

ECONOMIC BULLETIN

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ECONOMIC BULLETIN APRIL 2011

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ABBREVIATIONS

AIAF	Association of Securities Dealers	GFCF	Gross fixed capital formation
BCBS	Basel Committee on Banking Supervision	GNP	Gross national product
BE	Banco de España	GVA	Gross value added
BIS	Bank for International Settlements	HICP	Harmonised Index of Consumer Prices
CBSO	Central Balance Sheet Data Office	IADB	Inter-American Development Bank
CCR	Central Credit Register	ICT	Information and communications technology
CEBS	Committee of European Banking Supervisors	ICO	Official Credit Institute
CEIPOS	Committee of European Insurance and Occupational Pensions Supervisors	IGAE	National Audit Office
CEMLA	Center for Latin American Monetary Studies	IMF	International Monetary Fund
CEPR	Centre for Economic Policy Research	INE	National Statistics Institute
CESR	Committee of European Securities Regulators	INEM	National Public Employment Service
CIs	Collective Investment Institutions	MFIs	Monetary financial institutions
CNE	Spanish National Accounts	MIFID	Markets in Financial Instruments Directive
CNMV	National Securities Market Commission	MMFs	Money market funds
CPI	Consumer Price Index	MROs	Main refinancing operations
DGSFP	Directorate General of Insurance and Pension Funds	MTBE	Banco de España quarterly macroeconomic model
ECB	European Central Bank	NAIRU	Non-accelerating-inflation rate of unemployment
ECCO	ECB External Communications Committee	NCBs	National central banks
ECOFIN	Council of the European Communities (Economic and Financial Affairs)	NPISHs	Non-profit institutions serving households
EDP	Excessive Deficit Procedure	OECD	Organisation for Economic Co-operation and Development
EFSF	European Financial Stability Facility	OPEC	Organisation of Petroleum Exporting Countries
EMU	Economic and Monetary Union	PPP	Purchasing power parity
EONIA	Euro overnight index average	QNA	Quarterly National Accounts
EPA	Official Spanish Labour Force Survey	RoW	Rest of the World
ESA 79	European System of Integrated Economic Accounts	SCLV	Securities Clearing and Settlement Service
ESA 95	European System of National and Regional Accounts	SDRs	Special Drawing Rights
ESCB	European System of Central Banks	SEPA	Single European Payments Area
ESM	European Stability Mechanism	SGP	Stability and Growth Pact
EU	European Union	SIVs	Structured investment vehicles
EUROSTAT	Statistical Office of the European Communities	SMEs	Small and medium-sized enterprises
FAFA	Fund for the Acquisition of Financial Assets	TARGET	Trans-European Automated Real-time Gross settlement Express Transfer system
FASE	Financial Accounts of the Spanish Economy	TFP	Total factor productivity
FDI	Foreign direct investment	ULCs	Unit labour costs
FROB	Fund for the Orderly Restructuring of Banks	VAT	Value Added Tax
GDI	Gross disposable income	WTO	World Trade Organisation
GDP	Gross domestic product	XBRL	Extensible Business Reporting Language

COUNTRIES AND CURRENCIES

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

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

CONVENTIONS USED

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

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QUARTERLY REPORT ON THE SPANISH ECONOMY

1 Overview

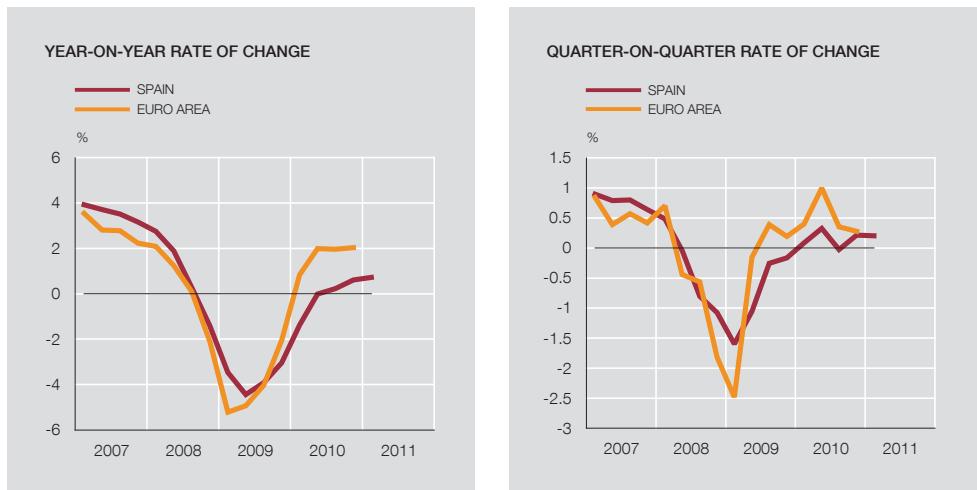
In the opening months of 2011, the Spanish economy continued growing at a weak rate against the background of the progressive recovery in the world economy, but one not free from the emergence of fresh causes for uncertainty. The estimates made drawing on the conjunctural information available suggest that GDP posted a quarter-on-quarter increase of 0.2% in 2011 Q1, unchanged on the previous quarter. In terms of the year-on-year rate, output continued on the path of slow recovery seen in previous quarters, its pace accelerating by 0.1 pp to 0.7%. This was the outcome of a negative contribution by national demand, on a similar scale to that of the previous quarter, and of the increase in the positive contribution of net external demand, which resumed the role of the main source of expansion of expenditure, with a contribution of 1.4 pp. Under national demand, the moderate pick-up in household consumption and the increase in investment in equipment partly countered the fall-off in the public components of spending, affected by the ongoing austerity measures and the decline in residential investment. In tune with this outlook, all the non-agricultural productive branches except construction posted moderately positive growth rates, and there was a particularly salient rise in industrial activity. Notwithstanding, employment fell further, by an estimated year-on-year rate of around 1.3%, which was slightly more moderate than in the previous quarter (and in line with the EPA employment figures for that period). The unemployment rate rose by 1 pp to 21.3% in Q1, against the backdrop of a slight easing in the rate of expansion of the labour force.

Despite the cyclical sluggishness the Spanish economy continues to evidence, inflation remained on a rising course. Driving it, as had been the case in the closing months of 2010, are factors that are, in principle, temporary, including most notably dearer energy. The year-on-year rate of change in the CPI rose to 3.6% in March (3% in December last year), while the attendant rate of the CPI excluding unprocessed food and energy was lower, at 1.7%. However, as the year unfolds, the pressures on costs and prices are stepping up (the CPI leading indicator for April increased to 3.8%), with the risk of inflation expectations worsening therefore greater.

Internationally, the economic recovery was widespread. That said, the worsening of geopolitical tensions in the North African and Middle Eastern countries, doubts about the impact of the earthquake in Japan on 11 March, rising energy prices on international markets and the continuation of the sovereign debt crisis in the euro area added further factors of uncertainty. As is habitually the case, output growth rates were uneven across the different geographical areas. The emerging and developing economies showed greater dynamism, underpinned by domestic demand, while activity in the developed economies, though gathering strength, was tempered by the ongoing financial deleveraging in which they are immersed.

Commodities prices increased markedly in the face of persistently strong demand pressures, exacerbated on the supply side by political tensions in the oil producing countries. Oil prices reached a new high (\$127 per barrel) in the closing days of April, and precious metal and food prices likewise continued on a rising course, albeit at a decelerating rate. As a result, global inflation increased further and the future inflation outlook worsened across the board, more so in the emerging countries that are ahead in the cycle.

International financial markets were affected by the greater uncertainty generated by the above-mentioned events; but on the whole, they tend to be gradually stabilising. Nonetheless, tensions persisted on the sovereign debt markets in some euro area countries, especially in



SOURCES: ECB, INE and Banco de España.

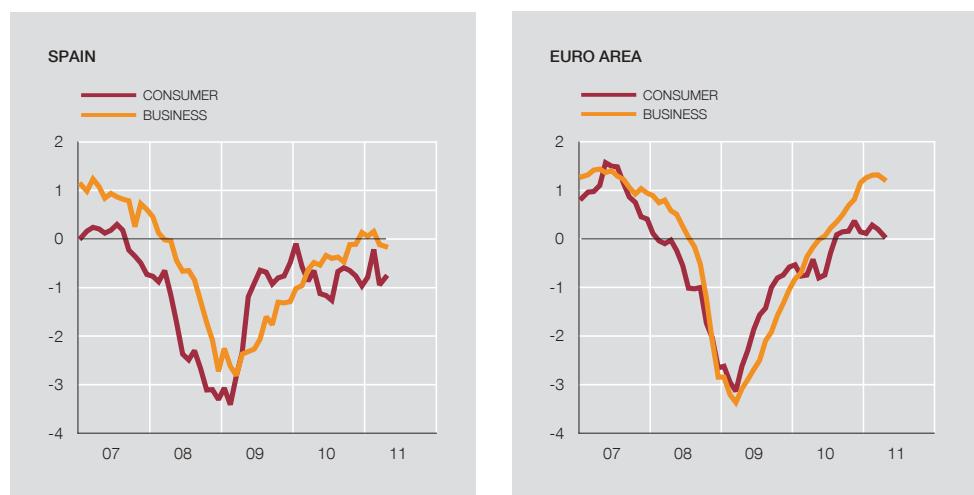
a. Seasonally adjusted series.

Greece, Ireland and Portugal. The request by the Portuguese government for financial assistance in early April and progress in recapitalising the Irish banking system paved the way for an improvement, which was curtailed in mid April by the uncertainty arising over the possibility of Greek debt being subject to some form of restructuring.

During the quarter major steps were taken in reforming European governance, reinforcing the institutional elements that had shown signs of most weakness during the breaking and subsequent development of the crisis: namely, the Stability and Growth Pact, the framework for the prevention of macroeconomic imbalances and the crisis resolution mechanism. Specifically, the European Summit on 23 and 24 March endorsed the operating principles of the European Stability Mechanism, which will come into force in June 2013 for financial assistance to Member States that need it, replacing the current temporary mechanisms. The Summit further laid down the so-called Euro Plus Pact, which strengthens the commitment of euro area and certain EU member governments to the implementation of policies more conducive to growth and financial stability in the euro area.

GDP quickened in the opening months of 2011 in the euro area, underpinned by the strength of exports and the rise in investment, and by the reversal of certain temporary factors, linked mainly to bad weather, which depressed activity in the final months of 2011. The gap between the countries most ahead in the cycle (Germany and France) and those most behind, where the recovery has not yet begun (Portugal, Ireland and Greece), widened further. As regards prices, there was a notable deterioration in the year-on-year rate of the HICP, caused mainly by the rise in energy prices. This latter factor has meant a notable deterioration in the short-term inflationary outlook and has raised medium-term inflationary risks. Against this background, the ECB decided at its April meeting to increase its main refinancing operations rate by 25 bp to 1.25%, and at the May meeting the Council held it unchanged at this level.

Over the course of the quarter, Spain decoupled from the group of countries most affected by the tensions on sovereign debt markets. Market perceptions came round to drawing this distinction thanks, among other reasons, to the new measures adopted to strengthen Spanish credit institutions' solvency and to the headway made in structural reform, following the approval of the draft bill on pension reform. Less mistrust made for a reduction in 10-year



SOURCE: European Commission.

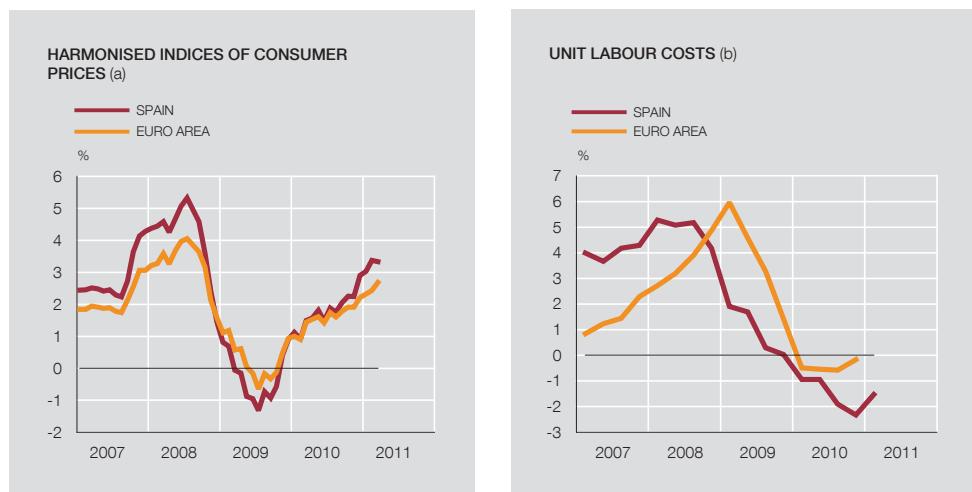
a. Normalised confidence indicators (difference between the indicator and its mean value, divided by the standard deviation).

Spanish government bond yields and in the related spread over the German *Bund* to around 190 bp, for a cut in corporate credit risk premia and for improved access by Spanish investors to wholesale funding. However, in mid-April the heightening of tensions on sovereign debt markets prompted a fresh rise in Spanish bond yields, to 5.3% at the end of the month, and to a widening of the spread over the German benchmark to 205 bp. The IBEX 35 posted a gain of around 7% in Q1, a trajectory which was interrupted in April by fresh oscillations. On the real estate market, house prices continued to fall at a year-on-year rate of 4.5%, up on the previous quarter.

Despite the lesser tension on capital markets, accessibility by the resident private sector to funding became somewhat tighter. Although the rise in interbank interest rates will take some time to feed through fully to lending rates, banks began to pass through to margins the higher cost of their liabilities that came about as a result of the tensions on wholesale markets in 2010. The opening months of 2011 therefore saw a moderate increase in the interest rates on corporate and household loans. Lending standards, interest rates aside, also tightened slightly.

In these circumstances, household spending continued to show signs of a weak recovery. The scant improvement in households' perception of the overall economic situation, coloured by labour market difficulties, the decline in the value of household wealth and the slide in incomes are checking spending plans, in a setting in which household purchasing power is being further reduced by the rise in inflation. The buffer provided by available saving to finance consumption has diminished considerably following its rapid decline during 2010. Overall, consumption is estimated to post a quarter-on-quarter growth rate similar to that in the final months of 2010, which will place it at around 1%. Foreseeably, this moderate pattern will continue over the rest of the year.

Residential investment is expected to have continued on a course furthering its correction, albeit with diminishing intensity, with a decline in its year-on-year rate of close to 9% being estimated (-11.4% in 2010 Q4). The completion of the adjustment still to be made will require that housing transactions resume a clearer path of recovery, something which might be hampered in the opening months of 2011 by the effect of purchases being brought forward to the previous year, given the change in how house purchases are treated for personal income tax purposes. The lesser



SOURCES: Eurostat, ECB and INE.

a. Year-on-year rate of change.

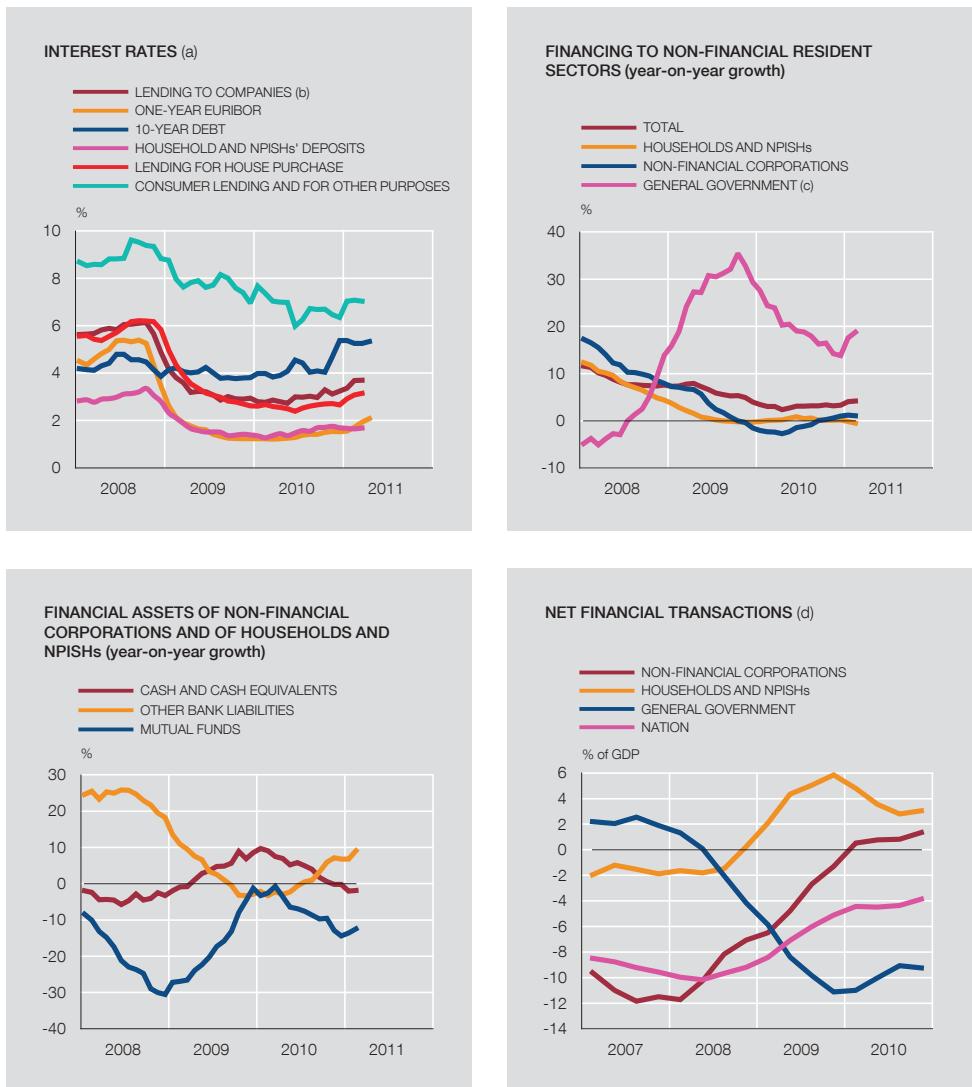
b. Per unit of output. Year-on-year rate of change calculated on the basis of seasonally adjusted series.

affordability of housing, now that interest rates have begun to rise, will not be of any help either. Against this background of markedly sluggish household spending and tighter lending standards, household debts fell by 0.5% in year-on-year terms in February, largely as a result of the loss of momentum of loans for house purchases, although consumer credit also contracted.

Business investment also showed a moderate rate of increase similar to that of the previous quarter, despite the fact that the improvement in non-financial corporations' financial position, further to the increase in business saving in 2010, might have been conducive to the greater dynamism of this domestic demand component. However, the relative strength of investment in equipment is perceptibly greater, possibly due to some pick-up in industrial activity, while investment in non-residential construction is being slowed by the effect of the fiscal austerity plans on the projects being undertaken jointly with general government, principally in infrastructure. Corporate debt also stood at low values, while still showing positive growth rates (1.1% in year-on-year terms in February). Yet on the information available to December, developments across the productive branches were uneven: while there were marked declines in the financing of construction and real estate development activities, the funds made available to other services and to industry picked up somewhat.

General government conduct continued to be marked by the fiscal adjustment, which is being felt both in the course of revenue (with the favourable performance of VAT proceeds, due in part to the effect of the rise in this tax in July last year) and in that of expenditure, where under the State caption substantial cuts are being seen in goods and services purchases and public investment (details on regional government spending are not yet available). Judging by the macroeconomic projections published by the Banco de España in March, these data are consistent with the achievement at the end of the year of an overall general government deficit around the official estimate for 2011 (6% of GDP). From the standpoint of the sustainability of public finances in the medium term, the swift application of the reforms envisaged in the draft bill on the reform of the public pensions system, approved last January, will be crucial.

On 29 April, the government released a new Updated Stability Programme covering the period 2011-2014. The Programme confirms the already known budgetary consolidation path to



SOURCE: Banco de España.

- a. In June 2010 the statistical requirements relating to interest rates applied by credit institutions to their customers were amended, potentially causing breaks in the attendant series. Of particular significance was the change in the interest rates on consumer credit and other loans, as a result of which, from that month, operations transacted using credit cards have not been included.
- b. Weighted average of interest rates on various transactions grouped according to their volume. For loans exceeding €1 million, the interest rate is obtained by adding to the NDER (Narrowly Defined Effective Rate), which does not include commission and other expenses, a moving average of such expenses.
- c. Consolidated financing: net of securities and loans that are general government assets.
- d. Four-quarter cumulated data.

2013, when the general government deficit is expected to stand at 3% of GDP and the public debt ratio to stabilise at slightly below 70% of GDP. It also presents the deficit target for 2014, at 2.1%, and a reduction in public debt to 68.9% of GDP is projected.

Turning to external demand, the buoyancy of goods exports and the notable recovery in tourism are underpinning this demand component. Imports increased at a slow pace, in step with the sluggishness of domestic demand. Clearly, some of the improvement in net exports is due to the diversification drive by Spanish companies abroad, along with the greater quality and competitiveness of the tourist offer. But, at the same time, benefit is being drawn from more temporary factors that may ultimately lose momentum, such as the extraordinary intensity of international trade flows and the renewed international flows of tourists towards Spain induced

by the political instability in North African and Middle Eastern tourist destinations. To ensure the continuity of this process, perseverance with the strategies geared to increasing penetration in foreign markets and improvements in productivity will be necessary, all the more so given that further headway must be achieved in reducing the nation's net borrowing. And this in a setting in which oil prices will likely hold at high levels for some time and in which the downward trend in the net balance of investment income has been flattening out.

On the supply side, the keynote for the quarter was the recovery of some momentum in industrial activity, underpinned by the strength of exports, following a long period of scant growth. Value added in the services branches, which were more resilient during the downturn, once again showed positive growth rates, albeit on a markedly slack course which is in line with the weakness of domestic demand and, in particular, with that of consumption. Lastly, activity in the construction sector continued to fall off, at a similar rate to the previous quarters, as a result of the growing weight that non-residential construction, affected by the fiscal consolidation plan, represents in the adjustment of the sector. The modest rise in value added in the market economy was once again insufficient to generate employment in net terms, and a fall of 1.5% in employment has been estimated for this sector, a somewhat smaller figure than that for the previous quarter. Three years after this long episode of job destruction began, staffing adjustments are thus continuing to play a very significant role in productivity gains, relegating to a secondary plane other factors that should be playing a more active role in this phase of the cycle. This reveals the existence of structural rigidities that are hampering the adjustment of the Spanish economy to a growth model less reliant on construction.

The presence of these rigidities is also - at least temporarily - adversely affecting labour costs and inflation, as earlier stated. It would be premature to draw firm conclusions about the impact on labour costs of the wage settlements reached in collective agreements signed in the opening months of the year. It should be borne in mind that what is involved here is a very small number of collective agreements which are, moreover, those that are most closely linked to recent inflation. That said, the 3.1% growth in wage rates to March (compared with 1.4% in 2010) is excessive in light of the aforementioned slackness of the labour market. Indeed, the year-on-year rate of expansion of compensation per employee in the market economy is estimated to have increased by around 1.5% in Q1, tempering the declines recorded in unit labour costs. The above-mentioned wage dynamics are sufficiently illustrative of the problems entailed by the continuing existence of inflation-adjustment clauses when prices are rising as sharply as they are at present. Such clauses fuel the generation of second-round effects that tend to hamper attainment of the gains in competitiveness and the employment generation needed to bolster a sounder recovery.

2 The external environment of the euro area

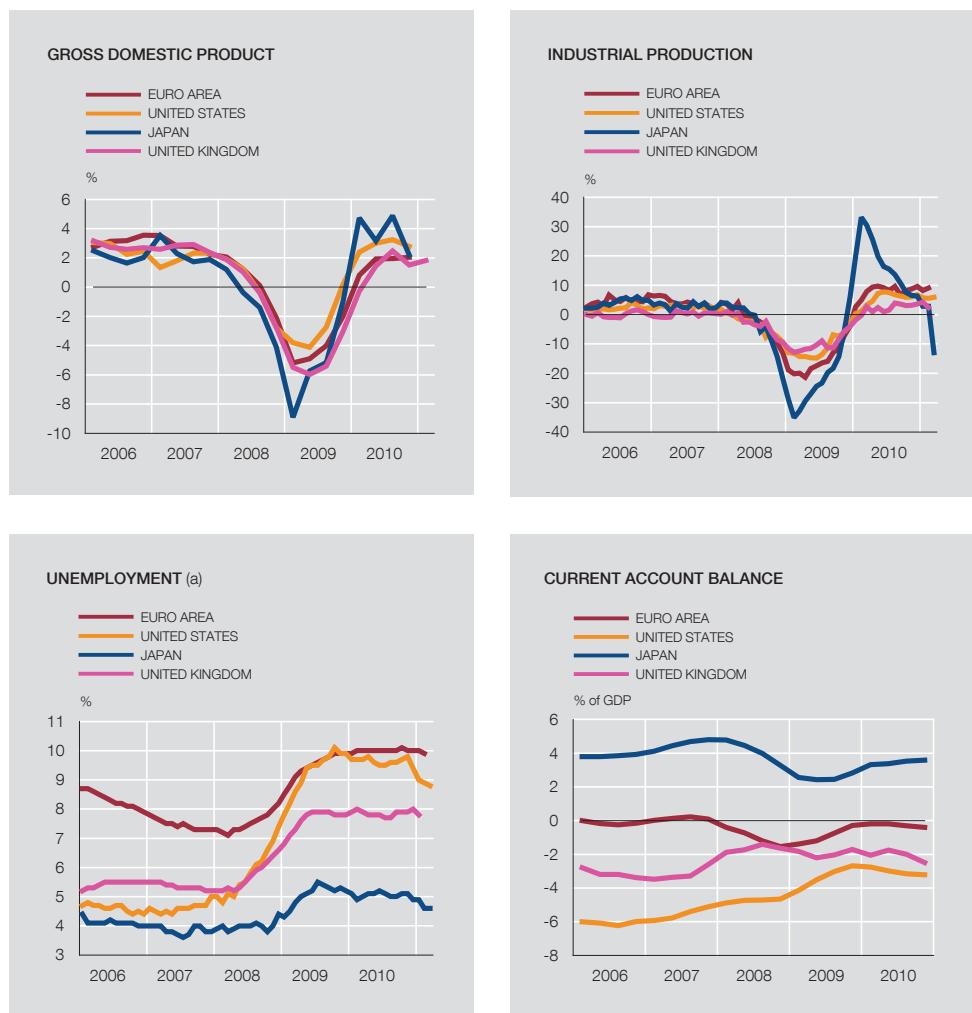
Despite the extent of the shocks throughout the quarter, the international financial markets were able to absorb them without serious alterations and the global economy performed relatively well. The euro area sovereign debt problems impinged only temporarily on the financial markets outside the countries directly affected by the crisis. The impact of the geopolitical tensions in the Arab countries was limited to the markets in the area in conflict, although globally they reinforced the upward trend in oil prices. Finally, the earthquake in Japan (with the subsequent nuclear crisis) had significant, but brief, effects on the main market prices. On the upside, there were signs that the recovery was firming in the developed countries, with advances in private demand, although significant economic policy support was still in place. Against this background, there is evidence for a forthcoming change of cycle towards the gradual normalisation of economic policies, which is not exempt from risk. Thus, as the recovery seems to gather force in the advanced economies, concerns about inflation are beginning to gain in relative importance and a progressive tightening of monetary conditions is in the offing within the more or less near future. Also, the recent change in the rating of US debt to a negative outlook underlines the need to address fiscal consolidation in that country. For their part, the emerging economies continued recording inflationary pressure and signs of overheating, while the trends towards appreciation and capital inflows persisted, as evidenced by the movements of fixed-income securities (and, in April, also of shares). Hence the monetary policy dilemma faced by these economies during the past year remains current.

The international financial markets responded more strongly to the positive data on economic performance (mainly in the United States) than to the aforementioned negative shocks. In the quarter as a whole, the stock exchanges of the main developed economies showed gains and volatility diminished, although the Nikkei index lost around 15 % in the days following the earthquake, which it largely recouped later on. In the foreign exchange markets, the dollar depreciated against the euro from near \$1.35 per euro to levels exceeding \$1.45 per euro. The yen, which following the earthquake reached highs that prompted coordinated action by the G7 and the Bank of Japan in the exchange markets, traded at highly volatile prices and now stands around ¥82 per dollar. The yield on the US Treasury 10-year bond scarcely changed significantly in the quarter despite the improved growth outlook, the inflation risks and the heightened concern about the fiscal situation, particularly following the downward revision of the debt outlook announced by the S&P credit rating agency. The emerging markets saw a widening of sovereign spreads, with bouts of volatility, derived from the tensions in the Arab countries and from the Japanese earthquake. Also apparent was a sustained withdrawal of the more volatile capital flows (shares) until the beginning of April, which caused the stock markets to fall, with a subsequent recovery in both. Commodity prices continued on their upward course, driven by the strength of demand from emerging countries in particular. In the case of oil, the instability of the Middle East and North African countries aggravated the fears of supply shortages, and the price of Brent oil topped \$120 per barrel. The potential impact of this rise on demand helped to moderate the upward movement in metal and food prices since mid-February.

In the United States, the 2011 Q1 GDP growth estimate was for annualised quarter-on-quarter growth of 1.8% (2.3% year-on-year), compared with 3.1% in 2010 Q4, as a result of lower contributions from private consumption and net exports and of the contraction of public expenditure, in spite of which the change in inventories again made a positive contribution to growth. The latest supply indicators show positive signs, being somewhat weaker on the demand

MAIN MACROECONOMIC INDICATORS
Year-on-year rate of change

CHART 5



SOURCES: Banco de España, national statistics and Eurostat.

a. Percentage of labour force.

side. Also, the housing market continues to show signs of weakness despite the advances seen in March, while prices have decreased further. The labour market brought the most positive news of the quarter, since the rate of job creation rose to 159,000 jobs per month, on average in the quarter, while the unemployment rate fell from 9.4 % of the labour force in December to 8.8 % in March. Inflation, as measured by the CPI, rose from 1.5 % year-on-year in December to 2.7 % in March, although the core rate was up from 0.8 % to 1.2 %. Against this backdrop, the Federal Reserve maintained its expansionary policy stance, leaving the official interest rate in the range 0-0.25 %, and confirmed its commitment to finalise Treasury bond purchases for an amount of \$600 billion and to reinvest the proceeds of maturities of the assets held by it. In the fiscal area, the draft budget bill for fiscal 2012 put to Parliament in February included the expansionary package approved in December, although in April a medium-term proposal was announced to consolidate the public finances in 12 years.

In Japan, GDP fell by 0.3 % quarter-on-quarter in 2010 Q4 (+2.2 % year-on-year), due to the contraction of private consumption and the deterioration of exports. The Q1 indicators prior to the 11 March earthquake pointed to an improvement in activity, but the serious consequences of this event suddenly halted the recovery by restricting firms' production capacity and nega-

The earthquake which ravaged the north-east of Japan on 11 March and its ruinous consequences, in addition to inflicting a human tragedy of enormous dimensions (around 27,000 people dead or missing), dealt a heavy blow to the country's incipient economic recovery. This box assesses the economic impact of this event and reviews the main channels of transmission to the Japanese economy and, more generally, to global activity.

The initial estimates of the Japanese government point to a destruction of capital stock ranging from ¥16 trillion to ¥25 trillion (3.3% to 5.2% of GDP). The high uncertainty (derived mainly from the serious situation of the Fukushima nuclear power station) hinders enormously the quantification of the impact on economic activity. Unlike other natural disasters in the past (such as the earthquake which affected the region of Kobe in 1995) in which activity was generally interrupted briefly and subsequently rebounded as reconstruction tasks got under way, this time a sharper and more prolonged impact is expected. The growth forecasts for 2011 (according to the Consensus Forecast panel) have decreased by around 1 pp on average (their dispersion has also increased notably,

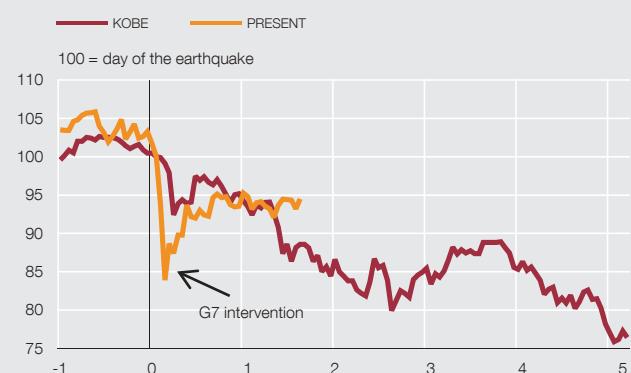
see Chart 1) to an annual average of 0.3%, while the forecasts for 2012 have been revised upward due to the impact of reconstruction activities, although here there is also notable uncertainty.

With regard to the effects on the Japanese economy, a distinction may be made between those acting on supply or productive capacity and those operating through demand. With regard to the impact on supply, the worsening of the nuclear problems and the supply restrictions at electric power stations (around 25% of the total in the Tokyo region) reduced the production capacity of firms (including automobile, electronics, chemicals and steel companies), many of which had to close their plants for several weeks. Moreover, according to estimates of the electric utility TEPCO (the owner of the nuclear power station affected by the earthquake), the electric power problems may last until the beginning of summer. In this connection, it is estimated that each month of restricted electric power supply may reduce annual GDP growth by 0.2 pp, although this effect may be magnified by cuts in manufacturing production lines, as has already occurred in certain industries.

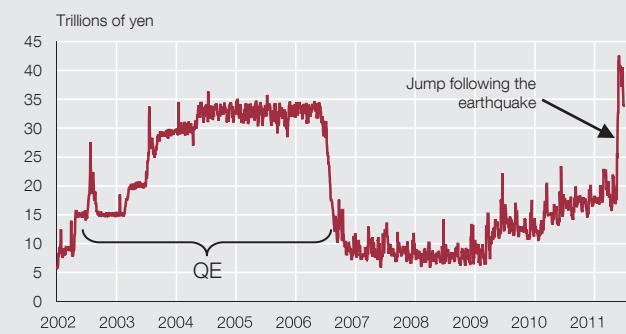
GROWTH FORECASTS FOR JAPAN (CONSENSUS)



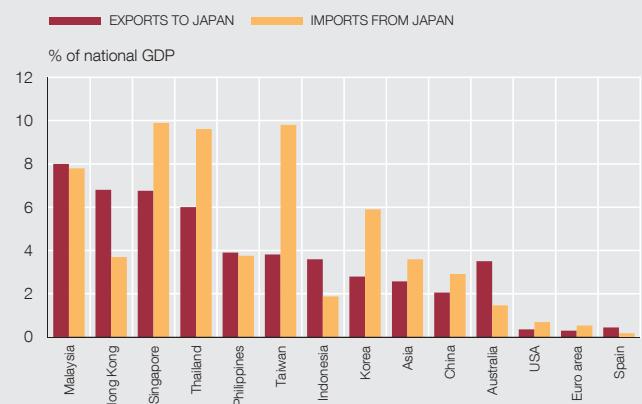
STOCK MARKET FOLLOWING THE EARTHQUAKE (a)



CURRENT ACCOUNT DEPOSITS WITH THE BANK OF JAPAN



TRADE EXPOSURE TO JAPAN



SOURCES: Datastream and Bank of Japan.

a. Scale in months, where t = 0 represents the day of the earthquake.

On the demand side, the high uncertainty and the destruction of wealth caused a sharp deterioration in sentiment amongst households and firms, the extent of which exceeds that in past crises. In line with this subdued sentiment, and given the problems in distribution systems, the initial qualitative data following the earthquake indicate a decrease in consumption –particularly of leisure (especially tourism) and luxury goods– although the stocking of food by households may have partly mitigated this deterioration. At the same time, it seems likely that, in this setting of uncertainty, firms will postpone some of their investment plans. By contrast, it is expected that the investment drive needed to reconstruct the devastated capital stock will spur the recovery of demand from the second half of 2011.

These factors and, in particular, the high uncertainty associated with the nuclear problems, seemed to explain the stronger reaction of the stock markets compared with previous occasions (see Chart 2). Thus the Nikkei index lost more than 15 % in the days following the earthquake and the yen appreciated by 5 % against the dollar due to the risk of capital being repatriated to finance reconstruction costs, and also due to a certain anticipatory effect, given the experience of the previous earthquake. However, the coordinated intervention of the G7 in the foreign exchange markets managed to reverse these developments, and subsequently the yen stabilised and the stock markets recovered partially.

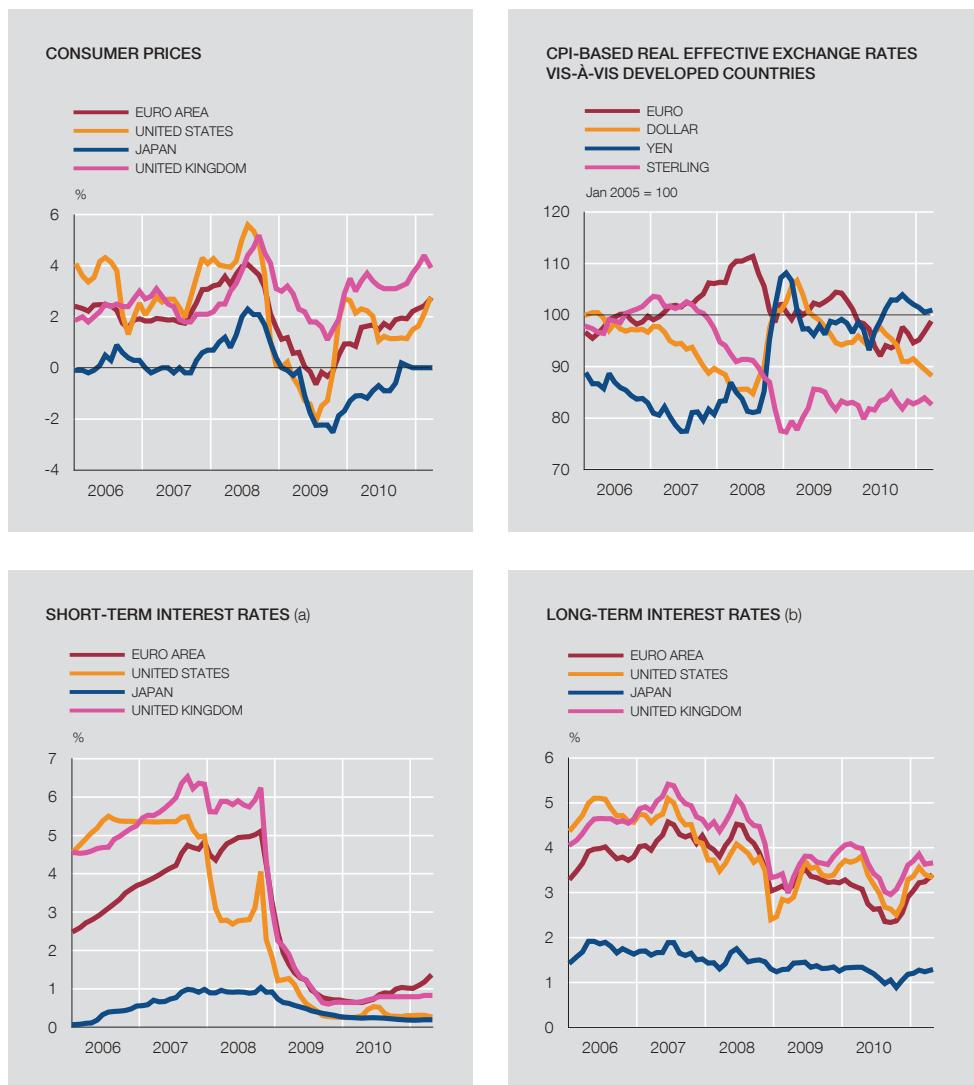
Against this background, there was a rapid and resolute response by the Bank of Japan, which made numerous injections of liquidity into the money markets in the form of very short-term funds. As a result, its balance sheet increased notably (to the equivalent of 5 % of GDP), exceeding the volume reached in the quantitative expansion stage in the period 2002-2006 (see Chart 3). Also, the Bank of Japan extended the asset purchase programme from ¥5 trillion to ¥10 trillion (from 1 % to 2 % of GDP) to cope with the increased risk aversion in the financial markets and with the deteriorating confidence of both consumers and firms. In addition, it approved a new collateralised credit facility (one-year loans at a rate of 0.1 %) for a total amount of ¥1 trillion (0.2 % of GDP) to provide funds to financial institutions in the disaster area. In the fiscal sphere, the government has prepared a first supplementary budget to cover reconstruction costs for an amount of ¥4 trillion (0.9 % of GDP) and another budget for a larger amount is expected to be approved in the coming months. Given the deterioration of Japanese public finances, this new fiscal stimulus signifies an additional risk, since it could accentuate the doubts as to their sustainability and put upward pressure on interest rates.

The main transmission mechanism by which the events in Japan feed through to the global economy is the trade channel, although its direct impact is expected to be limited except in certain emerging Asian economies whose trading ties with Japan are particularly close (see Chart 4). However, Japan's key role as global provider of certain intermediate goods (particularly those related to the chemicals, automobile and high technology industries) may magnify this effect through possible interruptions to manufacturing production lines throughout the world: for example, Japan produces nearly 50 % of the car parts imported by China and the United States. The size of this affect depends on the duration of the constraints on Japan's production capacity, on the stockpiles of intermediate goods inventories (which act as a buffer in the event of a supply shortage) and on how easy it is to find substitutes for the Japanese suppliers (which could have a positive impact by inducing higher demand from competitors in other countries).

Another possible global transmission channel is that associated with changes in capital flows, given the high net credit position of the Japanese economy with respect to the rest of the world (52.9 % of GDP). In this respect, the main risk lies in a significant repatriation of capital or in smaller Japanese capital outflows (particularly from insurance companies, although the partial reinsurance by the government has lightened their burden) due to the need to finance reconstruction work, which would put upward pressure on the yen. Nevertheless, despite expectations, to date there is little evidence that these movements have in fact taken place.

The international financial markets have so far withstood this shock fairly well. However, against a background of incipient economic recovery and of persistence of other sources of instability, such as geopolitical tensions in the Middle East countries or sovereign debt problems in the euro area, a prolongation and deterioration of the situation in Japan (particularly the nuclear crisis) could end up triggering a greater risk aversion of economic agents at global level.

Lastly, the natural disaster may increase tensions in the oil market, since Japan is the world's third-largest oil exporter, and negatively affect confidence in the safety of nuclear energy. Thus, although the contraction in activity may reduce the demand for oil in the very short term, the reconstruction activity and electricity generation problems have led the International Energy Agency to revise upwards its projections for oil demand in Japan for 2011 as a whole (by 0.15 million barrels per day). This impact may be substantially higher if the recent events lead to a revision of Japanese (or even world) nuclear strategy which ends up affecting energy prices, steepening their upward trend since mid-2009.



SOURCE: Banco de España.

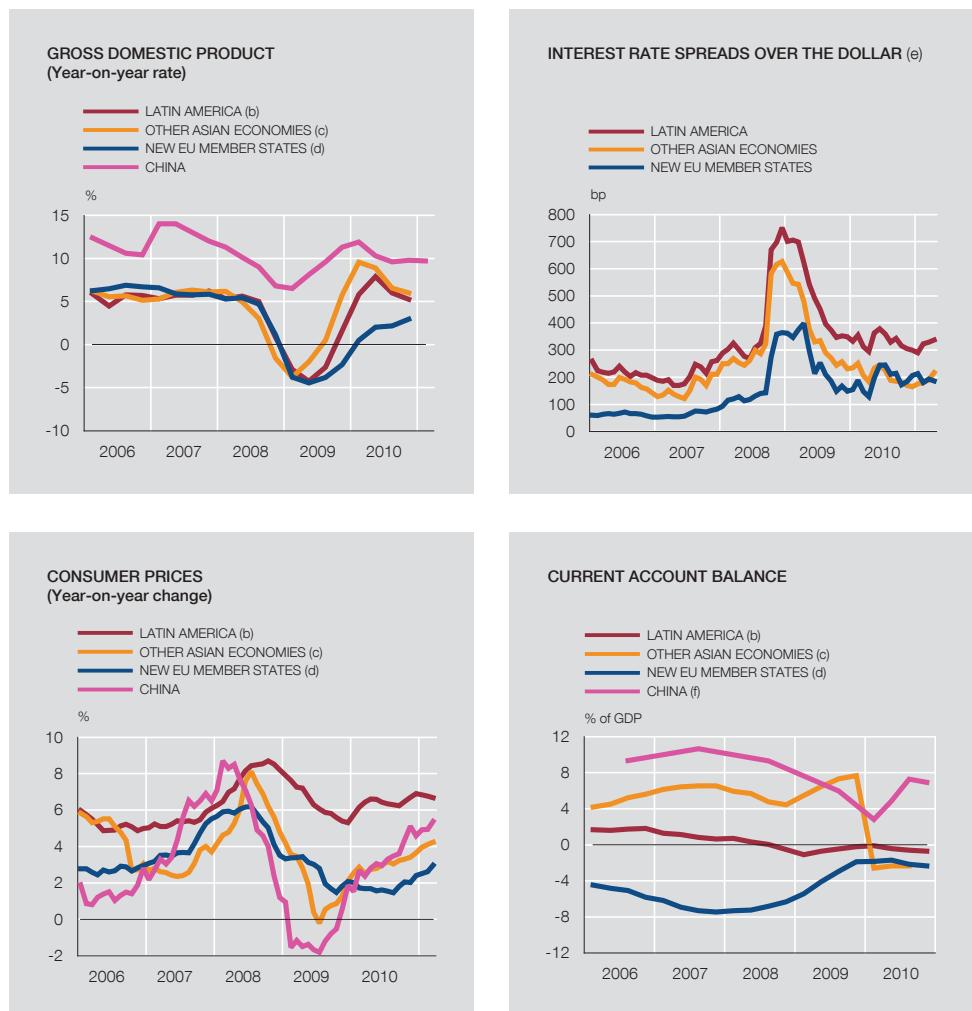
- a. Three-month interbank market interest rates.
 b. Ten-year government debt yields.

tively affecting the sentiment of economic agents (see Box 1). Industrial production contracted by 15 % in March (mainly affecting the automobile sector), negatively affecting the performance of exports (which fell by 7.7 %); on the demand side, retail sales fell by 7.8 %. In addition, the qualitative indicators for April point to additional deterioration in activity. In the labour market, the unemployment rate fell by 0.3 pp in the quarter as a whole to 4.6 %, although the upward trend in employment reversed in March as a result of the halt in activity. Consumer prices showed zero growth in March and the core inflation rate stood at -0.7 %. Following the earthquake, the Bank of Japan acted resolutely by offering abundant short-term liquidity and intervened in the foreign exchange markets as part of coordinated action by the G7, as mentioned above. Lastly, the government prepared a first supplementary budget for ¥4 billion (0.9 % of GDP) to finance reconstruction costs and another budget for a larger amount is expected to be approved around mid-year.

In the United Kingdom, GDP grew by 0.5 % quarter-on-quarter (+1.8 % year-on-year) in 2011 Q1, according to the preliminary estimate, following the contraction of 0.5 % (+1.5 %) recorded in the previous quarter. The indicators show that the mild expansion of activity in the early

**EMERGING ECONOMIES:
MAIN MACROECONOMIC INDICATORS (a)**

CHART 7



SOURCES: National statistics and JP Morgan.

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

months of the year was driven by manufacturing production and the surge in exports and, to a lesser extent, by services. In contrast, the domestic demand indicators (such as retail sales and consumer confidence) continue to show a certain sluggishness, since they have been weakened by the fiscal adjustment plan and the loss of household purchasing power. Real estate market activity is stagnant and house prices have stabilised. The labour market showed a certain improvement until February: the unemployment rate decreased by 0.1 pp (7.8%), while employment grew significantly and wage moderation held steady. In March, inflation decreased by 0.4 pp to 4 %, and the core rate stood at 3.2 %, although the Bank of England, which considers that this high inflation reflects temporary factors, held the official interest rate at 0.5 %, having decided to wait until the recovery is on a firmer footing before tightening its policy stance. Finally, the government unveiled a budget for 2011 in line with the pattern of fiscal consolidation announced in 2010.

In the new non-euro area EU Member States as a whole, GDP increased on average by 2.9% year-on-year in Q4. This exceeded the Q3 growth of 2.3% and left the region's growth at 1.9% in 2010. Although the improvement was across the board and underpinned by the growing dynamism of exports and of industrial production, there are notable differences between countries, including most notably the solid recovery of Poland compared with the weak situation of Romania. Throughout the quarter, inflation behaved unevenly, although it increased in most countries in the last two months, rising on average by 4.4% year-on-year in March. The growing inflationary pressure prompted an increase of 25 pp in Poland's official interest rate to 4%, while official rates remained unchanged in other countries. Finally, in the fiscal area, 2010 saw an improvement in budget balances (except in Poland) and a deterioration in gross debt. The budget deficit stood, on average, at 6.7% of GDP and gross debt at 47.7%.

In China GDP grew by 2.1% quarter-on-quarter (9.7% year-on-year) in 2011 Q1, showing a solid pace of expansion despite the tighter monetary policy. Inflation reached 5.4% in March (well above the target of 4%), while the real estate market is adjusting timidly. Against this background, the authorities increased the reference interest rates twice in the quarter (four times since last October) and the bank reserve requirement four times, while expanding the measures taken to cool down the housing market. In the rest of Asia, the economic expansion continued apace in 2010 Q4, with average growth of 6.9% year-on-year (7.8% in 2010 is a whole), while inflation rose gradually and practically across-the-board during the quarter to stand at 6.7% in March, reflecting growing pressure from food and energy prices and, in some cases, from the dynamism of activity itself. Monetary policy took some time to adopt a more restrictive stance, partly because of the fear that it might lead to greater capital inflows, but the rising inflation finally forced an across-the-board monetary tightening.

In Latin America, GDP rose by 1.2% quarter-on-quarter in 2010 Q4, twice as much as in Q3, leaving the year-on-year rate at 5.3%. GDP growth in 2010 was 6.3%, nearly 2 pp above the average for the five years prior to the crisis, driven mainly by domestic demand. The indicators for 2011 Q1 suggest that the dynamism of late 2010 will continue. Inflation in the area stood at 6.7% in March, and inflation expectations have risen in Brazil, Chile and Peru, so all the central banks of the region with inflation targets, except Mexico, raised the official rates during the quarter. In Peru reserve requirements were also raised, while in Brazil the tax base of the tax on financial transactions was broadened. In the fiscal area, budget balances in the area tended to stabilise, although primary expenditure continued to grow rapidly. Finally, the rating agencies increased the rating of Brazilian sovereign debt (*Fitch*, to BBB, the same rating as Mexico). The half-yearly report on the Latin American economy in this Economic Bulletin contains more detailed information on the recent performance of the economies in the region.

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

Despite the context of moderate economic recovery in the euro area as a whole, the sovereign debt crisis that has been afflicting certain countries continued during the first quarter of 2011. Unlike previously, during most of this period the turmoil was largely confined to Greece, Ireland and Portugal, with barely any repercussions for other euro area financial markets. Portugal's request for financial assistance at the beginning of April, following the announcement of general elections owing to the lack of Parliamentary support for new fiscal adjustment initiatives, and the progress made in restructuring the Irish banking system allowed tensions to ease somewhat. However, this trend came to a halt in mid-April and sovereign spreads widened again, this time across a broader range of countries, with Spain in particular affected. Although it is always complicated to identify which factors are responsible for renewed outbreaks of tension like this one, the time sequence of the events would seem to suggest that increased concern about the possibility of a restructuring of Greek government debt may have played an important role. In addition, the difficulty involved in implementing the assistance to Portugal, as a result of the country's complicated political situation and greater uncertainty regarding the outcome of Parliamentary procedures for ratification of the commitments made by the euro area governments in relation to the financial support mechanisms for countries in difficulty, may have also contributed to investors' doubts. These episodes highlight once again the need to step up the twofold strategy of fiscal consolidation and structural reforms in those countries that have been shown to be more vulnerable, on one hand, and strengthening governance mechanisms in the euro area as a whole, on the other.

At the summit of euro area heads of state and government of 11 March the principles were established that will govern the operation of the future European Stability Mechanism (ESM), due to come into effect in June 2013, to provide financial assistance to those Member States that need it, replacing the current temporary mechanisms. With respect to the latter, it was agreed to increase the effective lending capacity of the European Financial Stability Facility (EFSF), although the specific details were postponed until June, and the interest rate charged on loans to Greece was reduced by one percentage point. All these agreements were endorsed by the European Council of 24 and 25 March, which also established the so-called Euro-Plus Pact. This pact strengthens the commitment of the governments of the area and of certain EU countries to implement policies more conducive to growth and financial stability in the euro area. Finally, the legislative proposals for governance reform (relating to reform of the Stability and Growth Pact and its sanctioning mechanisms, the establishment of the vigilance procedure for macroeconomic imbalances and the fiscal frameworks directive) are currently being debated in the European Parliament, which has until June to reach its final conclusion (see Box 1).

Against this background, the conjunctural information available is compatible with somewhat more dynamic output growth in the euro area in the first quarter of 2011 than in the final quarter of 2010, buoyed by the external sector, the monetary policy stimulus and the reversal of certain temporary factors that depressed activity in the final part of last year. More in the medium term, the available projections suggest a scenario in which the economic recovery will continue to gain momentum this year and next year, supported by growth in external demand and the progressive normalisation of the financial situation. However, this scenario is subject to considerable uncertainty and is not free from downside risks, such as those arising, principally, from a possible prolongation of tensions in sovereign debt markets, which may eventually lead to a general tightening of financial conditions in the area as a whole, and from the in-

Since spring 2010 the European Union has been addressing the reform of governance, which particularly affects the way in which the surveillance and coordination processes of national economic policies are structured within the euro area and the setting up of financial assistance mechanisms which ensure financial stability in the euro area. The most recent progress includes, firstly, the commencement of the European semester which, for the first time, encompasses all the items of euro area economic surveillance and will conclude with country-specific recommendations at the European Council meeting in June. Also, the new permanent instrument for financial assistance, i.e. the European Stability Mechanism (ESM), has been defined, and a general agreement reached on the basic principles of the six legislative proposals presented by the Commission and discussed by the Van Rompuy Task Force. The European Parliament is expected to approve this governance reform in June 2011 and, to this end, it is necessary to make further progress on certain specific details of these agreements. Lastly, a new development is the Euro Plus Pact which was designed and approved to improve the economic policy coordination mechanism.

In January 2011, on the basis of the Annual Growth Survey published by the Commission, the European semester of ex ante budgetary and economic policy coordination began. For the first time, countries are simultaneously preparing their National Reform Programmes, which are to specify measures aimed at meeting the targets and guidelines of the Europe 2020 Strategy, along with their Stability and Growth Programmes, which will contain the measures that will be included in their respective national budgets for 2012, and medium-term fiscal consolidation plans, detailing their strategy to meet these targets. These plans will be discussed during May and June, concluding with specific economic policy recommendations for each country at the European Council meeting in June. This whole process will make it possible to successfully harness synergies and avoid inconsistencies between national policies.

STABILITY AND GROWTH PACT

PREVENTIVE ARM

Annual growth of public spending should not exceed medium-term GDP growth or should be clearly lower if the medium-term objectives (MTOs) have not been achieved.

Public spending growth may exceed medium-term GDP growth if the MTOs have been comfortably achieved or if the surplus spending is offset with discretionary increases in revenue.

Possibility of applying sanctions if a country does not achieve the MTOs and there are significant deviations from public spending growth.

A more rapid adjustment path is proposed, which has not yet been quantified, for countries with debt of more than 60% or with high risks in terms of debt sustainability.

CORRECTIVE ARM

If the public debt/GDP ratio is higher than 60%, it must decrease - over the course of the three years prior to the assessment- by one-twentieth with respect to the amount by which it differs from the reference value in order to avoid the initiation of an Excessive Deficit Procedure (EDP).

In order to determine whether or not to initiate an EDP, in addition to the numerical benchmark, other important factors will be considered: implicit liabilities related to the level of private debt, the ageing of the population and the net cost of implementing the pension reform.

ENFORCEMENT STRUCTURE

New political and reputation sanctions.

New financial sanctions: non-interest earning deposit amounting to 0.2% of GDP under the corrective arm.

Greater automaticity with the introduction of reverse voting procedures in the decision-making process.

SOURCE: Banco de España.

The European Council meeting in March 2011 approved the creation of the new ESM and a limited amendment to the EU Treaty so that the mechanism has full legal certainty. The ESM will come into force in June 2013 and will replace the financial assistance mechanism currently in effect, the EFSM. The mechanism will be activated at the request of a Member State and the aid, which will be conditional, as in the case of the EFSM, will be subject to unanimous agreement. It will have a total lending capacity of €500 billion, with subscribed capital of €700 billion, and assistance will be provided through loans and, exceptionally, interventions on primary government debt markets. An agreement was also reached to ensure that the current temporary mechanism increases its effective lending capacity to €440 billion, although the decision as to how this will be put into practice will be delayed until June.

Following a year of intensive work, at the European Summit in March 2011 the basic principles of the six legislative proposals aimed at ensuring and strengthening budgetary discipline and avoiding excessive macroeconomic imbalances were accepted. They include a reform of the Stability and Growth Pact – SGP – (the most noteworthy agreements of which are shown in Panel 1) which is directed at strengthening surveillance of budgetary policies and applying sanctions earlier and more consistently, as well as new provisions on national budgetary frameworks and a new tool for the surveillance of macroeconomic imbalances. Another change is the agreement reached on observing the political principle that the Council, as a general rule, shall follow the Commission's recommendations and explain its position in writing if it fails to do so. Also envisaged are the transposition in full of the Services Directive and fresh impetus for the Single Market Act. To this end the Commission will prepare a report this summer on the reduction of administrative and regulatory barriers especially for SMEs.

A new development was the design and approval of the Euro Plus Pact, which represents an additional political commitment at the

highest level to improve the economic policy coordination mechanism between euro area countries. Furthermore, this pact is open to non-euro area Member States, with the result that certain countries have decided to sign up (Denmark, Poland, Latvia, Lithuania, Bulgaria and Romania). The Euro Plus Pact selected four specific targets which represent the priorities set in the Annual Growth Survey. Achieving these targets will be assessed by using a set of easy-to-measure variables. Under the Pact, countries shall have the discretion to decide the best way of achieving these targets (see Panel 2).¹

- 1.** Spain, France, Belgium and Germany have already announced their commitments for the next twelve months and the other countries must do the same, at the latest in time for them to be included in the Stability and Growth Programmes and in the National Reform Plans.

The governance review under way undoubtedly strengthens the current framework in the EU, but the challenges faced by the euro area are also considerable. Accordingly, the Eurosystem has demanded the inclusion of tougher criteria to correct imbalances and, especially in the fiscal realm, more automaticity for supervision and sanction procedures. For its part, the IMF considers that there is a need to make further progress in the area of macroeconomic supervision and various analysts from the OECD and the Commission emphasise that the reform is not balanced since they think that difficulties continue to exist in relation to the functioning of the enforcement structures under normal circumstances and that the rules may be excessively strict in really problematic times such as those at present.

CONCRETE OBJECTIVES AND ACTIONS PROPOSED IN THE EURO PLUS PACT

OBJECTIVES	VARIABLES TO BE MONITORED	ACTIONS PROPOSED
Competitiveness	Unit labour costs	Adaptation of costs to productivity Promotion of productivity
Employment	Long-term unemployment Youth unemployment Participation rate	Flexicurity Hidden economy Occupational training Employment-promoting tax reforms
Fiscal sustainability	Sustainability gap indicators	Pensions Health care Social benefits
Financial stability	Private debt of banks, households and non-financial firms	Regular EU-wide bank stress tests Winding up of non-viable banks

crease in energy prices on international markets. This latter factor has in fact entailed a notable deterioration in the short-term inflation outlook and has increased the risks to medium-term inflation. That was what the ECB considered at its meeting in April, at which it decided to increase official rates by 25 basis points to 1.25% for main refinancing operations, having held them unchanged for almost two years. Previously, in March, the Governing Council had decided to continue to use during the second quarter the fixed interest rate tender procedure with full allotment in the various liquidity providing operations.

3.1 Economic developments

In 2010 Q4, euro area GDP grew by 0.3%, down 0.1 percentage points from the increase recorded in the previous quarter (see Table 1). This growth was based on the strength of exports and investment in capital goods and, to a lesser extent, consumption. In contrast, the positive contribution of fiscal policy disappeared, as the negative growth in government consumption shows; construction spending fell again, affected by adverse weather conditions; and the contribution from changes in inventories was slightly negative. The sectoral breakdown shows that value added accelerated in industry and agriculture, moderated in services and declined more steeply in construction. In year-on-year terms, the rate of change in seasonally adjusted GDP was 2%, similar to the level recorded in the two preceding quarters.

By country, activity in France and Germany again grew at above the average European rate, by 0.4% in both cases, albeit based on different components. In Germany, as in the euro area as a whole, the growth was driven by exports and investment in capital goods, while the better

	2009		2010			2011		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
NATIONAL ACCOUNTS (quarter-on-quarter growth, unless otherwise indicated)								
GDP	0.4	0.2	0.4	1.0	0.4	0.3		
Private consumption	-0.2	0.3	0.3	0.2	0.2	0.4		
Government consumption	0.5	0.0	-0.1	0.2	0.4	0.1		
GFCF	-1.3	-1.1	-0.2	2.1	-0.2	-0.5		
Imports	1.8	1.1	3.6	4.2	1.5	1.0		
Exports	2.7	2.2	3.0	4.5	2.1	1.5		
Contributions to quarter-on-quarter GDP growth (pp)								
Domestic demand (exc. stocks)	-0.2	0.0	0.1	0.5	0.1	0.1		
Stockbuilding	0.3	-0.2	0.4	0.3	0.0	-0.1		
Net external demand	0.2	0.3	-0.1	0.2	0.3	0.4		
GDP (annual growth)	-4.0	-2.1	0.8	2.0	2.0	2.0		
ACTIVITY INDICATORS (quarterly average)								
IPI (working day- and seasonally adjusted)	3.0	1.1	2.6	2.4	1.0	1.8	1.0	
Economic sentiment	84.2	92.0	96.4	99.1	102.3	105.6	107.3	
Composite PMI	49.5	53.6	54.4	56.6	55.7	54.9	57.6	57.8
Employment	-0.5	-0.2	0.0	0.1	0.0	0.2		
Unemployment rate	9.7	9.9	10.0	10.0	10.0	10.0	9.9	
PRICE INDICATORS (annual change in end-period data)								
HICP	-0.3	0.9	1.6	1.5	1.9	2.2	2.7	
PPI	-7.7	-2.9	0.9	3.1	4.3	5.4	6.6	
Oil price (USD)	67.7	74.4	78.8	75.0	78.4	92.3	115.4	124.0
FINNANCIAL INDICATORS (end-period data)								
Euro area ten-year bond yields	3.8	4.0	4.0	3.7	3.5	4.1	4.6	4.7
US-euro area ten-year bond spread	-0.45	-0.17	-0.08	-0.72	-1.01	-0.78	-1.14	-1.26
Dollar/euro exchange rate	1.464	1.441	1.348	1.227	1.365	1.336	1.421	1.458
Appreciation/ depreciation of the NEER-20 (b)	0.3	-0.9	-4.5	-10.3	-6.3	-8.2	3.5	4.2
Dow Jones EUROSTOXX 50 index (b)	17.2	21.0	-1.2	-13.2	-7.4	-5.8	4.2	5.1

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

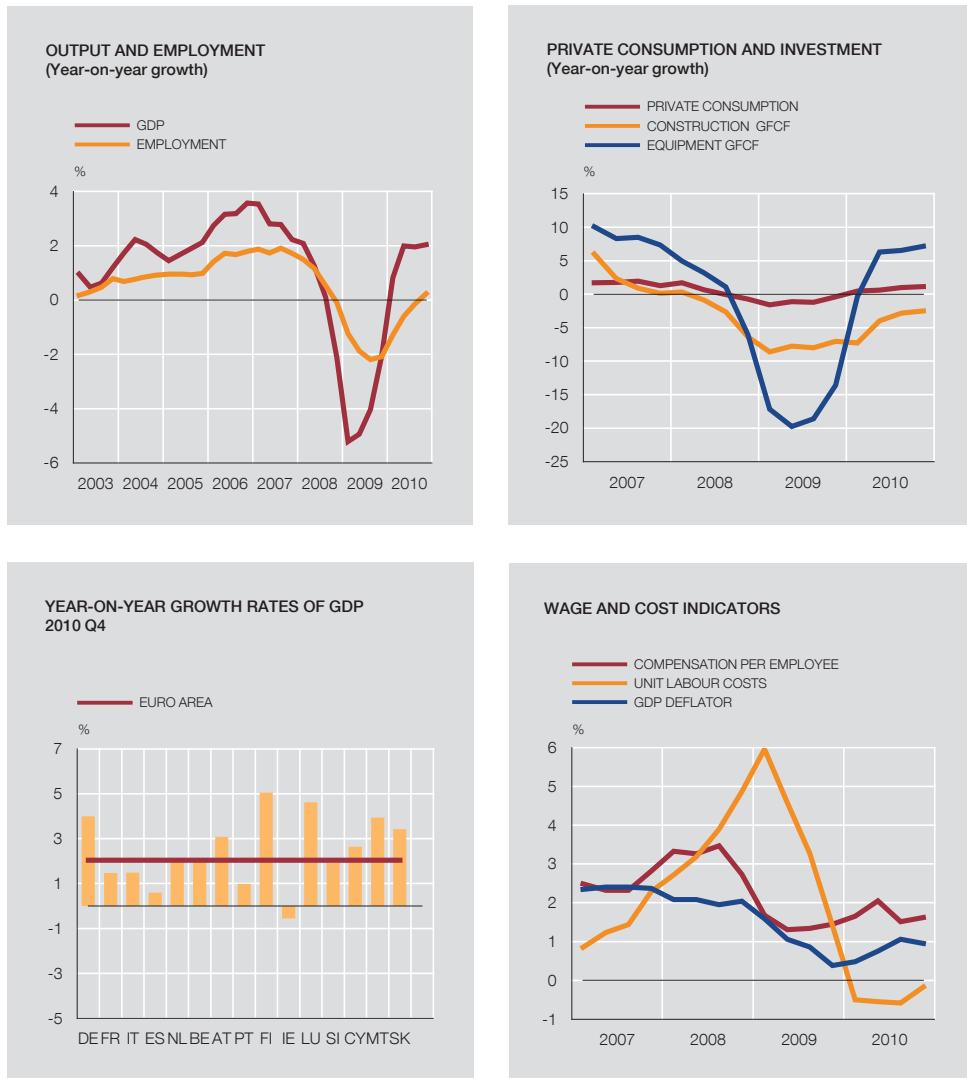
a. Information available up to 25 April 2011.

b. Percentage change over the year.

fiscal position was reflected in growth in government consumption. In France, the contribution of changes in inventories to output was very negative but was offset by the strength of private consumption and a high contribution to GDP from external demand, owing to the growth in exports and also the decline in imports. For its part, GDP in Italy grew by a mere 0.1%, against a background of stagnant domestic demand and minimal growth in exports. Finally GDP continued to decline in 2010 Q4 in Portugal, Greece and Ireland, by 0.3%, 1.4% and 1.6%, respectively.

On national accounts data, the recovery in employment in the area as a whole was confirmed, with a quarter-on-quarter increase that translated into the first positive year-on-year rate (0.2%) since September 2008. In contrast, hours worked per employee decelerated. This slower recovery in employment than in GDP caused the rate of growth of productivity to stand at around 2% again, which was higher than the rate of growth of compensation per employee, so that unit labour costs contracted further and – given that the GDP deflator increased – profit margins continued to expand (see Chart 8).

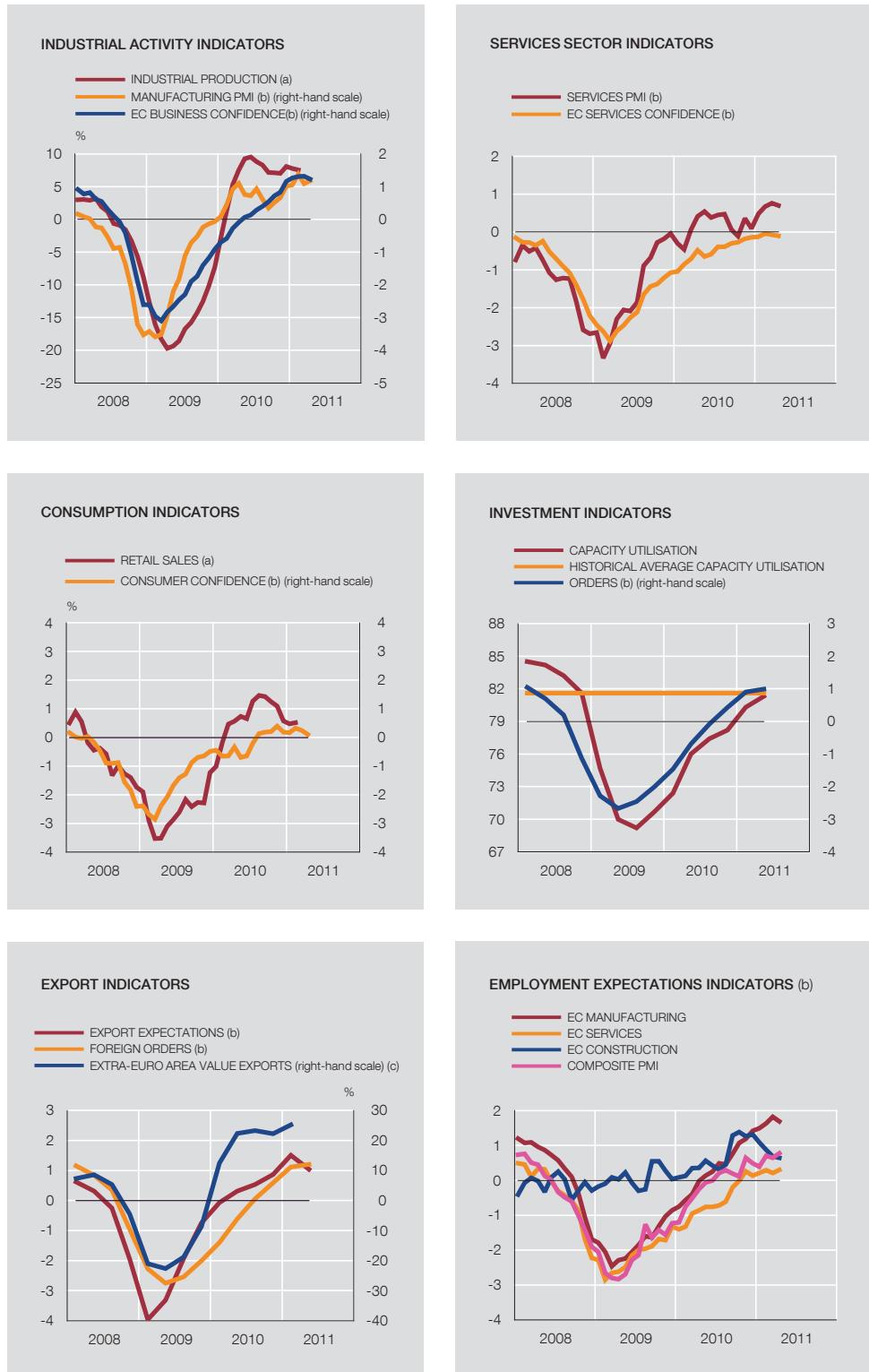
The latest conjunctural information suggests that activity continued to expand during the first quarter. On the supply side, industrial production and new industrial orders increased in Janu-



Sources: Eurostat and national statistics.

ary and February (see Chart 9). Also, the indicators of confidence in industry and services compiled by the European Commission and those based on surveys of purchasing managers grew on average in the first quarter, although some of them declined slightly in March and April, probably as a result of the uncertainty generated by the geopolitical crisis in North Africa and the natural and nuclear disaster in Japan. In the labour market, the unemployment rate stood at 9.9% in March, below the December figure, and the indicators of job creation expectations improved substantially in industry and more moderately in services.

The growth of world trade was accompanied by improvements in export expectations and in the assessment of export order books, which rose in the first quarter of 2011. In parallel, the indicators of investment, the assessment of order books and capacity utilisation increased between January and March, with the second indicator drawing very close to its historical average. However, the conjunctural information relating to private consumption still shows no clear signs of improvement. Retail sales contracted in the first quarter, while new car registrations grew at a more moderate rate than in the previous quarter. The index of consumer confidence remained stable in the first quarter, at similar levels to those recorded in autumn 2010. Also, the growth in real disposable income has been very limited, owing to the slow recovery in employment and the notable deterioration in inflation (see Box 3). This, along with the pro-



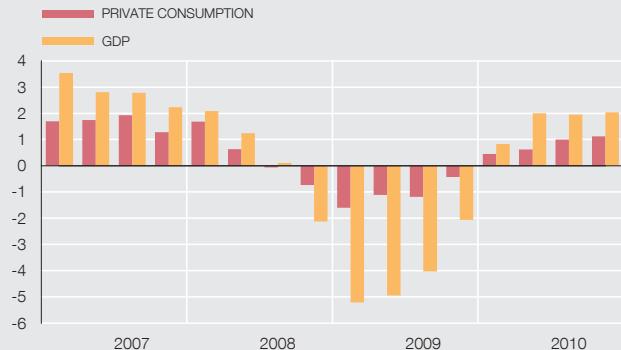
SOURCES: European Commission, Eurostat and Markit Economics.

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

The recovery of activity in the euro area, which began mid-2009, has been essentially based on the strength of the external sector and on the expansionary effect of economic policies. The stimulus from the economic policy measures has petered out in the most recent period and, consequently, in order to entrench the recovery, domestic demand and consumption, in particular, would need to gain strength and offset the waning of this expansionary effect.

As shown in Panel 1, the year-on-year rate of change in private consumption gradually quickened throughout 2010 to 1.1% in Q4, which was considerably lower than the increase of 2% posted by GDP. Private consumption increased despite the fall in real disposable income (since growth in household nominal revenue was not sufficient to counterbalance the effect of inflation as shown in Panel 2) which meant household saving declined.

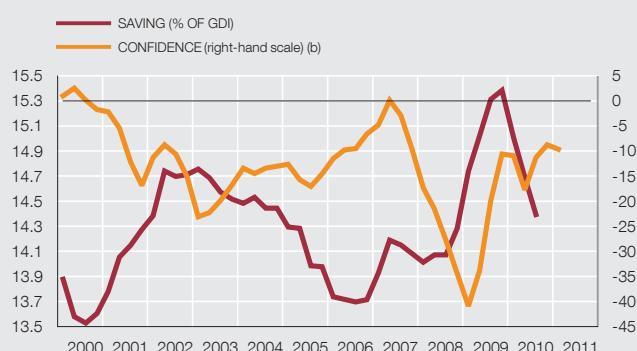
1 PRIVATE CONSUMPTION AND GDP
Year-on-year rates of change



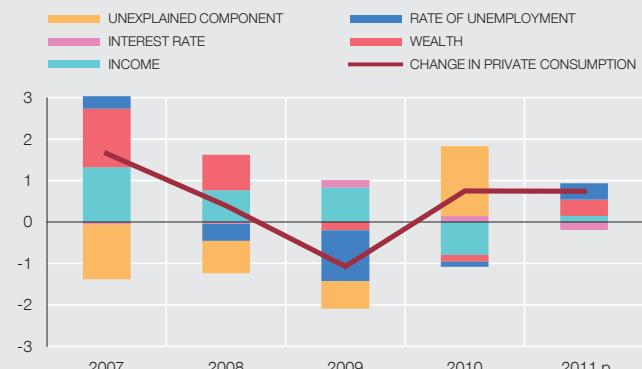
2 HOUSEHOLD INCOME AND PRIVATE CONSUMPTION DEFLATOR
Year-on-year rates of change



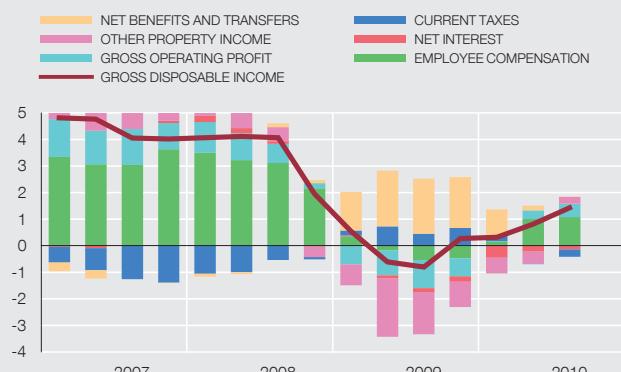
3 HOUSEHOLD SAVINGS AND CONFIDENCE



4 CONTRIBUTIONS OF DETERMINANTS OF PRIVATE CONSUMPTION



5 CONTRIBUTIONS TO THE YEAR-ON-YEAR RATE OF CHANGE IN HOUSEHOLD NOMINAL GDI



6 CONSUMPTION INDICATORS



SOURCES: European Commission, Eurostat and ECB.

a. Opinion on the general economic situation in the next 12 months from the European Commission consumer confidence survey.

b. Normalised series.

c. Year-on-year rates of change

The decrease in saving throughout 2010 could be related to the improvement in consumer expectations about the economic situation and the consequent upward revision of future income expectations (see Panel 3). Accordingly, when the contribution of the various determinants (income, wealth, unemployment rate and interest rate) to changes in private consumption is analysed by using an equation estimated for the euro area as a whole,¹ in 2010 a high positive unexplained component is discernible, which could be linked to the above-mentioned improvement in consumer expectations (see Panel 4). The rise in nominal disposable income was fundamentally based, as can be observed in Panel 5, on the behaviour of employee compensation and of the gross operating surplus, while the positive boost to income from the operation of the automatic stabilisers – through government benefits and transfers, and taxes – diminished.

Recent developments in private consumption indicators point to this variable continuing to flag in early 2011. As indicated in Panel 6, the

year-on-year rate of change in retail sales has eased in recent months and consumer confidence in the European Commission survey has been slightly flat in the most recent period, as has too the survey component on the readiness of consumers to buy consumer durables. Consumer opinions on the developments expected in consumer prices has experienced a rapid deterioration and stands at levels similar to those reached in 2008, during the previous episode of rising inflation. That may lead households to adopt a more prudent attitude towards their spending decisions.

The available forecasts on private consumption in the euro area point to a smooth quickening in line with the slight increase expected in household disposable income (which combines a contained increase in employment and wage moderation). A noteworthy downside risk to this scenario is the recent rise in inflation, which is expected to continue in the immediate future. Thus, for example, according to Consensus Forecast, expected euro area inflation for 2011 increased from 1.6% in December to 2.4% in April, significantly denting the spending capacity households derive from their nominal income. Conversely, the favourable developments in household wealth and the comparatively high level of household confidence, should they be sustained, could trigger a further reduction in the saving rate.

1. The consumption equation of the area-wide model for the euro area is used. See Fagan, Henry and Mestre (2001), An area-wide model (AWM) for the euro area, ECB Working Paper no. 42.

gressive withdrawal of fiscal stimuli, means that domestic demand probably made a limited contribution to economic growth in the first quarter.

Finally, the available indicators by country point to the continuity of heterogeneous rates of recovery in the euro area. For instance, activity in Greece, Ireland and Portugal is expected to have continued to deteriorate in the early months of the year, while in countries such as France, Germany and Austria, its growth path is estimated to have strengthened.

In the medium term the forecasts of international organisations coincide in anticipating rates of recovery that will increase as the contribution of domestic demand to GDP grows stronger; however, when considered overall, these rates will remain relatively modest. Thus, on the available forecasts, the rate of increase in GDP should average approximately 1.7% for 2011 and range from 1.7% to 2.0% for 2012 (see Table 2). However, this scenario is subject to considerable uncertainty and is not free from downside risks linked to the instability on sovereign debt markets and its potential pass-through to firms' and households' financing costs; upward pressures on energy prices; and the effects that the natural and nuclear disaster in Japan may have on the global distribution chain.

Over the quarter, the 12-month inflation rate quickened, according to the Eurostat preliminary estimate, to 2.8% in April, 0.6 pp up on its level at end-2010 (see Chart 10). The origin of this deterioration of inflation in recent months is the ongoing rise in commodity prices, particularly oil, although the prices of other components rose, such as processed food, services and non-energy industrial goods, which were notably volatile due to the effects of sales campaigns and a change in methodology applied to seasonal items. Although second-round effects on prices and wages are not yet identifiable, the repercussions of the rise in oil prices on the prices of certain items of transport-related services can be seen. That said, core inflation measured by the CPI excluding energy and unprocessed food prices stood in March at 1.5% which, albeit low, is 0.4 pp higher

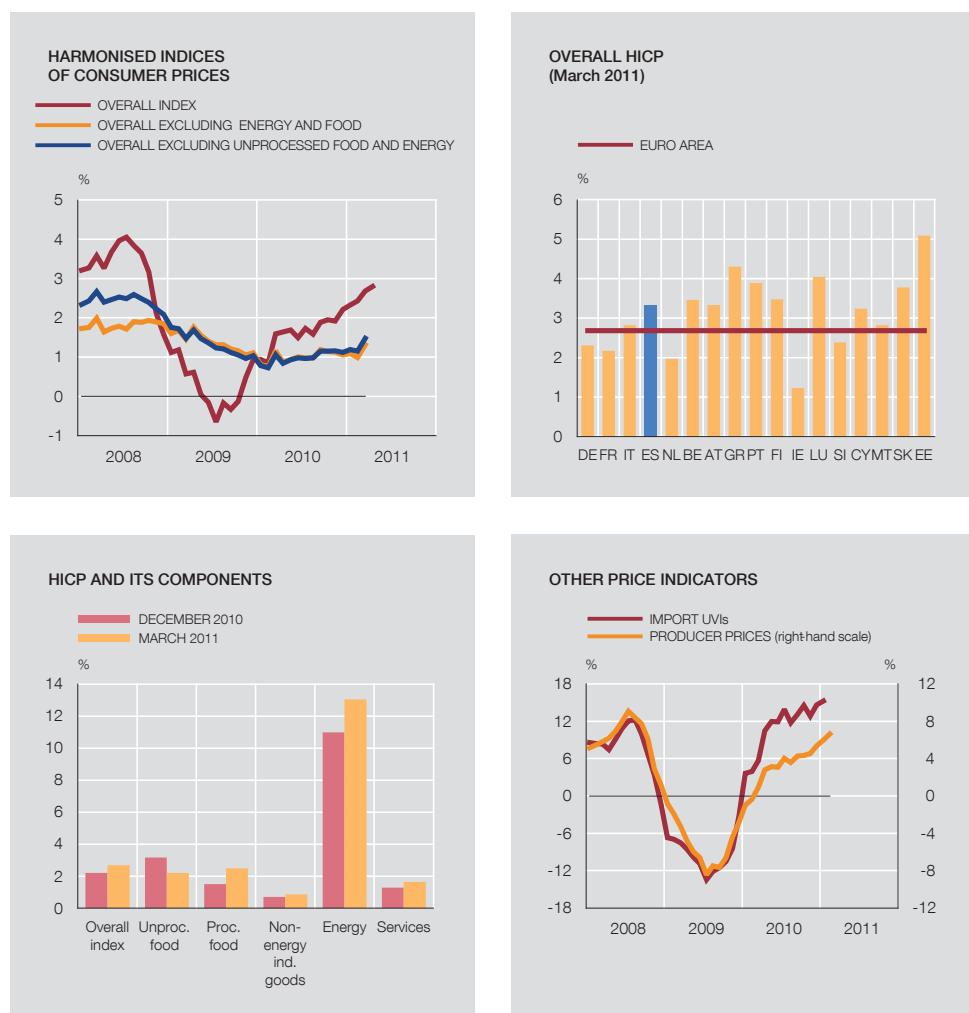
	2010		2011		2012	
	GDP	HICP	GDP	HICP	GDP	HICP
ECB (March 2011)	1.7	1.6	1.3-2.1	2.0-2.6	0.8-2.8	1.0-2.4
European Commission (March 2011)	1.7	1.6	1.6	2.2	1.8	1.7
IMF (March 2011)	1.7	1.6	1.6	2.3	1.8	1.7
OECD (November 2010)	1.7	1.5	1.7	1.3	2.0	1.2
Consensus Forecast (April 2011)	1.7	1.6	1.7	2.4	1.7	1.8
Eurobarometer (April 2011)	1.7	1.6	1.7	2.4	1.7	1.8

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

a. Annual rate of change.

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

CHART 10



SOURCES: Eurostat and European Central Bank.

than in December. Industrial prices grew by 6.6% in January and February, 1.6 pp up on last December. All the components quickened in Q1 but the rise in energy prices was higher.

The short-term inflation outlook deteriorated significantly, as reflected by the forecasts of various international organisations, although beyond the current year, inflation is expected to return to rates clearly below 2% (see Table 2). Thus, the IMF's latest forecasts estimate that inflation should stand in 2011 and 2012 at 2.3% and at 1.7%, respectively. The possible upside risks for this scenario could stem from higher increases in oil prices, prompted by continuous political tension in North Africa and the Middle East, as well as from possible second-round effects on prices and wages which trigger pressure on medium-term inflation.

On estimates published by the ECB, the euro area ran a current account deficit between January and February 2011 of €30.3 billion (2% of GDP), which was €12 billion higher than the deficit in the same period of the previous year (1.2% of GDP). This deterioration was the result of a higher deficit on the goods sub-balance despite the improvement in the surplus on the services sub-balance. As for the financial account, in the same period there was an increase in net capital inflows, underpinned by the rise in portfolio investment, while net outflows were recorded in the form of direct investment. As a result, the basic balance, which is the sum of these two types of investment and the current account balance, recorded a surplus of €29.3 billion between January and February 2011, compared with a deficit of €1.5 billion in the same period of 2010 (see Chart 11).

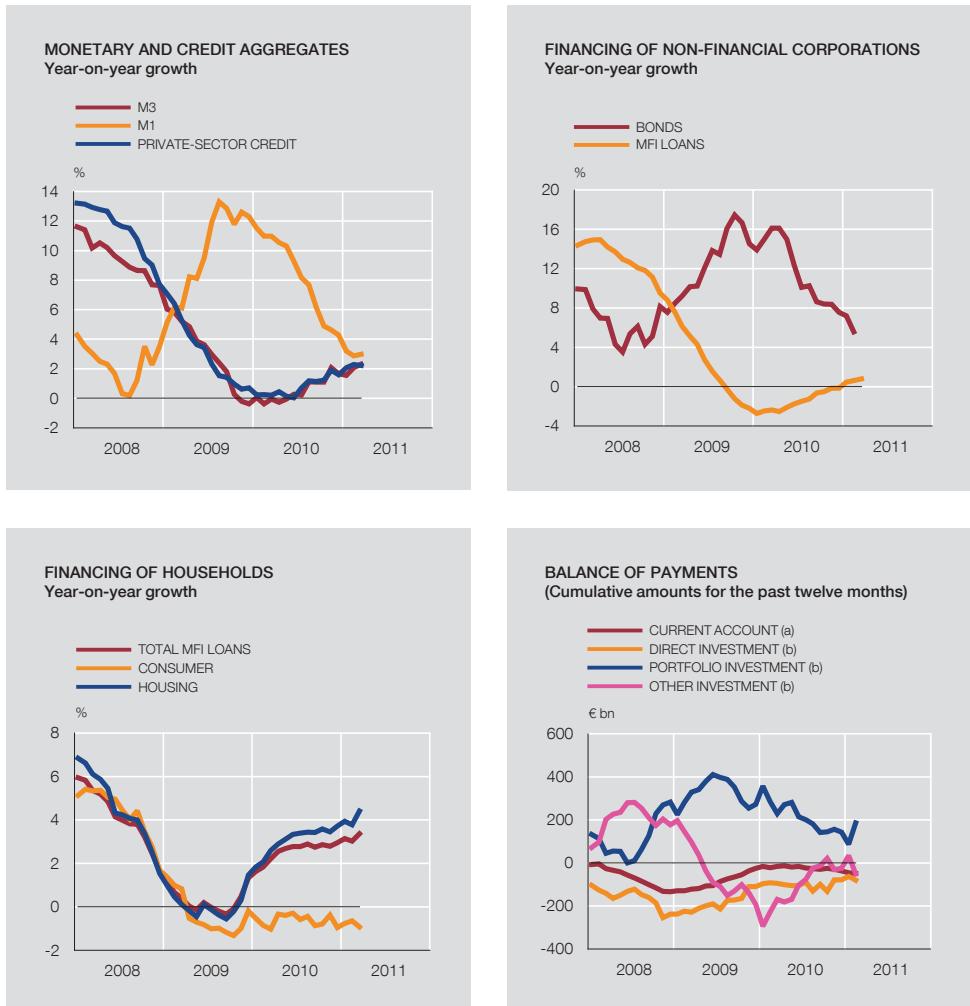
The latest information available from the spring communiqué relating to the Excessive Deficit Procedure shows that the general government deficit of the euro area as a whole stood in 2010 at 6% of GDP, as envisaged by the stability programmes prepared at the beginning of the year. However, this aggregate performance hides deviations in some countries. For instance, in the case of Greece, the deficit was higher than that agreed in the financial assistance programme as a result of the revision of historical statistics in autumn, although it is also facing discernible difficulties in adhering to its fiscal adjustment commitment, given the scant growth of tax revenue amid an economic recession. Ireland's deficit exceeded 30% of GDP, reflecting the losses linked to the bail-out of certain of its banks. Finally, Portugal also revised upwards its deficit figures to 9.1% and, after Parliament rejected its fourth budgetary adjustment plan, it was forced to request financial assistance from the European institutions and the IMF. By contrast, in France and Germany the results of the general government accounts were better than expected due to the favourable economic context.

According to the measures included in the budgets (see Table 3), in 2011 the fiscal policy stance in the euro area will become markedly contractionary. During April the Member States must submit their stability plans to the European Commission.

3.2 Monetary and financial developments

Strains on government debt markets in the euro area continued throughout the first four months of 2011 accompanied by further downgrades in sovereign credit ratings. Unlike previous episodes, during most of the period the strains were concentrated in the markets of Greece, Ireland and Portugal, where bond yields once again peaked. The Portuguese government's difficulties in implementing its adjustment and reform plans meant that early general elections were called and that conditions on financial markets worsened, prompting the request for financial support at the beginning of April. However, the assistance had not yet been formalised at the cut-off date for this report.

Until April, the instability in Greece, Ireland and Portugal did not feed through to the euro exchange rate or to the financial markets of other euro area countries. In the case of Ireland,



SOURCES: ECB and Banco de España.

- a. A positive (negative) sign denotes a surplus (deficit) on the current account balance.
 b. Capital inflows minus outflows. A positive (negative) sign denotes a net capital inflow (outflow).

pressures on the debt markets abated slightly at the beginning of April following the ECB's decision to ease the conditions for accepting collateral issued or guaranteed by the Irish government and after progress made in relation to the reorganisation and further strengthening of Irish banks' capital – totalling €24 billion, which will be covered to a large extent by funds contributed by the Irish State as part of its allocation to the financial assistance programme. This trend, however, was interrupted in mid-April after Moody's downgraded Ireland's rating to Baa3, just one notch above speculative grade. Furthermore, growing concern about the possibility of a restructuring of Greek debt and uncertainty stemming from the elections in Finland regarding its participation in the aid programme for Portugal contributed to a fresh rise in sovereign spreads in the area, which was more widespread on this occasion.

In April the European Central Bank decided to adjust its monetary policy stance, which continues to be very accommodative against a background of recovering economic activity, in order to prevent the recent rise in inflation from causing inflationary pressures in the medium term. Thus, the Governing Council of the ECB decided to raise official rates by 25 bp at its meeting on April 7, the first change since May 2009. The rate on the main refinancing operations stood at 1.25% and the rate on credit and deposit facilities was 2% and 0.5%, respectively (see Chart 12). In turn, the Eurosystem maintained its generous supply of liquidity to the banking

	% of GDP				
	BUDGET BALANCE (a)				
	2008	2009	2010	2011	
Belgium	-1.3	-5.9	-4.1	-4.7	-3.9
Germany	0.1	-3.0	-3.3	-2.7	-2.3
Estonia	-2.8	-1.7	0.1	-2.0	-1.0
Ireland	-7.3	-14.3	-32.4	-10.3	-10.8
Greece	-9.8	-15.4	-10.5	-7.4	-7.4
Spain	-4.2	-11.1	-9.2	-6.4	-6.2
France	-3.3	-7.5	-7.0	-6.3	-6.0
Italy	-2.7	-5.4	-4.6	-4.2	-4.3
Cyprus	0.9	-6.0	-5.3	-5.7	-4.5
Luxembourg	3.0	-0.9	-1.7	-1.3	-1.1
Malta	-4.5	-3.7	-3.6	-3.0	-2.9
Netherlands	0.6	-5.5	-5.4	-3.9	-3.8
Austria	-0.9	-4.1	-4.6	-3.6	-3.1
Portugal	-3.5	-10.1	-9.1	-4.9	-5.6
Slovenia	-1.8	-6.0	-5.6	-5.3	-4.8
Slovakia	-2.1	-8.0	-7.9	-5.4	-5.2
Finland	4.2	-2.6	-2.5	-1.8	-1.2
PRO MEMORIA: Euro area					
Primary balance	1.0	-3.5	-3.2	-1.6	
Total balance	-2.0	-6.3	-6.0	-4.6	-4.4
Public debt	69.9	79.3	85.1	86.5	87.3

SOURCES: European Commission, Eurostat and IMF.

a. Deficit (-) / surplus (+). The deficits that exceed 3% of GDP have been shaded.

b. European Commission forecasts (autumn 2010).

c. IMF forecasts (April 2011).

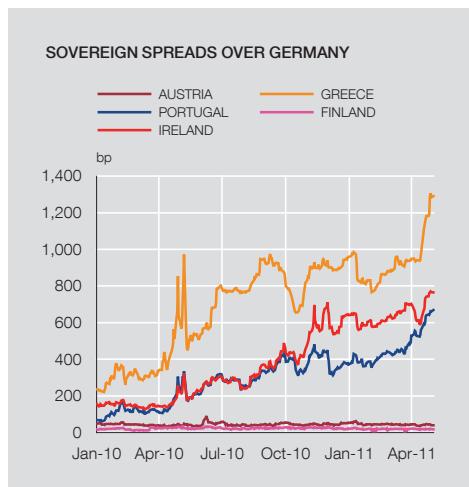
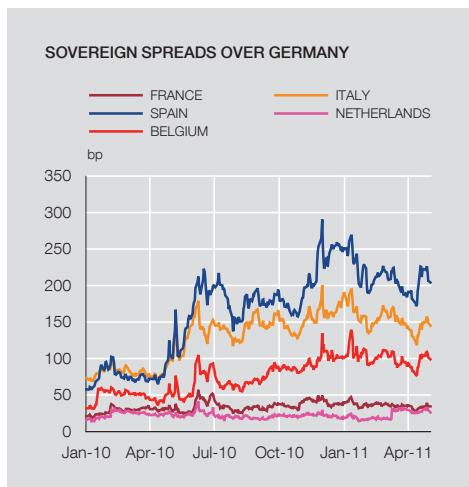
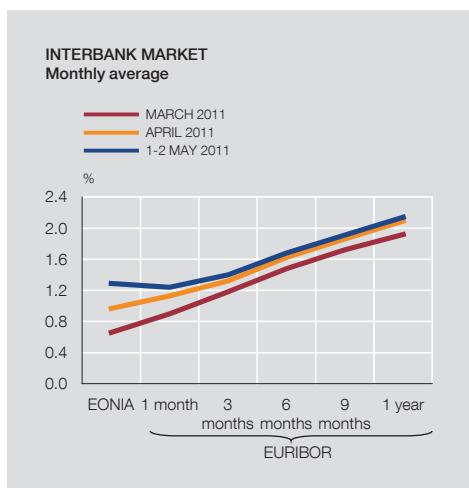
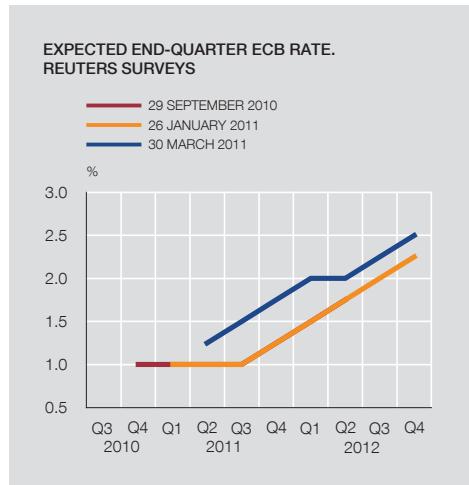
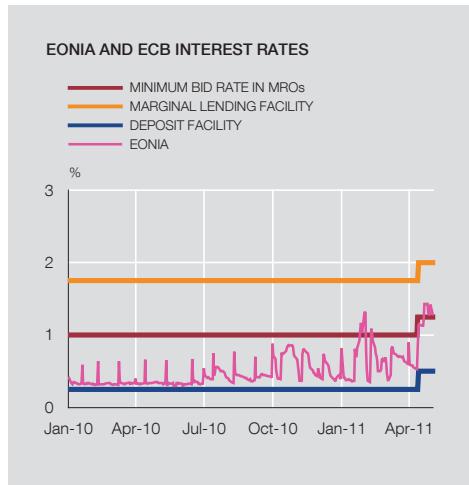
system and at its March meeting, the Council extended the arrangements for the fixed-rate tender procedure with full allotment in liquidity-providing operations during 2011 Q2. There were occasional purchases, for a lower amount from February, of government debt under the Securities Market Programme and the total portfolio acquired amounted to approximately €77 billion. Finally, following a positive assessment of the implementation of the economic and financial adjustment programme to which the Irish government is committed, the Governing Council of the ECB decided not to apply the rating threshold to debt instruments issued or guaranteed by the Irish government.

Interbank market interest rates held on the growth path on which they embarked last year. The three-month and one-year EURIBOR stood, respectively, at around 1.3% and 2.1% in April, approximately 30 bp and 50 bp above their levels in December. The EURIBOR yield spread over repo operations decreased slightly in the one-year segment, fluctuating within a band of 50 bp and 60 bp. Ten-year bond rates in the euro area continued to rise during the first four months of the year to more than 4.6% on average, and were close to 3.5% for the German *Bund*.

The rise in interest rates on interbank markets also fed through to the financing conditions of the non-financial private sector, which tightened slightly. Thus, on private fixed-income markets the cost of debt continued to move on a smooth rising trend, which had begun at the end of 2010, and the cost of bank loans increased from historically low levels, moderately so for

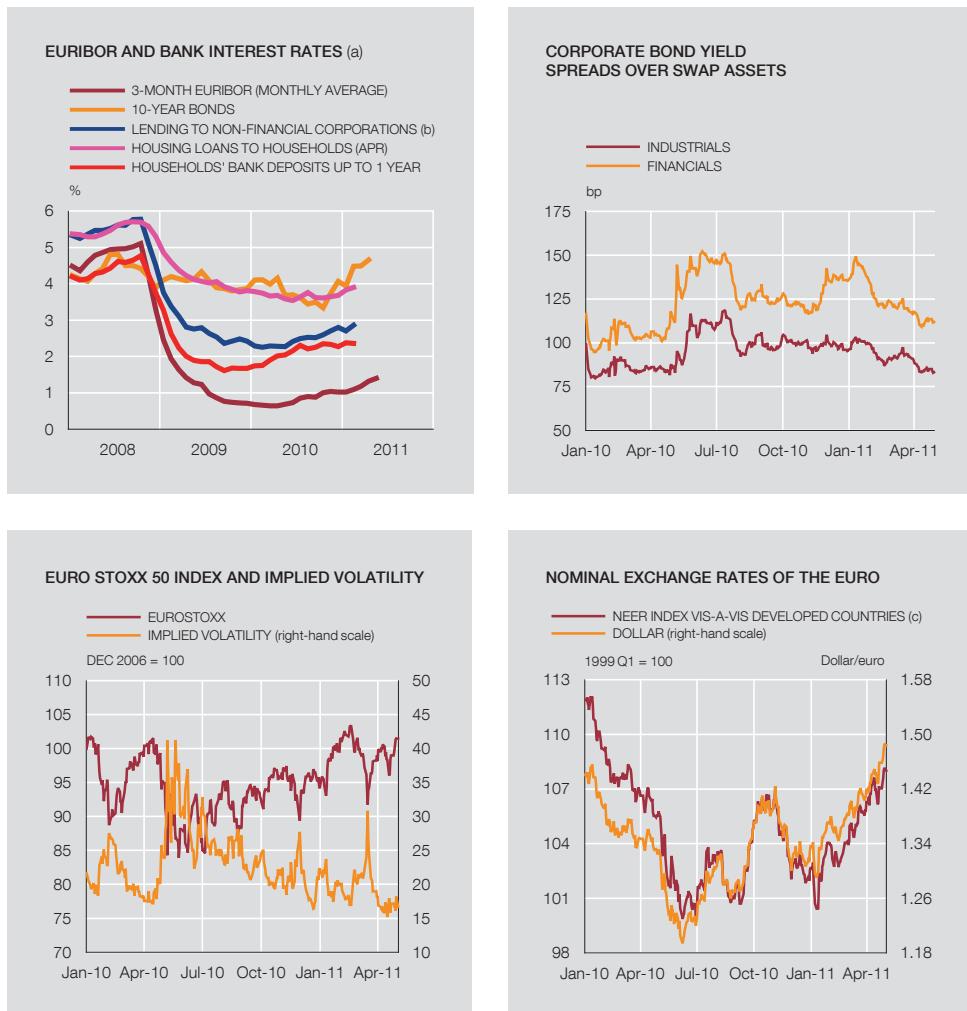
EURO AREA INTEREST RATES

CHART 12



SOURCES: ECB and Banco de España.

a. Estimated by the ECB using swap market data.



SOURCES: ECB and Banco de España.

- a. Relating to new business.
 b. Floating interest rates and up to 1-year initial rate fixation.

non-financial corporations and more markedly for households in the case of house purchases, which reached 4%. The Bank Lending Survey (BLS) for Q1 did not indicate any changes in credit standards for new loans for non-financial corporations, whereas a slight tightening was perceived in loan contracts for households. These developments occurred in a setting in which, according to the BLS, banks continued to perceive an increase in demand for financing from non-financial corporations while demand from households weakened, essentially in applications for home loans.

Growth in the outstanding balance of fixed-income securities issued by non-financial corporations continued to slow to 5% year-on-year in February, whereas bank loans to corporations remained on a path of smooth recovery with a year-on-year increase of slightly less than 1% in March, compared with a moderate fall of 0.2% in December 2010. The growth rate of loans to households rose to 3.4% year-on-year in March, although consumer lending continued to contract in year-on-year terms at rates of approximately 1%.

Stock markets have performed relatively favourably in 2011 to date, although they experienced a temporary substantial correction after the earthquake in Japan and, more recently, with the renewed strains on markets in the area (see Chart 13). The EUROSTOXX-50 has

appreciated by more than 4% since January and the Spanish and Italian benchmark indices posted gains of more than 7%.

The interest rate rises in the area also contributed to the appreciation of the euro exchange rate, despite the situation on sovereign markets. The nominal effective exchange rate of the euro (NEER-20) appreciated notably, by more than 4% in 2011 to date, and specifically by more than 8% and 10% against the dollar and yen, respectively.

Finally, the growth rate of the M3 monetary aggregate rose slightly to 2.3% in year-on-year terms in March, due to the higher growth of less liquid assets.

4 The Spanish economy

On Quarterly National Accounts (QNA) estimates, GDP posted quarter-on-quarter growth of 0.2% in 2010 Q4, thereby resuming the path of slow recovery in economic activity shown in the first half of the year, following zero growth in Q3. In 2010 Q4, quarter-on-quarter growth in both private consumption and investment in capital goods moved once more into marginally positive territory. Net external demand made a positive contribution of 0.6 pp to the increase in GDP, attributable above all to the favourable course of exports, but also to the moderate increase in imports, which was contained by the sluggishness of national demand. In year-on-year terms, output grew by 0.6%, 0.4 pp up on the previous quarter.

On the latest available information, the Spanish economy is estimated in 2011 Q1 to have continued its modest recovery, posting quarter-on-quarter GDP growth of 0.2% (see Chart 14), unchanged on the previous quarter. National demand is estimated to have scarcely slipped, while the contribution of net external demand remained positive, thanks to the strength of exports, favoured by the notable expansion in foreign markets. In year-on-year terms, GDP is expected to have grown by 0.7%, 0.1 pp up on the previous quarter.

In line with these developments in activity, the fall in employment was very similar to that in the previous quarter, with an estimated year-on-year rate of decline of 1.3%, 0.1 pp less pronounced than in the preceding three months. Given the estimated trend of output and employment, apparent labour productivity growth remained sharp, at around 2% year-on-year. Compensation per employee increased, following the decline in the previous quarter, owing to its expansionary course in the market economy, which offset the impact of the cut in public-sector wages. As a result, there was a slowdown in the pace of decline of economy-wide unit labour costs, which had been falling since the closing months of 2009. Finally, the rate of change of the CPI continued on a rising path during Q1, meaning that year-on-year inflation stood in March at 3.6%, 0.6 pp up on end-2010. Chiefly behind this was the energy component, since the CPI excluding energy and unprocessed food prices rose to a lesser extent during the quarter (to 1.7%, 0.2 pp up on end-2010).

4.1 Demand

In 2011 Q1, private consumption is expected to have posted modest quarter-on-quarter growth, on a similar scale to that of the final quarter of 2010 (see Chart 15). The relative sluggishness of private consumption is due to the rather unpropitious circumstances for household spending, characterised as they are by: the still-negative labour market performance; the reduction in the value of real estate wealth; relatively tight credit conditions; the loss of purchasing power due to higher inflation; and the unfavourable trajectory of disposable income, which is expected to remain on the declining course already seen in 2010 according to the non-financial account of the household sector. Together, these factors explain why the decline in the consumption of durable goods steepened compared with the situation in late 2010. In particular, new car registrations fell at a year-on-year rate of 32% in 2011 Q1, and the decline in quarter-on-quarter terms was also more acute (see Box 4). Retail sales also fell off more sharply in Q1 (-5.7% year-on-year, 3 pp down on the rate for the previous quarter). Conversely, with data to February, the year-on-year rate of decline of large corporations' domestic sales eased slightly in Q1, with consumer services performing more favourably. Among the qualitative indicators, the European Commission's consumer confidence index held in Q1 at a similar average level to that of the closing months of 2010, although it is below its historical average level. Retail traders' confidence was fairly stable in this period. Into April, both the consumer and retail trade confidence indicators improved slightly.

The impact of the economic crisis on the automobile sector prompted a series of schemes in several European countries, including Spain, based on direct aid for new car purchases. The aim was to encourage the demand for vehicles at a time when the sector was undergoing its sharpest decline, helping maintain employment in the car industry until the recovery arrived. A further aim was to encourage the replacement of old vehicles by new, less polluting ones, since a condition of most schemes was to scrap a vehicle of a certain age in parallel with the purchase of the new vehicle. The impact of these schemes on new car registrations is difficult to assess, since that would require knowing how many cars would have been sold in the absence of such schemes. *A priori*, the net inter-temporal effect might have been low, insofar as this economic support were to lead only to the bringing forward of spending decisions which, in any event, would have been taken at a later point in time. On the other hand, the aid represents an actual reduction in the purchase price of the vehicles that meet the requirements of the scheme, which might have boosted net demand – in such a way that the average frequency of vehicle replacement would have increased – or which might have seen certain consumers decide to purchase a car that they would not otherwise have bought in the absence of aid. In any event, the impact of these schemes on car purchases has conceivably differed from country to country depending on the specific characteristics of each scheme, including how long they run for and the total amount of aid provided. This box offers information allowing for a comparison of the impact in Spain of Plan 2000E, the scheme involving direct aid for car purchases, with that of other schemes in the main euro area countries (Germany, France and Italy).

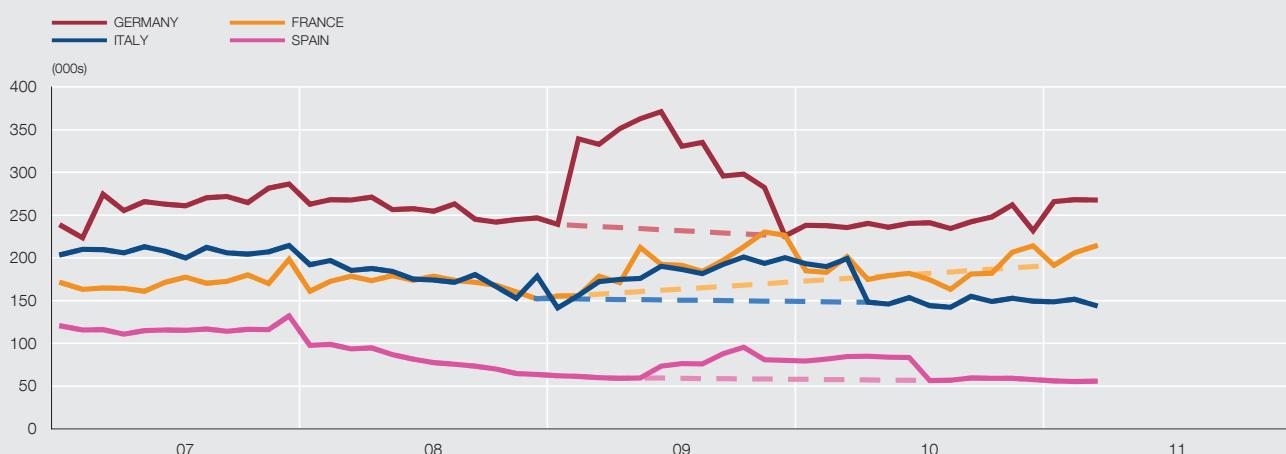
Scrapage programmes in these three countries were introduced at the start of 2009. Their total duration, including extensions, was for one year in Germany and in Italy (with the possibility of registering

until March 2010), and for longer in France, whose scheme was in force, albeit with progressively diminishing amounts, until the end of 2010. In Spain, the direct aid scheme (Plan 2000E) was launched in May 2009, and extended in January 2010 for nine months, or until the funds earmarked for the scheme ran out (which is what happened three months before the end of the extension). In almost all cases, aid was conditional upon the purchaser scrapping a vehicle of a certain age. The amount of aid per vehicle was €2000 in Spain¹, between €1500 and €4500 in Italy, between €1000 and €5000 in France, and €2500 in Germany. The actual amount generally depended on the level of polluting emissions from the vehicle being purchased. In some countries, the government set a maximum total amount to be earmarked for this aid. This was the case of the scheme in Germany, where the total allocation was €2.5 billion, and in Spain, with a total of €200 million.

To assess the impact of the schemes on each country, an assumption has been made about vehicle sales in the absence of subsidies, taking into account the fact that, in the three cases in which aid ended longest ago (Germany, Italy and Spain), the number of new registrations has been seen to return to a similar level to that when the programmes were launched (see accompanying chart). On the basis of this, a linear interpolation of the figures for vehicle registrations in the months prior to the entry into force of the aid and in the months following the end of the scheme may conceivably provide a reasonable approximation to the hypothetical number of registrations that would have been made in the absence of the aid schemes. The difference between the actual level and this

1. In Spain, this is the amount in the case of the purchase of new vehicles, the result of government aid of €1000 plus a similar discount paid by the manufacturer. The aid amounted to €500 in the case of second-hand vehicles.

MONTHLY CAR REGISTRATIONS



SOURCES: ANFAC, Eurostat and Banco de España.

hypothetical level may provide an approximation to the impact of each scheme. The fact that the number of registrations returns to very similar levels to those at the start of the programmes suggests that the predominant impact has been a temporary stimulus to the demand for vehicles, owing to their lower purchase price during the period in which the aid programmes were in force.² Under this hypothesis, the estimated extraordinary increase in registrations ranges between 20% and 30% of the annual figure recorded in 2007 (see accompanying table). In Spain's case, this increase was 22%, with somewhat more than 300,000 extra vehicle purchases. If it is borne in mind that cars account for around 5% of total private consumption in these four countries, and if 2007 is taken as the consumption base year, the aid may have accounted for a temporary stimulus of around 1.5 pp of annual private consumption in Germany, and of around 1 pp in the other three countries.

