BANCO DE ESPAÑA

economic bulletin

October 2003

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Abbreviations

AIAF	Association of Securities Dealers
BE	Banco de España
BIS	Bank for International Settlements
CNE	Spanish National Accounts
CNMV	National Securities Market Commission
CPI	Consumer price index
EAGGF	European Agricultural Guidance and Guarantee Fund
ECB	European Central Bank
ECOFIN	Council of the European Communities (Economic and Financial Affairs)
EDP	Excessive Deficit Procedure
EMU	Economic and Monetary Union
EONIA	Euro overnight index average
EPA	Official Spanish Labour Force Survey
ERDF	European Regional Development Fund
ESA 79	European System of Integrated Economic Accounts
ESA 95	European System of National and Regional Accounts
ESCB	European System of Central Banks
EU	European Union
EU15	The fifteen current European Union Member States
EUROSTAT	Statistical Office of the European Communities
FIAMM	Money market funds
FIM	Securities funds
GDP	Gross domestic product
GNP	Gross national product
GVA	Gross value added

HICP	Harmonised index of consumer prices
ICT	Information and communications technology
IMF	International Monetary Fund
INE	National Institute of Statistics
INVERCO	Association of Collective Investment Institutions and Pension Funds
LFA	Liquid financial assets
LIFFE	London International Financial Futures Exchange
MEFF	Financial Futures and Options Market
MEFF RF	Fixed-income derivatives market
MEFF RV	Equity derivatives market
MFIs	Monetary financial institutions
MMFs	Money market funds
MROs	Main refinancing operations
NCBs	National Central Banks
NPIs	Non-profit institutions
OECD	Organisation for Economic Co-operation and Development
PPP	Purchasing power parity
QNA	Quarterly National Accounts
SCLV	Securities Clearing and Settlement Service
SDRs	Special Drawing Rights
TARGET	Trans-European Automated Real-Time Gross Settlement Express Transfer system
TFP	Total factor productivity
ULCs	Unit labour costs
VAT	Value Added Tax

Countries		*Currencies*	
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 (10^9).

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
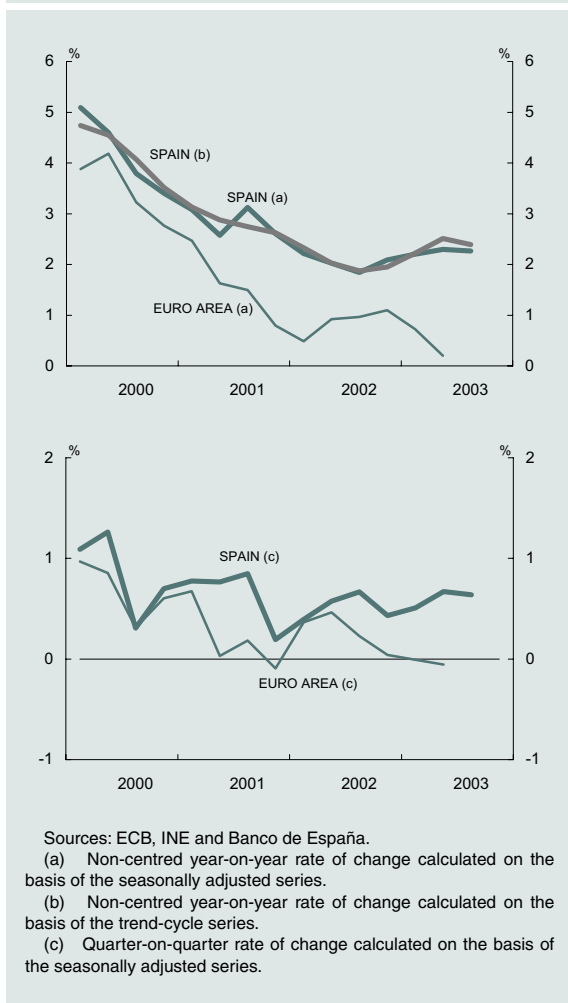
1. Overview

Conditions in the world economy have become more favourable as the year 2003 has unfolded. In the euro area, however, a situation of virtual flatness was the case throughout the first half of the year. That has amplified the gap in respect of economic developments globally, and means that the recovery predicted for the second half of the year in Europe may be modest and not free from uncertainty. Against this background, the Spanish economy is sustaining a considerable growth rate, underpinned by its domestic determinants, which provides it with an advantageous starting point for facing the new phase of recovery, despite the negative contribution of the external environment. While national demand has increased at a rate clearly in excess of 3% (measured taking the seasonally adjusted series) during the first three quarters of the year, the negative contribution of external demand has not dipped below one percentage point (pp). Specifically, on Banco de España estimates, real GDP posted a year-on-year increase of 2.3% in 2003 Q3, an identical rate to that released by INE for the previous quarter. This growth breaks down into an increase of 3.3% in domestic demand with net external demand subtracting 1.1 pp. In quarter-on-quarter terms, the estimated rate of change of real GDP is around 0.6%, very close to that of the preceding quarter, and likewise underpinned by domestic momentum.

The strength of employment has continued to be notable and its rate of change in Q3 has tended to increase, as revealed by the latest Labour Force Survey (EPA) data. As regards prices, following the strong decline in their rate of increase in the first half of the year, their subsequent correction is being curtailed by the strong increases in unprocessed food prices, by the trend of energy prices (albeit mitigated by the appreciation of the euro) and by the pressure exerted by unit labour costs on certain industries and productive branches which, moreover, have increased their operating margins.

The improved international financial outlook and the expansionary stance of the macroeconomic policies pursued, to differing degrees, by the main regions are feeding through unevenly to the different economies. In the United States, the real indicators available confirm that a high growth rate is being sustained, based largely on the monetary and fiscal stimuli to household and corporate expenditure, and on the strong increase in government consumption. Given the more generous financial conditions, especially in the case of corporations, business investment and, more recently, employment have also shown signs of picking up following a long period of sluggishness. Nonetheless, certain doubts persist over the sustainability of the US recov-

CHART 1

Gross domestic product

SPAIN (b)
SPAIN (a)
EURO AREA (a)

SPAIN (c)
EURO AREA (c)

Sources: ECB, INE and Banco de España.
(a)   Non-centred year-on-year rate of change calculated on the basis of the seasonally adjusted series.
(b)   Non-centred year-on-year rate of change calculated on the basis of the trend-cycle series.
(c)   Quarter-on-quarter rate of change calculated on the basis of the seasonally adjusted series.

CHART 2

Harmonised indices of consumer prices (a)

SPAIN
EURO AREA

Sources: Eurostat and ECB.
(a)   Year-on-year rate of change. To December 2001, the rates relate to those released as at that date.

stantially in some of these countries. In Latin America the improved financial conditions and easing of monetary policies, reflected in the narrowing of sovereign debt yield spreads and in the sound performance of stock markets, have not sufficed to prevent a further slowdown in the real economy, with the notable exception of Argentina, due to its low starting levels.

Economic activity in the euro area was virtually flat during the first half of the year owing to the considerable slackness of business investment and exports, which bore adversely on industrial activity. The expansionary stance of macroeconomic policies has eased the slowdown in consumer spending and limited the adjustment of non-industrial employment, and a modest pick-up in credit to the private sector has been discernible in recent months. Although the real indicators have not yet shown clearly positive signs, both consumer and business confidence surveys have improved in the past few months. Expectations of a recovery in the second half of the year are based on the positive contribution of external demand and on the improvement in investment. The signs of recovery emerging in world trade and the favourable financing conditions prevailing in the euro area help anchor such expectations. However, there remain risks on both fronts given the uncertainty over the future course of the euro exchange rate and the difficulty of determining to what extent companies have restored health to their balance sheets following the previous phase of sharp growth in debt.

The rate of increase of the HICP in the euro area as a whole stabilised in September at 2.1% and is expected to hold at this figure until
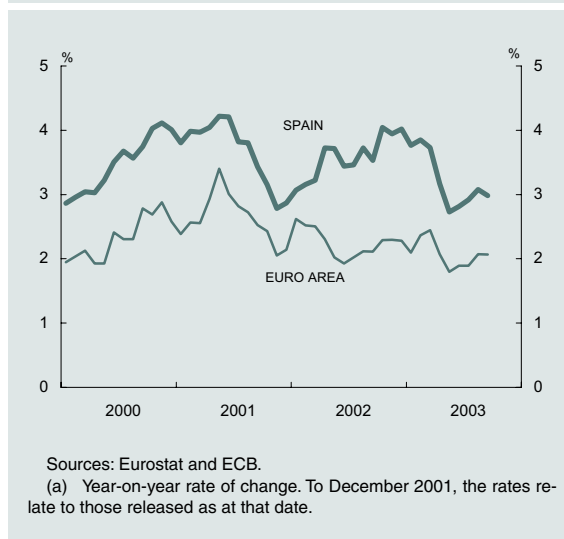
ery in the medium term owing to the persistence of sizable current-account imbalances and their potential effects on exchange and interest rates. With a view to the future, maintaining productivity gains in the US economy – beyond those arising from the recent heavy adjustment to employment – will be essential if the recovery is to firm.

The contribution of other regions to the entrenchment of the world economic expansion has been uneven. The east Asian countries, with the increasingly prominent participation of the Chinese economy, are those proving most buoyant. Japan, for its part, grew much more than expected in Q2, although the doubts about its ability to see through a sustained recovery have not been dispelled, despite the improved financial position of its firms and the strength of its exports, especially to Asian countries. The eastern European economies have generally shown fairly positive growth. On the downside, however, fiscal consolidation has slowed sub-

the end of the year. The slight rise in unit labour costs in recent quarters has been due to the lack of responsiveness of wage rises to low productivity growth, a development which saw business margins squeezed in Q2.

Given the foregoing, there have been no significant changes in monetary conditions in the area as a whole following the cut in official interest rates agreed last June. In any event, the slope of the money market yield curve has turned upwards, and is now slightly positive, without this change having substantially altered rates at the longer-dated maturities. As the budget deficit of some of the main economies has tended to widen, even in cyclically adjusted terms, the overall macroeconomic policy stance has become more expansionary, this being attenuated only in part by the appreciation of the euro.

Accordingly, as in previous quarterly reports, it is worth underscoring the need to preserve the credibility of the Stability and Growth Pact as a prerequisite for maintaining the stabilising capacity of fiscal policy and ensuring the proper functioning of the Monetary Union. The European authorities should ensure compliance with the rules and procedures established so as to promote continuing fiscal discipline in all Member States.

As the Spanish economy is ahead in the cycle and its growth differential with the euro area countries has tended to widen during 2003, the monetary conditions set by the Eurosystem are particularly generous for Spain. In this situation, the budgetary policy pursued by the Spanish authorities has aimed to consolidate the stability of public finances. Duly attesting to this are the data on the State budget outturn for the first nine months of the year, and the initial projection for 2003 and the draft 2004 budget submitted to Parliament, both of which are characterised by a balanced budget.

Tax receipts during the current year have been considerably buoyant; only on the latest data do they appear to have moderated slightly. The biggest rises in spending have been in items related to the working of the State and in public investment. For 2003 as a whole, the general government contribution to the growth of household disposable income is expected to be appreciable, as it was last year.

The estimated increase in real domestic demand in the Spanish economy in 2003 Q3 compared with the same period a year earlier was 3.3%, 0.1 pp up on the preceding quarter. Behind the notable stability of this figure were somewhat higher growth in consumer spending

CHART 3

Confidence indicators

Source: European Commission.
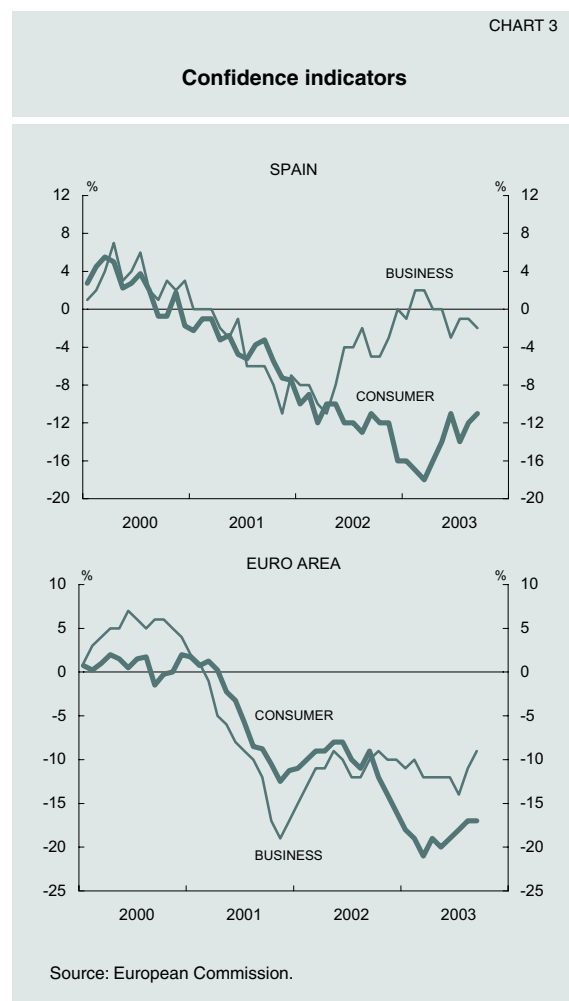
and a mild slowdown in fixed capital investment. Investment in construction has remained resilient, though it has eased off slightly, while the recovery initiated by investment in equipment in the previous quarters has tended to moderate. The most notable reflection of behaviour on the demand side in the productive branches has undoubtedly been the loss of steam in manufacturing industry.

The factors behind the continuous growth of household spending – on consumption and residential investment – during the year are similar to those identified in previous years. The growth of real disposable income is running high. And it is estimated that, on average in 2003, it will reach a magnitude similar to that of 2002, underpinned by the strength of employment and by wage income, which has been supported in turn by the payments arising from the application of the wage indexation clauses relating to 2002. In addition, regard should be had to gains in wealth, both in real terms (derived from rising property values) and financial terms (following the rally on stock markets), with the maintenance of very generous financing conditions proving a further factor here.

CHART 4

Financial indicators of the Spanish economy

INTEREST RATES (a)

CONSUMER LENDING AND FOR OTHER PURPOSES

LENDING FOR HOUSE PURCHASES

10-YEAR DEBT

LENDING TO COMPANIES

ONE-YEAR INTERBANK

HOUSEHOLD AND NPISH DEPOSITS

2000 2001 2002 2003

FINANCIAL ASSETS AND FINANCING OF NON-FINANCIAL CORPORATIONS AND HOUSEHOLDS AND NPISHs

FINANCING OF NON-FINANCIAL CORPORATIONS (b)

FINANCING OF HOUSEHOLDS (b)

OTHER LIQUID ASSETS (c)

CASH AND CASH EQUIVALENTS

2000 2001 2002 2003

NET FINANCIAL TRANSACTIONS (d)

% of GDP

HOUSEHOLDS AND NPISHs

GENERAL GOVERNMENT

NATION

NON-FINANCIAL CORPORATIONS

2000 2001 2002 2003

Source: Banco de España.

(a) There is a break, in January 2003, in the series of banking rates owing to changes in the data compilation statistical requirements.

(b) Includes bank lending extended by resident credit institutions, foreign loans and financing through securitisation vehicles. Financing to non-financial corporations also includes fixed-income securities.

(c) Includes deposits with agreed maturity, repos, bank securities, residents' cross-border deposits and shares in money-market funds.

(d) Cumulative four-quarter data.

Indeed, the rate of increase of financing received by households stepped up in Q3 to over 16%, supported by the trend of mortgage loans, the interest rates on which fell marginally. Consumer and other credit also increased more than in the previous quarter, albeit tenuously, there having been a slight rise in the interest rates applied to these operations. However, despite increased debt, the financial burden on households remains at comfortable levels of around 14% of their disposable income.

Financial conditions for the corporate sector are proving equally generous, with financing flows sustaining a rate of increase slightly down on that recorded in Q2 but still above 13%. The rates applied have declined somewhat and the improvement on stock markets (with higher prices and less volatility) has made it possible to raise external funds. Corporate debt ratios have continued to increase, but nor can the financial burden here be considered high in view of the low interest rates applied. The moderation in the pace of recovery of corporate investment in capital goods that is apparently discernible in the data for Q3 may thus be attributed to the uncertainty that continues to be reflected in business confidence surveys, against a background in which exports – and, thereby, industrial activity – have fallen off somewhat.

The slowdown apparent in the export data available for Q3 is in response to two factors. First, to the fact that foreign markets remained fairly depressed, especially in Europe. And further, because the comparison of the latest figures released is with a period (the second half of 2002) in which exports regained notable momentum. In any event, the slide in exports to Europe is proving fairly marked, and is being mitigated only by the more balanced trend of those to other areas, for which sale prices have had to be cut forcefully (by around 10%) so as to offset the effect of the appreciation of the euro. The indicators of tourism, for their part, have eased off to some extent during Q3.

Although the slowdown in imports has run in parallel to that of exports, the former has been for a lesser amount and has affected non-energy intermediate goods above all, in line with the behaviour observed in industry. Prices have broadly performed very favourably, with the sole exception of non-energy intermediate goods, where they are rising considerably.

Despite the fact that the expansionary behaviour of some employment indicators had slackened during Q3, the recently released EPA data have offered signs that job creation remains notably buoyant. Indeed, according to the EPA survey, employment in the summer months

increased at a rate of 2.8%, 0.2 pp up on the previous quarter. The modest rise in unemployment is therefore due to the continuing robustness of the labour force, derived from the ongoing increase in the economy's participation rate.

