

**THE SPANISH BALANCE
OF PAYMENTS AND
INTERNATIONAL
INVESTMENT POSITION**

2008

BANCO DE ESPAÑA
Eurosystem



THE SPANISH BALANCE OF PAYMENTS
AND INTERNATIONAL INVESTMENT POSITION 2008

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ABBREVIATIONS AND CONVENTIONAL SIGNS

bn	Billions (10 ⁹).
m	Millions.
ESP	Pesetas.
€	Euro.
Ø	Annual (1970 Ø) or quarterly data with this sign are averages of the monthly data of the year or quarter; series of monthly, thrice-monthly or weekly data are averages of the daily data for such periods.
...	Data not available.
–	Nil, non-existence of the event considered or insignificance of changes when expressed as rates of growth.
»	Amount less than half of the last digit indicated in the series.
*	Seasonally adjusted data.

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1 OVERVIEW

1 Overview

This chapter summarises the most salient developments in the balance of payments and in the international investment position in 2008, along with the main changes introduced in connection with the production and dissemination of these statistics since this report was last published.

In 2008, the worsening of the international financial crisis and the generalisation of the contractionary trends marked the developments in the actual and financial transactions of the Spanish economy with the rest of the world. The financial market tensions, present since summer 2007, intensified following the collapse of Lehman Brothers in mid-September, giving rise to a severe global financial crisis. The subsequent robust response from central banks and governments has corrected some of the instability in the international financial markets, most notably since spring 2009, although the situation is still far from normal and credit conditions remain tight worldwide. The effect of the financial crisis on real activity was felt most intensely in 2008 Q4, with a severe impact on global trade flows, which recorded an unprecedented decline in the closing months of 2008 and in early 2009. The difficulties in securing lending worldwide, and the growing interdependence between economies as a result of the globalisation of production chains, exacerbated the slump in trade flows worldwide and possibly played a part in propagating the recession.

The Spanish economy underwent a brusque adjustment in the second half of 2008, similarly to that seen in other developed countries, closing the year in recession, with GDP falling at a rate of 0.7% year-on-year, although for the year as a whole, the rate of growth of GDP was positive at 1.2%. The decline in GDP was due to the severe contraction in domestic spending, while the contribution of the external sector to GDP growth was positive for the first time in the past decade, albeit due primarily to the decrease in imports. The quarterly national accounts (QNA) for 2009 Q1 reflect a heightening of the recession, with a sharp fall in the rate of growth of GDP (to -3% year-on-year) and a significant positive contribution to growth from net external demand, against the backdrop of a slump in both exports and imports of goods and services.

As the rate of growth of the Spanish economy decelerated, net foreign borrowing moderated. According to balance of payments data, in 2008 Spain's net borrowing fell for the first time since 2002, to 9% of GDP, 0.6 pp below the 2007 figure. The correction of the deficit accentuated in the closing months of 2008 and in 2009 Q1, as net borrowing fell in year-on-year terms by 1.5 pp and 2.6 pp, respectively, due to the severity of the contraction in domestic demand, which is depressing purchases abroad, and to the lower price of energy which has led to a substantial cut in the energy deficit.

The decline in net borrowing in 2008 was primarily a reflection of the decrease in the current account deficit (0.5 pp of GDP, to 9.5% of GDP), while the contribution of the capital account surplus was just 0.1 pp (see Table 1.1 and Chart 1.1). The progressive improvement in the current account balance was fundamentally due to the notable correction, since the summer, in the trade imbalance and, to a lesser extent, to the widening of the services surplus, as both the income and the current transfers deficits increased moderately.

The improvement in the trade balance was a result of the decline in the non-energy imbalance, which decreased by 25% in 2008 as a whole. Conversely, the energy deficit grew by almost

% of GDP										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	
NET LENDING (+) / NET BORROWING (-)	-3.1	-3.1	-2.2	-2.5	-4.2	-6.5	-8.4	-9.6	-9.0	
Current account	-4.0	-3.9	-3.3	-3.5	-5.3	-7.4	-9.0	-10.0	-9.5	
Goods	-6.4	-5.7	-5.0	-5.1	-6.4	-7.5	-8.5	-8.7	-8.0	
Services	3.3	3.4	3.1	3.0	2.6	2.4	2.3	2.2	2.4	
— Travel	4.1	4.0	3.5	3.5	3.2	2.9	2.8	2.6	2.6	
— Other services	-0.8	-0.6	-0.4	-0.5	-0.6	-0.5	-0.5	-0.4	-0.1	
Income	-1.2	-1.8	-1.7	-1.3	-1.4	-1.9	-2.1	-2.9	-3.1	
— Of which: reinvested earnings	0.3	-0.2	-0.2	0.0	0.0	0.2	0.5	0.5	0.4	
Current transfers	0.3	0.2	0.3	-0.1	0.0	-0.4	-0.7	-0.7	-0.8	
Capital account	0.8	0.8	1.1	1.0	1.0	0.9	0.6	0.4	0.5	
FINANCIAL ACCOUNT (a)	3.1	3.2	2.1	2.3	4.1	6.7	8.7	9.6	8.7	
Excluding Banco de España	4.1	0.6	1.6	2.1	5.8	6.9	11.3	8.3	5.9	
Foreign direct investment	-3.2	-0.8	0.9	-0.3	-3.4	-1.5	-6.0	-4.8	-0.7	
Portfolio investment	-0.2	-2.8	0.6	-3.4	10.2	6.5	20.3	10.0	0.4	
Other investment	7.2	4.2	0.7	6.2	-1.0	1.9	-3.2	3.5	7.0	
Financial derivatives	0.3	-0.1	-0.7	-0.4	0.0	0.0	0.2	-0.4	-0.7	
Banco de España (b)	-1.0	2.6	0.5	0.2	-1.7	-0.2	-2.6	1.4	2.8	
ERRORS AND OMISSIONS	0.0	0.0	0.1	0.2	0.1	-0.2	-0.4	0.0	0.4	

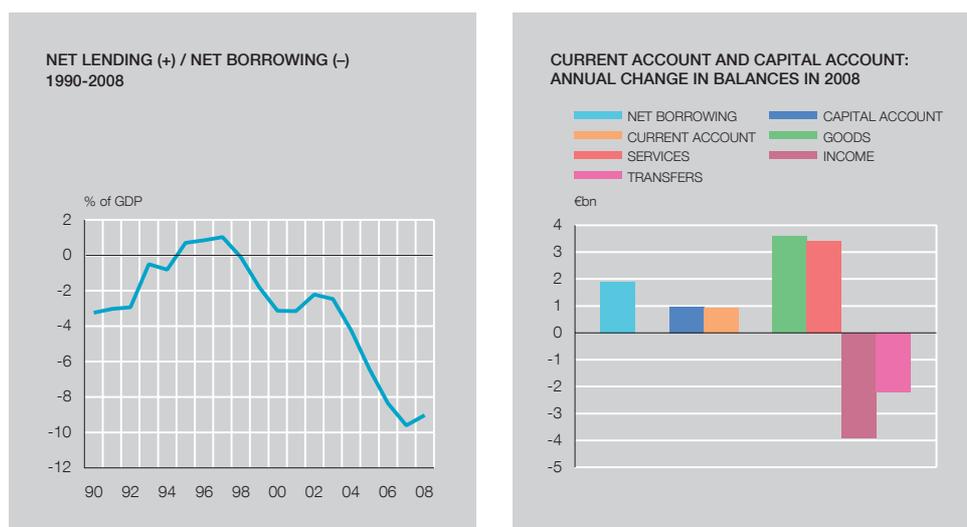
SOURCE: Banco de España.

a. Change in liabilities minus change in assets.

b. A negative (positive) sign denotes an increase (decrease) in the Banco de España's net foreign assets.

34%, due to the high price of oil in the year as a whole, despite the sharp decline recorded after the summer (see Box 2.1). Thereafter, the energy balance also helped reduce the trade deficit, which in 2008 Q4 was 30% lower than a year earlier. As a result of the sharp deceleration in final demand and of the decline in industrial activity in Spain, the demand for inputs from abroad and for high-technology content consumer durables and capital goods decreased progressively throughout the year, but most especially in 2008 Q4. Thus, on QNA data, goods imports fell by 2.7% in real terms, as opposed to an increase of 4.8% in 2007. In turn, real exports, which had maintained some degree of dynamism for most of the year, fell sharply in 2008 Q4, against the backdrop of a collapse in world trade, growing by just 0.9% in the year as a whole (in comparison with 4.3% in 2007). This fundamentally reflects the growing weakness of Spain's main export markets, as in general price-competitiveness indicators fell only moderately. However, export shares in real terms were practically stable in 2008, for the third consecutive year, reflecting the efforts made by Spanish firms to maintain their presence in foreign markets, despite growing competition from the new emerging economies (see Box 2.2 for an analysis of the characteristics of Spanish export firms). For 2009 Q1, when the contraction in world trade heightened, the available QNA data showed a marked drop in real terms in goods exports (-20.5%) and in good imports (-23.9%); as a result, the nominal trade deficit narrowed by almost 50% year-on-year in the period.

The increase in the services surplus in 2008 was due to the decline in the non-tourism services deficit, since the surplus on the tourism balance decreased, as a result of the highly adverse impact of the crisis of confidence on international tourism flows. In consequence, not only nominal tourism receipts, but also and especially tourism expenditure, fell in 2008 as a whole (at a rate of -0.4% and -3.7%, respectively), falling further in the opening months of the year as the economic recession heightened. In the case of non-tourism services, receipts



SOURCE: Banco de España.

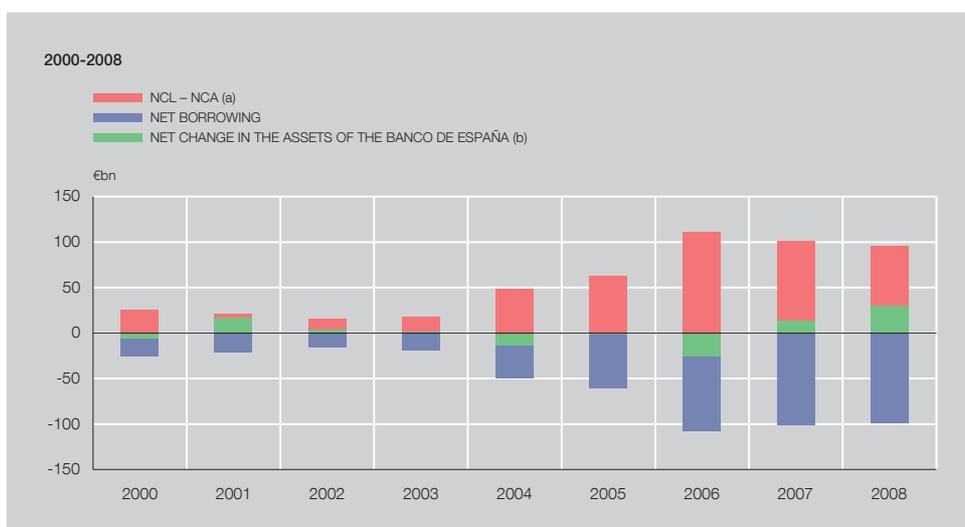
posted a higher rate of growth than payments (8.7% and 2.5%, respectively), leading to a substantial decrease in the non-tourism services deficit, a pattern that has continued in 2009 to date. Of particular note was the narrowing of the business services and royalties deficit and, to a lesser extent, the widening of the construction services surplus, and conversely, the deterioration in the transport and financial services deficits.

In 2008 the income balance deficit widened, although more slowly than in 2007. This moderation was due, not only to the deceleration in the rate of growth of indebtedness of the Spanish economy to the rest of the world, but also to the changes in the returns on these debt instruments and in the returns on foreign assets held by Spanish residents. By type of instrument, the deficits generated by “Other investment” (fundamentally, loans, deposits and repos) and “Portfolio investment” widened, offsetting the considerable improvement in the direct investment income surplus.

Lastly, the current transfers deficit widened, as the balance of transfers with the EU worsened and general government expenditure rose, the latter over and above the decrease in the workers’ remittances deficit. The capital account, which fundamentally depends on capital transfers with the EU, saw its surplus grow by 0.1 pp of GDP, having narrowed in the last three years.

The financial transactions between Spain and the rest of the world were also affected by the financial crisis, resulting, in 2008, in net inflows of funds from abroad that were not only lower than in 2007 but also insufficient to meet the net borrowing in the year as a whole (see Chart 1.2). As a result, the Banco de España’s net assets vis-à-vis the rest of the world fell more sharply than a year earlier (specifically by 2.8 pp of GDP). This decrease was concentrated on the Bank’s net assets vis-à-vis the Eurosystem, reflecting the change in the way in which monetary financial institutions (MFIs) covered their liquidity requirements, as discussed below.

The growing instability in the international financial markets in 2008 meant that the uncertainties surrounding financial institutions’ balance sheet positions persisted; this was reflected in the virtual seize-up in the wholesale financing markets, especially the asset securitisation markets in which Spanish financial institutions had been very active prior to the onset of the finan-



SOURCE: Banco de España.

a. Excluding the Banco de España.

b. A negative (positive) sign denotes an increase (decrease) in the Banco de España's net foreign assets.

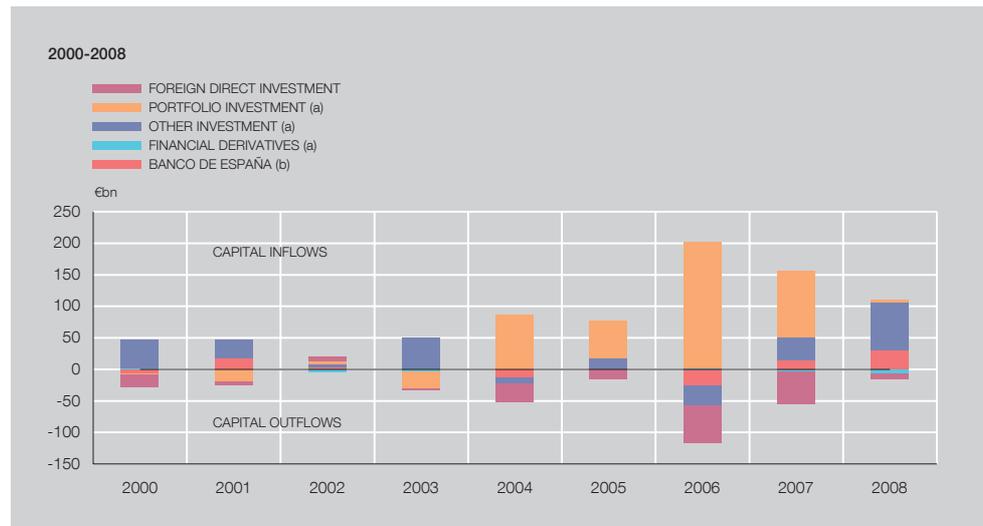
cial crisis in August 2007. Against this backdrop, the volume of international capital flows declined and investor preference shifted to safer and more liquid assets, with home bias (see Box 3.1). In this setting, Spanish MFIs adjusted the relative weight of the different financial instruments used to raise funds from abroad, in a context in which fewer new funds were needed to fill the gap between credit and deposits, raising a greater proportion through short-term instruments, such as loans and deposits, money market instruments and recourse to the Eurosystem. In turn, institutional investors channelled their funds from abroad through sales of shares and holdings in mutual funds issued by non-residents. In consequence, in 2008 net capital inflows were represented primarily by "Other investment" (fundamentally, loans, deposits and repos), while "Portfolio investment" accounted for a much smaller proportion than in previous years (see Chart 1.3). Direct investment transactions and financial derivatives gave rise to capital outflows.

The change in the type of instruments used to raise funds abroad signified a shift towards more short-term financing, reflecting the greater preference for more liquid assets and the collapse in the securitisation and corporate bond markets, trends that were first seen in the closing months of 2007. In the case of portfolio investment, the funds raised abroad were mainly in the form of equities, while fixed-income transactions generated a net outflow, due to the reduction in the balance of medium- and long-term bonds issued by residents held by non-residents, which exceeded the net inflows channelled through short-term fixed-income instruments (see Chart 1.4). There was also a very marked decrease in asset-backed securities in portfolios held by non-residents, in sharp contrast to the pattern seen to August 2007. However, this decrease was concentrated on asset-backed bonds, as institutions continued to issue covered bonds to be used, as by other countries, as collateral at ECB auctions.

The Spanish economy's net debit international investment position (IIP) widened further, although much more slowly than in previous years (in an amount equivalent to 1.2 pp of GDP), standing at 80% of GDP at end-2008. Excluding the Banco de España, this would be 84.6% of GDP, 1.7 pp below the 2007 figure. In a year marked by the financial and eco-

**NET CROSS-BORDER FINANCIAL TRANSACTIONS,
BY INSTRUMENT (NCL - NCA)**

CHART 1.3



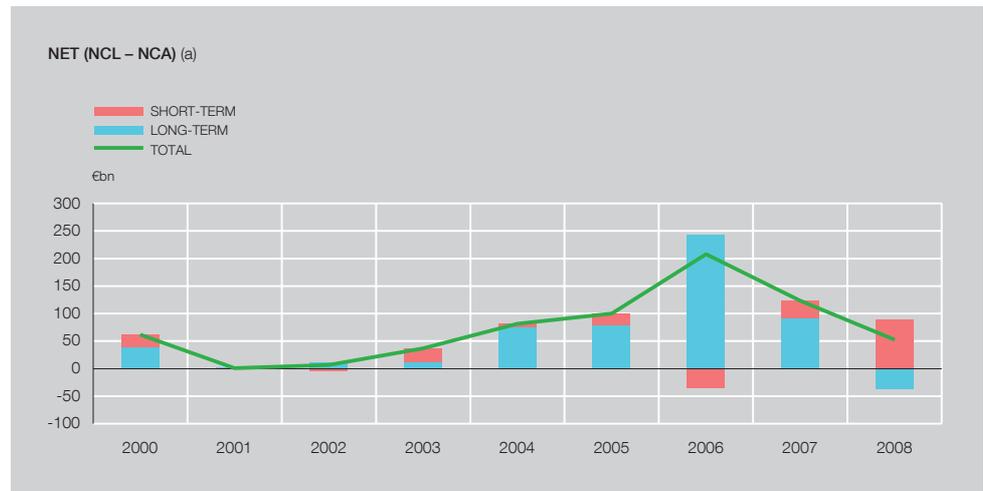
SOURCE: Banco de España.

a. Excluding the Banco de España.

b. A negative (positive) sign denotes an increase (decrease) in the Banco de España's net foreign assets.

FINANCIAL ACCOUNT: FIXED INCOME BY MATURITY

CHART 1.4



SOURCE: Banco de España.

a. The short-term fixed-income consists of money market instruments and other short-term investment; the long-term fixed-income consists of medium- and long-term bonds and other long-term investment. In all cases, excluding the Banco de España.

During the economic crisis, the prices of financial assets and liabilities (especially equities) fell sharply. This reduced the value of the external liabilities that make up Spain's IIP more than that of the external assets, helping improve the net debit position vis-à-vis the rest of the world in 2008 and, therefore, helping offset part of the increase stemming from the net capital inflows recorded in the year (see Box 4.1 for an international comparison). The fact that financial institutions had greater recourse to short-term external financing and to the Eurosystem, to the detriment of asset-backed securities, was reflected in an increase in the debit balance on "Other investment".

Turning to the new features described in this edition of the report, in the case of the information system used to compile the balance of payments and the IIP, it should be noted, first, that the amount below which residents are exempt from the obligation to report the type of foreign transaction has been raised from €12,500 to €50,000. As indicated in previous editions of this report, this change required a search for alternative sources to estimate the amount of certain headings under which a large number of transactions of an amount below the above-mentioned threshold were concentrated, a task on which progress continued to be made throughout 2008. It also prompted a change, as from the data disseminated in April 2008, in the calendar of publication and revision of the balance of payments. Lastly, September 2008 saw the publication for the first time, and for data as from December 2004, of stock data on shares and other direct investment capital holdings of “Other resident sectors”, calculated using the data contained in the annual reports on Spanish investment abroad and foreign investment in Spain of the Investment Register of the Ministry of Industry, Tourism and Trade. The use of this data source, which brings the valuation of capital holdings more in line with established standards, required revision of the time series of Spanish investment abroad (see Box 5.1 for a detailed description of the new procedure).

2 THE CURRENT AND CAPITAL ACCOUNT BALANCES IN 2008

2 The current and capital account balances in 2008

2.1 Introduction¹

In 2008, the external transactions of the Spanish economy took place against the backdrop of the global economic and financial crisis. The economic situation worldwide deteriorated as the year progressed, but most especially in Q4 when several countries recorded very negative rates of growth of GDP, a pattern that continued in the first part of 2009. In this setting, international trade progressively lost momentum, with a sharp decline in the closing months of 2008 that was heightened by the widespread difficulties on the financing markets, despite the measures taken by monetary and public authorities worldwide. In the year as a whole, world GDP grew at a rate of 3.2%, as opposed to 5.2% in 2007, while trade grew by some 3%, as opposed to almost 7% a year earlier.

The Spanish economy underwent a brusque adjustment in the second half of 2008, similarly to that seen in other developed countries, closing the year in recession; this situation continued in the early months of 2009. The external sector made a positive contribution to GDP growth in 2008, for the first time in a decade, although this was only sufficient to alleviate the impact on GDP of the contraction in domestic demand. On balance of payments data, the Spanish economy's net borrowing fell in 2008 to 9% of GDP (0.6 pp below the 2007 figure). The adjustment in investment in the year, to 29.6% of GDP (1.7 pp less than in 2007), reduced the need to resort to foreign saving, despite the drop in gross national saving (to 20.5% of GDP, 1.1 pp less than a year earlier). The decline in the nation's net borrowing was most striking in the closing months of 2008, amounting to 2 pp of GDP in Q4, and, according to the provisional 2009 Q1 figures, the external deficit would appear to have corrected further in the early stages of this year.

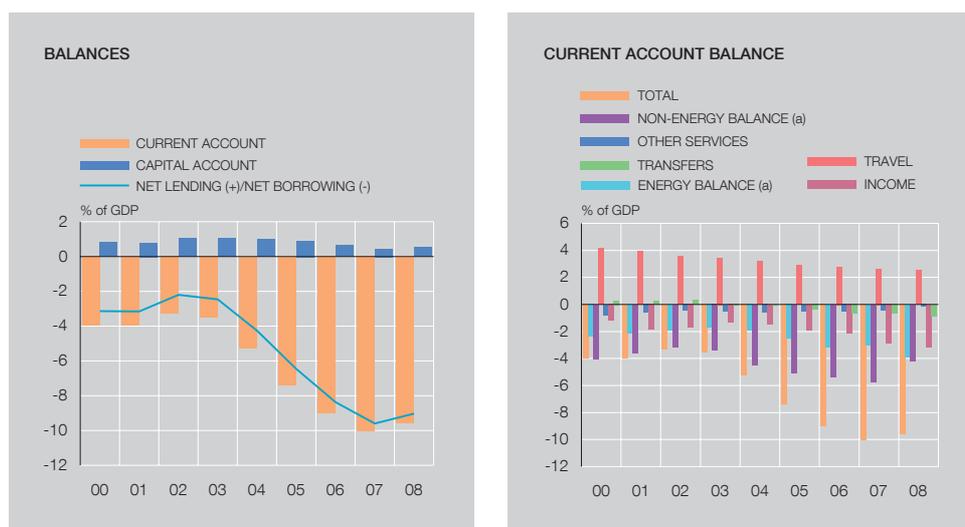
The decline in net borrowing chiefly reflects the decrease in the current account deficit (to 9% of GDP, from 9.5% in 2007), as the contribution of the capital account surplus was much more moderate (just 0.1 pp) (see Chart 2.1). By heading, the balance on trade in goods was the key contributor to the improvement in the current account balance, as its deficit narrowed by 0.7 pp of GDP to 8% (see Chart 2.2). The services surplus widened by 0.2 pp of GDP, to 2.4%, as the non-tourism services deficit narrowed, offsetting the decline in the tourism and travel surplus. Conversely, both the income and the current transfers deficits widened, to 3.1% and 0.8% of GDP, respectively (0.2 pp and 0.1 pp of GDP, respectively, above the 2007 figure).

The correction in the goods deficit is due to the improvement in the non-energy balance, which more than offset the worsening of the energy deficit. The sharp deceleration in final demand and the decline in industrial activity lowered the demand for inputs from abroad and for high-technology-content consumer durables and capital goods. As a result, goods imports fell in real terms in 2008, while exports recorded positive rates of growth in the year as a whole, despite falling sharply in 2008 Q4. Spain's export shares in real terms were practically stable, for the third consecutive year, reflecting the efforts made by Spanish firms to maintain their presence in the foreign markets. These efforts were also confirmed by the favourable development of relative export prices, whose differential vis-à-vis the main developed countries narrowed in 2008. However, the appreciation of the euro in the year as a whole meant that export-based price-competitiveness indicators were virtually unchanged on the previous year, although, in general, price-competitiveness indicators

1. For a more detailed description of the international and Spanish economic situation in 2008 and of the development and implications of the financial crisis, see the Banco de España's *Annual Report, 2008*.

BALANCE ON CURRENT ACCOUNT AND CAPITAL ACCOUNT

CHART 2.1

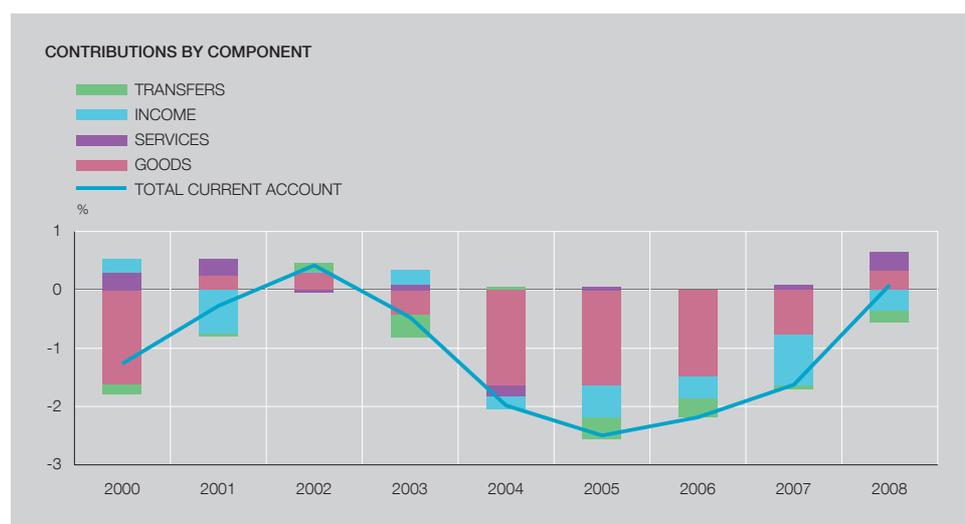


SOURCE: Banco de España.

a. The energy and non-energy balances are a Banco de España estimate based on Customs data.

BALANCE ON CURRENT ACCOUNT, GDP PERCENTAGE CHANGE

CHART 2.2



SOURCE: Banco de España.

improved after the summer, as the euro began to depreciate, and this trend has continued in 2009 to date.

The increase in the services surplus was due to the decline in the non-tourism services deficit, since the surplus on the tourism balance decreased, as a result of the highly adverse impact of the crisis of confidence on international tourism flows. The increase in the investment income deficit reflected not only the increase in the net debit position of the Spanish economy, but also the changes in spreads between the returns on the Spanish economy's financial assets and external liabilities. Lastly, the current transfers deficit widened, as the balance of net transfers with the EU worsened and general government expenditure abroad in the form of donations rose, offset only partially by the decrease in net payments abroad in the form of immigrant workers' remittances.

TRADE BALANCE
Nominal rate of change

TABLE 2.1

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Receipts (exports)	18.5	4.5	2.7	3.7	6.6	6.0	11.3	9.6	0.7
Payments (imports)	22.0	2.4	0.9	4.8	12.8	11.8	14.3	9.6	-0.8

SOURCE: Banco de España.

2.2 The current account balance

2.2.1 TRADE BALANCE

On balance of payments figures, the trade deficit declined by 3.9% in 2008, after growing by 9.6% in 2007. As a result of this decrease, the first since 2003, the trade deficit stood at 8% of GDP in 2008, 0.7 pp below the all-time high (8.7% of GDP) recorded in 2007. The partial correction of the trade balance in 2008 is due to the significant slowdown in imports, which fell slightly in 2008 (-0.8%, in nominal terms, as opposed to an increase of 9.6% in 2007), and to the moderate growth in exports (0.7%, in nominal terms, as opposed to 9.6% in 2007) (see Table 2.1). As in other external deficit components, the decline in the trade imbalance was most significant in the final stretch of the year – in 2008 Q4 the trade deficit was 2.7 pp of GDP lower than a year earlier – and the data available for the opening months of 2009 seem to point to further correction this year.

As in previous editions of this report, the detailed analysis of the growth and structure of foreign trade² is based on the figures published by the Departamento de Aduanas e Impuestos Especiales de la Agencia Tributaria (Spanish Customs and Excise Department), the main data source for compilation of the goods balance of the balance of payments and the Quarterly National Accounts (QNA). Throughout the text, comparisons between 2007 and 2008 data are based on the provisional series, as the final data for 2008 were not available when the report went to press (see Chart 2.3).

On Customs data, in nominal terms, the energy deficit grew considerably (34%) in 2008 as a whole (see Chart 2.4), governed, throughout the year, by the high volatility of the price of oil. Thus, the energy bill continued to record strong growth to July, when the price of crude reached an all-time high, before falling sharply thereafter, prompting a decline in the energy balance. Conversely, the non-energy deficit improved notably from the start of the year, narrowing by 25% in 2008 as a whole, and most significantly in the second half of the year, a pattern that continued into 2009. All headings contributed to the moderation in the non-energy deficit, but especially the decline in the deficits in the consumer durables and capital goods segments (see Box 2.1).

a) Goods exports

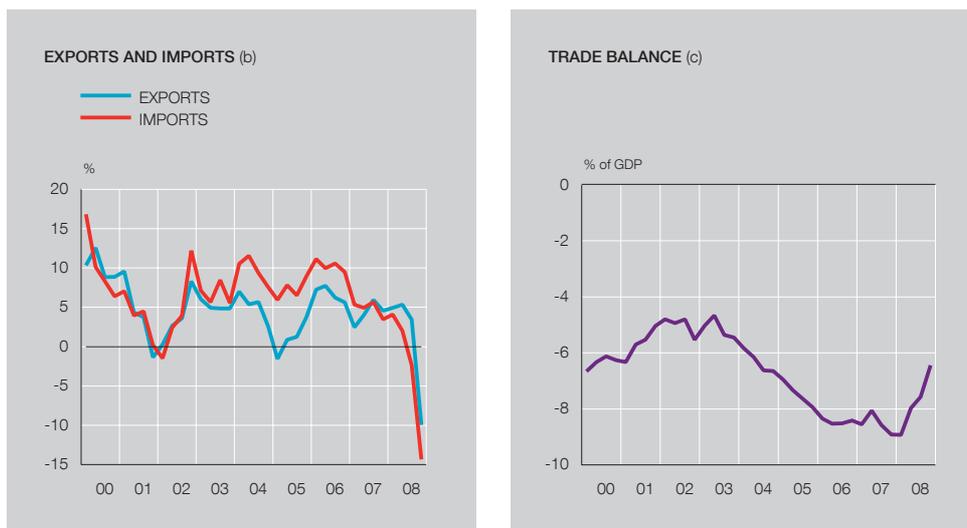
As discussed above, goods exports lost momentum in the year. On QNA data, they grew at a rate of less than 1%, in real terms, in 2008 as a whole, while on Customs data the slowdown was somewhat less marked, with growth in the year of 1.9% (against 4.2% in 2007).

Throughout 2008, exports felt the impact of the notable slowdown in Spain's export markets, which grew by slightly less than 3% (as opposed to 6.3% in 2007), and of the strength of the euro, which appreciated by 7.3% against the US dollar in the year as a whole. According to the IMF, the rate of growth of world imports dropped to 3% in the year as a whole, from 7% in 2007 (see Chart 2.5); the deceleration was most noticeable in 2008 Q4, when world trade contracted by almost 3% year-on-year, the first time this has happened since 2001. The developed economies, including the European markets, where the bulk of Spanish firms' trading

2. Appendix I to the report contains time series for Spanish foreign trade for the period 1996-2008, based on Customs data, broken down by product group and geographical area, and in greater detail than in this chapter.

TRADE BALANCE COMPONENTS (a)

CHART 2.3

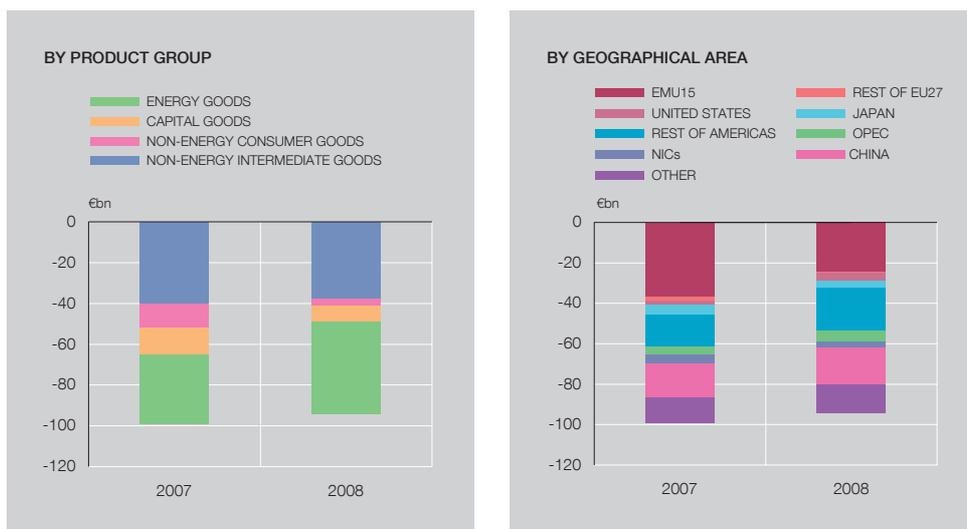


SOURCE: INE.

- a. Seasonally and calendar adjusted data. Quarterly data base year 2000.
- b. Year-on-year rates of change. In real terms.
- c. In nominal terms.

CONTRIBUTIONS TO THE NOMINAL TRADE DEFICIT (a)

CHART 2.4



SOURCE: Departamento de Aduanas.

- a. Contribution of each caption to the total change in the nominal goods deficit in €bn. Provisional data.

is conducted, played a particularly large part in this contraction, although exports to countries which in recent years had been the driving force of international trade, such as China, also slowed. The data for the opening months of 2009 point to a continued contraction in world trade, at a pace not seen since the Second World War.

The adjustment in international trade is proving especially intense in the present scenario, exacerbated by a number of factors related to the globalisation process.³ First, the fact that the

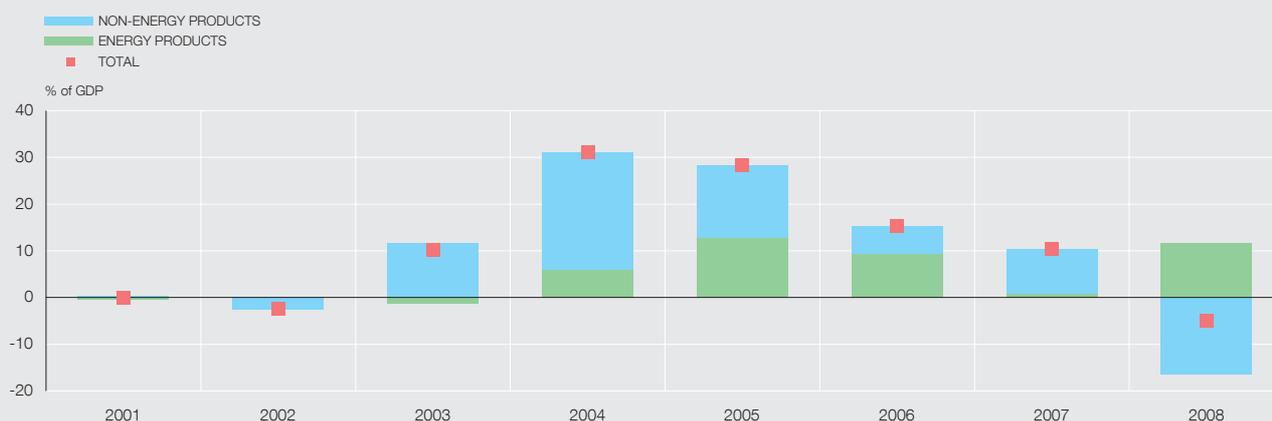
³ See World Trade Organization (2009), *World Trade 2008, Prospects for 2009*, Press release 554, and ECB (2009), *Monthly Bulletin*, March.

On Customs data, the trade deficit stood at 8.6% of GDP in 2008, 0.8 pp of GDP below the 2007 figure, signifying a break in the continued expansion seen since 2003. This decline reflects the decrease (1.7 pp of GDP) in the negative balance of the non-energy component, which more than offset the increase in the energy imbalance (0.9 pp of GDP).

The different behaviour of the energy and non-energy balances throughout the year is primarily due to the considerable rebound in the price of oil, which lifted the cost of energy imports, and to the slow-down in final Spanish demand, which reduced imports of non-energy products (see Panel 1). The Spanish economy's high dependence on

COMPONENTS OF THE TRADE DEFICIT CORRECTION IN 2008

1 CONTRIBUTION OF ENERGY AND NON-ENERGY COMPONENTS



SOURCES: INE and Aduanas.

BREAKDOWN BY TYPE OF PRODUCT (a)

Year-on-year change as % of GDP	2001	2002	2003	2004	2005	2006	2007	2008	2008 (b)
EXPORTS	0.8	0.3	0.9	1.0	0.8	1.7	1.1	0.6	17.2
Consumer durables	0.1	0.0	0.2	0.1	-0.2	0.2	0.0	-0.1	2.5
Food	0.2	0.1	0.1	0.0	0.1	0.1	0.1	0.1	2.1
Other non-durable consumer goods	0.2	0.1	0.1	0.0	0.1	0.2	0.1	0.2	1.6
Capital goods	-0.1	0.0	0.0	0.2	0.2	0.2	0.0	0.0	1.5
Non-energy intermediate goods	0.5	0.2	0.3	0.6	0.5	0.9	0.9	0.0	8.4
Energy goods	-0.1	-0.1	0.1	0.1	0.1	0.1	0.0	0.3	1.1
IMPORTS	0.8	0.2	1.4	2.7	2.7	2.9	2.0	0.2	25.8
Consumer durables	0.1	0.1	0.3	0.6	0.3	0.2	0.2	-0.7	2.5
Food	0.2	0.0	0.1	0.1	0.1	0.1	0.1	0.0	1.5
Other non-durable consumer goods	0.3	0.2	0.2	0.2	0.3	0.3	0.1	0.2	2.5
Capital goods	-0.1	-0.3	0.2	0.3	0.5	0.0	0.2	-0.5	2.2
Non-energy intermediate goods	0.5	0.2	0.6	1.1	0.6	1.4	1.3	-0.2	11.9
Energy goods	-0.1	-0.1	0.1	0.5	1.0	0.9	0.1	1.4	5.2
BALANCE	0.0	0.1	-0.5	-1.7	-1.9	-1.2	-0.9	0.4	-8.6
Consumer durables	0.0	-0.1	-0.1	-0.4	-0.5	-0.1	-0.2	0.6	0.0
Food	0.0	0.1	0.0	-0.1	0.0	0.1	0.0	0.1	0.6
Other non-durable consumer goods	-0.1	-0.1	-0.2	-0.2	-0.1	-0.1	0.0	0.0	-0.9
Capital goods	0.0	0.3	-0.1	-0.1	-0.3	0.2	-0.2	0.5	-0.7
Non-energy intermediate goods	0.0	0.0	-0.3	-0.5	-0.1	-0.5	-0.4	0.2	-3.4
Energy goods	0.0	0.0	0.1	-0.3	-0.8	-0.7	-0.1	-1.0	-4.1

SOURCES: INE and Aduanas.

a. Nominal data.

b. Level as percentage of GDP.

imported energy inputs¹ means that demand is not very price-sensitive and, therefore, that price rises are quickly passed through to the energy bill. After peaking in August, the price of crude corrected sharply thereafter, in line with the fall-off in the global demand for oil and the deteriorating economic growth outlook worldwide, but for 2008 as a whole the price of imported oil rose by some 26% in euro terms (35% in dollar terms), giving rise to a significant deterioration of the energy component of the trade balance. Specifically, of the 0.9 pp of GDP increase in the nominal energy deficit, higher energy prices account for 0.6 pp.

The decline in the trade imbalance in other goods is chiefly due to the steep fall in real imports (-4.9%), since exports posted moderate growth (1.4%) and the real terms of trade remained virtually unchanged (at around 1%).

The loss of momentum in industry (where GVA fell by 2.7%) and the sharp slowdown in final demand (which rose by just 0.2% in 2008, some 4 pp less than in 2007) reduced the demand for imports. However, the decline in imports is proving more marked than is warranted by the changes in their traditional determinants (demand and price-competitiveness).² Moreover, bearing in mind the important role the

decline in the construction industry, which has a low export profile, is playing in the present slowdown in final demand, the severity of the adjustment is even more striking. This suggests: first, that the real estate sector adjustment is having a considerable indirect impact on import demand, due to the negative effect on consumption of the large-scale job losses in the sector and to the lower demand for imports connected with home purchases; and second, that the high level of uncertainty surrounding the scope and duration of the recession, and the tightening of the conditions for access to financing for households and firms are depressing domestic demand (for imports and goods produced in Spain). An analysis of imports by type of product confirms the notable decrease in purchases of goods related to the automobile industry (not only cars but also land transport equipment and intermediate components). It also reflects a sharp adjustment in purchases of machinery and goods connected with the mineral product branches, in line with the contraction in industrial activity, and in imports of consumer goods connected with home purchases.

Exports, for their part, continued to grow, despite falling sharply towards the end of the year, in light of the marked weakness of international trade. An analysis by type of product shows that the slowdown in exports was primarily due to sales of capital goods and consumer durables, especially products connected with the automobile industry, hard hit worldwide by the international crisis.

The changes described in imports and exports by type of product explain why the partial correction of the non-energy deficit, in nominal terms, was fundamentally based on the improvement in the

1. See the article entitled "La evolución reciente del saldo energético y su contribución al saldo comercial de la economía española", *Boletín Económico*, June 2008, Banco de España. 2. According to the Banco de España's estimated equation for real goods imports, these variables would still warrant marginal positive growth in 2008. See the article entitled "Una actualización de las funciones de exportación e importación de la economía española", *Boletín Económico*, December 2008, Banco de España.

BREAKDOWN OF TRADE BALANCE BY GEOGRAPHICAL AREA (a)

Year-on-year change as % of GDP

	2001	2002	2003	2004	2005	2006	2007	2008	2008 (b)
WORLD TOTAL	0.0	0.1	-0.5	-1.7	-1.9	-1.2	-0.9	0.4	-8.6
EU	-0.3	0.1	-0.2	-0.8	-0.5	-0.2	-0.6	1.2	-2.3
<i>Euro area</i>	-0.2	-0.1	-0.1	-0.7	-0.5	-0.2	-0.6	1.1	-2.3
— <i>Germany</i>	-0.3	-0.2	-0.1	-0.3	0.0	-0.2	-0.4	0.3	-1.8
— <i>France</i>	0.1	0.1	0.0	0.0	0.0	0.2	0.1	0.4	0.4
— <i>Italy</i>	0.0	0.1	0.0	-0.3	-0.2	0.0	-0.2	0.2	-0.6
— <i>Portugal</i>	0.2	-0.1	0.0	0.0	0.0	-0.1	0.0	0.1	0.7
Rest of the EU	-0.1	0.2	-0.2	-0.1	0.0	0.0	0.0	0.1	-0.1
— <i>United Kingdom</i>	0.1	0.3	-0.1	-0.1	-0.1	0.1	0.0	0.0	0.0
Rest of the world	0.3	0.0	-0.3	-0.9	-1.4	-1.0	-0.3	-0.8	-6.3
<i>United States</i>	0.1	0.1	0.0	-0.1	0.0	0.1	-0.1	-0.1	-0.3
<i>China</i>	0.0	-0.1	-0.1	-0.2	-0.3	-0.3	-0.4	-0.1	-1.6
<i>Latin America</i>	0.0	-0.1	-0.1	-0.1	-0.2	0.0	-0.1	-0.2	-0.5
<i>Russia and associated countries</i>	0.0	-0.1	0.1	-0.1	-0.2	-0.2	0.0	-0.1	-0.7
<i>OPEC</i>	0.2	0.2	-0.1	-0.1	-0.5	-0.5	0.2	-0.5	-2.0
<i>Other</i>	0.1	0.0	-0.1	-0.1	-0.1	-0.1	0.0	0.2	-0.6

SOURCES: INE and Aduanas.

a. Nominal data.

b. Level as percentage of GDP.

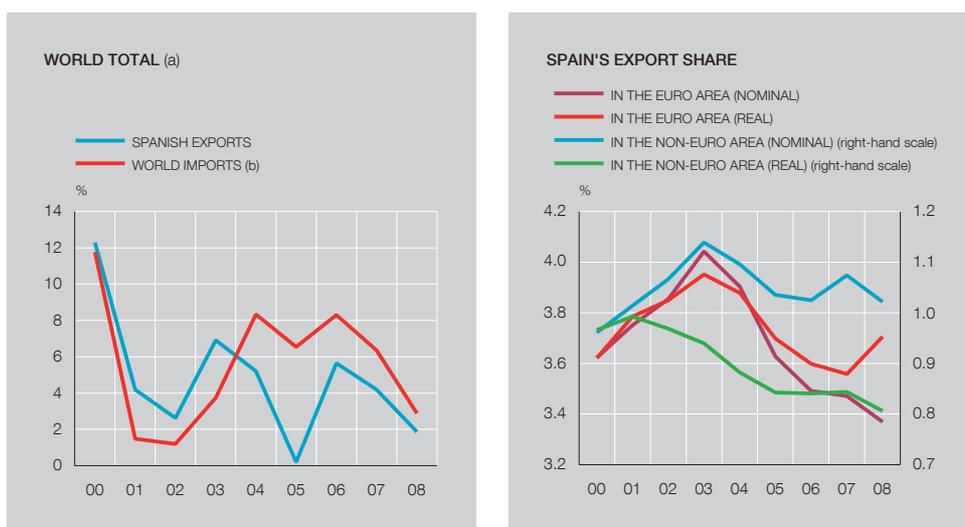
negative balances of capital goods and consumer durables, which corrected by 0.5 pp and 0.6 pp of GDP, respectively. The trade deficit in capital goods narrowed by some 40% in nominal terms, chiefly due to the machinery heading, while the lower demand for consumer durables virtually corrected the trade imbalance in these goods, as a result of the turnaround in car sales (which posted a surplus of €5,535 million in 2008, as opposed to a deficit of €437 million in 2007). The correction in the trade imbalance in intermediate goods was slightly smaller (some 0.2 pp of GDP) and was especially noticeable in the deficit in mineral products and in products for the manufacture of transport equipment, while the balances on chemical and electrical products worsened. Lastly, the surplus on the Spanish economy's food transactions widened by more than 0.1 pp of GDP to 0.6%.

The breakdown of the changes in the trade deficit by geographical area reflects the above-mentioned behaviour of foreign trade by product. The partial correction of the trade deficit was basically focused on the euro area, with a decline of 1.2 pp of GDP, and particularly on Germany (Spain's main supplier of capital goods and automobiles) and France (Spain's second most important car supplier); in fact the bilateral balance with France turned positive in 2008, as imports of capital goods and consumer durables from this country fell sharply. Conversely, the deficit vis-à-vis non-EU countries widened by 0.8 pp of GDP, primarily as a result of the deterioration of the Spanish economy's negative balance vis-à-vis the OPEC countries, in line with the higher price of oil in the year as a whole. In turn, the deficit vis-à-vis China, which accounts for a growing percentage of imports for household consumption, rose more moderately than in previous years.

crisis has become so widespread reveals a high degree of cyclical synchrony between the developed and the emerging economies, which may have increased in recent years as trade and financial transactions between different countries and areas have intensified. Second, trade has been strengthened by the geographical fragmentation of value chains, which raises intra-company trade between countries and, therefore, in periods of weak activity such as the present, has a negative multiplier effect on trade. The difficulties in accessing trade credit are a third factor that could be aggravating the contraction in trade flows. Although the evidence on trade financing difficulties is still somewhat anecdotal, the widespread tightening of conditions of access to bank financing may have spread to trade credit, especially in the emerging markets and particularly in Asia. On top of this sharp decline in world trade, there is the risk that protectionist measures may be introduced, which would add to the adverse impact on trade and activity and set back future recovery.

The main competitiveness indicators suggest that the Spanish economy lost price-competitiveness in 2008 as a whole, although these losses moderated as the year progressed, due to the favourable development of relative prices and to the depreciation of the euro against Spain's main trading partners' currencies. Price and cost growth differentials vis-à-vis the developed countries remained positive in 2008 as a whole. Conversely, the growth differential of export prices was negative, reflecting the efforts being made by Spanish export firms, whose internal costs are under pressure, to maintain their market share (see Chart 2.6 and Table 2.5). International competition has intensified as the emerging economies have become fully integrated in world trade, making it increasingly difficult for firms to consolidate and increase their presence abroad. Economic policies designed to address this aim must be based on in-depth knowledge of the distinctive characteristics of export firms, which are a small portion of all a country's firms (see Box 2.2).

Although the rate of growth of Spanish exports moderated in 2008, in step with their main determinants (world demand and competitiveness), Spain's export share in real terms remained quite stable, for the third consecutive year, as the share gained in the euro area was sufficient to offset the drop in exports to the rest of the world (see Chart 2.5). The fact that the present slowdown is having a marked impact on world demand for investment goods, which account for a small portion of Spain's exports in comparison with other developed economies,



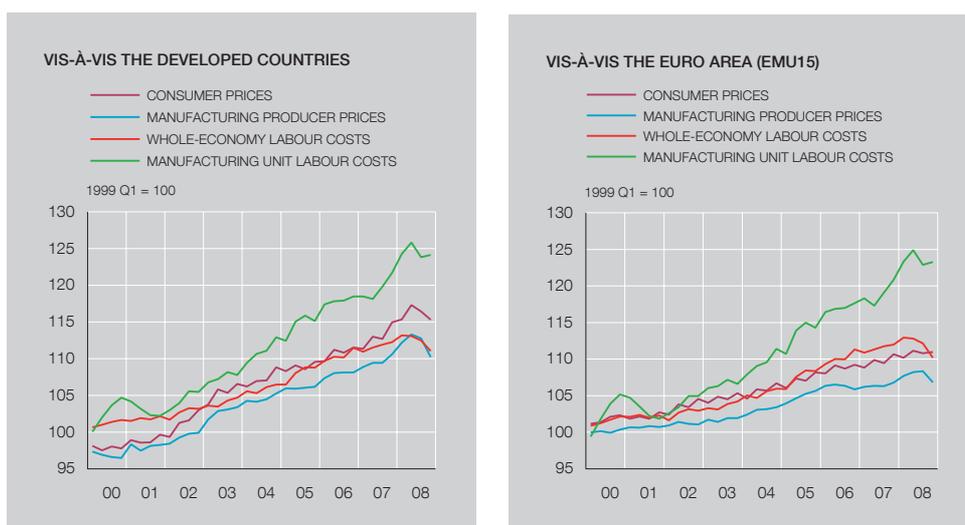
SOURCES: OECD, Ministerio de Economía y Hacienda and Banco de España.

- a. Year-on-year real rates of change.
 b. Series weighted by these countries' share in Spanish exports.

may explain, to some extent, why Spain's export share has held up better than others; the geographical diversification towards less-developed countries may be another contributing factor to this good comparative behaviour in the first half of 2008. In nominal terms the export share declined, but this is due to the sharp rise in the price of oil in the year as a whole, as it lifts import prices and, in short, boosts world trade flows measured in nominal terms.

In 2008 as a whole, growth (in nominal terms) in exports to non-EU countries was particularly strong, especially in exports to the oil-producing economies, such as Russia and the OPEC countries, where the strong surge in the price of crude boosted demand in the first half of the year. Within the euro area, exports to France, Germany and especially Portugal also grew, offsetting the decline in exports to Italy. Consequently, in 2008 the relative share of the developed economies in total Spanish exports continued to decline, albeit moderately (see Table 2.4), with Japan the key exception in this respect. The relative share of exports to Latin America also declined, as sales to this area fell considerably. In contrast, the percentage share of the CIS and other central and eastern European countries and of the OPEC countries rose, although it remains low in both cases. Geographical diversification of exports is essential, to increase the presence of Spanish products in markets with high growth potential where domestic firms still lag behind.

The breakdown of real exports by product shows moderation in all areas of export sales, with the exception of energy goods, which rebounded after stagnating in 2007, and, to a lesser extent, of non-durable non-food consumer goods. Even so, both these headings were affected by the contraction in exports in 2008 Q4, which hit intermediate goods, capital goods and consumer durables especially hard, in the case of the two last groups, adding to the declines seen in the rest of the year (-2.8% and -4.6%, respectively, in 2008 as a whole). Car exports recorded negligible growth, in contrast to 2007, hit by the sharp decline in most markets in Q4. Exports of capital goods fell further in 2008, primarily as a result of the poor performance of exports of transport equipment, while exports of intermediate industrial goods stagnated, after a good performance in 2007 (see Table 2.2). The data for the opening months of 2009 reflect a continuation of this pattern, with a steep fall in exports of capital goods, inter-



SOURCE: Banco de España.

a. An increase (decrease) in the index denotes a loss (gain) in competitiveness.

mediate industrial goods and consumer durables (of approximately 20% year-on-year in some cases), and in exports of energy products.

Lastly, turning to the breakdown of exports by sector of activity, high technology industries' exports grew significantly, driven by pharmaceutical products and aircraft, although their share of the total remained limited (below 10%). Conversely, medium-high and medium-low technology industries' exports declined, as sales abroad of motor vehicles, chemical products, and mechanical equipment and machinery, and of rubber and plastics, and non-metallic mineral products, respectively, all fell. In turn, low technology industries' exports grew modestly, driven by sales of food and of textiles and textile products.

b) Goods imports

Goods imports fell by 2.7% in real terms in 2008, on QNA data, the first annual decline since 1993. Customs data also reflected a decrease in imports in 2008 (-2.9%, as opposed to growth of 6.9% in 2007) (see Table 2.3). The decline in industrial activity, along with weak investment and private consumption, brought about a rapid adjustment in imports, in light of the Spanish economy's high dependence on inputs from abroad and high-technology-content consumer and capital goods. Thus in 2008, imports basically reflected the slowdown in final demand, since the price-competitiveness of imported products vis-à-vis those produced in Spain continued to improve, assisted by the strength of the euro in the year as a whole. As a result, in 2008 imports declined as a percentage of final demand.

Similarly to exports, imports gradually weakened as the year progressed, recording a particularly severe decline across the board in 2008 Q4. This pattern continued in the opening months of 2009, as imports of capital goods and intermediate industrial goods, in particular, fell sharply. In 2008 as a whole, the drop in imports of capital goods – affecting virtually all components – was especially steep, in real terms, falling by almost 20%, in sharp contrast to the increase of 10% in 2007. In turn, imports of intermediate industrial goods fell slightly (by 0.7%), after growing in the previous two years. The decline was particularly noticeable in mineral products and in intermediate products connected with means of transport. At the same time, imports of consumer goods fell significantly, by almost 8% (in comparison with growth of 5% in 2007), dragged down by imports of consumer durables which fell by more than 28%,

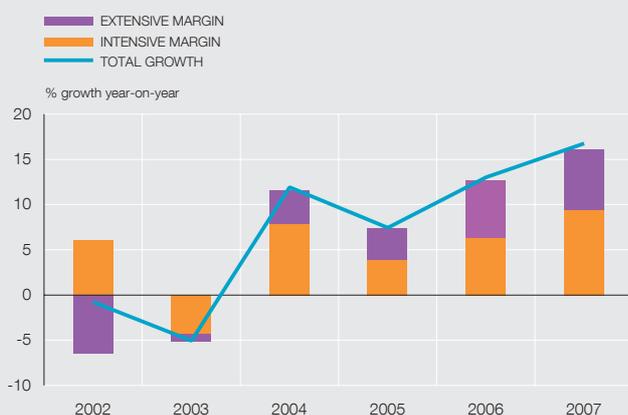
Throughout the last growth phase, the Spanish economy became significantly more globalised, reflected, inter alia, in the rise in the number of export firms. This development came about as activity became more globalised and new economies joined the world trade markets, prompting a considerable increase in competition both in the foreign and domestic markets. As a result of these changes in the international landscape, a country's capacity to make optimum use of the growth potential offered by the foreign markets lies, more than ever, in the competitive profile of its firms. In recent years, therefore, the latest developments in international trade theory have focused on analysis of the differentiating features of export firms. According to this literature, world trade acts as a selection mechanism, whereby only the most productive firms export their goods, while the least efficient ones, which lack the capacity to meet the costs associated with international expansion, limit their production to the domestic market or disappear.

This box summarises the results of a study on the number of Spanish export firms and their main characteristics in the period 2001-2007.¹ There are very few microeconomic studies available on Spain, given the confidential nature of the information that firms report to the Departamento de Aduanas e Impuestos Especiales de la Agencia Tributaria (Spanish Customs and Excise Department). To fill this gap and gain more information on Spain's export firms, the study included the creation of a database with information from three statistical sources: the balance of payments, and the central balance sheet data office (CBSO), including the data compiled directly by the CBSO and that obtained from the financial statements filed at the Mercantile Registries. The first of these sources is used to identify the export firms and

1. See A. Caloca and C. M. Machuca (2009), "Las características de las empresas exportadoras españolas", *Boletín Económico*, May, Banco de España.

CHARACTERISTICS OF SPANISH EXPORT FIRMS (a)

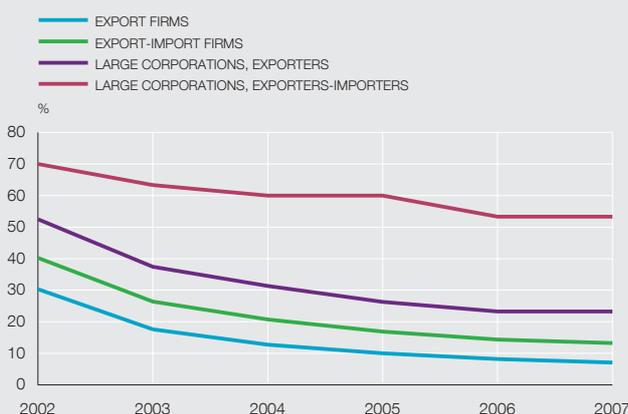
1 EXPORT VALUE GROWTH COMPONENTS (b)



2 ENTRY AND EXIT RATIOS OF SPANISH EXPORT FIRMS



3 SURVIVAL RATE OF NEW EXPORT FIRMS (e)



4 EXPORT FIRMS BY SIZE



SOURCE: Banco de España, based on balance of payments, CBSO and Mercantile Registries' statistics.

- a. Firm size is defined by the number of employees. Thus, microenterprises are those with fewer than 10 employees, small firms those with 10 to 49 employees, medium-sized firms those with 50 to 249 employees and large corporations those with 250 employees or more.
- b. The extensive margin is defined as the increase in export value deriving from the increase in the number of firms; the intensive margin is defined as the increase in export value deriving from the increase in the average amount of exports per firm.
- c. Ratio (among export firms): $\text{New firms}_{n_t} / (\text{New firms}_{n_t} + \text{Existing firms}_{n_t-1})$.
- d. Ratio (among export firms): $\text{Outgoing firms}_{n_t} / (\text{Outgoing firms}_{n_t} + \text{Existing firms}_{n_t-1})$.
- e. Analyses the development of firms that start to export and/or import in 2001 and that continue to do so in the period 2002-2007.

ascertain the value of their sales,² while the others are used to obtain information on their main characteristics, such as size, capacity for innovation, staff skill levels, etc.

The data employed show that the growth of Spanish export firms as a whole in the period 2001-2007 was due more to the *intensive margin* (i.e. the part explained by the increase in the average value of firms' exports) than to the *extensive margin* (i.e. the part explained by the change in the number of export firms) (see Panel 1). The contribution of the *extensive margin* is mainly a result of the increase in the number of small and medium-sized export firms, while it is the large export firms that chiefly determine the change in the *intensive margin*. This difference seems to indicate that large firms started to export their products much sooner than small ones, and that the ratios of entry into and exit from export activity – which may provide information on the possible difficulties firms face in consolidating their export business – vary according to company size. An analysis of these ratios confirms that smaller firms have higher entry and exit ratios, suggesting that many of these firms enter the export markets, but that they find it difficult to consolidate their position. Thus, only 7% of the firms that began to export in 2001 were still doing so in 2007. Firms that export and import products record considerably higher export market survival rates, and large corporations even higher rates.

In line with this theory and with international evidence, Spanish export firms represent a minority of the total (14% in 2007), while the propor-

tion of import firms is much higher (some 20% in 2007), reflecting the Spanish economy's high level of dependence on imports. The data suggest that firms that undertake foreign direct investment (FDI) are more likely to be exporters, supporting the theory that there is a positive link between FDI and exports, probably at the intra-company level. Lastly, as to be expected, the proportion of manufacturing firms involved in foreign trade is higher than that of the economy as a whole.

Regarding the characteristics of export firms, in general they are larger, with greater capacity for innovation and higher productive levels, than firms that are not exporters (see the accompanying table). The differences are generally more pronounced in the case of manufacturing firms. The size gap between export and non-export firms is considerable: the median of export firms is more than four times that of non-export ones. Thus, the larger the firm, the more likely it is to be an exporter: in fact, almost 70% of all large corporations are exporters, which explains the high degree of concentration of the value of foreign trade (10% of firms account for some 96% of total exports in the period 2001-2007). Bearing in mind the reservations noted in the above-mentioned article, the available data suggest that export firms are more innovative than non-export ones. The temporary employment ratio is considerably lower in these firms, and is even lower in the case of manufacturing firms, due to the large numbers of unskilled workers employed in the automobile industry. Finally, there are also significant differences in apparent labour productivity levels, which are 30% higher in export firms than in non-export ones, and in fixed capital utilisation per worker.

The analysis conducted indicates that Spanish firms have grown their presence abroad, even though certain characteristics of Spain's pro-

2. Despite the differences between balance of payments data and the available Customs data, they may be used to proxy total exports and the bulk of export firms. However, the bias towards medium-sized and large firms means that small firms are not correctly represented.