The time at which the schemes were launched reflects different starting positions, since the onset of the crisis influenced car purchases to differing degrees of intensity in each of the countries examined. In 2008, new car registrations fell at an annual rate of 30% in Spain, and of 14% in Italy. In France and in Germany, in contrast, the related rate was less than 3%. The path of registrations during the period in which the scrappage schemes were in force followed more or less similar patterns: an initial period of two or three quarters, in which quarter-on-quarter rates rose sharply, followed by another period in which the number of vehicle registrations returned to the levels prior to the introduction of

the programmes, with strongly negative quarter-on-quarter rates. In Italy and Spain, the reversal came about very quickly, in the space of a quarter, while in Germany it was somewhat more staggered, as can be seen in the accompanying chart.³ In Spain's case, the effect of the aid having ended or been used up was influenced by the increase in VAT in July 2010, which provided an incentive to take advantage of the aid in the months prior to this tax increase. Accordingly, the end of the schemes had a substantially adverse impact on private consumption, although it should be considered that this decline was relative to a higher level of consumption, thanks to the aid. Subsequently, the path of registrations has differed depending on the underlying consumption situation in each country; there has been greater dynamism in Germany, where the pre-crisis level of registrations has been attained, and greater sluggishness in Spain, with a far lower number of car purchases than in 2007.

In sum, in Spain and in the main euro area countries, the car scrappage schemes substantially boosted new registrations in 2009 and, in some cases, in 2010, stimulating private consumption at the height of the recession. Following the end of the aid, the level of registrations has not perceptibly fallen below that seen before such aid was introduced, although there was some slippage in relation to the period in which the schemes were in force. The schemes therefore provided temporary relief, which does not appear to have entailed a change in the underlying trend in the demand for cars in the countries analysed.

2. In Spain, for example, there is some evidence that car dealers supplemented the aid with additional discounts on car prices.

3. This has to do with the administrative procedure used: in Germany the formalisation of the purchase order sufficed to qualify for the aid, despite the fact that the delivery of the car took place months later.

VEHICLE REGISTRATIONS 000s	GERMANY	FRANCE	ITALY	SPAIN
2007	3,155	2,065	2,494	1,404
2008	3,080	2,042	2,144	977
2009	3,764	2,308	2,166	872
2010	2,888	2,227	1,922	846
IMPACT OF SCHEMES				
Additional registrations (000s)	975.4	404.8	521.0	313.8
% of 2007 registrations (a)	30.9	19.6	20.9	22.4
% of 2008 registrations (a)	31.7	19.8	24.3	32.1
CHANGE ON 2007 %				
Before aid	2008	-2.4	-1.1	-14.0
After aid	2010 (b)	-9.8	18.3	-28.2
Currently	2011 Q1	1.6	18.3	-28.7

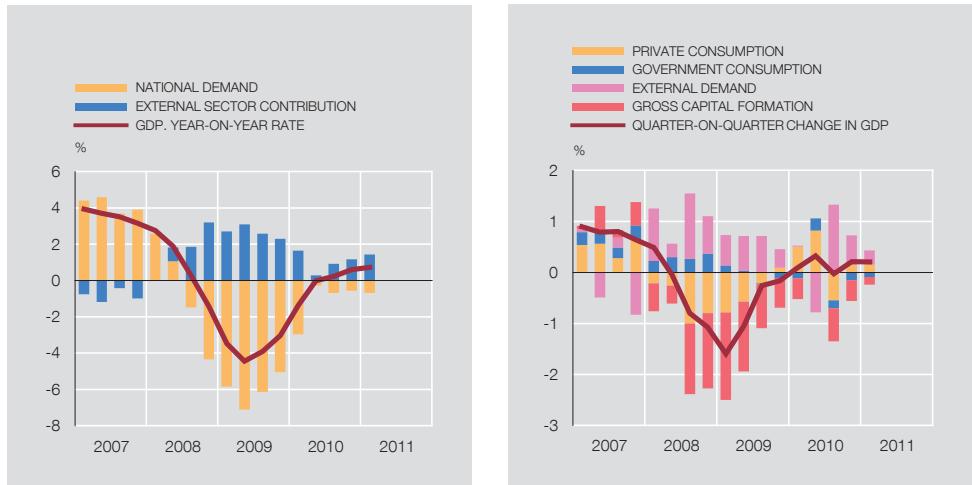
SOURCES: ANFAC, Eurostat and Banco de España.

a. Percentage of total vehicles registered in 2007 and 2008 accounted for by additional vehicles registered as a result of aid under the schemes.

b. Comparison with 2007 of the situation in the quarter following the end of aid under the schemes. Thus, in Germany the comparison is with 2010 Q1, in Italy with 2010 Q2, in France with 2011 Q3 and in Spain with 2010 Q3.

MAIN DEMAND AGGREGATES. CONTRIBUTION TO GDP GROWTH

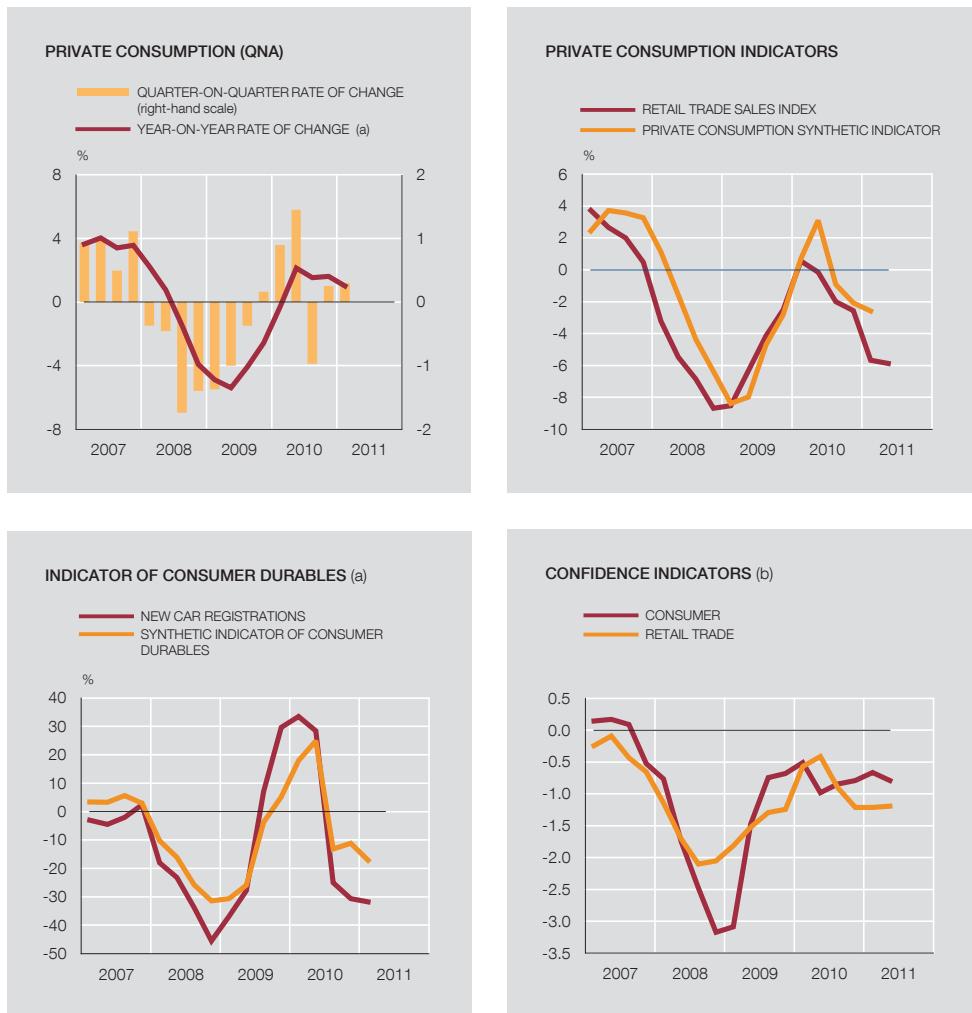
CHART 14



SOURCES: INE and Banco de España.

PRIVATE CONSUMPTION

CHART 15



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

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

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

As previously indicated, household disposable income fell by 1.8% in nominal terms in 2010, according to the non-financial accounts of the institutional sectors. In four-quarter cumulated figures, the year-on-year rate of decline in household income steepened in the closing months of the year. This was due above all to the decline in general government contributions and in net income on property (in particular, from the interest component). The improved contributions of compensation per employee and the surplus in respect of the self-employed, income components whose rates of decline slackened, were unable to offset the above-mentioned development. The fall in disposable income in nominal terms and the increase in the rate of inflation reduced household purchasing power in the second half of the year, although their potential impact on consumption was softened by the reduction in the savings ratio, which fell by almost 5 pp in 2010 to 13.1% of household disposable income.

Investment in capital goods recorded positive quarter-on-quarter growth in 2011 Q1, of a similar magnitude to that of the previous quarter (see Chart 16). The year-on-year rate is expected to have remained roughly stable. This behaviour might be linked to the favourable trajectory of exports and to the need to replace productive equipment after the sharp adjustment made during the crisis. The industrial production of these goods improved in year-on-year terms in the first two months of the year, although the rate of increase of imports slackened in this period and the rate of decline of commercial vehicle registrations steepened in Q1. In quarterly average terms, business confidence, both industry-wide and in the capital goods segment, rose slightly. However, it moved on a declining path over the course of the quarter, suggesting that the recovery in this demand component might be checked in the coming months. Lastly, capacity utilisation in manufacturing industry continued to increase, up to 73.5%, although it is still below its historical average.

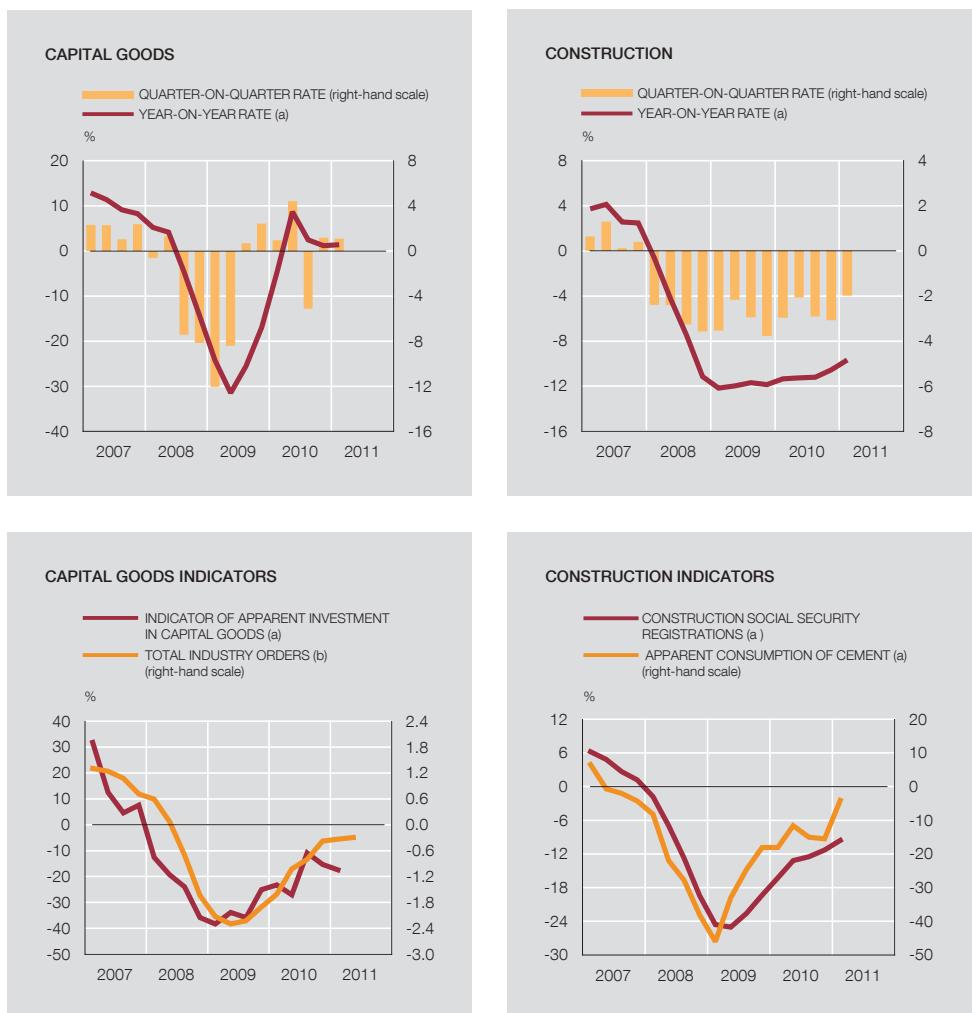
The financial position of companies might also have a bearing on the rate of recovery of their investment. In this respect, the non-financial accounts of the institutional sectors show that non-financial corporations ended 2010 with a net lending capacity of 0.4% of GDP, compared with net borrowing needs of 2% of GDP in 2009. That might denote the existence of suitable conditions for a take-off in investment, although it may also be the result of companies' difficulties in raising external borrowing and, therefore, of the wish to preserve internal sources of financing. This improvement in the financial position of corporations was due to the increase in business saving (with a recovery in the surplus that benefited from staffing adjustments) and to more temporary factors, such as the fall in interest payments and in taxes. The weight of investment by non-financial corporations increased slightly as a percentage of GDP in 2010 as a whole, after having diminished in the two previous years.

The contractionary behaviour of investment in construction eased in Q1. It is, however, still substantially weak, reflecting the ongoing downsizing in the residential segments and the fiscal adjustment in the area of civil engineering works (see Chart 16). In recent months the indicators for the sector as a whole relating to inputs, such as the apparent consumption of cement and the industrial production index for construction materials, and the employment indicators, too, posted more moderate year-on-year declines than those in the previous quarter. Conversely, the business confidence indicators drawn from the European Commission's surveys reflected a significant deterioration in these agents' perception of the direction and outlook for the sector during the closing months of the year.

Across the different types of works, the contraction in residential investment continued in Q1, both in year-on-year and in quarter-on-quarter terms, albeit at a less marked rate than in late 2010. The reduction in the number of housing completions has meant that this figure is drawing gradually closer to that of housing starts. Accordingly, in the coming quarters the number of

GROSS FIXED CAPITAL FORMATION

CHART 16



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

a. Year-on-year percentage change based on the seasonally adjusted series except for registrations, which are based on the original series.

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

houses under construction will stabilise. On the demand side of residential assets, the latest available figures on the number of housing market transactions, for January and February, show a notable recovery. However, it should be clarified that this is related to the time lag between the formalisation of transactions and their official registration, meaning that the rise is actually due to the buoyancy of transactions in the closing months of 2010, as a result of the change in the treatment of house purchases under personal income tax as from 1 January 2011. This change in tax regulations might lie behind a significant decline in housing transactions in the opening months of the current year, as a consequence of such transactions being brought forward to the previous year. Data on building permits to February, in respect both of non-residential building and of the procurement of civil engineering works, remained markedly slack.

Net external demand contributed positively once again to GDP growth in 2011 Q1, adding 0.3 pp in quarter-on-quarter terms. The contribution in year-on-year terms is expected to have been approximately 1.4 pp, 0.2 pp up on 2010 Q4, in a setting in which exports performed more dynamically than imports (see Chart 17). The strength of exports was underpinned by the continuing high growth rate of international trade, boosted chiefly by the demand for imports by the United States and the emerging economies. Also conducive to exports was the im-

FOREIGN TRADE
Percentage change on year ago

CHART 17



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

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

provement in the price-competitiveness indicators. Indeed, in real terms the share of exports on international markets may have increased in 2011 Q1. Spanish imports increased at a slow pace, in step with the sluggishness of domestic demand. They were largely sustained by the growth of exports, whose import content is relatively high.

According to Customs data, real goods exports increased by almost 20% year-on-year in the January–February period, compared with 14% in 2010 Q4. The acceleration was across the board, with a notably strong rise in sales of capital goods, which grew 32% (underpinned by exports of land transport equipment and of machinery), and the continuing high growth of intermediate goods, which rose 23%. Exports of food and of certain consumer manufactures were also considerably buoyant. By geographical area, both exports to the EU – in particular to Germany and Italy – and to non-Community countries, especially the United States, Russia, China and Latin America, all rose.

Turning to real exports of tourist services, the information available points to the favourable performance of this item in Q1, firming the path of recovery begun in 2010. The year-on-year

rates of foreign tourist inflows and of overnight hotel stays quickened by somewhat more than 1 pp on 2010 Q4, to grow, respectively, at 2.9% and 11% in 2011 Q1. Nominal spending by incoming foreign tourists also rose in this period, posting year-on-year growth of 2.4% according to EGATUR (the tourism expenditure survey), while the Balance of Payments information, with data to February, confirms the positive trajectory of nominal tourism revenue. In Q1, the geopolitical instability in North Africa and the Middle East appears to have prompted a shift in international tourist flows towards Spain. As for non-tourist services exports, their rate of increase slackened in Q1.

Goods imports grew, according to Customs information, by 8.5% year-on-year in the January–February period. This rate exceeds the increase in 2010 Q4 by almost 4 pp. By product group, imports of non-energy intermediate goods and of capital goods proved most robust, growing by 12% and 9%, respectively. Conversely, although consumer goods imports continued to fall, they did so at a more moderate rate than in the previous months, owing to the more expansionary momentum of non-durable consumer goods and to the slackening in the rate of decline of car purchases. Lastly, the growth of real services imports slowed in 2011 Q1, reflecting an appreciable moderation in purchases of non-tourist services.

4.2 Output and employment

During 2011 Q1, gross value added in the market economy increased modestly in quarter-on-quarter terms, marginally up on the previous quarter (see Chart 18). Among the market branches, it is estimated that services and, above all, industry showed some improvement compared with the previous three months.

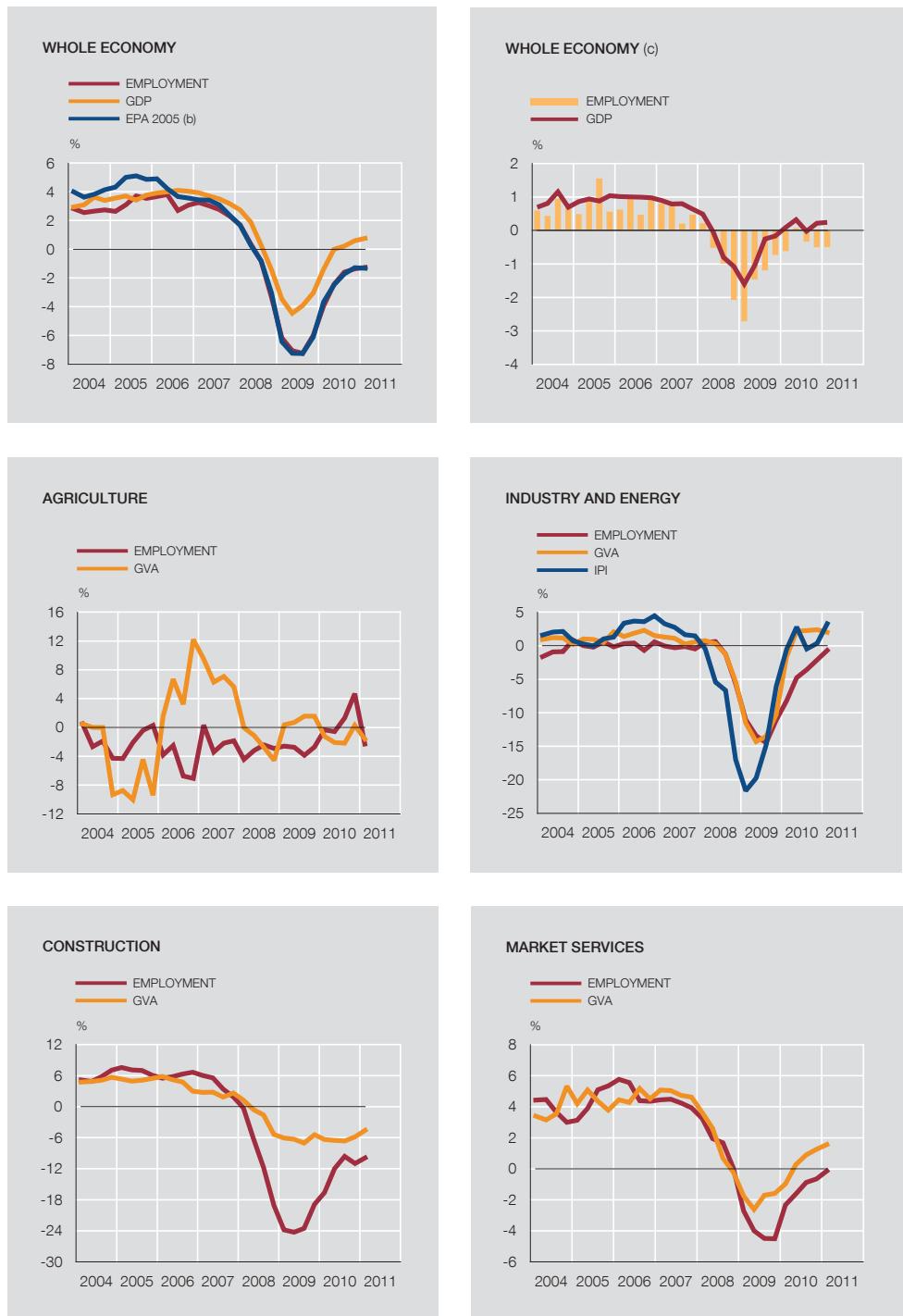
In the case of the industrial branches, the estimated strengthening of the quarter-on-quarter growth rate of GVA over the quarter as a whole is supported by the course of the industrial production index, whose performance in the first two months of 2011 was expansionary. Nonetheless, manufacturing industry orders progressively slowed during the quarter, while the European Commission's survey-based indicator and the PMI fell, suggesting an easing off in the recovery.

The market services indicators point to a slight strengthening in the sector's GVA growth in Q1, in both quarter-on-quarter and year-on-year terms, although it remains somewhat lacklustre. In the first two months of the year the path of the services sector turnover indicator has remained one of slow recovery. This was the case across practically all the branches and was accompanied by somewhat more favourable employment. The survey-based data revealed rather divergent trends. On one hand, the PMI indicator improved in quarterly average terms, although the marked deterioration in March returned it to its December 2010 level. Mention should be made of the expansionary behaviour of business expectations reflected in the survey. On the other hand, the average level of services confidence in the European Commission's survey in Q1 held at the level recorded in the October–November 2010 period. However, in April confidence in this sector slipped.

In the labour market, the monthly indicators show that job destruction continued during Q1. Average Social Security registrations fell by 1.2% compared with the same period a year earlier, a decline which is scarcely 0.1 pp less marked than the average figure for the final quarter of 2010. In quarter-on-quarter terms, the rate of decline of registrations, at 0.3%, was identical to that of the previous quarter. The growth rate of new hires registered at the National Public Employment Service (SPEE by its Spanish abbreviation) slowed in Q1, posting a year-on-year increase of 0.4%, with falls in February and March. This diminished buoyancy of new hires has affected both temporary and permanent employment; the weight of the latter in total employment contracts has fallen slightly (to 9.4%). December 2010 marked the expiry of the deadline

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

CHART 18



SOURCES: INE and Banco de España.

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

set by the labour reform so that the temporary contracts in force before approval of the reform might be converted into employment-promoting permanent contracts. That explains the strong loss of momentum seen in such conversions since the start of the year.

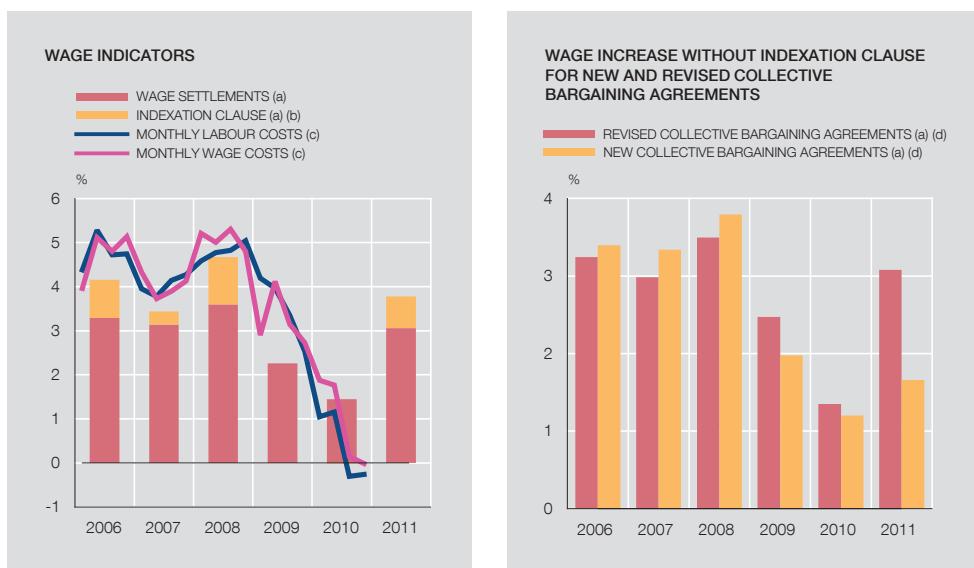
The EPA figures for Q1 show a year-on-year decline in employment of 1.3%, unchanged on the previous quarter. Agriculture, industry and non-market services are the branches that performed worse than in the preceding quarter. The behaviour of the remaining branches was better, and a positive year-on-year rate was posted in market services for the first time since 2008 Q3. Among the self-employed, the rate of decline of employment steepened, falling by 3.5% compared with 1.9% the previous quarter. Meantime, the intensity of the related rate of decline in employment among wage-earners eased slightly, from 1.2% to 0.9%. By nationality, job destruction was concentrated among foreign workers, where there was a 4.5% cut in employment, compared with a 0.8% decline for Spanish nationals. As regards contract duration, the year-on-year rate of change among temporary wage-earners was positive (0.7%) for the first time since 2006, while the rate of decline for permanent employees worsened by 0.6 pp to 1.4%. As a result, the proportion of temporary to permanent employees held at 24.8%, unchanged on the previous quarter and 0.4 pp higher than a year earlier (24.4%). Finally, part-time hires rose strongly in year-on-year terms, climbing from 0.2% in 2010 Q4 to 4.7% in 2011 Q1, while full-time employees declined by 2.2%, 0.7 pp more than in the previous quarter. These developments placed the ratio of part-time to total employees at 14.1%, against 13.3% a year earlier.

The labour force increased at a lesser pace than in the previous quarter (0.2% against 0.6%), against the background of the stability of the working population aged over 16 (0.2%) and of the participation rate, which stood at 59.9%, against 59.8% in 2010 Q1. In terms of the breakdown by sex, the rate of change of both the female and male labour forces eased. Female workers increased by 1.5% in 2011 Q1, compared with 2.1% the previous quarter, while the rate for males was negative at -0.8%, 0.2 pp less than in the previous period. By nationality, the rate of decline in the foreign labour force (both total numbers and the population aged over 16) stepped up: the former declined by 2.8%, compared with -0.6% the previous quarter, and the latter fell by 0.1% (against -0.7%). As a result, the participation rate of foreign workers stood at 75.9%, 1.4 pp down on a year earlier. Spanish nationals, for their part, increased by 0.8% and their participation rate held at 57.7% for the fourth quarter running.

Finally, the numbers of unemployed increased by 213,500 compared with 2010 Q4, placing the total number of jobless at 4.9 million. In year-on-year terms, the rise in unemployment eased to a year-on-year rate of change of 6.4%, around 2 pp down on the figure for the previous quarter. The unemployment rate increased by 1 pp during the quarter to 21.3% of the labour force. Similarly, the SPEE registered unemployment figures confirmed the easing in the recovery of the labour market, with a 4.2% increase in the number of unemployed in 2011 Q1, compared with 6% the previous quarter, checking to some extent the decelerating path that marked the whole of the previous year.

4.3 Costs and prices

The average rise in wage rates agreed for 2011 in the collective bargaining agreements recorded to March stands at 3.1%, marking a substantial increase on the figure of 1.4% for 2010 on average (see Chart 19). These developments in wages are a cause for concern, since they do not appear to be in line with the unfavourable labour market situation. Foreseeably, however, the average settlement rate will tend to ease as collective bargaining advances. In this respect, the information available may be considered to skew upwards the increase in wage rates, since almost all the agreements recorded in the January-March period are revisions of multi-year agreements entered into in previous years, in which the increases in wage rates are



SOURCES: INE and Ministerio de Trabajo e Inmigración.

- a. Settlement in year to March 2011.
- b. Previous year's indexation clause.
- c. Quarterly labour costs survey. Year-on-year rates of change.
- d. Revised: agreements with economic effects for the current year, but which were entered into in previous years, and are in force for more than one year. New: agreements entered into during the year with economic effects in the same year, this being the same or only year in which it is applicable.

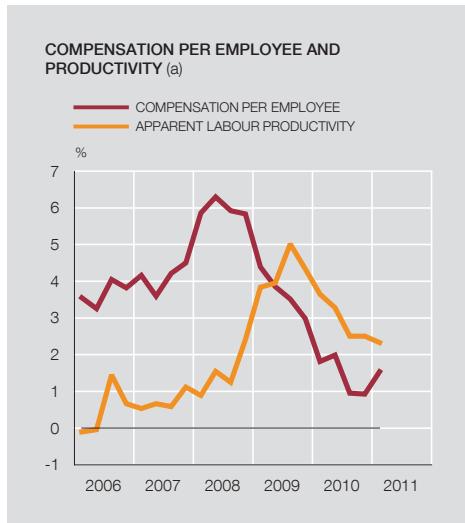
mostly referenced to the CPI as at December 2010. Further, within these revised agreements, those entered into before February 2010, when the Agreement on Employment and Collective Bargaining (AENC by its Spanish initials) was signed, contain an average increase in wage rates of 3.4%, compared with the 2.1% rise in those signed after this Agreement. There have been few newly signed agreements in 2011, but they reveal a more modest increase (1.7%) in wage rates. The recent rise in inflation has activated the indexation clauses, whose presence, though less than in prior years, is still significant, as it affects almost 50% of workers (70% as at December 2009). On the basis of this information, the year-on-year rate of expansion of compensation per employee in the market economy is estimated to have increased to 1.5% in the January-March 2011 period, against 0.9% the previous quarter (see Chart 20). The trajectory of wages and the slight slowdown in productivity are expected to lead to a more moderate decline in unit labour costs in the market economy.

In 2011 Q1, the deflators of most demand components continued to post high year-on-year growth rates, albeit somewhat lower than those of the previous quarter. There was a marked reduction in the government consumption deflator, reflecting the cut in public-sector employee compensation. Imported goods and services prices slowed moderately, although their growth rate held at around 7%. Domestic producer prices – measured by the GDP deflator – increased at a more moderate rate of 1.4%, similar to that of the previous quarter.

The main consumer price indicators continued to quicken during 2011 Q1, although a more detailed analysis of the inflationary phenomenon leads to the conclusion that underlying pressures remain, for the moment, contained. The year-on-year change in the CPI in March was 3.6%, 0.6 pp up on the related December 2010 figure (see Chart 21). The uptrend in inflation is largely attributable to the energy component, whose rate in March was 18.9%, 3.3 pp up on December. Dearer oil on international markets pushed the prices of vehicle fuel and other liquid

WAGES AND LABOUR COSTS IN THE MARKET ECONOMY

CHART 20

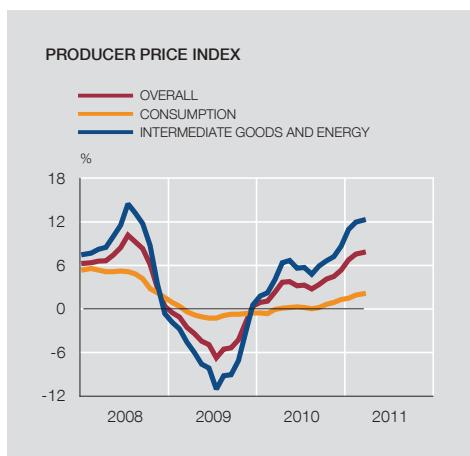
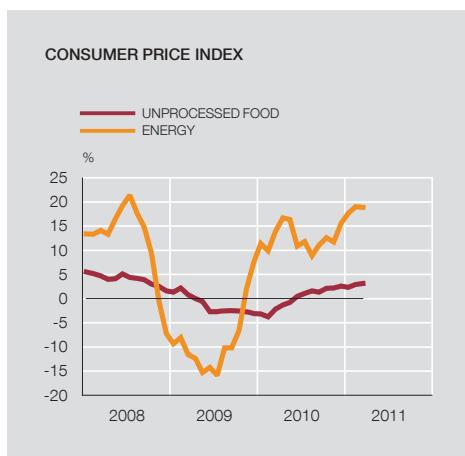
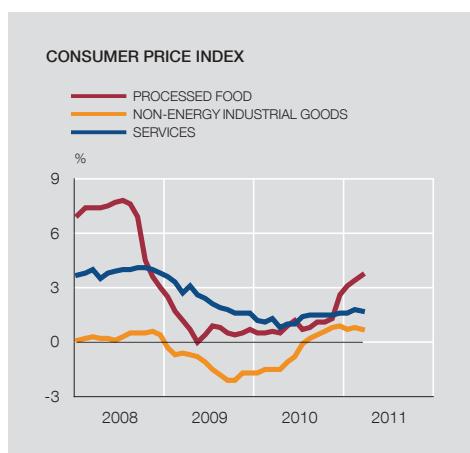
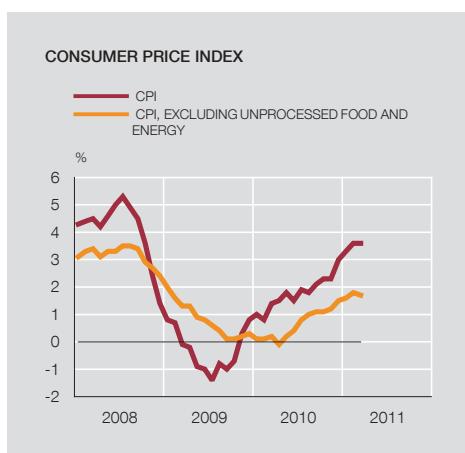


SOURCES: INE and Banco de España.

a. Year-on-year rates based on seasonally adjusted QNA series.

PRICE INDICATORS (a) Spain

CHART 21

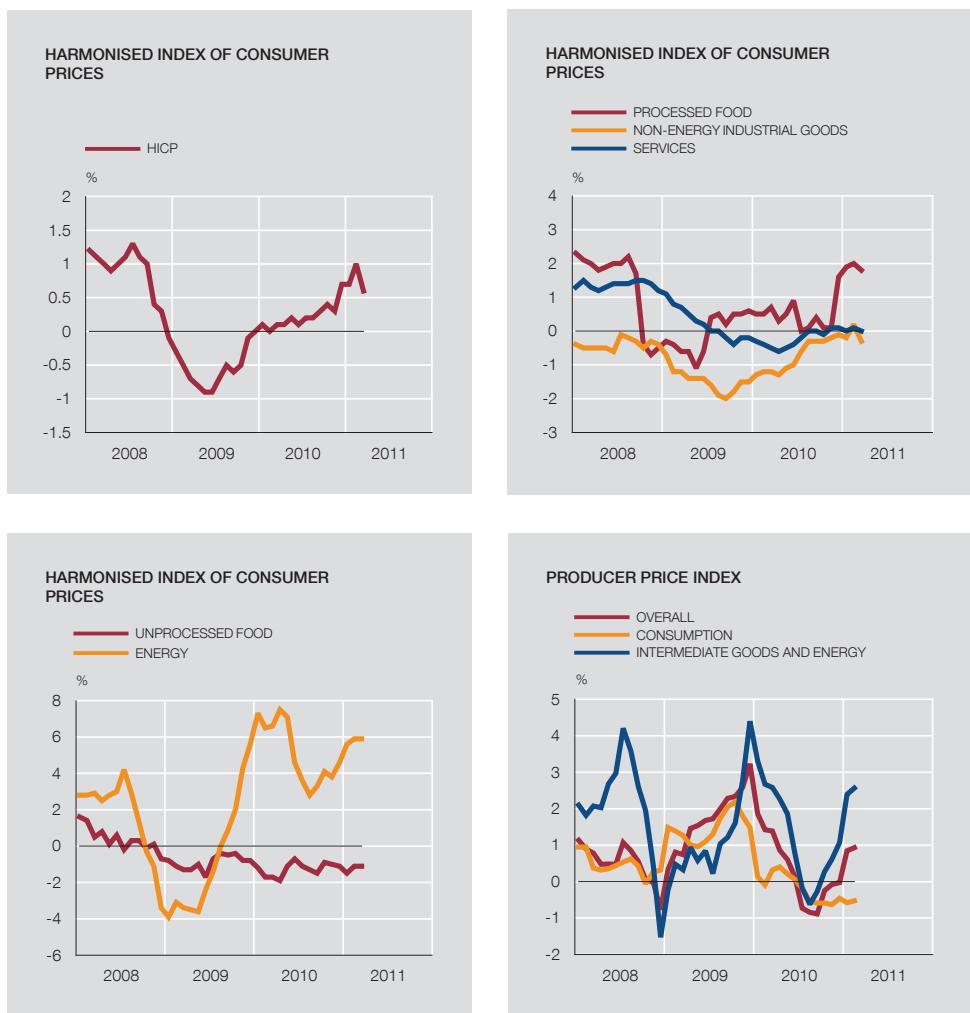


SOURCE: INE.

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

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

CHART 22



SOURCES: Eurostat and Banco de España.

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

fuel, such as heating gas-oil, upwards. Moreover, the performance of this component also evidenced the rise in electricity and gas prices. In contrast, the rate of change of the CPI excluding energy and unprocessed food prices increased by only 0.2 pp to 1.7%. Within this indicator, processed food prices climbed at a year-on-year rate of 3.7% in March, 1.1 pp above the related rate in December 2010, due partly to dearer food prices on international markets. The rise was more moderate in the case of services (0.1 pp), while the year-on-year growth rate of non-energy industrial goods dipped by 0.2 pp. A significant portion of the CPI index excluding energy and fresh food prices reflects the impact of the increases in VAT and tobacco prices, which should prove temporary. Finally, the leading indicator of the CPI, released since January by INE, posted an increase of 3.8% in April.

The rise in inflation in 2011 Q1, measured by the harmonised index of consumer prices (HICP), was somewhat less in Spain than in the euro area. As a result, the inflation spread in March was, at 0.6 pp, 0.1 pp less than that recorded in December 2010 (see Chart 22). However, the increase in energy prices in Spain was far greater than in the euro area, widening the spread to 5.9 pp in March. Spanish processed food prices also outgrew those in the euro area, and the related spread widened by 0.2 pp to 1.8 pp. In the case of services and of non-energy

	EUR m and %		Outturn				
	Outturn 2010	Percentage change 2010/2009	Budget outturn projection	Percentage change 2011/2010	2010 JAN-MAR	2011 JAN-MAR	Percentage change 2011/2010
	1	2	3	4 = 3/1	5	6	7 = 6/5
1 REVENUE	127,337	24.8	106,020	-16.7	32,759	27,452	-16.2
Direct taxes	59,262	9.5	55,239	-6.8	14,516	11,559	-20.4
Personal income tax	39,326	29.2	35,494	-9.7	12,924	10,411	-19.4
Corporate income tax	16,198	-19.8	16,008	-1.2	693	397	-42.7
Other (a)	3,738	7.5	3,737	-0.0	899	751	-16.4
Indirect taxes	51,825	80.8	36,142	-30.3	14,314	11,844	-17.3
VAT	38,486	143.8	24,968	-35.1	11,311	9,716	-14.1
Excise duties	10,338	1.9	8,179	-20.9	2,292	1,364	-40.5
Other (b)	3,001	9.5	2,995	-0.2	712	765	7.5
Other net revenue	16,251	-15.7	14,639	-9.9	3,929	4,049	3.0
2 EXPENDITURE	179,572	-5.1	150,056	-16.4	48,305	36,613	-24.2
Wages and salaries	26,975	1.5	26,982	0.0	6,017	6,068	0.8
Goods and services	4,632	-4.7	3,384	-26.9	954	855	-10.4
Interest payments	19,638	11.3	27,421	39.6	7,579	5,819	-23.2
Current transfers	104,656	-6.9	74,598	-28.7	26,348	18,354	-30.3
Contingency fund	—	—	2,668	—	—	—	—
Investment	8,782	-16.1	5,793	-34.0	2,883	2,155	-25.3
Capital transfers	14,890	-14.2	9,208	-38.2	4,522	3,362	-25.7
3 CASH-BASIS BALANCE (3 = 1-2)	-52,235	—	-44,036	—	-15,546	-9,161	—
MEMORANDUM ITEM: TOTAL TAXES (State plus share of regional and local governments)							
TOTAL	135,862	16.3	141,538	4.2	38,451	39,944	3.9
Personal income tax	66,977	4.9	71,761	7.1	19,212	19,672	2.4
VAT	49,079	46.2	48,952	-0.3	14,584	15,748	8.0
Excise duties	19,806	2.4	20,825	5.1	4,655	4,524	-2.8

SOURCE: Ministerio de Economía y Hacienda.

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

goods, the positive spreads were very small, and even changed sign once adjusted for the effect of tax changes. Lastly, the growth of unprocessed food prices remained lower in Spain and the spread held at -1.1 pp. As a result of the developments in these various components, the difference in core inflation narrowed to 0.1 pp, after having widened to 0.3 pp in December. According to the leading indicator of the HICP for April, the spread of the overall index widened by 0.1 pp in April to 0.7 pp, since Spain's HICP increased to 3.5%, and that of the euro area to 2.8%.

The producer price index also moved on a rising course during Q1, climbing from 5.3% in December to 7.8% in March. Component by component, rates rose across the board, but did so particularly sharply in the case of intermediate goods and, above all, in energy products, which were greatly affected by oil prices in this period. The rise in inflation along the whole production chain suggests upside risks to consumer prices. On data to February, the difference between the respective growth rates of producer prices in Spain and in the euro area widened to 1 pp. Growth in the import and export price indices for industrial products also quickened, rising in February to rates of 11.1% and 7.4%, respectively.

	EUR m and %	2009	2010	2011	Rates of change		
					2009/2008	2010/2009	2011/2010
1 REVENUE	135,716	124,559	123,241	-2.1	-8.2	-1.1	
Current revenue	126,539	116,628	114,472	-2.7	-7.8	-1.8	
– Direct taxes	28,553	22,834	31,083	17.4	-20.0	36.1	
– Indirect taxes	34,671	28,459	40,671	-20.0	-17.9	42.9	
– Charges, prices and other revenue	3,751	3,971	3,987	4.1	5.9	0.4	
– Current transfers	59,040	60,878	38,257	1.2	3.1	-37.2	
– Interest and dividends	523	486	474	6.3	-7.1	-2.5	
Capital	9,177	7,931	8,769	7.7	-13.6	10.6	
– Disposal of investments	633	518	1,760	2.0	-18.1	—	
– Capital transfers	8,544	7,413	7,009	8.2	-13.2	-5.5	
2 EXPENDITURE	143,338	142,248	132,536	3.8	-0.8	-6.8	
Current expenditure	114,592	115,658	111,189	4.8	0.9	-3.9	
– Wages and salaries	46,759	47,542	44,951	5.6	1.7	-5.4	
– Goods and services	21,095	21,120	20,231	3.3	0.1	-4.2	
– Interest payments	1,808	2,470	2,955	5.0	36.6	19.6	
– Current transfers	44,831	44,438	42,975	4.6	-0.9	-3.3	
– Contingency fund	99	87	78	51.8	-11.7	-10.8	
Capital	28,746	26,590	21,347	-0.2	-7.5	-19.7	
– Investment	14,260	11,658	8,807	-1.7	-18.2	-24.5	
– Capital transfers	14,486	14,932	12,540	1.2	3.1	-16.0	
BALANCE	-7,622	-17,689	-9,295	—	—	—	
% of GDP	-0.7	-1.7	-0.9	—	—	—	
MEMORANDUM ITEMS (% of GDP):							
BALANCE (all regional governments)	-1.0	-2.3	—	—	—	—	
NAT. ACCOUNTS BALANCE	2.0	-3.4	-3.3	—	—	—	
NAT. ACCOUNTS BALANCE with deferrals (% of GDP)	2.0	-2.8	-1.3	—	—	—	

SOURCE: Ministerio de Economía y Hacienda, Regional (Autonomous) Communities and Banco de España.

a. For 2011, the Catalonian and Balearic regional governments have rolled over the 2010 budget.

4.4 The State budget

The latest statistical information available for the overall general government sector refers to end-2010. In terms of agents, more recent information on the budget outturn in 2011 Q1 for the State and Social Security sub-sectors (see Tables 4 and 6, respectively) is available. In the case of the regional governments, there is no uniform data available on the budget outturn in respect of overall regional government spending that enables the degree of compliance with the initial budget (which is detailed in aggregate form in Table 5) to be assessed.

In National Accounts terms, and according to the budget outturn figures to March 2011, the State is expected to have recorded a deficit of €6.9 billion, €1.8 billion less than the same period a year earlier. Expressed in cash-basis terms, the State posted a deficit of €9.2 billion in 2011 Q1, a figure below that observed in the same period in 2010, which amounted to €15.6 billion (see Table 4). While both revenue and spending moved on a declining course in Q1, the year-on-year rate of change in spending in cash-basis terms (-24.2%) comfortably offset the slowing pace of revenue, which declined by 16.2%. Nonetheless, the significance of these rates is limited, since the revenue and spending figures for this year are not comparable with those for 2010. Specifically, State revenue and spending will be affected throughout the year by the full application of the new regional government financing arrangements. The regional governments will receive a bigger share in taxes (the counterpart to which will be that

	EUR m and %						
	Initial budget 2010	Percentage change 2010/2009	Initial budget 2011	Percentage change 2011/2010	Outturn		
					1	2	3
					4 = 3 / 1	5	6
						2010 JAN-FEB	2011 JAN-FEB
							Percentage change 2011/2010
1 REVENUE	119,481	-3.4	123,405	3.3	19,760	19,581	-0.9
Social security contributions	108,358	-4.4	111,778	3.2	17,800	17,564	-1.3
Current transfers	8,357	12.3	8,154	-2.4	1,140	1,203	5.5
Other	2,765	-6.7	3,473	25.6	821	814	-0.7
2 EXPENDITURE	116,601	1.9	118,826	1.9	15,537	16,125	3.8
Wages and salaries	2,483	1.2	2,378	-4.2	324	319	-1.5
Goods and services	2,032	1.9	1,719	-15.4	146	165	13.1
Current transfers	111,557	1.9	114,279	2.4	15,054	15,633	3.8
Contributory pensions	95,320	2.1	99,090	4.0	13,319	14,012	5.2
Sickness	7,373	-9.5	7,009	-4.9	371	326	-11.9
Other	8,864	11.0	8,181	-7.7	1,364	1,294	-5.2
Other expenditure	529	-6.1	450	-15.0	13	8	-35.2
3 BALANCE (3 = 1 - 2)	2,880	—	4,579	—	4,224	3,456	—

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

State revenue is lower) and obtain fewer transfers from the State (i.e. there will be a reduction in State payments).

In the case of spending, declines were observed in capital expenditure and in goods and services purchases, while interest payments, which also declined, are expected to quicken in the coming months. On the revenue side, in respect of total tax takings (see Table 4), which take into account the share of both the State and that of the territorial governments, VAT revenue performed notably well, posting a growth rate of 8%, due in part to the effect of the rise in VAT rates in July 2010. Excise duties revenue eased in Q1, with a rate of decline of 2.8%. Under direct taxation, personal income tax revenue was contained. In the case of corporate income tax, the figures for Q1 for each of the two years under comparison are not very informative, since the information on the first partial tax payment for the year in April is not included.

The latest outturn figures for the Social Security system are for March 2011 (although the full breakdown of these is only available to February, as can be seen in Table 6). These figures show a surplus of €6.1 billion, entailing an improvement of €0.2 billion compared with the surplus accumulated to March last year. On the revenue side, Social Security contributions declined by 0.9% (against a fall of 1.3% in February; see Table 6), the results of the still-unfavourable behaviour of Social Security registrations in Q1. There was an increase of 2.7% in expenditure owing to the 5.1% rise in the contributory pensions item, which was partly offset by the reduction in spending under other current transfers.

Turning to the SPPE (State Public Employment Service), the latest available figures to February suggest a significant reduction – of around 7% – in unemployment benefit payments compared with the same period in 2010. This is in step with the fall in the number of beneficiaries under the unemployment insurance system. In this respect, given the observed course of the number of unemployed, the unemployment coverage rate is expected to have declined by 4 pp from December 2010 to February 2011, and by somewhat more than 7 pp since February 2010.

	EUR m	January-February		Percentage change 2011/2010 (b)
		2010	2011	
CREDITS	Current account	46,615	53,462	14.7
	<i>Goods</i>	26,644	33,510	25.8
	<i>Services</i>	12,591	12,914	2.6
	– Tourism	4,531	4,834	6.7
	– Other services	8,060	8,080	0.3
	<i>Income</i>	5,262	4,939	-6.1
	<i>Current transfers</i>	2,118	2,100	-0.9
	Capital account	1,776	1,622	-8.6
	Current + capital accounts	48,391	55,084	13.8
DEBITS	Current account	58,112	65,438	12.6
	<i>Goods</i>	33,762	40,920	21.2
	<i>Services</i>	10,203	10,280	0.8
	– Tourism	1,787	1,825	2.1
	– Other services	8,416	8,455	0.5
	<i>Income</i>	8,444	8,723	3.3
	<i>Current transfers</i>	5,703	5,516	-3.3
	Capital account	237	183	-22.8
	Current + capital accounts	58,349	65,621	12.5
BALANCES	Current account	-11,497	-11,976	-479
	<i>Goods</i>	-7,118	-7,410	-292
	<i>Services</i>	2,388	2,634	246
	– Tourism	2,744	3,009	265
	– Other services	-356	-375	-18
	<i>Income</i>	-3,182	-3,784	-602
	<i>Current transfers</i>	-3,585	-3,416	169
	Capital account	1,539	1,439	-99
	Current + capital accounts	-9,958	-10,537	-579

SOURCE: Banco de España.

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

4.5 Balance of payments

In the first two months of 2011, the Spanish economy's net borrowing was slightly higher than that for the previous year (see Table 7). The overall current and capital account balance showed a deficit of almost €12 billion, 4% up on the same period in 2010. The increase is due to the widening of the merchandise and income deficits, which offset the narrowing of the deficits on current transfers and the widening of the surplus on services. The surplus on capital transactions decreased moderately.

The deficit on the trade balance rose by 4% to €7.4 billion in the January-February 2011 period, owing to the increase in the energy bill, which countered the improvement in the non-energy balance. The surplus on the services balance amounted to €2.6 billion, 10% higher than in the first two months of 2010, as a result of the increase in the tourism balance. Counter to this, the deficit on the income balance increased in the first two months to €3.8 billion, compared with €3.2 billion in the same period in 2010. The deficit on current transfers fell by 5% to €3.4 billion.

5 Financial developments

5.1 Overview

In 2011 Q1 Spain tended to distance itself from the group of countries most severely affected by the sovereign debt crisis, this separation being aided by diverse measures of the national authorities and by agreements of the EU heads of state or government to reform European economic governance. Financial market developments during this period were also influenced by the heightened uncertainty stemming from the geopolitical crises in northern Africa and the Middle East and, more recently, by Japan's earthquake and nuclear crisis and the consequent fall in market prices (which subsequently reversed) and the rise in volatility.

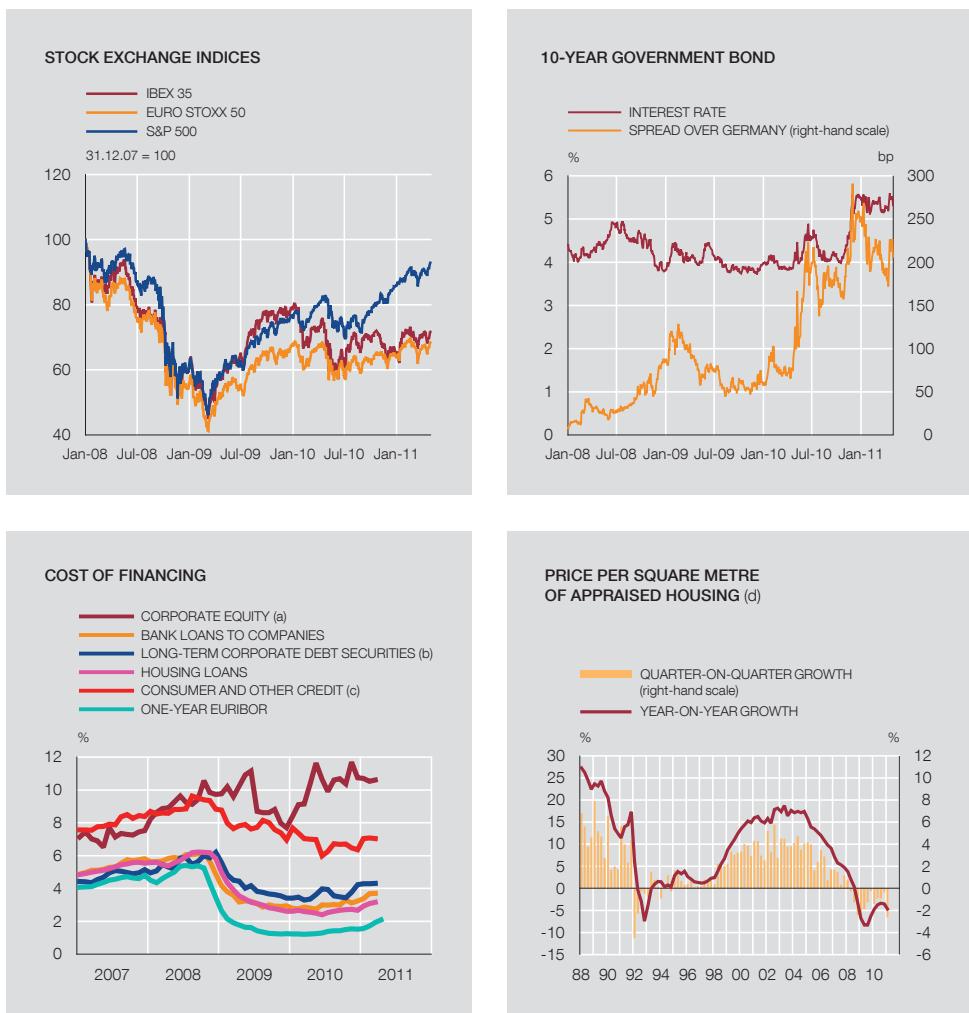
Thus, in the Spanish public debt market, despite the 10 March downgrade by one level of Moody's long-term credit rating from Aa1 to Aa2, the first three months of 2011 saw the 10-year yield fall by 20 bp and the spread with respect to the 10-year German bond narrow by around 60 bp (to around 190 bp). Also, the credit risk premia of Spanish firms traded in the derivatives markets followed a downward path, steeper for credit institutions than for non-financial corporations. As a result of this climate of recovery of investor confidence in the Spanish economy, the access of resident issuers to wholesale funding improved, a development reflected in an increase in activity in the primary fixed-income markets and in the EU-REPO markets with a central counterparty. However, April saw a fresh rise in sovereign debt interest rates in some euro area countries which this time also affected Spanish sovereign debt. At the end of April the 10-year yield stood at around 5.3 % and the spread with respect to the 10-year German bond was around 205 bp. Meanwhile, the IBEX 35 gained 7.3 % in Q1, compared with increases of 4.2 % in the EUROSTOXX 50 and of 5.4 % in the S&P 500 (see Chart 23). At the data cut-off date of this report, the Spanish index was nearly 3 % higher than a month earlier.

Interest rates in the interbank market tended to rise as a result of expectations of official interest rate hikes, which were confirmed on 7 April with an increase of 25 bp. Thus, at the end of that month, one-year EURIBOR stood at 2.1 % (more than 60 bp higher than in December).

In the real estate market, according to the latest data published by the Ministry of Infrastructure and Transport, unsubsidised housing prices continued to fall in the first three months of 2011, more quickly than in the previous quarter. This sharper fall was probably induced to some extent by the partial abolition in January 2011 of tax credits for purchase of principal residence. The year-on-year rate of decrease in March stood at 4.7 %, compared with a fall of 3.5 % in December (see Chart 23). The cumulative fall from the highs reached at the beginning of 2008 is 15 % (20 % in real terms).

The latest available information on the cost of bank financing to the private sector, which relates to March, shows that in the early months of 2011 banks tended to raise the margins applied, suggesting that they had already begun to transfer to their customers the rise experienced in the cost of their liabilities during the past year as a result of the financial tensions in the wholesale markets. To this was added the effect of the increase in interbank yields, which are normally used as a benchmark for loans (see Box 5).

Meanwhile, according to the April Bank Lending Survey (BLS), credit standards in the first three months of the year were slightly tighter for households, while they remained unchanged



SOURCES: Bloomberg, Reuters, Datastream, MSCI Blue Book, Ministerio de la Vivienda and Banco de España.

- The cost of equity is based on the three-stage Gordon dividend discount model.
- The cost of market-based long-term debt is calculated as the sum of the average 5-year CDS premium for Spanish non-financial corporations and the 5-year euro swap rate.
- In June 2010 the statistical requirements relating to the interest rates applied by credit institutions to their customers were changed, which may cause breaks in the series. Particularly significant was the change in the interest rate on consumer credit and other lending, since, as a result, from that month it no longer includes credit card operations.
- Base 2001 until December 2004 and base 2005 thereafter.

for firms.¹ Firms' demand for funds increased moderately, while loan applications by households decreased, particularly for house purchase.

The most recent data on private sector financing, relating to February, reveal a lower momentum of lending to households, the growth rate of which turned slightly negative, while the rate of expansion of corporate debt remains low, although some significant differences across instruments are appreciable (see Chart 4). Thus loans by resident institutions contracted somewhat more sharply, while other borrowing continued to show more expansionary behaviour. Provisional information for March points to a continuation of these trends.

1. For more details, see the article entitled «Encuesta sobre Préstamos Bancarios en España: abril de 2011», by Mariola Mulino, in the April *Boletín Económico*.

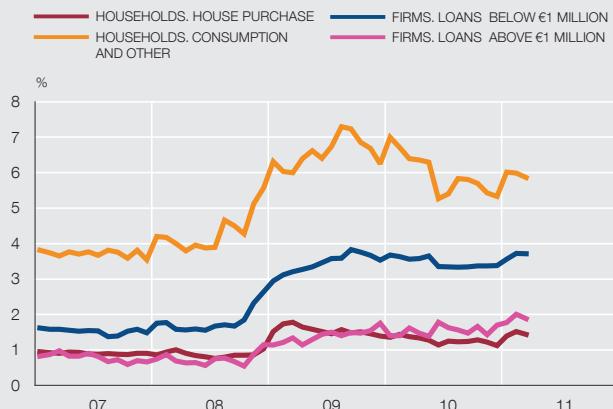
In Spain, interest rates on loans granted by credit institutions are mostly referenced to, or closely track, interbank market yields.¹ However, the difference between the cost of new business and the reference rates, i.e. the margin applied, is not constant, but rather fluctuates over time. The top left panel shows how, since mid-2008, these margins generally tended to rise, although how quickly they did so differed from one case to another. This increase in the margin reflected both temporary factors (such as the lag with which falls in reference interest rates are transmitted to the rates applied in bank

1. See, for example, the article entitled «La relación entre los tipos de interés del crédito bancario y los del mercado interbancario» by F. Sáez in the Banco de España's *Boletín Económico*, May 1996.

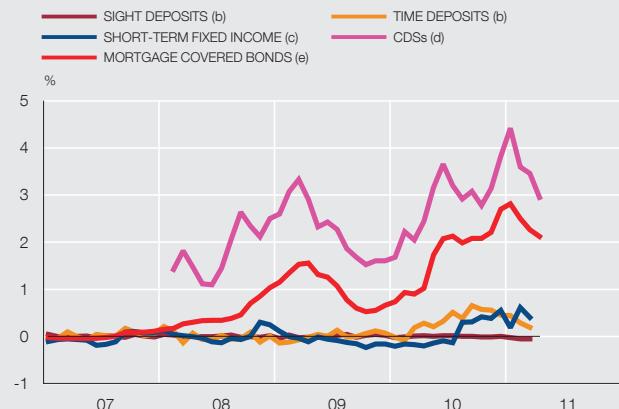
lending operations) and a revision of the required premia due to the economic crisis and to the general reassessment of risk at national and international level after a long period of very low premia. Thus, for example, in house purchase loans to households, following an initial rise at the beginning of 2009, the average margin applied to new business tended to decrease progressively in the ensuing months, and at end-2010 reached levels similar to those before the crisis. By contrast, in segments with a higher probability of default (such as consumer credit or SME financing, proxied here by corporate loans of less than €1 million) the increase was sharper and more lasting.

In 2010, mainly as a result of the tensions in the euro area sovereign debt markets, the cost of funding rose substantially for Spanish

1 INTEREST RATE SPREADS ON BANK LOANS (a)



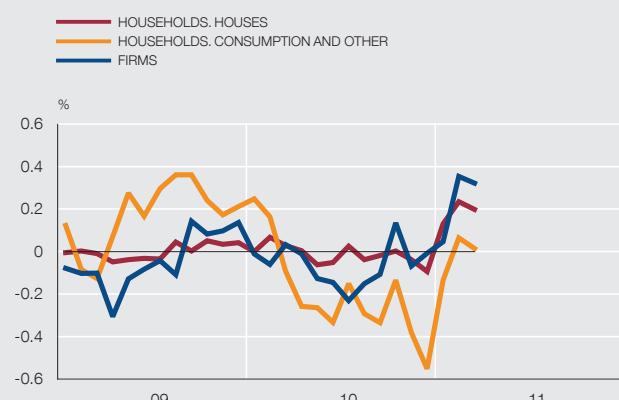
2 INTEREST RATE SPREADS ON BANK LIABILITIES



3 DISTRIBUTION OF MORTGAGE COVERED BOND SPREAD BY INDIVIDUAL ISSUE (e)



4 SURPRISES IN LOAN INTEREST RATE BEHAVIOUR (b)



SOURCE: AIAF, Datastream, JP Morgan and Banco de España.

a. Calculated with respect to 1-year EURIBOR in the case of house purchase loans and with respect to 3-month EURIBOR for others. In June 2010 the statistical requirements relating to the interest rates applied by credit institutions to their customers were changed, which may cause breaks in the series. Particularly significant was the change in the interest rate on consumer credit and other lending, since, as a result, from that month it no longer includes credit card operations.

b. Difference between the observed figure and that predicted by a model estimated until December 2009. The explanatory variables included in this model are interbank market yields and the unemployment rate as an indicator of the stage of the business cycle.

c. Average AIAF interest rate less 1-year EURIBOR.

d. Obtained from the arithmetic mean of the individual data of seven institutions for which information is available.

e. 3 to 5-year asset swap spread.

credit institutions (see Chart 2). Practically all their sources of borrowing were affected. The premia required of Spanish institutions in the wholesale medium-and long-term debt markets rose on average to levels above 250 bp for mortgage transactions and to 400 bp for unsecured transactions (proxied by the price of CDSs). The increases were smaller in the short-term securities segment, but also significant. As a result, Spanish institutions stepped up their efforts to attract time deposits from customers and the interest rate on them increased above what would be expected on the basis of interbank yields. Only the interest rates on sight deposits kept moving in line with their historical pattern. Although the tensions –and the related premia– tended to moderate in the early months of 2011, they still remain high. Also, as shown by the bottom left-hand panel, there is a significant dispersion between institutions in the cost of funding on the markets. This increase in the cost of liabilities has introduced a new element of pressure on the income statements of Spanish credit institutions. According to some calculations, in which the various sources of funding were weighted in accordance with their relative weight, it is estimated that the average increase in the cost of borrowed funds used to finance bank lending was around 60 bp in 2010.

The bottom right-hand panel shows the difference between the observed loan interest rates and the values predicted by a model in which the explanatory variables include both interbank market yields and the business cycle, but not the higher cost of institutions' liabilities due to financial market tensions. As can be seen, until end-2010 institutions do not transfer their higher funding costs to the interest rate on their lending to households and firms, since the observed

behaviour was largely consistent with that of the determinants included in the equation, although in household loans for consumption and other purposes the differences were greater as a result of the more volatile behaviour of this segment and the consequent worse fit with the model.

However, the persistence of the tensions and the consequent impact on income statements seem to have led to a change in the opening months of 2011. The bottom right-hand panel shows that between December 2010 and March 2011 the interest rates on loans to non-financial corporations and to households for house purchase underwent an increase (not explained by the determinants other than the cost of funding) of some 30 bp. In the case of consumer credit and other lending, a notable increase is also observed, although its starting point is at a negative level.

This evidence suggests that in the first quarter of the year Spanish credit institutions began to pass their higher funding costs on to their lending business, doing so to a significant, but still incomplete, extent. Additional increases in the coming months cannot therefore be ruled out, although future developments will depend on financial market tensions, on competition for deposits and on the ability of lenders to pass their higher costs on to their lending operations. The divergences within the sector in the degree of access to markets mean that the need to pass on these costs to lending operations differs. This may limit, first, the degree of transfer in a competitive environment and, second, put greater pressure on the income statement of some institutions.

The stability of household liabilities in 2010 Q4, along with the stagnation of income, kept the ratio of debt to gross disposable income (GDI) of this sector unchanged, so it remains high. However, the debt burden continued to decrease thanks to the smaller interest payments, which reflect with a certain delay the changes in the cost of new lending and in interbank yields. The gross savings ratio and the sector's saving after debt service continued to decrease. Household net wealth decreased slightly as a result of the moderate growth in the value of their holdings of financial instruments and of the decrease in that of their real estate assets. The available preliminary estimates point to a continuation of these trends in the early months of 2011.

In the case of firms, the debt ratio decreased slightly in 2010 Q4, so it remains high. By contrast, the debt burden ratio began to rise slightly, in line with the increase in the cost of funds in recent months. These trends seem to have persisted in the early months of 2011. The figures on the sample firms reporting to the Central Balance Sheet Data Office Quarterly Survey (CBQ) for 2010 Q4 reveal a certain recovery in corporate income in 2010 compared with 2009. However, the dynamism of the results gradually lost force as the year progressed.

The volume of doubtful loans continued to grow in the early months of 2011. As a result of this growth and of the stability of the debt, the doubtful assets ratio kept rising. Specifically, for other resident sectors (which include, in addition to households and firms, intermediaries other than credit institutions) as a whole, this indicator stood at 6.2 % in February, 0.4 pp above the figure for December 2010.

	% GDP								
	2005	2006	2007	2008	2009	2010			
					Q4	Q1	Q2	Q3	Q4
National economy	-6.5	-8.4	-9.6	-9.2	-5.1	-4.4	-4.5	-4.4	-3.9
Non-financial corporations and households and NPISHs	-8.4	-11.1	-13.4	-6.8	4.6	5.3	4.3	3.6	4.4
<i>Non-financial corporations</i>	-7.1	-9.5	-11.5	-7.1	-1.3	0.5	0.8	0.8	1.3
<i>Households and NPISHs</i>	-1.3	-1.7	-1.9	0.2	5.9	4.8	3.5	2.8	3.1
Financial institutions	0.9	0.7	1.9	1.8	1.4	1.2	1.2	1.1	1.0
General government	1.0	2.0	1.9	-4.2	-11.1	-11.0	-10.0	-9.1	-9.2
MEMORANDUM ITEM:									
Financing gap of non-financial corporations (a)	-11.4	-17.8	-15.9	-11.9	-1.3	0.7	0.9	-0.8	-0.8

SOURCE: Banco de España.

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

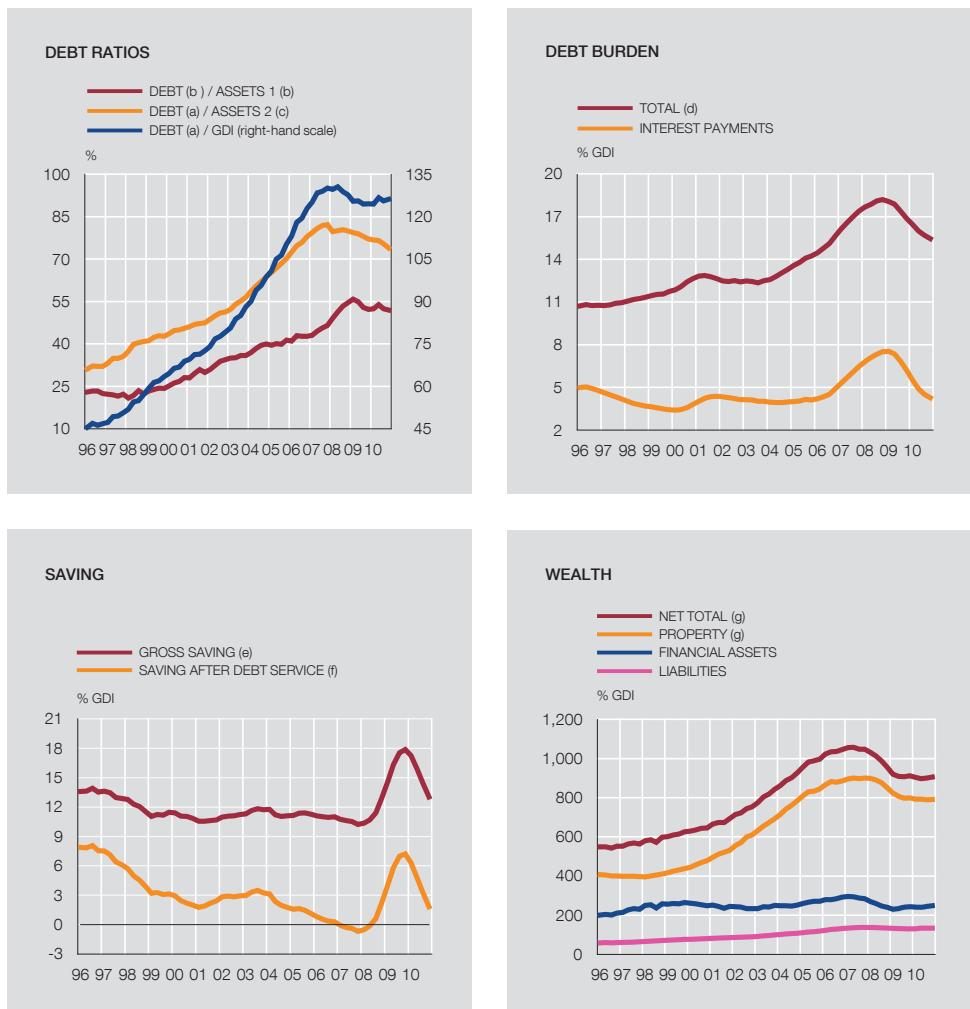
In the case of general government, the year-on-year growth of its debt rose in the early months of 2011, with net issues being concentrated in long-term instruments. The rapid expansion of general government liabilities, along with the weakness of GDP growth, lead to fresh increases in the debt ratio.

The latest Financial Accounts information, relating to end-2010, reflects a further decrease in the nation's net borrowing, which represented 3.9% of GDP in cumulated 12-month terms (0.5 pp below the September level; see Table 8). This development resulted from an increase in net lending by households and non-financial corporations, which was partly offset by an increase in the general government deficit and by a slight decrease in saving by financial institutions. Analysis by instrument shows that external financing was partly covered by capital inflows (particularly those in the form of securities issued by general government, which offset the net contraction in non-residents' holdings of securities issued by other Spanish issuers) and also through the reduction of the foreign assets of resident sectors (particularly institutional investors). The available balance of payments information points to a continuation of these trends in January and February.

In short, in 2011 Q1 Spain distanced itself from the group of countries most strongly affected by the sovereign debt crisis in the euro area, which allowed a certain relaxation of the financing conditions of resident sectors in the wholesale markets. However, the risk premia remained high from a historical perspective and were subject to fresh fluctuations linked to changes in market perceptions of the various events influencing the course of the sovereign debt crisis in the countries concerned. Also, the interest rate rises in the money markets and the widening spreads applied by credit institutions to households and firms are giving rise to increased private sector borrowing costs. These developments, along with the necessary deleveraging of these agents, are limiting the growth of bank lending, which tended to contract slightly in the early months of this year.

5.2 Households

Between December 2010 and March 2011 interest rates on new loans to households increased by 49 bp and 70 bp for house purchase loans and for consumer credit and other lending, respectively (see Chart 23). Also, according to the April BLS, credit standards in the first three months of the year tightened slightly, while the demand for funds by households decreased, particularly that for house purchase loans.



SOURCES: Ministerio de Vivienda, Instituto Nacional de Estadística and Banco de España.

- a. Includes bank credit and off-balance-sheet securitised loans.
- b. Assets 1 = total financial assets - "other".
- c. Assets 2 = assets 1 - shares (excluding mutual fund shares) - shares in FIM.
- d. Estimated interest payments plus debt repayments.
- e. Balance of households' use of disposable income account.
- f. Gross saving less estimated debt repayments.
- g. Calculated on the basis of the estimated changes in the stock of housing, in the average area per house and in the price per square metre.

Against this background, the growth rate of household debt in February was slightly negative in year-on-year terms (-0.5 %), compared with 0.2 % in December. This development basically resulted from the loss of vigour of house purchase loans (-0.4 %), which were affected by households bringing forward their house purchase decisions to 2010 following the abolition, from the beginning of 2011, of the tax rebate for middle and high income earners. Consumer credit and other lending also contracted (by 0.8 % in year-on-year terms). The seasonally-adjusted quarter-on-quarter rates, in turn, became negative in both cases.

As a result of the relative stability shown by this sector's liabilities and of the stagnation of its income, in 2010 Q4 the ratio of debt to GDI scarcely changed, standing at 126 % (see Chart 24). However, owing to the lower interest payments, which reflect with a lag the behaviour of new business and of interbank yields, the debt burden continued to decrease, reaching nearly 15 % of GDI. The gross savings ratio and the sector's saving after debt service also contin-

% GDP	2007	2008	2009	Q2	2010	Q4
HOUSEHOLDS AND NPISHs						
Financial transactions (assets)	7.2	2.4	4.5	4.4	4.1	4.4
Cash and cash equivalents	-1.1	-0.4	4.2	1.8	0.6	-0.1
Other deposits and fixed-income securities (a)	7.5	6.8	-1.1	0.6	2.0	<u>3.5</u>
Shares and other equity (b)	0.6	-0.3	1.2	1.4	1.0	0.6
Mutual funds	-1.1	-3.4	0.0	-0.4	-1.2	-1.7
Insurance technical reserves	0.9	0.2	0.9	0.6	0.6	0.9
<i>Of which:</i>						
<i>Life assurance</i>	0.2	-0.2	0.6	0.3	0.2	0.3
<i>Retirement</i>	0.4	0.3	0.3	0.3	0.4	0.5
<i>Other</i>	0.3	-0.5	-0.6	0.4	1.0	1.4
Financial transactions (liabilities)	9.1	2.2	-1.4	0.9	1.3	1.4
Credit from resident financial institutions (c)	9.4	3.4	-0.5	0.6	0.0	0.0
<i>House purchase credit</i> (c)	7.1	2.7	0.1	0.7	0.5	0.5
<i>Consumer and other credit</i> (c)	2.1	0.8	-0.4	0.1	-0.4	-0.3
Other	-0.3	-1.2	-0.9	0.3	1.3	1.3
NON-FINANCIAL CORPORATIONS						
Financial transactions (assets)	13.4	1.8	-8.1	-1.9	5.0	7.1
Cash and cash equivalents	-0.4	-1.1	-0.3	1.0	0.2	-0.1
Other deposits and fixed-income securities (a)	2.0	2.3	-0.6	-0.7	0.0	1.5
Shares and other equity	8.1	3.0	-0.5	0.2	2.0	2.6
<i>Of which:</i>						
<i>Vis-à-vis the rest of the world</i>	6.6	3.1	0.1	0.6	1.9	2.3
Trade and inter-company credit	2.1	-3.0	-6.9	-1.9	2.3	3.0
Other	1.5	0.7	0.1	-0.5	0.6	0.0
Financial transactions (liabilities)	24.9	8.9	-6.8	-2.7	4.2	5.7
Credit from resident financial institutions (c)	13.8	5.5	-3.0	-2.6	-1.3	-0.9
Foreign loans	2.8	3.0	-0.1	-1.6	-0.6	0.8
Fixed-income securities (d)	0.5	0.3	1.3	1.7	1.3	0.7
Shares and other equity	5.3	2.3	1.6	1.5	1.6	1.7
Trade and inter-company credit	3.3	-3.3	-7.0	-1.9	2.4	3.3
Other	-0.9	1.1	0.2	0.1	0.8	0.2
MEMORANDUM ITEM: YEAR-ON-YEAR GROWTH RATES (%):						
Financing (e)	15.5	6.4	-1.0	-0.5	0.1	0.7
Households and NPISHs	12.5	4.4	-0.3	0.9	0.1	0.2
Non-financial corporations	17.7	7.9	-1.5	-1.5	0.1	1.0

SOURCE: Banco de España.

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

ued to fall. Household net wealth decreased slightly as a result of the moderate growth in financial instrument value and of the decline in the component linked to real estate assets.

On Financial Accounts data, relating to 2010 Q4, the sector's net lending increased by 0.3 pp to 3.1 % of GDP. Against this background, investment in financial assets recovered slightly with respect to the previous three months to 4.4 % of GDP in cumulated annual terms, and the trends by instrument of prior periods remained in place (see Table 9). More specifically, time deposits continued to grow apace, as did, to a lesser extent, insurance technical reserves, while saving invested

in shares continued to decrease, as did, less sharply, that held in the form of investment fund shares/units and payment instruments (cash, sight deposits and savings deposits), items in which the negative investment reflected a shift towards time deposits due to the higher yields offered.

The latest data on the household doubtful asset ratio, relating to 2010 Q4, show a further decrease (3.2 % in December, against 3.4 % in September) as a result of the fall in both house purchase loans (2.44 %, against 2.62 %) and consumer credit and other lending (6.56 %, against 6.89 %).

5.3 Non-financial corporations

In the early months of 2011, firms' financing costs tended to increase in most instruments. Thus, between December 2010 and March 2011 the interest rate on new loans of less than €1 million rose by 50 bp and that on new loans of higher amount increased by 33 bp (see Chart 23). The cost of issuing securities also increased in short-term fixed-income instruments (by 24 bp) and in long-term ones (by 8 bp), while it decreased in equity instruments (by 15 bp). Nevertheless, according to the April BLR, the credit standards applied by banks to firms remained steady, while the demand for funds increased slightly.

The growth rate of corporate borrowing remained low (1.1 % in February), although significant differences across instruments were discernible. Thus loans from resident institutions contracted somewhat more sharply both in year-on-year terms (1.4 %, against a fall of 1 % in December) and, to a greater extent, in quarter-on-quarter terms (2.4 %, annualised and seasonally adjusted, against 1.5 % two months earlier). By contrast, other financing (used by larger firms) continued to show more expansionary behaviour.

The latest information on lending by loan type, relating to 2010 Q4, shows that the year-on-year fall in these liabilities had steepened in construction and real estate services (12 % and 2 %, respectively), while it moderated in agriculture and showed positive growth in industry and, to a greater extent, in non-real estate services (4.6 %, against 3.5 % in September).

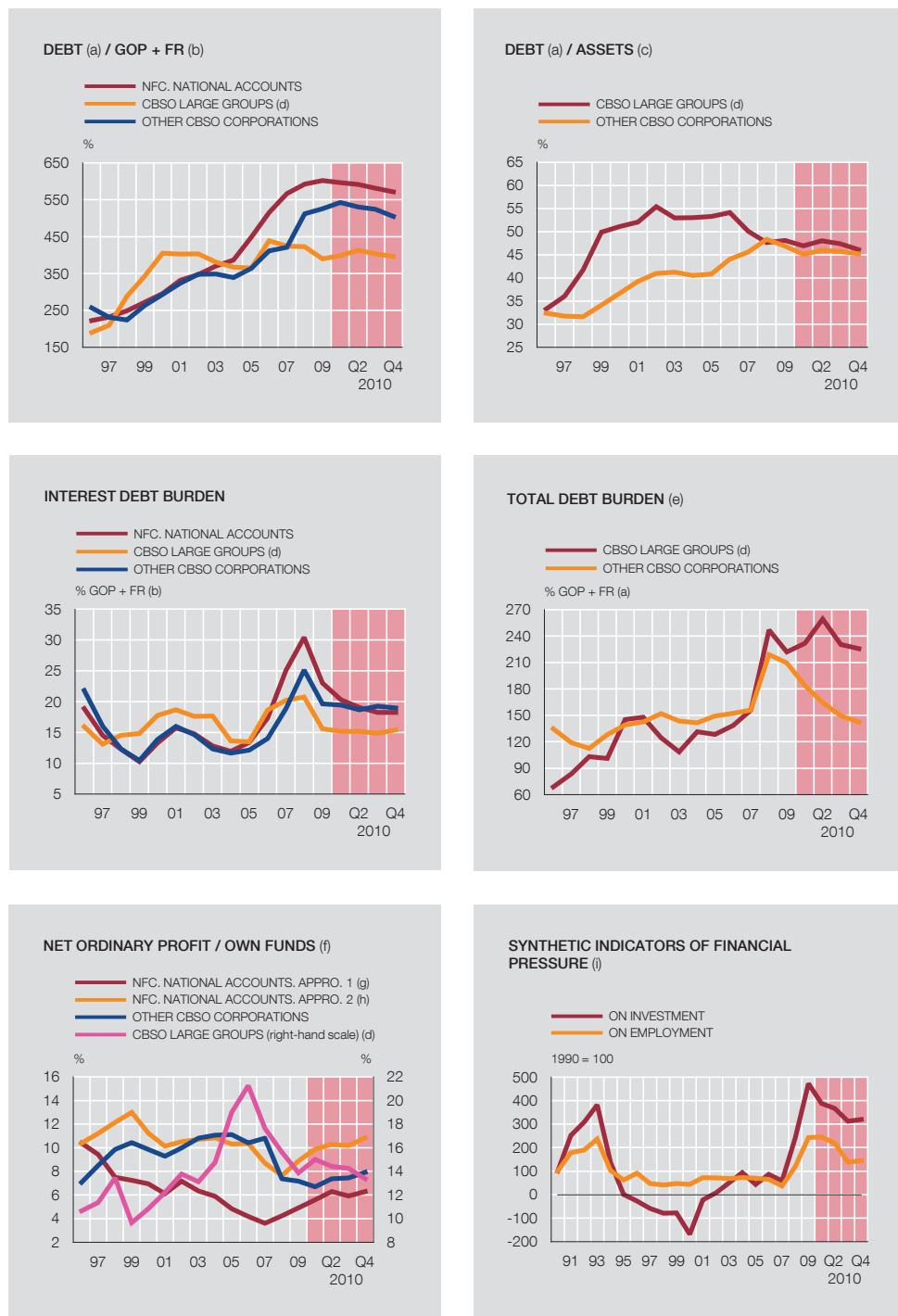
On the latest Financial Accounts data, relating to a December 2010, the balance of net financial operations of the corporate sector (in cumulated four-quarter terms) again showed a credit sign, and reached an amount equivalent to 1.3 % of GDP (0.5 pp more than in September). However, the financing gap, which approximates the funds required to bridge the difference between gross corporate saving and gross capital formation plus permanent foreign investment, continued to be negative (-0.8 %), as a result of the increase in Spanish firms' investment in equities abroad.

The debt ratio decreased slightly in 2010 Q4 to stand at 570 % of the sum of gross operating profit and financial revenue (see Chart 25). It thus remains high both from a historical perspective and in comparison with other economies. By contrast, the debt burden ratio began to rise slightly, as a reflection of the increasing cost of funds in recent months. The latest data on the sample firms reporting to the CBQ, relating to the same period, reveal a certain recovery in corporate income. In particular, the ordinary net profit of these firms grew by 6.5 % in 2010, which contrasts with the decrease of 7.6 % in 2009, although the improving trend tended to lose momentum as the year advanced. This development, together with the steady debt levels, allowed the debt ratio and the debt burden ratio to decrease slightly for these firms. However, the indicators of financial pressure on investment and employment remained the same as three months earlier. Meanwhile, analysts have revised upward their expectations as to listed firms' profits in the short term and, to a lesser extent, in the longer term (see Chart 26).

The doubtful assets ratio of non-financial corporations continued to increase in the closing months of 2010, reaching 8.1 % in December, 0.8 pp more than in 2010 Q3. This increase is explained by the behaviour of lending to construction and real estate services firms, the ratio

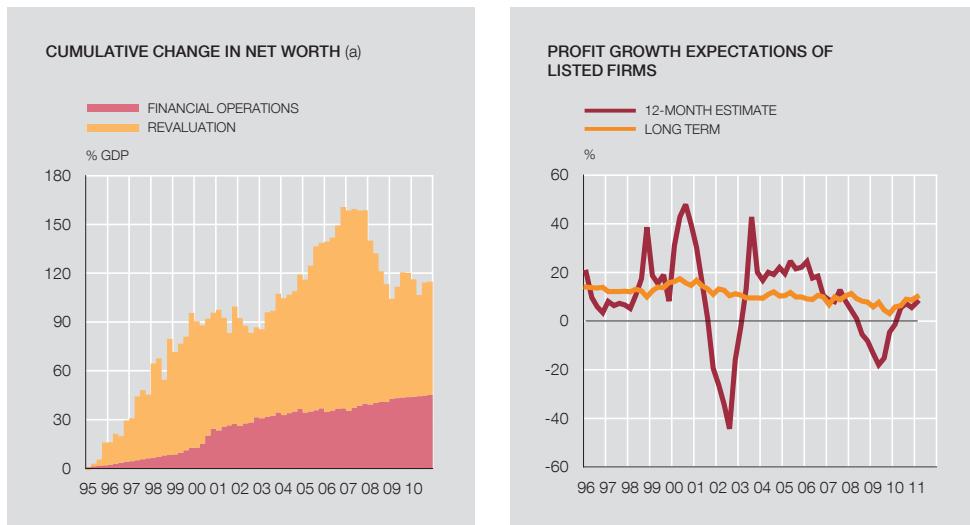
INDICATORS OF THE FINANCIAL POSITION OF NON-FINANCIAL CORPORATIONS

CHART 25



SOURCES: INE and Banco de España..

- Interest-bearing borrowed funds.
- Gross operating profit plus financial revenue.
- Defined as total inflation-adjusted assets less non-interest-bearing liabilities.
- Aggregate of all corporations reporting to the CBSO that belong to the Endesa, Iberdrola, Repsol and Telefónica groups. Adjusted for intra-group financing to avoid double counting.
- Includes interest plus interest-bearing short-term debt.
- NOP, using National Accounts data, is defined as GOS +interest and dividends received - interest paid - fixed capital consumption.
- Own funds valued at market prices.
- Own funds calculated by accumulating flows from the 1996 stock onwards.
- Indicators estimated drawing on the CBA and CBQ surveys. A value above (below) 100 denotes more (less) financial pressure than in the base year.

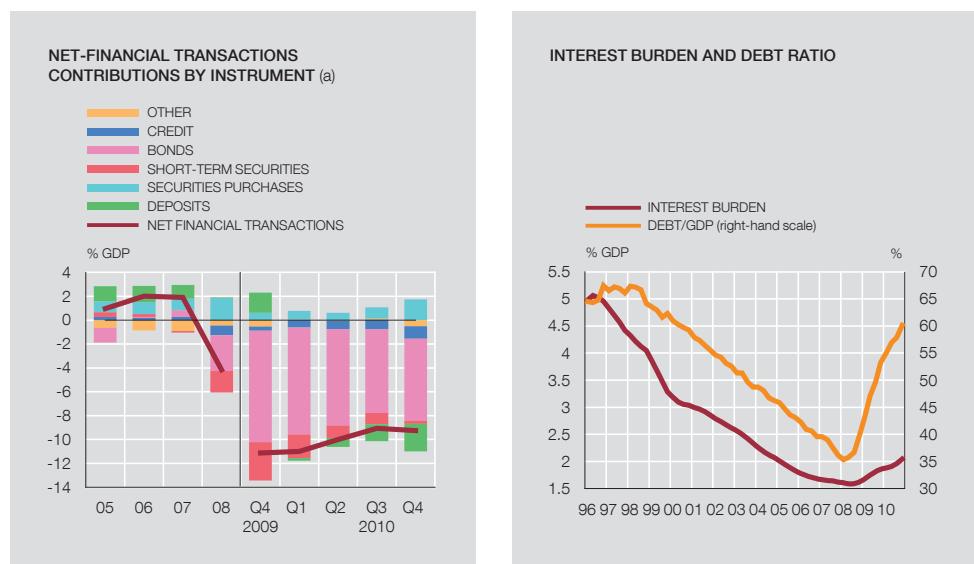


SOURCES: I/B/E/S and Banco de España.

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

GENERAL GOVERNMENT Four-quarter data

CHART 27



SOURCE: Banco de España.

a. A positive (negative) sign denotes an increase (decrease) in assets or a decrease (increase) in liabilities.

of which rose from 11.4% to 13.5%, since in other sectors it declined for the first time since December 2007, showing a fall of 0.1 pp to stand at 3.9%.

5.4 General government

The Financial Accounts show that in 2010 Q4 general government borrowing increased slightly in cumulated annual terms and thus continues to be high (9.2% of GDP; see Table 8).

Once again, the main method of financing this deficit was the issuance of fixed-income securities, a channel through which funds equivalent to 7.1% of GDP in cumulated four-quarter terms were obtained (see Chart 27), 0.8 pp less than three months earlier. Most of the place-

% GDP	2007	2008	2009	2010		
				Q2	Q3	Q4
NET FINANCIAL TRANSACTIONS	-9.6	-9.2	-5.1	-4.5	-4.4	-3.9
FINANCIAL TRANSACTIONS (ASSETS)	14.1	0.7	-0.2	-1.7	-2.8	-3.3
Gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	1.4	-1.3	-3.2	-1.4	-2.3	-1.4
Of which:						
<i>Interbank, credit institutions (a)</i>	4.2	-0.5	-1.7	-1.1	-1.8	-1.3
Securities other than shares	1.6	1.3	0.0	-3.9	-5.8	-7.0
Of which:						
<i>Credit institutions</i>	1.8	1.6	1.2	-2.0	-2.7	-3.0
<i>Institutional investors</i>	0.0	-1.3	-0.5	-1.4	-2.4	-3.3
Shares and other equity	8.8	1.9	1.5	1.7	2.7	2.3
Of which:						
<i>Non-financial corporations</i>	6.6	3.1	0.1	0.6	1.9	2.3
<i>Institutional investors</i>	-1.1	-1.6	0.3	1.0	1.0	0.8
Loans	1.2	0.8	0.2	-0.5	0.0	0.4
FINANCIAL TRANSACTIONS (LIABILITIES)	23.7	9.9	4.9	2.8	1.6	0.6
Deposits	6.7	8.0	-0.5	1.6	-0.2	-0.5
Of which:						
<i>Interbank, credit institutions (a)</i>	6.7	6.2	0.7	-4.7	-2.9	-7.3
<i>Repos, credit institutions (b)</i>	0.1	0.2	0.1	0.1	1.8	5.7
<i>Interbank, BE (intra-system position)</i>	-0.3	1.9	-0.8	6.0	0.5	0.2
Securities other than shares	8.1	-2.7	3.8	0.6	0.6	-1.5
Of which:						
<i>General government</i>	-1.3	1.1	5.4	4.2	3.4	2.0
<i>Credit institutions</i>	3.6	-1.9	1.1	-0.4	-0.6	-1.1
<i>Other non-monetary financial institutions</i>	5.8	-1.9	-2.6	-3.2	-2.2	-2.4
Shares and other equity	4.6	3.2	1.1	1.3	0.8	0.8
Of which:						
<i>Non-financial corporations</i>	4.7	2.4	0.3	0.9	1.0	1.1
Loans	3.1	2.9	0.3	-1.1	-0.2	1.2
Other, net (c)	0.2	0.4	-1.1	-2.0	-2.1	-1.9
MEMORANDUM ITEMS						
Spanish direct investment abroad	9.5	4.7	0.7	-0.5	1.2	1.6
Foreign direct investment in Spain	4.5	4.8	0.6	0.0	0.5	1.5

SOURCE: Banco de España.

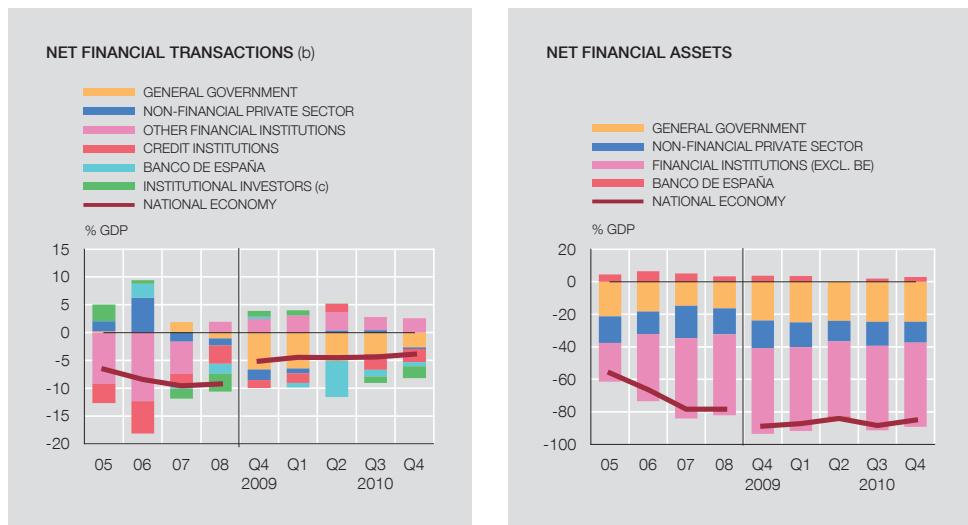
- a. Excluding repos.
- b. Including transactions with central counterparty clearing houses.
- c. Includes, in addition to other items, the asset-side caption reflecting insurance technical reserves and the net flow of trade credit.

ments were of long-term securities (6.9 %), as against a smaller volume of short-term securities (0.2 %). As in the previous period, loans also contributed another 1 % of GDP, while, on the assets side, net securities purchases grew (1.7 % of GDP, 0.8 pp more than in September) and deposits decreased (2.3 % of GDP, 0.9 pp more than in Q3).

The rapid expansion of general government liabilities, along with the weak GDP growth, resulted in the debt ratio increasing further to 60.1 % of GDP in December, more than 2 pp above the September figure. Meanwhile, the debt burden associated with these liabilities remained relatively low (2 % of GDP), since the rise in market-traded interest rates scarcely

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

CHART 28



SOURCE: Banco de España.

a. Four-quarter data for transactions. End-period data for stocks. Unsectorised assets and liabilities not included.

b. A negative (positive) sign denotes that the rest of the world grants (receives) financing to (from) the counterpart sector.

c. Insurance companies and collective investment institutions.

affected the average cost of financing, given the lag with which changes in financing conditions are incorporated into this indicator.

5.5 The rest of the world

In 2010 Q4 the nation's net borrowing decreased further to stand at 3.9 % of GDP in cumulated 12-month terms, 0.5 pp below the level in September and 1.3 pp less than at end-2009 (see Table 8). In line with the lesser net borrowing and with the greater difficulty in raising funds due to the market tensions, the funds received from abroad decreased in the last three months of 2010, being limited to the equivalent of 0.3 % of GDP (0.6 % in cumulated 12-month terms, against 1.6 % in September; see Table 10). By instrument, the bulk of capital inflows were securities issued by general government (0.7 % of GDP and 2 % in annual terms), which offset the net contraction in non-residents' holdings of securities issued by other Spanish issuers. Also, there was an increase in the funds raised by credit institutions on the interbank market, with a shift towards collateralised funding through central counterparty clearing houses. However, the loans granted by this sector to the rest of the world increased to a larger extent, so the debit net interbank position of these financial institutions decreased. Foreign direct investment in Spain rose by 1 pp to 1.5 % of GDP in annual terms.

Other borrowing requirements were covered by reducing the portfolio of foreign assets held by resident sectors by an amount equivalent to 0.4 % of GDP (3.3 % in annual terms). The contraction of asset holdings, which was concentrated in securities other than shares, was carried out particularly by institutional investors and, to a lesser extent, by credit institutions, against a background of greater preference for instruments issued by Spanish agents. Net acquisitions of shares were practically zero, despite which Spanish foreign direct investment was slightly positive, amounting to 1.6 % in annual terms.

Despite the negative net sign of the nation's financial operations, the price trend (upward in assets and downward in liabilities) meant that the stock of net liabilities to the rest of the world

decreased by somewhat more than 3 pp compared with September to 85 % of GDP in September 2010 (see Chart 28). The breakdown by sector shows a decrease (by 2 pp of GDP) in the debit balance vis-à-vis private-sector non-residents and, to a lesser extent, in that of financial institutions (excluding the Banco de España), no change in the net liabilities of general government and an increase in the Banco de España's credit position vis-à-vis the rest of the world.

29.4.2011.

SPANISH ECONOMIC PROJECTIONS REPORT

Summary

This report presents the analysis of the situation and outlook for the Spanish economy in 2011 and 2012 carried out by the Directorate General Economics, Statistics and Research of the Banco de España, on the basis of the information available to 17 March 2011. Since publication of the last macroeconomic projections exercise in the same period of 2010, the Spanish economy has been affected at various times by very severe strains on financial markets, to which the authorities have reacted by adopting economic policy measures on different fronts, in response to some of the most pressing risks. Nevertheless, the Spanish economy is still in a difficult situation requiring the pursuit of ambitious and demanding policies to correct the fiscal imbalances, while pressing ahead with structural reforms conducive to growth and with the restructuring and recapitalisation of the financial system. In an environment like the present one, dominated by the sovereign debt crisis in Europe and the discussion and adoption of numerous measures in diverse areas, the uncertainty when preparing macroeconomic projections is very high, so that the quantitative forecasts in this report should be treated with more than the usual caution.

Despite the situation of instability referred to, the Spanish economy began to recover in 2010, with positive output growth during the year, except in Q3. Nonetheless, in the year as a whole, activity declined by 0.1%, as a result of the carry-over effect from the falls in output in the preceding year. The performance by GDP in 2010 was more favourable than projected in last year's report, as a result, in particular, of the better-than-expected behaviour of the world economy and, therefore, of our external markets, which countered the effects of the financial instability and the stepping up of the budget austerity plans.

The forecast for GDP growth in 2011 in this Projections Report, of 0.8%, coincides with that made a year ago. This rate of growth of output stands at a mid-point between the greater buoyancy expected in the core euro area countries and the declines projected in some of the peripheral economies. In 2012, the gradual improvement in activity is expected to continue, leading to a higher average annual growth rate of 1.5%. The Spanish economic growth scenario for the next two years presented here is characterised by a slow recovery in national demand and a more favourable trend in exports, which will continue to benefit from the ongoing expansion of world activity and from the competitiveness gains made last year. Financial conditions are expected to tighten, insofar as bank lending rates will reflect both the expected increase in interbank interest rates and the effect on margins associated with the rise over the past year in the cost of wholesale funding.

The demand of resident agents will continue to be affected by the correction of the imbalances that built up during the long expansionary phase which preceded the crisis and of those that have arisen as a result of the crisis. In the case of general government, both its direct share in the economy's total spending – through government consumption and public investment – and its contribution to the income of private agents are projected to be reduced. The outlook for consumer spending is of particular relevance for the current forecasts. The slow improvement in the labour market, which is expected to begin to create employment from the second half of this year, and the reduction in purchasing power as a result of the temporary rise in inflation, primarily stemming from the rise in oil prices, point to a modest recovery in private consumption during the projection period. In addition, households are projected to consume a larger proportion of their disposable income in 2011, so that the decline in the saving rate from its 2009 peak is expected to continue, while in 2012 it is expected to stabilise at

a similar level to that seen before the recession. At the same time, it is estimated that the adjustment in residential investment will be concluded towards the end of 2011. The current projections indicate that the number of housing starts in 2011 and 2012 will be fewer than necessary to satisfy new demand, so that part of the large stock of unsold houses will be absorbed. As regards business investment, it is projected to strengthen gradually, as final demand gains momentum.

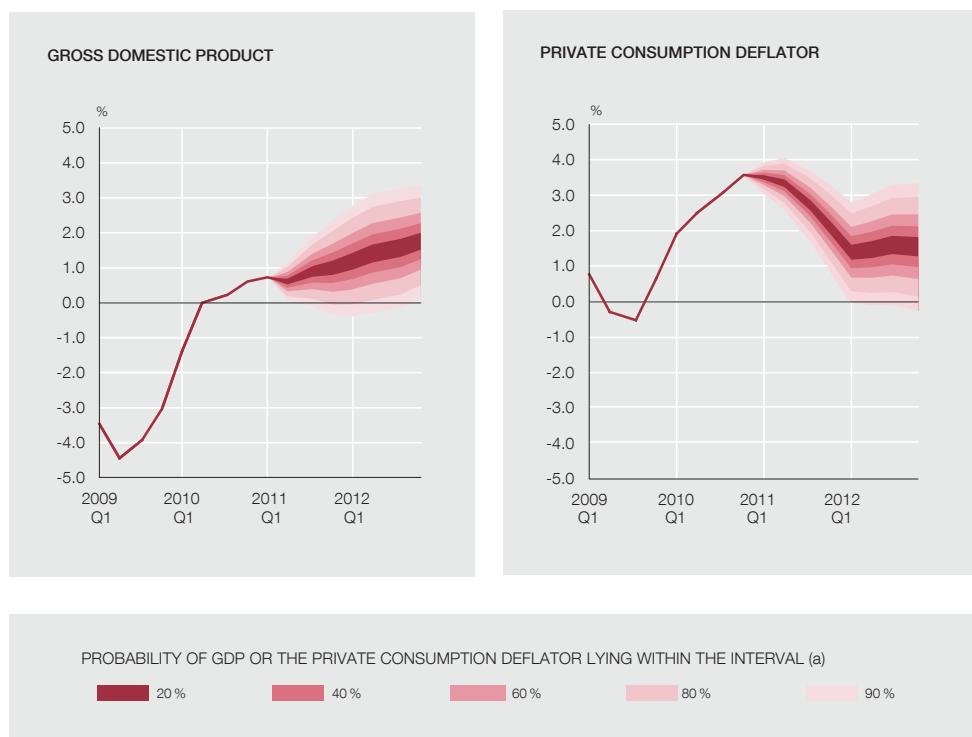
Inflation rose in Spain during 2010 and has continued to rise in early 2011. The harmonised index of consumer prices (HICP) rose on average by 1.8% in 2010. This rate was 0.2 percentage points higher than in the euro area as a whole and up 2 percentage points from the rate in Spain in 2009. In early 2011, the year-on-year growth rate of consumer prices has been clearly above 3%. However, these data do not by themselves give an adequate view of the degree of inflationary pressure in the Spanish economy. In fact, the acceleration in prices has largely been due to a combination of factors (such as the increase in VAT rates in July 2010 and in tobacco taxes in December, the rise in oil prices since last autumn and the raising of electricity tariffs in January 2011) that are temporary in nature, so that their impact on actual inflation rates should disappear after twelve months in the absence of second-round effects stemming from agents' attempts to maintain the real value of their income.

The inflation rate projected for 2011, approximated by the average annual increase in the private consumption deflator, is 2.9%, although in line with the temporary nature of the factors just described, this variable is expected to display a downward profile during the year, from rates of around 3.5% at the beginning of the year to approximately 2% in Q4. For 2012, this moderation in inflationary pressures is projected to continue, with an average rate of change in the private consumption deflator of 1.5%.

According to these projections, some of the imbalances built up in the Spanish economy will be partially corrected in 2011 and 2012. The large part of GDP that investment in construction and, in particular, housing came to account for during the expansion phase will continue to moderate, to stand at levels more comparable with those in other European countries. The government deficit will fall substantially and the nation's net borrowing will decline, although – primarily as a consequence of the increase in the energy deficit – only slightly. The most persistent imbalance will be that represented by the unemployment rate, which may continue to rise in 2011 and will only begin to fall slightly in 2012, in the absence of additional labour market measures. More energetic action in relation to pending reforms would accelerate the downward path of unemployment and boost the economic recovery.

One way of representing the uncertainty surrounding the macroeconomic projections is to calculate the forecast errors that have historically been made and, on the basis of them, to show intervals within which the projected variables may stand with a certain probability. Chart 1 illustrates, using this procedure, the uncertainty surrounding the central scenario for the growth of GDP and the private consumption deflator.

The risks to the projections for activity described above are probably slightly tilted towards the downside. These risks include the possibility of an acceleration in the rise in energy prices seen to date. Moreover, there are downside risks to the private consumption projection, since the latter is accompanied by a significant decline in the saving rate, which may not fully materialise. One essential assumption underlying these projections is that the moderation in labour costs and margins observed in 2010 continues over the projection period, so that these basic components of price formation barely react to the current rise in inflation. If this assumption turns out to be wrong, not only will inflation be more persistent, but also it will entail costs in terms



SOURCES: INE and Banco de España.

a. The chart shows the uncertainty surrounding the central projection. The intervals have probabilities of 20%, 40%, 60%, 80% and 90%, respectively, based on past forecasting errors. Latest data: 2010 Q4.

of output and employment. Finally, a fundamental element of uncertainty in these forecasts, which operates in both directions, is financial market developments and their repercussions on the cost and availability of financing in the Spanish economy. On one hand, despite the reaction of the European and national authorities, a resurgence of the sovereign debt crisis cannot be totally ruled out, which could have negative effects on the Spanish economy. At the same time, the fulfilment of the commitments made and progress on the proposed reforms could increase the confidence of investors in Spain and lead to an improvement in financing conditions and, in general, the growth outlook. As regards inflation, the risks are predominantly upside. Apart from the risks mentioned above, there are others related to departures from the external assumptions: in particular, oil prices could increase further against a background of strong world demand and geopolitical uncertainty.

This summary of the Report is followed by a section setting out the external assumptions underlying the projections. The third section then makes a detailed diagnosis of the outlook for the Spanish economy. Finally, the main risks to the central scenario described are analysed in the last section.

The external assumptions underlying the projections

The projections presented in this report are based on a set of assumptions regarding the evolution of certain exogenous variables over the time horizon of the next two years. Therefore, the nature of the projections is determined by the hypotheses made about the paths of these variables.

The procedure used to construct the paths of most of the exogenous variables in the period 2011-12 is the same as that used in the projection exercises carried out quarterly by experts

	Annual rates of change, unless otherwise indicated				Projection		Difference between current and March 2010 projections report		
	2007	2008	2009	2010	2011	2012	2010	2011	
	INTERNATIONAL ENVIRONMENT								
World output	5.1	2.7	-0.8	4.8	4.2	4.1	1.2	0.6	
Global markets	7.3	3.2	-11.1	12.4	7.6	7.5	5.5	2.3	
Spain's export markets	6.7	2.7	-11.4	10.1	6.2	5.9	4.6	1.9	
Oil price (in USD)	72.7	97.7	61.9	79.6	111.8	114.1	-0.2	28.4	
Competitors' export prices in euro	0.2	2.7	-3.6	6.7	2.9	1.8	4.1	1.3	
MONETARY AND FINANCIAL CONDITIONS									
Dollar/euro exchange rate (USD per euro)	1.37	1.47	1.39	1.33	1.38	1.39	-0.04	0.02	
Short-term interest rate (3-month EURIBOR)	4.3	4.6	1.2	0.8	1.5	2.3	0.0	-0.1	
Long-term interest rate (10-year bond yield)	4.3	4.4	4.0	4.2	5.4	5.7	0.3	1.1	

SOURCES: ECB and Banco de España.

a. Projection cut-off date: 17.03.2011.
Latest QNA data: 2010 Q4.

of the ECB and the national central banks of the Eurosystem. This is the case of the exchange rate, Spanish stock exchange prices, oil prices and three-month and ten-year interest rates. The assumptions for these variables are prepared on the basis of the evolution of the markets during a reference period consisting of the ten business days immediately preceding the cut-off date for collecting the data used to prepare the Report.¹ The euro exchange rate is assumed to remain during the projection period at the level observed on the spot market in the reference period, so that it stands on average at \$1.38-1.39 per euro in 2011 and 2012, up 4% from 2010 (see Table 1). The path of oil prices, constructed on the basis of the latest information available on the futures markets for this commodity, involves an average rise of 40% in 2011, to an average level of around \$112, and stabilisation in 2012, so that the price of oil is assumed to stand at all-time annual average highs during the projection horizon.

In order to prepare the projections, assumptions are also made regarding the evolution of three-month interest rates in the interbank market and ten-year rates in the public debt market. The path of short-term interest rates, obtained from the expectations implicit in the future markets regarding the evolution of three-month EURIBOR, involves a rise in this interest rate from 0.8% on average in 2010, to 1.5% in 2011 and 2.3% in 2012, so that these projections incorporate the gradual tightening of monetary policy over the period anticipated by the market. The ten-year debt yields are constructed on the basis of market expectations regarding euro area interest rates and of the assumption that the spread on Spanish debt will remain steady (at around 200 bp over German debt). These hypotheses entail a rise in long-term interest rates from 4.2% in 2010 to 5.4% in 2011 and a more moderate rise in 2012 (to 5.7%).

On the basis of these assumptions regarding the paths of interest rates, other hypotheses are formulated regarding the cost of financing for households and firms, which assume that financial conditions in general will tighten over the projection horizon. In particular, the spreads with

1. In this case, the cut-off date is 17 March 2011. Considering only the average prices of market transactions on the cut-off date itself would have the advantage of reflecting more accurately the latest relevant information for price formation. However, it is considered that this advantage does not compensate for the potential drawback that some of the variables may be particularly affected by excessive market fluctuations on that specific trading day, making it advisable to consider a longer period.

respect to EURIBOR for credit financing are projected to widen, reflecting the increase in the cost of financing experienced by credit institutions in the last few quarters. In addition, it is assumed that during the projection period banks will maintain the current degree of tightness of credit conditions other than interest rates. As regards the price of housing which, along with stock exchange prices, is one of the two major determinants of the evolution of household wealth, the falls in the price of this asset are expected to continue, in line with the pattern of the real estate crisis in the 1970s.

The assumption regarding the growth of Spanish export markets considered for the purposes of this report has been taken directly from the euro area macroeconomic projections exercise published by the ECB in its March 2011 Monthly Bulletin. Against a background of vigorous growth in world trade, Spanish export markets are expected to grow by around 6% this year and next, which implies a slowdown from the 10% growth observed in 2010. The emerging economies are expected to continue to lead world growth, although the recovery is also beginning to gain traction in a substantial number of developed countries. Finally the description of the fiscal policy scenario contained in the current projections merits special attention, and is therefore the subject of more detailed analysis in Box 1.

Outlook for the Spanish economy

In 2010 the Spanish economy embarked upon a path of recovery. However, quarter-on-quarter output growth was modest and the annual average rate was even slightly negative (-0.1%), as a consequence of the knock-on effect of the declines in output recorded in 2009. That said, this fall was less sharp than that projected in last year's March Projections Report (see Table 2). This deviation is partly explained by the fact that the behaviour of the external demand for Spanish products was more favourable than projected a year ago, and this, along with the observed gain in competitiveness, enabled exports to grow more than anticipated. In a context of sharp declines, private national demand also performed better than expected, in particular in the case of investment in capital goods, which was boosted by the increase in exports.

Over the course of the year, the profile of GDP and of various of its demand-side components was affected by the economic policy measures adopted, including those oriented towards budgetary consolidation (such as the rise in VAT rates) and the withdrawal of government subsidies for car purchases. Taken together, these factors led, in particular, to an acceleration in consumer spending in Q2, which was followed by a decline in Q3. The effects of this time profile of household spending on GDP were mitigated because a substantial part of the temporary increase in household demand and of its subsequent decline was also reflected in imports. Over the year as a whole, private consumption grew by more than expected, even though household income fell in real terms, partly due to higher inflation. The combination of higher spending and lower income led to a notable decline in the household saving rate, which returned to more normal levels following the all-time highs reached in the previous year. At the same time, the fiscal adjustment measures approved caused the direct contribution of government demand to output growth to turn negative. These elements were partially offset by the favourable effects on the confidence of private agents arising from the change in course of economic policy and the correction of certain imbalances.

The projections presented here envisage a continuation of the process of slow economic recovery, although no substantial changes are expected in the pattern of growth from that observed in 2010. Accordingly, external demand will continue to be the main engine of activity, while in the case of national demand the government component will undergo a further decline and the private component will tend to improve gradually (see Chart 2). The average GDP growth rate is projected to be 0.8% in 2011, the same rate as projected a year ago. The fact

As regards the fiscal policy assumptions, the projections report is being prepared at a time when the Spanish economy is immersed in an intense fiscal consolidation process which will be one of the main conditioning factors of macroeconomic performance in the projection horizon covered by it (2011 and 2012).