Turning to wages, once the impact of the payments arising from the activation of the wage indexation clauses in the opening months of the year has been absorbed, their rate of increase will tend to stabilise along the lines laid down by collective bargaining. Wage settlements in the year to date exceed those for 2002, as has also been confirmed by the results of the labour costs index. The rise in wages, combined with low productivity growth, has led the rate of increase of unit labour costs to hold at over 3% on average for the first three quarters of 2003, without any easing discernible.

This is a factor that may be hampering the slowdown in prices in the second half of 2003, especially in those industries where demand conditions or the lack of competition are conducive to operating margins widening. An additional factor has been the increase in the prices of certain foods where supply conditions,

whether for circumstantial or structural reasons, have considerably increased the related rates of increase.

Against this backdrop, the rate of increase of the CPI in September was 2.9%, the same as for the quarter as a whole, and the differential with regard to the euro area – measured with the harmonised index – has stabilised at around 1 pp (0.9 pp in September). Notable for their size are the differentials building up in unprocessed food and non-energy industrial goods, which exceed those traditionally seen in the services component.

In sum, the Spanish economy is facing the incipient recovery in the world economy from a favourable position anchored in its high capacity for generating employment. It is likewise well poised to benefit from the expansion of international markets. Nonetheless, if the possibilities of higher growth are to materialise, domestic demand must trend in step with income and employment growth, and price and wage increases must moderate, providing for continued competitiveness and growth that is investment-led to a greater extent.

2. External environment of the euro area

In 2003 Q2 the main economies of the external environment of the euro area saw activity quicken on the back of the expansionary stance of demand-side policies. However, there is still uncertainty about the soundness of the recovery, especially in the medium term, owing to the US economy's imbalances and Japan's structural problems.

Developments on international financial markets were influenced by the G-7 communiqué on 20 September, which called for greater exchange-rate flexibility and prompted a rapid depreciation of the dollar, at first, especially against the yen. That led to foreign exchange interventions by the Japanese authorities which checked the fall in the dollar, while its depreciation against the euro continued. Initially, stock markets reacted adversely, but they subsequently picked up. The rise in long-term interest rates also continued, albeit at a somewhat more moderate pace. Corporate financing conditions improved further, though less rapidly than in previous months.

In the *United States,* GDP finally grew by 3.3% (in annualised quarterly terms) in 2003 Q2, above initial expectations. This growth was based on public spending, on private consumption (3.8% in annualised quarterly terms) and on business investment, which resumed a positive growth rate for the first time since end-2002. Productivity remained notably buoyant (standing at an annualised quarterly rate of 6.8%), due in part to the poor performance of the labour market. The indicators for Q3 continue to point to a dynamic economy, especially as regards private consumption, which has been boosted by tax reductions. Consumer confidence, however, felt the effects of the slackness of the labour market, although it did improve once again in October. As regards investment demand, the signals are mixed. On one hand, corporations improved their financial position significantly. But on the other, capacity utilisation held at a low level and durable-goods orders turned negative again in August. Nonetheless, the production of capital goods increased by 5.2% between July and September. Turning to the labour market, employment continued to contract owing to the pressure on business margins brought about by the slowdown in inflation until September, when both new hires and the proportion of companies with staff increases rose. In the final weeks of the quarter, moreover, unemployment benefit claimants fell appreciably. In September, consumer prices increased by 0.1 pp to a 12-month rate of 2.3%, but underlying inflation fell once again to 1.2% year-on-year, the lowest rate in 38 years. The adverse impact on business margins is reflected even more strongly in producer prices, the underlying rate of which slowed in
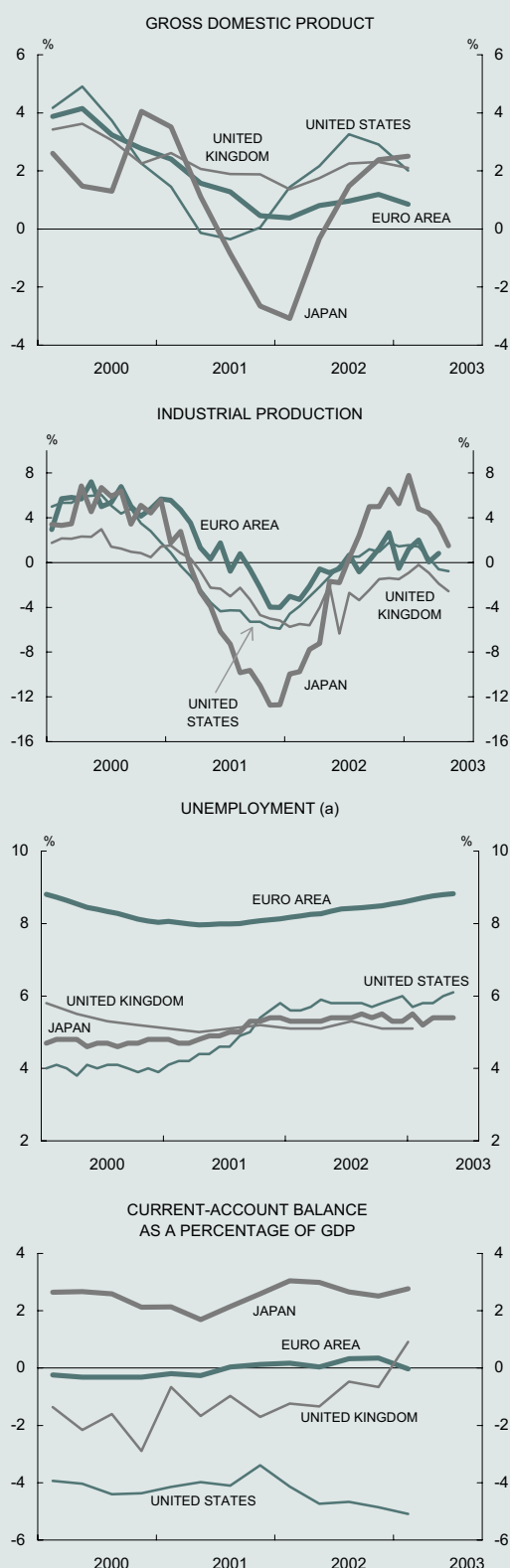
September to 0.1%. The trade deficit dipped slightly again in August compared with the previous months, as a result of the slowdown in imports. Finally, the central government deficit for fiscal year 2003 stood at 3.5% of GDP, below the previous official estimates.

The *Japanese economy* rebounded strongly in Q2, posting a year-on-year rate of 3% (1% in quarterly terms). The driving force here was the buoyancy of gross capital formation (10.4% year-on-year), underpinned by the increase in business profits and by expectations of an improvement in the external environment. The indicators available for Q3 show a degree of slowdown brought on by the fall in private consumption, which has also been reflected in industrial output (0.7% month-on-month in August). As regards the labour market, the unemployment rate fell appreciably in August to 5.1%, but this was due essentially to the reduction in the labour force. However, the outlook is positive, as shown by the significant improvements in the confidence indicators and the recovery in exports. Moreover, although consumer prices reached a negative 12-month rate of 0.3% in August, 0.1 pp down on the previous month, the slowdown in the decline of the underlying rate (−0.1% year-on-year) continued. The Bank of Japan eased its monetary policy stance further, increasing its quantitative target by 2 billion yen (up to a range of 27-32 billion yen), and extended the deadline for the purchase of shares held by private banks for another year, to September 2004.

In the *United Kingdom,* growth in Q2 was significantly revised (0.6% and 2% in quarterly and annual terms, respectively, against the previous estimates of 0.3% and 1.8%) due first, to the greater buoyancy of construction and gross fixed capital formation, and second, to the contraction in imports. On preliminary National Accounts figures, growth in Q3 was 1.9% compared with the same period a year earlier, and 0.6% compared with Q2. The economic indicators available for Q3 show a degree of moderation in private consumption and a fall-off in industrial output and exports. However, business confidence was high in the past quarter and the labour market situation remained positive, with an unemployment rate of 5% of the labour force. Consumer prices declined by 0.1 pp in September to a 12-month rate of 2.8%, and the harmonised index held at 1.4%. The growth of house prices eased slightly, although the related rate remained high.

In the *EU accession countries,* GDP growth in Q2 was generally fairly positive, with the exceptions of the Czech Republic and Hungary (2.1% and 2.4% year-on-year, respectively).

CHART 5

**Main macroeconomic indicators
Annual rates of change**

GROSS DOMESTIC PRODUCT

INDUSTRIAL PRODUCTION

UNEMPLOYMENT (a)

CURRENT-ACCOUNT BALANCE
AS A PERCENTAGE OF GDP

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

CHART 6

Prices, real exchange rate and interest rates

CONSUMER PRICES

CPI-BASED REAL EFFECTIVE EXCHANGE RATES
VIS-À-VIS DEVELOPED COUNTRIES
(Jan 2000 = 100)

SHORT-TERM INTEREST RATES (a)

LONG-TERM INTEREST RATES (b)
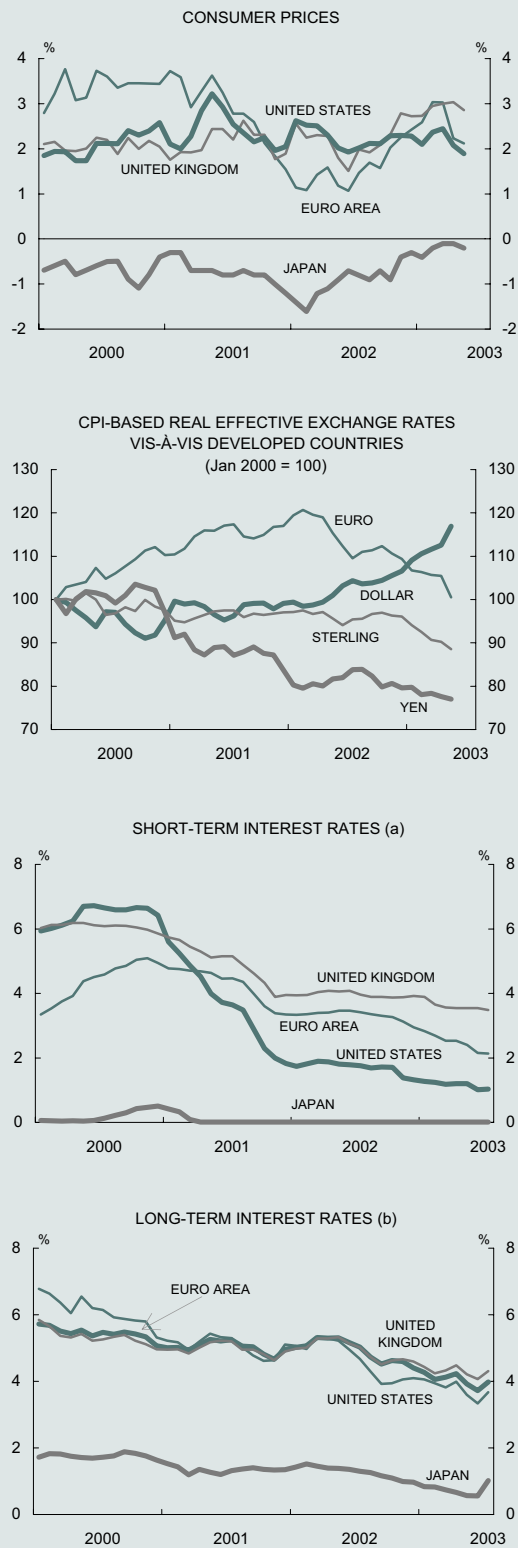
Source: Banco de España.
(a) Three-month interbank market interest rates.
(b) Ten-year government debt yields.

CHART 7

Emerging economies: main macroeconomic indicators

GROSS DOMESTIC PRODUCT (Year-on-year rate)

INTEREST RATE SPREADS OVER THE DOLLAR (d)

CONSUMER PRICES (Year-on-year change)

CURRENT-ACCOUNT BALANCE (% GDP)
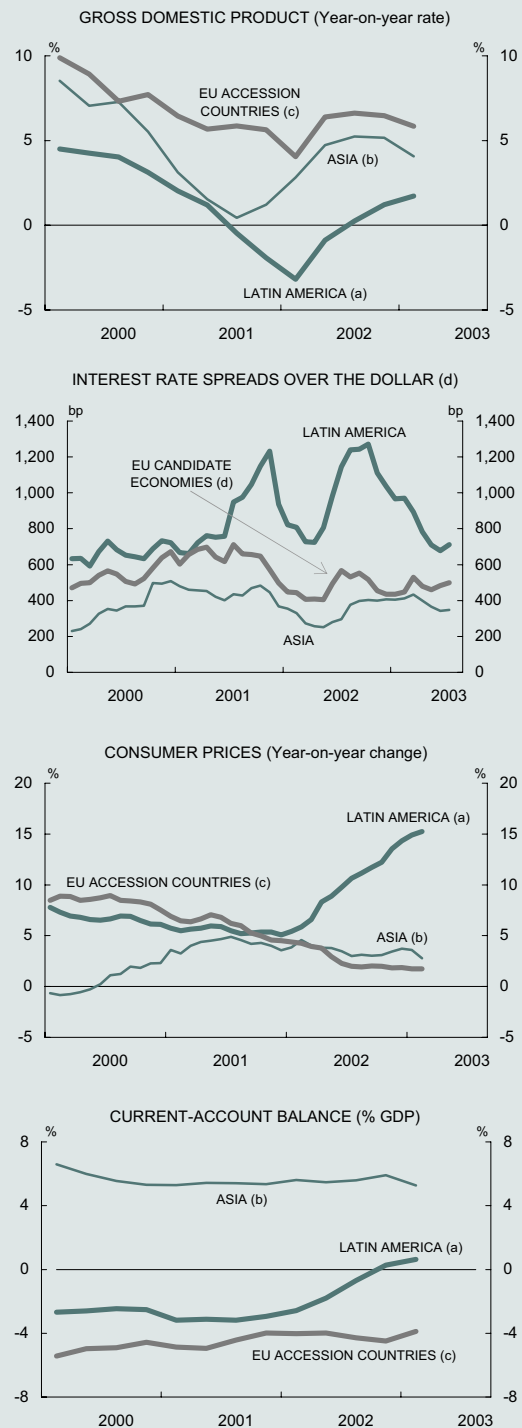
Sources: National statistics and JP Morgan.
(a) Argentina, Brazil, Chile, Mexico, Colombia, Venezuela, Peru.
(b) Malaysia, Korea, Indonesia, Thailand, Hong Kong, Singapore and Taiwan.
(c) Latvia, Lithuania, Estonia, Czech Republic, Hungary, Poland, Slovenia and Slovakia.
(d) JP Morgan EMBI spreads. For the EU candidate countries, an in-house estimate has been made drawing on data from Bulgaria, Hungary, Croatia, Turkey and Poland.

Growth was underpinned by exports, except in Hungary, and by consumption, except in Slovakia. Inflation accelerated in this latter country, in contrast to the rest of the region, because of the increases in administered prices and in indirect taxes, which will affect more countries in 2004. Fiscal consolidation worsened in virtually all these countries. Such factors led their respective monetary authorities – with the exception of Slovakia – to check the declining trend of interest rates. On the political front, Estonia and Latvia approved EU accession further to a referendum, thereby concluding the round of consultations made by the future member countries to their citizens.

Economic activity in *Asia* was sluggish in Q2, with the exception of Thailand and, especially, China. This was largely due to the negative effects of the SARS outbreak. However, the latest indicators show a rapid recovery, based on the end of the SARS epidemic and on the pick-up in foreign trade. Regarding China, the need for an appreciation of the yuan was discussed in numerous international fora in view of the country's high exports and the build-up in its international reserves, but the Chinese authorities have been reluctant to amend their exchange rate regime.

In *Latin America,* financial variables continued to trend favourably thanks to foreign capital inflows and to narrower corporate bond spreads in developed economies, and despite the rise in long-term rates in these countries. Stock markets posted sizable gains and exchange rates held stable, except in the case of Mexico, whose currency depreciated. Sovereign debt spreads continued to narrow, albeit at a more moderate rate, and in several cases they were close to or below historical lows. GDP growth slowed strongly in Q2 due to the sluggishness of domestic demand and the slowdown in exports, excepting those countries that had recently been in crisis, especially Argentina. Nonetheless, the easing of monetary policies and the improvement in the external environment should offer a basis for an incipient recovery which has, to date, been reflected only hesitantly in the indicators.

Across the different countries, the recovery in activity in Argentina stepped up in Q2 (7.6% on a year earlier). Such growth should continue into Q3 in the light of the available indicators, against a background of contained inflation. A new agreement with the IMF for three years was finally reached, and the outlines for the proposed restructuring of foreign debt were announced, which would entail significantly lower bond values. In Brazil, the slowdown in activity was accentuated in Q2 (GDP declined by 1.4% year-on-year), but the indicators available for Q3 show signs of a pick-up, given the improved expectations and the sharp cumulative easing of monetary policy since June (750 bp). In Mexico, growth was weak in Q2 (0.2% year-on-year), while signs of an improvement led by consumption and investment are discernible for Q3. However, exports are not yet reflecting the pick-up in industrial activity in the United States. As from the onset of October the decline in interest rates came to a halt, further to the depreciation of the peso. In Chile, financial stability underpinned growth, although there was a degree of slowdown in August judging by the latest indicators.

