

AFME CMU Key Performance Indicators 2023: Spain

9 November 2023

- **Spain** was the fifth largest issuer of total ESG (green+social+sustainable) bonds in the EU during H1 2023, accounting for 6.0% of total new EU ESG finance.
- ESG markets in **Spain** continued to have strong levels of issuance, driven predominantly by a surge in green bond issuance, which was up 16% (annualised) from 2022, and made up 69% of total ESG bond issuance in Spain during H1 2023. While sustainable bond issuance increased by 76% (annualised), representing the largest relative increase among ESG categories, the label accounted for only 23% of total ESG issued volumes.
- **In Spain**, total capital markets issuance (bonds and equity) by non-financial corporations increased 17% (annualised) compared to 2022. This was driven primarily by investment grade bond issuance, with secondary offering equity volumes supporting Spanish NFCs amongst a sharp 82% decline in activity in the Spanish IPO market compared to 2022
- **Spain** has the third-highest number of ELTIF vehicles marketed domestically in the EU, and exhibited an encouraging increase in the number of marketed funds with 32 ELTIFs in H1 2023 (26 in 2022).

KPI	What this index measures	Position of ES within Europe			
		2023H1	2022	2021	2020
Access to capital					
Market Finance	Capacity for companies to raise finance on public markets	17	18	17	13
Pre-IPO Risk Capital	How well start-ups and non-listed companies are able to access finance for innovation	24	23	24	24
Pools of investment capital					
Household Market Investment	Availability of savings from retail investors to support capital market financing	9	9	9	9
ELTIF Products	Availability of ELTIF fund products financing long-term projects and SMEs	3	3	3	-
Transition to sustainable finance and digitalisation					
ESG Finance	Labelling of ESG bond markets	17	16	9	10
FinTech	Capacity to enable an adequate FinTech ecosystem	8	8	12	23
Efficiency of capital markets ecosystem, integration and competitiveness					
Loan Transfer	Capacity to transform bank loans into capital markets instruments (securitisation and loan transactions)	4	6	7	5
Intra-EU Integration	Capital markets integration within the EU	18	17	16	15
Global Integration	Capital markets integration with the rest of the world	11	8	13	11
Market Competitiveness	Measures attractiveness of EU capital markets	15	11	13	12
Average ranking	Average ranking across all indicators	14	13	13	12

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Market Finance

- Capital market issuance increased in Spain during H1 2023, with the percentage of funding of non-financial corporations derived from market-based finance increasing to 3.7%, (up from 3.0% in 2022FY but down from 10.6% in 2021FY). This compares with 10.3% in the EU and 26.2% in the United States in H1 2023.
- Total market-based finance for non-financial corporates in Spain increased 17% YoY (annualised) during H1 2023, driven primarily by a surge investment grade bond issuance. NFC equity issuance (IPOs + secondary offerings) increased 12% YoY (annualised) as a result of an increase in secondary offering issuance.

Equity issuance

- Spanish IPO markets by NFCs had extremely low levels of activity the first half of 2023, with EUR 23 mm issued as of June by non-financial corporations, a decrease of 82% compared to 2022. If current trends in issuance persist into the second half of the year, IPO issuance in Spain during 2023 is on track to be the lowest annual volume since 2013.
- Secondary offering issuance increased an annualised 70% YoY during H1 2023, representing a revival in activity compared to 2022, when annual issuance volumes were the lowest since 2011.

Debt issuance

- During H1 2023, there was EUR 6.0 bn of investment grade bond issuance, representing an annualised increase of 34% compared to 2022 and a decrease of 40% compared to 2021. IG bond issuance remains lower than pre-pandemic levels, with volumes in H1 2023 down 18% (2019) and 22% (2018) on an annualised basis.
- High Yield bond issuance decreased to zero in H1 2023, after EUR 1.1 bn of HY bonds were issued in 2022, which itself represented the lowest annual HY bond issuance in Spain since 2009.

Bank Loan issuance

- New bank loan origination decreased by 7% (annualised) in H1 2023 and volumes were slightly lower than pre-pandemic levels (down 4% vs 2019 and 3% vs 2018).

