

BANCO DE ESPAÑA

economic bulletin

January 2003

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ISSN: 1130 - 4987 (print)

ISSN: 1695 - 9086 (online)

Depósito legal: M. 31904 - 1990

Printed in Spain by Artes Gráficas Coyve, S. A.

## Abbreviations

AIAF	Association of Securities Dealers	HICP	Harmonised index of consumer prices
BE	Banco de España	ICT	Information and communications technology
BIS	Bank for International Settlements	IMF	International Monetary Fund
CNE	Spanish National Accounts	INE	National Institute of Statistics
CNMV	National Securities Market Commission	INVERCO	Association of Collective Investment Institutions and Pension Funds
CPI	Consumer price index	LFA	Liquid financial assets
EAGGF	European Agricultural Guidance and Guarantee Fund	LIFFE	London International Financial Futures Exchange
ECB	European Central Bank	MEFF	Financial Futures and Options Market
ECOFIN	Council of the European Communities (Economic and Financial Affairs)	MEFF RF	Fixed-income derivatives market
EDP	Excessive Deficit Procedure	MEFF RV	Equity derivatives market
EMU	Economic and Monetary Union	MFIs	Monetary financial institutions
EONIA	Euro overnight index average	MMFs	Money market funds
EPA	Official Spanish Labour Force Survey	MROs	Main refinancing operations
ERDF	European Regional Development Fund	NCBs	National Central Banks
ESA 79	European System of Integrated Economic Accounts	NPIs	Non-profit institutions
ESA 95	European System of National and Regional Accounts	OECD	Organisation for Economic Co-operation and Development
ESCB	European System of Central Banks	PPP	Purchasing power parity
EU	European Union	QNA	Quarterly National Accounts
EU15	The fifteen current European Union Member States	SCLV	Securities Clearing and Settlement Service
EUROSTAT	Statistical Office of the European Communities	SDRs	Special Drawing Rights
FIAMM	Money market funds	TARGET	Trans-European Automated Real-Time Gross Settlement Express Transfer system
FIM	Securities funds	TFP	Total factor productivity
GDP	Gross domestic product	ULCs	Unit labour costs
GNP	Gross national product	VAT	Value Added Tax
GVA	Gross value added		

<i>Countries</i>		<i>Currencies</i>	
BE	Belgium	ESP	Peseta
DK	Denmark	EUR	Euro
DE	Germany	JPY	Japanese yen
GR	Greece	USD	United States dollar
ES	Spain		
FR	France		
IE	Ireland		
IT	Italy		
LU	Luxembourg		
NL	Netherlands		
AT	Austria		
PT	Portugal		
FI	Finland		
SE	Sweden		
UK	United Kingdom		
US	United States		

## 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.
bn	Billions (10 <sup>9</sup> ).
m	Millions.
pp	Percentage points.
...	Not available.
—	Nil, non-existence of the event considered or insignificance of changes when expressed as rates of growth.
»	Less than half the final digit shown in the series.

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# Quarterly report on the Spanish economy

## 1. Overview

The year 2002 ended without the numerous sources of uncertainty influencing global economic developments having been dispelled. Geopolitical tension and the failure to correct some of the basic imbalances besetting certain economies mean that the conditions needed to set a sustained recovery in train are not yet in place. In these circumstances, the principal impulses have arisen from the implementation of clearly expansionary macroeconomic policies which, to date, have not fuelled relevant inflationary pressures in the main regions where, with very few exceptions, growth is running far below potential.

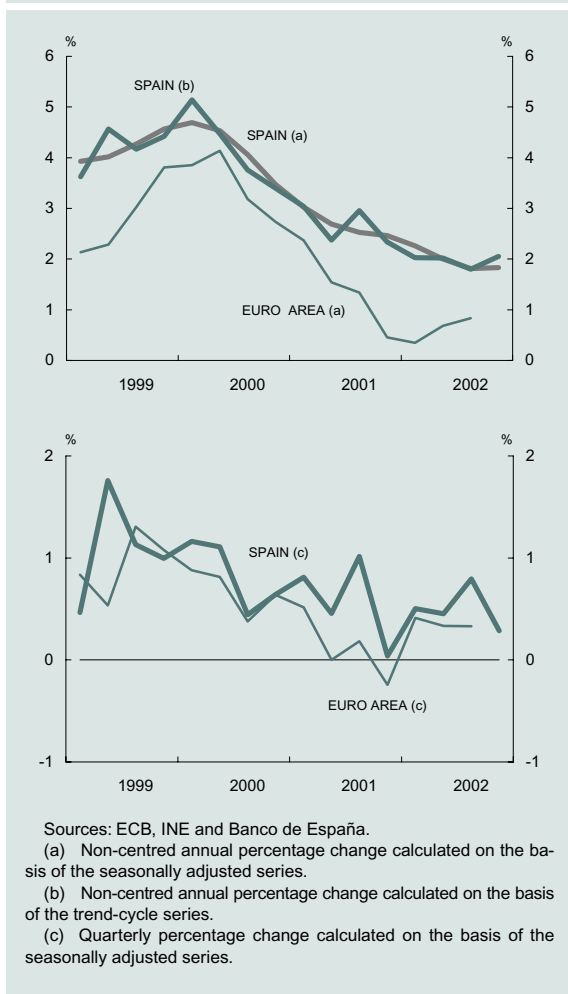
Against this international background, the Spanish economy performed comparatively favourably last year. On Banco de España forecasts, real GDP growth in 2002 on average was 2%, down on the previous year (2.7%) but far higher than the figure expected for the euro area as a whole (below 1%). As a result, Spain's real convergence towards the EU core has continued. The rise in employment for the year will be around 1.3%, although the unemployment rate has climbed to almost 11.5% and productivity in the economy will have picked up. The least favourable result has been on the prices front. The twelve-month growth rate of the harmonised index of consumer prices (HICP) was 4% in December, placing the differential with the euro area at 1.7 percentage points (1.4 points on average for the year). Finally, the general government accounts have closed the year with a modest deficit of only 0.2% of nominal GDP, and it is estimated that the fiscal policy stance has been virtually neutral.

Taking into account the preliminary INE data for the first three quarters of 2002, the above-mentioned estimated annual increase in GDP is the outcome of growth of 2.1% year-on-year in Q4, in terms of the seasonally adjusted series, compared with 1.8% in Q3. The quarter-on-quarter rate, influenced by the short-term volatility of the seasonally adjusted series, would have been around 0.3%, against 0.8% the previous quarter. In any event, moving beyond the fluctuations proper to quarter-on-quarter rates calculated using the seasonally adjusted series, Chart 1 shows that the Spanish economy held at a modest but sustained growth rate throughout 2002, moving on a mildly slowing trend that appears to have eased in the closing months of the year.

Although the events in recent months have not contributed to improving growth expectations for the world economy, most analysts hold by the central growth scenario outlined for the year 2003, albeit accentuating the downside risks. Expectations of recovery continue to

CHART 1

Gross domestic product

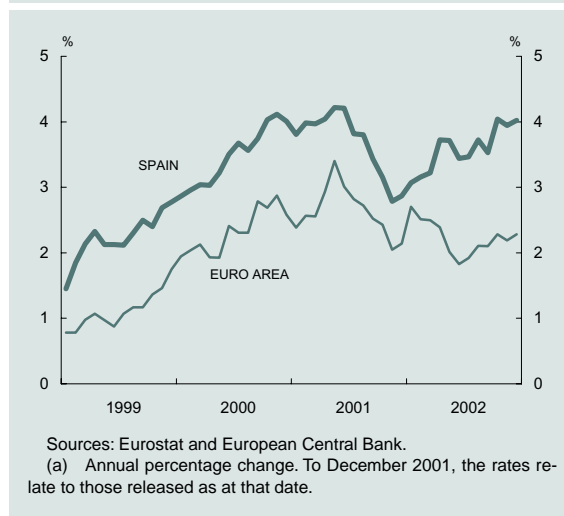


hinge largely on developments in the US economy, since the most buoyant regions (the emerging Asian and eastern European economies) are not of sufficient weight to significantly affect the growth of international markets. And neither Japan (which shows no firm expectations of emerging from the prevailing crisis) nor the European Union (greatly affected by the adverse results of certain countries) may be seen, for the time being, as sound alternatives to the US recovery. Finally, leaving aside the problems in Venezuela, and despite the fact growth expectations for the region as a whole in 2003 remain very moderate, recent events in certain Latin American countries pave the way for the onset of an improvement. This is particularly the case with the reduction of the spread on Brazilian debt, following the formation of a new government, and the greater stability the Argentine economy appears to be showing.

Recent data on the US economy are contradictory and the outlook remains overshadowed

CHART 2

Harmonised indices of consumer prices (a)



by the depressive effects arising from uncertainty over how the situation in the Middle East will unfold. Further, the failure to correct some of the imbalances generated during the previous long upturn, especially the shortfall in private saving, might heighten the fragility of the incipient recovery, which is basically underpinned by the impact of monetary and fiscal expansion on consumption, with investment having remained lacklustre.

Economic activity in the euro area in recent months has been characterised by its slow and hesitant pace. Growth projections have been scaled back as a result of the risks associated with the international setting (the outbreak of war) and dearer oil prices. The latest figures reveal something of a change on the previous months, as consumer confidence has worsened while business confidence has improved, the latter owing perhaps to a slight pick-up in exports, the continuation of which has yet to be confirmed. A quarter-on-quarter increase in real GDP for the euro area as a whole similar to that in recent quarters is expected for 2002 Q4. And this, given the poor result in 2001 Q4, will raise the year-on-year rate to over 1% (owing to a simple statistical effect), although the annual average rate will be below this figure.

The sluggishness of demand and the appreciation of the euro contributed to easing inflationary pressures in the closing months of 2002, placing the rate of increase of the euro area HICP at 2.3% in December. These factors will continue to bear favourably on prices in the coming months, depending on the path of oil prices. Taking a medium-term view, the moderation of unit labour costs must continue, based

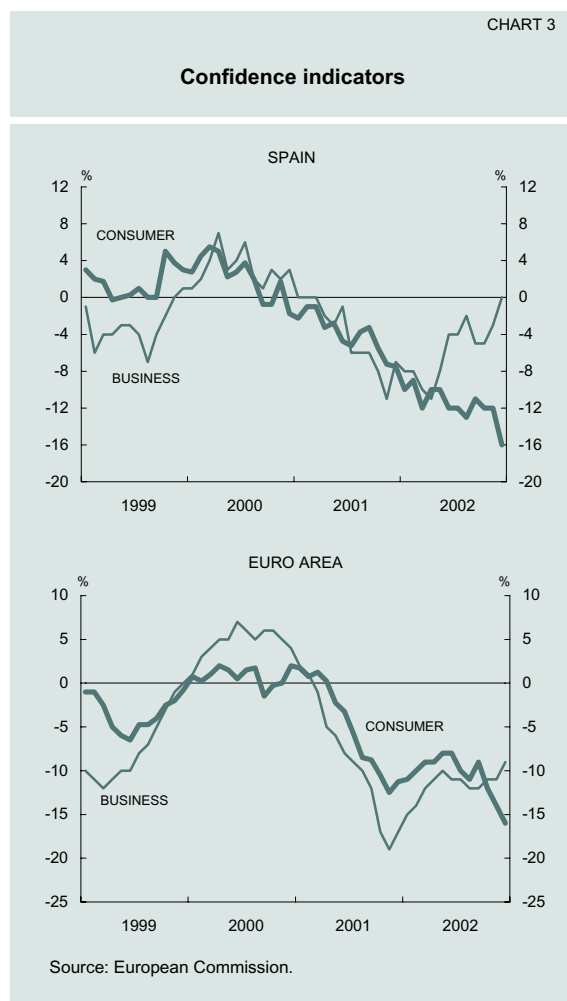


not only on higher productivity gains (as in recent months) but also on a greater containment of wage increases.

Monetary conditions in the euro area held relatively stable in the closing months of 2002 and early 2003, since the cut in official interest rates in December (the only decision to alter rates taken last year) has been more or less offset by the appreciation of the euro. While financial conditions have not worsened, the continuing relatively high risk premia on private debt and the past declines still weighing down stock prices have made financing for agents, especially corporations, difficult. Reflecting these factors has been the ongoing slowdown in credit to the private sector, the year-on-year growth rate of which stood at around 4.5% at the end of 2002. As will be seen, this is not the case of the Spanish economy where the growth of credit to the non-financial private sector has remained very high. Moreover, although uncertainty has also been the keynote of Spanish financial markets in recent months, developments have proven relatively more favourable than in the preceding quarters. Indeed, stock market prices in Spain have performed similarly to those in the United States, improving the results on European markets.

In the fiscal policy realm, the euro area budget deficit widened to 2.2% of GDP in 2002. The deterioration in the overall budgetary position has largely been due to the impact of the cyclical slowdown. But analysis of the positions in the various countries shows that the current results are the outcome of their different starting positions in 2000. In those countries where a balanced budget had been attained, the recent deterioration is indicative, above all, of the operation of the automatic stabilisers. In those other members where structural imbalances were not corrected at the top of the cycle, the current phase of low growth has seriously exacerbated their budgetary position, placing them in a very delicate situation in terms of compliance with the requirements laid down in the Treaty and in the Stability and Growth Pact. Indeed, two countries – Portugal and Germany – have seen the Excessive Deficit Procedure applied, and another Member State – France – has been warned not to let its budget deficit exceed 3% in 2003. Against this background, the European Commission has formulated various proposals to reinforce the Stability and Growth Pact and the co-ordination of fiscal policies in the EU, which will be discussed in the coming months by the Council.

The monetary conditions laid down for the euro area countries last year proved too generous for the Spanish economy, which was expe-

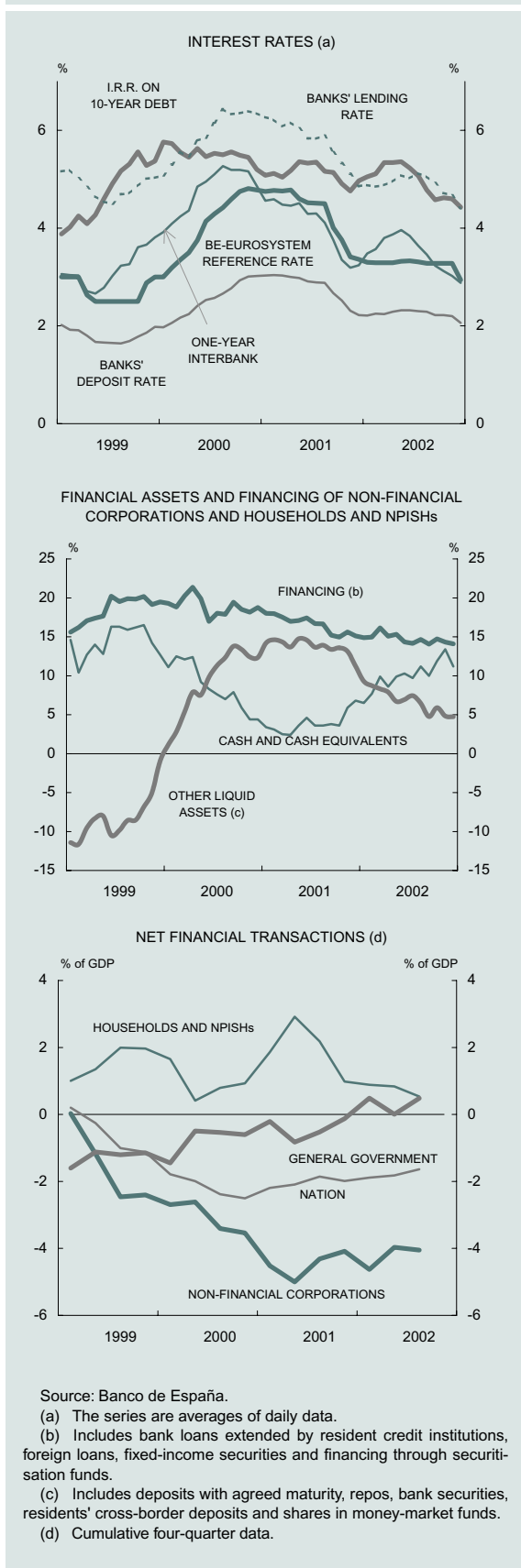


riencing a much more moderate cyclical slowdown than the area as a whole and much sharper price pressures. As the year unfolded and the pace of activity slowed, monetary conditions became more suited to the Spanish situation, especially as the euro appreciated and hardened against the main currencies. The fiscal policy pursued contributed positively to sustaining household income; notwithstanding, and despite the increase in public investment, the overall fiscal policy stance was virtually neutral. The modest deficit recorded is therefore largely due to the operation of the automatic stabilisers, since the structural balance improved.

Given these constraints and the adverse international environment, which drastically restricted the growth of foreign markets, the Spanish economy posted an average real GDP growth rate of 2% in 2002, as earlier stated. National demand increased by a similar amount to output, whereby the negative contribution of net external demand stood at around one-tenth of a percentage point. All demand components, with the exception of government consumption and stockbuilding, contributed to the slowdown in GDP; yet while private consumption and invest-

CHART 4

# Financial indicators of the Spanish economy



ment in construction posted appreciable rates of increase (that of construction was notable especially in the residential sector), the performance of capital investment was very negative. The slowdown in private consumption provided for a slight pick-up in the household saving ratio, but household lending capacity held at very low levels as a result of the exceptional robustness of investment in housing, fuelled by expectations of rising prices, which did not abate as expected, and this prompted an increase in household debt levels. The course of interest rates, however, meant that the burden associated with this indebtedness held stable.

Both exports and imports of goods and services posted positive but rather insignificant rates of increase. Of particular note were the poor results for tourism. The fall in the goods imports deflator made for a reduction in the trade deficit, with a subsequent improvement in the current-account deficit. The favourable performance of import prices over the year as a whole, despite the changes in the prices of imported energy products, which fed through to various sectors in the economy, means that the 4% increase in the value-added deflator is basically attributable, therefore, to domestic reasons. The pressure of unit labour costs, whose growth rate in the market economy was only slightly below the figure of 3.7% recorded the previous year, may have passed through to final prices in the economy, especially in those industries where the increase in demand was particularly high or where the lack of competition is more marked, with the corresponding widening of business margins. Wider margins were particularly notable in the construction industry, whereas it is in certain services branches that there is evidence that the currency changeover may have had greater influence on the rate of increase of prices.

Estimates on the growth of the Spanish economy in 2002 Q4, which were mentioned at the beginning of this section, show some differences from annual average results. This is quite significant as regards the assessment of trends at the onset of 2003. Firstly, the year-on-year growth rate of 2.1% estimated for 2002 Q4, calculated in terms of the seasonally adjusted series, confirms that the Spanish economy maintained a sustained growth rate throughout 2002, on a mildly slowing trend that does not appear to have extended into the closing months of the year. Growth has been fully underpinned by domestic demand, the rate of increase of which was somewhat over 2%, whereas net external demand will have subtracted at least two-tenths of a point from GDP growth. Although the increase in demand has continued to reside essentially on investment in construction and on

both private and government consumption, capital investment, while still sluggish, has shown signs of a pick-up which the data in the coming months will have to confirm. The growth rate of private consumption has stabilised at close to 1.5%, and that of investment in construction has been just marginally lower than in the previous quarter, moving on a decelerating trend.

Another characteristic feature of the Q4 data is that the performance of merchandise exports has remained more expansionary than in the first half of the year, although their rate of increase has tended to slacken compared with their notable buoyancy in the summer months. The rise in exports carried industrial activity in its wake, whereby its year-on-year rate of change, which had already ceased to be negative in Q3, steepened in the closing months of 2002. The foregoing factors ultimately boosted the growth of imports, to the point where they more than checked the positive impact of exports on the GDP growth rate. The performance in the tourism industry, though not as unfavourable as in previous quarters, has also contributed to the negative net result of external demand.

The notable buoyancy that financing to the private sector continues to show (with growth of around 14%) does not correspond to the cyclical position of the Spanish economy and can only be explained by the exceptional robustness of credit extended to construction-related activities. Of particular significance is the increase in credit intended to finance house purchases, with growth of 18.1% in 2002 Q3. For this reason, and despite the fact that the growth of consumer credit has slowed appreciably, the household debt ratio has continued increasing. The non-financial business sector has also seen its debt ratios increase, albeit on a lesser scale than in previous years.

Although the growth of the Spanish economy has continued to be underpinned by the buoyancy of public- and private-sector construction and, to a lesser extent, by consumption, the data for recent months show the first signs of a change in which exports and private-sector investment might play a more prominent

role. For a pattern of this type to firm will depend, to some extent, on a recovery in the world economy taking root, but the appropriate fundamentals must also be in place for this to occur. In this respect, it is encouraging that the Spanish economy should have sustained positive employment growth rates – of over 1% in Q4 – throughout 2002, and that the rate of increase of unit labour costs should have tended to slow (due largely to apparent productivity gains), even though it still remains high. Indeed, at the end of the year, the growth of this variable exceeded that of the euro area as a whole by approximately one percentage point, with increases in compensation per employee still considerably high in both cases.

The challenge facing the Spanish economy at the onset of 2003 is to attempt to narrow the differential between its consumer-price growth rate and that of the euro area countries. The persistence of such a gap may ultimately erode competitiveness and therefore restrict growth and employment generation potential. Forecasts point to a significant improvement on the end-2002 figures, as some of the factors contributing to the increase in the inflation rate during 2002 (4% in December in terms of consumer prices) were transitory and related to the prices of energy products and of certain foodstuffs, and the growth of the overall index should ease as such factors abate. That should not mask the risks underlying the behaviour of other components: thus, the growth rates of prices of non-energy manufactured goods and, above all, of services have stabilised at comparatively high levels, meaning that the related differential with the euro area has fluctuated at around one and one and a half percentage points, respectively, throughout the year.

Finally, the budget figures for the closing months of the year mean that the overall general government outturn for 2002 was virtually in line with the balanced budget scheduled (the preliminary deficit announced is two-tenths of a point of GDP). The growth of revenue has exceeded the forecasts made in the projected outturn accompanying the Budget for 2003, and the case of expenditure is the same.

## 2. The external environment of the euro area

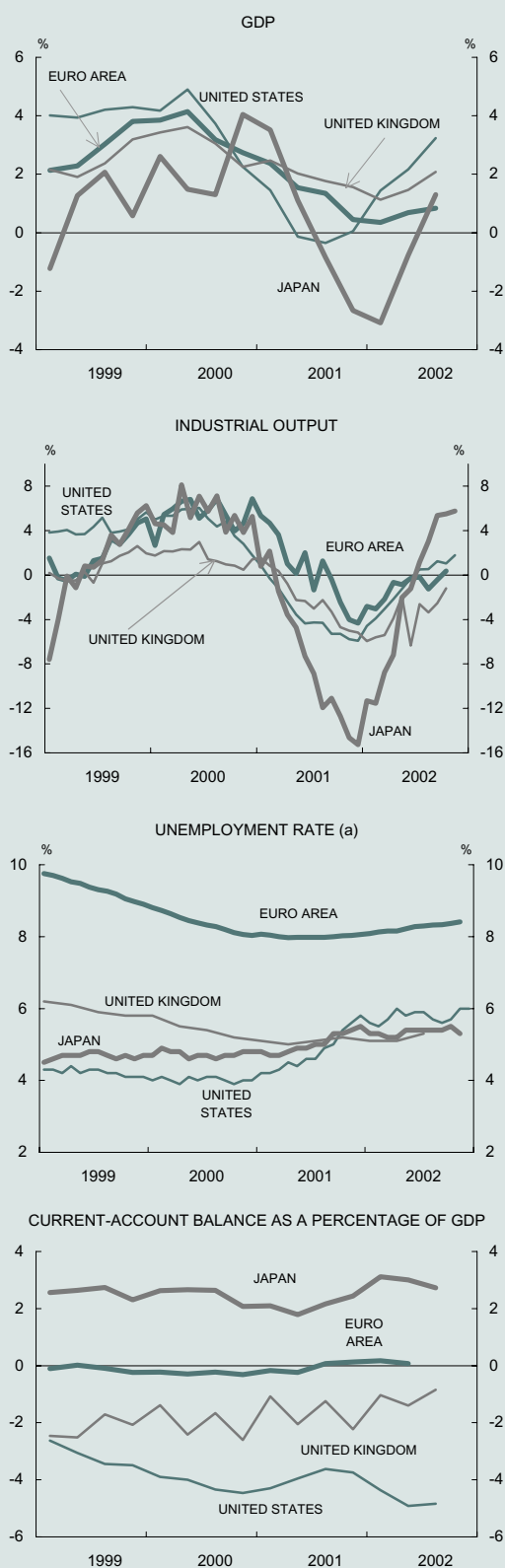
Economic developments in the external environment of the euro area in 2002 Q4, and the outlook for 2003, continued to depend heavily on developments in the United States. Published data confirm the central scenario of moderate recovery in the pace of global activity, led by the United States and the Asian countries, excluding Japan, although at a slower pace than was initially expected.

In the fourth quarter, international financial markets saw a significant improvement in the stock market, especially in October and November. Subsequently, these developments were reversed in January owing to geopolitical tensions. There was also a moderate narrowing of the spread between interest rates on corporate debt and government bonds, especially the lowest quality bonds. This improvement has been even more striking in the case of sovereign fixed-income spreads in the emerging economies, in particular in Latin America and in the EU candidate countries. For its part, the dollar resumed its downward course, partly associated with the increasing evidence of twin deficits (in the public sector and the external sector) in the United States. The price of oil rose above 30 dollars a barrel, for supply reasons relating to the uncertainties associated with conflict in the Persian Gulf and the negative social and political developments in Venezuela.

In the *United States* the indicators point to a significant reduction in growth in Q4, following a very positive performance in Q3 when GDP grew by 4% (in annualised quarterly terms). The main factor driving growth in Q3 was private consumption, especially spending on consumer durables, which grew by 22.8% (in annualised quarterly terms). Public spending and private capital formation also made positive contributions, while the contributions of exports and imports cancelled each other out. The indicators for Q4, especially the sharp declines in consumer confidence, but also the lower industrial production and manufacturing activity, point to a slowdown in private consumption growth. The employment data in November and December were also negative, with a cumulative loss of 190,000 jobs over this two-month period, which took the rate of unemployment up to 6%, from an average of 5.7% in Q3. As regards prices, inflationary pressures remained moderate, despite the rise in the price of oil. Thus, the rate of increase in the total consumer prices index stood at 2.4% in December, while underlying inflation dipped to 1.9%. In short, while developments in the US economy in Q4 are not going to dash the prospects for recovery, it may now take longer for the growth rate to reach a level close to its potential. Indeed, not only have the downside risks not dispelled, in some cases

CHART 5

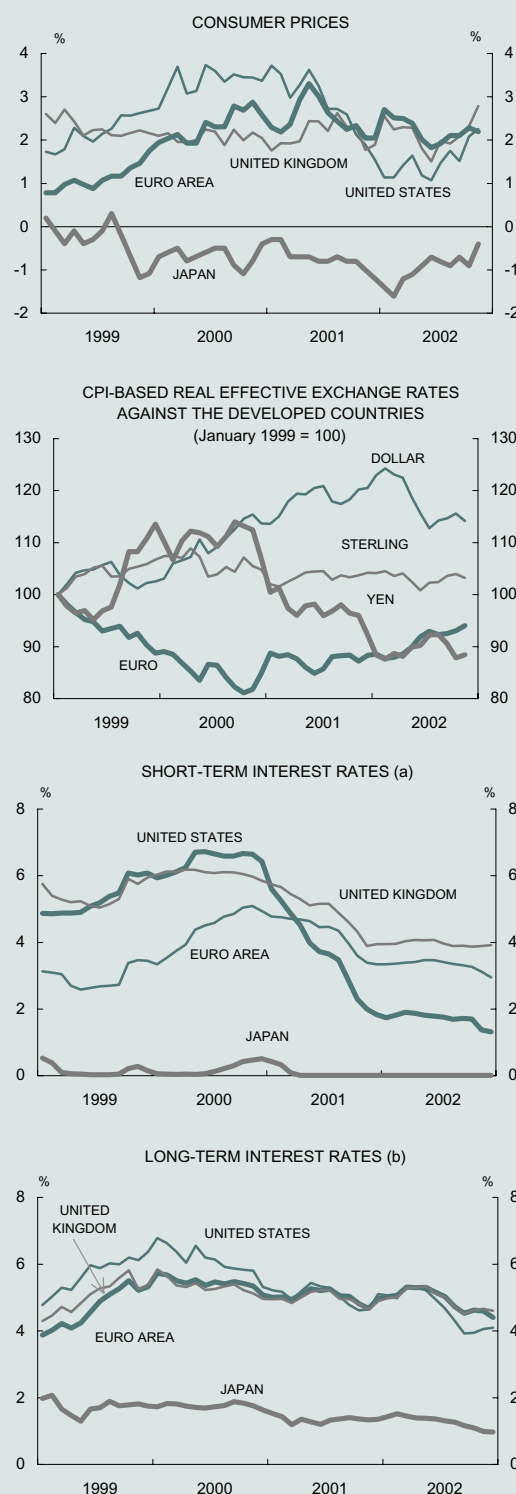
**Main macroeconomic indicators  
Annual rates of change**



Sources: Banco de España, national statistics and Eurostat.  
(a) As a percentage of the labour force.

CHART 6

**Prices, real exchange rates and interest rates**



Source: Banco de España.

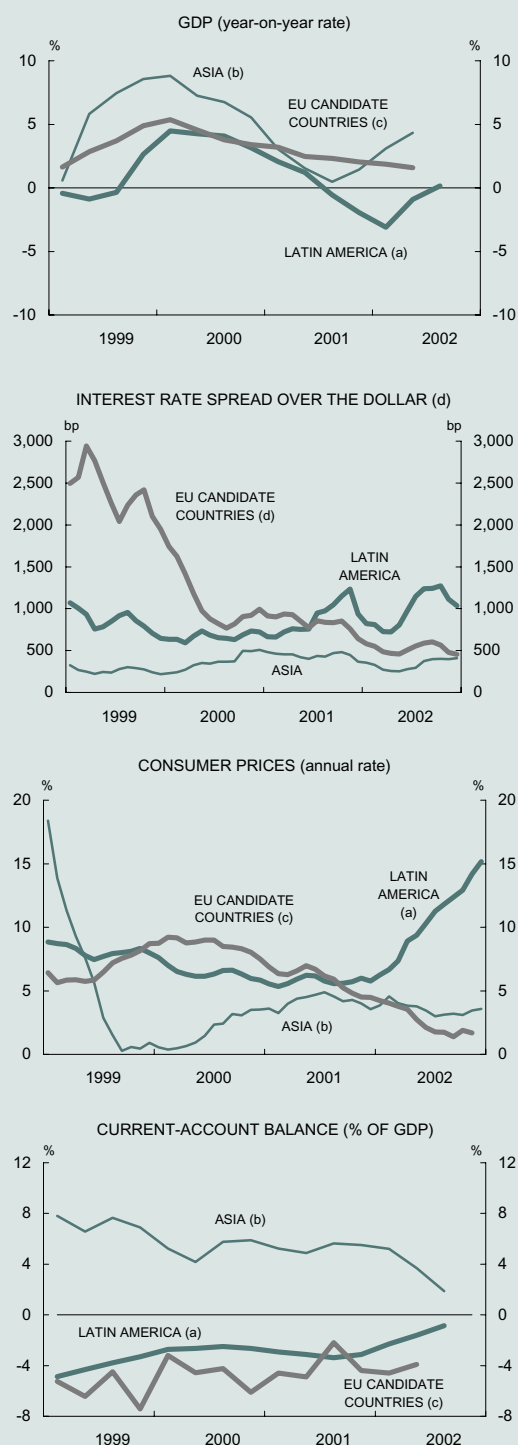
(a) Three-month interest rates on the interbank market. Euro area: weighted average of the eleven countries to December 1998; three-month EURIBOR as from 1999.

(b) Ten-year government bond yields. Euro area: weighted average of the eleven countries to December 1998.



CHART 7

**Emerging economies: main macroeconomic indicators**



Sources: National statistics and JP Morgan.

(a) Argentina, Brazil, Chile, Mexico, Colombia, Venezuela, and Peru.

(b) Malaysia, Korea, Indonesia, Thailand, Hong Kong, Singapore and Taiwan.

(c) Latvia, Lithuania, Estonia, Czech Republic, Hungary, Poland, Slovenia and Slovakia.

(d) Spreads according to JP Morgan's EMBI+ index. Russia is included with the EU candidate countries.

they have actually worsened. Notable among them are the geopolitical ones, and also those deriving from the fragility of the recovery, which is still based on private consumption and the expansionary economic policy measures, private investment having failed to take over. The US government announced a new fiscal package, the main objective of which is to stimulate investment, by eliminating the double taxation of dividends, and consumption, by reducing taxes on the lowest incomes. It is projected that these measures will increase the budget deficit by 1% of GDP in 2003.

In *Japan*, preliminary national accounts figures for 2002 Q3 show real GDP growth at a non-annualised quarterly rate of 0.7% (1.5% year-on-year). Also, quarterly GDP growth in Q2 was revised upwards to 1%, from the previous estimate of 0.6%. The contribution of domestic demand to quarterly GDP growth was positive (0.8%), while the contribution of external demand was negative (−0.1%), for the first time since 2001 Q3. The slowdown in goods and services exports, which grew at a quarterly rate of only 0.5%, as against 5.9% in Q2, shows that the main determinant of output growth in the first half of the year faded rapidly. The available indicators for Q4 seem to show a decline instead of the incipient recovery that seemed to be signalled in the first half of the year. Thus, industrial production fell by 2.2% in November, relative to the same month a year earlier, the third consecutive monthly decline, while sales data did not herald a recovery in private consumption either. As shown by the rate of underlying inflation, which held steady at around −0.8% in November 2002 (the latest figure available), deflationary pressures continue to hold sway.

The *UK* economy grew by 0.9% in 2002 Q3 (2.1% year-on-year), with private consumption and government consumption both growing by 0.8% during the quarter, while gross fixed capital formation fell by 0.9%, exports by 1.2% and imports by 0.5%. According to the economic indicators, the industrial sector again failed to recover in 2002 Q4, with industrial production declining by 1.2% year-on-year in November and falls in business sentiment. Private consumption indicators displayed notable strength, although they slowed with respect to previous quarters. Exports in October and November fell rather more than imports, so that the trade deficit widened significantly during these months. The rate of unemployment, meanwhile, held steady at 5.2% to November (registered unemployment was 3.1% in December), and wage growth year-on-year increased slightly to 3.8%. Inflation rose to 2.7% in December, owing to the sharp rises in the housing component and

the base effect arising from the fall in the oil price a year earlier.

The most important event for the *European Union candidate countries* in the last quarter was the agreement reached at the Copenhagen summit, held on 12 and 13 December 2002, for the entry of a first wave of countries. Ten countries and the current members can now ratify accession treaties in 2003 and, assuming they do so, all of them will participate in the European Parliament elections in 2004 as EU Member States. The most likely accession date for Bulgaria and Romania seems to be 2007, while December 2004 has been set as the date for assessing whether Turkey meets all the political and democratic criteria required by the EU so that accession talks can begin without delay.

As for economic developments in these countries, GDP growth in Q3 was generally higher than in the previous quarter, owing to the strength of domestic demand and in spite of the weakness of external demand. In addition, long-term interest rate spreads vis-à-vis the euro continued to narrow and in some cases, such as that of the Czech Republic, reached less than 50 basis points. As for exchange rates, the sharp appreciation of the Hungarian Forint was notable, forcing the central bank to lower interest rates by 200 basis points.

In *Latin America* economic and financial developments were relatively positive in the final quarter. Especially important among the domestic factors contributing to this improvement was reaffirmation by the new Brazilian government of policies of economic discipline. The worsening of the economic and social crisis in Venezuela, which appears increasingly complicated to resolve, does not seem to have affected the rest of the region, although it has affected the rise in the price of oil in recent weeks. Tension in the financial markets of the area eased from October, leading to a significant reduction in debt spreads, to around 1000 basis points at the end of January in the region as a whole. Exchange rates have also recovered

somewhat, albeit unevenly and with reversals. Despite the mild improvement in financial indicators in the last few months of 2002 economic growth in the region over the year as a whole will be much lower than initially expected.

It was confirmed in the final quarter that activity had stabilised in Argentina following the sharp fall in GDP in the first half. Inflationary pressures also moderated and the exchange rate, which recently embarked on an upward path, stabilised. This improvement, although precarious, facilitated the lifting of the freeze on bank accounts at the beginning of December and some of the exchange restrictions at the beginning of January. The transitional agreement with the IMF eases the financing of payment commitments to official agencies up to August 2003. Following the elections in Brazil, affirmation of the commitment to fiscal discipline and the formation of a moderate economic team led to a significant improvement in sentiment on financial markets. As a result, debt spreads were almost halved from their September highs (although they still stand close to 1,400 basis points) and the exchange rate appreciated, although it has fallen back in recent days. If the narrowing of spreads and the appreciation of the real prove lasting, the public-debt vicious circle can be broken and the external constraint, which led to a sharp external adjustment last year, can be relaxed. However, the situation has deteriorated significantly on the prices front, with inflation running at almost twice the target rate (12.4%, as against a 6.5% upper limit to the target). This substantial deviation led to a marked rise in interest rates from October, which rose from 18% to 25.5%, and an extension of the horizon for achieving the inflation targets previously established for 2003. In *Mexico* the recovery remains shaky with attention focused on events in the United States. Fiscal policy is still disciplined, with the help, on this occasion, of the approval of the 2003 budget. Another country in the area that has benefited from a positive change in sentiment in recent months is *Colombia*, owing to IMF support for the new government's reforms.

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

In 2002 Q4, economic growth in the euro area was subdued, so that the conditions of faltering recovery that had characterised the first three quarters continued to prevail. As for 2003, the prospects for growth have moderated over the last few months, owing to the uncertainty arising from the international setting, the rise in oil prices and the hardening of the euro. Even so, recovery is still expected to firm in the euro area in the first half of this year, which should enable the annual growth rate of the area to draw close to its potential by the summer although, given the international geopolitical uncertainty, this scenario is subject to significant downside risks. On the inflation front, the weakness of demand and the appreciation of the exchange rate helped to reduce inflationary pressures in the last quarter of the year and partly offset the upward impact on consumer prices of the rise in oil prices. In the short run, however, the pass-through of the recent rise in oil prices to domestic prices may mean that it will take longer for inflation to fall below 2%.

These conditions of uncertainty continued to govern monetary and financial variables in 2002 Q4 and in the first few weeks of 2003. Interest rates displayed a downward trend, stock markets were unable to sustain an upward course and risk premiums remained high. At the beginning of December, given the improvement in inflation prospects, which was largely a consequence of the fragility of the economic recovery, the ECB reduced its interest rate by 50 basis points. This cut took the minimum bid rate in the Eurosystem's main refinancing operations to 2.75%. In the area of fiscal policy, there was a further deterioration in the budget position in 2002, which was especially pronounced in certain countries that had failed to capitalise sufficiently on the previous upturn to consolidate their finances. In various cases this led to activation of the procedures provided for in the Treaty and in the Stability and Growth Pact to impose budgetary discipline.

#### 3.1. Economic developments

According to the second National Accounts estimate, GDP in the euro area grew at a quarter-on-quarter rate of 0.3% in 2002 Q3, similar to the rate recorded in the first half of the year. This took the year-on-year growth rate to 0.8%, up 0.1 percentage points on Q2. In terms of the composition of output, domestic demand was particularly important in 2002 Q3, contributing 0.3 percentage points to GDP growth, following a negative contribution in the first half of the year (see Chart 8). The recovery in domestic demand was a consequence of the higher growth rates of private consumption and of in-



vestment, the latter being positive for the first time since the beginning of 2001. Among the components of gross fixed capital formation, both investment in capital goods and investment in construction grew at higher rates than in the previous quarter, although the quarter-on-quarter growth rate of investment in construction was still negative. Meanwhile, net external demand contributed 0.2 percentage points to output growth, as exports were stronger than imports, while stockbuilding subtracted 0.2 percentage points from GDP growth, in contrast to its positive contributions in the previous two quarters.

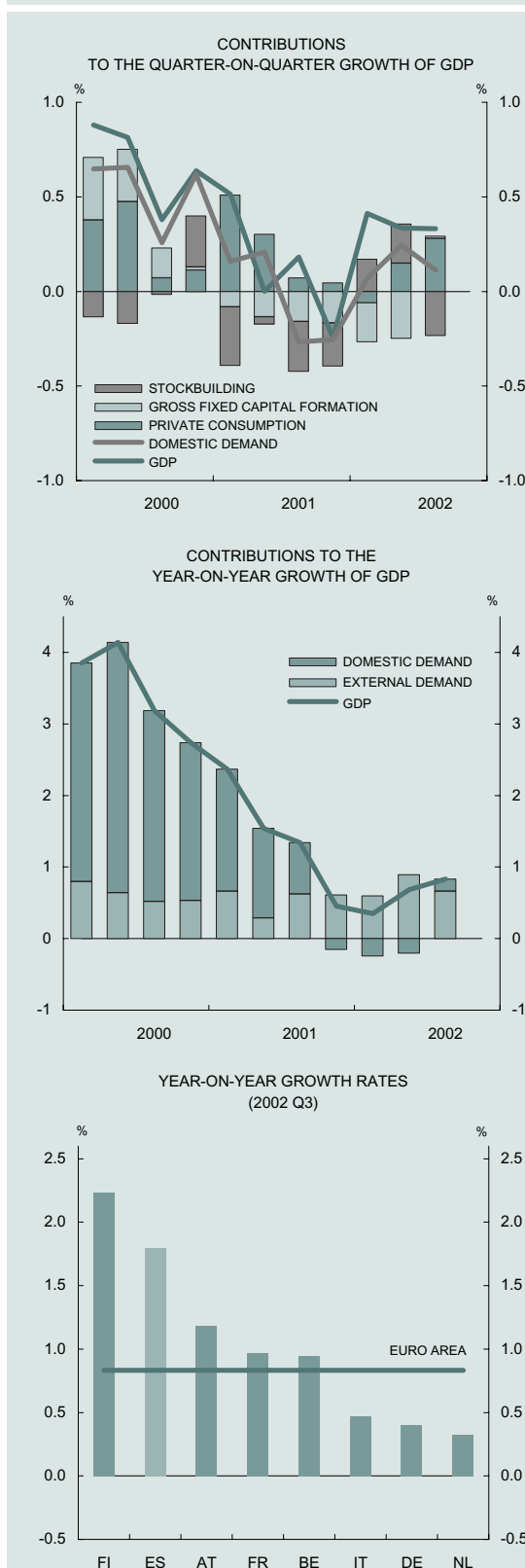
At the country level, the National Accounts figures for Q3 show that most countries sustained or increased their quarter-on-quarter growth rates. Among the largest economies of the area, France was the only country to see a moderation in its growth rate, owing to the deterioration in investment, which the buoyancy of private consumption and the growing contribution from the external sector were unable to offset fully. GDP grew by 0.3% in Germany, thanks to a favourable foreign trade performance, while Italy and Spain benefited from more buoyant domestic demand. Recent developments in economic activity in the euro area countries are analysed in Box 1.

From the standpoint of supply, the growth rate of value added was the same in 2002 Q3 as in the previous quarter owing to a similar increase in industrial GVA, a milder slowdown in construction activity and a slight loss of buoyancy in the services sector. As for the labour market, employment fell by 0.1% in 2002 Q3 relative to Q2, so that the year-on-year rate of change was down 0.3 percentage points on the rate recorded in the previous quarter (0.3%). Apparent labour productivity rose year-on-year by half a percentage point as a result of this slowdown in employment and the higher growth of output.

The information available on indicators of activity in 2002 Q4 points to an unchanged or slightly poorer quarter-on-quarter GDP growth rate in the euro area, which would make the rate of change for the year as a whole less than 1%. Although most of the indicators of activity in industry improved in 2002 Q4, those for construction and services declined relative to the previous quarter. Specifically, the index of industrial production increased on average by 0.8% during October and November, with respect to Q3, and the industrial confidence indicator of the European Commission (EC) rose in Q4 (see Chart 9). By contrast, the purchasing managers' index for the manufacturing sector was down on Q3, as were the EC's confidence

CHART 8

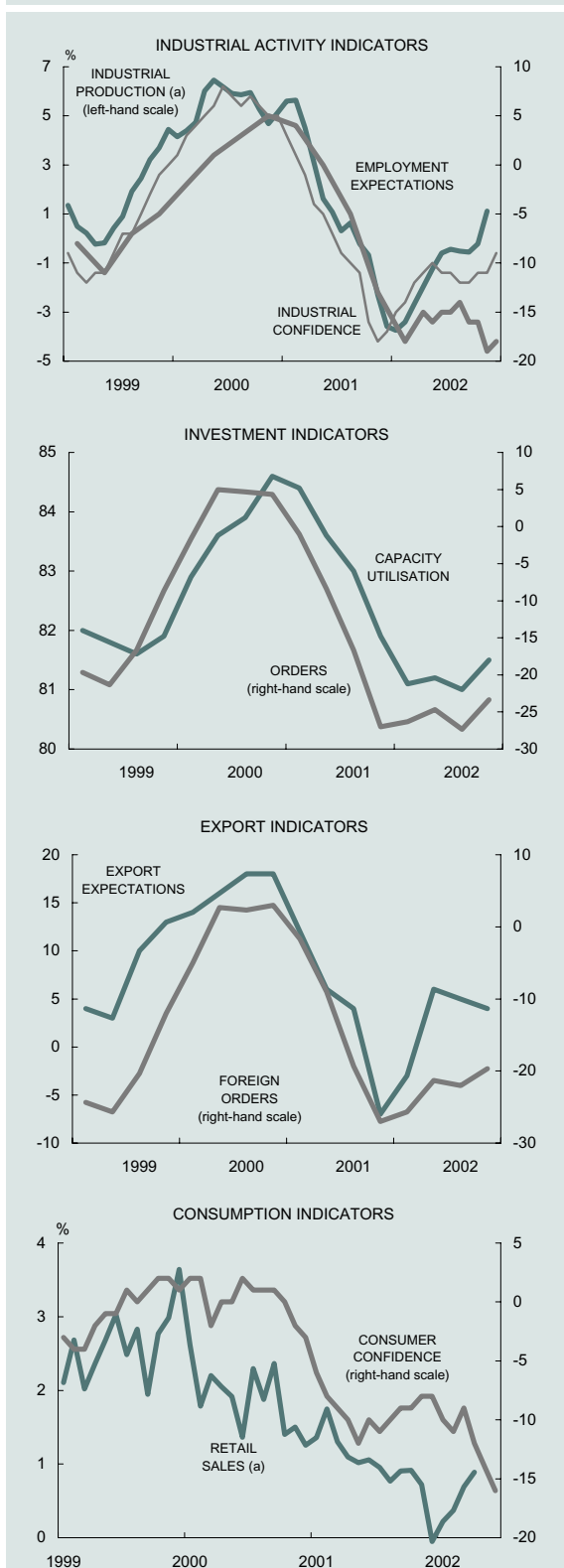
## GDP in the euro area



Sources: Eurostat and national statistics.

CHART 9

### Euro area. Real indicators



Sources: Eurostat and European Commission.

(a) Non-centred annual percentage changes, calculated on the basis of the quarterly moving average of the seasonally adjusted series.

indicators for services and construction and the purchasing managers' index for services. At the same time, on provisional data of the German Statistics Institute, German GDP grew by 0.2% in 2002, 0.5 percentage points less than in 2001. This average annual growth rate implies a lower quarter-on-quarter rate of change in 2002 Q4 than in the previous quarter.

From the standpoint of demand, private consumption indicators point to slightly slower growth than in Q3. The consumer confidence indicator fell in Q4 and, in December, reached levels not seen since 1997, while retail sales only grew by 0.3 percentage points more in October than on average in the previous quarter. However, at the other extreme, the retail confidence indicator improved slightly on average in Q4, while new passenger car registrations displayed notable vigour in the same period (see Chart 9). Investment indicators, such as assessments of industrial order books and capacity utilisation, improved in 2002 Q4. Export expectations according to the quarterly business survey compiled by the EC, were also positive in Q4, although slightly down on the preceding quarter, and the assessment of export order books improved during the final quarter of 2002. The information from the business survey on the assessment of stocks suggests that levels were higher than desired. Finally, the employment indicators, also obtained from business surveys, show a further deterioration on average in the period October- December. In fact, the rate of unemployment of the euro area rose in October and November by 0.1 percentage points, to 8.4%.

In short, the most recent activity indicators for 2002 Q4 foreshadow continued weak quarter-on-quarter growth, within the range estimated by the European Commission (0.1%-0.4%), equivalent to a year-on-year rate of somewhat more than 1%. On the expenditure side, the composition would be similar to that of Q3, although it is possible that domestic demand will grow at a slightly lower rate. Investment expenditure could be stimulated by the growth of final demand, but the climate of high uncertainty and the financing difficulties of some firms in the face of high risk premiums and falling share prices may entail the postponement of decisions to purchase investment goods. On the other hand, it is likely that private consumption will continue to expand, albeit at moderate rates, in line with its determinants. Among them, the appreciation of the exchange rate and the moderation of inflationary pressures, along with the reduction in interest rates, should be conducive to some buoyancy in this variable. However, the negative trend in employment, the international uncertainty and the decline in fi-

## Differences in the recent performance of economic activity in the euro area countries

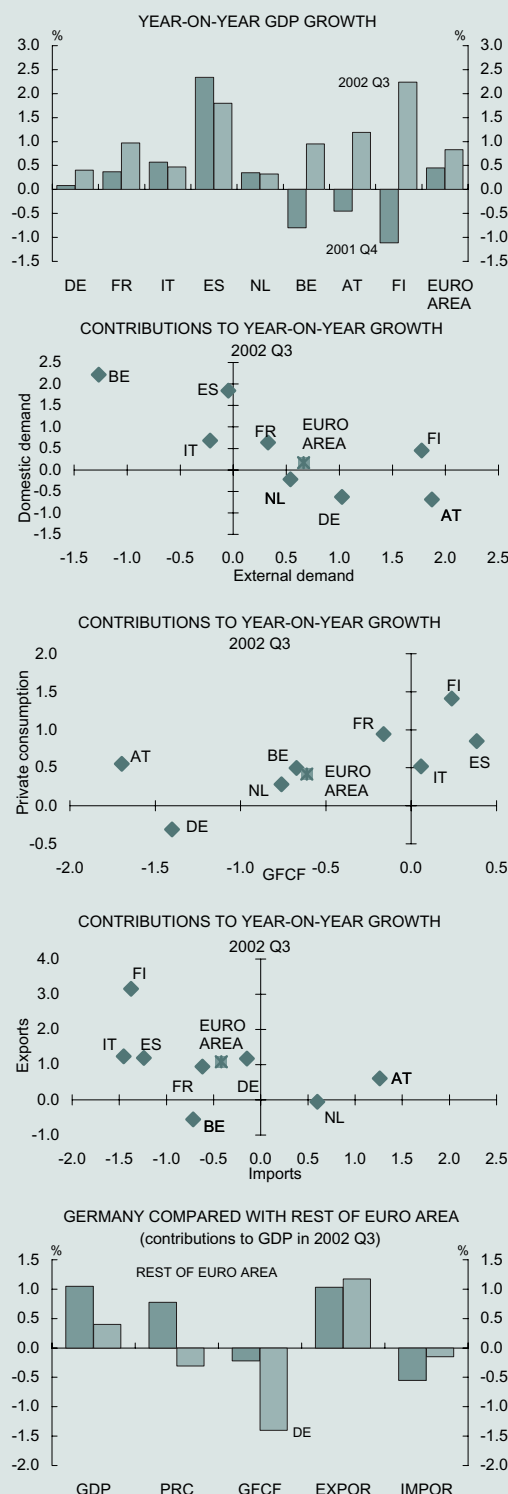
Against a general background of mild recovery, marked by uncertainty over developments in the world economy, the National Accounts data for each country in 2002 revealed a wide variety of situations within the euro area. The year-on-year increase in the area's GDP in Q3, 0.8%, was the result of very different performances across countries. Among the countries for which quarterly information is available, two of them (Spain and Finland) grew at a rate of close to 2% and another three at around 1% (France, Belgium and Austria), while the remaining three (Germany, Italy and the Netherlands) failed to grow at a rate of more than 0.5%.

The top chart shows that there was a mild recovery in all the countries, except Italy, the Netherlands and Spain, although Spain stands out in the group of countries analysed as having had the highest and most stable growth rate in recent years. It can also be seen that the larger countries tend to have more stable rates of expansion, which may stem, inter alia, from their lower degree of openness (and, therefore, of sensitivity to external shocks) and from greater diversification in their productive structures. In the smaller countries, by contrast, growth has been more volatile, these being the only ones in which GDP growth was negative in late 2001 and in which the subsequent recovery has been clearer. Among these countries, Finland's buoyancy, driven by exports and consumption, has been notable.

The different rates of output growth are also related to very different contributions of domestic and external demand from country to country, there being a clear trade off between them. The differences in the contribution of domestic demand stem more from the contributions of gross fixed capital formation than from consumption, which seems reasonable when it is considered that investment is more strongly influenced by the short-term economic situation and outlook than is consumption. In the case of net external demand, the different contributions to output across the euro area countries reflect not so much the performance of exports, which are governed by similar fundamentals in all the countries, in terms of the exchange rate or world demand, as the behaviour of imports, which are basically determined by the different behaviour of domestic demand.

No common pattern is discerned in economic developments across the euro area countries and, therefore, it is not clear which behave very differently from the rest. That said, the performance of the German economy is of particular interest since it is the largest country in the area and its growth rates are very low. As seen in the bottom chart, in which the contribution to output of the main aggregates is compared in Germany and in the rest of the members of the euro area, the slackness of the German economy relative to the rest of the countries of the area is attributable to the weakness of domestic demand, both in its private consumption and gross fixed capital formation components. The behaviour of private consumption is primarily held back by the unfavourable performance of the labour market, which has a negative effect on consumer confidence. In fact, Germany is the only country in which private consumption growth was negative in 2002 Q3. As for investment, the different behaviour of Germany with respect to the rest of the euro area is attributable, not so much to the still adverse trend in machinery and equipment investment, which has affected most members of the euro area, as to the continued weakness of investment in construction. Finally, net external demand is seen to have made a significant positive contribution to growth, although it has been affected by the slackness of domestic demand, which has moderated the growth rate of imports.

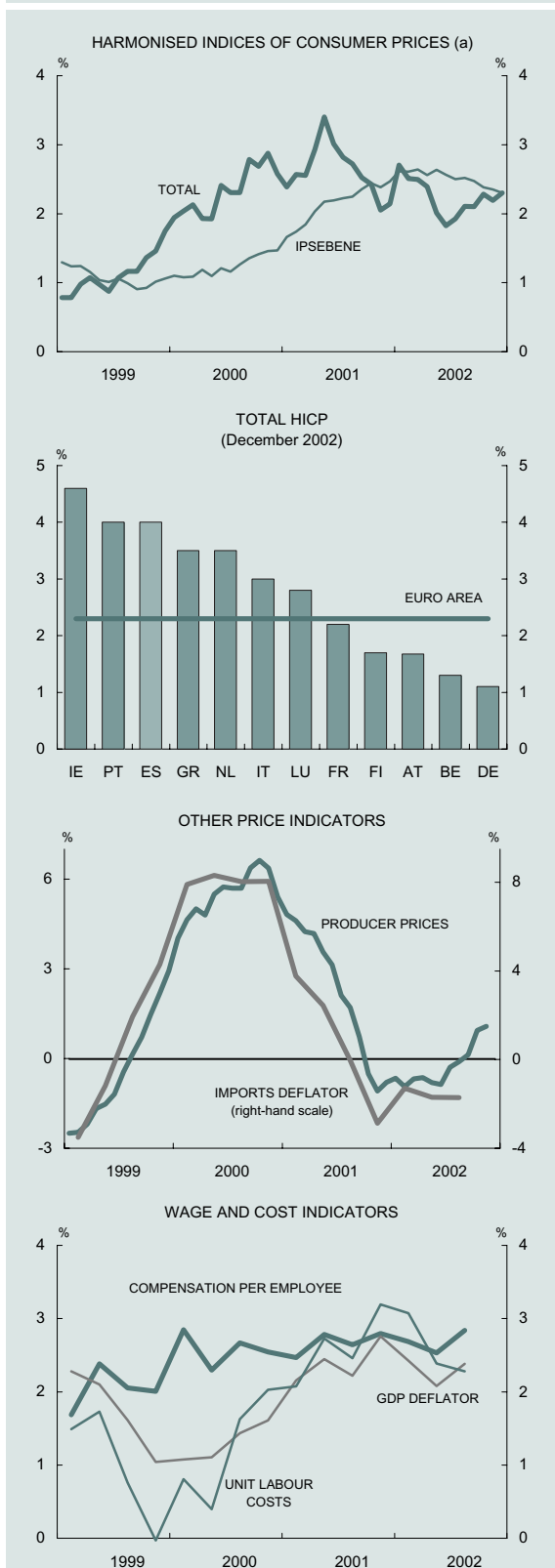
## GDP growth and its composition



Source: Eurostat.

CHART 10

**Euro area. Price, wage and cost indicators**  
Year-on-year percentage changes



Sources: Eurostat and European Central Bank.

(a) There is a break in January 2002, when the series was re-based to 2001.

financial wealth stemming from falling stock markets, could have a negative impact on agents' consumption expenditure.

As already mentioned at the beginning of this chapter, euro area price indicators showed an easing of inflationary pressures in 2002 Q4. As for the determination of domestic prices, unit labour costs increased in Q3 in line with the GDP deflator, so that margins were unchanged (see the lower panel of Chart 10). However, as seen in Box 2, the recent path of unit labour costs and of unit margins in the euro area reflects very uneven behaviour across countries. Productivity is expected to continue increasing in Q4, which would be conducive to unit labour cost moderation.

The HICP increased by 2.3% in December in year-on-year terms, 0.2 percentage points more than in September. However, it was the behaviour of the energy component alone that was responsible for this acceleration in consumer prices, since the rate of change of the other components moderated in the final quarter of the year (see Chart 10). The increase in the likelihood of military intervention in Iraq and the continuation of the general strike in Venezuela, which has reduced its oil exports, caused the price of Brent crude oil to stand at around USD 32 per barrel in mid-January, more than 30% higher than the average euro price in January 2002. The rate of change of the index of non-energy processed goods and services prices (IPSEBENE), covering the most stable components of the HICP, fell by 0.2 percentage points between September and December. As can be seen in the second panel of Chart 10, inflation continued to vary widely across countries. The inflation differential between the countries with the highest and lowest rates (Ireland with 4.6% and Germany with 1.1%) remained large and relatively steady in Q4. As for producer prices, the annual rate of change in the producer price index rose to around 1% in November, from 0.1% in September, owing to the increase in oil prices over the quarter.

Consumer prices in 2003 Q1 are likely to be strongly influenced by the increase in oil prices. However, in the more medium term, the direct effects of the appreciation of the euro on import prices and their gradual pass-through to the euro area economy and the current moderation of the rate of economic growth should contain inflationary pressures, with the rate of increase in the HICP stabilising at a level below 2% during 2003.

According to estimates published by the ECB, there was a current-account surplus of € 40.9 bn in the first ten months of 2002, com-

# Decomposition of the growth of the deflators of GDP and of final demand in the euro area

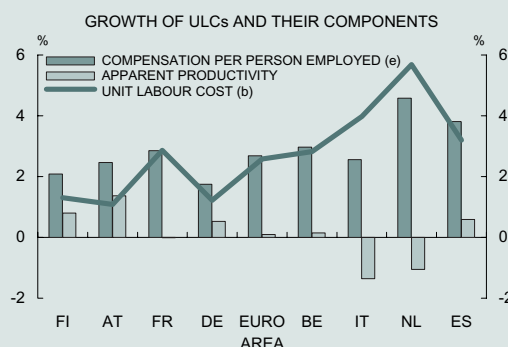
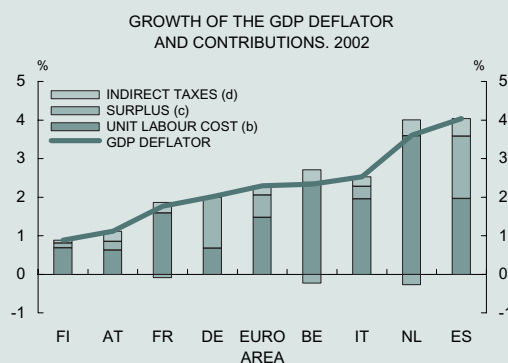
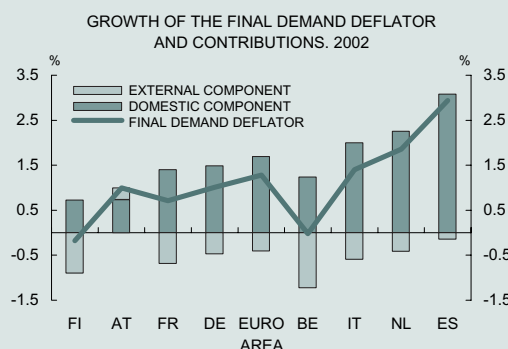
Within the framework of the quarterly national accounts, the production and the generation of income accounts provide useful information for analysing price formation in the euro area as a whole and the inflation differentials observed between the member countries. Starting from the identity between the economy's final demand and supply (GDP and imports), the final demand deflator can be broken down into the sum of the GDP deflator and the imports deflator, weighted according to their relative importance in final demand in real terms. Likewise, the breakdown of GDP at market prices between compensation of employees, the gross operating surplus and net indirect taxes on production and imports enables the GDP deflator to be decomposed into the contribution of each of these factors per unit of output.

The top chart shows the year-on-year growth of the final demand deflator in the first three quarters of 2002 as the sum of the contributions of the domestic and external components. The contribution of the domestic component is seen to predominate in the determination of the rates of change of the final demand deflator. In this period, the contribution of the external component was negative in almost all countries, as a consequence of the fall in both the euro prices of imports and in the import content of final demand, which has been conducive to the containment of inflation. That said, its influence has been distributed unevenly across the various countries. France and Belgium, for example, enjoyed approximately the same reduction in import prices in the period analysed, but in the second case, the greater loss of weight of imported products in Belgian supply amplified the negative contribution of the external component to the course of the final demand deflator.

The middle chart shows the existence of significant dispersion in the domestic growth rates of the GDP deflator, as well as in its composition. In most of the countries, arranged according to the rate of expansion of their GDP deflator, and in the euro area as a whole, the contribution of unit labour costs (ULCs) exceeds that of the other factors. The contribution of this component is especially high in the Netherlands and Belgium, followed by Spain and Italy. To determine the origin of this behaviour of ULCs, the bottom chart shows their rate of change broken down into compensation per employee and productivity increases. It can be seen that the divergences between the rates of growth of wages are not so high as those of ULCs, since in those countries in which compensation has grown most, the increase in productivity per person employed is lower, and yet in those countries with the largest increases in compensation per employee, productivity has expanded more strongly. Meanwhile, Germany and Spain are the countries in which the contribution of the gross unit operating surplus to the GDP deflator is greatest, both relative to that of other countries and to the contribution of the other components to the growth of their GDP deflators. Finally, net indirect taxes have also played a significant role in the determination of the GDP deflator, with a contribution that ranges from almost zero in Germany to half a percentage point in the case of the Netherlands and Spain.

The data analysed show that the differences between the rates of growth of the main deflators of the euro area countries reflect a number of different causes. Besides being related to the different cyclical positions of the countries, these causes are also related to their different degree of openness and to the diversity of their economic structures, product and factor markets (which determine the remuneration of these factors) and tax systems.

## Average year-on-year rates of change in 2002 (a) and contributions



Source: Eurostat.

- (a) Average rate for the first three quarters, except Belgium and the Netherlands (first two quarters).
- (b) Labour cost per unit of GDP.
- (c) Gross operating surplus (and mixed income) per unit of GDP.
- (d) Net indirect taxes on production and imports per unit of GDP.
- (e) Approximated by compensation per employee.



TABLE 1

## General government budget balances of euro area countries (a)

% of GDP

	1998	1999	2000	2001	2002 (b)	2002 (c)	2003 (d)	2003 (c)
Belgium	-0.7	-0.5	0.1	0.2	0.0	-0.1	0.0	0.0
Germany	-2.2	-1.5	-1.4	-2.8	-2.0	-3.8	-2.8	-3.1
Greece	-2.5	-1.9	-1.8	-1.7	0.8	-1.3	-0.9	-1.1
Spain	-2.7	-1.1	-0.7	-0.1	0.0	0.0	0.0	-0.3
France	-2.7	-1.6	-1.3	-1.5	-1.4	-2.7	-2.6	-2.9
Ireland	2.4	2.2	4.4	1.5	0.7	-1.0	-0.7	-1.2
Italy	-2.8	-1.8	-1.7	-2.2	-0.5	-2.4	-1.5	-2.2
Luxembourg	3.1	3.6	5.6	6.1	2.8	0.5	-0.3	-1.8
Netherlands	-0.8	0.7	1.5	0.1	1.0	-0.8	-1.0	-1.2
Austria	-2.4	-2.3	-1.9	0.2	0.0	-1.8		-1.6
Portugal	-2.6	-2.4	-3.2	-4.1	-1.8	-3.4	-2.4	-2.9
Finland	1.3	1.9	7.0	4.9	2.6	3.6	2.7	3.1
MEMORANDUM ITEM:								
Euro area								
Primary balance	2.5	2.9	3.1	2.5	2.7	1.5		1.6
Total balance	-2.2	-1.3	-0.9	-1.5	-0.9	-2.3	-1.8	-2.1
Public debt	73.5	71.9	69.4	69.3	67.2	69.6		69.1
Sources: European Commission, national stability programmes and IMF.								
(a) As a percentage of GDP. Proceeds from the sale of UMTS licences not included. Deficit (-) / surplus (+).								
(b) Targets of the stability programmes presented between November and December 2001.								
(c) European Commission forecasts (November 2002).								
(d) Targets of the stability programmes presented between November 2002 and January 2003.								

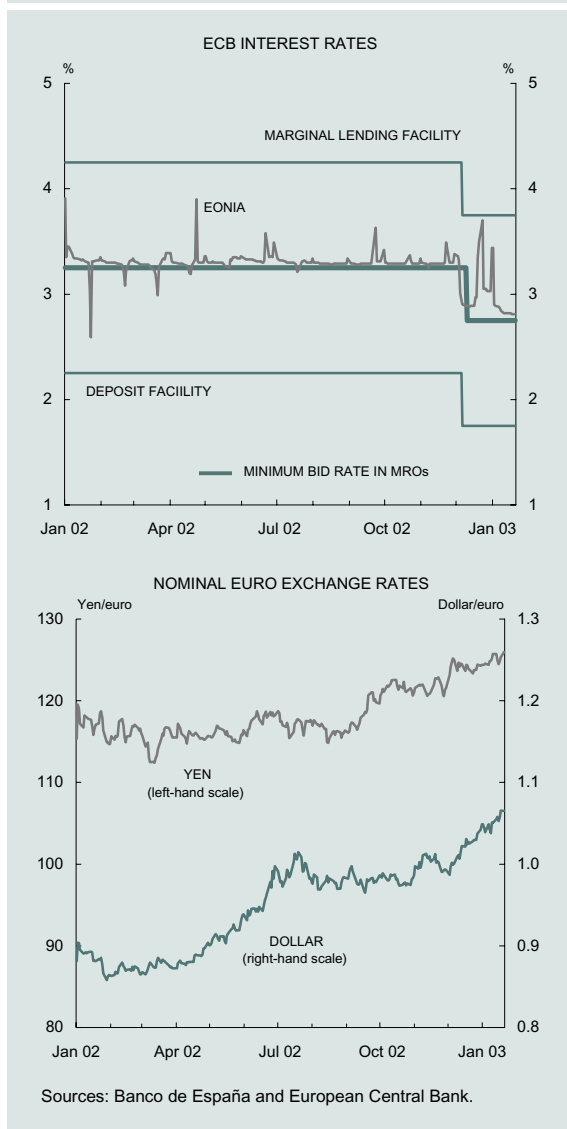
pared with a deficit of € 18.7 bn in the same period of 2001. This turnaround was largely the result of a substantial increase in the trade balance, which stemmed in turn from the slackness of import demand and from the improvement in the terms of trade. Taking into account, moreover, that direct and portfolio investment involved net inflows of almost € 40 bn (in contrast to the net outflows under the other headings of the financial account) the basic balance, which approximates the more permanent financing requirements of an economy, stood at € 80 bn in the first ten months of the year, so continuing the progress that it had made since 2001.

As regards fiscal policy, according to the information available the budget deficit of the area as a whole widened last year by 0.2 percentage points to 2.2% of GDP (see Table 1), so that the euro area budget position deteriorated for the second year running. According to European Commission calculations, on this occasion the widening of the deficit basically stemmed from the impact of the slowdown in activity. However, when the situation is analysed country by country the conclusion is somewhat different. The worsening was across the board, but in those countries that had achieved an underlying budget position close to balance before the deceleration in activity be-

gan, the action of the automatic stabilisers is apparent in the deterioration observed, and their cyclically adjusted balances did not significantly deteriorate. However, in those countries in which the structural imbalances were not corrected during the cyclical upturn, the budget position has been further worsened by the low growth phase and, in certain cases, by the application of discretionary expansionary measures, making for a very delicate situation in terms of the balances observed and compliance with the fiscal rules laid down in the Treaty and in the Stability and Growth Pact. A particular case in point is Germany, where the deficit in 2002, according to the estimates available, reached 3.7% of GDP. This was above the 3% limit laid down in the Treaty and so prompted initiation of the excessive deficit procedure. The Recommendation approved by the ECOFIN Council on 21 January urges the German authorities to correct the excessive deficit as soon as possible, by taking measures such as those proposed in its stability programme, although if growth proves to be worse than expected a more ambitious adjustment is not demanded. In France, meanwhile, the deficit stood at 2.8% of GDP in 2002, very close to the above-mentioned reference rate. This also represents a significant deviation from the 1.4% target set a year earlier in its stability programme, leading

CHART 11

**ECB interest rates  
and euro exchange rates**



the Council to issue an early warning requiring France to take all such measures as may be necessary to avoid the deficit exceeding 3% of GDP in 2003 and to ensure that the budget can be balanced in 2006. In Italy, the deficit stabilised in 2002 at around 2.2% of GDP, the level reached the previous year, although this was partly as a result of the application of temporary measures, which have not helped to improve the underlying situation of its public finances. Finally, in Portugal, following a deficit of 4.1% of GDP in 2001 and initiation of the excessive deficit procedure as a result, the authorities seem to have been successful in substantially correcting the budget deficit in 2002.

All the Member States of the area, with the exception of Luxembourg and Austria, have presented updated stability programmes, defin-

CHART 12

**Euro area  
Yield curve**

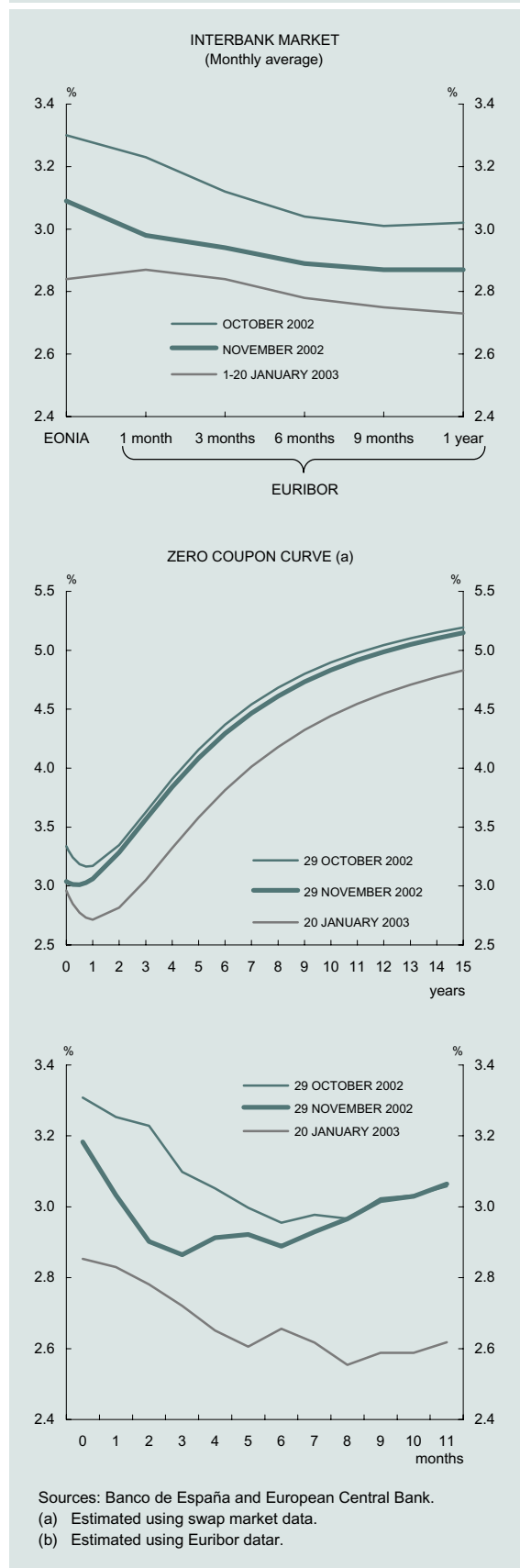
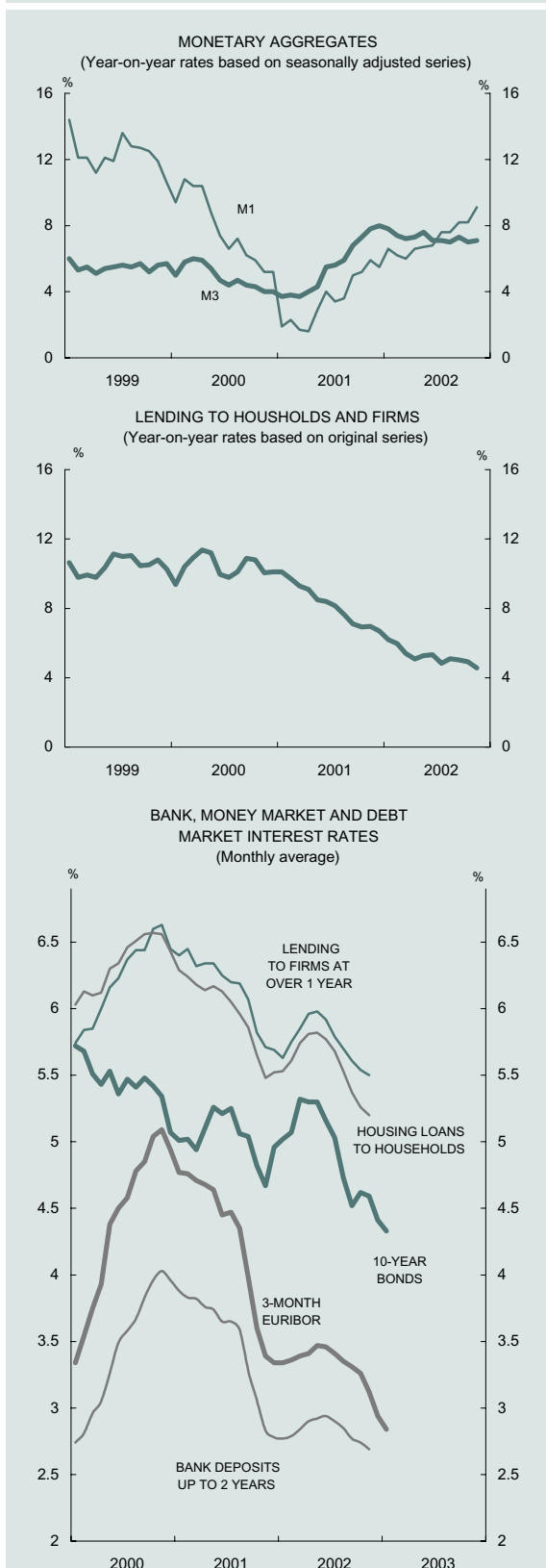


CHART 13

**Monetary and credit aggregates and interest rates in the euro area**



Sources: Banco de España and European Central Bank.

ing their respective medium-term budgetary strategies (generally up to 2006). Aggregating the budget targets of the individual countries gives a deficit for the area as a whole of 1.8% of GDP in 2003 and 1.1% in 2004. These projections are significantly rosier than those included in the European Commission's autumn forecasts, according to which these deficits will be 2.1% and 1.8% of GDP respectively (see Table 1). In part, the difference is explained by the fact that the economic growth assumptions contained in the programmes are more optimistic, although in many cases the Commission's forecasts were published before the programmes had been presented and the macroeconomic environment had deteriorated further in the meantime. The discrepancies are also explained by the fact that the programmes generally anticipate the implementation of more ambitious fiscal consolidation policies, although in many cases the measures that would enable the targets to be achieved are insufficiently specified. The budget strategies designed by the countries with the largest imbalances broadly comply with the Eurogroup agreement, according to which the underlying fiscal position must improve by at least 0.5 percentage points of GDP per annum from this year. In the rest of the countries, the automatic stabilisers can be allowed to operate freely this year. Finally, according to the plans set out in the programmes, almost all the countries will achieve a position close to budget balance in 2006.

Finally, following a need identified by the Barcelona Council, the Commission published a Communication in November which aimed to examine how the co-ordination of budgetary policies within the EU can be strengthened. The Communication did not propose any changes to the legal framework set by the Treaty and the Stability and Growth Pact, but rather clarified the interpretation of these rules and made it more systematic. The most important proposals of the Commission, which will be discussed by the Council in the coming months, are: to evaluate the "close to balance or in surplus" requirement in the medium term on the basis of cyclically-adjusted balances; to attach more weight to government debt ratios and the sustainability of public finances when assessing fiscal policies; to monitor fiscal developments in upturns particularly rigorously, to avoid insufficient adjustments to the budgetary position; to permit, when certain relatively strict starting conditions are met, moderate deviations from budget balance, provided that the purpose is to finance structural reforms; and, finally, to try to strengthen disciplinary mechanisms by improving the quality of information on public finances, by clarifying the circumstances that may give rise to activation of the excessive deficit procedure



TABLE 2

**Monetary and financial situation in the euro area and Spain**

%

	2000	2001	2002					2003
	DEC	DEC	AUG	SEP	OCT	NOV	DEC	JAN (a)
MONETARY VARIABLES (b):								
Euro area								
M3	4.0	7.9	7.0	7.2	6.9	7.1	6.8	
M1	5.2	5.5	7.6	8.2	8.3	9.2	9.8	
Credit to private sector	10.1	6.7	5.1	5.0	4.9	4.6	4.7	
SPAIN								
Cash and cash equivalents	4.4	6.8	11.2	10.1	11.9	13.4	11.2	
Other bank liabilities	19.8	8.4	3.8	2.3	3.9	3.0	3.2	
Mutual funds (c)	-27.1	26.2	20.1	17.9	15.8	13.3	11.7	
Financing to the private sector	18.8	15.1	14.7	14.0	14.7	14.3	14.1	
FINANCIAL MARKETS (d):								
EONIA	4.83	3.36	3.29	3.32	3.30	3.30	3.10	2.78
Three-month EURIBOR	4.94	3.35	3.35	3.31	3.26	3.12	2.94	2.84
Public debt								
Euro-area ten-year bond yields	5.07	4.96	4.73	4.52	4.62	4.59	4.41	4.26
US/euro-area ten-year bond spread	0.25	0.16	-0.43	-0.60	-0.68	-0.53	-0.32	-0.20
Spain/Germany ten-year bond spread	0.31	0.23	0.19	0.19	0.17	0.12	0.10	0.05
Bank rates in Spain								
Synthetic deposit rate	3.02	2.22	2.29	2.22	2.22	2.20	2.06	
Synthetic lending rate	6.35	4.86	5.06	4.92	4.72	4.67	4.41	
USD/EUR exchange rate	0.897	0.892	0.978	0.981	0.981	1.001	1.018	1.058
Equities (e)								
Dow Jones EURO STOXX broad index	-5.9	-19.7	-26.0	-39.1	-31.5	-27.2	-34.5	-7.6
Madrid Stock Exchange General Index	-12.7	-6.4	-18.8	-30.1	-22.0	-15.9	-23.1	-0.6
Sources: European Central Bank and Banco de España.								
(a) Monthly average to 27 January 2003.								
(b) Annual percentage rate.								
(c) Including euro-denominated FIAMMs and FIMs.								
(d) Monthly averages.								
(e) Cumulative percentage change during the year. End-of-month data. Latest month: 27 January for the EURO STOXX and for the Madrid Stock Exchange.								

or the issue of an early warning, and by making the process more transparent with the Commission publishing the documentation relating to the assessment of national stability and convergence programmes.

### 3.2. Monetary and financial developments

At its meeting on 5 December 2002, the Governing Council of the ECB, after assessing the improved inflationary outlook, the absence of signs of significant recovery in activity and the downward revision to the growth forecasts for the area, decided to reduce official interest rates by 50 basis points. These had remained unchanged since November 2001, when a similar decision was taken. The minimum bid rate on main refinancing operations was thus

reduced to 2.75%, and the interest rates on the deposit facility and the marginal lending facility to 1.7% and 3.75% respectively (see Chart 11).

In 2002 Q4, monetary conditions were broadly unchanged from the previous quarter, since the reduction in interest rates was more or less offset by the appreciation of the exchange rate. At the same time, although the financial conditions have not deteriorated further, the maintenance of relatively high risk premiums for private fixed income and the subdued stock market have not been favourable for the financing of agents and especially firms. These factors are reflected in the continuation of the slowdown in credit to the private sector in 2002 Q4, which took the year-on-year rate to 4.7% in December.

In October and November, as the perception took hold of a delay in the recovery of activity, money market interest rates fell. They continued to do so in December, after the reduction in official interest rates, and in the first few weeks of January. Thus, by mid-January, EURIBOR interest rates at terms of more than 6 months stood at around 2.7%, slightly below EURIBOR rates at shorter terms. As seen in the lower panel of Chart 12, the term structure of one-month forward rates reflects expectations of reductions in official interest rates of one quarter of a percentage point in the second quarter of the year. For their part, long-term interest rates in the euro area, following the increases in October and November, fell sharply in December and early January 2003 to around 4.3% by mid-January (see Table 2).

As seen in the lower panel of Chart 13, the lending and borrowing rates of euro area credit institutions continued to follow the downward path they embarked upon in 2002 Q2. Between September and November, the rate on housing loans to households was reduced by 17 basis points, and that on corporate loans at over one year by 11 basis points. At the same time the decline in the synthetic rate of Spanish banks was 15 basis points between September and December in the case of liability instruments and 50 in that of assets (see Table 2).

In the foreign exchange market, in the fourth quarter, the euro resumed the trend seen in Q2 of appreciation against most of the important currencies, particularly the US dollar. This trend became more pronounced in the first few weeks of January, so that by the end of the month the euro had appreciated by 10% with respect to the dollar and by 6% in nominal effective terms since September 2002 (see lower panel of Chart 11). The strength of the euro is largely the result of the depreciation of the dollar, which is probably being penalised for the authorities' failure to correct some of the basic imbalances in the US economy.

October and November saw a pause in the downward trend in stock markets, but it re-

sumed thereafter. Investor confidence was again reduced by the increasing tension in the Middle East and North Korea, and by the weakening of the optimism over short-term economic recovery in the euro area. The sectors most affected since the end of November have been telecommunications, technology and the financial sector, owing to the increasing scepticism over the earnings prospects of the firms in these sectors. In 2002 as a whole, the Dow Jones EURO STOXX broad index fell by 35%, the largest fall in recent years. In the first few weeks of 2003 this index was still on a downward trend.

M3 was highly buoyant in the final quarter. The strength of this aggregate is principally explained by investor preference for safe, liquid assets against a background of high uncertainty on financial markets. In December, M3 increased at a rate of 6.8% year-on-year, somewhat below the rates recorded in the preceding months. Meanwhile, the Governing Council of the ECB, at its meeting on 5 December, reviewed the reference value for monetary growth and decided to reconfirm the existing value of 4.5% for the annual growth of the broad monetary aggregate M3. Also, at the press conference following that same meeting of the Governing Council, President Duisenberg announced that an evaluation of the ECB's monetary policy strategy would be carried out in the first half of 2003.

Finally, as regards the counterparts of the monetary aggregates, credit to the private sector slowed again in the final quarter of the year, to a growth rate of 4.7% in December, down 0.3 percentage points from the rate in September. According to lending data broken down by purpose and agents available to 2002 Q3, the credit growth observed during that period was a result of the strength still displayed by housing loans to households, since the growth rates of the rest of the components were more moderate. In the case of Spain, financing to the non-financial private sector between September and December grew at a rate of 14%, well above the rate recorded in the euro area as a whole.

## 4. The Spanish economy

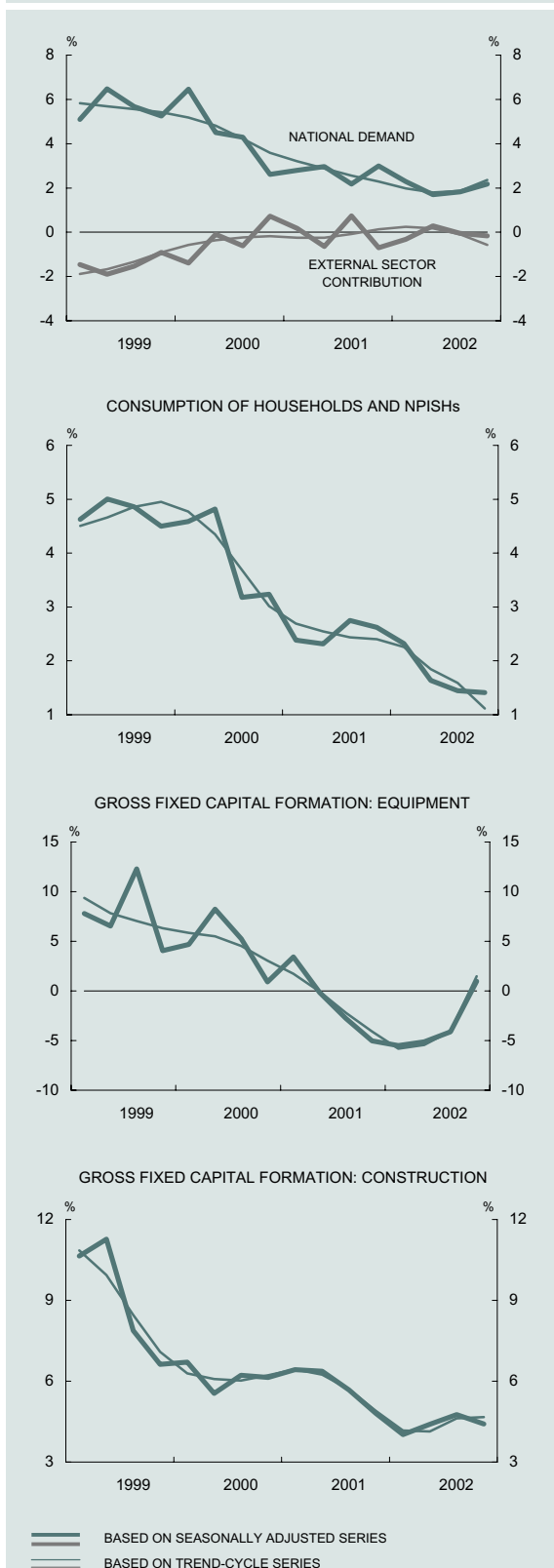
On end-2002 information, real GDP is estimated to have grown by 2.1% year-on-year in Q4, after increasing by 1.8% in Q3 according to QNA figures. In the second half of last year, therefore, the Spanish economy would have sustained a real growth rate close to that recorded in the first six months, giving rise to an average growth rate for output of 2% (see Chart 1). Behind the estimated path of GDP in Q4 is a pick-up in national demand (which would have increased by 2.2%) and, specifically, in investment in equipment, which might be reaching the end of its lengthy contractionary phase. The rate of expansion of private consumption would have tended to stabilise at 1.4%, bringing the mild slowdown seen in the previous quarters to a halt, and the pace of construction would have eased. The contribution of net external demand to GDP growth, which was lower in Q3 than in Q2, owing to the increase in imports, turned negative in the final quarter of the year (–0.2 percentage points), as the thrust of purchases from abroad held firm, in tow to the rise in domestic demand. Exports increased at a somewhat more moderate rate than in Q3, affected by the economic sluggishness in Europe.

As indicated, real GDP growth in 2002 as a whole was 2%, 0.7 points lower than was estimated for 2001, against an external background dominated by political and economic uncertainty. That has checked investment plans and made for dearer oil and the appreciation of the euro. The diminished buoyancy of output was the outcome of a slowdown on a similar scale in national demand (which grew by 2%) and of a slightly negative contribution of net external demand, similar to that of the preceding year (–0.1 percentage points). Consumption was moderate (increasing by 1.7%), owing to the low growth of real disposable income and to the pick-up in household saving. Meanwhile, gross fixed capital formation slowed to 1.6%, beset by the strong decline in capital investment in annual average terms. Despite recovering over the course of the year, the annual growth of exports of goods and services also declined, with the poor tourism performance in 2000 a contributing factor.

From the standpoint of the value added generated by the various productive branches, mention may be made of the recovery in industry in the second half of the year and the weakness of market services, the growth rate of which at the end of the year would have been lower than that of GDP. There were substantial falls in agricultural activity in the last two quarters of 2002 compared with the same period a year earlier, while construction, following the temporary rise in activity in Q3, resumed its de-

CHART 14

**Main demand aggregates**  
Percentage change on year ago



Sources: INE and Banco de España.

celerating path in Q4, albeit at still-significant rates of increase. Over 2002 as a whole, year-on-year growth rates in both industry, where activity stagnated, and in market services and construction declined, in contrast to the pick-up in energy activities. Employment slowed mildly throughout 2002, especially in market-gearred services, giving rise to a recovery in labour productivity; nonetheless, it is estimated that productivity increased at a low average rate of 0.7% for the year, both in the economy as a whole and in market activities. Although job creation has, by contrast, held relatively firm, ending the year at a rate close to 1%, this has not prevented a rise in unemployment owing to comparatively large numbers joining the labour market.

Consumer-price inflation held at a higher rate in 2002. Several specific factors contributed to this, such as the tax rises at the beginning of the year or the introduction of the euro. The CPI ended the year at a 12-month growth rate of 4%, reflecting the direct impact of dearer oil products in the closing months of 2002. The resulting annual average growth rate was 3.5%, slightly down on the previous year. The final demand and GDP deflators increased by 2.9% and 4%, respectively, also somewhat down on 2001. First, there was a notable restraining influence by foreign prices on final prices in the economy and, further, there were higher labour costs and wider margins in certain industries, which accounted for the notable growth of the GDP deflator. Turning to costs, compensation per employee increased at a rate of slightly over 4% in the market economy, virtually unchanged on 2001. Although the mild rise in productivity contributed to easing the increase in unit labour costs, these are estimated to have grown by around 3.4%.

#### 4.1. Demand

During the first three quarters of 2002 the growth rate of Spanish household final consumption expenditure eased back, standing at 1.4% year-on-year in Q3 according to QNA estimates (see Chart 14). Although the uncertainty prevailing in the external environment did not diminish in Q4, making for a further deterioration in consumer confidence, the latest information provided by short-term indicators suggests that the year-on-year growth rate of consumption will have stabilised during this period at a similar rate to that posted in the summer (see Chart 15). This sustained expenditure was supported by job creation which, despite losing momentum in the final months, remained significant.

Among the indicators included in Chart 15, that of apparent consumption of goods, estimated drawing on as yet incomplete data for Q4, has remained on a rising trend, which reflects the behaviour of the non-food component, including consumer durables. The apparent consumption of services has continued on a decelerating path. Other indicators directly related to household expenditure – namely the retail sales index and the related confidence indicator – trended in a steadier fashion in the closing months of 2002. As to new car registrations, the strong contraction witnessed during the year slackened notably in the final months, resulting in a positive year-on-year growth rate of 6% in December, following ten consecutive months' decline.

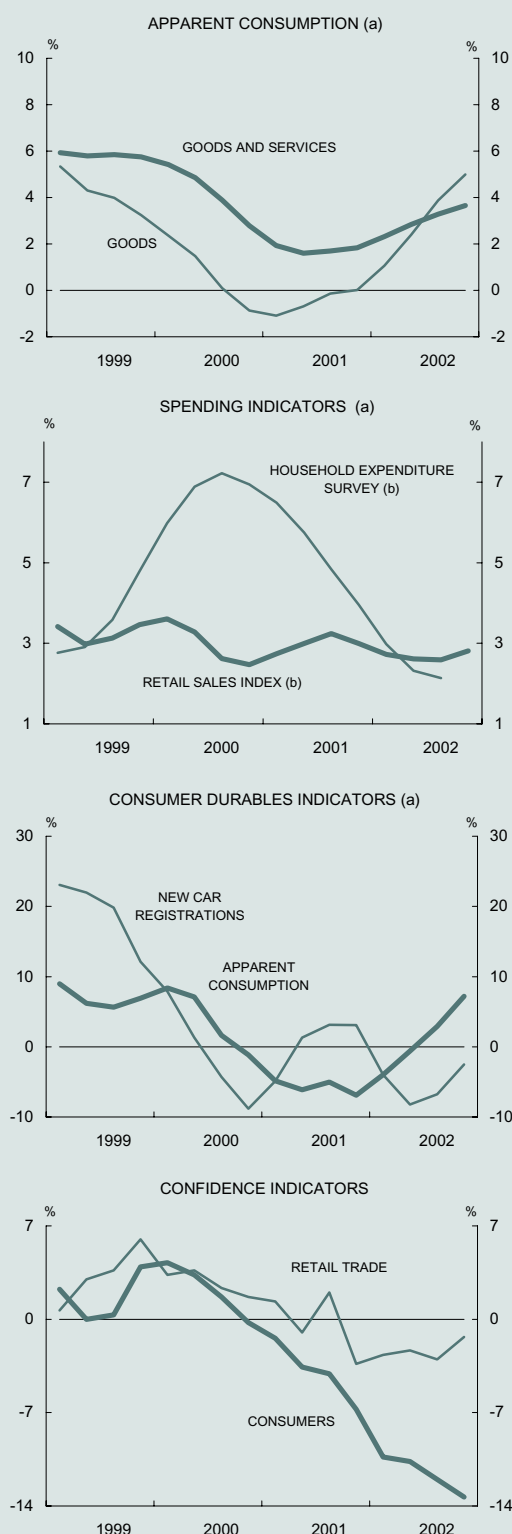
Over the course of 2002, private consumption is estimated to have grown by 1.7%, having slowed more sharply than disposable income and given rise to a recovery in the household saving ratio. The lower growth of household real disposable income in 2002 is related to the rise in consumer prices. At current prices, income is estimated to have grown by the same amount as in 2001, since the diminished pace of total gross wages (the result of a slight slowdown in compensation per employee and of lower employment growth) was offset by a more expansionary contribution of net general government transfers and other non-wage income. The changes in household wealth had more complex effects: the decline in stock market prices translated into a fall in household financial wealth, which helps explain the fall-off in expenditure, while the significant rise in real estate assets last year had a positive impact on consumption, which did not offset in full the effect of the slide in financial wealth, giving rise to the aforementioned increase in saving.

In 2002 Q3, general government final consumption increased by 3.2% on the same period in 2001, 0.1 points up on the growth in the first half of the year. Following the significant upward revision by INE of the data for the first half of 2002 and the slight rise in Q3, the information currently available points to an additional minor rise in the final quarter of the year.

Gross fixed capital formation increased by 1.5% year-on-year in 2002 Q3, 0.4 points up on Q2, adding firmness to the recovery initiated last spring. This recovery reflects both the less contractionary performance of investment in capital goods, the year-on-year rate of decline of which fell from 5.1% in Q2 to 4.1% in Q3, and the greater momentum of investment in construction, which grew by 4.8%, 0.4 points up on Q2. Gross fixed capital formation is estimated to have quickened once more in the closing

CHART 15

### Private consumption indicators



Sources: INE, European Commission, Dirección General de Tráfico and Banco de España.