CHARACTERISTICS OF SPANISH EXPORT FIRMS VIS-À-VIS NON-EXPORT FIRMS 2001-2007

		Distribution median (a)					
		Size	Physical capacity per worker	Temporary employment ratio	Skill requirements	Intensity of innovation	Productivity (GVA/employee)
TOTAL	Export firms	14.5	1.8	20.0	14.9	2.0	48.9
	Non-export firms	3.8	1.0	36.8	13.0	0.6	37.6
Manufacturing industry	Export firms	23.5	2.1	17.4	13.9	2.6	48.6
	Non-export firms	5.9	1.1	29.7	18.2	1.0	35.9
		% of total					
		Export firms	Non-export firms	Degree of concentration of exports			
				TOP 1%	TOP 5%	TOP 10%	
TOTAL (b)		14.4	20.4	73.2	91.2	96.0	
Manufacturing industry		25.2	26.2	67.1	87.0	93.7	

SOURCE: Banco de España, based on balance of payments, CBSO and Mercantile Registries' statistics.

a. Size is measured by the number of employees; physical capital per worker is calculated using the ratio between property, plant and equipment and the number of workers; the temporary employment ratio is the proportion of temporary to total employees; the skill requirements are proxied by the proportion of directors, managers, professional and skilled workers and similar to total employees; intensity of innovation is proxied by the proportion of R&D expenses to GVA, in this case the statistic considered is the sample mean; productivity is measured by GVA per employee.

b. Calculated on the total sample for the period 2001-2007.

duction system – with its predominance of small and medium-sized firms – hinder their international expansion and consolidation. All this underlines the need for policies to be adopted to reduce the specific export costs faced by firms, especially smaller firms, whose technical and financial resources are generally more limited. These measures include encouraging export activity and promoting the image of Span-

ish products abroad, and introducing official support lines for the creation of export consortia. Moreover, these incentives should not be limited to the corporate sector, since the development of a more flexible institutional framework, more open to competition and more conducive to the allocation of resources to firms on the basis of efficiency, would enhance the competitiveness of the Spanish economy.

chiefly due to lower imports of cars and high-technology-content products (such as consumer electronics) (see Table 2.2).

An analysis of imports by geographical area shows that the decline was concentrated on imports from the EU, and particularly from within the euro area, as the rate of growth of imports from the rest of the world decelerated but remained positive. In consequence, the euro area's share in Spain's imports declined by more than 4 pp, to around 45% of the total, due, in part, to the lower demand for car imports which come primarily from the euro area. The relative share of imports from countries producing high-technology-content goods, such as Japan or the newly industrialised Asian economies, also declined. By contrast, imports from the CIS and other central and eastern European countries, and in particular from the OPEC countries, rose, due to the increase in the price of oil in the year overall (see Table 2.4). The share of imports from China also rose (to 7% of the total), although at a considerably slower pace than in previous years.

2.2.2 BALANCE OF SERVICES

The balance of services surplus widened in 2008 to 2.4% of GDP, 0.2 pp above the 2007 figure. This was due to the decline in the non-tourism services deficit (0.3 pp of GDP to 0.1%), as the tourism and travel surplus decreased by 0.1 pp to 2.6% of GDP, thus prolonging the weakness seen in this heading since 2001.⁴ In line with the developments in these transactions internationally, the rate of growth of services receipts and, especially, of services payments, moderated significantly in 2008, growing by 4.6% (10% in 2007) and 1.3% (12% in 2007), respectively. This pattern continued, in general, in the opening months of 2009, although the services surplus has narrowed recently due, above all, to the worsening tourism balance.

In 2008 as a whole, tourism receipts fell, in real terms, for the first time since 2002, down 4.9% on QNA data. In nominal terms, on balance of payments data, the decline was very modest, just 0.4%, meaning that their share of GDP continued to diminish, to 3.8% in 2008, 0.2 pp less than in 2007 (see Chart 2.7). The poor performance of tourism receipts reflects not only the drop in the number of travellers and the stagnation in the number of overnight stays in 2008, but also the changes seen in recent years in the tourist profile, with a shift towards independent travellers staying in own or rented accommodation and with a seemingly lower average daily spend. This change may explain the continued decline in real receipts by visitor seen since 2001 (see Chart 2.8).⁵ In addition, according to EGATUR,⁶ the

4. In respect of the travel heading, note that it includes travellers' spending during their stay abroad, be they tourists or other types of travellers (for example, excursionists or business travellers). 5. These receipts per tourist are the result of dividing the series of real receipts per tourist, obtained from balance of payments data, by the number of visitors entering at borders (FRONTUR). 6. Unlike the travel heading in the balance of payments, this includes spending in the country of origin, including, inter alia, international transport costs.

	TOTAL			CONSUMER GOODS			CAPITAL GOODS			NON-ENERGY INTERMEDIATE GOODS			ENERGY INTERMEDIATE GOODS		
	Ø 00-06	2007 (a)	2008 (a)	Ø 00-06	2007 (a)	2008 (a)	Ø 00-06	2007 (a)	2008 (a)	Ø 00-06	2007 (a)	2008 (a)	Ø 00-06	2007 (a)	2008 (a)
EXPORTS															
TOTAL	7.2	6.8	3.7	6.0	2.5	4.8	1.9	-1.8	-1.3	9.1	11.8	0.3	16.6	9.2	54.8
OECD	7.1	4.6	1.7	6.0	1.6	4.4	0.9	-1.5	-2.3	9.5	9.6	-2.7	14.0	-23.5	89.0
EU27	6.5	5.5	1.9	...	2.5	4.2	...	1.4	0.8	...	10.4	-2.4	...	-27.5	85.7
EU15	6.1	4.5	1.7	5.1	1.3	3.8	-0.6	0.8	-0.8	8.5	9.7	-2.6	13.8	-28.6	86.8
<i>United Kingdom</i>	6.5	2.0	-3.4	5.9	-6.1	4.6	4.5	-6.3	-24.3	7.7	14.9	-12.2	9.1	-23.1	293.6
Euro area (EMU15)	5.9	6.1	1.5	...	3.0	3.2	...	2.5	3.2	...	8.8	-1.9	...	24.4	67.4
<i>Germany</i>	4.4	5.8	1.7	2.8	-0.5	6.0	-4.7	9.8	10.7	7.5	9.9	-1.9	17.9	10.5	-20.0
<i>France</i>	6.6	6.4	1.2	5.6	8.6	2.1	0.1	-5.6	1.4	9.5	7.1	-1.1	13.9	-9.5	95.4
<i>Italy</i>	6.4	6.2	-2.0	5.5	-3.3	2.6	-2.5	14.3	-18.2	9.5	12.7	-4.8	-12.7	157.6	209.2
UNITED STATES	7.3	0.9	1.6	6.6	-5.1	8.3	2.9	-43.0	17.3	8.7	13.6	-8.6	10.0	8.9	134.5
OPEC	8.1	22.3	24.4	7.0	-1.9	15.5	10.4	41.8	-2.5	7.7	27.0	35.9	16.5	74.8	42.0
CIS and other central and eastern European countries	2.1	26.2	27.0	1.0	38.0	38.7	1.0	27.7	35.5	3.2	17.4	14.2	7.6	-30.1	50.3
Rest of the Americas	4.4	-7.8	-6.2	6.7	-16.0	-28.0	3.9	-32.3	-26.7	2.9	14.1	10.7	40.4	-17.8	44.8
NICs	4.9	2.0	1.7	6.8	10.9	11.6	7.6	-43.0	10.2	3.9	7.5	-3.2	5.2	93.2	180.4
Rest of the world	9.9	15.8	10.0	7.2	10.8	6.4	4.7	12.6	16.0	11.4	20.3	6.5	17.3	5.1	30.8
IMPORTS															
TOTAL	9.5	8.0	0.6	10.1	6.2	-7.8	0.5	7.1	-18.3	9.2	11.3	-1.5	22.8	2.3	36.8
OECD	7.6	8.0	-5.8	9.6	6.6	-9.6	-0.8	7.0	-18.3	8.5	8.2	-4.2	22.1	17.4	29.0
EU27	7.1	8.5	-6.5	...	6.6	-9.2	...	12.3	-19.8	...	7.3	-4.0	...	33.5	22.9
EU15	6.6	8.3	-7.0	8.0	6.2	-9.5	-0.9	11.0	-18.8	7.8	7.1	-4.5	22.3	37.0	17.2
<i>United Kingdom</i>	3.6	3.7	-3.2	6.2	-1.0	-3.6	-5.3	-3.4	-28.6	4.2	3.5	-10.2	9.8	53.9	71.6
Euro area (EMU15)	7.1	9.3	-7.6	...	7.7	-10.4	...	14.4	-20.0	...	7.6	-4.0	...	37.5	5.8
<i>Germany</i>	7.9	15.1	-6.0	11.6	16.4	-13.0	0.0	18.9	-14.3	8.3	13.2	2.4	49.4	18.4	-48.4
<i>France</i>	4.3	3.2	-11.4	6.1	-0.8	-15.4	-7.2	5.0	-24.4	6.4	4.9	-8.5	7.3	14.9	38.2
<i>Italy</i>	7.6	14.6	-11.9	7.9	12.3	-13.7	0.5	13.8	-21.2	8.6	9.3	-13.8	27.4	65.4	15.4
UNITED STATES	1.7	17.1	12.5	7.1	15.6	32.9	-6.2	-11.5	-8.3	3.2	31.2	-0.9	17.6	-14.1	198.1
OPEC	18.0	-4.9	32.6	7.8	-14.0	6.8	-4.3	79.7	-64.9	10.1	8.7	-6.1	20.0	-6.4	39.2
CIS and other central and eastern European countries	17.1	6.2	21.2	-6.0	-24.3	14.8	-20.8	53.0	5.6	7.8	-2.7	11.7	34.7	11.1	24.8
Rest of the Americas	13.7	4.0	6.3	13.2	-7.2	-16.7	21.9	-53.5	-79.9	10.8	28.8	10.1	44.1	-21.0	134.3
NICs	10.3	-3.2	-16.3	9.0	-7.5	-36.5	4.1	-18.0	-24.1	13.5	5.0	3.1	304.5	8.5	-24.3
Rest of the world	17.0	18.1	10.0	15.5	9.9	1.4	16.1	24.2	-3.4	17.5	32.4	10.5	21.4	-1.0	48.9

SOURCE: Departamento de Aduanas.

a. Provisional data.

average daily spend per tourist, in nominal terms, was practically flat in 2008 (up just 0.8%).

Drawing on data from the Survey on Tourism Movements at Borders (FRONTUR),⁷ the number of foreign tourists fell in 2008, by 2.4%, for the first time ever throughout the time series (see Table 2.6), even though, on World Tourism Organization (WTO) estimates,⁸ international tourist flows continued to grow in the year (1.8%). By geographical area, the decline in inbound tourism to Spain was similar to that seen in northern and western Europe, although the destinations that compete with Spain performed better. Thus, significant numbers of tourists travelled to the eastern Mediterranean and Africa (especially to Egypt, Tunisia and Morocco), areas that compete with Spain in the beach tourism segment. A disaggregated analysis of the FRONTUR

7. Survey compiled by the Tourism Studies Institute (IET), to quantify and analyse inflows and outflows of visitors through Spanish borders. 8. For more detailed information, see the *WTO World Tourism Barometer*, volume 7, No. 1, January 2009, at http://www.world-tourism.org/facts/eng/pdf/barometer/UNWTO_Barom09_1_sp_excerpt.pdf.

	AVERAGE 2000-2006	2007	2008
IN REAL TERMS (a)			
EXPORTS			
TOTAL	5.1	4.2	1.9
Capital goods	7.1	-0.5	-2.8
Consumer goods	3.5	0.1	4.1
<i>Food</i>	3.6	3.0	2.0
<i>Non-food</i>	3.4	-1.2	5.0
Intermediate goods	5.8	8.0	1.1
<i>Non-energy</i>	6.1	8.2	0.3
<i>Energy</i>	0.7	5.1	20.4
IMPORTS			
TOTAL	6.9	6.9	-2.9
Capital goods	6.8	9.8	-19.6
Consumer goods	8.0	5.1	-7.7
<i>Food</i>	6.0	7.4	-1.8
<i>Non-food</i>	8.5	4.5	-9.3
Intermediate goods	6.2	7.2	2.0
<i>Non-energy</i>	6.2	8.0	-0.7
<i>Energy</i>	5.8	3.5	13.8
UNIT VALUE INDICES			
EXPORTS			
TOTAL	2.0	2.5	1.9
Capital goods	-1.0	-0.9	1.8
Consumer goods	2.3	2.4	0.6
<i>Food</i>	2.1	2.7	4.7
<i>Non-food</i>	2.4	2.2	-1.2
Intermediate goods	2.6	3.3	2.7
<i>Non-energy</i>	1.8	3.3	0.0
<i>Energy</i>	16.7	2.0	29.6
IMPORTS			
TOTAL	2.5	1.0	3.8
Capital goods	-1.4	-2.4	1.8
Consumer goods	1.3	1.1	-0.1
<i>Food</i>	1.3	1.1	2.9
<i>Non-food</i>	1.3	1.1	-0.8
Intermediate goods	4.1	1.6	5.7
<i>Non-energy</i>	1.6	2.9	-0.7
<i>Energy</i>	15.5	-1.3	20.3

SOURCES: Departamento de Aduanas and Ministerio de Industria, Turismo y Comercio.

a. The real export and import data of the last two years are provisional.

statistics shows that the poor performance in the year as a whole was largely due to the decline in the number of tourists from the United Kingdom (-3.1%) and France (-9.1%), two of Spain's main source markets. The number of tourists from Germany was flat, while the numbers from the Nordic countries, Russia and the United States rose.

There also was a sharp deceleration in the year in the Hotel Occupancy Survey (EOH) indicators⁹ on overnight stays and, especially, tourist numbers. This slowdown affected both the beach segment and city destinations (especially short breaks), although the latter showed greater resilience, posting moderate growth in the year as a whole, due in part to

9. The main aim of the Hotel Occupancy Survey, compiled by the National Statistics Institute (INE), is to ascertain the behaviour of a series of variables allowing the essential features of the hotel industry to be known.

STRUCTURE OF FOREIGN TRADE (a)
Percentage share in nominal terms

TABLE 2.4

	SHARE IN TOTAL TRADE		BREAKDOWN OF TRADE IN AREA (b)					
			2007			2008		
	2007	2008	Consumer goods	Capital goods	Intermediate goods	Consumer goods	Capital goods	Intermediate goods
EXPORTS								
TOTAL	100.0	100.0	36.5	9.2	54.2	36.9	8.8	54.3
OECD	80.2	78.6	39.9	8.3	51.8	41.0	7.9	51.0
EU27	70.1	68.9	40.5	7.8	51.7	41.5	7.7	50.8
EU15	65.7	64.4	40.8	7.8	51.4	41.7	7.6	50.7
<i>United Kingdom</i>	7.5	7.0	46.9	8.1	44.9	50.8	6.4	42.8
Euro area (EMU15)	56.2	55.0	40.5	7.8	51.8	41.2	7.9	50.9
<i>Germany</i>	10.8	10.6	37.1	6.7	56.2	38.7	7.3	54.0
<i>France</i>	18.6	18.2	45.1	8.5	46.4	45.5	8.5	46.0
<i>Italy</i>	8.5	8.0	39.0	7.9	53.0	40.8	6.6	52.5
United States	4.2	4.1	31.7	6.3	62.1	33.7	7.2	59.0
OPEC	2.9	3.5	21.7	19.0	59.4	20.1	14.9	65.0
CIS and other central and eastern European countries	2.3	2.9	41.9	11.5	46.6	45.7	12.3	42.0
Rest of the Americas	3.5	3.1	24.4	21.2	54.5	18.7	16.5	64.8
NICs	1.0	1.0	23.8	7.0	69.2	26.1	7.6	66.3
Rest of the world	7.5	8.0	19.4	12.4	68.3	18.7	13.0	68.2
IMPORTS								
TOTAL	100.0	100.0	27.6	10.6	61.8	25.3	8.6	66.1
OECD	70.4	65.9	29.6	12.6	57.8	28.5	10.9	60.7
EU27	59.1	54.9	29.7	12.9	57.4	28.9	11.1	60.0
EU15	55.8	51.6	29.7	12.9	57.5	28.8	11.3	59.9
<i>United Kingdom</i>	4.7	4.5	36.2	9.9	53.9	36.1	7.3	56.6
Euro area (EMU15)	49.5	45.4	29.1	13.2	57.7	28.2	11.4	60.4
<i>Germany</i>	15.2	14.2	32.4	14.5	53.1	30.0	13.2	56.8
<i>France</i>	12.2	10.8	30.4	8.7	60.8	29.1	7.5	63.5
<i>Italy</i>	8.7	7.6	24.5	14.3	61.2	24.0	12.8	63.2
United States	3.5	4.0	15.8	15.4	68.8	18.6	12.6	68.8
OPEC	7.5	9.9	2.6	0.4	97.0	2.1	0.1	97.8
CIS and other central and eastern European countries	3.8	4.6	2.8	0.7	96.5	2.6	0.6	96.8
Rest of the Americas	3.7	3.9	29.3	4.7	66.0	22.9	0.9	76.2
NICs	2.2	1.8	39.6	11.3	49.1	30.1	10.3	59.7
Rest of the world	13.2	14.4	37.8	9.6	52.6	34.8	8.5	56.8

SOURCE: Departamento de Aduanas.

a. Provisional data.

b. The figures show the structure of trade flows with each of the areas specified.

Expo Zaragoza 2008. In comparison with previous years, the average stay rose slightly (by 0.2%).

Regarding the profile of visitors to Spain, in 2008 a growing majority continued to arrive by plane (77% of the total), increasingly using low-cost companies (48% of total arrivals by plane). Most of these visitors chose to stay in hotels (64% of the total), and the majority chose not to purchase a tourist package (68% of the total), reflecting the growing use of the Internet for organisation of trips (54% in 2008, up from 38% just four years ago). However, the number of trips made to Spain by foreign travellers fell in 2008, having grown in previous years, although the average stay increased. The decline in the number of visits is due to the present climate of uncertainty, and to the impact of higher transport prices on the decision to travel. Moreover, the increase in average stay is concentrated, above all, on visitors choosing to use

COMPETITIVENESS

TABLE 2.5

Year-on-year rates of change, annual averages (a)

	NOMINAL COMPONENT	RELATIVE PRICES					COMPETITIVENESS INDICES				
		Unit labour costs	Consumer prices	Unit labour costs (manuf.)	Producer prices (manuf.)	Export prices	Unit labour costs	Consumer prices	Unit labour costs (manuf.)	Producer prices (manuf.)	Export prices
Vis-à-vis the developed countries											
2002	0.7	0.9	1.7	1.5	0.5	0.3	1.6	2.4	2.2	1.3	1.0
2003	2.8	1.3	1.2	2.9	0.6	0.6	4.1	4.0	5.7	3.4	3.4
2004	0.7	1.8	1.1	3.3	1.2	0.6	2.4	1.8	4.0	1.8	1.3
2005	0.1	2.1	1.4	3.2	1.4	0.6	2.2	1.5	3.4	1.5	0.7
2006	0.3	2.2	1.5	2.9	1.6	0.3	2.5	1.8	3.2	1.9	0.6
2007	1.1	1.1	0.9	1.4	0.3	0.7	2.3	2.0	2.5	1.4	1.8
2008	1.8	0.7	1.0	4.1	0.6	-1.4	2.5	2.7	6.0	2.4	0.3
Cumulative change on December 1998											
Dec-02	-2.4	3.7	5.4	4.3	2.4	0.7	0.7	2.9	1.3	0.0	-1.7
Dec-03	0.2	5.2	6.4	6.5	3.5	2.2	4.8	6.6	6.1	3.7	2.4
Dec-04	0.9	7.0	7.6	11.6	4.8	2.7	7.4	8.6	12.1	5.7	3.6
Dec-05	-0.2	9.3	9.4	13.8	6.5	3.1	8.9	9.2	13.4	6.3	2.9
Dec-06	0.9	12.0	10.3	17.1	7.5	3.9	12.5	11.3	17.7	8.5	4.8
Dec-07	2.6	12.8	12.0	20.3	8.2	3.0	15.3	14.9	22.9	11.1	5.6
Dec-08	3.4	11.6	11.9	22.7	6.7	1.5	14.1	15.7	25.5	10.3	3.5
Vis-à-vis the euro area (EMU15)											
2002	0.0	0.4	1.4	0.9	0.4	0.0	0.4	1.4	0.9	0.4	0.0
2003	0.0	1.0	1.1	2.4	0.6	1.6	1.0	1.1	2.5	0.6	1.6
2004	0.0	1.6	1.0	2.8	1.2	0.9	1.7	1.0	2.8	1.2	1.0
2005	0.0	2.1	1.4	3.6	1.8	1.2	2.1	1.4	3.6	1.8	1.2
2006	0.0	2.4	1.5	3.1	1.3	0.5	2.4	1.5	3.1	1.3	0.5
2007	0.0	1.2	0.8	1.6	0.1	0.8	1.2	0.8	1.6	0.1	0.8
2008	0.0	0.5	1.0	4.0	1.3	0.1	0.5	1.0	4.0	1.3	0.1
Cumulative change on December 1998											
Dec-02	0.1	3.7	4.9	4.0	1.2	-0.1	3.7	5.0	4.1	1.3	-0.1
Dec-03	0.1	4.9	5.7	5.7	2.3	2.1	5.0	5.8	5.7	2.4	2.2
Dec-04	0.1	6.7	6.8	10.4	3.8	2.9	6.7	6.9	10.5	3.9	3.0
Dec-05	0.1	9.1	8.5	13.3	5.8	3.9	9.2	8.6	13.3	5.9	4.0
Dec-06	0.1	12.1	9.5	16.6	6.3	4.6	12.2	9.6	16.7	6.4	4.7
Dec-07	0.1	12.8	11.1	19.8	7.4	4.6	12.8	11.2	19.8	7.5	4.7
Dec-08	0.1	11.0	11.0	22.2	6.4	4.2	11.0	11.1	22.2	6.5	4.3
Vis-à-vis the newly industrialised Asian countries (b)											
2002	4.6	—	2.5	—	1.5	—	—	7.3	—	6.1	—
2003	17.6	—	1.9	—	-1.0	—	—	19.7	—	16.4	—
2004	8.5	—	0.3	—	-2.4	—	—	8.8	—	5.8	—
2005	-2.5	—	0.2	—	-0.9	—	—	-2.3	—	-3.4	—
2006	-2.1	—	0.8	—	0.9	—	—	-1.3	—	-1.2	—
2007	4.5	—	-0.1	—	-0.1	—	—	4.5	—	4.4	—
2008	6.6	—	-1.6	—	-3.3	—	—	4.9	—	3.2	—
Cumulative change on December 1998											
Dec-02	-9.2	—	9.8	—	5.6	—	—	-0.3	—	-4.1	—
Dec-03	7.8	—	10.8	—	4.2	—	—	19.4	—	12.3	—
Dec-04	14.2	—	10.9	—	2.5	—	—	26.7	—	17.1	—
Dec-05	0.9	—	11.4	—	1.8	—	—	12.5	—	2.8	—
Dec-06	1.1	—	10.6	—	3.0	—	—	11.8	—	4.1	—
Dec-07	12.3	—	12.0	—	2.0	—	—	25.8	—	14.6	—
Dec-08	13.0	—	7.8	—	-4.4	—	—	21.8	—	7.9	—

SOURCE: Banco de España.

a. Annual averages. A positive (negative) rate of change denotes a loss (gain) in competitiveness.

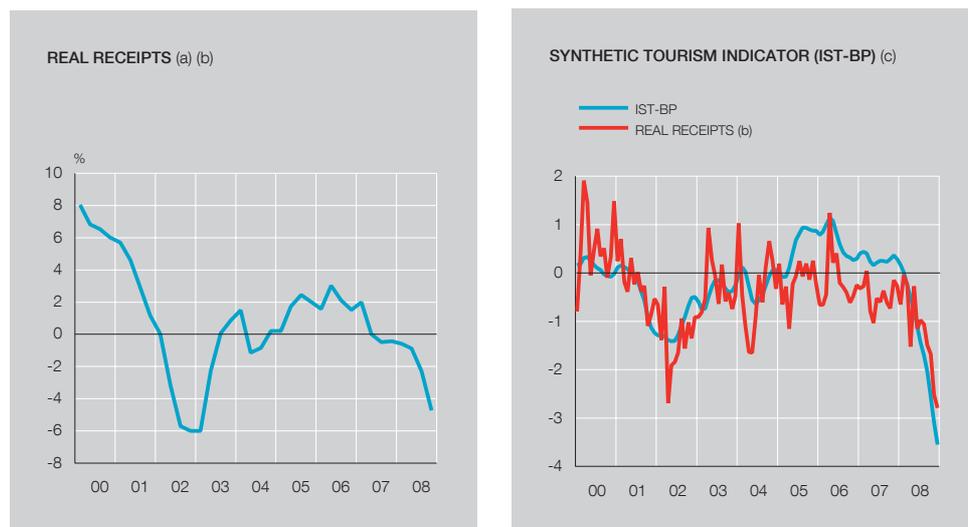
b. China, South Korea, Philippines, Hong Kong, India, Indonesia, Malaysia, Singapore, Taiwan and Thailand.



SOURCES: WTO, IET, Ministerio de Economía y Hacienda and Banco de España.

- a. In nominal terms.
- b. Rates of change.

REAL TOURISM RECEIPTS AND SYNTHETIC INDICATOR (IST-BP)



SOURCE: Banco de España.

- a. Year-on-year change in four-quarter accumulated data.
- b. The travel heading nominal receipts have been deflated using a price index calculated as the weighted average of the CPI of the COICP groups (deflator of non-residents). The weightings are obtained from the Tourism Satellite Account.
- c. The IST-BP indicator is in levels and real tourism receipts are standardised year-on-year percentage rates of change, subtracting the mean and dividing by the standard deviation in the period 1996(2)-2008(12). Revised IST-BP data including all information available to December 2008.

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Nominal receipts	10.3	5.5	-1.9	4.4	3.8	6.0	5.6	3.3	-0.4
Real receipts (a)	4.9	0.4	-6.5	0.1	0.1	2.3	1.6	0.1	-4.9
Nominal payments	17.0	13.1	5.4	4.2	22.0	24.1	9.4	8.3	-3.7
Real payments (a)	11.0	11.0	2.4	2.9	19.4	20.6	5.9	7.2	-4.5
Competitiveness index vis-à-vis the developed countries, measured in terms of consumer prices (b)	-1.3	1.1	2.4	4.0	1.8	1.5	1.8	2.0	2.7
<i>Nominal component</i>	-2.7	0.5	0.7	2.8	0.7	0.1	0.3	1.1	1.8
Developed countries' GDP (c)	1.1	-1.2	4.2	12.0	10.7	4.5	4.7	8.7	8.9
MEMORANDUM ITEMS:									
Number of foreign visitors lodged in Spanish hotels	1.3	-0.5	-1.5	2.1	1.4	5.1	6.0	4.0	0.1
Overnight hotel stays by foreign visitors	-3.5	-0.2	-5.3	0.7	-1.6	3.4	6.6	2.1	0.2
Number of tourists (FRONTUR)	2.1	4.7	3.6	1.0	3.1	6.6	3.7	1.1	-2.4

SOURCES: OECD, IMF, INE, IET and Banco de España.

a. Spanish Quarterly National Accounts figures, base year 2000.

b. Developed countries: Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Malta, Netherlands, New Zealand, Norway, Portugal, Slovakia, Slovenia, Sweden, Switzerland, United Kingdom and United States.

c. Aggregate GDP in dollars of all the developed countries, in nominal terms. The 2008 data are provisional.

own or rented accommodation, which entails a lower average daily cost than hotel accommodation.

Tourism payments, in real terms, fell by 4.5% in 2008, on QNA data, following the strong growth recorded in the previous four years, while in nominal terms, on balance of payments data, they fell by 3.7%, after growing by 8.3% in 2007. This reflects the decline in the number of trips abroad made by Spanish nationals (as seen in the FAMILITUR statistics)¹⁰ and in the amount spent. The positive impact on foreign travel of the appreciation of the euro against the dollar, and especially against the pound, failed to offset the adverse effect of the poor performance of real income in Spain, the deteriorating labour market and declining wealth.

Turning to non-tourism services, the rate of growth of receipts outpaced that of payments (8.7% and 2.5%, respectively), so the non-tourism services deficit narrowed considerably, to 0.1% of GDP. Non-tourism receipts continued to grow as a proportion of Spanish GDP (by 0.2 pp to 5.1%), while the relative share of non-tourism payments declined (by 0.1 pp to 5.2%). In any case, the relative weight of non-tourism services in GDP is slightly lower in Spain than in the euro area as a whole, meaning that it should tend to increase somewhat in the medium term (see Table 2.7).

International trade in services decelerated significantly in 2008, not only in Spain but also worldwide. On World Trade Organization (WTO) data, world exports of other services rose by 12% in nominal terms, against 21% a year earlier. However, in 2008, services transactions worldwide grew at a slower pace than goods transactions (15%, according to the WTO). This widespread slowdown affected virtually all types of services and geographical areas (with the exception of the Middle East), but the Asian economies and the EU were the

¹⁰ The aim of the survey on Spanish travel (FAMILITUR) is to study Spanish tourism, to quantify and analyse the trips made by Spanish residents, both within Spain and abroad.

SERVICES BALANCE COMPONENTS

TABLE 2.7

Nominal rates of change

	RECEIPTS				PAYMENTS			
	EU27		SPAIN		EU27		SPAIN	
	2007	2008	2007	2008	2007	2008	2007	2008
TOTAL SERVICES	12.3	3.5	10.0	4.6	9.9	6.8	12.2	1.3
Travel	5.3	-2.6	3.3	-0.4	7.8	0.9	8.3	-3.7
Other services (a)	13.6	4.5	16.2	8.7	10.5	8.5	13.3	2.5
<i>Transport</i>	8.9	7.6	6.2	6.6	3.9	7.9	-0.3	6.8
<i>Communications</i>	15.0	17.5	8.4	21.4	6.0	4.3	16.0	1.7
<i>Construction</i>	17.2	11.7	72.3	22.5	11.8	36.5	31.1	40.6
<i>Insurance</i>	34.8	-13.6	71.4	-9.5	2.8	-4.5	26.2	-23.0
<i>Financial services</i>	26.5	-2.2	35.8	-8.3	15.6	5.1	14.6	-0.8
<i>IT services</i>	15.1	10.1	23.5	6.8	10.2	7.7	13.8	0.7
<i>Royalties and income from intangible assets</i>	10.5	-7.3	-47.9	38.3	12.3	4.0	31.0	-16.9
<i>Business services</i>	11.4	5.2	15.0	13.0	14.5	9.7	20.3	2.8
<i>Cultural and leisure services</i>	1.4	-8.1	22.9	-1.1	-16.9	-2.5	15.6	0.7
<i>Government services</i>	1.5	-3.5	10.7	-4.7	3.4	9.8	3.2	-21.2

SOURCES: Eurostat and Banco de España.

a. In the case of EU27, includes all services not allocated to a specific heading.

hardest hit. On WTO data, Spain was sixth in the world ranking of total service exporters in 2008, with a share of 3.8%, well ahead of its 17th place in the world ranking of trade in goods.¹¹

In 2008 there were no significant changes in the breakdown of non-tourism services receipts and payments, with transport and other business services continuing to account for more than 70% of the total in both cases. On the receipts side, there was a notable increase in the relative share of other business services and construction services, to the detriment, in particular, of transport and financial services. On the payments side, the share of transport services rose, while that of insurance services and royalties diminished. The decline in the business services and royalties deficit made a key contribution to the correction of the deficit, as did the increase in the construction services surplus, albeit to a lesser extent. By contrast, the transport and financial services deficits worsened, the former largely due to the rise in the price of oil and to the slowdown in trade and tourism flows (see Table 2.8).

The breakdown of non-tourism services by geographical area shows that the EU was the counterparty of most of Spain's transactions (accounting for around two-thirds of both receipts and payments). The euro area accounts for almost 40% of total receipts and almost 46% of total payments. Approximately 19% of exports and 17% of imports are with the United Kingdom, in line with its importance as an international financial centre, although its relative share diminished in 2008 in comparison with 2007. In the rest of the world, Switzerland and the United States stand out, in terms both of receipts and payments. In 2008, the non-tourism services deficit was concentrated on the euro area, offsetting the surplus recorded with the rest of the EU (especially the United Kingdom) and with non-EU countries (especially the Latin American countries and Switzerland).

¹¹. The high position in the services ranking reflects Spain's weight as an international tourism destination.

	RECEIPTS										PAYMENTS									
	PERCENTAGE OF TOTAL						RATE OF CHANGE				PERCENTAGE OF TOTAL				RATE OF CHANGE					
	INTRA EU27			EXTRA EU27			INTRA EU27		EXTRA EU27		INTRA EU27		EXTRA EU27		INTRA EU27		EXTRA EU27			
	Ø 00-06	2007	2008	Ø 00-06	2007	2008	2007	2008	2007	2008	Ø 00-06	2007	2008	Ø 00-06	2007	2008	2007	2008		
Other services	100.0	100.0	100.0	100.0	100.0	100.0	10.4	6.4	28.2	13.0	100.0	100.0	100.0	100.0	100.0	100.0	15.8	-0.3	8.2	8.6
Transport	36.4	31.6	30.7	31.0	26.9	26.9	2.1	3.5	15.9	13.2	30.4	26.5	26.8	41.9	35.0	37.7	4.5	0.5	-7.2	16.9
Communications	3.7	2.9	3.1	1.7	1.5	2.0	8.0	14.2	9.5	45.7	3.0	3.3	3.4	3.8	5.1	4.8	20.6	0.6	10.1	3.1
Construction	2.4	3.0	4.3	5.1	10.9	10.6	21.5	48.4	118.0	9.5	1.5	2.5	3.8	1.4	2.4	2.5	15.0	51.9	90.5	15.4
Insurance	1.4	1.8	1.7	1.5	2.8	2.0	41.2	0.0	127.2	-20.3	2.2	4.0	2.9	2.1	2.4	2.1	61.1	-28.6	-28.4	-3.1
Financial services	7.0	10.2	8.8	3.8	5.1	4.1	29.5	-8.2	64.5	-8.4	5.9	8.0	8.0	2.7	3.7	3.3	15.1	-0.5	12.1	-2.6
IT services	3.6	3.4	3.5	16.5	15.3	14.2	-8.7	11.3	43.4	5.0	4.8	4.0	3.9	3.1	2.2	2.3	18.4	-1.9	-0.8	10.6
Royalties and income from intangible assets	1.2	0.7	1.0	2.0	0.9	0.9	-27.3	54.0	-62.4	17.1	5.2	4.5	4.1	6.3	5.1	3.2	24.9	-9.2	44.1	-31.1
Business services	40.6	42.6	43.4	34.0	32.8	35.9	14.1	8.5	17.1	23.6	42.8	43.9	43.9	32.3	39.1	39.6	19.1	-0.2	23.1	10.0
Cultural and leisure services	2.0	2.2	2.0	2.9	2.7	2.5	21.1	-2.5	25.5	1.0	3.6	3.0	3.0	5.0	3.5	3.3	21.0	-0.7	6.9	3.2
Government services	1.9	1.6	1.4	1.4	1.0	0.9	6.7	-5.2	23.7	-3.3	0.6	0.3	0.3	1.3	1.3	0.9	-6.9	-7.7	8.4	-27.1

SOURCE: Banco de España.

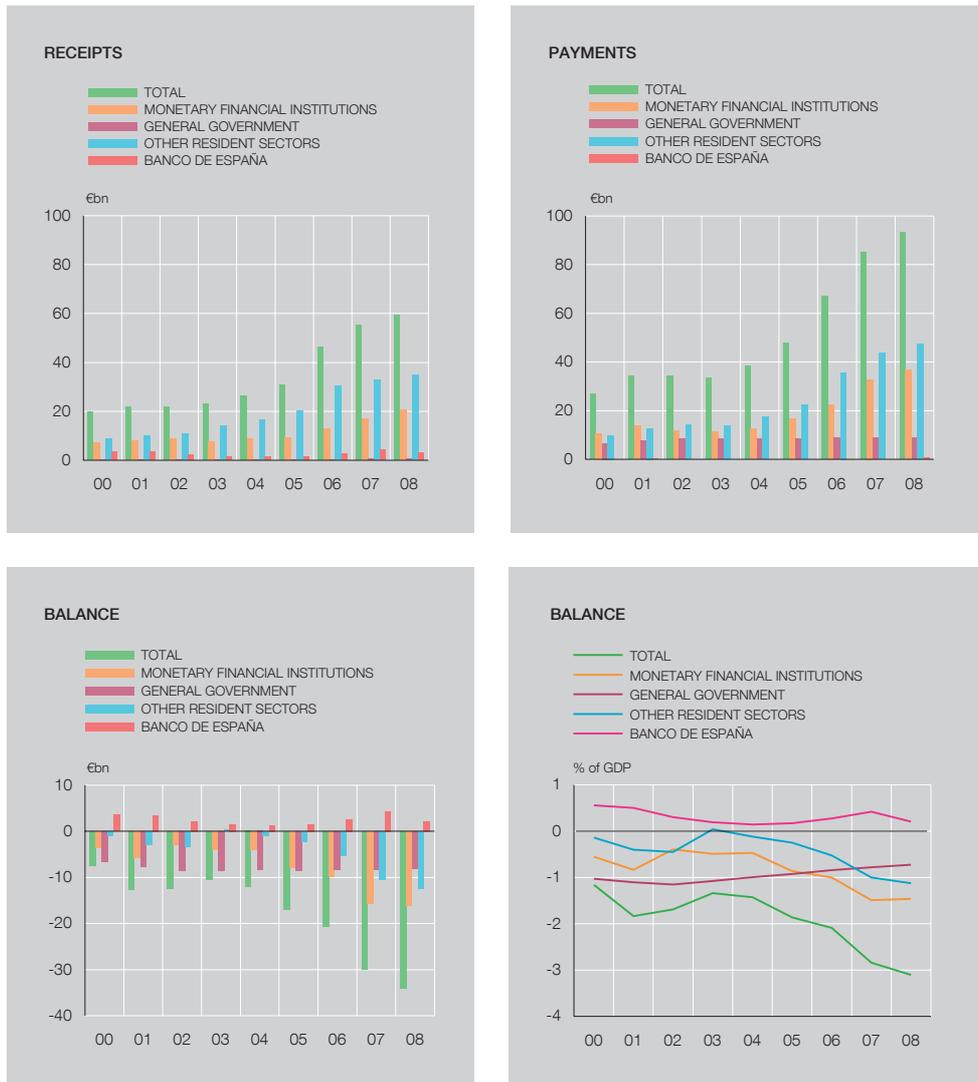
2.2.3 BALANCE OF INCOME

In 2008 the income balance deficit widened again, although at a slower pace than in 2007, growing by 0.2 pp to 3.1% as a percentage of GDP. Developments in the income balance vis-à-vis the rest of the world essentially reflect the behaviour of net investment income, as labour income remains relatively insignificant. The growth in the investment income deficit is due, above all, to the increase in net payments made by the private sector, to the decrease in the Banco de España's income surplus and, to a much lesser extent, to the growth in the MFIs' deficit, all of which was offset, to some extent, by the decline in the general government deficit (see Chart 2.9).

By type of investment, the worsening of the income balance reflects the wider deficits on other investment (basically, loans, deposits and repos) and portfolio investment, which between them balanced out the improvement in the direct investment income surplus (see Table 2.9). The IIP data show that, in effect, the debit balance on other investment rose throughout 2008, explaining the higher net income payments connected with these instruments. By contrast, in the case of portfolio investment, the international net debit position decreased, so that, in this case, the deterioration in the income balance is explained by the change in the implicit returns on the corresponding external assets and liabilities (see Chart 2.10).

After declining in 2007, the direct investment income surplus grew by more than 80% (to €10,552 million) in 2008, primarily due to the notable growth in dividend receipts from exceptionally large earnings repatriations, and to the decline in dividend payments, as dividends were contained against the backdrop of liquidity restrictions and sharp stock market falls.

The portfolio investment income deficit rose by 18% in 2008 (to €29,050 million), signifying a slowdown in the strong rate of growth seen since 2005. This increase was due basically to payments (which rose by 11.7%), as receipts were virtually flat (0.9%). Net payments generated by capital holdings (basically dividends) and by fixed-income instruments (especially medium and long-term bonds) helped widen the income deficit. By institutional sector, the poor performance of the other resident sectors (ORSs) balance stands out, as does that of the



SOURCE: Banco de España.

monetary authority and MFIs balance, albeit to a much lesser extent. The increase in income payments on medium and long-term bonds reflects the rise in interest rates over the last two years, as medium and long-term bonds held by non-residents and issued by the ORSs and the MFIs are down significantly, reflecting not only international investors' growing home bias but also their growing preference for safer and more liquid assets, in a setting of widespread uncertainty regarding the depth and duration of the present financial and economic crisis.

Conversely, the general government's portfolio investment income deficit continued to correct, narrowing by 4.8%, despite the growth in non-residents' investment in Spanish public debt, against a backdrop of positive net securities issues in 2008,¹² reflecting higher public sector financing. These investments were considerably larger than the general government's investments abroad (specifically, those made by the Social Security Reserve Fund).

The other investment income deficit rose by 40% in 2008 (to €15,495 million), similarly to a year earlier, essentially due to the higher net income payments generated by short-term loans and deposits.

12. See Chapter 3 of this report.

INVESTMENT INCOME BY INSTRUMENT
% of GDP

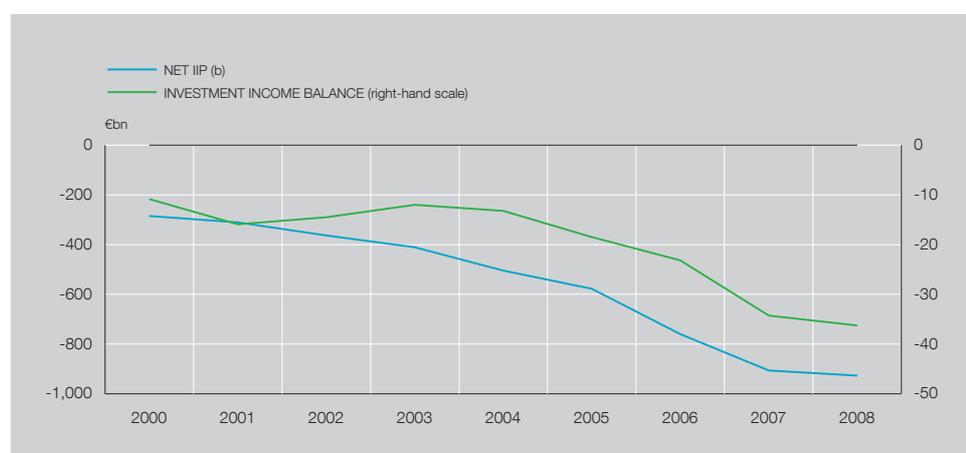
TABLE 2.9

	AVERAGE 00-05	2006	2007	2008
RECEIPTS				
Total investment income	3.1	4.7	5.3	5.4
<i>Foreign direct investment</i>	1.1	2.5	2.6	2.8
<i>Portfolio investment</i>	1.1	1.3	1.4	1.4
<i>Other investment</i>	1.0	0.9	1.2	1.3
PAYMENTS				
Total investment income	4.7	6.8	8.1	8.5
<i>Foreign direct investment</i>	1.2	2.0	2.1	1.8
<i>Portfolio investment</i>	1.8	3.1	3.7	4.0
<i>Other investment</i>	1.7	1.8	2.3	2.7
BALANCE				
Total investment income	-1.6	-2.1	-2.8	-3.1
<i>Foreign direct investment</i>	-0.1	0.5	0.6	1.0
<i>Portfolio investment</i>	-0.7	-1.7	-2.3	-2.7
<i>Other investment</i>	-0.7	-0.9	-1.1	-1.4

SOURCE: Banco de España.

NET IIP AND INVESTMENT INCOME (a)

CHART 2.10



SOURCE: Banco de España.

a. Excluding Banco de España.

2.2.4 BALANCE OF CURRENT TRANSFERS¹³

The current transfer deficit rose considerably (31%) in 2008, to €9,249 million, representing 0.8% of GDP, 0.1 pp more than a year earlier, as receipts fell (by 6.8%) and payments increased (by 3.6%). An analysis by institutional sector reveals that the widening of the current transfers negative balance was due to the considerable increase in the public sector deficit, which offset the improvement in the private sector surplus. The forecasts stemming from the

¹³ By virtue of the new Regulation (EC) No 1290/2005 on the CAP, two new European agricultural funds were created: the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD). These funds replaced, for all effects and purposes and as from 16 October 2007, the European Agricultural Guidance and Guarantee Fund (EAGGF), Guarantee and Guidance Sections. However, since the settlement period of EAGGF-Guidance is two years, Spain will still continue to receive this type of funds.

	2000	2001	2002	2003	2004	2005	2006	2007	2008
RECEIPTS	11,150	12,013	15,567	16,510	16,290	14,498	12,125	12,675	11,337
Current transfers	6,619	7,135	8,423	8,094	8,543	7,985	7,533	8,078	6,425
<i>Public</i>									
— ESF	797	1,085	1,795	1,653	1,774	1,784	1,251	1,691	720
— Other	48	53	79	79	68	100	137	53	144
<i>Private</i>									
— EAGGF (Guarantee)	5,775	5,997	6,550	6,362	6,702	6,101	6,145	6,333	—
— EAGF	—	—	—	—	—	—	—	—	5,561
Capital transfers	4,530	4,877	7,144	8,417	7,746	6,513	4,593	4,598	4,912
<i>Public</i>									
— ERDF	2,819	3,381	4,046	5,344	4,712	3,851	2,214	2,761	2,713
— EAGGF (Guidance)	514	628	978	1,274	1,127	1,270	1,095	1,023	482
— EAFRD	—	—	—	—	—	—	—	—	977
— Cohesion Fund	1,197	869	2,120	1,799	1,907	1,391	1,283	813	741
PAYMENTS	6,660	6,777	6,967	8,193	8,416	10,295	10,674	10,314	10,634
Current transfers	6,660	6,777	6,967	8,193	8,416	10,295	10,674	10,314	10,634
<i>Public</i>									
— Traditional own resources (b)	1,020	1,005	949	1,005	1,273	1,463	1,597	1,720	1,586
— VAT resource	2,889	3,135	2,525	2,656	1,921	1,617	1,652	1,723	1,655
— GNI resource	2,643	2,589	3,406	4,405	5,084	6,401	6,547	5,937	6,280
— EDF	109	48	87	129	137	103	157	169	188
— Other	—	—	—	—	—	713	722	765	924
BALANCE	4,490	5,236	8,600	8,317	7,874	4,202	1,451	2,361	703

SOURCES: Dirección General de Presupuestos (Secretaría de Estado de Hacienda) and Banco de España.

a. As a result of the reform of the Common Agricultural Policy (CAP) in 2004 (Council Regulation (EC) No 1782/2003 and subsequent provisions), and pursuant to Council Regulation (EC) 1290/2005, two new European agricultural funds have been created, the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD), replacing, for all effects and purposes, as from 16 October 2007, the two sections of the former European Agricultural Guidance and Guarantee Fund (EAGGF): Guarantee and Guidance. However, due to the settlement period of both funds, the EAGGF-Guarantee fund continued to be received until 2007, while the EAGGF-Guidance fund was received until 2008.

b. 25% (10% until 2002) of the amount of this item is not actually paid, since it is the amount that the Spanish State receives for administering collection of these funds. In the balance of payments, the gross payment is included in current transfers and the above-mentioned 25% in government services income.

EU's 2007-2013 Pluriannual Financial Framework point to a further deterioration of the current transfers balance in coming years, as the contributions to the EU grow and the receipts from Community institutions decline.¹⁴

The increase in the deficit on EU-related transfers and on the other transfers heading¹⁵ drove up the general government deficit (see Table 2.10). Receipts from the EU fell significantly, by 51%, while payments rose by 3.1%; the decline in receipts is due to the decrease in the funds linked to the European Social Fund (ESF), directed at promoting employment. In turn, the increase in transfers to Community institutions was fundamentally due to the GNI (Gross National Income) resource:¹⁶ this heading, which is the key component of payments to the EU, representing some 60% of the total, offset the drop in contributions to the EU under the VAT

14. There are no annual forecasts, for the Pluriannual Financial Framework as a whole, for receipts connected with the EAGF, as these are budgeted annually and depend on the resolutions adopted under the CAP. 15. This heading comprises receipts and payments relating to donations, taxes, Social Security, etc. 16. The total amount of the GNI resource is the difference between Community spending and other income. Its amount is divided up between the Member States in proportion to their respective GNIs.

GEOGRAPHICAL BREAKDOWN OF REMITTANCE PAYMENTS IN 2007 AND 2008 (a) TABLE 2.11
Main countries of destination. Percentage of total.

	2007	2008
Colombia	18.3	18.0
Ecuador	15.2	13.4
Bolivia	9.4	9.2
Romania	5.5	5.1
Brazil	4.8	4.9
Morocco	5.2	4.9
Paraguay	3.2	3.9
Dominican Republic	4.1	3.7
Peru	2.2	2.6
Senegal	2.1	2.3
Pakistan	1.2	1.7
Philippines	1.1	1.2

SOURCE: Banco de España.

a. The geographical breakdown is obtained from the information provided to the Banco de España by currency-exchange bureaux.

resource¹⁷ and traditional own resources (of which Customs duties are the main component).¹⁸ The worsening of the general government other current transfers balance reflected the sharp increase (63%) in payments for donations abroad; this heading has risen continuously since 2005 and is expected to continue to rise, although possibly at a slower pace, in light of the present economic difficulties, owing to the commitment for total official development aid to reach 0.7% of GDP by 2012.¹⁹

The widening of the private sector surplus is due to the partial correction of the negative balance connected with workers' remittances, whose deficit decreased by 20%, to 0.2% of GDP, 0.1 pp less than in 2007. The worsening path traced by this heading, since it turned negative for the first time in 2001, was interrupted in 2008. The correction in the year reflects the decrease in payments (-7.2%), as receipts were practically flat. The decline in remittance payments was affected by the adverse labour market situation: in 2008 as a whole, hires of foreign workers continued to rise, but the rate of growth was much lower than in 2007 and it declined sharply as the year progressed, to reach zero growth in 2008 Q4. Moreover, National Statistics Institute (INE) data reflect a decline in migrant inflows in 2008, a pattern that will foreseeably continue in the future, while family regrouping processes probably also helped reduce the volume of remittances sent by immigrants to their home countries. The 2007 National Immigrant Survey data indicate that family regrouping will continue to drive down remittance payments in coming years, as most immigrants declared that they intended to remain in Spain in the medium term, with a significant number intending to regroup their families in Spain.²⁰ The geographical breakdown continues to show that Latin American countries account for a sig-

17. Since 1 January 2007, the rate of call of VAT is 0.3% of Member States' capped VAT bases. Previously, in 2004, the rate applied to the VAT base was reduced from 0.75% to 0.5%. 18. The outturn data accumulated to 31 December 2008 in the State receipts budget show a less marked decline in the current transfers received by the general government from the EU. Conversely, they show a sharp decrease in capital transfers from the EU, in comparison with the moderate increase recorded in the balance of payments data. Moreover, both the State budget outturn data and the balance of payments data contrast with the cash projections contained in the 2009 State budget (PGE09), which envisage increases in all transfers. As is indicated in the main text, all transfers decreased, on balance of payments data, with the exception of receipts connected with the EAFRD and EAGGF-Guidance funds, whose growth, also on balance of payments data, exceeded that envisaged in the PGE09 cash projections. 19. See AECID (2009), *III Plan Director de la Cooperación Española 2009-2012*. 20. According to the 2007 National Immigrant Survey, compiled by the INE and published in 2009, more than 81% of immigrants intended to stay in Spain for the next five years, and almost 25% intended to bring their family members to Spain.

nificant proportion of remittances (see Table 2.11). The surplus of other private transfers decreased by 20%, due to the decline in receipts connected with the EAGF, the fund that replaces most of the EAGGF-Guarantee funds.²¹

2.3 The capital account

The surplus on the capital account, which largely depends on capital transfers to and from the EU, grew by 21% in 2008, to €5,556 million, in contrast to the decline seen in the three previous years, reflecting the growth in receipts (9%) and the decline in payments (-22%). As a percentage of GDP, the surplus widened by 0.1 pp to 0.5%. By sector, the increase in the positive balance of the capital account spread to the private sector and, in particular, to general government. The contribution from the disposal of non-produced non-financial assets was also significant.²²

The increase in the general government surplus centred on transfers from the EU, which rose by 7%, thanks to the favourable behaviour of the agricultural funds, grouped together in the EAGGF-Guidance and the EAFRD (see Table 2.10), which offset the drop in receipts linked to the Cohesion Funds and the ERDF (both aimed at reducing regional imbalances within the EU and endowed with the highest volume of funds). However, the forecasts stemming from the EU's 2007-2013 Pluriannual Financial Framework point to a decline in capital transfers from the EU, particularly in the cohesion instruments. In turn, the receipts generated by repayments of loans, debts and past-due bills assumed by the CESCE Group,²³ the export credit insurance company whose principal shareholder is the Spanish State, continued to decrease, after the notable rebound in 2006. Lastly, the private sector capital transfers surplus rose sharply, although in quantitative terms it was considerably lower than the general government balance.²⁴

21. The regional rural development measures not included in the EAGGF-Guarantee Objective 1 programmes are included in the EAFRD. The Objective 1 regions are those whose GDP per head does not exceed 75% of the Community average, the thinly populated regions of Finland and Sweden and the ultra-peripheral regions (French overseas departments, Canary Islands, Azores and Madeira). **22.** This heading comprises the acquisition/disposal of non-produced tangible assets (land and subsoil resources) and the acquisition/disposal of non-produced intangible assets (patents, copyrights, trademarks, licences, etc., and leases and other transferable contracts). **23.** The CESCE Group's principal activity is to provide insurance for sales on credit of firms' products and services, both in the Spanish market and abroad. It also issues bonds to guarantee the fulfilment of obligations assumed by companies with (public or private) third parties as a consequence of their activities, and it insures Spanish firms' investments abroad. **24.** This increase was the result of the decline in migrants' transfer payments classed as capital transfers. These transfers arise when workers change their place of residence, as the assets they own in their country of origin become assets vis-à-vis the rest of the world of the host country. Consequently, these transfers relate to immigrants' assets.

3 The financial account in 2008

3.1 Introduction

Spain's foreign financial transactions in 2008 were affected by the heightening of the international financial crisis and by the deepening and widespread nature of contractionary trends worldwide. The tensions on financial markets worsened following the collapse of Lehman Brothers, in mid-September, exacerbating the downward trajectory of global stock markets, the rise in their attendant volatility and the increase in risk premia, all of which had been under way since the start of the crisis. Governments and central banks reacted forcefully to the heightening of the tension, adopting a broad range of far-reaching measures¹ whose effects began to be felt in the closing months of 2008 and, above all, as from spring 2009.

Financial markets in 2008 were characterised by high instability, a marked lack of confidence and, overall, very tight lending conditions. Against this background, interbank rates remained high and the cost of bank lending to companies scarcely eased, while the cost of funding through fixed-income issues rose, in step with corporate bond spreads and credit risk premia on derivatives markets holding at very high levels. Long-term interest rates on government bonds oscillated strongly, rebounding to July and falling – markedly so in the shorter-dated segments – in the second half of the year. This was accompanied by the widening of the main euro area countries' sovereign spreads over German debt. In 2009 to date, interbank interest rates and those on loans to companies and on corporate bonds have tended to decline, although the functioning of financial markets is still far from normal. The spread of Spanish long-term government debt rates over the German bond initially rose and subsequently fell back, standing at 70 bp in early May.

International stock markets posted significant falls throughout 2008. Over the year as a whole, the S&P 500 index fell by 38%, the EURO STOXX 50 by 44% and the IBEX 35 by 39% (see Chart 3.1). This downward trend slackened in the opening months of 2009; in May, the IBEX 35 stood at a level similar to that seen at end-2008. The euro appreciated over the course of the year, both against the dollar (7.3%) and, especially, against sterling (16%). However, from June to December, the euro depreciated by 13% against the dollar, partly reflecting the consideration of the dollar as a safe-haven currency, given the worsening financial instability. In the opening months of 2009, the euro continued to depreciate against the dollar and sterling.

According to the non-financial accounts of the institutional sectors, the economy's net borrowing as a whole fell by 0.6 pp of GDP in 2008 to 9.1%. The dependence of non-financial corporations on external resources fell by 3.6 pp of GDP to 7.5%, while households generated net lending in 2008 (for an amount equivalent to 0.6% of GDP), compared with high net borrowing the previous year (of 2.7% of GDP). The net borrowing of MFIs declined by 0.2 pp to 1.7% of GDP. Conversely, the general government financial position worsened significantly during the year, posting a deficit of 3.8% of GDP in 2008, compared with a surplus of 2.2% of GDP the previous year.²

On balance of payments data, the net borrowing generated by the overall non-financial transactions of the Spanish economy contracted in 2008 to 9% of GDP, equivalent to €98,899

1. Central banks, in addition to making significant interest rate cuts, took unprecedented concerted action and, in some cases, adopted non-conventional measures. Governments, for their part, agreed on common financial-system-support principles within the G20 and at the November EU Summit of Heads of State and of Government. For a more detailed description of the scale of the measures adopted by the main developed countries, see Box 1.1 in the Banco de España *Annual Report, 2008*. 2. For a more detailed description, see Box 5.1 in the Banco de España *Annual Report, 2008*.



SOURCES: ECB and Banco de España.

a. Three-month interbank rates.

b. Ten-year government bond yields.

million. Financial transactions between Spain and the rest of the world in 2008 as a whole generated net inflows of funds totalling €64,733 million³ (6% of GDP, 2.3 pp down on 2007), which proved insufficient to meet the aforementioned net borrowing requirements. Accordingly, the Banco de España's net assets vis-à-vis the rest of the world fell by €30,137 million (see Table 3.1).

All the institutional sectors raised financing abroad, with monetary financial institutions (MFIs) leading the way, followed by general government and other resident sectors (ORSs) (see Chart 3.2), which include not only households and non-financial corporations but also non-monetary financial institutions (e.g. securitisation special-purpose entities (SPEs) and the subsidiaries of MFIs specialising in the issuance of securities), whose weight in foreign portfolio investment transactions was significant (see Table 3.2). The financial crisis has substantially

3. Unless otherwise indicated, Banco de España operations and positions are excluded.

**BREAKDOWN OF THE FINANCIAL ACCOUNT
OF THE BALANCE OF PAYMENTS**

TABLE 3.1

% of GDP	2003	2004	2005	2006	2007	2008
CURRENT ACCOUNT PLUS CAPITAL ACCOUNT BALANCE	-2.5	-4.2	-6.5	-8.4	-9.6	-9.0
FINANCIAL ACCOUNT BALANCE (a)	2.1	5.8	6.9	11.3	8.3	5.9
CHANGE IN EXTERNAL LIABILITIES (b)	16.2	18.2	24.6	25.9	22.9	10.8
<i>Foreign direct investment</i>	2.9	2.4	2.2	2.5	4.8	4.1
– Monetary financial institutions	-0.1	-0.1	0.0	0.0	0.1	0.0
– Other resident sectors	3.0	2.5	2.2	2.5	4.7	4.1
<i>Portfolio investment</i>	5.0	13.4	15.2	19.9	9.2	-1.6
– General government	-1.0	2.7	0.3	1.4	-1.5	1.6
– Monetary financial institutions	3.4	5.9	6.2	8.3	3.6	-1.2
– Other resident sectors	2.5	4.8	8.8	10.2	7.1	-2.1
<i>Other investment</i>	8.3	2.4	7.1	3.5	9.0	8.3
– General government	-0.1	0.6	0.0	0.1	0.0	0.3
– Monetary financial institutions	7.1	1.8	5.6	0.4	7.2	6.9
– Other resident sectors	1.3	0.0	1.5	3.0	1.7	1.2
CHANGE IN FOREIGN ASSETS (c)	14.1	12.4	17.6	14.6	14.7	4.9
<i>Foreign direct investment</i>	3.2	5.8	3.7	8.5	9.6	4.8
– Monetary financial institutions	-0.9	1.6	0.1	0.6	3.0	0.8
– Other resident sectors	4.1	4.2	3.6	7.9	6.6	4.0
<i>Portfolio investment</i>	8.4	3.2	8.8	-0.4	-0.8	-2.0
– General government	0.0	0.1	0.5	1.1	0.6	0.2
– Monetary financial institutions	4.2	0.6	4.5	-3.1	0.3	0.7
– Other resident sectors	4.2	2.5	3.7	1.6	-1.7	-2.9
<i>Other investment</i>	2.0	3.4	5.2	6.7	5.4	1.4
– General government	0.0	0.2	0.1	0.0	0.1	0.1
– Monetary financial institutions	1.1	2.0	4.4	6.0	4.8	0.8
– Other resident sectors	0.9	1.2	0.8	0.7	0.5	0.5
<i>Financial derivatives (d)</i>	0.4	0.0	0.0	-0.2	0.4	0.7
NET CHANGE IN FOREIGN ASSETS OF BANCO DE ESPAÑA (e)	0.2	-1.7	-0.2	-2.6	1.4	2.8
Of which:						
<i>Reserve assets</i>	1.7	0.6	0.2	0.0	0.0	-0.1
<i>Net assets vis-à-vis the Eurosystem</i>	0.6	-1.6	1.6	-1.3	2.7	2.9
<i>Other net assets</i>	-2.1	-0.6	-2.0	-1.3	-1.3	-0.1
MEMORANDUM ITEMS:						
FINANCIAL ACCOUNT BALANCE INCLUDING BANCO DE ESPAÑA	2.3	4.1	6.7	8.7	9.6	8.7
Errors and omissions (f)	0.2	0.1	-0.2	-0.4	0.0	0.4

SOURCE: Banco de España.

a. Excluding Banco de España.

b. A positive sign denotes an increase in liabilities, i.e. an inflow of capital.

c. A positive sign denotes an increase in assets, i.e. an outflow of capital.

d. They are recorded net of netted out amounts and have been allocated, by convention, to the net change in assets.

e. A positive (negative) sign denotes a decrease (increase) in Banco de España foreign assets.

f. A positive (negative) sign denotes a receipt (payment) not recorded in another balance of payments caption.

altered the way in which MFIs had previously channelled funds from abroad (see Chart 3.3), when they had already set about narrowing the credit-deposit gap. Specifically, MFIs stepped up their resort to raising deposits, short-term debt issues, interbank loans and Eurosystem liquidity, while securitisations, in contrast to what had been the case to August 2007, ceased to be a source of financing.

The smaller amount of net inflows seen in 2008 was the outcome of a strong contraction in inflows and outflows, in line with the pattern observed in the main developed countries. Investment in Spain by non-residents fell by 51% in 2008 to €118,405 million, while residents' in-

NET CROSS-BORDER FINANCIAL FLOWS BY SECTOR
NCL – NCA (a)

CHART 3.2



SOURCE: Banco de España.

a. Net change in liabilities minus net change in assets. Monetary financial institutions excluding Banco de España.

vestment abroad fell by 65% to €53,632 million. Net financing raised by the Spanish economy in 2008 arose both from non-residents' investment in national assets and from divestment by Spanish residents of securities issued by non-residents.