3. The euro area and the monetary policy of the ECB

The information available on the economic performance of the euro area in Q3 provides some signs of a modest recovery in activity after the stagnation in the first half of the year. For the time being, these signs are concentrated in the confidence indicators that measure agents' perceptions of economic performance, and have not yet been conclusively confirmed by the quantitative indicators that reflect the course of productive activity and demand. In particular, neither domestic demand nor demand by the rest of the world seem so far to have settled at a sustained level of growth. However, the current European setting is characterised by favourable financial conditions, an absence of significant macroeconomic imbalances and a gradual strengthening of the economy of the rest of the world, so it has all the ingredients needed for the progressive recovery of activity over the coming months. Among the factors that could limit the force of this recovery are the likelihood that euro area firms may continue to be engaged in balance sheet restructuring, the pressure on oil prices and the uncertain behaviour of foreign exchange markets. In addition, certain Member States are finding it difficult to reduce their budget deficits to the agreed levels, and this is an additional source of concern which in the coming months will test the mechanisms in place for the multilateral surveillance of budgetary policies. Finally, credit is due to certain countries for their more resolute steps to initiate reforms to improve the long-term sustainability of public finances and to stimulate their economies to operate more efficiently.

3.1. Economic developments

According to the most recent euro area National Accounts estimate, GDP contracted slightly by 0.1% in 2003 Q2 in quarter-on-quarter terms, as compared with no change in the previous three months. In year-on-year terms, there was a modest increase of 0.2%, down 0.5 pp on the rate in the previous quarter (see Chart 8). In quarter-on-quarter terms, the contribution of domestic demand—excluding inventories—to the expansion of GDP amounted, as in the first three months of the year, to 0.2 pp. This was the result of notably expansionary behaviour of public consumption and an uneven performance of the other two components. Thus, while the pace of private consumption moderated substantially, the fall in gross fixed capital formation was also reined in as a consequence of improvements in both the capital goods and construction components. Meanwhile, the negative contribution of external demand to GDP growth (0.4 pp) was similar to that in Q1, as a result of the opposing effects of a deceleration in the fall in exports and a somewhat more dynamic performance of imports.
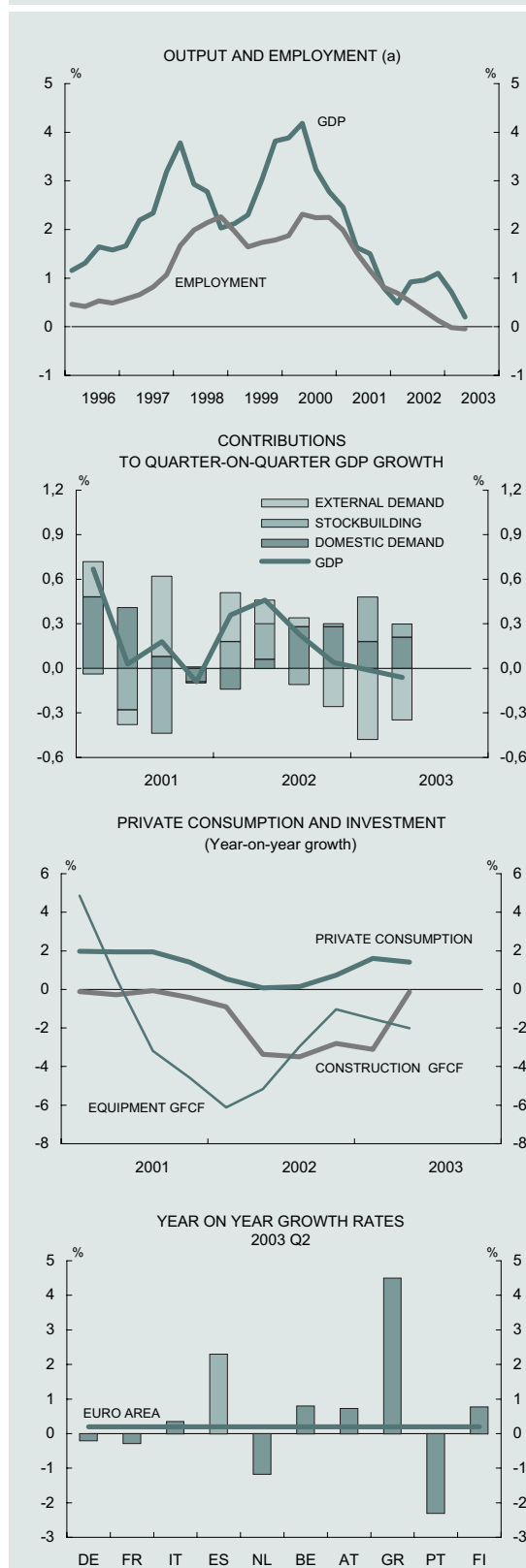
At the country level, the National Accounts figures for Q2 reveal that, among the ten euro area economies for which data are available, there was negative quarter-on-quarter growth of GDP in five of them, including the three largest, i.e. Germany (-0.1%), France (-0.3%) and Italy (-0.1%). In these three cases, the external sector's contribution to growth was negative (-0.5%, -0.2% and -0.7%, respectively). As regards domestic demand, private consumption and gross fixed capital formation posted near-zero growth in Germany and France, while Italy saw greater strength of private consumption and a certain recovery in investment which, nonetheless, continued to show a negative rate of expansion. Germany and Italy—as well as the Netherlands—recorded falls in GDP in at least two consecutive quarters, which is usually considered to denote a recession.

As far as the production branches are concerned, there was a notable contraction in value added in industry (excluding construction), which, after growing by 0.1% in the first three months of the year, fell by 0.8% in Q2. Meanwhile, construction, which expanded at a rate of 0.4%, recorded the first positive quarter-on-quarter growth rate since 2001 Q4. Finally, the value added in the services sector increased by 0.2%, similar to the rate in previous quarters.

The available activity indicators in 2003 Q3 point to slightly stronger GDP growth. As regards supply indicators, the services sector confidence indicators improved substantially in Q3, reflecting somewhat more favourable prospects than those of manufacturing industry. As for the latter, the Purchasing Managers' Index, which had decreased in every month of Q2, rose uninterruptedly throughout Q3 to a level above 50 in September, indicating that the survey respondents expect a recovery in manufacturing. Similarly, the industrial confidence indicator based on the survey conducted by the European Commission moved upward, albeit moderately, in Q3. The improvement from June to September was mostly due to the component relating to future production expectations, while the other two components (current orders and finished product inventories) scarcely changed between these two dates. Additionally, the survey contains a question (the response to which does not form part of the indicator) about the perception of how production has performed in the recent past, in which the improvement is even more hesitant. In this and other confidence surveys in recent years, the expectations of future performance have become decoupled from the assessment of the current situation. This decoupling is analysed in Box 1. In any event, it should be noted that the improvements in industrial confidence indicators have barely fed through to the quan-

CHART 8

Euro area national accounts

OUTPUT AND EMPLOYMENT (a)

CONTRIBUTIONS
TO QUARTER-ON-QUARTER GDP GROWTH

PRIVATE CONSUMPTION AND INVESTMENT
(Year-on-year growth)

YEAR ON YEAR GROWTH RATES
2003 Q2

Sources: Eurostat and national statistics.
(a) Year-on-year rates of change.

CHART 9

Euro area. Real indicators

INDUSTRIAL ACTIVITY INDICATORS

INDUSTRIAL
CONFIDENCE
(right-hand scale)

INDUSTRIAL
PRODUCTION (a)

MANUFACTURING
PMI

CONSUMPTION INDICATORS

CONSUMER
CONFIDENCE
(right-hand scale)

RETAIL
SALES (a)

INVESTMENT INDICATORS

CAPACITY
UTILISATION

ORDERS
(right-hand scale)

EXPORT INDICATORS

EXPORT
EXPECTATIONS

FOREIGN
ORDERS

EXTRA-EURO AREA
REAL EXPORTS
(right-hand scale)
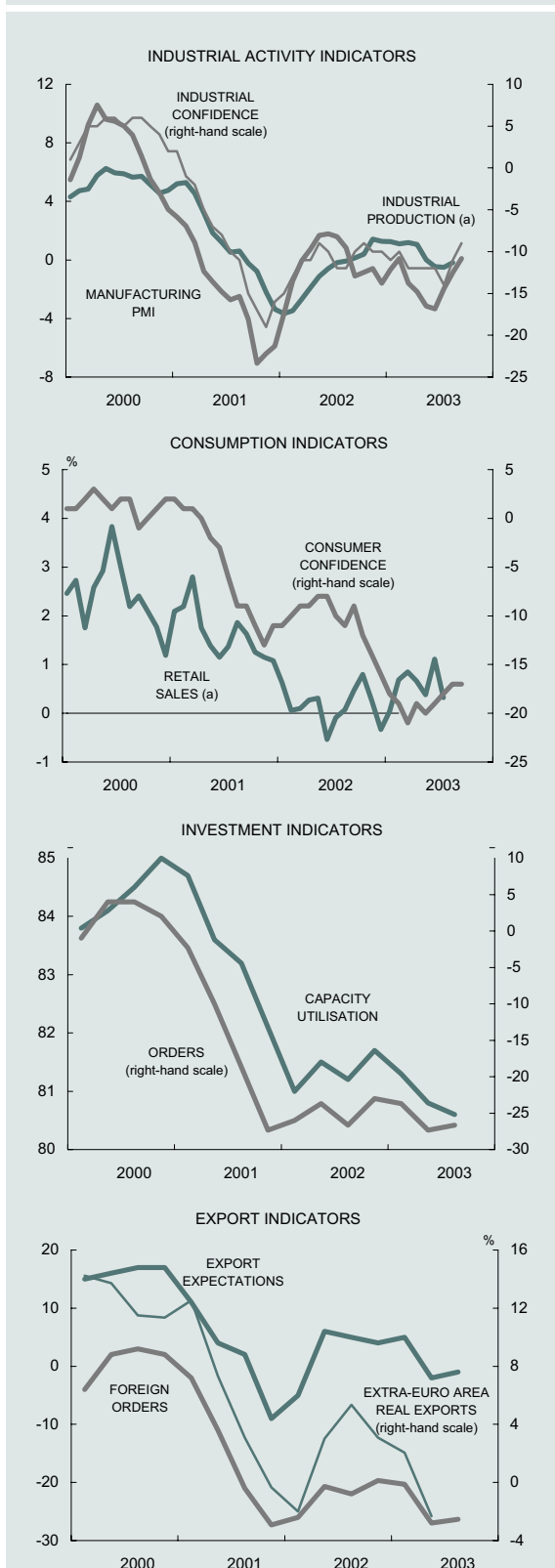
Sources: Eurostat and European Commission.
(a)   Non-centred annual percentage changes, calculated on the basis of the quarterly moving average of the seasonally adjusted series.

titative industrial indicators. Thus, although the industrial production index (excluding construction) moved erratically in July and August due to seasonal factors, overall consideration of the two figures together does not seem to suggest a substantial improvement.

On the demand side, the available indicators point to a modest recovery in Q3. In particular, the private consumption indicators generally posted minor rises. Thus the last few months have seen further improvement in the indicators based on the European Commission survey of consumer and retail confidence, following the upturn initiated in spring (see Chart 9). New car registrations also showed greater strength in the summer months. However, this buoyancy has not been observed so far in retail sales, which have tended to stagnate in recent months. Regarding demand for capital goods, the immediate outlook is not very optimistic, since for the time being neither capacity utilisation nor the assessment of orders by industrial firms themselves provide firm signs of recovery. Regarding external demand, the indicators of export expectations in industry and of orders from abroad held steady in Q3 after the deterioration in spring.

As far as the euro area labour market is concerned, in the April-June period employment remained stagnant for the fourth consecutive quarter. In year-on-year terms, net job creation turned negative in the first half of the year (albeit to an insignificant extent), something which had not happened since 1994. This scarcely affected the unemployment rate in the euro area: although the gradual upward trend of this variable since mid-2001 has not been interrupted, in August it remained at 8.8% of the working population, which was the level reached last March. As regards future prospects, during 2003 Q3 the indicators of employment expectations in the various branches of production obtained from the European Commission's opinion surveys have tended to stabilise in industry, rise in services and worsen slightly in construction (see bottom panel of Chart 10).

In short, based on the behaviour of the various indicators available, a moderate strengthening of euro area GDP growth in the second half of 2003 seems plausible, although there are no clear signs of which demand component will lead this increased buoyancy. In this respect, private consumption may be favoured by the low interest rates, by the wealth effect of house and stock market price increases and by the positive influence that currency appreciation and the foreseeable decline in inflation may have on household disposable income. However, the mediocre employment prospects and the

BOX 1

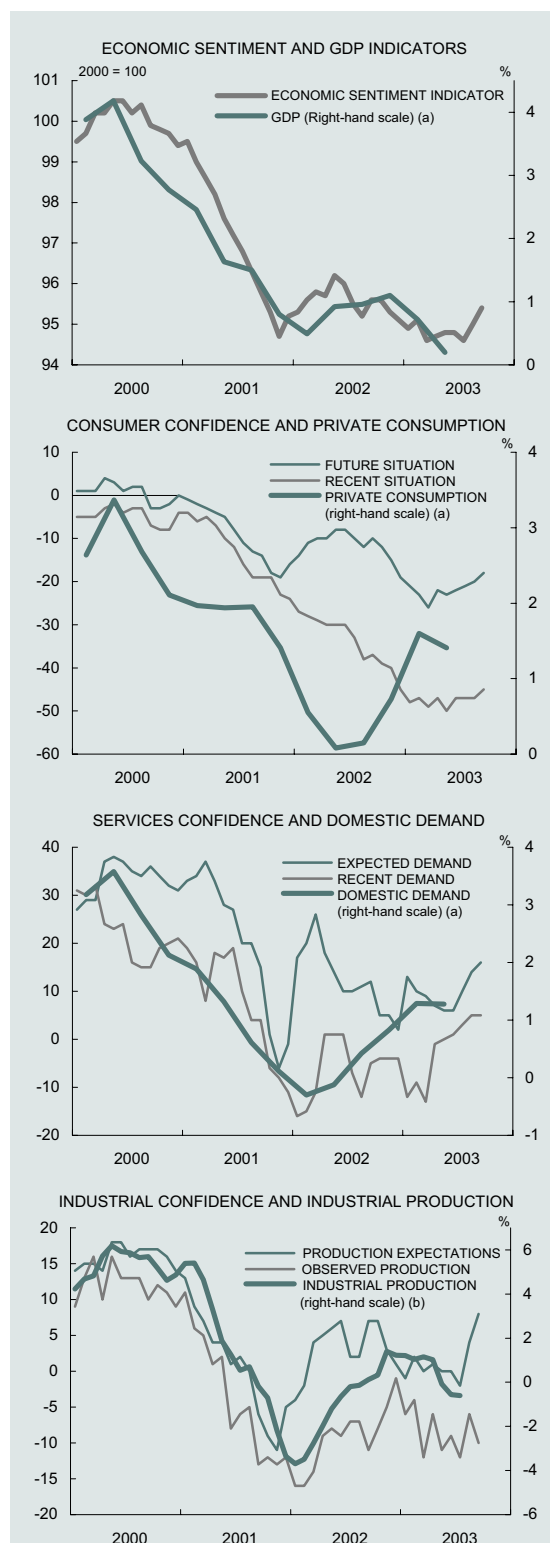**Recent behaviour of indicators of confidence and of economic recovery prospects in the euro area**

The confidence indicators reflecting the outcome of surveys conducted on private agents to gauge their perception of the economic situation tend to anticipate changes in activity. Surveys normally include questions asking for an assessment of the economic situation or of the performance of production or demand at the time the survey is conducted or in the recent past, as well as another type of question addressing future expectations. The differences in the answers to the two types of questions can be used to assess the information contained in the movements of the aggregate indicator. In principle, it seems reasonable to concede greater validity to an increase in confidence based on an increase in both types of indicator, whereas, for example, an increase based solely on more optimistic expectations may reverse if those expectations are frustrated.

The economic sentiment indicator compiled by the European Commission on the euro area—which summarises the consumer, industry, retail trade and construction confidence surveys—has improved in the most recent period, following a deterioration dating from mid-2002 (see the first panel of the accompanying chart). This improvement, which commenced in 2003 Q1 in the indicators relating to consumers, services (not included in the economic sentiment indicator) and retail trade, and which is as recent as 2003 Q3 in the case of industrial confidence, might be heralding a recovery in economic activity in the near future. However, similar behaviour of the economic sentiment indicator was seen in late 2001 and early 2002, and it was followed by a pick-up in the euro area GDP growth rate, but that improvement was short lived. This precedent casts doubt on the reliability of the signal currently being given by confidence surveys. To assess the quality of this signal, it is important to analyse the path followed in both periods by the indicators that measure expectations and those that reflect the current situation. They are shown in the accompanying charts together with the year-on-year rate of change of the economic variable to which they would be expected to be most closely related in each case.

As far as consumer confidence is concerned, the second panel shows how from end-2001 a decoupling took place between the perception of the economic situation in the near future, which improved, and the opinion about the recent past, which continued to deteriorate as it had been doing since the beginning of that year. Even so, the second half of the year saw a recovery in the growth rate of private consumption which, however, was limited to a low pace, slightly above 1%. By contrast, in 2003 the two indicators were more in step, holding steady at the beginning of the year and then both rising, more sharply in the case of the expectations indicator. In the services industry (see third panel), there was not such a large divergence, although the improvement in expected demand behaviour was earlier and sharper than that in observed behaviour, precisely the opposite to what has happened this year.

Finally, as seen in the bottom panel, the indicator of future expectations in industrial confidence rose sharply at end-2001. Months later, this rise was followed by an improvement in the assessment of the recent trend in production and by an increase in the rate of expansion of industrial production, although the latter was limited to a very moderate pace. The movement of these two indicators in recent months is somewhat similar to that in the first phase of the previous upturn, with the recent-trend indicator holding steady and significantly higher expectations.