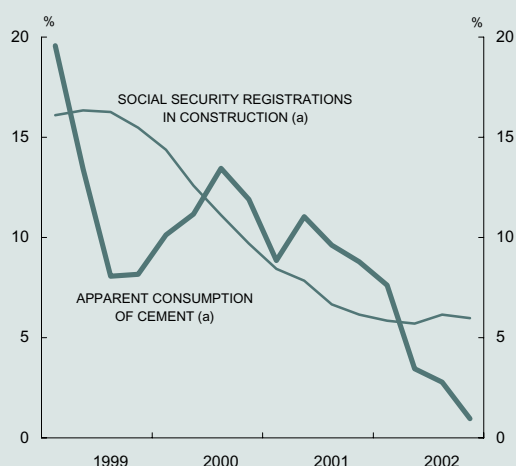
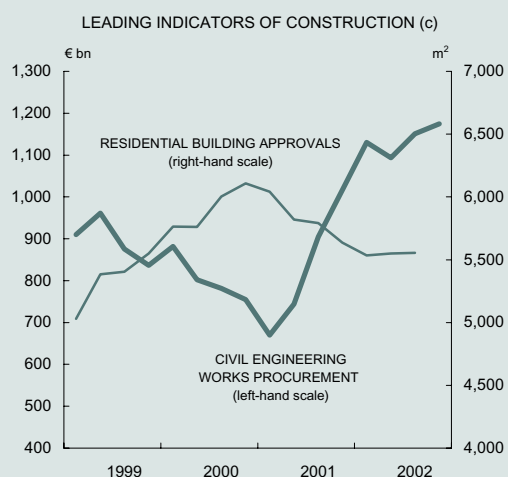
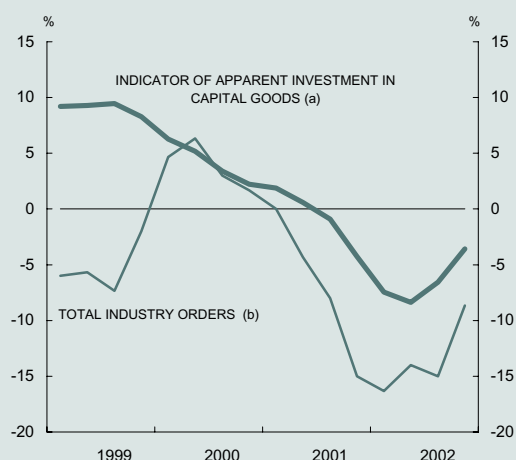
(a) Non-centred percentage change, based on the trend of the indicator.

(b) Deflated by the CPI.



CHART 16

# Gross fixed capital formation indicators



Sources: INE, European Commission, Ministerio de Fomento, OFICEMEN, Instituto Nacional de Empleo and Banco de España.

(a) Non-centred percentage change on same quarter a year earlier, based on the trend of the indicator.

(b) Level of original series.

(c) Annual moving averages.

months of 2002 as a result of the trend of investment in equipment which, following six quarters of continuous decline, would have resumed a positive year-on-year rate. The considerable buoyancy of construction, meanwhile, would have eased slightly.

The turnaround in investment in equipment in Q3 was reflected by virtually all the short-term indicators available. The indicator of apparent investment in capital goods once again improved appreciably in the final quarter of 2002, due both to domestic output and, mainly, to the forceful momentum of imports. In line with these developments, the business confidence indicator also moved onto a recovering course as from Q2, driven by brighter output expectations and improved orders, especially in the domestic market (see Chart 16). Capacity utilisation increased considerably, rising to 79.3% early in Q4, above its historical average. Moreover, the results of the half-yearly survey of industry confirm a muted improvement in the investment outlook, evidencing a pick-up in investment plans scheduled for 2003.

Information from the Banco de España Central Balance Sheet Data Office Quarterly Survey shows that, in the first three quarters of 2002, non-financial corporations' return on net assets remained high, while the cost of financing tended to decline, with the differential between them (ROI – cost of debt) widening. The debt ratio, likewise measured with this information source, has tended to stabilise at the high level it reached in 2000. In sum, the financial position of Spanish corporations reveals continuing high profitability levels, which would be conducive to new investment projects. Their high debt, however, might check the force of any future recovery which, in any event, is not likely to gather significant steam while the climate of notable economic uncertainty remains in place and growth prospects do not improve.

Despite the acceleration in investment in construction in 2002 Q3, this variable is on a declining path which it has resumed in Q4 (see Chart 14). The quarterly Construction Industry Survey (ECIC) has confirmed (countering the projection released by Eurostat) a rise in the value of the work executed by construction companies in Q3. At the root of this was the impulse given to civil engineering and non-residential building, whereas residential building continued to decelerate, albeit at still-high rates. The economic information for Q4 substantiates the estimates of lower growth in the final months of 2002. Although the confidence indicator picked up slightly in this period, the construction activity indicators point to a weaker performance, as is the case with the apparent

consumption of cement and Social Security registrations, both with data to December (see Chart 16).

Among the indicators of building starts and completed works, the number of finished houses appeared to peak in 2002, while that of housing starts progressively fell for the second year running. According to the data on building permits and approvals, the new surface area of residential building to be constructed tended to stabilise in 2002 after a marked fall-off in 2001 (see Chart 14). These developments are consistent with the slowdown estimated for residential investment. As to non-residential building, after a notable increase in permits and approvals in 2001, which would account for the rising trend reflected for this component by the quarterly Construction Industry Survey, this variable has levelled off in 2002. Lastly, official procurement figures show an increase in the nine months to September which is higher in the case of civil engineering works, although lower than the related increase in 2001.

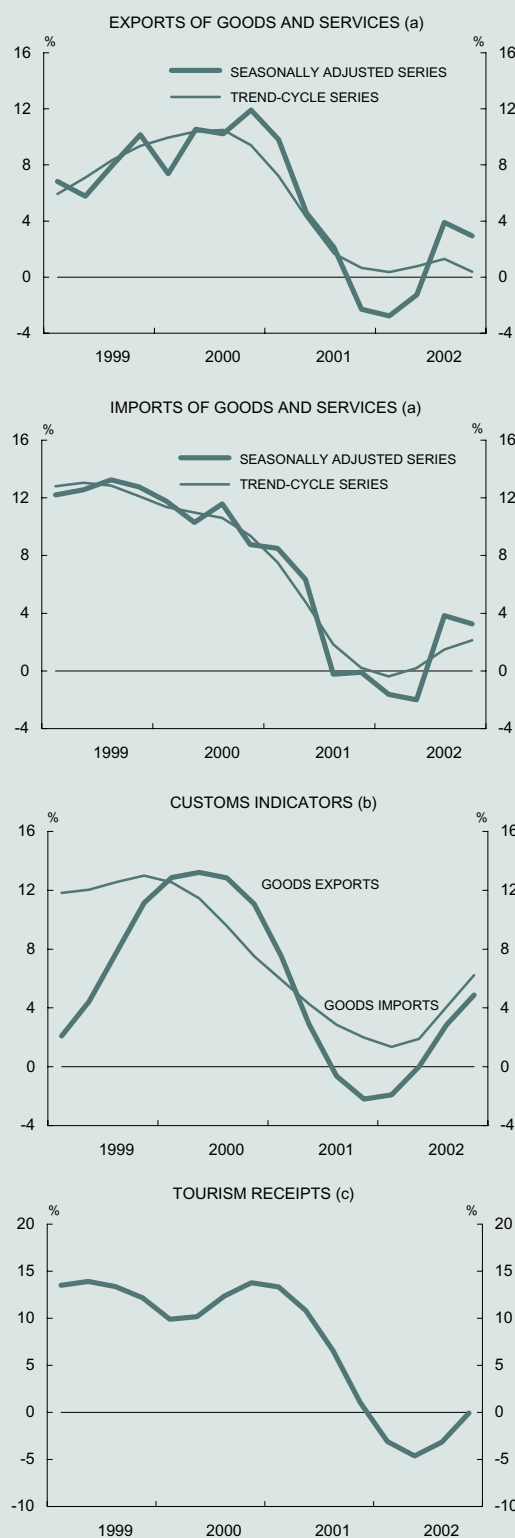
On QNA figures, investment in inventories in 2002 Q3 contributed 0.1 points to the year-on-year growth of GDP. The latest information, drawn from the monthly business survey and running to November, shows a further build-up in stocks to relatively high levels. There is also evidence of an increase in oil stocks, due possibly to expectations of higher prices in the coming months. Overall, a zero or slightly positive contribution of stocks to the year-on-year increase in GDP in Q4 last year is once again estimated.

As indicated, it is estimated that the contribution of net external demand to GDP growth in 2002 Q4 will have turned negative, after having declined in the summer months when both exports and imports of goods and services rose significantly (see Chart 17). In the closing months of 2002, exports of goods and services held at a more moderate rate of increase than that posted in the summer, in step with the slow pick-up in world trade. In addition, the persistently higher growth of prices and costs than in other euro area countries and the appreciation of the euro have no doubt dampened sales abroad. The growth rate of imports also fell, albeit to a lesser extent, in the final months of 2002. Here, both the increase in domestic output and its associated lower relative prices will have contributed to holding up purchases abroad.

The figures for foreign trade in goods show that exports increased at a real rate of 4% year-on-year in October and November, somewhat down on Q3 (6.2%), although their under-

CHART 17

**Foreign trade**  
**Percentage change on year ago**



Sources: INE, Ministerios de Economía y Hacienda and Banco de España.

- (a) QNA data at constant prices.
- (b) Trend-cycle deflated series.
- (c) Nominal trend-cycle series.

lying trend continued to improve (see Chart 17). Exports to non-Community areas gathered increasing steam during 2002, posting positive real rates of change as from Q2. As a result, they showed an increase of 5% in the first 11 months of the year, and of 15.6% in the two months spanning October to November. Exports to the central and eastern European economies, to OPEC members and to the Maghreb countries were notably buoyant, and sales to Asian countries and to the United States picked up. Conversely, exports to Japan and to Latin America remained very sluggish. Real exports to the EU declined by 1.2% in the period from January to October since, following their recovery in the summer months, they resumed a negative rate in October and November (-0.4%). In terms of the Member States, exports to Germany in France fell in the first eleven months of 2002 while those to the United Kingdom and to Italy remained fairly positive. As regards product groups, there was a pick-up in sales of capital goods and non-food consumer goods which, in real terms, increased by 6.4% and 8.2%, respectively, in October and November, whereas exports of non-energy intermediate goods, which had risen notably in Q3, slowed considerably in the final two months (1.7%).

QNA figures showed the continuing weakness of real tourism receipts, the year-on-year decline in which stood at 4.2% in 2002 Q3. Drawing on the latest information, it is estimated that the decline in this variable may have eased to a rate close to -3.5% in Q4. Among the real indicators, that of tourists entering Spain at borders has been expansionary in recent months (6.4% in Q4), while the number of foreign visitors staying in hotels has risen slightly; however, overnight stays in hotels fell by 3.7% year-on-year in Q4, after having fallen back by 5% in the summer months. The poor performance of tourism receipts last year was the result of weakness in certain European economies (such as Germany, one of our main customers), of the competition from other Mediterranean countries and of shifts in tourist preferences towards shorter stays, in non-hotel accommodation and with closer destinations which can be reached by car. The result has been a decline in average spending per tourist. Thus, although the number of tourists entering Spain at borders grew by 3.3% during the year as a whole, foreign visitors staying in hotels and related overnight stays fell by 1.2% and 5.1%, respectively.

According to foreign trade data, the notable recovery in goods imports in Q3 extended into October and November. During these latter months they grew by 7.8%, moving on a rising

trend in step with the positive performance of exports, the pick-up in domestic output and lower import prices in the light of the appreciation of the euro. By product group, there was a notable increase in non-food consumer goods imports in October and November (15.9% year-on-year in real terms), with the non-durables component particularly to the fore. Likewise, imports of non-energy intermediate goods and of capital goods climbed by 9.4% and 4.5%, respectively. Conversely, imports of energy products fell by 2.4% in this period. Despite the pick-up in imports in the second half of the year, they only increased by 2.7% on average in the first eleven months of 2002. Of note in this connection were the 6% fall in purchases of capital goods, and the increases of 6.5% and 4.6% in purchases of non-food consumer goods and of non-energy intermediate goods, respectively.

Lastly, real imports of services edged up by 1.2% in 2002 Q3, since the rate of decline of non-tourist services lessened as goods imports picked up. Tourist payments in real terms continued to grow at a notable rate of 7.5% in Q3, in keeping with the robustness of the nominal balance of payments data in this period. These trends would have continued into Q4.

## 4.2. Output and employment

As can be seen in Chart 18, gross value added in the market economy was on a slightly recovering profile during 2002 in relation to a year earlier. This profile continued into Q4, underpinned by the favourable course of industrial activity and by a more stable increase in market services, following several quarters of deceleration. By contrast, activity in the construction industry would have moderated, while value added in the primary branches would have fallen off once more. Agricultural activity moved on a more contractionary course in Q3, slipping by 1.9% in year-on-year terms. In the closing months of the year, however, its rate of decline eased slightly, in step with the employment indicators and with the momentum of capital goods purchases in this sector. Moreover, rainfall in 2003 has so far been favourable, generating bright prospects for agricultural output this year.

The QNA data for Q3 confirmed the pick-up in industrial activity that was already perceptible in Q2, and the year-on-year rate of increase of value added in industry as a whole stood at 2.2%. The recovery was driven by the expansion of sales abroad and, drawing on the information provided by the industrial production index (IPI), took the form of a notable increase in



the production of consumer goods and a less negative performance in respect of the manufacture of capital goods. Almost all the economic indicators available indicate that the expansionary trend of industry continued during the final months of 2002. In October and November, the growth rate of the IPI improved, after adjustment for calendar effects, and the business confidence indicator also showed successive rises, while imports of intermediate goods continued to quicken. Moreover, capacity utilisation stood above its historical average. The production of capital goods, following 18 months of successive declines, significantly posted a positive growth rate – adjusted for calendar effects – in November, markedly intensifying the profile of recovery it had been showing.

Chart 18 shows that construction activity, following a similar profile to that of investment in construction, gathered momentum in 2002 Q3 with its value added increasing at a rate of 5.4% on the same period a year earlier, 0.8 points up on the growth rate in Q2. As indicated in the previous section, it appears this recovery was temporary: the indicators of inputs (such as cement consumption) and of employment (Social Security registrations and registered unemployment) would suggest a slowdown in Q4.

The gross value added of tertiary activities as a whole increased at a rate of 2% year-on-year in Q3 last year, 0.4 points down on the growth in the first half of the year. This performance was due to the lesser buoyancy in market services, the growth rate of which fell from 2.2% in Q2 on the same quarter a year earlier to 1.6% in the summer months, whereas activity in non-market services accelerated to 3.2% year-on-year. The information available for Q4 is supportive of a slight recovery in market services, based on the maintenance of consumption and on the incipient expansion of industrial activity. The composite market services indicator (ISIS), the slowdown in which slackened considerably in Q3, has tended to accelerate in the closing months of the year and the confidence indicators have behaved positively. At a more detailed level, the hotel and catering trade (with a stable increase in employment despite the fall-off in overnight hotel stays) and the wholesale and retail trade (where the employment indicators are also stable and where retail confidence has improved and retail sales risen) have both shown signs of recovery. Financial intermediation and transport, storage and communications activities show signs of slightly diminished momentum in the closing months of the year. These are more marked in communications, while in the transport sector the rate of increase has stabilised, bringing the process of recovery apparent in Q2 to a halt. Lastly, real

estate, rental and corporate service activities have slowed mildly, with a sharper deceleration in IT and R&D.

QNA estimates indicate that employment, measured in equivalent full-time jobs, grew at a rate of 1.4% year-on-year in 2002 Q3, 0.1 points down on the previous quarter. The cut in the rate of increase of employment was somewhat less than that in GDP, giving rise to an economy-wide slowdown in apparent labour productivity. In the market economy, however, apparent labour productivity grew by 0.8% year-on-year, significantly above the rise witnessed in Q2, owing to the reduction in the rate of increase of employment against the background of a slight rise in the growth of value added.

The QNA employment figures are in line with the EPA (Labour Force Survey), which showed a 1.8% increase in the number of employed in Q3, half a percentage point down on Q2. In the last quarter of 2002, employment would have seen its rate of increase cut further, in step with the information reflected by the various economic indicators. For one thing, the growth rate of Social Security registrations eased slightly in the October-December period to 3% on a year earlier, with a notable month-on-month reduction in the number of registrations in December (180,000 people), which left the year-on-year rate at 2.8%. The registered unemployment figures also suggest a reduction in the growth of employment in the closing months of 2002. There was a far greater increase in December than that seen in the same month of the previous year, which had already run counter to the systematic declines in unemployment seen in this month from 1994 to 2000. Lastly, the number of employment contracts fell by 2% in the final months of 2002 compared with the same period in 2001.

Across the different branches of activity, employment in Q3 trended in step with value added, except in construction, where the generation of new jobs lost momentum, giving rise to a significant increase in apparent labour productivity (see Chart 18). The pick-up in industrial activity in this period resulted in a modest year-on-year increase in employment of 0.4%, following three quarters of backsliding. Apparent labour productivity continued improving. In the primary industries, employment underwent a fresh and substantial cut, reflecting the contractionary trend of output. Lastly, in market services the rate of increase of employment slowed in Q3, departing from its rising trajectory, while job-creation in non-market services remained high. The disaggregated information on Social Security registrations in Q4 suggests a fresh slowdown in employment in market services

CHART 18

**Gross value added and employment  
by branch of activity**  
Percentage change on year ago (a)



Sources: INE and Banco de España.  
(a) Seasonally adjusted series. Employment in terms of full-time equivalent jobs.

and, especially, in construction, though it remains stable in industry.

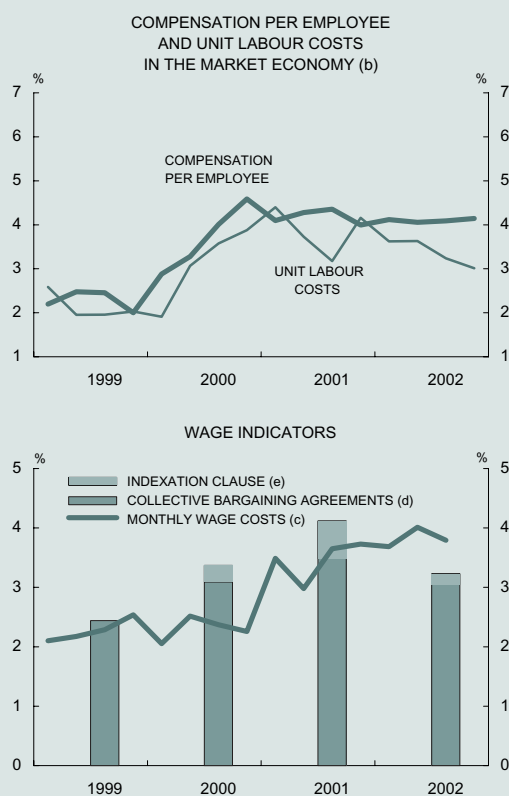
The number of dependent jobs showed higher growth than that of total numbers employed in the first three quarters of 2002, while there were successive cuts in the numbers of self-employed. However, according to QNA figures, dependent employment slowed to a greater extent than total employment in Q3. The more detailed information provided by the Labour Force Survey shows that there continued to be notable buoyancy in the rate of increase of permanent-contract employees in this period (3.9% year-on-year), while the brunt of the slowdown in the economy was borne by temporary employees, the numbers of which fell by 0.3% in the summer months compared with an increase of 1.9% in Q2. The differing trends of the two employment modalities gave rise to a significant reduction in the proportion of temporary to permanent employees, which stood at 31% (31.9% in 2001 Q3). After rising in Q2, the growth rate of full-time employment dipped to 2.5% in Q3 on the same quarter a year earlier, and the rate of change of part-time employment underwent a further cut, taking the number of part-timers as a proportion of total dependent employees to 7.9%, 0.1 points up on 2001 Q3.

According to the Labour Force Survey, the participation rate increased in Q3 to 54.3%, 1.2 percentage points more than in the same quarter a year earlier. For the 16-64 year-old cohort, habitually used in international comparisons, the participation rate rose by 1.6 percentage points to a level of 67.5%. With these considerable numbers joining the labour market, despite job-creation losing steam, there was an increase in the level of unemployment: in relation to the spring, the unemployment rate climbed by 0.3 points to 11.4%, outpacing the rate for the same period a year earlier by more than one percentage point. The increase in unemployment affected men to a greater extent than women; notwithstanding, the female unemployment rate is twice the male one (16.5% against 8.1%). Finally, the incidence of long-term unemployment continued on a declining course, affecting 36.6% of the unemployed; that said, there was, for the first time in recent years, a slight increase among women.

#### 4.3. Costs and prices

Unit labour costs tended to slow in the second half of 2002, set against the slight rise in apparent labour productivity both economy-wide and in market-gear activities. Specifically, on QNA estimates, unit labour costs slowed by 0.4 points in Q3 in both these cases, giving

CHART 19

**Wages and labour costs (a)**


Sources: INE, Ministerio de Trabajo y Asuntos Sociales and Banco de España.

- (a) Percentage change on same quarter a year earlier.
- (b) Rates based on QNA seasonally adjusted series.
- (c) Total earnings.
- (d) Settlement in the year to date.
- (e) Previous year's indexation clause.

growth of 2.9% and 3.2%, respectively. In the market economy, compensation per employee grew at a stable rate of 4.1% during the first three quarters. This figure has yet to incorporate the effects of the activation of the indexation clauses tied to collective bargaining agreements for 2002, as a result of the deviation by inflation from its targeted reference of 2% (see Chart 19). Wage moderation in the public sector made for an economy-wide increase in compensation per employee of 3.7% in Q3.

Among the economic indicators of wages, the Labour Costs Index (LCI) showed an increase in total monthly costs per employee of 4% in Q3, 0.3 points down on the previous quarter. Behaviour differed in the various branches of activity covered by this statistic. The LCI increased by 5% in industry, a similar rate to the previous quarter, adding firmness to the strong acceleration then in train. In services, labour costs slowed by 0.6 points to 4.1%, while in construc-

CHART 20

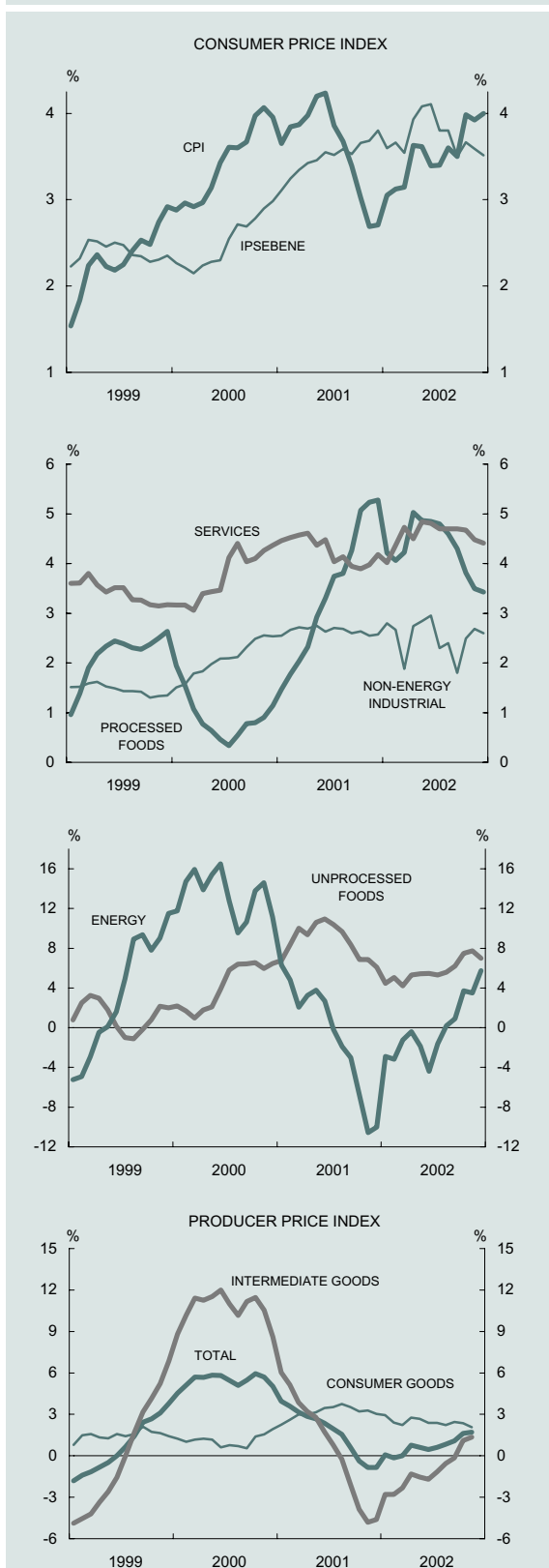
**Prices and costs by branch of activity (a)**


Sources: INE and Banco de España.

- (a) Non-centred percentage change on year ago based on QNA seasonally adjusted series.

CHART 21

**Price indicators (a)  
Spain**



Source: INE.

(a) Twelve-month percentage change based on the original

tion they quickened significantly to 5.2%. As is habitual, the rise in wage settlements under collective bargaining agreements shows greater homogeneity between branches; agreements recorded to 30 November 2002 included an average settlement of 3%, compared with 3.5% in 2001, before including the indexation clauses (see Chart 19). The widespread use of these clauses, which affect more than three-quarters of employees subject to collective agreements, augur – along with the significant deviation by inflation from the official target of 2% – a considerable effect stemming from wage revision, which will ultimately be reflected in labour costs for 2002. The recent employer-trade union pact, which will act as a basis for collective bargaining in 2003, means a continuation of the patterns of wage determination may be projected for the current year, the final outcome of which will largely depend on the behaviour of prices.

On QNA estimates, the gross value added deflator of the market economy branches grew by 4.4% in 2002 Q3, a similar rate to the previous quarter and 0.3 points up on the related rate for the economy as a whole. The maintenance of the rate of increase of the value added deflator, against the above-mentioned backdrop of moderately slowing unit labour costs, gave rise to a considerable widening of the unit surplus, which has no doubt extended into the final quarter of the year (see Chart 20). Nonetheless, the behaviour of prices and margins has been uneven across the different branches of activity.

The latest QNA estimates indicate that the expansionary trend of the value added deflator in industry would have intensified in Q3, clearly outpacing unit labour costs. That would have allowed for a pick-up in the unit surplus, following a lengthy period of squeezed margins. In construction, unit labour costs slowed notably in Q3 on the back of the less expansionary behaviour of employment and the consequent pick-up in productivity, which made for a fresh and considerable widening of the operating margin. Lastly, according to these estimates, the pace of growth of the market services deflator would have stabilised at a rate very close to that of unit labour costs, with the unit surplus steady, although at a disaggregated level the behaviour of the various services activities is likely to have differed.

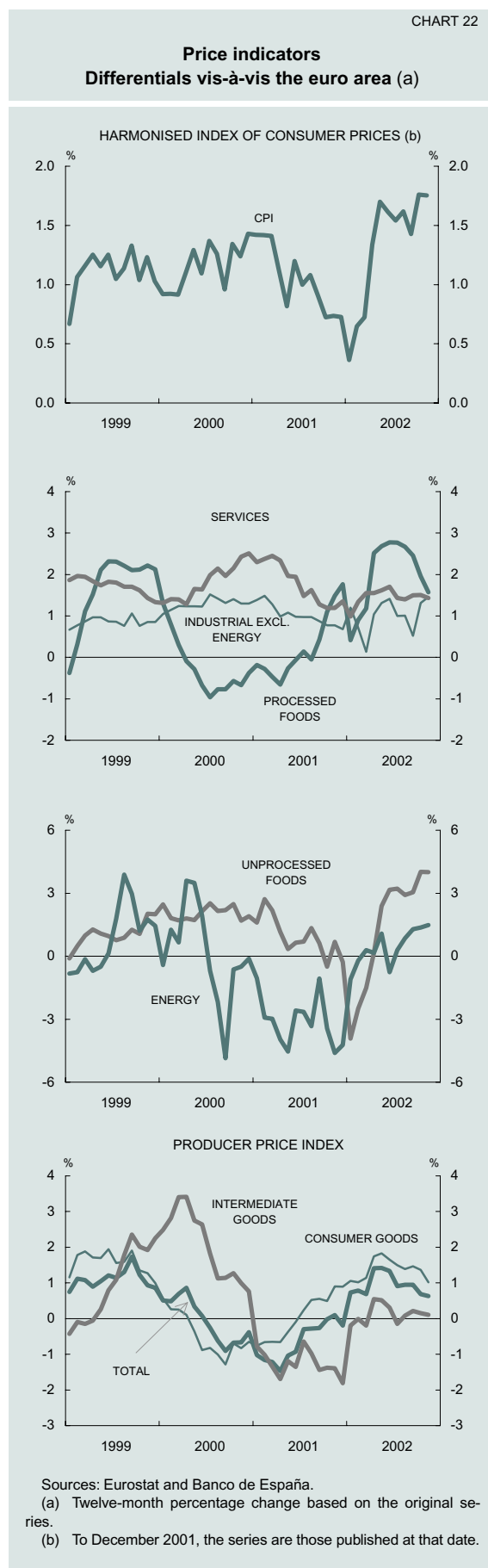
Final prices in the economy in 2002 were favoured by the sound performance of import prices, which tempered domestic inflationary pressures. The deflator of imports of goods and services declined by 1.6% in Q3 on a year earlier, enabling the growth of the final demand deflator to fall by 0.4 points to 2.7%. Nonetheless, in the case of consumer prices the moderating effect of foreign prices was limited, meaning that the

growth rate of both the private consumption deflator and the consumer price index (CPI) held at 3.5% in Q3, a similar rate to the previous quarter. In the final quarter of the year, the CPI accelerated appreciably, growing at an annual average rate of 4% (see Chart 21). However, the more stable components of the CPI, grouped together in the index of services and non-energy manufactured goods prices (IPSEBENE), grew at a year-on-year rate of 3.6% in Q4, 0.1 points down on the previous quarter. The poorer performance of the overall index in this period was mainly due to dearer energy and fresh food prices, although the prices of non-energy manufactured goods also rose slightly.

The strong increase in energy prices in 2002 Q4 was partly due to the base effect arising from the heavy price declines in the final months of 2001, and partly to the rise in oil prices on international markets last December, owing to the general strike in Venezuela and to the increased risk of war in Iraq. That accounts for the acceleration in the energy component of the CPI by more than four percentage points in Q4, which took the related year-on-year rate to 4.3%. The prices of non-energy industrial goods posted an increase of 2.6% year-on-year in Q4 last year, 0.4 points up on the previous quarter. Clothing and footwear prices once again showed the biggest increases, as articles for the new autumn season came on to the market. Unprocessed food recorded an increase of 7.4% in Q4 on a year earlier, compared with 5.7% in Q3. Among the products whose prices were most trending upwards were fish, pork and poultry.

The growth rate of services prices eased in the final two months of the year to 4.5% year-on-year, 0.2 points down on Q3. Behaviour differed across the various services components. There was a moderate acceleration in items relating to tourism and higher education, while the year-on-year rate of telephony and air transport services declined. Lastly, the slowing path of processed food intensified, with a notable moderation in the prices of olive oil and, to a lesser extent, of milk and wine.

The acceleration in inflation in terms of both the CPI and the HICP in Spain in Q4 last year outpaced that of the euro area as a whole. As a result, the inflation differential with the euro zone widened by 0.3 percentage points to 1.8 points, its highest level since this indicator first began to be used in 1996 (see Chart 22). Much of the increase in this differential stems from the fact that the incidence of the rise in oil prices has been greater in Spain than in the euro area, although the differential in respect of the non-energy industrial goods component has also widened. As regards services, the reduction in





the inflation rate has been on a similar scale in Spain and the euro area, with the gap holding at 1.4 percentage points.

Among the remaining price indicators, the producer price index quickened in the closing months of 2002 to a twelve-month growth rate of 2% in December. The acceleration in the overall index was essentially due to the strong rise in energy producer prices, the year-on-year rate of which was above 5% in December, compared with the negative rates it had posted until September. There was a somewhat more moderate acceleration in the producer prices of non-energy intermediate goods. Conversely, consumer goods prices slowed in November and December, the case both for food prices and, to a lesser extent, those of other consumer manufactures. Capital goods prices, meantime, were at a sustained growth rate of around 1.5%. The increase in the pace of producer prices in the euro area led the differential between Spain and the zone to narrow by 0.3 points from September to November (the time of the latest figure released). Finally, prices received by farmers continue to trend moderately, having increased by 0.9% in the twelve months since October 2001.

#### 4.4. The State budget

In December the Updated Stability Programme for Spain for the period 2002-2006 was unveiled. In addition to medium-term fiscal projections (which left the forecast of a balanced budget for 2003 unchanged), the Programme provided new closing figures on the general government accounts for 2002. The financial balance of the general government sector in National Accounts terms for last year would have increased slightly to 0.2% of GDP, against previous forecasts of a balanced budget. In terms of the different agents, the deterioration in the balance would be due to the upward revision of the Regional (Autonomous) Government deficit, at 0.5% of GDP compared with the forecast of a balanced budget. Conversely, for central government, the Programme envisages a surplus of 0.2% of GDP [a deficit of 0.6% of GDP for central government and a surplus of 0.8% of GDP for the Social Security System (see Box 3, which discusses the budget outturn)]. The State Budget Law for 2003, its accompanying complementary legislation (1) and legislation regulating local government tax offices (2) (see Box 4, which presents the main

budgetary measures for 2003) were also approved in December.

Despite the aforementioned central government forecast, on the latest data, to November, the State budget posted a surplus of 1.1% of GDP in 2002, against a surplus of 0.6% of GDP a year earlier. That said, November is traditionally a surplus month for the State due to the seasonality of the figures. In cash-basis terms, the State budget outturn to November resulted in a slight deficit of €332 million, compared with a surplus of €392 million in the same period in 2001 (see Table 3). Most of the discrepancies between both balances can be attributed to the adjustment for interest and the change in outstanding receivables and payables. The latest developments in State revenue and expenditure are discussed hereafter. Cash-basis data are used since the information published contains uniform revenue data for both years.

One month off the close for the year, both revenue and expenditure fell somewhat less than expected in the initial projection, although this discrepancy is greater in the case of revenue, whereby the expected increase in the cash-basis deficit for the year as a whole (26.5%) could be somewhat less, owing to the favourable trend of revenue. The surplus revenue could arise both from the greater buoyancy of tax receipts (especially corporate income tax and VAT) and of other non-tax revenue. The surplus expenses would be essentially due to greater current transfers and to higher capital expenditure (on real investment in particular).

As regards the budgetary data to November, the decline in revenue has quickened and that in expenditure has eased. For the analysis of revenue, uniform information is available both on the portion that continues to be assigned to the State and on that relating to the Regional Governments, although this information is not included in Table 3. These figures indicate that, as in Q3, direct tax takings accelerated in recent months, unlike the case for indirect taxes. The rate of change of personal income tax accelerated slightly, with a notable 8.6% increase in withholdings on income from work and fee-earning activities. Corporate income tax, by contrast, slowed, although its growth remained very high (17.2% to November). Nonetheless, the strong increase recorded was due above all to exceptional revenue linked to companies availing themselves of the Third Transitory Provision of the complementary legislation accompanying the 2002 Budget, which encouraged the integration into taxable income for the year 2002 of extraordinary profits pending such integration. In homogenous terms, VAT continued to slow during the final two months, posting growth of 6.4% against 7.4% in September. Ex-

(1) Law 52/2002 of 30 December 2002, and Law 53/2002 of 30 December 2002 on fiscal, administrative and social measures.

(2) Law 51/2002 of 27 December 2002 reforming Law 39/1988 of 28 December 1988 on the regulation of local tax offices.

### Social Security budget outturn

On budgetary outturn data to October 2002, the Social Security System posted a surplus of €9.53 billion, €559 million (5.5%) less than in the same period a year earlier (see accompanying table). This decline in the surplus to October was still far lower than envisaged in the initial projection for 2002 compared with the outturn in 2001. As in the case of the State, the Social Security budget outturn figures for 2002 are affected by the new regional government financing arrangements, which entail a reduction in both revenue (owing to the transfers INSALUD – the Spanish National Health Service – receives from the State) and expenditure (owing to the health-care and social services responsibilities assumed). Revenue and expenditure alike sustained a reduction to October that was higher than initially budgeted.

The growth rate of receipts from social security contributions increased slightly in the closing months, standing at 6.1% in the period to October. However, this represents a considerable slowdown on the course they followed in 2001, and is due partly to a smaller increase in new Social Security registrations, namely 3% in 2002 as a whole compared with 3.9% in 2001. The growth rate of contributions to October 2002, though far higher than that drawn from the Budget, in comparison with the outturn the previous year, is in line with the official estimation of the outturn for the year as a whole (1). The other main source of receipts, namely current transfers, which are – virtually in their entirety – from the State, declined by 76.5% to October (a sharper fall than budgeted) as a result of the new regional government financing arrangements.

Expenditure on contributory pensions resumed a growth rate of 5.3%, in line with what was budgeted for the year as a whole. The number of contributory pensions is trending very moderately; their growth rate stands at 0.9% for 2002 as a whole, as forecast and slightly down on the growth recorded in 2001. Spending on sick pay held at a firm growth rate of 13.8%, in contrast to the fall forecast in the budget.

As regards INEM (National Employment Office) expenditure, that on unemployment benefits showed abnormally low figures in October and November, bearing in mind that registered unemployment increased by 7.4% over 2002 as a whole, compared with 0.1% in 2001, and that the eligibility ratio stood at 71.7% to November, against 68.5% at end-2001. As a result, the number of beneficiaries grew by 12.6% to November, compared with average growth of 5.9% in 2001.

Contributions received by INEM increased by 6.3% to July, against a budgeted projection of 9.4%, while employment-promoting concessions on employers' contributions climbed by 7.1% to August, somewhat up on forecast.

(1) The draft 2003 Social Security Budget estimates an increase of 6.1% in regular contributions to the general regime for the whole of 2002.

#### Social Security System (a) (Transfers to regional governments allocated) (b) (Current and capital transactions, in terms of recognised entitlements and obligations)

€ m and %

	Outturn	Budget		Outturn JAN-JUL	Outturn JAN-OCT		
	2001	2002	% change	% change	2001	2002	% change
	1	2	3=2/1	4	5	6	7=6/5
Revenue	100,265	83,282	-16.9	-21.9	84,772	66,160	-22.0
Social security contributions	67,350	67,852	0.7	5.6	55,689	59,090	6.1
Current transfers	31,383	14,389	-54.2	-72.7	27,880	6,542	-76.5
Other (d)	1,533	1,042	-32.0	-60.1	1,203	529	-56.1
Expenditure	93,941	79,411	-15.5	-23.1	74,687	56,634	-24.2
Wages and salaries	14,545	6,683	-54.1	-72.4	12,328	2,825	-77.1
Goods and services	9,188	4,214	-54.1	-74.6	7,534	1,713	-77.3
Current transfers	68,784	67,615	-1.7	-4.4	53,948	51,879	-3.8
Benefits	68,326	67,615	-1.0	-4.3	53,882	51,878	-3.7
Contributory pensions	53,375	56,231	5.4	3.6	41,628	43,841	5.3
Sickness	4,278	4,027	-5.9	12.3	3,206	3,648	13.8
Other	10,673	7,358	-31.1	-47.0	9,049	4,389	-51.5
Other current transfers	457	0	-100.0	-98.4	66	1	-98.5
Other (e)	1,424	899	-36.9	-72.5	876	217	-75.3
Balance	6,324	3,871	-38.8	-10.4	10,085	9,526	-5.5

Sources: Ministerio de Hacienda, Ministerio de Trabajo y Asuntos Sociales and Banco de España.

(a) Only data relating to the System, not to the entire social security funds sector, are given. This is because the figures for other social security funds are only available to July 2002.

(b) Transfers to regional (autonomous) governments to finance the health-care and social services responsibilities they have assumed have been distributed among the various expenditure captions on the basis of the percentages resulting from the general government accounts for 1997.

(c) Including surcharges and fines.

(d) Excluding surcharges and fines.

(e) Reduced by the disposal of investments.

TABLE 3

## State Budget outturn

€ m and %

	Outturn 2001	Percentage change 2001/2000	Initial projection 2002	Percentage change 2002/2001	Outturn JAN-SEP 2002/2001 Percentage change	2001 JAN-NOV	2002 JAN-NOV	Percentage change
	1	2	3	4=3/1	5	6	7	8=7/6
<b>1. Revenue</b>	<b>125,187</b>	<b>5.5</b>	<b>104,953</b>	<b>-16.2</b>	<b>-12.5</b>	<b>115,848</b>	<b>99,585</b>	<b>-14.0</b>
Direct taxes	55,697	8.3	53,999	-3.0	-4.6	51,578	50,620	-1.9
<i>Personal income tax</i>	36,469	13.4	32,464	-11.0	-13.5	34,063	30,362	-10.9
<i>Corporate income tax</i>	17,217	0.1	19,703	14.4	19.0	15,799	18,520	17.2
<i>Other (a)</i>	2,012	-3.0	1,832	-9.0	-22.3	1,715	1,737	1.3
Indirect taxes	53,157	3.7	37,276	-29.9	-26.0	50,239	36,429	-27.5
<i>VAT</i>	34,674	3.8	24,977	-28.0	-22.5	33,287	25,064	-24.7
<i>Excise duties</i>	16,612	3.5	10,333	-37.8	-36.7	15,231	9,569	-37.2
<i>Other (b)</i>	1,871	2.5	1,966	5.1	4.7	1,721	1,796	4.3
Other net revenue	16,333	2.1	13,678	-16.3	16.4	14,031	12,537	-10.7
<b>2. Expenditure (c)</b>	<b>128,072</b>	<b>5.7</b>	<b>108,602</b>	<b>-15.2</b>	<b>-14.6</b>	<b>115,455</b>	<b>99,917</b>	<b>-13.5</b>
Wages and salaries	16,827	3.5	17,643	4.8	3.7	14,710	15,328	4.2
Goods and services	2,554	7.7	2,680	4.9	3.8	2,216	2,355	6.3
Interest payments	18,264	3.1	19,070	4.4	-3.5	17,696	18,681	5.6
Current transfers	77,151	5.9	57,038	-26.1	-24.9	69,924	52,560	-24.8
Investment	6,461	7.1	6,263	-3.1	10.7	5,368	5,739	6.9
Capital transfers	6,815	15.2	5,908	-13.3	-4.4	5,541	5,254	-5.2
<b>3. Cash-basis balance (3 = 1 – 2)</b>	<b>-2,884</b>	<b>18.7</b>	<b>-3,649</b>	<b>26.5</b>	<b>-33.4</b>	<b>392</b>	<b>-332</b>	
MEMORANDUM ITEM: NATIONAL ACCOUNTS:								
Revenue	126,611	6.1	107,808	-14.9	-10.6	117,339	102,643	-12.5
Expenditure	129,945	4.6	111,288	-14.4	-16.1	113,363	95,782	-15.5
<b>Net lending (+) or borrowing (–)</b>	<b>-3,334</b>	<b>-31.8</b>	<b>-3,480</b>	<b>4.4</b>	<b>—</b>	<b>3,976</b>	<b>6,861</b>	<b>72.6</b>

Source: Ministerio de Hacienda.

(a) Includes revenue from the tax on the income of non-residents.

(b) Includes taxes on insurance premiums and tariffs.

(c) Includes unclassified expenditure.

cise duties quickened slightly during this period, although their growth remained moderate. Finally, other revenue posted a decline of 10.7%, compared with growth of 16.4% the previous quarter. This change was mainly due to the elimination of the Social Security current transfer owing to the transfer of health-care responsibilities to the Basque Country and Navarre.

On the expenditure side there was an across-the-board acceleration in all current expenditure items, unlike with capital expenditure. That said, the changes were not particularly significant, with the exception of the strong accel-

eration in interest payments (which are determined by the timing of public debt redemptions) and, to a lesser extent, of goods and services acquisitions.

#### 4.5. The balance of payments

In the period from January to October 2002, the overall balance on current and capital account resulted in a deficit of €4.31 billion, against the deficit of €8.24 billion in the same period a year earlier. This notable improvement mainly reflects the increase in the capital sur-



## Main budgetary measures for 2003

The State Budget for 2003 is the first to be drawn up following the guidelines laid down in budgetary stability legislation. This involves, among other new features, the setting at a plenary Parliamentary session, prior to the Budget being drawn up, of a State spending ceiling, and the inclusion under such expenditure of a Contingency Fund (set at 2% of total State expenditure) to meet non-discretionary spending requirements initially unforeseen in the Budget arising from its implementation. The amount set for the Contingency Fund for 2003 is of a markedly restrictive nature, as it accounts for approximately half the average value of the amendments to budgetary appropriations applied to State expenditure in recent years. Significantly, however, Social Security benefits are not subject to this restriction; this is the case strictly for the State Budget.

Against this backdrop of general expenditure restraints, the State Budget for 2003 and its accompanying complementary legislation (*Ley de Acompañamiento*) nevertheless include a series of measures, detailed below, which are generally of an expansionary nature. This is particularly so on the revenue side, i.e. measures entailing fewer tax proceeds. Of note among these is the reform of personal income tax, which will involve an 11% cut in the average burden posed by this tax and an increase in average household disposable income of approximately 0.5 points of GDP. Supplementing this personal income tax reform is the reform of the legislation governing local tax (*Ley Reguladora de las Haciendas Locales*), the passage of which through Parliament ran parallel to that of the Budget. The reform has, among other amendments to local taxes, entailed exemption for a large number of taxpayers from the Local Business Tax (IAE by its Spanish name). The legislation reforming local tax stipulates that the State shall compensate the local government tier for forgone IAE takings, which will have a bearing on State spending to the tune of an estimated 0.1 points of GDP. Mention should also be made of the freeze on excise duties, the reduction – under the tax on hydrocarbons – of the rates applicable to liquefied petroleum gas used as general-purpose vehicle fuel and to kerosene used as heating fuel, and the setting of a zero rate for biofuels. Further, the VAT rate on specific feminine hygiene products has been reduced from 16% to 7%. Under corporate income tax the deduction from gross tax payable applicable to reinvested capital gains is raised to 20% (17% previously). The reduction in employer social security contributions for common contingencies in the case of employees aged over 60 is set at 60%, and both employer and employee contributions for workers aged over 65 with 35 or more years' actual contributions who remain in their posts are exempt. Countering this, i.e. entailing an increase in revenue, the maximum social security contribution base is once again updated to one point above the expected change in the CPI.

Charges will generally be raised in line with the foreseeable increase in the CPI (2%). New judiciary charges have been set, and the new railway infrastructure user charges payable by transport operating firms to GIF (the railway infrastructure operator) have been established and regulated.

The expenditure side notably reflects, first, the outcome of the Government/Unions pact approved by the Cabinet on 15 November 2002. As a result of this agreement, the replacement ceiling on public-sector hiring is raised to 100%, against the rate of 25% in force in previous years, with certain exceptions being retained in the administration of justice, the security forces and corps, and the armed forces. Moreover, new public-sector vacancies are to include all temporary posts created over the previous two years. Also, as a result of the aforementioned agreement, the overall compensation of public-sector employees is to be raised by 2%, along with improved supplementary payments.

Among the expenditure policies to be given priority in the 2003 Budget are law and order and justice, notably the Plan to Combat Crime and the application of the State Pact for Justice Reform, which will cost €136 million and €150 million, respectively.

Pensions will generally be updated in line with expected consumer-price inflation (CPI) in 2003. Widows' pensions will be raised from 46% to 48% of the associated regulatory base, and minimum pensions will also be supplemented. Further, the concessions on employer social security contributions for the promotion of stable employment are maintained, as is the re-insertion scheme income paid to the unemployed with special needs and difficulties in finding employment.

Finally, mention should be made of certain measures that will not have any influence on the general government deficit. This is either because they are removed on the consolidation of the various agents' accounts (transfer from the State to the Social Security system in connection with the supplement to minimum pensions, up €300 million on the previous year), or because they are considered to be financial transactions. Among the latter are the provision of €1.2 billion to the pension reserve fund and the capital contribution of €1.27 billion to GIF (the railway infrastructure operator).

TABLE 4

## Balance of payments: Summary table (a)

€ m

	JAN-OCT	
	2001	2002
RECEIPTS		
<b>Current account</b>	<b>194,977</b>	<b>194,979</b>
Goods	109,862	109,753
Services	54,799	55,485
<i>Tourism</i>	31,649	30,540
<i>Other services</i>	23,150	24,945
Income	18,234	16,607
Current transfers	12,083	13,135
<b>Capital account</b>	<b>5,408</b>	<b>7,930</b>
PAYMENTS		
<b>Current account</b>	<b>207,768</b>	<b>206,404</b>
Goods	138,588	136,881
Services	31,392	32,750
<i>Tourism</i>	5,628	5,954
<i>Other services</i>	25,763	26,796
Income	27,781	26,491
Current transfers	10,008	10,282
<b>Capital account</b>	<b>859</b>	<b>811</b>
BALANCE		
<b>Current account</b>	<b>-12,791</b>	<b>-11,425</b>
Goods	-28,726	-27,128
Services	23,407	22,734
<i>Tourism</i>	26,021	24,586
<i>Other services</i>	-2,613	-1,852
Income	-9,547	-9,884
Current transfers	2,075	2,853
<b>Capital account</b>	<b>4,549</b>	<b>7,119</b>

Source: Banco de España.

(a) First provisional results.

plus, which was €2.57 billion higher than in the first ten months of 2001, and, to a lesser extent, a less negative current-account balance, the deficit on which was €1.37 billion lower. The latter reduction was due to the substantial correction of the trade deficit and the widening of the surplus on current transfers, which offset the deterioration in the tourism and income balances.

In the first ten months of 2002 the cumulative trade deficit narrowed by €1.6 billion in relation to the figure for the same period a year earlier. The significant improvement in the terms of trade, against the background of the strong appreciation of the euro, combined with the slowdown in real import flows over the period as a whole (despite their rise as from Q3),

were behind this correction of the nominal imbalance of trade in goods.

As to services, the cumulative positive balance in the January-October period stood at €22.73 billion, against €23.41 billion in the same period in 2001. This 2.9% reduction can be explained in its entirety by the decline in the tourism and travel surplus (-5.5%), while the deficit in respect of other services narrowed by 29%. Tourist flows slowed substantially over the first ten months of the year. This was especially so for receipts, which fell by 3.5%, in line with the moderation of tourists entering Spain at borders and the reduction in their average spending, as was reflected by the notable decline in overnight hotel stays. Tourism payments also slowed over this same period to 5.8%, in step with sluggish consumer confidence and as a result of the substitution of domestic travel for international travel, given worldwide instability.

In the January-October period the deterioration in the income balance worsened, with the resulting deficit standing at €9.88 billion, €337 million up on that recorded in the same period the previous year. Revenue fell by 8.9%, affected by the reduction in foreign investment in train since last year, against the background of lacklustre global activity and heightened uncertainty on financial markets, partly derived from the social and political crises beleaguering certain Latin American countries. Payments also declined over the first ten months of 2002 by 4.6%, influenced by the marked weakness of foreign investment in Spain in 2001. A fall in direct investment flows continued to be apparent in 2002, although both portfolio investment flows and short-term deposit placements rose.

The surplus on the balance of current transfers stood at €2.85 billion in the January-October period, up €778 million on the level in the same period a year earlier. Receipts climbed by 8.7% as a result of the notable momentum of flows from the EU relating to the European Social Fund, while those earmarked for the EA-GGF-Guarantee fund fell slightly. Payments grew at a moderate rate of 2.7%, and there was a notable rise in emigrants' remittances.

Finally, the surplus on capital account stood at €7.12 billion over the first ten months of 2002, €2.58 billion up on the same period in 2001. This sizable improvement, signifying a rate of 56.5% year-on-year, is due to the notable increase in most of the structural funds from the EU, especially those relating to the Cohesion Fund and the EAGGF-Guidance fund and, to a lesser extent, to the European Regional Development Fund.

## 5. Financial developments

### 5.1. Overview

Developments on Spanish financial markets in the second half of 2002 were dominated by the international climate of uncertainty. This was principally related to the effects of a possible war in Iraq, to the doubts regarding economic recovery in certain countries and to the elections in Brazil. The Madrid Stock Exchange General Index fell by 20.3% in Q3, to make a total decline of 30% since the beginning of the year, and the implied volatility of the IBEX 35 reached historically very high levels, exceeding even those in the aftermath of the attacks of 11 September 2001 (see Chart 23). This climate of heightened uncertainty was also reflected in corporate risk premia, measured on the basis of the prices of the credit derivatives of the main Spanish firms, which reached three-year highs in Q3 (3). In Q4, however, the situation improved somewhat. The fall in the Madrid Stock Exchange General Index since the beginning of the year was reduced to 23.1%, while implied volatility and the premiums on credit derivatives both fell.

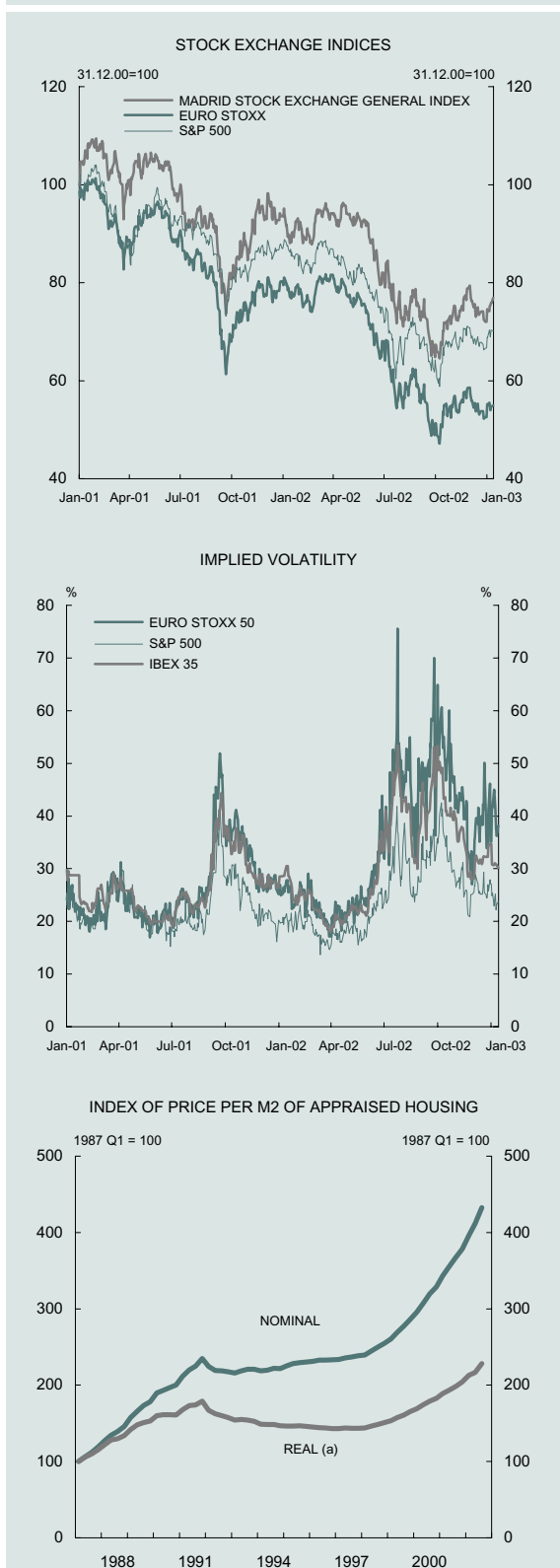
On government debt markets, in both Q3 and Q4, there was a reduction in yields at all maturities and, in particular, at those of less than one year. This trend was not equally strong in all the countries of the euro area, so that the spread between long-term yields on Spanish and German government debt narrowed significantly (see Box 5). Finally, the boom in house prices, dating back to 1997, continued in Q3 without any significant signs of flagging. The price per square metre of appraised housing rose in the quarter at a year-on-year rate of 17.7%, making a cumulative increase since 1997 of 59% in real terms.

Despite the background of greater uncertainty, financing to the non-financial private sector continued to increase at high rates during 2002 Q3. In the case of households, credit growth continued without any sign of a slowdown. In particular, credit for house purchase continued to expand at rates of around 18%. The mild slowdown in the external financing of non-financial corporations continued, although its rate of expansion is still high given the cyclical position of the Spanish economy. As in the case of households, the behaviour of property-related credit explains a large part of this high rate of growth. The provisional Q4 information does not appear to show any significant change

(3) For a more detailed analysis of the information drawn from credit derivatives, see the article by Roberto Blanco entitled "El contenido informativo de los derivados crediticios", published in the Boletín económico, Banco de España, January 2003.

CHART 23

## Price indicators for various assets



Sources: Bloomberg and Banco de España.

(a) Deflated with the CPI.

in the growth of financing to firms and households and, in particular, that granted by resident entities increased in December at a similar year-on-year rate to September.

In parallel with these developments in financing, the financial saving of the non-financial private sector deteriorated in Q3 (see Table 5). The financial saving of households remained positive, albeit at very low levels, while that of non-financial firms was significantly negative. The debt ratios of firms and households continued to rise, albeit less strongly than in previous quarters, so that the degree of their exposure to possible negative shocks to the cost of financing, to their wealth or to their present or future income has not been reduced.

Despite the deterioration in the net financial saving of firms and households, the debit balance of the nation's net financial transactions fell slightly, to stand at 1.6% of GDP, in cumulative four-quarter terms (4) (see Table 5). The sign of this change is explained by the behaviour of general government, with a positive saving ratio of 0.5%, which outweighed the private sector's greater recourse to external funds.

## 5.2. Households

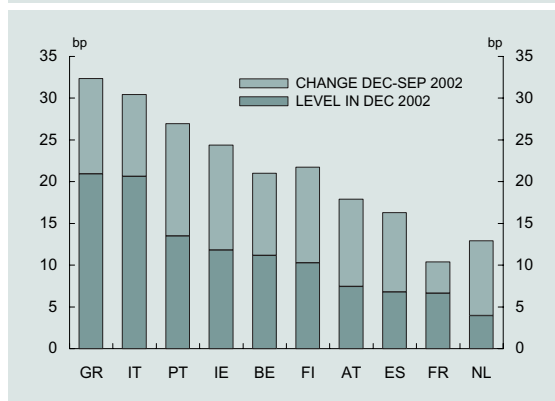
In Q3 the net financial saving of households was positive, amounting to 0.1% of GDP. In cumulative four-quarter terms it stood at 0.5% of GDP, as against 0.8% in the previous quarter (see Table 5). In terms of their gross disposable income, saving after debt service also fell, to 1.5% (see Chart 25). This low level of saving, against a background of high uncertainty and moderation of spending seems to be related, as mentioned in recent quarterly reports, to the level of the cost of financing and to the upward path of house prices. At the same time, the negative performance of the domestic and international financial markets led, for the second quarter running, to a decline in the financial wealth of households of more than 10% of GDP, in cumulative four-quarter terms (see Chart 24). Also, the level of their debt relative to both their financial wealth and their gross disposable income continued to rise although, obviously, the increase was smaller in terms of the latter. However, given the favourable trend in interest rates, this rise in debt did not lead to a significant rise in the debt service burden (see Chart 25).

(4) Throughout this section, in line with the information given in the tables and charts, the figures for financial flows refer to cumulative four-quarter data, unless otherwise indicated.

## Yield spreads on government debt in the euro area: recent developments

The disappearance of foreign exchange risk in the euro area, when the euro was launched in 1999, means that the only factors currently affecting the yield spreads on the debt issued by the treasuries of the countries of the area are the different creditworthiness of the issuers and microstructural-type factors, such as the relative degree of liquidity. Since then, these spreads have displayed a high degree of stability while the lowest yield has been on German debt (especially at the longer dates), this being related to the strong creditworthiness of the Germany treasury and the high degree of liquidity of its bonds.

Spreads on ten-year government debt over Germany



Source: Banco de España.

Against this background, in 2002 Q4 there was a significant reduction in the yield spreads on the long-term government debt of the countries of the euro area over German bonds, as seen in the adjoining chart. With the exception of French debt, whose spread only narrowed by some 4 basis points (bp), the reduction was very similar across countries (between 9 and 13 bp). Following these movements, the spreads stand, in all cases, at their lowest levels since the introduction of the euro and, in most countries, at historic lows. Relative to swap rates, however, German and French bonds yields have risen by 9 and 5 bp respectively, while those of the other issuers of the euro area have held relatively steady. This suggests that the changes in the relative valuation of government bonds in the euro area are driven by idiosyncratic factors pertaining to the German and French economies.

These movements have coincided with downward revisions in the budget balances and economic growth estimated for 2002 and 2003 in most of the countries of the area, and particularly in France and Germany. The deterioration of the budget position in these two countries led to initiation by the European Commission, at the end of 2002, of the excessive deficit and early warning procedures for Germany and France respectively. According to the European Commission's autumn forecasts, the debt-to-GDP ratio will have increased in 2002 by 1.4 percentage points in Germany and 1.3 in France, and in 2003 it will rise by a further 0.9 and 0.7 percentage points respectively. It is therefore plausible to think that the revision in the valuation of German and French bonds during 2002 Q4 may have been related to the perception on the part of the markets of a deterioration in the creditworthiness of their issuers. However, part of the increase in the debt-to-GDP ratio in these countries had already been anticipated in the spring and in some countries, such as Italy and Greece, the rise in this ratio has been even larger, and yet the relative valuation of their debt relative to swap rates has not changed. Accordingly, other factors of a more microstructural nature may also have contributed to the changes in the relative prices of German and French debt. Indeed, the significant increase forecast for the coming months in bond issuance in these two countries might have exerted further upward pressure on the yields of these securities.



TABLE 5

**Net financial transactions and inter-sectoral flows**  
(cumulative four-quarter data)

% GDP

	NET FINANCIAL TRANSACTIONS								
	1997	1998	1999	2000	2001		2002		
					Q3	Q4	Q1	Q2	Q3
<b>Total economy</b>	<b>1.6</b>	<b>0.5</b>	<b>-1.1</b>	<b>-2.5</b>	<b>-1.9</b>	<b>-2.0</b>	<b>-1.9</b>	<b>-1.8</b>	<b>-1.6</b>
<b>Non-financial corporations and households</b>	<b>4.0</b>	<b>2.2</b>	<b>-0.4</b>	<b>-2.6</b>	<b>-2.1</b>	<b>-3.1</b>	<b>-3.7</b>	<b>-3.1</b>	<b>-3.5</b>
Non-financial corporations	-0.5	-1.1	-2.4	-3.5	-4.3	-4.1	-4.6	-4.0	-4.1
Households and NPISHs	4.5	3.3	2.0	0.9	2.2	1.0	0.9	0.8	0.5
<b>Financial institutions</b>	<b>0.7</b>	<b>1.0</b>	<b>0.5</b>	<b>0.7</b>	<b>0.8</b>	<b>1.2</b>	<b>1.4</b>	<b>1.3</b>	<b>1.4</b>
<b>General government</b>	<b>-3.2</b>	<b>-2.7</b>	<b>-1.1</b>	<b>-0.6</b>	<b>-0.5</b>	<b>-0.1</b>	<b>0.5</b>	<b>0.0</b>	<b>0.5</b>
INTERSECTORAL FLOWS (a)									
<b>Households and NPISHs</b>	<b>4.5</b>	<b>3.3</b>	<b>2.0</b>	<b>0.9</b>	<b>2.2</b>	<b>1.0</b>	<b>0.9</b>	<b>0.8</b>	<b>0.5</b>
Vis-à-vis:									
Credit institutions (b)	-6.7	-4.4	0.2	-0.2	-0.5	-1.5	-2.3	-2.9	-3.4
Institutional investors (c)	10.8	7.5	0.8	0.5	3.1	3.6	3.4	3.4	3.2
<b>Non-financial corporations</b>	<b>-0.5</b>	<b>-1.1</b>	<b>-2.4</b>	<b>-3.5</b>	<b>-4.3</b>	<b>-4.1</b>	<b>-4.6</b>	<b>-4.0</b>	<b>-4.1</b>
Vis-à-vis:									
Credit institutions (b)	-3.1	-4.3	-3.8	-6.7	-4.3	-3.8	-4.0	-4.1	-3.6
Rest of the world	1.7	0.9	-0.8	1.8	-0.1	-1.8	-2.0	-1.2	-1.2
<b>General government</b>	<b>-3.2</b>	<b>-2.7</b>	<b>-1.1</b>	<b>-0.6</b>	<b>-0.5</b>	<b>-0.1</b>	<b>0.5</b>	<b>0.0</b>	<b>0.5</b>
Vis-à-vis:									
Credit institutions (b)	1.4	1.4	1.4	2.2	-0.7	-2.4	-0.3	-0.4	0.7
Institutional investors (c)	-3.9	-2.6	1.7	3.9	3.0	2.9	1.6	1.3	0.6
Rest of the world	-2.0	-1.1	-4.4	-6.0	-3.1	-1.7	-1.8	-1.6	-1.6
<b>Rest of the world</b>	<b>-1.6</b>	<b>-0.5</b>	<b>1.1</b>	<b>2.5</b>	<b>1.9</b>	<b>2.0</b>	<b>1.9</b>	<b>1.8</b>	<b>1.6</b>
Vis-à-vis:									
Credit institutions (b)	2.8	7.1	2.0	5.2	4.5	3.8	2.7	3.9	3.3
Institutional investors (c)	-2.5	-6.3	-3.6	-5.6	-4.9	-4.7	-3.6	-3.7	-3.3
Non-financial corporations	-1.7	-0.9	0.8	-1.8	0.1	1.8	2.0	1.2	1.2
General government	2.0	1.1	4.4	6.0	3.1	1.7	1.8	1.6	1.6

Source: Banco de España.  
 (a) A positive sign indicates the extension of financing to the counterpart sector. A negative sign denotes financing received from the counterpart sector.  
 (b) Defined in accordance with the First Banking Directive.  
 (c) Insurance corporations and collective investment undertakings.

Finally, in relation to their portfolio decisions, the acquisition of financial assets by households, in cumulative four-quarter terms, stood at 8.3% of GDP, the same level as in Q2 (see Table 6). The composition by instrument of this flow shows some differences in relation to the preceding quarter. The shift in household portfolios towards more liquid assets seems to have moderated; there was a greater acquisition of shares and other equity, which amounted to 0.4% of GDP, as against 0.1% three months earlier (see Chart 24). The net acquisition of shares in mutual funds remained positive, since the increase in the net acquisition of shares in money-market

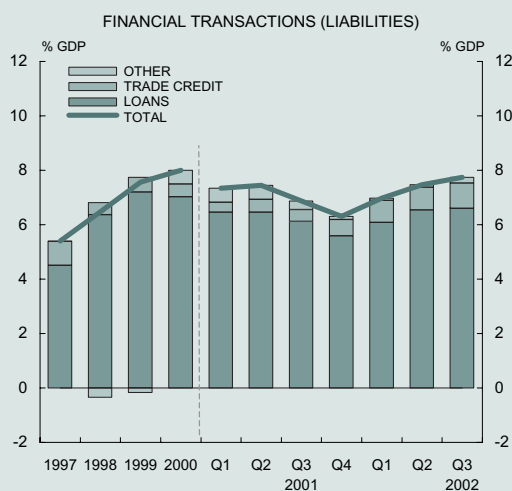
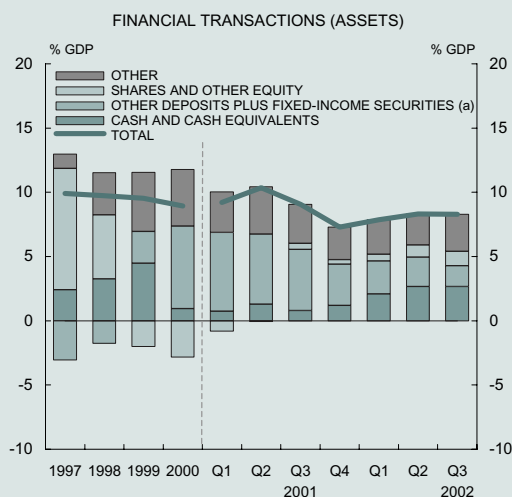
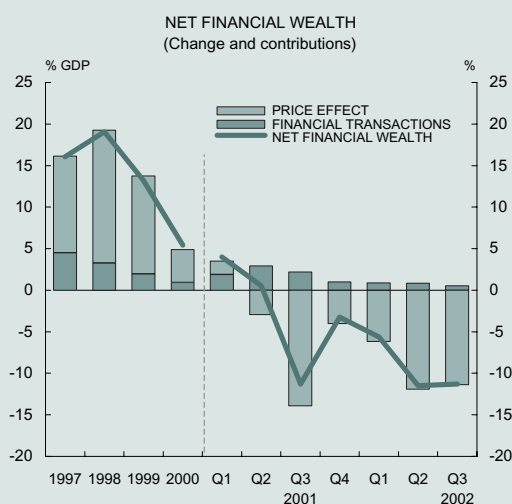
funds offset the decline in that of shares in other funds.

As for liabilities, total financing reached a year-on-year growth rate of 14.1%, as against 14% in the previous quarter. In terms of GDP, the flow of financing received from other sectors rose from 7.5% to 7.7%. The information on the distribution of loans by purpose reveals that this outcome was largely due to the notable buoyancy of loans for house purchase, the growth of which (18.1% year-on-year, as against 16.6% in June) offset the slowdown in loans for spending on current and durable goods.



CHART 24

### Households and NPISHs (cumulative four-quarter data)

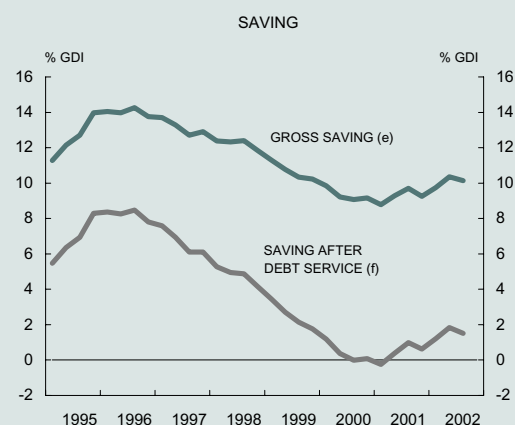
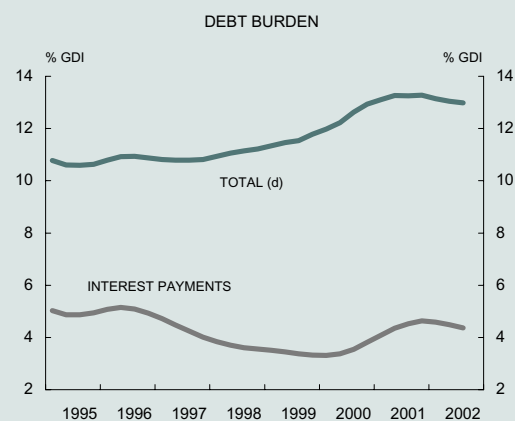
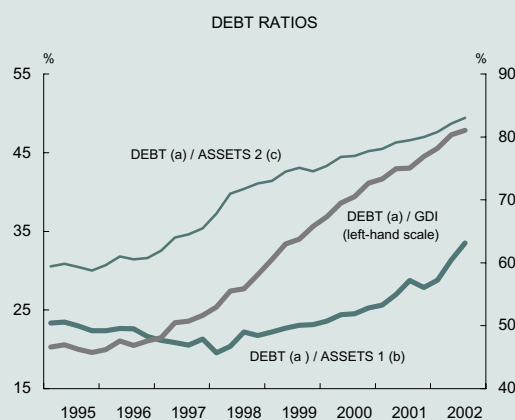


Source: Banco de España.

(a) Not including unpaid accrued interest, which is included under "other".

CHART 25

### Indicators of the financial position of households and NPISHs



Source: Banco de España.

(a) Including bank credit extended by resident credit institutions, foreign loans, fixed-income securities and financing through securitisation funds.

(b) Assets 1 = Total financial assets – "other".

(c) Assets 2 = Assets 1 – shares – shares in FIM.

(d) Calculated on the basis of bank credit extended by resident credit institutions.

(e) Balance of households' use of disposable income account. Including interest payments.

(f) Gross saving less estimated debt repayments.

TABLE 6

**Financial assets and liabilities of households, NPISHs and non-financial corporations**  
(Cumulative four-quarter data)

% GDP

	1999	2000	2001	2002		
				Q1	Q2	Q3
<b>HOUSEHOLDS AND NPISHs:</b>						
<b>Financial transactions (assets)</b>	<b>9.5</b>	<b>8.9</b>	<b>7.3</b>	<b>7.9</b>	<b>8.3</b>	<b>8.3</b>
Cash and cash equivalents	4.5	0.9	1.2	2.1	2.7	2.7
Other deposits and fixed-income securities (a)	2.5	6.4	3.2	2.6	2.3	1.6
Shares and other equity (b)	0.1	0.5	-0.4	-0.1	0.1	0.4
Mutual funds	-2.2	-3.4	0.8	0.6	0.8	0.7
FIAMM	-1.4	-1.4	1.3	1.4	1.2	1.0
FIM	-0.8	-2.0	-0.5	-0.8	-0.4	-0.4
Insurance technical reserves	3.3	3.5	2.2	2.2	2.0	2.0
Of which:						
Life assurance	2.0	1.9	1.5	1.5	1.3	1.4
Pension funds	1.0	1.4	0.5	0.5	0.5	0.4
Other	1.3	1.0	0.3	0.5	0.4	0.9
<b>Financial transactions (liabilities)</b>	<b>7.6</b>	<b>8.0</b>	<b>6.3</b>	<b>7.0</b>	<b>7.5</b>	<b>7.7</b>
Credit from resident credit institutions	6.5	6.8	5.1	5.7	6.1	6.3
Securitisation funds	0.6	0.1	0.3	0.2	0.3	0.1
Other	0.5	1.0	0.9	1.0	1.1	1.3
<b>NON-FINANCIAL CORPORATIONS:</b>						
<b>Financial transactions (assets)</b>	<b>17.8</b>	<b>27.2</b>	<b>17.6</b>	<b>17.6</b>	<b>14.3</b>	<b>13.9</b>
Cash and cash equivalents	0.7	0.9	1.7	1.9	1.6	1.5
Other deposits and fixed-income securities (a)	-0.3	1.2	0.9	0.3	0.5	0.5
Shares and other equity	8.2	14.1	4.2	4.6	3.7	3.2
Of which:						
Vis-à-vis the rest of the world	6.5	10.9	3.7	3.5	2.6	2.3
Other	9.1	10.9	10.8	10.7	8.5	8.7
<b>Financial transactions (liabilities)</b>	<b>20.2</b>	<b>30.7</b>	<b>21.6</b>	<b>22.2</b>	<b>18.2</b>	<b>18.0</b>
Credit from resident credit institutions	4.8	6.7	6.0	6.5	5.4	5.5
Securitisation funds	0.4	0.9	0.8	1.0	1.3	1.1
Foreign loans	3.0	3.5	3.6	3.6	2.9	2.7
Fixed-income securities (a)	0.5	-0.7	0.2	0.1	0.0	0.0
Shares and other equity	5.0	12.1	3.8	3.4	2.9	2.7
Other	6.4	8.1	7.3	7.6	5.7	6.0
<b>MEMORANDUM ITEMS: YEAR-ON-YEAR GROWTH RATES (%):</b>						
<b>Financing (c)</b>	<b>19.5</b>	<b>18.8</b>	<b>15.1</b>	<b>16.1</b>	<b>14.4</b>	<b>14.1</b>
Households and NPISHs	19.6	17.3	12.4	13.4	14.0	14.1
Non-financial corporations	19.4	19.9	17.2	18.1	14.6	14.0

Source: Banco de España.  
(a) Not including unpaid accrued interest, which is included under "other".  
(b) Not including mutual funds.  
(c) Including bank credit extended by resident credit institutions, foreign loans, fixed-income securities and financing through securitisation funds.

### 5.3. Non-financial corporations

In 2002 Q3, the net balance of the financial transactions of non-financial corporations was -1.4% of GDP (against -1.3% in the same quarter a year earlier). In cumulative four-quarter terms, this balance was -4.1% of GDP (-4% in Q2, see Table 5). Similar stability was seen in the financing gap of this sector (see Chart 26).

Accordingly, despite the moderation with respect to early 2001, the dissaving of non-financial corporations remained at high levels, as reflected in the trend in the debt of the sector, which continued to rise in 2002 Q3 relative both to the gross operating surplus and, at least in the case of the firms reporting to the Central Balance Sheet Data Office, to their assets (see Chart 27). However, an increase in the debt

service burden was avoided on account of the favourable trend in interest rates. In any case, the exposure of Spanish firms to possible adverse shocks is now greater and, in consequence, their investment decisions will foreseeably be more influenced by the trend in the costs of financing than they were during the cyclical upturn in the previous business cycle (5).

The deceleration seen in previous quarters in corporate investment in financial assets continued, so that it fell to 13.9% of GDP, from 14.3% in Q2. This behaviour is the result of lower acquisition of shares and other equity, along with a mild reduction in liquidity requirements (see Table 6). By contrast, investment in the assets classified under the heading "other" in Table 6, which include trade credit, increased slightly (8.7% of GDP, as against 8.5% three months earlier). However, there was a similar change in the flows grouped under this heading on the liabilities side, so that, in all, there were no significant changes in the net flow of inter-company financing.

Meanwhile, liabilities transactions continued to slow, although less sharply than in the previous quarter. External financing granted to non-financial corporations grew at a year-on-year rate of 14%, as against 14.6% in the previous quarter. In cumulative terms, funds raised amounted to 18% of GDP (18.2% three months earlier). This slowdown affected most items, the main exception being, as mentioned above, those under the heading "other". Thus, the combined financing from credit granted by resident entities and from securitisation funds declined to 6.6% of GDP, while that channelled through foreign loans and obtained through shares and equity fell from 2.9% to 2.7%. The high rate of growth of financing is a result of different behaviour across the various sectors. The year-on-year growth rate of property-related credit (construction and property services) reached 22%, compared with 17% in the previous quarter. However, credit to industry, excluding construction, continued to increase at the low rates seen during the first half, while the financing received by the services sector, excluding services related to property activity, continued to grow at year-on-year rates of around 10%.

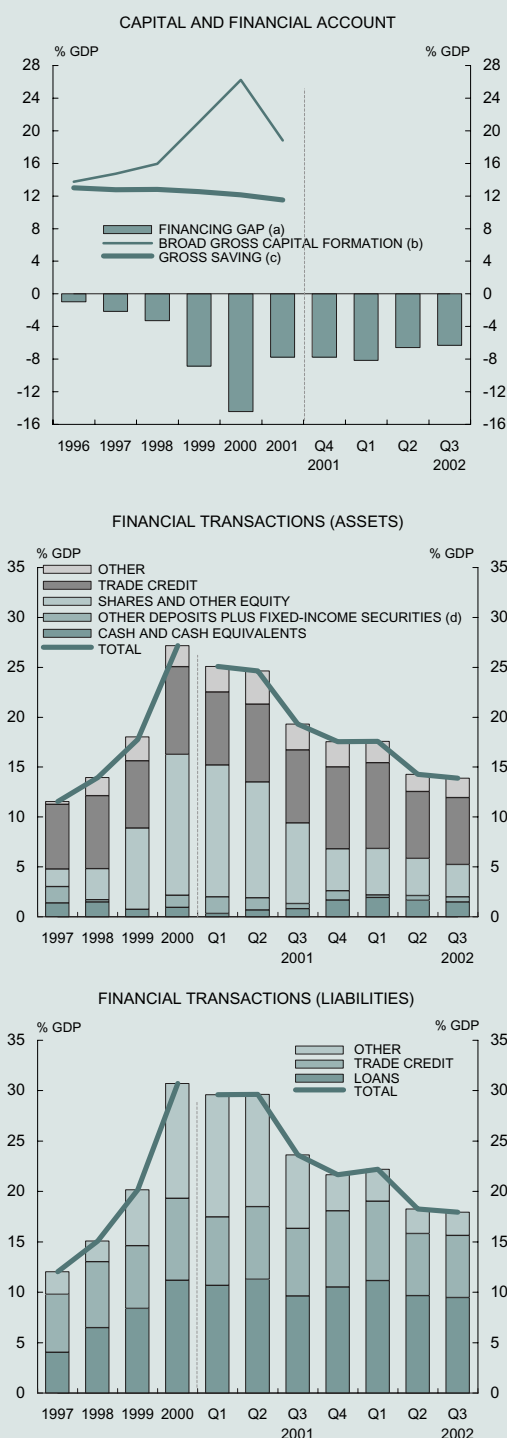
#### 5.4. General government

The net balance of the financial transactions of general government in 2002 Q3 was

(5) For further details see the article by A. Benito and I. Hernando, entitled "Los efectos de la presión financiera en el comportamiento de las empresas españolas", published in the Boletín económico, Banco de España, January 2003.

CHART 26

#### Non-financial corporations (cumulative four-quarter data)



Source: Banco de España.

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

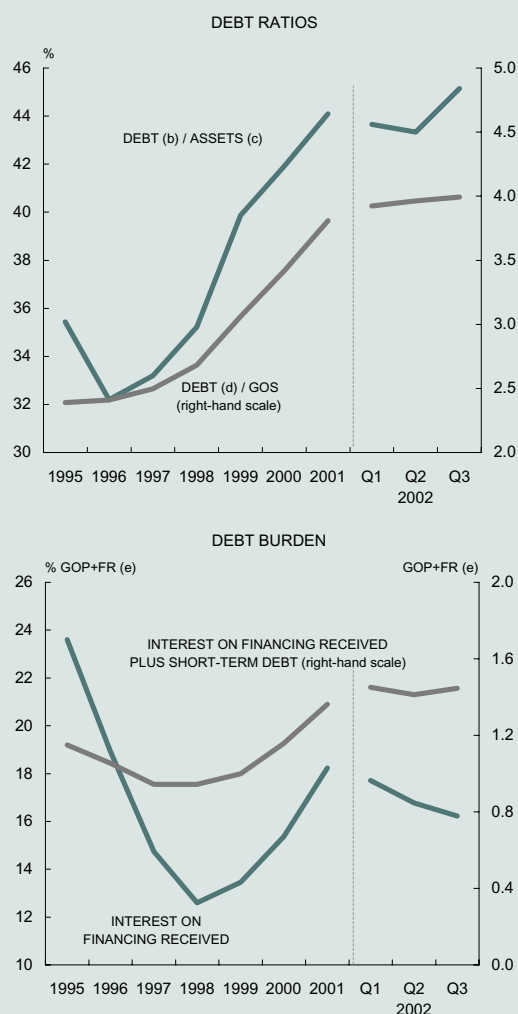
(b) Including gross capital formation, stockbuilding and foreign equities.

(c) Including capital transfers.

(d) Not including unpaid accrued interest, which is included under "other".

CHART 27

**Indicators of the financial position  
of non-financial corporations (a)**



Source: Banco de España.

(a) All the series, except the debt/gross operating surplus (GOS) ratio are based on Central Balance Sheet Office information.

(b) Defined as long-term external funds plus short-term interest-bearing financing.

(c) Defined as total assets less suppliers and other non-interest-bearing liabilities.

(d) Including bank credit extended by resident credit institutions, foreign loans, fixed-income securities and financing through securitisation funds.

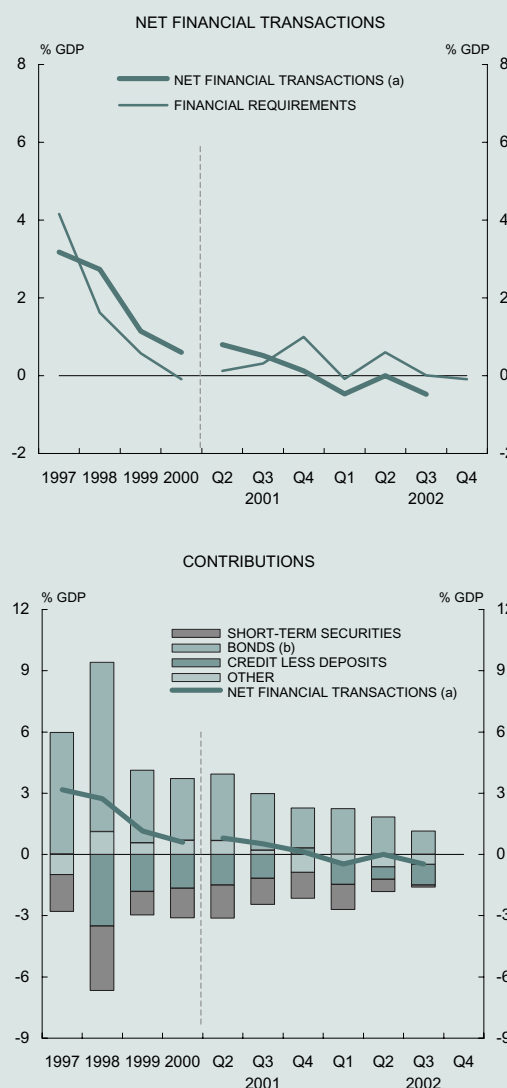
(e) Gross operating profit plus financial revenues.

positive, so that its financial saving, in cumulative four-quarter terms, rose to 0.5% of GDP (see Chart 28).

As regards its components, the lower financing requirements of general government during this quarter were reflected in a practically nil volume of net issuance of short- and long-term debt and significant repayment of financing received through loans. At the same time, the average term of general government debt continued to lengthen. Specifically, the outstanding

CHART 28

**General government  
(cumulative four-quarter data)**



Source: Banco de España.

(a) Sign changed.

(b) Not including unpaid accrued interest, which is included under "other".

stock of general government bonds increased by 1.1% of GDP, while there was a net repayment of its short-term securities and loans net of deposits of 0.1% and 1% respectively. As for the distribution of government debt holdings among investors, there were no significant changes during this period, so that practically half the stock of outstanding bonds continued to be held by non-residents.

As for the fourth quarter, provisional information is contained in the financial requirements indicator. This indicator measures general government recourse to the financial markets and it fell to -0.09% of GDP, from 0.01% in Q3.

TABLE 7

## Financial transactions of the nation (cumulative four-quarter data)

% GDP

	1999	2000	2001	2002		
				Q1	Q2	Q3
<b>Net financial transactions</b>	<b>-1.1</b>	<b>-2.5</b>	<b>-2.0</b>	<b>-1.9</b>	<b>-1.8</b>	<b>-1.6</b>
<b>Financial transactions (assets)</b>	<b>14.8</b>	<b>24.5</b>	<b>10.8</b>	<b>8.7</b>	<b>9.9</b>	<b>10.6</b>
<b>Gold and SDRs</b>	<b>-0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Cash and deposits</b>	<b>1.7</b>	<b>2.8</b>	<b>-2.6</b>	<b>-3.8</b>	<b>-0.4</b>	<b>1.0</b>
Credit system	3.7	2.5	-2.7	-3.3	-0.6	0.2
Other resident sectors	-2.0	0.4	0.1	-0.6	0.2	0.8
<b>Securities other than shares</b>	<b>2.8</b>	<b>3.8</b>	<b>7.1</b>	<b>7.4</b>	<b>5.8</b>	<b>5.6</b>
Credit system	-0.9	-0.3	2.0	2.3	1.0	1.3
Other resident sectors	3.7	4.1	5.1	5.1	4.9	4.3
<b>Shares and other equity</b>	<b>9.8</b>	<b>15.1</b>	<b>3.7</b>	<b>3.1</b>	<b>2.7</b>	<b>2.5</b>
Credit system	0.7	1.7	-0.1	-0.4	0.1	0.1
Other resident sectors	9.1	13.4	3.8	3.4	2.6	2.4
Of which:						
Non-financial corporations	6.5	10.9	3.7	3.5	2.6	2.3
<b>Loans</b>	<b>0.7</b>	<b>2.7</b>	<b>2.6</b>	<b>2.1</b>	<b>1.8</b>	<b>1.6</b>
Credit system	-0.2	0.5	0.8	0.6	0.6	0.5
Other resident sectors	0.9	2.1	1.9	1.5	1.2	1.1
<b>Financial transactions (liabilities)</b>	<b>15.9</b>	<b>27.0</b>	<b>12.8</b>	<b>10.6</b>	<b>11.7</b>	<b>12.2</b>
<b>Deposits</b>	<b>4.1</b>	<b>6.8</b>	<b>2.8</b>	<b>1.1</b>	<b>4.5</b>	<b>4.6</b>
Of which:						
Credit system	4.1	6.8	2.8	1.1	4.5	4.7
<b>Debt securities issued</b>	<b>5.4</b>	<b>6.9</b>	<b>3.1</b>	<b>3.1</b>	<b>3.0</b>	<b>3.8</b>
Credit system	0.9	0.7	0.6	0.8	0.2	0.7
General government	4.3	5.7	1.6	1.6	1.4	1.5
Other resident sectors	0.2	0.4	0.9	0.8	1.4	1.6
<b>Shares and other equity</b>	<b>3.9</b>	<b>9.1</b>	<b>3.5</b>	<b>2.8</b>	<b>2.1</b>	<b>1.9</b>
Credit system	0.3	1.7	0.5	0.2	0.3	0.2
Other resident sectors	3.6	7.3	2.9	2.6	1.8	1.8
<b>Loans</b>	<b>3.8</b>	<b>4.5</b>	<b>4.4</b>	<b>4.6</b>	<b>3.7</b>	<b>3.6</b>
General government	0.1	0.1	0.1	0.2	0.2	0.2
Other resident sectors	3.7	4.4	4.3	4.5	3.5	3.3
<b>Other, net (a)</b>	<b>-1.3</b>	<b>-0.2</b>	<b>-0.9</b>	<b>-1.1</b>	<b>-1.6</b>	<b>-1.7</b>

Source: Banco de España.

(a) Includes the asset-side caption reflecting insurance technical reserves.

## 5.5. The rest of the world

Between July and September 2002, the debt balance of the financial transactions of the nation fell slightly to stand at -1.6% of GDP in cumulative four-quarter terms (see Table 7). The flows of assets and liabilities vis-à-vis the rest of the world were significantly smaller than in the previous quarter, although on account of the base effect arising from the low volume between July and September 2001 (probably a

consequence of the events of 11 September), the cumulative four-quarter figures reflect an increase in both items. Equity flows declined again, affected by the climate of extreme volatility on the financial markets.

The net acquisition of financial assets increased to 10.6% of GDP from 9.9% three months earlier. This was the result of a significant increase in liquid assets (cash and deposits), with a cumulative flow of 1% of GDP, com-

TABLE 8

**Net financial assets vis-à-vis the rest of the world (a)**  
**(Q4 data)**

% GDP

	1997	1998	1999	2000	2001	2002 (b)
<b>Total economy</b>	<b>-21.0</b>	<b>-21.6</b>	<b>-22.3</b>	<b>-20.5</b>	<b>-21.6</b>	<b>-24.0</b>
<b>Non-financial corporations and households and NPISHs</b>	<b>-10.9</b>	<b>-8.6</b>	<b>-8.7</b>	<b>-0.8</b>	<b>-1.1</b>	<b>-0.5</b>
Non-financial corporations	-17.2	-14.8	-16.3	-8.4	-8.9	-8.8
Households and NPISHs	6.3	6.2	7.6	7.6	7.8	8.3
<b>Financial institutions</b>	<b>6.9</b>	<b>4.8</b>	<b>6.9</b>	<b>5.1</b>	<b>4.6</b>	<b>2.1</b>
Credit institutions (c)	2.4	-5.4	-7.5	-12.5	-14.5	-15.3
Institutional investors (d)	4.6	10.7	15.0	18.3	20.7	19.9
Other financial institutions	-0.1	-0.4	-0.6	-0.8	-1.6	-2.5
<b>General government</b>	<b>-17.0</b>	<b>-17.9</b>	<b>-20.5</b>	<b>-24.8</b>	<b>-25.1</b>	<b>-25.5</b>

Source: Banco de España.  
(a) Calculated as the difference between the stocks of financial assets and liabilities vis-à-vis the rest of the world according to quarterly financial accounts data.  
(b) Q3 data.  
(c) Defined according to the First Banking Directive.  
(d) Insurance corporations and collective investment undertakings.

pared with -0.4% in the previous quarter, which offset the reduction in the other items. According to balance of payments information, foreign direct investment (that of a permanent nature), was significantly lower than in the same quarter a year earlier. Likewise, portfolio investment fell sharply to just 60% of its level in 2001 Q3.

The volume of liabilities increased to 12.2% of GDP from 11.7% in Q2. This outcome is primarily explained by the behaviour of securities other than shares, which recorded significant growth, to reach 3.8% of GDP. This increase is basically explained by the notable increase in the investment of non-residents in fixed-income securities issued by credit institutions. According to the information available in the balance of pay-

ments, foreign portfolio investment in Spain grew significantly relative to the same quarter a year earlier, while direct investment was unchanged.

As a result of the financial transactions with the rest of the world and the trend in the prices of financial assets and the exchange rate, the net debit position of the national economy vis-à-vis the rest of the world has increased to -24% of GDP in 2002 Q3 (see Table 8). This situation is a consequence of a decline in the net external assets of financial institutions, which has only been partly offset by the improvement in the overall external position of the rest of the sectors.

30.1.2003.



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# Results of non-financial corporations in 2001 and in the first three quarters of 2002 (1)

## 1. INTRODUCTION

This article analyses the data submitted to the Central Balance Sheet Data Office by the reporting corporations for the year 2001 [annual database or CBA, whose results are the subject of a monograph distributed at the same time as this article is released (2)] and, basically, for the first three quarters of 2002 (quarterly database or CBQ), which give a preliminary view of the results for the year as a whole.

As seen in Chart 1 and Table 1, the CBA data for 2001 broadly confirm the conclusions drawn in April 2002 when discussing the CBQ results for that year, namely that the year was characterised by a progressive slowing of activity – which steepened in the second half of the year – stemming from the deceleration of foreign demand and of investment in capital goods. The path of oil prices was also the main reason for the sharp reduction in GVA in the energy sector (especially in the petroleum refining subsector). The events of the last few months of 2001 (11th September terrorist attacks, US economic recession and crisis in Argentina) were decisive in shaping a scenario of great uncertainty and, in consequence, were responsible for the slackness of productive activity. The slowdown in the productive activity of Spanish corporations, which dates back to 2001, has continued during 2002, but there has been some improvement on the performance to 2002 Q2 discussed in the last of these articles. In particular, compared with the slowdown in their productive activity in 2001, signs of recovery among the industrial corporations have strengthened as 2002 has elapsed. The positive performance of industrial firms in the second and third quarters of this year (see Box 1), along with some weakness in wholesale and retail trade and transport and communications and a fall in activity in energy (which maintained the previous year's trend), explains why the sample firms have, on aggregate, recorded a lower rate of growth than in the previous year, although the rate has increased as the year has unfolded.

Employment also slowed progressively in 2001, relative to 2000, and in the first three

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(1) The information published in this article relates to the 6,266 firms that had responded to the annual survey for 2001 by the end of October 2002, and to the 748 that, on average, had reported to the CBQ up to 14 November 2002. In the case of the CBA, the firms represented account for 24.7% of all the activity of the sector non-financial corporations (as measured by the gross value added at basic prices of this sector), while in the case of the quarterly sample the coverage is 14.1%.

(2) The title of the monograph, published in November 2002, is *Banco de España. Central de Balances. Resultados anuales de las empresas no financieras 2001*.

TABLE 1

**Profit and loss account. Year-on-year changes**  
**Growth rates of the same corporations over the same period a year earlier**

Databases	CBA		CBQ (a)		
	2000	2001	01 Q1-Q4 / 00 Q1-Q4	01 Q1-Q3	02 Q1-Q3
Number of corporations / Total national coverage	8053/28.9%	6267/24.7%	852 / 15.3%	871 / 15.5%	748 / 14.1%
1. VALUE OF OUTPUT (including subsidies)	16.0	3.0	1.2	3.4	2.5
Of which:					
1. Net amount of turnover and other operating income	17.4	5.7	2.7	4.9	2.9
2. INPUTS (including taxes)	20.1	2.6	-0.3	3.3	2.2
Of which:					
1. Net purchases	23.8	-1.9	-2.5	1.5	2.3
2. Other operating costs	14.4	8.5	2.7	5.5	2.6
S.1. GROSS VALUE ADDED AT FACTOR COST [1 - 2]	7.5	3.9	3.9	3.7	3.0
3. Personnel costs	7.5	5.4	4.5	5.2	3.8
S.2. GROSS OPERATING PROFIT [S.1 - 3]	7.5	2.4	3.5	2.5	2.4
4. Financial revenue	26.3	21.0	12.2	18.1	-2.0
5. Financial costs	26.3	12.0	9.4	18.5	-9.5
6. Corporate income tax	-15.4	3.8	5.9	-0.2	2.4
S.3. FUNDS GENERATED FROM OPERATIONS [S.2+4-5-6]	5.9	6.0	4.6	3.3	4.5
7. Depreciation and provisions and other [7.1 + 7.2 - 7.3]	5.5	11.4	15.2	36.2	42.6
7.1. Depreciation and operating provisions	6.6	-0.3	0.7	0.7	0.3
7.2. Capital losses and extraordinary expenses	-2.9	17.5	19.6	33.3	216.4
7.3. Capital gains and extraordinary revenue	-4.7	2.3	1.3	-29.2	152.0
S.6. ORDINARY NET PROFIT [S.2 + 4 - 5 - 7.1]	8.3	10.2	7.6	4.5	6.9
Memorandum item:					
TOTAL NET PROFIT [S.3 - 7]	15.3	-3.1	-11.5	-20.9	-34.4
PROFIT RATIOS					
R.1 Ordinary return on net assets (before taxes)	7.4	7.6	8.2	7.4	8.5
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.0	5.0	5.3	5.4	4.6
R.3 Ordinary return on equity (before taxes)	9.1	9.5	10.6	9.1	11.5
R.4 ROI - cost of debt (R.1 - R.2)	2.3	2.5	2.9	2.0	3.9
R.5 Debt ratio	47.3	49.3	51.1	50.9	51.0

Source: Banco de España.

