ECONOMIC BULLETIN

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ABBREVIATIONS

ABCP	Asset-backed commercial paper
AIAF	Association of Securities Dealers
BCBS	Basel Committee on Banking Supervision
BE	Banco de España
BIS	Bank for International Settlements
CBSO	Central Balance Sheet Data Office
CCR	Central Credit Register
CEBS	Committee of European Banking Supervisors
CEIPOS	Committee of European Insurance and Occupational Pensions Supervisors
CEMLA	Center for Latin American Monetary Studies
CEPR	Centre for Economic Policy Research
CNE	Spanish National Accounts
CNMV	National Securities Market Commission
CPI	Consumer price index
DGS	Directorate General of Insurance and Pension Funds
EAGGF	European Agricultural Guidance and Guarantee Fund
ECB	European Central Bank
ECOFIN	Council of the European Communities (Economic and Financial Affairs)
EDP	Excessive Deficit Procedure
EMU	Economic and Monetary Union
EONIA	Euro overnight index average
EPA	Official Spanish Labour Force Survey
ERDF	European Regional Development Fund
ESA 79	European System of Integrated Economic Accounts
ESA 95	European System of National and Regional Accounts
ESCB	European System of Central Banks
EU	European Union
EU-15	Countries making up the European Union as at 31/04/04
EU-25	Countries making up the European Union as from 1/05/04
EU-27	Countries making up the European Union as from 1/01/07
EURIBOR	Euro Interbank Offered Rate
EUROSTAT	Statistical Office of the European Communities
FASE	Financial Accounts of the Spanish Economy
FDI	Foreign direct investment
FIAMM	Money market funds
FIM	Securities funds
FSAP	Financial Services Action Plan
GDI	Gross disposable income
GDP	Gross domestic product
GFCF	Gross fixed capital formation
GNP	Gross national product
GVA	Gross value added
HICP	Harmonised index of consumer prices
IADB	Inter-American Development Bank
IGAE	National Audit Office
IMF	International Monetary Fund
INE	National Statistics Institute
INEM	National Public Employment Service
MBSs	Mortgage-backed securities
MEFF	Financial Futures and Options Market
MEW	Mortgage equity withdrawal
MFIs	Monetary financial institutions
MiFID	Markets in Financial Instruments Directive
MMFs	Money market funds
MROs	Main refinancing operations
NAIRU	Non-accelerating-inflation rate of unemployment
NCBs	National central banks
NPISHs	Non-profit institutions serving households
NRPs	National Reforms Programmes
OECD	Organisation for Economic Co-operation and Development
OPEC	Organisation of Petroleum Exporting Countries
PPP	Purchasing power parity
QNA	Quarterly National Accounts
RoW	Rest of the World
SCLV	Securities Clearing and Settlement Service
SDRs	Special drawing rights
SEPA	Single European Payments Area
SGP	Stability and Growth Pact
SICAV	Open-end Investment Companies
SIVs	Structured investment vehicles
SMEs	Small and medium-sized enterprises
TARGET	Trans-European Automated Real-time Gross settlement Express Transfer system
TFP	Total factor productivity
ULCs	Unit labour costs
VAT	Value added tax
XBRL	Extensible Business Reporting Language

COUNTRIES AND CURRENCIES

In accordance with Community practice, the EU countries are listed using the alphabetical order of the country names in the national languages.

BE	Belgium	EUR (euro)
BG	Bulgaria	BGN (Bulgarian lev)
CZ	Czech Republic	CZK (Czech koruna)
DK	Denmark	DKK (Danish krone)
DE	Germany	EUR (euro)
EE	Estonia	EEK (Estonia kroon)
IE	Ireland	EUR (euro)
GR	Greece	EUR (euro)
ES	Spain	EUR (euro)
FR	France	EUR (euro)
IT	Italy	EUR (euro)
CY	Cyprus	EUR (euro)
LV	Latvia	LVL (Latvian lats)
LT	Lithuania	LTL (Lithuanian litas)
LU	Luxembourg	EUR (euro)
HU	Hungary	HUF (Hungarian forint)
MT	Malta	EUR (euro)
NL	Netherlands	EUR (euro)
AT	Austria	EUR (euro)
PL	Poland	PLN (Polish zloty)
PT	Portugal	EUR (euro)
RO	Romania	RON (New Romanian leu)
SI	Slovenia	EUR (euro)
SK	Slovakia	SKK (Slovakian koruna)
FI	Finland	EUR (euro)
SE	Sweden	SEK (Swedish krona)
UK	United Kingdom	GBP (Pound sterling)
JP	Japan	JPY (Japanese yen)
US	United States	USD (US dollar)

CONVENTIONS USED

M1	Notes and coins held by the public + sight deposits.
M2	M1 + deposits redeemable at notice of up to three months + deposits with an agreed maturity of up to two years.
M3	M2 + repos + shares in money market funds and money market instruments + debt securities issued with an agreed maturity of up to two years.
Q1, Q4	Calendar quarters.
H1, H2	Calendar half-years.
bn	Billions (10^9).
m	Millions.
bp	Basis points.
pp	Percentage points.
...	Not available.
—	Nil, non-existence of the event considered or insignificance of changes when expressed as rates of growth.
0.0	Less than half the final digit shown in the series.

CONTENTS

TESTIMONY OF THE GOVERNOR OF THE BANCO DE ESPAÑA,
MIGUEL FERNÁNDEZ ORDÓÑEZ, TO THE PARLIAMENTARY BUDGET COMMITTEE

Testimony of the Governor of the Banco de España, Miguel Fernández Ordóñez, to the Parliamentary Budget Committee

Budgetary discussions this year are taking place at a time when the Spanish economy is deep in a process of adjustment proving much more pronounced than initially expected. The international backdrop is marked by the weakening of the US economy, sharp rises in oil and commodities prices and, above all, the scale and persistence of the turmoil on international financial markets. Given the latest events in the United States and Europe, it is no exaggeration to say that we are faced with a global financial crisis without precedent in recent times which will require an overhaul of the principles that have governed the regulation of international finances in recent decades.

The world economy is in exceptional circumstances, with a general loss of economic dynamism, surging inflationary pressures and serious financial instability problems. These are exacerbating and accentuating the adjustment of the Spanish economy which the exhaustion of the cycle had already set in train, following a long period of expansion. Moreover, this is the first occasion on which the Spanish economy has faced such a process since joining the Economic and Monetary Union, which provides undoubted buttresses but also poses considerable challenges. The economic policy debate behind the preparation and approval of the Budget is thus of crucial importance.

The far-reaching changes in the Spanish economy in recent decades have equipped it with the wherewithal to overcome this difficult stage and to subsequently resume a path of sustained growth, allowing convergence to continue. But if these factors are to operate, the authorities and all agents must face up to the current circumstances and make the required efforts, and economic policies must prevent any slippage and enable the factors conducive to the resumption of sustained growth to come into play.

Naturally, I shall focus today on the diagnosis of the situation of the Spanish economy and on its economic policy implications. But these would both be incomplete without some, albeit brief, reference to the deterioration of the international setting and to the economic outlook in the euro area which, as you know, will determine monetary policy developments.

Last year, the growth of the world economy reached 5%. The forecasts available for this year, however, place the figure below 4%, with scarcely any scope for the start of a recovery in 2009. Moreover, any recovery will be moderate, slow and subject to a degree of uncertainty fuelled, among other developments, by a rise in major inflationary pressures in most economies. In my view, there are three basic factors behind this deterioration of the global economic situation.

The first is the adverse behaviour of the US economy, weighted down by the continuing decline in its real estate sector, which is depressing household and investor confidence. Until relatively recently, the emerging economies have been considerably more dynamic, partly offsetting the greater slackness in the more industrialised countries such as the United States. However, doubts over the real ability of these economies to continue posting robust growth rates amid the virtual stagnation of the more advanced countries are ever greater.

The increase in oil and commodities prices is the second of the basic factors behind recent developments in activity and inflation at the global level, despite the relative easing since the summer. The effects of these price rises have been fully felt in the more advanced economies, while in the emerging economies the pass-through of higher energy costs is proving slower and is still far from complete.

But it is the third of these factors that will most likely influence developments in the world economy in the coming quarters. I refer here to the severe worsening of the financial crisis in United States and in much of Europe, and to the turmoil on international financial markets.

Somewhat more than a year back now, when the US subprime mortgage crisis broke, there was great uncertainty over the scope and duration of the episode then beginning. Today, there is unfortunately no doubt that we are facing a global financial crisis of enormous proportions.

Although at first the difficulties appeared to be confined to just a few investment funds and relatively minor US mortgage institutions, the overall number of banks affected has since widened considerably. We have witnessed a process, with no practical solution in sight, involving nationalisations, bankruptcies, bank interventions, the creation of new investor guarantee schemes and considerable curbs on market practices, such as those affecting the short-selling of equities.

The list of institutions affected includes most notably: the major investment banks, whose business model has succumbed to the turmoil; the US government-sponsored mortgage agencies; one of the biggest worldwide insurers; and major US credit institutions. In Europe, UK, Danish and Icelandic banks have been involved, as have more recently those from euro area countries such as Belgium, the Netherlands, Luxembourg, France and Germany. Moreover, several European governments have announced their readiness to guarantee their banks' deposits.

The foregoing developments pale into insignificance in the face of the importance of the US Treasury's decision to propose a far-reaching programme whose stated aim is to tackle globally the serious problems besetting the American financial system. The initial appropriation of $700 billion for this programme, and its dramatic presentation by the US Treasury Secretary, illustrate the scale of the problem. As you are aware, the plan was finally approved following heated debate in the House of Representatives and in the Senate.

Clearly, beyond its effects on specific banks, this unprecedented crisis is profoundly shifting some of the key coordinates that have framed global financial developments in recent decades. An economy such as Spain's, which has been financing a substantial proportion of its expenditure abroad, can hardly isolate itself from the consequences of such deep-seated changes.

International financial markets have moved from a situation of widespread risk undervaluation to one in which extraordinary caution is exercised in their evaluation. Past experience has clearly shown the tendency of markets to overreact. It is even possible that certain recent developments reflect, at least partly, an excessive reaction. But it is unreasonable to expect that, once the situation has returned to normal, international financing conditions will simply be as they were prior to the summer of 2007, which nobody today hesitates to qualify as excessively lax.

Likewise, few question the fact that the expansion of the balance sheets of a large number of major financial institutions exceeded limits which should not have been overstepped. The current deleveraging process may initially reflect the correction of some of the excesses committed. But taking a broader view, it also reveals a more fundamental movement towards a general reduction in the debt levels of financial intermediaries and the containment of credit flows, the effects of which must likewise be felt by the ultimate borrowers, namely households and firms.

Finally, I should point out that the magnitude of the imbalances generated and the scale of intervention designed have prompted a necessary pause for reflection on the role the economic authorities should play in developing and supervising financial markets.

For the moment, however, I shall simply reiterate that one of the aspects highlighted by the current financial crisis is how important it is for central banks to have the appropriate instruments with which to manage their liquidity provision policies with sufficient flexibility. And all the more so in the presence of turmoil which, as at present, is profoundly altering the operation of the channels through which liquid resources are normally re-distributed among the various banks that apply for them. In this respect, it is widely acknowledged that the Eurosystem's monetary policy operational framework is allowing euro area banks' liquidity requirements to be met, thereby preventing the emergence of additional pressures that might exacerbate the situation on financial markets.

In any event, returning to the most important macroeconomic developments that will influence the performance of the Spanish economy, it is clear that financial conditions in the euro area, as in the rest of the world, have tightened notably. Such tightening has compounded the adverse effects of the oil and commodities shocks on agents' real incomes and output capacity. The latest data, for the second quarter of the current year, show how the growth rate in the euro area has weakened to 1.4%, standing below potential. The latest ECB projections pointed to increases of between 1.1% and 1.7% this year, and between 0.6% and 1.8% in 2009, subject to considerable uncertainty and to downside risks that have increased in recent weeks.

In addition, while growth was slowing, inflationary pressures were heightening and inflation expectations were being revised upwards, which has raised the risk that they may become unanchored. Nobody doubts that an eventual loss of control of inflation, with the subsequent deterioration in price expectations, would contribute to seriously exacerbating a slide towards economic weakening in the area.

Such is the difficult setting in which the ECB Governing Council has had to take its monetary policy decisions. These decisions have been pondered bearing in mind at all times the impact of tighter financial conditions and of the change in the dynamism of demand. Thus, against a backdrop of growing uncertainty, it was decided to hold interest rates steady until last July, when the materialisation of some of the previously identified risks to price stability made a 25 bp increase necessary.

At the recent Governing Council meeting, however, we noted a weakening in activity in the area and the fact that the latest price data point to the onset of some easing. Inflationary risks have therefore diminished somewhat, though they have not disappeared, meaning that monetary policy should continue contributing to containing them. Given the seriousness of the tensions on international financial markets, we also reiterated the readiness of the Eurosystem to provide all the liquidity required for as long as should prove necessary.

Let me now turn to the Spanish economy. As I was able to explain to you here before the summer, the change in cycle in Spain had started before the episode of financial turmoil, making itself felt mainly in the real estate sector, which set in train a correction of the excesses that had built up during the long expansionary phase.

These excesses had largely arisen owing to the global environment of financial laxity and undervaluation of risk, and to monetary and financial conditions that were particularly accommodative for Spain following EMU membership. These conditions were based on interest rates that held at low levels over a very extensive period and which were conducive to rapid indebtedness by households and by firms, mainly those related to the real estate sector.

In any event, the adjustment of the real estate sector began slowly, mirroring the gradualism with which the determinants of residential investment changed. Hence, as the change in monetary policy stance that began in late 2005 progressively passed through to household and corporate borrowing costs and as the overpricing of housing became more patent, the dynamism of the sector eased off.

However, this gradual pattern was altered when the international financial crisis raised credit risk premiums across the board, blocked a most significant part of banks' wholesale funding mechanisms and spread uncertainty and mistrust, most particularly in respect of economies subject to real estate adjustments. Against this background, the demand for housing fell off drastically, when the production of houses was still at a very high volume. House prices, after several years of increasingly more moderate rises, began to post small declines in some market indicators as from the second quarter of this year, while housing starts fell by almost half. This abrupt change in scenario, together with the tightening of financing conditions, which I shall address in greater detail later, meant that real estate companies had to restructure, with some of them even going bankrupt. This series of factors compounded the correction of the residential sector with adverse consequences for employment, which is acting as the main channel through which the adjustment of the sector is spreading to the rest of the economy.

Household consumption is rapidly reflecting the deterioration in confidence, against a backdrop of considerable financial tensions, and the abrupt turnaround in the employment situation. As a result, a certain rise in the saving rate consistent with the current scenario of greater uncertainty and financing difficulties might be taking place. I should stress that this far-reaching slowdown in private consumption is the factor that is most contributing to the loss of dynamism in the economy. Business investment also slowed rapidly, in line with the changing financial conditions, the profile of domestic demand and the deterioration in business confidence. Nonetheless, exports are sustaining a relatively high growth rate, despite worsening world trade so far this year, and they are providing some support to investment in equipment.

This sound performance of foreign sales, along with the marked cut in the rate of increase of imports, has seen the external sector make a positive contribution to GDP growth for the first time since 2001, partly cushioning the slowdown in national demand. Net external demand is therefore providing a buffer of support against the widespread weakening trend.

On the supply side, the fact that the sharp adjustment in employment is taking place just when labour costs are posting high increases is of particular relevance. This is because collective bargaining is taking on board the deterioration in inflation expectations and because the activation of indexation clauses is passing through last year's inflation deviation to wages. Unfortunately, there is a risk that this will occur again in 2009, potentially causing second-round effects in an economic situation in which the behaviour of employment is very important, as I stated, for regulating the cyclical downturn in the economy. Furthermore, this increase in wages has not been accompanied by productivity gains on a similar scale. Therefore, the increases in unit labour costs continue to be higher than those of our trading partners. If, moreover, business margins were to continue widening as they have in the past, the difficulties for the economy of competing abroad would increase, undermining one of the potential sources of recovery.

Inflation posted a rapid increase in the first half of the year, despite the loss of momentum of activity. As in other countries, the surge in oil and food commodities prices largely explains this, although the Spanish economy's high energy dependence and low energy taxes have tended to amplify this effect. The latest figures point to the start of what should be a phase of gradual containment, though I shall return to this point later.

Among the factors that have weakened expenditure growth is the tightening of financial conditions. Given its close relation to the international financial crisis, it is appropriate to focus on the analysis of the behaviour of credit in Spain during this period.

Loans granted by resident banks to Spanish households and firms began to slow before the increase in defaults on US subprime mortgage loans unleashed the present international financial crisis. The gradual increase in financing costs, the downward revision of expectations of future income and rises in wealth, and the very levels of debt attained had already acted before the summer of 2007 to lower the growth rate of debt towards a more sustainable pace.

Naturally, greater caution in risk assessment and the sharp reduction in international financing flows that the international financial crisis has entailed have further dampened the supply side, likewise contributing to slowing credit.

As an overall result of both forces, the latest figures show year-on-year growth rates of financing to Spanish households and firms of around 10% and 7%, respectively. Analysed from a shorter time perspective, the expansion of credit proves somewhat more moderate, although it is not significantly removed from nominal GDP growth. As might be expected in the current situation, characterised by greater uncertainty and risk aversion, new loans are being granted under more onerous conditions than in the past, which include lower loan-to-value ratios and shorter maturities.

The trajectory followed by credit in Spain to August may be said to be behaving in a manner consistent with the process of adjustment the Spanish economy is undergoing and with the prevailing global conditions, which entail higher financial costs, heightened risk aversion and serious difficulties in obtaining funds on international financial markets.

From the standpoint of financial stability, Spanish banks have demonstrated greater resilience than their counterparts in many other countries. But as I have previously stated, there is no room for complacency here, since the challenges ahead are considerable. A crisis such as that currently rocking worldwide financial markets can hardly be neutral for those who depend on such markets to a relatively greater extent. And nor can the fact that a sizeable portion of the Spanish financial system's financing flows is tied in one way or another to the real estate sector be ignored either.

However, for numerous reasons, including most notably the quality of our regulation and supervision, Spanish banks have not been involved either in the generation, marketing or acquisition of the toxic financial products that are inflicting such harm on the international financial system. Their levels of efficiency, profitability and solvency have placed them, moreover, in a position of relative strength to withstand this crisis.

Accordingly, and in the light of the events currently unfolding daily in the international financial system, I wish to make a call in my capacity as governor of the Banco de España for calm, and to reiterate my confidence in the Spanish financial system, which is well-managed, regulated and supervised. I can assure you that, at present, there is no threat to Spanish depositors' savings.

All these considerations on the international financial crisis add great uncertainty to the outlook for growth in the Spanish economy. The information available points to practically zero or even negative quarter-on-quarter rates of change in the second half of the year, and to the extension of the adjustment into 2009, with rates of increase in output that are more difficult to gauge but which will probably also be weak. The ongoing correction of residential investment may be expected to intensify, since the figures for work under way will show next year that housing starts have ground to a halt. It is likewise foreseeable that the slowdown in consumption will continue, due above all to the weakness of employment, and that business investment will mirror the decline in activity. Accordingly, the contribution of domestic demand to GDP growth might turn negative, and would only be relieved by the external sector if the buoyancy of exports and, as seems likely, the slowdown in imports continue. The importance that the dynamising effect of the external sector acquires in the current circumstances highlights the relevance of competitiveness in the future.

The foreseeable trend of inflation points to increasingly more moderate average price increases during the rest of the year, owing largely to the baseline effects of the energy and processed food price increases late last year and to the recent declines in crude oil prices, provided these are sustained. This trajectory should extend over the coming year, further supported by the sluggishness of demand. However, to attain fuller and more sustainable convergence with the euro area, the upside risks stemming from the indirect and second-round effects of cost and price increases this year must be prevented from materialising.

The macroeconomic basis on which the government has drawn up the State Budget for 2009 includes, in its main outline, the trajectory of the macroeconomic adjustment I referred to earlier. But it is subject to major downside risks, especially as regards the course of domestic demand and, in particular, of residential investment. It should further be borne in mind that the global economic situation and the impact of the international financial turmoil tend to heighten these risks.

The design of the Budget should take into consideration the pronounced change in the economy's cyclical situation, and bear in mind the speed at which public finances are being affected. In previous public appearances I have warned that the sound fiscal results of the previous years had a component very closely linked to the expansion of the real estate sector, which would tend to disappear in lower growth phases. Unfortunately, the loss of momentum of tax revenue is proving acute. And combined with the significant revenue-related impact of the expansionary measures taken this year, that means that the end-year figures for public finances in 2008 will be worse than projected only a few months ago, and that the general government balance at the end of the year will be in deficit.

The weakness of activity in 2009 will give rise to a deficit-widening dynamic which, given the uncertainty facing us, will mean that that the deficit may be greater than forecast in the draft Budget. I must reiterate here the call for prudence in fiscal policy management, whereby budgetary policy should focus on allowing the automatic stabilisers to continue deploying their intended countercyclical effect, while preserving the bases for maintaining a sound position in the long term. Given the uncertainty surrounding the world growth scenario, it is important that fiscal policy should retain room for manoeuvre in the face of potential situations of greater weakness. Nothing could be worse than having to face fresh turmoil when the only option possible is that of having to reduce the deficit, as we have had to do in the past and as has happened recently in other developed countries. Further, the major advantage for the Spanish economy that maintaining a comparatively low public debt/GDP ratio entails should be preserved.

Watchfulness will also be needed to prevent current expenditure overruns that reduce the leeway available to undertake public investment programmes and fulfil other productive expenditure commitments made in the Budget. We should not forget that when public overspending occurs, the subsequent adjustment usually falls on productive spending and, most particularly, on public investment, with adverse consequences for long-term growth potential. In the current circumstances, moreover, having some scope to carry out the infrastructure investment plans under way is crucial for smoothing the adjustment in the construction sector.

The State Budget should, in my view, comply with these premises. But the regional and local governments also have a major role to play in this task, since they account for a most significant portion of public spending - and, in particular, of public investment – and are facing a phase of rapid decline in their revenue-raising capacity.

Elsewhere, a worrying aspect of the scenario I have described is the speed and intensity of the response by employment, which is amplifying the effect of the correction of the housing sector on the rest of the economy. This reveals the persistence of inadequacies in the workings of factor and product markets that mean that the weight of the adjustment falls on the level of employment, hindering the necessary reallocation of productive factors across sectors.

The behaviour of wage costs and the high margins seen in certain activities tend, moreover, to make the inflationary episode more persistent, with the adverse consequences this may have for price and cost-formation habits and for the trend of the relative prices and costs that bear on the economy's competitiveness.

It is therefore very important not to lose sight of the fact that the main instrument available in the current circumstances is that of making structural reforms that enhance the economy's flexibility, liberalise certain sectors and markets, and increase competition. Despite the efforts made in recent decades, there are still numerous areas of the Spanish economy that need reforms. I do not intend to address these in detail, but I shall refer briefly to those spheres where I consider pressing action is needed. And I should stress that it is here where the potential room for manoeuvre to counter weakening growth in the euro area is to be found.

In the labour market, it is imperative to bring about a milder reduction in employment in cyclical slowdowns. In this connection, we must explore channels which provide a response by wages to changes in the economic environment, aligning them to productivity gains, and avoiding upward inertia in the face of external shocks introduced by mechanisms such as wage indexation clauses. It is also vital to hold long-term unemployment at low levels, and to do this the move from unemployment to employment status must be made easier, improving the workings of employment services and the effectiveness of active policies.

In the housing market, the regulations governing renting must be improved to make it more flexible and profitable so as to promote the acquisition of houses for investment purposes, and thus help reduce excess supply. Further, putting these houses on the rental market would make it easier to meet the population's demand for residential services.

In services activities and, in particular, in the distributive sector there is also much scope to set in place a more competitive environment and achieve sizeable gains in efficiency. I consider that the transposition of the services directive offers a unique opportunity for headway in achieving the objective of reducing our rate of inflation and increasing the economy's competitiveness and household purchasing power in a setting in which incomes have been dented by dearer oil and the slowdown in employment.

With the same objectives, improvements in the regulation of the network industries and, in particular, of the energy sector should be made to promote competition and increase energy efficiency. The same applies for port, airport and railway freight transport services, sectors which are essential for strengthening the competitiveness of Spanish industry and exporters.

To conclude, I am confident that if the Spanish economy is capable of mobilising the potential nurtured over many years of building up stability and improving the workings of markets and institutions, then it may rise to the challenges and difficulties facing it and continue to make progress in the medium term in narrowing the welfare differences with the most advanced countries.

7.10.2008.

1 Overview

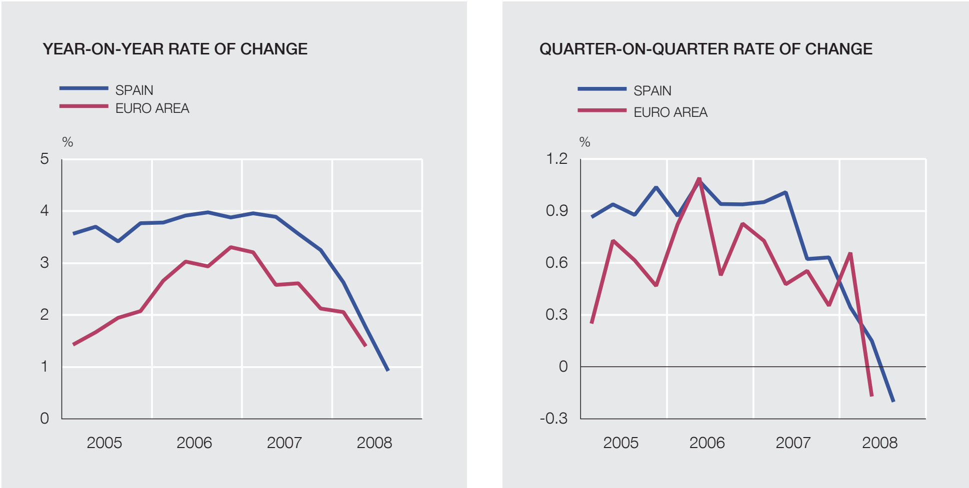
In 2008 to date, the adjustment of the Spanish economy that began last year has continued intensifying in a climate of heightened international financial instability, which has come to a head in October. In Q2 the year-on-year growth rate of GDP declined by 0.8 pp to 1.8% (0.1% in quarter-on-quarter terms). This was due to slower national demand, which grew at a year-on-year rate of 1.4% (2.7% the previous quarter), partially offset by an improvement in the contribution of net external demand which, for the first time since 2001, was positive and added 0.3 pp to GDP growth.

The indicators for 2008 Q3 show an intensification of the adjustment, in a setting in which the marked deterioration of international financial markets since mid-September has exacerbated the prevailing uncertainty – with significant effects on agents' confidence – and has given rise to a further tightening of financing conditions. Under these circumstances, the estimates made drawing on available information suggest that the year-on-year growth rate of GDP in Q3 declined by 0.9 pp to 0.9%, a figure representing a slightly negative quarter-on-quarter rate of –0.2%. Behind this further deceleration in output is the significant fall in the rate of increase of national demand to 0.3% year-on-year, to which all its components contributed, especially residential investment and household consumption. Conversely, the contribution of net external demand to growth increased once again in the July-September period to 0.6 pp, as a result of the appreciable reduction in the growth rate of imports and some continuing momentum in exports. On the supply side, the sharp correction of activity in the construction sector and the decline in value added in manufacturing continued, while a process of job destruction began that spread to the various productive branches, except services. EPA (Labour Force Survey) data for Q3 place the decline in employment in this period at 0.8% in year-on-year terms, and raise the unemployment rate to 11.3%. Turning to prices, the inflation rate improved somewhat from August, chiefly as a result of the heavy fall in oil prices that began in mid-July. The HICP posted a year-on-year rate of change of 4.6% in September (compared with its peak of 5.3% two months earlier), and the differential with the euro area stood at 1 pp, slightly down on the previous quarter.

On the international economic front, the deterioration in the financial situation from the second half of September, following more than a year of persistent instability, resulted in a serious crisis of confidence and began to spread to the emerging economies, whose financial markets had remained relatively insulated from the turmoil in the previous phase. Under these conditions, there was a new and substantial deterioration of the growth outlook for the main industrialised countries. In parallel, oil prices declined substantially from their mid-July peak, and the inflation outlook improved. All these events mean that the world economy faces the coming quarters against a backdrop of extreme uncertainty, with a heightened risk that the cyclical downturn will be more pronounced and lasting.

The instability on international financial markets worsened in the face of the deterioration in the position of certain financial institutions of great importance from a systemic standpoint. The outcome was the bankruptcy of a major US investment bank, and a wave of banking consolidation and government bail-outs of financial institutions, both in the United States and in Europe. These events severely worsened the situation on the financial markets: the interbank markets were blocked, as were other key wholesale markets (see Box 1), such as that for commercial paper; credit risk premia increased; and stock market prices plummeted, with heightened volatility and declines of over 15% in the main stock market indices since June.

GROSS DOMESTIC PRODUCT (a) CHART 1



SOURCES: ECB, INE and Banco de España.

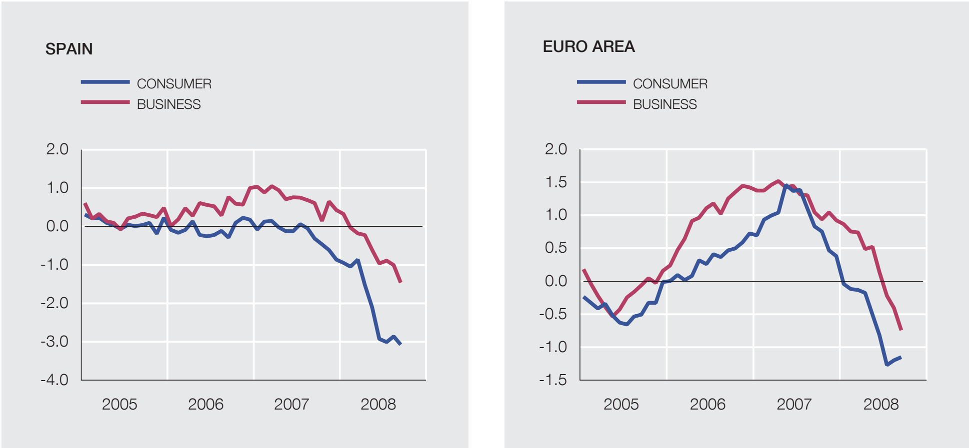
a. Seasonally adjusted series.

Given the seriousness of the situation, the central banks and governments of the main developed countries deployed a wide range of measures. Their threefold aim was to restore confidence, to stabilise financial markets and to prevent potential systemic risks from materialising. To guarantee the liquidity demanded by financial institutions, in a setting of malfunctioning interbank markets, the main central banks adopted a raft of exceptional liquidity-supplying measures, including both changes in the terms of their loans and a widening of the range of eligible collateral, in addition to a significant increase in volumes lent. The ECB undertook to provide unlimited quantities of liquidity at terms ranging from one week to six months while the current circumstances persist and, at least, until January 2009. Further, on 8 October the Federal Reserve, the ECB and the Bank of England agreed to a concerted 50 bp reduction in intervention rates, a decision which was followed by the monetary authorities of some emerging economies.

Some governments, at first unilaterally, adopted measures in support of the banking system. These included most notably the plan to purchase financial institutions' troubled assets, announced by the US Treasury on 19 September, which was followed by Ireland's deposit guarantee extension and the British plan, whose central plank involves the recapitalisation of banks by the Treasury. However, the exceptional nature of the situation called for concerted action by the governments affected by the crisis, which took shape on a global level during the G8 summit in Washington. In Europe, the ECOFIN meeting on 4 October, along with the subsequent joint declaration by the EU, marked the start of coordination, which culminated on 12 October with the launch of a joint action plan by the Eurogroup Heads of State and Government (see Box 2). This action plan is an exceptional measure on the part of the Member States to ensure the stability of the financial system and to restore confidence. To this end, the resolutions adopted are structured around three major areas: the raising of the guarantee limits of national deposit guarantee funds; the adoption of measures aimed at preventing the interruption of credit flows, including both the possibility of acquiring or exchanging banks' assets and the setting in place of temporary arrangements guaranteeing new issues of bank debt; and, lastly, the possibility for banks to improve their capital ratios by means of recapitalisation operations by the respective national Treasuries. All these measures are intended to be temporary; they must observe the functioning of the single market, must ensure that shareholders and managers assume their responsibilities and must safeguard taxpayers' interests. The measures

CONFIDENCE INDICATORS (a)

CHART 2



SOURCE: European Commission.

a. Normalised confidence indicators (difference between the indicator and its mean value, divided by the standard deviation).

adopted by the Spanish government on 10 and 13 October conform to these requirements. Specifically, it was decided on 10 October to raise the deposit guarantee limit to €100,000 and to set up a fund, financed by the Treasury, with an initial contribution of €30 billion extendable to €50 billion, for the acquisition of Spanish assets of the highest quality. Subsequently, on 13 October, authorisation was given to the granting of State guarantees to new lending by credit institutions in Spain, up to a maximum amount of €100 billion in 2008, and, exceptionally, to the acquisition of securities to shore up credit institutions' capital.

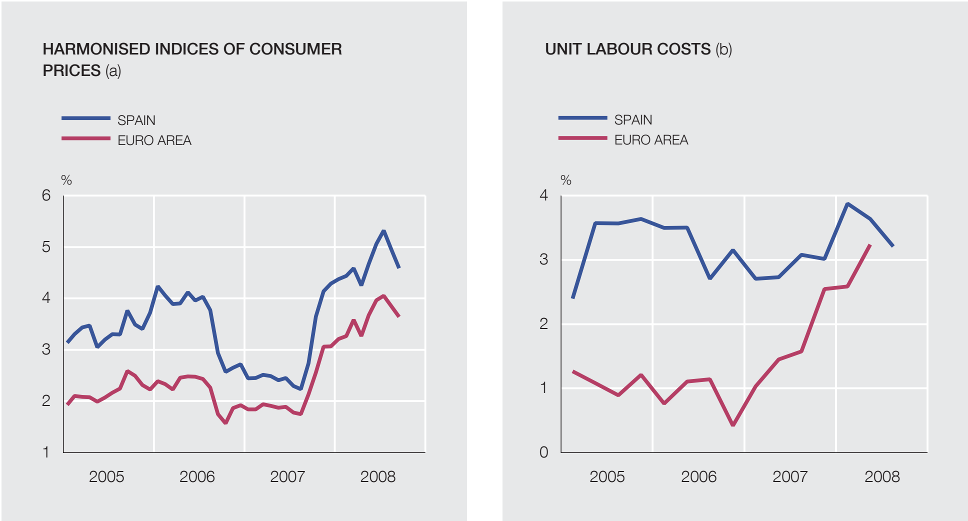
Against this background of instability, global economic activity continued to worsen during the summer months after zero or negative growth rates were posted in Q2 in the euro area, the United Kingdom and Japan. Growth was slightly higher in the United States in Q2, although in this case it was supported by the tax package to reactivate the economy. In the emerging economies, activity remained robust throughout the quarter, although it generally slowed moderately, amid growing tensions on their financial markets.

Turning to economic developments in the euro area, after a sharper-than-expected decline in quarter-on-quarter GDP growth in Q2, the conjunctural indicators available are generally notably slack. On the prices front, upward pressures have slackened, in step with the slide in commodities prices since mid-July. Combined with weakening activity, that has lessened the risk of possible upward drift in wages. Against this background, the ECB lowered its key interest rates on 8 October, in the above-mentioned concerted action. The interest rate on the main refinancing operations was cut by 50 bp to 3.75%, and the corridor of standing facilities was reduced from 200 bp to 100 bp, so that the deposit facility and marginal lending facility rates now stand at 3.25% and 4.25%, respectively (see Box 3).

Under these circumstances, the external environment of the Spanish economy in recent months has continued to weaken and has been subject to significant financial turbulence. Against this backdrop, financing conditions for Spanish households and firms became tighter as a result of further increases in the cost of funds and tighter bank lending standards. In addition, the fall in stock prices, along with the moderate decline in property prices, which fell in Q3 at a quarter-on-quarter rate of 1.3% according to information provided by the Spanish Ministry of Housing, adversely affected household wealth.

PRICES AND COSTS

CHART 3



SOURCES: Eurostat, ECB and INE.

a. Year-on-year rate of change.
b. Per unit of output. Year-on-year rate of change calculated on the basis of seasonally adjusted series.

Household spending slowed further under these conditions. The rate of change of consumption dipped to below 1% in year-on-year terms, greatly affected by the deterioration in agents' confidence (which stood at a historical low according to the usual indicators), the slowdown in disposable income (given the poor behaviour of employment and the rise in the inflation rate) and diminished wealth. All these factors dampened the expansionary effect that might have been exerted in less uncertain circumstances by the personal income tax reduction, which came into effect in late June, and the rise in wages, which are rapidly reflecting the deterioration in the inflation outlook, despite the weakening labour market. This setting of uncertainty is proving conducive to a recovery in the household saving rate, which ended a nine-quarter decline in Q2, rising to 10.7% of disposable income in cumulative four-quarter terms.

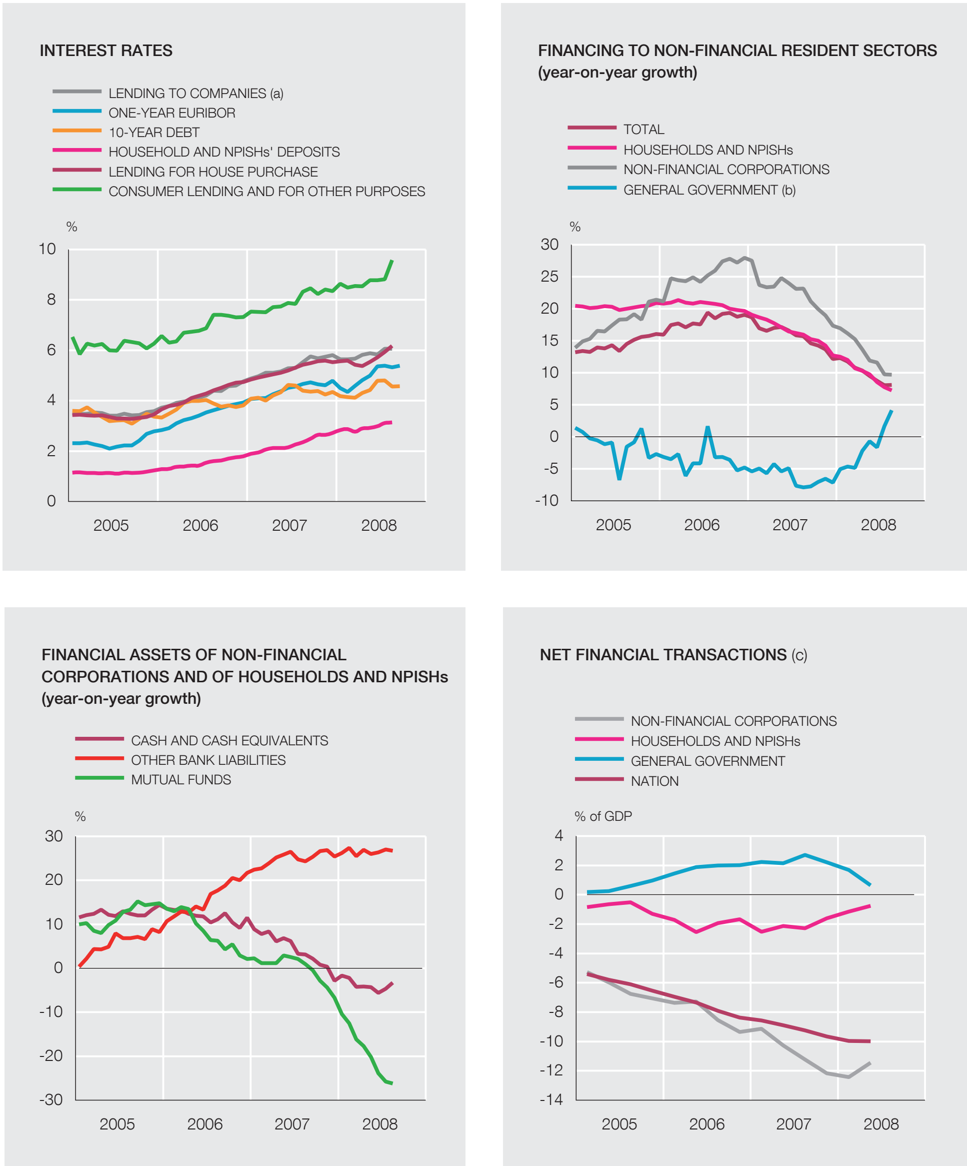
Turning to residential investment, the available indicators point to a reduction in activity which is becoming more pronounced as the year unfolds. This is a result of the significant contractionary effect that the climate of uncertainty is exerting on house-purchase decisions. The change in price expectations and the tightening of financing conditions continue to discourage residential investment. And that has triggered the restructuring of real estate companies, severely compounding the adjustment of the sector.

The corollary of this decline in household investment and the increase in the saving rate is the reduction in household net borrowing, which dipped to a four-quarter average of 1.9% of GDP in Q2, and has possibly continued falling in the latest period. In this setting, the rate of increase of household debt slowed once more to a year-on-year rate of change of close to 7% in August (prior, in any event, to the most intense phase of the recent tensions), 1 pp down on June, which affected loans for house purchase as well as consumer loans and those for other purposes. This slowing trajectory may have steepened since September further to the worsening situation on financial markets.

Business investment is also being affected by the prevailing climate of uncertainty, both in its equipment component and in that of other construction, and it has undergone a sharp adjustment in response to the change in the macroeconomic environment. Investment thus showed

FINANCIAL INDICATORS OF THE SPANISH ECONOMY

CHART 4



SOURCE: Banco de España.

a. Weighted average of interest rates on various transactions grouped according to their volume. For loans exceeding €1 million, the interest rate is obtained by adding to the NDER (Narrowly Defined Effective Rate), which does not include commission and other expenses, a moving average of such expenses.
b. Consolidated financing: net of securities and loans that are general government assets.
c. Cumulative four-quarter data.

signs of marked weakness, in line with the profile of final demand, the strong deterioration in business confidence and the slowdown in corporate earnings. Indeed, it is only the fact that exports are holding up that might be providing some support for business spending plans. Tighter financing conditions, along with the slowdown in activity, are prompting non-financial corporations to resort less to borrowed funds, which grew in August at a year-on-year rate of close to 10%, 2 pp below the June rate, although this trend can also be expected to intensify in September and October. Across the productive activities, the latest information – for June – shows a very sharp slowdown in borrowing to finance real estate activities and a more moderate slowdown in funds raised by the construction and industrial branches. Conversely, borrowing to finance other services held at a high rate, similar to that of previous quarters.

In line with the progressive loss of momentum in credit, the corporate debt ratio is expected to have fallen slightly in Q3, although the interest burden will have continued to increase given the rising trend of financing costs. Overall, profit ratios turned down slightly in Q2 while doubtful assets ratios continued to increase, especially at construction and real estate service companies.

This progressive weakening in domestic spending is in contrast to the greater dynamism of net external demand, for which a positive contribution of 0.6 pp to GDP growth in Q3 is estimated. Behind this development lies the continuing and relatively positive performance of goods exports, but also, and above all, the sluggishness of imports which, as in previous cycles, are swiftly mirroring the downward adjustment of final demand. In the case of exports, the increases in Q3 were somewhat lower than in the first half of the year but, in any event, they continue to grow at a somewhat higher rate than our export markets. The depreciation of the euro since mid-August has enabled the price-competitiveness indicators to behave more favourably in recent months, mitigating the losses accumulated in the first half of the year in most such indicators. On the available indicators, tourist service exports and imports performed worse. The rate of increase of foreign trade in non-tourist services dipped in Q3.

The correction of the contribution of net external demand to GDP growth has not yet fed through to the nation's net borrowing, which reached 10% of GDP in the first two quarters of 2008 in cumulative 12-month terms. The dynamic of the income balance and the rises in oil prices, which substantially raised the energy deficit in the first half of the year, lie behind this result. However, the balance of payments data for July appear to mark a turning point, as they show an appreciable reduction of 27% in the year-on-year rate of change in the nation's net borrowing, chiefly as a result of the reduction in the trade deficit.

On the supply side, the loss of momentum of activity in all market-economy productive branches continued in Q3, with declines in value-added in industry and construction, very moderate increases in agriculture and more substantial rises in market services, where year-on-year growth was still close to 3%. Against this background, a sharp adjustment continued in employment; for the first time in the last 14 years, total economy-wide employment fell relative to the same quarter a year earlier, more markedly in the market economy and, above all, in construction. Only services continued to generate employment, although at increasingly slacker rates. The dynamism of the labour force means that the rise in the number of unemployed is being accompanied by very swift increases in the unemployment rate, which rose to 11.3% in Q3 on EPA figures. Overall, the decline in employment was more marked than the slowdown in activity, so that productivity rose further.

In the course of the year labour costs have proven highly sensitive to the deterioration in inflation in the closing months of 2007 and in the first half of 2008, despite the slackness of the labour market. As a result, growth in compensation per employee is rising significantly, to a rate of close to 4.5% for the market economy (and of 5% for the whole economy), more than 1.5 pp above the increases recorded the previous year. In terms of unit labour costs, the increase is expected to have been somewhat less, owing to the productivity gains being observed. But the increase is in any event excessive, both from the standpoint of the necessary revitalisation of the labour market and of labour cost developments in the economies competing with Spain, both of which are closely linked.

Commodities costs, in particular oil prices, began to turn down in mid-July, and more decidedly so further to the deterioration in financial tensions, which helped bring inflation down to more contained rates over the course of Q3. Against this backdrop, the year-on-year growth rate of the HICP fell from its annual high in July of 5.3% to 4.6% in September, although average inflation in the July-September period was higher than in the previous quarter. There was, however, no decline in core inflation, which held close to 3.5%. This was due to the small rise in non-energy industrial goods prices, probably as a result of the tailing off of the beneficial effects of the appreciation of the euro, and to the increase in services inflation. The traditional downward stickiness of services inflation is likely to have been compounded in the recent period by the rise in transport services prices, in response to the increase in energy costs. Foreseeably, this slowing trajectory of the CPI will continue in the coming months, driven by the stripping out of the energy and processed food price rises that took place in the closing months of 2007 and by cyclical weakening. But it is important to ensure that the containment of prices passes fully through also to core inflation, so that the price differential with the euro area countries can be reduced on a lasting basis (to below the average differential of 1.1 pp observed since the start of EMU), and that social agents' conduct should conform more closely to the patterns of macroeconomic stability required in a situation – as at present – of sharp adjustment.

Public finances are deteriorating rapidly. This is associated first with the grinding to a halt of the economy, which is prompting a rapid decline in tax revenues and, in the case of expenditure, the activation of the automatic stabilisers, mainly in the form of increases in unemployment benefit expenditure. Adding to this is the impact on tax revenue of the expansionary measures adopted during the year. As a result, with the unveiling of the draft State budget for 2009, the government has revised the year-end figures for the general government account for 2008, projecting a deficit of 1.5% of GDP, and a somewhat higher deficit in 2009, of 1.9% of GDP. The draft budget also projects an increase in the public debt ratio of around 2 pp of GDP. This figure might be higher given that it does not incorporate the impact of the creation of the fund of up to €50 billion for the acquisition of Spanish assets. These official estimates are subject, moreover, to significant risks, derived above all from the uncertainty clouding the macroeconomic scenario. In a situation such as the present one, fiscal policy must continue to allow the automatic stabilisers to deploy their counter-cyclical effects, while preserving room for manoeuvre should situations of greater weakness arise.

It is also crucial to push through structural measures on the supply side that allow for greater flexibility in the adjustment of margins and wages to macroeconomic conditions. In this respect, the draft bill on the freedom to take up and pursue services activities has recently been published. The content and, above all, the implementation of this legislation should aim to lower entry barriers and increase competition in this sector, which is so vital for making the economy more dynamic.

2 The external environment of the Spanish economy

In the past quarter, developments in the external financial environment of the Spanish economy were characterised by the difficulties of numerous key institutions in the United States which finally resulted in a situation of extreme financial instability on a global scale from the second half of September (see Box 1). This deterioration has occurred at a time when activity has been weakening across an increasing number of economies and, particularly sharply, in advanced economies. Negative economic and financial developments and the way in which they have fed on each other triggered a notable worsening of the economic outlook against a backdrop of high uncertainty. Both factors sparked a strong and swift correction of commodity prices which has eased the inflationary tensions seen in previous months.

Over the last quarter, and especially in September and October, the deterioration of credit and stock markets intensified. At the beginning of September US authorities were forced to intervene in Fannie Mae and Freddie Mac (the mortgage securitisation agencies), in view of their delicate financial position. However, it was following the bankruptcy of Lehman Brothers, the investment bank, half-way through September, that the bouts of instability increased sharply and public intervention of financial firms, including the world's leading insurance company (AIG in the US), mushroomed as did the number of mergers between financial institutions in the US and Europe. In this scenario, the authorities in many countries took different action which included, most notably, a very strong increase in injections of liquidity. At the same time, publication of various plans for rescuing and supporting the financial sector began (most notably in the United States and the United Kingdom) and the major central banks (excluding Japan) coordinated a 50 bp cut in intervention rates on 8 October. Nevertheless, these initiatives did not manage to restore confidence and avoid steep declines on most developed and emerging stock markets which by mid-October were more than 30% lower than at the end of July (according to the MSCI world index). Faced with this situation, and coinciding with the annual meetings of the IMF and the World Bank (the second weekend in October), the communiqués of meetings held by the G7 and by the Heads of State in the euro area presented the outline of a shared global approach to tackle the situation in order to maintain the stability of the financial system and to re-establish operations on credit markets (see Box 1). This outline was firmed up in subsequent weeks in the action plans of a growing number of countries which contributed to stabilising markets.

The resilience, which had characterised developments on emerging markets since the beginning of the turbulence, came to an end in 2008 Q3. As early as mid-June their financial indicators had begun to weaken, but it was further to heightened difficulties in advanced economies that sovereign spreads hit levels that had not been seen since the beginning of 2003, while stock markets posted substantial losses, which even surpassed those recorded on the stock markets of developed countries. On foreign exchange markets the dollar appreciated considerably against the euro and, in particular, the yen rose against the main currencies, while emerging currencies posted strong downward corrections which in some cases, such as Brazil, Mexico, Chile and South Korea, were more than 20%. Lastly, the steep drop in oil prices since July (approximately 50% down) led the downward adjustment in the commodity price index (20%), although precious metals fell to a lesser extent because of their role as a safe haven at times of high volatility.

In the US, the final GDP estimate for 2008 Q2 confirmed an annualised quarterly growth rate of 2.8%, thanks to the contribution from external demand and the impact of the fiscal impulse

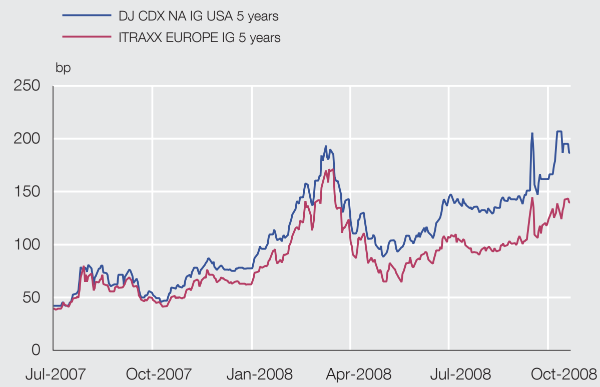
The financial turmoil which began in summer 2007 resulted in a crisis of confidence in the global financial system. In September 2008 there were bouts of extreme financial instability which, *a priori*, were highly improbable. They occurred at great speed, covered a broad spectrum of financial institutions (some with systemic importance), affected key markets and became global, spreading from the United States to a growing number of countries, particularly in Europe, but also to many emerging economies.

Although, as early as the beginning of September, tension had grown in the financial system, the bankruptcy of Lehman Brothers on 15 September arguably precipitated the situation. Firstly, this is because until then, the counterparty risks with financial institutions considered systemic had been mitigated with public interventions; secondly, because the bankruptcy generated uncertainty about which institutions were considered systemic by the authorities (and, consequently, were going to be protected from bankruptcy) and which were not; and, thirdly, the disappearance of this institution gave rise to unthinkable ramifications owing to a lack of information about the situation of financial intermediaries' balance sheets and the fact that these entities are highly inter-linked. Thereafter the lack of confidence snowballed, triggering the gradual blocking of key financing markets, including the interbank and commercial paper markets (see Panels 1 and 2), and causing the widespread collapse of world stock markets.

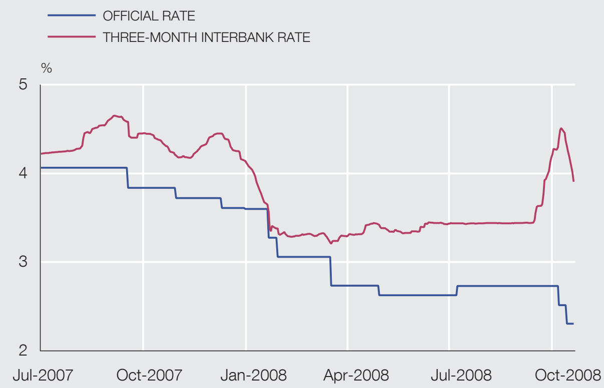
At the beginning of the financial turmoil two inter-related problems clearly emerged: liquidity and perceived solvency. As a result of the persistence of the turmoil during the last year they fed on each other, accentuating solvency problems and entrenching liquidity problems. A key element in these developments has been the unknown exposure of financial institutions to complex structured products, which is very difficult to evaluate. These problems gradually spread to new segments and affected a growing number of entities, and in an increasingly sizeable proportion on global financial markets (see Panel 3), until last month's situation was reached.

The authorities' responses to the worsening of the crisis have been increasingly far-reaching, covering a larger geographical area. Until summer, the strategy adopted was, broadly speaking, to provide markets with liquidity and give temporary support to certain ailing

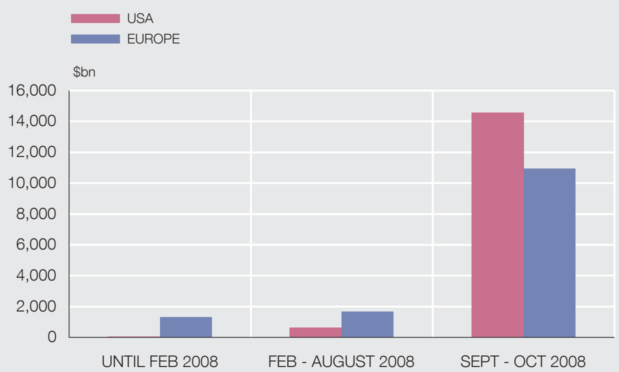
1 CREDIT RISK INDEXES. SPREADS



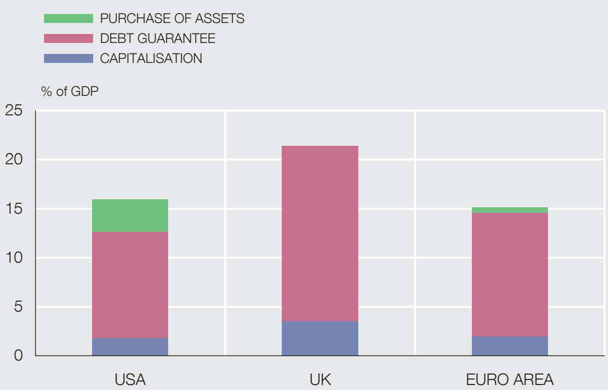
2 OFFICIAL INTEREST AND THREE-MONTH INTERBANK RATES (a)



3 ASSETS OF AFFECTED ENTITIES (b)



4 AMOUNT COMMITTED IN PUBLIC AID PLANS (c)



SOURCES: Datastream, Bloomberg and Banco de España.

a. Average data of United States, Japan and the euro area weighted by GDP.
b. Entities which are bankrupt, have been intervened or persuaded to merge.
c. Data as a percentage of GDP.

entities, pending the disclosure of the losses associated with problematic assets and the implementation of the necessary adjustments in accordance with market mechanisms, while waiting for market conditions to normalise. However, the swift succession of events gave way in the last month to a sudden change towards much more exhaustive, determined and finally, well-structured strategies which also tended to converge among the countries affected. Concerted mechanisms also improved substantially as was demonstrated by the simultaneous interest rate cut undertaken by the major central banks on 8 October and the relative similarity between the strategies adopted, both in terms of time and content.

The authorities' strategy is based on four fundamental pillars. Each is aimed at tackling one of the above-mentioned key elements: liquidity, valuation, (perceived or actual) solvency and (lack of) confidence. In practice, however, many of the measures are targeted at mitigating problems in several areas: i) providing *liquidity and financing* to the banking system and other segments of the financing markets in view of the market blockage; the provision of liquidity has been instrumented by central banks through increasingly broad credit facilities, also in foreign currency, while financing financial institutions and even ailing non-financial corporations has been the responsibility of governments, although on occasions it has been instrumented through central banks, either as an agent in financing bail-outs (the case of AIG, for example), or, directly financed as the ultimate borrowers (purchase of commercial paper); ii) *pricing of financial instruments*, which is specifically addressed by the US troubled asset relief program (TARP), together with other plans; iii) reinforcement of (actual or perceived) solvency, which has resulted in the strengthening of the capital base through several types of initiatives (injections of public capital, encouragement of M&As, nationalisation of banks, etc.), and iv) restoring confidence, which is the ultimate objective of the above-mentioned measures and, also, of the other measures adopted, such as public guarantees of debt, deposits and other banking assets and liabilities. This return of confidence and unclogging of wholesale financing markets are the basic ingredients for making financial markets function normally again.

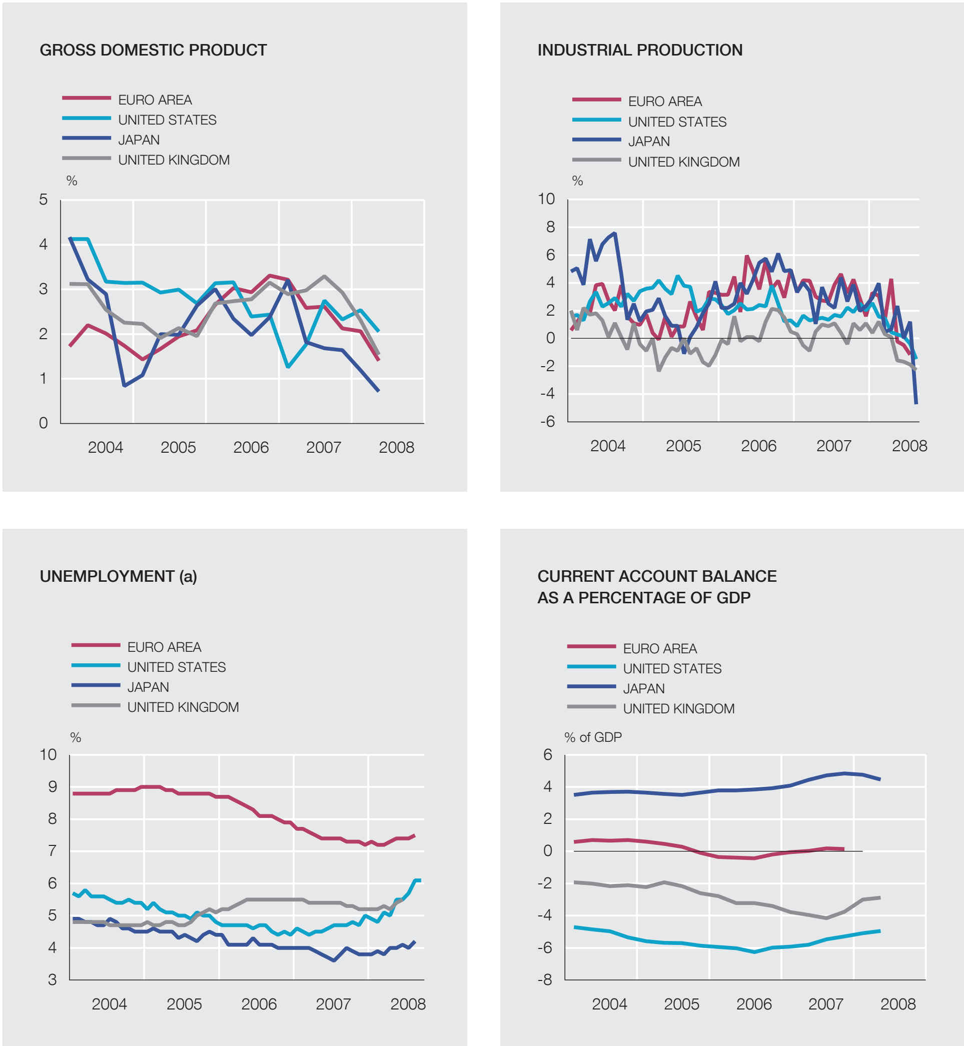
In short, the deterioration of the global financial situation has crystallised into a determined, convergent and coordinated response between countries. The magnitude of the response can be measured by the amount committed in capital injections, bank debt guarantees and asset purchase programmes and other forms of financing which are approximately 15% or more of GDP in numerous advanced economies (see Panel 4). It must be underlined that this amount does not represent the effective tax cost of the measures, which would be much less, or could even be zero or could generate net revenue in the medium term, if they achieve their objective of market stabilisation. The reason is that the corollary for these actions is the acquisition of assets or capital of the firms which are supported and the guarantees are contingent and entail revenue for tax authorities. The breadth, intensity and complementarity of the measures adopted must lay the foundations for the gradual recovery of confidence and for market normalisation, although it will be a long and complex process.

approved at the beginning of 2008. However, indicators for Q3 showed a notable weakening of activity which was accentuated in September. Consumer confidence indices, after the temporary effect of the fiscal stimulus, held at historically low levels. Housing market indicators continued to reflect the deep adjustment in the residential sector (housing starts, construction permits and house sales all fell in Q3) and the construction sector confidence index hit a new record low in October. The manufacturing ISM index dropped in Q3 to levels associated with a contraction in activity at the same time as industrial production fell strongly in September. Nevertheless, the non-manufacturing ISM index stood slightly above the threshold of expansion of activity. The labour market weakened sharply with a rise in the unemployment rate to 6.1% in September and the net destruction of nearly 300,000 jobs during the quarter. CPI inflation rose steeply in July, although this rise was corrected in August and September due to the moderation in oil prices, to 4.9% year-on-year in September, while core inflation posted a year-on-year rate of 2.5%. The Federal Reserve cut the interest rate on federal funds by 50 bp to 1.5%, as part of the above-mentioned coordinated action. Also, a financial rescue plan was finally approved which includes asset purchases and recapitalisations totalling US$ 700 bn, a programme to buy commercial paper and a public guarantee of bank debt (for an estimated value of US$ 1.4 trillion) and of corporate deposits.

In Japan, following the contraction of GDP by 3% in annualised quarterly terms in Q2, the latest indicators point to a scenario of a notable weakening of the economy, which could be more protracted and severe than initially envisaged. Private consumption and external demand

MAIN MACROECONOMIC INDICATORS
Year-on-year rate of change

CHART 5



SOURCES: Banco de España, national statistics and Eurostat.

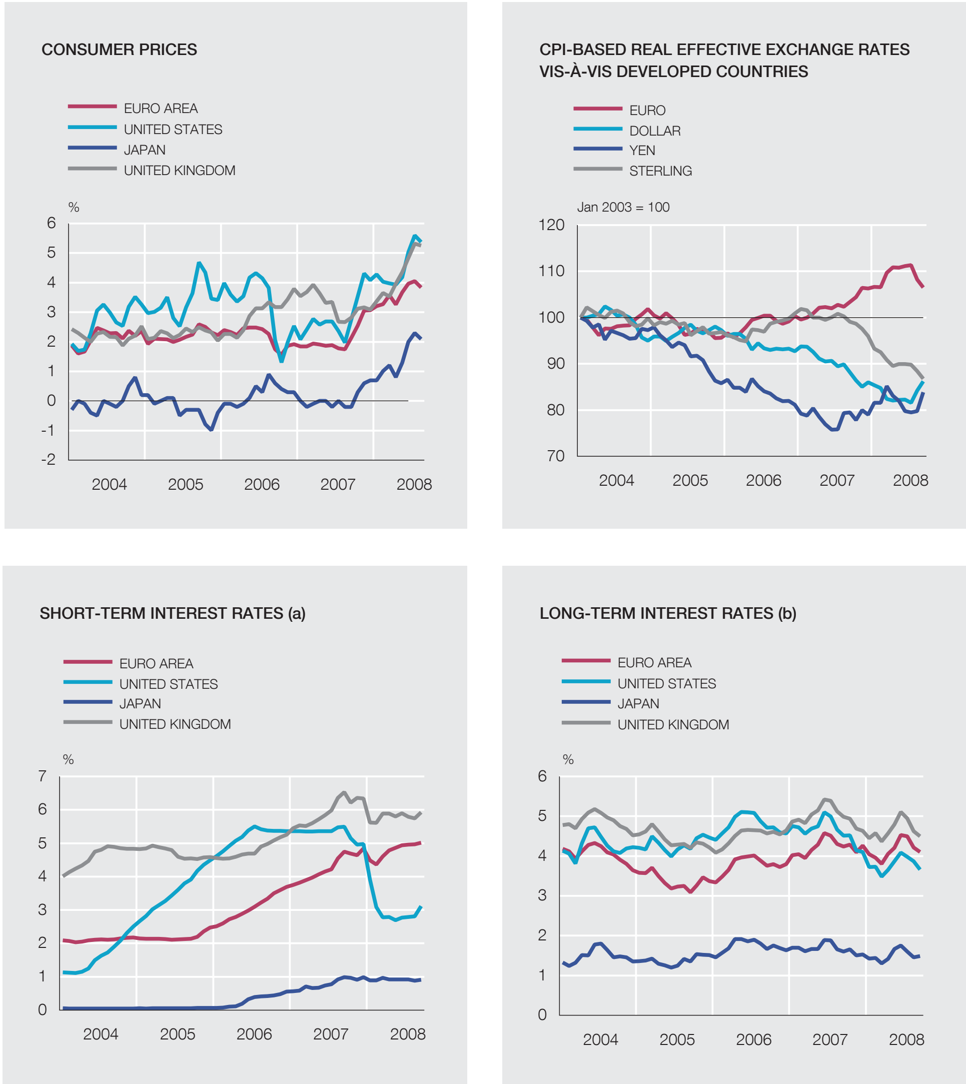
a. Percentage of labour force.

showed no signs of improvement and expenditure on investment remained contained against a backdrop of high uncertainty. Industrial production, the PMI manufacturing index, the Tankan business survey and the poor performance of the construction sector indicate a contraction of activity in Q3. The unfavourable trend in private consumption can be attributed to the continuing slide in household purchasing power and a weak labour market. The unemployment rate increased to 4.2% in August, while the ratio of vacancies to job-seekers and real salaries experienced further declines. On the external front, the slight trade deficit in August is worth mentioning which was due to the continuing weakness of exports and an increase in the price of imports. As for prices, inflation dropped 0.3 pp to 2.1% in August. The Bank of Japan did not join in with the coordinated reduction of official rates due to their low level (0.5%). However, the monetary authority stepped up operations to inject liquidity for banking institutions which, nonetheless, are slowing down their credit expansion.

In the United Kingdom, the downward trends in activity and employment intensified sharply: GDP growth was zero in Q2 and negative in Q3, a period in which the most important activity indicators once again fell sharply. The manufacturing PMI reached a new low in September.

PRICES, REAL EXCHANGE RATE AND INTEREST RATES

CHART 6



SOURCE: Banco de España.

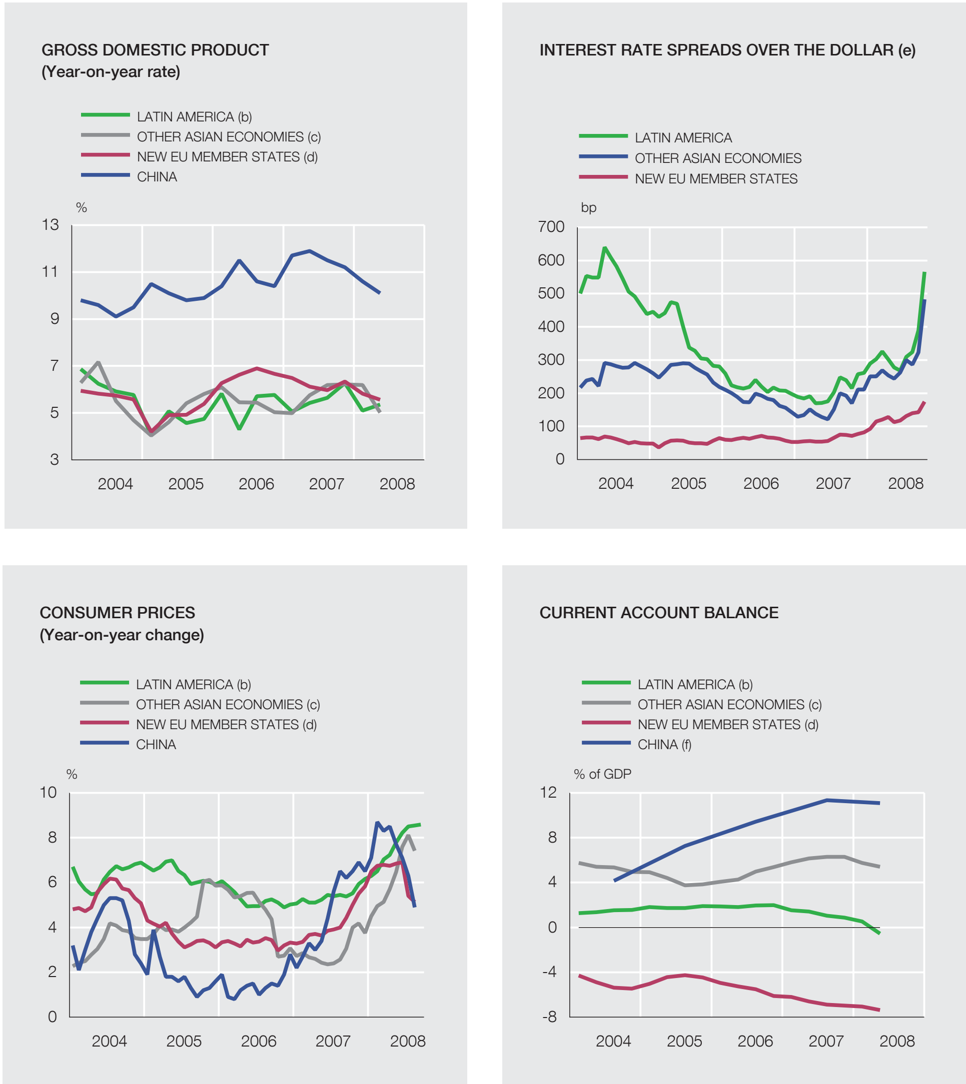
a. Three-month interbank market interest rates.
b. Ten-year government debt yields.

Property prices posted a year-on-year decline of 13% in September. In spite of weak and lower commodity prices, inflation rose in September to 5.2%, due to higher food prices and the pass-through to final prices of previous increases in the price of oil. In this scenario, the Bank of England took part in the coordinated rate cut, reducing its interest rate to 4.5%. In the first week of October the Treasury announced its proposal for recapitalising banks (following talks with the major UK banks) -for which purpose it created a £50 billion fund- guaranteeing new bank debt and extending liquidity facilities.

In the new EU Member States not belonging to the euro area, GDP in Q2 slowed 0.3 pp on average to a year-on-year rate of 5.6%. However, economic activity underwent a strong adjustment in the Baltic states owing to the sharp deceleration in domestic demand, against a background of slowing credit and a high level of net external borrowing. In contrast, activity in Slovakia, Romania and Bulgaria remained highly buoyant, in Hungary it continued to recover gradually and in the rest of the region the moderation of growth was more gradual. Nevertheless, the high frequency indicators generally show a slowdown in activity and exports owing to lower demand in the euro area. Inflation decreased in most countries over the quarter, al-

EMERGING ECONOMIES:
MAIN MACROECONOMIC INDICATORS (a)

CHART 7



SOURCES: National statistics and JP Morgan.

a. The aggregate of the different areas has been calculated using the weight of the countries that make up these areas in the world economy, drawing on World Bank information.
b. Argentina, Brazil, Chile, Mexico, Colombia, Venezuela and Peru.
c. Malaysia, Korea, Indonesia, Thailand, Hong Kong, Singapore, Philippines and Taiwan.
d. Poland, Hungary, Czech Republic, Slovak Republic, Estonia, Latvia, Lithuania, Cyprus, Malta, Bulgaria and Romania.
e. JP Morgan EMBI spreads. The data on the new EU Member States relate to Hungary and Poland. The aggregate for Asia does not include China.
f. Annual data.

though in September it remained at rates above 10% in the Baltic states and in Bulgaria. Monetary policy was tightened in Romania, while the Czech Republic cut the official interest rate by 25 bp. In the institutional sphere, the Polish government announced its intention to join the euro area in 2012, which would involve the entry of the Polish zloty in ERM II in the first half of 2009. More recently, the worsening of financial tension has notably affected certain countries which rely heavily on external financing (in particular, Hungary, a country with which the ECB arranged a swap line in mid-October to alleviate its position). The financial difficulties of other European countries are worth noting, in particular Iceland (which led to the nationalisation of its major banks and the collapse of its currency), Russia (where the government injected substantial resources into its financial system) and Ukraine.

In China, GDP grew 9% in 2008 Q3, down from 10.1% in Q2. This lower growth was in line with the trend in industrial production during the quarter which continued to moderate its year-on-year rate of increase, while consumption indicators (like retail sales) continued to grow strongly. The trade surplus widened in Q3 with respect to the same period in 2007 and international reserves rose to $1.9 trillion in September, in a scenario in which the appreciation of the renminbi against the dollar was interrupted. Consumer prices grew at a year-on-year rate of 5.3% in Q3, continuing to moderate after peaking in Q1. The money and credit supply grew at year-on-year rates which were similar or lower than those in 2007 and the monetary authorities cut interest rates, for the first time since 2002, and also, on two occasions, the bank reserve requirement. The latest move coincided with the concerted action to cut official interest rates undertaken by some of the main developed economies. During the quarter, the Chinese authorities adopted certain measures which were interpreted as a sign of bias towards growth and support for the stock market. In the rest of Asia, GDP slowed in most countries in Q2, as did industrial production, and the latest data for which continued to point to moderation. The fall in oil prices triggered a decline in inflation, following the highs posted in July and August in most countries in the region. Broadly speaking, monetary policy changed from restrictive in July and August, with interest rate hikes in most countries and an increase in the reserve requirement in India, to more accommodative from September, when official interest rates were cut in Hong Kong, South Korea and India. The financial difficulties spread through nearly all the countries in the region, the strength of the decline in South Korea was particularly noteworthy and a package of measures was adopted to offset its effects.

In Latin America, the indicators published in 2008 Q3 partly include the tightening of external financing conditions and the deterioration of the international situation, in the form of weaker industrial activity and more moderate exports, but the demand indicators continued to show noticeable strength, which would be indicative of only a slight moderation in growth in that quarter. The fall in commodity prices in recent months, however, was reflected in a reduction of trade balance surpluses and in the moderation of government receipts. The region experienced a sharper adjustment in financial asset prices than in other emerging regions, especially, in September and October, in the same way as it recorded a relatively better performance than in the previous year. One reason behind this differentiated behaviour was the correction of commodity prices in itself. Similarly, the withdrawal of external investors triggered the unwinding of positions in local currency and the repositioning of local investors towards dollars which generated notable financing difficulties in this currency and an abrupt depreciation of exchange rates in the region against a backdrop of extreme volatility. Faced with this situation in recent weeks many countries in the region have implemented extraordinary measures geared towards restoring liquidity on markets, particularly in dollars, including the sale of reserves which is also aimed at stabilising exchange rates. In this scenario, certain central banks (Chile and Peru) interrupted the process of tightening their monetary policies which was implemented during recent months, despite the persistence of inflation which stood at 8.6% for the region as a whole in September, in comparison with 8.2% posted in June. By contrast, the Central Bank of Argentina raised its official interest rates to enhance the appeal of its currency.

3 The euro area and the monetary policy of the European Central Bank

Since mid-September, global and euro area economic developments have been marked by worsening financial market tensions. They began in the United States with the bankruptcy of Lehman Brothers and have now spread to European banks. The escalation of tensions manifested itself in sharp falls in stock market indices against a background of extreme volatility and in pronounced rises in risk premiums, while the gap between key ECB interest rates and those prevailing on the money markets widened to historical highs. On the foreign exchange markets, the euro continued to depreciate and its exchange rate against the dollar stood near \$1.2/euro at the end of October, a level not seen since 2006.

The seriousness of the situation obliged the economic authorities to take diverse extraordinary measures to stabilise the financial markets, restore confidence and prevent potential systemic risks from materialising (see Box 2). The amounts and maturities of the diverse liquidity providing transactions carried out by the monetary authorities exceeded those usually seen and, on 8 October, the European Central Bank, the Federal Reserve, the Bank of England and other central banks decided to relax monetary conditions simultaneously. The decrease in upside risks to price stability allowed the ECB to cut the interest rate on its main refinancing operations by 50 bp to 3.75%. As well as this concerted action, the ECB made significant changes in the implementation of its monetary policy decisions in order to keep interbank market interest rates more in line with the key ECB interest rate (see Box 3).

This action detained the sharp deterioration which the usual indicators of financial strain had suffered in the preceding weeks, although it is highly uncertain how they will behave in the immediate future. There is still not enough information to assess the impact of recent developments on the main macroeconomic aggregates. The National Accounts figures available to 2008 Q2 show a higher-then-expected decrease in quarterly GDP growth and the economic activity indicators available for Q3 generally reflect a notable sluggishness. The deepening of the global economic crisis brought an additional tightening of financial conditions and a notable fall-off in the confidence of agents, which the most recent forecasts of different public and private agencies interpret as signalling the prolongation of the weak economic activity. In any event, the exceptionality of the situation adds extra uncertainty. Any recovery during 2009 will depend, among other factors, on the result of the extraordinary measures taken by the economic authorities to re-establish financial market confidence and functioning and thus prevent the possibility of perverse feedback between financial instability and economic activity.

The upward pressure on prices is easing in consonance with the fall-off in commodity prices since mid-July. These include most notably oil prices, which stood at nearly \$60/barrel at the end of October, after touching \$150 in July. This price movement and the weakness of activity led to a downward revision of the inflation outlook reflected by the usual indicators, although care still has to be taken to avoid the risk of slipping into an upward wage spiral.

The slowdown in activity is also affecting the behaviour of fiscal balances which, according to the information available on the budget outturn and the draft budgets of various countries (currently in the process of approval), are deteriorating more sharply and rapidly than was anticipated some months ago. This is a consequence of the operation of automatic stabilisers and of the introduction of discretionary measures in some countries. What is most noteworthy, however, is the slowdown in the collection of certain taxes linked to the real estate market's

From the onset of the financial turmoil, the European economic authorities have been working on a joint response co-ordinated with other international initiatives, particularly with the recommendations of the Financial Stability Forum (FSF).[1] The work programme is included in the roadmap approved by the ECOFIN Council in October 2007. Its objectives are to improve the functioning of markets (including the operation of credit rating agencies), enhance transparency, improve asset valuation and strengthen supervision, risk management and co-operation between supervisors.

The sharp turn for the worse in the global financial crisis from mid-September, with the concomitant risks to financial stability and harmful effects even on solvent banks, required resolute action by

1. The FSF was set up following the Asian crisis to coordinate global efforts to strengthen the financial system. In April 2008 the FSF issued recommendations to deal with the current situation. A follow-up report on their implementation is available at http://www.fsforum.org/press/pr_081009f.pdf.

NATIONAL PLANS TO SUPPORT THE FINANCIAL SYSTEM IN THE EURO AREA (a)

	Financing				Assets	Total amount		
		Guarantee						
	Recapitalisation	Of debt	Of deposits	Other forms of financing	Purchase/exchange of assets	In € billion (b)	% of GDP	% of bank assets (c)
DE	Yes €70 billion (increasable to an additional €10 billion)	Yes Max. €400 billion. Loan loss provision of 5%	Political commitment to 100% coverage	Only if necessary	Yes. Allocation of funds combined with recapitalisation measures	480	19.8	6.3
FR	Yes Max. €40 billion	In special circumstances. Yes for Dexia	Remains at €70,000	Yes Refinancing fund €320 billion		360	18.0	5.4
IT	Yes No allocation of funds	Yes No allocation of funds	Remains at €103,291.38		Yes Exchange of public debt Up to €40 billion	40	2.6	1.2
ES	Yes No allocation of funds	Yes Máx.100 mm €	Raised to €100,000		Yes Fund initially set at €30 billion, increasable to €50	150	14.3	5.1
NL	Yes Total allocation of funds unspecified. €20 billion immediately	Yes Máx. 200 mm €	Raised to €100,000	The Dutch central bank will grant credit to financial institutions		220	38.8	10.0
BE	Yes No allocation of funds	Yes No allocation of funds	Raised to €100,000					
AT	Yes Max. €15 billion	Yes. Up to €85 billion, including other forms of financing	100% coverage with effect from 1.10.2008	Yes A private entity with State guarantee will act as intermediary in the interbank market		100	36.9	11.2
GR	Yes €5 billion	Yes €15 billion	Raised to €100,000		Yes. €8 billion. Exchange of public debt	28	12.2	7.3
IE		Yes No allocation of funds	100% coverage					
FI	Yes €4 billion	Yes €50 billion	Raised to €50,000			54	30.1	18.8
PT		Yes Max. €20 billion	Raised to €100,000			20	12.3	4.5

SOURCES: European Central Bank and national central banks and finance ministeries.

a. Measures announced up to 24 October, in many cases lacking specificity and legislative approval.
b. For the euro area as a whole, the total figure amounts to €1,412 billion.
c. Assets of credit institutions in 2007, taken from the October 2008 ECB publication *EU banking structures.*

governments. The summit of the European G8 countries on 4 October and the subsequent joint declaration of the EU heads of state and government manifested the initial political commitment to act coordinatedly and resolutely to ensure financial system stability. Subsequently, on 7 October the EU ministers of economy and finance decided to take all the action needed to re-establish the confidence and proper functioning of markets. The ministers decided to raise the minimum coverage of the deposit guarantee fund to €50,000 and established common principles on which the national initiatives should pivot: protection of taxpayers' interests, liability of shareholders and managers, and observance of single market and competition rules.[2]

Following this commitment, on 12 October the EU heads of state and government launched a concerted action plan. Whereas the ECB's measures are designed to support very short-term liquidity conditions (see Box 3), the governments' plan aims to support medium-term funding and restore institutions' capital ratios so that they continue to play their role as intermediaries in the economy. The member countries immediately made known some features of the national plans, which in certain cases supplemented previously announced or approved measures. As illustrated in the accompanying box, the plans of the euro area countries envisage various types of measures which, according to the information released so far, amount to more than €1,400 billion.

First, to enable credit markets to function normally again and so banks can obtain medium-term funding, the euro area governments propose a system to temporarily guarantee new bank issues of senior debt (with maturities of up to five years). Moreover, some countries, such as France and Austria, offer guaranteed loans to their banking system, while others, such as Spain and Italy, have opted to purchase or exchange high-quality assets enabling institutions to be refinanced. The plan also helps institutions to restore their capital ratios. To this end, various governments have announced that they will provide (tier 1) capital to solvent institutions and, where necessary, emergency capital to prevent possible systemic risk. All these actions must comply with certain requirements, namely that they must be of a temporary nature and take place at market prices, among others.

Finally, the action plan agreed in the euro area also seeks to improve the mechanisms of cooperation between countries[3] and make accounting criteria more flexible. In regard to this latter task, the European Commission has already issued a regulation so that the diminution in asset values does not continue to put additional pressure on European institutions.

In short, the measures referred to above aim to restore confidence and mitigate short-term liquidity and medium-term funding pressures, thereby helping the banking system to keep channelling savers' funds efficiently to the individuals and firms that need them and thus reducing the impact of the financial strain on economic growth.

In any event, in the medium term, it is also necessary to set in train the reforms identified in the roadmap approved by the ECOFIN Council in October 2007, which continues to be a priority. Also, the global nature of this crisis and the growing cross-border interrelationship of markets and institutions will require close international cooperation of governments, regulators, supervisory authorities and central banks.

2. Subsequently, the European Commission released a communication detailing the characteristics required of national guarantee and recapitalisation systems so as to comply with the general principles and with EU law.

3. In this respect, on 15 and 16 October the European Council announced it was setting up a financial crisis cell to act as a warning, information-exchange and evaluation mechanism.

performance and to business profits, which in recent years had contributed extraordinarily to improving fiscal balances. All this demonstrates the scant room for manoeuvre in the budgetary policy of some euro area countries. Further, the size of the financial institution recapitalisation and rescue plans being carried out by governments may have a significant impact on the behaviour of fiscal aggregates.

3.1 Economic developments

According to the second National Accounts estimate, after rapid growth in the first quarter of the year, euro area GDP posted a quarter-on-quarter decrease of 0.2% in Q2 (see Table 1 and Chart 8). This fall partly reflected a technical offsetting of the extraordinary factors which drove GDP at the beginning of the year, but its larger-then-expected size was a clear sign that the combined negative impact of various shocks was starting to have a bearing on euro area activity. Notable among these shocks are the rise in commodity prices, the appreciation of the euro, the loss of dynamism of the international environment and the turmoil in financial markets since mid-2007, which are being reflected in a tightening of financial conditions and in a decline in wealth associated with the fall in financial and real asset prices.

EURO AREA ECONOMIC INDICATORS (a)

TABLE 1

	2007				2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NATIONAL ACCOUNTS (Quarter-on-quarter growth, except as indicated)								
GDP	0.7	0.5	0.6	0.4	0.7	-0.2		
Private consumption	0.0	0.7	0.4	0.2	-0.1	-0.2		
Public consumption	1.0	0.2	0.5	0.3	0.3	0.5		
GFCF	0.9	0.2	0.9	1.1	1.4	-1.0		
Imports	1.2	0.8	2.2	-0.4	1.8	-0.5		
Exports	0.5	1.3	1.8	0.3	1.8	-0.2		
Contribution to quarter-on-quarter GDP growth (pp)								
Domestic demand (excl. inventories)	*0.4*	*0.5*	*0.5*	*0.4*	*0.3*	*-0.2*		
Changes in inventories	*0.6*	*-0.2*	*0.2*	*-0.3*	*0.3*	*0.0*		
Net foreign demand	*-0.3*	*0.2*	*-0.2*	*0.3*	*0.0*	*0.1*		
GDP (annual growth)	3.2	2.6	2.6	2.1	2.1	1.4		
ACTIVITY INDICATORS (quarterly average)								
IPI, working-day adjusted (annual growth)	3.9	2.8	3.9	2.9	2.6	1.2	*-0.9*	
Economic sentiment	109.4	111.0	108.7	104.3	100.5	96.5	88.6	
Composite PMI	57.5	57.2	56.5	54.0	52.1	50.8	47.6	*44.6*
Employment (annual growth)	1.8	1.7	1.9	1.7	1.5	1.2		
Unemployment rate	7.6	7.4	7.4	7.3	7.2	7.3	*7.4*	
PRICE INDICATORS (end-period data)								
HICP (annual growth)	1.9	1.9	2.1	3.1	3.6	4.0	3.6	
PPI (annual growth)	2.8	2.3	2.7	4.4	5.8	8.1	*8.5*	
Oil price in USD	62.3	71.8	78.2	91.5	104.3	132.0	98.1	*75.0*
FINANCIAL INDICATORS (end-period data)								
Euro area ten-year government bond yield	4.1	4.7	4.4	4.4	4.2	4.9	4.5	*4.4*
US-euro area ten-year government bond spread	0.58	0.46	0.15	-0.36	-0.69	-0.88	-0.88	*-0.49*
Dollar/euro exchange rate	1.332	1.351	1.418	1.472	1.581	1.576	1.430	*1.260*
Appreciation/depreciation of the EER-22 (b)	0.9	1.5	3.7	6.3	3.6	3.4	-0.7	*-6.2*
Dow Jones EURO STOXX 50 index (b)	1.5	9.0	6.4	6.8	-17.5	-23.8	-30.9	*-47.0*

SOURCES: European Commission, Eurostat, Markit Economics, ECB and Banco de España..

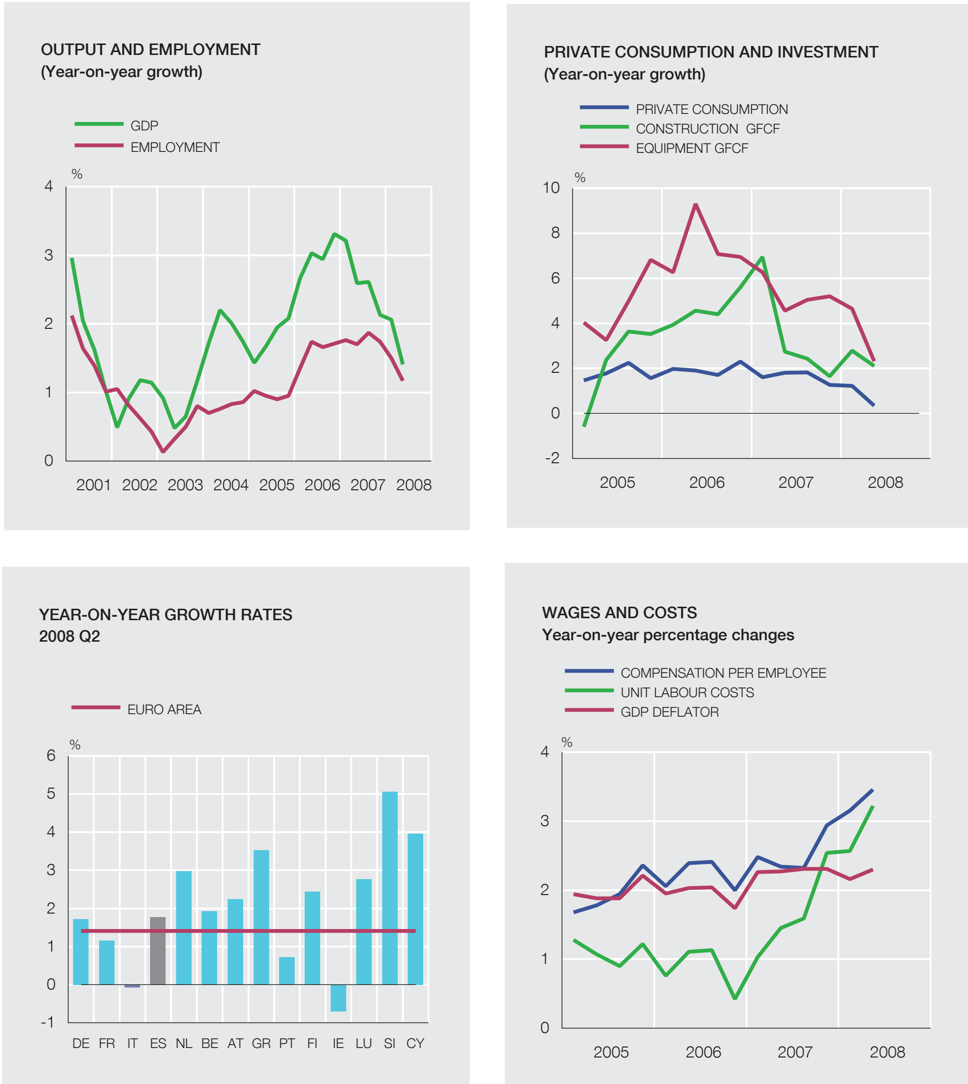
a. Information available up to 24 October 2008. The information in italics does not cover a full quarter.
b. Percentage change over the year.

Most notable among the components was the decrease in spending on investment and on consumption. The former was particularly sharp, especially in the case of construction, which in the previous quarter had been stimulated to very high levels by the favourable weather conditions. The fall in private consumption was because of the contractionary impact of inflation on agents' incomes and the tighter financial conditions which, in a climate of uncertainty about the economic outlook and of deterioration in confidence, has pushed up the household saving rate. In year-on-year terms, euro area GDP growth decreased by 0.7 pp to 1.4%. The slowdown in activity spread to the main euro area economies. In the case of Germany, the quarter-on-quarter decline in GDP was 0.5% and was of a general nature, and the most notable feature was the weakness of private consumption, which fell for the third consecutive quarter. The fall in private consumption and investment in France and Italy was not as sharp as in Germany, but to this should be added a negative contribution from external demand, which left the quarter-on-quarter decrease in GDP in both economies at 0.3%.

Despite the fall-off in activity, employment increased in 2008 Q2, albeit more slowly than in the preceding months, prolonging the slowing trend initiated in the second half of 2007. Given that the slowdown in employment was smaller than in output, as is usual in cyclical downturns, labour productivity rose very moderately. This cyclical slowdown in productivity, in conjunction with the acceleration in compensation per employee, meant that unit labour costs grew rap-

EURO AREA NATIONAL ACCOUNTS

CHART 8



Sources: Eurostat and national statistics.

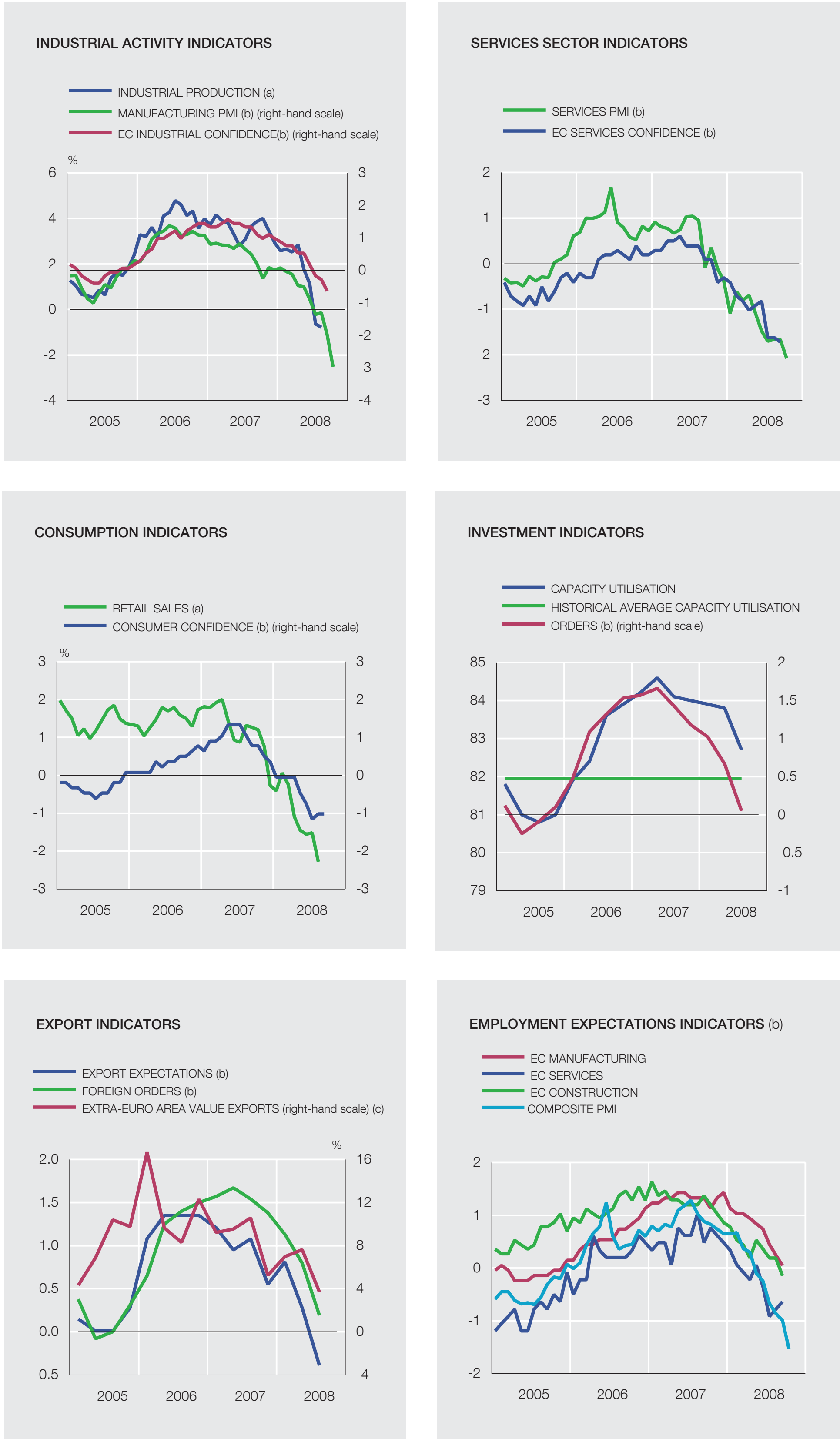
idly at more than 3%. Nevertheless, the contraction in operating margins partly cushioned the effect of the higher labour costs on final prices.

In 2008 Q3 the conjunctural indicators of activity deteriorated further (see Chart 9). Thus the decline in the industrial production index steepened in July and August and the business surveys showed a notable fall-off up to September which extended throughout all sectors and most of their components (current situation, expectations, etc). Further, the indices based on surveys of purchasing managers (PMIs) were down by 50 points on average for the quarter, pointing to a contraction of activity both in industry and in services. Meanwhile, the indicators of job creation expectations prolonged the deceleration initiated in the previous quarter, while the unemployment rate continued to rise slowly, standing at 7.5% in July.

The demand-side information available also reflects a weak growth rate of the main macroeconomic aggregates in Q3. Among the household spending indicators, retail sales and new car registrations showed very subdued month-on-month rates of change in July and August, following a decline in Q2. Meanwhile, the deceleration of consumer confidence and retail sales indices steepened in the quarter as a whole and there was a notable worsening of sentiment as to the employment trend, the household financial position and the general economic situa-

EURO AREA. ACTIVITY, DEMAND AND EMPLOYMENT INDICATORS

CHART 9



SOURCES: European Commission, Eurostat and Markit Economics.

a. Non-centred annual percentage changes, based on the quarterly moving average of the seasonally adjusted series.
b. Normalised data.
c. Year-on-year rates of the original series. Quarterly average.

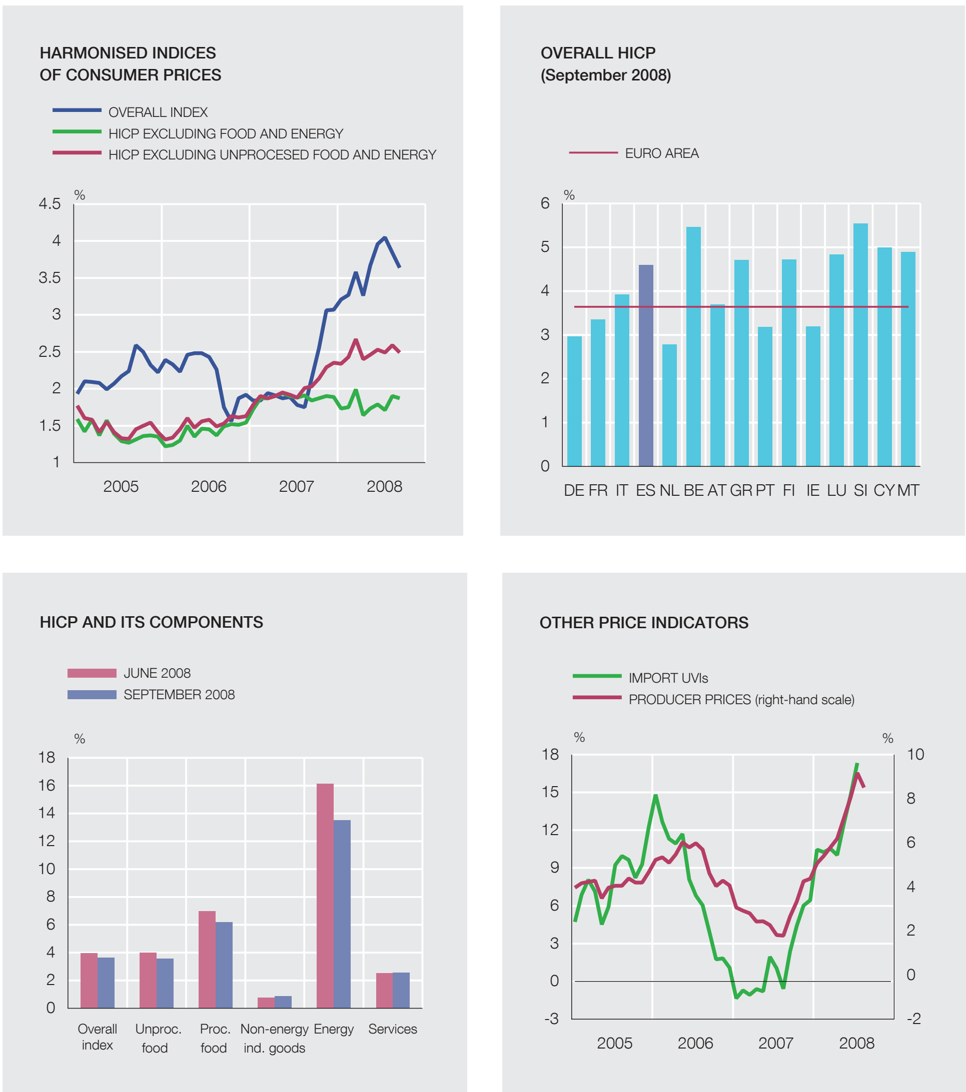
GDP AND HICP FORECASTS FOR THE EURO AREA (a) TABLE 2

	2008		2009	
	GDP	HICP		HICP
Eurosystem (September 2008)	1.1-1.7	3.4-3.6	0.6-1.8	2.3-2.9
European Commission (April 2008)	1.7	3.2	1.5	2.2
Interim update (September 2008)	*1.3*	*3.6*		
IMF (October 2008)	1.3	3.5	0.2	1.9
OECD (June 2008)	1.7	3.4	1.4	2.4
Interim update (September 2008)	*1.3*			
Consensus Forecast (October 2008)	1.2	3.4	0.5	2.2
Eurobarometer (October 2008)	1.2	3.5	0.3	2.3

SOURCES: European Commission, Consensus Forecast, Eurosystem, IMF, MJ Economics and OECD.

a. Annual growth rate.