Overall, although with due caution in the case of the industrial sector, it can be seen that the recent improvement in the opinion surveys is free of the gap between the perception of expectations and the perception of the current situation that existed last year. This permits the prospect of a nearby recovery in activity to be viewed with greater confidence.

ECONOMIC SENTIMENT AND GDP INDICATORS

CONSUMER CONFIDENCE AND PRIVATE CONSUMPTION

SERVICES CONFIDENCE AND DOMESTIC DEMAND

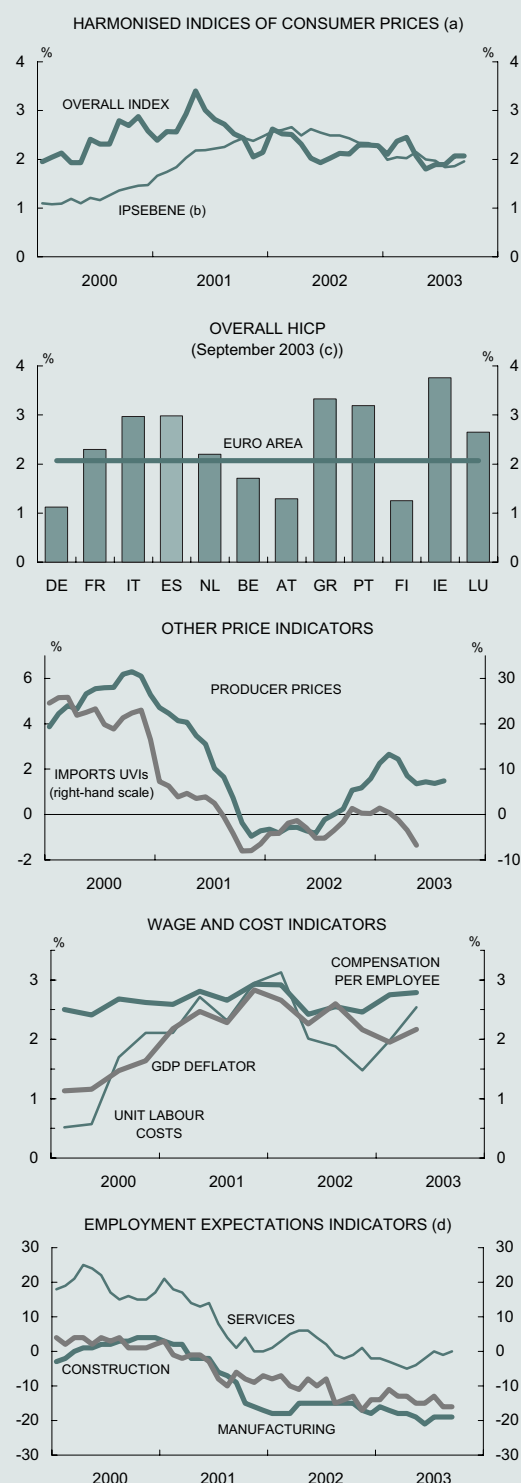INDUSTRIAL CONFIDENCE AND INDUSTRIAL PRODUCTION

Source: European Commission.
(a) Year-on-year rates of change.
(b) Year-on-year rates of change of the 3-month moving average.

CHART 10

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

HARMONISED INDICES OF CONSUMER PRICES (a)

OVERALL INDEX

IPSEBENE (b)

OVERALL HICP
(September 2003 (c))

EURO AREA

DE FR IT ES NL BE AT GR PT FI IE LU

OTHER PRICE INDICATORS

PRODUCER PRICES

IMPORTS UVIs
(right-hand scale)

WAGE AND COST INDICATORS

COMPENSATION
PER EMPLOYEE

GDP DEFLATOR

UNIT LABOUR
COSTS

EMPLOYMENT EXPECTATIONS INDICATORS (d)

SERVICES

CONSTRUCTION

MANUFACTURING

Sources: Eurostat and European Central Bank.
(a)   There is a break in January 2002 when the series were reba-sed to 2001.
(b)   Index of non-energy processed goods and services prices.
(c)   For the Netherlands and Greece, the data relate to August.
(d)   Expectations based on European Commission sentiment indi-cators.

difficulties in stabilising the budget position of certain countries are sources of uncertainty that may induce households to curb their spending. In the case of investment, although the low interest rates and a certain improvement in financial conditions make the situation favourable, it is uncertain to what extent firms have finished adjusting their balance sheets after the last period of debt accumulation. Finally, the stimulus to external demand coming from recovery in other geographical areas may be offset by currency appreciation.

Euro area consumer prices were characterised by a modest acceleration in the growth rate of the harmonised index of consumer prices (HICP) from 1.9% in June to 2.1% in September (see Chart 10). This was mainly due to a rise in unprocessed food prices (which, together with those of energy, are traditionally the most volatile) related to the impact of the high August temperatures on the production of these goods. The growth rate of the indicator of services and non-energy goods prices (IPSEBENE by its Spanish name) remained steady at 2% from June to September. Finally, the producer price index grew by 1.4% year-on-year in August, a similar rate of increase to that seen since May. Most notable among the components was the upward trend of the energy component, which countered the greater moderation in prices of other intermediate goods; the rates of change of the industrial producer prices of consumer and capital goods remained steady.

As regards the inflation outlook, there are certain factors acting to moderate price buoyancy, such as the persistently wide gap between the levels of potential and actual production, and the evidence that the currency appreciation has not yet completely fed through to the prices of imported goods (see Box 2). However, the behaviour of domestic costs casts some doubt on this outlook. In particular, the year-on-year growth of unit labour costs accelerated by 0.5 pp in each of the first two quarters of the year to 2.5% in the April-June period. The rise in Q2 was due almost entirely to the fall in the rate of expansion of apparent labour productivity (to 0.2%), against a background in which compensation per employee was growing at 2.8%. The GDP deflator grew by 2.2% in Q2, up 0.2 pp on Q1, so the acceleration of unit labour costs signified, in addition, a narrowing of business margins.

The uncertainty over oil price behaviour also has a significant bearing on the euro area's inflation outlook. In the recent period, the price of oil has remained high at around USD 30 per barrel. This mainly reflects a number of supply factors, including the difficulty in re-establishing the sup-

BOX 2

Effect of euro exchange rate fluctuations on extra- and intra-euro area imports

An appreciation of the nominal exchange rate of the euro means that, in principle, export firms located in non-euro area countries can lower the euro-denominated prices of their exports to the euro area, which stimulates the demand for imports from those countries. However, these firms will probably decide not to transfer in full the currency appreciation to their euro-denominated prices, so their margins per unit of product in their currency will widen and their gain in market share will be smaller than if the new euro-denominated price fully reflected the effect of appreciation. Meanwhile, faced with the loss of competitiveness represented by the appreciation of the euro, euro area firms whose production competes in the domestic market with imports from firms located outside the euro area can either maintain their prices, in which case they will probably lose market share, or, alternatively, they can reduce their prices (and therefore their margins) to contain the loss of competitiveness. The converse is true in the case of a depreciation of the euro. In practice, the extent to which the appreciation is transferred to the euro-denominated prices of firms located both inside and outside the euro area will depend on factors such as the competitive structure of the industry in which the exporter operates, the elasticity of demand faced by the exporter, the particular circumstances of domestic demand in the euro area and the perception (and subsequent confirmation) of the persistent or temporary nature of the exchange rate movements. Exchange rate fluctuations can thus be expected to induce changes in the price and volume of imports from other euro area countries and from the rest of the world (hereafter "intra euro area imports" and "extra euro area imports"), which will depend partly on the decisions adopted by firms in each area.

Based on the movements of the nominal effective exchange rate since 1999, three stages can be distinguished: the first encompasses the first two years of the euro area's existence and is characterised by a substantial depreciation of the euro's nominal effective exchange rate (NEER); the second, extending up to 2002 Q1, featured a fairly steady NEER; and the third has been a period of sharp appreciation of the euro, amounting to nearly 20% in NEER terms, from the spring of 2002 to the present.

What first meets the eye in the top panel of the accompanying chart is the parallel movement, from one period to the next, of intra- and extra-euro area imports despite the sharp exchange rate fluctuations. This suggests that demand considerations may be more important than exchange rate movements in explaining import behaviour. However, the changes in the composition of imports by origin are significant and may be attributable to exchange rate fluctuations and, particularly, to decisions to transfer these exchange rate movements to import prices.

The first stage saw somewhat lower growth of extra-euro area imports, although the difference with respect to the increase in intra-euro area imports seems to be slight if the sharp depreciation of the euro in that period is taken into account. This was basically because the prices of intra-euro area imports rose substantially, which limited the competitiveness gains of firms located in the euro area, although these prices grew less than those of competitors (see bottom panel). The strength of domestic euro area demand obviously may have been a factor fuelling price rises in imports regardless of their origin.

The middle period saw a larger relative fall in intra-euro area imports, probably because of their simultaneous rise in price, which, in a situation of exchange rate stability, could be linked to the gradual transfer to European domestic costs of the previous euro depreciation and the sharp oil price rise.

Finally, in the third stage extra-euro area imports behaved somewhat better because the appreciation of the euro enabled firms in the rest of the world to lower their export prices to the euro area, although they only did so by approximately one-third of the change in the exchange rate, so these producers simultaneously widened their margins substantially. Intra-euro area exporters also attempted to react to the stronger euro, but any price compression that they may have introduced has been considerably more limited, so they have had to face a loss of competitiveness and of market share.

NON-ENERGY IMPORTS (a)

INTRA-EURO AREA IMPORTS
EXTRA-EURO AREA IMPORTS

Jan 99-Dec 00   Jan 01-Mar 02   Apr 02-Apr 03

UVIs OF NON-ENERGY IMPORTS AND EURO NEER (a) (b)

INTRA-EURO AREA UVIs
EXTRA-EURO AREA UVIs
NEER

Jan 99-Dec 00   Jan 01-Mar 02   Apr 02-Apr 03

Sources: Eurostat and ECB.
(a)   Rates of change in each period.
(b)   Inverted scale, i.e. depreciation (appreciation) of the NEER is represented here with a positive (negative) sign.

TABLE 1

Euro area economic indicators

	2002				2003			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3 (a)	Q4 (b)
GDP								
Year-on-year growth	0.5	0.9	1.0	1.1	0.7	0.2		
Quarter-on-quarter growth	0.4	0.5	0.2	0.0	0.0	-0.1		
European Commission forecasts (c)							(0.0; 0.4)	(0.2; 0.6)
IPI (d)	-2.6	-0.6	-0.2	1.3	1.1	*-0.3*	0.3	
Economic sentiment	95.6	96.0	95.4	95.3	94.9	94.8	95.0	
Industrial confidence	-13.0	-10.0	-11.3	-9.7	-11.0	-12.0	-11.4	
Manufacturing PMI	48.3	51.4	50.5	49.0	49.3	47.1	49.1	
Services confidence	3.0	5.3	-0.7	-4.3	-5.7	-2.0	5.3	
Services PMI	52.1	52.9	50.9	50.5	48.9	47.9	51.9	
Unemployment rate	8.2	8.3	8.5	8.6	8.7	8.8	8.8	
Consumer confidence	-10.0	-8.3	-10.0	-14.0	-19.3	-19.3	-17.3	
HICP (d) (e)	2.5	1.9	2.1	2.3	2.4	1.9	2.1	
PPI (d) (e)	-0.6	-0.8	0.3	1.6	2.5	1.4	1.5	
Oil price in USD (e)	23.7	24.1	28.4	28.2	30.3	27.6	27.1	29.9
Loans to the private sector (d) (e)	5.5	5.4	5.1	4.8	4.7	4.5	5.0	
Euro area ten-year bond yield	5.1	5.3	4.8	4.5	4.2	4.0	4.2	4.3
US-euro area ten-year bond spread	-0.01	-0.10	-0.46	-0.51	-0.22	-0.32	0.09	0.03
Dollar/euro exchange rate (e)	0.872	0.998	0.986	1.049	1.090	1.143	1.165	1.179
Appreciation/Depreciation of the euro (e)	-1.0	13.2	11.9	19.0	3.9	9.0	11.1	12.4
Dow Jones EURO STOXX Broad index (e)	1.6	-15.2	-39.1	-34.5	-12.9	2.9	4.1	9.1

Sources: Eurostat, ECB and Banco de España.
(a) The information in italics does not cover a full quarter.
(b) Information available up to 23 October 2003.
(c) Quarter-on-quarter growth forecasts.
(d) Year-on-year growth.
(e) End-period data. Figures for exchange rate and the stock market are percentage changes over the year.

ply of Iraqi crude oil, the impact of the Nigerian and Venezuelan political crises on production in these countries and the OPEC's decision to reduce the quotas of its member countries. Moreover, US oil stocks are below their usual levels for this time of the year.

The euro area's cumulative surplus on current account in the twelve-month period ended in August 2003 amounted to €33.9 m, thereby continuing the decline initiated following the high of €67 m in 2002 Q4. This backslide is explained by the smaller surplus on the goods balance due to lower export volumes and prices as a result of currency appreciation, while the nominal level of imports remained unchanged. The decline in the cumulative twelve-month basic balance from December 2002 to August 2003 was more pronounced (down from €129 m to €59.6 m), mainly as a consequence of a lower net inflow of portfolio investment, while the lower net outflow of direct investment and the deterioration of the current account balance tended to offset each other.

With regard to fiscal policy, the estimates revealed by certain governments and the most recent budget outturn information suggest that in many cases the 2003 budget deficits will clearly exceed the levels projected in Stability Programmes and will even be higher those estimated by the European Commission last spring. This largely reflects the downward revision of economic growth in a large number of countries, which has basically manifested itself in lower tax revenue, although also in higher social protection expenditure. In some cases, however, the deterioration in public finances is also partly attributable to the measures taken to stimulate activity, particularly tax cuts. However, these actions may not serve their purpose if they lead to a deterioration of the budget position, since conceivably private agents may decide not to use the resulting additional disposable income to spend more, but rather to save more for precautionary reasons. In these circumstances, it is particularly important to take consolidation measures to ensure compliance with the Stability and Growth Pact and maintain its credibility,

CHART 11

Euro area interest rates

ECB INTEREST RATES

MARGINAL LENDING FACILITY

DEPOSIT FACILITY

MINIMUM BID RATE IN MROs
EONIA

Jan 02   Apr 02   Jul 02   Oct 02   Jan 03   Apr 03   Jul 03   Oct 03

INTERBANK MARKET
(monthly average)

JUNE 2003
AUGUST 2003
1-23 OCTOBER 2003

EONIA   1 month   3 months   6 months   9 months   1 year

EURIBOR

ZERO COUPON CURVE (a)

30 JUNE 2003
29 AUGUST 2003
23 OCTOBER 2003

0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15
years

TERM STRUCTURE
OF 1-MONTH FORWARD RATES (b)

30 JUNE 2003
29 AUGUST 2003
23 OCTOBER 2003

0   1   2   3   4   5   6   7   8   9   10   11
months

Sources: Banco de España and European Central Bank.
(a)   Estimated using swap market data.
(b)   Estimated using Euribor data.

CHART 12

Euro area interest rates. exchange rate and stock market index

BANK. MONEY MARKET AND
DEBT MARKET INTEREST RATES
(Monthly average)

HOUSING LOANS
TO HOUSEHOLDS

LENDING
TO FIRMS AT
OVER 1 YEAR

3-MONTH
EURIBOR

10-YEAR
BONDS

BANK DEPOSITS
UP TO 2 YEARS

2000   2001   2002   2003

NOMINAL EURO EXCHANGE RATES

1999 Q1 = 100   Dollar/euro

DOLLAR
(right-hand scale)

NEER (a)

Jan 02   Apr 02   Jul 02   Oct 02   Jan 03   Apr 03   Jul 03   Oct 03

EURO STOXX BROAD INDEX

Jan 02   Apr 02   Jul 02   Oct 02   Jan 03   Apr 03   Jul 03   Oct 03

Sources: Banco de España and European Central Bank.
(a)   Nominal effective exchange rate index. Narrow group of currencies defined by the ECB.

TABLE 2

General government budget balances of euro area countries (a)

% of GDP

	2000	2001	2002	2003 (b)	2003 (c)
Belgium	0.2	0.4	0.1	0.0	0.2
Germany	-1.2	-2.8	-3.5	-2.8	-4.2
Greece	-1.9	-2.0	-1.2	-0.9	-1.7
Spain	-0.9	-0.3	0.1	0.0	0.0
France	-1.4	-1.6	-3.1	-2.6	-4.2
Ireland	4.4	0.9	-0.4	-0.7	-0.9
Italy	-1.8	-2.6	-2.3	-1.5	-2.6
Luxembourg	6.4	6.1	2.5	-0.3	-0.6
Netherlands	1.5	0.0	-1.6	-1.0	-2.6
Austria	-1.9	0.3	-0.2	-1.3	-1.0
Portugal	-3.1	-4.2	-2.7	-2.4	-2.9
Finland	7.1	5.2	4.2	2.7	2.4
MEMORANDUM ITEM:					
Euro area					
Primary balance	4.2	2.3	1.4		0.7
Total balance	-0.9	-1.6	-2.2	-1.8	-2.8
Public debt	69.5	69.2	69.0	68.6	70.4

Sources: European Commission and national stability programmes.

(a)   As a percentage of GDP. Proceeds from the sale of UMTS licences not included. Deficit (-) / surplus (+). The deficits that exceed 3% of GDP have been shaded.

(b) Targets of the stability programmes presented between November 2002 and January 2003.