The exceptional nature of this process and its macroeconomic repercussions make it advisable to treat the fiscal policy measures in the same way as in last year's report, whereby the projections include, in addition to the fiscal measures that have already been approved, others that are relatively well detailed, although pending approval.¹ However, there are still differences vis-à-vis the government's fiscal assumptions, essentially as a result of the differences in the macroeconomic scenario and different underlying dynamics in certain expenditure items.

For 2011, the fiscal assumptions used as a basis for these macroeconomic projections factor in information from the State budget, the Social Security system and the regional governments for that year. Specifically, the expenditure side includes the effects of the measures approved in May 2010,² which are expected to come into force sub-

1. It should be remembered that, under normal circumstances, it is usual to assume that fiscal policy is not modified in the projection horizon with the result that only fiscal measures that have already been approved would be taken into account in the projections. This assumption is not suitable in times of fiscal adjustment such as at present because by strictly applying it, bias would be introduced into the macroeconomic projections. **2.** Royal Decree-Law 8/2010 of 20 May 2010, adopting extraordinary budget-deficit-reduction measures.

sequently in the State budget for 2011. Such measures cover, in particular, the freezing of pensions, except for minimum ones, and of public-sector wages (based on a level 5% lower than in May 2010), constraint in public investment and public employment plans which limit (with few exceptions) the coverage rate of public-sector vacancies to 10%. Similarly, it is assumed that purchases of goods and services, transfers and subsidies will moderate significantly. The revenue side includes the withdrawal of the tax rebate for the birth or adoption of children; the rise in the top personal income tax rates; the impacts in 2011 of the increase in VAT rates in July 2010 and of the elimination of the €400 tax credit on employment income; and higher tax rates on savings.

For 2012, the fiscal assumptions are based on the information included in the latest Stability Programme Update (SPU) (January 2010)³, which has been updated with subsequent measures, particularly those approved in May 2010, and on the initial macroeconomic assumptions. In particular, developments on the revenue side, since no modifications to the main taxes have been announced, depend essentially on the trajectory projected for the relevant macroeconomic variables. As for expenditure, social benefits and, in particular, pensions (the largest item), are projected in accordance with forecasts of demographic changes, inflation and the replacement rate. Unemployment benefits are projected to decrease, which is linked solely to the decline envisaged in the coverage rate associated with the end of

3. It should be remembered that as a result of the entry into force of the European Semester, the Stability Programme Update will be available at the end of April 2011.

FISCAL FORECASTS

	Growth rate				% of GDP			
	2009	2010	2011	2012	2009	2010	2011	2012
Total revenue	-9.6	3.9	3.9	3.9	34.7	35.7	36.4	36.6
Total expenditure	7.4	-1.0	-3.5	1.4	45.8	45.0	42.5	41.8
Social benefits (a)	12.7	5.5	1.0	0.6	14.5	15.2	15.0	14.6
Of which: unemployment	53.8	4.8	-5.8	-14.1	2.9	3.0	2.8	2.3
Interest actually paid (b)	8.1	9.0	9.8	15.2	1.8	1.9	2.1	2.3
Compensation of employees	5.7	-0.9	-3.1	-0.7	11.9	11.7	11.1	10.7
Other final consumption expenditure (c)	3.5	-2.4	-3.0	3.7	8.8	8.5	8.1	8.1
Gross fixed capital formation	7.8	-15.0	-19.9	-3.4	4.4	3.7	2.9	2.7
Other transfers and payments, subsidies (d)	3.3	-10.3	-14.2	2.2	4.5	4.0	3.4	3.4
Net lending (+)/net borrowing (-)	-	-	-	-	-11.1	-9.2	-6.2	-5.2
Memorandum item:								
Government consumption (e)	4.9	-0.9	-3.0	1.0	21.1	20.8	19.8	19.3

SOURCES: Intervención General de la Administración del Estado and Banco de España.

- a. Social benefits other than transfers in kind.
- b. According to the EDP.
- c. Intermediate consumption (P.2) + social transfers in kind purchased on the market (D.6311 + D.63121 + D.63131) + other (D.29 – D.39).
- d. Includes other current and capital transfers and payments as well as subsidies.
- e. Government consumption: P.3 in ESA 95.

the benefit entitlement period for some of the unemployed. The interest burden on government debt is projected to rise, essentially as a result of an increase in debt volume and rates at issue. Following the nominal fall of 0.9% in government consumption in 2010 and its projected decline of -3% for 2011, it is expected to moderate significantly in 2012, with nominal growth of 1%. To achieve this objective the restrictions on public-sector employment must remain in place and the wage moderation of 2010 and 2011 must be continued. It is assumed that public investment will continue its downward adjustment in 2012, with a projected reduction of 3.4% in nominal terms, following the fall of 15% in 2010 and the decrease of approximately 20% in nominal terms envisaged for 2011. As for the other expenditure items, essentially current and capital transfers, and subsidies, the information provided by the SPU is slightly lagged and, furthermore, the results of the budget outturn for 2010 show deviations from the targets set in the SPU. Consequently, in the absence of additional information on the plans that will affect these items in 2012, it was decided that their weight, as a percentage of the economy's trend GDP, would remain the same.

On the basis of these assumptions, a government deficit of 6.2% is projected for 2011, 3 pp of GDP lower than in 2010, which would essentially be associated with a public spending cut of almost 2.5 pp of GDP. The deviation from the official deficit forecast of 0.2 pp, es-

sentially arises from an economic growth forecast which is 0.5 pp lower than that of the government. A government deficit of 5.2% is projected for 2012, which is higher than the official target of 4.4%. In this case, the differences stem from the spill-over effect of the deviation projected in 2011, from the different macroeconomic scenario and, to a lesser extent, from the assumption of different dynamics in certain expense items, because detailed information on plans to cut spending is still lacking.

Lastly, it should be underlined that, given the magnitude of the fiscal adjustments factored into the macroeconomic and fiscal projections, the latter are highly dependent on the fulfilment of these assumptions. The achievement of the budget targets for 2010 is a step in the right direction, not only in terms of the scale of the adjustment made but also, and especially, since it put an end to the upward trend in certain expense items which have shown a high level of inertia in the past. Nevertheless, it is necessary to point out that the target for spending cuts still to be achieved is considerable and unprecedented in terms of its size and its coverage of all tiers of general government. Therefore, there are risks of deviations, which could be minimised if the budget outturn at all levels of government were strictly controlled and if the measures for 2012 were more clearly detailed. Thus, the SPU to be published in April this year will be crucial as a means of specifying the measures for achieving the budget targets assumed.

that the current projection is unchanged from that made a year ago is the result of various countervailing factors. On the positive side, export markets are expected to behave more favourably. Also, the figures for 2010 were slightly better than projected a year ago. On the other hand, the magnitude of the fiscal consolidation process is proving to be larger than was foreseen in March 2010 and accordingly, so are its short-term effects on activity. In addition, the financial conditions projected in this report are less favourable for private spending, since they include a higher cost of borrowing. Finally, the sharp rise in the price of oil will have a contractionary effect on real income.

National demand is expected to continue to make a negative contribution in 2011. Of the various components of national demand, the two which most directly reflect general government expenditure, i.e. government consumption and other construction, are projected to fall more sharply this year than in 2010. Of the components of private national demand, household consumption is expected to grow by 0.7% in 2011, i.e. 0.5 pp less than 2010. Apart from the base effect underlying this slowdown,² the main factors explaining the expected relative weakness of private consumption are the high indebtedness of households and the trend in their disposable income, which in 2011, for the second year running, will decrease in real terms. The recovery of primary income, i.e. compensation of employees, gross operating surplus

2. This slowdown in private consumption is partly due to the relative strength shown by this variable in the first half of the past year. As noted above, that vigour was due to spending decisions being brought forward in response to the rise in VAT rates and to the imminent phasing-out of new car purchase assistance programmes. Given the particularly favourable performance a year ago, the year-on-year rates at the beginning of 2011 will tend to be lower.

PROJECTION OF THE MAIN MACROECONOMIC AGGREGATES OF THE SPANISH ECONOMY (a)

TABLE 2

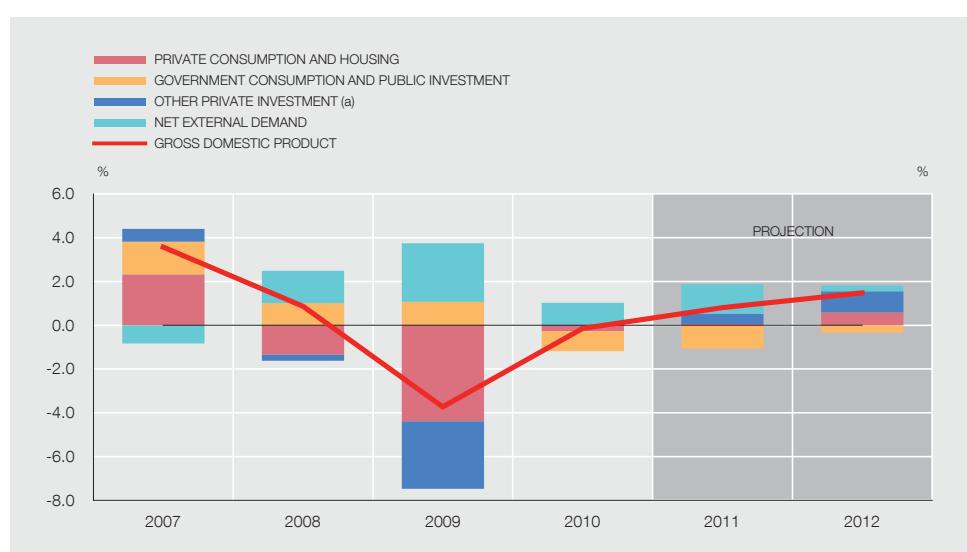
	Projection						Difference between current and March 2010 projections report	
	2007	2008	2009	2010	2011	2012	2010	2011
GDP	3.6	0.9	-3.7	-0.1	0.8	1.5	0.2	0.0
Private consumption	3.7	-0.6	-4.2	1.2	0.7	1.0	1.1	-0.3
Government consumption	5.5	5.8	3.2	-0.7	-1.1	-0.9	-1.9	-1.0
Gross fixed capital formation	4.5	-4.8	-16.0	-7.6	-3.1	3.6	2.2	0.4
<i>Investment in capital goods</i>	10.4	-2.5	-24.8	1.8	2.9	6.7	5.0	1.8
<i>Investment in construction</i>	3.2	-5.9	-11.9	-11.1	-7.5	1.3	1.6	-0.4
Exports of goods and services	6.7	-1.1	-11.6	10.3	8.0	6.1	5.3	3.2
Imports of goods and services	8.0	-5.3	-17.8	5.4	2.7	4.9	7.0	2.0
National demand (contribution to growth)	4.4	-0.6	-6.4	-1.2	-0.5	1.2	0.8	-0.3
Net external demand (contribution to growth)	-0.8	1.5	2.7	1.0	1.3	0.3	-0.6	0.3
Private consumption deflator	3.3	3.5	0.1	2.8	2.9	1.5	1.7	1.8
Unit labour costs	4.0	4.9	1.0	-1.5	-0.3	1.0	-0.7	-0.7
Compensation per employee	4.8	6.4	4.1	0.7	1.1	1.5	-0.8	-0.3
Apparent labour productivity	0.7	1.4	3.1	2.3	1.4	0.5	-0.1	0.4
Employment (full-time equivalent)	2.8	-0.5	-6.6	-2.4	-0.6	1.0	0.3	-0.3
Unemployment rate (% of labour force)	8.3	11.3	18.0	20.1	20.7	20.4	0.7	1.0
Saving rate of households and NPISHs	10.7	13.4	18.0	13.7	11.2	11.4	-2.9	-4.4
National economy's net lending (+)/net borrowing (-) (% of GDP)	-9.6	-9.2	-5.1	-3.9	-3.7	-3.7	-0.3	-0.8
General government net lending (+)/net borrowing (-) (% of GDP)	1.9	-4.2	-11.1	-9.2	-6.2	-5.2	0.9	2.8

SOURCES: Banco de España and INE.

a. Projection cut-off date: 17.03.2011.
Latest QNA data: 2010 Q4.

CONTRIBUTIONS TO GDP GROWTH

CHART 2

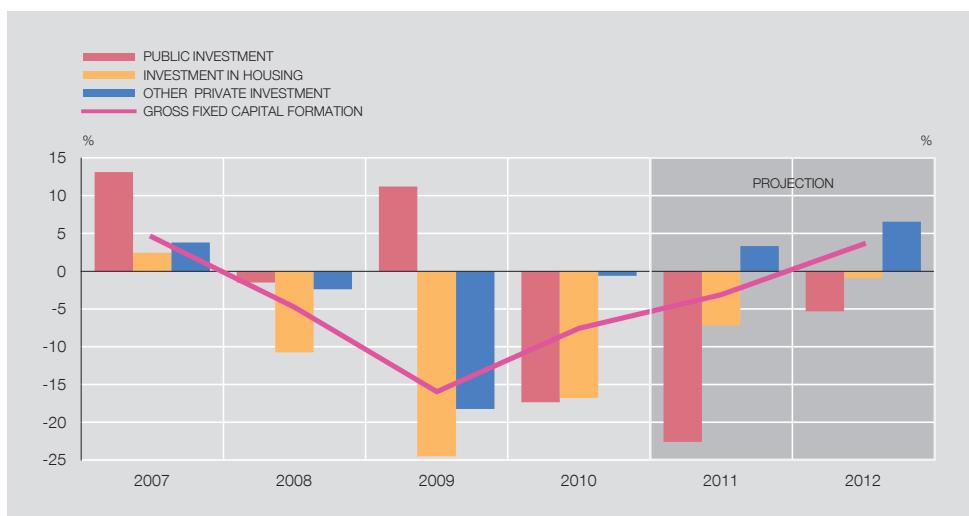


SOURCES: INE and Banco de España.

a. Includes changes in inventories.
Latest data: 2010 Q4.

BREAKDOWN OF INVESTMENT
Rates of change in real terms

CHART 3



SOURCES: INE and Banco de España.

a. Latest data: 2010 Q4.

and mixed income, will not suffice to offset the smaller contribution of general government to household income and the relatively high inflation which will be recorded in the year on average. Moreover, households, in the presence of a decrease in their real income, will try to smooth their consumption pattern by reducing, as in 2010, their saving rate, which will foreseeably stand at around 11%, similar to that before the crisis.

In 2011 residential investment is expected to continue decreasing, although the size of the fall (-7.2%) will foreseeably be nearly 10 pp less than in 2010 (see Chart 3). These estimates are based on the assumption that the number of housing starts will be similar to that observed recently. Given that the negative gap between housing starts and housing completions is expected to continue shrinking during the course of this year, the falls in residential construction will progressively diminish. It is thus expected that the downward adjustment in this demand component will halt around the end of 2011.

Investment in capital goods and other products is projected to show positive rates of growth in 2011 (around 2.5%) following the sharp falls in these variables during the crisis, as a result of which the current investment flows are barely able to cover fixed capital consumption. However, the projected pace of growth is relatively modest compared with the initial phases of other cyclical recoveries. This is because final demand is expected to pick up only very gradually because of the persistence of a certain tightness in credit conditions (as regards both cost and other credit terms) against a background of high indebtedness. In 2011 investment in other construction is projected to undergo a fall very similar to that in housing investment. According to the projection, this behaviour will result from the cut-back in public investment, while the portion of demand for other construction exercised by private economic agents will grow in line with investment in capital goods and other products, thereby cushioning the fall-off in this demand component.

Exports will continue to drive Spanish economic growth in 2011, with a rise of 8%. The envisaged expansion of exports will be based on the strength of world markets, against a backdrop of strong momentum in the emerging economies and of ongoing recovery in the developed economies. Moreover, the gain in price competitiveness in 2010 will permit Spanish exports to

expand more quickly than the markets themselves. Import growth will be much more moderate (2.7%) as a result of the weak final demand, so net exports will make a notable contribution to GDP growth.

In 2012 the Spanish economy will, according to the baseline scenario of these projections, grow by 1.5%, against a background of gradually strengthening domestic demand. Household consumer spending will be favoured by the progressive improvement in labour market conditions, a factor which will contribute to higher nominal growth of disposable income, offsetting the negative contribution which general government will continue to make. Moreover, the deceleration in inflation, once the factors temporarily holding it at high levels have eased progressively during the course of 2011, will also help to expand the purchasing power of households, which will step up their saving rates slightly with respect to the previous year. Residential investment will cease to be a drain on economic growth, to which its contribution will be practically zero, once the volume of construction in progress stabilises, while the other components of gross fixed capital formation will tend to pick up as demand strengthens. However, the behaviour of other construction will be less expansionary than that of capital goods and other products, against a background in which public investment will continue its downward adjustment, although somewhat less sharply than in 2010 and 2011. Lastly, the positive contribution from net exports is expected to decline substantially, since exports will slow down as foreign markets lose momentum, while imports will grow more vigorously in line with the rise in final demand.

It is expected that the moderate take-off in activity projected throughout 2011 will start to give rise to positive rates of job creation in the second half, although this will not prevent the average from being negative again in 2011 (specifically, -0.6%), given the strong carryover effect of the 2010 job destruction figures and the unfavourable performance in the opening months of this year. In 2012 it is estimated that job creation will pick up in the economy as a whole and that the pace of productivity growth will moderate. It is important to point out that in the two-year period considered, the behaviour of total employment will be the combined outcome of its gradual strengthening in the private sector and of its reduction in general government. The fiscal adjustment under way includes declines in government employment both in 2011 and in 2012, in light of the objectives of the latest Stability Programme issued in January 2010. By contrast, the private sector will see net generation of employment, which may even quicken if new measures are set in train to adjust job compensation to job productivity and, in general, enable working conditions in the broad sense to be adjusted to the specific needs of firms. The relatively slow recovery in employment under the baseline scenario, along with the small increase in the labour force, will projectedly give rise to a slight increase in the unemployment rate in 2011, raising it to 20.7%. Only in 2012 will the estimated job creation be able to offset the rise in the labour force and begin reducing moderately the unemployment rate, which will remain very high (20.4%) in the absence of additional labour market measures. More energetic action in relation to pending reforms would allow a more rapid decline in unemployment and would create more growth-friendly economic conditions.

The growth rate of compensation per employee in the economy as a whole will foreseeably pick up moderately throughout the projection period to 1.1% in 2011 and 1.5% in 2012. The envisaged rate for the current year masks notable differences between employees in non-market services and those in the market economy. In the first case, the government wage cuts applied since June 2010, which resulted in a fall of 1.8% in compensation per employee last year, will have a similar effect in 2011. In the case of the market economy, it is expected that the wage increase of 1.4% in 2010 will give way to an increase of 2.2% in 2011, a progression which will be a consequence of the higher rates agreed for 2011, in a setting of higher inflation

rates early in the year and of payment of the indexation clauses relating to 2010. In 2012 the difference between the growth of compensation per employee in general government and in the private sector of the economy will foreseeably tend to diminish, giving rise to an aggregate rate of 1.6%. These projections suggest that unit labour costs in the market economy may grow again in 2011 and 2012 after two years of adjustment, and, although they will do so moderately, it would be desirable to continue closing the gap which opened in the past decade between their cumulative growth in Spain and in the rest of the euro area.

The assumption of incomplete pass-through of the rise in inflation – mainly due to the increase in oil prices – to the price and cost formation process is a crucial element underlying the macroeconomic projections reported here. Any possible resistance to accepting the temporary loss of real income entailed by adjustment to the shock suffered by workers and firms would lead to more persistent inflationary pressure, worsening external competitiveness and losses in employment and GDP.

The first few months of 2011 have seen high inflation rates, strongly affected by the sharp oil price rises of recent weeks. Thus the growth rate of consumer prices stood at 3.6% in February 2011. The annual average rate for 2011, measured using the private consumption deflator, is projected to be lower at 2.9%, since a gradual slowdown is expected throughout the year as a result of the gradual petering-out of the temporary inflationary effects of rises in indirect taxes such as VAT or tobacco excise duties and of increases in oil and electricity prices. The slowdown in inflation will become more pronounced at the beginning of 2012, giving rise to an average rate of 1.5%, a level much more in accordance with the situation of gradual economic recovery and a significant negative output gap. These projections are affected by changes in the assumptions made about the external environment, particularly oil prices. Thus oil price increases exceeding those assumed in this report (around \$112-114 in 2011 and 2012) would give rise to higher temporary inflation rates, provided that those increases did not lead to an upward revision of inflation expectations and did not end up being passed through to other prices and costs.³

As noted above, the recovery projected for the Spanish economy will continue to be driven by a positive contribution from external demand, which, furthermore, tends to further reduce the net borrowing of the Spanish economy. However, the higher prices of energy imports and the increase in net interest income paid to the rest of the world will cause the rate of improvement in net exports to slow. Thus the nation's net borrowing, after falling by 4.5 pp of GDP between 2007 and 2009, and further decreasing by 1.2 pp in 2010, will foreseeably scarcely fall in 2011 and 2012. In any event, it seems that the goods and services balance excluding energy will continue to improve substantially from a surplus of 1.1% of GDP in 2010 to surpluses of 2.7% in 2011 and of 3% in 2012. By contrast, the projections are that the energy deficit will rise from 3.3% of GDP in 2010 to stand above 4% in 2011 and 2012, and the income deficit will also increase overall in those two years.

According to the projections, the nation's net borrowing will result from substantial cuts in the budget deficit, which will be offset by a lower, although still comfortably positive, household borrowing capacity and by an increase in firms' net borrowing following the sharp adjustment of recent years. In the last few quarters, the funds raised by households and firms have grown only very moderately, the near stagnation of the outstanding credit balance at the end of 2010 being compatible with very slight decreases in lending to households for consumer goods

3. It is estimated that a 10% rise in oil prices has an impact of around 0.25 pp on the CPI in the first year, most of which results from the direct effect of that rise on the fuel prices included in the index basket.

purchases and in lending by resident banks to firms. It is difficult to discern the relative weight of the various factors underlying this process of credit stagnation, since the very sluggishness of activity and of demand and the tighter credit conditions in certain periods on the international markets must have played a role in the process. All considered, the significant slowdown in household and firm income in this phase of the cycle has meant that debt ratios have still only fallen by a small amount. In this respect, the moderate expansion in household and firm spending included in these projections will be consistent with a continuation of the process of deleverage in the private sector, which is necessary for the economy to get back on a sound growth path.

General government ended 2010 with a deficit of 9.2% of GDP, 0.1 pp better than projected and nearly 2 pp below the 2009 deficit, which demonstrates that the containment measures passed in the 2010 budget and, above all, the adjustment package adopted in May last year have been effective in reversing the upward course of the budget deficit. However, the degree of consolidation has differed across the various government sectors, with a decrease of 4.4 pp of GDP in the central government deficit, but an increase of 1.4 pp in regional (autonomous) government and a decrease of 1 pp in the Social Security balance, while the local government deficit widened by 0.1 pp to 0.6% of GDP. The fiscal projections based on the assumptions spelled out in the accompanying box are for the deficit to decrease by 3 pp of GDP in 2011 to 6.2% of GDP and for it to decrease by a further 1 pp in 2002 to 5.2%. Although in these projections it is estimated that activity will progressively take on a certain dynamism, this recovery is smaller than that according to the official projections. Here lies the main source of discrepancy between these projections of deficit and the official ones (which are for 6% of GDP in 2011 and 4.4% in 2012).

Risks to the projections

The projections presented in this report point to a gradual recovery in activity in 2011 and 2012, which is the result of a gradual improvement in private-sector expenditure plans, in particular, in investment plans, a positive contribution from external demand and a decline in government consumption and investment demand. Growth will again be positive in 2011 as a whole, while in 2012 the rate of expansion of the economy will gradually approach its long-term potential growth rate, although the output gap will continue to be negative.

The recent crisis has many sides to it, with a wide variety of factors involved which may be either financial or fiscal, or either global or tied up with European governance or country-specific idiosyncrasies. This means that the usual dose of uncertainty surrounding any projection is extremely high here, especially if the Spanish economy's particular sensitivity to some of those factors is taken into account.

The risks to activity are numerous and, although factors acting in both directions can be identified, taken as a whole, they are probably tilted towards the downside. Notable among the downside risks is the possibility of an even sharper process of energy price rises. This would have a proportionally greater effect on countries which, like Spain, are more dependent on oil imports and could jeopardise the recovery of the world economy and of our export markets, which are a basic component in the projected strengthening of activity. The maintenance of a certain expansion in private consumption in 2011, despite the decline in household income in real terms, also suggests certain downside risks, which would give rise to a less significant decrease in the saving rate, following that seen in 2010. It should also be taken into account that, according to these projections, wages and margins will react moderately to the temporary rise in inflation, so, if that reaction were sharper than expected, the recovery of price competitiveness might be interrupted, with negative consequences for activity and agents' confidence and, consequently, for economic recovery. Lastly, the sovereign debt markets of

some countries might become more unstable and, given the observed virulence of contagion effects, this might affect the risk premia of Spanish debt and the availability of external financing, which would in turn mean that the conditions of access to domestic credit would tighten for households and firms. As regards upside risks, it is possible that the progress in fiscal consolidation and in the structural reforms and the gradual recovery in activity may progressively restore confidence in the Spanish economy and dissipate debt market tensions. In that case, the risk premia would decrease, boosting financial flows with the rest of the world and giving way to a virtuous circle in which lower borrowing costs would help us to tackle the fiscal and external deficit and would stimulate private investment.

With regard to inflation, the risks are predominantly upside. In addition to the risk of further oil price rises, there is the aforementioned possibility that second-round price and wage effects will be stronger than projected. In this respect, the information on collective bargaining agreements relating to the opening months of 2011 gives cause for concern, since it shows a wage reaction to the temporary upturn in inflation rates, as a result of multi-year agreements. As regards downside risks, mention should be made of the deflationary pressure resulting from the general sluggishness of demand. The way in which this deflationary pressure manifests itself is that the year-on-year change in prices presently being observed is small once the direct impact of energy and of tax rises is deducted. For that price moderation to be maintained, it will be essential to make collective bargaining mechanisms more flexible so that working and wage conditions can be adapted to the specific circumstances of firms.

23.3.2011.

RESULTS OF NON-FINANCIAL CORPORATIONS TO 2010 Q4 AND SUMMARY
YEAR-END DATA

Results of non-financial corporations to 2010 Q4 and summary year-end data

Overview¹

The data gathered by the Central Balance Sheet Data Office Quarterly Survey (CBQ) to 2010 Q4 are a preliminary estimate of the results of non-financial corporations over the year as a whole. These will be finalised in November 2011 with the dissemination of the information from the Central Balance Sheet Data Office Annual Survey (CBA), which includes a broader sample of corporations and provides more detailed information. The corporations reporting to the CBQ have seen a slight pick-up in their productive activity in 2010 (see Table 1 and Chart 1). Over the same period their GVA grew by 3.7 % in nominal terms, in contrast to the negative rate recorded a year earlier (-8.3%). The growth in 2010 was chiefly in the first half of the year, when GVA increased more sharply (around 6 % in nominal terms), with much smaller rises (of 1 % on average) in the second half of 2010. The slowdown in activity in the second half of the year is related both to the adverse impact exerted by the end of the Plan 2000E scheme for the purchase of new cars and to the bringing forward of consumer spending due to the increase in indirect tax on 1 July 2010.

Personnel costs shrank in 2010 by 1 %, continuing on the downward course initiated the previous year (-2 % in 2009). These negative rates mark a turnaround in the available time series, as these are the first years in which personnel costs have fallen in nominal terms. In both periods, the reduction was due both to the negative trend of employment and to the background of progressive wage restraint. The average number of workers thus fell by 1.8 % in 2010, furthering the contractionary trend begun the previous year, albeit at a slacker rate (in 2009 the reduction in employment in the CBQ database was 3.5%). By type of contract, the decline was in both permanent and temporary employment, although it was temporary contracts that fell most sharply: -5.9 %, compared with -1.1 % in permanent employment. Nonetheless, the decline in the temporary employment figure in 2010 has eased notably compared with the previous year, when a negative rate of -16.1 % was posted. With regard to the sector of activity of the corporations, the decline in the average number of personnel continued to affect production branches across the board, although it was in the industrial sector and in the aggregate encompassing other activities (including, *inter alia*, companies in the construction sector) where the sharpest declines were recorded, -3.2 % and -2.3 %, respectively (see Tables 2.A and 2.B). Finally, the growth of average compensation eased in 2010, increasing only by 0.8 %, 0.8 pp down on 2009.

The recovery in productive activity in 2010, combined with the containment of personnel costs, enabled gross operating profit (GOP) to increase by 8.1 % over this period, compared with the decline of 13.6 % in 2009. As in the case of GVA, GOP slowed in the second half of the year, with the sharpest increases taking place in the first half of 2010, when a peak growth rate of 12.9 % was recorded. Financial revenue continued to decline in 2010 (-3.4 %), albeit less sharply than the previous year, when the related rate was -12.4 %. The trend of this item in 2010 is a result both of lower dividends received from subsidiaries and of the reduction in interest received on credit extended. Financial costs, for their part, posted growth of 4.3 % in 2010. This was due exclusively to the slight increase in financing received by the corporations, since financial costs dipped slightly, following the sharp reduction (31.4 %) they underwent in 2009. The performance of financial costs and revenue led the growth of ordinary net profit

1. The information which serves as a basis for this article is that sent by the 744 corporations which, on average, have reported their data to the Central Balance Sheet Data Office to 15 March 2011. The GVA generated by this aggregate accounts for 12.1 % of the total GVA of non-financial corporations for this period.

PROFIT AND LOSS ACCOUNT. YEAR-ON-YEAR CHANGES AND PROFIT RATIOS
Growth rates of the same corporations on the same period a year earlier

TABLE 1

	CBA STRUCTURE	CBA		CBQ (a)		
		2009	2008	2009	08 Q1-Q4/ 07 Q1-Q4	09 Q1-Q4/ 08 Q1-Q4
DATABASES					10 Q1-Q4/ 09 Q1-Q4	
Number of corporations		9.583	9.217	816	805	744
Total national coverage			31,4%	28,7%	13,1%	12,8%
PROFIT AND LOSS ACCOUNT:						
1 VALUE OF OUTPUT (including subsidies)		100.0	-0.1	-13.3	-0.1	-13.8
Of which:						
Net amount of turnover and other operating income		147.4	1.3	-13.7	0.1	-13.6
2 INPUTS (including taxes)		65.1	1.2	-16.1	1.5	-16.5
Of which:						
- Net purchases		89.5	0.8	-19.2	-0.4	-23.0
- Other operating costs		22.7	2.2	-6.7	4.9	-5.7
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]		34.9	-2.7	-7.6	-3.0	-8.3
3 Personnel costs		20.9	3.9	-3.4	3.2	-2.0
S.2 GROSS OPERATING PROFIT [S.1 – 3]		14.0	-10.2	-13.3	-7.5	-13.6
4 Financial revenue		5.2	6.8	-17.3	9.6	-12.4
5 Financial costs		4.4	13.8	-29.5	17.0	-31.4
6 Net depreciation, impairment and operating provisions		6.4	7.5	-5.1	3.9	-1.1
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]		8.4	-21.4	-11.2	-17.0	-7.6
7 Gains (losses) from disposals and impairment (b)		1.8	-	-	-	-
7' As a percentage of GVA (7 / S.1)			-6.8	5.1	-9.0	7.4
8 Changes in fair value and other gains (losses) (b)		-1.8	-	-3.8	38.5	-29.3
8' As a percentage of GVA (8 / S.1)			-4.3	-5.1	-6.1	-8.3
9 Corporate income tax		0.9	-66.4	49.4	-89.5	-
S.4 NET PROFIT [S.3 + 7 + 8 – 9]		7.5	-56.7	56.0	-50.1	53.9
S. 4' As a percentage of GVA (S.4 / S.1)			12.5	21.5	16.8	28.8
PROFIT RATIOS	Formulas (c)					
R.1 Return on investment (before taxes)	(S.3 + 5.1) / NA		7.6	6.2	7.5	6.2
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1 / IBB		5.1	3.5	5.0	3.3
R.3 Ordinary return on equity (before taxes)	S.3 / E		9.9	8.7	9.7	8.9
R.4 ROI – cost of debt (R.1 – R.2)	R.1 – R.2		2.5	2.7	2.4	2.9

SOURCE: Banco de España.

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

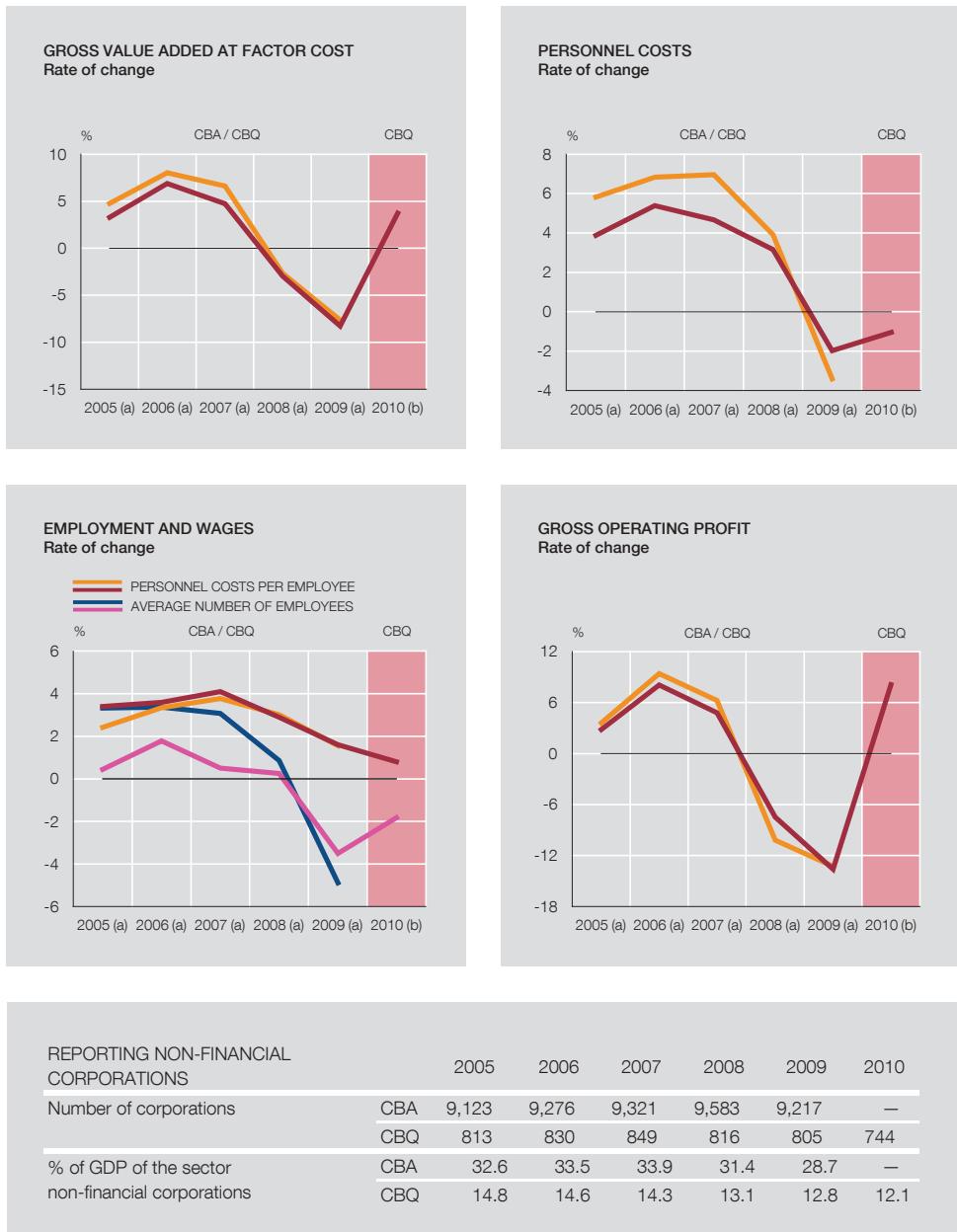
b. New P&L headings resulting from application of the new General Chart of Accounts (PGC 2007).

c. NA = Net assets (net of non-interest-bearing borrowing); E = Equity; IBB = Interest-bearing-borrowing; NA = E + IBB. The financial costs in the numerators of ratios R.1 and R.2 only include the portion of financial costs that is interest on borrowed funds (5.1) and not other financial costs (5.2).

NB: In calculating rates, internal accounting movements have been edited out of items 4, 5, 7 and 8.

(ONP) to slacken somewhat compared with that of GOP, and it posted a rate of change of 6.5 % in 2010, set against its 7.6 % reduction the previous year. The increase in ONP was in all sectors of activity, with the sole exception of information and communications, where it fell in 2010 (-10.1 %), although the decline here was less than that a year earlier (-15.5 %).

Returns fell slightly in 2010 compared with those in 2009, following the strong decline they underwent that year. The return on investment stood at 6 % in 2010, 0.2 pp down on 2009 (6.2 %), while the return on equity declined by 0.6 pp to 8.3 %. Both ratios had posted much more pronounced declines in 2009, of 1.3 pp and 0.8 pp, respectively. The ratio measuring the cost of debt (R.2) stabilised in 2010 at slightly over 3 % (3.4 % in 2010 and 3.3 % in 2009), after having declined strongly in 2009. The course of the return on investment and of the cost of debt ratios meant that the spread between the two remained positive in 2010, standing at

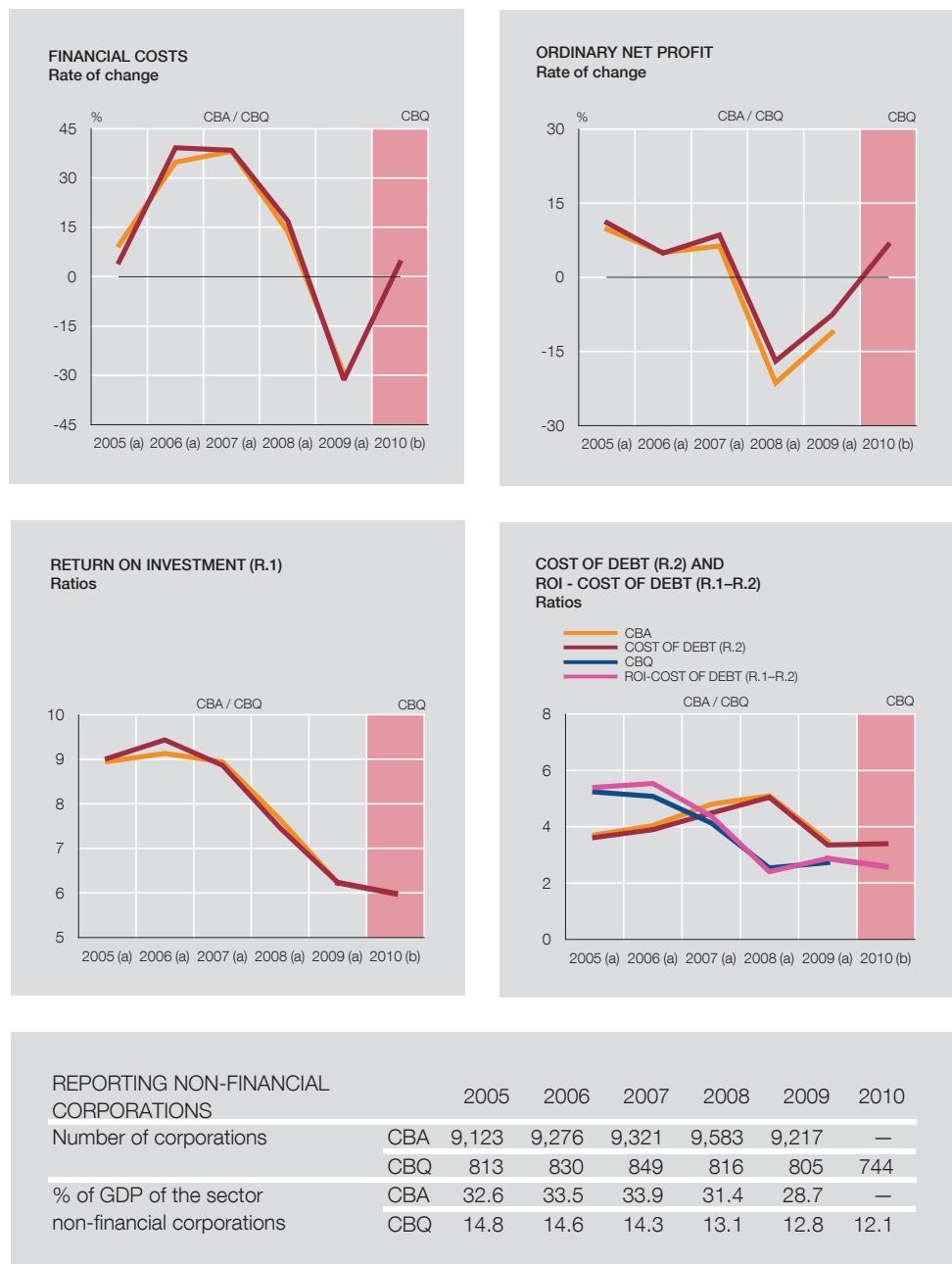


SOURCE: Banco de España.

a. 2005, 2006, 2007, 2008 and 2009 data drawn from corporations reporting to the annual survey (CBA), and average data of the four quarters of each year in relation to the previous year (CBQ).
b. Average of the first four quarters of 2010 relative to the same period in 2009.

2.6, which nevertheless entails a slight decline compared with the figure of 2.9 the previous year. By sector, this spread did not change relatively and significantly across the board compared with a year earlier, although there was a notable improvement in wholesale and retail trade (from 1.4 to 1.8 in 2010) and, above all, in industry, where the spread was positive in 2010 (0.2) following the negative figure for 2009 (-1.2).

Finally, an analysis of extraordinary items in 2010 highlights the existence of strong variations in gains and losses which, though they partly offset one another, slightly lessen the growth of



SOURCE: Banco de España.

a. 2005, 2006, 2007, 2008 and 2009 data drawn from corporations reporting to the annual survey (CBA), and average data of the four quarters of each year in relation to the previous year (CBQ).
b. Average of the first four quarters of 2010 relative to the same period in 2009.

profit for the year. Thus, the item relating to disposals and impairments fell significantly in 2010, both because there were strong capital gains in 2009 on the sale of shareholdings and tangible fixed assets, and because of the impairment in 2010 in certain investments made. However, this fall is offset by the favourable course of the item that reflects changes in fair value and other extraordinary items, following the strongly negative amount recorded under this heading in 2009. Lastly, the increase in corporate income tax for 2010 is due both to the growth of ordinary profit for the year and to the existence, in 2009, of certain extraordinary tax-exempt operations for a most significant amount. As a result, profit for the year grew by 4.3 %, below

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

TABLE 2.A

	GROSS VALUE ADDED AT FACTOR COST				EMPLOYEES (AVERAGE FOR PERIOD)				PERSONNEL COSTS				PERSONNEL COSTS PER EMPLOYEE				
	CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)		
	2008	2009	09 Q1-Q4	10 Q1-Q4	2008	2009	09 Q1-Q4	10 Q1-Q4	2008	2009	09 Q1-Q4	10 Q1-Q4	2008	2009	09 Q1-Q4	10 Q1-Q4	
Total	-2.7	-7.6	-8.3	3.7	0.9	-4.9	-3.5	-1.8	3.9	-3.4	-2.0	-1.0	3.0	1.6	1.6	0.8	
SIZE:																	
Small	-8.4	-11.2	—	—	-3.7	-7.1	—	—	2.1	-6.1	—	—	6.1	1.0	—	—	
Medium	-4.1	-8.6	-12.9	7.0	-1.4	-5.6	-6.1	-2.9	3.7	-4.2	-4.9	-1.1	5.1	1.5	1.2	1.9	
Large	-2.4	-7.4	-8.1	3.6	1.3	-4.7	-3.3	-1.8	4.0	-3.2	-1.8	-1.0	2.6	1.6	1.6	0.7	
BREAKDOWN BY ACTIVITY:																	
Energy	3.2	-6.0	-7.1	7.7	3.7	-1.8	-0.7	-1.6	6.4	0.9	1.1	0.8	2.5	2.8	1.8	2.4	
Industry	-9.2	-15.8	-23.4	16.3	-1.4	-6.8	-6.7	-3.2	1.7	-6.7	-6.7	-1.5	3.1	0.2	0.1	1.7	
Wholesale & retail trade & accommodation & food service activities	-1.9	-6.5	-7.7	4.8	1.2	-5.2	-5.6	-0.6	3.9	-4.3	-5.2	0.1	2.7	1.0	0.5	0.7	
Information and communication	0.9	-4.3	-6.4	-4.7	1.9	-2.4	-1.0	-1.8	3.7	-0.3	0.3	0.8	1.8	2.2	1.4	2.7	
Other activities	-2.1	-4.7	-4.0	3.3	1.2	-4.6	-1.5	-2.3	5.0	-2.6	0.3	-2.5	3.7	2.1	1.8	-0.2	

SOURCE: Banco de España.

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

**EMPLOYMENT AND PERSONNEL COSTS
Details based on changes in staff levels**

TABLE 2.B

	TOTAL CBQ CORPORATIONS 2010 Q1 - Q4	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations	744	355	389
PERSONNEL COSTS:			
Initial situation 09 Q1-Q4 (€m)			
Initial situation 09 Q1-Q4 (€m)	28,676.9	11,103.6	17,573.3
Rate 10 Q1-Q4/ 09 Q1-Q4	-1.0	2.3	-3.1
AVERAGE COMPENSATION:			
Initial situation 09 Q1-Q4 (€)			
Initial situation 09 Q1-Q4 (€)	44,845.8	44,942.5	44,785.0
Rate 10 Q1-Q4/ 09 Q1-Q4	0.8	-1.5	2.4
NUMBER OF EMPLOYEES:			
Initial situation 09 Q1-Q4 (000s)			
Initial situation 09 Q1-Q4 (000s)	639	247	392
Rate 10 Q1-Q4/ 09 Q1-Q4	-1.8	3.8	-5.4
Permanent	Initial situation 09 Q1-Q4 (000s)	544	213
	Rate 10 Q1-Q4/ 09 Q1-Q4	-1.1	2.6
Non-permanent	Initial situation 09 Q1-Q4 (000s)	95	34
	Rate 10 Q1-Q4/ 09 Q1-Q4	-5.9	11.5
			-15.7

SOURCE: Banco de España.

the related figure for ONP. This rate is strikingly lower than that for 2009, when profit for the year increased by 53.9 %, strongly influenced by the changes in extraordinary items. Conversely, the structure of final profits over GVA held virtually stable in 2010 compared with the previous year, standing in both cases at around 29 %.

In sum, after having contracted strongly in the previous years, the non-financial corporations reporting to the CBQ saw a slight pick-up in their activity in 2010, which progressively lost momentum as the year unfolded and which was unable to prevent employment from continuing to fall across the board in all sectors of the sample. This recovery, along with the reduction in wage costs and the containment of financial costs, has allowed them to maintain profitability levels that are only slightly lower than those of the previous year.

Activity

In 2010, the activity of CBQ non-financial corporations picked up slightly, as a result of which their GVA increased by 3.7 % over the year as a whole, after having shrunk by 8.3 % a year earlier. The recovery in activity was due to the improvement in demand, which reactivated corporations' output (this grew by 8.8 % in 2010, after having declined by 13.8 % the previous year). The recovery was largely due to the positive contribution of external activity, leading both exports and imports to gain in significance in terms of their relative weight in corporations' total sales and purchases (see Table 3). The pick-up in activity was much sharper in the first half of the year, when the average increase in GVA was close to 6 %, and slackened notably in the second half of 2010, when the growth of activity stood at around 1 %. Influencing these developments was the impact that certain temporary measures had on spending decisions. Such measures included most notably the end of the 2000E scheme to renew the car stock, which bore down particularly on the car manufacturing and marketing sectors, and the increase in indirect tax, which came into force on 1 July.

An analysis of the different sectors shows that in all of them there was a substantial improvement in productive activity (see Table 2.A), with the exception of the information and communications sector, the only one in which GVA continued to move on a contractionary course (-4.7 %), albeit one less acute than a year earlier, when the related rate was -6.4 %. The fall in GVA in this sector has been influenced by the commercial strategies of the major corporations in the telecommunications sector; against a strongly competitive background, these companies considerably narrowed their margins in 2010. At the opposite extreme is the industrial sector, which posted the biggest fall in 2009. This sector benefited from the increase in external activity and its GVA increased by 16.3 % in 2010 (see Box 1). As a result, the industrial corporations recouped part of the declines they had built up in the two previous years, when aggregate GVA had worsened sharply (-12.8 % in 2008 and -23.4 % in 2009, in the quarterly sample). The energy sector also posted a notable increase in GVA in 2010: 7.7 %, compared with a decline of 7.1 % the previous year. This turnaround was also seen in oil refining corporations and in the electricity, gas and water utilities. In the case of oil refining corporations, influenced by the swings in oil prices and by the related impact on commercial margins, there was a shift from a 52.5 % reduction in GVA in 2009 to a 45.5 % increase in 2010 (see Chart 2). As to the GVA of electricity, gas and water utilities, which had dipped moderately (-1.2 %) in 2009, there was an increase of 5.2 % in 2010, induced both by the growth in demand for electric power (up 2.9 %, according to Red Eléctrica figures) and by the lower production costs borne by the electricity generating companies, which were able to use to a greater extent hydroelectric power plants, replacing fossil-fuel plants. The wholesale and retail trade and accommodation and food service activities sector also trended favourably in 2010, thanks to the better performance of private consumption, especially in the first half of the year. Over the year as a whole, the GVA of the corporations in this aggregate increased by 4.8 %, compared with a reduction of 7.7 % in 2009. Finally, in line with the behaviour described for the overall quarterly

PURCHASES AND TURNOVER OF CORPORATIONS REPORTING DATA ON
PURCHASING SOURCES AND SALES DESTINATIONS
Structure and rate of change

TABLE 3

	CBA		CBQ (a)	
	2008	2009	09 Q1-Q4	10 Q1-Q4
Total corporations	9,217	9,217	744	744
Corporations reporting source/destination	9,217	9,217	703	703
Percentage of net purchases according to source	Spain	65.4	68.2	85.7
	Total abroad	34.6	31.8	14.3
	EU countries	17.8	17.0	9.6
	Third countries	16.8	14.8	5.2
Percentage of net turnover according to destination	Spain	84.8	85.1	91.9
	Total abroad	15.2	14.9	8.1
	EU countries	10.3	10.1	5.4
	Third countries	4.9	4.7	2.7
Change in net external demand (exports less imports), rate of change	Industry	-12.7	21.5	18.6
	Other corporations	-5.0	39.6	53.2
				97.9

SOURCE: Banco de España.

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

sample, the activity of corporations included in other activities also picked up in 2010, with a 3.3% increase in GVA, compared with the previous year's reduction of 4%.

The figures in Chart 3 distribute the CBQ corporations on the basis of their GVA growth rate, without taking into account their size or the sector to which they belong.

The main conclusion to be drawn from the chart is that the number of corporations with increases in GVA rose significantly in 2010 to stand at 50.6%, slightly more than 11 pp up on the previous year. Further, it was the segment of corporations with sharper declines in GVA (over 20%) that recorded the most evident improvement, with the percentage of sample corporations included falling from 34.3% in 2009 to 23% in 2010.

Employment and personnel costs

Personnel costs fell by 1% in 2010, performing similarly though less intensely than in 2009, when they declined by 2%. This was due both to the moderation in the growth rate of average compensation and to reductions in the average number of employees, and it is the second time personnel costs, in nominal terms, have posted negative rates in the time series available (the records begin in 1985 in the case of the CBA).

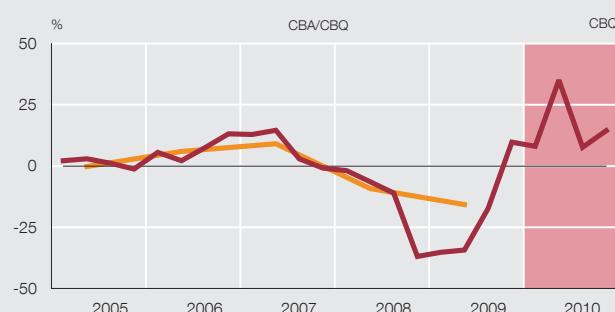
The employment figures remained negative in 2010, although the decline eased in relation to the previous year. Staff adjustments thus continued to affect a majority of the corporations and all sectors in the sample (see Table 2.A) and, as a result, the average number of employees fell by 1.8% in 2010, a less negative rate than that of -3.5% recorded a year earlier. The figures in Table 4 confirm that more than half the corporations comprising the quarterly sample (56.1%) cut their average staffing numbers in 2010, although this figure marks an improvement on the previous year, when the percentage of corporations with staff cuts rose to 62.7%. The sharpest

The information gathered by the Central Balance Sheet Data Office Quarterly Survey (CBQ) on the industrial sector shows that in 2010 its productive activity recouped some of the ground lost during the sharp deterioration of the preceding two years. Thus in 2010 GVA grew by 16.3% compared with decreases of -12.8% and -23.4% in 2008 and 2009, respectively, according to CBQ data. The growth of industrial activity in 2010 was largely fuelled by the positive performance of exports, which grew by 26%. This growth was most appreciable in the first half of the year, and, on total sample firm data, slowed in the last two quarters. The positive performance of activity extended to all industrial sub-sectors, including most notably the manufacture of metal and mineral products and of chemicals, whose GVA rose most sharply in 2010 (by 47.1% and 27.1%, respectively). On the down side, the manufacture of computer and electronic products posted a decrease in GVA in 2010 (of -5.7%) which was much less sharp than in the previous year, when it fell by -29.4%. The personnel costs of total CBQ industrial firms decreased by -1.5%, mainly due to the decline in employment. In

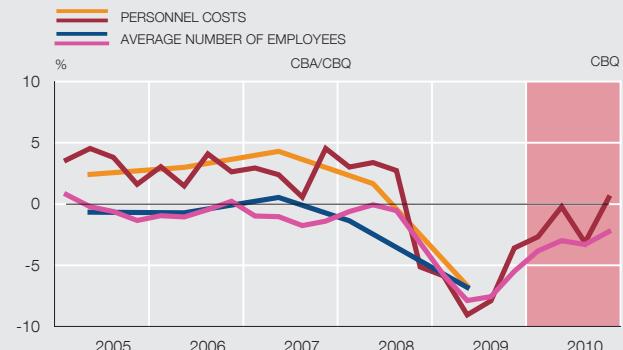
2010 the average number of employees fell by -3.2%, which, however, was a less negative change than a year earlier, when jobs fell by -6.7%. Meanwhile, average compensation grew by 1.7% in 2010, a rate exceeding that of the total CBQ sample. The recovery in activity fed through to the other results from ordinary activity, giving rise to notable increases in both gross operating profit (70%) and in ordinary net profit (the rate of change of which cannot be calculated because its sign went from negative to positive). This meant that the returns on ordinary activities increased, recouping a portion of the decline of the past two years. Thus in 2010 the return on investment and return on equity rose to 4.2% and 4.4%, compared with 2.5% and 1.4%, respectively, in the previous year. The cost of debt (ratio R.2) increased slightly by 0.3 pp to 4%, so the difference between ROI and cost of debt again became positive, albeit only slightly so, at 0.2, after standing at -1.2 in 2009. However, analysis of the quarterly behaviour shows that ROI minus cost of debt returned to negative values in the last two quarters of 2010, evidencing the weakness of this recovery of the industrial sector.

PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO

GROSS VALUE ADDED AT FACTOR COST
Rate of change



EMPLOYMENT AND WAGES
Rate of change



FINANCIAL COSTS
Rate of change



RETURN ON INVESTMENT
Ratio



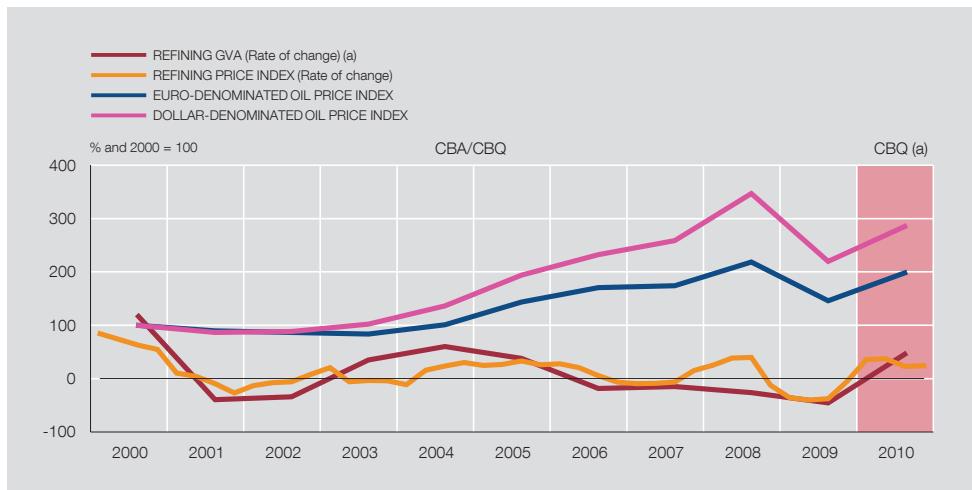
REPORTING INDUSTRIAL CORPORATIONS

	2005	2006	2007	2008	2009	2010
Number of corporations	CBA 2,408	2,397	2,376	2,411	2,271	—
	CBQ 319 308 300 292 313 298	286 277 307 297 283 278	281 270 257 246 246 242	246 238 225 231 225 205	205 152	
% of GDP of the sub-sector industrial corporations	CBA 28.2	30.7	34.1	29.6	23.8	—
	CBQ 19.0 19.5 16.8 17.1 18.4 17.4	16.2 17.3 19.3 19.5 16.6 17.0	16.3 16.1 12.6 8.9 10.8 11.0	11.9 9.9 10.9 12.3 9.5 7.8		

SOURCE: Banco de España.

IMPACT OF OIL PRICES ON THE REFINING SECTOR

CHART 2

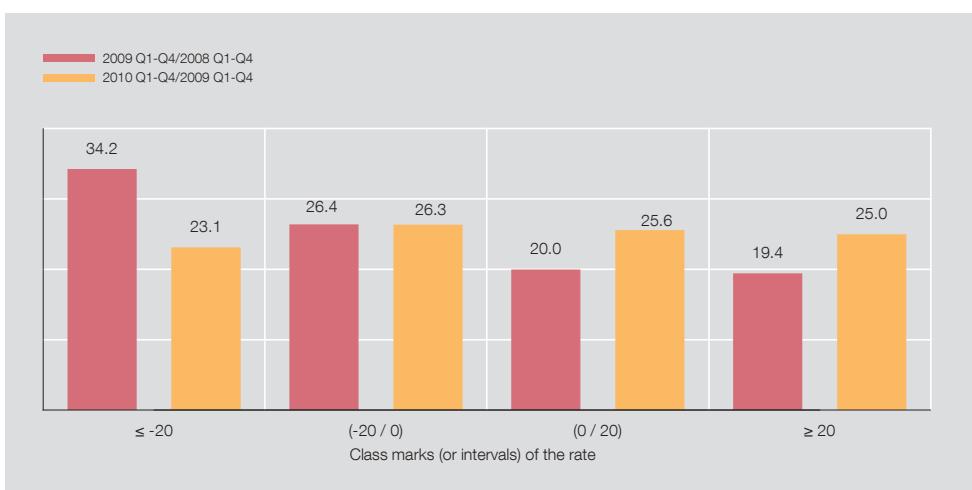


SOURCES: Banco de España and Ministerio de Industria, Turismo y Comercio (Informe mensual de precios).

a. 2010 data relate to the CBQ.

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

CHART 3



SOURCE: Banco de España.

reductions continued to be concentrated in temporary contracts (5.9 %), although this negative rate slowed considerably in relation to that for 2009, when temporary employment declined by 16.1 %. Permanent employment also fell (by 1.1 %) in 2010, along very similar lines to 2009, when the related decline was 1 %. Although all sectors showed reductions in average staffing, in industry and in the wholesale and retail trade and accommodation and food service activities the pace of job destruction slowed ostensibly, with declines of 3.2 % and 0.6 % in 2010, respectively, compared to the reductions of 6.7 % and 5.6 % the previous year. Conversely, in the remaining sectors staff adjustments stepped up compared with 2009.

Average compensation held in 2010 on a moderate growth path of 0.8 %, half the increase recorded the previous year. However, analysis of the changes in these costs by sector of activity (see Table 2.A) reveals the existence of highly differentiated behaviour. On one hand,

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

TABLE 4

	CBA			CBQ (a)		
	2007	2008	2009	08 Q1-Q4	09 Q1-Q4	10 Q1-Q4
Number of corporations	9,321	9,583	9,217	816	805	744
PERSONNEL COSTS	100	100	100	100	100	100
Falling	26.0	32.1	57.2	33.7	57.3	50.6
Constant or rising	74.0	67.9	42.8	66.3	42.7	49.4
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	31.4	42.0	54.2	46.4	62.7	56.1
Constant or rising	68.6	58.0	45.8	53.6	37.3	43.9

SOURCE: Banco de España.

a. Weighted average of the relevant quarters for each column.

GROSS OPERATING PROFIT, ORDINARY NET PROFIT, RETURN ON INVESTMENT (ROI) AND ROI-COST OF DEBT (R.1 – R.2).

TABLE 5

BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS

Ratios and rates of change of the same corporations on the same period a year earlier

	GROSS OPERATING PROFIT				ORDINARY NET PROFIT				RETURN ON INVESTMENT (R.1)				ROI-COST OF DEBT (R.1-R.2)				
	CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)		
	2008	2009	09 Q1- 10 Q1- Q4	Q4	2008	2009	09 Q1- 10 Q1- Q4	Q4	2008	2009	09 Q1- 10 Q1- Q4	Q4	2008	2009	09 Q1- 10 Q1- Q4	Q4	
Total	-10.2	-13.3	-13.6	8.1	-21.4	-11.2	-7.6	6.5	7.6	6.2	6.2	6.0	2.5	2.7	2.9	2.6	
SIZE:																	
Small	-26.6	-23.5	—	—	-49.6	-41.8	—	—	4.4	3.3	—	—	0.1	0.2	—	—	
Medium	-15.2	-16.1	-24.0	20.6	-32.0	-21.6	-37.9	43.7	5.9	4.6	4.3	6.2	1.2	1.4	0.5	3.2	
Large	-9.4	-12.8	-13.3	7.8	-20.0	-10.0	-6.6	5.6	7.8	6.3	6.3	6.0	2.7	2.8	2.9	2.6	
BREAKDOWN BY ACTIVITY:																	
Energy	1.7	-9.2	-9.3	9.7	-5.0	-9.9	-3.8	0.4	7.9	7.0	7.1	6.3	3.0	3.4	3.7	3.0	
Industry	-22.2	-29.6	-50.8	70.0	-30.1	-50.2	-66.9	-	7.2	4.0	2.5	4.2	2.1	0.4	-1.2	0.2	
Wholesale & retail trade and accommodation & food service activities	-10.4	-10.4	-12.3	14.9	-27.3	-2.7	-19.4	32.2	7.8	7.1	4.8	5.3	2.6	3.6	1.4	1.8	
Information and communication	-0.4	-6.5	-8.6	-6.5	6.6	-13.4	-15.5	-10.1	22.0	20.4	28.4	27.7	16.4	15.6	23.3	22.9	
Other activities	-17.1	-10.4	-13.1	16.9	-45.3	34.8	-	30.4	6.2	5.2	5.1	4.6	1.1	1.9	0.6	0.6	

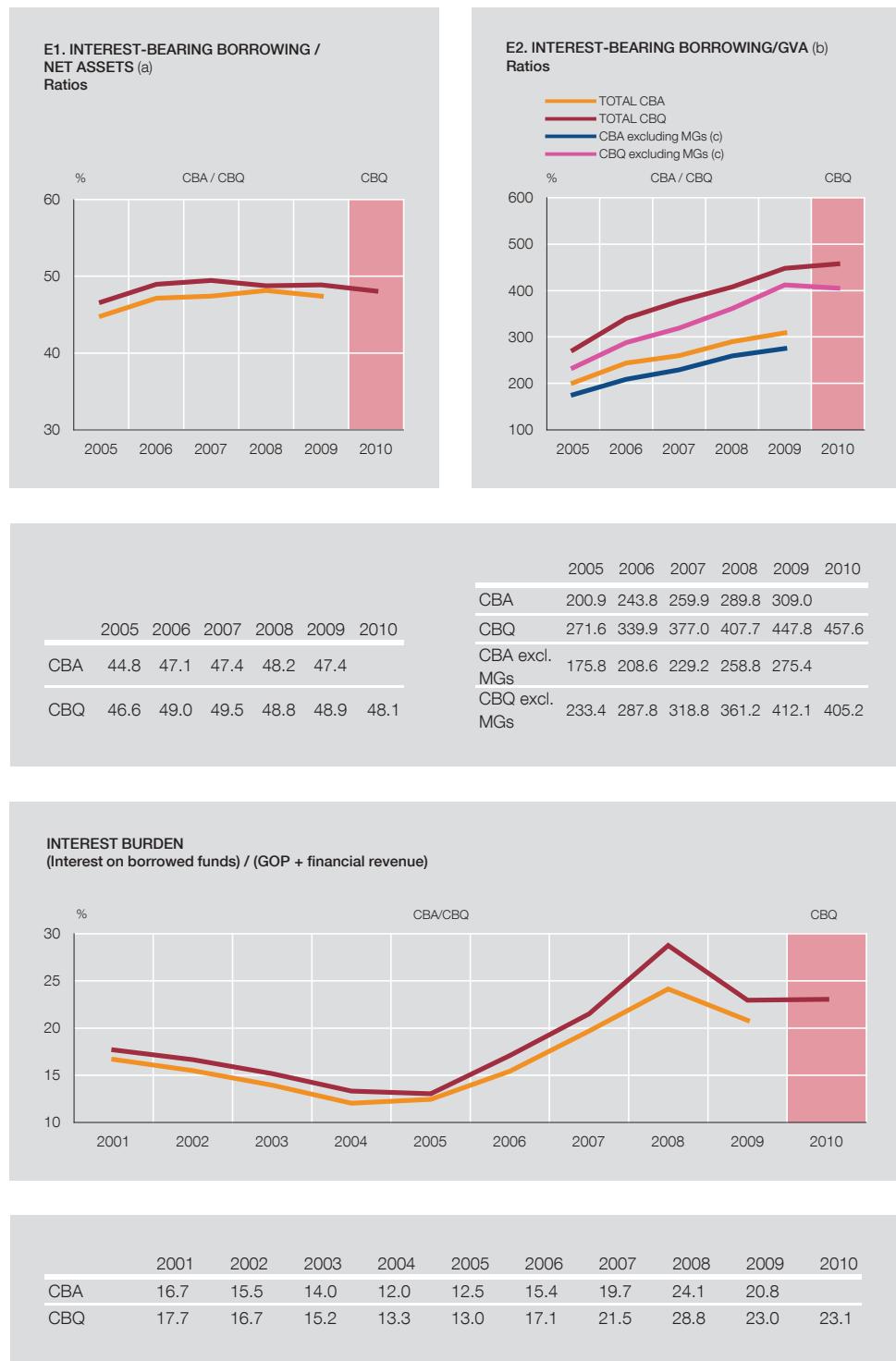
SOURCE: Banco de España.

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

in the energy, industry, and information and communications aggregates, average wage cost increases were above the mean, at around 2 %, and above the growth for the previous year. Conversely, in the wholesale and retail trade and accommodation and food service activities sectors and, above all, in the aggregate encompassing the remaining activities, the moderation in average compensation was far greater (0.7 % and -0.2 %, respectively), and there was even a reduction in the latter aggregate. Lastly, Table 2.B allows for a separate analysis of employment and average compensation in corporations with constant or rising staff numbers, and also in corporations where the number of jobs fell. The figures highlight that it was in this latter group of corporations (with falling staff numbers) that average compensation

DEBT RATIOS

CHART 4



SOURCE: Banco de España.

a. Ratio calculated from final balance sheet figures. Net assets include an adjustment to current prices.
b. Ratio calculated from final balance sheet figures. Interest-bearing borrowing includes an adjustment to eliminate intragroup debt (approximation of consolidated debt).

c. MGs: sample corporations belonging to the main reporting multinational groups. These do not include the large construction sector companies.

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

TABLE 6

	CBQ (a)				
	RETURN ON INVESTMENT (R.1)		ORDINARY RETURN ON EQUITY (R.3)		
	09 Q1-Q4	10 Q1-Q4	09 Q1-Q4	10 Q1-Q4	
Number of corporations	805	744	805	744	
Percentage of corporations by profitability bracket	R <= 0%	33.5	29.7	38.2	34.2
	0% < R <= 5%	23.9	25.0	16.7	17.4
	5% < R <= 10%	15.3	15.4	11.4	11.5
	10% < R <= 15%	6.3	7.2	6.5	7.7
	15% < R	21.1	22.6	27.2	29.3
MEMORANDUM ITEM: Average return		6.2	6.0	8.9	8.3

SOURCE: Banco de España.

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

grew more sharply (2.4 %), while in corporations with constant or rising average staff levels, average personnel costs even declined slightly (1.5 %), a change associated with the lower wages of new employees.

Profits, rates of return and debt

The growth of productive activity in 2010, along with the slight reduction in personnel costs, translated into an increase in gross operating profit (GOP) of 8.1 %, after two years in which the latter had fallen sharply by -7.5 % (2008) and by -13.6 % (2009) –see Table 5. GOP performed positively in 2010 and, as in the case of GVA, slowed gradually from Q3. Financial costs grew slightly in 2010 (4.3 %), following their strong decline in 2009 (-31.4 %). This had the result that the ratio measuring corporations' net interest burden, i.e. the proportion between interest on borrowed funds and the income available to cover such interest (GOP plus financial revenue, see Chart 4) held in 2010 at around 23 %, similar to the level for 2009, following its sharp fall in that year. Financial costs, after decreasing in 2009, due to the reductions in interest rates passing through to corporations' costs during that year, increased slightly in 2010 as shown in the following table:

	10 Q1 to Q4 / 09 Q1 to Q4
Change in financial costs	+4.3%
A. <i>Interest on borrowed funds</i>	+5.0%
1 Due to the cost (interest rate)	-0.4%
2 Due to the amount of interest-bearing debt	+5.4%
B. <i>Other financial costs</i>	-0.7%

The information above highlights that the slight rise in financial costs in 2010 is due solely to the increase in borrowing. The change due to interest rates was virtually zero in the year as a whole as a result of corporations' financial costs stabilising at very low levels of slightly above 3 %. In any event, the inflow of fresh borrowed funds at firms in the CBQ sample, albeit small, prevented their average debt level from decreasing significantly. In effect, as can be verified by analysing ratio E1 (see Chart 4), which shows the ratio of borrowed funds to total interest-bearing liabilities, in 2010 there was only a modest fall in the level of debt with respect to 2009. Gross fixed capital formation for the quarterly survey decreased during 2010 by -9 %. Lastly, the debt analysis can be completed with the ratio E2, which measures firms' ability to repay

their debt out of surpluses obtained from their ordinary activity (GVA). After increasing continuously for several years, in 2010 this ratio performed more stably as firms raised funds at a very similar pace to the rate of increase in GVA.

Financial revenue decreased by -3.5 % in 2010 due to the reduction in dividends from subsidiaries and lower interest received on loans extended. The combined effect of the decrease in this revenue and the meagre increase in financial costs slightly moderated the growth rate of ordinary net profit (ONP) to 6.5 %. Nevertheless, this rate is highly positive compared with the performance of this surplus in 2009 when it posted a decline of -7.6 %. The behaviour of ONP and financial costs (items used to calculate rates of return) resulted in a decline in the rates of return on ordinary activities, albeit at a much lower pace than that of the sharp decreases in 2009 (see Table 5). Consequently, the return on investment stood at 6 % in 2010, 0.2 pp lower than in the previous year, whereas the return on equity decreased somewhat more by 0.6 pp to 8.3 % for 2010. The fall in the return on investment was chiefly due to the declines in the energy sector and the aggregate that groups together other activities which are less well represented. Conversely, the return on investment of industrial firms in the sample has recovered strongly from 2.5 % in 2009 to 4.2 % in 2010. The ratio that measures the cost of debt (R.2) stabilised in 2010 at 3.3 %, which is practically identical to the previous year's level and, consequently, the difference between the return on investment and financial costs was positive in 2010, amounting to 2.6, 0.3 pp down on the difference in 2009. The most salient information of the sectoral breakdown is the beneficial effect of the pick up in industrial activity on the industrial sector, as a result of which the difference between returns and cost turned positive, albeit very modestly at 0.2, following the clearly negative data in 2009 (-1.2).

Lastly, the analysis of extraordinary results shows that during 2010 there were considerable changes which, although largely offset, ultimately had a negative impact on net profit, slightly slowing down its growth with respect to that of ordinary net profit. Thus, on one hand, although the results from disposals and impairment remained positive, they contracted strongly due to the fall in revenue from capital gains (which were highly substantial in 2009) and the impairment recorded on certain financial investments of Spanish multinationals in 2010. On the other, the losses recorded under the changes in fair value and other gains (losses) which covers various types of costs and revenue (the valuation of assets at fair value, exchange differences, indemnity payments and other extraordinary costs and revenue) decreased sharply in 2010 from the high levels they had reached in the previous year. Lastly, corporate income tax rose substantially on account of the increase in ordinary profit (net of those dividends received which were not part of the tax base for the avoidance of double taxation) and the impact on this item of certain extraordinary tax-exempt operations in 2009. The combined effect of these changes had a negative impact on the performance of net profit, which posted growth of 4.3 %, slightly lower than that of ONP. This moderate growth contrasts with that of the previous year (+53.9 %), which was attributable to the volatile performance of extraordinary items in 2008 and in 2009. Consequently, it is appropriate to compare net profit for 2010 with that of previous years, as a percentage of GVA. In this case, this percentage stood at 29 %, practically identical to the previous year's figure, since the two surpluses which make up this ratio (net profit and GVA) grew at a very similar pace in 2010.

15.3.2011.

REPORT ON THE LATIN AMERICAN ECONOMY. FIRST HALF OF 2011

Introduction

Latin America recorded aggregate growth of 6.3% in 2010,¹ the highest rate in the decade, exceeding by nearly two percentage points (pp) the average for the expansionary five-year period preceding the crisis. As in that expansionary phase, growth in the region was based on the vigour of domestic demand, which was again driven by the same, at least partially correlated, external factors. The first of these is the upward cycle in commodity prices, which benefits South American economies specialised in the export of these products by improving their terms of trade. This specialisation explains a large part of the divergence between the slower recovery of Mexico, integrated commercially and financially with the United States, and the dynamism shown by Argentina, Peru, Brazil and Chile (see Chart 1), which trade more with Asia and are more specialised (to varying degrees) in commodity trade. The second dynamism-enhancing factor is the large inflow of international financing into the region, reflected in favourable conditions of market access for both the public and the private sector, which has helped to drive the recovery of credit. In this respect, it should be noted that financing conditions have scarcely been affected in the last six months, except for a certain increase in risk premia and for the partial (and temporary) reversal of some capital flows due to the tensions associated with the European crisis, the socio-political instability in the north of Africa and the Middle East and the earthquake in Japan. This demonstrates Latin America's deep-seated resilience.

To the momentum provided by these external factors should be added the effect of a combination of economic policies which, although they have begun to turn towards the withdrawal of the stimuli provided during the crisis, have not been overly restrictive in any country. This has given rise to a highly expansionary macroeconomic performance in 2010 and the early months of 2011.

Thus, against the background of strongly growing economies and of a fresh upward trend in commodity prices from the end of 2010, inflation has begun to predominate amongst the economic policy concerns of the Latin American authorities in several of the countries with inflation targets. The average inflation rate of the region rose to more than 6.5% at the beginning of 2011, practically 1 pp above that at the end-2009 and in some countries approaching the ceiling of the target bands (see Chart 1). Additionally, some of this rise has fed through to expectations. Thus, although the rise in prices has been driven mainly by higher food prices, signs of demand pressure have been perceived in various economies, now that the output gaps which opened during the crisis have been closed.

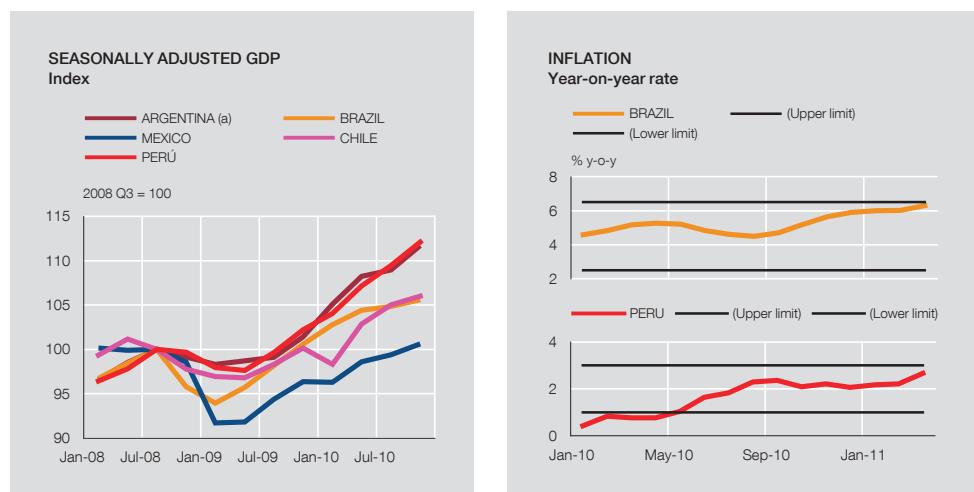
Monetary policy has continued to confront the dilemma of how to contain inflationary pressures before they end up disanchoring expectations and at the same time prevent the monetary tightening from further spurring capital inflows and exchange rate appreciation. In this situation, the reversal of the more volatile capital flows between January and March 2011, associated with the portfolio restructuring which prompted the improved outlook for the American economy, mitigated the dilemma at least temporarily and gave the authorities more room to tighten monetary policies. Four of the five central banks in the region which have inflation targets raised their official rates at that time, following the pause or slowdown in the cyclical rises in the closing months of 2010.

Against this background, the recent economic developments pose some uncertainties. Particularly noteworthy is the notable divergence between the stagnation of industrial production

1. This is the weighted average growth rate of Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela, the countries on whose data this report is based.

SEASONALLY ADJUSTED GDP AND INFLATION
Index and year-on-year rate

CHART 1



SOURCES: National statistics and Datastream

a. Analysts consider that Argentinean GDP growth in 2008 and 2009 was considerably lower than the official figures. This discrepancy seems to have diminished in 2010.

in various countries since 2010 Q2 and the strength of the consumption indicators. In a setting of strong commodity price rises like the present one, and of across-the-board exchange rate appreciation (the Brazilian real and the Chilean peso are among the currencies which have appreciated most since 2009, these being, in general, the currencies of commodity exporting countries), it may be asked whether the current trend towards more moderate growth reflects a shift towards more sustainable rates or whether, by contrast, it may be a symptom of loss of competitiveness or “Dutch disease”.

Despite these overarching doubts, the short-term prospects for Latin America remain favourable. In 2011 growth may moderate towards rates more compatible with potential growth, reflecting the closure of the output gap and the progressive tightening of policies. The main short-term risks include higher oil prices, the still fragile European situation and the possibility of overheating of some economies in the region. This latter risk will be more serious if economic policies do not respond quickly enough, giving rise to a disanchoring of inflation expectations or to greater fragility of the external accounts. The recent oil price rise will have an uneven impact on the region, with Chile being the potentially most prejudiced country in terms of growth and inflation due to its greater energy dependence; by contrast, Venezuela is the most favoured country because its exports consist almost entirely of oil. In terms of trade exposure, Latin America’s exports to North Africa and the Middle East represent a small fraction of its total exports, as do its exports to Japan (around 5% of total exports). Exports to the euro area are significant (more than 12% in aggregate, although they vary widely across exporting countries), but not those to the countries most affected by the crisis (around 3% of total exports). For this reason, a significant direct impact through the trade channel is not to be expected, nor has there been one through the financial channel.

Meanwhile, the firming of the global economic recovery, particularly in the United States, may moderate capital inflows into Latin America, thereby helping make monetary policy management easier, as noted above. However, this may involve a certain risk of reversal of capital flows, although, given the region’s fundamentals, this does not seem likely. In the medium term, the main risks derive, first, from the possibility of a disorderly adjustment in interest rates in the United States (due to the eventual withdrawal of monetary stimuli or to the deterioration of the

fiscal situation in that country), which, if sharp, could prompt a significant reversal of capital flows; and, second, from a strong deceleration of growth in Asia, given the region's dependence on it. These risks underline the need to take advantage of the current expansionary phase of the cycle in Latin America to rebuild the policy margins eroded during the crisis and strengthen the capacity to absorb capital inflows, insofar as they are permanent.

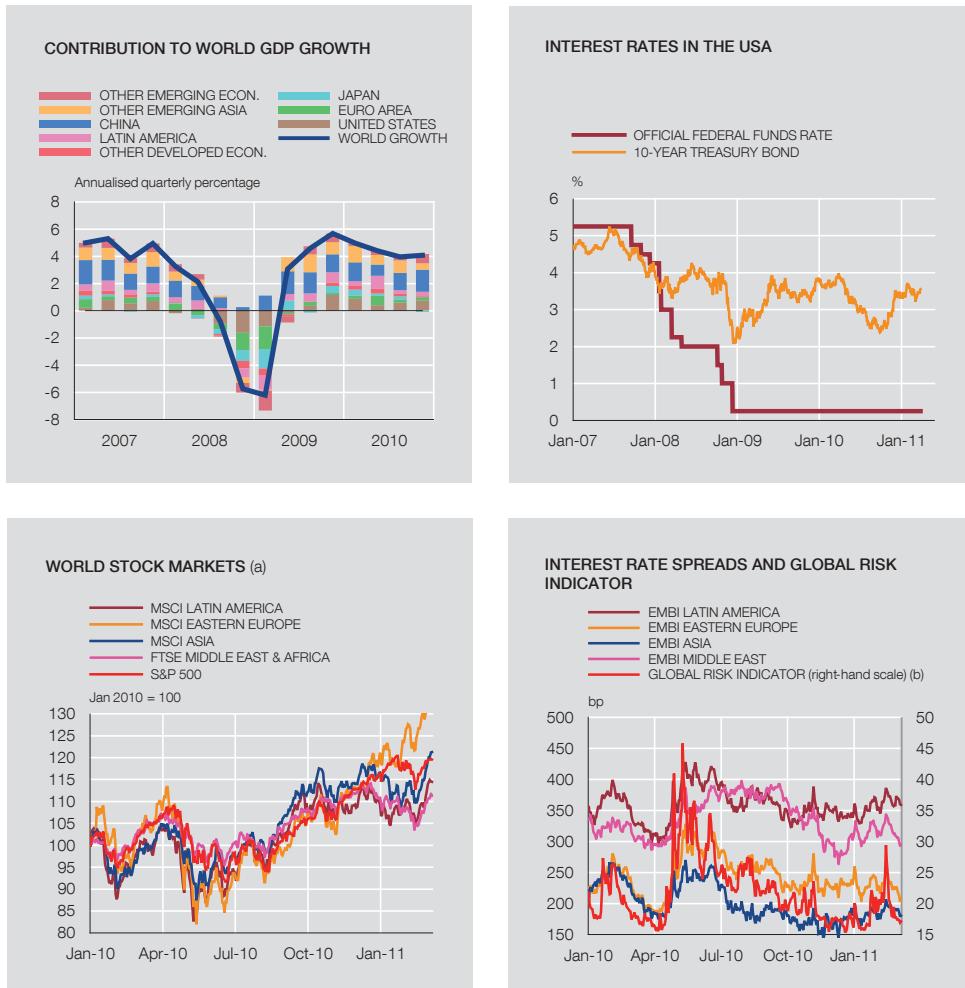
Economic and financial developments: external environment

Following a moderate slowdown in mid-2010, global economic activity rose somewhat in 2010 Q4. The introduction of new expansionary monetary and fiscal measures in United States contributed to put the global recovery on a firmer footing, despite the re-emergence of sovereign tensions in the euro area, this time linked to the fragility of the Irish banking system. Thus, against a background of prolonged dynamism of the emerging countries, the US economy picked up slightly in the last quarter of the year. However, some European economies, both in the euro area and, above all, the United Kingdom, continued to show signs of weakness. The latest indicators for the developed economies point to a continuation of the recovery despite the persistence of the sovereign crisis in the euro area, the geopolitical tensions in the Arab countries (which are exacerbating the upward trend in oil prices) and the Japanese earthquake with its grave consequences. In the United States, the job creation and industrial production figures seem to evidence a firmer pattern, although the delicate fiscal situation continues to be a significant source of uncertainty.

The emerging economies continued to show considerable dynamism, especially in emerging Asia, which recorded year-on-year growth of 8.5% in the fourth quarter. Hence these economies continued to account for a substantial part of global growth (see Chart 2). Some of them showed signs of overheating, against a background in which commodity prices continued the upward trend initiated in mid-2010. The rises were particularly sharp in crude oil as a result of the instability of some of the main producers, which added to the pressure exerted by the robust demand, and the price of Brent oil topped \$120 per barrel at the beginning of April, compared with \$80 per barrel at the end of September.

Against this backdrop, the international financial markets showed uneven behaviour across regions in 2010 Q4, within a global trend towards normalisation. The United States saw stock market gains and falling risk premia on debt securities, in a setting of improved economic prospects. By contrast, the euro area suffered a fresh outbreak of tensions in the sovereign debt markets owing to the Irish crisis, which was reflected in broader spreads on government securities in the countries farthest from the euro area core countries. In the early months of 2011, the international financial markets were increasingly affected by the tensions in the Arab countries and, to a greater extent, by the earthquake in Japan and its grave consequences. However, despite these events, which caused volatility to surge, there was a moderately positive trend in the markets, underpinned by the good growth prospects.

In the area of monetary policy, official interest rates held near to zero in the advanced economies. In addition, following the signs of weakness in activity in mid-2010, the authorities of Japan and, in particular, of the United States stepped up the quantitative stimuli in the last part of 2010. Subsequently, against a background of firmer recovery and expectations of rising inflation, the markets began to discount earlier rises in official rates, particularly in the United Kingdom and the euro area. In fact, the ECB raised its policy interest rate by 25 basis points (bp) to 1.25% on 7 April. In the case of the Bank of England, the markets expect the upturn to start in spring. In this respect, the increasingly imminent withdrawal of the extraordinary stimuli in the advanced economies represents a certain risk to the recovery, which in some of these countries is still fragile. Further, the improved growth outlook in late 2010 prompted rises in the yields on long-term debt in the United States, which increased by around 100 bp in Q4 to nearly 3.5%, fluctuating around this level in 2011 to date (see Chart 2). In the foreign exchange markets, the sharp depreciation of the



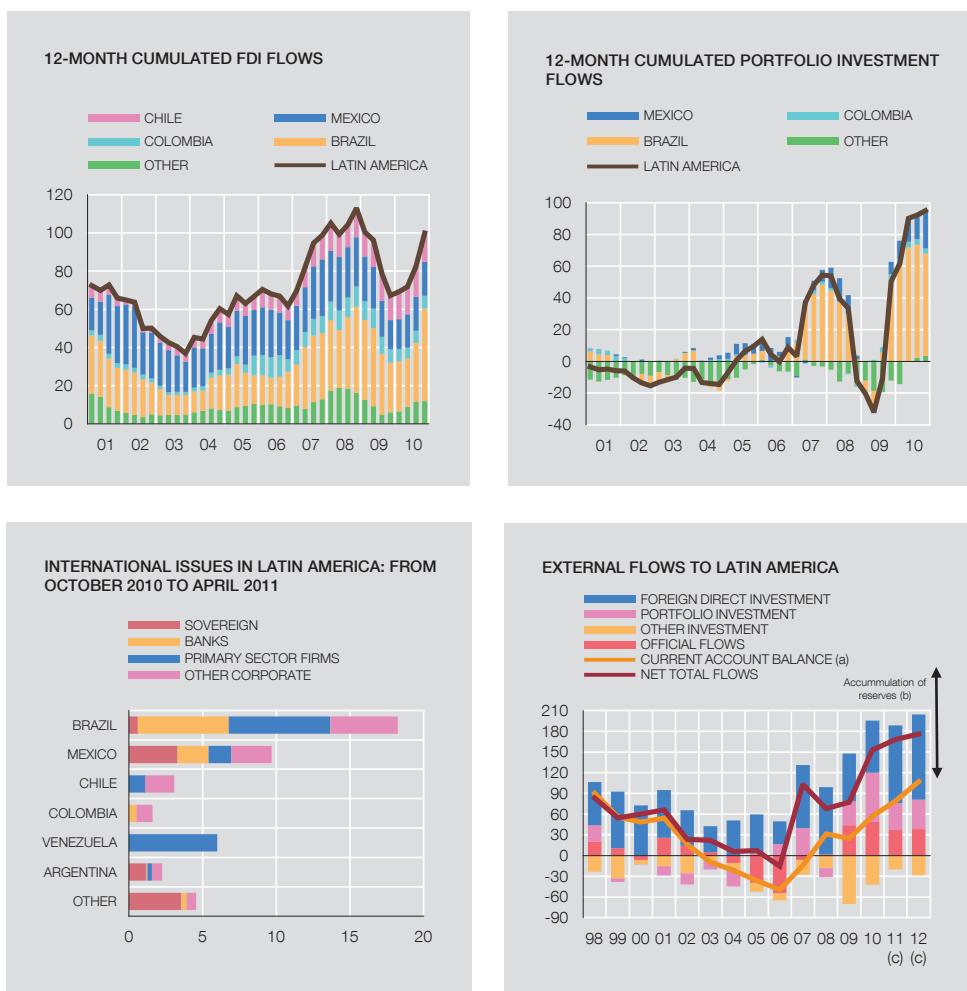
SOURCES: National statistics and Datastream

- a. Indices in dollars.
b. VIX.

dollar from March 2010 reversed in the closing stages of the year. Also noteworthy was the upward pressure on the yen following the earthquake, which triggered a coordinated intervention by the G7 to halt this movement, which was successful. Emerging markets performed favourably in the period, in line with the perception of strength of these economies (see Chart 2).

Financial markets and external financing

In the last six months the Latin American financial markets have gone through two clearly differentiated phases. In the first, which lasted until end-2010, the indirect effects of the monetary relaxation in the United States and the favourable growth prospects in the emerging economies continued to dominate. This gave rise to fairly widespread rises in stock markets and to the stabilisation of sovereign spreads near their historical lows, this tendency only being interrupted by sporadic temporary rises in volatility due to external events (such as the Irish crisis in November). Exchange rates tended to stabilise after appreciating in the preceding months, and in some countries this stabilisation was associated with the imposition of capital controls or an increase in interventions to purchase reserves. Notably in 2010 the volume of capital inflows reached that recorded before the crisis and, in certain specific segments, amply exceeded it (portfolio investment, \$95 billion in year-on-year terms; see Chart 3). Foreign direct investment, which had tended to lag behind portfolio flows in the initial quarters of the recovery, recovered strongly in 2010 H2, reaching \$100 billion in year-on-year terms. Also, a considerable number of sovereign and corporate



SOURCES: JP Morgan, IMF and national statistics.

a. A positive sign denotes a current account deficit.

b. Difference between investment flows and the current account deficit (-).

c. WEO forecasts (April 2011) for 2011-2012.

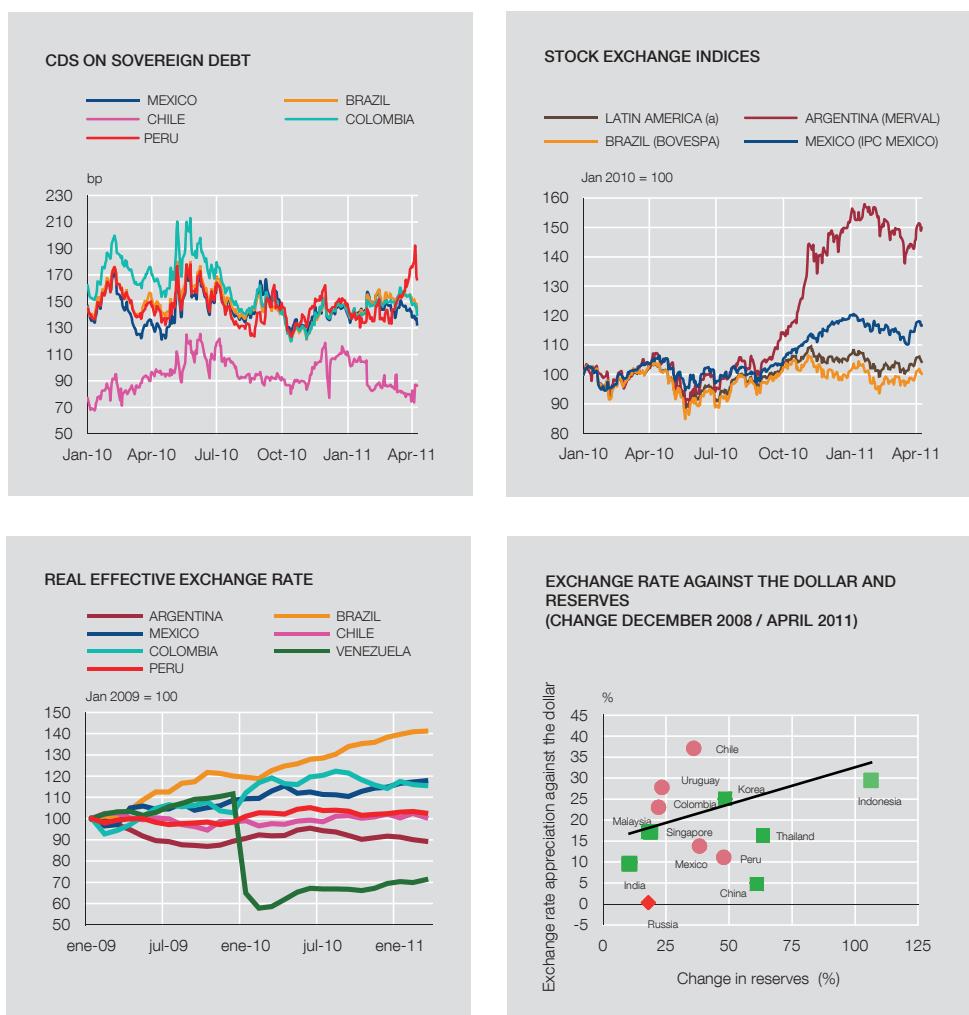
issues were launched on the international markets, mainly by primary sector firms, particularly in Brazil and Venezuela, followed by banks, especially in Brazil and Colombia. The gross capital flows into the region reached a historical high (more than \$250 billion), and the region's relative share of the total flows to emerging economies increased significantly, a trend which will foreseeably continue in the following years according to the latest IMF projections.²

This first phase was followed, between January and March, by a period of higher volatility in the Latin American financial markets, in a setting of apparent rebalancing of international portfolios towards the developed markets, particularly the United States, given the confirmation of improved growth prospects. The higher volatility derived from events in the Middle East and the Japanese earthquake affected the Latin American markets moderately, principally the higher risk ones (Argentina and Venezuela) and those with a higher exposure to Japanese investors (Brazil and Mexico, whose currencies depreciated sharply in the week following the earthquake). Against this background, the stock market indices fell and the sovereign spread widened. In the local-currency debt markets, yields rose also because of the upward trend in inflation and the sharper pace of

2. The gross capital flows to Latin America in 2010 accounted for 27% of the flows to emerging economies, behind Asia (45%) and ahead of eastern Europe (9%). This percentage is 10 pp higher than Latin America's average level for the decade.

CDSs ON SOVEREIGN DEBT, STOCK MARKETS, REER, EXCHANGE RATE
AGAINST THE DOLLAR AND RESERVES
Basis points, indices and percentage change

CHART 4



SOURCES: Datastream and JP Morgan.

a. MSCI Latin America Index in local currency.

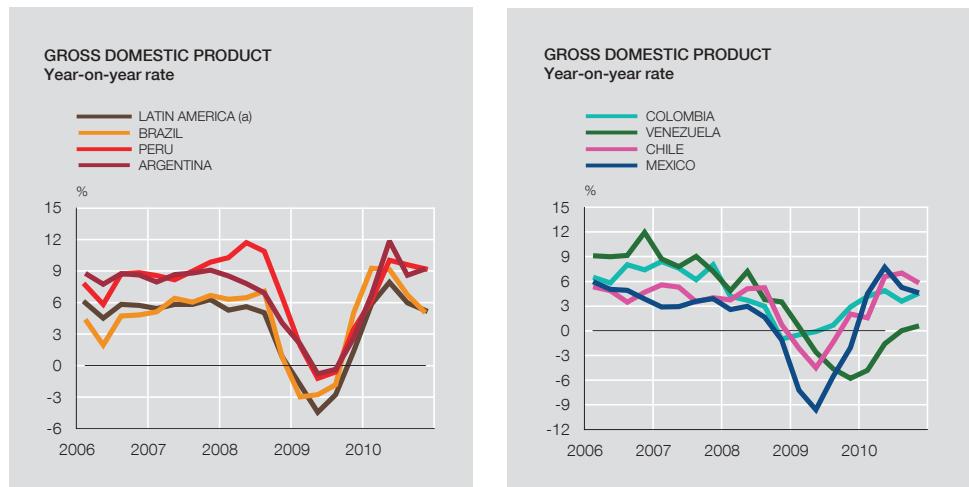
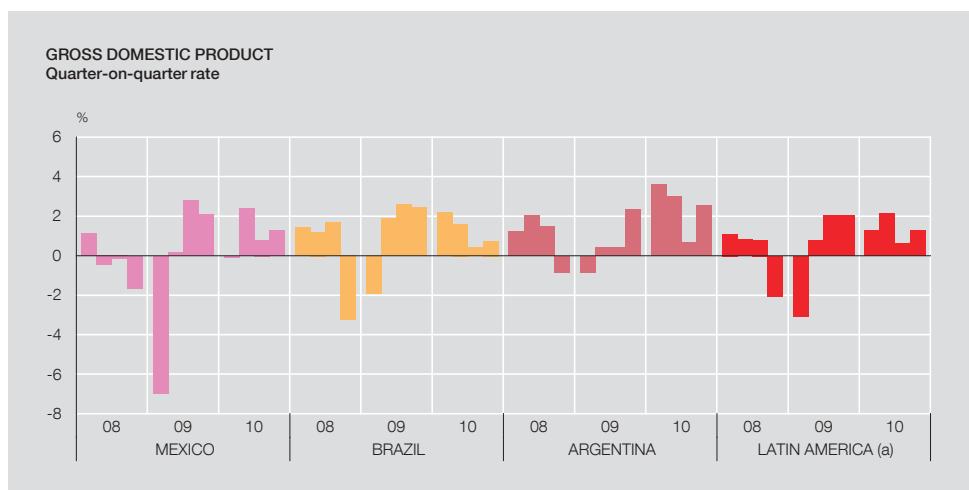
official interest rate rises in some countries. However, in April these trends began to reverse again and exchange rates came under renewed upward pressure, reflecting new capital inflows.

In the total period analysed, i.e. from October 2010 to April 2011, the sovereign spread, as measured by the regional EMBI, moved in a relatively narrow range, between 350 bp and 290 bp, showing decreases in most countries. These were particularly notable in Argentina (154 bp), Venezuela (156 bp) and Ecuador (276 bp), owing in this case to the improvement in the sovereign rating in February. CDSs performed in a similar fashion (see Chart 4). The opposite happened in the Peruvian financial markets, where volatility rose and risk premia widened at the beginning of April against a backdrop dominated by the presidential elections. As for the stock markets, the local-currency Latin American MSCI regional index remained practically steady in the review period, compared with moderate rises in emerging Asia, the Middle East and Africa, and sharper ones in emerging Europe. By country, between October and April there were moderate falls in the indices of Brazil, Chile and Colombia and sharp rises in Peru (13.4%), Mexico (11.2%) and Argentina (30%) (see Chart 4).

The capital inflows in the period continued putting upward pressure on exchange rates. The six-month review period saw appreciations against the dollar of nearly 6% in Brazil and Mexico,

LATIN AMERICAN GDP
Year-on-year and quarter-on-quarter rates

CHART 5



SOURCE: National statistics.

a. Aggregate of the seven main economies.

mainly towards the end of the period. Also significant was the appreciation of the Colombian peso since the end of the year (by 12%). Thus the exchange rates of these currencies against the dollar standard levels similar to those of summer 2008, and significantly above the lows recorded during the crisis (in particular, 17% in Peru, 32% in Mexico, 43% in Colombia, 45% in Chile and 59% in Brazil). In real effective terms, exchange rates also continued appreciating, reaching, in the case of Brazil, a historical high (see Chart 4). The large capital inflows in late 2010 prompted interventions in the foreign exchange markets –both pre-announced (Mexico, Colombia and Chile from January) and discretionary– and the introduction of diverse capital control measures, which in most cases failed to prevent stronger appreciation than in other emerging economies (see Chart 4).

Activity and demand

The annual growth of 6.3% of the Latin American economy in 2010 is the result of rates above 7.5% in Argentina, Peru and Brazil and above 4% in Mexico, Chile and Colombia, which evidence the pervasive strength of the recovery in the region, although at varying paces (see Table 1 and the section on economic performance by country). However, just as activity was surprisingly high in 2010 H1, it was somewhat less than expected in H2. In particular, the year-on-year GDP growth rates of the region moderated to 6% and 5.3% in Q3 and Q4, respectively, around 1.5 pp below those in the first half of the year, while the quarterly rates were below 1%, compared with an average of 1.7% in H1 (see Chart 5).

	2008	2009	2010	2009				2010				March
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
GDP (year-on-year rate):												
Latin America (a)	4.3	-2.0	6.3	-2.9	-4.2	-2.6	1.7	5.9	7.9	6.0	5.3	
Argentina (b)	6.8	0.9	9.2	2.0	-0.8	-0.3	2.6	6.8	11.8	8.6	9.2	
Brazil	5.2	-0.6	7.5	-3.0	-2.8	-1.8	5.0	9.3	9.2	6.7	5.0	
Mexico	1.5	-6.1	5.5	-7.2	-9.6	-5.5	-2.0	4.5	7.7	5.3	4.6	
Chile	3.7	-1.7	5.2	-2.1	-4.5	-1.4	2.1	1.7	6.4	6.9	5.8	
Colombia (c)	3.5	1.5	4.3	-0.4	-0.1	0.8	2.9	4.2	4.9	3.6	4.6	
Venezuela	4.8	-3.3	-1.4	0.5	-2.6	-4.6	-5.8	-4.8	-1.6	0.0	0.6	
Peru	9.8	0.9	8.8	1.9	-1.2	-0.6	3.4	6.2	10.0	9.6	9.2	
Uruguay	8.6	2.6	8.5	2.6	1.1	2.8	4.7	9.6	10.5	7.7	6.5	
CPI (year-on-year rate):												
Latin America (a)	7.8	6.4	6.4	7.6	6.7	5.9	5.4	6.1	6.6	6.3	6.7	6.7
Argentina	8.6	6.3	10.5	6.6	5.5	5.9	7.1	9.0	10.6	11.1	11.0	9.7
Brazil	5.7	4.9	5.0	5.8	5.2	4.4	4.2	4.9	5.1	4.6	5.6	6.3
Mexico	5.1	5.3	4.2	6.2	6.0	5.1	4.0	4.8	4.0	3.7	4.2	3.0
Chile	8.7	0.4	1.4	4.8	1.8	-1.9	-3.0	-0.3	1.2	2.2	2.5	3.4
Colombia	7.0	4.2	2.3	6.6	4.8	3.2	2.4	2.0	2.1	2.3	2.7	3.2
Venezuela	31.4	28.6	29.0	29.5	28.2	28.7	28.1	27.4	31.9	29.8	27.3	28.7
Peru	5.8	2.9	1.5	5.6	4.0	1.9	0.4	0.7	1.1	2.2	2.1	2.7
Uruguay	7.9	7.1	6.7	8.2	6.7	7.1	6.3	6.7	6.9	6.3	6.9	8.2
BUDGET BALANCE (% of GDP):												
Latin America (a) (d)	-0.5	-2.9	-2.2	-1.5	-2.0	-3.1	-2.8	-2.7	-2.5	-2.1	-2.2	
Argentina	1.4	-0.6	0.2	1.1	0.0	-1.0	-0.6	-0.8	-0.3	0.2	0.2	
Brazil	-2.0	-3.3	-2.6	-2.8	-3.1	-4.2	-3.3	-3.4	-3.3	-2.3	-2.6	
Mexico	-0.1	-2.3	-2.8	-1.4	-1.7	-2.3	-2.1	-1.8	-2.1	-2.4	-2.7	
Chile	5.0	-4.6	-0.3	1.3	-1.5	-3.9	-4.6	-3.9	-1.1	0.0	-0.3	
Colombia	-1.8	-3.8	-3.6	-2.7	-3.0	-3.2	-3.8	-3.4	-4.0	-3.6	-3.6	
Venezuela	-1.2	-5.1	-	-2.3	-2.8	-3.9	-5.1	-4.8	-3.8	-3.5	-	
Peru	2.2	-1.8	0.0	1.4	0.1	-0.7	-1.8	-1.3	-1.0	-0.3	0.0	
Uruguay	-1.5	-1.7	-1.1	-2.1	-2.2	-2.2	-1.7	-1.9	-1.1	-1.1	-1.1	
PUBLIC DEBT (% of GDP):												
Latin America (a)	30.7	34.7	33.7	31.4	33.1	34.5	34.2	34.1	33.1	33.4	32.9	
Argentina	44.7	47.9	44.6	48.8	43.9	46.4	45.8	47.9	40.5	43.3	41.3	
Brazil	38.5	42.8	40.4	39.3	41.5	43.3	42.8	41.9	40.9	40.3	40.4	
Mexico	24.3	28.0	27.4	27.0	27.2	27.5	26.3	27.7	27.5	27.3	25.9	
Chile	5.2	6.2	9.2	5.0	4.9	5.8	6.1	6.9	7.5	8.7	9.2	
Colombia	33.2	34.7	34.8	36.8	35.2	33.6	35.1	34.3	35.1	34.7	34.8	
Venezuela	13.6	22.6	28.4	13.5	18.1	20.4	22.6	19.0	22.4	26.1	28.4	
Peru	24.2	27.3	23.9	24.8	26.1	27.2	27.3	25.5	24.2	23.7	23.9	
Uruguay	52.9	69.8	57.4	56.7	60.5	67.3	69.1	65.7	59.0	58.4	57.3	
CURRENT ACCOUNT BALANCE (% of GDP):												
Latin America (a) (d)	-0.6	-0.3	-0.7	-0.7	-0.7	-0.7	-0.2	-0.1	-0.4	-0.6	-0.7	
Argentina	2.0	3.6	1.0	2.3	3.2	3.5	3.4	3.0	2.1	1.4	0.9	
Brazil	-1.7	-1.5	-2.3	-1.5	-1.2	-1.2	-1.5	-1.8	-2.2	-2.4	-2.3	
Mexico	-1.5	-0.7	-0.5	-1.9	-1.5	-1.4	-0.6	-0.4	-0.4	-0.3	-0.5	
Chile	-1.9	1.6	1.9	-2.0	-1.4	0.7	2.6	2.4	1.8	1.6	1.9	
Colombia	-2.8	-2.2	-3.1	-3.3	-3.0	-2.7	-2.1	-2.1	-2.2	-2.8	-3.1	
Venezuela	12.0	2.6	6.1	7.6	2.9	-0.6	2.6	6.0	6.8	6.3	6.1	
Peru	-4.2	0.2	-1.5	-3.3	-2.4	-1.0	0.2	0.0	-0.2	-0.9	-1.5	
Uruguay	-4.7	0.7	-0.4	-3.8	-1.1	-0.2	0.5	0.5	0.7	0.8	-0.4	
EXTERNAL DEBT (% of GDP):												
Latin America (a)	17.5	20.6	20.7	18.7	19.6	20.8	19.8	19.7	19.2	20.3	20.5	
Argentina	38.3	37.9	34.9	43.6	37.9	39.2	36.3	36.9	32.4	34.7	32.3	
Brazil	12.0	12.4	12.2	12.2	13.3	14.0	12.2	11.9	12.0	12.3	12.2	
Mexico	11.5	18.5	18.2	19.2	17.3	17.0	16.8	17.9	17.4	17.7	18.2	
Chile	38.0	45.9	42.3	40.0	42.1	45.3	45.0	42.8	42.8	43.2	42.2	
Colombia	19.1	22.7	22.6	19.9	19.7	21.9	22.9	18.8	19.4	21.6	22.6	
Venezuela	19.4	22.6	42.7	18.8	18.6	21.4	22.6	23.8	26.9	35.0	42.7	
Peru	27.3	28.1	26.1	27.7	28.2	28.6	28.1	27.3	25.4	26.6	26.1	
Uruguay	38.5	44.9	36.2	39.2	40.9	45.4	44.5	40.7	36.8	36.4	36.2	

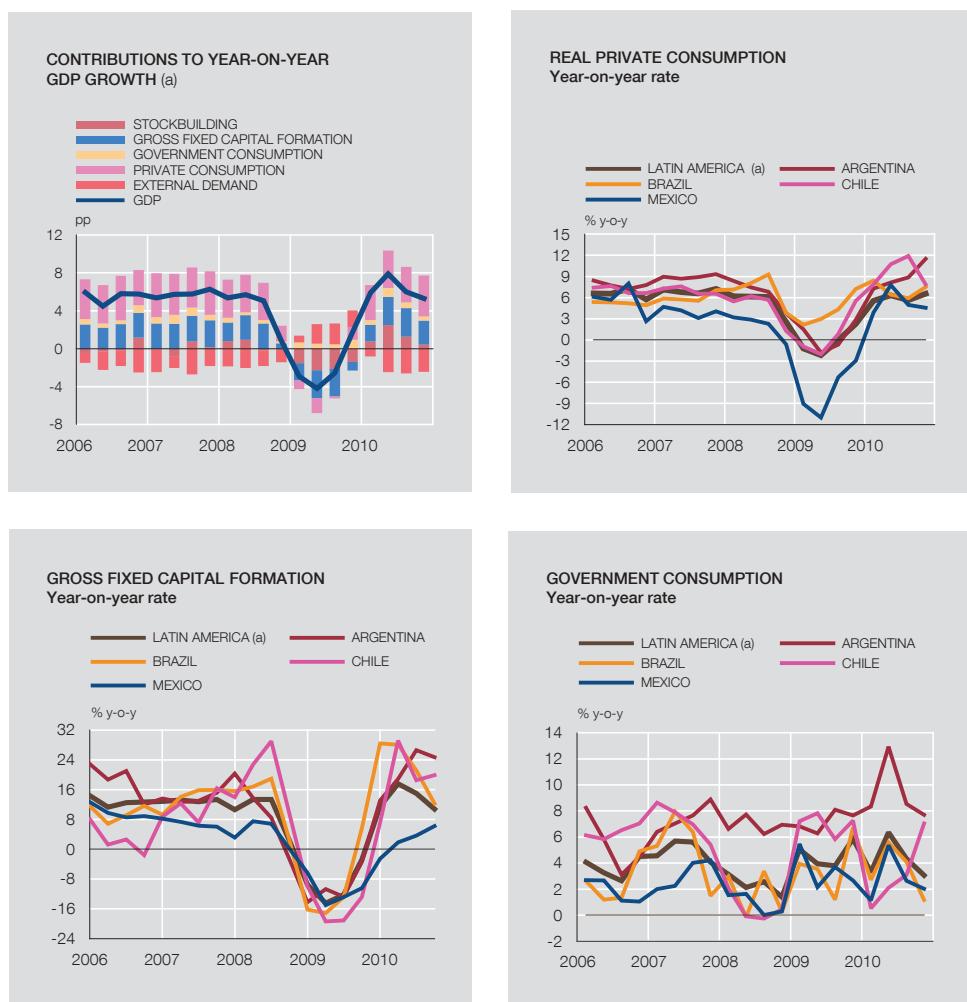
SOURCE: National statistics.

a. Aggregate of the eight countries represented, except Uruguay.

b. Private analysts consider that Argentinean GDP growth in 2008 and 2009 was considerably lower than the official figures, although this discrepancy decreased in 2010. They also consider that the inflation figures have been notably higher than the official ones since 2007 onwards.

c. Seasonally adjusted.

d. Four-quarter moving average.



SOURCE: National statistics.

a. Seven biggest economies.

