

Fixed-Income Market

Annual Report 2023

Summary



Global GDP in 2023 has ultimately turned out to be much more favorable than expected, with a projected growth around 3%, in a global context of great complexity. Spain is one of the fastest growing economies.



The global public and corporate debt markets experienced a year of stability and recovery of bond prices after losses in the previous year. **Returns have remained attractive** to investors.



422 billion euros issued by both the public and the private sector in BME's Fixed Income market. 292 billion euros in public debt and 130 billion euros in corporate debt.



MARF celebrates its 10th anniversary, with a total of 148 companies obtaining directly financing. **The total resources raised in its first decade well exceed 70 billion euros.**



Global ESG debt issuances showed a recovery in 2023, reaching 853.2 billion euros, 3% more than in the previous year. In Spain, more than 21.2 billion euros were issued. 89 issues admitted to trading on BME in 2023.



The year 2024 begins with expectations of a new cycle of interest rates in the main central banks. Uncertainties regarding economic activity, geopolitics and timing of potential rate cuts persist.



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Economic, Monetary and Debt Market Framework

World Economy, Eurozone and Spain

Global GDP in 2023 has ultimately turned out to be much more favorable than expected, with a projected growth around 3%. This increase occurs in a global context of great complexity, characterized by the accelerated tightening of monetary policy, serious ongoing or new conflicts such as the wars in Ukraine and in the Gaza Strip, and contained banking crises in the USA and Switzerland. Over the course of the year, public and private institutions have seen a moderate increase in the expected growth in light of better-than-expected activity and resilient but clearly correcting inflation. The US, Japanese and Latin American economies have shown the strongest signs of strength, while China and Europe as a whole have shown weakness.

Eurozone GDP growth in 2023 has slowed sharply to 0.7% according to IMF. The reduction compared to 2022 was 2.6 percentage points, weighed down above all by a German economy whose GDP would fall by around 0.5% in 2023. **The**

positive side of the eurozone's growing economic weakness was the reduction in inflation, which, from levels close to 10% in the previous year, stood at 2.9% at the end of 2023, with the prospect of a further reduction throughout 2024.

Spain, once again, as in 2022, was one of the economies with the most positive contribution to eurozone growth, with an expected **GDP growth of 2.5% in 2023, more than triple that of the eurozone as a whole**, driven by tourism, the strength of domestic demand and the progressive effects of the arrival of NextGenerationEU funds. **Headline inflation has also corrected significantly from 6% to 3.1% year-on-year in December**, although in some months of the second half of the year there have been worrying upturns, and core inflation still stood at 3.8%, showing significant advances in both cases, but also the inertia of the upward trend in prices.

Monetary Policy

The central banks of the main countries and economic areas have once again been protagonists, with monetary policies that have continued to slow and tighten the financing of the economy and aggregate demand. The progress made in the fight against inflation has already been very visible throughout the year, but the monetary authorities have repeatedly warned that it could remain high for a prolonged period of time. However, **close to the end of the year, the good data on prices and the weakness expected for 2024 in some large economies have reinforced the expectation that rate hikes and even future cuts will come to an end.**

In 2023, the US Federal Reserve (Fed) has implemented 4 rate hikes to 5.50% by November, after being extraordinarily aggressive in 2022 with 7 consecutive rate hikes. The hikes in 2023 began on February 1 (+0.25), continued in March (+0.25) and May (+0.25), a first pause was made in June and resumed in July (+0.25). **As early as the September-November meetings, the**

decision was made to maintain rates, and even at the December meeting, rate cuts were announced for the second half of 2024.

In the eurozone, **the ECB**, which had opted for greater caution the previous year, **has been very aggressive in 2023 with no less than 6 increases in reference rates to 4.5%**. On February 2 and March 16, the ECB raised 0.5 points each time, repeated in May, June, July and September with four hikes of 0.25 points each. **At October's, November's and December's meetings**, after 10 consecutive hikes in 14 months, **opted to pause the hikes in light of the cooling of the European economy** and the serious events in the Middle East.



Debt Markets

2023 has ultimately turned out to be much more favorable than expected for investors in the global debt capital market. Both **Corporates and Sovereigns debt** have not only curbed the previous year's fall in prices, but **have rebounded strongly in the last part of the year, bringing the year to a close with gains and interest rates that are high but in decline.**

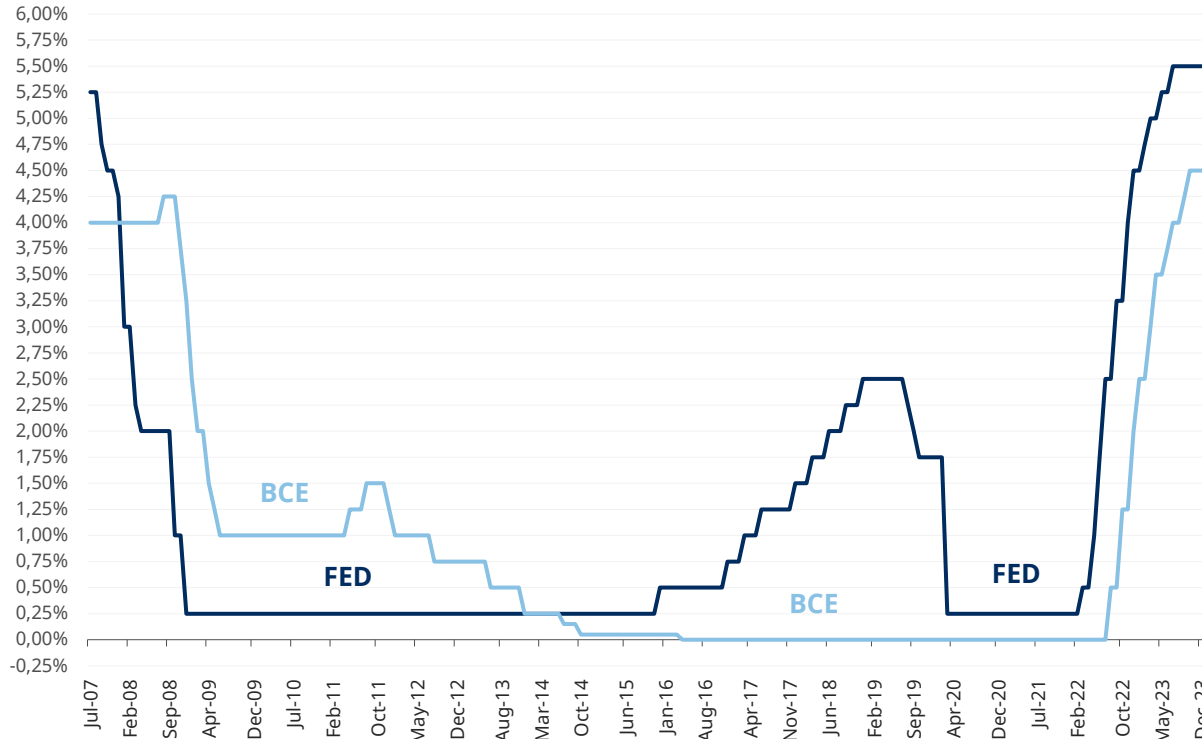
For the global corporate debt markets, the year has been one of stability and recovery of bond prices after losses in the previous year.

Spain fixed income markets have reached high levels of issuances both for corporate and sovereign issuers. **BME's fixed income markets financing to both the public and private sectors exceeded 422 billion euros.**

Economic Environment Indicators

ECB and FED Benchmark Interest Rates

From the Financial Crisis to COVID-19, the War in Ukraine and Inflation (2007-2023)



The central banks of the main countries and economic areas have persisted with **very restrictive monetary policies**.

The Fed applied **4 rate hikes in 2023**, in February (+0.25), March (+0.25), May (+0.25) and July (+0.25), up to the range of 5.25-5.5%. In the following meetings, from September through December, the Fed opted for pausing the hikes.

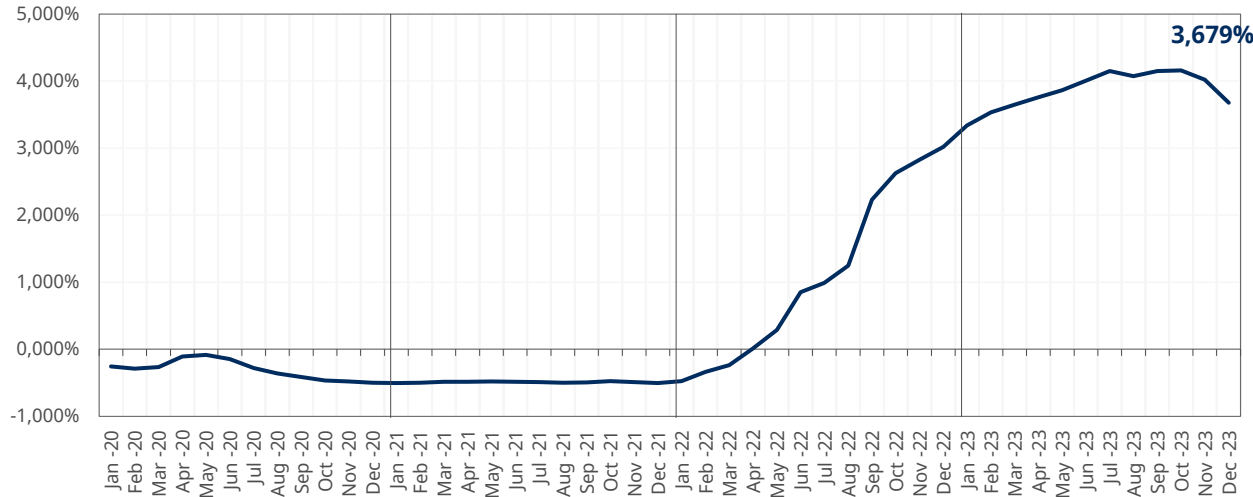
In the eurozone, the **ECB has been very aggressive in 2023 with no less than 6 increases in reference rates to 4.5%**. There were two increases of 0.5 points each in February and March. In May, June, July and September, there were four increases of 0.25 points each.

Source: Central Banks

Euribor

1 Year Euribor (2020-2023)

Monthly averages of daily data



The Euribor, the reference interest rate for interbank operations within the Eurozone, **slowed down its increases in 2023** after the previous year's surge when monetary policy was more restrictive to fight inflation.