The demand for foreign funds was met in 2008 mainly by capital inflows in the form of other investment (essentially loans, deposits and repos) and, to a lesser extent, by portfolio investment, representing a change from previous years (see Chart 3.4). In this latter case, foreign funds were raised through equity transactions, since bond transactions generated a net outflow. Foreign direct investment (FDI) operations and financial derivatives also gave rise to capital outflows. In addition to the change in the type of instruments through which foreign capital has been raised since the onset of the financial crisis, 2008 also saw a significant shift towards shorter-dated financing, as can be seen in fixed-income instruments, with outflows in long-term securities.

BREAKDOWN BY INSTRUMENT OF THE OTHER RESIDENT SECTORS (ORS) SECTOR

TABLE 3.2

€m		2007			2008			
		TOTAL ORS	NON-MONETARY FINANCIAL CORPORATIONS	NON-FINANCIAL CORPORATIONS AND HOUSEHOLDS AND NPISH	TOTAL ORS	NON-MONETARY FINANCIAL CORPORATIONS	NON-FINANCIAL CORPORATIONS AND HOUSEHOLDS AND NPISH	
NCA	TOTAL	56,904	-22,880	79,785	17,463	-26,881	44,344	
	FOREIGN DIRECT INVESTMENT	69,429	2,203	67,226	44,124	2,027	42,097	
	PORTFOLIO INVESTMENT	SHARES AND MUTUAL FUNDS	-9,862	-14,032	4,169	-25,272	-21,198	-4,073
		MEDIUM AND LONG-TERM BONDS	-5,281	-8,577	3,296	-9,383	-11,023	1,640
		MONEY MARKET INSTRUMENTS	-2,313	-2,413	100	2,817	2,289	528
OTHER INVESTMENT	4,933	-61	4,994	5,177	1,024	4,153		
NCL	TOTAL	141,785	57,316	84,469	34,394	-17,916	52,311	
	FOREIGN DIRECT INVESTMENT	49,266	2,217	47,049	44,369	-2,030	46,400	
	PORTFOLIO INVESTMENT	SHARES AND MUTUAL FUNDS	15,293	-363	15,656	-5,535	-6	-5,528
		MEDIUM AND LONG-TERM BONDS	63,174	61,173	2,001	-28,214	-28,691	477
		MONEY MARKET INSTRUMENTS	-4,253	-4,136	-117	11,142	11,330	-188
OTHER INVESTMENT	18,305	-1,574	19,879	12,632	1,481	11,151		

SOURCE: Banco de España.

CAPITAL INFLOWS AND OUTFLOWS BY SECTOR (a)

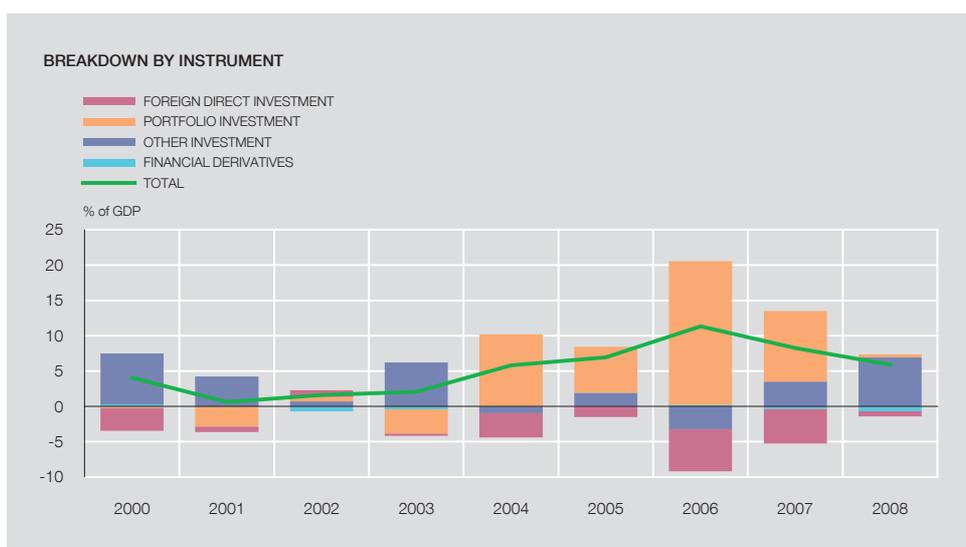
CHART 3.3



SOURCE: Banco de España.

a. Excluding Banco de España.

b. Including financial derivatives, which are recorded net of netted out amounts and have been allocated, by convention, to the net change in assets.



SOURCE: Banco de España.

a. Net change in liabilities minus net change in assets. Excluding Banco de España.

The changes that have altered the amount and nature of foreign capital flows in Spain's case form part of the effects the financial crisis has exerted on international capital movements. In general, financial flows declined in 2008, checking the process of growing financial integration of the past decade. The high uncertainty over the depth and duration of the financial and economic crisis increased investors' preference for safer and more liquid assets, and their home bias. Against this background, in 2008 most developed countries saw declines in direct investment transactions, divestment from equity instruments issued by foreigners, and fewer flows in international transactions of fixed-income instruments and, in particular, in other investment. Box 3.1 offers a more detailed description of developments in the financial account of the main euro area countries, the United Kingdom and the United States.

3.2 Foreign direct investment

The Spanish economy recorded net FDI outflows in 2008 totalling €8,040 million (0.7% of GDP), compared with €50,902 million in 2007 (4.8% of GDP), against a background of a sharp decline in Spanish direct investment abroad (48%) and an albeit smaller decrease in foreign investment in Spain (11%) (see Chart 3.5). It should be recalled that Spanish balance of payments FDI figures include, on both the assets and liabilities sides, the transactions of the so-called foreign-equity holding companies (ETVEs by their Spanish name), which generally do not give rise to either capital inflows or outflows, but which chiefly represent accounting entries.⁴ Stripping out these transactions, the behaviour of FDI does not change significantly.⁵

4. These companies have frequently been set up in recent years by non-resident multinational groups to centralise holdings of foreign direct investments in third countries. See Law 43/1995 on corporate income tax and Title IV of Law 6/2000 on measures to support the internationalisation of firms (BOE of 14 December 2000). To ensure that these transactions, which are difficult to identify using the ordinary reporting system, are included in the balance of payments, information from the Investments Register of the Spanish Ministry of Industry, Tourism and Trade is analysed. This heading includes other holding companies which, although not strictly ETVEs, have been set up in Spain for the main purpose of channeling direct investment. 5. Once ETVEs' operations were stripped out, FDI generated net outflows totalling €9,799 million (€53,654 million in 2007).

As a consequence of the international financial crisis, in 2008 the Spanish economy has had to have greater recourse to short-term instruments, rather than medium and long-term bonds, to meet its financing needs, in contrast to the situation before the crisis broke in August 2007. This change in the source of financing, driven by the dwindling activity primarily on the capital markets (especially the securitisation markets), reflects the decline in confidence among international financial intermediaries and investors. Given the global scale of the crisis, the cross-border financial flows of the main developed countries have also altered significantly, according, logically, to whether they had a net lending or net borrowing position vis-à-vis the rest of the world.

Panels 1 and 2 depict the net financial flows according to the financial account of the balance of payments for the main developed countries in 2008 and 2006 (the last complete year before the financial crisis broke), showing how, as in Spain, the form of raising (lending) funds in (to) the rest of the world has changed. Among the countries with borrowing requirements, both the United Kingdom and the United States have recorded sizeable net outflows in other investment since the onset of the international financial crisis, with portfolio investment their main source of financing in 2008. This contrasts with the case of Spain, where financing needs have been met with the net inflows generated by other investment and (as in France) by the change in the central bank's net assets vis-à-vis the Eurosystem. In turn, the countries with net lending capacity, such as Germany, have continued to lend to the rest of the world, through other investment and foreign direct investment (FDI).

A detailed analysis of residents' investments abroad (net change in assets: NCA) and of non-residents' investments in Spain (net change

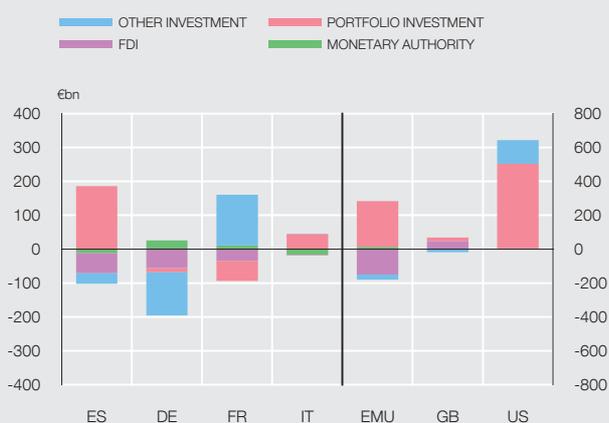
in liabilities: NCL) reveals other changes in international financial flows.¹ First, as Panels 3 and 4 show, the financial crisis has led to a decrease in both investment abroad and foreign investment in all the countries analysed. This seems to indicate that the growing financial integration of previous years has been checked as a result of the crisis, which has led, not only to greater risk aversion and higher liquidity preference among investors, but also to a greater home bias in investment portfolios. Specifically, there has been a widespread decline in the foreign equity holdings of residents of the countries analysed. In 2008 as a whole, there was a widespread and significant decrease both in NCA and NCL in comparison with 2006. This is particularly striking in the United Kingdom, where financial flows have not only decreased in volume but have also turned negative, with disinvestments abroad (negative NCA) and in the UK (negative NCL). These differential features reflect the country's position as an international financial and banking centre.

Lastly, in contrast to what has been seen in Spain, most countries reflect a shift in the channel used to obtain net foreign financing (NCL – NCA), from other investment to investment in fixed income (included under the heading of portfolio investment). Panel 5 shows the proportion that net flows in other investment and in fixed income represented for the countries and areas analysed in 2006 as a whole and in 2008. A positive (negative) sign indicates that the transactions in these instruments vis-à-vis the rest of the world gave rise to net capital inflows (outflows), while the arrow indicates

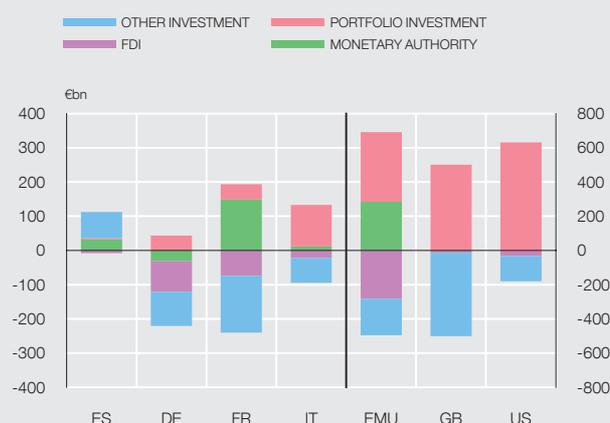
1. It is important to recall here that a reduction in the balance of securities held by non-residents in a country may be due to net sales by investors or to net repayments by the issuers of the securities.

FINANCIAL ACCOUNT COMPONENTS (a) (b) (c)
NCL - NCA

1 2006



2 2008



SOURCES: IFS and national sources.

a. ISO country codes (ES: Spain; DE: Germany; FR: France; IT: Italy; EMU: euro area; GB: United Kingdom; US: United States).

In the case of the United States, the 2008 data refer to the four quarters ending in September 2008.

b. Other investment excludes the monetary authority, save in the case of the United Kingdom. The monetary authority series includes other investment transactions and reserves (save in the UK where it includes only reserves).

c. The right-hand scale corresponds to the countries to the right of the vertical line (euro area, United Kingdom and United States).

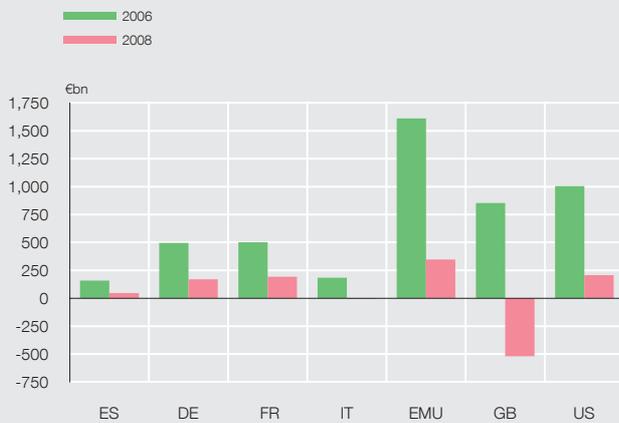
the direction of the shift seen between the two years. Thus, for example, in Spain, in 2006, other investment transactions gave rise to net outflows amounting to 3.2% of GDP, while fixed-income transactions produced net inflows amounting to 23% of GDP. As the panel shows, in 2008 this situation reversed, as other investment gave rise to inflows and fixed income produced outflows, of 7% and 2%, respectively, of GDP. In all other countries or areas plotted (with the exception of Germany), the net outflows from other investment rose. Net funds raised abroad through fixed-income transactions also rose (save in Italy, where they remained virtually flat). Accordingly, in the euro area as a whole, in the United States and, particularly, in the United Kingdom, outflows generated

by other investment were offset (in full or in part) by higher inflows from fixed income.

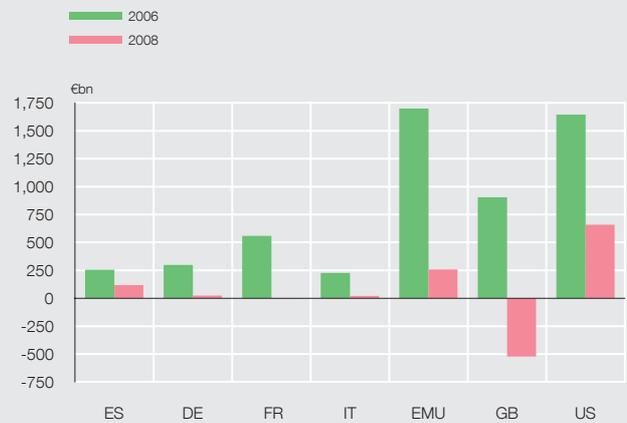
To sum up, the financial crisis has affected both the scale and the make-up (by type of investment) of international capital flows, with a widespread decline in the volume of financial transactions conducted with the rest of the world. This, together with net sales by investors of shares and holdings in capital issued by non-residents, points to a growing home bias in investment portfolios and to a preference for safer assets. Finally, of the countries analysed, Spain is the only one in which other investment has replaced portfolio investment in fixed-income securities as the channel for raising funds abroad.

FINANCIAL ACCOUNT (a)

3 NET CHANGE IN ASSETS VIS-À-VIS THE REST OF THE WORLD



4 NET CHANGE IN LIABILITIES VIS-À-VIS THE REST OF THE WORLD

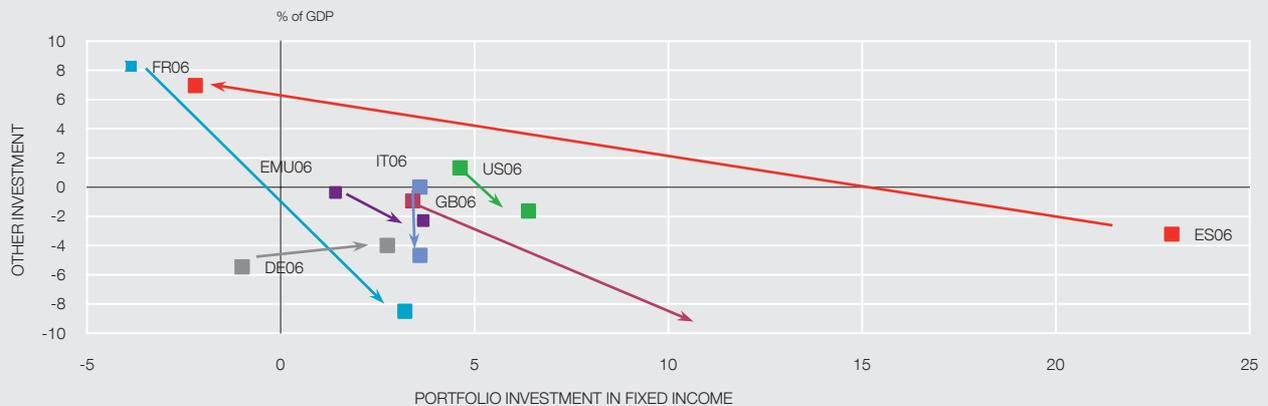


SOURCES: IFS and national sources.

a. Excluding the monetary authority.

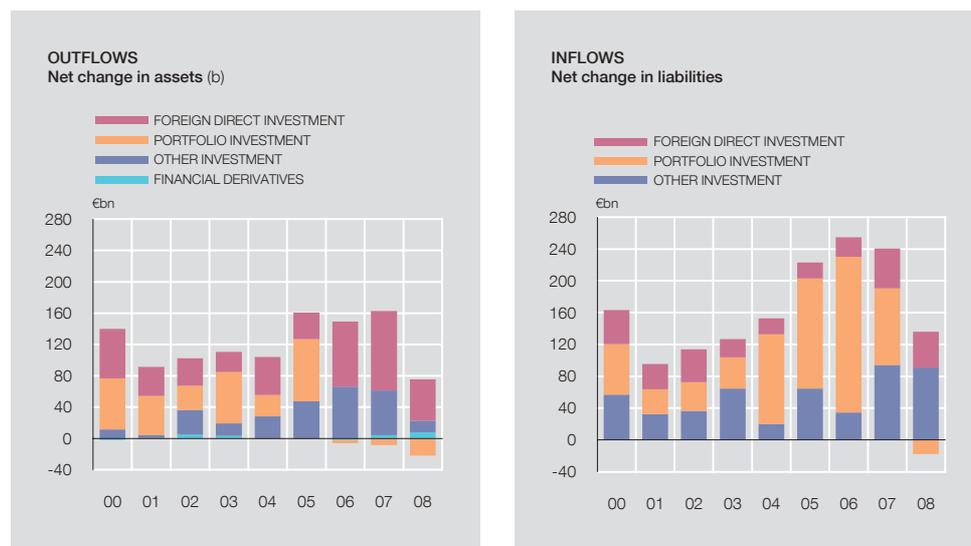
OTHER INVESTMENT REPLACES FIXED INCOME IN NET FINANCIAL FLOWS

5 PORTFOLIO INVESTMENT IN FIXED INCOME AND OTHER INVESTMENT (NCL - NCA) (a)



SOURCES: IFS and national sources.

a. The United Kingdom recorded divestments in other investment amounting to 30% of GDP that have had to be offset with portfolio investment inflows amounting to 22% of GDP. This explains why its 2008 position is not plotted in the chart, only the arrow showing the direction of the shift.



SOURCE: Banco de España.

a. Excluding Banco de España.

b. Financial derivatives are recorded net of netted out amounts and allocated, by convention, to the net change in assets.

As in Spain, global FDI transactions fell significantly in 2008, declining by 21% (in dollar terms).⁶ Heightened economic uncertainty, considerable financing difficulties for firms and the fear of protectionist measures being adopted that might affect multinational companies' interests have put back direct investment projects. This deferral has affected the developed economies the most, with FDI inflows down 33% in 2008 (compared with growth of 33% in 2007), reflecting a fairly widespread decline that was most acute in the United Kingdom (-51%) and Germany (-49%). While the pace of funds invested in the developing economies slowed significantly, they continued to grow (3.6%, against 21% the previous year). In line with the trend of FDI, mergers and acquisitions contracted by 28% globally, with a particularly pronounced fall in the EU (-34%) and a more moderate decline in the United States (-17%). Conversely, M&As increased in the developing economies (16%).

Spanish direct investment abroad amounted to €52,783 million in 2008, 48% down on the previous year (see Chart 3.6). In terms of GDP, outward FDI accounted for 4.8%, half of what it was in 2007 and substantially below the average for the period 2000-2007. Outward FDI in 2008 was influenced by several significant transactions in the financial and electricity industries. In terms of instruments, net acquisitions through equity purchases (accounting for 48% of the total), followed by reinvested earnings and other equity investments (22% and 18% of the total, respectively), were to the fore. Inter-company debt transactions and real estate accounted for only a small proportion of the total (9% and 3%, respectively).

The breakdown by branch of economic activity, excluding ETVEs,⁷ shows that the degree of concentration in outward Spanish FDI remained very high in 2008, as the first three branches, which generally represent the bulk of Spanish investment abroad, accounted for more than 72% of the total (see Table 3.3). First, "Financial intermediation", with 33% of the total, followed

6. See the UNCTAD press release, *Global Foreign Direct Investment now in decline*, of 19.1.2009. These preliminary estimates should be treated with caution, as in most countries the figure for 2008 as a whole corresponds to the annualised figures of the first three quarters of the year. 7. ETVEs are included under "Real estate and business activities".

CAPITAL OUTFLOWS (a)
Net change in foreign assets

CHART 3.6



SOURCE: Banco de España.

a. Excluding Banco de España.

by “Manufacturing”, which accounted for 22% of direct investment abroad, and somewhat farther behind, “Electricity, gas and water supply”, with 17% of the total. The other branches had only a small share in Spanish FDI abroad, although there was a notable increase in the share of “Construction”, which accounted for 3% of the total in 2008. The share of “Real estate” held steady at 3% of the total; however, considering the contraction in FDI, this represents a significant decline in nominal terms to below the 2006 level.

As regards the geographical breakdown of Spanish FDI outflows (excluding ETVEs), the EU was the recipient of just under half the total (47%, against 68% in 2007) (see Table 3.4). Investment in the euro area declined significantly, to 23% of the total (from 41% in 2007), primarily due to lower investment in Germany and the Netherlands. The United Kingdom continued to account for some 15% of the total, the proportion of FDI going to Latin America rose to 24%, and the United States accounted for 18%, making it the leading recipient of Spanish direct investment abroad.

FOREIGN DIRECT INVESTMENT TRANSACTIONS IN 2007 AND 2008
Breakdown by economic sector

TABLE 3.3

€m	SPANISH DIRECT INVESTMENT OUTFLOWS		SPANISH DIRECT INVESTMENT INFLOWS	
	2007	2008	2007	2008
TOTAL	101,191	52,783	50,289	44,742
Agriculture, hunting, forestry and fishing	44	51	-22	15
Mining and quarrying	1,408	2,445	97	-1,660
Manufacturing	12,556	12,065	731	25,320
Electricity, gas and water supply	23,933	9,157	20,158	12,055
Construction	752	1,545	1,853	71
Wholesale and retail trade and repairs	3,668	2,774	3,343	-4,465
Hotels and restaurants	963	1,293	281	1,220
Transport, storage and communication	1,503	-425	3,421	-1,318
Financial intermediation	35,979	17,443	4,502	-1,594
Real estate and business activities	12,687	2,505	11,013	4,317
<i>Of which: ETVE (a)</i>	<i>4,229</i>	<i>-771</i>	<i>6,981</i>	<i>988</i>
Other services (b)	561	914	-330	607
Unclassified	7,137	3,015	5,241	10,175
<i>Real estate</i>	<i>3,383</i>	<i>1,741</i>	<i>5,347</i>	<i>5,440</i>
<i>Other</i>	<i>3,754</i>	<i>1,275</i>	<i>-106</i>	<i>4,735</i>

SOURCE: Banco de España.

a. Estimate based on CNAE classification. Includes transactions of ETVEs and other holding companies that are not strictly ETVEs but which, like them, have been established in Spain for the main purpose of channelling direct investment flows.

b. Other services include "Public administration, defence and compulsory Social Security", "Education", "Health and veterinary activities and social services", "Other community, social and personal service activities", "Private households and employed persons" and "Extra-territorial organisations".

Foreign direct investment in Spain totalled €44,472 million (4.1% of GDP), slightly higher than the average of the period 2000-2007. These figures were affected, in 2008, by the purchase, by a German electric utility, of a subsidiary of a Spanish electric utility with interests throughout Europe, and by the takeover bid launched by a British tobacco company on a Spanish company belonging to the same sector.

The breakdown by instrument shows the significance of investment operations involving equities, which accounted for 34% of total FDI in Spain, while inter-company debt transactions and FDI in the form of other equity holdings amounted to 20% and 18%, respectively. FDI in real estate accounted for 12% of the total, similar to the 2007 figure, while undistributed profits represented some 16% of foreign direct investment in Spain.

The breakdown by branch of activity (excluding ETVEs) also reflects a high degree of concentration, as investment in "Manufacturing" accounted for 58% of the total, and investment in "Electricity, gas and water supply" for 28%.

The EU continued to be the main source of direct investment in Spain (excluding ETVEs), as is customary, with 91% of the total. The main investors from within the euro area, which accounts for 52% of the total, were Germany and the Netherlands. Investment from the United Kingdom represented 37% of the total received.

3.3 Portfolio investment

Portfolio investment transactions have been influenced, since August 2007, by the almost complete squeeze on fixed-income market activity, as shown by the marked decline in net is-

FOREIGN DIRECT INVESTMENT TRANSACTIONS IN 2007 AND 2008 (a)
Breakdown by geographical area

TABLE 3.4

€m	SPANISH DIRECT INVESTMENT ABROAD				FOREIGN DIRECT INVESTMENT IN SPAIN			
	2007		2008		2007		2008	
	TOTAL	ETVEs (d)	TOTAL	ETVEs (d)	TOTAL	ETVEs (d)	TOTAL	ETVEs (d)
WORLD TOTAL	101,191	4,229	52,783	-771	50,289	6,981	44,742	988
EUROPEAN UNION 27 (b)	69,551	3,288	23,871	-1,507	47,170	8,696	40,377	340
Euro area	43,233	2,966	10,411	-1,889	39,043	9,197	23,494	531
Germany	14,887	349	2,335	79	-2,269	634	13,616	-129
France	5,465	1,012	920	163	2,734	234	2,017	296
Netherlands	13,626	1,983	853	-785	5,441	3,271	14,340	60
Italy	5,744	.	1,666	.	20,283	.	1,156	.
Luxembourg	618	-609	-1,375	-1,256	8,589	2,973	-9,986	-245
Portugal	1,224	88	2,388	68	2,223	2,064	1,253	.
United Kingdom	15,281	222	8,432	230	7,656	-534	16,159	-234
New EU members (c)	9,442	74	4,603	84	282	.	172	.
Switzerland	-936	-869	1,384	-223	982	389	282	-307
United States	15,560	2,134	9,643	218	1,297	94	.	-715
LATIN AMERICA	13,997	961	13,367	590	858	-1,119	1,829	956
Argentina	1,646	215	1,710	274	-62	-70	.	.
Brazil	6,088	139	2,452	92	821	95	129	85
Chile	302	102	1,483	51	.	.	.	.
Mexico	4,276	191	4,323	96	.	.	192	.
Morocco	207	.	737	.	.	.	.	.
Japan	-1,356	-1,378	134	.	-278	.	83	.
Australia	481	.	106	.	.	.	78	.
MEMORANDUM ITEM: OECD	88,592	3,338	40,277	-1,399	48,574	8,066	41,328	.

SOURCE: Banco de España.

a. "." Amount below €50 million in absolute value.

b. European Union: International institutions of the European Union, ECB, France, Belgium, Netherlands, Germany, Italy, United Kingdom, Ireland, Denmark, Greece, Portugal, Luxembourg, Austria, Finland, Sweden, Cyprus, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Malta, Poland, Slovenia, Slovakia, Romania, Bulgaria and their dependencies.

c. New member countries: Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Slovenia, Slovakia, Bulgaria and Romania.

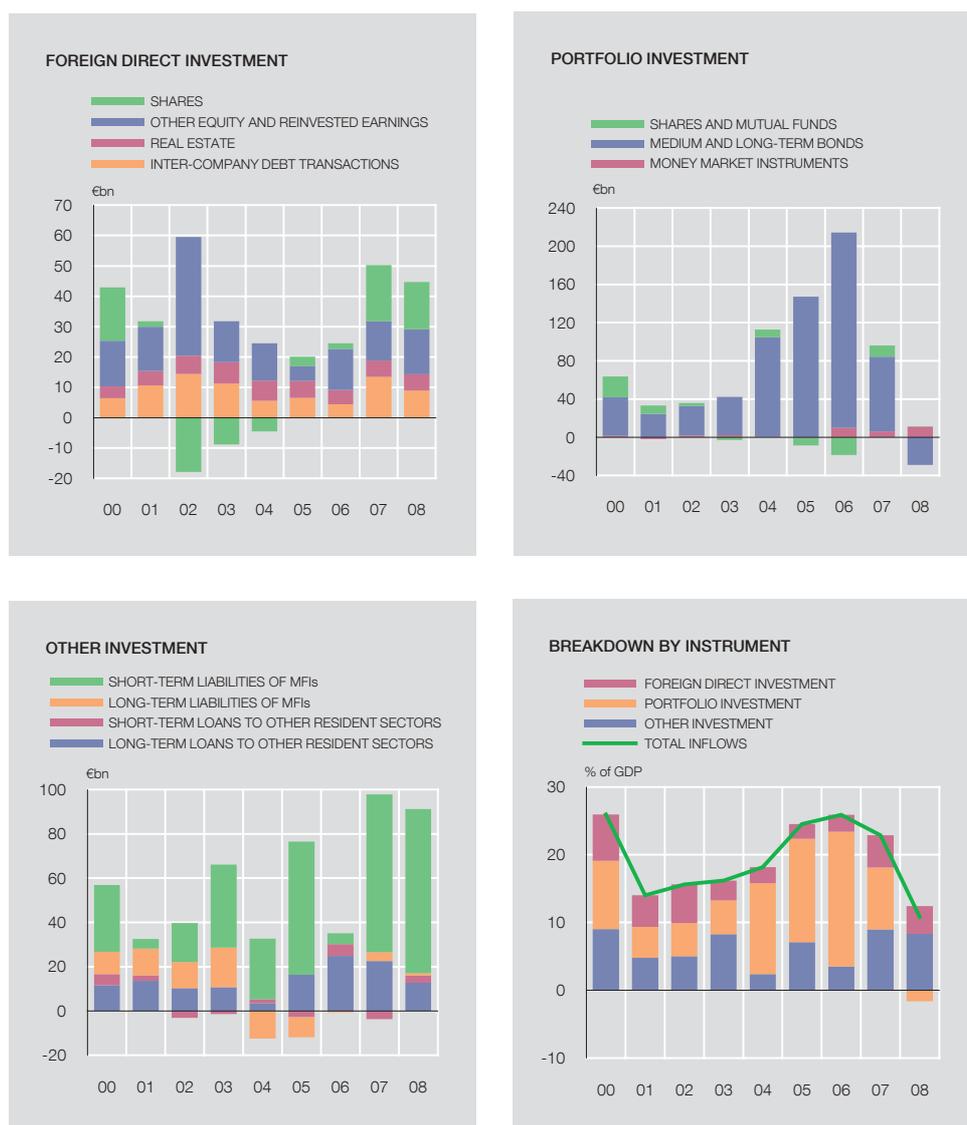
d. Estimate based on CNAE classification. Includes transactions of ETVEs and other holding companies that are not strictly ETVEs but which, like them, have been established in Spain for the main purpose of channelling direct investment flows.

sues of fixed-income instruments worldwide. In this setting, there was a sharp drop in 2008 in foreign funds raised by the Spanish economy through portfolio investment securities (from €104,779 million in 2007 to €4,268 million). Moreover, these net inflows reflect repatriation of capital from abroad due to divestments by residents in Spain, as non-residents also reduced their holdings of Spanish portfolio instruments. By sector, MFIs gave rise to net outflows of funds, while ORSs, similarly to the general government, raised net funds from abroad.

Spanish portfolio investment abroad recorded divestments totalling €21,841 million in 2008, reflecting the reduction in shares and other holdings (€27,766 million), as the outstanding balance in fixed-income securities rose (by €5,925 million). As to *foreign portfolio investment in Spain*, non-residents' holdings of portfolio investment securities issued by residents declined in 2008 by €17,573 million. These net outflows are due to the decrease, to the tune of €28,808 million, in non-residents' holdings of medium and long-term bonds, while holdings of money market instruments issued by residents rose (by €11,015 million). The balance of shares and mutual funds held by non-residents rose slightly (see Chart 3.7).

CAPITAL INFLOWS (a)
Net change in foreign liabilities

CHART 3.7



SOURCE: Banco de España.

a. Excluding Banco de España.

An analysis by institutional sector shows high net divestments in securities issued by ORSs (which include issuers of asset-backed securities), amounting to €22,607 million, and, to a lesser extent, in securities issued by MFIs, amounting to €12,747 million. By contrast, non-residents' holdings of general government securities rose by €17,781 million in 2008.⁸ However, the proportion of government debt held to maturity held by non-residents at end-December 2008 was similar to that at end-2007, representing almost 45% of the total.

The decline in non-residents' holdings of medium and long-term bonds affected instruments issued by ORSs and by MFIs, in a period in which private issues contracted by 66% to €80,713 million.⁹ As was the case in the final stretch of 2007, in 2008 as a whole non-residents reduced

⁸. After making net debt repayments of more than €4,000 million in 2007, general government issued securities for a value of €51,580 million in 2008. ⁹. It should be noted here that asset-backed bonds are issued by ORSs, whereas covered bonds are issued by MFIs.

their holdings of asset-backed securities issued by residents by €24,052 million.¹⁰ This decrease centred on asset-backed bonds, which gave rise to net capital outflows (€23,619 million), in contrast to covered bonds which recorded net capital inflows (€5,942 million). Despite the freeze on these markets, institutions continued to launch these issues, as in other countries, to be used as collateral at ECB auctions. Lastly, non-residents reduced their holdings of securities issued by subsidiaries of resident financial institutions, to the tune of €6,375 million.

The growing investor preference for liquidity led to a significant increase in foreign funds raised through money market instruments (€11,015 million, up 75% on 2007). These investments were mainly securities issued by ORSs and by the general government, offsetting the divestments in securities issued by MFIs.

3.4 Other investment (loans, deposits and repos)

Other investment transactions (essentially loans, deposits and repos) resulted in net inflows of €76,229 million in 2008, double the 2007 figure. This increase was due to the intense activity at MFIs, which raised funds from abroad amounting to €66,254 million, while the net inflows generated by ORSs and the general government were much more modest (€7,455 million and €2,520 million, respectively). The breakdown by maturity shows that net capital inflows were centred on short-term instruments (€80,623 million), as long-term instruments gave rise to net outflows (€4,394 million). Thus, other investment replaced portfolio investment in fixed-income securities as the main financing vehicle for the Spanish economy. In turn, the increase in short-term financing reflects the scant activity and tightening of financing conditions on international wholesale markets, especially the long-term debt markets.

Other Spanish investment abroad recorded net outflows of €15,007 million in 2008 (see Chart 3.7). MFIs' net investments in long-term instruments (€16,766 million) more than offset divestments (i.e. repatriation of capital) of short-term assets (€7,643 million), while ORSs' net investment abroad rose somewhat in 2008 (by 5%, to €5,177 million). Lastly, general government activity in instruments of this type was modest, as usual, growing by €706 million.

Other foreign investment in Spain gave rise to inflows of €91,236 million in 2008. As in the case of investment abroad, MFIs determined the overall pattern, recording net inflows of €75,377 million, practically a repeat of the 2007 figure. The bulk of these funds was raised through short-term instruments, while net inflows in long-term instruments were low (€1,161 million, down 71% on 2007). As is usual, ORSs and the general government had much less recourse to other investment as a means of raising funds abroad, recording net inflows of €12,632 million and €3,227 million, respectively.

3.5 Derivative financial instruments

Transactions involving derivative financial instruments gave rise to net outflows totalling €7,683 million in 2008. It should be borne in mind that these transactions are not due to the need to cover a financing gap in the economy, but rather to strategic decisions and to agents' hedging decisions, which is why they are usually highly volatile and why they grow at times of uncertainty such as at present. Most of these net outflows corresponded to transactions with instruments traded on organised markets (52% of the total).¹¹ By institutional sector, ORSs' and MFIs' transactions involving financial derivatives generated most of the net outflows of funds, representing 52% and 42% of the total, respectively, while general government accounted for some 7%.

¹⁰. Issues of asset-backed bonds fell by 18% year-on-year, to €91,606 million, against a backdrop of scant trading of these instruments on the secondary market and high risk premia, even in the case of bonds with a high credit rating. Net issues of covered bonds were down 17% on 2007 at €16,019 million, while subsidiaries of MFIs made net issues for a value of €2,226 million in 2008 (€36,413 million in 2007). ¹¹. According to the annual statistics of the Spanish derivatives market (MEFF), trading in these instruments rose by 70% in 2008, compared with 10% in 2007.

3.6 Net assets of the Banco de España

In 2008 the net assets of the Banco de España fell by €30,137 million (€14,322 million in 2007), indirectly reflecting the impact of the financial crisis on the way in which Spanish MFIs met their liquidity requirements in the year, with greater resort to Eurosystem liquidity auctions. However, Spanish MFIs' share of these auctions has stabilised at a level consistent with their relative weight in the euro area and with the variables that determine the Banco de España's share in the capital of the ECB.

Over the year as a whole, net assets vis-à-vis the Eurosystem declined by €31,713 million (€28,329 million in 2007). Conversely, the Banco de España's other net assets¹² (basically debt securities, classified under the heading of portfolio investment) rose by €931 million and reserves by €645 million.

12. For a description of these assets, see Chapter 5 of this report.

4 Spain's international investment position in 2008

4.1 International investment position in 2008: analysis of aggregate data

The net debit position of the Spanish economy vis-à-vis the external sector, measured via the international investment position (IIP), continued increasing in nominal terms in 2008, although more slowly than in previous years (see Chart 4.1). The net debit IIP amounted to €876 bn, which, with respect to end-2007, represented an increase of 1.2 percentage points (pp) of GDP to stand at 80% (see Table 4.1). The relative weight of assets in GDP decreased by 3 pp to 125%, while that of liabilities declined by 1.8 pp to 206% of GDP. Box 4.1 is an international comparison of recent developments in the IIP.

In the case of Spain, the change in the debit balance in 2008 was due to the nation's net borrowing and to the effect of the changes in the prices of the instruments composing the IIP and in the euro exchange rate (the so-called "valuation effect")¹ (see Table 4.2). Net financial transactions, which are the counterpart of net borrowing,² contributed to increasing the debt vis-à-vis the external sector by €94.9 bn (by €64.8 bn excluding Banco de España transactions). A substantial part of this impact was countered by the valuation effect, which in 2008 was positive, i.e. contributed to reducing the debit balance, which contrasts with the customary negative sign shown recently. On this occasion, the negative impact of exchange rate developments³ was more than offset by the favourable effect of the decrease in financial instrument prices, such that the valuation component of liabilities decreased (3.6%) more than that of assets (2.7%) (see Table 4.3).⁴ When evaluating the size of the debit balance vis-à-vis the external sector, it should be taken into account that a significant part of the liabilities, such as shares and other equity is, by its very nature, not claimable, which means that the actual debt of the Spanish economy is less than suggested by that debit balance.⁵

4.2 Composition of the international investment position by institutional sector

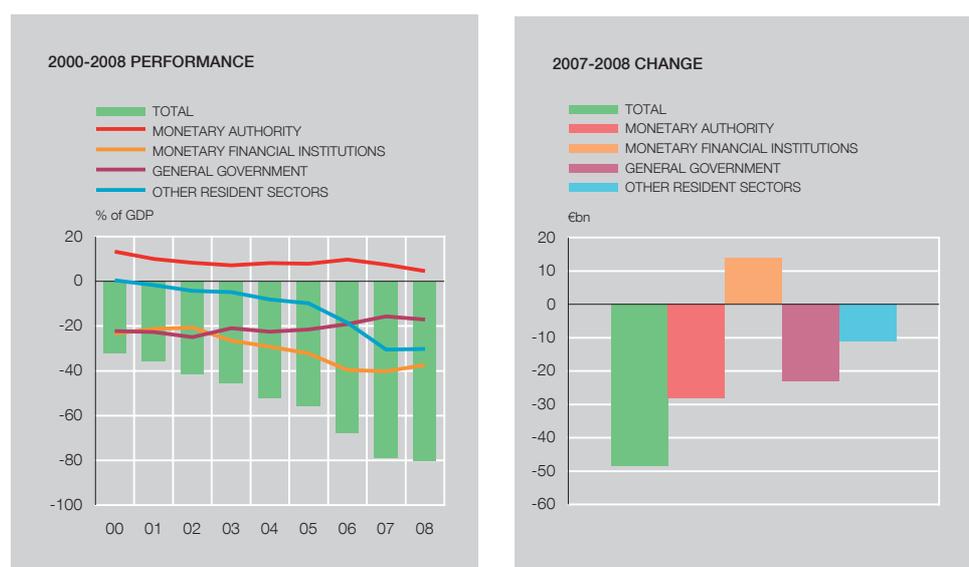
In 2008 all institutional sectors contributed to the widening of the net debit IIP, except for monetary financial institutions (MFIs). A notable development was the decrease in the credit position of the Banco de España, both in absolute terms and as a percentage of GDP (see Table 4.4 and Chart 4.2). The debit balance of general government also increased, while that of other resident sectors (ORSs) remained relatively steady as a percentage of GDP.

The debit balance of ORSs increased in nominal terms, although as a percentage of GDP it fell by 0.2 pp to 30.3% of GDP. The funds raised abroad by this sector (€12,971 million) were only

1. In accordance with international statistical standards, the IIP values external financial assets and liabilities at the market prices and exchange rates prevailing at the end of the reporting period. Therefore, the change in prices, expressed in national currency, of the assets composing the IIP has a direct impact on the credit or debit balance vis-à-vis the foreign sector. It follows that the change in the IIP between two points in time is determined not only by the financial transactions between the residents of an economy and the rest of the world, which reflects the nation's net borrowing or lending in that period, but also by the changes in value of the financial instruments composing the stock of financial assets and liabilities (the so-called *valuation effect*). In addition to these two factors, there is a third one, known as *other adjustments*, which occasionally affects the IIP. 2. In this article, net lending or borrowing has been proxied by the net financial transactions of the economy. The existence of errors and omissions means that, year-to-year, the two figures do not coincide. However, over long periods of time these errors and omissions tend to cancel out. 3. In most developed economies, the percentage of assets denominated in foreign currency exceeds that of liabilities, which means that the value of assets is more sensitive to exchange-rate fluctuations. In the case of Spain, which has a net credit position in foreign currency (31% of assets and 17% of liabilities were denominated in foreign currency in December 2008), the strong appreciation of the euro against the pound sterling outweighed its slight depreciation against the dollar, so the valuation effect associated with exchange-rate changes acted to increase Spain's net debit position, since it reduced the value of assets denominated in national currency more than that of liabilities. 4. The decrease in prices was, on average, greater in the financial instruments composing liabilities than in those composing assets, which, together with the net debit position of the Spanish economy in the more price-sensitive securities, explains the positive sign of the valuation effect in 2008. 5. At end-2008, shares and other equity, whether in the form of direct investment or portfolio investment, represented around 24% of Spain's total foreign liabilities.

NET IIP BY SECTOR
2000-2008 PERFORMANCE AND 2007-2008 CHANGE

CHART 4.1



SOURCE: Banco de España.

INTERNATIONAL INVESTMENT POSITION. SUMMARY

TABLE 4.1

€bn	2006	2007	2008			
			Q1	Q2	Q3	Q4
NET INTERNATIONAL INVESTMENT POSITION (A-L)	-664.6	-827.7	-852.5	-867.4	-870.3	-876.1
Excluding Banco de España	-760.3	-906.6	-933.1	-934.6	-927.3	-927.0
<i>Foreign direct investment</i>	-35.7	-9.9	-26.3	-27.0	-16.8	-23.7
<i>Portfolio investment</i>	-508.9	-647.6	-604.1	-612.5	-627.6	-595.3
<i>Other investment (a)</i>	-206.1	-230.3	-281.9	-271.6	-271.2	-301.6
<i>Financial derivatives</i>	-9.6	-18.8	-20.7	-23.4	-11.7	-6.4
Banco de España	95.7	78.9	80.6	67.2	57.0	50.9

SOURCE: Banco de España.

a. Principally, loans, deposits and repos.

partially offset by a positive valuation effect (€1,963 million). By instrument, their debit position increased in direct investment (by 1.2 pp of GDP, to 7.8% of GDP) and in other investment (by 0.2 pp of GDP, to 3.8% of GDP). The increase in the FDI debit balance is explained by the notable fall in Spanish investment abroad, compared with the relative steadiness of foreign investment in Spain. By contrast, the debit position in portfolio investment decreased (by 1.6 pp of GDP, to 18.5%), since the net inflows of capital were outweighed by the valuation effect derived from the stock market falls.

The net debit position of MFIs vis-à-vis the external sector decreased by approximately 3 pp of GDP in 2008, to 37% of GDP. The net inflows of funds generated by the sector's financial transactions, which amounted to €34.6 bn, were outweighed by a positive valuation effect of €48.8 bn, derived mainly from the fall in stock market prices. This moderate correction of MFIs' debit balance took place against a background marked by a decrease in their liquidity needs (due to the narrowing of the gap between deposits and loans), but, at the same time, by a

In the past decade the degree of economic and financial integration of economies has increased notably, as reflected by the increase in both trade and financial cross-border flows. Many of the economies which lent funds to the rest of the world at the beginning of the period have continued to do so to an increasing extent, while those which were net borrowers have had recourse to external saving, also to an ever-greater extent. This persistence in the sign of financial flows has meant that the international investment position (IIP) in the major developed countries has taken a differing path in recent years. However, this trend was broken at the outset of the financial crisis, both due to the changes in the volume and direction of international financial flows and to the general decreases in financial asset prices. Chart 1 shows the net IIP of the main euro area countries and of the euro area as a whole,¹ of the United Kingdom and of the United States for the period 2000-2008.² As can be seen, from end-2007 the net IIP tended to decline in GDP terms in most countries, or, at least, to grow more slowly. The differences in its growth are explained by the differing composition of the IIP by type of instrument, which affects the impact of financial asset price changes on the net balance, and by the sign of the capital account.

Chart 2 shows the composition of the net IIP by type of instrument for the main countries and areas analysed in 2008. In that year the FDI of all countries except Spain had a credit balance. Also most notable is the generally high debit balance of the developed countries in fixed income portfolio investment, which may indicate the attractiveness of

debt securities (low risk) for foreign investors. Unlike in FDI and fixed income portfolio investment, the countries do not seem to exhibit any easily identifiable common pattern in the balance of other investment and of equities. Nevertheless, the debit balance of Spain in both these types of investment is higher than that of other countries, some of which have a credit balance. Moreover, in the case of other investment this difference has widened in the past year as a result of Spain's higher recourse to instruments of this type to cover its borrowing requirement.

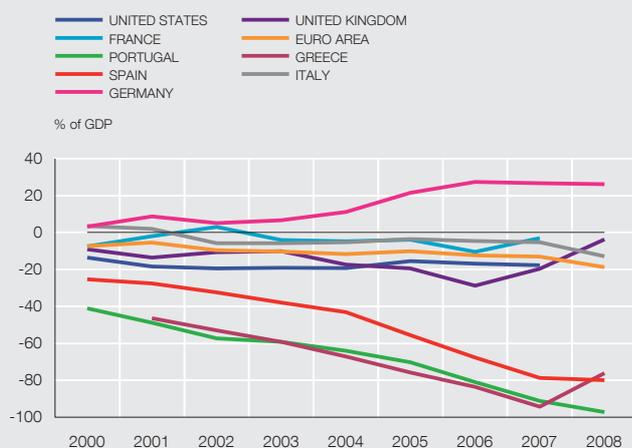
External assets and liabilities (see Charts 3 to 6), after remaining relatively steady in all countries until 2004, showed notable and uninterrupted growth until 2007 (see Charts 3 and 4). However, in 2008, as a result of the impact of the economic and financial crisis on international financial flows (see Box 3.1) and on asset prices (especially equity prices), the value of external assets and liabilities contracted significantly in most countries. As might be expected, this decline was particularly sharp in the United Kingdom³ because of its status as an international financial centre. Although less abruptly, in the euro area as a whole and in Germany and Italy, the value of the stock of euro-denominated external assets and liabilities fell, whereas it remained practically unchanged in Spain. As regards France and the United States, although the IIP data for 2008 have not yet been published, the behaviour of financial flows suggests that the expansion of

1. The IIP of the euro area excludes the inter-country positions between the euro area member countries. 2. For France and the United Kingdom there are only data until end-2007.

3. The data have been expressed in euro for the purposes of comparing the stocks of external financial assets and liabilities. In the case of the United Kingdom, where the pound sterling depreciated significantly in 2008, the valuation in terms of euro reduces the value of both assets and liabilities with respect to the sterling-denominated figure.

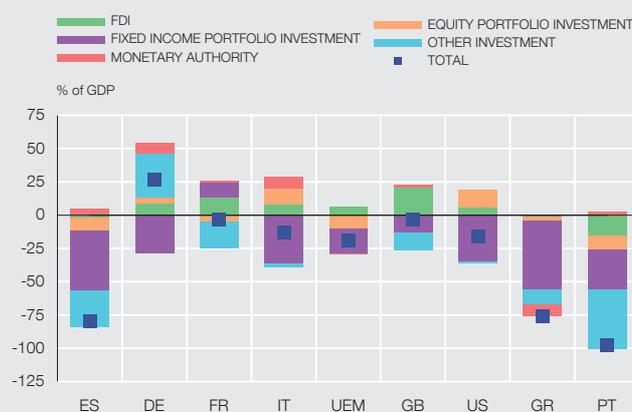
NET IIP BY COUNTRY AND INSTRUMENT (a)

1 NET IIP BALANCE (b)



SOURCE: National statistics.

2 IN 2008 (b)



a. Countries are denoted by their ISO code, as follows: ES: Spain, DE: Germany, FR: France, IT: Italy, UEM: Euro area, GB: United Kingdom, US: United States, GR: Greece and PT: Portugal.
 b. Latest available data, which relate to end-2008 for all countries except the United States and France, for which the latest data relate to end-2007.

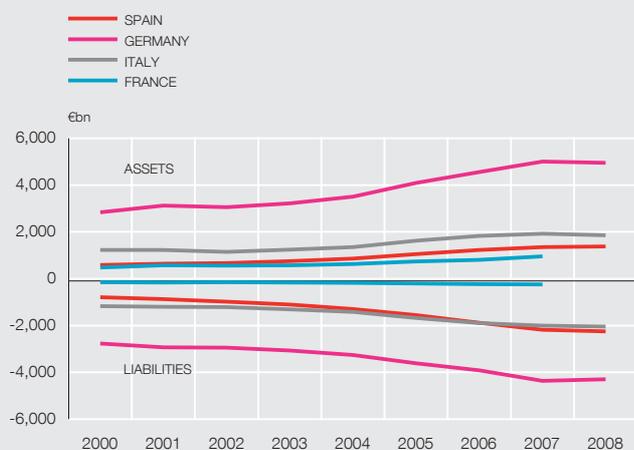
asset and liability holdings ceased in that year. Nevertheless, the degree of financial openness of the economies considered, defined as the ratio of external assets and liabilities to GDP, remained very high, fluctuating between 813% of GDP in the case of the United Kingdom and 246% in the United States. Spain, at 331% of GDP, was in an intermediate position.

Lastly, the structure of the stock of external assets and liabilities by country also exhibits significant differences. As regards assets, noteworthy in Spain were the holdings in the form of direct investment (more

than 35% of the total in 2008) in comparison with their weight in other countries (18% in Germany and 19% in the United States). This reflects the importance that the internationalisation of Spanish firms has had in the process of financial integration of the Spanish economy. As an opposing phenomenon, the balance of shares and other equity in portfolio investment was lower than that in other countries, perhaps indicating that Spanish investors prefer safer assets. Moving on to liabilities, in Spain, as in the major euro area countries, the holdings of non-residents are basically in the form of fixed income portfolio investment (also very important in Italy) and in other investment.

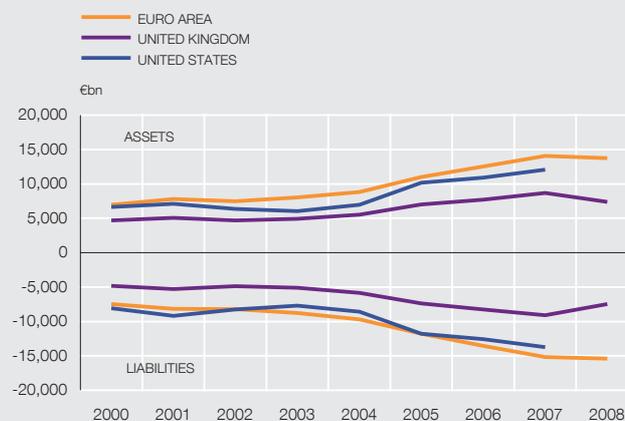
ASSET-SIDE AND LIABILITY-SIDE IIP, BY COUNTRY

3 EURO AREA COUNTRIES



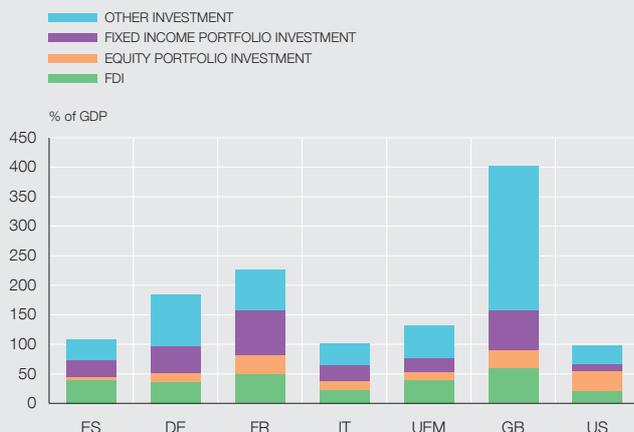
SOURCE: National statistics.

4 OTHER DEVELOPED COUNTRIES

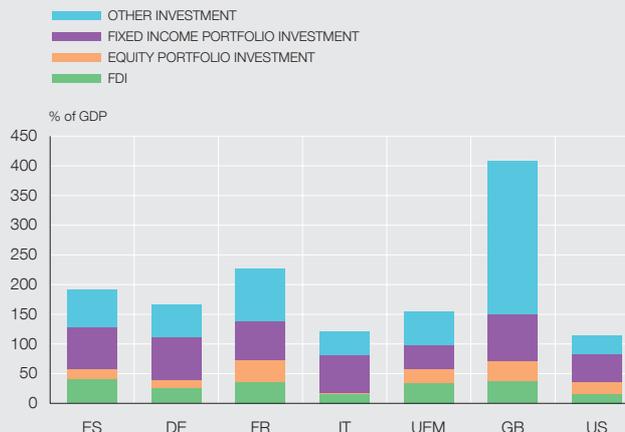


ASSET-SIDE AND LIABILITY-SIDE IIP, BY INSTRUMENT (a) (b)

5 ASSETS



6 LIABILITIES



SOURCE: National statistics.

a. Countries are denoted by their ISO code, as follows: ES: Spain, DE: Germany, FR: France, IT: Italy; UEM: Euro area, GB: United Kingdom, US: United States, GR: Greece and PT: Portugal.
 b. Latest available data, which relate to end-2008 for all countries except the United States and France, for which the latest data relate to end-2007.

FINANCIAL MARKET DEVELOPMENTS
Prices, interest rates and exchange rates

TABLE 4.2

	STOCK EXCHANGE INDICES (a)			EXCHANGE RATE (a)		LONG-TERM INTEREST RATE (b)		
	IBEX-35	EUROSTOXX 50	S&P 500	DOLLAR/EURO	STERLING/EURO	EURO AREA	US	UK
2006	31.8	15.1	13.6	11.6	-2.0	3.90	4.57	4.54
2007	7.3	6.8	3.5	11.8	9.2	4.38	4.10	4.68
2008	-39.4	-44.4	-38.5	-5.5	29.9	3.89	2.42	3.48

SOURCES: European Central Bank and Banco de España.

- a. Cumulative rate of change. End-period data.
b. Ten-year government bond yield. Mean of the final month of the period.

RECONCILIATION OF CHANGE IN STOCK WITH BALANCE OF PAYMENTS TRANSACTIONS (a)

TABLE 4.3

€bn	NET (b)		ASSETS				LIABILITIES				
	CHANGE IN STOCK	TRANSACTION	VALUATION EFFECT AND OTHER ADJUSTMENTS LEVEL	CHANGE IN STOCK	TRANSACTION	VALUATION EFFECT AND OTHER ADJUSTMENTS		CHANGE IN STOCK	TRANSACTION	VALUATION EFFECT AND OTHER ADJUSTMENTS	
						LEVEL	% (c)			LEVEL	% (c)
	2006	-183.0	-111.4	-71.6	145.7	143.3	2.4	0.2	328.7	254.7	74.1	4.8
2007	-146.4	-86.7	-59.6	140.2	153.9	-13.8	-1.3	286.5	240.7	45.8	2.5
2008	-20.3	-64.8	44.4	21.2	53.6	-32.4	-2.7	41.5	118.4	-76.9	-3.6

SOURCE: Banco de España.

- a. Excluding Banco de España.
b. A (-) sign denotes a larger change in liabilities than in assets.
c. Difference between the change in the stock and the balance of payments transaction, in terms of stock at beginning of the period.

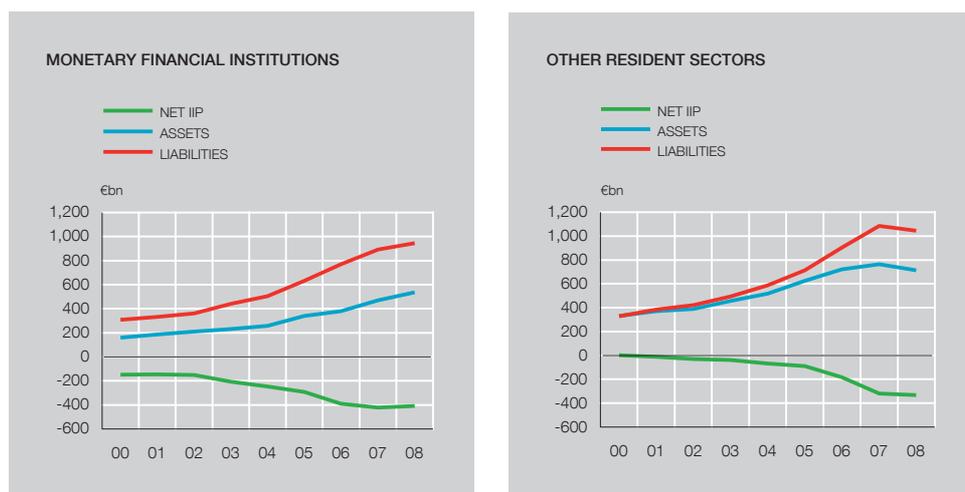
INTERNATIONAL INVESTMENT POSITION
Distribution by sector

TABLE 4.4

% of GDP	MONETARY AUTHORITY			MFIs			GENERAL GOVERNMENT			ORSs		
	NET	ASSETS	LIABILITIES	NET	ASSETS	LIABILITIES	NET	ASSETS	LIABILITIES	NET	ASSETS	LIABILITIES
	Average 2003-2005	7.7	7.7	0.0	-29.4	32.5	61.9	-21.7	1.6	23.3	-7.6	62.9	70.5
2006	9.7	9.8	0.0	-39.7	38.6	78.3	-19.1	2.9	22.0	-18.5	73.3	91.9
2007	7.5	7.9	0.3	-40.2	44.7	84.9	-15.6	3.3	18.9	-30.5	72.7	103.2
2008	4.6	7.9	3.2	-37.3	49.0	86.3	-17.1	3.7	20.8	-30.3	65.0	95.3

SOURCE: Banco de España.

tightening of the conditions of access to foreign funding on the wholesale markets, in some of which Spanish institutions had been very active. As noted above, since the onset of the crisis, MFIs have changed the way in which they cover their liquidity needs, as they now have greater recourse to short-term external funding and to Eurosystem loans. In line with this behaviour, the partial correction of the MFIs' debit balance was mainly due to the decrease in the net debit position of portfolio investment and, in particular, to the decrease in liabilities (by 7.2 pp of GDP, to 28.8%), since assets remained nearly unchanged (at around 9% of GDP). By con-



SOURCE: Banco de España.

trast, and in line with the trend of financial transactions in 2008 as a whole, the debit balance of other investment widened by 5 pp of GDP, to 23%.

The net external debt of general government increased by 1.5 pp of GDP to stand at 17.1% (almost entirely as a result of transactions in the year), thereby interrupting the downward path of the past three years.⁶

Lastly, in 2008 the Banco de España's net credit position decreased by 2.9 pp of GDP, to 4.6%, mainly as a result of transactions with the Eurosystem which reflect MFIs' greater recourse to the supply of liquidity from the Eurosystem. The transactions by the Banco de España in other net assets gave rise to an increase in the Banco de España's credit balance of 0.1 pp of GDP (compared with 1.3 pp in 2007), similar to that generated by reserves.

4.3 Composition of the international investment position by type of investment⁷

In 2008 the net debit IIP of the Spanish economy, excluding the Banco de España, decreased by 1.7 pp of GDP, to 84.6% (see Table 4.5 and Chart 4.3). This was because the decrease in the debit balance of portfolio investment outweighed the widening of the net debit positions of direct investment and, above all, of other investment. For its part, the debit balance of financial derivatives moderated further, from a low level. This change in composition reflects the fact that the Spanish economy obtained external financing in 2008, basically in the form of other investment (mainly deposits, loans and repos) and, to a much lesser extent, in the form of portfolio investment.

In the case of *foreign direct investment* (FDI), the debit balance – which had declined since 2003 to nearly zero in 2007 (0.9% of GDP) – widened again in 2008 to 2.2% of GDP.⁸ This increase resulted because foreign liabilities grew more than foreign assets (see Chart 4.4). The value of the FDI liabilities at end-2008 stood at 41.6% of GDP, 2.5 pp above the percentage at

6. In 2008 public sector debt rose not only because of the higher deficit, but also because of the impact of the financial sector support measures, specifically the fund set up to acquire financial assets. 7. Given that the external assets of the Banco de España are characterised by their liquidity and low risk, and that what is important about them is not so much their composition by instrument, but rather the monetary authority status of their holder, they have been excluded from the analysis which follows. 8. In September 2008 information from the investment register of the Ministry of Industry, Tourism and Trade began to be used to calculate the "Shares and other equity" heading of direct investment by other resident sectors in the IIP. This gave rise to an extraordinary review of the time series. For a more detailed description of the changes in the calculation procedure entailed by the use of this source of information, see Box 5.1 of this report.

INTERNATIONAL INVESTMENT POSITION
Breakdown by instrument (a)

TABLE 4.5

% of total	FOREIGN DIRECT INVESTMENT		PORTFOLIO INVESTMENT		OTHER INVESTMENT		FINANCIAL DERIVATIVES	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES	ASSETS	LIABILITIES	ASSETS	LIABILITIES
	Average 2003-2005	25.9	22.6	45.9	43.2	28.2	34.2	...
2006	27.9	18.5	40.4	51.1	28.8	28.1	2.9	2.3
2007	31.6	18.9	35.0	50.2	29.9	28.0	3.5	2.9
2008	33.6	20.6	28.3	43.3	29.8	31.0	8.4	5.1

SOURCE: Banco de España.

a. Excluding Banco de España.