This moderation was particularly notable in Brazil, as a result of the marked slowdown in investment, and to a lesser extent in Mexico, where it was due to a base effect. Indeed, the quarterly growth rates in Q3 and Q4 in Mexico were high, being well above those of Brazil. In the other countries, activity held firm, even tending to rise in Argentina and Colombia in the last quarter of the year, against a background of strong growth in domestic demand. Venezuela recorded, for the first time since the beginning of the crisis, positive year-on-year growth in Q4, which represented a lag of one year with respect to the rest of the region and did not prevent GDP from falling in 2010 as a whole.

Growth continued to be based on the buoyancy of domestic demand, which contributed 7.7 pp to GDP growth in Q4, while external demand remained relatively steady in its negative contribution to growth (2.4 pp) (see Chart 6). Private consumption remained notably strong. However, unlike in the first half of the year, there was a certain moderation in gross capital formation and a lower contribution from the inventory cycle.

Thus, in the aggregate of the region, the growth rate of gross capital formation moderated to 11.8% year-on-year from 16.5% in the second quarter (see Chart 6), with significant differences between countries. On the one hand, investment accelerated in Argentina and Mexico. In the

latter country, the growth rate of investment increased particularly in construction and agriculture, since manufacturing, which had been the driving force of the recovery in 2009, tended to moderate, perhaps indicating a certain replacement of the most-lagged sectors in the cycle and a possible shift of growth towards domestic demand. On the other hand, Brazil saw a sharp slowdown in gross capital formation from rates above 28% year-on-year in H1 to rates of 12% at the end of the year, in line with the recent performance of the industrial sector. This development was particularly marked in the capital goods sector, which contracted in Q3. Given that financing conditions and the investment outlook have remained favourable, and that foreign direct investment has recovered to levels close to its historical highs, the slowdown of the industrial sector is difficult to explain, against a background of widespread robustness of demand. In these circumstances, the exchange rate –which in real effective terms has been very high in countries such as Brazil or Colombia– may have contributed to the moderation of investment (see Box 1).

Private consumption, by contrast, held at robust growth rates in the aggregate of the region, around 6.5% in Q4 (see Chart 6), in line with the favourable performance of the labour market, which continued to perform better than in previous recoveries. Unemployment rates fell to levels similar to or lower than those before the crisis in the main South American countries (see Chart 7). In Brazil, this indicator moved through successive historical lows to stand at 5.3% in December; in Argentina it stood at 7.3% and in Chile and Peru decreased rapidly to approach the low before the crisis. Meanwhile, in Mexico, although the labour market situation improved in the six-month review period, it continued to be more fragile, which, along with the slow recovery of remittances due to the weakness of the American labour market, tended to hinder the recovery of private consumption. In the countries where the labour market was firmer, wage growth generally adjusted to that of inflation. In Mexico are, by contrast, wages decreased moderately in nominal terms. Against this background, consumer confidence indicators remained at very high levels and credit to the private sector tended to take off (see Chart 7). In Brazil and Peru, credit expanded again at rates above 20% year-on-year in real terms, prompting the introduction of macroprudential measures and restrictions in some segments, while in Mexico it recouped positive growth rates after two years of contraction or stagnation, and in the other countries it seems to be growing at rates in accordance with the position in the cycle.

Turning to the external sector, real imports grew rapidly (at year-on-year rates above 23% in the region as a whole in 2010 Q4), while real exports posted growth rates around 11%. Despite the high growth elasticity of imports, the increase in the terms of trade (20% in the region in 2010) has continued to allow the trade balance of the region to remain in appreciable surplus (2% of regional GDP). In fact, the seven countries on which this report focuses recorded trade surpluses in 2010, although in most cases the contribution of price changes exceeded that of the volumes traded. In this respect, it should be noted that in 2007 the trade surplus was more than twice the current one, and that, if the current surplus were adjusted for a level of commodity prices in line with the long-term historical level, the trade balance would show a deficit of around 1% of the GDP of the region (see Chart 7).

The region registered an aggregate current deficit of -0.7% of GDP in 2010 with notable differences between countries (see Chart 8). In some countries, including Brazil, there was a notable deterioration, particularly due to the behaviour of the services balance, which may be related to the strength of the exchange rate. The rapid accumulation of reserves which continued in this period in the whole of the region shows that the financing of the current account deficit has not posed a problem (see Chart 8). However, in some countries, despite the recent recovery of direct investment flows, the financing structure continued to be more dependent on other flows considered to be less stable, and, in fact, in some countries this investment does not cover the current deficit.

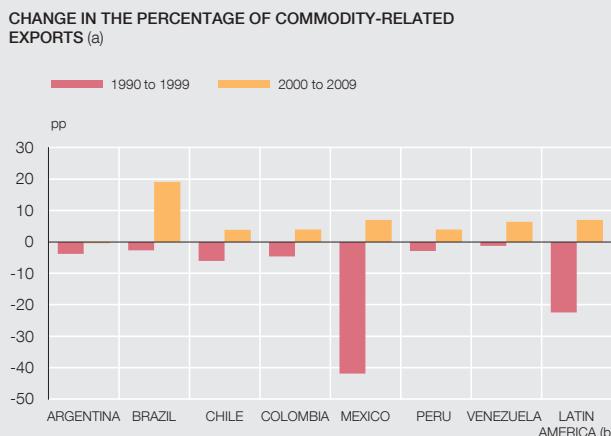
Latin America has traditionally been a commodity exporting region, a feature which has become more noticeable in the past decade (Chart 1) as a result of the growth in demand for these products by the Asian developing economies, particularly China. This growth has been reflected in an upward trend in commodity prices since 2003, which has sharply increased the region's terms of trade (the ratio of export prices to import prices). Thus the last seven years have seen cumulative increases of 14% in Mexico, 25% in Brazil, 28% in Argentina, 55% in Peru, 60% in Colombia, 110% in Chile and 353% in Venezuela, and it has stood at record highs since the 1990s in most countries (see Chart 1).

Higher terms of trade benefit the region in numerous ways. These include improved income, which boosts demand and activity; higher public revenue; improved external balance, as the increase in nominal exports tends to offset the increase in imports derived from the strong growth of domestic demand; and the attraction of capital flows, whether in the form of direct investment in the primary sector or in other forms, due to the general improvement in growth prospects. However, the increase in the terms of trade may also bring unfavourable economic effects. For example, the expansion induced by it tends to generate inflation and may increase the volatility of the business cycle, since commodity prices are usually less stable than those of manufactures or services, and may even give rise to a deterioration in institutional quality.¹ Finally, the increase in the terms of trade may give rise to so-called "Dutch disease", which is analysed in this box.

1. See, among others, A. Gelb et al (1988), *Oil Windfalls: Blessing or Curse?* World Bank, Oxford University Press, and Jeffrey D. Sachs and Andrew M. Warner (2001), "The curse of natural resources", *European Economic Review*, vol. 45.

EXPORT STRUCTURE AND TERMS OF TRADE

CHART 1



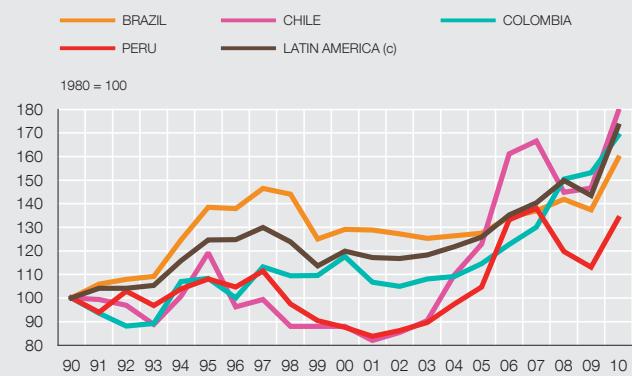
SOURCES: World Bank and national sources.

- a. Percentage points. Comprising food, agricultural commodities, fuels and metals.
- b. Includes central America and the Caribbean.
- c. Seven largest economies.

The term "Dutch disease" was coined by *The Economist* in 1977 to describe the recession in the Dutch manufacturing sector following the discovery of large gas reserves in the North Sea, and describes the loss of competitiveness of a country's tradable sector derived from the effects of exploitation of natural resources with a high world demand. The consequent improvement in the terms of trade generates an inflow of foreign exchange from exports and simultaneously an expansion of demand which leads to an appreciation of the real exchange rate, either through nominal appreciation or through increased inflation, and gives rise to a deterioration in relative prices between tradable goods (except commodities) and non-tradables (particularly services). Moreover, when the relative profitability of investment in the primary sector versus in the non-tradable sector increases, resources tend to be diverted to those sectors and, depending on the degree of flexibility of the factor markets, upward pressure is put on wages and on the return on capital in the economy as a whole, further prejudicing the competitiveness of the sectors subject to international competition. In the medium term, the increase in the value of the primary sector exports may not offset the decrease in the exports of other sectors (particularly if the volume of commodity exports is not very price elastic, as in the case of non-renewable resources or those requiring long-term investment, such as oil, gas or mining). This situation, along with the fact that part of the increase in national income passes through to imports, may end up worsening the external balance.

Is there evidence of the presence of this type of phenomenon in the region? Chart 2 shows some indicators which allow this possibility to be evaluated. First, there seems to be a correlation between the behaviour of the terms of trade and that of real effective exchange

TERMS OF TRADE



rates in the region,² especially in Brazil, although also in Mexico, Colombia and Chile.³ In some countries, the real effective exchange rate stood, like the terms of trade, at a historical high.⁴ Furthermore, as shown by the chart, from 2010 Q2 various Latin American countries have experienced an appreciable disassociation between supply indicators, such as industrial production (stagnant since summer 2010) and demand indicators, such as retail sales, which continue to grow strongly.

As shown by the sectoral disaggregation in the middle left-hand panel of Chart 2, the primary sectors of certain countries (boosted by commodity prices), the most strongly consumption-oriented services sectors (boosted by domestic demand growth) and other non-tradable goods sectors, such as construction, have led growth in the latest expansionary phase, while the manufacturing sectors have lagged. These trends are most noticeable in the case of Brazil, where average GDP growth between 2007 and 2010 (4.5%), driven by telecommunications, trade and mining, is much higher than that of the manufacturing sector (2.7%). However, similar kinds of development occur in Chile, Colombia and Venezuela. Peru is an exception, since its industry unrelated to the primary sector has grown at a very similar rate to that of the average of the other sectors and of GDP.

Additional evidence would be provided by a shift of resources to more profitable sectors following an increase in the terms of trade. In this respect, the ratio between employment in industry and in services has decreased sharply in various countries in the region (Brazil, Peru and Colombia), although this decrease was not because of a fall in employment in industry, but rather because of a much higher rise in employment in services.⁵

Further, the bottom panels of Chart 2 show that commodity exports have grown strongly in volume in most countries of the region (except oil in Mexico and Venezuela, the production of which has been declining for some time), in clear contrast to the volume of manufacturing exports, which either fell year-on-year throughout 2010 or slowed sharply (except in Peru and, to a lesser extent, Chile), perhaps indi-

cating that manufactured goods exports are being crowded out by commodity exports.⁶ Finally, the current account balance deteriorated during 2010, as is natural in economies with high demand growth and imports growing faster than exports. However, these developments were not attributable to the goods balance, whose surplus increased, but rather to the services balance (more than half of the deterioration), reflecting the increase in national income, and to the income balance, which seems to reflect a higher repatriation of dividends of the firms exploiting the region's resources (see Chart 11 of the main text for the case of Brazil).

In short, although the evidence is not conclusive and the picture is complicated by some structural characteristics of the countries,⁷ certain signs point to some negative effects of the exchange rate appreciation on the competitiveness and performance of other sectors exposed to international competition, such as the fall in the volume of manufacturing exports in some countries at a time of buoyant commodity exports and sharp exchange rate appreciation, the weaker recovery of employment in manufactures compared with other sectors more tightly linked to domestic demand and, above all, the stagnation of industrial production despite the boom in demand.

However, to be able to speak of Dutch disease in the strict sense, it would be necessary to demonstrate that what dominates real exchange rate behaviour is the improvement in the terms of trade derived from the commodity price boom. And this is difficult to prove because another factor (strong capital inflows) has recently been influencing the trend of real exchange rate depreciation in the region. Thus the correlation between capital inflows and real exchange rate appreciation is very high for Brazil, Mexico and Colombia, as seen in Chart 3. However, it can be argued that some countries' capital inflows are partly induced by the commodity boom itself, insofar as this tends to attract capital into the commodity sectors or, indirectly, to improve growth prospects. Thus a high correlation between terms of trade and capital inflows is discernible in the recent period, above all in Brazil and Peru (see Chart 3). Therefore, although capital inflows hinder recognition of the symptoms of Dutch disease in Latin America, they may constitute an additional channel through which the improvement in the terms of trade negatively affects the competitiveness of non-primary exports in these countries.

Given the prospects of ongoing growth in demand, particularly that from Asia, it is likely that commodity prices will remain high and hence that the direct investment flows associated with the primary sector will also be significant, as compared with more

2. Most of the calculations in this box exclude Argentina and Venezuela because they use the exchange rate as a monetary policy instrument, which means that the relationship between the terms of trade and the exchange rate is of little use for our purposes. In other cases, the calculations exclude Mexico, given that it is the country with the lowest proportion of commodities in its exports, and given that the development of its industry is more closely linked to the US cycle and to relative wages than to the real exchange rate. **3.** In the case of Chile, the low correlation between the terms of trade and the real exchange rate is because a large part of the income gains derived from higher commodity prices are accumulated in the Sovereign Wealth Fund (*Fondo de Riqueza Soberano*), which short-circuits the transmission of higher export income to the nominal exchange rate. **4.** The correlation should be established within the framework of an empirical model which takes into account, in addition, other drivers of appreciation, such as growth, public expenditure, remittances and capital flows. In this respect, López, Molina and Bussolo (2007) consider that, in a wide sample of emerging economies, a 1% increase in the terms of trade would generate an appreciation of 0.3% in the real exchange rate, with the ratios being significant in most cases. **5.** 58% in services against 29% in industry between 2005 and 2010 in Peru, or 21% against 4% in Brazil.

6. The case of Chile may be special because it has entered into a multitude of free trade agreements which enable it to take advantage of niche markets in each case, which may lessen somewhat the influence of the exchange rate on the competitiveness of industry. The use of this strategy, albeit from more recent date, has also been embraced by Peru. **7.** For example, Brazil is a country whose openness to trade measured as imports and exports in proportion to GDP is very low, and furthermore its manufactures are relatively diversified.

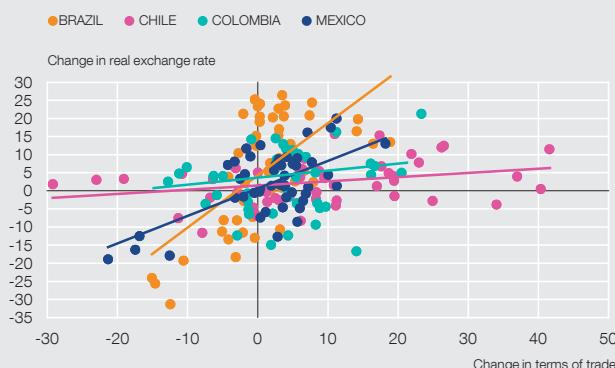
COMMODITY PRICES AND EXCHANGE RATE APPRECIATION: ARE THERE SIGNS OF DUTCH DISEASE IN LATIN AMERICA? (cont'd)

BOX 1

POSSIBLE SIGNS OF DUTCH DISEASE

CHART 2

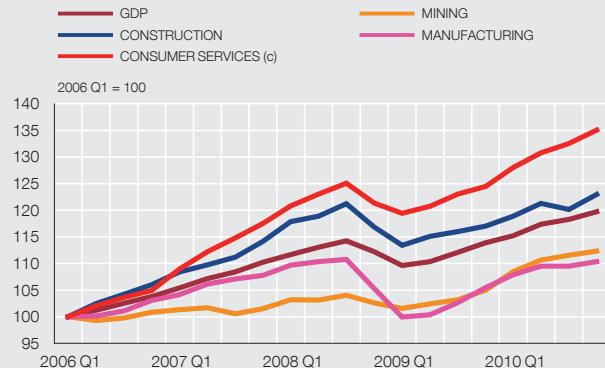
LATIN AMERICA: TERMS OF TRADE AND REAL EFFECTIVE EXCHANGE RATE (a)



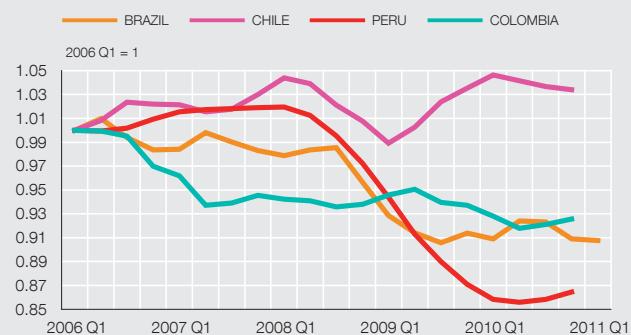
INDUSTRIAL PRODUCTION AND RETAIL SALES (b)



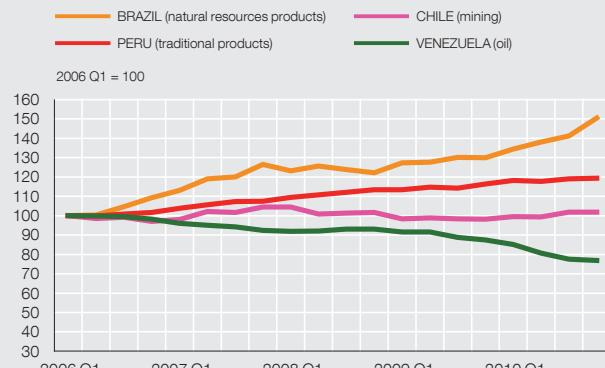
LATIN AMERICA (b): SECTORAL GDP



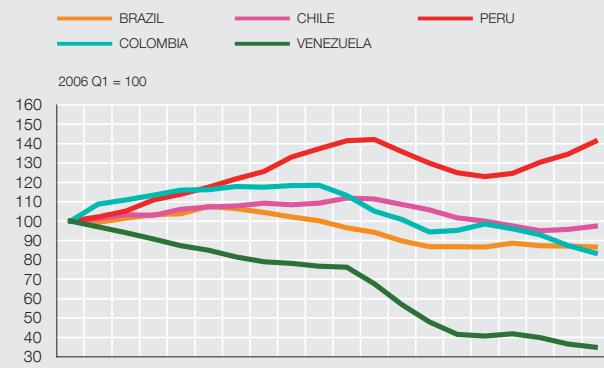
LATIN AMERICA: RATIO OF INDUSTRIAL EMPLOYMENT TO SERVICES EMPLOYMENT



LATIN AMERICA: COMMODITY EXPORTS (VOLUME)



LATIN AMERICA: EXPORTS (VOLUME) EXCLUDING COMMODITIES



SOURCES: National sources.

- a. Year-on-year change between 1999 and 2010.
- b. Seven largest economies.
- c. Trade, telecommunications and financial services.

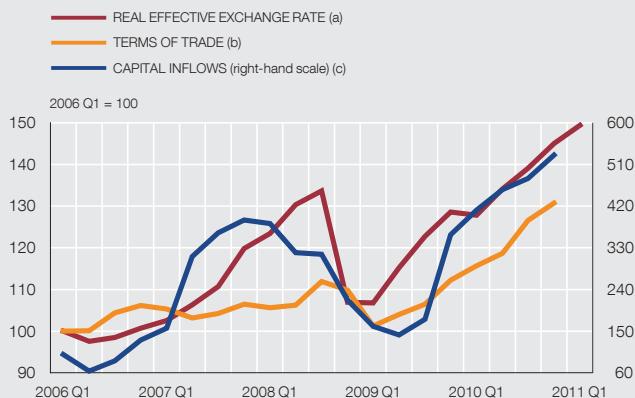
volatile and less persistent behaviour of other flows. This would strengthen the trends of an increasing primary-sector presence in the export structure and of a structurally higher real exchange rate. To counteract the competitive difficulties of their non-primary industries, the Latin American countries should consider structural policies designed to improve industrial productivity. Particularly significant in this respect are the proposals that a part of the wealth generated by natural resources should be created or accumulated in sovereign wealth funds (Chile, Colombia and Peru) and the recommendation to develop national sectors complementing the exploitation of natural resources, which generate ex-

ternalities for the rest of the economy, such as the implementation of new technologies and longer-term policies to improve educational standards and physical and human capital. At times like the present, characterised by trend appreciation of real exchange rates and sharply increasing demand, it seems advisable to make use of the exchange rate flexibility to prevent real appreciation from occurring through the mechanism of rising inflation. Therefore, policies designed to prevent overreaction of the nominal exchange rate derived from capital flow cycles, such as foreign exchange intervention or the imposition of capital controls, should be carefully calibrated.

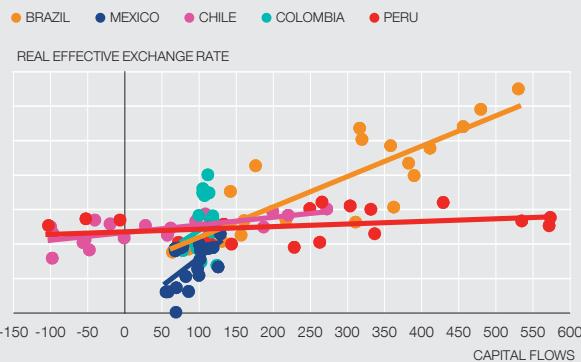
EXCHANGE RATES, CAPITAL FLOWS AND TERMS OF TRADE

CHART 3

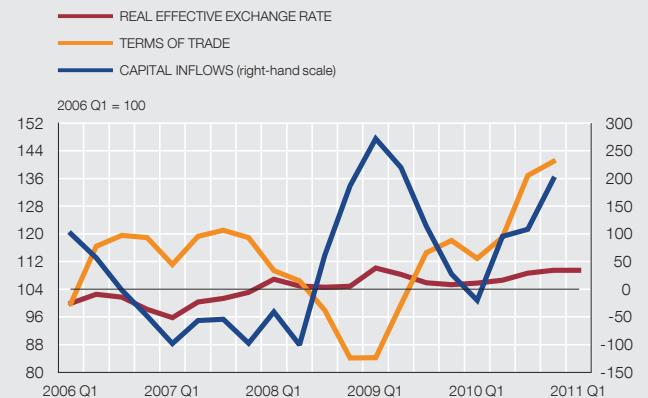
BRAZIL



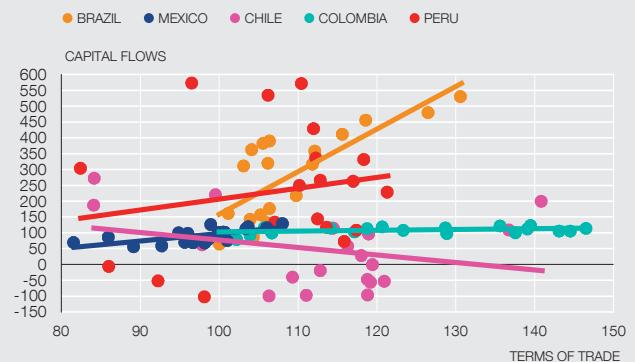
REAL EXCHANGE RATE AND CAPITAL FLOWS
(2006 Q1 = 100)



CHILE



CAPITAL FLOWS AND TERMS OF TRADE
(2006 Q1 = 100)

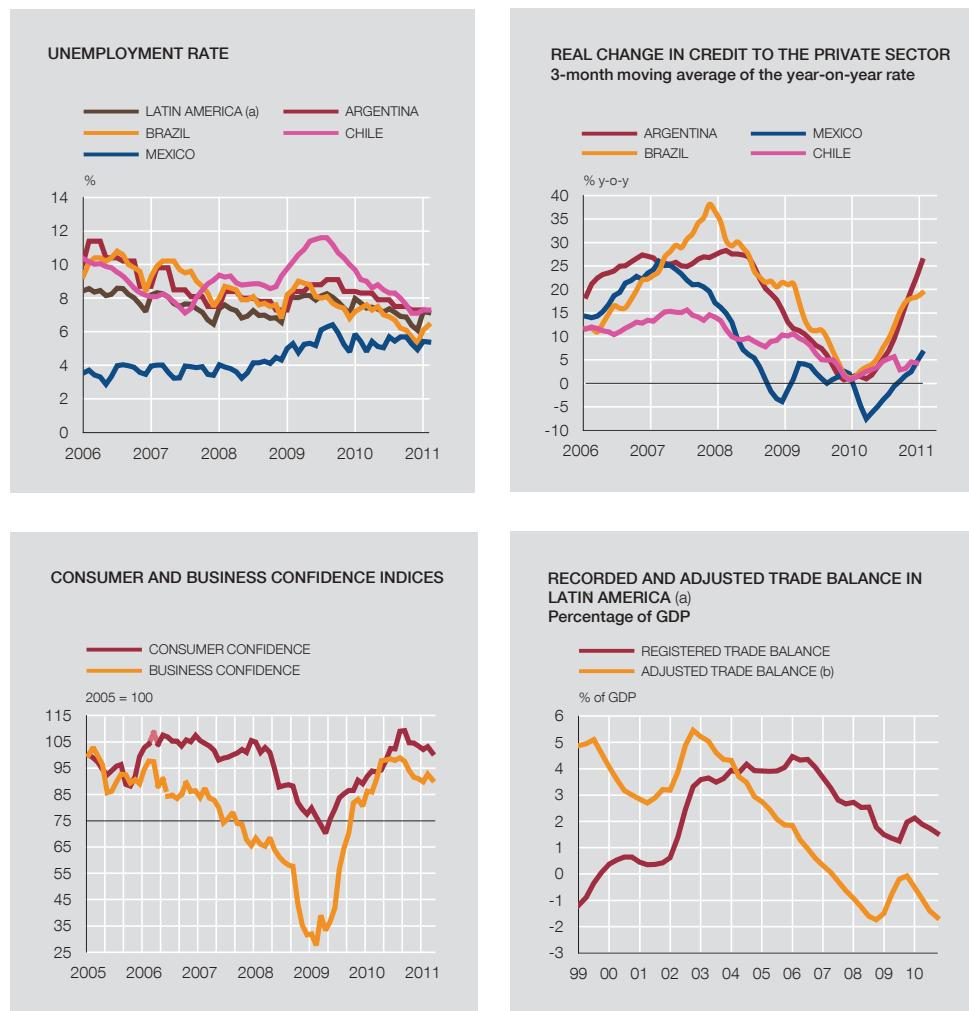


SOURCES: National sources.

- a. Base 100 in 2006 Q1.
- b. Base 100 in 2006 Q1.
- c. Sum of portfolio and direct investment inflows, base 100 in 2006 Q1.

EMPLOYMENT, DEMAND AND CREDIT INDICATORS
Three-month moving average of the year-on-year rate, and percentage

CHART 7



SOURCE: National statistics.

a. Seven biggest economies.

b. Estimate of the trade balance setting export and import prices at their average from 1990 to 2007.

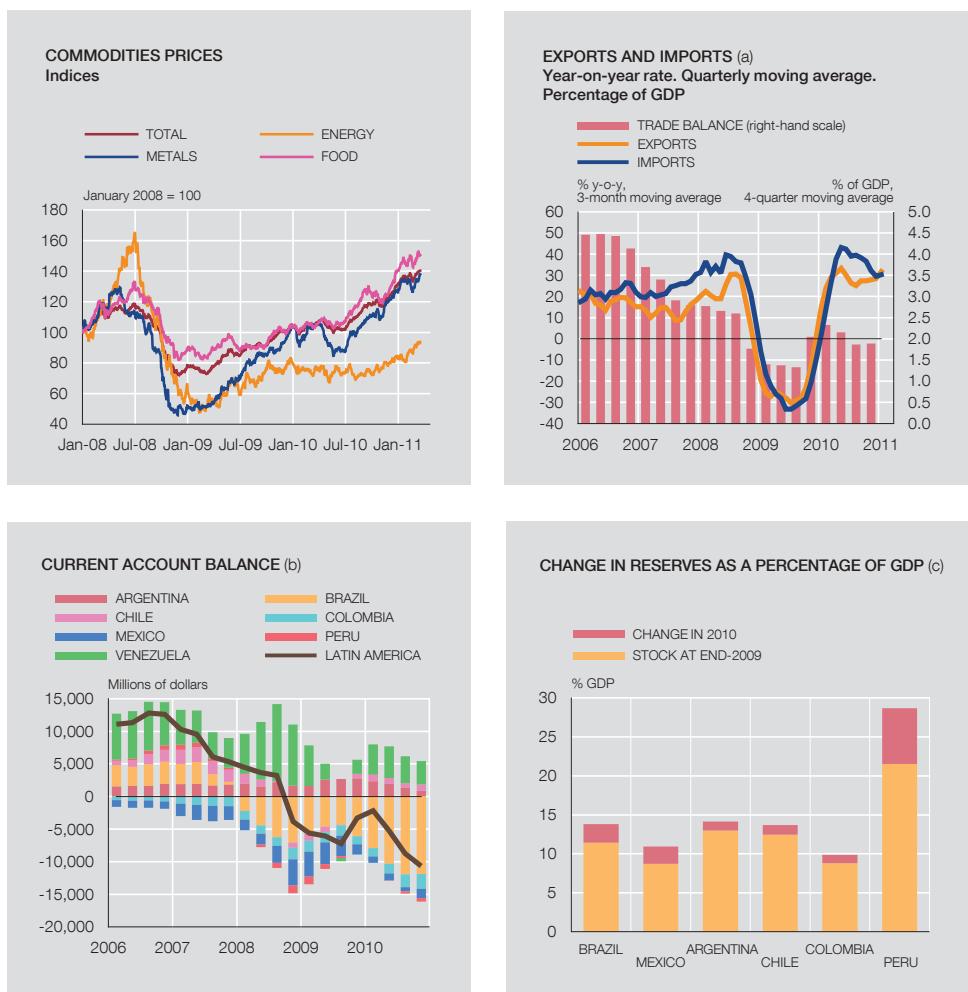
**Prices and
macroeconomic policies**

One of the main changes in the macroeconomic performance of Latin America in the last six months has been the rise in inflation, which is approaching rates of 6.5% year-on-year in the regional aggregate (see Chart 9). This increase is largely explained by the performance of Brazil, where the year-on-year rate reached 6.3% in March, in the upper half of the target band. In Peru, Chile and Colombia, price rises were more moderate, reaching rates of 2.7%, 3.4% and 3.2%, respectively, although in all of them inflation expectations have trended upwards (see Table 2). Only in Mexico did inflation decrease to 3% (in the middle of the target band), thanks to the disappearance of the base effect of the VAT rise in early 2010, favoured by the persistence of a certain output gap and the strengthening trend of the exchange rate in recent months. At the opposite extreme, Argentina and Venezuela continued recording very high inflation (around 10% and 29%, respectively). In Argentina, private analysts' estimates are above 20% and there is a certain concern about a possible price and wage rise spiral.

Until mid-2010, consumer prices performed favourably in the five countries with inflation targets (against a background in which output gaps had not yet closed), although risks associated with

EXTERNAL ACCOUNTS AND DETERMINANTS
Year-on-year rates of change, indices and billions of US dollars

CHART 8



SOURCES: National statistics, central banks and Banco de España.

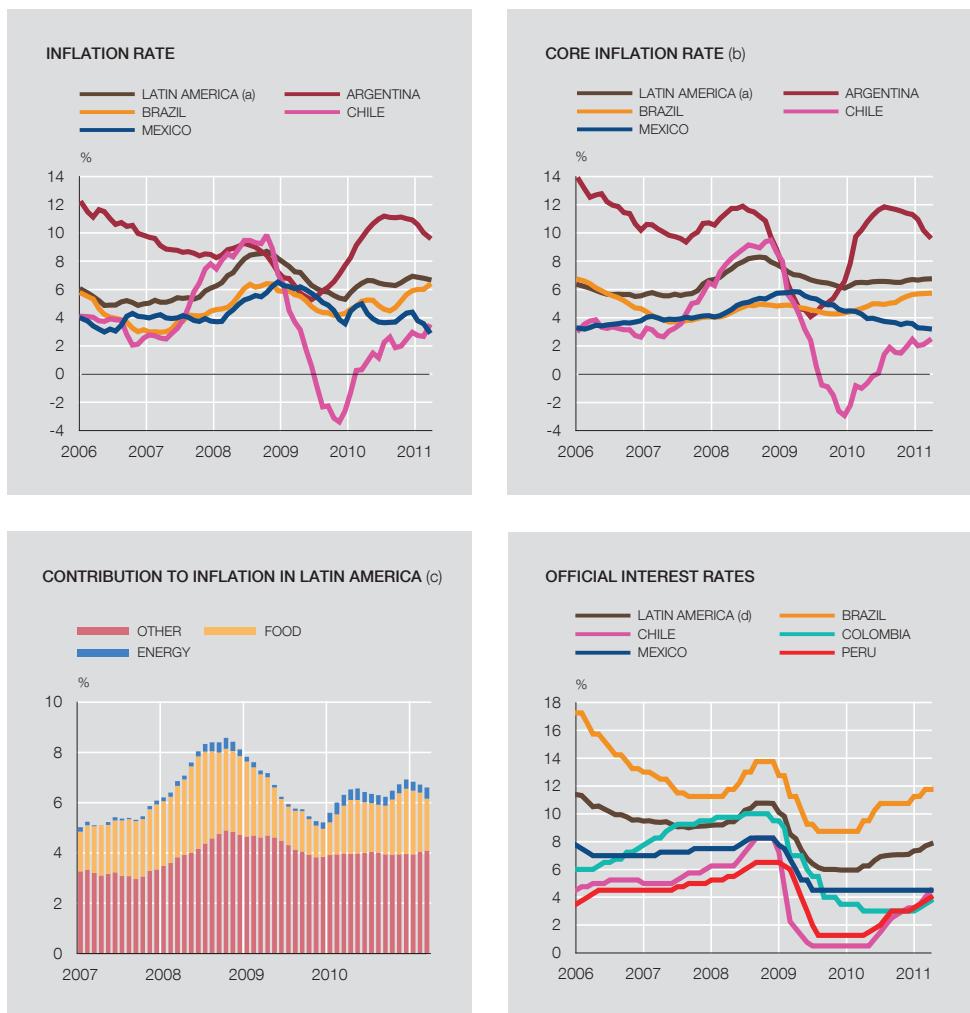
- a. Customs data in dollars, aggregate of the seven biggest economies.
b. Four-quarter moving average.
c. Change in reserves in 2009 and 2010 as a percentage of 2010 GDP.

commodity (particularly food) price rises were already apparent in the international markets. Given the high share of food in the consumer basket of Latin American countries, the acceleration of food prices in international markets from September (by more than 40%) prompted a rise in inflation in all countries. Also, there is a risk that the recent energy price rise will reinforce this trend, not so much by its direct effect (which in many countries is lessened by petrol consumption subsidies and by its lower weight in the CPI basket), but by its impact on food prices.

The main risk of pass-through of food and other commodity price rises to consumer prices (illustrated in Chart 9) is in the appearance of second-round affects, with a labour market near to full employment and possibilities of overheating in various countries. However, for the time being these effects have not been observed (indeed, core inflation has risen more moderately than overall inflation) and monetary policies seem to be responding more firmly in recent months, at least in some countries. However, as a recent comparison, it should be remembered that in 2008 food price rises pushed overall inflation towards rates of 8% year-on-year in the region as a whole and that core inflation was not far behind it.

INFLATION AND OFFICIAL INTEREST RATES
Year-on-year rates of change and percentage

CHART 9



SOURCES: National statistics and Banco de España.

- a. Aggregate of the seven main economies.
- b. Official measures.
- c. Banco de España calculations stripping out the food and energy indices from the overall index.
- d. Weighted average of the official rates of the five countries with inflation targets.

Against this background, four of the five countries with inflation targets have continued or commenced the cycle of official interest rate rises in the last six months (see Chart 9 and Box 2). The capital inflow which took place between September and November 2010 temporarily interrupted the interest rate rises in Brazil and Peru during the closing months of 2010 and moderated them in Chile. After a four-month pause, the central bank of Brazil again raised the official interest rate in January, against a background of lower pressure from capital inflows, setting it at 12.00% in April, which amounted to a cumulative rise of 275 bp from the beginning of the upturn. This rise, which is moderate in historical terms, was accompanied by a wide range of macroprudential and capital control measures designed to contain credit growth, evidencing a change in the focus of monetary policy instrumentation. This, together with the exchange rate appreciation of nearly 20% in real effective terms since the beginning of 2010, amounts to a notable tightening of monetary conditions in Brazil. However, real interest rates continue to be 2 pp below those in 2008 and there was another injection of funds into public sector banks at the beginning of 2011, which might reactivate public credit following the moderation in late 2010.

INFLATION
Year-on-year rates of change

TABLE 2

Country	2010			2011		2012	
	Target	Dec-10	Fulfillment	Target	Expectations (a)	Target	Expectations (a)
Brazil	4.5 ± 2	5.9	Yes	4.5 ± 2	6.0	4.5 ± 2	4.9
Mexico	3 ± 1	4.4	No	3 ± 1	3.8	3 ± 1	3.8
Chile	3 ± 1	3.0	Yes	3 ± 1	4.3	3 ± 1	3.4
Colombia	3 ± 1	3.2	Yes	3 ± 1	3.7	3 ± 1	3.6
Peru	2 ± 1	2.1	Yes	2 ± 1	3.1	2 ± 1	2.5

SOURCES: National statistics and Consensus Forecasts.

a. April 2011 Consensus Forecasts for the end of the year.

In Chile there was also a certain slowdown in the pace of official interest rate rises at the end of 2010, against a background of exchange rate strength, which gave rise to the announcement of a \$12 billion reserve accumulation programme to contain the appreciation of the peso and strengthen the international liquidity position (up to 17% of GDP). However in March, amidst lower exchange pressures, Chile surprised the markets with a rise of 50 bp in the official interest rate, larger than expected, to 4%, followed by another 50 bp in April, intended to correct the disanchoring of inflation expectations in recent months. In Peru, the official interest rate stood at 4% in April, representing a cumulative increase of 275 bp in the current cycle, while the foreign currency reserves held to meet external obligations due in less than two years and the bank reserve ratio increased considerably. In Colombia, the upward cycle in monetary policy began in 2011, with three rises of 25 bp in February, March and April, signalling the beginning of normalisation of interest rates, consistent with the gradual recovery of the economy and the rising trend in inflation. Finally, only Mexico among the countries with a inflation target held official interest rates steady (at 4.5%). Despite the official interest rate rises, in the five countries with inflation targets as a whole the weighted average interest rate remained around 3 pp below the level at the beginning of 2008 (see Chart 9).

In Argentina monetary policy has not reacted to the progressive increase in inflation since mid-2009 (M2, which is the target, continued growing at high rates); rather, the government has reimposed price controls and prohibited some agricultural exports. Nor did monetary policy respond to the higher inflation in Venezuela, where the interest rate ceilings on loans and deposits remained unchanged.

Most notable in the fiscal area in 2010 was the stabilisation of both primary and total public balances at regional level following the improvement in H1 (see Chart 10). Despite the limited progress in the recovery of a more restrictive fiscal stance and although primary expenditure continued growing strongly in real terms (see Chart 10), the public finances ended 2010 with a primary surplus and a moderate reduction in the budget deficit at regional level. As an exception, the Mexican public finances showed a certain deterioration with respect to 2009, due mainly to the increase in pension expenditure and despite the higher growth of the economy. The fiscal projections for 2011 foresee some changes in the region as a whole. Brazil announced a significant cut in budgeted expenditure in 2011 (by 1.2% of GDP), in order to rein in the rate of growth of the economy and the inflationary pressure. Although the measure has value as signalling mechanism, its restrictive nature is not absolutely clear, since the final expenditure in 2011 will be higher than that in 2010. Chile and Peru have also recently announced reductions in budgeted public expenditure of around 0.4%-0.3% of GDP for 2011, respectively.

Since the beginning of the 1980s there have been significant changes in the institutional design and monetary policy conduct of central banks at global level. In Latin America these changes arrived later, in the 1990s, but were more radical, since they enabled the region to leave behind a regime of high monetary instability. This Box describes the changes undergone by the Latin American central banks in the past two decades and their main achievements, making special mention of the efficient management at the height of the global financial crisis, and also looks at the challenges going ahead.¹

For decades the role of Latin American central banks was largely subordinated to the financing needs of the public sector. This gave rise to numerous and recurring bouts of high inflation, and even hyperinflation, which had increasing costs in terms of growth and revenue distribution. In the early 1990s, owing to the broad social consensus in favour of greater price stability, increased independence was granted to central banks, price stability was set as their primary objective and lending to government was prohibited or limited in amount. These reforms were supplemented by other institutional changes to facilitate the task of monetary policy. Such changes included most notably lesser fiscal laxity and improved regulation and supervision of banking systems, which arose also as a response to the recurring banking crises in the region in the preceding decades. In some cases exchange rates and monetary aggregates were progressively abandoned as nominal anchors and replaced by monetary regimes based on direct inflation targets as a mechanism for fixing expectations. Although the region remains highly heterogeneous with regard to monetary policy regimes, five central banks adopted inflation targets between 1999 and 2002 (Brazil, Chile, Colombia, Mexico and Peru), while Argentina adopted a monetary ag-

gregate as its target,² Venezuela retains a fixed exchange rate and other countries, such as Ecuador, have formally replaced their currency by the dollar. In any event, a characteristic of the Latin American inflation target regimes on which this Box particularly focuses is that they have continued considering the exchange rate as a significant policy variable, a conviction which has led them to intervene in the foreign exchange markets to, among other things, limit exchange rate volatility.

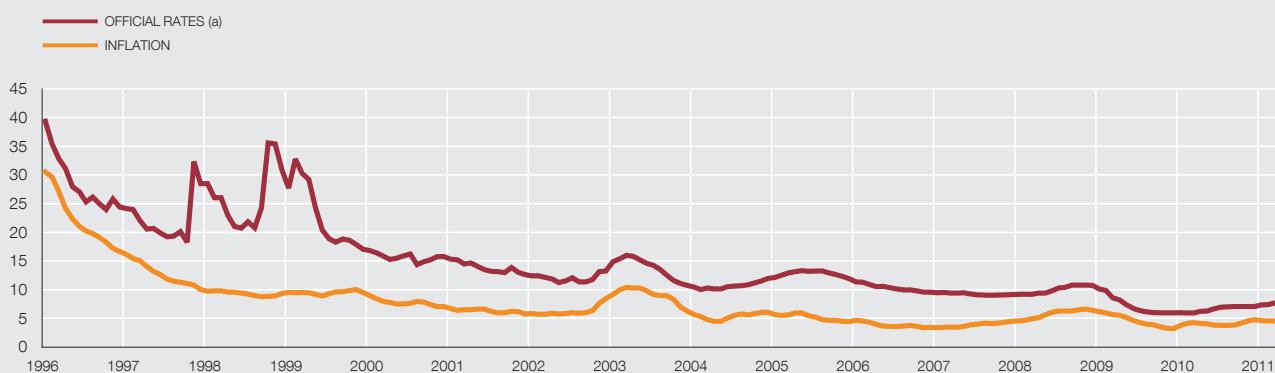
Thanks to their improved institutional design and greater level of independence, central banks, particularly those with inflation targets, helped Latin America to achieve greater macroeconomic stability and greater monetary policy credibility. This helped the region to participate in the prolonged expansionary phase of the world economy in the first few years of the new century, against a background of relative price stability, despite their past history of notable financial volatility and currency depreciation. Indeed, although there is some disagreement in this respect, most studies in the empirical literature find that countries with inflation targets have reduced the level and volatility of inflation and enjoy generally more stable activity.³

More recently, the Latin American economies have found a way to manage significant shocks more successfully than in the past. These shocks include the food and fuel price rises in 2007/2008 and, subsequently, the impact of the global financial crisis, which in Latin America took the form of a short recession followed by a strong recovery. In this respect, it was the first time that use could be made of a counter-cyclical mone-

1. This Box takes as its main reference a conference held last December at the Banco de España. The conference was given by Klaus Schmidt-Hebbel (Universidad Católica de Chile) on the occasion of the V High Level Seminar of the Eurosystem and the Latin American central banks. The Box also includes the discussions which followed the conference and those in the seminar. See Documentos Ocasionales No. 1102 of the Banco de España, "Central Banking in Latin America: Changes, Achievements, Challenges". The articles cited in this Box and which are also listed in the bibliography given here are not referenced in their full form.

2. Nevertheless, in practice it also treats the exchange rate of the peso against the dollar as a nominal anchor. 3. There is controversy over the effectiveness of inflation target regimes in reducing the level and volatility of inflation and the volatility of production, depending largely on the econometric method used. Thus Mishkin y Schmidt-Hebbel (2007) find evidence of this improvement in efficiency, while S. Lin and H. Ye (2009), «Does Inflation Targeting Make a Difference in Developing Countries?», Journal of Development Economics, 89, pp. 118-123, find it for emerging countries as a whole, although with a great heterogeneity among them depending on the characteristics of the country. Finally, R. Brito and B. Bystedt (2010), "Inflation Targeting in Emerging Countries: Panel Evidence", Journal of Development Economics, 91, pp. 198-210, do not find these effects to be significant.

INFLATION AND OFFICIAL RATES



SOURCES: Datastream and national sources.

a. Five countries with inflation targets: Brazil, Mexico, Chile, Colombia and Peru.

tary policy, which managed to significantly reduce interest rates when conditions so required thanks to the greater exchange rate flexibility. Comparison of the drivers of the two most recent recessions in the region, i.e. those in 1998-1999 (linked to the Asian crisis) and 2008-2009 (linked to the global financial crisis), reveals that opposite financial policy responses were followed in the two cases: in the first, the region's central banks had to raise official interest rates to defend the fixed exchange rate; in the second, the central banks with inflation targets reduced them. The result was that in the first recession real interest rates increased much more than in the second and that the negative effect of real interest rates on growth was insignificant in the second [Corbo and Schmidt-Hebbel (2010)].

Furthermore, in the recent crisis non-conventional policy responses could be used, such as the reduction of reserve ratios, the granting of liquidity in local currency and foreign currency,⁴ or the relaxation of collateral requirements, all of which were important in mitigating its impact on the financial system. Also, interventions in the exchange markets to moderate downward pressure on currencies helped to cushion the impact of the crisis. In this respect the region's central banks applied the inflation target regimes flexibly during the period of financial stress, and interventions were more effective in mitigating exchange rate volatility than under other monetary policy approaches.⁵

Having passed this crucial test for monetary policy credibility, the Latin American central banks now face a significant number of challenges, some of them shared with other central banks. Notable among them are the reform of supervision and regulation following the crisis, the integration of macroprudential regulation with more conventional monetary policy instruments, and the analysis of the implications of asset prices and financial frictions for monetary policy. They also share common challenges with the central banks which have inflation targets, such as improving transparency and communication, deciding on the advisability of adopting an overall or core inflation target, etc, or

choosing whether or not to raise inflation targets as a means of tackling the problem posed by the official interest rate floor, an issue which is particularly controversial in a region where monetary policies have probably not yet reached maximum credibility.

Moreover, the characteristic features of Latin America entail some specific challenges. Latin American countries are highly sensitive to external shocks, since the region is relatively open both commercially and financially, an exporter of commodities whose prices are set on the international markets and the recipient of capital flows which by their very nature are volatile. Thus in recent years many of the region's central banks have periodically faced a monetary policy dilemma. This dilemma comes about when an upturn in inflation, partly derived from improved terms of trade due to commodity price rises, would make it advisable to raise interest rates, but there is a fear that such interest rate rises may trigger exchange rate appreciation and excessive and destabilising capital inflows, in a setting in which the exchange rate is already relatively high. For this reason, some of the region's central banks (Brazil, Colombia and Peru) have opted to raise reserve ratios, among other measures, so that monetary policy is more restrictive but does not attract capital flows.

To cope with this monetary policy dilemma, some governments and central banks in the region have also adopted other measures as the economic recovery and financial stability have progressively returned to the region. These measures (see accompanying table) are designed to moderate capital inflows or facilitate capital outflows and, in some cases, can be considered full-fledged capital controls. However, they are temporary measures to mitigate real exchange rate appreciation which, in a situation of economic boom and commodity price rises, tends to follow an upward trend. To prevent such an exchange rate adjustment, recourse must be had to fundamentals, in particular by means of an increase in domestic saving, specifically that of the public sector. This situation calls for fiscal policies of a more counter-cyclical nature, reinforced, where appropriate, by fiscal rules (for example, saving what is considered to be the temporary component of a commodity price rise in sovereign wealth funds) to ensure that the various policies are consistent. Meanwhile, maintaining the anti-inflationary credibility of central banks is probably the best contribution to resolving these dilemmas and to fostering an environment of monetary stability conducive to growth.

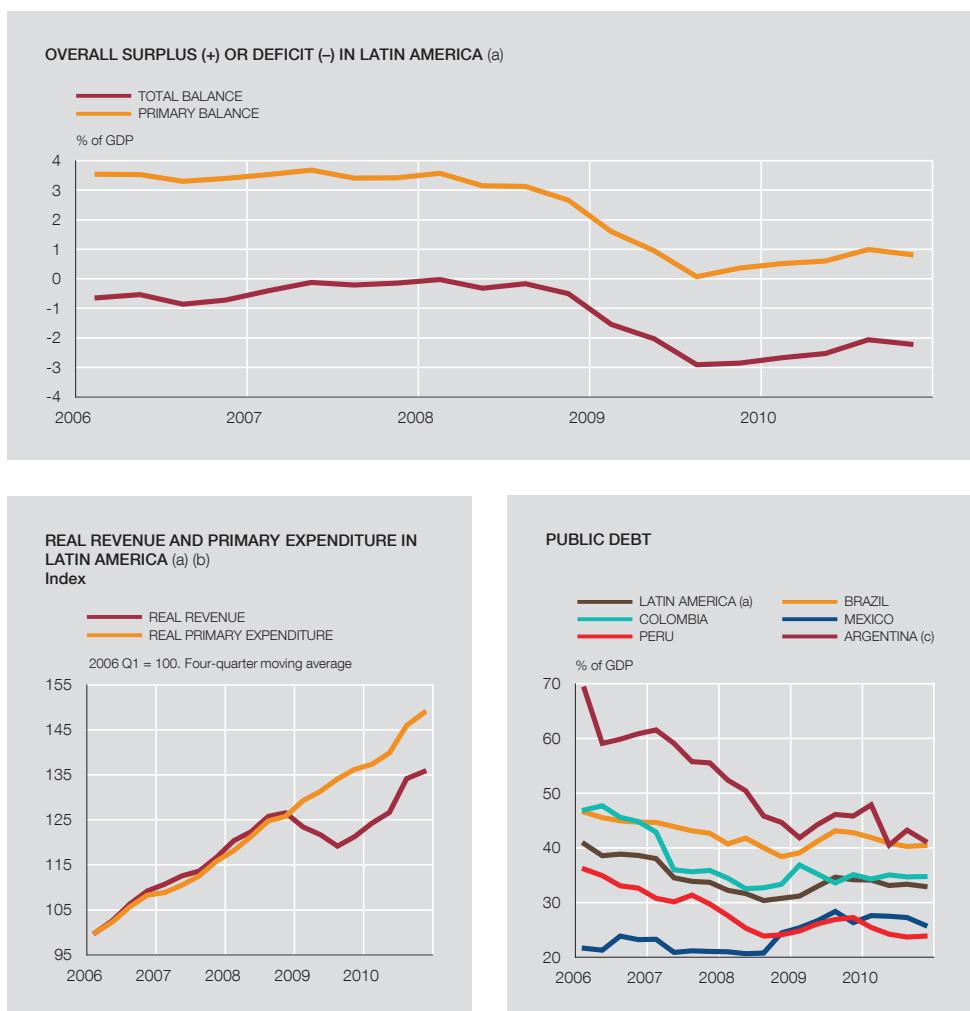
4. Thanks to the international reserves accumulated, to the swap facilities with the Federal Reserve (Brazil and Mexico) and to the FCL credit lines with the IMF (Colombia and Mexico). 5. Berganza and C. Broto (2011), Flexible Inflation Targets, Forex Interventions and Exchange Rate Volatility in Emerging Countries, Documentos de Trabajo No. 1105, Banco de España.

MEASURE	DESCRIPTION	COUNTRY (implementation date in brackets)
Restrictions on financial flows (capital controls)	Taxes on financial inflows	Brazil (Oct-10, Mar-11, Apr-11)
Liberalisation of financial flows	Liberalisation of capital outflows	Chile (Nov-10), Peru (various)
	Higher capital ratio	Brazil (Dec-10)
	Higher reserve ratio	Brazil (Dec-10), Peru (various)
Macroprudential measures	Tax on credit to natural persons	Brazil (Apr-11)
	Higher reserve ratio for deposits denominated in foreign currency	Peru (Jul, Sep and Oct-10)
	Limit on short position in foreign currency of banks	Brazil (Jan-11), Peru (Feb-11)

SOURCE: Banco de España.

MAIN PUBLIC SECTOR FIGURES
Percentage of GDP and index

CHART 10



SOURCE: National statistics.

- a. Seven biggest economies.
- b. Deflated by the CPI.
- c. Excludes untendered debt in the debt swap offers of 2005 and 2010.

Trade integration processes and structural policies

Following the boost received in mid-2010 with the signature of the common customs code, Mercosur made headway in institutional matters (agreements on the drafting of investment guarantees and anti-monopoly laws, among others) and in its process of increasingly greater openness to trade. To achieve this, it signed an agreement to grant reciprocal tariff preferences with G20 countries (Korea, India and Indonesia) and with certain major customers for its products (Egypt), as well as Cuba, Malaysia and Morocco. The Senate of Paraguay delayed once again the admission of Venezuela to the block, and the European Union notified that the agreement with Mercosur would not be concluded this year because of the difficulties in agricultural issues.

In April the withdrawal of Venezuela from the CAN (*Comunidad Andina de Naciones* – Andean Community of Nations) will become effective, so this country and Colombia began conversations to enter into a treaty under which the treatment of bilateral trade would continue as it has to date. Another two members of the Andean Community (Peru and Colombia) took further steps in their strategy to reorient their trade towards the Pacific basin through bilateral treaties. Thus the free trade agreement between Korea and Peru came into force and the latter country entered into an agreement with Japan, announced its intention to negotiate with India and unilaterally reduced the average tariff.

Colombia intends to enter into a treaty with Korea in June 2011 and has initiated conversations with Turkey, while it expects the US Congress to approve the free trade treaty between the two countries. In February the renewal of the ATPDA³ tariff preferences with Colombia expired. Mexico and Peru entered into a free trade agreement, and Chile did so with Malaysia and began conversations with Indonesia. Finally, Mexico and the United States resolved the problem of the suspension of an agreement to provide Mexican transport services within the framework of the North American Free Trade Treaty (NAFTA), whereby Mexico suspended the tariffs that it had announced by way of reprisal in summer 2010. Mexico and Brazil announced their intention to reach an agreement on economic integration that will enable each of them to complement its industrial sector.

In the area of structural reform, Chile announced the gradual implementation of a mechanism to shorten export administrative processes and some privatisations of public service companies and the creation of a Financial Stability Board. In Mexico, the opposition senators tabled a fiscal reform project (which may be a sign of future initiatives in this field) including a tax on certain foodstuffs at the general VAT rate. In Venezuela, the executive branch maintained its policy of expropriations and approved, in the final stage of the legislature, the Banking Law, which paves the way for nationalisation of the sector and includes provisions which raise the discretionary powers of the public sector to manage lending and financial system assets.

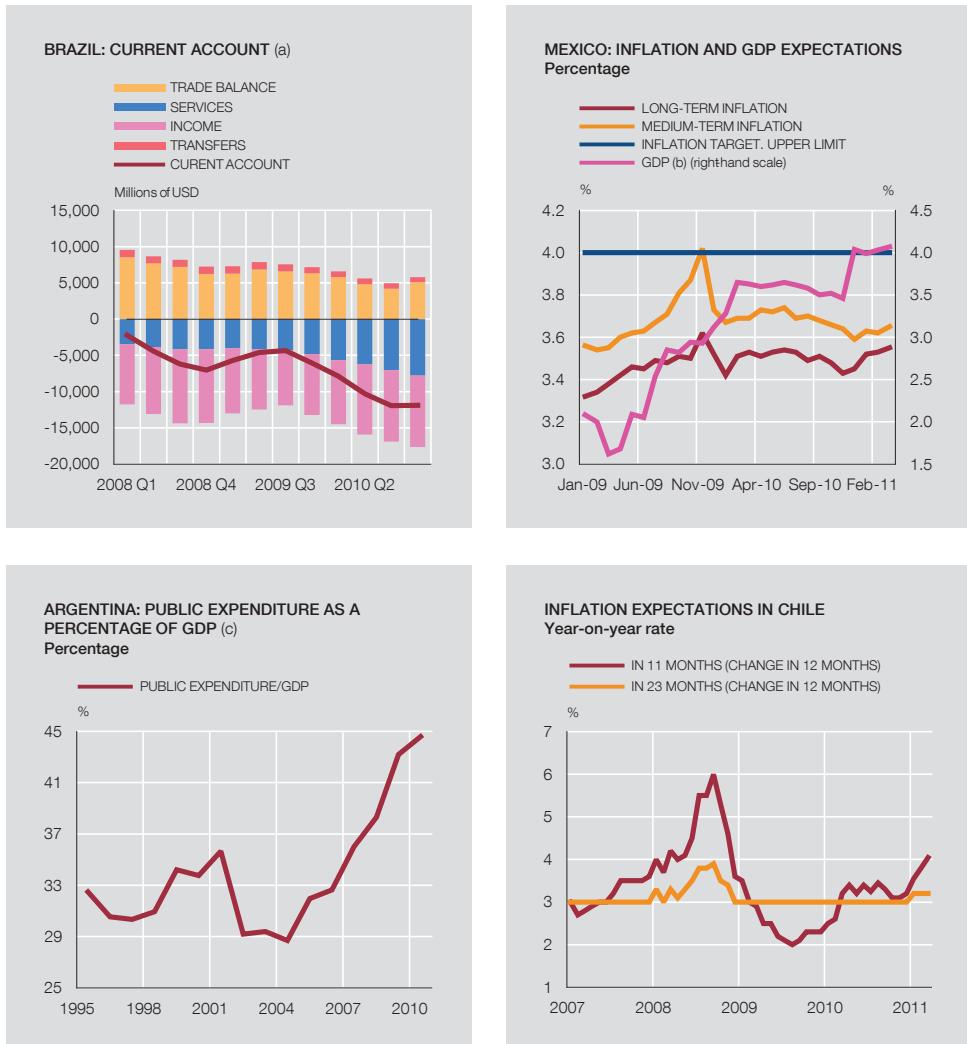
Economic developments by country

In Brazil, GDP grew by 0.7% quarter-on-quarter in 2010 Q4, representing a pick-up with respect to the preceding quarter. However, in the second half of the year activity lost dynamism sharply, as indicated by the year-on-year rates, which moderated to 5% in Q4, compared with average growth of 7.5% in 2010. The slowdown in activity came about because of the moderation of investment and, to a lesser extent, of public consumption, which led to slower growth of domestic demand (6.7% in Q4, against 10% in the previous quarters). By contrast, private consumption showed even greater momentum. The negative contribution of external demand decreased in Q4 to 1.7 pp, after having exceeded 3 pp in the preceding quarters, as a result of the slowdown in imports (which nevertheless grew at a rate of 25%). The most frequent indicators for 2011 Q4 continued to signal the strength of domestic demand and of its drivers, particularly the labour market, where the unemployment rate stood at a historical low. By contrast, industrial production, like that of other countries in the region, recorded a less positive performance in 2010 H2, although there was a certain recovery in the opening months of 2011. The strength of activity is contributing to an upturn in inflation which after several months of consecutive increases reached 6.3% in March 2011, close to the upper range of the central bank's target (4.5%, with bands of +/-2%). The inflation expectations have also trended upwards, and for 2012 they are a few tenths of a percentage point above the central bank target. One of the pillars of domestic demand, namely bank credit, continued to expand, growing around 20% in real terms in January, with a slowdown in public credit (to 27% in January) and an increase in private credit (to 17%). Against this background, the central bank, after having held the official interest rate unchanged since July 2010, resumed interest rate rises in its January, March and April meetings, with increases of 50 bp in the first two meetings and 25 bp in the third, to bring the interest rate to 12%. Similarly, in December it adopted diverse macroprudential measures (such as changes in the bank reserve ratio and in capital ratios) to subdue the expansion of credit, and strengthened these measures and capital controls again in April amidst renewed upward pressure on the real.⁴ In the fiscal policy arena, the consolidated public sector primary surplus in 2010 as a whole was 2.8% of GDP,

3. Andean Trade Promotion and Drug Act. 4. Among other things, the following actions were taken: the reserve ratio was raised by an amount which it was considered would reverse the expansion of liquidity seen in 2008; an increase in the capital ratio for personal loans with maturities of more than two years was announced and an obligatory deposit of 60% imposed on dollar-denominated short cash positions for resident banks; and the tax on transactions with non-residents (6%) was extended successively so that in practice it applies to any transaction with a maturity of less than two years involving loans or bonds and this tax was raised to 3% for loans to individuals.

which was below the target of 3.3% of GDP but above that of the previous year. However, this result was achieved with significant extraordinary revenue from the sale of oilfield exploitation rights. The total budget balance was in deficit (2.6% of GDP). The government expressed its intention to pursue an anti-cyclical fiscal policy to help subdue inflation, and announced that it would reduce expenditure by 50 billion reais (equivalent to 1.2% of GDP) with respect to that budgeted for 2011, which does not entail any spending cuts with respect to the previous year. Additionally, the legislative arm has approved the government's proposal to increase the minimum wage by 7% in nominal terms, a measure which will also help to moderate current expenditure in 2011 and, consequently, ease inflationary pressure. By contrast, it was announced that 55 billion reais would be contributed to the development bank BNDES by the Treasury (compared with the 110 billion reais provided in 2010), which, along with the funds obtained from traditional sources, means that this year the BNDES will have very nearly the same amount as in 2010 for financing its programmes. In the external sector, there was a significant deterioration in the current account balance, mainly as a result of the worsening of the income and services balance, although the trade surplus also decreased as a result of the strength of imports (see Chart 11). The financial account includes high financial inflows, including most notably significant foreign direct investment inflows, which have led some analysts to suggest that this may stem from a certain strategy to circumvent the capital controls introduced in October. Against this background, the central bank has maintained its policy of building up reserves, which amounted to \$317 billion at the end of March. Together with these purchases in the spot market, the central bank started to intervene in the derivatives market. Finally, in April Fitch raised its credit rating for Brazil by one level above the threshold investment grade, on the basis of the improvement in its fundamentals and policies.

In 2010 H2 the year-on-year rate of activity in Mexico slowed with respect to Q2, but the high pace of growth continued, with quarter-on-quarter rates of change in GDP of 0.8% of 1.3%, respectively, in Q3 and Q4. Growth in 2010 as a whole was 5.5%, of which approximately 3 pp stem from a statistical carryover effect. In any event, in Q4 GDP reached its level before the crisis, although the output gap continued to be negative. On the demand side, private consumption slowed in H2, while investment, particularly that by the private sector, continued in the opposite direction, although its growth rate held somewhat below that in the other economies of the region (except Venezuela). The contribution from inventories was very small, in contrast to their high contribution in H1. External demand contributed negatively to growth (by 0.3 pp) in Q4, for the first time since 2008 Q3. The data for 2011 seem to indicate a gradual improvement in the pace of growth. As regards the labour market, there was a certain improvement in the conditions and quality of employment in the closing months of 2010, which, however, does not recoup the ground lost during the crisis. The inflation rate, which had reached 4.4% in October as a result of the rising food prices, tended to converge towards 3% in March, since the base effect which in 2010 entailed an increase in some tax rates had ceased to act. Core inflation stands at 3.2%. The negative output gap and the recent appreciation of the currency have contributed to an ongoing favourable outlook for inflation, which is also reflected in the persistence of the inflation expectations for both 2011 and 2012. Against this background, the Bank of Mexico held official rates at 4.5% (the level at which they have stood since July 2009). Credit for private consumption in real terms returned to year-on-year growth in 2010 Q4, despite the continuing fall in credit cards. In 2010 the current deficit represented 0.5% of GDP, a level very similar to that recorded in 2009. However, in Q4 there was a notable worsening as a result of the sharp increase in dividend repatriation. Notable in the financial account were the portfolio investment inflows in 2010 Q4 (3.5% of GDP), particularly for the purchase of government securities in the money market. In view of the extraordinary rise in portfolio investment flows, the central bank held in place the mechanism designed to reduce volatility in currency appreciation and built reserves up to \$122 billion (11.5% of GDP) by mid-March. In addition, the Mexican government renewed the flexible credit line with the



SOURCE: National statistics.

- a. Four-quarter moving average.
- b. One-year growth expectations.
- c. Given the lack of provincial and municipal government data, it was assumed that growth was equal to that of the national government during that year.

IMF, but for a higher amount (\$73 billion), thereby raising the available foreign currency funds to the average prevailing in the emerging countries. The public sector accounts worsened notably in H2, partly because of the larger contributions to public pensions, the total deficit standing at 2.8% of GDP. However, excluding the PEMEX investment, the government deficit would have been only 0.8% of GDP in 2010, compared with 0.2% in 2009. The government again arranged oil hedges for 2011 and, furthermore, made various issues in local currency and foreign currency which enabled it to pre-finance all external debt maturities until the presidential elections in mid-2012.

In 2010 Q4, the GDP of Argentina showed a notable pick-up (2.5% quarter-on-quarter), after the lull in Q3 (0.7%), as a result of the greater buoyancy of domestic demand, which grew by 12.3% year-on-year. The surge in private consumption was decisive in these developments, since investment slowed slightly in Q4, although it held at a high growth rate (nearly 25%), particularly in capital goods investment. Meanwhile, the contribution from external demand became much more negative (3.1 pp), due to the slowdown of exports, since imports decelerated

only slightly. In 2010 as a whole Argentine GDP growth was 9.2%. This strong growth allowed the unemployment rate to continue falling to stand near the level before the crisis. The most frequent indicators seem to show that the strong dynamism held during the first quarter of the year. In 2010 the current account showed a surplus of 1% of GDP compared with 3.6% in 2009, partly due to a decrease in the trade balance, which stood at 4% of GDP in 2010, against 6% in 2009, despite strong export growth. Another factor contributing to the decrease in the current surplus was the decline in current transfers, due mainly to the allotment of SDRs by the IMF in 2009 Q3 (\$2,662 million). The financial account featured two positive factors. First, there was a notable decrease in capital outflows in 2010. Second, foreign direct investment showed a certain recovery to stand at 1.6% of GDP. International reserves held steady, since they were again used to make external public debt payments, a practice which will continue in 2011 for an amount around \$7.5 billion. In 2010 the Argentine government recorded a primary surplus of 1.8% of GDP, compared with 1.5% in 2009, with growth of more than 30% in public revenue and expenditure. Thus the sharp increases in public expenditure by both the national and provincial governments in recent years has notably raised the proportion it represents of GDP (see Chart 11). Moreover, for 2011 the government has ample discretionary powers, since the budget which the government sent to Congress was rejected and, for reasons of necessity and urgency, the President approved decrees which broaden its scope of action. Inflation has been decreasing since October 2010 to stand at 10% in February. However, these rates are well below the private estimates and the official inflation in the provinces, and below the wage increases, which stand at nearly 27% year-on-year. Indeed, an IMF technical mission visited the country in order to create a new national price index. Year-on-year growth of the M2 monetary aggregate, targeted by the central bank, stood at nearly 30% and real interest rates continued to be negative, particularly if unofficial inflation measurements are taken into account. Meanwhile, the expansionary path of bank credit to the private sector quickened. The central bank continued to permit a gradual depreciation of the exchange rate against the dollar. In the review period, the Argentine government again opened the exchange facility for the holders of defaulted debt, although the offer was taken up by only some retail investors for small amounts, and the first contacts were held with the Club of Paris, with which the government is seeking to conclude an agreement before the presidential elections in October.

Although the earthquake in February 2010 delayed somewhat the recovery of economic activity in Chile following the global financial crisis, the pause was brief and strong growth was seen in the rest of the year (5.2% overall), despite a certain moderation in Q4 (quarter-on-quarter growth of 0.9%). This good performance was explained by the extraordinary dynamism of domestic demand, which grew by 16.8% in 2010 H2, with private consumption above 11.5% and private investment at nearly 20% (although investment in construction lagged somewhat behind). External demand made a negative contribution of more than 12 pp in the second half of the year, as a result of the weakness of exports and of the extraordinary strength of imports, with growth above 30%. However, the favourable trend in terms of trade allowed the trade balance to close 2010 with a surplus of nearly 8% of GDP and the current account balance to post a surplus equivalent to 1.9% of GDP, partly explained by higher current transfers (insurance indemnities to earthquake victims), which helped to offset the deficit of 7.7% of GDP in the income balance. Notable on the supply side was a certain weakness in the industrial sector. On a positive note, and unlike in the period following the Asian crisis, the labour market has recovered notably. The sharp growth of domestic demand, the closure of the output gaps and the rise in commodity prices at international level caused inflation to increase to 3.4% in March, above the central bank's target (3%), although core inflation measurements were lower. Contributing to this moderation was the appreciation of the peso against the dollar (nearly 10% in 2010 H2). However,

there was a certain disanchoring of inflation expectations, particularly shorter-term expectations in the past few months (see Chart 11). Against this background, the central bank raised the official interest rate in all monetary policy meetings from June 2010 (400 bp in total, to 4.5%), except that in January, when the monetary policy dilemma became most evident. This dilemma led the central bank to announce interventions in the foreign exchange market to purchase reserves (\$12 billion in 2011). In this respect, to cope with the upward pressure on the currency, the number of non-resident institutions authorised to issue bonds on the local market was increased and the limit on investment abroad by pension funds was raised from 60% to 80%. Also, the government announced a reduction in budgeted public expenditure of 0.4% of GDP in 2011. In 2010 the government deficit amounted to 0.4% of GDP (4.5% in 2009), signifying a structural deficit of 2.1% of GDP (0.9% in 2009). This positive performance resulted from an increase in revenue of 28.4% in real terms (given the sound performance of copper revenues) and a rise in expenditure of 7%. In February the credit rating agency Fitch upgraded by one level its rating of Chilean sovereign debt denominated in foreign currency. The good outlook for investment in the Chilean economy was also reflected in the foreign direct investment received, which exceeded \$15 billion in 2010 (equivalent to 7.5% of GDP).

In *Colombia* economic activity contracted by 0.5% quarter-on-quarter in Q3 and expanded by 1.9% in Q4, this latter quarter being notable for the strong performance of investment (with growth of 10.2% year-on-year), which, along with consumption growth of nearly 5%, explains the dynamism of domestic demand. However, the higher growth of the economy at the end of the year is basically explained by the lower negative contribution from the external sector (which trimmed 2.2 pp from growth), as a result of lower import growth and greater export dynamism. In 2010 as a whole, the economy grew by 4.3%. Additionally, there was a significant upward revision of the national accounts data from 2008, which in the case of GDP amounted to 0.8 pp in the growth rate for 2008 (lifting it to 3.5%) and 0.7 pp for 2009 (raising it to 1.5%). The higher-than-expected growth in Q4 and this upward revision resulted in a change in the estimates of the output gap and an improved understanding of the commencement of the cycle of official interest rate rises which began at the February meeting and continued in those of March and April (with three rises of 25 bp), against a background in which inflation, although progressively increasing, stood at 3.2% in March, only 0.2 pp above the central bank's inflation target. Both the public finances and the trade balance were similar in 2010 to those in 2009. In the external sector, the current account deficit in Q4, which reflected the income deficit, was amply covered by the financial inflows of long-term foreign investment (which were, however, smaller than in previous quarters) and of short-term foreign investment. To cope with the upward pressure on the peso, the central bank maintained its policy of accumulating reserves (20 million pesos daily) and announced that it would extend it to June. Meanwhile, in November it took diverse measures to reduce the inflow of dollars into the country and to increase demand by the private sector.⁵ Notably Standard and Poor's upgraded to "investment grade" the credit rating of Colombian sovereign debt denominated in foreign currency. Finally, Colombia has indicated its intention to renew for two years the flexible credit line with the IMF which matures in May.

The GDP of *Peru* continued to grow rapidly in the second half of the year (3.1% and 2.4% quarter-on-quarter in Q3 and Q4, respectively). Year-on-year growth remained above 9% and the growth of domestic demand was noteworthy (14.2% in H2, although it slowed

5. Including, among other measures: non-monetaryisation to pesos of dollar-denominated State funds received as dividends of the government corporation Ecopetrol and dollar-denominated debt issues already made; derogation of the income tax rebate for interest payments on external debt, except for financial or trade credit institutions; and reduction of import tariffs on a large number of intermediate and capital goods.

slightly in Q4). Notable within domestic demand was the strength of investment, which, although slowing, grew by 22.6% year-on-year in Q4. Also worthy of mention is the progressive pick-up in private consumption. The negative contribution of external demand in H2 was nearly 5 pp, which occurred because exports, although more dynamic, grew much more slowly than imports. In 2010 as a whole, GDP grew by 8.8% (0.9% in 2009), and the estimates indicate that the output gap seems to have closed. The inflation rate in recent months has held near the central bank's target of 2%, although the March figure represents a certain rise (2.7%). Against this background, in January the central bank resumed the cycle of official interest rate rises (four rises of 25 bp to a rate of 4% in April). Additionally, bank reserve requirements kept increasing. Also, the government announced two series of reductions in import tariffs, one temporary (in February) and one permanent (in January). Along the same lines, a draft law was approved to reduce the general sales tax by one percentage point to 18% and the financial transactions tax from 0.05% to 0.005%. In April the government announced cuts to the budgeted expenditure for 2011 by the equivalent of 0.3% of GDP and the consolidation of public sector saving in the stabilisation fund, which would double in 2011 (3.3% of GDP). In 2010, the non-financial public sector recorded a primary surplus (0.6% of GDP, compared with -0.6% in 2009) as a result of higher growth in revenue (up nearly 20%) than in expenditure (up 10.7%). In 2010 the current account showed a deficit equivalent to 1.5% of GDP (surplus of 0.2% in 2009). The trade surplus increased with respect to the previous year to stand at 4.4% of GDP (thanks to the increase of 18.2% in the terms of trade), but it was more than offset by the higher deficit in income account, linked to the profits of non-resident firms and to the deficit on the services account. Notable in the financial account is the fact that nearly 75% of capital inflows in 2010 were of a long-term nature (foreign direct investment or long-term loans). The exchange rate of the new sol against the dollar held steady at around 2.80, although in February the central bank made a series of discretionary dollar purchases to alleviate the upward pressure on the currency and in April it intervened for the opposite reason to moderate volatility in the run-up to the presidential elections.

In 2010 Q4 Venezuela recorded, for the first time since 2009 Q1, a positive year-on-year growth rate (0.6%). However, the quarterly rates show that activity contracted in H2 (GDP did not grow in Q3 and fell by 0.5% in Q4). In 2010 as a whole the fall in GDP was 1.4% (against a decrease of 3.3% in 2009). Notable in H2 was the negative contribution of external demand (6.6 pp), given the combined effect of a fall in exports and growth in imports, linked to the slightly positive growth of private consumption and, in particular, to the strength of public consumption. Domestic demand grew by nearly 6% year-on-year in H2, but did so basically through stockbuilding. The most frequent indicators show signs of a certain weakness of private consumption in early 2011, although consumer credit has shown positive year-on-year rates in recent months, albeit well below the inflation rate. The public sector posted higher nominal growth of revenue than of expenditure in 2010, which was reflected in a decrease in the financial and primary deficits. Prices continued to give cause for concern: since June the inflation rate has always held above 25% and is currently very near to 30%. The recent increase was mainly due to food price increases derived from international commodity price rises and from the unification of the exchange rate for preferential imports decreed in January (in a country where more than 90% of consumer goods are imported). In January the unification of the system of dual exchange rates, the nominal anchor of the economy, came into operation with the devaluation of the preferential rate applied to medicine, food, research equipment and external debt payments from 2.6 bolivares per dollar to 4.3 bolivares per dollar. Also, it was announced that transactions on the SITME (a parallel market organised by the central bank) will be carried out at a maximum rate of 5.3 bolivares per dollar, with the result that this market has become, in practice, the second official exchange

rate of the country. It should also be noted that in recent months the volume traded on this market has decreased substantially, which has increased the scarcity of foreign currency in the economy through official channels. The current account surplus stood in 2010 at nearly 7% of GDP, against 2.6% in 2009, this increase being explained by higher oil exports. Foreign direct investment amounted to \$151 million in Q4, the first positive figure since 2008 Q3, although in the year as a whole there were outflows of \$1.4 billion. The financial account (plus errors and omissions) showed a deficit of somewhat more than \$22 billion (nearly 11% of GDP). All this resulted in a loss of international reserves slightly above \$8 billion.

2.5.2011.

SOVEREIGN CDS PREMIA DURING THE CRISIS AND THEIR INTERPRETATION AS A
MEASURE OF RISK

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Introduction

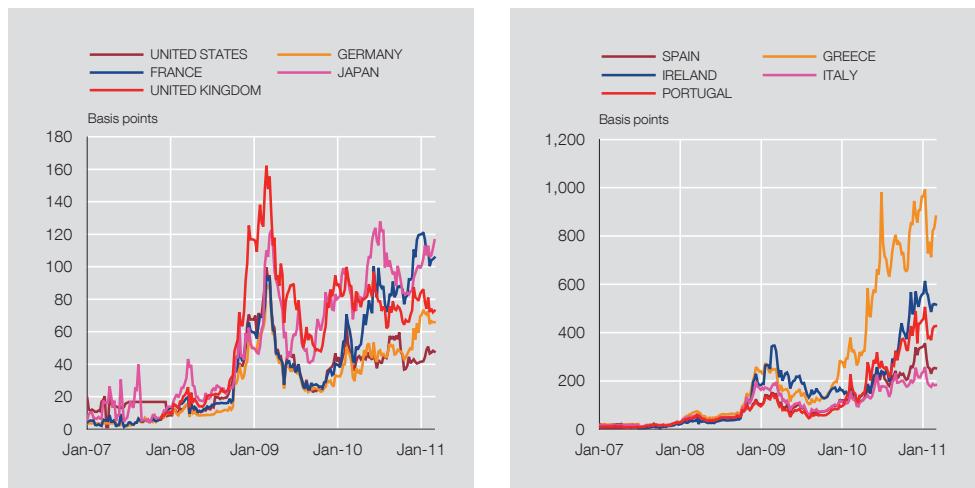
The European government debt crisis began in May 2010 in the wake of Greece's public finance problems, which sharply raised the yield demanded by investors from Greek government securities and finally prompted a request for international financial support. The distrust and strains spread rapidly to those euro area countries exhibiting greatest weakness, be it in their fiscal position or as a consequence of the macroeconomic imbalances which had built up. In autumn 2010 the Irish government also had to request financial assistance from the EU and the IMF in a fresh outbreak of tensions in sovereign risk markets. In April 2011 it was the turn of the Portuguese authorities to ask for help following a surge in the interest rates on their debt, although on this occasion the strains did not spread to other sovereigns as had occurred in previous cases.

Perceptions of sovereign risk not only affect the public sector's borrowing costs and its ability to refinance its debt on the markets, but also influence other economic agents' borrowing costs. Consequently, it is important to have a tool to identify which factors are behind the recent increase in sovereign risk in euro area economies.

Usually sovereign risk is determined by looking at the difference between the interest rates on sovereign bonds of the same maturity and characteristics issued by two different countries. Thus, what is actually being measured is a differential risk. Sovereign credit default swaps (CDSs) provide an alternative means for estimating individual sovereign risk.² Before the crisis, sovereign CDS markets were not liquid enough to adequately measure developed economies' sovereign risk. Following the outbreak of the crisis, however, there was a sharp increase in premium quotes and in trading volumes, which doubled. According to BIS data, in the first half of 2010 sovereign CDSs accounted for 13% of total CDSs, whereas at the beginning of the crisis (the second half of 2007) this percentage stood at only 6%³.

A CDS is an OTC contract (over-the-counter or non-exchange traded contract) which is very similar to insurance, whereby a buyer (of protection against sovereign risk) pays a fixed amount (the CDS premium) until maturity of the CDS or the occurrence of the "credit event", which for a sovereign CDS would be the equivalent of the issuer State defaulting on its payment commitments.⁴ If this occurs before the CDS matures, the seller of the protection pays compensation to the buyer.⁵ Thus, the premium paid by the buyer of a CDS can be decomposed into two basic components [see, for example, Pan and Singleton (2008)]: an expected loss, which according to available estimates [Remolona et al. (2007), for example] tends to be relatively small and a sovereign risk premium.⁶

1. This article is based on *How can we interpret sovereign CDS spreads during the crisis?*, a forthcoming Working Paper of the Banco de España by the same authors and Szabolcs Sebestyén (Universidad Europea de Madrid). For more details of the data used and of the methodological characteristics, see the Working Paper. 2. See Blanco et al. (2005) for an analysis of the relationship between corporate CDS premia and the yield spreads on the underlying bonds. 3. Data from *Triennial and semiannual surveys (Positions in global over-the-counter (OTC) derivatives markets at end-June 2010)*, BIS, published in November 2010. 4. Default, in the case of a sovereign CDS, may include not only non-payment but also, for example, a restructuring of maturities or a modification of interest rates. 5. Let us assume that the ten-year CDS sovereign spread of country X for a contract with a principal of US\$ 10 million is 300 bp. This means that the buyer will pay US\$ 300,000 per year and obtains the right to sell the bonds issued by country X at face value in case of non-payment. 6. In addition to sovereign risk, the CDS premium may also include a component attributable to counterparty risk and liquidity risk.



SOURCES: Bloomberg and Datastream.

This article analyses recent developments in sovereign CDS premia in order to study which type of determinants favoured the increase in sovereign risk during the crisis. It contains four sections in addition to this introduction. Specifically, the first section explains the advantages of sovereign CDS premia compared with debt spreads for analysing sovereign risk in a situation such as the present one. Next, the results of several empirical exercises are presented in which changes in the CDS premia of a group of developed countries are decomposed into one part which relates to global factors and another part attributable to idiosyncratic factors. In the third section, the idiosyncratic component is separated into one part genuinely based on economic fundamentals and another part which can be associated with contagion and/or over-reaction to movements in other sovereigns. Lastly, the main results are presented and the principal conclusions summarised.

Measurement of sovereign risk using CDS premia

After the financial turmoil began in 2007, sovereign CDS premia increased even in economies with a high credit rating such as the United States. Chart 1 shows the changes in these premia for ten-year maturities in ten OECD economies (the United States, the United Kingdom, Japan, Germany, France, Spain, Greece, Ireland, Italy and Portugal).⁷ These countries were chosen in order to cover a varied group of euro area economies as well as a set of other developed countries which can act as a control group for the estimates made. As could be expected given the events described in the introduction, the highest increases were in the CDS premia of Ireland, Greece and Portugal (in all these cases, the rating agencies downgraded the rating of the related sovereign debt on different occasions). The lowest increases were in the United States, France and Germany. Therefore, there has been discrimination between assets on sovereign CDS markets which did not occur prior to the financial crisis.

The above-mentioned developments could also be documented on the basis of the changes in the spreads between the interest rates of government bonds issued by the various States. However, there are two fundamental reasons why, in a situation such as the current one, it seems preferable to centre the analyses on sovereign CDS premia. Firstly, when debt spreads are used it is not possible, for reasons of construction, to analyse the changes in the sovereign risk of the reference country. Additionally, the results may depend on the country chosen for

7. The ten-year CDS premia were chosen because they are comparable to ten-year sovereign debt spreads. Nevertheless, the liquidity of this market is similar for ten-year and five-year maturities.

COMPARISON OF SOVEREIGN CDSs AND TEN-YEAR SPREAD USING COINTEGRATION TESTS (a)

TABLE 1

Country	Statistic (b)	P-value	Test result
United States	11.23	0.20	Absence of cointegration
France	3.90	0.91	Absence of cointegration
Japan	12.60	0.15	Absence of cointegration
Spain	15.56*	0.04	Cointegration
Greece	20.74*	0.01	Cointegration
Ireland	23.04*	0.00	Cointegration
Italy	16.86*	0.03	Cointegration
Portugal	16.19*	0.03	Cointegration
United Kingdom	7.86	0.47	Absence of cointegration

SOURCE: Banco de España.

a. The ten-year spread is the difference between each country's ten-year interest rate and that on the German bond.
b. The asterisk indicates a 5% level of significance.

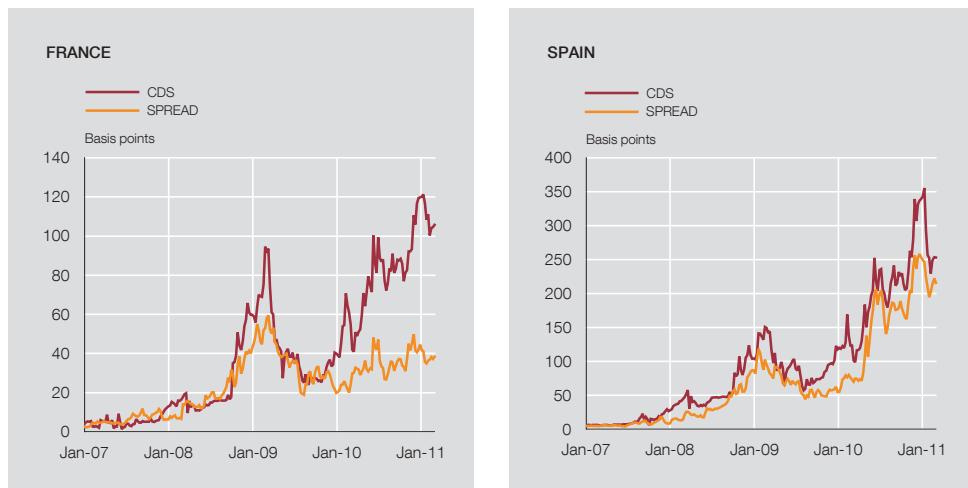
such a role. The second reason is of a more technical nature. In a context of financial crisis, such as the recent one, bond yields may be “contaminated” by effects, such as investors’ “flight to quality”, which could bias the quantification of sovereign risk premia downward.⁸

In order to analyse the possible weight of the latter argument, firstly a cointegration analysis was performed of sovereign CDS premia and of the debt spreads of these ten countries. Such analysis is not new in this literature [see, for example, Blanco et al. (2005)]. In principle, CDS premia and debt spreads should evolve in parallel so as not to generate arbitrage opportunities between the two markets. In other words, since the two variables are measures of sovereign risk, in the long term they should move on a very similar path regardless of whether in specific episodes deviations may occur that tend to be corrected subsequently.⁹

The results of the analysis are shown in Table 1, which compares whether each country's CDS premium and the spread between the interest rate on its ten-year bond and that on the German bond, considered as the benchmark interest rate or that corresponding to the lowest risk, follow the above-mentioned similar behaviour in the long term.¹⁰ As can be seen in the table, for the United States, France, Japan and the United Kingdom there is not a long-term relationship between the two measures of sovereign risk which, however, is detected in the other cases. One possible interpretation is that the flight to quality in periods of crisis “contaminates” the behaviour of risk approximated by the sovereign spreads in those countries which (like the United States, for example) have benefited from such flight.

In the same vein, Chart 2 shows the two measures of risk for the cases of France and Spain. In France, where this stable long-term relationship between the two is not detected, the CDS premium and the interest rate spread with Germany behave differently during the periods of greatest virulence of the financial crisis. Conversely, in the case of Spain the two variables follow a very similar path during times of tension.

8. These results do not mean that sovereign CDS premia are free from limitations, such as, for example, the lack of liquidity in certain periods or countries. 9. Expressed in more technical jargon, although CDS premia and debt spreads are integrated processes which do not converge towards the mean, theoretically the differences between the two should be stationary processes which converge towards the mean. 10. The Johansen test is calculated for all countries except Germany, since the ten-year German bond is taken as a risk-free asset for calculating the spread.



SOURCE: Datastream.

These results are confirmed by those of an alternative experiment based on standard principal components analysis. When this model is used to characterise the behaviour of the premia of the ten sovereign CDSs, it is found that a single principal component explains 60% of the aggregate variability of the premia. However, when the exercise is repeated for interest rate spreads, two principal components are required to explain the same proportion of the variance. Moreover, these principal components have a very specific structure: countries which have benefited from the flight to quality have a very small weight in the first component, whereas this weight is very high in the second component.

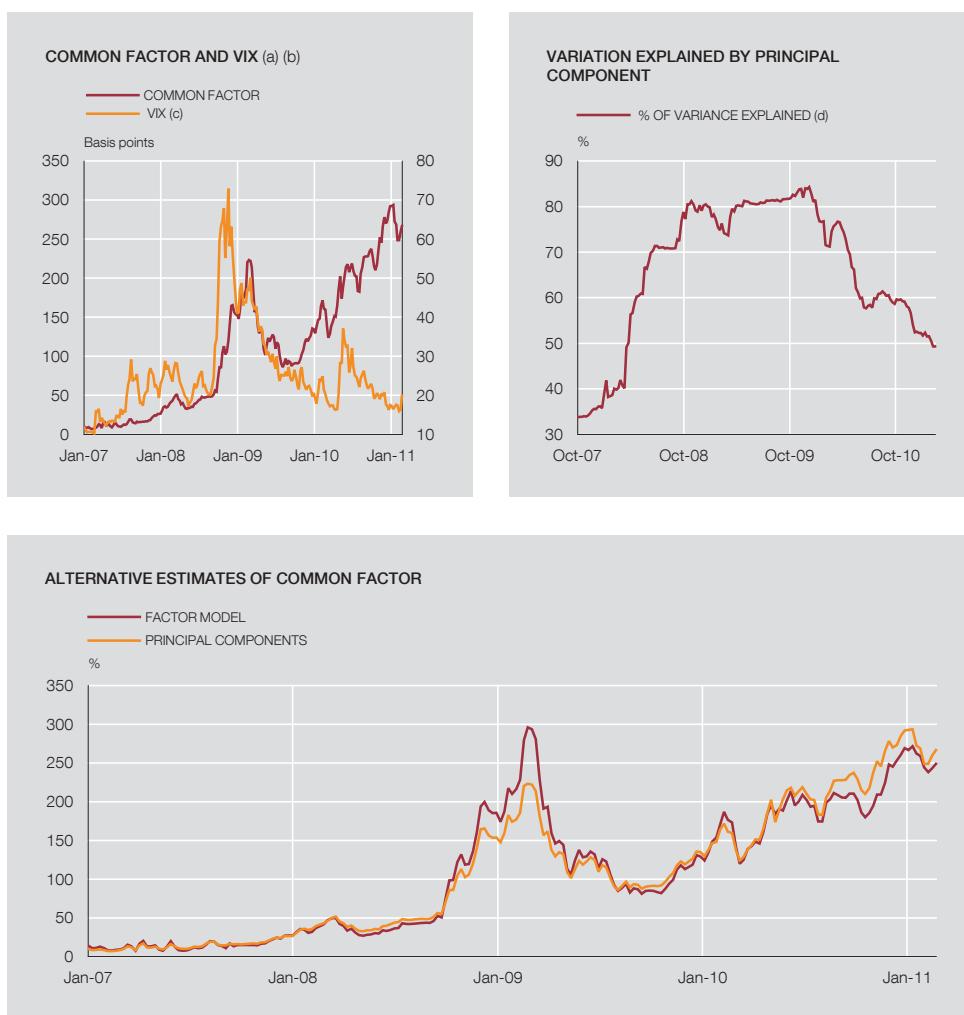
Decomposition of sovereign CDS premia into global and idiosyncratic factors

This section analyses sovereign CDS premia using two separate empirical methods. The first examines in greater depth the principal components analysis presented above. As previously mentioned, the conclusion drawn from this method is that a single factor or principal component is sufficient to explain most of the variability of CDS premia (60%). According to the literature, changes in the common component of sovereign CDS premia must be closely related to developments in aggregate world-wide risk aversion¹¹. One way of approximating such global risk aversion is through the implied volatility indicator of the S&P500 index known as "VIX". The top left panel of Chart 3 plots the common component and the VIX.

Their behaviour is very similar until the end of 2009, that is until the sovereign strains began in certain European economies. Subsequently, there seems to be very little correlation between the two variables. Thus, it seems that the proportion of the variance of CDS premia which can be explained by the global component is not constant over time. Until 2009 Q4 sovereign risk had a much larger global component than after that quarter, when the euro area debt crisis broke out.

In order to test this hypothesis the principal components were estimated again, not for all the available sample period, but by repeating the exercise each week and considering, in each case, data which cover a period (rolling window) of ten months. The top right panel of Chart 3 shows the results of this exercise. As can be seen, in line with other authors' and analysts' observations, following the bankruptcy of Lehman Brothers, the behaviour of CDS premia seemed to depend on common factors. In fact, a single principal component explains around

11. See Longstaff et al. (2010), who analyse the common dynamics of the CDS premia of different emerging countries.



SOURCE: Banco de España.

- a. The common factor was calculated using principal components analysis.
- b. VIX is an index of implied volatility which proxies international risk aversion.
- c. The VIX volatility index is measured on the right-hand axis.
- d. A ten-month moving window is shown.

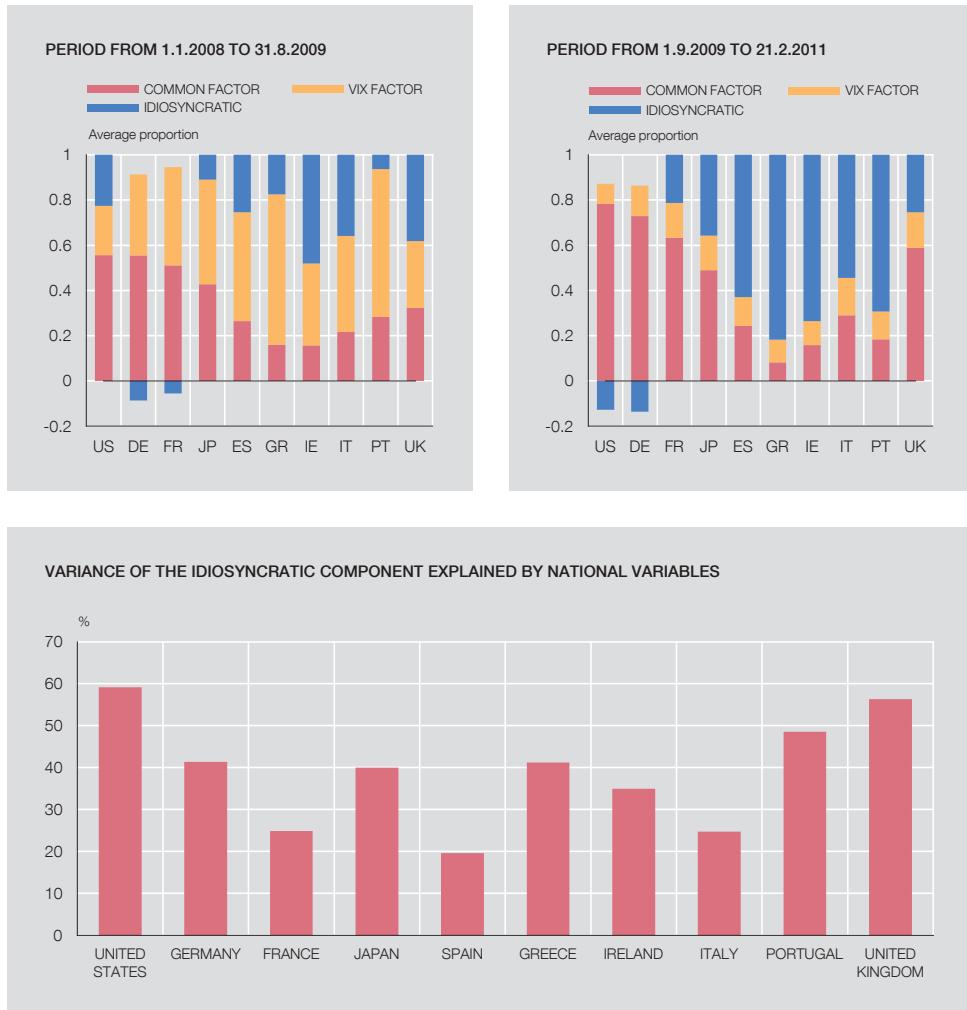
80% of the total variation at that time. However, from end-2009, coinciding with the sovereign debt problems of various European economies, the importance of changes in this common factor diminished, giving ground to the idiosyncratic factors of each economy.

To analyse in more detail the relative weights of the common component and the idiosyncratic components of CDS premia, the second method used in this study consists in decomposing these premia by means of a (dynamic factorial) model so as to estimate the relative weights of three components: a common factor (associated with global drivers), a factor related to the level of aversion to the global risk linked to the behaviour of VIX and an idiosyncratic component of each country.

First, it is important to observe that this methodology produces results which, at least where comparisons can be made, are very similar to those of the previous exercise involving principal components: the bottom panel of Chart 3 plots the common factor obtained by each of the procedures.

CONTRIBUTION OF FACTORS TO CDS PREMIA

CHART 4



SOURCE: Banco de España.

The top two panels of Chart 4 show the average contribution of each of the three factors to changes in CDS premia before and after, respectively, the onset of the sovereign difficulties in the euro area (taken for these purposes as occurring in September 2009). In the first part of the crisis, much of the behaviour of CDS premia was dominated by the factor associated with VIX (which can be interpreted as a premium related to global risk aversion) and by the common factor. Idiosyncratic factors scarcely had any weight (except in the case of Greece). That is to say, because of the importance of the common and global factors, in this period the CDS premia provided an approximation of sovereign risk which basically coincided with the perceived global risk.

In the second stage, coinciding with the lesser global risk aversion, the factor associated with this risk decreased considerably. Also, two groups of countries can be distinguished according to composition. The first group consists of the countries which have not experienced severe difficulties associated with their debt (United States, Germany, France, Japan and United Kingdom), in which the common factor dominates. Indeed, in the United States and Germany the idiosyncratic factor becomes negative, which might reflect their role as a safe haven. Second, in the other countries the idiosyncratic factor plays the largest role in determining the behaviour of their CDSs, which demonstrates investor sensitivity to perceptions of vulnerability in fiscal or macroeconomic positions. The importance of their idiosyncratic factor is particularly high in Greece, Ireland and Portugal.

osyncratic factors suggests that these countries have room to adopt measures to reduce investor mistrust.

Decomposition of the idiosyncratic component of CDS premia into fundamental factors and contagion effects

It may be asked to what extent the idiosyncratic factor of sovereign risk is directly related to the behaviour of the country's fundamentals or whether, on the contrary, it reflects possible contagion effects or an overreaction to external events (although the latter may also be related –indirectly in this case– to the economic fundamentals). A possible way of answering this question would be to analyse the relationship between this idiosyncratic component and the country's economic fundamentals that, in theory, should explain it. However, the macroeconomic variables which could be used for this purpose are not available with the frequency required for the analysis (weekly).

An indirect alternative procedure consists in calculating (in a VAR-type dynamic regression framework) what proportion (of the variance) of the idiosyncratic component of each country can be explained by the past behaviour of the idiosyncratic components of other countries. The bottom panel of Chart 4 shows a decomposition of this type. It can be seen that Spain is the country that seems to have suffered most contagion of movements in idiosyncratic factors from other economies, since more than 80% (of the variance) of the Spanish idiosyncratic component originates from the behaviour of the idiosyncratic factors of other economies. The behaviour of the sovereign CDS premium of countries such as Greece, Ireland or Portugal explains more of the behaviour of Spanish CDSs than does the past experience of the country itself. Italy shares with Spain this feature of being more influenced by other countries than by its own internal dynamics. By contrast, the other countries with a large idiosyncratic component show variances explained by internal components which exceed 40%. The CDS premia dominated by internal factors include those of economies in which the idiosyncratic component has a small relative weight (United States and Germany, which naturally are scarcely affected by other economies).

Conclusions

This study decomposes the sovereign CDS premia of ten developed economies, both from the euro area and outside it, into three mutually independent components: a factor common to all countries, a component related to global risk aversion and an idiosyncratic component which captures national factors affecting the market price of premia.

The results show that the sum of the common factor and the factor linked to global risk aversion explains most CDS behaviour until the outbreak of the European sovereign crisis. After the shocks in Europe, and as risk aversion in the global markets subsided, it became possible to classify countries in two categories. First, those where the common component and that associated with risk aversion continue to explain most of the behaviour of the premium, and, second, those economies where the idiosyncratic component represents the largest portion of the premium, which coincide with the cases in which investors perceived greater vulnerability.

A more detailed study of the idiosyncratic component of each country indicates that strictly national factors have played a significant role in the recent behaviour of sovereign spreads. However, phenomena which, like contagion, are more attributable to conditions in third countries also seem to have operated, affecting most notably the Spanish economy. In any event, the mere existence of contagion may also indicate the existence of potential vulnerabilities which would have to be remedied in order to reduce the sovereign risk premium.

6.4.2011.

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WAGE ADJUSTMENT TO SHOCKS IN SPAIN

Wage adjustment to shocks in Spain

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Introduction

The latest economic literature highlights the importance of labour market institutions in the economy's capacity to adjust to different macroeconomic shocks.¹ Among the numerous institutional arrangements that make up the labour market, wage determination mechanisms tend to play a prominent role when it comes to explaining how much of the adjustment ends up being pushed onto employment. In this respect, collective bargaining systems conducive to the adaptation of wages to cyclical fluctuations and shocks of various kinds smooth the changes in the level of employment. By contrast, systems with greater wage rigidity tend to generate more pronounced fluctuations in employment over the business cycle.

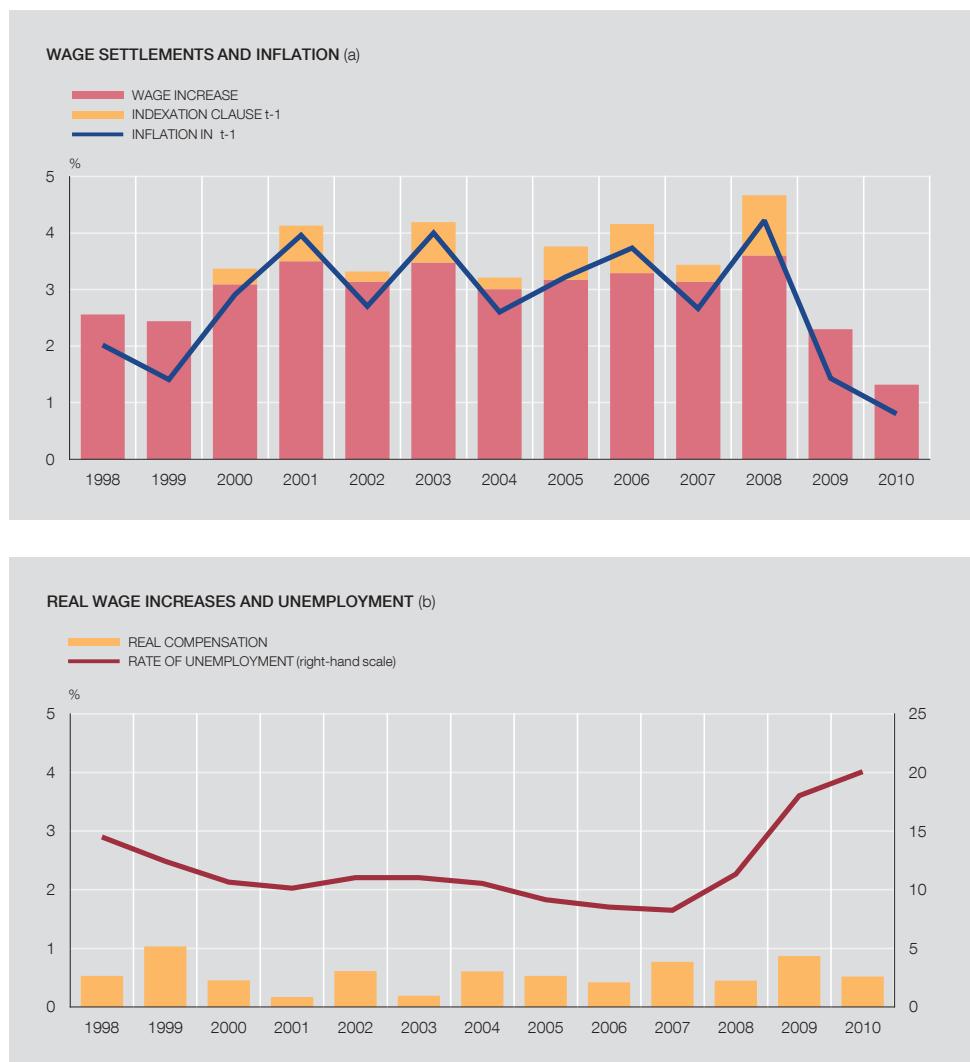
The high employment variability is one of the singular features of the cyclical behaviour of the Spanish economy. In the latest crisis, for example, the magnitude of the destruction of net employment in Spain was much larger than in other euro area countries in which the decline in GDP or the correction in the residential construction sector were comparable. However, this relatively larger response by employment in Spain, along with greater wage inertia, is not a phenomenon particular to this crisis episode, but rather reflects a historical pattern.² Behind this behaviour lie certain institutional characteristics of the Spanish labour market, such as the excessive difference in the degree of protection afforded to permanent and temporary contracts and the inability of the collective bargaining system to facilitate the adaptation of wages to the economic situation and to the circumstances of each firm.

From this perspective, this article addresses a specific aspect of the wage determination mechanism: the capacity of wages to respond to macroeconomic shocks and its determinants. With this aim, the following section provides evidence on the degree of response of wages to cyclical developments and inflation, as well as an estimation of the degree of wage rigidity in Spain, both in real and nominal terms, comparing it with the estimates available for other countries. The third section examines the relationship between the degree of wage flexibility and certain institutional characteristics of labour markets on the basis of the information available for four European countries (Spain, Belgium, Denmark and Portugal). Finally, Section 4 summarises the main conclusions.

Wage adjustment in response to shocks and international comparisons

Wage dynamics in Spain are characterised³ by the fact that the impact of the cyclical position of the labour market on wage settlements is very small. As seen in Chart 1 (lower panel), there is barely any link between wage increases and the rate of unemployment. Further, Table 1 presents the results of a regression of collectively negotiated wage settlements on the rate of inflation, changes in regional unemployment and changes in industry productivity. Little connection is seen between wage settlements and the labour market situation, approximated by the rate of unemployment. In fact, only newly signed agreements show some sensitivity to the labour market situation, while no such negative relationship is seen between the rate

1. See, for example, Álvarez et al. (2006). **2.** See, for example, the evidence presented in Estrada et al. (2009). **3.** See Bentolila et al. (2010) for a recent analysis of the cyclical insensitivity of wages in Spain and the high degree of indexation.



SOURCES: Instituto Nacional de Estadística, Ministerio de Trabajo e Inmigración and Banco de España.

a. Inflation and the indexation clause correspond to the previous period ($t-1$), while the wage increase relates to the reference period (t).

b. Real remuneration is obtained as the sum of the wage increase in period t and the indexation clause of period $t-1$, less inflation in period $t-1$.

of unemployment and wages in the case of revised agreements.^{4, 5} Also, the relationship between wage settlements and industry productivity is very low.

At the same time, the degree of indexation in collective bargaining is seen to be very high. As the upper panel of Chart 1 shows, there is a very close relationship between wage settlements and past inflation, which in terms of compensation per employee is strengthened by the impact of indexation clauses. In fact, the percentage of workers covered by indexation clauses averaged 69% over the period 2001–08. On data that are still preliminary, this proportion fell to 64% in 2009 and then to 46% in 2010. Also, since these clauses are not symmetric, in periods of declining inflation real wage increases often occur. The results of Table 1 support this evi-

4. It should be noted that only one third of agreements with economic effects are negotiated in the same year, since most agreements are for more than one year, and therefore can be expected to be less sensitive to contemporaneous cyclical factors. 5. Controlling for the nature of the agreement (newly signed or revised previously signed multi-year agreements), the level at which it is negotiated (firm or higher level) and the sector of the firms it affects.

Dependent variable: wage settlements		REVISED AGREEMENTS		NEWLY SIGNED AGREEMENTS	
EXPLANATORY VARIABLES		Coefficient	t-statistic	Coefficient	t-statistic
Positive inflation deviation in t-1		0.94	108.6	1.13	148.9
Negative inflation deviation in t-1		-0.19	-3.0	-0.35	-4.6
Change in unemployment rate in t-1		0.01	1.4	-0.24	-34.3
Change in sector productivity in t-1		0.004	1.6	0.003	1.1
Constant		2.66	30.8	2.38	29.6
Observations		37,256		52,570	
Adjusted determination coefficient		0.29		0.33	

SOURCE: Bentolila et al. (2010).

a. The regressions include dummy variables for sector of activity (two digits of the 1993 Spanish National Classification of Economic Activities), level of bargaining and presence of indexation clause

dence, since they show that positive deviations in inflation are passed through to wage increases with a coefficient of nearly 1, while this pass-through does not take place when inflation falls below the 2% reference rate.

The wage inertia described above has been especially apparent during the recent economic crisis. In 2007 and 2008 negotiated wage rates grew, driven by, among other factors, adjustments to reflect the previous years' inflation deviations, causing wages to rise while demand was falling. Subsequently, the adjustment of wages in 2009 almost exclusively reflected the sharp fall in inflation, despite the deterioration in the labour market. Only in 2010, with a two year lag from the start of the crisis, did more genuine wage moderation occur, under the agreement signed by the social agents for the period 2010-12, in a propitious lower inflation environment. However, the activation at the beginning of 2011 of the indexation clause led to an average wage increase of 2% in the 2010 collective agreements.

The results of the Survey of Wage Formation in Firms conducted in 2008 on a sample of Spanish firms by the Banco de España in collaboration with the Wage Dynamics Network lead to the same conclusion. The survey questions included one asking firms for information on how they achieve cost reductions when faced with a negative shock. The results show that, in general, the different shocks lead firms to reduce temporary employment, especially in the case of a fall in demand, with more than half of the respondents declaring that this was the main way of reducing costs (see Table 2). In contrast, adjustment of the wage component, both its most stable factor and the variable one, is relatively infrequent. In the case of shocks affecting intermediate costs or wages, firms also tend to significantly reduce other types of non-labour costs. The survey update conducted during the crisis confirms these results (see Table 3).

Overall, in comparison with other European countries these results show that temporary employment is used more frequently in Spain as the main way of adjusting to shocks, while wages (including their fixed and variable components) are more isolated from firms' adjustment needs (see Table 3). This difference is undoubtedly related to the greater importance of temporary employment, the greater protection of permanent employment and the high degree of wage rigidity in the Spanish economy.

Percentage of firms	TYPE OF SHOCK		
	Decline in demand	Increase in cost of	Increase in wage costs
Reduction in basic wage	4.8	7.2	8.9
Reduction in variable wage component	5.8	5.6	11.8
Reduction in permanent employment	11.7	4.5	7.6
Reduction in temporary employment	57.5	26.0	27.6
Reduction in hours worked per employee	5.6	4.3	4.6
Reduction in non-wage costs	14.6	52.3	39.7

SOURCE: Survey of Wage Formation in Firms, conducted by the Banco de España

The high inertia and inflexibility of the Spanish wage bargaining model may be illustrated more formally by estimating the degree of downward wage rigidity following the methodology used by the so-called International Wage Flexibility Project (IWFP).⁶ This methodology, which is explained in detail in Dickens and Goette (2006), estimates this variable on the basis of a comparison between the observed distribution of changes in individual wages and a theoretical/notional distribution which seeks to replicate the existence of complete flexibility in the wage determination process. To construct this notional distribution it is assumed that in the situation of complete flexibility the wage changes from one year to the next are distributed symmetrically.⁷ Subsequently, the distribution of observed wage changes is estimated. In comparison with the notional distribution, the presence of rigidities would mean that, in response to a negative shock to productivity or a reduction in the firm's demand, the wage changes of a larger number of workers would be concentrated around zero (which is known as "nominal rigidity") or around the expected value for inflation (which is called "real rigidity").