In the last quarter of the year, it has even experienced a **slight correction**, in line with the expectations of the end of the cycle of rate hikes in the main central banks and, particularly, in the ECB.

Source: SIX & Banco de España

Exchange Rate

EUR vs. USD (2019-2023)

USD per EUR



The euro has remained withing a relatively narrow range against the dollar than the previous years.

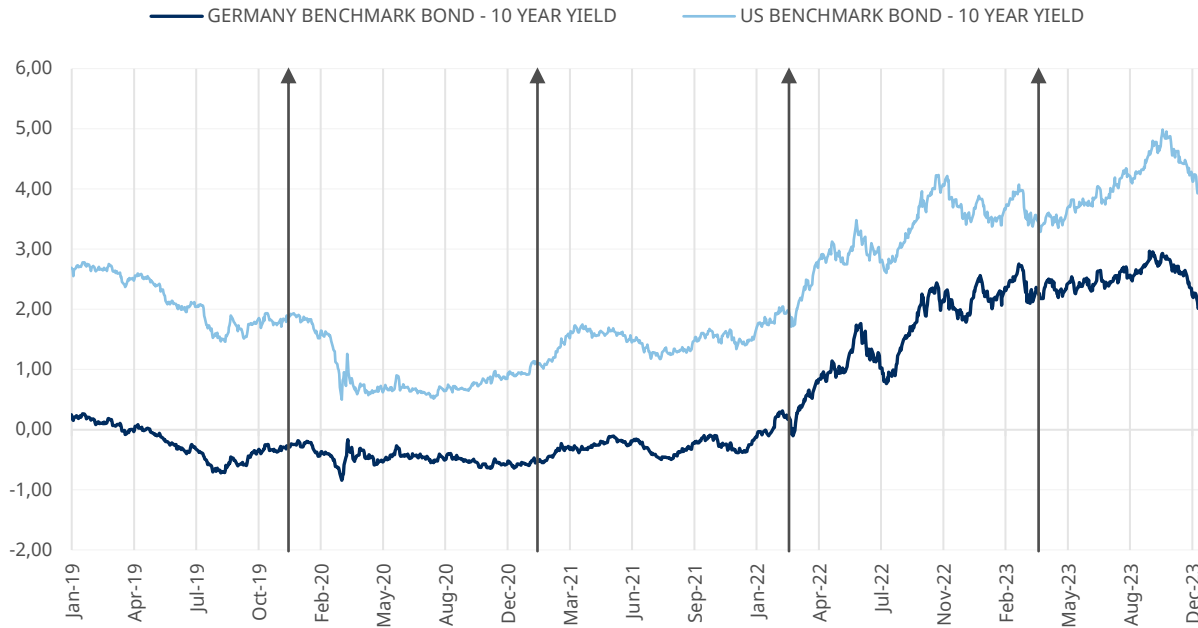
In the last quarter of the year, expectations about a potential beginning of a cycle of rate cuts, earlier in the United States than in Europe, contributed to a more sustained weakening dollar.

Source: SIX

Public Debt in the US and Germany

Interest Rates (%) on US and German 10-Year Bonds (2019-2023)

Daily data



The US 10-year bond rose moderately but almost continuously from 3.8% at the beginning of the year to levels of 5% in October. This was followed by a very accelerated yield correction to **levels of 3.9% at the end of the year, almost the same as at the beginning of the year.**

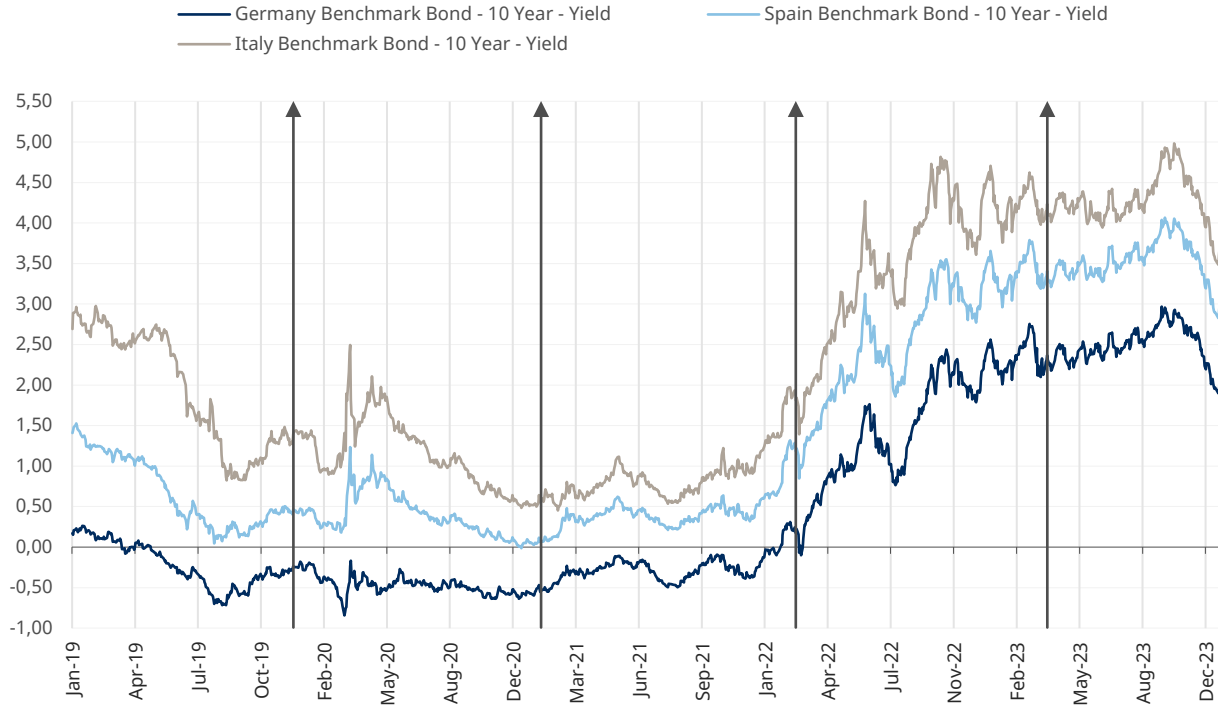
In Europe, **the German 10-year bund** yields began the year at 2.4%, rising moderately to 3% in October. Thereafter, it also cut its profitability until **it closed the year at almost 2%, below the beginning of the year.**

Source: Refinitiv

Public Debt - Eurozone

Interest Rates (%) on 10-Year Bond in Germany, Italy and Spain (2019-2023)

Daily data



The Spanish 10-year bond has followed a trajectory in line with the 10-year German bund. **It started the year at 3.5%, reached over 4% in October and then fell to 3% at the end of the year.**

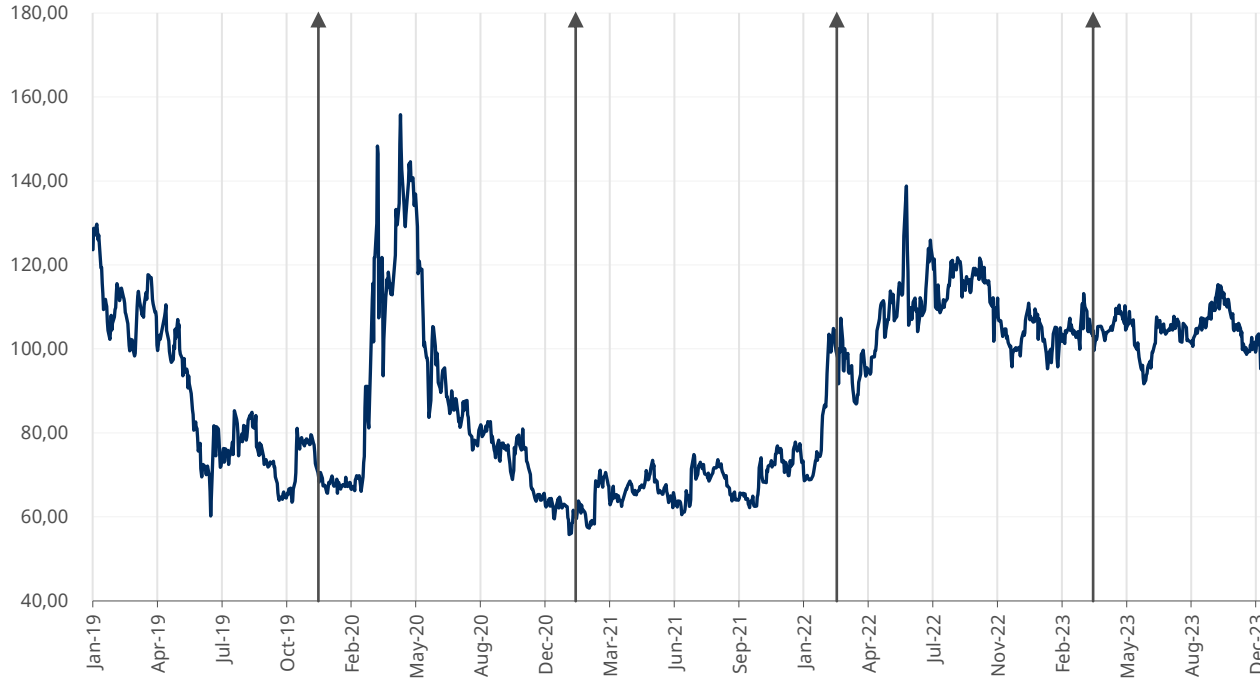
In the case of the **Italian 10-year bond, yields have come close to 5%** with a risk premium against the German bond that has remained near 2%, also protected by the ECB. The gap between Italian and Spanish 10-year bonds has maintained an average of about 0.75 percentage points throughout the year.

Source: Refinitiv

Spanish Risk Premium

Spanish 10-Year Bond Against the German Bond in 2023. Differential

Daily data in percentual points (+p.p.)



