. It can therefore be said that Madrid's demographic performance in 2022 has been one of the best in the national context.

In addition to this, the INE also published the definitive data for the Basic Demographic Indicators for 2022.

Evolution of vegetative growth in the Community of Madrid



REGIONAL RANKING MNP-IDB (2022)									
GROSS BIRTH RATE		GROSS BIRTH RATE		GROSS BIRTH RATE		CURRENT FERTILITY INDEX		AVERAGE CHILDBEARING AGE	
(Times per thousand)		(Spanish population)		(Spanish population)		(No. of children per woman)		(Years)	
Murcia (region)	8,7	Murcia (region)	7,5	Chartered Community of I	16,7	Murcia (region)	1,42	Basque Country	33,4
Balearic Islands	7,6	Andalusia	6,9	Basque Country	16,5	Chartered Community of I	1,27	<b>Community of Madrid</b>	<b>33,3</b>
<b>Community of Madrid</b>	<b>7,5</b>	<b>Community of Madrid</b>	<b>6,6</b>	La Rioja	16,0	La Rioja	1,24	Galicia	33,3
Andalusia	7,4	Balearic Islands	6,4	Murcia (region)	15,4	Castilla La Mancha	1,22	Cantabria	33,1
Catalonia	7,2	Castilla La Mancha	6,2	Extremadura	14,7	Andalusia	1,22	Chartered Community of Nava	33,0
Chartered Community of N	7,1	Extremadura	6,2	Castilla La Mancha	14,6	Aragon	1,21	Castile-Leon	33,0
Castilla La Mancha	7,0	Comunitat Valenciana	6,1	Castile-Leon	14,2	Comunitat Valenciana	1,19	Aragon	32,8
Comunitat Valenciana	6,9	<b>National Total</b>	<b>6,0</b>	Catalonia	14,2	Catalonia	1,17	Principality of Asturias	32,8
<b>National Total</b>	<b>6,9</b>	Chartered Community of I	5,9	Principality of Asturias	13,9	Basque Country	1,16	Catalonia	32,7
Aragon	6,8	Catalonia	5,8	Galicia	13,2	<b>National Total</b>	<b>1,16</b>	<b>National Total</b>	<b>32,6</b>
La Rioja	6,7	Aragon	5,8	Aragon	13,0	<b>Community of Madrid</b>	<b>1,14</b>	La Rioja	32,5
Extremadura	6,5	La Rioja	5,4	<b>National Total</b>	<b>13,0</b>	Extremadura	1,14	Balearic Islands	32,5
Basque Country	6,2	Basque Country	5,2	<b>Community of Madrid</b>	<b>13,0</b>	Balearic Islands	1,11	Comunitat Valenciana	32,4
Canary Islands	5,6	Cantabria	5,1	Balearic Islands	12,4	Castile-Leon	1,10	Extremadura	32,4
Castile-Leon	5,5	Canary Islands	5,0	Andalusia	12,1	Cantabria	1,03	Castilla La Mancha	32,3
Cantabria	5,5	Galicia	5,0	Cantabria	11,7	Galicia	1,01	Canary Islands	32,1
Galicia	5,4	Castile-Leon	4,9	Comunitat Valenciana	11,0	Principality of Asturias	0,97	Andalusia	32,1
Principality of Asturias	4,7	Principality of Asturias	4,2	Canary Islands	8,8	Canary Islands	0,86	Murcia (region)	31,9