This article presents estimates for Spain based on information supplied by the *Muestra Continua de Vidas Laborales* (Continuous Survey of Working Life, MCVL).⁸ This survey is restricted to workers of the General Social Security Regime who work full time and have been in the same firm for at least two years, in order to calculate wage changes free from the impact of changes in employment. This fact affects the interpretation of the results obtained, insofar as it means that what is being estimated is the degree of rigidity of the wages of workers who remain in their jobs.⁹

To illustrate the estimation method used, Chart 2 shows the distribution of wage changes observed in a particular year (2008) and compares it with the notional distribution. As can be

6. The IWFP is a study by more than forty researchers of the effects of inflation on wage determination and on the nature, size, causes and consequences of wage rigidity. It uses individual data on wages for more than 16 countries. 7. Following a Weibull distribution with two tails centred on the median wage change. This distribution is used because wage changes tend to be more concentrated around the median and, at the same time, to have extreme values with a higher probability than would be observed in a normal distribution. Dickens et al. (2007) present evidence to show that this distribution reflects the wage changes observed in different countries particularly well. 8. Specifically, the 2008 wave is used, which contains information on a sample of 4% of all workers who had some type of relationship with the Social Security system that year and their previous labour history, and the period of analysis of the degree of wage rigidity is extended to the period 1996–2008. The MCVL also provides information on some personal characteristics (sex, age and contribution group; the latter may be considered a proxy for the level of education) and the work they perform (sector of activity, firm size, type of contract and wage). In particular, it provides the monthly and annual social security contribution base of each worker, which includes practically all wage items and, therefore, may be considered a good measure of the total wage paid by firms, at least for all those workers with wages below the maximum contribution base. As a result, all those workers with the maximum contribution base have been eliminated from the sample, since wage changes estimated on the basis of such data are determined entirely by the annual changes in the contribution bases. Around 10–15% of all workers have the maximum base in each year of the sample. 9. Accordingly, firms are not considered to be able to use other means of adjusting their labour costs, such as employment or hours worked per employee.

REDUCTION IN:	Percentage of firms									
	AUSTRIA		BELGIUM		CZECH REPUBLIC		ESTONIA		SPAIN	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
Basic wage	0.0	0.4	0.3	3.4	0.0	3.9	0.5	15.7	4.8	1.1
Variable wage component	10.9	15.8	10.3	16.7	18.6	24.3	17.3	23.9	5.8	5.9
Permanent employment	11.0	11.2	29.3	35.7	19.0	42.7	17.2	24.4	11.7	25.8
Temporary employment	6.5	10.1	29.0	45.6	27.0	34.2	15.7	3.3	57.5	42.4
Hours worked per employee	20.4	34.2	5.1	32.5	3.5	10.8	4.9	9.1	5.6	5.7
Other non-wage costs	51.2	28.2	26.0	40.6	41.5	52.8	44.5	23.6	14.6	19.2
FRANCE		ITALY		NETHERLANDS		POLAND				
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)		
Basic wage	0.0	0.1	1.0	1.3	0.3	1.2	3.5	2.2		
Variable wage component	7.5	9.9	9.3	8.8	3.0	4.6	8.0	17.0		
Permanent employment	10.9	17.1	16.0	17.1	3.2	8.4	31.4	15.3		
Temporary employment	28.4	33.9	28.9	20.8	37.7	40.1	8.7	10.0		
Hours worked per employee	10.0	12.4	9.8	18.2	2.1	5.8	5.2	6.4		
Other non-wage costs	43.2	26.2	35.0	33.8	5.2	6.4	43.3	47.0		

SOURCES: Wage Dynamics Network.

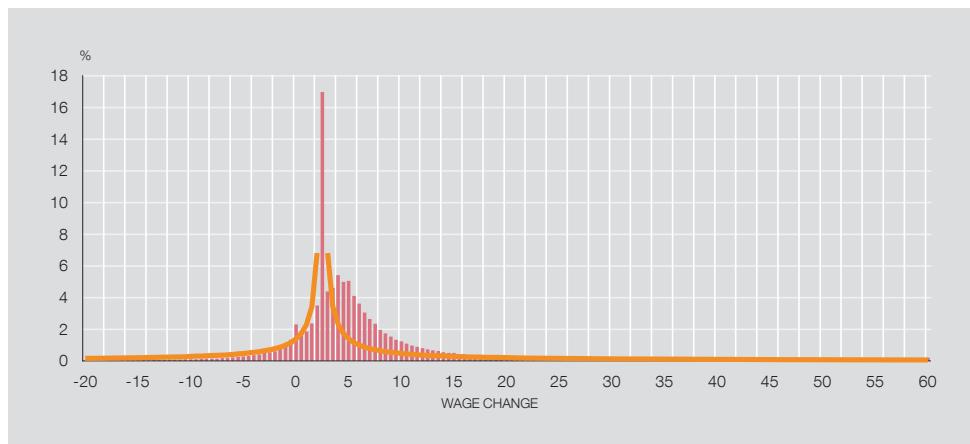
- a. Original survey.
b. Survey update during the crisis.

seen, the distribution of wage changes that actually occurred in 2008 is not symmetric and, in comparison with the notional distribution, wage cuts are less frequent, while wage increases above the median of the distribution are more frequent. Apart from this asymmetry, there are two peaks to be seen in the distribution: the first one (at around zero) reflects the frequency of wage freezes, while the second, higher one (at around 3%), illustrates the greater frequency of wage increases at around the forecast rate of inflation¹⁰ or, in other words, of cases in which the constancy of wages is ensured in real terms.

The results of the estimation for the period 1996-2008 are shown in the upper panel of Chart 3. The estimate of the degree of real wage rigidity in Spain is seen to be much higher than that of nominal rigidity. Throughout the period, a relatively stable proportion of workers (between 30% and 40%) who in a theoretical framework of complete flexibility would have received wage increases below inflation, maintained the level of their wages in real terms. On average during the period 1996-2008 this proportion was 33.7% of the total sample of workers. Meanwhile, it is estimated that around 16% of workers who in the notional scenario would have received a wage cut actually experienced no change in their wage. In this case, the proportion seems to follow a declining trend over the period, since it reached 21% between 1996 and 2000 and 13% on average between 2000 and 2008.

In terms of international comparisons, and applying this methodology, Spain is among those countries that have a high degree of real wage rigidity, but simultaneously among those for which nominal rigidity is less important. However, the latter result may, in principle, contrast with the findings of the Survey of Wage Formation in Firms mentioned above.¹¹ In the case of

10. This concentration of wage changes around the forecast inflation rate is also observed for other periods. **11.** In the case of the survey, the firms were asked whether they had reduced or frozen wages during the last five years. Although the results may be affected by the business cycle, since this period was characterised by strong economic growth in Spain, the responses show a high degree of both nominal and real wage rigidity: 97.5% declared that they had not reduced or frozen nominal wages, and the proportion that declared that they had frozen wages was very small (2.4%).



SOURCES: Muestra Continúa de Vidas Laborales and Banco de España.

a. The bars correspond to the distribution of wage changes and the line represents the estimation of a Weibull distribution with two tails centred on the average wage change.

real wage rigidity, Chart 3 compares the estimates available for other countries within the IWFP framework [Dickens et al. (2009)] and it can be seen that those for Spain are in the upper middle range, close to countries such as Belgium, France, Sweden and Finland, which have a higher degree of rigidity in real terms. In general, these countries are characterised by a high degree of wage indexation, given, for example, the fact that indexation clauses apply to the majority of workers in Belgium and the indexation of the minimum wage in France. In the case of Spain, as indicated above, this result is not surprising, given the fundamental role of inflation, both past and projected, and the low degree of cyclical sensitivity in the wage formation process.¹²

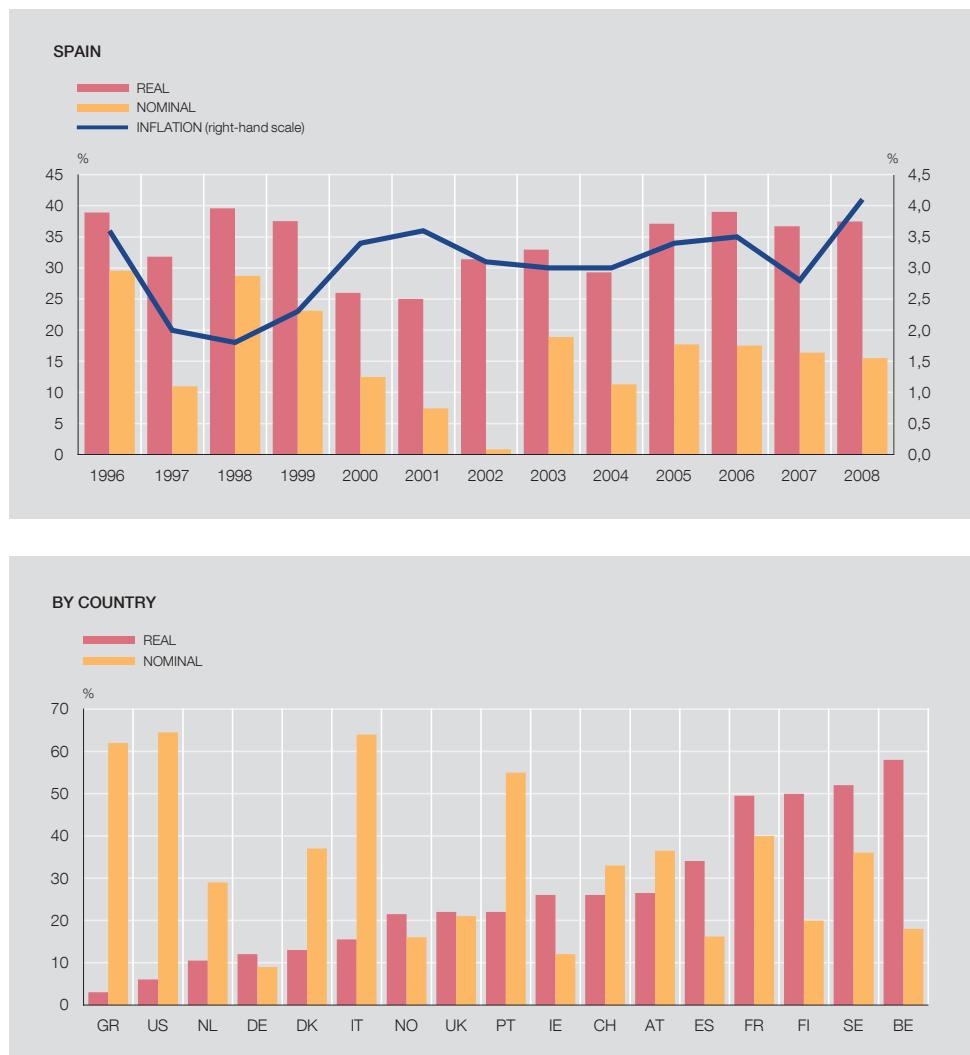
Estimates have been made for specific groups of workers in order to analyse whether differences can be observed that would allow the lack of flexibility to be associated with other characteristics of the wage formation process. Table 4 presents these estimates for different skill levels,¹³ age groups, contract types, firm sizes and sectors of activity.

In terms of the characteristics of the workers, wage rigidity is seen to be greater for the higher skilled workers of the firm. The results are similar when rigidity is computed in nominal terms, but one sees less variation between the different groups of workers.¹⁴ By age groups, one sees a negative relationship between age and the degree of wage rigidity, both in real and nominal terms¹⁵. Also, one sees a higher degree of rigidity, both real and nominal, among

12. The same conclusion regarding the high degree of real wage rigidity in Spain is also drawn from the Survey of Wage Formation in Firms. Around 55% of the Spanish firms surveyed responded that they apply automatic mechanisms to adjust wages for inflation, as against 17% on average in the other countries in which the survey was conducted. 13. Approximated by the Social Security contributor groups. 14. This positive relationship between wage rigidity and skill level is consistent with different wage formation models, such as, for example, efficiency wage models, which predict that it is more difficult for firms to adjust the wages of higher skilled workers, since their productivity is more difficult to observe than that of lower skilled workers. At the same time, different models of labour turnover also tend to predict greater wage rigidity among higher skilled workers, since firms have a greater interest in retaining such workers. Finally, insider-outsider wage bargaining models, which take into account the greater bargaining power of higher skilled workers, are also consistent with these results. 15. In principle, the wage efficiency and insider-outsider models mentioned above would tend to predict greater wage rigidity for the intermediate age group, in accordance with their combination of training and work experience. The findings for Spain, as well as for Belgium [see Du Caju et al. (2008)], which show higher wage rigidity for young workers, would be consistent, however, with models in which firms do not wish to lower the wages of those workers who are most likely to leave the firm (in this case, young workers) to avoid the costs associated with labour turnover.

DEGREE OF WAGE RIGIDITY
Percentage of workers (a)

CHART 3



SOURCES: Muestra Continúa de Vidas Laborales, International Wage Flexibility Project and Banco de España.

a. Percentage of workers whose wage is unchanged (in nominal or real terms), when in the absence of wage rigidity (nominal or real) it would have been cut.

workers with permanent contracts¹⁶. By firm size, the results obtained are not particularly conclusive, which is also the case when the analysis is made by sector of activity, where the differences are not large either.

Some determinants of the degree of wage rigidity. A cross-country comparative analysis¹⁷

As seen in Chart 3, the heterogeneity observed across countries in the extent to which wages respond to macroeconomic shocks is high. Institutional differences (in particular, in wage bargaining mechanisms) may, therefore, be a fundamental factor in explaining these differences. In order to analyse which labour institutions may be most closely associated with wage rigidities, Messina et al. (2010) consider disaggregated data for 13 branches of activity and four countries (Spain, Belgium, Denmark and Portugal). This paper shows that the differences between countries

16. However, it should be pointed out that the group of temporary workers for which greater wage flexibility is estimated is a small and very specific group of such employees, since the estimation method requires that they stay at the firm for at least two consecutive years. **17.** This section briefly summarises the main results of Messina et al. (2010) published as Banco de España Documento de Trabajo No 1022.

		REAL	NOMINAL
BY GROUPS OF WORKERS:			
OCCUPATION	Skilled non-manual	45.0	18.4
	Unskilled non-manual	35.5	16.0
	Skilled manual	34.5	15.8
	Unskilled manual	26.7	15.9
AGE GROUP	16-29	42.1	21.1
	30-44	34.1	15.9
	45-64	30.0	12.5
BY CHARACTERISTICS OF EMPLOYMENT:			
TYPE OF CONTRACT	Temporary	21.4	9.3
	Permanent	34.2	16.4
SIZE OF FIRM	< 20 workers	27.6	19.5
	20-200 workers	34.9	15.4
	> 200 workers	32.5	15.1
SECTOR OF ACTIVITY	Industry	36.9	14.3
	Construction	35.4	18.8
	Market services	31.4	17.9

SOURCES: Muestra Continua de Vidas Laborales and Banco de España.

a. Percentage of workers whose wage is unchanged (in nominal or real terms), when in the absence of wage rigidity (nominal or real) it would have been cut.

in the degree of wage rigidity are much larger than those observed between branches of activity, despite the high level of sectoral disaggregation used. However, the variation across the sectors of one single country, equally affected by the national labour institutions, may also give a clue to some of the structural determinants of the degree of wage rigidity

First, in terms of the characteristics of the workers, the analysis of the four countries mentioned shows no clear association between labour rigidity and the distribution of employment at the sectoral level by sex, age group or firm size. However, one does observe, in line with the results discussed above, that wage rigidity is greater in those sectors with a larger proportion of highly skilled workers.

Also, the results show a negative relationship between the degree of real wage rigidity and the presence of firm-level agreements. In the four countries analysed, the most common level of bargaining is the sectoral level and the results suggest that, in those branches of activity in which agreements at a more decentralised level play a greater role, wages are ultimately more flexible. Some studies [Cardoso and Portugal (2005), for example] show that in some of these countries firm-level bargaining ultimately leads to larger wage increases than those negotiated at the sectoral level, but this positive difference also offers greater flexibility to firms to adjust their wages in response to negative shocks.

In the case of Spain, it should be recalled that collective bargaining takes place predominantly at the sectoral level, within each province, which implies an intermediate level of centralisation, while the employment conditions of only around 10% of workers are negotiated at the firm level (see Table 5). The empirical evidence for Spain indicates moreover that the intermediate level of bargaining (provincial sectoral level) produces settlements that are generally higher than those agreed at a more centralised level (national sector level) or at a more decentralised level (firm). As seen in Table 5, both the initially agreed wage increase and the impact of the indexation clause were lower in virtually

LEVEL OF BARGAINING	NEGOTIATED WAGE INCREASE As a percentage							
	2003	2004	2005	2006	2007	2008	2009 (a)	2010 (a)
TOTAL	3.48	3.01	3.17	3.29	3.14	3.60	2.28	1.32
Firm	2.70	2.61	2.94	2.92	2.70	3.09	2.20	1.09
Other level	3.58	3.06	3.19	3.34	3.20	3.65	2.29	1.34
Percentage of workers affected by firm-level agreements	10.75	9.95	10.78	11.01	10.87	10.15	9.72	6.97
REVISED WAGE INCREASE As a percentage								
TOTAL	3.68	3.60	4.04	3.59	4.21	3.60	2.26	2.09
Firm	2.94	3.14	3.61	3.15	3.57	3.09	2.20	1.55
Other level	3.77	3.65	4.09	3.65	4.28	3.65	2.27	2.13
INDEXATION CLAUSE In percentage points								
TOTAL	0.20	0.59	0.87	0.30	1.06	0.00	-0.02	0.77
Firm	0.24	0.53	0.67	0.23	0.87	0.00	0.00	0.46
Other level	0.19	0.59	0.90	0.31	1.09	0.00	-0.02	0.79

SOURCE: Ministerio de Trabajo e Inmigración.

a. Provisional data, on information to January 2011; in particular, the 2010 data may change in the coming months.

every year of the period 2003-10 in the case of firm agreements than in that of agreements at other levels. As a result, the revised wage increase (which includes the impact of the wage indexation clause) under firm agreements was lower than under agreements negotiated at other levels.¹⁸

Meanwhile, the importance of variable payments in total labour costs slightly reduces the degree of wage rigidity, both in real and nominal terms. In this respect, the results show that these variable payments are no substitute for greater flexibility in the basic wage, and it is precisely in those sectors in which they are most important that one tends also to find a lower degree of wage rigidity. Finally, although the results are less conclusive, using a measure of competition in the product market one finds that greater competition is associated with lower wage rigidity in nominal terms, possibly reflecting the impact of competition on the profits and the wage formation mechanism.

Conclusions

This article presents estimates of the extent to which wages respond to macroeconomic shocks using a methodology that means they can be compared with those available for other countries. The main results show that wage rigidity in Spain is high in real terms and similar to that found in certain other European countries in which the degree of wage indexation is high. This result is consistent with the basic characteristics of the collective bargaining system in Spain, which assign a dominant role to inflation among the determinants of wage increases and a minimal role to firm-level bargaining. As seen, this generates a high degree of wage inertia that hampers the necessary adjustment of wages to the specific conditions of each firm and the cyclical position of the economy.

Wage developments during the economic crisis have been indicative of the difficulties involved in restoring competitiveness to the economy without sharp increases in unemployment.

18. Izquierdo, Moral and Urtasun (2003) present similar evidence for the 1990s, even when the impact of a broad set of characteristics of the collective agreements is controlled for.

Indeed, if these patterns of wage determination are maintained in the current economic circumstances, marked by a rise in inflation that should be temporary, since it largely arises from the impact of certain tax increases and the rise in the oil price, then inflation will remain at higher rates, with the consequent loss of competitiveness and reduction in employment and activity in the Spanish economy.

The recent reform of the labour market will help reduce the degree of wage rigidity in the Spanish economy. The introduction of new possibilities for decentralising collective bargaining must be exploited in order to increase wage flexibility and thereby reduce the excessive volatility of employment in the Spanish economy. The reform of collective bargaining, planned for the first quarter of this year, is bound to play a fundamental role in overcoming the labour market inefficiencies that have recurrently manifested themselves in very large increases in unemployment.

11.2.2011.

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FINANCIAL REGULATION: 2011 Q1

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Introduction

In 2011 Q1, relatively few new pieces of financial legislation were enacted in comparison with previous periods.

The European Central Bank (ECB) has amended the legal framework for accounting and financial reporting in the European System of Central Banks (ESCB).

The Banco de España has made some changes to Eurosystem monetary policy instruments and procedures in order to adapt them to ECB regulations.

The Sustainable Economy Law was promulgated, which requires greater transparency from financial institutions and introduces a series of improvements in financial supervision and in the protection of users of financial services. In the area of credit institutions, several measures were created to strengthen the financial system, and, in particular, its solvency levels.

In the field of the securities market, five pieces of legislation were adopted: the conditions for issuing government debt for 2011 and January 2012; various amendments to solvency regulations for investment firms; the adaptation to EU law of derivatives transactions carried out by collective investment undertakings (CIUs); a new regulation on official secondary markets for futures, options and other derivative financial instruments and certain amendments to the promotion agreements of securitisation special purpose entities.

Finally, in the European arena, measures for combating late payment in commercial transactions were brought up to date.

**European System of
Central Banks:
amendment of the legal
framework for accounting
and financial reporting**

Guideline ECB/2010/20 of 11 November 2010 (OJ L of 9 February) which replaces and repeals *Guideline ECB/2006/16* of 10 November,¹ on the legal framework for accounting and financial reporting in the European System of Central Banks (ESCB) was issued.

Certain changes were made to the criteria for balance sheet valuation. They specifically affect holdings of special drawing rights (SDRs),² including designated individual foreign exchange holdings underlying the SDR basket, which shall be treated as one holding for revaluation purposes. By contrast, the revaluations of foreign currency holdings, including on-balance-sheet and off-balance-sheet transactions, will continue to be on a currency-by-currency basis.

The hedging of the interest rate risk on securities with derivatives is introduced which involves designating a derivative so that the change in its fair value offsets the expected change in the fair value of the hedged security arising from interest rate movements.

In general, hedged instruments and hedging derivatives shall be treated in accordance with the general provisions, valuation rules, income recognition and instrument-specific requirements set out in this Guideline.

1. See «Financial Regulation: 2006 Q4», *Economic Bulletin*, January 2007, Banco de España, p. 107. **2.** SDRs are renumerated international reserve assets which were created by the IMF in 1969 to supplement other reserve assets of member countries.

Nevertheless, the Guideline sets out alternative valuation treatment, if certain requirements are met. Namely, that the instrument and the hedging derivative are shown at their market values on the balance sheet as the end of each quarter and that an asymmetric valuation approach is applied to unrealised gains/losses. Under this approach, a net unrealised loss shall be taken to the profit and loss account at year-end, and it is recommended that it is amortised over the remaining life of the hedged instrument, whereas a net unrealised gain shall be booked on a revaluation account and reversed at the following revaluation date.

If hedge accounting is discontinued, the security and the derivative that have remained in the books of the reporting entity shall be valued as stand alone instruments, in accordance with the general rules set out in this Guideline.

A hedging system is also set up for groups of securities with similar interest rates. Thus, they may be aggregated and hedged as a group only if the following conditions are met: a) the securities have a similar duration; b) the group of securities complies with the effectiveness test prospectively and retrospectively, and c) the change in fair value attributable to the hedged risk for each security of the group is expected to be approximately proportional to the overall change in the fair value attributable to the hedged risk of the group of securities.

The Guideline came into force on 31 December.

**Banco de España:
amendment of the general
clauses applicable to
monetary policy
operations**

CHANGES MADE BY THE
RESOLUTION OF 6 OCTOBER
2010

The Resolution of 6 October 2010 and the Resolution of 29 December 2010 (both published in the Official State Gazette of 12 January 2011) of the Executive Commission of the Banco de España were promulgated, amending the Resolution of 11 December 1998³ approving the general clauses applicable to monetary policy operations, in order to adopt Guideline ECB/2010/13 of 16 September 2010 and Guideline ECB/2010/30 of 13 December 2010,⁴ which amended Guideline ECB/2000/7 of 31 August 2000 on monetary policy instruments and procedures of the Eurosystem.

In general clause II, entitled “scope of application”, the possibility is established of the ECB, under exceptional circumstances, carrying out directly with selected institutions not only bilateral fine-tuning operations, but also structural operations⁵ and outright transactions.⁶

In general clause IV, entitled “basic conditions of monetary policy operations”, the functions of counterparties are updated. As a result, they must, always be in a position to: 1) transfer a sufficient amount of eligible assets or cash, to settle (at the settlement day), or to collateralise, until the maturity of the operation by means of corresponding margin calls, the amount allotted in a tender in a liquidity-providing operation; 2) to deliver a sufficient amount of cash to settle the amount it has been allotted in a tender in a liquidity-absorbing operation, and 3) to deliver the amount of eligible assets or cash agreed to settle transactions executed by means of bilateral operations, or to collateralise a bilateral operation outstanding at any time until its maturity by means of corresponding margin calls.⁷

3. See «Financial regulation: fourth quarter 1998», *Economic Bulletin*, January 1999, Banco de España, pp. 78-82. 4. See «Financial regulation: 2010 Q4», *Economic Bulletin*, January 2011, Banco de España, pp. 133-136. 5. Structural operations are carried out through the issuance of ECB debt certificates, reverse transactions and outright transactions. 6. Transaction through which the ECB buys or sells, spot or forward, outright holdings of assets on the market. 7. Previously, the only obligations envisaged were to cover the amount allotted to them in tender operations with a sufficient amount of eligible assets, and to deliver the amount of underlying assets agreed to settle transactions carried out by means of bilateral operations.

In general clause V, entitled “procedures applicable to monetary policy operations”, certain technical amendments are made in the tender procedures, relating to the delivery of a sufficient amount of eligible assets, or cash, to settle the operations.

In general clause VI, entitled “eligible assets”, a new exception is added to the rules for the use by a counterparty of eligible assets issued by another entity with which it has close links: for residential real estate loan-backed structured covered bonds (i.e. certain covered bonds not declared UCITS compliant by the European Commission) that fulfil all the criteria applied by the Eurosystem to asset-backed bonds as regards asset selection and the credit evaluation system and that comply with certain additional criteria specified by the Banco de España.

In general clause VII, entitled “cases of default”, certain cases are updated in which the counterparty is considered to have failed to comply with rules established by the Banco de España; specifically in relation to tenders, bilateral operations and on the use of eligible assets.

In relation to tenders, the counterparty is considered in breach of its obligations when it fails to transfer a sufficient amount of underlying assets or cash (when applicable, as regards margin calls) to settle at the settlement day, or to collateralise, until the maturity of the operation by means of corresponding margin calls, the amount allotted in a liquidity-providing, or if it fails to transfer a sufficient amount of cash to settle the amount allotted in a liquidity-absorbing operation.⁸

With regard to bilateral operations, a counterparty is deemed to be in breach of its obligations when it fails to transfer a sufficient amount of underlying assets or a sufficient amount of cash to settle the amount agreed in the transaction, or if it fails to collateralise an outstanding bilateral transaction at any time until its maturity by means of corresponding margin calls.⁹

Finally, as regards the use of the assets, the counterparty is deemed to be in breach of its obligations when it has provided information affecting the collateral value negatively, for example on the outstanding amount of a used credit claim, which is false or out of date.

This Resolution has been applicable since 10 October 2010.

CHANGES MADE BY THE
RESOLUTION OF 29 DECEMBER
2010

The only change is to general clause VI, entitled “eligible assets”, and was established by Guideline ECB/2010/30. A new exception is added to when counterparties present eligible assets issued by another entity with which they have close links, specifically for *commercial mortgage-backed covered bonds*. In parallel with the previous section, these are certain covered bonds that have not been declared UCITS compliant by the European Commission, but which fulfil all the criteria applicable to asset-backed securities regarding asset selection and the credit evaluation system and that comply with certain additional criteria specified by the Banco de España.

This Resolution has been applicable since 1 February 2011.

Sustainable Economy Law

Sustainable Economy Law 2/2011 of 4 March 2011 (BOE of 5 March 2011) was published. From the viewpoint of financial regulation the following aspects are notable:

8. The counterparty will be deemed to have failed to comply with rules established by the Banco de España in relation to tenders when such counterparty does not have sufficient eligible assets to settle its allotted bids, or when it has not deposited sufficient cash in the case of liquidity-absorbing operations. **9.** Also, the counterparty will be deemed to have failed to comply with the rules established by the Banco de España in relation to bilateral operations, in particular, when such counterparty is unable to provide sufficient eligible assets or does not have a sufficient cash balance to settle the amount agreed in the transaction.

TRANSPARENCY IN RELATION TO
THE REMUNERATION OF
DIRECTORS AND SENIOR
MANAGERS, AND CORPORATE
GOVERNANCE

Transposing Directive 2010/76/EU of the European Parliament and of the Council of 24 November 2001,¹⁰ credit institutions, investment firms and listed public limited companies are required to enhance transparency as regards the remuneration of their directors and senior management, as well as their compensation policies, so that they are consistent with prudent and effective risk management.

Credit institutions and investment firms must include in their rules of governance remuneration policies and practices consistent with the promotion of sound and effective risk management. Likewise, the respective supervisory authorities (Banco de España and CNMV) are authorised to request entities to limit variable remuneration when it is inconsistent with the maintenance of a sound capital base.

In addition, the Banco de España is authorised to publish guidelines indicating the criteria or procedures that it considers appropriate to ensure that remuneration practices result in incentives to take risks that are compatible with appropriate risk management. Such guidelines may include the criteria to be used by the Banco de España itself when carrying out its supervision activities.

Finally, along with the annual report on corporate governance, public limited companies must prepare an *annual report on the remuneration of their directors*, containing a summary of the remuneration policy during the year, as well as the details of the individual remuneration received by each director. This obligation is also established for savings banks, with the details on individual remuneration being required for members of the Board of Directors and the Control Committee.

ENHANCEMENT OF FINANCIAL
SUPERVISION

The powers and supervisory regime of the supervisory authorities are expanded.¹¹ Thus, insofar as it is necessary for the effective performance of their functions, persons or entities who provide any type of professional service to supervised entities will be obliged to supply all such data and information as they may be requested to provide in accordance with the provisions, where applicable, of the specific legislation regulating their profession or activity.

In addition, the law makes clear that there exists a duty on the part of general government bodies; chambers and corporations, schools, school boards and professional associations; other public entities and those who, in general, exercise public functions, which will be obliged to collaborate and supply to the supervisory authorities all such data, documents, records, reports and background information that they may be necessary for the exercise of their supervisory task.

Also, communication between the supervisor and entities by electronic means is promoted, for which purpose the latter are obliged to have the technical means required.

The definition of infringements is widened to include the failure to comply with the new obligations in the law. Notable here is the failure to adopt the measures required to strengthen or modify their internal control, accounting or valuation procedures; the non-existence of mechanisms or strategies to have an organisational structure or resources that are adequate, when this would put their solvency or viability at risk, and the absence or poor functioning of customer service departments. In addition, the financial sanctions are increased, especially for serious and very serious infringements.

10. See "Financial regulation: 2010 Q4", Economic Bulletin, January 2011, Banco de España, pp. 153-155. **11.** The Banco de España, the CNMV and the Directorate General of Insurance and Pension Funds.

On one hand, the Law contains various requirements relating to credit-granting policies and the information that must be supplied to consumers of banking products (deposits and/or loans), in a shift towards the philosophy that was introduced into Spanish law for investment services with the transposition of the “MiFID Directive”.¹²

In this respect, credit institutions must supply to consumers, in an accessible manner and, in particular, through the appropriate pre-contractual information, adequate explanations enabling them to assess whether the banking products they are being offered (in particular, time deposits and mortgage or personal loans) are in line with their interests, needs and financial situation, with special reference to the essential characteristics of such products and to the specific effects they may have on the consumer, in particular, the consequences of default.

In relation to loan agreements, credit institutions must assess the solvency of the potential borrower, on the basis of sufficient information. To assess such solvency they must take into account the specific rules on risk management and internal control applicable to them under their particular legislation. In addition, credit institutions must follow practices for the responsible granting of loans to consumers. Such practices must be reflected in a document to be mentioned in a note to the annual report on the institution's activities.

The Minister for Economic Affairs and Finance is authorised, within six months from the entry into force of this Law, to approve the rules necessary to ensure that financial service users are adequately protected in their relations with credit institutions, including, in any event, measures relating to the transparency of the financial conditions of mortgage loans and consumer credit.

These rules may have the following content:

- a) Practices for the responsible granting of loans, including those that help to ensure that adequate attention is given to the income of consumers relative to the commitments acquired when they receive a loan; an appropriate independent valuation of the mortgage security for the loans, with mechanisms to avoid undue influence on the part of the institution itself or its subsidiaries; the consideration of different scenarios for the evolution of the interest rates on variable-rate loans, the possibilities for hedging such changes, taking into account moreover the use or non-use of official reference indices; obtaining and appropriately documenting relevant data on the applicant; pre-contractual information and appropriate assistance for the consumer, and compliance with data protection rules.
- b) Rules on the provision to consumers of other banking services – besides investment services – in particular in relation to deposit agreements and the communications that enable monitoring of the operations carried out by customers.
- c) Pre-contractual information that should be supplied to consumers before they formalise their contractual relations with institutions, including the information that should appear on the institution's website when services are offered through this channel or others involving remote marketing, all this being to ensure that it reflects, explicitly and with the necessary clarity, the most important elements of the products purchased.

12. Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004. See “Financial regulation: 2004 Q2”, Economic Bulletin, July 2004, Banco de España, pp. 110-114.

It should be pointed out that Law 44/2002 of 22 November 2002 on financial system reform measures established a procedure for the resolution of claims based on the existence of commissioners for the protection of customers for financial services (banking, securities and insurance), whose remit was regulated by RD 303/2004 of 20 February 2004 ("Commissioners' regulations").

However, this design has not been fully applied, since the commissioners were never appointed, although the claims services (included in the respective organisations of the sectoral supervisors) have continued to function, applying the rules of procedure of these regulations, except as regards the presence of the non-appointed commissioners.

In order to address the situation and adjust it to practical reality, the rules on the non-existent commissioners have been repealed and it is envisaged that the Minister for Economic Affairs and Finance will regulate, where still appropriate, the procedure for submitting claims.

Giving continuity to current practice, the claims services of the Banco de España, of the CNMV and of the Directorate General for Insurance and Pension Funds will continue to function on the one-stop shop principle and are required to forward claims that fall outside their remit to the correct claims service. In addition to the functions established (attending to the complaints and claims submitted by financial services users), they must resolve the consultations received by them on the rules applicable in relation to transparency and customer protection, and on the legal channels that exist for the exercise of their rights.

INSURANCE MARKETS AND PENSION FUNDS

The Law includes measures to reform insurance markets and pension funds in order to enhance the protection of the rights of insureds, and also to streamline procedures and increase the protection of savers and insurance policyholders. Specifically, the law seeks to ensure that the following objectives are achieved:

- a) Greater transparency and efficiency in the management of insurance companies.
- b) The streamlining of administrative formalities and procedures for pension fund authorisation and registration.
- c) Rationalising the assignment of the capital that pension fund management companies are required to hold, making it more efficient and maintaining a level that is sufficient and appropriate for their activity.
- d) Protecting savers and insurance policyholders and other users of the services provided by insurance companies, as well as strengthening legal certainty in relation to the marketing of pension schemes.
- e) Greater development of and transparency in insurance and reinsurance intermediation.

As regards the impact of the changes on credit institutions, the following should be noted: i) express indication of the possibility of ordering the inspection of pension fund custodians (which, under existing law, will always be credit institutions located in Spain), informing the supervisor (Banco de España) of the inspection order, and ii) the regulation of the activity of marketing individual pension schemes (an activity of the manager), which may be delegated to credit institutions and other financial institutions, although, *inter alia*, the minimum requirements for such delegation have been left for the implementing regulations.

In addition, insofar as the regulation of pension schemes and funds may, from the disciplinary viewpoint, also affect credit institutions (in their capacity as custodians, and now also as retailers), it is established that, if the offender is a credit institution, or the board of directors or management of the same, a report of the Banco de España will be required before a sanction can be imposed.

OTHER PROVISIONS

The balances of the compulsory reserve fund of credit cooperatives that have changed their status to a credit institution can be integrated into the share capital of the resulting institution during 2011.

With regard to the relations between the National Competition Commission and the sector regulatory bodies,¹³ the compulsory application reports between these authorities (in accordance with the provisions of the competition law in force) will be “definitive” for the authority that requests them, so that they may only dissent from their content by giving specific reasons (previously they were non-binding).

In relation to the scope of data protection, the information and data requested by financial supervisors are specified as being protected by Law 15/1999 of 13 December 1999 on the protection of personal data. This means that the general rule that personal data can only be transferred with the prior consent of the person concerned does not apply to such data, which have to be collected in the performance of the functions of such supervisors.

The Law came into force on 6 March 2011, except for certain provisions on private insurance, which will be applicable from 1 January 2013.

Measures to strengthen the financial system

Royal Decree Law 2/2011 of 18 February 2011 (BOE of 19 February 2011) to strengthen the financial system was published. It has a twofold purpose: first, to reinforce the level of solvency of credit institutions, through requiring more top quality capital; and second, to accelerate the final phase of the restructuring of institutions, especially savings banks, through the framework created by Royal Decree Law 11/2010 of 9 July 2010 on governing bodies and other aspects of the legal regime for savings banks.

The measures envisaged form two large blocks: the strengthening of the solvency of institutions; and the adaptation of the FROB as a public instrument to facilitate the required new capitalisation.

STRENGTHENING THE SOLVENCY OF CREDIT INSTITUTIONS

In relation to the current law on solvency, the capital requirements for credit institutions have been tightened, in line with the new international capital standards set in the so-called “Basel III accords”,¹⁴ which will begin to apply in the European Union from 2013.

Core capital

The definition of core capital is introduced, reflecting “common equity tier 1” in Basel III with certain differences, and a minimum level for such capital is established in relation to risk weighted assets.

The core capital of credit institutions is made up of the following elements:

- a) Share capital, excluding non-voting redeemable shares; the initial capital and non-voting equity units of savings banks; the capital contributions of credit coop-

13. The financial ones are the Banco de España, the CNMV and the Directorate General for Insurance and Pension Funds. **14.** The accords adopted by the Basel Committee on Banking Supervision on the general design of the reform of the capital and liquidity regulations.

eratives. Eligible shares or securities held by the institution itself or any consolidable institution are excluded.

- b) Share premium that is paid in when ordinary shares or other instruments listed in paragraph a) above are subscribed for.
- c) Disclosed reserves, as well as those elements classified as reserves in accordance with the legislation on own funds of credit institutions and the retained earnings for the period.
- d) Revaluation surpluses on available-for-sale financial assets that form part of equity, net of tax effects.
- e) Holdings representing minority interests that correspond to ordinary shares of consolidatable group companies.
- f) The eligible instruments subscribed for by the FROB within the framework of its regulations.
- g) Temporarily, instruments that are mandatorily convertible into shares can also be included until 31 December 2014, as long as they comply with certain requirements that guarantee a high loss-absorbing capacity, and insofar as they do not account for more than 25% of core capital.

From the sum of the above items the following are deducted:

- 1) losses from previous years recorded as a debit balance in the reserves (accumulated losses), and current year losses, including the amount of the loss for the period attributed to minority interest, as well as the debit balances on the equity account that are considered to be losses. For such purposes, the revaluation deficits on available-for-sale financial assets will be considered net of tax effects, and
- 2) intangible assets, including goodwill arising from business combinations, consolidation or application of the equity method. The value of these assets will be calculated as provided by the Banco de España.

Core capital ratio

Credit institutions must have core capital that is equal to at least 8% of their total risk-weighted exposures.¹⁵ This requirement will be 10% for those institutions that do not have securities representing at least 20% of their capital held by third parties, and that also have a wholesale funding ratio of over 20% (this ratio is discussed in the following section).

In addition, the Banco de España may require compliance with a higher level of core capital if the institution fails in the most adverse scenario of a stress test of the whole system to reach the level of minimum capital required in that test.

Wholesale funding ratio

CBE 2/2011 of 4 March 2011 (BOE of 5 March 2011) has defined what is understood by the wholesale funding ratio (for the purposes of the provisions of Royal Decree Law 2/2011), which

¹⁵. Calculated in accordance with the provisions of Law 13/1985 of 25 May 1985 on investment ratios, own funds and reporting obligations of financial intermediaries, and of its implementing regulations.

is the ratio between the net wholesale funding of available liquid assets and loans and advances to other debtors.

Wholesale funding consists basically of the sum of the following items:

- Central bank deposits, including the funding granted by ESCB central banks.
- The deposits of credit institutions with certain exceptions.
- Wholesale deposits, provided that they are not operational balances, made by general government, large non-financial corporations and other financial institutions that do not belong to the institution's economic group.
- Debits represented by wholesale negotiable securities, for which the issuance of securities (including subordinated) carried out by the institution, excluding own shares, those placed with retail customers through the internet, those associated with securitised assets or those that appear in the possession of group entities.
- Subordinated deposits, unless the lender is an entity in the same group as the institution.

From the foregoing sum must be deducted the available liquid assets, made up of cash and balances with central banks, deposits with credit institutions, liquid debt securities and listed equity instruments.

Loans and advances to other debtors comprise all lending, in whatever form, to third parties other than central banks and credit institutions, with the exception of assets purchased under resale agreements that are debt securities or equity instruments eligible as liquid assets and the balances of loans that are securitised and not retained by the institution.

With certain exceptions, individual credit institutions and consolidatable groups of credit institutions will be obliged to send on a half yearly basis to the Banco de España the statement annexed to the Circular. However, certain institutions, to which the specific circumstances set out in the Circular apply, may be exempted from this obligation.

The first statement must be sent before 31 March 2011 with the data for the situation as at 31 December 2010.

Progressive deadlines for the entry into force of the solvency requirements

The new requirements came into force on 10 March 2011. However, for those institutions that fail to comply with the core capital requirements on that date a progressive compliance strategy has been designed. Thus, they will have 15 business days to notify the Banco de España of the strategy and timetable for adaptation to the new capital requirements, specifying the measures that the institutions plan to use to comply with such requirements before 30 September 2011.

This strategy may envisage the raising of funds from third parties and IPOs, and must be approved by the Banco de España, which may require amendments or additional measures. Considering how long it may take to carry out the formalities required for these strategies, the Banco de España may authorise an extension of up to three months beyond the previous date (to 31 December 2011) and, if the strategy envisages the raising of funds from third parties and IPOs, the Banco de España may, exceptionally, extend the deadline for compliance to 31 March 2012.

In the event that the institution, to comply with the required level of core capital, has no other option but to request financial support from the FROB, it will indicate this in the compliance strategy, in which case it will have a period of one month to present a recapitalisation plan. The procedure for doing this will be discussed in the next section.

When the transitional period has expired and the institutions have complied with the new core capital requirements, a capital conservation buffer will be applied. If at any time an institution fails to comply with 20% of the required core capital ratio the Banco de España will impose restrictions that may affect the distribution of dividends, transfers to the welfare fund, the remuneration of preference shares, the variable remuneration of directors and managers and share repurchases.

Verification of the compliance with core capital requirements on 10 March will be based on the figure for risk-weighted assets as at 31 December 2010. Subsequent verifications during 2011 may not be based on a figure for risk-weighted assets that is less than that as at 31 December 2010.

However, this figure may be adjusted through extraordinary operations consisting of outright sales of branch networks, strategic stakes or a portfolio of loans or real assets, as well as by any effect that methodological changes to the calculation of the capital requirements that have been authorised by the Banco de España may have.

From 31 December 2011 onwards, the figures for risk-weighted assets considered at any particular moment will be those calculated in accordance with the rules on capital applicable to credit institutions.

AMENDMENT OF THE LEGAL REGIME OF THE FROB

The FROB's functions are extended in order to strengthen institutions' own funds without the need for this to automatically involve a merger and concentration process as envisaged by Royal Decree-Law 9/2009. Thus, it may adopt financial support measures such as acquiring ordinary shares or contributing to the capital stock of institutions which need to strengthen their own funds and make the related request.

The acquisition of securities by the FROB will be conditional upon the preparation by the institution of the above-mentioned recapitalisation plan, which must be approved by the Banco de España. The recapitalisation plan has to include a business plan in which targets are set for efficiency, profitability, leverage and liquidity levels, and certain commitments are made, for example, relating to the reduction of its overheads, the improvement of its corporate governance and undertakings to increase lending to SMEs in terms which are compatible with the targets established in its business plan. Institutions may also be required to make further commitments in order to ensure the efficient use of public funds.

The acquisition price of the shares or the capital contributions will be set in accordance with the institution's economic value, which will be determined by one or several independent experts who will be appointed by the FROB, through a procedure that it will perform following commonly accepted practices and on the basis of market value.

The acquisition of securities by the FROB will determine, in turn, its representation on the board or similar body of the issuer institution of the securities in proportion to its percentage of ownership, in order to ensure that the recapitalisation plan is complied with appropriately.

The FROB's ownership interest in institutions is temporary since under the Royal Decree-Law its holding will be divested through procedures ensuring competition within a period of no more than five years from the subscription date.

Without prejudice to the foregoing, it is envisaged that the FROB may participate, together with one or several of the partners or shareholders of the credit institution in question, in the possible sales of securities, under the conditions that may be agreed upon. Thus, within a period of one year at most from the purchase date, the FROB may resell the securities subscribed to the issuer institutions or to third-party investors proposed by them, under market conditions, and provided that the selling price provides a market return which is appropriate for the investment made. This period may be two years, in which case the applicant institutions may be required to make commitments in addition to those envisaged in their recapitalisation plans.

For the specific case of credit cooperatives, the regime envisaged in Royal Decree-Law 9/2009 of 26 June 2009 is applied for integration processes. This involves the acquisition by the FROB of preferential holdings which can be converted into contributions to the share capital of these cooperatives that need to strengthen their own funds exclusively to undertake the aforementioned integration processes, and that have made the related requests.

If the institution requesting the financial support is a savings bank, it will have a maximum of three months from the notification date of the approval of its recapitalisation plan to transfer its entire financial activity to a bank. It may either engage indirectly in its financial activity retaining its legal form of a savings banks,¹⁶ or transfer all of the assets involved in its financial activity to another credit institution in exchange for shares of the latter and become a special foundation thereby losing its status of credit institution.¹⁷

If the applicant institution is a bank which is jointly owned by savings banks (the IPS model), the latter must transfer in the same maximum period of three months all their financial activity to the bank and engage in their activity indirectly or become a special foundation.

Finally, a series of changes is made to the legal regime of the FROB. The main change in its governance is in relation to the composition of the Governing Committee which from now onwards will comprise nine members appointed by the Minister for Economic Affairs and Finance, two of whom will represent the Ministry for Economic Affairs and Finance (one will be from the Secretariat of State for Finance and the Budget and the other will be from the Secretariat of State for Economic Affairs) four will be proposed by the Banco de España and three will represent the Deposit Guarantee Funds (DGFs).

DEROGATIONS AND SPECIFIC FEATURES OF THE ROYAL DECREE-LAW

The newly-created banks and credit cooperatives which have arisen as a result of the transfer of the financial activity of one or several credit institutions will not be subject to the time restrictions established for the activity of new banks.¹⁸

On the other hand, as provided for in Royal Decree-Law 9/2009, if as a result of the restructuring or integration processes of institutions undertaken with the financial support of the FROB or the DGF, control of a listed company were achieved, there would be no obligation to submit a takeover bid in the terms envisaged by Securities Market Law 24/1988 of 28 July 1988 and its implementing regulations.

The credit institutions which are majority-owned by another credit institution with a different legal form will join the DGF to which the latter belongs. The Ministry of Economic Affairs and

16. See Article 5 of Royal Decree-Law 11/2010 of 9 July 2010 on governing bodies and other aspects of the legal regime for savings banks. **17.** See Article 6 of Royal Decree-Law 11/2010 of 9 July 2010 on governing bodies and other aspects of the legal regime for savings banks. **18.** These limitations are included in Royal Decree 1245/1995 of 14 July 1995 on the creation of banks, cross-border activity and other matters relating to the legal regime of credit institutions.

Finance may establish other cases in which, due to reasons of specific characteristics or economic dependence, a credit institution may join a deposit guarantee fund other than the one which corresponds to it on account of its legal form.

FISCAL MEASURES

Several fiscal measures are envisaged which are aimed at ensuring neutrality in the restructuring processes of the financial system.

The main fiscal issues addressed are the inclusion of credit institutions belonging to an IPS in the tax consolidation group of the core institution, the taking of tax credits prior to the creation of the tax group, the spin-off of the entire financial business by the savings banks to a bank and, finally, intra-group operations where the bank no longer belongs to the tax group.

The purpose of these specific modifications is to ensure that the financial sector restructuring process is undertaken without incurring tax costs associated with the process itself. These tax costs arise because the credit institutions involved in the process cannot take actual or potential tax credits which would be fully deductible in a traditional merger process or because of the inclusion in the tax base of the intra-group profit not yet taxed when the banks leave the tax groups.

The Royal Decree-Law came into force on 20 February 2011 and the Circular came into force on 6 March 2011.

State debt: terms of issuance for 2011 and January 2012

Law 39/2010 on the State Budget for 2011¹⁹ authorised the Minister for Economic Affairs and Finance to increase State debt in 2011, with the limitation that the outstanding balance thereof at end-2011 should not exceed the balance as at 1 January 2011 by more than €43,626 million.

In line with usual practice at this time of year, *Ministerial Order EHA/1/2011 of 10 January 2011* (BOE of 12 January 2011) providing for the creation of State debt during 2011 and January 2012, the *Resolutions of 20 and 24 January 2011* of the Directorate-General of the Treasury and Financial Policy (BOE of 28 and 29 January 2011), providing for certain issues of Treasury bills and of medium- and long-term government bonds, and the schedule of tenders for 2012 and for January 2011, were published.

Broadly, the existing instruments and issuance techniques remain in place. Thus issuance continues to be through tenders (competitive and non-competitive bids),²⁰ and by other procedures. In particular, a portion or the full amount of an issue could be transferred at an agreed price to one or several financial institutions which underwrite its placement. Similarly, outright sales or the sale under repos of newly issued securities or expanded existing issues that the Treasury might have in its securities account may be performed.

Provision is again made to exclude, for the purpose of calculating weighted average price and interest rate, any competitive bids for Treasury bills and medium- and long-term government bonds not considered to be representative of the market situation, so as not distort the result of the tenders.

TREASURY BILLS

As in previous years, the Resolution sets out the schedule of tenders to be held in 2011 and January 2012. The schedule states the dates of ordinary tenders and the maturity of Treasury

19. See "Financial Regulation: 2010 Q4", *Economic Bulletin*, January 2011, Banco de España, pp 149-159. **20.** Competitive tenders are those indicating the price, expressed as a percentage of the nominal value, that the bidder is willing to pay for the debt, or the percentage interest rate desired by the bidder; non-competitive tenders are those indicating neither price nor interest rate.

bills, setting the issues and the calls-for-tender simultaneously with the publication of the schedule. However, for reasons of demand or issuance policy, the Treasury may hold additional tenders to those announced.

As in 2010, three-, six-, twelve- and 18-month Treasury bills will be auctioned regularly every month, and the grouping of issues in monthly maturities has been retained to improve their liquidity.²¹ The 18-month Treasury bills offered for sale in odd months will have the same maturity as those issued in the previous month, so as to allow a sufficient degree of liquidity from the moment they are issued.

Tenders will continue to be held on the third Tuesday of each month for 12-month and 18-month bills, and on the following Tuesday for 3- and 6-month bills. Original maturities may differ from the stated periods by the number of days necessary to allow the grouping of bills in a single monthly maturity, coinciding with the issue date of 12-month and 18-month bills to make for more convenient reinvestment.

As regards other features, the procedure and allotment of tenders will be the same as in 2010, including the submission of bids in terms of the interest rate quoted on secondary markets, so as to simplify bidding for subscribers.

In competitive tenders, bidders shall state the nominal amount and the interest rate requested by them. The minimum nominal amount continues to be €1,000 and bids above that amount shall be expressed in whole-number multiples thereof. and the bids accepted shall be allotted in each case at the price equivalent to the requested interest rate or at the weighted average interest rate, as applicable on the basis of the result of the tender.²²

In non-competitive tenders, the minimum nominal amount also remains at €1,000 and bids for higher amounts must be whole-number multiples of this, with the proviso that the total nominal amount of the non-competitive bids submitted by a single bidder in each tender may not exceed €1 million, although this limit is raised to €300 million in the case of certain institutions.²³ The bids accepted shall in all cases be allotted at the price equivalent to the weighted average interest rate.

Lastly, as in previous years, tenders will be followed by a second round reserved for those financial institutions that have acquired market-maker status in respect of Treasury bills. The second round will be conducted in accordance with the regulations governing market makers.

MEDIUM- AND LONG-TERM GOVERNMENT BONDS

The Resolution sets out the schedule of tenders to be held in 2011 and January 2012, indicating the dates of the ordinary tenders and the maturity, setting the issues and the call for bids simultaneously with the publication of the schedule. The issuance criteria and procedures are essentially the same as in 2010.

As a new feature, the announcement of the securities to be offered will be changed from a quarterly to a monthly frequency so as to adapt issues more closely to market preferences. The announcement will be made, save exceptions, on the first Thursday of each month, after consultation with market-makers and coinciding with the allotment date of the bond tender,

21. In shorter-term bill issues (three or six months), the Treasury uses the same classes of securities as it used in the past for longer-term (generally eighteen-month) bills in order to keep the same range of securities on the market but with a higher volume, and thus improve their liquidity.

and will consist of communication of the classes of bonds to be issued in that month and those of the following month's bonds. Also, as is usual practice, issue targets will continue to be announced on the Monday before each tender.

The Treasury may add new bond classes to tenders or decide not to issue at any of the maturities which may have been set in the aforementioned monthly communication. Further, special tenders additional to the scheduled ordinary ones may be held.

As in previous years, the initial maturities will be three and five years for medium-term bonds, and ten, fifteen and thirty years for long-term bonds. Also, bond classes issued in the past will be re-opened with new tranches in order to ensure their liquidity and meet investor demand in the relevant segments by increasing the average volume of outstanding issues. The new issues will bear the nominal interest rate specified in the related Resolution. Provision is also made for the issuance of medium- and long-term bonds tied to some index.

As in the previous year, tenders will, save exceptions, take place on the first Thursday of each month for medium-term bonds and on the third Thursday for long-term bonds. The procedure and allotment of tenders will be unchanged.

The conditions applicable to competitive and non-competitive bids are the same as for Treasury bills. Lastly, as in previous years, tenders will be followed by a second round reserved for those financial institutions that have acquired market-maker status in respect of medium- and long-term bonds.

The Ministerial Order came into force on 13 January 2011 and the Resolutions on 29 and 30 January 2011.

***Investment firms:
amendment of solvency
rules***

CNMV Circular 1/2011 of 21 January 2011 (BOE of 25 January 2011) amended Circular 12/2008 of 30 December 2008²⁴ on the solvency of investment firms and their consolidatable groups, in order to transpose two EU directives: Commission Directive 2009/27/EC of 7 April 2009 amending certain annexes to Directive 2006/49/EC of the European Parliament and of the Council as regards technical provisions concerning risk management, and Commission Directive 2009/83/EC of 27 July 2009 amending certain annexes to Directive 2006/48/EC of the European Parliament and of the Council as regards technical provisions concerning risk management.

As required by Directive 2009/27/EC, the Circular defines and clarifies concepts relating to position risk and counterparty credit risk on certain credit derivatives which were regulated in the annexes to Directive 2006/49/EC and included in Circular 12/2008.

So far, positions in credit derivatives in which the institution had purchased protection have been determined as the mirror principle of the protection seller, with the exception of a credit-linked note (which entails no short position in the issuer). Now it is added that, in the case of

22. The competitive bids accepted are used to calculate the weighted average price of the tender, expressed as a percentage of the nominal value and rounded up to three decimal places. The allotment price is determined as follows: bids made at the minimum price are allotted at that price; bids between the minimum price and the weighted average price are allotted at the bid price; and bids above the weighted average price, along with non-competitive bids, shall pay the weighted average price. 23. The Wage Guarantee Fund, the Commercial Bank Deposit Guarantee Fund, the Savings Bank Deposit Guarantee Fund, the Credit Cooperative Deposit Guarantee Fund, the Social Security Reserve Fund, the Investment Guarantee Fund, Sociedad Estatal de Correos y Telégrafos and Sociedad Estatal de Participaciones Industriales (SEPI), or any other public-sector entity or government-owned firm designated by the Treasury. 24. See "Financial Regulation: 2009 Q1", *Economic Bulletin*, April 2009, Banco de España, pp 188-193.

first-to-default and nth-to-default credit derivatives, a specific treatment described in the Circular applies instead of the mirror principle.

Further, investment firms may consistently include, for the purposes of calculating capital requirements for counterparty credit risk, all credit derivatives included in the trading book forming part of internal hedges or purchased as protection against a counterparty credit risk exposure where the credit protection is recognised under Circular 12/2008.

The capital alleviation from the recognition of insurances and other risk transfer mechanisms shall not exceed 20% of the capital requirement for operational risk before the recognition of risk mitigation techniques.

As regards market disclosure obligations, and, more specifically, those applying to the solvency report, certain clarifications are made in respect of trading book risk and operational risk.

Regarding trading book risk, in addition to the information specified in Circular 12/2008, institutions have to disclose the highest, the lowest and the mean of the daily value-at-risk measures over the reporting period and the value-at-risk measure as per the end of the period. They must also make public a comparison of the daily end-of-day value-at-risk measures to the one-day changes of the portfolio's value by the end of the subsequent business day together with an analysis of any important overshootings during the reporting period.

The institutions using the advanced approach for the calculation of their own funds requirements for operational risk shall disclose a description of the use of insurances and other risk transfer mechanisms for the purpose of mitigation of this risk.

Furthermore, it is made compulsory to publish the solvency report on the website of the investment firm itself or, where applicable, on the website of the consolidatable group to which it belongs.

The Circular partially transposes the content of Commission Directive 2009/83/EC, in what can be classed as clarifications and qualifications of various matters relating to credit risk mitigation techniques. It also introduces changes relating to operational risk and to disclosure obligations, the latter in amendments and additions.

The Circular does not include the changes made by the Directives on the determination of capital requirements for credit risk based on IRB approaches and on the credit risk of securities, since these risks are regulated for investment firms and their groups by CBE 3/2008 of 22 May 2008 to credit institutions on determination and control of minimum own funds.²⁵

Also, the Circular makes certain changes stemming from the experience gained in the practical application of Circular 12/2008.

The deductions from own funds include tax credits capitalised by institutions as a result of losses incurred in the period whenever, in the judgement of the CNMV, those institutions show a significant deterioration in their own funds for solvency purposes or experience difficulty in replenishing them.

In the calculation of the own funds needed depending on the level of activity, certain qualifications are made regarding overhead costs. Within these costs, it is established that personnel

costs may be reduced by the amount of variable compensation to personnel,²⁶ under certain conditions and subject to prior approval by the CNMV.

The own funds requirements for counterparty credit risk shall include those for contracts of a nature similar to that of derivatives, such as options, futures and swap contracts, and financial contracts settled net in cash, among others.

Lastly, two new exclusions are added in the limits on large risks: 1) the positions held in collective investment funds and companies of a financial nature²⁷ and in other non-harmonised investment funds and companies which, in view of their diversification characteristics, can be considered equivalent to them, and 2) the accounts receivable, net of tax, derived from the billing of investment firms' ordinary activities in the 6-month period since they were recorded in the accounts.

The Circular came into force on 26 January 2011.

Collective investment institutions: transactions in derivatives

CNMV Circular 6/2010 of 21 December 2010 (BOE of 11 January 2011) on transactions in derivatives of collective investment institutions (CIIIs) implemented Ministerial Order EHA/888/2008 of 27 March²⁸ on financial transactions of IICs in derivatives clarifying certain concepts of the regulations of Law 35/2003 of 4 November 2003 on CIIIs.²⁹

The Circular incorporates the provisions of Commission Directive 2010/43/EU of 1 July 2010³⁰ implementing Directive 2009/65/EC of the European Parliament and of the Council as regards organisational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a depositary and a management company.

The Circular is structured in four chapters and a series of additional, transitional and final provisions. Chapter I contains the definitions of certain concepts, the general rules for determining the limits on operations in derivatives and specific requirements to be met by some financial instruments to determine whether they are eligible or whether or not they include an embedded derivative.

Chapter II has two sections setting out the content of the methodologies CIIIs can apply to measure the market risk limit, specifically, that for calculating the commitment and that for calculating the value at risk (or "VaR"). CIIIs should ensure that the methodology they apply is the most appropriate for the investment and risk policy set out in their prospectus and for measuring risk on the basis of investment complexity and of management strategies.

The first section describes the commitment approach, which is similar to that established in CNMV Circular 3/1998 (previously called the "standardised" approach). Certain changes are

25. CBE 3/2008 was amended recently by CBE 9/2010 of 22 December 2010 in order to transpose the same two EU directives now also transposed by Circular 1/2011. CBE 9/2010 qualified, *inter alia*, the conditions under which a significant transfer of risk to third parties is deemed to exist, and made certain changes for the calculation of the exposure value of liquidity lines. 26. This reduction may be made only if this compensation, as assessed in accordance with its true nature, is deemed not to include, either in part or in full, a fixed component of expenses or commitments incurred in respect of personnel. 27. They have to be authorised in accordance with Council Directive 85/611/EEC of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities. 28. See "Financial Regulation: 2008 Q2", Economic Bulletin, July 2008, Banco de España, pp 153-155. 29. Enacted by Royal Decree 1309/2005 of 4 November 2005. 30. See "Financial Regulation: 2010 Q3", *Economic Bulletin*, October 2010, Banco de España, pp 152-155.

introduced in line with the Level 3 work carried out by the Committee of European Securities Regulators (CESR)³¹.

The second section develops the VaR methodology, admitting two alternative methodologies: one based on limiting the CII's leverage through the calculation of a VaR relating to a reference (or benchmark) portfolio, and another based on determining a VaR limit in absolute terms.

Additionally, the qualitative and quantitative conditions required for applying the VaR methodology, as well as other risk tests and measures to be implemented to supplement this methodology, are established.

Chapters III and IV establish another series of rules relating to the calculation of counterparty and diversification limits, the framework applicable to CIIIs with the specific objective of yield and a list of the criteria for valuing derivative instruments and their underlyings.

Regarding counterparty limits, the solvency requirements provided for in Ministerial Order EHA 888/2008 are specified, along with the balances to be taken into account in calculating them. Also, an explanation is given of how the collateral received for these operations will function, including most notably the broadening of the range of eligible assets (as opposed to the cash, deposits and government debt securities permitted by CNMV Circular 3/1998 of 22 September 1998) and the possibility of reinvestment of these assets to generate an additional return for the CII.

As regards diversification limits, it is explained in more detail how positions have to be calculated under the commitment approach and some specific rules are laid down for calculating certain financial instruments.

Also, the regime applicable to CIIIs with the specific objective of optimum returns is developed, a detailed definition of the characteristics to be met by these institutions is established and the regime applicable to them is specified as regards the temporary non-valuation of positions and the overshooting of the limits set in current legislation, both for those secured by collateral provided by third parties to a CII and those that are not.

Furthermore, specific rules and criteria are given which must be taken into account in valuing derivative instruments both in possible generally accepted models and in the procedures and controls to be established by institutions for appropriately valuing those investments.

The addition provisions introduce the following: 1) changes are made to certain confidential returns which CIIIs and management companies have to submit to the CNMV, and three new returns are included, two for CIIIs that apply any of the VaR approaches for calculating the global exposure and another additional one for ancillary information; 2) a new return is established for listed index open-end investment companies in CNMV Circular 4/2008 of 11 September 2008 on the content of quarterly, half-yearly and yearly reports of CIIIs; 3) changes were made to the calculation of the debt limit set out in CNMV Circular 6/2008 of 26 November 2008 on determination of the net asset value and operational aspects of financial and real estate CIIIs; 4) CNMV Circular 6/2009 of 9 December 2009 on internal control of CII management companies and investment firms is amended to include procedures for selecting inter-

31. This body's objective is to give concrete form to the initiatives to harmonise methodologies for calculating market risk undertaken due to the European Commission Recommendation on the use of financial derivative instruments by UCITS (2004/383/EC).

mediaries when these provide analysis services; and 5) CNMV Circular 1/2006 of 3 May 2006 on hedge funds is amended so that the calculation of CII management companies' own funds for solvency purposes takes into account the fees received for managing foreign CILs deemed to be equivalent to Spanish hedge funds.

The Circular came into force on 12 January 2011.

Official secondary markets for futures, options and other derivative financial instruments: new regulations

The CNMV Resolution of 21 December 2010 (BOE of 5 January 2010) promulgated the new Official Secondary Futures and Options Market ("MEFF" by its Spanish abbreviation) Regulations, under the powers granted by Royal Decree 1282/2010 of 15 October 2010³² on official secondary markets for futures, options and other derivative financial instruments.

The new Regulations consist of nine chapters and implement the provisions contained in Royal Decree 1282/2010.

Chapter I sets out the scope of application, in which it is established that the market will be governed and managed by MEFF, Sociedad Rectora de Productos Derivados, SAU (MEFF), the functions of which are specified.

Chapter II regulates the conditions of MEFF membership:³³ admission of members, their rights and obligations, the types of members, and the requirements to be met in each case in order to become a member.

Chapter III is devoted to clients, regulating the requirements for acquiring client status, clients' rights and obligations, and the minimum content of contracts between market members and clients.

Chapters IV and V address contracts and the trading thereof, general trading criteria, dissemination of information on trading and the cases in which such trading can be suspended. The general conditions of contracts are set out in the annex to the Regulations.

Chapter VI sets out the various registers: the accounting register, the central register and the detail register. The MEFF will keep the accounting register and the central register, the latter, where applicable, in conjunction with the Recording Members, who will keep the detail register.

Chapter VII describes the MEFF's functions as counterparty in all contracts traded in the market trading system, with certain exceptions. It also specifies the collateral that can be required by MEFF to secure different risks.

Chapter VIII sets out the default events applicable to both market members and clients and the measures to be taken in such cases, which may lead to loss of market member or client status.

Chapter IX focuses on supervisory bodies and claims or complaints. The Supervisory and Oversight Committee, General Market Supervisor and Market Supervisors are created to ensure that the market functions properly. Finally, a procedure is established to resolve incidents

³² See "Financial Regulation: 2010 Q4", *Economic Bulletin*, January 2011, Banco de España, pp 145-147. ³³ The following institutions, among others, may become members: investment firms, including securities firms, portfolio management companies and financial advice firms, and credit institutions, including both Spanish ones and those authorised in other Member States; Spanish central government, through the Directorate General of the Treasury and Financial Policy; the Social Security System General Treasury; the Banco de España; and others that the market operator considers to be suitable.

between members, members' claims vis-à-vis MEFF and clients' claims vis-à-vis members and MEFF.

The Regulations came into force on 24 January 2011.

Securitisation special purpose entity (SPE) promotion agreements

Ministerial Order PRE/627/2011 of 22 March 2011 (BOE of 25 March 2011) replaced and repealed Ministerial Order PRE/3/2007 of 10 January 2007³⁴ on securitisation special purpose entity promotion agreements to foster business financing.

The new legislation introduced the following new features:

The Treasury is empowered to require that the State receive a fee for granting guarantees, the amount of which will be based on the nominal amount of the fixed-income securities guaranteed and their credit rating before taking into account the granting of the guarantee. The fee must be satisfied by the manager of the securitisation SPE with a charge to or for the account of that SPE. The fee which, where applicable, is applied for each securities issue, will be made public, prior to commencement of the period for submission of applications, by means of a resolution of the Directorate General of SME Policy, at the proposal of the Treasury.

The deadline for sumitting applications is set at one fortnight later to make it easier to comply with the new requirement of previously making public the fee, if any, applicable to each securities issue.

Lastly, the Chair of the Evaluation Committee is held by the Directorate General of SME Policy, which is also empowered to modify the forms of agreement.

The Ministerial Order came into force on 26 March 2011.

Measures to combat late payment in commercial transactions: changes to EU legislation

Directive 2011/7/EU of the European Parliament and of the Council of 16 February 2011 (OJ L of 23 February 2011) replaced and repealed Directive 2000/35/EC of the European Parliament and of the Council of 29 June 2011 on combating late payment in commercial transactions.

Table 1 briefly compares these two directives.

The Directive updates the definition of statutory interest for late payment which the creditor is entitled to receive for late payment in commercial transactions. This interest is equal to the reference rate plus at least eight percentage points. The reference rate for the Member States of the euro area is either of the following: a) the interest rate applied by the European Central Bank to its most recent main refinancing operations, or b) the marginal interest rate resulting from variable-rate tender procedures for the most recent main refinancing operations of the European Central Bank. The reference rate for the other Member States is the equivalent rate set by their national central banks.³⁵

Unlike Directive 2000/35/EC, the new Directive specifically distinguishes commercial transactions between private-sector firms from those in which the debtor is a public authority.

34. See "Financial Regulation: 2007 Q1", *Economic Bulletin*, April 2007, Banco de España, pp 140 and 141. **35.** Previously, the rate of interest for late payment which the debtor had to pay was the sum of the interest rate applied by the European Central Bank to its most recent main refinancing operation carried out before the first calendar day of the half-year in question ('the reference rate') plus at least seven percentage points ('the margin'), unless otherwise specified in the contract.

Directive 2000/35/EC of the European Parliament and of the Council of 29 June 2000	Directive 2011/7/EU of the European Parliament and of the Council of 16 February 2011
TRANSACTIONS BETWEEN FIRMS	
The creditor is entitled to interest for late payment from the day following the date or the end of the period for payment fixed in the contract.	No significant change.
Where the date or period for payment is not fixed in the contract, the creditor is entitled to interest for late payment upon the expiry of any of the time limits specified by the Directive (receipt of invoice, receipt of the goods or services or verification of conformity of the goods or services).	No significant change.
TRANSACTIONS BETWEEN PRIVATE FIRMS AND PUBLIC AUTHORITIES	
Not specifically provided for.	The time periods are the same as those for transactions between private firms.
	Exceptionally, the time limit may be extended up to a maximum of 60 calendar days for: (a) any public authority which carries out economic activities of an industrial or commercial nature by offering goods or services on the market and which is subject, as a public undertaking, to EU transparency requirements; or (b) public entities providing healthcare which are duly recognised for that purpose.
OTHER NEW FEATURES	
The rate of interest for late payment is the sum of the interest rate applied by the European Central Bank to its most recent main refinancing operation carried out before the first calendar day of the half-year in question ('the reference rate') plus at least seven percentage points, unless otherwise specified in the contract.	The statutory interest for late payment is equal to the reference rate plus at least eight percentage points. The reference rate for the Member States of the euro area is either of the following: a) the interest rate applied by the European Central Bank to its most recent main refinancing operations, or b) the marginal interest rate resulting from variable-rate tender procedures for the most recent main refinancing operations of the European Central Bank.
Not envisaged.	Where interest for late payment becomes payable, the creditor is entitled to obtain from the debtor, as a minimum, a fixed sum of €40.
Not envisaged.	The creditor shall be entitled to obtain reasonable compensation from the debtor for any recovery costs exceeding the aforementioned amount and incurred due to the debtor's late payment.
Not envisaged.	Contractual terms and practices which may be unfair to the creditor are regulated.

SOURCES: Spanish Official State Gazette and Banco de España.

TRANSACTIONS BETWEEN FIRMS

The creditor continues to be entitled to interest for late payment from the day following the date or the end of the period for payment fixed in the contract. Where the date or period for payment is not fixed in the contract, the creditor is (indistinctly) entitled to interest for late payment upon the expiry of any of the following time limits:

- a) 30 calendar days following the date of receipt by the debtor of the invoice or an equivalent request for payment or, where the date of the receipt of the invoice or the equivalent request for payment is uncertain, 30 calendar days after the date of receipt of the goods or services;
- b) where the debtor receives the invoice or the equivalent request for payment earlier than the goods or the services, 30 calendar days after the date of the receipt of the goods or services;
- c) Where there is a procedure of acceptance or verification, by which the conformity of the goods or services with the contract is to be ascertained, 30 calendar days after that date, unless otherwise expressly agreed in the contract and provided it is not grossly unfair to the creditor.

TRANSACTIONS BETWEEN FIRMS
AND PUBLIC AUTHORITIES

Member States shall ensure that the period for payment fixed in the contract does not exceed 60 calendar days, unless otherwise expressly agreed in the contract and provided it is not grossly unfair to the creditor.

Member States shall ensure that in commercial transactions where the debtor is a public authority the period for payment does not exceed any of the time limits specified above for transactions between firms in those cases in which the period for payment is not specified (30 calendar days).

However, Member States may extend the time limit up to a maximum of 60 calendar days for: (a) any public authority which carries out economic activities of an industrial or commercial nature by offering goods or services on the market and which is subject, as a public undertaking, to EU transparency requirements;³⁶ or (b) public entities providing healthcare which are duly recognised for that purpose.

Member States shall ensure that the contract does not specify a longer period for payment, unless otherwise expressly agreed in the contract and provided it is objectively justified in the light of the particular nature or features of the contract, and that it in any event does not exceed 60 calendar days.

OTHER NEW FEATURES IN THE
DIRECTIVE

Certain creditor compensation is established for possible costs of collection from the debtor. Thus Member States shall ensure that, where interest for late payment becomes payable, the creditor is entitled to obtain from the debtor, as a minimum, a fixed sum of €40. This amount will be payable without the necessity of a reminder and as compensation for the creditor's own recovery costs.

In addition, the creditor shall be entitled to obtain reasonable compensation from the debtor for any recovery costs exceeding the aforementioned amount and incurred due to the debtor's late payment. This could include expenses incurred, *inter alia*, in instructing a lawyer or employing a debt collection agency.

Contractual terms and practices which may be unfair to the creditor are regulated. In these cases, Member States shall provide that such terms or practices are either unenforceable or give rise to a claim for damages.

Member States shall transpose the Directive to their national law by 16 March 2013.³⁷ In transposing the Directive, Member States shall decide whether to exclude contracts concluded before 16 March 2013.

The Directive came into force on 15 March 2011.

5.4.2011.

37. In Spain, the Directive was partially transposed by Law 15/2010 of 5 July 2010 amending Law 3/2004 of 29 December 2004 on combating late payment in commercial transactions. **36.** These requirements are laid down in Commission Directive 2006/111/EC of 16 November 2006 on the transparency of financial relations between Member States and public undertakings.

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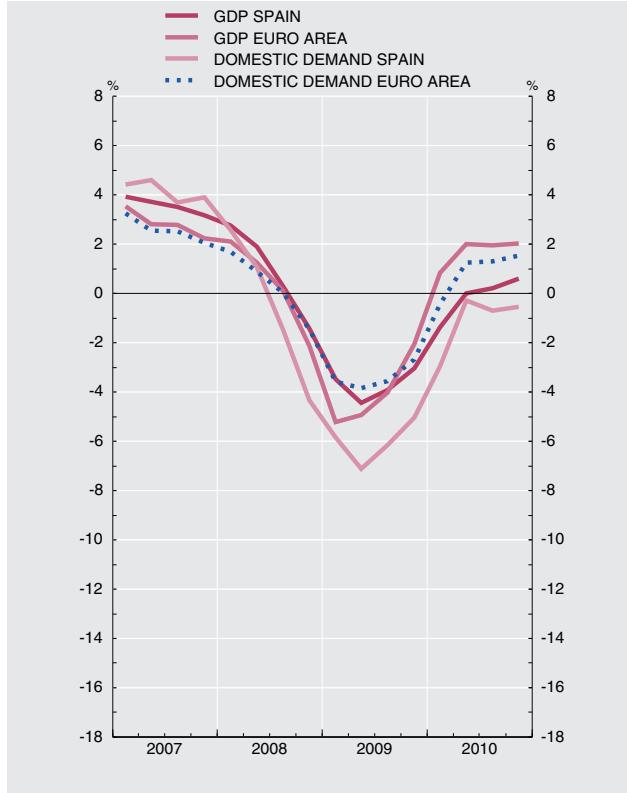
1. IMF Special Data Dissemination Standard (SDDS).

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

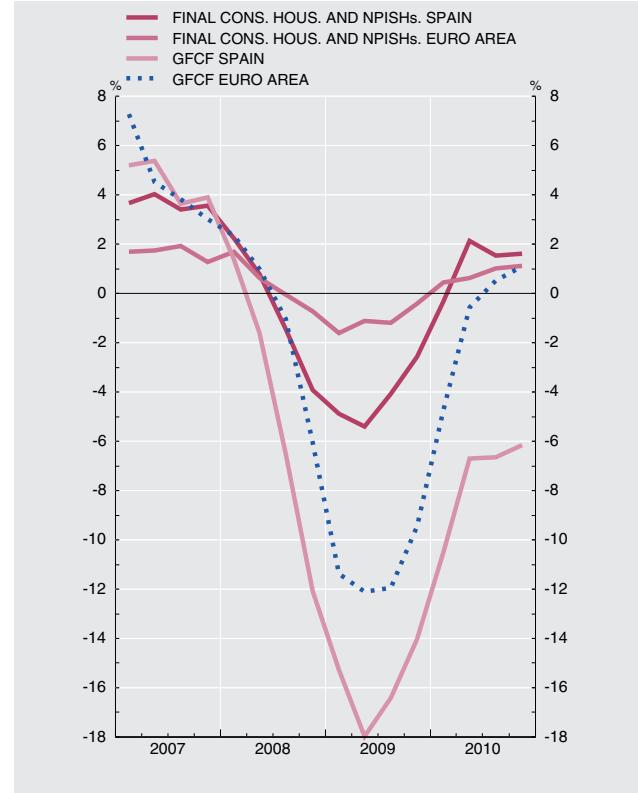
■ Series depicted in chart.

		GDP		Final consumption of households and NPISHs		General government final consumption		Gross fixed capital formation		Domestic demand		Exports of goods and services		Imports of goods and services		Memorandum item: GDPmp (current prices) (g)	
		Spain	Euro area	Spain (b)	Euro area (c)	Spain	Euro area (d)	Spain	Euro area	Spain (e)	Euro area	Spain	Euro area (f)	Spain	Euro area (f)	Spain	Euro area
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		
08	P	0.9	0.3	-0.6	0.4	5.8	2.3	-4.8	-0.9	-0.5	0.3	-1.1	0.7	-5.3	0.6	1 088	9 241
09	P	-3.7	-4.1	-4.2	-1.1	3.2	2.5	-16.0	-11.2	-6.0	-3.4	-11.6	-12.9	-17.8	-11.6	1 054	8 953
10	P	-0.1	1.7	1.2	0.8	-0.7	0.7	-7.6	-0.9	-1.1	0.9	10.3	10.9	5.4	9.0	1 063	9 180
08 Q1	P	2.8	2.1	2.2	1.7	5.2	1.8	1.4	2.3	2.6	1.7	4.2	5.3	3.4	4.4	272	2 317
Q2	P	1.9	1.2	0.8	0.6	5.7	2.3	-1.6	1.0	1.1	0.9	2.6	3.5	-0.2	2.7	273	2 322
Q3	P	0.3	0.1	-1.5	-0.1	6.0	2.4	-6.5	-1.0	-1.5	0.0	-3.4	0.7	-8.2	0.5	273	2 316
Q4	P	-1.4	-2.1	-3.9	-0.7	6.4	2.6	-12.1	-6.1	-4.3	-1.4	-7.8	-6.5	-15.6	-5.0	270	2 287
09 Q1	P	-3.5	-5.2	-4.9	-1.6	5.9	2.8	-15.3	-11.4	-5.8	-3.6	-16.5	-16.4	-21.5	-12.8	266	2 233
Q2	P	-4.4	-4.9	-5.4	-1.1	4.4	2.7	-18.0	-12.1	-7.1	-3.8	-15.8	-16.6	-22.2	-14.4	263	2 231
Q3	P	-3.9	-4.0	-4.1	-1.2	2.7	2.7	-16.4	-11.9	-6.1	-3.6	-11.0	-13.3	-17.2	-12.5	262	2 242
Q4	P	-3.0	-2.1	-2.6	-0.4	0.2	1.9	-14.0	-9.5	-5.0	-2.7	-2.1	-5.2	-9.2	-6.8	263	2 248
10 Q1	P	-1.4	0.8	-0.3	0.5	-1.1	1.1	-10.5	-4.7	-3.0	-0.4	9.4	7.0	2.0	3.6	264	2 262
Q2	P	-0.0	2.0	2.1	0.6	-0.1	0.6	-6.7	-0.6	-0.3	1.2	11.9	12.9	9.6	11.1	265	2 293
Q3	P	0.2	2.0	1.5	1.0	-0.7	0.5	-6.7	0.5	-0.7	1.3	9.4	12.3	5.0	10.8	266	2 310
Q4	P	0.6	2.0	1.6	1.1	-0.9	0.6	-6.1	1.1	-0.6	1.5	10.5	11.6	5.3	10.7	268	2 316

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



DEMAND COMPONENTS. SPAIN AND EURO AREA
Annual percentage changes



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

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

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

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

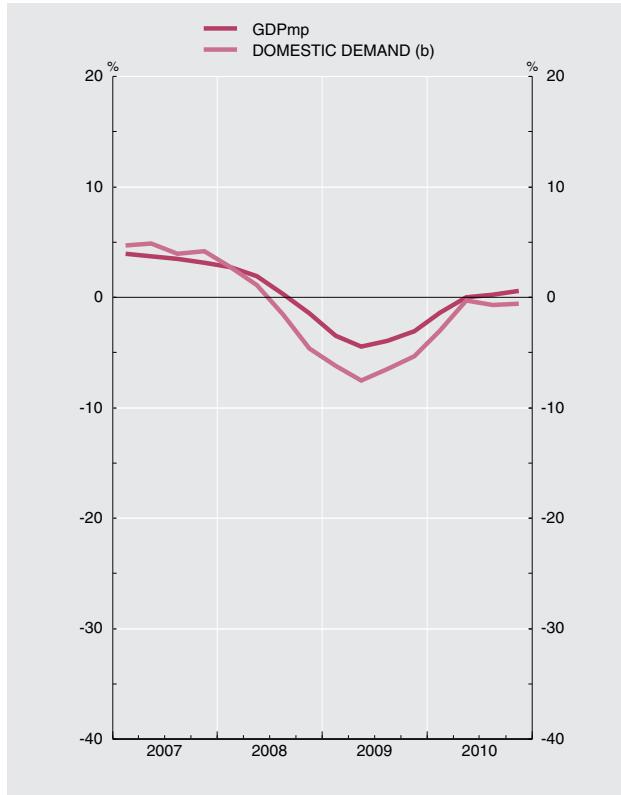
1.2. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. DEMAND COMPONENTS. SPAIN: BREAKDOWN (a)

■ Series depicted in chart.

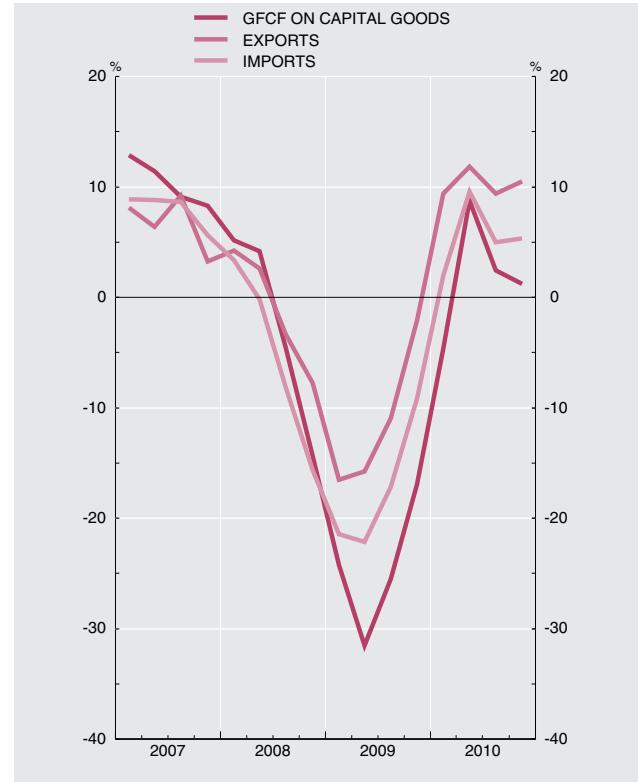
Annual percentage changes

	Gross fixed capital formation					Change in Stocks (b)	Exports of goods and services				Imports of goods and services				Memorandum items:	
	Total	Capital goods	Construcción	Other products	5		Total	Goods	Final con- sumption of non-resi- dents in economic territory	Services	Total	Goods	Final con- sumption of residents in the rest of the world	Services	Domestic demand (b) (c)	GDP
	1	2	3	4	5		6	7	8	9	10	11	12	13	14	15
08	P	-4.8	-2.5	-5.9	-4.1	0.1	-1.1	-1.9	-4.3	4.6	-5.3	-6.0	-6.0	-1.6	-0.6	0.9
09	P	-16.0	-24.8	-11.9	-16.2	-0.0	-11.6	-12.5	-9.6	-10.0	-17.8	-19.2	-13.4	-12.5	-6.4	-3.7
10	P	-7.6	1.8	-11.1	-8.2	0.1	10.3	13.6	2.5	5.5	5.4	6.2	2.6	3.1	-1.1	-0.1
08 Q1	P	1.4	5.2	-0.6	2.7	0.1	4.2	3.9	0.8	8.7	3.4	3.7	3.6	2.0	2.7	2.8
<i>Q2</i>	P	-1.6	4.2	-4.3	-1.1	0.2	2.6	2.2	-3.1	9.5	-0.2	0.2	-2.6	-1.6	1.1	1.9
<i>Q3</i>	P	-6.5	-4.5	-7.5	-6.0	0.2	-3.4	-2.8	-4.7	-4.2	-8.2	-9.3	-11.6	-2.2	-1.6	0.3
<i>Q4</i>	P	-12.1	-14.4	-11.1	-11.7	0.1	-7.8	-10.6	-10.1	5.4	-15.6	-18.0	-13.1	-4.6	-4.6	-1.4
09 Q1	P	-15.3	-24.2	-12.2	-12.1	0.0	-16.5	-20.0	-13.9	-5.3	-21.5	-23.7	-19.5	-11.1	-6.2	-3.5
<i>Q2</i>	P	-18.0	-31.5	-12.0	-16.9	-0.0	-15.8	-18.4	-9.4	-10.9	-22.2	-24.4	-18.3	-12.0	-7.5	-4.4
<i>Q3</i>	P	-16.4	-25.5	-11.7	-18.7	-0.0	-11.0	-11.5	-9.3	-10.2	-17.2	-18.4	-8.7	-13.5	-6.5	-3.9
<i>Q4</i>	P	-14.0	-16.9	-11.9	-17.2	-0.1	-2.1	2.1	-5.4	-13.3	-9.2	-8.3	-5.6	-13.4	-5.3	-3.0
10 Q1	P	-10.5	-4.6	-11.3	-15.8	0.0	9.4	14.7	-0.2	0.1	2.0	3.0	-0.7	-1.4	-3.0	-1.4
<i>Q2</i>	P	-6.7	8.7	-11.3	-11.0	0.1	11.9	16.3	0.2	6.8	9.6	10.4	2.8	7.5	-0.3	-0.0
<i>Q3</i>	P	-6.7	2.4	-11.2	-3.0	0.1	9.4	11.3	5.8	5.8	5.0	5.8	4.9	1.6	-0.7	0.2
<i>Q4</i>	P	-6.1	1.2	-10.6	-1.5	0.1	10.5	12.3	4.4	9.5	5.3	5.6	3.2	5.0	-0.6	0.6

GDP. DOMESTIC DEMAND
Annual percentage changes



GDP. DEMAND COMPONENTS
Annual percentage changes



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

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

b. Contribution to GDPmp growth rate.

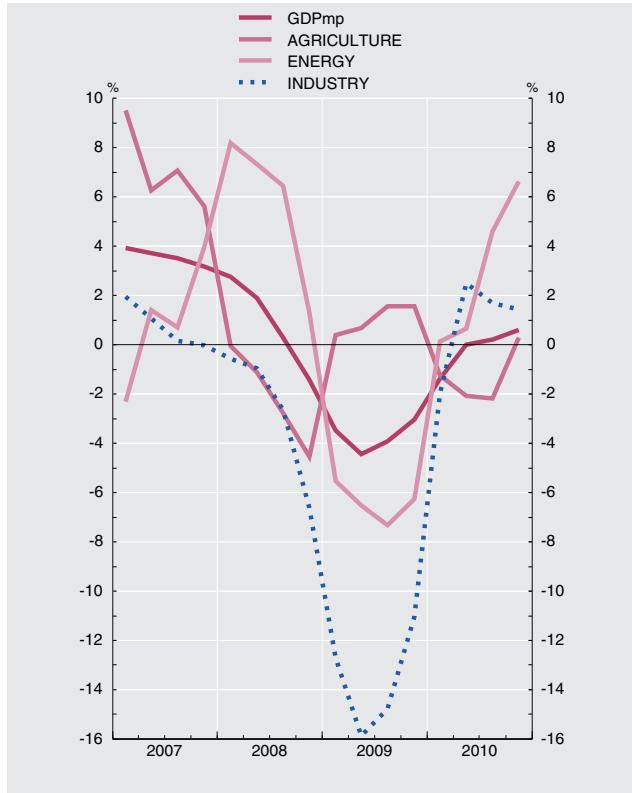
c. Residents' demand within and outside the economic territory.

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

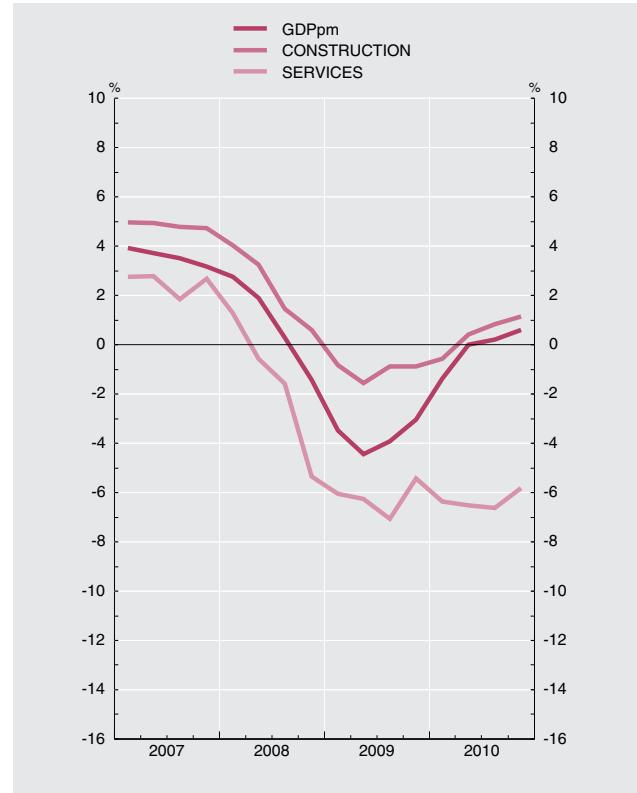
■ Series depicted in chart.

		Gross domestic product at market prices	Agriculture and fisheries	Energy	Industry	Construction	Services			VAT on products	Net taxes linked to imports	Other net taxes on products
		1	2	3	4	5	6	7	8	9	10	11
08	P	0.9	-2.1	5.8	-2.7	-1.6	2.3	1.7	4.7	-1.3	-1.0	-0.7
09	P	-3.7	1.0	-6.4	-13.6	-6.2	-1.0	-1.9	2.1	-5.0	-9.9	-7.4
10	P	-0.1	-1.3	3.0	0.9	-6.3	0.5	0.4	0.8	-0.7	14.4	1.9
08 Q1	P	2.8	-0.1	8.2	-0.6	1.3	4.0	3.6	5.4	0.6	4.4	0.3
Q2	P	1.9	-1.1	7.3	-1.0	-0.6	3.3	2.6	5.6	-0.2	1.6	-0.6
Q3	P	0.3	-2.8	6.4	-2.6	-1.6	1.5	0.7	4.3	-2.0	-3.1	-1.2
Q4	P	-1.4	-4.6	1.3	-6.6	-5.4	0.6	-0.2	3.6	-3.6	-6.7	-1.3
09 Q1	P	-3.5	0.4	-5.5	-12.7	-6.1	-0.8	-1.8	2.5	-4.8	-10.6	-7.2
Q2	P	-4.4	0.7	-6.5	-15.9	-6.3	-1.6	-2.6	2.2	-6.0	-12.3	-8.1
Q3	P	-3.9	1.6	-7.3	-14.8	-7.1	-0.9	-1.7	2.0	-5.2	-10.7	-8.4
Q4	P	-3.0	1.6	-6.3	-11.0	-5.4	-0.9	-1.6	1.6	-4.0	-5.7	-6.1
10 Q1	P	-1.4	-1.2	0.1	-2.0	-6.4	-0.6	-1.0	0.7	-2.1	3.1	0.6
Q2	P	-0.0	-2.1	0.6	2.5	-6.5	0.4	0.3	0.9	-0.3	12.7	4.3
Q3	P	0.2	-2.2	4.6	1.7	-6.6	0.8	0.9	0.7	-0.4	19.7	1.6
Q4	P	0.6	0.3	6.6	1.4	-5.8	1.1	1.3	0.7	-	22.7	1.1

GDP. BRANCHES OF ACTIVITY
Annual percentage changes



GDP. BRANCHES OF ACTIVITY
Annual percentage changes



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

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

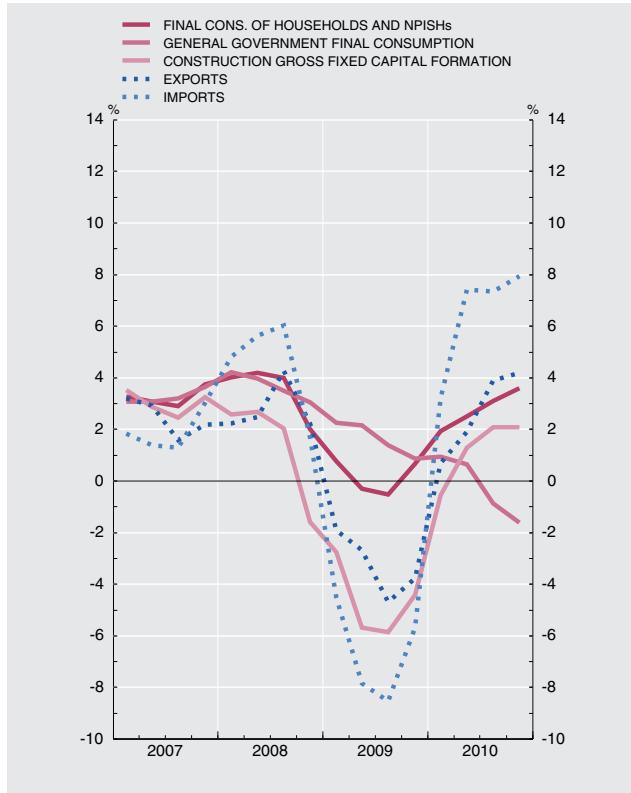
1.4. GROSS DOMESTIC PRODUCT. IMPLICIT DEFATORS. SPAIN (a)

■ Series depicted in chart.

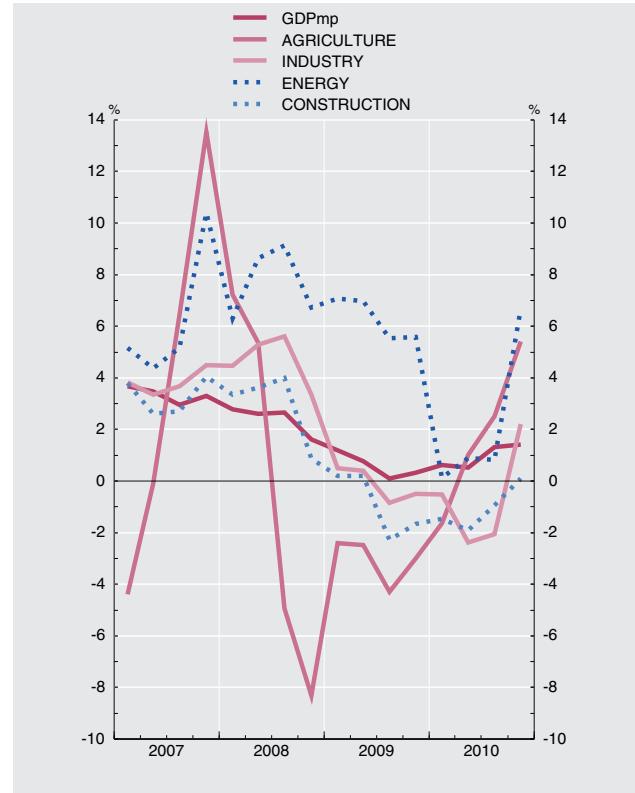
Annual percentage changes

	Demand components							Gross domestic product at market prices	Branches of activity						
	Final consumption of households and NPISHs (b)	General government final consumption	Gross fixed capital formation			Exports of goods and services	Imports of goods and services		Agriculture and fisheries	Energy	Industry	Construction	Of which		
			Capital goods	Construction	Other products				Services	Market services					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
08	P	3.5	3.7	0.9	1.4	1.4	2.8	4.5	2.4	-0.5	7.7	4.7	2.9	4.5	4.7
09	P	0.1	1.7	-0.8	-4.7	-2.9	-3.3	-6.7	0.6	-3.0	6.3	-0.1	-0.9	2.8	2.8
10	P	2.8	-0.2	2.3	1.2	4.7	2.7	6.5	1.0	1.7	2.2	-0.7	-1.1	-0.6	-0.6
08 Q1	P	4.0	4.2	1.6	2.6	2.4	2.2	4.8	2.8	7.2	6.3	4.5	3.3	4.5	4.6
Q2	P	4.2	4.0	1.4	2.7	1.5	2.5	5.6	2.6	5.3	8.6	5.3	3.6	4.9	5.1
Q3	P	4.0	3.5	0.7	2.0	1.5	4.3	6.0	2.6	-4.9	9.1	5.6	4.0	4.6	4.9
Q4	P	2.0	3.1	0.3	-1.6	0.1	2.2	1.7	1.6	-8.3	6.7	3.4	0.9	4.0	4.1
09 Q1	P	0.8	2.3	-0.0	-2.8	-2.5	-1.9	-4.5	1.2	-2.4	7.1	0.5	0.2	3.4	3.8
Q2	P	-0.3	2.2	-1.0	-5.7	-3.4	-2.7	-7.8	0.8	-2.5	7.0	0.4	0.2	3.6	3.6
Q3	P	-0.5	1.4	-1.3	-5.9	-4.0	-4.7	-8.5	0.1	-4.3	5.5	-0.8	-2.3	2.3	2.2
Q4	P	0.6	0.9	-0.9	-4.4	-1.9	-3.8	-5.7	0.3	-3.0	5.6	-0.5	-1.7	1.8	1.7
10 Q1	P	1.9	0.9	1.2	-0.5	1.9	0.7	3.2	0.6	-1.6	0.1	-0.5	-1.5	0.6	0.4
Q2	P	2.5	0.6	1.8	1.3	4.6	1.9	7.4	0.5	1.0	0.9	-2.4	-1.9	-1.3	-1.8
Q3	P	3.1	-0.9	2.7	2.1	5.9	3.9	7.3	1.3	2.5	0.8	-2.1	-0.9	-1.3	-1.3
Q4	P	3.6	-1.6	3.6	2.1	6.4	4.2	7.9	1.4	5.4	6.7	2.2	0.1	-0.4	0.2

GDP. IMPLICIT DEFATORS
Annual percentage changes



GDP. IMPLICIT DEFATORS
Annual percentage changes



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

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

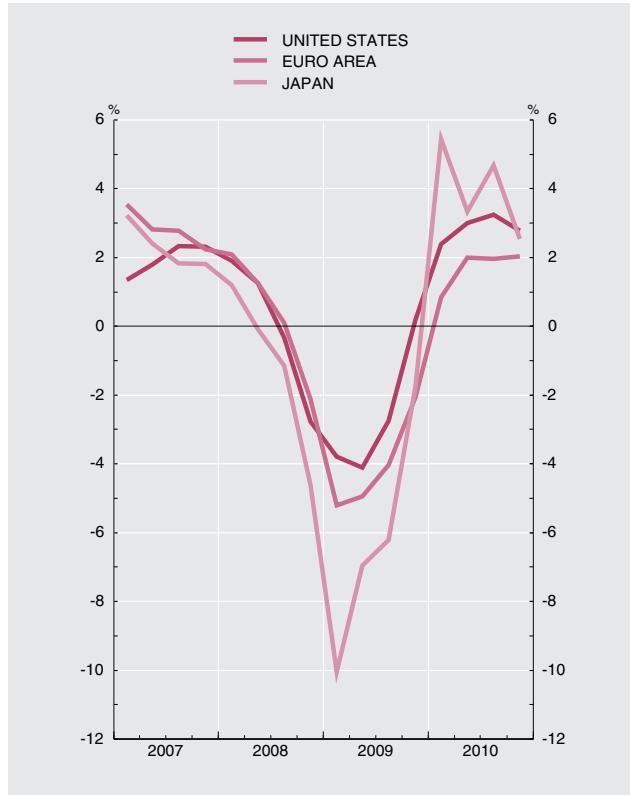
b. Final consumption expenditure may take place on the domestic territory or abroad (ESA95, 3.75). It therefore includes residents' consumption abroad, which is subsequently deducted in Imports of goods and services.

2.1. INTERNATIONAL COMPARISON. GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

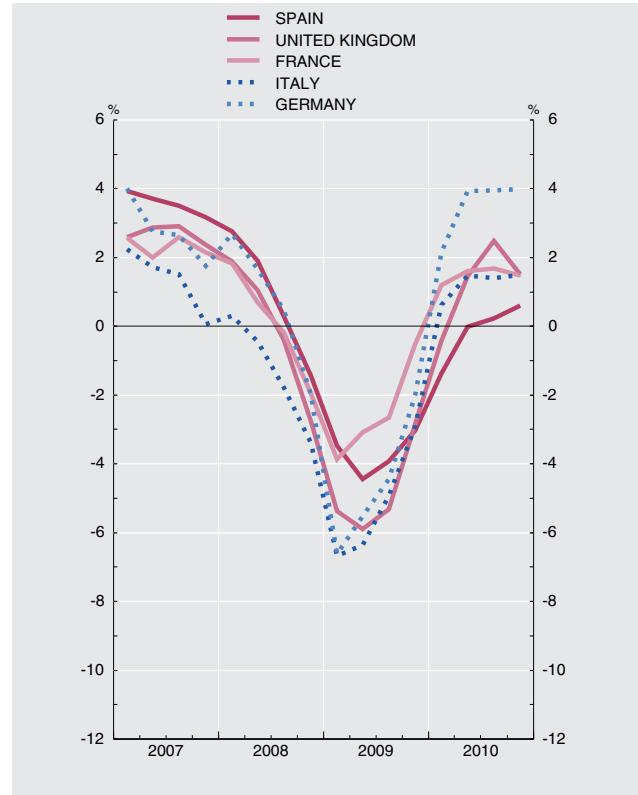
■ Series depicted in chart.

	OECD	EU-27	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom	Annual percentage changes
	1	2	3	4	5	6	7	8	9	10	
08	0.3	0.4	0.3	0.7	0.9	-	0.1	-1.3	-1.2	-0.1	
09	-3.5	-4.2	-4.1	-4.7	-3.7	-2.6	-2.5	-5.2	-6.3	-4.9	
10	...	...	1.7	3.5	-0.1	2.9	1.5	1.2	4.0	1.3	
07 Q4	2.7	2.5	2.2	1.8	3.2	2.3	2.1	0.1	1.8	2.4	
08 Q1	2.3	2.2	2.1	2.7	2.8	1.9	1.8	0.3	1.2	1.9	
Q2	1.4	1.4	1.2	1.7	1.9	1.2	0.7	-0.4	-0.1	1.0	
Q3	0.2	0.3	0.1	0.5	0.3	-0.3	-0.2	-1.8	-1.1	-0.4	
Q4	-2.5	-2.1	-2.1	-2.0	-1.4	-2.8	-2.0	-3.4	-4.6	-2.7	
09 Q1	-5.1	-5.1	-5.2	-6.6	-3.5	-3.8	-3.9	-6.7	-10.0	-5.4	
Q2	-4.7	-5.1	-4.9	-5.5	-4.4	-4.1	-3.1	-6.4	-7.0	-5.9	
Q3	-3.5	-4.3	-4.0	-4.4	-3.9	-2.7	-2.7	-4.9	-6.2	-5.3	
Q4	-0.6	-2.2	-2.1	-2.0	-3.0	0.2	-0.5	-2.9	-1.8	-2.8	
10 Q1	2.5	0.6	0.8	2.1	-1.4	2.4	1.2	0.6	5.4	-0.4	
Q2	3.2	2.0	2.0	3.9	-0.0	3.0	1.6	1.5	3.3	1.5	
Q3	3.2	2.2	2.0	3.9	0.2	3.2	1.7	1.4	4.7	2.5	
Q4	...	...	2.0	4.0	0.6	2.8	1.5	1.5	2.5	1.5	

GROSS DOMESTIC PRODUCT
Annual percentage changes



GROSS DOMESTIC PRODUCT
Annual percentage changes



Sources: ECB, INE and OECD.

Note: The underlying series for this indicator are in Table 26.2 of the BE Boletín Estadístico.

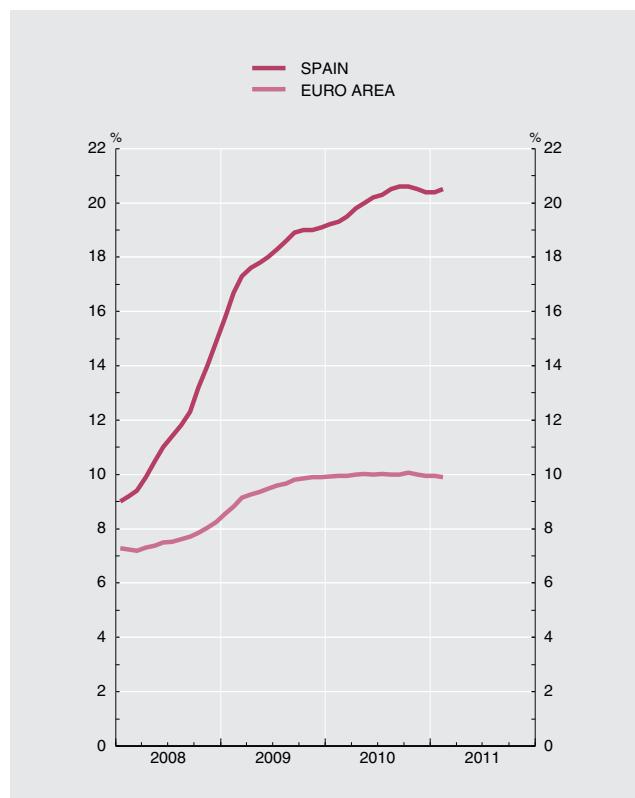
2.2. INTERNATIONAL COMPARISON. UNEMPLOYMENT RATES

■ Series depicted in chart.

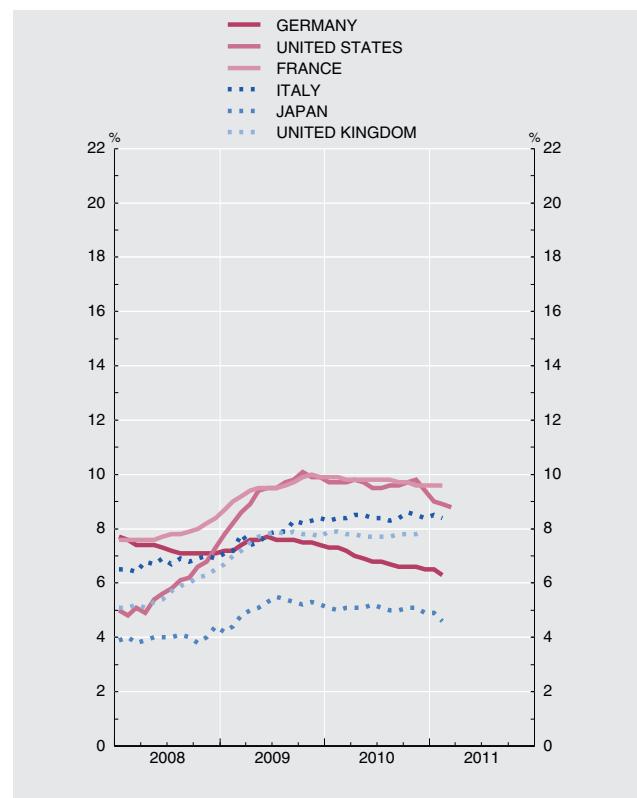
Percentages

	OECD	EU-27	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
09	8.3	8.9	9.5	7.5	18.0	9.3	9.5	7.8	5.1	7.6
10	8.6	9.6	10.0	6.9	20.1	9.6	9.8	8.4	5.1	7.8
11 A	...	...	...	...	...	...	...	...	...	...
09 Sep	8.7	9.3	9.8	7.6	18.9	9.8	9.7	8.3	5.3	7.9
Oct	8.8	9.4	9.9	7.5	19.0	10.1	9.9	8.2	5.2	7.8
Nov	8.7	9.4	9.9	7.5	19.0	9.9	10.0	8.3	5.3	7.8
Dec	8.7	9.5	9.9	7.4	19.1	9.9	9.9	8.4	5.2	7.7
10 Jan	8.7	9.5	10.0	7.3	19.2	9.7	9.9	8.3	5.1	7.9
Feb	8.7	9.6	10.0	7.3	19.3	9.7	9.9	8.4	5.0	7.9
Mar	8.6	9.6	10.0	7.2	19.5	9.7	9.8	8.4	5.1	7.8
Apr	8.7	9.6	10.0	7.0	19.8	9.8	9.8	8.5	5.1	7.8
May	8.6	9.6	10.0	6.9	20.0	9.7	9.8	8.5	5.1	7.7
Jun	8.5	9.6	10.0	6.8	20.2	9.5	9.8	8.4	5.2	7.7
Jul	8.5	9.6	10.0	6.8	20.3	9.5	9.8	8.4	5.1	7.7
Aug	8.5	9.6	10.0	6.7	20.5	9.6	9.8	8.3	5.0	7.7
Sep	8.5	9.6	10.0	6.6	20.6	9.6	9.7	8.4	5.0	7.8
Oct	8.6	9.6	10.1	6.6	20.6	9.7	9.7	8.6	5.1	7.8
Nov	8.5	9.6	10.0	6.6	20.5	9.8	9.6	8.5	5.1	7.8
Dec	8.4	9.6	10.0	6.5	20.4	9.4	9.6	8.4	4.9	7.9
11 Jan	8.3	9.6	10.0	6.5	20.4	9.0	9.6	8.5	4.9	...
Feb	8.2	9.5	9.9	6.3	20.5	8.9	9.6	8.4	4.6	...

UNEMPLOYMENT RATES



UNEMPLOYMENT RATES



Source: OECD.

2.3. INTERNATIONAL COMPARISON. CONSUMER PRICES (a)

■ Series depicted in chart.

	OECD	EU-27	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom	
	1	2	3	4	5	6	7	8	9	10	Annual percentage changes
08	3.7	3.7	3.3	2.8	4.1	3.8	3.2	3.5	1.4	3.6	
09	0.6	1.0	0.3	0.2	-0.2	-0.3	0.1	0.8	-1.4	2.2	
10	1.9	2.1	1.6	1.2	2.0	1.6	1.7	1.6	-0.7	3.3	
09 Oct	0.3	0.5	-0.1	-0.1	-0.6	-0.2	-0.2	0.3	-2.5	1.5	
Nov	1.3	1.0	0.5	0.3	0.4	1.8	0.5	0.8	-1.9	1.9	
Dec	1.9	1.5	0.9	0.8	0.9	2.8	1.0	1.1	-1.7	2.8	
10 Jan	2.0	1.7	0.9	0.8	0.7	2.7	1.2	1.3	-1.3	3.4	
Feb	1.9	1.5	0.8	0.5	0.4	2.1	1.4	1.1	-1.1	3.0	
Mar	2.1	2.0	1.6	1.2	2.7	2.3	1.7	1.4	-1.1	3.4	
Apr	2.1	2.1	1.6	1.0	2.4	2.2	1.9	1.6	-1.2	3.7	
May	2.0	2.1	1.7	1.2	2.5	2.0	1.9	1.6	-0.9	3.3	
Jun	1.5	1.9	1.5	0.8	2.1	1.1	1.7	1.5	-0.7	3.2	
Jul	1.6	2.1	1.7	1.2	1.8	1.2	1.9	1.8	-0.9	3.1	
Aug	1.5	2.0	1.6	1.0	1.6	1.2	1.6	1.8	-0.9	3.1	
Sep	1.7	2.2	1.9	1.3	2.8	1.2	1.8	1.6	-0.6	3.0	
Oct	1.9	2.3	1.9	1.3	2.5	1.2	1.8	2.0	0.2	3.1	
Nov	1.8	2.3	1.9	1.6	2.3	1.1	1.8	1.9	0.1	3.2	
Dec	2.1	2.7	2.2	1.9	2.9	1.4	2.0	2.1	-	3.7	
11 Jan	2.2	2.8	2.3	2.0	3.0	1.6	2.0	1.9	-	4.0	
Feb	2.3	2.9	2.4	2.2	3.4	2.1	1.8	2.1	-	4.3	
Mar	...	3.1	2.7	2.3	3.3	...	2.2	2.8	...	4.1	

CONSUMER PRICES
Annual percentage changes



CONSUMER PRICES
Annual percentage changes



Sources: OECD, INE and Eurostat.