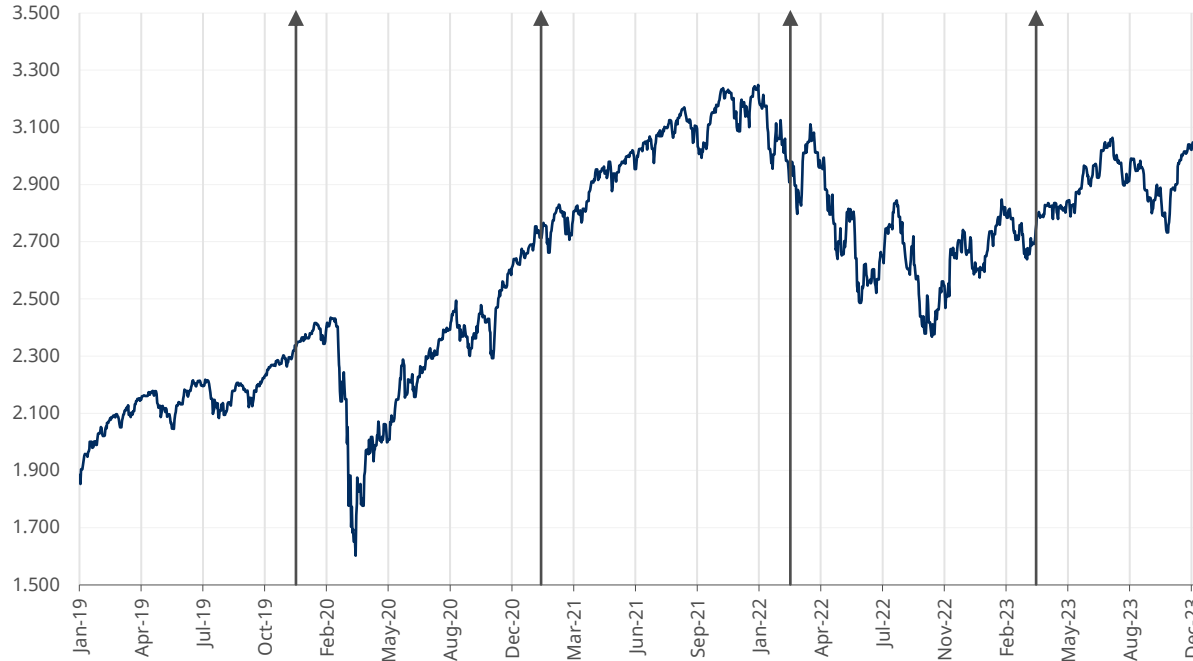
Spanish bonds' risk premium, on the benchmark 10-year German 10-year bond, has remained stable at around 1%.

Source: Refinitiv

Equity – World Stock Exchanges

MSCI World Index (2019-2023)

Daily data



The better than expected performance of some advanced economies, the advances in controlling inflation, the strong rebound of the North American technology sector, supported by the great expectations generated by the applications of artificial intelligence, the good performance of the large European banks and the recovery of the Japanese stock market are the factors behind the good performance of global stock exchanges, leaving behind the generalized losses of the previous year.

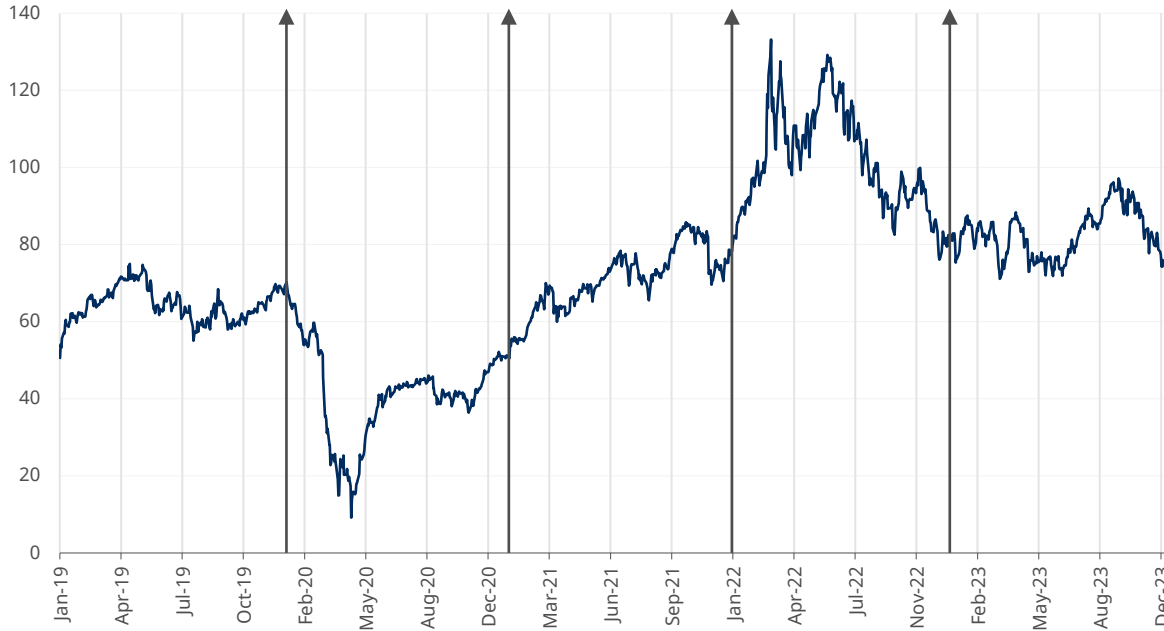
The main global stock market index closed 2023 with significant gains around 22%. The MSCI World Index is a stock index designed to track broad global equity market performance that includes the main companies listed in the most relevant stock exchanges in the world.

Source: SIX

Oil

Oil Price 2019-2023 (Brent Price in USD per Barrel)

Daily data



Brent crude prices have swung in narrow range around 80 dollars a barrel throughout 2023.

This put an end to a three-year period of dramatic increases followed by significant fluctuations.

Source: Refinitiv

Gold

USD per Ounce (2019-2023)

Gold London AM Fixing. Daily data



Gold ended 2023 with a revaluation of 15% and prices above 2,000 dollars per ounce.

The uncertainty regarding inflation and interest rate paths, as well as the geopolitical tensions and the increased demand from Central banks have been some of the main factors that contributed to increase gold prices throughout the year, reinforcing the characteristic of the metal as a safe-haven for investors. That occurred despite the high interest rate scenario, where government debt also increases its attractiveness as a safe-haven.

Source: Refinitiv

Activity and Performance of the Fixed-Income Markets Managed by BME

Spanish Deficit and Public Debt

Basic 2023 Data

The public deficit of the Public Administrations in relation to GDP is expected to close 2023 at 3.8%, below the 4.7% in 2022 and 6.7% in 2021. Economic growth and high inflation have helped moderate the deficit in the last 3 years. **The total public debt in relation to GDP closed 2023 at 107%**, lowering from the 120% it reached in 2020 as a result of the pandemic.

The net issuance of public debt at all maturities reached 65,000 million euros in 2023, 5,000 million less than the previous year, already far short of the 110,000 million euros issued in 2020 as a result of the pandemic. Estimated Gross issuance for 2023 was 256.93 billion euros, 8% less than the previous year.

Interest expenditure on Spanish government debt reached 35.55 billion euros in 2023, equivalent to 2.4% of GDP, and is expected to increase to nearly 39 billion euros, representing 2.5% of GDP in 2024.

Despite the rise in yields at all maturities, **the average cost of all outstanding Spanish government debt remains around 2%**, a low level by historical standards, although higher than the 1.64% of the previous year. **The average maturity of all Spanish sovereign debt is around 8 years**, a level considered appropriate to reduce refinancing risk and vulnerability to interest rate increases.

Primary Spanish Public Debt Market

Admissions

The volume of Spanish government debt issued and admitted to trading on the BME regulated market for fixed income securities in 2023 amounted to 292 billion euros, 15.8% more than the previous year. In 2023, ECB's corporate debt purchase programs to combat the pandemic that had facilitated the issuance and placement of public debt and kept interest rates at historically low levels, were no longer in place.

The volume of issues and admissions has increased by 20% in the case of medium and long-term Treasury debt to 181.22 billion euros and contracted by 3.4% in the case of Treasury bill issues, to 86.84 billion euros. The issuance and admission of debt from the Autonomous Communities has also recovered (+44%) to 3.2 billion euros.



Primary Public Debt Market

Treasury Issuing Activity

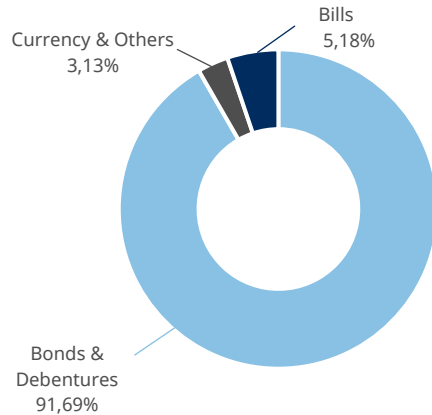
Spanish Public Debt Rating (2023)

Fitch: A- / stable

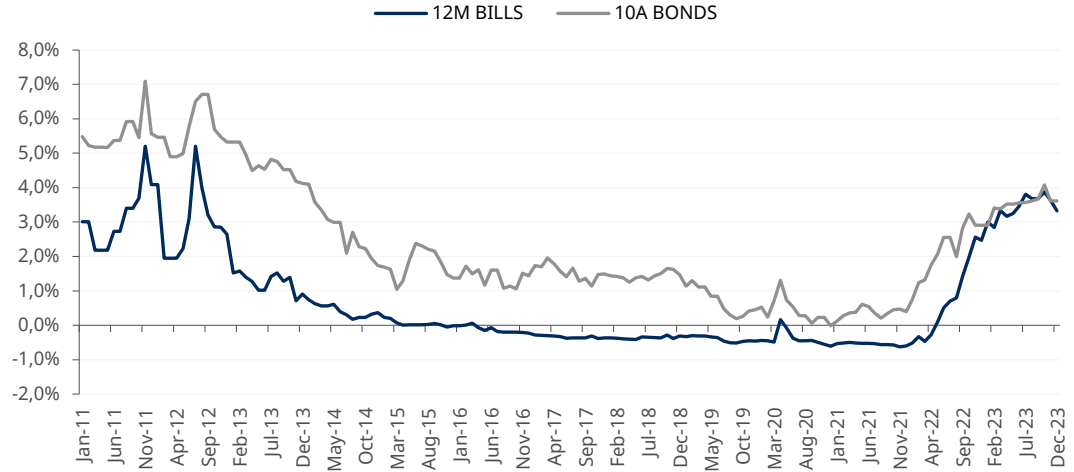
Moody's: Baa1 / stable

S&P: A / negative

Debt Composition 2023



Spanish Public Debt Issuance Rates (2011-2023)