(c) European Commission forecasts (spring 2003).

thereby fomenting long-term growth. Accordingly, the German government proposed measures, most of which have yet to be approved by parliament, including the rescheduling of the income tax cut initially planned for 2005 to an earlier date in 2004, the elimination of certain tax deductions, a tax amnesty for repatriated capital, extensive reform of the unemployment benefits system, changes in the pension system and diverse measures to contain health care expenditure.

The excessive deficit procedure initiated against France on 3 June gave the French government four months to adopt corrective measures. At the end of this period, the European Commission judged the measures taken—which included raising indirect taxes and reforming the pension system—to be insufficient to reduce the nominal deficit to less than 3% in 2004. In fact, the French draft budget envisages budget deficits of 4% of GDP in 2003 and of 3.6% of GDP in 2004. Furthermore, the French government has revised upwards by 1 pp to 61.4% its forecast, prepared in June, of the 2003 debt ratio. Under Article 104.8 of the Treaty establishing the European Community, the European Commission will submit to the next ECOFIN Council meeting on 4 November a recommendation that the Council decide that France has

not taken effective measures to remedy its excessive deficit before 2004. Also, further to the steps established in the excessive deficit procedure and in accordance with Article 104.9 of the Treaty, the European Commission has presented another recommendation to the Council, this time that it insist on the adoption by France of measures permitting the deficit to be reduced below 3% of GDP. The European Commission's recommendation acknowledges the negative impact of the cyclical slowdown on the French budget position and the adjustment effort planned for 2004 and proposes extending by one year, i.e. to 2005, the deadline set for remedying the excessive deficit. However, it requires a greater adjustment of the cyclically adjusted budget balance in 2004 and 2005, the specification before 15 December 2003 of the measures to be adopted for this purpose and the compulsory closer surveillance of the French government via regular reports on budgetary developments.

3.2. Monetary and financial developments

As mentioned above, recent economic behaviour has been characterised by an inflation outlook that has remained in line with the ECB's definition of price stability and by heightened

confidence in the recovery of economic activity, although doubts persist about how strong it will be. Against this background, the ECB Governing Council decided to hold official interest rates unchanged in Q3. Thus the minimum bid rate on main refinancing operations has remained at the level of 2% agreed on June 5.

As shown by the second panel of Chart 11, the slightly negative slope of the money market yield curve in June turned positive later on. By the end of the third week, the spread between the one-year term and shorter terms was approximately 30 basis points.
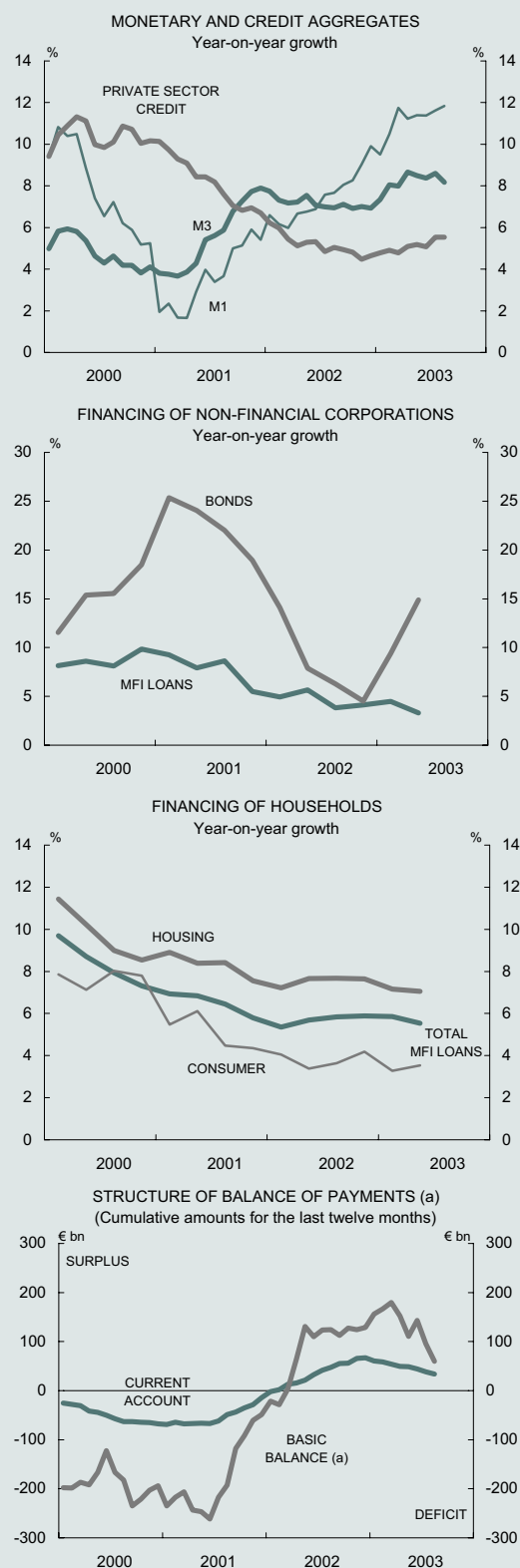
These interbank market developments fed through to the one-month forward yield curve, which in the third week of October reflected moderate expectations of an upturn in interest rates some time towards next spring.

After a low of around 3.6% in June, ten-year yields on euro area debt markets started to increase and stood at 4.3% at the time of this Bulletin going to press. This might reflect greater optimism by market participants about euro area growth prospects (see Chart 12). In the period addressed by this Bulletin, the yields on US debt securities of the same term fluctuated more widely and, as a result, the spread with respect to the euro area (minus 40 basis points in June) turned positive with a high of the same magnitude in the second half of August, subsequently decreasing to zero.

The interest rates applied by euro area credit institutions to transactions with their customers decreased until July. However, in August (the latest available observation), whereas the rates on loans of up to a one-year and on deposits continued to fall, the rates on business loans at over one year and on home purchase loans turned upward for the first time since mid-2002. This may be connected with the increase in long-term rates on debt markets.

On euro area stock markets, the rally initiated in mid-March continued up to the beginning of September, when a moderate correction commenced. This adjustment, absent on the US stock market, coincided with a period of more rapid appreciation of the euro exchange rate, giving rise to conjecture that it may have been related to a downward revision of the earnings expectations of the euro area firms most highly exposed to exchange rate movements against the dollar, namely exporters and firms that have made direct investments in the United States in recent years. In any event, during October the European stock markets tended to recoup the ground lost in September. Between the March lows and the

CHART 13

Monetary and credit aggregates and balance of payments

MONETARY AND CREDIT AGGREGATES
Year-on-year growth

FINANCING OF NON-FINANCIAL CORPORATIONS
Year-on-year growth

FINANCING OF HOUSEHOLDS
Year-on-year growth

STRUCTURE OF BALANCE OF PAYMENTS (a)
(Cumulative amounts for the last twelve months)

Sources: Banco de España and European Central Bank.
(a)   The basic balance is approximated by the sum of the balance on current account and direct and portfolio investment.

time of this Bulletin going to press, the Euro STOXX broad index gained more than 35%.

The behaviour of the euro exchange rate on the foreign exchange markets in recent months can be divided into two clearly distinct phases. At the beginning of June the euro started to gradually weaken against the dollar and, to a lesser extent, against the currencies of the euro area's main trading partners. This depreciation, which lasted until early September, might have been related to the improved growth prospects of the US economy. However, this process subsequently reversed, largely because of the communication issued following the G-7 meeting in Dubai that greater exchange rate flexibility was desirable to facilitate orderly adjustment of global imbalances. Since the beginning of the year, the euro has appreciated against the dollar by approximately 13% in bilateral terms and by 8% in nominal effective terms.

Although the M3 monetary aggregate sustained high growth rates in July and August, similar to those in Q2, the year-on-year rate slowed in August by 0.4 pp to 8.2%. In September, M3 again decelerated, the year-on-year rate being 7.4%. The abatement of uncertainty on financial markets may have motivated a certain portfolio reallocation from higher liquidity, lower risk assets towards long-term financial assets.

Meanwhile, the growth of credit to resident private agents picked up slightly in Q3, standing at 5.5% year-on-year in September, which may be a sign that euro area economic activity is recovering against a background of favourable financing conditions (see Chart 13). The results of the Bank Lending Survey conducted by the European Central Bank suggest that, although euro area credit institutions as a whole continued to tighten the terms of loans to firms and households in Q2, a lower proportion of institutions declared that they had done so. Moreover, a lower number of institutions expected the supply of financing to firms to decrease in Q3. That said, a reminder is given that these results should be interpreted with caution and, in particular, that it is risky to use them to assess the behaviour of activity, given the short history of this Survey.

4. The Spanish economy

On QNA figures, domestic demand in the Spanish economy held at a stable real growth rate of 3.2% year-on-year in Q2. This was the result of the renewed buoyancy of construction spending and investment in equipment, and of the sustained growth of final consumption, which reflected a slight acceleration in private consumption and less expansionary government consumption (see Chart 14). The negative contribution of the external sector to GDP growth diminished by 0.1 pp, but remained substantial (–1 pp), giving rise to a year-on-year change in GDP of 2.3%, 0.1 pp up on the figure for Q1. The information available for Q3 points to marginally more expansionary behaviour by domestic demand (3.3% year-on-year), underpinned by the ongoing growth of private consumption and investment in construction, and by a more neutral contribution from stock-building, compared with its slightly negative value in the previous quarter. The negative contribution of the external sector to growth will have stepped up 0.1 pp, against the background of the diminishing momentum of imports and, to a greater extent, exports. Consequently, GDP is estimated to have grown at a real rate of 2.3% in Q3 compared with same period in 2002.

From the standpoint of value added, activity improved in Q2 in virtually all the productive branches. The rate of decline in agriculture was cut significantly, construction was boosted, taking its year-on-year growth rate to 4.1%, and the pace of services as a whole increased, with market services proving notably buoyant. However, in industry, excluding energy, the growth rate fell off. According to the indicators available, there was a further slowdown in industry in Q3, while growth in construction tended to stabilise and that in market services dipped slightly. Conversely, the ongoing pick-up in agriculture continued and energy production forged ahead, driven by the summer heat wave.

Against this backdrop, employment trended most steadily during the first three quarters of the year. The mild acceleration seen in Q2 continued into Q3, when a year-on-year increase of 1.7% was posted. The employment-generating capacity of Spanish growth thus remains high and, consequently, headway in apparent labour productivity remains limited. Nonetheless, employment developments across the different branches of activity are not uniform, as job-creation has been concentrated in construction and in services.

Wage growth in the first half of 2003 was influenced by an acceleration in wage rates and by payments arising under indexation clauses relating to 2002, which meant that compensa-

CHART 14

Main demand aggregates
Percentage change on year ago

NATIONAL DEMAND

EXTERNAL SECTOR
CONTRIBUTION

CONSUMPTION OF HOUSEHOLDS AND NPISHs

GROSS FIXED CAPITAL FORMATION: EQUIPMENT

GROSS FIXED CAPITAL FORMATION: CONSTRUCTION

BASED ON SEASONALLY ADJUSTED SERIES

BASED ON TREND-CYCLE SERIES
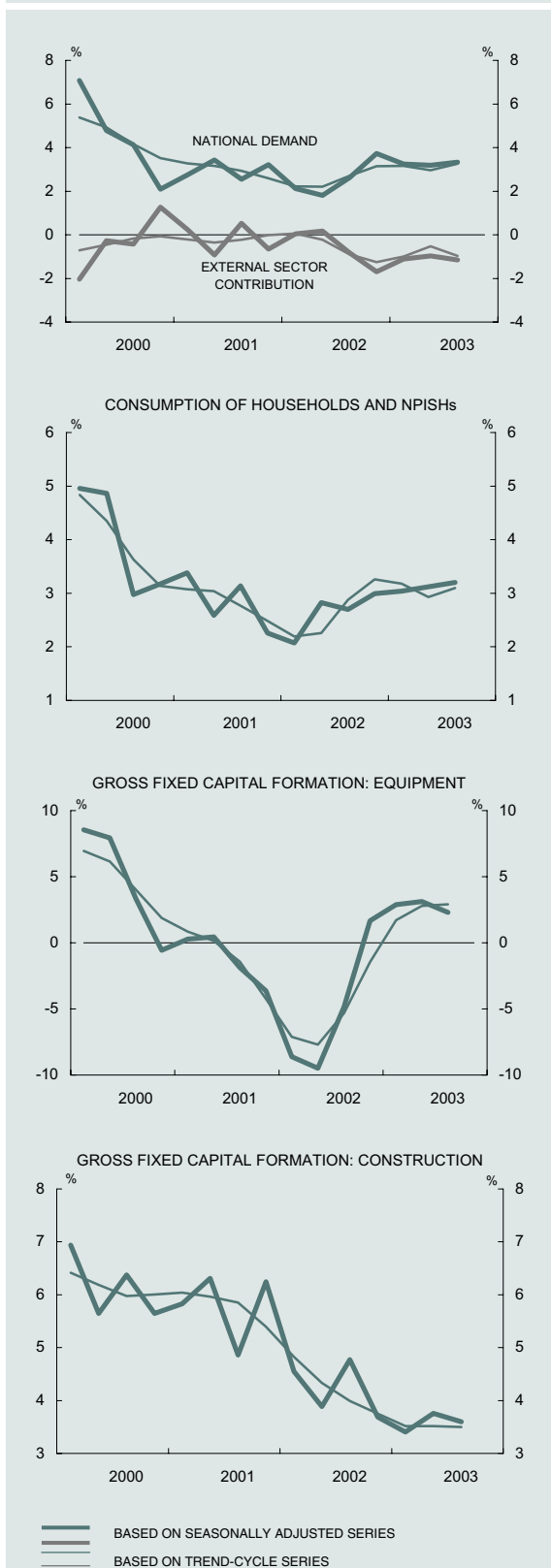
Sources: Instituto Nacional de Estadística and Banco de España.

tion per employee had already accelerated in Q1. Although this acceleration eased off slightly in Q2, it has fed through to unit labour costs, which have tended to quicken. By branch of activity, this behaviour of costs was most marked in construction and in services, while the contraction in employment in other activities (such as industry) offset the bigger rise in compensation. Overall, the expansionary trend of business margins in the market economy has lost momentum in the period to date in 2003. A further contributing factor here has been the lower growth of prices, as illustrated by the CPI, whose rate of change moderated in the first half of the year to level off subsequently at a rate close to 3%.

4.1. Demand

On QNA estimates, household final consumption spending quickened slightly in Q2 to a year-on-year rate of 3.1% in real terms. The latest information, relating to the summer months, suggests this mild acceleration will have run into Q3, giving rise to a rate of increase of 3.2% compared with the same quarter a year earlier. The buoyancy of private consumption so far in 2003 has been mainly based on the sound growth of household real disposable income, adding to which has been the persistence of generous financial conditions and the emergence of real net wealth gains in this sector. Moreover, this set of factors has come into play against the background of the progressive improvement in consumers' perception of the economic situation.

Among the most up-to-date indicators of private consumption (depicted in Chart 15), the apparent consumption of goods and services has held on a rising trend throughout the year to date, driven mainly by the expansionary behaviour of services and the food goods component, while the pace of the component of non-food goods has tended to ease. Other indicators confirm this pattern. The rising trend seen since the start of Q2 in the retail sales index, in real terms, came to a halt in August, giving rise to a course of stability very close to that reflected by the retail trade confidence indicator. This halt in the recovery by the sales index originated in the slowdown in sales of non-food goods. New car registrations, for their part, have increased notably in Q3, entrenching the recovery seen in the previous quarter. The course of this variable is in contrast to that of overall durable goods, the apparent consumption of which has tended to moderate, in line with the opinions expressed by consumers on the timeliness of purchasing these types of goods.

The main determinants of private consumption remained favourable, in a situation marked (see the lower panel of Chart 15) by the progressive increase in consumer confidence after it had touched bottom at the start of 2003. Underpinning this confidence are improved expectations about the economic situation and unemployment developments. Two factors are contributing to the growth of real disposable income in 2003: first, the more moderate behaviour of consumer prices; and further, the ongoing increase in employment, the rise in compensation per employee – based on a somewhat greater increase in wage rates and on the payments arising under the indexation clauses relating to 2002 – and the personal income tax reform, introduced at the start of the year. Nonetheless, other income components are exerting a negative contribution, such as interest payments. Overall, it is estimated that real disposable income is still growing at high rates, similar to those observed in 2002. And households, meanwhile, are expected to earmark part of this growth to financing greater consumption, although they have also continued restoring their saving ratio, after this reached a low in 2001. The continuing rise in real-estate assets, which has been joined in recent quarters by the stock market rally, means that net household wealth will once again be an additional prop to consumption, against a background of generous financing conditions.

In 2003 Q2, general government final consumption grew by 3.6% year-on-year, 0.3 pp down on the previous quarter. This slight slowdown may have run into Q3, in line with the relative containment of spending on wages and salaries that continues to be seen in the budget outturn.

Gross fixed capital formation grew at a rate of 3.4% in real terms in Q2 in relation to the same quarter a year earlier, 0.3 pp up on Q1. This saw the continuation of the path of recovery initiated in the summer of 2002. The buoyancy of investment was common to all its components: capital goods grew at a rate of 3.1% year-on-year, while spending on construction climbed by 3.8%, 0.4 pp up on the figure for Q1. Investment in other products – which mostly includes spending on services related to construction – likewise rebounded. However, the indicators point to a pause in this rising path during Q3, which will have affected investment in capital goods to a greater extent, as shown in Chart 14.