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

Note: internal accounting movements have been edited out of items 4, 5, 6, 7.2 and 7.3 in the calculation of rates.

TABLE 2.a

**Value added, employees, personnel costs and compensation per employee**  
**Breakdown by size, ownership status and main activity of corporations**  
**(Growth rates of the same corporations on the same period a year earlier)**

	Gross value added at factor cost				Employees (average for period)				Personnel costs				Compensation per employee			
	CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)		
	2001	01 Q1- Q4	01 Q1- Q3	02 Q1- Q3	2001	01 Q1- Q4	01 Q1- Q3	02 Q1- Q3	2001	01 Q1- Q4	01 Q1- Q3	02 Q1- Q3	2001	01 Q1- Q4	01 Q1- Q3	02 Q1- Q3
<b>Total</b>	<b>3.9</b>	<b>3.9</b>	<b>3.7</b>	<b>3.0</b>	<b>2.4</b>	<b>0.8</b>	<b>0.9</b>	<b>0.2</b>	<b>5.4</b>	<b>4.5</b>	<b>5.2</b>	<b>3.8</b>	<b>2.9</b>	<b>3.7</b>	<b>4.3</b>	<b>3.6</b>
<b>SIZE:</b>																
Small	7.3	—	—	—	1.8	—	—	—	7.4	—	—	—	5.5	—	—	—
Medium	8.5	5.7	3.6	7.0	3.7	2.1	2.0	2.7	9.1	6.9	7.1	4.5	5.2	4.7	5.0	1.8
Large	3.3	3.8	3.7	2.7	2.2	0.6	0.8	0.0	4.8	4.3	5.0	3.7	2.5	3.7	4.2	3.7
<b>STATUS:</b>																
Public-sector	7.2	7.0	7.7	3.9	2.0	1.3	1.2	-0.1	6.4	6.2	7.5	6.5	4.3	4.8	6.2	6.6
Private-sector	3.6	3.5	3.1	2.8	2.4	0.6	0.8	0.4	5.2	4.1	4.7	3.0	2.6	3.5	3.9	2.6
<b>BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE:</b>																
Energy	-6.0	-6.4	-7.1	-3.6	-2.5	-3.8	-3.7	-3.6	3.0	2.4	3.5	-1.4	5.7	6.4	7.5	2.3
Industry	-1.0	-2.7	-2.7	3.3	-1.6	-0.4	0.1	-1.8	2.8	2.8	3.9	2.1	4.5	3.2	3.8	4.0
Wholesale & retail trade	10.6	17.9	16.3	10.1	7.2	6.1	6.1	4.9	9.0	9.3	9.3	7.1	1.7	3.0	3.0	2.1
Transport and communications	8.6	9.5	9.9	5.2	0.5	-2.4	-2.7	-0.9	3.8	1.7	2.1	3.9	3.3	4.2	4.9	4.8

Source: Banco de España.

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

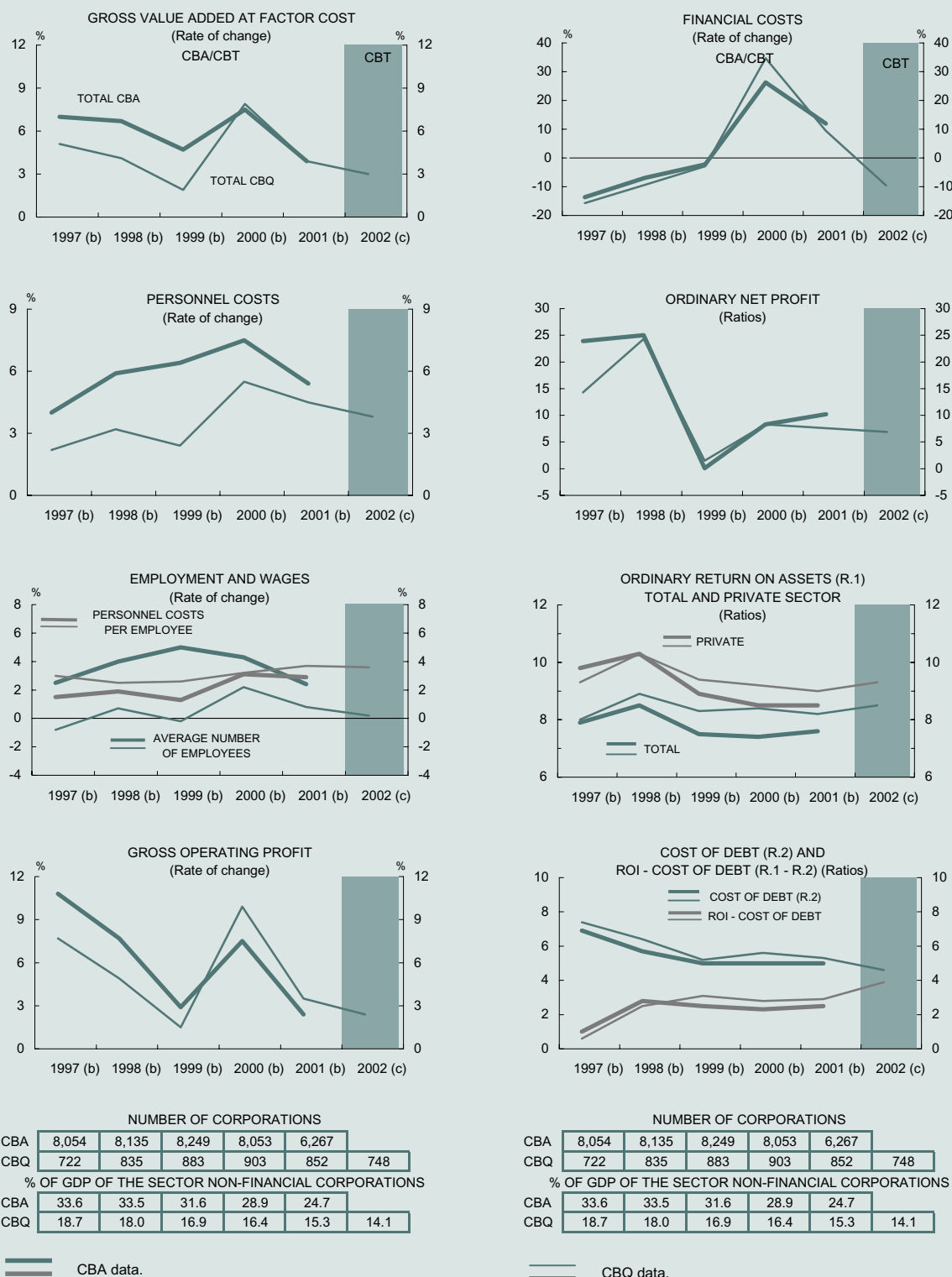
quarters of 2002, relative to the figures available for 2001. The CBA data for 2001 show, once again, a much higher employment growth rate than the CBQ (2.4%, as against 0.8%), owing to the biases in the sample already discussed in previous editions of this article, although it was significantly below the rates of previous years (5% in 1999 and 4.3% in 2000). In the first three quarters of 2002, employment rose by 0.2%, as against the above-mentioned CBQ rate of 0.8% in 2001. However, when the CBA data for 2002 become available this rate, which was positive despite the slowdown, will be corrected upwards. This trend in employment, which is consistent with that recorded by the EPA, despite the difference in the level of the rates, as a consequence of the above-mentioned biases, coincides with a fall in the proportion of temporary workers, a phenomenon that began to become apparent in 2001. On CBA data, average compensation in 2001 grew at a similar rate to 2000 (personnel costs per worker increased by 2.9% in 2001, slightly below the rate of 3.1% recorded in 2000), while in

the first three quarters of 2002 the CBQ shows an increase with respect to the CBA data for 2001, the quarter-on-quarter series containing evidence of a slight increase in average compensation, possibly in response to recent developments in inflation. If this upturn is confirmed it might be an obstacle to recovery in productive activity, investment and, in short, to job creation.

Against this background, the operating surplus, or gross operating profit, which had fallen drastically in 2001, held steady in the first three months of 2002, growing at the same rate as in the same period of the previous year (2.4%). In spite of this stagnation of the surplus in 2001 and 2002, ordinary net profit grew in 2001 and in the first three quarters of 2002 at higher rates (10.2% and 6.9% respectively), owing to further declines in net financial costs (due basically to the interest rate reductions from the last quarter of 2001 and also to the slowdown in debt), following their increase in 2000, and to the moderate behaviour of ordinary depreciation and pro-

CHART 1

## Non-financial corporations reporting to the Central Balance Sheet Data Office (a)



Source: Banco de España.

(a) Information available to 14 November 2002 (CBA and CBQ).

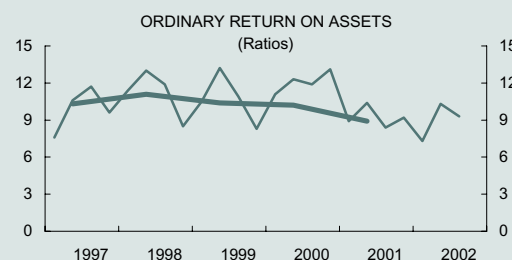
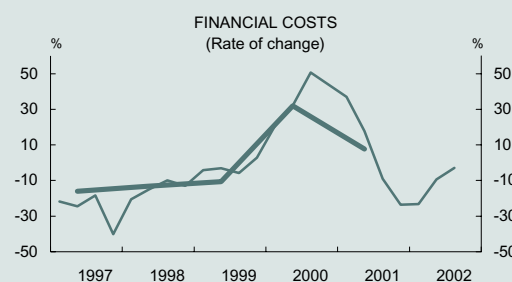
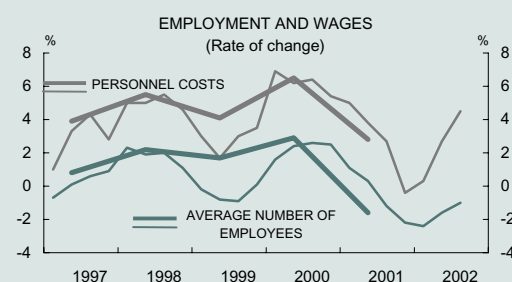
(b) The 1997, 1998, 1999, 2000 and 2001 data are based on information from the corporations included in the annual survey (CBA) and the average of the four quarters of each year in relation to the previous year (CBQ).

(c) Average of the first three quarters of 2002 over the same period of 2001.

### Performance of industrial corporations reporting to the CBSO (a)

**GROSS VALUE ADDED AT FACTOR COST  
(Rate of change)**

Year	CBA/CBQ (%)	CBQ (%)
1997	10	2
1998	5	17
1999	2	1
2000	6	15
2001	-2	-5
2002	-	12



NUMBER OF CORPORATIONS					
CBA	3,342	3,247	3,035	2,830	2,183
CBQ	352	343	329	317	383
	343	335	392	402	356
	329	386	378	430	252
	402	392	418	410	
	378	402	393	387	
	378	384	384	374	
	430	410	402	390	
	410	387	377	352	
	374	374	383		
	402	390	356		
	390	377	252		
	377	352			
	352				
	383				
	356				
	252				
% OF THE GDP OF THE SUBSECTOR INDUSTRIAL CORPORATIONS					
CBA	35.1	33.8	30.9	28.3	22.5
CBQ	25.7	28.2	26.2	25.6	20.7
	28.2	26.4	24.1	24.0	21.5
	26.4	26.1	24.2	24.3	13.9
	26.8	27.4	24.7	20.5	
	26.8	25.6	25.6	19.5	
	25.6	24.7	24.0	18.8	
	24.7	24.2	24.3	19.5	
	25.6	25.6	20.5	20.7	
	25.6	24.1	19.5	21.5	
	24.0	24.2	18.8	13.9	
	24.3	20.5	19.5		
	20.5	19.5			
	19.5				
	20.7				
	21.5				
	13.9				

(a) Information available to 14 November 2002 (CBA and CBQ). The CBQ data are growth rates in relation to the same quarter a year earlier.

(1) The Central Balance Sheet Office defines this as the difference between the return on investment (R1) and the cost of debt (R2). See Box 2 in the annual monograph.

TABLE 2.b

**Employment and personnel costs**  
Details based on changes in staff levels

	Total CBQ corporations 2002 Q1-Q3	Corporations increasing (or not changing) staff levels	Corporations reducing staff levels
<b>Number of corporations</b>	<b>748</b>	<b>422</b>	<b>326</b>
<b>Personnel costs</b>			
Initial situation 2001 Q1-Q3 (EUR million)	15,213.5	6,362.0	8,851.5
Rate 02 Q1-Q3 / 01 Q1-Q3	3.8	9.7	-0.5
<b>Average compensation</b>			
Initial situation 2001 Q1-Q3 (euro)	26,562	25,347	27,748
Rate 02 Q1-Q3 / 01 Q1-Q3	3.6	2.6	4.8
<b>Number of employees</b>			
Initial situation 2001 Q1-Q3 (000s)	570	251	319
Rate 02 Q1-Q3 / 01 Q1-Q3	0.2	6.8	-5.0
<b>Permanent</b>			
Initial situation 2001 Q1-Q3 (000s)	472	194	278
Rate 02 Q1-Q3 / 01 Q1-Q3	1.0	8.3	-4.0
<b>Non-permanent</b>			
Initial situation 2001 Q1-Q3 (000s)	98	57	41
Rate 02 Q1-Q3 / 01 Q1-Q3	-3.6	2.0	-11.2

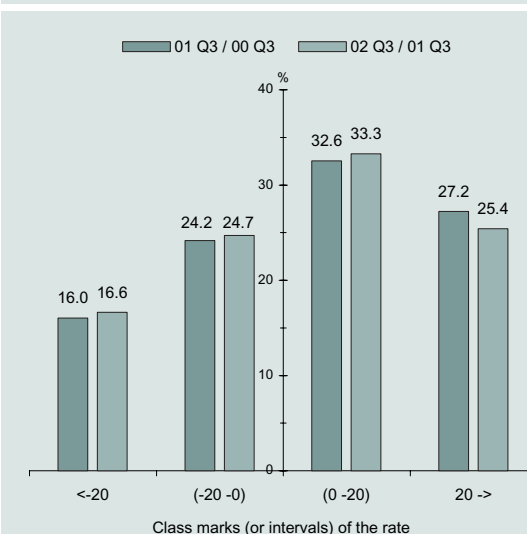
Source: Banco de España.

visions. This favourable performance of financial costs, and in consequence of ordinary net profit, did not prevent a significant deterioration in total net profit in 2001 and 2002, as a result of the extraordinary losses arising basically from the provisions made by certain large firms on their foreign investments, which were not offset by the extraordinary revenues of other firms, although the latter behaved very favourably. In any case, since the ordinary return on net assets (R. 1) is not calculated on the basis of total net profit (as it includes certain erratic elements), but rather ordinary net profit, the ratios referred to reflect the positive performance of the latter. This fact, along with the reduction, for the reasons mentioned above, in the ratio that measures interest on borrowed funds (R.2), explains why the spread between ROI and the cost of debt ( $R.4 = R.1 - R.2$ ) is still positive, which is the same as saying (see Box 2 of the annual monograph for 2001) that the ordinary return on equity (R.3) (i.e. the return to the owners of the firms) exceeds the ordinary return on net assets.

This positive situation with regard to the spread between ROI and the cost of debt (almost 4 percentage points in the first three quarters of 2002, as against 2.5 in 2001) would, by all indications, warrant a recovery in productive investment. The CBA data show a pick-up in the gross fixed capital formation of

CHART 2

**Distribution of corporations by rate of change in GVA at factor cost**  
(01 Q3 / 00 Q3, 02 Q3 / 01 Q3)



Source: Banco de España.

the sample firms (nominal growth of 17.8% in 2001), indicating the execution of construction investment projects by some large firms, although investment in capital goods remained weak. These projects introduce an upward bias into the total gross capital formation of the firms. Indeed, the investment of small and medium firms (the worst represented in the CBA), according to the information available, did not follow the same trend as that of the large firms, but rather slowed somewhat, in line with the stagnation in business start-ups during this period. It is the combined effect of these factors that explains the slowdown in investment in 2001 with respect to 2000 according to the National Accounts (the CBQ data for 2002 give no information on investment). Investment can be expected to recover when the current uncertainties (delay in the expected recovery in other economies, continuation of the stock market crisis, international instability, etc.) dissipate. In short, although all the firms are maintaining healthy returns (the spread between ROI and the cost of debt for the medium and small firms is very positive, as seen in Table 5), meaning they can weather the current economic slowdown without large imbalances emerging, the expected returns on capital investment projects are clearly still overshadowed by the current climate of uncertainty, while the rise in the debt ratio is beginning to weigh on investment decisions. However, all the indications are that the circumstances are right for investment to take off again once expectations improve.



## Results of small corporations

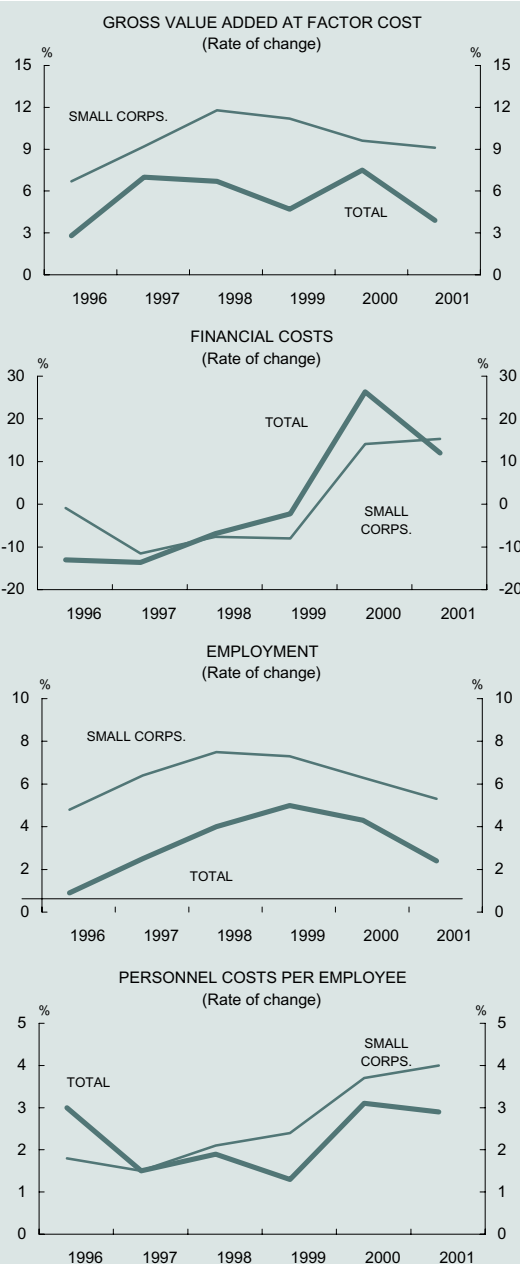
The annual monograph published at this time of year by the Central Balance Sheet Data Office (CBSO) includes a chapter dedicated to analysing the results of small and medium-sized firms, with a data series spanning the 1992-2001 period. This aggregate, with low coverage in the CBA database (that used in this article), can be better analysed in the information obtained by the CBSO in collaboration with the Mercantile Registries, drawing on the accounts filed with these Registries in compliance with the obligation to file annual accounts. The source database is known as CBBE/RM, or CBB. The information in question is not in the abundant detail characterising the CBA data; however, it does offer a very high number of corporations for company sizes and sectors of activity that the CBA sample finds difficult to cover. The information thus offered for 2000 and 2001 (and, in brackets, the coverage in terms of GVA) in the monograph relates to 231,751 (10%) and 44,501 (2%) companies, respectively. Nonetheless, the lesser degree of detail of the accounting information in this database means there are limitations that prevent certain analyses from being conducted (financing and investment flows) and certain variables from being calculated (ROI and cost of debt). In any event, the study of activity, employment, compensation and the main margins and results can be carried out without any problem once the information filed with the Mercantile Registries (1) is edited.

Analysis of the data reveals that the year 2001 involved a slight slowdown in respect of the aggregate of small corporations. In practice, they repeated the GVA growth rate for the previous year: 9.1% in 2001, only half a point below that recorded in 2000. In terms of sectors, the biggest increase in activity in nominal terms was in transport and communications (10.9%), signifying considerably sharper growth than the previous year (6.9%). Activity also increased substantially in the sectors other business activities (10.4%), construction (8.5%) and other services (8.5%), although these growth rates tended to reflect a mild slowdown compared with those attained in 2000. Personnel costs increased strongly by 10.5% in 2001, although this rate was, as with that of GVA, somewhat down on the previous year (11.3%). However, the slowdown in the growth of this item on the profit and loss account derives from the differing behaviour of its components. Thus, the growth rate of employment fell to 5.3% in 2001, i.e. one point down on the previous year, a trend witnessed in activities across the board. Personnel costs, for their part, grew by 4% in 2001, slightly up on 2000 (3.7%). The parallel reduction in the growth rates of GVA and of personnel costs therefore allowed for slightly higher growth in gross profit, with a rate of 6%.

Financial costs in the aggregate of small corporations grew strongly for the second year running. The lack of detail to the information filed by these corporations prevents a proper calculation of the cost-of-debt ratio, meaning it is impossible to ascertain to what extent the growth of financial costs is due to changes in interest rates or to the inflow of fresh borrowed funds. In any event, the increase in this caption was the main reason why ONP contracted in 2001 (-2.5%). Consequently, and due to the trend of ONP, the ordinary return on equity (calculated drawing on the latter surplus) declined slightly, standing at 11% in 2001 compared with 11.4% in 2000. The ratio nevertheless continued to show high profitability, similar to that of the previous year, both in the sample as a whole and in the main sectors analysed.

In sum, the outcome of the year for small Spanish corporations in 2001 was a slight slowdown in activity and in employment which, in any event, continued to grow forcefully. Likewise, the prevailing high level of profitability enables small domestic corporations to face the current phase of business uncertainty.

(1) The methodological note preceding the publication reports on the filtering of the annual accounts in detail. The filtering process leads, on average, to around half of the corporations available being rejected as unsuitable for this study. Thus, the annual accounts received and processed between the Mercantile Registries and the Banco de España are far greater in number than (virtually double) the figures offered in this article.



NUMBER OF CORPORATIONS (a)

CBA	8,032	8,054	8,135	8,249	8,053	6,267
CBB (b)	173,575	223,471	238,468	211,842	231,751	44,501

% OF THE GDP OF THE SECTOR NON-FINANCIAL CORPORATIONS

CBA	34.1	33.6	33.5	31.6	28.9	24.7
CBB (b)	9.0	10.9	12.1	10.6	10.8	2.0

— CBA data.  
— CBB data.

Source: Banco de España.

(a) Information available to 14 November 2002 (CBA and CBB).

(b) In the case of the charts on Employment and Personnel costs per employee, the data relate to the sub-set of companies with consistent employment data (50% of the CBB total).

TABLE 3

**Purchases and turnover of corporations reporting data on purchasing sources and sales destinations  
Structure**

	CBA		CBQ (a)	
	2000	2001	01 Q1-Q4 / 00 Q1-Q4	02 Q1-Q3 / 01 Q1-Q3
<b>Total corporations</b>	<b>8,053</b>	<b>6,267</b>	<b>852</b>	<b>748</b>
Corporations reporting source/destination	8,053	6,267	823	722
	%	%	%	%
<b>Net purchases</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
SOURCE OF PURCHASES:				
Spain	64.0	64.8	80.2	78.7
Total abroad	36.0	35.2	19.8	21.3
<i>EU countries</i>	22.4	21.3	14.9	16.5
<i>Third countries</i>	13.5	13.9	4.9	4.8
<b>Net turnover</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
SALES DESTINATIONS:				
Spain	81.3	81.6	87.3	87.5
Total abroad	18.7	18.4	12.7	12.5
<i>EU countries</i>	14.1	13.3	7.8	8.6
<i>Third countries</i>	4.6	5.1	4.8	3.8

Source: Banco de España.

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

## 2. ACTIVITY

The productive activity of Spanish firms, as measured by GVA, grew at a year-on-year rate of 3.9% in 2001, a significantly more moderate rate than in 2000 (7.5%). This trend has run into 2002, as shown by the CBQ data for the first three quarters of the year, when GVA grew at a rate of 3% year-on-year (see Table 1 and Chart 1). This slowdown in the firms' activity was largely a consequence of the uncertain international situation, which led to a decline in external activity in 2001, and of the fall in investment in capital goods, while analysis of the various subsectors of activity (see Table 2.a) seems to show that private consumption (although more weakly so from 2002) and investment in construction have been underpinning activity growth in recent years. Purchases and sales, which grew at rates of between 2% and 3%, confirm the loss of momentum in activity over the last two years. As for foreign trade, its negative contribution in 2001 is clearly seen in Table 3, which confirms the reduction in the weight of exports and imports. A recovery in transactions with EU countries seems to be gathering steam in 2002.

By sector, the performance of the wholesale and retail trade was positive (with GVA growth of 10.6% in 2001 and 10.1% to Sep-

tember 2002). This sector has been notably buoyant in 2002 to date, despite the loss of momentum in private consumption in the first few months of the year. The transport and communications sector also recorded an increase in activity, with significant GVA growth rates, both in 2001 (8.6%) and in 2002 (5.2%), although with the same slowing trend during the year as recorded for the sample as a whole. In industry a change of trend seems to have begun in the last few months of 2002. Specifically, while GVA fell by 1% in this sector in 2001, a positive growth rate has been recorded again in 2002 to date (3.3%). Also, the quarterly profile shows a progressive improvement as the year has elapsed (see Box 1). Finally, the most negative performance was in energy, in which GVA fell both in 2001 (-6%) and in 2002 (-3.6%), basically due to oil refining. As mentioned in previous articles (see the last one, on the first two quarters of 2002), international oil prices were one of the factors responsible for the reduction in the sector's GVA in 2001, and this after oil prices had caused an increase of a similar size in 2000. If the effect of the refining firms is removed, the energy sector's growth rates are very different to those before this adjustment (2.4% in 2001 and 3% in the first three quarters of 2002, as opposed to 0.2% and 3.7% in the same periods). Both rates, which fall within the margins

TABLE 4

**Personnel costs, employees and average compensation**  
**Percentage of corporations in specific situations**

	CBA		CBQ			
	2000	2001	00 Q1-Q4	01 Q1-Q4	01 Q3	02 Q3
<b>Number of corporations</b>	<b>8,053</b>	<b>6,267</b>	<b>903</b>	<b>852</b>	<b>841</b>	<b>582</b>
<b>Personnel costs</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Falling	18.0	21.8	24.5	28.1	28.3	33.3
Constant or rising	82.0	78.2	75.5	71.9	71.7	66.7
<b>Average number of employees</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Falling	24.5	28.4	35.3	40.5	41.6	42.6
Constant or rising	75.5	71.6	64.7	59.5	58.4	57.4
<b>Average compensation (relative to inflation) (b)</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Lower growth	47.2	38.9	47.3	46.7	45.7	49.9
Higher or same growth	52.8	61.1	52.7	53.3	54.3	50.1

Source: Banco de España.

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

(b) Twelve-month percentage change in the CPI.

of moderation described for the sample as a whole, are more in line with the trend in demand, which despite continuing to grow, has also slowed progressively (electricity demand, adjusted for temperature and calendar effects, grew by 5.2% in 2001 and by 2.8% to August 2002, the latest figure published). Other factors have been favourable to output in nominal terms, such as the fact that electricity tariffs have fallen by less than in previous years, and also unfavourable, such as the lesser use of hydroelectric power stations in 2002, which has entailed greater use of conventional thermal power stations, with higher production costs, to generate electricity. The overall effect of these changes explains the mild increases in activity in this sector.

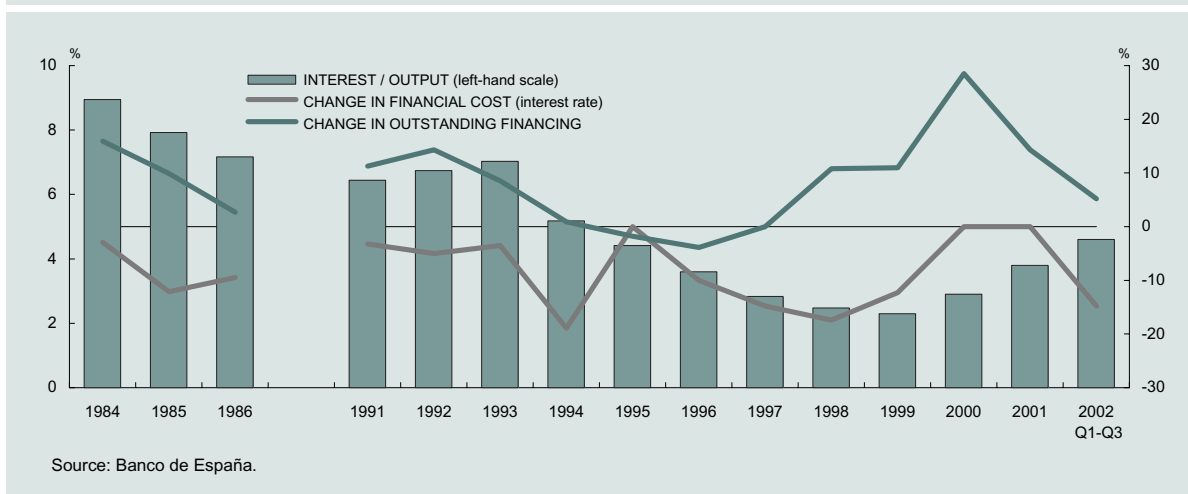
Overall, the scenario described for the productive activity of the firms is one of slowdown and moderate growth, although rates still exceed those recorded by other EU economies. According to Chart 2, which shows how the GVA growth rates of the firms of the sample are distributed, their performance was similar in 2002 Q3 to that in 2001 Q3, although slightly worse. In both periods, the proportion of firms with positive rates of GVA growth is practically identical. The most significant change is a slight reduction in the percentage of firms with GVA increases of more than 20% (down from 27.2% in 2001 Q3 to 25.4% in 2002 Q3), providing further evidence of a slowdown.

### 3. EMPLOYMENT AND PERSONNEL COSTS

In step with productive activity, employment also decelerated progressively, both in 2001 and in the first three quarters of 2002. As compared with a rate of increase of 4.3% in 2000, average staff rose by 2.4% in 2001. With regard to 2002, employment grew slightly in the first nine months of the year, by 0.2%, which should be compared with the 0.8% rate of job creation recorded by the CBQ in 2001. Although, as mentioned in the section on activity, the annual and quarterly samples recorded identical GVA growth rates (3.9%), this was not the case for employment, owing to the high weight in the CBQ of large firms belonging to sectors undergoing reorganisation, which gives rise to downward bias. As a result, when more small and medium-sized firms are included, the rate for 2002 can be expected to be higher. Another positive aspect is that, according to the CBQ, permanent employment continued to grow in 2002 (by around 1%, see Table 2.b), which would appear to confirm the greater strength of business and confidence in firms in comparison with previous downturns, insofar as the slackness in the economy has not been accompanied by drastic staff adjustments like those made in the years leading up to 1994. Since 1995 the reporting firms have increased their workforces, and especially their temporary staff numbers. However, the CBQ data indicate that some large firms are in the process of con-

CHART 3

## Financial costs and their components



verting temporary workers into permanent ones, which would reduce the proportion of temporary employment.

Once again, the wholesale and retail trade was the best performing sector in terms of job creation, with increases of 7.2% and 4.9% in the periods analysed (see Table 2.a). In transport and communications the rate in 2001 was the same as in 2000 (0.5%), representing a halt in the destruction of employment that had been taking place continuously since 1992. This trend improvement firmed in the first nine months of 2002 since, although the rate of increase in employment was -0.9%, this was a better performance than that recorded by the CBQ in 2001 (-2.7). Meanwhile, both industry and energy reduced their average staffing levels in 2001 and in the first nine months of 2002. Indeed, the signs of recovery in industry in this latter period (see Box 1) have still not affected the firms' capacity to generate employment. Energy has continued to reduce its average staff levels, as a direct consequence of various reorganisations and realignments, especially in the electricity subsector, as a result of liberalisation. In short, the deceleration in the economy has not prevented the firms analysed continuing to increase their staffing levels in aggregate terms, although it has reduced the rate of job creation, and negative rates have even been recorded in those sectors sustaining the sharpest deteriorations in productive activity.

Average compensation increased by 2.9% in 2001, very similar to the 3.1% rate recorded in 2000. In the first three quarters of 2002, the quarterly sample, which for the reasons given in relation to employment traditionally records higher increases in personnel costs, recorded a rate of increase in average compensation of 3.6%, up

0.7 percentage points on the CBA rate for 2001. The quarter-on-quarter profile reveals something of a pick-up in average compensation as 2002 has elapsed, possibly reflecting a certain reaction to the path of inflation, which may give rise to future imbalances. Table 2b, which divides the firms into those that have destroyed and those that have created employment, shows that among the firms that reduced their workforces employment fell by 5% and average compensation grew by 4.8%, while among the rest of the firms the average number of workers grew by 6.8%, with an increase in wage costs of only 2.6%. By sector of activity, the wholesale and retail trade, the most active in terms of job creation, was also notable for the moderate growth in its average compensation in 2001, such moderation spreading to all the sectors in 2002. In the sample as a whole, the moderate growth of average compensation, combined with the lower employment growth, meant that personnel costs grew in 2002 by 3.8%, as against 5.4% in 2001, and 7.5% in 2000.

Finally, Table 4 gives percentages of firms based on how their employment and staff costs data have performed. It can be seen that the percentage of firms destroying employment in 2002 Q3 was one percentage point higher than in the same quarter of 2001. Meanwhile, 49.9% of firms kept the growth in their average personnel costs below inflation in 2002 Q3, as against 45.7% in the same period of 2001.

#### 4. PROFITS, MARGINS AND RATES OF RETURN

The slowdown has affected both activity and personnel costs in 2001 and 2002. How-

TABLE 5

**Gross operating profit, funds generated, ordinary return on assets and ROI - cost of debt**  
**Breakdown by size, ownership status and main activity of corporations**  
**(Ratios and growth rates of the same corporations on the same period a year earlier)**

	Gross operating profit				Funds generated				Ordinary return on assets (R. 1)				ROI - cost of debt (R.1 - R.2)			
	CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)		
	2001	01 Q1- Q4	01 Q1- Q3	02 Q1- Q3	2001	01 Q1- Q4	01 Q1- Q3	02 Q1- Q3	2001	01 Q1- Q4	01 Q1- Q3	02 Q1- Q3	2001	01 Q1- Q4	01 Q1- Q3	02 Q1- Q3
<b>Total</b>	<b>2.4</b>	<b>3.5</b>	<b>2.5</b>	<b>2.4</b>	<b>6.0</b>	<b>4.6</b>	<b>3.3</b>	<b>4.5</b>	<b>7.6</b>	<b>8.2</b>	<b>7.4</b>	<b>8.5</b>	<b>2.5</b>	<b>2.9</b>	<b>2.0</b>	<b>3.9</b>
<b>SIZE:</b>																
Small	7.1	—	—	—	5.1	—	—	—	9.1	—	—	—	2.9	—	—	—
Medium	7.7	4.1	-1.0	10.3	5.2	2.6	-2.8	10.1	9.8	9.9	10.2	10.9	4.6	4.1	4.4	6.2
Large	1.8	3.5	2.7	2.0	6.1	4.7	3.6	4.2	7.4	8.1	7.3	8.4	2.4	2.9	1.9	3.8
<b>STATUS:</b>																
Public-sector	10.1	8.6	8.3	-1.9	-0.5	1.0	0.4	-11.0	1.1	2.5	2.7	2.5	-4.0	-2.7	-2.6	-1.8
Private-sector	2.1	3.1	2.1	2.7	6.2	4.9	3.6	5.8	8.5	9.0	8.1	9.3	3.5	3.7	2.7	4.7
<b>BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE:</b>																
Energy	-8.7	-8.8	-9.8	-4.3	-7.5	-6.2	-6.9	-0.2	8.1	9.5	8.5	9.3	3.4	4.3	3.2	4.5
Industry	-6.2	-8.8	-10.0	4.7	-5.0	-10.4	-10.6	3.0	8.9	9.2	9.2	9.0	3.6	3.3	3.0	4.3
Wholesale & retail trade	12.7	30.1	26.1	13.8	9.3	25.7	24.2	11.0	12.6	11.2	11.1	9.8	7.5	6.1	5.8	5.4
Transport and communications	12.8	15.0	15.4	6.1	5.6	16.0	13.4	9.0	8.0	9.0	9.2	10.9	2.5	3.5	3.6	6.1

Source: Banco de España.

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

ever, the growth rates of the latter have exceeded those of activity and, consequently, gross operating profit (GOP) grew, both in 2001 and in the first three quarters of 2002, at a slower rate than in previous periods (2.4% in both periods, down from 7.5% in 2000). Ordinary net profit (ONP) increased by 10.2% in 2001 and by 6.9% in the first nine months of 2002. The favourable performance of ONP was assisted by the trend in the net financial burden. Interest rate reductions in 2001 and, especially, in 2002 pushed down the cost of financing applied by financial intermediaries to firms. This, together with the strong growth in 2001 in financial income (mainly due to the increase in dividends received by some large conglomerates), explains the performance of this variable in the two periods analysed. The table below quantifies, for the first three quarters of 2002, the extent to which the change in the financial costs paid by the firms was attributable to the change in interest rates and to an increase in net borrowing (see the time series in Chart 3):

02 Q1-Q3/01 Q1-Q3

<b>Change in financial costs</b>	<b>-9.5%</b>
A. Interest on borrowed funds (1+2)	-9.6%
1. Due to the cost (interest rate)	-14.8%
2. Due to the amount of interest-bearing debt	+5.2%
B. Commissions and cash discounts	+0.1%

This information confirms that, in 2002, the weight of financial costs in corporations' cost structures lessened thanks to the fall in interest rates. Moreover, although the level of debt grew, it did so to a lesser extent than in previous years (in 2001 and 2000 it grew by 16% and 28%, respectively), when corporations resorted heavily to foreign financing in order to finance the takeover of non-resident companies by Spanish firms. Box 3 and the following section review debt in greater detail.

The growth of ONP did not feed through to the final net result which, conversely, posted appreciably negative rates of change both in 2001 (-11.5%) and in the first three quarters of 2002



TABLE 6

**Structure of reporting corporations' ordinary returns  
on net assets and on equity**

	CBQ			
	Ordinary return on net assets (R.1)		Ordinary return on equity (R.3)	
	01 Q3	02 Q3	01 Q3	02 Q3
<b>Total corporations</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
R ≤ 0 %	23.1	24.0	27.5	26.8
0 % < R ≤ 5 %	20.9	16.7	15.7	13.7
5 % < R ≤ 10 %	14.9	17.4	11.8	12.3
10 % < R ≤ 15 %	13.0	11.7	9.7	9.4
15 % < R	28.1	30.3	35.3	37.7
<b>Number of corporations</b>	<b>841</b>	<b>582</b>	<b>841</b>	<b>582</b>
MEMORANDUM ITEM:				
Average return	6.8	8.9	8.2	11.9
Source: Banco de España.				

(−34.4%). This was due to the high extraordinary expenses recorded by certain large corporations, essentially as a result of the provisioning set aside for investment abroad (mainly in Latin America and, in 2002, also in third-generation telephony), which was recorded in 2002 Q2. As discussed in previous reports, although these exceptional events may affect future investment and financing decisions, it is more meaningful to conduct the analysis of profitability and of the related ratios on the basis of the profit arising on ordinary activities, using the ordinary net profit (ONP), which only takes into account those expenditure and revenue items linked essentially to productive activity. That provides for obtaining ordinary rates of return which, both in 2001 and in the first three quarters of 2002 analysed, held at a high level, up even on the period immediately prior to this. That the return on investment (R.1) (see the bottom of Table 1 and Box 2 in the annual monograph) should rise in a period of slowing activity and a decelerating surplus is consistent, since the sum of the ONP and financial costs (the numerator of the ratio) has grown slightly in relation to the previous year's figure, without net assets (the denominator of the ratio) having increased at the same time to counter the momentum of the former. In sum, the extraordinary expenses recorded in 2001 and 2002, which affect net profit by reducing it, have not influenced the ordinary profitability ratios, which have continued to rise.

Sector by sector, and as shown in Table 5, the level of the respective returns on investment

(12.6% and 8%) and the associated improvement on 2000 profitability levels (11.3% and 5.5%) were notable in both the wholesale and retail trade and the transport and communications sector. In 2002, both sectors maintained a high level of profitability, particularly transport and communications, due to buoyant mobile telephony results. Energy (greatly affected by the downtrend in oil prices) and manufacturing (where productive activity worsened considerably) posted lower rates of return than the previous year, with profits having stabilised in 2002 at a virtually identical level to 2001. In short, while a slight deterioration in the profitability of certain sectors was detected in 2001, this has stabilised in the first three quarters of 2002, and has risen in some sectors. This, in combination with the maintenance of the cost of financing in 2001 and with its reduction in 2002, enabled corporations to sustain in both periods a clearly positive spread between the return on investment (ROI) and the cost of debt (R.1 – R.2). Table 6, which offers a view of how profitability varies across corporations irrespective of their size, reports that from 2001 Q3 to 2002 Q3 there was a slight shift towards higher levels of profitability, showing that the soundness of business is relatively generalised.

In the light of the foregoing picture, the slowdown in activity in 2001 and 2002 may be affirmed to have been accompanied by a slight improvement recently in certain significant sectors of activity. Also, Spanish corporations remain profitable and in a healthy position, owing



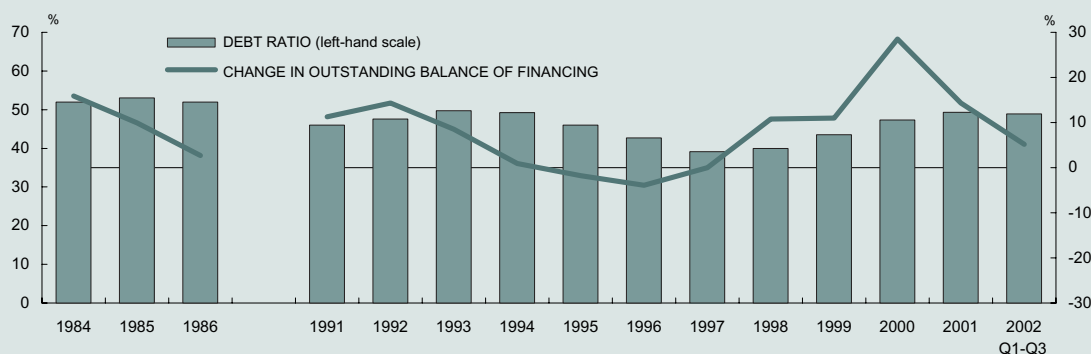
## Analysis of debt

The analysis of non-financial corporations' debt, like any financial instrument, can be either dynamic, considering flows for the year, or static, analysing here the outstanding balance of financing at the end of the period in question (1). As regards the study of the financial situation of corporations, the analysis of debt should clarify the financial instruments comprising it and bear in mind how the balance sheets used in calculations are valued. The definition of debt used in CBSO studies covers exclusively interest-bearing liabilities, and not trade liabilities, which are netted from assets for these purposes. As a result, the debt ratio, which is one of the elements that allows the solvency of companies to be evaluated, is the outcome of interest-bearing liabilities over total liabilities (equity plus interest-bearing liabilities). As to the valuation system used, the information available to the CBSO provides for obtaining ratios of debt to total liabilities calculated both at book values and at market prices (or rather, the approximation made hereto by the CBSO, which is explained in detail in the annual monograph). However, the debt ratio in Table 1 uses the accounting information provided by the reporting corporations, which is equivalent to liabilities valued at historical price. Accordingly, the degree of connection between the trend of financing flows and the debt ratio will not be affected by revaluations and/or by losses in the value of the remaining liabilities included in the ratio denominator (namely, shares and other equity, in terms of ESA 95, or own funds, in business accounting terms), since these are not considered when valuing balance sheets at historical prices. Financing flows received and debt levels (debt ratio) do not always fully coincide since, as can be deduced from the composition of the debt ratio, their value depends both on the net flow of financing for the year (which increases or reduces the value of the numerator and denominator) and on changes in own funds during the year, which are affected by net issues of shares and the retaining of profits generated during the year.

The chart accompanying this box shows how the changes in financing flows and in debt levels complement one another. Between 1992 and 1994 there was an increase in non-financial corporations' debt ratio which coincided with a slowing of the resort to external sources of financing. The fall in profits which, during these recession years, affected a good number of corporations, prompted a reduction in own funds and, consequently, a slight increase in the debt ratio, evidencing a deterioration in the financial position of companies. As from 1994 the debt ratio fell, bottoming out in 1997, owing both to the negative values in the net change in the outstanding balance of financing and to the pick-up in profits during those years. As from 1997 there was a progressive and growing resort to fresh borrowed funds, earmarked largely for financing the substantial financial investment made during those years, especially in 1999, 2000 and 2001, and which was the main cause behind the growth of the debt ratio in the recent period. It is interesting that the debt ratio should not have grown as much as was expected in the three years mentioned, given the trend of borrowed funds. The reason is that corporations also increased their own funds strongly in these years, through capital increases. That eased the growth of the debt ratio, holding it at similar levels to those prior to the 1994 crisis. Finally, both in 2001 and in the first three quarters of 2002, the growth rate of funds borrowed by corporations has slowed in the light of the greater slackness of activity and fewer investment opportunities in the market. Also, the risk associated with certain investments abroad (Latin America, UMTS in Europe) has led major domestic groups to assess their investment and financing policies very closely, adopting greater caution than in the recent past. Analysis of the debt ratio shows that since 2000 its growth has tended to slow, standing – with slight changes – at around 50% for the total CBSO sample of non-financial corporations.

(1) This and other ratios may also be calculated on the basis of an approximation to the average balance, as the arithmetic mean of two consecutive observations. Depending on the type of study and ratio involved, it may be worth providing information on average levels, if these are deemed more significant than the end-of-period position.

## Borrowed funds and the debt ratio



Source: Banco de España.

TABLE 7

**Capital and financial flows**  
(Structure: GVA at basic prices = 100)

Databases	Percentage of GVA at basic prices		
	1999	2000	2001
	8249 / 31.6 %	8053 / 28.9 %	6267 / 24.7 %
Number of corporations / Total national coverage (a)	1999	2000	2001
Years	1999	2000	2001
1. Capital resources	30.0	29.9	28.3
1. Gross saving	28.9	29.3	28.9
2. Net capital transfers	1.1	0.6	-0.6
2. Uses of capital	33.2	33.1	31.9
1. Gross capital formation	31.5	32.2	30.4
2. Other uses of capital	1.7	0.9	1.5
3. Net lending (+)/borrowing (-) (1- 2.1 - 2.2 = -4)	-3.2	-3.2	-3.6
4. Net increase in liabilities less net acquisitions of financial assets	3.2	3.2	3.6
1. Securities other than shares	3.9	-2.6	0.4
2. Shares and other equity	-22.0	-9.0	-8.5
3. Loans from financial institutions	3.4	11.3	7.1
4. Loans from the rest of the world	10.1	15.6	-2.4
5. Loans from other resident sectors	2.3	-6.9	8.2
6. Insurance technical reserves: pension funds	0.7	-2.1	-2.5
7. Trade credits and other accounts payable net of other assets	4.7	-3.1	1.3

Source: Banco de España.  
(a) Average relative to the gross value added at basic prices of the sector non-financial corporations.

largely to the favourable performance of financial costs, the consequence in turn of the interest rate reductions that resumed as from end-2001. The delays in expectations of recovery in certain international economies are curbing the momentum of productive activity but, given the aforementioned financial conditions, there is hope that once such expectations firm, the Spanish economy will resume higher growth rates.

## 5. FINANCING AND INVESTMENT FLOWS

The information compiled by the CBA provides for the analysis of some of the investment and financing flows of the reporting corporations, in this instance up to 2001. As Table 7 shows, net liabilities incurred by companies in the sample exceeded their net acquisitions of financial assets in 2001 for the third year running. That means companies needed to borrow (i.e. the outstanding balance of their net financial transactions was negative), highlighting the fact that saving generated plus

capital transfers did not suffice to finance investment, whereby it was necessary to resort to external sources of financing, as is habitual in the corporate sector. This additional financing, measured by the net increase in liabilities incurred, was to be seen specifically in the financial transactions included in the lower half of Table 7. The figures infer that in 2001 corporations increased their investment in equities largely by means of the resort to credit from financial institutions and from other corporations, mainly from group companies. Also of note was the strong decline in loans from abroad, the flow of which, after growing sharply in previous years, was negative in 2001. There was similarly a reduction in pension funds, in line with the declining trend of these liabilities initiated in previous years, owing to the legal obligation to convert internal funds set up in non-financial corporations (which did not always have an explicit counterpart on the asset side) into external funds, under the supervision of the Directorate General of Insurance. This transfer process should be completed by end-2002 (Royal Decree-Law 1588/1999

and the General Budget Law for 2001). Lastly, although the analysis of debt is included in Box 3, it should be pointed out that, as the chart accompanying this Box shows, the increase in liabilities incurred has made for a rising debt ratio (interest-bearing borrowed funds over remunerated liabilities) for the 1997-2002 period, although it has slowed in recent years.

Of potential interest regarding investment, i.e. the growth rate of gross fixed capital formation calculated by the Central Balance Sheet Data Office, is to ascertain whether the investment decisions of the reporting corporations are consistent with the profitability ratios obtained. It is of no interest and meaningless to set this investment growth rate against alternative estimates of gross fixed capital formation relating to the economy as a whole or to all non-financial corporations in view of the different scope of reference involved (the CBA can only calculate rates for the group of corporations in its sample). The analysis conducted shows an investment rate for the CBA reporting corporations of 17.8% in 2001, which appears to be consistent, in principle, with the positive rates of return of these companies. A more detailed analysis has shown that this rate is highly influenced by the undertaking of major investment projects in construction (not in capital goods) by large cor-

porations in the sample. That masks the trend of gross fixed capital formation in small and medium-sized companies, which is not as favourable and which is not reflected in the aggregate rate owing to the limited representativeness of these companies in the CBA. The information on small and medium-sized companies does not show a trend in investment consistent with that of the large corporations. Rather, it highlights a certain slowdown that is in keeping with the flatness in business start-ups seen in this period. It is the combination of these factors that explains the investment trend portrayed by National Accounts, which shows a slowdown in investment in 2001 compared with 2000. It is foreseen this deceleration will be put behind once the prevailing uncertainty (delay in the expectations of recovery in other economies, prolongation of the stock market crisis, international instability, etc.) checking the take-off of investment is dispelled. In sum it is clear that, despite the fact all corporations are maintaining a reasonable level of profitability (Table 5 shows that the spread between the ROI and the cost of debt is very positive at small and medium-sized firms), expectations of a return on new investment projects are still overshadowed by the present uncertainty.

18.11.2002.

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# Persistent inflation differentials in Europe

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## 1. INTRODUCTION

In recent years there has been a widespread decline in inflation rates in the euro area countries, accompanied by the progressive convergence of such rates. However, the differences between these inflation rates have not only not disappeared but have in fact held stable since the start-up of Economic and Monetary Union (EMU). Chart 1 highlights the persistence of these differentials between the main euro area economies during the past decade.

Numerous studies in recent years have addressed the inflation differentials between countries. According to the Balassa-Samuelson (B-S) hypothesis, inflation differentials are directly linked to developments in each economy in respect of relative prices in their sheltered or non-tradeable sectors as opposed to their tradeable sectors. These relative prices, in turn, are linked to differences in productivity across the various sectors. As a result, inflation differentials do not necessarily entail changes in the relative competitiveness of economies, as it is the most inflationary countries which see the highest growth in relative productivity.

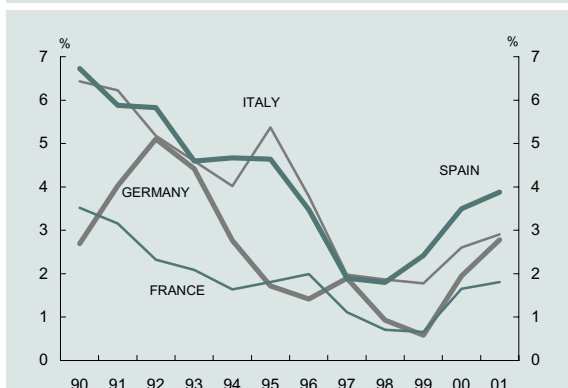
This article reviews the empirical evidence over the past two decades for Spain, Germany, Italy and France, breaking down changes in relative prices between tradeables and non-tradeables into relative changes in markups, labour costs and labour productivity. The analysis focuses on studying whether there are persistent differences – and their source – in the long-term growth of relative prices between the main European economies and, in particular, whether the effect of changes in relative productivity is, as the B-S hypothesis indicates, predominant. Were this not the case, inflation differentials might be reflecting changes in the relative competitiveness of European economies. Section 2 presents the analytical framework used and the data employed. Section 3 describes the results obtained from exploring the data, and section 4 draws some conclusions.

## 2. ANALYTICAL FRAMEWORK AND DATA USED

Under the B-S effect, different tendencies in relative prices between two countries translate into changes in the real exchange rate or, in the case of a monetary union, into inflation differentials. The real exchange rate can be expressed, in logarithms, as  $p_t - p_t^* - e_t$ , where  $p_t$  y  $p_t^*$  re-

CHART 1

## Inflation rates of the main European economies (a)



Sources: Eurostat, Instituto Nacional de Estadística.

(a) Annual average national CPI-based inflation rates for the year.

spectively represent the general levels of domestic and foreign prices and  $e_t$  is the nominal bilateral exchange rate. Using the breakdown of the general level of prices into prices in the tradeable (T) and non-tradeable (NT) sectors,  $p_t = \gamma_t p_t^{NT} + (1-\gamma_t) p_t^T$ , where  $\gamma_t$  is the proportion of non-tradeables in total nominal value added, the real exchange rate can be rewritten as:

$$p_t - p_t^* - e_t = (p_t^T - p_t^{*T} - e_t) + \gamma_t (p_t^{NT} - p_t^{*NT}) - \gamma_t^* (p_t^{*NT} - p_t^{*T}) \quad [1]$$

The pass-through of persistent differences in the growth of two countries' relative prices to persistent changes in their real exchange rates, or to persistent inflation differences under monetary union, therefore resides on a significant assumption: namely, that in the long run, purchasing power parity (PPP) holds in the tradeable sector. In statistical terms, this means that the first addend in equation [1] is stationary. The fulfilment of this assumption is in itself an important matter which is not addressed in this work (1).

Under the assumption of imperfect competition in the goods markets, the price of each sector is determined as a markup ( $\mu_t$ ) on the marginal cost, i.e. on the ratio of the nominal unit wage ( $w_t$ ) to marginal labour productivity ( $mpl_t$ ). Expressed in logarithms, we obtain the following expression for the setting of sectoral prices:  $p_t = \mu_t + w_t - mpl_t$ .

(1) Notably, however, Canzoneri et al. (1999) find that this stationarity hypothesis cannot be rejected for the main European economies vis-à-vis the Deutschmark but that it is nonetheless clearly rejected when the exchange rate is used against the US dollar, in keeping with the results found in many other papers.

Relative prices in the non-tradeable as opposed to the tradeable sector will, therefore, be determined as follows:

$$p_t^{NT} - p_t^T = (\mu_t^{NT} - \mu_t^T) + (w_t^{NT} - w_t^T) + (mpl_t^T - mpl_t^{NT}) \quad [2]$$

Long-term developments in these three components will determine the course of relative prices. Thus, persistent differentials in their long-term growth across countries will give rise to different relative price tendencies. So as to understand how important these factors can be in the generation of persistent inflation differentials in the euro area, recent developments in these factors should be analysed.

The data used are drawn from the OECD sectoral annual database STAN for Germany, France, Italy and Spain (2). The sample period available ends in 1999 for France and in 2000 for Germany, Italy and Spain. The tradeables sector includes agriculture and manufacturing, and the non-tradeable sector private market and non-market services. For each sector and country, the price is proxied with the value-added deflator and the nominal unit wage with the total compensation of wage-earners divided by the number of wage-earners.

Assuming Cobb-Douglas production functions, marginal labour productivity in each sector is proportionate to its average productivity,  $mpl_t = \alpha + y_t - l_t$ , where  $\alpha$  is the logarithm of the proportion of labour in output,  $y_t$  is the logarithm of output and  $l_t$  is the logarithm of labour. Output is proxied using gross value added, and labour using the number of employees.

The sectoral markup is not observable and is calculated as a residual of the other variables, i.e.  $\mu_t = p_t - [w_t - (\alpha + y_t - l_t)]$ . It is often assumed that  $\alpha$  is equal in all sectors, whereby it is not necessary to calculate them to study relative productivities. However, for all the countries analysed,  $\alpha$  differs greatly from the tradeables to the non-tradeable sectors, although it is relatively stable over time in all of them. Since what is at issue here are medium- and long-term trends in prices, markups and sectoral and relative productivities, we can obviate calculation of the sectoral  $\alpha$  by expressing all the variables as a percentage change on the first sample figure.

(2) This database is an update of the OECD's former ISDB sectoral database, using all the recent methodological changes, such as the conversion to ESA 95. The Spanish data have not yet been updated in STAN. The most extensive sample available for Spain begins in 1986 and is drawn from ISDB, and has been extended from 1995 with the growth rates of equivalent variables from Eurostat (ESA 95).

### 3. RESULTS

On the basis of expression [2], the changes in relative prices in a country's non-tradeable sector can be broken down into changes in markups, relative wages and relative marginal productivities, as follows:

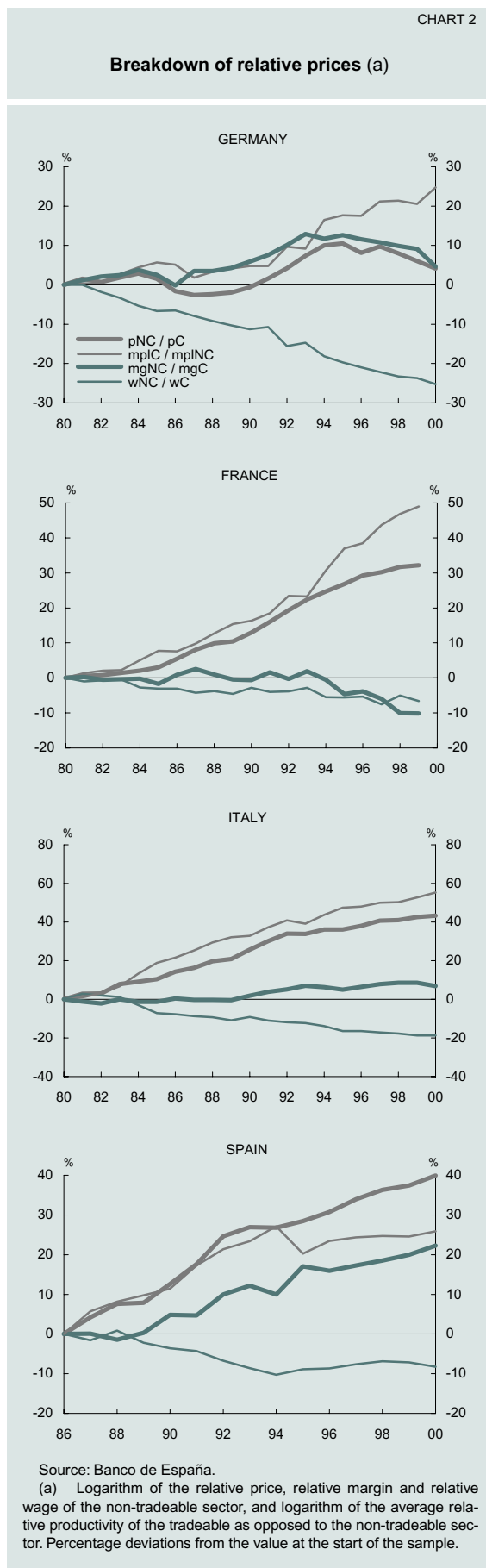
$$\Delta (p_t^{NT} - p_t^T) = \Delta (\mu_t^{NT} - \mu_t^T) + \Delta (w_t^{NT} - w_t^T) + \Delta (mpl_t^T - mpl_t^{NT}) \quad [3]$$

Recall that, under the assumptions of Cobb-Douglas production functions and constant sectoral  $\alpha$ , marginal labour productivity is proportionate to average labour productivity and, therefore, the last term of the preceding expression is equivalent to the change in relative average productivity.

The B-S effect predicts that, in the long run, the growth of relative prices is due to the growth of relative labour productivity. This result is obtained if both perfect competition in the markets for goods ( $\mu_t = 0$ ) and equal wages across sectors ( $w_t^{NT} = w_t^T$ ) are assumed. Likewise, this would be derived with the less strict assumption that both relative markups and relative wages, or both in conjunction, are stationary.

For a panel of OECD countries, Canzoneri et al. (1999) show that both relative prices in the non-tradeable sector and relative average labour productivity in the tradeable sector are non-stationary in the long run. They further find evidence of cointegration between relative prices and productivities (3). This result entails accepting the B-S hypothesis that the long-term trend of relative prices is attributable to the long-run trend behaviour of relative productivities. But it differs from the usual interpretation in that the long-term growth of average relative productivity, unlike the total relative productivity of the factors to which the B-S model refers, includes both relative productivity gains in the tradeable sector and changes in relative sectoral demand, i.e. not only a build-up of relative supply shocks but also of relative demand shocks.

The foregoing aggregate result may, however, mask differing behaviour from country to country. Chart 2 depicts the relative prices of non-tradeables ( $p_{NT}/p_T$ ) along with relative productivities ( $mpl_T/mpl_{NT}$ ), relative markups ( $mk_{NT}/mk_T$ ) and relative wages ( $w_{NT}/w_T$ ), for



(3) According to the Balassa-Samuelson effect, the expected cointegration coefficient would be strictly unitary. Canzoneri et al. (1999) find a coefficient close to but less than unity for most countries, reflecting the fact common to many economies that relative productivity shows much swifter growth than relative prices.



Germany, France, Italy and Spain. Over the past two decades, and for most of the countries analysed, relative prices and productivities alike appear to be on a rising trend. However, this chart also indicates that the evidence in favour of the B-S hypothesis is far from conclusive. Relative prices show considerable and persistent deviations from relative productivities.

According to expression [3], these persistent deviations would be due to one or both of the following reasons: a) markups trending differently in the non-tradeables as opposed to the tradeables sector, i.e.  $\Delta(\mu_t^{NT} - \mu_t^T) \neq 0$ , and b) the different trend of sectoral wages, i.e.  $\Delta(w_t^{NT} - w_t^T) \neq 0$ , in each country. The first instance would contravene the assumption underlying the B-S hypothesis of perfect competition, and the second that of sectoral wage equalisation.

Moreover, these deviations, insofar as they persist and their intensity differs from country to country, will be generating cross-country differentials in the trend of relative prices and might therefore cause changes in the relative competitiveness of the various countries. Further, if the deviations remain in place under EMU, they might cause persistent inflation differentials. In this case, they would not be in response to equilibrium adjustments but would rather be reflecting rigidities in the goods or labour markets.

Until the mid-nineties, the trend of relative prices in Germany, France and Spain seems similar, in the medium and long run, to that of relative productivities, in keeping with the B-S hypothesis. In France, moreover, this is so, as the B-S model predicts, because both relative wages and markups show no trend but are stationary. In Germany and Spain these variables are clearly not stationary, but the rising trend of relative markups largely offsets the ongoing decline in relative wages.

In the case of Italy, however, the trend of relative prices and productivities appears to be equal throughout the period, except in the mid-eighties, when relative prices grew less than productivities due to a heavy fall in relative wages unabsorbed by growing relative markups. Thereafter, the continuous but milder decline in relative wages was actually reflected in bigger relative markups, resulting in the B-S hypothesis holding sustainedly.

From the mid-nineties, relative prices and productivities diverge in Germany, France and Spain. It is further worth noting how these deviations are persistent and of a different intensity and indeed sign from country to country.

In the case of Germany, the trend of relative prices changes radically after reunification, with that of relative productivities or that of relative wages scarcely shifting. In the immediate post-reunification years the growth of non-tradeables' relative markup quickens, owing to the fact that the markup of the sector exposed to foreign competition declines sharply. It should not be forgotten, however, that markups are estimated residually; consequently, other factors not explicitly envisaged in the derivation of equation [3] might be being captured. The relative markups of non-tradeables grew as markups in the sector exposed to foreign competition declined, probably to offset, in part, the appreciation of the Deutschmark in 1991. As German competitiveness improved, the relative markups on its non-tradeables progressively fell, correcting the previous increase. This turnaround in relative markups compounded the persistent negative trend of relative wages, giving rise to the trend witnessed in relative prices.

In France, the deviation in trends arose further to an acceleration in labour productivity in the tradeables sector. The greater growth in relative productivity in tradeables from the mid-nineties was not offset by a readjustment of relative wages but fed through rather and mainly to a fall in relative markups in the non-tradeables sector. This persistent fall in the relative markups of non-tradeables explains how the change in relative productivities did not translate in full into a greater relative price of non-tradeables. The resulting persistent deviation in respect of the B-S hypothesis might explain, in part, France's lower inflation rate compared with the other countries during this period.

The case of the Spanish economy is virtually the opposite of that of France. As from the last recession, which began in 1993, the productivity in tradeables has fallen persistently, leading to the observed decline in the relative productivity of this sector compared with non-tradeables. As wages have responded in but a very limited fashion to this turnaround in the productivity of the tradeables sector, the associated relative unit labour costs – measured as the ratio of wages to productivity – have grown substantially. However, this increase in unit costs in the sector exposed to foreign competition has been offset by a persistent shrinkage of markups in this sector, whereby we have observed a significant increase in the relative markups in non-tradeables as opposed to tradeables.

Consequently, the decline in relative productivity in Spain in the recent period is not reflected in a change in the trend of relative prices. The sustained growth of relative markups in the non-tradeables sector, principally, along with

the disappearance of the decline in relative wages, accounts for the persistent deviation from the B-S prediction during the years prior to EMU. Unlike in France, this deviation might, in part, be the cause of the higher inflation rate in Spain compared with the other countries analysed.

#### 4. CONCLUSIONS

Following the start-up of EMU, inflation differentials between the Member States have continued to be observed. The Balassa-Samuelson hypothesis associates, under certain assumptions, durable changes in the real exchange rate, which would be reflected in persistent inflation differentials under monetary union, with differing trends from one country to another in the prices of the sector sheltered from foreign competition as opposed to those in that exposed to such competition. The B-S hypothesis further sustains that these different trends are due, in the long run, to the fact that productivity in the tradeable as compared with the non-tradeable sector grows more quickly in one country than in another.

This article shows that, in the long run, relative prices trend similarly to relative productivities in the main European economies. However, it also shows how these economies have, in the years prior to the start-up of the single monetary policy, experienced persistent divergences from the Balassa-Samuelson hypothesis. Rela-

tive prices in the tradeable as compared with the non-tradeable sector have evidenced a markedly different trend from that of relative productivities in the tradeable sector. These divergences have been due, in certain countries, to persistent changes in relative wages, as in the case of Italy during the eighties, while in others they have been attributable to persistent changes in relative markups, arising further to a change in the trend of relative productivities, as in Spain and France in the second half of the nineties, or in Germany since reunification.

Insofar as these persistent changes in relative wages or in relative markups differ in intensity and are even of differing signs from one country to another, and inasmuch as such differences are maintained, they might be generating inflation differentials under monetary union. These differentials not only respond to possible equilibrium adjustments but also reflect rigidities in goods or labour markets that might affect the relative competitiveness of each economy and, therefore, their growth potential.

22.11.2001.

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# The effects of economic integration on the specialisation and geographical distribution of industrial activity in the EU countries

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## 1. INTRODUCTION

The theory of international trade and economic integration suggests that the progressive lifting of barriers to trade and the free circulation of factors, as entailed by a process of regional integration as far-reaching and extensive as that which has taken place among European countries, may considerably impact the productive structure of these countries by providing for a more efficient reallocation of production factors. The enlargement of markets accompanying this development may thus make for efficiency improvements by means of a greater harnessing of economies of scale or of the differences in factor endowment, helping bring about substantial changes in European countries' productive processes. Further, the benefits of localisation, differences in labour skills and in the degree of innovation and of adaptation to new technologies, and many other factors currently differentiating the EU countries might have driven changes in the regional distribution of production in a setting of economic integration.

The studies by Krugman (1991) for the United States showed that US industrial production was distributed very unevenly across the different states. Large industrial clusters located in specific regions contrasted with other areas where the presence of industry was rather insignificant. The disclosure of this industrial activity distribution pattern aroused some interest on the potential impact of the successive advances in European integration on the localisation of activity across Europe. Moreover, in a single monetary area the study of existing disparities in productive structures is of particular importance in that such disparities have a direct bearing on the degree of exposure to asymmetrical shocks, therefore having significant consequences for the pursuit of the single monetary policy. Finally, changes in the composition of industrial activity and in the spatial distribution of industry influence growth and the distribution of income across the countries participating in an integration project, potentially contributing to easing or exacerbating existing disparities. Hence, an analysis of the countries in which the production of the most dynamic sectors with the highest potential growth has tended to locate and of the determinants of these localisation patterns is pivotal for understanding real convergence processes.

This paper aims to analyse the extent to which the ongoing process of integration of Eu-

European countries may have affected their productive structures and, in this context, to frame the changes the Spanish economy has undergone. To do this, information on the production at current prices of the various manufacturing activities is used, drawn from the Eurostat Structural Business Statistics (sbs-plus) database. These figures are available for the period 1988-1998, in accordance with the 3-digit breakdown of the Statistical Classification of Economic Activities in the European Communities (NACE Rev.1). So as to obtain greater clarity in the presentation and discussion of the results, these activities have been grouped into 20 major branches which, in turn, are classified into four categories depending on whether their technological intensity is high, medium-high, medium-low or low (1). This classification is very useful when presenting the results since, traditionally, the most technologically intensive sectors are those showing more buoyant demand and greater growth potential, in addition to requiring higher skills from their employees. Conversely, the low-technology sectors are those with moderate demand and are unskilled-labour-intensive.

Nonetheless, the period studied ended in 1998, so it is not possible to examine the changes that may have derived first, from a fully functioning European Monetary Union; further, from the liberalisation measures adopted with a view to the future enlargement of the EU towards the central and eastern European countries; and, finally, from the efforts made by many European countries to provide access and the adaptation of their economies to the new information and communications technologies, efforts which, as is known, have been on a most sizeable scale in recent years.

With this information it is sought to quantify the specialisation of EU countries and the concentration of productive activity. In this respect, the concept of specialisation used in this article refers to how a country's production is distributed among the different productive branches, compared with the rest of its trading partners, attempting to evaluate their degree of similarity to or divergence from the other EU countries (relative specialisation). The term concentration refers to how the production of a specific industry is distributed among the various countries considered, without taking into consideration the size of the manufacturing output of each of these countries (absolute concentration). In or-

der to make a quantitative approximation to both aspects, the empirical literature has devised numerous measures or indices which draw together in a single value the degree of specialisation of the country or the degree of concentration of an industry, although none of these may be considered as optimal. This article presents exclusively the results obtained on using the Gini relative specialisation and absolute concentration indices. The Gini index is that habitually used to measure the degree of inequality of income distribution among individuals or households (2).

The article is structured as follows. Section 2 briefly discusses the consequences arising from economic theory and the conclusions obtained by other papers on this subject. Section 3 then examines the characteristics of the productive specialisation of the EU countries and the changes undergone in the decade running from 1988 to 1998. This allows the existing differences or similarities in their productive structures to be established, helping ascertain whether these differences have tended to increase or ease off in recent years. The fourth section studies the geographical distribution of manufacturing activities in the European Union so as to determine which activities are more concentrated or more dispersed in the European geographical space and to evaluate whether this distribution has changed over time. Finally, the main conclusions of the paper are drawn.

## 2. REVIEW OF THE THEORY OF INTEGRATION AND OF THE LOCALISATION OF PRODUCTION, AND OF THE MAIN EMPIRICAL PAPERS

Among the main strands making up the theory of economic integration and that of the localisation of activity [inter alia, see Baldwin and Venables (1995)], we can firstly distinguish neo-classical theory or the Heckscher-Ohlin model, developed in a perfect competition framework.

(2) A paper expanding upon the content of this article is currently being finalised. It calculates a broad set of indices, which includes measures of specialisation and concentration in absolute and relative terms. These indices are prepared using both production and export figures, both at current prices, with the aim of analysing whether they lead to similar conclusions. Moreover, where it has been possible, the indices have been drawn up also using the value added of each branch or industries. Finally, two different information sources are used to obtain these variables: the OECD STAN database, and Eurostat's Structural Business Statistics (sbs-plus) database. These different perspectives generally provide very similar conclusions as to the specialisation and distribution of activity, although the results obtained with the export figures show some discrepancies in relation to the production results.

(1) The OECD draws up this classification of manufacturing industries on the basis of their technological intensity, having regard to the proportion accounted for by research and development spending by each sector in their value added or production [see OECD (2001)].



Under the assumptions of this model, the elimination of obstacles to free trade enabled each country to specialise in the production and export of those goods making intensive use of the production factor in which it has a relative abundance and which, therefore, it produces at a relatively lesser cost (comparative advantage) compared with its trading partners. Hence, as a result of this specialisation process, economic integration would tend to accentuate the disparities in the productive structures of integrating countries, giving rise to an increase in inter-industrial trade (i.e. trade in products belonging to different industries). Such trade would be all the greater the bigger the differences in factor endowment.

Nonetheless, numerous studies have highlighted certain characteristics of international trade that prove difficult to reconcile with the tenets of the conventional model of trade. In particular, most trade at present is between industrialised countries that have a relatively similar endowment of factors. Moreover, a significant proportion of this trade is intra-industrial, i.e. simultaneous trade in differentiated products belonging to a single industry.

To explain these international trade trends, the so-called "new theory of international trade" arose in the eighties. This attached particular importance to market structures and business strategies as determinants of productive specialisation and of international trade in manufactured goods by admitting the existence of imperfect competition, economies of scale internal to the firm and horizontal differentiation of products. In this context, integration agreements allow for more efficient use of economies of scale by making it possible for each country to specialise in the production and export of a specific number of varieties of a single good within each industry, with it tending to import the remaining varieties (therefore giving rise to an increase in intra-industrial trade). In contrast to the inter-industrial specialisation derived from the neo-classical model, countries would not specialise in the output of an industry in particular but rather in the output of varieties within each industry, so that the productive structure of countries would not have to undergo major changes and, consequently, a transfer of resources and productive factors across the different sectors would not be necessary [see Krugman (1979)].

The aforementioned models offer very different conclusions on how the productive structures of countries immersed in a process of integration may evolve; however, in both cases, industrial activity will be distributed among all of them, in accordance with their comparative advantages or with the characteristics of the in-

dustries, helping boost their convergence in terms of income. In contrast to the foregoing, some more recent theoretical developments, which may be incorporated under what has been called "economic geography", highlight the existence of certain external economies or "economies of agglomeration" which may, in an integration context, be conducive to production tending to be concentrated in those countries with more extensive markets and/or a more developed industrial base (3), accentuating the existing disparities in income distribution [see Fujita *et al.* (1999) and Ottaviano and Puga and (1997)].

Among these economies of agglomeration are, firstly, those derived from the existence of industrial links [Venables (1996)]. In particular, insofar as the final destination of the production of certain companies is not household consumption but is rather as an input in other productive processes, input-demanding firms will tend to locate close to the producers of these goods to reduce transport costs and, consequently, production costs. In turn, the concentration of input-demanding firms will attract a greater number of producers of these goods, since that enables them to take better advantage of economies of scale in production. In this way, there is a process involving the cumulative concentration of industrial activity in those countries which, at the time of integration, have a more developed industrial base. Secondly, the existence of external economies of a local or national scope which originate from the accumulation of human or technological capital are a further factor driving agglomeration, in that the existence of an industrial core usually entails the formation of specialised labour markets and of research and technological innovation centres.

In any event, the consequences for the distribution of activity and of income arising from the new economic geography are ambiguous and ultimately depend on the assumptions made regarding labour mobility. Indeed, the latest industrial localisation models consider that the lack of high cross-country labour mobility contributes to mitigating production concentration processes, since the concentration of activity in an area might entail an increase in wages and, therefore, in production costs, potentially

(3) The assumptions underlying these models incorporate the existence of economies of scale in production and of transport or commercialisation costs of an intermediate level. That is to say, for there to be a tendency towards the agglomeration of activity, transport costs cannot be so high that companies tend to locate close to those demanding their products, nor so low that the distance between companies or the distance between companies and final consumers is of no importance.

offsetting the advantages derived from concentration [see Puga (1999)]. This consideration may prove particularly telling in the European context, since many studies have noted the limited cross-country labour mobility in the euro area.

In sum, the theory of international trade and of industrial localisation is ambiguous when it comes to specifying the characteristics of productive adjustment and the changes in the spatial distribution of production derived from integration agreements. Consequently, determining the extent to which integration processes boost the convergence or divergence of productive structures and the dispersion or concentration of production is an eminently empirical question.

The empirical papers available also offer widely varying conclusions on these matters [see Midelfart-Knarvik *et al.* (2000), Amiti (1999) and Brühlhart (2001), among others]. The lack of common findings is due in part to the differences in the time and geographical scope considered by these papers in analysing industrial production patterns, as well as to the different databases, concepts, variables and indicators used to measure the geographical specialisation and concentration of production. Against this background, the only consensus there appears to be is that progress in economic integration has not prompted sharp changes in the productive structures of EU countries, or in the spatial distribution of activity.

Owing to the implications for the signatory countries' economic policies and the convergence of their income levels, two conclusions present in some studies may be highlighted. First, certain papers note the tendency towards geographical concentration in labour-intensive industries, which have tended to be located in the southern European countries. That suggests that the differences in cost levels are a fundamental determinant of the localisation of these activities. Second, these papers indicate that the output of certain technology-intensive activities, which were initially concentrated in the most developed EU countries, has tended to be dispersed towards the peripheral countries. Considering these findings together, some authors conclude that the process of European integration has been conducive to the convergence in terms of income of the member countries, pointing to the southern and peripheral European countries as the main beneficiaries of this process, in that the output of the labour-intensive industries has tended to be concentrated in them. And at the same time, these countries have also absorbed part of the production of other more technology-intensive industries, which would formerly tend to be located in the

core countries [see, for instance, European Commission (1999)]. As will be seen, the findings of the present paper qualify to some extent the foregoing results.

### 3. PRODUCTIVE SPECIALISATION IN THE EU COUNTRIES

Detailed hereafter are some of the features that have characterised developments in the manufacturing sector in the EU as opposed to in its main competitors, the United States and Japan. In this connection, Chart 1 plots manufacturing value added and employment in the main industrialised economies. As can be seen, in recent years the European manufacturing sector has posted a moderate pace of growth compared with that in the United States. Moreover, this modest behaviour was reflected in employment, which shrank on average by close to 1% during these years. Manufacturing activity in Japan also grew at a low rate in this period, following its notable expansion during much of the eighties.

As Chart 2 reveals, the composition of European manufacturing production is characterised by the predominance of medium/high-technology industries, in addition to other traditional branches, while the higher-technology branches are of limited significance. That said, it should be recalled that the period analysed, having ended in 1998, excludes the phase in which the new information and communications technologies most expanded. Nonetheless, the changes observed during the 1988-1998 period reflect a slight shift in the productive structure towards the higher-technology branches, to the detriment of the so-called traditional activities. In any event, the industrial structure of the EU as a whole continues to be more geared towards branches with a lesser technological content, compared with the United States and Japan, with a perceptible lesser relative significance of industries that are more dynamic and with greater technological requirements. This pattern of specialisation may have contributed to explaining the very moderate behaviour of the European manufacturing sector in the period analysed, since traditional activities are characterised by their lesser dynamism and by the fact they are subject to greater competitive pressures from the recently industrialised countries, which have comparative advantages in terms of labour costs.

There follows a description of the main features and characteristics of productive specialisation in the EU countries. The aim is to determine which countries have seen the greatest changes in their industrial structures and whether these changes have tended to heighten or



CHART 1

## Year-on-year growth rates in manufacturing



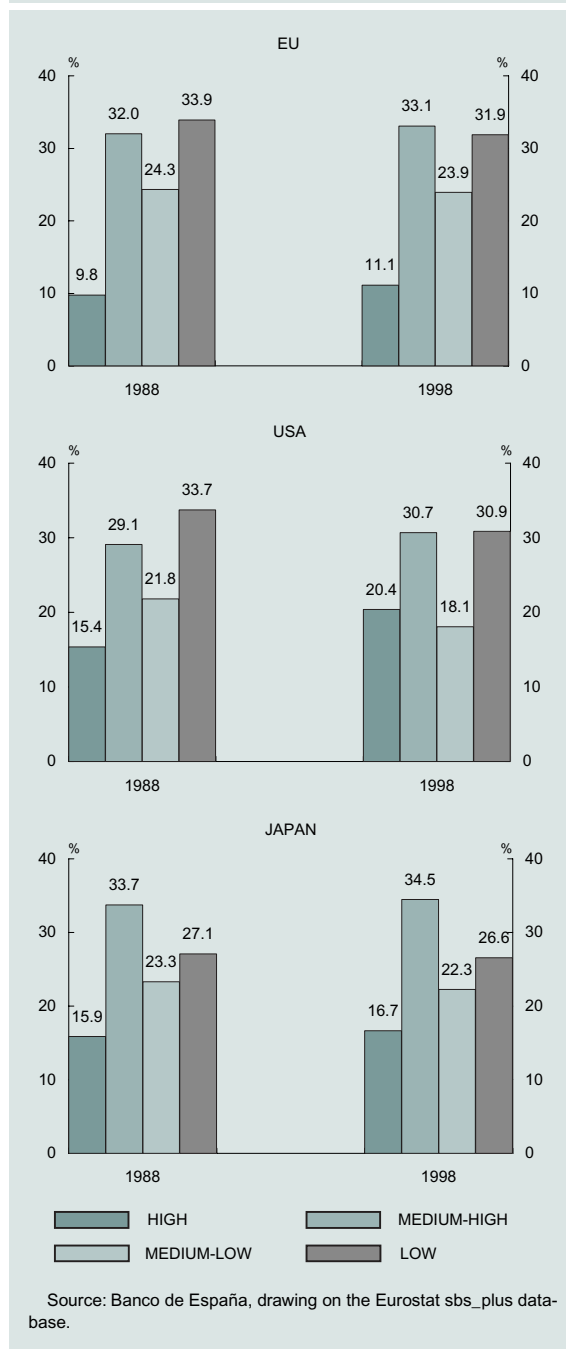
lessen the differences across the euro area. The principal changes in the spatial distribution of activity across these countries are also analysed.

Table 1 includes the results obtained on calculating the Gini index of relative specialisation for the average of the 1988-1998 period. As can be seen, Ireland, Greece, Finland and Denmark show, according to the information provided by this index, a greater degree of productive specialisation and, consequently, a structure more differentiated from the average (see also Chart 3). The Netherlands and Sweden also display high degrees of productive specialisation, albeit lower than the four above-mentioned countries. Germany, France, Italy, the United Kingdom and Spain have a low degree of specialisation, which would denote a substantial similarity of their productive structures in respect of the other EU members although, as will later be seen, the productive structures of this set of countries show differences of some importance.

Turning to the changes in these indices between 1988 and 1998, a slight increase in productive specialisation can be appreciated in most EU countries, with the exception of the

CHART 2

## Structure of manufacturing production



Netherlands and Portugal, where significant declines are seen, and France. Nonetheless, the changes observed are generally on a very small scale and, indeed, only certain small EU economies – in particular, Ireland, Finland and Sweden – show a notable increase in specialisation. It may thus be concluded that existing disparities in EU countries' productive structures have tended to increase, albeit very moderately, in step with the results obtained in most of the studies conducted by other authors.

TABLE 1

**Productive specialisation in the EU countries**  
(Gini index of relative specialisation)

	1988	1998	Average for period	Change 98-88
Austria	0.326	0.330	0.317	0.004
Belgium	0.288	0.287	0.285	0.000
Germany	0.197	0.208	0.200	0.011
Denmark	0.481	0.494	0.477	0.013
<b>Spain</b>	<b>0.240</b>	<b>0.258</b>	<b>0.240</b>	<b>0.018</b>
Finland	0.441	0.557	0.483	0.116
France	0.205	0.193	0.197	-0.012
Greece	0.501	0.520	0.508	0.019
Ireland	0.583	0.633	0.577	0.051
Italy	0.211	0.247	0.234	0.036
Netherlands	0.412	0.383	0.387	-0.028
Portugal	0.457	0.417	0.446	-0.040
Sweden	0.352	0.417	0.377	0.066
United Kingdom	0.176	0.224	0.194	0.048
<b>Weighted average (a)</b>	<b>0.238</b>	<b>0.259</b>	<b>0.244</b>	<b>0.021</b>

Source: Banco de España, drawing on the Eurostat SBSPLUS database.

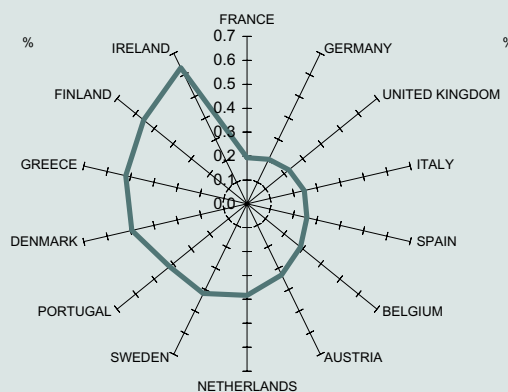
(a) Based on the weight of each country in total EU production.

So as to identify the changes underlying the increases and declines in specialisation inferred by the Gini indices, Chart 3 summarises the percentage breakdown of the production of the EU countries, and Chart 4 offers the main changes this structure underwent during the period considered (1988-1998). The increases in the specialisation of Ireland, Finland and Sweden have taken the form of a shift in their productive structures towards the more technology-intensive sectors, to the detriment of the low technology-intensive sectors. The case of Ireland merits special mention since, during the decade under analysis, its productive structure underwent far-reaching change. This transformation entailed a sizeable decline in the production of food, beverages and tobacco and growing specialisation in office supplies, computer equipment, chemicals and pharmaceuticals, industries which currently account for almost half of total manufacturing output (4). As a

(4) In this respect, it should be borne in mind that the production figures used in this paper are expressed at current prices. This could prompt some bias which might be particularly significant in the case of Irish production in the technology-intensive industries. That is because the strategy of the multinationals that dominate the production of these branches involves localising a large portion of profits in this country, setting low prices for the inputs from other subsidiaries resident abroad and high prices for the sales of companies headquartered in Ireland (namely, transfer pricing), given the tax benefits in place [see Murphy (2000)]. In any event, the increase in the production of these branches is on such a scale that it can hardly be accounted for in its entirety by this phenomenon.

CHART 3

**Productive specialisation**  
**Gini index**



Source: Banco de España, drawing on the Eurostat sbs\_plus database.

result of this specialisation process, Ireland's productive structure in 1998 showed a low degree of diversification and a marked gearing towards industries with greater technological requirements, while the production of the Scandinavian countries was polarised in certain low-technology and natural-resources-intensive activities, and in other industries with very high technological requirements.

The productive structures of the other countries do not show appreciable changes in the period analysed, in line with the results suggested by the specialisation indices. That said, there is a fairly generalised shift in production towards the high- and medium/high-technology industries, to the detriment of activities with lower technological requirements. In the case of the Spanish economy this shift is confined, on the information available to 1998, to the medium/high-technology sectors, with a notable increase in the share of the automobile industry.

In any event, among the countries making up this second group (where productive specialisation has scarcely changed), there are still substantial differences in productive structures. In particular, among the bigger economies, Spain and Italy show distinctive features that take the form of a lesser relative significance of the most technology-intensive industries and, at the same time, a greater participation by other traditional industries (especially textiles, clothing and footwear) compared with Germany, France and the United Kingdom. Greece and Portugal retain a very different productive structure from the other EU members, with a marked orientation towards more traditional activities, while the industries with greater technological

requirements account for a very low proportion of their production.

In sum, the findings obtained from the analysis of the manufacturing productive structure indicate that there were no major changes in the pattern of specialisation of the EU countries between 1988 and 1998. The most notable changes are evident in certain small economies, in particular Ireland, Finland and Sweden, which show growing specialisation in industries with greater technological requirements.

#### 4. THE SPATIAL DISTRIBUTION OF ACTIVITY IN THE EU COUNTRIES

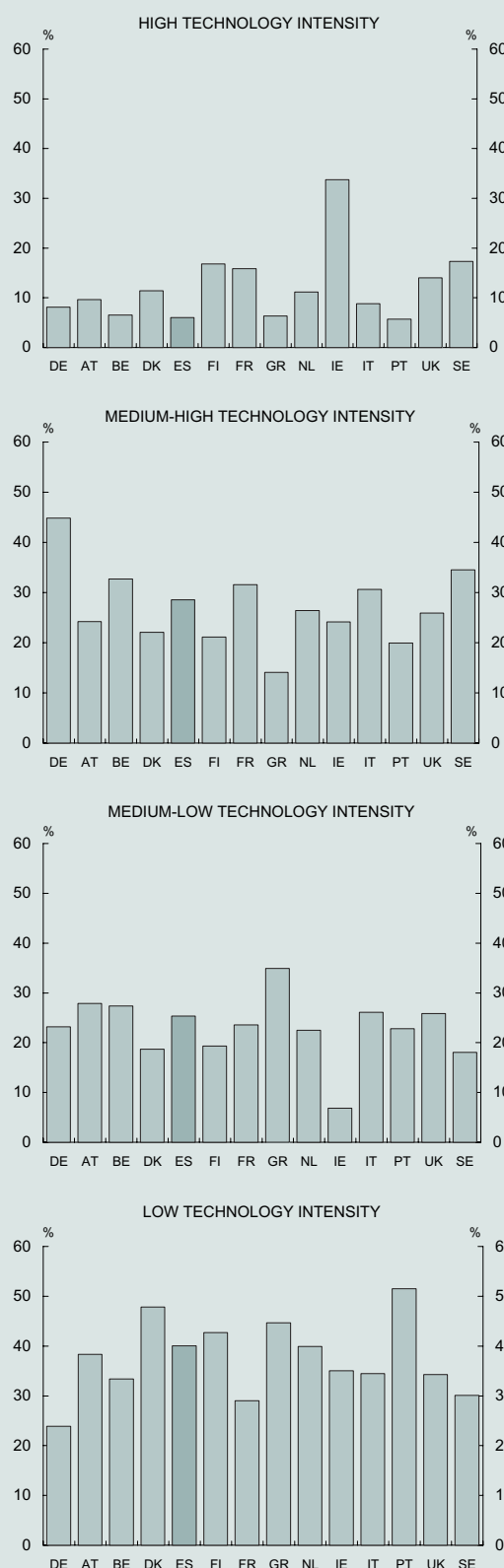
This section analyses the changes witnessed in the geographical distribution of manufacturing activity in the period from 1988 to 1998. It is attempted to determine which activities show a tendency towards spatial concentration and which are more dispersed. To this end, Table 2 shows the Gini index of absolute concentration for each division of the NACE at the two-digit level (5). The information provided by this index for the average of the period analysed would suggest that the industries with the greatest degree of spatial concentration are technology- and physical-capital-intensive. Particularly of note is the high degree of concentration in transport equipment, electrical equipment, machinery and mechanical equipment, optical and precision instruments, and office machinery and computers. The least technology-intensive sectors generally show a greater spatial dispersion of their production, which is particularly significant in the case of food. However, there are certain exceptions among the latter industries such as tobacco, and textiles, clothing and footwear, which evidence very high spatial concentration.

Bearing in mind the changes recorded by the Gini index, during the period 1988-1998 mention may be made of the increase, among the least technology-intensive industries, in the degree of geographical concentration in the clothing and footwear industry. Conversely, the spatial dispersion of all technology-intensive industries increased during the period.

For a clearer analysis of the changes in the degree of concentration of the various industries, Chart 6 presents the Gini index, of absolute concentration, both for manufacturing industry as a whole and for the different branches

(5) The values of the Gini index for each division of the NACE at the two-digit level are constructed via a weighted average of the results obtained under the three-digit breakdown.

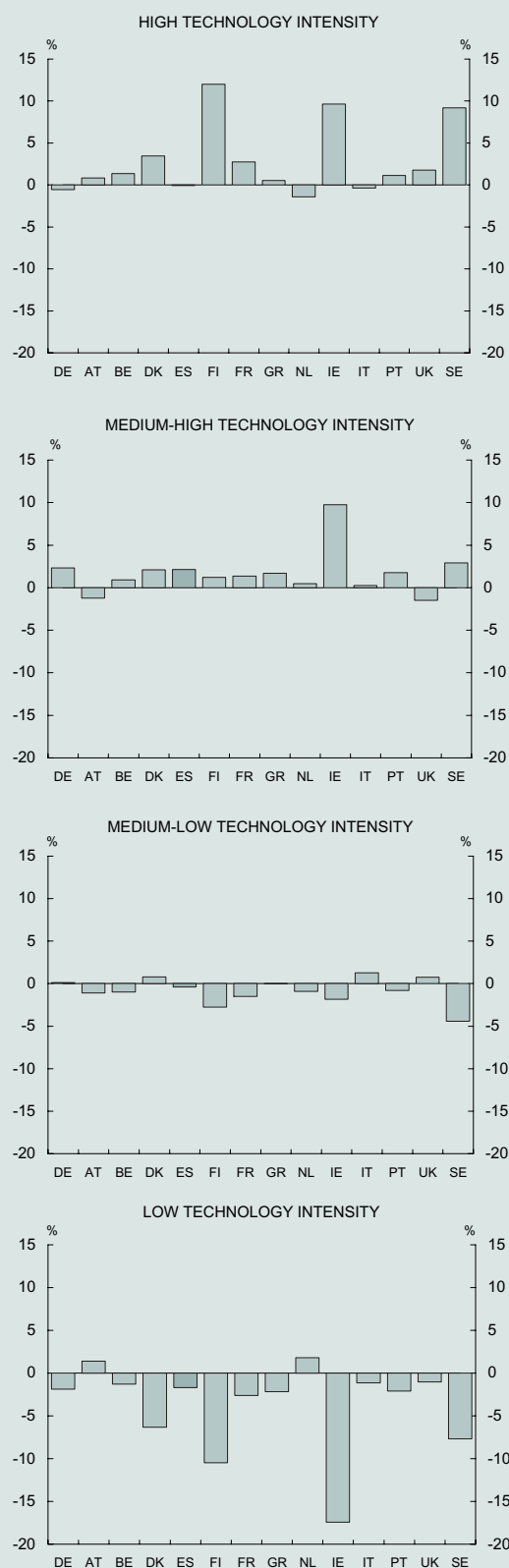
CHART 4  
Structure of the manufacturing production of the EU countries in 1998



Source: Banco de España, drawing on Eurostat sbs\_plus database.

CHART 5

### Changes in the manufacturing production structure of the EU countries (1998-1988)



Source: Banco de España, drawing on the Eurostat sbs\_plus database.

TABLE 2

### Productive concentration by branch of activity. Absolute Gini index

	Average for the period	Change 98-88
15. Food and beverages	0.491	0.019
16. Tobacco	0.647	0.024
17. Textiles	0.578	0.006
18. Clothing	0.592	0.031
19. Footwear	0.671	0.053
20. Wood	0.510	0.002
21. Paper	0.528	0.002
22. Printing and publishing	0.530	-0.028
23. Oil refining and coke	0.560	0.044
24. Chemicals	0.574	-0.025
25. Rubber and plastic	0.594	-0.007
26. Other non-metallic mineral	0.566	-0.001
27. Basic metals	0.544	0.009
28. Fabricated metal products	0.581	-0.032
29. Machinery and equipment	0.638	-0.013
30. Office machinery and computers	0.624	0.012
31. Electrical equipment	0.669	-0.022
32. Electronic equipment	0.568	-0.056
33. Optical and precision instruments	0.640	-0.027
34. Transport equipment	0.668	0.011
35. Other transport equipment	0.645	0.025
36. Sundry manufactures	0.574	-0.019
<b>Total (a)</b>	<b>0.583</b>	<b>-0.001</b>

Source: Banco de España, drawing on the Eurostat SBSPLUS database.