Source: Public Treasury

Primary Public Debt Market

Treasury Issuing Activity

Figures in EUR Million

Government Debt Issuance in 2023

	MATURITIES	AUCTIONS	NET FINANCING
January	19,441	31,603	-12,162
February	38,022	8,727	29,294
March	20,704	7,689	13,015
April	19,706	29,342	-9,636
May	19,665	7,124	12,542
June	31,506	7,712	23,795
July	20,004	29,087	-9,083
August	13,873	7,863	6,010
September	20,138	6,597	13,540
October	22,385	27,471	-5,086
November	17,178	12,465	4,713
December	9,374	11,190	-1,815
TOTAL	251,995	186,869	65,126

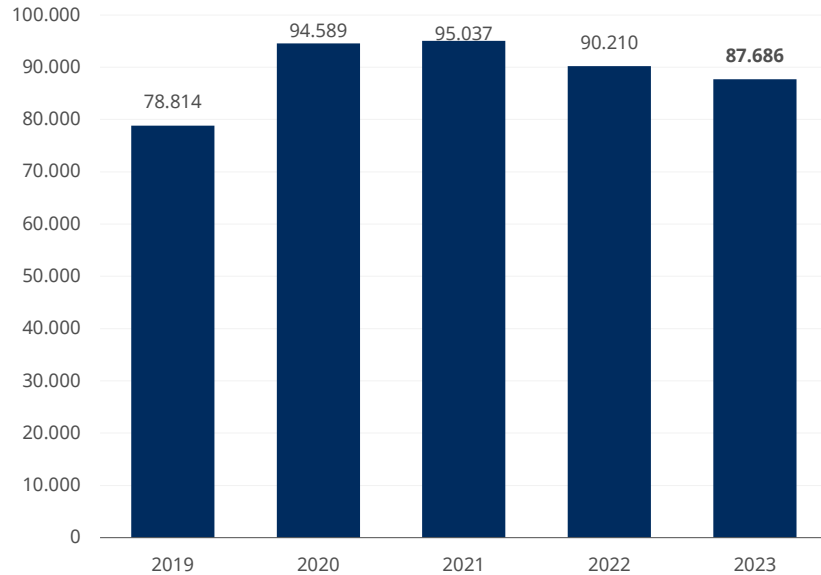
Source: Public Treasury

Primary Spanish Public Debt Market

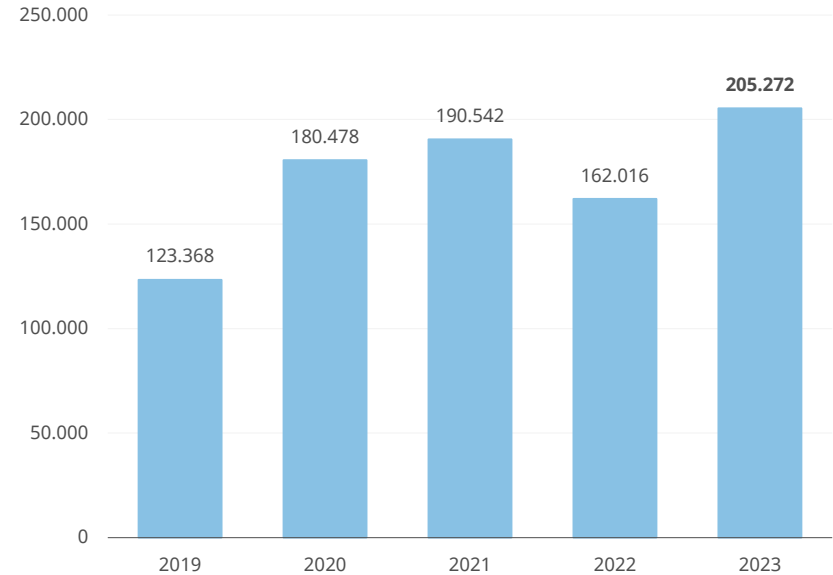
AIAF Market. Admissions to Trading

Data in EUR million

Short-Term Public Issuers' Debt



Medium- and Long-Term Public Issuers' Debt



Source: BME

Primary Spanish Private Debt Market

The Changes of the New Securities Market Law



On September 18, 2023 entered into force the provisions of the new Spanish Securities Markets and Investment Services Law (LMVSI). This law introduced changes to the procedure for verification and admission to trading of fixed-income securities in regulated markets, with the aim of providing the Spanish fixed-income markets with a more agile, efficient and competitive framework for action.

Until that date, these functions were divided between the market supervisory body, the CNMV, and BME as the governing company of the regulated private fixed income market. In practice, this division of competencies meant when admitting its fixed income securities to trading, that issuers had to submit documentation to the CNMV and BME and process separate files. In accordance with the new regulations, the CNMV continues to approve the prospectuses, but it is **BME that verifies compliance with the admission requirements and proceeds to admit the securities.**

BME's Fixed Income market has developed a new regulation to take on the new responsibilities, which establishes the timetable for presentation and the documentation to be provided for admission to trading, while taking advantage of the opportunity to coordinate this documentation with that used for the book-entry of the issue in the Spanish central securities depository, Iberclear.

Just a few days after the entry into force of these legislative changes, the airport management company AENA registered the first bond program under this same scheme and other recurring issuers such as CaixaBank, BBVA, Kutxabank, Abanca and several securitization bond issues have begun to use it.

Primary Spanish Private Debt Market

Basic 2023 Data



The volume of Spanish private debt issued and admitted to trading on the regulated market in 2023 reached **114.88 billion euros**, a slight increase of **0.7%** over the previous year.

In contrast to what happened in 2022, when companies concentrated their issuance in the short term, **2023 saw a strong increase in medium and long-term bond issues, with 46.09 billion euros** over the year **and a growth of 140%**.

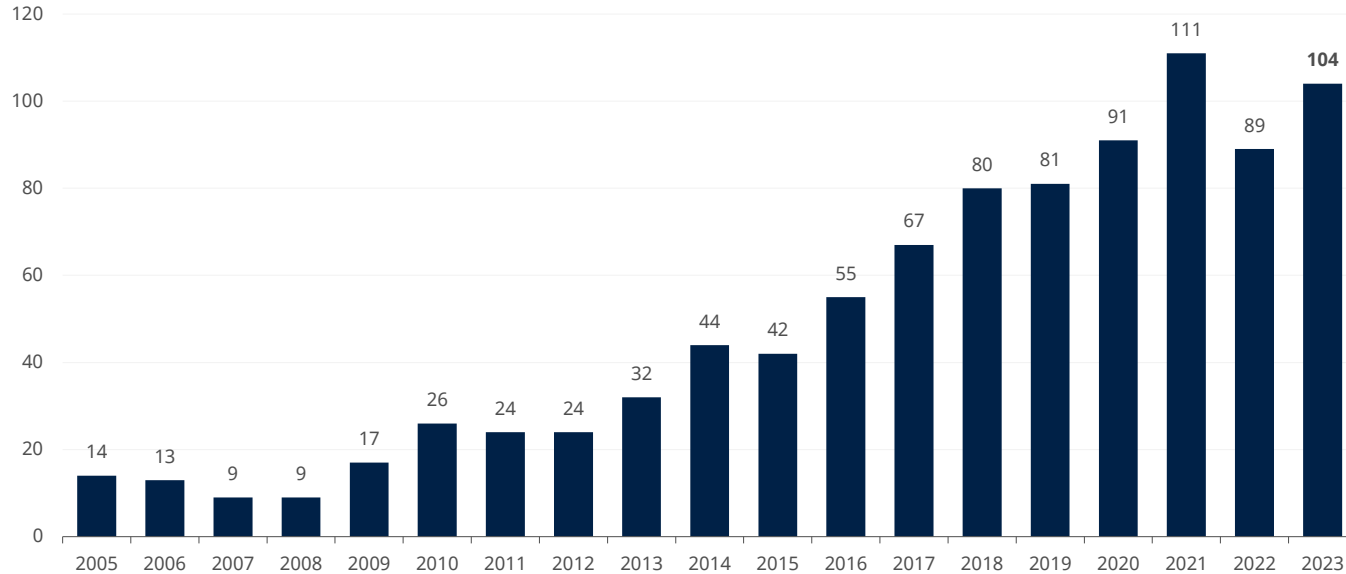
In contrast, **short-term commercial paper issues fell by 34% to 25.89 billion euros** and securitization issues also declined to 14.66 billion (-29%) and Mortgage Bond issues to 26.88 billion euros (-23%), consistent with the lower liquidity needs of Spanish banks following the sharp increase experienced by these instruments in the previous year.

Primary Spanish Private Debt Market

Issuers (2005-2023)

Including both short- and long-term issues

Number of Spanish Non-Financial Fixed-Income Issuers

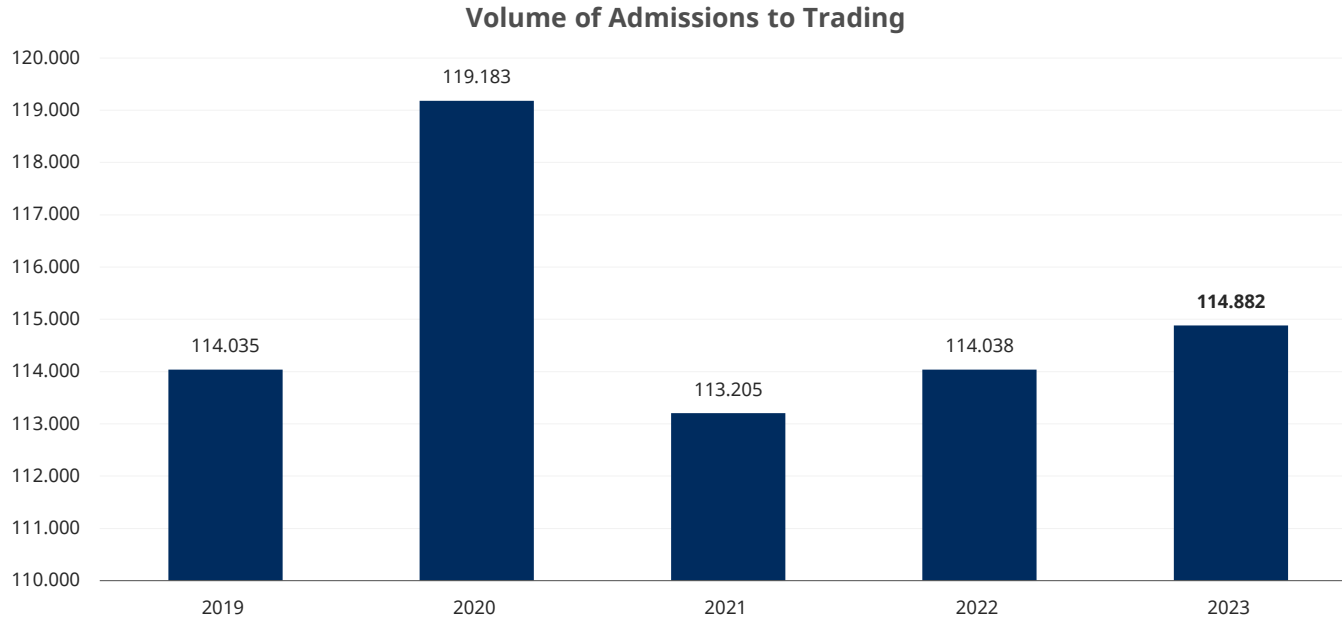


Source: Banco de España

Primary Spanish Private Debt Market

AIAF Market. Admissions (2019-2023)