The slowdown in investment in equipment in year-on-year terms arises, in part, from the strong recovery in this aggregate in 2002 Q3, which has not been repeated this year. But it is

CHART 15

Private consumption indicators

APPARENT CONSUMPTION INDICATORS (a)

SPENDING INDICATORS (a)

CONSUMER DURABLES INDICATORS (a)

CONFIDENCE INDICATORS
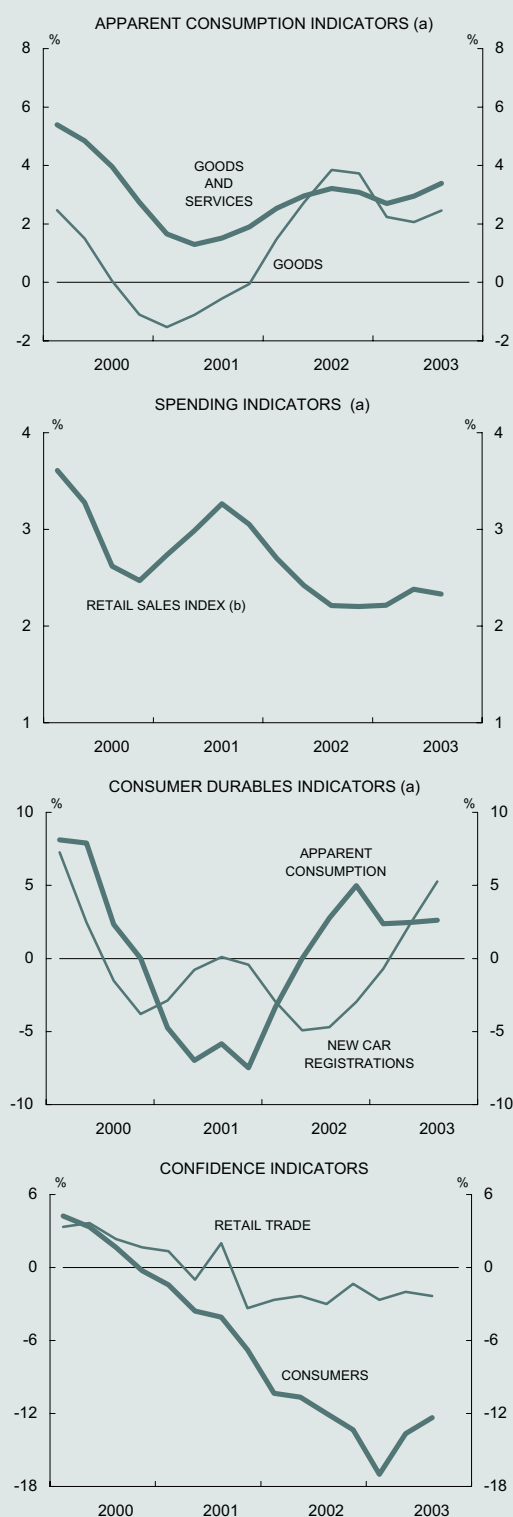
Sources: Instituto Nacional de Estadística, European Commission, Dirección General de Tráfico and Banco de España.
(a) Non-centred year-on-year percentage change, based on the trend of the indicator.
(b) Deflated by the CPI.

CHART 16

**Gross fixed capital
formation indicators**

INDICATOR OF APPARENT INVESTMENT
IN CAPITAL GOODS (a)

TOTAL ORDER BOOKS IN
INDUSTRY (b)

LEADING INDICATORS OF CONSTRUCTION (c)

EUR m

GOVERNMENT PROCUREMENT OF CIVIL
ENGINEERING WORKS
(Left-hand scale)

CONSTRUCTION PERMITS FOR
RESIDENTIAL BUILDING
(Right-hand scale)

APPARENT CONSUMPTION
OF CEMENT (a)

SOCIAL SECURITY
REGISTRATIONS
IN CONSTRUCTION (a)
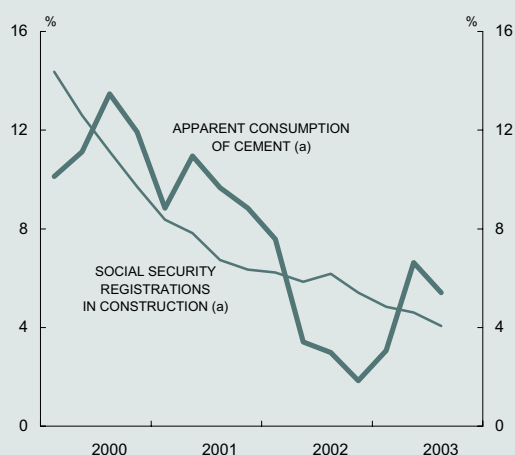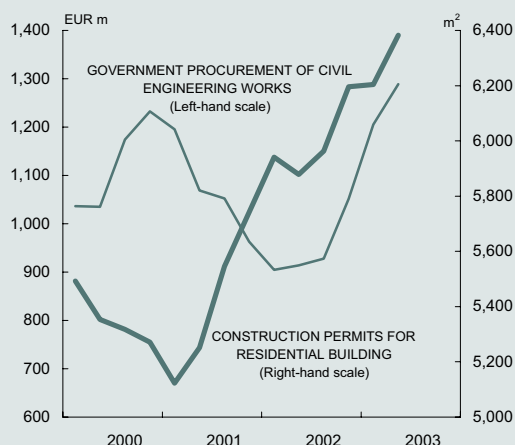
Sources: Instituto Nacional de Estadística, European Commission, Ministerio de Fomento, OFICEMEN, Instituto Nacional de Empleo and Banco de España.

(a) Non-centred year-on-year rates based on the trend of the indicator.

(b) Level of original series.

(c) Annual moving averages.

no doubt also due to greater caution in committing investment, given the as yet hesitant recovery in the European economy and the loss of momentum of exports.

In any event, this profile is reflected in most of the short-term economic information available (see Chart 16). The index of apparent investment in capital goods, calculated with information for Q3 which is not yet complete, has slowed – as a result mainly of the falling off of domestic output – and, in line with this trend, both the business confidence indicator and orders in the investment good-producing industry slipped in July and August. Turning to the information on more general demand-side conditions, although capacity utilisation in industry surged in Q3 to stand more than one percentage point above its historical average, the business confidence indicator worsened in September since the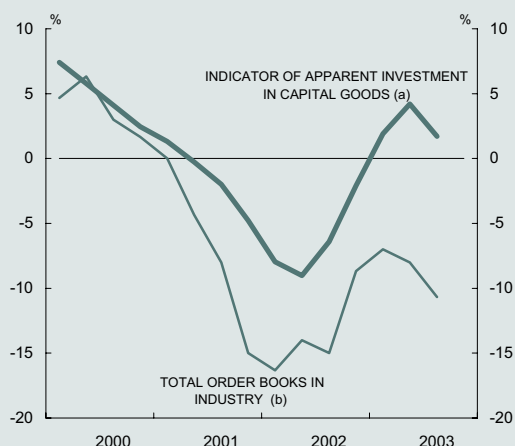 production outlook for the coming 12 months was revised downwards and orders deteriorated. Likewise, the qualitative results from other surveys have reflected a degree of stability in investment, although the more forward-looking surveys continue to reflect expectations of growth.

The information from the Banco de España Central Balance Sheet Data Office quarterly survey for the first half of 2003 shows that the return on investment of the non-financial corporations represented in its sample has stabilised at a high level, while the cost of borrowing has fallen slightly (in step with the prevailing financing conditions), giving rise to a wider spread between the return on investment and cost of debt ratios compared with the first half of 2002. This wider spread, which has arisen against a background of recovery marked by a rise in activity and a certain increase in debt, illustrates the sound financial position from which Spanish corporations are facing the phase of recovery.

After having moved on a more or less pronounced slowing path since 2001, the year-on-year growth rate of investment in construction has tended to stabilise since end-2002. In step with this trend have been a slight acceleration in this aggregate in 2003 Q2 and a likewise slight slowdown estimated for Q3 (see Chart 14). The most coincident indicators of construction activity have weakened in Q3. Thus, following the notable falls in the output of certain materials used in construction and the decline in the apparent consumption of cement in August (which might stem partly from the energy restrictions during the heat wave), the September figure for the latter variable has confirmed its slowdown. The indicators of employment in this sector show a loss of buoyancy, compared with Q2,

despite the favourable movements in September (see Chart 16).

The indicators of construction project starts have, however, been expansionary in the period to date in 2003. In particular, housing starts, which had resumed positive growth rates in the summer of 2002, increased notably in the first half of 2003. That is in step with the increase in the surface area of residential building to be constructed per the statistics on building permits and approvals (with increases of 24.5% to April, in the first case, and of 22% for the whole of the first half of 2003 in the second case). This information would augur a somewhat higher pace of growth for residential investment in the coming quarters, in step with the trend of household disposable income, in a setting in which financing conditions remain very favourable.

The data on the surface area of non-residential building to be constructed, drawn from the leading indicators, would ultimately point to a modest recovery in this type of work, compared with 2002, while the value of general government tenders shows a cumulative increase of 17% to May, owing to the renewed momentum of civil engineering works.

On QNA results, investment in stockbuilding in 2003 Q2 subtracted 0.1 pp from the year-on-year growth of GDP. The information from the monthly business survey to September reflects an increase in stocks of finished products, and it is estimated that the contribution of this item to GDP growth may have been marginally positive in Q3.

According to QNA data, net external demand in 2003 Q2 subtracted 1 pp from real GDP growth in a context in which real foreign trade flows accelerated significantly in year-on-year terms, most sharply so in the case of exports of goods and services (see Chart 17). Part of this strong growth was due to the low level of exports and imports in the comparative period in 2002 Q2, while part reflected a genuine acceleration. The latter is difficult to explain in the case of exports, since the delay in worldwide activity taking off prompted a further slowdown in global trade during this period, and the indicators of competitiveness recorded fresh losses against the developed countries as a whole owing to the strength of the euro and in spite of the fall in export prices. The as yet incomplete information for 2003 Q3 points to slightly more contractionary net external demand, accompanied by considerable easing in the growth of trade, against a background marked by diminished uncertainty about the recovery in the world economy. In any event, part of the easing in the year-on-year rate could once again be explained

by a base effect, arising from the strong quarter-on-quarter pick-up in exports and imports of goods in the summer of 2002.

On QNA figures, the rate of increase of goods exports quickened in 2003 Q2 to 10.1% compared with the same quarter a year earlier, thus intensifying the recovery that began in mid-2002. The information from customs data for July – when exports climbed by a real year-on-year rate of 3.4% – points, however, to a moderation in the rate of increase in exports, sharper in the case of sales to the EU but significant, too, in exports to non-Community markets. While this information, relating to a single month, should be viewed with caution, it is not only consistent with the above-mentioned base effect but also with the continuing slackness of the euro area economies (Spain's main export markets) and with our diminished competitiveness vis-à-vis other markets, deriving from the sharp appreciation of the euro. Specifically, sales to Community markets increased by 1.5% in real terms in July, after posting a figure of 10.6% in Q2. The slowdown was common to all markets, although sales to Germany remained buoyant. Non-Community exports rose by a real rate of 7.3% in July, 5 pp down on the figure for Q2. Of note was the poor performance (in nominal terms) of exports to Latin America, the south-east Asian countries and OPEC. In terms of product groups, exports of capital goods remained notably resilient in July, as did car sales.

The QNA-estimated pick-up in real exports of services in Q2 reflects the slightly expansionary behaviour of non-resident consumption in this period, which increased by a year-on-year rate of 1.5% after having slipped by 4% in Q1. This recovery is consistent with the gradual normalisation of the world tourist market, following the end of the war in Iraq and the receding of the SARS outbreak. The pick-up came about, however, despite the fact that the growth of Spanish tourism prices, combined with the appreciation of the euro, prompted a further deterioration in Spanish competitiveness vis-à-vis our main customers. But the tourism indicators, which duly reflected the improvement in Q2, show that this tendency was checked during the summer months: foreign visitors lodged in hotels and the related number of overnight stays held on an improving line until August, but there was a turnaround in September when overnight stays fell back by 1.8% year-on-year, and stays by foreign visitors in camping sites and tourist apartments also contracted. Tourist arrivals at frontiers were also slack; in the first eight months of the year there was no change in relation to the same period a year earlier, after a decline of 3% in Q3. In terms of the countries

CHART 17

Foreign trade
Percentage change on year ago

EXPORTS OF GOODS AND SERVICES (a)

SEASONALLY ADJUSTED SERIES
TREND-CYCLE SERIES

IMPORTS OF GOODS AND SERVICES (a)

SEASONALLY ADJUSTED SERIES
TREND-CYCLE SERIES

CUSTOMS INDICATORS (b)

IMPORTS OF GOODS

EXPORTS OF GOODS

TOURISM RECEIPTS (c)
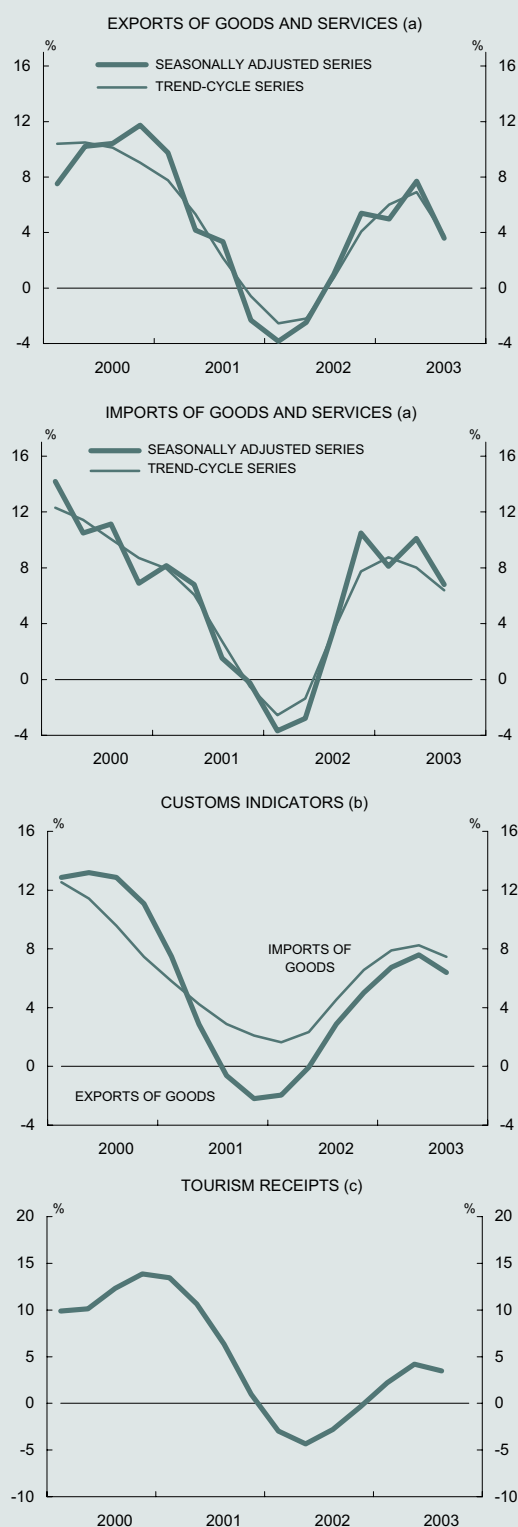
Sources: INE, Ministerio de Economía, Ministerio de Hacienda and Banco de España.
(a) QNA data at constant prices.
(b) Deflated trend-cycle series.
(c) Nominal trend-cycle series.

supplying tourists, numbers of Britons rose substantially, while those from our main markets, Germany, France and Italy, slipped. Regarding non-tourist services, these grew at a year-on-year rate of 3.2% in 2003 Q2 according to QNA figures, close to the figure for the preceding quarter and in line with the trend of the nominal Balance of Payments indicator.

In 2003 Q2 the year-on-year rate of increase of real goods imports climbed by 3 pp to 11.3%, driven by the robustness of exports and the pick-up in private productive investment, against the backdrop of an appreciating euro. For Q3, the July customs data point, in this case too, to somewhat greater moderation, although the real rate of increase – at 7.2% (see Chart 17) – remains high. The slowdown in imports mainly reflects the contraction in non-energy intermediate goods (–0.7% in July, set against an increase of 7.8% in Q2), while purchases of consumer and capital goods continued to grow at high rates (16.2% and 18.1%, respectively). Purchases of energy intermediate goods, which declined in the first two quarters after having been affected by the forceful rise in oil prices at the start of the year, picked up in July, posting a year-on-year rate of 13.3%. Imports of services climbed by 4.6% in real terms in 2003 Q2, below the growth observed in the six previous months owing to the slowdown in other services. On the basis of Balance of Payments figures, a considerable easing of tourist expenditure is estimated for Q3.

4.2. Output and employment

As earlier indicated, almost all the productive branches were more expansionary in 2003 Q2 than in Q1, with the exception of industry (see Chart 18). In agriculture, the good start to the hydrological year now ending, though it did not continue in the following quarters, provided momentum that helped moderate the contractionary course on which this sector ended the year 2002, and saw a turnaround firm during the first half of 2003. Specifically, the GVA of primary activities posted a negative rate of change of –0.9% year-on-year in Q2, compared with –2.2% in Q1. This improvement was based on the expansion of arable output, that most sensitive to weather conditions. The information available for Q3 suggests the ongoing recovery in the agricultural sector will continue, on the basis of the forecasts for wine and olive oil production. As regards livestock-related output, the contractionary course of milk production since late 2002 was notable.