EURO AREA. PRICE INDICATORS CHART 10
Year-on-year percentage changes



SOURCES: Eurostat and European Central Bank.

GENERAL GOVERNMENT BUDGET BALANCES AND PUBLIC DEBT OF EURO AREA COUNTRIES (a)

TABLE 3

% of GDP

	BUDGET BALANCES (a)					
	2006	2007		2008		2009
		Stab.Prog. (b)	EC (c)	Stab.Prog. (b)	EC (c)	EC (c)
Belgium	0.3	-0.2	-0.2	0.0	-0.4	-0.6
Germany	-1.6	0.0	0.0	-0.5	-0.5	-0.2
Greece	-2.6	-2.7	-2.8	-1.6	-2.0	-2.0
Spain	1.8	1.8	2.2	1.2	0.6	0.0
France	-2.4	-2.4	-2.7	-2.3	-2.9	-3.0
Ireland	3.0	0.5	0.3	-0.9	-1.4	-1.7
Italy	-3.4	-2.4	-1.9	-2.2	-2.3	-2.4
Luxembourg	1.3	1.0	2.9	0.8	2.4	2.3
Netherlands	0.5	-0.2	0.4	0.5	1.4	1.8
Austria	-1.5	-0.7	-0.5	-0.6	-0.7	-0.6
Portugal	-3.9	-3.0	-2.6	-2.4	-2.2	-2.6
Slovenia	-1.2	-0.6	-0.1	-0.9	-0.6	-0.6
Finland	4.1	4.5	5.3	3.7	4.9	4.6
Malta	-2.6	-1.6	-1.8	-1.2	-1.6	-1.0
Cyprus	-1.2	1.5	3.3	0.5	1.7	1.8
MEMORANDUM ITEMS: Euro area (including Malta and Cyprus)						
Primary balance	1.6	2.2	2.3	2.1	1.9	1.8
Total balance	-1.3	-0.8	-0.6	-0.9	-1.0	-1.1
Public debt	68.5	66.6	66.4	64.8	65.2	64.3

SOURCES: European Commission and national stability programmes..

a. Deficit (–) / surplus (+). The deficits that exceed 3% of GDP have been shaded.
b. Stability Programme targets submitted between late 2007 and early 2008.
c. European Commission forecasts (spring 2008).

tion. Noteworthy in regard to investment in capital goods is the rapid fall-off in the level of capacity utilisation in industry, although it is still above its long-term average. Finally, as regards external demand, exports performed very weakly in July, since there was a fresh fall in export order books and in export expectations, in line with the weakening of external demand.

In short, the available information for Q3 points to a prolongation in this period of the economic weakness seen in the previous quarter. The worsening of the financial crisis since mid-September makes it less likely that there will be a prompt end to the period of financial instability initiated in summer last year and has notably heightened the uncertainty over the prospects for growth. The most recent forecasts by international and private agencies delay the onset of improvement until the second half of 2009, so they envisage very low average growth for next year (see Table 2). Moreover, this scenario is subject to notable downside risks derived from possible feedback between the deterioration in financial and real conditions.

Euro area inflation decreased in Q3 to stand at 3.6% in September, from a high of 4% in June and July. As in previous months, this behaviour is largely linked to energy price developments and, to a lesser extent, to the slowdown in food prices (see Chart 10). The slight acceleration in the prices of services and non-energy industrial goods contrasts with the gradual weakening of demand. Core inflation (measured by the year-on-year rate of change of the HICP excluding unprocessed food and energy) held steady at 2.5% between June and September.

The intensification of the financial crisis and its foreseeable effects on the real economy, along with the moderation of food and energy commodity prices (at the end of October the price of Brent oil was approximately \$60), lends support to the downward revision now under way of inflation expectations in the short and medium term. A similar picture is offered by the selling price indicators based on confidence surveys and the inflation expectations indicators drawn from the financial markets. Nevertheless, foreseeably wages will remain at high levels, since they are the result of negotiations conducted several months ago, when the economic outlook was more favourable and the labour market had little slack. It can therefore be expected that the weakening of demand and of job creation prospects will help to hold wage demands in check, as the risk diminishes that energy price rises will produce widespread second-round effects on wages.

According to the information published by the ECB, the euro area current account balance posted a deficit of €39.8 billion (0.6% of GDP) up to August 2008, in contrast to the surplus of €8.9 billion recorded in the same period last year. This change of sign largely reflects the decrease in the goods surplus and the increase in the current transfers deficit. The performance of the goods balance is a result of the moderation of export sales in line with the weakening world trade and, in particular, with the deterioration in real terms of trade linked to sharp import price growth up to July. In the financial account, the direct and portfolio investment aggregate recorded net outflows of €95 billion between January and August, compared with €188 billion of inflows in the same period of last year. This was because direct investment posted a net capital outflow far higher than that in the same period of the previous year, while net capital inflows arising from portfolio investment decreased notably.

In the fiscal policy realm, the information available on the budget outturn points to a deterioration in the general government budget balance higher than that envisaged in the Commission's spring 2008 economic forecast. This result reveals mainly a sharp deceleration of revenue, which reflects both the introduction of discretionary measures (notable among these are the lowering of social contributions in France and Germany, the reduction of corporate income tax in Spain and Germany and the direct tax cuts in Spain) and the worsening of macroeconomic conditions. Also noteworthy is the absence of the extraordinary revenue recorded in the previous two years in some countries, linked to the boom in the real estate sector and to the increase in corporate profits.

In these circumstances, when they prepare their budgets for the coming years, most countries are revising the objectives set in their updated stability programmes at the end of 2007 (see Table 3). The revision is especially significant in the cases of Ireland, which estimates that it will end 2008 with a deficit of more than 5%, and Spain. The governments of France and Italy have also revised upwards their deficit estimates for 2008, to 2.7% and 2.5% of GDP, respectively. In addition, France has postponed to 2013 its medium-term objective of achieving a balanced budget, while Italy has approved a package of fiscal measures intended to achieve balance in 2011. Only in Germany were the budget deficit estimates for 2008 revised downwards, leaving the general government budget nearly balanced in that year, compared with the previously estimated deficit of 0.5 pp.

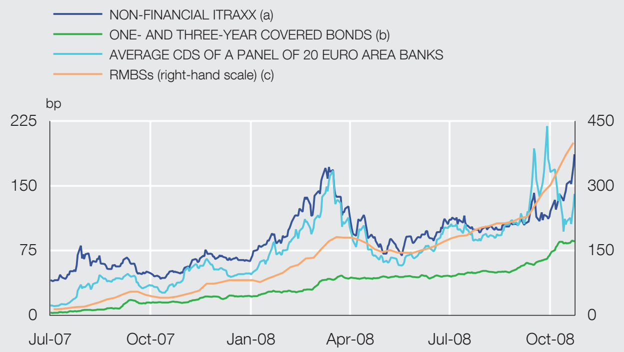
What has been said so far highlights the scant room for manoeuvre available to some countries (with deficits already close to 3% of GDP in 2008) when it comes to allowing automatic stabilisers to act freely or to establishing discretionary anticyclical policies. To this should be added the fiscal cost which the financial institution recapitalisation and rescue plans undertaken by various governments will foreseeably have. Given this situation, in the coming months some governments will foreseeably invoke the "exceptional circumstances" clause of the Stability and Growth Pact.

THE WORSENING OF FINANCIAL TENSIONS IN THE EURO AREA AND THE ACTION OF THE EUROPEAN CENTRAL BANK

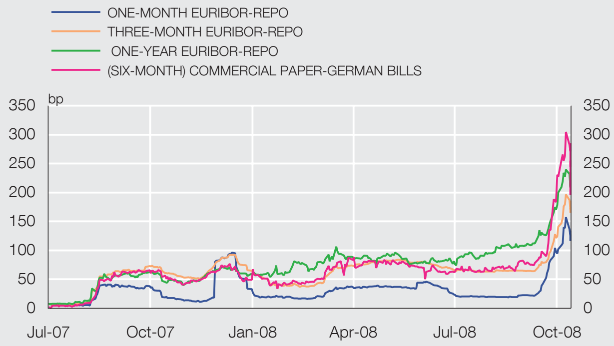
BOX 3

In the euro area, as elsewhere, the deterioration of the international financial markets affected the whole of the banking sector, including highly solvent institutions without any direct exposure to the products that have come to be known as "toxic". The concerns over the solvency of banks reached extreme levels, with the premiums on credit default swaps rising extraordinarily (see Chart 1). In the money markets, term financing in the unsecured segment was practically inexistent and the lack of confidence between institutions was reflected in EURIBOR levels which incorporated premiums of more than 200 bp at the beginning of October (see Chart 2). Also, in the markets of highest credit quality, such as covered bonds, rates also rose. Meanwhile, stock exchange indices fell sharply amidst extreme volatility affecting all sectors, with the EUROSTOXX 50 undergoing a correction of nearly 30% from mid-September (see Chart 3).

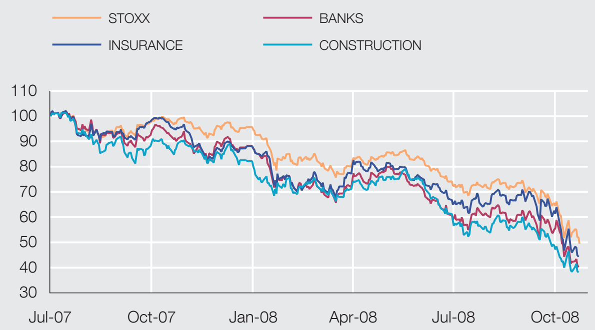
1 RISK INDICATORS



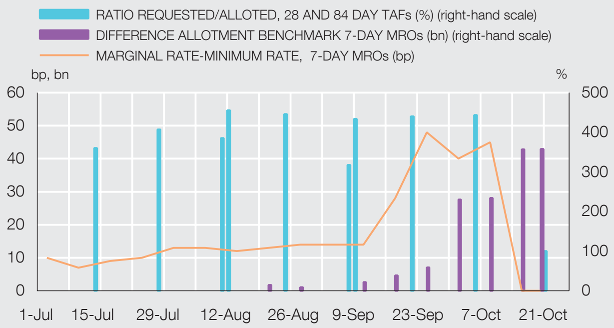
2 MONEY MARKET SPREADS



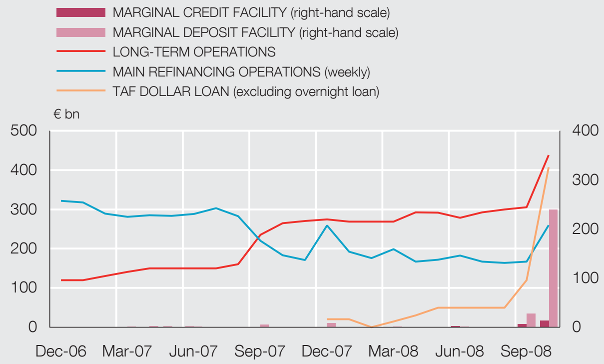
3 BROAD EURO STOXX AND SECTORAL INDICES



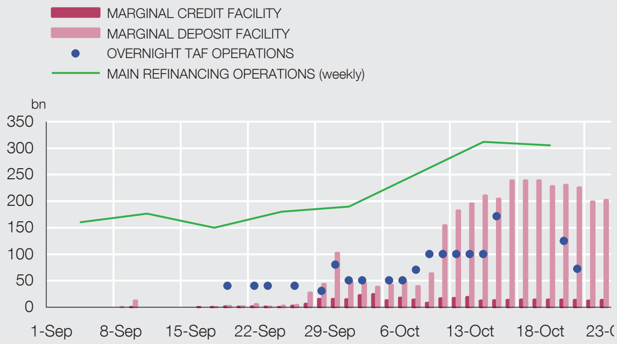
4 ECB OPERATIONS. DAILY DATA



5 VOLUMES OF ECB OPEN MARKET OPERATIONS (d)



6 VOLUMES OF ECB OPERATIONS. DAILY DATA



SOURCES: European Central Bank, Bloomberg, Datastream and JP Morgan.

a. Quoted indices of a basket composed of different credit default swaps.
b. Spread with respect to swaps. Five-day moving averages.
c. AAA-rated euro-denominated mortgage-backed securities. Spread over three-month EURIBOR. Unweighted average of indices available for countries.
d. Plot of average monthly net loan in each type of operation, except for TAFs and standing credit and deposit facilities, for which the month-end volumes are shown. October figures are up to the 24th.

Faced with the risks which this situation posed for the activity of financial intermediation, governments and central banks of numerous countries, including those of the euro area, undertook extraordinary measures to support the financial system (see Box 2 for more details on the initiatives of euro area governments).

However the escalation of the financial strain also strongly affected the implementation of single monetary policy. Thus, from mid-September the marginal rate in the weekly tenders reached notably high levels, despite the fact that the ECB continued to provide liquidity above what, ex ante, was considered neutral (see Chart 4). At the same time, however, institutions increasingly resorted to the deposit facility, indicating that liquidity was not being distributed efficiently in the system (see Chart 5). In addition, the US dollar liquidity needs of European banks increased.

The monetary authority responded to this additional strain by renewing the long-term supplementary financing transactions with three- and six-month maturities that it had entered into before summer and increasing the amounts supplied in the latter. One-off transactions were also conducted, such as, for example, that entered into on 29 September to provide €120 billion for 38 days with a renewal commitment until the beginning of 2009. As a result, the longer-term lending operations are providing the bulk of financing (see Chart 5), since the average net loan in September amounted to €305 billion, against €167 billion through the weekly tenders. In October to date these amounts were even higher (see Chart 6).

Nonetheless, in October the ECB Governing Council decided to undertake more radical changes in view of the prolongation of the crisis and the realisation that the interbank market was unlikely to be able to resume its normal functioning in the short term. First, it was decided that the weekly main refinancing operations would be carried out through a tender procedure at a fixed rate (the minimum rate in the weekly tenders), with full allotment of the requested amounts, which gave rise to a significant increase in this type of financing (€310 billion in the 15 October tender). This tender procedure was subsequently extended to other longer-term operations. Second, the corridor of standing facilities was reduced from 200 bp to 100 bp around the interest rate on the main refinancing operation. Lastly, the Governing Council decided to significantly broaden the range of assets acceptable as collateral. Simultaneously, the ECB, in coordination with other central banks, widened the agreements with the Federal Reserve to increase the dollar loan. Hence new one-week dollar operations and daily tenders for overnight loans were introduced. Also, on various occasions the amount of the term auction facilities was increased and on 13 October the central banks decided to grant the total funds requested in fixed-rate term auction facilities (except in the daily ones). This measure will remain in place until at least January 2009. The ECB also reached an agreement with the Swiss National Bank to provide financing in Swiss francs.

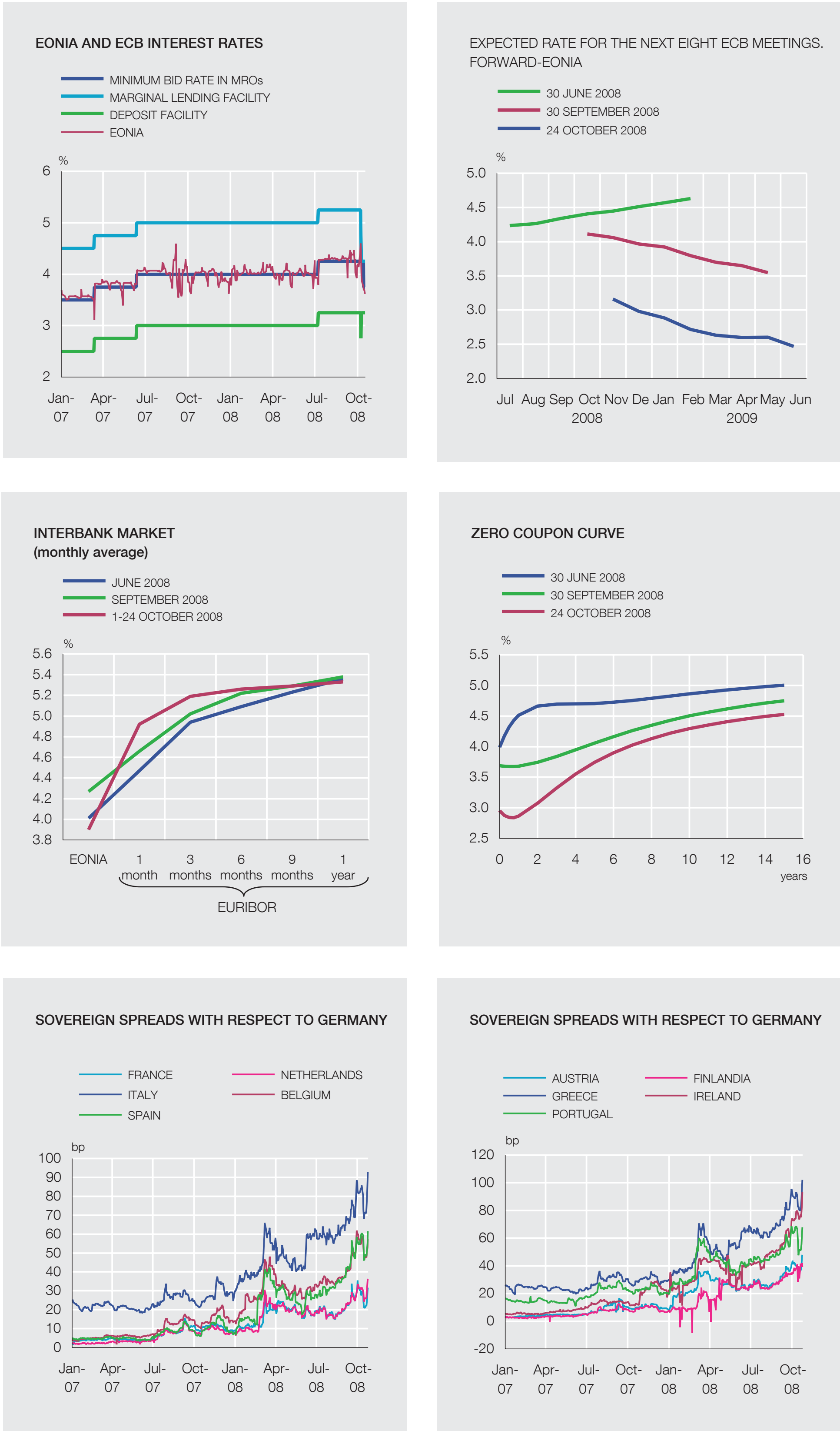
The wide range of measures adopted in recent weeks have led the ECB to take on a role of liquidity distribution normally carried out by the market. As is well known, the financial markets have to function normally before the main channels used by the monetary policy transmission mechanism can operate. Moreover, in circumstances like those prevailing at present, there is an increased risk that liquidity problems may rapidly turn into bouts of financial instability. From this standpoint, the decisions taken by the ECB Governing Council, within the scope of the independent exercise of its powers, supplement the measures, also extraordinary, taken recently by the governments of the euro area countries.

3.2 Monetary and financial developments

In the euro area the extraordinary worsening of the financial tensions seen in mid-September was manifested in the further tightening of financial conditions. As shown by Table 3, the difficulty in obtaining liquidity on the monetary markets prompted a large increase in the spreads between interest rates on the interbank market and those on assets without counterparty risk. Risk premiums and the spreads on corporate bonds also increased notably, and stock market indices, amidst extreme volatility, recorded sharp falls (see Charts 11 and 12). The deterioration in the financial situation of some institutions and the growing difficulties in obtaining financing have given rise to corporate movements which are producing a restructuring of the European banking sector and, on occasions, have required the intervention of governments in troubled institutions to prevent possible systemic risk. Apart from this action in respect of specific institutions, as described in Box 2, the euro area governments acted in coordination to take exceptional measures to support the financial system so that it could satisfactorily continue its task of intermediation in the economy. Against this background, the ECB has taken numerous decisions to mitigate the effects of the deepening crisis on financial conditions, restore confidence to the markets and meet the abundant demand for liquidity.

EURO AREA INTEREST RATES

CHART 11

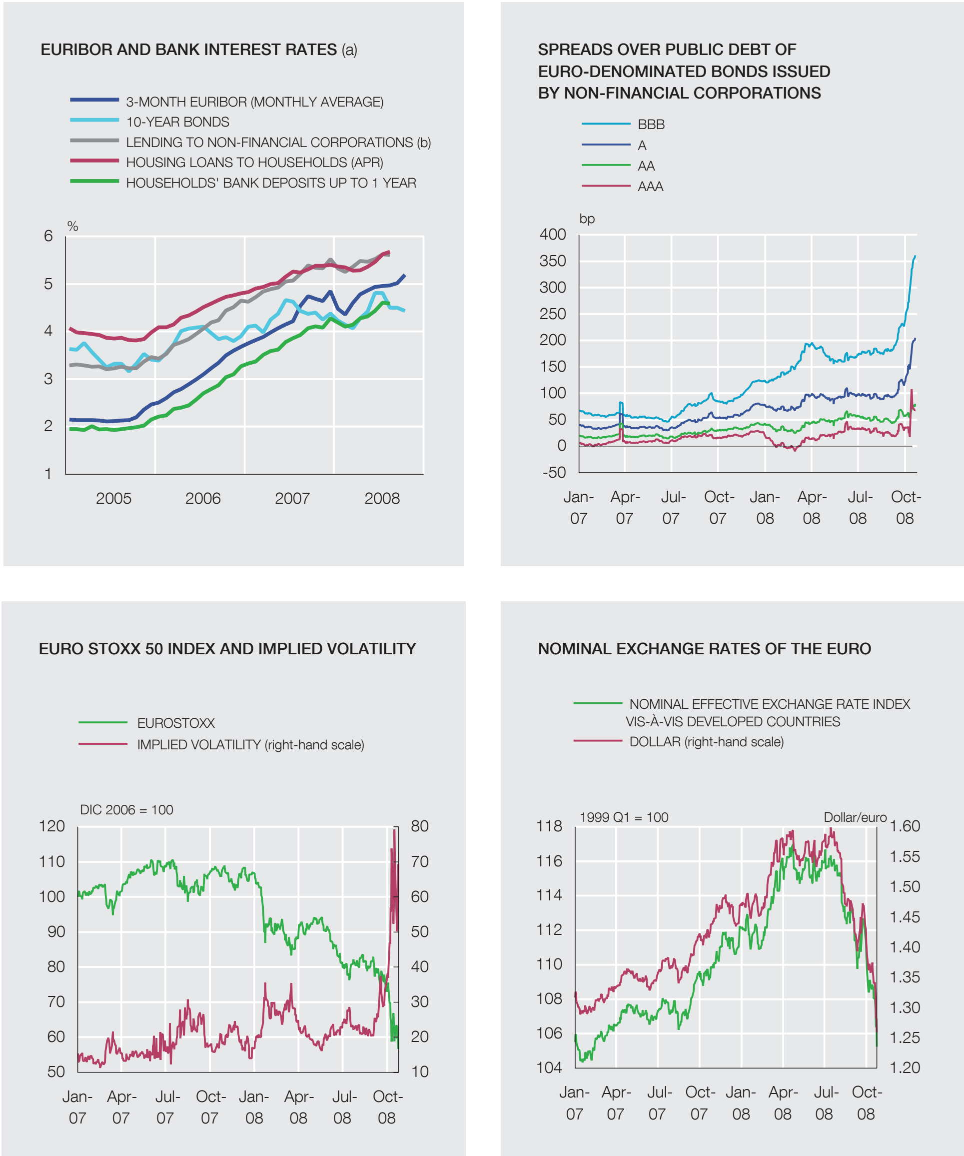


SOURCES:European Central Bank and Banco de España.

a. Estimated by the ECB using swaps market data.

EURO AREA INTEREST RATES, EXCHANGE RATE AND STOCK MARKET INDEX

CHART 12



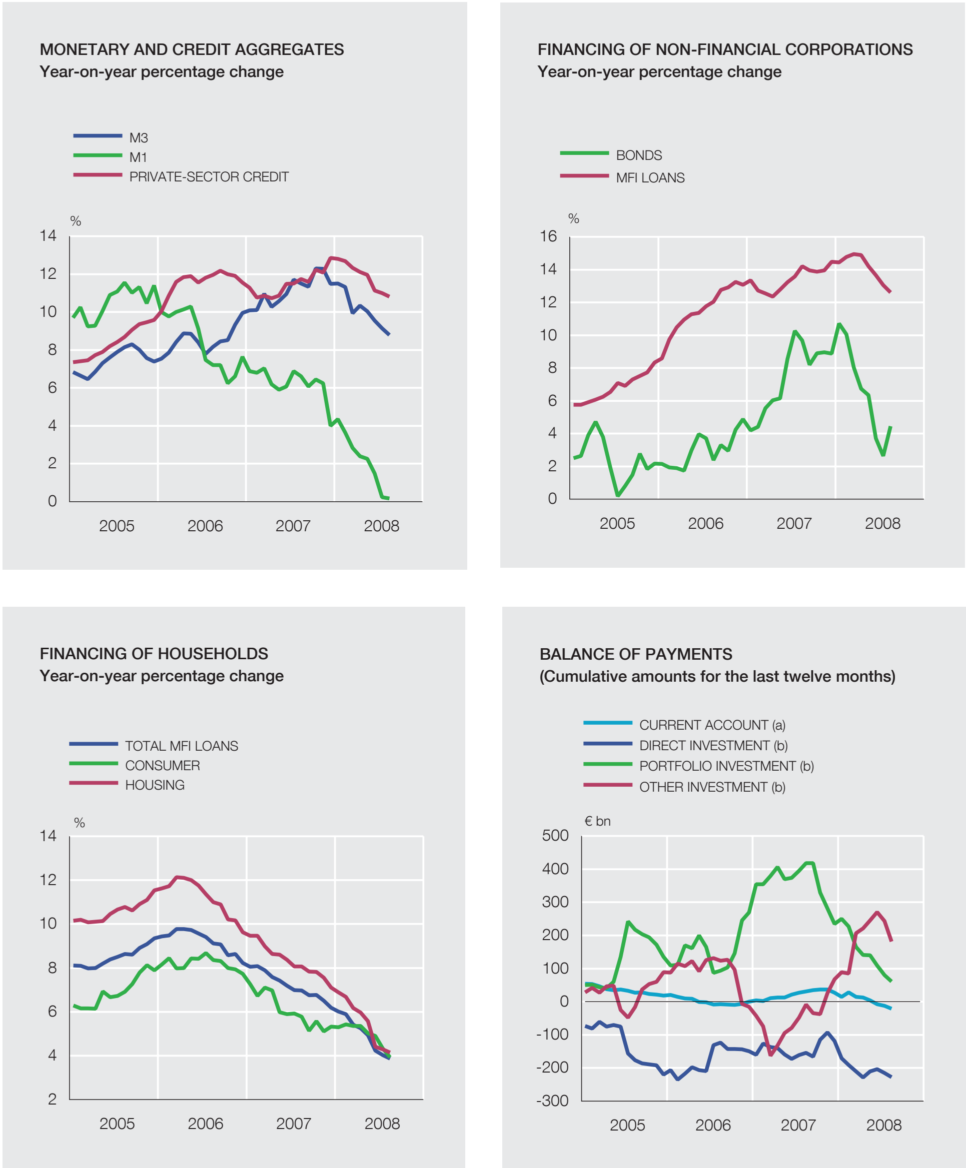
SOURCES: European Central Bank and Banco de España.

a. For new operations.
b. Floating interest rates and up to 1 year initial rate fixation.

On 2 October the ECB Governing Council discussed at length the intensification of the financial turmoil and its impact on activity and prices. At that time it considered that the weaker activity had reduced the risks to the objective of price stability, although they had not totally dissipated. In the ensuing days, however, there was a spate of negative news about the course of the financial crisis and its possible effects on the growth and inflation outlook. On 8 October the ECB Governing Council decided, in concerted action with other central banks, to lower interest rates on main refinancing operations (MROs) by 50 bp to 3.75%. This measure was accompanied by significant changes in its policy on the provision of liquidity, which are analysed in Box 3.

As noted above, the uncertainty at the time of this article going to press is very high, but it seems that the action taken by the economic authorities to ameliorate the adverse effects of the escalating financial turmoil have at least halted the rapid deterioration being recorded by

MONETARY AND CREDIT AGGREGATES AND BALANCE OF PAYMENTS CHART 13



SOURCES: European Central Bank and Banco de España.

a. A positive (negative) sign indicates a current account surplus (deficit).
b. Capital inflows less capital outflows. A positive (negative) sign indicates a net capital inflow (outflow).

most financial variables. Nonetheless, the worsening in most of the indicators of financial tensions since mid-September has not been fully corrected and, in any event, they continue to stand at high levels.

Thus EURIBOR interest rates, after peaking at the start of October, have been falling since the measures were announced. However, on 24 October the one-month rate remained above the levels before the intensification of the turmoil, while one-year EURIBOR stood at 5.04%, a level not seen since May. Meanwhile, at the date of this bulletin going to press, the long-term yields on government debt were slightly above 4%, somewhat down on those in June, reflecting a higher flow of savings to insurance assets and the possible impact of the deteriorating economic outlook and the easing inflationary pressure. The yield spread with respect to 10-year US bonds was around 50 bp. The yield spreads between German sovereign bonds and their equivalents in other euro area countries were higher than in June, standing above 90 bp in the case of Italy, Greece and Ireland, above 50 bp in Spain and Belgium, and around 30 bp in France, the Netherlands and Finland. Finally, the yield spreads of private debt over public debt have also increased notably, especially in the case of lower-rated securities.

European stock market prices were clearly penalised by the recent tensions and, as said above, have still not recovered the lost ground. Volatility increased significantly and, on 24 October, the EURO STOXX 50 had dropped by 47% from the beginning of the year and by nearly 30% since mid-September, with losses in most sectors, the sharpest being in the financial sector. The euro exchange rate stood at $1.26 per euro, with a depreciation of somewhat more than 14% in the year to date. In nominal effective terms, the cumulative depreciation was 6.2%. Additionally, against this background of financial tensions, there was downward pressure on some of the currencies participating in ERM II.

The latest information available on monetary and credit aggregates relates to August and therefore does not include the possible effects of the recent deepening of the financial turmoil (see Chart 13). The information available up to that month reflects a progressive slowdown in M3 growth to 8.8% year-on-year in August, with practically zero growth rates of its most liquid component, i.e. M1, which includes cash in circulation and overnight deposits. From the standpoint of counterparties, lending to the private sector held on a smoothly moderating trend apparent in all countries and which was somewhat more pronounced in lending to households than in that to non-financial corporations. Overall, the slowdown in lending to firms and households up to August was in line with the slackening dynamism of activity and the deteriorating economic outlook and with the persistent rise in financing costs. On the supply side, the bank lending survey reflected an additional tightening of credit standards in 2008 Q2, and institutions expect that this process will continue in Q3.

On QNA estimates, GDP slowed sharply in 2008 Q2, posting year-on-year growth of 1.8%, 0.8 pp below the estimated rate for the previous quarter. In quarter-on-quarter terms, the rate of increase in output stood at 0.1%, 0.2 pp down on Q1. This loss of momentum in activity reflected the diminished dynamism of national demand, in particular of residential investment. In contrast, the contribution of the external sector to GDP growth improved by 0.5 pp and turned positive, set against the sharper slowdown in imports than in exports. On the supply side, with the exception of energy, the rate of expansion of all branches of activity eased off, particularly construction and industry. The deceleration in activity was mirrored in the pace of job creation which, on QNA figures, slowed significantly in 2008 Q2 to 0.4% in year-on-year terms, 1 pp less than in the previous quarter. Consequently, given the rate of expansion of output, the pace of productivity increased by 0.2 pp to 1.4%.

On the information available, activity in the Spanish economy continued to weaken in 2008 Q3. The persistence of the instability on international financial markets and its consequences for financing conditions and agents' confidence have amplified the correction begun in the preceding quarters, contributing to check the increase in activity. The most acute episodes of the financial crisis seen in recent weeks might further have inhibited economic growth. Against this background, the year-on-year rate of change of GDP is expected to have stood at 0.9% in Q3, 0.9 pp below that observed the previous quarter. In quarter-on-quarter terms, it is estimated output will have fallen off, posting a rate of –0.2%. This would be attributable to the ongoing loss of momentum of national demand, whose year-on-year growth rate is expected to have fallen to 0.3%, while the positive contribution of the external sector is forecast to have continued improving to 0.6 pp (see Chart 14).

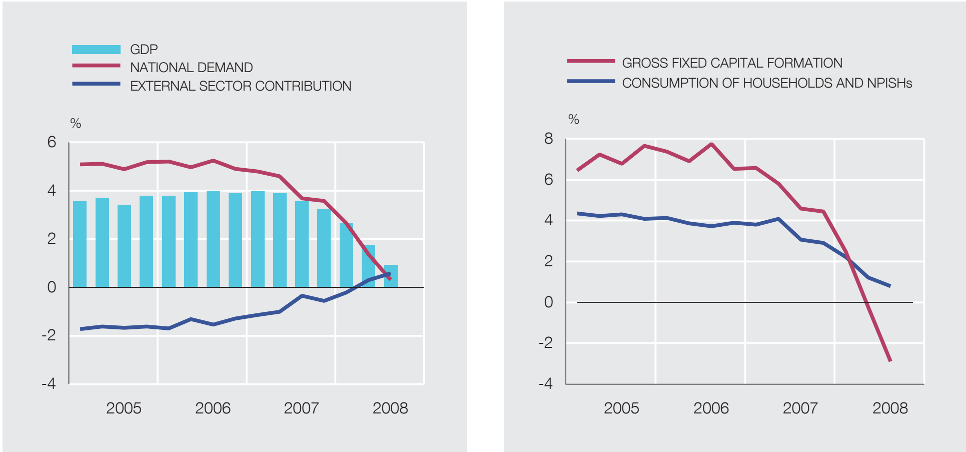
On the supply side, the slowdown in value added in the market economy in Q3 is estimated to have been across the board, bearing chiefly on the industry and construction branches. As to the labour market, the indicators available point to an intensification of the process of job destruction. Compensation per employee is estimated to continue growing at a high rate, similar to that observed in recent quarters, whereby the growth of unit labour costs is expected to slow slightly in Q3. As regards consumer prices, the year-on-year rate of change of the CPI increased over Q3 as a whole to an average rate of 4.9%, 0.3 pp more than the previous quarter, although it moderated appreciably from August. This trajectory was largely influenced by the path of oil prices which, after peaking in July, fell heavily subsequently. For the quarter on average, core inflation rose by the same amount as the overall index, to 3.5%, as a result of the acceleration of prices in services and in non-energy industrial goods.

4.1 Demand

Final consumption spending by households and NPISHs continued in Q3 on the markedly slowing path witnessed since the start of the year, according to the latest conjunctural information (see Chart 15). Consumer confidence and that of retailers slipped further, reaching a new historical low in the first instance and standing very close to it in the second. Among the quantitative indicators, the Tax Agency's figures on large corporations for July and August revealed year-on-year declines in domestic sales of consumer goods and services that were somewhat greater than in Q2 on average. Along these same lines, the retail trade index in real terms fell in the July-August period at a rate which was also higher than that seen in the spring. The deterioration was greater in the case of consumer durables. In Q3 there was a year-on-year fall of more than 30% in new car registrations.

MAIN DEMAND AGGREGATES (a)

CHART 14

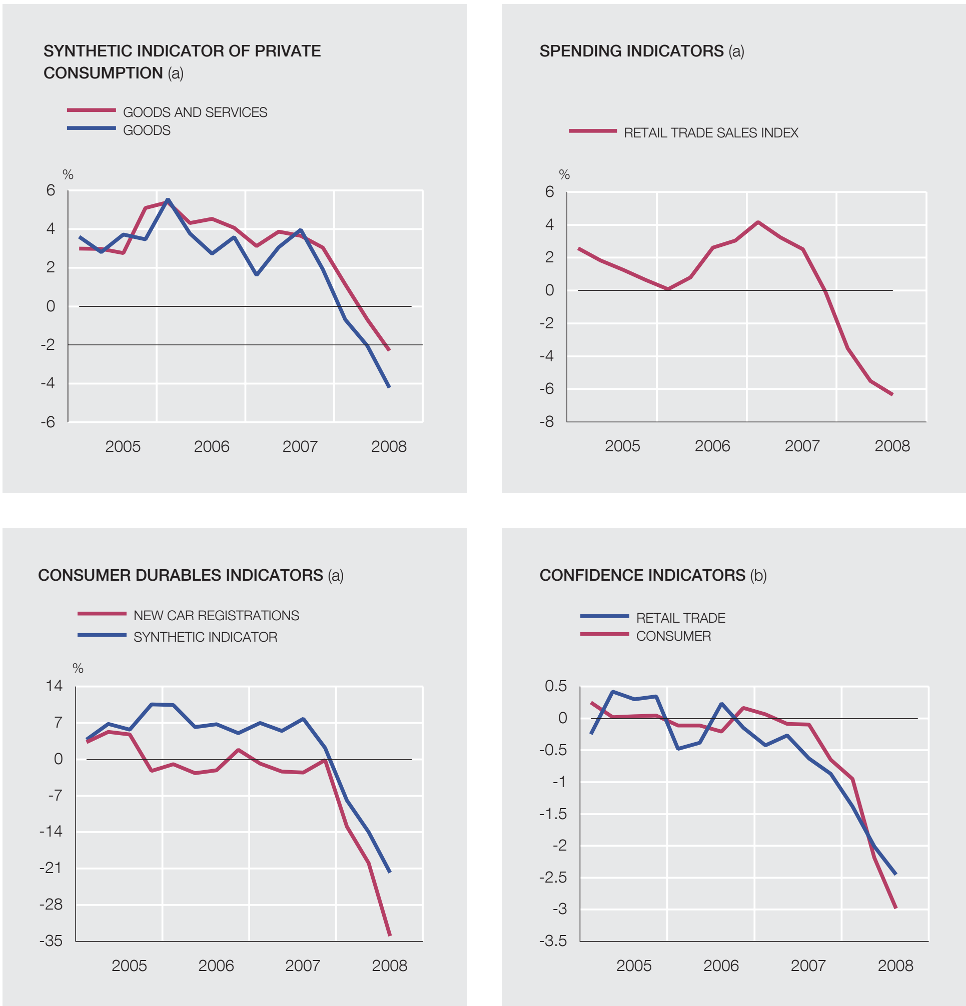


SOURCES: INE and Banco de España.

a. Year-on-year percentage change based on seasonally adjusted series.

PRIVATE CONSUMPTION INDICATORS

CHART 15



SOURCES: INE, European Commission, ANFAC and Banco de España.

a. Year-on-year percentage change based on the seasonally adjusted series.
b. Normalised confidence indicators (difference between the indicator and its mean value, divided by the standard deviation).

Behind this weakening in household consumption is both the aforementioned loss of confidence, generated by the delicate situation of international financial markets and by the gloomier macroeconomic outlook, and the more unfavourable trend of the attendant determinants. Hence job destruction and the high rate of inflation have eased the real rate of increase of household gross disposable income, despite high wage growth. Furthermore, the fall in stock market prices and the marked slowdown in house prices are exerting an unfavourable effect on household wealth. In turn, tighter financial conditions might be contributing to households deferring certain consumer durables spending decisions. All these factors are leading to a pick-up in the household saving ratio which, on the latest data from the non-financial accounts of the institutional sectors, increased to 10.7% of disposable income in the four-quarter period to 2008 Q2. That said, certain factors of a more structural nature might help support consumption to some extent in this sluggish phase, as is analysed in Box 4.

Final general government consumption is expected to post a similar rate in Q3 to that recorded the previous quarter (3.8%), although the State budget outturn data suggest a somewhat more moderate increase in civil servants' compensation.

Gross fixed capital formation continued to slide in 2008 Q3, according to the conjunctural information available (see Chart 16). In the case of capital goods, the related indicators of apparent investment, though incomplete, point in Q3 to some contraction, while the confidence indicators signal greater slackness, with declines in the business climate indicator in respect of capital goods and of industry as a whole, along with a deterioration in orders. These developments are in keeping with the weakness of domestic demand and of world trade, and with the moderation of business profits. Further, the recent tightening of bank financing conditions and the greater difficulties in raising financing from banks and through other channels are adversely affecting non-financial corporations' spending decisions. This set of factors is, according to the non-financial accounts of the institutional sectors, translating into a decline in the overall sector's net borrowing which, in the four quarters to 2008 Q2, stood at 10.3% of GDP (0.8 pp less than over the four previous quarters).

The contractionary behaviour of investment in construction became more acute in Q3. The indicators of inputs – such as the domestic production of construction materials and the apparent consumption of cement – saw their rate of decline step up over the July-August period. The labour market indicators also followed this course, with a year-on-year decline of 12% in the average number of Social Security registrations in this sector during Q3. Further, the related confidence indicator for construction entrepreneurs fell more sharply in Q3 than in Q2. With regard to the different types of works, investment in residential building is expected to have fallen at a higher rate than that in the preceding quarter, owing to the significant decline in housing starts, according to the information drawn from figures for project approvals and from the gradual completion of the high volume of projects begun in 2006 and 2007. Uncertainty over the economic outlook – in particular employment – and over house price developments has affected residential demand by households, and this in turn has tended to discourage new projects from being launched. Approvals for non-residential building also showed an appreciable loss of momentum in Q3.

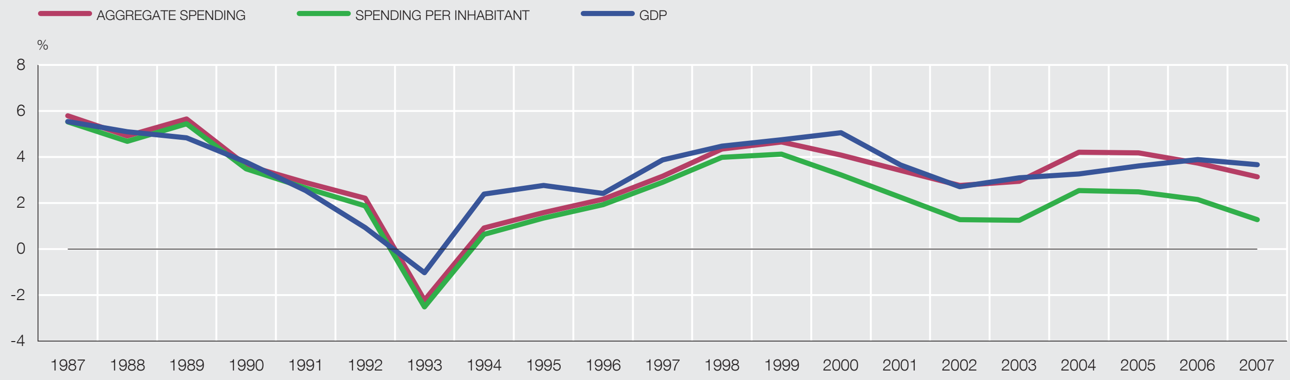
The information available indicates that the contribution of net external demand to GDP growth is expected to have continued increasing in Q3 to 0.6 pp, as a result of the continuing loss of steam in imports (see Chart 17). This slowdown in imports is in line with the trajectory described for final consumption demand and investment in equipment. Exports are estimated to have lost some momentum, in a setting of slowing world trade. This loss is essentially concentrated in the developed economies, and in particular in some of our main European partners.

DEMOGRAPHIC AND SOCIOECONOMIC ASPECTS OF HOUSEHOLD CONSUMPTION

Household consumption is closely related to output, employment and income, which determine household income, and to the value of household assets and to the expected real interest rate. However, in addition there are certain demographic and social factors which may also significantly affect the fluctuations in consumption.

First, population growth affects aggregate consumption because the minimum level of spending per person on consumer goods and serv-

1 HOUSEHOLD FINAL CONSUMPTION (percentage change)



1 POPULATION AND HOUSEHOLD COMPOSITION AND SPENDING

	1992	1995	1998	2000	2002	2005
Total population (annual growth)	0.3	0.2	0.4	0.8	1.5	1.7
Household formation (thousands) (a)	170.6	117.0	221.2	309.5	377.0	477.9
Average household size (a)	3.3	3.2	3.1	3.0	2.9	2.8
Distribution (% of households) (a)						
One member	*11.3*	*12.2*	*13.0*	*14.0*	*14.9*	*16.3*
Two members	*22.1*	*22.9*	*24.0*	*25.2*	*26.3*	*27.6*
Three members	*21.2*	*21.9*	*22.9*	*22.9*	*23.5*	*23.8*
Four members	*24.8*	*25.3*	*25.4*	*24.9*	*24.1*	*22.8*
Five or more members	*20.6*	*17.7*	*14.7*	*12.9*	*11.2*	*9.6*
Average spending per person (euro) (b)			5,481.0	6,425.4	7,159.5	8,651.1
Average spending index (three members) (b)						
One member			*141.4*	*149.2*	*154.5*	*158.4*
Two members			*110.1*	*114.5*	*119.9*	*112.9*
Three members			*100.0*	*100.0*	*100.0*	*100.0*
Four members			*88.7*	*86.3*	*90.2*	*86.3*
Five members			*76.4*	*78.8*	*80.6*	*74.1*

2 STRUCTURE OF HOUSEHOLD FINAL CONSUMPTION (COICOP)

%	**1993**	**2006**
Food and non-alcoholic beverages	19.5	13.0
Alcoholic beverages, tobacco and narcotics	2.4	2.6
Clothing and footwear	8.1	5.7
Housing, water, electricity, gas and other fuels	13.1	15.7
Furnishings, household equipment and routine household maintenance	6.9	5.7
Health	5.2	3.6
Transport	13.5	11.6
Communication	1.1	3.5
Recreation and culture	5.8	9.8
Education	1.8	1.4
Restaurants and hotels	16.1	17.2
Miscellaneous goods and services	6.6	10.1
FINAL CONSUMPTION SPENDING	**100.0**	**100.0**

SOURCE: INE.

a. Spanish Labour Force Survey (social indicators).
b. Spanish Household Expenditure Survey.

ices is only reduced in highly exceptional circumstances. This implies that certain types of goods, such as food, for instance, exhibit a smooth cyclical pattern and average spending per inhabitant tends to fluctuate less than aggregate spending in periods of strong demographic expansion. This has been the case in Spain in the last 15 years, when the population has increased notably and the average consumption per person has followed a more moderate growth pattern than aggregate spending (see Figure 1).

Second, certain social factors have given rise to changes in the structure and composition of households and reduced their average size. The average number of children Spanish couples have had has trended downward in the past three decades. Also, the increase in the number of separations and in longevity has prompted the growth of households with a small number of individuals and, as a result, family units with a single member, which accounted for 11% of the total in 1992, made up 16% in 2005 (see first accompanying table). There was a similar increase in households with two individuals, while the proportion of households with five or more individuals fell by 11 pp. The outcome of all this was that the number of members per household, which averaged 3.3 at the beginning of the 1990s, dropped to 2.8 in 2005. At the same time there was a notable rise in the creation of new households, a trend which, according to the latest information, has continued in recent years. The fixed costs of households (for example, those relating to house rental and current expenses) and the resulting economies of scale give rise to an inverse relationship between average spending per person and the number of members in the family unit. Moreover, this relationship is non-linear, as shown by the Household Expenditure Survey. The decrease in average household size in Spain has thus led to a rise in average consumption per person.

One last factor affecting average spending per person is the shift in the consumption structure towards goods and services, the demand for which tends to rise with increasing economic development and per capita income level. Thus the decline in the relative weight of food and the increase in spending on communications, leisure and cultural services and personal care (the latter are included under the other goods and services heading) are some examples of how these social changes tend to raise average consumption growth, since per capita spending on food is growing more slowly than the average, while the goods and services that are gaining relative weight in the spending structure are doing so at a faster pace (see second accompanying table). If the growth in consumption by type of good had been the same as at the beginning of the 1990s, the aforementioned change in composition would have led to a present growth in average consumption per person estimated at somewhat more than 0.5 pp higher than it actually is.

Consequently, strong population growth and higher new household creation seem to have spurred aggregate consumption growth since the end of the 20th century. Furthermore, diverse structural factors relating to the decrease in family unit size and to the composition of spending (linked in turn to the higher levels of income) have contributed to raising average spending per person over the past two decades. These factors may to some extent support the growth of private consumption in the current economic downturn.

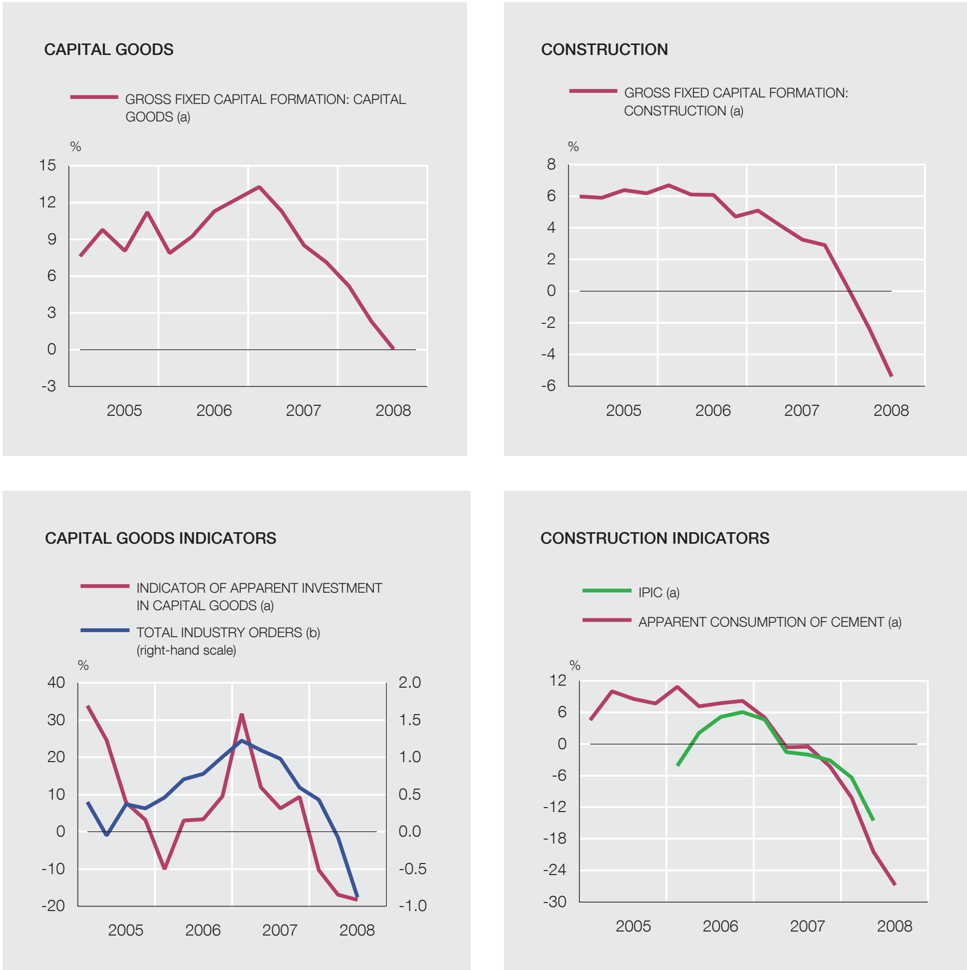
The information available signals that the depreciation of the euro in Q3 translated into a more favourable performance of the price-competitiveness indicators, although over the course of the year to date these indicators have shown a deterioration.

On Customs data, real goods exports slowed in July and August, growing at a year-on-year rate of 4.1%, compared with 6.6% in Q2. However, in the period to August real goods exports grew by 4.4%, a very similar rate to that in 2007. By product group, the most dynamic components of exports in July and August were energy products and capital goods, although the latter have fallen off in 2008 to date, while sales of consumer goods other than food were those that showed most slackness. In terms of geographical areas, for which the information is presented in nominal terms, non-Community exports rose strongly in July and August. There were notably high growth rates in exports to Japan, Russia and the OPEC countries. The pace of sales to the EU was much more moderate, with declines in nominal exports for the euro area as a whole, which is in step with the weakness of demand in these markets.

Turning to real exports of tourist services, Balance of Payments figures suggest their rate of decline has steepened in Q3. In this period numbers of inbound tourists into Spain fell by 5.2%, although overnight stays in hotels increased (by 0.7%), as did the average stay in Spain. According to the Tourism Expenditure Survey (EGATUR), nominal spending by foreign visitors declined by 0.3% in July and August, although average spending per tourist rose notably

GROSS FIXED CAPITAL FORMATION

CHART 16



SOURCES: INE, European Commission, Ministerio de Fomento, OFICEMEN and Banco de España.

a. Year-on-year percentage change based on the seasonally adjusted series.
b. Normalised indicator (difference between the indicator and its mean value, divided by the standard deviation).
c. Construction industry production index. Year-on-year rates base on the original series.

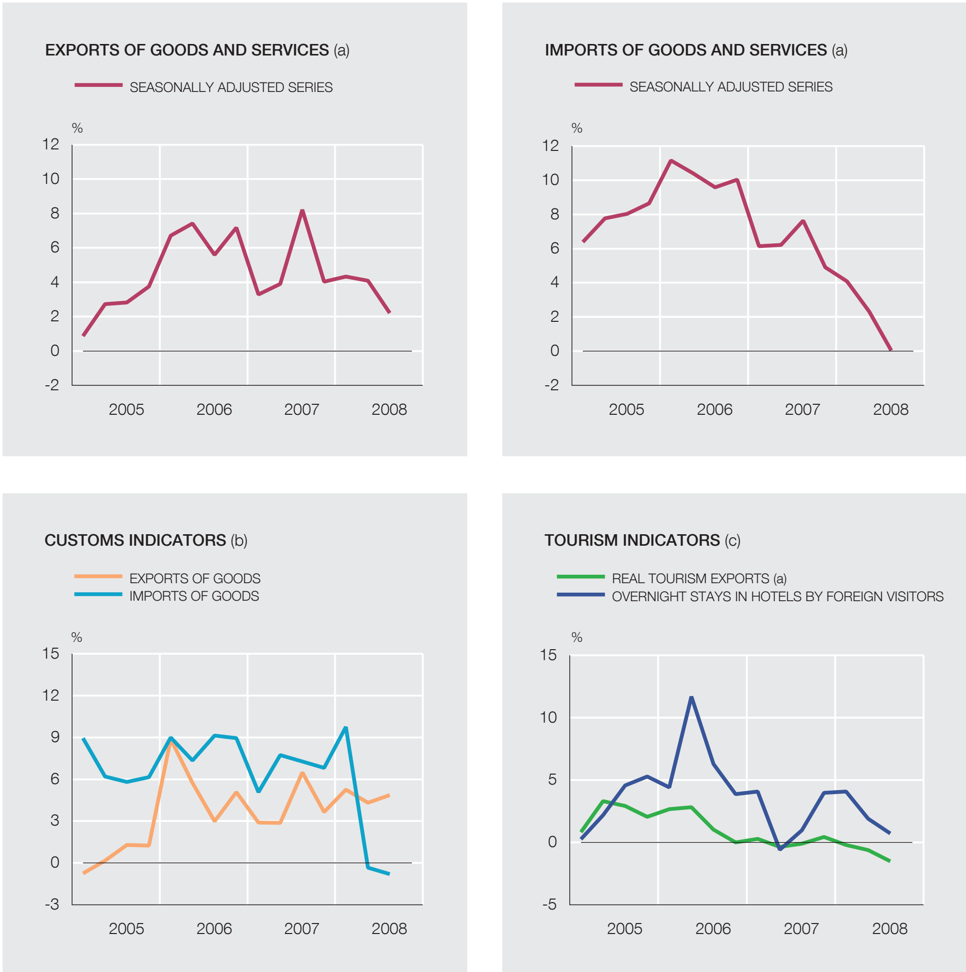
(5.8%). The breakdown by country of origin shows that the decline in incoming tourists in Q3 affected the main markets from which tourists to Spain are drawn, especially France. The Balance of Payments figures suggest that the slowdown in real exports of non-tourist services will have stepped up in Q3. The disaggregated Balance of Payments data highlight the declines in royalties and income from intangible assets and in revenues from insurance services, while the dynamism of receipts from transport and, in particular, from construction services continued.

On the information available, it is estimated that real goods imports eased off most considerably in Q3. Customs figures show that purchases of goods abroad in real terms declined by 3.6% in July and August, compared with the 1.4% increase recorded in Q2. In the first eight months of the year, real imports grew by 2.3%, one-third of their growth in 2007. By product group, there was a strong reduction in July and August in foreign purchases of capital goods and of non-food consumer goods, while real imports of intermediate energy goods maintained high growth rates (13.4%), due partly to the significant increase in exports of refined products (petrol in particular).

Finally, real imports of services are estimated to have slowed in Q3, owing both to the behaviour of expenditure relating to non-tourist services and, especially, to the trend of tourist im-

FOREIGN TRADE
Percentage change on year ago

CHART 17



SOURCES: INE, Ministerio de Economía, Ministerio de Hacienda and Banco de España.

a. QNA data at constant prices.
b. Deflated seasonally adjusted series.
c. Seasonally adjusted series.

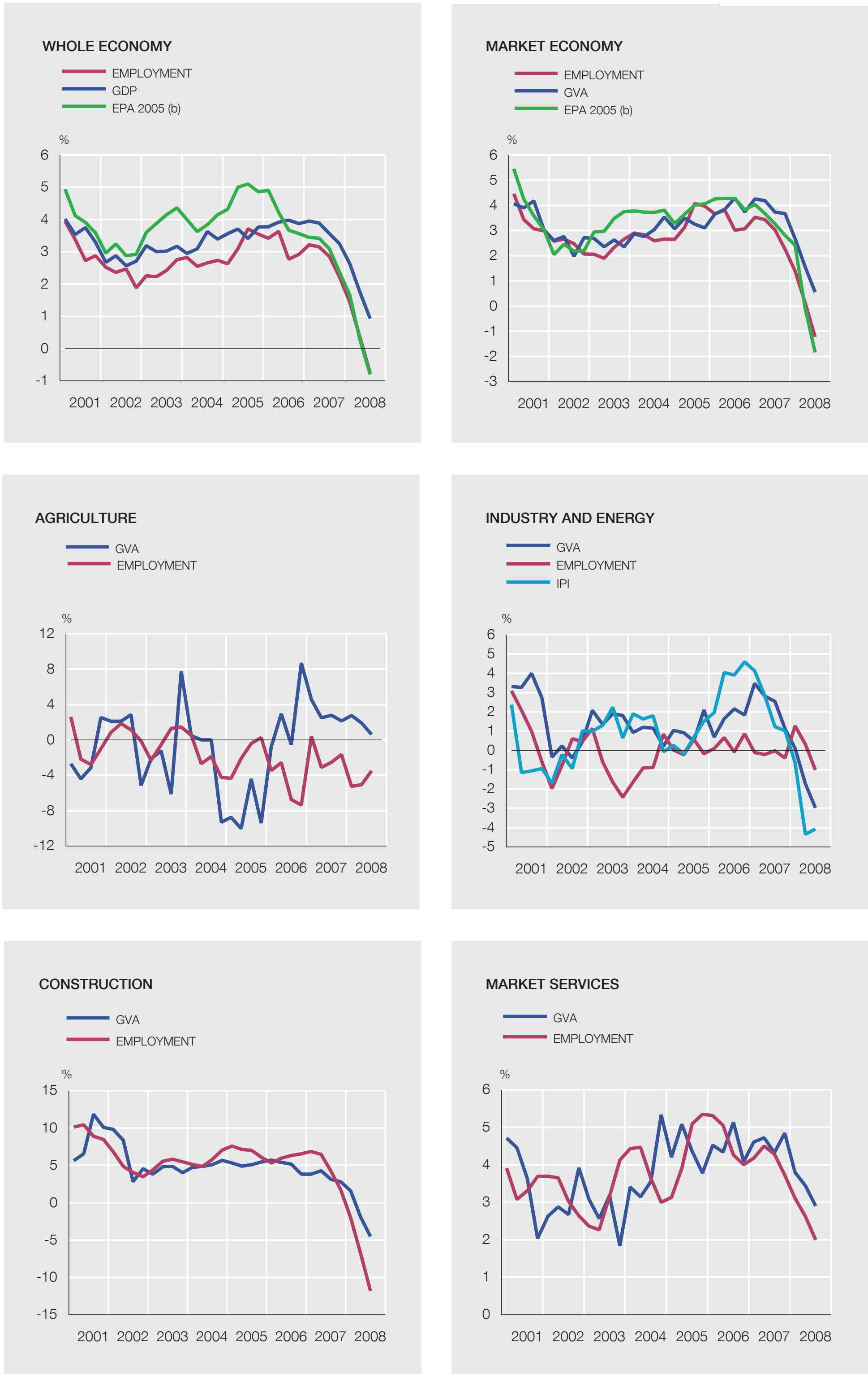
ports. In the first instance, with disaggregated data from the July Balance of Payments, there were notable declines in nominal payments linked to financial services and to royalties and income from intangible assets. Conversely, construction and transport services continued to perform dynamically.

4.2 Output and employment

In line with the analysis of demand, value added in the market economy is expected to have eased substantially in Q3 as a result of the intensification of the adjustment in the industrial branch and, particularly, in construction, while the slowdown in market services is estimated to have been comparatively less (see Chart 18).

Output in the industry and energy branch is estimated to have declined in Q3 as a result of the slowdown in energy and the contraction in industry. In line with the behaviour of large corporations' goods sales, the rate of decline of the non-energy component of the industrial production index steepened in July and August, especially in the case of capital goods and non-food consumer goods. Labour market-based indicators, such as the average number of Social Security registrations, confirm this ongoing adjustment. Moreover, surveys also point to a further deterioration in industrial activity in Q3. Hence both the European Commission's industrial

GROSS VALUE ADDED AND EMPLOYMENT BY BRANCH OF ACTIVITY (a) CHART 18



SOURCES: INE, Ministerio de Fomento and Banco de España.

a. Year-on-year percentage rates based on seasonally adjusted series, except gross series in the EPA. Employment in terms of full-time equivalent jobs. For incomplete quarters, the year-on-year rate for the period available within the quarter is taken.
b. Series linked by the DG Economics, Statistics and Research on the basis of the control survey conducted using the methodology applied until 2004 Q4.

confidence indicator and the PMI for the manufacturing sector fell in the July-September period in relation to the previous quarter, with a significant decline in the assessment of order books and of production expectations. The contraction in construction is also expected to have intensified in Q3 judging by the fall which, as earlier indicated on describing the outlook for investment in construction, has been seen in the related main indicators.

On the conjunctural information available, the services branch is expected to have weakened somewhat more sharply in 2008 Q3 compared with Q2. Indeed, large corporations' sales, in real terms and adjusted for calendar effects, fell considerably once again in July and August, while the growth rate of the average number of Social Security registrations in this sector dipped in Q3 to 1.4%, compared with 2.2% the previous quarter. Finally, the European Commission's confidence indicators for services and retail trade and the activity index of the PMI for the services sector deteriorated further in Q3, reaching historically low levels in some cases.

As regards labour market developments, the indicators available coincide in that the downward adjustment in employment became more acute in Q3. Indeed, employment is estimated to have begun to fall across the whole economy. Specifically, the growth in the number of Social Security registrations, calculated using average daily data, fell by 0.9%, compared with the 0.5% increase in Q2. Likewise, the year-on-year decline in INEM (National Public Employment Service) registered hires was more marked in Q3 than in Q2 (–9.9% against –7.2%, respectively). Finally, the recently published EPA figures estimated a year-on-year decline in employment – of 0.8% – for the first time since 1994, following the 0.3% increase in Q2.

Across the productive branches, employment is expected to have fallen in all the market economy sectors – with the exception of services – and, especially, in construction. The EPA figures for Q3 confirm a decline in employment in the market economy of 1.8%. During this period job destruction stepped up (–13%, compared with –7.9% in Q2), and the numbers employed in industry fell to –1% (against 0.2% in the previous quarter). Employment in agriculture continued to decline at a similar rate to that of the previous quarter (–4.1%). Finally, the rate of job creation in market services fell by 0.9 pp to 1.7%.

On EPA figures, the decline in employment affected both dependent employees, with a fall of 0.7%, and the self-employed (–1.3%). That said, dependent employees as a proportion of total numbers employed stood at 82.3%, scarcely 0.1 pp more than the related rate a year earlier. Job destruction was concentrated among Spanish nationals (–1.5%), while employment among foreign nationals held at a positive rate (3.6%), albeit slowing in relation to the previous quarter (6.9%). As regards contract duration, the year-on-year rate of decline in temporary wage-earners increased to –8.2%, at the forefront of the adjustment in employment, since permanent employment continued to increase appreciably (2.8% against 4.1% the previous quarter). As a result, the temporary employment ratio stood at 29.5%, 2.4 pp down on a year earlier. Lastly, part-time hires showed positive growth, raising the part-time employment ratio to 11.4%, compared with 11.1% one year earlier.

The labour force grew in 2008 Q2 by 2.9%, 0.2 pp down on the previous quarter, while the slowdown in the population aged over 16 continued, with a rate of increase of 1.4% (0.1 pp less than in the previous quarter). Further to these figures, the participation rate rose to 60%, which maintains the year-on-year increases at almost 1 pp. In terms of the breakdown by gender, the increase in the labour force was due mainly to women (4.5%), since in the case of men the rise was more moderate (1.7%). Specifically, the female participation rate climbed by 1.5 pp in year-on-year terms to 50.5%, while the male rate edged up by 0.2 pp to 69.8%. By nationality, the dynamism of foreign nationals in the workforce remained very high, although more moderate (10.7%

against 12.6% in Q2), reflecting a slowdown in the growth of this population (10.4%, compared with 11.5% the previous quarter) and a somewhat lower increase in their participation rate. In the case of Spanish nationals in the workforce, growth of 1.6% was recorded (1.5% in Q1).

Finally, the decline in employment, combined with the continuing high dynamism of the labour force, resulted in marked growth in unemployment in 2008 Q3 of the order of 800,000 people compared with the same period the previous year. This made for a year-on-year increase in unemployment of 45%, and for a rise in the unemployment rate to 11.3%, 0.9 pp up on the previous quarter and more than 3 pp higher than a year earlier.

4.3 Costs and prices

Wage developments in 2008 have been marked by the collective bargaining agreements entered into in the period to September, which affect close to 8 million workers, and which incorporate an average increase in wage rates of over 3.5% for this year (see Chart 19). This figure is more than 0.4 pp up on the agreed increase in 2007 (without considering the impact of the activation of the indexation clauses) and lies above the guidelines agreed in the Interconfederal Collective Bargaining Agreement for 2008. As is habitual in rising-inflation situations, wage settlements in newly signed agreements have been higher than those in revised agreements spanning several years (4% and 3.4%, respectively), although the proportion of employees covered by the latter is far higher, approaching 87% of the total. The estimated impact of the indexation clauses for 2007 (which affect around 74% of workers with an agreement that year) on wage increases for 2008 is 1.1 pp, 0.8 pp up on the figure calculated for last year, as a result of the high inflation rate as at end-2007. This illustrates how the wage indexation mechanisms in place in Spain contribute adversely to labour cost developments in economic settings marked by a temporary increase in inflation, such as that prompted by dearer oil, which hampers the adjustment of the economy to a cyclical turnaround such as that at present.

The latest QNA figures for 2008 Q2 are in step with this information, since they show economy-wide year-on-year growth in compensation per employee of 5.1%, and a somewhat lower figure in the case of the market economy (see Chart 20). In the same period, according to the quarterly labour costs survey, the rate of change of average monthly wage costs in the non-farm market economy increased by 0.2 pp to 5.3%. The rate of increase of compensation per employee is expected to hold up in 2008 Q3, and this, combined with the rise in productivity, should lead to some slowing in unit labour costs.

The consumer price indicators rose over Q3 as a whole, although they declined gradually from August. While the year-on-year rate of the CPI increased over the whole of Q3 to 4.9%, 0.3 pp up on the previous quarter, its pace eased appreciably following the high in July (5.3%), taking the rate to 4.5% in September (see Chart 21). These developments were influenced by the trend of energy prices which, over the quarter on average, grew by 17.9%, further to the rise in electricity charges in July and to the course of fuel prices, which maintained a high growth rate over the course of the quarter. Nonetheless, since July oil prices have diminished significantly in dollars, a decline which has only been partially offset by the depreciation of the euro against the dollar. The growth rate of unprocessed food prices fell by 0.2 pp to 4.2%, thanks to the sound behaviour of the prices of fish, pulses and fresh vegetables, and to the slowdown in fresh fruit prices.

As regards the components of the CPI excluding energy and unprocessed food prices, services and non-energy industrial goods prices also contributed to the average rise in inflation for the quarter. In the case of services, average year-on-year growth stood at 4.1%, 0.3 pp up on the previous quarter, in a setting of highly dynamic prices of transport services, tourism, and hotels and restaurants. Non-energy industrial goods prices rose by 0.2 pp to 0.4%, influenced by the less marked decline in car prices. There was a break in the upward path of the inflation rate for proc-

WAGE INDICATORS AND LABOUR COSTS

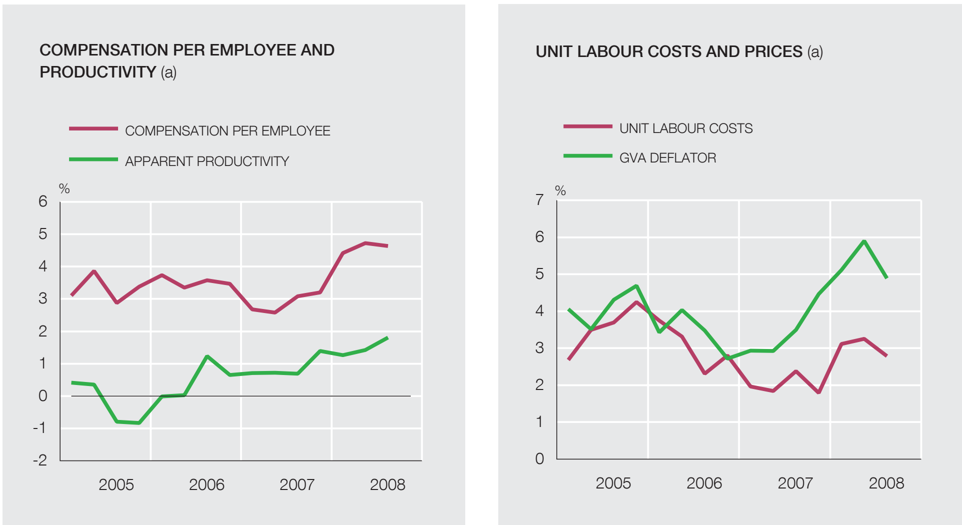
CHART 19

SOURCES: INE and Ministerio de Trabajo e Inmigración.

a. The last year with partial information on collective bargaining agreements (until September).
b. Previous year's indexation clause.
c. ETCL (quarterly labour costs survey). Year-on-year rates of change.
d. Revised: collective bargaining agreements with economic effects in the year but which were signed in previous years and are in force for more than one year. New: collective bargaining agreements with economic effects in the year, this being the first or only year they are in force.

PRICES AND LABOUR COSTS IN THE MARKET ECONOMY

CHART 20



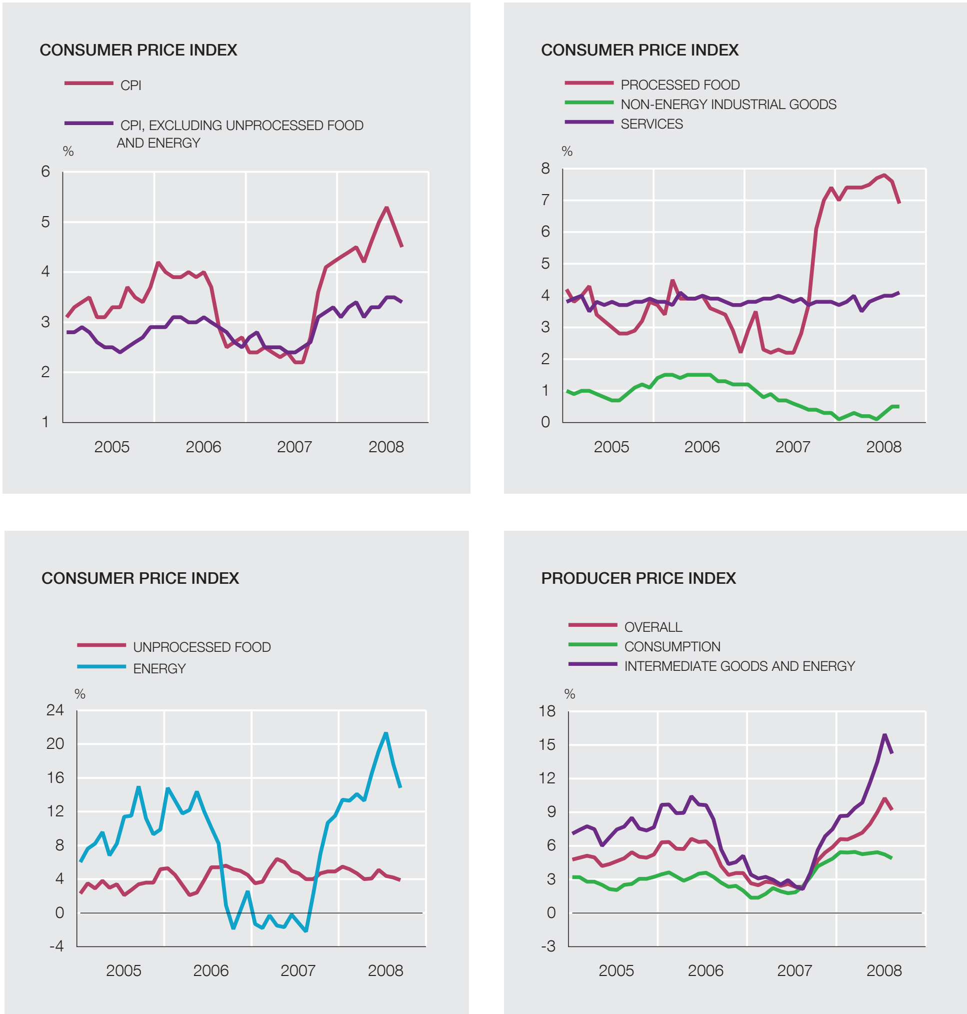
SOURCES: INE and Banco de España.
a.Year-on-year rates of change based on QNA seasonally-adjusted series.

essed food that had begun in mid-2007; this item fell by 0.1 pp to 7.4%, owing to the slight easing in the rate of increase of the price of milk, against a background in which the upward trajectory of prices of cereals and related products, milk products and non-alcoholic beverages remained unchanged. As a result of the performance of its various components, the average year-on-year rate of change of the CPI excluding energy and unprocessed food prices rose by 0.3 pp to 3.5%.

As in the case of the CPI, inflation measured by the harmonised index of consumer prices (HICP) increased by 0.3 pp over the course of Q3 to 5%, although its growth rate slowed from

PRICE INDICATORS (a)
Spain

CHART 21



SOURCE: INE.

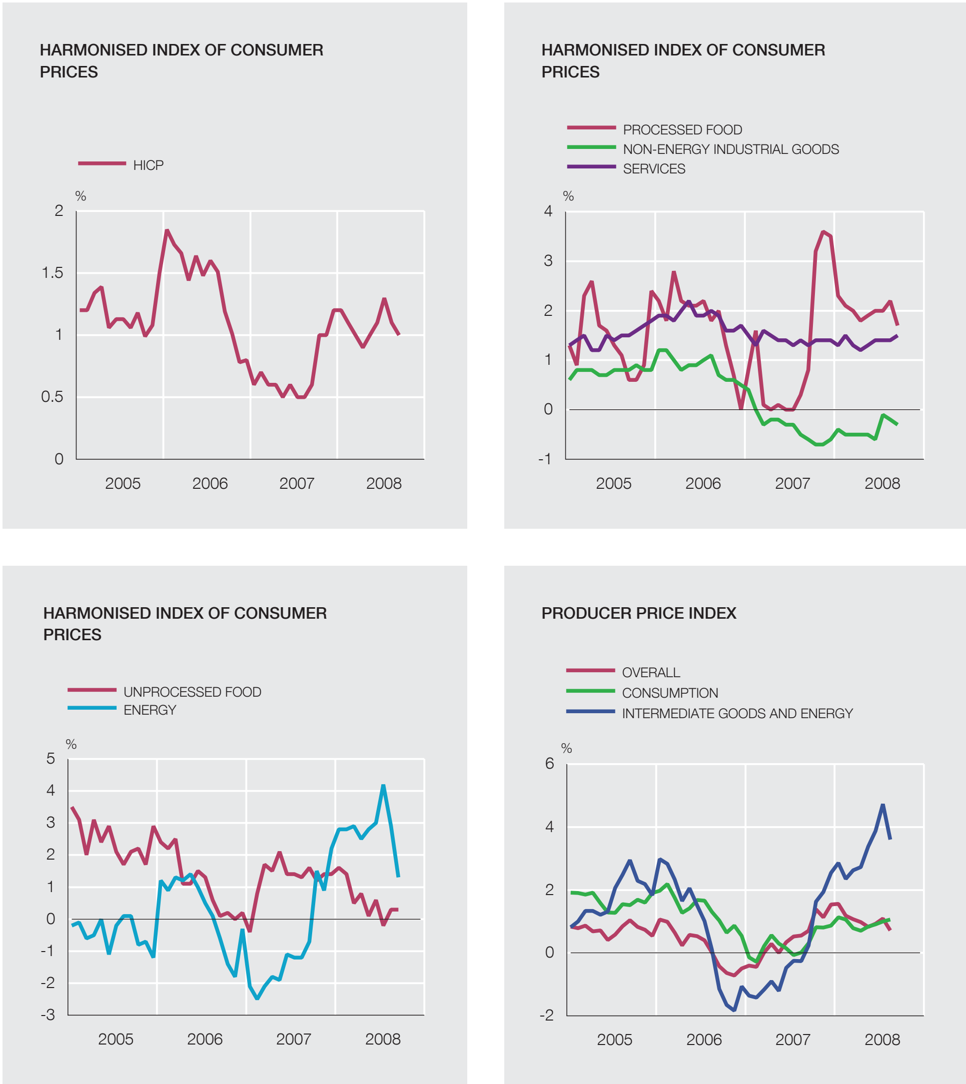
a. Twelve-month percentage change based on the original series.

August. In the euro area as a whole, the increase in average quarterly inflation was 0.2 pp, taking the rate to 3.8%; accordingly, for the July-September period, Spain's inflation differential with the euro area rose by 0.1 pp to 1.1 pp, although after the high reached in July it narrowed to 1 pp in September (see Chart 22). The increase in Q3 was due to the widening of the differentials for the services headings and, particularly, energy, along with the narrowing of Spain's negative differential in non-energy industrial goods, although both this latter item and that of energy trended favourably from August. Only the positive differential of food prices relative to the euro area narrowed on average in Q3.

Oil price oscillations also affected the producer price index, the year-on-year rate of which rose in July, slowing in August and September to 8.1% in the latter month, a similar growth rate to that recorded in Q2. The components showing the highest rate of increase in their prices continued to be energy and intermediate goods. In the euro area as a whole, producer prices rose in August by 8.5%, which allowed the differential with the euro area to narrow to 0.7 pp, 0.2 pp less than in Q2. The import and export prices of industrial products decelerated in August to 8.6% and 3.9%, respectively, as a result of the easing in energy prices and, in the case of exports, of the slowdown in consumer goods prices.

PRICE INDICATORS
Differentials vis-à-vis the euro area (a)

CHART 22



SOURCES: Eurostat and Banco de España.

a. Twelve-month percentage change based on the original series.

4.4 The State budget

At the Council of Ministers meeting on 26 September the government approved the draft State budget for 2009, setting an overall general government deficit target of 1.9% of GDP. This target includes the deficit allowed under the Budgetary Stability Law for investment by the regional (autonomous) governments (0.25% of GDP), the State (0.20%) and local governments (0.05%) in 2009. The draft budget projects a National Accounts general government deficit of 1.5% of GDP for 2008, deviating from the initial forecast of a surplus of 0.9% of GDP. Across the sub-sectors, central government is estimated to post a deficit of 1.6% of GDP in 2008, while the regional and local governments are expected to close the year with deficits of 0.5% and 0.2% of GDP, respectively. Finally, the Social Security system is expected to run a surplus of 0.8% of GDP this year (Box 5 analyses the Social Security budget outturn in 2008 to date).

In cash-basis terms, the State deficit in 2008 will rise to €8,042 million according to the outturn projection, compared with the surplus of €6,426 million projected in the initial budget document. This difference reflects the strong deterioration in the main tax revenue headings, as a result of the effects of the tax-reduction measures adopted, on one hand, and of the slowdown in activity, on the other.

The Social Security system posted a surplus of €10,916 million in the period January-July 2008, up 1.1% on the same period a year earlier, which was a less favourable outturn than in the period to April. Revenue growth slowed in the last few months to 8.3%, while expenditure gained momentum, rising by 9.7%.

Revenue from social security contributions rose by 6.6% to July, against an increase of 7.7% to April. The marked loss of dynamism in the labour market was also reflected in the 2.4% reduction in the number of Social Security registrations to September 2008, in sharp contrast to the increases posted the previous year.

Turning to expenditure, there was mild quickening in that earmarked for contributory pensions, since it rose by 8% to July, compared with a 7.8% increase to April, which in both cases was above the 7.4% budgeted for the year as a whole. The number of contributory pensions has stabilised at a growth rate of around 1.5%, slightly higher than the average for the whole of the previous year (1.3%). The growth rate of expenditure on sickness benefits quickened notably to 15.7% in July to stand well above the budgeted increase.

As regards the SPEE (National Public Employment Service), the data for which are not shown in the adjoining table, the contributions received were up by 6.3% to June, while rebates on contributions in respect of employment-promoting contracts decreased by 9.2% in the same period.

The growth of expenditure earmarked for unemployment benefits has accelerated sharply in the year to date, increasing by 22.7% year-on-year to June 2008. The coverage ratio in that month stood at 71.4%, up nearly 4 pp on that recorded in the same period of 2007. On data to June, the number of beneficiaries increased by 30.7% compared with the same month a year earlier, while registered unemployment grew by 23.9% year-on-year in that period. The latest information available, i.e. to September, for expenditure on unemployment benefits and for registered unemployment continued to show fresh increases, to 27.1% and to 32.4%, respectively.

SOCIAL SECURITY SYSTEM (a)
Transfers to regional governments allocated (b)
Current and capital transactions, in terms of recognised entitlements and obligations

€m and %

	Budget 2007	Budget 2008	% change	Outturn JAN-APR % change	Outturn JAN-JUL 2007	2008	% change
	1	2	3=2/1	4	5	6	7=6/5
1 REVENUE	106,142	114,081	7.5	11.4	65,008	70,401	8.3
1.1 Social security contributions	97,942	105,107	7.3	7.7	59,738	63,668	6.6
1.2 Current transfers	5,963	6,796	14.0	62.8	3,588	4,865	35.6
Other	2,237	2,177	-2.7	35.8	1,682	1,868	11.0
2 EXPENDITURE	98,390	106,048	7.8	9.5	54,208	59,485	9.7
2.1 Wages and salaries	2,253	2,412	7.1	7.0	1,252	1,345	7.5
2.2 Goods and services	1,807	1,978	9.5	3.4	990	1,067	7.7
2.3 Current transfers	93,743	101,056	7.8	9.5	51,551	56,491	9.6
Contributory pensions	80,099	86,041	7.4	7.8	44,301	47,852	8.0
Sickness	7,313	7,716	5.5	7.1	3,741	4,327	15.7
Other	6,330	7,298	15.3	34.2	3,508	4,311	22.9
2.4 Other	588	601	2.2	111.0	416	583	40.2
3 BALANCE	7,752	8,033	3.6	16.8	10,800	10,916	1.1

SOURCES: Ministerio de Economía y Hacienda, Ministerio de Trabajo e Inmigración and Banco de España.

a. Only data relating to the system, not to the entire Social Security Funds sector are given. This is because the figures for other Social Security funds will not be available until October 2008.
b. Transfers from the ISM to the regional governments to finance transferred health-care and social services have been distributed among the various expenditure captions on the basis of the percentages obtained from the general government accounts for 1997.

STATE BUDGET OUTTURN

TABLE 4

€m and %

	Outturn 2007	Percentage change 2007/2006	Outturn Projection 2008	Percentage change 2008/2007	Outturn JAN-JUN Percentage change 2008/2007	Outturn 2007 JAN-SEP	Outturn 2008 JAN-SEP	Outturn Percentage change
	1	2	3	4 = 3/1	5	6	7	8 = 7/6
1 REVENUE	159,840	12.7	142,247	-11.0	-5.1	111,524	93,566	-16.1
Direct taxes	96,980	19.5	83,624	-13.8	4.4	65,957	53,912	-18.3
Personal income tax	*48,626*	*17.3*	*44,645*	*-8.2*	*13.7*	*33,978*	*30,582*	*-10.0*
Corporate income tax	*44,823*	*20.5*	*35,445*	*-20.9*	*-17.6*	*29,372*	*20,703*	*-29.5*
Other (a)	*3,531*	*42.8*	*3,534*	*0.1*	*1.9*	*2,606*	*2,627*	*0.8*
Indirect taxes	48,445	0.2	42,423	-12.4	-18.1	35,950	29,258	-18.6
VAT	*33,752*	*-4.7*	*27,791*	*-17.7*	*-22.8*	*24,940*	*18,380*	*-26.3*
Excise duties	*11,468*	*15.9*	*11,458*	*-0.1*	*-2.6*	*8,588*	*8,520*	*-0.8*
Other (b)	*3,224*	*7.2*	*3,174*	*-1.6*	*-0.5*	*2,422*	*2,358*	*-2.7*
Other net revenue	14,415	16.4	16,200	12.4	9.5	9,617	10,395	8.1
2 EXPENDITURE	139,704	7.2	150,289	7.6	4.2	101,354	106,575	5.2
Wages and salaries	23,678	6.6	25,425	7.4	7.5	16,937	18,078	6.7
Goods and services	4,454	17.2	4,212	-5.4	-2.5	2,788	2,857	2.5
Interest payments	14,539	-6.9	16,094	10.7	15.3	12,182	13,914	14.2
Current transfers	77,680	7.6	83,661	7.7	4.5	57,581	60,154	4.5
Investment	10,106	11.8	10,575	4.6	-3.2	6,314	6,738	6.7
Capital transfers	9,248	23.5	10,321	11.6	-16.0	5,552	4,835	-12.9
3 CASH-BASIS BALANCE (3=1-2)	20,135	—	-8,042	—	—	10,169	-13,009	—
MEMORANDUM ITEM: NATIONAL ACCOUNTS								
Resources	165,179	12.2	146,640	-11.2	-4.8	114,152	96,730	-15.3
Uses	151,683	6.7	164,280	8.3	10.0	101,899	110,306	8.3
NET LENDING (+) OR BORROWING (–)								
	13,496	—	-17,640	—	—	12,253	-13,576	—
(as a percentage of GDP)	1.3	—	-1.6	—	—	1.2	-1.2	—

SOURCE: Ministerio de Economía y Hacienda.

a. Includes revenue from the tax on the income of non-residents.
b. Includes taxes on insurance premiums and tariffs.

Turning to the budget outturn to September, on National Accounts methodology State finances posted a deficit of €13,576 million (–1.2% of GDP), which contrasts with the surplus of €12,253 million (1.2% of GDP) in the same period of 2007 (see Table 4). This result stemmed from a 15.3% decline in resources, while uses increased by 8.3%. As regards the outturn in cash-basis terms, the State budget to September posted a deficit of €13,009 million, against a surplus of €10,169 million in the same period a year earlier. The decline in revenue steepened in Q3 to –16.1%, while expenditure quickened, increasing by 5.2%. These results augur a State deficit for the year as a whole of 1.6% of GDP.

For the analysis of revenue, information is available on takings under the main taxes, both for the portion assigned to the State (the only portion reflected in Table 4) and that relating to the ordinary-regime regional governments. This aggregate information is more illustrative for assessing developments in tax receipts. The figures indicate that tax revenue contracted significantly during Q3 as a result of the behaviour of direct taxes, while the decline in indirect taxes slackened slightly. Other revenue eased off marginally relative to its high growth rates in the first half of the year. Both personal income tax, with a reduction of 0.1% to September, and corporate income tax, with a decline of 29.5%, saw their respective growth rates worsen in this quarter compared with the first half of the year. In the first instance, the reduction in revenue was due essentially to the impact of the new €400 deduction for taxpayers who earn income from work or returns on economic activities, and, to a lesser extent, to the impact of the reform on final tax payable. The marked decline in corporate income tax is attributable, first, to a cluster of regulatory changes to this tax (the influence of the tax reform on final tax payable for 2007, the change in the method for calculating payments on account and the second rebate on the partial payments rate) and, further, to the deterioration in corporate profits because of the increase in wage, financial and energy costs. As far as indirect taxes are concerned, the fall-off in VAT revenue eased slightly, although it remained pronounced (–13.4%). VAT developments in 2008 to date are influenced, firstly, by the negative effect on revenue derived from the new special arrangements for offsetting VAT balances payable and refundable among the different institutions in a single group, which is proving greater than initially expected by the tax authorities. In any event, this is a temporary effect given that it adversely affects VAT revenue in cash-basis terms throughout the whole of 2008 as it produces fewer receipts, but it will also give rise to fewer applications for refunds in 2009. Secondly, the impact of the increase in energy costs on the balances payable by and refundable to corporations, combined with the lesser momentum of economic activity, is weighing down VAT revenue.

With regard to State expenditure, the acceleration in Q3 was marked by that of capital expenditure, which recovered somewhat, especially in the case of investment. Current expenditure grew at a similar rate to that of the previous quarter, as a result of opposing moves by wages and salaries and by interest payments, which slowed, and by goods and services, which gained momentum. The initial budget projects a significant acceleration in total expenditure in the second half of the year, linked to current and capital transfers.

4.5 The balance of payments and capital account

The Spanish economy's net borrowing (i.e. the overall deficit on current and capital account) stood at €62,010 million in the first seven months of 2008, equivalent to a year-on-year increase of 5%, a significantly lower rate than that in 2007 (see Table 5). This widening of the external deficit reflected an 8.2% increase in the current account deficit, which was the outcome of the rise in the energy deficit and, to a lesser extent, of the respective deficits on the income and current transfers balances, which the improved surplus on the services balances was unable to offset. The surplus on the capital account doubled to €4,016 million.

In the first seven months of 2008, the deficit on the trade balance increased by 9.2% to €53,916 million. This rate of increase is somewhat higher than that seen over the course of 2007, although it has evidenced a slowing profile in recent months. Furthermore, the greater increase in nominal imports as opposed to exports (7.9% and 7.3%, respectively) is due to the deterioration in the terms of trade brought about by oil prices, since, according to Customs data, goods exports in real terms outpaced imports. Unlike in 2007, the energy bill, which increased significantly between January and July 2008, was the determining factor behind the rise in the nominal trade deficit, since the non-energy deficit was moderately corrected.

The services balance posted a surplus of €13,343 million in the first seven months of 2008, 12.2% up on the same period in 2007. This increase in the surplus was due to the modest improvement in the surplus on tourism, up 3.1% to €15,734 million, and, to a greater extent, to the correction to the deficit on other services (29.1%), which took it to €2,391 million. Nominal tourist receipts grew by 2.4% over the course of the first seven months of 2008, down on the rate for the whole of 2007 (3.6%). Tourism expenditure slowed, increasing by 1.2% year-on-year, in step with the performance of its main determinants, and in particular with the loss of momentum of household spending. As to other services, the buoyancy of re-

BALANCE OF PAYMENTS: SUMMARY (a) TABLE 5

€m

		JANUARY-JULY		RATE OF CHANGE
		2007	2008	08/07 (b)
CREDITS	Current account	203,203	217,875	7.2
	Goods	110,484	118,514	7.3
	Services	52,260	55,604	6.4
	Tourism	23,014	23,574	2.4
	Other services	29,247	32,030	9.5
	Income	31,118	35,209	13.1
	Current transfers	9,340	8,549	-8.5
	Capital account	3,196	4,802	50.2
	Current + capital accounts	206,399	222,677	7.9
DEBITS	Current account	264,230	283,901	7.4
	Goods	159,862	172,430	7.9
	Services	40,366	42,261	4.7
	Tourism	7,747	7,840	1.2
	Other services	32,619	34,421	5.5
	Income	49,381	54,245	9.9
	Current transfers	14,622	14,964	2.3
	Capital account	1,217	786	-35.4
	Current + capital accounts	265,447	284,687	7.2
BALANCES	Current account	-61,027	-66,026	-4,998
	Goods	-49,378	-53,916	-4,539
	Services	11,895	13,343	1,448
	Tourism	15,266	15,734	467
	Other services	-3,372	-2,391	981
	Income	-18,263	-19,037	-774
	Current transfers	-5,281	-6,415	-1,134
	Capital account	1,979	4,016	2,037
	Current + capital accounts	-59,049	-62,010	-2,961

SOURCE: Banco de España.

a. Provisional data.
b. Absolute changes for balances.

ceipts in the first seven months of the year was more marked than that of expenditure (with growth rates of 9.5% and 5.5%, respectively), which enabled the deficit on this item to fall considerably.

The deficit on the income balance grew by 4.2% in the first seven months of 2008, entailing a slowdown in comparison with recent years. This moderation is due to a more marked increase in receipts than in expenditure (13.1% and 9.9%, respectively). Conversely, the rate of expansion of the deficit on current transfers in the first seven months of the year (21.4%) was more pronounced than in the whole of 2007. This was the result both of the 8.5% reduction in receipts and of the 2.3% increase in expenditure. The decline in receipts was centred on those from the EU, particularly those relating to the agricultural funds and, to a lesser extent, on the European Social Fund. The increase in expenditure was in response to the behaviour of payments to the EU, driven above all by those relating to the GNI resource. Likewise under current transfers, remittances sent abroad fell by 5.3% in the first seven months of 2008, in contrast to their buoyancy during the recent expansionary phase of the Spanish economy.

5.1 Overview

Financial developments in 2008 Q3 and the early weeks of Q4 were conditioned by new bouts of instability associated with the sharp deterioration of the equity position of certain systemically important US and European financial institutions, which led to bankruptcies in some cases, and public rescues and bank consolidation processes in others. These events triggered growing concern about international financial stability which led to a significant worsening of tension on international financial markets during September and at the beginning of October. The determined action of central banks (which implemented a coordinated 50-bp cut of intervention rates) and of governments (which announced various plans to help the financial sector) contributed somewhat to normalising market conditions in recent days, although it is still early to evaluate their final effect. In any event, except for in the case of financial markets, the information used in this section to analyse recent financial developments refers to a period prior to the time of greatest turmoil and, consequently, data are not available to study the impact of these developments on the main variables discussed.

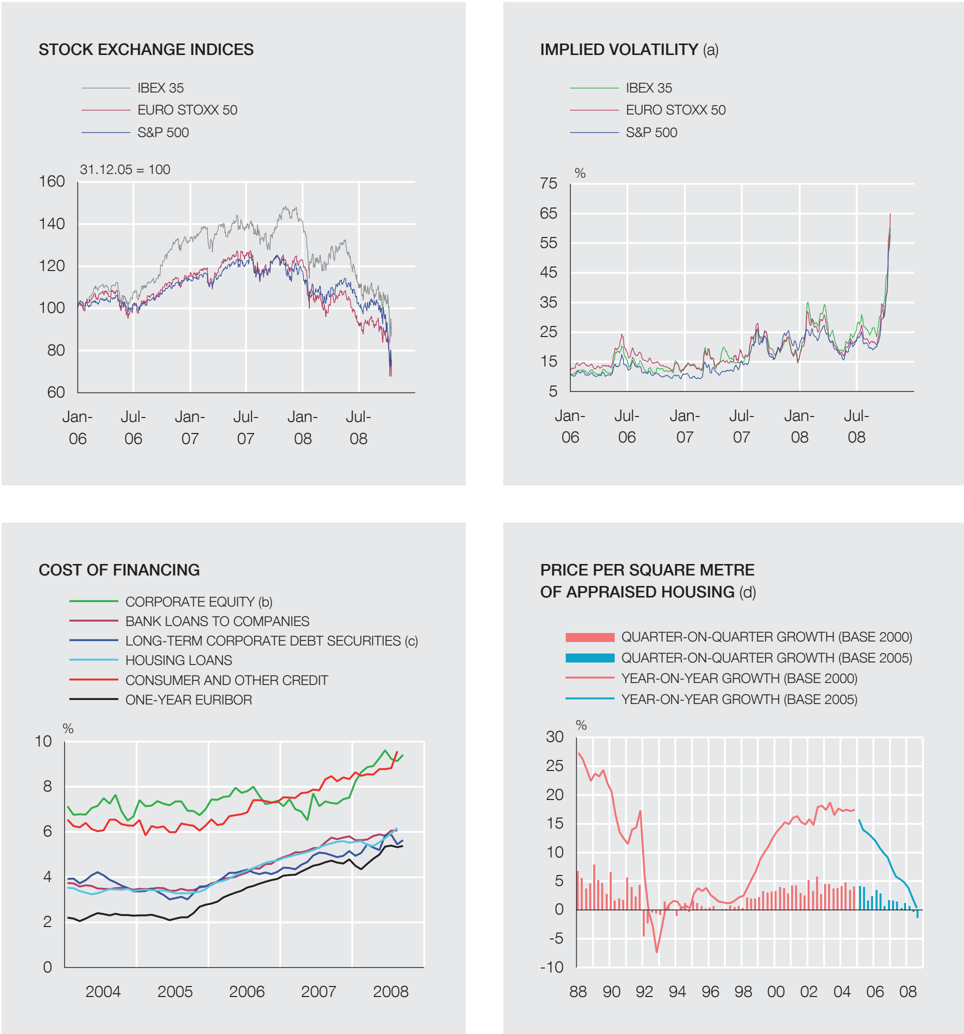
On stock markets, the tension resulted in lower share prices and a notable rise in their volatility (see Chart 23). By mid-October, the IBEX 35 was 23% down on its end-June level, falling less than the EURO STOXX 50 (28%) and the S&P 500 (26%). Following these movements, the losses posted by the Spanish index in the year to date increased to 39% (45% and 36%, for the above-mentioned European and US indexes, respectively). Throughout this period the risk premiums on credit markets rose, while on public debt markets the yields traded fell as a result of greater investor preference for safer assets and the downward revision of future expectations of official interest rates. Within the euro area this move was sharper for German bonds, which resulted in a widening of the spread against these assets which reached 45 bp in the case of Spanish ten-year government bonds. There were no significant changes in prices on interbank markets in Q3, with the result that one-year EURIBOR averaged 5.4% in September, practically the same as in June. During the first few days of October this interest rate climbed above 5.5%, 225 bp higher than the rate for secured transactions at the same maturity (145 bp up on end-June). Nevertheless, following the Eurogroup's approval of the plan including measures to assist the financial sector, the return on interbank term deposits dropped somewhat.