Figures in EUR million

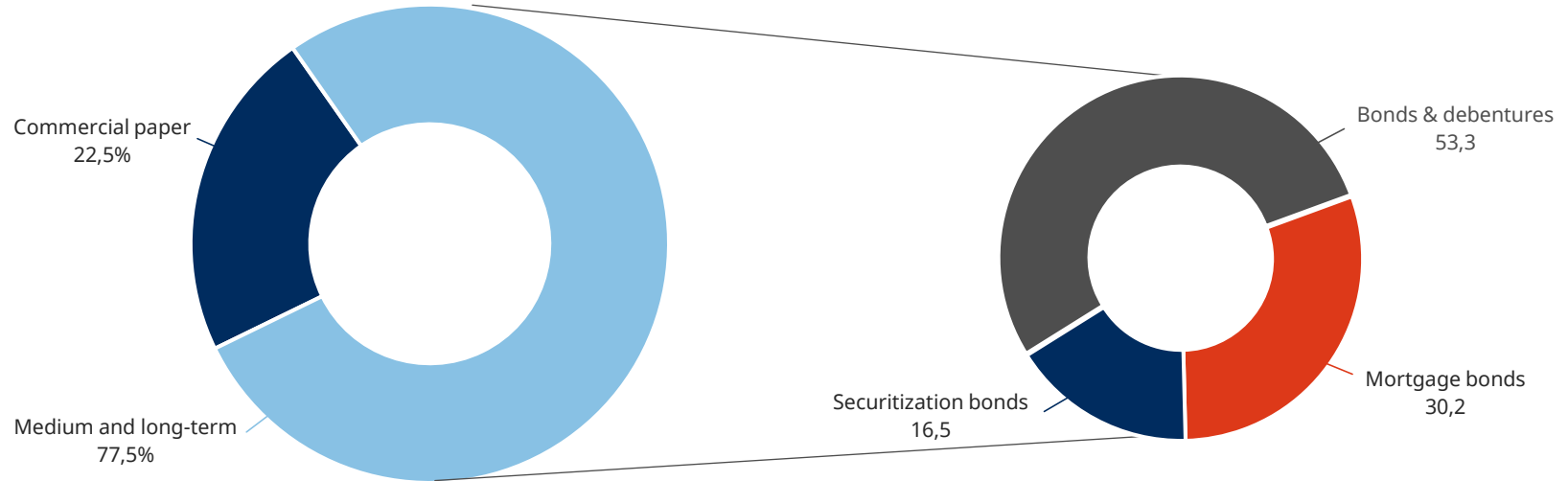


Source: BME

Primary Spanish Private Debt Market

AIAF Market. Typology of Admissions

Admissions to Trading by Maturity and Typology in 2023 (%)



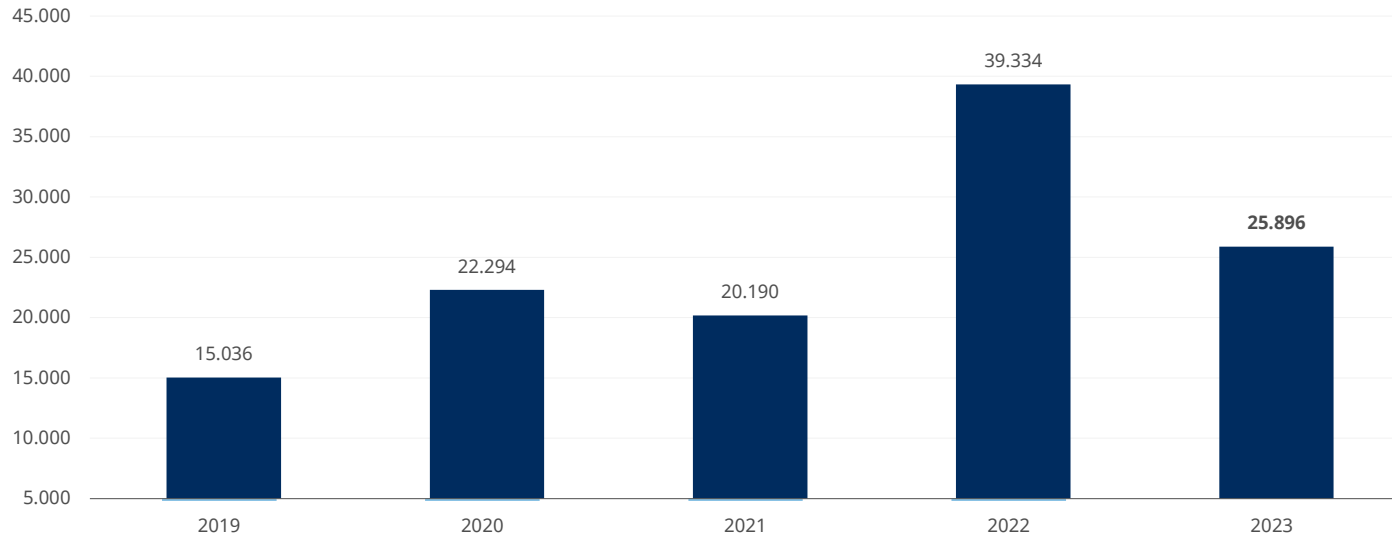
Source: BME

Primary Spanish Private Debt Market

AIAF Market. Commercial paper

Figures in EUR million

Volume of Commercial paper Admissions (2019-2023)



Source: BME

AIAF Market

Total Outstanding Amount



The total balance of outstanding Spanish government debt in the regulated fixed-income market stood at nearly 1.43 billion euros at the end of 2023, 7% higher than the previous year.

The total outstanding balance of foreign public debt as of the same date has **almost doubled** compared to the previous year, **reaching 8.2 billion euros at the end of 2023.**

The total outstanding balance of Spanish private issuances registered in the **regulated private fixed income market was 405.83 billion euros** in 2023, **a 3% increase** compared to the previous year.

AIAF Market. Secondary Market

Outstanding Amounts: Public and Private Debt

Data at the end of 2023 in EUR billion and units

Balance Outstanding (EUR Billion)

	SHORT TERM	MEDIUM & LONG TERM
Private Fixed Income	7,354	398,483
Public Fixed Income	71,599	1,353,526
Foreign Public Fixed Income	-	7,707,782

Number of Issues (n°)

	SHORT TERM	MEDIUM & LONG TERM
Private Fixed Income	146	1,088
Spanish Public Fixed Income	24	387
Foreign Public Fixed Income	77	500
TOTAL	247	1,975

Source: BME

AIAF Market

Secondary Market



The high returns achieved by public debt at all maturities have attracted a large number of new investors and this has also had an impact on an increase in the volumes traded in the market.

Thus, in 2023, total trading in public debt instruments on the **SENAF platform, reserved for specialized wholesale financial institutions, increased by 68% to 161.99 billion euros, and on the SEND platform, which is open to all types of investors, trading amounted to 22 billion euros, an increase of 19%.** The number of cross-trades in 2023 also increased by 58% on the SENAF platform to 20,508 trades and by 290% on the SEND platform to 5,006 trades.

The application of MiFID II rules to fixed income for six years now implies more rigorous market and transparency standards similar to those already in place in other European markets such as the

equities one, contributing to an increase in Fixed Income trading through electronic platforms in global markets.

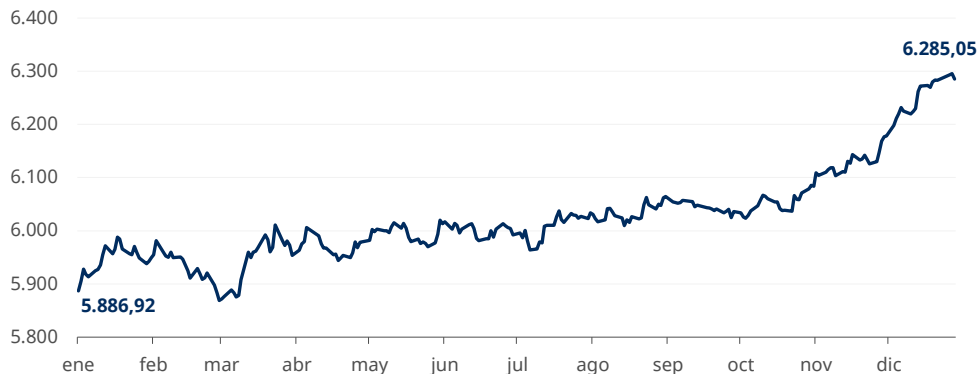
Financial entities that obtain the status of a Member of the Fixed Income Market also use the BME Fixed Income Markets and Electronic Trading Systems to comply with transparency, information dissemination and reporting obligations arising from the application of the rules.

In response to demand from member entities, the Treasury issuances of Germany, France, Holland, Belgium, Italy, Austria, Portugal, Ireland, Greece and the European Stability Mechanism (ESM) started to be incorporated into this system in December 2017.