Although the value added of industry and energy showed renewed momentum in 2003

Q2, with the related growth rate rising by 0.2 pp to 2.5% year-on-year, this acceleration was solely a consequence of the recovery in the energy industry. There, GVA climbed from a growth rate of 0.6% in Q1 compared with the same period a year earlier to 2.2% in Q2. The pace of other industrial activities eased somewhat, standing at 2.6% year-on-year in Q2, 0.1 pp down on the rate in Q1. According to the information on the summer months, this trend has been maintained: the industrial production index (IPI) slowed in July and August, on a scale that became steeper if the effect of the heat wave on electricity output, which grew by 10% in August, is stripped out. Other indicators, such as incoming orders in industry, offer a similar profile to that of the IPI, while the employment indicators reveal job destruction in these activities. The business climate indicator also worsened in the summer months due essentially to the deterioration in the assessment of foreign order books. And if the IPI is analysed bearing in mind the weight of exports in respect of the end-use of industrial goods, the same conclusion about the significance of conditions abroad may be drawn. Accordingly, the recent weakness of industrial activity should be linked to the international economic situation and, in particular, to the loss of competitiveness abroad that has accompanied the appreciation of the euro.

Value added in construction increased slightly in Q2, prolonging the somewhat erratic profile of the previous quarters (see Chart 18). In any event, the year-on-year rate of increase, at 4.1%, meant construction remained the most dynamic branch. Although a modest loss of steam is estimated for this activity in Q3 (both employment and inputs weakened in the summer months), on the latest information, discussed earlier when analysing construction expenditure, the leading indicators project greater stability for the coming quarters.

For tertiary activities as a whole, growth of 2.3% was posted in Q2 compared with the same quarter a year earlier, up 0.3 pp on Q1. Here too, however, a wavering trend has been observed since early 2002, with the related rate of change oscillating between 2% and 2.3% (see Chart 18). As part of the hesitant course of this variable, the value added of market services grew by 2.4% in Q2, while overall non-market services offered firmer signs of acceleration, albeit at a less dynamic rate (2%).

In Q3, the pace of market services may have been cut slightly, in step with the trend of the main indicators available. Both the composite market services indicator (ISIS) and social security registrations have been less buoyant in this quarter, in keeping with the slight fall-off in

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. For incomplete quarters, the year-on-year rate of the period available within the quarter is taken.
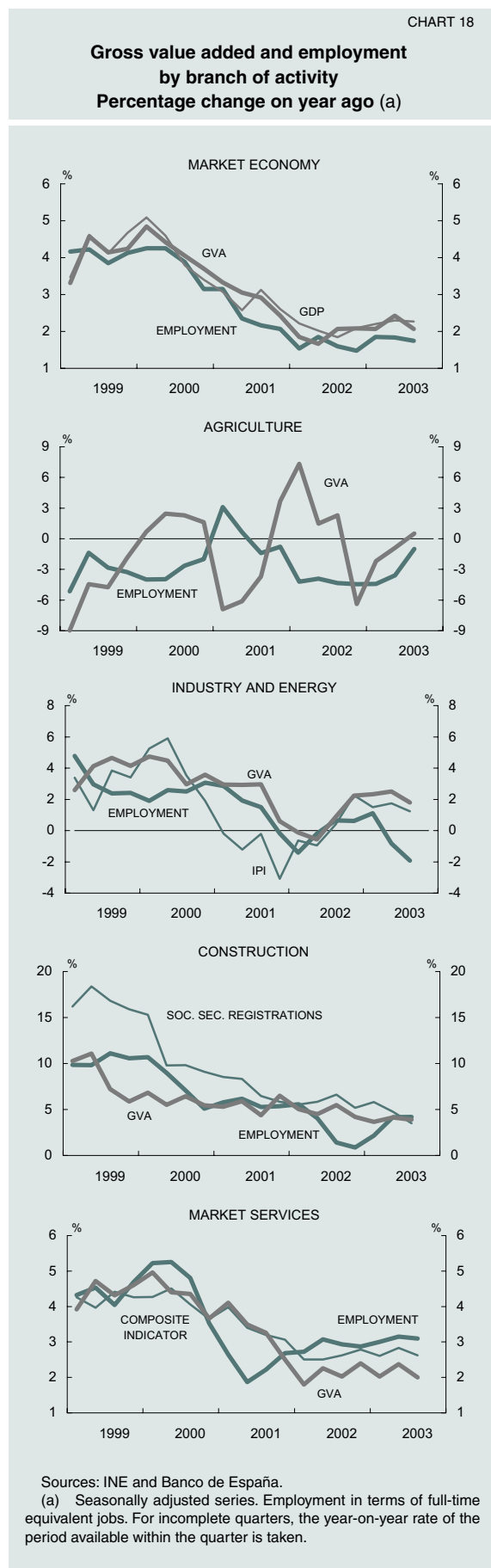
the confidence indicator. Among the different activities in this branch, the distributive trade and repairs were less expansionary in the July-August period, as reflected both by the retail sales index and social security registrations. In the hotel and restaurants trade, the performance was favourable in terms of the numbers of visitors lodged in hotels and overnight stays which, boosted by domestic tourism, were notably buoyant in Q3. This meant the occupancy level achieved in the summer of 2002 was exceeded by more than 1 pp. Transport and communications activities have maintained a stable rate of increase, in terms of social security registrations, although communications have shown greater sluggishness, while there was a notable rise in air transport. Lastly, the aggregate of real-estate and rental activities and corporate services has tended to grow less than in Q2, with some exceptions, such as IT and R+D activities, where social security registrations showed positive rates of change in July and August for the first time in 12 months.

On the latest QNA estimates, employment – measured in terms of full-time equivalent jobs – quickened slightly in Q2, posting growth of 1.7% on the same period a year earlier, up from 1.6% in Q1. The acceleration in employment was similar to that in GDP, meaning that the growth of apparent productivity remained modest at 0.6% year-on-year. In the market economy the growth of employment was somewhat less than in Q1, despite the fact that GVA quickened, giving rise to an apparent labour productivity gain of 0.6%, following the small increase seen in the opening months of the year (0.2%). The employment indicators evidenced certain discrepancies in respect of their trend in Q2: whereas the Labour Force Survey (EPA) showed a sharper acceleration in employment than the related QNA figures (from 2.3% to 2.6%), the pace of social security registrations diminished slightly from April to June and the INEM (National Employment Office) registered a reduction in the number of contracts entered into compared with the same period a year earlier. It is estimated that the growth rate of employment in Q3 will have held stable at around 1.7%. The short-term economic information for this period continues to show certain divergences: while employment per the EPA accelerated further (up to 2.8%), the growth of social security registrations continued to ease between July and September. As regards contracts entered into and registered unemployment, both improved during the summer.

As can be seen in Chart 18, on QNA estimates the slightly more buoyant course of employment in Q2 spread to all the branches of activity, with the exception of industry and ener-

gy, where there was a decline which interrupted the path of recovery initiated in mid-2002. Given that the momentum of industrial activity was somewhat greater than in Q1, apparent labour productivity increased substantially, with this rise extending into Q3 when, according to the EPA, the decline in employment in industry sharpened. In construction, the growth rate of employment edged up in Q2 compared with the same quarter a year earlier, giving rise to flat apparent productivity. A similar performance is expected for Q3, given that the rate of increase has tended to stabilise. Employment in market services continued to be very robust in Q2, posting year-on-year growth of 3.1%, similar to that observed in the opening months of the year. It is estimated that during the summer months, numbers of employees will have held on this stable growth path. Meantime, in non-market services, employment is undergoing very marked increases. Lastly, the process of net job destruction in agriculture eased significantly in Q2 and, according to the EPA, this improvement ran into the summer months, in step with the recovery in activity.

According to the QNA, the slight acceleration in employment in Q2 stemmed from dependent employment, whose year-on-year growth rate increased to 2.3%, while the rate of decline of self-employed workers held steady at the Q1 rate of −1.3%. The EPA data for Q3 point to a change in this behaviour, indicating that the acceleration in employment in the summer was the result of a smaller decline in self-employment, while numbers of employed workers grew at a similar rate to Q2. Within the latter, temporary employment continued to show a tendency to accelerate, in line with its behaviour in the first half of 2003, while the deceleration in the number of employees with permanent contracts signalled in the previous quarter intensified. Even so, the rate of growth of permanent employment is still above that of temporary employment. The proportion of temporary employment stood at 30.7%, 0.1 percentage points higher than in Q2, but still 0.3 percentage points down from its 2002 Q3 level. Note that the INEM contracts data continue to show a fall in the number of permanent contracts signed, while temporary contracts rose in Q3. As for working hours, part-time employment slowed significantly in Q3, although its year-on-year rate of change of 3% was still somewhat higher than that of full-time employment (2.8%).

The labour force remained notably buoyant, although its year-on-year rate of growth (2.5%) was down on the preceding period (2.7%). This increase in the labour force is explained by the participation rate, which rose to 55.3%, one per-

centage point higher than a year earlier, since the population of working age continued to grow at more moderate rates (0.7%). During this period, employment grew by more than the labour force, which led to a slowdown in the growth of unemployment to 0.4%. The rate of unemployment stood at 11.2%, 0.2 percentage points down from 2002 Q3, but 0.1 percentage points up from the previous quarter. The rate of female unemployment, which was still much higher than that of males, fell by 0.8 percentage points with respect to the same period a year earlier, while that of males continued to increase, although more moderately than in the preceding quarters. Finally, the profile of EPA unemployment is compatible with the behaviour of the numbers of unemployed registered with the INEM (National Employment Office), whose year-on-year rate of change fell to 1.3% in the summer.

4.3. Costs and prices

According to QNA data, the rate of growth in the cost of labour per unit of value added fell significantly in Q2, both in the economy as a whole and, to a greater extent, in the market economy, to rates of 3% and 3.3%, respectively (see Chart 19). This behaviour was the result of a 0.5 percentage point fall in the rate of growth of compensation per employee, which grew by 3.7% in the economy as a whole and by 3.9% in the market economy, and of the slight rise in productivity in the market economy. Estimates suggest that the slowdown in compensation did not continue in Q3, when the rate of growth may have risen somewhat.

The labour cost index, the main indicator of compensation per employee in market activities, recorded a year-on-year rate of increase in the monthly labour cost per worker of 4.6% in Q2, 0.6 percentage points below the rate recorded in Q1 (see Chart 19). Both wage costs and non-wage costs grew more slowly. The rate of growth of the former fell by 0.7 percentage points, which can be partly explained by the receipt in Q1 of a significant part of the back-pay due under the indexation clauses in 2002 agreements. Ordinary wage costs, in contrast, grew by 3.2%, 0.2 percentage points less than in the previous quarter. Non-wage costs, meanwhile, continued to grow at a high rate (5.5%), although it was 0.5 percentage points down from Q1. At the industry level, the slowdown in the monthly labour cost per worker took place exclusively in services, where such costs grew by one percentage point less than in Q1 (4% year-on-year), while in industry and construction they accelerated to rates of 5.5% and 6.3%, respectively.

CHART 19

Wages and labour costs (a)

COMPENSATION PER EMPLOYEE

WAGE INDICATORS

Sources: INE, Ministerio de Trabajo y Asuntos Sociales and Banco de España.
(a) Percentage change on year ago.
(b) Rates based on QNA seasonally adjusted series.
(c) Previous year's indexation clause.
(d) Increase in year to date.
(e) Per employee per month.
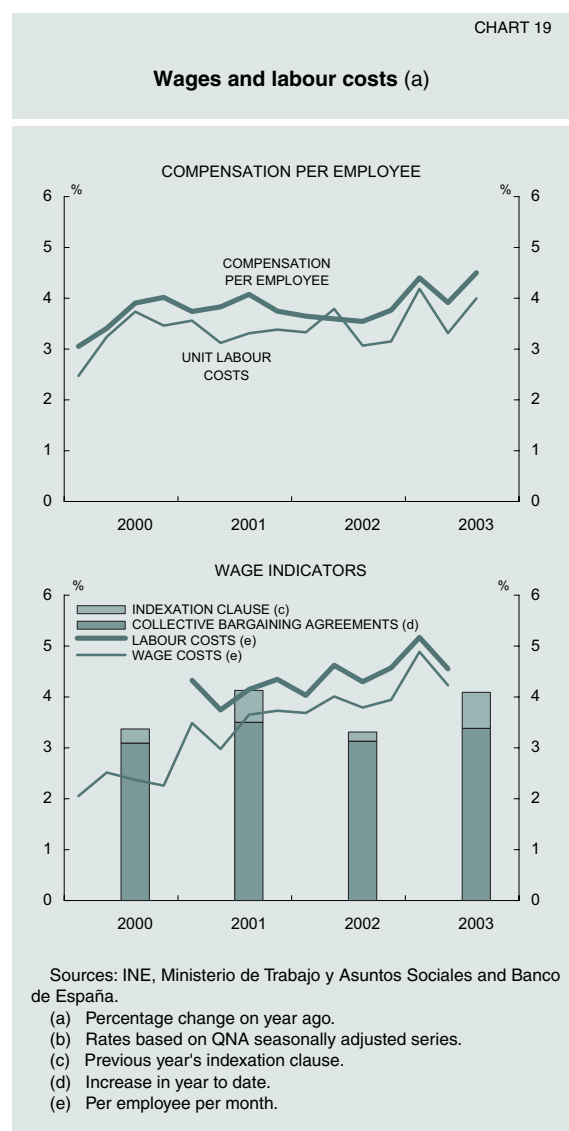
According to the information on collective agreements registered to 30 September, settlements held at 3.5%, 0.4 percentage points up from 2002, without including the effects of indexation clauses. The agreements already registered affect almost 7 million workers, 74% of them being revised agreements, in which the settlement was 3.4%, while that in newly signed agreements was 3.6%. The 2003 bargaining is already at a very advanced stage, with a larger volume of new agreements than last year. The effect of the indexation clauses in 2002 has been estimated to be 0.7 percentage points, raising the average growth of wage rates that year to 3.8%. In 2003, the percentage of agreements including indexation clauses will be similar to the previous year, affecting around 80% of workers subject to a collective agreement. However, given the more favourable inflation developments, their impact will be much smaller than last year.

CHART 20

Prices and costs by branch of activity (a)

MARKET ECONOMY

%

DEFLATOR

UNIT LABOUR
COSTS

2000   2001   2002   2003

INDUSTRY AND ENERGY

%

UNIT LABOUR
COSTS

DEFLATOR

2000   2001   2002   2003

CONSTRUCTION

%

DEFLATOR

UNIT LABOUR
COSTS

2000   2001   2002   2003

MARKET SERVICES

%

DEFLATOR

UNIT LABOUR
COSTS

2000   2001   2002   2003
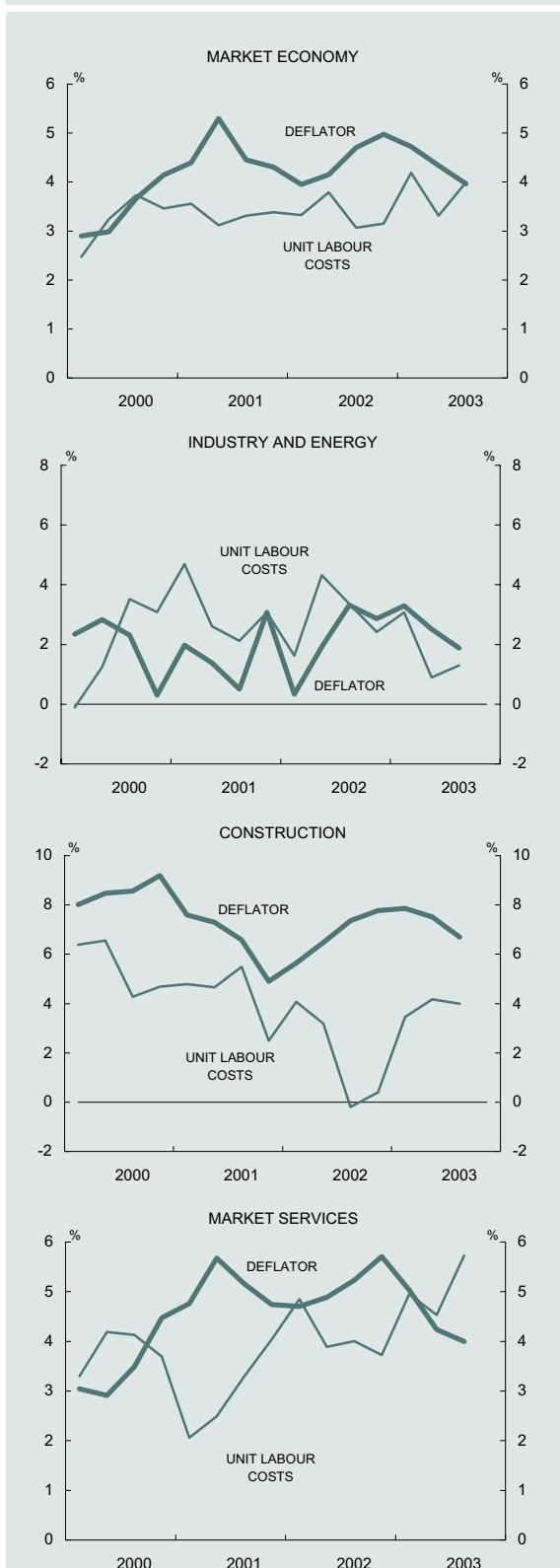
Sources: INE and Banco de España.
(a)   Non-centred percentage change on year ago based on QNA
seasonally adjusted data.