In the real estate market, the latest data provided by the Ministry of Housing show that the slowing trend in unsubsidised housing prices continued between July and September, giving rise to a fall with respect to the previous quarter (down 1.3%), which put the year-on-year growth rate at 0.4% (1.6 pp less than in June). An important new development regarding information on the value of property is the new index which the INE published for the first time at the beginning of October. This series measures changes in the price of homes acquired in each period, adjusted for changes in quality and in geographical breakdown. The most recent data for 2008 Q2 shows a decline of 0.3% in relation to June 2007.

The latest available information on private-sector financing conditions, which refers to a period prior to the most acute phase of recent market tension, continues to point to further tightening, through an increase in the cost of borrowing and more demanding credit supply conditions, as can be deduced from institutions' expectations for Q3 in the July Bank Lending Survey (BLS).

The most recent information from private-sector balance sheets, which also refers to the period before the phase of greatest market tension, shows that in the first two months of Q3 the

FINANCING CONDITIONS AND ASSET PRICES CHART 23



SOURCES: Bloomberg, Credit Trade, Datastream, MSCI Blue Book, Ministerio de Vivienda and Banco de España.

a. Five-day moving averages.
b. The cost of equity is based on the three-stage Gordon dividend discount model.
c. The cost of market-based long-term debt is calculated as the sum of the average 5-year CDS premium for Spanish non-financial corporations and the 5-year euro swap rate.
d. New statistic from 2005.

slowdown in private-sector debt continued. The year-on-year growth of lending to households stood as approximately 7% in August, just over 1 pp down on the June data, while the quarter-on-quarter rates indicate an increase of slightly less than 5% in annual terms. The growth rate of corporations' borrowing decreased to a greater extent by approximately 2 pp to slightly below 10% in comparison with the same period of the previous year and by around 5% in annualised quarter-on-quarter terms. The latest information on lending by purpose, for June, shows that there was a slowdown in this variable in most branches, although it was sharper in real estate services than in construction and industry. By contrast, the growth rate of borrowing by other services remained high, similar to that of previous months.

In 2008 Q2 household and corporate debt-to-income ratios remained the same but the debt burden increased once again as a result of the rising cost of financing (see Charts 24 and 25). The latest advance data indicate slight declines for the former and a continuation of the rising trend for the latter. According to the Financial Accounts, in Spring the net borrowing of these sectors fell. In line with these developments, household saving after debt service recovered, a path which it followed during the summer. In parallel, between April and June household net wealth in terms of gross disposable income (GDI) dropped somewhat, a trend which could have lasted during subsequent months judging by changes in asset prices. Corporate earnings have begun to show less buoyancy during the first half of the year and analysts have revised downwards their projections for next year for listed companies (see Chart 26). Also, judging by various surveys, in recent quarters financial developments have had a negative impact on corporate activity (see Box 6).

The degree of financial pressure borne by certain segments of these sectors increased during recent months, especially among the most indebted agents that are more exposed to unfavourable developments in asset prices and which operate in branches that have been harder hit by the economic slowdown. In keeping with this, the corporate and household aggregate ratio of doubtful assets continued to increase and in August stood at 2.5% in comparison with 0.9% at end-2007.

The most recent Financial Accounts data for June 2008 shows that the nation's net borrowing as a percentage of GDP held at the same levels as in Q1 (10%, in cumulative twelve-month terms) as a result of the shortfall in households' and companies' funds, which was offset by a decrease in the general government's and, to a lesser degree, financial institutions' surplus of funds (see Table 6). Unlike what happened in the first three months of the year, between April and June the net funds obtained from the rest of the world by sectors other than the Banco de España were not enough to cover the external deficit, with the result that the Banco de España's net asset flow vis-à-vis non-residents was negative to the tune of the equivalent of just over 1% of GDP.

In short, the most recent data indicate that private-sector financing conditions continued to move in a more restrictive direction. Thus, the gradual deceleration in household and corporate borrowing kept up, a trend which is expected to have been in line with the higher proportion of agents subject to increased financial pressure. Lastly, the continuation and worsening of tension on international financial markets in recent weeks have tended to make it more difficult, than up until now, to raise funds in the rest of the world, a risk which is particularly important in those economies, like Spain's with a high external deficit.

Against this backdrop, it is important to underline the joint efforts of central banks and governments in the principal developed countries to restore the normal functioning of financial markets. Central banks have modified their operational frameworks and daily operations to ensure that institutions' complex liquidity requirements in this highly tense situation do not contribute to making matters worse. Governments, after an initial phase of prominently individual action, designed a concerted framework for joint action, with a three-fold objective: to increase depositors' confidence by raising the guarantee threshold of national deposit guarantee funds; to prevent the interruption of credit flows by enabling the acquisition (or swap) by the Treasuries of certain assets of institutions and introducing public guarantee systems for new bank debt issues; and enabling institutions to increase capital with contributions from the State. This is the framework for the measures adopted at the beginning of this month by the Spanish government: the raising of the deposit guarantee threshold to €100,000; the creation of a fund from an initial contribution from the Treasury of €30 bn (extendable to €50 bn) to acquire top quality Spanish assets held by institutions, the granting of State guarantees for new operations performed by credit institutions in Spain up to a maximum of €100 bn in 2008; and the authorisation for the purchase by the State of securities to strengthen credit institutions' capital.

Recent quarters have seen a notable change in the economic and financial context in which firms have been operating. Thus, aggregate demand has weakened substantially amid a bout of financial turmoil, which has worsened notably in recent weeks. These developments could result in greater financial difficulties for firms (in terms of their financial position and access to external financing) which could ultimately have a negative impact on their activity.

In this setting, this box analyses firms' perceptions of the influence of financial factors on their activity during the recent period. Surveys are used to approximate this concept. The results of the Business Confidence Indicator are used specifically. This indicator is compiled quarterly by the Chambers of Commerce from the responses of approximately 5,000 firms, located throughout Spain, to a questionnaire including a series of questions on their activity and the factors which restrict it. Those factors include possible financing or cash difficulties. Panel 1 shows the percentage of firms which, on average, according to this survey stated that they had this type of problems in two periods: between 2003 (the first year this indicator was compiled) and 2007, and in 2008 to date (up to Q3, the quarter to which the latest available data refers).

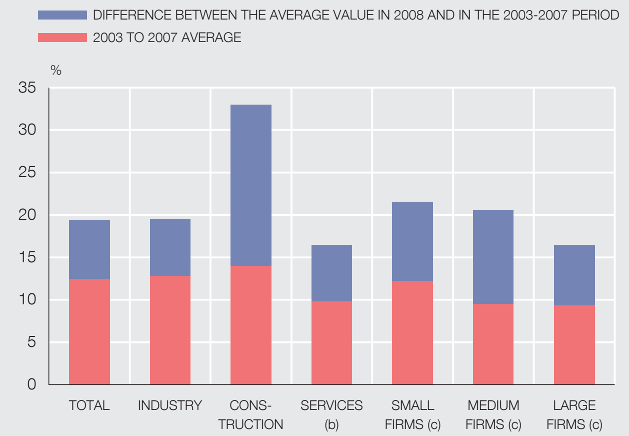
Panel 1 shows firstly certain sectoral differences in the percentage of firms which stated that financial factors have a negative influence on their business performance. Thus, the breakdown by productive branch indicates that this proportion is somewhat lower in the services sector than in industry and construction, while in terms of business size, there is an inverse relationship between this variable and the perception of financing and cash difficulties as a constraint on activity.

Secondly, it can be seen that during recent quarters the proportion of firms which perceive that financial factors have exercised a negative influence on their activity has increased. Specifically, the indicator has risen by 7 pp for the sample as a whole. The increase was sharpest in construction, climbing by nearly 20 pp to more than 30%, in line with less buoyant activity in this sector. In other productive branches, although a rise also occurred, it was much more moderate. In contrast, no significant differences were detected in the changes in the most recent period on the basis of company size.

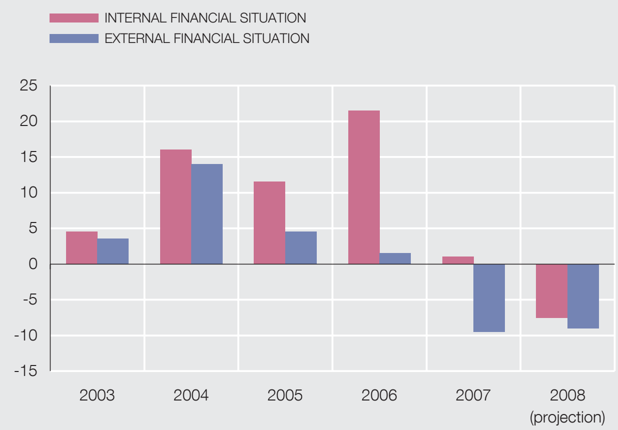
The rise in the percentage of firms which perceive a negative influence of financial factors on their performance may reflect a less favourable trend in the funds generated internally, against a backdrop of a less buoyant economy, and greater difficulty in accessing external financing. The Industrial Investment Survey, compiled by the Ministry of Industry, Tourism and Commerce, from a sample of approximately 2,000 firms in the industrial sector, provides useful information about this aspect since it gives a breakdown which approximates these two components. Specifically, it distinguishes between the internal financing situation and the external one. Panel 2 includes the developments in recent years in an index (ranging from 100 to –100) summarising the impact of these two aspects on investment for the sample firms. Positive values indicate a positive effect, while negative ones indicate a negative impact.

As can be seen in Panel 2, according to the Spring 2008 survey (the latest available survey), industrial firms (excluding construction firms) envisaged that, for the first time in the last six years, their internal financial situation would have a negative impact on their investment

1 PERCENTAGE OF FIRMS REPORTING FINANCIAL OR CASH DIFFICUTLIES AS A CONSTRAINT ON THEIR ACTIVITY (a)



2 INDICATOR OF THE IMPACT OF FINANCIAL FACTORS ON THE INDUSTRIAL SECTOR'S BUSINESS INVESTMENT (d)



SOURCE: Chambers of Commerce (Panel 1) and Ministerio de Industria, Turismo y Comercio (Panel 2).

a. Averages from quarterly observations in the period considered.
b. Calculated as the average of the percentages observed for the wholesale and retail trade, hotels and restaurants and other services.
c. Small, medium and large firms are defined as those with less than 50 employees, between 50 and 249 employees, and more than 250 employees, respectively. The percentage relating to small firms is the average of those relating to firms with less than 10 employees and firms with between 10 and 49 employees.
d. Indicator calculated weighting with values 1, 0.5, –0.5 and –1, the percentage of firms which indicated that their financial situation has a very favourable, favourable, constraining or very constraining impact, respectively, on their investment decisions.

this year. The positive influence associated with external financial factors declined in recent years (specifically since 2005, a period in which the cost of borrowing embarked on a rising path), and would have turned negative in 2007 and 2008, in line with the results of the Bank Lending Survey, which indicate that institutions have tightened their credit standards during the same period.

In short, the most recent data from alternative business surveys seem to indicate a more negative influence of financial factors on the firms' performance, which was linked to fewer internal funds being available against a background of a less buoyant economy and more restrictive credit standards. By productive branch, the most notable changes were recorded in those like construction, which have been affected by the switch in economic cycle, while in other sectors the variations were more moderate.

It must be taken into account, nonetheless, that the information used in this box in based on data collected before the episodes of greatest tension on international financial markets at the beginning of October. Accordingly, these developments can be expected to have resulted in a greater negative perception by firms of the influence of financial factors on their performance, although the announcement of plans to assist the financial sector by economic authorities may have been able to mitigate this impact.

5.2 Households

In Q3 2008 a further rise was posted in households' financing costs. Thus, interest rates on new loans for house purchase and consumer and other credit rose in July and August by around 45 bp and 80 bp, respectively. Also, according to the July BLS, financial institutions were expecting credit standards to be more demanding between June and September than in the three preceding months.

The tightening of credit standards and lower household confidence contributed to the ongoing slowdown in their debt, with the result that the year-on-year growth rate dropped by more than 1 pp to approximately 7% in August. The quarter-on-quarter annualised rates show slightly more moderate growth (of around 5%). By purpose, the lower buoyancy of liabilities was seen in house purchase loans and in consumer credit and other lending, whose pace of advance decreased to 7% and 8%, respectively, in relation to the same period in 2007.

The most recent Financial Accounts information shows that investment in financial assets moderated again in 2008 Q2 (see Table 7). Hence, in cumulative annual terms, it stood at around 6% of GDP, more than 1 pp below the March level. These developments were accompanied by the ongoing portfolio reallocation process with the result that time deposits, which are included under other deposits and fixed-income securities, continued to increase their share, while net purchases of mutual fund shares and cash and cash equivalents were negative.

In Q2 the household debt ratio held at around 130% of GDI, the same level as three months earlier (see Chart 24). By contrast, the rise in interest rates led to a further increase, albeit modest, in the related debt burden with the result that as at the same date it stood at approximately 18% of GDI. However, households' saving, after deducting the expenses associated with their liabilities, recovered during this period, in line with the drop in this sector's net borrowing to 0.7% of GDP in cumulative four-quarter terms (in comparison with 1.2% in March). In parallel, the net wealth of these agents slipped slightly in relation to their GDI between March and June.

Doubtful assets ratios for households continued to increase in Q2. The rise was sharper for unsecured rather than mortgage loans which stood in June at 3.6% and 1.3%, respectively, in comparison with 3% and 1% in March.

NET FINANCIAL TRANSACTIONS
Four-quarter data

TABLE 6

% GDP	2003	2004	2005	2006	2007			2008	
					Q2	Q3	Q4	Q1	Q2
National economy	-2.9	-4.8	-6.5	-8.4	-8.9	-9.3	-9.7	-10.0	-10.0
Non-financial corporations and households and NPISHs	-3.8	-5.1	-8.4	-11.0	-12.4	-13.5	-13.8	-13.6	-12.2
Non-financial corporations	*-3.9*	*-4.5*	*-7.1*	*-9.4*	*-10.3*	*-11.2*	*-12.2*	*-12.4*	*-11.4*
Households and NPISHs	*0.1*	*-0.6*	*-1.3*	*-1.7*	*-2.1*	*-2.3*	*-1.6*	*-1.2*	*-0.7*
Financial institutions	1.0	0.6	0.9	0.6	1.3	1.6	1.9	1.9	1.6
General government	-0.2	-0.4	1.0	2.0	2.2	2.7	2.2	1.7	0.7
MEMORANDUM ITEM:									
Financing gap of non-financial corporations (a)	-8.2	-8.7	-11.4	-17.0	-16.3	-16.4	-18.1	-18.7	-16.1

SOURCE: Banco de España.

a. Financial resources that cover the gap between expanded gross capital formation (real investment and permanent financial investment) and gross saving.

5.3 Non-financial corporations

The cost of bank borrowing for corporations also increased in 2008 Q3. Thus, interest rates on bank loans up to €1 million rose by 18 bp in July and August, while those for a higher amount climbed 24 bp. Furthermore, according to the July BLS, credit institutions anticipated applying more stringent credit standards than during the three previous months.

The tightening of bank credit conditions and the worsening economic outlook continued to dampen the buoyancy of borrowed funds and, consequently, the latter grew by approximately 10% in year-on-year terms in August, almost 2 pp below the figure for June. The annualised quarter-on-quarter rates held at lower levels (around 5%). By instrument, these developments were in particular the result of the moderation of lending by resident institutions, which is the largest item. Also noteworthy is the fact that the fixed-income securities component has slowed considerably during recent months (the quarter-on-quarter rate fell by almost 8 pp), although its relative importance is very low. In any event, the bulk of funds obtained through this channel was in short-term securities, which may be linked to the difficulties of raising long-term funds on markets.

The latest data on the breakdown by productive activity of lending, for June, show that funds earmarked for real estate services slowed significantly (their year-on-year growth rate dropped by more than 6 pp to 11%) and those raised by construction and industry decelerated less sharply. Conversely, bank borrowing obtained by other services continued to advance at a high rate (22%), similar to that of previous quarters.

The Financial Accounts information for 2008 Q2 shows a 1 pp drop in the sector's net borrowing, which stood at around 11% of GDP in cumulative twelve-month terms. Similarly, the *financing gap*, the indicator which approximates the funds required to bridge the difference between gross capital formation plus permanent foreign investment and gross corporate saving, fell to 16% of GDP, down more than 2 pp on its value in March.

In line with the progressive deceleration of borrowing, in 2008 Q2 the rise in the corporate debt ratio came to a halt, standing at 570% of the funds raised by the sector, practically the same level observed three months earlier (see Chart 25). However, the debt burden continued to increase, nearing 28% of the sector's gross operating profit plus financial revenue, under-

TRANSACTIONS OF HOUSEHOLDS, NPISHs AND NON-FINANCIAL CORPORATIONS
Four-quarter data

TABLE 7

% GDP	2004	2005	2006	2007	2008	
				Q4	Q1	Q2
HOUSEHOLDS AND NPISHs						
Financial transactions (assets)	9.5	10.4	10.9	7.7	6.8	5.6
Cash and cash equivalents	3.9	4.0	3.1	-1.0	-1.0	-1.7
Other deposits and fixed-income securities (a)	1.2	1.6	5.8	7.8	7.9	8.3
Shares and other equity (b)	0.3	0.2	-1.1	0.7	0.5	0.9
Investment funds	1.6	1.9	0.2	-1.2	-1.5	-2.8
Insurance technical reserves	1.9	2.0	1.8	1.0	0.9	0.9
Of which:						
Life assurance	*0.7*	*0.7*	*0.6*	*0.3*	*0.2*	*0.2*
Retirement	*0.9*	*1.0*	*0.9*	*0.6*	*0.5*	*0.5*
Other	0.7	0.7	1.2	0.4	0.1	0.1
Financial transactions (liabilities)	10.1	11.7	12.6	9.3	8.0	6.4
Credit from resident financial institutions (c)	10.8	12.3	13.0	9.4	8.0	6.6
House purchase credit (c)	*8.7*	*10.2*	*9.9*	*7.2*	*6.2*	*4.7*
Consumer and other credit (c)	*2.1*	*2.2*	*3.1*	*2.2*	*1.8*	*1.8*
Other	-0.7	-0.6	-0.4	-0.1	0.0	-0.2
NON-FINANCIAL CORPORATIONS:						
Financial transactions (assets)	14.4	18.2	22.5	12.9	10.2	5.6
Cash and cash equivalents	1.0	2.0	2.3	-0.4	-1.1	-1.1
Other deposits and fixed-income securities (a)	0.3	1.2	1.6	2.4	2.7	2.3
Shares and other equity	6.3	7.2	10.9	6.7	5.3	2.5
Of which:						
Vis-à-vis the rest of the world	*3.8*	*3.9*	*7.7*	*5.5*	*5.6*	*3.5*
Other	6.8	7.7	7.7	4.2	3.2	1.8
Financial transactions (liabilities)	18.9	25.2	31.8	25.0	22.6	17.0
Credit from resident financial institutions (c)	8.3	12.9	17.6	13.9	12.4	9.3
Foreign loans	0.7	2.1	3.4	2.6	2.7	2.4
Fixed-income securities (d)	0.0	0.3	1.8	0.5	0.3	0.5
Shares and other equity	4.4	3.7	2.5	5.0	5.0	4.4
Other	5.5	6.2	6.6	3.0	2.2	0.4
MEMORANDUM ITEM: YEAR-ON-YEAR GROWTH RATES (%):						
Financing (e)	16.3	21.2	24.2	15.3	13.3	10.3
Households and NPISHs	20.2	20.9	19.6	12.7	10.7	8.5
Non-financial corporations	13.2	21.4	28.0	17.3	15.3	11.6

SOURCE: Banco de España.

a. Not including unpaid accrued interest, which is included under "other".
b. Excluding investment funds.
c. Including off-balanse-sheet securitised loans.
d. Includes the issues of resident financial subsidiaries.
e. Defined as the sum of bank credit extended by resident credit institutions, foreign loans, fixed-income securities and financing through securitisation special purpose entities.

pinned by the rising cost of borrowing. This increase contributed to the stagnation of firms' ordinary net profit, which led to a certain decrease in the return on capital in the first half of the year. The doubtful assets ratios of firms continued to grow between March and June, especially in the branch of construction and real estate services (up from 1% to 2%), while in the other productive activities the rise was more moderate (up from 1% to 1.2%).

The latest Central Balance Sheet Data Office Quarterly Survey (CBQ) information, based on a sample in which large corporations predominate, shows a decline in their debt ratio in 2008 Q2, as a result of the decrease at large groups, which offset the increase posted for other

INDICATORS OF THE FINANCIAL POSITION OF HOUSEHOLDS AND NPISHs

CHART 24

SOURCE: Banco de España.

a. From 1999, the sectoral National Accounts data corrrespond to the CNE base 2000. For prior periods, an estimate consistent with this base is used.
b. Includes bank credit and off-balance-sheet securitised loans.
c. Assets 1 = total financial assets - "other".
d. Assets 2 = assets 1 - shares (excluding mutual fund shares) - shares in FIM.
e. Estimated interest payments plus debt repayments.
f. Balance of households' use of disposable income account.
g. Gross saving less estimated debt repayments.
h. Calculated on the basis of the estimated changes in the stock of housing, in the average area per house and in the price per square metre. There is a new house price statistic from 2005.

firms, while the debt burden recorded a slight rise. The profitability of the sample firms decreased slightly. As a result of the overall effect of these variables, the synthetic indicator of financial pressure on employment increased slightly, while that for investment held steady.

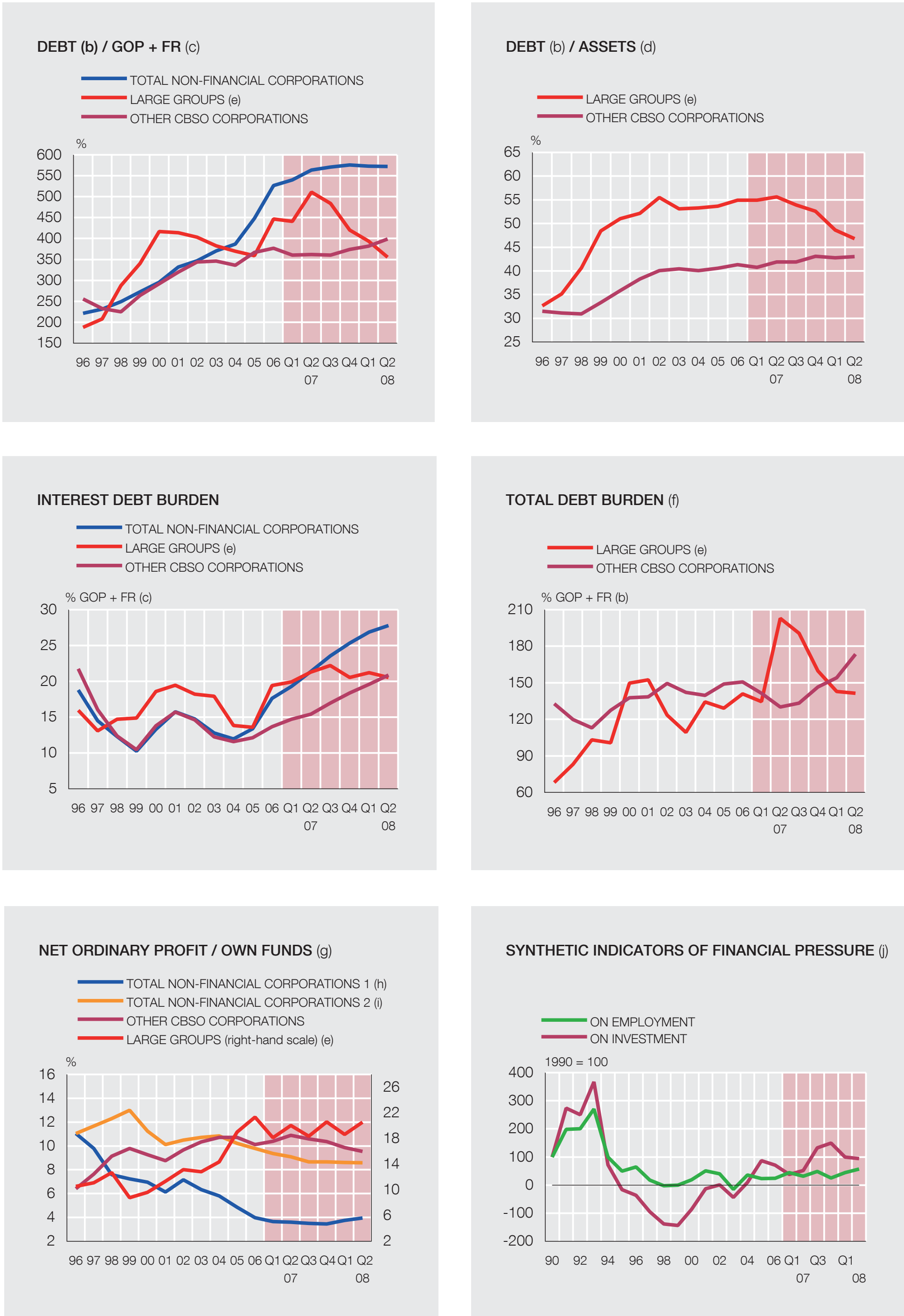
Lastly, analysts anticipate lower growth in the profits of listed non-financial corporations, both for the next few months, reaching negative growth rates, and in the longer term, although in this case the drop will be more moderate (see Chart 26).

5.4 General government

General government net lending in cumulative four-quarter terms stood in June at 0.7% of GDP, down 1 pp on end-March (see Chart 27). The breakdown by instrument shows that in the last twelve months the volume of medium and long-term securities issued by these institutions which are held by the other sectors has declined. These developments have been accompanied by a decrease in the balance of deposits net of lending and the positive issuance

INDICATORS OF THE FINANCIAL POSITION OF NON-FINANCIAL CORPORATIONS (a)

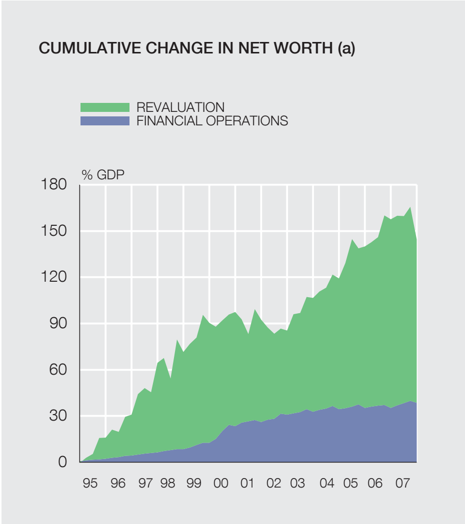
CHART 25



SOURCE: Banco de España.

a. Based on CBSO annual and quarterly survey data, except in the case of the "total non-financial corporations" series, which is based on the National Accounts (CNE and FASE). From 1999, the income of the sector corresponds to the CNE base 2000. For prior periods, an estimate consistent with this base is used.
b. Interest-bearing borrowed funds.
c. Gross operating profit plus financial revenue.
d. Defined as total inflation-adjusted assets less non-interest-bearing liabilities.
e. Aggregate of all corporations reporting to the CBSO that belong to the Endesa, Iberdrola, Repsol and Telefónica groups. Adjusted for intra-group financing to avoid double counting.
f. Includes interest plus interest-bearing short-term debt.
g. For total non-financial corporations, NOP = GOS + interest and dividends received – interest paid – fixed capital consumption.
h. Own funds valued at market prices.
i. Own funds calculated by accumulating flows from the 1996 stock onwards.
j. Indicators estimated drawing on the CBA and CBQ surveys. A value above (below) 100 denotes more (less) financial pressure than in the base year.

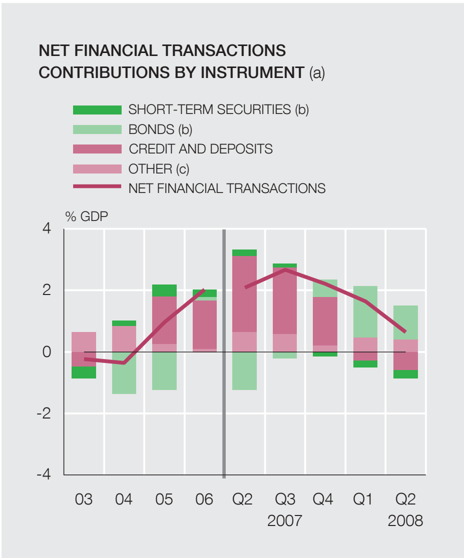
OTHER FINANCIAL INDICATORS OF NON-FINANCIAL CORPORATIONS CHART 26

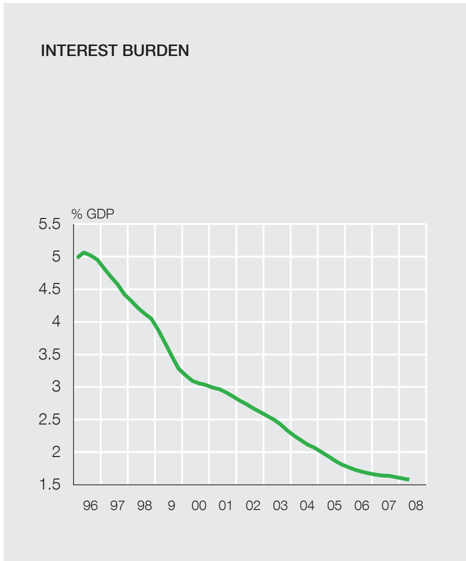


SOURCES: I/B/E/S and Banco de España.

a. Net worth is proxied by the valuation at market price of shares and other equity issued by non-financial corporations.

GENERAL GOVERNMENT CHART 27
Four-quarter data





SOURCE: Banco de España.

a. A postive (negative) sign denotes an increase (decrease) in assets or a decrease (increase) in liabilites.
b. Includes only liabilities transactions.
c. Unpaid accrued interest on bonds and net investment of Social Security funds in assets issued by the rest of general government.

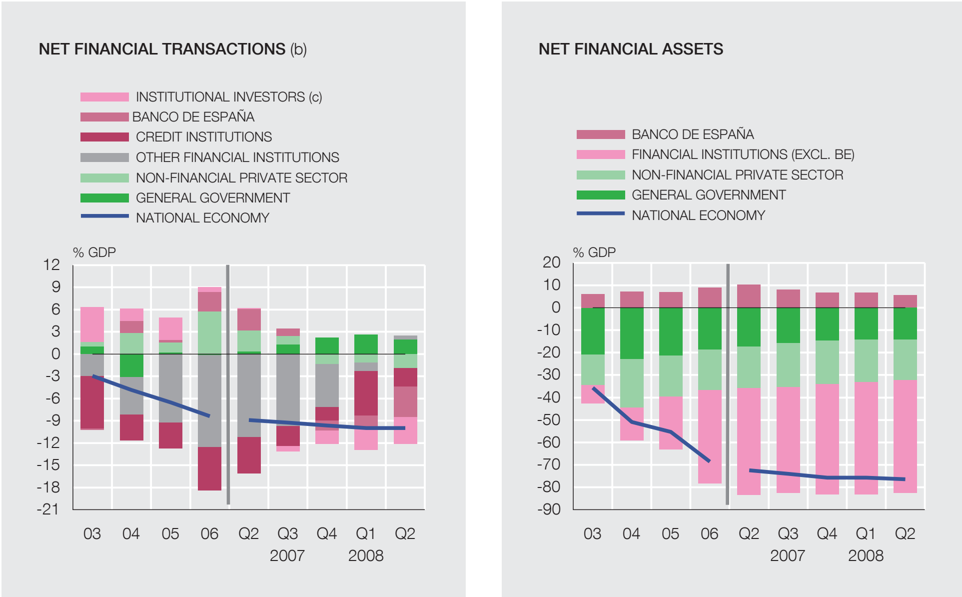
of short-term instruments. The contraction of the debt ratio, together with the unchanged average cost of funds, resulted in interest payments decreasing somewhat as a proportion of GDP to 1.6%.

5.5 The rest of the world

In 2008 Q2 the debit balance of the nation's financial transactions stood, in cumulative twelve-month terms, at 10% of GDP, the same level as in March. The breakdown by sector reveals that these developments were the result of a drop in the shortfall in corporations' and,

NET FINANCIAL TRANSACTIONS AND NET FINANCIAL ASSETS VIS-À-VIS THE REST OF THE WORLD (a)

CHART 28



SOURCE: Banco de España.

a. Four-quarter data for transactions. End-period data for stocks. Unsectorised assets and liabilities not included.
b. A negative (positive) sign denotes that the rest of the world grants (receives) financing to (from) the counterpart sector.
c. Insurance companies and portfolio investment institutions.

to a lesser extent, households' funds, which was offset by the contraction of the surplus of financial institutions and, more markedly, by that of general government (see Table 6).

The sectoral breakdown of financial transactions vis-à-vis the rest of the world shows that in Q2 net inflows of funds were recorded, which were channelled through institutional investors (divestments), corresponding to the non-financial private sector and general government. However, these funds were insufficient to cover the nation's overspending relative to the revenue and financing granted by financial institutions other than the Banco de España (which was positive in net terms). Consequently, Banco de España's net flows of assets vis-à-vis the rest of the world turned negative again and, in cumulative twelve-month terms, stood at 4.2% of GDP (see Chart 28).

On the liability-instruments side, in 2008 Q2 the volume of financial flows vis-à-vis the rest of the world increased, a development which was accompanied by a net inflow of funds channelled through fixed-income securities issued by general government and financial institutions. Nevertheless, in cumulative four-quarter terms, capital inflows fell back again to 17% of GDP, nearly 2 pp below the March figure (see Table 8). By instrument, the principal financing vehicle related to interbank deposits (including collateralised deposits), which represented a gross inflow of funds of approximately 11% of GDP and nearly 6%, if asset-side transactions are stripped out. Transactions channelled through debt resulted in a capital outflow equivalent to 3% of GDP, while the amount raised through shares and other equity held at around the same levels as in the first three months of the year, in spite of more buoyant foreign direct investment in Spain.

The volume of asset flows vis-à-vis the rest of the world also recovered, the bulk of these funds were in the form of interbank loans. However, in cumulative four-quarter terms, the amount decreased to 7% of GDP, 2 pp lower than in March. Most of the capital outflows were chan-

FINANCIAL TRANSACTIONS OF THE NATION
Four-quarter data

TABLE 8

% GDP

	2004	2005	2006	2007 Q4	2008 Q1	2008 Q2
NET FINANCIAL TRANSACTIONS	-4.8	-6.5	-8.4	-9.7	-10.0	-10.0
FINANCIAL TRANSACTIONS (ASSETS)	13.3	18.7	17.6	13.0	9.0	7.0
Gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	3.2	2.2	5.2	2.1	-0.7	1.6
Of which:						
Interbank (a)	*0.7*	*3.1*	*3.4*	*4.2*	*1.6*	*4.6*
Securities other than shares	1.8	8.7	-1.2	1.6	1.5	0.9
Of which:						
Credit institutions	*1.0*	*6.6*	*-2.1*	*1.8*	*2.1*	*1.7*
Institutional investors (b)	*0.3*	*2.3*	*0.6*	*-0.1*	*-0.7*	*-0.8*
Shares and other equity	6.8	5.1	10.2	7.8	6.3	3.1
Of which:						
Non-financial corporations	*3.8*	*3.9*	*7.7*	*5.5*	*5.6*	*3.5*
Institutional investors (b)	*0.8*	*0.9*	*1.2*	*-1.0*	*-1.9*	*-2.6*
Loans	0.8	1.1	2.1	1.2	1.3	1.7
FINANCIAL TRANSACTIONS (LIABILITIES)	18.2	25.2	26.0	22.7	18.9	17.0
Deposits	1.7	5.6	0.3	7.3	11.2	13.0
Of which:						
Interbank (a)	*5.0*	*7.2*	*0.6*	*6.7*	*10.9*	*10.7*
Securities other than shares	12.4	15.8	21.7	7.9	-0.2	-3.2
Of which:						
General government	*2.7*	*0.2*	*1.3*	*-1.5*	*-2.3*	*-1.7*
Credit institutions	*4.6*	*6.3*	*8.0*	*3.5*	*0.8*	*-1.1*
Other non-monetary financial institutions	*5.1*	*9.3*	*12.4*	*5.9*	*1.2*	*-0.4*
Shares and other equity	2.7	0.9	-0.1	4.3	4.7	4.6
Of which:						
Non-financial corporations	*1.7*	*1.0*	*-0.5*	*4.5*	*4.7*	*4.2*
Loans	1.3	2.3	3.6	2.8	3.0	2.4
Other, net (c)	-0.6	-0.8	-0.8	0.0	-0.3	0.4
MEMORAMDUM ITEMS						
Spanish direct investment abroad	5.8	3.7	8.1	8.7	8.9	7.0
Foreign direct investment in Spain	2.4	2.2	2.2	4.0	5.6	6.1

nelled through the cash and deposits heading which includes most notably interbank deposits. There was a drop in investment in fixed-income securities abroad by residents and, in particular, by institutional investors, which disposed of part of their portfolio. Lastly, partly as a consequence of the decrease in Spanish direct investment abroad, purchases of shares and other equity also contracted.

As a result of the changes in cross-border financial flows, asset prices and the exchange rate, the value of the accumulated net debt vis-à-vis the rest of the world increased slightly (see Chart 28). Sectorally, this was due to an increase in the debit balance of financial institutions and a decrease in the credit balance of the Banco de España, which amply offset the moderate decline in the net liabilities of the non-financial private sector and of general government.

24.10.2008

Results of non-financial corporations to 2008 Q2

Overview[1]

The data of the firms reporting to the Central Balance Sheet Data Office Quarterly Survey (CBQ) relating to the first half of 2008 (2008 H1) confirm the slowdown in productive activity initiated in 2007. Thus gross value added (GVA) increased in the total sample by 2.1% in the first six months of the year, which was somewhat more than three percentage points less than its growth a year earlier (5.7%). This loss of dynamism affected nearly all sectors of activity. The exception was the energy sector, the only one whose GVA grew, thanks to a sharp increase in refining company sales against a background of rising international oil prices. This increase in crude oil prices, which reached historical highs in the period covered by this article, had the opposite effect on the activity of a good part of the other productive sectors, which were hit by a sharp rise in production costs. This was so with transport and communications firms and some industrial firms, in which, moreover, the transport strike in early June had a negative effect. Meanwhile, wholesale and retail trade firms (along with transport and communications firms) recorded a decrease in their value added, as they felt the effect of the lesser vigour of private consumption detected by alternative sources in the period under analysis. Additionally, the industrial sector as a whole also saw a drop in GVA (–4.4% in 2008 H1), a development which, although due mainly to the performance of the industrial sub-sectors most closely related to construction, also includes a gradual decline in the quarter-by-quarter profile as 2008 unfolds.

Personnel costs increased by 5.2% in 2008 H1. This exceeded the increase a year earlier (4.7%), mainly as a result of the growth of average compensation, against a background of slightly slower job creation. Thus, in the first six months of 2008, CBQ corporations reported a net increase of 0.8% in the average number of employees, slightly less than in 2007 (1.1%). The sectoral breakdown shows that industrial firms and transport and communications firms reduced staff in 2008 H1 (–0.4% and –0.9%, respectively), while retail and wholesale trade firms and energy companies increased their number of employees, the former due to the opening of new shopping centres and the latter due to the expansion of their productive activity. Regarding average compensation, in 2008 so far there has been a progressive acceleration which, in the half as a whole, has brought average growth of 4.4%, up 0.8 pp on the same period of 2007 (3.6%), with a rising quarterly profile, probably related to the staff layoffs initiated in Q2.

Owing to the slowdown in activity and the increase in personnel costs, gross operating profit (GOP) failed to grow in the first six months of the year, the situation in the first quarter remaining unchanged throughout the period. Against this backdrop of stagnation in operating surpluses, it was particularly significant that the net financial charge (financial costs less financial revenue) had a positive impact on ordinary income, which was due to both lower growth of financial costs and higher growth of financial revenue than in previous periods. Indeed, although financial costs continued to grow strongly in 2008 H1 (by 28.3%), they did so at an appreciably slower rate than in the previous year (37.8%), basically because in the last few quarters firms have resorted less to additional external funds. For its part, financial revenue grew more strongly in 2008 H1 (40.4%), basically due to the inflow of substantial dividends from the foreign subsidiaries of large Spanish multinational groups. As a result, the notable

1. This article is based on information sent voluntarily by an average of 721 corporations to the Central Balance Sheet Data Office up to 17 December 2008. In terms of gross value added, this sample represents 12.9% of total of the sector non-financial corporations.

PROFIT AND LOSS ACCOUNT. YEAR-ON-YEAR CHANGES AND PROFIT RATIOS

TABLE 1

Growth rates of the same corporations on the same period a year earlier

	CBA STRUCTURE	CBA		CBQ (a)		
DATABASES	2006	2005	2006	07 Q1-Q4/ 06 Q1-Q4	07 Q1-Q2/ 06 Q1-Q2	08 Q1-Q2/ 07 Q1-Q2
Number of corporations		9.093	8.836	821	862	721
Total national coverage		32.6%	32.2%	14.0%	14.5%	12.9%
PROFIT AND LOSS ACCOUNT						
1. VALUE OF OUTPUT (including subsidies)	100.0	9.9	9.4	5.8	3.9	9.9
Of which:						
Net amount of turnover and other operating income	139.8	11.9	9.6	4.0	0.8	8.8
2. INPUTS (including taxes)	68.5	12.5	10.0	6.2	3.0	13.8
Of which:						
Net purchases	40.2	13.5	11.4	3.3	0.9	20.5
Other operating costs	28.4	12.2	8.1	7.3	7.2	5.5
S.1. GROSS VALUE ADDED AT FACTOR COST [1-2]	31.5	4.7	8.1	4.9	5.7	2.1
3. Personnel costs	16.7	5.8	6.9	4.4	4.7	5.2
S.2. GROSS OPERATING PROFIT [S.1-3]	14.9	3.6	9.4	5.2	6.3	0.0
4. Financial revenue	3.5	24.4	18.2	38.5	16.8	40.4
5. Financial costs	3.2	9.7	35.3	36.5	37.8	28.3
6. Depreciation and operating provisions	5.8	-0.1	9.7	-1.3	-1.0	0.1
S.3. ORDINARY NET PROFIT [S.2 + 4-5-6]	9.3	10.5	5.3	10.3	4.4	4.2
7. Extraordinary revenue and expenses	4.4	20.5	(b)	121.4	-42.3	(b)
8. Other (net provisioning and income tax)	4.8	-5.2	64.7	89.9	-12.1	3.7
S.4. NET PROFIT [S.3 + 7-8]	9.0	20.0	36.4	11.7	3.0	67.3
NET PROFIT/GVA (S.4/S.1)		22.1	28.4	36.4	30.4	50.5
PROFIT RATIOS	Formulas (c)					
R.1 Return on investment (before taxes)	(S.3+5.1)/NA	8.7	8.9	8.8	7.6	7.6
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1/IBB	3.7	4.0	4.5	4.3	5.0
R.3 Ordinary return on equity (before taxes)	S.3/E	12.8	13.1	13.0	10.8	9.9
R.4 ROI - cost of debt (R.1 - R.2)	R.1–R.2	5.0	4.9	4.3	3.3	2.6

SOURCE: Banco de España.

a. All the data in these columns have been calculated as the weighted average of the quarterly data.
b. Rate not significant or not calculable because the relevant figures are of opposite sign.
c. The items in the formulas are expressed as absolute values. NA = net assets (net of non-interest-bearing borrowing); E = Equity; IBB = Interest-bearing borrowing; NA = E + IBB. The financial costs in the numerators of ratios R.1 and R.2 only include that portion of financial costs which is interest on borrowed funds and not commissions or cash discounts.
Note: in calculating rates, internal accounting movements have been edited out of items 4, 5 and 8.

growth of financial revenue offset that of financial costs and led ordinary net profit (ONP) to post a positive rate, which at 4.2% was down 0.2 pp on the figure a year earlier (4.4%).

These developments meant that the sum of ONP and financial costs (the numerator used in profitability ratios) was sufficient for firms to maintain their profitability levels, which, in the case of return on investment, were equal in the current and in the previous year (7.6% in both 2007 H1 and 2008 H1). Meanwhile, the ratio that approximates the cost of borrowing held on its upward trend (as a result of the pass-through of interest rate rises to firms), moving up by 0.7 pp with respect to the previous year to stand at 5% in 2008 H1. As a result, the difference between the return on investment and the cost of debt remained positive, albeit dropping to 2.6, somewhat more than 0.5 below the level in the same period of 2007.

Coming on top of the positive impact of financial revenue on the results of non-financial corporations for the half was the sharp increase in extraordinary revenue. This revenue,

NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE

CHART 1

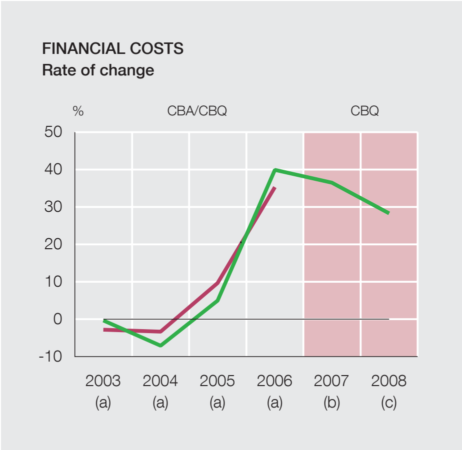
REPORTING NON-FINANCIAL CORPORATIONS		2003	2004	2005	2006	2007	2008
Number of corporations	CBA	8,834	9,063	9,093	8,836	—	—
	CBQ	838	831	812	830	821	721
% of GDP of the sector non-financial corporations	CBA	29.9	32.3	32.6	32.2	—	—
	CBQ	15.1	15.0	14.6	14.6	14.0	12.9

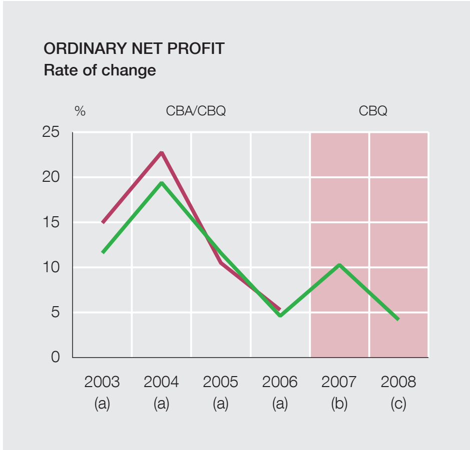
SOURCE: Banco de España.

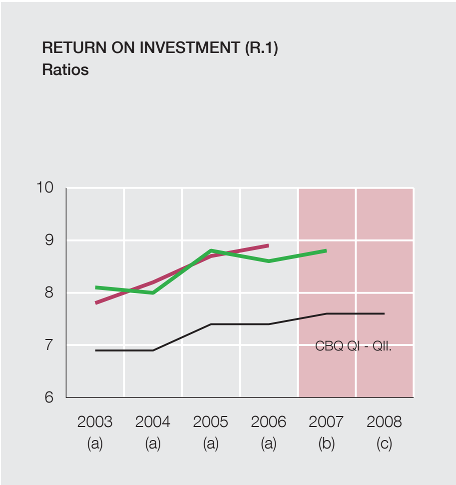
a. Data are the average data of the four quarters of each year (CBQ) in relation to the previous year for the corporations reporting to the annual survey (CBA).
b. Average of the four quarters of 2007 in relation to the same period in 2006
c. Data for the first two quarters of 2008 in relation to the same period in 2007.

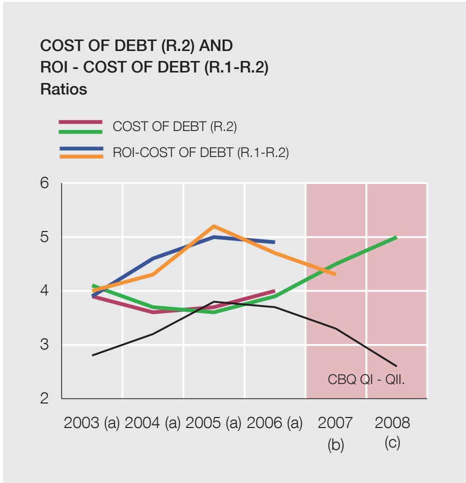
basically capital gains on the sale of shares and other assets, was extraordinarily high in the period under analysis, basically due to the capital gains arising from execution of the sales agreed in negotiations by an external operator to take up a majority holding in a large Spanish electricity sector firm. As a result of this extraordinary revenue, final net profit grew exceptionally in 2008 H1 by 67.3% and amounted to 50.5% of GVA. This value must be considered atypical in the quarterly series as a whole (disregarding the aforementioned transaction, net profit would have grown at a rate of 12% in H1 and amounted to 34.5% of GVA).

NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE (cont'd) CHART 1









REPORTING NON-FINANCIAL CORPORATIONS		2003	2004	2005	2006	2007	2008
Number of corporations	CBA	8,834	9,063	9,093	8,836	—	—
	CBQ	838	831	812	830	821	721
% of GDP of the sector	CBA	29.9	32.3	32.6	32.2	—	—
non-financial corporations	CBQ	15.1	15.0	14.6	14.6	14.0	12.9

SOURCE: Banco de España.

a. Data are the average data of the four quarters of each year (CBQ) in relation to the previous year for the corporations reporting to the annual survey (CBA).
b. Average of the four quarters of 2007 in relation to the same period in 2006.
c. Data for the first two quarters of 2008 in relation to the same period in 2007.

In short, the CBQ information for 2008 H1 confirms the slowdown in productive activity of Spanish firms, which dampened the growth of the main surpluses (GVA and GOP) and of job creation. Nevertheless, the growth of financial revenue (basically dividends) received by the large Spanish multinationals from their subsidiaries abroad not only offset the growth of financial costs, but also enabled ordinary net profit and profitability to remain at levels similar to those a year earlier. Additionally, the large gains on asset sales by Spanish firms boosted growth of the final surplus extraordinarily in 2008 H1.

VALUE ADDED, EMPLOYEES, PERSONNEL COSTS AND COMPENSATION PER EMPLOYEE. BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS
Growth rate of the same corporations on the same period a year earlier

TABLE 2.A

	GROSS VALUE ADDED AT FACTOR COST				EMPLOYEES (AVERAGE FOR PERIOD)				PERSONNEL COSTS				COMPENSATION PER EMPLOYEE			
	CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)		
	2006	07 Q1-Q4	07 Q1-Q2	08 Q1-Q2	2006	07 Q1-Q4	07 Q1-Q2	08 Q1-Q2	2006	07 Q1-Q4	07 Q1-Q2	08 Q1-Q2	2006	07 Q1-Q4	07 Q1-Q2	08 Q1-Q2
Total	8.1	4.9	5.7	2.1	3.8	0.8	1.1	0.8	6.9	4.4	4.7	5.2	3.0	3.6	3.6	4.4
SIZE																
Small	4.3	—	—	—	0.0	—	—	—	4.8	—	—	—	4.7	—	—	—
Medium	8.4	6.3	5.4	1.3	2.3	1.9	1.8	-0.3	6.3	5.2	4.5	4.8	4.0	3.2	2.7	5.1
Large	8.1	4.8	5.7	2.1	4.1	0.7	1.0	0.8	7.0	4.4	4.7	5.2	2.8	3.7	3.7	4.4
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	7.5	0.9	-0.9	12.9	-1.3	-0.3	-0.9	2.1	3.6	3.1	3.8	5.7	4.9	3.4	4.7	3.5
Industry	5.5	7.5	13.5	-4.4	-0.7	-0.7	-0.3	-0.4	3.1	2.8	3.0	4.1	3.8	3.5	3.3	4.5
Wholesale and retail trade, and repairs	8.0	1.7	3.5	-3.7	2.7	0.4	0.7	2.6	7.9	1.3	2.2	6.0	5.0	0.9	1.5	3.3
Transport and communications	4.0	5.8	5.2	0.9	1.3	-0.2	-0.1	-0.9	4.8	5.4	5.0	3.8	3.5	5.6	5.1	4.7

SOURCE: Banco de España.

a. All the data in these columns have been calculated as the weighted average of the quarterly data.

EMPLOYMENT AND PERSONNEL COSTS
Details based on changes in staff levels

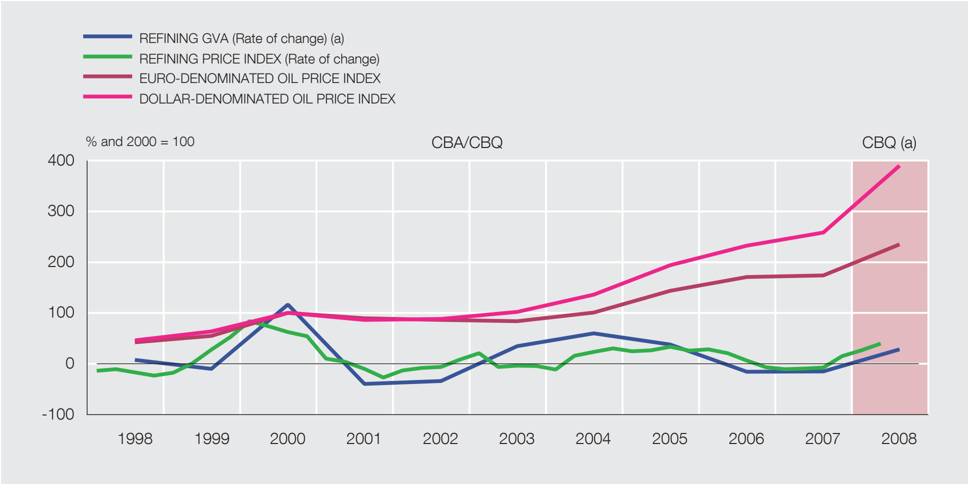
TABLE 2.B

		TOTAL CBQ CORPORATIONS 08 Q1 - Q2	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations		721	419	302
PERSONNEL COSTS				
Initial situation 07 Q1-Q2 (€m)		13,066.3	7,058.6	6,007.7
Rate 08 Q1-Q2/ 07 Q1-Q2		5.2	9.1	0.6
AVERAGE COMPENSATION				
Initial situation 07 Q1-Q2 (€)		22,829.5	22,439.2	23,305.9
Rate 08 Q1-Q2/ 07 Q1-Q2		4.4	4.0	5.1
NUMBER OF EMPLOYEES				
Initial situation 07 Q1-Q2 (000s)		573	315	258
Rate 08 Q1-Q2/ 07 Q1-Q2		0.8	4.9	-4.3
Permanent	Initial situation 07 Q1-Q2 (000s)	488	264	224
	Rate 08 Q1-Q2/ 07 Q1-Q2	0.8	3.8	-2.9
Non-permanent	Initial situation 07 Q1-Q2 (000s)	85	51	34
	Rate 08 Q1-Q2/ 07 Q1-Q2	0.9	10.4	-13.6

SOURCE: Banco de España.

IMPACT OF OIL PRICES ON THE REFINING SECTOR

CHART 2



SOURCES: Banco de España and Ministerio de Industria, Turismo y Comercio *(Informe mensual de precios).*

a. 2008 data relate to the CBQ.

Activity

In 2008 H1 the productive activity of Spanish firms slowed sharply, as evidenced by the CBQ data for this period, which show GVA growth of 2.1%, down by more than 3.5 pp on the same period of 2007 (5.7%) (see Table 1 and Chart 1). This slowdown in activity was felt by most sectors, save energy, which was the only one in which the GVA increases in 2008 H1 exceeded those of the previous year (12.9% against –0.9%) (see Table 2.A), thanks to the strong performance of the electricity sector and, in particular, to the positive impact of the rising oil prices on refining companies (see Chart 2).

More detailed analysis of the other sectors shows that the industrial sector suffered the greatest deterioration in activity. Thus in 2008 H1 the GVA of this aggregate fell by –4.4%, compared with growth of 13.5% in 2007. This performance is partly explained by the loss of momentum of capital goods investment, against a background in which, as already seen in 2008 Q1, the industrial sub-sectors most closely linked to construction underwent the sharpest adjustment in productive activity. The two main factors behind the contraction in industrial sector activity are the increase in energy input prices and the impact that the June transport strike had on the inventory provision and on the manufacture and distribution of industrial products. In any event, the aggregate industrial information masks the robustness of some sub-sectors (see breakdown in Box 1), although practically all of them show a downward quarterly trend.

The trade and repairs sector also saw a notable decrease in activity during the period because it was strongly affected by the fall in private consumption, as a result of which its GVA contracted by –3.7%, as against an increase of 3.5% a year earlier. This same pattern of deceleration was shown by the firms in the transport and communications sector, which were also less buoyant in the period of 2008 under analysis, posting GVA growth of 0.9%, well down on the increase of 5.2% recorded a year earlier. The aforementioned deterioration in private consumption and the impact of the high fuel prices on transport firm costs explain this performance.

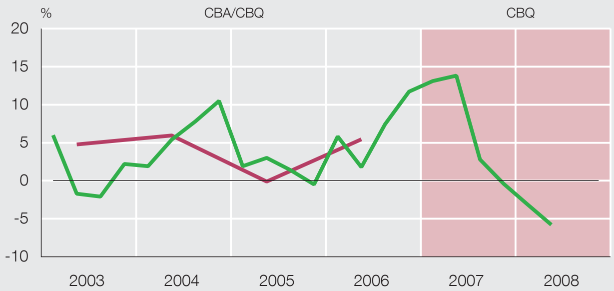
Lastly, analysis of the sub-sectors comprising the energy sector shows that the intense GVA growth of this sector in the half (12.9%) is, as indicated above, mainly due to the extraordinary growth of oil refining activity, although the electricity, gas and water companies also contributed.

According to the information gathered by the Central Balance Sheet Data Office for the industrial sector as a whole, the activity of this aggregate contracted in 2008 H1. Thus the GVA of these firms decreased by -4.4% in the period under analysis, while in the same period of the previous year their GVA had grown sharply at 13.5%. This change of trend was due both to the loss of vigour by capital goods investment in recent quarters and to the tribulations of the construction sector, which affected the related industrial sub-sectors. Account should also be taken of the negative impact which the transport strike in the second quarter of the year had on the production of a good part of the firms comprising this aggregate. Accordingly, the sub-sectors most affected by the negative performance of activity were chemicals, other manufacturing industries and, in particular, glass, ceramics and metal products, the GVA of which contracted by -18.9%.

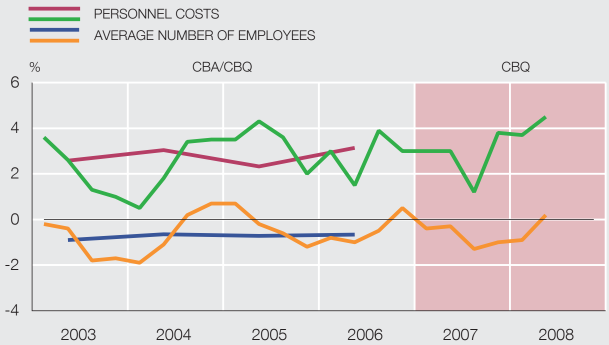
By contrast, the activity of food, beverages and tobacco firms, and especially those of the electrical and optical equipment manufacturing industry, expanded moderately. Meanwhile, the employment data continued to perform negatively, with a reduction of -0.4% in 2008 H1, slightly more than in the preceding year (-0.3%). The employment figures of most industrial sub-sectors worsened, although the sharpest staff reductions were in other manufacturing industries and in the manufacture of transport equipment, where the average number of employees dropped by -2.4% and -2.2%, respectively. Average compensation increased more rapidly than in the previous year, recording a sharp rise of 4.5% for 2008 H1, against 3.3% in 2007. This upward trend in wage costs is due both to the impact in certain cases of variable compensation and the effect of the higher costs associated with staff cuts, which impinged particularly on certain industrial sectors such as food, beverages and tobacco and transport equipment manufacturing. The developments in employment and average compensation led personnel costs to grow at a rate of 4.1% in 2008 H1, 1 pp more than in the same period of 2007. This, along with the sharp increase in

PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO

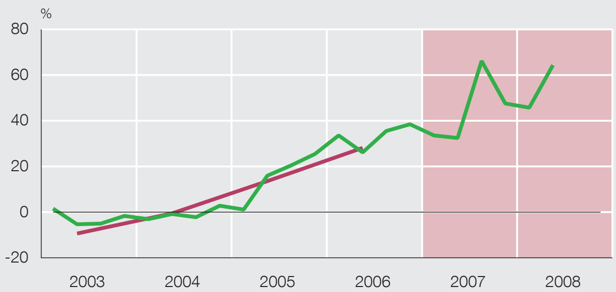
GROSS VALUE ADDED AT FACTOR COST
Rate of change



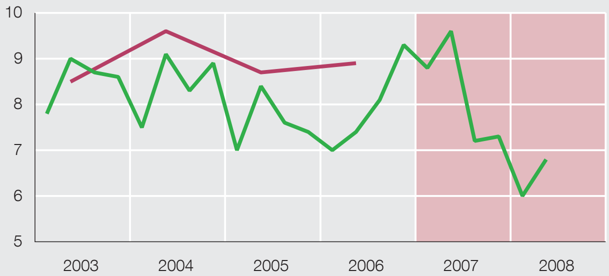
EMPLOYMENT AND WAGES
Rate of change



FINANCIAL COSTS
Rate of change



RETURN ON INVESTMENT
Ratios



REPORTING INDUSTRIAL CORPORATIONS		2003				2004				2005				2006				2007				2008			
Number of corporations	CBA	2,624				2,530				2,457				2,355				—				—			
	CBQ	367	362	354	346	353	343	336	334	325	313	306	298	321	305	293	283	314	299	281	271	270	232	—	—
% of GDP of the sub-sector industrial corporations	CBA	28.5				29.0				28.6				30.1				—				—			
	CBQ	18.8	19.1	17.1	17.8	20.0	20.3	18.3	19.7	19.5	20.2	17.2	17.7	18.9	17.9	16.5	17.6	19.6	19.5	15.4	16.2	15.9	14.0	—	—

SOURCE: Banco de España.

financial costs, which grew by 53.9% in 2008 H1, meant that the ordinary net profit of the sector shrank sharply by -31.2% in the period under analysis. Nevertheless, the overall performance of ONP and financial costs enabled both return on investment and return on equity to remain at a healthy level (6.5% and 8%, respectively), albeit well below the levels of 2007 (9.6% and 13.7%). Since the ratio which approximates the cost of debt grew further to 5.1% in 2008 H1 (1 pp more than in 2007), the difference between return on investment and this ratio narrowed notably to 1.4, somewhat less than one-third of the figure a year earlier (5.5). In short, after a clearly expansionary year in 2007, the activity of the non-financial corporations in some industrial sub-sectors showed signs of weakness at the beginning of 2008, which has spread to the industrial aggregate reflected in the CBQ.

The latter companies significantly stepped up their activity in the first six months of the year, although more moderately than in the case of refining (their GVA grew by 4.1% in 2007 and by 10% in 2008 H1). This increase was concentrated in gas sub-sector firms and in electricity generating companies which, particularly in the second quarter of the year, enjoyed lower production costs amidst increasing electricity demand (up nearly 2%) and rates (up around 3%).

Finally, Chart 3 shows the distribution of firms by rate of change of GVA, irrespective of their size or sector of activity. The data for 2008 H1 show the gradual shift of companies towards lower rates of change in GVA and the higher percentage of companies with a fall in GVA. Thus in 2007 H1, 37.2% of firms had negative rates, while in 2008 H1 this percentage was 44.6%, which confirms that the deceleration in activity shown by the aggregate data is a phenomenon affecting an increasingly higher number of firms in the quarterly sample.

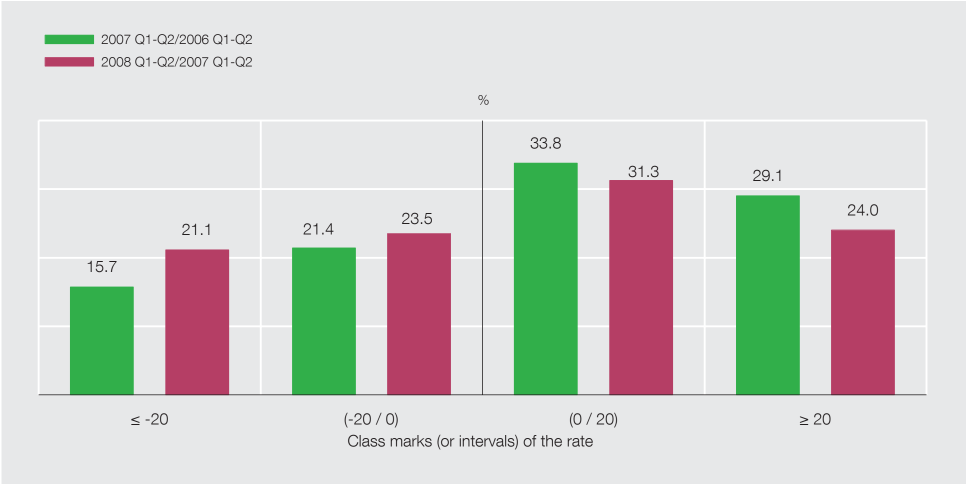
Employment and personnel costs

In 2008 Q1 personnel costs rose by 5.2%, which was 0.5 pp more than in the same period of the previous year. This acceleration is due exclusively to the faster growth of average compensation, against a background of slightly slower job creation. Thus the average number of employees of CBQ firms increased by 0.8% in 2008 H1, against 1.1% in 2007 H1. In terms of contract type (see Table 2.B), permanent and temporary employment both grew slightly and at similar rates, specifically at 0.8% and 0.9%, respectively.

Sectoral analysis shows that in 2008 H1 the energy and the retail and wholesale trade sectors were again the most dynamic in job creation, as in the first quarter of the year. Employment in the trade and repairs sector increased by 2.6% (against 0.7% in the previous year), basically thanks to the new shopping centres opened by hypermarket chains in late 2007. The average number of employees in the energy sector increased by 2.1% due to the effect of the staff increases of 7.2% in oil refining companies and to the job growth in the electricity, gas and water sector, which at 1.5% was more moderate. Notable in the latter case was the qualitative importance of the increase in the electricity, gas and water sector, since traditionally it has recorded net job losses, so the developments so far in 2008 constitute a significant change in trend. By contrast, the transport and communications and the industrial sectors continued to post declining employment figures, with falls of –0.9% and –0.4%, respectively. While both sectors are strongly influenced by significant staff cuts highly concentrated in certain large companies, the job losses are now affecting a growing number of firms in these sectors. For the sample firms as a whole, the information in Table 4 shows that in 2008 to date the firms which have shed jobs continue to be a minority, although their number has risen to stand at 41.8% of the sample, against 36.5% of companies reducing staff in 2007 Q1.

DISTRIBUTION OF CORPORATIONS BY RATE OF CHANGE IN GVA AT FACTOR COST

CHART 3



SOURCE: Banco de España.

PURCHASES AND TURNOVER OF CORPORATIONS REPORTING DATA ON PURCHASING SOURCES AND SALES DESTINATIONS

Structure and rate of change

TABLE 3

		CBA	CBQ (a)	
		2006	07 Q1-Q2	08 Q1-Q2
Total corporations		8,836	721	721
Corporations reporting source/destination		8,836	676	676
Percentage of net purchases according to source	Spain	68.8	78.2	78.5
	Total abroad	31.2	21.8	21.5
	EU countries	17.1	16.9	16.3
	Third countries	14.1	4.9	5.2
Percentage of net turnover according to destination	Spain	84.4	91.5	91.0
	Total abroad	15.6	8.5	9.0
	EU countries	10.4	6.4	6.8
	Third countries	5.3	2.2	2.2
Change in net external demand (exports less imports), rate of change	Industry	-7.7	-0.8	-11.4
	Other corporations	-35.3	-16.5	9.8

SOURCE: Banco de España.

a. All the data in these columns have been calculated as the weighted average of the relevant quarterly data.

Average compensation in 2008 H1 increased by 4.4%, up 0.8 pp on the same period of 2007, confirming the trend of progressive acceleration of wage costs which had started to become apparent in previous quarters. This observation is supported by the information available for 2008 Q2, which shows that this variable is on a rising path and has reached the values of 2001 (for 2008 Q2, the rate is 4.6%).

The transport and communications and the industrial sectors recorded the highest wage increases (4.7% and 4.5%, respectively). The behaviour of these aggregates can be ex-

PERSONNEL COSTS, EMPLOYEES AND AVERAGE COMPENSATION
Percentage of corporations in specific situations

TABLE 4

	CBA		CBQ (a)			
	2005	2006	06 Q1 - Q4	07 Q1 - Q4	07 Q1 - Q2	08 Q1 - Q2
Number of corporations	9,093	8,836	830	821	862	721
PERSONNEL COSTS	100	100	100	100	100	100
Falling	26.6	25.6	27.0	27.4	26.9	27.3
Constant or rising	73.4	74.4	73.0	72.6	73.1	72.7
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	30.9	30.6	39.2	37.1	36.5	41.8
Constant or rising	69.1	69.4	60.8	62.9	63.5	58.2
AVERAGE COMPENSATION RELATIVE TO INFLATION	100	100	100	100	100	100
Lower growth (b)	43.3	42.6	48.2	45.9	43.7	50.3
Higher or same growth (b)	56.7	57.4	51.8	54.1	56.3	49.7

SOURCE: Banco de España.

a. Weighted average of the relevant quarters for each column.
b. Twelve-month percentage change in the CPI for the CBA and quarter-on-quarter change in the CPI for the CBQ.

plained in some cases by the existence of variable compensation and in others by the costs associated with workforce reduction. By contrast, more moderate wage rises were recorded in trade and repairs and in energy, with increases of 3.3% and 3.5%, respectively, undoubtedly favoured by the positive behaviour of employment in these sectors. Table 2.B confirms this observation also for the total sample, since the firms with a decrease in average staff showed larger increases (5.1%) in average compensation than those in which staff numbers rose (4%).

Profits, rates of return and debt

The slowdown in productive activity and the higher personnel costs in 2008 H1 meant that gross operating profit did not grow with respect to 2007 H1, when growth was 6.3%. This flatness of operating surpluses was offset in the aggregate of reporting corporations by the overall behaviour of financial costs and revenue, so that the rate of change of ONP stood at levels similar to those a year earlier.

Financial costs continued to grow at high rates (28.3%) and again gained relative weight in the corporate cost structure, since, as a percentage of total production, they amounted to 6.1%, which is the highest value since 1995. The interest burden ratio (see Chart 4) confirms that accrued interest on borrowed funds with respect to ordinary income (i.e. gross operating profit) and with respect to income received (sum of interest and dividends collected) by firms continued the upward trend initiated in 2005. In any event, in 2008 financial costs increased appreciably less than in previous years (by 28.3%, against 31.9% in 2006 and 37.8% in 2007, in the CBQ sample). The reasons for this are analysed in greater detail in the following table, which separates financial costs into their two components:

	08 Q1-Q2/07 Q1-Q2
Change in financial costs	**28.3%**
A. Interest on borrowed funds (1+2)	*27.6%*
1. Due to the cost (interest rate)	17.3%
2. Due to the amount of interest-bearing debt	10.3%
B. Commissions and cash discounts	*0.7%*

IMPLEMENTATION OF THE NEW SPANISH GENERAL CHART OF ACCOUNTS: EFFECT ON CORPORATE ACCOUNTING DATA

Box 1 of the article on the results of the CBQ reporting firms for 2008 Q1 described the main effects which the roll-out of the new general chart of accounts (PGC-2007) had had on their aggregate results. This box updates that analysis for 2008 Q1. Set forth below are comments on the most notable features of the accompanying table:

Adaptation to the new chart of accounts

In 2008 the Central Balance Sheet Data Office offered firms the option of reporting their information in a survey with the old format (PGC-1990), if they so desired. The cumulative data up to Q2 show a decrease in the percentage of firms still replying in this format: 16.8% (against 19% in Q1) sent in the old format, which confirms progressive adaptation of a growing number of firms to the new accounting legislation.

Uniformity of information (PGC-1990/PGC-2007)

Of the 598 firms which replied using the PGC-2007 format, 35 stated that there are accounting alterations which affect the uniformity of their data with respect to the previous year, although in only two cases was it impossible to remedy these problems. These companies therefore do not form part of the aggregate considered in this article.

Impact of the PGC-2007 on aggregate results

The table in this box also includes information on the impact which the adoption of the fair-value valuation method (one of the main new features of the PGC-2007) has had on the balance sheet and on the income statement. First, approximately 10% of the firms comprising the CBQ sample recorded adjustments to equity due to changes in value. Their materiality relative to both equity and total assets of these firms was very limited (2.1% and 0.8%, respectively). In regard to the income statement, less than 5% of the firms recorded any amount due to variations in fair value and, once again, their quantitative significance was fairly low, whether measured with respect to either the turnover plus financial revenue of these firms or their net profit (3.5% and 7.4%, respectively). These percentages are even lower if compared with those of the total sample, since in this case the changes in fair value would amount to only 0.4% of the sum of turnover plus financial revenue and to 3.5% of the total net profit for the half.

However, it should be noted that the low impact on net profit is strongly influenced by the extraordinary growth of this surplus in the period analysed, as a result of the considerable capital gains in the second quarter of the year (a development discussed in the article).

In short, firms are progressively adapting to the requirements derived from the new general chart of accounts and the impact on the accounting figures is limited, albeit somewhat greater in the income statement than in the balance sheet. In no case have these new developments significantly affected the analysis by the Central Balance Sheet Data Office in this article.

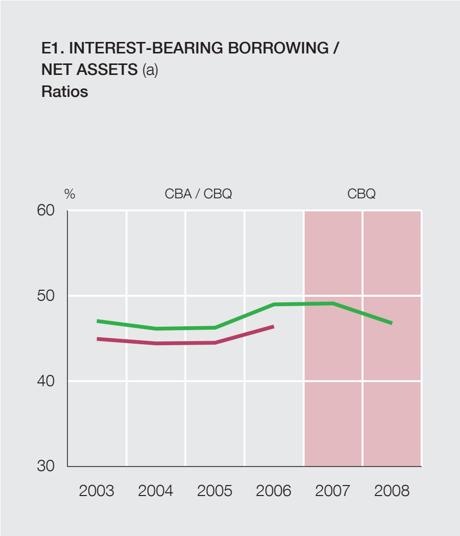
USE OF THE QUESTIONNAIRE ADAPTED TO THE PGC 2007 BY CBQ REPORTING FIRMS
Principal results

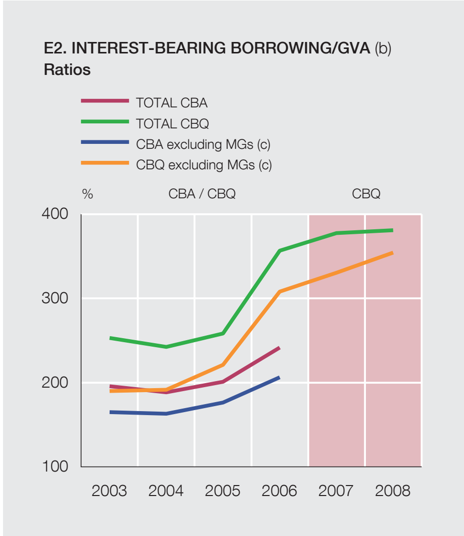
	Total firms 08 Q1 - Q2	Questionnaire PGC 1990	Questionnaire PGC 2007
1 Use of new questionnaire	719	121	598
	Total firms 08 Q1 - Q2 (PGC 2007)	Reported having comparability problems: Number	Reported having comparability problems: Percentage
2 Comparability problems due to application of PGC 2007	598	35 (a)	5.9%
3 Impact of fair value	No. of firms	Adjustment/Equity (b)	Adjustment/Total assets (a)
a) Balance sheet (adjustment to equity due to change in value)	69	2.1%	0.8%
	719	0.7%	0.2%
	No. of firms	Change/Turnover plus financial revenue (b)	Change/Net profit (b)
b) Income statement (change in fair value)	35	3.5%	7.4%
	719	0.4%	3.5%

a. After making the adjustments required to connect the time series, 33 firms which reported having comparability problems were included in the study (only two were excluded).
b. The weight of the adjustments is calculated, for the stated variables, both for the firms reporting these impacts due to fair value and as a percentage of the total corporations included in the sample.

DEBT RATIOS

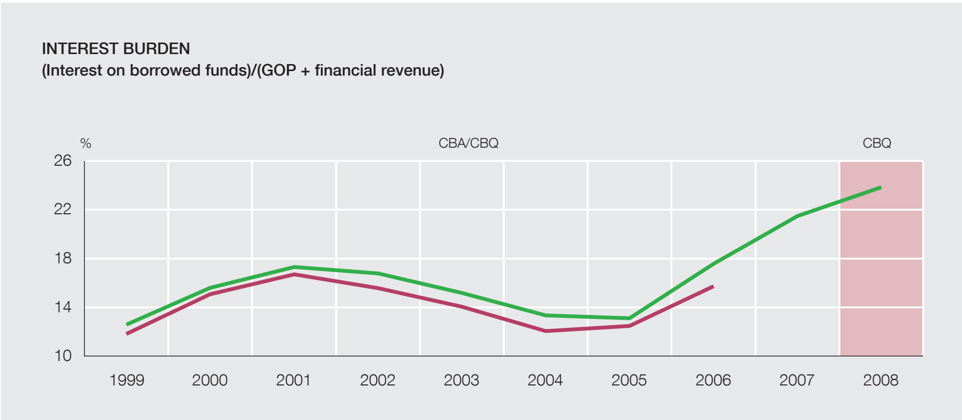
CHART 4





	2003	2004	2005	2006	2007	2008
CBA	44.9	44.4	44.5	46.4		
CBQ	47.0	46.2	46.3	49.0	49.1	46.8

	2003	2004	2005	2006	2007	2008
CBA	195.8	188.4	201.2	241.6		
CBQ	252.9	242.3	258.5	356.8	377.4	381.1
CBA excl. MGs	165.0	163.0	176.3	206.3		
CBQ excl. MGs	189.9	191.5	221.1	308.2	330.4	354.5



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
CBA	11.8	15.1	16.7	15.6	14.0	12.0	12.5	15.7		
CBQ	12.6	15.6	17.3	16.8	15.2	13.3	13.1	17.6	21.5	23.9

SOURCE: Banco de España.

a. Ratio calculated from final balance sheet figures. Own funds include an adjustment to current prices.
b. Ratio calculated from final balance sheet figures. Interest-bearing borrowing includes an adjustment to eliminate intragroup debt (approximation of consolidated debt).
c. MGs: sample corporations belonging to the main reporting multinational groups. Excluding large corporations in the construction sector.

GROSS OPERATING PROFIT, ORDINARY NET PROFIT, RETURN ON INVESTMENT AND ROI-COST OF DEBT (R.1 - R.2).
BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS
Ratios and growth rates of the same corporations on the same period a year earlier

TABLE 5

	GROSS OPERATING PROFIT				ORDINARY NET PROFIT				RETURN ON INVESTMENT (R.1)				ROI-COST OF DEBT (R.1-R.2)			
	CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)		
	2006	07 Q1-Q4	07 Q1-Q2	08 Q1-Q2	2006	07 Q1-Q4	07 Q1-Q2	08 Q1-Q2	2006	07 Q1-Q4	07 Q1-Q2	08 Q1-Q2	2006	07 Q1-Q4	07 Q1-Q2	08 Q1-Q2
Total	9.4	5.2	6.3	0.0	5.3	10.3	4.4	4.2	8.9	8.8	7.6	7.6	4.9	4.3	3.3	2.6
SIZE																
Small	3.5	—	—	—	8.3	—	—	—	6.7	—	—	—	2.6	—	—	—
Medium	11.6	7.7	6.4	-2.7	17.7	2.1	-0.9	-1.5	7.8	7.7	7.7	7.0	3.9	3.3	3.7	2.2
Large	9.3	5.1	6.3	0.1	4.2	10.5	4.6	4.4	9.0	8.9	7.6	7.6	5.0	4.4	3.3	2.6
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	8.6	0.4	-2.1	14.6	2.6	-0.6	-6.0	18.5	9.8	8.9	8.4	9.0	6.2	4.6	4.4	4.6
Industry	8.8	13.0	26.1	-13.2	9.5	5.6	38.3	-31.2	8.9	8.8	9.6	6.5	4.7	4.2	5.5	1.4
Wholesale and retail trade, and repairs	8.3	2.2	5.3	-16.9	11.5	-2.2	3.7	-18.8	11.4	7.0	7.0	5.6	6.8	2.3	2.8	1.4
Transport and communications	3.3	6.1	5.4	-1.1	-4.9	12.2	10.6	-1.8	7.1	12.2	11.7	11.2	3.0	7.8	7.4	6.7

SOURCE: Banco de España.

a. All the data in these columns have been calculated as the weighted average of the quarterly data.

The above table confirms that the increase in financial costs in 2008 H1 was mainly due to the effect of interest rate rises on the interest paid by non-financial corporations, rather than to increased borrowing. Although the recourse to new sources of borrowing did increase (the impact on the increase in financial costs was 10.3%), it did so more moderately than in previous periods (21.9% 2007 and 33.8% in 2006).

As a supplement to this analysis, Chart 4 shows the debt ratios E1 (ratio of interest-bearing borrowing to net assets) and E2 (which measures the repayment capacity of firms by expressing their debt with respect to GVA generated). Both ratios show an improvement in the levels of indebtedness in the year to date. This improvement has its origin in the large firms belonging to multinational groups, since other firms continue to show a slight increase in debt levels, along with decreases in gross value added, as shown by the E2 ratio.

Meanwhile, financial revenue grew strongly in 2008 H1, posting a rate of 40.4%, well above the 16.8% of 2007. This was due mainly to the receipt of substantial dividends from foreign subsidiaries, many of them linked to the oil sector (the rate of change of the dividends received in the period was 50.4%). In any event, the gradual rise in interest rates was also reflected in the increase in interest received by firms, up by 26.5%.

This strong performance of financial revenue offset the increase in financial costs and also enabled ONP to grow by 4.2% in 2008 H1, a slightly lower rate than in the same period of the previous year (4.4%). Thus the overall performance of ONP plus financial costs enabled the CBQ reporting firms to sustain their levels of profitability. Specifically, the ratio which measures the return on investment (R1) stood at 7.6% in 2008 H1, exactly the same as in 2007. The return on equity (R3) was 9.9%, which, nevertheless, was slightly lower than a year earlier (10.8%) as a result of the behaviour of the cost of debt. In short, it can be said that, at a time of deceleration in the activity in Spain of the CBQ sample firms, the performance of financial revenue, and, more specifically, the dividends received by large Spanish multination-

STRUCTURE OF REPORTING CORPORATIONS' RETURN ON INVESTMENT AND ORDINARY RETURN ON EQUITY

TABLE 6

		CBQ (a)			
		RETURN ON INVESTMENT (R.1)		ORDINARY RETURN ON EQUITY (R.3)	
		04 Q2 - Q1	05 Q2 - Q1	04 Q2 - Q1	05 Q2 - Q1
Number of corporations		862	721	862	721
Percentage of corporations by profitability bracket	R ≤ 0%	21.8	24.0	27.2	31.0
	0% < R ≤ 5%	20.2	22.1	13.9	14.5
	5% < R ≤ 10%	17.0	17.3	12.4	12.9
	10% < R ≤ 15%	11.3	10.9	9.2	9.3
	15% < R	29.6	25.7	37.3	32.3
MEMORANDUM ITEM: Average return		7.6	7.6	10.8	9.9

SOURCE: Banco de España.

a. All the data in these columns have been calculated as the weighted average of the quarterly data.

als from their investments abroad, allowed profitability to hold up at similar levels to those a year earlier.

Sectoral analysis of the performance of return on investment shows that this ratio improved in the energy sector and was contained in industry (down from 9.6% in 2007 to 6.5% in 2008) and in trade and repairs (down from 7% to 5.6% in those same periods), in connection with their productive activity (see Table 5). Regarding the cost of debt (R.2), this ratio continued to show the same growing trend as in recent years, which took it to 5% in 2008 H1, up 0.7 pp on the previous year. Finally, as a result of the performance of the return on investment (R.1) and the cost of debt (R.2), in 2008 the difference between them decreased to 2.6, which was 0.7 pp less than in 2007 H1, but still positive.

Lastly, most notable in regard to the performance of extraordinary results was the sharp increase in extraordinary revenue in 2008 to date. This was due to the significant capital gains on the sale of shares and other assets linked to large firms, particularly the sale of shares of investees and of electric power stations agreed in the process of acquisition of a major firm in the Spanish electricity sector by a non-resident operator. These capital gains helped to boost exceptionally the growth of final net profit, since in 2008 the rate of change of this surplus was 67.3%, amply exceeding that of the first half of the previous year, when net profit grew by 3%. As a result, net profit as a percentage of GVA amounted to 50.5%, well above the 30.4% recorded in 2007 H1 and an atypical value in the overall quarterly series of this ratio (disregarding this transaction, net profit would have grown by 12% in the first half and would have amounted to 34.5% of GVA). As noted previously, net profit is more volatile than other variables because it includes extraordinary items (by their very nature, these have a highly volatile component which is always atypical and, on occasions, unique and unrepeatable), such as that mentioned above.

18.9.2008.

Half-yearly report on the Latin American economy

Introduction

One year after the onset of the turmoil on international financial markets, the impact is being acutely felt on Latin American markets, which had hitherto proven notably resilient, and on those of the other emerging economies (see Chart 1 regarding stock exchanges).

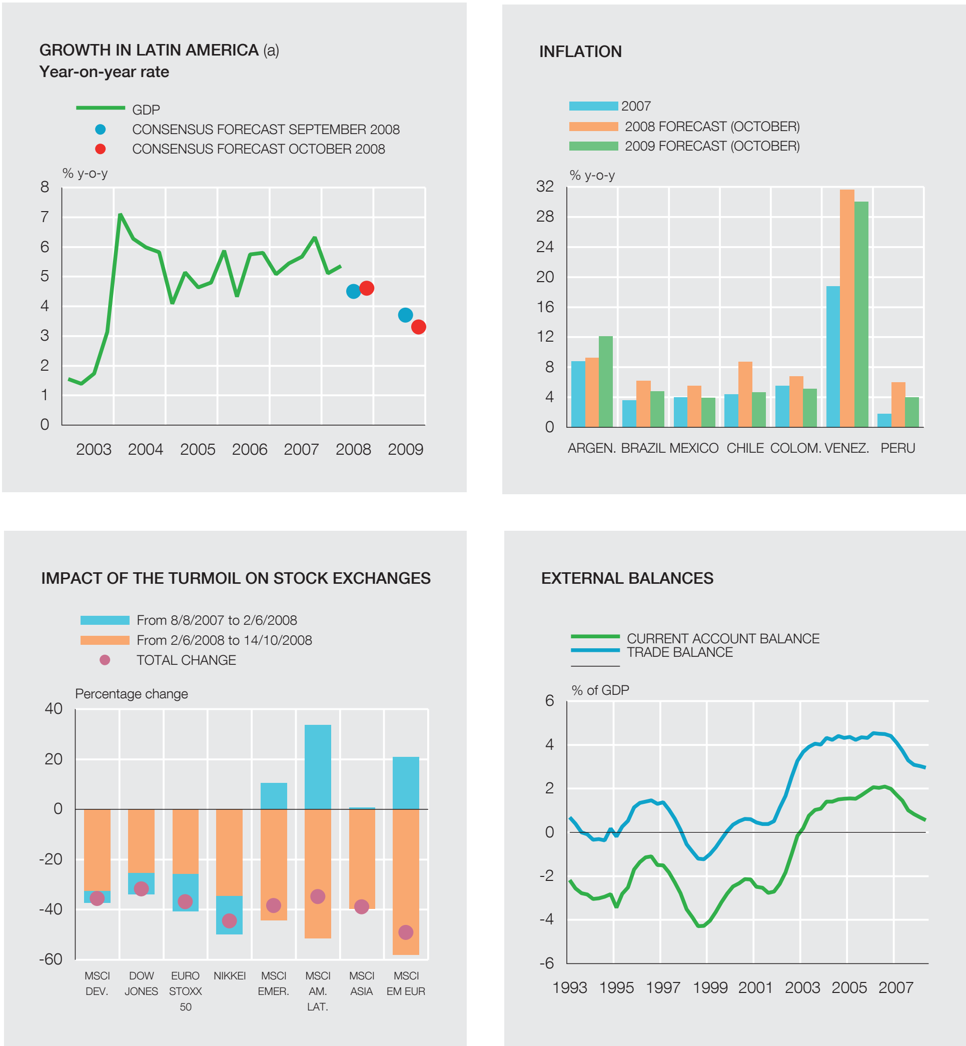
At the start of the summer the relatively moderate correction was associated with the deterioration in inflation expectations and with the growing weakness of activity in the advanced economies beyond the United States. However, the heightening of global financial tensions in September has ultimately prompted sharp capital outflows with a profound impact on asset prices in the area. The source of this falling off of capital flows is the process of deleveraging and search for liquidity that financial systems are experiencing across the globe, and not so much the fundamentals of the Latin American economies. The latter have generally remained relatively robust, although the reduction in the current account surplus marks a significant qualitative change in this respect. However, a prolonged period of financial stress inevitably erodes fundamentals, no matter how solid they are. Accordingly, the intensity of the recent deterioration in financial conditions may entail, if it is not shortly put behind, a turning point in the financial and growth outlook for 2009, and even for the end of the current year. The higher-frequency indicators for Q3, though their evidence is still partial, appeared to point to some weakening in industrial activity. Nonetheless, some demand indicators held at relatively robust rates to July.

Indeed, with year-on-year growth exceeding 5% in the first half of 2008, based on the strength of domestic demand, the Latin American economy continued showing signs of notable dynamism, despite the slowdown in the world economy (see Chart 1 and Table 1). This did not prevent some easing from the extraordinary growth rates posted in 2007 being seen in several countries (especially in Mexico, Colombia and Venezuela, and also to some extent in Argentina). In each country the moderation was due to different reasons, but the outcome was essentially the same: the move towards growth rates that might be considered closer to potential, following the strong absorption of domestic demand of the last five years. By contrast, in countries such as Brazil and Peru, growth in the first half of the year was even higher than that in 2007. Consequently, there were no signs during the first half of the year of a slowdown on the scale of those recorded in the industrialised economies, although there was an increase in the dispersion of growth rate across countries compared with the relatively uniform upturn of recent years.

Inflation rose appreciably, posting year-on-year growth rates of 8.6% on average for the seven main economies in the region in the summer months, marking a five-year high. Unlike in 2007, this rise meant some upward pressure on core inflation and on inflation forecasts, and, in some countries, second-round effects, which heightened concern over a potential disanchoring of price expectations (see Chart 1). Against this background, monetary policies tended to tighten notably between April and September. Further, this tightening was largely conducted through the raising of interest rates, unlike in previous months when alternative instruments such as the raising of reserve requirements or capital controls were also used. Significantly, the lesser upward pressure on exchange rates in recent months may have helped circumvent one of the main obstacles to the application of more rigorous monetary policies in many countries. This may explain why countries such as Brazil, Chile, Mexico and Peru raised their reference rates in the past six months by between 75 pp and 250 pp, set against the maintenance or even decline in rates in some cases in

LATIN AMERICA: GROWTH AND INFLATION
Year-on-year change

CHART 1



SOURCES: National statistics, Consensus Forecast and Datastream.

a. Seven biggest economies

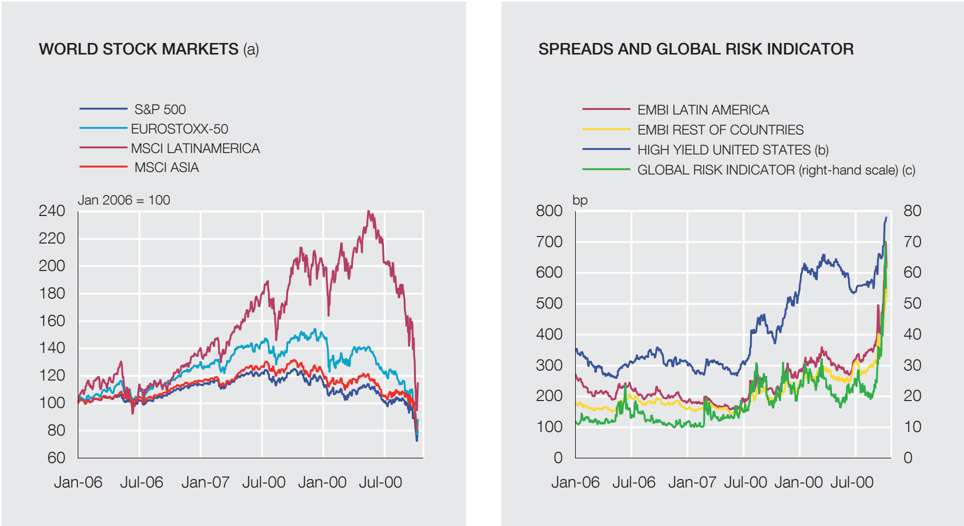
2007.[1] That said, real interest rates held at relatively low levels in many countries, and inflation will probably lie outside target at the end of the year in most of the countries with inflation targets, perhaps with the sole exception of Brazil.

The economic outlook for the coming months points to an easing of growth in Latin America, with much sharper downside risks than six months ago. This is mainly due to three reasons. First, the positive shock to the terms of trade arising from the increase in commodities prices that boosted growth in the region as from 2002 has begun to wane, in line with the recent correction on international commodities markets. Second, the tightening of monetary conditions should contribute to containing growth in domestic demand, which in some countries has been far above potential, and to softening inflationary pressures in the medium-term (see Chart 1). And adding to these two factors as a fundamental constraint has been the heightening of international financial tensions throughout September, which on this occasion have im-

1. Colombia is in some respects an exception, since the cycle of interest rate rises began earlier, in 2006.

GLOBAL MACROECONOMIC AND FINANCIAL INDICATORS
Basis points and indices

CHART 2



SOURCES: Bureau of Economic Analysis, Eurostat, Bloomberg and JP Morgan.

a. Indices in dollars.
b. B1-rated bond.
c. Implicit CBOE options volatility.

pacted Latin America full on. Indeed, the deterioration seen in the main financial indicators in the region since the summer, on a par with the general trend in other emerging markets, may ultimately have a substantial effect on confidence and real activity, intensifying the symptoms of cyclical change, and influencing considerably the economic policy responses in Latin America in the coming months.

Economic and financial developments

EXTERNAL ENVIRONMENT

Global economic and financial developments remained marked over the past six months by the persistence and subsequent heightening of the tensions on international financial markets. During Q2, the economic slowdown that had already manifest itself in the United States spread with unexpected intensity towards other advanced economies, in particular Europe – including the United Kingdom – and Japan. Against the backdrop of continuing upward pressure on inflation rates, this development tended to complicate economic policy management, which to some extent contributed to explaining the different monetary policy responses observed. Thus, the Federal Reserve lowered its official interest rate once again in late April, to 2%, while the European Central Bank raised its rate to 4.25% in July, and the Bank of Japan held its rate unchanged. These three central banks, along with others, carried out a co-ordinated interest rate cut of 50 bp in October, further to a serious deterioration in the financial situation. US long-term yields increased initially relative to the lows reached in March, but they stood once again at around 3.50% in September, following the announcement of the public intervention of two US government-sponsored mortgage agencies and the bankruptcy of the investment bank Lehman Brothers, both of which circumstances preceded the heightening of financial instability at the global level. These developments particularly affected internationals stock markets, which posted heavy losses in September and which have accumulated falls of over 25% in the last six months (see Chart 2).

Towards the summer a considerable deterioration in market sentiment was seen in the emerging economies. Initially, this could be attributed to the perception that inflationary risks may be greater in this group of countries, and to the fact that their decoupling capacity would be very limited in the event of a global economic slowdown that were to prove more pronounced and persistent than expected. However, it was in September, when there was a fundamental change in the development and extension of the crisis, that the emerging financial markets were affected particularly adversely, mainly those whose fundamentals are viewed as less sound or more dependent on external financing. As a result, and unlike what had occurred since the start of the turmoil, the performance of emerging stock markets was considerably worse than other international markets, with sharper losses (see Charts 1 and 2), while sovereign spreads tended to widen, reaching five-year highs. Currency movements were mixed, although the depreciating trend against the dollar became generalised as the instability on international markets worsened. Of note in this respect were the Korean, Brazilian, Chilean and Indian currencies, which posted double-figure depreciations over the past six months. In terms of regions, movements in sovereign spreads were fairly uniform, although the widening of the Latin American spread proved slightly higher given the forceful increase in the Argentine and Venezuelan spreads. Eastern European stock markets were most affected by the turmoil, posting losses of around 50% for the period, dragged down by Russia.

Against this background, growth forecasts for the emerging economies began to be revised downwards, thereby incorporating the influence of the deterioration in instability in September. Economic growth in key countries such as China remained robust, albeit slightly down on end-2007. And this, in a setting of heightening global financial risks, prompted the first official interest rate cuts for six years in China.

The other key determinant of global economic and financial developments in the past six months was oil prices. After peaking in early July at around $145 per barrel, oil underwent a significant downward correction of more than 60%, against the backdrop of the recovery in the exchange rate to the dollar. This correction came about in parallel with the downward revision of the growth prospects of the world economy, and heightened in September, making for generalised falls in the prices of other commodities (mainly metals, and to a lesser extent foodstuffs). Given the composition of Latin American exports, this change in trend is another basic conditioning factor of the growth and inflation outlook for the region in the coming months, and to some extent also of how financial conditions will evolve (see Box 1).

ACTIVITY AND DEMAND

The growth rate of activity in Latin America remained very dynamic in the first half of the year. Attesting to this were the year-on-year growth rates of 5.1% and 5.4% in Q1 and Q2, respectively, only somewhat lower than the average growth in the second half of 2007 (see Chart 3 and Table 1). Nonetheless, the quarter-on-quarter growth rates portrayed a somewhat more erratic picture and perhaps qualify the impression of strength given by the year-on-year rates. Thus, growth in Q1 was only 0.2% in seasonally adjusted quarter-on-quarter terms, followed by 1.3% in Q2, entailing, on average, growth around half that recorded in the second half of 2007.

Domestic demand continued to be the main engine of growth, contributing 7.6 pp, while the contribution of external demand was negative once again, albeit only moderately so (–2.2 pp) (see Chart 3). These developments highlight a somewhat more balanced composition than that observed in the closing quarters of 2007, with the contribution by domestic demand to growth around 1 pp less, and a slight containment of the negative contribution of external demand. Country by country, the major South American economies (Brazil and Argentina) accounted, as in the second half of 2007, for more than 3 pp of regional GDP growth, while the contribution of Mexico once again declined to 0.8 pp in Q2, with Peru’s contribution rising to 0.5 pp. In this respect, the easing off in growth in Mexico, Argentina, Venezuela and, espe-

From the onset of the international financial turbulence (in July 2007) until last summer, the performance of the emerging markets was notably resilient in practically the whole range of financial assets (exchange rates, bonds and stock market). Particularly sound in this respect was the performance of Latin America and, in the case of the stock market, this resilience led the Latin American markets to record rises of up to 40% in a representative index such as the MSCI Latin America (see Chart 2 of main text), much higher than in the Asian or emerging European markets and contrasting with the practically uninterrupted downward trend of the US stock market. The tables were turned, however, when the deepening of the crisis in the US and its spread to the emerging markets from September led the Latin American indices to perform worse in relative terms, falling by more (45%) in this period than those in Asia, eastern Europe and the US.

This box analyses one of the reasons why the Latin American stock market may have acted differently: the behaviour of commodity prices. Latin America is the prime example of an emerging region engaged in the production and export of these goods, including fuel (together with the Middle East) and metals and food. Primary-sector firms can thus be expected to be strongly represented in the stock market and productive structure of these countries. The assets issued by these firms may also be considered to constitute an optimum investment in a situation of commodity price inflation, insofar as they at least protect the value of the investment in real terms. Also, from a theoretical standpoint, in a setting of high commodity prices, the net present value of these firms' assets and expected profits would exceed that of other firms and the replacement cost of their capital (Tobin's q), and vice versa, if the commodity price fell.

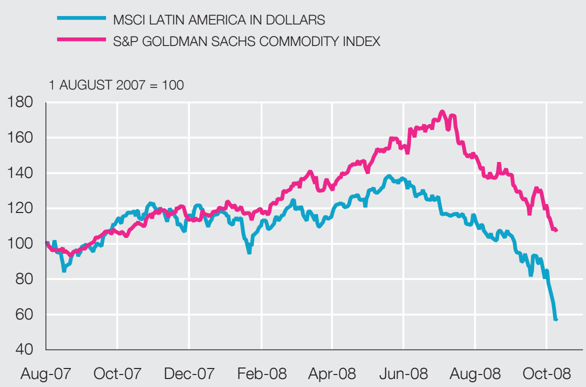
Panel 1 shows a high correlation between the MSCI Latin America index and a representative commodity price index, namely the Goldman Sachs Commodity Index (GSCI). While the latter held on its upward trend between August 2007 and June 2008, the Latin American stock exchanges rose in general terms. From July, the downturn in commodity prices was accompanied by a similar slump in the region's stock market indices. Panel 2 shows that the correlation coefficient of the changes between these two indices has increased notably in the last few years and reached historical highs in the last month.