GROSS DEATH RATE		LIFE EXPECTANCY AT BIRTH		LIFE EXPECTANCY AT BIRTH		LIFE EXPECTANCY AT BIRTH		INFANT MORTALITY RATE	
(Times per thousand)		(Age)		(Men)		(Women)		(Times per thousand)	
Principality of Asturias	13,9	<b>Community of Madrid</b>	<b>84,8</b>	<b>Community of Madrid</b>	<b>82,1</b>	<b>Community of Madrid</b>	<b>87,11</b>	La Rioja	4,1
Castile-Leon	13,0	Chartered Community of I	83,9	Chartered Community of I	81,1	Chartered Community of I	86,67	Murcia (region)	3,3
Galicia	13,0	Castile-Leon	83,7	Castile-Leon	81,0	Castile-Leon	86,46	Canary Islands	3,1
Extremadura	11,7	Basque Country	83,5	Castilla La Mancha	80,9	Basque Country	86,12	Extremadura	3,1
Cantabria	11,5	Catalonia	83,5	Catalonia	80,8	Catalonia	86,09	Castile-Leon	3,1
Aragon	11,5	Castilla La Mancha	83,3	Basque Country	80,7	Galicia	86,01	Basque Country	3,0
Basque Country	11,0	Galicia	83,2	La Rioja	80,5	La Rioja	86,00	Principality of Asturias	3,0
La Rioja	10,8	La Rioja	83,2	Cantabria	80,4	Aragon	85,94	Andalusia	2,6
Castilla La Mancha	9,9	<b>National Total</b>	<b>83,1</b>	<b>National Total</b>	<b>80,4</b>	Castilla La Mancha	85,83	<b>National Total</b>	<b>2,6</b>
<b>National Total</b>	<b>9,7</b>	Cantabria	83,1	Galicia	80,4	<b>National Total</b>	<b>85,70</b>	Chartered Community of Nava	2,5
Comunitat Valenciana	9,7	Aragon	83,1	Aragon	80,2	Balearic Islands	85,64	Catalonia	2,5
Chartered Community of N	9,5	Balearic Islands	82,9	Balearic Islands	80,2	Cantabria	85,57	<b>Community of Madrid</b>	<b>2,5</b>
Andalusia	9,2	Comunitat Valenciana	82,5	Comunitat Valenciana	79,8	Extremadura	85,14	Cantabria	2,5
Catalonia	9,0	Principality of Asturias	82,5	Extremadura	79,8	Principality of Asturias	85,14	Comunitat Valenciana	2,4
Murcia (region)	8,5	Extremadura	82,4	Principality of Asturias	79,7	Comunitat Valenciana	85,08	Castilla La Mancha	2,3
Canary Islands	8,5	Murcia (region)	82,1	Murcia (region)	79,3	Murcia (region)	84,85	Aragon	2,2
Balearic Islands	7,8	Andalusia	81,9	Canary Islands	79,3	Andalusia	84,54	Balearic Islands	1,9
<b>Community of Madrid</b>	<b>7,5</b>	Canary Islands	81,8	Andalusia	79,2	Canary Islands	84,30	Galicia	1,9

Source: INE (National Statistics Institute)



## 2. Social Security Enrolment

**Social Security enrolment's extraordinary performance persists in Q3 2023.** The average number of new registrations stood at 3,546,215, the highest for a third quarter in the series, having reached an all-time high in the second quarter of 2023. These high volumes are still proof of a strong YoY dynamism, although it is up 3.9%, one tenth of a percentage point less than the previous quarter's growth.

Both genders and the general and self-employment schemes have the highest number of employees for a Q3 in the series. Once again, the performance of female enrolment and of the general scheme continued to be more dynamic, with year-on-year increases in the Q3 of 4.3% and 4.4% respectively. The self-employment scheme grew at a more muted rate of 0.8%, but accelerating by three tenths of a percentage point above the increase in Q2 2023.

The seasonal reductions MoM in the summer months of July and August did not prevent enrolment levels from being the highest in the series for these months, and September's seasonal increase was the largest along with that of September 2018. These circumstances have led to a 10.4% increase in total enrolment in Q3 over pre-pandemic levels, with 11.3% in the general scheme and 4.4% in the self-employment scheme.

The analysis of the general scheme, excluding the special agricultural and domestic workers' schemes, is decisive in determining the distribution by activity of total enrolment. In Q3 it accounted for 88.1% of the total, with 87.4% of enrolment in the services sector in this scheme. It should be noted that all sections of this sector in this period experienced year-on-year increases and increases in enrolment versus Q3 2019, except for *Rest of services*, which fell 1.6% on the pre-pandemic figure.

The latest available data, corresponding to the month of October 2023, shows a seasonal MoM increase above the average of all the months of October to date in the series, leading to a new all-time high of over 3.6 million new enrolments, growing by 3.9%, the same rate as in September. The same pattern of behaviour can be seen in the breakdown by gender and in the general scheme which reach the highest volumes of the series: men increased YoY by 3.5% and women by 4.3%, while the general scheme decelerated by one tenth of a point, 4.2% compared to September's growth; however, the self-employment scheme picked up for another month by 1% YoY in October compared to the previous month, with 0.9% in September and 0.8% in August.

With regard to pre-pandemic enrolment, the region has not ceased to recover volume month by month since February 2021 and the figure for October 2023 is 10.5% higher than that of the same month in 2019.