(a) Obtained as the average of the indices of each branch, weighted by its share in total for manufacturing.

or sectors classified by their technological intensity. As can be seen, the degree of concentration of European industry at the aggregate level has not undergone major changes since the late eighties, with a mildly increasing trend discernible until 1993, which tended to be reversed in subsequent years. Nonetheless, analysis of the behaviour of the different industries reveals changes on a greater scale, most notably the tendency of the most technology-intensive industries towards geographical dispersion. Conversely, the spatial concentration of the medium-technology industries in the late eighties and early nineties increased, although this behaviour tended subsequently to stabilise or even be reversed in medium/high-technology branches. Finally, the degree of concentration of the low-technology industries remained stable during these years.

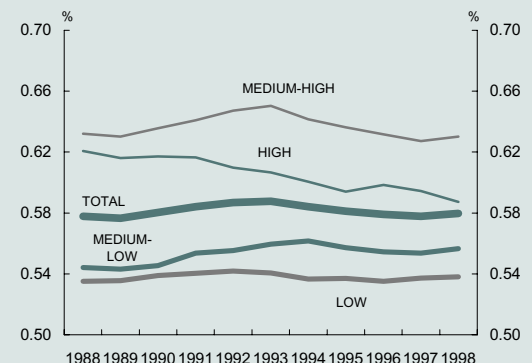
Described hereafter are the changes in the distribution of manufacturing activity across the

EU countries that underlie the results obtained with the Gini concentration indices. In this connection, Table 3 presents the distribution by country of the production of the various branches in the years 1988 and 1998. As the table shows, the apparent tendency towards greater geographical dispersion in high-technology-intensive industries throughout the period reflects a most significant reduction in Germany's production share (and, to a lesser extent, that of Italy). Indeed, Germany has relinquished its leadership in respect of the production of these industries to the French economy. In these industries, certain small economies such as Ireland, Finland and Sweden have managed to increase their presence most notably, displacing some of the major producers (6). Also, the share of the EU countries with lower per capita income in the most technology-intensive industries has not changed greatly but has held at very low levels, especially if this weight is compared with their share in the total EU population or with the relative significance of the production of these countries in other less technology-intensive industries.

In the remaining industries the changes are more moderate, in keeping with the results of the Gini concentration indices, although something of an increase in the share of Spain, Portugal and Ireland can be seen. However, the changes in the geographical distribution of production in textiles, clothing and footwear merit comment since, as earlier mentioned, this is one of the industries where the degree of geographical concentration most increased. This finding mostly reflects an increase in the share of the main producer, Italy, which climbed from 27.8% in 1988 to 33.8% in 1998, although a slight increase in the production share of Spain and Portugal is also discernible. The increase in the degree of geographical concentration in this type of labour-intensive industry appears to suggest that differences in relative costs of very telling when it comes to explaining productive specialisation and the location of these activities. However, the fact that the biggest increases in production shares in these industries should have been absorbed by Italy (a country with comparatively higher wage and income levels) suggests that other factors such as

(6) Surprisingly, those countries which have notably increased their share in the production of the technology-intensive industries, i.e. Ireland, Finland and Sweden, have scarcely seen their share in total EU manufacturing production increase. In this respect, it should be recalled that the production figures used are expressed at current prices, which might add some bias to the share of these countries in total manufacturing production, since they have specialised in the manufacture of technology-intensive products whose relative prices have fallen significantly in recent years compared with other products.

CHART 6  
Changes in the degree of absolute concentration of production (Gini index)



Source: Banco de España, drawing on the Eurostat sbs\_plus database.

product differentiation, whether in design or quality, play an important role in the location of these industries.

## 5. CONCLUSIONS

Changes in the productive specialisation of the EU countries reflect the absence of any major transformation of their productive structures in the period running from 1988 to 1998. Only certain small economies, in particular Ireland, Finland and Sweden, have altered their productive structure during this period. They have widened the differences from her EU partners by specialising most intensively in industries with greater technological requirements. Nor can drastic changes in the geographical concentration of production of European manufacturing output be discerned. Nevertheless, Ireland, Finland and Sweden can be seen to be more significant in terms of the production of the most technology-intensive industries, to the detriment of certain core economies and, especially, of Germany.

The growing specialisation and localisation of the highest technology activities in the Scandinavian countries is no doubt associated with highly skilled labour and with the capacity for innovation and adaptation to the new technologies that these countries have shown in recent decades, although the time during which the dynamism of the new technology industries peaked lies outside the period studied. In Ireland, productive repositioning towards the most technologically intensive industries is most closely linked to the presence of large multinationals. These have tended to



TABLE 3

## Geographical distribution of manufacturing production in the EU

%

	Total		High technology		Medium-high technology		Medium-low technology		Low technology	
	1988	1998	1988	1998	1988	1998	1988	1998	1988	1998
Germany	27.6	27.4	24.4	20.0	36.6	37.2	26.1	26.5	21.0	20.5
Austria	2.3	2.2	2.0	1.9	1.8	1.6	2.7	2.6	2.5	2.7
Belgium-Luxembourg	4.6	4.2	2.4	2.5	4.6	4.2	5.4	4.9	4.7	4.4
Denmark	1.4	1.5	1.1	1.5	0.9	1.0	1.0	1.1	2.2	2.2
<b>Spain</b>	<b>7.1</b>	<b>7.5</b>	<b>4.4</b>	<b>4.1</b>	<b>5.8</b>	<b>6.5</b>	<b>7.4</b>	<b>7.9</b>	<b>8.7</b>	<b>9.4</b>
Finland	2.0	1.9	1.0	2.8	1.3	1.2	1.9	1.5	3.2	2.5
France	15.8	15.9	21.2	22.7	14.9	15.2	16.2	15.7	14.7	14.5
Greece	0.6	0.5	0.4	0.3	0.2	0.2	0.9	0.8	0.8	0.8
Netherlands	3.9	3.8	5.0	3.8	3.1	3.1	3.7	3.6	4.4	4.8
Ireland	0.9	1.7	2.3	5.1	0.4	1.2	0.3	0.5	1.4	1.8
Italy	14.3	14.0	13.4	11.1	13.5	13.0	14.5	15.3	15.0	15.2
Portugal	1.4	1.6	0.6	0.8	0.8	1.0	1.3	1.5	2.2	2.6
United Kingdom	15.1	14.6	19.0	18.5	12.9	11.5	15.6	15.8	15.7	15.7
Sweden	3.2	3.1	2.7	4.9	3.2	3.3	3.0	2.4	3.6	3.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Big four (a)</b>	<b>72.7</b>	<b>72.0</b>	<b>78.1</b>	<b>72.3</b>	<b>77.9</b>	<b>76.8</b>	<b>72.4</b>	<b>73.2</b>	<b>66.4</b>	<b>65.9</b>
<b>Rest</b>	<b>27.3</b>	<b>28.0</b>	<b>21.9</b>	<b>27.7</b>	<b>22.1</b>	<b>23.2</b>	<b>27.6</b>	<b>26.8</b>	<b>33.6</b>	<b>34.1</b>

Source: Banco de España, drawing on the Eurostat SBSPLUS database.

(a) Germany, France, Italy and United Kingdom.

concentrate most of their investment in this country, despite its peripheral position, seeing it as an export platform to the other European markets, in a setting in which its main comparative advantage at the time of EU accession lay in its lower labour costs. Ireland's language and cultural links with the United States, its highly skilled human capital and the tax and financial incentives for foreign investment help explain this phenomenon.

In any event, although the diagnosis of the factors behind this pattern of localisation requires a more in-depth analysis than that offered in this article, the Irish experience suggests that if the appropriate conditions to attract new companies are set in place (including most notably the development of a highly skilled stock of human capital allowing rapid adoption of and adaptation to new technologies), economic integration need not bring about a polarisation of production between a rich and industrialised centre and a periphery where the low-value-added activities are concentrated.

As regards the Spanish economy, the changes seen in its productive structure show a progressive shift towards medium/high-technology industries which, in general, offer greater growth potential and fewer pressures vis-à-vis the recently industrialised economies, to

the detriment of activities of the lesser technological requirements. In this way, the basic features of the Spanish productive structure are highly similar to those of the major EU economies. However, the most technology-intensive industries are still very small-scale compared to other EU countries, and in the latter years of the period studied significant changes have still not been observed in Spain's presence in the European output of these types of industries, in contrast to what has occurred in other peripheral countries.

It may be inferred from the foregoing characteristics that the process of specialisation and localisation of European activity does not appear to corroborate the conventional theory of trade. This theory suggests that integration may ultimately increase disparities in the productive structures of the EU countries, as it is conducive to the concentration of labour-intensive activities in the peripheral and southern European countries. Activities with greater technological requirements, meanwhile, would be located in the core countries, which would have a better starting position in terms of human capital skills and technological know-how.

The increase in the share of certain peripheral countries in the production of the most technology-intensive industries runs counter to



the conclusions of certain industrial localisation models. The latter suggested that advances in integration could prompt a concentration of such activities (with a greater presence of economies of scale, susceptible to generating technological externalities that are skilled-labour-intensive and with strong industrial links) in the core countries, which have broader markets and a more developed industrial apparatus. In this respect, the persistence of certain obstacles (language and cultural barriers in the main) potentially restraining cross-country labour mobility might help explain the absence of a tendency towards spatial concentration, contrary to what has been seen in the United States.

Apparently, then, in most EU countries intra-industry specialisation has predominated. This has not required major changes in productive structures or in the geographical distribution of activity. Some caution is needed, however, when extending these conclusions to other integration episodes and, in particular, to the changes potentially arising from the full operation of Economic and Monetary Union and, above all, to the consequences of the future EU enlargement to the central and eastern European countries, since they include countries with a high degree of heterogeneity compared with the productive structures and factor endowment of the current Member States.

12.12.2002.

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# The Spanish experience in EU accession

*Contribution by José Luis Malo de Molina, Director General of Economics, Statistics and Research of the Banco de España, to the panel on "Mediterranean Experiences in Accession" in the Seminar organised jointly by the Central Bank of Malta and SUERF in St. Julian's, Malta, on March 27-28 2003.*

## SPANISH ACCESSION TO THE EU

Spanish accession to the European Union and progressive external openness have been the driving forces behind the modernisation of the Spanish economy in recent decades. The Spanish economy was relatively closed and the process of integration has seen a rapid opening-up, manifest in a growing intensity of trade and capital flows.

External openness has prompted significant changes. In particular, it has spurred the essential measures of macroeconomic and financial discipline needed to enable Spain to be included among the founding members of Economic and Monetary Union and to position it appropriately in the new globalised economy. Chart 1 displays the intensity and scope of the process.

## THE PROCESS OF ADJUSTMENT TO INTEGRATION REQUIREMENTS

Adapting economic policy to the requirements arising from European integration was complex and costly, with bouts of progress interrupted by occasional setbacks. For an overview of key events and features, three different periods may be distinguished. The initial phase runs from EU entry to the European Monetary System (EMS) crisis at end-1992. Thereafter began the difficult process of achieving nominal convergence. And the third period covers Spain's experience in Monetary Union.

### The initial phase

In this phase of strongly expanding activity, employment and investment, economic policy goals were geared towards competitiveness and stability. However, the economic policy mix implemented was unbalanced (very restrictive in the case of monetary policy, very expansionary in that of fiscal policy and only a partial use of the exchange rate discipline afforded by the EMS). This inappropriate policy mix had an adverse effect on inflation and the real exchange rate, leading to a build-up of substantial losses in competitiveness (Chart 2).

Appropriate levels of competitiveness were restored after a very costly adjustment resulting

from successive depreciations and from a sharp contraction in output and employment that brought about substantial productivity gains. The exchange rate adjustment was the markets' verdict on inappropriate domestic policies, but it permitted the correction of relative prices and costs and helped restore business surpluses and profits.

### **Nominal convergence phase (end-1992 to end-1998)**

In response to the shortcomings of the macroeconomic policies adopted until then, it was decided to re-balance the underpinnings of the economy for a stability-oriented strategy based on the criteria established under the Maastricht Treaty, as a condition for gaining access to Monetary Union. To this end, tighter budgetary policies were pursued and a new monetary policy strategy based on direct inflation targets was adopted. The success of these policies enabled exchange rate stability to be gradually regained.

Economic discipline spurred the correction of the imbalances, setting in motion a series of virtuous mechanisms which bolstered economic agents' confidence and prompted an adjustment of expectations (essentially regarding prices and the budget deficit). This ultimately proved highly beneficial for implanting an environment of macroeconomic stability (Chart 3).

As a result, nominal convergence was compatible with a fresh expansionary phase marked by robust output and employment growth.

### **Monetary Union phase**

Participation in Economic and Monetary Union since 1999 has allowed Spain to reap the benefits of sharing a common macroeconomic standard with the core European countries. This common standard has two strands.

First, membership of a monetary union, when conditions are right, allows the link between interest rates and the exchange rate with domestic conditioning factors to be broken, permitting greater levels of credibility and confidence to be imported. Breaking this link was particularly important for Spain since, until then, turbulence on financial and foreign exchange markets had often acted as a trigger for bouts of recession via heavy interest rate rises and sharp depreciations, which were frequently disproportionate.

Second, monetary union membership involves assuming commitments that entail restric-

tions on domestic policy action: namely, forgoing the use of the exchange and interest rates as instruments to achieve national economic objectives and to correct potential disequilibria. These restrictions meant other facets of economic policy had to be reinforced. In particular, a more prominent role had to be assigned to budgetary policy as an instrument for medium- and long-term stability, and the liberalisation of the economy had to be speeded up so that the increase in competition might make for more flexible responses by supply to changes in demand.

The establishment of a regime of stability and the momentum given to flexibility in respect of the workings of the markets for factors and products have helped set in place the conditions conducive to sustained growth and for generating more employment. As a result, throughout the monetary union phase to date, growth in Spain has outpaced the euro area average, and headway has been made in real convergence (Chart 4). At the same time, cyclical oscillations have been smoothed, which is particularly relevant given that, in the past, phases of strong growth tended to end in sharp recessions, moving Spain off course from convergence.

Nonetheless, during these four years there has been a persistent inflation differential, which is a threat to the economy's competitiveness. This and other risks will be dealt with in greater detail later on.

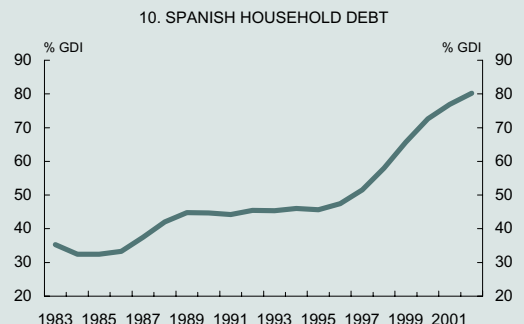
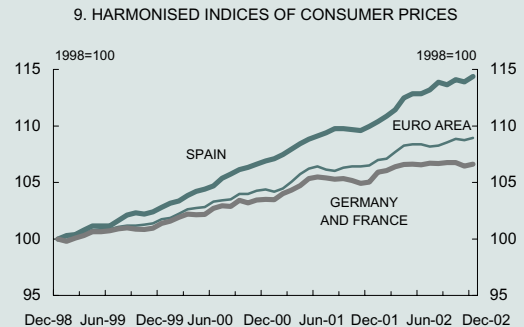
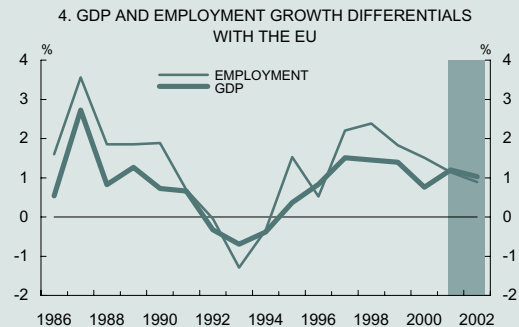
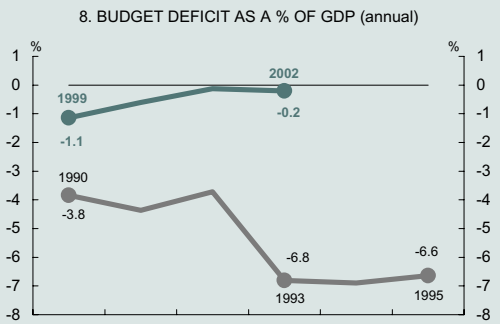
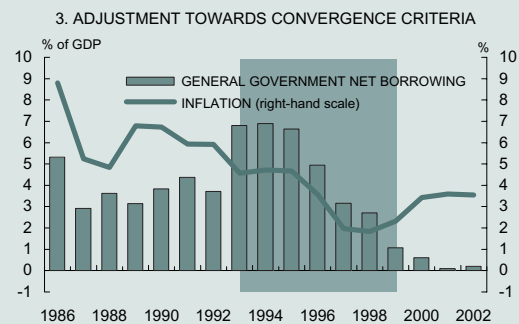
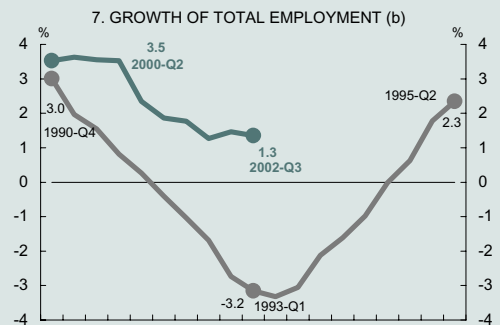
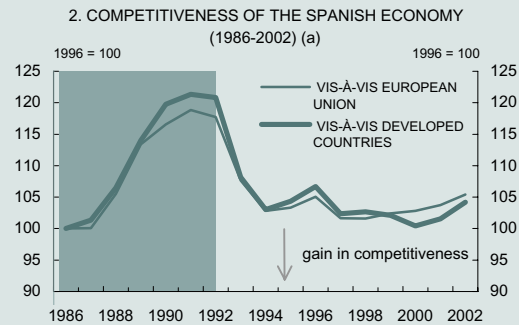
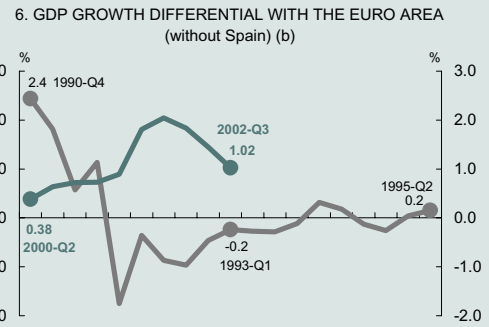
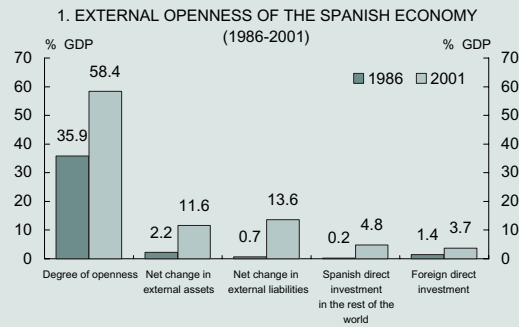
### **CHANGES IN THE CYCLICAL BEHAVIOUR OF THE SPANISH ECONOMY AFTER JOINING MONETARY UNION**

The scale of structural changes in the workings of the Spanish economy can be quite clearly seen if its patterns of behaviour during the current slowdown are compared with those of the last cyclical episode of a similar nature.

Notably, in this respect, over the past two years – approximately in parallel with the current downturn – the Spanish economy has sustained moderate but constantly positive growth rates. These are far removed from the figures posted at the time of the previous cyclical trough (in 1993), when the contraction in output was around 2%. As Chart 5 shows, the changes in the Spanish economy under Monetary Union have been set against the considerable benevolence of the recent downturn, compared with the severity of the recession in the early nineties.

### **CONTINUITY IN REAL CONVERGENCE**

Further, the fact that the Spanish economy has bottomed out at a relatively high growth



Sources: Instituto Nacional de Estadística, EUROSTAT and Banco de España.  
 (a) Measured with consumer prices.  
 (b) Seasonally adjusted series.

rate has allowed positive growth differences to be maintained with the euro area average and permitted continuing progress in real convergence, even during this current slowdown (Chart 6). That marks a qualitative change from the traditional pattern of the Spanish economy, whereby real convergence would fall back during recessions, losing much if not all of the ground gained during upturns.

### **INTENSIVE GROWTH IN EMPLOYMENT GENERATION**

Supporting these two major achievements of Spain's EMU experience has been a third differentiating factor, namely the high employment-creating capacity shown over recent years. Chart 7 illustrates how, at the recent cyclical trough, employment continued to grow at a rate of over 1%, while at the previous low a rate of decline of employment of around 3% was recorded. This difference is fundamental for explaining the greater resilience of household spending and the progress in convergence of per-capita income levels.

### **ELIMINATION OF THE BUDGET DEFICIT**

A final difference between the current slowdown and that in the early nineties is the different role played by public finances (Chart 8). During the 1993 recession the budget deficit surged, while the recent phase of weakness has seen the culmination of the budgetary consolidation drive. This factor has been pivotal to allowing balanced integration within the euro area and has eliminated the adverse influences on growth that budgetary imbalances generate. It has thus been possible to introduce elements of rationality into public spending, enabling levels of public investment to be restored that are more in keeping with the need to extend the economy's productive capacity. And tax reforms tending to lower the burden on households and firms have also been implemented, improving the incentives for economic efficiency.

### **CURRENT RISKS: THE INFLATION DIFFERENTIAL AND SLUGGISH INVESTMENT**

However, the positive features of the Spanish economy since it joined Monetary Union should not mask the emergence of certain developments whose persistence over time may alter the steady path of adaptation to economic and monetary union hitherto followed.

In this respect, the persistent differentials with the euro area in the growth rate of final prices are

a cause for concern. Since the outset of EMU, the HICP has grown five percentage points more in Spain than the euro area average (Chart 9). This has largely been due to the growth of prices and margins in the more sheltered sectors, denoting an as yet insufficient level of competition in certain markets, despite progress in recent years. This is not the place for an in-depth discussion of the scope of inflation differentials within a monetary union, a subject on which the Banco de España has published numerous papers (see the accompanying references). Nonetheless, the behaviour of prices in Spain indicates the presence of risks in the price formation area which may affect the future competitiveness of exports. And exports will in the future have to play a key role in the growth model underpinning the Spanish economy.

A second source of concern in recent years is the weakness in business investment in capital goods. Much more so since this slowdown in investment projects has come about despite the fact that the rates of return of companies have far outperformed borrowing costs. This poor performance can be attributed to the inhibiting effect exerted by heightened economic uncertainty, the failure to turn a profit on certain large-scale investment projects and the sharp correction of stock market prices. However, investment must regain its past buoyancy, since the incorporation of technological innovation into the productive process and improved productivity depend on it.

### **THE RISKS OF HIGH DEBT**

A third factor of risk is the strong increase seen in household debt to finance the robust expansion of consumption, and the acquisition of financial assets and of housing, against the backdrop of heavy cuts in interest rates and rises in wealth that accompanied the culmination of nominal convergence and euro area entry.

Household debt as a proportion of disposable income stood at perhaps 80% in 2002 (Chart 10), a level not far different from the euro area average and below that in the United States, but one which has grown most briskly since 1995 (when it was 45%). In principle, this increase in the level of household indebtedness may reflect solely the adjustment to a new equilibrium, with much lower interest rate levels. If that is the case, the proportion of debt to disposable income will tend to stabilise. However, there are elements of inertia related to the dynamism of credit for house purchases that may sustain continued growth.

In this respect, an additional factor of risk is that the financial equilibria of the household



sector are very sensitive to house prices. Thus, an adjustment in these prices in the future might endanger the sector's financial sustainability and any recovery in spending.

## THE CHALLENGES AHEAD

The main challenge facing the Spanish economy in the medium term, once the temporary expansionary effects accompanying the transition to the third stage of EMU have faded, is to maintain higher growth rates than those of the more advanced countries and to continue reducing differences in economic well-being. The cuts in interest rates and the increase in the value of wealth prompted an expansionary momentum that is not repeatable. Future growth will have to reside on the economy's own capacity in an environment of strong competition, which will intensify following the enlargement of the EU.

Growth should thus be investment- and export-led, and certain constraints must be overcome, among others those imposed by specific features of the Spanish economy's productive and trade specialisation, namely: the excessive weight of the construction sector; the concentration of exports in a limited number of productive branches; and the loss of weight of imports of high-technology products.

To address these challenges successfully, it is vital to ensure the economy's competitiveness in the medium and long term, a matter which hinges crucially on the performance of productivity. Reforms will be called for in several areas: to enhance the efficiency of productive and organisational structures; to adopt leading-edge technologies; and to see through measures providing for the flexible working of goods and services markets and of institutions, in line with those pursued in recent years. The scope of such reform will be crucial.

The relative success of the Spanish economy since EU accession and, above all, since

EMU participation is due to it having proven capable of adapting its macroeconomic regime to standards of stability and promoting the structural reforms so vitally needed to ensure adaptation by markets, economic agents and institutions. Success in economic performance is hard to maintain for long. For Spain's success to persist over time and be sufficiently sound, structural reform along the lines of that approved at the Lisbon and Barcelona summits must be continued and deepened. Indeed, this is a valid prescription, in one way or another, for all present and future EU member countries.

28.3.2003.

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# The significance of sectoral composition in recent stock market developments

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## 1. INTRODUCTION

From end-1995 to March 2000 the stock market indices of the main international bourses rose sharply. Their value multiplied over this period by a factor of between 2.5 and 3.5. March 2000 marked a turning point for this rising trend, giving way to a continuous decline which has led indices to lose around half their value (see Chart 1). Following these corrections, the indices in most markets stood at end-2002 at levels last observed in 1997.

The Spanish markets have proven no exception to this general trend. Between 31 March 2000 and 31 December 2002, the Madrid Stock Exchange General Index (MSEGI) tumbled by 41.5%, a lesser reduction than was the case for the Euro Stoxx Index (53.3%), comprising euro area companies, and similar to that of the S&P 500 (41.3%), made up of US corporations. Although the performance of most sectors has been unfavourable, the intensity of the fall in share prices has been uneven. The biggest declines have been in telecommunications, technology and media stocks.

Insofar as the performance of share prices has differed greatly from sector to sector, it is worth enquiring whether the sectoral composition of indices may account for the smaller slide on Spanish markets when set against their European counterparts and the greater fall on the latter compared with US markets.

Against this background, this article studies the contribution of the different sectors to the reduction in indices in Spain, in the euro area and in the United States. It also analyses the significance of composition effects when explaining the differing performances of indices.

## 2. SHARE PRICE PERFORMANCE

To conduct this analysis 13 sectors are considered, although in the case of the Madrid Stock Exchange information for the whole period studied is only available for 8 of them, since the series of the other 5 begin in 2001 (1).

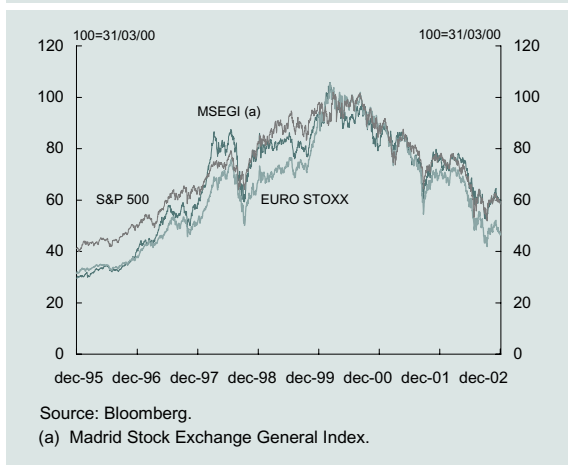
Table 1 shows the sectors analysed and their average weight in each of the three mar-

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(1) The annex describes the procedure followed in constructing the different sectoral indices.

CHART 1

## Stock market indices



kets in the period from March 2000 to December 2002. The salient feature of this table is that the sectoral composition of the MSEGI differs substantially from that of the other two indices (Euro Stoxx and S&P 500). In the Spanish markets there is a high concentration in very few sectors. Specifically, banks, telecommunications corporations, utilities and energy companies have an overall weight of 75.2%. Conversely, in the euro area markets and in the United States, the four most represented industries account on average for 49.6% and 59%, respectively. The four weightiest sectors in Spain are also of significance in the latter two markets, although the related concentration is not so high (40.8% in the euro area and 27.6% in the United States). By contrast, it is the technology companies which, on average, show greater weight in the Euro Stoxx (14.3%) and, above all, in the S&P 500 (23.4%), while their average weight in the MSEGI is much lower (5.9%). Likewise, other industries with quite appreciable relative significance in these markets have no or a very low presence in Spain. This is the case, for instance, of insurance, automobiles and healthcare.

Table 2 shows the changes in stock market prices of the 13 sectors considered in this section for each of the three markets from 31 March 2000 to 31 December 2002.

Developments across sectors in traded prices reveal elements that are common to all three markets. Thus, the companies most affected by the downtrend in prices were those in the technology, telecommunications and media sectors, precisely the three industries whose prices had most risen between 1995 and March 2000. Other companies evidencing a negative though somewhat less unfavourable performance

TABLE 1

## Average weights of sectors in stock market indices

%

	Spain	Euro area	USA
Banks	30.9	14.4	12.2
Telecommunications	24.3	11.4	6.2
Utilities	12.8	5.5	3.3
Energy	7.2	9.5	6.0
Construction	3.8	1.8	0.1
Food	2.4	6.2	4.2
Capital goods	2.3	7.1	10.4
Technology	5.9	14.3	23.4
Other	10.5	29.9	34.2
Of which			
Insurance	0.5	7.5	3.8
Healthcare	0.5	4.2	13.0
Media	1.7	5.1	4.2
Retail	6.3	2.3	5.3
Automobile	0.0	3.1	0.9

Sources: Bloomberg and Banco de España.

(a) Madrid Stock Exchange General Index for Spain, Euro Stoxx for the euro area and S&P 500 for the United States.

(b) In Spain's case, weights as at outset of 2002.

were utilities; banks, in Spain and in the rest of the euro area; and insurance companies listed on euro area markets.

The comparison between markets in Spain and in the euro area overall shows that, with the exception of the technology and, above all, the energy sectors, Spanish prices have generally performed less unfavourably since March 2000. The better relative performance of Spanish markets was seen in companies whose activity is based to a greater extent in the domestic market, namely in construction, the production of capital and intermediate goods, and the food industry. This was partly attributable to the lesser relative slowdown in the Spanish economy during the period. Conversely, in the energy sector, the performance of Spanish corporations was worse owing to the adverse impact of the Argentine crisis on the leading corporation in this group (Repsol YPF). Since late 2001, when the economic and financial situation in Latin America worsened, some of the industries made up predominantly of corporations with a presence in this region (banking and telecommunications) have performed slightly more poorly than have companies in the euro area on average.

US corporations have, compared with their euro area counterparts, performed less unfavourably in most sectors, with the exception of the technology and, above all, the automobile industries. Bank, insurance company, construction and food industry share prices have proven particularly resilient in the United States.

TABLE 2

## Changes in traded prices (a)

%

	Spain			Euro area			USA		
	31/03/00	31/03/00	31/12/01	31/03/00	31/03/00	31/12/01	31/03/00	31/03/00	31/12/01
	31/12/02	31/12/01	31/12/02	31/12/02	31/12/01	31/12/02	31/12/02	31/12/01	31/12/02
Banks	-32.9	-7.3	-27.6	-34.4	-10.4	-26.8	-9.0	6.8	-14.7
Telecommunications	-65.1	-41.2	-40.8	-77.7	-65.1	-36.0	-66.0	-47.0	-35.9
Utilities	-31.4	-8.3	-25.2	-45.6	-19.5	-32.4	-35.5	-3.7	-33.0
Energy	-30.9	-18.6	-15.2	-17.8	-0.8	-17.1	-15.5	-2.5	-13.3
Construction	20.5	15.6	4.2	-29.5	-2.0	-28.1	78.3	100.5	-11.1
Food	37.3	26.5	8.5	-28.3	-5.8	-23.9	27.9	36.2	-6.1
Capital goods	13.3	23.7	-8.4	-45.0	-24.0	-27.6	-29.8	-7.7	-23.9
Technology	-83.7	-69.9	-45.8	-75.5	-49.3	-51.8	-76.0	-61.5	-37.6
Other	-35.6	-26.3	-12.6	-52.5	-19.2	-41.2	-17.6	4.0	-20.7
Of which:									
Insurance			10.9	-61.2	-19.7	-51.7	-7.2	18.3	-21.6
healthcare			-38.0	-20.1	35.6	-41.1	-5.4	18.2	-20.0
Media			-45.7	-76.1	-49.9	-52.4	-54.3	-33.3	-31.5
Retail			-12.4	-38.1	-13.4	-28.6	-26.8	-4.0	-23.8
Automobile			—	-37.2	-10.8	-29.6	-45.1	-25.7	-26.2
Market index	-41.5	-23.9	-23.1	-53.3	-28.7	-34.5	-41.3	-23.4	-23.4

Sources: Bloomberg and Banco de España.

(a) Madrid Stock Exchange General Index for Spain, Euro Stoxx for the euro area and S&amp;P 500 for the United States.

The comparison between Spanish and US firms shows more balanced results. In 4 of the 8 sectors for which full information is available on the Madrid Stock Exchange (telecommunications, utilities, food, and capital and intermediate goods), the Spanish market performance has been better, while the opposite has been the case with all other productive activities.

Further, with the exception of Euro Stoxx, the performance of which was poorer in 2002, the decline in indices was very similar in the two sub-periods analysed in Table 2. Nonetheless, the distribution by sector of these falls was very different from the first sub-period to the second. Between March 2000 and December 2001, price slides were very concentrated in just a few sectors such as technology and telecommunications, while in 2002 the unfavourable performance of prices was more widespread.

In order to assess the relative significance of the different sectors when explaining the declines in indices, Table 3 shows the contributions of the different industries to the changes in the MSEG1, the Euro Stoxx and the S&P 500. These have been approximated to drawing on the changes in the sectoral indices and the weights of these sectors in the aggregate (2). The contributions in Spain differ substantially from those observed in the other two markets. Thus, in the Spanish market, telecommunica-

tions firms (16.1 points) and banks (10.1 points) are, in that order, the industries that most explain the falls observed. The greater contribution of these sectors in Spain is attributable, above all, to the greater weight they have in the Spanish index. Ranking third and fourth in terms of significance are technology firms and utilities, respectively. Overall, share price developments in these four sectors account for around 85% of the fall in the MSEG1.

In the euro area and in the United States, the declines in indices are largely due to the performance of very few sectors. In these markets, the slide attributed to the performance of technology stocks is far greater than that in Spain (12.5 and 26.6 points, respectively), despite the poorer behaviour of this sector on the Spanish exchanges, which can naturally be explained by their greater weight in those markets. Telecommunications corporations and banks contributed significantly to the fall in the Euro Stoxx index (13.6 and 4.2 points, respectively), and much more moderately to that in the S&P 500 (5.2 and 0.9 points). In both instances, however, the contribution of these sectors was far lower than in the case of the MSEG1. In the euro area the contributions of the insurance sector (4 points) and the media sector (4.9 points) were also very notable.

(2) See the annex for a description of the approach followed to calculate these contributions.

TABLE 3

## Sectoral contributions to the change in stock market indices (a)

%

	Spain			Euro area			USA		
	31/03/00 31/12/02	31/03/00 31/12/01	31/12/01 31/12/02	31/03/00 31/12/02	31/03/00 31/12/01	31/12/01 31/12/02	31/03/00 31/12/02	31/03/00 31/12/01	31/12/01 31/12/02
<b>1. Total</b>	<b>-39.3</b>	<b>-21.6</b>	<b>-24.2</b>	<b>-53.3</b>	<b>-29.1</b>	<b>-34.2</b>	<b>-41.2</b>	<b>-23.4</b>	<b>-23.3</b>
Banks	-10.1	-2.2	-8.8	-4.2	-1.3	-4.1	-0.9	0.7	-2.0
Telecommunications	-16.1	-11.0	-8.2	-13.6	-11.4	-3.1	-5.2	-3.7	-2.0
Utilities	-4.0	-1.1	-3.2	-2.4	-1.0	-1.9	-0.9	-0.1	-1.0
Energy	-2.2	-1.3	-1.1	-1.4	-0.1	-1.9	-0.8	-0.1	-0.8
Construction	0.8	0.6	0.2	-0.5	0.0	-0.6	0.0	0.0	0.0
Food	0.9	0.6	0.2	-1.5	-0.3	-1.6	0.8	1.0	-0.3
Capital goods	0.3	0.4	-0.3	-3.0	-1.6	-2.0	-2.8	-0.7	-2.7
Technology	-5.1	-5.4	-1.2	-12.5	-8.2	-6.1	-26.6	-21.5	-6.6
Other	-3.6	-2.1	-1.9	-14.3	-5.2	-12.8	-4.9	1.1	-7.9
Of which:									
Insurance			0.1	-4.0	-1.3	-3.8	-0.2	0.5	-0.9
Healthcare			-0.2	-0.5	0.9	-2.1	-0.5	1.7	-2.9
Media			-0.8	-4.9	-3.2	-2.4	-2.5	-1.6	-1.3
Retail			-0.8	-0.8	-0.3	-0.7	-1.3	-0.2	-1.5
Automobile			—	-1.1	-0.3	-1.0	-0.4	-0.3	-0.3
<b>2. Market index</b>	<b>-41.5</b>	<b>-23.9</b>	<b>-23.1</b>	<b>-53.3</b>	<b>-28.7</b>	<b>-34.5</b>	<b>-41.3</b>	<b>-23.4</b>	<b>-23.4</b>
<b>3. Unexplained (3 = 2 – 1)</b>	<b>-2.3</b>	<b>-2.4</b>	<b>1.1</b>	<b>0.0</b>	<b>0.4</b>	<b>-0.4</b>	<b>-0.1</b>	<b>0.0</b>	<b>-0.1</b>

Sources: Bloomberg and Banco de España.

(a) Madrid Stock Exchange General Index for Spain, Euro Stoxx for the euro area and S&amp;P 500 for the United States.

The sectors evidencing price rises in Spain and in the United States (construction, food and, in the case of the MSEG, capital goods too) made a contribution to their respective indices that was very small given their limited weight in the aggregate indices.

A common feature of the sub-periods observable in the three areas is the lesser contribution of telecommunications and technology companies since late 2001, which has partly been due to their lesser weight, and an increase in that of banks, especially in Spain and in the euro area, further to the recent deterioration in their prices. There was also a lesser concentration of contributions in 2002, especially in the United States and, to a lesser extent, in the euro area. Hence, in the period from March 2000 to December 2001, over 90% of the decline in the S&P 500 was attributable to technology stocks, while in 2002 10 sectors were needed to attain that percentage. In the euro area, 3 industries accounted for more than 75% of the fall in the Euro Stoxx index in the first sub-period, and 9 sectors in the second sub-period. By contrast, on the Madrid Stock Exchange no significant changes were apparent between the two periods as regarded the concentration of contributions.

### 3. THE SIGNIFICANCE OF THE SECTORAL COMPOSITION OF INDICES

One key question is the extent to which the different sectoral composition of the MSEG has played a determinant role in explaining its different performance in relation to the other two indices. To respond to this it is worth calculating what the change in the MSEG would have been had its composition been the same as that of the other two indices, i.e. if the relative sectoral weights of the Euro Stoxx and S&P 500 indices and the sectoral changes in our market were used.

In the period from March 2000 to December 2001, the fact that information covering all sectors of the Madrid Stock Exchange cannot be had means that an approximation can only be made drawing on the 8 industries available. The application of the Euro Stoxx weights to the changes in these sectors in the Madrid Stock Exchange gives a decline of 18.3%, a less unfavourable change than the fall attributable to these sectors that was observed in the euro area bourses as a whole (23.8%). This result suggests that the better performance of the MSEG compared with the European index during this period is not attributable to the different composition of our exchanges.

The same exercise, using the weights of the S&P 500, produces a 26.6% decline, a fall on a similar scale but somewhat less sharp than the loss of value of the S&P 500 attributable to the same sectors (24.5%). As a result, in this case the different sectoral composition does not appear either to have had a pivotal effect on the different trend of the Spanish index compared with that of US bourses.

For the analysis of the December 2001-December 2002 period, and using the information on the 12 sectors available, application of the Euro Stoxx weights to Spanish stock market price changes gives a fall of 19.7%, a considerably less unfavourable performance than the decline in this index attributable to the same sectors (30.3%). Once again, these results show that, during 2002, the better relative performance of the MSEG1 compared with the Euro Stoxx was not due either to the different composition of our index.

For the same period, applying the S&P 500 weights gives a loss of value of 23.9%, two points more than the contributions of the 12 sectors to the reduction in that indicator. That is to say, the performance of the MSEG1 would have been slightly more unfavourable than that of the US index had they both had the same composition.

To round off the set of possible comparisons of the impact of different stock market composition on relative performance, the changes in the Euro Stoxx using the weights of US stock markets for the 13 sectors considered can be calculated. Carrying out this exercise for the period from March 2000 to December 2002 gives a fall of 52.3% compared with a joint contribution of the 13 sectors to the less unfavourable decline in the S&P 500 (41.3%). In the recent period (2002), the falls obtained are 33.3% and 22.2%, respectively. These results suggest that the poorer performance of euro area bourses compared with their US counterparts does not appear either to respond to a composition effect.

#### 4. CONCLUSIONS

This article has studied the respective performances of Spanish, euro area and US stock market prices since March 2000, when the indices of the main international markets peaked. Although most sectors have moved on a declining trend, non-homogenous patterns of behaviour have been seen. In this respect, the companies most adversely affected have been those in the technology, media and telecommunications sectors.

The contributions of the different industries to the declines seen were concentrated in a limited number of sectors, especially between March 2000 and December 2001. On the Spanish stock market the sectors that most contribute to explaining the declines are telecommunications, banking, technology and utilities.

Despite the very different sectoral composition of the stock markets, this does not appear to have played a key role in the different performances of the indices. The better performance of the Spanish index compared with its euro area counterpart reflects, above all, a less unfavourable performance overall by Spanish share prices. Likewise, the poorer relative performance of the European stock market index compared with that of the US index does not appear either to respond to a composition effect.

These findings are consistent with the assumption that the relative robustness of Spanish as opposed to euro area share prices may be due to better market expectations as regards the earnings of corporations listed in Spain, underpinned by the satisfactory behaviour of the Spanish economy in the cyclical downturn. Further, the bigger fall in share prices in the euro area compared with the United States shows, rather than the different composition of the indices, a somewhat greater deterioration in the earnings outlook for listed European companies.

18.2.2003.

#### ANNEX

##### CALCULATION OF SECTORAL INDICES AND OF CONTRIBUTIONS

In the case of Spanish markets, the only available sectoral indices are those constructed by the Madrid Stock Exchange. Until end-2001, these indices included a total of 10 sectors that allow for an approximation to the performance of 8 of the 13 sectors considered in the analysis in section 2 of this article. Since 2002, the Madrid Stock Exchange has altered the sectoral indices it prepares. With the new definitions 7 sectors and 23 sub-sectors are offered. By combining both it is possible to replicate reasonably the 8 former sectors considered in the analysis (although homogeneity between the two periods is not complete) and two of the five remaining ones. For two other sectors (healthcare and technology), the following procedure has been adopted. The first of these has been drawn up with the traded prices of the firm Zeltia, while the second is capitalisation-weighted, taking the sub-sectoral index of Electronics

and Software and the firm Amadeus as of the outset of January 2002. Finally, it has not been possible to construct an index for the automobile sector as no companies in this sector are listed on the Spanish stock market.

In the case of the euro area and US stock markets, a greater number of sectors and/or sub-sectors is available, meaning it has been possible to construct 13 sectoral indices for the Euro Stoxx and the S&P 500. In some cases, these have been devised by combining several sub-indices, using the market capitalisation of the companies concerned to construct the aggregate.

The contributions for each period have been calculated by multiplying the weighting for each sector at the start of the period by its percentage

change. This approach is only correct when there are no changes in the composition of the sectors, which entails an approximation error. In the case of the Madrid Stock Exchange, an approximation has been made to the contributions of the 2000-2002 period using the average weight since, prior to 2002, the MSEG1 was calculated applying fixed weights for the entire year.

As the sectoral weights prior to 2001 are not available for the Euro Stoxx and the S&P 500, the approximation to these has been made by implicitly assuming that all the changes in weights are due to changes in company share prices. In this way, the weights have been recalculated backwards, with the relative growth of the sectoral indices in respect of the change posted by the market as a whole being applied to them.



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# Financial regulation: 2002 Q4

## 1. INTRODUCTION

In 2002 Q4 a considerable number of new financial provisions were enacted, especially with the publication of the Law on reform of the financial system (known as the Financial Law). This law aims to promote market efficiency and boost the competitiveness of the financial industry, while safeguarding customer protection.

A consolidated version of the Law on the Regulation of Pension Schemes and Funds has been published, to give interested parties an up-to-date text to refer to, which includes the regulation of pension schemes and the main aspects of their process of adaptation.

In relation to the securities market, the use by issuers of electronic means to send regular public information to the National Securities Market Commission (CNMV) has been made compulsory, and the special features of the official secondary markets for olive oil futures and options have been regulated.

Notable in the fiscal area is the second partial reform of the personal income tax since 1998, and the amendment of the corporate income tax and the tax on the income of non-residents, given the interrelatedness between them.

Finally, as usual in this period, the main monetary, financial and fiscal measures of the State Budget for 2003 are discussed. As in recent years, a number of fiscal, administrative and social measures have been adopted at the same time as the Budget Law, in order to facilitate the achievement of economic policy objectives. Notable among the administrative measures relating to the financial sector are certain adjustments to the regulation of investor compensation schemes and the requirement for portfolio management companies to belong to the Investment Guarantee Fund.

## 2. REFORM OF THE FINANCIAL SYSTEM

### 2.1. Introduction

The financial system has become one of the largest and most international sectors of the Spanish economy and is crucial to the country's economic development. At the same time, the legal system applying to financial intermediaries has become a highly significant competitive factor, with the competitiveness of financial institutions operating in Spain depending on the regulatory framework being effective, but not overrigid.

*Law 44/2002 of 22 November 2002 on Reform of the Financial System* (BOE (Official State Gazette) 281/2002 of 23 November 2002)

has thus been enacted, in response to the external challenge, to ensure that the competitiveness of the Spanish financial system is not prejudiced and to help improve the channelling of savings towards the real economy, without leaving financial service customers unprotected. It has three basic aims:

- a) To ensure that the legal system does not impose any unnecessary burden, putting Spanish financial institutions at a disadvantage relative to their EU counterparts. To this end, measures have been adopted and instruments created to increase the efficiency and competitiveness of the Spanish financial industry.
- b) To ensure that the increase in competition and the use of new technologies does not leave financial service customers unprotected. The protection of financial services users has thus been improved.
- c) To promote the channelling of savings towards the real economy, the true engine of growth and job creation. In this respect, mindful of their importance in the Spanish corporate fabric, the conditions of financing for small and medium-sized enterprises (SMEs) have been improved.

In addition, the Law transposes various EU directives into Spanish law, including Directive 2000/64/EC of the European Parliament and of the Council of 7 November 2000 amending Council Directives 85/611/EEC, 92/49/EEC, 92/96/EEC and 93/22/EEC as regards exchange of information with third countries; Directive 2000/46/EC of the European Parliament and of the Council of 18 September 2000 on the taking up, pursuit of and prudential supervision of the business of electronic money institutions; and Directive 2000/28/EC of the European Parliament and of the Council of 18 September 2000 (1) amending Directive 2000/12/EC relating to the taking up and pursuit of the business of credit institutions.

Given the extensive provisions of this Law it is summarised in a number of sections below:

## 2.2. Measures to promote efficiency in the securities market

### 2.2.1. Integration of the securities clearing and settlement systems

Notable among the measures to improve the efficiency of the system are those that aim to in-

tegrate the securities clearing and settlement systems, the main pillar on which the proper functioning of the securities markets rests, given their implications for the cost and legal certainty of transactions.

#### THE SYSTEMS COMPANY

In Spain, the main securities clearing and settlement services have up until now been performed by the Spanish Public Debt Book-Entry System (*Central de Anotaciones de Deuda Española*, CADE), in the case of public debt, and by the Securities Clearing and Settlement Service (*Servicio de Compensación y Liquidación de Valores*, SCLV), in the case of securities listed on the Spanish stock exchanges and on the AIAF Mercado de Renta Fija, S.A. (official secondary market for private fixed income). Also, the regional (autonomous) governments with powers in relation to securities have, under the Securities Market Law, set up their own clearing and settlement services for the securities listed on their stock exchanges. This multiplicity of clearing and settlement systems in Spain has not contributed to the competitiveness of the Spanish financial system.

To resolve this situation the Law puts in place a flexible and open legal system to enable the existing clearing and settlement systems to be integrated, providing for the creation of *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores* (Securities Registration, Clearing and Settlement Systems Management Company, referred to hereafter as "the Systems Company") through a merger of the SCLV and the CADE. This company could incorporate other systems currently existing in Spain, such as the one for financial derivatives and those run by the Barcelona, Bilbao and Valencia Stock Exchanges, and could manage interconnections and alliances with those existing in other countries.

In general, the Systems Company will be responsible for keeping the accounting records for securities listed on stock exchanges or on the Book-Entry Public Debt Market. However, in the case of securities listed on one exchange only, the regional (autonomous) governments with powers in this area may set up services of their own to keep the accounting records, which will have the same powers with respect to such securities as the Law establishes for the Systems Company

The Systems Company will have the following functions:

- a) Keeping the accounting records for book-entry securities listed on stock exchanges

(1) See "Financial Regulation 2000 Q4", in the *Economic bulletin*, Banco de España, January 2001, pp. 73-74.

or on the Book-Entry Public Debt Market, as well as the securities listed on other secondary markets, when their governing bodies so request.

- b) To manage the settlement and, where applicable, the clearing of securities and cash arising from ordinary transactions carried out on stock exchanges, on the Book-Entry Public Debt Market and, where applicable, on other secondary markets.
- c) To provide technical and operating services directly related to the recording, clearing and settlement of securities and any others that may be necessary for the Systems Company to co-ordinate its activities and co-operate with other securities recording, clearing and settlement areas and systems and to be able to participate in the latter.
- d) Such others as it may be assigned by the government, on the basis of a report from the CNMV, and where applicable, from the Banco de España.

To facilitate integration, the Clearing and Settlement Systems are to be *demutualised*, like the stock exchange management companies were under Law 14/2000 of 29 December 2000 on fiscal, administrative and social measures (2). This will enable non-market participants to take stakes in the capital of these systems. The government shall establish the criteria for determining the conditions for acquiring and holding capital in the Systems Company, as well as its distribution among the shareholders. Non-resident institutions performing activities abroad similar to those of the Systems Company may be shareholders of the latter, provided that their recording, clearing and settlement activities are subject to supervision arrangements at least equivalent to those applied to the Systems Company. The latter may, in turn, take stakes in the capital of the former. In both cases prior CNMV authorisation shall be necessary.

The Systems Company may enter into agreements with resident and non-resident institutions that perform similar functions and with central counterparty or other entities for the opening and keeping of accounts or for any other activities that it performs.

The rights of the Systems Company over the collateral provided by entities participating in the systems that it manages shall be completely unaffected by a court order declaring such an

entity insolvent or the opening of suspension of payments proceedings against such an entity.

At the same time, the Law provides that the government, on the basis of a report from the CNMV and the Banco de España, may authorise other financial institutions to carry out all or any of the functions assigned to the Systems Company. Such institutions shall in all cases comply with the minimum requirements laid down by regulations and shall also be subject to the same supervision and discipline arrangements as the Systems Company, with any special features that may be established in regulations.

#### CENTRAL COUNTERPARTY ENTITIES

In relation to securities clearing and settlement systems, the Law also provides for the creation of one or more *Central Counterparties*, the purpose of which is to eliminate counterparty risk from transactions. As this entity is interposed between the buyer and the seller, the latter always benefits from the performance guarantee it provides. The central counterparty or counterparties shall carry on their activities in accordance with the relevant regulations, which shall be approved by the Ministry of Economy on the basis of reports from the CNMV, from the Banco de España and from the regional (autonomous) governments whose Statutes of Autonomy authorise them to regulate securities trading centres. Such regulations shall determine, at least, the requirements for obtaining the status of participant in the system and shall establish the technical, operating and legal conditions for gaining access to the services provided, the collateral security that the member entities are required to provide and the information that they must supply in relation to the transactions that they notify to the central counterparty, as well as the financing arrangements for the latter entity.

The central counterparty may perform, for and on behalf of the contracting parties, their obligations arising under the framework agreements for transactions with transferable securities or financial derivative instruments, subject to the provisions of this or other applicable laws, as well as its implementing provisions. The central counterparty shall be subject to supervision by the CNMV and by the Banco de España, in their respective areas of competence, according to the provisions of this Law.

Subject to the provisions of this and other laws, as well as the implementing provisions of this law, the central counterparty may enter into agreements with other resident and non-resi-

(2) See "Financial Regulation 2000 Q4" in the *Economic bulletin*, Banco de España, January 2001, pp. 79-80.

dent entities that have similar functions or that manage securities clearing and settlement systems, may hold shares in such entities and allow them to take holdings in its own capital. Such agreements shall require the approval of the CNMV.

### 2.2.2. *Promoting the opening-up of Spanish securities markets*

The Law modifies the regulation of *cross holdings* between firms that administer secondary markets and their counterparts abroad, making it more flexible so as to facilitate the cross-border integration of markets, while ensuring some control over the suitability of the shareholders of the Spanish markets. Thus, the Minister of Economy, upon a proposal of the CNMV, may oppose the acquisition of a qualifying holding in companies that administer Spanish secondary markets, when he/she deems this necessary to ensure the markets function smoothly or to avoid distortions, and also when Spanish entities are not given an equivalent treatment in the home country of the entity that wishes to acquire the holding.

Also, companies that administer Spanish secondary markets (exchanges) are authorised to take holdings in similar companies in other countries, with the prior authorisation of the CNMV (previously they required government authorisation, on the basis of an opinion from the CNMV).

Notable among the market integration operations that the Law seeks to promote are those affecting the official futures and options markets, in which it is even normal for the various stages of a transaction (negotiation, clearing and settlement) to be performed in different countries.

Further, the Law transposes Directive 2000/64/EC into securities market regulations. This directive amends a number of other directives as regards the exchange of information in the field of insurance, securities and collective investment undertakings, facilitating the exchange of information between EU supervisors and third countries, subject to the appropriate confidentiality guarantees. This measure has already been applied to the credit market by Royal Legislative Decree 1298/1986 of 28 June 1986, on the adaptation of the existing law on credit institutions to that of the European Communities (3). In addition, organised trading sys-

tems are extensively regulated as regards, inter alia, authorisation arrangements, the requirement for managing companies to be formed with the status of public limited companies and supervision and sanctioning arrangements.

## 2.3. Measures to promote efficiency in the credit market

### 2.3.1. *Obligations arising from monetary policy operations*

The Law has supplemented and made systematic the specific rules for collateral security provided to the Banco de España, the European Central Bank and the other National Central Banks of the European Union, to ensure that the obligations arising under their monetary policy and overnight lending operations are performed. To this end it incorporates a new additional provision into Law 13/1994 of 1 June 1994 on the Autonomy of the Banco de España (4), reflecting the specific new legal arrangements applicable to such collateral security, which make the constitution and enforcement formalities more flexible. Constitution of collateral security shall no longer require the involvement of a Notary Public or any formality other than the existence of a written record and entry in the relevant register. In addition, in the case of securities represented by certificates, these shall be delivered to the beneficiary or to a mutually agreed third party.

To establish the relevant debt obligation there is no need for a Notary Public either, or for any other formality. In the case of repurchase agreements their specific regulations shall apply.

All that is required to enforce the collateral security is a certificate issued by the Banco de España, the European Central Bank or the relevant EU National Central Bank, evidencing the amounts due and payable that are being enforced, together with a copy of the document by which the security was constituted. When the collateral consists of assets tradable on an organised market, it shall be enforced through the relevant market authorities. In other cases it shall be enforced by means of an auction organised by the Banco de España. Any surplus remaining once the debt has been paid shall be returned to the institution that provided the collateral. In the event of breach by any of the parties to repurchase agreements, the provisions of the Securities Market Law and its implementing provisions shall apply.

(3) See "Regulación financiera: segundo trimestre de 1986", in *Boletín Económico*, Banco de España, July-August 1986, pp. 45 and 46.

(4) See "Regulación financiera: segundo trimestre de 1994", in *Boletín Económico*, Banco de España, July-August 1994, pp. 86-92.



### 2.3.2. *State cash management*

The Law seeks to improve and facilitate State cash management by enabling the Treasury to obtain a higher yield on its balance at the Banco de España through the purchase of fixed-income securities under repurchase agreements. The Minister of Economy may authorise the Directorate General of the Treasury and Financial Policy to enter into repurchase or loan agreements, specifying the permitted terms and conditions, in relation to the public debt securities of any EU Member State or other public entity or supranational institution or in relation to other fixed-income securities with a similar credit rating traded on regulated markets.

Where such assets have been provided as security to the Banco de España, their holders may also sell them temporarily to the Directorate General of the Treasury and Financial Policy under its cash management transactions conducted through the Banco de España, upon such terms as may be established by the Minister of Economy, provided that the following conditions are met:

- a) That the holder of the assets gives its consent. This may be given in the security agreement or document executed with the Banco de España.
- b) That there is sufficient collateral available, having properly secured the obligations to the Banco de España, to the satisfaction of the latter.

The assets in question shall secure the performance of the obligations to the Treasury, such security being fully effective vis-à-vis third parties, without any formality being necessary other than that the Banco de España has properly identified the collateral securing the performance of each such obligation, with the relevant breakdown. This breakdown shall be kept until the transaction concerned has matured. When such obligations have been fulfilled, the assets shall again be charged to the Banco de España.

### 2.3.3. *Reform of the legal regime for savings banks and the incorporation of flexibility into that for credit co-operatives*

The Law reforms the legal regime for savings banks, providing that group interests shall be represented at general meetings through the participation of at least the following groups: the Municipal Corporations within whose districts the bank has a branch open; the bank's depositors; the bank's founders, who may assign part of their representation to Local Authorities that

have not founded other savings banks within their territory; the bank's employees. The representation of general government and public law agencies and corporations on the governing bodies of savings banks, even when founders, shall not exceed, in total, 50% of all the voting rights in each such body, all such entities and corporations necessarily being represented. The depositors shall have 25-50% of the voting rights in each governing body, while employees shall have 5-15%.

Another set of provisions aims to increase the professionalism of savings bank management. Members of their decision-making bodies are required to perform their duties for the exclusive benefit of the interests of the savings bank and of fulfilment of its social function, while the fitness requirements for members of the governing bodies are tightened. Members of the board of directors shall be appointed for a term that shall be indicated in the bank's articles of association, without this being shorter than four years or longer than six, although the possibility of re-appointment for another term of the same length may be provided for, provided that the total term never exceeds twelve years. To increase the independence of members of the board of directors, during the term for which they are appointed their appointment shall, leaving aside cases of resignation, death and legal absence, be irrevocable, except in the event of a supervening conflict of interest, when they no longer meet a requirement for holding the post or when there appear to be reasonable grounds for their separation and a resolution to this effect has been adopted in general meeting.

Finally, a number of amendments make it easier for savings banks to enter into strategic agreements with each other, and for mergers to be concluded between the savings banks of different autonomous regions.

The Law makes the investment regime for credit co-operatives more flexible, bringing it more into line with that for banks and savings banks for two reasons: first, to enable these institutions to grow, by promoting an increase in the size of their industrial portfolios; and, second, to facilitate their recourse to subordinated financing, following a resolution of the decision-making body, whatever the precise arrangements, and provided that this possibility is expressly permitted by their articles of association.

## 2.4. *Measures to promote efficiency in the insurance market*

Among the measures to promote efficiency in the insurance market, changes have been

made to Law 30/1995 of 8 November 1995 on the Regulation and Supervision of Private Insurance. The object of these changes is to transpose the provisions of Directive 2000/64/EC of the European Parliament and of the Council of 7 November 2000 relating to the exchange of information between supervisors, into insurance market regulations. Co-operation agreements providing for the exchange of information with competent authorities for the regulation and supervision of insurance undertakings and other financial institutions, or with other authorities or bodies of third countries, shall require that the information disclosed be subject to guarantees of professional secrecy, and that the purpose of the exchange of information shall be the performance of the tasks of regulation and supervision of such authorities. Where the information originates in another member state of the European Economic Area, it may not be disclosed without the express agreement of the competent authorities which have disclosed it and, where appropriate, solely for the purposes for which those authorities gave their agreement.

The autonomous agency *Comisión Liquidadora de Entidades Aseguradoras* shall cease to exist from the entry into force of the Law, its functions, assets and personnel being taken over by the public-sector corporate entity *Consorcio de Compensación de Seguros*. This merger will enable management costs to be reduced, owing to the synergies existing between the two bodies.

The Fourth EU Motor Insurance Directive, which regulates the rights of persons injured in motor accidents outside their country of residence, but inside the European Union, has been transposed into Spanish law. Insurance companies authorised in Spain may now freely choose their representatives for handling and settling claims, who must reside or be established in the Member State for which they are appointed. They shall notify the information agencies of each Member State of the name and address of their representative in that State. Spanish persons injured in accidents occurring in another Member State may claim compensation from the insurance company in that State or from its representative in Spain.

## 2.5. Measures to boost the competitiveness of the financial industry

### 2.5.1. Territorial certificates

This new security, which resembles a mortgage certificate, enables credit institutions to re-finance their loans to general government using

a method similar to one available in other EU countries, namely by issuing fixed-income securities whose capital and interest are specially secured by the loans and credit granted by the institution to the State, regional (autonomous) governments, local authorities, as well as the autonomous bodies and public-sector corporate entities reporting thereto, or other entities of a similar kind in the European Economic Area. These securities shall be subject to the same tax and financial regime as mortgage certificates.

The total amount of the certificates issued by a credit institution may not exceed 70% of the amount of the outstanding loans or credit granted to the general government bodies referred to above. That said, this limit may be exceeded for a period of up to three months, provided that the difference is covered by a deposit of cash or government securities at the Banco de España.

### 2.5.2. Savings bank equity units

The Law updates and supplements the legal regime for equity units (*cuotas participativas*) (5), initially contained in Law 26/1988 of 29 July 1988 (6), and developed by RD 664/1990 of 25 May 1990 (7), promoting and enhancing this financial instrument. The aim is to enable savings banks to raise sufficient own funds using this instrument, thereby ensuring that the financing conditions they face are similar to those for other deposit institutions.

As was already envisaged, equity units may not be issued for less than their nominal value. When necessary they should be issued at a premium to avoid the dilution of the existing rights over the assets and future surpluses. Equity units shall be in registered form and shall be fully paid for in cash at the time of issue.

One of the changes made is that the volume of outstanding equity units shall not exceed 50% of the total assets of the savings bank, although for two years following the entry into force of this Law it shall not exceed 25% of its assets. Also, equity units shall be listed on or

(5) The equity units of savings banks are transferable securities representing monetary contributions of indefinite duration. They may be applied in the same proportion and to the same purposes as the institution's initial funds and reserves.

(6) See "Regulación financiera: tercer trimestre de 1988", in *Boletín económico*, Banco de España, October 1988, pp. 56-58.

(7) See "Regulación financiera: segundo trimestre de 1990", in *Boletín Económico*, Banco de España, July-August 1990, p. 79.



ganised secondary markets. However, no natural or legal person or economic group shall directly or indirectly hold more than 5% of all outstanding equity units. If this percentage is exceeded all the economic rights pertaining to the units acquired by the person or economic group concerned shall be suspended.

In exceptional situations that jeopardise the effectiveness of a savings bank's own funds, as well as its stability, liquidity and solvency, the Deposit Guarantee Fund and other institutions in the savings bank sector may, with prior Banco de España authorisation, hold more than 5% of the equity units issued by such savings bank.

The direct acquisition of equity units by the savings bank itself or its economic group is not permitted. Indirect acquisitions are permitted, provided that the nominal value of the units held by the institution or its consolidated group does not exceed 5% of the outstanding units.

Meanwhile, the following funds that must be established when the units are issued continue to be regulated: the Equity Fund (*Fondo de Participación*), which shall be equal to the total nominal value of the equity units issued; the Unit-Holder Reserve Fund (*Fondo de Reservas de los Cuotaparticipes*), which shall be made up of the freely disposable surplus corresponding to the equity units that has not been assigned to the Stabilisation Fund or paid out to the unit holders, and the Stabilisation fund (*Fondo de Estabilización*), the purpose of which is to avoid excessive fluctuations in the remuneration of the equity units. The Equity Fund, the Unit-Holder Reserve Fund and, if there is one, the Stabilisation Fund shall be set against losses in the same proportion and order as the initial funds and the reserves. Also, the Equity Fund and the Unit-Holder Reserve Fund shall be considered to be own funds.

#### 2.5.3. *Securities lending by collective investment undertakings*

Collective investment undertakings are to be allowed to undertake *securities lending*, through both market and over the counter (OTC) transactions. The purpose is to enable them to offer higher yields to investors, without any reduction in the safety of their investments. The Minister of Economy shall be responsible for establishing the limits and security for these transactions.

#### 2.5.4. *Contractual compensation agreements*

The Law gives legal certainty to so-called *contractual compensation agreements* which

provide for the possibility of bankruptcy of the parties. In fact, it is common practice for financial institutions to operate with one another on the basis of framework agreements that contain guarantees to cover, day to day, the net position resulting from all financing, securities lending, financial derivative, etc. transactions carried out by the parties. The Law extends to these agreements the rules of additional provision ten of Law 37/1998 of 16 November 1998 amending Securities Market Law 24/1988 of 28 July 1988 (8), which shall therefore also apply to OTC transactions. However, certain limitations are maintained with regard to the parties involved (at least one of the parties must be a credit institution or investment services firm) and to the content of the agreement (it shall include the mechanism for calculating the net amount payable) so that the effects of this guarantee regime go no further than strictly necessary.

#### 2.5.5. *Improved financing conditions for SMEs*

The Law also attempts to improve the financing conditions for SMEs. To this end, it makes it easier for them to raise financing through *factoring*, by permitting their portfolios of general government debt to be assigned en masse.

Notable among the measures to improve the financing of innovative small and medium enterprises is the amendment of the law on the legal and tax regime for *venture capital companies*, regulated by Law 1/1999 of 5 January 1999 (9). As a result of the experience gained since this law was enacted the following changes have been introduced: first, it is made easier for these companies to continue to hold the shares of firms that were not listed at the time of their acquisition and that have subsequently been listed on an exchange; second, it is made easier for them to invest in securities issued by firms which have more than 50 per cent of their assets in property, provided that they are directly involved in a business undertaking or activity that is not strictly property-centred; third, the operations of these companies are given greater flexibility, with in-kind capital contributions permitted after their formation; and, finally, it is ensured that the company operations of a venture capital company or which give rise to one are duly controlled.

(8) See "Financial regulation: fourth quarter 1998", in *Economic bulletin*, Banco de España, January 1999, pp. 90-98.

(9) See "Financial regulation: fourth quarter 1998", in *Economic bulletin*, Banco de España, January 1999, pp. 100-101.

Also, venture-capital companies are permitted to invest up to 25 per cent of their assets in companies belonging to their group or to that of their management company, provided that the following requirements are fulfilled:

- a) That their articles of association or internal rules envisage such investments.
- b) That the company or, where applicable, its management company has an internal procedure, specified in its internal rules of conduct, to enable conflicts of interest to be avoided and to ascertain that transactions are in the exclusive interest of the company. A committee of the board of directors or an internal body of the management company shall be responsible for verifying fulfilment of these requirements.
- c) That the company's prospectuses and regularly published information give details of any investments in entities belonging to the same group.

#### 2.5.6. *Promotion of the use of electronic techniques*

Another chapter of the Law regulates the legal effects of *electronic trading* and transposes the Directives on electronic money into Spanish law. Electronic money is defined as monetary value as represented by a claim on the issuer which is stored on an electronic device, issued on receipt of funds of an amount not less in value than the monetary value issued and accepted as means of payment by undertakings other than the issuer.

Electronic Money Institutions (EMIs) are credit institutions whose main activity is the issuance of means of payment in the form of electronic money. Institutions seeking to carry on this activity may not receive funds of an amount exceeding the monetary value issued. The receipt of funds shall not constitute the receipt of funds repayable to the public if they are immediately exchanged for electronic money. However, they shall be subject to the same treatment as deposits, for the purposes of their coverage by deposit guarantee funds, if the device into which they are incorporated is in registered form or they are linked to an account representing a deposit made by its holder.

To carry on the business of issuing electronic money within Spanish territory authorisation to act as a credit institution shall be obtained and the entity shall be entered in the relevant registers. The Minister of Economy, further to a report of the Banco de España, shall be respon-

sible for authorising EMIs, and the Banco de España shall be responsible for their supervision and inspection, as well as for entering them in the register set up for the purpose. EMIs shall be subject to the sanctioning regime applicable to credit institutions, with such adaptations as may be determined by regulations.

The Law enables the government to develop the rules applicable to the setting up of Electronic Money Institutions and the conditions for pursuit of their business. Also, the Minister of Economy is authorised to regulate the special features of the general rules governing electronic trading, ensuring that the legitimate interests of customers are protected, without prejudice to the freedom to trade that, in its substantive aspects and subject to the limitations that may arise from other legal provisions, must govern the relations between investment services firms and their customers.

## 2.6. Measures to protect financial services customers

### 2.6.1. *Bodies to defend customers*

First, the law regulates some administrative bodies newly set up to defend financial service customers. These are: *the Commissioner for the Defence of Bank Customers; the Commissioner for the Defence of Investors and the Commissioner for the Defence of Insurance Policyholders and Pension Scheme Participants*, attached to the Banco de España, the CNMV and the Directorate General for Insurance and Pension Funds, respectively, whose express aim is to protect the rights of financial service users in their relevant area. Also, the government has been empowered to develop regulations to implement the provisions of the law relating to these Commissioners and, in particular, dealing with their appointment, their hierarchical ranking, the procedure for resolving complaints and claims and the content of their annual reports

Second, the law establishes an obligation on all credit institutions, investment services firms and insurance companies to attend to and resolve the complaints and claims presented by their customers in relation to their legally recognised interests and rights. For these purposes, the financial institutions shall have a customer care department or service. Also, they may appoint an *ombudsman*, who shall be responsible for dealing with and resolving the types of claims determined, in each case, by their rules of operation, and that shall be an independent entity or expert. Decisions of the ombudsman in favour of claims shall be binding on the institu-

tion. The Law authorises the Minister of Economy to lay down certain minimum requirements that shall be met by the customer care department or service and by the ombudsman.

### 2.6.2. Other protection provisions

#### STRENGTHENING OF SUPERVISORY POWERS

The law updates and modifies the sanctioning regime for credit institutions, investment services firms and insurance companies, introducing as grounds for sanctions deficiencies in the administrative or accounting organisation or in the internal control procedures, including those relating to risk management, when such deficiencies jeopardise the institution's solvency or stability. It also modifies the law regulating currency-exchange bureaux, tightening the requirements for taking up the business by introducing a requirement for administrative authorisation, when such business is carried on by natural or legal persons other than credit institutions, and requirements of commercial and professional repute for the owners of such bureaux. In addition, the Law establishes greater control over institutions selling foreign banknotes or travellers' cheques or arranging international transfers, making the Banco de España responsible for their supervision and oversight. Finally, the Law widens the sanctioning regime applicable to these institutions.

#### TRANSPARENCY IN CAPITAL MARKETS

The protection of capital market investors is promoted, by strengthening the transparency rules and improving information.

First, transparency rules are applied to *related transactions*, to avoid abuses by executives and directors contrary to the interests of the shareholders. Specifically, companies issuing securities listed on an official secondary market shall necessarily include in their half-yearly information quantified information on all the transactions carried out by the company with related parties (executives and significant shareholders) in such form as may be determined by the Ministry of Economy or, with its express authorisation, by the CNMV, indicating the type and nature of the transactions and the related parties involved. However, the Ministry of Economy shall determine on which transactions individual information shall be supplied, where these are significant on account of their amount or are relevant to an adequate understanding of the company's financial statements.

Second, the regulation of *inside information* and *relevant information* is tightened, to avoid

the loss of market integrity and, in the final analysis, a rise in the cost of corporate financing on account of lack of investor confidence. The concept of *inside information* is extended to cover instruments other than transferable securities, and it is considered to be any information of a specific nature that has not been published and that if it were or had been published, might influence or might have influenced their price on a market or organised trading system appreciably.

All entities or groups of entities that provide investment services and those other entities that perform or provide securities-market investment advisory services are under an obligation to establish such measures as may be necessary to prevent the flow of inside information between the various areas of their business, so as to ensure that each of them takes its decisions in relation to the securities market autonomously and that conflicts of interest are avoided. Also, all the entities and groups of entities that make, publish or disseminate reports or recommendations on companies that issue listed securities or financial instruments shall act fairly and impartially, stating in a prominent place in their reports, publications or recommendations any relevant links they may have, including commercial relationships, and any permanent holding that the entity or its group may have or be going to have in the company analysed, and also that the document does not constitute an offer to sell or subscribe for securities. The Minister of Economy and, with its specific authorisation, the CNMV may establish measures of a compulsory nature to develop this article and, in particular, an obligation on entities to have specific internal rules of conduct for their investment advisory services.

The Law also specifies in great detail the information that should be considered *relevant*, namely that whose knowledge may reasonably affect an investor thinking of acquiring or transferring securities or financial instruments and therefore may significantly influence their price on a secondary market. Issuers of securities are obliged to disclose it to the market immediately, by means of prior notification to the CNMV, before it is published by any other means, and as soon as the fact, decision or agreement in question is known, has been taken or has been signed. Also, issuers of securities shall also disclose this information on their websites.

Preventive organisational measures are also specified for institutions that provide services in the securities markets, in order to prevent the leaking of information between the different areas of an entity or between entities of the same

group (so-called "Chinese walls"). The previous obligations to act transparently are extended to executives, directors and employees. All of them are prohibited from indulging in practices aiming to distort the free formation of prices in the securities market, i.e. price manipulation.

The Minister of Economy and, with its express authorisation, the CNMV, may establish compulsory measures that, inter alia, determine the method and time periods for the directors and executives, and those persons that have a close link with them, to notify the CNMV and the general public of acquisitions of securities and financial instruments issued by the entity in which they hold such office or indexed thereto.

The law also assigns powers to the CNMV to make the necessary requirements of and, where applicable, to impose sanctions on the persons or entities that fail to comply with the above-mentioned rules.

#### CHANGES TO THE RULES GOVERNING THE AUTHORISATION OF COLLECTIVE INVESTMENT UNDERTAKINGS

The Law amends the rules on the authorisation of collective investment undertakings, to follow the principle that it should be the regulatory body (the Minister of Economy) which authorises the management company and the supervisory body (the CNMV) the collective investment undertaking (CIU), instead of the Minister of Economy as until now. Except for CIUs with the status of companies, the registration of funds in the Mercantile Registry is now optional, registration with the CNMV being sufficient.

The Minister of Economy, instead of the CNMV, is now responsible for authorising CIU management companies, upon a proposal from the CNMV, while the CNMV remains responsible for authorising CIU depository institutions. In both cases subsequent entry in the relevant CNMV administrative register is required and this shall be granted on the terms that may be established in regulations. Also, the Law expressly requires CIU depositories to be members of the clearing, settlement and registration systems in the various Spanish markets.

As regards the merger of funds, the procedure laid down in Law 46/1984 of 26 December 1984 regulating Collective Investment Undertakings (10) is specified and widened. Thus, mutual funds may merge either through takeo-

ver by an existing fund, or through the dissolution of both and the transfer en bloc of their assets and liabilities to a new fund. The commencement of the procedure shall require a prior resolution of the management company and of the depository of the funds that are going to merge, which shall be presented, along with the merger project, to the CNMV for its authorisation. The minimum content of a fund merger project shall be specified in regulations.

In the event of insolvency or the admission for consideration of a petition for suspension of payments of a securities depository of any CIU, the Law authorises the CNMV to transfer immediately, without charge to the institution, the foreign securities, including those deposited with third parties, held in the name of the depository on behalf of the collective investment undertakings that it manages, to another institution authorised to carry on the same business.

Also, Law 24/1988 of 28 July 1988 on the Securities Market (11) has been amended to extend the applicability of the rules on the fitness and properness of directors, general managers and similar officers of investment services firms to cover agents with general powers of representation.

#### STRENGTHENING OF THE RULES OF CONDUCT IN THE SECURITIES MARKET

With a view to effective compliance with the abovementioned transparency obligations, the Law strengthens the rules of conduct of the institutions that operate in the securities market (in particular, investment services firms and credit institutions) with the ultimate aim of protecting investors. Thus, among the new rules of conduct added by the Law, institutions must abide by the following principles: a) ensuring that customers are treated equally, avoiding giving priority to some over others when distributing recommendations and reports; b) refraining from taking positions for own account on securities or financial instruments in respect of which it is conducting a specific analysis, from when the conclusions are known until the related recommendation or report is released and c) to state to customers any possible conflict of interest in relation to the advice or to the investment service provided.

Insofar as they are compatible with their business, these principles shall be applicable to

(10) See "Regulación financiera: cuarto trimestre de 1984", in *Boletín económico*, Banco de España, January 1985, pp. 41-44.

(11) See "Regulación financiera: tercer trimestre de 1988", in *Boletín económico*, Banco de España, October 1988, pp. 61 and 62.



those persons or institutions who carry out analysis of securities and financial instruments.

Finally, the law requires them to send internal rules of conduct to the CNMV within nine months. In addition, they shall send a written undertaking to ensure that these internal rules of conduct are kept updated and that their content is known, understood and accepted by all the persons belonging to the organisation to whom it is applicable.

#### THE AUDIT COMMITTEE IN COMPANIES THAT ISSUE SECURITIES

The Law introduces the institution known as the *Audit Committee*, which companies that issue shares or bonds listed on official secondary securities markets are required to have. The number of members, the powers and rules of operation of the Committee shall be established in the company's articles of association. Its duties shall include at least the following:

1. Reporting to the shareholders in General Meeting on matters they have raised that come within its competence.
2. Proposing the appointment of the auditors to the Board of Directors for submission to the shareholders in General Meeting.
3. Supervising the internal audit services, as well as knowing the financial information process and the company's internal audit systems.
4. Contacting the external auditors to request information on matters that may compromise their independence and any others relating to the auditing of the accounts, as well as those other communications provided for in the law on the auditing of accounts and in the technical audit rules.

#### CHANGES TO THE CONDITIONS FOR PERFORMING AUDITING ACTIVITIES AND TO THE RELATED SANCTIONING REGIME

As regards becoming an auditor, a new *single examination system* is established. Examinations shall be held upon the joint proposal of the corporations representing auditors, and secondarily of the Institute of Accounting and Auditing, following approval by the latter of the proposal, which shall be published by means of an Order of the Ministry of Economy. Persons passing these examinations shall be qualified to join the corporations representing auditors, in relation to performance of the audit function,

without prejudice to the specific membership requirements of each corporation. Also, compulsory continuous education is established for auditors, in such form and upon such conditions as may be laid down in regulations.

Auditors shall be and shall be seen to be independent of the firms or entities they audit, and shall refrain from acting when the objectivity required to check the relevant accounting documentation might be seen to be compromised. Also, the new Law widens the cases of non-compatibility envisaged in the Auditing Law 19/1988 of 12 July 1988 and retains the three-year period following termination of contract, during which auditors shall not work for or belong to the administrative or management bodies of the audited firm or entity, or have any direct or, if it is significant for either of the parties, indirect financial interest in the audited entity.

The supervisory arrangements for audit activities are widened to allow, inter alia, the Banco de España, the CNMV and the Directorate General of Insurance and Pension Funds to have access to audit documentation. This access shall only be available when these agencies and bodies cannot obtain the specific documentation to which they require access from the entities themselves and shall be solely for the purpose of performing their duties in relation to entities subject to their supervision and control, when the matter is particularly serious. The aforesaid agencies and bodies may also request from auditors any information they may have on a specific matter relating to the auditing of the accounts of the entity in question with clarification, where applicable, of the content of working papers.

Finally, the range of infringements that can be committed by auditors is widened and a new category of infringement is introduced, namely very serious ones. Inter alia, these include: the issuance of audit reports with an opinion inconsistent with the evidence obtained by the auditor, when there has been especially serious and inexcusable wrongdoing or negligence; breach of the auditor's duty of independence; stopping or resisting performance of the Institute of Accounting and Auditing's duties of supervision or discipline; and the use of information obtained in the performance of their duties for own or third-party benefit.

#### MEASURES TO IMPROVE THE EFFICIENCY, EFFICACY AND QUALITY OF SUPERVISION PROCEDURES

To this end, the Law provides that the National Energy Commission (*Comisión Nacional de la Energía*) the Telecommunications Market



Commission (*Comisión del Mercado de las Telecomunicaciones*), the CNMV (*Comisión Nacional del Mercado de Valores*) and the Banco de España shall have internal control bodies whose hierarchical relationships and reporting powers shall be governed by the principles of impartiality, objectivity and the avoidance of conflicts of interest. These bodies shall issue an annual report on their supervisory function, describing their supervisory activities and procedures, with information indicating the efficacy and efficiency thereof. This annual report shall also include a report by the internal control body concerned on the appropriateness of the decisions taken by its governing body in the light of the procedural law applicable.

The Banco de España, the CNMV and the Ministry of Economy shall, within the sphere of their respective legal powers to supervise and inspect financial institutions, co-operate closely in order to harmonise where desirable and to improve, on the basis of their experience, the criteria and programmes involved in the supervision techniques and practices they use to perform their functions. For this purpose, they shall regularly exchange relevant information, in particular, that relevant to the quality of the techniques used, and they may enter into an agreement or agreements to standardise such exchanges, to homogenise specific procedures or practices and, where applicable, to specify the instruments that enable the aforementioned objectives to be monitored.

## 2.7. Other changes

### 2.7.1. Reform of the Central Credit Register

A further measure to boost the efficiency of the financial system is the reform of the law governing the Central Credit Register of the Banco de España (CCR), which aims to unify the legal arrangements and to strengthen its role within the financial system. The CCR is of fundamental importance both to the control of risk by credit institutions and to the supervision carried out by the Banco de España, so that the Law gives it the legal nature of a *public service* and entrusts its management and administration to the Banco de España. The latter is responsible for treatment of the collected data, those persons affected having no right to challenge the treatment of their personal data when these have been obtained in accordance with the law. The objectives of the CCR are: to collect from the reporting institutions information and data on credit risks; to enable the authorities responsible for the prudential supervision of such institutions to exercise their powers of supervision and inspection appropriately; to help

the Banco de España perform the other functions it has been legally assigned correctly; and to contribute to the stability of the Spanish credit system.

The Law regulates other important aspects of the functioning of the CCR, such as the entities and risks that must be declared, the information that shall be supplied to CCR users, the use and transfer of data by the reporting institutions and the Banco de España, the rights of access, rectification and cancellation of the information on borrowers and the length of time the information shall be maintained, which is ten years, although it can be maintained indefinitely for statistical, historical or scientific purposes, as long as the borrowers cannot be identified. The Law also refers to the sanctions that may be applicable in the event of breach of provisions regarding the use of data or inaccuracies in its reporting.

### 2.7.2. Externalisation of pension commitments

First, the period for adapting companies' pension commitments to staff to additional provision one of Law 8/1987 of 8 June 1987 on the Regulation of Pension Schemes and Funds (12), already extended to 16 November 2002 by additional provision twenty-five of Law 14/2000 of 29 December 2000 on Fiscal, Administrative and Social Measures, has been further extended to 31 December 2004 for the purpose of integration into jointly promoted employment pension schemes of those commitments arising under supra-firm collective agreements, which are linked to a worker's length of service in the firm or sector up until retirement and consist of a single benefit payable upon retirement.

For such purposes, the representatives of the firms and of the workers at the supra-firm level may promote one or more jointly promoted pension schemes, which those firms subject to the collective agreement may belong to, notwithstanding the necessary adaptations that must be agreed upon in order to adjust the form of the aforementioned commitments to the basic principles of pension schemes established in the law relating thereto.

Finally, the financial limits for the externalisation of pension commitments through pension schemes have been abolished. For this pur-

(12) See "Regulación financiera: segundo trimestre de 1987", in *Boletín Económico*, Banco de España, July-August 1987, pp. 49-51.

pose, section 4 of transitional provision fifteen of Law 30/1995 of 8 November 1995 on the Regulation and Supervision of Private Insurance (13) has been amended so that the maximum amount of recognised past services corresponding to the years beginning on 1 January 1988 until the institution of the Pension Scheme cannot exceed, for each of these years, the amount of the annual financial limit in force in each of these years. However, when the pension commitments of firms to their employees or workers arise under a collective agreement all past services shall be included. For such purposes, where appropriate, the related rebalancing plans shall be modified for their approval or inspection by the Directorate General of Insurance and Pension Funds.

#### 2.7.3. *Restrictions on the temporary financial investments of non-profit entities*

The CNMV, the Banco de España and the Ministry of Economy shall, each within their area of supervision, approve codes of conduct containing the specific rules for the temporary financial investments of foundations, establishments, non-profit institutions and associations, professional associations, employment promotion funds, mutual associations, mutual social welfare societies, mutual insurance companies for workplace accidents and occupational diseases within the Social Security System and, as the case may be, other institutions subject to low corporate income tax rates, but not subject to a specific system for the diversification of investments to optimise the return on the cash they have available to be used to earn a return in accordance with their operating rules.

The governing, administrative or management bodies of such institutions must present an annual report on the degree of compliance with such codes for the information of the person covered or their associates or members.

#### 2.7.4. *Other measures*

The law revises in depth the organisation and functions of the CNMV and provides for the approval of by-laws for this body.

It also introduces certain changes to the Public Limited Companies Law and the Private Limited Companies Law. Particularly notable are those relating to the valuation of the shares and other equity of a company in certain specif-

ic cases, such that the valuation shall generally refer to "fair value" instead of "real value", a value that shall be determined by an auditor other than the company's auditor.

The Law also regulates the system of rounding for certain credit transactions (mainly mortgage loans) that has been applied in accordance with the customs of banking practice. From the entry into force of the law, the variable interest rate that may be agreed in credits and loans secured by mortgage, bond, pledge or some other equivalent guarantee shall be rounded to the end of the nearest agreed interval, without this exceeding one eighth of a percentage point.

### 3. CONSOLIDATED TEXT OF THE LAW ON THE REGULATION OF PENSION SCHEMES AND FUNDS

Law 30/1995 of 8 November 1995 on the Arrangements for the Supervision of Private Insurance amended Law 8/1987 of 8 June 1987 on the Regulation of Pension Schemes and Funds. The amendments included most notably the incorporation of arrangements for the safeguarding of companies' pension commitments with their employees, established in compliance with Council Directive 80/987/EEC of 20 October 1980 on the approximation of the laws of the Member States relating to the protection of employees in the event of the insolvency of their employer. Subsequently, Law 66/1997 of 30 December 1997 (14), amended by Law 50/1998 of 30 December 1998 (15), both consisting of fiscal, administrative and social measures, complemented the transitory financial and fiscal regime for the adaptation of pension commitments provided for in Law 30/1995.

Likewise, Law 30/1995 updated and finalised the administrative sanctioning regime of Law 8/1987, in line with the regulation and supervision of insurance corporations. It introduced a system of special control measures to ensure the end-purpose for which pension funds were regulated. It further identified the grounds for winding up management companies and pension funds, along with the grounds for terminating pension funds and those for an administrative resolution to intervene in the liquidation and revocation of authorisation of management companies and pension funds, all this

(13) See "Regulación financiera: cuarto trimestre de 1995", in *Boletín económico*, Banco de España, January 1996, pp. 86-91.

(14) See "Financial regulation: fourth quarter of 1997" in *Economic Bulletin*, Banco de España, January 1998, pp. 90-91.

(15) See "Financial regulation: fourth quarter 1998" in *Economic Bulletin*, Banco de España, January 1999, p. 110.

in parallel with the arrangements for insurance undertakings.

Law 14/2000 of 29 December 2000 on fiscal, administrative and social measures amended Law 8/1987 on the own-funds requirements applicable to the managing entities of pension funds. For its part, Law 24/2001 of 27 December 2001 on fiscal, administrative and social measures (16) introduced a series of amendments. These included most notably those affecting the regulation of employment pension schemes, providing for their co-ordination with representation and bargaining processes in the labour environment; those relating to the maximum annual contribution limit for pension schemes; and those detailing the freedom of the provision of pension fund investment management services further to Community Directives, and the reporting obligations on pension scheme participants and beneficiaries.

The above-mentioned Law 24/2001 authorised the Government to draft, in the twelve months following the entry into force of this legislation, a consolidated text for the Law on the Regulation of Pension Funds and Schemes, integrating therein, once duly regularised, clarified and systematised, Law 8/1987 of 8 June 1987 on the Regulation of Pension Funds and Schemes and other similarly related provisions.

In compliance with this authorisation, *Royal Legislative Decree 1/2002 of 29 November 2002* has recently been enacted. This legislation approves the consolidated text of the Law on the Regulation of Pension Funds and Schemes (BOE 298/2002 of 13 December 2002). The consolidated text includes, as ordered by the legislator, the financial regime applicable to the handicapped and established under Law 40/1998 of 9 December 1998 on Personal Income Tax and other tax rules (17), updated by Law 6/2000 of 13 December 2000 on urgent fiscal measures to encourage household saving and small and medium-sized enterprises, and by Law 24/2001 of 27 December 2001.

The consolidated text also incorporates the process of externalisation of pension commitments, so as to endow the social agents involved with a regulatory text encompassing the regulation of pension schemes and aspects of the duly updated process of adaptation. The consolidated text likewise retains the treatment accorded to the voluntary transformation of

companies' internal funds and other staff welfare systems into pension schemes, since the associated effects may still have a bearing on processes initiated in this connection.

#### 4. AMENDMENT OF PERIODIC REPORTING FORMATS FOR INSTITUTIONS ISSUING STOCK-MARKET-LISTED SECURITIES

In its capacity as supervisory body of the markets, the CNMV is empowered to resolve various procedures contained in Securities Market Law 24/1988 of 24 July 1988 and, consequently, it is the authorised agency responsible for approving the electronic, IT and teleprocessing procedures to be used in its relations with those under its supervision. Pursuant to the foregoing, the CNMV, by means of the Resolution dated 11 March 1998 (BOE of 27 March), set in place an electronic application called CIFRADOC/CNMV (the "CNMV On-line Information Exchange System"). The system was structured as a means of information exchange to be progressively used by the CNMV itself, the institutions supervised by it (issuers, agency brokers and securities-dealer companies, management entities, etc.) and the public in general. Its scope covered both the handling of specific procedures (under the responsibility of the CNMV) and the reception of information submitted to the Commission. It also covered the complaints and enquiries which correspond to the public information department of the CNMV, and left open the possibility of incorporating any other exchange of information which, in accordance with current law, it considered fit to incorporate into the CIFRADOC/CNMV. The outcome was greater flexibility in such procedures, without detracting from their legal security in any way.

The Ministerial Order of 18 January 1991 on the periodic public reporting by institutions issuing securities listed on Stock Exchanges (18) authorised the CNMV to amend the formats included in the annexes to this regulation. Accordingly, CNMV Circular 3/1994 of 8 June 1994 (19), amending the periodic public reporting formats for institutions issuing stock-market-listed securities, already accommodated the possibility of information being reported by computerised means, in accordance with the technical requirements specified by the CNMV.

(16) See "Financiación: 2001 Q4" in *Economic Bulletin*, Banco de España, January 2002, pp. 97-99.

(17) See "Financiación: fourth quarter 1998" in *Economic Bulletin*, Banco de España, January 1999, pp. 105-107.

(18) See "Regulación financiera: primer trimestre de 1991", in *Boletín económico*, Banco de España, April 1991, p. 52.

(19) See "Regulación financiera: segundo trimestre de 1994", in *Boletín Económico*, Banco de España, July-August 1994, pp. 99-100.

On the basis of the above-mentioned authorisation, *CNMV Circular 2/2002 of 27 November* (BOE 301/2002 of 17 December 2002) was published. This amends Circular 3/1994 of 8 June 1994. It is intended to institute use of the coding and electronic signature system CIFRADOC/CNMV for the transmission of the periodic public information regulated by the aforementioned Order, as it is considered that the benefits entailed by the widespread use of the system by corporations issuing stock-market-tradable securities will be appreciable for investors, for the issuing institutions themselves and for the supervisory tasks of the CNMV.

A prior requisite for the on-line reporting of documents is registration as a system user and the exchange of codes for coding and decoding the documents, with the CNMV providing the necessary software. That ensures confidentiality, security and non-repudiation in the transmission of information. This simplicity of procedure and the need for technical equipment that is fully accessible to corporations with securities traded on a stock market has led the CNMV to institute the CIFRADOC/CNMV system as the sole periodic public information reporting system.

Nonetheless, when exceptional circumstances arise making the transmission of the aforementioned information through the CIFRADOC/CNMV system impossible, the CNMV may, exceptionally and upon the request of the issuing corporation, authorise the periodic public information to be submitted on the forms prepared by the CNMV, in accordance with the stipulations of the formats currently in force.

## 5. OFFICIAL SECONDARY MARKETS FOR OLIVE OIL FUTURES AND OPTIONS

Royal Decree 1814/1991 of 20 December 1991 (20) regulated in broad terms the official secondary futures and options markets. Subsequently, this regulation was amended by Royal Decree 695/1995 of 28 April 1995 (21), which established special rules applicable to the official secondary markets for citrus fruit futures and options and empowered the Ministry of Economy to determine the specialities to which the official secondary markets for futures and options based on non-financial instruments other than citrus fruits should be subject.

(20) See "Regulación financiera: cuarto trimestre de 1991", in *Boletín económico*, Banco de España, January 1992, pp. 63-64.

(21) See "Regulación financiera: segundo trimestre de 1995", in *Boletín Económico*, Banco de España, July-August 1995, pp. 104-105.

Law 37/1998 of 16 November 1998, amending Securities Market Law 24/1988 of 24 July 1988, empowers the Government to authorise the creation of the various official secondary futures and options markets.

By virtue thereof, the *MINISTERIAL ORDER ECO/3235/2002 of 5 December 2002* has been enacted. This implements the particular features applicable to the official secondary markets for olive oil futures and options (BOE 303/2002 of 19 December 2002).

The salient particularity of the regulation contained in this Order is the provision whereunder other non-financial entities that habitually engage in the production, marketing, mediation and/or distribution of olive oil may have access to market-member status. This involves the need to regulate the requirements to be met by these entities, with the aim of ensuring they comply with minimum standards of solvency, professionalism and specialisation, and, moreover, that their participation does not introduce exceptional risks into the markets. The admission of industrial members will prove useful for this sector, since it will have a bearing on increasing market activity.

Further particularities of this regulation compared with the general provisions governing the official secondary markets for financial futures and options lie in the reports that must be requested of certain public agencies regarding the viability of the markets and of the contracts that can be traded on them; the content of the general conditions of negotiable contracts, which should feature as an annex to the corresponding market Regulation; the special circumstances in which trading can be suspended, given the characteristics of the underlying asset; and the questions applicable to the management bodies of these markets.

Authorisation of the official secondary markets for olive oil futures and options shall be the competence of the Government, upon a proposal of the CNMV (CNMV). Without prejudice to the administrative responsibilities that may arise, the CNMV shall propose to the Government the withdrawal of the authorisation granted to the Management Company should there be supervening non-compliance with any of the requirements motivating the conferral of said authorisation.

The legal regime and functions of Management Companies are also regulated and, finally, their regulatory implementation is provided for. Inter alia, this shall, given the particularities of this market, include the presence of market information dissemination systems, the setting of



limits on open positions and other specific control measures.

## 6. PARTIAL REFORM OF PERSONAL INCOME TAX, CORPORATE INCOME TAX AND THE TAX ON THE INCOME OF NON-RESIDENTS

### 6.1. Introduction

Following the consolidation of the structure and content of personal income tax set in place by Law 40/1998 of 9 December 1998, further reforms have become necessary to adapt the tax to the changing circumstances of Spanish society and thus to promote saving, investment and employment, in compliance with the commitments envisaged in the budgetary stability programme.

Furthermore, the approval of Law 21/2001 of 27 December 2001 regulating the fiscal and administrative measures of the new financing arrangements for the ordinary-regime regional (autonomous) governments and the city-enclaves (Ceuta and Melilla) with autonomous region status, has shaped the new framework of fiscal co-responsibility and powers of the regional governments in respect of personal income tax.

So as to see these points through, Law 46/2002 of 18 December 2002 was enacted. This legislation partially reforms personal income tax and amends the Laws on corporate income tax and the tax on the income of non-residents (BOE 303/2002 of 19 December 2002), given their interrelatedness.

The Law comprises three chapters, each dedicated specifically to the tax being amended. The key details are outlined hereafter.

### 6.2. Partial reform of personal income tax

The family occupies a central role in the present reform, continuing along the initial lines established in 1998. Particular regard is had to needs arising from circumstances such as the decline in the birth rate, population ageing and disabilities, while the incorporation of women into the labour force is encouraged, in keeping with the spirit and the objectives of the government's *Integrated Plan for Family Support*.