NET IIP BY INSTRUMENT
2000-2008 PERFORMANCE AND 2007-2008 CHANGE (a)

CHART 4.3



SOURCE: Banco de España.

a. Excluding Banco de España.

b. In 2006 Q4 the Banco de España began to publish data on the financial derivatives position.

end-2007, due to the transactions in the period, since valuation effects were insignificant.⁹ As regards assets, the value of Spanish foreign direct investment holdings amounted to 39.5% of GDP in 2008, up 1.3 pp on end-2007. Unlike with liabilities, the valuation effect reduced the value of assets notably (by more than 5%), reflecting, above all, the impact of the depreciation of the pound sterling (see Table 4.6).

In regard to its geographical distribution (see Table 4.7), the FDI of residents was concentrated in the EU (61% of the total), with 41% in the euro area and 12% in the United Kingdom. Latin

⁹ Note that the procedure used to calculate 2008 FDI data does not adequately reflect price changes, since in the reporting year and in the year prior to it the old procedure based on the accumulation of flows continued to be used for the heading cited in footnote 8. See Box 5.1 for a more detailed description.



SOURCE: Banco de España

a. Excluding financial derivatives and the Banco de España.

America was again the second most important region after the euro area, with 23% of total FDI. The EU also clearly predominated as the source of foreign investors in Spanish firms, most markedly on the assets side (81% of the total), with most of those assets relating to the euro area (66%).

The net debit position of *portfolio investment* decreased significantly in 2008 (by 7.3 pp of GDP, to 54.4%) as a result of the fairly pronounced fall in the value of the stock of liabilities with respect to the stock of assets. The net sales by Spaniards of portfolio investment securities issued by foreigners (€21.8 bn) and, above all, the negative valuation effect (€57.1 bn) associated mainly with equities meant that at end-2008 foreign assets in the form of portfolio investment securities stood at 33% of GDP, down 8.9 pp on end-2007 (see Table 4.8). Meanwhile, portfolio investment liabilities underwent an even more significant correction, decreasing by 16 pp, to 87.6%. This sharp fall reflected net divestments by non-residents (€17.6 bn) and, above all, the negative impact of the valuation effect (10.4% of the stock, i.e. €113.7 bn). The notable drop in stock market prices (the Ibex-35 fell by 39%) explains why most of the valuation effect was, as on the assets side, concentrated in equities. The widespread nature,

FOREIGN DIRECT INVESTMENT

TABLE 4.6

Reconciliation of the change in the IIP stock with the balance of payments transactions (a)

	€bn											
	NET (b)			ASSETS				LIABILITIES				
	CHANGE IN STOCK	TRANSACTION	% VALUATION EFFECT AND OTHER ADJUSTMENTS LEVEL	CHANGE IN STOCK	TRANSACTION	% VALUATION EFFECT AND OTHER ADJUSTMENTS LEVEL	% (c)	CHANGE IN STOCK	TRANSACTION	% VALUATION EFFECT AND OTHER ADJUSTMENTS LEVEL	% (c)	
2006	31.4	58.5	-27.2	55.1	83.1	-28.0	-10.8	23.8	24.6	-0.8	-0.2	
2007	25.8	50.9	-25.1	87.1	101.2	-14.1	-4.5	61.4	50.3	11.1	3.2	
2008	-13.8	8.0	-21.8	31.3	52.8	-21.5	-5.4	45.1	44.7	0.3	0.1	

SOURCE: Banco de España.

a. Excluding Banco de España.

b. A (-) sign denotes a larger change in liabilities than in assets.

c. Difference between the change in the stock and the balance of payments transaction, in terms of stock at beginning of the period.

FOREIGN DIRECT INVESTMENT IIP IN 2007 AND 2008 (a)

TABLE 4.7

Breakdown by geographical area and selected economies

	SPANISH FOREIGN DIRECT INVESTMENT				FOREIGN DIRECT INVESTMENT IN SPAIN			
	2007		2008		2007		2008	
	€bn	% OF TOTAL	€bn	% OF TOTAL	€bn	% OF TOTAL	€bn	% OF TOTAL
WORLD TOTAL	401.2	100.0	432.5	100.0	411.1	100.0	456.1	100.0
EU 27 (b)	253.7	63.2	263.5	60.9	329.1	80.1	369.5	81.0
Euro area	168.3	41.9	177.7	41.1	278.1	67.6	302.3	66.3
Germany	22.7	5.7	24.9	5.7	20.0	4.9	33.6	7.4
France	29.5	7.3	30.2	7.0	44.2	10.7	47.0	10.3
Netherlands	41.0	10.2	41.2	9.5	76.9	18.7	91.3	20.0
Luxembourg	29.8	7.4	28.6	6.6	58.8	14.3	49.0	10.7
Portugal	21.1	5.3	23.5	5.4	12.1	3.0	13.4	2.9
United Kingdom	57.1	14.2	52.4	12.1	43.4	10.6	58.5	12.8
New EU members (c)	24.7	6.2	29.4	6.8	0.7	0.2	0.8	0.2
Switzerland	7.9	2.0	9.4	2.2	10.6	2.6	10.8	2.4
United States	30.8	7.7	41.5	9.6	46.3	11.3	46.6	10.2
LATIN AMERICA	92.4	23.0	97.9	22.6	10.8	2.6	11.7	2.6
Argentina	20.1	5.0	21.4	4.9	0.4	0.1	0.4	0.1
Brazil	26.6	6.6	25.8	6.0	5.6	1.4	5.7	1.3
Chile	9.7	2.4	9.7	2.2	.	0.1	.	0.1
Mexico	24.2	6.0	25.7	5.9	1.3	0.3	1.5	0.3
Morocco	1.7	0.4	2.4	0.6	.	0.0	.	0.0
Japan	0.4	0.1	0.7	0.2	2.3	0.6	2.3	0.5
Australia	1.9	0.5	1.9	0.4	.	0.0	.	0.0
MEMORANDUM ITEM: OECD	322.0	80.3	346.4	80.1	395.6	96.2	437.2	95.9

SOURCE: Banco de España.

a. "." Amount below €0.3 billion.

b. EU 27: International institutions of the European Union, European Central Bank, France, Belgium, Netherlands, Germany, Italy, United Kingdom, Ireland, Denmark, Greece, Portugal, Luxembourg, Austria, Finland, Sweden, Cyprus, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Malta, Poland, Slovenia, Slovakia, Bulgaria, Romania and the corresponding dependencies of their economic territory.

c. New EU members: Bulgaria, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Romania and Slovakia.

PORTFOLIO INVESTMENT

TABLE 4.8

Reconciliation of the change in the IIP stock with balance of payments transactions (a)

€bn	NET (b)			ASSETS				LIABILITIES			
	CHANGE IN STOCK	TRANSACTION	% VALUATION EFFECT AND OTHER ADJUSTMENTS LEVEL	CHANGE IN STOCK	TRANSACTION	% VALUATION EFFECT AND OTHER ADJUSTMENTS LEVEL	% (c)	CHANGE IN STOCK	TRANSACTION	% VALUATION EFFECT AND OTHER ADJUSTMENTS LEVEL	% (c)
	TOTAL										
2006	-235.2	-199.6	-35.6	1.0	-3.9	4.9	1.1	236.2	195.7	40.5	5.6
2007	-138.7	-104.8	-33.9	-12.4	-8.6	-3.8	-0.8	126.2	96.2	30.1	3.1
2008	52.3	-4.3	56.6	-79.0	-21.8	-57.1	-12.9	-131.3	-17.6	-113.7	-10.4
EQUITIES											
2006	-19.3	40.0	-59.3	29.0	21.3	7.7	7.4	48.3	-18.6	67.0	33.9
2007	-39.0	-18.6	-20.4	1.6	-6.6	8.2	6.1	40.5	12.0	28.6	11.6
2008	42.0	-28.0	70.0	-69.9	-27.8	-42.2	-31.3	-111.9	0.2	-112.2	-39.2
FIXED INCOME											
2006	-215.9	-239.6	23.6	-28.1	-25.2	-2.8	-0.8	187.9	214.3	-26.5	-5.0
2007	-99.7	-86.2	-13.5	-14.0	-2.0	-12.0	-3.7	85.7	84.2	1.5	0.2
2008	10.3	23.7	-13.4	-9.0	5.9	-15.0	-4.8	-19.3	-17.8	-1.5	-0.2

SOURCE: Banco de España.

a. Excluding Banco de España.

b. A (-) sign denotes a larger change in liabilities than in assets.

c. Difference between the change in the stock and the balance of payments transaction, in terms of stock at beginning of the period.

**STOCK OF FOREIGN PORTFOLIO INVESTMENT BY SPAIN
Breakdown by geographical area and by instrument. 2007**

TABLE 4.9

€bn	EQUITY SECURITIES	DEBT SECURITIES	TOTAL	WEIGHT IN TOTAL (%)
France	21.4	51.5	72.9	16.4
Germany	11.8	41.7	53.5	12.1
Italy	4.7	41.3	46.1	10.4
United Kingdom	7.3	38.2	45.5	10.3
Netherlands	4.3	38.8	43.1	9.7
Luxembourg	41.2	4.3	45.5	10.3
United States	9.8	27.5	37.3	8.4
Cayman Islands	1.2	11.9	13.1	3.0
Ireland	6.0	14.7	20.7	4.7
Belgium	2.1	6.2	8.3	1.9
Portugal	3.8	4.1	8.0	1.8
Other	21.1	28.3	49.4	11.2
Total assets	134.8	308.5	443.3	100.0

SOURCES: Banco de España and IMF.

STOCKS OF FOREIGN PORTFOLIO INVESTMENT IN SPAIN (a)

TABLE 4.10

Breakdown by geographical area and by instrument, and comparison with CPIS data (b). 2007

€bn	EQUITY SECURITIES		DEBT SECURITIES		TOTAL (c)		WEIGHT IN TOTAL (%)	
	FKC	EI	FKC	EI	FKC	EI	FKC	EI
	France	25.2	16.9	70.5	155.6	95.7	172.5	8.8	19.3
Germany	12.2	19.1	93.2	162.1	105.4	181.2	9.7	20.3
Luxemburg	26.5	19.2	174.2	61.0	200.7	80.2	18.4	9.0
United Kingdom	87.7	21.8	21.8	47.6	109.4	69.4	10.0	7.8
United States	88.8	72.4	41.8	27.0	130.5	99.5	12.0	11.1
Netherlands	8.4	7.3	19.7	47.1	28.1	54.4	2.6	6.1
Ireland	1.1	8.0	6.1	46.6	7.1	54.6	0.7	6.1
Japan	0.4	6.0	.	16.7	0.4	22.7	0.0	2.5
Italy	12.7	4.9	230.6	26.1	243.3	31.0	22.3	3.5
Belgium	2.0	4.4	4.3	20.1	6.3	24.5	0.6	2.7
Unassigned	-1.2	.	133.2	.	132.0	.	12.1	0.0
Other	22.4	35.0	9.3	64.6	31.7	102.8	2.9	11.5
Total liabilities	286.2	215.0	804.5	674.4	1,090.7	892.7	100.0	100.0

SOURCES: Banco de España and IMF.

a. "." Amount below €0.3 billion.

b. FKC: geographical assignment of liabilities under the first-known counterparty principle. EI: geographical assignment by end-investor principle, based on the stock of assets of the creditor countries.

c. The value of the total stock of foreign portfolio investment in Spain differs from the sum of the stock of equity securities and debt securities because certain countries which participate in the CPIS, for reasons of confidentiality, provide the geographical breakdown of their total portfolio investment assets but not the breakdown of the various instruments in which they are invested.

and similar size, of the stock market falls at international level explain why Spain's debit balance in shares and other equity also decreased significantly (by 4.4 pp of GDP). As for fixed income, the valuation effect also acted to reduce the debit position vis-à-vis the external sector, but to a much lesser extent than in the case of equities. As a result, the partial correction to the debit balance of fixed income in 2008 (3 pp of GDP, to 44%) must be attributed mainly to the financial transactions in the period. In this respect, the foreign investors' interest shifted from medium- and long-term bonds, the debit balance of which fell by 3.5 pp of GDP to 42%, to money market instruments, the net debit position of which widened by 0.6 pp of GDP to more than 2%.

Notable in portfolio investment abroad was the high concentration of holdings of assets issued by residents in the EU (80% of total), and particularly in the euro area (68% of the total). In regard to the country of origin of the foreign investors in Spanish securities, the IIP does not give an adequate breakdown, since it only provides information on the first-known non-resident counterpart, which in many cases differs from the final holder of the securities, the important party for the purpose of economic analysis. The analysis under the final-investor criterion is based on the geographical breakdown of the portfolio assets of other countries vis-à-vis Spain contained in the latest edition of the Coordinated Portfolio Investment Survey (CPIS) of the IMF¹⁰ (see Tables 4.9 and 4.10). The latest available data, relating to end-2007, show the predominance of euro area countries, which hold around 68% of the total, while the United Kingdom and the United States account for around 10% and 8% of liabilities, respectively.

10. For further information, see "El stock de la inversión de cartera de España y la Encuesta Coordinada del Fondo Monetario Internacional", *Boletín Económico*, June 2005. For the CPIS data, see IMF website: <http://www.imf.org/external/np/sta/pi/cpis.htm>.

OTHER INVESTMENT

TABLE 4.11

Reconciliation of the change in the IIP stock with the balance of payments transactions (a)

€bn	NET (b)			ASSETS				LIABILITIES			
	CHANGE IN STOCK	TRANSACTION	% VALUATION EFFECT AND OTHER ADJUSTMENTS LEVEL	CHANGE IN STOCK	TRANSACTION	% VALUATION EFFECT AND OTHER ADJUSTMENTS		CHANGE IN STOCK	TRANSACTION	% VALUATION EFFECT AND OTHER ADJUSTMENTS	
						LEVEL	% (c)			LEVEL	% (c)
	2006	30.4	31.6	-1.2	56.6	66.1	-9.5	-3.5	26.2	34.4	-8.2	-1.6
2007	-24.2	-37.0	12.8	53.8	57.2	-3.4	-1.0	78.0	94.2	-16.2	-3.1
2008	-71.3	-76.2	4.9	5.9	15.0	-9.1	-2.4	77.2	91.2	-14.0	-2.3

SOURCE: Banco de España.

a. Excluding Banco de España.

b. A (-) sign denotes a larger change in liabilities than in assets.

c. Difference between the change in the stock and the balance of payments transaction, in terms of stock at beginning of the period.

The debit balance of *other investment* vis-à-vis the external sector widened in 2008 by 5.6 pp of GDP, to 27.5%. Liabilities grew significantly (4.7 pp of GDP, to 62.7%), driven by the increase in funds raised abroad (€91.2 bn), mainly by MFIs. By contrast, the valuation effect reduced the debit position by €14 bn (a reduction of 2.3%), mainly due to the impact of the depreciation of the pound sterling against the euro, which was partly offset by the strengthening of the dollar at the end of the year (see Table 4.11). Financial assets, although they increased in nominal terms by €5.9 bn, lost relative weight in GDP, ceding 0.9 pp to stand at 35%. Part of the increase in holdings derived from financial transactions in the period (€15 bn) was also counteracted by a negative valuation effect (€9.1 bn, 2.4% of the stock at end-2007).

Based on analysis by original maturity of loans, deposits and repos, the financial transactions conducted in 2008 show a preference for short-term instruments over long-term ones, reflecting investors' interest for more liquid instruments, as would be expected in the present situation of uncertainty. Thus long-term instruments lost weight in total other investment liabilities, accounting for 38% of the total in December 2008, against 43% at end-2007, while their weight in assets remained unchanged at 28%. The disaggregation by geographical area of Spanish other investment shows a very high concentration in the EU (which accounts for more than 80% of assets and 85% of liabilities), with the euro area having a majority share (56% of assets and 47% of liabilities). Meanwhile the United Kingdom accounts for a significant fraction of the foreign assets and liabilities under this heading (21% of assets and 29% of liabilities), in line with the role of London as an international financial centre.

5 THE BALANCE OF PAYMENTS AND THE INTERNATIONAL INVESTMENT POSITION:
METHODOLOGICAL NOTE

5 The Balance of Payments and the International Investment Position: Methodological note

5.1 Introduction

As in previous editions of this report, this chapter sets out the main changes introduced in the compilation system of the balance of payments and the international investment position in 2008, as well as the principal characteristics of this system and of the data presented in the tables in Chapters 6 and 7.

The changes introduced in the information system are detailed in the description below of the Balance of Payments and International Investment Position headings and in the section on changes introduced in this chapter, whereas the up-to-date description of the methodology is included in Chapters 5.2 and 5.3.

Noteworthy among the changes introduced in 2008 are the modification of the calendar for the dissemination and revision of the balance of payments data, the raising of the threshold for reporting transactions between residents and non-residents and the inclusion of data from the Investment Register of the Ministry of Industry, Tourism and Trade to calculate the shares and other equity heading of other resident sectors' direct investment in the international investment position, which has given rise to an extraordinary revision of data. This change is explained in detail below in the section on changes introduced and in Box 5.1. As a result of using the Ministry's information it was possible, furthermore, to improve the estimate of reinvested earnings of direct investment.

The changes introduced in 2008 made it possible to meet the new reporting requirements of international agencies and to introduce improvements in the estimates made to date. Furthermore, in general, the new sources of information were used more intensively in quality controls of data.

As mentioned above, in 2008 a new calendar of revisions was introduced for the balance of payments. According to this calendar, at the same time as the quarterly data are published, revisions are included in the previous quarter's data and in the corresponding monthly data. Likewise, the publication of the data for the fourth quarter includes revisions of the monthly and quarterly data of the two previous years. Therefore, the data included in Chapter 6 of this report coincide with those disseminated in the *Boletín Estadístico* of March 2009, since it was the first time that the data for 2008 Q4 were published and that the data for 2008 and 2007 were revised, in addition to the exceptional revisions mentioned below. The new calendar of revisions minimises those revisions introduced at the cut-off date for the annual report, given that errors are corrected and information on transactions, which is received late, is included on a quarterly basis. However, some revisions, which can only be made annually, are maintained and include most notably those arising from the incorporation of the revised goods trade figures published by the Customs and Excise Department (Departamento de Aduanas de la Agencia Estatal de la Administración Tributaria) and from the updating of information that is preliminary and, therefore, subject to major revision, which is used to estimate the reinvested earnings of direct investment. The latter revision affects both the current and financial accounts and this year, apart from the revision of data, it also reflects a change in the estimate procedure explained below. Consequently, data from 2006 onwards are subject to an exceptional revision.

The calendar for the dissemination and revision of the international investment position data has not been changed and, therefore, these data will continue to be revised periodically coin-

cluding with each quarterly close, generally affecting the current and the two previous years. These revisions are mainly attributable to the incorporation of updated information in the information sources used and to the same factors as those mentioned for the financial account of the balance of payments.

The balance of payments data in Chapter 6 of this report are strictly consistent with Chapter 17 of the April 2009 edition of the Banco de España's *Boletín Estadístico*. The related time series are available since 1990 in the case of the balance of payments. Since the publication and revision calendar was updated, two data groups are disseminated: the major headings of both the current and capital accounts are disseminated monthly along with a certain level of detail for the financial account; the quarterly data have a higher level of detail, with additional breakdowns. The international investment position data have been published quarterly since 1992. The above-mentioned time series can be found in the statistics section of the Banco de España website (<http://www.bde.es>).

The international investment position is compiled, in general, using the same information and it represents the same general economic phenomenon as the account of stocks of financial assets and liabilities vis-à-vis the rest of the world of the *Financial Accounts of the Spanish Economy*. The Banco de España publishes, in an annual monograph with this title, this other statistic, which is compiled following the methodology established by the 1995 version of the European System of Accounts (ESA 95). Even though the reference methodology is not the same, it should be noted that the conceptual scope of both statistics is very similar, so that their aggregate results are similar. In fact, the International Monetary Fund (IMF), when compiling the 5th edition of its Balance of Payments Manual, made further headway towards homogeneity, to the point that the balance of payments and international investment position statistics compiled under the 5th edition, unlike those compiled under previous editions, are consistent with Revision 4 of the System of National Accounts (SNA 1993). However, the different data compilation and cut-off dates explain the discrepancies that may exist at any given moment between these two sets of statistics. In this connection, it should be remembered that during 2008, the IMF finished the revision of the Balance of Payments Manual, which is the methodological reference for the preparation of the data disseminated in this report. The main changes introduced have been described in previous editions of this publication and are consistent with the revisions made in SNA 1993, which is also in the final stages of being revised.

With regard to the presentation of the data in this report on the balance of payments and international investment position, as mentioned above, the main change made as a result of Spain's joining the euro area – the separate presentation of the Banco de España's transactions and stocks – has been maintained. It is important to note that this change merely involves a reallocation of information, which continues to be compiled strictly in accordance with the methodological guidelines of the 5th edition of the IMF Balance of Payments Manual. For purposes of international comparison, the IMF has to present the data in its publications in a similar way for all countries. In response to a singular phenomenon like monetary union, it has thus had to opt for a uniform accounting solution. This solution, which involves including the change in the net assets of the euro area national central banks vis-à-vis the Eurosystem, and their other assets and liabilities that are not reserves, in the totals of the relevant headings, leaves only the reserves as the final counterpart of the rest of the euro area's balance of payments. The IMF's solution is not only consistent with the presentation for most countries, but also with that of the overall euro area aggregate balance of payments vis-à-vis the rest of the world. However it gives rise to serious problems for the analysis of the balance of payments of each country considered on its own.

For all the foregoing reasons, the dual presentation of the financial account of the balance of payments and of the international investment position is retained in this publication:

- In the tables summarising the main headings of the balance of payments and of the international investment position, the financial account has been broken down into that of the Banco de España and that of other sectors. The financial account of the Banco de España provides separate information on its reserves and on the change in the balance of its net assets vis-à-vis the Eurosystem, given the different analytical significance of these items, in the context of Spain's membership of a monetary union with a single currency. Moreover, for the sake of clarity of presentation, the net amount of other assets and liabilities of the Banco de España has also been included, which basically reflects the portfolio investment assets, financial derivatives and the liabilities associated with the reserves. Section 5.2.5 describes the content of each of the headings of the balance of payments, so that readers may find there a brief explanation of each of those making up the financial account of the Banco de España.
- In the breakdown tables, it was decided to maintain the presentation of the standard components of the 5th edition of the IMF Balance of Payments Manual, thereby ensuring international comparison. As a result, the transactions of the Banco de España, other than reserves, appear under the other investments heading, in portfolio investment and, from 2008, under the financial derivatives heading, albeit separated from those of other monetary financial institutions. All the tables specify clearly the content of each heading in terms of its coverage of the various institutional sectors, so that there can be no confusion in this respect.

Note that the footnotes to all tables in Chapter 6 state the sign convention used in recording balance of payments transactions. It should be pointed out that, in the specific case of reserves, it was decided to use the same convention in all the tables. Specifically, increases in reserves (which involve a net payment abroad as the country's assets increase) have been recorded with a negative sign and reductions therein with a positive sign.

With respect to the tables relating to the distribution of the transactions by geographical area, it is worth reaffirming that, in the case of the financial account, this distribution is, on many occasions, based on the allocation to the country of the first known counterpart. This fact should be taken into account by analysts, especially in relation to the liabilities of portfolio investment, in which the country of the first counterpart may often not coincide with that of the ultimate party to the transaction. On the assets side, as explained below, in transactions with negotiable securities, it is possible to classify operations according to the debtor's country, thanks to the use of the ISIN (International Securities Identification Number) in each operation and to the databases identifying the main characteristics of each security, among them the issuer's country of residence. It should also be borne in mind that as financial derivatives are recorded as net assets and liabilities in the balance of payments they cannot be distributed geographically.

This chapter is organised as follows. Following this introduction, Section 5.2 is devoted to the balance of payments, describing the information sources, the conceptual framework determined by the general criteria of residence, valuation and others; the classification of the transactions by headings and sectors; the structure and content of the tables of Chapter 6; and, lastly, certain specific aspects of each heading. Section 5.3 contains the following points relating to the international investment position: information sources and valuation criteria; proce-

dures for obtaining positions; structure and content of the tables of Chapter 7; specific notes for each heading and main differences between the change in the stocks of the international investment position and the transactions of the balance of payments. Lastly, Section 5.4 explains the most important changes in the information sources and calculation procedures, in the dissemination of statistics, and also the completion of the revision of the IMF Balance of Payment Manual.

5.2 Balance of Payments. Methodology

5.2.1 INFORMATION SOURCES

5.2.1.1 Trade balance

For the trade balance, the Spanish balance of payments uses as its basic source the foreign trade statistics compiled by the Customs and Excise Department, albeit with the relevant adjustments. Section I.4.1 of the 1993 report described the data-collection methods applied by the Customs and Excise Department, with particular attention to the Intrastat system used for compiling intra-Community trade figures since the lifting of customs borders. The broad outlines of the description given there remain valid. Interested readers will find abundant information on this subject published by the Departamento de Aduanas (Customs Department), and they may learn of the practical workings of the system from the resolutions issued annually which detail the applicable regulations. Moreover, the Banco de España's *Boletín Estadístico* of April 1995 provided methodological notes on foreign trade statistics, with a summary of the data collection system in general and of Intrastat in particular.

The differences that data users will find between the foreign trade figures published by the Customs Department and those of the trade balance of the Spanish balance of payments mostly arise from the accounting guidelines set out in the 5th edition of the IMF Manual. First, imports, which in the statistics published by the Customs Department are valued CIF, are adjusted to their FOB value for inclusion in the balance of payments. This requires estimating the freight and insurance specifically associated with the imports recorded by Customs and Excise, which are services that may have been provided by residents or non-residents. The freight and insurance that has to be deducted from the Customs and Excise CIF figures for imports has been estimated on the basis of information provided by the INE and in co-ordination therewith, in order to ensure consistency between the rest of the world account in the National Accounts and in the balance of payments. For the same reason, the estimate made for the National Accounts of intra-Community goods trade that is not reported, as the transactions involved come below the Intrastat reporting threshold, has been added to the Customs and Excise figures for imports and exports. Also the amounts corresponding to arrivals and dispatches of goods leased out under operational leases have been deducted.

There are also other differences in the content and valuation of goods trade according to Customs and Excise and the Spanish balance of payments. Notable, due to their relative importance, is the inclusion in the balance of payments of imports and exports of merchandise which do not cross borders and, therefore, are not included in the Customs and Excise trade statistics.

It should be borne in mind that the use of customs data to estimate the trade balance means that all goods trade is included, even that involving direct short-term financing between suppliers and their customers. Moreover, transactions are generally recorded in the period when the merchandise is physically moved (see, however, the exceptions to this general rule that follow from Section 5.2.2 of this chapter). Since, as later noted, the financial account does not reflect data for short-term trade credit, the counterpart of these transactions, not charged or paid for when recorded, appears under the errors and omissions heading. As a result, a portion of this heading is attributable to leads and lags in foreign trade, reflecting the time elapsing between the physical movement of goods at borders and the relevant receipt or payment of their amount.

In compiling the other transactions of the Spanish balance of payments, the Banco de España collects data directly from the following groups of declarants:

a) Deposit institutions

These institutions, made up of banks, savings banks and credit co-operatives, are required to report transactions with non-residents both on their own account and on behalf of customers, in accordance with the Banco de España Circular 15/1992. For reporting purposes, transactions with customers are the responsibility of the resident party to the transaction, which has to provide the data to the deposit institution for their presentation to the Banco de España. When the amount settled by an institution is the net amount of several transactions (on its own or its customers' behalf), the institution has to include the details of the gross amounts in its declarations. As mentioned in previous editions of this report, 2008 saw the entry into force of the change in the threshold for the compulsory reporting of the content of transactions, which was increased from EUR 12,500 to EUR 50,000.¹ More details about this change are provided in section 5.4 on changes introduced.

In addition, under the new reporting system on negotiable securities, whose rules are contained in Banco de España Circular 2/2001, resident deposit institutions shall furnish monthly information, security by security, on stocks of negotiable securities and on transactions relating to negotiable securities carried out with non-residents, on their own account or on their customer's behalf.

b) Other financial institutions registered with the Banco de España or the CNMV Spanish National Securities Market Commission.

Institutions of this type (specialised credit institutions, money market funds and non-monetary financial institutions) that carry out transactions with non-residents on their customers' behalf declare directly to the Banco de España all operations on behalf of their resident customers as well as any transaction on their own account. Thus, for the purposes of compulsory reporting, they operate under the same regulations set out in Circular 15/1992 that apply to the institutions listed in a) above.

Institutions that operate with non-residents solely on their own account can choose between directly reporting all transactions to the Banco de España, in accordance with the regulations in Circular 15/1992, or using the services of deposit institutions to declare transactions with non-residents settled through these institutions. In the latter case, they are subject to the same regulations applicable to non-financial legal entities and individuals.

Like deposit institutions, these institutions are also obliged to comply with the information requirements established by Circular 2/2001.

1. It should be pointed out that although no content is available for unreported transactions, there is information on the total amount of these transactions. Various estimates are used to distribute these transactions by heading, basically in accordance with the distribution of the transactions for amounts immediately higher than them.

c) Holders of demand or savings accounts with non-resident credit institutions

All residents in this category must inform the Banco de España of the opening and closing of accounts of this nature and of the gross amounts of all transactions settled through them, in accordance with the regulations in Banco de España Circular 3/2006. This Circular replaced the previous Circular 24/1992, and includes electronic data transmission as a form of submitting information, making it easier for declarants to group together the transactions that they have to report and raising the ceiling for aggregating movements.

d) Holders of inter-company accounts with non-resident enterprises

All resident companies that have accounts with non-resident non-bank enterprises (usually, but not necessarily, with companies in the same economic group) must report to the Banco de España the opening and closing of these accounts, and the gross amounts of all transactions credited or debited through them, in accordance with the regulations in Circular 3/2006. Thus, the reporting requirements of this group are regulated by the same circular that applies to the group in the preceding paragraph. However, the separation of the two accounts is important from the standpoint of the balance of payments and economic analysis, because the changes in their balances are assigned to different headings in the balance of payments, as is explained below.

e) Parties to offsetting transactions with non-residents

Offsetting is understood to encompass any operation not giving rise to a settlement via credits or debits in a bank or inter-company account, due to the fact it involves a receipt and a payment of the same amount with opposite signs. Residents engaging in transactions of this nature with non-residents must report them directly to the Banco de España, in accordance with the regulations in Circular 6/2000.

One special case of this type of transaction is merchandise trade financed through direct credit between sellers and their customers. Circular 6/2000 regulates the reporting requirements for transactions in this category, which are applicable only when the maturity of the credit exceeds one year. Short-term trade credit will, therefore, appear under the errors and omissions heading, with this omission (strictly speaking, it is not an error) being a very significant part of this heading. Moreover, precisely because it is not an error, its behaviour is linked to that of other macroeconomic variables (e.g. interest rates and exchange rate expectations) and, consequently, it cannot be treated as a random variable, and its sign and behaviour may follow systematic patterns over a given period.

f) Residents performing transactions with negotiable securities directly through non-resident intermediaries

Resident investors carrying out transactions with negotiable securities directly through a non-resident financial intermediary must provide information, security by security, on their stocks of negotiable securities and transactions involving negotiable securities, directly to the Banco de España, in accordance with the rules of Circular 2/2001.

In principle, the information collected from the aforementioned groups covers the full range of transactions with non-residents: those implemented through resident financial institutions; those implemented directly by resident financial institutions on their own behalf; transactions settled through bank or inter-company accounts abroad; and those which do not give rise to any settlement, i.e. offsetting transactions.

The increasing use of information provided by other institutions and by other departments of the Banco de España is also notable. This information sometimes supplements that supplied by the main sources and at other times replaces it. In this respect, the estimates of travel credits and insurance services may be highlighted in the services account. In the income account, the information supplied by Iberclear (the Securities Registration, Clearing and Settlement Systems Management Company) and by the CNMV is used to calculate the income from portfolio investment and other indicators of the prices of the instruments which make up the assets and liabilities of the international investment position. For their part, transfers include data supplied by the Treasury and the FEGA (Spain's State Agricultural Guarantee Fund) to estimate transfers to and from the EU (current transfers) and direct information from the CESCE (Spain's official export credit company) (capital transfers). Data from the Investment Register of the Ministry of Industry, Tourism and Trade and from the Banco de España's Central Balance Sheet Data Office have been taken into account to calculate direct investment, financial transactions and their associated income. The use of these external sources in the Spanish balance of payments shall be commented upon in greater detail in the sections dedicated to each heading.

Finally, other sources of information, used to obtain the institutional sector and the economic sector and to assign the data geographically, should be noted. The institutional sector is obtained from a database using the NIF (taxpayer I.D. number) of the resident declared in the balance of payments information. This database includes data from numerous sources, such as the official registers of the Banco de España, the Directorate General of Insurance, the CNMV, etc. The economic sector is also obtained from the NIF, using a database that relates it to the sector and which includes data from the Banco de España's Central Balance Sheet Data Office and the INE's Central Directory of Corporations (DIRCE) and information available on firms that report directly their transactions with the rest of the world. For its part, the country of non-resident issuers of negotiable securities included in portfolio assets is obtained from the first two digits of the ISIN. As these digits, in the case of issues on international markets, may give the wrong country or may not be sufficient to identify the country, a database supplied by the Bank for International Settlements is used, which gives the country for each ISIN. The geographical assignment of the heading other investments of monetary financial institutions is made by supplementing the information reported directly by credit institutions with the accounting statements that such institutions submit in accordance with the applicable circulars.

5.2.2 CONCEPTUAL FRAMEWORK

The Spanish balance of payments is compiled under the guidelines of the 5th edition of the IMF Balance of Payments Manual.² This section does not go into a detailed description of the 5th edition's many chapters which give form to what it calls the conceptual framework of the balance of payments, because the Manual is sufficiently detailed, as far as concepts such as economic territory and residence, the valuation criteria for transactions, the time of recording, etc. are concerned, to act as a direct reference. Accordingly, areas posing no special problems

2. In December 2008, the IMF published the final version of the sixth edition of the Balance of Payments and International Investment Position Manual. This revision is part of a widespread process to adapt macroeconomic statistics on the foreign sector to the growing globalisation and internationalisation of real and financial markets. For a more detailed explanation of this process and of the changes envisaged, see Box 5.1, "The Spanish Balance of Payments and International Investment Position 2006" and the section on changes introduced in this report. The first statistics according to the new Balance of Payments Manual will be published in 2014 with annual data referring to 2013.

are only briefly summarised in this report. Other areas, however, call for somewhat more detailed treatment, because of their importance in correctly interpreting the data.

5.2.2.1 Residence

The balance of payments records the transactions between the residents of a country and the rest of the world, irrespective of their nationality. The IMF considers an institutional unit to be a resident unit when it has a centre of economic interest in the territory of a country.

Although the 5th edition of the Manual devotes a chapter to explaining the concept of residence, the application of this concept inevitably leaves certain decisions to the discretion of the data compiler. According to the IMF, “an enterprise is said to have a center of economic interest and to be a resident unit of a country (economic territory) when the enterprise is engaged in a significant amount of production of goods and/or services there or when the enterprise owns land or buildings located there”. Thus, in practice, the concept is imprecise, to the extent that the IMF itself recommends considering the permanence of an enterprise in the country for one year or more as a guideline for residence.

The above definition of the concept of residence is important because the scope and contents of the headings in the balance of payments pivot essentially on this definition. Indeed, entry into foreign markets – services markets in particular – through the creation of establishments, subsidiaries or branches is a widespread practice. Cross-border services entailing the physical movement of the supplier of the service have given way to the creation of commercial establishments which, in many cases, are resident units of the country where the services are provided. In such cases, the only transactions which figure in the balance of payments are those related to direct investment and income generated in the form of profits, with the resulting loss of information on the nature of the services bought or sold. The provision of services through a resident commercial establishment is such a widespread phenomenon that international organisations in charge of negotiating the liberalisation of international markets, and specifically the World Trade Organisation, have begun to compile statistics on resident commercial establishments that are subsidiaries or branches of parent companies located in other territories to make up for the loss of information in the balance of payments data relating to services trade.

5.2.2.2 Timing of recording of transactions: the accrual principle

Transactions should be recorded in the balance of payments at their accrued value. According to IMF terminology, this means that “transactions are recorded when economic value is created, transformed, exchanged, transferred, or extinguished”. Thus, the transactions recorded do not necessarily coincide with the liquid proceeds and payments generated. In fact, very often the transactions in the balance of payments do not give rise to liquid proceeds and payments, and in other cases they are recorded at a different time. But, in practice, the application of this principle to all transactions with non-residents proves complicated and costly, and many transactions are therefore recorded at the time when the proceeds or payments are generated.

In order to comply with the accrual principle required, certain adjustments are made in the Spanish balance of payments to data obtained from the general information system. These adjustments basically affect data on merchandise trade, portfolio investment income, reinvested earnings of direct investment firms, FEGA transfers from the EU and, sometimes, payments of other current transfers with a counterparty other than the EU. In the rest of the balance of payments, transactions are recorded, in principle, when effective receipt or payment occurs,³ although, as explained above, numerous transactions are also included that do not

3. It should be taken into account that, in many cases, the difference between applying one criterion rather than the other is minimal, and that generally the headings which include the aforementioned adjustments are the most affected ones.

generate payments (offsets, transactions credited or debited in inter-company accounts, etc.) or that do so only for amounts far below their book value.

Merchandise trade is generally recorded on an accrual basis, when the actual transaction occurs, because customs statistics are used as the basic source of information. Nonetheless, in intra-Community trade, due to the lifting of customs borders, time lags can arise between the physical movement of goods and their statistical declaration and recording. This is especially so in the provisional monthly data, which are those used for closing the latest annual balance of payments report, in this case the 2008 report. The Customs Department revises its monthly data on an accrual basis by assigning the transactions to the periods in which they actually occurred when it publishes the revised figures of the previous year.

In the income account, investment-income payments to non-residents arising from interest on peseta- and euro-denominated bonds issued by the Spanish general government sector have, since 1993, been recorded on the basis of the interest accrued rather than that paid, and likewise since 2005 in the case of other income from portfolio investment. If the interest accrued in the period is greater than that paid, this change also entails recording the counterpart entry of the difference, i.e. the accrued interest pending payment, as an increase in the value of investment. If the interest accrued in the period is less than that paid, the change entails carrying the difference as a decrease in the aforementioned investment.

The 5th edition of the IMF Manual expressly recommends the application of the accrual accounting convention in recording interest income. Paragraph 282 of the Manual edited by the IMF in 1993 establishes the following: "Dividends are recorded as of the date they are payable. Interest income is recorded on an accrual basis. If the interest is not actually paid, an income entry is recorded under the appropriate instrument and a counterpart entry is made in the financial account to reflect an increase in the claim associated with non-payment". This recording of income on an accrual basis thus signifies that interest accrued during the related period will in turn be recorded in the financial account as an increase in investment.

From 2005 all the portfolio investment income data will follow the methodological criteria of the 5th edition of the IMF Balance of Payments Manual in regard to the application of the accrual principle. Nevertheless, the detailed security-by-security income information that will be contained in the Centralised Securities Database currently being set up by the European Central Bank will enable the accrual principle to be applied more accurately in future in the calculation of the income on all the securities included under this heading.

Meanwhile, paragraph 383 of the 5th edition of the IMF Manual states as follows: "Reinvested earnings of direct investment enterprises are recorded in the balance of payments in the periods in which the income is earned". Further, direct investors' shares of reinvested earnings are deemed to provide additional capital to the enterprises and to increase the value of an economy's stock of foreign assets and liabilities. Consequently, when they are recorded in the balance of payments, direct investment income and direct investment capital entries shall be made. The full incorporation of data from the Foreign Investment Register of the Ministry of Industry, Tourism and Trade to the information system has permitted the use of such data in the procedure for estimating the reinvested earnings of direct investment. Until last year, the procedure applied to Spanish direct investments abroad and foreign direct investment in Spain differed because of the varying availability of information sources. Last year, thanks to the above-mentioned change of information source, it has been possible to harmonise the procedure which is based, for Spanish investments abroad

and foreign investments in Spain, on the calculation of average rates of return applied to IIP direct investment data. The latest data available from the Foreign Investment Register are those for 2006. The rates for that year have been obtained from the net profit (net of dividends distributed) and from the own funds of the whole non-financial corporations sector. For 2007, these rates of return have been adjusted by using the trend in net profit of non-financial companies from direct investment, data which is available at the Banco de España's Central Balance Sheet Data Office. For 2008, this trend has been adjusted by nominal GDP growth.

5.2.2.3 Valuation. Transactions and stocks

The Spanish balance of payments has been compiled in euro since 1999. The time series, compiled in pesetas up to December 1998, have been converted to euro at the irrevocable exchange rate of ESP 166.386 /euro. The domestic currency is commonly used as the valuation unit in most developed countries and in nearly all of Europe. In fact, the IMF only expressly recommends the use of alternative units of account in countries with volatile currencies.

Transactions are declared in their original currency, using for their translation into euro the average exchange rate of the ten-day period when they take place in the case of transactions declared by financial institutions, and the month's average exchange rate in all other cases (obviously, transactions carried out before 1999 in the currencies of the euro area countries have been translated into euro by simply multiplying their irrevocable exchange rates). Thus, the Spanish balance of payments adheres closely to the theoretical principle of valuation in the 5th edition of the IMF Manual, which recommends that all transactions be valued at the market rate in effect on the date of the transaction. In this respect, the IMF leaves no room for doubt. The estimates of the different entries in the balance of payments should not reflect changes induced by fluctuations in exchange rates or in the market prices of the financial assets and liabilities in question. Nor should the balance of payments record the discrepancies which may arise in using a single currency to value the receipts and payments of operations related to offsetting or to the buying or selling of currencies, since these are, by definition, identical in the original transaction agreed between the parties.

The importance of this valuation principle should be stressed, because it is essential for understanding the relationship between stocks and transactions or, in other words, the relationship between the balance of payments and the international investment position. The 5th edition of the Manual defines the international investment position as the value of the stock of each financial asset and liability defined in the standard components of the balance of payments. For each standard component in the financial account, the international investment position should reflect the value of the stock of this type of asset or liability at the beginning of a period and its value at the end of the same period. The difference between the two must be equal to: the flow recorded in the balance of payments, which reflects the transactions in these assets or liabilities that actually took place; plus the change in the value of the stock induced by swings in the exchange rate; plus the change caused by movements in the price of the related assets or liabilities (in addition to several other adjustments; see paragraph 466 of the 5th edition of the IMF Manual).

The 5th edition of the Manual thus establishes explicit links between an economy's holdings of financial assets and liabilities and the changes, or flows, in the related financial instruments. It does this by establishing, for each of the headings that together form the financial account, the corresponding stock or international investment position.

Section 5.3 on the international investment position explains in greater detail the valuation criteria used in compiling this statistic and its relationship to the corresponding transactions.

5.2.2.4 Classification of financial transactions by change in assets and change in liabilities. Signs used.

In the tables in Chapter 6, the transactions of the financial account are recorded as the net change in the assets or net change in the liabilities of resident units vis-à-vis non-resident units. The data reflect only the net asset-side transactions (residents' purchases of assets vis-à-vis non-residents, less their sales and redemptions) and the net liabilities-side transactions (purchases by non-residents of assets issued by residents, less their sales and redemptions). This is due to the fact that the recording of gross transactions is no longer of significance given the extraordinary mobility of capital, which has increased the purchase and sale transactions of financial assets exponentially. This is not only true of assets involving negotiable securities in the traditional sense, but also applies to virtually the entire range of assets and liabilities, now characterised by high mobility produced by financial and technological innovation.

Indeed, the participation of resident and non-resident securities-dealer companies and securities agencies, clearing services, settlement agencies and financial intermediaries in the placement of negotiable securities among customers, whether residents or non-residents, generates figures for gross capital transactions that may have no economic significance other than the greater complexity of the intermediation between the final agents handling the transaction. Even in the case of credit and loan transactions, where the significance of gross transactions involving the provision or repayment of funds is apparently clearer, frequently complex mechanisms (revolving credit, syndicated loans with the entry and departure of resident and non-resident financial institutions into and from the syndicate) can give rise to gross transactions between the borrower and diverse lenders of different nationalities that do not have the same significance as traditional loans with a specific borrower, lender and repayment terms.

The signs with which items are posted in the balance of payments require an accounting convention. Even in the case of current-account transactions, the sign could differ depending on whether it was sought to highlight the standpoint of the resident or that of the non-resident involved in the transaction. Hence a merchandise export is a receipt for the exporting resident but a payment for the non-resident purchaser. The Spanish balance of payments adopts the angle of the resident. However, in the financial account this accounting convention would not alone suffice to define unequivocally the phenomenon it is sought to reflect. For example, an increase in a resident's assets vis-à-vis a non-resident involves a payment abroad, i.e. an out-flow. If what it is sought to show in a table is the fact that a country's assets increase or decrease, they would have to be recorded with a positive sign in the former case and a negative sign in the latter. But if the criterion adopted is to record financial transactions taking into account the fact that they give rise to a receipt, or a payment, the increase in assets would have to be recorded with a negative sign and the decrease with a positive sign. Since all standpoints are valid, whether that of the resident or non-resident, and whether combined with different criteria to represent the increase or decrease in the related assets or liabilities, or the receipts or payments generated by them, each table in Chapter 6 of this publication details (as earlier indicated) the accounting convention used.

The errors and omissions heading is merely an adjustment for the difference between total credits and total debits. Consequently, it does not feature as a heading in the current, capital or financial account. In the tables in Chapter 6, it is recorded separately as a balancing item. If its sign is positive (negative), this indicates there is an understatement (overstatement), through errors or omissions, in the net balance of the sum of the current and capital accounts, i.e. of the nation's net lending/borrowing in relation to the net financial-account balance.

Notably, in the case of direct investment transactions, the accounting recommendation for assets and liabilities calls for several additional details, because the IMF establishes the "direction" criterion for the classification of these transactions, as explained in Section 5.2.5.a. under the heading "Direct investment".

5.2.3 CLASSIFICATION OF
TRANSACTIONS BY HEADING
AND INSTITUTIONAL SECTOR

5.2.3.1 Classification by heading

The transactions of the Spanish balance of payments are structured around three basic accounts: the current, capital and financial accounts.

The current account is divided into four basic sub-accounts: goods, services (including travel), income and transfers. Notably, labour income and investment income thus have their own accounts, separate from that of services.

The capital account includes capital transfers and the disposal and acquisition of non-produced, non-financial assets. In the Spanish case, capital transfers are by far the most sizeable heading in this account. The specific notes on these two headings (see Section 5.2.5) give the details of their contents.

The financial account is structured so that the transactions of the Banco de España are treated separately. There is thus one account with the transactions of the various sectors, excluding the Banco de España, and another with the central bank's transactions. There are four sub-accounts under the first account, differentiated by the type of assets and liabilities whose form the corresponding transactions take: direct investment, portfolio investment, other investment and financial derivatives. The first three offer itemised information of asset- and liabilities-side transactions, while financial derivatives are recorded as change in liabilities minus change in assets. Transactions are allocated to the various institutional sectors according to the sector to which the resident party to the transaction belongs. Institutional sectorisation is also used in the investment-income balance. The definition of the institutional sectors is explained under heading 2 of this section.

As regards the basic contents of the various sub-accounts of the financial account, direct investment includes investments that reflect the investor's objective of obtaining a lasting return from the investee enterprise, achieving a significant degree of influence in its management. For practical purposes, the 5th edition of the Manual defines the owner of 10% or more of the capital of a direct investment enterprise as a direct investor. This rule is not conclusive as the guideline acknowledges that a smaller percentage may entail a controlling interest in the company (and, conversely, that a share of more than 10% may not signify control). But the IMF recommends using this percentage as the basic dividing line between direct investment and portfolio investment in the form of shareholdings. Naturally, direct investment also encompasses other forms of participation in capital which, by their very nature, meet the definition of permanent investment (funds allocated to branches, for example), and reinvested earnings. Investment in real estate is also recorded under this heading. Moreover, the direct investment heading should include both the original transaction, which determined the party's status as a direct investor, and all subsequent financing transactions of any nature, not only in the form of new purchases of shares and bonds but also in that of trade-related and financial loans, irrespective of whether they are short or long term. This broad definition allows for the possibility that there may be elements that introduce some volatility into the behaviour of this heading. In this respect, inter-company loans – especially short-term loans – are likely to be more sensitive to interest rates, in their different terms, and to exchange rate expectations than equity holdings, where expected profitability is the basic explanatory variable, and one that is generally less volatile in the short-term. The foreseeable volatility of the transactions thus recorded is increased if the financing transactions between companies indirectly related via their links to the same multinational group are also included.

Portfolio investment records transactions in negotiable securities, with the exception of shareholdings that fall within the definition of direct investment. Financial derivatives are not includ-

ed, even if they are negotiable. This account is divided into three main components: shares, bonds and notes, and money market instruments. The specific contents of each of these headings in the Spanish balance of payments are described in detail in Section 5.2.5.

The other investment account essentially records loan transactions, covering both trade-related and financial loans, with separate short- and long-term categories, and deposits, including foreign-currency holdings. It is worth mentioning that, for accounting purposes, the 5th edition of the Manual considers transactions involving securities with repurchase agreements as similar to secured loans or deposits. Specifically, repo sales to non-residents by residents should be recorded, under change in liabilities, as loans received if the seller is not a credit institution, and as foreign deposits in Spain if the seller is a credit institution. Residents' repo purchases of securities held by non-residents should be recorded, under change in assets, as deposits abroad if the non-resident is a credit institution, and as loans abroad if the non-resident is not a credit institution. As a result, repos and sell/buy-back transactions are included in the other investment account. Admittedly, in the data in Chapter 6, all repos and sell/buy-back transactions by resident credit institutions are recorded under a single heading. But it is important to highlight their theoretical status as loans or deposits (the accounting experts of international organisations agree here), because this is not a mere accounting convention but rather reflects a decision based on their greater resemblance to, and substitutability for, this type of asset. In other words, the determinants of the demand for this type of asset in investors' portfolios are more similar to those of loans and deposits than to the determinants of portfolio investment in listed securities. The way they are recorded is therefore based on analytical and theoretical reasons and not just more or less arbitrary accounting conventions.

Financial derivatives cover all instruments of this nature that can be valued because there is a market price for the underlying asset, irrespective of whether it is traded or not on organised markets, and irrespective of what the underlying asset is. Section 5.2.5 describes the specific content of this heading in the Spanish balance of payments.

Lastly, the financial account of the Banco de España's foreign transactions includes the change in reserves, the change in the Banco de España's account with the Eurosystem, and the other foreign assets and liabilities of this institution. Section 5.2.5, which explains the content of each heading in the balance of payments, describes these transactions. Moreover, in each table of Chapter 6 where they appear, a footnote to the table gives the accounting convention used for the sign of the change therein. Suffice it to say here that, in the summary tables of the main balance of payments headings, the other external assets and liabilities of the Banco de España (excluding reserves and the account with the Eurosystem) have been included in a single line as the net balance of liabilities minus assets. Meanwhile, in the subsequent detailed tables, they are broken down into change in assets, on one hand, and change in liabilities, on the other.

5.2.3.2 Classification by institutional sector

The investment income account and the various headings of the financial account are broken down into the following three institutional sectors:

- 1 *Monetary financial institutions sector*
 - 1 Banco de España
 - 2 Other monetary financial institutions
 - 1 Credit institutions
 - 1 Banks
 - 2 Savings banks
 - 3 Credit co-operative banks
 - 4 Specialised credit institutions

- 5 Instituto de Crédito Oficial
- 2 Money market funds (MMFs = FIAMM)
- 2 *General government sector*
 - 1 Central government
 - 1 State
 - 2 Central government agencies – including autonomous administrative agencies (except social security units), universities and corporations considered to be government
 - 2 Regional (autonomous) governments
 - 3 Local government
 - 4 Social security funds¹
 - 1 Social Security System
 - 2 Other social security funds
- 3 *Other resident sectors*
 - 1 Non-monetary financial corporations (excluding insurance corporations and pension funds)
 - 1 Other financial intermediaries (excluding insurance corporations and pension funds)
 - 1 Collective investment institutions (except money market funds)
 - a) Investment companies
 - b) Capital-market mutual funds
 - 2 Real estate investment institutions
 - a) Real estate investment companies
 - b) Real estate mutual funds
 - 3 Securities dealer companies
 - 4 Financial vehicle corporations
 - 5 Venture capital funds and companies
 - 6 *Financial holding corporations*
 - 7 Issuers of preference shares and other negotiable securities
 - 2 Financial auxiliaries
 - 1 Deposit guarantee funds
 - 2 Portfolio management companies and the management companies of other financial institutions and insurance corporations
 - 3 Official market governing bodies
 - 4 Securities agencies
 - 5 Rating agencies
 - 6 Appraisal companies
 - 7 Mortgage market regulation funds
 - 8 Guarantee companies
 - 9 Comisión Liquidadora de Entidades Aseguradoras (until absorbed by Consorcio de Compensación de Seguros)
 - 10 Currency-exchange bureaux
 - 11 Securities clearing and settlement companies
 - 12 *Holding corporations performing activities of financial auxiliaries*
 - 2 Insurance corporations and pension funds
 - 1 Private insurance corporations
 - 2 Non-profit insurance entities
 - 3 Consorcio de Compensación de Seguros
 - 4 Pension funds
 - 3 Public and private non-financial corporations
 - 4 Households and non-profit institutions (NPIs serving households)

Transactions are allocated to the various institutional sectors according to the sector to which the resident party to the transaction belongs. Thus, if a resident bank purchases US Treasury bills, the transaction is recorded as a portfolio investment abroad (changes in assets) by the monetary financial institutions (MFIs) sector. By contrast, if a foreign bank purchases Spanish Treasury bills, the transaction is recorded as a foreign portfolio investment (changes in liabilities) in the general government sector. It should be borne in mind that, for foreign investment in Spain, the institutional sector is allocated in accordance with the final recipient of the investment, who is not necessarily the recipient of the corresponding payment, nor the party reporting the operation to the Banco de España. Indeed, for foreign investments in negotiable securities issued by residents on the secondary market, the resident seller can be any holder of the securities, the broker appearing as the agent settling the transaction. However, using the issuer's fiscal identification number ensures appropriate allocation of the transaction to the institutional sector to which it belongs.

5.2.4 STRUCTURE AND CONTENT OF THE TABLES IN CHAPTER 6

The tables in Chapter 6, namely those showing the balance of payments data, have been structured in accordance with the 5th edition of the IMF Manual's framework of accounts, sub-accounts and headings for standard components described above. The specific content of each heading, which is the same as in the 2004 edition of this report, is explained in the next section.

The table of contents at the beginning of this report gives a detailed list of the tables. The data for 2008 are presented in the tables whose headings begin with 6.1, and the revised 2007 figures in those with 6.2. The data from 1992 onwards can be consulted in the CSV files that accompany the tables of Chapter 6 in the electronic version of this publication, available at the Banco de España website. Both sets of data (for 2008 and 2007) contain the same number of tables, with the same content and numbering; except for Table 6.1.12, which gives a geographical breakdown of direct investment for the period 2000-2008. The first table reflects the annual data of the main headings of the current, capital and financial accounts, while the others give, for each heading, the annual data and the estimated quarterly data for each of the two years. The first two tables are a summary of the main headings, and the rest contain more detailed, disaggregated data. These first two tables include the change made in 2000 so as to show the transactions of the Banco de España on their own; the bulk of the financial transactions of the other sectors are under the heading financial account excluding Banco de España.

As regards the tables presenting the details of the current account (specifically for 2008 and 2007), Tables 6.1.3 and 6.2.3 give the estimates of the different services headings. Tables 6.1.4 and 6.2.4 contain the disaggregation of investment income by institutional sector. The breakdown by instrument appears in Tables 6.1.5 and 6.2.5. Tables 6.1.6 and 6.2.6 provide a breakdown of current transfers by institutional sector, including the disaggregated data for those whose counterpart is the EU.

The data of the capital account are presented in Tables 6.1.7 and 6.2.7. Here, too, capital transfers are disaggregated by institutional sector, and the data for transfers from the EU are also shown.

The headings for which a breakdown was made of the transactions of the financial account are given in two tables with similar information but with alternative presentations. In the first, Tables 6.1.8 and 6.2.8, a disaggregation of the transactions of the institutional sectors is given for the main types of financial instrument. In the second, Tables 6.1.9 and 6.2.9, the disaggregated data of the transactions of each institutional sector are presented by instrument. For the reasons given in Section 5.1, a table with a presentation similar to that used by the IMF in

its publications has been retained to provide for readier international comparison. Thus, in Tables 6.1.8 and 6.2.8, the heading other investment includes the Banco de España, albeit as an institutional sector different from other MFIs, with reserves as an independent heading. Conversely, in Tables 6.1.9 and 6.2.9, all the financial transactions of the Banco de España, and not only reserves, are presented separately, as in the first two summary tables.

Tables 6.1.10 and 6.2.10 show, for 2008 and 2007 respectively, the total foreign direct investment transactions, with details of the amount made through foreign-equity holding companies (ETVEs) resident in Spain. As a consequence of the institution of a special tax regime⁴ offering significant advantages to Spanish foreign-equity holding companies (ETVEs), such firms have frequently been used in recent years by non-resident multinational groups to centralise the holding of their foreign direct investments in third countries. This has led to the recording in the balance of payments of increases in liabilities arising from the holding of the non-resident parent company in the resident ETVE, and increases in assets arising from the foreign holdings of the Spanish ETVE, of a similar magnitude. Thus, although the impact of these transactions on net assets and liabilities is smaller, it is very important to identify the transactions corresponding to these companies separately, in order to be able to correctly analyse developments in Spanish foreign direct investment. Note that, in these cases, the Spanish resident firm simply records the transactions in its balance sheet without any capital contribution being made and, therefore, their transactions should not be included with those determining Spanish direct investment abroad or with those determining foreign direct investment in Spain.

For this reason, in order to facilitate economic analysis, Tables 6.1.10, for 2008 and 6.2.10, for 2007, give an estimate of the direct investment transactions of and in ETVEs resident in Spain. The estimate is based on the breakdown of direct investment according to the economic activity (NACE) of the resident enterprise. As a result, the data given may include, along with ETVEs, other holding companies that, while not themselves ETVEs, have performed similar transactions, so that, in practice, they are a good estimate of the transactions that, for the reasons mentioned, distort the analysis of the direct investment data.

For their part, Tables 6.1.11 and 6.2.11 contain estimates of the main headings of the balance of payments for a set of economic and geographical areas, selected from among those regularly used by international organisations, and some individual countries.

It is worth mentioning that, the recording of financial derivatives on a net basis (changes in liabilities less changes in assets) precludes their geographical breakdown. In addition, certain factors that particularly limit the information content of several items should be borne in mind. In this respect, it is worth recalling that information on transactions involving less than EUR 50,000 is not available, and their distribution by country was estimated by using as an indicator the breakdown of the rest of the transactions of the different headings to which they were assigned. Further, in most foreign portfolio investment in Spain, declarants designate as the country of the transaction that of the residence of the institution which manages and has custody of the related securities. This explains the large volume of operations of this type in countries such as the United Kingdom.

5.2.5 SPECIFIC NOTES FOR EACH HEADING

5.2.5.1 Current account

a) Trade balance

This heading covers goods that cross the country's borders and those involving no physical crossing of borders, in addition to goods procured by carriers (fuel or any other type of supply).

4. See Corporate Income Tax Law 43/1995 and Law 6/2000.

As earlier noted, the data for merchandise that crosses borders are those furnished by the Customs and Excise Department, to which some adjustments are made. In the case of imports the most significant adjustment is that made to record imports in the balance of payments at their FOB value, rather than CIF, which is how they are valued in the trade statistics of the Customs Department. The data incorporate an estimate, obtained from information supplied by the Customs Department, of that part of foreign trade exempt from declaration under the Intrastat system for measuring intra-Community trade. This estimate is incorporated into the data for 1995 onwards. Also from that year, an adjustment to the Customs and Excise figures has been made to deduct the net amount of the arrivals and dispatches of goods leased out under operational leases. Merchandise that crosses borders temporarily for this purpose is included in the Customs and Excise statistics at its gross value, so that with this adjustment the net amounts are approximated, not the gross, to the requirements of the Balance of Payments Manual, which excludes operational leases from merchandise imports and exports, including them in services (see the “changes introduced” chapter in the 2004 report for further details of the adjustments introduced). Also, until 2005, due to the lack of more precise information, the total value of merchandise crossing borders is recorded, either as exports or imports, even if it is moved solely for the purpose of repairs, despite the IMF’s recommendation that only the net value of such operations be recorded. The Customs Department intra-EU trade data for 2005, and its total data for 2006, no longer include transactions relating to repairs. Consequently, a new adjustment to the figures provided by the aforementioned Department has been made which involved totalling the net amounts of the repairs obtained from the balance of payments general information system. The 2007 data are the revised figures of the Customs Department. The 2008 data are provisional.

The increasing importance of certain inter-company transactions related to the internationalisation of production is worth mentioning with regard to the recording of goods that do not cross borders.

b) Travel

This heading covers the goods and services purchased in an economy by non-resident travellers who, for business or personal reasons (including health and education), stay in the country for less than a year. As explained in detail in the changes-introduced section in the 2006 edition of this report, the 2005 travel receipts were calculated using a factorial econometric model which includes information from EGATUR and supply and demand indicators (including passengers on international flights, prices and overnight stays) and other supplementary information (including that from the general information system for receipts and payments). In this edition, the distribution by country of the receipts under this heading has been calculated from the EGATUR information.

The estimates for travel payments are based on the information available regarding payments made by means other than euro banknotes (essentially bank transfers, credit cards and foreign notes) although supplementary sources are also used such as counterparty country data and, in the short term, the results of univariate analysis of the series.

c) Transportation

The transportation headings cover freight and passenger transport as well as ancillary transport services. The latter cover a broad range of services provided in ports, airports and other terminal facilities, such as loading and unloading, storage and warehousing, and, in general, expenses related to the stop-over of the different means of transportation. Fuel and other merchandise, recorded in the trade balance, are excluded. Time chartering with crew is included.

d) Communication services

This heading records postal and courier services, services related to the transmission of sound, images and information by telex, facsimile, telegram, cable, broadcasting, satellite, electronic mail, etc.

e) Construction services

The receipts for construction services reflect those rendered by resident companies, while payments reflect those rendered by non-residents, when there is no branch or subsidiary in the country where the construction works take place. In this way, the aim is to distinguish between transactions that can be recorded as construction services in the strict sense and those which should figure as transactions between companies related by direct investment links.