Pre-IPO risk capital

- The overall proportion of SME risk capital investment was 1.1% in H1 2023, compared with 2.1% in 2022.
- Risk capital has declined 44% in Spain over the first six months of the year, a more significant reduction than that observed in the EU (-25%) or the US (-33%).

Loan Transfer

- The proportion of loans transferred into capital markets instruments, including securitisations and loan portfolio sales, increased to 3.4% in H1 2023, up from 2.4% in 2022. The increase was driven by a surge in loan portfolio sales, which increased 318% YoY (annualised), which offset a decrease of 39% YoY (annualised) in securitisation issuance.

- 2023 is on track to have the highest loan portfolio sales issuance in Spain since 2018, once volumes issued in the first half of the year are annualised.

ESG Finance

- ESG markets in Spain continued to have strong levels of issuance, driven predominantly by a surge in green bond issuance, which was up 16% (annualised) from 2022. While sustainable bond issuance increased by 76% (annualised), the label accounted for only 23% of total ESG issued volumes. Social bond issuance remained stable, increasing by 2% (annualised) compared to 2022. Green bonds continued to significantly outsize other ESG labels in terms of volumes, making up 69% of total ESG bond issuance in Spain during H1 2023, down from 74% in 2022.
- Spain was the fifth largest issuer of total ESG (green+social+sustainable) bonds in the EU during H1 2023, accounting for 6.0% of total new EU ESG finance.
- In terms of issuer types, non-financial corporates issued the largest amount of green bonds in Spain during H1 2023 (EUR 3.7 bn) followed by the government-backed-entities (EUR 1.5 bn) and the sovereign sector (EUR 1.4 bn).
- Large green bond issuers include Telefonica Europe BV (EUR 1.0 bn), Iberdrola Finanzas SAU (EUR 1.0 bn), Banco de Sabadell SA (EUR 0.7 bn) and the Autonomous Community of Madrid (EUR 0.6 bn).

ELTIFs

- Spain has the third-highest number of ELTIF vehicles marketed domestically in the EU, and exhibited an encouraging increase in the number of marketed funds with 32 ELTIFs in H1 2023 (26 in 2022).

Household Market Investments

- Among EU countries, Spanish households have the eighth deepest pool of savings invested on capital markets instruments with the equivalent of 62% of GDP invested in listed equity, bonds, investment funds, or insurance and pension products. This is below the EU average investment rate and similar to that of Austria, Finland, Luxembourg and Malta.
- There is a large gap between the amount of savings by Spanish households and that in other European countries like the Denmark (187% of GDP), the United Kingdom (182% of GDP), and with the Netherlands (174% of GDP)

FinTech

- The FinTech Indicator for Spain decreased slightly in H1 2023, while there was a marginal improvement in the pool of available talent in Spain, there was no change in the regulatory ecosystem and a decline in the degree of innovation, driven by the number of registered fintech patents in Spain decreasing 53% (annualised). The funding conditions were, on aggregate, comparable to 2022, but with a degree of change in the funding composition (whilst investment and M&A activity increased, this was offset by a reduction in the number of fintech exits).

- FinTech investment in Spain increased 30% (annualised) compared to 2022, against an overall trend of global decline in funding for the fintech industry in 2023. In comparison, EU fintech funding decreased by 55% in the first six months of 2023, compared to 2022, (vs a contraction in the UK and US of 59% and 29% respectively).
- Elsewhere in funding, fintech M&A volumes of Spanish FinTech companies were over 6x volumes observed during 2022, but still made up a relatively low amount of EUR 9.2 mm.
- There have been no fintech unicorns recorded in Spain.
- In terms of the pool of available talent, the percentage of the population with tertiary education or above in Spain increased to 41.1% in H1 2023, up from 40.7% in 2022, having a marginal positive contribution on the indicator.

Competitiveness

- The Spanish capital market ecosystem ranked 15th in our competitiveness indicator, which considers the multiple factors behind an efficient and deep capital market: pools of capital, market liquidity, access to capital, digitalisation and sustainability.
- The most significant improvement over the last 5 years in Spain has been in the transition towards a sustainable economy and building a more liquid market for equities.