To estimate the effect of primary-sector firms on the total return of the region's stock exchanges, the individual prices of each firm on each stock exchange and their weights in stock exchange capitalisation were used to construct two indices: one representing the performance of commodities firms and another excluding these firms from the overall index. For this purpose, commodities firms are broadly defined as those operating in mining, in oil and gas exploration and extraction, in food, beverages and tobacco, in iron and steel refining and in forestry products (e.g. paper and paper pulp). The stock exchange weights of these firms depend on the ownership structure of the natural resources of each country. This is important because the commodity exporters in some countries are State-owned and not listed on the stock exchange, such as Codelco (copper) in Chile, and PDVSA and PEMEX (oil) in Venezuela and Mexico, respectively. The accompanying table shows the weight of the primary-sector firms in Latin American stock exchange indices which, at an average of practically 40% of total capitalisation, is a much higher percentage than in other emerging economy stock exchanges.[1]

The table shows a marked contrast between the performance of the indices of primary-sector and other firms: thus, for example, from the onset of the turmoil until July this year, in Brazil the index of the primary-sector firms rose by 22%, while the rest of the stock market fell by 14.3% (see Panel 3).[2] For the aggregate of the seven main coun-

1. As a comparison, in countries such as Poland, which has an important agricultural sector, primary-sector firms account for around 20% of capitalisation, in India around 15% and in Indonesia around 25%. By contrast, in Russia they account for 62%. **2.** It may be thought that the increase in the sub-index of commodity-related firms in Brazil is due exclusively to a "Petrobras effect", i.e. to a rise in the State company's share price as a result of the announcement of large new oil and gas deposits, which Petrobras would be expected to be in an advantageous position to exploit. However, although Petrobras has a weight of 15.4% in BOVESPA and of 29.9% in the commodity sub-index, the conclusions would be very similar if Petrobras were eliminated from the calculation.

1 LATIN AMERICAN STOCK MARKETS AND COMMODITY PRICES



2 LATIN AMERICAN STOCK MARKETS AND COMMODITY PRICES: CORRELATION COEFFICIENT

SOURCE: Datastream.

tries, the increase in the primary-sector index was 33.7%, against a fall of 2.5% in the rest. The only exception was Peru, for specific reasons.[3] In a symmetrical manner, the recent correction from July to October brought a fall in the commodity indices which was also larger than in the rest: 42%, against 33% for the aggregate of the area. The only exception in this case was Argentina.

In short, the evidence presented shows the predominant role that primary-sector firms have in most Latin American stock exchanges, including in the economies with greater productive and export diversification, such as Mexico or Brazil. This feature helps to explain the larger fluctuations in Latin American stock markets, both on the upside and on the downside, due to the parallel movement of commodity prices. In fact, if allowance is made for the performance of the stock market indices of primary-sector firms, Latin American stock market returns are much more in line with those of other emerging and developed markets (see Panel 4).

This evidence also illustrates the degree of dependence of Latin American economies on the commodity cycle in a way which differs from that of other more widely studied effects, such as the impact on growth, inflation, external accounts or public finances.

3. The decrease in the Peruvian stock market was due to the poor performance of copper companies, since copper prices fell significantly more than others in the latest phase of the turmoil.

1 STOCK EXCHANGE WEIGHTS

	Brazil	Mexico	Argentina	Colombia	Chile	Venezuela	Peru	LATAM-7 (a)
Commodity firms	**51.5**	13.4	37.8	26.8	20.5	8.0	**75.2**	38.7
Other	48.5	**86.6**	**62.2**	**73.2**	**79.5**	**92.0**	24.8	**61.3**

2 CHANGE IN INDICES (AUGUST 2007 TO JULY 2008) (a):

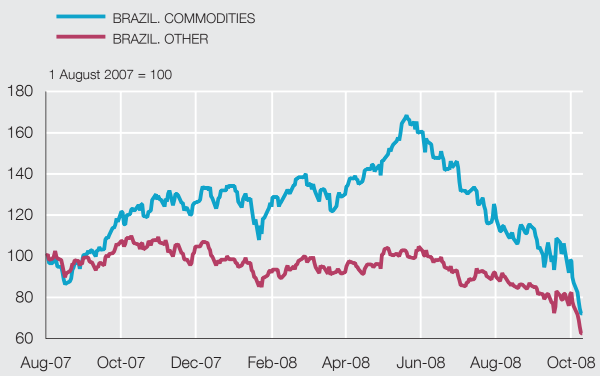
	Brazil	Mexico	Argentina	Colombia	Chile	Venezuela	Peru	LATAM-7 (a)
Commodity firms	**22.0**	**1.4**	**45.3**	**10.0**	**13.0**	-6.6	**-25.9**	**33.7**
Other	-14.3	-2.8	0.1	-17.0	-13.3	**-23.7**	-8.9	-2.5
Aggregate index	5.4	-2.2	14.1	-8.0	-8.3	-21.2	-21.9	12.3

3 CHANGE IN INDICES (JULY TO OCTOBER 2008) (a):

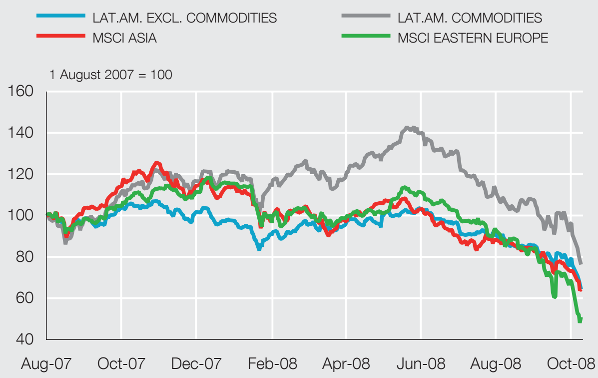
	Brazil	Mexico	Argentina	Colombia	Chile	Venezuela	Peru	LATAM-7 (a)
Commodity firms	**-50.6**	**-35.8**	-37.6	**-12.6**	**-41.7**	**22.1**	**-40.8**	**-42.0**
Other	-32.9	-19.9	**-46.4**	-10.2	-25.0	-9.7	-35.1	-33.5
Aggregate index	-44.1	-22.2	-42.3	-11.0	-28.9	-4.3	-39.3	-40.0

SOURCES: Bloomberg and Banco de España.

3 STOCK EXCHANGE INDICES (a)



4 EMERGING ECONOMY STOCK EXCHANGES (a)



SOURCES: National statistics, World Bank and Banco de España.

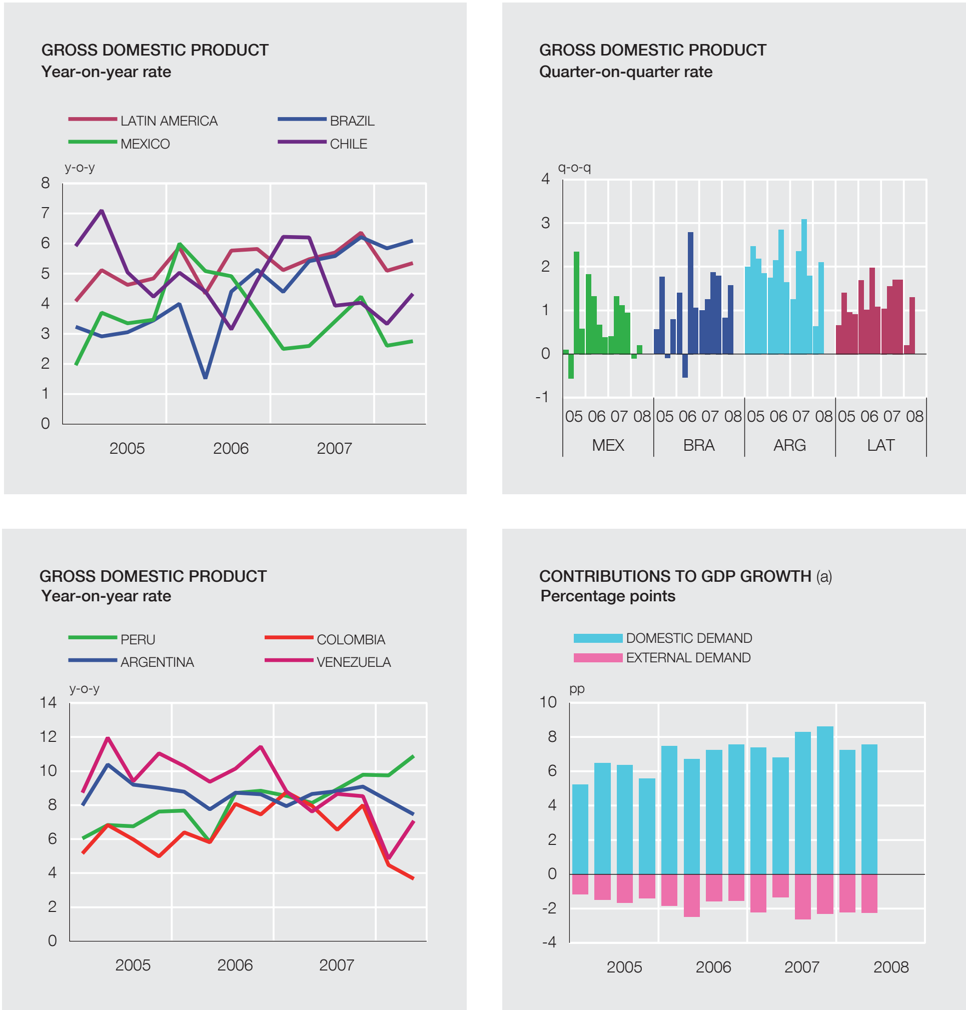
a. Indices in local currency.

n the sample,

LATIN AMERICAN GDP

Year-on-year and quarter-on-quarter rates, and percentage points.

CHART 3



SOURCE: National statistics.

a. Aggregate of the seven main economies.

cially, Colombia should be set against the stability or, indeed, acceleration of the expansion in Brazil and Peru.

In terms of components, private consumption continued to post a robust growth rate of 5.9% in Q2 (see Chart 4). However, there was some deceleration compared with 2007 Q4, of a general nature across all countries with the exception of Peru. This slowdown explains practically all the moderation observed in the regional aggregate of domestic demand. This turnaround may have been influenced by the increase in inflation and its impact on real incomes, the rise in interest rates in some countries and the easing in the growth of credit to the private sector, along with other more country-specific factors. For example, in Mexico the pass-through of the slowdown in the US economy and the decline in remittances received from the United States may have been further factors behind the moderation of consumption. In contrast, another component that helps explain the course of consumption, namely the labour market, continued to trend in a generally satisfactory manner, with marked declines in the unemployment rates in the highest-growth countries (Brazil, to a historical low of 7.6% of the labour force, Argentina, Venezuela and Peru). In Chile, unemployment increased as a result of the rise in the labour force, since employ-

LATIN AMERICA: MAIN ECONOMIC INDICATORS

TABLE 1

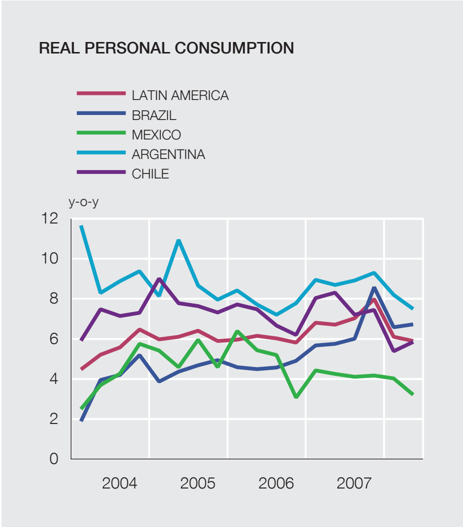
	2005	2006	2007	2006		2007				2008		
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	September
GDP (year-on-year rate)												
Latin America (a)	4.7	5.4	5.6	5.8	5.8	5.2	5.5	5.7	6.3	5.1	5.4	
Argentina	9.2	8.5	8.7	8.7	8.6	8.0	8.6	8.8	9.1	8.3	7.5	
Brazil	3.2	3.7	5.4	4.4	5.1	4.4	5.4	5.6	6.2	5.9	6.1	
Mexico	3.1	4.9	3.2	4.9	3.7	2.5	2.6	3.4	4.2	2.6	2.8	
Chile	5.6	4.3	5.1	3.2	4.8	6.2	6.2	3.9	4.0	3.3	4.3	
Colombia	5.7	6.8	7.7	7.6	7.8	8.5	8.0	6.5	8.0	4.5	3.7	
Venezuela	10.3	10.3	8.4	10.1	11.4	8.8	7.6	8.6	8.5	4.9	7.1	
Peru	6.7	7.6	9.0	9.2	8.1	8.8	8.1	8.9	9.8	9.7	10.9	
Uruguay	6.6	7.0	7.4	7.2	6.1	6.6	3.9	9.6	9.5	10.0	16.0	
CPI (year-on-year rate)												
Latin America (a)	6.4	5.2	5.4	5.0	4.8	4.9	5.3	5.4	5.9	6.6	7.7	8.6
Argentina	9.7	10.9	8.8	10.6	10.1	9.5	8.8	8.6	8.5	8.5	9.1	8.7
Brazil	6.9	4.2	3.6	3.8	3.1	3.0	3.3	4.0	4.3	4.6	5.6	6.3
Mexico	4.0	3.6	4.0	3.5	4.1	4.1	4.0	4.0	3.8	3.9	4.9	5.5
Chile	3.1	3.4	4.4	3.5	2.2	2.7	2.9	4.8	7.2	8.0	8.9	9.2
Colombia	5.0	4.3	5.5	4.6	4.3	5.2	6.2	5.3	5.4	6.1	6.4	7.6
Venezuela	16.0	13.6	18.8	14.6	16.2	19.0	19.5	16.2	20.0	26.3	31.0	36.0
Peru	1.6	2.0	1.8	1.8	1.5	0.4	0.8	2.4	3.5	4.8	5.5	6.2
Uruguay	4.7	6.4	8.1	6.6	6.2	7.0	8.1	8.7	8.6	7.7	7.6	7.5
BUDGET BALANCE (% of GDP) (b)												
Latin America (a)	-1.0	-0.7	-0.5	-0.4	-0.7	-0.5	-0.2	-0.2	-0.2	0.0	-0.3	
Argentina	1.8	1.8	1.1	1.8	1.8	1.5	1.6	1.7	1.1	1.5	1.6	
Brazil	-2.8	-2.9	-2.2	-3.1	-2.9	-2.6	-2.1	-2.2	-2.2	-1.6	-1.9	
Mexico	-0.1	0.1	0.0	0.4	0.1	0.7	0.4	0.1	0.0	0.0	-0.2	
Chile	4.7	8.0	8.7	7.9	8.0	7.9	8.6	8.7	8.7	9.2	7.2	
Colombia	-5.0	-3.7	-3.3	1.8	-3.7	-3.2	-2.1	-2.4	-2.8	-2.3	-2.6	
Venezuela	2.0	0.0	—	-3.7	-1.5	-1.3	1.2	0.9	3.0	—	—	
Peru	-0.7	1.4	1.1	1.0	1.4	1.5	1.2	1.7	1.8	2.3	2.6	
Uruguay	-0.8	-0.6	-0.3	-0.6	-0.6	-0.8	0.5	1.0	0.0	1.1	-0.4	
PUBLIC DEBT (% of GDP)												
Latin America (a)	41.0	39.1	36.0	39.0	38.7	38.1	37.4	33.9	33.7	32.3	31.3	
Argentina	70.7	64.2	55.5	59.9	59.8	61.5	59.1	55.8	55.5	52.4	50.6	
Brazil	46.5	44.7	42.8	45.0	44.7	44.7	43.9	43.2	42.7	41.2	40.5	
Mexico	22.4	23.2	24.1	23.9	23.2	23.3	23.9	21.2	21.1	21.1	20.7	
Chile	6.8	5.3	5.5	5.4	5.3	5.2	5.1	4.4	4.1	3.6	3.9	
Colombia	46.6	44.8	—	45.6	44.8	42.7	42.2	35.6	35.9	35.3	—	
Venezuela	48.2	41.9	30.1	40.0	41.9	31.7	29.9	21.2	22.7	17.4	15.9	
Peru	37.8	32.7	29.3	33.1	32.7	30.8	29.6	31.4	29.7	27.6	25.3	
Uruguay	83.8	70.9	—	75.5	70.9	66.4	71.6	72.9	70.5	74.0	76.0	
CURRENT ACCOUNT BALANCE (% of GDP) (b)												
Latin America (a)	1.9	2.0	0.9	2.1	2.0	1.7	1.5	1.1	0.9	0.7	0.5	
Argentina	2.9	3.6	2.7	3.2	3.6	3.5	3.3	2.8	2.7	2.7	2.0	
Brazil	1.6	1.3	0.1	1.3	1.3	1.1	1.1	0.6	0.1	-0.7	-1.2	
Mexico	-0.6	-0.2	-0.6	-0.2	-0.2	-0.5	-0.7	-0.7	-0.6	-0.5	-0.5	
Chile	1.2	4.7	4.4	4.6	4.7	5.9	5.7	5.0	4.4	2.7	0.5	
Colombia	-1.3	-1.9	-2.9	-1.5	-1.9	-2.5	-2.8	-3.0	-2.9	-2.3	-2.2	
Venezuela	17.7	14.7	8.8	16.9	14.7	12.0	10.0	8.8	8.8	11.1	15.0	
Peru	1.4	3.0	1.4	2.4	3.0	3.2	3.0	2.1	1.4	0.4	-1.2	
Uruguay	0.3	-2.1	-1.0	-1.0	-2.2	-1.3	-0.7	-1.1	-1.0	-1.1	-4.6	
EXTERNAL DEBT (% of GDP)												
Latin America (a)	26.5	22.4	21.6	23.2	23.1	22.8	22.9	22.4	21.6	—	—	
Argentina	59.1	47.5	47.3	49.1	47.5	50.6	50.8	49.2	47.6	46.2	43.4	
Brazil	19.2	16.1	14.7	15.4	16.2	16.4	16.4	15.9	14.7	14.2	13.4	
Mexico	15.4	13.4	12.6	15.3	13.4	13.8	13.3	11.5	11.0	—	—	
Chile	33.5	32.0	34.0	33.1	32.0	32.3	33.0	33.9	34.0	33.5	34.8	
Colombia	31.3	29.5	26.0	28.2	26.5	24.9	25.5	25.3	25.9	21.8	—	
Venezuela	28.3	26.9	24.4	27.4	26.5	25.0	24.3	24.1	24.4	23.6	23.9	
Peru	35.3	28.2	28.7	29.3	28.2	28.9	29.5	29.7	29.8	30.4	30.4	
Uruguay	68.6	54.6	—	59.0	54.6	50.3	54.7	55.2	52.8	50.6	46.8	

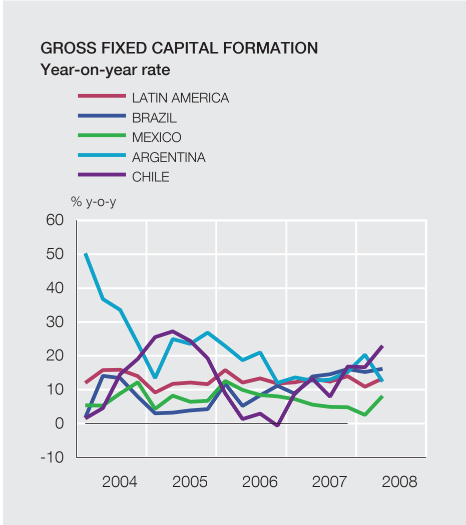
SOURCE: National statistics.

a. Aggregate of the eight countries represented, except Uruguay.
b. Four-quarter moving average.

PRIVATE CONSUMPTION AND INVESTMENT
Year-on-year rate

CHART 4





SOURCE: National statistics.

a. Seven biggest economies

ment grew at a high rate; consequently, only in Mexico did the labour market perform more sluggishly.

Conversely, both government consumption and gross capital formation grew at very similar rates in Latin America as a whole to those in 2007 Q4. Indeed, gross capital formation grew forcefully once again in 2008 Q2 (13.4% year-on-year), after a relatively weaker performance in Q1, and was once again the most dynamic component of GDP and that responsible for the rise in the growth rates of Mexico, Chile and Venezuela that quarter. In Peru, investment grew at a record rate of over 35% year-on-year. Overall, then, the behaviour of investment continued to be favourable, unaffected to date by the external deterioration.

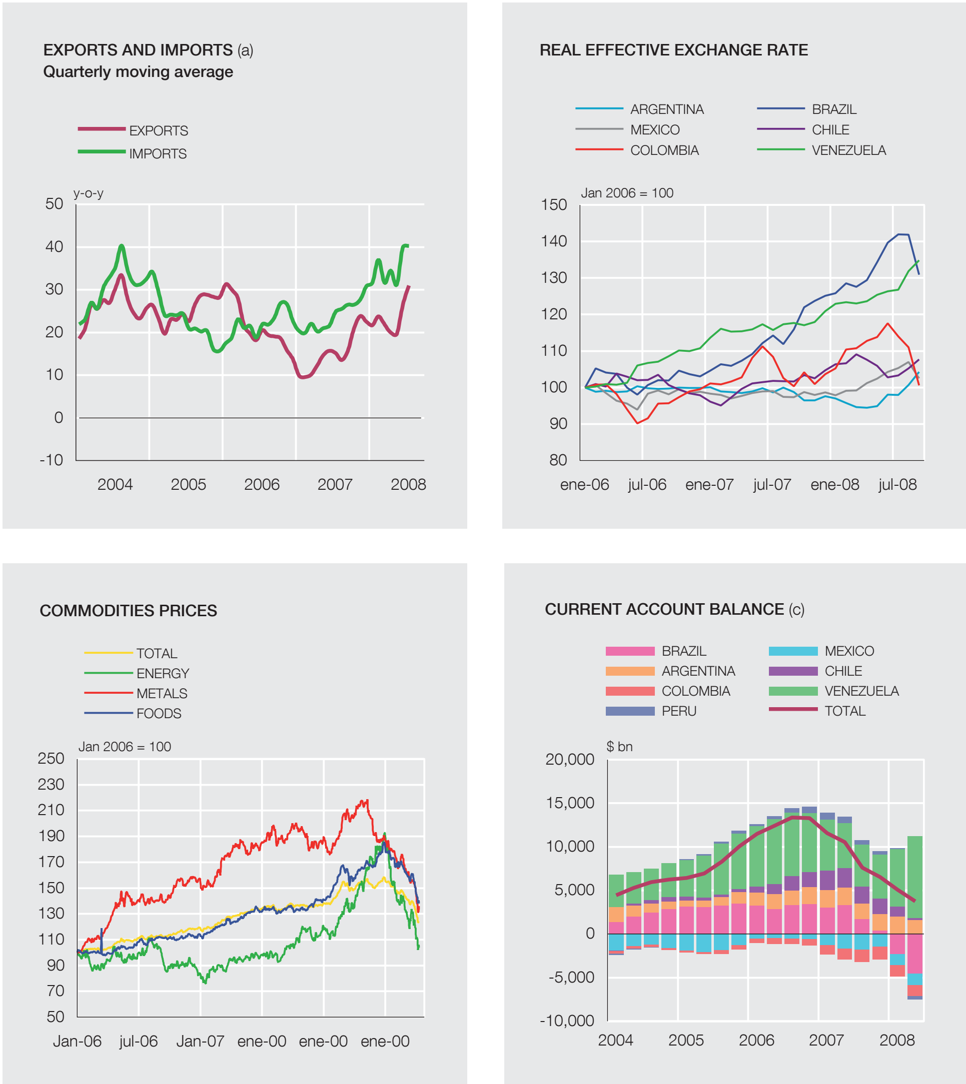
Finally, external demand contributed negatively to growth by somewhat over 2 pp, without posting a further deterioration compared with the second half of 2007. On National Accounts data, imports grew at a year-on-year rate of 15.4% in Q1 and 18% in Q2, reflecting the strength of domestic demand, while exports eased off considerably in Q1 to a year-on-year rate of 2.8%, offset in part by the Q2 figure (4.5%). This pick-up in exports was somewhat surprising, given the spread of the slowdown in growth to many of the developed economies.

Against this background, the external accounts held on a similar trend to that in 2007, when there was an appreciable reduction in the region's trade and current surplus. After five years of surplus, the region's current account practically resumed a balanced footing, despite the fact that the trade balance retained a sizeable surplus of 3% of GDP. Indeed, if we excluded the Argentine and Venezuelan current account surpluses, the region's current account balance would be in deficit (see Chart 5). Pivotal to this change has been the performance of the external sector in Brazil, which posted a current deficit of $11 billion – somewhat higher than 1% of GDP – as a result of the strength of domestic demand. As commodities prices held at very high levels to July, the value of exports for the region as a whole continued to grow forcefully (26% year-on-year), while overall regional imports quickened to a year-on-year rate of 42%, amid strong domestic demand and the appreciation of exchange rates (see Chart 5). Against this backdrop, the downward trend recently witnessed in the prices of the region's main com-

EXTERNAL ACCOUNTS AND DETERMINANTS

CHART 5

Year-on-year changes, indices, percentage of GDP and billions of US dollars



SOURCE: National statistics and Banco de España.

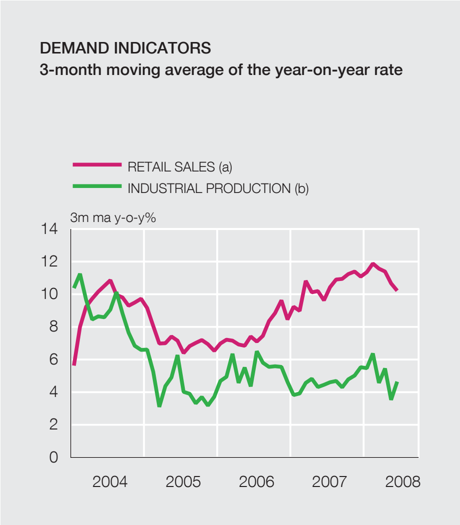
a. Customs data in dollars.
b. Aggregate of the seven biggeste economies.
c. Four-quarter moving average.

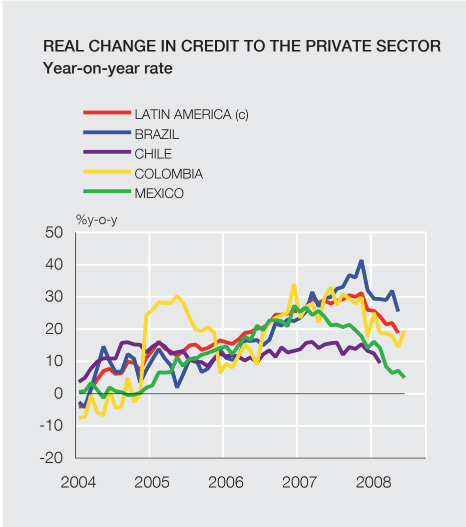
modities exports, to a two-year low in some cases, might herald a further deterioration in trade and current-account balances. And that, given the lesser availability of capital globally, might act as a constraint on growth for some countries.

The higher-frequency indicators for Q3 provide but partial evidence so far, as they run only to August at best. These figures point to a weakening of industrial activity in Argentina, Chile, Mexico and Brazil (in this latter country the August figure might be affected by certain temporary factors). This greater sluggishness might be associated with the diminished dynamism of the demand for exports, but also with the tightening of domestic financing conditions (see Chart 6). In this respect, the growth of credit to the private sector is discernibly moderating (see Chart 6), although it remains at a relatively high rate of 20% year-on-year in real terms at the regional level (and at a very high rate in Brazil and Peru). The demand indicators have continued to show appreciable robustness, growing at a rate of 10% year-on-year for the region as a whole to July (see Chart 6), although they too are slowing.

SUPPLY, DEMAND AND PRIVATE-SECTOR CREDIT INDICATORS
Year-on-year rate and its 3-month moving average

CHART 6





SOURCE: National statistics.

a. Argentina, Brazil, Mexico, Chile, Colombia and Venezuela.
b. Eight biggest economies
c. Seven biggest economies.

FINANCIAL MARKETS AND EXTERNAL FINANCING

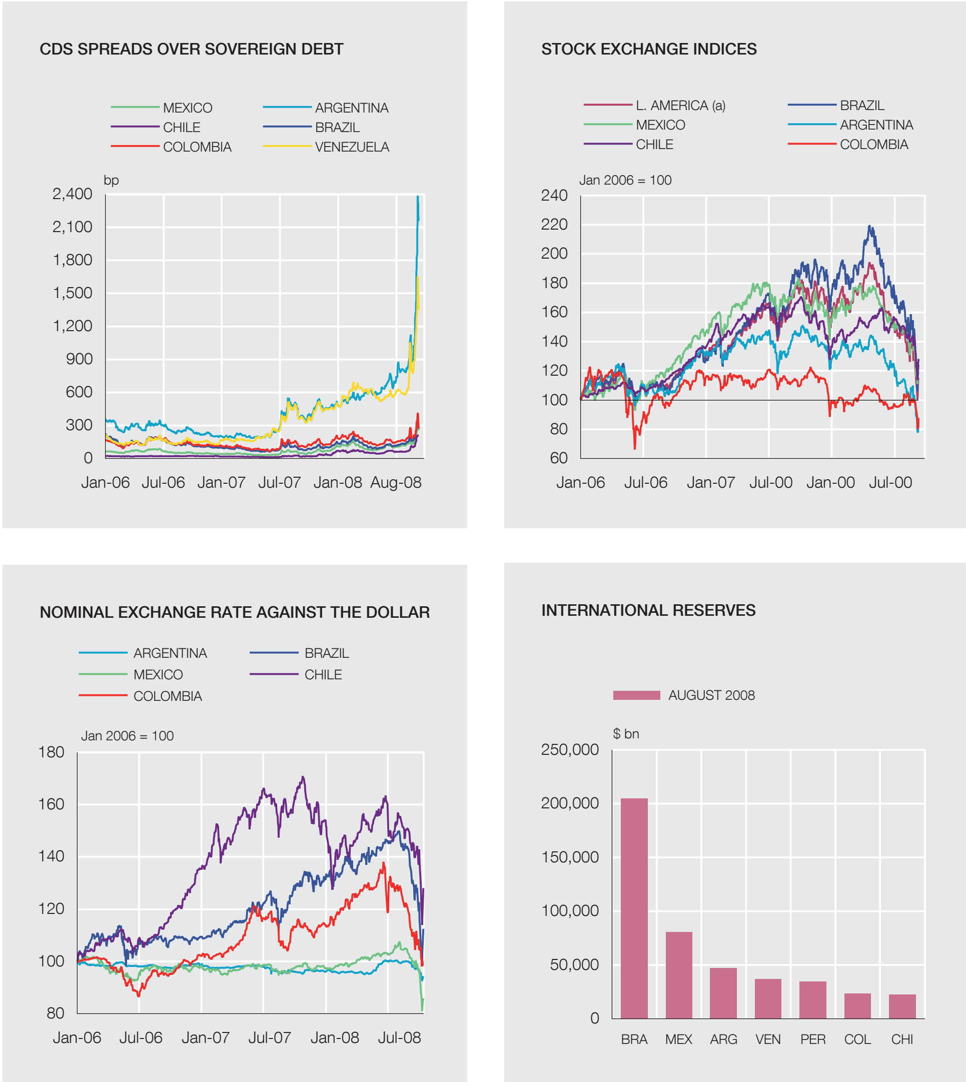
Latin American financial markets showed two clearly differentiated phases over the last six months. From April to June they broadly moved on the path observed in previous quarters, i.e. a favourable stock market performance, appreciating exchange rates which continued to bear in some countries on the monetary policy response (Brazil, Chile and Peru) and a build-up of reserves (Brazil, Chile, Colombia and Peru), and stable sovereign risk premia moving around low levels, similar to those recorded at the start of the turmoil in August 2007. The exceptions to this general trend were Argentina, where the spread held continuously high, and, to a lesser extent, Venezuela (see Chart 7).

From June, however, the change in sentiment vis-à-vis the emerging markets had a particularly adverse effect on the Latin American market as a whole. Their differential behaviour relative to the other emerging economies (which had been more favourable in the previous period, and more negative in recent months) may be related to their status as commodities exporters, as is analysed in Box 1. Stock markets posted most sizeable declines, sovereign spreads widened to a three-year high (of around 600 bp, measured by the EMBI spread) and there was an across-the-board depreciation of exchange rates.

These trends intensified in September as a result of the worsening international crisis. Overall, there have been declines of up to 40% (and even higher, from the pre-summer highs) in the past six months on several of the main stock exchanges (Brazil, Mexico and Argentina), of 45% in the case of Peru, and on a somewhat more moderate scale in Chile and Colombia. The appreciation of exchange rates in previous months tended mostly to be corrected, and they depreciated by around 30% in Brazil, and by 25% in Chile and Colombia. The Mexican peso depreciated very sharply in October (making for a 20% fall since April), which led the Bank of Mexico to intervene selling reserves. The Peruvian sol depreciated somewhat less (by around 10%) and the Argentine peso fell by 2%, supported by the sale of central bank reserves to withstand the decline in the demand for pesos. Sovereign debt spreads, measured both by the EMBI and by CDSs (credit default swaps) on sovereign debt, widened considerably, especially in the cases of Argentina, Venezuela (both above 1,250 bp) and Ecuador, whose economic and financial fundamentals are

CDS SPREADS OVER SOVEREIGN DEBT AND STOCK MARKETS
Basis points and indices

CHART 7



SOURCE: Datastream.

a. MSCI Latin America Index, in local currency.

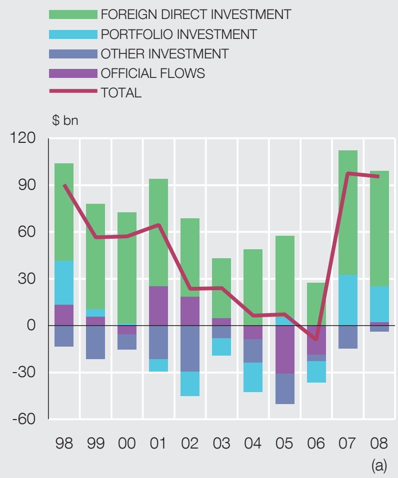
perceived as less sound. Meanwhile, the widening of such spreads in Chile, Mexico, Brazil and Colombia was more moderate in relative terms, albeit significant, since in many cases spreads doubled compared with the levels six months earlier (see Chart 7).

The heightening of the international financial crisis, the recent increase in risk aversion and their confluence with the turnaround in commodities prices place Latin American financial markets at a much more complicated and uncertain juncture than at the start of the crisis, when these markets were in a relatively favourable position. On one hand, the widening on sovereign spreads entails an appreciable rise in the cost of financing in dollars, especially in certain countries; and this rise also has a corollary in financing in local currency, with the increase in official interest rates and the upward trend in long-term interest rates. On the other, certain higher-frequency data appear to highlight a relatively significant capital outflow since the summer, although private net capital flows over the year as a whole may hold at a high level (see Chart 8), somewhat down on 2007. Market access was assured during

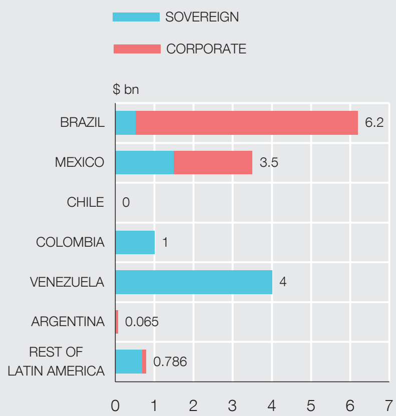
EXTERNAL CAPITAL FLOWS
$ bn

CHART 8

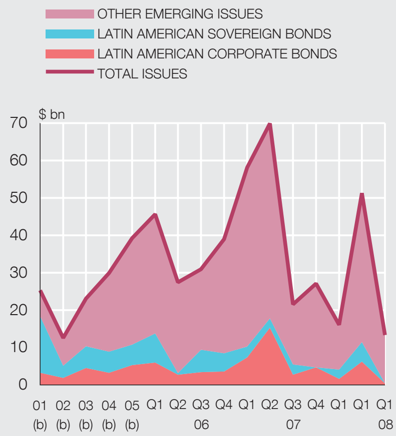
EXTERNAL FLOWS TO LATIN AMERICA



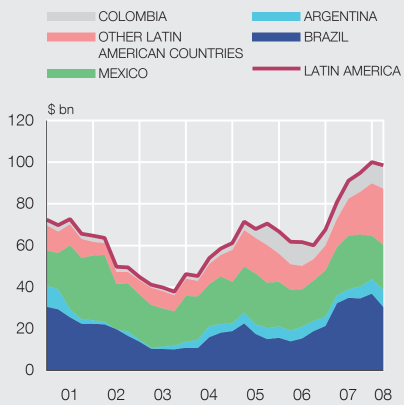
INTERNATIONAL ISSUES IN LATIN AMERICA: FIRST HALF OF 2008



BOND ISSUANCE ON INTERNATIONAL MARKETS



CUMULATIVE 12-MONTH FLOWS: FOREIGN DIRECT INVESTMENT



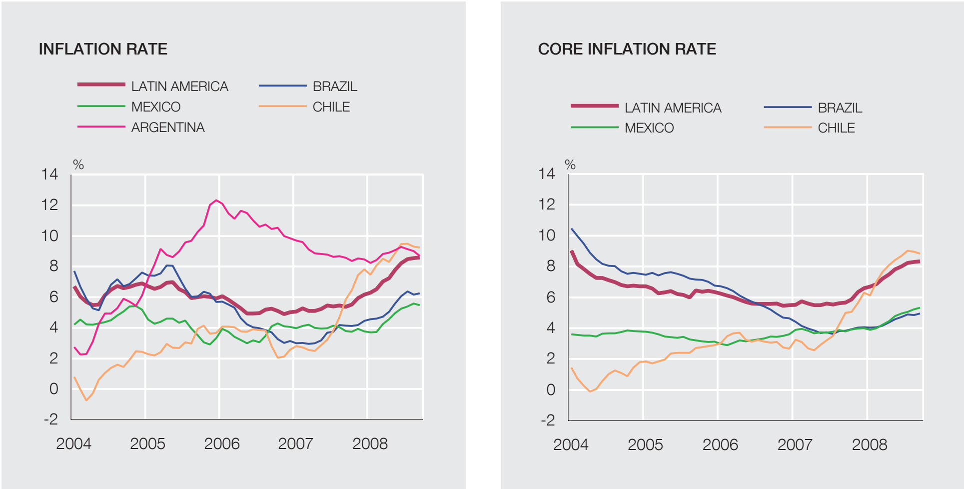
SOURCES: JP Morgan, IMF and national statistics.

a. 2008: estimate.
b. Quarterly average.
c. Figures for July and estimate for August and September.

the first half of the year, as shown by the volume of issues both by public and private issuers. But the decline in net portfolio flows, particularly in countries such as Brazil, and the widespread decline in financial asset prices (stock markets, bonds and exchange rates) evidence the change in sentiment from the summer, which might especially affect those countries with the weakest fundamentals. In this respect, the instability on markets has already necessitated certain changes to domestic public debt management strategies, such as the repurchase of debt by Argentina, the amendment of the Brazilian Treasury's Annual Plan (which foresees an increase in issues at a floating interest rate at the expense of those at a fixed interest rate) and cancellations of international issues in several countries in the September-October period. Along the same lines, many countries have recently introduced exceptional measures aimed at providing greater liquidity to the markets, particularly in dollars, given the increase in the demand for this currency in local markets and the

INFLATION
Year-on-year rate of change

CHART 9



SOURCE: National statistics.

emergence of signs of stress in the interbank markets. These measures include most notably: dollar-sale operations by central banks to provide liquidity or to support the exchange rate (Argentina, Brazil, Peru and Mexico); the widening of the range of collateral that can be discounted at the central bank (Brazil); the suspension of the reserves accumulation mechanism and the setting in place of weekly currency swap auctions in Chile; the partial elimination of exchange controls or requirements in Colombia and Peru; changes to reserve requirement arrangements, and the opening of credit lines by public-sector banks to exporters drawing on reserves (Brazil). In any event, these measures are much less drastic than those applied by the advanced economies.

The Latin American economies still have basic strengths: firm domestic demand, healthy fiscal positions, flexible exchange rates in many countries with the capacity to absorb external shocks, a better debt structure than in the past and high reserves. Four countries have seen their credit ratings raised in the past six months (Brazil and Peru, to investment grade, Colombia and Uruguay), which corroborates their fiscal consolidation drives and should allow broader access to external financing. Indeed, only one country (Argentina) has seen its rating lowered. One very relevant factor of soundness in recent times had been the comfortable current-account position in the region as a whole, reflecting a relatively limited dependence on external financing. However, the speed with which the current surplus has declined over the past 18 months - despite commodities prices holding at very high levels – is a cause for caution, given the current diminished availability of external financing. High dependence on commodities prices and uncertainty over the inflation outlook are two of the main sources of vulnerability, in an external environment of marked risk aversion.

PRICES AND MACRO POLICIES

Inflation increased notably in the course of the last six months, standing at a year-on-year rate of over 8.5% on average for the seven main economies in the region, 3 pp up on average inflation in 2007 and marking a five-year high (see Chart 9). The upward trend in prices, which have been more notable in 2007 in Argentina, Venezuela, Colombia and Chile, ultimately spread to the other countries during 2008, with inflation rates in Brazil, Mexico and Peru increasing by more than 2 pp from March to September. As a result, inflation stood far outside its target bands in all countries in the region (with the exception of Brazil), whose central banks are pursuing explicit inflation targets. Indeed, as can be seen in Table 2, a return to back within the bands in the short run does not seem possible.

INFLATION
Year-on-year changes

TABLE 2

Country	2006	2007			2008	
	Fulfillment	Target	Fulfillment	December	Target	Expectations (a)
Brazil	Yes	4.5 ± 2.5	Yes	4.5%	4.5 ± 2	6.3%
Mexico	No	3 ± 1	Yes	3.8%	3 ± 1	5.6%
Chile	Yes	3 ± 1	No	7.8%	3 ± 1	8.5%
Colombia	Yes	4 ± 0.5	No	5.7%	3.5 to 4.5	7.0%
Peru	No (below)	2 ± 1	No	3.9%	2 ± 1	5.0%

SOURCE: National statistics.

a. Inflation expectations for 2008 from the reports of central banks and private institutions.

The rise in prices was attributable in part to the increase in food prices, since dearer energy prices made practically no contribution to the rise in consumer prices, largely because administered prices were involved and/or because of the existence of subsidies. But the other components also tended to rise moderately from end-2007, reflecting demand pressures, which contributed to pushing the different measures of core inflation upwards (see Box 2). Likewise, long-term inflation expectations, which had held relatively stable until the summer despite the deterioration in short-term expectations, trended upwards, as did wages in some countries, which heightened concern over a possible disanchoring of inflation expectations (see Chart 10).

The rise in inflation in Latin America has posed a particularly marked challenge for monetary policy.[2] Firstly, because the attainment of low inflation rates has been a relatively recent achievement and, therefore, the credibility of the monetary authorities and the anchoring of inflation expectations may be less firm than in countries with a longer track record of macroeconomic stability. Thus, with a sizeable gap opening up between targeted and actual inflation in many countries, the current situation is the first occasion on which the credibility of the explicit inflation target regimes established in recent years in countries such as Brazil, Chile, Colombia, Mexico and Peru is being put seriously to the test. And secondly, because, as theory predicts, the impact of the rise in commodities prices is more inflationary in the countries (such as the Latin American economies) that export these goods owing to the induced effect of the boost to demand. In this respect, the adjustment would require an appreciation of the real equilibrium exchange rate, one all the more sizable the more permanent the improvement in the terms of trade is perceived to be. This appreciation may take place through a nominal appreciation, or through an increase in inflation, alternatives on which the exchange rate policy adopted has a decisive influence.

Against this background, the monetary policy response of the different central banks in the region to the rise in inflation has been mixed and, moreover, it is difficult to consider it independently from the setting of financial turmoil and slowing growth in the US economy in which it has taken place, and from the easing of monetary policy in the United States. However, as a notable common feature, mention may be made of the fact that, following a limited monetary policy response during the second half of 2007, which led real interest rates to relatively low levels (albeit high in comparison with other emerging regions), monetary policies have tended to react more firmly in recent months. A case in point is the response by Brazil, which raised its official interest rate by 250 bp between April and October. But so too is that of Chile, whose

2. See López Urruchi, P., J.C. Berganza and E. Alberola (2008), " Commodities, inflation and monetary policy: a global perspective", *Economic Bulletin*, July, Banco de España, pp. 93-110.

In the last year and a half, inflation has become an increasingly important issue globally as it has been pushed significantly upward by the rises in international food and energy prices. Inflation excluding food and energy, however, has remained relatively more stable over this period, particularly in the advanced economies (see Panel 1). This index of inflation excluding food and energy coincides with what is known as the official measure of core inflation in some countries (United States), but differs from the corresponding official measures in many countries, in particular several Latin American ones.

It is not easy to define the concept of core inflation, as is apparent from the literature on the measurement of this variable. There is, however, broad agreement along two lines. The first is that core inflation should only capture the portion of the change in prices that is common to all components and exclude the changes in relative prices of goods and services. The second has to do with the permanent nature of the price rise, rather than how widespread it is, i.e. core inflation should be a good indicator of the change in the price level that is expected to persist over time and should therefore be useful in predicting total CPI. In any event, a measure of these characteristics is a significant indicator of monetary policy.

Given the significance of the concept of core inflation, this Box reviews it from a methodological perspective, concluding that the choice of its definition is not innocuous. A brief look at the properties that a good measure of core inflation should have, at the possible calculation methods and at international practice highlights how the use of different measures of core inflation can lead to divergences in assessment.

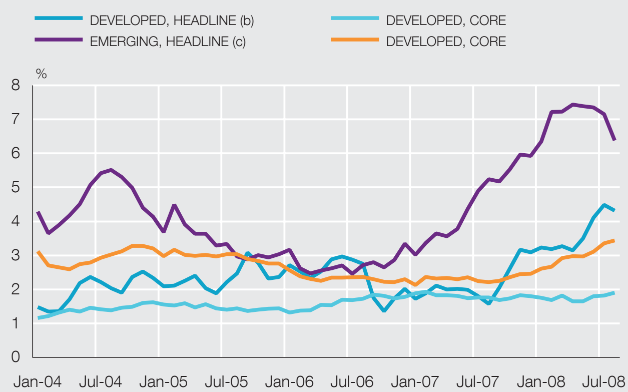
The properties which a good measure of core inflation should have include the following: a) rapidly available and easily understood by the public, b) credible in terms of quality of the measure and of transparency of the compilation process, c) less variable than headline inflation, d) unbiased and not departing from headline inflation over long periods of time and e) a good predictor of headline inflation. Based on these key properties, an extensive literature focuses on the study of the different methods of calculating core inflation, a non-exhaustive list of which includes the following: a) exclusion-based methods, which take total CPI as a starting point and omit certain components in constructing the core index: in some cases the same components (e.g. food and energy) are systematically omitted, and in others, the distribution of changes in the prices of components is used to determine which components are to be excluded (e.g. those undergoing extreme changes), resulting in a measure known as "limited influence estimator"; b) CPI re-weighting methods, which do not eliminate index components, but rather assign to each component a new weight which depends inversely on its variance; c) trend estimates, which use moving averages to extract the smoothing of the headline inflation series; and d) methods based on economic models which, together with the information provided by the inflation time series, take into account the information contributed by other variables (for example, production).

One of the most frequently used methods is that of exclusion. The accompanying table contains various examples of how core inflation measures are compiled at international level, giving special attention to Latin American countries. This table reveals a not insignificant degree of heterogeneity across the measures. Thus, for example, while most of the Latin American countries analysed exclude fuel and fruit and vegetables from core inflation, some also omit other unprocessed food, and yet others also exclude some processed foods. Heterogeneity also exists in other excluded components, which tend to be components with regulated prices.

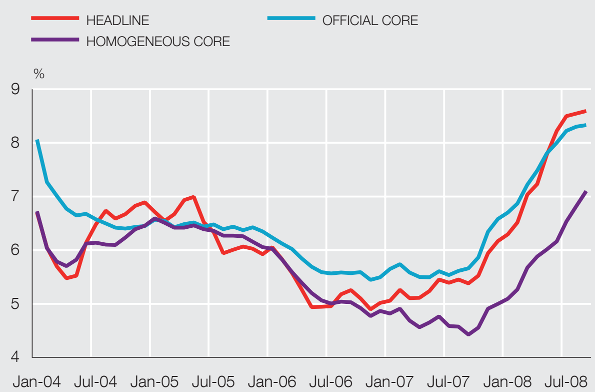
Given this significant heterogeneity, a measure of core inflation for a region as a whole which simply aggregates the various official indices may provide a distorted signal. Panel 2, which plots core inflation for the region obtained by aggregating the official core indices, shows that it seems to have moved in parallel with and, until recently, above headline inflation. However, if a more homogeneous core inflation measure is constructed which excludes, as far as possible, total food and energy from the total CPI, a significantly different picture is obtained, as follows. Core inflation tends to moderate in early 2007 and, despite its subsequent upward trend, in line with the worldwide trend, it remains below headline inflation.

In conclusion, if it is assumed that core inflation can act as an indicator of inflationary pressure or of medium-term inflation, the divergence

1 HEADLINE AND CORE INFLATION (a). **DEVELOPED AND EMERGING COUNTRIES**



2. HEADLINE AND CORE INFLATION. LATIN AMERICA (d)



of results means that there are different interpretations: inflationary pressure is higher in the heterogeneous measure, but in the homogeneous measure the recent deterioration contrasts more strongly with the downward trend seen in previous years. This would suggest that the underlying inflationary pressure in the Latin American economies as a whole is high. Similar conclusions were drawn in certain studies which emphasise that the definition of core inflation is not a simple task, that different measures of core inflation lead to different results and that the results may differ according to the country in question. This suggests that each country should assess possible alternative measures of core inflation, an approach which is now being investigated by various Latin American central banks.

	Food		Energy	Other regulated or seasonal prices
	Processed	Unprocessed		
Argentina (b)		• (Fruit and vegetables) (a)	• (Fuel and electricity)	Water and sanitary services, public passenger transport, vehicle operation and maintenance, post, telephone and accessories, outer clothing, tourist transport, and lodging and excursions
Brazil (c)	• (d)	• (d)	• (Fuel and electricity)	Water and sewage rates, property tax, telephone, health insurance, transport
Chile (e)		• (Fruit and vegetables)	• (Fuel)	
Colombia (f)		• (Perishable foodstuffs)	• (Fuel)	Public services
Mexico (g)		•	• (Fuel and electricity)	Telephone, water supply rights, bus service, toll road and parking charges, among others
Peru	• (h)	• (h)	• (Fuel)	Public services and transport
VENEZUELA		•		Goods prices and regulated services
UNITED STATES	•	•	•	
EURO AREA		•	•	
JAPAN		• (Fresh food)		

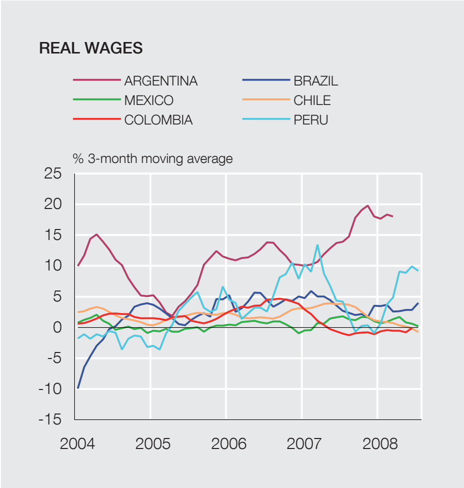
SOURCE: National statistics.

a. A dot in the table means that the core inflation measure excludes the stated component.
b. Argentina publishes a "rest of CPI" which is defined as the headline index less components with seasonal or regulated prices.
c. The Central Bank of Brazil provides other measures of core inflation apart from that which excludes the components specified in the table: a smoothed one and an unsmoothed one, using a symmetrically truncated average which excludes 20% of the components of the distribution.
d. Household food.
e. Along with the measure of core inflation included in the table for Chile (IPCX), there is another regularly used measure (IPCX1) which is calculated by excluding from the IPCX the prices of fresh meat and fish, regulated prices, indexed prices and financial services. Additionally, in the last few months, given the recent rise in international food and energy prices, the Central Bank of Chile has begun to use two other measures in its reports: the CPI excluding food and energy and the IPCX1 excluding food.
f. The Central Bank of Colombia provides various regularly supervised measures of core inflation, one which excludes the components specified in the table; one which excludes food; and one which excludes 20% of the distribution, with those components which showed the greatest price variability between January 1990 and April 1999. A fourth indicator is a measure which excludes food and regulated components.
g. Before January 2008, the measure of core inflation in Mexico excluded private education services.
h. Food with the highest monthly change in price in 1995-2008.

rate was raised by 200 bp, and that of Mexico and Peru, where the official rate increased by 75 bp between June and August. Colombia raised its reference rate by only 25 bp as it had largely anticipated the cycle of rises last year. This change in monetary policy stance may be attributed, in addition to the increase in inflation, to the fact that two of the main obstacles that had deterred central banks from applying stricter monetary policies over the last six months have been overcome: the fear of a strong adverse impact on growth derived from the global turmoil and a slowdown in the US economy, and the appreciation of exchange rates stemming

CONTRIBUTION TO INFLATION AND REAL WAGES
Year-on-year rate of change and its three-month moving average

CHART 10



SOURCES: National statistics and Datastream.

initially from the widening of interest rate spreads over the United States. The countries maintaining a fixed or quasi-fixed exchange rate against the dollar offered different monetary policy responses. Venezuela adopted several measures to reduce liquidity in the system, seeking in this way to reduce inflation. The Argentine central bank raised its reference market interest rate (the seven-day repo rate) by 200 bp, with the principal aim of supporting the demand for pesos, initially because of the influence of the agricultural dispute and subsequently in the face of the heightening of the international financial crisis. Both countries ran high inflation rates, which has proved conducive to the ongoing adjustment to a higher equilibrium exchange rate, due to the higher terms of trade, taking place via higher inflation.

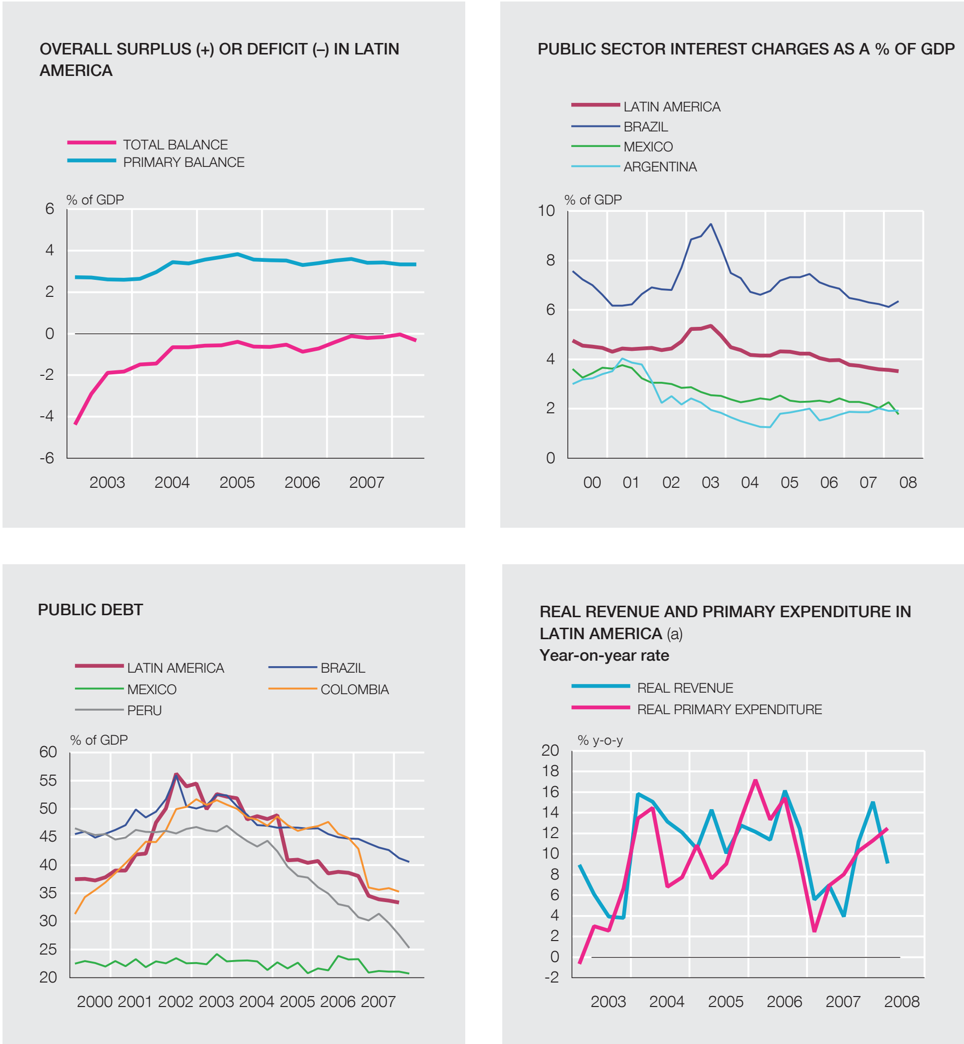
The external environment has, nonetheless, changed substantially since the summer and, following the worsening of the crisis in September in particular, the impact on domestic conditions has been marked. On one hand, the recent downward trend in oil and, above all, food commodities prices should help ensure that inflation does not continue accelerating as has hitherto been the case. However, several developments may hinder any immediate return by inflation to target, despite the tightening of monetary policies. These include most notably the upward trend in the various measures of core inflation during 2008, continuing demand pressures in several countries, the possibility that the pass-through of certain commodities prices to consumer prices is not yet fully complete owing to the habitual lags in the process (especially in emerging economies) and the recent depreciation of exchange rates.

Accordingly, and owing to the credibility test to which the monetary policy regimes in the region are being subjected, the coming months may continue to require rigorous monetary policies so as to avert second-round effects, although the impact of the economic and financial crisis is likely once more to influence policy responses decisively.

On the fiscal front, the total and primary budget balances in the region as a whole did not undergo significant changes in the opening months of 2008 compared with 2007 (see Chart 11), holding at levels close to zero and at 3% of GDP, respectively. However, mention should be made of the more volatile trend of revenue, which tended to ease off, while expenditure remained on a rising trend, with subsidies becoming a sizeable item in several countries. In this respect, there was a moderate deterioration in the primary balances of some countries (Mexico, Peru and Chile), in the first two as a consequence of the expan-

MAIN INDICATORS OF PUBLIC SECTOR PERFORMANCE
Year-on-year changes and percentage of GDP

CHART 11



SOURCE: National statistics.

a. Deflated by the CPI.

sion in expenditure, and in the third owing to the decline in mining-related revenue. In Argentina, by contrast, the primary surplus in 2008 to date was far higher than that in 2007, partly as a result of the bringing forward of future central bank profits and partly due to some moderation in spending compared with 2007, which was a presidential election year. In Brazil, meanwhile, the primary surplus increased to 4.4% of GDP (with a budget deficit of 1.9%), underpinned by the sound behaviour of revenue, and developments in Colombia were along similar lines. Overall, the performance of public finances in most Latin American countries may be said to have continued to be favourable, thanks to a very positive business cycle, the increase in commodities prices and, possibly, spending, which has at least not been as expansionary as in previous cycles, despite increasing in some countries in recent months. For 2009, budget forecasts for some countries (Chile and Peru) posit relatively tight spending, which is also the case to some extent for Mexico and Brazil. Generally, nonetheless, in a setting such as the present one, with greater uncertainty over growth and commodities prices, meeting revenue – and therefore deficit – targets might prove demanding, as it will be difficult for expenditure to show sufficient downward flexibility. In Mexico, the recent amendment of the draft budget includes a downward revision of the growth forecasts for GDP and for revenue and expenditure, along with a more conservative assumption about oil prices.

TRADE INTEGRATION AND STRUCTURAL POLICIES

There have not been any notable changes in 2008 in respect of recent trends in trade integration. The most ambitious regional agreements in terms of goals – MERCOSUR and the CAN – made no significant progress. The US Congress deferred approval of the free trade agreement with Colombia until after the elections and, therefore, renewed until December the benefits of the preferential agreements (ATPDEA), while Chile and Peru entered into new bilateral trade liberalisation agreements (with Honduras, Panama and Australia in the first case, and with Canada and Singapore in the second). Finally, the Peruvian government initiated talks to achieve a trade agreement with China.

Turning to structural reforms, Chile announced the creation of a fund to finance investment in human capital, drawing on a portion of its copper export revenues. Brazil unveiled a plan for productive development and announced the setting up of a sovereign wealth fund using excess funds on the primary surplus, of around 0.5% of GDP. Conversely, Venezuela pushed forward its nationalisation programme: in the steel industry, with the acquisition of the biggest steelworks in South America, and in the cement sector, previously in Mexican hands. It is further negotiating the purchase of the subsidiary of Banco Santander in the country, Banco de Venezuela. Moreover, the government used legal powers to reinforce the public-sector control mechanisms of the economy. Finally, the new interventionist-leaning constitution in Ecuador was approved by referendum, and there will be a public consultation in Bolivia in December on the new and similarly interventionist *Carta Magna*.

ECONOMIC DEVELOPMENTS IN THE MAIN COUNTRIES

In *Brazil*, GDP held at a high year-on-year growth rate in the first half of the year, standing at 5.9% in Q1 and at 6.1% in Q2, both very similar to the second half of 2007, although in quarterly terms the rate slowed slightly. Regarding the composition of growth, there was an accentuation of the features observed in the previous six-month period, i.e. domestic demand quickened (to a year-on-year rate of over 8%) and the negative contribution of the external sector widened (to over 2 pp). The greater dynamism of domestic demand was attributable to the slight acceleration in investment (which grew at a rate of over 15%) and the notable acceleration in government consumption. The more negative contribution of external demand in this period was due to the worse performance of real exports, which posted negative year-on-year growth rates in Q1, in a setting in which real imports continued to register very high growth. One of the key features of the period under analysis is the adverse behaviour of inflation, which increased from 4.6% in March to 6.4% in July, although it eased off slightly – to 6.2% – in August. Although the increase in inflation was induced essentially by developments in food prices, it was fairly generalised, meaning that core inflation rose in parallel. As a result of this, there was a marked deterioration in short-term inflation expectations, less than in long-term expectations, which was corrected partially in the latest surveys. Against this backdrop, the central bank raised official interest rates at all its monetary policy meetings from April. The first two meetings saw rises of 50 bp, which climbed to 75 bp at the two following meetings, taking rates to 13.75%. Regarding fiscal policy, there was an increase in the primary surplus in the January-July period to 6%, considerably above the fiscal targets, and the use of part of this surplus to the recently established sovereign wealth fund was announced. Turning to the external sector, the data available to August show a further deterioration in the trend of the current account balance, which posted negative figures for the first time since 2002. This was largely the result of the reduction in the trade surplus, induced by the strong acceleration in imports. The current deficit was financed by more moderate financial inflows than in 2007, which even so continued to require a considerable build-up in reserves. Among the more positive aspects of recent months have been the discovery of big oil fields, which might turn

Brazil into a major oil exporter, and its credit rating, which was enhanced to investment grade by Standard & Poor's and by Fitch in May and June. However, financial conditions worsened notably from September, making for a very strong depreciation in the real against the dollar, increases in dollar and local currency interest rates, and falls on equity markets. This prompted the authorities to launch a substantial range of measures to alleviate pressures and provide for greater liquidity.

In *Mexico*, growth slowed strongly in the first half of 2008 given that GDP grew by only 2.6% in Q1 and by 2.8% in Q2, around 1 pp below growth in the second half of 2007. The weakness of growth is more readily discernible in the quarter-on-quarter rates of change, which stood at –0.1% and 0.2%, respectively. Both private and government consumption slowed during the second half of the year, while the growth rate of investment declined strongly in the first half (from 4.8% to 2.6%), recovering thereafter to 8.1%, the highest rate since 2006 Q3. Imports grew during the period at a higher rate than in 2007, while exports slowed slightly. That led to external demand subtracting, in both quarters, 1.1 pp from growth. Despite sluggish activity, inflation increased at a sustained rate, standing in August at 5.6%, 1.6 pp above the upper limit of the central bank's target band. Core inflation stood at 5.2%, its highest level since December 2001. These trends have fed through to inflation expectations and to the wage negotiations concluded in July. In this setting, the Mexican central bank raised official rates on three occasions (by 25 bp on each), at its June, July and August meetings, to 8.25%. Further, the government approved several measures to contain the rise in food prices. As regards the external sector, the current account deficit doubled in the first two quarters of 2008 (to 0.5% of GDP), despite the substantial improvement in the trade balance (the rise in exports doubled that in imports) and the increase in tourist receipts. The explanation lies in the decline in remittances and, especially, in the repatriation of dividends. The notable increase in exports stems from the performance of oil, machinery and motor vehicle exports, and greater diversification outside the United States. Public finances worsened slightly in the period under analysis: in annualised terms, the deficit in the period to the end of Q2 is expected to be 0.2 pp of GDP, set against the balanced budget achieved in 2007. On the revenue side, the performance of oil revenue was sound as was, under the non-oil heading, that of revenue levied by the IETU, a flat business tax introduced in the tax reform approved last year. On the expenditure side, there was a notable increase under social development and direct physical investment. Public debt continued to decline as a percentage of GDP, as the Treasury maintained its active debt management policy, undertaking several repo and swap operations and issuing foreign/domestic debt exchange warrants. As to structural reforms, the government submitted to Parliament plans to reform the energy sector in a manner compatible with the Constitution, and legislation was approved to reduce the tax burden on the State-owned oil company PEMEX. The heightening of pressures on international markets also affected Mexican financial markets, and the peso depreciated strongly. The government amended the budget, adjusting expenditure and revenue to more conservative growth and oil prices forecasts for 2009.

In *Argentina*, the figures for economic activity in Q2 are distorted by the mobilisation of the agricultural sector, in relation to the mooted tax on exports (which was finally not approved), since exports of agricultural products fell and the activity of certain sectors was intermittent. On National Accounts data, GDP slowed slightly in Q1 (to a year-on-year rate of 8.3%) and somewhat more markedly in Q2 (7.5%), set against the figure of 8.9% in the second half of 2007. Of note was the greater negative contribution of external demand, while domestic demand continued to grow at around 10.5%, although there was a notable build-up of stocks of agricultural products in Q2, for the aforementioned reasons. The problems in the agricultural sector also impacted forcefully the trade balance figures, which makes their assessment difficult. However, there were high growth rates both in exports (linked to the favourable trend of prices) and imports (given the notable increase in imported amounts linked to the favourable course of domestic demand). The balance of payments evidenced net outflows of over $5 billion from the non-financial private sector. The official inflation figures show it to be stable at around a year-on-year rate of 9%, according to the new CPI released by the Argentine Statistics Institute. Public finances show a bigger surplus than in the same period a year earlier, linked in part to some easing in public spending, but also to the fact that revenues include bigger amounts brought forward on future central bank profits. In this period there was a bigger rise in sovereign spreads in relative terms than in other emerging countries, a difference which has been exacerbated in the past month. Against this background, the central bank sold some $3.5 billion in reserves in the past months in order to stabilise the exchange rate of the peso and to curb the increase in the demand for dollars. In September, as a sign of willingness to pay, the authorities began to repurchase government bonds and announced that they would repay in full the debt with the Paris Club with a charge to the Central Bank's reserves. Further, as a mechanism for obtaining fresh financing on international financial markets, an intention was expressed to re-open debt swaps for those creditors who did not avail themselves of the process in 2005. However, the heightening of financial pressures in recent weeks has led the government to reconsider its debt repayment decision, and this will probably also influence the degree of acceptance of the swap arrangement, having worsened the initial conditions.

In *Chile*, GDP in the first half of 2008 grew somewhat less than in the previous six months, but on an upward quarterly trajectory (3.3% year-on-year in Q1 and 4.3% in Q2). Of note once again was the dynamism of domestic demand, which grew by 11% in Q2, due among other factors to the strength of investment, especially in machinery and equipment. Conversely, the negative contribution of external demand continued growing, up to 7.1 pp, as a result of the weakness of exports and the continuing strength of imports, especially of investment goods. The trade surplus fell relative to the same period in 2007, since lower volume exports (especially in the mining sector) were compounded by a deterioration in the terms of trade. That pushed the current account balance into deficit in Q2, reversing the sign of previous quarters. There was also a reduction in the budget surplus as a result of a decline in copper-related revenue, given the lower quality of the copper extracted from the main mines. The inflation outlook worsened drastically in the period under analysis, not only because headline inflation continued to increase, moving even further from the inflation target to stand at 9.3% in August, but also because food and energy price rises spread to other goods and because inflation expectations have increased. The central bank response was to sharply tighten monetary policy with four consecutive 50 bp increases in official interest rates at its meetings from June to September, taking the official rate up to 8.25%. However, in October the central bank held the interest rate steady, although it continued to signal the persistence of inflationary risks against the background of the sharp deterioration in financial markets. During the period under study, the nominal exchange rate against the dollar depreciated; this followed the start-up of a programme for the purchase of international reserves by the central bank, but further influences were the deterioration in the terms of trade, the adverse economic activity and inflation figures, and the international financial instability. This trend was exacerbated by the heightening of the international financial crisis, whereby the central bank decided to interrupt the international reserves purchase programme in September, earlier than initially scheduled, and the government took a series of measures to provide more liquidity.

The pace of activity slowed most notably in *Colombia* in the first half of the year, with year-on-year growth of 4.1% and 3.7% in Q1 and Q2, far down on the figure of 8.8% recorded in 2007 Q4. The explanation for this slowdown in growth was the strong reduction in domestic demand, and particularly in investment, since consumption decelerated more moderately. Inflation continued rising, standing at 7.9% in August, mainly as a result of food prices, since the increase was much more moderate in the case of other goods. This setting of inflation increases and widespread signs of economic slowing (the result in part of the tightening of monetary policy in previous quarters) involved a trade-off for the central bank, which increased official interest rates moderately by 25 bp in late July, taking them to 10%. The current account balance posted a smaller deficit in the first half of the year than in the same period of 2007 (a reduction of 29%, standing at 2.2% of GDP), chiefly as a result of the improvement in the trade balance (due in part to the effect of actual commodities prices) and the rise in migrants' remittances, and despite the increase in the repatriation of dividends. Foreign direct investment flows grew by 27% in the period under study to around 5% of GDP. At the start of the period the exchange rate moved on a persistent appreciating trend, which led the government to introduce further restrictions on financial inflows, in an attempt to deter short-term inflows. It also led the central bank to increase the amount of its daily dollar purchases (up to 20 million). Nonetheless, the depreciating trend of the peso from the end of Q2, which steepened in mid-September coinciding with the deterioration in the market situation, led the authorities to eliminate in part the measures introduced to restrict portfolio financial inflows and to amend its policy of interventions in the foreign exchange market, aimed at mitigating this trend.

Peru posted the highest growth rate in the region in the first half of 2008. Indeed, growth quickened in Q2 (10.9%, against 9.7% in Q1) thanks to the strength of domestic demand, where investment quickened notably. Further to this buoyancy of domestic demand and to the increases in import prices, inflation continued to rise, standing at 6.3% in August, the highest year-on-year rate since September 1998. To tackle this inflation rise and in an attempt to avoid second-round effects, the central bank continued tightening its official interest rate (four 25 bp rises in the period under analysis, to 6.50%) and continued raising (on two occasions) its reserve requirement. The rising pressures on the sol reversed following the central bank's increase to the reserve requirement on sol-denominated deposits by non-residents and became selling pressures with the deterioration of the terms of trade and of the financial situation. That has led the central bank to intervene on the foreign exchange market selling dollars in recent weeks, in addition to other measures aimed at providing liquidity and dollars, and to interrupt the process of interest rate rises. Public finances maintain the same characteristics as in previous quarters, i.e. a budget surplus and high growth rates of non-tax revenue (royalties and fees) and of capital expenses.

In the first half of the year, growth in *Venezuela* slowed strongly compared with the second half of 2007, evidencing very different behaviour, moreover, in the two quarters. In Q1 the year-on-year rate declined to 4.9% (with a strong fall in quarter-on-quarter terms) owing to the collapse in investments and the slowdown in private consumption, and despite the notable reduction in the negative contribution of external demand. In Q2, the year-on-year growth rate increased to 7.1% as a result of something of a recovery in investment (albeit without resuming the rates recorded over the last cycle) and of the lesser negative contribution of external demand, mainly because of moderating imports. Inflation continued to rise, increasing to 34.5% in August. Consequently, the authorities attempted to reduce the liquidity in the system in order to narrow the spread between the official exchange rate and the attendant parallel rate through a series of measures: the elimination of the tax on financial transactions, settlement obligations in respect of structured notes, the issuance of bolivar bonds payable in dollars, the announcement of a possible repurchase of foreign debt, etc. Also to be included in the inflation-combating drive is the containment of public spending, which grew below the increase in revenue and in inflation. Regarding the external sector, and unlike the other countries in the region, there was an improvement in the current account balance, linked to the trade balance, in view of the rise in oil exports (due to the increase in price, not in volume, which fell) and the easing in imports in the face of the diminished buoyancy of consumption and investment. A new tax on oil export gains was also approved, and further progress was made on the nationalisation programme. From September, the international financial instability prompted a very considerable widening of sovereign spreads in Venezuela, up to levels of 1,300 bp.

11.10.2008.

WEALTH INEQUALITY AND HOUSEHOLD STRUCTURE: A COMPARISON BETWEEN SPAIN AND THE UNITED STATES

Wealth inequality and household structure: a comparison between Spain and the United States

The author of this article is Olympia Bover of the Directorate General Economics, Statistics and Research.[1]

Introduction

There are considerable differences between the wealth distributions of the developed countries. For example, the proportion of total wealth in the hands of the richest 1% of households, a frequently cited indicator, ranges internationally from 15% to 35%. Studying the nature of these cross-country differences may help determine the effects on wealth of various institutions, such as business regulation, welfare programmes and taxation. Moreover, it is obviously of interest for the measurement of inequality.

Nowadays, the growing availability in various countries of quality data drawn from household surveys means that such comparisons are feasible.[2] However, in the international studies available hitherto, households have usually been treated as if they were homogeneous across countries (except when studies have tried to use some equivalence-scale measure based on the number of persons in the household). This practice may be appropriate when comparing countries with relatively similar demographic structures, but in most cases the distribution of wealth is influenced by demographic factors. For example, if patterns of household formation by young persons differ in two countries, not only will the distribution of households by age differ, but so will the distribution by household size and marital status. This raises the question up to what point cross-country differences in wealth distributions also apply to comparable households and up to what point they are due to cross-country differences in household structure.[3]

Some recent studies have, in turn, considered the influence of wealth on the household structure, through marriage and divorce decisions. However, this study stresses aspects of household structure that are assumed to be associated with social values and norms. For example, the age at which young people abandon the parental home to establish their own is a key reflection of deep-rooted differences in household systems across western countries, but it is not the only one. Others are the prevalence of lone parent households and elderly persons living with their children. In this respect, the sociological literature [see Reher (1998)] identifies two clearly distinct geographical areas, one in which family ties are strong (mainly Mediterranean countries) and the other in which such ties are weak (northern Europe and the United States). In the former, children tend to leave home when they start to live as a couple and save until then, while in the latter they establish themselves independently when they reach maturity. These differences are long-standing; the earliest available data show that they date back to at least the seventeenth century. In fact, according to the first censuses, in the mid-nineteenth century in northern Europe 30-55% of young people aged 15-24 (of both sexes) left the parental home to serve in another household, while only 5-20% did so in southern Europe. In recent years there has been some convergence, but a clear division remains.

This article compares the wealth distribution of Spain, a country with strong family ties, with that of the United States, where family ties are weaker. As can be seen in Table 1, the differences between these two countries, as regards summary statistics of wealth distributions, are

1. This article is a summary of Working Paper No 0804, entitled *Wealth inequality and household structure: US vs. Spain,* by Olympia Bover. **2.** See Bover et al (2005), for a comparison between Spain, the United States, Italy and the United Kingdom, using harmonised definitions of asset holdings based on household surveys, and the recently created LWS database, which includes wealth survey data from various countries. **3.** Available survey-based wealth estimates typically refer to households and not individuals.

SUMMARY STATISTICS FOR US AND SPANISH WEALTH DISTRIBUTIONS (TOTAL POPULATION AND BY GROUPS) TABLE 1

	Gini	Median (a)	p75/p25	p25/p50	p75/p50	p90/p50
All households						
United States	0.80	66	22.7	0.15	3.4	8.5
Spain	0.56	102	4.3	0.42	1.8	3.2
Households with head aged 35-54						
United States	0.77	79	13.6	0.21	2.9	6.7
Spain	0.54	114	3.8	0.46	1.8	2.9
Couple households with head aged 35-54						
United States	0.74	118	8.1	0.32	2.6	5.6
Spain	0.52	121	3.6	0.50	1.8	2.9
Couple households with head aged 35-54 and with child under 16						
United States	0.74	121	8.1	0.31	2.5	4.9
Spain	0.50	118	3.5	0.52	1.8	2.7
All households, using the square root equivalence scale (√ number of household members)						
United States	0.80	45	22.5	0.15	3.4	8.6
Spain	0.56	62	4.3	0.44	1.9	3.3
All households, per head (scaling by number of household members)						
United States	0.81	31	22.5	0.15	3.3	9.0
Spain	0.58	37	4.5	0.43	1.9	3.7

SOURCES: Survey of Household Finances (EFF) 2002 and Survey of Consumer Finances (SCF) 2001.

a. In thousands of 2002 euro.

significantly reduced when homogeneous demographic groups are compared, such as couple households whose head is aged 35-40. To identify the influence of demographic factors on the differences between the wealth distributions of Spain and the United States, the wealth distribution that would be observed in the United States if households there had the same composition as in Spain (the counterfactual distribution) is estimated, using comparable household-level wealth-survey data available in both countries relating to the early 2000s.[4]

The next section describes the data and the household demographic structure classification adopted. The third section describes the construction of the counterfactual distribution for the United States, and presents the results of the comparisons in graphic form and using a set of summary statistics of position, dispersion and inequality. Also, the types of households that contribute most to the compositional differences are identified, and information is supplied on the differences in the wealth distributions of the two countries by comparable household groups. Lastly, the fourth section contains some final comments.

Data and methodology

The impact of household structure on the differences in the wealth distribution between Spain and the United States is assessed by estimating (non-parametrically) the counterfactual distribution that would exist in the United States if households had the same demographic characteristics as in Spain.[5] This estimation requires microeconomic data on households' assets and debts, such as those supplied for the United States by the 2001 Survey of Consumer Fi-

4. The data for the United States are drawn from the Survey of Consumer Finances (SCF) 2001, while those for Spain are drawn from the first wave of the Spanish Survey of Household Finances (EFF) 2002. **5.** On the construction of counterfactual distributions, see DiNardo, Fortin and Lemieux (1996).

nances (SCF), sponsored by the Federal Reserve Board, and, for Spain, by the Survey of Household Finances (EFF) 2002, conducted by the Banco de España. The aim of both surveys is to collect detailed information on the assets and debts of households, along with socio-demographic and income variables. The differences mentioned in the introduction are observed in the data used, i.e. in the United States there are more single person households (40%, as against 27%), more lone parent households, especially lone mothers (8% in the United States, as against 2% in Spain). Also, a higher proportion of households headed by young people is observed in the United States.

Comparable measures of assets and debts are constructed on the basis of the variables available in both surveys. The wealth of each household is obtained as the sum of its assets (excluding human capital and Social Security pension rights) less its debts. All monetary amounts are expressed in 2002 euro and have been adjusted for inflation in the United States and for purchasing power parity for 2002. An important characteristic of the SCF and the EFF is that, although both are representative of the population, they oversample the richest households. This sample characteristic is crucial for the accuracy of some of the wealth distribution statistics that are normally calculated. To illustrate this point, the sample errors[6] that would have resulted from random sampling of the US population, without oversampling of the richest households, are calculated in Bover (2008). The difference in accuracy is substantial; for example, the 95% confidence interval for the percentage of wealth held by the richest 1% of households is, in the absence of oversampling, 16 percentage points (pp), which is almost as wide as the international interval of 20 pp (according to the evidence in Davies and Shorrocks (2000) cited in the introduction). With oversampling, by contrast, the width of this interval is 2 pp.

To characterise the household structure in both countries, 16 types of household are considered. These differ according to the age and marital status of the household head, the presence of children and, in the case of single person households, their gender (for a complete descriptive list of these groups, see Table 2). The selection of groups is based on the differences existing between the two countries, and on the need to ensure a sufficient number of observations per group.

It is important to point out that the aim of this paper is to estimate the extent to which the demographic structure of households explains the observed differences in wealth distributions, not to try to approximate personal wealth distributions. Differences in household structure cannot simply be reduced to a question of size. In fact, to analyse the distribution of wealth across individuals it is not sufficient to normalise household wealth using some equivalence scale; rather, an inter-temporal theoretical framework would be needed, an aspect that is not developed in this paper. In any case, Table 1 shows some results of normalising household wealth using the square-root equivalence scale and using per capita wealth. As can be seen, these standardisations reduce the differences between the medians (albeit by less than when demographically similar households are compared), but not those between measures of dispersion.

Cross-country differences in demographic structure may be associated with ethnic, religious or cultural characteristics. It is well known that these characteristics are correlated with demographic variables, such as divorce rates and the number of children, and in this respect the United States is ethnically and culturally more heterogeneous than Spain. However, a more direct transmission mechanism can be expected to exist between wealth accumulation and

6. Bootstrap standard errors.

THE 16 HOUSEHOLD GROUPS CONSIDERED AND SOME OF THEIR CHARACTERISTICS TABLE 2

	Percentage in population		Median net wealth (a)		Own main residence (%)		
	US	SPAIN	US	SPAIN	US	SPAIN	US with Spanish household structure
ALL HOUSEHOLDS	100	100	65.8	101.9	67.7	81.9	74.9
AGED UNDER 25							
1 Couple	2.4	0.6	5.8	12.0	21.0	41.7	
2. Single man	1.4	0.6	2.0	3.2	3.9	49.2	
3. Single woman	1.8	0.4	0.3	6.5	11.7	49.4	
AGED 25-34							
Couple							
4. Without children	*3.4*	*4.0*	*34.5*	*71.0*	*56.4*	*79.5*	
5. With children	*6.9*	*5.4*	*26.0*	*70.2*	*63.8*	*73.9*	
6. Single man	2.6	1.7	9.7	62.6	35.2	55.6	
Single woman							
7. Without children	*1.9*	*1.1*	*6.1*	*30.4*	*25.4*	*53.3*	
8. With children	*2.4*	*0.3*	*1.8*	*10.8*	*25.1*	*59.6*	
AGED 35-54							
Couple							
9. Without children	*12.0*	*12.0*	*118.6*	*130.0*	*81.4*	*83.4*	
10. With children	*16.0*	*20.9*	*117.5*	*116.1*	*83.3*	*83.3*	
11. Single man	5.2	3.6	36.5	78.5	54.3	67.0	
Single woman							
12. Without children	*5.4*	*3.9*	*25.0*	*108.1*	*51.2*	*78.9*	
13. With children	*4.2*	*1.3*	*11.7*	*68.4*	*48.6*	*65.9*	
AGED OVER 54							
14. Couple	19.7	28.2	220.9	122.4	89.3	90.5	
15. Single man	4.4	3.8	85.0	86.1	75.4	77.1	
16. Single woman	10.2	12.1	60.7	78.6	67.1	82.6	

SOURCES: Spanish Survey of Household Finances (EFF) 2002 and Survey of Consumer Finances (SCF) 2001.

a. In thousands of 2002 euro.

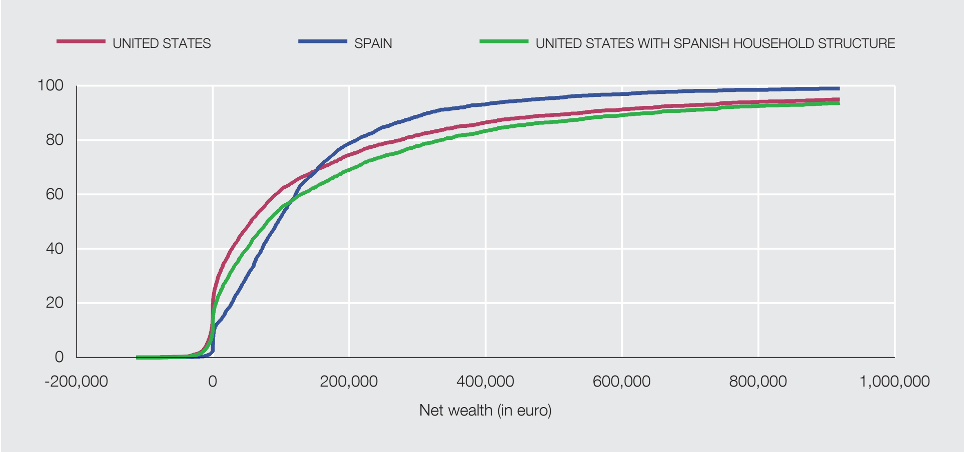
the demographic structure, operating, for example, through household economies of scale or household dissolution. Establishing a relationship between household structure and ethnic or cultural diversity is beyond the aims of this paper. The economic notion underlying the paper is that household demographic characteristics may facilitate or hamper the capacity to save and wealth accumulation.

Counterfactual US wealth with the Spanish household structure

The wealth distribution in the United States can be obtained as a weighted average of the distribution of wealth for each group of households, weighting each group by its weight in the population. If these weights are replaced by those corresponding to the weights of such groups in Spain, a counterfactual US wealth distribution is obtained, i.e. the wealth distribution that would exist in the United States if the relative weights of the various population groups were the Spanish ones instead of the American ones. In order to assess the extent to which the differences between the wealth distribution observed in the United States and the Spanish one stem from differences in household structure between the two countries, we examine whether the differences between the United States and Spain in terms of inequality and other characteristics are reduced or amplified when the Spanish wealth distribution is compared with the counterfactual US distribution, with the same household structure.

EMPIRICAL WEALTH DISTRIBUTIONS

CHART 1



An important component of household wealth, which differs sharply across countries, is home ownership. An illustrative and interesting example of the general method described above is to observe the differences in the percentage of households that own their main residence. In the United States 68% of households own their main residence, while in Spain this percentage is 82%. However, the differences across the various types of household are substantial. In the United States this percentage ranges from 4% for single men under the age of 25 to 89% for couples over 54 (see column 5 of Table 2). When the percentages of households that own their main residence for each group of households in the United States are weighted by the weights of each group in Spain (see column 2 of Table 2), the counterfactual percentage of US households that own their main residence rises to 75%. Accordingly, half of the difference between the proportions of households that own their main residence in the United States and in Spain may be attributed to differences in the predominant household types in each country.

Chart 1 presents the observed cumulative distribution function for Spain and the observed and counterfactual functions for the United States. That is to say, for each level of wealth on the x-axis, the proportion of households whose wealth is less than or equal to that level is given for each of these three cases. Also, certain measures are supplied that summarise the differences between the distributions (see columns 1 to 3 of Table 3) and that quantify the differences when only the proportion of the different types of households is changed (see columns 8 and 9 of Table 3) and the differences when household composition is kept constant (see columns 6 and 7 of Table 3). The differences between Spain (SP) and the United States (US) are broken down for the different statistics (m) in the following way:

$$m_{SP} - m_{US} = (m_{SP} - m_{US}{}^{SP}) + (m_{US}{}^{SP} - m_{US})$$

The first term reflects the difference in wealth for the same household structure and the second the difference when only the household structure varies.

Household wealth is lower in the United States than in Spain up to approximately the 67th percentile. At that point the two distributions cross and the situation is reversed. Chart 1 shows that the number of households with zero or very low net wealth is considerably greater in the United States (9.6%) than in Spain (1.4%). However, the household structure existing in the United States explains a large proportion of this difference, as the counterfactual figure (6.4%) shows. In general, the differences between Spain and the United States are consider-

STATISTICS FOR ACTUAL US AND SPANISH WEALTH DISTRIBUTIONS AND FOR COUNTERFACTUAL US DISTRIBUTION. BREAKDOWN OF THE DIFFERENCES

TABLE 3

	US	SPAIN	Counterfactual US	Total difference		Difference for same household composition		Difference when only household composition changes	
	m_{US}	m_{SP}	m_{US}^{SP}	m_{SP}-m_{US}	%	m_{SP}-m_{US}^{SP}	%	m_{US}^{SP}-m_{US}	%
% households with negative or zero net wealth	9.6	1.4	6.4	-8.2	100	-5.0	61.0	-3.2	39.0
p10 (a)	0.04	6.4	1.7	6.3	100	4.6	73.4	1.7	26.6
p25 (a)	9.7	43.2	22.6	33.5	100	20.6	61.4	12.9	38.6
Median (a)	65.8	101.9	91.6	36.1	100	10.3	28.5	25.8	71.5
Mean (a)	299.8	160.4	367.3	-139.4	100	-206.9	148.4	67.5	-48.4
p75 (a)	221.1	185.7	282.9	-35.4	100	97.1	274.5	61.7	-174.5
p90 (a)	562.7	330.2	664.0	-232.6	100	-333.8	143.5	101.3	-43.5
(p75-p25)/p25	21.7	3.3	11.5	-18.4	100	-8.2	44.6	-10.2	55.4
(p50-p25)/p25	5.7	1.4	3.0	-4.3	100	-1.6	37.2	-2.7	62.8
(p75-p25)/p50	2.3	0.8	2.1	-1.5	100	-1.3	86.5	-0.2	13.5
(p90-p50)/p50	7.5	2.2	6.2	-5.3	100	-4.0	75.5	-1.3	24.5
Gini	0.80	0.56	0.78	-0.24	100	-0.22	91.7	-0.02	8.3
Percentage of wealth owned by:									
Richest 1%	32.1	13.2	30.0	-18.9	100	-16.8	88.9	-2.1	11.1
Richest 5%	56.9	29.5	55.0	-27.4	100	-25.5	93.1	-1.9	6.9
Richest 10%	69.0	41.8	67.1	-27.2	100	-25.3	93.0	-1.9	7.0

a. In thousands of 2002 euro, except columns 5, 7 and 9.

ably reduced when Spain is compared with the counterfactual US measures in the first half of the distribution. In fact, in the lower part of the distribution, the counterfactual distribution is situated between the Spanish and US distribution. For example, the role played by household structure is very important around the median which, in the United States, would increase from €65,800 to the counterfactual level of €91,600, substantially closer to the Spanish median of €101,900. Merely changing household composition would therefore reduce the difference in the median between the two countries by 71.5%. Also, household structure accounts for 55% of the difference in the inter-quartile range.

Conversely, in the upper part of the distribution, counterfactual US wealth exceeds actual wealth in the United States and in Spain. This indicates that, were the household structure in the United States the same as in Spain, the differences in household wealth in the upper part of the distribution would be even greater than the actual ones. The explanation is that in Spain there is a higher proportion of the type of households that in the United States have high levels of wealth (e.g. couples over the age of 54). These differences peak at around the 75th percentile. At that point, were it not for the difference in household composition, the difference between Spain and the US would be 2.75 times greater than the actual difference (see Table 3).

The differences between the statistics normally used in the literature to quantify the degree of inequality, such as the Gini coefficient and the percentage of wealth held by the richest 1% of households (and also by the richest 5% and 10%) are also analysed. In Table 3 it can be seen that, unlike in the case of position and dispersion measures based on various percentiles of the distribution, the results for the Gini coefficient and for percentages of wealth in the hands of the richest households do not vary much between the actual and counterfactual US distributions. However, this is the net effect of smaller differences in the lower part and larger differences in the upper part of the distribution. This result shows a clear information gain when the entire wealth distribution is compared, instead of using more summary measures of inequality.

The complete version of this paper analyses which types of households of the 16 groups considered particularly contribute to these differences in composition. The results show that the households responsible for the changes in the counterfactual US distribution are, above all, households made up of: (i) couples whose head of household is aged 55 or over; (ii) couples and single women aged under 25; (iii) single women aged under 55 with children; and (iv) couples aged 35-54 with children. For example, if we consider the group of households made up of single women aged 25-34 with children, on the one hand, and other households, on the other, and their relative weights in the United States (2.4% and 97.6%) are replaced by those in Spain (0.3% and 99.7%), the US median would rise by some €4,100. In the case of couples aged under 25, the increase in the median would be €3,800. Typically, type (i) and (ii) households have little wealth in both countries (see columns 3 and 4 of Table 2) and the higher incidence of these types of households in the United States than in Spain accounts for a large part of the positive difference between counterfactual and actual wealth in the United States. By contrast, the lower incidence of couples aged over 54 in the United States (19.7%) in comparison with Spain (28.2%) and couples aged 35-54 with children (16%, vis-à-vis 20.9%) reduces the US quantiles proportionately more at the median and in the upper part of the distribution. These households are typically well off and, if their weight in the United States were the same as in Spain, the US median would increase by €10,900 and €3,800, respectively.

Finally, information is provided on the differences between the wealth distributions of the two countries for each type of household. For some types of households, the distributions are very similar, for example households consisting of lone mothers aged 25-34 with children. Conversely, for other groups the distributions are very different: for example, couples aged over 54 [for more details see Bover (2008)]. To study the significance of the differences in the distributions in each group at the median and at the other quartiles of the distribution, regressions are performed using the indicators of each group as regressors.

Households consisting of couples aged 25-34, with children, have significantly higher wealth in Spain than in the United States at all the quartiles considered: at the 25th percentile they have an extra €20,900; at the median €44,300; and at the 75th percentile €56,400. By contrast, couples aged over 54 have significantly less wealth in Spain than in the United States at all the points of the distribution considered: they have €14,500 less at the 25th percentile, €98,500 less at the median and €301,900 less at the 75th percentile. It is interesting to note that middle-aged couples, i.e. aged 35-54, with children, are significantly richer in Spain in the lower part of the distribution, significantly less rich in the upper part of the distribution and without significant differences at the median.

Conclusions

This article highlights the relationship between a country's household structure, as given by its cultural and social customs, and its distribution of wealth. For this purpose, two countries with very different household structures are compared (the United States and Spain), using the US Survey of Consumer Finances 2001 and the Spanish Survey of Household Finances (EFF) 2002.

In the case of the lower part of the distribution, controlling for household demographic characteristics is found to explain a large part of the observed difference between the United States and Spain. In fact, it accounts for 71% of the difference in the median and 55% of the difference in the inter-quartile range. By contrast, in the wealthiest bracket of the population, the differences in household structure mask even greater differences between the two countries, since the latter increase when the same household structure is assumed. For example, at the 75th percentile (i.e. that level of wealth below which the wealth of 75% of households is situated and above which the wealth of the other 25% is situated) the difference between Spain and the US counterfactual would be 2.75 times the actual difference between the United States and Spain. It is interesting to note that imposing the Spanish household structure on the US wealth distribution has a limited effect on summary measures of inequality, such as the Gini coefficient. However, this is the net result of smaller differences in the lower part of the distribution and larger differences in the upper part, which shows that relevant information may be missed if the entire distribution is not considered.

As an illustrative example of the importance of differences in household structure, we calculate the percentage of US households that would own their main residence if the household demographic structure in the United States were similar to the one prevailing in Spain. It is estimated to be 75%, in between the 68% level observed in the United States and the 82% level in Spain.

The main groups responsible for the differences between the actual and counterfactual US distributions are identified, namely (i) couples aged over 54, (ii) very young single women and couples (under 25), (iii) single women under the age of 55, with children, and (iv) couples aged 35-54, with children. For example, if the percentage of households made up of a couple over the age of 54 were the same in the United States as in Spain (28.2% instead of 19.7%), the US median would rise by €10,900 and the 25th and 75th percentiles by €3,300 and €28,400 respectively.

Looking at comparable household groups, the main feature to emerge is that the differences between the United States and Spain in terms of household wealth change over the life-cycle for a large group of the population, namely couples (with children when young), displaying an interesting pattern that is reversed with age. In the United States they have significantly less wealth at all quartiles of the distribution when they are young (25-34), significantly more at all quartiles when older (aged over 54), and they have less in the lower part of the distribution, but more in the upper part, when they are middle aged (35-54).

In short, the distribution of wealth obtained for the United States, when the US household structure is assumed to be the same as in Spain, has a lower part rather similar to the one in Spain, but is even more unequal in the upper part. This shows that cross-country differences in household structure should be taken into account in any explanation of differences between wealth distributions.

16.9.2008.

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Financial regulation: 2008 Q3

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Introduction

In 2008 Q3 relatively few new financial provisions were enacted in comparison with previous periods.

In the securities market field, accounting regulations on financial and real-estate collective investment institutions (CIIs) were updated to bring them into line with the new accounting framework of the Spanish General Chart of Accounts (PGC), respecting the specific characteristics of these institutions.

In the private insurance area, the new chart of accounts for insurance companies, inspired by the PGC, was published and the regulations governing insurance companies were changed to adapt them to the new accounting framework and to include certain technical adjustments in the text.

A package of urgent measures to boost economic activity and combat the slowdown of the Spanish economy was approved. They include, most notably, action to facilitate the financing of small and medium-sized firms and programmes related to the housing market.

Lastly, two Community law provisions were passed. The first includes certain logistical improvements for the euro cash changeover in future participating Member States and the second modifies the statistics transmission system of the European Central Bank (ECB) in the field of quarterly financial accounts in the European Union.

Collective investment institutions: amendment of accounting rules, annual accounts and confidential returns

CII Law 35/2003 of 4 November 2003[1] and its implementing regulations in Royal Decree 1309/2005 of 4 November 2005[2] empowered the Minister of the Economy and, with the latter's authorisation, the National Securities Market Commission (CNMV) to approve specific accounting rules for CIIs. Further to this, Order EHA/35/2008 of 14 January 2008 was published,[3] which empowered the CNMV to issue accounting rules for CIIs, their annual accounts, the determination of their total assets and results, and the frequency and detail with which their data must be reported to the CNMV.

Making use of this prerogative, CNMV *Circular 3/2008 of 11 September 2008* (BOE of 2 October 2008) was published on accounting rules, annual accounts and confidential returns of CIIs, repealing the previous accounting framework.[4]

The Circular's basic objective is to adapt the financial and real-estate CIIs' accounting regime to the new accounting framework established in the PGC, which was approved by Royal Decree 1514/2007 of 16 November 2007. The Circular establishes accounting rules and criteria

1. See "Financial regulation: 2003 Q4" in *Economic Bulletin,* Banco de España, January 2004, pp. 84-87. **2.** See "Financial regulation: 2005 Q4" in *Economic Bulletin,* Banco de España, January 2006, pp. 112-116. **3.** See "Financial regulation: 2008 Q1" in *Economic Bulletin,* Banco de España, April 2008, pp. 176 and 177. **4.** The Circular repeals CNMV Circular 7/1990 of 27 December 1990 on accounting rules and confidential returns of CIIs, which was partially amended by CNMV Circulars 4/1993 of 29 December 1993, 3/1998 of 22 September 1998 and 7/1998 of 16 December 1998, and certain sections of CNMV Circular 4/1994 of 14 December 1994 on accounting rules, reporting obligations, determination of net asset value and investment and operating ratios and operations in the appraisal of real estate held by real estate investment funds and companies.

for these two types of institutions which, although falling within the scope of the principles and guidelines of the new PGC, are required to apply the PGC in a form adapted to their characteristic and specific features.

SCOPE OF APPLICATION

The Circular regulates the specific accounting rules, the asset measurement and classification criteria, the determination of total assets and results, the annual accounts and supplementary confidential returns of both financial and real-estate CIIs.

As to the form of submitting the information, unlike the previous regulations, the annual accounts and other confidential returns will be sent to the CNMV, within the deadlines set, electronically via the new CIFRADOC/CNMV system approved by the CNMV board of directors on 15 September 2006, or by another similar means.

GENERAL ACCOUNTING CRITERIA

The Circular details the general accounting framework and, specifically, the basic principles, measurement criteria, accounting definitions, periodicity in accounting and specific accounting rules of these institutions.

The purpose of the basic accounting principles, which are similar to those of the previous regulations,[5] is clarity in the wording of the annual accounts and the confidential returns so that they can be understood by and are useful for users when taking their financial decisions, giving a true and fair view of the institutions' total assets, financial situation and results.

Noteworthy within the measurement criteria is the introduction of *fair value* as established by the PGC and other criteria, such as the amortised cost of a financial instrument, the effective interest rate, transaction costs attributable to a financial asset or liability, the book or carrying value of assets or liabilities, historic cost, active market and the residual value of an asset.