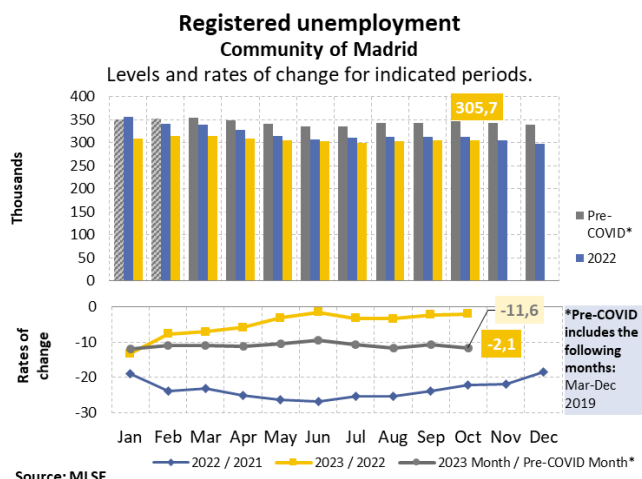
The analysis of average monthly enrolment in October by sector of activity in the general scheme and excluding the special agricultural and domestic workers' schemes, shows peak enrolment volumes in the services sector, with the tertiary sector having already reached its peak last June; in October, eight services sections reached record highs in volume, 44.2% of the enrolment in this sector; the highest contributing sections were *Professional, scientific and technical activities*, with 9.5%, and *Information and communications*, with 8.9%. Turning to self-employment, October's historic peak is due also to the sectoral origin of enrolment in the tertiary sector: seven of its thirteen services sections show the highest enrolment in October, with a weight of 37.7%; within these, the one that contributes the most is *Professional, scientific and technical activities* with 14.8% and *Rest of services* with 7%.

Average quarterly affiliation to the General Scheme (not farm/domestic) by sections. Structure and changes. Community of Madrid.													
CNAE Sections 2009	Q3 2023			Q3 2022			Q3 2019			Rates of change			
	Level	Weight	COM/SP	Level	Weight	COM/SP	Level	Weight	COM/SP	23/22		23/19	
	No.	(%)	ATN (%)	No.	(%)	ATN (%)	No.	(%)	ATN (%)	COM	Spain	COM	Spain
A - Agric. Livest. Fore. Ar	2.729	0,1	3,2	2.681	0,1	3,3	2.785	0,1	3,6	1,8	2,5	-2,0	10,2
B ... E - Industry	211.870	7,0	9,8	203.154	7,0	9,6	195.651	7,2	9,4	4,3	2,0	8,3	4,6
F - Construction	164.655	5,5	16,8	155.088	5,4	16,6	145.458	5,4	16,6	6,2	4,8	13,2	12,0
G - Comm. Rep. Vehicles	434.695	14,4	16,8	422.119	14,6	16,8	418.533	15,5	16,8	3,0	2,7	3,9	4,1
H - Transport. Storage	171.414	5,7	20,6	161.202	5,6	20,4	148.282	5,5	20,0	6,3	5,4	15,6	12,3
I - Hospitality	189.236	6,3	12,1	177.480	6,1	11,9	180.446	6,7	12,3	6,6	5,6	4,9	6,9
J - Inform. Commun.	270.958	9,0	42,8	258.119	8,9	43,2	219.521	8,1	44,1	5,0	6,0	23,4	27,2
K - Act. Finance & Insur	118.626	3,9	37,2	113.284	3,9	36,5	109.965	4,1	34,1	4,7	2,8	7,9	-1,2
L - Act. Real Estate	28.035	0,9	26,1	27.026	0,9	26,1	25.071	0,9	25,2	3,7	3,5	11,8	7,8
M - Actv. Prof. Tech. Sci.	286.058	9,5	31,8	269.033	9,3	31,6	239.760	8,9	31,6	6,3	5,9	19,3	18,7
N - Actv. Admt. Serv. Auxil.	340.003	11,3	23,7	334.975	11,6	23,7	322.039	11,9	23,8	1,5	1,4	5,6	5,9
O - Public Adm Defen., SS	213.447	7,1	17,5	201.517	7,0	16,9	166.433	6,2	15,0	5,9	2,4	28,2	10,3
P - Education	186.637	6,2	19,6	176.952	6,1	19,7	157.914	5,9	19,9	5,5	6,0	18,2	20,1
Q - Actv. Health Serv. Social	272.067	9,0	14,5	261.741	9,1	14,4	241.525	8,9	14,7	3,9	3,2	12,6	14,9
R - Actv. Artis. Rec. & Ent	50.379	1,7	16,9	47.975	1,7	17,0	45.982	1,7	17,4	5,0	5,6	9,6	12,7
S ... U - Rest of Serv.	78.634	2,6	20,7	78.218	2,7	20,9	79.928	3,0	21,0	0,5	1,5	-1,6	-0,4
Total services	2.640.189	87,4	20,1	2.529.643	87,5	20,0	2.355.399	87,3	19,8	4,4	3,7	12,1	10,1
Total	3.019.443	100,0	18,5	2.890.566	100,0	18,3	2.715.834	100,0	18,1	4,5	3,6	11,9	9,5

(\*) The average quarterly data are calculated on the basis of the average monthly data.