Data users should be aware that, in headings such as this, the dividing line between the sub-account of services and that of direct investment is somewhat blurred. Moreover, even though only the value of the service should be reflected, this heading possibly includes items of a different nature, owing to the difficulties of identifying the various components of transactions that are often billed together.

f) Insurance services

Insurance services include the National Accounts estimates on the value of the service in the strict sense. In the case of reinsurance, receipts reflect the net amount of the reinsurance policy purchased, and payments reflect that of the reinsurance policy provided.

In addition to freight insurance, this heading encompasses life assurance, contributions to pension funds, personal accident, health, traffic accidents, general liability, fire, property damage insurance, etc., and reinsurance. Not included are Social Security benefits and payments, which are posted in the balance of transfers. Also excluded is export credit insurance, which is recorded under the financial services heading.

g) Financial services

This covers the broad range of financial intermediary services. Though not an exhaustive list, this heading encompasses commissions and expenses relating to: foreign investment, such as the issue, placement and redemption of securities and, in general, brokerage fees for direct and portfolio investment and the sale/ purchase of real estate; commissions and expenses relating to the acquisition and placement of funds in deposits; bank drafts; cheques paid and certified; money changing; travellers' cheques; loans received and extended; financial leases; credit cards; swaps; options; futures operations; administrative services and asset management; treasury management; financial consultancy; factoring; letters of credit, underwriting and credit insurance, etc. Naturally, not included are the receipts and payments linked to the principal and to the returns generated by the above-mentioned transactions, which are recorded in the financial account and in the income account, respectively.

h) Computer and information services

This heading records receipts and payments relating to: hardware services, taken to mean the assessment and configuration of computer equipment, including maintenance and repairs; software services, such as the development and start-up of software, including the analysis, design, installation, documentation and maintenance of the system; news agency services, including the provision of news, feature articles, photographs, etc.; computerised data processing, including their recording, transfer to other equipment, etc.; and, in general, services relating to databases. This heading does not cover the purchase of non-customised software supplies or training services, which are posted under the heading other business services.

i) Other business services

In addition to merchanting and operational leases, this heading includes, under the generic classification other business services, professional and technical services, a broad range of transactions of this type which do not fit into other categories. Like any heading defined by exclusion, it reflects a large number of diverse transactions whose quantitative significance is gauged in relation to other more precisely defined headings. Merely by way of example, it cov-

ers advertising and market research; research and development; legal, accounting, consulting, architectural, engineering, translation and interpretation, security and training services, etc. It also includes services rendered by parent companies to their subsidiaries, branches and associates that are billed as part of the overheads of the parent company.

The business services in this heading include commissions and fees relating to merchandise imports and exports, as well as merchanting (triangular transactions whereby residents purchase goods abroad from non-residents for their subsequent sale to other non-residents, without importing them to and exporting them from national territory). The net receipts from these triangular transactions (the difference between the amount of the sale and of the purchase of the merchandise) are recorded as an export of services.

Operational leases include leases with purchase options for transport equipment and means of transportation, as well as leases of means of transportation without crew. Not included are the principal and interest of financial leases, which are recorded in the financial account and in the income account, respectively.

j) Personal, cultural and recreational services

This heading covers audiovisual services and other personal, cultural and recreational services.

Audiovisual services include the production of films and radio and television programmes, as well as their distribution rights sold to the media. Fees paid to actors, producers, etc. are also included. However, they do not cover the royalties received for films, musical recordings, books, etc., which are entered under the heading royalties and licence fees.

The item for other cultural and recreational services reflects the receipts and payments derived from services of this nature not included under the previous heading, such as circuses, theatres, orchestras, museums, libraries, sports events, etc. Also included are subscriptions to newspapers and periodicals.

k) Government services

Included here are the receipts and payments linked to the expenses of embassies, consulates, military units, etc. and expenditure relating to the provision by the Spanish government of services associated with health, education, administrative costs, tourism offices, educational institutions, etc.

l) Royalties and licence fees

This heading records the receipts and payments for the rights to use patents, trademarks, designs and inventions, and copyright fees. Excluded are the rights derived from the distribution of films and audiovisual productions, which are recorded under audiovisual services.

m) Labour income

The compensation of short-term, border and seasonal employees is included here. This heading includes, from 1995 onwards, social contributions and direct taxes on compensation received (paid) by (to) resident (non-resident) workers. That is to say, from 1995 the figures are recorded gross, as recommended by the 5th IMF Balance of Payments Manual, rather than net, as was done previously.⁵

n) Investment income

Investment income is presented in the same breakdown by instrument as in the corresponding headings in the financial account, reflecting the income generated by the assets and liabilities in each heading. In view of this, only a few points need be clarified, and these are addressed below.

5. For a more detailed explanation, see the chapter on changes introduced in the 2005 report.

As from 2005, all portfolio investment income is calculated on an accrual basis, as recommended by the 5th edition of the IMF Balance of Payments Manual. Until 2005, the accrual principle was applied only to payments of income on general government⁶ bonds denominated in euro.

The general information collection system does not adequately cover undistributed earnings and transfers from direct investors to subsidiaries and branches to offset losses. These transactions therefore have to be calculated using different information sources, as described in section 5.2.2.2 and previous editions of this report.

The interest on subsidiary/parent company loans is recorded under the same criterion used for principal transactions (described under the heading "Direct investment" in Section 5.2.5: interest paid by non-resident parent companies to their resident subsidiaries is computed as a decrease in payments from direct investment income, and interest payments of resident parent companies to their non-resident subsidiaries are computed as a decrease in proceeds from direct investment income.

Transfers related to income from rentals or any other form of real estate operation are also included as returns on investment. The valuation differences between the acquisition cost and selling price of real estate investments are generally recorded in the same way as any sale/purchase of assets, i.e. in the financial account and not as income.

According to the guidelines in the 5th edition of the Manual, all financial derivatives should be included as such in the financial account, even if the underlying instruments are interest rates or other types of income. Although the guidelines for reporting these transactions establish that derivatives in the strict sense should be reported separately from other financial transactions with which they are associated, this might not always be the case. As a result, interest rate swaps and forward rate agreements (FRAs), when associated with another transaction (a loan, for instance), are treated as the income of said transaction, and are thus implicitly included, in net terms, in the investment income of the category corresponding to the underlying instrument. When these instruments are traded separately, they are treated, correctly, as financial derivatives, and are therefore not included in income. Several additional observations on the recording problems posed by derivatives transactions can be found under the heading "Financial derivatives" in Section 5.2.5.c.

As to the returns on transactions in negotiable securities, it is difficult to arrive at separate estimates for these returns and their principal. Specifically, the profit generated by holdings in mutual funds is not included as income. Interest on the repurchase agreements of MFIs is correctly treated, but there are greater doubts regarding the interest on these transactions when they are carried out by non-credit sectors, although they are quantitatively less significant.

o) Current transfers

The distinction between current and capital transfers is difficult to draw, not only in practice but also conceptually. The 5th edition of the Manual prefers to define capital transfers and to record, by exclusion, all others as current transfers. The broad characteristics of the two, as defined in the Manual, are given below.

According to the 5th edition of the IMF Manual, "first, a transfer in kind is a capital transfer when it consists of: (i) the transfer of ownership of a fixed asset or (ii) the waiving of a claim by

6. For a more detailed explanation, see the chapter on changes introduced in the 2005 report.

a creditor when no counterpart is received in return. Second, a transfer of cash is a capital transfer when it is linked to, or conditional on, the acquisition or disposal of a fixed asset (for example, an investment grant) by one or both parties to the transaction. A capital transfer should result in a commensurate change in the stocks of assets of one or both parties to the transaction. Capital transfers also may be distinguished by being large and infrequent, but capital transfers cannot be defined in terms of size or frequency. Current transfers consist of all transfers that are not transfers of capital. Current transfers directly affect the level of disposable income and should influence the consumption of goods or services. That is, current transfers reduce the income and consumption possibilities of the donor and increase the income and consumption possibilities of the recipient.”

In practice, the difference is not readily distinguished. In the tables in Chapter 6, current transfers of the private sector record: workers’ remittances;⁷ taxes; Social Security contributions and benefits; donations for the acquisition of consumer goods; salaries to personnel providing services abroad in aid programmes; alimony; inheritances; literary, artistic and scientific awards, among others; prizes from lotteries; dues paid to charitable, recreational, cultural, scientific and sports organisations, etc. Also included is that part of the current transactions of insurance companies, which is not recorded as service charges, in the case of insurance other than life assurance i.e. claims plus premiums less service charges. Likewise, the receipts from the EU via the EAGF are included as transfers to the private sector.

In quantitative terms, the most significant current transfers of the general government sector are those whose counterpart is the EU. Among the most important receipts are those relating to job creation and training (ESF). The most notable items on the payments side are the funds known as the “VAT resource” and “additional resource (GNI)”. The receipts generated by the proceeds from collection services provided to Community institutions are recorded as receipts from services rendered.

5.2.5.2 Capital account

a) Capital transfers

The capital transfers of the private sector mainly show the flow of funds generated by the settlement of migrants’ net worth, including changes in ownership from non-resident to resident, and their assets and liabilities, upon moving to Spain and vice-versa. Owing to the data-collection system used for the Spanish balance of payments, the coverage of these transactions is incomplete.

In quantitative terms, the most important item under the capital transfers heading is the part reflecting the receipts of the general government sector in the form of EU funds. Particularly notable are the funds for regional development (ERDF) and the “cohesion funds” which, in the Spanish case, are assigned entirely for structural improvements in industrial and environmental projects. Also included here are EAFRD and EAGGF-Guidance funds.

In addition, in accordance with Eurostat guidelines, capital transfers of general government now include as payments the indemnities paid by the CESCE for risks it assumes on behalf of the Spanish Treasury. When these indemnities are paid to a resident creditor (the exporter or bank which financed the transaction), the debit in the capital account has a counterpart credit entry in the financial account as the cancellation of this asset. The possible repayments received by the CESCE from non-residents as a result of the risk assumed are recorded as credits in the form of capital transfers from the general government sector.

7. See the changes-introduced section of the 2005 report for a description of the estimate procedure included that year for data from 2001.

b) Acquisition of non-produced,
intangible assets

The capital account should record, together with capital transfers, the acquisition/disposal of intangible assets non-produced, non-financial assets. Citing the 5th edition of the IMF Balance of Payments Manual, this heading comprises “transactions associated with tangible assets that may be used or needed for production of goods and services but have not themselves been produced (e.g. land and subsoil assets) and transactions associated with non-produced, intangible assets (e.g. patents, copyrights, trademarks, franchises, etc. and leases or other transferable contracts). However, in the case of resident/non-resident transactions in land and natural resources, all acquisition/disposal is deemed to occur between resident units, and the non-resident acquires a financial claim on a notional resident unit. The only exception concerns land purchased or sold by a foreign embassy when the purchase or sale involves a shift of the land from one economic territory to another. In such instances, a transaction in land between residents and non-residents is recorded under acquisition/disposal of non-produced, non-financial assets”. Note that, in practice, since that part of the purchase/sale of land and subsoil assets reflected here is of only minimal significance (and, moreover, the related data are not available), the heading only records the purchase/ sale of the aforementioned non-produced, intangible assets, and this is therefore the designation used in the tables.

5.2.5.3 Financial account

The headings in the financial account reflect the net change in the corresponding assets and liabilities, and this is expressly indicated in the related tables of Sections 6.1 and 6.2. Nonetheless, in the following sections, for the sake of clarity, this facet (the recording of transactions) is not indicated in each case, and the word “net change” is often omitted, even though, strictly speaking, it should be used in all cases.

5.2.5.3.1 Direct investment

Before describing the components of this heading, it should be noted that the classification structure of direct investment transactions shows certain particularities regarding the change in assets and the change in liabilities of the economy. Classification under this heading is based first on the “direction” of investment; second, on the investment instrument involved (shares, loans, etc); and third, on whether these instruments are assets or liabilities, i.e. whether the resident transacting the operation is a creditor or debtor.

Briefly, this means that transactions between a parent company resident in Spain and its subsidiaries or branches abroad would be recorded as follows: financing of any type extended by the resident parent company to its non-resident subsidiaries or branches would be included in Spanish investment abroad, as occurs in the case of the other transactions in the financial account. By contrast, financing of any type extended by non-resident subsidiaries or branches to their Spanish parent company are classified as a decrease in Spanish investment abroad, rather than as a foreign investment in Spain, as would be the case in the absence of a direct investment relationship.

Likewise, the financing extended by non-resident parent companies to their resident subsidiaries or branches would be recorded under foreign investment in Spain, and the financing extended by resident subsidiaries or branches to the non-resident parent company would be classified as a decrease in foreign investment in Spain.

The application of this principle, which is clear in cases such as the above, is more difficult when it comes to corporate groups with complex structures. For instance, when two companies, one a resident of Spain and the other a non-resident, have cross-holdings in each other's share capital of more than 10%, the financing extended by the resident company to the non-resident should be classified as a Spanish investment abroad, and the financing extended by the non-resident company to the resident as foreign investment in Spain. In other words, in this case, the treatment would be the same as that applied to the rest of the financial account.

In the most complex cases involving major multinational groups, the correct classification of transactions would require determining the direct investment relationship of the two intervening companies. On many occasions, that proves extremely complicated.

Direct investment is divided into shares, other equity, reinvested earnings, inter-company debt transactions, and real estate.

a) Shares

Included here are subscriptions and sale/purchase transactions in shares if the investor's holding amounts to 10% or more of the issuing company's share capital. This heading also covers purchases of subscription rights by direct investors. Transactions are recorded at the effective amount received or paid, excluding commissions and expenses.

b) Other equity

Other equity includes the purchase and sale of securities representing capital other than shares, funding to branches or establishments, and, in general, any other form of participation in firms that does not materialise in shares. Also included in this heading are capital contributions to companies in the process of incorporation or for capital increases and funding for the operating expenses of branches or establishments lacking own funds, if such funding is not a loan or does not require repayment.

c) Reinvested earnings

Reinvested earnings are included as direct-investment capital transactions, as a balancing entry to the amounts included in the income account. That is to say, in the case of Spanish foreign direct investment, undistributed earnings (losses) give rise to an increase (decline) in such investment and to a receipt (negative receipt) of direct investment income. Likewise, such transactions are recorded in foreign direct investment in Spain and in the related income.

The share of the direct investor (in proportion to its direct share in the share capital) in the earnings or losses that subsidiaries or associates have not distributed as dividends and the earnings of branches that have not been remitted to the direct investor are included.

d) Inter-company debt transactions

This heading includes, in general, the loan transactions between parent companies and their subsidiaries or investee companies and between subsidiaries of the same group, unless the latter are credit institutions. As recommended in the 5th edition of the IMF Manual, the lending or deposit transactions between credit institutions are included under the heading other investment, even though they are transactions between parent companies and their subsidiaries.

Specifically, this heading covers the loans extended by parent companies to their subsidiaries and investee companies, as well as the repayable advances extended to branches or establishments, minus loans in the reverse direction, i.e. those extended by branches and subsidiaries to their own direct investors which, as explained above, are subtracted from the former. Also included are loans extended between companies of the same group, even though they are not direct loans from the parent companies to their subsidiaries or vice versa. In accordance with the guidelines of the 5th edition of the IMF Manual, the loans extended by resident subsidiaries of a non-resident company to other non-resident companies in the group, other than the parent company, are included in Spanish direct investment abroad, while the amounts received by resident subsidiaries of a non-resident company in the form of loans extended by other non-resident subsidiaries are included under foreign direct investment in Spain.

In addition to financing in the form of loans between direct investors and their subsidiaries or branches, this heading encompasses the changes in the balances of inter-company accounts. Inter-company accounts are understood to mean accounts between subsidiaries and parents,

or between companies in the same group, where mutual transactions – or transactions of the corporate group with third parties – are settled.

These transactions give rise to changes in the balances of inter-company accounts, which constitute a credit extended to or received from the parent company, or from the group company in charge of treasury management. This credit should be included under foreign investment in Spain in the item for inter-company debt transactions if the resident enterprise is a resident subsidiary or branch of the non-resident parent company, and under Spanish investment abroad if the resident company is a direct investor.

Lastly, excluded from this heading are the loans extended by investment companies established in countries considered to be tax havens to their resident direct investors. Such loans are included in the change in liabilities under other investment.

e) *Real estate*

This heading comprises purchases of property, or other real rights related to real estate, including purchases of property under time-share schemes and the acquisition of real estate through financial leases.

5.2.5.3.2 Portfolio investment,
excluding Banco de España

Portfolio investment is divided into shares and mutual funds, bonds and notes, and money market instruments.

a) *Shares and mutual funds*

This includes the subscription, sale and purchase of shares and subscription rights that do not constitute direct investment, as well as the sale and purchase of holdings in mutual funds. These transactions are recorded at the effective amount paid or received, excluding commissions and expenses.

b) *Bonds and notes and money
market instruments*

Transactions in debt securities are presented distinguishing between bonds and notes on the one hand (in general, securities issued with an initial maturity of more than one year) and money market instruments on the other (mostly securities issued with an initial maturity of one year or less, although 18-month Treasury bills are included). Transactions in securities issued with a maturity of more than one year are always classified as bonds and notes, even though their residual maturity at the time of the investment is less than one year. Transactions in securities issued with a term of one year or less are recorded under money market instruments.

Transactions involving any type of debt security are included, solely on the condition that they can be traded on Spanish or foreign markets, irrespective of whether they are issues denominated in euro or foreign currency. Conversely, investment in debt securities that are not negotiable is recorded under other investment. However, it should be pointed out that some issues, such as euronotes and commercial paper, are included in the portfolio investment heading because of their negotiability, even though they are not traded on organised markets and are placed in circulation through private offerings.

The institutional sector corresponding to these transactions is assigned according to the sector to which the resident issuer belongs, in the case of liabilities, and the sector of the resident subscriber or buyer of the securities, in the case of assets. Thus, the securities issued by non-residents, initially subscribed by credit institutions and subsequently sold to other residents, figure under the MFIs heading.

Excluded from this heading are non-residents' repo operations involving debt securities issued by residents. These are included in other investment, in the resident sector that carries out the operation, as change in assets (purchases by residents) or change in liabilities (sales by residents).

This heading reflects, by exclusion, the changes in financial assets and liabilities with non-residents that are not recorded as direct or portfolio investment or as reserves. It essentially consists of loan and deposit transactions. Included are repo transactions (including sell/buy-back transactions) between residents and non-residents, involving securities issued by either party, which the Spanish balance of payments treats as secured loans or deposits. For a description of the system used to classify repos as loans or deposits, see the related paragraph on other investment in Section 5.2.3.1.

The classification of a number of financial instruments under this heading or under the portfolio investment heading does not always rest on unequivocal criteria, and inevitably leaves certain decisions to the discretion of the compiler. In principle, this heading covers any asset or liability instrumented through a private contract or through the issue of non-negotiable debt securities. Recall, however, that some of these issues, such as private issues of notes, commercial paper, euronotes, etc., are recorded as portfolio investment owing to their negotiability, even if they are not traded on organised markets.

Specifically, other investment includes loans between residents and non-residents (excluding, as already noted, those extended by enterprises belonging to the same economic group, except when they are transactions between credit institutions, which are recorded entirely under this heading, even though they are carried out between institutions of the same group); trade credits with payment deferrals of more than one year extended directly by the supplier to the buyer; credits of third-party financial firms; financial leases for purchases of goods; sight and time deposits at credit institutions; assets derived from executions of guarantees; purchases of non-negotiable financial instruments; and repo transactions.⁸

In addition, the long-term assets in the general government sector encompass membership quotas for international organisations. Lastly, the deposits heading includes, within the assets of other resident sectors, the change in the outstanding balance of foreign banknotes held by residents.

In practice, the separate measurement of the deposits of MFIs by liabilities and assets poses numerous difficulties. In the data in this report, a distinction is drawn between sight deposits by assets and by liabilities only for the years 1998 onwards, using information from the balance sheets of credit institutions. For earlier years, this separation could not be made, and, consequently, for those years only the net flow of liabilities minus assets is available. These have been conventionally allocated by assigning to assets, those denominated in foreign currencies, and to liabilities, those denominated in pesetas. Section I.5.5.3 of the Spanish Balance of Payments, 1994 explains in detail why the reliability of the information on the total net flow (liabilities minus assets) in this heading is much greater. In the same section, readers interested in this matter will also find several observations – which are, on the whole, still valid – concerning the relationship between these transactions as well as information on the deposits and accounts of the credit system contained in the balance sheets of credit institutions.

Since 2002 this heading includes, on the asset side, an estimate of the net amount of euro banknotes purchased by residents from non-residents, basically as a result of travellers' payments for tourism services.

8. The recording of repos under the heading other investment, rather than under portfolio investment, makes it difficult to compare the data in the Spanish balance of payments with those of Iberclear relating to non-resident transactions in Spanish public debt. A detailed analysis of the differences is given in previous years' reports, in particular The Spanish Balance of Payments, 1993, Section I.7.2.2. This analysis remains broadly valid.

As discussed in previous editions of these methodological notes, in 1997 the IMF revised the guidelines of the 5th edition of the Balance of Payments Manual on the treatment of financial derivatives in its publication *The Statistical measurement of financial derivatives* (IMF Statistics Department, November 1997). The most significant change with respect to its initial recommendations was the clarification that any financial derivative which can be valued because a market price exists for its underlying asset should be recorded in the financial account, regardless of whether it is traded on organised markets and irrespective of the type of underlying asset. The revised text of the Manual recommended including as investment income in the current account those derivatives whose underlying assets are interest rates; in addition, it excludes from the financial account certain derivatives that are not traded on organised markets.

The IMF also decided to classify financial derivatives in a separate account, instead of including them under portfolio investment as another component.

Nonetheless, the IMF acknowledges the practical difficulties of its recommendations. Specifically, in reporting systems such as Spain's, the separation of the price of the derivative and of its underlying asset continues to pose problems when the contract is executed upon delivery of the underlying asset. Likewise, the classification of derivatives transactions by asset or liability is difficult not only from a practical standpoint, but also conceptually, since certain instruments go from one category to another depending on the price of the underlying asset. In fact, because of this problem, the European Central Bank decided to record financial derivatives in the euro area balance of payments as the net amount of change in liabilities less change in assets, and the same procedure is applied in this report.

The data in this report include options issued over the counter or on organised markets, financial futures issued over the counter or on organised markets, warrants on shares and debt securities, forward sales/purchases of currencies, FRAs, currency and interest rate swaps and swaps on indices or any other type of asset.

In accordance with the methodology recommended by the IMF, over-the-counter options transactions are recorded at the amount of the premium, excluding commissions and expenses, although at times it is difficult to distinguish between these two items. In such cases, commissions are possibly included in the price of the options. At maturity, if the option expires without being exercised, no entry is made under this heading. If the option is exercised and settled in cash, the amount paid or received is recorded; if it is exercised with the purchase or sale of the underlying instrument, the difference between the strike price and the market price of the underlying asset is included in financial derivatives, and the purchase or sale of the underlying instrument is recorded at its market price under the heading in which the transactions with this instrument are included (for example, bonds and notes, money market instruments, etc.). In the latter case, given its complexity, the treatment may not always be correct.

Investment in organised financial futures and options markets is recorded at the amount of the premium plus or minus the successive payments that reflect profit or loss, excluding the margin deposit, which is included in other investment.

Transactions in warrants are recorded at the amount paid or received, and the settlement is treated in the same manner as in the case of over-the-counter options.

Forward sales/purchases or currency (FRAs), currency and interest rate swaps, and other swaps are recorded at the difference between the amounts paid and received. Nonetheless,

when these instruments are associated with another transaction, they may be incorrectly recorded under the corresponding heading of the transaction, given the practical difficulties in distinguishing between them.

5.2.5.3.5 Financial account of the Banco de España

The financial account of the Banco de España records the changes in its foreign assets and liabilities, broken down into the change in reserves, the change in Banco de España claims on the Eurosystem and the change in its other foreign assets and liabilities.

Since EMU has been in place, Member States' reserves are defined as the liquid assets in foreign currency that their national central banks hold vis-à-vis residents of non-EMU countries. Therefore, they do not include any type of euro-denominated asset or claims in foreign currency on euro area residents. Since January 2000, entries under this heading have followed the guidelines laid down by the IMF in the document Data Template on International Reserves and Foreign Currency Liquidity, Operational Guidelines, October 1999 (<http://dsbb.imf.org/guide.htm>). This is the key reference for readers interested in the detailed breakdown of this heading. The Banco de España publishes all the information required by the IMF in this document, both on reserves in the strict sense of the term and the general liquidity in foreign currency of the Banco de España and the Treasury, and on the liabilities constituting a specific or contingent short-term drain on such liquidity. The full data can be found on the Banco de España website in the Statistics section (Balance of payments, Statistical data).

The heading Banco de España net claims on the Eurosystem includes the balance of claims of the Spanish central bank on the other euro area central banks and on the European Central Bank. The main changes here are those arising from the settlement of cross-border transactions between residents and non-residents via TARGET. As explained below, in these transactions the Banco de España and the rest of the Eurosystem are an interface to the residents and non-residents that are the final parties to the transaction. In addition, since January 1999, it includes the changes in the Banco de España's claims on the ECB as a result of the transfer of reserves and the relevant updates. It would be beyond the scope of these methodological notes to offer a detailed and rigorous analysis of the working of TARGET. Nonetheless, for readers not familiar with this settlement system, a brief outline of its workings might be useful. If a Spanish resident importer has to make a payment to a French resident, the Banco de España debits the account that the importer's Spanish bank holds with it (and this bank will evidently have debited in turn its client's account) and credits its account with the French central bank. The latter will credit the account of the French bank with which, in turn, the exporter who is the final recipient of the funds has its account. As a result of the transaction, there is a change in the balance of a Spanish bank's account with the Banco de España (in addition to the bank's transaction with its client), and a transaction by the Banco de España with a central bank of the Eurosystem (besides the transactions between French residents).

The Spanish balance of payments does not show the transaction between the Banco de España and the Spanish bank, nor that between the latter and its client, as what are involved are transactions between residents. Double-entry accounting would show an import payment and a receipt relating to the reduction in the balance of the Banco de España's account with the Bank of France, i.e. with the Eurosystem. Although in practice the arrangements are more complex, the final result is the same as far as the accounting entry in the balance of payments is concerned. Given the quantitative significance of cross-border transactions between residents and non-residents settled through TARGET, there is no need to underscore its importance in the balance of payments. From an analytical standpoint, however, it should be stressed that Target's relevance transcends the mere quantitative significance of the heading.

Note that, despite its generic name “net claims on the Eurosystem”, this account, which is actually a mutual account, can have a positive (credit) or negative (debit) balance at different moments in time. Since the balance of payments shows transactions, i.e. the change in the balances of this account, the sign these transactions receive in the balance of payments depends on the accounting convention used, but this is irrespective of whether, at a given time, its balance is positive or negative. In the footnotes to the tables in Chapter 6, the accounting convention used is specified: an increase in the net asset balance of this account (an increase in the absolute value of its balance, if it is a credit balance; a reduction in the absolute value of its balance, if it is a debit balance; change from a debit to a credit position) is recorded in the tables of Chapter 6 with a negative sign. A reduction in the net asset balance (a reduction in the absolute value of its balance, if it is a credit balance; an increase in the absolute value of its balance, if it is a debit balance; change from a credit to a debit position) is recorded in the tables of Chapter 6 with a positive sign. In Tables 6.1.9 and 6.2.9, in which the standard IMF presentation has been chosen, the change in the balance of this account appears under the heading other Spanish investment abroad or other foreign investment in Spain, depending on whether the end-quarter balance is a credit or debit balance, respectively. Other Spanish investment abroad also includes other assets of the Banco de España (except reserves).

Other net assets include the net change in the other Banco de España liabilities and assets not included in the two foregoing headings. As earlier indicated in the summary tables in Chapter 6, and in Tables 6.1.8 and 6.2.8, they have been measured as the change in liabilities minus that in assets. In Tables 6.1.9 and 6.2.9, the assets appear either in other Spanish investment abroad along with the Banco de España account or (since 2002) in portfolio investment, and the liabilities in other foreign investment in Spain. The assets include those Banco de España investments (other than those of the account with the Eurosystem) which, by their nature, can not be considered as reserves. It should be noted that included here is the Banco de España's contribution to the ECB's capital in 1998, and the successive updates. The liabilities also include certain foreign liabilities of the Banco de España, likewise of limited significance, and liabilities referred to by the IMF as “liabilities linked to reserves”, where those transactions involving borrowing by the monetary authorities that generate, in turn, changes in reserves are reflected. Notable here are gold swaps and financing obtained by repo transactions.

In December 2007, the Governing Council of the European Central Bank along with the Bank of Canada, the Bank of England, the Federal Reserve and the Swiss National Bank announced the adoption of certain measures to address the pressure in the short-term funding markets.⁹ These measures have taken the shape of liquidity-providing operations through temporary reciprocal currency arrangements (swap lines) and have given rise to operations being recorded under the financial derivatives heading relating to the Banco de España. These operations are not recorded as a part of the reserves since, although they are foreign-currency operations, the counterparties are resident financial institutions.

5.3 International Investment Position. Methodology

The International Investment Position (IIP) statistic presents the external financial assets and liabilities balances of an economy following the same structure and from the same perspective as the corresponding balance of payments financial account transactions. It is compiled under the same framework of methodological rules laid down in the 5th edition of the IMF Balance of Payments Manual. Accordingly, as far as the classification of assets and liabilities is concerned, everything stated in Section 5.2.3 is still valid. As far as the breakdown by institutional sector is concerned, its scope is also identical to that of the balance of payments (see Section 5.2.3).

9. See the press release of the European Central Bank of 12 December 2007.

The 5th edition of the IMF Manual requires that all external assets and liabilities be valued at the prevailing market price. In certain specific cases (direct investment), however, book value may be used, although it is pointed out that such valuation must be revised regularly in line with market value. As for the exchange rate applicable to translate foreign currency balances into the currency of presentation of the position, the 5th edition of the Manual suggests using the average market exchange rate (the average of the buying and selling rates) of the date to which the position refers.

Under these criteria, the final position of a period will be equal to the position at the start of the period plus the transactions conducted during that period (normally reflected in the balance of payments), plus the valuation changes that have arisen during the period considered (due both to changes in exchange rates and in the prices of the financial assets and liabilities), plus other changes in the volume of financial assets and liabilities, such as the unilateral cancellation of a loan by the creditor.

The IIP time series are presented in Chapter 7 of this report and published in the Banco de España's *Boletín Estadístico*. Exceptionally this year, due to the inclusion of data from the Foreign Investment Register, the series on Spanish direct investment abroad has been revised from 1992 (see section on changes introduced and Box 5.1). Readers should also note that the Banco de España began to disseminate Spain's external debt statistics in 2003. These quarterly statistics are distinguished from the liabilities of the IIP insofar as they do not include liabilities in the form of equity holdings or financial derivatives. However, liabilities are classified in the external debt statistics differently from in the IIP, so that these are complementary statistics. The quarterly external debt series, which commences in December 2002, is available in the Banco de España's Economic Bulletin and at its website.

5.3.1 DATA SOURCES AND VALUATION PRINCIPLES

The stocks of the financial instruments making up the asset and liability positions at a given date are basically estimated from the information sources providing data on stocks. Only if such information sources are not available, the accumulation of transactions method has been used. In these cases the stocks have been obtained by adding to the initial stock the transactions of the items of the financial account of the balance of payments, with an exchange rate valuation adjustment where necessary. Also, these accumulated transactions have been adjusted for the changes in the prices of financial instruments in those cases in which this effect has been significant and for which information is available. This procedure is used, for example, to calculate the deposits of other sectors resident abroad.

The main statistical sources providing information for the compilation of the Spanish IIP are:

- 1 Banco de España

The Banco de España has the information on reserve assets, along with that on the rest of its foreign assets and liabilities included in the IIP.

- 2 Financial institutions

Banco de España Circular 4/2004 of 22 December 2004 establishes the accounting rules to be applied by credit institutions and the formats for the financial statements they must periodically submit to the Banco de España. This Circular came into force on 30 June 2005. Previously, these rules were contained in Circular 4/1991. These circulars apply and adapt to the credit institutions sector the accounting rules of the Spanish Commercial Code, the Law on public limited companies (Ley de Sociedades

Anónimas) and other legal provisions specifically applicable to them. For the direct investment, other investment and financial derivatives headings of the IIP, credit institutions' stocks of financial assets and liabilities vis-à-vis the rest of the world have been obtained directly from their balance sheets. The valuation principles used by this source, which are to be found in rule twelve of Circular 4/2004, are set out below:

Separation of loans and deposits

The distinction between loans and deposits is difficult to draw and varies according to the criterion used. The convention adopted for external assets and liabilities is the following:

Assets vis-à-vis the external sector: included as deposits are the assets of resident credit institutions vis-à-vis non-resident credit institutions. Capital endowments of branches abroad are not included, being recorded as shares and other equity. The assets of resident credit institutions vis-à-vis non-residents other than credit institutions are included as loans.

Liabilities vis-à-vis the external sector: included as deposits are all the liabilities of resident credit institutions vis-à-vis non-residents (credit institutions and other).

3 Negotiable Securities Register

This statistic is compiled by the Banco de España from information provided by resident investors carrying out negotiable securities transactions directly via a non-resident financial intermediary and by Iberclear, which provides security-by-security breakdowns of its securities accounts whose holders are non-resident, including those held with other central securities depositories. As required by Circular 2/2001, the amounts are given in nominal terms and at market prices.

4 Register of external loans received and extended by resident sectors other than the credit system

This statistic is compiled by the Banco de España from the accounting-administrative documents created for the monitoring of external loans extended and received and of non-negotiable securities issued by residents, other than the credit system, in favour of non-residents. A detailed description can be found in the notes of the October 1995 *Boletín Estadístico* and in the Economic Bulletin of September of the same year. The figures obtained from this source include the loans between related companies (parent companies and subsidiaries), although the data have been correctly distributed between direct investment (parent/subsidiary and subsidiary/parent loans and loans between indirectly related companies) and other investment (all other loans). The register of loans contains information on balances which is supplemented by information on the transactions relating to each loan. This information is obtained from the general reporting system for receipts and payments in order to obtain the time series of stocks to be included in the IIP.

5 Foreign Investment Register of the Ministry of Industry, Tourism and Trade

The Foreign Investment Register of the Ministry of Industry, Tourism and Trade includes the data reported by investors and companies with foreign participating

In 2008 a substantial improvement was introduced in the procedure for estimating direct investment in the International Investment Position (IIP). Since September, coinciding with the publication of the IIP for Q2 in the *Boletín Estadístico*, the stock of holdings in the equity of non-financial corporations is calculated using information from the Foreign Investment Register (RIE) of the Ministry of Industry, Tourism and Trade.¹ The information reported to this Ministry by investors and firms with foreign participating interests, presented in the annual report on developments in Spanish investment abroad and in foreign investment in Spain, have begun to be used,² specifically for December 2004 and subsequent data. The reports provide accounting information on investees which makes it possible to estimate the stock of direct shares and other equity, following the recommendations of the methodological reference manuals.³ Until September 2008, the stock of these holdings was estimated by accumulating the related balance of payments transactions and including, only partially, due to the limitations of the information system used, the variations in the value of this stock arising from the appreciation or depreciation of assets in firms' balance sheets or changes in exchange rates. Using the information from the records to estimate the direct investment stock helps meet more closely international organisations' requirements for the valuation of the IIP.

Market price is the basic criterion for valuing the various balance of payments and IIP headings. For financial assets traded on organised markets, it is possible to meet this criterion by directly applying quoted prices. For unlisted assets, it is necessary to estimate fair values that approximate their market price. Fair value is defined as the amount for which an asset could be acquired, or a liability settled, between knowledgeable, interested parties in an arm's-length transaction.⁴ In the case of direct investment stock, the methodological manuals recommend the use of the accumulation of transactions method to value stock only in those cases in which the use of an alternative method is not possible. The appropriateness of using information sources offering pure stock data is emphasised and the value of the own funds of investees is considered to provide a sound measurement of the fair value of holdings in those cases in which there is no observable market price. The manuals acknowl-

edge that there might be differences between fair value calculated on the basis of own funds and market value (which as mentioned above is the general valuation criterion) and that the differences will depend on how often companies' accounts are revalued and the criteria used.⁵ These differences are closely linked to accounting items such as intellectual property, research and development expenses and goodwill and tend to be higher in the initial and final periods of a company's life. Although the valuation on the basis of the value of own funds does not strictly coincide with the valuation at market prices, the use of this method is recommended internationally. Firstly, because it is considered as a good approximation in most cases and secondly, because the use of an objective method makes it possible to guarantee the international comparison of bilateral data.⁶

A brief description follows of how the stocks of shares and other equity in non-financial corporations used to be estimated⁷ before the data from the RIE were included and how they are calculated based on the new information.

Using the accumulation of transactions method, the value of the holdings in the equity of non-financial corporations was calculated by adding together, firstly transactions of the same type which were recorded in the balance of payments. These transactions include: the acquisition and sale of holdings which are recorded at the market price prevailing at the time of the transaction and increases or decreases in the value of investments due to the reinvestment of earnings, contributions for covering losses or the distribution of extraordinary income.⁸ Secondly, adjustments were included to reflect the changes in the value of investees due to the appreciation or devaluation of their assets. This type of variations are not recorded in the balance of payments because they are not transactions in the sense of the interaction between two parties by mutual agreement but valuation adjustments. These adjustments were made on the basis of information published by the corporations, for example, through notifications sent to the CNMV or in annual reports and income statements and, consequently, it was only possible to undertake them in the most important cases. Lastly, the transactions accumulated in the currency in which they had been performed were translated into euro, taking into account, only on some occasions, the exchange rate prevailing at the end of each reference period of the IIP. Frequently, the transactions were accumulated when they had already been translated into euro at the exchange rate prevailing on the date they were recorded and there was no information about the currency of the transaction. The correct estimation of each of these components from an information system based on the reporting of transactions between residents and non-residents presented serious difficulties, even for some of

1. The change in the information system used does not affect investment in real estate which is also recorded under the direct shares and other equity heading in the IIP. In this case, the accumulation of transactions method continues to be used to estimate the value of the stock. For more details, see section 5.3.1 of the Methodological Note of this report. 2. Royal Decree 664/1999 and the Ministerial Order of 28 May 2001 lay down the provisions applicable to the processing and reporting of these investments. The Resolution of 21 February 2002 of the Directorate General for Trade and Investment (DGCI) approves the printed forms for reporting purposes. The forms were recently modified by the Resolution of the DGCI of 3 April 2008. 3. The fifth edition of the IMF Balance of Payments Manual (BPM5) and the third edition of the OECD Benchmark Definition of Foreign Direct Investment (BMD3). Both manuals have been revised recently and the new editions have already been published on the website of each organisation. The standards they establish are consistent; henceforth, for this reason and for the purposes of simplicity, reference will solely be made to the sixth edition of the IMF Balance of Payments and International Investment Position Manual (BPM6). 4. As an alternative to assets' fair value, the BPM6 mentions the possibility of using the present value of future flows, but only in those cases in which it is not possible to use an appropriate discount rate. See BPM6 paragraphs 3.67, 3.84, 3.85 and 3.88.

5. See BPM6, paragraphs 7.14-7.19. 6. The value of own funds will be the valuation criterion required for holdings in unlisted corporations in the IMF's future Coordinated Direct Investment Survey. 7. The direct investments of (and in) monetary financial institutions were previously estimated from accounting data reported by these institutions to the Banco de España for supervisory reasons. 8. Reinvested earnings of direct investment firms are a standard component of the balance of payments and, in accordance with the accrual principle, are recorded in both the income and financial account.

them which are recorded as transactions in the balance of payments. It should be noted, for example, that the estimate of reinvested income was based fundamentally on aggregate macroeconomic indicators of profitability and not on the specific performance of direct investment firms.⁹ As mentioned above, it was only possible to perceive changes in the value of the stock due to valuation adjustments of investees or changes in exchange rates in specific cases.

According to IIP methodology, holdings of 10% or more are recorded under the direct investment heading whereas holdings of less than 10% are recorded under the portfolio investment heading. As a result of this, adjustments had to be introduced in the value of the stocks to reflect the changes in investors' percentage of ownership which represented increases or decreases above or below 10% of the investees' capital stock. These reclassifications in the absence of precise information about investors' percentage of ownership at the reference date of the IIP, also had to be estimated and, consequently, it was only possible for the most important cases, especially when this reclassification was due to a transaction between two non-residents.

Faced with all the difficulties mentioned in the preceding paragraphs, from the information in the RIE, it is possible to calculate the stock of direct shares and other equity in (listed and unlisted) non-financial corporations taking into account the investor's percentage of ownership and the figures of capital stock, reserves and results recorded by firms in their accounting statements as at the corresponding year end. For holdings in listed corporations the market capitalisation or market price of the holding at year end is also obtained. Also, the RIE provides detailed information about the currency denomination of all the holdings. This information is crucial for translating into euro the balances estimated by using the exchange rate prevailing at the end of each IIP reference period, as recommended by the manuals. In the IIP data published after the inclusion of information from the RIE, holdings in unlisted corporations are valued on the basis of the value of their own funds, and holdings in listed corporations are valued in accordance with their market price. Consequently, international standards are strictly complied with and the principal methodological deficiency of Spain's IIP is eliminated.

It should be pointed out that, although the use of accounting information to estimate direct investment stocks does have obvious advantages in terms of the quality of the results obtained, its main limitation lies in the time lag until it is available. The regulations applicable to the RIE establish a period of nine months, from the date of corresponding year end, for submitting the annual report. A certain amount of time must be added to this period for data editing and processing, thus finally, the RIE data can only be included in the IIP with a time lag of more than one year with respect to the reference period. For this reason, in order to comply with the established IIP dissemination calendars, it is necessary to continue adding transactions to the latest

⁹ Since information from the RIE was incorporated, the estimate of reinvested earnings in the balance of payments includes income obtained from this register. See section 5.2.2.2 of the Methodological Note of this report.

stock available in order to estimate the data for the current and previous years.¹⁰

The change in the method used to estimate the data of the stock of direct shares and other equity has had a significant impact on the IIP figures. Taking the data of December 2004 as a reference (the first data to be calculated on the basis of RIE information) this change has represented a decrease of more than 20% in Spain's direct investment abroad and an increase of approximately 3% in the value of foreign direct investment in Spain. The impact on total assets and liabilities has been -7% and 1%, respectively. Taking into account the magnitude of the differences, the decision was taken to revise the time series for Spanish investment abroad from 1992. The revised data can be consulted in the CSV files that accompany the tables of Chapter 7 in the electronic format of this publication which is available on the Banco de España website.

Both for the incorporation of the new source in September 2008 and the estimate of the revised assets series, the RIE data¹¹ were cross-checked exhaustively against the data corresponding to balance of payments transactions and those reported by resident non-financial corporations to the Central Balance Sheet Data Office.¹² The analyses ensure that the coverage of corporations in the RIE is consistent with that which used to be considered to estimate the IIP and that the differences between the data estimated on the basis of the accumulation of transactions method and the new results are due to the different valuation criterion employed. Three factors explain why these differences were higher for Spanish investment abroad than for foreign investment in Spain. Firstly, there is the scale and development of Spanish investments in recent years. As mentioned at the beginning of the box, the differences between the prices at which company acquisition transactions were made and own funds were recorded in their balance sheets tend to be higher at the initial and final stage of the investments and reflect, in short, expectations about investees' future results. If we analyse direct investments over time, we can see that from 1993 to 2004 (the first data to be published on the basis of the new information) the cumulative balance of Spanish investment abroad has increased more than one hundred and forty-fold, with an average annual growth rate of approximately 65%. The accumulated balance of foreign investment in Spain has increased more than twenty-five-fold with an average growth rate of approximately 35%. That is to say, Spanish investments abroad are more recent than foreign investment in Spain and, therefore, the effect of differences between the cost price of holdings in unlisted firms and their fair value according to own funds has been higher. The second factor consists of the fact that the adjustment due to fluctuations in the exchange rates of the denomination currencies of the investments essentially affects Spanish invest-

¹⁰ This is common practice and is accepted internationally since corporations can only send their accounting data after the accounting close. The data on transactions are also used for the interpolation of the quarterly data since the RIE only includes annual data on stocks. ¹¹ Although data from December 2004 were initially only available in a systematic and automated form, for assets and liabilities, in the case of assets, it was subsequently possible to collect information from the RIE for data from December 2001. ¹² They have also been cross-checked against the information published by the CNMV, the Mercantile Registry and by certain companies on their websites.

ments abroad. Foreign holdings in Spanish companies are usually denominated in euro and, for this reason, adjusting the exchange rate does not affect the estimate of foreign investment in Spain. Unlike the previous information system, RIE information provides for the accurate estimate of this type of adjustment which has led to a lower valuation of asset positions. The weight in these differences of the revision of the data on Spanish investments in Latin America¹³ should be pointed out. Finally, there is a third factor which explains why the methodological change has had a greater impact on Spanish investment abroad than on foreign investment in Spain. This is because prior to the incorporation of the RIE data certain information was available which made it possible to perform more adequate valuation adjustments for foreign investment in Spain (holdings in companies resident in Spain) than in the case of Spanish investment abroad. Consequently, variations in the value of stock which were estimated on the basis of the accumulation of transactions method were more accurate.¹⁴

¹³ In 2001, the weight of investments denominated in Argentine peso, Brazilian real or Chilean peso in total asset positions amounted to approximately 27%. The depreciation of these currencies in 2002 represented a decrease of approximately 15% in the stock of Spain's equity abroad. ¹⁴ This especially affects the estimate of reinvested earnings and adjustments as a result of a change in market price arising from the revaluation of assets on investees' balance sheets.

Lastly, it should be underlined that the usefulness of the new source of information exceeds the advantages which, from a methodological point of view, it has for complying with the basic valuation criteria of direct investment stock. In the near future, international rules, taking into account the scale and complexity acquired by multinational groups in recent years, will require certain breakdowns which it would not have been possible to provide on the basis of the accumulation of transactions method and which, conversely, it is possible to estimate on the basis of the RIE data. These breakdowns mean that the following can be identified: a) the type of relationship between the investor and investee (parent-subsidiary, subsidiary-parent, any other type of relationship); b) the country of residence of the final investor (investment company not controlled in turn by another company), and c) the special purpose entities (companies tailored to the group's financial or fiscal strategy and have scant impact on the production of the country where they are located). Furthermore, it should be mentioned that the RIE data give a vision of multinational groups which, on occasions, is crucial for the correct classification of certain financial account and current account balance of payments transactions. Increasing the efficient use of RIE information in this way is an objective of the Statistics Department for the immediate future.

interests in annual reports on Spanish investment abroad and foreign investment in Spain.¹⁰ The reports include information about equity, results, a breakdown of the shareholders and market price, if any, of the (resident or non-resident) investees and of the country where the companies engaging in or subject to direct investment operations are located along with their sector of activity. The data, available since 2004, have been included in September 2008. The data are used to value at market price the holdings in listed companies, whereas holdings in unlisted companies are valued taking into account the equity recorded on the liabilities side of their balance sheets. The inclusion of these data in the estimate of the stock of direct investment in the form of equity holdings in non-financial corporations in the IIP is the main methodological change in the data presented in this edition and is explained in detail in Box 5.1 of the section on changes introduced in this report.

6 The Spanish balance of payments

This Banco de España statistic has been used to construct the stocks, by accumulation of flows, when there are no reliable census statistics for a specific financial instrument, such as general government deposits, other resident sectors in non-resident credit institutions or real estate investments.

¹⁰ Royal Decree 664/1999, the Ministerial Order of 28 May 2001 and the Resolution of 21 February 2002 of the Directorate General for Trade and Investment establish the procedures which must be used in the declaration of annual reports on foreign investment.

7 Bank for International Settlements (BIS)

The data released by this institution were used to estimate the initial stocks of assets, as at December 1992, held by non-financial resident sectors with non-resident credit institutions.

As in the case of the balance of payments, the database of negotiable securities of the Bank for International Settlements is also used to obtain, from the ISIN, the country of the non-resident issuers of portfolio assets.

5.3.2 STRUCTURE AND CONTENT OF THE TABLES IN CHAPTER 7

Chapter 7 contains the data on Spain's IIP, estimated using the methodology and data sources described in the previous section. A summary table with annual data since 1998, two more detailed tables with quarterly data for 2007 and 2008 and a table for each year, with a breakdown by country and by economic and geographical area, are published. As pointed out above, the estimates for successive quarters and the revisions of the provisional data for previous quarters will be published in Chapter 17 of the Banco de España's *Boletín Estadístico* available in electronic format on the Banco de España website, as and when they become available.

The summary table, similar in form to the corresponding balance of payments summary tables, separates the Banco de España position from that of the other institutional sectors. The analytical reasons for this design are the same as in the case of the balance of payments, and they are explained in detail in the introductory section. To provide for readier international comparison, the presentation of the breakdown tables is similar to that in the IMF publications, with the assets- and liabilities-side position of the Banco de España separated from that of the other MFIs. The presentation is thus similar to that of Tables 6.1.8 and 6.2.8 of the balance of payments.

Both Spanish investment abroad and foreign investment in Spain are broken down into their four main categories (direct, portfolio, derivatives and other investment), with disaggregated information for each one (except in the case of derivatives for which it is not available), in accordance with the financial instrument in which the investment is embodied. In addition, in portfolio investment and other investment a breakdown is given, for each instrument, of the position by institutional sector. Spanish investment abroad also includes, separately, reserves.

Readers are reminded that the table of contents at the beginning of the report gives a detailed list of the IIP tables as they appear in Chapter 7.

5.3.3 SPECIFIC NOTES ON EACH HEADING

5.3.3.1 Direct investment

The headings of the IIP tables coincide with those of the Balance of Payments Manual.

The content of this heading practically coincides with the guidelines of the 5th edition of the IMF Manual. The heading shares and other equity comprises equity securities and any other form of equity interest in a company which meets the requirements set out in the 5th edition of the Manual. The content of the section shares and other equity includes shares that are not listed or in the process of being listed on the stock market and direct investment in listed shares. The other forms of equity interest consist of residents' ownership interests in non-resident companies and entities other than shares, such as capital endowments to branches and establishments, investment in the form of joint accounts, jointly-held property, foundations, consortia, co-operatives and joint ventures. It also includes the contributions of parent companies to their non-resident branches and establishments for current maintenance expenses and offsetting of losses, as well as for the acquisition of property for the start-up of the establishment. It also comprises real property including that held on a timeshare basis.

Financing to related enterprises includes all types of financing, whatever the instrument or term, extended between companies other than credit institutions. According to the directional principle established in methodological manuals, loans extended by resident parent companies to non-resident subsidiaries and those extended by resident subsidiaries to other non-resident group companies, but not the parent company, are included on the asset side and financing received by the resident parent company from non-resident subsidiaries is deducted from this amount. Similarly, loans extended by non-resident parent companies to resident subsidiaries and those extended by non-resident subsidiaries to other resident group companies, but not the parent company, are included on the liabilities side and financing extended by resident subsidiaries to their non-resident parent companies is deducted from this amount. This heading also includes the balance of inter-company accounts under assets if the resident company is the parent and otherwise under liabilities.

The stocks of MFIs are taken from their financial statements. The equity investments of the other resident sectors have been estimated from the data in the Foreign Investment Register of the Ministry of Industry, Tourism and Trade, which has made it possible to value at market prices holdings in listed companies and, according to their own funds, holdings in unlisted companies (see Box 5.1 in the section on changes in this report). The information on loans has been obtained from the above-mentioned register of loans.

5.3.3.2 Portfolio investment, excluding Banco de España

The various instruments of this heading coincide with those in the 5th edition of the IMF Manual. The data have been obtained from the new reporting system for negotiable securities regulated by Circular 2/2001, which provides direct information on stocks, security by security, at market prices.

This information is supplemented with data on issues abroad obtained from the following sources: the Official Gazette of the Mercantile Registry and the annual accounts of companies filed there; information obtained directly from the Treasury and the regional governments; official gazettes of the regional governments, in the case of local government and, finally, financial statements reported to Banco de España under Circular 4/2004 in the case of securities issued by MFIs.

5.3.3.3 Other investment, excluding Banco de España

The items under this heading encompass the various investments indicated in the 5th edition of the Manual. As for the separation of loans and deposits, on the liabilities side this depends on the resident institution's sector: deposits are included in the case of MFIs and loans for the other sectors. On the assets side, stocks of resident MFIs held vis-à-vis non-residents, other than credit institutions, are classified as loans, and stocks of resident credit institutions held vis-à-vis non-resident credit institutions and all the stocks relating to other resident sectors (mostly vis-à-vis credit institutions) are classified as deposits. In addition, credits to aid development (FAD credits) granted by the Government to other countries to finance the acquisition of goods and services from residents are included as loans.

Loans (including repos) of MFIs were obtained directly from credit institutions' balance sheets, whereas those relating to other resident sectors were obtained from the loans register, to which the balance of the account between general government and the European Union was added. The data on deposits between credit institutions are also taken from the balance sheets of the credit institutions themselves. Those of other resident sectors are obtained, until 1993 inclusive, from the Bank for International Settlements, and, thereafter, by adding balance of payments transactions to the initial 1993 stock, adjusting those deposits denominated in foreign currency for the exchange rate valuation effect.

The data on loans refer strictly to loans and credits. In other words, they do not include private placements of negotiable securities (which are recorded as portfolio investment) or debt transactions between companies of the same group, other than credit institutions, which is recorded as direct investment applying the directional principle described in Section 5.3.4.1 above.

Since 2002 this heading has included in assets-side deposits an estimate of the net amount of euro banknotes purchased by residents from non-residents, basically as a result of non-resident travellers' payments for tourism services.

Finally, the heading other assets includes the insurance technical reserves set aside by non-resident institutions and Spain's interests in international agencies. The heading other liabilities includes reinsurance deposits with non-residents.

5.3.3.4 Financial derivatives, excluding Banco de España.

In the 2006 edition of this report the financial derivatives heading was included for the first time in these statistics. The items of this heading include the various derivatives as indicated in the 5th edition of the IMF Manual. However, information is currently only available from December 2006 for the MFI sector (the most important sector) and general government. MFIs' stocks are taken from a new financial statement established in Banco de España Circular 4/2004 which includes financial derivatives and credit derivatives at market prices. The general government's stocks were obtained from information provided by the Treasury.

As discussed in Section 5.2.5.3.4 on financial derivatives in the balance of payments, the classification of derivatives transactions by asset or liability is difficult not only from a practical standpoint, but also conceptually, since certain instruments turn from assets into liabilities depending on the price of the underlying asset. For this reason, financial derivatives are recorded in the balance of payments as the net amount of the change in liabilities less the change in assets and the same procedure is applied in this publication. Nevertheless, in the IIP it was possible to obtain from the above-mentioned sources of information, data on stocks of financial derivatives by assets and by liabilities, which are presented with this breakdown in the related tables. However, due to the characteristics of certain derivatives, in particular, derivatives not traded on organised markets and the difficulty of measuring them in gross terms, the net data are more reliable.

5.3.3.5 International investment position of the Banco de España

The foreign assets of the Banco de España include reserves, the Banco de España account with the Eurosystem and other foreign assets. Their content was explained in Section 5.2.5.3.5 under the heading "Financial account of the Banco de España", in the detailed description of the equivalent balance of payments headings, and is thus not repeated here. It need only be recalled that all assets making up the reserves (whose main components are monetary gold, the position in the IMF, SDRs and convertible currencies) have been valued since December 1998 at market prices. Since January 1999 the convertible currency component has included solely assets denominated in currencies other than the euro vis-à-vis countries not forming part of the euro area. As earlier indicated, the Banco de España *Boletín Estadístico* and website (in the balance of payments section under the statistics heading) publish detailed information on the reserves and other components of liquidity in foreign currency of the Banco de España and the Spanish Treasury. These data are compiled following IMF guidelines (see the reference in Section 5.2.5.3.5 under the heading "Financial account of the Banco de España").

The external liabilities of the Banco de España were also described under the above-mentioned heading. Here, too, the IMF and Banco de España website references are valid. Along

with the breakdown of reserve assets, the website publishes information on the central bank's predetermined and contingent liabilities, and those of the Treasury.

5.3.4 MAIN DIFFERENCES BETWEEN THE CHANGE IN THE STOCKS OF THE IIP AND THE BALANCE OF PAYMENTS TRANSACTIONS

The changes in the IIP between two points in time and the related transactions of the balance of payments should differ, primarily because of the changes arising in exchange rates and asset prices during the period. Nonetheless, there are differences between the two statistics attributable to other causes, arising basically from the different sources of the data. The most important differences of this type are:

a) Sectorisation

The balance of payments shows investment transactions abroad by Spain's different sectors, assigning them to those which acquire the asset from the non-residents. However, given the current data-collection system, the redistribution of assets which takes place subsequently among the resident sectors is not taken into account. This redistribution is recorded, at least in part, in the stocks of the IIP.

b) Assets and liabilities relating to insurance

Insurance technical reserves are included in the IIP but are recorded only partially in the balance of payments.

5.4 Changes introduced

This section briefly describes the main changes introduced, during 2008 or for the first time in this edition of the report, in relation to the balance of payments, international investment position and related statistics (external debt and international reserves). This year the section on changes introduced is divided into three sections describing the introduction of changes into the information system and calculation procedures of certain balance of payments and international investment position headings, the dissemination and revision of statistics, and, finally, the revision of the fifth edition of the IMF Balance of Payments Manual.

Table 5.1 provides a brief summary of the main methodological and presentational changes in the balance of payments and in the international investment position, detailing in which edition of the report they were introduced and the headings and periods they affect.

5.4.1 CHANGES IN THE INFORMATION SOURCES AND CALCULATION PROCEDURES

a) Increase in the threshold for reporting transactions

As mentioned in previous editions of this report, on 1 January 2008 the raising of the compulsory reporting threshold for the content of transactions between residents and non-residents through deposit institutions, which are referred to in section 5.2.1.2., came into force. Under the Resolution of 20 December 2007 of the Directorate General of the Treasury and Financial Policy, the reporting of foreign transactions amounting to EUR 50,000 or less (EUR 12,500 until that date)¹¹ is not obligatory. This change was the result of EU regulations on cross-border payments, the development of the Single Euro Payments Area¹² and, finally, the general rise in the amounts of transfers in the market. In recent years, the information system has introduced significant changes to prepare for the entry into force of this measure, by complementing and replacing the information sources that were going to be affected by it. Thus, alternative information sources are available for the headings accounting for a larger number of transactions of an amount lower than the reporting threshold, which are either included directly in the data published (as is the case of travel and certain freight services) or which will be included in the future. These sources are being used until that time as an additional tool to monitor the quality of the estimates made (this is the case, for example, of the results obtained from the new survey on International Trade in Services).

¹¹ It should be remembered that the threshold is for simplification purposes. This means that, although information is available for the amount of total transactions, institutions are not obliged to declare the content for transactions of an amount lower than the threshold established. ¹² Specifically, the guidelines of the fifth report on the Single European Payments Area, published on 20 July 2007 by the European Central Bank and Regulation 2560/2001 of the European Parliament and of the Council of 19 December 2001 are currently being revised.

MAIN METHODOLOGICAL AND PRESENTATIONAL MODIFICATIONS INTRODUCED IN THE BALANCE OF PAYMENTS AND THE INTERNATIONAL INVESTMENT POSITION SINCE 2000

TABLE 5.1

Edition	Change	Remarks
2000	Grouping of financial transactions of the Banco de España in a specific heading in the summary tables.	Affects the presentation of the balance of payments and international investment position data.
	Inclusion in a separate heading, of the "net lending/net borrowing of the Spanish economy" (sum of the current and capital accounts).	Previously details were only given of the current and capital account.
	Separation of financial derivatives into a specific heading, recording the net amount of the change in liabilities less the change in assets.	They were previously included in the change in assets.
2002	Estimation of the financial counterpart, i.e. the net financial asset, of external transactions settled using euro banknotes.	The net financial asset is included under the heading other investment of other resident sectors.
	Separate inclusion, in the instrument and sector-breakdown tables, of the Banco de España's portfolio investment transactions.	Affects the presentation of the balance of payments and international investment position data.
2003	Incorporation, from the 2002 data, of a new reporting system for calculating IIP portfolio investment.	The time series of investment in shares and mutual funds in the case of the sector other resident sectors in the international investment position has been revised to eliminate the methodological break. In the rest of the headings the break is considered minor.
	Incorporation of information from the Investment Register of the Directorate General for Trade and Investment of the Ministry of Industry, Tourism and Trade, to include transactions difficult to detect using the balance of payments system.	Gives rise to greater revisions of previously disseminated figures.
2004	Use of new INE estimates for 2000-2004 for the CIF/FOB adjustment to the Customs and Excise figures for imports and to measure freight services.	The new estimates have been made using the new National Accounts data with base year 2000 and revising the previous assumptions. Revision of the time series affects the data from 1995 for the merchandise (imports) and freight (credits and debits) headings.
	Deduction of the Customs and Excise figures from an estimate of the temporary exports and imports of goods obtained from the information on operational lease services in the foreign receipts and payments register.	Involves a revision of the merchandise heading from 1995, to avoid double counting of operational leases in the balance of payments. These transactions continue to be recorded in services.
	Inclusion in the Customs and Excise figures of an estimate of intra-Community goods trade transactions below the Intrastat reporting threshold.	The new estimates are consistent with those incorporated in the new National Accounts data with base year 2000. Involves a revision to the merchandise series from 1995.
	Revision of the estimate of the figures for merchandise that does not cross borders, from the information supplied by the foreign receipts and payments register.	Involves a revision of the merchandise series from 1999, the year from which the previous method of estimation introduces bias into the data.
	Revision of the level of the travel series, incorporating in the credits from 2001 the results obtained using the new method of estimation that combines EGATUR and real indicators for the tourism sector, and incorporating in the credits prior to 2001, and in debits for the whole period, the results obtained with the usual procedure following the revision of the implicit assumptions.	The results of the new method are incorporated directly into the credits of the heading from 2000 and the time series (credits and debits) are revised from 1995.
	Reassignment of EU transfers corresponding to the European Development Fund to the heading current transfers, in line with the treatment applied by both the National Accounts and Eurostat.	These transactions were previously recorded as capital transfers. The series are revised from 1995.
	Incorporation of an estimate of the reinvested earnings of direct investment firms obtained from information supplied by the Central Balance Sheet Data Office, Balance of Payments and EUROSTAT.	Affects, in the balance of payments, the headings of reinvested earnings included in direct investment income, and shares and other equity of direct investment and, therefore, the IIP. The new estimates are incorporated from 1995.
	Monthly reassignment of the specific transactions of foreign investment in listed shares in Spain to the direct investment or portfolio investment heading, as appropriate, in the balance of payments.	Carried out with information provided by the Ministry of Industry, Tourism and Trade. The balance of payments series are revised from 1995.