As part of the new reform of the tax, then, the minimum amount of the personal and family tax-free allowance has been raised, i.e. that portion of their income that taxpayers generally set aside to meet their needs and those of their

children, with particular attention given to large families. Likewise, new deductions are included in the taxable base for children under three years old, for the age of taxpayers themselves or of their parents, for expenses relating to care for the elderly and for the disabled, in an attempt to adapt the tax burden to situations of dependency. Specifically, the treatment for tax purposes of the family and of situations of disability is improved, with a general increase in the amounts involved and a new deduction for care, so as better to attend to the needs of both the disabled and the people on whom they depend. In order to compensate for the social and labour costs arising from maternity, a new deduction from net tax payable is added for mothers, with children under three, who work outside the home.

The taxation of income from work is improved by the increase in the amount deductible for this type of income, and by the creation of two specific deductions for these earnings. The first is the deduction for extending one's working life, and the second is to facilitate labour mobility.

As one of the aims of the reform is to continue to promote long-term saving, the new so-called *insured provision-for-retirement schemes* have been created, the tax regime for which is on a par with that of individual pension schemes provided they meet a series of requirements. These essentially match those demanded of pension schemes which, in turn, will mean that the premiums paid on these new insurance contracts may be deducted from the tax base.

For income from property arising on rented housing, the calculation of net income has been refined and simplified, and additional incentives for increasing the supply of rented housing and reducing rental prices have been introduced.

Regarding movable capital (savings and investments) income, changes have been made which involve progress in the promotion of long-term saving, an aim pursued via greater neutrality and an improved taxation regime. This has taken the form of an increase in the reducing percentages applicable, a reduction in the period that must transpire before their application, and simplification by means of the reduction in the number of percentages scheduled.

For the determination of net income from business activities, the personal income tax self-assessment arrangements are altered, with new restrictions being added. These include that relating to the volume of purchases, to adapt the tax regime better to the size of the



firm, and the restriction on business activities pursued in the region where the tax is applied. To increase neutrality in respect of business activities, the tax transparency regime has been eliminated and the regime for companies subject to income attribution has been amended so as to obtain greater information on the activities they engage in.

With regard to capital gains and losses, the most significant changes are the reduction in the tax rate applicable to the special-regime final tax base and the absence of any taxation of redemptions of shares in mutual funds which the taxpayer holds, provided that the resulting balance is reinvested in shares in other funds.

The tax schedule has been simplified and the tax burden lessened, whereby rates and the number of brackets have been reduced.

To provide for greater international mobility of workers and for the related changes in residence from Spain to abroad or vice-versa, the payment-on-account arrangement applicable to income earned in these circumstances has been simplified by means of a mechanism involving communication of the immediate change of residence to the tax authorities. This new arrangement, which has been added in parallel to the legislation on the taxation of non-residents' income, represents a significant improvement for employees and employers alike.

Finally, the possibility of draft returns being sent to taxpayers by the tax authorities has been regulated, the aim being to smooth the processing of the tax and to promote voluntary compliance, which is a priority basic to the tax authorities' activity.

### 6.3. Amendment of corporate income tax

The partial amendment of Law 43/1995 of 27 December 1995 on Corporate Income Tax (22) focuses on the elimination of the special tax transparency regime. The disappearance of this regime, warranted for reasons of neutrality, entails the elimination of all degrees of the special regime for entities whose income arises from professional, artistic or sporting activities, while the new special regime covering investment companies will be applicable to the so-called portfolio or asset-holding institutions.

(22) See "Regulación financiera: cuarto trimestre de 1995", in *Boletín económico*, Banco de España, January 1996, pp. 91 and 92.

These investment companies will be taxed under personal income tax regulations as regards the determination and integration of the tax base, in such a way that the tax will be divided into two parts: the general portion and the special portion. The former will be taxed at a rate of 40% and the latter at 15%, with no attribution to shareholders.

The elimination of the tax transparency regime means the references to it throughout the articles of the legislation governing the tax have to be revised, if not indeed repealed. The biggest adaptation involves Spanish and European economic interest groupings and joint ventures. The previous special regimes for these three types of vehicles, based on the reference to tax transparency, are now unified under a new regime in which the same material regulation hitherto applicable to them is reproduced.

As far as taxpayers that are shareholders of entities subject to the income attribution regime are concerned, a reference is made to the general regulation covering this regime in personal income tax Law 40/1998.

Finally, and under the fiscal consolidation regime, the specific requirements to be met by the permanent establishments of non-resident entities on Spanish territory that acquire the status of controlling entity of a Spanish fiscal group are regulated.

### 6.4. Amendment of the tax on the income of non-residents

The reform is in accordance with the broad thrust of Law 41/1998 of 9 December 1998 (23) on the Tax on the Income of Non-residents and Other Tax Provisions. Thus, it attempts to make technical improvements to the previous text, in the light of the experience gained from its application, at the same time as certain new elements not expressly regulated before are incorporated. All this has three basic objectives: to assist the internationalisation of Spanish firms, both from the viewpoint of investment and of the geographical mobility of labour, to attract more foreign investment to Spanish financial markets and to improve control mechanisms to avoid tax fraud.

As regards liability, the representatives of taxpayers who operate in Spain through a permanent establishment are made jointly and severally liable for the tax debts of the latter. A

(23) See "Financial regulation: fourth quarter 1998", in *Economic bulletin*, Banco de España, January 1999, pp. 107-108.

number of changes have been made to the factors that determine the income obtained within Spanish territory subject to the tax, which are intended to facilitate their application. Notable for their importance are charges, the remuneration of members of entities' boards of directors and pensions.

At the same time, the regulation of the so-called payment criterion has been amended, its application being restricted to the circumstances intended by means of better specification of factual cases, with broad definitions being avoided. Thus, the payer criterion is no longer generally applicable with exceptions for certain income, but shall only be applicable to expressly specified income.

As regards income obtained without a permanent establishment, as mentioned above, the possibility is introduced for taxpayers of the tax on the income of non-residents who change residence and, in consequence, become personal income tax taxpayers, or vice versa, to anticipate the effects of that change in the withholdings made on their income from paid employment.

Also, a number of provisions are established relating to entities subject to income attribution, which previously had no specific treatment for the purposes of this tax. The general rules for these entities are regulated in the personal income tax so that this Law only introduces the special rules on the taxation of entities subject to income attribution that have been set up abroad, which are made taxpayers of the tax in certain cases, and of non-resident shareholders of both Spanish and foreign entities subject to income attribution.

Finally, the tax regime for certain income obtained in Spain by non-residents who are resident in some other EU Member State is regulated in greater detail than in the previous law.

## 7. STATE BUDGET FOR 2003

As usual in the month of December, the State budget for 2003 was approved by means of *Law 52/2002 of 30 December 2002* (BOE 313/2002 of 31 December 2002).

2003 is the first year in which Law 18/2001 of 12 December 2001 on General Budgetary Stability is applicable. This law aims to ensure that the target for the deficit is achieved and it affects the State budget at three different stages: prior to its preparation, as it stipulates that a spending ceiling must be fixed, which shall apply to the allocations in the budget expenditure

statements; during its preparation, as it affects the structure of expenditure statements by requiring a new budgetary section called "Contingency Fund"; and during its execution, since, when modifications to the budget cannot be financed by a reduction in another appropriation, they must be financed out of the Contingency Fund so as to leave the deficit target set by the government unaffected.

From the viewpoint of financial regulation, the following aspects should be highlighted owing to their importance or novelty:

In relation to the financial system, the legal interest rate and the interest rate charged on overdue tax were held at 4.25% and 5.5%, respectively. An increase in State debt of € 13,745 million over its level as at 1 January 2003 has been authorised for 31 December 2003. This limit may be exceeded during the year, following authorisation from the Ministry of Economy, and the cases in which it will be automatically reviewed are established. In the case of public bodies, the level of debt authorised for each in 2003 is determined. Also, the overall limits are determined for government guarantees and other guarantees given by the State and public bodies.

In the fiscal area, and specifically as regards the personal income tax (IRPF), for the purpose of calculating capital gains on property, the coefficients to adjust the acquisition value have been increased by 2%, this being the percentage rate of inflation forecast for the coming year. Also, provisions have been established to compensate for the loss of tax benefits suffered by certain taxpayers, including lessees and purchasers of habitual dwellings, under the current personal income tax law when comparing with the situation under the previous one.

With regard to the corporate income tax, the measures included are, as in the case of the personal income tax, those effective for a year specifically referred to in the Law on Corporate Income Tax. They therefore include the updating of the coefficients applicable to property assets, which enable monetary depreciation to be corrected for in cases of transfer, and the way instalments are to be determined during 2003.

There were no major changes to the financing arrangements established for the regional (autonomous) governments (RGs) last year. The ordinary-regime RGs are financed through the following mechanisms: receipts from assigned taxes and charges; the regional tax rate schedule of the IRPF, which corresponds to 33% of the total schedule for the

tax; the assignment of 35% of the net VAT receipts corresponding to the consumption of each region, and the assignment of 40% or, in certain cases, 100% of the net receipts from specific excise duties. For its part, the sufficiency fund, set up last year, is the main mechanism for levelling and closing the system, and covers the difference between the spending needs of each RG and its revenue-raising capacity in the base year of the system (1999). The sufficiency fund is made up of State funds, which are transferred to the RGs. The financing arrangements for the Ordinary Regime RGs provide for the incorporation of the cities with autonomous region status, through their participation in the sufficiency fund in the base year of 1999 at an amount comprising the valuation of the services transferred and incorporating the subsidisation of the self-government bodies.

The Basque Country and Navarre regional governments are financed through the specific-status arrangements. The financial relations between the Basque Country and the State are regulated by an Economic Accord (*Concierto Económico*), the current one having been approved by Law 12/2002 of 23 May 2002. The financial relations between Navarre and the State are regulated by an Economic Agreement (*Convenio Económico*), with an indefinite term. A period of five years is established for the method of determining the contribution, but this method can be applied to subsequent years too, this having been the case in 2000, 2001 and 2002.

Finally, the Inter-territorial Compensation Fund is regulated, distinguishing between the Compensation Fund and the Supplementary Fund. The Compensation Fund is equivalent to the former Inter-territorial Compensation Fund. The Supplementary Fund is initially used to finance investment expenditure by the regional (autonomous) governments, but it is possible for the regional (autonomous) governments to use it to finance current spending associated with investment financed out of the Compensation Fund or the Supplementary Fund itself.

## 8. FISCAL, ADMINISTRATIVE AND SOCIAL MEASURES

As usual in recent years, to facilitate attainment of the economic policy objectives set in the State budget for 2003, a number of fiscal, administrative and social measures have been adopted, in *Law 53/2002 of 30 December 2002* (BOE 313/2002 of 31 December 2002).

As in previous years, the Law contains various measures relating to tax, social areas, general government personnel, government administration and organisation and government action in various spheres.

Given the nature of this article, the key measures are highlighted below, first those of a monetary and financial nature and second those of a fiscal nature.

### 8.1. Government action in the monetary and financial sphere

With regard to *investor-compensation schemes*, certain amendments relating to the Investment Guarantee Fund (IGF) have been introduced into Securities Market Law 24/1988 of 28 July 1988, as previously amended by Law 37/1998 of 16 November 1998. First, certain clarifications are made in the text and the government is given additional powers in relation to the functioning of these funds. In particular, the rules to determine the amount of the contributions that the member institutions are required to make, which must be sufficient to cover the guarantee provided, the frequency of such contributions and the rules that apply when contributions are overdue are specified. Second, portfolio management companies are now required to join the IGF (by 1 February 2003), in accordance with the rules laid down in the relevant regulatory provisions, although they remain exempt from the obligation to take out liability insurance.

Royal Decree 948/2001 of 3 August 2001 on investor-compensation schemes has been amended, to specify and, where applicable, supplement the content of certain provisions, as well as to include the changes mentioned above relating to portfolio management companies.

Also, the financial arrangements for the IGF have been amended. The member institutions shall make annual contributions equal to the sum of the following amounts:

- A) A fixed amount, according to the following scale: € 20,000 for investment services firms whose gross fee revenue is less than € 5 million; € 30,000, when such revenue is between € 5 and € 20 million, and € 40,000 when it exceeds € 20 million.
- B) 0.2% of the money, plus 0.005% of the effective value of the securities and financial instruments deposited with them or man-

aged by them that belong to customers covered by the guarantee.

- C) The product of multiplying the number of customers covered by the guarantee by 0.015% of the minimum amount referred to in article 6.1 (€ 20,000).

The Minister of Economy may, upon a proposal from the CNMV, resolve to reduce the above amounts and percentages when the net assets of the IGF reach a sufficient level for its purposes to be fulfilled. Contributions shall be suspended, in any case, when the net assets not committed to operations for the specific purposes of the IGF, exceed the product of multiplying the maximum cover provided for in article 6.1 by 5% of the number of customers covered by the guarantee of all the institutions belonging to the IGF in the previous year.

When the IGF's management company foresees that the net assets and financing available to the IGF in any year for the performance of its functions and obligations are insufficient, the Board of Directors of the management company shall take such measures as may be necessary to make up the financial shortfall, and may require member institutions to make extraordinary contributions. These contributions shall be payable by the member institutions in proportion to their contributions to the IGF during the preceding three years, or since the institution joined the IGF, when this period has not been completed, 2003 being taken as the first year for these purposes. They shall be payable on such date as the management company may establish, following notification to the CNMV, and their amount shall not exceed the sum required to eliminate the shortfall. The uncommitted net assets of the IGF shall be held in the form of public debt, or other highly liquid low risk assets.

Law 26/1988 of 29 July 1988 on the *Discipline and Intervention of Credit Institutions* has been amended to prohibit auditing firms from working for bodies of regional (autonomous) governments, or for agencies or entities reporting to them, in relation to the exercise of the powers that these authorities have in relation to savings banks and at the same time, or during the previous or subsequent five years, performing any audit work at the savings bank at which they have worked at the behest of the aforementioned institutions.

Law 44/2002 of 22 November 2002 on *Reform of the Financial System* (24) has also been

amended to allow data that identify legal persons to be maintained indefinitely by the CCR, so as to enable the relevant authorities to exercise their supervisory and inspection powers, as well as to contribute to the appropriate performance of the other functions that the Banco de España has been legally assigned.

Finally, Law 10/1975 of 12 May 1975 on *coins* has been amended in relation to the infringements and administrative sanctions applicable to the alteration of coins, their modification in the production of articles of metal craftsmanship and jewellery and their industrial use.

## 8.2. Fiscal sphere

It is in 2003 that the Government's second reform of direct taxation will come into force, with the changes to personal income tax mentioned above. Also, the reform of local taxation will enable the financing of local authorities to be adapted to the principle of financial sufficiency, so that, when the new system of financing of the regional (autonomous) governments and the city-enclaves with autonomous region status comes into force, territorial financial reform will be closed.

Certain technical changes have been made to the tax on inheritance and gifts making it more efficient. These relate to the taxation of bare ownership and to the calculation of the net tax base in the event of accumulation of donations and, finally, the cases of vicarious liability of certain intermediaries are clarified.

Most of the changes to VAT arise from the adaptation of domestic law to the Community Directives on electronic commerce and radio and television broadcasting services and on invoicing. In addition to these measures, various technical improvements have been made to the tax. Notable among them is that which places the special rules for determining the place in which a service is provided on a systematic footing. Also, the special factors affecting the right to deduction under the simplified special regime are specified, as well as the special regime for agriculture, farming and fishing.

Certain modifications, also of a technical nature, have been made to stamp duty (*Impuesto sobre Transmisiones Patrimoniales y Actos Jurídicos Documentados*). The rules relating to the tax base in the case of loans secured by mortgage or other collateral and in cases of extension and improvement of mortgages, as regards the "gradual" fee for

(24) See section two above.

notarial documents, are clarified. Also, the enforceability of the gradual fee in respect of documented legal acts for notarial documents that may be registered in the Property Register is clarified. The taxable event relating to documented legal acts has been abolished in the case of copies of deeds that document the change in value of shares or

the change in their registered or bearer status and, finally, the obligation to appoint a representative is established for non-resident taxpayers. When they fail to do so, their tax domicile shall be deemed to be the transferred property.

20.1.2003.



## ECONOMIC INDICATORS

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These indicators are continuously updated on the Banco de España's website. For those statistics whose source is the Banco de España, a data dissemination calendar giving the exact or approximate release date over the following three months is updated on the last day of every week (<http://www.bde.es/infoest/htmls/calenda.htm>). Where the dissemination dates shown in the calendar are approximate, the firm date shall be specified one week before the data are released.

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(1) IMF Special Data Dissemination Standard (SDDS).

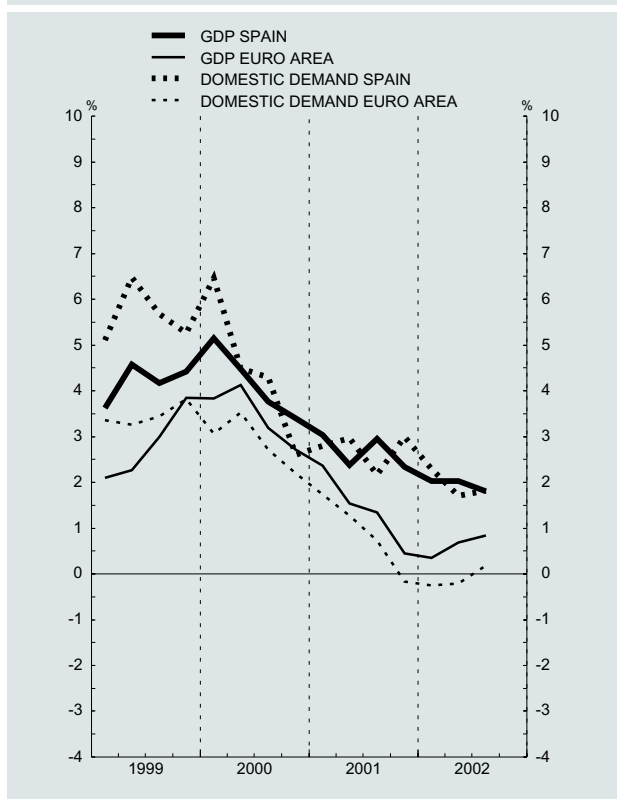
## 1.1. Gross domestic product. Constant 1995 prices. Demand components. Spain and Euro area (a)

■ Series depicted in chart.

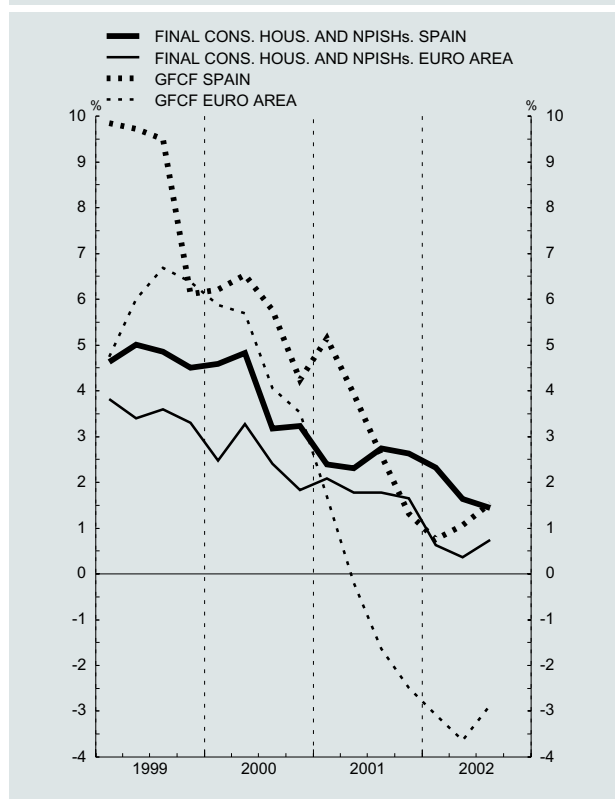
Annual percentage changes

	GDP		Final consumption of households and NPISHs		Government final consumption		Gross fixed capital formation		Domestic demand		Exports of goods and services		Imports of goods and services		Memorandum item: GDPmp (current prices) (e)	
	Spain	Euro area	Spain	Euro area (b)	Spain	Euro area (c)	Spain	Euro area	Spain	Euro area	Spain	Euro area (d)	Spain	Euro area (d)	Spain	Euro area
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
<b>99</b>	4.2	2.8	4.7	3.5	4.2	2.0	8.7	6.0	5.6	3.5	7.7	5.2	12.7	7.4	565	6 151
<b>00</b>	4.2	3.5	3.9	2.5	5.0	1.9	5.7	4.8	4.4	2.9	10.1	12.6	10.6	11.2	609	6 448
<b>01</b>	2.7	1.4	2.5	1.8	3.1	1.9	3.2	-0.7	2.7	0.9	3.4	2.9	3.5	1.5	652	6 824
<b>99 Q3</b>	4.2	3.0	4.9	3.6	4.1	1.9	9.5	6.7	5.7	3.4	8.0	6.0	13.2	7.5	143	1 547
<b>Q4</b>	4.4	3.8	4.5	3.3	5.0	2.2	6.1	6.4	5.3	3.8	10.2	10.0	12.8	10.2	145	1 567
<b>00 Q1</b>	5.1	3.8	4.6	2.5	5.4	1.8	6.2	5.9	6.5	3.1	7.4	12.9	11.7	10.9	148	1 587
<b>Q2</b>	4.5	4.1	4.8	3.3	5.6	2.0	6.5	5.7	4.5	3.5	10.5	12.5	10.3	11.1	151	1 606
<b>Q3</b>	3.8	3.2	3.2	2.4	5.0	1.6	5.8	4.1	4.3	2.7	10.2	12.3	11.6	11.3	154	1 620
<b>Q4</b>	3.4	2.7	3.2	1.8	4.2	2.1	4.2	3.5	2.6	2.2	11.9	12.6	8.8	11.7	156	1 636
<b>01 Q1</b>	3.0	2.4	2.4	2.1	3.2	2.0	5.1	1.7	2.8	1.7	9.8	8.4	8.5	7.0	159	1 690
<b>Q2</b>	2.4	1.5	2.3	1.8	2.8	2.0	3.9	-0.2	3.0	1.3	4.6	4.3	6.4	3.8	162	1 702
<b>Q3</b>	3.0	1.3	2.7	1.8	3.1	2.2	2.6	-1.6	2.2	0.7	2.1	1.4	-0.2	-0.3	165	1 711
<b>Q4</b>	2.3	0.5	2.6	1.7	3.1	1.6	1.3	-2.5	3.0	-0.2	-2.3	-2.6	-0.1	-4.4	166	1 721
<b>02 Q1</b>	2.0	0.3	2.3	0.6	3.1	2.2	0.8	-3.1	2.3	-0.3	-2.8	-2.5	-1.6	-4.2	169	1 738
<b>Q2</b>	2.0	0.7	1.6	0.4	3.1	2.5	1.1	-3.6	1.7	-0.2	-1.3	0.5	-2.0	-1.9	172	1 749
<b>Q3</b>	1.8	0.8	1.4	0.7	3.2	2.3	1.5	-2.9	1.8	0.2	3.9	2.8	3.8	1.2	175	1 766

**GDP. DEMAND COMPONENTS. SPAIN AND EURO AREA**  
Annual percentage changes



**GDP. DEMAND COMPONENTS. SPAIN AND EURO AREA**  
Annual percentage changes



Sources: INE (Contabilidad Nacional Trimestral de España) 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) Private consumption.

(c) Government consumption.

(d) Exports and imports comprise goods and services and include internal cross-border trade within the euro area.

(e) Billions of euro.

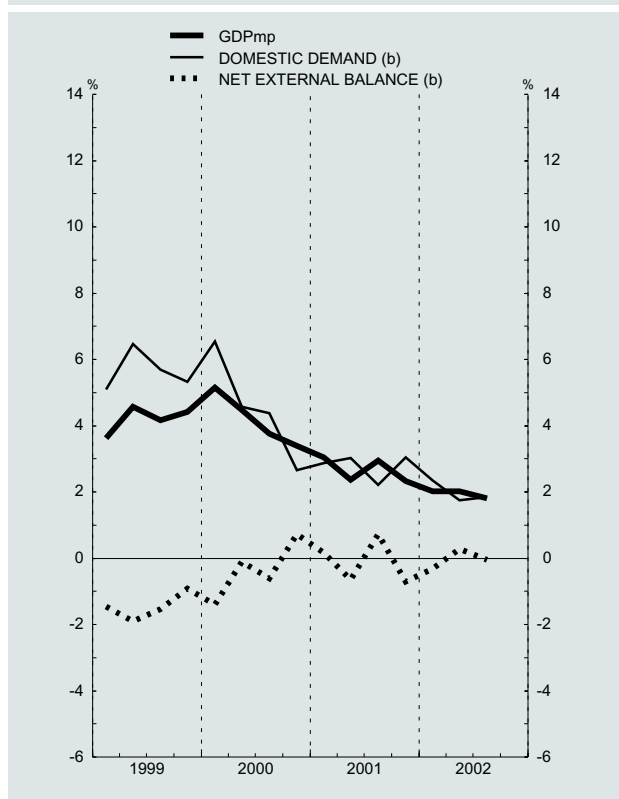
## 1.2. Gross domestic product. Constant 1995 prices. Demand components. Spain (a)

■ Series depicted in chart.

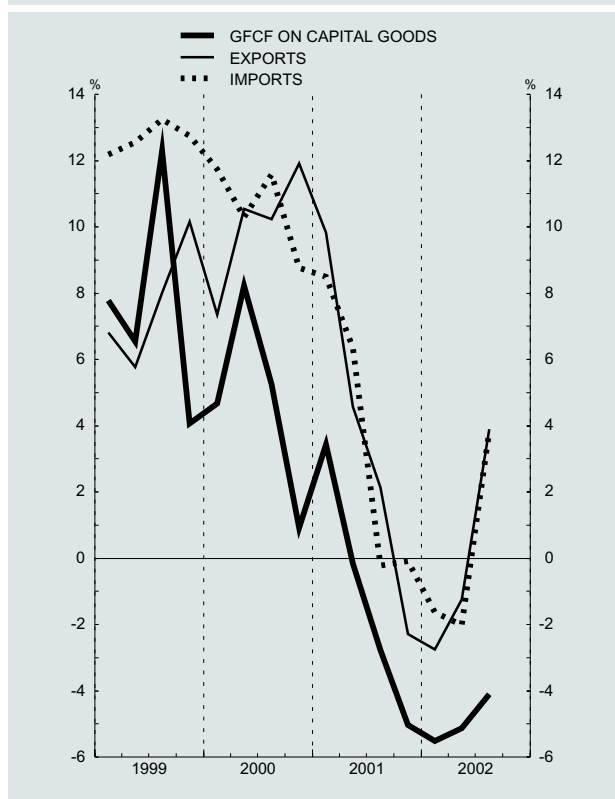
Annual percentage changes

	Gross fixed capital formation			Change in Stocks (b)	Exports of goods and services				Imports of goods and services				Memorandum items:		
	Total	Capital goods	Construction		Total	Goods	Tourism	Services	Total	Goods	Tourism	Services	External balance of goods and services (b)	Domestic demand (b)	GDP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>99</b>	8.7	7.6	9.0	0.1	7.7	6.5	9.3	12.7	12.7	12.3	13.2	15.1	-1.4	5.6	4.2
<b>00</b>	5.7	4.7	6.2	-0.1	10.1	10.0	5.5	17.7	10.6	10.5	9.8	11.2	-0.3	4.5	4.2
<b>01</b>	3.2	-1.2	5.8	-0.0	3.4	2.3	3.3	9.8	3.5	3.0	7.6	5.9	-0.1	2.8	2.7
<b>99 Q3</b>	9.5	12.3	7.9	-0.1	8.0	7.2	9.0	11.6	13.2	12.7	12.5	16.8	-1.5	5.7	4.2
<b>Q4</b>	6.1	4.1	6.6	0.3	10.2	9.7	8.5	15.6	12.8	12.0	15.6	16.8	-0.9	5.3	4.4
<b>00 Q1</b>	6.2	4.7	6.7	1.3	7.4	7.2	3.5	14.8	11.7	11.5	5.3	14.7	-1.4	6.5	5.1
<b>Q2</b>	6.5	8.2	5.6	-0.8	10.5	10.8	4.5	18.5	10.3	10.1	16.4	10.1	-0.1	4.6	4.5
<b>Q3</b>	5.8	5.2	6.2	0.2	10.2	10.0	6.6	17.0	11.6	12.0	10.3	9.4	-0.6	4.4	3.8
<b>Q4</b>	4.2	0.9	6.1	-1.0	11.9	11.7	7.3	20.2	8.8	8.4	7.3	11.0	0.7	2.7	3.4
<b>01 Q1</b>	5.1	3.4	6.4	-0.4	9.8	8.8	9.3	16.1	8.5	8.3	15.9	8.5	0.2	2.9	3.0
<b>Q2</b>	3.9	-0.2	6.4	0.2	4.6	3.7	4.9	9.2	6.4	5.7	4.0	11.0	-0.6	3.0	2.4
<b>Q3</b>	2.6	-2.8	5.7	-0.6	2.1	1.2	1.3	8.8	-0.2	-1.0	4.5	3.4	0.7	2.2	3.0
<b>Q4</b>	1.3	-5.0	4.8	0.6	-2.3	-3.9	-1.8	6.0	-0.1	-0.5	6.7	1.0	-0.7	3.0	2.3
<b>02 Q1</b>	0.8	-5.5	4.0	0.2	-2.8	-3.3	-5.2	3.6	-1.6	-2.0	3.2	-0.3	-0.3	2.3	2.0
<b>Q2</b>	1.1	-5.1	4.4	-0.0	-1.3	-1.8	-4.9	6.6	-2.0	-2.2	7.2	-2.8	0.3	1.7	2.0
<b>Q3</b>	1.5	-4.1	4.8	0.1	3.9	5.7	-4.2	4.9	3.8	4.4	7.5	-0.2	-0.0	1.8	1.8

**GDP, DOMESTIC DEMAND AND NET EXTERNAL BALANCE**  
Annual percentage changes



**GDP, DEMAND COMPONENTS**  
Annual percentage changes



Source: INE (Contabilidad Nacional Trimestral de España).

(a) Prepared in accordance with ESA95, SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see *Economic bulletin* April 2002).

(b) Contribution to GDPmp growth rate.



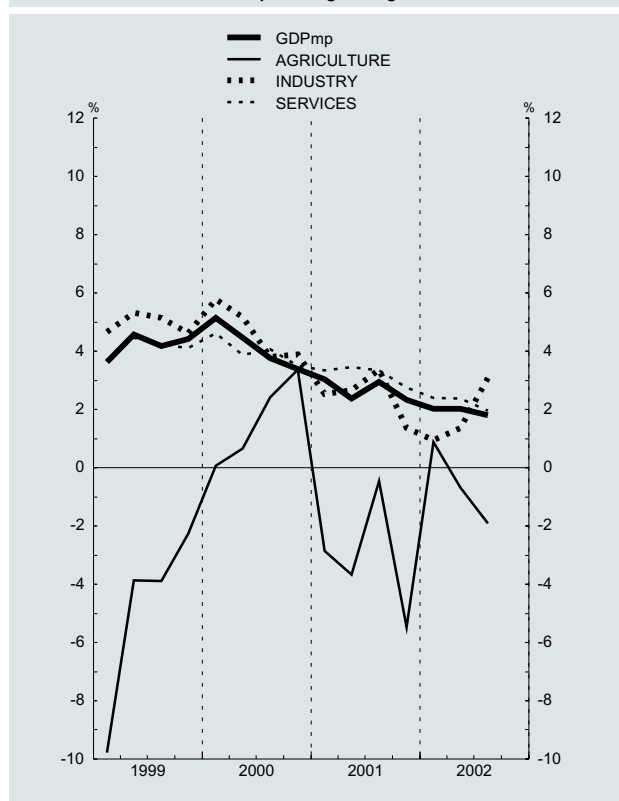
### 1.3. Gross domestic product. Constant 1995 prices. Branches of activity. Spain (a)

■ Series depicted in chart.

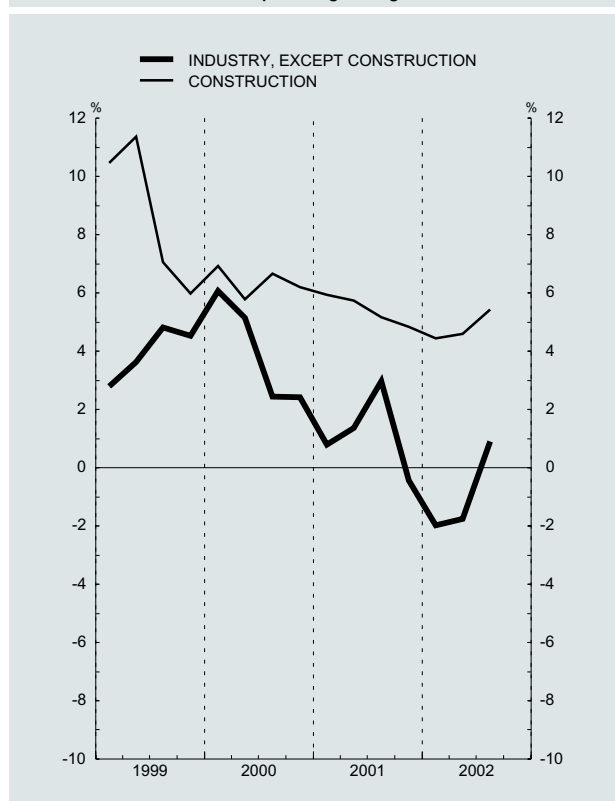
Annual percentage changes

	Gross domestic product at market prices	Agriculture and fisheries	Energy	Industry	Construction	Services			VAT on products	Net taxes linked to imports	Other net taxes on products	
						Total	Market services	Non-market services				
	1	2	3	4	5	6	7	8	9	10	11	
99		4.2	-5.0	2.5	4.0	8.6	4.1	4.4	3.2	7.8	6.7	6.5
00		4.2	1.6	4.3	4.0	6.4	4.0	4.2	3.3	5.1	6.8	5.0
01		2.7	-3.1	2.8	1.2	5.4	3.2	3.3	2.9	2.5	0.4	2.1
99 Q3		4.2	-3.9	3.0	4.8	7.1	4.2	4.5	3.2	4.3	4.9	5.9
Q4		4.4	-2.3	2.2	4.5	6.0	4.1	4.1	3.9	11.0	4.3	6.9
00 Q1		5.1	0.1	2.2	6.1	6.9	4.6	4.9	3.8	10.8	5.2	6.4
Q2		4.5	0.7	4.0	5.1	5.8	3.9	3.9	3.6	9.5	5.5	5.6
Q3		3.8	2.4	4.7	2.4	6.7	4.1	4.3	3.2	1.1	9.8	4.1
Q4		3.4	3.4	6.4	2.4	6.2	3.5	3.8	2.6	-0.5	6.6	3.9
01 Q1		3.0	-2.9	4.2	0.8	5.9	3.3	3.6	2.5	5.8	5.0	4.3
Q2		2.4	-3.7	2.8	1.4	5.7	3.5	3.7	2.7	-5.7	2.4	2.6
Q3		3.0	-0.5	1.6	3.0	5.2	3.3	3.4	3.1	-0.5	-3.1	2.7
Q4		2.3	-5.5	2.7	-0.4	4.8	2.7	2.5	3.5	10.9	-2.3	-1.0
02 Q1		2.0	0.9	7.6	-2.0	4.4	2.4	2.2	3.2	4.7	-7.1	1.9
Q2		2.0	-0.7	9.6	-1.8	4.6	2.4	2.2	2.9	3.6	-5.1	2.5
Q3		1.8	-1.9	8.6	0.9	5.4	2.0	1.6	3.2	-3.1	-4.4	0.5

GDP. BRANCHES OF ACTIVITY  
Annual percentage changes



GDP. BRANCHES OF ACTIVITY  
Annual percentage changes



Source: INE (Contabilidad Nacional Trimestral de España).

(a) Prepared in accordance with ESA95, SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see *Economic bulletin* April 2002).

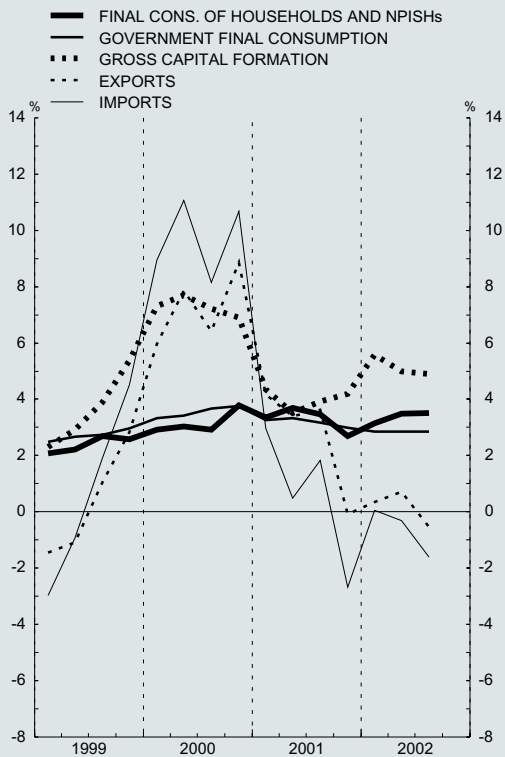
### 1.4. Gross domestic product. Implicit deflators. Spain (a)

■ Series depicted in chart.

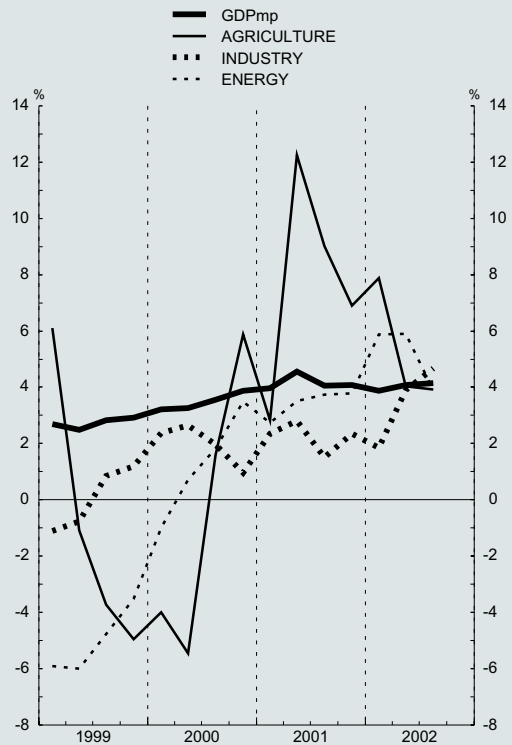
Annual percentage changes

	Demand components							Gross domestic product at market prices	Branches of activity					
	Final consumption of households and NPISHs	Government final consumption	Gross capital formation			Exports of goods and services	Imports of goods and services		Agriculture and fisheries	Energy	Industry	Construction	Of which	
			Total	Of which									Services	Market services
				Gross fixed capital formation										
				Capital goods	Construction									
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
99	2.4	2.7	3.7	1.6	4.4	0.4	0.7	2.7	-1.0	-5.1	0.1	4.2	3.2	3.2
00	3.2	3.5	7.2	4.3	9.1	7.3	9.7	3.5	-0.6	1.3	2.0	8.6	3.5	3.5
01	3.3	3.2	4.0	1.0	5.4	2.7	0.6	4.2	7.7	3.4	2.3	5.7	4.5	4.8
99 Q3	2.7	2.7	3.9	1.8	5.0	1.0	1.9	2.8	-3.7	-4.8	0.8	4.5	3.2	3.2
Q4	2.6	3.0	5.4	2.8	6.7	2.8	4.5	2.9	-4.9	-3.5	1.2	6.1	3.1	3.1
00 Q1	2.9	3.3	7.3	4.2	9.0	6.0	8.9	3.2	-4.0	-1.0	2.4	8.3	3.1	3.0
Q2	3.0	3.4	7.7	4.8	9.6	7.9	11.1	3.2	-5.5	0.7	2.6	8.9	3.2	3.1
Q3	2.9	3.7	7.2	4.6	9.1	6.4	8.2	3.6	1.6	1.8	2.0	8.7	3.6	3.6
Q4	3.8	3.8	6.9	3.9	8.6	8.9	10.7	3.9	5.9	3.5	1.0	8.5	4.2	4.3
01 Q1	3.4	3.3	4.4	2.1	5.9	4.2	3.0	4.0	2.8	2.7	2.4	6.3	4.3	4.6
Q2	3.7	3.3	3.5	1.1	5.1	3.4	0.5	4.6	12.3	3.5	2.8	5.9	4.8	5.2
Q3	3.5	3.2	3.9	0.5	5.4	3.6	1.8	4.1	9.0	3.7	1.5	5.7	4.5	4.9
Q4	2.7	3.0	4.2	0.4	5.3	-0.1	-2.7	4.1	6.9	3.8	2.3	5.0	4.3	4.7
02 Q1	3.1	2.9	5.6	0.8	6.4	0.4	0.0	3.9	7.9	5.9	1.8	5.6	3.9	4.4
Q2	3.5	2.9	5.0	1.0	6.4	0.7	-0.3	4.1	4.0	5.9	3.9	5.5	3.8	4.2
Q3	3.5	2.9	4.9	0.8	6.4	-0.5	-1.6	4.2	3.9	3.9	4.7	5.5	3.8	4.2

**GDP. IMPLICIT DEFLATORS**  
Annual percentage changes



**GDP. IMPLICIT DEFLATORS**  
Annual percentage changes



Source: INE (Contabilidad Nacional Trimestral de España).

(a) Prepared in accordance with ESA95, SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see *Economic bulletin* April 2002).

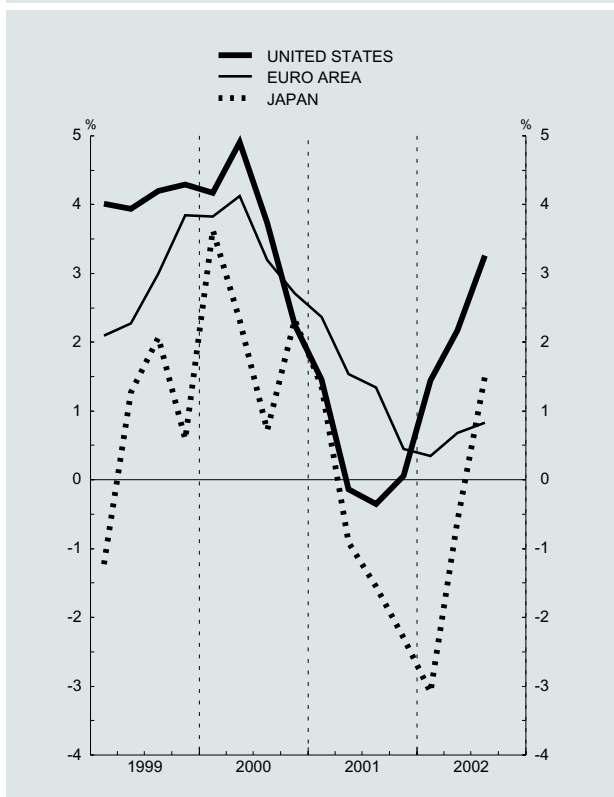
## 2.1. International comparison. Gross domestic product at constant prices

■ Series depicted in chart.

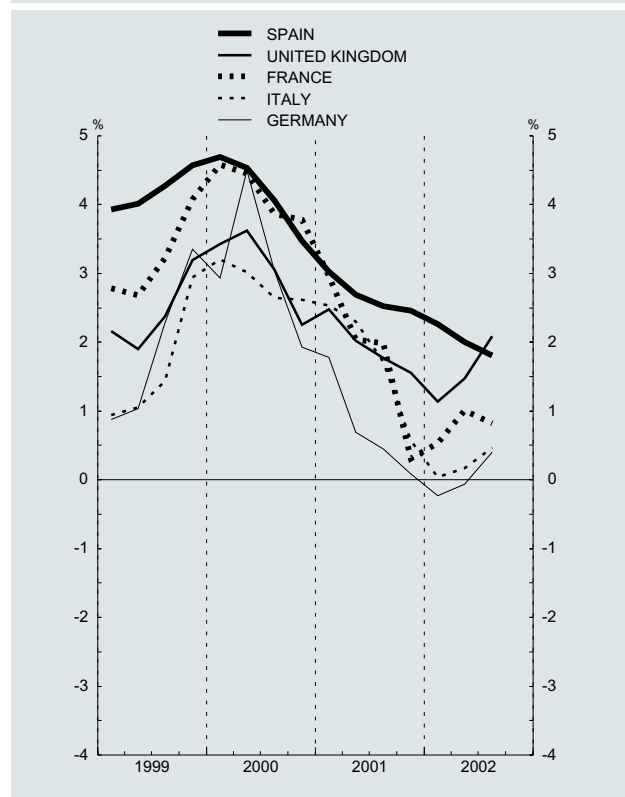
Annual percentage changes

	OECD	EU	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
99	3.2	2.8	2.8	1.9	4.2	4.1	3.2	1.6	0.7	2.4
00	3.8	3.4	3.5	3.1	4.2	3.8	4.2	2.9	2.2	3.1
01	0.8	1.5	1.4	0.7	2.7	0.3	1.8	1.8	-0.9	2.0
99 Q3	3.5	3.0	3.0	2.3	4.3	4.2	3.2	1.4	2.1	2.4
Q4	3.8	3.8	3.8	3.3	4.6	4.3	4.1	2.9	0.6	3.2
00 Q1	4.2	3.8	3.8	2.9	4.7	4.2	4.6	3.2	3.6	3.4
Q2	4.4	4.1	4.1	4.5	4.5	4.9	4.4	3.0	2.3	3.6
Q3	3.7	3.2	3.2	3.0	4.1	3.7	3.9	2.6	0.7	3.1
Q4	2.9	2.7	2.7	1.9	3.5	2.3	3.8	2.6	2.3	2.2
01 Q1	2.2	2.4	2.4	1.8	3.0	1.5	3.0	2.5	1.4	2.5
Q2	0.8	1.6	1.5	0.7	2.7	-0.1	2.0	2.3	-0.9	2.0
Q3	0.2	1.4	1.3	0.5	2.5	-0.4	2.0	1.7	-1.5	1.8
Q4	0.0	0.6	0.5	0.1	2.5	0.1	0.3	0.6	-2.3	1.6
02 Q1	0.6	0.5	0.3	-0.2	2.3	1.4	0.5	0.0	-3.1	1.1
Q2	1.5	0.9	0.7	-0.1	2.0	2.2	1.0	0.2	-0.6	1.5
Q3	2.3	1.1	0.8	0.4	1.8	3.3	0.8	0.5	1.5	2.1

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.

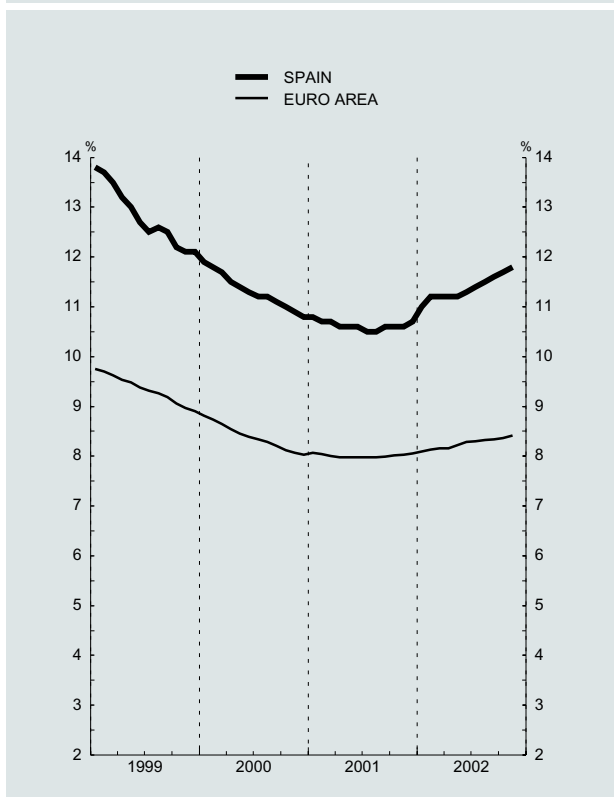
## 2.2. International comparison. Unemployment rates

■ Series depicted in chart.

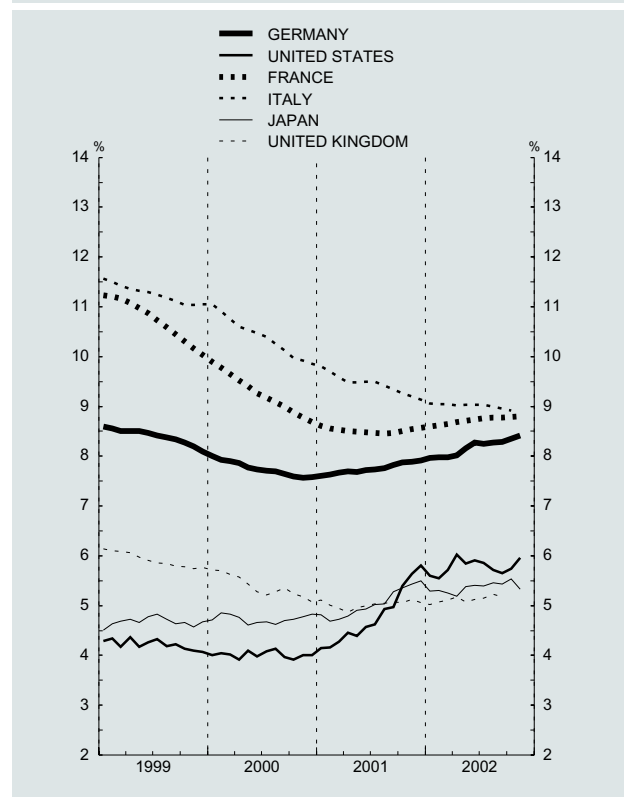
Percentages

	OECD	EU	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
<b>99</b>	6.7	8.7	9.3	8.4	12.8	4.2	10.7	11.3	4.7	5.9
<b>00</b>	6.3	7.8	8.4	7.7	11.3	4.0	9.3	10.4	4.7	5.4
<b>01</b>	6.5	7.3	8.0	7.7	10.6	4.8	8.5	9.4	5.0	5.0
<b>01 Jun</b>	6.4	7.3	8.0	7.7	10.6	4.6	8.5	9.5	4.9	5.0
<b>Jul</b>	6.4	7.3	8.0	7.7	10.5	4.6	8.5	9.5	5.0	5.0
<b>Aug</b>	6.5	7.3	8.0	7.8	10.5	4.9	8.5	9.4	5.0	5.1
<b>Sep</b>	6.6	7.3	8.0	7.8	10.6	5.0	8.5	9.3	5.3	5.1
<b>Oct</b>	6.7	7.4	8.0	7.9	10.6	5.4	8.5	9.3	5.4	5.1
<b>Nov</b>	6.8	7.4	8.0	7.9	10.6	5.6	8.5	9.2	5.4	5.1
<b>Dec</b>	6.9	7.4	8.1	7.9	10.7	5.8	8.6	9.1	5.5	5.1
<b>02 Jan</b>	6.8	7.4	8.1	8.0	11.0	5.6	8.6	9.1	5.3	5.0
<b>Feb</b>	6.8	7.5	8.1	8.0	11.2	5.6	8.6	9.1	5.3	5.1
<b>Mar</b>	6.8	7.5	8.2	8.0	11.2	5.7	8.7	9.0	5.3	5.1
<b>Apr</b>	6.9	7.5	8.2	8.0	11.2	6.0	8.7	9.0	5.2	5.2
<b>May</b>	6.9	7.6	8.2	8.2	11.2	5.9	8.7	9.0	5.4	5.1
<b>Jun</b>	6.9	7.6	8.3	8.3	11.3	5.9	8.7	9.0	5.4	5.1
<b>Jul</b>	7.0	7.6	8.3	8.3	11.4	5.9	8.8	9.0	5.4	5.2
<b>Aug</b>	6.9	7.6	8.3	8.3	11.5	5.7	8.8	9.0	5.5	5.2
<b>Sep</b>	6.9	7.6	8.3	8.3	11.6	5.7	8.8	9.0	5.4	5.2
<b>Oct</b>	7.0	7.7	8.4	8.4	11.7	5.7	8.8	8.9	5.5	...
<b>Nov</b>	7.0	7.7	8.4	8.4	11.8	6.0	8.8	...	5.3	...

UNEMPLOYMENT RATES



UNEMPLOYMENT RATES



Sources: ECB and OECD.

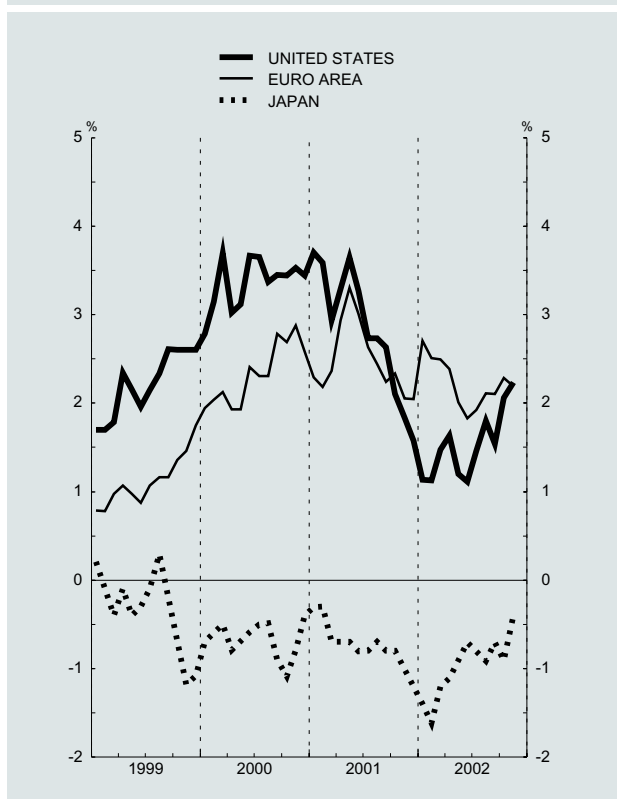
### 2.3. International comparison. Consumer prices (a)

■ Series depicted in chart.

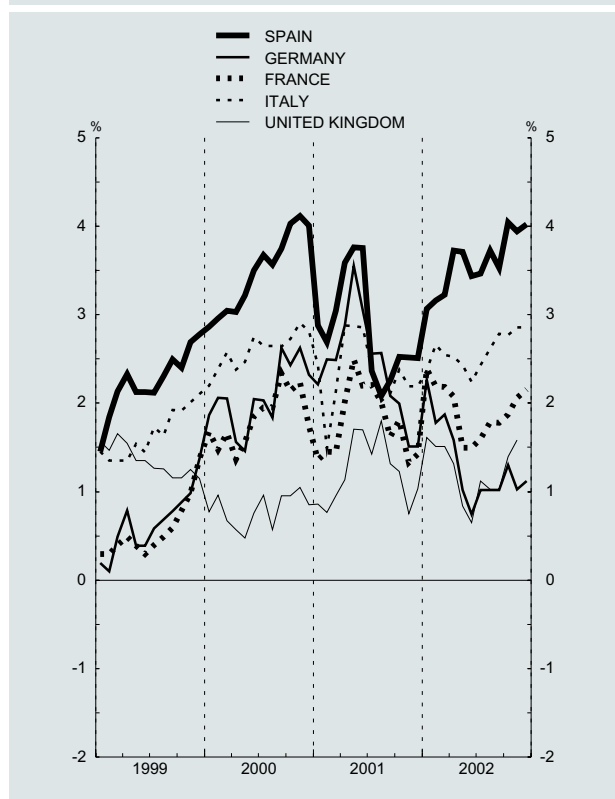
Annual percentage changes

	OECD	EU	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
<b>99</b>	1.7	1.2	1.1	0.6	2.2	2.2	0.6	1.7	-0.3	1.3
<b>00</b>	2.5	2.1	2.3	2.1	3.5	3.4	1.8	2.6	-0.7	0.8
<b>01</b>	2.4	2.3	2.5	2.4	2.8	2.8	1.8	2.3	-0.7	1.2
<b>01 Jul</b>	2.3	2.5	2.6	2.6	2.4	2.7	2.2	2.4	-0.8	1.4
<i>Aug</i>	2.3	2.4	2.4	2.6	2.1	2.7	2.0	2.0	-0.7	1.8
<i>Sep</i>	2.2	2.1	2.2	2.1	2.3	2.6	1.6	2.1	-0.8	1.3
<i>Oct</i>	1.9	2.2	2.3	2.0	2.5	2.1	1.8	2.4	-0.8	1.2
<i>Nov</i>	1.5	1.8	2.1	1.5	2.5	1.8	1.3	2.2	-1.0	0.8
<i>Dec</i>	1.4	1.9	2.0	1.5	2.5	1.6	1.4	2.2	-1.2	1.0
<b>02 Jan</b>	1.3	2.5	2.7	2.3	3.1	1.1	2.4	2.4	-1.4	1.6
<i>Feb</i>	1.2	2.3	2.5	1.8	3.2	1.1	2.2	2.7	-1.6	1.5
<i>Mar</i>	1.5	2.3	2.5	1.9	3.2	1.5	2.2	2.5	-1.2	1.5
<i>Apr</i>	1.5	2.2	2.4	1.6	3.7	1.6	2.1	2.5	-1.1	1.3
<i>May</i>	1.3	1.8	2.0	1.0	3.7	1.2	1.5	2.4	-0.9	0.8
<i>Jun</i>	1.2	1.6	1.8	0.7	3.4	1.1	1.5	2.2	-0.7	0.6
<i>Jul</i>	1.4	1.8	1.9	1.0	3.5	1.5	1.6	2.4	-0.8	1.1
<i>Aug</i>	1.6	1.9	2.1	1.0	3.7	1.8	1.8	2.6	-0.9	1.0
<i>Sep</i>	1.5	1.9	2.1	1.0	3.5	1.5	1.8	2.8	-0.7	1.0
<i>Oct</i>	1.8	2.1	2.3	1.3	4.0	2.1	1.9	2.8	-0.9	1.4
<i>Nov</i>	2.1	2.1	2.2	1.0	3.9	2.2	2.1	2.9	-0.4	1.6
<i>Dec</i>	...	...	...	1.1	4.0	...	2.2	2.9	...	...

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.



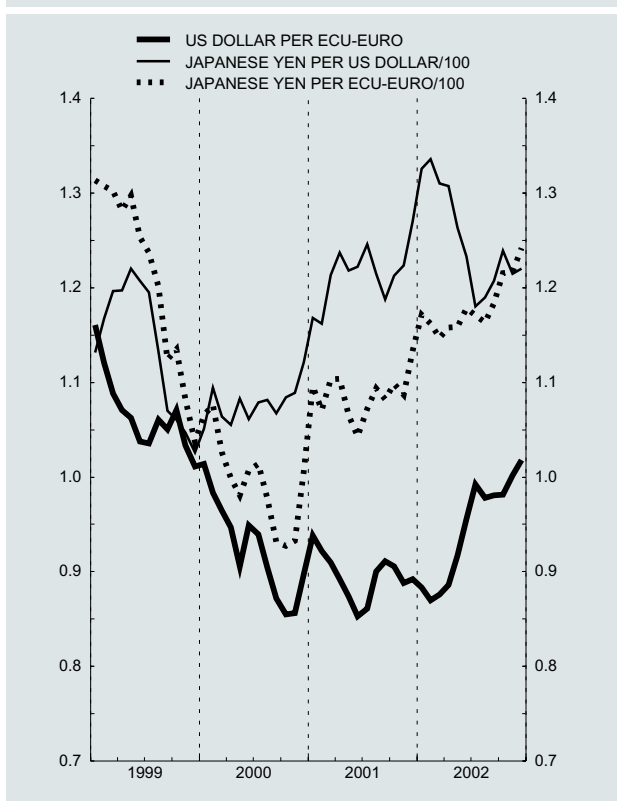
## 2.4. Bilateral exchange rates and nominal and real effective exchange rate indices for the euro, US dollar and Japanese yen

■ Series depicted in chart.

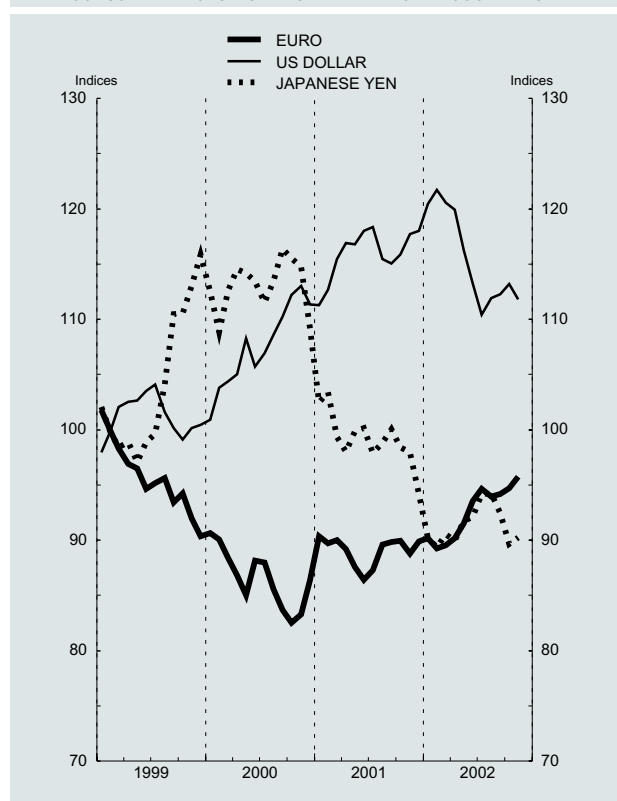
Average of daily data

	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 (c)	US dollar	Japanese yen	Based on consumer prices			Based on producer prices		
							Euro (c)	US dollar	Japanese yen	Euro (c)	US dollar	Japanese yen
	1	2	3	4	5	6	7	8	9	10	11	12
99	1.0666	121.39	113.75	95.7	100.7	105.0	95.7	101.2	104.1	95.8	101.2	103.3
00	0.9239	99.52	107.76	85.7	105.0	118.0	86.5	107.6	113.1	87.1	106.0	111.3
01	0.8955	108.76	121.50	87.3	111.8	106.9	89.0	116.0	99.2	89.2	112.3	99.7
01 J-D	0.8955	108.76	121.50	87.3	111.8	106.9	89.0	116.0	99.2	89.2	112.3	99.7
02 J-D	0.9454	118.08	125.18	90.0	110.5	101.1	92.5	115.6	91.4	92.2	110.2	94.5
01 Oct	0.9059	109.86	121.28	88.0	111.6	106.6	90.0	115.9	98.4	90.0	111.4	99.9
Nov	0.8883	108.68	122.35	86.8	113.1	106.5	88.8	117.7	98.0	88.9	112.3	100.4
Dec	0.8924	113.38	127.06	87.7	113.9	102.4	89.9	118.0	94.2	90.2	112.2	97.0
02 Jan	0.8833	117.12	132.60	87.6	116.2	98.5	90.2	120.4	90.2	90.3	114.2	93.1
Feb	0.8700	116.23	133.59	86.8	117.0	98.5	89.3	121.7	89.4	89.2	115.2	92.9
Mar	0.8758	114.75	131.02	86.8	115.8	100.0	89.5	120.5	90.5	89.0	114.5	93.8
Apr	0.8858	115.81	130.75	87.2	115.0	99.6	90.2	119.9	90.0	89.8	114.2	92.8
May	0.9170	115.86	126.36	88.6	111.8	101.3	91.5	116.3	91.8	90.9	110.6	94.5
Jun	0.9554	117.80	123.33	90.6	108.8	101.8	93.5	113.3	92.1	93.0	107.8	95.0
Jul	0.9922	117.11	118.05	91.7	105.9	104.5	94.6	110.4	94.2	94.1	104.8	97.5
Aug	0.9778	116.31	118.96	91.1	107.3	104.5	94.0	111.9	94.2	93.9	106.1	97.4
Sep	0.9808	118.38	120.71	91.2	107.6	102.8	94.2	112.3	92.5	94.2	106.6	95.5
Oct	0.9811	121.57	123.92	91.7	108.4	100.0	94.7	113.2	89.7	94.4	108.4	92.4
Nov	1.0014	121.65	121.49	92.5	106.8	101.0	95.7	111.8	90.3	95.1	...	...
Dec	1.0183	124.20	122.00	93.6	106.0	99.8	...	...	...	...	...	...

EXCHANGE RATES



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



Sources: ECB and BE.

(a) Geometric mean -calculated using a double weighting system based on 1995-97 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.

(c) The methodology used to compile these indices is explained in Box 5 of the October 1999 ECB Monthly Bulletin.

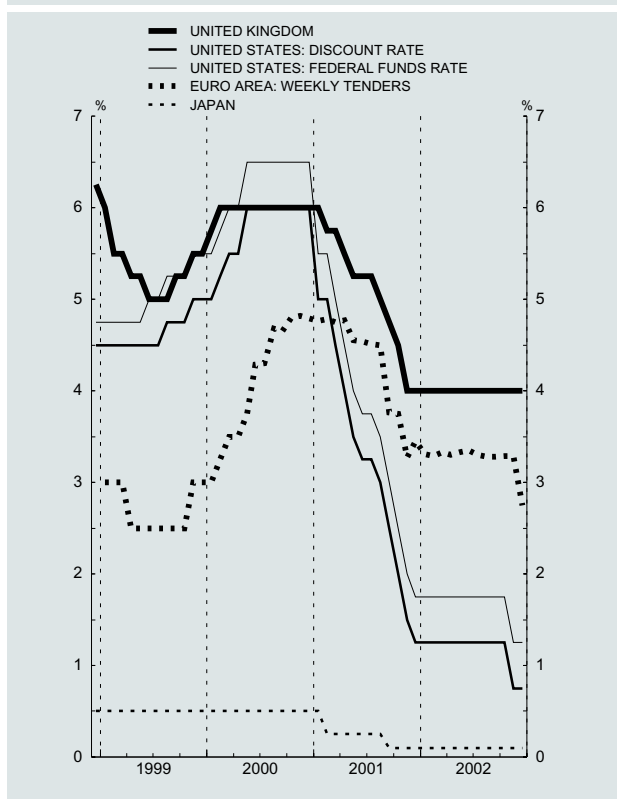
## 2.5. Official intervention interest rates and short-term interest rates

■ Series depicted in chart.

Percentages

	Official intervention interest rates					3-month interbank rates									
	Euro area	United States		Japan	United Kingdom	OECD	EU	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	(a)	Discount rate	Federal funds rate	(b)	(c)										
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>99</b>	3.00	5.00	5.04	0.50	5.50	3.69	3.42	2.96	-	-	5.31	-	-	0.16	5.42
<b>00</b>	4.75	6.00	6.27	0.50	6.00	4.71	4.65	4.39	-	-	6.44	-	-	0.19	6.08
<b>01</b>	3.25	1.25	3.72	0.10	4.00	3.39	4.30	4.26	-	-	3.66	-	-	0.08	4.93
<b>01 Jul</b>	4.50	3.25	3.75	0.25	5.25	3.46	4.49	4.47	-	-	3.65	-	-	0.01	5.15
<i>Aug</i>	4.50	3.00	3.50	0.25	5.00	3.34	4.37	4.35	-	-	3.48	-	-	0.01	4.89
<i>Sep</i>	3.75	2.50	3.00	0.10	4.75	2.94	4.02	3.98	-	-	2.88	-	-	0.01	4.62
<i>Oct</i>	3.75	2.00	2.50	0.10	4.50	2.54	3.67	3.60	-	-	2.29	-	-	0.01	4.32
<i>Nov</i>	3.25	1.50	2.00	0.10	4.00	2.31	3.43	3.39	-	-	1.99	-	-	0.01	3.89
<i>Dec</i>	3.25	1.25	1.75	0.10	4.00	2.23	3.40	3.35	-	-	1.83	-	-	0.01	3.95
<b>02 Jan</b>	3.25	1.25	1.75	0.10	4.00	2.18	3.39	3.34	-	-	1.74	-	-	0.01	3.95
<i>Feb</i>	3.25	1.25	1.75	0.10	4.00	2.22	3.42	3.36	-	-	1.82	-	-	0.01	3.95
<i>Mar</i>	3.25	1.25	1.75	0.10	4.00	2.28	3.45	3.39	-	-	1.90	-	-	0.01	4.04
<i>Apr</i>	3.25	1.25	1.75	0.10	4.00	2.30	3.53	3.41	-	-	1.87	-	-	0.01	4.08
<i>May</i>	3.25	1.25	1.75	0.10	4.00	2.31	3.58	3.47	-	-	1.81	-	-	0.01	4.06
<i>Jun</i>	3.25	1.25	1.75	0.10	4.00	2.31	3.58	3.46	-	-	1.78	-	-	0.01	4.08
<i>Jul</i>	3.25	1.25	1.75	0.10	4.00	2.28	3.51	3.41	-	-	1.75	-	-	0.01	3.96
<i>Aug</i>	3.25	1.25	1.75	0.10	4.00	2.22	3.45	3.35	-	-	1.69	-	-	0.01	3.89
<i>Sep</i>	3.25	1.25	1.75	0.10	4.00	2.22	3.42	3.31	-	-	1.71	-	-	0.01	3.90
<i>Oct</i>	3.25	1.25	1.75	0.10	4.00	2.20	3.37	3.26	-	-	1.70	-	-	0.01	3.87
<i>Nov</i>	3.25	0.75	1.25	0.10	4.00	2.02	3.26	3.12	-	-	1.38	-	-	0.01	3.88
<i>Dec</i>	2.75	0.75	1.25	0.10	4.00	1.94	3.11	2.94	-	-	1.32	-	-	0.01	3.92

OFFICIAL INTERVENTION INTEREST RATES



3-MONTH INTERBANK RATES



Sources: ECB, Reuters and BE.

(a) Main refinancing operations.

(b) Discount rate.

(c) Retail bank base rate.

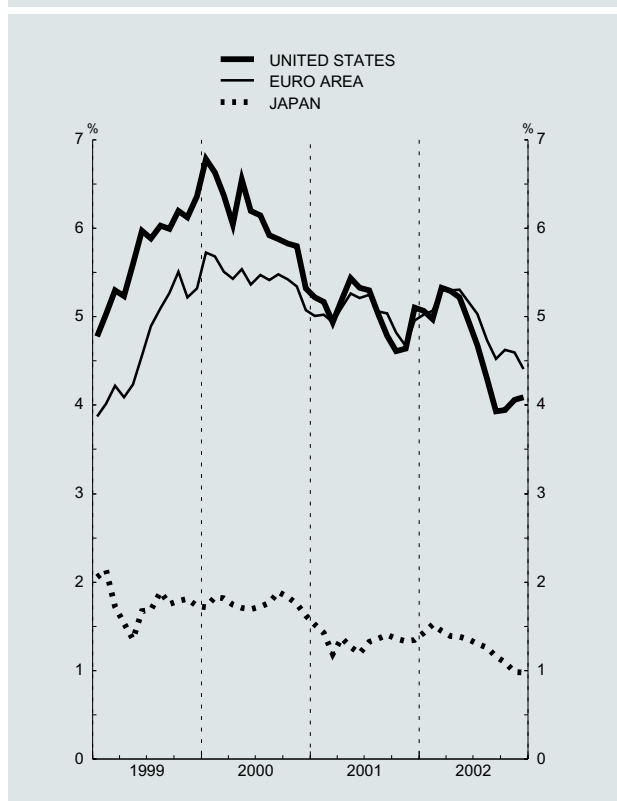
## 2.6. 10-year government bond yields on domestic markets

■ Series depicted in chart.

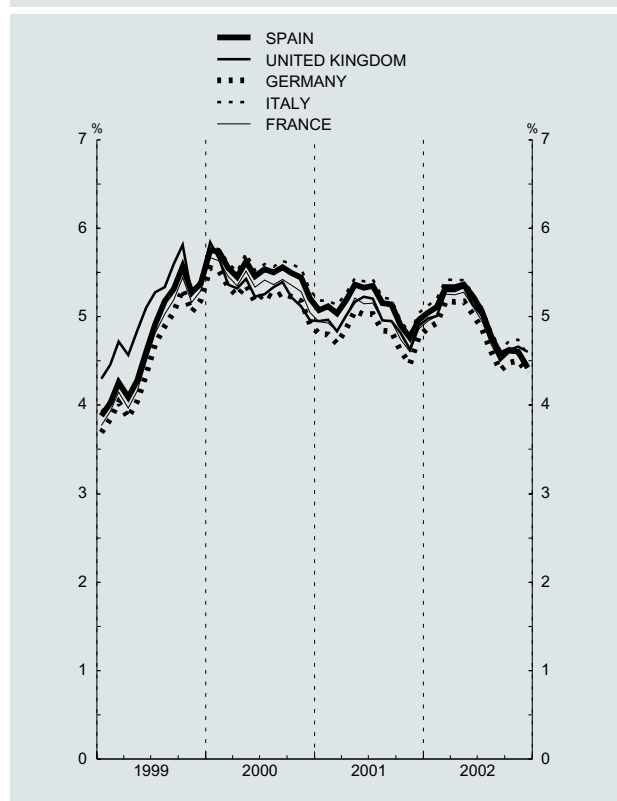
Percentages

	OECD 1	EU 2	Euro area 3	Germany 4	Spain 5	United States 6	France 7	Italy 8	Japan 9	United Kingdom 10
<b>99</b>	4.72	4.79	4.70	4.50	4.73	5.71	4.62	4.75	1.76	5.06
<b>00</b>	5.17	5.45	5.45	5.27	5.53	6.12	5.40	5.59	1.76	5.34
<b>01</b>	4.47	4.98	5.03	4.82	5.12	5.06	4.95	5.19	1.34	4.97
<b>01 Jul</b>	4.67	5.20	5.25	5.03	5.35	5.29	5.16	5.42	1.33	5.21
<b>Aug</b>	4.47	4.99	5.06	4.84	5.16	5.03	4.96	5.22	1.36	4.96
<b>Sep</b>	4.36	4.98	5.04	4.83	5.14	4.78	4.95	5.20	1.40	4.95
<b>Oct</b>	4.20	4.77	4.82	4.62	4.91	4.61	4.75	4.96	1.36	4.82
<b>Nov</b>	4.15	4.62	4.67	4.47	4.76	4.64	4.60	4.81	1.33	4.63
<b>Dec</b>	4.45	4.88	4.96	4.77	4.97	5.10	4.87	5.05	1.35	4.90
<b>02 Jan</b>	4.48	4.96	5.02	4.87	5.05	5.07	4.95	5.12	1.43	4.98
<b>Feb</b>	4.49	5.03	5.07	4.93	5.11	4.97	5.01	5.21	1.52	5.01
<b>Mar</b>	4.73	5.27	5.32	5.18	5.34	5.33	5.25	5.42	1.45	5.29
<b>Apr</b>	4.72	5.30	5.30	5.17	5.34	5.29	5.25	5.41	1.39	5.29
<b>May</b>	4.69	5.32	5.30	5.18	5.36	5.22	5.27	5.41	1.38	5.33
<b>Jun</b>	4.51	5.16	5.16	5.03	5.23	4.95	5.11	5.26	1.36	5.14
<b>Jul</b>	4.33	5.01	5.03	4.87	5.07	4.67	4.96	5.11	1.30	5.02
<b>Aug</b>	4.06	4.74	4.73	4.60	4.78	4.30	4.68	4.84	1.26	4.73
<b>Sep</b>	3.80	4.53	4.52	4.39	4.58	3.93	4.49	4.62	1.16	4.51
<b>Oct</b>	3.84	4.62	4.62	4.48	4.62	3.95	4.59	4.72	1.09	4.63
<b>Nov</b>	3.86	4.63	4.59	4.50	4.60	4.06	4.58	4.74	0.99	4.66
<b>Dec</b>	3.81	4.48	4.41	4.36	4.43	4.09	4.42	4.57	0.97	4.60

10-YEAR GOVERNMENT BOND YIELDS



10-YEAR GOVERNMENT BOND YIELDS



Sources: ECB, Reuters and BE.

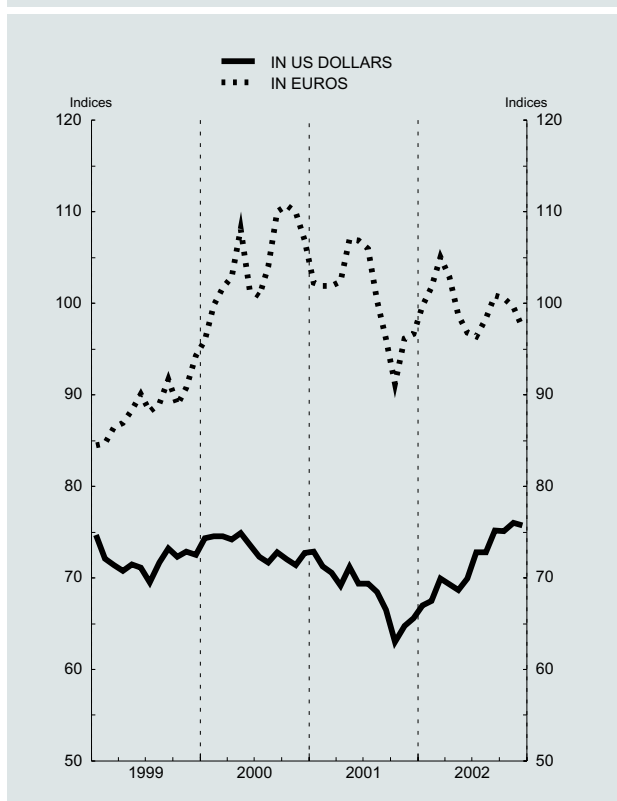
## 2.7 International markets: Non-energy commodities price index. Crude oil and gold price.

■ Series depicted in chart.

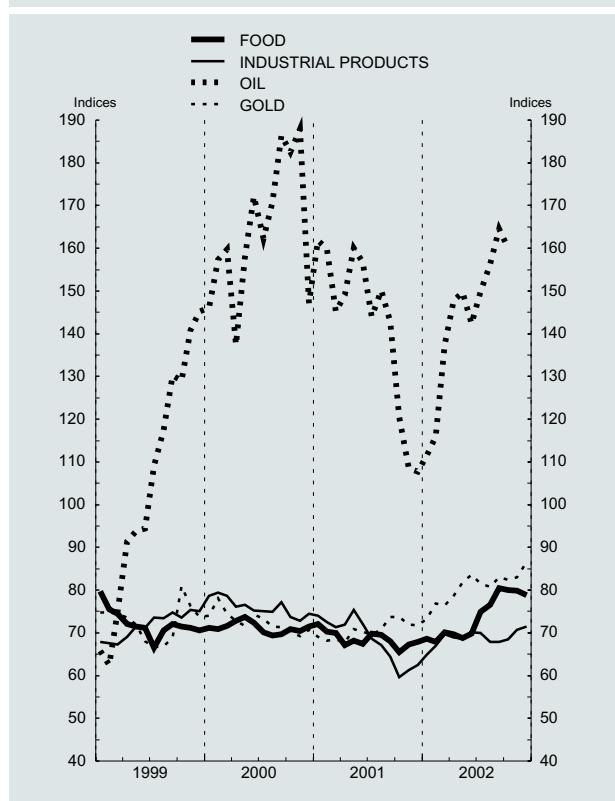
1995 = 100

	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 (d)
	General	General	Food	Industrial products				US dollars per barrel			
				Total	Non-food agricultural products	Metals					
	1	2	3	4	5	6	7	8	9	10	11
99	88.7	72.0	72.2	71.7	73.0	70.6	104.8	18.1	72.6	278.8	8.41
00	104.4	73.3	71.2	76.1	70.3	80.9	163.9	28.5	72.6	279.0	9.72
01	100.7	68.5	68.6	68.4	65.4	70.9	142.1	24.6	70.5	271.1	9.74
01 J-D	100.7	68.5	68.6	68.4	65.4	70.9	142.1	24.6	70.5	271.1	9.74
02 J-D	99.8	71.7	73.8	68.8	69.7	68.0	...	25.0	80.7	310.0	10.55
01 Sep	96.1	66.5	68.0	64.5	64.0	64.9	142.8	25.7	73.8	283.4	10.00
Oct	91.2	63.0	65.4	59.7	56.6	62.2	120.5	20.4	73.7	283.1	10.05
Nov	96.1	64.8	67.3	61.3	57.3	64.7	108.5	18.9	71.9	276.2	10.00
Dec	96.7	65.6	67.8	62.5	59.1	65.5	107.7	18.7	71.8	275.9	9.94
02 Jan	99.7	67.0	68.6	64.8	61.9	67.3	111.5	19.5	73.3	281.6	10.25
Feb	101.8	67.5	67.9	66.9	66.0	67.6	116.0	20.4	76.9	295.5	10.92
Mar	105.0	69.9	70.2	69.6	69.2	70.0	137.4	23.7	76.4	293.7	10.78
Apr	102.9	69.3	69.6	68.9	68.7	69.1	147.8	25.7	78.7	302.4	10.98
May	98.7	68.7	68.8	68.6	69.2	68.0	149.7	25.4	81.9	314.5	11.03
Jun	96.8	70.0	69.9	70.1	71.2	69.2	142.4	24.1	83.6	321.2	10.81
Jul	96.4	72.8	74.9	70.0	71.3	68.8	149.8	25.8	81.5	313.3	10.15
Aug	98.4	72.8	76.6	67.8	70.3	65.1	156.2	26.7	80.8	310.3	10.20
Sep	100.9	75.2	80.5	67.9	70.4	65.7	164.5	28.4	83.1	319.1	10.46
Oct	100.6	75.1	80.0	68.4	71.4	65.9	160.0	27.5	82.4	316.6	10.37
Nov	99.6	76.0	79.9	70.8	72.5	69.3	...	24.3	83.0	319.1	10.24
Dec	97.4	75.7	78.8	71.5	74.0	69.4	...	28.1	86.6	332.6	10.50

NON-ENERGY COMMODITY PRICE INDEX



PRICE INDICES FOR NON-ENERGY COMMODITIES, OIL AND GOLD



Sources: The Economist (non-energy commodity price index), IMF (oil) and BE (gold).

(a) The weights are based on the value of the commodity imports of the OECD countries during the period 1994-1996.

(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.

(d) As of January 1999, data in US dollars have been converted into euro using the average monthly exchange rate. Before that date, data in pesetas have been converted into euro using the irrevocable exchange rate.

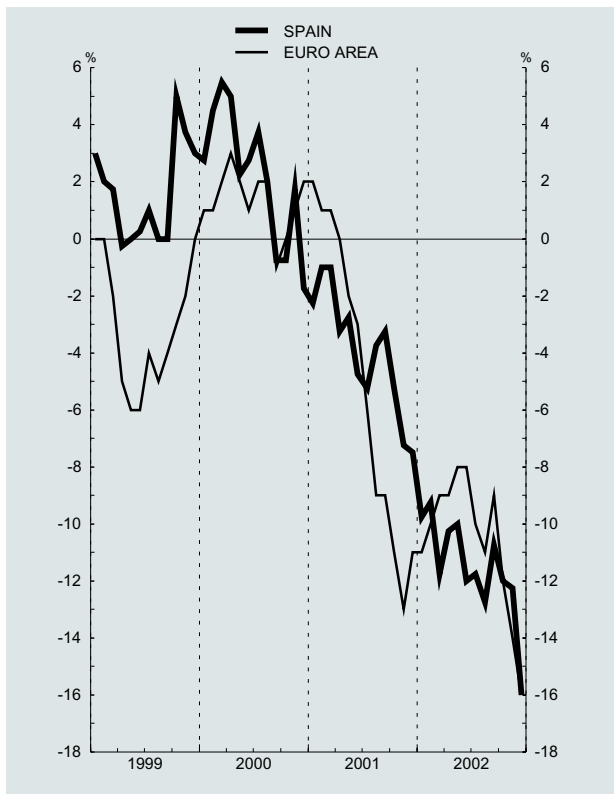
### 3.1. Indicators of private consumption. Spain and euro area

■ Series depicted in chart.

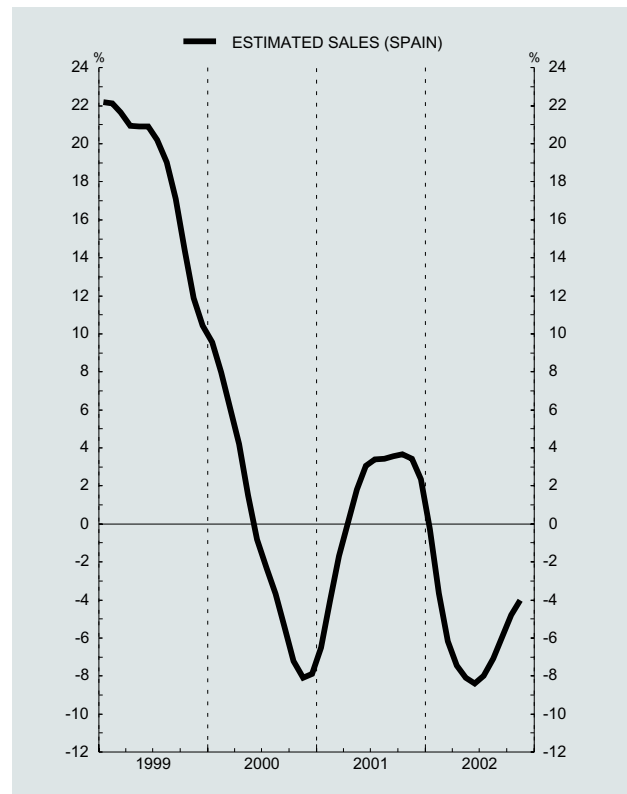
Annual percentage changes

	Opinion surveys (net percentages)						New car registrations and sales				Retail trade: sales index						
	Consumers			Retail trade confidence index	Memorandum item: euro area		of which		Estimated sales	Memorandum item: euro area	General index			By type of product (deflated indices)		Memorandum item: euro area deflated index	
	Confidence index	General economic situation: anticipated trend	Household economic situation: anticipated trend		Consumer confidence index	Retail trade confidence index	Registrations	Private use			Registrations	Nominal	Deflated (a)	Large retail outlets (a)	Food (b)		Other (c)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		
99	2	6	7	3	-3	-5	17.1	18.1	17.9	5.4	5.2	2.8	9.4	0.9	4.8	2.4	
00	2	5	7	3	1	-0	-2.4	-3.6	-1.8	-2.1	6.2	3.0	5.3	2.9	3.9	2.3	
01	-4	-3	4	-0	-5	-6	2.2	1.9	3.2	-0.7	7.1	3.4	3.5	5.1	1.5	1.5	
01 J-D	-4	-3	4	-0	-5	-6	2.2	1.9	3.2	...	7.1	3.4	3.5	5.1	1.5	1.5	
02 J-D	A -12	-7	-1	-2	-11	...	-7.3	-7.0	-6.6	...	...	...	...	...	...	...	
02 Jan	P -10	-6	-1	-3	-11	-13	1.7	1.6	4.6	-2.4	3.7	0.7	3.6	4.4	-2.1	0.1	
Feb	P -9	-6	1	-2	-10	-17	-10.3	-17.1	-9.3	-3.2	5.8	2.6	7.8	4.7	1.0	1.2	
Mar	P -12	-6	-2	-3	-9	-17	-23.6	-33.2	-14.1	-6.2	3.9	0.7	7.2	3.8	-1.4	1.3	
Apr	P -10	-6	-	-2	-9	-17	-6.6	-0.5	-7.7	-7.9	9.7	5.8	9.8	2.8	8.6	0.3	
May	P -10	-5	2	-2	-8	-18	-4.8	-6.9	-6.2	-6.8	7.3	3.6	9.8	1.3	5.6	0.6	
Jun	P -12	-8	-	-3	-8	-18	-16.5	-1.6	-16.4	-9.2	2.3	-1.1	3.5	-3.5	1.0	-0.8	
Jul	P -12	-10	-	-4	-10	-17	-6.1	-4.4	-6.0	-6.6	6.9	3.4	10.6	1.4	4.9	1.0	
Aug	P -13	-9	-2	-3	-11	-16	-9.1	-7.7	-10.1	-4.5	4.1	0.5	11.0	2.8	-0.8	0.9	
Sep	P -11	-5	-	-2	-9	-17	-1.8	-1.9	-4.1	-2.5	7.6	4.0	8.2	-0.9	8.0	0.2	
Oct	P -12	-6	-	-	-12	-16	0.5	-0.2	0.3	-3.2	8.0	3.9	9.7	2.7	4.7	1.6	
Nov	P -12	-4	-	-1	-14	-14	-8.3	-10.5	-8.6	...	7.8	3.7	11.4	3.1	4.1	...	
Dec	A -16	-13	-4	-3	-16	...	8.2	2.7	7.0	...	...	...	...	...	...	...	

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) Deflated by the total CPI.

(b) Deflated by the food component of the CPI.

(c) Deflated by the total CPI excluding foods, beverages, and tobacco.

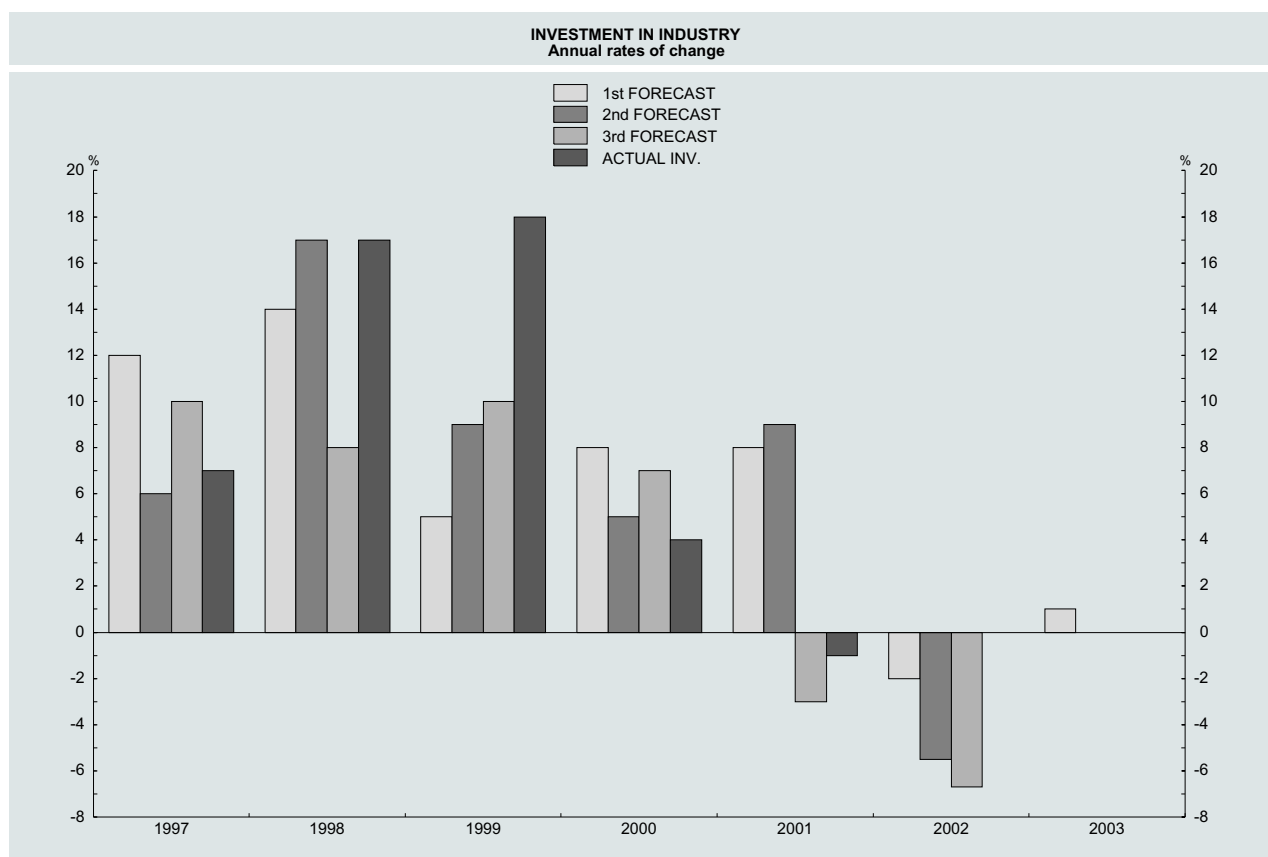


### 3.2. Investment in industry (excluding construction): opinion surveys. Spain

■ Series depicted in chart.

Annual percentage changes at current prices

	1	2	3	4	
	ACTUAL INV.	1st FORECAST	2nd FORECAST	3rd FORECAST	
97		7	12	6	10
98		17	14	17	8
99		18	5	9	10
00		4	8	5	7
01		-1	8	9	-3
02		...	-2	-6	-7
03		...	1	...	...



Source: Ministerio de Ciencia y Tecnología

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

### 3.3. Construction. Indicators of building starts and consumption of cement. Spain

■ Series depicted in chart.

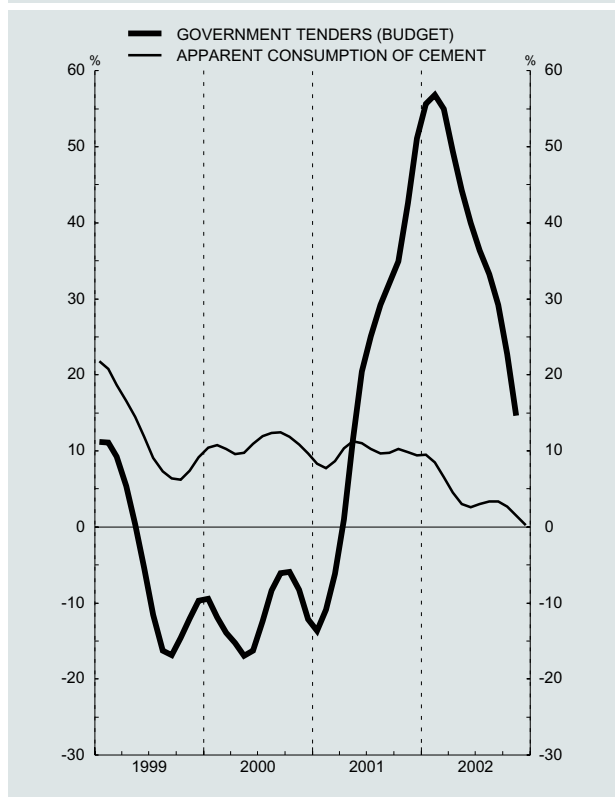
Annual percentage changes

	Permits: buildable floorage				Approvals: buildable floorage		Government tenders (budget)								Apparent consumption of cement
	of which			Non-residential	of which		Total		Building				Civil engineering		
	Total	Residential	Housing		Total	Housing	For the month	Year to date	Total	Residential	of which			Non-residential	
											Housing	Housing			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
99	12.8	13.1	12.8	11.2	22.0	20.0	-9.7	-9.7	-1.2	15.4	-26.0	-6.6	-13.0	11.7	
00	10.6	10.1	10.0	13.1	5.1	3.9	-7.7	-7.7	-3.0	-23.7	-9.8	5.3	-9.8	11.0	
01	-3.7	-7.7	-8.3	14.6	-2.2	-5.5	43.3	43.3	62.0	137.3	108.0	40.4	34.7	9.7	
01 J-D	-3.7	-7.7	-8.3	14.6	-2.2	-5.5	43.3	43.3	62.0	137.3	108.0	40.4	34.7	9.7	
02 J-D	...	...	...	...	...	...	...	...	...	...	...	...	...	4.6	
01 Sep	9.8	8.2	7.5	18.3	0.2	1.6	29.3	36.5	49.3	140.0	287.5	21.4	18.9	1.9	
Oct	4.4	-1.5	0.4	32.8	3.1	14.5	114.8	45.1	45.2	-6.1	82.6	61.5	150.2	24.3	
Nov	-2.1	-6.8	-6.2	19.6	3.4	2.5	24.7	42.9	73.9	124.0	176.8	58.4	1.4	7.9	
Dec	-9.7	-18.9	-16.0	41.7	3.6	0.6	47.4	43.3	140.6	574.3	655.1	89.1	17.2	2.8	
02 Jan	-6.4	-11.5	-5.9	16.3	-1.5	-3.7	144.4	144.4	157.3	421.8	347.6	115.4	138.9	15.6	
Feb	-1.8	0.5	-0.4	-10.6	6.2	6.2	93.8	123.9	76.3	290.8	130.6	27.0	110.7	11.6	
Mar	-9.9	-11.5	-11.1	-3.5	-15.6	-19.1	42.1	87.5	6.1	-8.2	75.1	9.7	65.4	-6.7	
Apr	4.8	10.2	9.5	-14.2	8.9	20.3	15.4	61.6	112.8	73.8	312.7	127.3	-17.0	17.7	
May	0.1	9.7	11.9	-29.3	6.6	6.6	24.3	52.0	51.9	-2.7	7.4	74.9	9.0	0.3	
Jun	-12.4	-12.2	-12.6	-13.4	-4.4	-3.0	-40.4	19.2	-54.5	-87.5	-37.5	15.3	-27.0	-3.8	
Jul	-11.5	-4.5	-2.5	-32.0	0.8	2.9	47.0	26.5	38.0	60.5	-32.8	28.0	50.6	9.9	
Aug	12.8	9.7	8.8	25.8	2.7	5.5	-22.5	17.2	-34.4	19.2	177.4	-43.6	-15.6	-1.2	
Sep	...	...	...	...	15.3	18.2	1.0	15.8	1.3	-54.2	53.3	35.0	0.8	8.8	
Oct	...	...	...	...	...	...	-6.2	12.2	55.6	289.7	19.3	12.5	-24.4	4.1	
Nov	...	...	...	...	...	...	31.3	14.0	-34.7	-58.8	-74.7	-24.1	84.8	-1.9	
Dec	...	...	...	...	...	...	...	...	...	...	...	...	...	4.7	

CONSTRUCTION  
Trend obtained with TRAMO-SEATS



CONSTRUCTION  
Trend obtained with TRAMO-SEATS



Sources: Ministerio de Fomento and Asociación de Fabricantes de Cemento de España.