### 3. Registered unemployment

**Q3 saw a less intense decline in the number of unemployed, with levels improving on pre-pandemic levels.** The recent performance of registered unemployment has once again been positive in Q3. Unemployment fell from 312,158 in Q3 2022 to 302,721 in Q3 2023, and far short of the 340,245 in Q3 2019.



Registered unemployment data for the region reflect less intensity in the pace of unemployment decline in Q2 2023, registering a fall of 3% YoY, compared to 9.4% in Q1 2023 and 3.6% in Q2 2023. Thus, the number of registered unemployed in the region is 11% lower than in Q3 2019, with 37,524 fewer people unemployed.

The latest published figure, in October 2023, saw

a YoY decline in registered unemployment of 2.1%, and 11.6% compared with October 2019.

Both genders have participated in the year-on-year decreases in unemployment in the region and improve the pre-pandemic data. Male unemployment showed a lower YoY fall reaching 2.7% in Q3 2023, while female unemployment fell by 3.2%. Compared to the pre-pandemic situation, unemployment is below the levels in Q3 2019, 12.4% for men and 10.1% lower for women. The most recent data published, from October 2023, shows a YoY decrease of 1.7% in male unemployment and 2.4% in female unemployment.

The year-on-year decreases observed in Q3 also occurred in all sectors of activity: 7.2% in industry, 4.8% in agriculture and construction, and 3.1% in services; The 'previously unemployed' group recorded an increase of 3.3%.

This decline is much more evident in comparison with Q3 2019 in all sectors, although with different intensity. It fell 19.4% in industry, 17.6% in construction, 11.5% in agriculture, 9.9% in services, and 8.7% in the 'previously unemployed' group.

In October 2023, regional unemployment fell year-on-year in all sectors: 7% in industry, 4.4% in construction, 2.1% in services, and 0.2% in agriculture. Meanwhile, the 'previously unemployed' group recorded a 3.7% increase in October for the seventh consecutive month.

REGISTERED UNEMPLOYMENT BY SECTIONS Community of Madrid										
CNAE Sections 2009	3TR23					Pandemic max		Pre-pandemic variation: 3TR19		
	Level	Weight (%)	Diff Annual	ARC (%)	Rep. (1)	Level	Date	Difference	RC (%)	Rep. (1)
<b>A - Agric. Livest. Fore. And F</b>	<b>2.265</b>	<b>0,7</b>	<b>-114</b>	<b>-4,8</b>	<b>0,0</b>	<b>3.470</b>	<b>1TR21</b>	<b>-294</b>	<b>-11,5</b>	<b>-0,1</b>
<b>B ... E - Industry</b>	<b>16.567</b>	<b>5,5</b>	<b>-1.284</b>	<b>-7,2</b>	<b>-0,4</b>	<b>24.732</b>	<b>1TR21</b>	<b>-3.988</b>	<b>-19,4</b>	<b>-1,2</b>
<b>F - Construction</b>	<b>21.584</b>	<b>7,1</b>	<b>-1.098</b>	<b>-4,8</b>	<b>-0,4</b>	<b>33.085</b>	<b>1TR21</b>	<b>-4.608</b>	<b>-17,6</b>	<b>-1,4</b>
G - Comm. Rep. Vehicles	40.622	13,4	-1.888	-4,4	-0,6	59.641	1TR21	-4.760	-10,5	-1,4
H - Transport. Storage	11.443	3,8	131	1,2	0,0	17.971	2TR20	-913	-7,4	-0,3
I - Hospitality	26.883	8,9	-297	-1,1	-0,1	43.980	1TR21	-4.084	-13,2	-1,2
J - Inform. Commun.	12.154	4,0	781	6,9	0,3	16.165	2TR20	-366	-2,9	-0,1
K - Act. Finance & Insur	5.321	1,8	-295	-5,3	-0,1	6.028	3TR21	405	8,2	0,1
L - Act. Real Estate	2.704	0,9	114	4,4	0,0	3.582	1TR21	-44	-1,6	0,0
M - Actv. Prof. Tech. Sci.	31.188	10,3	-34	-0,1	0,0	47.878	1TR21	-7.782	-20,0	-2,3
N - Actv. Admt. Serv. Auxil.	46.932	15,5	-3.649	-7,2	-1,2	74.986	1TR21	-7.023	-13,0	-2,1
O - Public Adm Defen., SS	13.610	4,5	192	1,4	0,1	15.366	3TR21	1.125	9,0	0,3
P - Education	12.695	4,2	-2.036	-13,8	-0,7	16.956	3TR21	-1.076	-7,8	-0,3
Q - Actv. Health Serv. Social	13.679	4,5	-522	-3,7	-0,2	20.185	1TR21	-440	-3,1	-0,1
R - Actv. Artis. Rec. & Ent	6.170	2,0	-258	-4,0	-0,1	9.458	3TR20	-695	-10,1	-0,2
S ... U - Rest of Serv.	17.750	5,9	137	0,8	0,0	26.142	1TR21	-957	-5,1	-0,3
<b>Total services</b>	<b>241.151</b>	<b>79,7</b>	<b>-7.624</b>	<b>-3,1</b>	<b>-2,4</b>	<b>350.569</b>	<b>1TR21</b>	<b>-26.609</b>	<b>-9,9</b>	<b>-7,8</b>
<b>No previous employment</b>	<b>21.154</b>	<b>7,0</b>	<b>683</b>	<b>3,3</b>	<b>0,2</b>	<b>31.547</b>	<b>2TR21</b>	<b>-2.025</b>	<b>-8,7</b>	<b>-0,6</b>
<b>Total</b>	<b>302.721</b>	<b>100,0</b>	<b>-9.437</b>	<b>-3,0</b>	<b>-3,0</b>	<b>442.805</b>	<b>1TR21</b>	<b>-37.524</b>	<b>-11,0</b>	<b>-11,0</b>