As for periodicity in accounting, the financial CIIs will apply the Circular's criteria and will calculate the estimated realisation value of assets as frequently as they calculate the net asset value established in their prospectuses, unless there are other provisions whereby they must calculate these values more frequently. The real-estate CIIs will calculate the estimated realisation value of their assets monthly, or in the case of real estate investment funds, as frequently as they calculate their net asset value as stipulated in their regulations, if this was less than one month.

According to PGC terminology, in the rules referring to financial instruments, a distinction is drawn between financial assets, financial liabilities and equity instruments, detailing the measurement criteria for each one. Furthermore, specific rules on foreign currency transactions, income tax and general criteria for determining results are included.

The fair-value measurement criterion is used for all the financial assets of financial CIIs, in the terms indicated by the Circular, and the changes in this measurement will be taken to the income statement. Thus, with the new regulations, the unrealised gains of such assets will be included directly in the income statement.[6]

Similarly, real-estate CIIs' property investment portfolio will also be measured at fair value which, initially, bar evidence to the contrary, is the acquisition cost plus considerations com-

5. Principles of accrual, going-concern, uniformity, prudence, non-compensation and materiality. **6.** In the previous regulations (Circular 7/1990), financial assets were recorded initially at cost and, subsequently, at market value. Unrealised gains were shown off-balance sheet in memorandum accounts and any unrealised losses were charged to the income statement.

mitted arising from the acquisition. Subsequently, it will generally coincide with the latest appraisal value. Possible gains will be taken to an adjustment account used to reflect changes in value, within the total assets of CIIs, and unrealised losses will be taken to the income statement, once the possible positive balance of the above-mentioned adjustment account has been used in full.[7]

The specific criteria and mechanisms for recording particular transactions undertaken by financial and real-estate CIIs are established. Noteworthy among the former are spot and forward purchases and sales of securities, repos, futures contracts, options and warrants, securities lending, and swaps, among others.

As for real-estate CIIs, specific accounting rules are established for certain transactions, among others, completed properties, commitments to purchase buildings by instalments and agreements for the sale of property (*contratos de arras*), the acquisition of property purchase options, properties at the pre-construction phase and those under construction, administrative licenses and other rights in rem, indemnity payments to be received and hybrid transactions.

FORMAT OF ANNUAL ACCOUNTS AND CONFIDENTIAL RETURNS

The Circular introduces the new public formats of annual accounts and confidential returns of financial and real-estate CIIs, which must be submitted by the latter to the CNMV and which are slightly different with respect to the previous regulations. Specifically, the statement of changes in equity will comply with the general provisions of the PGC, with the exception that the cash flow statement will not be required, because it provides little relevant information about CIIs.

Similarly, the balance sheet, income statement and statement of changes in equity must include, in addition to the figures for the year just ended, those for the previous year.

The notes, which are included in the annual accounts, will complete, enlarge upon and discuss the other documents which make up the annual accounts in accordance with the provisions of the PGC. It will not be necessary to include information by segment about turnover.

Lastly, the system for the transition from the previous accounting model to the model included in the Circular is regulated, establishing the allocation to reserves of the adjustments arising from changes in accounting rules. The annual accounts for 2008 will not include figures for comparison purposes, without prejudice to the inclusion, in the notes to these annual accounts, of the balance sheet and income statement included in the previous year's annual accounts.

The Circular will come into force on 31 December 2008.

Amendment of the regulations for insurance companies

Royal Decree 1317/2008 of 24 July 2008 (BOE of 11 September 2008), approving the chart of accounts of insurance companies was published. Also enacted was *Royal Decree 1318/2008 of 24 July 2008* (BOE of 11 September 2008), amending the Regulation on the Ordering and Supervision of Private Insurance, approved by Royal Decree 2486/1998 of 20 November 1998[8] in order to bring it into line with the new above-mentioned chart of accounts and to include certain technical adjustments in the text to adapt to the characteristics of new insurance products.

7. Under the previous regime (Circular 4/1994), it was also initially valued at acquisition price and subsequently, with the latest appraisal value, and gains and losses were taken to memorandum accounts, although the balance of these accounts was considered for calculating the institution's net asset value. **8.** See "Regulación financiera: cuarto trimestre de 1998" in Boletín Económico*,* Banco de España, January 1999, pp. 90-93.

THE CHART OF ACCOUNTS OF INSURANCE COMPANIES

The purpose of the chart of accounts of insurance companies is to adapt the accounting framework of insurance companies to the International Financial Reporting Standards (IFRSs) applicable in the European Union,[9] and, consequently, it replaces the previous chart of accounts approved by Royal Decree 2014/1997 of 26 December 1997.

The chart of accounts consists of five parts: the conceptual accounting framework, the recognition and measurement rules, the annual accounts, the chart of accounts itself and the accounting definitions and relationships.

The first part (the conceptual accounting framework) includes the documents which comprise the annual accounts, defines the items which make them up and the requirements, principles and accounting criteria of recognition and measurement so that they give a true and fair view of the entity's equity, financial position and results.

The second part (recognition and measurement rules) sets out the accounting principles and details the recognition and measurement criteria of the various transactions, assets and liabilities of the insurance companies. It should be mentioned that the IFRSs on insurance contracts permits fees and acquisition costs to continue to be capitalised during a transitional period, although they do not comply with the definition of asset included in the conceptual framework, until an international accounting rule is issued and approved in this connection.

The third part, relating to the annual accounts, includes the rules on how they should be drawn up, the documents they must comprise and the requirements which must be observed in their preparation. Similarly, it includes the criteria for distributing revenue and expenses and the structure of the balance sheet, the income statement, the cash flow statement and the statement of changes in equity.

The fourth part (the chart of accounts itself) contains the groups, subgroups and accounts required, duly coded in decimal form and with a title stating their content.

The fifth part (accounting definitions and relationships) consists of the definitions of the various items which will be included in the balance sheet, income statement and statement of changes in equity and those of each of the accounts under those items in addition to the main factors giving rise to debits and credits.

The Royal Decree contains the transitional regime for the first-time application of the chart of accounts, which envisages: the information that must be included in the first year that it is applied, the possibility of entities valuing property at its fair value at the date of transition to the chart of accounts, the retrospective application of the criteria contained therein, with certain exceptions, and a series of specific features relating to business combinations.

Lastly, it includes an additional provision on the stabilisation reserve regime for the purpose of the distribution of interim dividends, which will be deemed a compulsory reserve established by Law.

The chart of accounts will come into force on 31 December 2008, without prejudice to the transition date chosen by each entity for the first-time application of the chart of accounts,

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9. Included in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards and subsequently included in Spanish law through Law 16/2007 of 4 July 2007 on reform and adaptation of accounting-related corporate law for international harmonisation according to European Union law.

which will be the date of the opening balance sheet of the year in which the new regulations are applied, as established by the transitional regime of the Royal Decree.

AMENDMENT OF THE REGULATION ON THE ORDERING AND SUPERVISION OF PRIVATE INSURANCE

Certain specific technical amendments are introduced in the regulation, most of which are as a result of the application of the chart of accounts.

As for life insurance other than that in which the policyholder fully assumes the investment risk, the Ministry of the Economy and Finance is empowered to implement the system of provisions considered appropriate to reflect the risks arising from these operations.

The other amendments arise from the adaptation of its terminology to that of the chart of accounts and, especially, to the provisions of Law 16/2007 of 4 July 2007 on reform and adaptation of accounting-related corporate law for international harmonisation according to European Union law.

Thus, it is worth noting that, as regards uncommitted assets, its terminology and accounting treatment of certain items are adapted to the chart of accounts. Specifically, it should be noted that certain items are included in said assets, such as the property revaluation reserve arising from the first-time application of the chart of accounts, the goodwill reserve and adjustments due to changes in value which are part of equity.

Similarly, within the description of the grounds for the dissolution of insurance companies, the calculations referring to equity per books are adapted to the provisions of Law 16/2007 of 4 July 2007. Lastly, the references made to the market value of assets and liabilities will be understood as at their fair value and, those made to the acquisition cost of assets will be understood as at their initial book value in accordance with the new chart of accounts.

The Royal Decree will come into force on 31 December 2008.

Structural reform measures and measures to boost the Spanish economy

Royal Decree-Law 2/2008 of 21 April 2008[10] introduced a number of urgent measures to boost economic activity in order to combat the slowdown in the Spanish economy. In this connection, *Order Pre/2424/2008 of 14 August 2008* (BOE of 15 August 2008) has recently been published, which gives publicity to the Resolution of the Council of Ministers of 14 August 2008 on structural reform measures and measures to boost the financing of small and medium-sized businesses. This Resolution establishes a programme of actions in strategic sectors that involves all the economic ministries in order to accelerate its introduction, through a set of measures to be implemented in the short term (most of them before the end of the year).

First, to facilitate the financing of small and medium-sized businesses, the Ministry of Economy and Finance will present a proposal to grant government guarantees, for up to €3 billion in 2009 and 2010, of fixed-income securities issued by securitisation special purpose entities, whose assets are loans or credits granted to small or medium-sized businesses. Also, the Instituto de Crédito Oficial (ICO) will launch a line of credit to finance up to €2 billion of investment projects at medium-sized businesses in 2009 and 2010.

Second, in the housing and building market, the ICO will renew in 2009 and 2010, in the amount of €5 billion, the line of guarantees to securitisation special purpose entities whose underlying assets are loans to the public for the purchase of government-subsidised housing. For its part, the Ministry of Housing will design a new regulatory framework to boost the reno-

10. See "Financial regulation: 2008 Q2", *Economic Bulletin,* July 2008, Banco de España, pp. 155-156.

vation and refurbishment of buildings and dwellings. Together with the Ministry of Industry, Tourism and Trade, it will present a proposal for a building renovation plan to boost the refurbishment of housing and hotel infrastructure. Finally, in conjunction with the Ministry of Justice, it will sponsor a draft law of measures to promote the rental of housing and the energy efficiency of buildings. These will include studying the possibility of setting up a rapid, simple, and economic arbitration system for rental disputes.

In addition, a number of measures affecting other sectors are included, such as: actions to reduce costs, to improve competition in the provision of services and to strengthen the independence and supervisory capacity of the sector regulatory bodies; actions to boost and dynamise rail freight, and to improve competition and competitiveness conditions in the sector; actions aiming to foster energy efficiency and the use of renewable energy, and to boost the strategic lines of action to combat climate change; and finally, certain actions in the telecommunications and information society sector.

European Central Bank: introduction and distribution of euro cash

Guideline ECB/2006/9 of 14 July 2006 on certain preparations for the euro cash changeover and on frontloading and sub-frontloading[11] of euro banknotes and coins outside the euro area established the rules that enable the national central banks (NCBs) of future participating Member States to borrow euro banknotes and coins from the Eurosystem for the purpose of frontloading and sub-frontloading them prior to the cash changeover. It also established the obligations to be performed by eligible counterparties and professional third parties in order to be frontloaded and sub-frontloaded, respectively.

Following the introduction of the euro in Slovenia, Cyprus and Malta, the need to make various amendments aimed at improving the logistical aspects of the cash changeover in future participating Member States was identified, leading to publication of *Guideline ECB/2008/4 of the European Central Bank of 19 June 2008* (OJEU of 4 July 2008) amending Guideline ECB/2006/9.

Only credit institutions and national post offices that have an account with their future Eurosystem NCBs are currently entitled to sub-frontload. In future, national post offices and credit institutions may appoint cash in transit companies as agents acting on their behalf and at their risk for the purpose of storage and sub-frontloading of euro banknotes and coins to professional third parties.

In addition, to avoid the duplication of reporting obligations relating to the volume and denomination of frontloaded and sub-frontloaded euro banknotes and coins, the reporting procedure applicable to future Eurosystem NCBs and eligible counterparties is simplified.

At the same time, Eurosystem NCBs, which have until now been responsible for carrying out audits and inspections at the frontloaded and sub-frontloaded entity's premises, are allowed to entrust these tasks to other competent public authorities, in order to verify the presence of the sub-frontloaded euro banknotes and coins.

Finally, a simplified sub-frontloading procedure is established to be used when only small amounts of euro banknotes and coins are sub-frontloaded to certain types of retailer (i.e. firms with fewer than 10 employees and with an annual turnover and/or annual balance sheet total that does not exceed €2 million).

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11. Frontloading means the physical delivery of euro banknotes and coins by a future Eurosystem NCB to eligible counterparties (i.e. credit institutions and national post offices) in the territory of a future participating Member State. Sub-frontloading means the delivery of frontloaded euro banknotes and coins by an eligible counterparty to professional third parties (i.e. certain commercial target groups, such as retailers, the cash-operated machine industry and cash in transit companies) in the territory of a future participating Member State.

Amendment of the statistical reporting requirements of the European Central Bank in the field of quarterly financial accounts

Guideline ECB/2002/7 of 21 November 2002 set out the statistical reporting requirements in the field of quarterly financial accounts that the NCBs had to provide to the European Central Bank. At the same time, the revised transmission programme under the European System of Accounts 1995 (ESA 95)[12] fostered the introduction of more effective statistical data coding standards.

Guideline ECB/2008/6 of the European Central Bank of 26 August 2008 (OJEU of 27 September 2008) amending Guideline ECB/2002/7 has recently been published in order to align the coding standards established therein with those of the ESA 95 transmission programme. The harmonisation of the coding standards effected by this Guideline is a technical amendment that does not change the conceptual framework underlying the reporting requirements or affect the reporting burden.

The Guideline came into force on 1 October 2008.

6.10.2008.

12. As laid down in Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community.

CONTENTS

These economic indicators are permanently updated on the Banco de España website (http://www.bde.es/homee.htm). The date on which the indicators whose source is the Banco de España [those indicated with (BE) in this table of contents] are updated is published in a calendar that is disseminated on the Internet (http://www.bde.es/estadis/cdoe/ceroe.htm).

1. IMF Special Data Dissemination Standard (SDDS).

INTEREST RATES AND EXCHANGE RATES

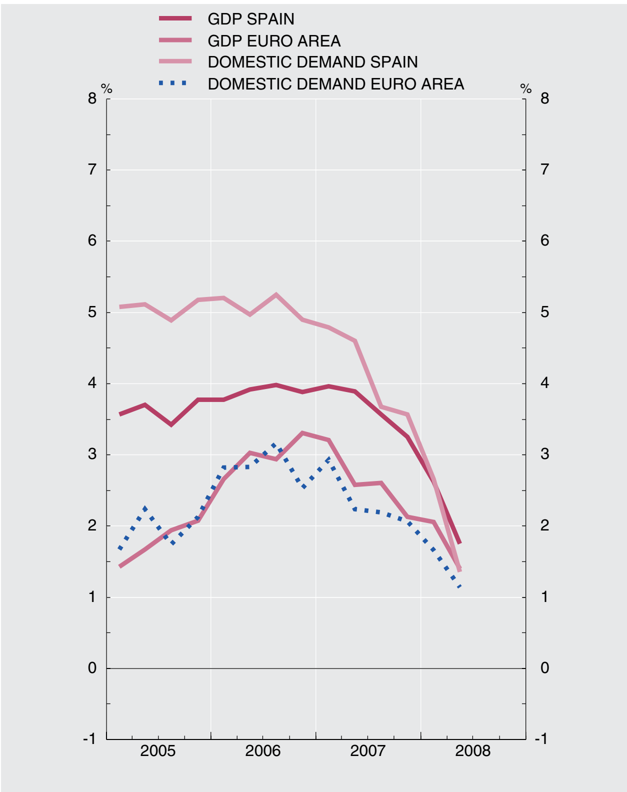
1. IMF Special Data Dissemination Standard (SDDS).

1.1. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES, REFERENCE YEAR 2000=100. DEMAND COMPONENTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart. *Annual percentage changes*

		GDP		Final consumption of households and NPISHs		General government final consumption		Gross fixed capital formation		Domestic demand		Exports of goods and services		Imports of goods and services		Memorandum item: GDPmp (current prices) (g)	
		Spain	Euro area	Spain (b)	Euro area (c)	Spain	Euro area (d)	Spain	Euro area	Spain (e)	Euro area	Spain	Euro area (f)	Spain	Euro area (f)	Spain	Euro area
		1 ■	2 ■	3 ■	4 ■	5	6	7 ■	8 ■	9 ■	10 ■	11	12	13	14	15	16
05	P	3.6	1.8	4.2	1.8	5.5	1.5	7.0	3.3	5.1	1.9	2.5	5.2	7.7	5.8	909	8 057
06	P	3.9	3.0	3.9	2.0	4.6	1.9	7.1	5.8	5.1	2.8	6.7	8.4	10.3	8.3	982	8 458
07	P	3.7	2.6	3.5	1.6	4.9	2.3	5.3	4.2	4.2	2.4	4.9	6.0	6.2	5.4	1 051	8 911
05 *Q3*	P	3.4	1.9	4.3	2.3	5.0	1.7	6.8	4.2	4.9	1.9	2.8	6.2	8.0	5.8	229	2 025
Q4	P	3.8	2.1	4.1	1.6	5.7	1.6	7.6	4.7	5.2	2.1	3.7	6.0	8.7	6.3	234	2 048
06 *Q1*	P	3.8	2.7	4.1	2.0	4.9	2.3	7.4	4.9	5.2	2.7	6.7	8.9	11.2	9.6	239	2 072
Q2	P	3.9	3.0	3.9	1.9	4.3	1.5	6.9	6.3	5.0	3.0	7.4	8.6	10.4	8.3	243	2 106
Q3	P	4.0	2.9	3.7	1.7	4.6	1.6	7.8	5.5	5.2	2.9	5.6	6.8	9.6	7.6	248	2 127
Q4	P	3.9	3.3	3.9	2.3	4.5	2.3	6.5	6.2	4.9	3.3	7.2	9.3	10.0	7.5	252	2 153
07 *Q1*	P	4.0	3.2	3.8	1.6	5.3	2.3	6.6	6.5	4.8	3.2	3.3	6.7	6.1	6.2	257	2 194
Q2	P	3.9	2.6	4.1	1.8	5.0	2.3	5.8	3.5	4.6	2.6	3.9	6.0	6.2	5.3	261	2 218
Q3	P	3.6	2.6	3.1	1.8	4.8	2.4	4.6	3.6	3.7	2.6	8.2	7.3	7.6	6.4	264	2 241
Q4	P	3.2	2.1	2.9	1.3	4.4	2.1	4.5	3.2	3.6	2.1	4.0	4.0	4.9	3.9	268	2 258
08 *Q1*	P	2.6	2.1	2.2	1.2	3.6	1.4	2.5	3.7	2.7	2.1	4.3	5.3	4.1	4.5	272	2 293
Q2	P	1.8	1.4	1.2	0.3	3.8	1.7	-0.2	2.5	1.4	1.4	4.1	3.7	2.3	3.2	275	2 306

GDP. AND DOMESTIC DEMAND. SPAIN AND EURO AREA
Annual percentage changes



DEMAND COMPONENTS. SPAIN AND EURO AREA
Annual percentage changes

Sources: INE (Quarterly National Accounts of Spain. Base year 2000) and Eurostat.

a. Spain: prepared in accordance with ESA95, seasonally- and working-day-adjusted series (see Economic bulletin April 2002); Euro area, prepared in accordance with ESA95. b. Final consumption expenditure may take place on the domestic territory or abroad (ESA95, 3.75). It therefore includes residents' consumption abroad, which is subsequently deducted in Imports of goods and services. c. Euro area, private consumption.

d. Euro area, government consumption. e. Residents' demand within and outside the economic territory.

f. Exports and imports comprise goods and services and include cross-border trade within the euro area. g. Billions of euro.

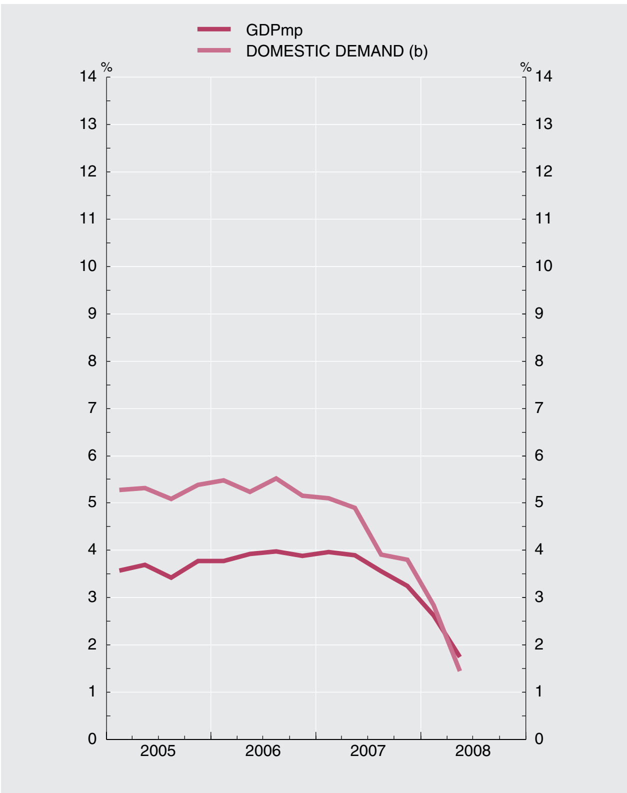
1.2. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. DEMAND COMPONENTS. SPAIN: BREAKDOWN (a)

■ Series depicted in chart.

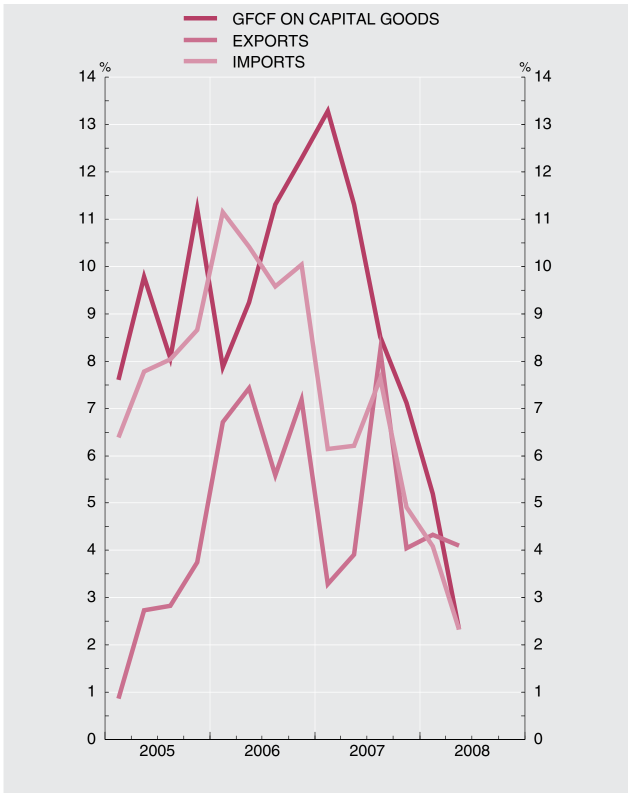
Annual percentage changes

		Gross fixed capital formation				Change in Stocks (b)	Exports of goods and services				Imports of goods and services				Memorandum items:	
		Total	Capital goods	Construc-tión	Other products		Total	Goods	Final con-sumption of non-resi-dents in economic territory	Services	Total	Goods	Final consumption of residents in the rest of the world	Services	Domestic demand (b) (c)	GDP
		1	2 ■	3	4	5 ■	6	7	8	9	10 ■	11	12	13	14 ■	15 ■
05	P	7.0	9.2	6.1	7.1	-0.1	2.5	1.1	2.3	9.5	7.7	7.3	20.6	7.2	5.3	3.6
06	P	7.1	10.2	5.9	7.1	0.2	6.7	6.7	1.6	12.2	10.3	10.3	5.9	11.2	5.3	3.9
07	P	5.3	10.0	3.8	3.9	-0.1	4.9	4.3	0.1	11.9	6.2	4.8	7.2	12.8	4.4	3.7
05 *Q3*	P	6.8	8.1	6.4	6.4	-0.2	2.8	1.2	2.9	9.9	8.0	6.5	20.4	13.0	5.1	3.4
Q4	P	7.6	11.2	6.2	7.5	-0.1	3.7	3.7	2.0	5.6	8.7	9.0	15.5	5.8	5.4	3.8
06 *Q1*	P	7.4	7.9	6.7	9.0	0.0	6.7	7.3	2.7	8.7	11.2	11.1	3.5	12.9	5.5	3.8
Q2	P	6.9	9.2	6.1	6.4	0.2	7.4	7.7	2.8	10.9	10.4	10.0	6.9	13.3	5.2	3.9
Q3	P	7.8	11.3	6.1	8.4	0.5	5.6	6.2	1.0	7.6	9.6	10.6	7.6	5.3	5.5	4.0
Q4	P	6.5	12.3	4.7	4.6	0.2	7.2	5.6	0.0	21.6	10.0	9.5	5.6	13.7	5.2	3.9
07 *Q1*	P	6.6	13.3	5.1	2.4	-0.1	3.3	2.5	0.3	9.6	6.1	5.3	10.0	9.2	5.1	4.0
Q2	P	5.8	11.3	4.2	3.7	-0.1	3.9	4.0	-0.4	7.7	6.2	4.9	8.2	12.0	4.9	3.9
Q3	P	4.6	8.5	3.3	3.6	-0.1	8.2	6.0	-0.1	26.2	7.6	5.7	6.1	17.8	3.9	3.6
Q4	P	4.5	7.1	2.9	6.0	-0.0	4.0	4.6	0.4	5.2	4.9	3.5	4.5	12.1	3.8	3.2
08 *Q1*	P	2.5	5.2	0.3	6.0	0.1	4.3	4.1	-0.2	9.2	4.1	4.7	2.7	1.4	2.8	2.6
Q2	P	-0.2	2.3	-2.4	3.3	0.1	4.1	4.4	-0.6	7.1	2.3	2.9	-4.3	1.1	1.5	1.8

GDP. DOMESTIC DEMAND
Annual percentage changes



GDP. DEMAND COMPONENTS
Annual percentage changes



Source: INE (Quarterly National Accounts of Spain. Base year 2000).

a. Prepared in accordance with ESA95, seasonally- and working-day-adjusted series (see Economic bulletin April 2002).

b. Contribution to GDPmp growth rate.

c. Residents' demand within and outside the economic territory.

1.3. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. BRANCHES OF ACTIVITY. SPAIN (a)

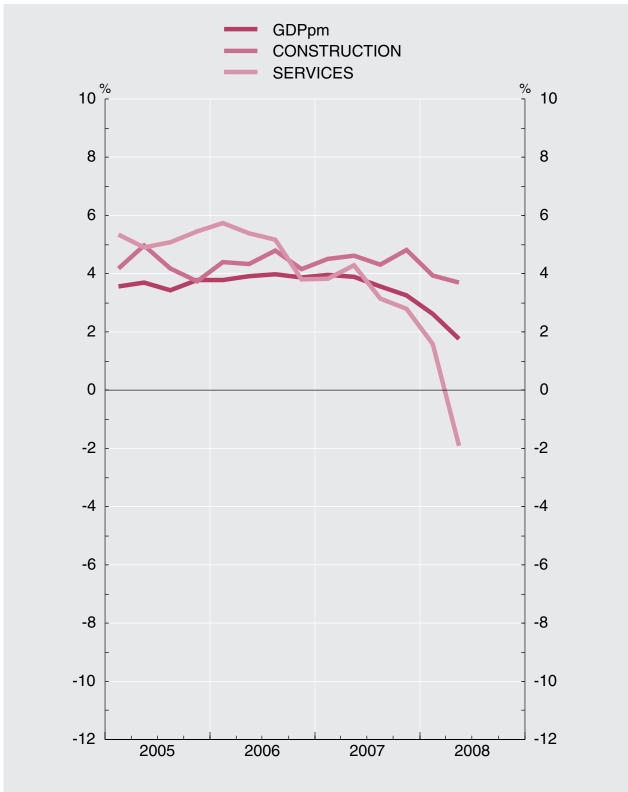
■ Series depicted in chart.

Annual percentage changes

		Gross domestic product at market prices	Agriculture and fisheries	Energy	Industry	Construction	Services: Total	Services: Market services	Services: Non-market services	VAT on products	Net taxes linked to imports	Other net taxes on products
		1 ■	2 ■	3	4 ■	5 ■	6 ■	7	8	9	10	11
05	P	3.6	-8.2	1.2	1.1	5.2	4.3	4.3	3.9	5.5	4.9	7.3
06	P	3.9	2.5	-0.1	1.9	5.0	4.4	4.5	4.0	4.2	6.9	2.8
07	P	3.7	3.0	0.8	2.8	3.5	4.6	4.6	4.4	2.8	3.3	-2.3
05 *Q3*	P	3.4	-4.4	0.9	0.4	5.1	4.2	4.4	3.5	5.7	5.8	2.6
Q4	P	3.8	-9.4	-0.1	2.5	5.5	3.7	3.8	3.6	5.4	8.1	16.1
06 *Q1*	P	3.8	-0.8	0.7	0.7	5.7	4.4	4.5	3.9	5.2	11.3	3.2
Q2	P	3.9	2.9	-0.9	2.1	5.4	4.3	4.3	4.3	4.2	7.1	3.4
Q3	P	4.0	-0.5	0.3	2.5	5.2	4.8	5.1	3.6	3.9	4.7	-0.4
Q4	P	3.9	8.7	-0.3	2.2	3.8	4.2	4.1	4.4	3.7	4.8	4.9
07 *Q1*	P	4.0	4.6	0.2	4.1	3.8	4.5	4.6	4.2	3.3	2.7	-0.9
Q2	P	3.9	2.5	1.1	3.1	4.3	4.6	4.7	4.3	3.3	2.8	-1.4
Q3	P	3.6	2.8	0.2	2.9	3.1	4.3	4.3	4.3	2.6	5.4	-0.1
Q4	P	3.2	2.1	1.7	1.0	2.8	4.8	4.8	4.7	1.9	2.2	-6.6
08 *Q1*	P	2.6	2.7	1.1	-0.1	1.6	3.9	3.8	4.4	1.3	-0.2	-1.8
Q2	P	1.8	1.9	4.8	-2.8	-1.9	3.7	3.4	4.6	0.9	-5.1	-1.9

GDP. BRANCHES OF ACTIVITY
Annual percentage changes

GDP. BRANCHES OF ACTIVITY
Annual percentage changes



Source: INE (Quarterly National Accounts of Spain. Base year 2000).

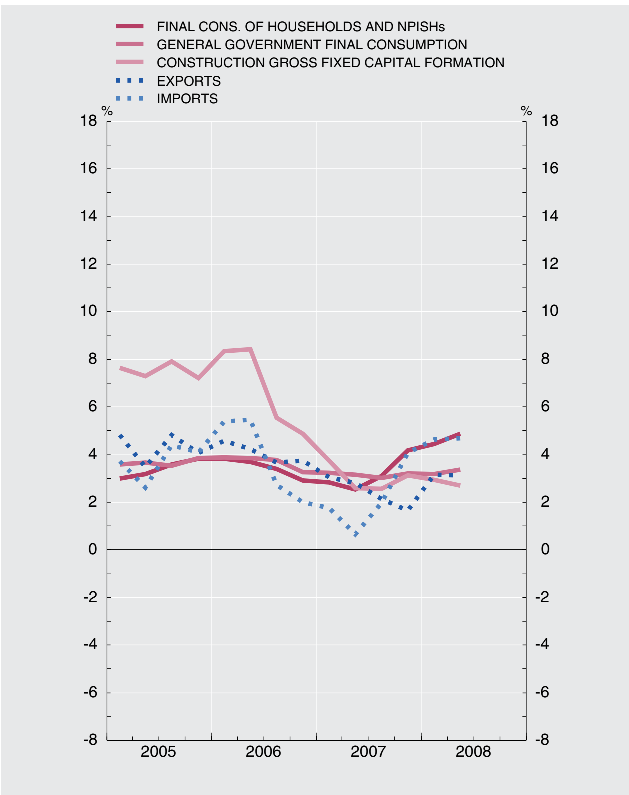
a. Prepared in accordance with ESA95, seasonally- and working-day-adjusted series (see Economic bulletin April 2002).

1.4. GROSS DOMESTIC PRODUCT. IMPLICIT DEFLATORS. SPAIN (a)

■ Series depicted in chart. *Annual percentage changes*

		Demand components							Gross domestic product at market prices	Branches of activity					
		Final consumption of households and NPISHs (b)	General government final consumption	Gross fixed capital formation: Capital goods	Gross fixed capital formation: Construction	Gross fixed capital formation: Other products	Exports of goods and services	Imports of goods and services		Agriculture and fisheries	Energy	Industry	Construction	Of which: Services	Of which: Market services
		1 ■	2 ■	3	4 ■	5	6 ■	7 ■	8 ■	9 ■	10 ■	11 ■	12 ■	13	14
05	P	3.4	3.7	2.7	7.5	4.7	4.3	3.7	4.3	3.5	10.8	3.4	10.8	2.9	2.7
06	P	3.4	3.7	2.0	6.7	4.9	4.0	3.8	4.0	-5.3	1.2	4.1	8.0	3.1	2.8
07	P	3.2	3.2	1.7	3.0	3.2	2.4	2.1	3.2	4.2	2.8	3.5	4.9	3.3	3.1
05 *Q3*	P	3.6	3.5	2.6	7.9	4.4	4.8	4.4	4.3	6.2	12.5	3.1	11.2	3.0	2.7
Q4	P	3.9	3.8	2.9	7.2	4.5	4.1	4.1	4.4	5.0	11.4	3.6	11.2	3.4	3.3
06 *Q1*	P	3.8	3.9	2.7	8.3	5.2	4.6	5.4	4.3	-6.8	5.7	3.4	9.3	2.9	2.7
Q2	P	3.7	3.9	2.4	8.4	5.5	4.2	5.5	4.1	-3.9	3.5	4.1	9.3	3.5	3.4
Q3	P	3.4	3.8	1.7	5.6	5.0	3.7	2.7	4.1	-3.7	-1.2	4.6	7.8	3.1	2.9
Q4	P	2.9	3.3	1.4	4.9	4.1	3.7	2.0	3.8	-6.6	-2.9	4.1	5.8	2.8	2.5
07 *Q1*	P	2.9	3.2	1.9	3.7	3.7	3.0	1.7	3.5	-3.5	-1.0	3.6	5.4	3.0	2.8
Q2	P	2.6	3.1	1.7	2.6	2.7	2.8	0.7	3.3	0.7	0.1	3.3	4.7	2.9	2.7
Q3	P	3.1	3.0	1.3	2.6	2.7	2.1	2.0	3.0	7.6	4.7	3.0	4.5	3.3	3.1
Q4	P	4.2	3.2	2.1	3.1	3.5	1.7	4.1	3.0	11.8	7.5	4.0	5.2	3.9	3.9
08 *Q1*	P	4.4	3.2	2.1	2.9	2.7	3.2	4.6	3.2	11.6	13.6	5.7	5.1	4.2	4.2
Q2	P	4.9	3.4	1.8	2.7	2.6	3.1	4.7	3.4	13.3	17.5	6.7	5.0	4.7	5.0

GDP. IMPLICIT DEFLATORS
Annual percentage changes



GDP. IMPLICIT DEFLATORS
Annual percentage changes

Source: INE (Quarterly National Accounts of Spain. Base year 2000).
a. Prepared in accordance with ESA95, seasonally- and working-day-adjusted series (see Economic bulletin April 2002).
b. Final consumption expenditure may take place on the domestic territory or abroad (ESA95, 3.75). It therefore includes residents' consumption abroad, which is subsequently deducted in Imports of goods and services.

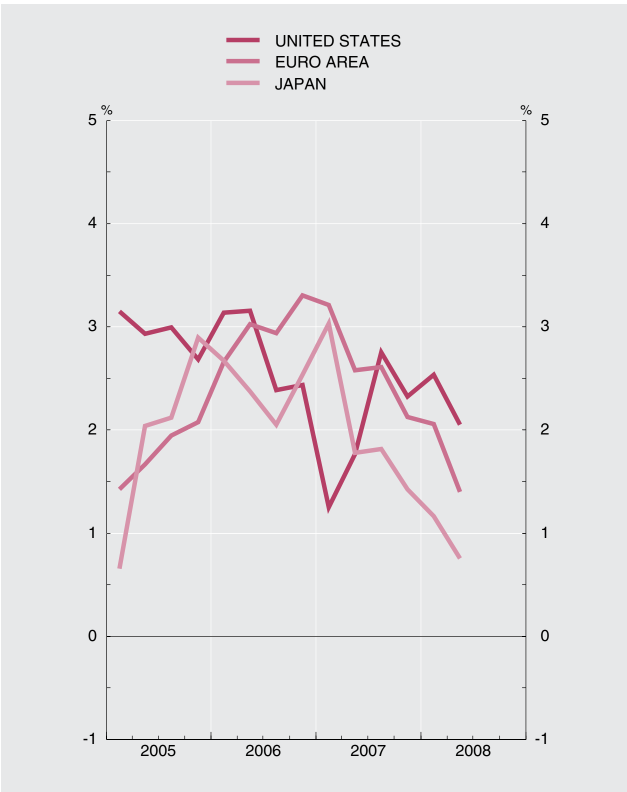
2.1. INTERNATIONAL COMPARISON. GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

■ Series depicted in chart.

Annual percentage changes

	OECD 1	EU-27 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
05	2.7	2.0	1.8	0.9	3.6	2.9	1.9	0.7	1.9	2.1
06	3.2	3.2	3.0	3.2	3.9	2.8	2.4	1.9	2.4	2.8
07	2.7	2.9	2.6	2.6	3.7	2.0	2.1	1.4	2.0	3.0
05 *Q2*	2.6	1.9	1.7	0.7	3.7	2.9	1.7	0.6	2.0	1.9
Q3	2.8	2.2	1.9	1.4	3.4	3.0	2.0	0.7	2.1	2.1
Q4	3.0	2.3	2.1	1.6	3.8	2.7	1.7	1.0	2.9	2.0
06 *Q1*	3.3	2.9	2.7	2.2	3.8	3.1	2.1	1.8	2.7	2.7
Q2	3.4	3.2	3.0	3.0	3.9	3.2	2.9	1.7	2.4	2.7
Q3	2.9	3.2	2.9	3.2	4.0	2.4	2.2	1.6	2.0	2.8
Q4	3.1	3.5	3.3	4.1	3.9	2.4	2.3	2.5	2.5	3.2
07 *Q1*	2.8	3.4	3.2	3.7	4.0	1.3	2.1	2.1	3.0	2.9
Q2	2.5	2.8	2.6	2.5	3.9	1.8	1.7	1.7	1.8	3.0
Q3	2.9	2.9	2.6	2.4	3.6	2.8	2.4	1.6	1.8	3.3
Q4	2.6	2.5	2.1	1.7	3.2	2.3	2.2	0.1	1.4	2.9
08 *Q1*	2.6	2.3	2.1	2.6	2.6	2.5	2.1	0.3	1.2	2.3
Q2	...	1.7	1.4	1.7	1.8	2.1	1.1	-0.1	0.8	1.5

GROSS DOMESTIC PRODUCT
Annual percentage changes



GROSS DOMESTIC PRODUCT
Annual percentage changes

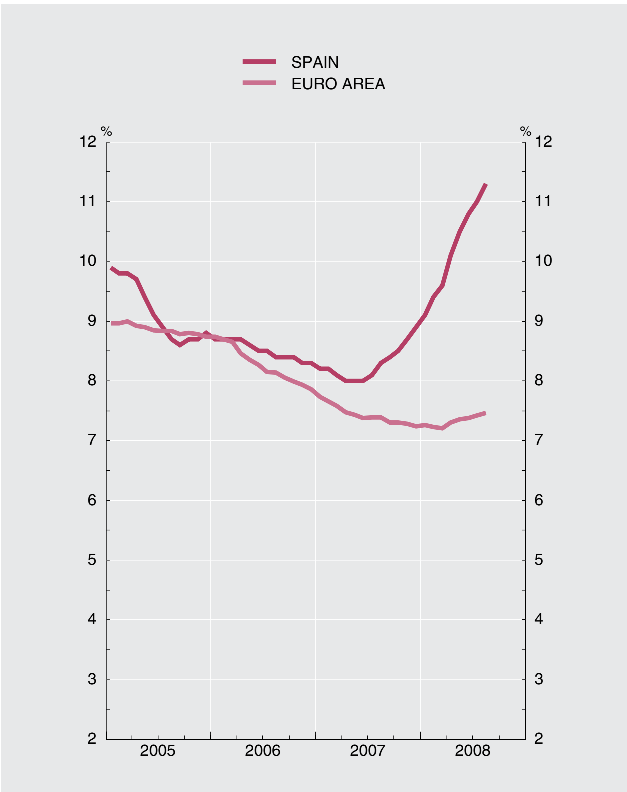
Sources: ECB, INE and OECD.
Note: The underlying series for this indicator are in Table 26.2 of the BE Boletín Estadístico.

2.2. INTERNATIONAL COMPARISON. UNEMPLOYMENT RATES

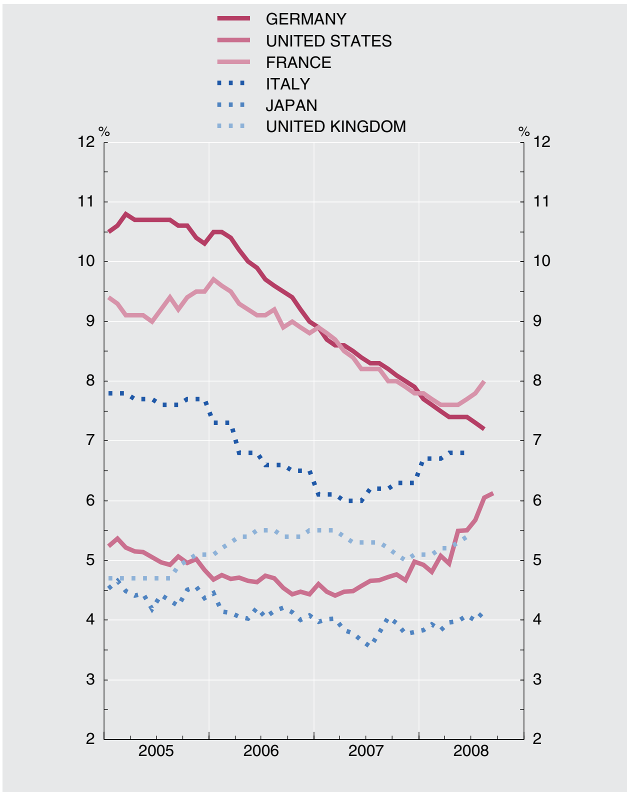
■ Series depicted in chart. *Percentages*

	OECD 1	EU-27 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
05	6.7	8.9	8.9	10.6	9.2	5.1	9.3	7.7	4.4	4.8
06	6.1	8.2	8.3	9.8	8.5	4.6	9.2	6.8	4.1	5.4
07	5.6	7.1	7.4	8.4	8.3	4.6	8.3	6.2	3.8	5.3
07 *Mar*	5.7	7.4	7.6	8.6	8.1	4.4	8.7	6.1	4.0	5.5
Apr	5.6	7.2	7.5	8.6	8.0	4.5	8.5	6.0	3.8	5.4
May	5.6	7.2	7.4	8.5	8.0	4.5	8.4	6.0	3.8	5.3
Jun	5.6	7.1	7.4	8.4	8.0	4.6	8.2	6.0	3.7	5.3
Jul	5.6	7.1	7.4	8.3	8.1	4.7	8.2	6.2	3.6	5.3
Aug	5.6	7.1	7.4	8.3	8.3	4.7	8.2	6.2	3.8	5.3
Sep	5.6	7.0	7.3	8.2	8.4	4.7	8.0	6.2	4.1	5.2
Oct	5.6	6.9	7.3	8.1	8.5	4.8	8.0	6.3	4.0	5.1
Nov	5.5	6.9	7.3	8.0	8.7	4.7	7.9	6.3	3.8	5.0
Dec	5.6	6.8	7.2	7.9	8.9	5.0	7.8	6.3	3.8	5.1
08 *Jan*	5.5	6.8	7.3	7.7	9.1	4.9	7.8	6.7	3.8	5.1
Feb	5.5	6.8	7.2	7.6	9.4	4.8	7.7	6.7	3.9	5.1
Mar	5.6	6.8	7.2	7.5	9.6	5.1	7.6	6.7	3.8	5.2
Apr	5.6	6.8	7.3	7.4	10.1	5.0	7.6	6.8	4.0	5.2
May	5.8	6.9	7.4	7.4	10.5	5.5	7.6	6.8	4.0	5.3
Jun	5.8	6.9	7.4	7.4	10.8	5.5	7.7	6.8	4.1	5.4
Jul	5.8	6.9	7.4	7.3	11.0	5.7	7.8	...	4.0	...
Aug	6.0	6.9	7.5	7.2	11.3	6.1	8.0	...	4.2	...

UNEMPLOYMENT RATES



UNEMPLOYMENT RATES



Sources: ECB and OECD.

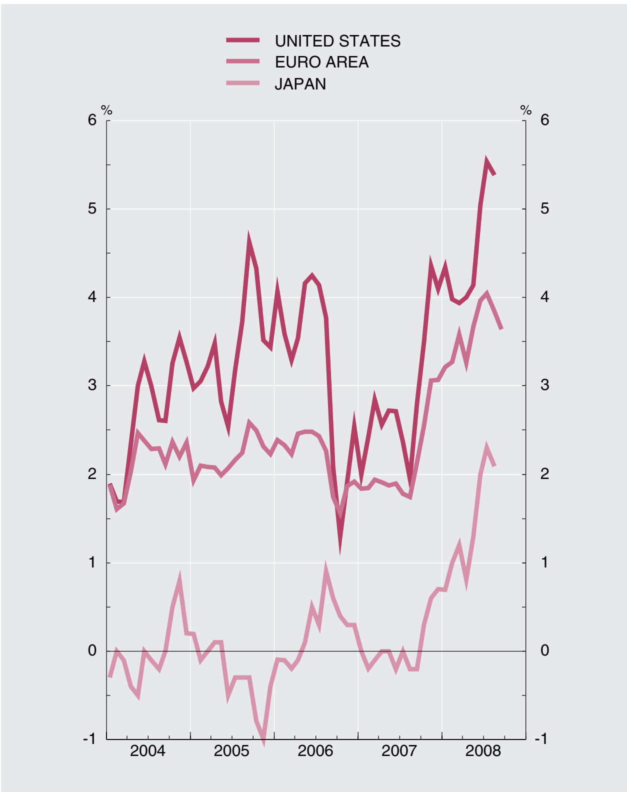
2.3. INTERNATIONAL COMPARISON. CONSUMER PRICES (a)

■ Series depicted in chart.

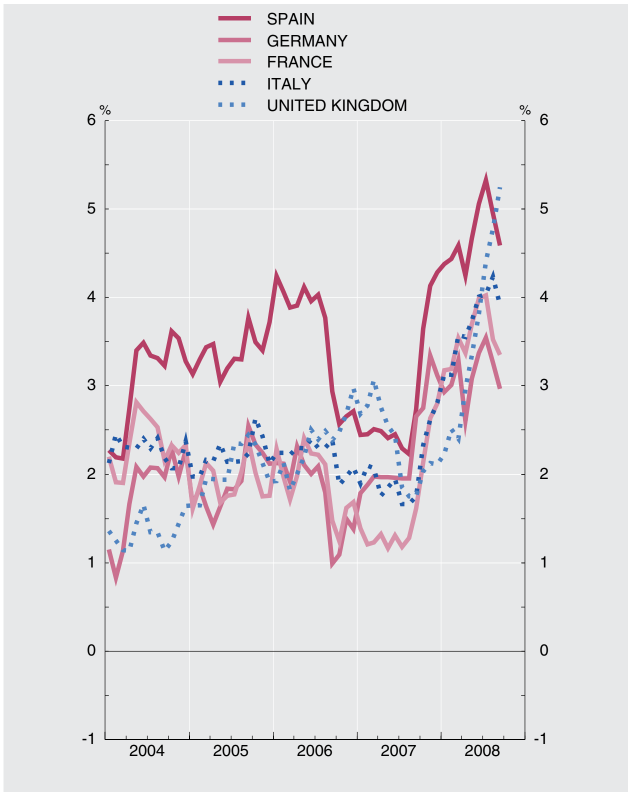
Annual percentage changes

	OECD 1	EU-27 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
04	2.4	2.3	2.1	1.8	3.1	2.7	2.3	2.3	-0.0	1.3
05	2.6	2.3	2.2	1.9	3.4	3.4	1.9	2.2	-0.3	2.1
06	2.6	2.3	2.2	1.8	3.6	3.2	1.9	2.2	0.2	2.3
07	2.5	2.4	2.1	2.3	2.8	2.9	1.6	2.0	0.1	2.3
07 *Apr*	2.4	2.2	1.9	2.0	2.5	2.6	1.3	1.8	-	2.8
May	2.4	2.1	1.9	2.0	2.4	2.7	1.2	1.9	-	2.5
Jun	2.4	2.2	1.9	2.0	2.5	2.7	1.3	1.9	-0.2	2.4
Jul	2.1	2.0	1.8	2.0	2.3	2.4	1.2	1.7	-	1.9
Aug	1.9	1.9	1.7	2.0	2.2	1.9	1.3	1.7	-0.2	1.7
Sep	2.4	2.3	2.1	2.7	2.7	2.8	1.6	1.7	-0.2	1.7
Oct	2.9	2.7	2.6	2.7	3.6	3.5	2.1	2.3	0.3	2.0
Nov	3.5	3.1	3.1	3.3	4.1	4.4	2.6	2.6	0.6	2.1
Dec	3.4	3.2	3.1	3.1	4.3	4.1	2.8	2.8	0.7	2.1
08 *Jan*	3.5	3.4	3.2	2.9	4.4	4.3	3.2	3.1	0.7	2.2
Feb	3.4	3.5	3.3	3.0	4.4	4.0	3.2	3.1	1.0	2.5
Mar	3.5	3.7	3.6	3.3	4.6	3.9	3.5	3.6	1.2	2.4
Apr	3.5	3.6	3.3	2.6	4.2	4.0	3.4	3.6	0.8	3.0
May	3.8	4.0	3.7	3.1	4.7	4.1	3.7	3.7	1.3	3.3
Jun	4.4	4.2	4.0	3.4	5.1	5.0	4.0	4.0	2.0	3.8
Jul	4.9	4.4	4.0	3.5	5.3	5.5	4.0	4.0	2.3	4.4
Aug	4.7	4.3	3.8	3.3	4.9	5.4	3.5	4.2	2.1	4.8
Sep	...	4.2	3.6	3.0	4.6	...	3.3	3.9	...	5.2

CONSUMER PRICES
Annual percentage changes



CONSUMER PRICES
Annual percentage changes



Sources: OECD, INE and Eurostat.
Note: The underlying series for this indicator are in Tables 26.11 and 26.15 of the BE Boletín Estadístico.
a. Harmonised Index of Consumer Prices for the EU countries.

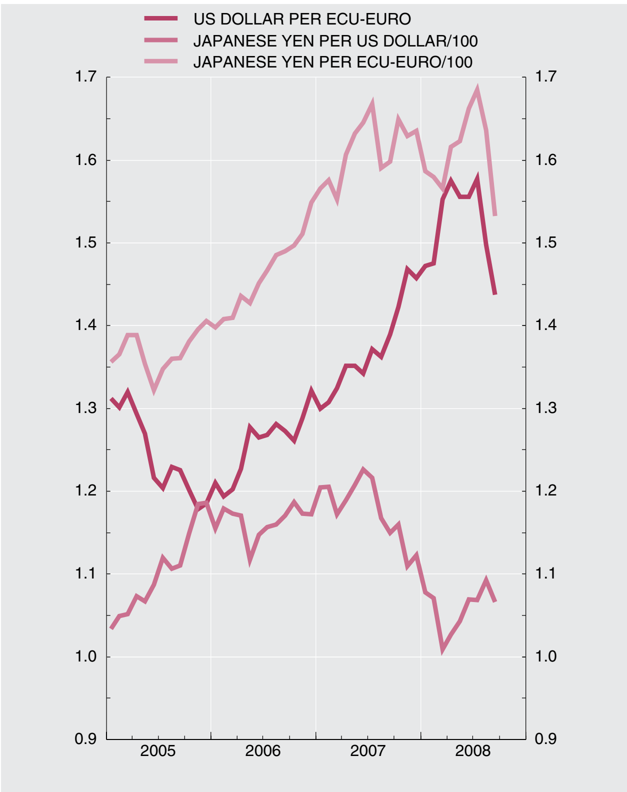
2.4. BILATERAL EXCHANGE RATES AND NOMINAL AND REAL EFFECTIVE EXCHANGE RATE INDICES FOR THE EURO, US DOLLAR AND JAPANESE YEN

■ Series depicted in chart.

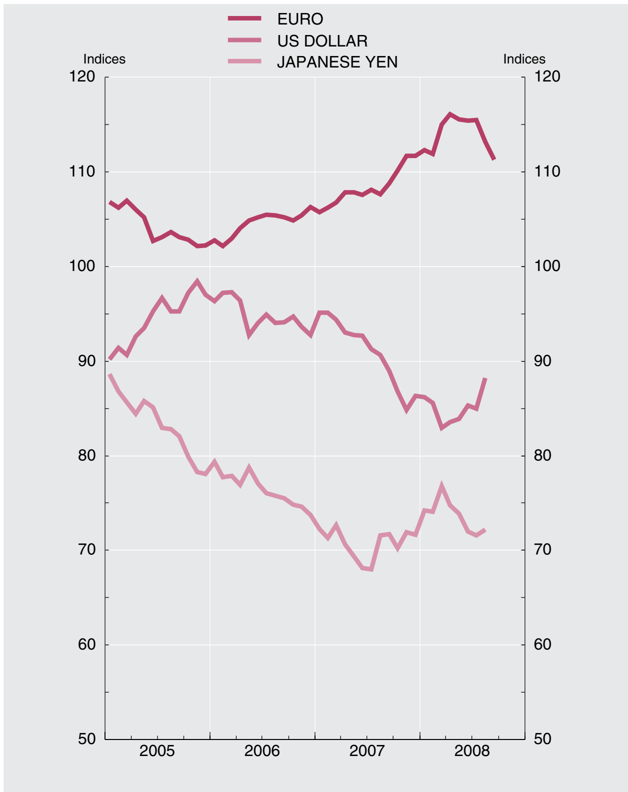
Average of daily data

	Exchange rates			Indices of the nominal effective exchange rate vis-à-vis the (a) developed countries 1999 QI=100			Indices of the real effective exchange rate vis-à-vis the developed countries (b) 1999 QI=100					
							Based on consumer prices			Based on producer prices		
	US dollar per ECU/euro	Japanese yen per ECU/euro	Japanese yen per US dollar	Euro	US dollar	Japanese yen	Euro	US dollar	Japanese yen	Euro	US dollar	Japanese yen
	1 ■	2 ■	3 ■	4	5	6	7 ■	8 ■	9 ■	10	11	12
05	1.2445	136.88	110.17	103.3	87.8	99.9	104.2	94.5	83.3	102.5	96.2	83.4
06	1.2561	146.09	116.32	103.7	86.8	93.9	104.6	94.8	76.5	103.0	96.3	77.2
07	1.3710	161.26	117.74	107.7	82.3	89.0	108.3	91.0	70.8	106.8	92.6	71.9
07 *J-S*	1.3446	160.40	119.31	106.8	83.9	88.6	107.4	92.6	70.6	105.9	93.9	71.8
08 *J-S*	1.5222	160.99	105.82	114.0	76.1	95.0	114.0	85.1	73.7	111.7	88.2	74.4
07 *Jul*	1.3716	166.76	121.59	107.6	82.2	85.8	108.1	91.3	68.0	106.5	93.3	69.1
Aug	1.3622	159.05	116.75	107.1	81.9	89.9	107.6	90.7	71.6	106.3	92.2	72.8
Sep	1.3896	159.82	115.01	108.2	80.3	90.4	108.8	89.0	71.7	107.5	90.8	72.9
Oct	1.4227	164.95	115.94	109.4	78.3	88.4	110.1	86.8	70.2	108.7	89.1	71.4
Nov	1.4684	162.89	110.95	111.0	76.3	91.2	111.7	84.9	71.9	109.9	88.1	72.8
Dec	1.4570	163.55	112.26	111.2	77.9	90.8	111.7	86.4	71.6	110.0	88.9	72.7
08 *Jan*	1.4718	158.68	107.81	112.0	77.1	94.3	112.3	86.2	74.2	110.4	88.2	75.2
Feb	1.4748	157.97	107.12	111.8	76.7	94.7	111.9	85.6	74.1	110.4	87.9	75.2
Mar	1.5527	156.59	100.88	114.6	74.0	98.5	115.0	82.9	76.8	112.8	85.9	77.4
Apr	1.5751	161.56	102.66	116.0	74.4	96.5	116.1	83.5	74.8	113.8	86.3	75.5
May	1.5557	162.31	104.34	115.5	74.7	95.3	115.5	83.9	73.9	112.9	87.6	74.2
Jun	1.5553	166.26	106.91	115.4	75.5	93.1	115.4	85.3	72.0	112.2	88.9	72.3
Jul	1.5770	168.45	106.83	115.8	75.0	92.6	115.5	85.0	71.6	112.2	89.2	72.3
Aug	1.4975	163.63	109.28	113.5	78.2	92.9	113.2	88.2	72.2	111.0	91.9	73.5
Sep	1.4370	153.20	106.62	111.6	79.4	97.3	111.3	...	...	109.3	...	...

EXCHANGE RATES



INDICES OF THE REAL EFFECTIVE EXCHANGE RATE BASED ON CONSUMER PRICES VIS-À-VIS THE DEVELOPED COUNTRIES



Sources: ECB and BE.

a. Geometric mean -calculated using a double weighting system based on 1995-97 (until 1999) and 1999-2001 (since 1999) manufacturing trade of changes in the spot price of each currency against the currencies of the other developed countries. A fall in the index denotes a depreciation of the currency against those of the other developed countries.

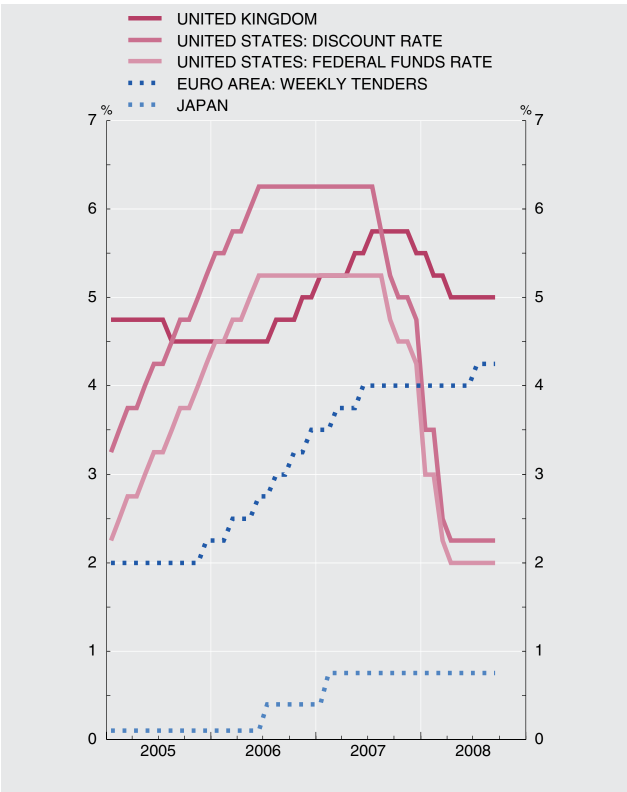
b. Obtained by multiplying the relative prices of each area/country (relation betwen its price index and the price index of the group) by the nominal effective exchange rate. A decline in the index denotes a depreciation of the real effective exchange rate and, may be interpreted as an improvement in that area/country's competitiveness.

2.5. OFFICIAL INTERVENTION INTEREST RATES AND SHORT-TERM INTEREST RATES

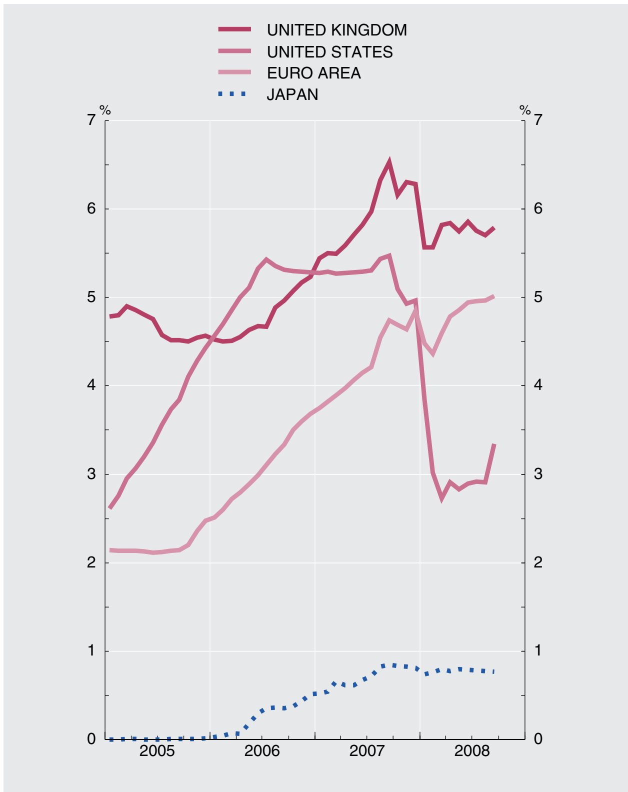
■ Series depicted in chart. *Percentages*

	Official intervention interest rates					3-month interbank rates									
	Euro area	United States		Japan	United Kingdom	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	(a)	Discount rate (b)	Federal funds rate	(c)	(d)										
	1 ■	2 ■	3 ■	4 ■	5 ■	6	7	8 ■	9	10	11 ■	12	13	14 ■	15 ■
05	2.25	5.25	3.25	0.10	4.50	2.57	2.55	2.18	-	-	3.50	-	-	0.01	4.68
06	3.50	6.25	5.02	0.40	5.00	3.61	3.32	3.08	-	-	5.13	-	-	0.26	4.78
07	4.00	4.75	5.00	0.75	5.50	4.23	4.51	4.28	-	-	5.24	-	-	0.71	5.93
07 *Apr*	3.75	6.25	5.25	0.75	5.25	4.09	4.21	3.98	-	-	5.28	-	-	0.62	5.59
May	3.75	6.25	5.25	0.75	5.50	4.13	4.30	4.07	-	-	5.28	-	-	0.62	5.71
Jun	4.00	6.25	5.25	0.75	5.50	4.18	4.39	4.15	-	-	5.29	-	-	0.67	5.82
Jul	4.00	6.25	5.25	0.75	5.75	4.24	4.47	4.22	-	-	5.31	-	-	0.72	5.97
Aug	4.00	5.75	5.25	0.75	5.75	4.45	4.79	4.54	-	-	5.44	-	-	0.82	6.33
Sep	4.00	5.25	4.75	0.75	5.75	4.55	4.99	4.74	-	-	5.47	-	-	0.85	6.53
Oct	4.00	5.00	4.50	0.75	5.75	4.36	4.89	4.69	-	-	5.09	-	-	0.84	6.16
Nov	4.00	5.00	4.50	0.75	5.75	4.29	4.88	4.64	-	-	4.93	-	-	0.83	6.31
Dec	4.00	4.75	4.25	0.75	5.50	4.37	5.05	4.85	-	-	4.97	-	-	0.81	6.28
08 *Jan*	4.00	3.50	3.00	0.75	5.50	3.74	4.64	4.48	-	-	3.85	-	-	0.74	5.56
Feb	4.00	3.50	3.00	0.75	5.25	3.38	4.54	4.36	-	-	3.02	-	-	0.76	5.57
Mar	4.00	2.50	2.25	0.75	5.25	3.36	4.78	4.60	-	-	2.73	-	-	0.80	5.82
Apr	4.00	2.25	2.00	0.75	5.00	3.49	4.93	4.78	-	-	2.91	-	-	0.77	5.84
May	4.00	2.25	2.00	0.75	5.00	3.46	4.98	4.86	-	-	2.83	-	-	0.79	5.75
Jun	4.00	2.25	2.00	0.75	5.00	3.53	5.07	4.94	-	-	2.90	-	-	0.79	5.85
Jul	4.25	2.25	2.00	0.75	5.00	3.53	5.08	4.96	-	-	2.92	-	-	0.78	5.76
Aug	4.25	2.25	2.00	0.75	5.00	3.52	5.07	4.97	-	-	2.91	-	-	0.77	5.70
Sep	4.25	2.25	2.00	0.75	5.00	3.72	5.13	5.02	-	-	3.35	-	-	0.77	5.79

OFFICIAL INTERVENTION INTEREST RATES



3-MONTH INTERBANK RATES



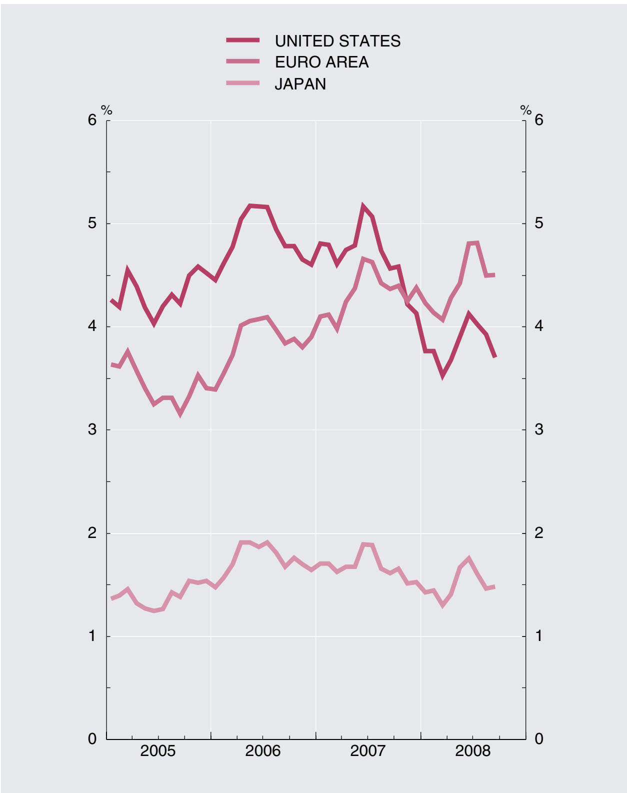
Sorces: ECB, Reuters and BE.
a. Main refinancing operations.
b. As from January 2003, the Primary Credit Rate.
c. Discount rate.
d. Retail bank base rate.

2.6. 10-YEAR GOVERNMENT BOND YIELDS ON DOMESTIC MARKETS

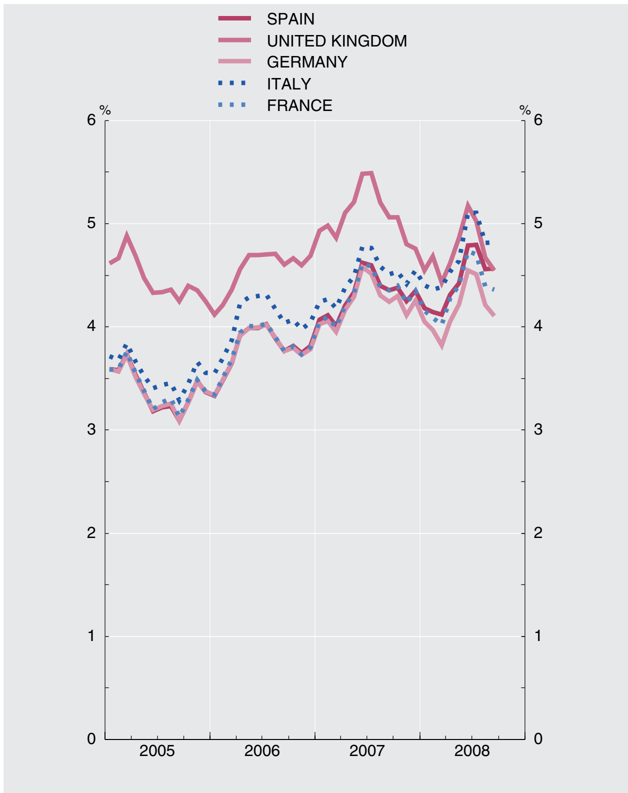
■ Series depicted in chart. *Percentages*

	OECD 1	EU-15 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
05	3.58	3.59	3.44	3.38	3.39	4.33	3.41	3.56	1.39	4.47
06	3.99	3.95	3.86	3.78	3.79	4.85	3.80	4.05	1.75	4.55
07	4.12	4.44	4.33	4.23	4.31	4.68	4.30	4.48	1.68	5.08
07 *Apr*	4.11	4.36	4.25	4.16	4.21	4.75	4.21	4.38	1.68	5.10
May	4.18	4.48	4.37	4.29	4.34	4.79	4.33	4.49	1.68	5.21
Jun	4.49	4.77	4.66	4.58	4.62	5.17	4.62	4.78	1.89	5.49
Jul	4.44	4.74	4.63	4.52	4.60	5.07	4.58	4.76	1.89	5.49
Aug	4.18	4.53	4.43	4.31	4.40	4.74	4.39	4.58	1.65	5.20
Sep	4.08	4.46	4.37	4.24	4.35	4.56	4.36	4.51	1.61	5.06
Oct	4.11	4.50	4.40	4.30	4.38	4.58	4.40	4.53	1.66	5.06
Nov	3.87	4.33	4.25	4.11	4.25	4.22	4.23	4.42	1.51	4.80
Dec	3.87	4.43	4.38	4.25	4.35	4.13	4.35	4.55	1.53	4.76
08 *Jan*	3.63	4.24	4.23	4.05	4.18	3.76	4.16	4.41	1.43	4.55
Feb	3.63	4.21	4.14	3.97	4.14	3.76	4.09	4.36	1.45	4.68
Mar	3.46	4.13	4.07	3.82	4.12	3.53	4.02	4.39	1.31	4.43
Apr	3.63	4.33	4.28	4.05	4.31	3.68	4.27	4.54	1.41	4.62
May	3.82	4.48	4.42	4.22	4.42	3.90	4.40	4.64	1.67	4.86
Jun	4.07	4.83	4.81	4.55	4.79	4.13	4.73	5.11	1.75	5.17
Jul	3.98	4.79	4.81	4.51	4.80	4.03	4.70	5.10	1.61	5.02
Aug	3.79	4.49	4.50	4.22	4.56	3.92	4.39	4.82	1.46	4.67
Sep	3.67	4.43	4.50	4.11	4.57	3.71	4.36	4.82	1.49	4.54

10-YEAR GOVERNMENT BOND YIELDS



10-YEAR GOVERNMENT BOND YIELDS



Sources: ECB, Reuters and BE.

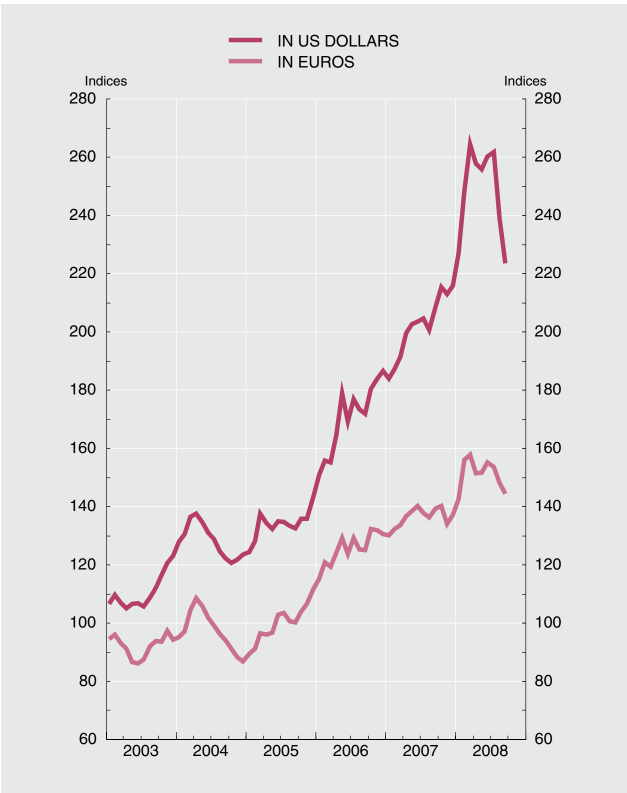
2.7 INTERNATIONAL MARKETS. NON-ENERGY COMMODITIES PRICE INDEX. CRUDE OIL AND GOLD PRICE.

■ Series depicted in chart.

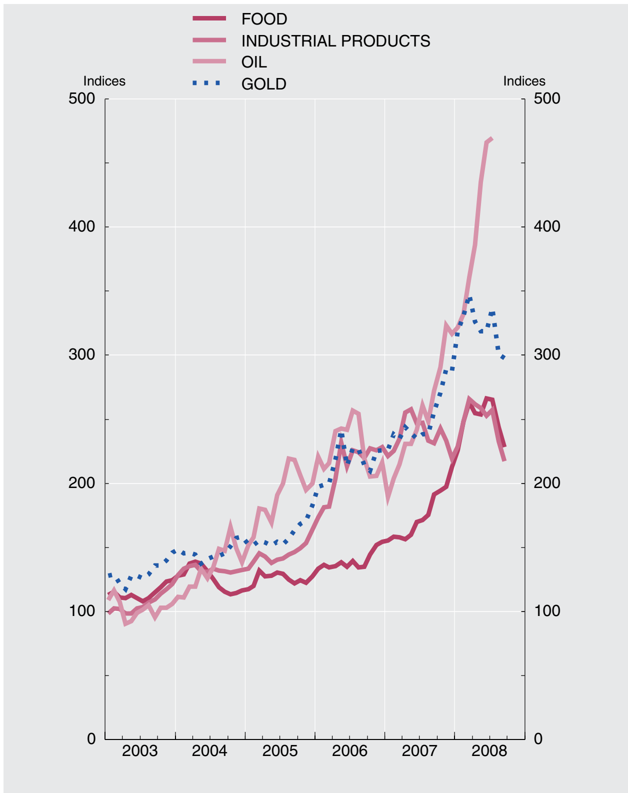
Base 2000 = 100

	Non-energy commodity price index (a)						Oil		Gold		
	Euro index	US dollar index					Index (b)	Brent North sea	Index (c)	US dollars per troy ounce	Euro per gram
	General	General	Food	Industrial products				US dollars per barrel			
				Total	Non-food agricul-tural products	Metals					
	1 ■	2 ■	3 ■	4 ■	5	6	7 ■	8	9 ■	10	11
03	92.2	110.7	114.4	106.2	118.7	95.5	102.3	28.9	130.3	363.6	10.33
04	97.4	128.3	125.5	132.2	131.5	130.7	133.8	38.3	146.7	409.2	10.58
05	100.0	134.0	125.5	144.8	131.2	152.1	189.2	54.2	159.5	445.1	11.53
06	125.6	170.8	139.3	211.6	147.3	246.4	227.8	64.9	216.7	604.6	15.45
07	136.4	202.3	175.1	237.4	162.4	278.4	252.1	73.0	249.8	696.7	16.32
07 *J-S*	136.1	198.1	166.2	239.3	158.7	283.3	232.6	67.6	238.7	666.0	15.92
08 *J-S*	151.2	248.7	250.0	247.0	192.9	276.7	...	111.4	321.7	897.5	18.96
07 *Aug*	136.3	200.6	175.4	233.2	160.4	273.0	248.4	71.6	238.5	665.4	15.70
Sep	139.3	208.7	191.4	231.0	162.1	268.7	272.4	78.2	255.5	712.9	16.47
Oct	140.1	215.3	194.2	242.7	168.4	283.3	291.0	82.8	270.5	754.6	17.05
Nov	134.1	213.1	197.5	233.3	175.7	264.7	323.3	93.1	289.0	806.2	17.65
Dec	137.1	215.7	212.8	219.5	176.1	243.2	316.7	91.5	287.9	803.2	17.77
08 *Jan*	142.7	227.1	225.7	228.8	181.9	254.6	321.7	92.4	318.9	889.6	19.42
Feb	156.1	248.4	248.4	248.5	190.4	280.3	332.0	95.8	330.6	922.3	20.11
Mar	157.9	264.3	263.4	265.5	193.7	304.9	360.7	104.3	347.1	968.4	20.06
Apr	151.5	257.9	254.8	261.9	191.4	300.4	386.2	108.7	326.1	909.7	18.57
May	151.7	255.9	253.7	258.7	199.3	291.2	434.8	123.0	318.6	888.7	18.39
Jun	155.2	260.3	266.2	252.6	204.1	279.2	465.8	132.0	318.8	889.5	18.39
Jul	153.6	261.8	265.3	257.2	203.4	286.7	469.5	133.0	336.9	939.8	19.17
Aug	148.0	239.0	243.8	232.9	190.6	256.0	...	114.2	300.8	839.0	18.00
Sep	144.4	223.4	228.3	217.1	181.1	236.7	...	98.1	297.5	829.9	18.56

NON-ENERGY COMMODITY PRICE INDEX



PRICE INDICES FOR NON-ENERGY COMMODITIES, OIL AND GOLD



Sources: The Economist, IMF, ECB and BE.

a. The weights are based on the value of the world commodity imports during the period 1999-2001.

b. Index of the average price in US dollars of various medium, light and heavy crudes.

c. Index of the London market's 15.30 fixing in dollars.

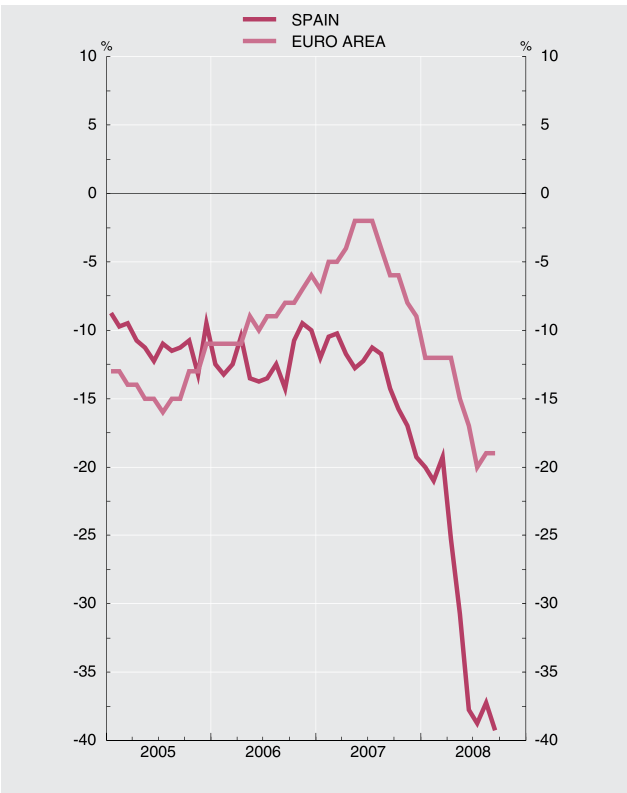
3.1 INDICATORS OF PRIVATE CONSUMPTION. SPAIN AND EURO AREA

■ Series depicted in chart.

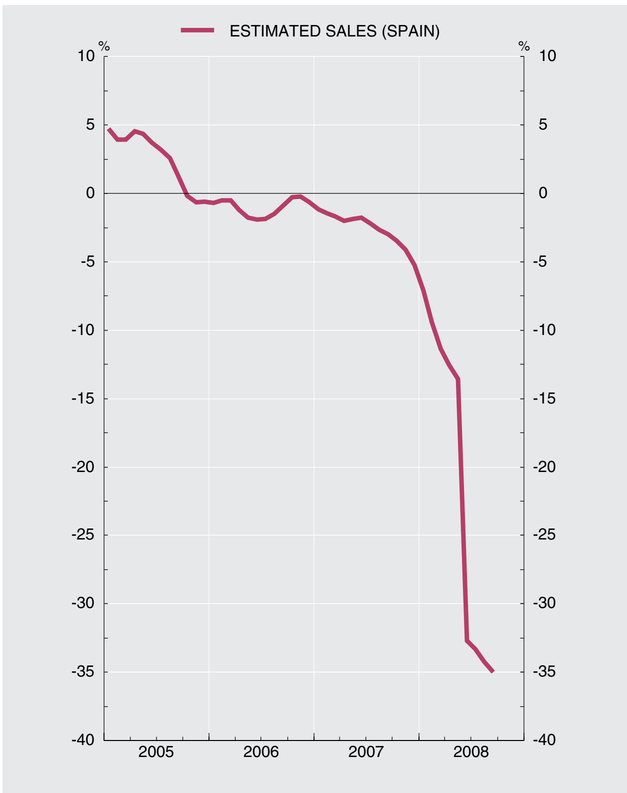
Annual percentage changes

		Opinion surveys (net percentages)						New car registrations and sales				Retail trade: sales index					
		Consumers			Retail trade confidence index	Memorandum item: euro area			of which		Memorandum item: euro area	General index			By type of product (deflated indices)		Memorandum item: euro area deflated index
		Confidence index	General economic situation: anticipated trend	Household economic situation: anticipated trend		Consumer confidence index	Retail trade confidence index	Registrations	Private use	Estimated sales	Registrations	Nominal	of which: Deflated (a)	of which: Large retail outlets (a)	Food (b)	Other (c)	
		1 ■	2	3	4	5 ■	6	7	8	9 ■	10	11	12	13	14	15	16
05		-11	-7	-1	-5	-14	-8	1.4	1.9	2.1	0.9	4.4	1.3	3.2	0.1	2.1	1.5
06		-12	-12	-3	-9	-9	1	-1.0	-0.8	-0.9	3.2	5.0	1.6	2.6	0.7	2.2	1.6
07	P	-13	-12	-4	-13	-5	1	-1.6	-2.2	-1.2	-0.4	4.8	2.6	1.9	1.3	3.5	0.9
07 *J-S*	P	-12	-10	-3	-12	-4	1	-1.6	-2.5	-2.0	-0.6	5.0	3.4	2.3	1.7	4.5	1.3
08 *J-S*	A	-30	-29	-18	-26	-15	-4	-21.9	-25.1	-22.0	-4.7	...	...	...	...	...	...
07 *Oct*	P	-16	-16	-6	-14	-6	-2	1.8	1.3	3.4	0.8	6.6	3.1	2.9	2.9	3.2	0.7
Nov	P	-17	-16	-7	-16	-8	2	-7.2	-6.6	-5.9	-3.8	4.7	0.4	1.5	-0.1	0.8	-0.5
Dec	P	-19	-19	-10	-17	-9	1	1.0	1.9	6.3	4.0	2.1	-2.2	-1.7	-2.3	-2.1	-1.1
08 *Jan*	P	-20	-20	-8	-13	-12	-3	-16.7	-22.1	-12.7	-1.4	2.8	-1.7	-1.7	-0.3	-2.4	0.6
Feb	P	-21	-21	-12	-23	-12	1	1.2	-9.0	0.7	5.7	5.3	0.6	1.3	3.1	-1.1	-0.1
Mar	P	-19	-17	-10	-26	-12	1	-27.9	-29.4	-28.2	-4.9	-4.5	-8.8	-7.8	-5.2	-11.3	-2.1
Apr	P	-25	-23	-15	-34	-12	-5	1.4	-1.4	1.5	2.1	4.3	-0.3	-2.4	1.2	-1.2	-2.2
May	P	-31	-31	-17	-23	-15	-1	-24.0	-28.1	-24.3	-10.0	-0.5	-5.3	-2.5	-	-8.6	-0.2
Jun	A	-38	-38	-25	-25	-17	-4	-30.5	-33.5	-30.8	-6.6	-4.8	-9.9	-11.6	-6.7	-12.0	-2.1
Jul	A	-39	-38	-28	-26	-20	-9	-26.5	-28.6	-27.4	-8.8	0.8	-4.9	-4.8	-1.2	-7.1	-2.2
Aug	A	-37	-39	-24	-35	-19	-10	-39.8	-40.0	-41.3	-8.7	-2.6	-7.5	-7.7	-3.8	-10.5	-1.8
Sep	A	-39	-36	-25	-33	-19	-8	-31.8	-31.8	-32.2	-9.8	...	...	...	...	...	...

CONSUMER CONFIDENCE INDEX



CAR SALES
Trend obtained with TRAMO-SEATS



Sources: European Commission, European Economy, Supplement B, INE, Dirección General de Tráfico, Asociación Nacional de Fabricantes de Automóviles y Camiones and ECB.

a. Until December 2002, deflated by the total CPI. From January 2003, INE.

b. Until December 2002, deflated by the food component of the CPI. From January 2003, INE.

c. Until December 2002, deflated by the total CPI excluding foods, beverages, and tobacco. From January 2003, INE.

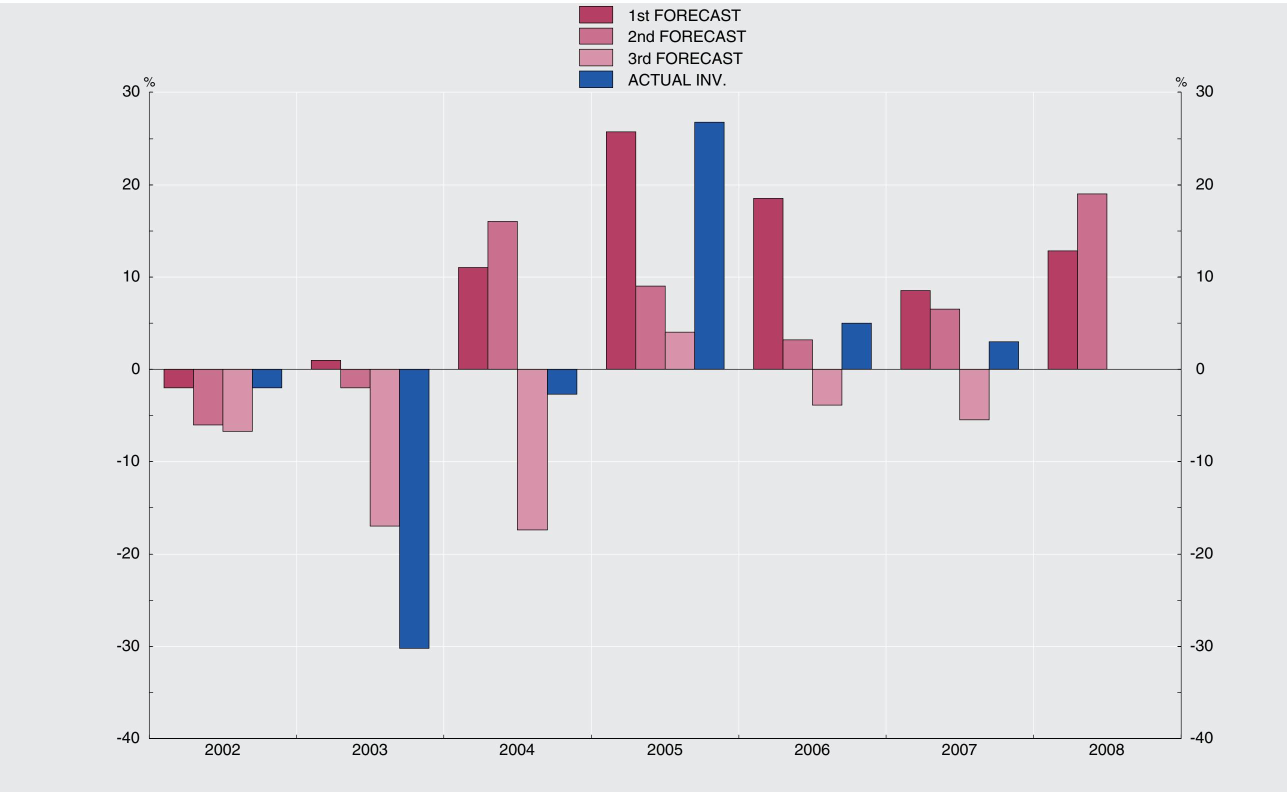
3.2. INVESTMENT IN INDUSTRY (EXCLUDING CONSTRUCTION): OPINION SURVEYS. SPAIN

■ Series depicted in chart.

Annual percentage changes at current prices

	ACTUAL INV. 1 ■	1st FORECAST 2 ■	2nd FORECAST 3 ■	3rd FORECAST 4 ■
02	-2	-2	-6	-7
03	-30	1	-2	-17
04	-3	11	16	-17
05	27	26	9	4
06	5	19	3	-4
07	3	9	7	-6
08	...	13	19	...

INVESTMENT IN INDUSTRY
Annual rates of change



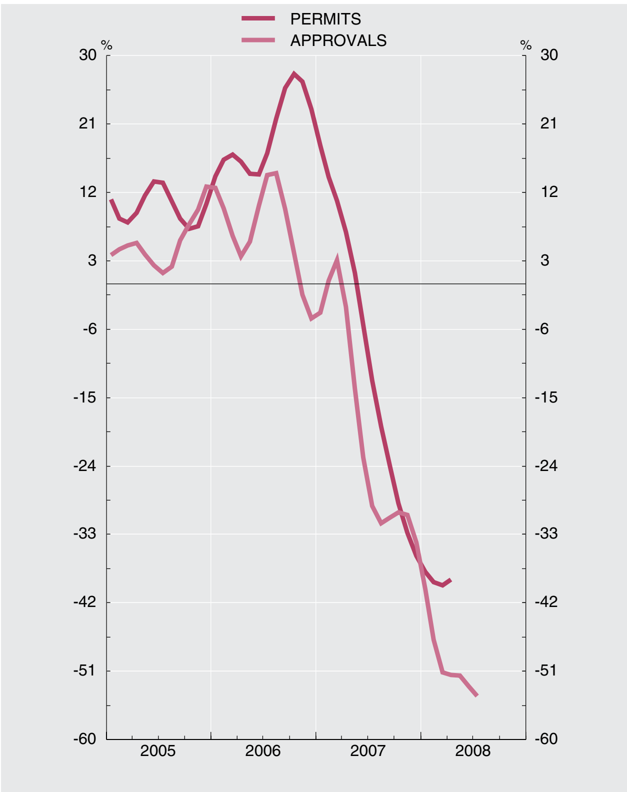
Source: Ministerio de Industria, Turismo y Comercio.
Note: The first forecast is made in the autumn of the previous year and the second and third ones in the spring and autumn of the current year, respectively; the information relating to actual investment for the year t is obtained in the spring of the year t+1.

3.3. CONSTRUCTION. INDICATORS OF BUILDING STARTS AND CONSUMPTION OF CEMENT. SPAIN

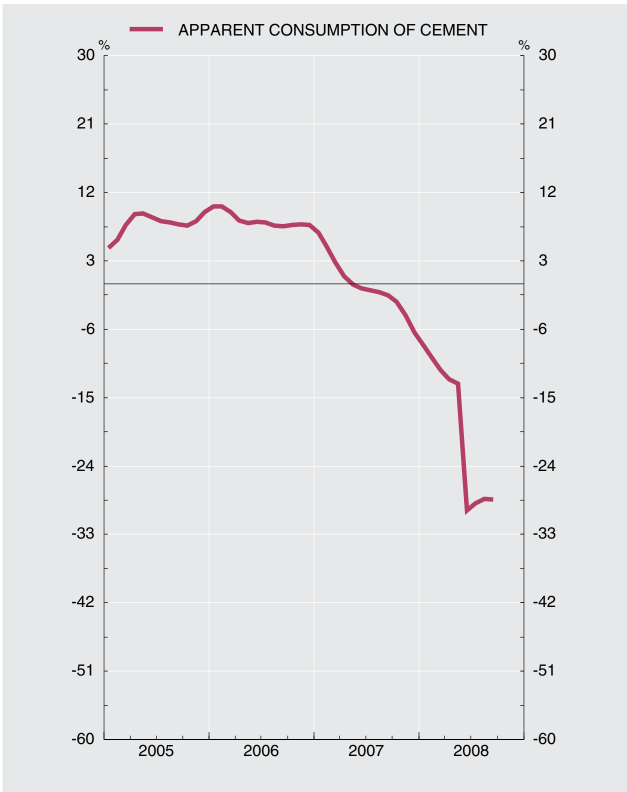
■ Series depicted in chart. *Annual percentage changes*

		Permits: buildable floorage				Approvals: buildable floorage		Government tenders (budget)							Apparent consumption of cement
			of which				of which	Total		Building					
											of which				
		Total	Residential	Housing	Non-residential	Total	Housing	For the month	Year to date	Total	Residential	Housing	Non-residential	Civil engineering	
		1 ■	2	3	4	5 ■	6	7 ■	8	9	10	11	12	13	14 ■
05		7.7	8.4	8.6	4.4	5.3	4.8	18.5	18.5	40.4	14.7	30.2	51.1	10.7	7.3
06		22.0	20.1	20.4	31.9	14.2	16.5	31.3	31.3	26.8	61.7	57.0	15.8	33.3	8.5
07	P	-10.9	-13.1	-13.3	-0.5	-22.3	-25.2	-14.9	-14.9	-17.7	-46.5	-33.3	-5.0	-13.7	0.2
07 *J-S*	P	-1.1	-2.2	-2.3	4.0	-21.2	-23.6	-7.0	-7.0	-13.0	-44.1	-33.1	0.5	-4.1	0.9
08 *J-S*	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-19.0
07 *Jun*	P	-2.4	-2.3	-3.7	-3.0	-25.2	-28.2	18.1	5.3	-1.1	-54.2	-35.6	12.8	28.9	-4.1
Jul	P	-18.0	-15.9	-15.1	-26.6	-33.9	-38.1	20.6	7.4	-30.2	-38.8	-52.4	-27.7	44.0	3.9
Aug	P	-16.5	-16.2	-16.7	-17.9	-36.5	-40.3	-55.8	-3.5	-56.5	-76.8	-79.2	-48.3	-55.6	-2.2
Sep	P	-26.8	-39.9	-40.6	49.5	-64.2	-66.4	-42.3	-7.0	-50.0	-68.4	-89.5	-40.5	-38.5	-5.2
Oct	P	-28.5	-29.3	-30.1	-24.9	-27.7	-31.4	-33.3	-10.4	-29.1	-50.3	-54.4	-18.2	-34.8	4.3
Nov	P	-34.9	-38.1	-38.7	-20.3	-24.6	-25.8	-38.8	-13.2	-39.6	-41.1	-55.7	-39.3	-38.5	-0.5
Dec	P	-38.2	-48.9	-48.8	15.7	-26.4	-36.2	-28.2	-14.9	-24.5	-60.3	-2.0	2.9	-29.3	-11.4
08 *Jan*	P	-42.5	-48.8	-47.9	-5.4	-43.8	-47.4	-2.4	-2.4	46.8	35.4	71.2	49.4	-19.1	-7.8
Feb	P	-39.3	-46.4	-48.4	0.4	-39.3	-46.9	15.0	4.6	-39.9	-32.9	-40.5	-41.3	65.3	-5.1
Mar	P	-50.6	-51.3	-53.9	-48.3	-67.3	-70.5	70.7	27.8	-33.3	-52.0	-64.0	-26.4	135.8	-25.2
Apr	P	-33.5	-38.7	-40.1	-10.0	-38.6	-40.6	65.3	36.1	108.9	61.0	3.4	126.6	47.3	1.3
May	P	...	...	...	...	-55.5	-58.7	-67.4	10.8	-80.5	-70.6	-68.0	-82.8	-62.3	-19.5
Jun	P	...	...	...	...	-52.3	-59.2	-67.1	-3.5	-60.8	43.8	-47.3	-71.9	-69.8	-32.8
Jul	P	...	...	...	...	-52.9	-55.2	-9.4	-4.4	6.1	-37.9	27.6	16.8	-12.8	-23.8
Aug	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-30.2
Sep	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-24.8

CONSTRUCTION
Trend obtained with TRAMO-SEATS



CONSTRUCTION
Trend obtained with TRAMO-SEATS



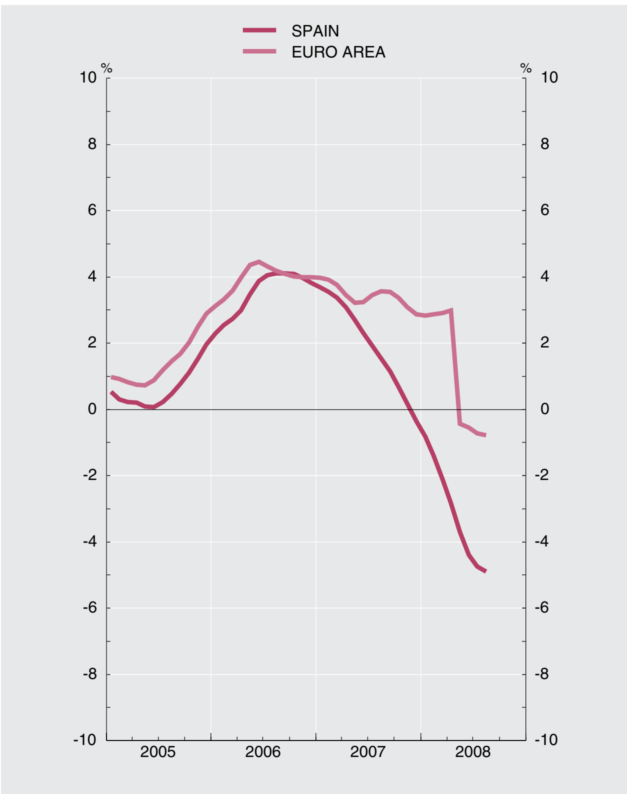
Sources: Ministerio de Fomento and Asociación de Fabricantes de Cemento de España.
Note: The underlying series for this indicator are in Tables 23.7, 23.8, and 23.9 of the BE Boletín estadístico.

3.4. INDUSTRIAL PRODUCTION INDEX. SPAIN AND EURO AREA

■ Series depicted in chart. *Annual percentage changes*

		Overall Index		By end-use of goods				By branch of activity			Memorandum item: euro area				
		Total		Consum- ption	Investment	Inter- mediate goods	Energy	Mining and quarrying	Manufac- turing	Produc- tion and distribu- tion of electri- city, gas and water	Total	of wich	By end-use of goods		
		Original series	12-month %change 12									Manufac- turing	Consum- ption	Investment	Inter- mediate goods
		1	2 ■	3 ■	4 ■	5 ■	6	7	8	9	10 ■	11	12	13	14
05	M P	102.4	0.1	0.2	-0.7	-0.6	2.9	-4.0	-0.3	4.1	1.4	1.4	0.5	3.0	0.9
06	M P	106.2	3.7	2.1	8.2	3.8	0.9	2.4	4.0	1.1	4.0	4.4	2.5	5.9	4.9
07	M P	108.6	2.3	1.8	6.3	1.3	0.7	-1.2	2.5	1.4	3.4	3.9	2.3	5.9	3.7
07 *J-A*	M P	108.4	3.2	3.5	7.4	2.6	-1.2	-0.3	3.8	-0.9	3.5	4.6	3.1	6.3	4.6
08 *J-A*	M P	104.4	-3.7	-4.0	-1.6	-6.9	3.1	-10.2	-4.4	3.5	1.2	0.9	-1.1	3.6	0.5
07 *May*	P	118.0	2.1	2.6	4.0	0.1	3.9	-0.4	2.0	3.1	2.7	3.0	1.9	4.2	2.7
Jun	P	115.2	-0.5	-1.7	3.8	-1.4	-2.6	-2.0	-0.3	-1.9	2.7	3.0	1.1	5.2	2.8
Jul	P	114.9	3.7	4.7	10.6	2.5	-3.7	15.1	4.7	-4.5	3.9	4.7	2.8	7.2	4.1
Aug	P	81.1	1.6	2.0	5.4	0.3	0.2	3.9	1.8	-0.6	4.6	5.0	5.0	7.5	3.6
Sep	P	107.7	-1.3	-3.1	3.2	-2.8	0.8	0.9	-1.5	-	3.3	3.1	1.4	5.4	2.9
Oct	P	117.6	4.7	2.6	10.8	3.5	4.1	2.3	4.5	6.6	4.3	4.0	2.1	7.2	3.2
Nov	P	113.9	-1.0	-3.2	-0.5	-2.9	8.8	-4.7	-2.4	12.3	2.9	2.3	0.2	5.1	1.6
Dec	P	97.2	-0.2	-2.5	4.3	-2.8	4.3	-12.1	-1.0	5.7	1.6	1.3	-0.5	3.2	0.5
08 *Jan*	P	108.8	-0.7	0.7	1.9	-3.8	1.5	-3.1	-0.9	1.5	3.3	3.2	1.7	6.6	2.3
Feb	P	110.8	4.0	4.5	7.2	0.1	9.9	4.3	3.5	8.8	3.1	2.8	0.7	6.4	1.9
Mar	P	102.6	-13.8	-16.8	-14.4	-17.0	3.0	-12.8	-15.6	2.3	1.3	-0.2	-2.1	2.8	0.6
Apr	P	114.9	11.8	13.0	20.6	8.6	5.9	10.9	12.4	6.6	4.3	4.7	1.3	7.9	3.0
May	P	109.0	-7.6	-9.7	-5.4	-9.4	-0.5	-19.2	-8.3	0.7	-0.2	-0.2	-3.8	2.9	-0.4
Jun	P	104.0	-9.7	-9.7	-10.8	-12.8	1.5	-21.2	-10.7	1.6	-0.5	-0.4	-1.6	1.7	-0.9
Jul	P	113.2	-1.5	-0.4	3.2	-6.6	2.9	-10.3	-1.8	2.5	-1.2	-1.3	-1.4	-0.3	-1.8
Aug	P	72.0	-11.2	-11.6	-17.3	-14.7	1.4	-26.2	-13.4	4.2	-0.7	-0.9	-3.8	0.8	-0.2

INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS



INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS

Sources: INE and BCE.
Note: The underlying series for this indicator are in Table 23.1 of the BE Boletín estadístico.