Note: The underlying series for this indicator are in Tables 23.7, 23.8, and 23.9 of the BE Boletín estadístico.

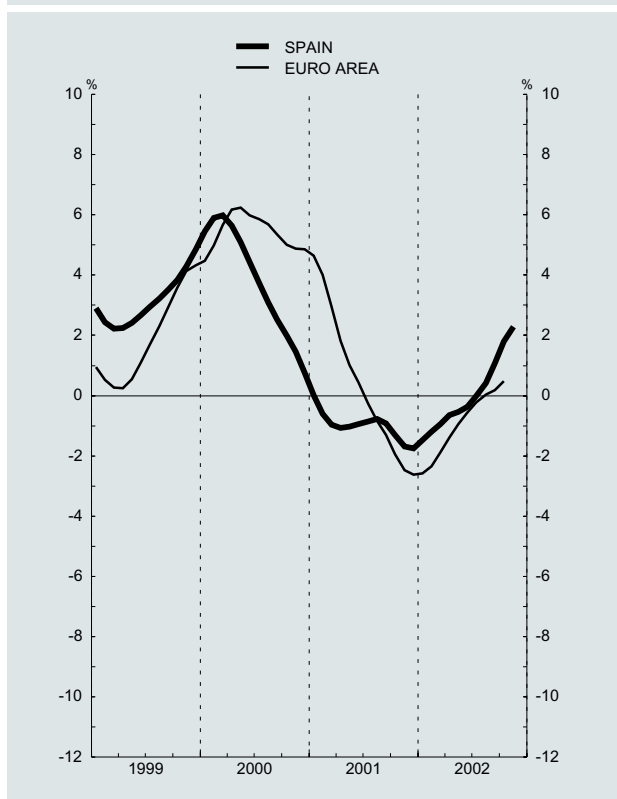
### 3.4. Industrial production index. Spain and euro area

■ Series depicted in chart.

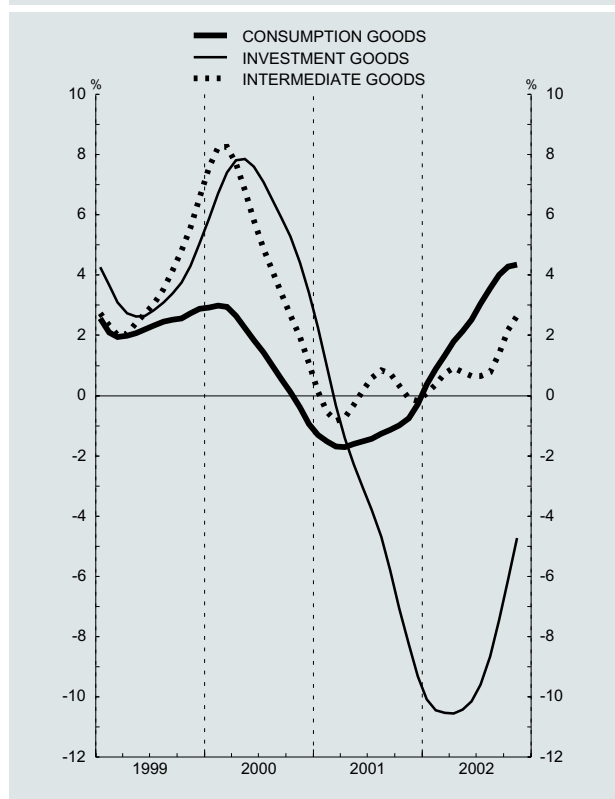
Annual percentage changes

		Overall Index			By end-use of goods			By branch of activity				Memorandum item: euro area				
		Total		of which	Consumption	Investment	Intermediate goods	Energy	Minerals	Processing	Others	of which		By end-use of goods		
		Original series	12-month % change	Manufacturing								Total	Manufacturing	Consumption	Investment	Intermediate goods
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
99	MP	118.1	2.6	2.3	1.9	3.2	3.1	4.0	4.1	0.5	3.1	1.9	1.9	1.6	2.5	1.9
00	MP	122.8	4.0	3.3	1.2	6.1	5.5	7.0	3.7	6.2	0.7	5.5	5.9	2.2	9.4	5.9
01	MP	121.4	-1.2	-2.0	-1.6	-3.4	-0.1	3.0	-0.1	-3.8	-1.3	0.4	0.2	0.4	1.3	-0.8
01 J-N	MP	122.6	-0.9	-1.5	-1.5	-2.4	0.1	2.2	0.5	-2.8	-1.4	0.8	0.8	...	2.1	-0.1
02 J-N	MP	122.7	0.1	-0.0	2.9	-9.4	1.0	1.0	2.8	-4.3	1.8	...	...	...	...	...
01 Aug	P	89.7	3.2	2.5	2.5	1.9	4.1	6.0	1.6	3.9	2.1	1.4	1.3	1.8	2.9	-0.2
Sep	P	121.5	-2.9	-3.7	-5.4	-2.3	-0.9	2.5	-0.9	-5.4	-4.0	-0.3	-0.6	-0.1	0.2	-1.6
Oct	P	130.6	3.0	2.4	2.6	1.2	3.9	6.0	3.3	0.1	4.2	-2.5	-2.8	-2.1	-2.5	-3.4
Nov	P	127.0	-4.7	-6.3	-3.4	-13.6	-2.7	3.8	-1.0	-13.2	-2.8	-4.0	-5.0	-2.8	-5.4	-6.1
Dec	P	107.4	-4.4	-7.6	-3.0	-14.8	-1.6	11.4	-7.7	-15.6	-	-4.3	-6.3	-3.4	-6.3	-8.7
02 Jan	P	123.5	-0.6	-1.9	2.4	-10.2	0.5	6.2	0.1	-7.1	1.8	-2.8	-3.7	-0.9	-6.1	-3.4
Feb	P	120.2	-0.6	-0.9	3.1	-10.6	0.1	1.7	2.6	-6.8	2.3	-3.1	-3.9	-1.2	-7.1	-2.5
Mar	P	118.2	-10.0	-11.7	-10.3	-21.9	-5.8	-0.5	-5.4	-18.8	-9.2	-2.2	-3.1	-1.6	-6.1	-0.4
Apr	P	126.5	10.6	10.6	15.7	-0.2	10.5	10.8	12.6	7.5	12.0	-0.7	-0.5	-1.3	-2.2	0.4
May	P	129.4	-1.9	-1.7	0.2	-10.0	-0.7	-1.7	-0.7	-5.9	1.3	-0.9	-1.5	-0.5	-4.3	0.6
Jun	P	123.6	-4.5	-5.4	-2.3	-17.6	-1.5	1.9	-0.7	-11.9	-2.6	-0.3	-0.7	-1.0	-1.5	-0.0
Jul	P	132.5	3.5	3.6	7.1	-4.6	3.4	3.0	6.0	-0.9	6.4	-0.2	0.0	-1.6	-0.7	0.5
Aug	P	86.5	-3.6	-2.9	1.7	-18.8	-3.8	-5.3	-1.2	-10.4	0.5	-1.2	-1.6	-2.6	-2.5	-0.0
Sep	P	124.9	2.8	3.4	7.5	-6.6	2.4	0.1	5.1	0.7	4.5	-0.4	-0.4	-1.3	-2.7	1.3
Oct	P	136.4	4.4	5.2	7.0	-2.2	4.8	0.7	9.4	3.6	3.9	0.4	0.2	...	-1.0	1.1
Nov	P	128.0	0.8	2.0	1.3	-2.6	1.4	-5.0	3.5	2.8	0.3	...	...	...	...	...

INDUSTRIAL PRODUCTION INDEX  
Trend obtained with TRAMO-SEATS



INDUSTRIAL PRODUCTION INDEX  
Trend obtained with TRAMO-SEATS



Sources: INE and BCE.

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

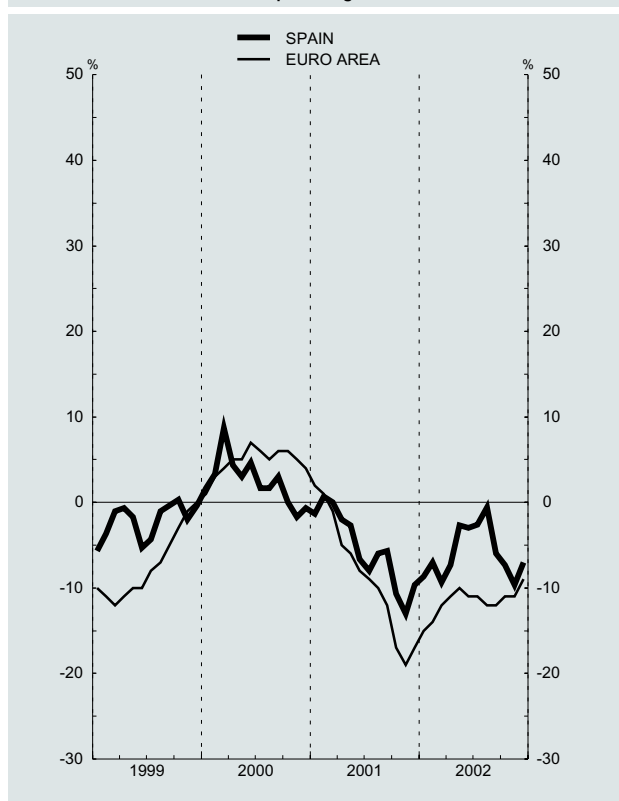
### 3.5. Monthly business survey: industry and construction. Spain and euro area

■ Series depicted in chart.

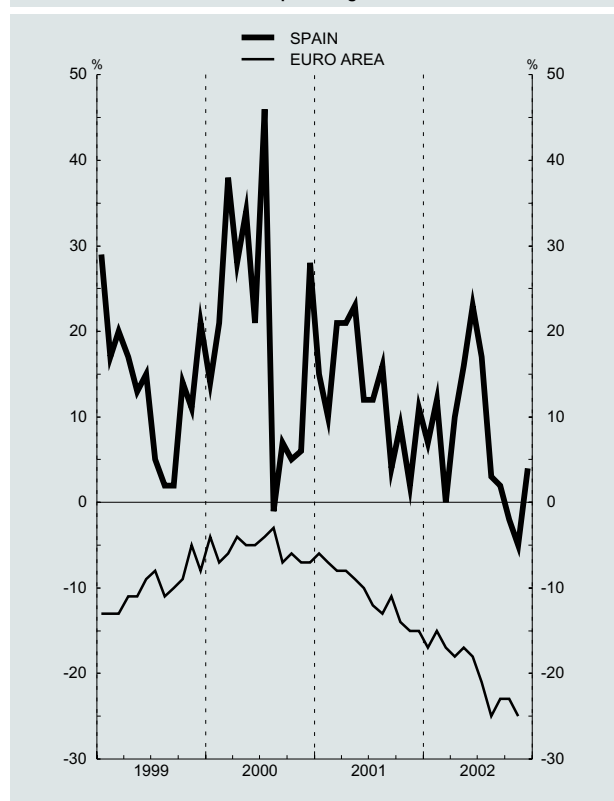
Balance

		Industry, excluding construction									Construction					Memorandum item: euro area (b)		
		Business climate indicator (a)	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 business climate indicator
		1	2	3	4	5	6	Consumption	Investment	Intermediate goods	10	11	12	13	14	15	16	17
99	M	-2	6	6	-4	-16	9	-0	-2	-4	14	20	18	40	26	-7	-16	-10
00	M	2	9	11	3	-4	7	2	1	4	21	12	21	41	37	5	3	-5
01	M	-5	-0	3	-9	-13	11	-5	-4	-7	13	10	21	37	38	-8	-14	-11
01 J-D	M	-5	-0	3	-9	-13	11	-5	-4	-7	13	10	21	37	38	-8	-14	-11
02 J-D	M	-6	-1	2	-11	-16	9	-7	-6	-5	7	10	13	11	25	-12	-25	...
01 Sep		-6	1	1	-10	-13	8	-4	-8	-7	4	2	26	54	50	-12	-19	-11
Oct		-11	-4	-9	-12	-16	11	-9	-12	-12	9	4	35	49	52	-17	-25	-14
Nov		-13	-8	-13	-15	-22	11	-9	-13	-16	2	-18	12	36	2	-19	-28	-15
Dec		-10	-9	-3	-17	-22	9	-10	-6	-13	11	-8	15	56	38	-17	-28	-15
02 Jan		-9	-14	6	-22	-28	10	-12	-11	-6	7	-20	-2	14	34	-15	-28	-17
Feb		-7	-11	7	-16	-17	12	-7	-5	-7	12	1	18	12	66	-14	-26	-15
Mar		-9	-7	-2	-17	-19	9	-13	-13	-4	-	6	14	41	77	-12	-25	-17
Apr		-7	-3	-	-14	-20	8	-13	-5	-4	10	18	20	-3	62	-11	-26	-18
May		-3	3	7	-9	-15	6	-9	-5	3	16	20	11	20	71	-10	-23	-17
Jun		-3	4	5	-6	-16	8	-2	-4	-3	23	10	22	14	62	-11	-25	-18
Jul		-3	7	4	-7	-19	5	-9	-1	2	17	39	9	46	34	-11	-26	-21
Aug		-1	4	11	-6	-15	7	-6	3	2	3	23	5	8	-25	-12	-30	-25
Sep		-6	-	5	-15	-17	8	-6	-9	-3	2	10	12	6	19	-12	-26	-23
Oct		-7	-4	-	-11	-12	11	-4	-8	-10	-2	14	15	8	-24	-11	-25	-23
Nov		-10	2	-13	-8	-12	8	-6	-10	-13	-5	7	9	-11	-34	-11	-23	-25
Dec		-7	9	-5	-5	-5	11	2	-8	-13	4	-11	17	-18	-45	-9	-22	...

INDUSTRIAL BUSINESS CLIMATE  
Net percentages



CONSTRUCTION BUSINESS CLIMATE  
Net percentages



Sources: Ministerio de Ciencia y Tecnología, Encuesta de coyuntura industrial, and ECB.

(a) 1= mean of (4-6+3).

(b) Before November 2001, the period referred to is different, so that the value of the indicator for month n corresponds to the data published by the MCYT for month n-1.

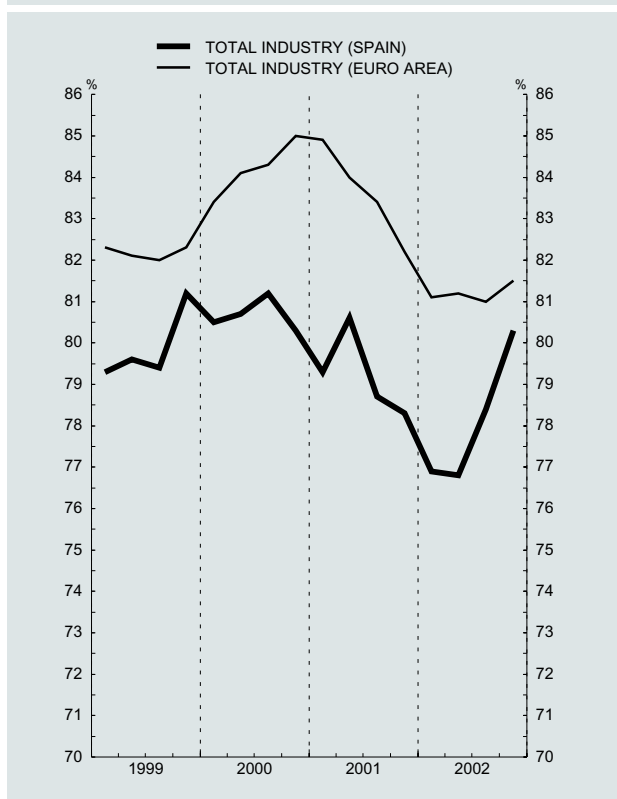
### 3.6. Business survey: capacity utilisation. Spain and euro area

■ Series depicted in chart.

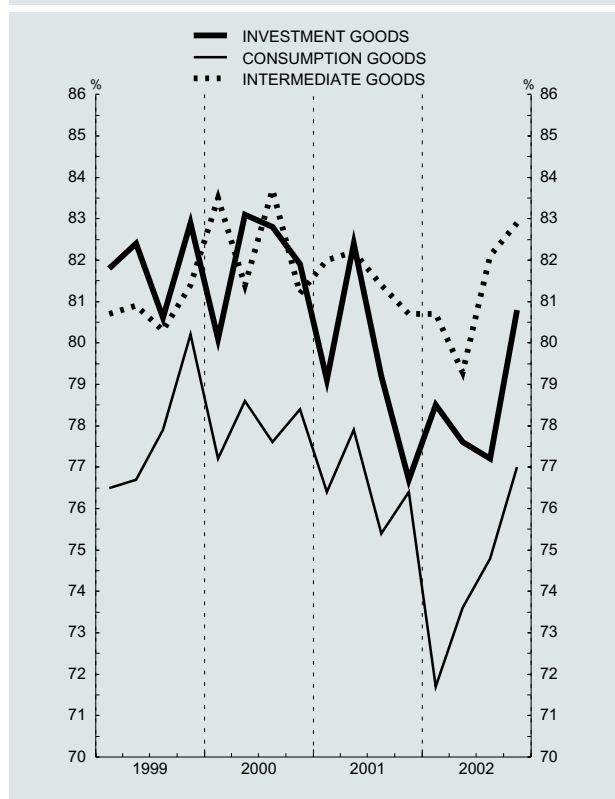
Percentages and balances

	Total industry			Consumer goods			Investment goods			Intermediate goods			Memorandum item: euro area capacity utilisation  (%)
	Capacity utilisation		Installed capacity  (balances)	Capacity utilisation		Installed capacity  (balances)	Capacity utilisation		Installed capacity  (balances)	Capacity utilisation		Installed capacity  (Balances)	
	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		
99	79.9	80.9	2	77.8	79.0	3	81.9	81.9	2	80.8	82.1	1	82.2
00	80.7	81.7	-1	78.0	78.4	1	82.0	83.5	-2	82.5	83.7	-2	84.2
01	79.2	80.3	3	76.5	78.0	3	79.4	81.1	2	81.6	82.0	2	83.6
01 Q1-Q4	79.2	80.3	3	76.5	78.0	3	79.4	81.1	2	81.6	82.0	2	83.6
02 Q1-Q4	78.1	80.0	8	74.3	76.6	13	78.5	80.9	7	81.3	82.6	4	81.2
00 Q2	80.7	81.1	-	78.6	78.3	2	83.1	84.2	2	81.4	82.2	-2	84.1
Q3	81.2	82.1	-1	77.6	78.5	-1	82.8	84.3	-4	83.7	84.3	-	84.3
Q4	80.3	81.4	-1	78.4	78.4	2	81.9	84.8	-5	81.2	82.6	-1	85.0
01 Q1	79.3	80.9	2	76.4	77.4	3	79.1	81.8	-	82.0	83.5	-	84.9
Q2	80.6	81.5	2	77.9	80.2	2	82.4	83.3	-	82.2	81.8	1	84.0
Q3	78.7	80.2	2	75.4	78.2	1	79.2	80.4	3	81.4	81.9	3	83.4
Q4	78.3	78.6	6	76.4	76.0	7	76.7	79.0	5	80.7	80.6	5	82.2
02 Q1	76.9	78.5	5	71.7	73.5	6	78.5	80.0	5	80.7	82.1	5	81.1
Q2	76.8	80.5	8	73.6	78.0	10	77.6	81.2	5	79.3	82.2	6	81.2
Q3	78.4	79.8	12	74.8	76.7	22	77.2	79.8	14	82.1	82.6	1	81.0
Q4	80.3	81.2	8	77.0	78.1	15	80.8	82.4	5	82.9	83.4	2	81.5

CAPACITY UTILISATION. TOTAL INDUSTRY  
Percentages



CAPACITY UTILISATION. BY TYPES OF GOODS  
Percentages



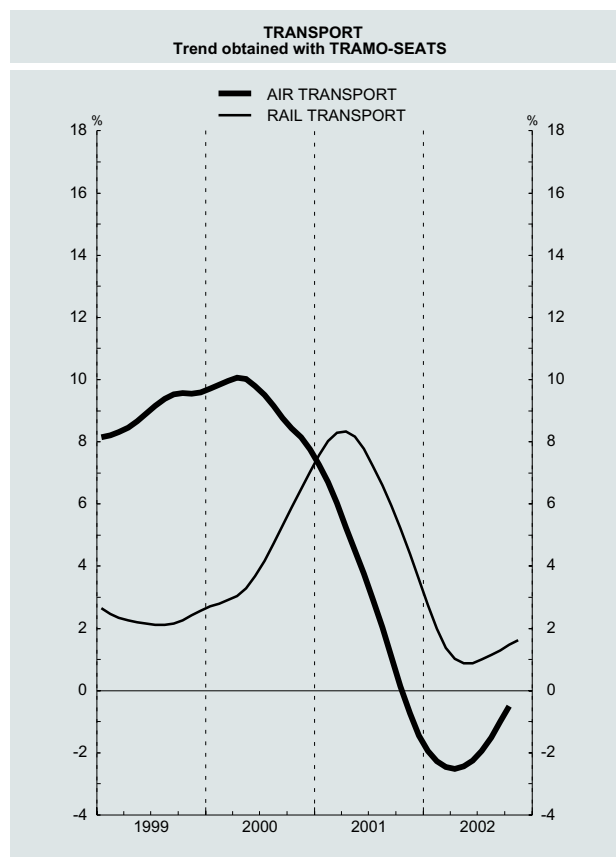
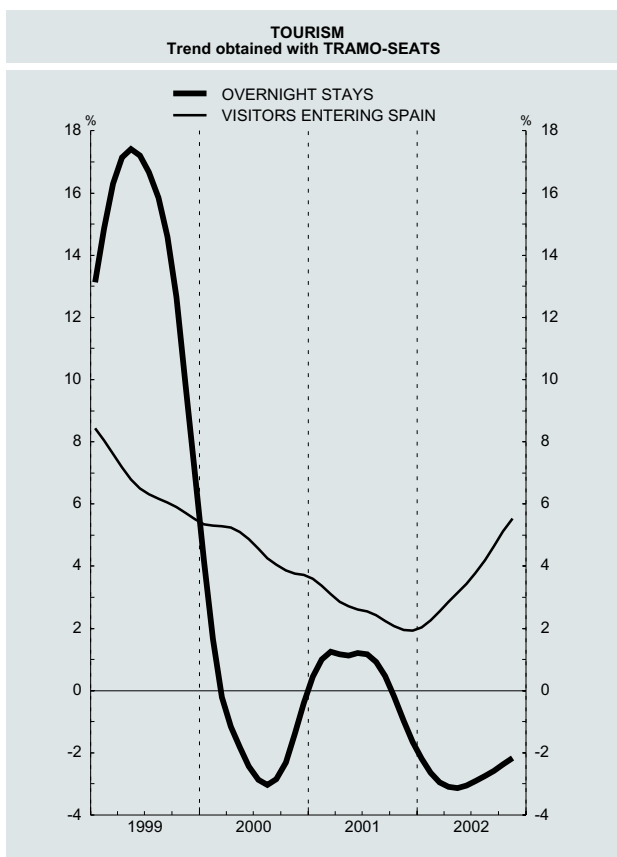
Sources: Ministerio de Ciencia y Tecnología and ECB

### 3.7. Tourism and transport statistics. Spain

■ Series depicted in chart.

Annual percentage changes

		Hotel stays (a)		Overnight stays		Visitors entering Spain			Air transport				Maritime transport		Rail transport	
		Total	Foreigners	Total	Foreigners	Total	Tourists	Day-trippers	Passengers			Freight	Passengers	Freight	Passengers	Freight
									Total	Domestic flights	International flights					
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
99		13.0	20.4	14.9	21.5	6.3	7.8	3.8	9.0	7.0	10.3	6.8	7.9	5.2	2.3	-1.3
00		1.2	1.3	-1.5	-3.5	3.3	2.4	5.1	9.4	12.8	7.1	4.2	7.2	6.8	4.5	1.8
01	P	1.0	-0.5	0.7	-0.3	3.1	5.2	-0.6	3.0	0.8	4.5	-4.9	0.2	3.4	6.6	-0.6
01 J-N		1.3	-0.3	0.8	-0.2	3.3	5.5	-0.8	3.5	1.6	4.9	-4.3	0.3	3.4	7.2	-0.1
02 J-N	P	-0.1	-1.3	-2.8	-5.2	4.0	2.4	7.1	...	...	...	...	...	...	3.3	...
01 Aug		2.6	2.3	2.3	1.9	7.2	14.7	-4.0	6.2	7.3	5.5	-6.2	5.1	6.6	4.1	-12.7
Sep		-0.3	-1.8	1.6	1.2	0.9	5.0	-8.0	3.2	1.7	4.1	-10.2	-1.6	8.9	1.4	17.2
Oct		-1.1	-4.7	-1.9	-2.3	-0.4	1.3	-4.1	-4.0	-1.7	-5.4	-7.5	1.1	7.8	5.0	-8.2
Nov		-0.9	-6.1	0.4	-3.2	2.3	2.6	1.8	-3.2	-2.8	-3.5	-11.9	-6.4	7.6	13.1	1.4
Dec	P	-4.0	-5.9	-3.0	-3.4	-0.3	-2.1	1.7	-5.4	-9.4	-1.4	-10.6	-0.9	3.9	0.8	-6.7
02 Jan	P	-4.1	-6.5	-3.7	-3.2	-0.1	-2.8	3.8	-4.5	-5.3	-3.7	-5.9	-1.5	8.4	4.0	1.3
Feb	P	-0.7	-0.1	-2.6	-4.3	6.1	3.9	9.3	-1.3	-2.3	-0.4	-7.1	2.0	5.9	3.9	0.4
Mar	P	8.9	4.2	7.5	-0.3	12.9	12.0	14.6	1.9	-1.8	4.7	-13.4	19.0	5.4	-4.0	-7.2
Apr	P	-9.5	-5.0	-13.1	-9.3	-6.0	-11.1	3.4	-9.0	-7.2	-10.2	-1.9	-6.6	8.9	16.1	19.4
May	P	0.8	-3.6	-2.8	-7.3	3.6	1.1	8.9	-3.3	-4.4	-2.6	-1.1	-1.6	6.9	0.3	-8.5
Jun	P	-3.3	-5.1	-4.8	-6.5	2.9	-0.8	12.1	-4.0	-6.7	-2.4	-0.7	3.6	6.2	0.1	1.8
Jul	P	0.6	-2.4	-3.0	-6.1	0.8	0.8	0.9	-2.4	-1.6	-2.9	5.4	-0.2	7.8	4.7	7.0
Aug	P	3.5	1.6	0.9	-2.4	8.6	10.9	4.4	0.8	-1.5	2.1	0.2	5.6	1.7	3.3	6.0
Sep	P	-1.1	-1.8	-4.1	-6.5	-0.3	-1.2	1.7	-2.6	-2.7	-2.5	5.3	3.1	1.2	5.6	-0.0
Oct	P	1.4	3.1	-2.5	-3.4	7.5	5.0	13.3	2.1	-2.2	4.9	3.2	9.9	6.0	7.3	...
Nov	P	1.7	2.5	-3.0	-5.4	10.6	7.2	15.9	...	...	...	...	...	...	-3.5	...



Sources: INE and Instituto de Estudios Turísticos, Estadística de Movimientos Turísticos en Frontera.

Note: The underlying series for this indicator are in Table 23.15 of the BE Boletín estadístico.

(a) From January 1999 the survey includes one-star and similar establishments. To calculate the annual percentage changes the 1998 data have been increased in order to reflect the new guideline.



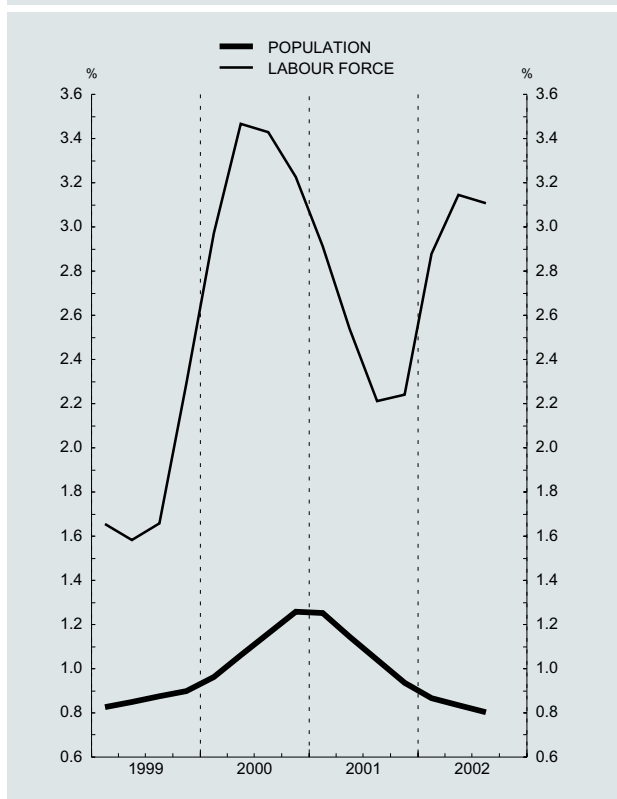
#### 4.1. Labour force. Spain

■ Series depicted in chart.

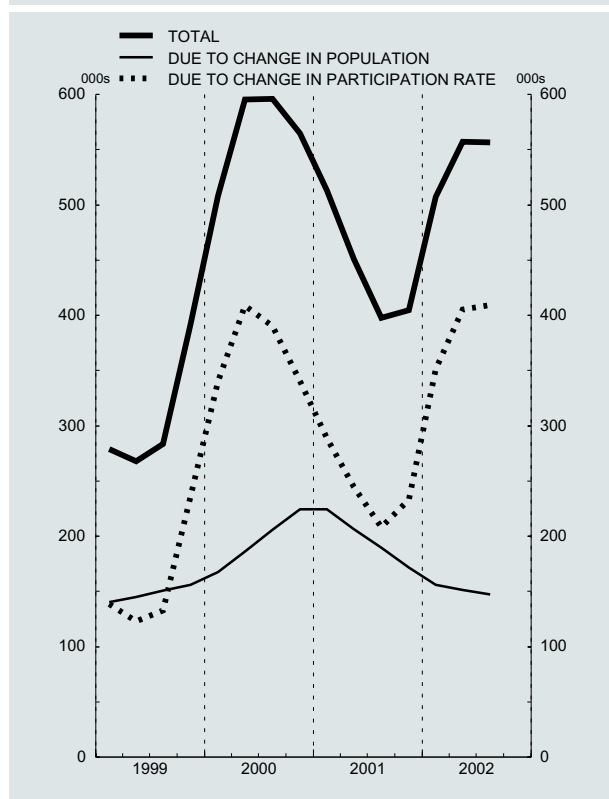
Thousands and annual percentage changes

		Population over 16 years of age			Participation rate (%)	Labour force				
		Thousands	Annual change	4-quarter % change		Thousands (a)	Annual change (b) (c)			4-quarter % change (b)
							Total	Due to change in population over 16 years of age	Due to change in participation rate	
		1	2	3	4	5	6	7	8	9
99	M	32 958	282	0.9	52.46	17 290	306	148	158	1.8
00	M	33 324	366	1.1	53.58	17 857	566	196	370	3.3
01	M	33 689	364	1.1	52.88	17 815	442	198	244	2.5
01	Q1-Q3 M	33 652	381	1.1	52.74	17 749	1 362	620	741	2.6
02	Q1-Q3 M	33 933	281	0.8	53.90	18 289	1 621	455	1 166	3.0
00	Q1	33 162	316	1.0	53.10	17 610	508	168	341	3.0
	Q2	33 270	349	1.1	53.39	17 764	595	186	409	3.5
	Q3	33 378	382	1.2	53.87	17 981	596	206	390	3.4
	Q4	33 486	416	1.3	53.97	18 071	565	224	341	3.2
01	Q1	33 577	415	1.3	52.50	17 629	513	224	289	2.9
	Q2	33 652	381	1.1	52.63	17 710	451	206	245	2.5
	Q3	33 726	348	1.0	53.09	17 907	398	189	208	2.2
	Q4	33 800	314	0.9	53.29	18 013	405	171	233	2.2
02	Q1	33 869	292	0.9	53.55	18 137	507	156	351	2.9
	Q2	33 933	281	0.8	53.83	18 267	557	151	406	3.1
	Q3	33 997	271	0.8	54.31	18 463	556	147	409	3.1

LABOUR FORCE SURVEY  
Annual percentage change



LABOUR FORCE  
Annual changes



Source: INE (Labour Force Survey: 2002 methodology).

(a) the new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See [www.ine.es](http://www.ine.es)).

(b) To calculate the annual percentage changes and annual changes, the INE homogeneous series has been used up to December 2001, and from January 2002, the column 5 series. For this reason the annual percentage changes and annual changes for 2001 cannot be obtained by using the column 5 series. For further information, methodological notes may be consulted at INE's website([www.ine.es](http://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).

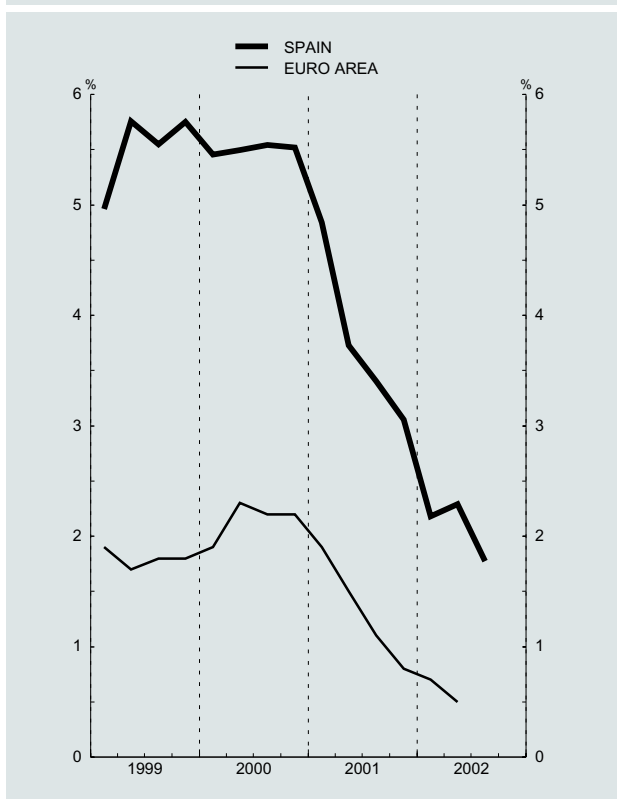
## 4.2. Employment and wage-earners. Spain and euro area (a)

■ Series depicted in chart.

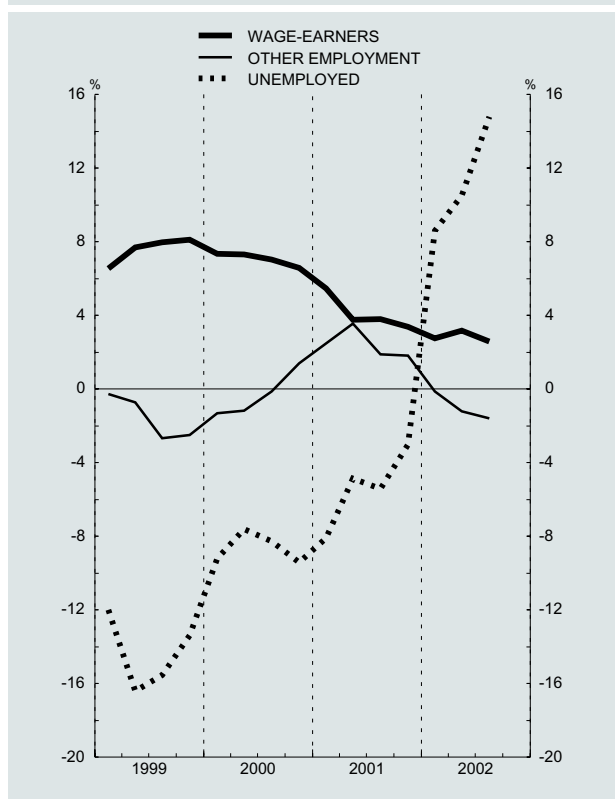
Thousands and annual percentage changes

		Employment									Unemployment			Unem- ployment rate (a)	Memorandum item: euro area	
		Total			Wage-earners			Other			Thousands (a)	Annual change (b)	4-quarter % change (b)		Employ- ment 4-quarter % change	Unem- ployment rate
		Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change						
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
99	M	14 568	760	5.5	11 474	809	7.6	3 094	-49	-1.5	2 722	-455	-14.3	15.75	1.8	9.35
00	M	15 370	802	5.5	12 286	811	7.1	3 084	-10	-0.3	2 487	-235	-8.6	13.93	2.2	8.39
01	M	15 946	576	3.7	12 787	501	4.1	3 159	75	2.4	1 869	-134	-5.4	10.49	1.3	8.01
01	Q1-Q3M	15 887	608	4.0	12 728	527	4.3	3 160	81	2.6	1 861	-155	-6.2	10.49	1.5	8.00
02	Q1-Q3M	16 218	331	2.1	13 089	361	2.8	3 129	-31	-1.0	2 071	210	11.3	11.32	...	8.22
00	Q1	14 988	775	5.5	11 913	816	7.4	3 074	-41	-1.3	2 622	-267	-9.2	14.89	1.9	8.73
	Q2	15 306	798	5.5	12 231	834	7.3	3 075	-36	-1.2	2 457	-202	-7.6	13.83	2.3	8.47
	Q3	15 542	816	5.5	12 456	820	7.0	3 086	-4	-0.1	2 439	-220	-8.3	13.57	2.2	8.28
	Q4	15 643	818	5.5	12 542	775	6.6	3 101	43	1.4	2 428	-253	-9.4	13.44	2.2	8.08
01	Q1	15 713	725	4.8	12 563	649	5.4	3 150	76	2.5	1 916	-212	-8.1	10.87	1.9	8.04
	Q2	15 877	571	3.7	12 692	461	3.8	3 184	109	3.6	1 833	-120	-4.9	10.35	1.5	7.98
	Q3	16 072	529	3.4	12 928	472	3.8	3 144	58	1.9	1 835	-132	-5.4	10.25	1.1	7.98
	Q4	16 121	478	3.1	12 964	422	3.4	3 157	56	1.8	1 892	-74	-3.0	10.50	0.8	8.04
02	Q1	16 055	342	2.2	12 909	347	2.8	3 146	-4	-0.1	2 081	165	8.6	11.47	0.7	8.13
	Q2	16 241	364	2.3	13 095	403	3.2	3 146	-39	-1.2	2 026	193	10.5	11.09	0.5	8.22
	Q3	16 357	285	1.8	13 263	335	2.6	3 094	-50	-1.6	2 106	271	14.8	11.41	...	8.32

**EMPLOYMENT**  
Annual percentage changes



**LABOUR FORCE: COMPONENTS**  
Annual percentage changes



Source: INE (Labour Force Survey: 2002 methodology), and ECB.

(a) the new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See [www.ine.es](http://www.ine.es)).

(b) To calculate the annual percentage changes and annual changes, the INE homogeneous series has been used up to December 2001, and from January 2002, the column 10 series. For this reason the annual percentage changes and annual changes for 2001 cannot be obtained by using the column 10 series. For further information, methodological notes may be consulted at INE's website([www.ine.es](http://www.ine.es)).

### 4.3. Employment by branch of activity. Spain (a)

■ Series depicted in chart.

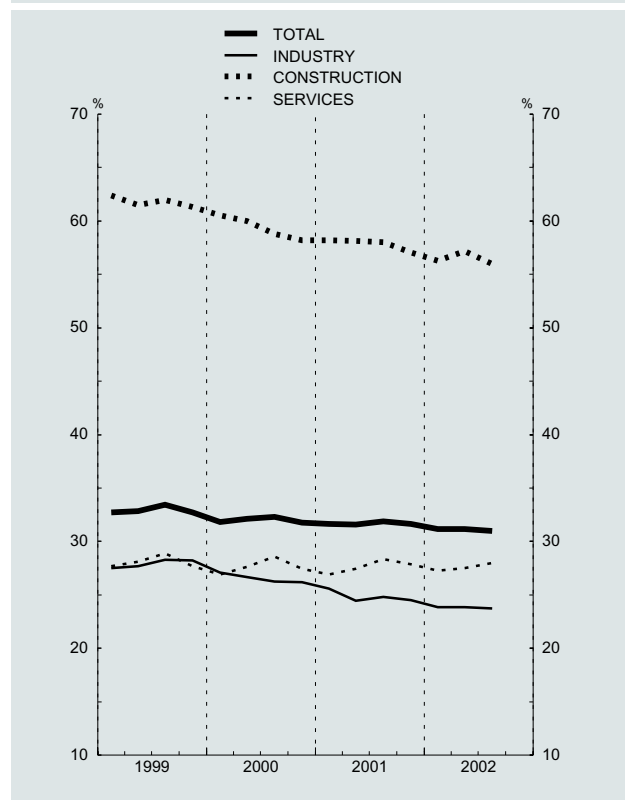
Annual percentage changes

		Total			Agriculture			Industry			Construction			Services			Memorandum item: employment in		
		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	Branches other than agriculture	Branches other than agriculture excluding general government	Services excluding general government
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
99	M	5.5	7.6	32.9	-3.2	0.5	61.1	3.5	4.3	27.9	13.6	15.7	61.8	6.0	8.0	28.1	6.2	7.0	7.1
00	M	5.5	7.1	32.0	-2.6	-1.6	59.0	4.4	5.0	26.5	9.5	10.0	59.4	6.1	7.8	27.6	6.1	6.5	6.7
01	M	3.7	4.1	31.7	0.7	5.0	61.6	3.1	2.8	24.8	7.8	8.3	57.8	3.6	3.7	27.6	4.0	3.8	3.1
01	Q1-Q3M	4.0	4.3	-1.2	1.3	6.3	5.3	4.1	3.9	-6.4	8.1	8.3	-2.8	3.5	3.6	-0.5	3.8	3.4	2.8
02	Q1-Q3M	2.1	2.8	-1.8	-5.4	-5.3	-6.5	-0.8	-0.5	-4.6	4.2	4.1	-2.8	3.4	4.2	0.1	2.3	2.1	2.8
00	Q1	5.5	7.4	31.8	-3.6	-3.9	59.4	2.9	4.0	27.1	12.1	12.8	60.5	6.3	8.4	26.9	6.2	6.8	7.4
	Q2	5.5	7.3	32.1	-3.2	-1.8	60.2	3.9	4.5	26.7	10.5	11.9	60.0	6.2	8.1	27.6	6.2	6.7	7.1
	Q3	5.5	7.0	32.3	-2.9	-2.6	56.0	4.7	4.9	26.3	8.7	9.3	58.8	6.2	7.9	28.6	6.2	6.6	7.0
	Q4	5.5	6.6	31.7	-0.8	2.0	60.5	6.0	6.5	26.2	6.9	6.5	58.2	5.8	6.9	27.5	6.0	5.8	5.4
01	Q1	4.8	5.4	31.6	4.8	13.0	65.5	5.8	5.5	25.6	7.9	8.3	58.2	4.0	4.5	26.9	4.8	4.8	3.7
	Q2	3.7	3.8	31.6	1.2	4.2	61.8	4.0	3.7	24.5	9.1	9.3	58.1	3.0	2.8	27.5	3.9	3.9	2.6
	Q3	3.4	3.8	31.9	-2.3	1.1	57.5	2.7	2.6	24.8	7.2	7.5	58.0	3.5	3.7	28.3	3.8	3.4	2.8
	Q4	3.1	3.4	31.7	-1.1	1.2	61.4	-0.0	-0.3	24.5	7.2	8.1	57.0	3.7	4.0	27.8	3.3	3.1	3.4
02	Q1	2.2	2.8	31.2	-4.3	-4.7	61.8	-2.5	-2.3	23.9	6.7	6.6	56.3	3.6	4.3	27.3	2.7	2.2	3.0
	Q2	2.3	3.2	31.2	-6.0	-6.5	58.0	-0.4	-0.1	23.9	4.2	3.9	57.2	3.7	4.7	27.5	2.9	2.5	3.3
	Q3	1.8	2.6	31.0	-5.9	-4.7	53.1	0.6	0.7	23.7	1.9	2.0	56.0	2.9	3.7	28.0	2.3	2.1	2.8

**EMPLOYMENT**  
Annual percentage changes



**TEMPORARY EMPLOYMENT**  
Percentages



Source: INE (Labour Force Survey: 2002 methodology).

Note: The underlying series of this indicator are in Tables 24.4 and 24.6 of the BE Boletín estadístico.

(a) Branches of activity in accordance with NACE-93.

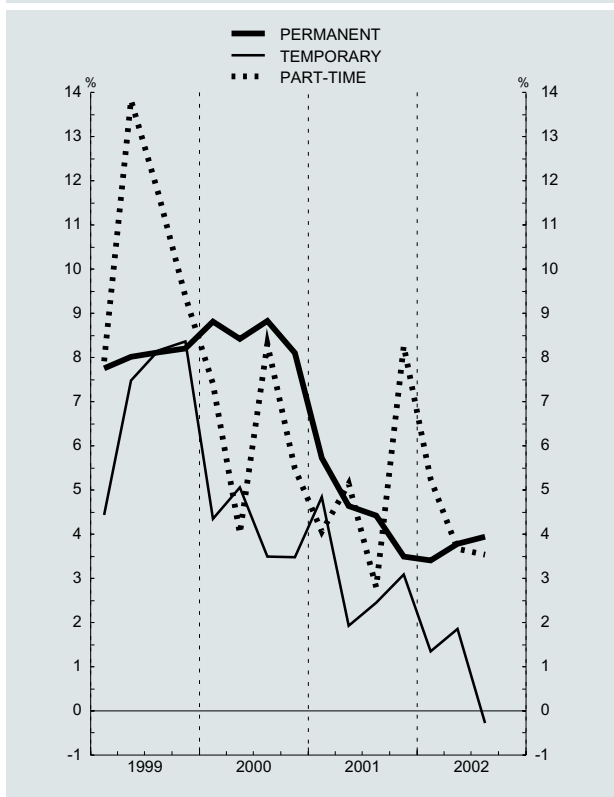
#### 4.4. Wage-earners by type of contract and unemployment by duration. Spain. (a)

■ Series depicted in chart.

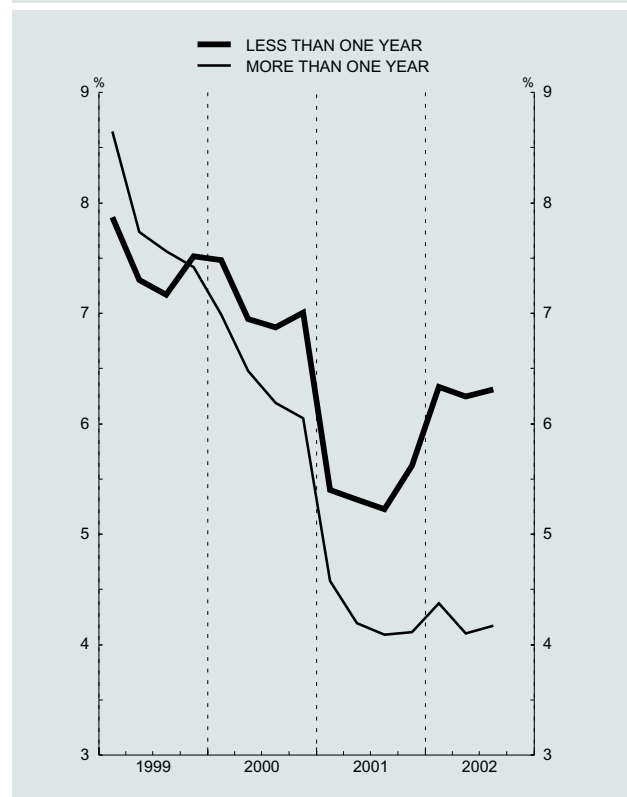
Thousands, annual percentage changes and %

		Wage-earners										Unemployment							
		By type of contract					By duration of working day					By duration				% of unemployed that would accept a job (a)			
		Permanent		Temporary			Full-time		Part-time			Less than one year		More than one year					
Annual change	4-quar-ter % change	Annual change	4-quar-ter % change	Proportion of temporary employment	Annual change	4-quar-ter % change	Annual change	4-quar-ter % change	As % for wage earners	Unem-employment rate	4-quar-ter % change	Unem-employment rate	4-quar-ter % change	Entail-ing a change of residence	With a lower wage	Requir-ing fever skills			
Thousands		Thousands			Thousands		Thousands				(a)	(b)	(a)	(b)					
1		2		3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
99	M	572	8.0	251	7.1	32.91	719	7.3	90	10.7	8.10	7.46	-9.6	7.84	-20.1	23.26	54.53	60.45	
00	M	657	8.5	154	4.1	32.00	753	7.1	58	6.3	8.04	7.08	-2.1	6.43	-15.4	23.04	52.44	58.49	
01	M	381	4.6	120	3.1	31.68	451	4.0	50	5.1	8.11	5.39	-5.6	4.24	-12.9	20.88	45.87	51.01	
01	Q1-Q3M	408	4.9	119	3.0	31.69	444	3.9	40	4.0	8.09	5.31	-7.0	4.29	-13.2	21.00	45.39	50.50	
02	Q1-Q3M	323	3.7	39	1.0	31.11	299	2.5	43	4.1	8.19	6.30	22.1	4.22	1.4	20.38	43.21	49.08	
00	Q1	658	8.8	158	4.4	31.80	748	7.3	68	7.4	8.25	7.48	-2.1	6.99	-16.7	23.02	52.42	58.57	
	Q2	644	8.4	190	5.1	32.14	795	7.6	39	4.0	8.19	6.95	-1.5	6.48	-13.4	22.47	54.48	61.07	
	Q3	684	8.8	136	3.5	32.31	745	6.9	75	8.3	7.90	6.88	-0.8	6.19	-15.4	23.57	52.22	57.99	
	Q4	641	8.1	134	3.5	31.74	725	6.7	51	5.5	7.80	7.00	-3.8	6.05	-15.8	23.11	50.66	56.33	
01	Q1	466	5.7	184	4.8	31.62	609	5.6	40	4.1	8.14	5.40	-10.7	4.57	-13.3	21.13	45.78	50.81	
	Q2	386	4.6	76	1.9	31.56	410	3.6	52	5.1	8.30	5.31	-4.3	4.20	-13.3	20.65	45.80	51.25	
	Q3	373	4.4	99	2.5	31.89	444	3.9	28	2.8	7.82	5.23	-5.7	4.09	-13.0	21.21	44.58	49.44	
	Q4	299	3.5	123	3.1	31.66	341	2.9	81	8.3	8.17	5.62	-1.4	4.11	-12.0	20.52	47.31	52.55	
02	Q1	293	3.4	54	1.3	31.18	293	2.5	54	5.2	8.34	6.34	20.6	4.38	-1.6	20.91	43.48	49.45	
	Q2	329	3.8	74	1.9	31.16	364	3.1	39	3.7	8.34	6.25	21.3	4.10	0.8	19.67	44.84	50.67	
	Q3	347	3.9	-12	-0.3	31.00	299	2.5	36	3.5	7.89	6.31	24.5	4.17	5.2	20.56	41.30	47.13	

**WAGE-EARNERS**  
Annual percentage changes



**UNEMPLOYMENT**  
Unemployment rate



Source: INE (Labour Force Survey: 2002 methodology).

(a) the new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See [www.ine.es](http://www.ine.es)).

(b) To calculate the annual percentage changes and annual changes, the INE homogeneous series has been used up to December 2001, and from January 2002, the new definition of unemployment. For further information, methodological notes may be consulted at INE's website([www.ine.es](http://www.ine.es)).

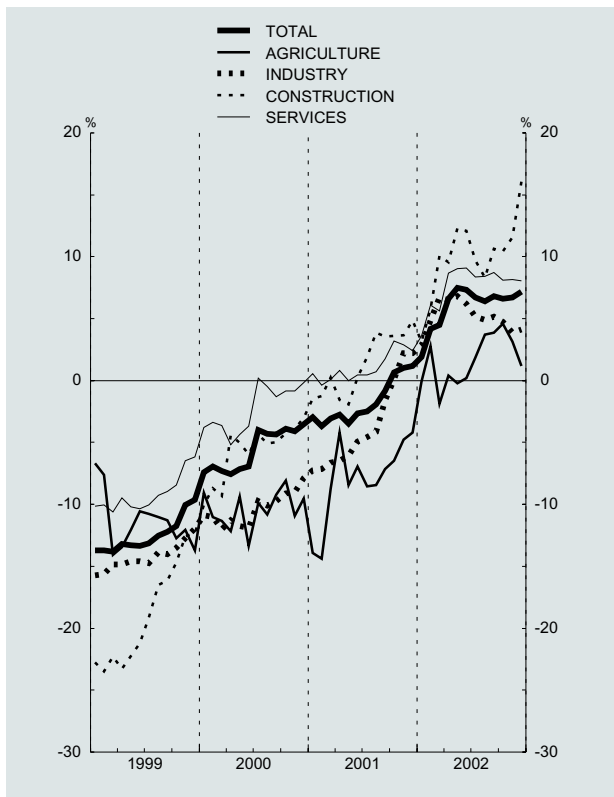
#### 4.5. Registered unemployment by branch of activity. Contracts and placements. Spain

■ Series depicted in chart.

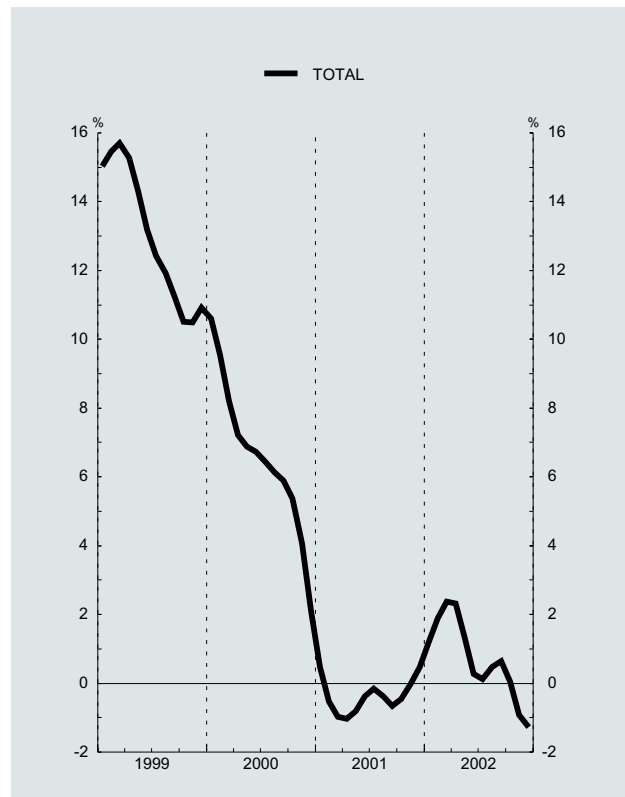
Thousands, annual percentage changes and %

		Registered unemployment										Contracts					Placements		
		Total			First time job-seekers	Previously employed						Total		Percentage of total			Total		
		Thousands	Annual change Thousands	12 month % change	12 month % change	12-month % change						Thousands	12 month % change	Perma- nent	Part time	Tempo- rary	Thousands	12 month % change	
						Total	Agriculture	Branches other than agriculture											
								Total	Industry	Construction	Services								
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
99	M	1 652	-238	-12.6	-16.5	-11.7	-11.3	-11.7	-14.3	-19.2	-9.2	1 103	13.5	9.19	18.17	90.81	1 069	12.9	
00	M	1 558	-94	-5.7	-10.1	-4.7	-10.4	-4.5	-10.4	-5.9	-2.3	1 152	4.5	8.73	18.12	91.27	1 135	6.2	
01	M	1 530	-28	-1.8	-9.6	-0.2	-8.2	0.1	-3.8	1.3	1.1	1 171	1.6	9.26	18.40	90.74	1 133	-0.2	
01	J-D	M	1 530	-28	-1.8	-9.6	-0.2	-8.2	0.1	-3.8	1.3	1 171	1.6	9.26	18.40	90.74	1 133	-0.2	
02	J-D	MP	1 621	92	6.0	-0.7	7.2	1.6	7.4	5.1	9.9	7.6	1 182	0.9	9.05	19.47	90.95	1 145	1.0
01	Nov		1 573	16	1.0	-6.8	2.6	-4.8	2.8	2.2	3.7	2.9	1 324	4.6	9.52	20.19	90.48	1 272	2.3
	Dec		1 575	18	1.2	-5.7	2.5	-4.2	2.7	2.2	4.9	2.4	960	-1.8	9.17	19.53	90.83	921	-4.3
02	Jan		1 652	31	1.9	-5.7	3.3	-0.1	3.4	2.8	3.2	3.6	1 270	6.0	8.69	17.43	91.31	1 227	3.9
	Feb		1 666	67	4.2	-4.0	5.7	2.8	5.8	4.8	5.8	6.1	1 140	4.2	10.02	17.80	89.98	1 108	2.5
	Mar		1 649	71	4.5	-4.3	6.1	-1.9	6.4	6.7	10.1	5.6	1 000	-10.4	10.64	18.00	89.36	964	-12.5
	Apr		1 636	101	6.6	-1.3	8.1	0.4	8.3	6.5	9.6	8.7	1 247	23.3	10.14	18.29	89.86	1 200	22.6
	May		1 589	111	7.5	1.1	8.7	-0.2	9.0	6.8	12.3	9.0	1 238	0.2	9.40	18.86	90.60	1 190	2.0
	Jun		1 567	107	7.3	0.8	8.6	0.2	8.9	6.2	12.1	9.1	1 074	-9.6	8.86	18.98	91.14	1 037	-8.9
	Jul		1 548	97	6.7	1.2	7.7	1.8	7.9	5.2	9.7	8.4	1 318	4.7	7.72	20.34	92.28	1 281	5.5
	Aug		1 552	93	6.4	-0.2	7.6	3.7	7.7	4.9	8.3	8.4	1 019	-4.0	7.73	19.37	92.27	992	-2.9
	Sep		1 590	102	6.8	-0.1	8.1	3.9	8.3	5.2	10.6	8.7	1 187	5.0	8.78	20.01	91.22	1 153	4.8
	Oct		1 642	102	6.6	1.0	7.6	4.6	7.7	4.7	10.4	8.1	1 545	4.6	9.17	22.32	90.83	1 497	5.4
	Nov		1 678	105	6.7	1.6	7.6	3.1	7.7	3.8	11.6	8.2	1 182	-10.8	9.01	21.37	90.99	1 152	-9.4
	Dec	P	1 688	113	7.2	1.7	8.1	1.2	8.3	4.1	16.1	8.1	958	-0.1	8.48	20.91	91.52	936	1.6

**REGISTERED UNEMPLOYMENT**  
Annual percentage changes



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



Source: Instituto Nacional de Empleo, Estadística de Empleo.

Nota: The underlying series for this indicator are in Tables 24.16 and 24.17 of the BE Boletín estadístico.

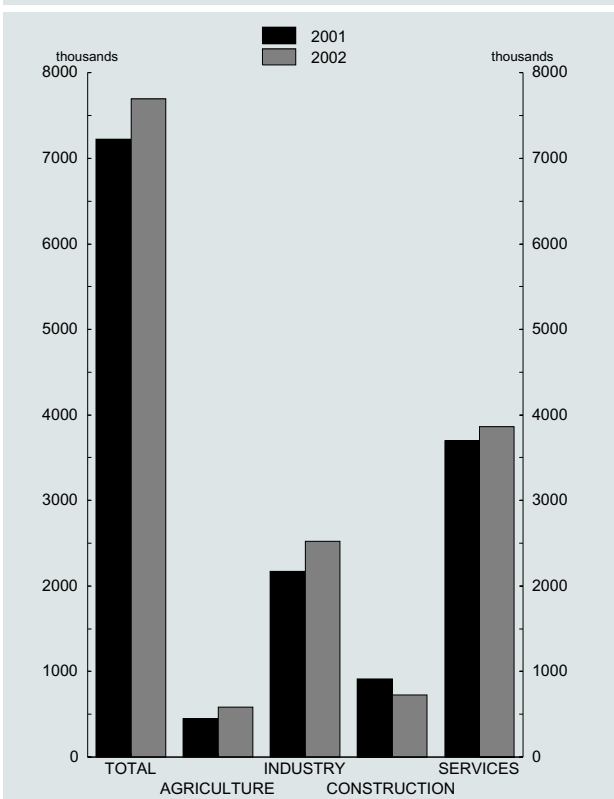
## 4.6. Collective bargaining agreements

■ Series depicted in chart.

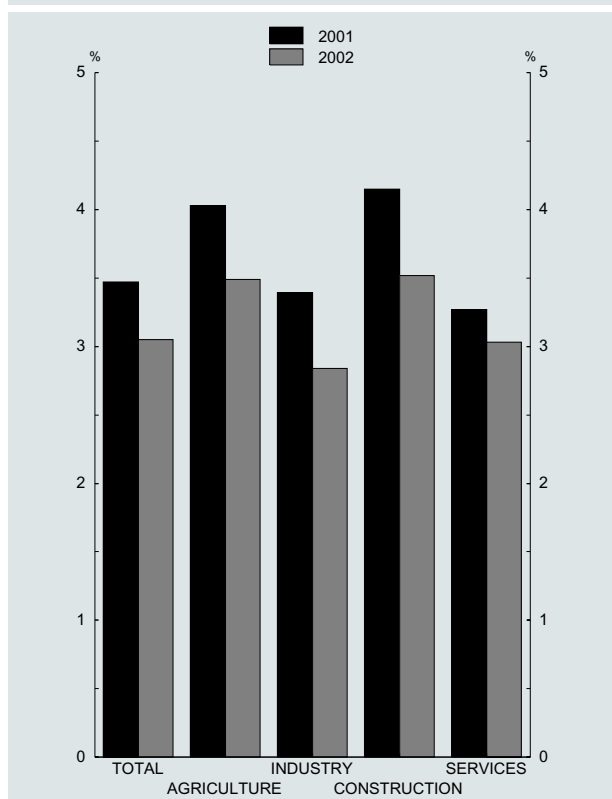
Thousands and %

	As per month economic effects come into force(a)		As per month recorded														
			Employees affected (a)								Average wage settlement (%)						
	Em- ployees affected	Average wage settle- ment	Auto- matic adjust- ment	Newly- signed agree- ments	Total	Annual change	Agricul- ture	Indus- try	Construc- tion	Services	Auto- matic adjust- ment	Newly signed agree- ments	Total	Agricul- ture	Indus- try	Construc- tion	Services
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
<b>99</b>	9 008	2.72	4 120	3 663	7 783	811	602	2 748	901	3 532	2.29	2.49	2.38	3.37	2.24	2.30	2.35
<b>00</b>	9 230	3.72	4 886	2 977	7 863	80	470	2 603	875	3 915	2.90	3.09	2.97	3.43	2.87	3.42	2.88
<b>01</b>	9 150	3.67	4 909	2 697	7 606	-257	473	2 298	928	3 907	3.35	3.73	3.48	4.04	3.40	4.12	3.31
<b>01 Jun</b>	9 033	3.67	4 409	368	4 777	-186	234	1 407	807	2 330	3.38	3.92	3.42	3.60	3.20	4.26	3.24
<b>Jul</b>	9 056	3.67	4 487	742	5 229	-480	238	1 607	862	2 522	3.37	3.60	3.40	3.59	3.30	4.16	3.18
<b>Aug</b>	9 057	3.67	4 498	1 334	5 832	-635	305	1 878	869	2 780	3.37	3.62	3.42	3.75	3.31	4.18	3.23
<b>Sep</b>	9 124	3.67	4 644	1 735	6 379	-806	318	2 017	885	3 158	3.37	3.60	3.44	3.77	3.36	4.15	3.25
<b>Oct</b>	9 136	3.67	4 681	2 111	6 792	-744	328	2 102	912	3 451	3.38	3.60	3.45	3.78	3.37	4.15	3.27
<b>Nov</b>	9 137	3.67	4 733	2 495	7 228	-480	448	2 168	912	3 699	3.36	3.66	3.47	4.03	3.39	4.15	3.27
<b>Dec</b>	9 150	3.67	4 909	2 697	7 606	-257	473	2 298	928	3 907	3.35	3.73	3.48	4.04	3.40	4.12	3.31
<b>02 Jan</b>	7 021	3.00	2 269	1	2 270	643	260	658	5	1 348	2.72	3.18	2.72	3.48	2.90	2.43	2.48
<b>Feb</b>	7 062	3.00	2 480	4	2 484	-783	260	746	25	1 453	2.71	3.36	2.71	3.48	2.87	3.74	2.47
<b>Mar</b>	7 125	3.00	3 784	117	3 901	3	318	1 332	27	2 224	2.74	2.82	2.74	3.28	2.88	3.68	2.57
<b>Apr</b>	7 432	3.02	4 768	222	4 990	445	425	1 775	28	2 763	2.78	7.15	2.98	3.59	2.81	3.64	2.98
<b>May</b>	7 599	3.03	4 869	285	5 154	583	498	1 804	28	2 824	2.78	6.17	2.97	3.44	2.82	3.64	2.97
<b>Jun</b>	7 605	3.03	5 157	405	5 562	784	498	2 031	32	3 000	2.78	5.13	2.95	3.44	2.82	3.59	2.96
<b>Jul</b>	7 621	3.03	5 230	622	5 852	623	503	2 158	53	3 139	2.79	4.45	2.96	3.43	2.82	3.66	2.97
<b>Aug</b>	7 622	3.03	5 234	761	5 995	162	503	2 213	90	3 189	2.79	4.24	2.97	3.43	2.83	3.55	2.98
<b>Sep</b>	7 688	3.04	5 354	1 361	6 715	336	504	2 362	383	3 466	2.79	3.85	3.00	3.43	2.83	3.47	3.01
<b>Oct</b>	7 689	3.04	5 425	1 707	7 132	340	515	2 485	504	3 629	2.79	3.72	3.01	3.45	2.83	3.50	3.01
<b>Nov</b>	7 689	3.04	5 516	2 176	7 692	465	587	2 520	726	3 859	2.82	3.63	3.05	3.49	2.84	3.52	3.03

**EMPLOYEES AFFECTED**  
January-November



**AVERAGE WAGE SETTLEMENT**  
January-November



Source: Ministerio de Trabajo y Asuntos Sociales (MTAS), Encuesta de Convenios Colectivos. Avance mensual.  
(a) Cumulative data.



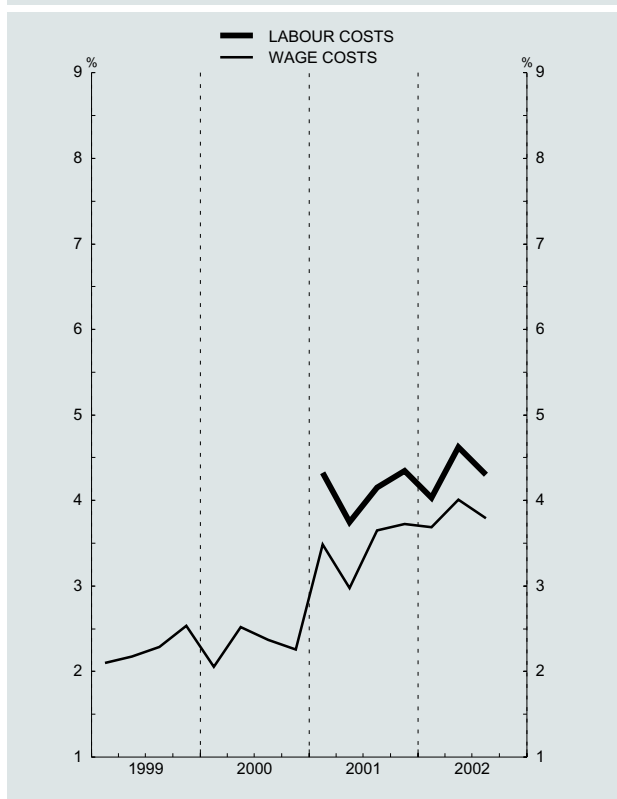
## 4.7. Labour costs index

■ Series depicted in chart.

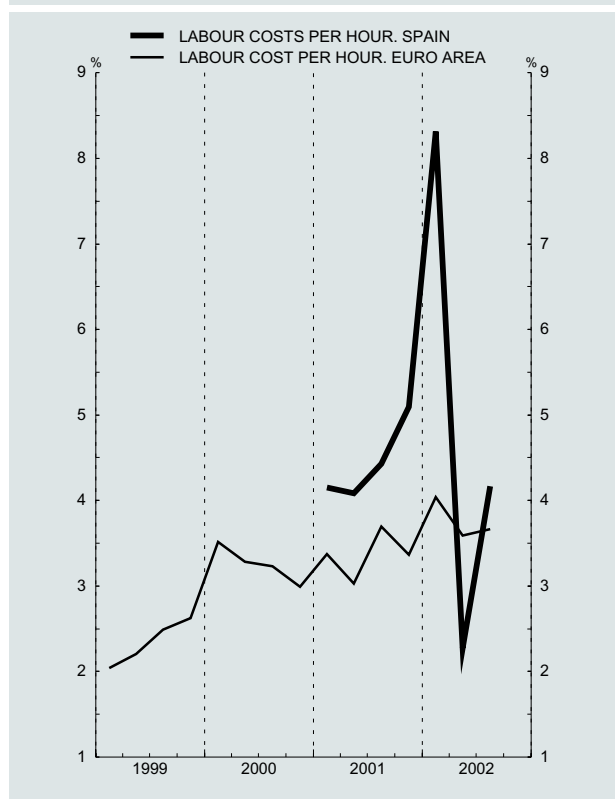
Annual percentage change

		Labour costs					Wage costs					Other costs per worker and month	memorandum item: euro area total hourly labour costs (a)
		Monthly earnings				Per hour worked	Monthly earnings				Per hour worked		
		Total	Industry	Construction	Services		Total	Industry	Construction	Services			
		1	2	3	4	5	6	7	8	9	10	11	12
99	M	...	...	...	...	...	2.3	2.6	3.8	1.9	2.6	...	2.3
00	M	...	...	...	...	...	2.3	2.5	3.8	3.0	2.4	...	3.2
01	M	4.1	4.4	4.7	4.1	4.5	3.5	3.7	3.9	3.6	3.8	6.2	3.4
01	Q1-Q3M	4.1	4.5	4.6	4.0	4.2	3.4	3.7	4.0	3.4	3.5	6.2	3.4
02	Q1-Q3M	4.3	4.6	4.8	4.4	4.8	3.8	4.5	4.0	3.8	4.4	5.8	3.8
00	Q1	...	...	...	...	...	2.1	2.5	3.6	2.6	2.4	...	3.5
	Q2	...	...	...	...	...	2.5	2.3	3.9	3.4	2.2	...	3.3
	Q3	...	...	...	...	...	2.4	2.9	3.4	3.0	2.4	...	3.2
	Q4	...	...	...	...	...	2.3	2.3	4.4	2.9	2.4	...	3.0
01	Q1	4.3	5.1	4.8	4.2	4.2	3.5	4.1	3.9	3.4	3.3	6.8	3.4
	Q2	3.7	3.9	4.9	3.7	4.1	3.0	3.1	4.2	2.9	3.2	6.1	3.0
	Q3	4.1	4.5	4.2	4.3	4.4	3.7	3.8	3.9	3.8	4.0	5.6	3.7
	Q4	4.3	4.3	4.7	4.5	5.1	3.7	3.6	3.4	4.1	4.6	6.4	3.4
02	Q1	4.0	3.7	4.6	4.4	8.3	3.7	3.8	3.9	3.9	8.0	5.0	4.0
	Q2	4.6	5.1	4.5	4.7	2.3	4.0	4.9	4.0	4.0	1.8	6.5	3.6
	Q3	4.3	5.0	5.2	4.1	4.2	3.8	4.9	4.2	3.6	3.7	5.8	3.7

PER WORKER AND MONTH  
Annual percentage change



PER HOUR WORKED  
Annual percentage change



Fuente: INE (Índice de Costes Laborales) y Eurostat.

Nota: The underlying series for this indicator are in Tables 24.25, 24.26 and 24.27 of de BE Boletín estadístico.

(a) Whole economy, excluding the agriculture, public administration, education and health sectors.

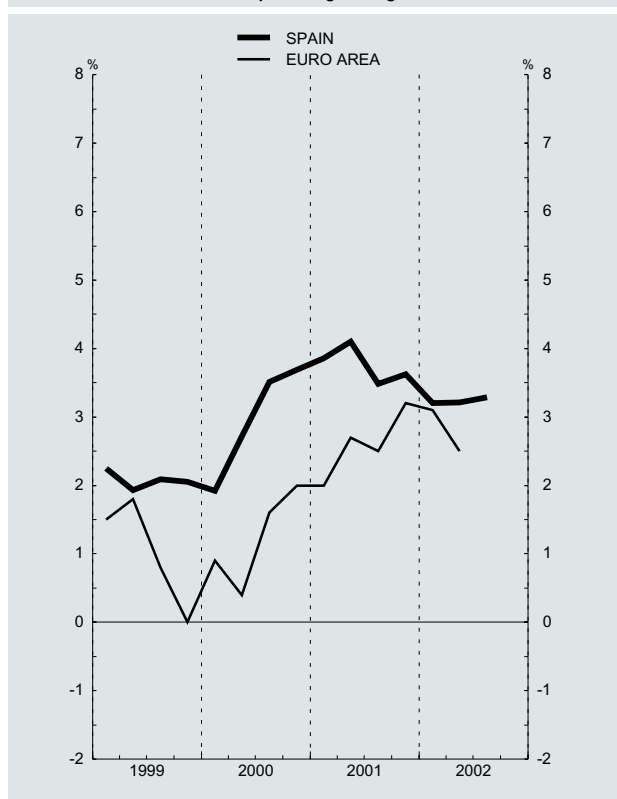
#### 4.8. Unit labour costs. Spain and euro area (a)

■ Series depicted in chart.

Annual percentage changes

	Whole-economy unit labour costs		Compensation per employee		Productivity						Memorandum item: unit labour costs in manufacturing	
	Spain	Euro area	Spain (b)	Euro area	Spain	Euro area	Output		Employment		Spain (c)	Euro area
							Spain	Euro area	Spain (b)	Euro area		
	1	2	3	4	5	6	7	8	9	10	11	12
99	2.1	1.0	2.7	2.0	0.6	1.0	4.2	2.8	3.6	1.8	1.4	...
00	3.0	1.2	3.7	2.6	0.7	1.3	4.2	3.5	3.4	2.2	2.5	...
01	3.8	2.6	4.1	2.7	0.3	0.1	2.7	1.4	2.4	1.3	4.7	...
99 Q3	2.1	0.8	2.8	2.0	0.7	1.2	4.2	3.0	3.4	1.8	-0.4	...
Q4	2.1	-	3.4	2.0	1.3	2.0	4.4	3.8	3.0	1.8	0.2	...
00 Q1	1.9	0.9	4.1	2.8	2.2	1.9	5.1	3.9	2.9	1.9	-1.4	...
Q2	2.7	0.4	3.7	2.3	0.9	1.8	4.5	4.1	3.5	2.3	0.9	...
Q3	3.5	1.6	3.6	2.6	0.1	1.0	3.8	3.2	3.6	2.2	5.0	...
Q4	3.7	2.0	3.5	2.5	-0.2	0.4	3.4	2.7	3.6	2.2	5.7	...
01 Q1	3.9	2.0	3.4	2.5	-0.5	0.4	3.0	2.4	3.5	1.9	7.6	...
Q2	4.1	2.7	4.1	2.8	0.0	0.1	2.4	1.5	2.3	1.5	5.0	...
Q3	3.5	2.5	4.6	2.7	1.1	0.2	3.0	1.3	1.9	1.1	2.3	...
Q4	3.6	3.2	4.2	2.8	0.6	-0.4	2.3	0.5	1.8	0.8	4.2	...
02 Q1	3.2	3.1	4.0	2.8	0.7	-0.4	2.0	0.3	1.3	0.7	4.2	...
Q2	3.2	2.5	3.8	2.6	0.6	0.1	2.0	0.7	1.5	0.5	5.7	...
Q3	3.3	...	3.7	...	0.4	...	1.8	0.8	1.4	...	4.2	...

UNIT LABOUR COSTS: TOTAL  
Annual percentage changes



UNIT LABOUR COSTS: MANUFACTURING  
Annual percentage changes



Sources: INE (Contabilidad Nacional Trimestral de España) and ECB.

(a) Spain: prepared in accordance with ESA95. SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see economic bulletin April 2002).

(b) Full-time equivalent employment.

(c) Industry.

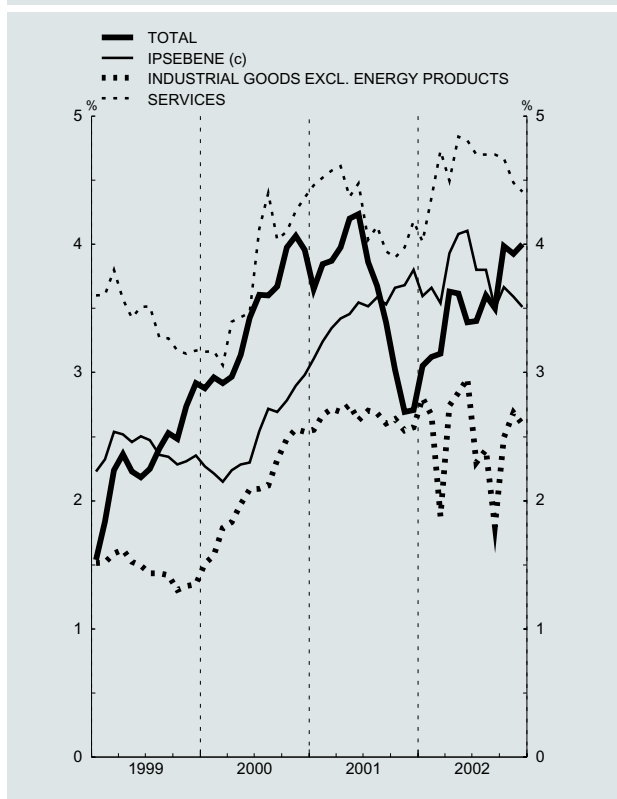
### 5.1. Consumer price index. Spain (2001=100) (a)

■ Series depicted in chart.

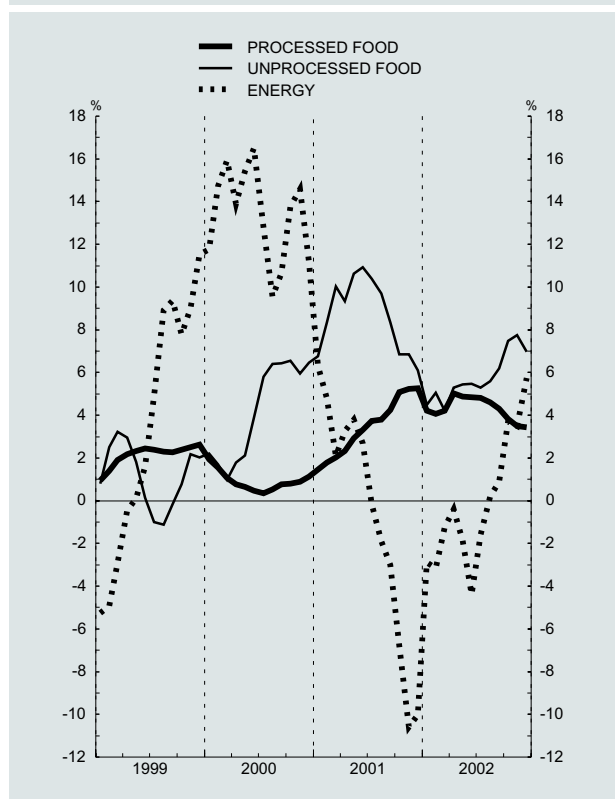
Indices and annual percentage changes

		Total (100%)				Annual percentage change (12-month % change)						Memorandum item: prices for agricultural products (1995=100)	
		Original series	Month-on-month % change	12-month % change (b)	Cumulative % change during year (c)	Unprocessed food	Processed food	Industrial goods excl. energy products	Energy	Services	IPSEBENE (d)	Original series	12-month % change (a)
		1	2	3	4	5	6	7	8	9	10	11	12
99	M	93.8	—	2.3	2.9	1.2	2.1	1.5	3.3	3.4	2.4	95.4	-1.9
00	M	97.0	—	3.4	4.0	4.2	0.9	2.1	13.4	3.7	2.5	99.3	4.1
01	M R	100.5	—	3.6	2.7	8.7	3.4	2.6	-0.8	4.3	3.5	103.8	4.5
01 J-D	M	100.5	0.2	3.6	1.7	8.7	3.4	2.6	-0.8	4.3	3.5	104.4	5.1
02 J-D	M	103.5	0.3	3.5	2.1	5.8	4.3	2.5	-0.1	4.6	3.7	...	...
01 Sep		101.2	—	3.4	2.5	8.4	4.3	2.6	-3.0	3.9	3.5	96.5	2.7
Oct		101.1	-0.1	3.0	2.4	6.9	5.1	2.6	-6.8	3.9	3.7	96.7	-1.3
Nov		101.0	-0.1	2.7	2.3	6.9	5.2	2.5	-10.6	4.0	3.7	102.4	-3.5
Dec	R	101.4	0.4	2.7	2.7	6.1	5.3	2.6	-10.0	4.2	3.8	107.3	-4.0
02 Jan		101.3	-0.1	3.1	-0.1	4.5	4.2	2.8	-2.9	4.0	3.6	107.1	6.0
Feb		101.3	0.1	3.1	-0.1	5.0	4.1	2.7	-3.2	4.4	3.7	105.8	0.2
Mar		102.2	0.8	3.1	0.8	4.2	4.2	1.9	-1.2	4.7	3.5	109.7	0.1
Apr		103.6	1.4	3.6	2.1	5.3	5.0	2.7	-0.4	4.5	3.9	108.1	-2.9
May		103.9	0.4	3.6	2.5	5.4	4.9	2.8	-1.9	4.8	4.1	102.5	-10.5
Jun		104.0	0.0	3.4	2.5	5.5	4.8	3.0	-4.4	4.8	4.1	100.4	-8.4
Jul		103.2	-0.7	3.4	1.8	5.3	4.8	2.3	-1.6	4.7	3.8	94.9	-6.6
Aug		103.5	0.3	3.6	2.1	5.6	4.6	2.4	0.2	4.7	3.8	91.0	-5.6
Sep		103.9	0.4	3.5	2.5	6.2	4.3	1.8	0.9	4.7	3.5	91.3	-5.4
Oct		104.9	1.0	4.0	3.5	7.5	3.8	2.5	3.7	4.7	3.7	97.6	0.9
Nov		105.1	0.2	3.9	3.7	7.8	3.5	2.7	3.5	4.5	3.6	...	...
Dec		105.5	0.3	4.0	4.0	7.0	3.4	2.6	5.7	4.4	3.5	...	...

CONSUMER PRICE INDEX. TOTAL AND COMPONENTS  
Annual percentage changes



CONSUMER PRICE INDEX. COMPONENTS  
Annual percentage changes



Sources: INE, Ministerio de Agricultura, Pesca y Alimentación and BE.

Note: The underlying series for this indicator are in Tables 25.2 and 25.8 of the BE Boletín estadístico.

(a) There is a break in January 2002 owing to the 2001 re-basing. There is no solution to this via the habitual legal links. Consequently, for the year 2002, the official rates of change cannot be obtained from the indices. The detailed methodological notes can be consulted on the INE Internet site ([www.ine.es](http://www.ine.es)).

(b) For annual periods: average growth for each year on the previous year. (c) For annual periods: December-on-December growth rate.

(d) Index of non-energy processed goods and service prices. (e) Official INE series from January 2002

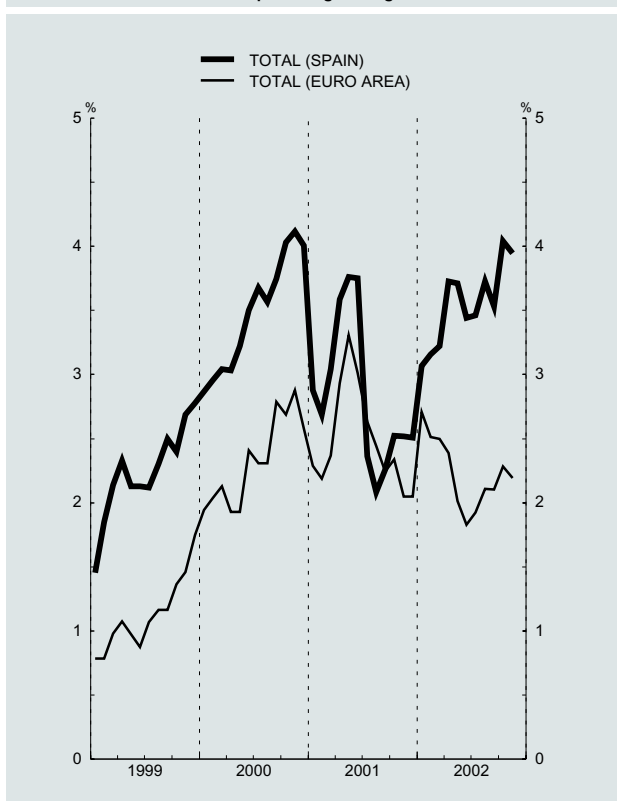
## 5.2. Harmonised index of consumer prices. Spain and euro area (1996=100)(a)

■ Series depicted in chart.

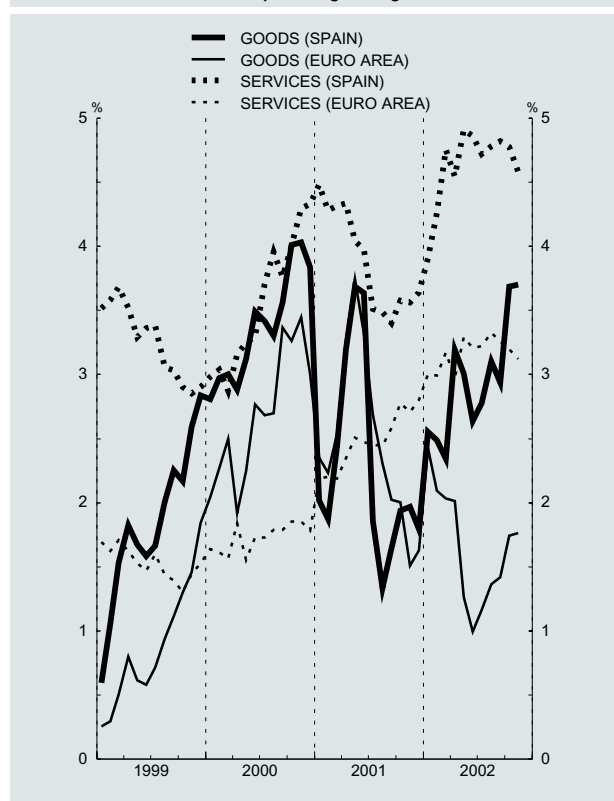
Annual percentage changes

		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		
99	M	2.2	1.1	1.8	0.9	1.8	0.6	2.6	0.9	1.1	0.0	1.8	1.0	1.5	0.7	3.2	2.4	3.3	1.5		
00	M	3.5	2.3	3.4	2.7	2.4	1.4	0.9	1.1	3.8	1.7	4.1	3.4	2.0	0.7	13.4	13.3	3.6	1.7		
01	M	2.8	2.5	2.3	2.5	5.1	4.5	2.7	2.8	7.2	7.0	0.6	1.5	1.0	1.1	-0.7	2.7	3.9	2.5		
01	J-N	M	2.9	2.5	2.3	2.5	5.1	4.5	2.5	2.8	7.4	7.1	0.6	1.6	0.9	1.1	0.1	3.4	3.9	2.4	
02	J-N	M	3.6	2.2	3.0	1.7	4.8	3.1	5.0	3.0	4.6	3.2	1.8	0.9	2.6	1.6	-0.7	-1.1	4.6	3.2	
01	Aug		2.1	2.4	1.3	2.3	5.6	5.0	3.0	3.4	7.9	7.6	-1.2	1.0	-1.0	0.7	-1.7	2.0	3.5	2.4	
	Sep		2.3	2.2	1.6	2.0	5.3	5.0	3.3	3.4	7.2	7.6	-0.6	0.6	0.1	1.2	-2.8	-1.4	3.4	2.6	
	Oct		2.5	2.3	1.9	2.0	5.1	5.0	4.1	3.5	5.9	7.5	-	0.5	2.0	1.5	-6.4	-2.7	3.6	2.8	
	Nov		2.5	2.1	2.0	1.5	5.2	4.5	4.4	3.4	5.8	6.2	-	-	3.0	1.6	-9.9	-5.0	3.6	2.7	
	Dec		2.5	2.0	1.8	1.6	4.8	4.6	4.6	3.5	5.0	6.3	-	0.2	2.9	1.6	-9.2	-4.6	3.6	2.8	
02	Jan		3.1	2.7	2.6	2.4	4.3	5.6	4.2	3.8	4.4	8.4	1.5	0.9	2.8	1.7	-2.9	-1.9	3.9	3.0	
	Feb		3.2	2.5	2.5	2.1	4.4	4.8	4.2	3.3	4.6	7.1	1.3	0.7	2.7	1.9	-3.1	-2.9	4.3	3.0	
	Mar		3.2	2.5	2.3	2.0	4.2	4.2	4.4	3.3	4.0	5.5	1.2	1.0	1.9	1.8	-1.2	-1.6	4.8	3.2	
	Apr		3.7	2.4	3.2	2.0	5.1	3.6	5.8	3.2	4.4	4.1	2.0	1.2	2.7	1.8	-0.4	-0.5	4.5	3.0	
	May		3.7	2.0	3.0	1.3	5.1	2.7	5.7	3.1	4.4	2.1	1.8	0.6	2.9	1.7	-1.8	-2.9	4.9	3.3	
	Jun		3.4	1.8	2.6	1.0	5.0	2.3	5.7	3.1	4.3	1.1	1.2	0.3	2.9	1.6	-4.4	-3.6	4.9	3.2	
	Jul		3.5	1.9	2.8	1.2	4.9	2.1	5.7	2.9	4.1	0.9	1.4	0.7	2.4	1.5	-1.5	-1.7	4.7	3.2	
	Aug		3.7	2.1	3.1	1.4	4.9	2.3	5.6	2.9	4.3	1.3	2.0	0.9	2.5	1.4	0.3	-0.5	4.8	3.3	
	Sep		3.5	2.1	2.9	1.4	5.0	2.3	5.2	2.8	4.7	1.7	1.7	1.0	1.9	1.4	0.9	-0.4	4.8	3.3	
	Oct		4.0	2.3	3.7	1.7	5.0	2.2	4.5	2.6	5.6	1.6	2.9	1.5	2.6	1.3	3.7	2.3	4.8	3.2	
	Nov		3.9	2.2	3.7	1.8	4.9	2.3	4.0	2.5	5.8	1.9	3.0	1.5	2.8	1.3	3.5	2.1	4.6	3.1	

HARMONISED INDEX OF CONSUMER PRICES. TOTAL  
Annual percentage changes



HARMONISED INDEX OF CONSUMER PRICES. COMPONENTS  
Annual percentage changes



Source: Eurostat.

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

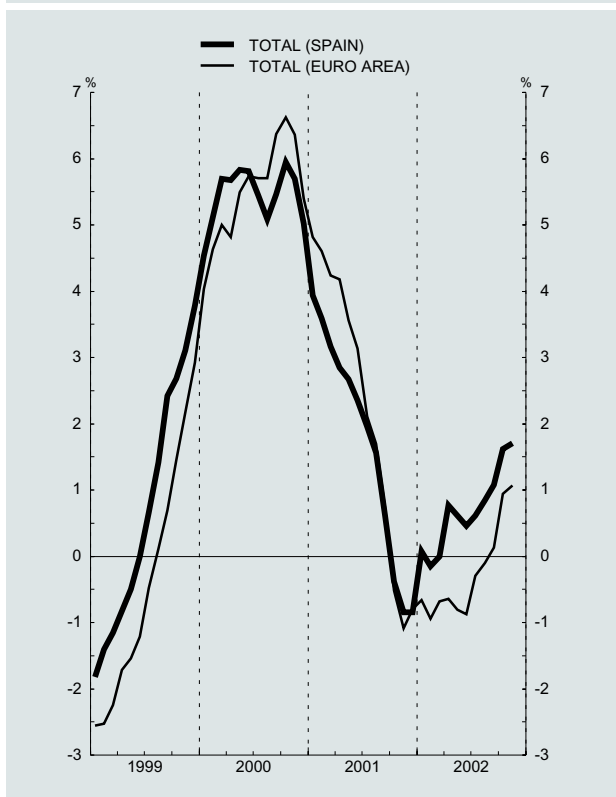
### 5.3. Producer price index. Spain and euro area (a)

■ Series depicted in chart.