Edition	Change	Remarks
2005	Gross treatment of the heading compensation of employees, incorporating the net payments by non-resident (resident) employers to resident (non-resident) employees, the amounts relating to taxes and social contributions.	The required information for treatment in gross terms of the heading was obtained from the estimates made by the INE for the National Accounts. This enabled the differences between the balance of payments and the rest of the world account to be eliminated. Data revised from 1995.
	Estimation of portfolio investment income by the accrual principle. Until 2005, this principle was only used to record income in the case of investment income paid to non-residents arising from interest on peseta- or euro-denominated bonds issued by general government.	The procedure used to calculate income under the accrual principle takes into account the IIP data on the stock of portfolio investment, which include disaggregated security-by-security information and the most representative interest rates. The change affects data for 2005 and subsequent years.
	Application of the accrual principle to the recording of funds transferred by the European Commission to Spain under the guarantee section of the European Agricultural Guarantee and Guidance Fund. These funds are included under the heading other current private transfers and, until 2005, were recorded when the European Commission paid them to the Spanish government.	This treatment was changed in co-ordination with that introduced by the INE into the Spanish National Accounts. This new criterion is applied retroactively to 1995.
	Revision of the procedure for estimating payments under the heading workers' remittances.	The new method includes information on outward transfers issued from Spain via currency-exchange bureaux. Data revised from 2001.
2006	Revision of the procedure for estimating travel receipts.	Travel receipts were estimated using a factorial econometric model which includes information from EGATUR (Tourism Expenditure Survey) and supply and demand indicators (passengers on international flights, prices and overnight stays, among others) and other supplementary information (including that from the general information system for receipts and payments). Applied to data from 2005.
	Inclusion of the data on financial derivatives stocks in the IPP.	For the first time data from December 2006 for the MFI and the general government sectors were included.
	Change in the information source for repairs in the goods balance.	Customs data no longer includes repairs for intra-EU data from 2005 and for extra-EU data from 2006 and, consequently, an adjustment is made to calculate the goods balance which adds to this source the repairs obtained from the general system for receipts and payments.
2008	Revision of the procedure for estimating the direct investment stock of the IIP.	Inclusion of the data from the Foreign Investment Register of the Ministry of Industry, Tourism and Trade in the estimate of the shares and other equity heading of other resident sectors. Data have been revised since 1992.
	Change in the dissemination and revision policy of the balance of payments data.	The raising of the threshold for reporting transactions between residents and non-residents through deposit institutions and the bringing forward of the publication date of the balance of payments monthly data by two weeks, plus the introduction of quarterly revisions have triggered changes in the frequency and content of the tables in the <i>Boletín Estadístico</i> .

b) Direct investment

In September 2008, and for information from December 2004, data on the stock of shares and other equity holdings of direct investment of the other resident sectors were published. They were calculated from data reported by investors and companies with foreign participating interests in annual reports on Spanish investment abroad and foreign investment in Spain to the Foreign Investment Register of the Ministry of Industry, Tourism and Trade. At the same time as this report was published, the series on Spanish investment abroad was revised in order to obtain a consistent time series. The more limited impact of this change in source on the foreign investment in Spain series, meant that it did not need revising.

The incorporation of these data provides for a valuation of equity holdings which is more in line with established standards. Thus, equity holdings in listed companies are valued at market price and holdings in unlisted companies are valued according to the equity recorded in the

investees' balance sheets. Until these data were included, the stock of the above-mentioned holdings was basically estimated, by adding together the transactions recorded in the balance of payments adjusted, insofar as possible, by the appreciation or depreciation of assets in companies' balance sheets or by exchange rate fluctuations. The new information source has made it possible to redress the main methodological limitation of Spain's IIP.

Box 5.1 describes in detail the changes and the reasons behind them.

c) Portfolio investment

The Banco de España established in Circular 2/2001 of July 2001, a reporting system for negotiable securities, in order to calculate more accurately the portfolio investment heading, both in the balance of payments and in the IIP. After an initial period of processing the information received, these data were included in 2003 in the calculation of the IIP stock of portfolio investment. During 2008 these data have been incorporated into the calculation of Spain's investment abroad portfolio in the balance of payments, thus increasing the quality and the homogeneity of the data obtained and improving the reconciliation of said statistic with the IIP.

5.4.2 CHANGES IN THE DISSEMINATION AND REVISION OF STATISTICS

In April 2008 the policy on the dissemination and revision of balance of payments statistics was changed. From then onwards, the publication of monthly data on Spain's balance of payments was brought forward 15 days and the data are published two months after the end of the related month. The quarterly data are disseminated three months after the quarter to which they refer. Furthermore, the calendar for revisions of the published figures was changed. The sole annual revision at the close of each year has been replaced by quarterly and annual revisions. Hence, when the data for each new quarter are published, the data of the immediately preceding quarter are revised along with the monthly data. Also, with the publication of the data for the fourth quarter, the monthly and quarterly series of the last two years are revised.¹³

5.4.3 NEW DEVELOPMENTS IN THE REVISION OF THE INTERNATIONAL MONETARY FUND'S BALANCE OF PAYMENTS MANUAL

In December 2008, the International Monetary Fund published the final version of the sixth edition of the Balance of Payments and International Investment Position Manual on its website. Thus, the revision process of the Balance of Payments Manual, which started in 2001 and on which previous editions of this report have provided information, was completed.¹⁴ The hard copy in English is expected to be available in 2009. One of the engines behind this revision has been the harmonisation with the manuals on other macroeconomic statistics, which are also immersed in a widespread process of methodological revisions. The revision of the System of National Accounts (SNA 93), of the European System of Accounts and of the Manual on Statistics of International Trade in Services (2002) is at a very advanced stage. In April 2008, the OECD published the fourth edition of the *Benchmark Definition of Foreign Direct Investment* (April 2008).

During 2008, both the Statistics Committee of the European System of Central Banks and Eurostat's Committee on Monetary, Financial and Balance of Payments Statistics agreed to introduce in coordination at European level, and at the same time as the implementation of the European System of Accounts, the new standards established in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual. On the basis of the calendars agreed, the first statistics prepared according to the new Balance of Payments Manual will be published in 2014 with annual data referring to 2013.

¹³. For a more detailed explanation of the changes, see Box 5.1, "The Spanish Balance of Payments and International Investment Position 2006". ¹⁴. See, for example, the section on changes introduced in the 2007 edition and Box 5.1 of the 2006 edition.

6 STATISTICAL TABLES OF THE BALANCE OF PAYMENTS

6.1 THE SPANISH BALANCE OF PAYMENTS IN 2008

BALANCE OF PAYMENTS IN 2007 AND 2008: MAIN COMPONENTS
Annual data

TABLE 6.1.1

€m	2007			2008		
	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET
CURRENT ACCOUNT	361,275.7	466,653.8	-105,378.2	369,716.4	474,170.5	-104,454.2
Trade balance	192,612.9	283,858.7	-91,245.8	193,898.8	281,552.9	-87,654.1
Services	93,234.3	70,158.3	23,076.0	97,547.0	71,043.2	26,503.8
<i>Travel</i>	<i>42,061.3</i>	<i>14,360.4</i>	<i>27,700.9</i>	<i>41,900.9</i>	<i>13,834.3</i>	<i>28,066.6</i>
<i>Other services</i>	<i>51,173.0</i>	<i>55,797.9</i>	<i>-4,624.9</i>	<i>55,646.1</i>	<i>57,208.9</i>	<i>-1,562.8</i>
Income	56,827.2	86,968.7	-30,141.5	60,927.9	94,982.3	-34,054.5
<i>Labour</i>	<i>1,466.1</i>	<i>1,743.1</i>	<i>-277.0</i>	<i>1,501.8</i>	<i>1,563.6</i>	<i>-61.7</i>
<i>Investment</i>	<i>55,361.1</i>	<i>85,225.6</i>	<i>-29,864.6</i>	<i>59,426.0</i>	<i>93,418.8</i>	<i>-33,992.7</i>
Current transfers	18,601.3	25,668.2	-7,066.8	17,342.8	26,592.2	-9,249.4
CAPITAL ACCOUNT	6,419.6	1,841.9	4,577.8	6,995.8	1,440.2	5,555.6
CURRENT AND CAPITAL ACCOUNTS	367,695.3	468,495.7	-100,800.4	376,712.2	475,610.7	-98,898.6
	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL-NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL-NCA)
FINANCIAL ACCOUNT (a)	—	—	101,065.5	—	—	94,909.7
EXCLUDING BANCO DE ESPAÑA	—	—	86,743.4	—	—	64,773.0
Foreign direct investment	—	—	-50,901.7	—	—	-8,040.5
<i>Spanish investment abroad</i>	<i>—</i>	<i>101,190.7</i>	<i>-101,190.7</i>	<i>—</i>	<i>52,782.6</i>	<i>-52,782.6</i>
<i>Foreign investment in Spain</i>	<i>50,289.0</i>	<i>—</i>	<i>50,289.0</i>	<i>44,742.1</i>	<i>—</i>	<i>44,742.1</i>
Portfolio investment	—	—	104,779.3	—	—	4,267.9
<i>Spanish investment abroad</i>	<i>—</i>	<i>-8,601.4</i>	<i>8,601.4</i>	<i>—</i>	<i>-21,840.8</i>	<i>21,840.8</i>
<i>Foreign investment in Spain</i>	<i>96,177.9</i>	<i>—</i>	<i>96,177.9</i>	<i>-17,572.9</i>	<i>—</i>	<i>-17,572.9</i>
Other investment (b)	—	—	37,024.8	—	—	76,228.9
<i>Spanish investment abroad</i>	<i>—</i>	<i>57,196.4</i>	<i>-57,196.4</i>	<i>—</i>	<i>15,006.8</i>	<i>-15,006.8</i>
— Monetary financial institutions	—	50,861.1	-50,861.1	—	9,123.7	-9,123.7
— General government	—	1,402.7	-1,402.7	—	706.5	-706.5
— Other resident sectors	—	4,932.6	-4,932.6	—	5,176.7	-5,176.7
<i>Foreign investment in Spain</i>	<i>94,221.2</i>	<i>—</i>	<i>94,221.2</i>	<i>91,235.8</i>	<i>—</i>	<i>91,235.8</i>
— Monetary financial institutions	75,399.0	—	75,399.0	75,377.5	—	75,377.5
— General government	517.5	—	517.5	3,226.6	—	3,226.6
— Other resident sectors	18,304.7	—	18,304.7	12,631.7	—	12,631.7
Financial derivatives	—	—	-4,159.0	—	—	-7,683.3
BANCO DE ESPAÑA	—	—	14,322.1	—	—	30,136.7
Reserves	—	—	-164.2	—	—	-644.6
Net claims on the Eurosystem	—	—	28,329.0	—	—	31,712.7
Other net assets	—	—	-13,842.7	—	—	-931.4
ERRORS AND OMISSIONS	—	—	-265.1	—	—	3,988.8

SOURCE: Banco de España.

- a. Changes in assets and liabilities are both net of repayments.
b. Mainly loans, repo operations and deposits.

ACCOUNTING CONVENTION:

Financial account excluding Banco de España:

NCA: a positive (negative) sign denotes an increase (decrease) in assets; it is thus a capital outflow (inflow).

NCL: a positive (negative) sign denotes an increase (decrease) in liabilities; it is thus a capital inflow (outflow).

NCL-NCA: a positive (negative) sign denotes a capital inflow (outflow).

Banco de España: a positive (negative) sign denotes a decrease (increase) in Banco de España net claims on the rest of the world.

Errors and omissions: a positive (negative) sign denotes a credit (debit) not recorded in any other Balance of Payments heading.

BALANCE OF PAYMENTS: MAIN COMPONENTS
Quarterly data

TABLE 6.1.2

€m	2008	2008			
		Q1	Q2	Q3	Q4
CREDITS					
CURRENT ACCOUNT	369,716.4	88,524.0	95,370.6	94,446.8	91,374.9
Trade balance	193,898.8	48,895.8	51,586.9	47,977.7	45,438.4
Services	97,547.0	20,894.5	24,040.7	29,279.8	23,332.0
Travel	41,900.9	8,172.2	10,261.2	15,001.8	8,465.6
Other services	55,646.1	12,722.3	13,779.5	14,278.0	14,866.3
Income	60,927.9	15,211.8	15,902.6	14,035.6	15,777.8
Labour	1,501.8	442.4	389.3	324.6	345.6
Investment	59,426.0	14,769.4	15,513.3	13,711.0	15,432.2
Current transfers	17,342.8	3,521.9	3,840.4	3,153.7	6,826.8
CAPITAL ACCOUNT	6,995.8	2,542.6	1,785.7	1,501.1	1,166.3
CURRENT AND CAPITAL ACCOUNTS	376,712.2	91,066.6	97,156.4	95,947.9	92,541.3
DEBITS					
CURRENT ACCOUNT	474,170.5	120,832.7	121,632.7	117,399.7	114,305.4
Trade balance	281,552.9	74,042.6	74,549.5	69,329.7	63,631.0
Services	71,043.2	17,090.4	17,125.0	18,767.5	18,060.2
Travel	13,834.3	3,343.1	3,144.2	4,086.5	3,260.4
Other services	57,208.9	13,747.4	13,980.8	14,681.0	14,799.8
Income	94,982.3	21,794.4	24,193.2	23,987.2	25,007.6
Labour	1,563.6	423.7	402.8	362.2	374.9
Investment	93,418.8	21,370.7	23,790.4	23,625.0	24,632.7
Current transfers	26,592.2	7,905.2	5,765.1	5,315.3	7,606.6
CAPITAL ACCOUNT	1,440.2	308.7	296.6	389.8	445.1
CURRENT AND CAPITAL ACCOUNTS	475,610.7	121,141.4	121,929.3	117,789.5	114,750.6
BALANCES					
CURRENT ACCOUNT	-104,454.2	-32,308.7	-26,262.1	-22,952.9	-22,930.5
Trade balance	-87,654.1	-25,146.9	-22,962.5	-21,352.0	-18,192.6
Services	26,503.8	3,804.1	6,915.7	10,512.3	5,271.8
Travel	28,066.6	4,829.2	7,116.9	10,915.3	5,205.2
Other services	-1,562.8	-1,025.0	-201.3	-403.0	66.6
Income	-34,054.5	-6,582.6	-8,290.5	-9,951.6	-9,229.8
Labour	-61.7	18.7	-13.5	-37.6	-29.3
Investment	-33,992.7	-6,601.3	-8,277.1	-9,913.9	-9,200.5
Current transfers	-9,249.4	-4,383.3	-1,924.7	-2,161.6	-779.9
CAPITAL ACCOUNT	5,555.6	2,233.9	1,489.1	1,111.3	721.2
CURRENT AND CAPITAL ACCOUNTS	-98,898.6	-30,074.7	-24,773.0	-21,841.6	-22,209.3
FINANCIAL ACCOUNT (NCL-NCA) (a)	94,909.7	28,688.3	26,632.9	22,143.0	17,445.5
Excluding Banco de España (NCL-NCA)	64,773.0	30,000.5	14,356.0	10,923.4	9,493.2
Spanish investment abroad (NCA)	45,948.7	18,434.5	47,681.3	7,286.6	-27,453.7
Foreign direct investment	52,782.6	11,998.9	13,600.1	12,556.1	14,627.4
Portfolio investment	-21,840.8	249.7	-6,984.7	-5,176.9	-9,929.0
Other investment (b)	15,006.8	6,185.8	41,065.9	-92.7	-32,152.1
— Monetary financial institutions	9,123.7	7,283.9	36,175.6	-912.9	-33,422.9
— General government	706.5	-2,965.2	540.3	-311.2	3,442.6
— Other resident sectors	5,176.7	1,867.1	4,350.0	1,131.4	-2,171.8
Foreign investment in Spain (NCL)	118,405.0	51,547.8	68,593.4	19,403.7	-21,139.9
Foreign direct investment	44,742.1	17,022.2	16,377.0	6,448.3	4,894.7
Portfolio investment	-17,572.9	-29,254.7	20,978.9	16,356.3	-25,653.5
Other investment (b)	91,235.8	63,780.4	31,237.4	-3,400.9	-381.1
— Monetary financial institutions	75,377.5	60,449.5	26,084.9	-7,931.7	-3,225.2
— General government	3,226.6	323.9	-343.8	849.1	2,397.4
— Other resident sectors	12,631.7	3,007.0	5,496.4	3,681.7	446.6
Financial derivatives (NCL-NCA)	-7,683.3	-3,112.9	-6,556.1	-1,193.7	3,179.4
BANCO DE ESPAÑA (NCL-NCA)	30,136.7	-1,312.2	12,277.0	11,219.6	7,952.3
Reserves	-644.6	108.9	194.7	-430.7	-517.6
Net claims on the Eurosystem	31,712.7	-1,753.0	10,370.4	12,076.5	11,018.9
Other net assets	-931.4	331.9	1,711.9	-426.2	-2,549.0
ERRORS AND OMISSIONS	3,988.8	1,386.5	-1,860.0	-301.4	4,763.7

SOURCE: Banco de España.

- a. Changes in assets and liabilities are both net of repayments.
b. Mainly loans, repo operations and deposits.

ACCOUNTING CONVENTION:

Financial account excluding Banco de España:

NCA: a positive (negative) sign denotes an increase (decrease) in assets; it is thus a capital outflow (inflow).

NCL: a positive (negative) sign denotes an increase (decrease) in liabilities; it is thus a capital inflow (outflow).

NCL-NCA: a positive (negative) sign denotes a capital inflow (outflow).

Banco de España: a positive (negative) sign denotes a decrease (increase) in Banco de España net claims on the rest of the world.

Errors and omissions: a positive (negative) sign denotes a credit (debit) not recorded in any other Balance of Payments heading.

BALANCE OF SERVICES BY COMPONENT

TABLE 6.1.3

€m	2008				
	2008	2008			
		Q1	Q2	Q3	Q4
CREDITS	97,547.0	20,894.5	24,040.7	29,279.8	23,332.0
Travel	41,900.9	8,172.2	10,261.2	15,001.8	8,465.6
Transportation	16,320.4	3,637.3	4,313.3	4,490.1	3,879.7
<i>Freight</i>	5,406.5	1,340.1	1,439.8	1,349.8	1,276.7
<i>Passenger transport</i>	5,487.0	1,232.4	1,530.3	1,473.5	1,250.8
— Air transport	5,276.8	1,189.4	1,475.2	1,416.8	1,195.4
— Overland and other transport	23.5	5.7	7.9	5.5	4.5
— Sea transport	186.7	37.4	47.2	51.1	51.0
<i>Other (a)</i>	5,427.0	1,064.8	1,343.2	1,666.8	1,352.1
Communication services	1,509.7	344.8	314.1	386.0	464.8
Construction services	3,673.8	1,008.9	925.6	801.3	938.0
Insurance services	1,004.8	223.8	241.8	214.4	324.7
Financial services	3,942.7	1,067.4	926.6	1,036.9	911.8
Computer and information services	4,173.8	987.7	1,027.9	1,014.0	1,144.2
Other business services	22,615.6	4,898.4	5,371.2	5,760.6	6,585.4
Merchanting (b)	1,675.4	173.4	274.3	464.7	763.0
<i>Operational leasing (c)</i>	742.8	150.0	183.4	221.4	188.1
<i>Miscellaneous business, professional and technical</i>	20,197.4	4,575.1	4,913.4	5,074.6	5,634.3
Personal, cultural and recreational services	1,198.7	255.1	297.2	309.4	337.0
<i>Audiovisual</i>	511.9	122.7	142.8	102.6	143.8
<i>Other cultural and recreational services</i>	686.8	132.4	154.4	206.8	193.2
Government services	667.5	164.8	174.3	154.0	174.4
Royalties and licence fees	539.0	134.0	187.7	111.1	106.2
DEBITS	71,043.2	17,090.4	17,125.0	18,767.5	18,060.2
Travel	13,834.3	3,343.1	3,144.2	4,086.5	3,260.4
Transportation	17,434.2	4,127.2	4,571.4	4,706.5	4,029.3
<i>Freight</i>	9,892.1	2,609.4	2,599.3	2,467.3	2,216.1
<i>Passenger transport</i>	4,382.6	737.5	1,089.0	1,426.6	1,129.5
— Air transport	4,279.9	723.8	1,066.4	1,393.5	1,096.2
— Overland and other transport	12.1	3.1	3.0	3.5	2.5
— Sea transport	90.6	10.7	19.6	29.6	30.8
<i>Other (a)</i>	3,159.6	780.2	883.1	812.6	683.7
Communication services	2,208.4	574.5	486.2	552.9	594.8
Construction services	1,933.8	341.0	381.9	449.2	761.7
Insurance services	1,496.7	345.1	333.1	437.3	381.2
Financial services	3,670.1	911.8	752.2	938.8	1,067.3
Computer and information services	1,929.0	460.4	474.2	536.8	457.6
Other business services	24,306.3	5,933.7	5,813.0	5,996.1	6,563.5
Merchanting (b)	1,612.1	374.9	376.8	431.2	429.2
<i>Operational leasing (c)</i>	986.1	289.5	206.3	287.1	203.2
<i>Miscellaneous business, professional and technical</i>	21,708.1	5,269.2	5,229.9	5,277.9	5,931.1
Personal, cultural and recreational services	1,776.0	427.1	447.8	538.1	363.0
<i>Audiovisual</i>	1,017.3	277.4	254.7	279.0	206.1
<i>Other cultural and recreational services</i>	758.7	149.7	193.1	259.0	156.9
Government services	269.8	73.4	77.1	53.6	65.7
Royalties and licence fees	2,184.5	553.3	643.8	471.7	515.8

SOURCE: Banco de España.

a. Includes transport support and auxiliary services.

b. Includes other trade-related services.

c. Includes rental of transportation without crew.

BALANCE OF SERVICES BY COMPONENT (cont'd)

TABLE 6.1.3

€m	2008	2008			
		Q1	Q2	Q3	Q4
BALANCE	26,503.8	3,804.1	6,915.7	10,512.3	5,271.8
Travel	28,066.6	4,829.2	7,116.9	10,915.3	5,205.2
Transportation	-1,113.8	-489.9	-258.0	-216.3	-149.6
<i>Freight</i>	-4,485.6	-1,269.3	-1,159.5	-1,117.5	-939.4
<i>Passenger transport</i>	1,104.4	494.9	441.3	46.9	121.3
— <i>Air transport</i>	996.9	465.6	408.8	23.3	99.2
— <i>Overland and other transport</i>	11.4	2.6	4.8	2.0	2.0
— <i>Sea transport</i>	96.1	26.7	27.6	21.6	20.2
<i>Other (a)</i>	2,267.4	284.5	460.1	854.3	668.5
Communication services	-698.7	-229.7	-172.1	-166.9	-130.0
Construction services	1,740.0	667.8	543.7	352.1	176.4
Insurance services	-491.9	-121.3	-91.3	-222.8	-56.5
Financial services	272.6	155.6	174.3	98.1	-155.5
Computer and information services	2,244.8	527.3	553.7	477.1	686.6
Other business services	-1,690.7	-1,035.2	-441.9	-235.5	21.9
<i>Merchandising (b)</i>	63.3	-201.5	-102.5	33.5	333.8
<i>Operational leasing (c)</i>	-243.3	-139.6	-22.9	-65.7	-15.1
<i>Miscellaneous business, professional and technical</i>	-1,510.7	-694.1	-316.5	-203.3	-296.8
Personal, cultural and recreational services	-577.2	-171.9	-150.6	-228.7	-26.0
Audiovisual	-505.4	-154.7	-112.0	-176.5	-62.3
<i>Other cultural and recreational services</i>	-71.8	-17.3	-38.7	-52.2	36.3
Government services	397.7	91.4	97.2	100.4	108.7
Royalties and licence fees	-1,645.5	-419.2	-456.2	-360.6	-409.5

SOURCE: Banco de España.

a. Includes transport support and auxiliary services.

b. Includes other trade-related services.

c. Includes rental of transportation without crew.

INVESTMENT INCOME BY SECTOR

TABLE 6.1.4

€m	2008	2008			
		Q1	Q2	Q3	Q4
Credits	59,426.0	14,769.4	15,513.3	13,711.0	15,432.2
<i>Monetary financial institutions</i>	23,617.3	5,912.1	5,198.7	6,658.0	5,848.6
<i>General government</i>	815.5	186.5	201.1	200.5	227.4
<i>Other resident sectors</i>	34,993.2	8,670.8	10,113.5	6,852.6	9,356.3
Debits	93,418.8	21,370.7	23,790.4	23,625.0	24,632.7
<i>Monetary financial institutions</i>	37,351.9	8,999.5	9,507.5	9,745.9	9,099.0
<i>General government</i>	8,762.6	2,096.7	2,096.9	2,161.7	2,407.4
<i>Other resident sectors</i>	47,304.2	10,274.5	12,186.0	11,717.4	13,126.4
Balance	-33,992.7	-6,601.3	-8,277.1	-9,913.9	-9,200.5
<i>Monetary financial institutions</i>	-13,734.6	-3,087.4	-4,308.8	-3,087.9	-3,250.4
<i>General government</i>	-7,947.1	-1,910.1	-1,895.8	-1,961.2	-2,180.0
<i>Other resident sectors</i>	-12,311.0	-1,603.7	-2,072.4	-4,864.8	-3,770.1

SOURCE: Banco de España.

INVESTMENT INCOME BY INSTRUMENT

TABLE 6.1.5

	2008	2008			
		Q1	Q2	Q3	Q4
Credits	59,426.0	14,769.4	15,513.3	13,711.0	15,432.2
Foreign direct investment income	30,726.9	7,352.5	8,594.2	6,107.6	8,672.7
Portfolio investment income	14,877.9	3,460.5	4,010.1	4,007.6	3,399.7
— Distributed dividends	2,757.5	421.3	949.2	980.3	406.8
— Other portfolio investment	12,120.4	3,039.3	3,060.9	3,027.4	2,992.9
Other investment income	13,821.2	3,956.4	2,909.0	3,595.8	3,359.9
Debits	93,418.8	21,370.7	23,790.4	23,625.0	24,632.7
Foreign direct investment income (a)	20,174.7	3,739.1	5,920.9	4,556.5	5,958.2
Portfolio investment income (b)	43,927.7	10,375.3	11,193.6	11,455.9	10,903.0
— Distributed dividends (b)	8,541.7	1,555.3	2,571.6	2,497.9	1,917.0
— Other negotiable securities investments	35,386.0	8,820.0	8,622.0	8,958.0	8,986.0
Other investment income	29,316.4	7,256.3	6,675.8	7,612.6	7,771.6

SOURCE: Banco de España.

a. Does not include income from foreign direct investment in listed shares; includes income from portfolio investment in unlisted shares.

b. Includes income from foreign direct investment in listed shares; does not include income from portfolio investment in unlisted shares.

CURRENT TRANSFERS BY SECTOR

TABLE 6.1.6

	2008	2008			
		Q1	Q2	Q3	Q4
CREDITS	17,342.8	3,521.9	3,840.4	3,153.7	6,826.8
General government	2,551.1	669.5	600.4	424.0	857.2
Of which: with the EU	863.9	284.3	213.0	31.9	334.7
Other sectors	14,791.7	2,852.4	3,240.1	2,729.6	5,969.6
Workers' remittances	5,339.3	1,281.9	1,344.3	1,481.1	1,232.0
Other transfers	9,452.4	1,570.5	1,895.8	1,248.5	4,737.6
— Of which: with the EU	5,560.6	655.8	964.3	272.0	3,668.6
DEBITS	26,592.2	7,905.2	5,765.1	5,315.3	7,606.6
General government	13,714.0	4,448.9	2,643.1	2,182.7	4,439.3
Of which: with the EU	10,633.6	4,009.0	2,089.8	1,822.1	2,712.7
Other sectors	12,878.1	3,456.2	3,122.0	3,132.6	3,167.3
Workers' remittances	7,840.5	1,998.2	1,928.3	2,075.5	1,838.5
Other transfers	5,037.6	1,458.0	1,193.7	1,057.1	1,328.8
BALANCE	-9,249.4	-4,383.3	-1,924.7	-2,161.6	-779.9
General government	-11,163.0	-3,779.4	-2,042.8	-1,758.6	-3,582.1
Of which: with the EU	-9,769.8	-3,724.7	-1,876.9	-1,790.2	-2,378.0
Other sectors	1,913.5	-603.9	118.1	-403.0	2,802.3
Workers' remittances	-2,501.2	-716.3	-584.0	-594.3	-606.6
Other transfers	4,414.8	112.5	702.1	191.4	3,408.8
— Of which: with the EU	5,560.6	655.8	964.3	272.0	3,668.6

SOURCES: Banco de España, Dirección General del Tesoro y Política Financiera (Ministerio de Economía y Hacienda) and Fondo Español de Garantía Agraria (Ministerio de Medio Ambiente y Medio Rural y Marino).

CAPITAL ACCOUNT

TABLE 6.1.7

€m	2008	2008			
		Q1	Q2	Q3	Q4
CREDITS	6,995.8	2,542.6	1,785.7	1,501.1	1,166.3
Capital transfers	6,572.7	2,522.9	1,750.2	1,275.3	1,024.3
<i>General government</i>	5,164.3	2,200.4	1,372.6	953.3	638.0
— Of which: with the EU	4,912.5	2,021.7	1,350.6	924.6	615.6
<i>Other sectors</i>	1,408.4	322.6	377.5	322.0	386.3
Disposal of non-produced intangible assets	423.1	19.7	35.6	225.8	142.1
DEBITS	1,440.2	308.7	296.6	389.8	445.1
Capital transfers	832.0	205.8	181.0	184.2	261.1
<i>General government</i>	95.7	17.0	28.5	28.4	21.8
— Of which: with the EU	—	—	—	—	—
<i>Other sectors</i>	736.4	188.8	152.5	155.8	239.3
Acquisition of non-produced intangible assets	608.2	102.9	115.6	205.6	184.0
BALANCE	5,555.6	2,233.9	1,489.1	1,111.3	721.2
Capital transfers	5,740.7	2,317.2	1,569.2	1,091.2	763.2
<i>General government</i>	5,068.7	2,183.4	1,344.2	924.9	616.2
— Of which: with the EU	4,912.5	2,021.7	1,350.6	924.6	615.6
<i>Other sectors</i>	672.0	133.8	225.0	166.3	146.9
Disposal/acquisition of non-produced intangible assets	-185.1	-83.2	-80.1	20.1	-41.9

SOURCES: Banco de España, Dirección General del Tesoro y Política Financiera (Ministerio de Economía y Hacienda) and Fondo Español de Garantía Agraria (Ministerio de Medio Ambiente y Medio Rural y Marino).

€m	2008				
	2008	2008			
		Q1	Q2	Q3	Q4
SPANISH INVESTMENT ABROAD (NCA)	45,923.3	18,020.1	46,106.2	7,564.6	-25,767.6
Foreign direct investment	52,782.6	11,998.9	13,600.1	12,556.1	14,627.4
<i>Monetary financial institutions</i>	8,658.9	1,836.6	912.0	811.0	5,099.3
<i>Other resident sectors</i>	44,123.7	10,162.3	12,688.1	11,745.2	9,528.2
Portfolio investment (including Banco de España)	-21,415.6	254.4	-8,529.8	-4,833.2	-8,306.9
<i>Banco de España</i>	425.2	4.6	-1,545.2	343.6	1,622.1
<i>Other monetary financial institutions</i>	7,370.3	8,890.7	-827.1	996.6	-1,689.9
<i>General government</i>	2,626.5	81.3	141.7	2,677.1	-273.6
<i>Other resident sectors</i>	-31,837.6	-8,722.3	-6,299.3	-8,850.6	-7,965.5
Other investment (including Banco de España) (b)	14,556.3	5,766.8	41,036.0	-158.3	-32,088.2
<i>Banco de España</i>	-450.5	-419.0	-29.9	-65.6	64.0
<i>Other monetary financial institutions</i>	9,123.7	7,283.9	36,175.6	-912.9	-33,422.9
<i>General government</i>	706.5	-2,965.2	540.3	-311.2	3,442.6
<i>Other resident sectors</i>	5,176.7	1,867.1	4,350.0	1,131.4	-2,171.8
FOREIGN INVESTMENT IN SPAIN (NCL)	150,023.9	49,712.4	79,100.6	31,332.0	-10,121.0
Foreign direct investment	44,742.1	17,022.2	16,377.0	6,448.3	4,894.7
<i>Monetary financial institutions</i>	372.8	84.3	382.9	-158.3	63.9
<i>Other resident sectors</i>	44,369.4	16,937.9	15,994.1	6,606.5	4,830.8
Portfolio investment	-17,572.9	-29,254.7	20,978.9	16,356.3	-25,653.5
<i>Monetary financial institutions</i>	-12,747.3	-5,715.5	8,802.3	-959.3	-14,874.8
<i>General government</i>	17,781.0	-4,527.4	5,572.0	11,918.3	4,818.1
<i>Other resident sectors</i>	-22,606.7	-19,011.8	6,604.7	5,397.4	-15,596.8
Other investment (including Banco de España) (b)	122,854.7	61,944.9	41,744.6	8,527.4	10,637.8
<i>Banco de España</i>	31,618.9	-1,835.5	10,507.2	11,928.3	11,018.9
<i>Other monetary financial institutions</i>	75,377.5	60,449.5	26,084.9	-7,931.7	-3,225.2
<i>General government</i>	3,226.6	323.9	-343.8	849.1	2,397.4
<i>Other resident sectors</i>	12,631.7	3,007.0	5,496.4	3,681.7	446.6
FINANCIAL DERIVATIVES (NCL – NCA)	-8,546.2	-3,112.9	-6,556.1	-1,193.7	2,316.5
<i>Banco de España</i>	-862.9	—	—	—	-862.9
<i>Monetary financial institutions</i>	-3,223.4	-1,360.0	-6,199.0	-69.5	4,405.1
<i>General government</i>	-499.8	-74.6	-49.2	-392.4	16.4
<i>Other resident sectors</i>	-3,960.1	-1,678.4	-307.9	-731.8	-1,242.1
RESERVES	-644.6	108.9	194.7	-430.7	-517.6

SOURCE: Banco de España.

- a. Changes in assets and liabilities are both net of repayments.
b. Mainly loans, repo operations and deposits.

ACCOUNTING CONVENTION:

NCA: a positive (negative) sign denotes an increase (decrease) in assets; it is thus a capital outflow (inflow).
NCL: a positive (negative) sign denotes an increase (decrease) in liabilities; it is thus a capital inflow (outflow).
NCL-NCA: a positive (negative) sign denotes a capital inflow (outflow).
Reserves: a positive (negative) sign denotes a decrease (increase) in the reserves.

	2008	2008			
		Q1	Q2	Q3	Q4
GENERAL GOVERNMENT (NCL – NCA)	17,174.9	-1,394.3	4,497.1	10,009.0	4,063.0
Portfolio investment (NCL – NCA)	15,154.5	-4,608.7	5,430.3	9,241.2	5,091.7
<i>Spanish investment abroad (NCA)</i>	2,626.5	81.3	141.7	2,677.1	-273.6
– Bonds and notes	2,637.6	81.3	146.2	2,679.4	-269.3
<i>Foreign investment in Spain (NCL)</i>	17,781.0	-4,527.4	5,572.0	11,918.3	4,818.1
– Bonds and notes	10,146.3	-5,646.5	6,123.4	8,049.8	1,619.6
– Money market instruments	7,634.7	1,119.1	-551.4	3,868.5	3,198.5
Other investment (NCL – NCA) (b)	2,520.1	3,289.0	-884.1	1,160.3	-1,045.1
<i>Spanish investment abroad (NCA)</i>	706.5	-2,965.2	540.3	-311.2	3,442.6
– Long-term loans and deposits	816.4	115.4	328.7	224.5	147.8
– Short-term loans and deposits	-109.9	-3,080.5	211.5	-535.7	3,294.8
<i>Foreign investment in Spain (NCL)</i>	3,226.6	323.9	-343.8	849.1	2,397.4
– Long-term loans	2,017.0	653.9	53.4	516.5	793.2
– Short-term loans	1,209.6	-330.0	-397.2	332.6	1,604.2
Financial derivatives (NCL – NCA)	-499.8	-74.6	-49.2	-392.4	16.4
OTHER RESIDENT SECTORS (NCL – NCA)	12,971.4	-4,052.4	17,048.4	10,927.8	-10,952.4
Foreign direct investment (NCL – NCA)	245.6	6,775.6	3,306.1	-5,138.7	-4,697.3
<i>Spanish investment abroad (NCA)</i>	44,123.7	10,162.3	12,688.1	11,745.2	9,528.2
– Shares	19,906.3	3,895.2	4,885.4	6,021.1	5,104.7
– Other equity	8,327.3	2,215.6	3,786.7	1,466.1	858.9
– Reinvested earnings	9,559.2	2,389.8	2,389.8	2,389.8	2,389.8
– Intercompany debt transactions	4,532.2	1,109.2	1,077.9	1,519.7	825.4
– Real estate	1,798.8	552.6	548.3	348.6	349.4
<i>Foreign investment in Spain (NCL)</i>	44,369.4	16,937.9	15,994.1	6,606.5	4,830.8
– Shares	15,263.1	15,782.5	-322.7	635.2	-831.9
– Other equity	8,123.5	1,128.9	10,635.8	-3,211.6	-429.6
– Reinvested earnings	6,629.0	1,657.2	1,657.2	1,657.2	1,657.2
– Intercompany debt transactions	8,913.8	-3,037.8	2,582.3	6,094.6	3,274.7
– Real estate	5,440.0	1,407.0	1,441.5	1,431.1	1,160.4
Portfolio investment (NCL – NCA)	9,230.9	-10,289.6	12,903.9	14,247.9	-7,631.4
<i>Spanish investment abroad (NCA)</i>	-31,837.6	-8,722.3	-6,299.3	-8,850.6	-7,965.5
– Shares and mutual funds	-25,271.6	-10,834.1	-2,873.9	-4,754.6	-6,808.9
– Bonds and notes	-9,382.9	294.6	-4,996.0	-3,862.5	-819.0
– Money market instruments	2,816.9	1,817.2	1,570.7	-233.5	-337.6
<i>Foreign investment in Spain (NCL)</i>	-22,606.7	-19,011.8	6,604.7	5,397.4	-15,596.8
– Shares	-5,534.5	-7,816.0	-1,516.3	3,201.2	596.7
– Bonds and notes	-28,213.8	-11,289.8	3,272.3	-9,175.9	-11,020.4
– Money market instruments	11,141.6	94.0	4,848.7	11,372.1	-5,173.1
Other investment (NCL – NCA) (b)	7,455.0	1,139.9	1,146.3	2,550.3	2,618.5
<i>Spanish investment abroad (NCA)</i>	5,176.7	1,867.1	4,350.0	1,131.4	-2,171.8
– Long-term loans and deposits	710.1	92.6	196.6	169.2	251.7
– Short-term loans and deposits	4,466.6	1,774.5	4,153.5	962.2	-2,423.5
<i>Foreign investment in Spain (NCL)</i>	12,631.7	3,007.0	5,496.4	3,681.7	446.6
– Long-term loans	10,721.5	3,321.8	3,275.5	2,148.3	1,976.0
– Short-term loans	1,910.2	-314.8	2,220.9	1,533.5	-1,529.3
Financial derivatives (NCL – NCA)	-3,960.1	-1,678.4	-307.9	-731.8	-1,242.1

SOURCE: Banco de España.

- a. Changes in assets and liabilities are both net of repayments.
b. Mainly loans, repo operations and deposits.

ACCOUNTING CONVENTION:

NCA: a positive (negative) sign denotes an increase (decrease) in assets; it is thus a capital outflow (inflow).
NCL: a positive (negative) sign denotes an increase (decrease) in liabilities; it is thus a capital inflow (outflow).
NCL-NCA: a positive (negative) sign denotes a capital inflow (outflow).

€m	2008	2008			
		Q1	Q2	Q3	Q4
MONETARY FINANCIAL INSTITUTIONS, EXCLUDING BANCO DE ESPAÑA (NCL-NCA)					
MONETARY FINANCIAL INSTITUTIONS, EXCLUDING BANCO DE ESPAÑA (NCL-NCA)	34,626.7	35,447.2	-7,189.5	-10,013.4	16,382.5
Foreign direct investment (NCL-NCA)	-8,286.1	-1,752.3	-529.2	-969.2	-5,035.4
<i>Spanish investment abroad (NCA)</i>	8,658.9	1,836.6	912.0	811.0	5,099.3
— Shares	5,600.0	1,090.5	323.1	328.7	3,857.7
— Other equity	961.7	208.6	50.9	-1.8	703.9
— Reinvested earnings	2,155.1	538.8	538.8	538.8	538.8
— Real estate	-58.0	-1.3	-0.7	-54.8	-1.1
<i>Foreign investment in Spain (NCL)</i>	372.8	84.3	382.9	-158.3	63.9
— Shares	293.1	-	285.0	0.9	7.2
— Other equity	-204.2	13.3	26.9	-230.1	-14.3
— Reinvested earnings	283.9	71.0	71.0	71.0	71.0
Portfolio investment (NCL – NCA)	-20,117.6	-14,606.1	9,629.3	-1,955.9	-13,184.9
<i>Spanish investment abroad (NCA)</i>	7,370.3	8,890.7	-827.1	996.6	-1,689.9
— Shares and mutual funds	-2,483.1	-287.9	-1,655.4	-326.7	-213.1
— Bonds and notes	10,865.8	9,651.9	-508.0	2,720.1	-998.2
— Money market instruments	-1,012.4	-473.3	1,336.3	-1,396.8	-478.5
<i>Foreign investment in Spain (NCL)</i>	-12,747.3	-5,715.5	8,802.3	-959.3	-14,874.8
— Shares	5,755.0	103.9	837.0	1,283.8	3,530.4
— Bonds and notes	-10,741.0	-6,295.9	5,038.9	-403.1	-9,080.9
— Money market instruments	-7,761.3	476.6	2,926.4	-1,840.0	-9,324.3
Other investment (NCL – NCA) (b)	66,253.8	53,165.6	-10,090.7	-7,018.8	30,197.7
<i>Spanish investment abroad (NCA)</i>	9,123.7	7,283.9	36,175.6	-912.9	-33,422.9
— Long-term	16,766.4	514.8	6,998.9	4,385.3	4,867.4
— Short-term	-7,642.7	6,769.1	29,176.6	-5,298.2	-38,290.2
— Loans	1,773.5	-2,202.5	3,302.9	3,561.1	-2,888.1
— Deposits	-9,416.2	8,971.5	25,873.8	-8,859.3	-35,402.2
<i>Foreign investment in Spain (NCL)</i>	75,377.5	60,449.5	26,084.9	-7,931.7	-3,225.2
— Long-term	1,160.7	316.8	3,880.7	-1,791.5	-1,245.3
— Short-term	74,216.8	60,132.7	22,204.2	-6,140.2	-1,979.9
Financial derivatives (NCL – NCA)	-3,223.4	-1,360.0	-6,199.0	-69.5	4,405.1
BANCO DE ESPAÑA (NCL – NCA)					
BANCO DE ESPAÑA (NCL – NCA)	30,136.7	-1,312.2	12,277.0	11,219.6	7,952.3
Portfolio investment (NCL – NCA)	-425.2	-4.6	1,545.2	-343.6	-1,622.1
Other investment (NCL – NCA)	32,069.4	-1,416.5	10,537.1	11,993.9	10,954.9
<i>Spanish investment abroad (NCA)</i>	-450.5	-419.0	-29.9	-65.6	64.0
Foreign investment in Spain (NCL)	31,618.9	-1,835.5	10,507.2	11,928.3	11,018.9
Financial derivatives (NCL – NCA)	-862.9	—	—	—	-862.9
RESERVES	-644.6	108.9	194.7	-430.7	-517.6

SOURCE: Banco de España.

a. Changes in assets and liabilities are both net of repayments.

b. Mainly loans, repo operations and deposits.

ACCOUNTING CONVENTION:

NCA: a positive (negative) sign denotes an increase (decrease) in assets; it is thus a capital outflow (inflow).

NCL: a positive (negative) sign denotes an increase (decrease) in liabilities; it is thus a capital inflow (outflow).

NCL-NCA: a positive (negative) sign denotes a capital inflow (outflow).

Reserves: a positive (negative) sign denotes a decrease (increase) in the reserves.

FOREIGN DIRECT INVESTMENT

TABLE 6.1.10

€m	2008	2008			
		Q1	Q2	Q3	Q4
FOREIGN DIRECT INVESTMENT					
Spanish investment abroad (NCA)	52,782.6	-1,835.5	10,507.2	11,928.3	11,018.9
<i>Of which: ETVE (a)</i>	<i>-770.8</i>	<i>108.9</i>	<i>194.7</i>	<i>-430.7</i>	<i>-517.6</i>
Foreign investment in Spain (NCL)	44,742.1	11,998.9	13,600.1	12,556.1	14,627.4
<i>Of which: ETVE (a)</i>	<i>987.6</i>	<i>725.0</i>	<i>-374.0</i>	<i>194.9</i>	<i>-1,316.7</i>

SOURCE: Banco de España.

a. Estimate based on the CNAE classification. It includes the transactions of ETVE companies and of other holding companies which are not strictly ETVE, but which, like them, have been established in Spain for the main purpose of channelling direct investment flows.

BALANCE OF PAYMENTS IN 2008
Breakdown by selected economic area (a)

TABLE 6.1.11

€m	WORLD TOTAL			EUROPE			EU 27		
	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET
	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)
CURRENT ACCOUNT	369,716.4	474,170.5	-104,454.2	288,016.6	328,081.1	-40,064.5	261,249.2	300,928.3	-39,679.1
Goods	193,898.8	281,552.9	-87,654.1	149,370.9	176,608.6	-27,237.8	136,408.8	157,963.0	-21,554.2
Services	97,547.0	71,043.2	26,503.8	80,170.7	52,890.2	27,280.4	70,111.8	46,874.5	23,237.3
Travel	41,900.9	13,834.3	28,066.6	38,729.0	10,131.8	28,597.1	35,194.8	9,060.2	26,134.7
Other services	55,646.1	57,208.9	-1,562.8	41,441.7	42,758.4	-1,316.7	34,916.9	37,814.4	-2,897.4
Income	60,927.9	94,982.3	-34,054.5	43,547.8	82,251.6	-38,703.8	41,261.8	80,209.4	-38,947.6
Monetary financial institutions	23,617.3	37,351.9	-13,734.6	18,415.3	32,444.9	-14,029.6	17,469.2	31,834.8	-14,365.7
General government	815.5	8,762.6	-7,947.1	754.9	8,162.5	-7,407.6	752.8	8,141.1	-7,388.3
Other resident sectors	36,495.0	48,867.8	-12,372.8	24,377.6	41,644.2	-17,266.6	23,039.8	40,233.4	-17,193.6
Current transfers	17,342.8	26,592.2	-9,249.4	14,927.2	16,330.6	-1,403.4	13,466.8	15,881.5	-2,414.6
CAPITAL ACCOUNT	6,995.8	1,440.2	5,555.6	6,281.0	1,003.3	5,277.7	6,028.8	920.5	5,108.3
FINANCIAL ACCOUNT (excluding Banco de España) (b)	...	...	...	...	...	...	...	...	...
Monetary financial institutions	63,003.0	25,152.9	37,850.1	52,677.7	5,496.5	47,181.2	57,520.0	6,321.2	51,198.8
Foreign direct investment (c)	372.8	8,658.9	-8,286.1	189.4	6,109.1	-5,919.7	191.1	6,068.2	-5,877.0
Portfolio investment	-12,747.3	7,370.3	-20,117.6	-9,207.3	-1,081.9	-8,125.4	-9,915.3	-1,151.4	-8,763.9
Other investment	75,377.5	9,123.7	66,253.8	61,695.6	469.3	61,226.3	67,244.2	1,404.5	65,839.7
General government	21,007.6	3,332.9	17,674.7	18,189.7	2,938.8	15,250.9	17,832.6	2,863.5	14,969.1
Portfolio investment	17,781.0	2,626.5	15,154.5	14,971.0	2,631.6	12,339.4	14,615.6	2,631.6	11,984.0
Other investment	3,226.6	706.5	2,520.1	3,218.8	307.2	2,911.5	3,217.0	231.9	2,985.1
Other resident sectors	34,394.4	17,462.9	16,931.5	34,758.6	-5,348.3	40,106.9	31,197.0	-7,086.1	38,283.1
Foreign direct investment (c)	44,369.4	44,123.7	245.6	41,665.0	20,662.9	21,002.1	40,185.7	17,803.0	22,382.7
Portfolio investment	-22,606.7	-31,837.6	9,230.9	-19,419.7	-30,053.8	10,634.1	-20,942.8	-28,940.1	7,997.3
Other investment	12,631.7	5,176.7	7,455.0	12,513.4	4,042.7	8,470.7	11,954.1	4,051.0	7,903.1

SOURCE: Banco de España.

a. The difference between the world total amounts and the sum of the geographical areas corresponds to geographically unallocated information, which in no case represents large amounts, and to amounts corresponding to international organisations other than those of the European Union.

b. Derivatives not included.

c. In the case of foreign direct investment, the change in assets corresponds to Spain's investment abroad, which includes, among other transactions, loans received by Spanish parent companies from their non-resident subsidiaries, which reduce such investment. Likewise, the change in liabilities corresponds to foreign investment in Spain, which includes loans granted by Spanish subsidiary companies to their non-resident parents (see Chapter 5).

NOTE:

EUROPEAN UNION (EU 27): International institutions of the European Union, European Central Bank, France, Belgium, Netherlands, Germany, Italy, United Kingdom, Ireland, Denmark, Greece, Portugal, Luxembourg, Austria, Finland, Sweden, Cyprus, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Malta, Poland, Slovenia, Slovakia, Romania, Bulgaria and their dependencies.

BALANCE OF PAYMENTS IN 2008 (cont'd)
Breakdown by selected economic area (a)

TABLE 6.1.11

€m	EURO AREA (EMU 15)			UNITED KINGDOM			SWEDEN		
	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET
	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)
CURRENT ACCOUNT	185,649.5	227,955.2	-42,305.6	50,159.8	42,693.2	7,466.6	3,838.7	3,912.0	-73.3
Goods	109,708.1	130,434.5	-20,726.4	14,887.6	13,452.1	1,435.4	1,793.5	2,927.8	-1,134.3
Services	43,719.3	31,753.4	11,965.8	22,142.6	12,800.7	9,341.9	1,493.7	620.0	873.7
Travel	21,818.5	5,595.7	16,222.8	11,371.0	3,111.4	8,259.6	832.4	71.2	761.3
Other services	21,900.7	26,157.7	-4,257.0	10,771.6	9,689.3	1,082.3	661.2	548.8	112.5
Income	28,355.5	63,096.6	-34,741.1	10,660.0	14,726.1	-4,066.0	170.1	278.2	-108.1
Monetary financial institutions	12,053.6	22,831.1	-10,777.5	5,128.2	8,372.1	-3,243.9	75.6	.	.
General government	748.3	7,603.0	-6,854.7	.	164.3	.	—	.	.
Other resident sectors	15,553.6	32,662.5	-17,108.9	5,529.4	6,189.6	-660.2	94.5	250.8	-156.3
Current transfers	3,866.6	2,670.6	1,196.0	2,469.6	1,714.3	755.3	381.4	86.1	295.4
CAPITAL ACCOUNT	740.8	692.6	48.2	337.7	190.4	147.3	.	.	.
FINANCIAL ACCOUNT (excluding Banco de España) (b)	...	...	...	...	...	...	...	...	...
Monetary financial institutions	838.6	16,544.2	-15,705.7	56,606.0	-8,516.4	65,122.4	-419.7	-752.1	332.4
Foreign direct investment (c)	392.7	1,971.7	-1,579.1	-202.5	4,085.9	-4,288.4	.	.	.
Portfolio investment	-13,827.3	-5,552.3	-8,275.0	4,089.1	4,836.2	-747.1	-109.7	-314.6	204.9
Other investment	14,273.2	20,124.8	-5,851.6	52,719.4	-17,438.5	70,157.9	-311.0	-437.6	126.6
General government	17,627.7	2,698.2	14,929.5	-2,321.5	-205.5	-2,116.0	.	—	.
Portfolio investment	16,982.6	2,633.3	14,349.3	-2,290.1	-1.6	-2,288.5	.	—	.
Other investment	645.2	65.0	580.2	.	-203.9	.	—	—	—
Other resident sectors	17,179.8	-16,539.8	33,719.6	9,497.1	4,846.3	4,650.8	1,308.4	-137.0	1,445.4
Foreign direct investment (c)	23,101.2	8,439.6	14,661.6	16,361.6	4,345.8	12,015.9	1,295.4	258.4	1,037.0
Portfolio investment	-8,243.2	-30,369.6	22,126.4	-12,705.1	1,861.2	-14,566.2	.	-388.3	.
Other investment	2,321.8	5,390.2	-3,068.4	5,840.5	-1,360.7	7,201.2	.	.	.

SOURCE: Banco de España.

a. The difference between the world total amounts and the sum of the geographical areas corresponds to geographically unallocated information, which in no case represents large amounts, and to amounts corresponding to international organisations other than those of the European Union.

b. Derivatives not included.

c. In the case of foreign direct investment, the change in assets corresponds to Spain's investment abroad, which includes, among other transactions, loans received by Spanish parent companies from their non-resident subsidiaries, which reduce such investment. Likewise, the change in liabilities corresponds to foreign investment in Spain, which includes loans granted by Spanish subsidiary companies to their non-resident parents (see Chapter 5)

«.» Amount below €50 million. Net balances are published if both credits and debits (or net changes in liabilities and net changes in assets) are over €50 million.

NOTE:

EURO AREA (EMU 15): France, Belgium, Luxembourg, Netherlands, Germany, Italy, Ireland, Portugal, Austria, Finland, Greece, Slovenia, Malta, Cyprus and European Central Bank.

BALANCE OF PAYMENTS IN 2008 (cont'd)
Breakdown by selected economic area (a)

TABLE 6.1.11

€m	DENMARK			NEW MEMBERS			EUROPEAN INSTITUTIONS		
	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET
	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)
CURRENT ACCOUNT	3,738.7	2,722.9	1,015.8	10,717.8	10,888.4	-170.6	7,144.6	12,756.6	-5,612.0
Goods	2,143.0	2,125.2	17.9	7,874.3	9,023.5	-1,149.2	.	—	.
Services	1,263.2	446.9	816.3	996.5	1,239.3	-242.8	496.5	.	.
Travel	913.0	.	.	246.0	253.4	-7.5	.	—	.
Other services	350.2	418.5	-68.3	750.5	985.9	-235.4	482.7	.	.
Income	267.5	118.7	148.8	1,729.7	61.6	1,668.0	79.0	1,928.2	-1,849.2
Monetary financial institutions	66.5	.	.	105.5	52.7	52.7	.	518.3	.
General government	—	.	.	.	.	.	—	372.2	-372.2
Other resident sectors	201.0	84.1	116.8	1,622.2	.	.	.	1,037.6	.
Current transfers	65.0	.	.	117.4	564.0	-446.6	6,566.8	10,814.2	-4,247.5
CAPITAL ACCOUNT	.	.	.	.	.	.	4,925.8	.	.
FINANCIAL ACCOUNT (excluding Banco de España) (b)	...	...	...	...	...	...	...	...	...
Monetary financial institutions	1,181.0	-661.0	1,842.0	-840.7	-243.6	-597.1	154.9	.	.
Foreign direct investment (c)	.	.	.	—	.	.	—	—	—
Portfolio investment	-62.9	.	.	.	-55.4	.	—	.	.
Other investment	1,244.1	-644.5	1,888.5	-836.2	-198.6	-637.6	154.9	-1.1	156.0
General government	-77.9	—	-77.9	.	.	.	2,603.0	382.4	2,220.6
Portfolio investment	-77.9	—	-77.9	.	.	.	.	—	.
Other investment	—	—	—	—	.	.	2,603.2	382.4	2,220.8
Other resident sectors	-678.4	142.3	-820.7	282.2	4,623.9	-4,341.8	3,607.9	.	.
Foreign direct investment (c)	-766.5	168.9	-935.3	172.2	4,592.2	-4,420.0	.	.	.
Portfolio investment	81.5	.	.	.	.	.	-68.9	.	.
Other investment	.	.	.	124.4	.	.	3,655.1	.	.

SOURCE: Banco de España.

a. The difference between the world total amounts and the sum of the geographical areas corresponds to geographically unallocated information, which in no case represents large amounts, and to amounts corresponding to international organisations other than those of the European Union.

b. Derivatives not included.

c. In the case of foreign direct investment, the change in assets corresponds to Spain's investment abroad, which includes, among other transactions, loans received by Spanish parent companies from their non-resident subsidiaries, which reduce such investment. Likewise, the change in liabilities corresponds to foreign investment in Spain, which includes loans granted by Spanish subsidiary companies to their non-resident parents (see Chapter 5).

«.» Amount below €50 million. Net balances are published if both credits and debits (or net changes in liabilities and net changes in assets) are over €50 million.

NOTE:

NEW MEMBERS: Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Slovakia, Bulgaria and Romania.

BALANCE OF PAYMENTS IN 2008 (cont'd)
Breakdown by selected economic area (a)

TABLE 6.1.11

€m	REST OF EUROPE			SWITZERLAND			NORTH AMERICA		
	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET
	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)
CURRENT ACCOUNT	26,767.4	27,152.8	-385.4	11,575.4	8,488.0	3,087.5	22,119.1	30,784.4	-8,665.2
Goods	12,962.0	18,645.6	-5,683.6	2,711.3	2,727.3	-16.1	10,228.7	12,644.7	-2,416.0
Services	10,058.9	6,015.7	4,043.2	6,350.5	3,764.1	2,586.5	6,076.4	7,821.1	-1,744.7
Travel	3,534.1	1,071.7	2,462.5	1,467.4	221.8	1,245.5	1,255.4	2,168.0	-912.6
Other services	6,524.8	4,944.1	1,580.7	4,883.2	3,542.2	1,341.0	4,821.0	5,653.0	-832.1
Income	2,286.1	2,042.3	243.8	1,387.9	1,752.4	-364.5	4,470.8	9,700.0	-5,229.1
Monetary financial institutions	946.2	610.1	336.1	618.3	425.7	192.6	2,464.8	3,139.5	-674.6
General government	.	.	.	—	.	.	.	458.5	.
Other resident sectors	1,337.8	1,410.8	-73.0	769.6	1,314.0	-544.4	1,999.5	6,102.0	-4,102.5
Current transfers	1,460.4	449.2	1,011.2	1,125.7	244.1	881.5	1,343.2	618.7	724.6
CAPITAL ACCOUNT	252.2	82.8	169.4	181.1	66.4	114.7	167.2	73.6	93.6
FINANCIAL ACCOUNT (excluding Banco de España) (b)	...	...	...	...	...	...	...	...	...
Monetary financial institutions	-4,842.3	-824.7	-4,017.5	-4,840.4	.	.	13,669.5	9,586.2	4,083.4
Foreign direct investment (c)	.	.	.	.	.	.	67.2	1,063.0	-995.8
Portfolio investment	708.1	69.6	638.5	56.7	-76.6	133.3	-4,172.4	5,422.5	-9,594.9
Other investment	-5,548.6	-935.2	-4,613.4	-4,902.4	81.3	-4,983.6	17,774.7	3,100.6	14,674.0
General government	357.1	75.3	281.8	387.3	—	373.0	3,323.6	.	.
Portfolio investment	355.4	—	355.4	385.5	—	385.5	3,323.6	0.0	3,323.5
Other investment	.	75.3	.	.	—	.	—	.	.
Other resident sectors	3,561.6	1,737.8	1,823.8	2,640.9	713.3	1,927.6	-3,640.3	10,240.3	-13,880.5
Foreign direct investment (c)	1,479.3	2,859.9	-1,380.6	276.5	1,353.1	-1,076.6	.	8,734.5	.
Portfolio investment	1,523.0	-1,113.8	2,636.8	1,880.6	-631.7	2,512.3	-3,764.0	563.4	-4,327.4
Other investment	559.3	.	.	483.9	.	.	103.6	942.4	-838.8

SOURCE: Banco de España.

a. The difference between the world total amounts and the sum of the geographical areas corresponds to geographically unallocated information, which in no case represents large amounts, and to amounts corresponding to international organisations other than those of the European Union.

b. Derivatives not included.

c. In the case of foreign direct investment, the change in assets corresponds to Spain's investment abroad, which includes, among other transactions, loans received by Spanish parent companies from their non-resident subsidiaries, which reduce such investment. Likewise, the change in liabilities corresponds to foreign investment in Spain, which includes loans granted by Spanish subsidiary companies to their non-resident parents (see Chapter 5).

«.» Amount below €50 million. Net balances are published if both credits and debits (or net changes in liabilities and net changes in assets) are over €50 million.

NOTE:

REST OF EUROPE: Countries not included in the European Union.

BALANCE OF PAYMENTS IN 2008 (cont'd)
Breakdown by selected economic area (a)

TABLE 6.1.11

€m	UNITED STATES			CANADA			CENTRAL AND SOUTH AMERICA		
	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET
CURRENT ACCOUNT	20,294.7	27,995.0	-7,700.3	1,824.2	2,787.4	-963.2	26,951.1	26,169.4	781.7
Goods	9,350.3	11,256.0	-1,905.7	878.2	1,387.0	-508.8	9,767.6	15,233.6	-5,466.0
Services	5,570.6	6,839.8	-1,269.2	505.7	981.0	-475.3	5,194.3	3,479.1	1,715.2
Travel	976.3	1,557.5	-581.2	279.1	610.4	-331.3	1,332.6	873.4	459.2
Other services	4,594.2	5,282.3	-688.1	226.6	370.7	-144.0	3,861.7	2,605.8	1,255.9
Income	4,341.5	9,507.1	-5,165.6	129.3	192.9	-63.5	11,325.7	1,712.3	9,613.3
Monetary financial institutions	2,446.0	3,103.8	-657.8	.	.	.	2,106.9	959.1	1,147.7
General government	.	445.3	-438.9	—	.	.	.	.	.
Other resident sectors	1,889.0	5,957.9	-4,068.9	110.5	144.1	-33.6	9,179.0	731.4	8,447.5
Current transfers	1,032.3	392.1	640.2	310.9	226.5	84.4	663.5	5,744.3	-5,080.8
CAPITAL ACCOUNT	160.4	69.3	91.1	.	.	.	291.5	281.6	9.9
	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)
FINANCIAL ACCOUNT (excluding Banco de España) (b)	...	...	...	...	...	...	...	...	...
Monetary financial institutions	13,639.6	9,395.6	4,244.0	.	190.6	-159.9	-187.4	10,511.8	-10,699.2
Foreign direct investment (c)	67.2	1,063.1	-995.8	—	.	.	.	789.1	.
Portfolio investment	-4,159.2	5,323.3	-9,482.5	.	99.2	.	169.8	3,438.3	-3,268.5
Other investment	17,731.6	3,009.3	14,722.3	.	91.4	.	-361.6	6,284.5	-6,646.1
General government	3,311.4	.	.	.	—	.	-821.1	.	.
Portfolio investment	3,311.4	.	.	.	—	.	-829.1	.	.
Other investment	—	.	.	—	—	—	.	.	.
Other resident sectors	-3,895.0	10,006.5	-13,901.5	254.8	233.8	20.9	2,195.3	11,986.8	-9,791.4
Foreign direct investment (c)	-97.4	8,580.0	-8,677.3	117.5	154.5	-37.0	1,824.8	12,577.6	-10,752.7
Portfolio investment	-3,829.2	484.5	-4,313.7	65.2	78.9	-13.6	344.1	-748.0	1,092.1
Other investment	.	942.0	.	72.0	.	.	.	157.2	.