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

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

However, the breakdown by activity sections of the services sector (CNAE 2009) shows that in year-on-year terms, unemployment did not decline in the third quarter of 2023 in all of them. The greatest drop in registered unemployed in relative terms was seen in *Education* (13.8%); *Administrative Activities and Auxiliary Services* (7.2%); *Financial and insurance activities* (5.3%); and *Arts, recreation and entertainment activities* (4%).

Nor is there a generalised downward trend in the comparison of the levels in Q3 2023 with those of the same pre-pandemic quarter. On the other hand, an increase in the number of unemployed people registered in the sections of *Financial and Insurance Activities*, which increased by 8.2%, and *Public Administration, Defence and Social Security* by 12.5%.

The most recently published from October 2023 on the regional comparison in year-on-year terms pointed to a generalised decrease in registered unemployment in all the Autonomous Regions, varying widely from a 9.4% reduction in the Balearic Islands to a 1.9% reduction in the Basque Country. Similarly, all regions show current levels of registered unemployment lower than in October 2019, with the Community of Madrid ranking third in absolute terms.

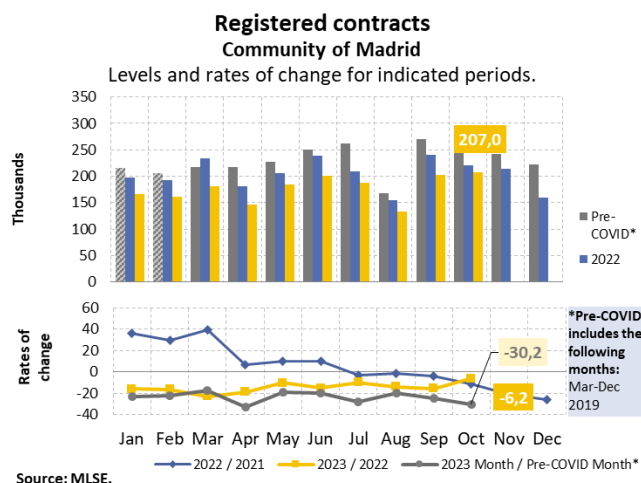
#### A further drop in hiring data during the quarter.

Hiring continued the downward trend that began in Q3 2022, falling by 13.2% in Q3 2023. In a pre-pandemic comparison, the number of registered contracts is 24.9% lower than contracts signed in Q3 2019. The most recent data from October 2023 places the number of registered contracts at 206,959, a year-on-year decrease of 6.2% and 30.2% less than in October 2019.

**Permanent contracts again lose momentum year-on-year in the Q3 2023.** Since the labour reform came into force, the number of permanent contracts has broken records while temporary hiring has already shown year-on-year declines since April 2022, when the transitional period for some types of temporary contracts, established in the 2022 Labour Reform, came to an end.

On the contrary, in Q3 2023, year-on-year permanent contract levels showed a 15.2% YoY decrease, compared to the already slower increase in Q1 2023, when it reached YoY growth of 34.7%. This is added to the evolution of temporary contracts, which already took a sharp dip in its recovery since Q2 2022, with a year-on-year decline of 11.4% in Q2 2023, compared to 43.9% in Q1 2023. The pre-pandemic gap equates to 51.6% fewer temporary contracts than in Q3 2019. The most recent data for October 2023 show a 10.1% YoY decrease in permanent contracts and an 2.1% decrease in temporary contracts for the seventh consecutive

month, with 91.4% more permanent contracts and 56.9% fewer temporary contracts than in October 2019.