Note: The underlying series for this indicator are in Tables 26.11 and 26.15 of the BE Boletín Estadístico.

a. Harmonised Index of Consumer Prices for the EU countries.

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

■ Series depicted in chart.

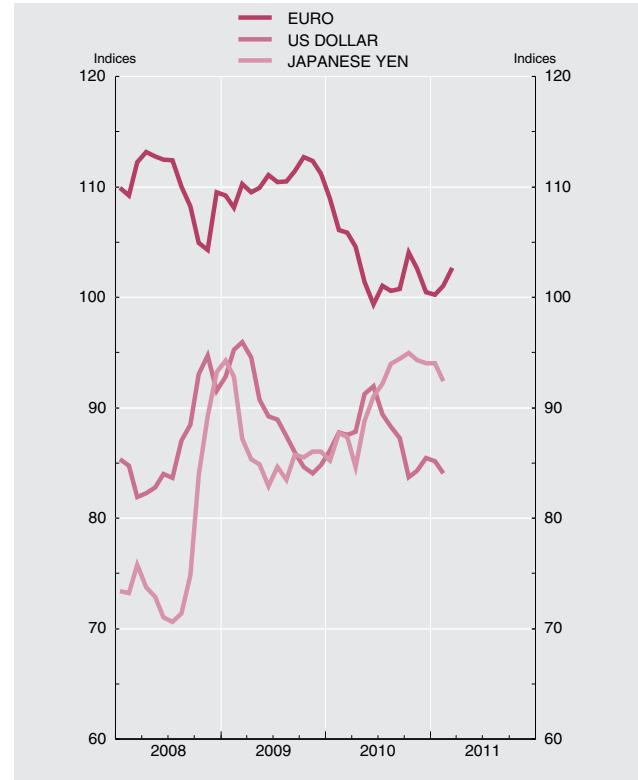
Average of daily data

	Exchange rates			Indices of the nominal effective exchange rate vis-à-vis the (a) developed countries 1999 Q1=100			Indices of the real effective exchange rate vis-à-vis the developed countries (b) 1999 Q1=100					
	US dollar per ECU/euro	Japanese yen per ECU/euro	Japanese yen per US dollar	Euro	US dollar	Japanese yen	Based on consumer prices			Based on producer prices		
	1	2	3	4	5	6	7	8	9	10	11	12
08	1.4707	152.31	103.36	110.4	78.2	98.3	109.9	86.6	76.9	107.6	90.6	75.0
09	1.3940	130.30	93.57	111.7	81.1	112.4	110.6	89.5	86.5	104.9	92.7	85.0
10	1.3267	116.42	87.78	104.7	79.1	120.7	103.0	87.6	90.7	98.8	93.2	88.0
10 J-M	1.3847	125.68	90.75	108.8	78.4	114.7	107.0	87.1	86.7	102.2	92.2	84.9
11 J-M	1.3670	112.51	82.31	103.7	75.5	125.6	101.3	84.6	93.3	98.0	90.6	89.5
10 Jan	1.4272	130.34	91.32	110.8	77.3	112.4	108.9	86.2	85.2	104.0	91.2	83.4
Feb	1.3686	123.46	90.21	108.0	79.1	116.1	106.1	87.8	87.7	101.6	92.6	86.1
Mar	1.3569	123.03	90.68	107.4	78.9	115.8	105.8	87.5	87.3	101.0	93.0	85.3
Apr	1.3406	125.33	93.49	106.1	79.2	112.6	104.6	87.8	84.7	100.0	93.4	82.5
May	1.2565	115.83	92.15	102.8	82.4	118.1	101.4	91.3	88.8	97.0	97.2	86.5
Jun	1.2209	110.99	90.92	100.6	83.1	120.9	99.4	92.0	91.0	95.2	97.6	88.4
Jul	1.2770	111.73	87.50	102.5	80.7	122.9	101.1	89.4	92.2	97.0	94.8	89.6
Aug	1.2894	110.04	85.33	102.1	79.6	125.2	100.6	88.3	94.0	96.6	93.8	91.0
Sep	1.3067	110.26	84.38	102.5	78.8	125.7	100.8	87.2	94.5	97.1	92.7	90.9
Oct	1.3898	113.67	81.79	106.0	75.8	126.1	104.1	83.7	94.9	100.4	89.7	91.0
Nov	1.3661	112.69	82.51	104.7	76.3	125.7	102.6	84.3	94.3	98.9	90.5	90.4
Dec	1.3220	110.11	83.29	102.6	77.5	126.2	100.5	85.5	94.0	96.7	91.8	90.4
11 Jan	1.3360	110.38	82.63	102.4	76.6	126.5	100.2	85.1	94.0	96.7	90.8	90.3
Feb	1.3649	112.77	82.63	103.4	75.6	125.1	101.1	84.1	92.4	97.7	90.3	88.6
Mar	1.3999	114.40	81.72	105.2	74.4	125.1	102.7	...	...	99.6	...	...

EXCHANGE RATES



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



Sources: ECB and BE.

a. Geometric mean calculated using a double weighting system based on (1995-1997),(1998-2000), (2001-2003), and (2004-2006) manufacturing trade of changes in the spot price of each currency against the currencies of the other developed countries. A fall in the index denotes a depreciation of the currency against those of the other developed countries.

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

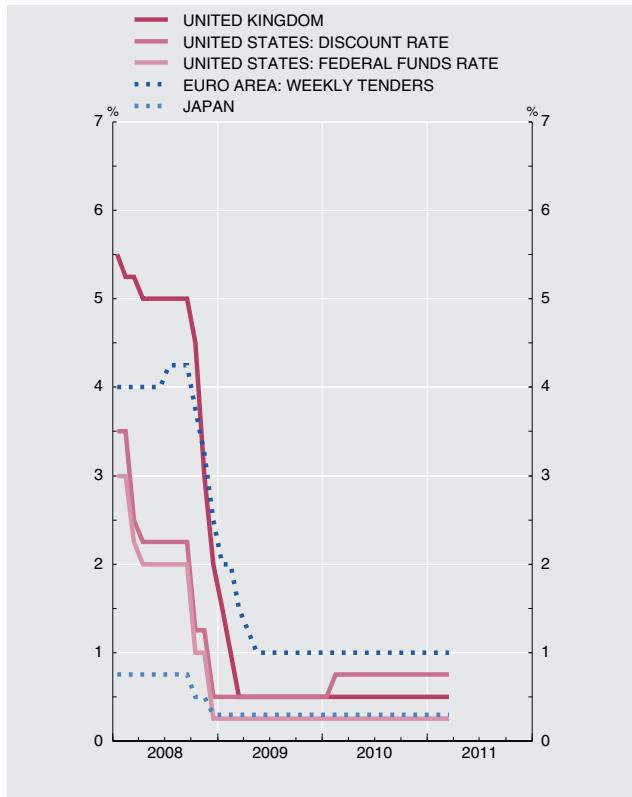
2.5. OFFICIAL INTERVENTION INTEREST RATES AND SHORT-TERM INTEREST RATES

■ Series depicted in chart.

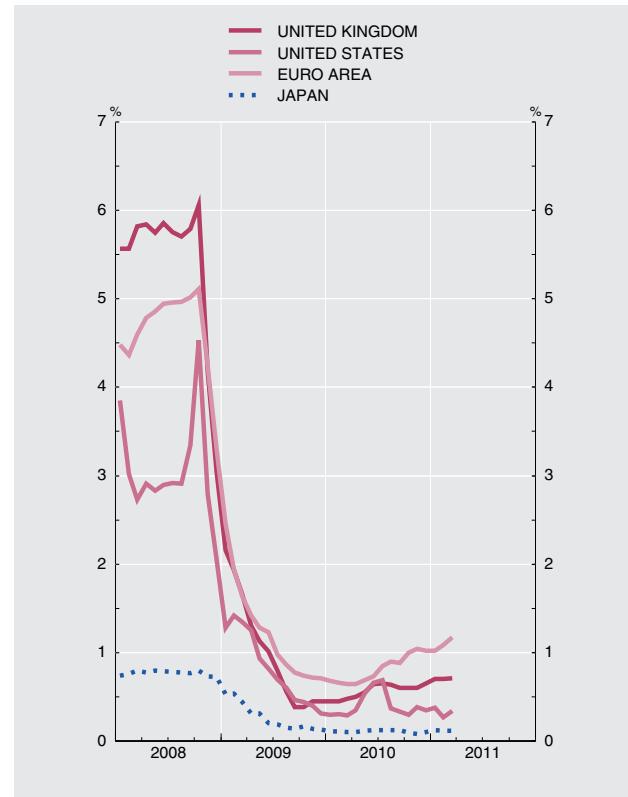
Percentages

	Official intervention interest rates														3-month interbank rates														
	Euro area (a)	United States		Japan (c)	United Kingdom (d)	OECD	EU-15	Euro area 8	Germany 9	Spain 10	United States 11	France 12	Italy 13	Japan 14	United Kingdom 15														
		Discount rate (b)	Federal funds rate																										
		1	2																										
08		2.50	0.50	0.25	0.30	2.00	3.45	4.75	4.63	-	-	3.07	-	-	-	0.77	5.41												
09		1.00	0.50	0.25	0.30	0.50	0.93	1.19	1.22	-	-	0.83	-	-	-	0.27	1.01												
10		1.00	0.75	0.25	0.30	0.50	0.61	0.78	0.81	-	-	0.40	-	-	-	0.11	0.57												
09 Oct		1.00	0.50	0.25	0.30	0.50	0.56	0.68	0.74	-	-	0.44	-	-	-	0.16	0.38												
Nov		1.00	0.50	0.25	0.30	0.50	0.53	0.67	0.72	-	-	0.40	-	-	-	0.14	0.45												
Dec		1.00	0.50	0.25	0.30	0.50	0.50	0.67	0.71	-	-	0.31	-	-	-	0.13	0.45												
10 Jan		1.00	0.50	0.25	0.30	0.50	0.48	0.64	0.68	-	-	0.30	-	-	-	0.11	0.45												
Feb		1.00	0.75	0.25	0.30	0.50	0.48	0.62	0.66	-	-	0.30	-	-	-	0.11	0.45												
Mar		1.00	0.75	0.25	0.30	0.50	0.48	0.61	0.65	-	-	0.29	-	-	-	0.10	0.48												
Apr		1.00	0.75	0.25	0.30	0.50	0.51	0.62	0.65	-	-	0.35	-	-	-	0.10	0.50												
May		1.00	0.75	0.25	0.30	0.50	0.61	0.66	0.69	-	-	0.54	-	-	-	0.11	0.55												
Jun		1.00	0.75	0.25	0.30	0.50	0.70	0.74	0.73	-	-	0.66	-	-	-	0.12	0.64												
Jul		1.00	0.75	0.25	0.30	0.50	0.75	0.83	0.85	-	-	0.69	-	-	-	0.12	0.65												
Aug		1.00	0.75	0.25	0.30	0.50	0.64	0.86	0.90	-	-	0.37	-	-	-	0.12	0.64												
Sep		1.00	0.75	0.25	0.30	0.50	0.63	0.84	0.88	-	-	0.33	-	-	-	0.13	0.60												
Oct		1.00	0.75	0.25	0.30	0.50	0.64	0.93	1.00	-	-	0.30	-	-	-	0.09	0.60												
Nov		1.00	0.75	0.25	0.30	0.50	0.69	0.98	1.04	-	-	0.38	-	-	-	0.08	0.60												
Dec		1.00	0.75	0.25	0.30	0.50	0.69	0.98	1.02	-	-	0.35	-	-	-	0.10	0.65												
11 Jan		1.00	0.75	0.25	0.30	0.50	0.70	0.99	1.02	-	-	0.37	-	-	-	0.12	0.70												
Feb		1.00	0.75	0.25	0.30	0.50	0.68	1.05	1.09	-	-	0.27	-	-	-	0.12	0.70												
Mar		1.00	0.75	0.25	0.30	0.50	0.74	1.13	1.18	-	-	0.34	-	-	-	0.11	0.71												

OFFICIAL INTERVENTION INTEREST RATES



3-MONTH INTERBANK RATES



Sources: ECB, Reuters and BE.

a. Main refinancing operations.

b. As from January 2003, the Primary Credit Rate.

c. Discount rate.

d. Retail bank base rate.

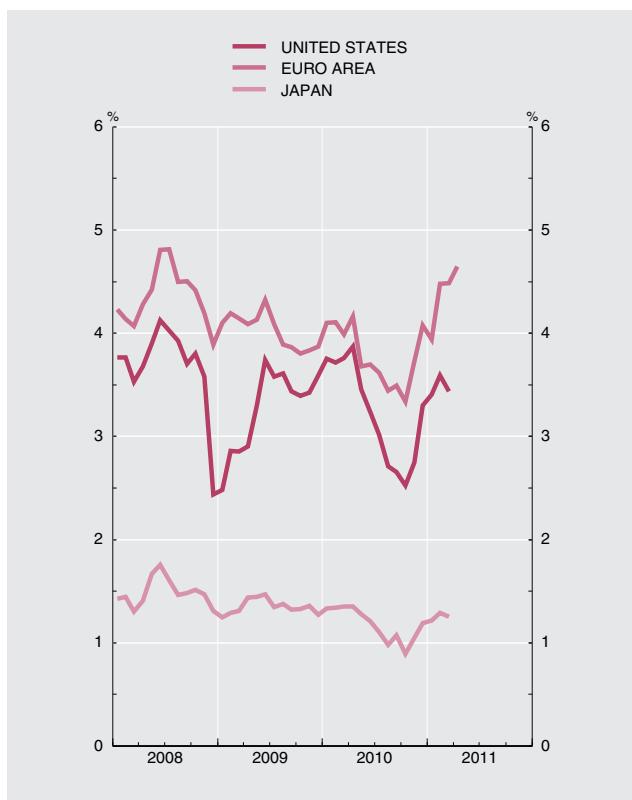
2.6. 10-YEAR GOVERNMENT BOND YIELDS ON DOMESTIC MARKETS

■ Series depicted in chart.

Percentages

	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
08	3.63	4.33	4.36	4.00	4.36	3.69	4.24	4.66	1.49	4.55
09	3.18	3.74	4.03	3.27	3.97	3.27	3.65	4.28	1.35	3.63
10	3.05	3.52	3.78	2.78	4.25	3.22	3.12	4.03	1.18	3.56
09 Oct	3.20	3.61	3.80	3.24	3.77	3.40	3.56	3.99	1.33	3.57
Nov	3.23	3.65	3.84	3.28	3.79	3.42	3.56	4.01	1.36	3.74
Dec	3.28	3.65	3.87	3.23	3.80	3.59	3.47	4.02	1.27	3.86
10 Jan	3.40	3.75	4.10	3.30	3.99	3.75	3.53	4.08	1.34	4.01
Feb	3.36	3.73	4.11	3.19	3.98	3.71	3.50	4.05	1.34	4.07
Mar	3.36	3.65	3.99	3.14	3.83	3.76	3.45	3.94	1.35	4.05
Apr	3.42	3.67	4.16	3.09	3.90	3.87	3.41	3.93	1.35	4.05
May	3.16	3.49	3.68	2.82	4.08	3.46	3.09	4.01	1.28	3.76
Jun	3.05	3.49	3.70	2.63	4.56	3.24	3.07	4.11	1.21	3.51
Jul	2.92	3.45	3.62	2.65	4.43	3.01	2.99	4.03	1.10	3.41
Aug	2.67	3.18	3.44	2.38	4.04	2.71	2.69	3.81	0.98	3.10
Sep	2.67	3.21	3.50	2.33	4.09	2.65	2.67	3.84	1.07	3.03
Oct	2.58	3.18	3.34	2.38	4.04	2.52	2.72	3.77	0.89	2.99
Nov	2.83	3.52	3.73	2.55	4.69	2.75	2.99	4.14	1.05	3.22
Dec	3.24	3.92	4.07	2.95	5.37	3.30	3.34	4.63	1.19	3.53
11 Jan	3.32	4.02	3.94	3.05	5.38	3.41	3.44	4.73	1.22	3.63
Feb	3.46	4.13	4.48	3.23	5.26	3.59	3.60	4.74	1.29	3.81
Mar	3.40	4.15	4.49	3.24	5.25	3.44	3.60	4.80	1.26	3.67

10-YEAR GOVERNMENT BOND YIELDS



10-YEAR GOVERNMENT BOND YIELDS



Sources: ECB, Reuters and BE.

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

■ Series depicted in chart.

Base 2000 = 100

	Non-energy commodity price index (a)						Oil		Gold					
	Euro index	US dollar index					Index (b)	Brent North sea	Index (c)	US dollars per troy ounce	Euro per gram			
		General			Food									
	General	General	Food	Total	Non-food agricul- tural products	Metals		US dollars per barrel						
1	2	3	4	5	6	7	8	9	10	11				
06	125.6	170.8	139.3	211.6	147.3	246.4	227.8	64.9	216.7	604.6	15.45			
07	136.4	202.3	175.1	237.4	162.4	278.4	252.1	73.0	249.8	696.7	16.32			
08	142.2	227.4	232.4	221.0	176.0	245.5	343.7	97.2	312.5	871.7	19.07			
09	120.8	182.3	198.0	162.2	136.0	176.4	219.2	61.7	348.8	973.0	22.42			
10	158.6	213.1	207.9	220.2	211.2	225.9	280.0	79.9	439.2	1 225.3	29.76			
10 J-M	141.6	212.5	204.4	223.0	192.9	239.3	273.1	76.5	397.6	1 109.3	25.77			
11 J-M	206.5	226.6	229.3	223.9	287.2	196.7	...	105.6	496.3	1 384.5	32.58			
10 Feb	140.6	208.9	204.6	214.5	190.8	227.4	264.6	74.1	392.7	1 095.4	25.75			
Mar	144.3	211.7	197.2	230.6	202.0	246.1	280.9	78.8	399.1	1 113.3	26.37			
Apr	150.6	218.7	197.0	246.7	219.3	261.7	298.0	84.5	411.8	1 148.7	27.52			
May	151.9	206.7	195.0	222.0	210.7	228.1	267.6	75.8	432.1	1 205.4	30.96			
Jun	152.4	201.1	193.9	210.5	206.2	212.9	264.7	75.0	442.0	1 232.9	32.45			
Jul	150.4	208.1	205.4	211.4	198.1	218.7	263.9	76.4	427.6	1 193.0	30.01			
Aug	159.6	222.9	220.2	226.4	203.5	238.9	268.8	77.9	435.8	1 215.8	30.31			
Sep	166.1	235.2	231.7	239.6	223.0	248.8	269.7	78.4	455.6	1 271.0	31.25			
Oct	168.6	219.0	216.8	222.6	223.0	223.5	289.4	83.0	481.1	1 342.0	31.04			
Nov	180.1	196.8	203.2	190.1	223.5	175.7	299.4	85.7	491.1	1 369.9	32.27			
Dec	198.3	211.3	217.6	204.8	248.0	186.2	319.0	92.3	498.2	1 389.7	33.80			
11 Jan	207.1	221.5	227.7	215.2	266.7	193.1	328.2	97.4	486.2	1 356.4	32.70			
Feb	212.5	235.4	235.4	231.5	301.3	201.5	346.1	103.7	492.1	1 372.7	32.35			
Mar	200.4	225.5	225.3	225.7	294.9	196.1	...	115.4	510.2	1 423.3	32.66			

NON-ENERGY COMMODITY PRICE INDEX

PRICE INDICES FOR NON-ENERGY COMMODITIES, OIL AND GOLD



Sources: The Economist, IMF, ECB and BE.

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

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

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

3.1 INDICATORS OF PRIVATE CONSUMPTION. SPAIN AND EURO AREA

■ Series depicted in chart.

Annual percentage changes

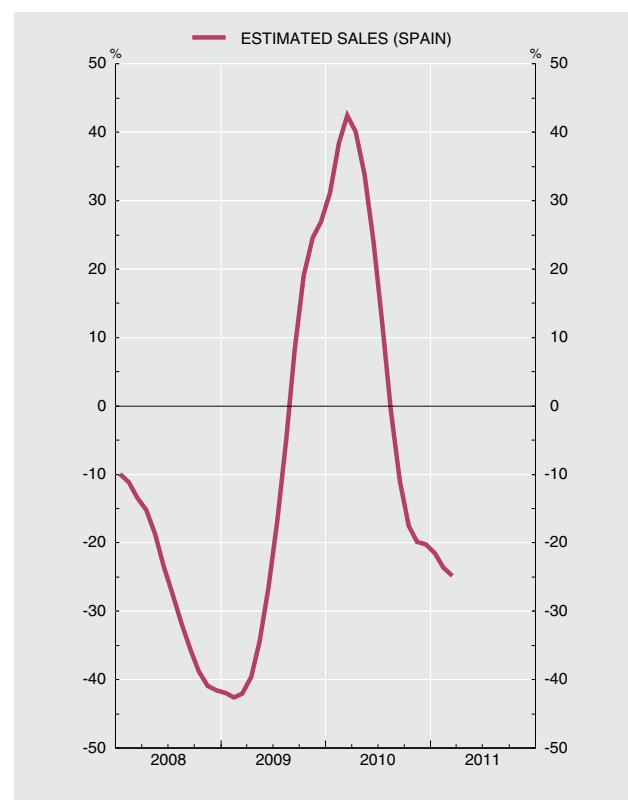
	Opinion surveys (net percentages)						New car registrations and sales			Retail trade indices (2005=100, NACE 2009) (Deflated indices)											
	Consumers			Retail trade confidence index	Memorandum item: euro area		of which	Registrations	Estimated sales	Memorandum item: euro area	General retail trade index	General index without petrol stations									
	Confidence index	General economic situation: anticipated trend	Household economic situation: anticipated trend		Consumer confidence index	Retail trade confidence index						Total	Food	Large retail outlets	Large chain stores	Small chain stores	Single outlet retailers	Memorandum item: euro area (a)			
	1	2	3		4	5						8	9	10	11	12	13	14	15	16	17	18
08	-33.7	-32.6	-20.4	-27.6	-18.1	-10.0	-27.4	-30.0	-28.1	-8.0	-5.7	-5.7	-2.3	-5.2	1.1	-8.6	-8.0	-0.8			
09	-28.2	-26.2	-13.2	-24.6	-24.8	-15.5	-18.1	-10.7	-17.9	4.6	-5.7	-5.8	-3.4	-6.0	-1.6	-7.1	-7.2	-2.0			
10	P -20.9	-18.0	-9.7	-17.2	-14.0	-4.0	3.0	-1.3	3.1	-8.1	-1.6	-0.9	-0.4	-1.6	1.9	-3.1	-2.0	1.1			
10 J-M	P -18.2	-12.2	-5.8	-15.0	-16.8	-8.9	44.7	35.1	44.5	7.8	-0.6	0.8	0.9	2.2	4.3	-3.1	-1.3	0.9			
11 J-M	P -19.6	-18.6	-8.9	-21.8	-10.6	-0.8	-27.7	-12.3	-27.3
10 Apr	P -19.6	-13.3	-8.6	-10.5	-15.0	-3.4	40.6	38.3	39.3	-10.2	-2.4	-1.2	-2.5	-2.7	-0.3	-3.8	-1.3	-			
May	P -24.5	-27.1	-12.3	-15.3	-17.7	-6.6	44.5	39.8	44.6	-15.3	-1.6	-0.6	-0.7	-3.3	0.6	-2.2	-1.4	1.3			
Jun	P -24.8	-25.0	-13.8	-14.6	-17.3	-5.3	24.7	22.1	25.6	-13.5	1.0	1.5	-1.1	0.2	0.8	2.6	1.9	1.7			
Jul	P -25.8	-27.2	-15.9	-21.4	-14.0	-4.0	-23.9	-31.0	-24.1	-18.2	-2.2	-2.0	1.5	-2.2	3.9	-4.2	-4.3	1.7			
Aug	P -19.9	-18.0	-11.9	-21.0	-11.4	-3.5	-22.9	-25.5	-23.8	-19.1	-1.3	-1.2	-0.9	-5.4	1.3	-1.0	1.8	1.9			
Sep	P -19.0	-15.5	-8.4	-13.3	-11.0	-0.8	-27.0	-27.2	-27.3	-12.4	-3.0	-2.9	-0.8	-5.8	0.6	-6.3	-3.6	1.6			
Oct	P -19.7	-17.3	-8.4	-22.3	-10.9	-0.8	-37.9	-36.0	-37.6	-15.4	-2.9	-2.6	-2.1	-1.0	0.4	-5.0	-5.1	1.5			
Nov	P -20.7	-16.3	-10.0	-20.7	-9.4	-1.1	-25.8	-22.1	-25.5	-10.1	-1.0	-0.7	1.0	-0.8	3.3	-4.4	-2.5	1.3			
Dec	P -22.8	-20.2	-9.8	-22.6	-11.0	4.3	-24.0	-19.9	-23.9	-6.9	-4.5	-3.9	-2.0	-5.2	-0.4	-4.1	-5.4	0.2			
11 Jan	P -21.0	-22.6	-10.5	-22.3	-11.2	-0.6	-23.6	-16.4	-23.5	-4.4	-4.7	-4.6	-3.4	-6.3	-0.4	-4.5	-6.3	0.7			
Feb	P -15.2	-18.2	-5.5	-20.1	-10.0	-0.2	-28.0	-13.1	-27.6	0.1	-4.8	-4.7	-3.2	-7.1	-	-4.0	-6.5	0.4			
Mar	P -22.6	-15.0	-10.6	-23.1	-10.6	-1.5	-29.8	-8.9	-29.1	...	...	...	...	...	...	...	...	...

CONSUMER CONFIDENCE INDEX



CAR SALES

Trend obtained with TRAMO-SEATS



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

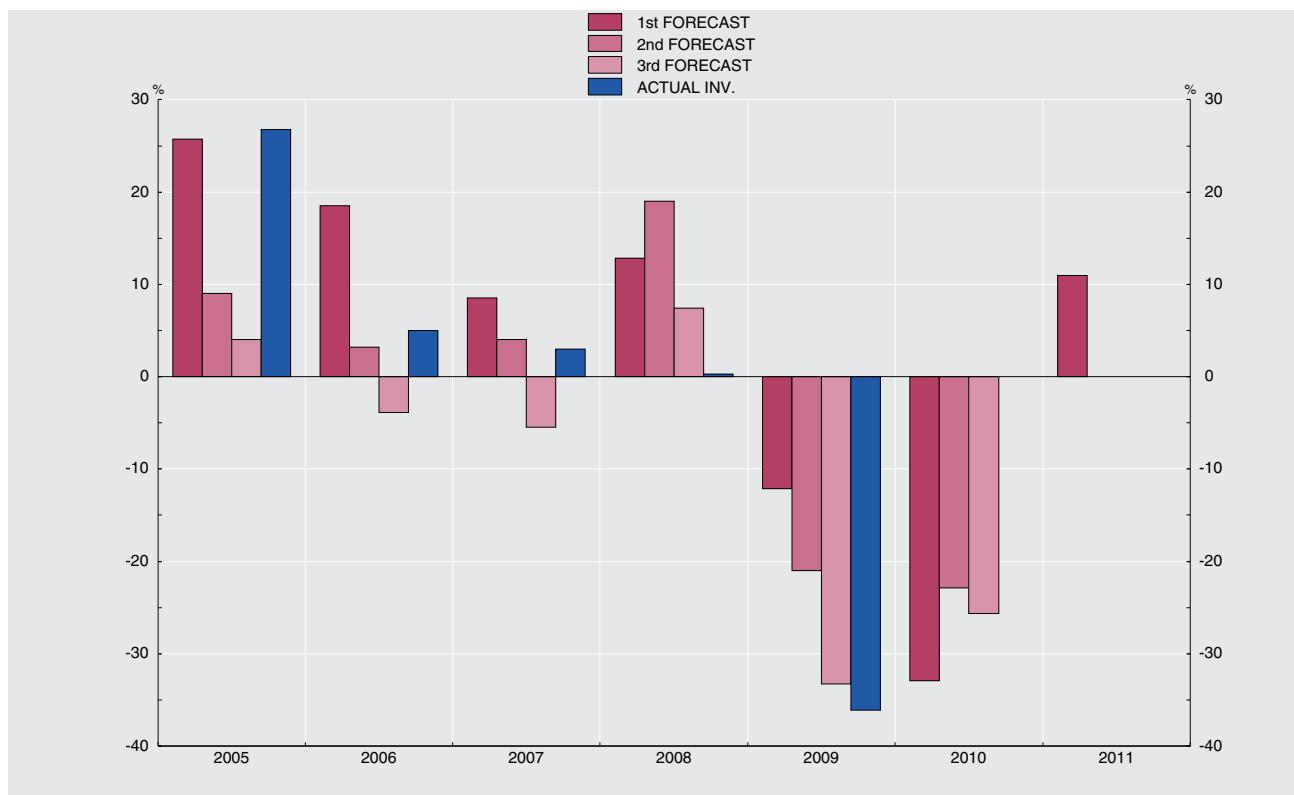
a. Data adjusted by working days.

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

■ Series depicted in chart.

	1	2	3	4	
	ACTUAL INV.	1st FORECAST	2nd FORECAST	3rd FORECAST	Annual percentage changes at current prices
05	-	27	26	9	4
06	5	19	3	-4	-6
07	3	9	4	-6	-7
08	0	13	19	-21	-33
09	-36	-12	-23	-26	-26
10	...	-33	...	...	...
11	...	11	...	...	...

INVESTMENT IN INDUSTRY
Annual rates of change



Source: Ministerio de Industria, Turismo y Comercio.

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

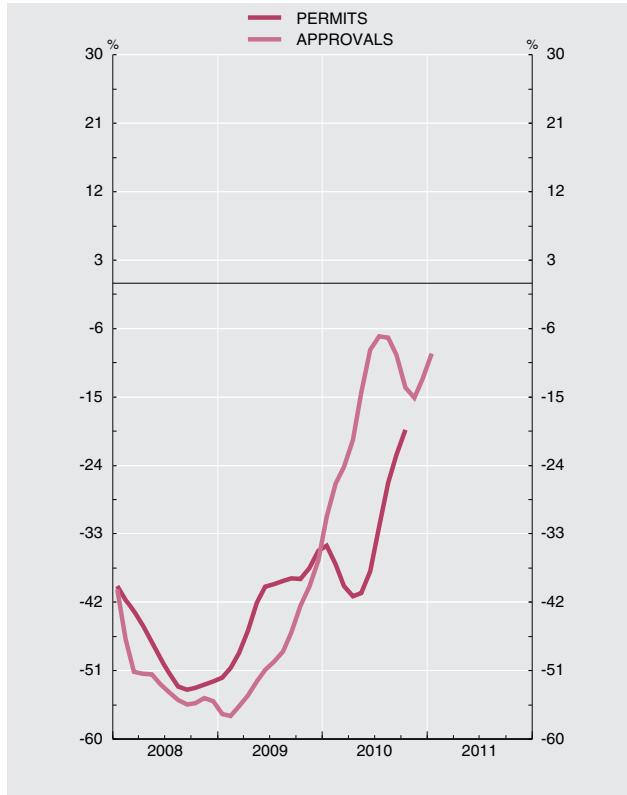
3.3. CONSTRUCTION. INDICATORS OF BUILDING STARTS AND CONSUMPTION OF CEMENT. SPAIN

■ Series depicted in chart.

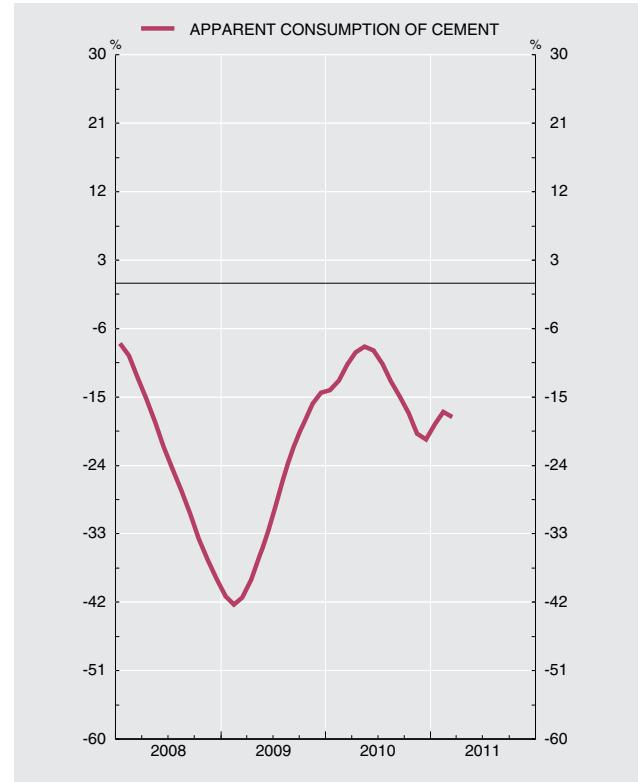
Annual percentage changes

	Permits: buildable floorage					Approvals: buildable floorage		Government tenders (budget)							Apparent consumption of cement
	Total	of which		Non-residential	Total	of which		Total		Building					
		Residential	Housing			Housing	For the month	Year to date	Total	Residential	of which	Non-residential	Civil engineering		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
08		-48.5	-53.1	-53.8	-29.8	-52.1	-56.6	3.0	-7.5	8.5	13.4	-11.5	7.3	-23.8	
09	P	-43.4	-49.3	-49.2	-27.2	-51.4	-56.8	-8.2	-8.2	3.7	-19.9	0.3	-11.5	-32.3	
10		...	...	...	...	-16.0	-16.1	-37.9	-37.9	-20.1	-38.0	-38.7	-14.4	-45.1	-15.0
10 J-M	P	-33.8	-28.5	-29.5	-44.1	-24.8	-25.1	-52.2	-52.2	-31.0	-17.1	-8.0	-34.1	-61.7	-20.7
11 J-M	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-2.2
09 Dec		-36.3	-35.0	-37.2	-39.1	-42.4	-50.7	5.2	-8.2	-5.6	45.0	55.0	-19.7	7.4	-21.6
10 Jan	P	-10.0	-9.7	-13.0	-10.6	-29.5	-40.6	-55.0	-55.0	-46.4	-63.0	-48.2	-39.2	-59.3	-20.4
Feb	P	-42.5	-34.0	-34.1	-56.5	-20.9	-24.0	-57.5	-56.5	-38.5	-54.9	-50.8	-36.1	-65.4	-25.6
Mar	P	-42.4	-39.3	-39.2	-48.3	-24.5	-11.6	-44.5	-52.2	-11.3	93.8	80.6	-28.6	-59.2	-16.4
Apr	P	-48.7	-53.1	-53.4	-37.8	-23.7	-23.7	-28.5	-48.1	7.8	-67.3	-64.8	38.5	-44.4	-10.4
May	P	-44.1	-50.6	-51.1	-29.1	-15.1	-14.4	0.4	-42.4	26.6	-15.7	-41.0	42.2	-10.6	-10.2
Jun	P	-52.2	-39.5	-40.0	-67.6	3.0	9.0	-22.3	-39.8	-39.7	-36.2	-9.9	-40.3	-12.5	-9.1
Jul	P	-30.0	-28.2	-25.7	-34.4	-13.1	-23.6	-55.5	-42.1	-28.7	-56.9	-66.7	-11.5	-67.3	-15.5
Aug	P	-5.2	15.5	15.2	-31.5	-1.6	2.0	-29.1	-40.8	-30.0	-43.5	-46.3	-25.5	-28.7	-11.2
Sep	P	-28.9	-15.3	-15.1	-47.7	1.4	-0.7	-13.7	-38.9	-26.1	20.6	125.8	-33.8	-9.4	-16.2
Oct	P	-16.0	-19.5	-20.7	-8.1	-27.7	-30.4	-0.3	-36.6	37.0	54.1	-50.4	33.6	-15.1	-15.8
Nov	P	...	...	...	...	-13.2	-13.7	-15.0	-35.1	-27.6	-60.9	347.5	-4.2	-9.2	-20.5
Dec	P	...	...	...	...	-15.6	-4.4	-57.0	-37.9	-9.5	-73.4	-66.8	22.9	-65.5	-9.6
11 Jan	P	...	...	...	...	-3.5	13.9	-17.9	-17.9	-26.3	-45.8	30.1	-21.1	-12.3	0.3
Feb	P	...	...	...	...	...	...	...	...	...	...	...	...	...	0.9
Mar	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-6.4

CONSTRUCTION
Trend obtained with TRAMO-SEATS



CONSTRUCTION
Trend obtained with TRAMO-SEATS



Sources: Ministerio de Fomento and Asociación de Fabricantes de Cemento de España.

Note: The underlying series for this indicator are in Tables 23.7, 23.8, and 23.9 of the BE Boletín estadístico.

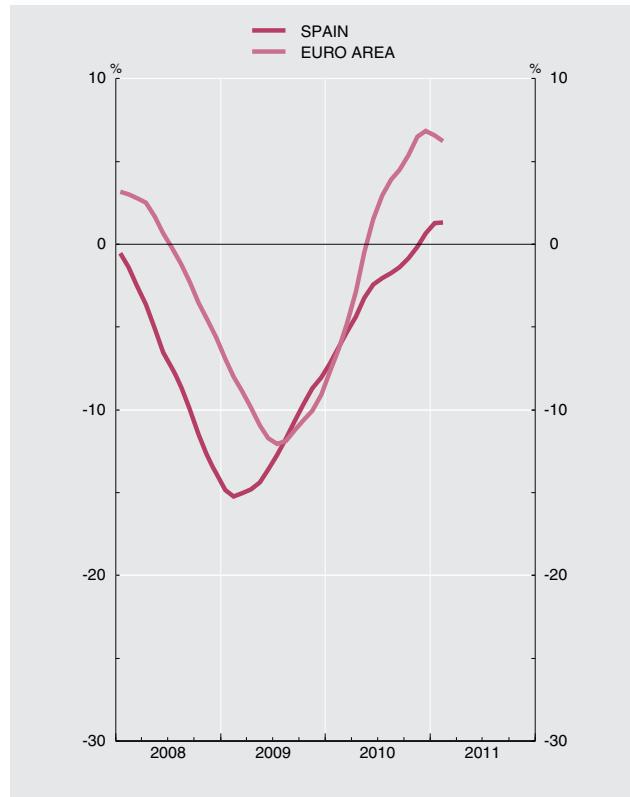
3.4. INDUSTRIAL PRODUCTION INDEX. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

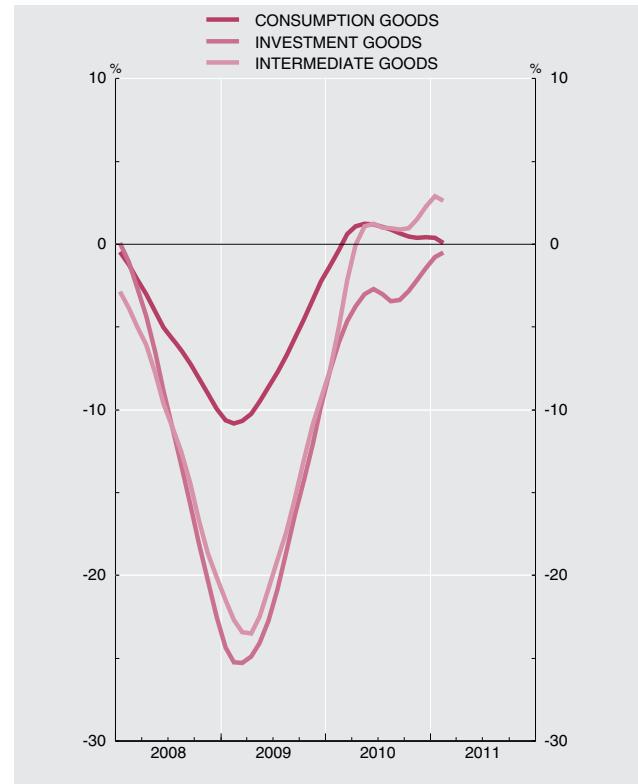
Annual percentage changes

		Overall Index		By end-use of goods				By branch of activity (NACE 2009)			Memorandum item: euro area					
		Total		Consumer goods	Capital goods	Intermediate goods	Energy	Mining and quarrying	Manufacturing	Electricity and gas supply	of which		By end-use of goods			
		Original series	12-month %change 12	3	4	5	6	7	8	9	Total	Manufacturing	Consumer goods	Capital goods	Intermediate goods	
1	2	3	4	5	6	7	8	9	10	11	12	13	14			
08	MP	98.6	-7.1	-4.6	-8.7	-11.0	1.6	-13.7	-7.8	1.1	-1.6	-1.8	-2.0	0.0	-3.4	
09	MP	82.6	-16.2	-8.8	-22.5	-21.4	-8.6	-24.3	-17.0	-7.6	-14.7	-15.8	-4.9	-20.7	-19.0	
10	MP	83.4	0.9	0.9	-3.3	2.7	2.5	4.4	0.6	2.9	7.5	7.9	3.7	9.3	10.0	
10	J-F	MP	78.8	-3.4	-4.1	-5.2	-1.1	-4.7	-1.4	-3.8	-0.7	3.8	4.0	2.3	2.0	6.9
11	J-F	MP	82.1	4.2	2.7	4.3	6.7	2.1	-7.2	4.8	0.7	6.8	8.6	1.8	13.2	10.1
09	Nov	P	87.3	-4.0	1.3	-8.0	-3.7	-10.2	-4.3	-3.3	-9.8	-6.7	-7.0	-2.2	-13.1	-5.1
	Dec	P	79.1	-1.5	0.9	-8.4	4.8	-8.1	-20.9	-0.4	-6.8	-3.5	-4.0	-0.8	-10.5	0.8
10	Jan	P	76.7	-5.0	-5.1	-7.0	-3.3	-5.7	-7.1	-5.1	-3.5	2.7	2.9	2.1	-0.1	5.7
	Feb	P	80.8	-1.9	-3.1	-3.5	1.1	-3.6	4.1	-2.5	2.6	4.9	5.0	2.5	3.9	8.1
	Mar	P	91.2	6.8	8.5	2.0	8.0	7.7	7.8	6.4	11.0	8.0	8.3	6.3	5.2	12.5
	Apr	P	82.2	3.0	4.4	-4.8	8.4	-0.3	7.7	2.9	4.0	9.6	9.7	3.0	9.3	15.9
	May	P	86.1	5.1	4.0	0.7	9.7	2.0	15.4	5.0	3.8	10.2	10.2	5.1	9.9	14.7
	Jun	P	89.0	3.2	2.1	1.9	4.6	4.1	7.4	3.6	-0.3	8.7	9.4	4.9	9.5	12.4
	Jul	P	89.7	-2.3	-3.2	-5.9	-2.5	6.0	3.4	-2.9	2.5	7.5	8.0	4.1	9.7	9.6
	Aug	P	63.9	3.4	5.7	-7.4	6.5	3.9	14.8	3.6	1.5	8.7	9.7	4.6	12.9	11.7
	Sep	P	86.1	-1.1	-0.3	-6.7	0.1	2.5	4.6	-1.5	2.2	5.6	6.2	1.9	8.6	7.2
	Oct	P	84.9	-3.5	-3.2	-8.9	-3.3	2.9	4.7	-4.3	2.8	7.2	7.8	3.3	12.7	7.3
	Nov	P	90.3	3.4	1.4	2.0	4.1	8.5	-7.6	3.2	7.3	8.1	8.5	3.9	13.0	8.0
	Dec	P	79.4	0.4	0.8	-3.5	0.9	3.7	-2.1	0.1	2.6	8.8	9.5	2.5	16.9	7.9
11	Jan	P	80.6	5.1	3.8	5.3	7.1	3.8	-4.5	5.6	3.3	6.3	8.1	0.8	12.6	10.1
	Feb	P	83.5	3.3	1.6	3.4	6.3	0.2	-9.6	4.2	-2.1	7.3	9.1	2.7	13.7	10.1

INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS



INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS



Sources: INE and BCE.

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

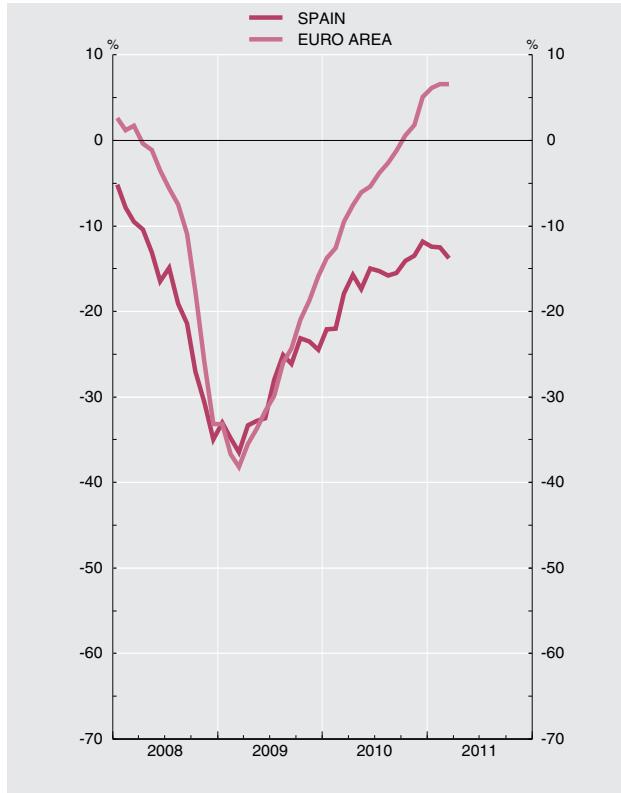
a. Spain 2005 = 100; euro area 2000 = 100.

3.5. MONTHLY BUSINESS SURVEY: INDUSTRY AND CONSTRUCTION. SPAIN AND EURO AREA (NACE 2009)

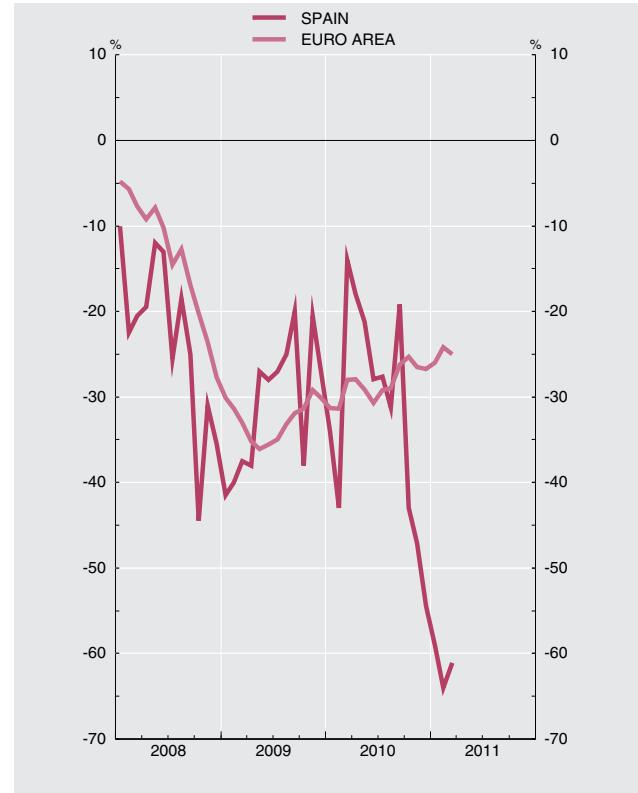
■ Series depicted in chart.

Percentage balances																			
Memorandum item:euro area (b)																			
Industry, excluding construction										Construction				Memorandum item:euro area (b)					
Business climate indicator																			
Business climate indicator	Production over the last three months	Trend in production	Total orders	Foreign orders	Stocks of finished products	Business climate indicator				Business climate indicator	Production	Orders	Trend		Industry, excluding construction		Construction climate indicator		
(a)	(a)	(a)	(a)	(a)	(a)	Consumption	Investment	Intermediate goods (a)	Other sectors	(a)	(a)	(a)	Production	Orders	Business climate indicator	Order Book			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18		
08	M	-18	-16	-8	-24	-17	21	-12	-8	-28	-3	-23	-2	-20	-16	-16	-8	-13	-13
09	M	-29	-34	-11	-55	-52	23	-19	-26	-37	-44	-31	-20	-32	-13	-29	-57	-57	-33
10	M	-16	-8	-1	-37	-29	11	-10	-14	-18	-52	-32	-19	-31	-26	-33	-5	-24	-28
10	J-M	-21	-24	-0	-48	-43	14	-13	-22	-23	-55	-30	-47	-29	-22	-32	-12	-42	-30
11	J-M	-13	-9	0	-29	-23	9	-10	-9	-13	-57	-61	-42	-61	-45	-32	6	-1	-25
09	Dec	-25	-22	-6	-51	-49	17	-14	-25	-29	-60	-27	2	-29	-23	-20	-16	-48	-30
10	Jan	-22	-25	0	-51	-47	16	-14	-25	-23	-56	-34	-48	-26	-40	-26	-14	-44	-31
	Feb	-22	-26	-3	-48	-44	15	-12	-23	-27	-54	-43	-35	-41	-37	-41	-13	-42	-31
	Mar	-18	-21	1	-44	-36	11	-12	-16	-20	-56	-14	-57	-20	12	-28	-10	-39	-28
	Apr	-16	-9	3	-40	-30	11	-10	-13	-17	-53	-18	9	-25	6	-12	-8	-33	-28
	May	-17	-4	-1	-37	-33	14	-11	-12	-21	-52	-21	11	-27	-8	-7	-6	-28	-29
	Jun	-15	-1	1	-35	-27	11	-10	-17	-14	-54	-28	9	-39	-26	-37	-5	-26	-31
	Jul	-15	7	0	-34	-29	12	-9	-9	-18	-55	-28	0	-30	-6	-4	-4	-21	-29
	Aug	-16	1	-4	-33	-22	11	-6	-14	-17	-58	-31	1	-18	-46	-47	-3	-18	-29
	Sep	-16	1	-4	-33	-22	9	-9	-12	-20	-23	-19	-34	-21	-2	-43	-1	-16	-26
	Oct	-14	-7	-2	-31	-9	10	-10	-13	-14	-36	-43	-25	-32	-55	-55	1	-12	-25
	Nov	-14	-7	-3	-30	-24	8	-9	-11	-14	-69	-47	-29	-43	-56	-44	2	-11	-27
	Dec	-12	-7	3	-28	-26	10	-7	-5	-14	-57	-54	-29	-51	-51	-48	5	-5	-27
11	Jan	-12	-7	1	-29	-20	9	-9	-5	-14	-56	-59	-35	-67	-41	-24	6	-3	-26
	Feb	-13	-14	1	-29	-27	9	-9	-10	-12	-62	-64	-42	-58	-50	-51	7	-1	-24
	Mar	-14	-7	-2	-30	-24	10	-12	-12	-13	-53	-61	-48	-58	-43	-21	7	-0	-25

INDUSTRIAL BUSINESS CLIMATE
Percentage balances



CONSTRUCTION BUSINESS CLIMATE
Percentage balances



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

a. Seasonally adjusted.

b. To April 2010, NACE 1993; from May 2010, NACE 2009.

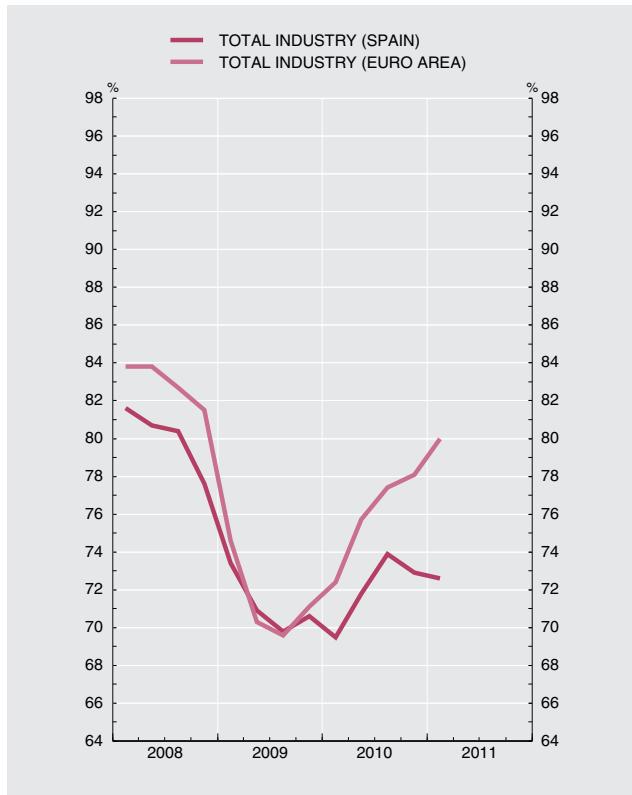
3.6. BUSINESS SURVEY: CAPACITY UTILISATION. SPAIN AND EURO AREA (NACE 2009)

■ Series depicted in chart.

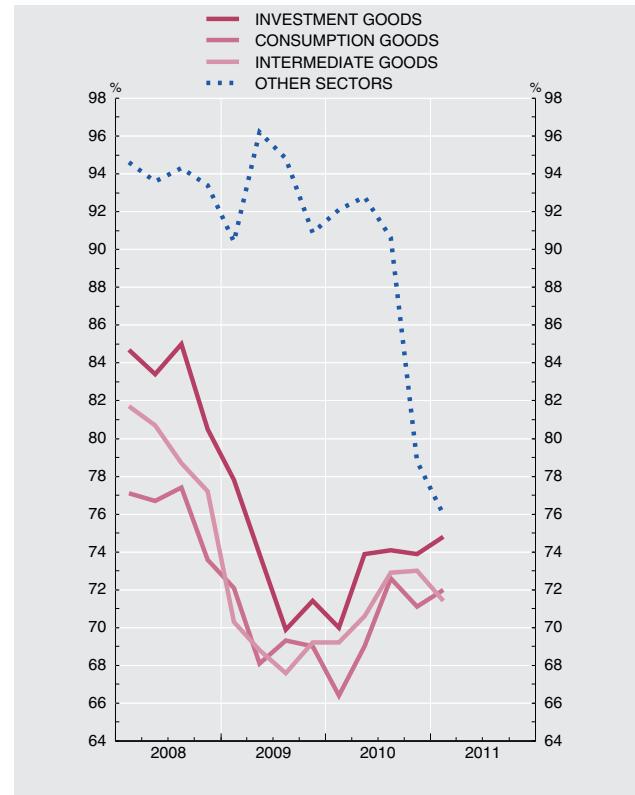
Percentages and percentage balances

	Total industry			Consumer goods			Investment goods			Intermediate goods			Other sectors (a)			Memo- randum item: euro area capacity utilisa- (b) (%)
	Capacity utilisation		Installed capacity (Percentage balances)													
	Over last three months	Forecast (%)		Over last three months	Forecast (%)		Over last three months	Forecast (%)		Over last three months	Forecast (%)		Over last three months	Forecast (%)		
	(%)	(%)		(%)	(%)		(%)	(%)		(%)	(%)		(%)	(%)		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
08	80.1	80.4	7	76.2	77.3	8	83.4	83.3	6	79.6	79.7	7	94.0	94.5	-0	83.0
09	71.2	71.4	26	69.6	70.7	18	73.3	73.6	25	69.0	68.5	34	93.1	94.3	1	71.4
10	72.0	72.8	22	69.8	70.5	18	73.0	72.5	23	71.4	72.9	24	88.6	90.5	18	75.9
10 Q1-Q1	69.5	70.7	25	66.4	67.1	20	70.0	71.0	26	69.2	70.9	30	92.1	92.8	0	72.4
11 Q1-Q1	72.6	73.4	16	72.0	72.6	13	74.8	75.0	15	71.4	72.7	20	76.0	78.4	3	80.0
08 Q3	80.4	80.8	6	77.4	78.1	11	85.0	84.7	5	78.7	79.3	4	94.3	94.1	-	82.7
Q4	77.6	76.5	12	73.6	73.5	12	80.5	78.8	7	77.2	75.6	16	93.4	94.1	-0	81.5
09 Q1	73.4	72.9	22	72.1	71.8	9	77.8	76.2	17	70.3	70.1	36	90.4	92.7	-	74.6
Q2	70.9	71.4	26	68.1	69.8	20	73.9	73.9	22	68.8	68.7	35	96.2	96.7	-	70.3
Q3	69.8	70.7	30	69.3	70.8	19	69.9	70.6	38	67.6	68.4	36	94.8	95.8	3	69.6
Q4	70.6	70.4	24	69.0	70.4	23	71.4	73.7	22	69.2	66.7	28	90.9	91.9	-	71.1
10 Q1	69.5	70.7	25	66.4	67.1	20	70.0	71.0	26	69.2	70.9	30	92.1	92.8	0	72.4
Q2	71.8	73.9	21	69.0	70.1	19	73.9	74.3	22	70.6	74.3	24	92.8	93.6	-	75.7
Q3	73.9	74.6	15	72.6	73.6	10	74.1	74.5	19	72.9	73.8	18	90.6	90.9	0	77.4
Q4	72.9	72.1	26	71.1	71.3	21	73.9	70.3	25	73.0	72.4	24	78.8	84.5	73	78.1
11 Q1	72.6	73.4	16	72.0	72.6	13	74.8	75.0	15	71.4	72.7	20	76.0	78.4	3	80.0

CAPACITY UTILISATION. TOTAL INDUSTRY
Percentages



CAPACITY UTILISATION. BY TYPE OF GOOD
Percentages



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

a. Includes mining and quarrying, manufacture of coke and refined petroleum products, and nuclear fuels.

b. To April 2010, NACE 1993; from May 2010, NACE 2009.

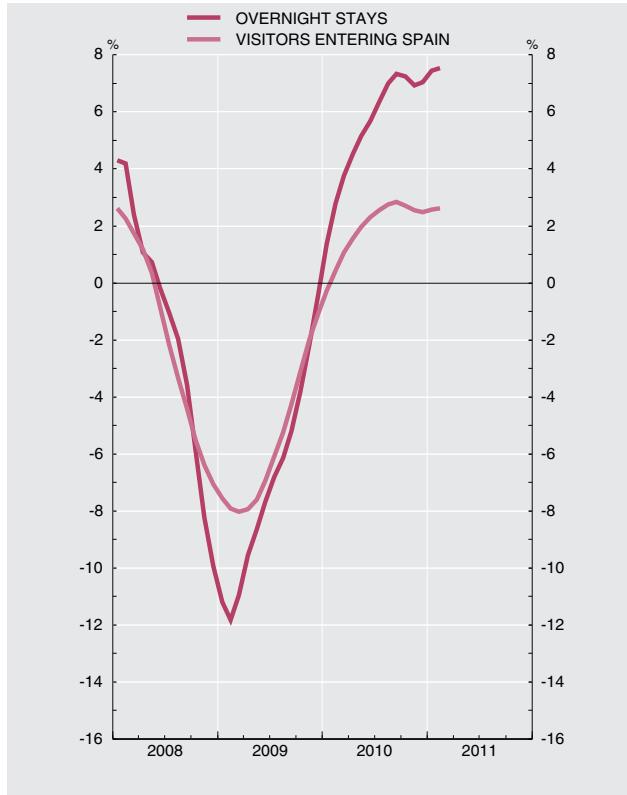
3.7. TOURISM AND TRANSPORT STATISTICS. SPAIN

■ Series depicted in chart.

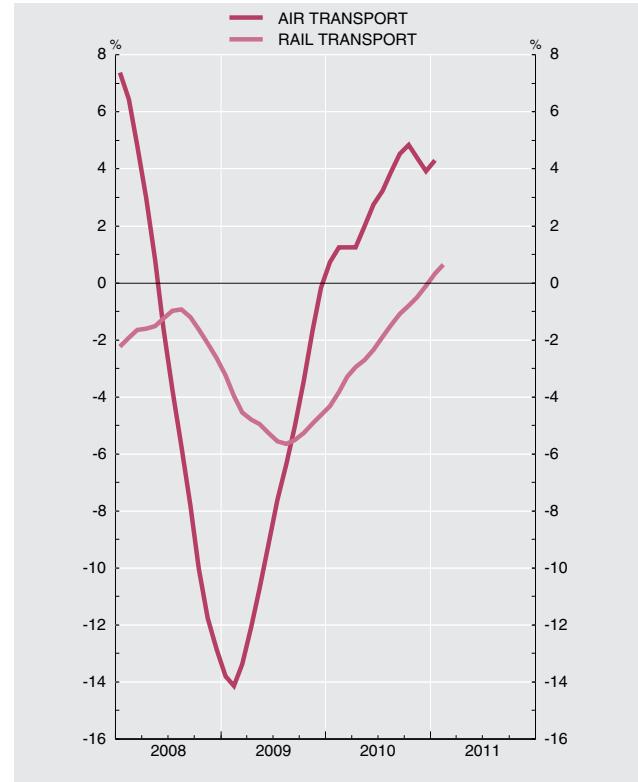
Annual percentage changes

	Hotel stays (a)		Overnight stays		Visitors entering Spain			Air transport			Maritime transport		Rail transport			
	Total	Foreigners	Total	Foreigners	Total	Tourists	Day-trip-pers	Passengers			Freight	Passen- gers	Freight	Passen- gers	Freight	
								Total	Domestic flights	International flights						
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
08	-1.7	-0.1	-1.2	0.2	-1.3	-2.5	0.6	-3.0	-7.5	0.3	0.0	0.6	-2.1	-0.7	-10.3	
09	-7.1	-10.6	-6.7	-9.3	-5.9	-8.8	-1.9	-8.0	-8.0	-8.0	-9.6	-4.1	-12.9	-5.7	-24.8	
10	P	6.2	11.4	6.1	8.6	2.0	0.9	3.4	3.0	1.3	4.1	15.8	2.8	4.6	-2.3	-3.0
10 J-F	P	2.3	4.1	2.0	1.4	1.1	-1.6	4.0	2.3	4.0	1.0	16.5	10.5	1.5	-5.3	-3.8
11 J-F	P	3.1	7.7	5.0	9.4	5.0	4.5	5.6	...	...	...	...	...	...	1.8	...
09 Nov	-3.6	-5.0	-3.9	-6.3	-0.1	-3.1	3.3	-0.8	1.2	-2.3	4.0	-4.6	-0.5	-2.1	-3.4	
Dec	2.2	-0.7	-0.2	-3.0	0.9	-3.7	5.5	2.1	3.8	0.6	17.9	-0.4	-1.2	-4.0	22.0	
10 Jan	P	1.0	1.4	0.0	-1.8	2.6	1.0	4.1	3.3	6.4	1.0	13.6	25.6	4.8	-6.5	7.7
Feb	P	3.3	6.4	3.8	4.5	-0.3	-3.9	3.9	1.4	1.8	1.1	19.5	-5.5	-1.7	-4.1	-14.0
Mar	P	7.5	6.9	7.5	5.9	8.1	3.2	14.4	5.5	5.4	5.6	29.8	8.0	1.9	-3.2	-9.2
Apr	P	3.6	8.4	1.0	0.1	-5.4	-13.3	6.2	-8.6	-3.3	-12.4	40.7	-4.2	2.7	3.6	2.3
May	P	5.8	9.4	5.7	6.1	-1.3	1.1	-4.9	3.2	1.9	4.1	30.6	2.3	3.6	-4.2	10.7
Jun	P	6.9	9.2	5.4	5.4	4.5	1.7	9.4	3.4	1.0	4.9	17.6	4.5	3.5	-3.6	4.7
Jul	P	8.5	15.6	6.7	10.3	2.9	4.5	0.6	3.8	-1.6	7.0	10.0	4.4	7.1	-3.4	5.3
Aug	P	6.4	14.7	8.1	14.7	2.8	4.0	1.4	3.8	-1.5	7.0	10.6	-3.1	3.7	-1.6	-0.9
Sep	P	6.7	14.4	7.4	12.3	8.0	4.2	14.1	5.8	2.4	7.9	4.1	9.1	2.7	0.0	-14.4
Oct	P	8.8	13.3	8.5	10.4	3.6	4.2	2.7	8.9	6.5	10.4	6.7	1.5	7.7	-2.0	-3.7
Nov	P	4.3	13.0	4.8	10.9	0.0	2.4	-2.5	5.5	4.0	6.7	10.9	0.8	8.1	-1.5	-3.9
Dec	P	4.6	9.0	3.6	3.3	-4.9	-4.6	-5.1	-2.0	-4.6	0.2	5.9	-1.2	9.8	-0.6	-14.6
11 Jan	P	2.9	8.5	4.6	9.0	6.1	4.7	7.5	6.4	2.7	9.3	9.2	...	...	0.7	-7.6
Feb	P	3.2	7.0	5.4	9.6	3.9	4.3	3.6	...	...	...	...	...	3.0	...	...

TOURISM
Trend obtained with TRAMO-SEATS



TRANSPORT
Trend obtained with TRAMO-SEATS



Sources: INE and Instituto de Estudios Turísticos, Estadística de Movimientos Turísticos en Frontera.

Note: The underlying series for this indicator are in Tables 23.14 and 23.15 of the BE Boletín estadístico.

a. Information from hotel directories. Since January 2006, the frequency of data collection has been increased to every day of the month.

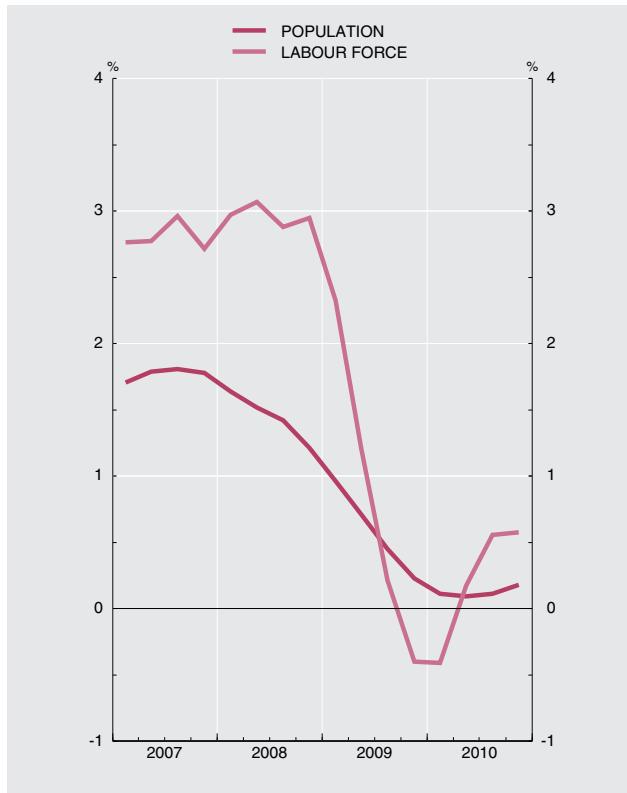
4.1. LABOUR FORCE. SPAIN

■ Series depicted in chart.

Thousands and annual percentage changes

	Population over 16 years of age				Participation rate (%) (a)	Thousands (a)	Labour force				4-quarter % change	
	Thousands	Annual change	4-quarter % change	1			Annual change (b)					
				2			Total	Due to change in population over 16 years of age	Due to change in participation rate	3		
	1	2	3	4	5	6	7	8	9	10	11	
07	M	37 663	655	1.8	58.92	22 190	605	386	219	2.8		
08	M	38 208	545	1.4	59.80	22 848	658	326	333	3.0		
09	M	38 432	224	0.6	59.95	23 037	189	134	55	0.8		
09 Q1-Q4 M		38 432	224	0.6	59.95	23 037	757	537	220	0.8		
10 Q1-Q4 M		38 479	48	0.1	60.00	23 089	206	114	92	0.2		
08 Q2		38 162	570	1.5	59.76	22 807	679	340	339	3.1		
Q3		38 271	537	1.4	59.95	22 945	643	322	321	2.9		
Q4		38 357	460	1.2	60.13	23 065	660	276	384	2.9		
09 Q1		38 409	366	1.0	60.15	23 102	525	220	305	2.3		
Q2		38 432	271	0.7	60.06	23 082	276	162	113	1.2		
Q3		38 443	172	0.4	59.81	22 994	48	103	-54	0.2		
Q4		38 443	87	0.2	59.76	22 973	-92	52	-144	-0.4		
10 Q1		38 451	42	0.1	59.83	23 007	-95	25	-120	-0.4		
Q2		38 468	36	0.1	60.11	23 122	40	22	18	0.2		
Q3		38 485	43	0.1	60.08	23 122	128	26	102	0.6		
Q4		38 512	69	0.2	59.99	23 105	132	42	91	0.6		

LABOUR FORCE SURVEY
Annual percentage change



LABOUR FORCE
Annual changes



Source: INE (Labour Force Survey: 2005 methodology).

a. the new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See www.ine.es).

b. Col. 7 = (col.5/col.1)x annual change in col.1. Col. 8 = (annual change in col.4/100) x col.1(t-4).

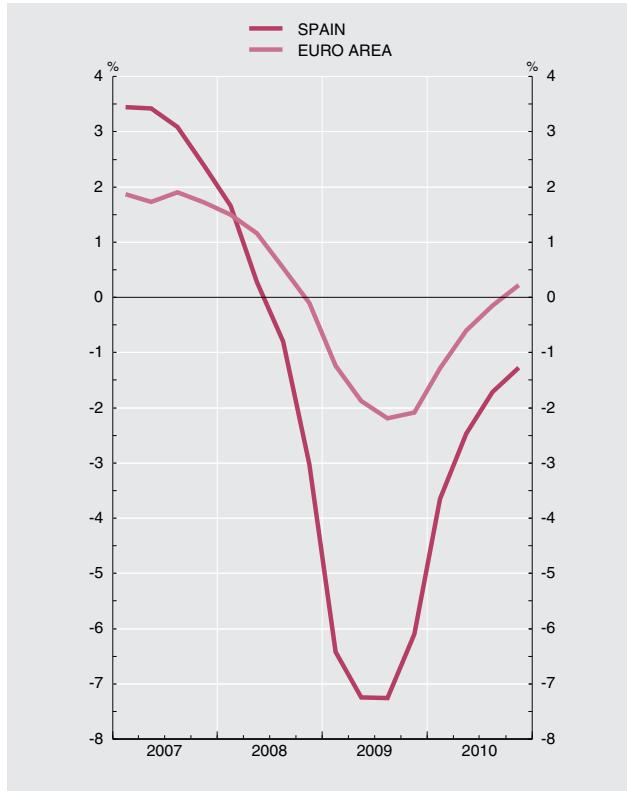
General note to the tables: As a result of the change in the population base (2001 Census), all the series in this table have been revised as from 1996. In addition, since 2005 Q1 the new obligatory variables referred to in Regulation (EC) 2257/2003 (on the adaptation of the list of labour force survey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

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

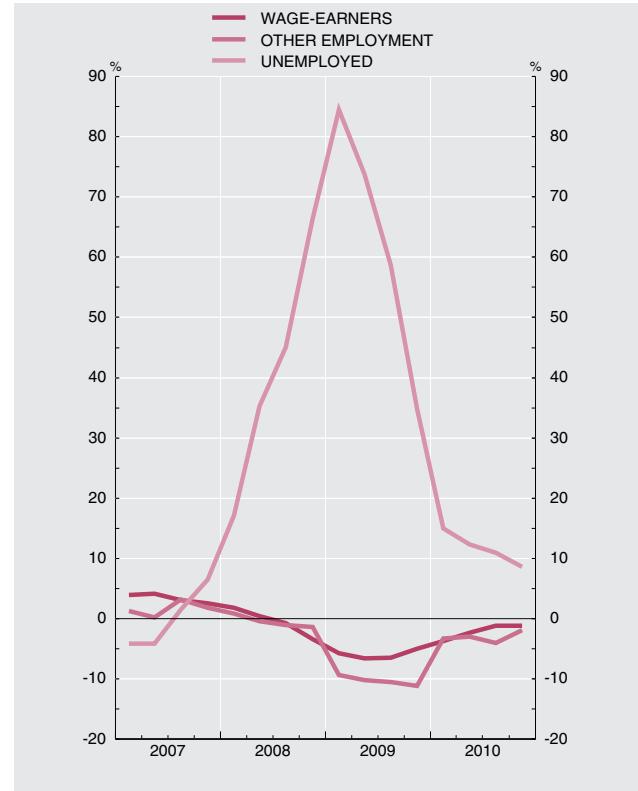
■ Series depicted in chart.

Thousands and annual percentage changes															
	Employment									Unemployment			Memorandum item: euro area		
	Total			Wage-earners			Other			(a)	Annual	4-quarter	Employ- ment rate		
	Thousands	Annual	4-quarter	Thousands	Annual	4-quarter	Thousands	Annual	4-quarter	Thousands	Annual	4-quarter	Unem- ploy- ment rate	Employ- ment 4-quarter % change	Unem- ployment rate
	1	2	3	4	5	6	7	8	9	10	11	12	(a)	14	15
07 M	20 356	608	3.1	16 760	552	3.4	3 596	56	1.6	1 834	-3	-0.2	8.26	1.8	7.52
08 M	20 258	-98	-0.5	16 681	-79	-0.5	3 576	-20	-0.5	2 591	757	41.3	11.33	0.8	7.57
09 M	18 888	-1 370	-6.8	15 681	-1 001	-6.0	3 207	-369	-10.3	4 150	1 559	60.2	18.01	-1.8	9.44
09 Q1-Q4M	18 888	-1 370	-6.8	15 681	-1 001	-6.0	3 207	-369	-10.3	4 150	1 559	60.2	18.01	-1.8	9.44
10 Q1-Q4M	18 457	-431	-2.3	15 347	-334	-2.1	3 110	-98	-3.0	4 632	483	11.6	20.07	-0.4	9.99
08 Q2	20 425	58	0.3	16 853	74	0.4	3 572	-16	-0.4	2 382	622	35.3	10.44	1.2	7.39
Q3	20 346	-164	-0.8	16 746	-124	-0.7	3 600	-41	-1.1	2 599	807	45.0	11.33	0.5	7.61
Q4	19 857	-620	-3.0	16 308	-568	-3.4	3 549	-52	-1.4	3 208	1 280	66.4	13.91	-0.1	8.04
09 Q1	19 091	-1 312	-6.4	15 843	-974	-5.8	3 248	-337	-9.4	4 011	1 837	84.5	17.36	-1.2	8.84
Q2	18 945	-1 480	-7.2	15 737	-1 116	-6.6	3 208	-364	-10.2	4 138	1 756	73.7	17.92	-1.9	9.37
Q3	18 870	-1 476	-7.3	15 650	-1 096	-6.5	3 220	-380	-10.6	4 123	1 525	58.7	17.93	-2.2	9.69
Q4	18 646	-1 211	-6.1	15 493	-816	-5.0	3 153	-395	-11.1	4 327	1 119	34.9	18.83	-2.1	9.87
10 Q1	18 394	-697	-3.6	15 253	-590	-3.7	3 141	-107	-3.3	4 613	602	15.0	20.05	-1.3	9.94
Q2	18 477	-468	-2.5	15 363	-373	-2.4	3 113	-95	-3.0	4 646	508	12.3	20.09	-0.6	10.00
Q3	18 547	-323	-1.7	15 456	-194	-1.2	3 090	-130	-4.0	4 575	451	10.9	19.79	-0.1	10.01
Q4	18 408	-238	-1.3	15 314	-178	-1.2	3 094	-59	-1.9	4 697	370	8.6	20.33	0.2	10.00

EMPLOYMENT
Annual percentage changes



LABOUR FORCE: COMPONENTS
Annual percentage changes



Sources: INE (Labour Force Survey: 2005 methodology), and ECB.

a. the new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See www.ine.es).

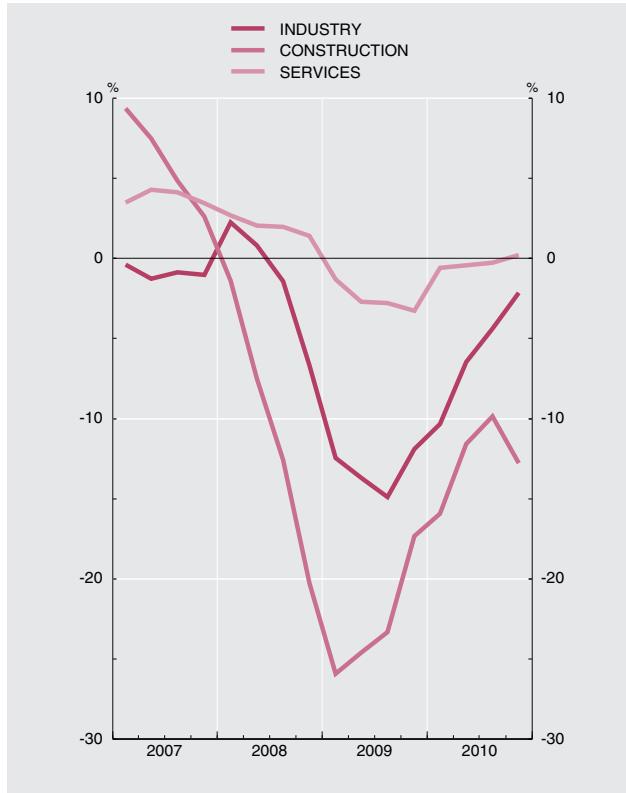
General note to the tables: As a result of the change in the population base (2001 Census), all the series in this table have been revised as from 1996. In addition, since 2005 Q1 the new obligatory variables referred to in Regulation (EC) 2257/2003 (on the adaptation of the list of labour force survey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

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

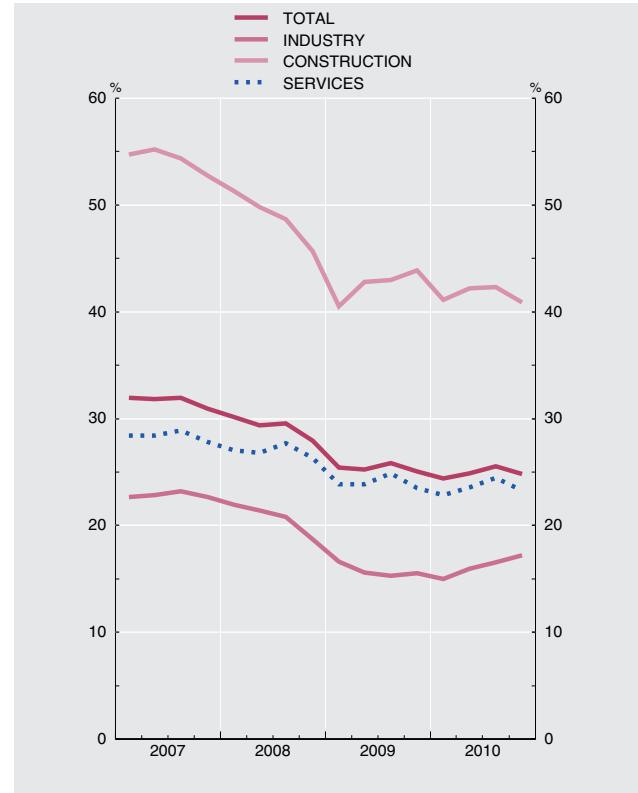
■ Series depicted in chart.

Annual percentage changes																
	Total			Agriculture			Industry			Construction			Services			Memorandum item:
	Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment in branches other than agriculture
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
07 M	3.1	3.4	31.7	-2.0	2.0	58.6	-0.9	-0.5	22.8	6.0	6.7	54.3	3.8	3.8	28.4	3.3
08 M	-0.5	-0.5	29.2	-5.1	-8.0	58.0	-1.3	-1.3	20.7	-10.4	-12.2	48.9	2.0	2.3	27.0	-0.3
09 M	-6.8	-6.0	25.4	-4.0	-0.1	59.0	-13.3	-13.1	15.8	-23.0	-25.0	42.6	-2.5	-1.3	24.0	-6.9
09 Q1-Q4M	-6.8	-6.0	25.4	-4.0	-0.1	59.0	-13.3	-13.1	15.8	-23.0	-25.0	42.6	-2.5	-1.3	24.0	-6.2
10 Q1-Q4M	-2.3	-2.1	24.9	0.9	5.4	59.1	-5.9	-5.2	16.2	-12.6	-14.9	41.6	-0.3	-0.1	23.5	-1.5
08 Q2	0.3	0.4	29.4	-4.4	-8.7	56.6	0.8	1.1	21.4	-7.5	-8.8	49.8	2.0	2.5	26.8	0.5
Q3	-0.8	-0.7	29.5	-4.6	-9.5	54.2	-1.4	-1.6	20.8	-12.6	-14.1	48.7	2.0	2.4	27.7	-0.6
Q4	-3.0	-3.4	27.9	-4.8	-3.4	59.8	-6.7	-7.7	18.7	-20.2	-23.8	45.7	1.4	1.7	26.3	-3.0
09 Q1	-6.4	-5.8	25.4	-3.0	3.3	63.0	-12.5	-12.0	16.6	-25.9	-29.9	40.5	-1.3	0.0	23.9	-6.6
Q2	-7.2	-6.6	25.2	-4.2	0.8	57.1	-13.7	-14.0	15.6	-24.6	-26.4	42.8	-2.7	-1.6	23.9	-7.4
Q3	-7.3	-6.5	25.9	-6.4	-3.5	56.9	-14.9	-15.0	15.3	-23.3	-24.5	43.0	-2.8	-1.7	24.9	-7.3
Q4	-6.1	-5.0	25.1	-2.6	-1.5	59.2	-11.9	-11.4	15.5	-17.3	-17.6	43.9	-3.3	-1.8	23.5	-6.2
10 Q1	-3.6	-3.7	24.4	-0.3	2.4	62.7	-10.4	-10.9	15.0	-15.9	-17.2	41.1	-0.6	-0.5	22.8	-3.8
Q2	-2.5	-2.4	24.9	-1.1	1.1	57.1	-6.4	-5.6	15.9	-11.6	-14.8	42.2	-0.4	-0.2	23.6	-2.5
Q3	-1.7	-1.2	25.6	2.3	11.2	55.4	-4.4	-3.2	16.5	-9.8	-12.3	42.3	-0.3	0.2	24.5	-1.9
Q4	-1.3	-1.2	24.8	2.8	7.7	61.3	-2.2	-0.7	17.2	-12.8	-15.1	40.9	0.2	0.1	23.3	-1.5

EMPLOYMENT
Annual percentage changes



TEMPORARY EMPLOYMENT
Percentages



Source: INE (Labour Force Survey: 2005 methodology).

a. Series re-calculated drawing on the transition matrix to NACE 2009 published by INE. The underlying series of this indicator are in Tables 24.4 and 24.6 of the BE Boletín Estadístico.

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

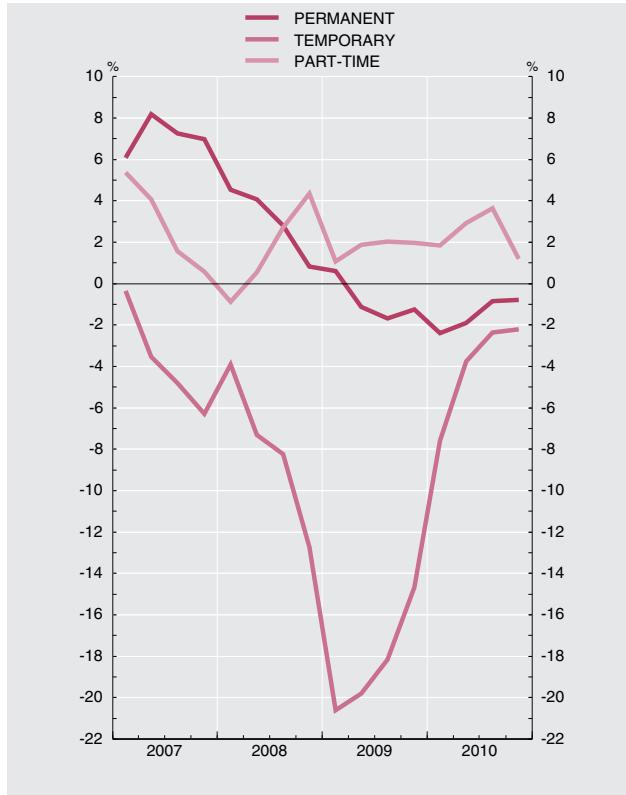
4.4. WAGE-EARNERS BY TYPE OF CONTRACT AND UNEMPLOYMENT BY DURATION. SPAIN. (a)

■ Series depicted in chart.

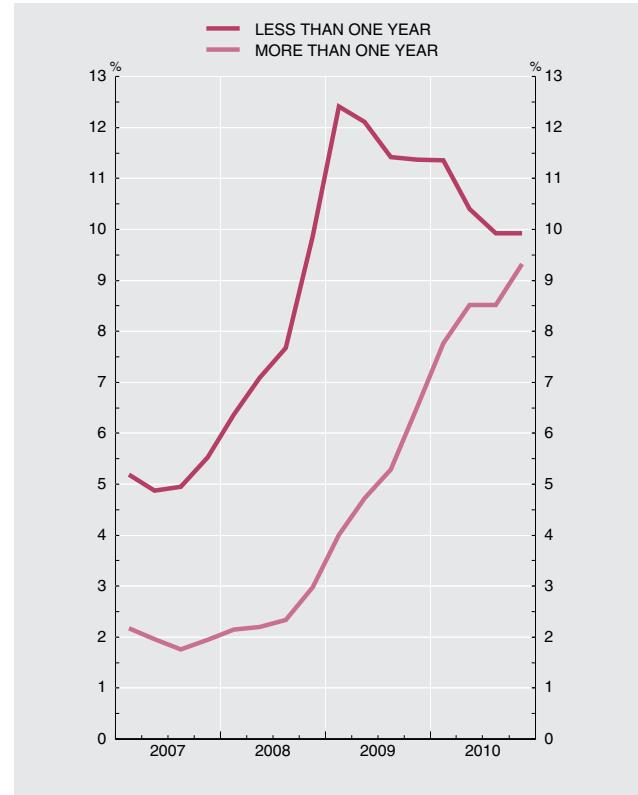
Thousands, annual percentage changes and %

Wage-earners														Unemployment					
By type of contract										By duration of working day						By duration			
Permanent				Temporary			Full-time			Part-time			Less than one year		More than one year				
Annual change	4-quarter % change	Annual change	4-quarter % change	Proportion of temporary employment		Annual change	4-quarter % change	Annual change	4-quarter % change	As % for wage earners	Unemployment rate (a)	4-quarter % change	Unemployment rate (a)	4-quarter % change	Unemployment rate (a)	4-quarter % change			
Thousands		Thousands			Thousands		Thousands	Thousands			(a)								
1	2	3	4	5	6	7	8	9	10	11	12	13	14						
07 M	762	7.1	-210	-3.8	31.67	495	3.5	57	2.9	12.07	5.14	1.5	1.96	-7.6					
08 M	348	3.0	-426	-8.0	29.25	-112	-0.8	33	1.6	12.33	7.75	55.5	2.41	27.0					
09 M	-102	-0.9	-898	-18.4	25.40	-1 036	-7.1	36	1.7	13.34	11.83	53.8	5.13	114.0					
09 Q1-Q4 M	-102	-0.9	-898	-18.4	25.40	-857	-6.0	36	1.7	13.34	11.83	53.8	5.13	114.0					
10 Q1-Q4 M	-175	-1.5	-159	-4.0	24.91	-204	-1.5	50	2.4	13.95	10.40	-11.9	8.53	66.7					
08 Q2	465	4.1	-391	-7.3	29.39	62	0.4	11	0.5	12.36	7.09	50.0	2.20	15.7					
Q3	320	2.8	-444	-8.2	29.53	-175	-1.2	52	2.7	11.72	7.67	59.5	2.34	36.3					
Q4	96	0.8	-664	-12.7	27.93	-656	-4.4	88	4.3	12.92	9.86	83.6	2.97	56.8					
09 Q1	70	0.6	-1 045	-20.6	25.41	-996	-6.8	22	1.1	13.22	12.42	99.7	4.01	91.0					
Q2	-135	-1.1	-981	-19.8	25.24	-1 155	-7.8	39	1.9	13.48	12.11	72.9	4.72	117.2					
Q3	-197	-1.7	-899	-18.2	25.85	-1 136	-7.7	40	2.0	12.79	11.42	49.2	5.29	127.2					
Q4	-148	-1.3	-668	-14.7	25.08	-857	-6.0	42	2.0	13.87	11.37	14.8	6.50	117.8					
10 Q1	-285	-2.4	-305	-7.6	24.39	-628	-4.6	39	1.8	13.99	11.36	-8.9	7.77	93.0					
Q2	-224	-1.9	-149	-3.8	24.88	-436	-3.2	62	2.9	14.21	10.40	-14.0	8.51	80.6					
Q3	-98	-0.8	-96	-2.4	25.56	-266	-2.0	73	3.6	13.42	9.92	-12.7	8.52	61.9					
Q4	-93	-0.8	-86	-2.2	24.82	-204	-1.5	26	1.2	14.20	9.93	-12.2	9.33	44.3					

WAGE-EARNERS
Annual percentage changes



UNEMPLOYMENT
Unemployment rate



Source: INE (Labour Force Survey: 2005 methodology).

a. The new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See www.ine.es).

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

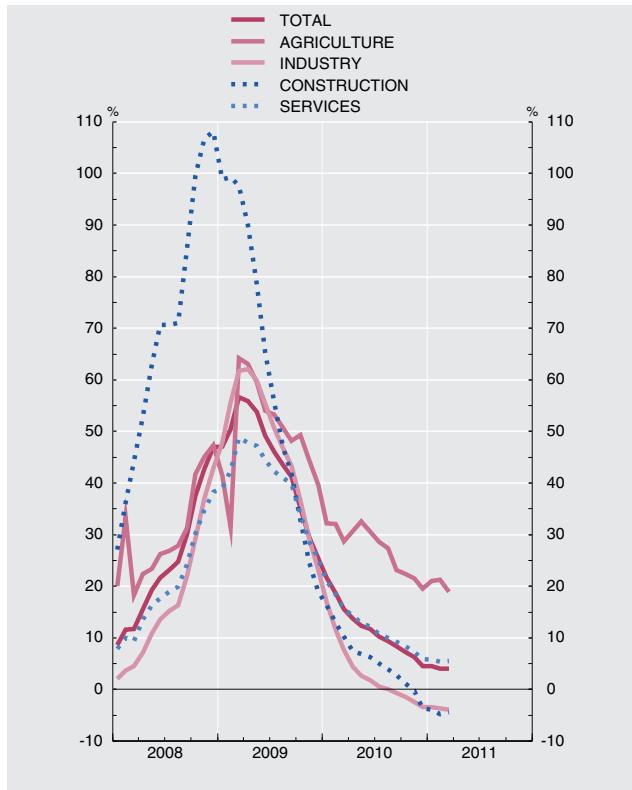
4.5. REGISTERED UNEMPLOYMENT BY BRANCH OF ACTIVITY. CONTRACTS AND PLACEMENTS. SPAIN

■ Series depicted in chart.

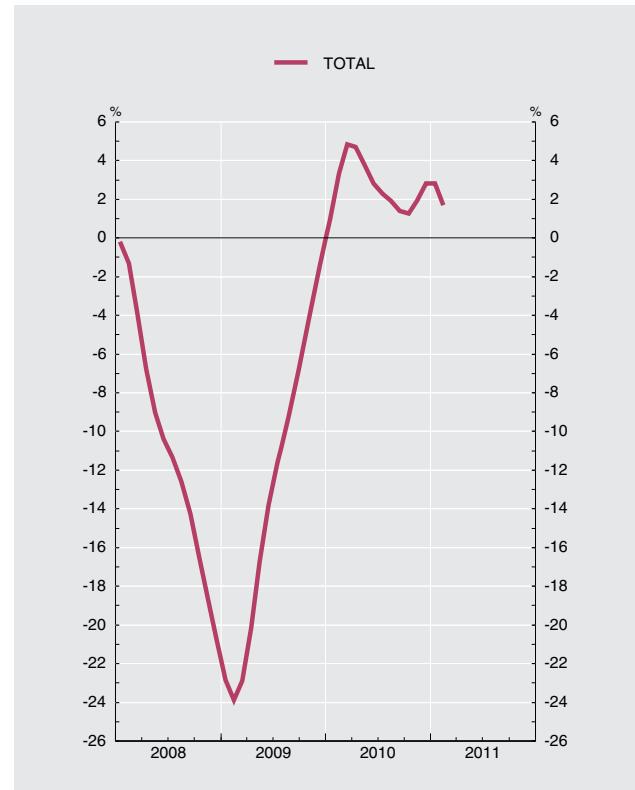
Thousands, annual percentage changes and %

Registered unemployment												Contracts					Placements			
Total				First time job-seekers(a)		Previously employed (a)						Total		Percentage of total			Total			
Thousands	Annual change Thousands	12 month % change	12 month % change	12-month % change								Thousands	12 month % change	Permanent	Part time	Temporary	Thousands	12 month % change		
				Total	Agriculture	Total	Industry	Construction	Services	Total	12 month % change									
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17				
08	M	2 540	501	24.6		7.9	26.6	30.6	26.5	17.0	71.1	20.1	1 383	-10.9	11.39	25.61	88.61	1 358	-9.8	
09	M	3 644	1 104	43.5		35.7	45.3	49.9	45.2	47.7	62.5	40.0	1 168	-15.5	9.41	27.97	90.59	1 165	-14.2	
10	M	4 061	417	11.4		35.1	9.9	27.4	9.4	3.1	5.7	12.1	1 201	2.8	8.55	29.26	91.45	1 191	2.3	
10	J-M	M	4 115	644	18.5		49.7	16.7	31.0	16.3	12.0	13.2	18.3	1 089	2.0	9.59	26.61	90.41	1 077	2.4
11	J-M	M	4 288	173	4.2		23.4	2.7	20.4	2.1	-3.7	-4.3	5.5	1 094	0.4	9.39	28.02	90.61	...	...
10	Feb		4 131	649	18.6		50.9	16.6	32.0	16.2	11.6	13.0	18.4	1 028	1.1	9.84	26.74	90.16	1 024	2.5
	Mar		4 167	561	15.6		44.3	13.7	28.8	13.2	7.6	10.3	15.6	1 189	12.1	9.92	28.08	90.08	1 178	12.5
	Apr		4 142	498	13.7		40.0	11.8	30.8	11.3	4.5	7.4	14.3	1 079	4.6	9.55	28.66	90.45	1 069	3.7
	May		4 066	446	12.3		36.1	10.6	32.6	10.0	2.7	6.9	12.8	1 182	6.5	9.16	28.97	90.84	1 198	7.9
	Jun		3 982	417	11.7		35.3	9.9	30.6	9.3	1.8	6.3	12.2	1 298	1.8	7.61	29.42	92.39	1 244	-1.2
	Jul		3 909	364	10.3		32.3	8.6	28.6	8.0	0.5	5.0	10.8	1 397	-0.4	6.86	31.51	93.14	1 386	0.3
	Aug		3 970	341	9.4		30.1	7.8	27.3	7.2	0.0	3.9	10.0	1 010	6.9	6.62	28.59	93.38	1 021	6.0
	Sep		4 018	308	8.3		26.3	6.9	23.1	6.4	-0.7	2.8	9.2	1 390	2.6	8.78	31.88	91.22	1 442	3.1
	Oct		4 086	278	7.3		23.9	5.9	22.4	5.4	-1.4	1.1	8.4	1 346	-0.9	8.80	33.12	91.20	1 295	-6.1
	Nov		4 110	241	6.2		24.1	4.8	21.5	4.2	-2.4	-0.4	7.2	1 257	4.4	8.60	30.86	91.40	1 243	4.5
	Dec		4 100	176	4.5		24.7	2.9	19.5	2.4	-3.4	-3.7	5.8	1 190	4.6	7.83	28.24	92.17	1 165	5.4
11	Jan		4 231	183	4.5		25.5	2.9	21.0	2.3	-3.4	-3.9	5.7	1 116	6.3	9.21	26.03	90.79	1 116	8.3
	Feb		4 299	169	4.1		24.0	2.5	21.3	1.9	-3.7	-4.7	5.4	1 011	-1.6	9.33	28.08	90.67	1 004	-1.9
	Mar		4 334	167	4.0		20.8	2.6	18.9	2.1	-3.9	-4.4	5.5	1 155	-2.9	9.62	29.94	90.38	...	...

REGISTERED UNEMPLOYMENT
Annual percentage changes



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



Source: Instituto de Empleo Servicio Público de Empleo Estatal (INEM).

Note: The underlying series for this indicator are in Tables 24.16 and 24.17 of the BE Boletín estadístico.

a. To December 2008, NACE 1993; from January 2009, NACE 2009.

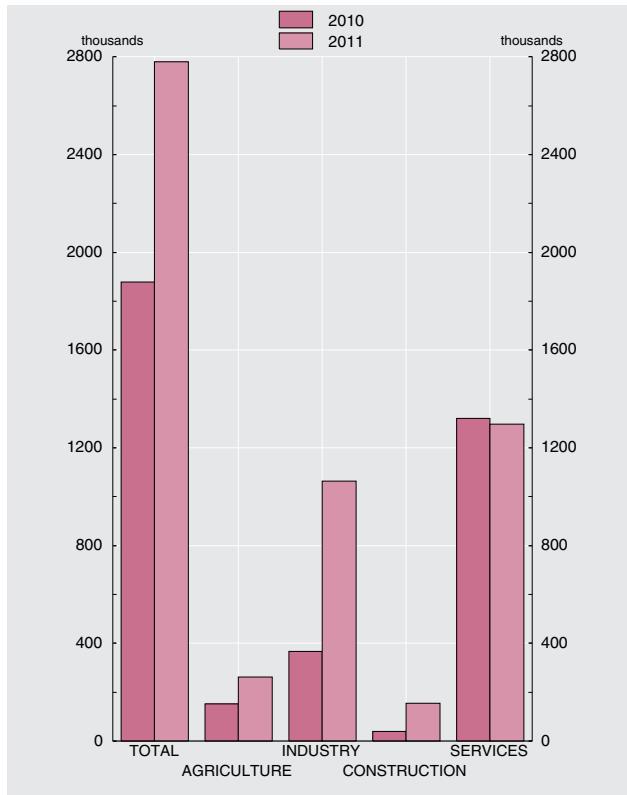
4.6. COLLECTIVE BARGAINING AGREEMENTS

■ Series depicted in chart.

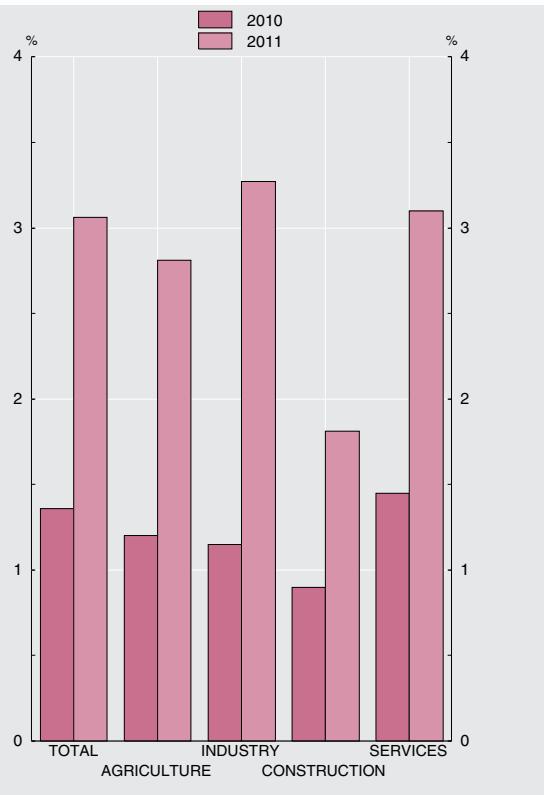
Thousands and %

	As per month economic effects come into force(a)				As per month recorded															
					Employees affected (a)						Average wage settlement (%)									
	Employees affected	Average wage settlement (b)	Automatic adjustment	Newly-signed agreements	Total	Annual change	Agriculture	Industry	Construction	Services	Automatic adjustment	Newly signed agreements	Total	Agriculture	Industry	Construction	Services			
1	2	3	4	5	6	7	(c)	8	(c)	9	(c)	10	(c)	11	12	13	14	15	16	17
08	11 968	3.60	7 069	1 733	8 802	390	406	2 419	1 070	4 907	3.48	3.80	3.54	3.21	3.39	3.64	3.62			
09	11 307	2.25	7 611	1 064	8 676	-126	483	2 063	1 158	4 971	2.62	2.35	2.59	2.39	2.48	3.57	2.43			
10	8 466	2.17	6 071	1 023	7 093	-1 583	557	1 699	1 084	3 753	1.32	1.20	1.30	1.35	1.08	1.49	1.34			
09 Oct	11 306	2.24	7 491	895	8 386	19	480	2 005	1 146	4 755	2.63	2.30	2.59	2.40	2.48	3.58	2.42			
Nov	11 306	2.24	7 537	1 052	8 589	4	481	2 038	1 158	4 913	2.63	2.35	2.60	2.40	2.48	3.57	2.44			
Dec	11 307	2.25	7 611	1 064	8 676	-126	483	2 063	1 158	4 971	2.62	2.35	2.59	2.39	2.48	3.57	2.43			
10 Jan	8 018	2.18	1 154	-	1 154	-2 340	131	241	4	778	1.62	-	1.62	1.30	1.12	1.96	1.82			
Feb	8 037	2.18	1 393	0	1 393	-4 590	151	337	39	866	1.52	1.54	1.52	1.20	1.18	0.90	1.73			
Mar	8 073	2.18	1 754	126	1 879	-4 355	152	366	40	1 321	1.38	1.04	1.36	1.20	1.15	0.90	1.45			
Apr	8 346	2.17	2 625	156	2 781	-3 993	224	715	40	1 802	1.29	1.04	1.27	1.46	0.94	0.90	1.39			
May	8 350	2.17	2 890	194	3 083	-3 915	234	831	41	1 978	1.33	1.06	1.31	1.59	1.04	0.90	1.40			
Jun	8 388	2.16	3 396	208	3 604	-3 781	234	1 060	81	2 229	1.31	1.06	1.30	1.59	1.00	1.76	1.39			
Jul	8 403	2.16	3 548	224	3 771	-3 665	235	1 100	66	2 371	1.30	1.13	1.29	1.58	1.02	1.41	1.38			
Aug	8 404	2.16	3 766	290	4 056	-3 391	236	1 319	66	2 435	1.29	1.10	1.28	1.58	1.01	1.41	1.39			
Sep	8 425	2.16	4 786	344	5 130	-2 698	238	1 354	910	2 628	1.32	1.09	1.31	1.58	1.02	1.49	1.37			
Oct	8 465	2.17	5 381	821	6 202	-2 183	429	1 537	1 084	3 153	1.33	1.10	1.30	1.39	1.04	1.49	1.34			
Nov	8 466	2.17	6 047	917	6 964	-1 625	520	1 664	1 084	3 696	1.32	1.09	1.29	1.32	1.08	1.49	1.32			
Dec	8 466	2.17	6 071	1 023	7 093	-1 583	557	1 699	1 084	3 753	1.32	1.20	1.30	1.35	1.08	1.49	1.34			
11 Jan	2 745	3.09	1 372	0	1 373	219	210	438	12	712	2.98	0.50	2.98	2.90	2.95	1.62	3.04			
Feb	2 745	3.06	2 230	0	2 230	837	263	712	32	1 223	3.12	0.50	3.12	2.81	3.16	3.45	3.15			
Mar	2 776	3.04	2 754	26	2 780	901	263	1 064	155	1 298	3.08	1.66	3.06	2.81	3.27	1.81	3.10			

EMPLOYEES AFFECTED
January-March



AVERAGE WAGE SETTLEMENT
January-March



Source: Ministerio de Trabajo e Inmigración (MTIN), Estadística de Convenios Colectivos de Trabajo. Avance mensual.

a. Cumulative data.

b. Includes revisions arising from indexation clauses, except in 2010.

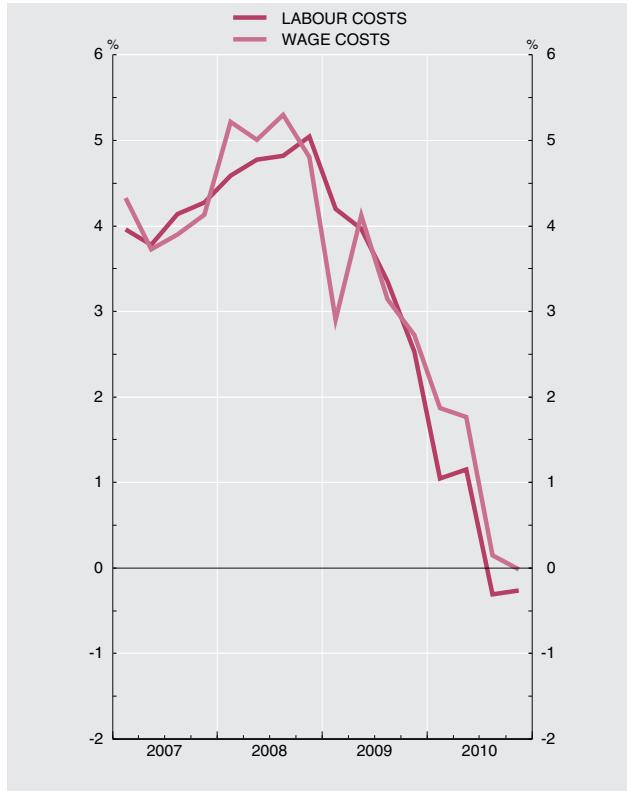
c. To December 2008, NACE 1993; from January 2009, NACE 2009.

4.7. QUARTERLY LABOUR COSTS SURVEY

■ Series depicted in chart.

Annual percentage change																	
		Labour costs				Wage costs				Other costs per worker and month	memorandum item: total hourly costs (a)						
		Per worker and per month				Per hour worked											
		Total	Industry	Construction	Services	Total	Industry	Construction	Services								
1	2	3	4	5	6	7	8	9	10	11	12	13					
07	M	4.0	3.6	4.9	4.1	4.6	4.0	3.4	4.6	4.2	4.5	4.1	4.8	2.6			
08	M	4.8	4.4	6.3	4.9	4.6	5.1	4.8	6.3	5.0	4.9	4.1	4.6	3.5			
09	M	3.5	3.1	5.4	3.5	5.6	3.2	2.1	5.2	3.2	5.3	4.3	4.9	2.9			
09	Q1-Q4M	3.5	3.1	5.4	3.5	5.6	3.2	2.1	5.2	3.2	5.3	4.3	4.9	2.9			
10	Q1-Q4M	0.4	2.3	0.1	0.2	0.6	0.9	2.9	0.8	0.5	1.1	-1.1	0.4	1.5			
08	Q2	4.8	5.5	6.0	4.6	1.8	5.0	4.9	7.1	4.7	2.0	4.1	4.0	2.8			
Q3	4.8	3.9	5.7	5.2	5.4	5.3	4.6	6.1	5.4	6.0	3.5	4.7	3.3				
Q4	5.0	4.6	7.9	5.0	3.0	4.8	4.5	6.6	4.7	2.7	5.8	4.7	4.2				
09	Q1	4.2	3.8	6.5	4.1	3.7	2.9	1.2	4.6	3.0	2.4	7.8	4.9	3.2			
Q2	4.0	3.1	6.3	4.1	9.6	4.1	2.4	5.8	4.3	9.8	3.5	5.7	3.4				
Q3	3.4	2.9	5.0	3.5	4.2	3.1	2.0	4.9	3.2	3.9	3.9	5.2	2.9				
Q4	2.5	2.7	4.1	2.5	5.1	2.7	2.5	5.3	2.5	5.3	1.9	4.0	2.0				
10	Q1	1.0	2.1	0.7	1.0	2.1	1.9	2.8	1.9	1.6	2.9	-1.1	1.7	1.9			
Q2	1.2	2.5	0.4	1.1	0.8	1.8	3.0	1.4	1.6	1.4	-0.6	1.2	1.5				
Q3	-0.3	2.1	-0.9	-0.6	-1.4	0.1	2.9	-0.9	-0.4	-0.9	-1.5	-1.2	0.9				
Q4	-0.3	2.3	0.2	-0.8	1.1	-	2.8	0.6	-0.7	1.3	-1.0	-	1.6				

PER WORKER AND MONTH
Annual percentage change



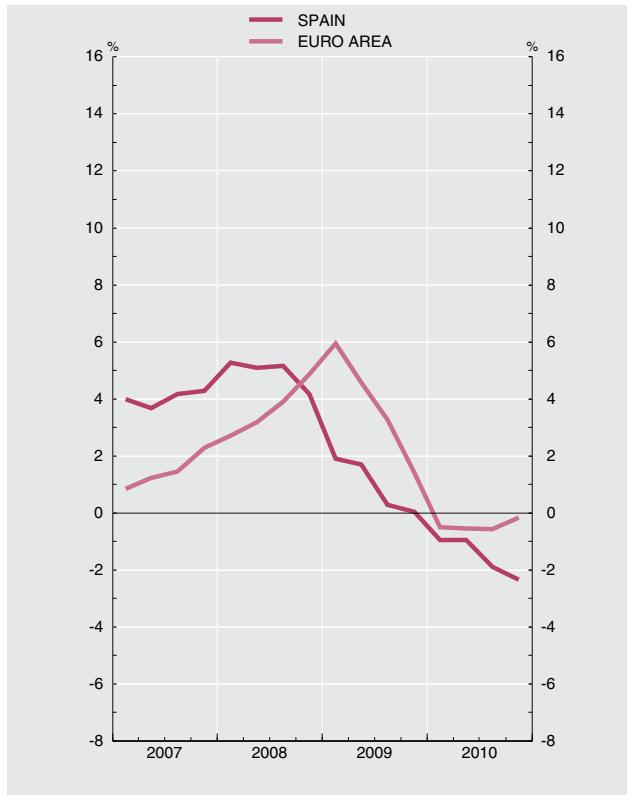
4.8. UNIT LABOUR COSTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

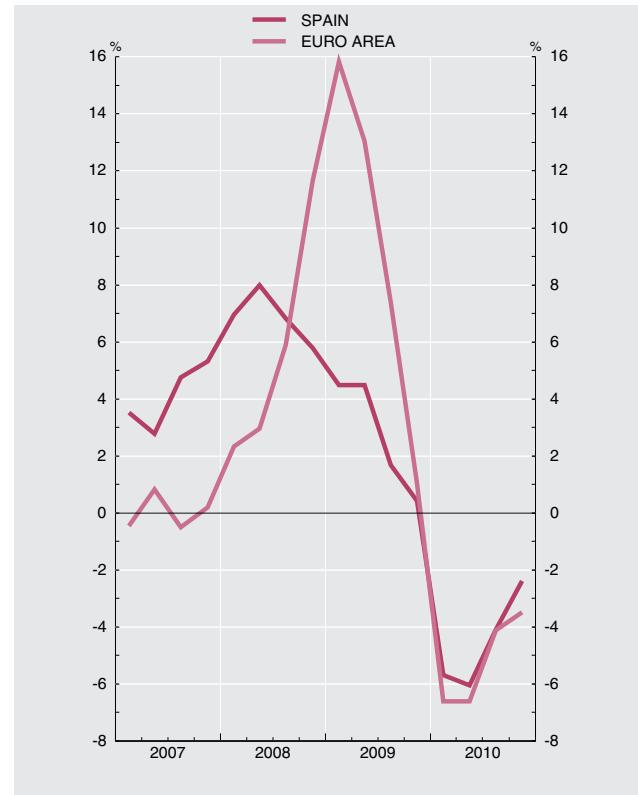
Annual percentage changes

	Unit labour costs				Whole-economy				Memorandum items				
	Whole-economy		Manufacturing		Compensation per employee		Productivity		GDP (volume measures)		Employment Whole-economy		
	Spain	Euro area	Spain (b)	Euro area (c)	Spain (d)	Euro area	Spain	Euro area	Spain	Euro area	Spain (d)	Euro area	
1	2	3	4	5	6	7	8	9	10	11	12		
08	P	4.9	3.7	6.9	5.7	6.4	3.2	1.4	-0.4	0.9	0.3	-0.5	0.8
09	P	1.0	3.8	2.8	9.3	4.1	1.4	3.1	-2.2	-3.7	-4.1	-6.6	-1.8
10	P	-1.5	-0.4	-4.6	-5.2	0.7	1.7	2.3	2.2	-0.1	1.7	-2.4	-0.4
08 Q1	P	5.3	2.7	7.0	2.3	6.3	3.3	1.0	0.6	2.8	2.1	1.7	1.5
Q2	P	5.1	3.2	8.0	3.0	6.7	3.3	1.5	0.1	1.9	1.2	0.4	1.2
Q3	P	5.2	3.9	6.8	5.9	6.3	3.5	1.1	-0.4	0.3	0.1	-0.8	0.5
Q4	P	4.2	4.9	5.8	11.7	6.2	2.7	2.0	-2.0	-1.4	-2.1	-3.3	-0.1
09 Q1	P	1.9	6.0	4.5	15.8	4.8	1.7	2.9	-4.0	-3.5	-5.2	-6.2	-1.2
Q2	P	1.7	4.6	4.5	13.0	4.5	1.3	2.8	-3.1	-4.4	-4.9	-7.1	-1.9
Q3	P	0.3	3.3	1.7	7.4	3.9	1.3	3.6	-1.9	-3.9	-4.0	-7.2	-2.2
Q4	P	0.0	1.4	0.4	1.0	3.2	1.4	3.1	0.0	-3.0	-2.1	-6.0	-2.1
10 Q1	P	-0.9	-0.5	-5.7	-6.6	1.7	1.6	2.7	2.2	-1.4	0.8	-3.9	-1.3
Q2	P	-0.9	-0.5	-6.0	-6.6	1.5	2.1	2.5	2.6	-0.0	2.0	-2.4	-0.6
Q3	P	-1.9	-0.6	-4.1	-4.1	-0.1	1.5	1.8	2.1	0.2	2.0	-1.6	-0.1
Q4	P	-2.3	-0.2	-2.4	-3.5	-0.4	1.6	2.0	1.8	0.6	2.0	-1.4	0.2

UNIT LABOUR COSTS: TOTAL Annual percentage changes



UNIT LABOUR COSTS: MANUFACTURING Annual percentage changes



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

a. Spain: prepared in accordance with ESA95. SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see economic bulletin April 2002).

b. Industry.

c. Industry and energy.

d. Full-time equivalent employment.