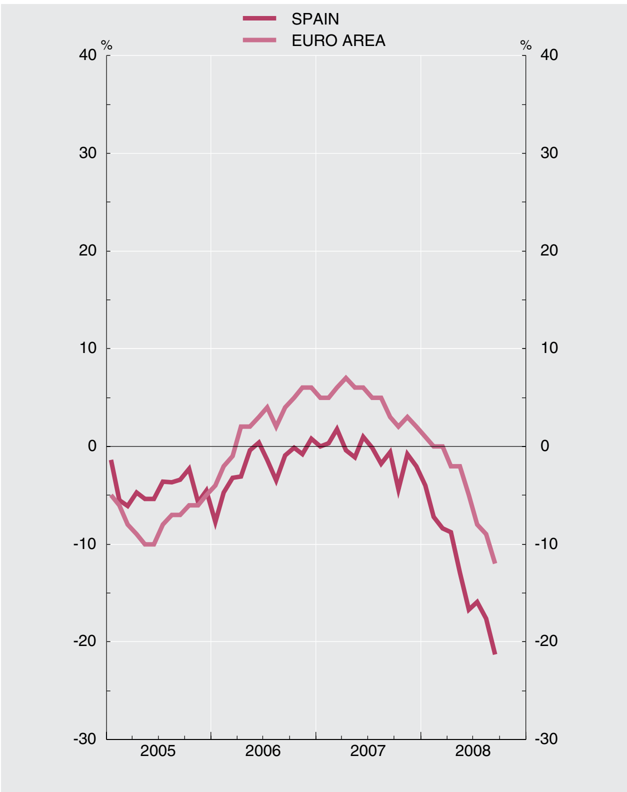
3.5. MONTHLY BUSINESS SURVEY: INDUSTRY AND CONSTRUCTION. SPAIN AND EURO AREA

■ Series depicted in chart.

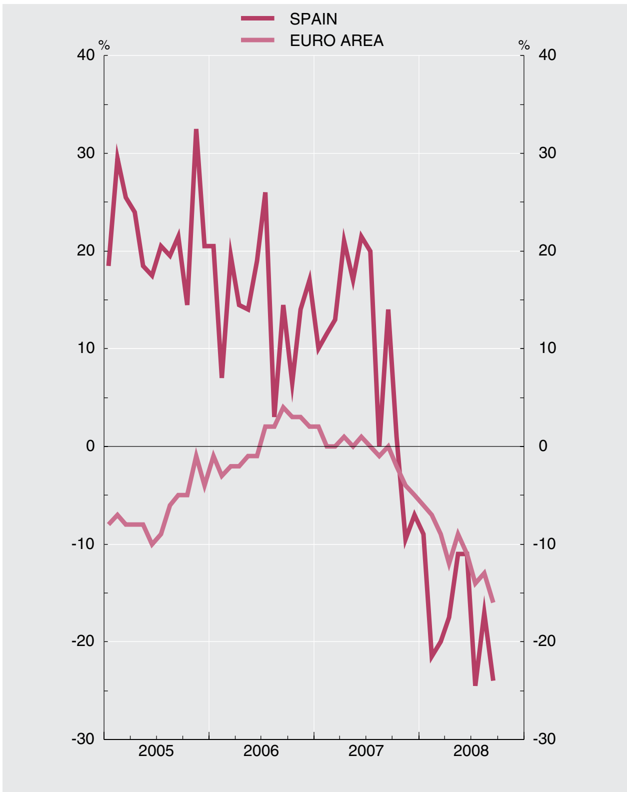
Percentage balances

	Industry, excluding construction: Business climate indicator (a)	Production over the last three months	Trend in production (a)	Total orders (a)	Foreign orders	Stocks of finished products (a)	Business climate indicator: Consumption (a)	Business climate indicator: Investment (a)	Business climate indicator: Intermediate goods (a)	Business climate indicator: Other sectors (a)	Construction: Business climate indicator	Production	Orders	Trend: Production	Trend: Orders	Memorandum item: euro area: Industry, excluding construction: Business climate indicator	Industry, excluding construction: Order Book	Construction climate indicator
	1 ■	2	3	4	5	6	7	8	9	10	11 ■	12	13	14	15	16 ■	17	18 ■
05 M	-4	0	7	-9	-18	12	-1	-5	-6	1	22	31	35	30	22	-7	-17	-7
06 M	-2	7	6	-1	-11	12	-3	1	-3	-1	15	27	22	23	15	2	-0	1
07 M	-1	7	6	2	-5	10	-2	6	-3	-3	9	21	12	18	21	5	5	-1
07 *J-S* M	-0	8	7	3	-6	10	-2	5	-1	-3	14	27	16	26	25	5	6	0
08 *J-S* M	-13	-9	-4	-16	-15	17	-9	-1	-22	-5	-17	1	-14	-9	-17	-4	-8	-11
07 *Jun*	1	14	10	2	-3	9	-1	8	-0	1	22	34	28	48	16	6	7	1
Jul	-0	13	4	4	-1	8	-1	9	-4	-4	20	53	25	19	29	5	5	-
Aug	-2	7	7	1	-8	14	-2	1	-4	-5	-	34	-4	19	47	5	6	-1
Sep	-1	6	6	2	-4	9	-4	7	-1	-7	14	17	21	-4	21	3	3	-
Oct	-4	5	3	-4	-3	12	-5	7	-10	-7	1	-10	2	11	14	2	1	-2
Nov	-1	4	7	1	-2	10	-2	10	-5	-2	-10	3	-2	-15	-2	3	2	-4
Dec	-2	-1	7	-3	-5	9	-3	11	-8	-1	-7	10	-1	-10	13	2	-	-5
08 *Jan*	-4	-2	5	-4	-8	13	-3	8	-10	-5	-9	4	-2	-2	3	1	-1	-6
Feb	-7	-10	0	-7	-7	15	-6	3	-14	-5	-22	-3	-18	-5	1	-	-2	-7
Mar	-8	-6	-2	-8	-10	16	-6	4	-17	-10	-20	-6	-21	-9	-17	-	-1	-9
Apr	-9	-4	-0	-11	-10	15	-6	2	-17	-3	-18	4	-18	-23	-13	-2	-5	-12
May	-13	-6	-7	-16	-13	17	-7	-3	-24	-5	-11	23	-10	-9	-26	-2	-5	-9
Jun	-17	-10	-9	-20	-19	21	-12	-3	-28	-3	-11	13	-15	-4	-27	-5	-9	-11
Jul	-16	-16	-5	-28	-19	15	-10	-8	-26	-6	-25	-8	-21	-26	-26	-8	-13	-14
Aug	-18	-10	-7	-23	-20	22	-13	-8	-27	-8	-17	-6	-15	-3	-6	-9	-13	-13
Sep	-21	-20	-10	-31	-27	23	-16	-7	-34	-4	-24	-9	-8	-1	-38	-12	-20	-16

INDUSTRIAL BUSINESS CLIMATE
Percentage balances



CONSTRUCTION BUSINESS CLIMATE
Percentage balances



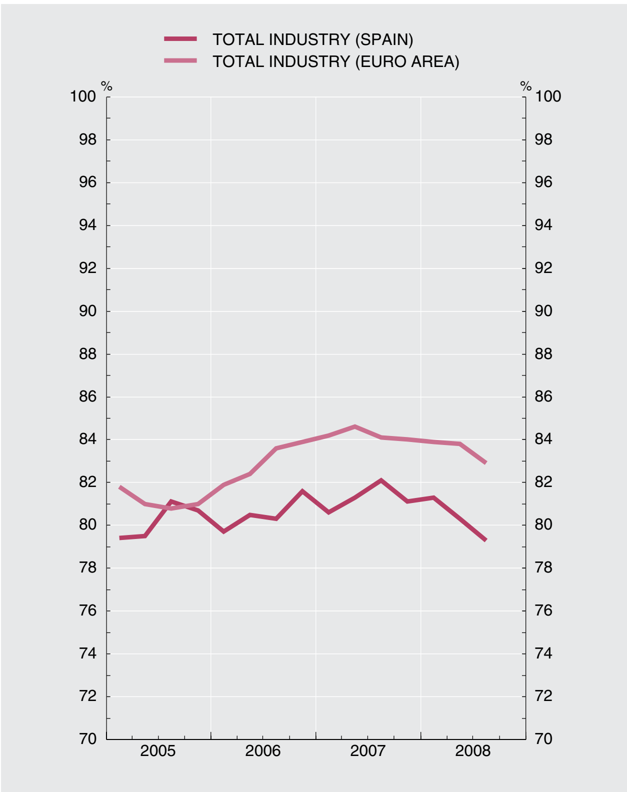
Sources: Ministerio de Industria, Turismo y Comercio and ECB.
a. Seasonally adjusted.

3.6. BUSINESS SURVEY: CAPACITY UTILISATION. SPAIN AND EURO AREA

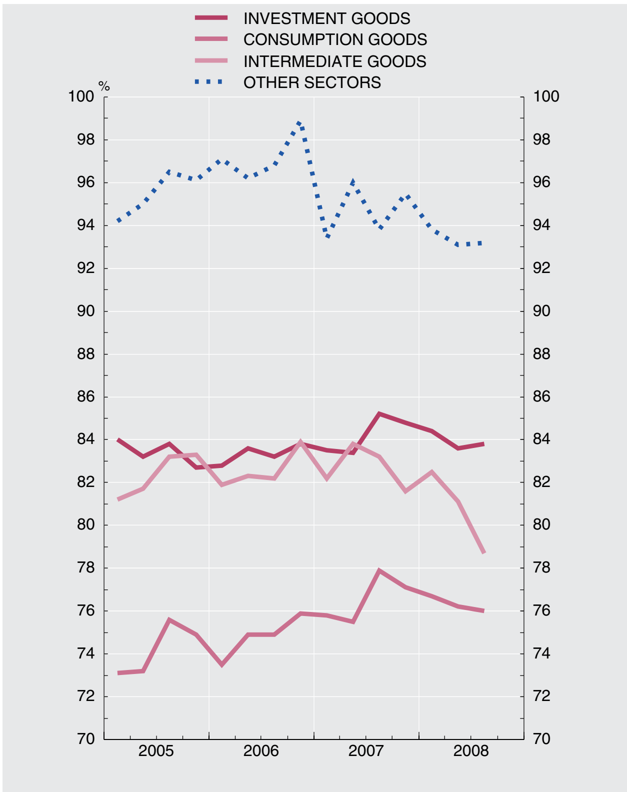
■ Series depicted in chart. *Percentages and percentage balances*

	Total industry: Capacity utilisation: Over last three months (%) ■	Total industry: Capacity utilisation: Forecast (%)	Total industry: Installed capacity (Percentage balances)	Consumer goods: Capacity utilisation: Over last three months (%) ■	Consumer goods: Capacity utilisation: Forecast (%)	Consumer goods: Installed capacity (Percentage balances)	Investment goods: Capacity utilisation: Over last three months (%) ■	Investment goods: Capacity utilisation: Forecast (%)	Investment goods: Installed capacity (Percentage balances)	Intermediate goods: Capacity utilisation: Over last three months (%) ■	Intermediate goods: Capacity utilisation: Forecast (%)	Intermediate goods: Installed capacity (Percentage balances)	Other sectors: Capacity utilisation: Over last three months (%) ■	Other sectors: Capacity utilisation: Forecast (%)	Other sectors: Installed capacity (Percentage balances)	Memorandum item: euro area capacity utilisation (%) ■
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
05	80.2	81.5	5	74.2	76.3	6	83.4	84.3	5	82.4	83.3	4	95.5	95.1	0	81.2
06	80.5	81.6	4	74.8	76.5	4	83.4	83.8	7	82.6	83.5	4	97.3	97.5	-	83.0
07	81.3	82.6	3	76.6	78.2	5	84.2	85.0	-0	82.7	84.2	2	94.7	95.5	-	84.2
07 *Q1-Q3*	81.3	82.6	2	76.4	78.2	5	84.0	84.8	-2	83.1	84.3	1	94.4	95.3	-	84.3
08 *Q1-Q3*	80.3	81.0	6	76.3	77.6	9	83.9	84.3	4	80.8	81.3	5	93.4	93.8	-	83.5
06 *Q1*	79.7	80.5	9	73.5	75.5	6	82.8	82.6	14	81.9	82.5	9	97.1	97.4	-	81.9
Q2	80.5	82.2	5	74.9	77.9	5	83.6	84.2	7	82.3	83.8	5	96.2	96.5	-	82.4
Q3	80.3	81.1	2	74.9	75.9	1	83.2	83.4	4	82.2	83.0	1	96.8	97.8	-	83.6
Q4	81.6	82.4	2	75.9	76.5	3	83.8	84.8	5	83.9	84.8	-0	98.9	98.4	-	83.9
07 *Q1*	80.6	81.7	2	75.8	77.2	4	83.5	83.8	1	82.2	83.4	1	93.4	95.9	-	84.2
Q2	81.3	82.8	3	75.5	78.1	6	83.4	84.0	2	83.8	85.2	2	96.0	95.3	-	84.6
Q3	82.1	83.3	1	77.9	79.4	5	85.2	86.5	-7	83.2	84.2	1	93.8	94.6	-	84.1
Q4	81.1	82.5	5	77.1	77.9	6	84.8	85.6	4	81.6	83.9	6	95.5	96.2	-	84.0
08 *Q1*	81.3	82.1	5	76.7	77.8	9	84.4	85.8	5	82.5	82.9	3	93.8	94.9	-	83.9
Q2	80.3	81.5	5	76.2	78.5	9	83.6	83.5	3	81.1	82.1	4	93.1	93.5	-	83.8
Q3	79.3	79.5	7	76.0	76.5	11	83.8	83.6	4	78.7	79.0	7	93.2	93.0	-	82.9

CAPACITY UTILISATION. TOTAL INDUSTRY
Percentages



CAPACITY UTILISATION. BY TYPE OF GOOD
Percentages



Sources: Ministerio de Industria, Turismo y Comercio and ECB.

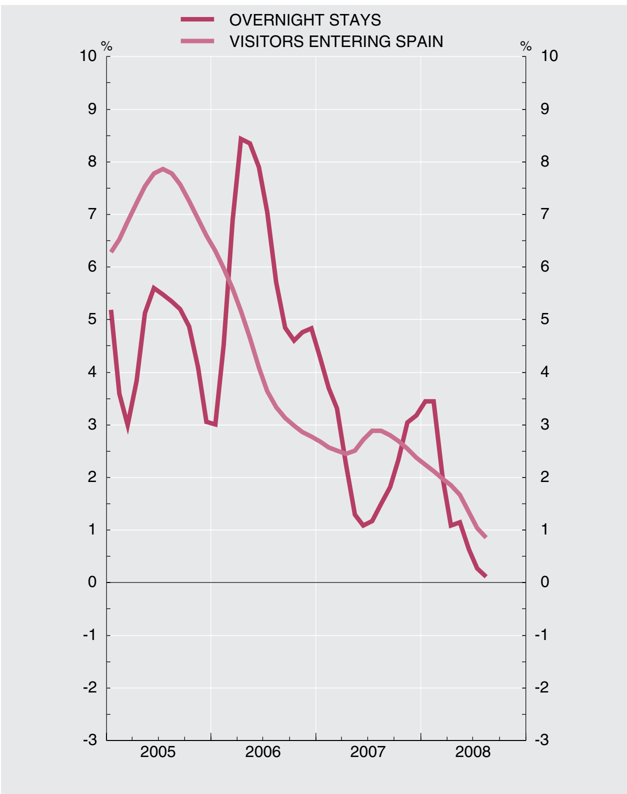
3.7. TOURISM AND TRANSPORT STATISTICS. SPAIN

■ Series depicted in chart.

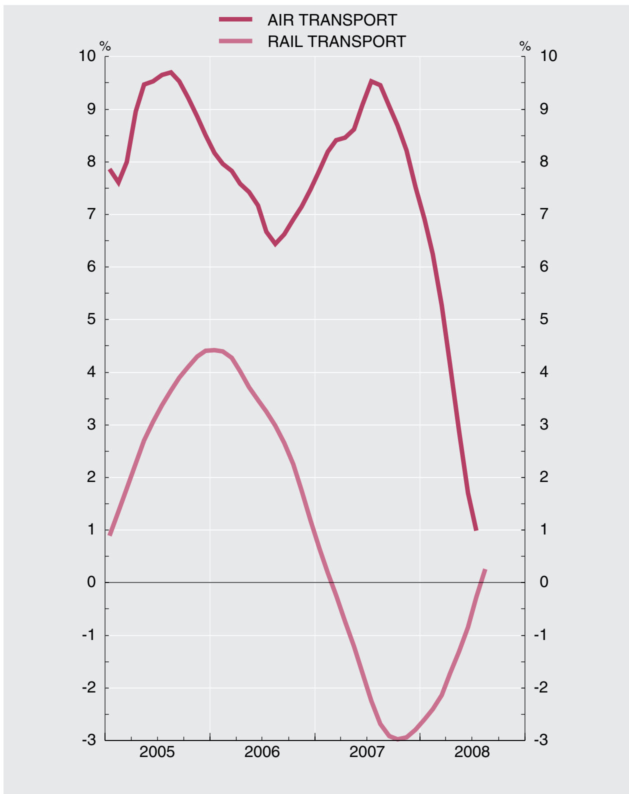
Annual percentage changes

		Hotel stays (a)		Overnight stays		Visitors entering Spain			Air transport				Maritime transport		Rail transport	
									Passengers							
		Total	Foreig-ners	Total	Foreig-ners	Total	Tourists	Day-trip-pers	Total	Domestic flights	Interna-tional flights	Freight	Passen-gers	Freight	Passen-gers	Freight
		1	2	3 ■	4	5 ■	6	7	8 ■	9	10	11	12	13	14 ■	15
05		5.7	5.1	4.7	3.1	7.7	6.6	9.2	9.2	13.6	6.2	-3.0	-1.1	9.0	4.3	-2.5
06		5.8	6.1	6.2	6.5	3.6	4.1	3.0	6.7	6.7	6.8	-4.5	10.2	4.9	2.0	-3.1
07	P	3.1	4.0	1.7	2.1	2.9	1.4	5.1	9.1	9.0	9.2	4.2	5.2	4.7	-1.8	-1.5
07 *J-A*		3.0	3.2	1.7	1.7	2.9	1.5	5.3	9.1	9.6	8.7	5.5	5.5	4.5	-0.6	-1.0
08 *J-A*	P	0.7	2.6	1.0	2.4	1.2	-0.2	3.4	...	...	...	...	...	...	-0.9	...
07 *May*		0.6	-0.6	-1.0	-1.5	-3.4	-1.8	-6.1	6.8	8.4	5.6	9.1	18.9	7.7	-0.7	-4.3
Jun		4.9	3.0	1.7	-0.3	7.5	4.2	14.3	8.8	9.6	8.3	7.6	13.9	3.0	-2.0	-5.1
Jul		1.3	1.4	0.6	0.6	4.8	2.2	9.8	11.6	14.3	10.0	3.4	1.4	3.6	-0.9	2.5
Aug		3.2	5.1	1.3	3.0	4.4	0.8	9.4	10.5	10.0	10.9	6.7	0.0	8.3	-7.9	-6.6
Sep	P	2.4	4.2	0.7	1.3	4.3	0.6	11.3	9.7	8.9	10.3	5.5	0.7	7.5	-4.7	-0.9
Oct	P	2.5	3.3	0.4	1.6	1.5	0.0	3.9	8.4	8.5	8.4	4.9	8.3	4.5	-3.3	2.6
Nov	P	8.2	9.3	7.1	6.1	5.1	5.0	5.1	10.4	8.0	12.6	-2.0	13.8	9.1	-3.3	-6.2
Dec	P	2.1	10.3	1.6	7.1	-0.4	0.7	-1.6	7.6	4.9	10.0	-0.5	-1.4	-0.2	-4.5	-5.9
08 *Jan*	P	3.4	4.7	2.3	3.6	0.2	0.9	-0.7	6.9	6.8	7.1	-1.9	4.8	13.2	-0.0	-4.1
Feb	P	7.8	8.4	9.3	9.4	5.5	6.5	4.3	10.2	9.9	10.5	4.2	2.9	1.0	1.5	3.6
Mar	P	7.4	5.5	10.0	4.1	6.5	7.4	5.2	6.8	2.4	10.6	-2.4	27.2	0.3	-6.6	-18.4
Apr	P	-10.4	-1.9	-11.5	-2.2	-2.9	-1.0	-5.7	-2.4	-2.0	-2.7	9.9	-19.2	9.6	4.1	7.7
May	P	6.0	7.6	6.6	6.3	9.2	4.2	18.6	2.3	-5.3	7.9	-0.3	7.3	-1.1	-4.5	-13.8
Jun	P	-2.6	-0.7	-2.3	-1.4	0.9	-0.7	3.9	-1.6	-6.2	1.5	8.9	0.3	1.7	-4.4	-9.7
Jul	P	0.6	2.0	0.9	2.9	-4.4	-8.0	2.2	-3.5	-9.0	0.0	3.5	...	...	1.3	...
Aug	P	-0.7	0.1	-0.6	1.1	-0.2	-1.8	1.8	...	...	...	...	...	...	4.1	...

TOURISM
Trend obtained with TRAMO-SEATS



TRANSPORT
Trend obtained with TRAMO-SEATS



Sources: INE and Instituto de Estudios Turísticos, Estadística de Movimientos Turísticos en Frontera.
Note: The underlying series for this indicator are in Table 23.15 of the BE Boletín estadístico .
a. From January 2003, the information for Galicia is based on total figures for hotel stays and overnight stays for the month. The directory of hotels has been reviewed thoroughly. Since January 2006, the directories have been update and the information-collection period extended to every day of the month

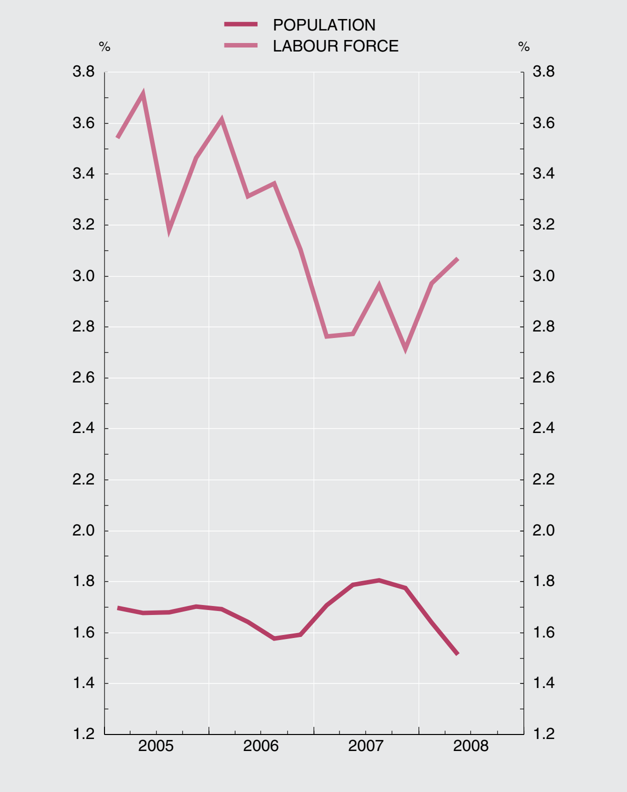
4.1. LABOUR FORCE. SPAIN

■ Series depicted in chart.

Thousands and annual percentage changes

	Population over 16 years of age			Participation rate (%) (a)	Labour force				
						Annual change (b)			
	Thousands	Annual change	4-quarter % change		Thousands (a)	Total	Due to change in population over 16 years of age	Due to change in partici-pation rate	4-quarter % change
	1	2	3 ■	4	5	6 ■	7 ■	8 ■	9 ■
05 M	36 416	605	1.7	57.35	20 886	701	347	354	3.5
06 M	37 008	592	1.6	58.33	21 585	699	345	354	3.3
07 M	37 663	655	1.8	58.92	22 190	605	386	219	2.8
07 *Q1-Q2* M	37 510	645	1.7	58.72	22 026	1 187	757	430	2.8
08 *Q1-Q2* M	38 102	592	1.6	59.56	22 692	1 331	705	626	3.0
05 *Q4*	36 652	614	1.7	57.72	21 156	708	354	354	3.5
06 *Q1*	36 800	613	1.7	57.98	21 336	744	355	389	3.6
Q2	36 931	597	1.6	58.30	21 530	691	348	343	3.3
Q3	37 065	575	1.6	58.44	21 661	705	336	368	3.4
Q4	37 236	583	1.6	58.58	21 812	657	342	315	3.1
07 *Q1*	37 429	629	1.7	58.58	21 925	589	368	221	2.8
Q2	37 592	661	1.8	58.86	22 127	597	389	208	2.8
Q3	37 734	669	1.8	59.10	22 303	642	395	246	3.0
Q4	37 897	661	1.8	59.12	22 405	592	391	201	2.7
08 *Q1*	38 043	614	1.6	59.35	22 577	651	364	287	3.0
Q2	38 162	570	1.5	59.76	22 807	679	340	339	3.1

LABOUR FORCE SURVEY
Annual percentage change



LABOUR FORCE
Annual changes

Source: INE (Labour Force Survey: 2005 methodology).
a. the new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See www.ine.es).
b. Col.7 = (col.5/col.1)x annual change in col.1. Col. 8 = (annual change in col.4/100) x col.1(t-4).
Note: As a result of the change in the population base (2001 Census), all the series in this table have been revised as from 1996. In addition, since 2005 Q1 the new obligatory variables referred to in Regulation (EC) 2257/2003 (on the adaptation of the list of labour force survey characteristics) have been included, a centralised procedure for telephone interviews has been set in place and the questionnaire has been modified. Thus, in 2005 Q1, there is a break in the series of some variables. For further information, see www.ine.es.

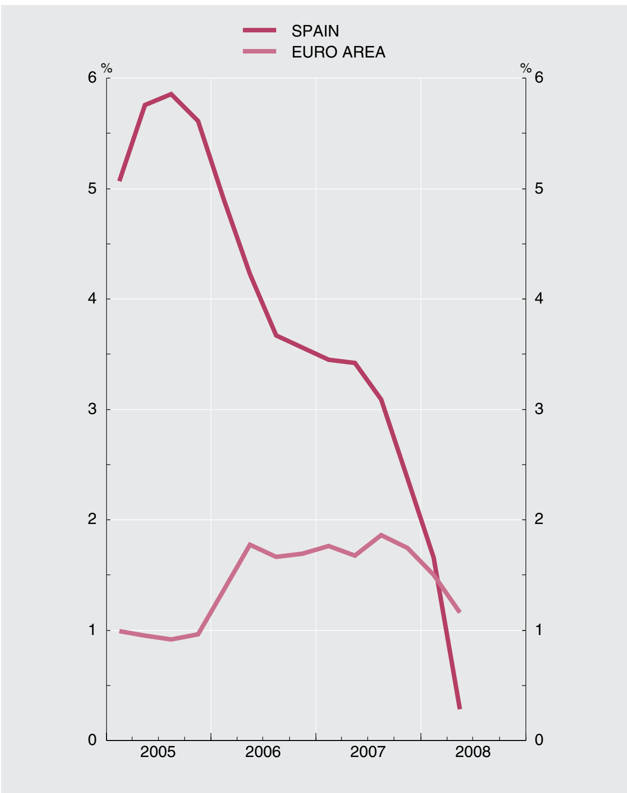
4.2. EMPLOYMENT AND WAGE-EARNERS. SPAIN AND EURO AREA

■ Series depicted in chart.

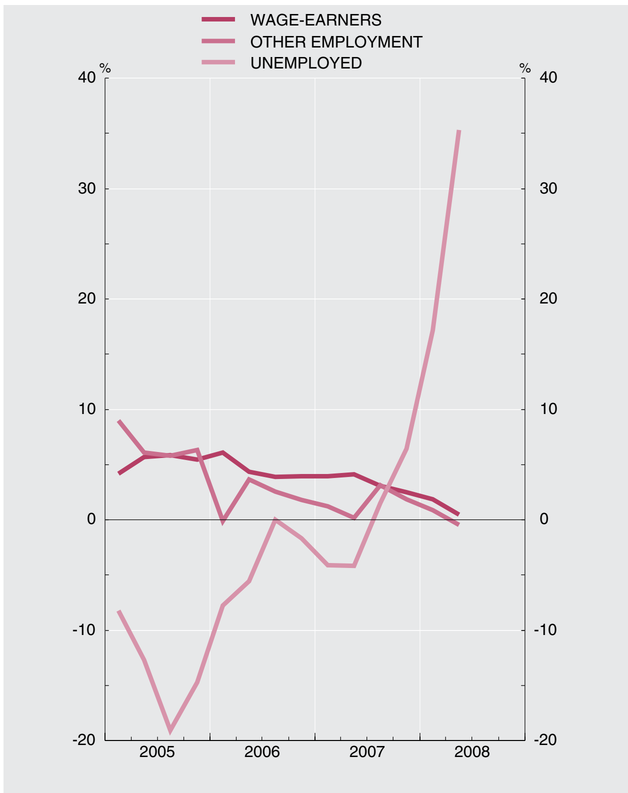
Thousands and annual percentage changes

	Employment									Unemployment				Memorandum item: euro area	
	Total			Wage-earners			Other								
	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands (a)	Annual change	4-quarter % change	Unem-ployment rate (a)	Employ-ment 4-quarter % change	Unem-ployment rate
	1	2	3 ■	4	5	6 ■	7	8	9 ■	10	11	12 ■	13	14	15
05 M	18 973	1 002	5.6	15 502	781	5.3	3 471	221	6.8	1 913	-301	-13.6	9.16	1.0	8.87
06 M	19 748	774	4.1	16 208	706	4.6	3 540	68	2.0	1 837	-75	-3.9	8.51	1.6	8.28
07 M	20 356	608	3.1	16 760	552	3.4	3 596	56	1.6	1 834	-3	-0.2	8.26	1.8	7.43
07 *Q1-Q2* M	20 218	672	3.4	16 647	647	4.0	3 571	25	0.7	1 808	-78	-4.2	8.21	1.7	7.54
08 *Q1-Q2* M	20 414	195	1.0	16 835	188	1.1	3 578	7	0.2	2 278	470	26.0	10.04	1.3	7.29
05 *Q4*	19 314	1 026	5.6	15 842	819	5.5	3 473	207	6.3	1 841	-318	-14.7	8.70	1.0	8.78
06 *Q1*	19 400	907	4.9	15 889	912	6.1	3 511	-5	-0.1	1 936	-163	-7.8	9.07	1.4	8.70
Q2	19 693	798	4.2	16 112	671	4.3	3 582	127	3.7	1 837	-108	-5.5	8.53	1.8	8.36
Q3	19 896	705	3.7	16 366	616	3.9	3 530	88	2.6	1 765	-	-	8.15	1.7	8.11
Q4	20 002	688	3.6	16 466	625	3.9	3 536	63	1.8	1 811	-31	-1.7	8.30	1.7	7.93
07 *Q1*	20 069	669	3.4	16 515	626	3.9	3 555	44	1.2	1 856	-80	-4.1	8.47	1.8	7.66
Q2	20 367	674	3.4	16 779	668	4.1	3 588	6	0.2	1 760	-77	-4.2	7.95	1.7	7.43
Q3	20 511	615	3.1	16 870	504	3.1	3 641	111	3.1	1 792	27	1.5	8.03	1.9	7.36
Q4	20 477	475	2.4	16 877	410	2.5	3 600	65	1.8	1 928	117	6.5	8.60	1.7	7.27
08 *Q1*	20 402	333	1.7	16 817	303	1.8	3 585	30	0.8	2 174	318	17.1	9.63	1.5	7.23
Q2	20 425	58	0.3	16 853	74	0.4	3 572	-16	-0.4	2 382	622	35.3	10.44	1.2	7.35

EMPLOYMENT
Annual percentage changes



LABOUR FORCE: COMPONENTS
Annual percentage changes



Sources: INE (Labour Force Survey: 2005 methodology), and ECB.
a. the new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See www.ine.es).
Note: As a result of the change in the population base (2001 Census), all the series in this table have been revised as from 1996. In addition, since 2005 Q1 the new obligatory variables referred to in Regulation (EC) 2257/2003 (on the adaptation of the list of labour force survey characteristics) have been included, a centralised procedure for telephone interviews has been set in place and the questionnaire has been modified. Thus, in 2005 Q1, there is a break in the series of some variables. For further information, see www.ine.es.

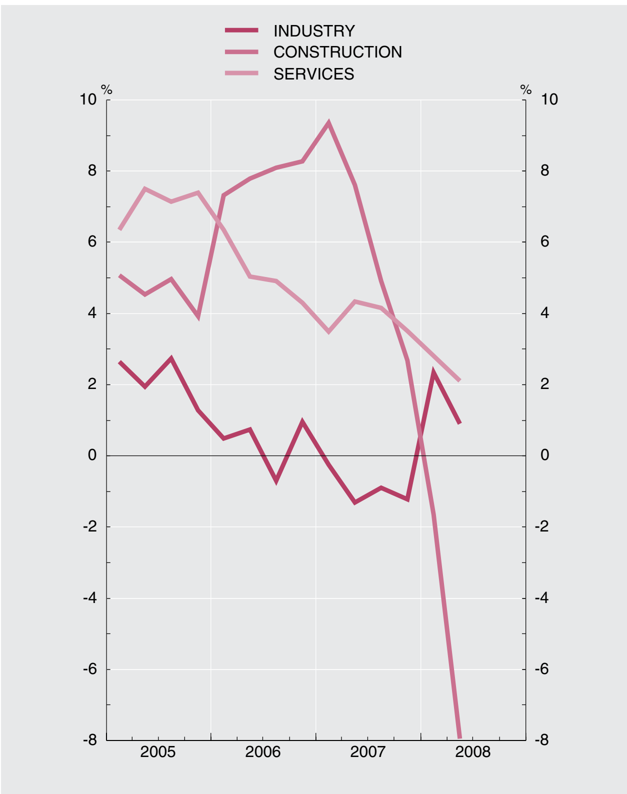
4.3. EMPLOYMENT BY BRANCH OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

Annual percentage changes

	Total			Agriculture			Industry			Construction			Services			Memorandum item:
	Employ-ment	Wage-earners	Propor-tion of tempora ry em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of tempora ry em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of tempora ry em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of tempora ry em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of tempora-ry em-ployment	Employment in branches other than agriculture
	1	2	3 ■	4	5	6	7 ■	8	9 ■	10 ■	11	12 ■	13 ■	14	15 ■	16
05 M	5.6	5.3	33.3	1.2	1.7	62.5	2.1	0.5	24.3	4.6	3.3	55.8	7.1	7.3	30.3	5.8
06 M	4.1	4.6	34.0	-5.6	-1.4	59.3	0.4	0.5	24.3	7.9	8.1	56.6	5.1	5.3	31.3	4.6
07 M	3.1	3.4	31.7	-2.0	2.3	58.8	-0.9	-0.7	22.7	6.1	6.8	54.7	3.9	3.9	28.3	3.3
07 *Q1-Q2* M	3.4	4.0	-5.8	-1.6	4.0	1.4	-0.8	-0.6	-7.2	8.5	9.6	-2.0	3.9	4.3	-8.5	3.8
08 *Q1-Q2* M	1.0	1.1	-6.7	-5.6	-6.5	-7.3	1.6	2.1	-3.6	-4.8	-5.7	-7.8	2.4	2.6	-5.3	0.5
05 *Q4*	5.6	5.5	33.8	2.7	6.3	62.8	1.3	-0.5	24.9	3.9	2.7	56.1	7.4	7.7	30.7	5.8
06 *Q1*	4.9	6.1	33.3	-3.2	8.1	61.3	0.5	0.7	23.7	7.3	8.2	56.2	6.3	7.2	30.4	5.4
Q2	4.2	4.3	34.4	-3.0	0.4	59.1	0.7	1.0	24.9	7.8	7.6	56.8	5.0	4.9	31.6	4.6
Q3	3.7	3.9	34.6	-8.0	-6.1	57.4	-0.7	-0.6	24.7	8.1	8.3	57.0	4.9	4.8	32.0	4.3
Q4	3.6	3.9	33.8	-8.4	-7.2	59.2	1.0	0.9	24.0	8.3	8.2	56.5	4.3	4.5	31.0	4.2
07 *Q1*	3.4	3.9	32.0	0.5	7.3	63.3	-0.3	-0.3	22.4	9.4	10.0	55.1	3.5	3.8	28.4	3.6
Q2	3.4	4.1	31.8	-3.8	0.5	58.7	-1.3	-1.0	22.7	7.6	9.2	55.6	4.3	4.8	28.4	3.8
Q3	3.1	3.1	31.9	-3.0	0.6	55.8	-0.9	-0.7	23.0	4.9	5.5	54.8	4.2	3.7	28.8	3.4
Q4	2.4	2.5	30.9	-1.7	0.3	57.4	-1.2	-0.7	22.7	2.7	2.9	53.2	3.5	3.4	27.7	2.6
08 *Q1*	1.7	1.8	30.1	-6.8	-7.9	58.7	2.3	3.1	22.0	-1.7	-2.1	51.8	2.8	2.7	27.0	2.1
Q2	0.3	0.4	29.4	-4.4	-5.0	54.4	0.9	1.0	21.6	-7.9	-9.3	50.3	2.1	2.4	26.7	0.5

EMPLOYMENT
Annual percentage changes



TEMPORARY EMPLOYMENT
Percentages

Source: INE (Labour Force Survey: 2005 methodology).
a. Branches of activity in accordance with NACE-93.
Notes: The underlying series of this indicator are in Tables 24.4 and 24.6 of the BE Boletín estadístico.
As a result of the change in the population base (2001 Census), all the series in this table have been revised as from 1996. In addition, since 2005 Q1 the new obligatory variables referred to in Regulation (EC) 2257/2003 (on the adaptation of the list of labour force survey characteristics) have been included, a centralised procedure for telephone interviews has been set in place and the questionnaire has been modified. Thus, in 2005 Q1, there is a break in the series of some variables. For further information, see www.ine.es.

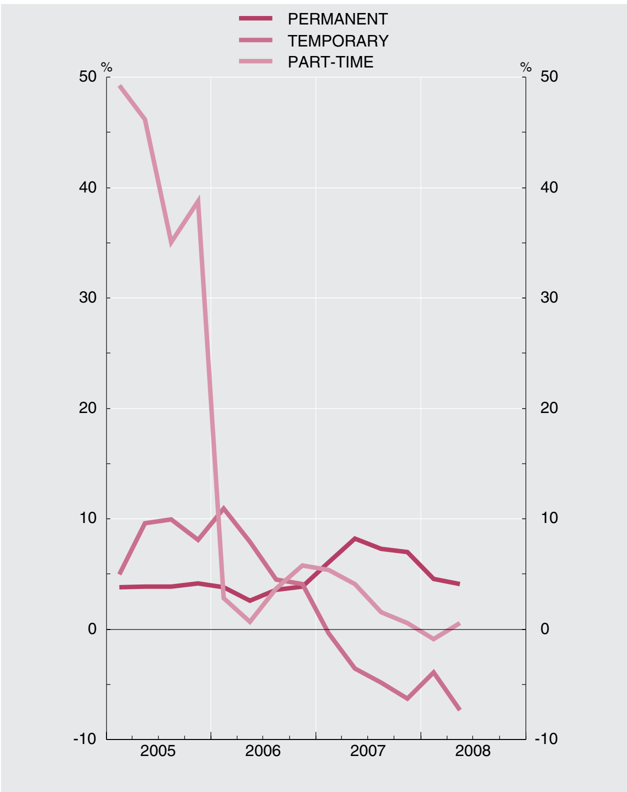
4.4. WAGE-EARNERS BY TYPE OF CONTRACT AND UNEMPLOYMENT BY DURATION. SPAIN. (a)

■ Series depicted in chart.

Thousands, annual percentage changes and %

	Wage-earners										Unemployment			
	By type of contract					By duration of working day					By duration			
	Permanent		Temporary			Full-time		Part-time			Less than one year		More than one year	
	Annual change Thousands	4-quarter % change	Annual change Thousands	4-quarter % change	Proportion of temporary employment	Annual change Thousands	4-quarter % change	Annual change Thousands	4-quarter % change	As % for wage earners	Unemployment rate (a)	4-quarter % change	Unemployment rate (a)	4-quarter % change
	1	2 ■	3	4 ■	5	6	7	8	9 ■	10	11 ■	12	13 ■	14
05 M	390	3.9	392	8.2	33.32	215	1.6	566	42.2	12.30	5.49	-10.2	2.65	-28.3
06 M	358	3.5	348	6.7	34.03	645	4.7	61	3.2	12.13	5.20	-2.0	2.18	-14.9
07 M	762	7.1	-210	-3.8	31.67	495	3.5	57	2.9	12.07	5.14	1.5	1.96	-7.6
07 *Q1-Q2* M	755	7.1	-108	-2.0	31.90	587	4.2	94	4.7	12.50	5.03	-5.0	2.06	-7.3
08 *Q1-Q2* M	487	4.3	-299	-5.6	29.77	62	0.4	-4	-0.2	12.34	6.73	37.8	2.17	8.6
05 *Q4*	417	4.1	402	8.1	33.77	289	2.1	531	38.8	11.98	5.32	-11.0	2.50	-29.4
06 *Q1*	390	3.8	522	10.9	33.33	858	6.6	54	2.8	12.49	5.75	-3.9	2.36	-18.8
Q2	265	2.6	406	7.9	34.39	659	4.9	13	0.6	12.35	5.14	-3.8	2.21	-14.2
Q3	371	3.6	245	4.5	34.59	549	3.9	67	3.7	11.49	4.79	0.6	2.08	-11.5
Q4	406	3.9	218	4.1	33.82	515	3.7	109	5.8	12.19	5.14	-0.5	2.07	-14.5
07 *Q1*	645	6.1	-19	-0.4	31.95	519	3.7	107	5.4	12.66	5.19	-7.2	2.17	-5.8
Q2	865	8.2	-197	-3.6	31.85	587	4.2	81	4.1	12.34	4.87	-2.6	1.96	-8.9
Q3	777	7.3	-273	-4.8	31.94	475	3.3	29	1.6	11.32	4.95	6.4	1.76	-12.6
Q4	761	7.0	-350	-6.3	30.92	399	2.8	11	0.6	11.96	5.53	10.5	1.95	-3.3
08 *Q1*	509	4.5	-207	-3.9	30.15	321	2.2	-18	-0.9	12.33	6.36	26.2	2.15	2.1
Q2	465	4.1	-391	-7.3	29.39	62	0.4	11	0.5	12.36	7.09	50.0	2.20	15.7

WAGE-EARNERS
Annual percentage changes



UNEMPLOYMENT
Unemployment rate

Source: INE (Labour Force Survey: 2005 methodology).
a. the new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See www.ine.es).
Note: As a result of the change in the population base (2001 Census), all the series in this table have been revised as from 1996. In addition, since 2005 Q1 the new obligatory variables referred to in Regulation (EC) 2257/2003 (on the adaptation of the list of labour force survey characteristics) have been included, a centralised procedure for telephone interviews has been set in place and the questionnaire has been modified. Thus, in 2005 Q1, there is a break in the series of some variables. For further information, see www.ine.es.

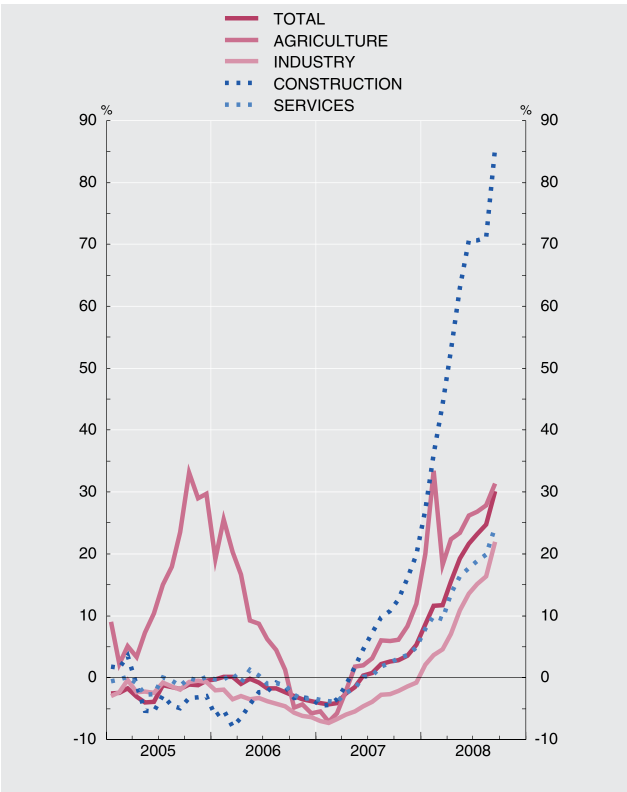
4.5. REGISTERED UNEMPLOYMENT BY BRANCH OF ACTIVITY. CONTRACTS AND PLACEMENTS. SPAIN

■ Series depicted in chart.

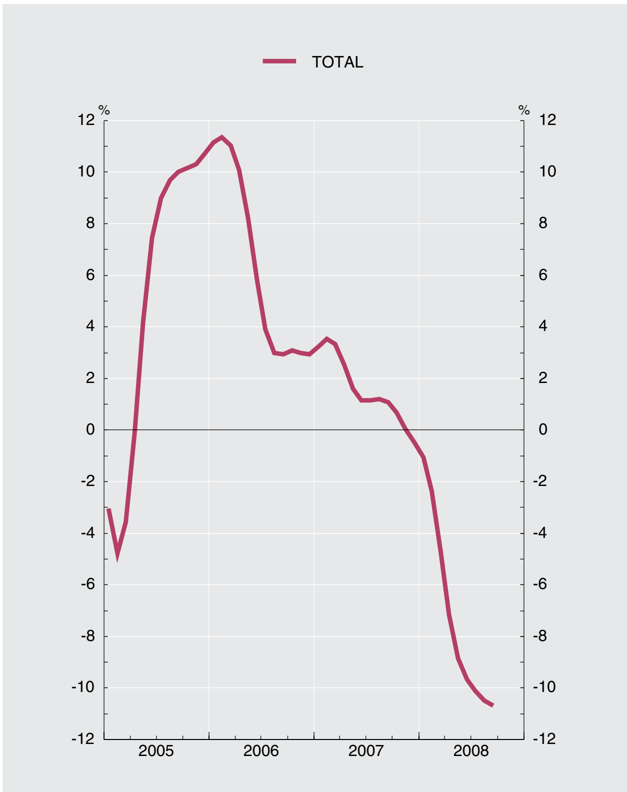
Thousands, annual percentage changes and %

		Registered unemployment										Contracts					Placements	
		Total			First time job-seekers	Previously employed						Total		Percentage of total			Total	
						12-month % change												
								Branches other than agriculture										
		Thou-sands	Annual change Thou-sands	12 month % change	12 month % change	Total	Agri-culture	Total	Industry	Construc-tion	Services	Thou-sands	12 month % change	Perma-nent	Part time	Tempo-rary	Thou-sands	12 month % change
		1	2	3 ■	4	5	6 ■	7	8 ■	9 ■	10 ■	11	12	13	14	15	16	17 ■
05	M	2 070	-44	-2.1	-12.5	-0.6	15.2	-1.1	-1.6	-2.2	-0.8	1 430	5.0	9.03	23.34	90.97	1 391	4.1
06	M	2 039	-30	-1.5	-0.6	-1.6	7.4	-1.9	-4.0	-4.0	-1.0	1 544	7.9	11.77	23.39	88.23	1 475	6.0
07	M	2 039	-0	-0.0	-0.7	0.1	1.9	-0.0	-4.3	5.7	-0.0	1 552	0.5	11.88	23.90	88.12	1 505	2.0
07 *J-S*	M	2 022	-27	-1.3	0.2	-1.5	-0.4	-1.5	-5.2	2.1	-1.3	1 540	1.4	11.97	23.13	88.03	1 492	2.0
08 *J-S*	M	2 394	372	18.4	3.4	20.3	25.6	20.1	10.5	58.2	15.2	1 415	-8.1	11.66	24.57	88.34	1 389	-6.9
07 *Aug*		2 028	45	2.2	2.2	2.3	6.1	2.1	-2.8	9.8	1.8	1 287	-2.7	9.91	22.51	90.09	1 249	-0.3
Sep		2 017	51	2.6	1.6	2.7	5.9	2.6	-2.7	10.8	2.4	1 596	-4.7	12.05	25.50	87.95	1 584	-2.7
Oct		2 049	56	2.8	-3.2	3.6	6.1	3.5	-2.2	12.6	3.1	1 911	5.1	12.19	27.67	87.81	1 870	7.4
Nov		2 094	71	3.5	-4.4	4.5	8.3	4.4	-1.4	16.1	3.7	1 592	-4.1	11.94	25.61	88.06	1 540	-1.2
Dec		2 130	107	5.3	-2.3	6.2	11.9	6.0	-0.8	19.9	4.8	1 261	-9.0	10.66	25.29	89.34	1 223	-1.7
08 *Jan*		2 262	179	8.6	-1.0	9.8	20.0	9.4	2.1	27.1	7.9	1 581	-4.3	12.44	21.61	87.56	1 535	-0.3
Feb		2 315	240	11.6	0.4	12.9	33.5	12.2	3.6	36.1	9.9	1 427	1.3	13.04	22.79	86.96	1 434	5.0
Mar		2 301	242	11.7	0.4	13.2	18.3	13.0	4.5	44.2	9.4	1 286	-17.8	13.08	23.63	86.92	1 258	-17.2
Apr		2 339	315	15.6	-0.5	17.7	22.4	17.5	7.1	52.9	13.6	1 460	5.3	12.97	24.29	87.03	1 416	4.1
May		2 354	380	19.3	2.3	21.5	23.4	21.4	10.9	63.0	16.3	1 385	-14.8	11.88	24.30	88.12	1 358	-14.4
Jun		2 390	425	21.6	3.2	24.0	26.2	23.9	13.5	70.7	17.7	1 419	-10.3	10.85	25.09	89.15	1 381	-9.7
Jul		2 427	457	23.2	5.6	25.4	26.8	25.3	15.2	70.7	18.9	1 626	-7.3	9.86	26.45	90.14	1 580	-6.8
Aug		2 530	502	24.7	8.1	26.7	27.8	26.7	16.3	71.0	19.9	1 050	-18.4	9.29	24.35	90.71	1 030	-17.5
Sep		2 625	608	30.1	12.2	32.4	31.3	32.4	22.0	85.6	24.3	1 502	-5.9	11.55	28.59	88.45	1 508	-4.8

REGISTERED UNEMPLOYMENT
Annual percentage changes



PLACEMENTS
Annual percentage changes (Trend obtained with TRAMO-SEATS)



Source: Instituto de Empleo Servicio Público de Empleo Estatal (INEM).
Note: The underlying series for this indicator are in Tables 24.16 and 24.17 of the BE Boletín estadístico.

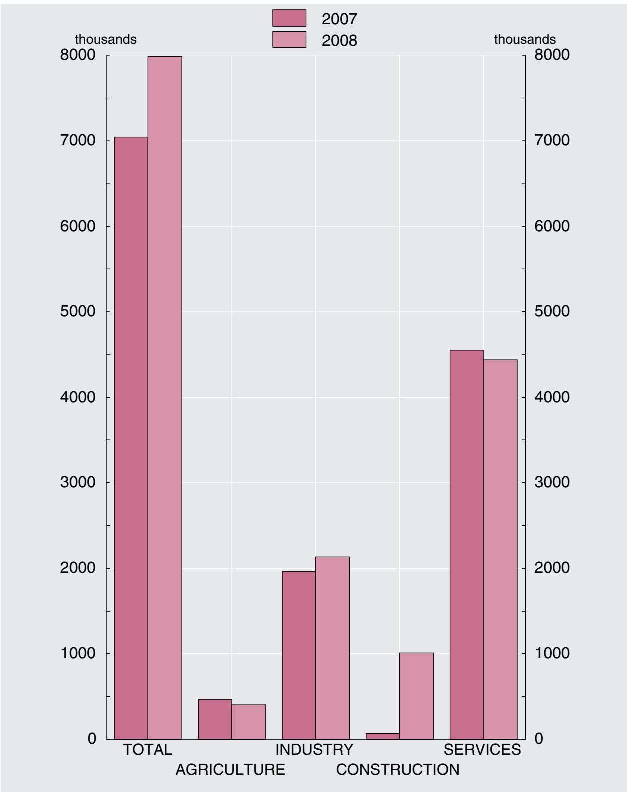
4.6. COLLECTIVE BARGAINING AGREEMENTS

■ Series depicted in chart.

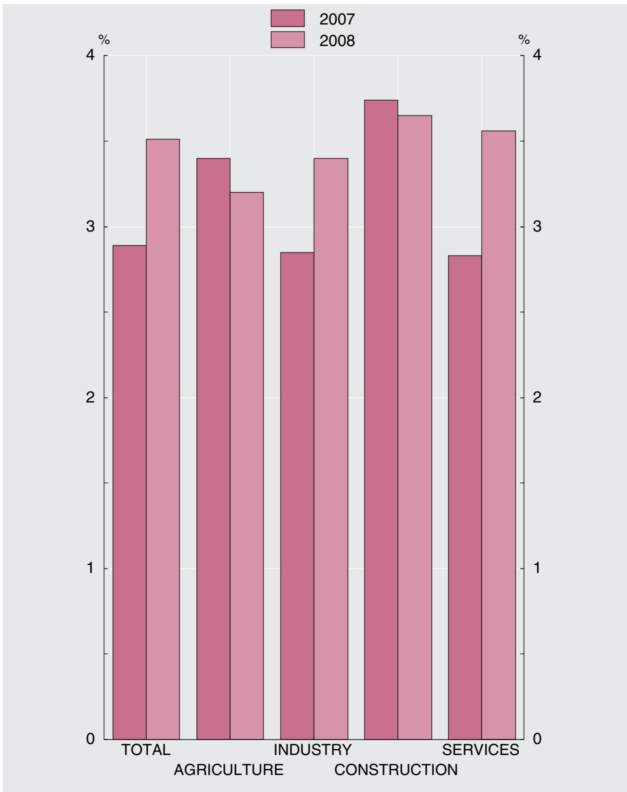
Thousands and %

	As per month economic effects come into force(a)		As per month recorded														
			Employees affected (a)								Average wage settlement (%)						
	Em-ployees affec-ted	Average wage settle-ment (b)	Automa-tic adjust-ment	Newly-signed agree-ments	Total	Annual change	Agricul-ture	Indus-try	Construc-tion	Services	Auto-matic adjust-ment	Newly signed agree-ments	Total	Agricul-ture	Indus-try	Construc-tion	Services
	1	2	3	4	5 ■	6	7 ■	8 ■	9 ■	10 ■	11	12	13 ■	14 ■	15 ■	16 ■	17 ■
05	10 756	4.04	5 581	2 800	8 381	580	568	2 418	1 095	4 300	2.87	3.20	2.98	3.38	3.00	2.93	2.93
06	11 119	3.59	6 765	2 156	8 921	540	656	2 445	1 072	4 748	3.21	3.35	3.24	3.94	3.26	2.97	3.20
07	10 933	4.20	5 778	2 634	8 412	-509	510	2 172	475	5 254	2.87	2.96	2.90	3.35	2.88	3.55	2.81
07 *Apr*	10 769	4.20	4 723	19	4 742	-1 630	354	1 108	34	3 245	2.88	3.11	2.88	3.54	2.80	3.97	2.83
May	10 774	4.20	4 723	45	4 767	-1 650	354	1 126	34	3 254	2.88	2.93	2.88	3.54	2.80	3.97	2.83
Jun	10 793	4.20	5 396	192	5 588	-1 459	397	1 225	34	3 931	2.87	2.63	2.86	3.49	2.80	3.97	2.81
Jul	10 800	4.20	5 454	499	5 953	-1 372	400	1 485	34	4 033	2.88	2.90	2.88	3.48	2.85	3.97	2.82
Aug	10 801	4.20	5 573	809	6 382	-985	403	1 631	34	4 315	2.87	2.86	2.87	3.47	2.85	3.95	2.81
Sep	10 906	4.19	5 582	1 459	7 041	-725	468	1 958	64	4 552	2.87	2.93	2.89	3.40	2.85	3.74	2.83
Oct	10 916	4.19	5 607	1 959	7 566	-505	478	2 043	247	4 798	2.87	2.91	2.88	3.39	2.85	3.56	2.81
Nov	10 931	4.20	5 753	2 456	8 210	-239	478	2 139	385	5 208	2.87	2.93	2.89	3.39	2.87	3.56	2.80
Dec	10 933	4.20	5 778	2 634	8 412	-509	510	2 172	475	5 254	2.87	2.96	2.90	3.35	2.88	3.55	2.81
08 *Jan*	7 648	3.45	4 503	5	4 508	1 263	270	1 331	161	2 746	3.27	4.59	3.27	2.91	3.32	3.61	3.27
Feb	7 655	3.45	5 281	12	5 293	1 271	293	1 462	487	3 052	3.36	3.77	3.36	2.92	3.32	3.83	3.35
Mar	7 694	3.46	5 601	24	5 624	889	298	1 612	530	3 184	3.38	4.20	3.39	2.94	3.41	3.77	3.35
Apr	7 974	3.51	6 352	241	6 593	1 851	299	1 954	690	3 650	3.39	4.47	3.43	2.94	3.39	3.72	3.43
May	7 976	3.51	6 568	408	6 975	2 208	339	1 975	830	3 831	3.43	4.09	3.47	3.10	3.40	3.68	3.49
Jun	7 986	3.51	6 790	459	7 250	1 662	381	2 028	875	3 966	3.43	4.07	3.47	3.11	3.40	3.67	3.49
Jul	7 989	3.51	6 825	641	7 466	1 513	381	2 061	895	4 130	3.43	3.88	3.47	3.11	3.40	3.67	3.49
Aug	7 989	3.51	6 844	809	7 653	1 271	393	2 082	964	4 214	3.43	3.96	3.49	3.17	3.41	3.65	3.52
Sep	7 990	3.51	6 911	1 079	7 990	949	405	2 133	1 013	4 439	3.43	4.01	3.51	3.20	3.40	3.65	3.56

EMPLOYEES AFFECTED
January-September



AVERAGE WAGE SETTLEMENT
January-September



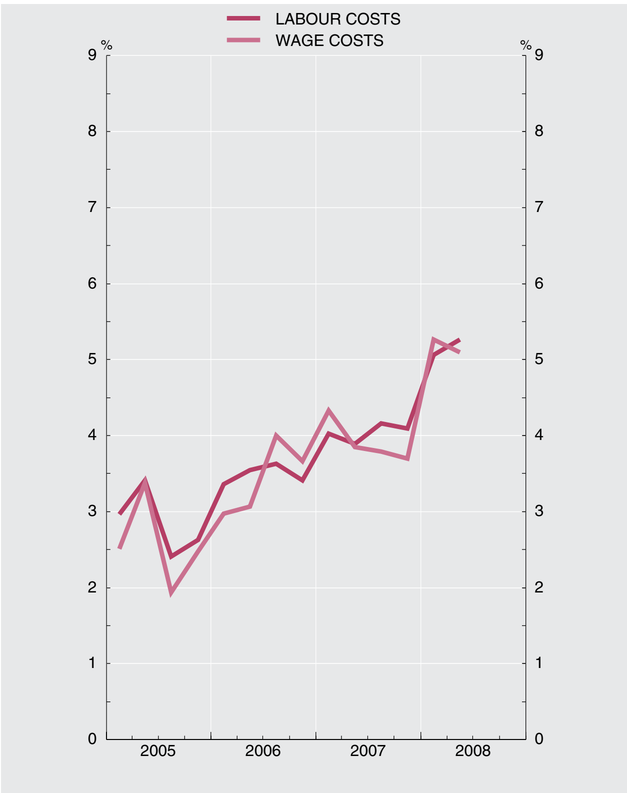
Source: Ministerio de Trabajo e Inmigración (MTIN), Estadística de Convenios Colectivos de Trabajo. Avance mensual.
a. Cumulative data.
b. Includes revisions arising from indexation clauses, except in 2008.

4.7. QUARTERLY LABOUR COSTS SURVEY

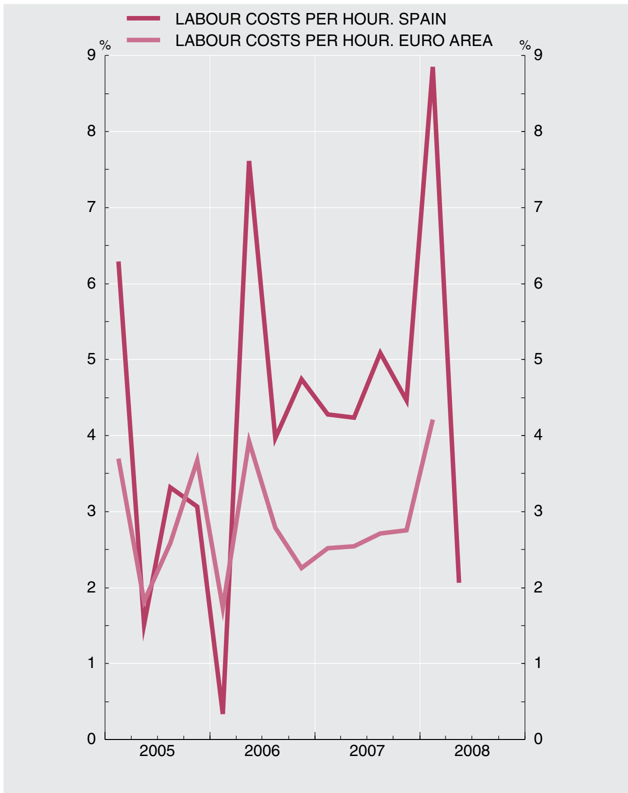
■ Series depicted in chart. *Annual percentage change*

	Labour costs					Wage costs					Other costs per worker and month	memorandum item: euro area total hourly labour costs (a)
	Monthly earnings				Per hour worked	Monthly earnings				Per hour worked		
	Total	Industry	Construction	Services		Total	Industry	Construction	Services			
	1 ■	2	3	4	5 ■	6 ■	7	8	9	10	11	12 ■
05 M	2.9	3.1	2.8	3.1	3.5	2.6	2.7	2.3	2.9	3.2	3.6	2.9
06 M	3.5	3.7	4.0	3.6	4.2	3.4	3.6	3.7	3.7	4.2	3.6	2.7
07 M	4.0	3.3	5.0	4.3	4.5	3.9	3.0	4.8	4.2	4.4	4.4	2.6
07 *Q1-Q2* M	4.0	3.4	4.7	4.2	4.3	4.1	3.4	4.7	4.4	4.4	3.6	2.5
08 *Q1-Q2* M	5.2	5.0	6.0	5.1	5.3	5.2	5.5	5.7	4.9	5.3	5.1	...
05 *Q4*	2.6	3.2	2.6	2.8	3.1	2.5	3.0	2.0	2.8	2.9	3.1	3.7
06 *Q1*	3.4	4.5	4.3	3.2	0.3	3.0	3.8	3.8	3.0	-	4.4	1.7
Q2	3.5	3.5	3.9	3.8	7.6	3.1	3.1	3.1	3.4	7.1	4.9	3.9
Q3	3.6	3.6	4.1	3.8	4.0	4.0	4.1	4.2	4.3	4.4	2.6	2.8
Q4	3.4	3.4	3.7	3.7	4.7	3.7	3.6	3.9	4.0	5.0	2.6	2.3
07 *Q1*	4.0	4.2	5.0	4.0	4.3	4.3	3.7	5.5	4.5	4.6	3.2	2.5
Q2	3.9	2.7	4.4	4.4	4.2	3.8	3.1	3.9	4.3	4.2	4.0	2.5
Q3	4.2	3.0	5.4	4.5	5.1	3.8	2.3	4.8	4.2	4.6	5.2	2.7
Q4	4.1	3.4	5.3	4.2	4.5	3.7	2.8	5.1	3.8	4.1	5.3	2.8
08 *Q1*	5.1	4.1	5.8	5.2	8.8	5.3	5.8	4.8	5.1	9.0	4.5	4.2
Q2	5.3	5.9	6.1	5.0	2.1	5.1	5.1	6.5	4.8	1.9	5.7	...

PER WORKER AND MONTH
Annual percentage change



PER HOUR WORKED
Annual percentage change



Sources: INE (Quarterly labour costs survey) and Eurostat.
Note: The underlying series for this indicator are in Tables 24.25, 24.26 and 24.27 of de BE Boletín estadístico.
a. Whole economy, excluding the agriculture, public administration, education and health sectors

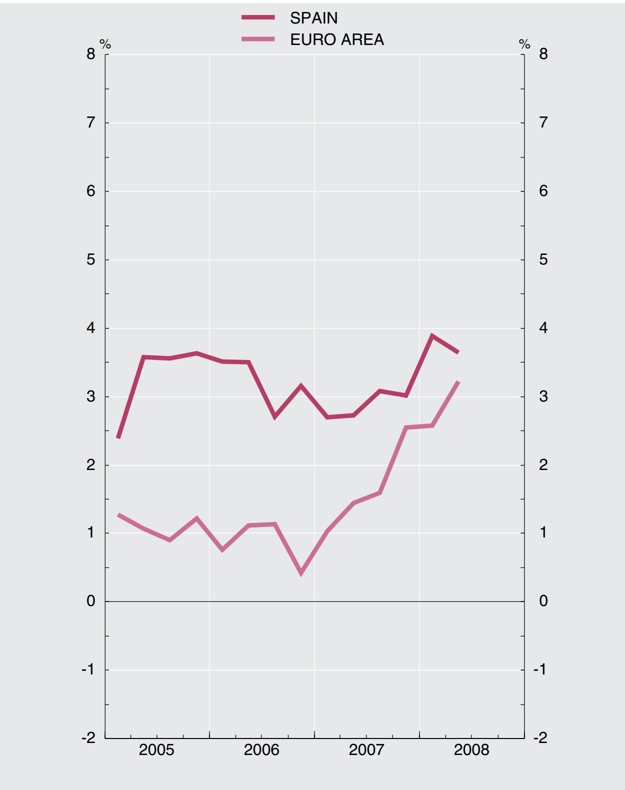
4.8. UNIT LABOUR COSTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

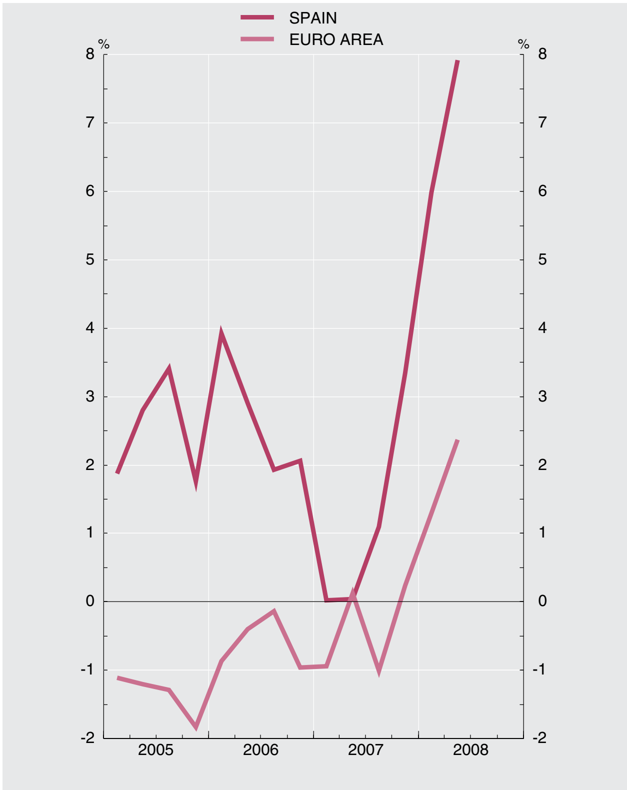
Annual percentage changes

		Whole-economy unit labour costs		Compensation per employee		Productivity						Memorandum item: unit labour costs in manufacturing	
								Output		Employment			
		Spain	Euro area	Spain (b)	Euro area	Spain	Euro area	Spain	Euro area	Spain (b)	Euro area	Spain (c)	Euro area (d)
		1 ■	2 ■	3	4	5	6	7	8	9	10	11 ■	12 ■
05	P	3.3	1.1	3.7	1.9	0.4	0.8	3.6	1.8	3.2	1.0	2.5	-1.4
06	P	3.2	0.9	3.9	2.2	0.7	1.3	3.9	3.0	3.2	1.6	2.7	-0.6
07	P	2.9	1.7	3.7	2.5	0.8	0.9	3.7	2.6	2.9	1.8	1.1	-0.4
05 *Q3*	P	3.6	0.9	3.3	1.9	-0.3	1.0	3.4	1.9	3.7	0.9	3.4	-1.3
Q4	P	3.6	1.2	3.9	2.4	0.2	1.1	3.8	2.1	3.5	0.9	1.8	-1.8
06 *Q1*	P	3.5	0.8	3.9	2.1	0.3	1.3	3.8	2.7	3.4	1.4	3.9	-0.9
Q2	P	3.5	1.1	3.8	2.4	0.3	1.3	3.9	3.0	3.6	1.7	2.9	-0.4
Q3	P	2.7	1.1	3.9	2.4	1.2	1.3	4.0	2.9	2.8	1.7	1.9	-0.1
Q4	P	3.2	0.4	4.1	2.0	0.9	1.6	3.9	3.3	2.9	1.7	2.1	-1.0
07 *Q1*	P	2.7	1.0	3.4	2.5	0.7	1.4	4.0	3.2	3.2	1.8	0.0	-0.9
Q2	P	2.7	1.4	3.5	2.3	0.7	0.9	3.9	2.6	3.2	1.7	0.0	0.1
Q3	P	3.1	1.6	3.8	2.3	0.7	0.7	3.6	2.6	2.9	1.9	1.1	-1.0
Q4	P	3.0	2.5	4.1	2.9	1.0	0.4	3.2	2.1	2.2	1.7	3.3	0.2
08 *Q1*	P	3.9	2.6	5.1	3.1	1.2	0.6	2.6	2.1	1.4	1.5	6.0	1.3
Q2	P	3.6	3.2	5.1	3.5	1.4	0.2	1.8	1.4	0.4	1.1	7.9	2.4

UNIT LABOUR COSTS: TOTAL
Annual percentage changes



UNIT LABOUR COSTS: MANUFACTURING
Annual percentage changes



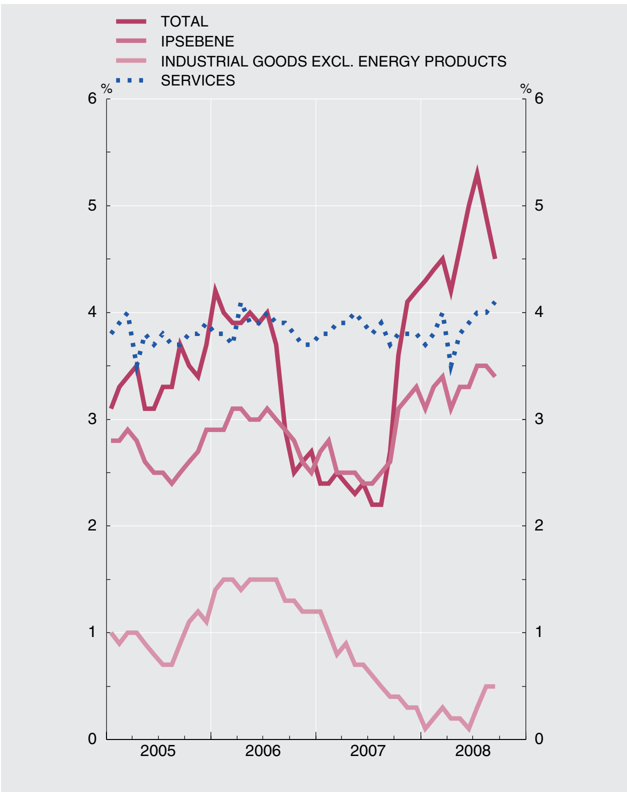
5.1. CONSUMER PRICE INDEX. SPAIN (2006=100)

■ Series depicted in chart.

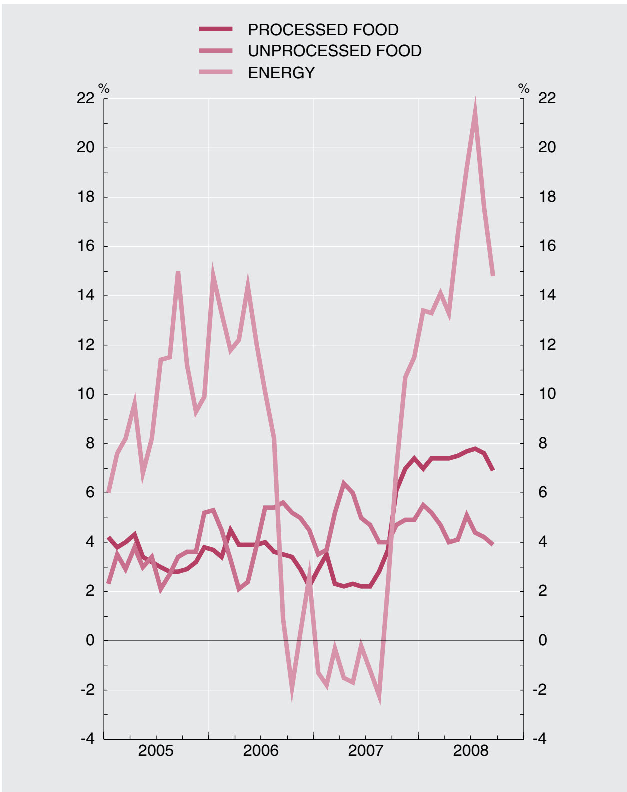
Indices and annual percentage changes

	Total (100%)				Annual percentage change (12-month % change)						Memorandum item:prices for agricultural products (2000=100)	
	Original series	Month-on-month % change	12-month % change (a)	Cumulative % change during year (b)	Unprocessed food	Processed food	Industrial goods excl. energy products	Energy	Services	IPSEBENE (c)	Original series	12-month % change
	1	2	3 ■	4	5 ■	6 ■	7 ■	8 ■	9 ■	10 ■	11	12
05 M	96.6	_	3.4	3.7	3.3	3.5	0.9	9.6	3.8	2.7	109.9	2.9
06 M	100.0	_	3.5	2.7	4.4	3.6	1.4	8.2	3.9	2.9	108.9	-0.9
07 M	102.8	_	2.8	4.2	4.8	3.7	0.7	1.8	3.8	2.7	115.5	6.0
07 *J-S* M	102.1	0.2	2.4	1.0	4.7	2.7	0.8	-0.9	3.9	2.5	113.4	2.0
08 *J-S* M	106.8	0.2	4.6	1.4	4.6	7.4	0.3	16.0	3.9	3.3	...	...
07 *Jun*	103.2	0.2	2.4	2.0	5.0	2.2	0.7	-0.2	3.9	2.4	116.3	2.6
Jul	102.4	-0.7	2.2	1.3	4.7	2.2	0.6	-1.2	3.8	2.4	106.1	2.5
Aug	102.5	0.1	2.2	1.4	4.0	2.8	0.5	-2.2	3.9	2.5	108.0	5.1
Sep	102.9	0.3	2.7	1.7	4.0	3.7	0.4	2.3	3.7	2.6	112.7	12.1
Oct	104.2	1.3	3.6	3.0	4.7	6.1	0.4	7.0	3.8	3.1	116.0	13.8
Nov	105.0	0.7	4.1	3.8	4.9	7.0	0.3	10.7	3.8	3.2	124.6	15.7
Dec	105.4	0.4	4.2	4.2	4.9	7.4	0.3	11.5	3.8	3.3	125.8	17.6
08 *Jan*	104.7	-0.6	4.3	-0.6	5.5	7.0	0.1	13.4	3.7	3.1	124.2	11.1
Feb	104.9	0.2	4.4	-0.5	5.2	7.4	0.2	13.3	3.8	3.3	122.1	7.3
Mar	105.8	0.9	4.5	0.4	4.7	7.4	0.3	14.1	4.0	3.4	127.4	10.5
Apr	107.0	1.1	4.2	1.5	4.0	7.4	0.2	13.3	3.5	3.1	130.6	8.5
May	107.7	0.7	4.6	2.2	4.1	7.5	0.2	16.5	3.8	3.3	133.9	15.2
Jun	108.3	0.6	5.0	2.8	5.1	7.7	0.1	19.2	3.9	3.3	126.4	8.7
Jul	107.8	-0.5	5.3	2.3	4.4	7.8	0.3	21.4	4.0	3.5	121.0	14.1
Aug	107.6	-0.2	4.9	2.1	4.2	7.6	0.5	17.6	4.0	3.5	...	...
Sep	107.5	-	4.5	2.0	3.9	6.9	0.5	14.8	4.1	3.4	...	...

CONSUMER PRICE INDEX. TOTAL AND COMPONENTS
Annual percentage changes



CONSUMER PRICE INDEX. COMPONENTS
Annual percentage changes



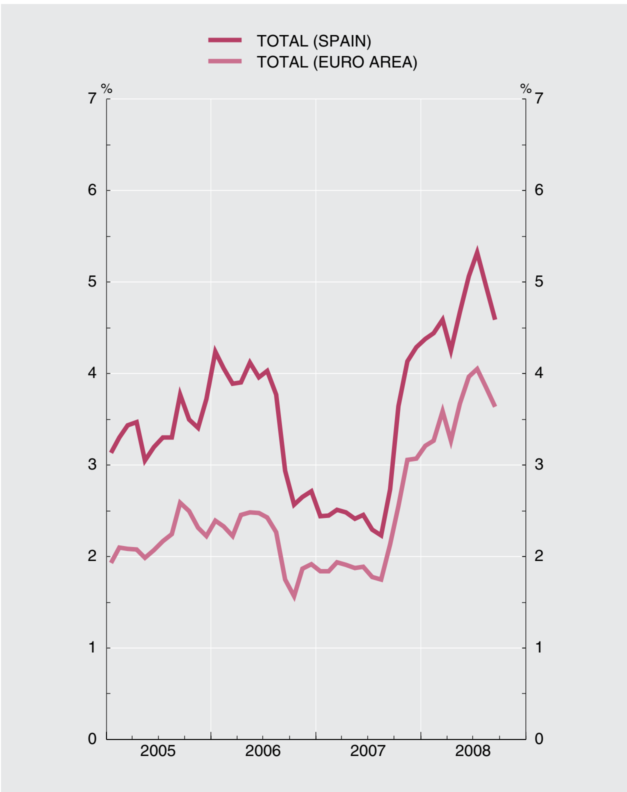
Sources: INE, Ministerio de Medio Ambiente y Medio Rural y Marino, Pesca y Alimentación and BE.
Note: The underlying series for this indicator are in Tables 25.2 and 25.8 of the BE Boletín estadístico.
a. For annual periods: average growth for each year on the previous year.
b. For annual periods: December-on-December growth rate.
c. Index of non-energy processed goods and service prices.

5.2. HARMONISED INDEX OF CONSUMER PRICES. SPAIN AND EURO AREA (2005=100) (a)

■ Series depicted in chart. *Annual percentage changes*

		Total		Goods														Services	
						Food						Industrial							
						Total		Processed		Unprocessed				Non-energy		Energy			
		Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area
		1 ■	2 ■	3 ■	4 ■	5	6	7	8	9	10	11	12	13	14	15	16	17 ■	18 ■
05	M	3.4	2.2	3.2	2.1	3.4	1.6	3.5	2.0	3.3	0.8	3.1	2.4	1.0	0.3	9.7	10.1	3.8	2.3
06	M	3.6	2.2	3.4	2.3	3.9	2.4	3.9	2.1	3.9	2.8	3.1	2.3	1.5	0.6	8.0	7.7	3.9	2.0
07	M	2.8	2.1	2.2	1.9	4.1	2.8	3.9	2.8	4.3	3.0	1.0	1.4	0.7	1.0	1.7	2.6	3.9	2.5
07 *J-S*	M	2.4	1.9	1.6	1.5	3.4	2.5	2.6	2.2	4.2	2.9	0.4	1.0	0.8	1.0	-0.8	0.8	3.9	2.5
08 *J-S*	M P	4.7	3.6	5.1	4.4	6.5	5.5	8.7	6.7	4.3	3.7	4.3	3.8	0.4	0.8	16.0	13.2	3.9	2.5
07 *Jun*		2.5	1.9	1.6	1.5	3.2	2.4	2.0	2.0	4.4	3.0	0.5	1.0	0.7	1.0	-0.2	0.9	4.0	2.6
Jul		2.3	1.8	1.3	1.2	3.0	2.3	1.9	1.9	4.2	2.8	0.2	0.7	0.6	0.9	-1.2	-	3.9	2.6
Aug		2.2	1.7	1.2	1.2	3.2	2.5	2.8	2.5	3.7	2.4	-0.1	0.6	0.5	1.0	-2.1	-0.9	4.0	2.6
Sep		2.7	2.1	2.1	1.9	3.8	2.7	3.9	3.1	3.7	2.1	1.0	1.5	0.4	1.0	2.3	3.0	3.8	2.5
Oct		3.6	2.6	3.5	2.6	5.6	3.5	7.0	3.8	4.3	3.1	2.1	2.1	0.4	1.1	7.0	5.5	3.9	2.5
Nov		4.1	3.1	4.3	3.4	6.3	4.0	8.2	4.6	4.4	3.0	3.0	3.2	0.4	1.1	10.6	9.7	3.9	2.5
Dec		4.3	3.1	4.5	3.4	6.6	4.3	8.6	5.1	4.5	3.1	3.2	3.0	0.4	1.0	11.4	9.2	3.9	2.5
08 *Jan*		4.4	3.2	4.7	3.7	6.5	4.9	8.2	5.9	4.9	3.3	3.6	3.1	0.3	0.7	13.4	10.6	3.8	2.5
Feb		4.4	3.3	4.7	3.8	6.7	5.2	8.6	6.5	4.7	3.3	3.6	3.1	0.3	0.8	13.2	10.4	3.9	2.4
Mar		4.6	3.6	4.9	4.1	6.6	5.6	8.8	6.8	4.3	3.8	3.9	3.4	0.4	0.9	14.1	11.2	4.1	2.8
Apr		4.2	3.3	4.7	4.0	6.3	5.4	8.8	7.0	3.9	3.1	3.6	3.2	0.3	0.8	13.3	10.8	3.5	2.3
May		4.7	3.7	5.2	4.5	6.4	5.8	8.8	6.9	4.0	3.9	4.3	3.9	0.2	0.7	16.5	13.7	3.8	2.5
Jun		5.1	4.0	5.7	5.0	6.8	5.8	9.0	7.0	4.6	4.0	5.0	4.5	0.2	0.8	19.1	16.1	3.9	2.5
Jul		5.3	4.0	6.1	5.1	6.7	6.1	9.2	7.2	4.2	4.4	5.7	4.6	0.4	0.5	21.3	17.1	4.0	2.6
Aug		4.9	3.8	5.4	4.6	6.5	5.6	9.0	6.8	4.0	3.7	4.8	4.2	0.5	0.7	17.5	14.6	4.1	2.7
Sep	P	4.6	3.6	4.8	4.4	5.9	5.2	7.9	6.2	3.9	3.6	4.2	4.0	0.6	0.9	14.8	13.5	4.1	2.6

HARMONISED INDEX OF CONSUMER PRICES. TOTAL
Annual percentage changes



HARMONISED INDEX OF CONSUMER PRICES. COMPONENTS
Annual percentage changes

Source: Eurostat.

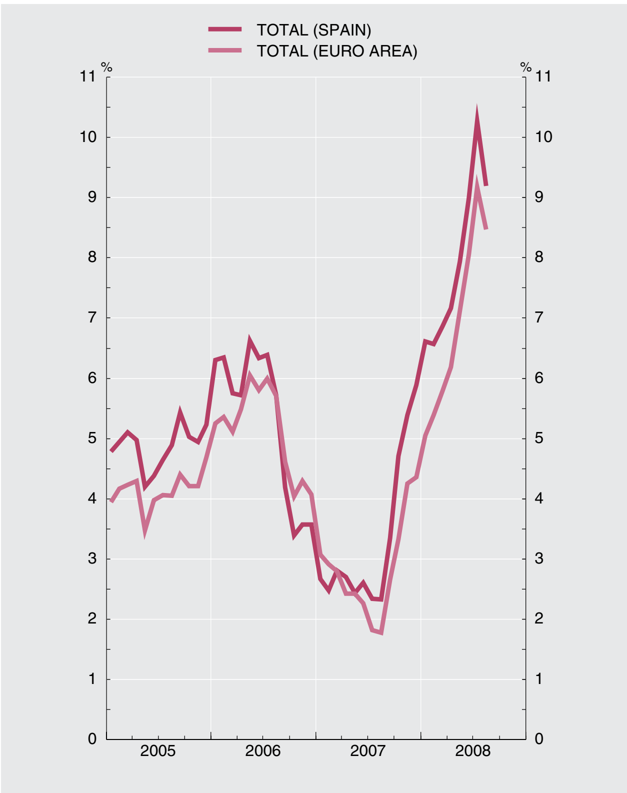
a. Compliance with the Regulation on the treatment of price reductions is now complete with the inclusion of sales prices in the Italian and Spanish HICP. The Spanish HICP has included a new basket of goods and services since January 2001. In accordance with the related regulations,the series for the year 2001 have been revised. More detailed methodological notes can be consulted on the Eurostat Internet site (www.europa.eu.int).

5.3. PRODUCER PRICE INDEX. SPAIN AND EURO AREA (a)

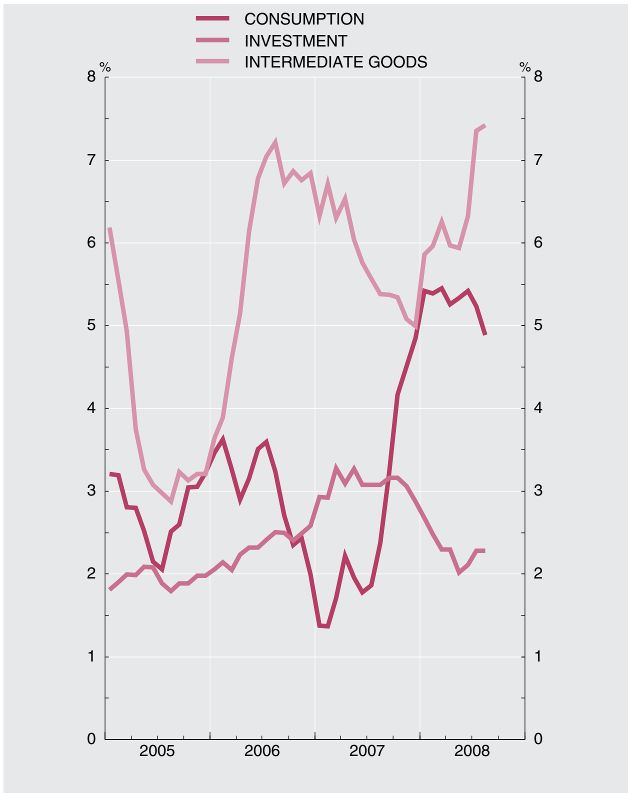
■ Series depicted in chart. *Annual percentage changes*

		Total (100%)			Consumption (32.1 %)		Investment (18.3 %)		Intermediate (31.6 %)		Energy (18.0%)		Memorandum item: euro area				
		Original series	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Total 12-month % change	Consumption 12-month % change	Investment 12-month % change	Intermediate 12-month % change	Energy 12-month % change
		1	2	3 ■	4	5 ■	6	7 ■	8	9 ■	10	11	12 ■	13	14	15	16
05	MP	112.7	_	4.9	_	2.8	_	1.9	_	3.8	_	14.0	4.1	1.1	1.4	2.9	13.6
06	MP	118.6	_	5.3	_	3.0	_	2.3	_	6.0	_	11.0	5.1	1.7	1.4	4.8	13.6
07	MP	122.6	_	3.3	_	2.6	_	3.1	_	5.8	_	0.8	2.8	2.3	1.8	4.8	1.8
07 *J-A*	MP	121.5	_	2.5	_	1.8	_	3.1	_	6.1	_	-2.2	2.4	1.7	1.9	5.3	-0.2
08 *J-A*	MP	131.2	_	8.0	_	5.3	_	2.3	_	6.4	_	20.2	6.9	4.4	1.8	4.7	17.1
07 *May*	P	122.1	0.5	2.4	0.1	2.0	0.4	3.3	0.6	6.0	1.0	-2.8	2.4	1.7	2.0	5.4	-0.1
Jun	P	122.3	0.2	2.6	0.1	1.8	-	3.1	0.2	5.8	0.6	-1.4	2.3	1.6	1.9	5.1	-0.5
Jul	P	122.7	0.3	2.3	0.2	1.9	0.1	3.1	0.2	5.6	0.8	-2.6	1.8	1.9	1.7	4.5	-1.9
Aug	P	122.9	0.2	2.3	0.4	2.4	0.1	3.1	0.2	5.4	-0.4	-2.9	1.8	2.4	1.7	4.2	-2.0
Sep	P	123.3	0.3	3.4	0.5	3.2	0.2	3.2	0.2	5.4	0.5	0.8	2.7	2.9	1.6	4.0	1.7
Oct	P	124.4	0.9	4.7	0.9	4.2	0.1	3.2	0.5	5.3	2.4	6.1	3.3	3.4	1.5	3.9	4.3
Nov	P	125.2	0.6	5.4	0.3	4.5	0.1	3.1	-	5.1	2.7	9.8	4.3	3.7	1.5	3.6	8.1
Dec	P	125.8	0.5	5.9	0.3	4.8	-	2.9	-	5.0	1.7	11.6	4.4	4.0	1.5	3.5	8.6
08 *Jan*	P	127.4	1.3	6.6	1.0	5.4	0.8	2.7	1.6	5.9	1.8	13.3	5.1	4.3	1.4	3.8	10.8
Feb	P	128.1	0.5	6.6	0.6	5.4	0.3	2.5	1.2	6.0	-0.4	13.3	5.4	4.3	1.5	4.2	11.7
Mar	P	129.2	0.9	6.9	0.4	5.5	0.3	2.3	0.8	6.3	2.4	14.6	5.8	4.7	1.5	4.4	12.7
Apr	P	130.2	0.8	7.2	0.3	5.3	0.1	2.3	0.5	6.0	2.3	16.5	6.2	4.6	1.7	4.3	14.4
May	P	131.8	1.2	7.9	0.2	5.3	0.1	2.0	0.5	5.9	5.1	21.2	7.1	4.5	1.8	4.3	18.2
Jun	P	133.3	1.1	9.0	0.2	5.4	0.1	2.1	0.5	6.3	4.2	25.5	8.1	4.5	2.0	4.9	21.6
Jul	P	135.3	1.5	10.3	0.1	5.2	0.3	2.3	1.1	7.4	4.7	30.3	9.2	4.2	2.1	5.8	25.1
Aug	P	134.2	-0.8	9.2	0.1	4.9	0.1	2.3	0.2	7.4	-4.0	25.6	8.5	3.8	2.2	6.0	22.5

PRODUCER PRICE INDEX. TOTAL
Annual percentage changes



PRODUCER PRICE INDEX. COMPONENTS
Annual percentage changes



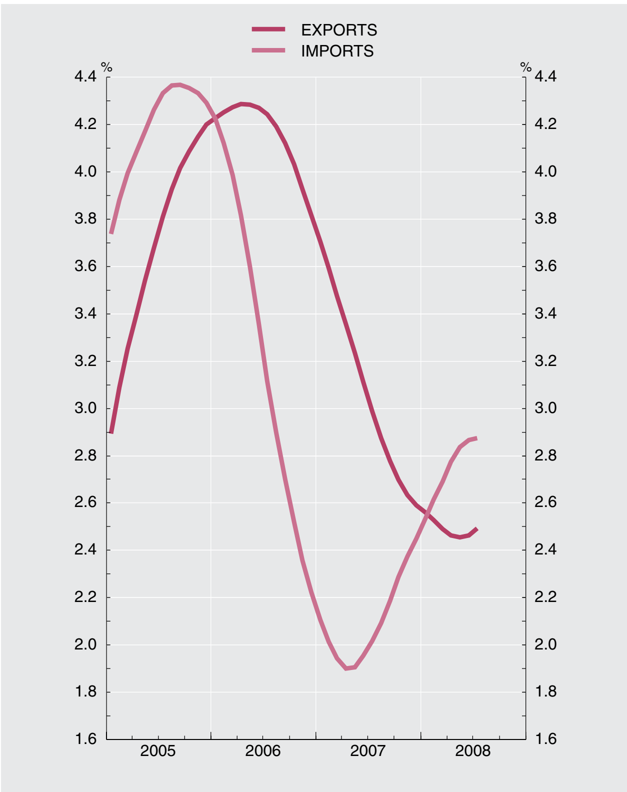
Sources: INE and ECB.
Note: The underlying series for this indicator, for Spain, are in Table 25.3 of the BE Boletín estadístico.
a. Spain: 2000=100; euro area: 2000=100.

5.4. UNIT VALUE INDICES FOR SPANISH FOREIGN TRADE

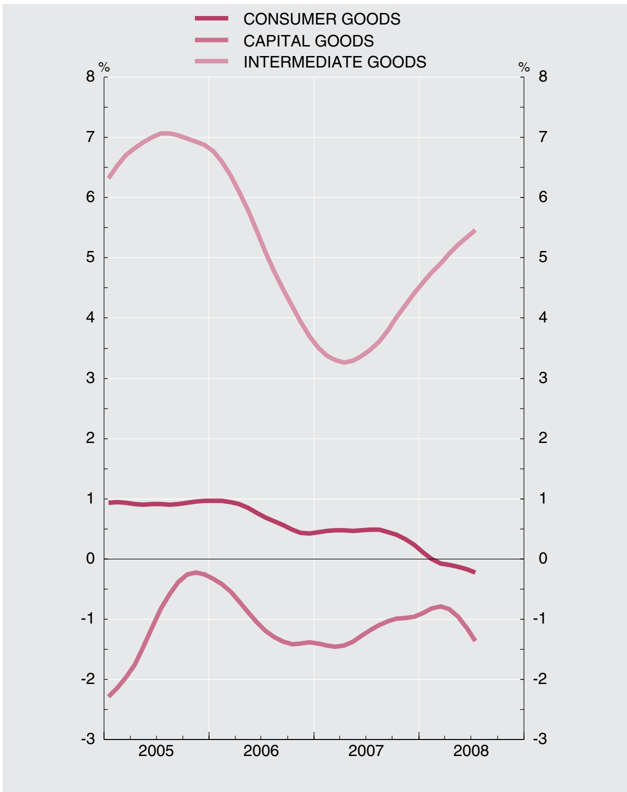
■ Series depicted in chart. *Annual percentage changes*

	Exports/dispatches						Imports/arrivals					
	Total	Consumer goods	Capital goods	Intermediate goods			Total	Consumer goods	Capital goods	Intermediate goods		
				Total	Energy	Non-energy				Total	Energy	Non-energy
	1 ■	2	3	4	5	6	7 ■	8 ■	9 ■	10 ■	11	12
05	4,7	1,9	6,3	6,6	34,1	5,0	5,1	1,1	1,0	8,1	26,2	3,5
06	4,8	3,7	3,0	6,1	18,0	5,6	3,4	-0,1	-1,7	6,1	21,5	2,1
07	2,5	2,4	-0,8	3,3	2,0	3,3	1,0	1,2	-2,3	1,6	-1,0	2,9
07 *J-J*	3,3	3,1	-0,1	4,2	-8,8	5,3	0,5	1,8	-2,4	0,5	-7,0	3,5
08 *J-J*	2,0	1,1	2,1	2,6	39,3	-0,4	4,0	-1,4	2,8	6,3	29,0	-2,0
07 *Feb*	4,5	4,9	-2,3	5,5	-13,7	7,0	0,5	1,9	-4,0	1,0	-10,2	5,1
Mar	3,9	3,6	4,2	4,0	-12,3	5,5	1,9	1,8	-4,1	3,2	-6,6	7,1
Apr	2,5	4,4	-5,4	2,9	-12,4	4,3	-2,0	1,1	-5,9	-2,6	-7,6	0,0
May	3,4	2,3	-2,9	5,4	-6,9	6,4	-2,5	-2,5	-4,1	-2,2	-13,1	1,7
Jun	4,0	5,1	1,9	3,6	-2,7	4,2	3,1	1,6	-2,5	4,9	-1,8	7,0
Jul	1,9	0,5	0,3	3,2	-8,9	4,0	1,8	0,3	2,7	2,3	-3,8	4,9
Aug	1,6	1,1	-0,4	2,3	15,8	0,2	-0,6	5,5	-3,2	-2,7	-8,1	0,4
Sep	2,2	0,7	2,7	3,3	13,3	2,5	2,8	0,5	3,4	4,0	2,2	4,8
Oct	1,1	-0,6	-0,5	2,8	11,5	1,7	2,1	0,8	-1,1	3,2	6,5	2,6
Nov	1,5	1,0	-4,4	3,0	17,0	1,0	6,5	5,3	5,0	7,3	23,0	3,5
Dec	0,4	4,8	-6,3	-0,7	27,2	-2,1	-2,1	-10,9	-14,3	4,5	13,3	-0,1
08 *Jan*	3,8	7,0	2,5	1,7	21,3	0,2	5,4	-0,4	3,4	8,0	25,5	0,1
Feb	4,2	3,9	0,7	5,0	46,2	2,9	2,7	-4,6	4,8	5,5	28,8	0,1
Mar	0,6	1,5	-0,1	0,2	37,2	-2,9	0,9	-4,6	0,2	3,0	25,0	-7,4
Apr	1,7	-1,0	2,4	3,2	38,5	0,6	4,4	-0,0	12,3	4,9	23,7	-1,7
May	0,5	-1,4	3,4	1,3	43,8	-1,6	6,4	4,0	3,5	7,8	38,5	-0,3
Jun	0,9	-2,4	3,8	2,5	42,1	-1,4	3,1	-0,5	-0,8	4,9	31,3	-4,8
Jul	2,4	-0,1	2,3	4,2	46,6	-0,3	4,9	-3,8	-3,6	9,8	29,9	0,1

EXPORT AND IMPORT UNIT VALUE INDICES (a)



IMPORT UNIT VALUE INDICES BY PRODUCT GROUP (a)



Sources: ME and BE.
Note: The underlying series for this indicator are in the Tables 18.6 and 18.7 of the Boletín Estadístico.
a. Annual percentage changes (trend obtained with TRAMO-SEATS).

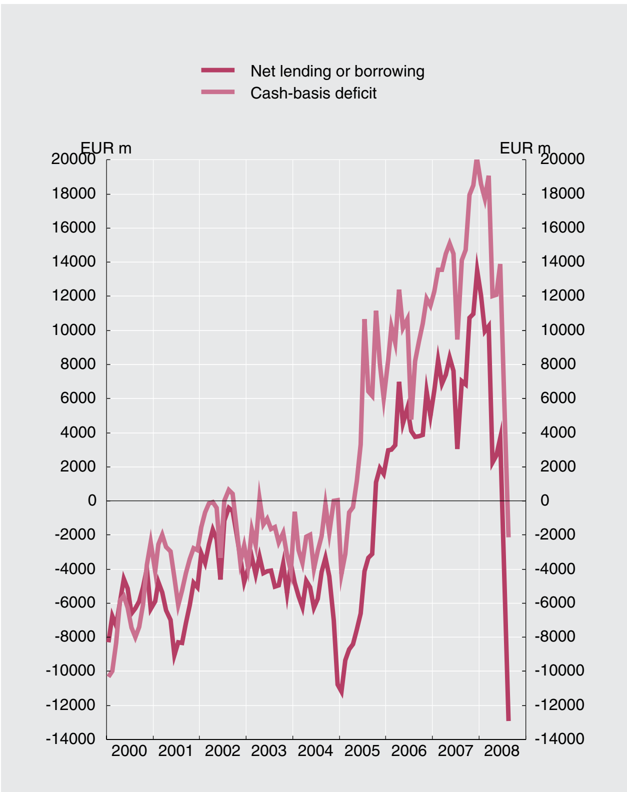
6.1. STATE RESOURCES ANS USES ACCORDING TO THE NACIONAL ACCOUNTS. SPAIN

■ Series depicted in chart.