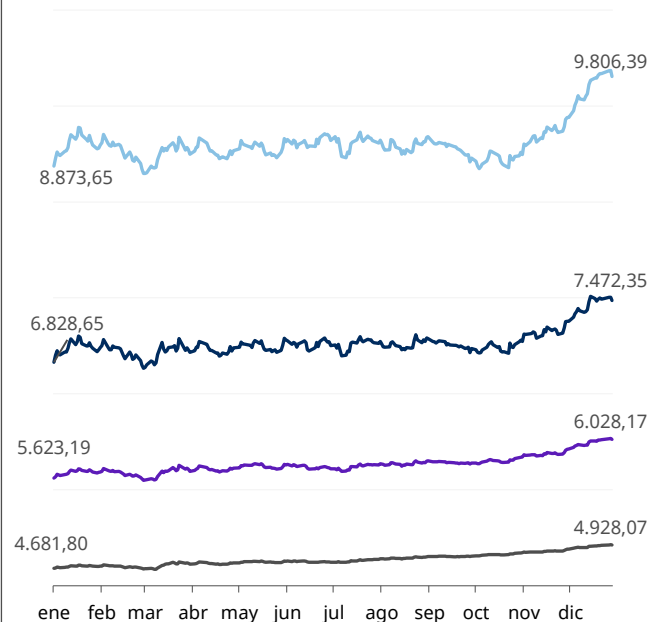
AIAF Indices in 2023

EVOLUTION OF THE AIAF INDICES 2000				INDEX DURATIONS				
INDEX		MAXIMUM	MINIMUM	LAST	MODERATE	MAXIMUM	MINIMUM	LAST
IG	GENERAL	6,295.72	5,869.10	4,928.07	3.61	3.87	3.38	3.47
IC	SHORT	4,929.02	4,673.75	4,928.07	1.77	2.02	1.48	1.48
IM	MEDIUM	6,036.05	5,599.89	6,028.17	3.45	3.74	3.11	3.11
IL	LONG	7,515.60	6,765.82	7,472.35	6.84	7.17	6.51	6.54
IX	VERY LONG	9,870.05	8,795.32	9,806.39	10.70	11.06	10.41	10.42

AIAF 2000 General Index



— IC: Short term — IM: Medium term
 — IL: Long term — IX: Very long term



Government Debt Yield Indices (RODE)

Daily RODE Index of Spanish Public Debt between 6 and 12 Month

Year 2023. Daily Data



The Spanish fixed-income market has a new family of government debt yield indices (Rendimiento de la Deuda del Estado, RODE) launched in May 2021, designed to represent the evolution of the Spanish public debt market across its different maturities.

The index series consists of nine daily and nine monthly indicators reflecting the rate of domestic yields in the public debt market.

The RODE indices represent a nominal volume-weighted average of rates and prices of completed operations.

Source: BME

Government Debt Yield Indices (RODE)

Daily RODE Index of Spanish Public Debt between 8 and 12 Years

Year 2023. Daily Data



The daily RODE indices are intended to represent a nominal volume-weighted average of rates and prices of completed operations.

Source: BME

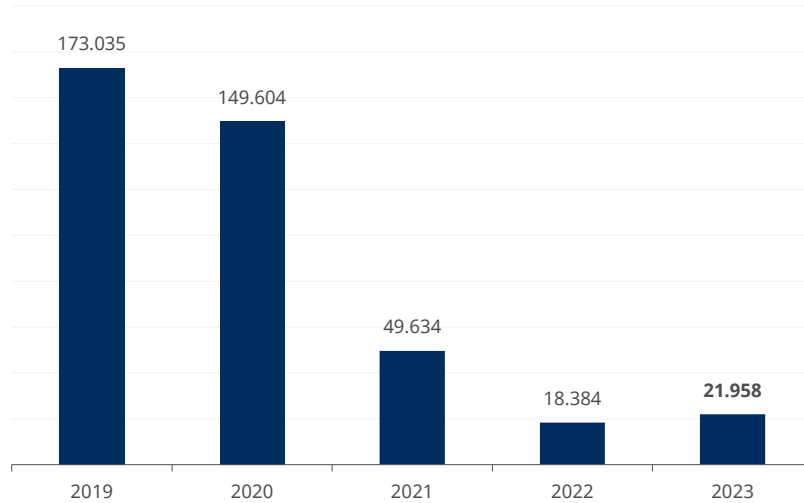
AIAF Market. SEND Plataforma

Secondary Market. Public Debt Trading Volume

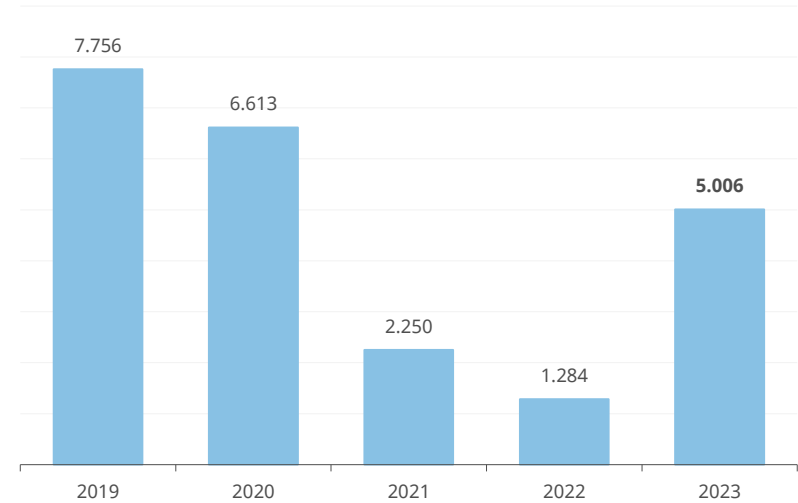
Data in EUR million and units

Number of Trades

Public Debt Trading



Public Debt Trades



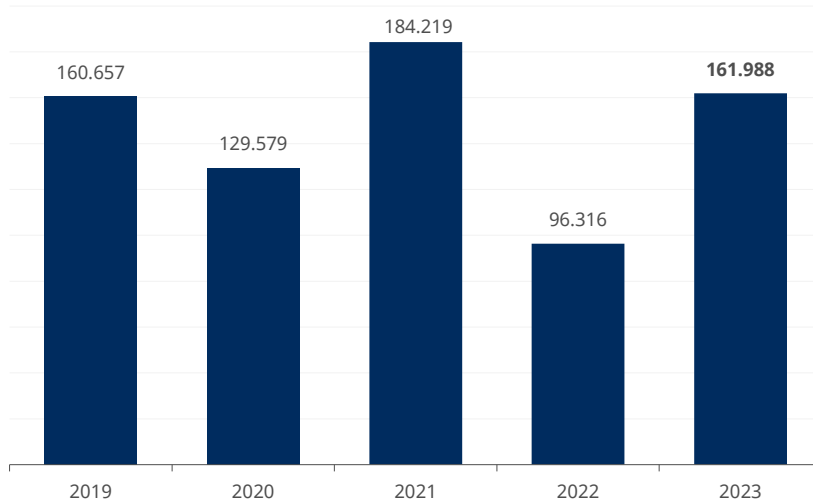
Source: BME

SENAF Plataforma

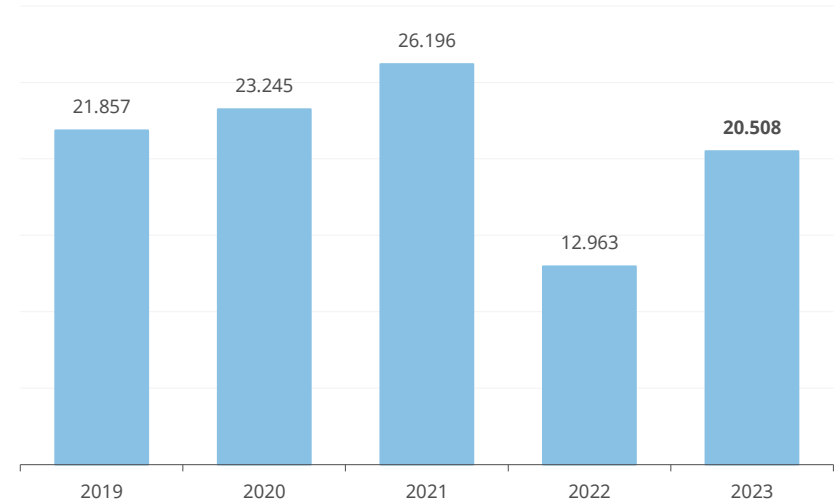
Public Debt Volume and Operations

Data in EUR million and units

Cash Volume



Number of Trades



Source: BME

In October 2023, the Spanish Alternative Fixed Income Market (MARF) celebrated its 10th anniversary. Over this first decade, a total of **148 companies have obtained financing directly from MARF, and several hundred more have done so through securitization issues**, which include financing instruments such as loans or invoices from small companies. **The total resources raised in this period well exceed 70 billion euros.**

The launch of this market was in response to both the global financial and the sovereign debt crisis, and it is configured as a multilateral trading system **to facilitate the access of companies of different sizes to the fixed income markets. Before the MARF, many of these companies had difficulties in accessing the capital markets.**

Over its ten-year history, this market has established itself as a **solid financing alternative for companies of all sizes and sectors of the economy.** Out of the 148 direct issuers in the

MARF, 14 are international, including a significant representation of Portuguese companies. **The MARF provides a wide variety of financing possibilities, ranging from commercial paper programs for obtaining short-term financing to medium- and long-term bond issues, including project bonds for infrastructure financing and securitizations.** In addition, **ESG securities** have begun to be issued in the market in recent years: **sustainable bonds, linked to sustainability, social or green emissions.**

A paper published for the 10th anniversary of the MARF by professors and researchers María José Palacín and Carmen Pérez, from the University of Seville, entitled **["The MARF transforms corporate financing in Spain: 10 years in 10 achievements"](#)**, **analyzes the performance of the market** since its creation through its main milestones.

In 2023 as a whole, **the volume of issues and admissions incorporated into the MARF reached 15.35 billion euros, an increase of 11.6%** compared to the previous year.

The increase in short-term commercial paper issues (+14%) in the year offset the decline in securitization issuance. **MARF closed December with an outstanding issue balance of 7.84 billion euros, 4% less than at the close of the previous year and shows a balance between outstanding bond issues of 4.0 billion euros, divided between 67 issues, and 3.83 billion euros in 399 tranches issued under the commercial paper programs in force.**

Throughout 2023, **12 companies entered the MARF for the first time** to cover financing needs through Fixed Income issuance, **bringing the total number of companies issuing in this market to 148.**

The wide variety of companies that MARF has been able to attract since its inception was also evident in 2023.