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

Accordingly, the number of discontinuous fixed-term contracts has risen from 2,261 in January 2022 to 21,447 in October 2023, of which 20,446 were in the services sector. However, in October, the latest recorded data shows a YoY decrease of 11.4%.

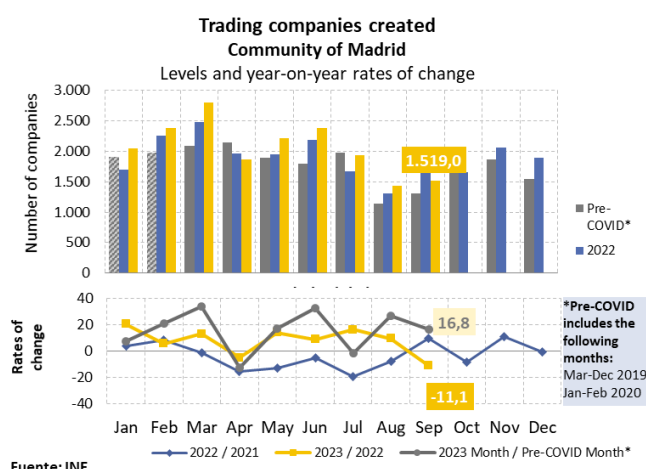
The trend in the number of discontinuous fixed jobseekers, registered as jobseekers after having signed a discontinuous fixed contract, should also be taken into account; the figure for October 2023 is 22,977 discontinuous fixed-term jobseekers, with a YoY increase of 23.4%.

## V.4. Business environment

Entrepreneurship started 2023 on an upward trend, growing by 20.6% year-on-year in January, and increasing MoM in a more contained manner in the first half of the year, but more subdued except in April, when it declined by 5%. In the Q3 months, it grew and accelerated in July by 16.4%, increasing more moderately in August by 9.6%, before falling in September by 11.1% YoY.

Q3 2023 posted the second highest number of company incorporations for this period since 2007, with the creation of 4,892 entities, 4.5% more than in the same quarter of 2022; 210 more companies were incorporated than one year before. Compared to the same quarter in 2019, the number of companies created also increased by 485, which is also 11% higher than those registered at the time.

The creation of new companies reached 1,519 in September (the last known figure), 5.9% more than in August; this MoM rate is the second most modest in the series for a September, and lower than the average increase of 42.8% in the September months of the series to date. In YoY terms, it fell by 11.1%, the first negative rate after four consecutive months of growth, but exceeded the volumes of the same month in 2019 by 16.8%; it should be noted that this last comparison was made with the lowest number of new company creations for a month of September in the series since 2011.



The Community of Madrid topped the regional ranking in terms of incorporations for the month and January to September 2023. The relative figures for the creation of new companies are very significant; 22.6% of the total number of companies created in Spain in September did so in the region, and 22.5% of those set up were in the first seven months of 2023.

Subscribed capital in the months of the Q3 2023 alternated between a negative rate in July, falling YoY by 27.5%, with a significant rise in August of 218.2%, to fall again in September, losing 43.8% compared to the same month of 2022; in view of this data for Q3, the investment made by new companies was 303.6 million euros, the second highest investment for this quarter in the last seven years for this period, exceeded by Q3

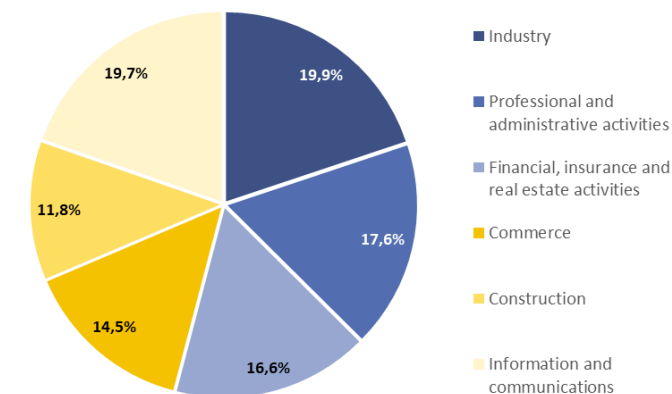
2022. Therefore, the comparison with respect to this quarter is negative, falling by 2%; the figures for this quarter of 2023 are 27.4% higher than those of the same pre-pandemic period.

The investment figure for September is 105.2 million euros, 25.8% less than in August and 43.8% lower than a year ago; compared to September 2019, it increased by 111.8%; it should be taken into account when assessing this rate that the comparison is with the third lowest investment in the series. But, despite these figures, the Community of Madrid is the region where most capital was subscribed in September, and the second in the January-September period, with 37.8% of total national investment in this month and 19.1% in the year to date. The average capitalisation per company was 67.6% lower than the national average in September; however, the cumulative figure for 2023 was 15% lower than the Spanish average.