SOURCE: Banco de España.

a. The difference between the world total amounts and the sum of the geographical areas corresponds to geographically unallocated information, which in no case represents large amounts, and to amounts corresponding to international organisations other than those of the European Union.

b. Derivatives not included.

c. In the case of foreign direct investment, the change in assets corresponds to Spain's investment abroad, which includes, among other transactions, loans received by Spanish parent companies from their non-resident subsidiaries, which reduce such investment. Likewise, the change in liabilities corresponds to foreign investment in Spain, which includes loans granted by Spanish subsidiary companies to their non-resident parents (see Chapter 5).

«.» Amount below €50 million. Net balances are published if both credits and debits (or net changes in liabilities and net changes in assets) are over €50 million.

BALANCE OF PAYMENTS IN 2008 (cont'd)
Breakdown by selected economic area (a)

TABLE 6.1.11

€m	AFRICA			ASIA			JAPAN		
	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET
	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)
CURRENT ACCOUNT	13,043.5	28,973.0	-15,929.5	16,223.8	55,549.8	-39,325.9	2,056.5	5,501.6	-3,445.1
Goods	10,446.1	25,449.6	-15,003.4	12,718.6	50,419.6	-37,701.0	1,550.1	4,933.8	-3,383.8
Services	2,023.8	2,354.0	-330.2	2,759.6	4,067.1	-1,307.5	422.9	434.9	-12.0
Travel	85.7	258.9	-173.2	353.6	355.0	-1.4	153.2	.	.
Other services	1,938.1	2,095.1	-157.0	2,406.0	3,712.1	-1,306.1	269.7	400.2	-130.4
Income	473.8	260.8	213.0	570.1	521.6	48.5	64.6	100.6	-36.0
Monetary financial institutions	74.0	200.4	-126.4	260.6	345.4	-84.8	.	.	.
General government	.	.	.	.	.	.	—	.	.
Other resident sectors	392.3	59.9	332.5	302.8	168.8	134.0	.	62.7	.
Current transfers	99.8	908.7	-808.9	175.5	541.5	-366.0	.	.	.
CAPITAL ACCOUNT	132.8	.	.	91.7	.	.	.	.	.
FINANCIAL ACCOUNT (excluding Banco de España) (b)	...	...	...	...	...	...	...	...	...
Monetary financial institutions	-568.7	566.1	-1,134.8	-465.6	1,274.8	-1,740.4	.	92.3	.
Foreign direct investment (c)	108.2	.	105.5	.	694.9	-691.1	.	.	.
Portfolio investment	.	.	.	-301.5	-535.7	234.2	.	.	.
Other investment	-671.3	563.8	-1,235.0	-167.9	1,115.6	-1,283.5	.	86.4	.
General government	.	64.2	.	253.4	.	.	.	—	.
Portfolio investment	.	—	.	253.5	—	253.5	.	—	.
Other investment	—	64.2	-64.2	.	.	.	—	—	—
Other resident sectors	250.8	1,121.6	-870.7	741.1	-754.8	1,495.9	66.4	-427.5	493.9
Foreign direct investment (c)	343.1	1,149.9	-806.8	487.7	859.4	-371.6	79.0	132.1	-53.1
Portfolio investment	.	.	.	237.7	-1,559.6	1,797.3	.	-525.2	.
Other investment	-68.2	.	.	.	-54.6	.	.	.	.

SOURCE: Banco de España.

a. The difference between the world total amounts and the sum of the geographical areas corresponds to geographically unallocated information, which in no case represents large amounts, and to amounts corresponding to international organisations other than those of the European Union.

b. Derivatives not included.

c. In the case of foreign direct investment, the change in assets corresponds to Spain's investment abroad, which includes, among other transactions, loans received by Spanish parent companies from their non-resident subsidiaries, which reduce such investment. Likewise, the change in liabilities corresponds to foreign investment in Spain, which includes loans granted by Spanish subsidiary companies to their non-resident parents (see Chapter 5).

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BALANCE OF PAYMENTS IN 2008 (cont'd)
Breakdown by selected economic area (a)

TABLE 6.1.11

€m	CHINA			OCEANIA AND POLAR REGIONS			OECD		
	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET
	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)
CURRENT ACCOUNT	2,570.2	20,498.4	-17,928.3	1,783.6	1,510.7	272.9	308,916.7	357,136.9	-48,220.2
Goods	2,245.1	19,401.9	-17,156.7	1,226.0	1,142.0	83.9	156,930.7	188,437.2	-31,506.4
Services	216.4	1,059.5	-843.2	311.9	191.7	120.2	86,055.5	60,071.2	25,984.3
Travel	.	68.7	.	141.2	.	.	39,751.9	11,762.9	27,989.0
Other services	205.2	990.8	-785.6	170.7	144.9	25.8	46,303.6	48,308.3	-2,004.6
Income	101.4	.	.	217.1	162.2	55.0	49,866.3	92,069.3	-42,203.0
Monetary financial institutions	.	.	.	60.0	69.9	-9.9	22,135.5	35,584.7	-13,449.2
General government	.	.	.	—	.	.	760.4	8,649.6	-7,889.2
Other resident sectors	87.1	.	.	157.1	67.5	89.7	26,970.4	47,835.1	-20,864.7
Current transfers	.	.	.	.	.	.	16,064.2	16,559.2	-495.1
CAPITAL ACCOUNT	.	.	.	.	.	.	6,524.9	1,171.8	5,353.1
FINANCIAL ACCOUNT (excluding Banco de España) (b)	...	...	...	...	...	...	...	...	...
Monetary financial institutions	-281.7	-541.3	259.7	-520.4	-391.8	-128.6	69,181.6	15,620.6	53,561.0
Foreign direct investment (c)	—	.	.	—	.	.	269.2	7,663.7	-7,394.5
Portfolio investment	.	-591.2	.	-216.6	112.6	-329.2	-13,460.9	4,488.4	-17,949.3
Other investment	-281.9	.	.	-303.8	-504.5	200.7	82,373.4	3,468.5	78,904.9
General government	263.5	.	.	61.6	—	61.6	21,574.0	2,928.8	18,645.2
Portfolio investment	263.5	—	263.5	61.6	—	61.6	18,355.2	2,631.7	15,723.6
Other investment	—	.	.	—	—	—	3,218.8	297.1	2,921.7
Other resident sectors	.	162.9	.	91.0	128.0	-37.0	31,314.1	7,657.5	23,656.6
Foreign direct investment (c)	.	167.4	.	77.2	112.6	-35.4	41,058.7	32,613.5	8,445.2
Portfolio investment	.	.	.	.	.	.	-22,293.9	-29,931.4	7,637.5
Other investment	.	.	.	.	.	.	12,549.3	4,975.4	7,573.9

SOURCE: Banco de España.

a. The difference between the world total amounts and the sum of the geographical areas corresponds to geographically unallocated information, which in no case represents large amounts, and to amounts corresponding to international organisations other than those of the European Union.

b. Derivatives not included.

c. In the case of foreign direct investment, the change in assets corresponds to Spain's investment abroad, which includes, among other transactions, loans received by Spanish parent companies from their non-resident subsidiaries, which reduce such investment. Likewise, the change in liabilities corresponds to foreign investment in Spain, which includes loans granted by Spanish subsidiary companies to their non-resident parents (see Chapter 5).

«.» Amount below €50 million. Net balances are published if both credits and debits (or net changes in liabilities and net changes in assets) are over €50 million.

NOTE:

OECD: International institutions of the European Union, European Central Bank, France, Belgium, Netherlands, Germany, Italy, United Kingdom, Ireland, Denmark, Greece, Portugal, Luxembourg, Iceland, Norway, Sweden, Finland, Switzerland, Austria, Turkey, USA, Canada, Japan, Australia, New Zealand, Mexico, Czech Republic, Hungary, Slovakia, Poland and South Korea, and their dependencies.

BALANCE OF PAYMENTS IN 2008 (cont'd)
Breakdown by selected economic area (a)

TABLE 6.1.11

€m	NAFTA			OPEC			NICs		
	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET
CURRENT ACCOUNT	28,211.0	35,055.5	-6,844.5	11,226.1	32,251.2	-21,025.1	2,536.7	5,734.1	-3,197.4
Goods	13,061.2	15,882.2	-2,821.0	7,371.1	28,232.3	-20,861.2	1,908.5	4,962.4	-3,053.9
Services	7,229.0	8,500.1	-1,271.1	3,207.0	2,380.4	826.6	377.3	659.3	-282.1
Travel	1,734.3	2,383.8	-649.5	378.3	50.7	327.7	.	54.8	.
Other services	5,494.7	6,116.3	-621.6	2,828.6	2,329.7	498.9	345.3	604.5	-259.2
Income	6,466.6	9,874.3	-3,407.8	353.3	458.0	-104.7	221.1	98.4	122.7
Monetary financial institutions	3,740.2	3,263.1	477.0	110.8	314.7	-203.9	148.9	68.4	80.5
General government	.	.	-451.5	.	.	.	.	.	.
Other resident sectors	2,718.6	6,151.9	-3,433.3	234.3	142.7	91.5	72.2	.	.
Current transfers	1,454.3	799.0	655.3	294.7	1,180.4	-885.7	.	.	.
CAPITAL ACCOUNT	303.2	170.9	132.3	179.6	53.6	126.0	.	.	.
	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)
FINANCIAL ACCOUNT (excluding Banco de España) (b)	...	...	...	...	...	...	...	...	...
Monetary financial institutions	15,957.3	10,606.3	5,351.0	2,241.2	396.2	1,845.0	-1,183.8	1,648.5	-2,832.3
Foreign direct investment (c)	69.0	1,534.0	-1,465.0	107.5	.	.	.	671.2	.
Portfolio investment	-4,053.3	5,417.9	-9,471.2	.	74.0	.	-392.4	.	.
Other investment	19,941.5	3,654.3	16,287.2	2,120.5	316.2	1,804.3	-791.4	928.4	-1,719.7
General government	3,331.1	.	.	.	.	.	.	.	.
Portfolio investment	3,331.1	.	.	.	.	.	.	.	.
Other investment	.	.	.	.	.	.	.	.	.
Other resident sectors	-3,075.6	14,136.1	-17,211.7	435.5	1,311.1	-875.6	363.4	1,284.5	-921.1
Foreign direct investment (c)	210.6	12,586.5	-12,375.9	410.4	1,321.4	-911.0	115.8	195.3	-79.5
Portfolio investment	-3,387.4	603.6	-3,991.0	.	.	.	238.0	1,089.6	-851.6
Other investment	101.2	946.0	-844.9

SOURCE: Banco de España.

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«.» Amount below €50 million. Net balances are published if both credits and debits (or net changes in liabilities and net changes in assets) are over €50 million.

NOTES:

NAFTA: USA, Canada and Mexico.

OPEC: Algeria, Libya, Nigeria, Venezuela, Iraq, Iran, Saudi Arabia, Kuwait, Qatar, United Arab Emirates, Indonesia, Angola and Ecuador.

NEWLY INDUSTRIALISED COUNTRIES (NICs): Singapore, South Korea, Taiwan and Hong Kong.

BALANCE OF PAYMENTS IN 2008 (cont'd)
Breakdown by selected economic area (a)

TABLE 6.1.11

€m	ASEAN			COMMONWEALTH OF INDEPENDENT STATES			TAX HAVENS		
	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET
CURRENT ACCOUNT	1,867.3	6,295.7	-4,428.4	4,915.0	12,291.6	-7,376.6	6,558.3	4,087.8	2,470.5
Goods	1,496.9	5,475.2	-3,978.3	3,581.8	11,427.1	-7,845.4	4,053.0	1,661.9	2,391.1
Services	291.9	569.1	-277.2	1,085.1	703.0	382.1	1,128.8	1,501.2	-372.4
Travel	.	76.1	.	592.1	68.9	523.2	344.9	654.1	-309.2
Other services	262.7	493.0	-230.4	493.0	634.0	-141.1	783.9	847.1	-63.2
Income	63.9	81.6	-17.7	156.4	68.8	87.6	1,146.8	712.6	434.2
Monetary financial institutions	.	63.4	.	.	55.7	.	507.3	625.2	-117.9
General government	.	.	.	.	.	.	.	.	.
Other resident sectors	.	.	.	111.0	.	98.0	638.9	87.1	551.8
Current transfers	.	169.9	.	91.7	92.7	-0.9	229.7	212.1	17.6
CAPITAL ACCOUNT	.	.	.	.	.	.	55.0	.	.
	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)
FINANCIAL ACCOUNT (excluding Banco de España) (b)	...	...	...	...	...	...	...	...	...
Monetary financial institutions	-458.6	1,150.5	-1,609.1	84.5	476.7	-392.1	-4,842.8	5,574.9	-10,417.7
Foreign direct investment (c)	—	.	.	—	.	.	.	718.1	.
Portfolio investment	-305.8	.	.	.	.	.	-442.7	3,174.6	-3,617.4
Other investment	-152.8	1,123.1	-1,275.8	84.9	473.2	-388.3	-4,393.8	1,682.2	-6,076.0
General government	.	.	.	.	—	.	262.2	.	.
Portfolio investment	.	—	.	.	—	.	254.2	.	.
Other investment	—	.	.	—	—	—	.	.	.
Other resident sectors	318.9	.	.	527.6	364.5	163.1	1,220.8	513.8	707.0
Foreign direct investment (c)	66.2	.	.	520.7	381.6	139.1	1,281.0	274.9	1,006.1
Portfolio investment	246.1	.	.	.	.	.	-122.9	247.7	-370.6
Other investment	.	.	.	.	.	.	62.7	.	.

SOURCE: Banco de España.

a. The difference between the world total amounts and the sum of the geographical areas corresponds to geographically unallocated information, which in no case represents large amounts, and to amounts corresponding to international organisations other than those of the European Union.

b. Derivatives not included.

c. In the case of foreign direct investment, the change in assets corresponds to Spain's investment abroad, which includes, among other transactions, loans received by Spanish parent companies from their non-resident subsidiaries, which reduce such investment. Likewise, the change in liabilities corresponds to foreign investment in Spain, which includes loans granted by Spanish subsidiary companies to their non-resident parents (see Chapter 5).

«.» Amount below €50 million. Net balances are published if both credits and debits (or net changes in liabilities and net changes in assets) are over €50 million.

NOTES:

ASEAN: Thailand, Indonesia, Malaysia, Brunei, Singapore, Philippines, Vietnam, Cambodia, Democratic Republic of Laos and Myanmar.

CIS: Russia, Ukraine, Belarus, Moldova, Armenia, Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan, Tajikistan, Kyrgyzstan and Georgia.

TAX HAVENS: Andorra, Antigua and Barbuda, Anguilla, Dutch Antilles, Barbados, Bahrain, Bermuda, Bahamas, Belize, Cook Islands, Dominica, Grenada, Guernsey, Gibraltar, Hong Kong, Isle of Man, Jersey, Jamaica, St. Kitts and Nevis, Cayman Islands, Lebanon, St. Lucia, Liechtenstein, Liberia, Marshall Islands, Montserrat, Maldives, Nauru, Niue, Panama, Philippines, Singapore, Turks and Caicos, St. Vincent and the Grenadines, British Virgin Islands, US Virgin Islands, Vanuatu and Samoa.

FOREIGN DIRECT INVESTMENT

Breakdown by selected geographical and economic area (a)

TABLE 6.1.12

€m	2001	2002	2003	2004	2005	2006	2007	2008
SPANISH INVESTMENT ABROAD								
WORLD TOTAL	36,996.7	34,761.0	25,444.6	48,750.1	33,635.9	83,100.4	101,190.7	52,782.6
EUROPE	23,417.8	22,684.1	19,216.3	39,332.9	24,819.4	64,512.5	70,341.0	26,772.0
EU 27	22,076.6	21,039.4	18,956.2	37,183.4	20,755.1	64,413.7	69,550.8	23,871.2
— Euro area (EMU 13)	21,115.7	19,739.8	12,776.7	17,283.2	11,509.3	24,054.0	43,232.8	10,411.3
— Germany	2,322.7	2,155.7	5,109.0	675.5	776.8	1,296.7	14,886.7	2,335.3
— Austria	117.8	266.1	21.9	91.7	360.1	811.6	86.6	764.4
— Belgium	638.0	141.7	321.2	777.6	163.5	1,478.0	448.4	1,288.3
— Finland	.	56.1	0.6	322.9	121.6	71.8	.	-32.5
— France	564.8	1,541.6	1,043.2	3,745.8	7,533.1	7,295.6	5,464.9	920.5
— Greece	107.1	448.5	394.9	91.6	85.7	240.4	1,028.4	1,305.0
— Netherlands	4,233.9	5,654.0	-394.0	3,066.6	258.0	7,404.7	13,825.6	853.1
— Ireland	514.2	497.2	876.1	442.4	-2,612.9	521.9	.	101.0
— Italy	2,437.4	1,373.1	1,535.0	2,027.5	1,033.3	557.8	5,744.3	1,665.9
— Luxembourg	8,931.1	6,364.3	1,560.6	3,709.2	1,748.0	217.4	618.1	-1,375.0
— Portugal	1,216.4	1,236.9	2,308.8	2,350.1	2,003.6	3,964.5	1,224.2	2,387.6
— Cyprus	.	.	.	.	.	.	.	75.4
— Malta	.	.	.	.	.	199.0	68.6	114.3
United Kingdom	705.4	1,104.0	4,354.0	17,177.3	2,186.1	35,551.7	15,280.6	8,431.7
Denmark	.	.	94.5	339.8	293.2	106.4	123.9	168.9
Sweden	.	97.3	410.7	471.2	.	576.8	1,471.4	258.5
New members	241.0	85.1	1,319.3	1,910.9	6,792.8	4,124.7	9,442.4	4,602.5
— Hungary	181.2	.	1,125.2	1,378.9	2,409.7	1,534.8	6,864.4	3,601.0
— Poland	.	.	140.6	420.8	343.8	1,268.4	1,293.4	513.8
Rest of Europe	1,341.1	1,644.7	260.1	2,149.5	4,064.4	98.8	790.2	2,900.8
Russian Federation	.	.	.	.	306.5	111.5	115.8	335.1
Switzerland	1,322.9	1,359.4	204.2	1,516.0	4,168.3	-141.8	-936.0	1,383.6
NORTH AMERICA	2,439.1	1,712.8	1,673.2	-879.4	2,142.6	8,969.4	16,117.2	9,797.5
United States	2,368.0	1,670.2	1,458.2	-407.9	1,947.9	8,945.9	15,559.9	9,643.1
CENTRAL AND SOUTH AMERICA	11,280.6	6,822.6	2,454.0	10,023.7	5,059.3	7,523.2	13,997.5	13,366.6
Argentina	2,026.9	2,726.2	-1,129.8	-1,403.6	1,695.2	2,640.6	1,645.9	1,710.1
Brazil	3,435.1	-1,811.6	1,552.8	1,490.1	1,786.2	1,905.7	6,088.3	2,451.7
Chile	239.0	.	539.4	1,312.5	62.4	476.1	302.0	1,482.9
Mexico	3,123.5	3,785.1	1,188.4	7,340.6	1,971.5	716.6	4,275.8	4,323.0
AFRICA	-590.7	456.1	1,909.9	608.3	808.8	1,251.7	700.8	1,152.6
Morocco	.	58.1	1,467.5	57.2	175.4	777.0	207.2	736.6
ASIA	402.5	1,605.7	144.5	337.0	228.9	702.1	-471.7	1,554.3
China	.	.	.	76.0	122.6	196.6	186.3	188.8
Hong Kong	.	.	.	.	63.7	.	555.6	782.8
India	.	.	.	.	.	68.4	86.6	233.4
Japan	279.0	1,468.0	86.4	86.5	.	107.9	-1,356.0	133.6
Newly industrialised countries (NICs)	.	.	.	.	66.1	54.2	605.9	866.5
OCEANIA AND POLAR REGIONS	.	1,460.4	.	-710.8	75.6	108.9	479.8	112.7
MEMORANDUM ITEM:								
OECD	29,211.4	30,996.1	22,101.5	45,007.9	28,736.3	74,304.0	88,592.3	40,277.3

SOURCE: Banco de España.

a. The difference between the world total amounts and the sum of the geographical areas corresponds to geographically unallocated information, which in no case represents large amounts, and to amounts corresponding to international organisations other than those of the European Union.

«.» Amount below €50 million. Net balances are published if both credits and debits (or net changes in liabilities and net changes in assets) are over €50 million.

NOTES:

The countries included in the different economic zones, can be consulted in the notes of table 11.

FOREIGN DIRECT INVESTMENT (cont'd)
Breakdown by selected geographical and economic area (a)

TABLE 6.1.12

€m	2001	2002	2003	2004	2005	2006	2007	2008
FOREIGN INVESTMENT IN SPAIN								
WORLD TOTAL	31,746.4	41,675.9	22,876.8	19,941.4	20,119.2	24,553.8	50,289.0	44,742.1
EUROPE	28,957.2	23,328.1	17,450.8	19,207.3	18,352.9	19,130.4	48,734.9	41,854.3
EU 27	26,992.3	22,958.7	15,707.6	17,789.8	18,185.3	19,881.7	47,170.1	40,376.8
— Euro area (EMU 15)	23,847.0	17,545.8	6,523.0	11,516.2	14,714.5	16,134.4	39,043.3	23,493.9
— Germany	1,004.3	3,659.6	-749.9	-1,331.5	-1,008.6	-482.7	-2,268.7	13,616.0
— Austria	.	57.8	.	127.0	72.6	205.1	-21.4	-193.6
— Belgium	3,331.0	-1,138.3	-528.4	6,180.3	-30.0	177.2	1,444.2	1,634.8
— Finland	.	76.7	59.6	.	.	-52.5	.	.
— France	3,907.2	2,529.4	-368.5	-1,843.6	-129.9	1,588.1	2,733.6	2,017.3
— Greece	.	99.1	.	.	.	.	.	.
— Netherlands	4,077.4	3,769.4	1,409.9	-933.9	9,276.0	8,481.2	5,440.7	14,339.6
— Ireland	228.5	208.4	1,382.3	83.5	1,805.5	686.4	437.1	-538.8
— Italy	768.2	1,305.3	671.8	686.4	532.9	63.4	20,283.3	1,155.7
— Luxembourg	2,125.0	8,234.9	3,707.1	6,370.1	3,595.1	4,122.6	8,589.1	-9,985.6
— Portugal	8,346.0	-1,262.9	899.1	2,149.1	574.3	817.5	2,223.5	1,252.8
— Cyprus	.	.	.	.	.	123.3	77.2	64.4
— Malta	.	.	.	.	.	438.3	139.8	76.6
United Kingdom	2,838.9	5,249.1	9,061.1	4,921.9	1,852.9	2,105.9	7,656.2	16,159.2
Denmark	-62.6	155.5	.	151.9	98.8	313.9	-175.0	-766.6
Sweden	216.5	-62.3	106.4	1,159.2	1,509.1	927.6	362.3	1,296.4
New members	153.0	71.9	.	.	.	393.9	282.5	172.2
— Hungary	91.2	54.5	.	.	.	193.2	124.4	.
— Poland	.	.	.	.	.	.	84.5	.
Rest of Europe	1,964.9	369.4	1,743.2	1,417.5	167.7	-751.3	1,564.8	1,477.5
Russian Federation	.	.	54.1	.	86.4	147.3	280.3	480.7
Switzerland	1,590.8	-146.5	1,381.8	1,109.4	-464.8	-1,751.7	982.1	281.7
NORTH AMERICA	2,119.6	16,495.8	5,429.2	240.3	2,017.9	4,148.8	584.5	87.4
United States	2,104.1	15,457.5	4,221.1	-351.0	2,035.2	3,365.1	1,296.5	.
CENTRAL AND SOUTH AMERICA	362.7	1,707.3	-102.3	888.0	-236.1	953.6	857.6	1,829.2
Argentina	.	.	.	-59.3	.	-56.3	-62.5	.
Brazil	.	-181.8	102.1	135.5	129.5	101.2	821.5	128.9
Chile	.	1,507.5	-530.4	.	.	.	.	.
Mexico	386.2	89.7	415.9	.	-389.8	174.4	.	192.2
AFRICA	.	-79.9	.	.	.	123.5	216.0	451.3
Morocco	.	-69.6	.	.	.	.	.	.
ASIA	249.9	203.5	.	-461.0	670.6	190.1	-109.5	491.5
China	.	.	.	.	.	.	.	.
Hong Kong	.	.	.	.	.	-70.5	.	53.0
India	.	.	.	.	.	.	.	.
Japan	98.8	127.8	-81.9	165.8	275.2	129.0	-278.1	82.8
Newly industrialised countries (NICs)	.	.	.	.	.	.	.	115.8
OCEANIA AND POLAR REGIONS	.	.	.	.	.	.	.	77.2
MEMORANDUM ITEM:								
OECD	31,449.5	39,716.6	22,912.5	19,441.2	19,922.2	22,561.9	48,573.9	41,327.9

SOURCE: Banco de España.

a. The difference between the world total amounts and the sum of the geographical areas corresponds to geographically unallocated information, which in no case represents large amounts, and to amounts corresponding to international organisations other than those of the European Union.

«.» Amount below €50 million. Net balances are published if both credits and debits (or net changes in liabilities and net changes in assets) are over €50 million.

NOTES:

The countries included in the different economic zones, can be consulted in the notes of table 11.

6.2 THE SPANISH BALANCE OF PAYMENTS IN 2007 (REVISED DATA)

BALANCE OF PAYMENTS IN 2006 AND 2007: MAIN COMPONENTS
Annual data

TABLE 6.2.1

€m	2006			2007		
	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET
CURRENT ACCOUNT	325,326.8	413,639.7	-88,312.8	361,275.7	466,653.8	-105,378.2
Trade balance	175,808.1	259,054.0	-83,245.9	192,612.9	283,858.7	-91,245.8
Services	84,760.5	62,525.3	22,235.2	93,234.3	70,158.3	23,076.0
<i>Travel</i>	40,715.0	13,265.7	27,449.3	42,061.3	14,360.4	27,700.9
<i>Other services</i>	44,045.6	49,259.6	-5,214.1	51,173.0	55,797.9	-4,624.9
Income	47,700.9	68,500.1	-20,799.2	56,827.2	86,968.7	-30,141.5
<i>Labour</i>	1,204.7	1,486.4	-281.7	1,466.1	1,743.1	-277.0
<i>Investment</i>	46,496.2	67,013.7	-20,517.5	55,361.1	85,225.6	-29,864.6
Current transfers	17,057.3	23,560.3	-6,503.0	18,601.3	25,668.2	-7,066.8
CAPITAL ACCOUNT	7,646.0	1,451.6	6,194.4	6,419.6	1,841.9	4,577.8
CURRENT AND CAPITAL ACCOUNTS	332,972.9	415,091.3	-82,118.5	367,695.3	468,495.7	-100,800.4
	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)
FINANCIAL ACCOUNT (a)	—	—	85,624.4	—	—	101,065.5
EXCLUDING BANCO DE ESPAÑA	—	—	111,424.5	—	—	86,743.4
Direct investment	—	—	-58,546.5	—	—	-50,901.7
<i>Spanish investment abroad</i>	—	83,100.4	-83,100.4	—	101,190.7	-101,190.7
<i>Foreign investment in Spain</i>	24,553.8	—	24,553.8	50,289.0	—	50,289.0
Portfolio investment	—	—	199,614.8	—	—	104,779.3
<i>Spanish investment abroad</i>	—	-3,928.2	3,928.2	—	-8,601.4	8,601.4
<i>Foreign investment in Spain</i>	195,686.6	—	195,686.6	96,177.9	—	96,177.9
Other investment (b)	—	—	-31,646.9	—	—	37,024.8
<i>Spanish investment abroad</i>	—	66,092.6	-66,092.6	—	57,196.4	-57,196.4
— Monetary financial institutions	—	58,890.1	-58,890.1	—	50,861.1	-50,861.1
— General government	—	-31.5	31.5	—	1,402.7	-1,402.7
— Other resident sectors	—	7,234.0	-7,234.0	—	4,932.6	-4,932.6
<i>Foreign investment in Spain</i>	34,445.7	—	34,445.7	94,221.2	—	94,221.2
— Monetary financial institutions	4,249.3	—	4,249.3	75,399.0	—	75,399.0
— General government	1,055.6	—	1,055.6	517.5	—	517.5
— Other resident sectors	29,140.9	—	29,140.9	18,304.7	—	18,304.7
Financial derivatives	—	—	2,003.0	—	—	-4,159.0
BANCO DE ESPAÑA	—	—	-25,800.1	—	—	14,322.1
Reserves	—	—	-480.4	—	—	-164.2
Claims on the Eurosystem	—	—	-12,327.0	—	—	28,329.0
Other net assets	—	—	-12,992.7	—	—	-13,842.7
ERRORS AND OMISSIONS	—	—	-3,505.9	—	—	-265.1

SOURCE: Banco de España.

- a. Changes in assets and liabilities are both net of repayments.
b. Mainly loans, repo operations and deposits.

ACCOUNTING CONVENTION:

Financial account excluding Banco de España:

NCA: a positive (negative) sign denotes an increase (decrease) in assets; it is thus a capital outflow (inflow).

NCL: a positive (negative) sign denotes an increase (decrease) in liabilities; it is thus a capital inflow (outflow).

NCL-NCA: a positive (negative) sign denotes a capital inflow (outflow).

Banco de España: a positive (negative) sign denotes a decrease (increase) in Banco de España net claims on the rest of the world.

Errors and omissions: a positive (negative) sign denotes a credit (debit) not recorded in any other Balance of Payments heading.

BALANCE OF PAYMENTS: MAIN COMPONENTS
Quarterly data

TABLE 6.2.2

	2007	2007			
		Q1	Q2	Q3	Q4
CREDITS					
CURRENT ACCOUNT	361,275.7	85,260.0	91,636.2	88,954.1	95,425.4
Trade balance	192,612.9	49,062.2	49,800.2	44,596.6	49,153.9
Services	93,234.3	19,311.4	22,158.0	28,680.0	23,085.0
Travel	42,061.3	7,753.2	10,131.0	14,970.6	9,206.5
Other services	51,173.0	11,558.1	12,027.0	13,709.4	13,878.5
Income	56,827.2	12,599.5	16,107.1	12,270.2	15,850.3
Labour	1,466.1	364.5	350.2	360.3	391.1
Investment	55,361.1	12,235.0	15,756.9	11,909.9	15,459.2
Current transfers	18,601.3	4,286.9	3,570.9	3,407.4	7,336.2
CAPITAL ACCOUNT	6,419.6	1,847.3	942.0	965.3	2,665.0
CURRENT AND CAPITAL ACCOUNTS	367,695.3	87,107.3	92,578.2	89,919.4	98,090.4
DEBITS					
CURRENT ACCOUNT	466,653.8	110,872.2	116,376.2	115,698.2	123,707.2
Trade balance	283,858.7	69,430.2	71,830.6	68,025.8	74,572.1
Services	70,158.3	16,088.7	16,725.2	18,645.7	18,698.6
Travel	14,360.4	3,153.8	3,212.2	4,339.3	3,655.0
Other services	55,797.9	12,934.9	13,513.0	14,306.4	15,043.6
Income	86,968.7	18,385.3	22,467.3	22,622.6	23,493.5
Labour	1,743.1	441.3	447.9	420.1	433.7
Investment	85,225.6	17,943.9	22,019.4	22,202.5	23,059.8
Current transfers	25,668.2	6,968.0	5,353.2	6,404.1	6,942.9
CAPITAL ACCOUNT	1,841.9	724.1	309.6	445.2	363.0
CURRENT AND CAPITAL ACCOUNTS	468,495.7	111,596.2	116,685.8	116,143.4	124,070.2
BALANCES					
CURRENT ACCOUNT	-105,378.2	-25,612.2	-24,740.0	-26,744.1	-28,281.8
Trade balance	-91,245.8	-20,368.0	-22,030.3	-23,429.2	-25,418.2
Services	23,076.0	3,222.7	5,432.8	10,034.3	4,386.3
Travel	27,700.9	4,599.4	6,918.7	10,631.3	5,551.5
Other services	-4,624.9	-1,376.7	-1,486.0	-597.0	-1,165.1
Income	-30,141.5	-5,785.7	-6,360.1	-10,352.4	-7,643.2
Labour	-277.0	-76.8	-97.7	-59.9	-42.6
Investment	-29,864.6	-5,708.9	-6,262.5	-10,292.6	-7,600.6
Current transfers	-7,066.8	-2,681.1	-1,782.3	-2,996.7	393.3
CAPITAL ACCOUNT	4,577.8	1,123.2	632.4	520.1	2,302.0
CURRENT AND CAPITAL ACCOUNTS	-100,800.4	-24,489.0	-24,107.7	-26,224.0	-25,979.8
FINANCIAL ACCOUNT (NCL-NCA) (a)	101,065.5	24,667.0	24,014.6	29,432.3	22,951.5
EXCLUDING BANCO DE ESPAÑA(NCL-NCA)	86,743.4	30,475.3	37,599.5	6,824.5	11,844.0
Spanish investment abroad (NCA)	149,785.8	53,442.2	40,156.4	27,124.2	29,062.9
Direct investment	101,190.7	8,605.3	30,375.6	16,105.6	46,104.1
Portfolio investment	-8,601.4	10,404.3	6,488.6	-14,169.2	-11,325.0
Other investment (b)	57,196.4	34,432.6	3,292.2	25,187.8	-5,716.2
— Monetary financial institutions	50,861.1	35,668.2	171.4	22,221.0	-7,199.4
— General government	1,402.7	-1,714.8	47.0	-376.4	3,447.0
— Other resident sectors	4,932.6	479.3	3,073.9	3,343.2	-1,963.8
Foreign investment in Spain (NCL)	240,688.1	83,302.3	77,054.8	36,202.5	44,128.5
Direct investment	50,289.0	943.7	10,388.1	2,740.4	36,216.8
Portfolio investment	96,177.9	63,209.5	50,403.9	6,646.1	-24,081.7
Other investment (b)	94,221.2	19,149.0	16,262.8	26,816.0	31,993.3
— Monetary financial institutions	75,399.0	18,421.4	8,996.0	18,948.6	29,033.0
— General government	517.5	-680.5	484.7	668.7	44.7
— Other resident sectors	18,304.7	1,408.1	6,782.2	7,198.8	2,915.6
Financial derivatives (NCL-NCA)	-4,159.0	615.2	701.0	-2,253.8	-3,221.5
BANCO DE ESPAÑA (NCL-NCA)	14,322.1	-5,808.3	-13,584.8	22,607.8	11,107.5
Reserves	-164.2	43.3	-354.5	294.5	-147.5
Claims on the Eurosystem	28,329.0	-2,469.0	-8,870.0	25,951.0	13,717.0
Other net assets	-13,842.7	-3,382.6	-4,360.4	-3,637.7	-2,462.0
ERRORS AND OMISSIONS	-265.1	-178.1	93.0	-3,208.3	3,028.2

SOURCE: Banco de España.

- a. Changes in assets and liabilities are both net of repayments.
b. Mainly loans, repo operations and deposits.

ACCOUNTING CONVENTION:

Financial account excluding Banco de España:

NCA: a positive (negative) sign denotes an increase (decrease) in assets; it is thus a capital outflow (inflow).

NCL: a positive (negative) sign denotes an increase (decrease) in liabilities; it is thus a capital inflow (outflow).

NCL-NCA: a positive (negative) sign denotes a capital inflow (outflow).

Banco de España: a positive (negative) sign denotes a decrease (increase) in Banco de España claims on the rest of the world.

Errors and omissions: a positive (negative) sign denotes a credit (debit) not recorded in any other Balance of Payments heading.

BALANCE OF SERVICES BY COMPONENT

TABLE 6.2.3

	2007	2007			
		Q1	Q2	Q3	Q4
€m					
CREDITS	93,234.3	19,311.4	22,158.0	28,680.0	23,085.0
Travel	42,061.3	7,753.2	10,131.0	14,970.6	9,206.5
Transportation	15,303.9	3,483.4	3,910.9	3,979.5	3,930.2
Freight	5,290.1	1,326.5	1,351.5	1,236.1	1,375.9
Passenger transport	5,309.7	1,172.9	1,400.5	1,400.6	1,335.8
— Air transport	5,070.9	1,123.7	1,345.8	1,332.9	1,268.5
— Overland and other transport	44.7	11.0	9.4	12.6	11.7
— Sea transport	194.1	38.2	45.3	55.1	55.6
Other (a)	4,704.1	984.0	1,158.8	1,342.8	1,218.5
Communication services	1,243.6	257.4	266.3	336.4	383.5
Construction services	3,000.1	448.7	512.6	611.5	1,427.4
Insurance services	1,110.1	201.3	253.1	329.8	325.9
Financial services	4,297.9	903.6	1,017.7	1,297.2	1,079.4
Computer and information services	3,909.5	1,099.8	690.3	1,138.0	981.4
Other business services	20,006.0	4,663.5	4,812.4	5,388.3	5,141.8
Merchanting (b)	1,382.9	262.6	275.7	679.6	165.0
Operational leasing (c)	860.5	116.6	203.8	216.3	323.8
Miscellaneous business, professional and technical	17,762.6	4,284.3	4,332.9	4,492.4	4,653.0
Personal, cultural and recreational services	1,211.7	251.0	299.3	378.6	282.9
Audiovisual	524.0	119.5	150.4	146.1	108.0
Other cultural and recreational services	687.8	131.5	148.9	232.5	174.9
Government services	700.5	155.1	174.0	177.0	194.4
Royalties and licence fees	389.6	94.4	90.3	73.2	131.7
DEBITS	70,158.3	16,088.7	16,725.2	18,645.7	18,698.6
Travel	14,360.4	3,153.8	3,212.2	4,339.3	3,655.0
Transportation	16,321.5	3,727.6	4,112.1	4,264.0	4,217.8
Freight	9,840.1	2,420.6	2,495.8	2,361.1	2,562.5
Passenger transport	3,376.1	630.7	840.4	1,047.6	857.3
— Air transport	3,266.4	610.3	821.0	1,009.0	826.2
— Overland and other transport	28.5	3.9	8.8	10.4	5.4
— Sea transport	81.1	16.5	10.7	28.2	25.7
Other (a)	3,105.3	676.3	775.8	855.3	798.0
Communication services	2,172.0	510.0	525.9	546.9	589.2
Construction services	1,375.7	288.5	342.9	325.9	418.4
Insurance services	1,942.8	397.1	495.1	553.1	497.6
Financial services	3,701.0	833.2	868.7	1,147.7	851.4
Computer and information services	1,916.2	470.1	445.5	451.2	549.5
Other business services	23,635.3	5,657.2	5,609.6	5,735.0	6,633.5
Merchanting (b)	1,520.6	378.6	365.3	331.5	445.2
— Operational leasing (c)	1,374.7	370.0	251.3	449.8	303.6
Miscellaneous business, professional and technical	20,740.0	4,908.6	4,993.0	4,953.7	5,884.7
Personal, cultural and recreational services	1,763.9	430.6	416.1	522.1	395.1
Audiovisual	1,011.7	276.1	258.3	246.4	230.9
Other cultural and recreational services	752.2	154.5	157.8	275.7	164.2
Government services	342.3	82.0	100.5	74.7	85.1
Royalties and licence fees	2,627.2	538.8	596.6	685.8	805.9

SOURCE: Banco de España.

a. Includes transport support and auxiliary services.

b. Includes other trade-related services.

c. Includes rental of transportation without crew.

BALANCE OF SERVICES BY COMPONENT (cont'd)

TABLE 6.2.3

€m	2007	2007			
		Q1	Q2	Q3	Q4
BALANCE	23,076.0	3,222.7	5,432.8	10,034.3	4,386.3
Travel	27,700.9	4,599.4	6,918.7	10,631.3	5,551.5
Transportation	-1,017.6	-244.2	-201.2	-284.6	-287.6
<i>Freight</i>	-4,550.0	-1,094.1	-1,144.3	-1,125.0	-1,186.6
<i>Passenger transport</i>	1,933.6	542.2	560.1	353.0	478.5
— Air transport	1,804.5	513.3	524.9	323.9	442.3
— Overland and other transport	16.1	7.1	0.6	2.2	6.3
— Sea transport	113.0	21.7	34.6	26.9	29.9
<i>Other (a)</i>	1,598.8	307.7	383.0	487.5	420.5
Communication services	-928.4	-252.6	-259.6	-210.5	-205.7
Construction services	1,624.5	160.2	169.7	285.6	1,008.9
Insurance services	-832.7	-195.7	-242.0	-223.3	-171.7
Financial services	596.9	70.4	149.1	149.4	228.0
Computer and information services	1,993.3	629.7	244.8	686.9	431.9
Other business services	-3,629.3	-993.7	-797.2	-346.7	-1,491.8
<i>Merchandising (b)</i>	-137.7	-116.0	-89.6	348.1	-280.3
<i>Operational leasing (c)</i>	-514.2	-253.5	-47.5	-233.4	20.2
<i>Miscellaneous business, professional and technical</i>	-2,977.4	-624.3	-660.1	-461.3	-1,231.7
Personal, cultural and recreational services	-552.2	-179.6	-116.8	-143.6	-112.1
<i>Audiovisual</i>	-487.7	-156.6	-107.9	-100.3	-122.9
<i>Other cultural and recreational services</i>	-64.4	-23.0	-8.9	-43.3	10.8
Government services	358.2	73.1	73.5	102.3	109.3
Royalties and licence fees	-2,237.6	-444.4	-506.3	-612.6	-674.3

SOURCE: Banco de España.

a. Includes transport support and auxiliary services.

b. Includes other trade-related services.

c. Includes rental of transportation without crew.

INVESTMENT INCOME BY SECTOR

TABLE 6.2.4

€m	2007	2007			
		Q1	Q2	Q3	Q4
Credits	55,361.1	12,235.0	15,756.9	11,909.9	15,459.2
<i>Monetary financial institutions</i>	21,567.0	5,188.0	6,034.8	4,807.5	5,536.7
<i>General government</i>	712.2	146.1	174.9	179.8	211.5
<i>Other resident sectors</i>	33,081.8	6,900.9	9,547.3	6,922.6	9,711.0
Debits	85,225.6	17,943.9	22,019.4	22,202.5	23,059.8
<i>Monetary financial institutions</i>	32,782.1	7,522.8	7,716.0	8,576.0	8,967.2
<i>General government</i>	8,891.0	2,228.6	2,244.7	2,292.6	2,125.1
<i>Other resident sectors</i>	43,552.6	8,192.5	12,058.6	11,333.9	11,967.5
Balance	-29,864.6	-5,708.9	-6,262.5	-10,292.6	-7,600.6
<i>Monetary financial institutions</i>	-11,215.0	-2,334.8	-1,681.3	-3,768.4	-3,430.5
<i>General government</i>	-8,178.8	-2,082.5	-2,069.9	-2,112.8	-1,913.6
<i>Other resident sectors</i>	-10,470.7	-1,291.6	-2,511.3	-4,411.3	-2,256.5

SOURCE: Banco de España.

INVESTMENT INCOME BY INSTRUMENT

TABLE 6.2.5

	2007	2007			
		Q1	Q2	Q3	Q4
Credits	55,361.1	12,235.0	15,756.9	11,909.9	15,459.2
<i>Direct investment income</i>	27,767.7	5,373.1	8,918.2	5,191.1	8,285.3
<i>Portfolio investment income</i>	14,740.5	3,902.8	3,849.0	3,457.5	3,531.3
— Distributed dividends	2,181.9	319.2	917.2	449.0	496.4
— Other portfolio investment	12,558.6	3,583.6	2,931.7	3,008.5	3,034.9
<i>Other investment income</i>	12,852.8	2,959.1	2,989.8	3,261.3	3,642.6
Debits	85,225.6	17,943.9	22,019.4	22,202.5	23,059.8
<i>Direct investment income (a)</i>	21,943.4	3,544.2	6,640.8	5,617.3	6,141.2
<i>Portfolio investment income (b)</i>	39,323.1	8,751.5	10,047.8	10,436.3	10,087.5
— Distributed dividends (b)	6,943.1	1,319.5	1,945.8	2,018.3	1,659.5
— Other negotiable securities investments	32,380.0	7,432.0	8,102.0	8,418.0	8,428.0
<i>Other investment income</i>	23,959.1	5,648.2	5,330.8	6,149.0	6,831.1

SOURCE: Banco de España.

- a. Does not include income from direct investment in listed shares; includes income from portfolio investment in unlisted shares.
 b. Includes income from direct investment in listed shares; does not include income from portfolio

CURRENT TRANSFERS BY SECTOR

TABLE 6.2.6

	2007	2007			
		Q1	Q2	Q3	Q4
CREDITS	18,601.3	4,286.9	3,570.9	3,407.4	7,336.2
General government	3,623.1	1,237.3	356.8	822.5	1,206.5
<i>Of which: with the EU</i>	1,744.4	599.6	133.6	435.4	575.7
Other sectors	14,978.2	3,049.6	3,214.1	2,584.9	6,129.7
<i>Workers' remittances</i>	5,310.3	1,211.7	1,304.4	1,463.4	1,330.8
<i>Other transfers</i>	9,667.9	1,837.9	1,909.7	1,121.4	4,798.9
— Of which: with the EU	6,333.4	1,105.9	1,178.3	265.3	3,783.9
DEBITS	25,668.2	6,968.0	5,353.2	6,404.1	6,942.9
General government	12,341.0	3,942.9	2,164.2	2,954.3	3,279.6
<i>Of which: with the EU</i>	10,314.1	3,345.2	1,728.4	2,546.0	2,694.5
Other sectors	13,327.2	3,025.1	3,189.0	3,449.8	3,663.3
<i>Workers' remittances</i>	8,444.9	1,907.5	2,011.2	2,210.1	2,316.1
<i>Other transfers</i>	4,882.3	1,117.6	1,177.8	1,239.6	1,347.2
BALANCE	-7,066.8	-2,681.1	-1,782.3	-2,996.7	393.3
General government	-8,717.9	-2,705.6	-1,807.4	-2,131.8	-2,073.1
<i>Of which: with the EU</i>	-8,569.7	-2,745.6	-1,594.8	-2,110.5	-2,118.8
Other sectors	1,651.0	24.5	25.1	-864.9	2,466.4
<i>Workers' remittances</i>	-3,134.6	-695.8	-706.8	-746.7	-985.3
<i>Other transfers</i>	4,785.7	720.3	731.9	-118.2	3,451.7
— Of which: with the EU	6,333.4	1,105.9	1,178.3	265.3	3,783.9

SOURCES: Banco de España, Dirección General del Tesoro y Política Financiera (Ministerio de Economía y Hacienda) and Fondo Español de Garantía Agraria (Ministerio de Medio Ambiente y Medio Rural y Marino).

CAPITAL ACCOUNT

TABLE 6.2.7

€m	2007	2007			
		Q1	Q2	Q3	Q4
CREDITS	6,419.6	1,847.3	942.0	965.3	2,665.0
Capital transfers	6,271.8	1,828.1	909.4	896.8	2,637.5
<i>General government</i>	4,947.3	1,506.9	580.6	538.6	2,321.2
— Of which: with the EU	4,597.5	1,469.3	537.4	512.1	2,078.7
<i>Other sectors</i>	1,324.5	321.2	328.8	358.2	316.3
Disposal of non-produced intangible assets	147.8	19.2	32.6	68.5	27.5
DEBITS	1,841.9	724.1	309.6	445.2	363.0
Capital transfers	1,210.4	589.5	175.5	249.7	195.7
<i>General government</i>	95.8	24.1	18.3	23.7	29.7
— Of which: with the EU	-	-	-	-	-
<i>Other sectors</i>	1,114.6	565.3	157.1	226.0	166.1
Acquisition of non-produced intangible assets	631.5	134.6	134.1	195.5	167.3
BALANCE	4,577.8	1,123.2	632.4	520.1	2,302.0
Capital transfers	5,061.4	1,238.6	733.9	647.1	2,441.8
<i>General government</i>	4,851.5	1,482.8	562.3	514.9	2,291.5
— Of which: with the EU	4,597.5	1,469.3	537.4	512.1	2,078.7
<i>Other sectors</i>	210.0	-244.1	171.6	132.2	150.3
Disposal/acquisition of non-produced intangible assets	-483.6	-115.4	-101.6	-126.9	-139.7

SOURCES: Banco de España, Dirección General del Tesoro y Política Financiera (Ministerio de Economía y Hacienda) and Fondo Español de Garantía Agraria (Ministerio de Medio Ambiente y Medio Rural y Marino).

€m	2007	2007			
		Q1	Q2	Q3	Q4
SPANISH INVESTMENT ABROAD (NCA)	145,407.2	59,293.9	53,386.8	4,811.0	27,915.5
Direct investment	101,190.7	8,605.3	30,375.6	16,105.6	46,104.1
<i>Monetary financial institutions</i>	31,761.8	1,469.1	1,769.3	7,373.4	21,150.1
<i>Other resident sectors</i>	69,428.8	7,136.3	28,606.3	8,732.2	24,954.1
Portfolio investment (including Banco de España)	5,749.7	13,648.0	11,196.1	-10,507.2	-8,587.2
<i>Banco de España</i>	14,351.0	3,243.8	4,707.5	3,662.0	2,737.7
<i>Other monetary financial institutions</i>	2,748.8	4,818.6	440.5	-59.5	-2,450.8
<i>General government</i>	6,107.1	2,712.9	-36.7	2,814.8	616.1
<i>Other resident sectors</i>	-17,457.2	2,872.8	6,084.8	-16,924.5	-9,490.3
Other investment (including Banco de España) (b)	38,466.8	37,040.5	11,815.1	-787.4	-9,601.4
<i>Banco de España</i>	-18,729.6	2,607.9	8,522.9	-25,975.2	-3,885.2
<i>Other monetary financial institutions</i>	50,861.1	35,668.2	171.4	22,221.0	-7,199.4
<i>General government</i>	1,402.7	-1,714.8	47.0	-376.4	3,447.0
<i>Other resident sectors</i>	4,932.6	479.3	3,073.9	3,343.2	-1,963.8
FOREIGN INVESTMENT IN SPAIN (NCL)	250,795.9	83,302.3	77,054.8	36,202.6	54,236.1
Direct investment	50,289.0	943.7	10,388.1	2,740.4	36,216.8
<i>Monetary financial institutions</i>	1,023.3	17.6	137.9	265.3	602.5
<i>Other resident sectors</i>	49,265.7	926.2	10,250.2	2,475.1	35,614.2
Portfolio investment	96,177.9	63,209.5	50,403.9	6,646.1	-24,081.7
<i>Monetary financial institutions</i>	38,177.8	15,801.6	20,754.1	5,954.2	-4,332.1
<i>General government</i>	-16,214.3	3,672.6	-660.3	-9,446.9	-9,779.8
<i>Other resident sectors</i>	74,214.5	43,735.4	30,310.1	10,138.8	-9,969.8
Other investment (including Banco de España) (b)	104,328.9	19,149.1	16,262.9	26,816.1	42,101.0
<i>Banco de España</i>	10,107.7	0.0	0.0	0.1	10,107.6
<i>Other monetary financial institutions</i>	75,399.0	18,421.4	8,996.0	18,948.6	29,033.0
<i>General government</i>	517.5	-680.5	484.7	668.7	44.7
<i>Other resident sectors</i>	18,304.7	1,408.1	6,782.2	7,198.8	2,915.6
FINANCIAL DERIVATIVES (NCL – NCA)	-4,159.0	615.2	701.0	-2,253.8	-3,221.5
<i>Banco de España</i>	-	-	-	-	-
<i>Monetary financial institutions</i>	-2,205.1	124.9	1,022.0	-614.0	-2,738.0
<i>General government</i>	-285.2	-82.7	-31.1	27.0	-198.5
<i>Other resident sectors</i>	-1,668.7	573.0	-289.9	-1,666.8	-285.0
RESERVES	-164.2	43.3	-354.5	294.5	-147.5

SOURCE: Banco de España.

- a. Changes in assets and liabilities are both net of repayments.
b. Mainly loans, repo operations and deposits.

ACCOUNTING CONVENTION:

NCA: a positive (negative) sign denotes an increase (decrease) in assets; it is thus a capital outflow (inflow).
NCL: a positive (negative) sign denotes an increase (decrease) in liabilities; it is thus a capital inflow (outflow).
NCL-NCA: a positive (negative) sign denotes a capital inflow (outflow).
Reserves: a positive (negative) sign denotes a decrease (increase) in the reserves.

€m

	2007	2007			
		Q1	Q2	Q3	Q4
GENERAL GOVERNMENT (NCL – NCA)	-23,491.9	1,911.4	-216.9	-11,189.6	-13,996.7
Portfolio investment (NCL – NCA)	-22,321.4	959.7	-623.6	-12,261.7	-10,395.9
<i>Spanish investment abroad (NCA)</i>	6,107.1	2,712.9	-36.7	2,814.8	616.1
– Bonds and notes	6,113.6	2,712.8	-37.1	2,814.7	623.1
<i>Foreign investment in Spain (NCL)</i>	-16,214.3	3,672.6	-660.3	-9,446.9	-9,779.8
– Bonds and notes	-15,661.3	3,833.0	-1,100.9	-8,894.3	-9,499.0
– Money market instruments	-553.1	-160.4	440.6	-552.5	-280.8
Other investment (NCL – NCA) (b)	-885.2	1,034.3	437.8	1,045.1	-3,402.4
<i>Spanish investment abroad (NCA)</i>	1,402.7	-1,714.8	47.0	-376.4	3,447.0
– Long-term loans and deposits	668.0	112.6	158.1	243.0	154.3
– Short-term loans and deposits	734.7	-1,827.4	-111.2	-619.5	3,292.7
<i>Foreign investment in Spain (NCL)</i>	517.5	-680.5	484.7	668.7	44.7
– Long-term loans	832.2	472.9	81.5	-217.6	495.4
– Short-term loans	-314.7	-1,153.4	403.2	886.3	-450.7
Financial derivatives (NCL – NCA)	-285.2	-82.7	-31.1	27.0	-198.5
OTHER RESIDENT SECTORS (NCL – NCA)	83,212.0	36,154.3	9,287.7	22,995.0	14,775.0
Direct investment (NCL – NCA)	-20,163.1	-6,210.1	-18,356.1	-6,257.1	10,660.2
<i>Spanish investment abroad (NCA)</i>	69,428.8	7,136.3	28,606.3	8,732.2	24,954.1
– Shares	50,144.7	4,436.9	28,574.9	2,781.4	14,351.5
– Other equity	1,361.4	1,051.4	1,999.5	-3,547.8	1,858.4
– Reinvested earnings	10,126.7	2,531.7	2,531.7	2,531.7	2,531.7
– Intercompany debt transactions	4,427.3	-1,777.2	-5,424.8	6,089.1	5,540.2
– Real estate	3,368.7	893.6	925.1	877.8	672.3
<i>Foreign investment in Spain (NCL)</i>	49,265.7	926.2	10,250.2	2,475.1	35,614.2
– Shares	18,484.9	-1,259.5	14.9	-1,015.1	20,744.5
– Other equity	5,297.8	16.3	258.7	2,736.3	2,286.5
– Reinvested earnings	6,680.5	1,670.1	1,670.1	1,670.1	1,670.1
– Intercompany debt transactions	13,455.9	-714.9	6,879.9	-2,162.3	9,453.1
– Real estate	5,346.6	1,214.0	1,426.5	1,246.1	1,460.0
Portfolio investment (NCL – NCA)	91,671.7	40,862.6	24,225.3	27,063.4	-479.5
<i>Spanish investment abroad (NCA)</i>	-17,457.2	2,872.8	6,084.8	-16,924.5	-9,490.3
– Shares and mutual funds	-9,862.5	2,153.1	4,373.0	-10,874.1	-5,514.5
– Bonds and notes	-5,281.4	557.7	1,323.4	-4,391.4	-2,771.1
– Money market instruments	-2,313.3	162.0	388.4	-1,659.1	-1,204.6
<i>Foreign investment in Spain (NCL)</i>	74,214.5	43,735.4	30,310.1	10,138.8	-9,969.8
– Shares	15,293.0	6,771.4	8,749.4	5,830.0	-6,057.8
– Bonds and notes	63,174.1	36,574.6	21,576.5	6,903.7	-1,880.7
– Money market instruments	-4,252.7	389.4	-15.9	-2,594.9	-2,031.3
Other investment (NCL – NCA) (b)	13,372.1	928.8	3,708.3	3,855.5	4,879.4
<i>Spanish investment abroad (NCA)</i>	4,932.6	479.3	3,073.9	3,343.2	-1,963.8
– Long-term loans and deposits	101.9	128.5	187.3	37.8	-251.8
– Short-term loans and deposits	4,830.6	350.8	2,886.5	3,305.4	-1,712.0
<i>Foreign investment in Spain (NCL)</i>	18,304.7	1,408.1	6,782.2	7,198.8	2,915.6
– Long-term loans	21,670.3	2,743.7	954.5	12,710.7	5,261.4
– Short-term loans	-3,365.6	-1,335.6	5,827.7	-5,512.0	-2,345.8
Financial derivatives (NCL – NCA)	-1,668.7	573.0	-289.9	-1,666.8	-285.0

SOURCE: Banco de España.

- a. Changes in assets and liabilities are both net of repayments.
b. Mainly loans, repo operations and deposits.

ACCOUNTING CONVENTION:

NCA: a positive (negative) sign denotes an increase (decrease) in assets; it is thus a capital outflow (inflow).
NCL: a positive (negative) sign denotes an increase (decrease) in liabilities; it is thus a capital inflow (outflow).
NCL-NCA: a positive (negative) sign denotes a capital inflow (outflow).

	2007	2007			
		Q1	Q2	Q3	Q4
MONETARY FINANCIAL INSTITUTIONS, EXCLUDING BANCO DE ESPAÑA (NCL-NCA)					
MONETARY FINANCIAL INSTITUTIONS, EXCLUDING BANCO DE ESPAÑA (NCL-NCA)	27,023.2	-7,590.4	28,528.8	-4,980.9	11,065.7
Direct investment (NCL-NCA)	-30,738.5	-1,451.5	-1,631.5	-7,108.1	-20,547.5
<i>Spanish investment abroad (NCA)</i>	<i>31,761.8</i>	<i>1,469.1</i>	<i>1,769.3</i>	<i>7,373.4</i>	<i>21,150.1</i>
– Shares	29,347.7	942.6	1,140.2	6,755.9	20,508.9
– Other equity	-23.1	-87.7	17.5	10.8	36.4
– Reinvested earnings	2,423.4	605.8	605.8	605.8	605.8
– Real estate	13.9	8.3	5.8	0.9	-1.1
<i>Foreign investment in Spain (NCL)</i>	<i>1,023.3</i>	<i>17.6</i>	<i>137.9</i>	<i>265.3</i>	<i>602.5</i>
– Shares	85.3	-49.6	50.0	144.1	-59.1
– Other equity	658.2	-2.7	17.9	51.3	591.7
– Reinvested earnings	279.8	70.0	70.0	70.0	70.0
Portfolio investment (NCL – NCA)	35,429.0	10,983.0	20,313.6	6,013.7	-1,881.2
<i>Spanish investment abroad (NCA)</i>	<i>2,748.8</i>	<i>4,818.6</i>	<i>440.5</i>	<i>-59.5</i>	<i>-2,450.8</i>
– Shares and mutual funds	3,249.8	1,987.9	1,289.9	1,346.0	-1,374.0
– Bonds and notes	84.4	-728.4	3,832.8	-2,003.3	-1,016.6
– Money market instruments	-585.5	3,559.1	-4,682.2	597.8	-60.2
<i>Foreign investment in Spain (NCL)</i>	<i>38,177.8</i>	<i>15,801.6</i>	<i>20,754.1</i>	<i>5,954.2</i>	<i>-4,332.1</i>
– Shares	-3,327.1	-2,749.3	-2,292.1	915.5	798.8
– Bonds and notes	30,415.5	14,031.7	22,310.9	1,267.6	-7,194.6
– Money market instruments	11,089.3	4,519.2	735.4	3,771.1	2,063.7
Other investment (NCL – NCA) (b)	24,537.9	-17,246.8	8,824.6	-3,272.4	36,232.5
<i>Spanish investment abroad (NCA)</i>	<i>50,861.1</i>	<i>35,668.2</i>	<i>171.4</i>	<i>22,221.0</i>	<i>-7,199.4</i>
– Long-term	11,468.3	3,630.5	3,872.0	2,295.3	1,670.6
– Short-term	39,392.8	32,037.7	-3,700.6	19,925.7	-8,870.0
– Loans	6,376.2	-3,244.9	269.0	2,535.0	6,817.0
– Deposits	33,016.7	35,282.6	-3,969.5	17,390.7	-15,687.1
<i>Foreign investment in Spain (NCL)</i>	<i>75,399.0</i>	<i>18,421.4</i>	<i>8,996.0</i>	<i>18,948.6</i>	<i>29,033.0</i>
– Long-term	4,064.7	498.7	2,417.2	2,079.2	-930.5
– Short-term	71,334.3	17,922.7	6,578.7	16,869.4	29,963.5
Financial derivatives (NCL – NCA)	-2,205.1	124.9	1,022.0	-614.0	-2,738.0
BANCO DE ESPAÑA (NCL – NCA)					
BANCO DE ESPAÑA (NCL – NCA)	14,322.1	-5,808.3	-13,584.8	22,607.8	11,107.5
Portfolio investment (NCL – NCA)	-14,351.0	-3,243.8	-4,707.5	-3,662.0	-2,737.7
Other investment (NCL – NCA)	28,837.3	-2,607.8	-8,522.9	25,975.3	13,992.8
<i>Spanish investment abroad (NCA)</i>	<i>-18,729.6</i>	<i>2,607.9</i>	<i>8,522.9</i>	<i>-25,975.2</i>	<i>-3,885.2</i>
<i>Foreign investment in Spain (NCL)</i>	<i>10,107.7</i>	<i>0.0</i>	<i>0.0</i>	<i>0.1</i>	<i>10,107.6</i>
Financial derivatives (NCL – NCA)	-	-	-	-	-
RESERVES	-164.2	43.3	-354.5	294.5	-147.5

SOURCE: Banco de España.

a. Changes in assets and liabilities are both net of repayments.

b. Mainly loans, repo operations and deposits.

ACCOUNTING CONVENTION:

NCA: a positive (negative) sign denotes an increase (decrease) in assets; it is thus a capital outflow (inflow).

NCL: a positive (negative) sign denotes an increase (decrease) in liabilities; it is thus a capital inflow (outflow).

NCL-NCA: a positive (negative) sign denotes a capital inflow (outflow).

Reserves: a positive (negative) sign denotes a decrease (increase) in the reserves.