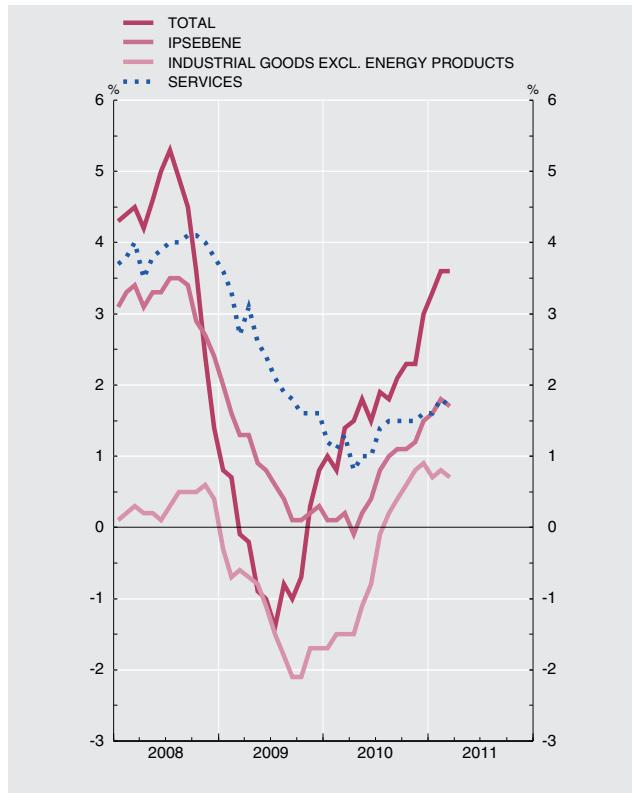
5.1. CONSUMER PRICE INDEX. SPAIN (2006=100)

■ Series depicted in chart.

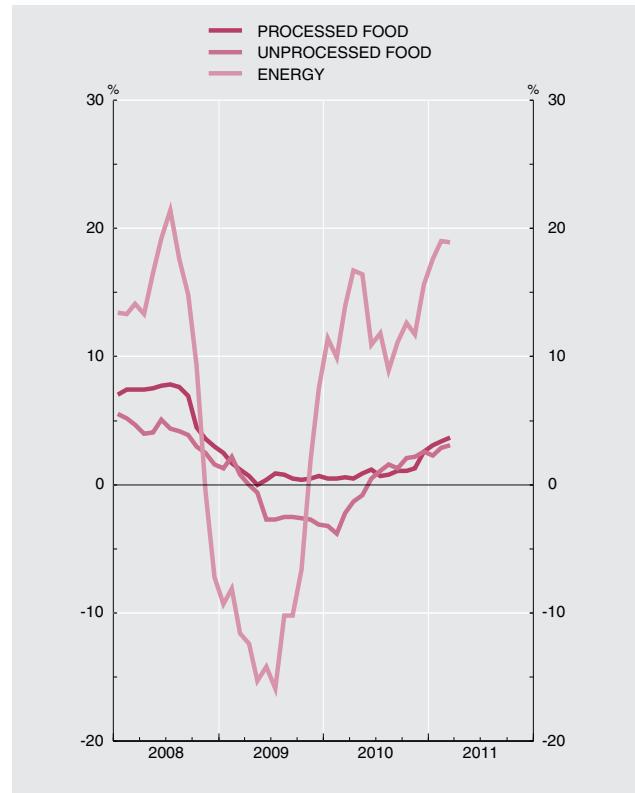
Indices and annual percentage changes

		Total (100%)				Annual percentage change (12-month % change)						Memorandum item: prices for agricultural products (2005=100)	
		Original series	Month-on-month % change	12-month % change (a)	Cumulative % change during year (b)	Unprocessed food	Processed food	Industrial goods excl. energy products	Energy	Services	IPSEBENE (c)	Original series	12-month % change
		1	2	3	4	5	6	7	8	9	10	11	12
08	M	107.0	—	4.1	1.4	4.0	6.5	0.3	12.1	3.9	3.2	107.0	3.1
09	M	106.7	—	-0.3	0.8	-1.3	0.9	-1.3	-8.7	2.4	0.8	94.9	-11.3
10	M	108.6	—	1.8	3.0	0.0	1.0	-0.4	12.6	1.3	0.6	100.8	6.2
10	J-M	106.8	-0.2	1.1	-0.9	-3.0	0.5	-1.6	11.8	1.2	0.1	103.6	0.3
11	J-M	110.5	0.0	3.5	-0.4	2.8	3.4	0.7	18.5	1.7	1.7	...	...
09	Dec	107.8	-	0.8	0.8	-3.1	0.7	-1.7	7.5	1.6	0.3	95.0	-5.5
10	Jan	106.7	-1.0	1.0	-1.0	-3.2	0.5	-1.7	11.4	1.2	0.1	95.4	-5.5
	Feb	106.5	-0.2	0.8	-1.2	-3.8	0.5	-1.5	9.9	1.1	0.1	103.9	1.0
	Mar	107.3	0.7	1.4	-0.5	-2.2	0.6	-1.5	13.9	1.3	0.2	111.4	5.6
	Apr	108.4	1.1	1.5	0.6	-1.3	0.5	-1.5	16.7	0.8	-0.1	110.9	2.8
	May	108.7	0.2	1.8	0.8	-0.8	0.9	-1.1	16.4	1.0	0.2	115.8	13.7
	Jun	108.9	0.2	1.5	1.0	0.5	1.2	-0.8	10.9	1.0	0.4	101.8	8.6
	Jul	108.4	-0.4	1.9	0.6	1.1	0.7	-0.1	11.8	1.4	0.8	87.0	4.5
	Aug	108.6	0.3	1.8	0.8	1.6	0.8	0.2	8.9	1.5	1.0	88.5	5.1
	Sep	108.7	0.1	2.1	0.9	1.3	1.1	0.4	11.1	1.5	1.1	97.6	8.0
	Oct	109.7	0.9	2.3	1.8	2.1	1.1	0.6	12.6	1.5	1.1	100.9	10.3
	Nov	110.3	0.5	2.3	2.4	2.2	1.3	0.8	11.7	1.5	1.2	101.7	10.3
	Dec	111.0	0.6	3.0	3.0	2.6	2.6	0.9	15.6	1.6	1.5	103.1	8.5
11	Jan	110.2	-0.7	3.3	-0.7	2.3	3.1	0.7	17.6	1.6	1.6	...	...
	Feb	110.3	0.1	3.6	-0.6	2.9	3.4	0.8	19.0	1.8	1.8	...	...
	Mar	111.1	0.7	3.6	0.1	3.1	3.7	0.7	18.9	1.7	1.7	...	...

CONSUMER PRICE INDEX. TOTAL AND COMPONENTS Annual percentage changes



CONSUMER PRICE INDEX. COMPONENTS Annual percentage changes



Sources: INE, Ministerio de Medio Ambiente y Medio Rural y Marino.

Note: The underlying series for this indicator are in Tables 25.2 and 25.8 of the BE Boletín estadístico.

a. For annual periods: average growth for each year on the previous year.

b. For annual periods: December-on-December growth rate.

c. Index of non-energy processed goods and service prices.

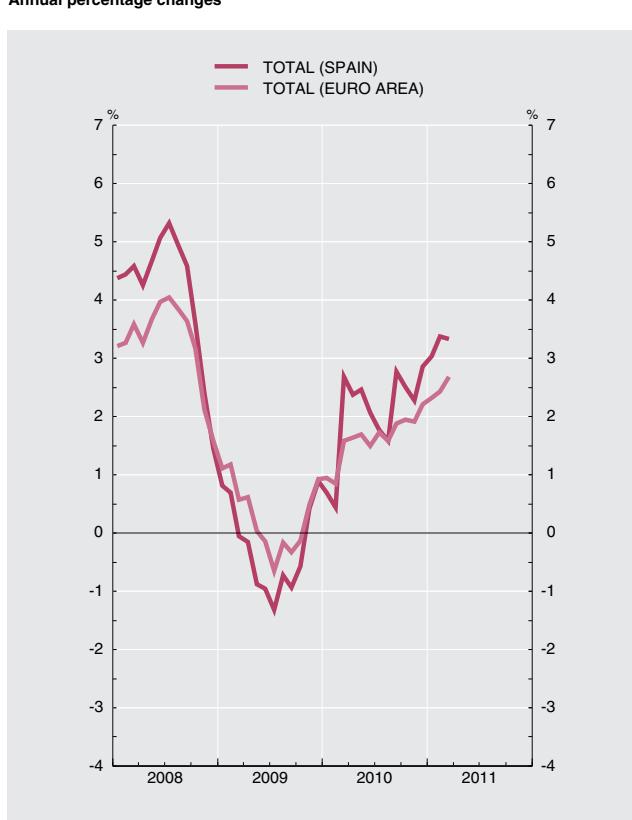
5.2. HARMONISED INDEX OF CONSUMER PRICES. SPAIN AND EURO AREA (2005=100) (a)

■ Series depicted in chart.

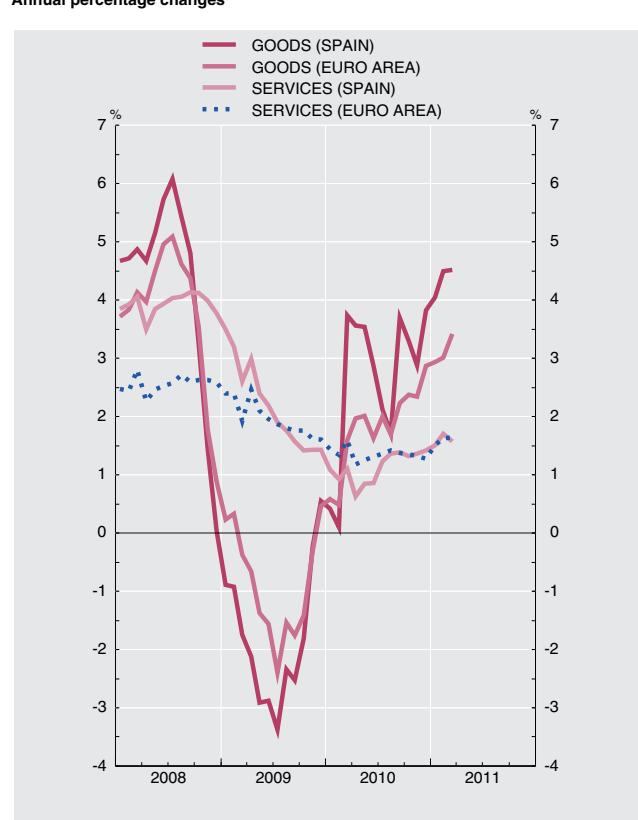
Annual percentage changes

	Total				Goods												Services									
	Spain	Euro area	Spain	Euro area	Food								Industrial								Spain	Euro area				
					Total		Processed		Unprocessed		Spain	Euro area	Non-energy		Energy											
					Spain	Euro area	Spain	Euro area	Spain	Euro area			Spain	Euro area	Spain	Euro area										
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18								
08	M	4.1	3.3	4.2	3.8	5.7	5.1	7.4	6.1	3.9	3.5	3.3	3.1	0.4	0.8	11.9	10.3	3.9	2.6							
09	M	-0.2	0.3	-1.8	-0.9	0.2	0.7	1.0	1.1	-0.7	0.2	-2.9	-1.7	-0.9	0.6	-9.0	-8.1	2.2	2.0							
10	M	2.0	1.6	2.7	1.8	1.1	1.1	1.4	0.9	0.7	1.3	3.5	2.2	0.3	0.5	12.5	7.4	1.1	1.4							
10	J-M	1.3	1.1	1.4	0.9	0.1	0.1	1.1	0.6	-0.9	-0.6	2.1	1.3	-1.3	0.1	11.6	4.8	1.0	1.5							
11	J-M	3.2	2.5	4.4	3.1	2.6	2.2	4.0	2.1	1.1	2.3	3.6	0.4	0.5	18.5	12.7	1.6	1.6								
09	Dec	0.9	0.9	0.5	0.5	-0.5	-0.2	1.3	0.7	-2.4	-1.6	1.1	0.8	-1.1	0.4	7.4	1.8	1.4	1.6							
10	Jan	0.7	0.9	0.4	0.6	-0.2	-0.1	1.1	0.6	-1.5	-1.1	0.6	0.9	-3.1	-0.1	11.3	4.0	1.1	1.4							
	Feb	0.4	0.8	0.1	0.5	-0.3	-	1.1	0.6	-1.8	-1.0	0.2	0.7	-3.2	-0.1	9.8	3.3	0.9	1.3							
	Mar	2.7	1.6	3.7	1.6	0.8	0.4	1.2	0.5	0.5	0.3	5.3	2.2	2.3	0.5	13.8	7.2	1.1	1.6							
	Apr	2.4	1.6	3.6	2.0	1.0	0.8	0.9	0.6	1.1	1.2	4.9	2.5	0.9	0.4	16.6	9.1	0.6	1.2							
	May	2.5	1.7	3.5	2.0	1.1	0.8	1.4	0.9	0.8	0.7	4.9	2.6	0.9	0.5	16.3	9.2	0.8	1.3							
	Jun	2.1	1.5	2.9	1.6	1.6	0.9	1.8	0.9	1.4	1.1	3.6	2.0	1.0	0.6	10.8	6.2	0.9	1.3							
	Jul	1.8	1.7	2.1	2.0	1.1	1.3	0.9	0.9	1.4	2.1	2.6	2.3	-0.7	0.4	11.7	8.1	1.2	1.4							
	Aug	1.6	1.6	1.7	1.7	1.3	1.6	1.1	1.0	1.7	2.5	1.8	1.7	-0.7	0.3	8.9	6.1	1.4	1.4							
	Sep	2.8	1.9	3.7	2.2	0.7	1.5	1.4	1.0	-	2.3	5.3	2.6	3.2	0.9	11.0	7.7	1.4	1.4							
	Oct	2.5	1.9	3.3	2.4	1.3	1.6	1.3	1.2	1.2	2.3	4.4	2.7	1.5	0.8	12.6	8.5	1.3	1.4							
	Nov	2.3	1.9	2.9	2.3	1.5	1.8	1.4	1.3	1.6	2.6	3.6	2.6	0.7	0.9	11.7	7.9	1.4	1.3							
	Dec	2.9	2.2	3.8	2.9	2.6	2.1	3.1	1.5	2.0	3.2	4.5	3.2	0.5	0.7	15.6	11.0	1.4	1.3							
11	Jan	3.0	2.3	4.0	2.9	2.2	1.9	3.7	1.8	0.7	2.2	5.0	3.4	0.3	0.5	17.6	12.0	1.5	1.5							
	Feb	3.4	2.4	4.5	3.0	2.8	2.3	4.0	2.0	1.6	2.7	5.4	3.4	0.3	0.1	19.0	13.1	1.7	1.6							
	Mar	P	3.3	2.7	4.5	3.4	2.7	2.4	4.3	2.5	1.1	2.2	5.5	4.0	0.6	0.9	18.9	13.0	1.6	1.6						

HARMONISED INDEX OF CONSUMER PRICES. TOTAL Annual percentage changes



HARMONISED INDEX OF CONSUMER PRICES. COMPONENTS Annual percentage changes



Source: Eurostat.

a. Since January 2011 the rules of Commission Regulation (EC) No 330/2009 on the treatment of seasonal products have been incorporated. This has prompted a break in the series. The series constructed with the new methodology are only available from January 2010. The year-on-year rates of change presented here for 2010 are those disseminated by Eurostat, which were constructed using the series prepared with the new methodology for 2010 and using the series prepared with the old methodology for 2009. Thus, these rates give a distorted view since they compare price indices prepared using two different methodologies. The year-on-year rates of change in the HICP in 2010, calculated on a uniform basis using solely the previous methodology and which are consequently consistent, are as follows: Jan:1.1; Feb:0.9; Mar:1.5; Apr:1.6; May:1.8; Jun:1.5; Jul:1.9; Aug:1.8; Sep:2.1; Oct:2.3; Nov:2.2; Dec:2.9. More detailed methodological notes can be consulted on the Eurostat Internet site (www.eurostat.eu.int).

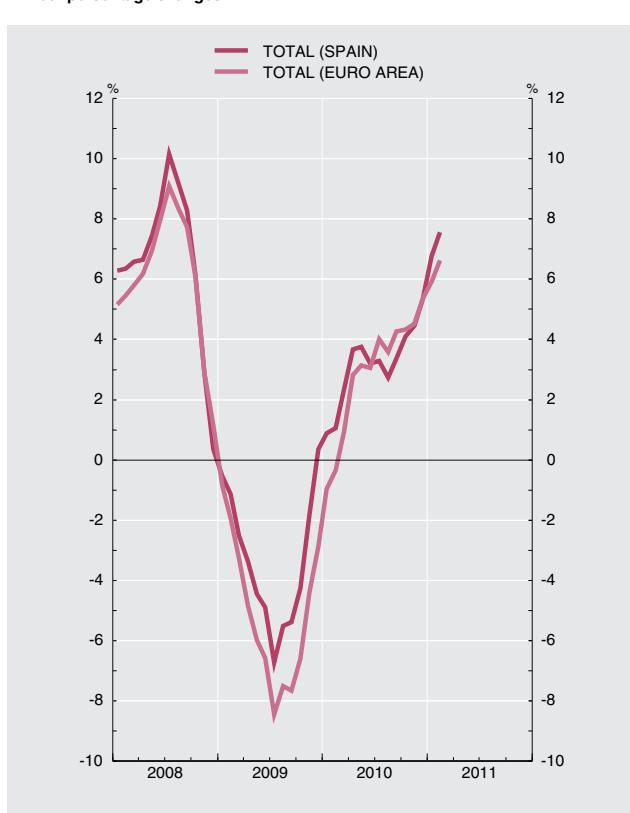
5.3. PRODUCER PRICE INDEX. SPAIN AND EURO AREA (2005 = 100)

■ Series depicted in chart.

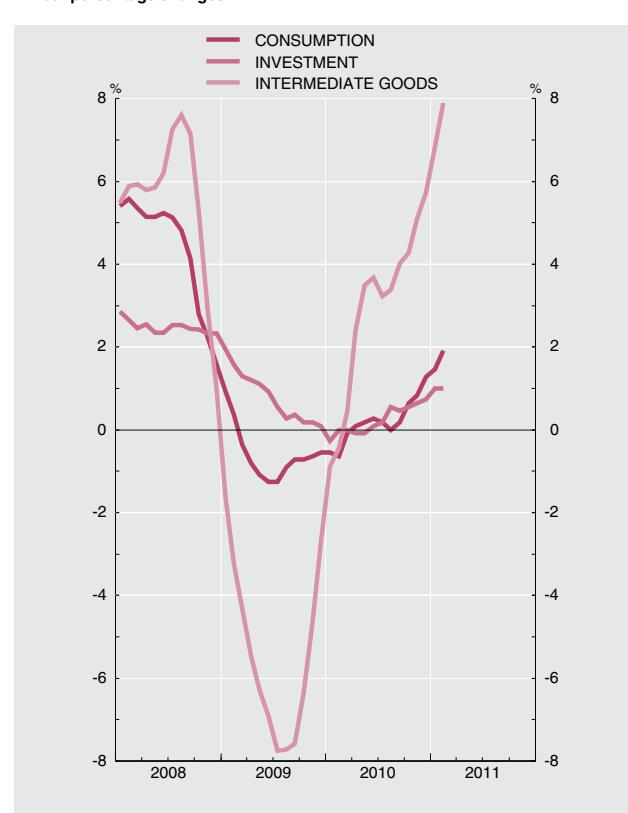
Annual percentage changes

	Original series	Total			Consumer goods		Capital goods		Intermediate goods		Energy		Memorandum item: euro area					
		Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Total	Consumer goods	Capital goods	Intermediate goods	Energy								
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
08	MP	116.3	-	6.5	-	4.4	-	2.5	-	5.5	-	14.3	6.1	3.9	2.1	3.9	14.3	
09	MP	112.4	-	-3.4	-	-0.6	-	0.8	-	-5.4	-	-6.8	-5.1	-2.1	0.5	-5.2	-11.5	
10	MP	115.9	-	3.2	-	0.2	-	0.2	-	2.9	-	9.8	2.9	0.4	0.3	3.5	6.5	
10	J-F	MP	113.7	-	1.0	-	-0.6	-	-0.1	-	-0.7	-	6.6	-0.7	-0.6	-0.6	-1.0	-1.0
11	J-F	MP	121.9	-	7.2	-	1.7	-	1.0	-	7.4	-	17.8	6.3	2.2	1.2	7.7	12.3
09	Nov	P	112.4	-	-1.8	-0.3	-0.6	-	0.2	-0.4	-4.6	0.8	-0.7	-4.4	-2.4	-0.6	-4.9	-8.7
	Dec	P	112.5	0.1	0.4	-0.1	-0.5	-0.1	0.1	0.1	-2.7	0.2	6.3	-2.9	-2.0	-0.5	-3.5	-5.0
10	Jan	P	113.6	1.0	0.9	0.3	-0.5	0.2	-0.3	0.6	-0.9	3.2	6.3	-1.0	-0.7	-0.6	-1.5	-1.5
	Feb	P	113.8	0.2	1.1	-	-0.6	0.2	-	0.3	-0.4	0.4	6.8	-0.4	-0.5	-0.5	-0.4	-0.5
	Mar	P	114.6	0.7	2.3	0.1	-0.1	-0.1	-	0.4	0.4	2.2	10.1	0.9	-0.4	-0.3	0.8	3.1
	Apr	P	115.8	1.0	3.7	-	0.1	-	-0.1	1.3	2.4	2.4	13.1	2.8	-0.3	-0.0	2.7	7.9
	May	P	116.0	0.2	3.8	-0.1	0.2	-	-0.1	0.8	3.5	0.2	12.0	3.1	-0.0	0.3	3.9	7.4
	Jun	P	116.1	0.1	3.2	0.1	0.3	0.1	0.1	-	3.7	0.2	8.7	3.1	0.2	0.4	4.3	6.2
	Jul	P	116.0	-0.1	3.3	-	0.2	-	0.2	-0.3	3.2	-0.1	9.8	4.0	0.4	0.6	4.5	9.6
	Aug	P	116.1	0.1	2.7	0.3	-	0.2	0.5	0.6	3.4	-0.9	7.0	3.6	0.5	0.7	4.7	7.4
	Sep	P	116.3	0.2	3.4	0.3	0.2	0.1	0.5	0.5	4.0	-0.2	9.1	4.3	0.8	0.7	5.1	9.4
	Oct	P	117.0	0.6	4.1	0.1	0.6	-	0.5	0.2	4.3	1.9	10.5	4.3	1.2	0.7	5.5	8.7
	Nov	P	117.4	0.3	4.4	-0.1	0.8	0.1	0.6	0.4	5.1	1.0	10.7	4.5	1.5	0.9	5.8	8.8
	Dec	P	118.5	0.9	5.3	0.4	1.3	-	0.7	0.7	5.7	2.7	13.5	5.4	1.7	0.7	6.3	11.2
11	Jan	P	121.3	2.4	6.8	0.5	1.5	0.5	1.0	1.7	6.8	6.7	17.3	5.9	2.0	1.1	7.3	11.8
	Feb	P	122.4	0.9	7.6	0.5	1.9	0.2	1.0	1.2	7.9	1.2	18.3	6.6	2.4	1.2	8.1	12.8

PRODUCER PRICE INDEX. TOTAL Annual percentage changes



PRODUCER PRICE INDEX. COMPONENTS Annual percentage changes



Sources: INE and ECB.

Note: The underlying series for this indicator, for Spain, are in Table 25.3 of the BE Boletín estadístico.

a. For annual periods: average growth for each year on the previous year.

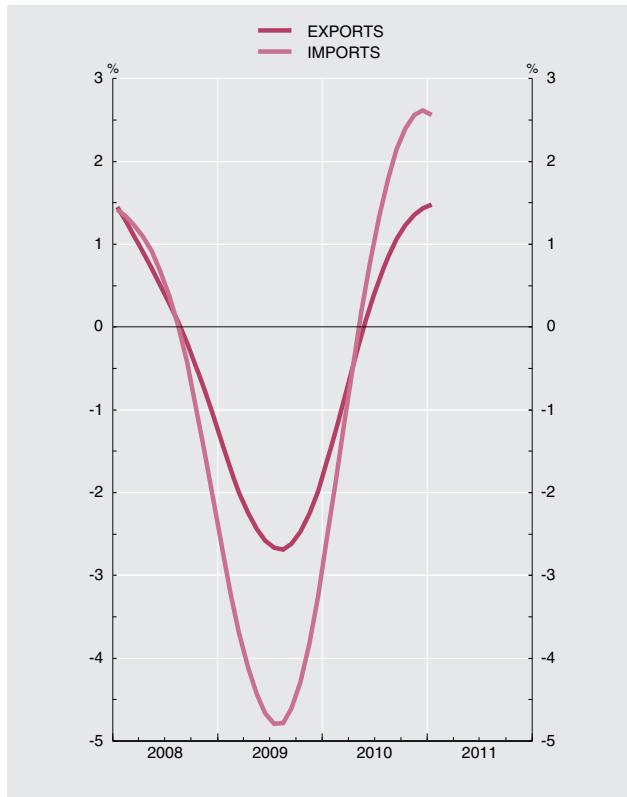
5.4. UNIT VALUE INDICES FOR SPANISH FOREIGN TRADE

■ Series depicted in chart.

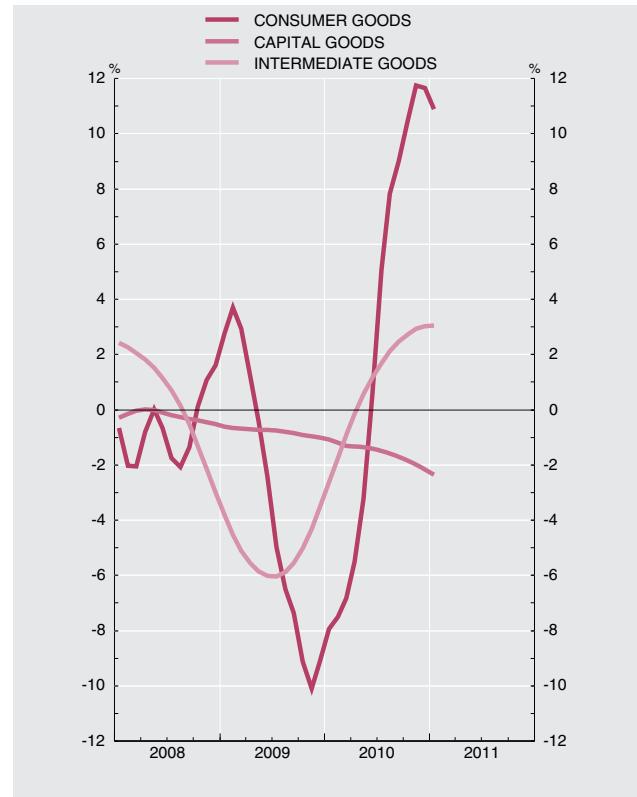
Annual percentage changes

	Exports/dispatches						Imports/arrivals					
	Total	Consumer goods	Capital goods	Intermediate goods			Total	Consumer goods	Capital goods	Intermediate goods		
				Total	Energy	Non-energy				Total	Energy	Non-energy
	1	2	3	4	5	6	7	8	9	10	11	12
08	1,9	0,7	1,7	2,7	30,9	0,1	3,8	0,1	1,9	5,7	21,3	-0,7
09	-6,8	-2,8	-6,3	-9,6	-29,8	-7,0	-10,6	-3,2	-5,1	-14,4	-27,5	-8,9
10	2,5	2,5	-5,3	4,0	12,9	3,5	5,2	2,6	3,2	6,8	24,3	2,4
10 J-J	-2,9	-3,1	-6,2	-2,3	-8,1	-1,3	-1,5	-6,3	4,5	0,2	14,6	-3,7
11 J-J	5,9	4,9	-2,6	8,1	48,4	5,9	11,7	9,9	-9,1	14,5	29,2	7,9
09 Aug	-11,2	-5,1	-8,5	-14,9	-42,1	-10,2	-16,4	-11,3	-15,0	-18,7	-29,7	-12,8
Sep	-8,6	-2,4	-16,6	-11,5	-37,8	-7,7	-12,9	-0,5	-17,6	-17,8	-31,3	-12,0
Oct	-6,6	-4,7	11,8	-10,7	-38,5	-7,6	-13,8	-12,1	-4,4	-15,8	-26,0	-11,7
Nov	-8,6	-5,7	-4,4	-11,4	-37,4	-7,9	-12,5	-14,5	-9,8	-12,0	-15,8	-9,8
Dec	-6,7	-2,5	-15,2	-7,9	-26,7	-5,3	-7,2	-8,0	-4,6	-7,3	-2,3	-7,6
10 Jan	-2,9	-3,1	-6,2	-2,3	-8,1	-1,3	-1,5	-6,3	4,5	0,2	14,6	-3,7
Feb	-1,8	1,8	-7,7	-3,1	-3,7	-2,2	-0,8	-8,0	-6,7	4,3	24,9	0,3
Mar	-1,9	1,6	-13,5	-2,3	0,6	-2,3	-1,2	-8,6	-9,9	4,1	26,5	-1,1
Apr	0,3	-4,3	2,2	3,1	13,8	2,4	1,1	-5,3	-5,9	4,6	30,2	-2,0
May	4,1	3,0	-15,0	8,8	19,0	8,6	5,2	-7,3	4,8	10,7	38,4	4,5
Jun	2,7	1,5	-10,2	6,1	11,4	6,2	6,5	0,6	-2,0	9,5	30,5	3,8
Jul	3,8	2,6	-8,0	6,9	17,6	6,0	5,1	7,6	1,3	4,0	17,9	0,6
Aug	6,8	4,3	0,2	8,8	26,1	6,9	12,2	13,4	18,5	10,9	21,2	8,8
Sep	5,6	4,7	7,7	5,6	17,2	5,0	6,6	4,6	16,0	6,9	20,6	3,6
Oct	5,0	6,9	1,0	4,5	21,0	3,5	9,0	12,3	0,4	8,6	22,0	5,2
Nov	4,5	6,3	-8,2	5,3	25,0	4,0	10,0	13,7	14,4	7,6	16,2	5,0
Dec	3,9	4,3	-5,7	5,6	14,3	4,5	10,3	13,0	2,6	10,1	28,4	3,6
11 Jan	5,9	4,9	-2,6	8,1	48,4	5,9	11,7	9,9	-9,1	14,5	29,2	7,9

EXPORT AND IMPORT UNIT VALUE INDICES (a)



IMPORT UNIT VALUE INDICES BY PRODUCT GROUP (a)



Sources: ME and BE.

Note: The underlying series for this indicator are in the Tables 18.6 and 18.7 of the Boletín Estadístico.

a. Annual percentage changes (trend obtained with TRAMO-SEATS).

6.1. STATE RESOURCES AND USES ACCORDING TO THE NATIONAL ACCOUNTS. SPAIN

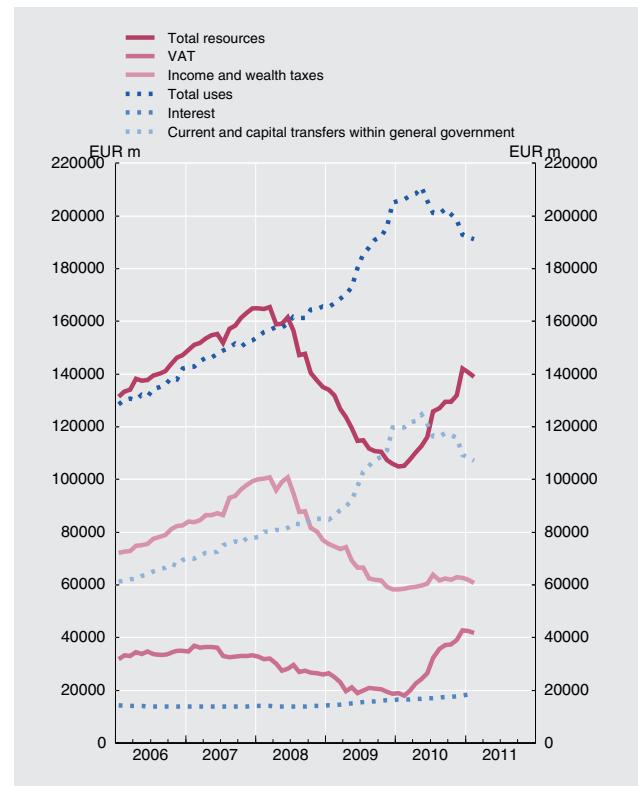
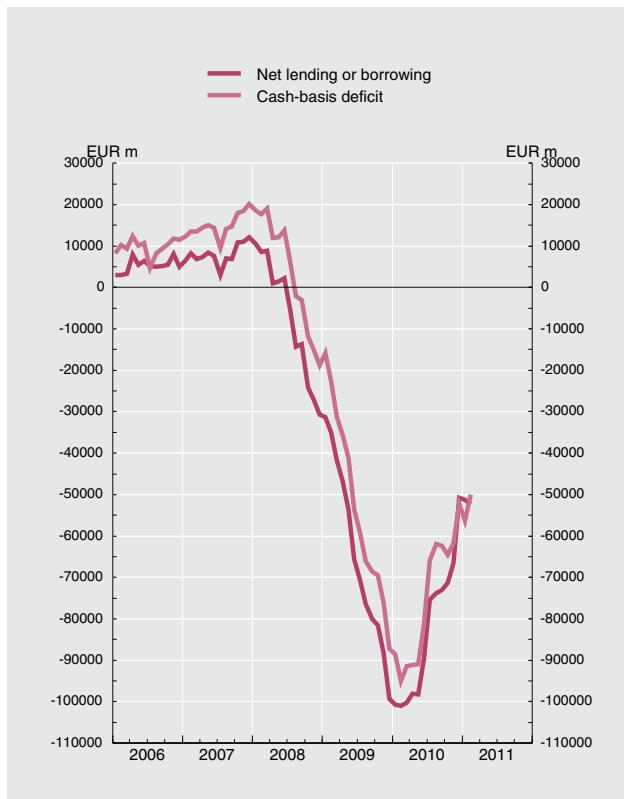
■ Series depicted in chart.

EUR millions

	Net lending (+) or borrowing (-)	Current and capital resources						Current and capital uses						Memorandum item: cash-basis deficit		
		Total	Value added tax (VAT)	Other taxes on products and imports	Interest and other income on property	Income and wealth taxes	Other	Total	Compensation of employees	Interest	Current and capital transfers within general government	Investment grants and other capital transfers	Other			
		1=2-8	2=3 a 7	3	4	5	6	7	8=9 a 13	9	10	11	12	13	14=15-16	15	16
06	5 005	147 220	34 929	11 331	5 328	82 528	13 104	142 215	16 839	13 820	69 588	5 808	36 160	11 471	141 847	130 375
07	12 098	165 010	33 332	12 938	6 645	99 240	12 855	152 912	18 006	14 024	77 833	6 092	36 957	20 135	159 840	139 704
08	-30 642	135 104	26 065	12 715	7 006	76 927	12 391	165 746	19 179	14 147	85 333	5 911	41 176	-18 747	129 336	148 082
09	P -99 258	105 827	18 767	11 563	8 144	58 234	9 119	205 085	20 141	16 318	119 693	5 988	42 945	-87 281	102 038	189 319
10	A -50 842	141 995	42 685	11 733	8 018	62 767	16 792	192 837	20 173	18 098	109 209	4 648	40 709	-52 235	127 337	179 572
10 J-F	A 3 342	27 521	11 958	1 951	550	12 423	639	24 179	2 864	2 724	13 243	159	5 189	-7 759	27 530	35 288
11 J-F	A 1 878	24 509	11 003	1 279	508	10 340	1 379	22 631	2 764	3 303	11 271	26	5 267	-5 582	22 930	28 512
10 Feb	A 4 068	18 304	12 454	945	220	2 946	1 739	14 236	1 446	1 264	8 322	39	3 165	-4 169	16 805	20 974
Mar	A -12 050	4 276	562	697	1 220	2 690	-893	16 326	1 484	1 438	10 651	77	2 676	-7 787	5 229	13 016
Apr	A 2 906	17 362	5 097	1 099	439	10 181	546	14 456	1 602	1 388	8 517	405	2 544	3 153	16 801	13 648
May	A -13 082	2 529	710	914	264	-229	870	15 611	1 521	1 479	9 877	88	2 646	-10 485	1 746	12 231
Jun	A -10 966	5 078	787	1 108	416	597	2 170	16 044	2 695	1 508	8 690	-57	3 208	-7 916	4 080	11 996
Jul	A 3 984	21 133	9 606	993	546	9 346	642	17 149	1 395	1 524	11 471	187	2 572	1 114	20 944	19 831
Aug	A -9 084	3 952	-1 965	975	522	3 767	653	13 036	1 409	1 539	7 525	108	2 455	-7 374	2 599	9 973
Sep	A -1 618	14 272	4 931	1 084	625	6 366	1 266	15 890	1 470	1 589	9 850	162	2 819	-885	13 747	14 632
Oct	A 5 180	19 574	6 173	1 004	306	11 369	722	14 394	1 460	1 522	8 512	270	2 630	3 090	19 220	16 131
Nov	A -7 514	7 663	1 646	986	223	3 494	1 314	15 177	1 462	1 577	8 989	173	2 976	-8 198	7 313	15 511
Dec	A -11 940	18 635	3 180	922	2 907	2 763	8 863	30 575	2 811	1 810	11 884	3 076	10 994	-9 188	8 127	17 315
11 Jan	A -1 217	7 839	-777	815	243	8 762	-1 204	9 056	1 346	1 870	4 017	-	1 823	-7 706	9 484	17 190
Feb	A 3 095	16 670	11 780	464	265	1 578	2 583	13 575	1 418	1 433	7 254	26	3 444	2 125	13 447	11 322

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

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



Source: Ministerio de Economía y Hacienda (IGAE).

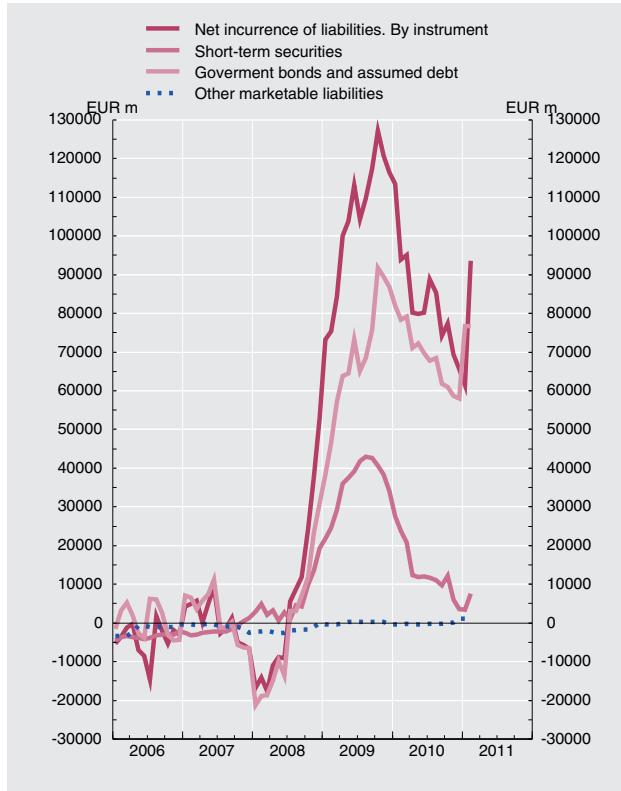
6.2. STATE FINANCIAL TRANSACTIONS. SPAIN

■ Series depicted in chart.

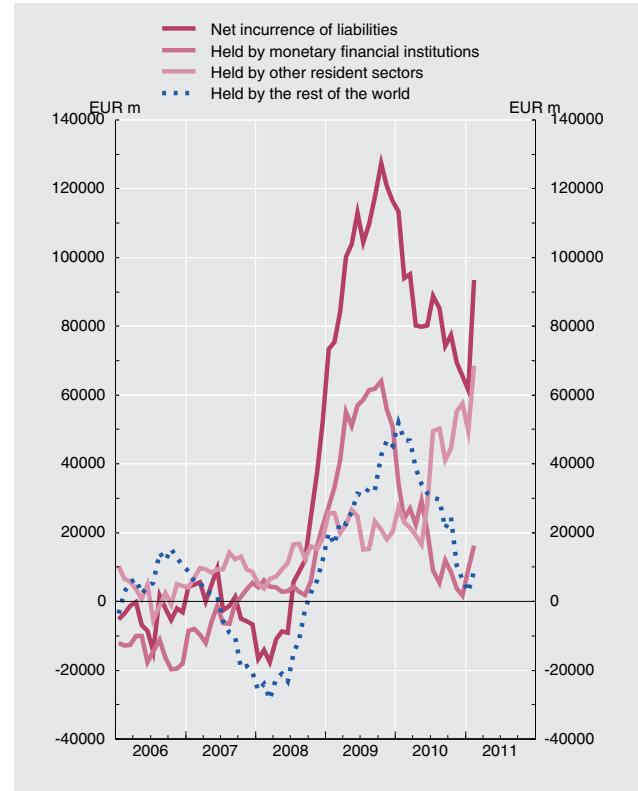
EUR millions

Net lending (+) or net borrowing (-)	Net acquisition of financial assets	Net incurrence of liabilities												Net incurrence of liabilities (excluding other accounts payable)	
		Of which		By instrument					By counterpart sector						
		Total	In currencies other than the peseta/euro	Short-term securities	Government bonds and assumed debt	Banco de España loans	Other marketable liabilities (a)	Other accounts payable	Total	Monetary financial institutions	Other resident sectors	Rest of the world			
	Deposits at the Banco de España	4	5	6	7	8	9	10	11	12	13	14	15		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
06	5 005	1 917	-200	-3 088	-1 195	-2 198	-4 346	-486	-418	4 360	-13 445	-18 000	4 555	10 357	-7 448
07	12 098	5 382	65	-6 716	-118	1 206	-6 475	-519	-2 495	1 567	13 867	5 342	8 525	-20 582	-8 282
08	-30 642	22 314	4 337	52 956	1 227	19 355	30 868	-520	-40	3 293	40 724	22 233	18 491	12 232	49 663
09	P -99 258	17 133	-4 197	116 391	1 524	34 043	86 835	-535	-412	-3 540	71 089	50 819	20 270	45 302	119 931
10	A -50 842	14 719	-5	65 561	-726	3 616	57 958	-544	1 042	3 488	59 264	1 684	57 580	6 297	62 072
10 J-F	A 3 342	-4 081	-104	-7 423	35	-2 719	-1 976	-	-1	-2 727	-9 340	-14 917	5 577	1 917	-4 696
11 J-F	A 1 878	22 417	-5	20 539	29	1 173	16 738	-	4	2 625	16 221	-315	16 536	4 318	17 915
10 Feb	A 4 068	-10 984	-1 280	-15 052	17	-2 128	9 951	-	-17	-22 858	-8 260	-3 870	-4 389	-6 792	7 807
Mar	A -12 050	479	-2	12 529	-69	947	12 495	-	22	-936	8 295	8 908	-613	4 234	13 465
Apr	A 2 906	4 378	-100	1 472	1	-3 070	3 151	-544	-32	1 967	5 704	3 477	2 227	-4 232	-495
May	A -13 082	-4 939	100	8 143	20	597	7 918	-	4	-376	9 623	7 828	1 796	-1 480	8 519
Jun	A -10 966	3 134	20	14 100	-39	1 222	9 062	-	19	3 797	12 671	-106	12 777	1 429	10 303
Jul	A 3 984	7 605	257	3 621	-886	2 500	-8 582	-	175	9 529	5 131	-14 069	19 200	-1 510	-5 907
Aug	A -9 084	-7 081	23	2 003	16	2 495	4 995	-	-6	-5 479	76	-2 421	2 498	1 927	7 483
Sep	A -1 618	5 208	-1	6 826	-23	644	8 852	-	-33	-2 636	6 039	11 885	-5 846	787	9 463
Oct	A 5 180	17 270	2 497	12 090	10	5 037	7 129	-	190	-265	1 775	275	1 500	10 315	12 356
Nov	A -7 514	-4 092	-2 700	3 422	15	-1 919	8 406	-	148	-3 214	8 432	197	8 236	-5 011	6 635
Dec	A -11 940	-3 164	5	8 776	195	-2 116	6 508	-	555	3 829	10 856	627	10 229	-2 080	4 947
11 Jan	A -1 217	2 345	-0	3 562	15	-806	6 766	-	6	-2 404	-1 601	-3 475	1 873	5 163	5 966
Feb	A 3 095	20 073	-4	16 978	14	1 979	9 972	-	-2	5 029	17 823	3 160	14 663	-845	11 949

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



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



Source: BE.

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

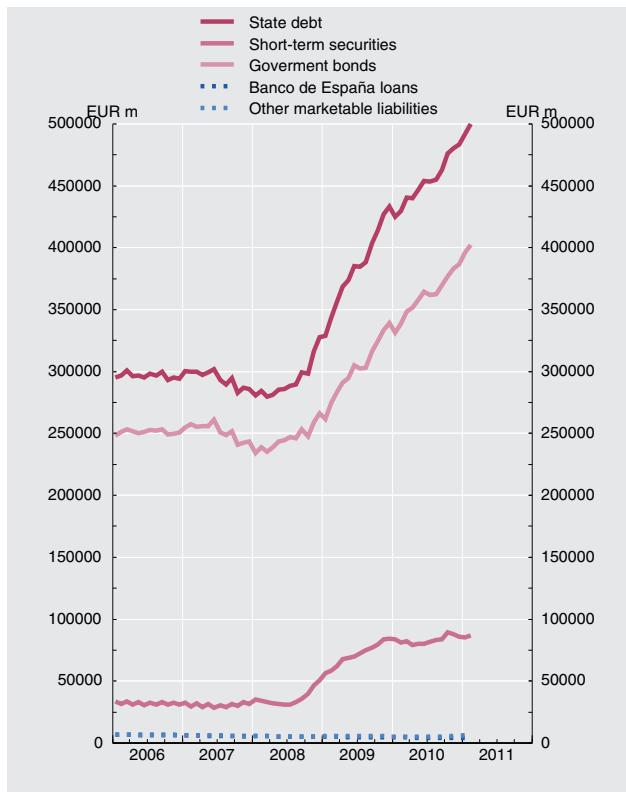
6.3. STATE: LIABILITIES OUTSTANDING. SPAIN

■ Series depicted in chart.

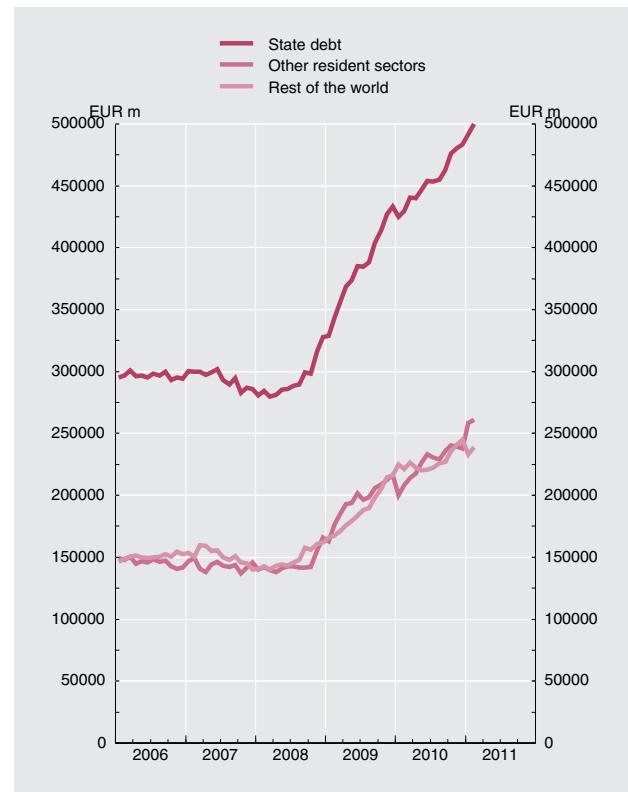
EUR millions

State debt according to the methodology of the excessive deficit procedure	of which In currencies other than the peseta/euro	Liabilities outstanding (excluding other accounts payable)								Memorandum item:		
		By instrument				By counterpart sector				Deposits at the Banco de España	Guarantees given (contingent liabilities). Outstanding level	
		Short-term securities	Government bonds and assumed debt	Banco de España loans	Other marketable liabilities (a)	Total	General government	Other resident sectors	Rest of the world			
1	2	3	4	5	6	7	8	9	10	11	12	
06	294 419	515	31 060	250 702	6 416	6 242	163 799	21 897	141 902	152 517	100	5 794
07	286 090	355	31 644	243 246	5 832	5 367	171 398	25 551	145 847	140 243	165	6 162
08	327 938	63	50 788	266 334	5 249	5 567	200 670	34 511	166 159	161 779	4 502	8 152
09	P 433 093	68	84 303	338 969	4 665	5 155	262 957	46 105	216 852	216 241	305	58 854
10	Feb A 429 506	67	81 306	338 380	4 665	5 155	256 776	48 386	208 391	221 116	201	61 278
	Mar A 440 375	0	82 276	348 256	4 665	5 177	263 708	49 533	214 175	226 200	200	61 326
	Apr A 440 071	0	79 233	351 611	4 082	5 145	269 388	51 648	217 740	222 331	99	62 765
	May A 446 838	0	79 922	357 684	4 082	5 150	278 836	52 145	226 691	220 147	199	64 284
	Jun A 453 874	0	80 076	364 547	4 082	5 169	287 771	54 580	233 191	220 683	219	65 418
	Jul A 453 181	0	81 658	362 097	4 082	5 344	285 302	54 623	230 679	222 502	476	63 794
	Aug A 454 894	0	83 082	362 392	4 082	5 338	288 152	58 952	229 200	225 694	500	64 760
	Sep A 462 742	0	83 952	369 403	4 082	5 304	294 810	59 102	235 708	227 034	499	65 267
	Oct A 476 034	0	89 354	377 104	4 082	5 494	299 702	59 344	240 357	235 676	2 996	65 183
	Nov A 480 456	0	87 787	382 944	4 082	5 642	299 682	60 244	239 437	241 019	296	69 311
	Dec A 483 174	0	85 980	386 915	4 082	6 197	299 202	61 170	238 032	245 142	300	73 560
11	Jan A 491 599	0	85 559	395 755	4 082	6 204	319 174	60 868	258 305	233 294	300	75 420
	Feb A 499 745	0	87 018	402 444	4 082	6 201	322 812	61 764	261 048	238 698	295	81 961

STATE. LIABILITIES OUTSTANDING By instrument



STATE. LIABILITIES OUTSTANDING By counterpart sector



Source: BE.

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

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

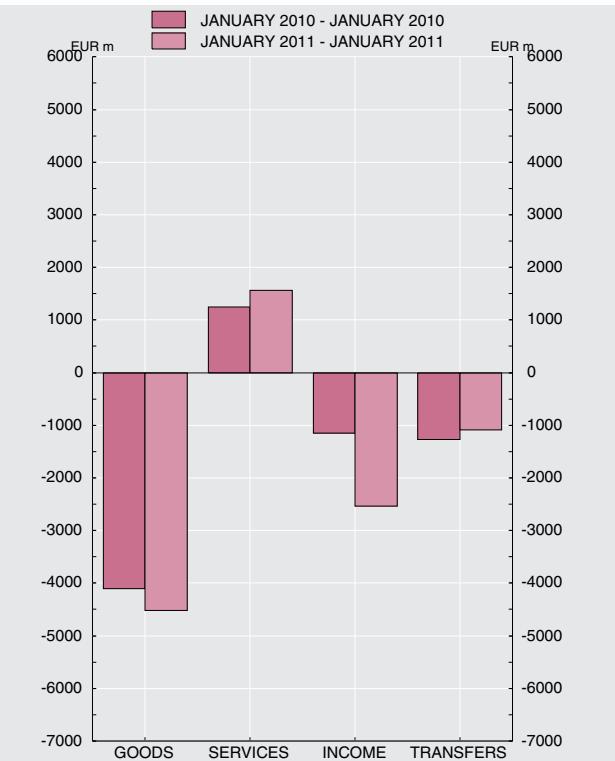
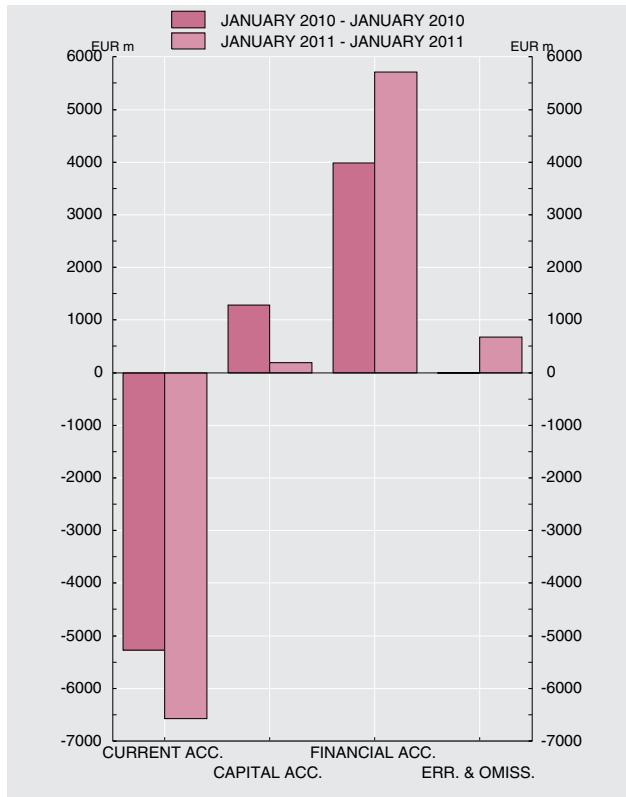
■ Series depicted in chart.

EUR millions

Current account (a)																	
	Total (balance) 1-2+5+ 10+13	Goods			Services			Income			Capital account Current trans- fers (bal- ance) 15=1+14	Current account plus capital account 16	Financial account (balance) (b) 17- (15+16)	Errors and omis- sion			
		Balance	Receipts	Payments	Balance	Receipts	Payments	Balance	Receipts	Pay- ments							
						Of which	Of which	Total	Total	Travel	10- 11-12	11	12	13	14		
		3	4	5=6-8	6	7	8	9	10- 11-12	11	12	13	14	15=1+14	16	17- (15+16)	
08	-104 676	-85 594	193 007	278 601	25 791	97 651	41 901	71 861	13 834	-35 483	53 050	88 533	-9 389	5 475	-99 201	100 222	-1 021
09	P -54 481	-42 175	163 996	206 171	25 503	88 215	38 125	62 712	12 086	-29 787	41 875	71 662	-8 022	4 275	-50 206	54 641	-4 435
10	P -47 891	-47 098	190 794	237 892	27 945	93 694	39 621	65 749	12 663	-21 695	41 337	63 032	-7 043	6 461	-41 430	43 415	-1 986
10 J-J	P -5 273	-4 109	12 335	16 444	1 252	6 385	2 441	5 132	877	-1 144	3 049	4 193	-1 272	1 287	-3 986	3 988	-2
11 J-J	P -6 576	-4 516	16 189	20 705	1 564	6 729	2 591	5 165	903	-2 531	2 307	4 837	-1 093	186	-6 390	5 718	672
09 Oct	P -4 956	-3 571	15 407	18 978	2 245	7 775	3 595	5 531	1 131	-1 923	2 718	4 642	-1 706	16	-4 939	6 326	-1 387
Nov	P -5 079	-4 450	14 566	19 016	1 247	5 985	2 365	4 738	1 020	-2 578	2 490	5 067	702	402	-4 677	5 450	-772
Dec	P -4 511	-3 899	14 029	17 928	1 401	6 870	2 041	5 469	951	-2 400	5 730	8 130	387	787	-3 724	2 523	1 201
10 Jan	P -5 273	-4 109	12 335	16 444	1 252	6 385	2 441	5 132	877	-1 144	3 049	4 193	-1 272	1 287	-3 986	3 988	-2
Feb	P -6 224	-3 009	14 310	17 319	1 135	6 206	2 090	5 071	910	-2 038	2 213	4 251	-2 313	251	-5 973	6 336	-363
Mar	P -4 437	-3 773	16 984	20 757	1 820	7 564	2 559	5 744	899	-1 844	2 504	4 348	-641	354	-4 083	6 628	-2 545
Apr	P -5 051	-4 842	14 953	19 795	1 436	6 637	2 401	5 201	860	-1 124	3 934	5 058	-521	-237	-5 288	3 407	1 881
May	P -5 020	-3 913	16 574	20 487	2 503	7 912	3 247	5 408	660	-3 098	3 804	6 902	-512	1 828	-3 192	5 459	-2 267
Jun	P -3 690	-4 510	16 563	21 074	2 979	8 707	3 869	5 728	1 207	-2 268	3 167	5 434	109	128	-3 562	2 549	1 013
Jul	P -2 387	-3 820	16 721	20 541	3 943	9 741	5 010	5 798	1 246	-1 813	3 764	5 577	-697	567	-1 820	2 167	-346
Aug	P -2 677	-3 941	13 330	17 271	4 089	9 291	5 265	5 203	1 378	-1 846	2 070	3 916	-978	239	-2 438	3 357	-919
Sep	P -4 024	-4 200	16 288	20 488	3 261	8 877	4 304	5 616	1 349	-1 975	3 524	5 499	-1 111	556	-3 469	5 957	-2 489
Oct	P -2 671	-3 074	17 927	21 001	2 840	8 177	3 850	5 336	1 209	-1 459	2 868	4 327	-979	127	-2 544	2 211	333
Nov	P -3 932	-3 338	18 077	21 415	1 722	7 007	2 520	5 284	1 096	-3 151	2 042	5 193	835	321	-3 611	1 403	2 208
Dec	P -2 505	-4 569	16 732	21 301	963	7 192	2 064	6 228	971	66	8 399	8 333	1 034	1 041	-1 464	-48	1 511
11 Jan	P -6 576	-4 516	16 189	20 705	1 564	6 729	2 591	5 165	903	-2 531	2 307	4 837	-1 093	186	-6 390	5 718	672

SUMMARY

CURRENT ACCOUNT



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

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

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

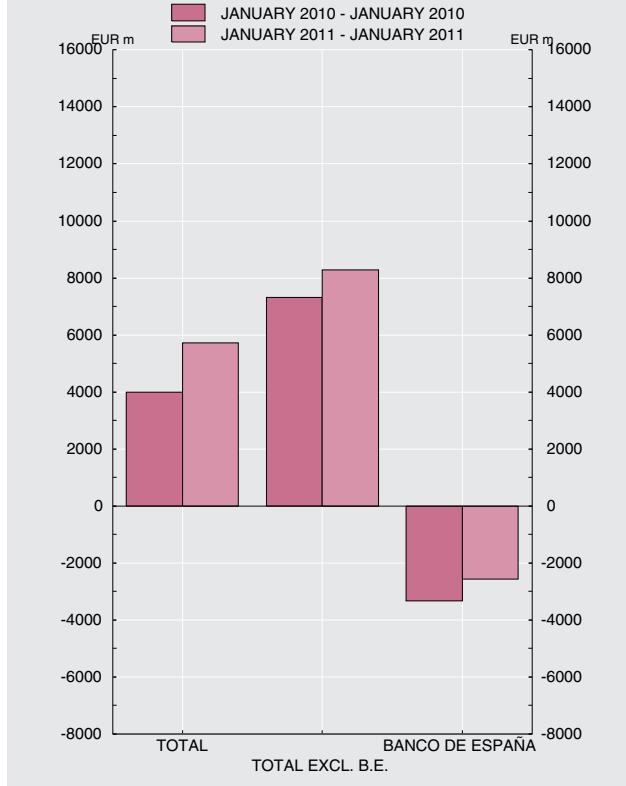
**7.2. SPANISH BALANCE OF PAYMENTS VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD.
FINANCIAL ACCOUNT (a)**

■ Series depicted in chart.

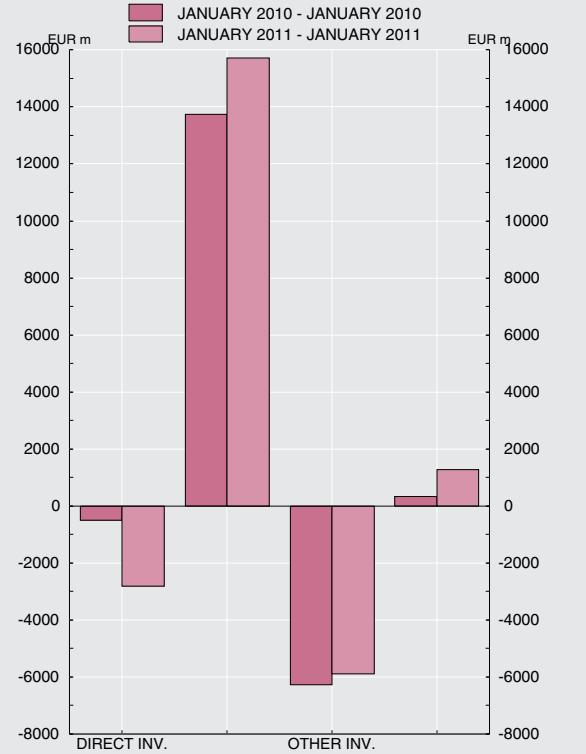
EUR millions

Financial account	Total, excluding Banco de España													Banco de España			
	Total (NCL-NCA)	Direct investment			Portfolio investment			Other investment (d)			Net financial derivatives (NCL-NCA)	Balance (NCL-NCA)	Reserves (e)	Net claims with the Euro-system (e)	Other net assets (NCL-NCA)		
		Balance (NCL-NCA)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL) (b)	Balance (NCL-NCA)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL) (c)	Balance (NCL-NCA)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL)							
	1=2+13	2=3+6+9+12	3=5-4	4	5	6=8-7	7	8	9=11-10	10	11	12	13=14+15+16	14	15	16	
08	P 100 222	70 004	1 553	51 008	52 561	-203	-21 761	-21 964	75 717	12 330	88 048	-7 064	30 218	-645	31 713	-850	
09	P 54 641	44 177	-433	7 009	6 576	45 325	4 119	49 444	5 145	4 065	9 210	-5 861	10 464	-1 563	6 146	5 882	
10	P 43 415	27 719	-892	16 813	15 921	30 411	-63 461	-33 049	-9 117	14 484	5 367	7 317	15 696	-814	9 788	6 722	
10 J-J	P 3 988	7 307	-494	554	61	13 746	-3 282	10 463	-6 260	7 310	1 050	315	-3 319	-2	-3 730	413	
11 J-J	P 5 718	8 282	-2 820	4 558	1 737	15 714	-6 508	9 206	-5 880	14 050	8 170	1 269	-2 565	-216	-2 836	487	
09 Oct	P 6 326	12 518	451	-352	99	11 973	-321	11 651	245	-238	7	-152	-6 191	-38	-6 159	6	
Nov	P 5 450	16 752	-2 087	2 611	524	15 446	923	16 368	4 367	-6 620	-2 253	-974	-11 302	71	-11 663	289	
Dec	P 2 523	-8 189	-1 366	-4 704	-6 070	135	-1 357	-1 222	-6 516	14 393	7 877	-442	10 712	-444	11 581	-425	
10 Jan	P 3 988	7 307	-494	554	61	13 746	-3 282	10 463	-6 260	7 310	1 050	315	-3 319	-2	-3 730	413	
Feb	P 6 336	1 647	7 934	-6 911	1 023	-20 227	-701	-20 929	13 264	-12 529	735	676	4 689	-113	4 298	504	
Mar	P 6 628	4 852	523	762	1 285	778	3 807	4 586	858	-2 520	-1 662	2 693	1 776	1	1 603	172	
Apr	P 3 407	10 439	1 429	-1 396	33	4 779	-8 409	-3 631	3 694	965	4 659	537	-7 032	-6	-7 566	540	
May	P 5 459	-34 478	-2 132	3 912	1 780	-9 851	-6 990	-16 841	-23 382	10 072	-13 310	887	39 937	-413	42 402	-2 051	
Jun	P 2 549	-32 546	-802	-366	-1 168	-5 201	-8 995	-14 196	-29 192	1 656	-27 536	2 649	35 096	-9	27 477	7 627	
Jul	P 2 167	4 432	-1 110	2 458	1 348	6 974	-9 212	-2 238	-2 699	924	-1 775	1 266	-2 265	-52	-3 552	1 338	
Aug	P 3 357	21 261	-5 539	6 402	863	13 218	-3 931	9 287	13 984	4 784	18 768	-402	-17 904	32	-17 970	34	
Sep	P 5 957	30 819	-4 352	9 909	5 556	8 840	-5 201	3 639	26 880	-14 485	12 395	-549	-24 862	-2	-24 966	106	
Oct	P 2 211	19 218	2 809	-595	2 213	22 541	-7 770	14 772	-4 368	16 475	12 107	-1 764	-17 007	-212	-16 092	-703	
Nov	P 1 403	2 285	1 141	-553	588	-4 106	-4 709	-8 815	4 596	-10 917	-6 321	654	-883	-5	-83	-795	
Dec	P -48	-7 518	-299	2 638	2 339	-1 080	-8 066	-9 146	-6 492	12 749	6 257	354	7 470	-35	7 967	-462	
11 Jan	P 5 718	8 282	-2 820	4 558	1 737	15 714	-6 508	9 206	-5 880	14 050	8 170	1 269	-2 565	-216	-2 836	487	

**FINANCIAL ACCOUNT
(NCL-NCA)**



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



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

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

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

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

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

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

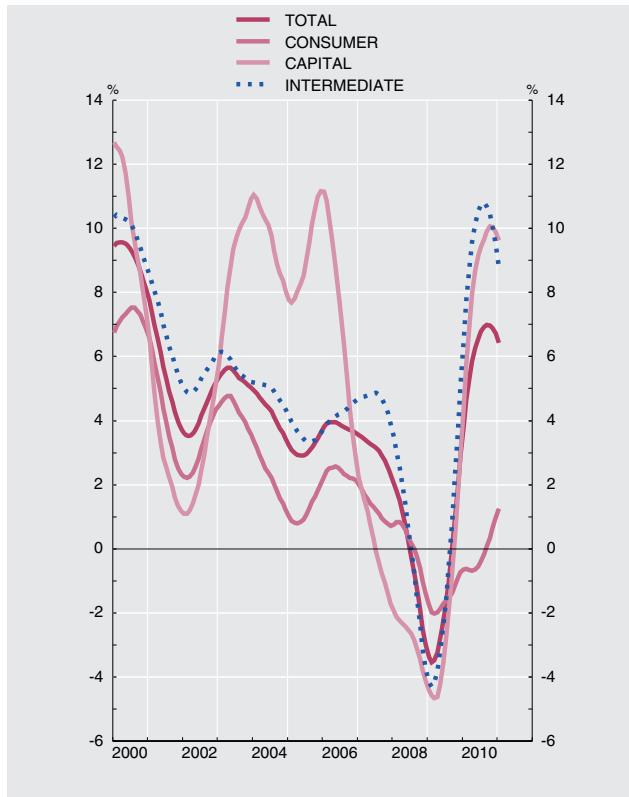
■ Series depicted in chart.

Eur millions and annual percentage changes

	Total			By product (deflated data) (a)						By geographical area (nominal data)										
	EUR millions	Nominal	Deflated (a)	Consumer	Capital	Intermediate			EU 27		OECD		OPEC	Other American countries	China	Newly industrialised countries				
						Total	Energy	Non-energy	Total	Euro Area	of which:	United States								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16				
03	138 119	3.6	5.2	4.2	11.9	4.8	24.7	3.9	4.5	5.1	3.8	-1.7	-5.9	2.2	38.2	-23.4				
04	146 925	6.4	5.3	2.2	13.1	6.6	10.2	6.4	5.0	5.0	5.9	2.0	12.5	3.3	5.6	4.7				
05	155 005	5.5	0.8	-0.9	5.3	1.4	-8.9	2.0	2.6	2.3	4.2	10.2	9.1	11.8	31.4	14.5				
06	170 439	10.0	5.0	3.0	12.5	5.1	-5.0	5.6	8.1	7.8	8.4	17.7	6.0	34.5	12.8	16.5				
07	185 023	8.6	5.9	3.3	5.2	7.8	8.6	7.7	8.0	8.4	7.0	-1.1	22.3	-12.5	23.5	-0.8				
08	189 228	2.3	0.5	2.2	-6.6	0.5	17.0	-0.2	-0.1	-0.5	-0.4	1.4	30.1	1.0	1.2	4.2				
09	159 890	-15.5	-9.4	-4.1	-13.3	-12.5	-21.0	-12.1	-15.5	-13.2	-15.2	-24.4	-11.4	-17.9	-7.7	8.5				
09 Dec P	13 661	4.0	11.4	10.8	9.6	12.2	-11.2	13.5	4.4	5.0	1.8	-29.0	-23.7	-8.0	13.0	200.9				
10 Jan P	12 092	9.0	12.3	5.1	1.8	19.6	-1.6	20.8	8.7	7.1	7.9	-24.8	-2.7	29.5	47.9	43.6				
Feb P	13 986	12.8	14.8	1.5	16.6	25.6	-16.6	27.6	11.8	13.0	11.7	-3.7	-18.5	30.1	41.2	168.8				
Mar P	16 652	21.4	23.8	0.0	42.2	42.3	28.9	42.9	19.3	21.8	19.9	11.4	17.8	22.2	46.8	12.4				
Apr P	14 623	10.8	10.5	-8.9	24.9	24.3	29.9	24.0	7.1	4.6	9.0	10.0	12.0	13.5	18.9	17.0				
May P	16 213	25.7	20.7	-4.1	88.7	30.7	10.2	31.8	22.9	23.4	23.2	3.3	-5.9	25.1	24.4	35.5				
Jun P	16 203	16.6	13.5	-4.4	40.3	23.3	2.5	24.2	14.1	13.5	16.1	17.0	10.9	52.2	15.2	36.0				
Jul P	16 379	13.2	9.0	-8.3	-4.5	25.6	38.8	25.0	11.2	12.8	12.7	5.3	3.9	32.3	48.3	47.9				
Aug P	12 874	27.8	19.7	3.0	31.2	29.5	39.5	28.9	23.4	19.4	25.4	48.6	27.8	61.8	69.1	38.7				
Sep P	15 902	14.6	8.6	-3.9	4.9	18.7	7.4	19.3	10.8	10.2	12.5	29.1	16.7	49.3	35.7	48.8				
Oct P	17 393	16.6	11.0	-5.5	27.2	20.7	11.7	21.1	16.8	15.2	15.3	26.0	16.9	29.9	10.9	31.9				
Nov P	17 525	24.6	19.2	1.7	36.5	30.9	34.2	30.8	20.1	20.4	21.9	35.7	53.8	50.0	50.6	33.4				
Dec P	15 956	16.8	12.4	3.7	0.9	21.7	43.6	20.7	20.2	20.2	20.9	11.4	14.9	19.2	15.9	-53.3				
11 Jan P	15 955	32.0	24.6	14.3	56.0	28.0	16.0	28.5	25.3	24.2	30.8	62.9	22.2	38.4	60.5	-7.1				

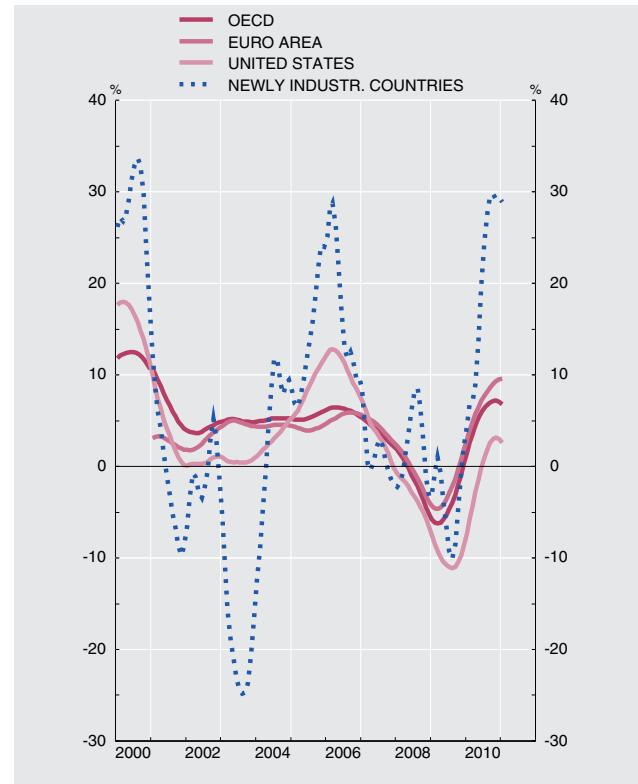
BY PRODUCT

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



BY GEOGRAPHICAL AREA

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



Sources: ME y BE.

Note: The underlying series for this indicator are in Tables 18.4 and 18.5 of the Boletín estadístico.

The monthly series are provisional data, while the annual series are the final foreign trade data.

a. Series deflated by unit value indices.

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

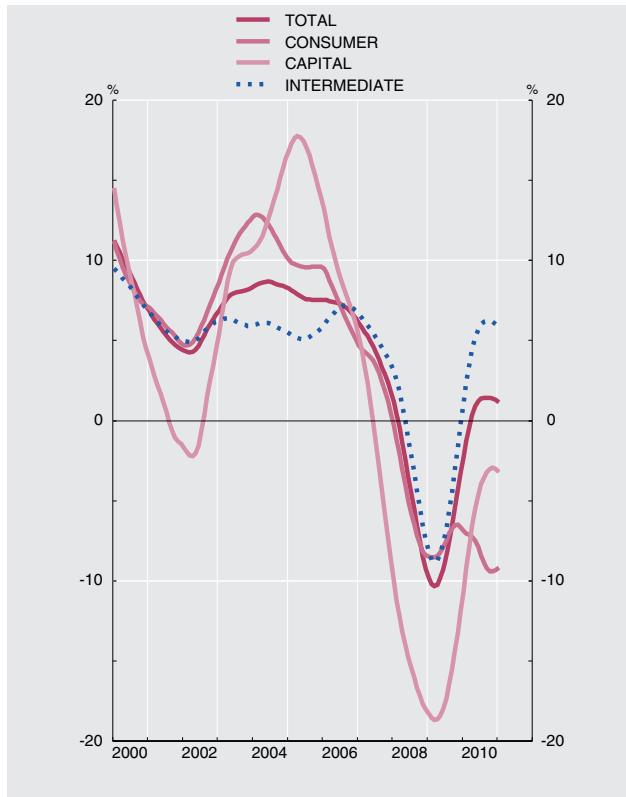
■ Series depicted in chart.

Eur millions and annual percentage changes

	Total			By product (deflated data) (a)						By geographical area (nominal data)										
	EUR millions	Nominal	Deflated (a)	Consumer	Capital	Intermediate			EU 27		OECD		OPEC	Other American countries	China	Newly industrialised countries				
						Total	Energy	Non-energy	Total	Euro Area	of which:	United States								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16				
03	185 114	5.6	7.1	9.6	12.9	4.8	1.0	5.7	5.8	5.3	5.8	-4.8	-1.0	12.9	16.6	1.1				
04	208 411	12.6	9.9	13.5	14.4	7.3	10.6	6.5	9.9	10.0	11.3	9.3	17.9	7.9	26.8	14.6				
05	232 954	11.8	6.4	8.4	17.6	3.4	10.9	1.5	5.6	5.3	6.1	-0.1	40.8	29.3	37.3	11.2				
06	262 687	12.8	9.2	7.4	5.9	10.6	4.8	12.2	8.4	8.0	8.5	14.7	25.3	24.1	22.7	28.6				
07	285 038	8.5	7.4	6.8	7.5	7.5	4.1	8.3	10.5	11.0	9.8	16.4	-6.3	-6.8	28.7	-3.7				
08	283 388	-0.6	-4.1	-7.4	-13.7	-1.1	8.2	-2.9	-8.2	-8.8	-7.4	12.9	37.4	16.6	10.8	-16.1				
09	206 116	-27.3	-18.6	-12.4	-32.0	-19.1	-13.4	-20.7	-23.8	-25.6	-24.6	-25.1	-38.6	-31.1	-29.5	-31.6				
09 Dec P	17 733	-11.7	-4.8	-6.0	-18.2	-1.7	-16.3	3.0	-7.6	-7.7	-12.3	-34.2	-15.8	-6.3	-10.8	-21.7				
10 Jan P	16 601	6.5	8.1	-9.1	-10.3	19.4	8.0	22.7	7.9	3.2	6.0	-12.0	41.1	-3.6	0.0	-6.0				
Feb P	17 548	-3.9	-3.2	-24.5	-2.6	8.2	-18.5	17.4	-8.6	-15.0	-9.1	-31.6	12.8	4.0	8.5	-2.8				
Mar P	20 945	20.6	22.0	2.9	8.3	33.8	11.2	40.2	17.0	12.6	15.6	6.1	49.2	36.4	47.0	47.2				
Apr P	19 628	16.6	15.4	-0.2	11.1	23.6	6.7	28.4	8.6	5.9	9.9	-1.8	79.6	25.2	22.9	13.0				
May P	20 378	26.1	19.9	11.8	9.2	25.4	1.0	32.4	19.3	10.1	19.9	17.2	27.1	64.3	52.6	8.4				
Jun P	20 914	22.1	14.7	-2.4	19.4	22.7	13.8	24.9	12.1	10.0	13.3	10.1	71.9	41.1	44.1	26.7				
Jul P	20 666	16.7	11.0	-13.4	15.8	22.9	9.9	26.4	9.1	10.5	11.3	49.5	55.7	35.1	44.2	-18.2				
Aug P	17 334	18.8	5.8	-11.9	11.1	14.3	-0.4	19.2	8.2	8.1	7.9	21.8	41.5	57.5	41.8	4.0				
Sep P	20 248	4.9	-1.6	-22.1	-5.3	9.5	1.1	11.4	-3.3	-1.9	-2.2	13.5	19.0	1.6	40.9	9.3				
Oct P	21 093	12.0	2.8	-20.4	14.5	13.4	3.1	16.0	3.1	3.9	6.7	17.6	32.5	38.5	28.4	-5.6				
Nov P	21 405	13.1	2.8	-14.1	4.0	11.0	7.6	11.8	4.2	2.9	6.1	17.2	20.9	69.3	26.7	9.9				
Dec P	21 321	20.2	9.0	-10.1	1.8	19.5	17.1	20.1	9.5	8.5	10.3	40.8	68.4	51.1	20.5	7.3				
11 Jan P	20 882	25.8	12.6	-5.1	22.9	18.3	23.8	16.9	15.4	15.1	18.2	32.9	39.8	49.6	22.4	-2.9				

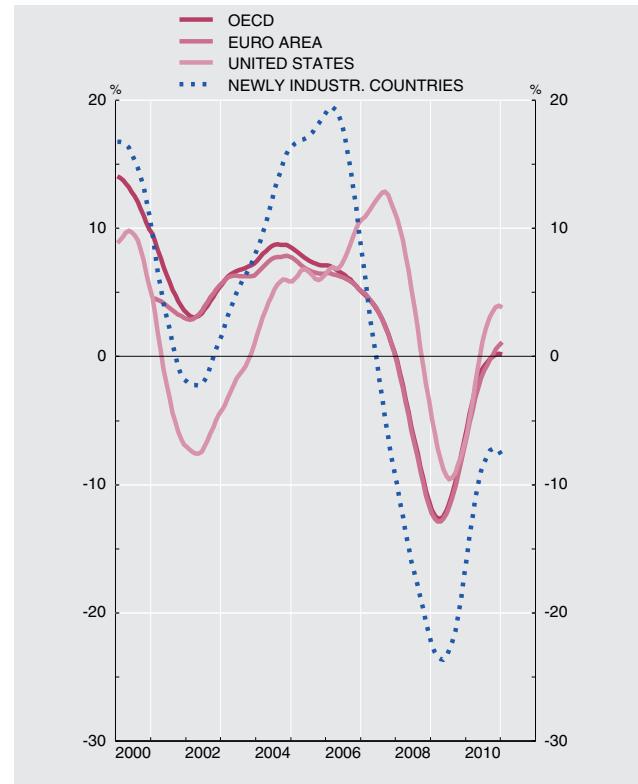
BY PRODUCTS

Annual percentage changes (trend obtained with TRAMO SEATS method)



BY GEOGRAPHICAL AREA

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



Sources: ME y BE.

Note: The underlying series for this indicator are in Tables 18.2 and 18.3 of the Boletín estadístico.

The monthly series are provisional data, while the annual series are the final foreign trade data.

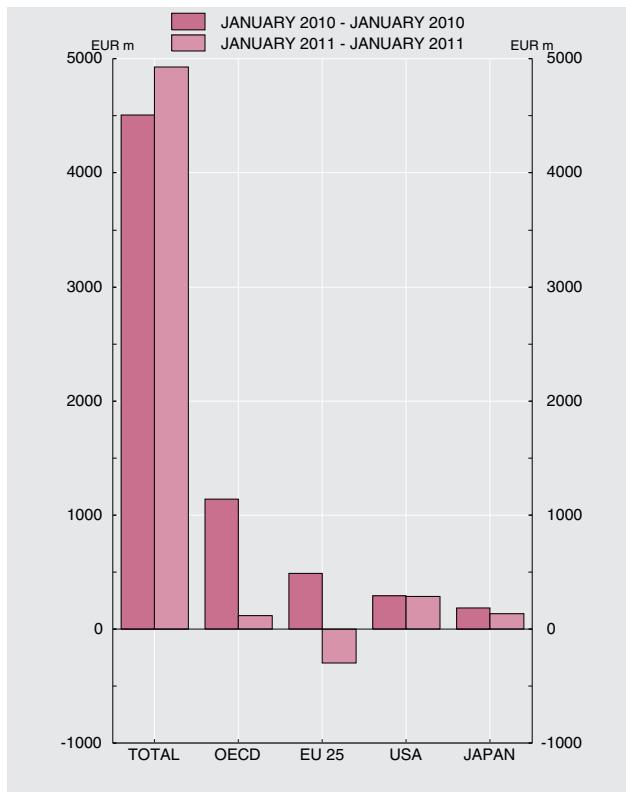
a. Series deflated by unit value indices .

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

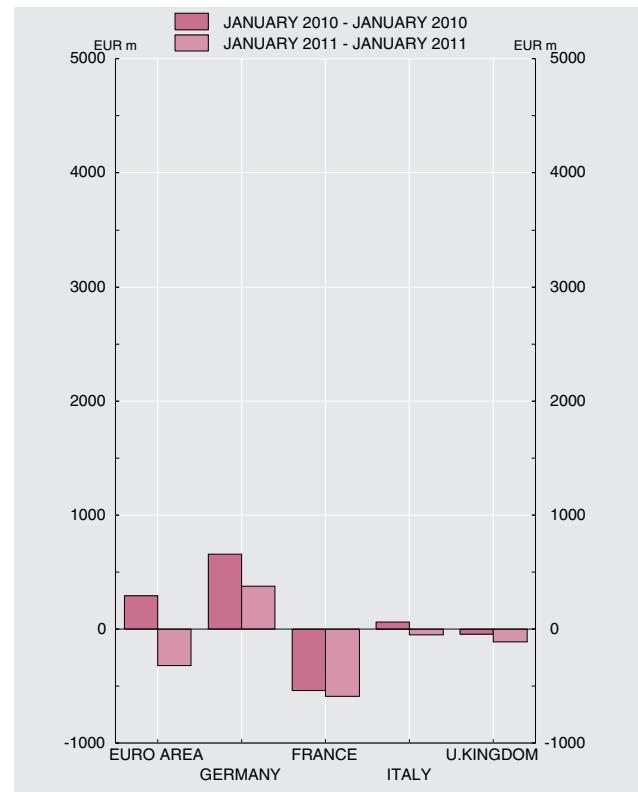
EUR millions

1	World total	European Union (EU 27)							OECD			OPEC	Other American countries	China	Newly industrialised countries				
		Total	Euro area			Other EU 27		Of which:											
			Total	Germany	France	Italy	Total	United Kingdom	United States	Japan									
		2-3+7	3	4	5	6	7	8	9	10	11	12	13	14	15				
04	-61 486	-25 991	-25 267	-16 282	-3 353	-5 671	-724	472	-36 990	-1 692	-4 583	-8 325	-1 784	-7 369	-3 104				
05	-77 950	-30 703	-29 422	-16 749	-3 112	-6 938	-1 281	-210	-41 592	-1 092	-4 769	-12 938	-3 089	-10 182	-3 411				
06	-92 249	-33 547	-32 172	-18 689	-1 625	-7 184	-1 375	294	-45 357	-1 062	-4 652	-17 031	-3 316	-12 647	-4 564				
07	-100 015	-40 176	-38 176	-23 752	-214	-8 375	-2 000	133	-53 745	-2 555	-4 779	-14 682	-3 477	-16 366	-4 347				
08	-94 160	-26 262	-26 264	-19 612	3 019	-6 608	1	356	-39 284	-3 739	-3 663	-20 561	-4 971	-18 340	-3 296				
09	-46 227	-9 068	-6 762	-9 980	6 787	-1 847	-2 306	187	-15 547	-2 742	-1 958	-10 701	-2 641	-12 471	-1 532				
10	P	-52 283	-4 192	-1 279	-8 486	8 399	-398	-2 913	709	-9 822	-2 834	-2 048	-17 286	-4 162	-16 219	-1 244			
09 Dec	P	-4 071	-1 341	-978	-879	338	-285	-363	20	-1 865	-140	-142	-1 191	-205	-1 104	129			
10 Jan	P	-4 510	-489	-292	-656	540	-59	-198	44	-1 141	-293	-187	-1 314	-239	-1 218	-128			
Feb	P	-3 562	-393	-15	-713	874	-89	-378	50	-757	-195	-157	-1 324	-109	-1 172	133			
Mar	P	-4 292	-242	75	-874	808	-77	-317	57	-813	-263	-225	-1 434	-534	-1 279	-239			
Apr	P	-5 004	-1 040	-868	-891	665	-201	-172	69	-1 665	-234	-181	-1 570	-368	-1 094	-169			
May	P	-4 165	-620	42	-652	757	78	-662	-119	-1 030	-229	-221	-1 252	-430	-1 257	-114			
Jun	P	-4 711	-728	-372	-859	753	-48	-356	114	-1 089	-225	-177	-1 599	-291	-1 330	-128			
Jul	P	-4 288	-258	-121	-760	567	-118	-137	240	-596	-151	-111	-1 610	-201	-1 551	-75			
Aug	P	-4 460	-510	-460	-553	156	8	-50	-18	-688	-106	-133	-1 457	-342	-1 503	-74			
Sep	P	-4 346	-134	62	-817	934	-10	-197	46	-404	-256	-179	-1 196	-408	-1 695	-102			
Oct	P	-3 700	422	401	-564	843	153	21	257	-388	-276	-148	-1 484	-246	-1 427	-87			
Nov	P	-3 880	314	478	-548	873	189	-164	64	-268	-261	-180	-1 174	-522	-1 355	-139			
Dec	P	-5 365	-513	-211	-600	630	-225	-303	-94	-982	-345	-150	-1 873	-472	-1 339	-122			
11 Jan	P	-4 927	299	318	-374	591	50	-19	111	-116	-284	-134	-1 901	-398	-1 434	-131			

CUMULATIVE TRADE DEFICIT



CUMULATIVE TRADE DEFICIT



Source: ME.

Note: The underlying series for this indicator are in Tables 18.3 and 18.5 of the Boletín Estadístico.

The monthly series are provisional data, while the annual series are the final foreign trade data.

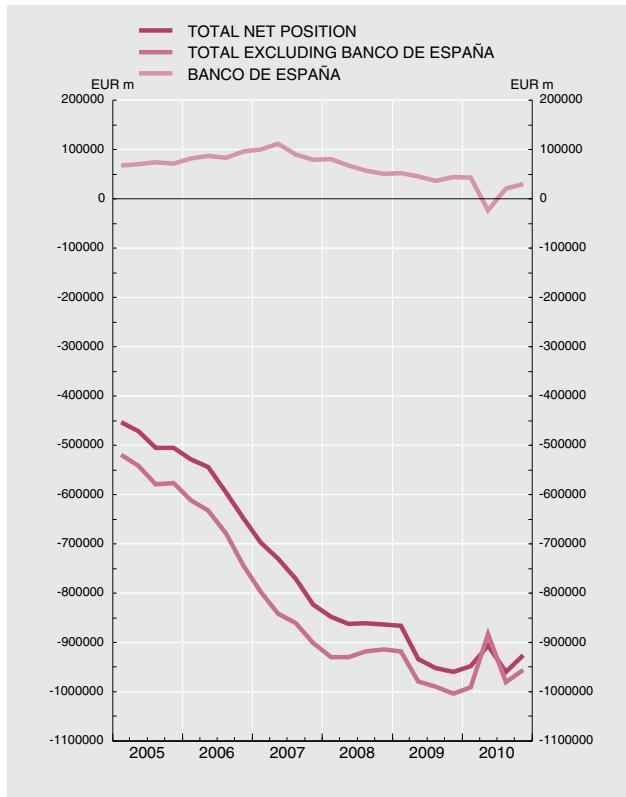
7.6. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD SUMMARY

■ Series depicted in chart.

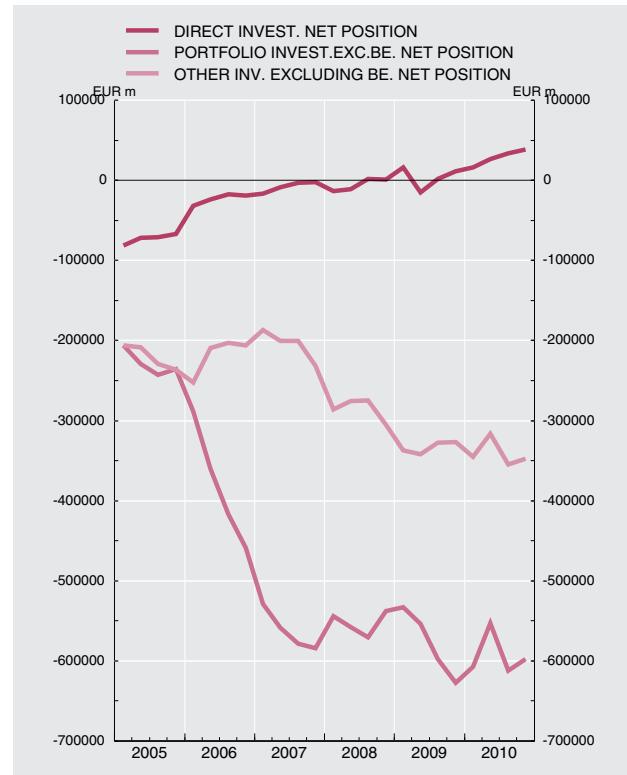
End-of-period stocks in EUR billions

	Net international investment position (assets-liabil.)	Total excluding Banco de España												Banco de España				
		Net position excluding Banco de España (assets-liabil.)		Direct investment			Portfolio investment			Other investment			Financial derivatives Net position (assets-liabil.)		Banco de España Net position (assets-liabil.)	Reserves	Net assets vis-à-vis the Euro-system	Other net assets (assets-liabil.)
		2=3+6+9+12	3=4-5	4	5	6=7-8	7	8	9=10-11	10	11	12	13=14 to 16	14	15	16		
02	R	-303.1	-363.7	-89.2	156.0	245.2	-105.7	256.8	362.5	-168.9	197.4	366.3	...	60.6	38.4	22.7	-0.4	
03		-354.3	-410.3	-93.9	175.0	268.9	-102.3	319.8	422.0	-214.2	204.0	418.1	...	56.1	21.2	18.3	16.6	
04		-436.4	-504.5	-91.9	207.2	299.1	-203.2	359.3	562.5	-209.4	222.2	431.6	...	68.1	14.5	31.9	21.7	
05		-505.5	-577.2	-67.1	258.9	326.0	-273.6	454.7	728.4	-236.5	268.2	504.7	71.7	14.6	17.1	40.1		
06		-648.2	-743.9	-19.3	331.1	350.4	-508.9	455.7	964.6	-206.1	324.9	530.9	-9.6	95.7	14.7	29.4	51.6	
07	Q4	-822.8	-901.7	-2.6	395.4	398.0	-648.5	438.4	1 086.9	-231.8	379.5	611.3	-18.8	78.9	12.9	1.1	64.9	
08	Q1	-848.7	-929.3	-13.6	393.3	406.9	-608.8	413.0	1 021.9	-286.1	381.2	667.4	-20.7	80.6	13.0	2.8	64.8	
	Q2	-862.7	-929.9	-10.8	407.9	418.7	-620.2	393.9	1 014.1	-275.5	417.2	692.7	-23.4	67.2	12.7	-7.5	62.0	
	Q3	-861.3	-918.4	1.7	422.6	420.9	-633.6	380.5	1 014.1	-274.8	423.1	697.9	-11.7	57.0	13.8	-19.6	62.8	
	Q4	-863.1	-914.0	1.3	424.4	423.2	-603.7	354.2	958.0	-305.1	386.6	691.8	-6.4	50.9	14.5	-30.6	67.0	
09	Q1	-865.9	-918.1	15.8	426.7	410.9	-596.6	342.1	938.7	-337.3	374.5	711.8	0.0	52.3	15.7	-27.4	64.0	
	Q2	-933.6	-978.9	-15.3	436.6	451.9	-614.2	363.2	977.4	-342.2	370.6	712.8	-7.3	45.4	15.1	-30.5	60.7	
	Q3	-952.4	-989.3	1.5	444.0	442.5	-658.3	376.9	1 035.3	-327.5	365.1	692.6	-4.9	36.9	18.3	-42.6	61.2	
	Q4	-960.1	-1 004.3	11.6	447.7	436.1	-688.1	379.7	1 067.8	-326.9	370.5	697.4	-1.0	44.1	19.6	-36.4	60.9	
10	Q1	-948.1	-990.5	16.0	454.0	438.1	-667.1	387.0	1 054.1	-345.1	364.3	709.4	5.7	42.4	20.9	-38.5	60.0	
	Q2	-906.8	-883.4	26.9	467.6	440.7	-605.7	360.2	965.9	-316.5	373.1	689.7	12.0	-23.4	24.4	-100.8	53.1	
	Q3	-960.0	-980.1	33.9	481.0	447.1	-663.5	342.7	1 006.2	-354.9	355.3	710.2	4.3	20.2	22.6	-54.3	51.9	
	Q4	-925.6	-955.9	38.8	490.5	451.7	-650.2	320.4	970.6	-347.2	373.5	720.7	2.7	30.3	23.9	-46.1	52.5	

INTERNATIONAL INVESTMENT POSITION



COMPONENTS OF THE POSITION



Source: BE.

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

a. See note b to table 17.21 of the Boletín Estadístico.

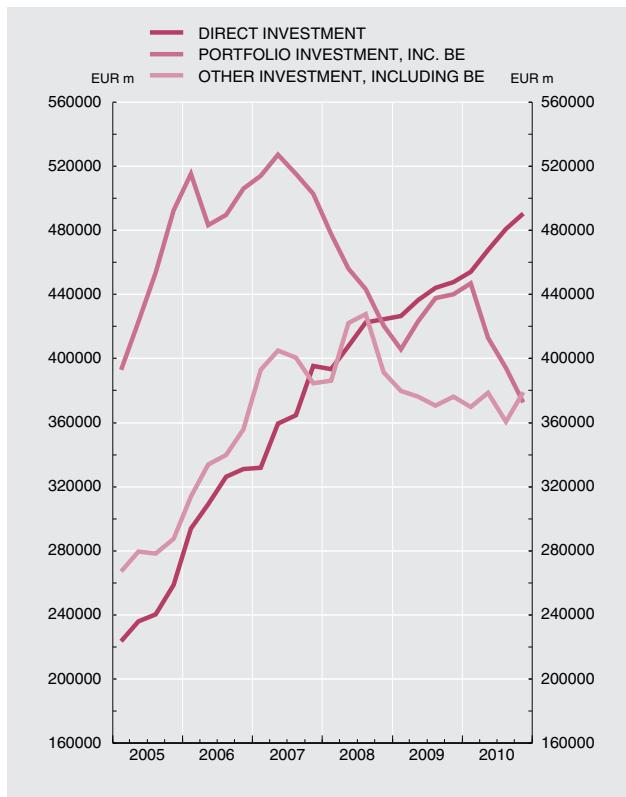
7.7. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-À-VIS OTHER EURO AREA RESIDENTES AND THE REST OF THE WORLD BREAKDOWN BY INVESTMENT

■ Series depicted in chart.

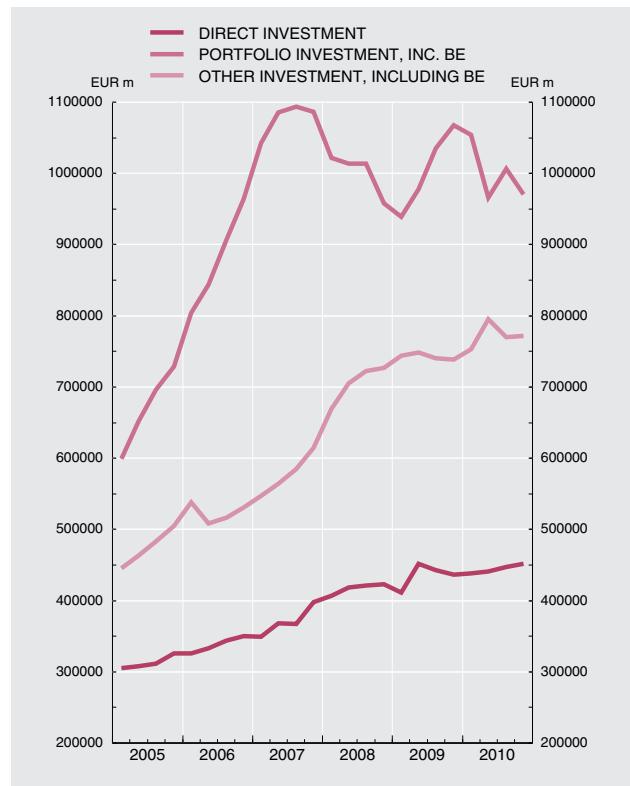
End-of-period stocks in EUR millions

	Direct investment								Portfolio investment, including Banco de España				Other investment, including Banco de España	
	Spanish investment abroad		Foreign investment in Spain		Spanish investment abroad		Foreign investment in Spain		Spanish investment abroad (a)	Foreign investment in Spain (a)	Spanish investment abroad	Foreign investment in Spain	Financial derivatives including BE	
	Shares and other equities	Intercompany debt transactions	Shares and other equities	Intercompany debt transactions	Shares and mutual funds	Debt securities	Shares and mutual funds	Debt securities					Spanish investment abroad	Foreign investment in Spain
	1	2	3	4	5	6	7	8					9	10
													11	12
02 R	139 178	16 815	194 711	50 456	50 712	206 581	116 967	245 492	220 483	367 646	-	-	-	-
03	160 519	14 477	207 096	61 828	62 677	273 344	147 878	274 166	222 670	418 202	-	-	-	-
04	189 622	17 627	231 649	67 501	78 053	302 067	183 211	379 279	254 992	431 651	-	-	-	-
05	236 769	22 133	250 641	75 322	104 157	388 472	197 347	531 035	287 551	504 831	-	-	-	-
06	307 902	23 206	271 313	79 125	133 193	373 001	245 683	718 897	355 621	531 211	32 973	42 569	-	-
07 Q4	368 306	27 086	307 278	90 696	132 955	369 758	282 331	804 609	384 714	614 829	44 642	63 487	-	-
08 Q1	366 644	26 665	322 519	84 422	103 988	373 584	235 984	785 876	386 186	669 225	53 297	74 001	-	-
Q2	380 219	27 659	329 774	88 933	97 307	358 629	216 631	797 428	421 982	704 984	58 579	82 016	-	-
Q3	391 877	30 743	323 994	96 913	82 732	360 523	200 218	813 893	427 889	722 208	70 066	81 757	-	-
Q4	393 430	31 011	320 664	102 489	63 146	357 229	170 143	787 812	391 414	726 987	108 278	114 027	-	-
09 Q1	394 361	32 314	307 967	102 891	54 989	350 665	142 151	796 597	379 928	744 319	111 670	111 538	-	-
Q2	405 633	30 983	332 118	119 823	62 698	360 773	177 670	799 699	376 067	748 392	92 879	100 032	-	-
Q3	415 604	28 434	325 326	117 201	74 037	363 555	128 943	816 315	370 538	740 166	85 194	90 098	-	-
Q4	419 028	28 694	324 869	111 233	81 474	358 817	223 162	844 591	375 995	738 811	77 449	78 498	-	-
10 Q1	425 198	28 822	328 589	109 465	92 277	354 550	199 893	854 217	369 739	753 031	93 867	88 286	-	-
Q2	438 426	29 182	331 466	109 266	90 772	322 325	170 790	795 119	378 579	795 550	118 304	106 522	-	-
Q3	450 538	30 445	336 335	110 717	93 345	300 820	196 108	810 076	360 744	769 633	121 434	117 049	-	-
Q4	458 693	31 781	339 032	112 664	97 065	275 487	183 261	787 303	379 082	772 066	95 140	92 459	-	-

SPANISH INVESTMENT ABROAD



FOREIGN INVESTMENT IN SPAIN



Source: BE.

Note: See footnote to Indicator 7.6

a. See note b to table 17.21 of the Boletín Estadístico.

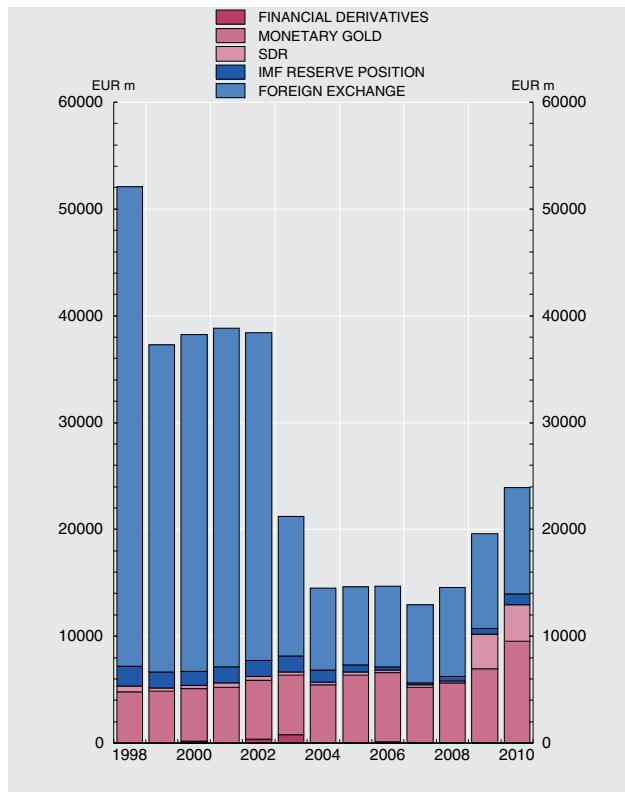
7.8. SPANISH RESERVE ASSETS

■ Series depicted in chart.

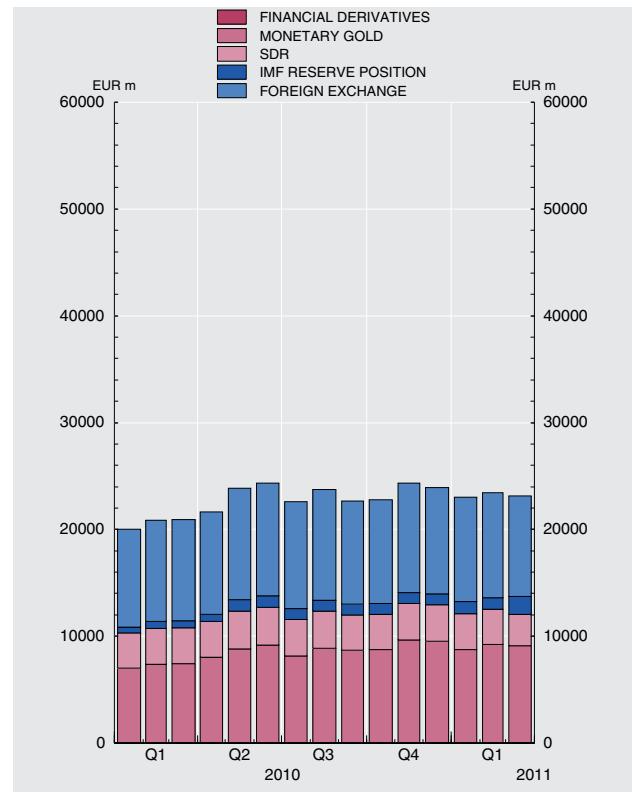
End-of-period stocks in EUR millions

	Reserve assets						Memorandum item: gold
	Total	Foreign exchange	Reserve position in the IMF	SDRs	Monetary gold	Financial derivatives	
	1	2	3	4	5	6	7
05	14 601	7 306	636	281	6 400	-21	14.7
06	14 685	7 533	303	254	6 467	127	13.4
07	12 946	7 285	218	252	5 145	46	9.1
08	14 546	8 292	467	160	5 627	-	9.1
09	19 578	8 876	541	3 222	6 938	-	9.1
09 Oct	18 402	8 578	678	2 767	6 379	-	9.1
Nov	18 946	8 570	533	2 761	7 083	-	9.1
Dec	19 578	8 876	541	3 222	6 938	-	9.1
10 Jan	20 047	9 177	554	3 296	7 020	-	9.1
Feb	20 859	9 456	662	3 344	7 396	-	9.1
Mar	20 918	9 473	661	3 332	7 452	-	9.1
Apr	21 657	9 627	644	3 352	8 034	-	9.1
May	23 870	10 444	1 078	3 509	8 839	-	9.1
Jun	24 353	10 555	1 091	3 537	9 169	-	9.1
Jul	22 626	10 029	1 055	3 412	8 130	-	9.1
Aug	23 717	10 368	1 018	3 466	8 865	-	9.1
Sep	22 641	9 629	995	3 320	8 697	-	9.1
Oct	22 754	9 696	990	3 302	8 766	-	9.1
Nov	24 351	10 279	1 024	3 416	9 632	-	9.1
Dec	23 905	9 958	995	3 396	9 555	-	9.1
11 Jan	23 034	9 769	1 158	3 345	8 762	-	9.1
Feb	23 410	9 812	1 040	3 322	9 235	-	9.1
Mar	23 159	9 439	1 643	2 957	9 119	-	9.1

RESERVE ASSETS END-OF-YEAR POSITIONS



RESERVE ASSETS END-OF-MONTH POSITIONS



Source: BE.

Note: From January 1999 the assets denominated in euro and other currencies vis-à-vis residents of other euro area countries are not considered reserve assets. To December 1998, data in pesetas have been converted to euro using the irrevocable euro conversion rate. Since January 1999, all reserve assets are valued at market prices. As of January 2000 reserve assets data have been compiled in accordance with the IMF's new methodological guidelines published in the document 'International Reserves and Foreign Currency Liquidity'.

Guidelines for a Data Template', October 2001 (<http://dsbb.imf.org/Applications/web/sddsguide>). Using this new definition, total reserve assets as at 31.12.99 would have been EUR 37835 million instead of the amount of EUR 37288 million published in this table.

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

End-of-period positions												EUR millions				
	Total	General government							Other monetary financial institutions							
		Total	Short-term		Long-term				Total	Short-term		Long-term				
			Money market instruments	Loans	Bonds and notes	Loans	Trade credits	Money market instruments		Deposits	Bonds and notes	Deposits				
		1	2	3	4	5	6	7	8	9	10	11	12			
06 Q4	1 370 277	215 585	4 836	665	191 871	18 213	-	622 836	6 252	277 193	236 038	103 352				
07 Q1	1 462 506	219 394	4 901	40	195 781	18 672	-	658 096	11 331	295 528	252 211	99 027				
Q2	1 523 843	215 134	5 446	443	190 503	18 742	-	684 742	11 316	294 402	269 682	109 341				
Q3	1 542 085	207 145	4 820	1 329	182 455	18 541	-	707 016	15 079	308 889	273 907	109 140				
Q4	1 563 730	197 835	4 653	878	173 266	19 038	-	724 116	21 248	327 391	261 177	114 300				
08 Q1	1 596 725	200 163	6 329	558	173 668	19 607	-	768 529	20 424	380 522	256 302	111 281				
Q2	1 651 445	202 260	5 594	162	177 009	19 495	-	794 086	22 729	399 932	258 374	113 051				
Q3	1 690 245	217 747	9 722	494	187 624	19 907	-	792 491	21 269	400 051	258 393	112 778				
Q4	1 672 021	233 755	12 480	2 099	198 366	20 810	-	766 311	12 224	400 691	249 210	104 187				
09 Q1	1 699 195	242 485	15 801	480	204 677	21 528	-	783 924	15 149	411 446	248 633	108 696				
Q2	1 727 851	256 076	21 125	978	211 334	22 638	-	785 982	14 200	409 692	251 728	110 769				
Q3	1 737 498	275 093	31 005	709	219 370	24 009	-	769 833	14 217	391 123	256 821	107 671				
Q4	1 758 691	298 313	44 479	532	228 865	24 437	-	782 741	14 873	384 509	260 201	123 157				
10 Q1	1 788 033	315 903	51 915	117	238 064	25 807	-	790 665	16 642	399 817	257 133	117 073				
Q2	1 773 773	294 035	40 680	195	225 803	27 357	-	743 661	12 157	378 888	241 026	111 589				
Q3	1 762 282	306 220	41 633	934	235 671	27 983	-	759 376	10 926	396 110	244 167	108 173				
Q4	1 743 547	300 643	39 225	979	230 992	29 446	-	762 237	10 105	425 112	240 448	86 572				

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

End-of-period positions												EUR millions			
Monetary authority		Other residents sectors										Direct investment			
Total	Short-term	Total	Short-term			Long-term				Total	Vis-à-vis		Total	Direct investors	Subsidiaries
			Deposits	Money market instruments	Loans	Other liabilities	Bonds and notes	Loans	Trade credits		Direct investors	Subsidiaries			
			13	14	15	16	17	18	19	20	21	22	23	24	25
06 Q4	281	281	411 407	4 786	22 967	702	275 114	106 946	338	555	120 168	49 588	70 581		
07 Q1	322	322	456 149	5 303	21 653	550	317 258	109 572	334	1 479	128 544	50 040	78 504		
Q2	423	423	482 312	5 418	27 035	1 066	336 291	110 523	331	1 647	141 233	50 464	90 769		
Q3	277	277	494 727	2 553	22 020	854	345 252	122 021	339	1 688	132 920	52 206	80 714		
Q4	3 550	3 550	493 937	701	20 981	314	343 564	126 473	331	1 573	144 292	55 165	89 128		
08 Q1	1 855	1 855	484 555	927	22 022	473	328 226	130 418	358	2 132	141 624	56 104	85 520		
Q2	12 326	12 326	493 741	6 217	22 786	1 465	327 505	133 364	355	2 047	149 032	61 350	87 683		
Q3	24 276	24 276	501 587	18 093	25 024	1 342	318 792	136 110	362	1 865	154 144	62 559	91 585		
Q4	35 233	35 233	479 500	13 329	22 307	2 668	302 204	136 854	361	1 777	157 223	65 142	92 080		
09 Q1	32 491	32 491	482 016	20 122	17 809	3 275	292 216	145 914	394	2 285	158 279	70 047	88 232		
Q2	35 596	35 596	470 437	18 969	16 212	2 416	282 343	147 549	387	2 561	179 760	90 949	88 811		
Q3	47 538	47 538	464 016	13 249	15 204	2 322	281 652	148 475	421	2 694	181 017	90 090	90 927		
Q4	41 400	41 400	460 948	17 935	12 880	2 052	278 237	146 598	421	2 825	175 289	74 077	101 212		
10 Q1	43 673	43 673	457 007	14 634	13 738	2 895	275 829	145 936	426	3 550	180 785	69 356	111 429		
Q2	105 881	105 881	447 093	12 724	16 502	4 033	262 729	146 724	433	3 949	183 104	66 884	116 220		
Q3	59 477	59 477	454 635	14 060	16 112	4 337	263 619	151 945	423	4 139	182 574	66 730	115 844		
Q4	51 323	51 323	445 166	12 059	16 888	3 546	254 474	153 636	424	4 139	184 178	66 818	117 360		

Source: BE.

a. See note b to table 17.21 of the Boletín Estadístico.