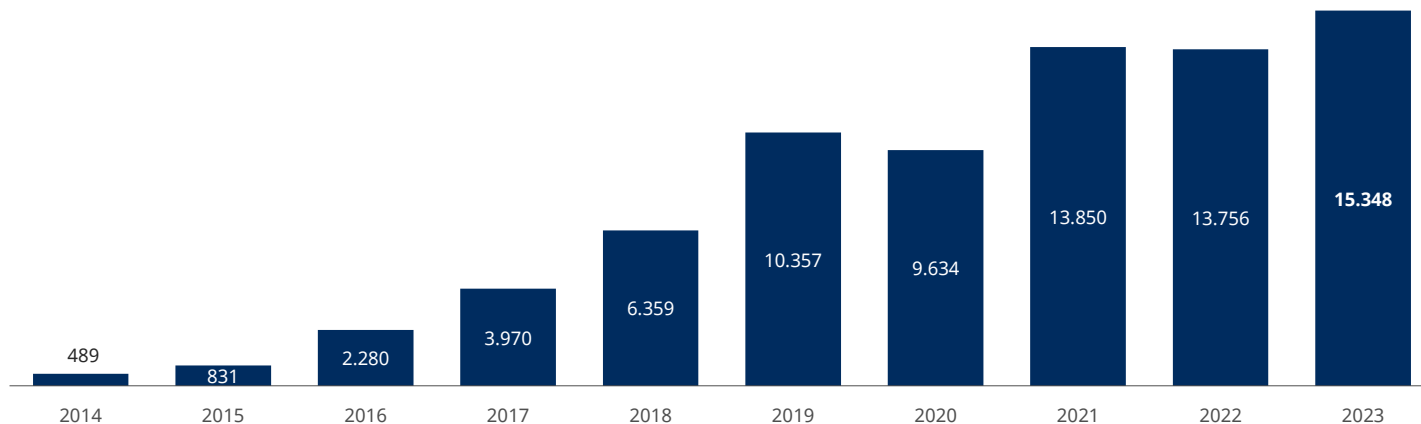
Incorporations this year include two banking institutions, A&G Banco and MyInvestor Banco; the digital and industrial engineering company Oesía Networks or the technology and entertainment group Squirrel Media.

In terms of securitization, the Pensium ESG1 Securitization Fund bonds were incorporated during the year. The fund's assets consist of rights derived from credit agreements entered into between the transferor and individuals with degree III of high dependency or degree II of severe dependency - its clients - in order to enable them to access private homes for the elderly or to pay for care services in the home of a family member or relative.

The clients and/or their relatives grant guarantees on a property as collateral for the loan agreements, by virtue of which Pensium Direct acquires the right to receive the monthly rent of the property which will be applied to the payment of interest and the principal of the loan granted.

A Linkfactor Trade Receivables EUR1 securitization notes program was also incorporated, for a maximum outstanding balance of 150 million euros. The assets of this fund will consist of a portfolio of receivables derived from the provision of financing and invoice discounting services.

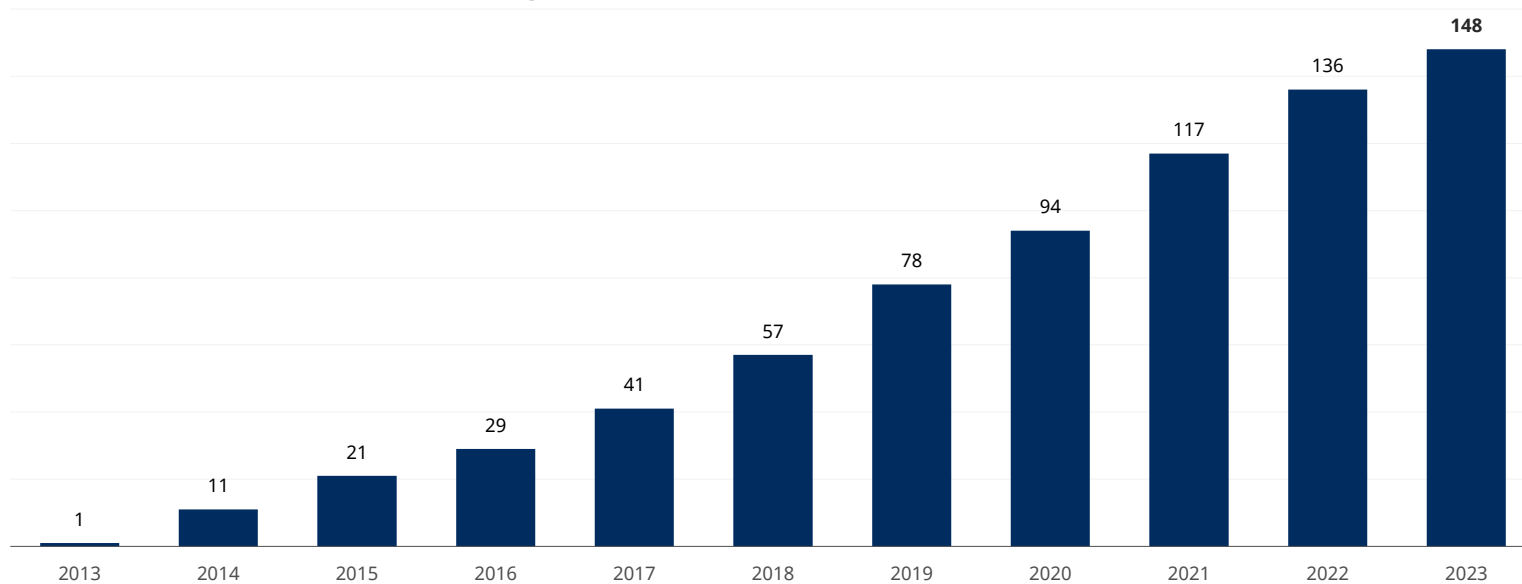
Volume Issued and Listed by Year (2014-2023)



Source: BME

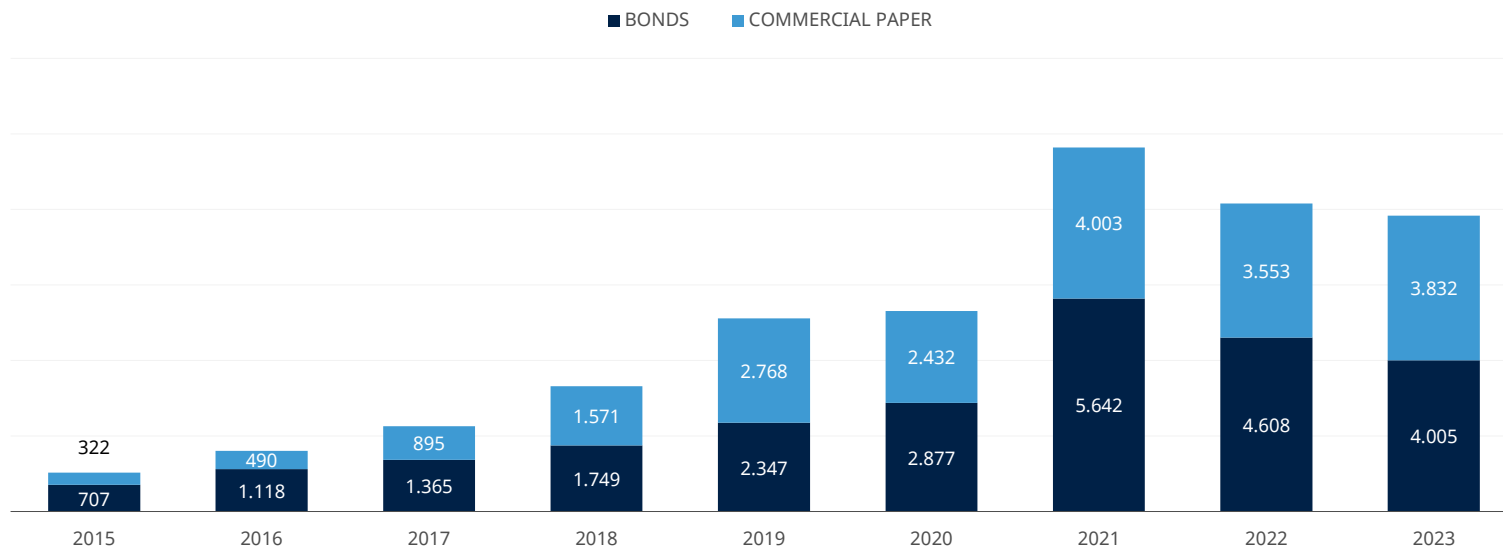
Cumulative data from 2013 to year-end

Companies Financed since Launch (2013-2023)



Source: BME

Outstanding Amount (2015-2023)



Source: BME

Global Sustainable Financing

Financing through bond issues aimed at promoting sustainable development of the planet in environmental and social terms shows a slightly recovery in 2023 after the slowdown experienced in 2022.

Total emissions reached 853.20 billion euros, 3% more than in the previous year according to figures from the Spanish Observatory of Sustainable Finance (OFISO) based on Environmental Finance. It is worth highlighting the **recovery of green bond issuance with a 7% increase to 486.32 billion euros**, and also of bonds linked to compliance with certain sustainability objectives (SLB), which increased by 9% with a volume of 76.79 billion euros, while social bond issuance (153.57 billion euros) and sustainable bond issuance (136.51 billion euros) remained stable.

Since March 2021, the Sustainable Finance Disclosure Regulation (SFDR) has been in force in the European Union, requiring

companies participating in securities markets to comply with sustainability-related (ESG) requirements. It applies to investment firms, pension funds, asset managers, insurers, banks, private equity funds and credit institutions offering investment portfolio management and financial advisors. Although the SFDR Regulation applies across the EU, non-EU funds marketed in Europe are also required to comply. In 2023, the adaptation of investment fund management companies to the new reporting requirements continued.