DIRECT INVESTMENT

TABLE 6.2.10

€m	2007	2007			
		Q1	Q2	Q3	Q4
DIRECT INVESTMENT					
Spanish investment abroad (NCA)	101,190.7	8,605.3	30,375.6	16,105.6	46,104.1
<i>Of which: ETVE (a)</i>	<i>4,228.7</i>	<i>2,461.8</i>	<i>116.7</i>	<i>241.0</i>	<i>1,409.2</i>
Foreign investment in Spain (NCL)	50,289.0	943.7	10,388.1	2,740.4	36,216.8
<i>Of which: ETVE (a)</i>	<i>6,981.4</i>	<i>1,433.0</i>	<i>913.1</i>	<i>390.4</i>	<i>4,244.8</i>

SOURCE: Banco de España.

a. Estimate based on the CNAE classification. It includes the transactions of ETVE companies and of other holding companies which are not strictly ETVE, but which, like them, have been established in Spain for the main purpose of channelling direct investment flows.

BALANCE OF PAYMENTS IN 2007
Breakdown by selected economic area (a)

TABLE 6.2.11

€m	WORLD TOTAL			EUROPE			EUROPEAN UNION		
	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET
	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)
CURRENT ACCOUNT	361,275.7	466,653.8	-105,378.2	287,293.5	336,270.8	-48,977.3	261,940.2	309,702.1	-47,761.9
Goods	192,612.9	283,858.7	-91,245.8	151,953.2	191,299.4	-39,346.2	139,167.7	173,370.3	-34,202.6
Services	93,234.3	70,158.3	23,076.0	77,550.4	53,110.0	24,440.3	68,225.8	47,096.0	21,129.8
Travel	42,061.3	14,360.4	27,700.9	38,612.5	10,303.1	28,309.4	35,403.6	9,157.5	26,246.1
Other services	51,173.0	55,797.9	-4,624.9	38,937.8	42,806.9	-3,869.0	32,822.2	37,938.4	-5,116.3
Income	56,827.2	86,968.7	-30,141.5	41,982.2	76,316.8	-34,334.6	39,723.5	74,071.2	-34,347.7
Monetary financial institutions	21,567.0	32,782.1	-11,215.0	16,543.9	28,477.5	-11,933.5	16,100.8	27,828.7	-11,727.9
General government	712.2	8,891.0	-8,178.8	602.0	8,325.9	-7,723.9	599.5	8,312.0	-7,712.5
Other resident sectors	34,547.9	45,295.6	-10,747.7	24,836.2	39,513.4	-14,677.2	23,023.2	37,930.5	-14,907.2
Current transfers	18,601.3	25,668.2	-7,066.8	15,807.8	15,544.6	263.2	14,823.2	15,164.7	-341.5
CAPITAL ACCOUNT	6,419.6	1,841.9	4,577.8	5,821.3	1,083.9	4,737.5	5,597.7	936.4	4,661.3
FINANCIAL ACCOUNT (excluding Banco de España) (b)	...	...	...	...	...	...	...	...	...
Monetary financial institutions	114,600.1	85,371.7	29,228.4	95,411.9	67,423.9	27,988.0	92,311.7	64,463.2	27,848.5
Direct investment (c)	1,023.3	31,761.8	-30,738.5	795.0	22,382.9	-21,587.9	787.8	22,520.5	-21,732.7
Portfolio investment	38,177.8	2,748.8	35,429.0	26,378.1	436.5	25,941.5	25,717.7	395.3	25,322.3
Other investment	75,399.0	50,861.1	24,537.9	68,238.8	44,604.4	23,634.4	65,806.2	41,547.4	24,258.9
General government	-15,696.8	7,509.8	-23,206.6	-14,264.2	7,193.4	-21,457.7	-14,164.4	7,120.2	-21,284.6
Portfolio investment	-16,214.3	6,107.1	-22,321.4	-15,313.0	6,108.2	-21,421.2	-15,213.1	6,108.2	-21,321.3
Other investment	517.5	1,402.7	-885.2	1,048.7	1,085.2	-36.5	1,048.7	1,012.0	36.7
Other resident sectors	141,784.9	56,904.3	84,880.6	129,754.1	33,256.7	96,497.4	129,745.3	31,532.3	98,213.0
Direct investment (c)	49,265.7	69,428.8	-20,163.1	47,939.9	47,958.1	-18.2	46,382.3	47,030.3	-648.0
Portfolio investment	74,214.5	-17,457.2	91,671.7	63,750.8	-18,604.6	82,355.4	65,379.4	-19,225.7	84,605.1
Other investment	18,304.7	4,932.6	13,372.1	18,063.4	3,903.2	14,160.2	17,983.6	3,727.7	14,255.8

SOURCE: Banco de España.

a. The difference between the world total amounts and the sum of the geographical areas corresponds to geographically unallocated information, which in no case represents large amounts, and to amounts corresponding to international organisations other than those of the European Union.

b. Derivatives not included.

c. In the case of direct investment, the change in assets corresponds to Spain's investment abroad, which includes, among other transactions, loans received by Spanish parent companies from their non-resident subsidiaries, which reduce such investment. Likewise, the change in liabilities corresponds to foreign investment in Spain, which includes loans granted by Spanish subsidiary companies to their non-resident parents (see Chapter 5).

«.» Amount below €50 million. Net balances are published if both credits and debits (or net changes in liabilities and net changes in assets) are over €50 million.

NOTE:

EUROPEAN UNION (EU 27): International institutions of the European Union, European Central Bank, France, Belgium, Netherlands, Germany, Italy, United Kingdom, Ireland, Denmark, Greece, Portugal, Luxembourg, Austria, Finland, Sweden, Cyprus, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Malta, Poland, Slovenia, Slovakia, Romania, Bulgaria and their dependencies.

BALANCE OF PAYMENTS IN 2007 (cont'd)
Breakdown by selected economic area (a)

TABLE 6.2.11

€m	EURO AREA (EMU 15)			UNITED KINGDOM			SWEDEN		
	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET
	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)
CURRENT ACCOUNT	184,477.7	237,535.4	-53,057.7	51,905.5	42,051.8	9,853.7	3,662.7	4,545.9	-883.2
Goods	110,895.8	144,406.9	-33,511.1	17,220.9	14,579.4	2,641.5	1,846.7	3,544.2	-1,697.5
Services	41,677.8	30,781.3	10,896.5	22,485.4	13,778.4	8,707.0	1,434.2	729.9	704.4
Travel	22,074.5	5,661.7	16,412.7	11,284.8	3,021.8	8,263.0	890.3	92.8	797.6
Other services	19,603.3	25,119.6	-5,516.2	11,200.7	10,756.7	444.0	543.9	637.1	-93.2
Income	27,976.3	59,311.8	-31,335.4	9,747.0	12,593.5	-2,846.5	215.4	243.5	-28.1
Monetary financial institutions	11,449.6	20,337.9	-8,888.3	4,321.7	6,892.2	-2,570.5	67.6	32.8	34.8
General government	591.2	7,637.7	-7,046.5	5.2	279.6	-274.4	.	.	.
Other resident sectors	15,935.6	31,336.2	-15,400.6	5,420.1	5,421.7	-1.6	147.8	209.7	-61.9
Current transfers	3,927.8	3,035.4	892.3	2,452.1	1,100.4	1,351.7	166.5	28.3	138.1
CAPITAL ACCOUNT	568.8	657.4	-88.6	383.2	189.3	193.9	.	.	.
FINANCIAL ACCOUNT (excluding Banco de España) (b)	...	...	...	...	...	...	...	...	...
Monetary financial institutions	69,827.8	51,753.3	18,074.6	21,539.5	13,172.0	8,367.5	-144.0	200.0	-344.0
Direct investment (c)	183.4	21,194.0	-21,010.6	603.9	1,323.9	-719.9	.	.	.
Portfolio investment	20,434.7	4,586.8	15,847.9	5,539.3	-3,776.4	9,315.6	-202.6	-206.3	3.6
Other investment	49,209.8	25,972.5	23,237.3	15,396.4	15,624.6	-228.2	58.1	405.6	-347.4
General government	-238.4	6,000.9	-6,239.2	-14,558.5	224.5	-14,783.0	.	—	.
Portfolio investment	-759.5	6,101.0	-6,860.5	-14,537.8	.	-14,544.9	.	—	.
Other investment	521.1	-100.2	621.3	.	217.3	.	—	—	—
Other resident sectors	78,582.4	3,091.1	75,491.3	45,969.4	17,172.1	28,797.3	1,481.5	1,729.1	-247.6
Direct investment (c)	38,859.9	22,038.8	16,821.2	7,052.3	13,956.7	-6,904.4	361.8	1,470.6	-1,108.9
Portfolio investment	36,559.3	-19,875.7	56,435.0	27,712.9	413.0	27,299.9	1,121.7	257.5	864.2
Other investment	3,163.2	928.1	2,235.1	11,204.2	2,802.4	8,401.8	.	.	.

SOURCE: Banco de España.

a. The difference between the world total amounts and the sum of the geographical areas corresponds to geographically unallocated information, which in no case represents large amounts, and to amounts corresponding to international organisations other than those of the European Union.

b. Derivatives not included.

c. In the case of direct investment, the change in assets corresponds to Spain's investment abroad, which includes, among other transactions, loans received by Spanish parent companies from their non-resident subsidiaries, which reduce such investment. Likewise, the change in liabilities corresponds to foreign investment in Spain, which includes loans granted by Spanish subsidiary companies to their non-resident parents (see Chapter 5).

«.» Amount below €50 million. Net balances are published if both credits and debits (or net changes in liabilities and net changes in assets) are over €50 million.

NOTE:

EURO AREA (EMU 15): France, Belgium, Luxembourg, Netherlands, Germany, Italy, Ireland, Portugal, Austria, Finland, Greece, Slovenia, Malta, Cyprus, and European Central Bank.

BALANCE OF PAYMENTS IN 2007 (cont'd)
Breakdown by selected economic area (a)

TABLE 6.2.11

€m	DENMARK			NEW MEMBERS			EUROPEAN INSTITUTIONS		
	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET
CURRENT ACCOUNT	3,108.9	2,712.4	396.5	10,109.7	10,840.2	-730.4	8,675.7	12,016.4	-3,340.8
Goods	1,758.7	2,079.1	-320.5	7,445.7	8,760.6	-1,314.9	.	.	.
Services	1,156.1	448.1	708.0	1,013.0	1,355.0	-342.0	459.2	3.3	455.9
Travel	826.7	54.9	771.9	327.3	326.4	0.9	.	.	.
Other services	329.4	393.2	-63.8	685.7	1,028.6	-342.9	459.1	.	.
Income	134.4	150.6	-16.2	1,521.9	79.2	1,442.7	.	1,660.5	.
Monetary financial institutions	67.5	.	.	140.4	.	.	54.1	507.5	-453.4
General government	.	.	.	.	.	.	.	393.2	.
Other resident sectors	66.9	134.5	-67.5	1,378.4	.	.	.	759.8	.
Current transfers	74.3	144.1	-69.8	1,401.2	58.6	1,342.6	.	760.1	.
CAPITAL ACCOUNT	.	.	.	.	76.6	.	4,610.2	.	.
	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)
FINANCIAL ACCOUNT (excluding Banco de España) (b)	...	...	...	...	...	...	...	...	...
Monetary financial institutions	155.1	-545.3	700.4	583.4	170.0	413.3	349.8	-286.8	636.7
Direct investment (c)	.	.	.	.	.	.	—	—	—
Portfolio investment	.	.	.	.	108.3	.	—	-283.3	283.3
Other investment	204.4	-511.7	716.1	587.7	60.1	527.6	349.8	.	.
General government	83.8	—	83.8	.	.	.	547.5	904.9	-357.4
Portfolio investment	83.8	—	83.8	.	—	.	.	—	.
Other investment	.	—	.	0.3	-10.1	10.4	548.1	904.9	-356.8
Other resident sectors	-143.6	.	.	307.2	9,487.1	-9,179.9	3,548.4	.	.
Direct investment (c)	-175.0	123.6	-298.6	282.5	9,440.8	-9,158.3	.	.	.
Portfolio investment	.	-53.5	73.7	.	.	.	.	.	.
Other investment	.	-57.8	.	.	53.5	.	3,581.9	.	.

SOURCE: Banco de España.

a. The difference between the world total amounts and the sum of the geographical areas corresponds to geographically unallocated information, which in no case represents large amounts, and to amounts corresponding to international organisations other than those of the European Union.

b. Derivatives not included.

c. In the case of direct investment, the change in assets corresponds to Spain's investment abroad, which includes, among other transactions, loans received by Spanish parent companies from their non-resident subsidiaries, which reduce such investment. Likewise, the change in liabilities corresponds to foreign investment in Spain, which includes loans granted by Spanish subsidiary companies to their non-resident parents (see Chapter 5).

«.» Amount below €50 million. Net balances are published if both credits and debits (or net changes in liabilities and net changes in assets) are over €50 million.

NOTE:

NEW MEMBERS: Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Slovakia, Romania and Bulgaria.

BALANCE OF PAYMENTS IN 2007 (cont'd)
Breakdown by selected economic area (a)

TABLE 6.2.11

€m	REST OF EUROPE			SWITZERLAND			NORTH AMERICA		
	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET
	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)
CURRENT ACCOUNT	25,353.3	26,568.7	-1,215.4	11,319.8	8,659.8	2,660.0	20,458.8	25,812.1	-5,353.3
Goods	12,785.5	17,929.1	-5,143.6	3,093.9	2,950.4	143.5	9,176.1	10,589.6	-1,413.6
Services	9,324.6	6,014.1	3,310.5	5,952.5	3,624.1	2,328.4	5,836.0	7,289.4	-1,453.4
Travel	3,208.9	1,145.6	2,063.3	1,544.0	228.3	1,315.7	1,310.9	2,061.3	-750.3
Other services	6,115.7	4,868.5	1,247.2	4,408.6	3,395.8	1,012.7	4,525.1	5,228.1	-703.0
Income	2,258.6	2,245.6	13.1	1,511.1	1,907.1	-396.0	3,794.6	7,206.4	-3,411.8
Monetary financial institutions	443.1	648.7	-205.6	150.9	449.8	-298.9	2,038.2	2,175.0	-136.8
General government	.	.	.	.	.	.	.	454.4	.
Other resident sectors	1,813.0	1,582.9	230.1	1,360.2	1,445.6	-85.4	1,743.4	4,576.9	-2,833.5
Current transfers	984.6	379.9	604.7	762.3	178.2	584.1	1,652.1	726.7	925.4
CAPITAL ACCOUNT	223.6	147.4	76.1	166.1	80.0	86.1	90.5	96.0	-5.5
FINANCIAL ACCOUNT (excluding Banco de España) (b)	...	...	...	...	...	...	...	...	...
Monetary financial institutions	3,100.3	2,960.7	139.5	2,037.8	135.0	1,902.8	23,365.0	13,253.8	10,111.3
Direct investment (c)	.	-137.6	.	.	.	.	118.1	8,015.6	-7,897.5
Portfolio investment	660.4	.	.	177.7	103.5	74.2	11,051.7	602.4	10,449.3
Other investment	2,432.6	3,057.1	-624.5	1,853.1	.	.	12,195.2	4,635.8	7,559.4
General government	-99.9	73.2	-173.1	-101.9	.	.	-685.1	.	.
Portfolio investment	-99.9	.	-99.9	-101.9	.	.	-685.0	.	.
Other investment	.	73.2	.	.	.	.	.	.	.
Other resident sectors	.	1,724.3	.	-432.6	-311.6	-121.0	9,446.5	10,678.3	-1,231.8
Direct investment (c)	1,557.5	927.7	629.8	975.1	-976.3	1,951.3	466.4	8,101.6	-7,635.2
Portfolio investment	-1,628.6	621.1	-2,249.8	-1,390.0	417.9	-1,807.9	8,957.1	1,655.1	7,302.1
Other investment	79.9	175.5	-95.6	.	246.7	.	.	921.6	.

SOURCE: Banco de España.

- a. The difference between the world total amounts and the sum of the geographical areas corresponds to geographically unallocated information, which in no case represents large amounts, and to amounts corresponding to international organisations other than those of the European Union.
- b. Derivatives not included.
- c. In the case of direct investment, the change in assets corresponds to Spain's investment abroad, which includes, among other transactions, loans received by Spanish parent companies from their non-resident subsidiaries, which reduce such investment. Likewise, the change in liabilities corresponds to foreign investment in Spain, which includes loans granted by Spanish subsidiary companies to their non-resident parents (see Chapter 5).

«.» Amount below €50 million. Net balances are published if both credits and debits (or net changes in liabilities and net changes in assets) are over €50 million.

NOTE:

REST OF EUROPE: Countries not included in the European Union.

BALANCE OF PAYMENTS IN 2007 (cont'd)
Breakdown by selected economic area (a)

TABLE 6.2.11

€m	UNITED STATES			CANADA			CENTRAL AND SOUTH AMERICA		
	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET
	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)
CURRENT ACCOUNT	18,713.1	23,513.7	-4,800.6	1,744.8	2,296.5	-551.7	24,678.1	25,367.2	-689.1
Goods	8,405.6	9,720.6	-1,314.9	770.4	868.3	-98.0	10,009.0	13,524.1	-3,515.1
Services	5,234.8	6,316.0	-1,081.2	600.4	972.4	-371.9	4,465.9	3,467.9	998.0
<i>Travel</i>	1,022.5	1,411.2	-388.7	288.5	650.1	-361.6	1,423.6	1,062.6	360.9
<i>Other services</i>	4,212.3	4,904.8	-692.4	312.0	322.3	-10.3	3,042.4	2,405.3	637.1
Income	3,647.0	7,001.9	-3,354.9	147.6	204.4	-56.8	9,434.1	2,044.6	7,389.5
<i>Monetary financial institutions</i>	2,019.9	2,143.3	-123.3	.	.	.	2,239.2	1,295.7	943.5
<i>General government</i>	.	440.6	.	.	.	.	70.0	.	.
<i>Other resident sectors</i>	1,614.1	4,418.0	-2,803.9	129.3	158.9	-29.6	7,124.8	718.3	6,406.6
Current transfers	1,425.6	475.2	950.4	226.5	251.4	-25.0	769.2	6,330.6	-5,561.4
CAPITAL ACCOUNT	85.6	91.6	-6.0	.	.	.	411.5	580.1	-168.6
FINANCIAL ACCOUNT (excluding Banco de España) (b)	...	...	...	...	...	...	...	...	...
<i>Monetary financial institutions</i>	23,102.5	13,413.6	9,688.9	261.8	-159.7	421.5	-5,990.7	2,816.7	-8,807.4
<i>Direct investment (c)</i>	118.1	8,015.6	-7,897.5	.	.	.	.	847.0	.
<i>Portfolio investment</i>	10,833.7	635.0	10,198.6	218.0	.	.	575.8	1,122.7	-546.9
<i>Other investment</i>	12,150.8	4,763.0	7,387.8	.	-127.1	.	-6,565.3	847.0	-7,412.3
<i>General government</i>	-705.2	.	.	.	.	.	-156.9	-89.3	-67.5
<i>Portfolio investment</i>	-705.2	.	.	.	.	.	-153.7	.	.
<i>Other investment</i>	.	.	.	.	.	.	.	-88.3	.
<i>Other resident sectors</i>	9,848.7	10,006.0	-157.2	-402.3	672.3	-1,074.6	1,494.8	12,538.2	-11,043.4
<i>Direct investment (c)</i>	1,178.4	7,544.4	-6,366.0	-712.1	557.2	-1,269.3	858.8	13,150.5	-12,291.7
<i>Portfolio investment</i>	8,730.3	1,540.7	7,189.5	226.9	114.4	112.5	512.8	-569.2	1,081.9
<i>Other investment</i>	-59.9	920.9	-980.8	82.8	.	.	123.2	.	.

SOURCE: Banco de España.

a. The difference between the world total amounts and the sum of the geographical areas corresponds to geographically unassigned information, which in no case represents large amounts, and to amounts corresponding to international organisations other than those of the European Union.

b. Derivatives not included.

c. In the case of direct investment, the change in assets corresponds to Spain's investment abroad, which includes, among other transactions, loans received by Spanish parent companies from their non-resident subsidiaries, which reduce such investment. Likewise, the change in liabilities corresponds to foreign investment in Spain, which includes loans granted by Spanish subsidiary companies to their non-resident parents (see Chapter 5).

«.» Amount below €50 million. Net balances are published if both credits and debits (or net changes in liabilities and net changes in assets) are over €50 million.

BALANCE OF PAYMENTS IN 2007 (cont'd)
Breakdown by selected economic area (a)

TABLE 6.2.11

€m	AFRICA			ASIA			JAPAN		
	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET
CURRENT ACCOUNT	10,098.0	23,774.5	-13,676.5	15,134.6	51,837.2	-36,702.6	1,878.9	6,503.7	-4,624.8
Goods	8,316.1	20,382.1	-12,066.0	11,773.7	46,858.7	-35,085.0	1,358.4	5,857.4	-4,499.0
Services	1,335.6	2,060.9	-725.4	2,841.2	3,832.6	-991.4	431.6	538.3	-106.7
Travel	108.7	383.0	-274.2	453.4	487.3	-33.8	157.7	.	.
Other services	1,226.8	1,678.0	-451.1	2,387.8	3,345.3	-957.5	273.9	500.4	-226.5
Income	365.4	292.2	73.2	365.2	610.6	-245.4	60.9	.	.
Monetary financial institutions	56.1	191.4	-135.2	148.5	332.4	-184.0	.	.	.
General government	.	.	.	.	.	.	.	.	.
Other resident sectors	298.9	100.6	198.2	200.4	272.7	-72.3	.	74.3	.
Current transfers	80.9	1,039.2	-958.3	154.5	535.3	-380.8	.	.	.
CAPITAL ACCOUNT	.	.	.	.	.	.	.	.	.
	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)
FINANCIAL ACCOUNT (excluding Banco de España) (b)	...	...	...	...	...	...	...	...	...
Monetary financial institutions	1,046.1	354.1	692.1	724.3	2,902.9	-2,178.6	86.2	424.9	-338.7
Direct investment (c)	106.9	.	.	.	516.0	.	.	.	.
Portfolio investment	.	126.0	.	.	613.5	.	.	-68.2	.
Other investment	933.3	228.2	705.2	689.3	1,773.5	-1,084.2	81.3	492.7	-411.4
General government	.	.	.	.	.	.	.	.	.
Portfolio investment	.	—	.	.	—	.	.	—	.
Other investment	—	.	.	—	.	.	—	.	.
Other resident sectors	61.1	748.1	-687.0	-344.9	-757.4	412.5	-286.3	-1,741.6	1,455.3
Direct investment (c)	109.1	701.0	-591.9	-113.7	-987.6	873.9	-282.4	-1,356.3	1,074.0
Portfolio investment	.	.	.	-257.0	205.9	-462.9	.	-403.2	400.9
Other investment	.	.	.	.	.	.	.	.	.

SOURCE: Banco de España.

a. The difference between the world total amounts and the sum of the geographical areas corresponds to geographically unassigned information, which in no case represents large amounts, and to amounts corresponding to international organisations other than those of the European Union.

b. Derivatives not included.

c. In the case of direct investment, the change in assets corresponds to Spain's investment abroad, which includes, among other transactions, loans received by Spanish parent companies from their non-resident subsidiaries, which reduce such investment. Likewise, the change in liabilities corresponds to foreign investment in Spain, which includes loans granted by Spanish subsidiary companies to their non-resident parents (see Chapter 5).

«.» Amount below €50 million. Net balances are published if both credits and debits (or net changes in liabilities and net changes in assets) are over €50 million.

BALANCE OF PAYMENTS IN 2007 (cont'd)
Breakdown by selected economic area (a)

TABLE 6.2.11

	€m								
	CHINA			OCEANIA AND POLAR REGIONS			OECD		
	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET
CURRENT ACCOUNT	2,443.3	18,973.9	-16,530.6	1,916.1	1,528.7	387.4	308,093.9	363,665.9	-55,572.0
Goods	2,177.8	17,887.4	-15,709.6	1,265.4	1,150.3	115.1	159,741.1	204,505.8	-44,764.7
Services	195.4	994.6	-799.2	309.5	204.4	105.1	83,054.3	59,835.3	23,219.0
Travel	.	109.1	.	152.1	63.1	89.0	39,740.1	11,796.3	27,943.8
Other services	169.9	885.5	-715.6	157.4	141.3	16.1	43,314.1	48,039.0	-4,724.8
Income	.	.	.	298.9	157.2	141.7	47,852.2	83,597.1	-35,744.9
Monetary financial institutions	.	.	.	58.0	80.7	-22.7	20,183.1	30,644.4	-10,461.4
General government	.	.	.	.	.	.	617.7	8,804.9	-8,187.2
Other resident sectors	.	.	.	240.9	53.3	187.7	27,051.5	44,147.8	-17,096.3
Current transfers	.	73.4	.	.	.	.	17,446.4	15,727.7	1,718.6
CAPITAL ACCOUNT	.	.	.	.	.	.	5,881.6	1,524.3	4,357.2
	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL - NCA)
FINANCIAL ACCOUNT (excluding Banco de España) (b)	...	...	...	...	...	...	...	...	...
Monetary financial institutions	273.2	728.5	-455.3	366.5	167.6	198.9	118,340.1	82,662.5	35,677.5
Direct investment (c)	—	.	.	—	.	.	917.1	31,288.2	-30,371.1
Portfolio investment	.	688.0	.	135.5	-159.0	294.4	37,561.5	804.7	36,756.8
Other investment	273.1	14.9	258.2	231.0	326.1	-95.0	79,861.5	50,569.7	29,291.8
General government	.	.	.	.	—	.	-15,007.0	7,153.6	-22,160.6
Portfolio investment	.	—	.	.	—	.	-16,055.6	6,108.1	-22,163.7
Other investment	—	.	.	—	—	—	1,048.7	1,045.5	3.2
Other resident sectors	.	174.5	.	1,168.3	366.6	801.7	139,617.2	44,456.7	95,160.6
Direct investment (c)	.	160.6	.	.	479.3	.	47,656.8	57,304.1	-9,647.3
Portfolio investment	.	.	.	1,170.9	-112.6	1,283.5	73,956.4	-17,720.3	91,676.6
Other investment	.	.	.	.	.	.	18,004.0	4,872.8	13,131.2

SOURCE: Banco de España.

a. The difference between the world total amounts and the sum of the geographical areas corresponds to geographically unassigned information, which in no case represents large amounts, and to amounts corresponding to international organisations other than those of the European Union.

b. Derivatives not included.

c. In the case of direct investment, the change in assets corresponds to Spain's investment abroad, which includes, among other transactions, loans received by Spanish parent companies from their non-resident subsidiaries, which reduce such investment. Likewise, the change in liabilities corresponds to foreign investment in Spain, which includes loans granted by Spanish subsidiary companies to their non-resident parents (see Chapter 5).

«.» Amount below €50 million. Net balances are published if both credits and debits (or net changes in liabilities and net changes in assets) are over €50 million.

NOTE:

OECD: International institutions of the European Union, European Central Bank, France, Belgium, Netherlands, Germany, Italy, United Kingdom, Ireland, Denmark, Greece, Portugal, Luxembourg, Iceland, Norway, Sweden, Finland, Switzerland, Austria, Turkey, USA, Canada, Japan, Australia, New Zealand, Mexico, Czech Republic, Hungary, Poland, Slovakia and South Korea, and their dependencies.

BALANCE OF PAYMENTS IN 2007 (cont'd)
Breakdown by selected economic area (a)

TABLE 6.2.11

€m	NAFTA			OPEC			NICs		
	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET
	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)
CURRENT ACCOUNT	27,036.7	29,783.3	-2,746.6	8,498.7	23,000.5	-14,501.8	2,420.9	6,668.4	-4,247.4
Goods	12,445.0	13,503.3	-1,058.2	5,615.0	21,041.7	-15,426.7	1,845.0	5,887.5	-4,042.5
Services	6,919.5	7,958.1	-1,038.6	2,387.1	1,470.5	916.5	423.6	656.9	-233.4
Travel	1,788.8	2,290.1	-501.3	391.1	66.8	324.3	.	73.9	.
Other services	5,130.7	5,668.0	-537.3	1,995.9	1,403.7	592.2	331.0	583.1	-252.0
Income	5,889.9	7,399.9	-1,510.0	223.1	410.4	-187.3	123.0	103.6	19.5
Monetary financial institutions	3,645.1	2,308.7	1,336.3	125.3	279.5	-154.2	74.4	72.9	1.5
General government	.	454.7	.	.	.	.	—	.	.
Other resident sectors	2,226.7	4,636.5	-2,409.8	86.7	130.5	-43.7	.	.	.
Current transfers	1,782.3	922.0	860.2	273.6	77.8	195.7	.	.	.
CAPITAL ACCOUNT	117.1	521.3	-404.2	61.7	.	.	.	.	.
FINANCIAL ACCOUNT (excluding Banco de España) (b)	...	...	...	...	...	...	...	...	...
Monetary financial institutions	23,314.4	14,908.2	8,406.2	774.7	584.2	190.5	71.8	1,428.8	-1,356.9
Direct investment (c)	117.9	8,903.7	-8,785.8	105.6	.	.	.	487.2	.
Portfolio investment	11,019.5	682.8	10,336.7	.	126.5	.	.	.	.
Other investment	12,177.0	5,321.7	6,855.3	642.0	451.0	191.0	66.8	947.2	-880.4
General government	-679.8	.	.	.	.	.	.	.	.
Portfolio investment	-679.7	.	.	.	—	.	.	—	.
Other investment	.	.	.	—	.	.	.	.	.
Other resident sectors	9,437.4	14,086.9	-4,649.5	117.3	508.3	-391.0	-151.4	401.8	-553.3
Direct investment (c)	430.5	11,489.3	-11,058.8	174.9	523.0	-348.1	.	118.8	-109.3
Portfolio investment	8,977.2	1,672.0	7,305.1	-78.2	.	.	-176.0	304.4	-480.5
Other investment	.	925.5	-895.8	.	.	.	.	.	.

SOURCE: Banco de España.

a. The difference between the world total amounts and the sum of the geographical areas corresponds to geographically unassigned information, which in no case represents large amounts, and to amounts corresponding to international organisations other than those of the European Union.

b. Derivatives not included.

c. In the case of direct investment, the change in assets corresponds to Spain's investment abroad, which includes, among other transactions, loans received by Spanish parent companies from their non-resident subsidiaries, which reduce such investment. Likewise, the change in liabilities corresponds to foreign investment in Spain, which includes loans granted by Spanish subsidiary companies to their non-resident parents (see Chapter 5).

«.» Amount below €50 million. Net balances are published if both credits and debits (or net changes in liabilities and net changes in assets) are over €50 million.

NOTES:

NAFTA: USA, Canada and Mexico.

OPEC: Algeria, Libya, Nigeria, Venezuela, Iraq, Iran, Saudi Arabia, Kuwait, Qatar, United Arab Emirates, Indonesia and Angola.

NEWLY INDUSTRIALISED COUNTRIES (NICs): Singapore, South Korea, Taiwan and Hong Kong.

BALANCE OF PAYMENTS IN 2007 (cont'd)
Breakdown by selected economic area (a)

TABLE 6.2.11

€m	ASEAN			COMMONWEALTH OF INDEPENDENT STATES			TAX HAVENS		
	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET	CREDITS	DEBITS	NET
	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)	NET CHANGES IN LIABILITIES (NCL)	NET CHANGES IN ASSETS (NCA)	NET (NCL – NCA)
CURRENT ACCOUNT	1,848.1	6,535.9	-4,687.8	3,583.2	10,178.8	-6,595.6	6,999.1	4,558.0	2,441.0
Goods	1,488.2	5,572.8	-4,084.6	2,688.9	9,424.6	-6,735.7	4,348.0	1,597.4	2,750.6
Services	302.2	623.4	-321.2	749.1	605.5	143.6	1,498.4	1,658.4	-160.0
Travel	18.3	112.8	-94.5	441.5	90.4	351.1	443.2	725.9	-282.7
Other services	283.9	510.6	-226.7	307.6	515.1	-207.5	1,055.2	932.5	122.6
Income	.	164.3	.	100.3	68.6	31.7	988.7	1,055.2	-66.5
Monetary financial institutions	.	.	.	.	.	.	309.0	946.4	-637.4
General government	.	.	.	.	.	.	.	.	.
Other resident sectors	.	92.5	.	74.3	.	.	677.9	108.4	569.5
Current transfers	.	175.4	.	.	80.1	.	164.0	247.0	-83.0
CAPITAL ACCOUNT	.	.	.	.	.	.	.	.	.
FINANCIAL ACCOUNT (excluding Banco de España) (b)	...	...	...	...	...	...	...	...	...
Monetary financial institutions	-64.5	-57.9	-6.7	676.5	318.1	358.4	-6,480.9	1,496.8	-7,977.7
Direct investment (c)	.	.	.	—	.	.	—	358.7	-358.7
Portfolio investment	.	.	.	.	.	.	466.9	-54.0	520.9
Other investment	-57.8	-64.2	6.5	676.8	306.5	370.4	-6,947.8	1,192.0	-8,139.8
General government	.	.	.	.	—	.	.	.	.
Portfolio investment	.	—	.	.	—	.	.	.	.
Other investment	—	.	.	—	—	—	.	.	.
Other resident sectors	-152.4	-126.4	-26.0	320.2	141.6	178.6	-1,132.3	-502.3	-630.1
Direct investment (c)	.	-106.5	.	326.6	161.6	164.9	-1,272.1	.	.
Portfolio investment	-169.2	.	.	.	.	.	.	-352.1	.
Other investment	.	.	.	.	.	.	103.5	-175.7	279.1

SOURCE: Banco de España.

a. The difference between the world total amounts and the sum of the geographical areas corresponds to geographically unassigned information, which in no case represents large amounts, and to amounts corresponding to international organisations other than those of the European Union.

b. Derivatives not included.

c. In the case of direct investment, the change in assets corresponds to Spain's investment abroad, which includes, among other transactions, loans received by Spanish parent companies from their non-resident subsidiaries, which reduce such investment. Likewise, the change in liabilities corresponds to foreign investment in Spain, which includes loans granted by Spanish subsidiary companies to their non-resident parents (see Chapter 5).

«.» Amount below €50 million. Net balances are published if both credits and debits (or net changes in liabilities and net changes in assets) are over €50 million.

NOTES:

ASEAN: Thailand, Indonesia, Malaysia, Brunei, Singapore, Philippines, Vietnam, Cambodia, Democratic Republic of Laos and Myanmar.

CIS: Russia, Ukraine, Belarus, Moldova, Armenia, Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan, Tajikistan, Kyrgyzstan and Georgia.

TAX HAVENS: Andorra, Antigua and Barbuda, Anguilla, Dutch Antilles, Barbados, Bahrain, Bermuda, Bahamas, Belize, Cook Islands, Dominica, Grenada, Guernsey, Gibraltar, Hong Kong, Isle of Man, Jersey, Jamaica, St. Kitts and Nevis, Cayman Islands, Lebanon, St. Lucia, Liechtenstein, Liberia, Marshall Islands, Montserrat, Maldives, Nauru, Niue, Panama, Philippines, Singapore, Turks and Caicos, St. Vincent and the Grenadines, British Virgin Islands, US Virgin Islands, Vanuatu and Samoa.

7.1 NET INTERNATIONAL INVESTMENT POSITION. SUMMARY: 1999-2008

INTERNATIONAL INVESTMENT POSITION
Summary

TABLE 7.1.1

€m	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
TOTAL NET POSITION (ASSETS-LIABILITIES)	-186,192.1	-201,544.1	-242,517.8	-303,071.4	-354,253.8	-436,423.7	-505,493.5	-664,578.8	-827,686.4	-876,096.6
Net position excluding Banco de España (assets-liabilities)	-259,918.2	-285,500.6	-310,983.8	-363,713.0	-410,332.5	-504,509.8	-577,212.8	-760,256.9	-906,608.0	-926,951.2
<i>Foreign direct investment: net position (assets-liabilities)</i>	<i>-28,252.4</i>	<i>-29,182.8</i>	<i>-38,208.7</i>	<i>-89,174.0</i>	<i>-93,928.2</i>	<i>-91,900.5</i>	<i>-67,061.0</i>	<i>-35,670.4</i>	<i>-9,885.6</i>	<i>-23,668.0</i>
– Spanish investment abroad	96,534.5	138,843.1	162,919.2	155,992.2	174,996.6	207,249.3	258,901.9	314,051.1	401,185.9	432,456.2
– Foreign investment in Spain	124,786.9	168,025.9	201,127.8	245,166.2	268,924.8	299,149.8	325,962.9	349,721.5	411,071.6	456,124.2
<i>Portfolio investment: net position (assets-liabilities)</i>	<i>-141,003.9</i>	<i>-116,976.3</i>	<i>-100,428.5</i>	<i>-105,652.7</i>	<i>-102,250.7</i>	<i>-203,184.0</i>	<i>-273,647.7</i>	<i>-508,894.7</i>	<i>-647,571.0</i>	<i>-595,273.8</i>
– Spanish investment abroad	127,386.8	193,682.2	232,647.4	256,805.9	319,793.2	359,305.9	454,734.5	455,685.5	443,255.8	364,296.5
– Foreign investment in Spain	268,390.7	310,658.5	333,076.0	362,458.7	422,043.9	562,489.9	728,382.2	964,580.2	1,090,826.8	959,570.3
<i>Other investment: net position (assets-liabilities)</i>	<i>-90,662.2</i>	<i>-139,341.9</i>	<i>-172,346.9</i>	<i>-168,886.3</i>	<i>-214,153.6</i>	<i>-209,425.2</i>	<i>-236,504.1</i>	<i>-206,096.3</i>	<i>-230,306.7</i>	<i>-301,628.3</i>
– Spanish investment abroad	152,792.9	166,435.9	172,498.1	197,388.3	203,955.7	222,209.6	268,200.7	324,825.7	378,622.4	384,505.3
– Foreign investment in Spain	243,455.2	305,777.8	344,845.0	366,274.6	418,109.3	431,634.9	504,704.9	530,922.0	608,929.1	686,133.6
<i>Financial derivatives: net position (assets-liabilities)</i>	<i>-</i>	<i>-	-	-	-	-	-	-9,595.4</i>	<i>-18,844.7</i>	<i>-6,381.2</i>
– Spanish investment abroad	-	-	-	-	-	-	-	32,973.3	44,642.4	107,641.5
– Foreign investment in Spain	-	-	-	-	-	-	-	42,568.7	63,487.1	114,022.7
Banco de España: net position (assets-liabilities)	73,726.5	83,956.9	68,466.4	60,641.7	56,078.7	68,086.1	71,719.4	95,678.1	78,921.6	50,854.6
Reserves	37,287.8	38,233.9	38,865.3	38,431.5	21,228.8	14,505.3	14,601.3	14,684.5	12,945.6	14,546.1
Net claims on the Eurosystem	36,028.0	45,278.3	29,156.4	22,650.1	18,269.3	31,909.1	17,052.9	29,380.8	1,074.0	-30,639.6
Other net assets (assets-liabilities)	410.7	444.7	444.7	-439.9	16,580.6	21,671.7	40,065.2	51,612.7	64,902.0	66,948.0

SOURCE: Banco de España.

7.2 INTERNATIONAL INVESTMENT POSITION IN 2008

INTERNATIONAL INVESTMENT POSITION
Spanish investment abroad

TABLE 7.2.1

€m	2008			
	Q1	Q2	Q3	Q4
FOREIGN DIRECT INVESTMENT	401,591.8	417,142.4	435,170.1	432,456.2
Shares and other equity	374,348.5	388,793.8	404,427.2	400,903.2
Intercompany debt transactions	27,243.2	28,348.6	30,742.9	31,553.1
PORTFOLIO INVESTMENT (INCLUDING BANCO DE ESPAÑA)	483,448.6	465,051.2	450,452.8	430,463.9
Shares and mutual funds	104,137.3	99,162.0	84,106.3	64,832.5
<i>Monetary financial institutions</i>	13,500.2	13,530.6	12,091.1	9,750.4
<i>Other resident sectors</i>	90,637.1	85,631.4	72,015.1	55,082.1
Medium and long-term bonds	363,078.0	348,826.0	351,785.6	352,447.3
<i>Banco de España</i>	56,162.8	56,091.0	59,565.7	63,858.4
<i>Other monetary financial institutions</i>	95,969.0	90,705.4	94,372.4	89,702.5
<i>General government</i>	22,397.5	21,931.6	25,291.7	26,225.5
<i>Other resident sectors</i>	188,548.7	180,098.0	172,555.8	172,660.9
Money market instruments	16,233.4	17,063.1	14,560.9	13,184.1
<i>Banco de España</i>	8,395.9	5,944.8	3,143.7	2,308.9
<i>Other monetary financial institutions</i>	2,058.6	3,391.9	2,954.9	2,312.1
<i>General government</i>	—	—	—	—
<i>Other resident sectors</i>	5,778.9	7,726.4	8,462.2	8,563.0
OTHER INVESTMENT (INCLUDING BANCO DE ESPAÑA)	384,627.2	421,052.1	426,240.3	389,294.6
Loans	62,005.5	64,118.4	70,373.6	73,986.0
<i>General government</i>	5,648.5	6,057.1	5,991.7	9,427.6
<i>Monetary financial institutions</i>	54,399.3	55,636.1	61,774.6	61,668.8
<i>Other resident sectors</i>	1,957.7	2,425.2	2,607.2	2,889.6
Deposits	307,186.8	340,412.9	339,225.8	298,142.2
<i>Banco de España</i>	4,509.5	4,351.9	4,351.9	4,351.6
<i>Other monetary financial institutions</i>	201,852.4	231,254.7	228,557.9	189,958.9
<i>Other resident sectors</i>	100,824.8	104,806.3	106,316.0	103,831.7
Other assets	15,435.0	16,520.9	16,640.8	17,166.3
FINANCIAL DERIVATIVES	53,296.6	58,578.9	70,065.8	108,226.2
RESERVES	12,975.7	12,709.0	13,806.5	14,546.1

SOURCE: Banco de España.

INTERNATIONAL INVESTMENT POSITION
Foreign investment in Spain

TABLE 7.2.2

€m	2008			
	Q1	Q2	Q3	Q4
FOREIGN DIRECT INVESTMENT	427,932.9	444,186.4	452,012.5	456,124.2
Shares and other equity	340,553.4	354,109.8	355,071.4	356,214.3
Intercompany debt transactions	87,379.5	90,076.7	96,941.1	99,909.8
PORTFOLIO INVESTMENT	1,023,012.2	1,015,520.6	1,015,354.0	959,570.3
Shares and mutual funds	240,113.6	221,000.9	204,374.3	174,264.6
<i>Monetary financial institutions</i>	80,618.1	73,091.8	68,927.7	53,402.8
<i>Other resident sectors</i>	159,495.5	147,909.1	135,446.6	120,861.8
Medium and long-term bonds	755,218.6	759,798.6	761,895.8	748,298.0
<i>General government</i>	167,692.1	170,921.5	182,154.5	191,642.7
<i>Monetary financial institutions</i>	256,302.1	258,373.6	258,393.1	249,409.6
<i>Other resident sectors</i>	331,224.4	330,503.6	321,348.1	307,245.7
Money market instruments	27,680.0	34,721.0	49,083.9	37,007.7
<i>General government</i>	6,329.2	5,594.5	9,721.9	12,330.1
<i>Monetary financial institutions</i>	20,423.6	22,729.0	21,268.7	11,966.2
<i>Other resident sectors</i>	927.2	6,397.5	18,093.4	12,711.4
OTHER INVESTMENT (INCLUDING BANCO DE ESPAÑA)	663,475.9	700,183.2	716,930.0	721,366.4
Loans	168,112.5	172,491.6	177,933.9	178,187.3
<i>General government</i>	20,339.7	20,004.2	20,898.8	23,273.4
<i>Other resident sectors</i>	147,772.8	152,487.4	157,035.1	154,913.9
Deposits	493,658.2	525,309.6	537,105.6	540,052.8
<i>Banco de España</i>	1,855.3	12,326.1	24,276.3	35,232.8
<i>Other monetary financial institutions</i>	491,802.9	512,983.5	512,829.3	504,820.0
Other liabilities	1,705.2	2,382.0	1,890.6	3,126.3
FINANCIAL DERIVATIVES	74,001.0	82,015.6	81,757.4	114,022.7

SOURCE: Banco de España.

7.3 INTERNATIONAL INVESTMENT POSITION IN 2007

INTERNATIONAL INVESTMENT POSITION
Spanish investment abroad

TABLE 7.3.1

€m	2007			
	Q1	Q2	Q3	Q4
FOREIGN DIRECT INVESTMENT	319,600.1	350,706.0	360,188.5	401,185.9
Shares and other equity	298,434.2	335,025.5	338,735.2	374,491.7
Intercompany debt transactions	21,165.9	15,680.6	21,453.2	26,694.2
PORTFOLIO INVESTMENT (INCLUDING BANCO DE ESPAÑA)	514,215.6	528,582.0	516,712.3	507,550.9
Shares and mutual funds	140,703.5	153,730.0	142,095.3	134,762.4
<i>Monetary financial institutions</i>	14,508.5	17,683.4	18,396.4	15,424.3
<i>Other resident sectors</i>	126,194.9	136,046.6	123,698.9	119,338.1
Medium and long-term bonds	352,698.7	355,958.5	356,882.4	358,220.2
<i>Banco de España</i>	45,852.7	47,688.9	51,775.7	56,447.5
<i>Other monetary financial institutions</i>	82,983.3	85,245.0	82,767.9	82,752.2
<i>General government</i>	18,571.4	18,282.4	21,294.6	22,007.3
<i>Other resident sectors</i>	205,291.3	204,742.2	201,044.2	197,013.3
Money market instruments	20,813.4	18,893.5	17,734.6	14,568.4
<i>Banco de España</i>	7,410.8	9,937.3	9,756.7	7,847.7
<i>Other monetary financial institutions</i>	6,008.2	1,513.1	2,095.5	1,441.7
<i>General government</i>	6.9	7.0	7.0	-
<i>Other resident sectors</i>	7,387.5	7,436.1	5,875.4	5,279.0
OTHER INVESTMENT (INCLUDING BANCO DE ESPAÑA)	391,805.3	403,850.7	399,382.3	383,853.3
Loans	59,402.4	60,998.5	61,363.7	68,959.9
<i>General government</i>	6,720.6	6,569.1	5,786.8	8,917.4
<i>Monetary financial institutions</i>	50,807.4	52,718.3	53,399.2	58,030.5
<i>Other resident sectors</i>	1,874.4	1,711.1	2,177.7	2,012.1
Deposits	319,247.4	328,044.2	323,293.9	299,529.9
<i>Banco de España</i>	32,963.5	41,632.6	15,463.1	4,793.3
<i>Other monetary financial institutions</i>	190,119.0	187,369.1	206,186.6	194,931.0
<i>Other resident sectors</i>	96,164.9	99,042.5	101,644.1	99,805.6
Other assets	13,155.5	14,808.0	14,724.7	15,363.6
FINANCIAL DERIVATIVES	33,196.7	39,921.2	44,181.2	44,642.4
RESERVES	14,044.6	12,872.6	12,493.5	12,945.6

SOURCE: Banco de España.

INTERNATIONAL INVESTMENT POSITION
Foreign investment in Spain

TABLE 7.3.2

€m	2007			
	Q1	Q2	Q3	Q4
FOREIGN DIRECT INVESTMENT	350,828.9	373,214.7	375,375.7	411,071.6
Shares and other equity	272,215.0	287,726.2	292,596.2	319,671.9
Intercompany debt transactions	78,613.9	85,488.5	82,779.4	91,399.7
PORTFOLIO INVESTMENT	1,043,316.5	1,088,162.6	1,098,625.4	1,090,826.8
Shares and mutual funds	256,532.5	269,505.6	273,560.0	286,206.7
<i>Monetary financial institutions</i>	89,156.0	92,365.7	87,360.1	95,308.6
<i>Other resident sectors</i>	167,376.6	177,139.8	186,199.9	190,898.1
Medium and long-term bonds	765,249.6	796,476.3	803,013.5	779,875.1
<i>General government</i>	195,780.6	190,502.9	182,455.0	173,414.1
<i>Monetary financial institutions</i>	252,210.6	269,682.1	273,906.9	262,221.7
<i>Other resident sectors</i>	317,258.4	336,291.3	346,651.6	344,239.4
Money market instruments	21,534.4	22,180.8	22,051.9	24,745.0
<i>General government</i>	4,901.1	5,446.2	4,819.5	4,504.6
<i>Monetary financial institutions</i>	11,330.6	11,316.2	15,079.2	20,039.2
<i>Other resident sectors</i>	5,302.7	5,418.4	2,153.1	201.2
OTHER INVESTMENT (INCLUDING BANCO DE ESPAÑA)	546,227.4	562,822.2	583,861.2	612,479.2
Loans	149,876.6	156,575.3	163,714.3	166,261.2
<i>General government</i>	18,731.9	19,210.2	19,892.2	19,939.4
<i>Other resident sectors</i>	131,144.7	137,365.2	143,822.2	146,321.8
Deposits	394,877.2	404,166.7	418,306.8	445,240.7
<i>Banco de España</i>	322.2	423.4	277.3	3,550.2
<i>Other monetary financial institutions</i>	394,555.0	403,743.3	418,029.4	441,690.5
Other liabilities	1,473.6	2,080.2	1,840.1	977.3
FINANCIAL DERIVATIVES	44,486.8	55,856.2	62,068.6	63,487.1

SOURCE: Banco de España.

7.4 INTERNATIONAL INVESTMENT POSITION. BREAKDOWN BY ECONOMIC
AND GEOGRAPHICAL AREA

INTERNATIONAL INVESTMENT POSITION 2008
Breakdown by economic and geographical area

TABLE 7.4.1

€m	WORLD TOTAL	EURO AREA (EMU 15)	EU EXCLUDING EURO AREA	DENMARK	SWEDEN	UNITED KINGDOM	EUROPEAN INSTITUTIONS	OTHER	REST OF WORLD	OF WHICH:					
										UNITED STATES	JAPAN	CHINA	REST OF ASIA	LATIN AMERICA	TAX HAVENS
IIP EXCLUDING BANCO DE ESPAÑA															
Net direct investment (assets-liabilities) (a)	-23,668.0	-124,590.5	18,599.9	596.0	-4,405.6	-6,159.6	.	28,588.8	82,322.6	-5,056.2	-1,649.3	.	370.7	86,229.0	-295.8
<i>Spanish direct investment abroad</i>	<i>432,456.2</i>	<i>177,728.7</i>	<i>85,811.9</i>	<i>1,173.6</i>	<i>2,829.6</i>	<i>52,389.7</i>	.	<i>29,419.1</i>	<i>168,915.6</i>	<i>41,532.6</i>	<i>682.3</i>	<i>654.6</i>	<i>2,129.3</i>	<i>97,899.9</i>	<i>2,898.6</i>
<i>Foreign direct investment in Spain</i>	<i>456,124.2</i>	<i>302,319.2</i>	<i>67,212.0</i>	<i>577.6</i>	<i>7,235.2</i>	<i>58,549.3</i>	.	<i>830.3</i>	<i>86,592.9</i>	<i>46,588.8</i>	<i>2,331.6</i>	.	<i>1,758.6</i>	<i>11,671.0</i>	<i>3,194.4</i>
Net portfolio investment (assets-liabilities)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<i>Spanish portfolio investment abroad</i>	<i>364,296.5</i>	<i>246,742.4</i>	<i>46,559.6</i>	<i>830.5</i>	<i>1,831.9</i>	<i>41,538.0</i>	<i>1,508.2</i>	<i>850.9</i>	<i>70,994.5</i>	<i>34,731.5</i>	<i>537.7</i>	.	<i>3,365.5</i>	<i>3,280.2</i>	<i>19,610.8</i>
— <i>General government</i>	<i>26,225.5</i>	<i>26,183.8</i>	.	—	—	.	—	—	.	.	—	—	—	.	.
— <i>Monetary financial institutions</i>	<i>101,765.0</i>	<i>58,758.4</i>	<i>18,899.2</i>	<i>372.3</i>	<i>549.7</i>	<i>18,322.8</i>	<i>317.4</i>	<i>337.0</i>	<i>23,107.4</i>	<i>11,875.9</i>	.	.	.	<i>2,124.6</i>	<i>6,519.0</i>
— <i>Other resident sectors</i>	<i>236,306.0</i>	<i>161,800.3</i>	<i>27,625.1</i>	<i>458.3</i>	<i>1,282.2</i>	<i>24,179.9</i>	<i>1,190.8</i>	<i>513.9</i>	<i>46,880.6</i>	<i>22,854.6</i>	<i>511.5</i>	.	<i>3,302.4</i>	<i>1,155.6</i>	<i>13,086.3</i>
Net other investment (assets-liabilities)	-301,628.3	-107,435.7	-170,771.2	-1,268.6	523.1	-122,406.3	-48,976.6	1,357.2	-23,421.5	-28,895.1	306.0	766.3	-1,351.9	4,649.8	1,357.7
<i>Spanish other investment abroad</i>	<i>384,505.3</i>	<i>216,385.4</i>	<i>89,779.7</i>	<i>413.8</i>	<i>1,013.1</i>	<i>80,797.8</i>	<i>5,469.6</i>	<i>2,085.3</i>	<i>78,340.3</i>	<i>19,899.5</i>	<i>1,221.5</i>	<i>893.0</i>	<i>5,638.5</i>	<i>17,964.0</i>	<i>14,748.9</i>
— <i>General government</i>	<i>13,686.8</i>	.	<i>4,918.1</i>	—	.	.	<i>4,873.9</i>	.	<i>8,699.4</i>	.	.	<i>612.2</i>	<i>669.6</i>	<i>2,524.3</i>	.
— <i>Monetary financial institutions</i>	<i>254,558.8</i>	<i>142,946.4</i>	<i>61,697.3</i>	<i>344.6</i>	<i>588.7</i>	<i>58,996.3</i>	—	<i>1,767.6</i>	<i>49,915.1</i>	<i>14,954.8</i>	<i>1,132.8</i>	.	<i>4,740.3</i>	<i>14,517.8</i>	<i>6,729.4</i>
— <i>Other resident sectors</i>	<i>116,259.7</i>	<i>73,369.7</i>	<i>23,164.3</i>	.	<i>424.9</i>	<i>21,787.6</i>	<i>595.7</i>	.	<i>19,725.7</i>	<i>4,932.5</i>	.	.	.	<i>921.9</i>	<i>7,869.2</i>
<i>Foreign other investment in Spain</i>	<i>686,133.6</i>	<i>323,821.1</i>	<i>260,550.8</i>	<i>1,682.4</i>	<i>490.0</i>	<i>203,204.1</i>	<i>54,446.2</i>	<i>728.2</i>	<i>101,761.7</i>	<i>48,794.6</i>	<i>915.5</i>	.	<i>6,990.4</i>	<i>13,314.2</i>	<i>13,391.1</i>
— <i>General government</i>	<i>23,273.4</i>	<i>8,570.7</i>	<i>14,455.5</i>	.	.	.	<i>14,390.5</i>	.	.	.	.	—	.	.	.
— <i>Monetary financial institutions</i>	<i>504,820.0</i>	<i>235,046.6</i>	<i>176,733.3</i>	<i>1,661.6</i>	<i>388.3</i>	<i>162,655.6</i>	<i>11,600.7</i>	<i>427.1</i>	<i>93,040.2</i>	<i>46,210.9</i>	<i>539.8</i>	.	<i>6,881.9</i>	<i>12,970.2</i>	<i>13,030.4</i>
— <i>Other resident sectors</i>	<i>158,040.2</i>	<i>80,203.8</i>	<i>69,362.0</i>	.	.	<i>40,483.5</i>	<i>28,455.0</i>	<i>301.1</i>	<i>8,474.3</i>	<i>2,583.5</i>	.	—	.	<i>342.7</i>	<i>359.5</i>

SOURCE: Banco de España.

a. In the case of direct investment, Spain's investments abroad include loans received by Spanish parent companies from their non-resident subsidiaries, which reduce such investment. Likewise, foreign investments in Spain include loans granted by Spanish subsidiary companies to their non-resident parents (see Chapter 5).

«.» Amount below €300 million. Net balances are published if both assets and liabilities are over €300 million.

NOTES:

EURO AREA (EMU15): France, Belgium, Luxembourg, Netherlands, Germany, Italy, Ireland, Portugal, Austria, Finland, Greece, Slovenia, Cyprus, Malta and European Central Bank.

EU EXCLUDING EURO AREA: United Kingdom, Sweden, Denmark, European institutions, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Bulgaria, Romania and Slovakia. Intra-EU information has been added to this amount, corresponding to geographically unallocated information, which in no case represents large amounts.

OTHER: Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Slovakia, Bulgaria and Romania. Intra-EU information has been added to this amount, corresponding to geographically unallocated information, which in no case represents large amounts.

REST OF WORLD: Countries not included in the European Union.

LATIN AMERICA: Mexico, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Cuba, Colombia, Venezuela, Ecuador, Peru, Brazil, Chile, Bolivia, Paraguay, Uruguay and Argentina.

TAX HAVENS: Andorra, Antigua and Barbuda, Anguilla, Dutch Antilles, Barbados, Bahrain, Bermuda, Bahamas, Belize, Cook Islands, Dominica, Grenada, Guernsey, Gibraltar, Hong Kong, Isle of Man, Jersey, Jamaica, St. Kitts and Nevis, Cayman Islands, Lebanon, St. Lucia, Liechtenstein, Liberia, Marshall Islands, Montserrat, Maldives, Nauru, Niue, Panama, Philippines, Singapore, Turks and Caicos Islands, St. Vincent and the Grenadines, British Virgin Islands, US Virgin Islands, Vanuatu and Samoa.

INTERNATIONAL INVESTMENT POSITION 2007
Breakdown by economic and geographical area

TABLE 7.4.2

€m	WORLD TOTAL	EURO AREA (EMU 15)	EU EXCLUDING EURO AREA	DENMARK	SWEDEN	UNITED KINGDOM	EUROPEAN INSTITUTIONS	OTHER	REST OF WORLD	OF WHICH:					
										UNITED STATES	JAPAN	CHINA	REST OF ASIA	LATIN AMERICA	TAX HAVENS
IIP EXCLUDING BANCO DE ESPAÑA															
Net direct investment (assets-liabilities) (a)	-9,885.6	-109,795.3	34,450.0	-300.6	-3,008.7	13,742.3	.	24,020.8	65,459.7	-15,422.7	-1,838.1	.	143.4	81,652.9	410.8
<i>Spanish direct investment abroad</i>	401,185.9	168,285.3	85,439.1	1,007.8	2,630.9	57,114.0	.	24,686.2	147,461.6	30,848.6	429.0	457.9	1,531.9	92,405.6	2,434.1
<i>Foreign direct investment in Spain</i>	411,071.6	278,080.6	50,989.1	1,308.4	5,639.6	43,371.7	.	665.5	82,001.8	46,271.3	2,267.2	.	1,388.5	10,752.7	2,023.4
Net portfolio investment (assets-liabilities)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<i>Spanish portfolio investment abroad</i>	443,255.8	307,277.2	51,614.7	972.6	2,609.8	45,469.0	1,626.6	936.7	84,363.9	37,299.5	835.3	835.5	8,981.3	4,522.9	18,283.0
— <i>General government</i>	22,007.3	21,961.0	.	—	—	.	—	—	.	.	—	—	.	.	.
— <i>Monetary financial institutions</i>	99,618.2	58,766.7	19,660.3	385.3	756.4	17,733.2	373.8	411.5	21,191.2	9,550.7	.	803.4	.	3,039.3	5,057.5
— <i>Other resident sectors</i>	321,630.3	226,549.4	31,916.8	587.3	1,853.4	27,698.1	1,252.8	525.2	63,164.1	27,747.4	810.9	.	8,944.7	1,483.6	13,218.2
Net other investment (assets-liabilities)	-230,306.7	-113,070.4	-94,913.8	609.5	661.3	-54,767.4	-42,242.3	825.0	-22,322.4	-12,518.6	370.9	409.0	-2,525.1	2,045.9	-4,940.8
<i>Spanish other investment abroad</i>	378,622.4	204,369.1	109,390.3	1,032.3	1,438.7	99,579.6	5,111.6	2,228.1	64,862.9	15,606.9	1,022.9	821.6	4,092.1	11,779.5	12,537.5
— <i>General government</i>	12,599.2	.	4,585.4	—	.	.	4,526.9	.	7,991.1	.	.	578.7	625.2	2,279.6	.
— <i>Monetary financial institutions</i>	256,043.1	136,278.9	82,081.3	982.9	997.8	78,182.6	.	1,916.9	37,682.9	10,959.2	896.1	.	3,217.3	8,701.2	4,432.7
— <i>Other resident sectors</i>	109,980.1	68,067.4	22,723.7	.	441.4	21,367.9	583.5	.	19,189.0	4,609.4	.	.	.	798.7	7,972.6
<i>Foreign other investment in Spain</i>	608,929.1	317,439.5	204,304.1	422.9	777.3	154,347.0	47,353.9	1,403.1	87,185.4	28,125.5	652.0	412.6	6,617.2	9,733.5	17,478.2
— <i>General government</i>	19,939.4	7,969.6	11,787.3	.	.	.	11,697.7	.	.	.	.	—	.	.	.
— <i>Monetary financial institutions</i>	441,690.5	231,246.7	130,985.5	402.4	679.9	117,428.5	11,259.4	1,215.4	79,458.4	25,666.0	367.8	412.6	6,520.1	9,420.3	17,157.0
— <i>Other resident sectors</i>	147,299.1	78,223.3	61,531.4	.	.	36,829.0	24,396.8	.	7,544.4	2,459.6	.	—	.	313.2	321.2

SOURCE: Banco de España.

a. In the case of direct investment, Spain's investments abroad include loans received by Spanish parent companies from their non-resident subsidiaries, which reduce such investment. Likewise, foreign investments in Spain include loans granted by Spanish subsidiary companies to their non-resident parents (see Chapter 5).

«.» Amount below €300 million. Net balances are published if both assets and liabilities are over €300 million.

NOTES:

EURO AREA (EMU15): France, Belgium, Luxembourg, Netherlands, Germany, Italy, Ireland, Portugal, Austria, Finland, Greece, Slovenia, Cyprus, Malta and European Central Bank.

EU EXCLUDING EURO AREA: United Kingdom, Sweden, Denmark, European institutions, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Bulgaria, Romania and Slovakia. Intra-EU information has been added to this amount, corresponding to geographically unallocated information, which in no case represents large amounts.

OTHER: Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Slovakia, Bulgaria and Romania. Intra-EU information has been added to this amount, corresponding to geographically unallocated information, which in no case represents large amounts.

REST OF THE WORLD: Countries not included in the European Union.

LATIN AMERICA: Mexico, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Cuba, Colombia, Venezuela, Ecuador, Peru, Brazil, Chile, Bolivia, Paraguay, Uruguay and Argentina.

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