In Q3 2023, company dissolutions fell by 18.5% compared to the same quarter in 2022 and by 1.8% less in comparison with the same period in 2019; in September, company dissolutions fell by 36.6% MoM and 36.3% YoY, also 0.8% less than in 2019. The drop in dissolutions, in all the analysed periods, is the result of the different labour disputes that have been occurring throughout this year in the Judiciary.

**In the January-October period, the Community of Madrid continued to attract companies from other regions.** Experian reports that in the period January-October 2023, 1,455 companies changed their registered office to the region; the most represented sector for another month is *Industry* (19.9% of arrivals), followed this time by *Professional and administrative activities* (17.6%) and in third place (16.6%). The origin of companies relocating to the Community of Madrid is once again Catalonia, accounting for 22.9%, followed by Andalusia with 19.5%, and the Community of Valencia with 10.8%. The balance with organisations leaving Madrid in this period is positive, with 34 companies opting for the region.

**Companies that relocated their registered address to the Community of Madrid by activity sector.**  
Cum. Jan-Oct 2023





# Annex Company relocations to the Community of Madrid

Companies that relocated their registered address to the Community of Madrid<sup>1</sup>

Last update: October 2023

Cumulative: January - October 2023

Companies that relocated their registered address to the Community of Madrid														
By autonomous community of origin and sector of activity. October 2023														
CC.AA. / Sector	01	02	03	04	05	06	07	08	09	10	11	s/d	Total	%
Andalusia	2	9		2			1		6				20	18,3
Aragón		4							2				6	5,5
Asturias	1		2		1			1	2				7	6,4
Balearic Islands	1					1			2				4	3,7
Canary Islands			1										1	0,9
Cantabria					2								2	1,8
Castile-La Mancha		2		2				1	1		1		7	6,4
Castile Leon		1	1	3		1		2		1			9	8,3
Catalonia	1	9	2	2	2			2	4		1		23	21,1
Extremadura														
Galicia				4					3	1			8	7,3
La Rioja		1											1	0,9
Murcia		1						1					2	1,8
Navarre		2							2				4	3,7
Basque Country		1		1				2	1		1		6	5,5
Valencia		1		1			1	1	5				9	8,3
Others														
<b>Total</b>	<b>5</b>	<b>31</b>	<b>6</b>	<b>15</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>10</b>	<b>28</b>	<b>2</b>	<b>3</b>		<b>109</b>	<b>100,0</b>
<b>%</b>	<b>4,6</b>	<b>28,4</b>	<b>5,5</b>	<b>13,8</b>	<b>4,6</b>	<b>1,8</b>	<b>1,8</b>	<b>9,2</b>	<b>25,7</b>	<b>1,8</b>	<b>2,8</b>		<b>100,0</b>	
<b>Balance. Inputs - Outputs</b>													<b>6</b>	

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

Companies that relocated their registered address to the Community of Madrid														
By autonomous community of origin and sector of activity. January - October 2023														
CC.AA. / Sector	01	02	03	04	05	06	07	08	09	10	11	s/d	Total	%
Andalusia	8	106	32	29	8	4	10	35	36	7	7	1	283	19,5
Aragón	1	10	4	6		2	3	9	8		1	1	45	3,1
Asturias	2	5	8	3	1	1	1	5	12		1		39	2,7
Balearic Islands	1	2	3	4		4		13	5				32	2,2
Canary Islands	1	2	7			1	4	4	3		3		25	1,7
Cantabria		2	4	1	2		1	1	5	4	1		21	1,4
Castile La Mancha	2	28	19	23	4	1	6	15	18	7	6		129	8,9
Castile Leon	4	32	23	28	2	5	3	15	13	6	6		137	9,4
Catalonia	2	38	26	51	8	10	28	80	67	18	5		333	22,9
Extremadura	3	4	10	8	1			1	3	1	1		32	2,2
Galicia		4	3	11	2	1	4	5	12	3		1	46	3,2
La Rioja	1	1	1	1					3	1			8	0,0
Murcia		4	6	12	1		3	9	9	2	1		47	3,2
Navarre		13		4	1		1	10	7	1			37	2,5
Basque Country		11	7	10	1	6	4	10	18	3	10		80	5,5
Valencia	3	27	17	17	1	5	11	30	37	4	5		157	10,8
Others				1	3								4	0,3
<b>Total</b>	<b>28</b>	<b>289</b>	<b>170</b>	<b>209</b>	<b>35</b>	<b>40</b>	<b>79</b>	<b>242</b>	<b>256</b>	<b>57</b>	<b>47</b>	<b>3</b>	<b>1.455</b>	
<b>%</b>	<b>1,9</b>	<b>19,9</b>	<b>11,7</b>	<b>14,4</b>	<b>2,4</b>	<b>2,7</b>	<b>5,4</b>	<b>16,6</b>	<b>17,6</b>	<b>3,9</b>	<b>3,2</b>	<b>0,2</b>	<b>100,0</b>	
<b>Balance. Inputs - Outputs</b>													<b>4</b>	

01: Agriculture; 02: Industry; 03: Construction; 04: Commerce; 05: Transport & storage; 06: Hospitality; 07: Information & communications; 08: Financial, insurance and real state activities; 09: Professional & administrative activities; 10: Public Administration, 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).