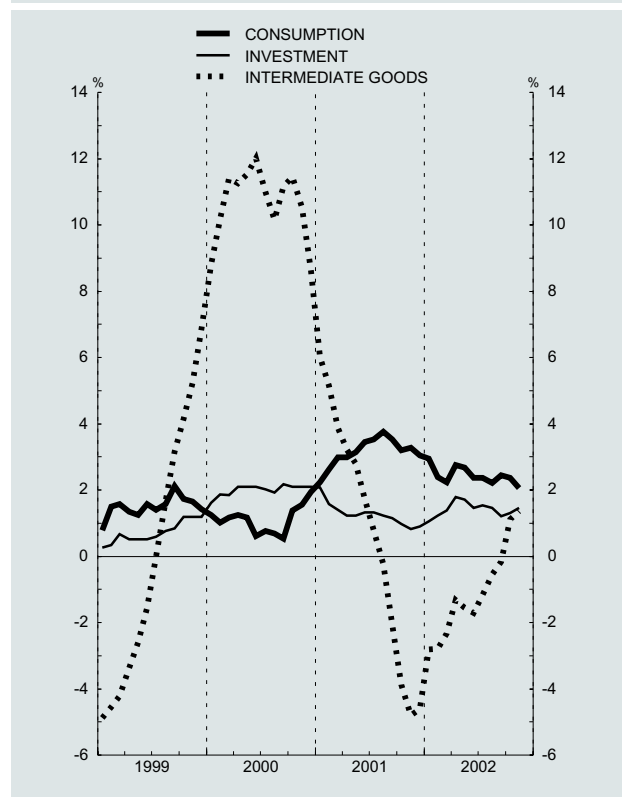
Annual percentage changes

		Total (100%)			Consumption (39,6%)		Investment (13,8%)		Intermediate goods(46,5%)				Memorandum item: euro area				
		Original series	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Total		Non-energy	Energy	Total	Consumption	Investment	Intermediate non-energy	Energy
		1	2	3	4	5	6	7	Month-on-month % change	12-month % change	12-month % change	12-month % change	12-month % change	12-month % change	12-month % change	12-month % change	12-month % change
99	MP	121.0	—	0.7	—	1.5	—	0.7	—	-0.1	-0.9	2.7	-0.4	-0.1	0.2	-1.5	0.6
00	MP	127.6	—	5.4	—	1.1	—	2.0	—	10.7	6.9	22.8	5.5	1.6	0.6	5.0	19.0
01	MP	129.8	—	1.7	—	3.1	—	1.3	—	0.6	1.5	-2.0	2.2	2.9	1.0	1.3	3.2
01 J-N	MP	129.9	—	1.9	—	3.2	—	1.3	—	1.1	-1.5	-1.1	2.5	3.0	1.0	1.5	4.1
02 J-N	MP	130.8	—	0.7	—	2.4	—	1.4	—	-1.1	0.7	-1.9	-0.3	1.1	1.0	-0.5	-2.9
01 Aug	P	130.0	-0.2	1.6	0.3	3.8	-	1.2	-0.5	-0.2	0.6	-2.4	1.7	3.0	1.2	0.3	1.5
Sep	P	130.1	0.1	0.6	-	3.5	0.2	1.1	0.1	-2.1	-0.2	-7.0	0.7	2.8	1.1	-0.3	-2.0
Oct	P	129.5	-0.5	-0.4	0.1	3.2	-	1.0	-1.1	-3.9	-1.0	-11.5	-0.5	2.5	1.1	-0.9	-6.9
Nov	P	128.8	-0.5	-0.8	0.1	3.3	-0.2	0.8	-1.1	-4.8	-1.5	-13.5	-1.1	2.2	1.0	-1.3	-9.0
Dec	P	128.5	-0.2	-0.8	0.1	3.0	0.1	0.9	-0.7	-4.6	-1.9	-11.9	-0.8	1.9	1.0	-1.4	-6.8
02 Jan	P	129.3	0.6	0.1	0.5	2.9	0.6	1.1	0.6	-2.8	-1.9	-5.4	-0.7	1.9	1.2	-1.6	-5.1
Feb	P	129.6	0.2	-0.2	0.3	2.4	0.2	1.2	0.2	-2.8	-2.1	-4.9	-0.9	1.4	1.2	-1.8	-5.4
Mar	P	130.2	0.5	-	0.4	2.2	0.4	1.4	0.6	-2.3	-2.0	-3.3	-0.7	1.1	1.2	-1.5	-3.7
Apr	P	131.1	0.7	0.8	0.5	2.8	0.3	1.8	0.9	-1.3	-1.3	-1.4	-0.6	1.0	1.0	-1.1	-3.8
May	P	131.2	0.1	0.6	-	2.7	-	1.7	0.2	-1.5	-1.3	-2.4	-0.8	0.8	1.1	-0.9	-4.9
Jun	P	131.0	-0.2	0.5	-0.2	2.4	-0.2	1.5	-0.2	-1.7	-0.6	-4.7	-0.9	0.7	1.0	-0.6	-5.6
Jul	P	131.0	-	0.6	0.2	2.4	0.1	1.5	-0.1	-1.2	-0.3	-3.7	-0.3	0.9	0.9	-0.0	-3.6
Aug	P	131.1	0.1	0.8	0.1	2.2	-0.1	1.5	0.1	-0.5	-0.2	-1.7	-0.1	0.8	0.9	0.2	-2.6
Sep	P	131.5	0.3	1.1	0.2	2.4	-0.1	1.2	0.5	-0.2	-0.2	-0.1	0.1	1.0	0.9	0.3	-2.0
Oct	P	131.6	0.1	1.6	-	2.4	0.1	1.3	0.2	1.1	0.2	3.6	0.9	1.0	0.9	0.6	1.9
Nov	P	131.0	-0.5	1.7	-0.2	2.1	-	1.5	-0.9	1.4	0.7	3.2	1.1	1.1	0.9	0.8	2.4

PRODUCER PRICE INDEX. TOTAL  
Annual percentage changes



PRODUCER PRICE INDEX. COMPONENTS  
Annual percentage changes



Sources: INE and ECB.

Note: The underlying series for this indicator, for Spain, are in Table 25.3 of the BE Boletín estadístico.

(a) Spain: 1990=100; euro area: 1995=100.

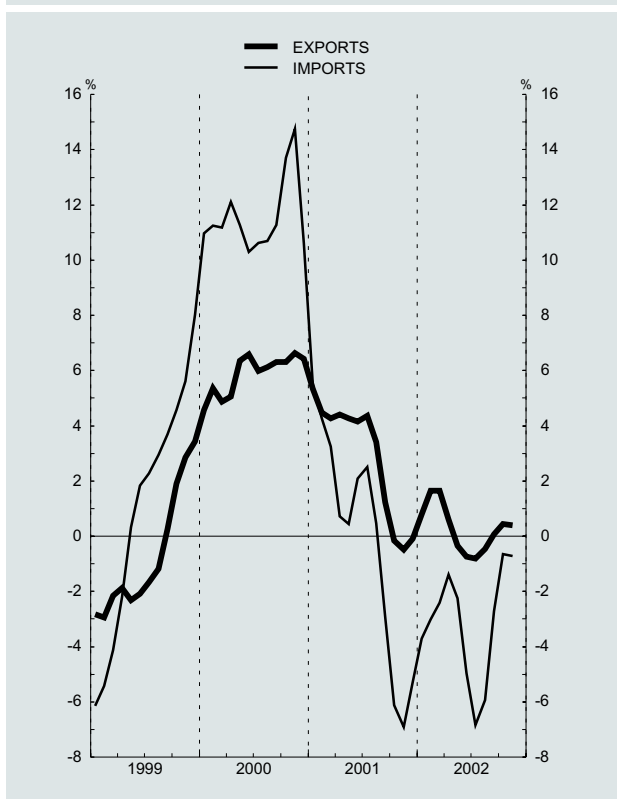
## 5.4 Unit value indices for Spanish foreign trade

■ Series depicted in chart.

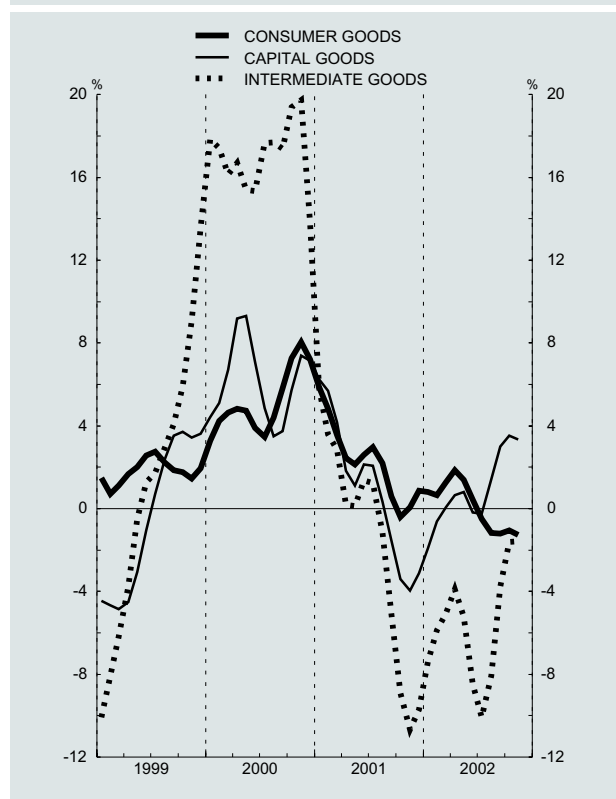
Annual percentage changes

	Exports/dispatches						Imports/arrivals					
	Total	Consumer goods	Capital goods	Intermediate goods			Total	Consumer goods	Capital goods	Intermediate goods		
				Total	Energy	Non-energy				Total	Energy	Non-energy
	1	2	3	4	5	6	7	8	9	10	11	12
<b>99</b>	-0.9	2.0	-9.5	0.1	18.0	-1.1	0.0	1.0	-0.6	-0.3	36.1	-2.7
<b>00</b>	6.2	6.1	-0.9	8.9	80.1	6.6	13.0	5.6	6.9	18.8	94.6	8.0
<b>01</b>	2.7	4.1	6.2	-0.2	2.6	1.0	-0.4	1.7	0.9	-1.9	-7.9	0.1
<b>01 J-N</b>	3.0	4.2	5.2	0.6	5.7	1.6	-0.1	1.5	0.8	-1.2	-5.4	0.3
<b>02 J-N</b>	0.4	-0.4	13.4	-2.6	-9.1	-1.9	-3.1	-0.1	1.1	-5.5	-7.0	-4.2
<b>01 Jun</b>	2.8	5.0	7.7	-0.8	12.2	0.0	1.7	1.7	7.0	0.0	7.9	-0.9
<b>Jul</b>	5.9	4.3	26.7	1.0	8.8	1.7	4.9	6.3	8.4	3.3	4.2	4.2
<b>Aug</b>	6.0	2.0	19.3	2.7	6.9	4.0	-0.2	3.3	-3.6	-1.6	-9.8	1.1
<b>Sep</b>	-1.2	-1.7	12.3	-4.4	-15.3	-2.2	-1.8	0.3	2.2	-4.5	-15.5	-2.9
<b>Oct</b>	-0.5	0.4	7.3	-5.5	-22.5	-4.0	-7.5	-4.1	-6.9	-9.5	-29.8	-4.1
<b>Nov</b>	-1.4	0.5	11.6	-8.6	-28.4	-5.6	-8.7	-0.4	-9.9	-11.8	-36.2	-4.1
<b>Dec</b>	-0.4	2.7	16.3	-8.3	-30.7	-5.7	-3.8	3.8	1.8	-9.4	-35.5	-2.4
<b>02 Jan</b>	0.6	-4.7	33.8	-5.6	-28.0	-3.3	-4.6	6.5	-8.0	-8.1	-21.8	-5.3
<b>Feb</b>	2.4	3.3	25.3	-4.5	-13.8	-3.4	-1.2	-0.8	7.1	-3.8	-20.3	0.8
<b>Mar</b>	3.3	4.1	20.1	-2.3	-11.3	-1.3	-4.9	0.4	-3.5	-7.6	-11.2	-5.7
<b>Apr</b>	0.3	1.4	13.0	-4.1	-1.3	-3.7	1.1	5.5	1.0	-1.0	-1.0	-0.8
<b>May</b>	-1.4	-2.2	20.3	-6.3	-13.4	-5.5	-1.7	1.4	7.3	-5.7	-4.5	-5.3
<b>Jun</b>	-0.1	-3.3	11.1	-0.4	-6.7	-0.2	-5.4	-0.1	-3.9	-8.3	-18.8	-6.5
<b>Jul</b>	-2.1	-3.1	4.0	-3.3	-18.0	-2.5	-7.5	0.3	-6.0	-11.3	-15.4	-9.8
<b>Aug</b>	0.2	0.9	8.1	-2.2	-13.0	-1.5	-8.2	-12.3	3.8	-9.1	-9.1	-6.1
<b>Sep</b>	-0.4	1.1	-2.1	-1.6	-2.3	-1.2	-0.8	-1.1	5.5	-2.3	-1.4	-0.2
<b>Oct</b>	1.2	-1.0	9.5	0.2	4.0	0.1	-0.0	-0.2	4.2	-1.1	14.3	-2.6
<b>Nov</b>	0.6	-0.6	4.6	1.1	4.5	1.3	-0.5	-1.2	5.2	-1.9	12.0	-3.6

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 17.6 and 17.7 of the Boletín estadístico.

(a) Annual percentage changes (trend obtained with TRAMO-SEATS).



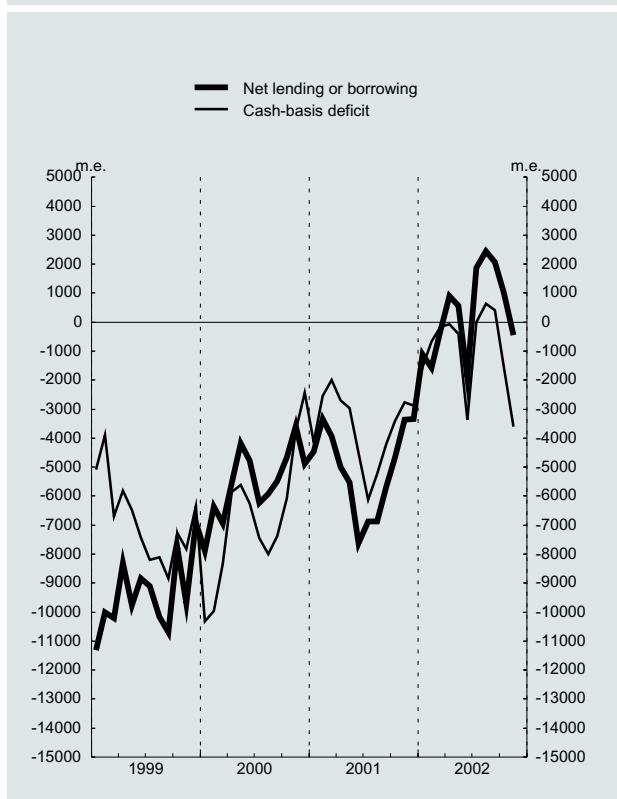
## 6.1. State resources and uses according to the National Accounts (ESA 95). Spain

■ Series depicted in chart.

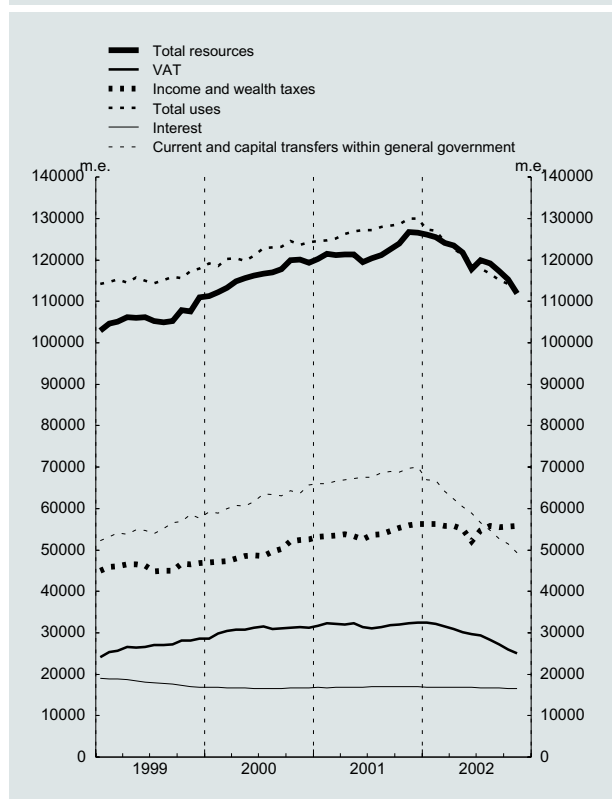
EUR millions

			Current and capital resources						Current and capital uses						Memorandum item: cash-basis deficit			
			Net lending (+) or borrow- ing (-)	Total	Value added tax (VAT)	Other taxes on products and imports	Inter- est and other income on pro- perty	Income and wealth taxes	Other	Total	Compen- sation of employ- ees	Inter- est	Current and ca- pital trans- fers within general govern- ment	Invest- ment grants and other capital trans- fers	Other	Cash- basis deficit	Revenue	Expendi- ture
		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	
99	P	-6 916	111 009	28 574	16 408	5 877	46 887	13 263	117 925	17 363	16 912	57 722	5 412	20 516	-6 354	110 370	116 724	
00	P	-4 888	119 346	31 262	17 171	5 210	52 526	13 177	124 234	15 806	16 726	65 636	5 001	21 065	-2 431	118 693	121 124	
01	P	-3 334	126 611	32 437	17 836	6 712	56 268	13 358	129 945	16 082	16 940	69 982	4 742	22 199	-2 884	125 187	128 071	
01 J-N	P	3 976	117 339	31 259	16 327	5 519	53 153	11 081	113 363	14 069	15 526	64 834	2 301	16 633	393	115 848	115 456	
02 J-N	A	6 861	102 643	23 829	10 576	4 866	52 744	10 628	95 782	14 736	15 182	44 210	3 161	18 493	-332	99 585	99 917	
01 Dec	P	-7 310	9 272	1 178	1 509	1 193	3 115	2 277	16 582	2 013	1 414	5 148	2 441	5 566	-3 276	9 339	12 616	
02 Jan	A	1 003	8 906	...	...	...	...	...	7 903	...	1 446	...	...	...	-4 717	9 426	14 143	
Feb	A	6 563	15 279	...	...	...	...	...	8 716	...	1 294	...	...	...	5 692	15 275	9 584	
Mar	A	-3 900	4 291	927	903	241	1 313	907	8 191	1 248	1 400	3 576	215	1 752	-3 820	3 247	7 067	
Apr	A	6 721	14 989	4 192	1 173	417	8 359	848	8 268	1 263	1 369	3 753	229	1 654	5 633	14 606	8 973	
May	A	-4 534	3 979	328	687	641	1 169	1 154	8 513	1 356	1 429	3 643	265	1 820	-3 810	3 629	7 438	
Jun	A	-8 309	1 904	-207	900	182	-298	1 327	10 213	2 075	1 328	4 550	234	2 026	-7 462	1 521	8 982	
Jul	A	5 435	14 102	3 961	977	495	7 836	833	8 667	1 223	1 415	3 889	112	2 028	2 272	14 122	11 850	
Aug	A	-927	6 979	-1 908	939	150	6 909	889	7 906	1 236	1 380	3 456	522	1 312	-874	6 486	7 360	
Sep	A	-739	7 570	2 342	981	148	2 999	1 100	8 309	1 314	1 350	3 532	403	1 710	481	7 046	6 566	
Oct	A	7 282	16 697	4 152	874	234	10 471	966	9 415	1 275	1 395	4 360	498	1 887	6 693	16 467	9 774	
Nov	A	-1 734	7 947	672	958	1 046	4 058	1 213	9 681	1 327	1 376	4 320	373	2 285	-418	7 761	8 178	

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



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



Source: Ministerio de Hacienda (IGAE).

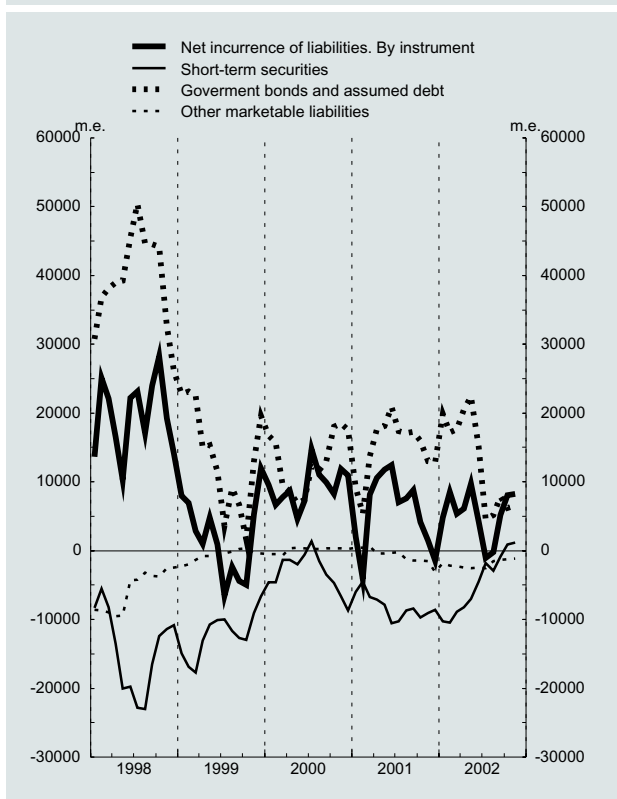
## 6.2. State financial transactions (ESA 95). Spain

■ Series depicted in chart.

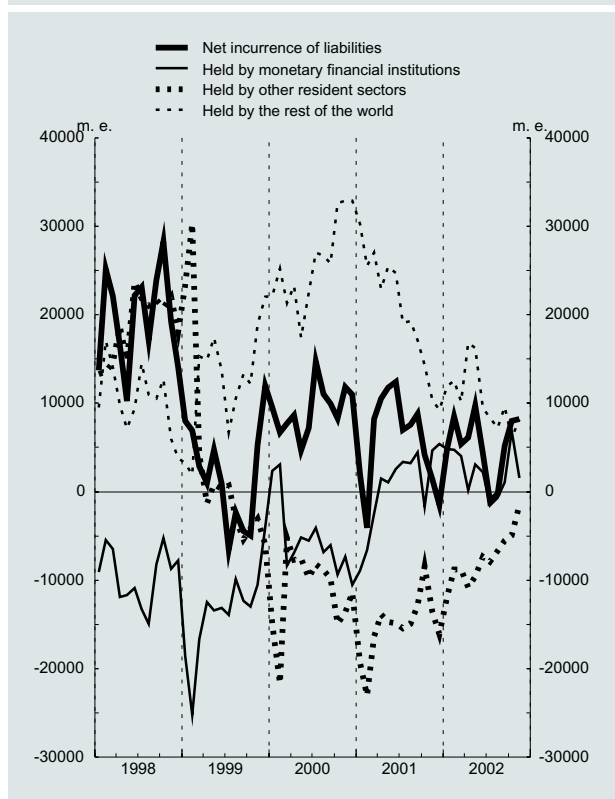
EUR billions

		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				
			Of which				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	Held by resident sectors		
			Total	Deposits at the Banco de España	Total	Monetary financial institutions								Other resident sectors		
							1	2	3	4	5	6	7			8
99	P	-6 916	5 077	4 574	11 993	-577	-6 629	19 581	-499	-446	-15	-10 033	-4 030	-6 002	22 026	12 008
00	P	-4 888	6 062	5 690	10 950	645	-8 683	17 506	-499	283	2 343	-21 973	-10 554	-11 419	32 923	8 607
01	P	-3 334	-4 811	-20 141	-1 477	452	-8 616	12 762	-499	-3 101	-2 023	-10 683	5 386	-16 069	9 206	547
01 J-N	P	3 976	1 352	-20 236	-2 624	645	-9 026	10 244	-	-1 352	-2 490	-9 163	5 032	-14 195	6 539	-134
02 J-N	A	6 861	13 936	-96	7 075	-1 113	785	4 096	-	612	1 582	1 634	1 214	420	5 441	5 493
01 Dec	P	-7 310	-6 163	95	1 147	-193	410	2 518	-499	-1 749	466	-1 520	354	-1 874	2 667	681
02 Jan	A	1 003	-3 234	64	-4 237	-36	-208	-3 468	-	1 256	-1 816	-3 996	1	-3 997	-241	-2 420
Feb	A	6 563	2 935	-163	-3 628	-19	343	-4 926	-	-377	1 332	-2 047	87	-2 134	-1 581	-4 960
Mar	A	-3 900	2 353	14	6 253	-1 138	-305	6 207	-	-182	533	2 973	-151	3 124	3 280	5 720
Apr	A	6 721	8 056	-10	1 335	36	147	2 672	-	-110	-1 374	-659	534	-1 194	1 995	2 709
May	A	-4 534	1 917	0	6 451	37	-52	5 515	-	-7	996	5 144	3 054	2 089	1 308	5 456
Jun	A	-8 309	-8 676	15	-367	7	-18	-1 123	-	-0	774	2 124	410	1 715	-2 491	-1 141
Jul	A	5 435	-3 561	-12	-8 996	-84	1 926	-10 858	-	26	-90	-7 060	-5 073	-1 987	-1 936	-8 906
Aug	A	-927	-1 130	-3	-203	39	-2 439	2 461	-	-13	-212	-989	-998	9	786	10
Sep	A	-739	7 843	5	8 582	-21	1 133	6 080	-	-11	1 380	3 741	3 080	661	4 841	7 202
Oct	A	7 282	8 107	-5	825	34	171	0	-	27	626	1 317	-903	2 220	-492	199
Nov	A	-1 734	-676	-1	1 058	33	88	1 536	-	3	-569	1 086	1 172	-86	-28	1 627

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



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



Source: BE.

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

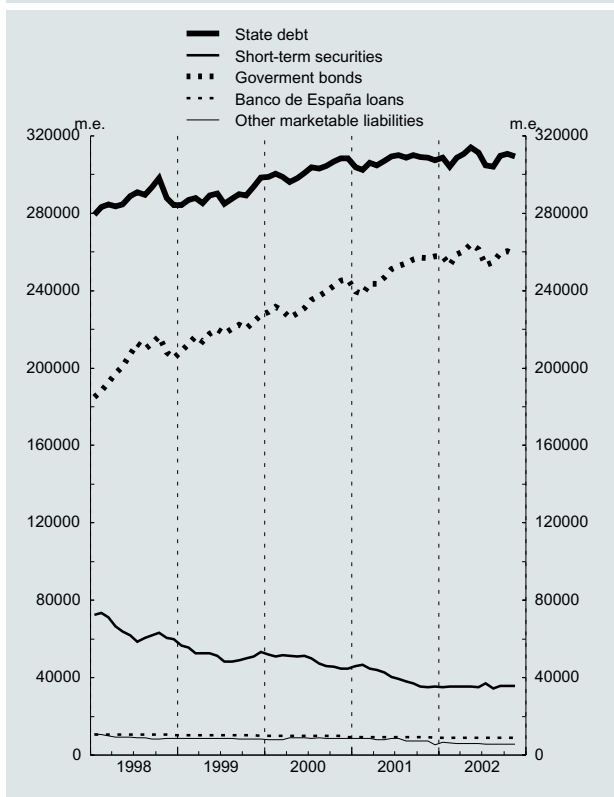
### 6.3. State: Liabilities outstanding. Spain

■ Series depicted in chart.

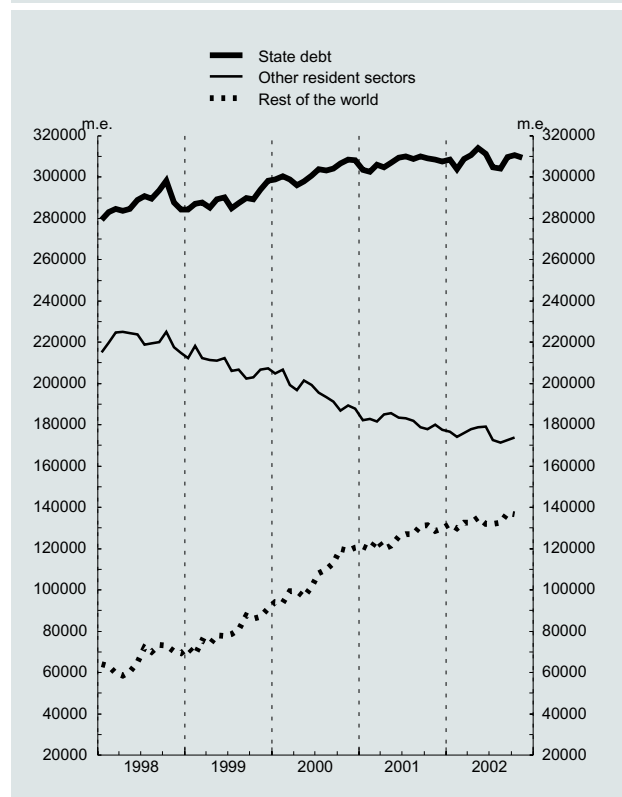
EUR millions

Liabilities outstanding (excluding other accounts payable)											Memorandum item:		
State debt according to the methodology of the excessive deficit procedure	of which		By instrument				By counterpart sector				Deposits at the Banco de España	Guarantees given (contingent liabilities). Outstanding level	
	In currencies other than the peseta/ euro	Short-term securities	Government bonds and assumed debt	Banco de España loans	Other marketable liabilities (a)	Held by resident sectors			Rest of the world				
						Total	General government	Other resident sectors					
1	2	3	4	5	6	7	8	9	10	11	12		
96		263 963	20 434	81 084	152 293	10 814	19 772	210 489	529	209 960	54 003	15 195	8 185
97		274 168	23 270	71 730	180 558	10 578	11 303	211 530	445	211 085	63 083	9 829	7 251
98		284 153	30 048	59 939	205 182	10 341	8 691	215 202	305	214 897	69 256	10 273	6 412
99	P	298 378	7 189	53 142	227 151	9 843	8 243	207 436	150	207 286	91 092	14 846	5 310
00	P	308 212	8 197	44 605	245 711	9 344	8 552	188 474	695	187 780	120 432	20 536	5 430
01 Sep	P	309 993	7 987	37 049	256 231	9 344	7 369	179 969	1 012	178 957	131 036	300	6 390
Oct	P	309 020	7 901	35 352	257 009	9 344	7 316	178 798	1 012	177 786	131 234	300	6 394
Nov	P	308 586	7 907	35 119	256 921	9 344	7 202	180 943	1 012	179 931	128 655	300	6 069
Dec	P	307 434	7 611	35 428	257 716	8 845	5 445	179 099	1 474	177 625	129 809	395	5 460
02 Jan	P	308 553	7 678	35 190	257 821	8 845	6 696	178 116	1 474	176 641	131 912	459	5 500
Feb	P	303 943	7 607	35 538	253 246	8 845	6 314	175 581	1 474	174 106	129 837	296	5 639
Mar	P	308 823	6 506	35 271	258 629	8 845	6 078	177 562	1 474	176 088	132 735	310	6 100
Apr	P	310 676	6 431	35 423	260 449	8 845	5 958	179 451	1 474	177 976	132 699	300	6 057
May	P	314 034	6 309	35 270	264 047	8 845	5 872	181 653	2 788	178 865	135 169	300	5 984
Jun	P	311 321	6 128	35 132	261 495	8 845	5 848	182 522	3 257	179 265	132 056	315	6 071
Jul	A	304 755	6 187	37 019	253 117	8 845	5 775	176 619	3 970	172 650	132 106	303	7 099
Aug	A	304 007	6 206	34 546	254 851	8 845	5 765	175 421	3 970	171 451	132 556	300	7 092
Sep	A	309 802	6 089	35 666	259 554	8 845	5 737	176 486	3 970	172 516	137 286	305	7 063
Oct	A	310 732	6 044	35 795	260 332	8 845	5 760	177 940	3 970	173 971	136 761	300	7 046
Nov	A	309 294	6 011	35 847	258 843	8 845	5 759	...	5 713	...	...	299	6 918

STATE. LIABILITIES OUTSTANDING  
By instrument



STATE. LIABILITIES OUTSTANDING  
By counterpart sector



Source: BE.

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

## 7.1. The Spanish balance of payments vis-à-vis other euro area residents and the rest of the world

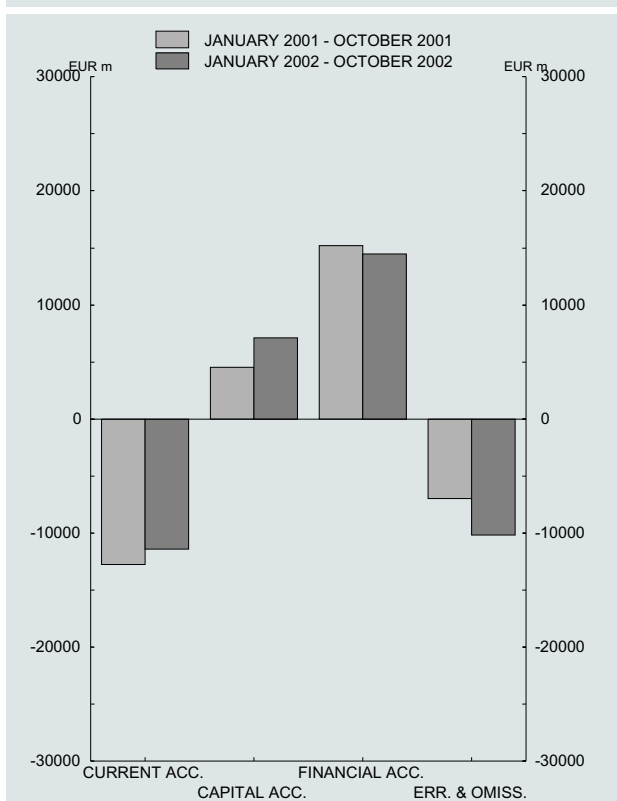
### Current account

■ Series depicted in chart.

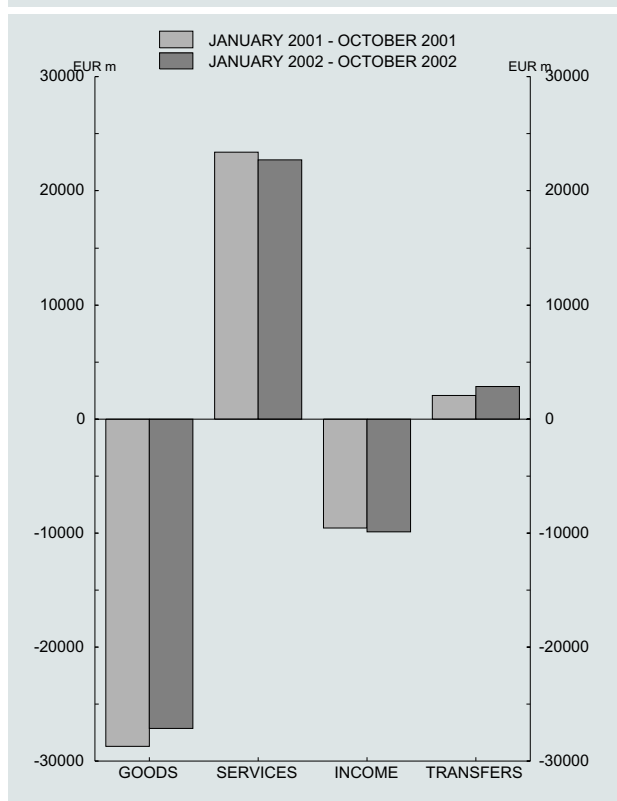
EUR millions

		Current account (a)												Capital account (balance)	Current account plus Capital account (balance)	Financial account (balance) (b)	Errors and omissions (17=-(15+16))		
		Total (balance)	Goods			Services				Income			Current transfers (balance)						
			Balance	Receipts	Payments	Balance	Receipts		Payments	Balance	Receipts	Payments							
							Of which											Of which	
							Total	Tourism and travel										Total	Tourism and travel
		1=2+5+10+13	2=3-4	3	4	5=6-8	6	7	8	9	10=11-12	11	12	13	14	15=1+14	16	17	
99		-13 112	-28 585	105 735	134 320	21 524	50 362	30 416	28 838	5 166	-8 904	11 820	20 724	2 853	6 552	-6 561	11 242	-4 682	
00		-20 992	-37 778	126 070	163 848	24 243	58 407	33 750	34 163	5 967	-8 985	16 321	25 307	1 528	5 181	-15 811	21 300	-5 488	
01		-16 947	-35 265	131 319	166 584	27 138	64 763	36 633	37 625	6 663	-10 655	22 117	32 773	1 836	5 556	-11 391	18 827	-7 436	
01	J-O	-12 791	-28 726	109 862	138 588	23 407	54 799	31 649	31 392	5 628	-9 547	18 234	27 781	2 075	4 549	-8 242	15 219	-6 976	
02	J-O	A -11 425	-27 128	109 753	136 881	22 734	55 485	30 540	32 750	5 954	-9 884	16 607	26 491	2 853	7 119	-4 306	14 475	-10 168	
01	Jul	-1 972	-2 940	10 603	13 542	3 646	7 203	4 528	3 557	681	-2 354	1 713	4 066	-324	333	-1 639	2 522	-883	
	Aug	-32	-3 247	8 482	11 729	3 425	6 435	4 052	3 010	670	-459	1 179	1 638	249	303	270	116	-387	
	Sep	-1 382	-3 412	10 326	13 738	2 325	5 401	3 214	3 076	594	-190	2 332	2 522	-105	33	-1 349	1 880	-531	
	Oct	-2 421	-2 972	11 998	14 970	2 506	6 037	3 496	3 531	655	-1 882	1 499	3 381	-74	51	-2 370	3 560	-1 190	
	Nov	-963	-2 783	11 687	14 471	2 335	5 415	3 018	3 080	562	-412	1 431	1 843	-102	298	-665	1 984	-1 319	
	Dec	-3 193	-3 755	9 769	13 525	1 396	4 550	1 966	3 154	472	-696	2 453	3 149	-137	709	-2 484	1 625	859	
02	Jan	P -1 381	-2 338	10 337	12 675	988	4 353	2 094	3 365	553	-1 241	1 958	3 198	1 211	1 555	174	1 088	-1 263	
	Feb	P -332	-2 085	10 937	13 022	1 520	4 403	2 185	2 883	482	-838	1 344	2 182	1 071	102	-230	2 223	-1 994	
	Mar	P -1 124	-1 861	11 203	13 064	1 803	4 770	2 358	2 967	508	-1 019	1 513	2 531	-47	84	-1 039	2 350	-1 310	
	Apr	P -2 479	-2 498	11 543	14 042	1 577	4 803	2 435	3 225	459	-1 128	1 489	2 617	-431	908	-1 572	1 801	-229	
	May	P -544	-2 798	11 327	14 125	2 670	5 822	3 190	3 152	505	-531	1 599	2 130	115	716	172	1 005	-1 177	
	Jun	P -1 301	-2 765	10 849	13 614	2 660	5 725	3 197	3 065	577	-937	1 416	2 353	-258	616	-685	740	-56	
	Jul	P -931	-2 762	11 275	14 037	3 342	7 189	4 356	3 847	772	-2 024	2 419	4 443	513	362	-569	2 077	-1 508	
	Aug	P 276	-2 625	8 921	11 546	3 393	6 446	4 044	3 053	736	-716	1 025	1 741	224	766	1 042	-62	-980	
	Sep	P -2 433	-3 775	10 616	14 391	2 206	5 645	3 140	3 439	655	-1 401	1 441	2 842	538	785	-1 648	1 934	-286	
	Oct	A -1 176	-3 620	12 746	16 366	2 575	6 329	3 541	3 754	707	-49	2 403	2 452	-83	1 225	49	1 318	-1 367	

#### SUMMARY



#### CURRENT ACCOUNT



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

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

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

## 7.2. The Spanish balance of payments vis-à-vis other euro area residents and the rest of the world

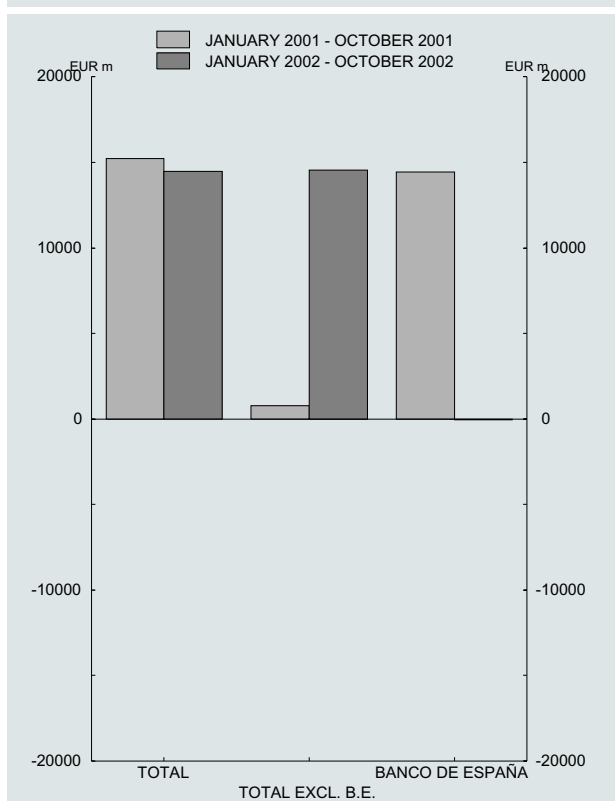
### Financial account (a)

■ Series depicted in chart.

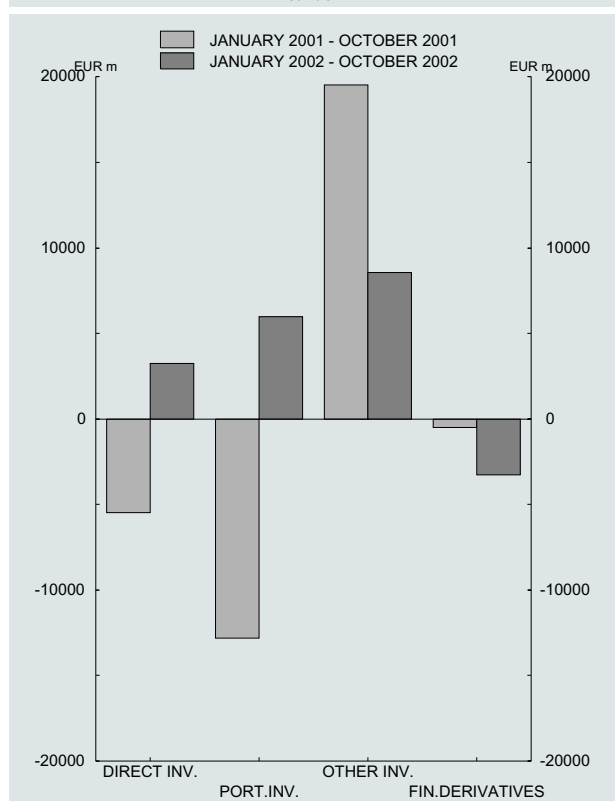
EUR millions

	Financial account	Total, excluding Banco de España											Banco de España				Memorandum item:	
		Total	Direct investment			Portfolio investment			Other investment (d)			Net financial derivatives (NCL- NCA)	Balance	Re-serves	Claims with the Euro-system	Other net assets	Other investment including Banco de España (d)	
			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)						Spanish investment abroad	Foreign investment in Spain
	1=	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	17	18
99	11 242	26 311	-24 709	39 501	14 791	-1 402	44 090	42 688	52 148	-14 008	38 140	274	-15 068	20 970	-35 978	-61	22 021	38 130
00	21 300	27 444	-18 616	59 344	40 728	-1 385	65 030	63 644	45 441	11 419	56 860	2 004	-6 144	3 302	-9 250	-196	20 665	56 659
01	18 827	1 352	-6 732	31 072	24 340	-17 758	48 596	30 838	26 431	4 235	30 666	-589	17 475	1 581	16 122	-228	-11 936	30 389
01 J-O	15 219	790	-5 459	26 184	20 725	-12 804	38 018	25 214	19 537	10 481	30 018	-484	14 429	546	13 185	697	-2 735	30 685
02 J-O	A 14 475	14 541	3 261	15 673	18 934	5 979	24 412	30 391	8 558	25 988	34 546	-3 257	-67	-1 504	985	452	25 019	35 015
01 Jul	2 522	6 552	226	2 501	2 727	-2 561	3 570	1 009	8 727	-7 582	1 144	161	-4 030	-522	-3 943	435	-3 651	1 568
Aug	116	-3 366	-1 760	1 166	-594	1 127	1 040	2 167	-2 407	493	-1 914	-327	3 482	-256	3 566	172	-3 051	-1 720
Sep	1 880	941	-4 017	4 605	589	3 606	-933	2 673	1 751	4 601	6 351	-398	939	-94	991	42	3 607	6 390
Oct	3 560	7 843	1 417	-154	1 263	118	5 007	5 125	5 595	-466	5 129	713	-4 284	583	-4 331	-536	3 864	4 592
Nov	1 984	-914	169	1 404	1 573	-4 251	6 191	1 939	3 638	-1 110	2 528	-469	2 897	-1 196	2 920	1 173	-4 021	3 711
Dec	1 625	1 476	-1 442	3 484	2 042	-702	4 388	3 685	3 256	-5 136	-1 881	364	149	2 231	17-2	099	-5 181	-4 007
02 Jan	P 1 088	2 950	3 837	864	4 701	-6 551	6 021	-530	5 225	480	5 706	438	-1 861	-1 748	-1 783	1 669	2 270	7 381
Feb	P 2 223	-3 870	802	561	1 363	-4 122	3 332	-790	-528	-4 506	-5 033	-22	6 093	544	6 152	-603	-10 642	-5 620
Mar	P 2 350	3 841	-325	1 205	880	6 447	2 666	9 113	-2 300	6 641	4 341	19	-1 492	-246	-1 386	140	8 032	4 486
Apr	P 1 801	2 041	512	2 268	2 781	2 262	1 970	4 232	-455	10 392	9 937	-278	-240	616	-250	-606	10 626	9 314
May	P 1 005	2 402	-1 701	2 440	739	-1 725	6 962	5 237	6 526	3 702	10 228	-698	-1 397	263	-1 385	-274	5 082	9 949
Jun	P 740	-988	-513	950	437	-2 886	2 124	-761	4 154	-2 167	1 987	-1 744	1 728	157	1 803	-231	-3 948	1 778
Jul	P 2 077	731	966	849	1 815	-3 842	3 797	-45	4 678	-4 078	600	-1 070	1 346	-544	1 309	581	-5 428	1 140
Aug	P -62	-1 093	-2 065	1 061	-1 004	2 036	-378	1 659	-1 297	-2 897	-4 194	232	1 031	47	1 081	-96	-3 958	-4 269
Sep	P 1 934	6 545	-715	2 862	2 146	9 891	-1 208	8 683	-1 952	8 858	6 906	-678	-4 611	-593	-4 042	24	12 893	6 923
Oct	A 1 318	1 982	2 463	2 613	5 076	4 468	-875	3 593	-5 494	9 563	4 069	545	-664	1	-514	-151	10 092	3 933

FINANCIAL ACCOUNT



FINANCIAL ACCOUNT, EXCLUDING BANCO DE ESPAÑA  
Breakdown



Source: 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

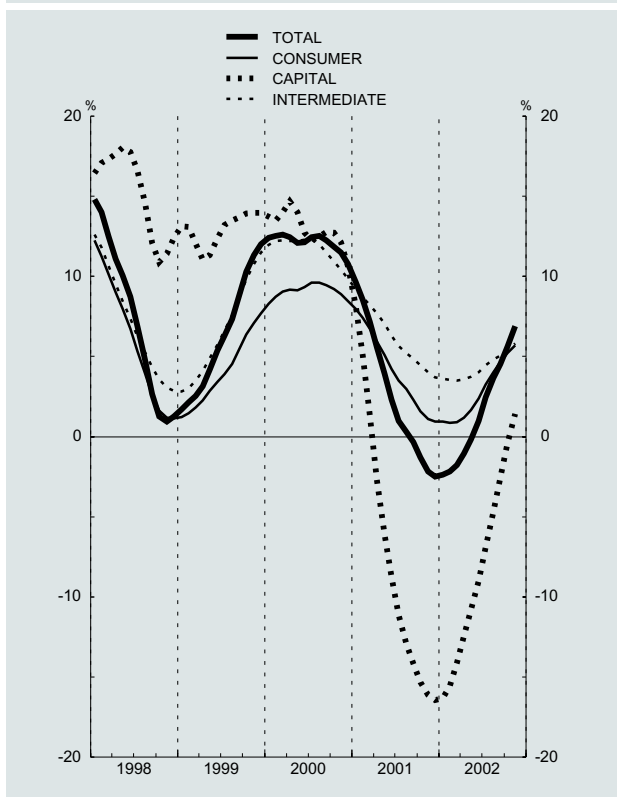
### 7.3 Spanish foreign trade with other euro area countries and with the rest of the world. Exports and dispatches

■ Series depicted in chart.

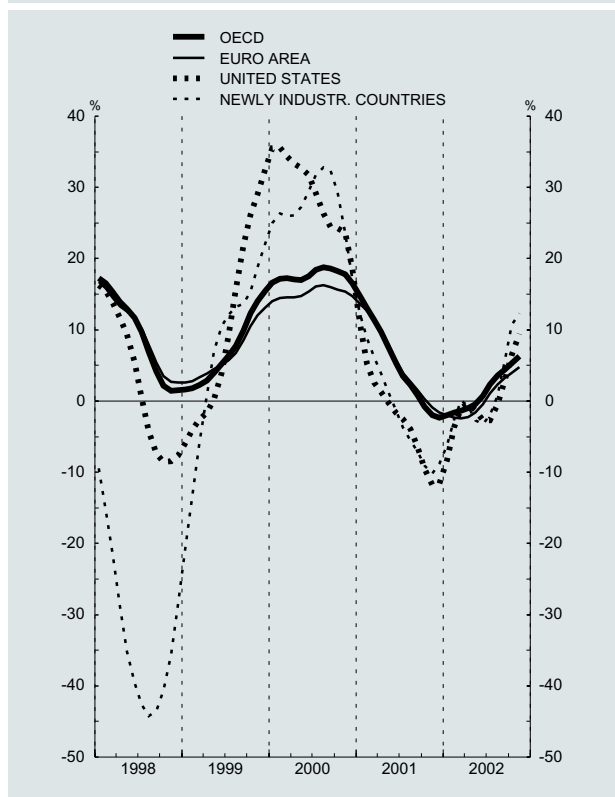
EUR millions and annual percentage changes

	Total			By product (deflated data)(a)					By geographical area (nominal data)								
	EUR millions	Nom- inal	De- flated	Con- sumer	Capital	Intermediate			O E C D					OPEC	Other American countries	Newly industri- alised coun- tries	Other
						Total	Energy	Non- energy	Total	Euro- pean Union	of which: <div>Euro area</div>	United States of America	Other OECD members				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
98	99 849	6.9	6.8	5.2	8.2	7.5	-0.2	7.8	8.4	13.9	9.2	2.5	7.2	8.2	7.1	-35.2	2.1
99	104 789	4.9	5.7	3.1	16.5	4.4	-4.9	4.8	6.4	5.2	5.8	9.8	6.5	-8.2	-4.7	4.8	1.8
00	124 177	18.5	11.7	8.9	13.7	13.1	9.2	13.2	17.5	18.1	15.4	31.6	16.2	21.7	13.0	32.4	28.0
01	129 771	4.5	2.0	4.1	-9.1	4.5	-19.8	5.4	4.2	5.0	5.1	-6.6	4.9	8.3	-6.1	-6.6	12.1
01 Oct	11 828	-1.1	-0.6	-0.0	-19.1	7.3	-11.1	7.9	-1.8	-7.7	-2.5	-5.3	0.6	23.4	-23.0	-1.9	9.2
Nov	11 496	-5.8	-4.4	-4.1	-25.7	4.4	-34.1	5.8	-4.8	-0.3	-1.0	-22.3	-4.6	-6.8	-18.0	-31.1	-5.5
Dec	9 655	-9.1	-8.7	-6.6	-13.2	-8.6	-34.9	-7.6	-9.6	-10.1	-8.6	-21.0	-8.4	-2.2	-22.8	-2.8	-1.6
02 Jan	10 139	2.5	1.8	11.9	-30.6	8.9	-21.2	7.9	3.3	0.9	3.9	-16.5	5.7	7.1	-13.5	-13.5	2.5
Feb	10 802	-1.4	-3.8	-4.9	-19.8	3.0	-31.9	3.7	-1.2	-1.5	-4.3	12.4	-2.0	8.2	-23.3	-8.0	3.6
Mar	11 061	-7.8	-10.8	-12.0	-24.7	-4.7	-12.2	-4.8	-8.4	-11.7	-10.0	-0.5	-7.7	1.1	-29.0	38.3	-2.3
Apr	11 410	7.3	7.0	9.3	2.8	6.7	-20.5	7.6	7.7	7.7	3.1	9.7	7.5	12.2	-19.8	-4.9	15.8
May	11 151	-5.5	-4.2	-3.0	-19.0	-0.3	-18.0	0.2	-7.0	-11.7	-9.5	4.4	-6.2	13.0	-11.8	-1.9	4.5
Jun	10 700	-6.7	-6.6	-5.1	-14.3	-5.6	-7.6	-5.5	-5.7	-6.4	-8.6	-14.6	-4.8	7.6	-42.3	-21.2	0.4
Jul	11 160	7.0	9.3	10.6	-6.3	13.1	11.3	13.2	7.8	9.9	9.5	-7.3	8.6	23.4	-20.8	1.8	9.5
Aug	8 777	5.8	5.6	5.7	-3.8	7.9	-19.6	8.9	8.8	9.4	7.6	-7.7	10.1	-0.1	-18.6	-10.6	-1.2
Sep	10 521	3.1	3.5	6.1	0.6	2.6	-3.4	2.9	1.7	-5.8	1.7	8.6	4.0	15.8	-8.1	-4.0	16.3
Oct	12 610	6.6	5.4	9.1	2.2	3.9	-2.9	4.1	6.5	9.3	6.4	6.0	5.6	-2.7	-12.4	55.3	11.0
Nov	11 864	3.2	2.5	2.9	11.3	-0.3	21.5	-0.8	3.4	-3.3	1.1	13.6	5.0	7.6	-19.9	8.4	8.5

**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 and BE.

Note: The underlying series for this indicator are in Tables 17.4 and 17.5 of the Boletín estadístico.

(a) Series deflated by unit value indices.



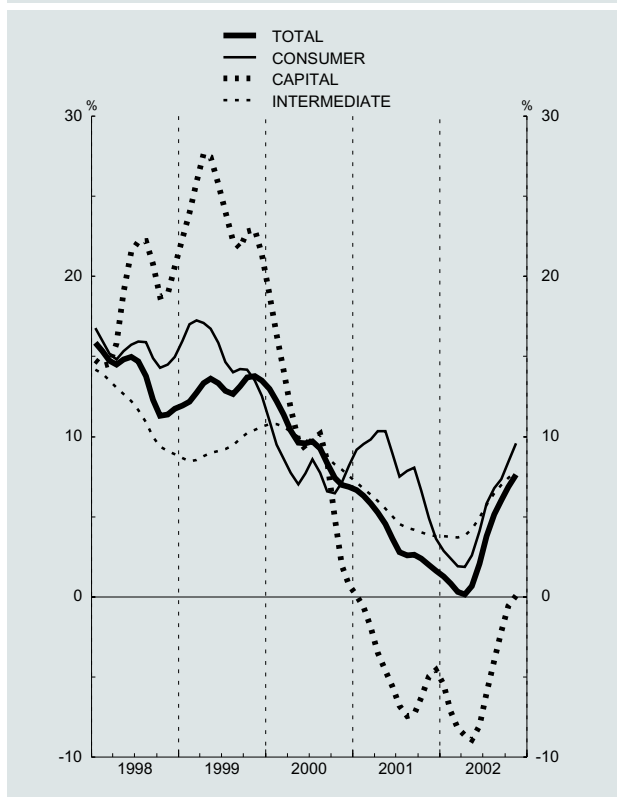
## 7.4 Spanish foreign trade with other euro area countries and with the rest of the world. Imports and arrivals

■ Series depicted in chart.

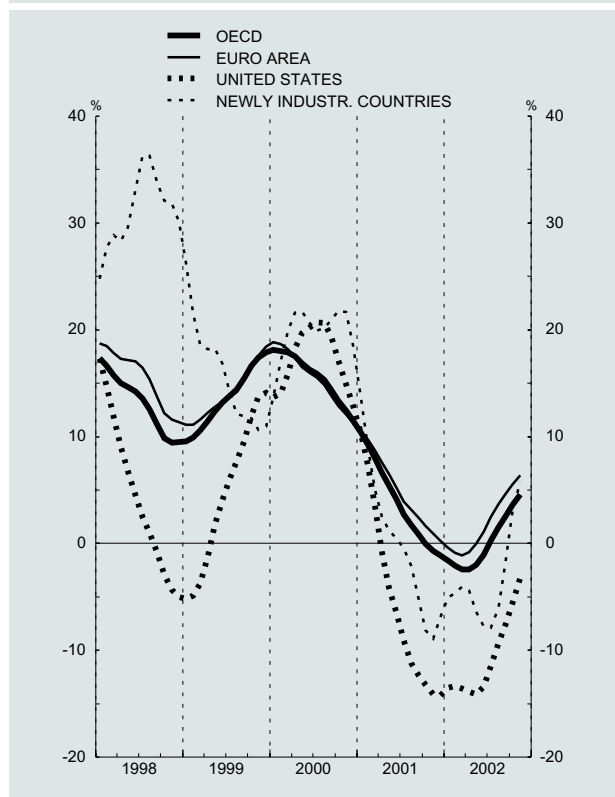
EUR millions and annual percentage changes

	Total			By product (deflated data)(a)						By geographical area (nominal data)								
	EUR millions	Nom- inal	De- flated	Con- sumer	Capital	Intermediate			O E C D					OPEC	Other American countries	Newly industri- alised coun- tries	Other	
						Total	Energy	Non- energy	Total	Euro- pean Union	of which: Euro area	United States of America	Other OECD member					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
98	122 856	12.2	15.0	16.3	21.9	12.5	13.8	12.2	14.7	17.4	17.5	2.6	15.2	-15.2	3.6	30.6	10.3	
99	139 094	13.2	13.2	14.8	22.6	9.7	-0.6	11.0	12.4	10.3	11.7	8.9	13.5	15.8	12.6	16.4	18.1	
00	169 468	21.8	7.9	6.3	7.1	8.8	9.5	8.9	15.7	16.5	15.6	14.4	15.5	95.1	14.6	19.6	36.1	
01	173 210	2.2	2.9	9.1	-6.6	3.5	5.4	3.1	2.1	0.0	3.7	-10.1	3.9	-8.1	3.7	-2.2	11.3	
01 Oct	15 504	-2.4	5.5	9.5	-6.4	7.7	16.5	6.7	-1.7	2.0	-0.4	-4.4	-2.6	-19.3	14.6	-8.7	3.4	
01 Nov	14 928	-5.0	4.1	2.1	4.8	4.7	5.7	4.5	-0.2	7.0	4.0	-24.9	0.1	-35.3	-5.5	-24.7	-7.6	
01 Dec	14 001	-6.0	-2.3	2.0	-1.1	-4.6	4.9	-5.7	-3.0	2.1	-0.3	-32.3	-1.6	-29.4	-29.1	-3.9	-1.8	
02 Jan	13 088	1.8	6.8	0.6	7.0	13.8	21.5	7.5	2.1	0.1	-0.4	6.4	2.2	-16.7	31.3	12.3	5.7	
02 Feb	13 436	-2.8	-1.6	5.1	-16.1	-0.1	15.7	-2.2	-5.0	-3.5	-3.2	-7.3	-5.3	-4.3	20.0	-18.0	10.4	
02 Mar	13 472	-11.4	-6.9	-5.4	-14.0	-5.3	-9.8	-4.9	-11.3	-14.1	-10.0	-23.8	-9.2	-32.5	-1.6	-8.8	-0.8	
02 Apr	14 536	2.8	1.7	2.0	-0.5	2.3	12.1	1.2	-1.5	6.0	-1.5	1.2	-4.0	0.7	8.3	21.9	27.5	
02 May	14 597	-4.3	-2.7	-0.4	-20.2	2.1	3.4	2.0	-5.6	-8.0	-3.8	-28.7	-2.8	-20.6	10.0	-11.2	10.4	
02 Jun	14 056	-11.3	-6.2	-2.1	-15.3	-5.2	5.7	-6.4	-10.1	2.4	-4.6	-35.8	-11.2	-30.4	-6.4	-15.8	-6.9	
02 Jul	14 455	4.0	12.5	14.8	-4.4	16.2	10.8	16.9	6.3	8.0	7.4	-5.2	6.7	-13.8	5.5	-7.4	3.2	
02 Aug	11 870	-1.0	7.8	8.7	0.2	9.6	-6.5	12.5	2.6	16.5	6.9	0.4	-0.6	-16.5	-13.7	-24.0	-1.3	
02 Sep	14 835	4.2	5.1	4.7	-5.8	8.4	-0.0	9.3	3.3	-3.5	4.3	-12.7	6.8	-3.4	-4.7	7.3	16.3	
02 Oct	16 891	8.9	9.0	9.3	12.0	8.0	-1.6	9.2	5.8	-0.6	8.4	-12.4	9.6	0.4	11.8	58.6	25.2	
02 Nov	15 827	6.0	6.6	9.4	-2.7	8.3	-2.4	9.7	3.3	-9.5	4.5	4.7	7.4	8.0	-6.3	20.0	25.2	

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



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



Sources: ME and BE.

Note: The underlying series for this indicator are in Tables 17.2 and 17.3 of the Boletín estadístico.

(a) Series deflated by unit value indices.

## 7.5 Spanish foreign trade with other euro area countries and with the rest of the world.

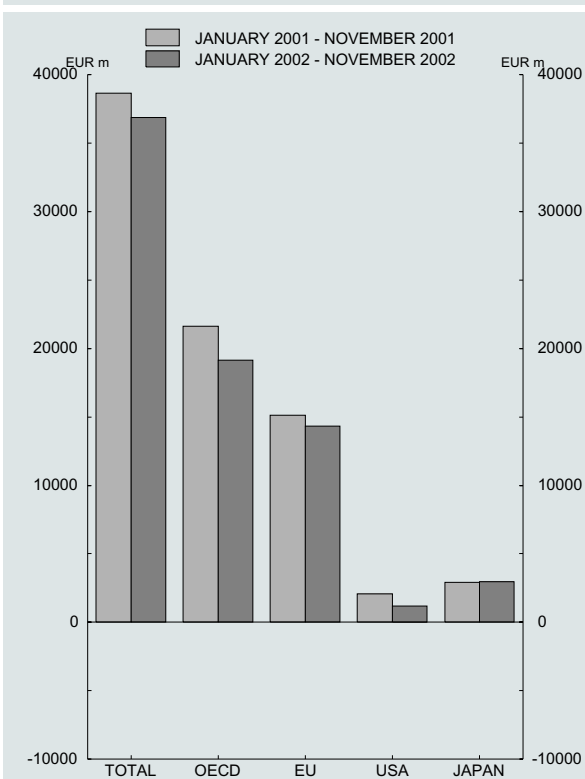
### Trade balance: geographical distribution

■ Series depicted in chart.

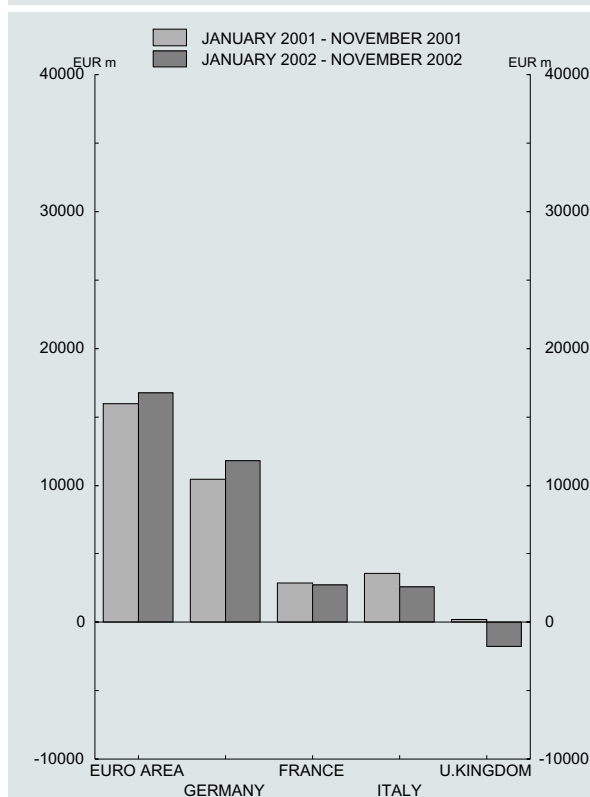
EUR millions

	OECD												OPEC	Other American countries	Newly industrialised countries	Other
	World total	Total	European Union						United States of America	Japan	Other OECD members					
			Total	Euro area			United Kingdom	Other EU members								
				of which:												
				Total	Germany	France						Italy				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
99	-34 305	-24 373	-17 970	-4 904	-8 169	-4 448	-3 572	-1 640	-11 425	-3 055	-3 301	-48	-4 642	885	-1 933	-4 243
00	-45 291	-26 645	-20 065	-5 968	-9 828	-4 873	-4 272	-1 861	-12 236	-2 707	-3 616	-258	-10 879	936	-2 151	-6 551
01	-43 439	-24 992	-17 987	-4 974	-11 539	-3 683	-4 283	-462	-12 551	-2 219	-3 159	-1 627	-9 501	420	-2 176	-7 190
01 J-N	-38 673	-21 616	-15 120	-15 957	-10 468	-2 867	-3 583	-203	1 040	-2 084	-2 920	-1 492	-8 686	339	-1 981	-6 729
02 J-N	-36 868	-19 140	-14 334	-16 760	-11 808	-2 736	-2 576	1 743	683	-1 188	-2 943	-677	-6 950	-870	-2 000	-7 907
01 Nov	-3 431	-2 216	-1 617	-1 660	-1 087	-475	-404	-18	61	-162	-293	-145	-639	40	-162	-454
Dec	-4 346	-3 199	-2 793	-2 443	-982	-897	-490	-314	-35	-156	-204	-47	-657	107	-183	-414
02 Jan	-2 949	-1 179	-416	-762	-744	-111	-76	275	71	-279	-261	-223	-684	-92	-248	-746
Feb	-2 634	-1 092	-821	-1 095	-854	-226	-154	216	59	-116	-205	50	-637	-37	-159	-708
Mar	-2 411	-1 250	-786	-994	-870	-20	-187	167	41	-149	-261	-54	-507	-29	-77	-548
Apr	-3 126	-1 362	-958	-1 198	-1 002	-212	-138	165	75	-143	-274	13	-571	-108	-242	-843
May	-3 446	-1 937	-1 620	-1 683	-1 093	-217	-272	105	-43	11	-301	-26	-517	-67	-178	-747
Jun	-3 356	-1 952	-1 482	-1 919	-1 143	-382	-295	290	147	-92	-294	-84	-566	-104	-156	-577
Jul	-3 295	-1 929	-1 549	-1 766	-1 087	-264	-421	162	55	-19	-287	-74	-527	-75	-161	-603
Aug	-3 093	-1 517	-1 248	-1 495	-796	-365	-314	190	56	-96	-200	26	-701	-41	-135	-699
Sep	-4 314	-2 438	-1 941	-1 993	-1 232	-386	-267	-4	56	-92	-256	-149	-762	-125	-173	-815
Oct	-4 281	-2 208	-1 717	-1 885	-1 354	-263	-286	82	87	-86	-314	-91	-786	-171	-262	-855
Nov	-3 963	-2 276	-1 796	-1 969	-1 633	-290	-165	95	78	-127	-289	-65	-691	-22	-208	-766

CUMULATIVE TRADE DEFICIT



CUMULATIVE TRADE DEFICIT



Source: ME.

Note: The underlying series for this indicator are in Tables 17.3 and 17.5 of the Boletín estadístico.

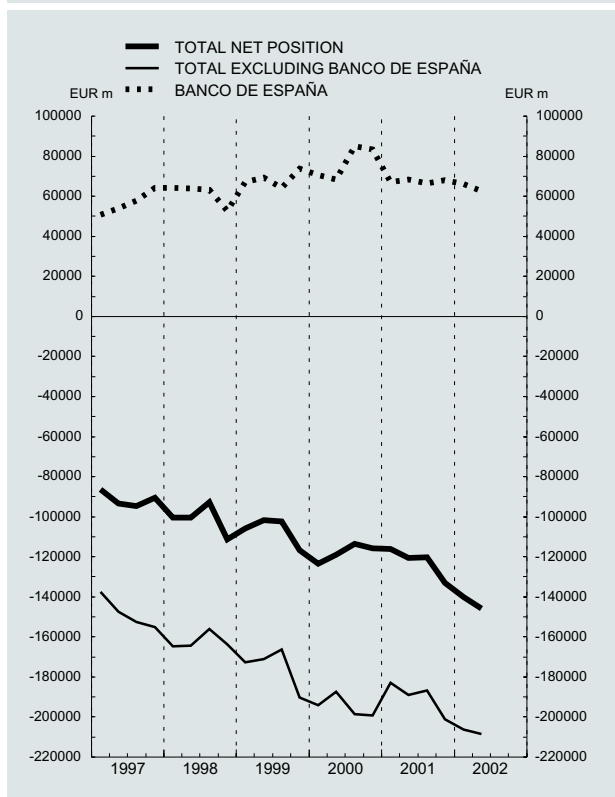
## 7.6. Spanish international investment position vis-à-vis other euro area residents and the rest of the world Summary

■ Series depicted in chart.

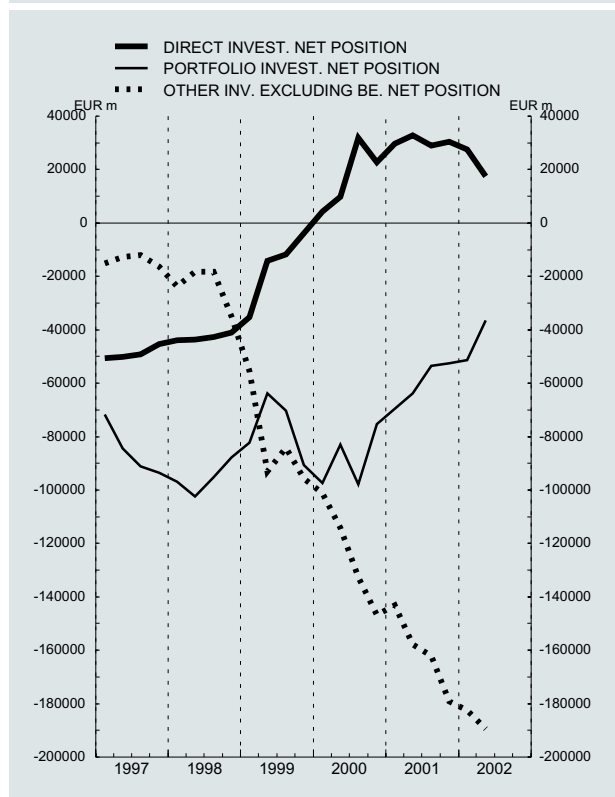
End-of-period stocks in EUR millions

		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			Banco de España net position (assets-liabil.)	Reserves	Assets vis-à-vis the Euro-system	Other net assets (assets-liabil.)	
				Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)	Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)	Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)					
		1=2+12	2=3+6+9	3=4-5	4	5	6=7-8	7	8	9=10-11	10	11	12=13+15	13	14	15	
94	P	-84 053	-118 826	-57 055	19 200	76 255	-52 633	13 688	66 321	-9 138	103 351	112 489	34 773	34 708	-	65	
95	P	-83 671	-111 037	-53 237	26 434	79 671	-73 105	13 310	86 415	15 305	128 920	113 615	27 366	27 263	-	102	
96	P	-87 140	-134 542	-53 130	31 988	85 117	-83 314	16 650	99 963	1 901	132 145	130 244	47 403	47 658	-	-256	
97	P	-90 674	-154 986	-45 317	45 879	91 195	-93 429	31 775	125 204	-16 240	141 760	158 000	64 311	64 174	-	137	
98	P	-111 243	-163 786	-41 130	60 112	101 242	-87 709	69 993	157 702	-34 946	158 776	193 722	52 542	52 095	-	447	
99	Q2	P	-101 566	-170 965	-14 105	91 409	105 513	-63 814	109 534	173 348	-93 046	144 989	238 035	69 399	38 153	30 838	408
	Q3	P	-102 267	-166 404	-11 831	97 278	109 109	-70 267	112 639	182 905	-84 306	147 061	231 367	64 137	35 903	28 090	143
	Q4	P	-116 599	-190 342	-3 932	112 231	116 163	-90 704	118 045	208 749	-95 706	148 072	243 777	73 743	37 288	36 028	427
00	Q1	P	-123 541	-194 223	4 389	122 658	118 269	-97 363	131 926	229 289	-101 249	156 577	257 826	70 682	39 763	31 776	-858
	Q2	P	-119 054	-187 443	9 679	139 768	130 089	-83 023	144 202	227 225	-114 098	155 046	269 144	68 389	39 354	29 092	-57
	Q3	P	-113 453	-198 554	31 763	168 485	136 722	-97 787	158 642	256 428	-132 530	162 480	295 011	85 101	42 750	42 610	-259
	Q4	P	-115 825	-199 342	22 697	178 295	155 598	-75 226	186 091	261 316	-146 813	159 490	306 303	83 516	38 234	45 278	4
01	Q1	P	-115 987	-182 989	29 673	190 407	160 735	-69 505	200 208	269 713	-143 157	188 307	331 464	67 002	41 380	27 355	-1 732
	Q2	P	-120 595	-188 996	32 754	210 657	177 903	-63 914	216 737	280 651	-157 836	178 135	335 971	68 402	40 776	28 376	-751
	Q3	P	-120 224	-186 662	28 938	208 951	180 012	-53 453	216 744	270 197	-162 147	170 343	332 490	66 438	39 971	27 762	-1 296
	Q4	P	-133 128	-201 273	30 432	216 423	185 992	-52 478	233 508	285 986	-179 227	162 931	342 158	68 144	38 865	29 156	123
02	Q1	P	-140 130	-206 180	27 635	220 373	192 738	-51 408	243 932	295 340	-182 407	166 748	349 155	66 049	41 015	26 173	-1 139
	Q2	P	-145 890	-208 379	17 517	212 808	195 292	-36 506	252 423	288 929	-189 389	170 837	360 226	62 489	36 400	26 005	83

### INTERNATIONAL INVESTMENT POSITION



### COMPONENTS OF THE POSITION



Source: BE.

Note: The information in this table has been rearranged to adapt it to the new presentation of the Balance of Payments data. The reasons for these purely formal changes can be consulted in the Notes dated 17 April 2001 'Changes to the tables presenting the Balance of Payments' and 'Banco de España claims on the Eurosystem in the Balance of Payments' on the Banco de España website (<http://www.bde.es>, under the 'Balance of Payments' chapter in the section 'Statistics').

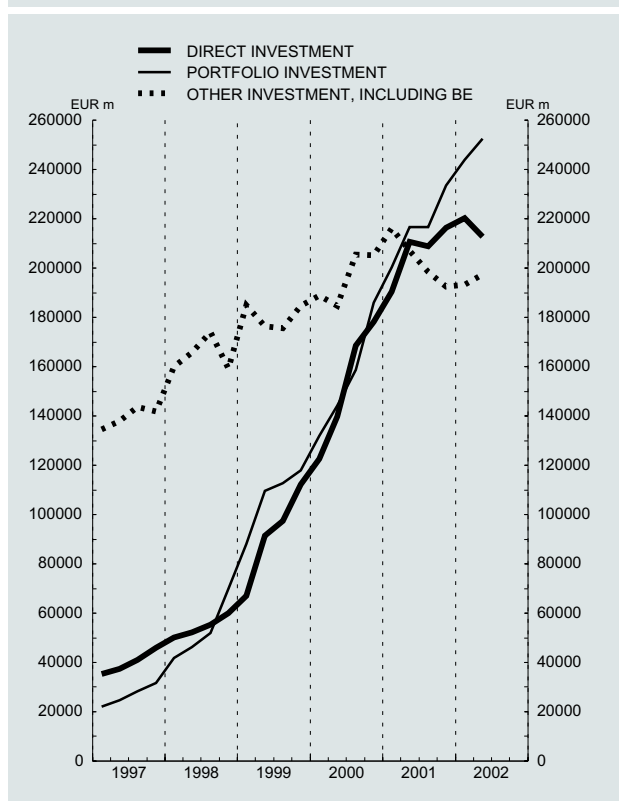
## 7.7. Spanish international investment position vis-à-vis other euro area residents and the rest of the world. Breakdown by investment

■ Series depicted in chart.

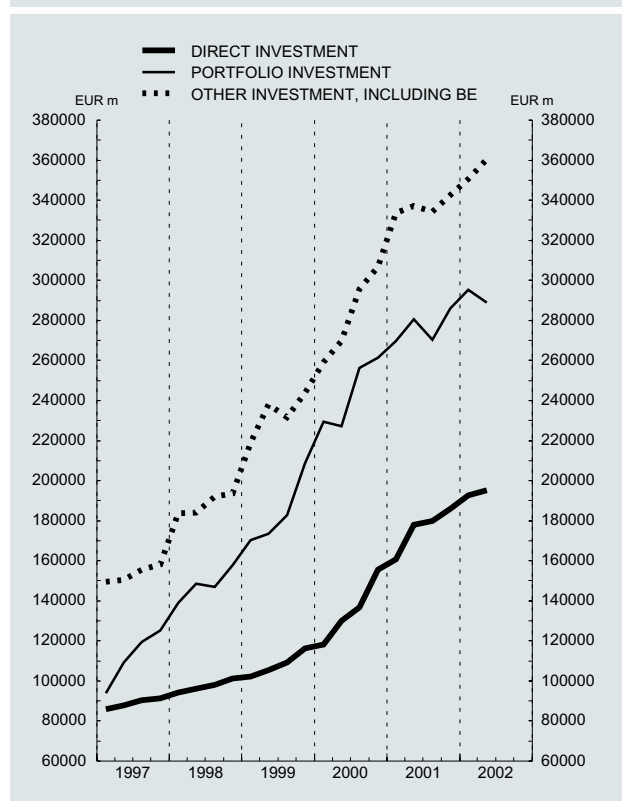
End-of-period stocks in EUR millions

		Direct investment				Portfolio investment				Other investment, including Banco de España	
		Spanish investment abroad		Foreign investment in Spain		Spanish investment abroad		Foreign investment in Spain		Spanish investment abroad	Foreign investment in Spain
		Shares and other equities	Intercompany debt transactions	Shares and other equities	Intercompany debt transactions	Shares and mutual funds	Debt securities	Shares and mutual funds	Debt securities		
		1	2	3	4	5	6	7	8	9	10
<b>94</b>	P	17 652	1 548	63 913	12 342	2 735	10 953	19 115	47 206	103 479	112 551
<b>95</b>	P	24 520	1 913	66 930	12 741	2 748	10 562	23 682	62 733	129 101	113 693
<b>96</b>	P	29 633	2 354	71 683	13 434	3 501	13 149	30 895	69 069	132 327	130 681
<b>97</b>	P	42 705	3 174	78 261	12 935	8 421	23 354	42 827	82 377	141 943	158 047
<b>98</b>	P	54 370	5 742	83 996	17 247	17 122	52 871	64 947	92 755	159 274	193 774
<b>99</b>	Q2	P	86 013	5 395	88 045	17 468	24 833	84 700	69 786	103 562	176 275
	Q3	P	90 362	6 916	90 335	18 774	28 317	84 321	67 560	115 345	175 469
	Q4	P	104 807	7 424	97 420	18 743	32 910	85 135	86 422	122 328	184 561
<b>00</b>	Q1	P	114 724	7 934	98 332	19 937	45 428	86 498	95 768	133 521	188 819
	Q2	P	131 456	8 312	108 770	21 320	51 679	92 523	90 505	136 720	184 598
	Q3	P	154 514	13 972	111 965	24 757	58 411	100 230	104 888	151 541	205 531
	Q4	P	164 129	14 165	129 928	25 670	76 253	109 838	97 709	163 608	205 226
<b>01</b>	Q1	P	172 405	18 002	132 478	28 257	78 685	121 522	99 517	170 195	216 086
	Q2	P	190 775	19 882	144 504	33 399	77 861	138 876	103 951	176 701	206 945
	Q3	P	187 254	21 697	146 768	33 244	75 136	141 608	88 212	181 985	198 548
	Q4	P	194 708	21 715	149 997	35 995	77 122	156 386	100 065	185 921	192 509
<b>02</b>	Q1	P	198 297	22 076	154 149	38 589	76 827	167 105	103 458	191 882	193 369
	Q2	P	194 627	18 181	157 010	38 282	74 329	178 094	92 040	196 889	197 290

SPANISH INVESTMENT ABROAD



FOREIGN INVESTMENT IN SPAIN



Source: BE.

Nota: See footnote to Indicator 7.6

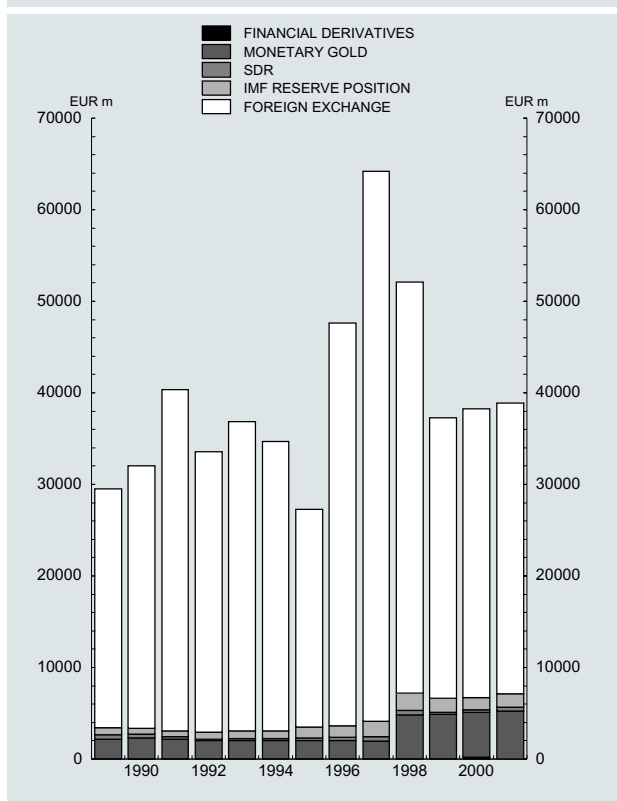
## 7.8. Spanish reserve assets

■ Series depicted in chart.

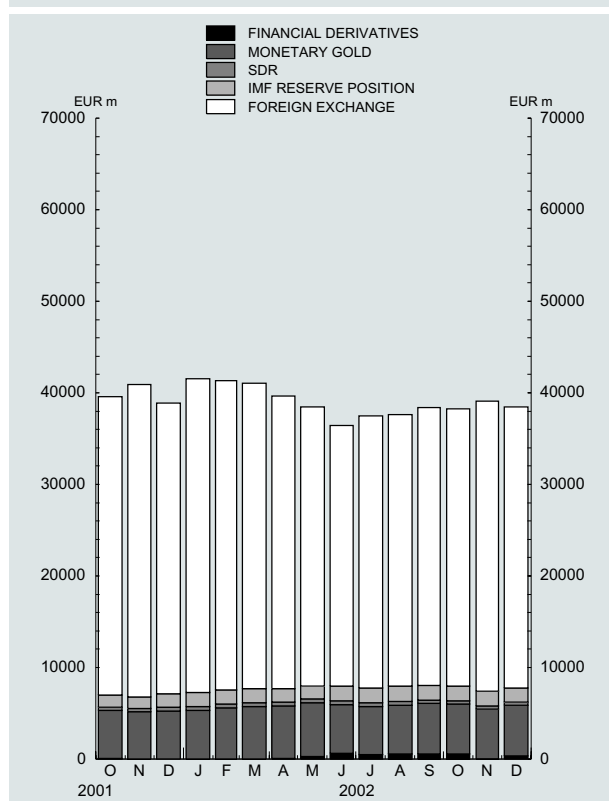
EUR millions

	Reserve assets						Memorandum item: gold
	Total	Foreign exchange	Reserve position in the IMF	SDRs	Monetary gold	Financial derivatives	Millions of troy ounces
	1	2	3	4	5	6	7
<b>98</b>	52 095	44 914	1 876	492	4 814	...	19.5
<b>99</b>	37 288	30 639	1 517	259	4 873	...	16.8
<b>00</b>	38 234	31 546	1 271	312	4 931	175	16.8
<b>01</b>							
Jul	40 200	33 310	1 436	383	5 105	-34	16.8
Aug	39 147	32 237	1 346	384	5 037	143	16.8
Sep	39 971	32 735	1 348	385	5 361	143	16.8
Oct	39 608	32 639	1 273	386	5 209	100	16.8
Nov	40 895	34 083	1 253	397	5 177	-15	16.8
Dec	38 865	31 727	1 503	398	5 301	-63	16.8
<b>02</b>							
Jan	41 532	34 272	1 517	401	5 513	-172	16.8
Feb	41 301	33 758	1 514	401	5 785	-157	16.8
Mar	41 015	33 354	1 508	406	5 845	-98	16.8
Apr	39 627	31 913	1 491	400	5 749	74	16.8
May	38 454	30 469	1 423	390	5 875	297	16.8
Jun	36 400	28 418	1 620	385	5 382	594	16.8
Jul	37 479	29 698	1 642	391	5 242	506	16.8
Aug	37 596	29 652	1 645	399	5 361	538	16.8
Sep	38 425	30 351	1 611	397	5 502	563	16.8
Oct	38 268	30 317	1 575	396	5 401	580	16.8
Nov	39 125	31 730	1 568	394	5 401	32	16.8
Dec	38 431	30 695	1 518	337	5 500	382	16.8

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 'Data Template on International Reserves and Foreign Currency Liquidity. Operational Guidelines', October 1999 (<http://dsbb.imf.org/guide.htm>). 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.

### 8.1.a Consolidated balance sheet of the Eurosystem. Net lending to credit institutions and its counterparts

Average of daily data, EUR millions

	Net lending							Counterparts							
	Open market operations					Standing facilities		Autonomous factors					Other liabilities (net) in euro	Actual reserves of credit institutions	Debt certificates
								Total	Bank-notes	Net liabilities to general government	Gold and net assets in foreign currency	Other (net)			
	Total	Main refinancing operations	Longer-term refinancing operations	Fine-tuning and structural reverse operations (net)	Other	Marginal lending facility	Deposit facility	8=9+10 -11+12	9	10	11	12	13	14	15
	1=2+3+4 +5+6-7	2	3	4	5	6	7								
01 Jul	222 461	162 582	60 000	-	15	192	328	86 136	350 371	-27 870	402 490	166 126	3 129	129 413	3 784
Aug	219 323	159 304	60 001	-	40	145	167	85 322	344 357	-22 214	401 876	165 055	3 101	127 116	3 784
Sep	210 473	144 849	60 001	5 489	13	415	294	73 426	332 632	-25 866	401 039	167 699	4 839	128 425	3 784
Oct	196 978	135 917	60 003	-	29	1 148	119	64 306	322 028	-25 374	386 460	154 112	3 102	125 785	3 784
Nov	191 240	124 123	60 001	7 227	-2	247	356	59 298	306 718	-23 598	384 531	160 709	2 891	126 074	2 977
Dec	193 441	128 151	60 001	5 300	7	435	452	56 970	294 048	-30 379	383 638	176 939	3 512	130 020	2 939
02 Jan	179 917	117 364	60 000	2 955	21	210	632	44 718	355 484	-27 578	385 795	102 606	2 438	129 823	2 939
Feb	183 992	123 800	60 000	-	10	245	63	46 973	296 948	-18 284	386 358	154 667	2 676	131 403	2 939
Mar	176 708	116 660	60 001	-	-8	160	105	38 690	283 118	-11 855	386 302	153 728	3 306	131 773	2 939
Apr	169 916	109 681	60 000	-	6	428	199	32 558	286 051	-12 755	398 780	158 042	3 407	131 012	2 939
May	172 171	112 331	59 999	-	7	121	287	33 501	295 732	-19 717	396 937	154 424	3 510	132 221	2 939
Jun	175 940	115 800	60 000	-	2	324	186	37 197	303 333	-22 305	396 259	152 428	3 390	132 415	2 939
Jul	193 447	134 740	58 912	-	-82	96	219	54 768	315 736	-12 367	360 583	111 982	3 998	131 742	2 939
Aug	191 827	137 363	54 545	-	23	42	145	54 764	323 367	-20 170	359 891	111 458	3 847	130 277	2 939
Sep	192 082	142 620	49 285	-	33	196	53	55 990	324 501	-17 630	363 285	112 403	3 995	129 158	2 939
Oct	193 872	148 869	44 998	-	56	75	127	58 134	330 432	-20 587	371 942	120 232	4 177	128 621	2 939
Nov	191 584	146 571	44 999	-	15	112	112	56 627	335 335	-25 028	372 012	118 331	4 581	128 304	2 072
Dec	224 798	176 656	45 000	1 818	22	1 503	201	85 045	359 811	-16 141	371 043	112 418	4 779	132 945	2 029

### 8.1.b Balance sheet of the Banco de España. Net lending to credit institutions and its counterparts

Average of daily data, EUR millions

	Net lending							Counterparts										
Total	Open market operations				Standing facilities		Autonomous factors					Other liabilities (net) in euro			Actual reserves of credit institutions	Banco de España certificates		
	Main refinancing operations	Longer-term refinancing operations	Fine-tuning and structural reverse operations (net)	Other	Marginal lending facility	Deposit facility	Total	Bank-notes	Net liabilities to general government	Gold and net assets in foreign currency	Other (net)	Total	Of euro area residents	Rest				
1=2+3+4 +5+6-7	2	3	4	5	6	7	8=9+10 -11+12	9	10	11	12	13=14+ +15	14	15	16	17		
01 Jul	14 682	13 006	1 678	-	-2	-	0	30 252	53 683	2 381	43 454	17 641	-26 269	-26 325	56	10 699	-	
Aug	15 270	13 410	1 856	-	3	0	-	30 029	52 819	3 370	43 450	17 290	-25 218	-25 268	50	10 459	-	
Sep	14 277	11 499	2 458	329	-2	-	7	30 276	51 567	4 983	43 509	17 235	-26 760	-26 825	66	10 761	-	
Oct	13 202	9 587	3 378	-	26	212	-	31 156	50 469	6 663	41 695	15 719	-28 482	-28 529	47	10 529	-	
Nov	11 235	6 763	4 035	434	3	-	1	28 098	48 457	6 924	41 702	14 420	-27 599	-27 644	45	10 736	-	
Dec	11 364	8 167	2 873	319	-2	7	0	23 266	47 811	2 655	41 678	14 478	-23 233	-23 281	48	11 331	-	
02 Jan	12 878	10 712	2 076	95	-0	1	7	28 820	58 296	3 005	42 369	9 888	-26 530	-26 614	84	10 587	-	
Feb	14 249	11 997	2 251	-	1	0	0	24 097	50 266	3 674	42 399	12 557	-20 819	-20 925	107	10 970	-	
Mar	12 257	9 628	2 632	-	-2	-	0	22 797	48 199	4 312	42 489	12 774	-21 272	-21 319	47	10 733	-	
Apr	12 763	9 882	2 882	-	-0	-	1	24 352	48 156	5 648	43 258	13 806	-22 862	-22 921	59	11 272	-	
May	13 342	10 599	2 742	-	1	-	-	26 119	48 651	6 692	43 218	13 994	-23 670	-23 770	101	10 892	-	
Jun	14 739	11 735	3 000	-	4	-	0	27 211	49 879	6 066	43 273	14 540	-23 610	-23 709	99	11 137	-	
Jul	18 075	14 120	3 948	-	7	-	0	26 080	51 385	3 703	39 214	10 205	-19 747	-19 849	102	11 742	-	
Aug	17 593	14 232	3 347	-	15	-	1	26 376	51 408	4 153	39 198	10 013	-19 928	-20 029	101	11 145	-	
Sep	15 980	13 150	2 816	-	14	-	-	26 238	50 834	4 929	39 782	10 257	-21 508	-21 584	76	11 251	-	
Oct	14 989	13 132	1 853	-	4	-	0	27 892	51 039	6 659	40 885	11 079	-24 071	-24 127	55	11 168	-	
Nov	15 012	13 603	1 408	-	1	-	-	26 708	51 322	6 683	41 878	10 581	-23 566	-23 634	67	11 870	-	
Dec	14 968	13 660	1 106	185	5	21	10	26 241	54 148	3 756	42 188	10 525	-22 641	-22 533	-108	11 368	-	

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



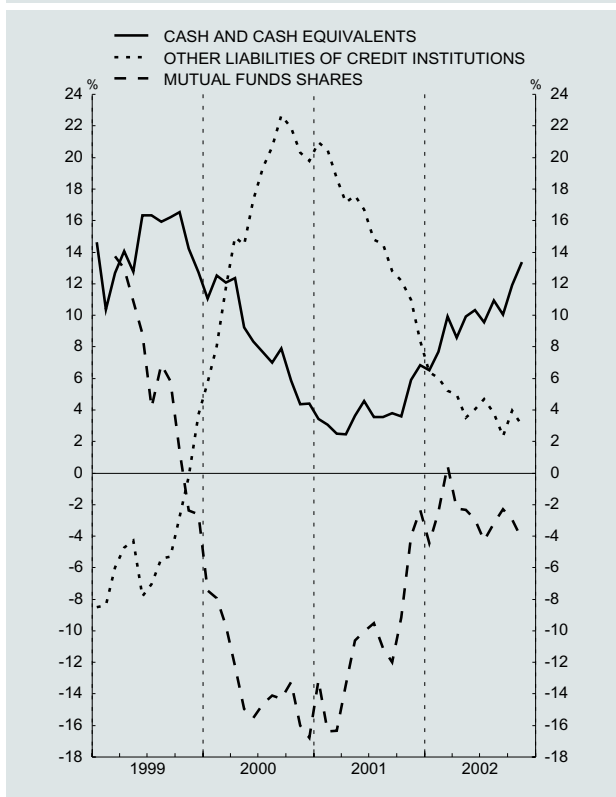
## 8.2 Cash and cash equivalents, other liabilities of credit institutions and mutual funds shares (a) of non-financial corporations, households and NPISHs resident in Spain

■ Series depicted in chart.

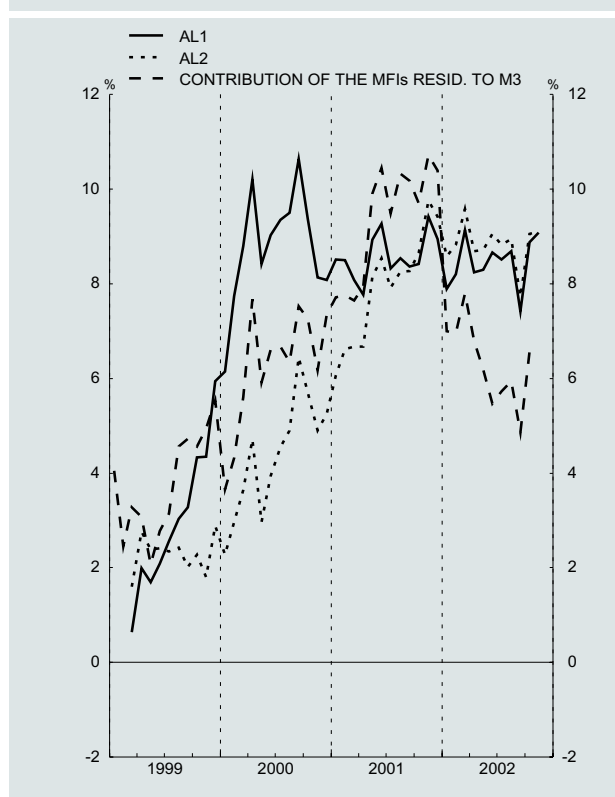
EUR millions and %

	Cash and cash equivalents					Other liabilities of credit institutions					Mutual funds shares					Memorandum items		
	Stocks	12-month % change	12-month % change			Stocks	12-month % change	12-month % change			Stocks	12-month % change	12-month % change			12-month % change		
			Cash	Sight deposits	Savings deposits (b)			Other deposits (c)	Repos + credit institutions' securities	Deposits in branches abroad			Money market funds	Fixed income mutual funds in EUR	Other mutual funds	AL1 (d)	AL2 (e)	Contribution of the MFIs resid. to M3
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
99	261 185	12.7	8.3	14.1	13.8	184 700	3.7	11.9	-5.6	-25.0	189 252	-2.6	-17.9	-26.0	16.9	5.9	2.9	5.5
00	272 700	4.4	-0.4	9.1	2.4	221 258	19.8	25.4	11.8	-8.6	157 506	-16.8	-21.8	-33.0	-9.8	8.1	5.2	7.4
01	291 310	6.8	-21.3	16.0	11.8	239 834	8.4	13.0	-0.3	-20.5	153 804	-2.4	31.2	19.7	-18.0	8.9	9.4	10.4
01 Aug	273 853	3.6	-6.4	7.2	5.1	240 910	14.5	21.6	0.0	-15.9	149 966	-11.1	10.3	2.6	-20.7	8.5	8.3	10.3
Sep	281 194	3.8	-8.5	7.1	6.6	241 769	12.8	20.3	-0.4	-21.1	146 070	-12.0	17.1	6.3	-24.9	8.4	8.3	10.2
Oct	273 714	3.6	-10.1	7.7	6.5	241 332	12.2	17.9	1.8	-15.4	149 392	-9.2	22.8	13.3	-23.6	8.4	8.6	9.7
Nov	279 399	5.9	-12.7	10.3	10.8	242 489	11.0	17.2	1.8	-23.2	152 770	-4.0	28.1	17.1	-18.7	9.4	9.8	10.7
Dec	291 310	6.8	-21.3	16.0	11.8	239 834	8.4	13.0	-0.3	-20.5	153 804	-2.4	31.2	19.7	-18.0	8.9	9.4	10.4
02 Jan	280 964	6.5	-21.0	13.9	12.6	243 392	6.4	12.0	-0.8	-26.3	151 339	-4.4	30.3	23.8	-21.6	7.9	8.6	7.0
Feb	284 997	7.7	-19.0	15.1	13.2	243 322	6.0	10.2	4.1	-26.3	149 960	-2.5	28.1	22.7	-18.7	8.2	8.8	7.0
Mar	293 663	9.9	-16.0	17.5	14.8	245 030	5.2	8.2	4.7	-21.2	152 652	0.5	30.2	19.6	-14.9	9.1	9.6	7.8
Apr	291 056	8.6	-13.8	14.3	13.5	246 094	5.0	6.9	4.7	-13.2	150 794	-2.3	28.4	18.4	-18.4	8.2	8.7	6.8
May	294 089	9.9	-9.9	16.0	13.1	245 001	3.5	6.2	1.5	-18.6	150 161	-2.3	28.5	17.7	-18.8	8.3	8.7	6.2
Jun	309 639	10.3	-8.3	16.3	12.7	247 048	4.0	6.2	-1.2	-8.4	147 672	-2.9	27.0	17.8	-19.8	8.7	9.1	5.5
Jul	305 352	9.6	-6.1	15.1	11.1	247 862	4.7	7.1	-0.5	-11.3	144 771	-4.3	25.8	15.4	-21.7	8.5	8.8	5.7
Aug	303 785	10.9	-4.6	17.0	11.9	250 035	3.8	6.0	-3.0	-7.4	145 199	-3.2	24.3	14.3	-19.8	8.7	8.9	5.9
Sep	309 454	10.0	-0.1	14.5	9.8	247 385	2.3	5.1	-7.6	-8.5	142 743	-2.3	20.3	14.5	-18.2	7.4	7.7	4.9
Oct	P 306 374	11.9	4.6	17.1	9.8	250 850	3.9	7.1	-9.9	-2.7	144 990	-2.9	18.0	12.6	-18.0	8.9	9.1	6.6
Nov	P 316 761	13.4	9.5	18.5	9.7	249 835	3.0	6.3	-11.2	-4.6	146 338	-4.2	15.8	9.7	-18.5	9.1	9.1	6.5

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 10, which includes deposits in Spanish bank branches abroad. The quarterly data are only partially estimated, as full information is not available.