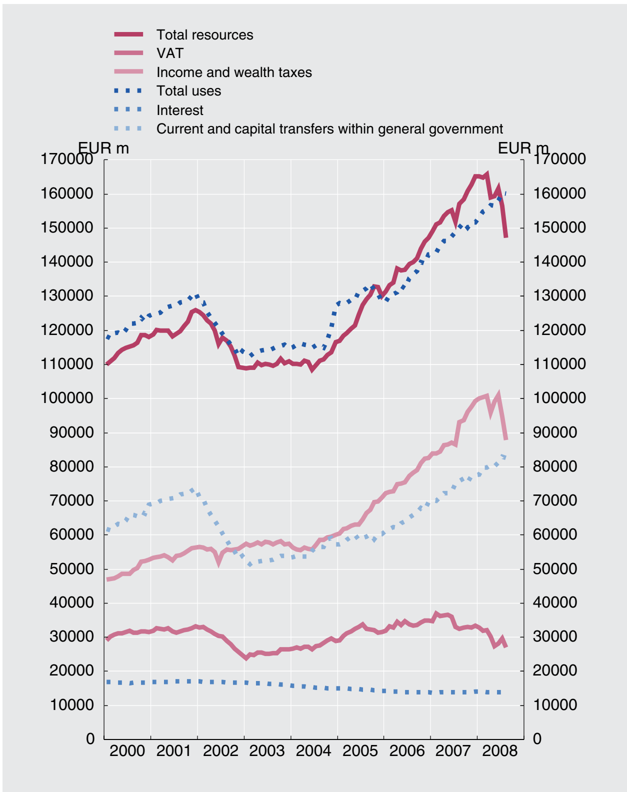
EUR millions

			Current and capital resources						Current and capital uses						Memorandum item: cash-basis deficit		
		Net lending (+) or borrowing (-)	Total	Value added tax (VAT)	Other taxes on products and imports	Interest and other income on property	Income and wealth taxes	Other	Total	Compensation of employees	Interest	Current and capital transfers within general government	Investment grants and other capital transfers	Other	Cash-basis deficit	Revenue	Expenditure
		1=2-8 ■	2=3 a 7 ■	3 ■	4	5	6 ■	7	8=9 a13 ■	9	10 ■	11 ■	12	13	14=15-16 ■	15	16
99		-7 303	109 643	29 002	16 408	6 059	46 909	11 265	116 946	15 013	16 958	60 249	3 750	20 976	-6 354	110 370	116 724
00		-6 330	118 005	31 566	17 171	5 419	52 671	11 178	124 335	12 881	16 817	68 917	4 336	21 384	-2 431	118 693	121 124
01		-5 076	126 032	33 160	17 838	7 335	56 312	11 387	131 108	12 890	17 031	73 716	4 269	23 202	-2 884	125 193	128 077
02		-4 780	109 142	24 701	11 431	5 614	56 616	10 780	113 922	13 526	16 652	53 800	4 596	25 348	-2 626	108 456	111 082
03		-3 692	111 008	26 542	10 918	5 089	57 398	11 061	114 700	13 966	15 890	53 259	4 009	27 576	-4 132	109 655	113 787
04		-10 762	116 577	28 947	10 991	4 730	60 054	11 855	127 339	14 831	15 060	57 177	8 760	31 511	59	114 793	114 734
05		1 590	130 171	31 542	11 068	4 401	70 986	12 174	128 581	15 665	14 343	60 311	5 122	33 140	6 022	128 777	122 755
06	P	5 005	147 220	34 929	11 331	5 328	82 528	13 104	142 215	16 839	13 820	69 588	5 808	36 160	11 471	141 847	130 375
07	P	13 525	165 179	33 332	12 938	6 857	99 257	12 795	151 654	18 109	14 002	77 436	5 338	36 769	20 135	159 840	139 704
07 *J-A*	P	11 831	101 836	21 414	8 489	3 767	61 218	6 948	90 005	11 585	9 310	48 321	2 396	18 393	7 228	99 653	92 426
08 *J-A*	A	-14 594	83 838	15 064	8 499	3 634	49 772	6 869	98 432	12 326	9 192	53 513	2 439	20 962	-15 037	81 588	96 625
07 *Dec*	P	-11 736	13 367	679	1 050	1 272	7 520	2 846	25 103	2 549	1 201	9 330	1 991	10 032	-3 968	11 432	15 400
08 *Jan*	A	1 438	11 089	-943	945	333	10 608	146	9 651	1 298	1 202	5 380	5	1 766	-5 290	12 833	18 123
Feb	A	7 951	20 249	14 649	1 193	211	3 805	391	12 298	1 336	1 058	6 785	155	2 964	9 121	18 802	9 680
Mar	A	-5 988	6 982	499	872	1 092	3 085	1 434	12 970	1 574	1 140	6 733	533	2 990	-2 559	6 546	9 105
Apr	A	5 525	17 805	5 961	953	802	9 437	652	12 280	1 401	1 111	6 408	630	2 730	7 104	18 065	10 961
May	A	-6 179	4 226	-2 603	1 066	163	4 098	1 502	10 405	1 412	1 164	5 317	195	2 317	-5 191	3 678	8 868
Jun	A	-7 316	6 606	816	990	297	2 832	1 671	13 922	2 495	1 134	6 926	54	3 313	-5 250	5 701	10 951
Jul	A	-5 358	11 008	3 014	1 382	323	5 781	508	16 366	1 425	1 193	10 458	612	2 678	-8 488	11 139	19 628
Aug	A	-4 667	5 873	-6 329	1 098	413	10 126	565	10 540	1 385	1 190	5 506	255	2 204	-4 484	4 824	9 308

STATE. NET LENDING OR BORROWING AND CASH-BASIS DEFICIT
(Lastest 12 months)



STATE. RESOURCES AND USES ACCORDING TO THE NATIONAL ACCOUNTS
(Latest 12 months)



Source: Ministerio de Economía y Hacienda (IGAE).

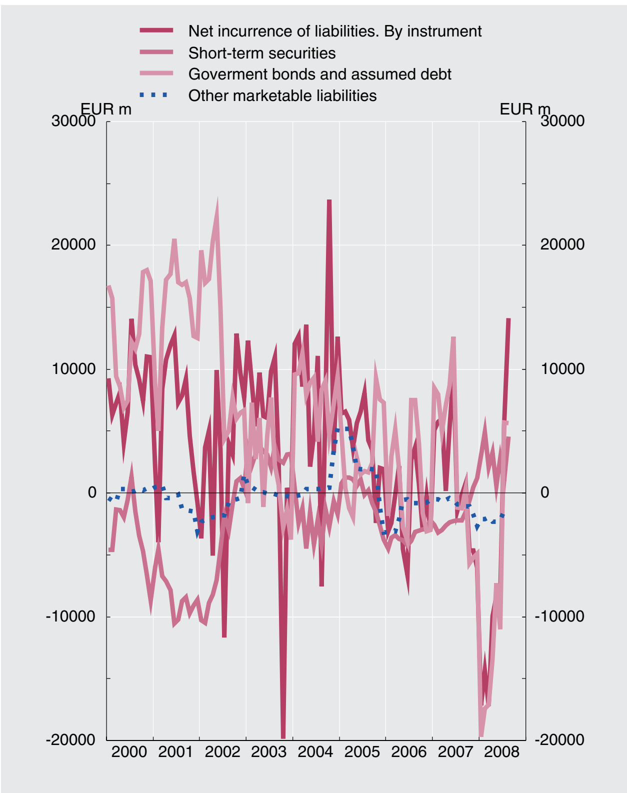
6.2. STATE FINANCIAL TRANSACTIONS. SPAIN

■ Series depicted in chart.

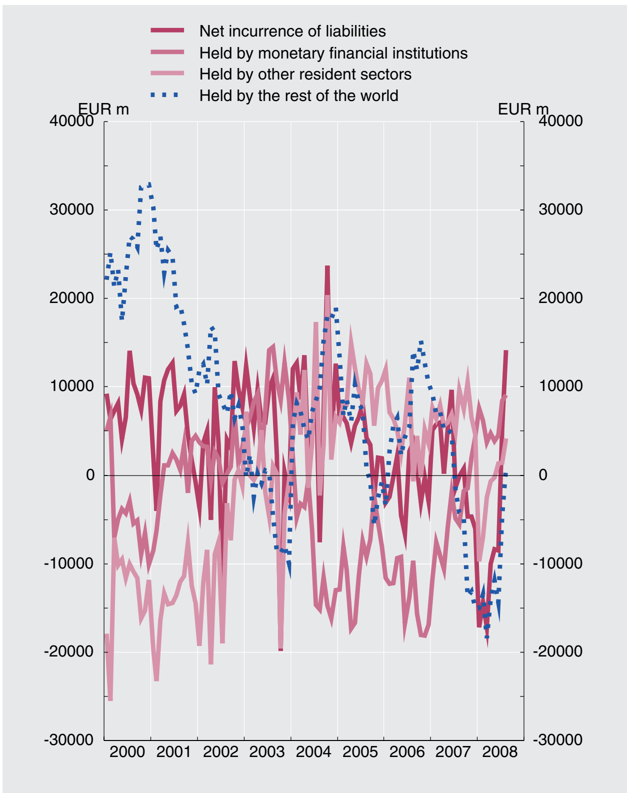
EUR millions

		Net lending (+) or net borrowing (-)	Net acquisition of financial assets: Total	Net acquisition of financial assets: Of which: Deposits at the Banco de España	Net incurrence of liabilities: Total ■	Of which: In currencies other than the peseta/euro	By instrument: Short-term securities ■	By instrument: Goverment bonds and assumed debt ■	By instrument: Banco de España loans	By instrument: Other marketable liabilities (a) ■	By instrument: Other accounts payable	By counterpart sector: Held by resident sectors: Total	Held by resident sectors: Monetary financial institutions ■	Held by resident sectors: Other resident sectors ■	By counterpart sector: Rest of the world ■	Net incurrence of liabilities (excluding other accounts payable)
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
99		-7 303	4 264	4 574	11 567	209	-6 629	19 592	-499	-446	-451	-10 458	-7 605	-2 853	22 026	12 018
00		-6 330	4 625	5 690	10 955	1 162	-8 683	17 127	-499	283	2 727	-21 968	-10 117	-11 851	32 924	8 228
01		-5 076	-5 852	-20 141	-776	803	-8 616	12 521	-499	-3 101	-1 081	-9 982	4 424	-14 406	9 206	305
02		-4 780	2 942	-95	7 722	-888	346	6 655	-486	1 488	-280	1 932	3 148	-1 215	5 790	8 002
03		-3 692	-5 749	0	-2 057	-135	3 146	-3 761	-486	-281	-675	7 918	8 524	-606	-9 975	-1 381
04		-10 762	1 872	-0	12 634	-1 600	-1 688	9 416	-486	5 204	188	-6 341	-12 978	6 637	18 975	12 446
05		1 590	3 505	0	1 915	-1 910	-3 771	7 276	-486	-3 180	2 076	2 673	-8 026	10 699	-758	-161
06	P	5 005	2 089	-200	-2 916	175	-2 198	-2 976	-486	-536	3 279	-13 273	-16 867	3 595	10 357	-6 195
07	P	13 525	7 496	65	-6 029	-120	1 206	-4 916	-519	-2 701	900	8 997	4 393	4 604	-15 026	-6 930
07 *J-A*	P	11 831	6 365	-2	-5 466	-21	-1 948	-1 559	-519	-939	-501	2 006	-1 559	3 564	-7 472	-4 965
08 *J-A*	A	-14 594	84	-65	14 678	2 659	1 427	9 001	-583	280	4 554	6 239	3 116	3 124	8 439	10 124
07 *Dec*	P	-11 736	-9 758	78	1 978	8	-1 062	2 581	-	-960	1 419	4 488	1 997	2 490	-2 510	559
08 *Jan*	A	1 438	-7 627	10	-9 065	8	3 403	-14 642	-	617	1 556	-9 177	496	-9 673	112	-10 621
Feb	A	7 951	9 344	25	1 393	7	-1 131	5 433	-	-12	-2 897	-624	975	-1 599	2 017	4 290
Mar	A	-5 988	-3 494	0	2 494	3	-617	1 008	-	-96	2 199	4 828	-2 594	7 421	-2 334	295
Apr	A	5 525	6 819	2	1 294	-10	-1 462	4 706	-583	-311	-1 055	-2 085	-3 286	1 201	3 379	2 349
May	A	-6 179	-1 363	-99	4 816	2 365	-528	7 119	-	-4	-1 772	3 753	3 799	-46	1 063	6 587
Jun	A	-7 316	-2 771	98	4 545	7	-426	2 792	-	43	2 137	5 423	2 574	2 849	-878	2 409
Jul	A	-5 358	-629	-0	4 729	275	126	1 562	-	22	3 018	1 989	674	1 314	2 740	1 711
Aug	A	-4 667	-194	-100	4 473	3	2 061	1 022	-	20	1 369	2 133	476	1 656	2 340	3 103

STATE. NET INCURRENCE OF LIABILITIES. BY INSTRUMENT (Latest 12 months)



STATE. NET INCURRENCE OF LIABILITIES. BY COUNTERPART SECTOR (Latest 12 months)



Source: BE.

a. Includes other loans, non-negotiable securities, coined money and Caja General de Depósitos (General Deposit Fund).

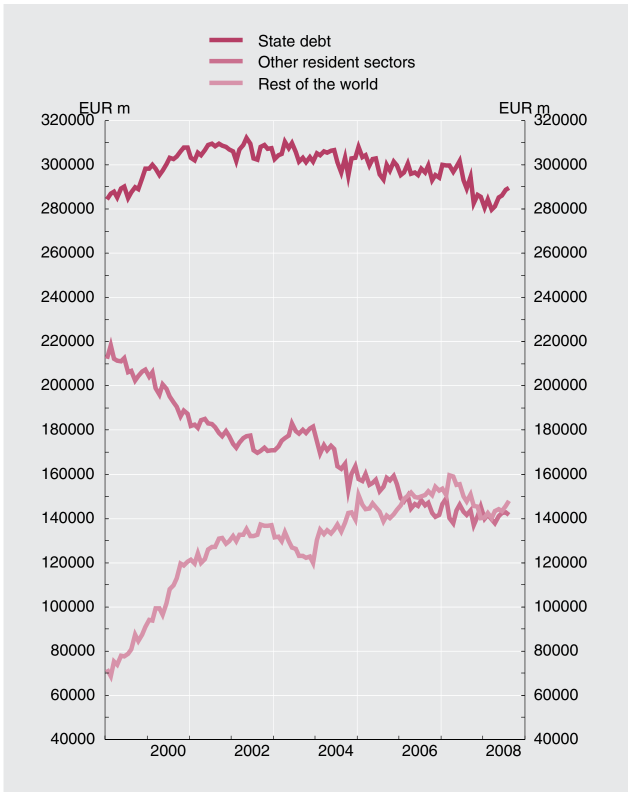
6.3. STATE: LIABILITIES OUTSTANDING. SPAIN

■ Series depicted in chart. *EUR millions*

		Liabilities outstanding (excluding other accounts payable)										Memorandum item:	
		State debt according to the methodology of the excessive deficit procedure	of which	By instrument				By counterpart sector					
			In currencies other than the peseta/ euro	Short-term securities	Government bonds and assumed debt	Banco de España loans	Other marketable liabilities (a)	Held by resident sectors			Rest of the world	Deposits at the Banco de España	Guarantees given (contingent liabilities). Outstanding level
								Total	General government	Other resident sectors			
		1 ■	2	3 ■	4 ■	5 ■	6 ■	7	8	9 ■	10 ■	11	12
95		232 754	19 362	71 070	132 463	11 050	18 171	180 408	385	180 023	52 731	9 379	6 059
96		263 972	20 434	81 084	152 302	10 814	19 772	210 497	529	209 969	54 003	15 195	8 185
97		274 176	23 270	71 730	180 566	10 578	11 303	211 538	445	211 093	63 083	9 829	7 251
98		284 161	30 048	59 939	205 189	10 341	8 691	215 207	305	214 902	69 258	10 273	6 412
99		298 384	7 189	53 142	227 157	9 843	8 243	207 465	150	207 315	91 070	14 846	5 310
00		307 726	8 197	44 575	245 255	9 344	8 552	188 488	1 187	187 301	120 424	20 536	5 430
01		306 895	7 611	35 413	257 192	8 845	5 445	179 123	2 018	177 105	129 791	395	5 460
02		307 610	5 823	35 459	258 877	8 359	4 914	177 561	6 831	170 730	136 880	300	6 819
03		301 476	5 105	38 702	250 337	7 873	4 564	192 399	10 952	181 447	120 029	300	6 821
04		303 254	3 267	35 996	250 125	7 388	9 746	182 967	19 412	163 554	139 700	300	7 186
05		299 578	2 154	31 647	254 442	6 902	6 588	178 398	22 810	155 588	143 990	300	6 020
06	P	294 223	515	31 060	250 702	6 416	6 046	163 603	21 897	141 706	152 517	100	5 794
07 *Nov*	P	286 465	364	32 954	242 563	5 832	5 116	165 687	24 536	141 151	145 313	87	6 207
Dec	P	285 570	355	31 614	243 159	5 832	4 965	170 996	25 669	145 327	140 243	165	6 162
08 *Jan*	A	280 457	348	35 024	234 018	5 832	5 582	164 492	24 609	139 883	140 574	174	6 123
Feb	A	284 292	340	33 878	239 010	5 832	5 571	166 325	24 609	141 715	142 576	199	6 121
Mar	A	279 742	327	33 244	235 191	5 832	5 475	167 944	28 416	139 528	140 214	199	6 072
Apr	A	281 023	76	31 880	238 730	5 249	5 164	166 099	28 314	137 785	143 238	202	5 939
May	A	285 292	76	31 360	243 522	5 249	5 160	169 508	28 507	141 001	144 291	102	5 940
Jun	A	285 979	76	31 092	244 434	5 249	5 203	171 927	29 361	142 566	143 413	200	5 918
Jul	A	288 597	76	30 897	247 226	5 249	5 225	175 272	32 415	142 858	145 739	200	6 332
Aug	A	289 691	75	32 879	246 318	5 249	5 245	175 068	33 477	141 592	148 100	99	6 613

STATE. LIABILITIES OUTSTANDING
By instrument

STATE. LIABILITIES OUTSTANDING
By counterpart sector



Source: BE.
a. Includes other loans, non-negotiable securities, coined money and Caja General de Depósitos (General Deposit Fund).

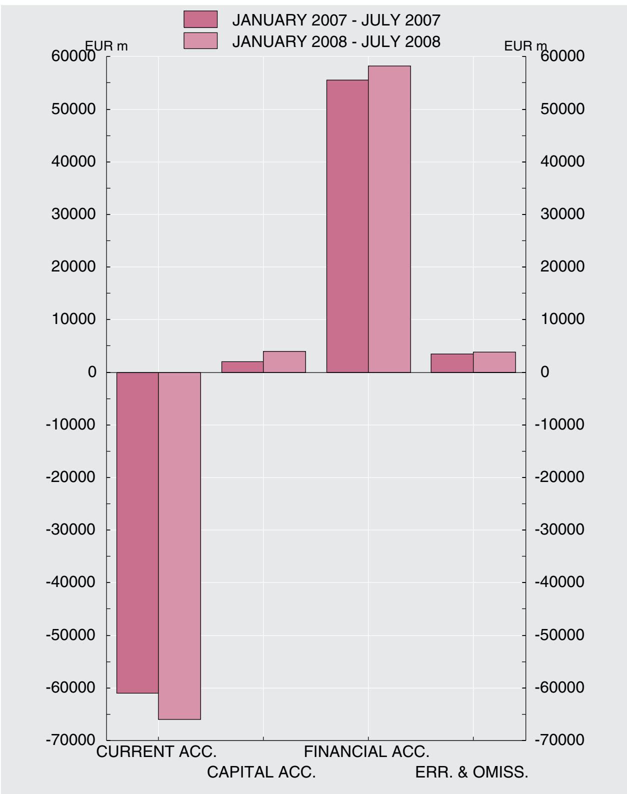
7.1. THE SPANISH BALANCE OF PAYMENTS VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. CURRENT ACCOUNT

■ Series depicted in chart.

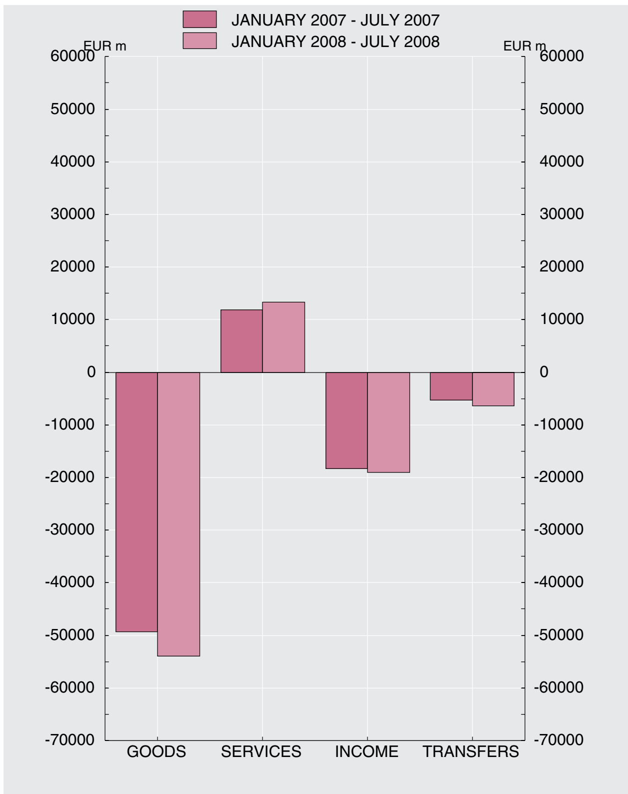
EUR millions

		Current account (a): Total (balance)	Goods: Balance	Goods: Receipts	Goods: Payments	Services: Balance	Services: Receipts: Total	Services: Receipts: Of which Travel	Services: Payments: Total	Services: Payments: Of which Travel	Income: Balance	Income: Receipts	Income: Payments	Current transfers (balance)	Capital account (balance)	Current account plus capital account	Financial account (balance) (b)	Errors and omission
		1=2+5+10+13 ■	2=3-4 ■	3	4	5=6-8 ■	6	7	8	9	10=11-12 ■	11	12	13 ■	14 ■	15=1+14	16 ■	17=-(15+16) ■
05		-66 860	-68 603	157 978	226 581	22 240	76 247	38 558	54 008	12 125	-17 103	31 870	48 974	-3 393	8 180	-58 679	60 818	-2 139
06		-87 715	-83 272	175 883	259 154	22 335	84 732	40 715	62 397	13 266	-20 581	44 382	64 963	-6 198	6 196	-81 519	83 276	-1 757
07	P	-105 893	-89 805	187 194	276 999	22 152	94 151	42 171	71 999	14 360	-31 507	52 913	84 420	-6 733	4 516	-101 378	97 633	3 744
07 *J-J*	P	-61 027	-49 378	110 484	159 862	11 895	52 260	23 014	40 366	7 747	-18 263	31 118	49 381	-5 281	1 979	-59 049	55 557	3 492
08 *J-J*	P	-66 026	-53 916	118 514	172 430	13 343	55 604	23 574	42 261	7 840	-19 037	35 209	54 245	-6 415	4 016	-62 010	58 179	3 831
07 *Apr*	P	-8 608	-6 966	14 846	21 812	998	6 518	2 694	5 520	1 054	-1 727	4 292	6 019	-913	278	-8 330	7 326	1 004
May	P	-8 493	-7 131	16 542	23 673	2 002	7 493	3 342	5 491	841	-2 776	4 327	7 103	-588	238	-8 254	8 868	-614
Jun	P	-7 263	-7 548	16 627	24 175	2 380	8 483	4 114	6 102	1 317	-1 930	6 488	8 418	-166	100	-7 163	6 878	285
Jul	P	-10 027	-7 911	15 796	23 707	3 481	10 274	5 070	6 793	1 381	-4 672	4 276	8 948	-925	258	-9 769	8 834	935
Aug	P	-7 515	-7 082	12 530	19 612	3 525	9 679	5 357	6 154	1 584	-3 124	3 178	6 302	-834	101	-7 414	9 778	-2 363
Sep	P	-8 467	-7 615	15 358	22 973	2 809	8 931	4 578	6 122	1 375	-2 540	3 747	6 287	-1 122	148	-8 320	9 464	-1 145
Oct	P	-9 023	-8 445	17 248	25 693	2 317	8 919	4 020	6 602	1 350	-1 766	5 005	6 771	-1 129	838	-8 185	9 282	-1 097
Nov	P	-10 803	-7 904	17 094	24 999	972	7 177	2 799	6 205	1 230	-3 004	3 697	6 701	-867	289	-10 515	9 257	1 258
Dec	P	-9 057	-9 382	14 479	23 861	635	7 185	2 404	6 550	1 076	-2 810	6 168	8 978	2 500	1 162	-7 895	4 295	3 600
08 *Jan*	P	-11 901	-8 379	15 428	23 808	1 255	7 393	2 771	6 138	1 140	-3 528	4 745	8 273	-1 249	1 234	-10 667	10 145	522
Feb	P	-8 799	-7 317	17 208	24 526	997	6 868	2 452	5 871	1 202	-837	5 144	5 981	-1 642	621	-8 178	9 687	-1 509
Mar	P	-11 415	-8 731	16 432	25 162	1 109	6 825	2 975	5 715	1 062	-2 432	4 651	7 083	-1 361	371	-11 043	10 603	440
Apr	P	-9 051	-7 205	18 577	25 782	1 188	7 201	2 621	6 014	1 005	-2 126	4 411	6 537	-908	268	-8 783	4 628	4 155
May	P	-9 200	-7 206	17 175	24 382	2 325	7 766	3 516	5 441	801	-3 639	5 429	9 068	-679	964	-8 236	8 297	-61
Jun	P	-8 277	-7 884	15 972	23 856	2 836	9 099	4 114	6 262	1 248	-3 049	4 549	7 598	-181	239	-8 038	8 870	-832
Jul	P	-7 383	-7 195	17 721	24 915	3 631	10 453	5 126	6 821	1 381	-3 425	6 280	9 705	-395	318	-7 065	5 949	1 116

SUMMARY



CURRENT ACCOUNT



Sources: BE. Data compiled in accordance with the IMF Balance of Payments Manual (5th edition).

a. A positive sign for the current and capital account balances indicates a surplus (receipts greater than payments) and, thus, a Spanish net loan abroad (increase in the creditor position or decrease in the debtor position).

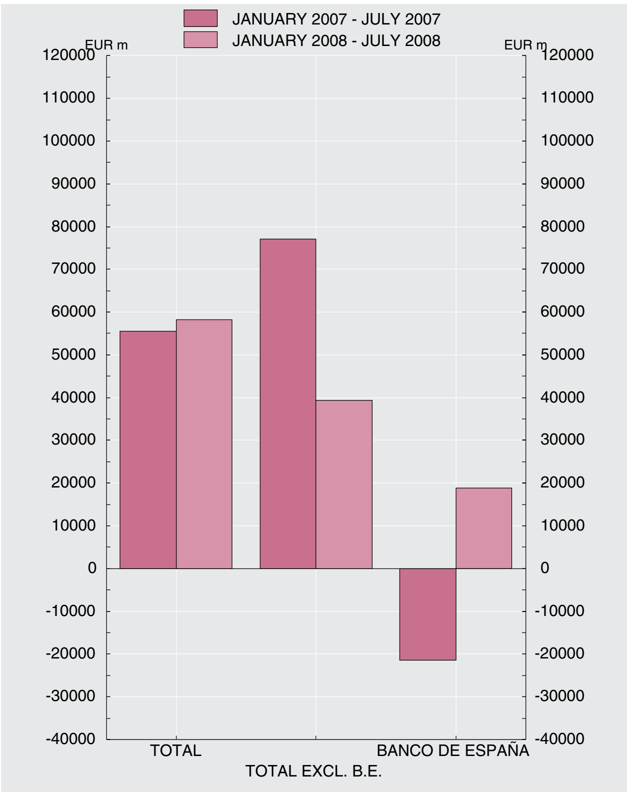
b. A positive sign for the financial account balance (the net change in liabilities exceeds the net change in financial assets) means a net credit inflow, i.e. a net foreign loan to Spain (increase in the debtor position or decrease in the creditor position).

7.2. THE SPANISH BALANCE OF PAYMENTS VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. FINANCIAL ACCOUNT (a)

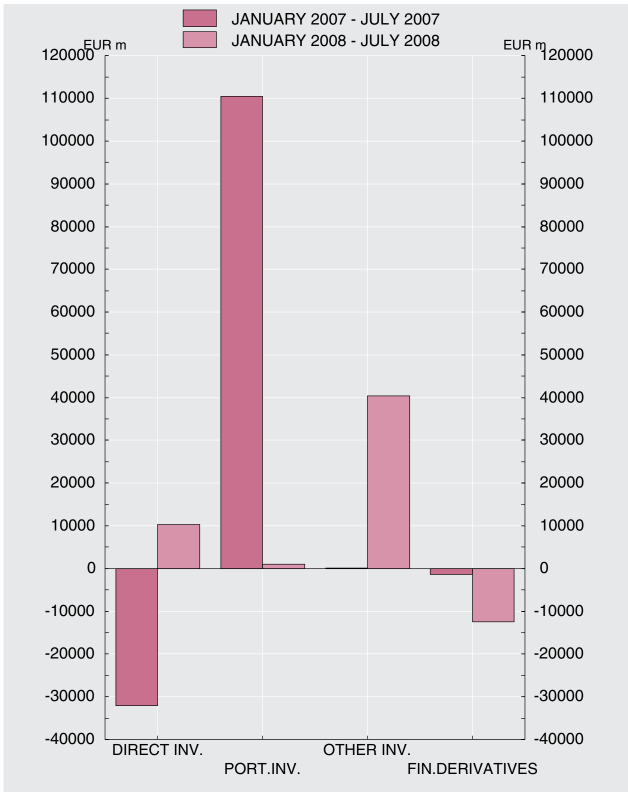
■ Series depicted in chart. *EUR millions*

			Total, excluding Banco de España											Banco de España			
		Financial account (NCL-NCA)	Total (NCL-NCA)	Direct investment: Balance (NCL-NCA)	Direct investment: Spanish investment abroad (NCA)	Direct investment: Foreign investment in Spain (NCL) (b)	Portfolio investment: Balance (NCL-NCA)	Portfolio investment: Spanish investment abroad (NCA)	Portfolio investment: Foreign investment in Spain (NCL) (c)	Other investment (d): Balance (NCL-NCA)	Other investment (d): Spanish investment abroad (NCA)	Other investment (d): Foreign investment in Spain (NCL)	Net financial derivatives (NCL-NCA)	Balance (NCL-NCA)	Reserves (e)	Net claims with the Eurosystem (e)	Other net assets (NCL-NCA)
		1=2+13 ■	2=3+6+9+12 ■	3=5-4 ■	4	5	6=8-7 ■	7	8	9=11-10 ■	10	11	12 ■	13=14+15+16 ■	14	15	16
05		60 818	62 932	-13 517	33 636	20 119	58 734	79 741	138 475	17 349	47 253	64 601	366	-2 114	1 439	14 855	-18 409
06		83 276	109 076	-58 479	79 913	21 434	200 030	-4 092	195 938	-34 393	68 601	34 208	1 919	-25 800	-480	-12 327	-12 993
07	P	97 633	83 311	-49 518	91 722	42 205	103 804	-8 250	95 554	35 718	58 566	94 284	-6 693	14 322	-164	28 329	-13 843
07 *J-J*	P	55 557	77 059	-32 122	45 945	13 823	110 444	14 420	124 863	163	46 899	47 063	-1 425	-21 503	-346	-10 390	-10 766
08 *J-J*	P	58 179	39 364	10 256	24 569	34 825	1 077	-5 585	-4 507	40 464	50 643	91 107	-12 432	18 815	119	16 641	2 054
07 *Apr*	P	7 326	21 097	-5 186	13 284	8 098	18 332	544	18 876	6 931	-12 283	-5 352	1 021	-13 771	-17	-12 813	-941
May	P	8 868	7 032	-11 072	13 469	2 397	10 194	5 424	15 618	8 713	5 339	14 052	-803	1 836	-29	3 622	-1 756
Jun	P	6 878	8 528	-3 020	2 377	-643	14 796	680	15 476	-3 136	11 275	8 139	-112	-1 650	-308	321	-1 663
Jul	P	8 834	10 943	-4 307	8 931	4 624	14 457	-2 630	11 827	2 734	8 430	11 164	-1 942	-2 109	-35	949	-3 023
Aug	P	9 778	-5 943	-759	-2 363	-3 123	-815	-3 505	-4 320	-4 445	7 060	2 615	76	15 721	-6	15 663	64
Sep	P	9 464	468	-7 926	8 301	376	7 039	-7 875	-837	2 673	10 239	12 912	-1 318	8 996	336	9 339	-679
Oct	P	9 282	7 834	-2 938	26 519	23 581	-14 957	-4 825	-19 782	29 085	-2 417	26 669	-3 357	1 448	-111	3 692	-2 132
Nov	P	9 257	2 062	-1 768	3 085	1 317	5 113	-4 795	318	-3 317	20 727	17 411	2 033	7 195	35	7 757	-596
Dec	P	4 295	1 831	-4 004	10 236	6 231	-3 020	-1 669	-4 690	11 559	-23 943	-12 385	-2 703	2 464	-71	2 268	266
08 *Jan*	P	10 145	4 642	10 407	4 609	15 016	-1 025	-13 006	-14 031	-3 319	34 044	30 725	-1 421	5 502	123	5 483	-104
Feb	P	9 687	9 485	-509	3 362	2 854	-12 466	10 504	-1 962	23 646	12 038	35 684	-1 186	201	-36	61	177
Mar	P	10 603	17 619	-4 178	3 245	-933	-15 047	1 409	-13 638	36 866	-40 633	-3 767	-22	-7 016	22	-7 297	259
Apr	P	4 628	-11 425	957	1 752	2 709	187	-1 938	-1 751	-10 120	20 169	10 050	-2 450	16 053	47	15 869	137
May	P	8 297	10 784	-2 307	3 846	1 539	15 762	-1 239	14 523	1 219	10 193	11 411	-3 889	-2 487	61	-3 443	894
Jun	P	8 870	10 159	7 372	3 796	11 168	6 396	-683	5 713	-1 955	13 871	11 915	-1 653	-1 289	87	-2 056	681
Jul	P	5 949	-1 901	-1 487	3 959	2 472	7 270	-633	6 638	-5 873	962	-4 911	-1 812	7 850	-184	8 024	10

FINANCIAL ACCOUNT (NCL-NCA)



FINANCIAL ACCOUNT, EXCLUDING BANCO DE ESPAÑA. Breakdown. (NCL-NCA)



Sources: BE. Data compiled in accordance with the IMF Balance of Payments Manual (5th edition).

a. Changes in assets (NCA) and changes in liabilities (NCL) are both net of repayments. A positive (negative) sign in NCA columns indicates an outflow (inflow) of foreign financing. A positive (negative) sign in NCL columns implies an inflow (outflow) of foreign financing.

b. This does not include direct investment in quoted shares, but does include portfolio investment in unquoted shares.

c. This includes direct investment in quoted shares, but does not include portfolio investment in unquoted shares. d. Mainly, loans, deposits and repos.

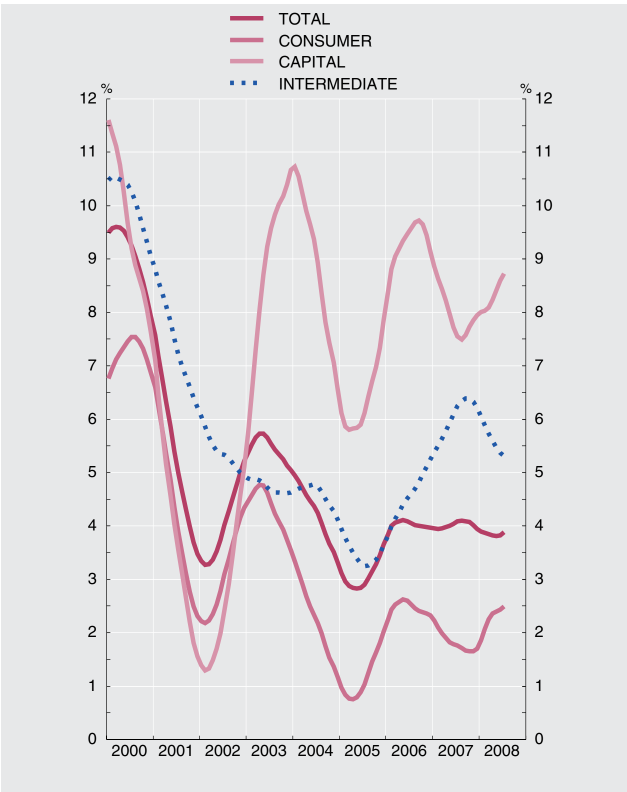
e. A positive (negative) sign indicates a decrease (increase) in the reserves and/or claims of the BE with the Eurosystem.

7.3. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD EXPORT AND DISPATCHES

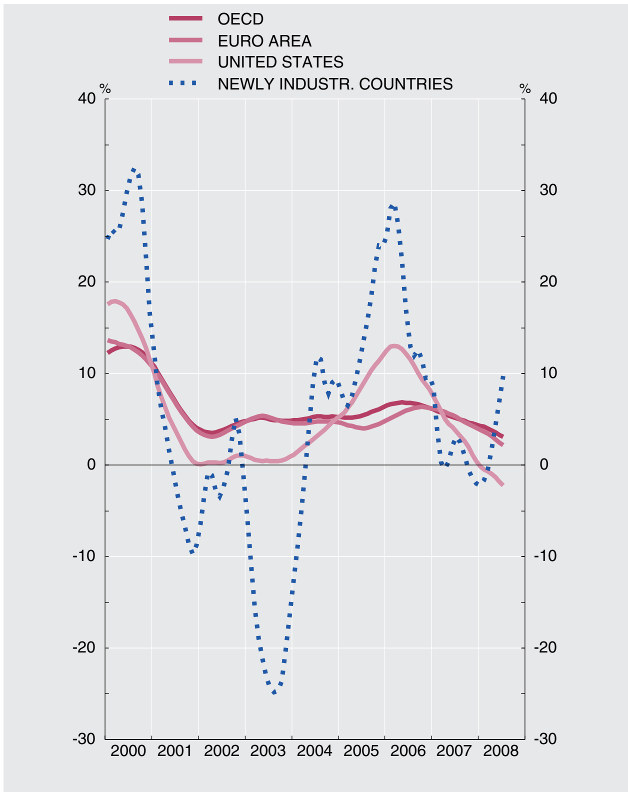
■ Series depicted in chart. *Eur millions and annual percentage changes*

	Total			By product (deflated data) (a)					By geographical area (nominal data)							
						Intermediate			EU 27		OECD					
	EUR millions	Nom-inal	De-flated (a)	Con-sumer	Capital	Total	Energy	Non-energy	Total	Euro Area	Total	of which: United States	OPEC	Other Amer-ican coun-tries	China	Newly industri-alised coun-tries
	1	2	3 ■	4 ■	5 ■	6 ■	7	8	9	10 ■	11 ■	12 ■	13	14	15	16 ■
03	138 119	3.6	5.2	4.2	11.9	4.8	24.7	3.9	4.5	5.1	3.8	-1.7	-5.4	2.2	38.2	-23.4
04	146 925	6.4	5.3	2.2	13.1	6.6	10.2	6.4	5.0	5.2	5.9	2.0	12.2	3.3	5.6	4.7
05	155 005	5.5	0.8	-0.9	5.3	1.4	-8.9	2.0	2.6	2.2	4.2	10.2	10.4	11.8	31.4	14.5
06	170 439	10.0	5.0	3.0	12.5	5.1	-5.0	5.6	8.1	7.7	8.4	17.7	1.2	34.5	12.8	16.5
07 P	181 479	6.9	4.2	0.1	-0.7	8.1	8.4	8.3	5.7	6.1	4.7	2.6	24.7	-3.6	27.4	5.1
07 *Jun*	16 110	6.0	2.0	-2.2	0.5	5.3	-3.3	5.6	3.4	3.1	4.2	24.3	14.2	22.0	-2.3	14.4
Jul	15 322	12.7	10.6	13.2	-5.8	12.2	15.5	12.0	12.7	13.8	11.7	9.4	27.7	-20.9	26.3	8.0
Aug	12 126	7.6	6.0	-3.8	-8.3	14.8	30.5	13.9	5.0	7.2	3.9	2.9	24.0	-38.6	20.1	9.0
Sep	14 903	5.8	3.4	-0.8	-1.2	7.1	8.6	7.1	0.0	-0.7	0.9	13.7	31.2	-17.4	67.3	-0.7
Oct	16 707	9.5	8.2	2.9	12.7	11.2	31.9	10.4	1.6	2.6	3.7	26.2	44.2	16.6	97.3	-1.5
Nov	16 568	9.7	8.2	-1.8	13.0	15.0	85.3	12.9	4.2	2.0	3.9	-2.4	95.7	7.1	33.5	-8.0
Dec	14 196	-2.4	-2.8	-11.6	-16.8	7.2	-15.8	8.7	4.6	2.5	1.1	-29.1	-6.4	-49.7	-10.0	7.1
08 *Jan*	14 928	6.9	3.0	-2.6	7.3	6.5	30.3	5.6	5.6	5.4	5.7	-7.4	8.3	-13.5	58.3	-17.5
Feb	16 621	11.9	7.3	9.7	-9.9	8.7	1.7	9.1	14.0	11.4	12.5	-5.7	25.1	-31.9	20.8	11.6
Mar	15 882	-2.6	-3.2	-1.8	-10.3	-3.1	44.6	-4.8	-2.2	-3.9	-4.6	-15.5	6.4	-3.7	1.7	-18.5
Apr	17 964	24.8	22.7	21.2	4.5	27.2	49.5	26.3	21.2	19.9	23.8	33.7	27.6	-16.6	45.2	8.8
May	16 621	3.8	3.2	4.9	1.3	2.4	18.8	1.8	2.3	1.8	1.0	12.0	51.2	-15.4	-1.5	4.2
Jun	15 464	-4.0	-4.8	-7.6	-12.2	-1.8	38.8	-3.3	-4.0	-2.9	-6.2	-25.4	10.7	-32.5	20.8	0.6
Jul	17 189	12.2	9.5	6.0	19.7	10.2	48.0	8.5	3.5	3.2	5.1	16.6	68.7	37.3	16.2	23.9

BY PRODUCT
Annual percentage changes (trend obtained with TRAMO-SEATS method)



BY GEOGRAPHICAL AREA
Annual percentage changes (trend obtained with TRAMO-SEATS method)



Sources: ME y BE.
Note: The underlying series for this indicator are in Tables 18.4 and 18.5 of the Boletín estadístico.
The monthly series are provisional data, while the annual series are the final foreign trade data.
a. Series deflated by unit value indices.

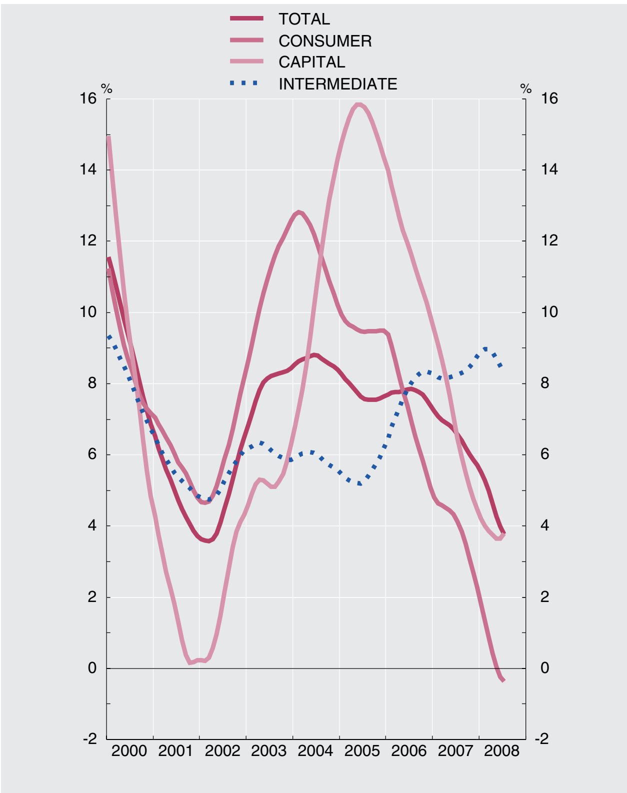
7.4. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD IMPORTS AND ARRIVALS

■ Series depicted in chart.

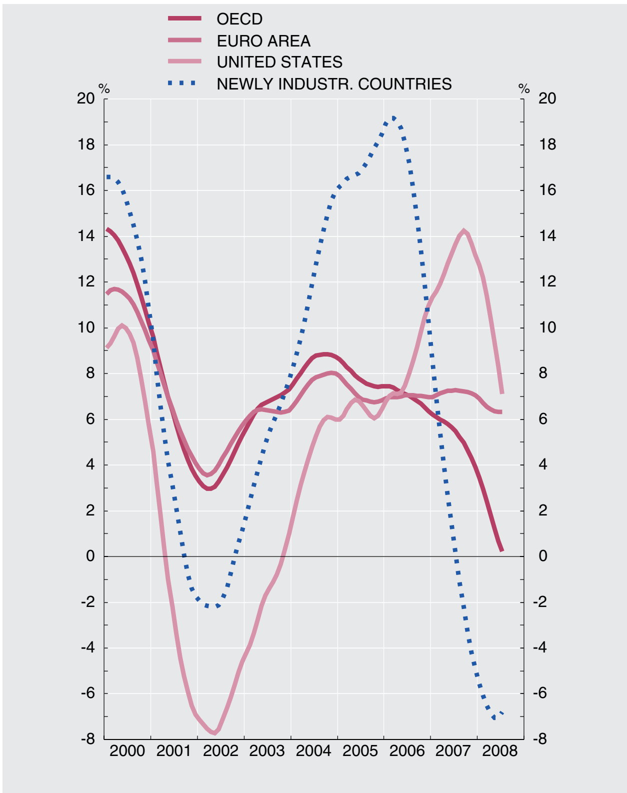
Eur millions and annual percentage changes

		Total			By product (deflated data) (a)					By geographical area (nominal data)							
							Intermediate			EU 27		OECD					
		EUR millions	Nom- inal	De- flated (a)	Con- sumer	Capital	Total	Energy	Non- energy	Total	Euro Area	Total	of which: United States	OPEC	Other Amer- ican coun- tries	China	Newly industri- alised coun- tries
		1	2	3 ■	4 ■	5 ■	6 ■	7	8	9	10 ■	11 ■	12 ■	13	14	15	16 ■
03		185 114	5.6	7.1	9.6	12.9	4.8	1.0	5.7	5.8	5.3	5.8	-4.8	1.9	12.9	16.6	1.1
04		208 411	12.6	9.9	13.5	14.4	7.3	10.6	6.5	9.9	10.0	11.3	9.3	12.8	7.9	26.8	14.6
05		232 954	11.8	6.4	8.4	17.6	3.4	10.9	1.5	5.6	5.3	6.1	-0.1	36.9	29.3	37.3	11.2
06		262 687	12.8	9.2	7.4	5.9	10.6	4.8	12.2	8.4	7.9	8.5	14.7	26.5	24.1	22.7	28.6
07	P	280 431	8.2	6.9	5.1	9.9	7.2	4.0	8.5	8.6	9.0	8.2	19.1	-4.7	5.9	31.2	-2.9
07 *Jun*		24 426	6.8	3.6	7.2	6.2	1.4	1.0	1.5	6.5	6.2	6.3	18.1	-2.4	3.3	19.0	13.7
Jul		23 983	15.4	13.4	15.0	0.6	14.8	10.6	15.8	13.8	15.0	15.1	4.1	-1.1	22.2	46.9	2.5
Aug		19 946	3.1	3.7	5.7	-6.2	4.3	-0.3	5.7	4.4	4.2	5.3	38.5	-14.2	1.6	34.0	-9.6
Sep		23 313	7.2	4.3	4.6	3.0	4.2	1.9	4.7	6.4	6.5	7.0	47.8	-2.1	19.3	24.5	7.4
Oct		26 017	9.9	7.7	9.2	6.8	7.2	2.6	8.3	9.6	10.3	9.6	61.0	3.2	1.4	27.8	-16.9
Nov		25 267	5.8	-0.6	-1.3	-1.8	-0.0	-4.4	0.9	6.9	7.0	5.3	12.2	-2.8	-5.4	29.8	-15.9
Dec		24 030	14.8	17.3	16.3	24.9	16.5	32.0	13.0	18.5	19.8	15.1	-2.3	11.5	-4.3	4.8	-1.6
08 *Jan*		24 080	11.5	5.8	-2.6	-18.3	14.1	33.7	9.6	1.7	3.8	6.4	32.5	51.4	7.7	24.3	-8.8
Feb		24 695	13.5	10.6	8.8	-4.1	13.6	1.5	16.5	13.3	13.7	12.9	36.2	13.6	-14.5	23.7	-9.9
Mar		25 484	5.7	4.8	-8.8	-23.4	16.7	57.2	8.2	-5.5	-6.6	-5.5	29.7	45.3	0.7	-2.8	-26.1
Apr		26 012	17.9	13.0	3.2	-6.6	20.5	29.3	18.6	11.3	10.9	10.0	13.5	35.6	42.0	34.7	6.9
May		24 585	2.7	-3.5	-6.5	-22.4	0.9	-4.0	2.0	-3.0	-1.5	-3.5	12.3	42.3	29.5	6.7	-24.6
Jun		24 126	-1.2	-4.2	-16.2	-19.5	3.7	17.0	1.0	-13.2	-14.4	-11.1	24.2	54.3	24.6	13.5	-24.3
Jul		25 201	5.1	0.1	-4.0	-7.8	3.0	22.2	-1.2	-5.4	-7.4	-5.6	22.5	35.5	31.6	15.8	-17.9

BY PRODUCTS
Annual percentage changes (trend obtained with TRAMO SEATS method)



BY GEOGRAPHICAL AREA
Annual percentage changes (trend obtained with TRAMO-SEATS method)



Sources: ME y BE.
Note: The underlying series for this indicator are in Tables 18.2 and 18.3 of the Boletín estadístico.
The monthly series are provisional data, while the annual series are the final foreign trade data.
a. Series deflated by unit value indices .

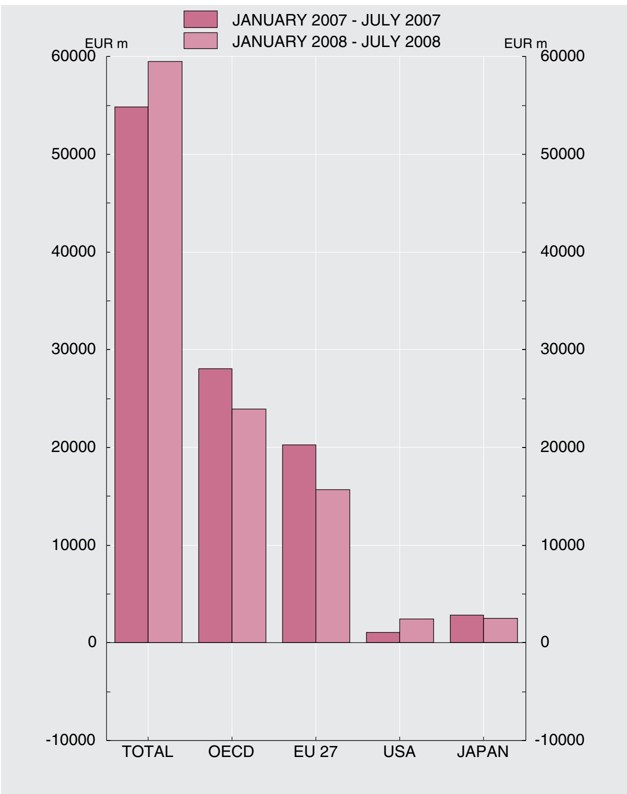
7.5. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD. TRADE BALANCE. GEOGRAPHICAL DISTRIBUTION

■ Series depicted in chart.

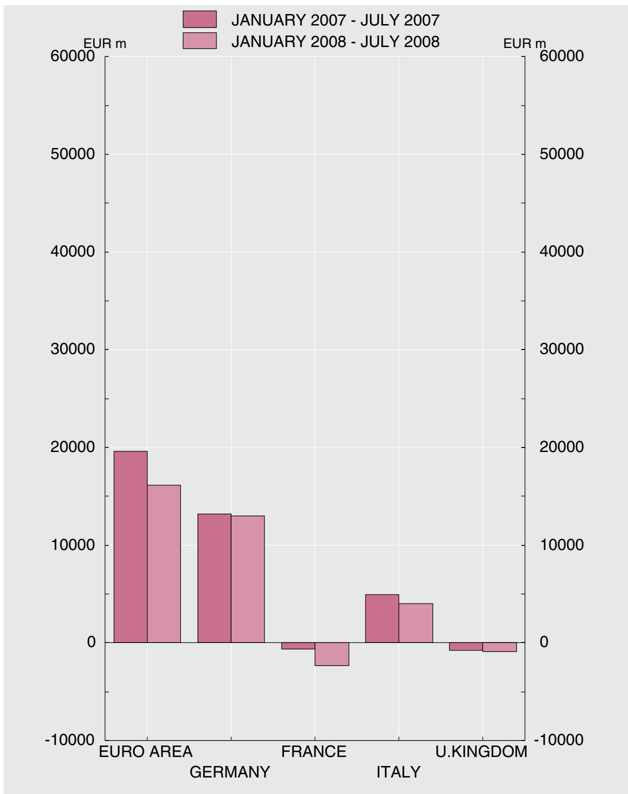
EUR millions

	World total	European Union (EU 27)								OECD			OPEC	Other American countries	China	Newly industrialised countries
		Total	Euro area					Other EU 27		Total	Of which:					
			Total	Of which:				Total	Of which:		United States	Japan				
				Germany	France	Italy			United Kingdom							
	1 ■	2 ■	3 ■	4 ■	5 ■	6 ■		7	8 ■	9 ■	10 ■	11 ■	12	13	14	15
02	-42 000	-16 786	-18 192	-12 970	-3 436	-3 312		1 406	1 430	-24 004	-1 416	-3 224	-7 771	-897	-4 975	-2 176
03	-46 995	-19 057	-19 307	-13 731	-3 239	-3 517		250	1 035	-27 616	-1 170	-3 855	-8 187	-1 467	-5 629	-2 600
04	-61 486	-25 991	-25 298	-16 282	-3 353	-5 671		-693	472	-36 990	-1 692	-4 583	-9 253	-1 784	-7 369	-3 104
05	-77 950	-30 703	-29 334	-16 749	-3 112	-6 938		-1 369	-210	-41 592	-1 092	-4 769	-13 683	-3 089	-10 182	-3 411
06	-92 249	-33 547	-31 868	-18 689	-1 625	-7 184		-1 679	294	-45 357	-1 062	-4 652	-18 384	-3 316	-12 647	-4 564
07 P	-98 952	-38 583	-36 711	-22 949	-441	-8 919		-1 872	456	-52 074	-2 358	-4 708	-15 816	-4 025	-16 583	-4 349
07 *J-J*	-54 878	-20 277	-19 577	-13 186	612	-4 926		-700	764	-28 070	-1 071	-2 827	-9 039	-1 683	-9 019	-2 630
08 *J-J*	-59 514	-15 652	-16 140	-12 972	2 318	-4 049		488	872	-23 926	-2 442	-2 502	-12 992	-3 143	-10 430	-2 035
07 *Jul*	-8 661	-3 195	-3 195	-2 052	102	-881		1	132	-4 458	-184	-368	-1 437	-390	-1 541	-361
Aug	-7 820	-2 994	-2 643	-1 355	-203	-731		-350	-142	-4 070	-196	-352	-1 330	-382	-1 590	-250
Sep	-8 410	-3 159	-2 978	-1 934	-45	-728		-182	5	-4 396	-242	-341	-1 343	-674	-1 536	-357
Oct	-9 310	-3 758	-3 518	-2 132	17	-849		-240	-94	-5 072	-346	-476	-1 513	-510	-1 529	-340
Nov	-8 699	-3 595	-3 467	-2 130	-102	-807		-127	-11	-4 801	-313	-396	-921	-441	-1 747	-386
Dec	-9 835	-4 800	-4 527	-2 212	-720	-878		-273	-66	-5 665	-190	-317	-1 669	-335	-1 163	-386
08 *Jan*	-9 152	-1 863	-1 834	-1 546	367	-542		-29	73	-3 358	-438	-406	-2 163	-509	-1 711	-339
Feb	-8 074	-2 587	-2 873	-2 110	46	-608		286	335	-3 824	-376	-361	-1 329	-273	-1 513	-279
Mar	-9 602	-2 251	-2 356	-1 716	174	-574		104	220	-3 579	-468	-437	-1 891	-447	-1 156	-251
Apr	-8 048	-2 673	-2 646	-2 022	335	-650		-27	130	-3 427	-279	-378	-1 597	-387	-1 396	-302
May	-7 963	-2 153	-2 355	-2 116	553	-490		203	160	-3 458	-304	-365	-1 771	-516	-1 405	-257
Jun	-8 662	-2 064	-2 037	-1 726	366	-417		-27	-40	-3 386	-310	-378	-2 434	-523	-1 467	-373
Jul	-8 012	-2 061	-2 040	-1 736	477	-769		-21	-5	-2 895	-266	-179	-1 808	-488	-1 783	-234

CUMULATIVE TRADE DEFICIT



CUMULATIVE TRADE DEFICIT



Source: ME.
Note: The underlying series for this indicator are in Tables 18.3 and 18.5 of the Boletín Estadístico.
The monthly series are provisional data, while the annual series are the final foreign trade data.

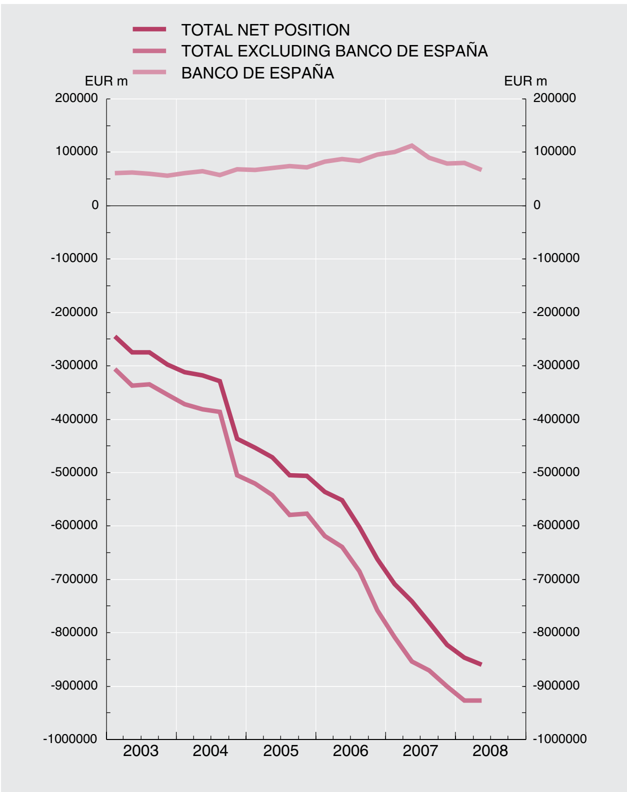
7.6. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD SUMMARY

■ Series depicted in chart.

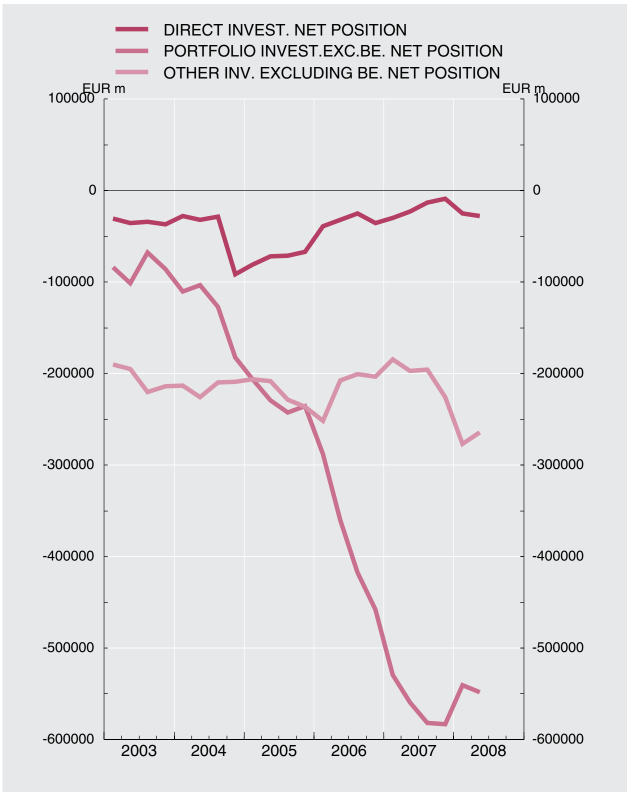
End-of-period stocks in EUR billions

	Net international investment position (assets-liabil.)	Total excluding Banco de España											Banco de España			
		Net position excluding Banco de España (assets - liabil.)	Direct investment			Portfolio investment			Other investment			Financial derivatives Net position (assets-liabil.)	Banco de España Net position (assets-liabil.)	Reserves	Net assets vis-à-vis the Euro-system	Other net assets (assets-liabil.)
			Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)	Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)	Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)					
	1=2+13 ■	2=3+6+9+12 ■	3=4-5 ■	4	5	6=7-8 ■	7	8	9=10-11 ■	10	11		13=14to16 ■	14	14	15
00	-160.1	-244.1	12.2	180.2	168.0	-117.0	193.7	310.7	-139.3	166.4	305.8	...	84.0	38.2	45.3	0.4
01	-188.0	-256.4	16.3	217.5	201.1	-100.4	232.6	333.1	-172.3	172.5	344.8	...	68.5	38.9	29.2	0.4
02 R	-236.0	-296.6	-22.1	223.1	245.2	-105.7	256.8	362.5	-168.9	197.4	366.3	-	60.6	38.4	22.7	-0.4
03	-297.7	-353.8	-37.4	231.6	268.9	-102.3	319.8	422.0	-214.2	204.0	418.1	-	56.1	21.2	18.3	16.6
04	-436.4	-504.5	-91.9	207.2	299.1	-203.2	359.3	562.5	-209.4	222.2	431.6	-	68.1	14.5	31.9	21.7
05 *Q2*	-471.6	-541.8	-71.8	235.9	307.7	-261.4	390.8	652.2	-208.5	254.9	463.4	-	70.2	13.7	22.0	34.5
Q3	-505.3	-578.9	-71.1	240.4	311.5	-278.9	417.7	696.6	-228.9	254.7	483.6	-	73.6	14.0	21.2	38.4
Q4	-505.5	-577.2	-67.1	258.9	326.0	-273.6	454.7	728.4	-236.5	268.2	504.7	-	71.7	14.6	17.1	40.1
06 *Q1*	-535.8	-618.2	-39.4	287.9	327.3	-327.1	476.7	803.8	-251.7	285.2	536.9	-	82.4	15.4	26.8	40.3
Q2	-551.4	-638.7	-31.8	301.5	333.3	-399.2	444.3	843.5	-207.6	300.6	508.3	-	87.3	14.6	32.2	40.5
Q3	-601.9	-685.2	-25.4	317.7	343.0	-459.1	447.7	906.8	-200.8	315.4	516.2	-	83.4	15.0	25.4	43.0
Q4	-661.9	-757.6	-35.7	316.2	351.9	-508.9	455.7	964.6	-203.4	327.3	530.7	-9.6	95.7	14.7	29.4	51.6
07 *Q1*	-708.3	-808.7	-30.2	321.6	351.8	-582.4	461.0	1 043.3	-184.8	360.9	545.7	-11.3	100.4	14.0	31.9	54.5
Q2	-741.4	-853.5	-22.9	350.9	373.7	-617.2	471.0	1 088.2	-197.5	364.8	562.3	-15.9	112.1	12.9	40.7	58.5
Q3	-780.9	-870.5	-13.2	361.9	375.1	-643.4	455.2	1 098.6	-196.0	387.4	583.4	-17.9	89.6	12.5	14.8	62.4
Q4	-822.1	-901.1	-8.9	400.6	409.5	-647.6	443.3	1 090.8	-225.8	382.8	608.5	-18.8	78.9	12.9	1.1	64.9
08 *Q1*	-846.6	-927.2	-25.0	401.5	426.4	-604.9	413.9	1 018.8	-276.6	383.2	659.9	-20.7	80.6	13.0	2.8	64.8
Q2	-859.3	-926.5	-28.0	413.5	441.6	-610.3	399.6	1 009.9	-264.7	420.5	685.2	-23.4	67.2	12.7	-7.5	62.0

INTERNATIONAL INVESTMENT POSITION



COMPONENTS OF THE POSITION



Source: BE.

Note: As from December 2002, portfolio investment data have been calculated using a new information system (see Banco de España Circular 2/2001 and note on changes introduced in the economic indicators). The incorporation of the new data under the heading 'shares and mutual funds' of other resident sectors entails a very significant break in the time series, both in the financial assets and the liabilities, so that the series have been revised back to 1992. This methodological change introduced by the new system also affects the rest of the headings, to some extent, but the effect does not justify a complete revision of the series.

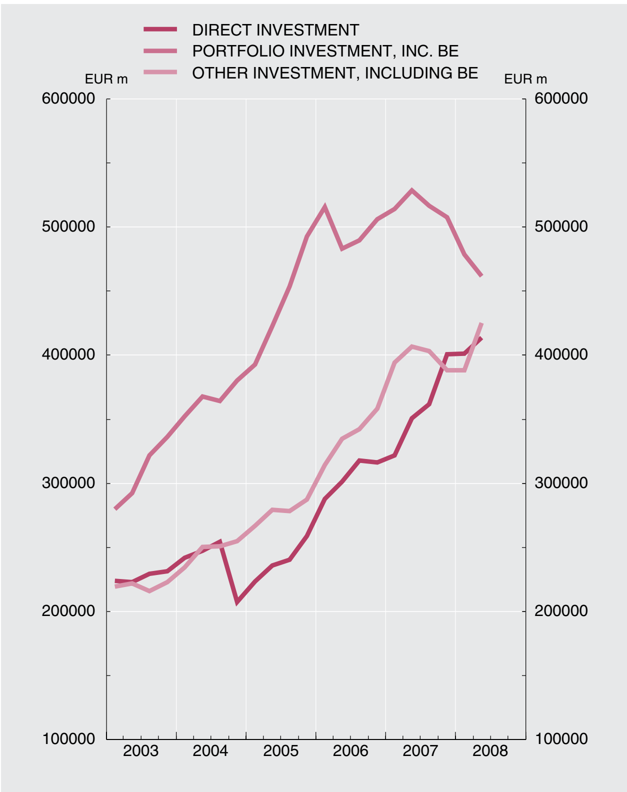
7.7. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-à-VIS OTHER EURO AREA RESIDENTES AND THE REST OF THE WORLD BREAKDOWN BY INVESTMENT

■ Series depicted in chart.

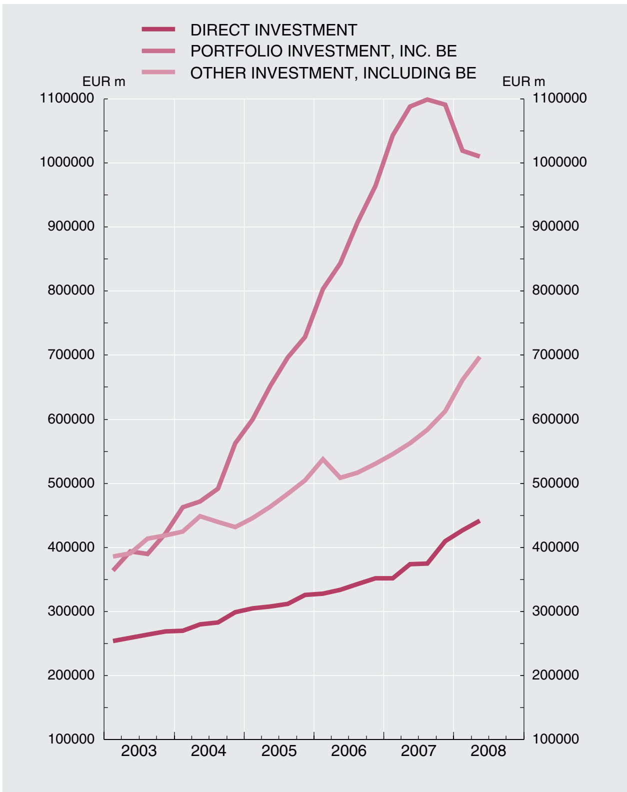
End-of-period stocks in EUR millions

	Direct investment				Portfolio investment, including Banco de España				Other investment, including Banco de España		Financial derivatives	
	Spanish investment abroad		Foreign investment in Spain		Spanish investment abroad		Foreign investment in Spain		Spanish investment abroad	Foreign investment in Spain	Spanish investment abroad	Foreign investment in Spain
	Shares and other equities	Intercompany debt transactions	Shares and other equities	Intercompany debt transactions	Shares and mutual funds	Debt securities	Shares and mutual funds	Debt securities				
	1	2	3	4	5	6	7	8	9 ■	10 ■	11	12
00	167 151	13 095	142 844	25 182	83 918	109 764	147 521	163 138	212 159	305 778	...	...
01	197 233	20 231	164 360	36 768	74 596	158 052	144 151	188 925	202 099	344 845	...	...
02 R	206 268	16 815	194 711	50 456	50 712	206 581	116 967	245 492	220 483	367 646	-	-
03	217 086	14 477	207 096	61 828	62 677	273 344	147 878	274 166	222 670	418 202	-	-
04	189 622	17 627	231 649	67 501	78 053	302 067	183 211	379 279	254 992	431 651	-	-
05 *Q2*	214 859	21 031	238 398	69 311	83 676	339 219	178 505	473 699	279 362	463 496	-	-
Q3	218 375	22 071	238 869	72 671	93 654	360 155	204 334	492 267	278 226	483 662	-	-
Q4	236 769	22 133	250 641	75 322	104 157	388 472	197 347	531 035	287 551	504 831	-	-
06 *Q1*	269 390	18 489	252 911	74 391	119 452	395 944	214 645	589 149	314 147	537 453	-	-
Q2	279 487	22 009	259 513	73 829	122 047	361 127	206 547	636 951	334 801	508 589	-	-
Q3	296 551	21 121	263 163	79 872	126 170	363 383	232 494	674 271	342 224	516 474	-	-
Q4	293 477	22 720	271 454	80 448	133 193	373 001	245 683	718 897	358 033	530 980	32 973	42 569
07 *Q1*	300 802	20 786	274 050	77 756	140 704	373 512	256 533	786 784	394 279	545 991	33 197	44 487
Q2	335 434	15 423	289 106	84 628	153 730	374 852	269 506	818 657	406 888	562 728	39 921	55 856
Q3	340 645	21 250	293 224	81 891	142 095	374 617	273 560	825 065	403 281	583 644	44 181	62 069
Q4	375 023	25 606	319 924	89 577	134 762	372 789	286 207	804 620	387 983	612 075	44 642	63 487
08 *Q1*	375 363	26 089	340 355	86 053	100 981	377 430	238 021	780 731	388 188	661 712	53 297	74 001
Q2	386 308	27 228	351 736	89 845	95 777	365 842	219 644	790 275	425 276	697 482	58 579	82 016

SPANISH INVESTMENT ABROAD



FOREIGN INVESTMENT IN SPAIN



Source: BE.
Note: See footnote to Indicator 7.6

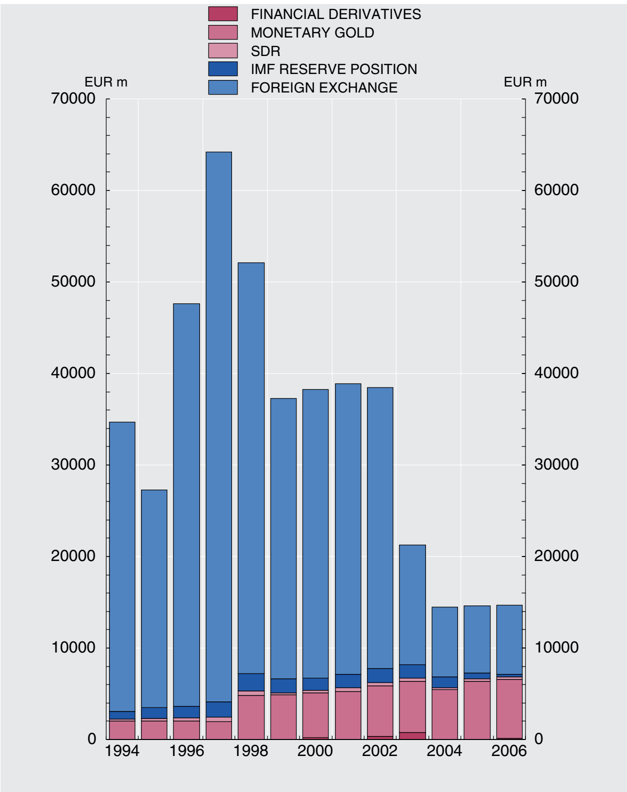
7.8. SPANISH RESERVE ASSETS

■ Series depicted in chart.

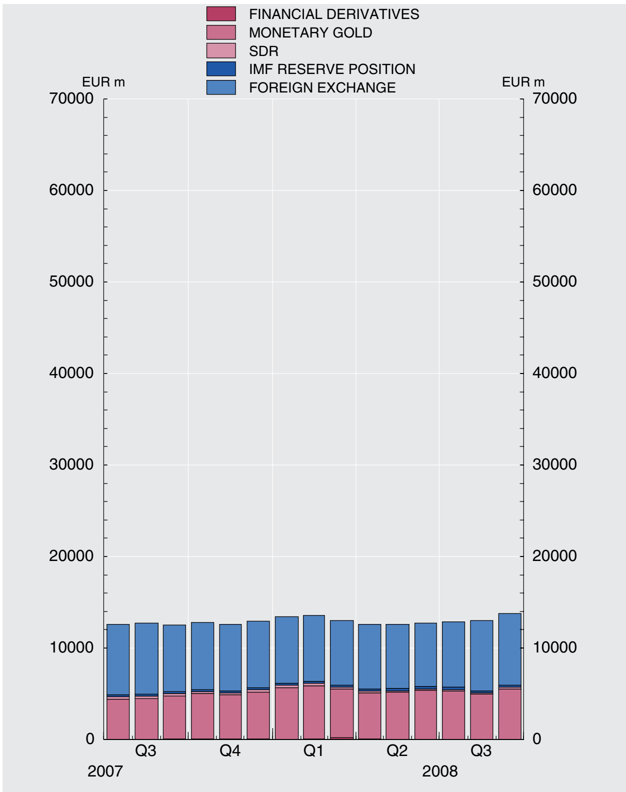
End-of-period stocks in EUR millions

	Reserve assets						Memorandum item: gold
	Total 1	Foreign exchange 2 ■	Reserve position in the IMF 3 ■	SDRs 4 ■	Monetary gold 5 ■	Financial derivatives 6 ■	Millions of troy ounces 7
02	38 431	30 695	1 518	337	5 500	382	16.8
03	21 229	13 073	1 476	328	5 559	793	16.8
04	14 505	7 680	1 156	244	5 411	15	16.8
05	14 601	7 306	636	281	6 400	-21	14.7
06	14 685	7 533	303	254	6 467	127	13.4
07 *Apr*	13 232	7 252	252	249	5 379	100	10.8
May	12 696	7 332	281	243	4 829	11	9.9
Jun	12 873	7 616	281	244	4 732	0	9.9
Jul	12 572	7 647	261	246	4 397	20	9.1
Aug	12 734	7 764	249	245	4 460	16	9.1
Sep	12 493	7 227	245	241	4 711	69	9.1
Oct	12 791	7 314	230	240	4 948	60	9.1
Nov	12 559	7 221	225	236	4 809	68	9.1
Dec	12 946	7 285	218	252	5 145	46	9.1
08 *Jan*	13 450	7 316	218	255	5 630	31	9.1
Feb	13 586	7 222	216	253	5 795	101	9.1
Mar	12 976	7 021	211	189	5 367	189	9.1
Apr	12 568	7 045	204	190	5 070	59	9.1
May	12 598	7 029	245	176	5 166	-18	9.1
Jun	12 709	6 921	233	175	5 357	23	9.1
Jul	12 887	7 169	234	172	5 314	-1	9.1
Aug	12 987	7 638	233	155	5 128	-168	9.1
Sep	13 806	7 857	238	159	5 678	-126	9.1

RESERVE ASSETS
END-OF-YEAR POSITIONS



RESERVE ASSETS
END-OF-MONTH POSITIONS



Source: BE.
Note: From January 1999 the assets denominated in euro and other currencies vis-à-vis residents of other euro area countries are not considered reserve assets. To December 1998, data in pesetas have been converted to euro using the irrevocable euro conversion rate. Since January 1999, all reserve assets are valued at market prices. As of January 2000 reserve assets data have been compiled in accordance with the IMF´s new methodological guidelines published in the document 'International Reserves and Foreign Currency Liquidity
Guidelines for a Data Template', October 2001 (http://dsbb.imf.org/Applications/web/sddsguide). Using this new definition, total reserve assets as at 31.12.99 would have been EUR 37835 million instead of the ammount of EUR 37288 million published in this table.

7.9. SPAIN'S EXTERNAL DEBT VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. SUMMARY

End-of-period positions *EUR millions*

	Total	General government						Other monetary financial institutions				
		Total	Short-term		Long-term			Total	Short-term		Long-term	
			Money market instruments	Loans	Bonds and notes	Loans	Trade credits		Money market instruments	Deposits	Bonds and notes	Deposits
	1	2	3	4	5	6	7	8	9	10	11	12
04 *Q2*	859 825	186 801	3 200	428	170 051	13 121	-	430 763	353	207 118	84 615	138 676
Q3	870 725	192 431	2 873	1 755	174 457	13 346	-	427 166	362	198 299	92 532	135 974
Q4	906 924	202 222	2 776	705	181 878	16 864	-	431 337	301	194 245	104 720	132 071
05 *Q1*	958 055	204 834	2 513	1 024	183 038	18 259	-	460 500	467	202 197	125 535	132 301
Q2	1 038 214	213 939	2 110	437	194 059	17 333	-	490 258	587	232 191	139 670	117 810
Q3	1 080 328	213 370	3 088	1 424	191 719	17 139	-	517 879	400	264 976	150 727	101 776
Q4	1 144 447	213 412	2 465	65	192 798	18 085	-	548 891	981	276 566	164 457	106 887
06 *Q1*	1 238 547	214 078	4 628	14	191 300	18 135	-	589 522	1 003	295 771	193 633	99 115
Q2	1 258 074	213 343	3 620	348	191 381	17 995	-	580 901	2 186	268 475	208 797	101 443
Q3	1 307 710	214 178	6 070	1 472	188 569	18 066	-	602 346	5 274	267 202	225 647	104 224
Q4	1 369 911	215 581	4 836	665	191 871	18 209	-	622 804	6 252	277 169	236 038	103 344
07 *Q1*	1 460 794	219 410	4 901	40	195 781	18 688	-	658 078	11 331	295 511	252 211	99 026
Q2	1 521 801	215 158	5 446	444	190 503	18 765	-	684 725	11 316	294 386	269 682	109 341
Q3	1 541 178	207 164	4 820	1 326	182 455	18 564	-	707 003	15 079	308 877	273 907	109 139
Q4	1 560 447	197 853	4 505	875	173 414	19 059	-	723 912	16 802	327 376	265 459	114 275
08 *Q1*	1 585 473	194 437	6 451	553	167 692	19 741	-	767 428	19 368	380 511	256 256	111 293
Q2	1 636 873	196 530	5 709	155	170 922	19 744	-	791 485	20 093	399 577	258 407	113 409

7.9. (CONT.) SPAIN'S EXTERNAL DEBT VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. SUMMARY

End-of-period positions *EUR millions*

	Monetary authority		Other residents sectors								Direct investment		
	Total	Short-term	Total	Short-term			Long-term				Total	Vis-à-vis	
		Deposits		Money market instruments	Loans	Other liabilities	Bonds and notes	Loans	Trade credits	Other liabilities		Direct investors	Subsidiaries
	13	14	15	16	17	18	19	20	21	22	23	24	25
04 *Q2*	1	1	152 757	2 561	18 246	229	61 378	69 314	403	625	89 504	37 429	52 075
Q3	0	0	160 970	3 312	18 630	634	67 310	70 153	393	537	90 157	37 826	52 331
Q4	16	16	177 355	4 043	19 005	1 175	85 561	66 675	414	482	95 994	38 687	57 307
05 *Q1*	0	0	194 559	4 274	20 471	787	98 620	69 232	387	788	98 161	39 449	58 712
Q2	71	71	232 928	3 839	19 803	1 569	133 435	73 111	384	788	101 020	41 447	59 573
Q3	42	42	244 638	3 401	19 164	1 636	142 932	76 503	356	646	104 399	42 506	61 893
Q4	126	126	273 437	3 380	17 817	996	166 955	83 404	358	527	108 581	43 547	65 034
06 *Q1*	535	535	322 467	2 905	19 460	408	195 679	102 876	360	1 139	111 945	46 934	65 011
Q2	328	328	350 967	4 283	18 444	330	226 684	100 265	352	961	112 534	47 590	64 944
Q3	316	316	373 904	4 641	22 235	830	244 071	101 210	348	918	116 965	51 034	65 932
Q4	281	281	411 212	4 786	22 925	694	275 114	107 138	338	555	120 034	49 496	70 537
07 *Q1*	322	322	454 965	5 303	21 611	541	317 258	109 319	334	932	128 019	49 859	78 160
Q2	423	423	481 079	5 418	27 003	1 054	336 291	110 290	331	1 022	140 416	50 248	90 167
Q3	277	277	494 265	2 153	22 188	837	346 652	121 441	339	994	132 469	51 901	80 568
Q4	3 550	3 550	491 381	201	20 324	277	344 239	125 648	330	692	143 752	54 737	89 015
08 *Q1*	1 855	1 855	478 724	827	19 821	401	330 137	126 909	319	628	143 029	55 876	87 153
Q2	12 326	12 326	487 416	5 749	21 325	1 254	329 396	129 063	316	628	149 116	60 777	88 339

Source: BE.

8.1.a CONSOLIDATED BALANCE SHEET OF THE EUROSYSTEM. NET LENDING TO CREDIT INSTITUTIONS AND ITS COUNTERPARTS

Average of daily data, EUR millions

	Net lending in euro							Counterparts						
	Total	Open market operations				Standing facilities		Autonomous factors					Actual reserves of credit institutions
		Main refinancing operations	Longer-term refinancing operations	Fine-tuning reverse operations (net)	Structural reverse operations (net)	Marginal lending facility	Deposit facility	Total	Banknotes	Deposits to general government	Gold and net assets in foreign currency	Other assets (net)	
	1=2+3+4 +5+6-7	2	3	4	5	6	7	8=9+10 -11-12	9	10	11	12	13
07 *Apr*	434 241	285 048	150 001	-1 180	-	667	295	251 756	619 122	54 077	326 081	95 363	182 485
May	433 184	283 588	149 999	-107	-	257	553	249 131	622 961	50 066	326 289	97 607	184 053
Jun	437 672	288 001	150 003	-300	-	223	254	250 320	628 080	50 988	326 083	102 665	187 353
Jul	452 764	302 818	150 003	114	-	138	308	259 984	637 586	54 551	316 884	115 269	192 780
Aug	452 514	282 934	160 437	9 185	-	238	280	253 724	640 337	47 773	317 108	117 278	198 790
Sep	453 016	219 501	235 000	-888	-	321	918	262 862	636 467	63 672	317 895	119 383	190 154
Oct	442 998	183 479	265 003	-4 978	-	152	658	252 295	639 176	60 888	327 814	119 954	190 703
Nov	439 982	171 319	270 460	-1 261	-	108	645	242 541	640 840	55 191	327 447	126 042	197 440
Dec	467 813	259 094	274 422	-65 014	-	314	1 003	260 023	663 813	51 566	331 310	124 047	207 790
08 *Jan*	438 306	191 905	268 486	-21 373	-	199	911	245 582	658 002	52 664	354 557	110 527	192 724
Feb	443 028	175 548	268 494	-762	-	158	410	238 533	651 786	52 814	348 531	117 537	204 496
Mar	470 375	198 667	268 696	3 286	-	196	470	254 680	659 638	68 872	341 404	132 425	215 695
Apr	458 583	166 978	292 729	-676	-	111	558	258 599	662 688	74 650	360 191	118 549	199 984
May	462 508	171 819	291 841	-1 068	-	172	256	255 055	670 599	65 643	370 568	110 619	207 453
Jun	460 645	182 477	278 839	-667	-	304	308	245 546	674 406	64 832	376 972	116 720	215 099
Jul	458 121	166 956	292 400	-634	-	56	657	250 649	683 700	63 596	374 744	121 903	207 473
Aug	462 440	163 524	300 014	-1 000	-	90	188	247 021	686 797	58 194	376 096	121 875	215 420
Sep	471 362	166 660	305 321	6 584	-	2 284	9 487	241 752	682 161	55 504	392 028	103 885	229 611

8.1.b BALANCE SHEET OF THE BANCO DE ESPAÑA. NET LENDING TO CREDIT INSTITUTIONS AND ITS COUNTERPARTS

Average of daily data, EUR millions

	Net lending in euro							Counterparts								
	Total	Open market operations				Standing facilities		Intra-ESCB		Autonomous factors					Actual reserves of credit institutions
		Main refinancing operations	Longer-term refinancing operations	Fine-tuning reserve operations (net)	Structural reserve operations (net)	Marginal lending facility	Deposit facility	Target	Rest	Total	Banknotes	Deposits to general government	Gold and net assets in foreign currency	Other assets (net)	
	14=15+16 +17+18 +19-20	15	16	t 17	18	19	20	21	22	23=24+25 -26-27	24	25	26	27	28
07 *Apr*	19 144	15 571	3 876	-232	-	-	72	-26 289	-4 787	29 797	85 050	17 924	10 255	62 922	20 423
May	20 280	16 315	3 997	-	-	0	32	-32 805	-4 787	38 502	84 242	26 822	9 691	62 870	19 370
Jun	18 244	15 824	2 419	-	-	-	0	-34 802	-4 787	37 642	84 836	27 165	9 180	65 180	20 191
Jul	18 325	15 804	2 520	2	-	-	2	-27 106	-4 787	29 122	85 999	20 438	8 477	68 837	21 095
Aug	18 180	15 657	2 341	183	-	-	1	-24 045	-4 787	25 767	85 141	18 069	8 312	69 131	21 245
Sep	20 942	12 319	8 673	-49	-	-	1	-17 669	-4 787	23 288	83 558	17 363	8 210	69 423	20 111
Oct	35 401	18 311	17 821	-734	-	3	0	-5 873	-4 787	24 122	82 899	20 605	8 430	70 952	21 938
Nov	40 374	19 314	21 172	-90	-	-	21	291	-4 787	24 657	81 859	23 257	8 463	71 996	20 214
Dec	44 088	33 527	18 781	-8 202	-	-	17	4 278	-4 787	20 766	84 039	17 913	9 107	72 079	23 831
08 *Jan*	39 645	28 261	14 356	-2 957	-	22	37	4 993	-4 787	18 104	82 646	18 048	11 174	71 416	21 336
Feb	44 170	24 201	20 086	-115	-	1	3	7 985	-4 787	18 829	80 774	19 962	9 836	72 071	22 143
Mar	44 173	21 534	22 480	161	-	-	2	6 549	-4 787	18 842	81 638	19 314	9 313	72 798	23 569
Apr	47 940	18 749	29 240	-27	-	-	23	12 728	-4 787	17 878	80 339	20 191	9 608	73 045	22 121
May	47 981	20 386	27 966	-373	-	3	0	9 119	-4 787	19 386	79 609	22 623	10 697	72 149	24 263
Jun	47 077	19 627	27 534	-59	-	27	51	8 300	-4 787	19 006	79 207	23 987	11 228	72 960	24 559
Jul	49 384	15 745	33 727	-77	-	0	11	18 770	-4 787	11 374	79 782	16 554	12 134	72 828	24 027
Aug	46 741	12 338	34 467	-62	-	0	1	20 634	-4 787	6 400	78 759	13 276	12 171	73 465	24 495
Sep	49 144	10 689	38 695	204	-	50	493	21 118	-4 787	5 006	76 660	14 077	11 885	73 846	27 807

Sources: ECB for Table 8.1.a and BE for Table 8.1.b.

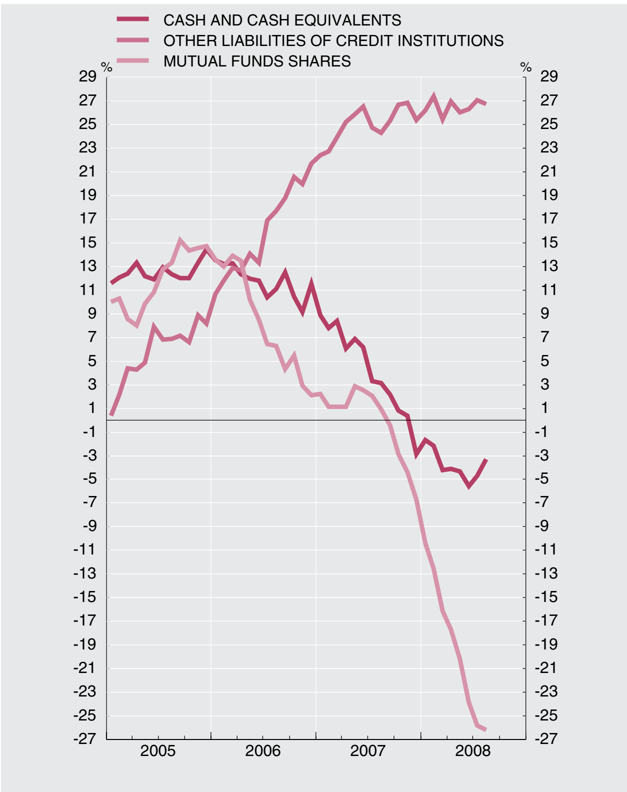
8.2 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

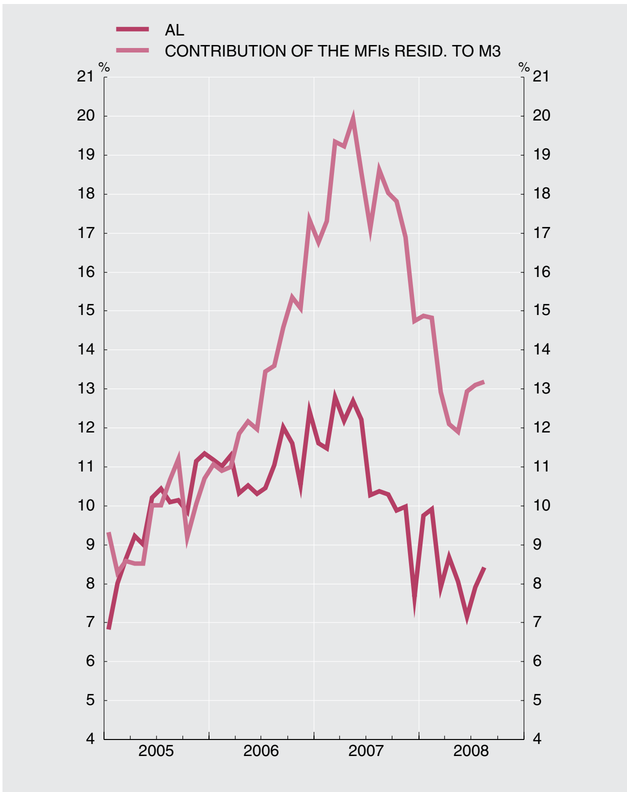
EUR millions and %

	Cash and cash equivalents				Other liabilities of credit institutions					Mutual funds shares				Memorandum items	
	Stocks	12-month % change	12-m. % change		Stocks	12 month % change	12-month % change			Stocks	12-month % change	12-month % change		12-month % change	
			Cash	Deposits (b)			Other deposits (c)	Repos + credit institutions' securities	Deposits in branches abroad			Fixed income in EUR (d)	Other	AL (e)	Contribution of the MFIs resid. to M3
	1	2 ■	3	4	5	6 ■	7	8	9	10	11 ■	12	13	14 ■	15 ■
05	459 550	14.4	16.1	14.0	300 683	8.2	10.5	-3.8	6.8	220 195	14.7	7.6	22.3	11.3	10.7
06	512 581	11.5	9.9	11.9	365 945	21.7	22.8	21.6	0.9	224 851	2.1	-10.1	13.5	12.4	17.3
07	497 913	-2.9	2.3	-4.1	458 887	25.4	29.8	7.4	-10.7	209 767	-6.7	-3.9	-8.8	7.7	14.7
07 *May*	498 634	6.9	7.5	6.7	404 270	25.9	28.0	15.6	17.9	230 548	2.9	-2.9	7.4	12.7	19.9
Jun	516 830	6.2	7.0	6.0	413 757	26.5	28.5	20.4	5.4	229 715	2.6	-5.3	8.9	12.2	18.6
Jul	502 872	3.3	6.1	2.6	416 149	24.8	27.0	16.0	8.3	227 973	2.1	-4.3	7.1	10.3	17.1
Aug	491 707	3.1	6.7	2.3	423 736	24.3	26.3	16.1	10.5	227 517	0.9	-2.4	3.6	10.4	18.6
Sep	501 220	2.2	5.6	1.4	430 194	25.4	27.9	13.5	12.1	223 556	-0.4	-1.7	0.6	10.3	18.0
Oct	485 437	0.8	4.9	-0.2	440 112	26.7	29.8	12.5	5.6	220 368	-2.8	-5.0	-1.2	9.9	17.8
Nov	488 042	0.4	3.9	-0.4	449 335	26.8	30.0	13.4	1.1	214 662	-4.4	-3.6	-5.0	10.0	16.9
Dec	497 913	-2.9	2.3	-4.1	458 887	25.4	29.8	7.4	-10.7	209 767	-6.7	-3.9	-8.8	7.7	14.7
08 *Jan*	482 419	-1.7	1.8	-2.5	471 776	26.2	30.0	10.1	-6.7	202 055	-10.4	3.9	-20.6	9.8	14.9
Feb	480 366	-2.2	1.5	-3.1	484 435	27.4	31.2	10.6	-7.4	197 551	-12.6	2.4	-23.1	9.9	14.8
Mar	480 679	-4.2	-0.3	-5.2	491 896	25.5	29.7	8.7	-15.4	191 835	-16.1	-0.3	-27.6	7.9	12.9
Apr	471 052	-4.1	-0.6	-5.0	503 330	27.0	31.6	5.8	-10.7	188 671	-17.7	-1.3	-29.3	8.7	12.1
May	477 181	-4.3	-1.3	-5.0	509 408	26.0	31.5	2.5	-19.6	184 057	-20.2	-3.4	-31.9	8.1	11.9
Jun	487 926	-5.6	-2.5	-6.3	522 673	26.3	30.7	4.7	2.5	174 927	-23.9	-6.9	-35.8	7.2	12.9
Jul P	479 328	-4.7	-3.3	-5.0	528 717	27.1	31.7	6.2	-9.5	169 177	-25.8	-9.2	-37.6	7.9	13.1
Aug P	475 466	-3.3	-4.2	-3.1	536 985	26.7	31.8	2.9	-7.3	167 924	-26.2	-12.1	-36.7	8.4	13.2

NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change



NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change



Source: BE.

a. This concept refers to the instruments included in the headings of the table, issued by resident credit institutions and mutual funds. The exception is column 9, which includes deposits in Spanish bank branches abroad.

b. Current accounts, savings accounts and deposits redeemable at up to 3 months' notice.

c. Deposits redeemable at over 3 months' notice and time deposits.

d. The series includes the old categories of Money market funds and Fixed income mutual funds in euros.

e. Defined as cash and cash equivalents, other liabilities of credit institutions and Fixed income mutual funds shares in euros.

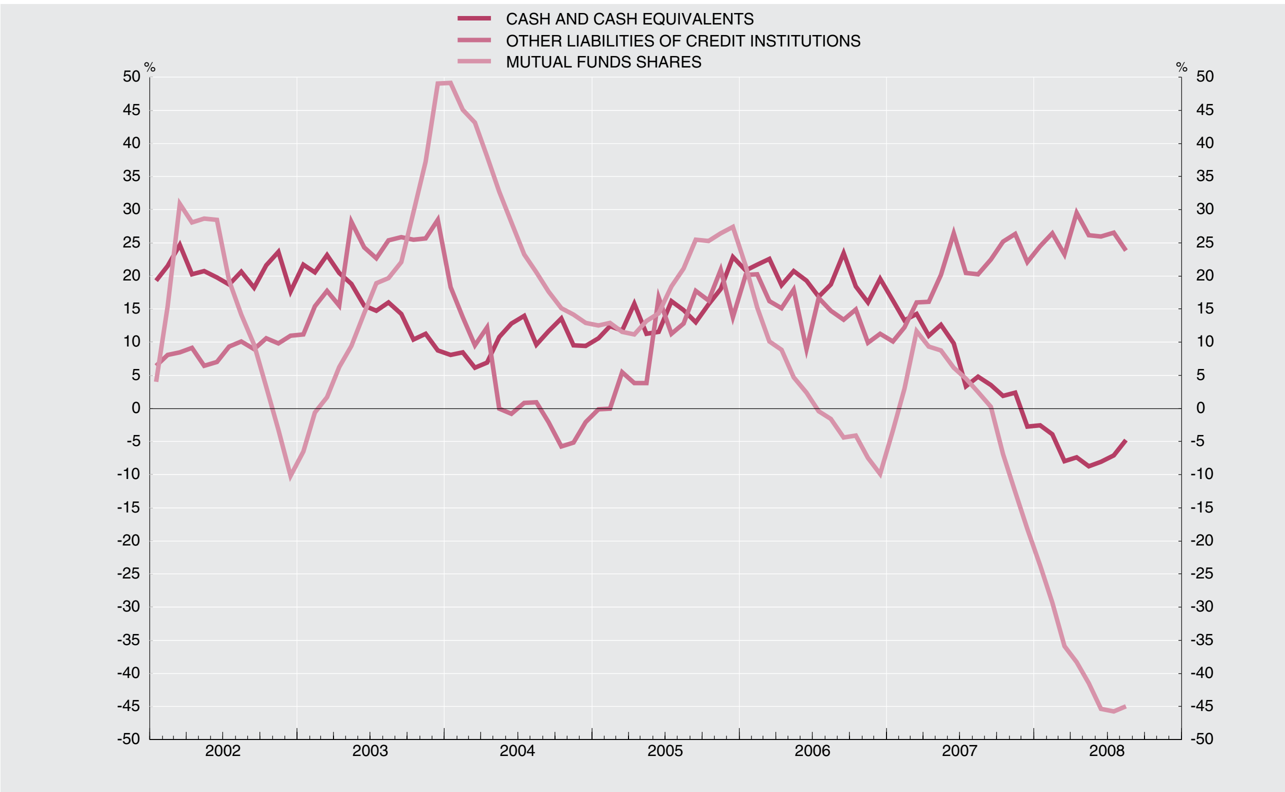
8.3 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

EUR millions and %

	Cash and cash equivalents (b)		Other liabilities of credit institutions				Mutual funds shares			
	Stocks	Annual growth rate	Stocks	Annual growth rate	Annual growth rate: Other deposits (c)	Annual growth rate: Repos + credit instit.' securit.+ dep. in branches abroad	Stocks	Annual growth rate	Annual growth rate: Fixed income in EUR (d)	Annual growth rate: Other
	1	2 ■	3	4 ■	5	6	7	8 ■	9	10
05	114 876	22.9	70 970	13.8	30.5	-3.4	29 442	27.4	13.9	41.4
06	137 357	19.6	78 991	11.3	17.4	2.8	26 523	-9.9	-15.9	-5.0
07	133 623	-2.7	96 473	22.1	37.4	-2.1	21 692	-18.2	-15.7	-20.0
07 *May*	133 554	12.7	84 463	20.2	29.8	5.8	29 278	8.8	5.7	11.1
Jun	137 293	9.9	89 873	26.5	36.9	10.3	28 474	6.1	1.2	9.9
Jul	128 420	3.4	86 700	20.5	30.3	5.3	27 707	4.5	0.8	7.4
Aug	126 227	4.8	89 961	20.2	27.4	9.1	27 100	2.5	1.7	3.1
Sep	132 591	3.5	92 028	22.5	30.7	9.3	26 101	0.3	1.5	-0.7
Oct	125 602	1.9	93 151	25.2	35.8	7.6	24 743	-6.9	-8.1	-6.1
Nov	129 238	2.4	95 094	26.3	37.4	7.1	23 169	-12.6	-11.8	-13.1
Dec	133 623	-2.7	96 473	22.1	37.4	-2.1	21 692	-18.2	-15.7	-20.0
08 *Jan*	125 515	-2.6	96 677	24.5	36.2	3.6	21 186	-23.7	-8.4	-34.6
Feb	124 705	-3.9	99 357	26.4	38.6	3.9	20 412	-29.4	-14.0	-40.2
Mar	123 864	-8.0	101 593	23.2	35.6	0.6	19 513	-35.9	-20.6	-47.1
Apr	119 348	-7.4	104 782	29.6	44.4	1.1	18 395	-38.3	-22.1	-49.9
May	121 938	-8.7	106 538	26.1	43.1	-4.8	17 129	-41.5	-24.6	-53.3
Jun	126 210	-8.1	113 198	26.0	35.8	7.1	15 559	-45.4	-28.0	-57.6
Jul P	119 324	-7.1	109 709	26.5	38.1	4.6	15 040	-45.7	-28.5	-58.0
Aug P	120 236	-4.7	111 411	23.8	38.1	-2.1	14 921	-44.9	-29.5	-56.5

NON-FINANCIAL CORPORATIONS
Annual percentage change



Source: BE.

a. This concept refers to the instruments included in the headings of the table, issued by resident credit institutions and mutual funds. The exception is column 6, which includes deposits in Spanish bank branches abroad.

b. Cash, current accounts, savings accounts and deposits redeemable at up to and including 3 months' notice.

c. Deposits redeemable at over 3 months' notice and time deposits.

d. The series includes the old categories of Money market funds and Fixed income mutual funds in euros.