## Companies that relocated their registered address from the Community of Madrid<sup>2</sup>

Latest figure: October 2023

Cumulative: January - October 2023

Companies that move their registered address outside the Community of Madrid														
By autonomous community of origin and sector of activity. October 2023														
CC.AA. / Sector	01	02	03	04	05	06	07	08	09	10	11	s/d	Total	%
Andalusia	2	3		4		2		4	6	1			22	21,4
Aragón				1						1			2	1,9
Asturias				1									1	1,0
Balearic Islands			1					4			1		6	5,8
Canary Islands										1			1	1,0
Cantabria		1	1										2	1,9
Castile-La Mancha		1		3									4	3,9
Castile Leon		3		2		1			2	1			9	8,7
Catalonia	1	2	2	4			1	5	5	1	2		23	22,3
Extremadura										1			1	1,0
Galicia			3					3					6	5,8
La Rioja														
Murcia			1			1		2	1		1		6	5,8
Navarre							1						1	1,0
Basque Country		1		1		1	1	2	1				7	6,8
Valencia			2	2	1	1	3		3				12	11,7
Others														
Total	3	11	10	18	1	6	6	20	21	3	4		103	100,0
%	2,9	10,7	9,7	17,5	1,0	5,8	5,8	19,4	20,4	2,9	3,9		100,0	

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

Companies that move their registered address outside the Community of Madrid														
By autonomous community of origin and sector of activity. January -October 2023														
CC.AA. / Sector	01	02	03	04	05	06	07	08	09	10	11	s/d	Total	%
Andalusia	9	21	20	49	7	13	17	46	39	13	9		243	16,9
Aragón	1	5	2	7			3	11	7	1	1	1	39	2,7
Asturias		7	4	5		2	3	3	2				26	1,8
Balearic Islands	2	8	3	2		3	2	17	6		1		44	3,1
Canary Islands		6	5	7		3	3	6	7	2	3		42	2,9
Cantabria		2	1		1			5	4		1		14	1,0
Castile-La Mancha	5	14	19	15	2	6	5	12	16	4	3	1	102	7,1
Castile Leon	6	38	26	41	7	9	10	24	27	1	9		198	13,8
Catalonia	2	31	18	66	7	11	21	87	51	5	15	2	316	21,9
Extremadura	1	4	6	7		1			5	2	1		27	1,9
Galicia	3	4	9	14	2	2	5	14	23		1		77	5,3
La Rioja		1						2	3				6	0,4
Murcia	1	1	7	2		1	1	14	3	2	2		34	2,4
Navarre		15	1	2		1	2	8	2		1		32	2,2
Basque Country	1	11	6	10	1	4	9	21	12	1	7	1	84	5,8
Valencia	1	12	16	33	3	4	14	37	25	3	5		153	10,6
Others			1	1							1		3	0,2
Total	32	180	144	261	30	60	95	307	232	34	60	5	1.440	100,0
%	2.2	12.5	10.0	18.1	2.1	4.2	6.6	21.3	16.1	2.4	4.2	0.3	100.0	

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

<sup>2</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

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



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

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

### Trend-Cycle (TC)

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

### Seasonal and calendar adjustment (SCA)

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

### Surveys

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

### Balance of responses

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

### Rate of change

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

- *Month-on-month (quarter-on-quarter, etc.) rate*: Compares the value of a period (shorter than a year: month, quarter, etc.) with that of the immediately preceding period (month, quarter, etc.).
- *Year-on-year rate*: Compares the value of a period with that of the same period in the previous year (same month for monthly data, similar quarter for quarterly data, etc.).
- *Year-to-date cumulative rate of change*: Compares the cumulative value of a period (sum or average, depending on the type of data, of the elapsed months, quarters, etc. of a year) with the same cumulative period of the previous year.

## Other periodical publications of the Economics Area:

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

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

If you are not receiving our reports and they are of interest to you, you can request them by emailing us at [estudios@madrid.org](mailto:estudios@madrid.org) or consult them on the web page of the Community of Madrid [Economic Reports](#).



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