(b) Deposits redeemable at up to and including 3 months' notice.

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

(d) Defined as cash and cash equivalents, other liabilities of credit institutions and money market fund shares.

(e) Defined as AL1 plus fixed income mutual fund shares in euro.

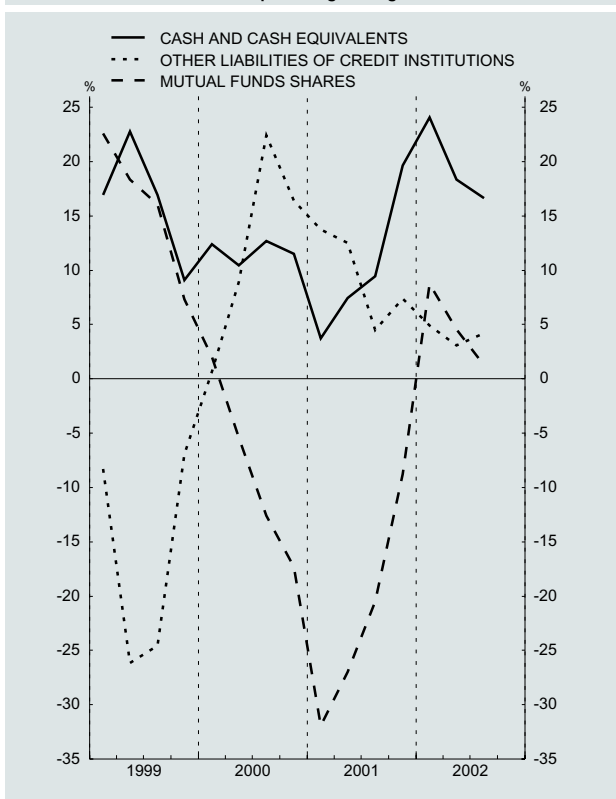
### 8.3 Cash and cash equivalents, other liabilities of credit institutions and mutual funds shares (a) of non-financial corporations resident in Spain

■ Series depicted in chart.

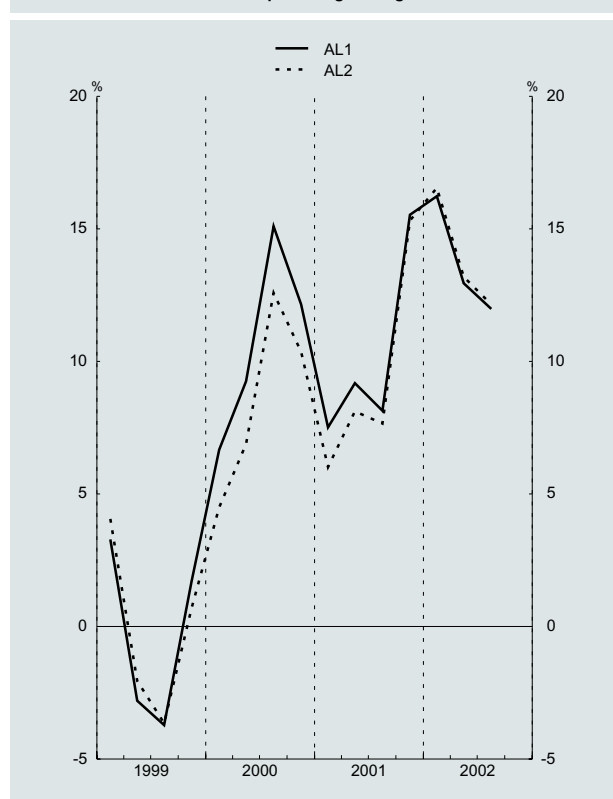
EUR millions and %

	Cash and cash equivalents				Other liabilities of credit institutions				Mutual funds shares					Memorandum items	
	Stocks	4- quarter % change	4-quarter % change		Stocks	4- quarter % change	4-quarter % change		Stocks	4- quarter % change	4-quarter % change			4-quarter % change	
			Cash and shigt depos- its	Sa- ving depos- its (b)			Other depos- its (c)	Repos + credit instit. securit.+ dep. in branches abroad			Money market funds	Fixed income mutual funds in EUR	Other mutual funds	AL1 (d)	AL2 (e)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
99	49 756	9.1	9.2	5.2	32 111	-7.0	30.8	-16.4	17 778	7.3	-7.6	-19.2	27.6	1.7	0.7
00	55 494	11.5	11.5	13.1	37 381	16.4	45.5	5.1	14 701	-17.3	-17.0	-34.6	-11.9	12.2	10.4
01	66 405	19.7	20.0	10.7	40 147	7.4	16.7	2.4	13 410	-8.8	40.8	5.2	-27.9	15.5	15.3
99 Q3	49 052	16.9	18.3	-12.2	30 057	-24.6	30.4	-34.3	17 773	16.0	-12.3	-2.0	42.7	-3.7	-3.6
Q4	49 756	9.1	9.2	5.2	32 111	-7.0	30.8	-16.4	17 778	7.3	-7.6	-19.2	27.6	1.7	0.7
00 Q1	50 689	12.4	12.6	6.3	33 940	0.7	37.8	-10.0	17 959	2.0	-7.9	-35.2	24.1	6.7	4.5
Q2	55 809	10.5	10.6	6.3	34 435	8.9	55.0	-5.5	16 980	-5.4	-4.6	-39.4	9.3	9.3	6.9
Q3	55 267	12.7	12.8	7.6	36 803	22.4	58.7	9.7	15 537	-12.6	-12.7	-40.7	-1.8	15.1	12.6
Q4	55 494	11.5	11.5	13.1	37 381	16.4	45.5	5.1	14 701	-17.3	-17.0	-34.6	-11.9	12.2	10.4
01 Q1	52 582	3.7	3.5	10.6	38 614	13.8	38.7	2.8	12 227	-31.9	1.5	-38.9	-40.1	7.5	6.0
Q2	59 976	7.5	7.4	8.3	38 749	12.5	27.5	4.8	12 399	-27.0	3.3	-29.0	-36.2	9.2	8.1
Q3	60 504	9.5	9.4	12.1	38 447	4.5	22.9	-4.9	12 352	-20.5	27.4	-12.0	-37.8	8.1	7.7
Q4	66 405	19.7	20.0	10.7	40 147	7.4	16.7	2.4	13 410	-8.8	40.8	5.2	-27.9	15.5	15.3
02 Q1	65 242	24.1	24.5	13.3	40 519	4.9	13.7	-0.3	13 299	8.8	23.1	33.7	-4.9	16.2	16.6
Q2	70 995	18.4	18.3	19.6	39 952	3.1	10.1	-1.3	12 963	4.6	28.4	26.6	-13.8	12.9	13.2
Q3	70 580	16.7	16.2	28.3	40 072	4.2	10.8	-0.1	12 506	1.3	16.1	19.7	-14.5	12.0	12.1

NON-FINANCIAL CORPORATIONS  
Annual percentage change



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 8, which includes deposits in Spanish bank branches abroad. The quarterly data are only partially estimated, as full information is not available.

(b) Deposits redeemable at up to and including 3 months' notice.

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

(d) Defined as cash and cash equivalents, other liabilities of credit institutions and money market fund shares.

(e) Defined as AL1 plus fixed income mutual fund shares in euro.

### 8.4 Cash and cash equivalents, other liabilities of credit institutions and mutual funds shares (a) of households and NPISHs resident in Spain

■ Series depicted in chart.

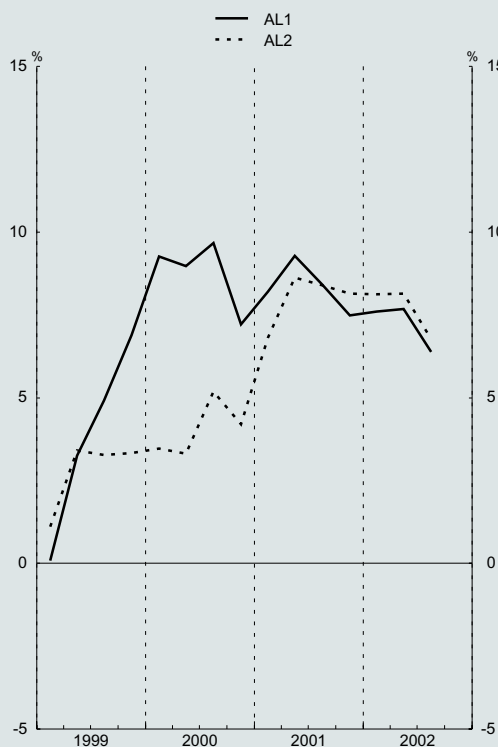
EUR millions and %

	Cash and cash equivalents					Other liabilities of credit institutions				Mutual funds shares					Memorandum items	
	Stocks	4-quarter % change	4-quarter % change			Stocks	4-quarter % change	4-quarter % change		Stocks	4-quarter % change	4-quarter % change			4-quarter % change	
			Cash	Shigt deposits	Saving deposits (b)			Other deposits (c)	Repos + credit instit. securit. + dep. in branches abroad			Money market funds	Fixed income mutual funds in EUR	Other mutual funds	AL1 (d)	AL2 (e)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
<b>99</b>	211 429	13.6	7.9	19.0	13.9	152 589	6.3	10.7	-9.8	171 474	-3.6	-18.8	-26.6	15.9	6.9	3.3
<b>00</b>	217 206	2.7	-0.8	7.1	2.2	183 877	20.5	24.0	5.3	142 806	-16.7	-22.3	-32.8	-9.6	7.2	4.2
<b>01</b>	224 905	3.5	-22.4	12.1	11.8	199 687	8.6	12.7	-12.9	140 394	-1.7	30.2	21.2	-16.9	7.5	8.1
<b>99 Q3</b>	202 029	16.0	5.9	23.8	17.9	144 640	-0.0	4.0	-13.5	175 854	4.9	-20.5	-10.9	29.7	4.9	3.3
<b>Q4</b>	211 429	13.6	7.9	19.0	13.9	152 589	6.3	10.7	-9.8	171 474	-3.6	-18.8	-26.6	15.9	6.9	3.3
<b>00 Q1</b>	209 985	12.0	5.6	17.1	12.7	162 294	14.4	18.7	-1.6	163 706	-10.8	-20.5	-43.0	9.1	9.3	3.5
<b>Q2</b>	212 638	7.8	5.7	9.7	7.8	169 086	19.2	22.7	5.3	152 154	-16.5	-22.0	-45.5	-1.5	9.0	3.3
<b>Q3</b>	215 641	6.7	3.8	11.4	5.8	177 491	22.7	25.1	12.9	150 416	-14.5	-24.1	-40.1	-0.9	9.7	5.2
<b>Q4</b>	217 206	2.7	-0.8	7.1	2.2	183 877	20.5	24.0	5.3	142 806	-16.7	-22.3	-32.8	-9.6	7.2	4.2
<b>01 Q1</b>	214 555	2.2	-2.3	7.7	1.4	194 296	19.7	24.3	-0.8	139 728	-14.6	-10.1	-14.4	-16.1	8.2	6.8
<b>Q2</b>	220 710	3.8	-5.3	10.1	5.0	198 741	17.5	22.4	-4.8	139 720	-8.2	1.9	-2.8	-12.6	9.3	8.6
<b>Q3</b>	220 690	2.3	-9.5	5.4	6.5	203 322	14.6	20.1	-10.5	133 718	-11.1	16.0	8.2	-23.5	8.4	8.4
<b>Q4</b>	224 905	3.5	-22.4	12.1	11.8	199 687	8.6	12.7	-12.9	140 394	-1.7	30.2	21.2	-16.9	7.5	8.1
<b>02 Q1</b>	228 421	6.5	-16.9	11.4	14.9	204 512	5.3	7.7	-8.4	139 353	-0.3	31.0	18.4	-15.7	7.6	8.1
<b>Q2</b>	238 644	8.1	-9.0	14.1	12.5	207 096	4.2	5.9	-5.7	134 708	-3.6	26.8	17.1	-20.3	7.7	8.1
<b>Q3</b>	238 874	8.2	-0.3	12.6	9.5	207 313	2.0	4.6	-14.2	130 237	-2.6	20.9	14.0	-18.5	6.4	6.8

**HOUSEHOLDS AND NPISHS**  
Annual percentage change



**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. The quarterly data are only partially estimated, as full information is not available.

(b) Deposits redeemable at up to and including 3 months' notice.

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

(d) Defined as cash and cash equivalents, other liabilities of credit institutions and money market fund shares.

(e) Defined as AL1 plus fixed income mutual fund shares in euro.

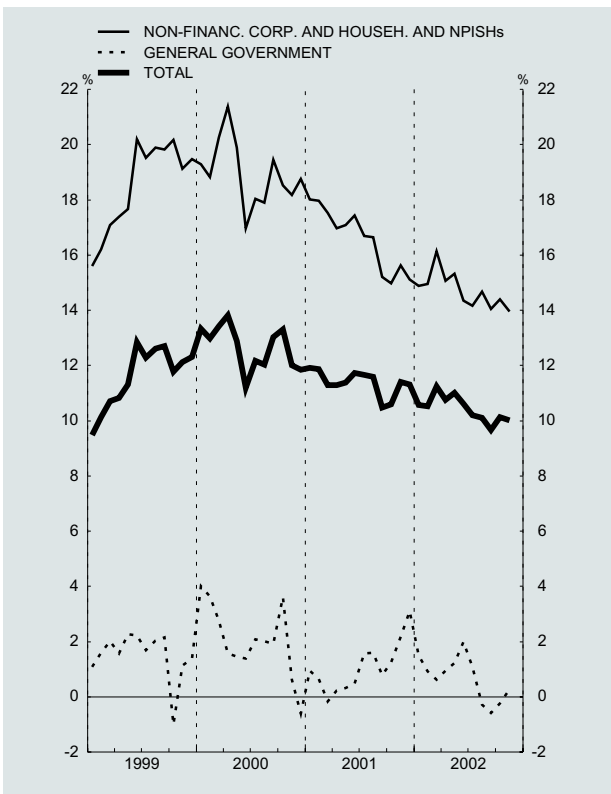
## 8.5 Financing of non-financial sectors resident in Spain (a)

■ Series depicted in chart.

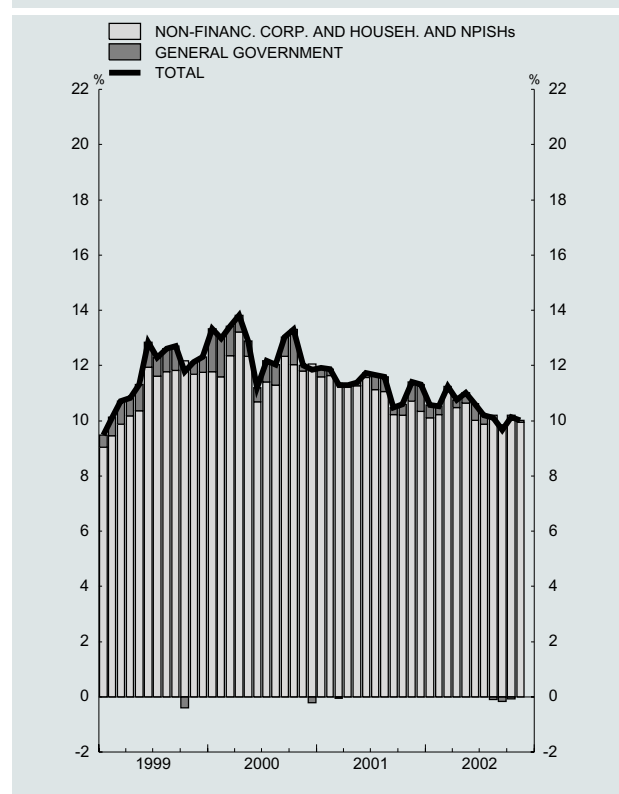
EUR millions and %

	Total			12-month % change						Contributions to col. 3					
	Stocks	Effective flow	12-month % change	General government (b)	Non-financial corporations and households and NPISHs					General government (b)	Non-financial corporations and households and NPISHs				
						Resident credit institutions' loans	Securitis-ation funds	Securities other than shares	External loans			Resident credit institutions' loans	Securitis-ation funds	Securities other than shares	External loans
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
99	876 458	17 177	12.3	1.4	19.5	16.4	66.4	18.8	36.8	0.6	11.8	8.4	0.8	0.4	2.2
00	982 319	17 939	11.8	-0.6	18.8	18.0	34.3	-18.5	31.7	-0.2	12.1	9.4	0.6	-0.4	2.5
01	1 095 585	19 117	11.3	3.1	15.1	13.4	21.7	8.1	25.2	1.0	10.3	7.4	0.4	0.1	2.4
01 Aug	1 053 029	-2 735	11.6	1.6	16.7	14.0	15.4	8.1	35.5	0.5	11.1	7.5	0.4	0.1	3.1
Sep	1 063 502	9 953	10.5	0.8	15.2	13.6	28.0	7.3	23.2	0.3	10.2	7.4	0.6	0.1	2.2
Oct	1 063 954	774	10.6	1.2	15.0	13.3	28.7	6.8	22.7	0.4	10.2	7.3	0.6	0.1	2.2
Nov	1 075 279	11 492	11.4	2.2	15.6	13.4	28.0	12.2	26.2	0.7	10.7	7.4	0.6	0.2	2.5
Dec	1 095 585	19 117	11.3	3.1	15.1	13.4	21.7	8.1	25.2	1.0	10.3	7.4	0.4	0.1	2.4
02 Jan	1 101 870	6 553	10.6	1.5	14.9	13.4	24.5	6.1	22.6	0.5	10.1	7.3	0.5	0.1	2.2
Feb	1 100 008	-1 907	10.5	0.9	15.0	13.9	18.0	7.3	21.3	0.3	10.2	7.6	0.4	0.1	2.1
Mar	1 122 529	21 620	11.2	0.6	16.1	14.7	23.6	7.3	23.7	0.2	11.0	8.0	0.5	0.1	2.4
Apr	1 123 026	1 799	10.8	1.0	15.1	14.0	23.5	9.2	19.7	0.3	10.5	7.7	0.5	0.2	2.1
May	1 133 275	10 826	11.0	1.2	15.3	14.5	22.5	3.3	20.0	0.4	10.6	8.0	0.5	0.1	2.1
Jun	1 151 986	18 418	10.6	2.0	14.4	13.2	36.6	2.5	17.7	0.6	10.0	7.3	0.8	0.0	1.9
Jul	1 163 330	11 704	10.2	1.1	14.2	14.2	20.0	-1.5	15.1	0.3	9.9	7.8	0.5	-0.0	1.6
Aug	1 160 339	-3 934	10.1	-0.3	14.7	15.1	21.2	-3.8	14.1	-0.1	10.2	8.2	0.5	-0.1	1.5
Sep	1 166 898	6 420	9.7	-0.6	14.0	13.6	26.2	-2.6	16.7	-0.2	9.8	7.5	0.6	-0.0	1.8
Oct	P 1 172 439	5 617	10.1	-0.2	14.4	14.6	18.6	-3.6	15.1	-0.1	10.2	8.2	0.5	-0.1	1.6
Nov	P 1 183 853	11 491	10.0	0.3	14.0	13.5	39.5	-10.1	14.7	0.1	9.9	7.6	0.9	-0.2	1.6

FINANCING OF NON-FINANCIAL SECTORS  
Annual percentage change



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



Source: BE.

GENERAL NOTE: Tables 8.2 to 8.6 were revised in September 2000, to take into account the criteria used to compile the Financial Accounts of the Spanish economy in accordance with ESA 95 (see the box appearing in the article "Evolución reciente de la economía española" in the September 2000 edition of the Boletín Económico).

(a) The 12-month % changes are calculated as the effective flow of the period / the stock at the beginning of the period. As full information is only available for the end of each calendar quarter, the data for the intervening months are partially estimated and revised when final quarterly data become available.

(b) Total liabilities less deposits.

## 8.6. Financing of non-financial corporations, households and NPISHs resident in Spain (a)

■ Series depicted in chart.

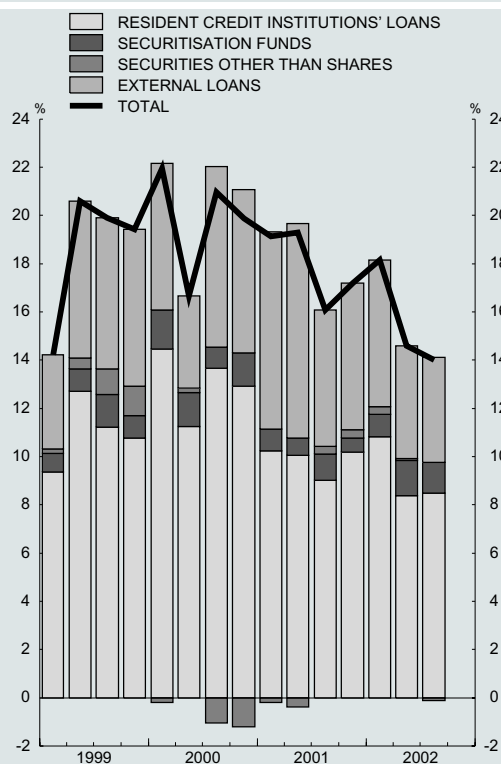
EUR millions and %

	Non-financial corporations														Households and NPISHs		
	Total			Resident credit institutions' loans			Financing by securitisation funds		Securities other than shares			External loans			Stocks	Effective flow	4-quarter % change
	Stocks	Effective flow	4-quarter % change	Stocks	4-quarter % change	Contribution to col.3	Stocks (b)	4-quarter % change	Stocks	4-quarter % change	Contribution to col.3	Stocks	4-quarter % change	Contribution to col.3			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
<b>99</b>	318 333	51 188	19.4	222 072	14.6	10.8	8 052	43.5	20 579	18.8	1.2	67 630	37.0	6.5	245 453	40 289	19.6
<b>00</b>	384 131	63 228	19.9	262 564	18.5	12.9	12 419	54.2	16 780	-18.5	-1.2	92 368	31.8	6.8	287 430	42 525	17.3
<b>01</b>	452 732	66 015	17.2	301 211	14.9	10.2	14 579	17.4	18 142	8.1	0.4	118 800	25.3	6.1	322 472	35 487	12.3
<b>99 Q3</b>	303 409	6 443	19.9	213 400	15.1	11.2	8 206	71.4	20 032	15.3	1.1	61 771	36.5	6.3	234 204	6 208	19.8
<b>Q4</b>	318 333	13 008	19.4	222 072	14.6	10.8	8 052	43.5	20 579	18.8	1.2	67 630	37.0	6.5	245 453	11 521	19.6
<b>00 Q1</b>	329 992	10 920	22.0	230 275	20.1	14.5	10 871	65.8	17 692	-3.0	-0.2	71 153	32.3	6.1	255 138	9 776	18.2
<b>Q2</b>	349 494	19 216	16.7	243 878	15.8	11.2	11 417	59.0	18 727	3.2	0.2	75 471	18.6	3.8	267 121	12 168	17.4
<b>Q3</b>	371 983	20 435	21.0	254 012	19.4	13.6	10 881	32.6	16 825	-16.0	-1.1	90 264	36.7	7.5	274 464	7 484	17.5
<b>Q4</b>	384 131	12 657	19.9	262 564	18.5	12.9	12 419	54.2	16 780	-18.5	-1.2	92 368	31.8	6.8	287 430	13 096	17.3
<b>01 Q1</b>	395 554	10 795	19.1	263 422	14.7	10.2	13 893	27.8	17 037	-3.7	-0.2	101 202	37.9	8.2	294 072	6 703	15.5
<b>Q2</b>	420 214	23 508	19.3	278 467	14.4	10.1	13 903	21.8	17 442	-6.9	-0.4	110 402	41.2	8.9	306 757	12 818	15.0
<b>Q3</b>	432 997	12 828	16.1	287 023	13.2	9.0	14 932	37.2	18 045	7.3	0.3	112 996	23.3	5.6	312 564	5 907	14.0
<b>Q4</b>	452 732	18 884	17.2	301 211	14.9	10.2	14 579	17.4	18 142	8.1	0.4	118 800	25.3	6.1	322 472	10 059	12.3
<b>02 Q1</b>	469 992	16 515	18.1	305 687	16.2	10.8	17 608	26.7	18 287	7.3	0.3	128 410	23.7	6.1	333 159	10 753	13.4
<b>Q2</b>	481 578	13 074	14.6	313 141	12.6	8.4	20 041	44.1	17 879	2.5	0.1	130 517	17.7	4.7	349 389	16 329	14.0
<b>Q3</b>	494 577	12 140	14.0	323 260	12.8	8.5	20 443	36.9	17 573	-2.6	-0.1	133 301	16.6	4.3	356 218	6 966	14.1

FINANCING OF NON-FINANCIAL CORP. HOUSEHOLDS AND NPISHs  
Annual percentage change



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



Source: BE.

GENERAL NOTE: Tables 8.2 to 8.6 were revised in September 2000, to take into account the criteria used to compile the Financial Accounts of the Spanish economy in accordance with ESA 95 (see the box appearing in the article "Evolución reciente de la economía española" in the September 2000 edition of the Boletín Económico).

(a) The 4-quarter % changes are calculated as the effective flow of the period / the stock at the beginning of the period.

(b) Provisional data.

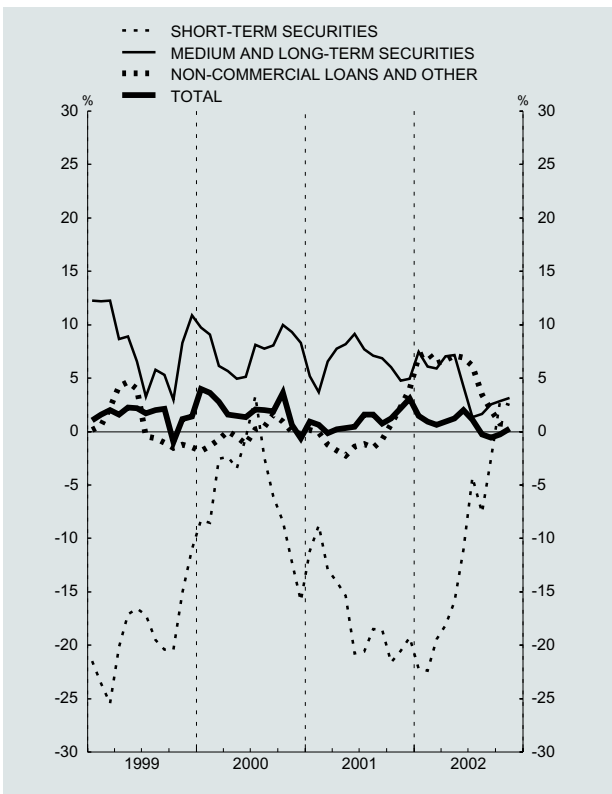
## 8.8. Net financing of Spain's general government

■ Series depicted in chart.

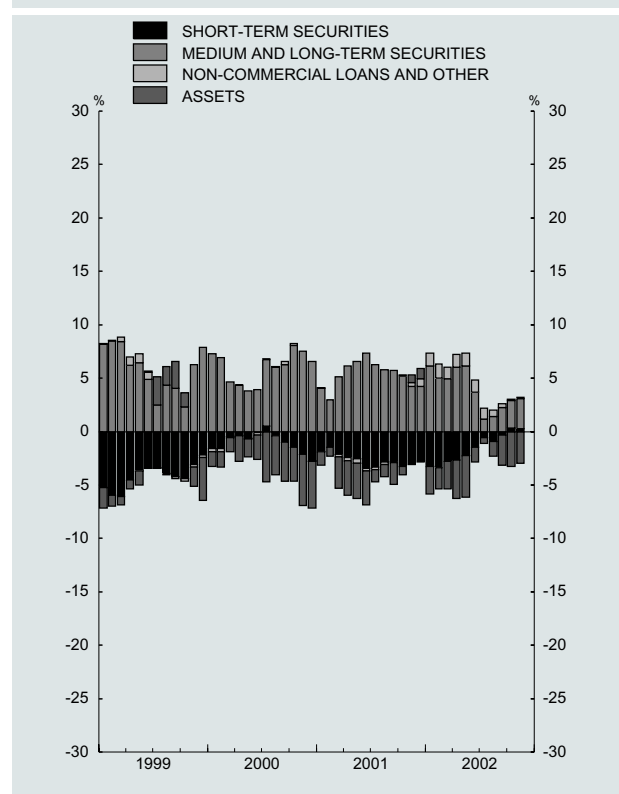
EUR millions and %

	Net financing			Monthly change in stocks						12-month % change in stocks					Contribution to 12-month % change in net stocks of liabilities			
				Liabilities			Assets			Liabilities			Assets	Liabilities			Assets	
	Net stock of liabilities	Monthly change (columns 4-8-9)	12-month % change of col. 1	Total	Securities		Non-commercial loans and other (a)	Deposits at the Banco de Espana	Other deposits (b)	Total	Securities			Non-commercial loans and other (a)	Securities			Non-commercial loans and other (a)
					Short-term	Medium and long-term					Short-term	Medium and long-term			Short-term	Medium and long-term		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
99	312 671	4 303	1.4	16 706	-6 700	24 218	-812	8 020	4 383	4.9	-11.0	10.9	-1.5	41.1	-2.2	7.9	-0.3	-4.0
00	P 310 759	-1 913	-0.6	11 825	-8 605	20 558	-128	8 319	5 419	3.3	-15.8	8.3	-0.2	32.2	-2.8	6.6	-0.0	-4.4
01	P 320 381	9 623	3.1	6 566	-8 804	13 226	2 144	17 158	14 101	1.8	-19.3	4.9	4.0	-5.4	-2.8	4.3	0.7	1.0
01 Jun	P 314 757	2 676	0.5	3 123	-2 579	5 214	489	1 062	-614	3.2	-20.7	9.2	-1.4	22.0	-3.5	7.3	-0.2	-3.2
Jul	P 319 653	4 896	1.6	1 197	-864	1 738	323	-2 122	-1 578	2.4	-20.6	7.7	-1.1	7.6	-3.3	6.3	-0.2	-1.1
Aug	P 321 186	1 533	1.6	-1 179	-1 247	843	-775	751	-3 463	2.4	-18.5	7.1	-1.5	7.9	-2.8	5.8	-0.3	-1.1
Sep	P 317 941	-3 245	0.8	1 535	-966	2 331	170	2 264	2 517	2.4	-18.5	6.9	-0.7	13.7	-2.8	5.7	-0.1	-2.0
Oct	P 310 456	-7 486	1.2	81	-1 690	1 049	721	829	6 737	1.7	-21.6	6.0	0.7	4.1	-3.3	5.2	0.1	-0.8
Nov	P 309 687	-769	2.2	-289	-203	-362	277	-950	1 430	1.2	-20.5	4.8	2.3	-3.3	-3.1	4.2	0.4	0.7
Dec	P 320 381	10 695	3.1	2 775	484	1 131	1 160	-3 480	-4 439	1.8	-19.3	4.9	4.0	-5.4	-2.8	4.3	0.7	1.0
02 Jan	A 324 053	3 671	1.5	1 686	-282	219	1 748	1 225	-3 211	3.6	-22.2	7.5	7.0	18.8	-3.3	6.1	1.2	-2.5
Feb	A 316 879	-7 174	0.9	-4 387	259	-4 796	150	224	2 563	2.5	-22.4	6.1	7.4	13.1	-3.4	5.0	1.3	-2.0
Mar	A 319 379	2 500	0.6	4 415	-60	5 350	-875	1 132	783	2.8	-19.5	5.9	6.4	17.2	-2.8	4.9	1.1	-2.6
Apr	A 311 916	-7 463	1.0	2 940	134	2 141	665	1 791	8 613	3.9	-18.1	7.1	6.7	20.2	-2.7	6.1	1.2	-3.6
May	A 315 893	3 977	1.2	4 116	21	4 354	-259	-1 179	1 317	4.4	-15.9	7.1	7.1	22.5	-2.2	6.2	1.2	-3.9
Jun	A 321 019	5 125	2.0	-2 190	-157	-2 466	433	970	-8 286	2.9	-11.0	4.2	6.9	8.1	-1.5	3.7	1.2	-1.4
Jul	A 323 111	2 092	1.1	-4 172	1 972	-6 066	-78	-2 005	-4 259	1.4	-4.3	1.4	6.1	3.7	-0.5	1.2	1.0	-0.6
Aug	A 320 263	-2 849	-0.3	-3 022	-2 490	1 724	-2 256	215	-388	0.9	-7.6	1.7	3.5	9.1	-0.9	1.4	0.6	-1.4
Sep	A 316 103	-4 160	-0.6	5 300	1 039	4 862	-600	1 286	8 174	2.0	-2.5	2.6	2.0	17.1	-0.3	2.2	0.3	-2.9
Oct	A 309 700	-6 402	-0.2	2 188	301	1 837	50	-584	9 175	2.5	2.8	2.8	0.8	16.7	0.3	2.6	0.1	-3.3
Nov	A 310 559	859	0.3	345	-321	458	207	1 136	-1 650	2.7	2.5	3.1	0.6	14.9	0.3	2.8	0.1	-2.9

NET FINANCING OF GENERAL GOVERNMENT  
Annual percentage changes



NET FINANCING OF GENERAL GOVERNMENT  
Contributions to the annual percentage change



Source: BE.

(a) Including coined money and Caja General de Depósitos.

(b) Tax collection accounts are not included.



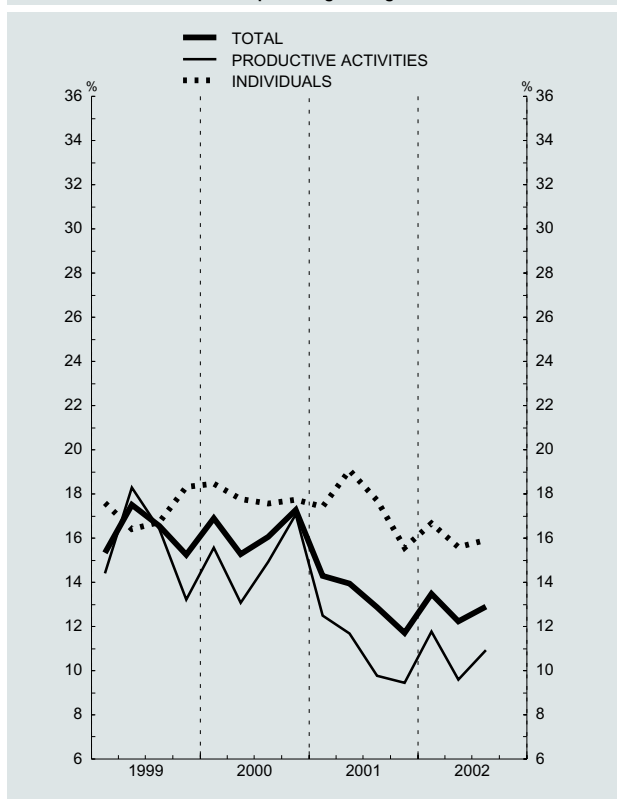
## 8.9 Lending by credit institutions to other resident sectors. Breakdown by end-use.

■ Series depicted in chart.

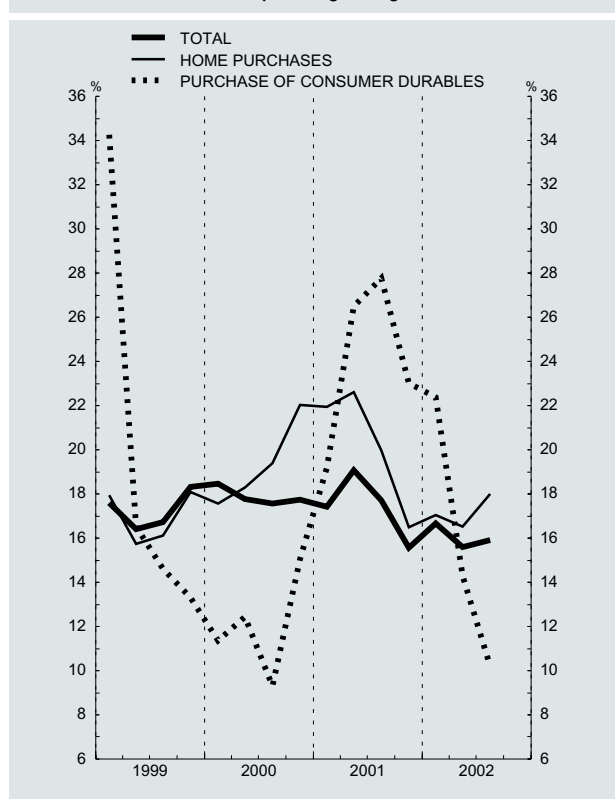
EUR millions and percentages

	Financing of productive activities						Financing of individuals						Financing of private non-profit entities	Unclassified
	Total (a)	Total	Agriculture and fisheries	Industry excluding construction	Construction	Services	Total	Home purchases and improvements			Purchases of consumer durables	Other (b)		
								Total	Purchases	Improvements				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
99	476 966	257 974	11 887	71 187	35 112	139 788	207 090	145 184	138 713	6 471	23 371	38 536	2 335	9 566
00	559 407	302 034	13 141	78 588	42 627	167 679	243 837	176 653	169 280	7 372	26 885	40 299	2 342	11 194
01	624 854	330 591	13 320	82 959	46 412	187 901	281 789	205 790	197 192	8 598	33 076	42 922	2 394	10 079
99 Q3	460 355	251 442	11 512	70 933	33 369	135 628	197 421	139 265	133 034	6 231	22 789	35 366	2 060	9 432
Q4	476 966	257 974	11 887	71 187	35 112	139 788	207 090	145 184	138 713	6 471	23 371	38 536	2 335	9 566
00 Q1	493 604	266 342	11 916	73 035	37 003	144 388	214 327	150 677	143 905	6 771	23 770	39 880	2 449	10 486
Q2	519 659	280 381	12 482	73 280	39 319	155 300	224 163	158 078	151 267	6 811	24 537	41 549	2 477	12 638
Q3	534 332	288 999	12 952	75 408	41 208	159 431	232 114	165 891	158 848	7 044	24 911	41 312	2 525	10 693
Q4	559 407	302 034	13 141	78 588	42 627	167 679	243 837	176 653	169 280	7 372	26 885	40 299	2 342	11 194
01 Q1	564 120	299 581	12 764	76 144	42 368	168 306	251 694	183 189	175 505	7 684	28 331	40 175	2 215	10 629
Q2	592 071	313 118	12 946	78 850	44 684	176 638	266 945	193 427	185 449	7 978	31 034	42 483	2 264	9 745
Q3	603 049	317 262	13 215	81 899	44 957	177 191	273 224	198 747	190 559	8 188	31 826	42 651	2 282	10 280
Q4	624 854	330 591	13 320	82 959	46 412	187 901	281 789	205 790	197 192	8 598	33 076	42 922	2 394	10 079
02 Q1	640 193	334 865	13 420	82 689	47 487	191 269	293 673	214 354	205 404	8 949	34 671	44 648	2 382	9 273
Q2	664 446	343 191	13 980	81 235	50 770	197 207	308 555	225 521	216 080	9 441	35 466	47 568	2 287	10 413
Q3	680 806	351 950	14 281	82 834	53 777	201 057	316 697	234 668	224 849	9 819	35 072	46 957	2 339	9 820

**CREDIT BY END-USE**  
Annual percentage changes



**CREDIT TO INDIVIDUALS BY END-USE**  
Annual percentage changes



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 89.53, 89.54 and 89.55 of the Boletín estadístico, which are published at [www.bde.es](http://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

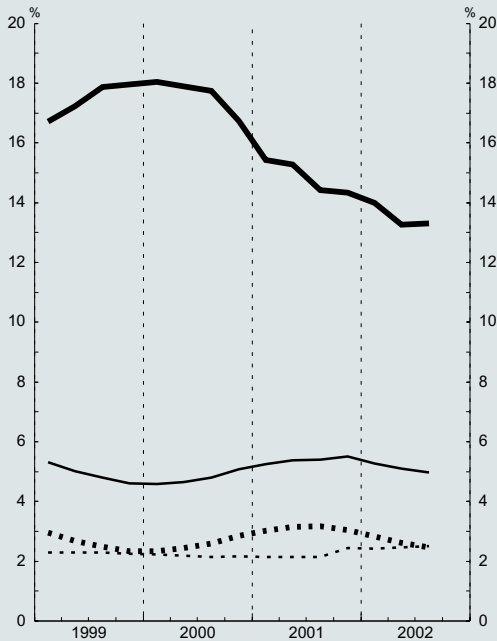
## 8.10. Profit and loss account of banks, savings banks and credit co-operatives resident in Spain

■ Series depicted in chart.

	As a percentage of the adjusted average balance sheet										Percentages			
	Interest income 1	Interest expenses 2	Net interest income 3	Non interest income and expenses 4	Gross income 5	Operating expenses: 6	Of which: Staff costs 7	Net income 8	Provisions and other income and expenses 9	Profit before tax 10	Return on own funds (a) 11	Average return on lending operations (b) 12	Average cost of borrowing operations (b) 13	Difference (12-13) 14
<b>99</b>	4.6	2.3	2.3	0.9	3.1	2.1	1.2	1.1	-0.3	0.8	15.9	4.9	2.7	2.3
<b>00</b>	5.7	3.3	2.4	0.8	3.2	2.0	1.2	1.2	-0.6	0.7	11.9	5.5	3.3	2.2
<b>01</b>	6.2	2.8	3.4	0.7	4.2	1.9	1.1	2.3	-2.0	0.7	11.5	6.0	3.5	2.4
<b>99 Q3</b>	4.4	2.3	2.1	0.8	2.9	2.0	1.2	0.9	-0.0	0.9	16.0	5.1	2.9	2.3
<b>Q4</b>	4.6	2.3	2.3	0.9	3.1	2.1	1.2	1.1	-0.2	0.8	15.9	4.9	2.7	2.3
<b>00 Q1</b>	4.7	2.5	2.3	1.0	3.2	1.9	1.2	1.3	-0.1	1.1	21.2	4.9	2.7	2.2
<b>Q2</b>	4.9	2.7	2.2	0.7	2.9	2.0	1.2	1.0	0.2	1.1	18.5	5.0	2.8	2.2
<b>Q3</b>	5.0	2.9	2.1	0.9	3.0	1.9	1.2	1.1	-0.1	1.0	15.4	5.2	3.0	2.1
<b>Q4</b>	5.7	3.3	2.4	0.8	3.2	2.0	1.2	1.2	-0.5	0.7	11.9	5.5	3.3	2.2
<b>01 Q1</b>	5.4	3.2	2.2	0.7	2.9	1.8	1.1	1.1	-0.1	1.0	15.9	5.7	3.5	2.1
<b>Q2</b>	5.4	3.2	2.2	0.7	2.9	1.8	1.1	1.0	0.1	1.1	17.9	5.8	3.7	2.1
<b>Q3</b>	5.1	3.0	2.1	0.8	2.8	1.8	1.1	1.0	-0.3	0.7	12.0	5.8	3.7	2.1
<b>Q4</b>	6.2	2.8	3.4	0.7	4.2	1.9	1.1	2.3	-1.6	0.7	11.5	6.0	3.5	2.4
<b>02 Q1</b>	4.5	2.4	2.1	0.7	2.7	1.7	1.0	1.0	-0.1	0.9	14.5	5.7	3.3	2.4
<b>Q2</b>	4.7	2.4	2.3	0.8	3.1	1.7	1.0	1.4	-0.5	0.9	15.0	5.5	3.0	2.5
<b>Q3</b>	4.6	2.4	2.2	0.7	2.9	1.7	1.0	1.2	-0.5	0.7	12.2	5.3	2.8	2.5

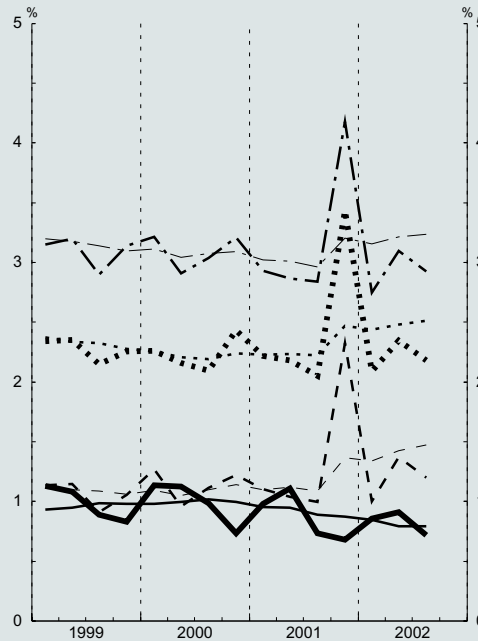
**PROFIT AND LOSS ACCOUNT**  
Percentages of the adjusted average balance sheet and returns

— RETURN ON OWN FUNDS (c)  
— INTEREST INCOME (c)  
... INTEREST EXPENSES (c)  
... DIFF. BETWEEN AVERAGE RETURN AND COST



**PROFIT AND LOSS ACCOUNT**  
Percentages of the adjusted average balance sheet

— GROSS INCOME  
... NET INTEREST INCOME  
- - NET INCOME  
— PROFIT BEFORE TAX



Source: BE.

Note: The underlying series for this indicator are in Table 89.61 of the BE Boletín estadístico.

(a) Profit before tax divided by own funds (capital, reserves, and general risk fund less losses from previous financial years and intangible assets).

(b) Only those financial assets and liabilities which respectively give rise to financial income and costs have been considered to calculate the average return and cost.

(c) Average of the last four quarters.

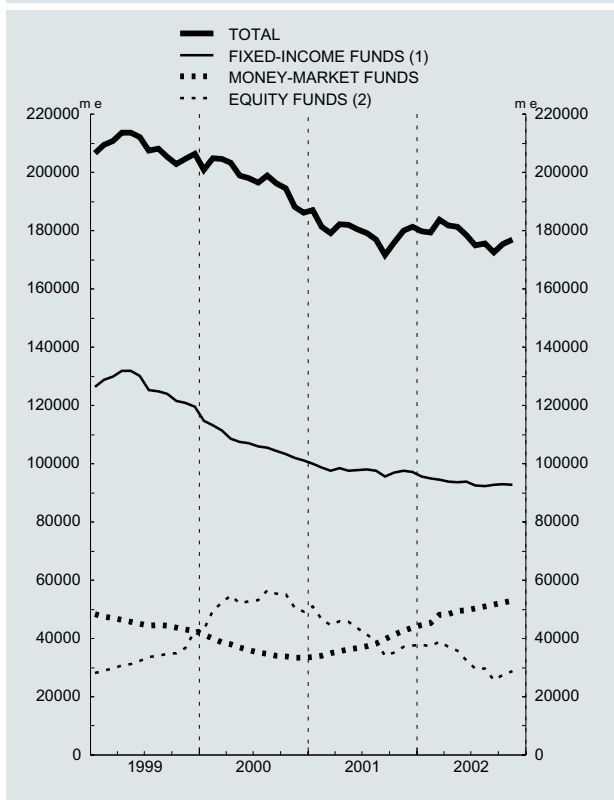
## 8.11. Mutual funds resident in Spain

■ Series depicted in chart.

EUR millions

	Total				Money-market funds				Fixed-income funds (1)				Equity funds (2)				Others funds (3)
	Net asset value	Monthly change	Of which Net funds invested	Return over last 12 months	Net asset value	Monthly change	Of which Net funds invested	Return over last 12 months	Net asset value	Monthly change	Of which Net funds invested	Return over last 12 months	Net asset value	Monthly change	Of which Net funds invested	Return over last 12 months	Net asset value
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
<b>99</b>	206 294	2 520	-8 496	5.8	42 598	-8 045	-8 645	1.8	119 484	-3 509	-9 601	2.2	42 716	16 078	9 750	23.5	1 496
<b>00</b>	186 068	-20 225	-15 408	-1.7	33 368	-9 230	-10 156	3.0	101 190	-18 294	-19 744	1.4	49 249	6 534	14 493	-11.1	2 261
<b>01</b>	181 323	-4 746	-194	-1.5	43 830	10 462	9 798	3.5	97 246	-3 944	-4 773	1.9	37 494	-11 756	-5 218	-13.7	2 753
<b>01 Aug</b>	176 953	-2 082	199	-6.4	38 201	854	732	3.1	97 479	-435	-349	0.9	39 007	-2 392	-184	-26.8	2 265
<b>Sep</b>	171 624	-5 329	-1 442	-7.4	39 723	1 523	1 395	3.1	95 629	-1 851	-1 113	0.7	33 974	-5 033	-1 724	-31.0	2 298
<b>Oct</b>	175 729	4 105	1 434	-5.7	41 247	1 524	1 365	3.1	96 841	1 213	205	1.6	35 273	1 299	-136	-27.4	2 367
<b>Nov</b>	179 939	4 209	2 596	-2.3	42 592	1 345	1 662	3.4	97 641	800	811	2.2	37 168	1 895	123	-16.7	2 537
<b>Dec</b>	181 323	1 384	823	-1.5	43 830	1 238	1 295	3.5	97 246	-395	-269	1.9	37 494	325	-203	-13.7	2 753
<b>02 Jan</b>	179 703	-1 620	-810	-3.2	44 610	779	707	3.4	95 499	-1 747	-1 490	1.1	37 775	282	-26	-18.9	1 819
<b>Feb</b>	179 303	-400	480	-1.2	45 203	594	514	3.3	95 047	-452	-279	1.7	37 276	-499	244	-12.4	1 776
<b>Mar</b>	183 849	4 546	5 002	-0.1	48 085	2 882	2 805	3.1	94 434	-613	1 235	1.6	38 836	1 560	956	-7.1	2 494
<b>Apr</b>	181 809	-2 040	-599	-2.0	48 433	348	263	3.1	93 902	-532	-677	1.5	37 070	-1 767	-235	-15.5	2 405
<b>May</b>	181 231	-578	574	-2.6	49 455	1 023	912	2.9	93 521	-381	-309	1.0	35 843	-1 227	-131	-17.4	2 412
<b>Jun</b>	178 425	-2 806	459	-3.4	49 692	237	102	2.8	93 824	303	595	1.0	32 531	-3 312	-345	-21.5	2 378
<b>Jul</b>	174 935	-3 490	-186	-3.9	50 318	626	534	2.8	92 449	-1 374	-1 326	1.0	29 733	-2 797	-368	-24.5	2 434
<b>Aug</b>	175 573	638	-63	-2.6	51 062	744	640	2.6	92 415	-35	-460	1.5	29 635	-99	-242	-20.0	2 462
<b>Sep</b>	172 639	-2 934	108	-2.7	51 623	561	421	2.5	92 741	326	135	1.8	25 817	-3 817	-447	-21.9	2 458
<b>Oct</b>	175 361	2 721	323	-2.5	52 387	765	672	2.4	92 948	207	-60	1.2	27 492	1 675	-289	-19.2	2 533
<b>Nov</b>	P 177 027	1 666	66	-2.3	52 964	577	502	2.4	92 699	-249	-321	1.4	28 758	1 266	-115	-19.0	2 606

NET ASSET VALUE



RETURN OVER LAST 12 MONTHS



Sources: CNMV and Inverco.

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

(2) Includes equity funds and mixed equity funds in euros, national and international.

(3) Global funds.

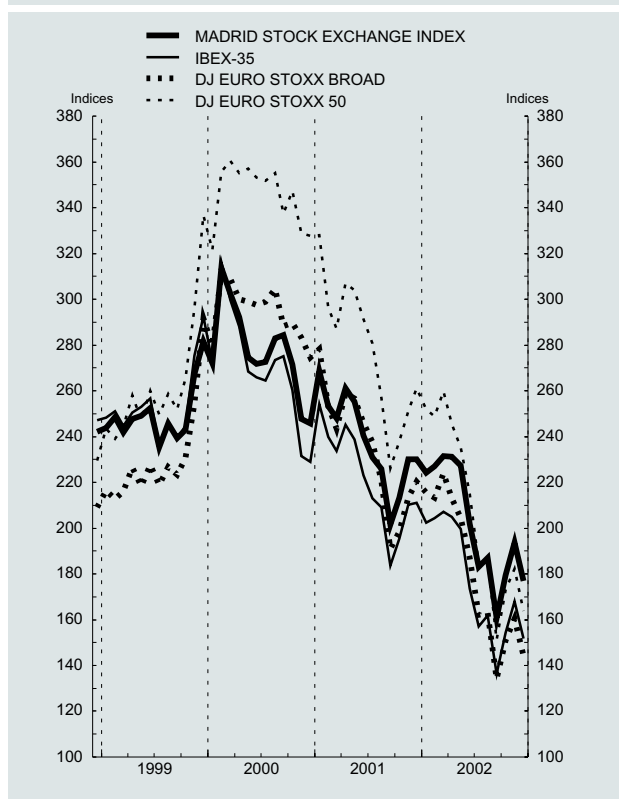
## 8.12. Share price indices and turnover on securities markets. Spain and euro area

■ Series depicted in chart.

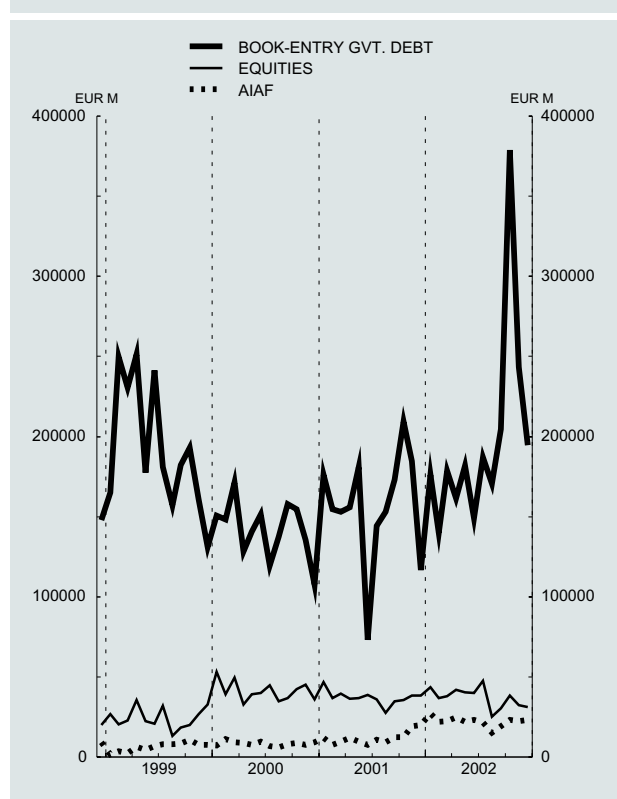
Indices, EUR millions and thousands of contracts

	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
99	894.36	10 078.64	328.85	3 827.45	291 975	44 718	2 320 769	75 121	16	7 281	3 600	5 066
00	994.21	10 754.59	420.44	5 038.57	492 981	39 692	1 703 705	99 827	-	17 168	1 095	4 168
01	853.16	8 810.46	335.07	4 039.98	445 380	56 049	1 875 428	142 491	-	23 230	290	7 953
01 Sep	721.94	7 314.00	272.46	3 296.66	34 706	4 460	173 136	12 307	-	2 032	24	426
Oct	763.80	7 774.26	283.21	3 465.74	35 416	5 957	209 435	12 585	-	1 615	8	402
Nov	824.49	8 364.70	304.31	3 658.27	38 515	6 150	184 776	19 266	-	1 273	6	359
Dec	824.40	8 397.60	314.52	3 806.13	38 413	4 372	116 545	20 027	-	2 102	15	311
02 Jan	802.92	8 050.40	307.53	3 670.26	43 636	5 250	176 066	27 012	-	1 394	4	362
Feb	813.65	8 135.50	304.52	3 624.74	36 743	5 169	139 996	21 969	-	1 546	3	332
Mar	829.24	8 249.70	319.68	3 784.05	37 959	5 784	178 684	22 568	-	2 390	10	315
Apr	828.00	8 154.40	303.89	3 574.23	41 777	6 508	161 410	24 682	-	1 157	2	316
May	814.45	7 949.90	291.75	3 425.79	40 467	5 627	181 923	21 841	-	1 568	5	320
Jun	722.73	6 913.00	266.84	3 133.39	39 763	5 397	149 077	23 186	-	2 170	11	370
Jul	655.51	6 249.30	231.34	2 685.79	47 539	6 915	187 029	21 400	-	1 527	4	393
Aug	669.63	6 435.70	232.75	2 709.29	25 306	6 052	170 577	14 986	-	968	3	306
Sep	576.17	5 431.70	191.47	2 204.39	30 202	6 104	204 486	19 212	-	2 056	7	320
Oct	643.15	6 139.40	215.58	2 518.99	38 382	6 624	378 742	23 215	-	1 579	1	371
Nov	693.62	6 685.60	229.02	2 656.85	32 218	5 510	243 173	22 415	-	1 022	0	304
Dec	633.99	6 036.90	205.94	2 386.41	31 078	4 882	194 696	23 268	-	1 775	4	246

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)

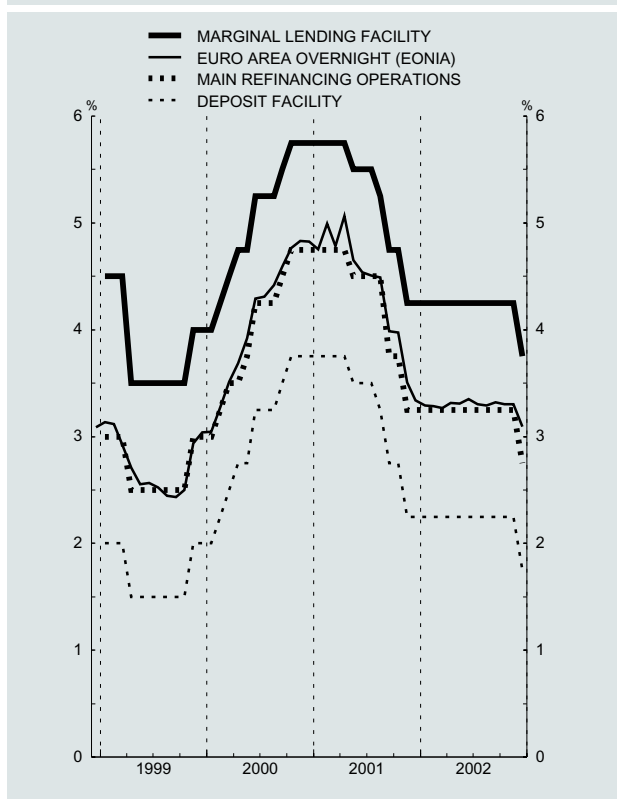
## 9.1. Interest rates. Eurosystem and money market. Euro area and Spain

■ Series depicted in chart.

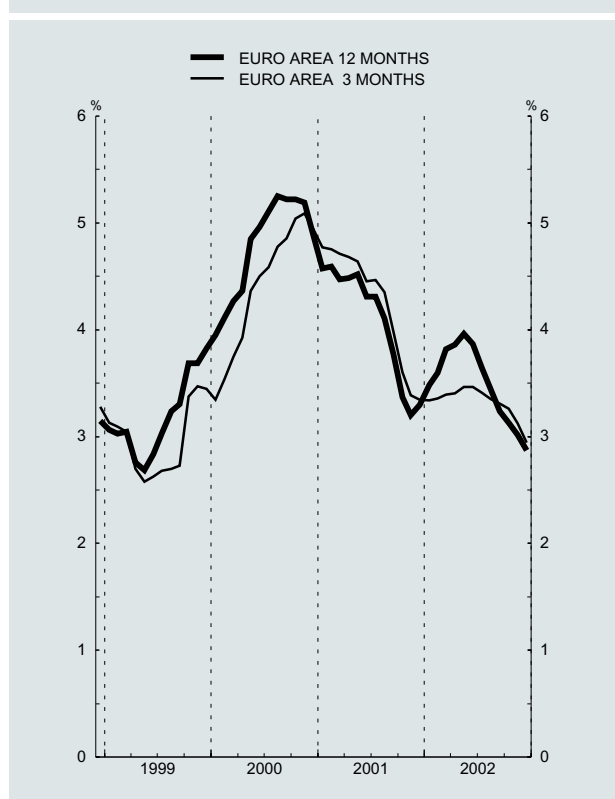
Averages of daily data. Percentages per annum

	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							
			Marginal lending	Deposit	Over-night (EONIA)	1-month	3-month	6-month	1-year	Non-transferable deposits				Government-securities repos			
										Over-night	1-month	3-month	1-year	Over-night	1-month	3-month	1-year
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
<b>99</b>	3.00	3.26	4.00	2.00	2.74	3.51	2.96	3.51	3.83	2.72	2.84	2.94	3.16	2.66	2.70	2.76	2.76
<b>00</b>	4.75	4.75	5.75	3.75	4.12	4.95	4.39	4.92	4.88	4.11	4.22	4.38	4.77	4.05	4.13	4.27	4.63
<b>01</b>	3.25	3.29	4.25	2.25	4.38	3.42	4.26	3.26	3.30	4.36	4.31	4.24	4.07	4.30	4.20	4.11	4.11
<b>01 Sep</b>	3.75	3.55	4.75	2.75	3.99	4.05	3.98	3.88	3.77	3.98	4.03	3.96	3.76	3.97	3.94	3.87	3.69
<b>Oct</b>	3.75	3.50	4.75	2.75	3.97	3.72	3.60	3.46	3.37	3.96	3.70	3.57	3.35	3.84	3.58	3.47	3.26
<b>Nov</b>	3.25	3.32	4.25	2.25	3.51	3.43	3.39	3.26	3.20	3.50	3.40	3.36	3.19	3.40	3.19	3.21	-
<b>Dec</b>	3.25	3.29	4.25	2.25	3.34	3.42	3.34	3.26	3.30	3.29	3.41	3.35	3.24	3.28	3.26	3.17	-
<b>02 Jan</b>	3.25	3.31	4.25	2.25	3.29	3.35	3.34	3.34	3.48	3.29	3.34	3.33	3.48	3.25	3.25	3.23	3.41
<b>Feb</b>	3.25	3.32	4.25	2.25	3.28	3.34	3.36	3.40	3.59	3.27	3.32	3.34	3.57	3.22	3.25	3.25	3.46
<b>Mar</b>	3.25	3.40	4.25	2.25	3.26	3.35	3.39	3.50	3.82	3.25	3.33	3.38	3.80	3.19	3.24	3.27	3.60
<b>Apr</b>	3.25	3.35	4.25	2.25	3.32	3.34	3.41	3.54	3.86	3.30	3.32	3.40	3.87	3.24	3.25	3.30	3.76
<b>May</b>	3.25	3.45	4.25	2.25	3.31	3.37	3.47	3.63	3.96	3.31	3.36	3.46	3.96	3.19	3.27	3.36	3.88
<b>Jun</b>	3.25	3.38	4.25	2.25	3.35	3.38	3.46	3.59	3.87	3.34	3.37	3.46	3.84	3.30	3.31	3.35	3.83
<b>Jul</b>	3.25	3.35	4.25	2.25	3.30	3.36	3.41	3.48	3.65	3.29	3.35	3.39	3.64	3.26	3.29	3.31	3.51
<b>Aug</b>	3.25	3.33	4.25	2.25	3.29	3.33	3.35	3.38	3.44	3.29	3.31	3.34	3.46	3.25	3.24	3.25	3.34
<b>Sep</b>	3.25	3.23	4.25	2.25	3.32	3.32	3.31	3.27	3.24	3.30	3.30	3.30	3.23	3.26	3.24	3.20	-
<b>Oct</b>	3.25	3.22	4.25	2.25	3.30	3.31	3.26	3.17	3.13	3.29	3.29	3.25	3.12	3.21	3.20	3.11	2.93
<b>Nov</b>	3.25	3.02	4.25	2.25	3.30	3.23	3.12	3.04	3.02	3.30	3.23	3.08	3.02	3.18	3.10	2.97	2.84
<b>Dec</b>	2.75	2.93	3.75	1.75	3.09	2.98	2.94	2.89	2.87	3.07	2.95	2.95	2.88	2.93	2.85	2.79	2.67

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

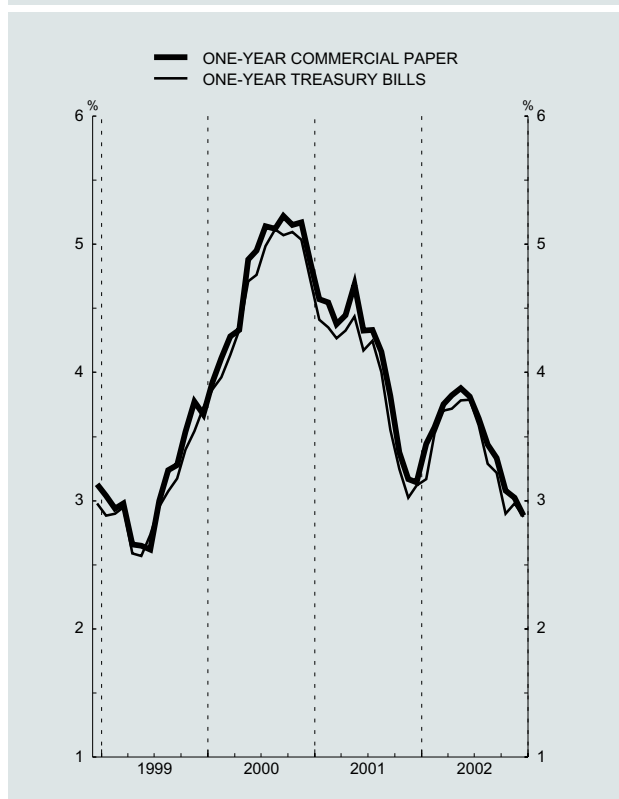
## 9.2. Interest rates: Spanish short-term and long-term securities markets

■ Series depicted in chart.

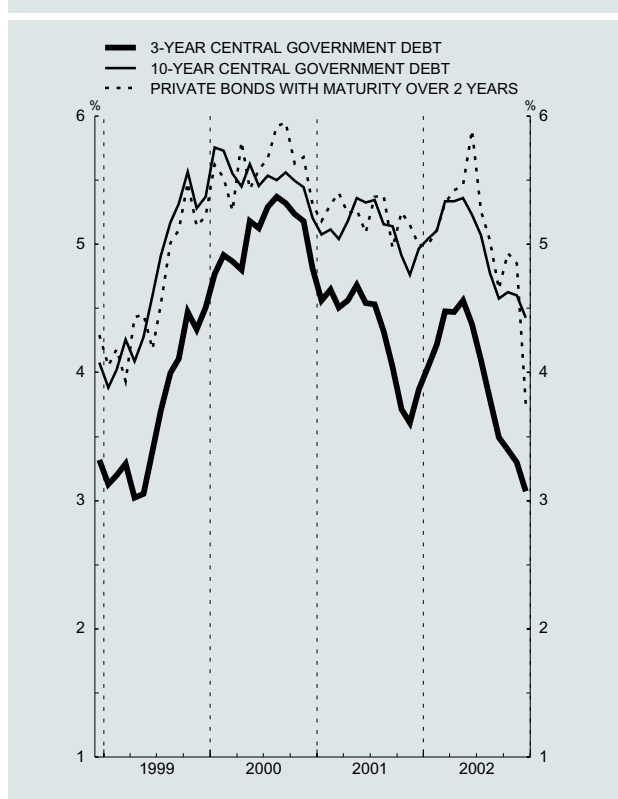
Percentages per annum

	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			
					3-year bonds	5-year bonds	10-year bonds	15-year bonds	30-year bonds	At 3-years	At 10-years		
	1	2	3	4	5	6	7	8	9	10	11	12	
99	3.04	3.01	3.12	3.14	3.79	4.12	4.77	5.08	5.43	3.69	4.73	4.65	
00	4.65	4.62	4.76	4.79	5.10	5.28	5.56	5.68	5.93	5.07	5.53	5.61	
01	3.93	3.91	4.08	4.16	4.35	4.54	5.12	5.28	5.66	4.30	5.12	5.22	
01 Sep	3.55	3.55	3.82	3.68	4.30	-	5.24	-	5.77	4.04	5.14	4.97	
Oct	3.25	3.21	3.38	3.46	-	4.18	4.95	5.17	-	3.71	4.91	5.25	
Nov	3.03	3.10	3.17	3.32	3.28	-	4.55	-	5.15	3.61	4.76	5.15	
Dec	3.12	3.15	3.14	3.28	-	4.12	5.02	4.98	-	3.87	4.97	4.99	
02 Jan	3.17	3.30	3.44	3.48	3.97	-	5.05	-	5.39	4.05	5.05	5.00	
Feb	3.52	3.47	3.57	3.56	-	4.46	5.04	-	-	4.22	5.11	5.11	
Mar	3.70	3.66	3.75	3.67	4.30	-	5.32	5.56	-	4.48	5.34	5.32	
Apr	3.72	3.71	3.82	3.82	-	4.89	5.35	-	-	4.47	5.34	5.42	
May	3.78	3.80	3.88	3.83	-	4.76	5.40	-	-	4.56	5.36	5.46	
Jun	3.79	3.70	3.81	3.85	4.36	-	5.34	-	-	4.38	5.23	5.89	
Jul	3.59	3.50	3.64	3.60	-	4.45	5.18	5.37	-	4.10	5.07	5.26	
Aug	3.29	3.29	3.44	3.45	3.60	-	4.76	-	-	3.79	4.78	5.03	
Sep	3.22	3.08	3.33	3.25	-	5.04	4.59	-	5.04	3.49	4.58	4.65	
Oct	2.90	2.97	3.08	3.08	-	3.83	4.52	-	-	3.40	4.62	4.93	
Nov	2.98	2.89	3.02	3.03	-	-	4.67	5.03	-	3.30	4.60	4.85	
Dec	2.87	2.70	2.88	2.75	-	-	4.51	-	-	3.07	4.43	3.75	

PRIMARY MARKET



SECONDARY MARKET



Sources: Main issuers (column 3); AIAF (columns 4 and 12).



### 9.3 Interest rates: banks and savings banks resident in Spain

■ Series depicted in chart.

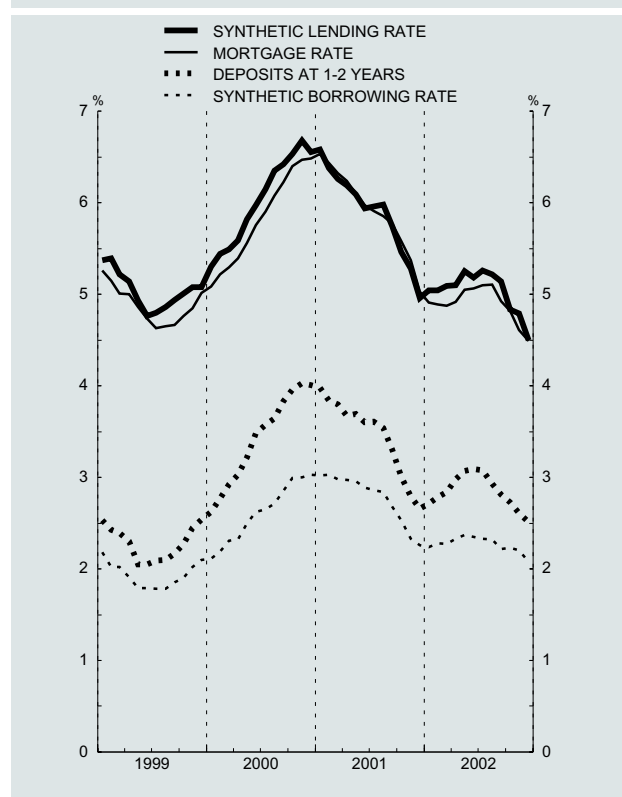
Percentages

		Banks									Savings banks							
		Lending rates					Borrowing rates				Lending rates				Borrowing rates			
		Syn- thet- ic rate	Commer- cial discount up to three months	Credit accounts at 1-3 years	Loans at 3 years and over	Mort- gage loans over 3 years	Syn- thet- ic rate	Current accounts	Repos on bills up to three months	Depos- its at 1-2 years	Syn- thet- ic rate	Credit accounts at 1-3 years	Loans at 3 years and over	Mort- gage loans over 3 years	Syn- thet- ic rate	Current accounts	Repos on bills up to three months	Depos- its at 1-2 years
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17		
99	M	4.69	5.25	4.66	6.13	4.59	1.64	1.54	2.63	1.98	5.05	6.22	7.48	4.88	1.93	1.64	2.56	2.28
00	M	5.84	6.42	5.71	7.24	5.71	2.43	2.07	4.04	3.29	6.03	7.21	8.24	5.82	2.61	2.10	3.94	3.43
01	M	5.64	6.68	5.88	7.27	5.59	2.80	2.42	4.24	2.97	5.90	7.39	8.50	5.92	2.78	2.33	4.13	3.46
01	Sep	5.39	6.53	6.01	7.38	5.48	2.67	2.33	3.92	2.62	5.74	7.43	8.55	5.77	2.68	2.25	3.87	3.30
	Oct	5.21	6.36	5.47	7.10	5.21	2.52	2.22	3.84	2.43	5.46	7.35	8.36	5.58	2.53	2.16	3.66	3.01
	Nov	4.96	6.29	5.49	6.80	5.01	2.28	2.04	3.34	2.10	5.28	7.15	8.22	5.37	2.33	2.04	3.27	2.79
	Dec	4.77	5.91	4.91	6.04	4.69	2.18	1.97	3.23	2.14	4.96	6.75	7.20	5.03	2.26	1.90	3.19	2.66
02	Jan	4.74	5.83	4.78	6.87	4.56	2.18	1.91	3.20	2.52	5.04	6.71	8.05	4.91	2.24	1.90	3.16	2.71
	Feb	4.68	5.80	5.06	6.70	4.65	2.21	1.97	3.17	2.75	5.04	6.70	7.90	4.89	2.28	1.89	3.13	2.78
	Mar	4.69	5.66	4.96	6.61	4.70	2.21	1.96	3.14	2.65	5.09	7.05	7.74	4.87	2.27	1.85	3.11	2.84
	Apr	4.81	5.70	4.85	6.69	4.80	2.23	1.94	3.16	2.85	5.10	7.00	7.87	4.92	2.33	1.87	3.11	2.98
	May	4.93	5.71	4.93	6.88	4.92	2.27	2.04	3.13	2.86	5.25	7.08	7.75	5.05	2.37	1.88	3.17	3.07
	Jun	4.86	5.66	5.03	6.66	4.93	2.28	2.06	3.22	3.11	5.18	6.83	7.78	5.06	2.35	1.87	3.24	3.09
	Jul	4.98	5.64	5.25	6.85	4.92	2.27	2.02	3.20	2.87	5.26	6.69	7.48	5.10	2.33	1.86	3.23	3.08
	Aug	4.92	5.58	5.12	7.15	4.88	2.25	2.03	3.19	2.77	5.22	6.94	7.87	5.10	2.32	1.88	3.23	2.93
	Sep	4.73	5.55	5.06	7.31	4.70	2.21	2.02	3.19	2.38	5.14	6.55	7.83	4.93	2.22	1.88	3.22	2.81
	Oct	4.63	5.56	4.97	7.13	4.54	2.21	2.03	3.15	2.43	4.83	6.87	7.66	4.82	2.23	1.91	3.13	2.73
	Nov	4.55	5.47	4.97	6.92	4.41	2.20	2.06	3.08	2.33	4.79	6.87	7.62	4.61	2.20	1.90	3.11	2.61
	Dec	4.32	5.30	4.55	6.28	4.25	2.04	1.88	2.81	2.25	4.50	6.47	7.06	4.49	2.08	1.79	2.91	2.51

BANKS



SAVINGS BANKS



Source: BE.

Note: The underlying series for this indicator are in Tables 18.3 and 18.4 of the BE Boletín estadístico.

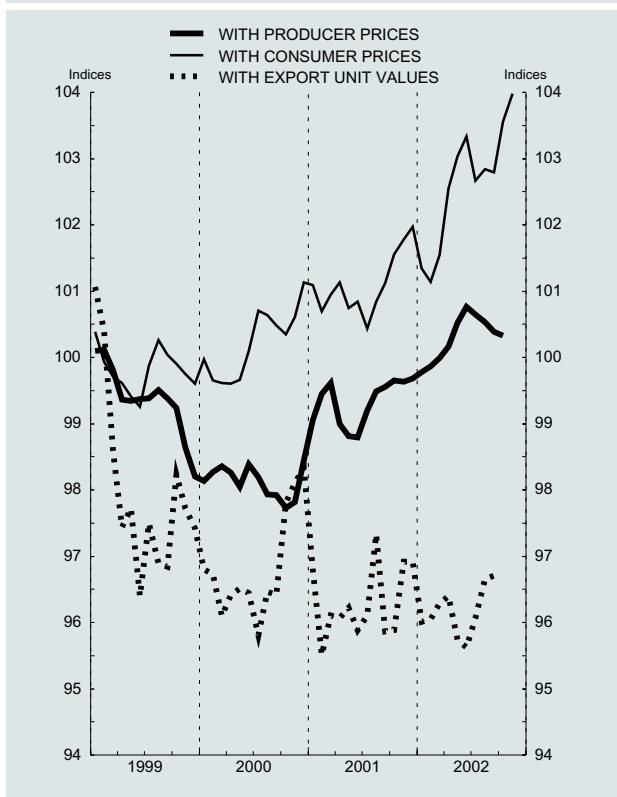
## 9.4 Indices of Spanish competitiveness vis-à-vis the EU and the euro area.

■ Series depicted in chart.

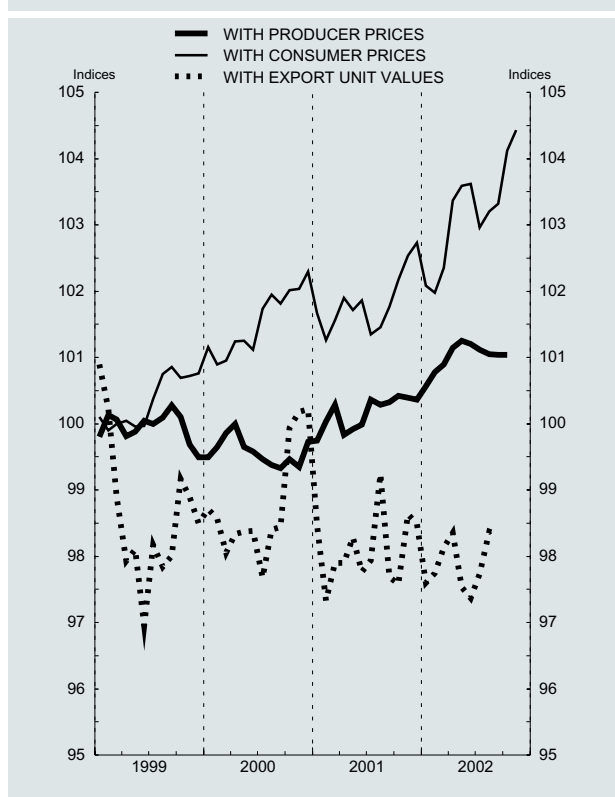
Base 1999 Q1 = 100

	Vis-à-vis the EU										Vis-à-vis the euro area			
	Total (a)				Nominal component (b)	Price component (c)					Based on producer prices	Based on consumer prices	Based on manufacturing unit labour costs	Based on export unit values
	Based on producer prices	Based on consumer prices	Based on manufacturing unit labour costs	Based on export unit values		Based on producer prices	Based on consumer prices	Based on manufacturing unit costs	Based on export unit values					
	1	2	3	4	5	6	7	8	9	10	11	12	13	
<b>99</b>	99.4	99.8	99.3	98.0	99.5	99.9	100.3	99.8	98.5	99.9	100.3	99.7	98.6	
<b>00</b>	98.1	100.2	101.7	96.8	98.5	99.6	101.7	103.2	98.3	99.6	101.5	103.2	98.8	
<b>01</b>	99.3	101.1	104.8	96.3	99.0	100.4	102.2	105.9	97.3	100.2	101.8	105.9	98.1	
<b>00 Q4</b>	98.0	100.7	104.1	98.1	98.4	99.6	102.3	105.8	99.7	99.5	102.1	105.7	100.1	
<b>01 Q1</b>	99.4	100.9	105.3	96.2	99.1	100.3	101.8	106.2	97.0	100.0	101.5	106.1	97.9	
<b>Q2</b>	98.9	100.9	104.6	96.1	98.8	100.1	102.1	105.9	97.2	99.9	101.8	105.9	98.0	
<b>Q3</b>	99.4	100.8	104.6	96.4	99.0	100.5	101.9	105.7	97.5	100.3	101.5	105.7	98.3	
<b>Q4</b>	99.7	101.8	104.7	96.6	99.0	100.7	102.8	105.7	97.5	100.4	102.5	105.8	98.2	
<b>02 Q1</b>	99.9	101.4	105.2	96.1	98.8	101.1	102.6	106.5	97.3	100.7	102.1	106.7	97.8	
<b>Q2</b>	100.5	103.0	106.5	95.9	99.1	101.4	103.9	107.5	96.8	101.2	103.5	107.8	97.7	
<b>Q3</b>	100.5	102.8	108.5	96.5	99.2	101.3	103.6	109.3	97.3	101.1	103.2	109.4	98.1	
<b>02 Mar</b>	100.0	101.5	...	96.3	98.8	101.2	102.8	...	97.5	100.9	102.4	...	98.1	
<b>Apr</b>	100.2	102.6	...	96.4	98.8	101.4	103.8	...	97.6	101.1	103.4	...	98.4	
<b>May</b>	100.5	103.0	...	95.7	99.1	101.5	104.0	...	96.6	101.3	103.6	...	97.5	
<b>Jun</b>	100.8	103.3	...	95.6	99.3	101.4	104.0	...	96.3	101.2	103.6	...	97.4	
<b>Jul</b>	100.6	102.7	...	96.1	99.3	101.4	103.4	...	96.8	101.1	103.0	...	97.7	
<b>Aug</b>	100.5	102.8	...	96.7	99.2	101.3	103.6	...	97.4	101.0	103.2	...	98.4	
<b>Sep</b>	100.4	102.8	...	96.7	99.1	101.3	103.7	...	97.6	101.0	103.3	...	98.3	
<b>Oct</b>	100.3	103.6	...	...	99.1	101.3	104.5	...	...	101.0	104.1	...	...	
<b>Nov</b>	...	104.0	...	...	99.2	...	104.8	...	...	...	104.4	...	...	
<b>Dec</b>	...	...	...	...	99.3	...	...	...	...	...	...	...	...	

INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE UE



INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EURO AREA



Source: BE.

(a) Outcome of multiplying nominal and 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 manufacturing foreign trade figures.

(c) Relationship between the price indices of Spain and of the group.

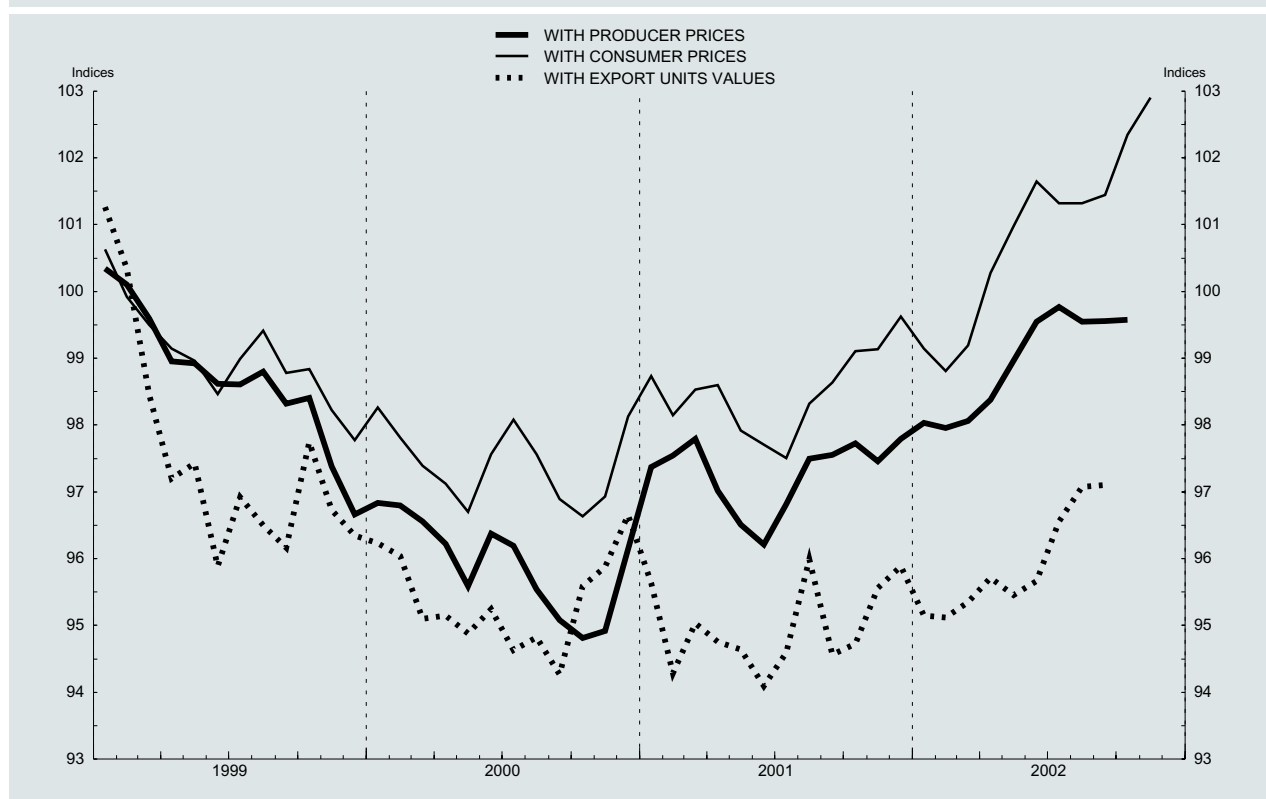
## 9.5 Indices of Spanish competitiveness vis-à-vis the developed countries.

■ Series depicted in chart.

Base 1999 Q1 = 100

	Total (a)				Nominal component (b)	Price component (c)			
	Based on producer prices	Based on consumer	Based on manufacturing unit labour costs	Based on export unit values		Based on producer prices	Based on consumer prices	Based on manufacturing unit labour cost	Based on export unit values
	1	2	3	4	5	6	7	8	9
<b>99</b>	98.7	99.0	98.8	97.6	98.7	100.0	100.3	100.1	98.8
<b>00</b>	95.9	97.4	99.1	95.4	95.8	100.2	101.7	103.5	99.6
<b>01</b>	97.3	98.5	102.1	95.0	96.3	101.0	102.3	106.1	98.7
<b>00 Q4</b>	95.3	97.2	100.5	96.0	95.0	100.3	102.4	105.9	101.1
<b>01 Q1</b>	97.6	98.5	102.8	95.0	96.7	100.9	101.9	106.3	98.3
<b>Q2</b>	96.6	98.1	101.6	94.5	95.9	100.7	102.3	106.0	98.6
<b>Q3</b>	97.3	98.2	101.8	95.1	96.2	101.1	102.0	105.9	98.8
<b>Q4</b>	97.7	99.3	102.2	95.4	96.3	101.4	103.1	106.1	99.0
<b>02 Q1</b>	98.0	99.1	103.0	95.2	96.2	101.9	102.9	107.0	98.9
<b>Q2</b>	99.0	101.0	104.7	95.6	96.8	102.2	104.3	108.1	98.8
<b>Q3</b>	99.6	101.4	107.3	96.9	97.5	102.2	104.0	110.0	99.4
<b>02 Mar</b>	98.1	99.2	...	95.4	96.2	102.0	103.2	...	99.2
<b>Apr</b>	98.4	100.3	...	95.7	96.3	102.2	104.2	...	99.4
<b>May</b>	99.0	101.0	...	95.5	96.7	102.3	104.4	...	98.7
<b>Jun</b>	99.5	101.6	...	95.7	97.4	102.2	104.4	...	98.3
<b>Jul</b>	99.8	101.3	...	96.6	97.6	102.2	103.8	...	98.9
<b>Aug</b>	99.6	101.3	...	97.1	97.4	102.2	104.0	...	99.6
<b>Sep</b>	99.6	101.4	...	97.1	97.5	102.2	104.1	...	99.6
<b>Oct</b>	99.6	102.3	...	...	97.6	102.1	104.9	...	...
<b>Nov</b>	...	102.9	...	...	97.8	...	105.2	...	...
<b>Dec</b>	...	...	...	...	98.1	...	...	...	...

## INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE DEVELOPED 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 manufacturing foreign trade figures.

(c) Relationship between the price indices of Spain and of the group.

ARTICLES IN ENGLISH AND PUBLICATIONS  
OF THE BANCO DE ESPAÑA

## ARTICLES PUBLISHED IN THE ECONOMIC BULLETIN IN RECENT YEARS

1997	Month	Page	1998	Month	Page
Presentation by the Governor of the Banco de España of the monetary policy objectives for the Spanish Parliamentary Commission on Economic Affairs	Jan	5	Quarterly report on the Spanish economy	Apr	29
Quarterly report on the Spanish economy	Jan	11	Results of non-financial firms in the fourth quarter of 1997 and summary year-end data	Apr	69
Monetary policy objectives and implementation in 1997	Jan	59	The nature of monetary transmission mechanisms in Spain and in the main European countries	Apr	81
Forecasts of financial flows in 1997	Jan	63	Comparison between banks' consolidated profit and loss accounts in Spain and in European Economic Area countries in 1996	Apr	97
Non-financial firms in 1995 and to the third quarter of 1996	Jan	71	Financial regulation: first quarter of 1998	Apr	103
Quarterly report on the Spanish economy	Apr	5	Quarterly report on the Spanish economy	Jul	7
Results of non-financial firms in the fourth quarter of 1996 and summary year-end data	Apr	49	Results of non-financial firms in the first quarter of 1998	Jul	51
The exchange rate as an instrument of macroeconomic adjustment: empirical evidence and relevance for European Monetary Union	Apr	61	Implications for central bank conduct of the development of electronic money	Jul	63
Stabilising effects of fiscal policy	Apr	69	Indicators of prices, cost and margins in the various productive branches	Jul	73
Quarterly report on the Spanish economy	Jul	5	Financial regulation: second quarter of 1998	Jul	81
Results of non-financial firms in the first quarter of 1997	Jul	51	Quarterly report on the Spanish economy	Oct	7
The use of monetary conditions indices from a central bank's viewpoint	Jul	63	Results of non-financial firms in the second quarter of 1998	Oct	53
Net bank and savings-bank indebtedness vis-à-vis the Banco de España and intermediation activity	Jul	73	The controllability of monetary aggregates	Oct	65
Address by the Governor of the Banco de España to the Spanish Parliamentary Budget Committee	Oct	5	Financial regulation: third quarter 1998	Oct	71
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Results of non-financial firms in the second quarter of 1997	Oct	53			
An approximation to changes in the market value of financial wealth	Oct	65			
1998	Month	Page	1999	Month	Page
Presentation by the Governor of the Banco de España of the monetary policy objectives for 1998 to the Spanish Parliamentary Commission on Economic Affairs	Jan	5	Appearance by the Governor of the Banco de España before the Spanish Parliamentary Committee on Economic, Trade and Finance Affairs	Jan	7
Quarterly report on the Spanish economy	Jan	11	Quarterly report on the Spanish economy	Jan	13
Monetary policy objectives and implementation in 1998	Jan	55	Results of non-financial firms in 1997 and in the first three quarters of 1998	Jan	55
Results of non-financial firms in 1996 and to the third quarter of 1997	Jan	59	Is there scope for inflation differentials in EMU?	Jan	69
Madrid Clearing House: the Spanish interbank payment service	Jan	73	Financial regulation: fourth quarter 1998	Jan	75
Financial regulation: fourth quarter of 1997	Jan	83	Quarterly report on the Spanish economy	Apr	7
Appearance by the Governor of the Banco de España before the Spanish Parliamentary Committee on Economic Affairs	Apr	5	Results of non-financial firms in the fourth quarter of 1998 and summary year-end data	Apr	47
Convergence report presented by the Governor of the Banco de España to the Spanish Parliamentary Committee on Economic Affairs	Apr	9	Financial regulation: first quarter 1999	Apr	57
			Quarterly report on the Spanish economy	Jul	9
			Results of non-financial firms in the first quarter of 1999	Jul	51
			Financial regulation: second quarter of 1999	Jul	61
			Quarterly report on the Spanish economy	Oct	9
			Results of non-financial firms in the second quarter of 1999	Oct	51
			Unit labour costs and monetary policy decision-making in the context of EMU	Oct	63
			Financial regulation: third quarter of 1999	Oct	73

2000	Month	Page	2002	Month	Page
Quarterly report on the Spanish economy	Jan	9	Quality bias in the measurement of prices: empirical evidence and macroeconomic implications for Spain	Jan	71
Results of non-financial firms in 1998 and in the first three quarters of 1999	Jan	51	Financial regulation: 2001 Q4	Jan	85
Spanish financial markets and intermediaries	Jan	65	Quarterly report on the Spanish economy	Apr	9
Financial regulation: fourth quarter of 1999	Jan	99	Results of non-financial corporations in 2001 Q4 and summary year-end data	Apr	55
Quarterly report on the Spanish economy	Apr	9	Financial regulation: 2002 Q1	Apr	67
Results of non-financial firms in 1999 Q4 and summary year-end data	Apr	49	Quarterly report on the Spanish economy	Jul	9
Interpreting inflation differentials in the euro area	Apr	61	Results of non-financial corporations in 2002 Q1	Jul	55
The disinflation process in Spain. A look at the role of wages	Apr	71	The new framework for the Spanish regional (autonomous) governments	Jul	67
Financial regulation: first quarter 2000	Apr	79	Financial regulation: 2002 Q2	Jul	75
Quarterly report on the Spanish economy	Jul	9	Address by the Governor of the Banco de España, Jaime Caruana, to the Spanish Parliamentary Budget Committee	Oct	9
Results of non-financial corporations in 2000 Q1	Jul	51	Quarterly report on the Spanish economy	Oct	13
Presentation of the financial accounts of the Spanish economy	Jul	63	Results of non-financial corporations to 2002 Q2	Oct	63
Financial regulation: second quarter of 2000	Jul	81	The housing market in Spain	Oct	75
Quarterly report on the Spanish economy	Oct	9	Productive investment in the recent cycle	Oct	85
Results of non-financial corporations in 2000 Q2	Oct	59	Financial regulation: 2002 Q3	Oct	93
Financial regulation: 2000 Q3	Oct	71			
2001	Month	Page	2003	Month	Page
Quarterly report on the Spanish economy	Jan	9	Quarterly report on the Spanish economy	Jan	9
Results of non-financial corporations in 1999 and the first three quarters of 2000	Jan	53	Results of non-financial corporations in 2001 and in the first three quarters of 2002	Jan	55
Financial regulation: 2000 Q4	Jan	69	Persistent inflation differentials in Europe	Jan	71
Quarterly report on the Spanish economy	Apr	9	The effects of economic integration on the specialisation and geographical distribution of industrial activity in the EU countries	Jan	77
Results of non-financial corporations in 2000 Q4 and summary year-end data	Apr	53	The Spanish experience in EU accession	Jan	89
Financial regulation: 2001 Q1	Apr	67	The significance of sectoral composition in recent stock market developments	Jan	95
Quarterly report on the Spanish economy	Jul	9	Financial regulation: 2002 Q4	Jan	101
Results of non-financial corporations in 2001 Q1	Jul	55			
The opening up of the network industries to competition: regulatory aspects and effects on prices	Jul	67			
Financial regulation: 2001 Q2	Jul	79			
Quarterly report on the Spanish economy	Oct	9			
Results of non-financial corporations in 2001 Q2	Oct	55			
The implications of the conversion of prices into euro for inflation	Oct	67			
The contribution of information and communication technologies to the growth of the Spanish economy	Oct	73			
Using indicators to monitor real convergence	Oct	81			
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2002	Month	Page			
Quarterly report on the Spanish economy	Jan	9			
Results of non-financial corporations in 2000 and the first three quarters of 2001	Jan	57			



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