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

Average of daily data, EUR millions

Total	Net lending in euro						Counterparts						Actual reserves of credit institutions	
	Open market operations				Standing facilities		Autonomous factors							
	Main refinancing operations	Longer-term refinancing operations	Fine-tuning reverse operations (net)	Structural reverse operations (net)	Marginal lending facility	Deposit facility	Total	Bank-notes	Deposits to general government	Gold and net assets in foreign currency	Other assets (net)			
1=2+3+4 +5+6-7	2	3	4	5	6	7	8=9+10 -11-12	9	10	11	12	13		
09 Oct	566 961	58 731	637 669	-7 713	-	250	101 977	373 107	770 074	146 353	416 440	126 880	213 854	
Nov	580 453	52 295	604 677	-9 113	-	698	68 104	367 577	772 428	148 924	409 556	144 220	212 876	
Dec	575 400	58 968	623 882	-5 640	-	349	102 159	355 555	794 597	128 705	402 181	165 567	219 846	
10 Jan	541 473	61 899	664 650	-12 329	-	406	173 153	334 353	789 929	118 932	427 124	147 384	207 120	
Feb	534 339	72 624	647 446	-13 528	-	930	173 132	319 842	783 511	116 580	426 226	154 023	214 497	
Mar	521 898	79 925	644 676	-12 804	-	500	190 400	303 560	788 465	109 183	429 090	164 999	218 338	
Apr	518 251	72 798	663 740	-13 286	-	183	205 184	306 870	795 902	117 289	457 309	149 012	211 381	
May	518 635	97 546	692 289	-24 199	-	1 178	248 178	293 449	803 187	117 440	461 565	165 612	225 187	
Jun	496 616	129 940	713 202	-58 607	-	304	288 223	275 553	808 910	133 527	463 359	203 525	221 063	
Jul	447 504	197 804	418 108	-43 633	-	261	125 035	245 431	817 565	103 637	543 196	132 575	202 074	
Aug	428 464	156 847	436 311	-69 674	-	569	95 589	220 146	817 554	81 380	543 363	135 425	208 318	
Sep	447 722	154 228	432 260	-67 794	-	547	71 520	223 098	813 964	97 492	543 285	145 074	224 624	
Oct	400 207	184 986	327 455	-64 198	-	662	48 697	202 036	813 259	95 670	511 143	195 750	198 171	
Nov	409 030	179 522	338 925	-68 984	-	1 776	42 207	193 808	813 937	91 614	511 275	200 469	215 222	
Dec	404 267	194 560	333 046	-69 023	-	819	55 135	175 471	832 289	82 373	512 369	226 822	228 797	
11 Jan	349 323	184 834	303 292	-78 160	-	65	60 707	166 234	827 363	94 746	548 751	207 124	183 089	
Feb	374 289	159 033	233 186	-82 463	-	6 539	32 007	149 313	820 280	89 194	549 375	210 786	224 976	
Mar	338 910	106 478	336 508	-81 557	-	1 478	23 997	128 374	822 946	81 378	552 327	223 623	210 536	

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

Average of daily data, EUR millions

Total	Net lending in euro						Counterparts						Actual reserves of credit institutions	
	Open market operations				Standing facilities		Intra-ESCB		Autonomous factors					
	Main refinancing operations	Longer-term refinancing operations	Fine-tuning reserve operations (net)	Structural reserve operations (net)	Marginal lending facility	Deposit facility	Target	Rest	Total	Bank-notes	Deposits to general government	Gold and net assets in foreign currency	Other assets (net)	
14=15+16 +17+18 +19+20	15	16	17	18	19	20	21	22	23=24+25 -26-27	24	25	26	27	28
09 Oct	82 534	5 940	82 025	-579	-	4 852	44 070	-5 447	16 653	77 235	23 601	14 900	69 283	27 257
Nov	79 011	6 453	74 472	-755	-	1 159	32 264	-5 447	27 120	76 566	40 008	14 921	74 533	25 073
Dec	76 105	2 801	78 640	-495	-	4 841	33 623	-5 447	21 154	78 779	33 805	14 918	76 513	26 775
10 Jan	77 318	591	88 649	-1 383	-	3 10 543	38 790	-5 447	17 774	78 093	31 878	16 160	76 037	26 201
Feb	76 269	1 118	87 564	-1 254	-	2 11 161	40 278	-5 447	15 831	76 555	32 241	16 195	76 770	25 607
Mar	81 881	1 504	88 688	-759	-	0 7 552	47 978	-5 447	13 216	76 922	30 454	16 266	77 895	26 134
Apr	74 603	1 351	89 436	-861	-	- 15 323	41 475	-5 447	12 505	76 714	30 938	17 390	77 757	26 070
May	85 618	7 984	97 566	-1 785	-	2 18 150	53 407	-5 447	10 853	76 313	30 862	17 638	78 683	26 805
Jun	126 300	30 119	106 371	-607	-	55 9 638	92 411	-5 447	13 914	76 968	31 662	17 802	76 914	25 422
Jul	130 209	31 057	108 960	-305	-	- 9 503	102 620	-5 447	8 311	78 104	21 305	20 533	70 565	24 725
Aug	109 793	15 500	110 128	-5 902	-	- 9 933	88 651	-5 447	3 398	77 088	17 100	20 528	70 262	23 191
Sep	97 682	7 334	104 423	-5 454	-	- 8 620	77 026	-5 447	-368	75 443	15 414	20 479	70 746	26 471
Oct	67 947	13 512	57 773	662	-	1 4 002	49 480	-5 447	-170	74 449	18 195	19 186	73 628	24 084
Nov	61 138	13 352	51 105	-235	-	- 3 084	42 571	-5 447	-520	73 297	20 212	19 224	74 805	24 534
Dec	66 986	22 197	47 538	241	-	- 2 990	50 767	-5 465	-6 565	75 356	14 283	19 258	76 945	28 249
11 Jan	53 120	17 882	39 237	-872	-	4 3 131	51 551	-5 585	-14 331	74 555	8 039	20 445	76 480	21 486
Feb	49 177	14 803	36 141	-494	-	- 1 273	43 382	-5 585	-14 067	73 006	10 280	20 545	76 807	25 447
Mar	40 992	9 090	34 734	-1 492	-	- 1 340	40 606	-5 585	-18 751	72 689	7 193	20 785	77 848	24 721

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

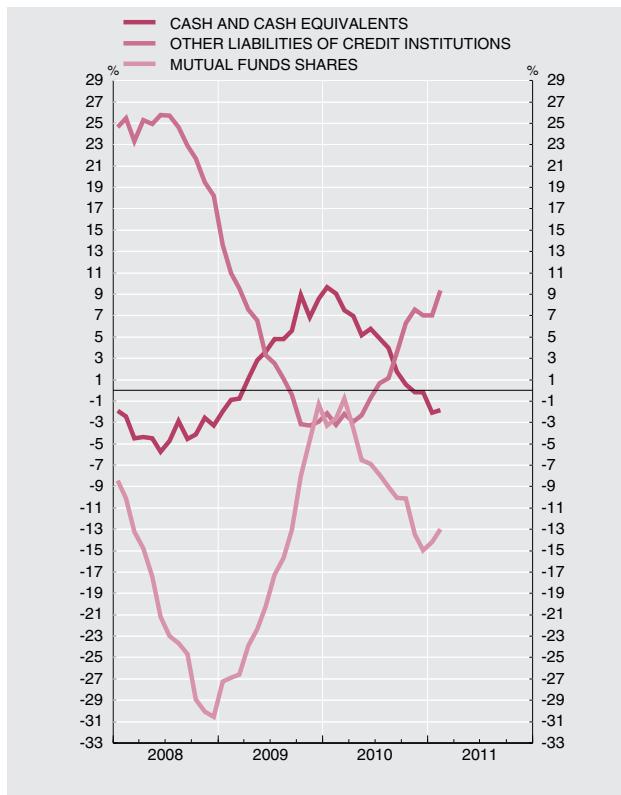
**8.2 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES
OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)**

■ Series depicted in chart.

EUR millions and %

	Cash and cash equivalents				Other liabilities of credit institutions					Mutual funds shares				Memorandum items	
	Stocks	12-month % change	12-m. % change		Stocks	12 month % change	12-month % change			Stocks	12-month % change	12-month % change		12-month % change	
			Cash	Deposits (b)			Other deposits (c)	Repos + credit institutions' securities	Deposits in branches abroad			Fixed income in EUR (d)	Other	AL (e)	Contri- buti- on of the MFIs resid. to M3
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
08	479 495	-3.3	0.5	-4.2	546 800	18.2	24.3	-19.1	-8.9	148 107	-30.6	-16.7	-41.3	5.0	8.0
09	520 512	8.6	0.6	10.6	530 709	-2.9	-1.3	-12.0	-39.8	146 214	-1.3	0.5	-3.2	2.3	0.3
10 P	519 551	-0.2	-0.3	-0.1	567 961	7.0	6.7	15.4	-22.2	124 333	-15.0	-29.8	2.0	1.2	-1.7
09 Nov	506 069	6.9	0.0	8.6	525 446	-3.3	-1.4	-16.9	-28.2	144 514	-4.7	-0.1	-9.7	1.3	-0.1
Dec	520 512	8.6	0.6	10.6	530 709	-2.9	-1.3	-12.0	-39.8	146 214	-1.3	0.5	-3.2	2.3	0.3
10 Jan	516 226	9.7	1.0	11.9	527 483	-2.1	-1.2	-7.5	-29.8	144 932	-3.3	-3.2	-3.4	2.9	-1.2
Feb	516 731	9.0	0.7	11.1	521 951	-3.2	-2.2	-8.8	-38.5	143 869	-2.6	-5.4	0.7	1.9	-2.4
Mar	510 307	7.5	0.9	9.2	527 826	-2.2	-1.4	-3.9	-40.3	143 517	-0.7	-7.5	7.3	1.6	-2.7
Apr	506 816	7.0	-0.4	8.9	526 819	-2.9	-1.8	-10.5	-30.2	142 177	-3.6	-10.4	4.5	0.8	-3.9
May	513 534	5.2	0.3	6.4	531 372	-2.3	-0.1	-18.2	-40.7	137 385	-6.5	-13.2	1.4	0.2	-4.1
Jun	532 191	5.8	0.8	7.0	537 743	-0.7	1.4	-17.4	-22.1	133 721	-6.9	-16.4	4.2	1.1	-4.4
Jul	524 832	4.9	0.8	5.9	545 978	0.7	2.7	-14.8	-30.8	133 080	-7.9	-21.1	7.8	1.0	-5.2
Aug	518 585	4.0	0.7	4.8	548 266	1.2	2.7	-9.8	-29.3	132 605	-9.0	-22.9	7.7	0.7	-5.1
Sep	511 873	1.7	0.7	2.0	555 640	3.6	4.9	-3.5	-36.3	130 980	-10.1	-25.9	9.6	0.6	-3.5
Oct P	507 466	0.6	0.1	0.7	559 772	6.3	7.2	3.5	-33.3	129 758	-10.1	-26.5	9.9	1.4	-2.6
Nov P	505 196	-0.2	-0.4	-0.1	565 065	7.5	7.5	13.8	-24.9	125 051	-13.5	-29.0	5.4	1.4	-1.4
Dec P	519 551	-0.2	-0.3	-0.1	567 961	7.0	6.7	15.4	-22.2	124 333	-15.0	-29.8	2.0	1.2	-1.7
11 Jan P	505 601	-2.1	-0.6	-2.4	564 654	7.0	7.1	10.7	-20.5	124 351	-14.2	-31.2	5.1	0.2	-1.6
Feb P	507 087	-1.9	-0.8	-2.1	570 751	9.3	8.9	18.3	-11.5	125 151	-13.0	-31.3	7.0	1.4	0.6

NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change



NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change



Source: BE.

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

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

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

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

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

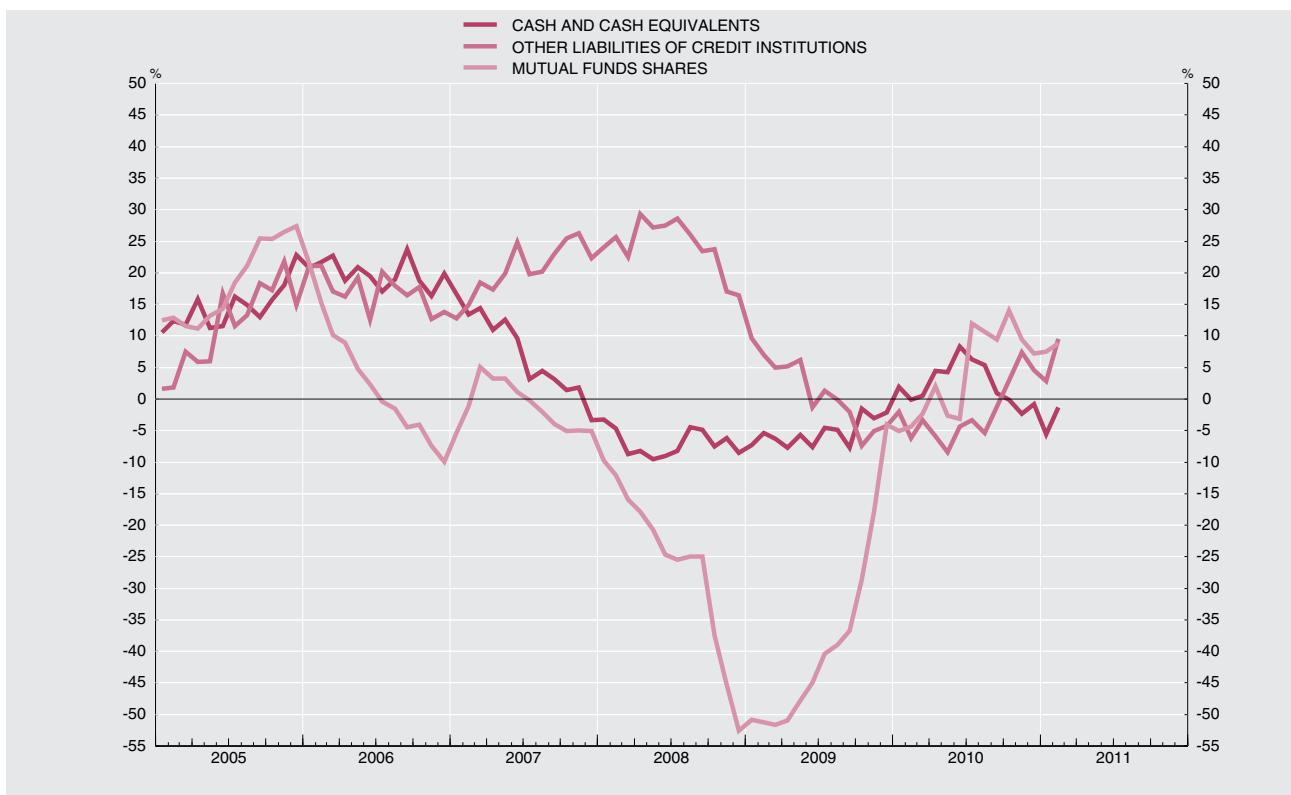
**8.3 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES
OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)**

■ Series depicted in chart.

EUR millions and %

		Cash and cash equivalents (b)		Other liabilities of credit institutions				Mutual funds shares				
		Stocks	Annual growth rate	Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate		
						Other depo-sits (c)	Repos + credit instit.' securit.+ dep. in branches abroad			Fixed income in EUR (d)	Other	
		1	2	3	4	5	6	7	8	9	10	
08		121 783	-8.6	117 875	16.4	25.1	-0.2	11 959	-52.5	-42.7	-60.1	
09		119 238	-2.1	112 887	-4.2	9.2	-36.6	11 475	-4.0	-6.4	-1.4	
10	P	118 281	-0.8	118 065	4.6	6.1	-1.5	12 301	7.2	-8.2	23.5	
09	Nov	117 105	-3.1	110 907	-5.1	9.3	-37.0	11 304	-18.0	-17.2	-18.8	
	Dec	119 238	-2.1	112 887	-4.2	9.2	-36.6	11 475	-4.0	-6.4	-1.4	
10	Jan	117 986	1.9	108 884	-2.0	9.6	-33.5	11 443	-5.1	-8.8	-0.8	
	Feb	117 221	-0.1	104 397	-6.2	4.9	-38.1	11 376	-4.4	-10.8	3.3	
	Mar	115 778	0.5	107 759	-3.4	6.3	-33.3	11 368	-2.4	-12.5	10.2	
	Apr	114 055	4.4	108 304	-5.9	4.0	-34.9	11 585	2.0	-2.4	6.9	
	May	118 730	4.2	108 376	-8.4	3.4	-41.7	11 195	-2.7	-8.3	3.8	
	Jun	124 909	8.3	111 298	-4.4	5.9	-34.8	10 897	-3.2	-11.8	6.7	
	Jul	119 477	6.3	113 270	-3.4	6.9	-34.9	13 167	12.0	-3.6	30.4	
	Aug	120 643	5.4	111 874	-5.4	2.5	-30.6	13 120	10.6	-5.9	30.3	
	Sep	117 226	0.9	115 377	-1.3	5.8	-24.3	12 959	9.4	-9.4	32.6	
10	Oct	114 147	-0.1	115 396	2.9	8.6	-17.6	12 838	14.0	-2.9	32.9	
	P	114 359	-2.3	119 091	7.4	9.6	-1.1	12 372	9.5	-6.6	27.6	
	Dec	P	118 281	-0.8	118 065	4.6	6.1	-1.5	12 301	7.2	-8.2	23.5
11	Jan	P	111 359	-5.6	112 013	2.9	5.4	-8.5	12 303	7.5	-11.0	27.2
	Feb	P	115 642	-1.3	114 366	9.5	10.0	7.2	12 382	8.8	-11.2	29.5

NON-FINANCIAL CORPORATIONS
Annual percentage change



Source: BE.

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

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

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

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

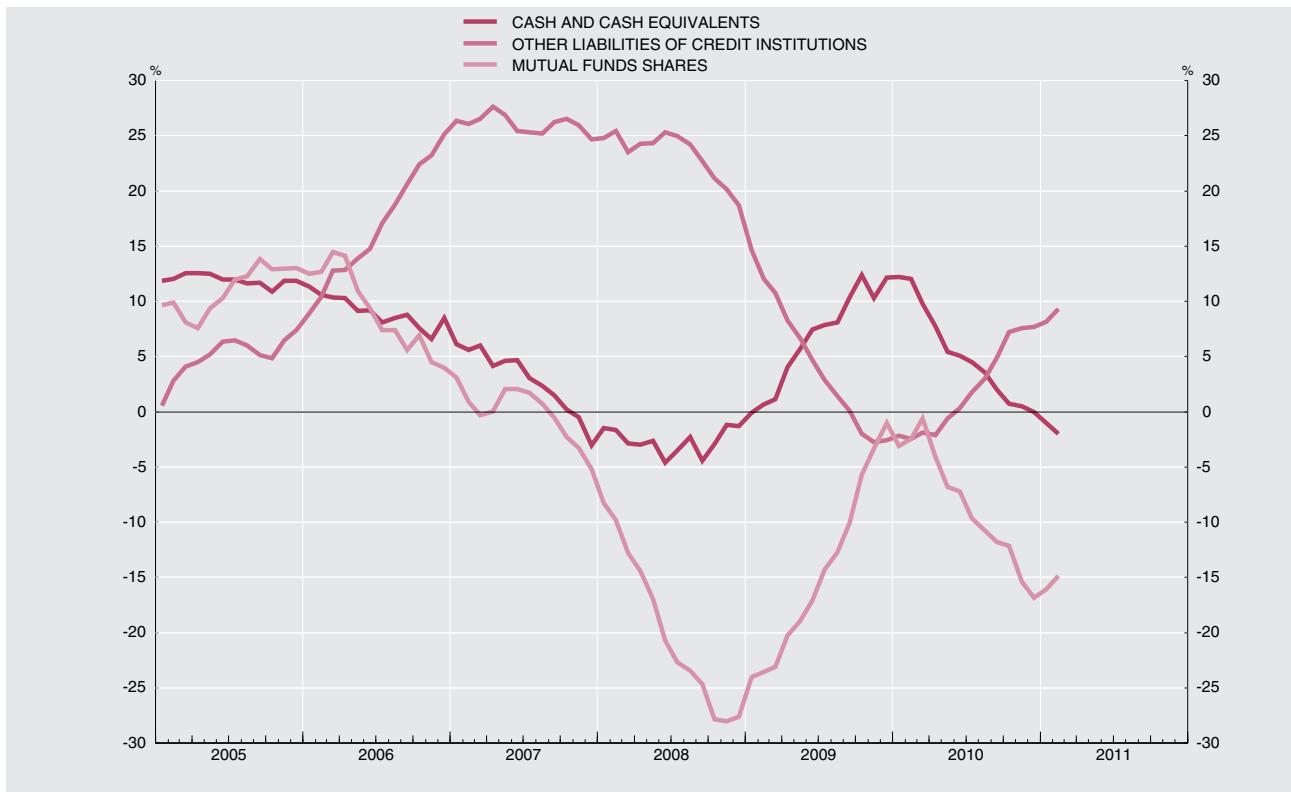
**8.4 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES
OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)**

■ Series depicted in chart.

EUR millions and %

	Cash and cash equivalents				Other liabilities of credit institutions				Mutual funds shares			
	Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate	
			Cash	Deposits (b)			Other deposits (c)	Repos + credit instit. securit. + dep. in branches abroad			Fixed income in EUR (d)	Other
			1	2	3	4	5	6	7	8	9	10
08	357 712	-1.3	3.1	-2.7	428 924	18.7	24.2	-35.3	136 148	-27.6	-13.3	-38.7
09	401 274	12.2	2.8	15.3	417 822	-2.6	-3.5	14.0	134 738	-1.0	1.1	-3.4
10 P	401 270	-0.0	1.8	-0.5	449 896	7.7	6.9	20.8	112 032	-16.9	-31.6	0.1
09 Nov	388 964	10.3	2.2	13.0	414 538	-2.8	-3.5	10.1	133 210	-3.3	1.6	-8.8
Dec	401 274	12.2	2.8	15.3	417 822	-2.6	-3.5	14.0	134 738	-1.0	1.1	-3.4
10 Jan	398 239	12.2	3.3	15.1	418 599	-2.2	-3.3	20.6	133 489	-3.1	-2.7	-3.6
Feb	399 510	12.0	3.0	15.0	417 554	-2.5	-3.6	19.2	132 493	-2.5	-4.9	0.4
Mar	394 528	9.8	3.2	11.9	420 067	-1.9	-3.0	18.5	132 148	-0.6	-7.0	7.1
Apr	392 762	7.7	1.9	9.6	418 515	-2.1	-3.0	13.0	130 592	-4.1	-11.0	4.3
May	394 803	5.4	2.7	6.3	422 996	-0.6	-0.9	2.8	126 190	-6.8	-13.6	1.2
Jun	407 282	5.1	3.2	5.6	426 445	0.3	0.4	-0.4	122 824	-7.2	-16.8	4.0
Jul	405 355	4.5	3.3	4.9	432 708	1.8	1.7	2.0	119 913	-9.7	-22.6	5.8
Aug	397 942	3.5	3.3	3.6	436 393	3.0	2.8	6.4	119 485	-10.8	-24.4	5.7
Sep	394 647	2.0	3.3	1.6	440 263	4.9	4.7	8.3	118 020	-11.8	-27.3	7.5
Oct	P 393 319	0.7	2.5	0.2	444 376	7.2	6.9	13.1	116 920	-12.2	-28.4	7.8
Nov	P 390 837	0.5	1.9	0.1	445 974	7.6	7.0	16.8	112 678	-15.4	-30.8	3.5
Dec P	401 270	-0.0	1.8	-0.5	449 896	7.7	6.9	20.8	112 032	-16.9	-31.6	0.1
11 Jan P	394 242	-1.0	1.3	-1.7	452 641	8.1	7.5	18.3	112 048	-16.1	-32.9	3.2
Feb P	391 445	-2.0	0.9	-2.9	456 385	9.3	8.6	19.8	112 769	-14.9	-32.9	5.0

HOUSEHOLDS AND NPISH
Annual percentage change



Source: BE.

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

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

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

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

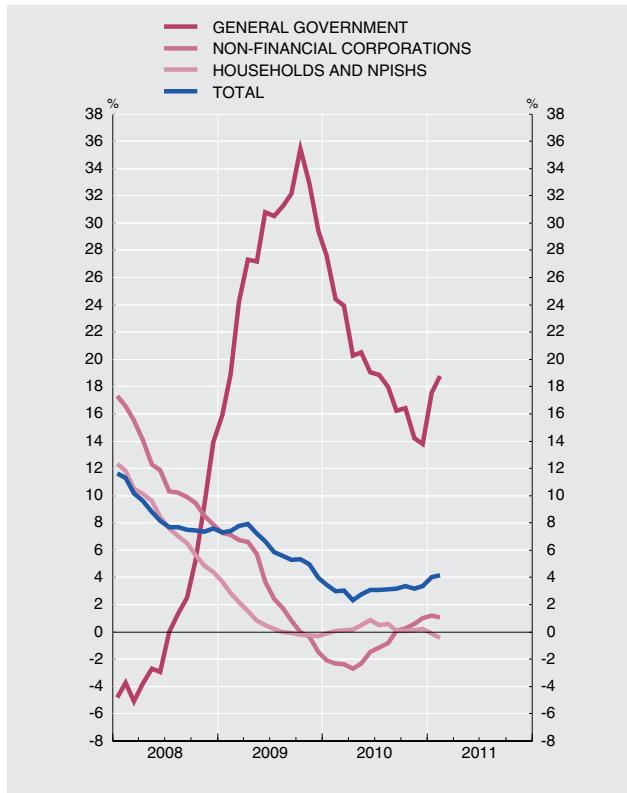
8.5. FINANCING OF NON-FINANCIAL SECTORS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

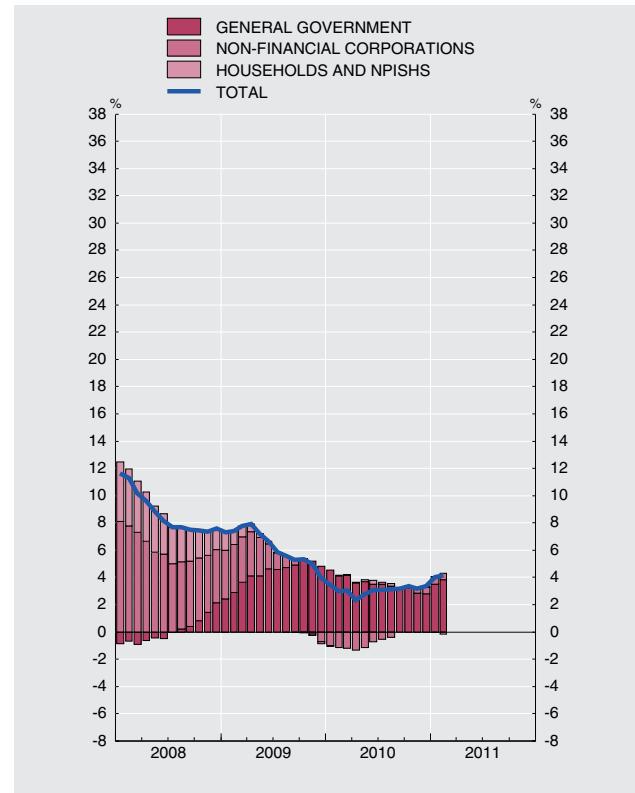
EUR millions and %

	Total			Annual growth rate								Contribution to col. 3						
	Stocks	Effect- ive flow	Annual growth rate	General gov- ern- ment (b)	Non-financial corp. and households and NPISHs					General gov- ern- ment (b)	Non-financial corp. and households and NPISHs							
					By sectors		By instruments				By sectors		By instruments					
					Non- finan- cial corpo- ra- tions	House- olds and NPISHs	Credit institu- tions' loans & securit. funds	Securi- ties other than shares	Exter- nal loans		Non- finan- cial corpo- ra- tions	House- olds and NPISHs	Credit institu- tions' loans & securit. funds	Securi- ties other than shares	Exter- nal loans			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
08	2 650 066	187 316	7.6	13.9	6.4	7.9	4.4	5.6	12.1	10.9	2.1	5.4	3.9	1.6	4.0	0.2	1.3	
09	2 774 277	105 470	4.0	29.5	-1.0	-1.5	-0.3	-2.0	36.9	-0.3	4.8	-0.8	-0.7	-0.1	-1.4	0.6	-0.0	
10	2 850 956	92 772	3.3	13.8	0.7	1.0	0.2	-0.4	14.9	4.2	2.8	0.6	0.5	0.1	-0.3	0.3	0.5	
09 Nov	2 774 817	20 184	5.0	32.9	-0.3	-0.3	-0.2	-1.7	33.6	3.9	5.2	-0.3	-0.2	-0.1	-1.2	0.5	0.5	
Dec	2 774 277	-5 691	4.0	29.5	-1.0	-1.5	-0.3	-2.0	36.9	-0.3	4.8	-0.8	-0.7	-0.1	-1.4	0.6	-0.0	
10 Jan	2 759 671	-13 662	3.4	27.6	-1.3	-2.1	-0.1	-2.3	33.4	-0.3	4.5	-1.1	-1.0	-0.0	-1.6	0.5	-0.0	
Feb	2 764 178	5 770	3.0	24.4	-1.3	-2.3	0.1	-2.2	29.7	-0.9	4.1	-1.1	-1.1	0.0	-1.5	0.5	-0.1	
Mar	2 782 378	18 376	3.0	23.9	-1.4	-2.4	0.1	-2.1	32.7	-2.0	4.2	-1.1	-1.2	0.0	-1.4	0.6	-0.2	
Apr	2 788 267	4 992	2.3	20.3	-1.5	-2.7	0.2	-2.3	39.9	-2.8	3.6	-1.3	-1.3	0.1	-1.6	0.7	-0.3	
May	2 802 446	12 723	2.7	20.5	-1.2	-2.3	0.5	-2.0	43.1	-2.5	3.7	-0.9	-1.1	0.2	-1.4	0.7	-0.3	
Jun	2 825 990	24 681	3.1	19.1	-0.5	-1.5	0.9	-1.0	43.8	-3.5	3.5	-0.4	-0.7	0.3	-0.7	0.7	-0.4	
Jul	2 822 558	-2 405	3.1	18.9	-0.5	-1.1	0.5	-1.0	26.4	-1.7	3.5	-0.4	-0.6	0.2	-0.7	0.5	-0.2	
Aug	2 815 407	-6 924	3.1	18.0	-0.3	-0.8	0.6	-0.8	27.3	-1.4	3.4	-0.2	-0.4	0.2	-0.5	0.5	-0.2	
Sep	2 826 586	18 131	3.2	16.3	0.1	0.1	0.1	-0.7	28.9	-0.2	3.1	0.1	0.0	0.0	-0.4	0.5	-0.0	
Oct	2 842 681	16 839	3.4	16.4	0.2	0.3	0.1	-0.6	27.2	0.5	3.2	0.2	0.1	0.0	-0.4	0.5	0.1	
Nov	2 856 890	14 998	3.2	14.2	0.4	0.6	0.1	-0.4	18.5	1.6	2.8	0.3	0.3	0.0	-0.2	0.4	0.2	
Dec	2 850 956	-744	3.3	13.8	0.7	1.0	0.2	-0.4	14.9	4.2	2.8	0.6	0.5	0.1	-0.3	0.3	0.5	
11 Jan	P 2 856 202	5 177	4.0	17.5	0.7	1.2	-0.1	-0.4	11.7	4.6	3.5	0.5	0.6	-0.0	-0.3	0.2	0.6	
Feb	P 2 864 934	9 455	4.2	18.8	0.4	1.1	-0.5	-0.9	14.9	5.3	3.8	0.4	0.5	-0.1	-0.6	0.3	0.6	

FINANCING OF NON-FINANCIAL SECTORS
Annual percentage change



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



Source: BE.

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

b. Total liabilities (consolidated). Inter-general government liabilities are deducted.

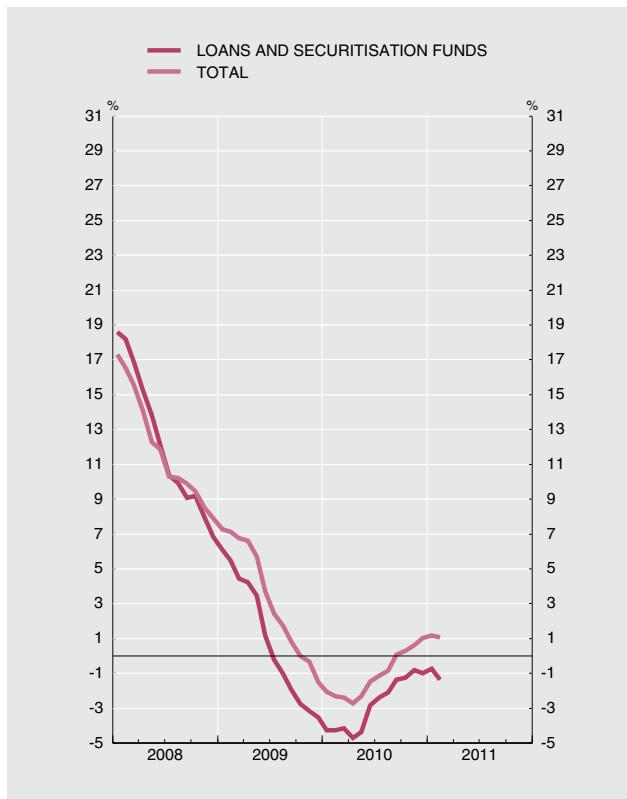
8.6. FINANCING OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

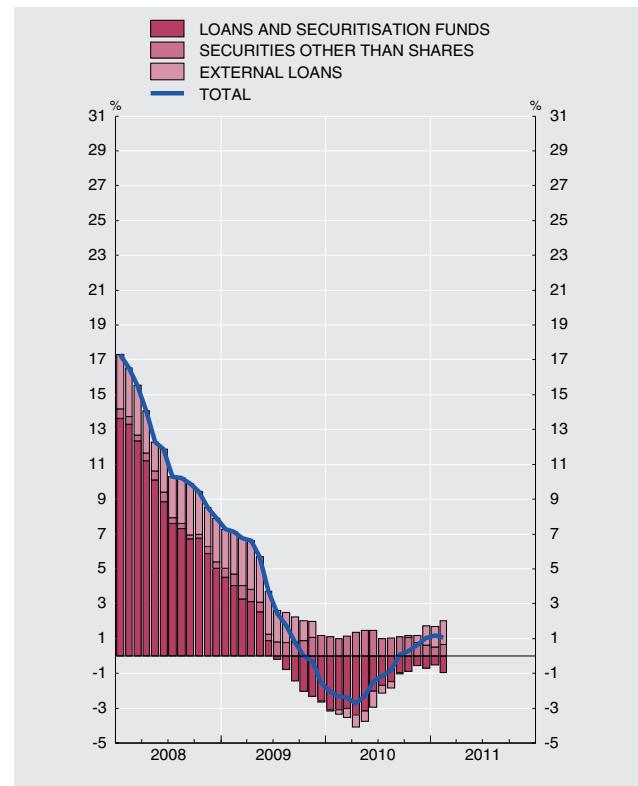
EUR millions and %

	Total			Resident credit institutions' loans and off-balance-sheet securitised loans			Securities other than shares (b)			External loans			Memorandum items: off-balance-sheet securitised loans	
	Stocks	Effective flow	Annual growth rate	Stocks	Annual growth rate	Contribution to col.3	Stocks	of which Issues by resident financial subsid.	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
08	1 305 918	95 981	7.9	954 134	6.8	5.0	41 063	25 648	12.1	0.4	310 721	10.8	2.5	2 060
09	1 309 201	-19 512	-1.5	916 361	-3.5	-2.6	56 199	40 095	36.9	1.2	336 642	-0.3	-0.1	1 256
10	P 1 313 383	13 282	1.0	897 474	-1.0	-0.7	64 551	47 129	14.9	0.6	351 358	4.2	1.1	1 575
09 Nov	1 310 944	-1 302	-0.3	918 859	-3.1	-2.3	55 029	39 262	33.6	1.1	337 056	3.8	0.9	1 418
Dec	1 309 201	-7 856	-1.5	916 361	-3.5	-2.6	56 199	40 095	36.9	1.2	336 642	-0.3	-0.1	1 256
10 Jan	1 302 686	-5 844	-2.1	909 624	-4.3	-3.1	57 569	41 388	33.4	1.1	335 492	-0.3	-0.1	1 220
Feb	1 300 915	-785	-2.3	908 079	-4.3	-3.1	57 812	41 445	29.7	1.0	335 023	-1.0	-0.2	1 187
Mar	1 304 047	2 814	-2.4	907 617	-4.2	-3.0	60 162	43 130	32.7	1.1	336 268	-2.1	-0.5	1 140
Apr	1 308 527	3 260	-2.7	904 876	-4.7	-3.4	63 890	45 873	39.9	1.4	339 761	-2.8	-0.7	1 187
May	1 312 095	1 850	-2.3	906 048	-4.4	-3.1	64 385	46 658	43.1	1.5	341 662	-2.5	-0.6	1 351
Jun	1 314 296	2 037	-1.5	907 970	-2.8	-2.0	63 812	46 358	43.8	1.5	342 514	-3.6	-0.9	1 856
Jul	1 316 736	3 156	-1.1	907 752	-2.4	-1.7	62 937	45 523	26.4	1.0	346 047	-1.7	-0.4	1 783
Aug	1 311 477	-5 350	-0.8	900 944	-2.1	-1.5	62 889	45 826	27.3	1.0	347 643	-1.5	-0.4	1 697
Sep	1 316 280	10 796	0.1	904 894	-1.4	-1.0	63 505	45 941	28.9	1.1	347 881	-0.2	-0.1	1 493
Oct	P 1 316 957	837	0.3	904 270	-1.3	-0.9	64 523	46 973	27.2	1.1	348 164	0.4	0.1	1 593
Nov	P 1 319 790	3 152	0.6	903 780	-0.8	-0.6	65 222	47 763	18.5	0.8	350 788	1.5	0.4	1 597
Dec	P 1 313 383	-2 643	1.0	897 474	-1.0	-0.7	64 551	47 129	14.9	0.6	351 358	4.2	1.1	1 575
11 Jan	P 1 309 713	-3 700	1.2	892 949	-0.7	-0.5	64 286	46 909	11.7	0.5	352 477	4.6	1.2	1 451
Feb	P 1 306 946	-2 376	1.1	885 653	-1.4	-1.0	66 420	49 140	14.9	0.7	354 872	5.3	1.4	1 345

FINANCING OF NON-FINANCIAL CORPORATIONS Annual percentage change



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



Source: BE.

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

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

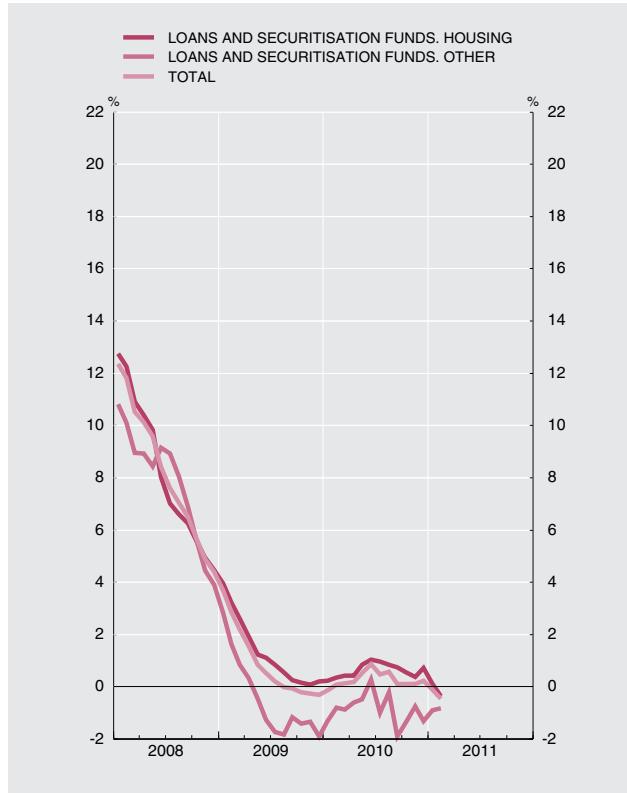
8.7. FINANCING OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

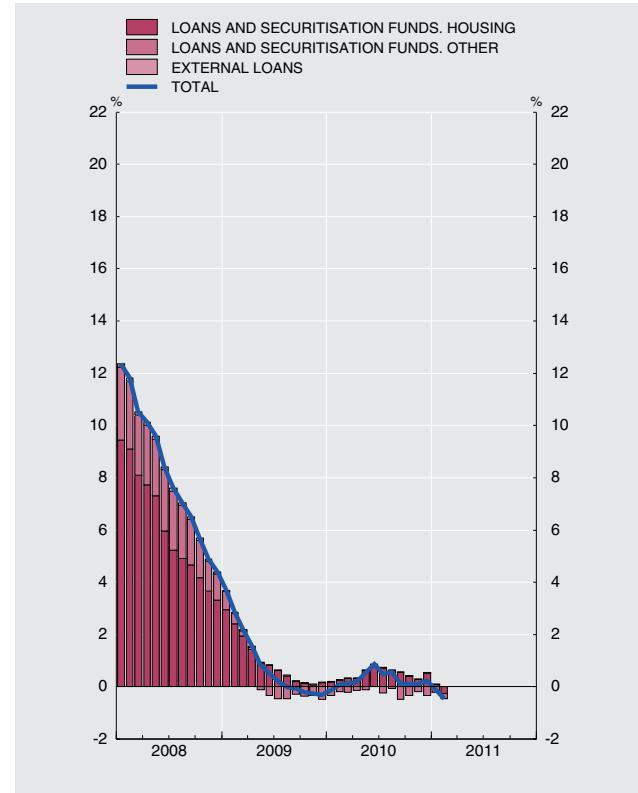
EUR millions and %

	Total			Resident credit institutions' loans and off-balance-sheet securitised loans. Housing			Resident credit institutions' loans and off-balance-sheet securitised loans. Other			External loans			Memorandum items: off-balance-sheet securitised loans	
	Stocks	Effective flow	Annual growth rate	Stocks	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	Housing	Other
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
08	910 537	38 386	4.4	678 448	4.5	3.3	229 712	3.9	1.0	2 376	33.6	0.1	23 304	4 436
09	903 756	-2 726	-0.3	678 552	0.2	0.1	221 824	-1.9	-0.5	3 381	11.0	0.0	23 986	2 986
10	P 898 806	2 041	0.2	679 867	0.7	0.5	215 348	-1.3	-0.3	3 592	4.9	0.0	17 070	1 628
09 Nov	909 509	5 631	-0.2	678 402	0.1	0.1	227 716	-1.3	-0.3	3 390	12.0	0.0	24 623	3 040
Dec	903 756	-4 790	-0.3	678 552	0.2	0.1	221 824	-1.9	-0.5	3 381	11.0	0.0	23 986	2 986
10 Jan	902 421	-1 065	-0.1	678 682	0.2	0.2	220 331	-1.3	-0.3	3 409	5.1	0.0	23 798	2 894
Feb	901 351	-793	0.1	678 908	0.4	0.3	219 020	-0.8	-0.2	3 423	4.8	0.0	23 564	2 784
Mar	899 768	-1 090	0.1	678 919	0.4	0.3	217 407	-0.9	-0.2	3 442	3.3	0.0	23 445	2 705
Apr	900 953	1 507	0.2	678 955	0.4	0.3	218 546	-0.6	-0.1	3 452	3.1	0.0	23 175	2 603
May	902 715	2 022	0.5	680 525	0.8	0.6	218 728	-0.5	-0.1	3 462	3.0	0.0	22 777	2 488
Jun	911 169	9 757	0.9	680 328	1.0	0.8	227 379	0.3	0.1	3 462	2.5	0.0	19 891	2 407
Jul	904 987	-5 872	0.5	680 760	1.0	0.7	220 755	-1.0	-0.2	3 471	2.4	0.0	19 834	2 311
Aug	903 219	-1 451	0.6	679 165	0.8	0.6	220 542	-0.2	-0.1	3 512	3.4	0.0	19 271	2 156
Sep	898 411	-3 848	0.1	678 448	0.7	0.6	216 448	-1.9	-0.5	3 515	3.1	0.0	19 216	2 070
Oct	P 898 702	874	0.1	677 838	0.5	0.4	217 289	-1.3	-0.3	3 575	4.5	0.0	18 914	2 009
Nov	P 903 952	5 719	0.1	677 590	0.4	0.3	222 772	-0.8	-0.2	3 589	4.6	0.0	17 285	1 773
Dec	P 898 806	-3 720	0.2	679 867	0.7	0.5	215 348	-1.3	-0.3	3 592	4.9	0.0	17 070	1 628
11 Jan	P 894 728	-4 119	-0.1	675 973	0.1	0.1	215 147	-0.9	-0.2	3 608	4.3	0.0	16 724	1 525
Feb	P 890 541	-3 853	-0.5	672 959	-0.4	-0.3	213 962	-0.8	-0.2	3 620	4.2	0.0	16 042	1 491

FINANCING OF HOUSEHOLDS AND NPISHS
Annual percentage change



FINANCING OF HOUSEHOLDS AND NPISHS
Contributions to the annual percentage change



Source: BE.

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

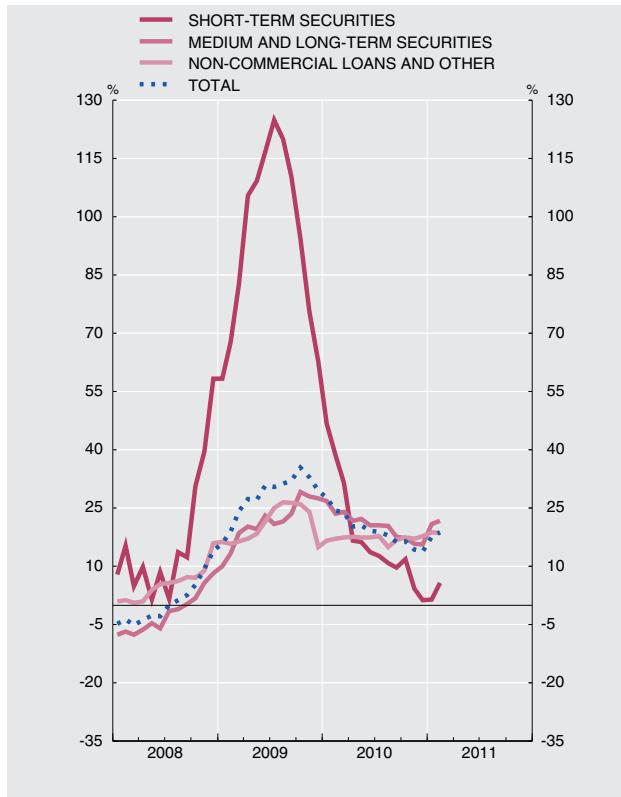
8.8. GROSS FINANCING OF SPAIN'S GENERAL GOVERNMENT

■ Series depicted in chart.

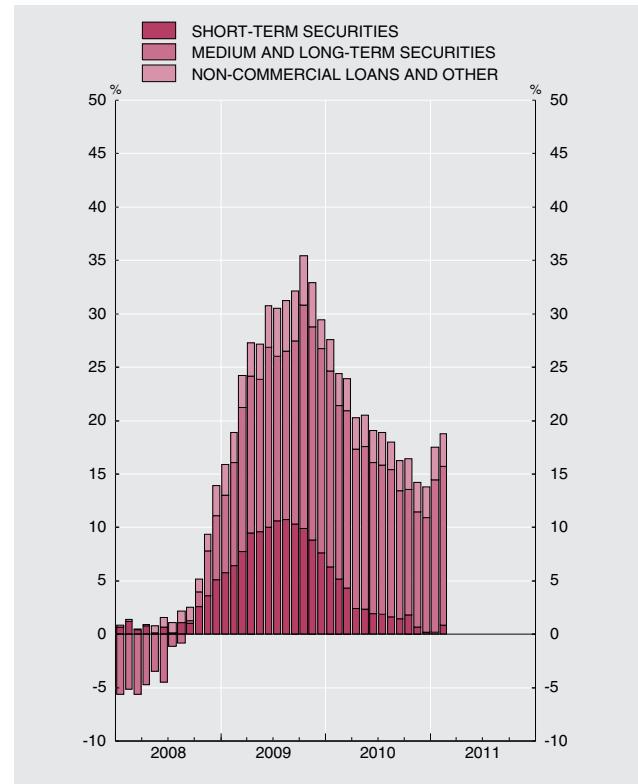
EUR millions and %

	Gross financing			Short-term securities				Medium and long term securities				Non Comercial Loans and Others (b)			
	EDP Debt (a)	Monthly change	12 month % change	Total	Monthly change	12 month % change	Contribution to 12-month % change	Total	Monthly change	12 month % change	Contribution to 12-month % change	Total	Monthly change	12 month % change	Contribution to 12-month % change
	1=4+8+12	2=5+9+13	3	4	5	6	7	8	9	10	11	12	13	14	15
07	380 661	-8 847	-2.3	33 397	823	2.5	0.2	279 872	-9 001	-3.1	-2.3	67 392	-668	-1.0	-0.2
08	433 611	52 950	13.9	52 876	19 479	58.3	5.1	302 656	22 784	8.1	6.0	78 079	10 687	15.9	2.8
09	P 561 319	127 708	29.5	86 003	33 127	62.7	7.6	385 561	82 905	27.4	19.1	89 755	11 676	15.0	2.7
10	A 638 767	77 448	13.8	87 119	1 116	1.3	0.2	445 903	60 342	15.7	10.8	105 745	15 990	17.8	2.8
09 Sep	P 526 351	17 143	32.1	78 476	1 964	110.3	10.3	359 155	14 033	23.5	17.2	88 721	1 146	26.4	4.6
Oct	P 538 510	12 158	35.4	81 328	2 852	94.3	9.9	367 883	8 729	29.1	20.9	89 298	578	26.0	4.6
Nov	P 554 363	15 854	32.9	85 523	4 195	75.6	8.8	379 926	12 043	28.0	19.9	88 915	-384	24.0	4.1
Dec	P 561 319	6 955	29.5	86 003	480	62.7	7.6	385 561	5 635	27.4	19.1	89 755	840	15.0	2.7
10 Jan	P 554 565	-6 754	27.6	85 772	-231	46.8	6.3	377 661	-7 900	26.7	18.3	91 132	1 377	16.5	3.0
Feb	P 561 912	7 347	24.4	83 533	-2 238	38.6	5.1	385 513	7 852	23.5	16.3	92 865	1 733	17.1	3.0
Mar	P 578 563	16 651	23.9	84 644	1 111	31.4	4.3	399 788	14 274	24.0	16.6	94 131	1 266	17.4	3.0
Apr	P 578 787	224	20.3	81 354	-3 290	16.7	2.4	402 724	2 936	21.7	14.9	94 710	579	17.6	3.0
May	P 587 637	8 850	20.5	81 750	397	16.2	2.3	409 152	6 428	22.2	15.2	96 735	2 025	17.3	2.9
Jun	P 600 524	12 887	19.1	81 616	-135	13.7	1.9	417 901	8 749	20.6	14.1	101 008	4 273	17.5	3.0
Jul	P 600 835	311	18.9	83 409	1 793	12.7	1.9	414 997	-2 904	20.5	14.0	102 429	1 421	17.8	3.1
Aug	P 600 712	-123	18.0	84 768	1 359	10.8	1.6	415 245	248	20.3	13.8	100 699	-1 730	15.0	2.6
Sep	P 611 894	11 183	16.3	86 110	1 342	9.7	1.5	422 179	6 934	17.5	12.0	103 606	2 907	16.8	2.8
Oct	A 627 022	15 127	16.4	90 961	4 852	11.8	1.8	431 169	8 990	17.2	11.8	104 892	1 286	17.5	2.9
Nov	A 633 149	6 127	14.2	89 112	-1 849	4.2	0.6	439 944	8 775	15.8	10.8	104 093	-799	17.1	2.7
Dec	A 638 767	5 618	13.8	87 119	-1 993	1.3	0.2	445 903	5 959	15.7	10.8	105 745	1 652	17.8	2.8
11 Jan	A 651 762	12 995	17.5	86 945	-174	1.4	0.2	456 643	10 740	20.9	14.2	108 174	2 429	18.7	3.1
Feb	A 667 415	15 653	18.8	88 258	1 312	5.7	0.8	469 031	12 388	21.7	14.9	110 127	1 953	18.6	3.1

GROSS FINANCING OF GENERAL GOVERNMENT
Annual percentage changes



GROSS FINANCING OF GENERAL GOVERNMENT
Contributions to the annual percentage change



FUENTE: BE.

a.Debt according to Excessive Deficit Procedure (EDP).Consolidated nominal gross debt.

b.Including coined money and Caja General de Depositos

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

■ Series depicted in chart.

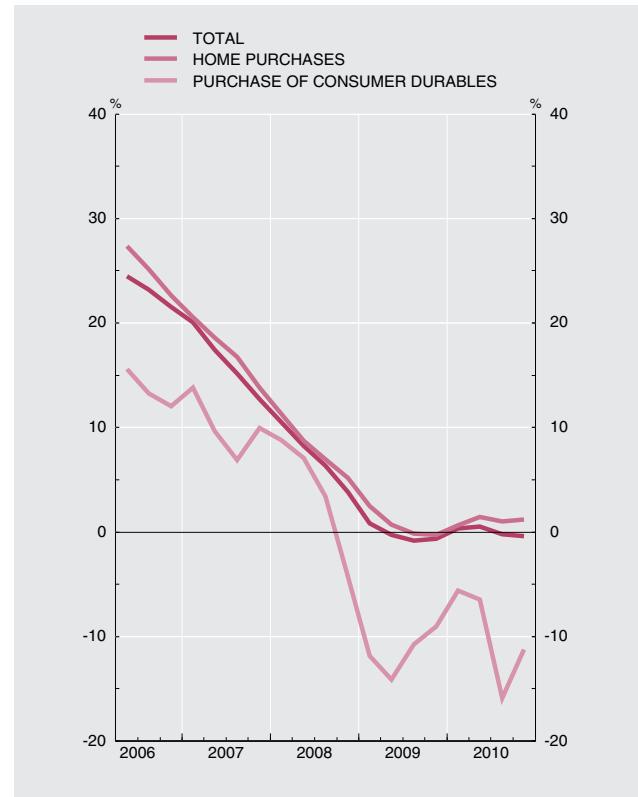
EUR millions and percentages

	Total (a)	Financing of productive activities						Financing of individuals					Finan- cing of private non- profit institu- tions (b)	Unclass- ified (c)	Memo- randum item: con- struction and housing (d)
		Total	Agricul- ture and fish- eries	Industry exclud- ing construc- tion	Con- struc- tion	Services Of which		Total	Home purchases and improvements	Of which	Pur- chases of con- sumer durables	Other (b)			
		1	2	3	4	5	6	7	8	9	10	11	12		
07	1 760 213	943 086	25 245	141 571	153 453	622 818	303 514	789 250	623 540	595 929	56 576	109 133	6 089	21 788	1 080 507
08	1 869 882	1 016 948	26 244	156 141	151 848	682 716	318 032	819 412	655 145	626 620	54 176	110 092	6 091	27 431	1 125 024
09	1 837 038	991 363	23 123	152 199	130 438	685 602	322 984	813 939	654 566	624 755	49 273	110 101	5 523	26 213	1 107 988
06 Q3	1 419 973	728 058	22 460	115 266	127 420	462 911	216 642	666 972	523 184	498 793	50 552	93 236	5 359	19 584	867 247
Q4	1 508 626	781 644	23 014	119 488	134 317	504 825	244 050	700 294	548 740	523 595	51 461	100 094	5 704	20 983	927 107
07 Q1	1 569 169	816 098	23 436	121 148	137 836	533 678	264 653	726 179	570 989	545 190	52 713	102 477	5 743	21 149	973 479
Q2	1 652 352	869 174	24 294	132 145	144 552	568 184	282 081	754 726	593 655	567 062	53 898	107 174	5 955	22 497	1 020 287
Q3	1 706 126	910 001	25 085	140 332	150 341	594 243	292 599	768 197	609 791	582 505	54 035	104 371	6 106	21 822	1 052 731
Q4	1 760 213	943 086	25 245	141 571	153 453	622 818	303 514	789 250	623 540	595 929	56 576	109 133	6 089	21 788	1 080 507
08 Q1	1 793 356	962 331	25 003	143 816	154 237	639 275	311 272	802 258	635 010	606 807	57 357	109 891	5 804	22 962	1 100 519
Q2	1 838 174	991 307	25 727	148 218	155 600	661 762	313 176	817 074	645 286	616 487	57 726	114 062	5 952	23 840	1 114 062
Q3	1 852 563	1 005 670	26 593	155 481	156 363	667 233	315 444	816 755	651 958	623 101	55 859	108 938	6 063	24 075	1 123 765
Q4	1 869 882	1 016 948	26 244	156 141	151 848	682 716	318 032	819 412	655 145	626 620	54 176	110 092	6 091	27 431	1 125 024
09 Q1	1 861 734	1 018 902	24 472	158 905	143 515	692 011	324 222	808 715	651 495	621 811	50 560	106 660	5 125	28 991	1 119 231
Q2	1 861 005	1 007 492	23 732	158 800	134 690	690 271	324 664	815 068	651 564	620 920	49 583	113 922	5 382	33 063	1 110 917
Q3	1 846 010	996 650	23 576	153 070	134 045	685 959	324 439	810 149	652 434	622 122	49 840	107 875	5 457	33 754	1 110 918
Q4	1 837 038	991 363	23 123	152 199	130 438	685 602	322 984	813 939	654 566	624 755	49 273	110 101	5 523	26 213	1 107 988
10 Q1	1 827 087	985 197	22 791	149 368	126 464	686 574	322 820	811 242	655 474	625 856	47 716	108 053	5 372	25 276	1 104 758
Q2	1 847 066	994 441	23 366	152 413	124 054	694 607	321 946	821 460	660 436	630 104	44 712	116 312	5 840	25 326	1 106 436
Q3	1 837 172	991 373	23 456	152 031	121 514	694 373	320 089	810 717	659 232	628 696	40 259	111 225	5 743	29 339	1 100 835
Q4	1 843 949	985 151	23 127	152 374	114 517	695 133	315 781	812 781	662 797	632 448	42 069	107 916	6 096	39 920	1 093 094

CREDIT BY END-USE
Annual percentage changes (c)



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



SOURCE: BE.

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

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

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

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

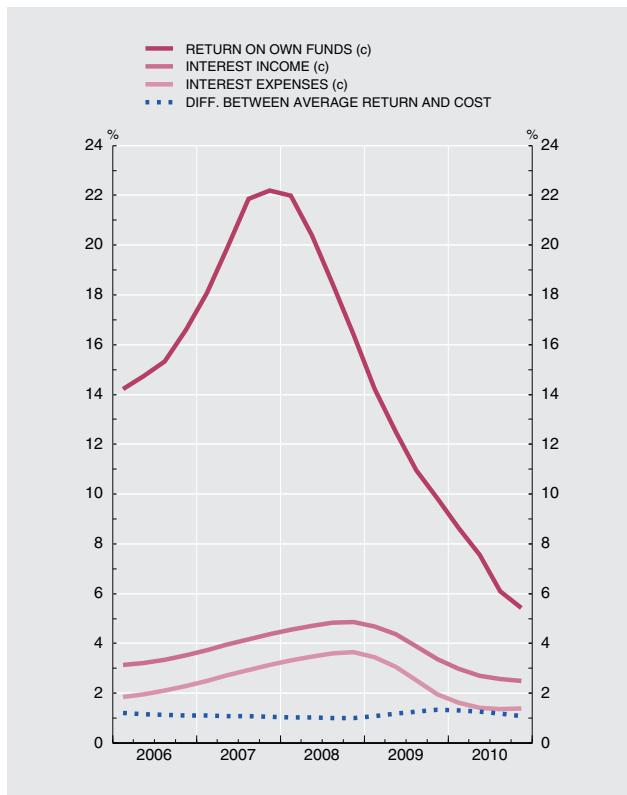
8.10. PROFIT AND LOSS ACCOUNT OF BANKS, SAVINGS BANKS AND CREDIT CO-OPERATIVES RESIDENT IN SPAIN

■ Series depicted in chart.

	As a percentage of the adjusted average balance sheet											Percentages			
	Interest income	Interest expenses	Net interest income	Return on equity instruments and non interest income	Gross income	Operating expenses:	Of which:	Other operating income	Adjusted net income	Other net income	Profit before tax	Average return on own funds (a)	Average return on lending operations (b)	Average cost of borrowing operations (b)	Difference (12-13)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
07	4.7	3.5	1.2	1.3	2.5	1.1	0.7	0.6	0.9	0.4	1.0	20.8	4.6	3.6	1.0
08	4.8	3.6	1.2	1.0	2.1	1.0	0.6	1.1	0.1	0.3	0.2	12.5	5.1	4.2	1.0
09	2.8	1.4	1.4	0.9	2.2	1.0	0.6	0.8	0.5	0.8	-0.2	8.0	3.6	2.3	1.3
07 Q4	4.7	3.5	1.2	1.3	2.5	1.1	0.7	0.6	0.9	0.4	1.0	20.8	4.6	3.6	1.0
08 Q1	4.8	3.5	1.2	1.1	2.4	1.0	0.6	0.3	1.0	0.0	1.0	20.1	4.8	3.8	1.0
Q2	4.9	3.6	1.2	1.3	2.5	1.0	0.6	0.6	0.9	0.1	1.0	16.9	5.0	3.9	1.0
Q3	5.0	3.8	1.2	0.9	2.1	1.0	0.6	0.5	0.6	0.1	0.7	16.1	5.1	4.1	1.0
Q4	4.8	3.6	1.2	1.0	2.1	1.0	0.6	1.1	0.1	0.3	0.2	12.5	5.1	4.2	1.0
09 Q1	4.1	2.7	1.4	0.7	2.1	0.9	0.6	0.5	0.6	0.3	0.8	11.4	5.0	3.9	1.1
Q2	3.5	2.1	1.5	0.9	2.4	0.9	0.6	0.8	0.7	0.2	0.6	10.0	4.7	3.5	1.2
Q3	3.0	1.6	1.4	0.7	2.1	0.9	0.6	0.6	0.5	0.3	0.7	9.9	4.2	2.9	1.3
Q4	2.8	1.4	1.4	0.9	2.2	1.0	0.6	0.8	0.5	0.8	-0.2	8.0	3.6	2.3	1.3
10 Q1	2.5	1.3	1.2	0.8	2.0	0.9	0.6	0.6	0.5	0.1	0.4	6.6	3.2	1.9	1.3
Q2	2.5	1.3	1.2	1.1	2.3	0.9	0.6	0.8	0.5	0.2	0.4	5.7	2.9	1.6	1.3
Q3	2.5	1.4	1.1	0.9	1.9	0.9	0.6	0.6	0.4	0.2	0.3	4.0	2.7	1.6	1.2
Q4	2.5	1.6	1.0	1.1	2.1	1.0	0.6	0.7	0.4	0.5	0.1	5.4	2.7	1.6	1.1

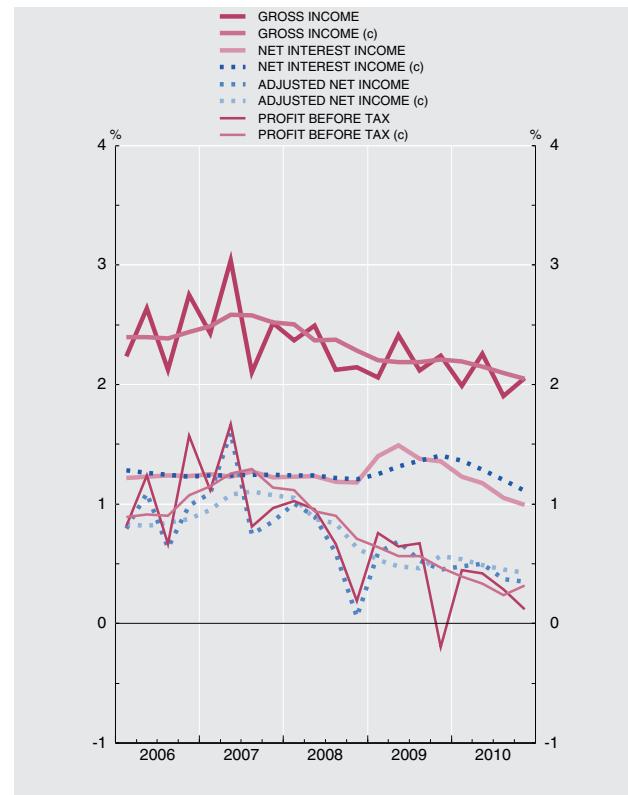
PROFIT AND LOSS ACCOUNT

Percentages of the adjusted average balance sheet and returns



PROFIT AND LOSS ACCOUNT

Percentages of the adjusted average balance sheet



Source: BE.

Note: The underlying series for this indicator are in Table 4.36 of the BE Boletín estadístico.

a. Profit before tax divided by own funds.

b. Only those financial assets and liabilities which respectively give rise to financial income and costs have been considered to calculate the average return and cost.

c. Average of the last four quarters.

8.11. MUTUAL FUNDS RESIDENT IN SPAIN

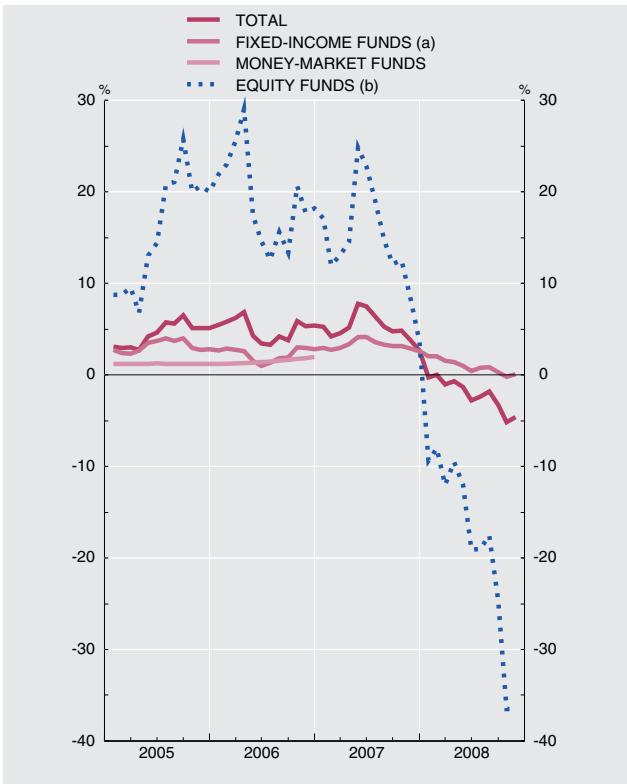
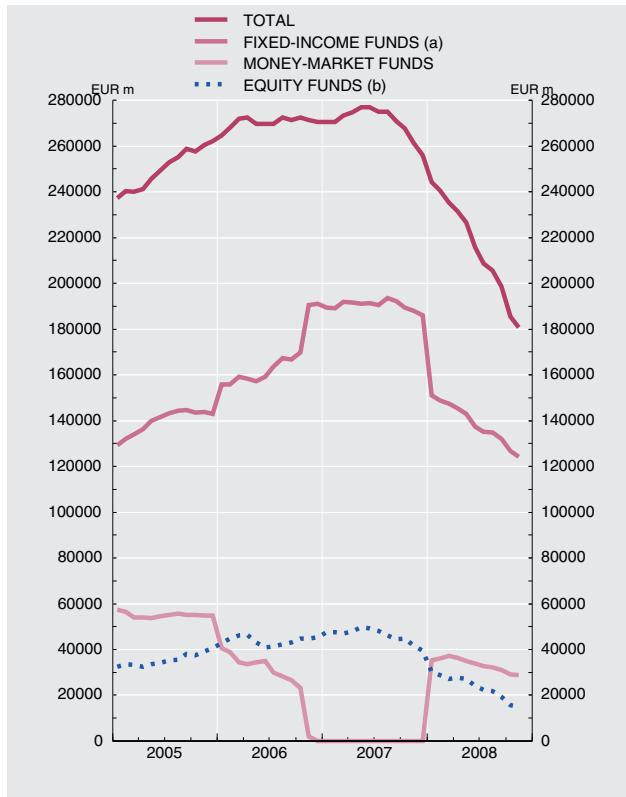
■ Series depicted in chart.

EUR millions

	Total				Money-market funds				Fixed-income funds (a)				Equity funds (b)				Others funds (c)
	Net asset value	Monthly change	Of which	Return over last 12 months	Net asset value	Monthly change	Of which	Return over last 12 months	Net asset value	Monthly change	Of which	Return over last 12 months	Net asset value	Monthly change	Of which	Return over last 12 months	Net asset value
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
05	262 201	26 113	14 270	5.1	54 751	-3 237	-3 881	1.2	143 047	15 312	12 061	2.8	40 672	8 649	2 303	20.0	23 730
06	270 407	8 206	-10 861	5.4	106	-54 645	-55 113	2.0	191 002	47 954	39 212	2.8	45 365	4 693	-2 189	18.2	33 934
07	256 055	-14 352	-22 008	2.6	-	-106	-106	...	185 963	-5 039	-8 287	2.6	39 449	-5 916	-7 179	3.6	30 643
07 Aug	275 016	-19	-242	5.3	-	-	-	...	193 565	3 073	2 697	3.3	46 136	-2 060	-1 421	14.7	35 314
Sep	270 736	-4 279	-5 439	4.8	-	-	-	...	192 289	-1 277	-1 624	3.1	44 560	-1 576	-1 877	12.1	33 887
Oct	267 586	-3 151	-6 069	4.8	-	-	-	...	189 387	-2 902	-3 907	3.1	44 816	255	-1 196	12.5	33 383
Nov	261 331	-6 255	-4 310	3.8	-	-	-	...	188 057	-1 330	-1 536	2.9	41 620	-3 196	-1 640	8.3	31 654
Dec	256 055	-5 276	-4 537	2.6	-	-	-	...	185 963	-2 094	-1 919	2.6	39 449	-2 171	-1 417	3.6	30 643
08 Jan	244 286	-11 769	-6 863	-0.3	35 111	35 111	1 027	...	151 093	-34 870	531	2.0	30 184	-9 265	-5 341	-9.4	27 898
Feb	240 462	-3 824	-4 123	0.0	36 169	1 058	-10	...	148 946	-2 147	-1 376	2.0	28 813	-1 371	-1 319	-8.0	26 534
Mar	235 174	-5 288	-3 933	-1.1	37 340	1 171	-369	...	147 530	-1 415	-1 658	1.5	27 214	-1 599	-906	-12.0	23 090
Apr	231 723	-3 451	-5 458	-0.7	36 428	-912	-909	...	145 511	-2 019	-2 512	1.4	27 622	409	-839	-9.5	22 161
May	226 535	-5 187	-5 542	-1.3	35 029	-1 400	-1 590	...	142 921	-2 590	-2 562	1.0	27 159	-464	-627	-12.0	21 427
Jun	215 574	-10 961	-7 355	-2.8	33 849	-1 180	-1 569	...	137 444	-5 476	-3 950	0.4	24 008	-3 150	-753	-19.1	20 273
Jul	208 593	-6 982	-7 186	-2.4	32 589	-1 260	-1 628	...	135 012	-2 433	-2 798	0.7	22 309	-1 699	-1 354	-19.0	18 683
Aug	205 707	-2 886	-7 138	-1.8	32 125	-464	-549	...	134 723	-289	-711	0.8	21 922	-388	-5 444	-17.6	16 938
Sep	198 665	-7 042	-5 892	-3.3	30 927	-1 198	-1 176	...	131 932	-2 791	-2 863	0.3	19 242	-2 680	-972	-24.7	16 564
Oct	185 428	-13 237	-11 680	-5.2	29 165	-1 762	-1 796	...	126 590	-5 342	-7 323	-0.2	15 756	-3 486	-959	-36.5	13 917
Nov	180 835	-4 593	-4 363	-4.6	28 810	-355	-427	...	124 111	-2 479	-2 854	0.1	14 708	-1 048	-496	-36.5	13 207

NET ASSET VALUE

RETURN OVER LAST 12 MONTHS



SOURCES: CNMV and Inverco.

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

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

c. Global funds.

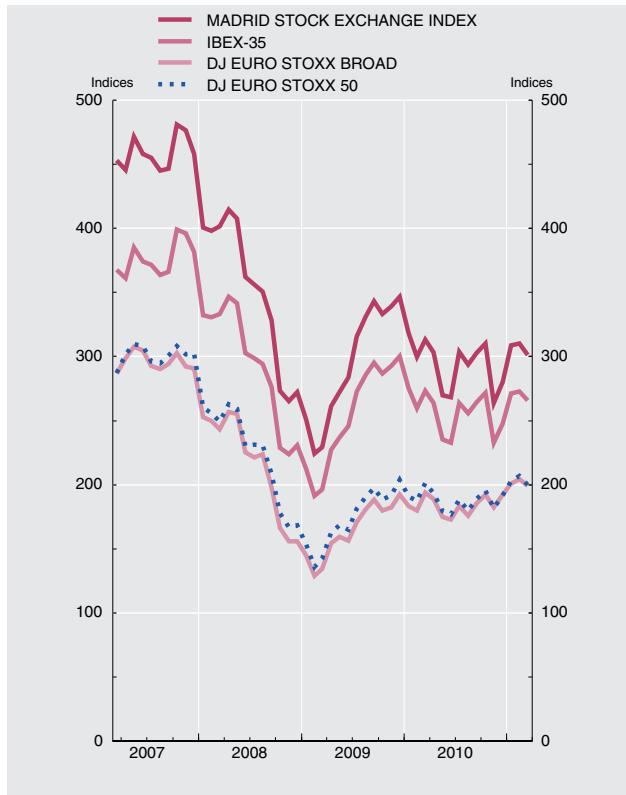
8.12. SHARE PRICE INDICES AND TURNOVER ON SECURITIES MARKETS. SPAIN AND EURO AREA

■ Series depicted in chart.

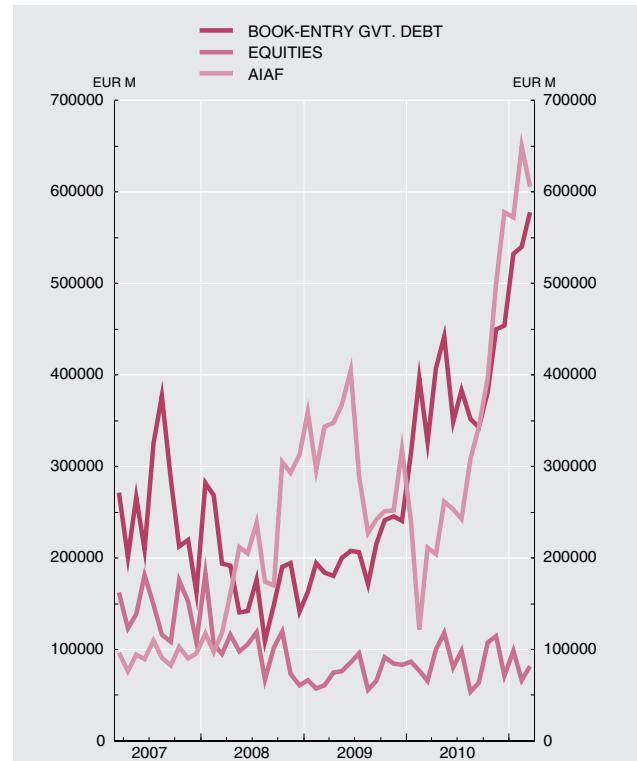
Indices, EUR millions and thousands of contracts

	Share price indices				Turnover on securities markets							
	General Madrid Stock Exchange	IBEX 35	Dow Jones EURO STOXX indices		Stock market		Book-entry government debt	AIAF fixed-income market	Financial options (thousands of contracts)		Financial futures (thousands of contracts)	
			Broad	50	Equities	Bonds			Fixed-income	Shares and other equities	Fixed-income	Shares and other equities
	1	2	3	4	5	6	7	8	9	10	11	12
09	1 055.69	10 107.91	235.02	2 529.03	898 195	75 103	2 448 490	3 699 008	-	33 946	-	5 752
10	1 053.39	10 203.05	262.36	2 737.05	1 038 259	67 454	4 597 749	3 660 872	-	37 904	-	6 639
11	A 1 098.10	10 740.89	287.39	2 957.41	247 224	13 300	1 649 394	1 828 169	-	8 417	-	1 665
09 Dec	1 241.72	11 940.00	274.78	2 966.24	82 938	6 319	240 634	319 010	...	3 727	...	423
10 Jan	1 140.57	10 947.70	261.87	2 776.83	86 985	5 193	313 732	240 235	...	3 461	...	482
<i>Feb</i>	1 074.18	10 333.60	256.81	2 728.47	76 836	9 121	396 603	121 869	...	3 158	...	545
<i>Mar</i>	1 123.08	10 871.30	277.00	2 931.16	65 520	4 485	326 695	211 340	...	3 283	...	528
<i>Apr</i>	1 086.68	10 492.20	269.34	2 816.86	100 108	5 352	406 736	204 246	...	2 088	...	667
<i>May</i>	966.64	9 359.40	249.82	2 610.26	118 350	4 176	442 094	261 511	...	3 036	...	872
<i>Jun</i>	960.79	9 263.40	246.38	2 573.32	80 641	5 013	349 054	253 096	...	3 866	...	642
<i>Jul</i>	1 088.62	10 499.80	261.65	2 742.14	98 411	4 761	383 009	242 812	...	2 610	...	532
<i>Aug</i>	1 052.73	10 187.00	251.15	2 622.95	53 667	4 420	351 521	308 542	...	2 280	...	415
<i>Sep</i>	1 085.03	10 514.50	264.43	2 747.90	63 353	5 259	342 963	342 945	...	3 296	...	450
<i>Oct</i>	1 111.28	10 812.90	274.34	2 844.99	107 818	4 759	381 546	396 506	...	2 359	...	454
<i>Nov</i>	944.91	9 267.20	260.19	2 650.99	114 931	10 151	449 857	500 240	...	4 053	...	570
<i>Dec</i>	1 003.73	9 859.10	274.45	2 792.82	71 638	4 765	453 940	577 528	...	4 412	...	481
11 Jan	1 105.31	10 806.00	286.41	2 953.63	98 865	4 101	532 103	572 367	...	2 992	...	581
<i>Feb</i>	1 111.25	10 850.80	291.83	3 013.09	66 520	3 982	539 541	649 957	...	2 243	...	511
<i>Mar</i>	P 1 079.01	10 576.50	284.36	2 910.91	81 839	5 217	577 751	605 845	...	3 182	...	573

SHARE PRICE INDICES JAN 1994 = 100



TURNOVER ON SECURITIES MARKETS



Sources: Madrid, Barcelona, Bilbao and Valencia Stock Exchanges (columns 1, 2, 5 and 6); Reuters (columns 3 and 4); AIAF (column 8) and Spanish Financial Futures Market (MEFFSA) (columns 9 to 12)

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

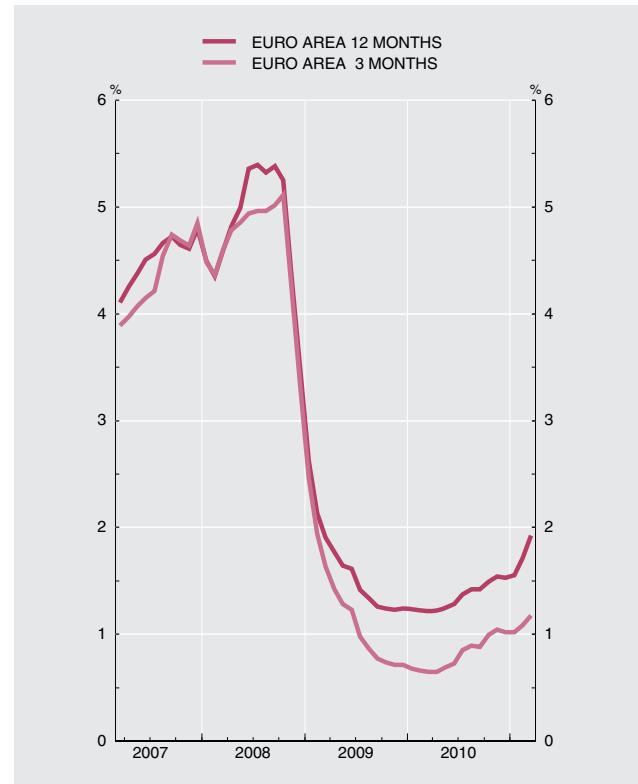
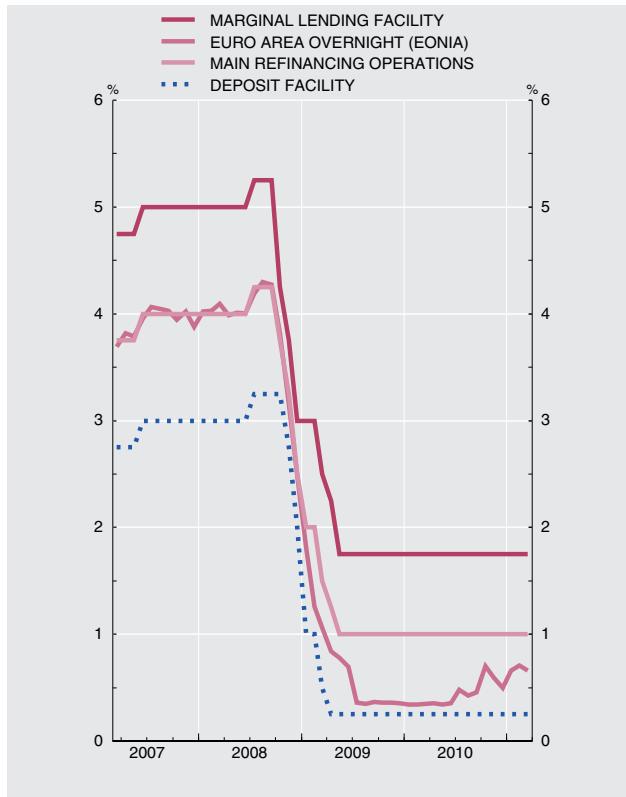
■ Series depicted in chart.

Averages of daily data. Percentages per annum

Eurosystem monetary policy operations			Money market																
Main refinancing operations: weekly tenders	Longer term refinancing operations: monthly tenders	Standing facilities	Euro area: deposits (Euribor) (a)							Spain									
			Margin- al lending	Deposit	Over-night (EONIA)	1-month	3-month	6-month	1-year	Non-transferable deposits				Government-securities repos					
						10	11	12	13	14	15	16	17	18	19	20	21		
09	1.00	1.00	1.75	0.25	0.714	0.89	1.22	1.43	1.62	0.67	0.94	1.23	1.41	1.62	0.61	0.63	0.67	0.84	
10	1.00	1.00	1.75	0.25	0.437	0.57	0.81	1.08	1.35	0.46	0.71	0.87	1.04	1.36	0.39	0.57	0.74	0.98	
11	A	1.00	1.00	1.75	0.25	0.674	0.86	1.09	1.36	1.73	0.67	1.07	1.09	1.36	1.68	0.61	0.90	1.11	-
09 Dec						0.48	0.71	1.00	1.24	0.32	0.50	0.70	0.96	1.24	0.27	0.32	0.40	0.70	
10 Jan	1.00	1.00	1.75	0.25	0.344	0.44	0.68	0.98	1.23	0.30	0.42	0.67	0.98	1.23	0.26	0.29	0.31	0.81	
Feb	1.00	1.00	1.75	0.25	0.341	0.42	0.66	0.97	1.23	0.31	0.42	0.65	0.94	1.33	0.27	0.31	0.36	0.80	
Mar	1.00	-	1.75	0.25	0.348	0.41	0.64	0.95	1.22	0.32	0.40	0.61	0.87	1.17	0.26	0.29	0.36	-	
Apr	1.00	1.00	1.75	0.25	0.353	0.40	0.64	0.96	1.23	0.32	0.42	0.64	0.84	1.21	0.26	0.27	0.33	0.79	
May	1.00	1.00	1.75	0.25	0.344	0.42	0.69	0.98	1.25	0.38	0.46	0.69	0.97	-	0.30	0.38	0.50	-	
Jun	1.00	1.00	1.75	0.25	0.354	0.45	0.73	1.01	1.28	0.55	0.80	1.07	1.00	1.27	0.42	0.72	0.97	-	
Jul	1.00	1.00	1.75	0.25	0.481	0.58	0.85	1.10	1.37	0.48	0.77	1.12	1.10	1.39	0.41	0.78	0.99	-	
Aug	1.00	1.00	1.75	0.25	0.426	0.64	0.90	1.15	1.42	0.38	0.85	1.00	1.16	1.43	0.33	0.65	0.87	1.50	
Sep	1.00	1.00	1.75	0.25	0.454	0.62	0.88	1.14	1.42	0.44	0.87	0.93	1.14	1.41	0.37	0.55	0.82	-	
Oct	1.00	1.00	1.75	0.25	0.701	0.78	1.00	1.22	1.50	0.69	1.01	0.95	1.20	1.48	0.64	0.78	1.11	-	
Nov	1.00	1.00	1.75	0.25	0.593	0.83	1.04	1.27	1.54	0.60	1.08	1.03	-	1.54	0.56	0.79	0.90	-	
Dec	1.00	1.00	1.75	0.25	0.498	0.81	1.02	1.25	1.53	0.67	1.04	1.08	1.25	1.52	0.57	1.00	1.31	-	
11 Jan	1.00	1.00	1.75	0.25	0.659	0.79	1.02	1.25	1.55	0.64	0.99	1.03	1.28	-	0.58	0.95	1.16	-	
Feb	1.00	1.00	1.75	0.25	0.707	0.89	1.09	1.35	1.71	0.70	1.11	1.08	1.34	1.68	0.65	0.90	1.07	-	
Mar	1.00	1.00	1.75	0.25	0.659	0.90	1.18	1.48	1.92	0.66	1.12	1.17	1.47	-	0.59	0.86	1.10	-	

EUROSYSTEM: MONETARY POLICY OPERATIONS AND EURO AREA OVERNIGHT DEPOSITS

INTERBANK MARKET: EURO AREA 3-MONTH AND 1-YEAR RATES



Source: ECB (columns 1 to 8).

a. To December 1998, synthetic euro area rates have been calculated on the basis of national rates weighted by GDP

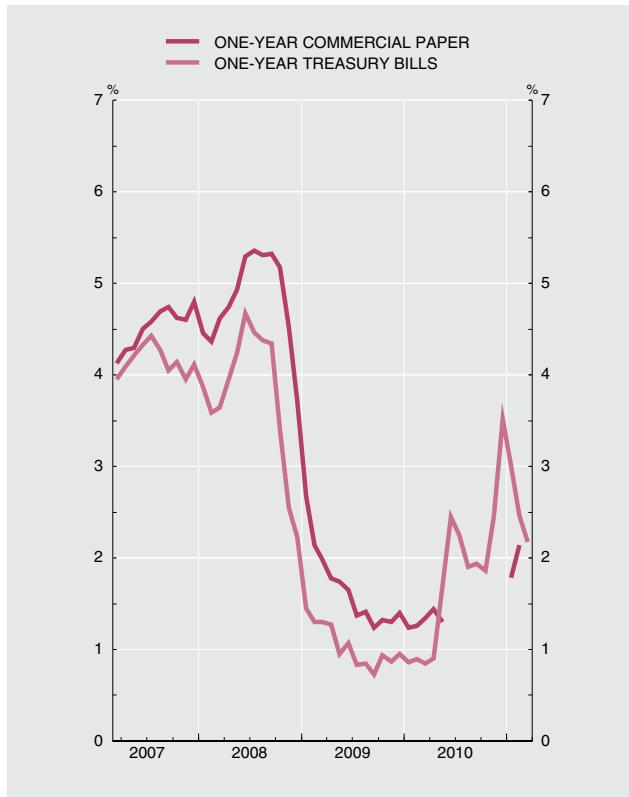
9.2. INTEREST RATES: SPANISH SHORT-TERM AND LONG-TERM SECURITIES MARKETS

■ Series depicted in chart.

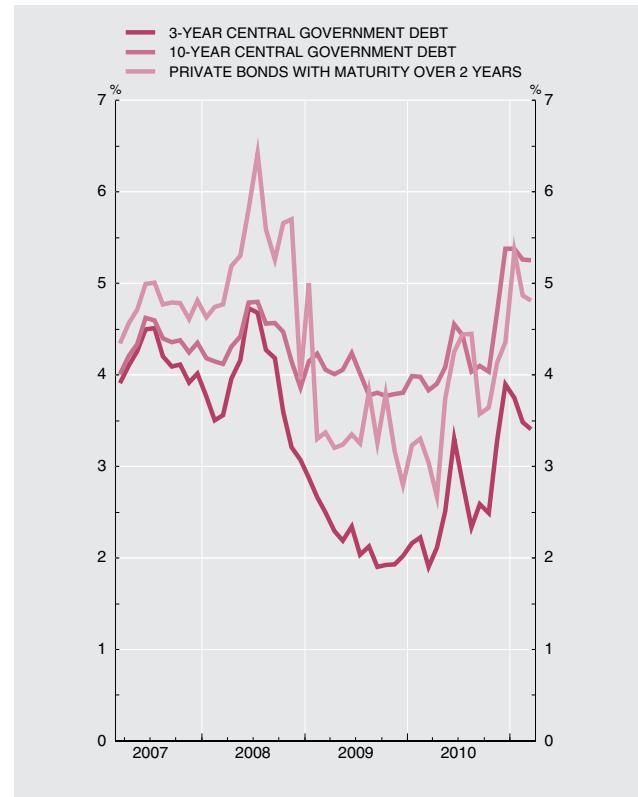
Percentages per annum

Short-term securities				Long-term securities								Private bonds with a maturity of over two years traded on the AIAF	
One-year Treasury bills		One-year commercial paper		Central Government debt									
Marginal rate at issue	Secondary market: outright spot purchases between market members	Rate at issue	Secondary market: outright spot purchases	Marginal rate at issue				Secondary market. Book-entry debt. Outright spot purchases between market members					
1	2	3	4	5	3-year bonds	5-year bonds	10-year bonds	15-year bonds	30-year bonds	At 3-years	At 10-years	12	
09	1.04	0.99	1.67	1.67	2.30	2.98	3.99	4.45	4.86	2.23	3.97	3.46	
10	1.80	1.70	1.32	1.62	2.79	3.20	4.46	5.04	5.11	2.64	4.25	3.74	
11	A	2.55	2.38	1.95	2.91	3.51	4.37	5.20	6.01	5.93	3.55	5.30	5.01
09 Dec	0.95	0.88	1.40	1.19	2.15	-	3.90	-	-	2.02	3.80	2.80	
10 Jan	0.86	0.81	1.24	1.15	-	2.86	4.10	-	4.86	2.16	3.99	3.23	
Feb	0.90	0.83	1.26	1.17	2.66	-	-	-	4.81	2.23	3.98	3.30	
Mar	0.85	0.74	1.34	1.17	-	2.84	3.86	-	4.77	1.90	3.83	3.04	
Apr	0.90	1.08	1.44	1.18	2.03	-	-	4.45	-	2.11	3.90	2.67	
May	1.70	1.58	1.30	1.24	-	-	4.08	-	-	2.51	4.08	3.74	
Jun	2.45	2.27	-	1.32	3.39	-	4.91	-	5.94	3.30	4.56	4.25	
Jul	2.25	2.10	-	1.92	-	3.73	-	5.15	-	2.82	4.43	4.44	
Aug	1.90	1.73	-	1.89	2.31	-	-	-	-	2.34	4.04	4.45	
Sep	1.94	1.79	-	2.05	-	3.00	4.17	-	5.08	2.59	4.09	3.57	
Oct	1.86	1.83	-	2.32	2.55	-	-	4.55	4.79	2.49	4.04	3.64	
Nov	2.45	2.30	-	1.93	-	3.60	4.63	-	5.50	3.28	4.69	4.13	
Dec	3.52	3.26	-	2.11	3.80	-	5.49	5.99	-	3.90	5.37	4.36	
11 Jan	3.01	2.77	1.78	2.99	-	4.59	-	-	-	3.75	5.38	5.35	
Feb	2.46	2.22	2.14	2.86	3.30	4.08	5.22	-	5.98	3.49	5.26	4.87	
Mar	2.18	2.14	-	2.88	3.61	4.41	5.18	6.01	5.89	3.41	5.25	4.81	

PRIMARY MARKET



SECONDARY MARKET



Sources: Main issuers (column 3); AIAF (columns 4 and 12).

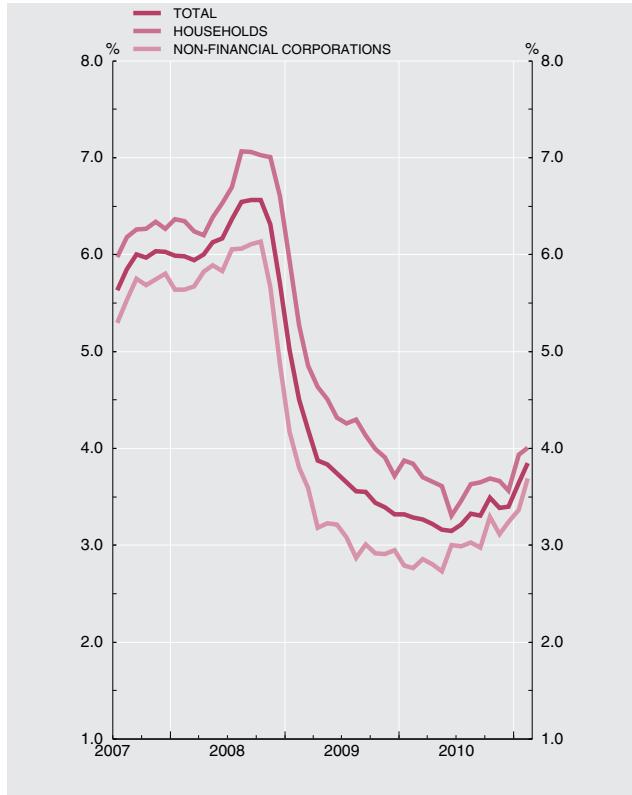
**9.3. INTEREST RATES ON NEW BUSINESS. CREDIT INSTITUTIONS. (CBE 4/2002)
SDDS (a)**

■ Series depicted in chart.

Percentages

Loans (APRC) (b)												Deposits (NDER) (b)							
Synthetic rate (d)	Households and NPISH			Non-financial corporations			Synthetic rate (d)	Households and NPISH			Non-financial corporations				Households and NPISH				
	Synthetic rate	House purchase	Consumption and other	Synthetic rate	Up to EUR 1 million	Over EUR 1 million (c)		Synthetic rate	Overnight and redeemable at notice	Time	Repos	Synthetic rate	Overnight	Time	Repos	Synthetic rate	Overnight	Time	Repos
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16			
09	3.32	3.71	2.62	6.96	2.95	4.24	2.47	1.28	1.39	0.36	2.21	0.33	0.92	0.55	1.44	0.41			
10	3.40	3.56	2.66	6.35	3.24	4.40	2.73	1.60	1.70	0.27	2.74	1.21	0.68	1.98	0.79				
11	A	3.84	4.00	3.01	7.08	3.69	4.81	3.10	1.57	1.65	0.29	2.61	1.29	1.29	0.57	2.10	0.71		
09 Jul	3.65	4.26	3.07	7.72	3.08	4.56	2.48	1.40	1.52	0.41	2.37	0.35	1.00	0.62	1.50	0.33			
Aug	3.56	4.30	2.99	8.16	2.87	4.44	2.26	1.36	1.50	0.42	2.31	0.35	0.91	0.64	1.31	0.28			
Sep	3.55	4.13	2.82	8.01	3.01	4.60	2.27	1.25	1.37	0.37	2.13	0.37	0.88	0.54	1.34	0.32			
Oct	3.44	3.99	2.78	7.59	2.91	4.50	2.21	1.26	1.39	0.35	2.19	0.34	0.86	0.54	1.30	0.28			
Nov	3.39	3.91	2.70	7.40	2.91	4.39	2.26	1.31	1.42	0.40	2.22	0.33	0.94	0.58	1.42	0.35			
Dec	3.32	3.71	2.62	6.96	2.95	4.24	2.47	1.28	1.39	0.36	2.21	0.33	0.92	0.55	1.44	0.41			
10 Jan	3.32	3.87	2.60	7.68	2.79	4.36	2.08	1.24	1.35	0.31	2.18	0.29	0.87	0.53	1.34	0.27			
Feb	3.29	3.84	2.67	7.37	2.76	4.29	2.06	1.18	1.27	0.31	2.04	0.30	0.88	0.54	1.33	0.31			
Mar	3.27	3.70	2.60	7.04	2.86	4.21	2.27	1.30	1.37	0.31	2.19	0.33	1.05	0.57	1.68	0.25			
Apr	3.22	3.66	2.55	7.00	2.80	4.22	2.11	1.36	1.45	0.29	2.34	0.32	1.08	0.59	1.70	0.34			
May	3.16	3.61	2.50	6.98	2.73	4.33	2.07	1.30	1.37	0.27	2.21	0.39	1.08	0.57	1.74	0.40			
Jun	3.15	3.31	2.39	5.99	3.00	4.08	2.51	1.37	1.48	0.28	2.43	0.57	1.04	0.53	1.71	0.48			
Jul	3.22	3.45	2.53	6.25	2.99	4.19	2.48	1.51	1.58	0.29	2.57	0.62	1.28	0.58	2.12	0.54			
Aug	3.32	3.63	2.60	6.73	3.03	4.23	2.46	1.46	1.55	0.30	2.50	0.43	1.18	0.55	1.97	0.43			
Sep	3.31	3.65	2.66	6.69	2.98	4.22	2.35	1.61	1.70	0.30	2.73	0.42	1.33	0.54	2.27	0.45			
Oct	3.49	3.69	2.70	6.70	3.29	4.37	2.66	1.63	1.71	0.29	2.75	0.68	1.34	0.56	2.19	0.69			
Nov	3.38	3.66	2.72	6.47	3.11	4.41	2.47	1.65	1.76	0.29	2.82	0.65	1.31	0.58	2.14	0.62			
Dec	3.40	3.56	2.66	6.35	3.24	4.40	2.73	1.60	1.70	0.27	2.74	1.21	0.68	1.98	0.79				
11 Jan	P	3.64	3.93	2.92	7.04	3.36	4.58	2.79	1.59	1.67	0.29	2.66	1.18	1.33	0.58	2.14	0.77		
Feb	P	3.84	4.00	3.01	7.08	3.69	4.81	3.10	1.57	1.65	0.29	2.61	1.29	0.57	2.10	0.71			

**LOANS
SYNTHETIC RATES**



**DEPOSITS
SYNTHETIC RATES**



Source: BE.

a. This table is included among the IMF's requirements to meet the Special Data Dissemination Standards (SDDS)

b. APRC: annual percentage rate of charge. NEDR: narrowly defined effective rate, which is the same as the APRC without including commissions.

c. Calculated by adding to the NDER rate, which does not include commissions and other expenses, a moving average of such expenses.

d. The synthetic rates of loans and deposits are obtained as the average of the interest rates on new business weighted by the euro-denominated stocks included in the balance sheet for all the instruments of each sector.

e. Up to the reference month May 2010, this column includes credit granted through credit cards (see the 'Changes' note in the July-August 2010 Boletín Estadístico).

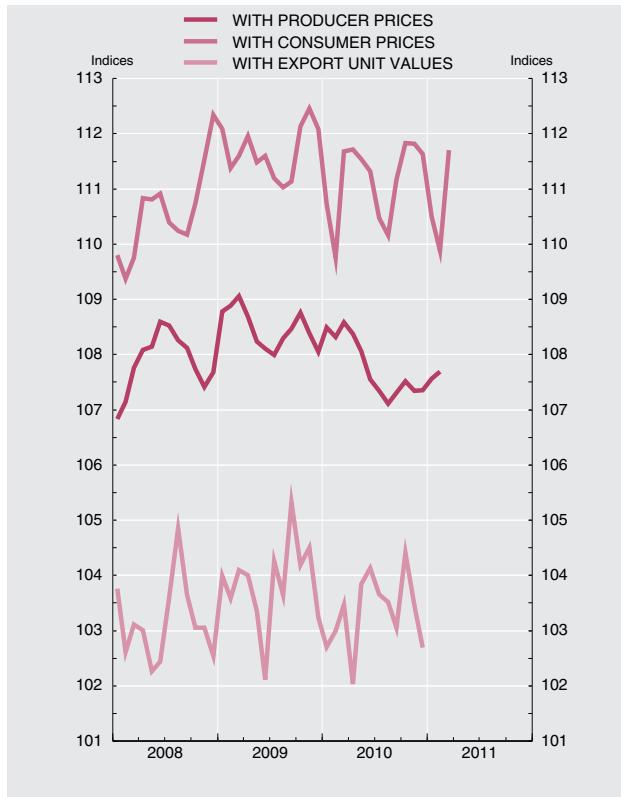
9.4 INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE EU-27 AND THE EURO AREA

■ Series depicted in chart.

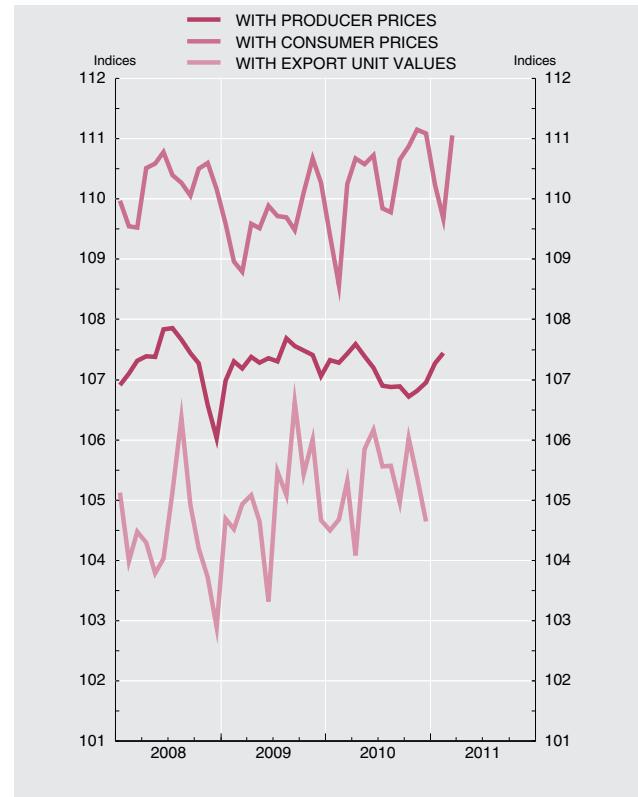
Base 1999 Q1 = 100

	Vis-à-vis the EU-27												Vis-à-vis the euro area				
	Total (a)				Nominal component (b)	Price component (c)				Based on producer prices	Based on consumer prices	Based on total unit labour costs	Based on manufacturing unit labour costs (d)	Based on export unit values			
	Based on producer prices	Based on consumer prices	Based on total unit labour costs	Based on export unit values		Based on producer prices	Based on consumer prices	Based on total unit labour costs	Based on export unit values								
	1	2	3	4		5	6	7	8	9	10	11	12	13	14		
08	107.9	110.6	113.9	103.2	101.1	106.7	109.4	112.7	102.1	107.2	110.2	114.7	123.0	104.4			
09	108.5	111.7	112.4	103.9	102.9	105.4	108.5	109.2	100.9	107.3	109.7	111.3	114.8	105.0			
10	107.8	111.2	110.1	103.3	102.1	105.5	108.8	107.8	101.2	107.1	110.3	109.9	116.8	105.2			
09 Q1	108.9	111.7	112.8	103.9	103.4	105.4	108.1	109.1	100.6	107.2	109.1	110.9	112.0	104.7			
Q2	108.3	111.7	112.4	103.2	102.9	105.3	108.5	109.2	100.3	107.3	109.7	111.2	114.3	104.3			
Q3	108.2	111.1	111.9	104.4	102.6	105.5	108.3	109.1	101.8	107.5	109.6	111.3	116.0	105.7			
Q4	108.4	112.2	112.6	104.0	102.9	105.3	109.0	109.4	101.1	107.3	110.3	111.6	116.9	105.4			
10 Q1	108.5	110.8	110.9	103.1	102.6	105.8	108.0	108.2	100.5	107.4	109.4	110.4	114.4	104.8			
Q2	108.0	111.5	111.1	103.3	102.1	105.8	109.2	108.8	101.3	107.4	110.7	110.9	116.7	105.4			
Q3	107.3	110.6	109.5	103.4	101.8	105.3	108.6	107.5	101.6	106.9	110.1	109.6	117.8	105.4			
Q4	107.4	111.8	109.0	103.5	102.1	105.2	109.5	106.8	101.5	106.8	111.0	108.8	118.4	105.4			
10 Jun	107.6	111.3	111.1	104.1	101.9	105.6	109.3	108.8	102.3	107.2	110.7	110.9	116.7	106.2			
Jul	107.3	110.5	...	103.7	102.0	105.3	108.4	...	101.7	106.9	109.8	...	...	105.6		
Aug	107.1	110.2	...	103.5	101.7	105.3	108.3	...	101.8	106.9	109.8	...	...	105.6		
Sep	107.3	111.2	109.5	103.1	101.9	105.3	109.1	107.5	101.2	106.9	110.7	109.6	117.8	105.0			
Oct	107.5	111.8	...	104.4	102.3	105.1	109.4	...	102.2	106.7	110.9	...	...	106.0		
Nov	107.3	111.8	...	103.5	102.0	105.2	109.6	...	101.5	106.8	111.1	...	...	105.4		
Dec	107.4	111.6	109.0	102.7	101.9	105.3	109.5	106.8	100.8	106.9	111.1	108.8	118.4	104.6			
11 Jan	107.6	110.5	...	...	101.8	105.7	108.5	...	...	107.3	110.2	...	...	...
Feb	107.7	109.9	...	...	101.8	105.8	108.0	...	...	107.4	109.7	...	...	...
Mar	...	111.7	...	...	102.0	...	109.5	...	...	...	111.1	...	...	...

INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EU-27



INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EURO AREA



Source: BE.

a. Outcome of multiplying nominal and cost/price components. A decline in the index denotes an improvement in the competitiveness of Spanish products.

b. Geometric mean calculated using a double weighting system based on (1995-1997), (1998-2000), (2001-2003), and (2004-2006) manufacturing foreign trade figures.

c. Relationship between the price indices of Spain and of the group.

d. The index obtained drawing on Manufacturing Labour Costs has been compiled using base year 2000 National Accounts data.

9.5 INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE DEVELOPED COUNTRIES AND INDUSTRIALISED COUNTRIES

■ Series depicted in chart.

Base 1999 Q1 = 100

	Vis-à-vis developed countries										Vis-à-vis industrialised countries					
	Total (a)				Nominal component (b)	Prices component (c)				Total (a)			Nominal component (b)	Prices component(c)		
	Based on producer prices	Based on consumer prices	Based on manufacturing unit labour costs (d)	Based on export unit values		Based on producer prices	Based on consumer prices	Based on manufacturing unit labour costs (d)	Based on export unit values	Based on producer prices	Based on consumer prices	Based on producer prices		Based on producer prices	Based on consumer prices	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14		
08	112.3	115.2	130.4	105.6	103.3	108.7	111.6	126.3	102.3	113.2	116.6	104.5	108.4	111.6		
09	111.2	114.8	122.9	105.4	103.6	107.4	110.9	118.6	101.9	111.8	115.7	104.5	107.0	110.7		
10	109.7	113.5	121.6	104.2	101.9	107.7	111.4	119.3	102.3	109.1	113.3	102.0	107.0	111.1		
09 Q1	111.0	114.0	119.5	104.8	103.2	107.5	110.4	115.8	101.6	111.2	114.4	103.8	107.1	110.2		
Q2	111.0	114.7	123.0	104.6	103.4	107.4	110.9	118.9	101.2	111.4	115.4	104.2	107.0	110.8		
Q3	111.4	114.7	123.9	106.3	103.6	107.5	110.7	119.6	102.7	112.2	115.8	104.8	107.1	110.5		
Q4	111.6	115.9	125.0	106.0	104.0	107.3	111.5	120.1	102.0	112.3	117.1	105.3	106.7	111.2		
10 Q1	111.0	113.8	120.5	104.4	103.0	107.7	110.5	117.0	101.5	110.8	114.1	103.6	107.0	110.2		
Q2	109.7	113.7	121.1	103.9	101.7	107.9	111.8	119.2	102.3	108.8	113.2	101.4	107.2	111.5		
Q3	108.9	112.5	121.6	104.1	101.2	107.6	111.2	120.2	102.9	108.1	112.1	101.1	106.9	110.8		
Q4	109.4	114.1	123.1	104.4	101.8	107.5	112.2	120.9	102.7	108.9	113.9	101.9	106.8	111.7		
10 Jun	108.8	112.9	121.1	104.3	100.9	107.8	111.9	119.2	103.5	107.5	112.0	100.4	107.1	111.6		
Jul	108.9	112.3	...	104.3	101.2	107.6	111.0	...	103.1	108.0	111.9	101.1	106.8	110.6		
Aug	108.7	112.1	...	104.2	101.1	107.6	110.9	...	103.1	107.9	111.7	101.0	106.8	110.5		
Sep	109.0	113.1	121.6	103.7	101.2	107.7	111.8	120.2	102.5	108.2	112.7	101.2	106.9	111.4		
Oct	109.7	114.5	...	105.6	102.2	107.4	112.0	...	103.4	109.4	114.4	102.6	106.6	111.6		
Nov	109.4	114.3	...	104.4	101.8	107.5	112.3	...	102.6	108.9	114.1	102.0	106.8	111.8		
Dec	109.0	113.7	123.1	103.4	101.3	107.7	112.2	120.9	102.2	108.3	113.2	101.2	107.0	111.8		
11 Jan	109.4	112.6	...	...	101.3	108.1	111.2	...	...	108.8	112.1	101.2	107.4	110.7
Feb	109.9	112.3	...	...	101.5	108.3	110.7	...	...	109.4	112.0	101.6	107.7	110.2
Mar	...	114.4	101.9	...	112.3	114.5	102.3	111.9	

INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE DEVELOPED COUNTRIES



INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE INDUSTRIALISED COUNTRIES



Source: BE.

a. Outcome of multiplying nominal and cost/price components. A decline in the index denotes an improvement in the competitiveness of Spanish products.

b. Geometric mean calculated using a double weighting system based on (1995-1997), (1998-2000), (2001-2003) and (2004-2006) manufacturing foreign trade figures.

c. Relationship between the price indices of Spain and of the group.

d. The index obtained drawing on Manufacturing Labour Costs has been compiled using base year 2000 National Accounts data.

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