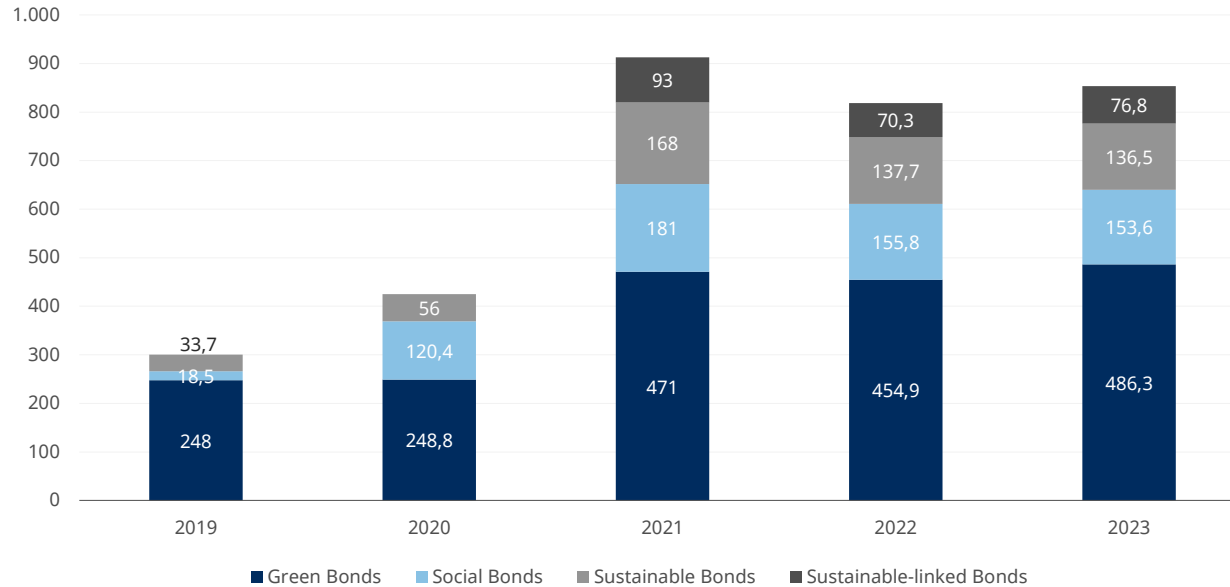
Of particular interest in the field of sustainable investment is what is known as the EU Taxonomy, a classification system for environmentally sustainable economic activities. It is integrated into the SFDR Regulation and in particular into Articles 8 and 9. The inclusion of a fund in Article 8 or Article 9 must include information on the alignment of its investments with the European Taxonomy.

Global Sustainable Financing

Issues

Data by type of issue in EUR billion

Global Sustainable Bond Issues (2019-2023)



Source: OFISO

Sustainable Financing in Spain and in BME Markets



In line with international trend of stabilization of green, social and sustainable bonds volume of issuances, in Spain throughout the year 2023, 21,215 million euros have been issued, with a slight drop of 3%, according to data published by the Sustainable Financing Observatory (OFISO). In the previous year as a whole there had been a drop of 24%.

The volume of green bonds reduced slightly to 15.31 billion euros (-8%) and social bonds did so more intensely (-25%). Nevertheless, sustainable bonds increase up to 3.3 billion and bonds linked to certain sustainability commitments (SLB) up to 1.1 billion euros.

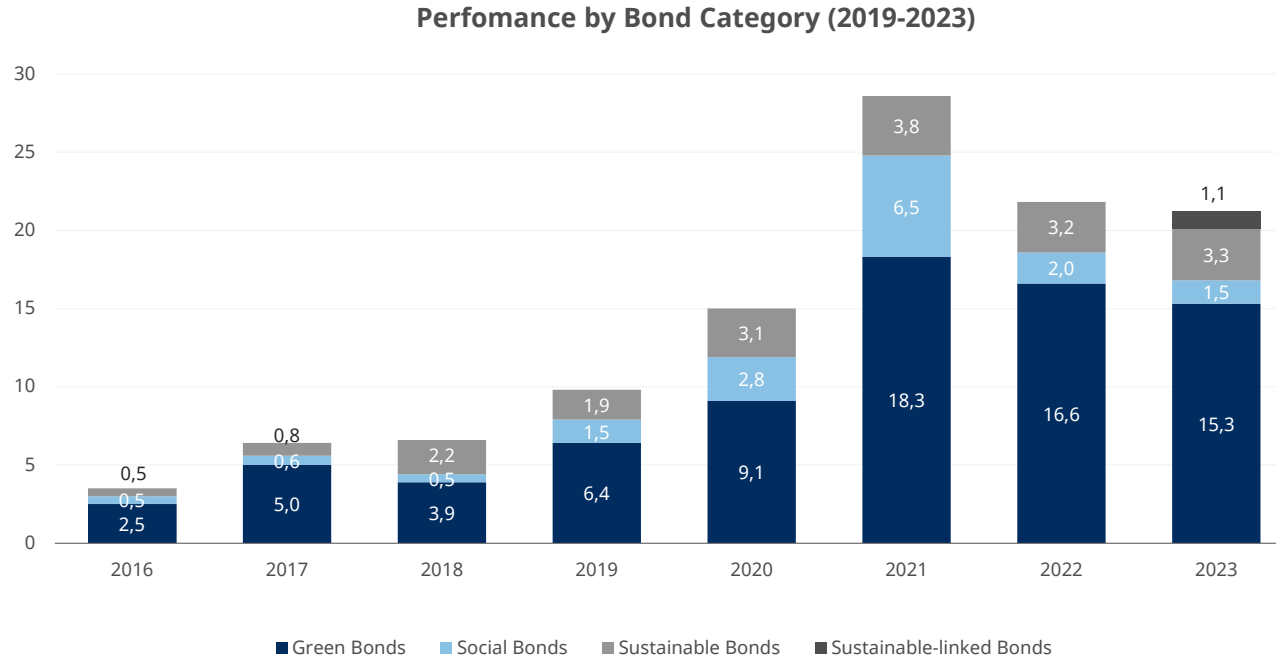
In the fixed income markets and platforms managed by BME, 62 domestic and international green, social and sustainable fixed income issues were admitted for trading during the year, for a total amount of nearly 170 billion euros, of which **14 billion euros correspond to Spanish issuers** and the rest to foreign issuers. **At the close of 2023, 89 Spanish bond issues and promissory**

notes programs were open on BME's fixed income markets, with companies such as the railroad company ADIF, banks such as ICO, BBVA, Abanca, Unicaja, Kutxabank, Caja Rural de Navarra and the Autonomous Regions of Madrid, Andalusia, the Basque Country and Galicia, most of them issuers throughout 2023, playing a leading role. Also, **among the year's outstanding issuers was once again the Treasury with the Kingdom of Spain's sovereign green bond, and issues by the European Union and the European Investment Bank were also included.**

In the **MARF, the Alternative Spanish Fixed Income Market,** aimed at financing smaller companies, green, social and sustainable issues also have had a leading role, with **11 outstanding issues in the market in 2023.**

Sustainable Financing in Spain

Data by type of issue in EUR billion



Source: OFISO

Outlook: Market Environment

Economy: Resilient Global Growth and Reduced Risk of a Hard Landing

Global GDP growth is expected to remain moderate in 2024, albeit easing inflation and projected rate cuts from central banks can provide an additional tailwind for growth, diminishing the odds of a global recession.

The IMF projects a global growth of 3.1% YoY while the OECD estimates a yearly GDP growth of 2.9%. Both institutions **latest forecasts** released in January, **2024 were revised up 0.2 p.p.** from their previously estimates, on the back of growth resilience in the U.S. and in some developing economies. Advanced economies are expected to see a more modest growth (+1.5%), weighed down mainly by Europe.

The European Union economy is projected to grow between 0.8% and 0.9% in 2024, according to the IMF and European Commission forecasts (+0.5% in 2023). **In Spain, the European GDP growth in 2024 is expected to slow down** from the 2.5% achieved in 2023, **although estimates are beginning to be revised upwards above 2%.** The contribution of tourism, the effect of the European Plans, the better financial conditions and the reduction of inflation weigh positively, while the weak economic situation of Spain's main trading partners can limit the dynamism of exports.

Monetary and Fiscal Policy

Interest Rates

Main central banks keep a cautious tone, but expectations show that the inflation correction will drive them to begin a cycle of rate cuts.

The ECB held interest rates steady at 4.5% in January and February '24, recognizing significant positive progress on disinflation, but still warning that the battle to bring inflation down to 2% is not over. The services inflation inertia, the resilient labor market and geopolitical tensions are the reasons behind the caution. At the time of February meeting, market expectations reflected in short-term interest rate futures suggest a 50 basis points of rate-cuts in the summer of 2024, potentially reaching 1% by year-end.

According to the ECB forecasts for the euro area released in February, inflation is expected to close 2024 at 2.3% and then fall to 2.0% in 2025.

At its February '24 meeting, the Fed also left rates unchanged between 5.25% and 5.5%, signaling the raising cycle might have come to an end, but there are no plans of cutting rates until there are clear evidences that inflation will meet its target.

European Fixed-Income Markets and BME Markets



The uncertainty about the beginning of interest rate cuts by the Fed and the BCE has weighed down the evolution of fixed income markets in the first months of 2024, which, overall, are registering moderate losses.

2024 will be the last year in which ECB will purchase debt, around 135 billion euros, to comply with its strategy of keeping stable its portfolio acquired through the Pandemic Emergency Purchase Program (PEPP).

Spanish treasury targets the issuance of 55 billion euros of net debt in 2024, a 10 billion reduction compared to year-end 2023. Expected gross issuance will reach 257.57 billion euros, some 2% higher than the previous year. The final figures for 2023 indicate that total public debt stood at 107.7% of GDP, a reduction of 4 points over 2022.

The issuances and admissions to trading of Spanish public debt on BME's regulated markets, registered 71.22 billion euros in the first two months of 2024, up by 4% when compared to the same period of 2023.

MARF also registered growth in the same period, with issuances over 3 billion euros, a 22% increase over the two first months of 2023.

The total outstanding amount of public debt and Spanish and foreign corporate debt in AIAF Market closed February at 9.5 billion euros, a 5% increase over the same period last year.

In February, 2024, BME, admitted to trading a new 750 million euros sustainable issue by the Andalusian government, and, through the Bilbao Stock Exchange, also a 600 million euros sustainable bonds' issue by the Basque Government. The combined amount of the eighth issue linked to ESG principles carried out by Euskadi since 2018 totals 5 billion euros and Andalusia totals 3.35 billion euros.

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