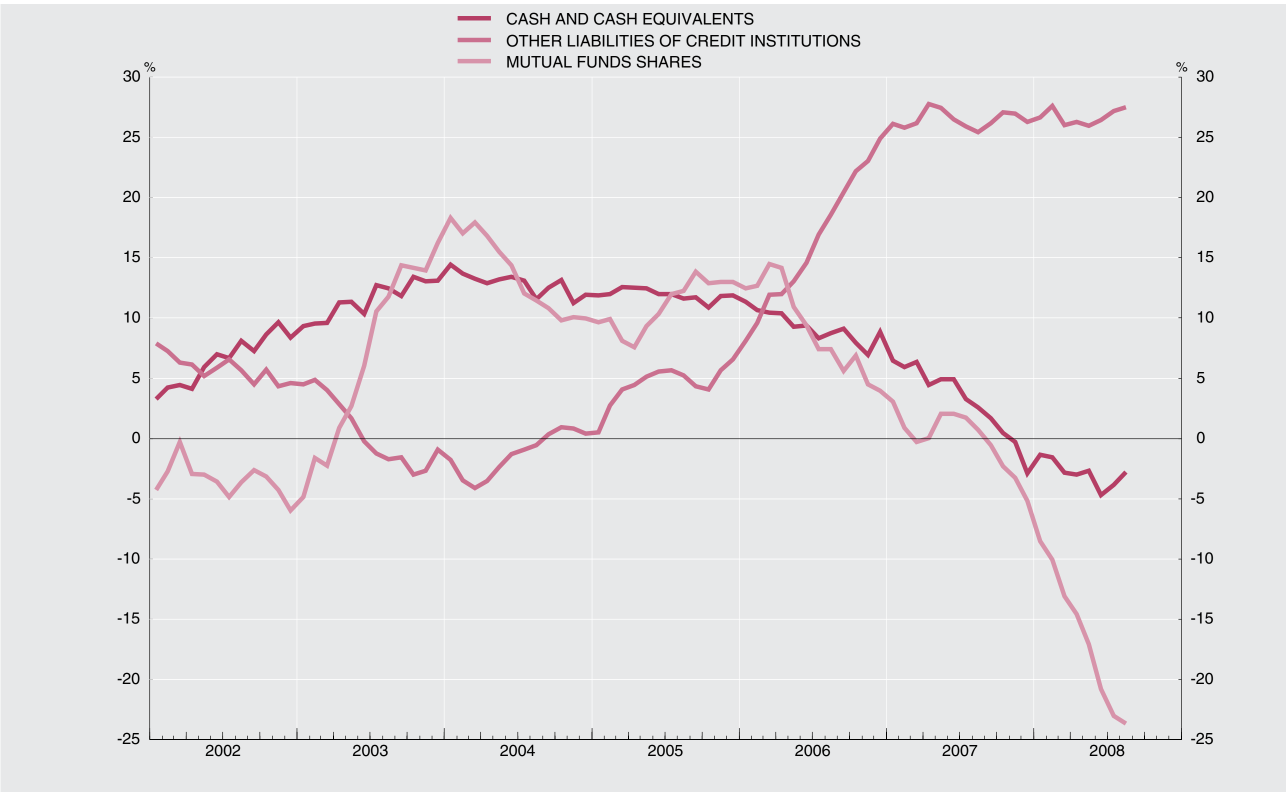
8.4 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

EUR millions and %

		Cash and cash equivalents				Other liabilities of credit institutions				Mutual funds shares			
		Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate	
				Cash	Deposits (b)			Other deposits (c)	Repos + credit instit.' securit.+ dep. in branches abroad			Fixed income in EUR (d)	Other
		1	2 ■	3	4	5	6 ■	7	8	9	10 ■	11	12
05		344 674	11.9	14.3	11.2	229 713	6.6	7.3	1.0	190 753	13.0	6.7	19.6
06		375 224	8.9	9.2	8.8	286 954	24.9	23.8	34.4	198 328	4.0	-9.3	16.5
07		364 290	-2.9	2.8	-4.6	362 414	26.3	28.4	9.4	188 075	-5.2	-2.3	-7.3
07 *May*		365 080	4.9	7.3	4.2	319 807	27.5	27.7	25.8	201 270	2.1	-4.0	6.8
Jun		379 537	4.9	6.9	4.4	323 884	26.5	26.9	23.7	201 241	2.1	-6.1	8.8
Jul		374 452	3.3	6.1	2.4	329 449	25.9	26.3	22.9	200 266	1.7	-4.9	7.1
Aug		365 480	2.6	6.8	1.3	333 776	25.4	26.1	20.6	200 417	0.7	-3.0	3.7
Sep		368 629	1.7	5.8	0.5	338 165	26.2	27.4	16.8	197 455	-0.5	-2.2	0.8
Oct		359 835	0.4	5.2	-1.0	346 961	27.1	28.7	14.3	195 625	-2.3	-4.6	-0.5
Nov		358 804	-0.3	4.3	-1.7	354 241	27.0	28.6	14.1	191 494	-3.3	-2.5	-3.9
Dec		364 290	-2.9	2.8	-4.6	362 414	26.3	28.4	9.4	188 075	-5.2	-2.3	-7.3
08 *Jan*		356 904	-1.4	2.3	-2.5	375 098	26.7	28.8	9.5	180 868	-8.5	5.7	-18.6
Feb		355 661	-1.6	2.0	-2.6	385 078	27.6	29.8	9.8	177 139	-10.1	4.8	-20.6
Mar		356 815	-2.9	0.2	-3.8	390 303	26.0	28.5	6.6	172 322	-13.1	2.8	-24.6
Apr		351 704	-3.0	-0.1	-3.9	398 548	26.3	29.2	3.8	170 276	-14.6	1.8	-26.3
May		355 242	-2.7	-0.7	-3.3	402 870	26.0	29.3	0.6	166 928	-17.1	-0.3	-28.8
Jun		361 717	-4.7	-1.9	-5.6	409 475	26.4	29.6	2.1	159 367	-20.8	-4.0	-32.7
Jul	P	360 005	-3.9	-2.8	-4.2	419 008	27.2	30.4	2.0	154 137	-23.0	-6.6	-34.8
Aug	P	355 230	-2.8	-3.7	-2.5	425 574	27.5	30.5	3.5	153 003	-23.7	-9.8	-34.0

HOUSEHOLDS AND NPISH
Annual percentage change



Source: BE.

a. This concept refers to the instruments included in the headings of the table, issued by resident credit institutions and mutual funds. The exception is column 6, which includes deposits in Spanish bank branches abroad.

b. Current accounts, savings accounts and deposits redeemable at up to 3 months' notice.

c. Deposits redeemable at over 3 months' notice and time deposits.

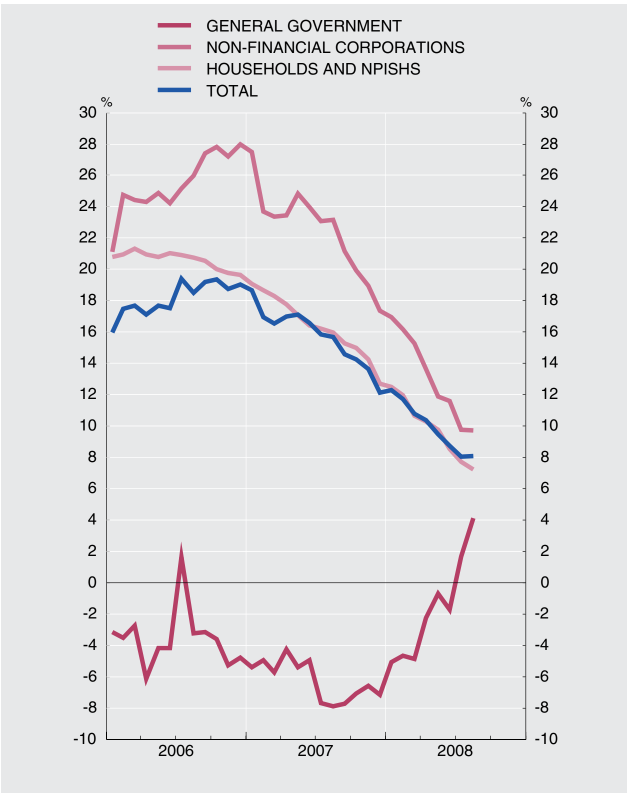
d. The series includes the old categories of Money market funds and Fixed income mutual funds in euros.

8.5. FINANCING OF NON-FINANCIAL SECTORS RESIDENT IN SPAIN (a)

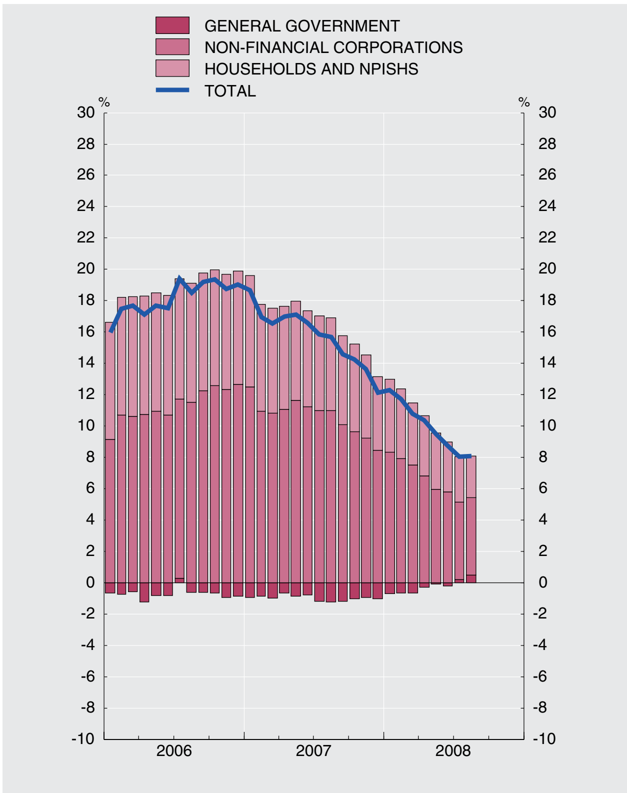
■ Series depicted in chart. *EUR millions and %*

	Total			Annual growth rate							Contribution to col. 3						
					Non-financial corp. and households and NPISHs							Non-financial corp. and households and NPISHs					
						By sectors		By instruments					By sectors		By instrumentss		
	Stocks	Effective flow	Annual growth rate	General government (b)		Non-financial corporations	Households and NPISHs	Credit institutions' loans & securit. funds	Securities other than shares	External loans	General government (b)		Non-financial corporations	Households and NPISHs	Credit institutions' loans & securit. funds	Securities other than shares	External loans
	1	2	3 ■	4 ■	5	6 ■	7 ■	8	9	10	11 ■	12	13 ■	14 ■	15	16	17
05	1 763 901	242 997	16.1	-2.7	21.2	21.4	20.9	23.0	23.7	10.7	-0.6	16.6	9.2	7.4	15.2	0.2	1.3
06	2 102 844	335 894	19.0	-4.8	24.2	28.0	19.6	24.4	134.2	16.0	-0.9	19.9	12.6	7.3	17.0	1.0	1.9
07	2 367 365	255 203	12.1	-7.2	15.3	17.3	12.7	15.9	18.1	11.4	-1.0	13.2	8.4	4.7	11.6	0.3	1.3
07 *May*	2 216 034	38 391	17.1	-5.4	21.4	24.8	17.1	22.5	55.4	11.8	-0.9	18.0	11.6	6.4	15.9	0.6	1.5
Jun	2 266 777	40 024	16.6	-4.9	20.6	24.0	16.4	21.9	29.8	12.2	-0.8	17.4	11.2	6.1	15.5	0.4	1.4
Jul	2 281 062	20 404	15.9	-7.7	20.1	23.1	16.2	21.3	29.9	11.7	-1.2	17.0	11.0	6.0	15.2	0.4	1.4
Aug	2 292 827	12 263	15.7	-7.9	20.0	23.2	16.0	21.3	30.3	11.1	-1.2	16.9	11.0	5.9	15.2	0.4	1.3
Sep	2 310 809	18 451	14.6	-7.7	18.6	21.1	15.3	19.9	28.1	9.3	-1.2	15.8	10.1	5.6	14.3	0.4	1.1
Oct	2 315 319	8 166	14.2	-7.1	17.8	19.9	15.0	18.7	24.0	11.3	-1.0	15.2	9.7	5.6	13.6	0.4	1.3
Nov	2 339 470	23 511	13.6	-6.6	16.9	19.0	14.2	17.6	21.7	11.8	-0.9	14.5	9.2	5.3	12.9	0.3	1.4
Dec	2 367 365	24 401	12.1	-7.2	15.3	17.3	12.7	15.9	18.1	11.4	-1.0	13.2	8.4	4.7	11.6	0.3	1.3
08 *Jan*	2 374 652	9 424	12.3	-5.1	15.1	17.0	12.5	15.4	18.3	12.6	-0.7	13.0	8.3	4.6	11.2	0.3	1.5
Feb	2 389 741	14 338	11.7	-4.6	14.4	16.2	12.0	14.9	13.9	11.1	-0.6	12.4	7.9	4.4	10.9	0.2	1.3
Mar	2 403 869	13 339	10.8	-4.9	13.3	15.3	10.7	13.6	10.7	11.7	-0.7	11.5	7.5	4.0	9.9	0.2	1.4
Apr	2 406 895	3 084	10.4	-2.2	12.2	13.6	10.3	12.6	15.0	9.3	-0.3	10.6	6.8	3.8	9.3	0.2	1.1
May	2 430 951	22 644	9.5	-0.7	11.0	11.9	9.8	11.6	17.0	6.2	-0.1	9.6	6.0	3.6	8.6	0.3	0.7
Jun	2 448 919	28 369	8.8	-1.7	10.3	11.6	8.5	10.2	17.6	9.9	-0.2	9.0	5.8	3.2	7.5	0.3	1.2
Jul P	2 454 093	5 416	8.0	1.7	8.9	9.8	7.7	8.9	9.8	8.6	0.2	7.8	5.0	2.9	6.7	0.2	1.0
Aug P	2 468 720	14 759	8.1	4.1	8.7	9.7	7.2	8.5	9.7	9.8	0.5	7.6	4.9	2.7	6.3	0.2	1.2

FINANCING OF NON-FINANCIAL SECTORS
Annual percentage change



FINANCING OF NON-FINANCIAL SECTORS
Contributions to the annual percentage change



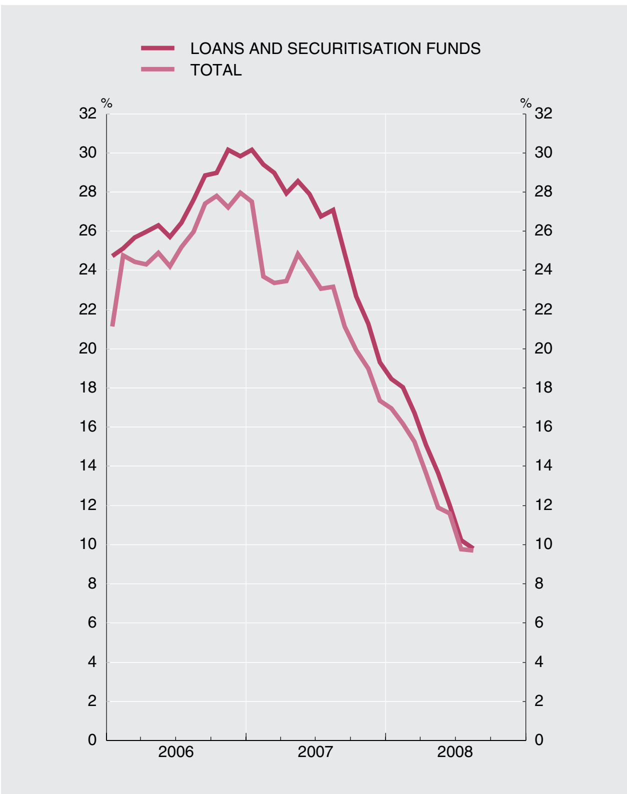
Source: BE.
GENERAL NOTE: Tables 8.2 to 8.7 were revised in September 2000, to take into account the criteria used to compile the Financial Accounts of the Spanish economy in accordance with ESA 95 (see the box appearing in the article "Evolución reciente de la economía española" in the September 2000 edition of the Boletín Económico).
a. The annual percentage changes are calculated as the effective flow of the period / the stock at the beginning of the period.
b. Total liabilities (consolidated) less deposits. Inter-general government liabilities are deduced.

8.6. FINANCING OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

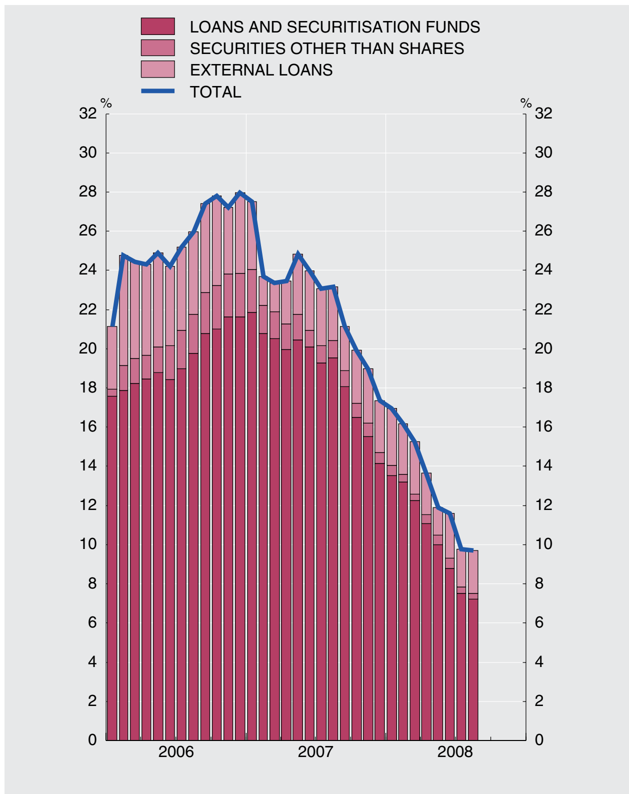
■ Series depicted in chart. *EUR millions and %*

	Total			Resident credit institutions' loans and off-balance-sheet securitised loans			Securities other than shares (b)				External loans			Memorandum items: off-balance-sheet securitised loans
	Stocks	Effective flow	Annual growth rate	Stocks	Annual growth rate	Contribution to col.3	Stocks	of which: Issues by resident financ. subsid.	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	
	1	2	3 ■	4	5 ■	6 ■	7	8	9	10 ■	11	12	13 ■	14
05	797 568	139 281	21.4	578 229	25.5	18.1	13 206	2 634	23.7	0.4	206 133	10.7	3.0	5 581
06	1 024 233	223 106	28.0	750 137	29.8	21.6	30 934	19 370	134.2	2.2	243 161	16.0	4.1	3 230
07	1 212 700	177 685	17.3	894 156	19.3	14.1	36 531	22 951	18.1	0.5	282 013	11.2	2.7	1 166
07 *May*	1 110 377	23 928	24.8	813 013	28.6	20.4	32 571	21 137	55.4	1.3	264 792	11.8	3.1	2 763
Jun	1 137 436	16 206	24.0	832 546	27.9	20.1	33 407	21 389	29.8	0.8	271 483	12.2	3.1	3 004
Jul	1 161 168	29 816	23.1	854 200	26.7	19.3	35 905	23 321	29.9	0.9	271 063	11.7	2.9	2 759
Aug	1 161 755	1 041	23.2	856 056	27.1	19.5	35 898	23 304	30.3	0.9	269 801	11.0	2.8	2 665
Sep	1 174 841	13 289	21.1	869 184	24.9	18.1	36 429	23 023	28.1	0.8	269 228	9.2	2.3	2 300
Oct	1 183 545	12 301	19.9	874 064	22.7	16.5	36 804	23 338	24.0	0.7	272 677	11.2	2.7	2 142
Nov	1 195 383	11 119	19.0	883 525	21.3	15.5	36 654	23 234	21.7	0.7	275 204	11.6	2.8	1 880
Dec	1 212 700	13 284	17.3	894 156	19.3	14.1	36 531	22 951	18.1	0.5	282 013	11.2	2.7	1 166
08 *Jan*	1 218 892	8 361	17.0	900 611	18.5	13.5	36 604	22 766	18.3	0.5	281 677	12.2	2.9	1 097
Feb	1 223 446	3 732	16.2	904 882	18.0	13.2	36 527	22 562	13.9	0.4	282 037	10.7	2.6	988
Mar	1 232 014	7 356	15.3	912 921	16.7	12.2	35 814	22 482	10.7	0.3	283 280	11.4	2.7	915
Apr	1 239 881	7 881	13.6	917 568	15.1	11.1	36 681	22 468	15.0	0.4	285 631	8.9	2.1	860
May	1 248 970	7 514	11.9	922 444	13.6	10.0	38 123	24 089	17.0	0.5	288 404	5.8	1.4	905
Jun	1 255 055	16 137	11.6	930 650	12.0	8.8	39 298	25 302	17.6	0.5	285 107	9.6	2.3	829
Jul	P 1 266 215	11 361	9.8	939 492	10.2	7.5	39 425	25 327	9.8	0.3	287 298	8.3	1.9	770
Aug	P 1 266 688	523	9.7	937 823	9.8	7.2	39 376	25 334	9.7	0.3	289 490	9.5	2.2	615

FINANCING OF NON-FINANCIAL CORPORATIONS
Annual percentage change



FINANCING OF NON-FINANCIAL CORPORATIONS
Contributions to the annual percentage change



Source: BE.

GENERAL NOTE: Tables 8.2 to 8.7 were revised in September 2000, to take into account the criteria used to compile the Financial Accounts of the Spanish economy in accordance with ESA 95 (see the box appearing in the article "Evolución reciente de la economía española" in the September 2000 edition of the Boletín Económico).

a. The annual percentage changes are calculated as the effective flow of the period / the stock at the beginning of the period.

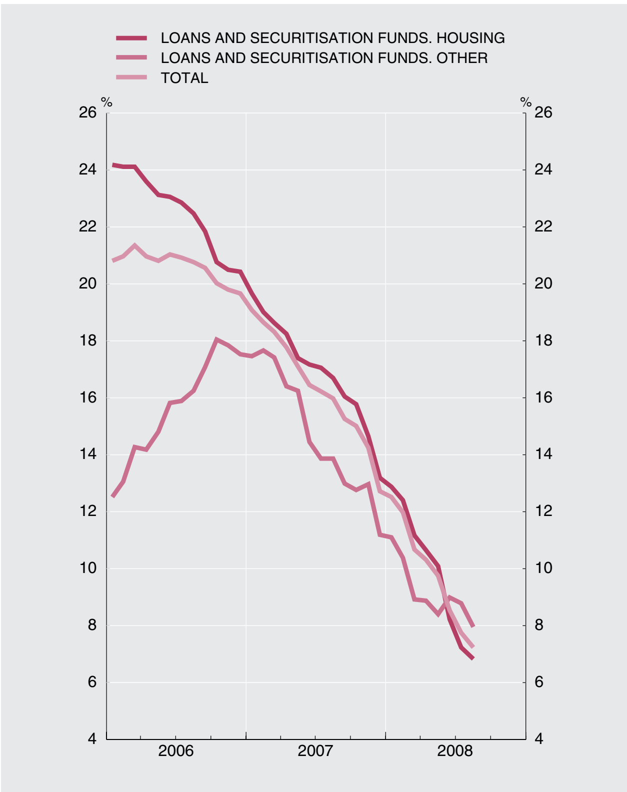
b. Includes issues of resident financial subsidiaries of non-financial corporations, insofar as the funds raised in these issues are routed to the parent company as loans. The issuing institutions of these financial instruments are classified as Other financial intermediaries in the Boletín Estadístico and in the Financial Accounts of the Spanish Economy.

8.7. FINANCING OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

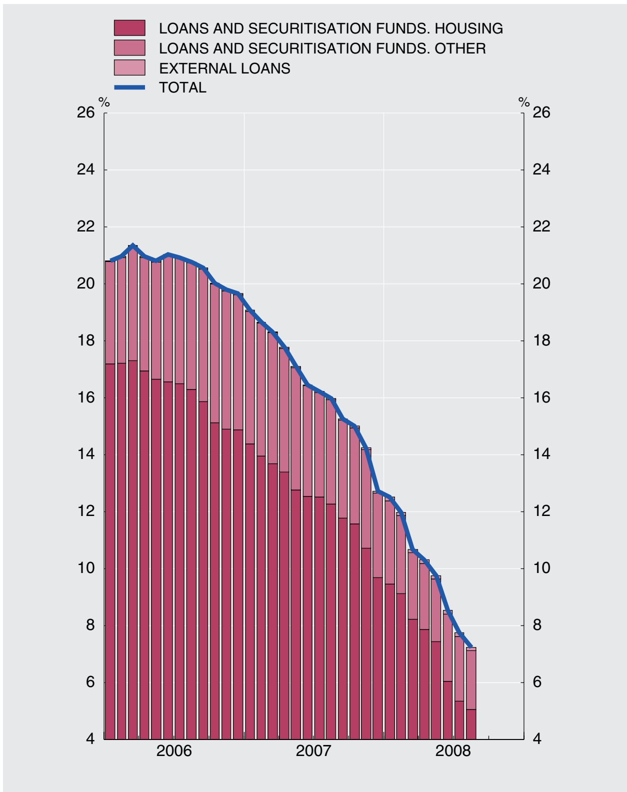
■ Series depicted in chart. *EUR millions and %*

	Total			Resident credit institutions' loans and off-balance-sheet securitised loans. Housing			Resident credit institutions' loans and off-balance-sheet securitised loans. Other			External loans			Memorandum items: off-balance-sheet securitised loans	
	Stocks	Effective flow	Annual growth rate	Stocks	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	Housing	Other
	1	2	3 ■	4	5 ■	6 ■	7	8 ■	9 ■	10	11	12 ■	13	14
05	650 997	112 525	20.9	474 499	24.3	17.2	175 571	12.5	3.6	927	10.8	0.0	28 527	3 030
06	778 372	127 886	19.6	571 325	20.4	14.9	205 872	17.5	4.7	1 175	26.7	0.0	26 937	3 421
07	875 916	99 008	12.7	646 121	13.2	9.7	228 017	11.2	3.0	1 778	51.4	0.1	27 909	5 802
07 *May*	821 189	8 925	17.1	604 835	17.4	12.8	215 069	16.2	4.3	1 285	21.2	0.0	25 294	5 101
Jun	838 588	17 534	16.4	616 513	17.2	12.5	220 775	14.4	3.9	1 301	19.5	0.0	27 819	5 143
Jul	845 511	6 956	16.2	625 074	17.0	12.5	219 063	13.9	3.7	1 374	25.1	0.0	27 842	5 208
Aug	849 569	4 101	16.0	628 701	16.7	12.3	219 399	13.9	3.7	1 469	31.9	0.0	28 675	5 120
Sep	854 765	5 463	15.3	632 594	16.0	11.8	220 652	13.0	3.4	1 519	35.1	0.1	27 971	6 211
Oct	863 443	8 736	15.0	638 006	15.8	11.6	223 838	12.7	3.4	1 599	42.7	0.1	27 708	6 170
Nov	875 893	12 530	14.2	643 572	14.7	10.7	230 657	13.0	3.5	1 665	47.0	0.1	27 565	6 049
Dec	875 916	561	12.7	646 121	13.2	9.7	228 017	11.2	3.0	1 778	51.4	0.1	27 909	5 802
08 *Jan*	879 331	3 384	12.5	649 120	12.9	9.5	228 029	11.1	2.9	2 183	86.0	0.1	27 540	5 728
Feb	883 815	4 554	12.0	653 229	12.4	9.1	228 398	10.4	2.7	2 188	85.4	0.1	27 265	5 676
Mar	887 757	4 364	10.7	657 145	11.2	8.2	228 380	8.9	2.3	2 232	80.6	0.1	26 983	5 681
Apr	894 279	6 565	10.3	661 677	10.7	7.9	230 353	8.9	2.3	2 248	80.0	0.1	26 721	5 683
May	899 436	5 322	9.8	664 943	10.1	7.4	232 213	8.4	2.2	2 280	77.4	0.1	26 434	5 512
Jun	908 076	8 988	8.5	666 203	8.2	6.0	239 579	9.0	2.4	2 293	76.3	0.1	26 229	5 486
Jul P	908 937	903	7.7	669 294	7.2	5.3	237 275	8.8	2.3	2 368	72.3	0.1	25 933	5 900
Aug P	908 904	49	7.2	670 712	6.8	5.1	235 750	8.0	2.1	2 442	66.3	0.1	25 607	5 688

FINANCING OF HOUSEHOLDS AND NPISHs
Annual percentage change



FINANCING OF HOUSEHOLDS AND NPISHs
Contributions to the annual percentage change



Source: BE.
GENERAL NOTE: Tables 8.2 to 8.7 were revised in September 2000, to take into account the criteria used to compile the Financial Accounts of the Spanish economy in accordance with ESA 95 (see the box appearing in the article "Evolución reciente de la economía española" in the September 2000 edition of the Boletín Económico).
a. The annual percentage changes are calculated as the effective flow of the period / the stock at the beginning of the period.

8.8. NET FINANCING OF SPAIN'S GENERAL GOVERNMENT

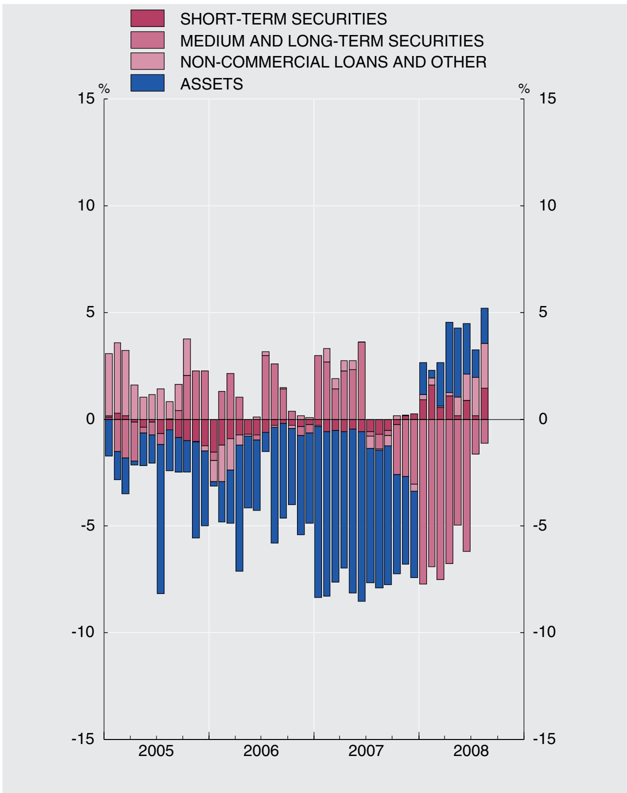
■ Series depicted in chart.

EUR millions and %

	Net financing: Net stock of liabilities	Net financing: Monthly change (columns 4-8-9)	Net financing: 12-month % change of col. 1	Monthly change in stocks: Liabilities (a): Total	Monthly change in stocks: Liabilities (a): Securities: Short-term	Monthly change in stocks: Liabilities (a): Securities: Medium and long-term	Monthly change in stocks: Liabilities (a): Non-commercial loans and other (b)	Monthly change in stocks: Assets: Deposits at the Banco de Espana	Monthly change in stocks: Assets: Other deposits (c)	12-month % change in stocks: Liabilities: Total	12-month % change in stocks: Liabilities: Securities: Short-term	12-month % change in stocks: Liabilities: Securities: Medium and long-term	12-month % change in stocks: Liabilities: Non-commercial loans and other (a)	12-month % change in stocks: Assets	Contribution to 12-month % change in net stocks of liabilities: Liabilities: Securities: Short-term	Contribution to 12-month % change in net stocks of liabilities: Liabilities: Securities: Medium and long-term	Contribution to 12-month % change in net stocks of liabilities: Liabilities: Non-commercial loans and other (a)	Contribution to 12-month % change in net stocks of liabilities: Assets
	1	2	3 ■	4	5	6	7	8	9	10	11 ■	12 ■	13 ■	14	15 ■	16 ■	17 ■	18 ■
04	324 145	680	0.2	6 813	-2 491	1 510	7 794	-1 817	7 949	1.8	-6.2	0.5	12.9	10.6	-0.8	0.5	2.4	-1.9
05	315 336	-8 809	-2.7	2 573	-4 042	7 366	-751	-695	12 077	0.7	-10.8	2.6	-1.1	17.7	-1.2	2.3	-0.2	-3.5
06	P 300 239	-15 097	-4.8	-1 754	-770	-1 218	234	1 780	11 562	-0.4	-2.3	-0.4	0.3	17.6	-0.2	-0.4	0.1	-4.2
07	P 278 749	-21 490	-7.2	-9 320	792	-9 090	-1 023	2 973	9 196	-2.4	2.4	-3.1	-1.5	13.7	0.3	-3.0	-0.3	-4.1
07 *Mar*	P 298 614	2 406	-5.7	1 887	2 379	-1 633	1 140	422	-942	1.1	-4.6	1.5	2.3	30.1	-0.5	1.4	0.5	-7.1
Apr	P 278 930	-19 683	-4.2	-3 203	-2 692	-123	-389	13 375	3 105	1.6	-5.1	2.3	2.1	19.6	-0.6	2.3	0.5	-6.4
May	P 284 468	5 538	-5.4	1 213	2 267	37	-1 091	131	-4 457	1.8	-4.1	2.4	2.0	26.7	-0.5	2.3	0.4	-7.7
Jun	P 290 752	6 284	-4.9	3 138	-2 643	5 646	136	-4 295	1 150	2.4	-5.5	3.8	0.1	29.7	-0.6	3.6	0.0	-7.9
Jul	P 274 383	-16 369	-7.7	-9 925	1 892	-10 458	-1 359	-6 321	12 765	-1.0	-5.1	-0.2	-2.4	19.9	-0.6	-0.2	-0.5	-6.3
Aug	P 281 504	7 121	-7.9	-4 510	-1 808	-2 043	-660	-158	-11 473	-1.2	-6.7	-0.7	-0.3	24.1	-0.7	-0.7	-0.1	-6.4
Sep	P 281 203	-301	-7.7	5 674	2 582	2 769	323	-72	6 046	-1.0	-4.5	-0.3	-2.1	22.7	-0.5	-0.3	-0.5	-6.5
Oct	P 268 332	-12 871	-7.1	-10 578	-1 178	-10 088	688	1 512	780	-1.8	-2.3	-2.3	0.8	14.0	-0.3	-2.3	0.2	-4.6
Nov	P 268 193	-139	-6.6	3 495	2 868	842	-215	-2 152	5 786	-1.8	1.5	-2.7	0.1	11.7	0.2	-2.7	0.0	-4.1
Dec	P 278 749	10 556	-7.2	-1 261	-1 505	-800	1 043	-468	-11 350	-2.4	2.4	-3.1	-1.5	13.7	0.3	-3.0	-0.3	-4.1
08 *Jan*	A 276 429	-2 321	-5.1	-5 554	3 506	-9 228	168	7	-3 240	-4.9	7.8	-7.7	1.1	-4.3	0.9	-7.7	0.2	1.5
Feb	A 282 480	6 051	-4.6	4 884	-956	4 589	1 252	1 046	-2 213	-3.7	15.1	-6.9	1.5	-1.0	1.6	-6.9	0.3	0.3
Mar	A 284 098	1 618	-4.9	-4 013	-708	-3 606	301	-328	-5 303	-5.2	4.8	-7.6	0.3	-6.3	0.5	-7.5	0.1	2.1
Apr	A 272 736	-11 362	-2.2	2 083	-1 287	3 480	-111	4 682	8 763	-3.9	9.8	-6.4	0.7	-8.1	1.1	-6.8	0.2	3.3
May	A 282 544	9 808	-0.7	5 443	-322	4 796	969	-411	-3 954	-2.8	1.3	-4.8	3.8	-8.4	0.2	-5.0	0.9	3.2
Jun	A 285 788	3 244	-1.7	2 407	-505	1 768	1 144	120	-957	-3.0	8.4	-6.0	5.3	-6.5	0.9	-6.2	1.2	2.4
Jul	A 278 941	-6 847	1.7	2 930	-241	3 037	24	-79	9 865	0.3	1.5	-1.5	7.5	-3.2	0.2	-1.6	1.8	1.3
Aug	A 293 128	14 187	4.1	1 473	1 873	-713	313	-230	-12 484	1.8	13.6	-1.1	9.1	-4.6	1.5	-1.1	2.1	1.6

NET FINANCING OF GENERAL GOVERNMENT
Annual percentage changes

NET FINANCING OF GENERAL GOVERNMENT
Contributions to the annual percentage change



Source: BE.

a.Consolidated: deducted securities and loans held by other General Government units.

b.Including coined money and Caja General de Depositos.

c.Tax collection accounts are not included.

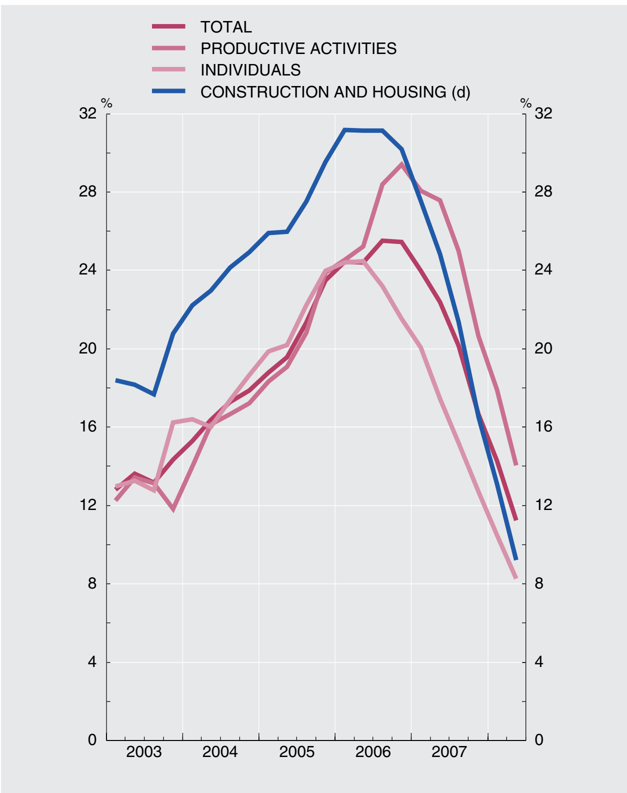
8.9 LENDING BY CREDIT INSTITUTIONS TO OTHER RESIDENT SECTORS. BREAKDOWN BY END-USE.

■ Series depicted in chart.

EUR millions and percentages

	Total (a)	Financing of productive activities: Total	Agriculture and fisheries	Industry excluding construction	Construction	Services: Total	Services: Of which Real estate activities	Financing of individuals: Total	Home purchases and improvements: Total	Home purchases and improvements: Of which Purchases	Purchases of consumer durables	Other (b)	Financing of private non-profit institutions	Unclassified	Memorandum item: construction and housing (d)
	1 ■	2 ■	3	4	5	6	7	8 ■	9	10 ■	11 ■	12	13	14	15 ■
05	R1 202 628	604 061	20 738	104 695	100 761	377 867	162 087	576 253	445 972	424 238	45 928	84 354	4 666	17 648	708 819
06	1 508 625	781 644	23 014	119 488	134 317	504 825	244 050	700 294	544 389	519 244	51 461	104 445	5 704	20 983	922 756
07	1 760 213	943 086	25 245	141 571	153 453	622 818	303 514	789 250	618 212	590 600	56 576	114 462	6 089	21 788	1 075 179
04 *Q1*	832 734	428 517	16 973	85 326	68 171	258 047	85 136	386 179	288 736	275 107	36 201	61 242	3 108	14 930	442 044
Q2	878 477	452 030	17 102	86 636	72 362	275 930	94 970	405 486	301 537	286 744	37 374	66 575	3 183	17 777	468 869
Q3	903 590	464 578	17 655	88 360	75 494	283 069	102 455	419 230	315 021	299 447	38 075	66 134	3 426	16 355	492 970
Q4	945 697	482 984	18 104	90 487	78 372	296 020	112 165	441 443	333 826	317 268	38 379	69 238	3 677	17 594	524 363
05 *Q1*	989 196	507 089	18 188	93 815	83 421	311 665	121 444	462 910	351 757	334 224	39 375	71 778	3 548	15 649	556 622
Q2	R1 085 320	544 048	19 501	99 393	89 806	335 349	135 483	516 384	394 989	375 523	42 531	78 864	4 200	20 687	620 277
Q3	1 131 241	567 022	20 182	101 716	94 411	350 714	144 811	541 346	419 032	398 498	44 644	77 670	4 355	18 518	658 253
Q4	1 202 628	604 061	20 738	104 695	100 761	377 867	162 087	576 253	445 972	424 238	45 928	84 354	4 666	17 648	708 819
06 *Q1*	1 265 755	637 277	21 213	105 687	106 183	404 195	181 491	604 878	471 966	449 246	46 320	86 592	4 788	18 813	759 639
Q2	1 350 191	681 307	21 946	109 856	116 195	433 311	198 998	642 698	498 248	474 404	49 161	95 289	5 109	21 077	813 441
Q3	1 419 973	728 058	22 460	115 266	127 420	462 911	216 642	666 972	519 130	494 739	50 552	97 291	5 359	19 584	863 192
Q4	1 508 625	781 644	23 014	119 488	134 317	504 825	244 050	700 294	544 389	519 244	51 461	104 445	5 704	20 983	922 756
07 *Q1*	1 569 169	816 098	23 436	121 148	137 836	533 678	264 653	726 179	566 341	540 541	52 713	107 125	5 743	21 149	968 830
Q2	1 652 352	869 174	24 294	132 145	144 552	568 184	282 081	754 726	588 694	562 101	53 898	112 135	5 955	22 497	1 015 326
Q3	1 706 126	910 001	25 085	140 332	150 341	594 243	292 599	768 197	604 623	577 337	54 035	109 539	6 106	21 822	1 047 563
Q4	1 760 213	943 086	25 245	141 571	153 453	622 818	303 514	789 250	618 212	590 600	56 576	114 462	6 089	21 788	1 075 179
08 *Q1*	1 793 358	962 333	25 003	143 816	154 237	639 277	311 274	802 258	630 161	601 958	57 357	114 740	5 804	22 962	1 095 673
Q2	1 838 174	991 307	25 727	148 218	155 600	661 762	313 176	817 074	640 247	611 447	57 726	119 101	5 952	23 840	1 109 023

CREDIT BY END-USE
Annual percentage changes (c)



CREDIT TO INDIVIDUALS BY END-USE
Annual percentage changes (c)

SOURCE: BE.

a. Series obtained from information in the accounting statement established for the supervision of resident institutions. See the changes introduced in the October 2001 edition of the Boletín estadístico and Tables 4.13, 4.18 and 4.23 of the Boletin estadístico, which are published at www.bde.es.

b. Includes loans and credit to households for the purchase of land and rural property, the purchase of securities, the purchase of current goods and services not considered to be consumer durables (e.g. loans to finance travel expenses) and for various end-uses not included in the foregoing.

c. Asset-backed securities brought back onto the balance sheet as a result of the entry into force of Banco de España Circular BE 4/2004 have caused a break in the series in June 2005. The rates depicted in the chart have been adjusted to eliminate this effect.

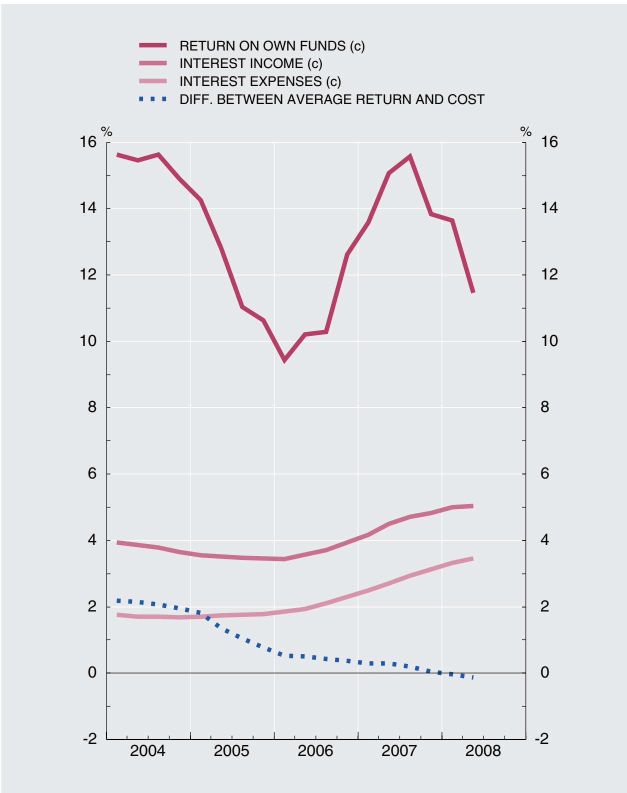
d. Including: construction, real estate activities and home purchases and improvements

8.10. PROFIT AND LOSS ACCOUNT OF BANKS, SAVINGS BANKS AND CREDIT CO-OPERATIVES RESIDENT IN SPAIN

■ Series depicted in chart.

	As a percentage of the adjusted average balance sheet										Percentages			
	Interest income 1 ■	Interest expenses 2 ■	Net interest income 3 ■	Non interest income and expenses 4	Gross income 5 ■	Operating expenses: 6	Of which: Staff costs 7	Net income 8 ■	Provisions and other income and expenses 9	Profit before tax 10 ■	Return on own funds (a) 11 ■	Average return on lending operations (b) 12	Average cost of borrowing operations (b) 13	Difference (12-13) 14 ■
05 R	3.6	1.8	1.8	0.8	2.5	1.2	0.8	1.3	-0.8	0.9	10.0	2.8	2.0	0.8
06	4.5	2.6	1.9	0.8	2.7	1.1	0.7	1.6	-0.4	1.6	19.4	2.9	2.5	0.4
07	5.0	3.5	1.5	1.0	2.5	1.1	0.7	1.4	-1.0	1.0	12.4	3.5	3.5	0.1
05 *Q2* R	3.5	1.8	1.7	0.9	2.6	1.3	0.8	1.3	-0.2	1.1	11.4	3.3	2.0	1.4
Q3	3.3	1.8	1.5	0.6	2.1	1.2	0.8	0.9	-0.2	0.7	7.7	3.0	2.0	1.0
Q4	3.6	1.8	1.8	0.8	2.5	1.2	0.8	1.3	-0.2	0.9	10.0	2.8	2.0	0.8
06 *Q1*	3.4	2.0	1.4	0.8	2.2	1.2	0.7	1.0	-0.2	0.8	8.7	2.6	2.1	0.5
Q2	4.0	2.2	1.8	0.8	2.6	1.1	0.7	1.5	-0.2	1.2	14.4	2.7	2.2	0.5
Q3	3.9	2.4	1.5	0.6	2.1	1.1	0.7	1.0	-0.3	0.7	8.0	2.8	2.3	0.4
Q4	4.5	2.6	1.9	0.8	2.7	1.1	0.7	1.6	0.3	1.6	19.4	2.9	2.5	0.4
07 *Q1*	4.3	2.8	1.5	0.9	2.4	1.1	0.7	1.3	-0.2	1.1	12.5	3.1	2.8	0.3
Q2	5.3	3.0	2.3	0.7	3.0	1.1	0.7	1.9	-0.3	1.7	20.4	3.3	3.0	0.3
Q3	4.7	3.2	1.5	0.6	2.1	1.0	0.6	1.0	-0.2	0.8	10.0	3.4	3.2	0.2
Q4	5.0	3.5	1.5	1.0	2.5	1.1	0.7	1.4	-0.3	1.0	12.4	3.5	3.5	0.1
08 *Q1*	5.0	3.5	1.4	0.9	2.4	1.0	0.6	1.3	-0.3	1.0	11.7	3.7	3.7	-0.0
Q2	5.5	3.6	1.9	0.6	2.5	1.0	0.6	1.5	-0.4	1.0	11.7	3.7	3.9	-0.1

PROFIT AND LOSS ACCOUNT
Percentages of the adjusted average balance sheet and returns



PROFIT AND LOSS ACCOUNT
Percentages of the adjusted average balance sheet

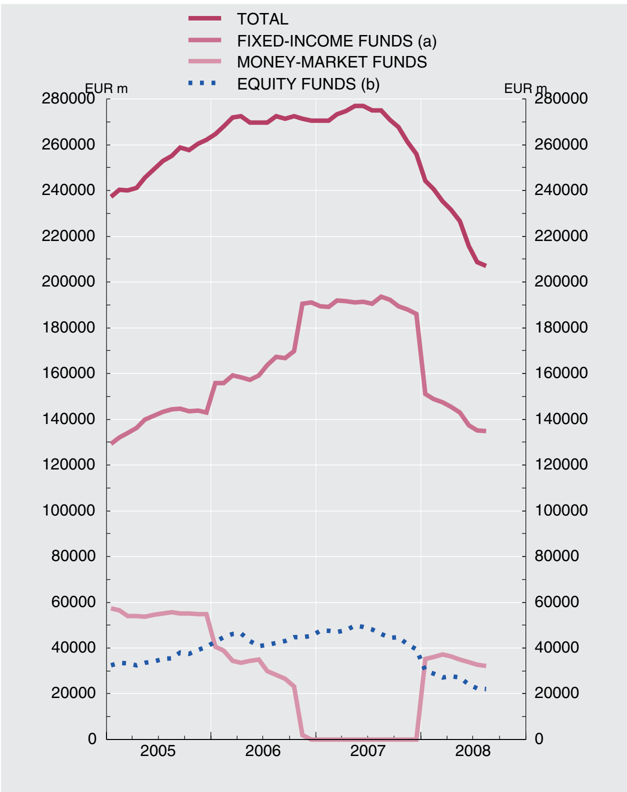
Source: BE.
Note: The underlying series for this indicator are in Table 4.36 of the BE Boletín estadístico.
a. Profit before tax divided by own funds (capital,reserves, and general risk fund less losses from previous financial years and intangible assets).
b. Only those financial assets and liabilities which respectively give rise to financial income and costs have been considered to calculate the averge return and cost.
c. Average of the last four quarters.

8.11. MUTUAL FUNDS RESIDENT IN SPAIN

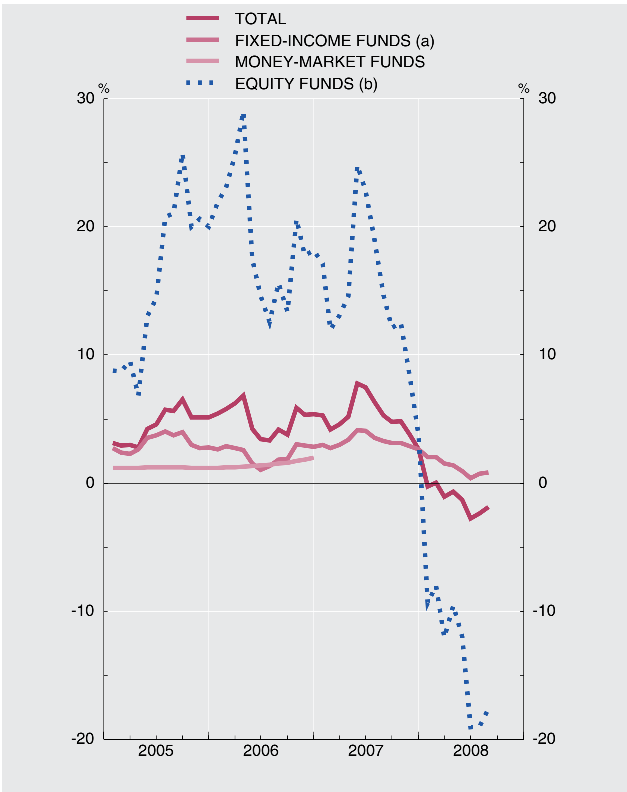
■ Series depicted in chart. *EUR millions*

	Total				Money-market funds				Fixed-income funds (a)				Equity funds (b)				Others funds (c)
	Net asset value	Of which: Monthly change	Of which: Net funds invested	Return over last 12 months	Net asset value	Of which: Monthly change	Of which: Net funds invested	Return over last 12 months	Net asset value	Of which: Monthly change	Of which: Net funds invested	Return over last 12 months	Net asset value	Of which: Monthly change	Of which: Net funds invested	Return over last 12 months	Net asset value
	1 ■	2	3	4 ■	5 ■	6	7	8 ■	9 ■	10	11	12 ■	13 ■	14	15	16 ■	17
05	262 201	26 113	14 270	5.1	54 751	-3 237	-3 881	1.2	143 047	15 312	12 061	2.8	40 672	8 649	2 303	20.0	23 730
06	270 407	8 206	-10 861	5.4	106	-54 645	-55 113	2.0	191 002	47 954	39 212	2.8	45 365	4 693	-2 189	18.2	33 934
07	256 055	-14 352	-22 008	2.6	-	-106	-106	...	185 963	-5 039	-8 287	2.6	39 449	-5 916	-7 179	3.6	30 643
07 *Apr*	274 562	1 140	-591	5.2	-	-	-	...	191 508	-387	-582	3.4	47 907	819	31	14.6	35 147
May	276 925	2 362	-575	7.8	-	-	-	...	191 131	-378	-819	4.1	49 730	1 824	-23	24.8	36 063
Jun	277 006	81	727	7.5	-	-	-	...	191 436	305	682	4.1	49 234	-496	-60	22.8	36 335
Jul	275 034	-1 971	-1 101	6.3	-	-	-	...	190 493	-943	-950	3.6	48 196	-1 038	-190	19.0	36 346
Aug	275 016	-19	-242	5.3	-	-	-	...	193 565	3 073	2 697	3.3	46 136	-2 060	-1 421	14.7	35 314
Sep	270 736	-4 279	-5 439	4.8	-	-	-	...	192 289	-1 277	-1 624	3.1	44 560	-1 576	-1 877	12.1	33 887
Oct	267 586	-3 151	-6 069	4.8	-	-	-	...	189 387	-2 902	-3 907	3.1	44 816	255	-1 196	12.5	33 383
Nov	261 331	-6 255	-4 310	3.8	-	-	-	...	188 057	-1 330	-1 536	2.9	41 620	-3 196	-1 640	8.3	31 654
Dec	256 055	-5 276	-4 537	2.6	-	-	-	...	185 963	-2 094	-1 919	2.6	39 449	-2 171	-1 417	3.6	30 643
08 *Jan*	244 286	-11 769	-6 863	-0.3	35 111	35 111	1 027	...	151 093	-34 870	531	2.0	30 184	-9 265	-5 341	-9.4	27 898
Feb	240 462	-3 824	-4 123	0.0	36 169	1 058	-10	...	148 946	-2 147	-1 376	2.0	28 813	-1 371	-1 319	-8.0	26 534
Mar	235 174	-5 288	-3 933	-1.1	37 340	1 171	-369	...	147 530	-1 415	-1 658	1.5	27 214	-1 599	-906	-12.0	23 090
Apr	231 723	-3 451	-5 458	-0.7	36 428	-912	-909	...	145 511	-2 019	-2 512	1.4	27 622	409	-839	-9.5	22 161
May	226 535	-5 187	-5 542	-1.3	35 029	-1 400	-1 590	...	142 921	-2 590	-2 562	1.0	27 159	-464	-627	-12.0	21 427
Jun	215 574	-10 961	-7 355	-2.8	33 849	-1 180	-1 569	...	137 444	-5 476	-3 950	0.4	24 008	-3 150	-753	-19.1	20 273
Jul P	208 593	-6 982	-7 186	-2.4	32 589	-1 260	-1 628	...	135 012	-2 433	-2 798	0.7	22 309	-1 699	-1 354	-19.0	18 683

NET ASSET VALUE



RETURN OVER LAST 12 MONTHS



SOURCES: CNMV and Inverco.

a. Includes short and long-term fixed-income funds in euros and international, mixed fixed-income funds in euros and international and guaranteed funds.

b. Includes equity funds and mixed equity funds in euros, national and international.

c. Global funds.

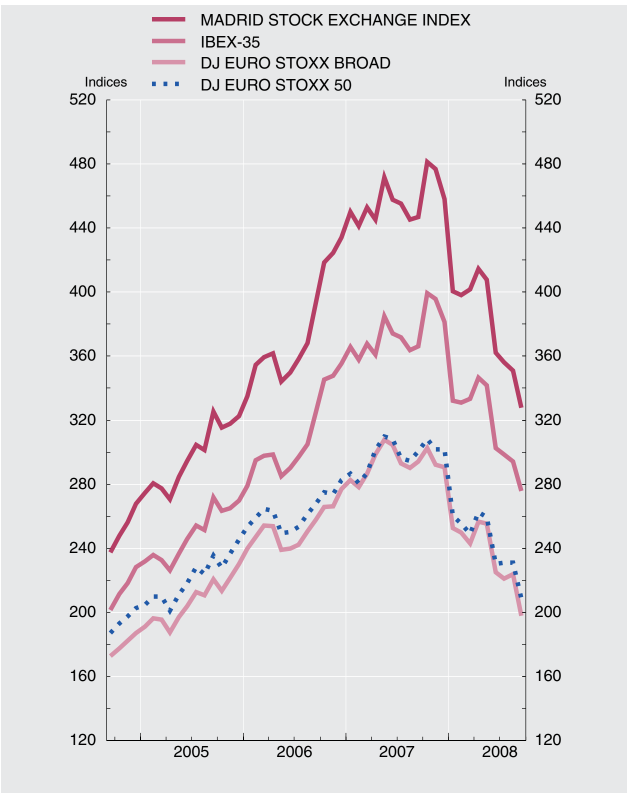
8.12. SHARE PRICE INDICES AND TURNOVER ON SECURITIES MARKETS. SPAIN AND EURO AREA

■ Series depicted in chart.

Indices, EUR millions and thousands of contracts

		Share price indices				Turnover on securities markets							
		General Madrid Stock Exchange	IBEX 35	Dow Jones EURO STOXX indices		Stock market		Book-entry government debt	AIAF fixed-income market	Financial options (thousands of contracts)		Financial futures (thousands of contracts)	
				Broad	50	Equities	Bonds			Fixed-income	Shares and other equities	Fixed-income	Shares and other equities
		1 ■	2 ■	3 ■	4 ■	5 ■	6	7 ■	8 ■	9	10	11	12
06		1 344.36	12 346.51	361.00	3 830.10	1 155 682	93 449	2 888 728	900 202	-	12 977	-	6 569
07		1 637.50	14 899.46	419.02	4 344.48	1 670 178	89 600	3 040 244	1 115 708	-	14 161	-	8 722
08	A	1 361.38	12 632.17	337.20	3 541.56	991 324	59 770	1 650 062	1 491 969	-	12 581	-	5 873
07 *Jun*		1 640.40	14 892.00	434.76	4 489.77	180 794	7 209	209 163	89 256	...	1 441	...	842
Jul		1 630.91	14 802.40	418.05	4 315.69	148 942	8 404	324 836	110 001	...	750	...	772
Aug		1 595.04	14 479.80	414.30	4 294.56	115 739	7 388	377 247	91 052	...	1 086	...	777
Sep		1 600.90	14 576.50	419.92	4 381.71	108 347	6 150	286 110	82 760	...	1 334	...	740
Oct		1 724.44	15 890.50	432.10	4 489.79	175 472	8 313	212 587	102 545	...	1 139	...	724
Nov		1 708.19	15 759.90	417.26	4 394.95	152 642	8 272	219 320	90 490	...	1 685	...	734
Dec		1 642.01	15 182.30	414.90	4 399.72	107 346	6 163	162 213	95 535	...	1 719	...	549
08 *Jan*		1 435.24	13 229.00	360.56	3 792.80	183 005	6 080	282 093	117 244	...	1 274	...	844
Feb		1 425.98	13 170.40	356.76	3 724.50	105 424	7 551	268 415	97 445	...	1 260	...	650
Mar		1 439.06	13 269.00	346.99	3 628.06	95 384	5 646	193 445	118 222	...	1 466	...	633
Apr		1 485.01	13 798.30	366.23	3 825.02	116 192	7 223	191 286	160 603	...	1 544	...	563
May		1 460.74	13 600.90	364.68	3 777.85	97 678	5 904	140 822	211 806	...	799	...	515
Jun		1 297.87	12 046.20	321.61	3 352.81	105 483	6 745	142 121	204 624	...	2 196	...	649
Jul		1 276.51	11 881.30	315.84	3 367.82	118 682	7 359	175 967	238 332	...	1 361	...	691
Aug		1 256.93	11 707.30	319.45	3 365.63	67 466	7 081	109 103	173 832	...	728	...	557
Sep	P	1 175.14	10 987.50	282.61	3 038.20	102 011	6 181	146 811	169 860	...	1 953	...	771

SHARE PRICE INDICES
JAN 1994 = 100



TURNOVER ON SECURITIES MARKETS

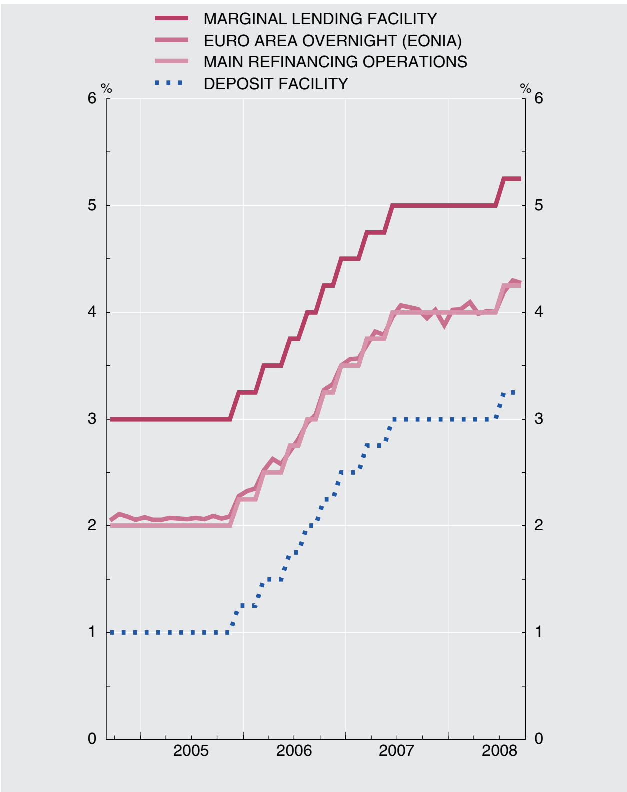
Sources: Madrid, Barcelona, Bilbao and Valencia Stock Exchanges (columns 1, 2, 5 and 6); Reuters (columns 3 and4); AIAF (column 8) and Spanish Financial Futures Market (MEFFSA) (columns 9 to 12)

9.1. INTEREST RATES. EUROSYSTEM AND MONEY MARKET. EURO AREA AND SPAIN

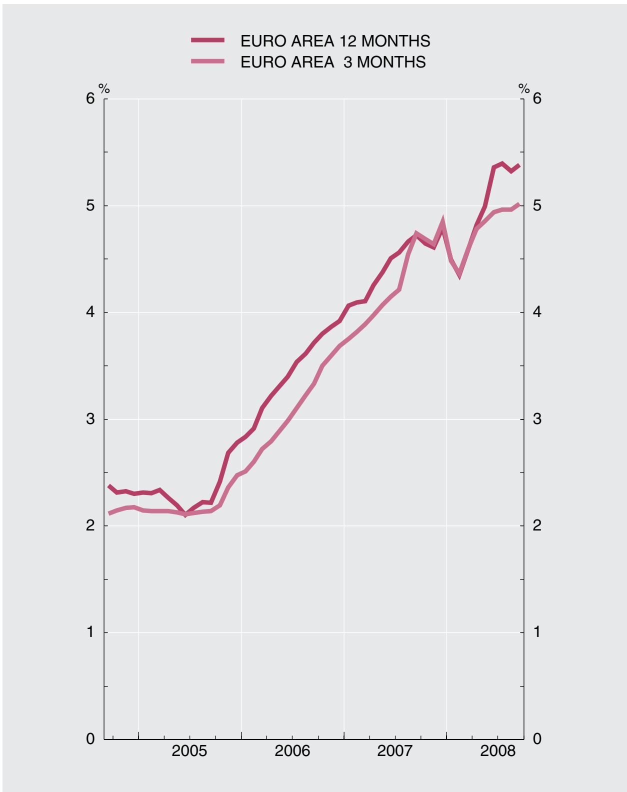
■ Series depicted in chart. *Averages of daily data. Percentages per annum*

	Eurosystem monetary policy operations				Money market													
	Main refinancing operations: weekly tenders	Longer term refinancing operations: monthly tenders	Standing facilities		Euro area: deposits (Euribor) (a)					Spain								
			Marginal lending	Deposit	Overnight (EONIA)	1-month	3-month	6-month	1-year	Non-transferable deposits					Government-securities repos			
										Overnight	1-month	3-month	6-month	1-year	Overnight	1-month	3-month	1-year
	1 ■	2	3 ■	4 ■	5 ■	6	7 ■	8	9 ■	10	11	12	13	14	15	16	17	18
06	3.50	3.66	4.50	2.50	2.839	2.94	3.08	3.24	3.44	2.83	2.93	3.08	3.23	3.44	2.75	2.82	2.93	3.28
07	4.00	4.00	5.00	3.00	3.866	4.09	4.28	4.35	4.45	3.85	4.08	4.27	4.33	4.44	3.78	3.85	3.90	4.11
08 A	4.25	4.36	5.25	3.25	4.101	4.39	4.78	4.86	4.97	4.08	4.36	4.75	4.81	4.92	4.04	4.08	4.09	3.89
07 *Jun*	4.00	4.11	5.00	3.00	3.956	4.10	4.15	4.28	4.51	3.95	4.08	4.14	4.27	4.48	3.88	3.99	4.01	-
Jul	4.00	4.20	5.00	3.00	4.063	4.11	4.22	4.36	4.56	4.05	4.10	4.19	4.30	4.56	3.96	3.99	4.05	4.36
Aug	4.00	4.56	5.00	3.00	4.047	4.31	4.54	4.59	4.67	4.03	4.31	4.54	4.53	4.64	3.86	3.97	4.06	4.37
Sep	4.00	4.50	5.00	3.00	4.029	4.43	4.74	4.75	4.73	3.99	4.38	4.72	4.70	4.72	3.94	4.00	4.00	-
Oct	4.00	-	5.00	3.00	3.941	4.24	4.69	4.66	4.65	3.90	4.24	4.65	4.69	4.64	3.88	3.96	3.98	4.04
Nov	4.00	4.65	5.00	3.00	4.022	4.22	4.64	4.63	4.61	4.01	4.25	4.64	4.57	4.59	3.96	3.97	3.99	4.00
Dec	4.00	4.00	5.00	3.00	3.879	4.71	4.85	4.82	4.79	3.85	4.74	4.82	4.79	4.78	3.80	3.94	3.92	-
08 *Jan*	4.00	4.21	5.00	3.00	4.022	4.20	4.48	4.50	4.50	3.98	4.17	4.46	4.44	4.42	3.90	3.94	3.93	3.60
Feb	4.00	4.16	5.00	3.00	4.028	4.18	4.36	4.36	4.35	4.00	4.17	4.34	4.30	4.33	3.99	3.97	3.93	3.58
Mar	4.00	4.44	5.00	3.00	4.091	4.30	4.60	4.59	4.59	4.07	4.28	4.58	4.57	4.58	4.01	3.99	3.94	-
Apr	4.00	4.55	5.00	3.00	3.987	4.37	4.78	4.80	4.82	3.99	4.33	4.76	4.77	4.76	3.97	3.98	3.98	-
May	4.00	4.51	5.00	3.00	4.010	4.39	4.86	4.90	4.99	4.00	4.36	4.82	4.85	4.95	3.99	3.98	4.00	-
Jun	4.00	4.50	5.00	3.00	4.007	4.47	4.94	5.09	5.36	3.99	4.43	4.94	5.02	5.29	3.98	4.08	4.18	-
Jul	4.25	4.70	5.25	3.25	4.191	4.47	4.96	5.15	5.39	4.17	4.45	4.95	5.05	5.34	4.12	4.25	4.30	-
Aug	4.25	4.60	5.25	3.25	4.299	4.49	4.97	5.16	5.32	4.27	4.47	4.94	5.09	5.26	4.28	4.31	4.34	4.46
Sep	4.25	4.36	5.25	3.25	4.273	4.66	5.02	5.22	5.38	4.27	4.60	4.99	5.15	5.30	4.13	4.24	4.25	-

EUROSYSTEM: MONETARY POLICY OPERATIONS AND EURO AREA OVERNIGHT DEPOSITS



INTERBANK MARKET: EURO AREA 3-MONTH AND 1-YEAR RATES



Source: ECB (columns 1 to 8).

a. To December 1998, synthetic euro area rates have been calculated on the basis of national rates weighted by GDP

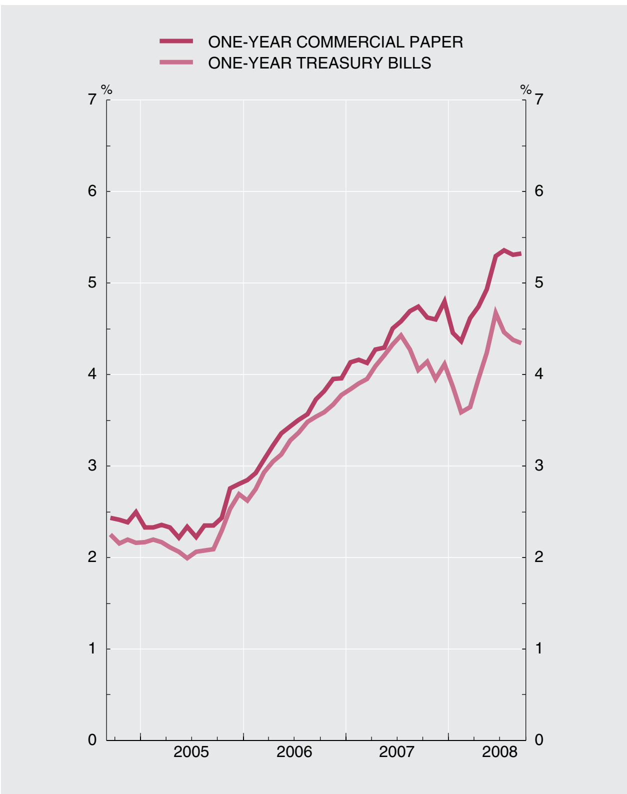
9.2. INTEREST RATES: SPANISH SHORT-TERM AND LONG-TERM SECURITIES MARKETS

■ Series depicted in chart.

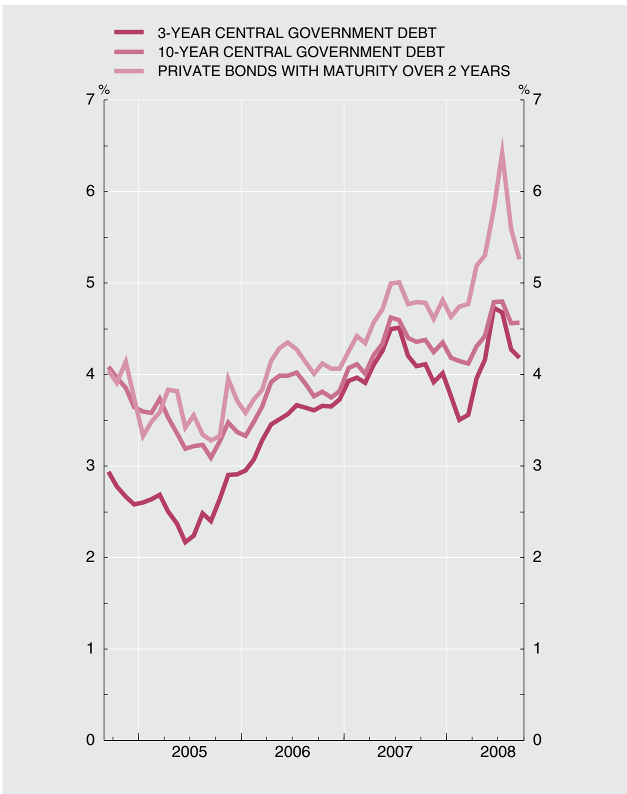
Percentages per annum

	Short-term securities				Long-term securities							
	One-year Treasury bills		One-year commercial paper		Central Government debt							Private bonds with a maturity of over two years traded on the AIAF
	Marginal rate at issue	Secondary market: outright spot purchases between market members	Rate at issue	Secondary market: outright spot purchases	Marginal rate at issue					Secondary market. Book-entry debt. Outright spot purchases between market members		
					3-year bonds	5-year bonds	10-year bonds	15-year bonds	30-year bonds	At 3-years	At 10-years	
	1 ■	2	3 ■	4	5	6	7	8	9	10 ■	11 ■	12 ■
06	3.27	3.26	3.45	3.44	3.36	3.57	3.76	-	4.04	3.48	3.79	4.05
07	4.11	4.07	4.46	4.49	4.00	4.16	4.24	-	4.49	4.13	4.31	4.67
08 A	4.13	4.10	4.93	4.99	4.24	4.26	4.61	4.92	4.86	4.09	4.43	5.30
07 *Jun*	4.33	4.32	4.51	4.51	-	4.49	-	-	-	4.50	4.62	4.99
Jul	4.42	4.36	4.58	4.54	-	-	4.65	-	-	4.51	4.60	5.01
Aug	4.27	4.18	4.69	4.75	-	-	-	-	-	4.20	4.40	4.77
Sep	4.05	4.03	4.74	4.82	-	4.20	-	-	4.70	4.09	4.35	4.79
Oct	4.14	4.02	4.62	4.75	-	-	-	-	-	4.11	4.38	4.78
Nov	3.95	4.02	4.60	4.67	-	-	4.26	-	-	3.91	4.25	4.61
Dec	4.11	4.03	4.80	4.88	4.05	-	-	-	-	4.01	4.35	4.81
08 *Jan*	3.87	3.76	4.46	4.58	3.97	4.00	-	-	-	3.76	4.18	4.63
Feb	3.59	3.61	4.36	4.43	-	-	4.20	-	-	3.50	4.14	4.74
Mar	3.64	3.71	4.62	4.62	-	-	-	-	-	3.56	4.12	4.77
Apr	3.95	3.98	4.74	4.84	3.90	3.96	-	-	4.79	3.96	4.31	5.19
May	4.24	4.18	4.93	5.02	3.99	4.07	-	-	4.92	4.16	4.42	5.30
Jun	4.67	4.55	5.30	5.36	-	-	4.84	-	-	4.73	4.79	5.81
Jul	4.46	4.49	5.36	5.33	4.96	4.86	4.76	-	-	4.68	4.80	6.42
Aug	4.38	4.37	5.31	5.31	-	-	-	-	-	4.27	4.56	5.59
Sep	4.34	4.23	5.32	5.44	4.35	-	4.62	4.92	-	4.18	4.57	5.26

PRIMARY MARKET



SECONDARY MARKET



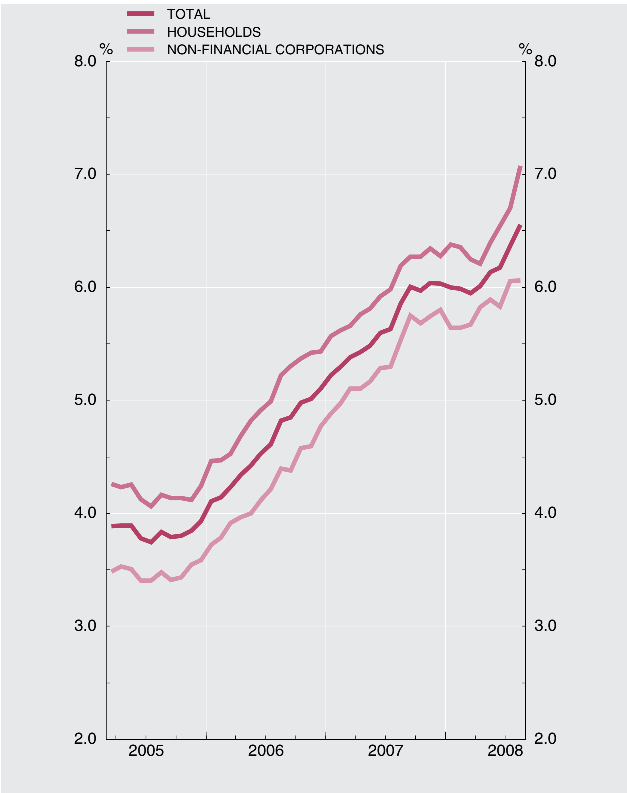
Sources: Main issuers (column 3); AIAF (columns 4 and 12).

9.3. INTEREST RATES ON NEW BUSINESS. CREDIT INSTITUTIONS. (CBE 4/2002)

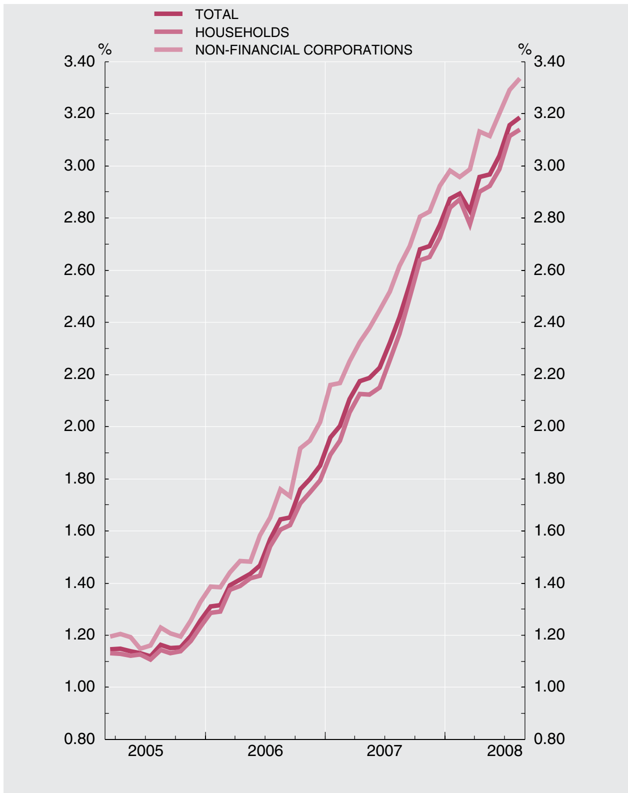
■ Series depicted in chart. *Percentages*

	Loans (APRC) (a)							Deposits (NDER) (a)								
	Synthetic rate (c)	Households and NPISH			Non-financial corporations			Synthetic rate (c)	Households and NPISH				Non-financial corporations			
		Synthetic rate	House purchase	Consumption and other	Synthetic rate	Up to EUR 1 million	Over EUR 1 million (b)		Synthetic rate	Overnight and redeemable at notice	Time	Repos	Synthetic rate	Overnight	Time	Repos
	1 ■	2 ■	3	4	5 ■	6	7	8 ■	9 ■	10	11	12	13 ■	14	15	16
06	5.10	5.43	4.74	7.32	4.77	5.20	4.56	1.85	1.79	0.52	3.20	3.28	2.02	1.27	3.37	3.48
07	6.03	6.28	5.53	8.34	5.80	6.32	5.50	2.77	2.72	0.70	4.41	3.72	2.92	1.94	4.42	3.92
08 A	6.55	7.08	6.18	9.58	6.06	6.68	5.74	3.19	3.14	0.79	4.78	4.08	3.34	2.20	4.65	4.34
07 *Jan*	5.22	5.57	4.85	7.53	4.88	5.38	4.58	1.96	1.89	0.57	3.25	3.39	2.16	1.41	3.46	3.54
Feb	5.29	5.62	4.92	7.52	4.97	5.40	4.69	2.00	1.95	0.58	3.32	3.41	2.17	1.43	3.43	3.53
Mar	5.38	5.66	4.98	7.51	5.10	5.47	4.87	2.10	2.05	0.60	3.51	3.60	2.25	1.47	3.56	3.70
Apr	5.43	5.76	5.05	7.71	5.11	5.53	4.81	2.18	2.13	0.60	3.60	3.62	2.32	1.51	3.66	3.78
May	5.48	5.81	5.11	7.74	5.16	5.60	4.89	2.19	2.12	0.61	3.59	3.68	2.38	1.56	3.73	3.78
Jun	5.60	5.92	5.20	7.88	5.29	5.69	5.05	2.23	2.15	0.60	3.70	3.81	2.45	1.48	3.99	3.96
Jul	5.63	5.98	5.32	7.85	5.30	5.76	5.03	2.32	2.26	0.63	3.82	3.80	2.52	1.56	4.02	4.04
Aug	5.86	6.19	5.43	8.32	5.53	5.92	5.22	2.42	2.36	0.67	3.91	3.76	2.62	1.65	4.08	3.99
Sep	6.00	6.27	5.49	8.47	5.75	6.14	5.47	2.54	2.50	0.69	4.15	3.83	2.69	1.67	4.33	4.02
Oct	5.97	6.27	5.57	8.24	5.68	6.21	5.27	2.68	2.64	0.71	4.31	3.81	2.80	1.82	4.24	3.97
Nov	6.04	6.35	5.59	8.41	5.74	6.22	5.33	2.69	2.65	0.71	4.29	3.81	2.82	1.87	4.22	4.02
Dec	6.03	6.28	5.53	8.34	5.80	6.32	5.50	2.77	2.72	0.70	4.41	3.72	2.92	1.94	4.42	3.92
08 *Jan*	6.00	6.38	5.56	8.64	5.64	6.24	5.23	2.87	2.84	0.72	4.52	3.77	2.98	1.96	4.43	3.94
Feb	5.98	6.35	5.59	8.49	5.64	6.13	5.23	2.89	2.87	0.74	4.51	3.81	2.96	1.97	4.27	4.02
Mar	5.95	6.25	5.43	8.55	5.67	6.17	5.28	2.83	2.78	0.76	4.31	3.84	2.99	1.92	4.36	4.04
Apr	6.01	6.21	5.38	8.54	5.82	6.35	5.42	2.96	2.90	0.77	4.47	3.82	3.13	1.97	4.55	4.02
May	6.13	6.39	5.54	8.78	5.89	6.45	5.50	2.97	2.92	0.78	4.50	3.84	3.11	1.97	4.51	4.06
Jun	6.17	6.54	5.72	8.78	5.83	6.50	5.50	3.04	2.99	0.75	4.64	3.88	3.20	2.04	4.59	4.07
Jul	6.37	6.70	5.94	8.82	6.06	6.64	5.71	3.16	3.11	0.78	4.79	4.04	3.29	2.09	4.71	4.24
Aug P	6.55	7.08	6.18	9.58	6.06	6.68	5.74	3.19	3.14	0.79	4.78	4.08	3.34	2.20	4.65	4.34

LOANS
SYNTHETIC RATES



DEPOSITS
SYNTHETIC RATES



Source: BE.

a. APRC: annual percentage rate of change. NEDR: narrowly defined effective rate, which is the same as the APRC without including commissions.

b. Calculated by adding to the NDER rate, which does not include commissions and other expenses, a moving average of such expenses.

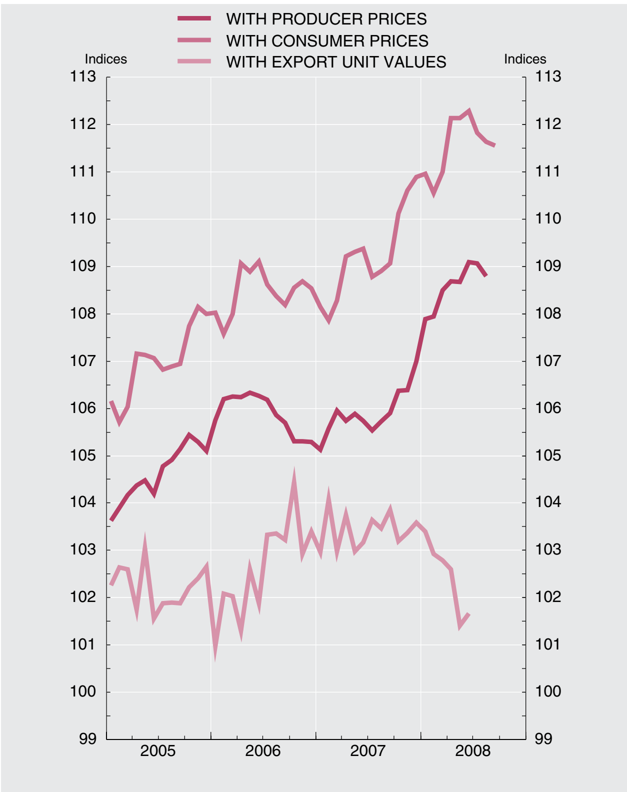
c. The synthetic rates of loans and deposits are obtained as the average of the interest rates on new business weighted by the euro-denominated stocks included in the balance sheet for all the instruments of each sector.

9.4 INDICES OF SPANISH COMPETITIVENES VIS-à-VIS THE EU-27 AND THE EURO AREA

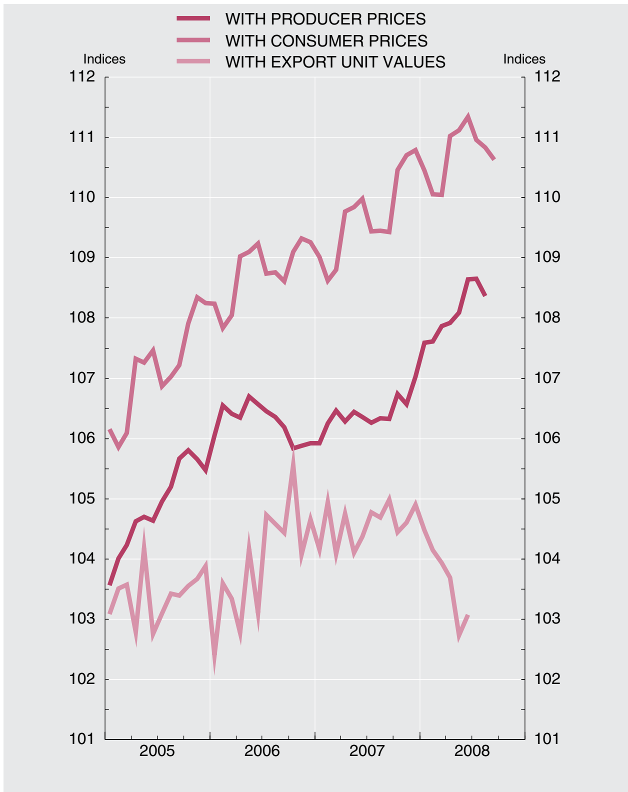
■ Series depicted in chart. *Base 1999 QI = 100*

	Vis-à-vis the EU-27									Vis-à-vis the euro area				
	Total (a)				Nominal component (b)	Price component (c)				Based on producer prices	Based on consumer prices	Based on total unit labour costs	Based on manufacturing unit labour costs (d)	Based on export unit values
	Based on producer prices	Based on consumer prices	Based on total unit labour costs	Based on export unit values		Based on producer prices	Based on consumer prices	Based on total unit labour costs	Based on export unit values					
	1 ■	2 ■	3	4 ■	5	6	7	8	9	10 ■	11 ■	12	13 ■	14 ■
05	104.6	107.0	106.5	102.2	100.1	104.6	106.9	106.4	102.2	104.9	107.2	107.6	113.1	103.4
06	105.9	108.5	108.6	102.6	100.0	105.9	108.5	108.7	102.7	106.3	108.8	110.1	116.5	104.0
07	105.9	109.2	109.7	103.4	99.9	106.0	109.3	109.8	103.5	106.4	109.7	111.6	118.3	104.6
06 *Q3*	105.9	108.4	108.5	103.3	100.0	105.9	108.4	108.5	103.3	106.3	108.7	109.9	116.4	104.6
Q4	105.3	108.6	109.5	103.6	99.8	105.5	108.8	109.8	103.8	105.9	109.2	111.4	117.2	104.8
07 *Q1*	105.6	108.1	108.9	103.3	99.7	105.9	108.4	109.2	103.6	106.2	108.8	110.8	117.6	104.4
Q2	105.8	109.3	109.5	103.3	99.8	106.0	109.5	109.7	103.5	106.4	109.9	111.3	116.7	104.4
Q3	105.7	108.9	109.9	103.7	99.8	105.9	109.1	110.1	103.8	106.3	109.4	111.9	118.3	104.8
Q4	106.6	110.5	110.7	103.4	100.3	106.3	110.3	110.4	103.1	106.8	110.7	112.2	120.7	104.6
08 *Q1*	108.1	110.8	111.6	103.0	101.0	107.1	109.8	110.5	102.0	107.7	110.2	112.4	123.9	104.2
Q2	108.8	112.2	112.4	101.9	101.4	107.4	110.7	110.9	100.5	108.2	111.2	112.8	126.6	103.2
07 *Dec*	107.0	110.9	...	103.6	100.5	106.5	110.4	...	103.1	107.0	110.8	...	...	104.9
08 *Jan*	107.9	111.0	...	103.4	100.9	107.0	110.0	...	102.5	107.6	110.5	...	...	104.5
Feb	107.9	110.6	...	102.9	100.9	107.0	109.6	...	102.0	107.6	110.1	...	...	104.1
Mar	108.5	111.0	...	102.8	101.2	107.2	109.7	...	101.6	107.9	110.0	...	...	103.9
Apr	108.7	112.1	...	102.6	101.4	107.2	110.6	...	101.2	107.9	111.0	...	...	103.7
May	108.7	112.1	...	101.4	101.3	107.2	110.6	...	100.1	108.1	111.1	...	...	102.7
Jun	109.1	112.3	...	101.7	101.3	107.7	110.8	...	100.3	108.6	111.3	...	...	103.1
Jul	109.1	111.8	...	...	101.3	107.7	110.4	...	...	108.7	111.0	...	...	...
Aug	108.8	111.6	...	...	101.3	107.4	110.2	...	...	108.4	110.8	...	...	...
Sep	...	111.6	...	...	101.5	...	110.0	...	...	...	110.6	...	...	...

INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EU-27



INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EURO AREA



Source: BE.

a. Outcome of multiplying nominal and cost/price components. A decline in the index denotes an improvement in the competitiveness of Spanish products.

b. Geometric mean calculated using a double weighting system based on 1995-1997 (until 1999) and 1999-2001 (since 1999) manufacturing foreign trade figures.

c. Relationship between the price indices of Spain and of the group.

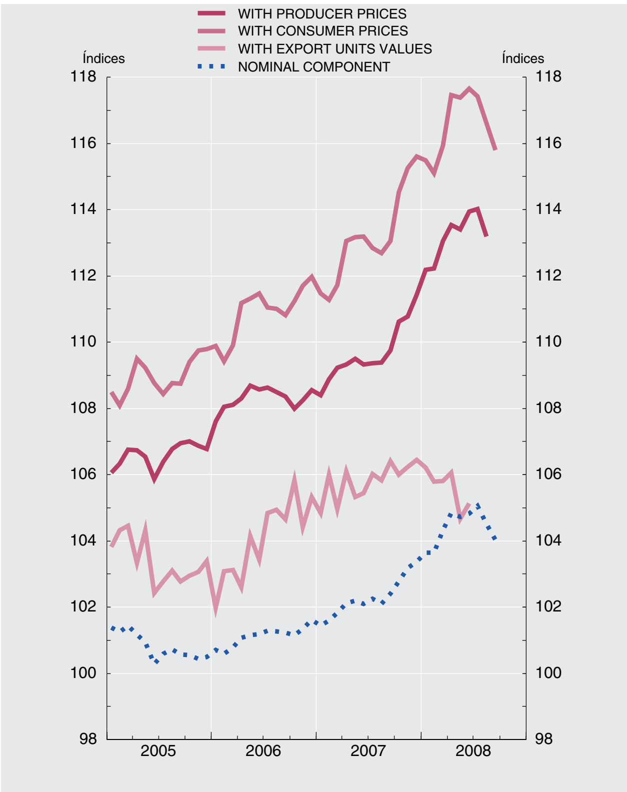
d. The index obtained drawing on Manufacturing Labour Costs has been compiled using base year 2000 National Accounts data.

9.5 INDICES OF SPANISH COMPETITIVENESS VIS-à-VIS THE DEVELOPED COUNTRIES AND INDUSTRIALISED COUNTRIES

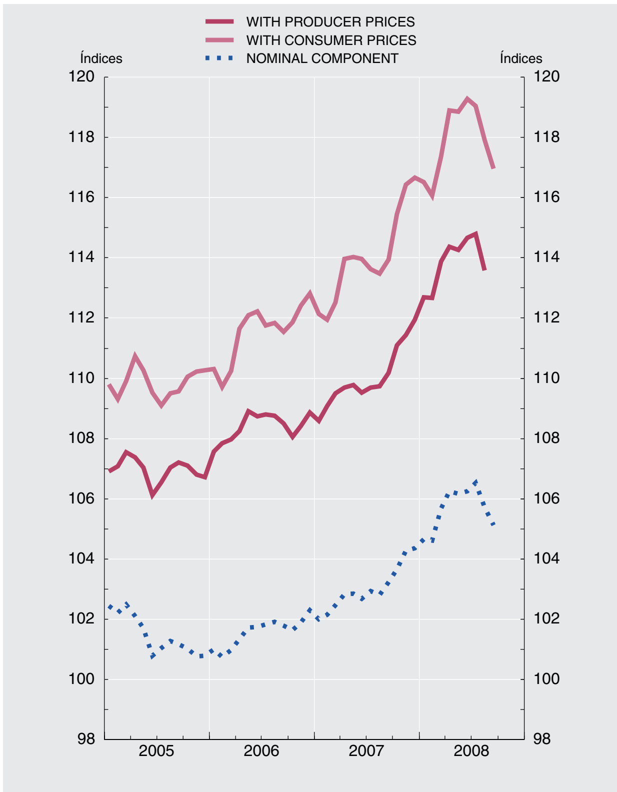
■ Series depicted in chart. *Base 1999 QI = 100*

	Vis-à-vis developed countries									Vis-à-vis industrialised countries				
	Total (a)				Nominal compon-ent (b)	Prices component (c)				Total (a)		Nominal compon-ent (b)	Prices component(c)	
	Based on producer prices ■	Based on consumer prices ■	Based on manufac - turing unit labour costs (d)	Based on export unit values ■		Based on producer prices	Based on consumer prices	Based on manufac - turing unit labour costs (d)	Based on export unit values	Based on producer prices	Based on consumer prices		Based on producer prices	Based on consumer prices
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
05	106.6	109.0	115.5	103.4	100.8	105.7	108.1	114.5	102.6	107.0	109.9	101.5	105.4	108.3
06	108.3	110.9	119.2	104.0	101.1	107.1	109.7	117.8	102.9	108.4	111.5	101.6	106.7	109.8
07	109.7	113.2	122.3	105.8	102.3	107.2	110.6	119.5	103.4	110.0	114.0	103.0	106.8	110.7
06 *Q3*	108.5	111.0	119.2	104.8	101.3	107.1	109.6	117.7	103.5	108.7	111.7	101.8	106.7	109.7
Q4	108.3	111.6	120.0	105.2	101.4	106.8	110.1	118.4	103.8	108.4	112.4	101.9	106.4	110.2
07 *Q1*	108.8	111.5	120.6	105.2	101.6	107.1	109.7	118.7	103.6	109.1	112.2	102.2	106.7	109.8
Q2	109.4	113.1	120.6	105.6	102.1	107.1	110.8	118.1	103.4	109.7	114.0	102.8	106.7	110.9
Q3	109.5	112.9	122.3	106.1	102.2	107.1	110.4	119.6	103.8	109.9	113.7	103.0	106.7	110.4
Q4	110.9	115.1	125.5	106.2	103.1	107.6	111.7	121.7	103.0	111.5	116.2	104.1	107.1	111.6
08 *Q1*	112.5	115.5	129.5	105.9	103.9	108.3	111.2	124.7	102.0	113.1	116.7	105.0	107.7	111.1
Q2	113.6	117.5	133.4	105.3	104.8	108.4	112.1	127.3	100.5	114.4	119.0	106.2	107.7	112.0
07 *Dec*	111.4	115.6	...	106.5	103.4	107.8	111.8	...	103.0	111.9	116.7	104.4	107.3	111.8
08 *Jan*	112.2	115.5	...	106.2	103.6	108.3	111.4	...	102.5	112.7	116.5	104.7	107.7	111.3
Feb	112.2	115.1	...	105.8	103.6	108.3	111.1	...	102.1	112.7	116.1	104.6	107.7	110.9
Mar	113.1	115.9	...	105.8	104.3	108.4	111.2	...	101.4	113.9	117.4	105.7	107.8	111.1
Apr	113.5	117.5	...	106.1	104.8	108.3	112.0	...	101.2	114.4	118.9	106.3	107.6	111.9
May	113.4	117.4	...	104.7	104.7	108.3	112.1	...	99.9	114.3	118.9	106.2	107.6	112.0
Jun	114.0	117.7	...	105.1	104.8	108.7	112.2	...	100.3	114.7	119.3	106.3	107.9	112.3
Jul	114.0	117.4	...	...	105.0	108.6	111.8	...	...	114.8	119.0	106.5	107.8	111.8
Aug	113.2	116.6	...	...	104.5	108.3	111.6	...	...	113.6	117.9	105.7	107.4	111.5
Sep	...	115.8	...	...	104.0	...	111.3	...	...	...	117.0	105.1	...	111.3

INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE DEVELOPED COUNTRIES



INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE INDUSTRIALISED COUNTRIES



Source: BE.

a. Outcome of multiplying nominal and cost/price components. A decline in the index denotes an improvement in the competitiveness of Spanish products.

b. Geometric mean calculated using a double weighting system based on 1995-1997 (until 1999) and 1999-2001 (since 1999) manufacturing foreign trade figures.

c. Relationship between the price indices of Spain and of the group.

d. The index obtained drawing on Manufacturing Labour Costs has been compiled using base year 2000 National Accounts data.

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