The slowdown in unit labour costs in Q2 was not fully passed through to the value added deflators. In fact, the deflator of value added in the market economy increased at a year-on-year rate of 4.3%, 0.4 percentage points less than in Q1 (see Chart 20). Across the various branches of activity different behaviour is seen. In industry and energy, the deflator of value added slowed considerably, partly reflecting the significant moderation in unit labour costs, which was sharpest in energy. The overall unit margin in these activities tended to widen in Q2, with a firming of the recovery that commenced in the second half of last year following a squeeze in 2001 and the first half of 2002. In construction, the modest slowdown estimated for the value added deflator in 2003 Q2, against a background of rising labour costs, reflects slower growth of the unit surplus, which is compatible with an on-going widening of margins. Finally, the year-on-year rate of growth of the deflator in market services slowed to 4.2%, reflecting a relatively modest decline in the growth of labour costs and a certain squeezing of the unit margin.

Following the path set by the value added deflator, the rate of growth of the GDP deflator fell by 0.5 percentage points in Q2 to 4%. The final demand deflator underwent a similar slowdown to 2.7%. The further decline in import prices (–0.9% in year-on-year terms) enabled the demand deflator to continue growing at a slower rate than the GDP deflator. Thus, between April and June, the prices of energy imports continued to decline, owing to the sharp fall in oil prices on international markets (with the normalisation entailed by the end of the Iraq war) and the appreciation of the euro. However, the rate of decline in the import prices of other goods was checked.

The CPI, the main indicator of final prices, grew by 2.9% year-on-year in the period April-June, significantly below the 3.8% rate recorded in the first three months of the year. In Q3, however, the rate of increase in the CPI stabilised at 2.9% as a consequence of the acceleration in its more volatile components, which offset the slowdown in the other components. Thus, the CPI excluding unprocessed food and energy (i.e. excluding its least stable elements), decelerated by 0.3 percentage points, making for an average rate of increase in Q3 of 2.8% (see Chart 21).

Among the components of the CPI, energy reflected the rise in the oil price over the summer. Despite the moderation in September, the average price of a barrel of oil rose by two US dollars between Q2 and Q3. The prices of unprocessed food accelerated significantly last summer, from 4.6% year-on-year in the previ-

ous quarter to 6.6%. This was partly a result of the effects of the heat wave on the prices of certain fresh foods. Notable among the other components of the CPI was the stability in the growth of services prices at 3.6%, the moderation in processed food prices, which recorded a rate of increase of 2.5%, 0.3 percentage points down on Q2, and the deceleration in the prices of non-energy industrial goods, whose average rate of growth declined to 2.1%.

The Spanish inflation rate, as measured by the HICP increased by 0.1 percentage points in Q3 (to 3%, which is very close to the CPI rate). This behaviour was similar to that seen in the HICP in the euro area as a whole, so that the inflation differential held unchanged at one percentage point (see Chart 22). As regards the components of the HICP, the differential in the growth of services prices increased in Q3, as this component decelerated in the euro area, while the slowdown in the prices of non-energy industrial goods was more pronounced in Spain and the acceleration in unprocessed food less so, meaning that the differential in both cases narrowed. Meanwhile, both in the case of energy prices and in that of processed food the differential held practically unchanged, at close to zero in the latter case and in Spain's favour in the former.

The rate of increase in the producer price index held practically unchanged, at around 1%, in Q3. In fact, in September, the year-on-year increase was 0.8%. Within this overall stability there was an ongoing acceleration in the producer prices of consumer goods (whose year-on-year rate of growth reached 2.7% in September, pulled up by food prices), the prices of capital goods increased steadily, the prices of intermediate goods behaved more moderately and, finally, energy producer prices recorded a certain acceleration, which was reversed in September. In the euro area, the overall trend was very similar to that seen in Spain, with the year-on-year increase in the overall index in August (the latest available data) standing at 1.4%. At the same time, the rate of growth in the prices received by farmers moderated to July, following the acceleration in Q2, and hotel prices rose by 1.6% year-on-year in Q3, which was more than one percentage point down from the previous quarter.

4.4. The State budget

The draft State Budget Law for 2004 was submitted to Parliament at the end of last September. In accordance with the guidelines of the Budgetary Stability Law, this draft budget conforms to the multi-year budgetary stability target

CHART 21

Price indicators (a)
Spain
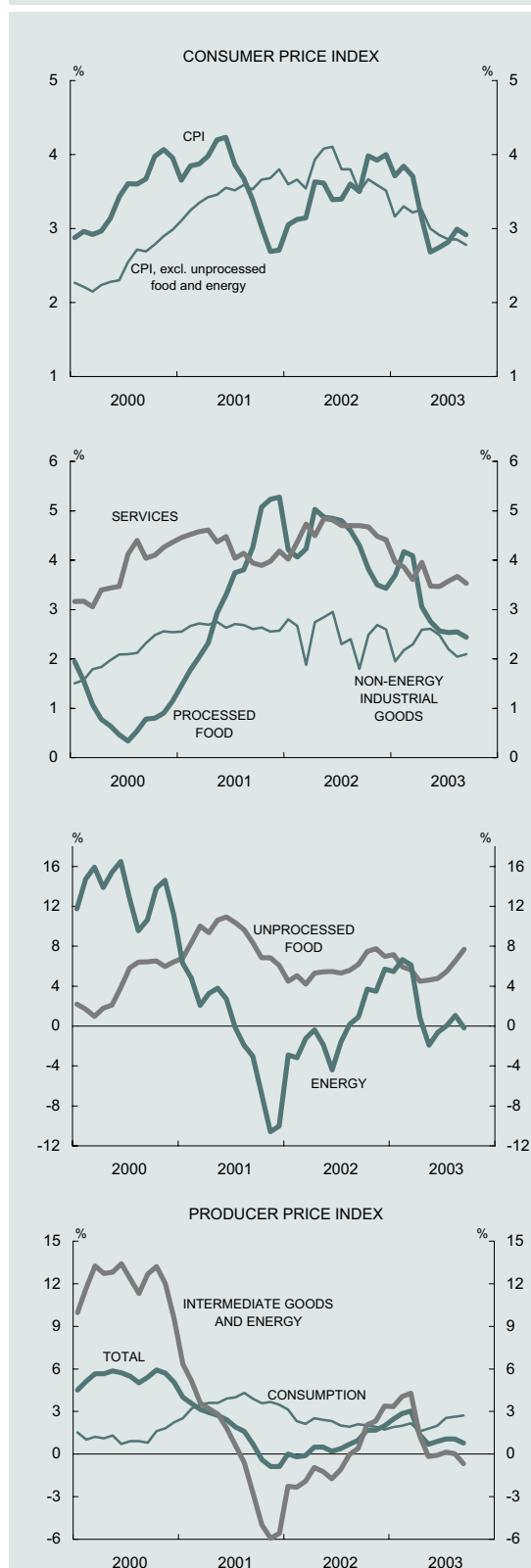
Source: INE.
(a)   Twelve-month percentage change based on the original series.

CHART 22

Price indicators
Differentials with the euro area (a)

HARMONISED INDEX OF CONSUMER PRICES (b)

CPI

PRODUCER PRICE INDEX
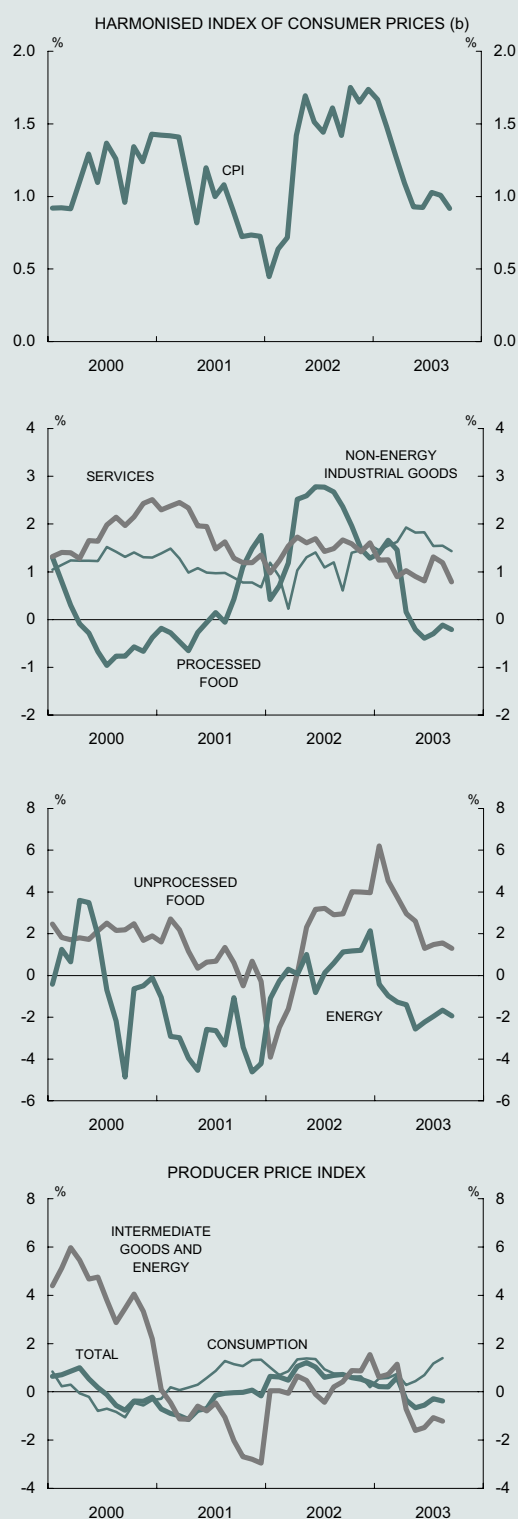
Sources: Eurostat and Banco de España.
(a)   Twelve-month percentage change based on the original series.
(b)   To December 2001, the series are those published at that date

for the public sector as a whole and for each group of its agents for the period 2004-2006. Against this background, it is estimated in the draft budget that, in National Accounts terms, general government non-financial transactions will be in balance in 2004 and will show a surplus in the following two years. These budgets will fully incorporate the new financing system for local government, which will see an increase in its own funds and simultaneously reduce its dependence on transfers from the State. As for 2003, the draft budget maintains the forecast of a balanced budget for the closure of the general government sector account. The breakdown by agent shows that the State will record a deficit of 0.5 pp of GDP, which will be offset by a Social Security System surplus of the same amount, while the regional and local government finances will be in balance, meeting in all cases the targets set in the latest Stability Programme Update.

The draft State Budget also incorporates the initial projection of State revenue and expenditure, in cash-basis terms, for 2003 (see Table 3). According to this projection, the State will raise around 2.6% more than initially budgeted and will spend 0.8% less, so the cash-basis deficit will be 0.7% of GDP, notably lower than initially budgeted (1.2% of GDP). The largest deviations in revenue arise from tax receipts, while the containment of expenditure is due, first, to the use of only part of the Contingency Fund and, second, to lower capital payments. In comparison with the budget outturn figures to September, which are discussed below, the initial projection entails a slowdown in revenue in the last few months and, in contrast, a degree of acceleration in payments.

According to National Accounts methodology, the State's cumulative surplus on non-financial transactions to September was €256 million, somewhat less than the €376 million surplus in the same period of 2002 (see Table 3). Revenue decelerated, growing by 1.4% compared with 2.2% in the first half of the year, while expenses in contrast accelerated slightly in Q3 to a growth rate of 1.6%. In both cases the growth rates up to September are in line with the whole-year forecast given in the initial projection accompanying the draft State Budget Law, which estimates a State deficit for 2003 of €3.63 billion (0.5% of GDP).

In cash-basis terms, meanwhile, the State budget outturn to September 2003 was a deficit of €6.42 billion, as against the €6.61 billion deficit recorded in the same period a year earlier. This represents a reduction of only 2.8%, against a fall of 18.8% in the first half of the year, because the acceleration in revenue was

BOX 3

Social Security budget outturn

The Social Security System posted a surplus of €6.26 billion in the period to July 2003, up 21.8% on the same period a year earlier. This contrasted with the slight growth of the surplus envisaged in the initial budget for 2003 and bettered the result to April (see the table below). However, as in the case of the State Budget, the year-to-year comparison of these data is affected by the culmination in 2002 of the effective transfer of health-care management to all the regional (autonomous) governments. Revenue has accelerated in recent months, with growth up slightly on the first seven months of 2002, as against the reduction seen up to April and that envisaged in the budget. Meanwhile, the rate of decline in expenditure continued to slacken, with a reduction smaller than that envisaged in the budget.

Receipts from social security contributions, although growing moderately in recent months, increased by 8.5% to July, a notably higher growth rate than budgeted and appreciably quicker than in 2002. This acceleration is due only to a minor extent to slightly higher growth (3.1%) in the number of Social Security registrations to September 2003, against a rate of 3% in 2002 as a whole.

Expenditure on contributory pensions posted a growth rate of 6.9% to July, slightly higher than that budgeted for the year as a whole and more than the 2002 figure. The number of contributory pensions continues to trend very moderately, and their growth stood at 1% to July, slightly higher than budgeted and up on 2002.

Contributions received by INEM (National Employment Office) increased by 8.4% to June, compared with a budgeted projection of 13.5%. Meanwhile, rebates on contributions in respect of employment-promoting contracts rose by 12.9% in the first half of the year, contrasting with the 0.4% growth budgeted.

INEM expenditure on unemployment benefits rose by 6.1% to September 2003, a significant slowdown on the cumulative growth of 14.6% in 2002. Behind this figure lay both the slowdown in registered unemployment (which grew by 3% to August, compared with 7.4% in 2002 as a whole) and the slight decline in the eligibility ratio, which stood at 71.3% to June, against 71.6% at end-2002. As a result, the number of beneficiaries grew by 1.9% to June, against average growth of 12.3% in 2002.

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

€m and %

	Budget			Outturn JAN-APR	Outturn JAN-JUL		
	2002 (c) 1	2003 2	% change 3=2/1	% change 4	2002 5	2003 6	% change 7=6/5
1. Revenue	**83,282**	**77,100**	**-7.4**	**-1.7**	**46,768**	**47,468**	**1.5**
Social security contributions (d)	67,852	72,174	6.4	9.3	40,874	44,345	8.5
Current transfers	14,389	4,294	-70.2	-62.3	5,551	2,697	-51.4
Other (e)	1,042	632	-39.4	-6.7	343	425	24.0
2. Expenditure	**79,411**	**73,191**	**-7.8**	**-3.8**	**41,630**	**41,209**	**-1.0**
Wages and salaries	6,683	1,785	-73.3	-65.0	2,433	1,009	-58.5
Goods and services	4,214	1,390	-67.0	-53.1	1,355	732	-45.9
Current transfers	67,615	69,568	2.9	3.4	37,683	39,309	4.3
Benefits	67,615	69,568	2.9	3.4	37,683	39,308	4.3
Contributory pensions	*56,231*	*60,024*	*6.7*	*6.8*	*31,736*	*33,931*	*6.9*
Sickness	*4,027*	*4,623*	*14.8*	*15.1*	*2,475*	*2,681*	*8.3*
Other	*7,358*	*4,922*	*-33.1*	*-29.8*	*3,472*	*2,697*	*-22.3*
Other current transfers	0	0	-30.7	—	0	1	...
Other (f)	899	446	-50.3	-48.0	158	158	-0.2
3. Balance	**3,871**	**3,909**	**1.0**	**5.9**	**5,139**	**6,259**	**21.8**

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 not available for 2003.
(b) Transfers from the Instituto Social de la Marina to the regional governments to finance transferred health-care and social-services responsibilities have been distributed among the various expenditure captions on the basis of the percentages obtained from the general government accounts for 1997.
(c) The budgetary reference takes the 2002 Budget as its basis for comparison, since the full outturn for that year is not yet available.
(d) Including surcharges and fines.
(e) Excluding surcharges and fines.
(f) Reduced by the disposal of investments.

TABLE 3

State budget outturn

€m and %

	Outturn	Percentage change	Initial projection	Percentage change	Outturn JAN-JUN Percentage change	Outturn		Percentage change
	2002	2002/2001	2003	2003/2002	2003/2002	2002 JAN-SEP	2003 JAN-SEP	
	1	2	3	4=3/1	5	6	7	8=7/6
1. Revenue	**108,456**	**-13.4**	**108,437**	**0.0**	**0.7**	**75,358**	**76,532**	**1.6**
Direct taxes	55,531	-0.3	57,082	2.8	7.3	36,267	37,525	3.5
Personal income tax	*32,268*	*-11.5*	*33,079*	*2.5*	*11.8*	*21,900*	*23,532*	*7.4*
Corporate income tax	*21,420*	*24.4*	*22,151*	*3.4*	*-4.0*	*12,974*	*12,722*	*-1.9*
Other (a)	*1,843*	*-8.4*	*1,852*	*0.5*	*-12.1*	*1,393*	*1,271*	*-8.7*
Indirect taxes	38,026	-28.5	38,269	0.6	-3.8	29,412	29,269	-0.5
VAT	*25,720*	*-25.8*	*26,296*	*2.2*	*-1.7*	*20,069*	*20,406*	*1.7*
Excise duties	*10,347*	*-37.7*	*9,819*	*-5.1*	*-12.4*	*7,874*	*7,266*	*-7.7*
Other (b)	*1,959*	*4.7*	*2,154*	*9.9*	*8.1*	*1,469*	*1,597*	*8.7*
Other net revenue	14,898	-8.8	13,086	-12.2	-3.6	9,679	9,738	0.6
2. Expenditure	**111,082**	**-13.3**	**113,647**	**2.3**	**-2.2**	**81,964**	**82,955**	**1.2**
Wages and salaries	17,554	4.3	18,536	5.6	5.7	12,650	13,334	5.4
Goods and services	2,843	11.3	3,123	9.9	12.2	1,799	1,966	9.3
Interest payments	18,863	3.3	19,990	6.0	-7.7	16,018	16,203	1.2
Current transfers	58,324	-24.4	58,246	-0.1	-4.7	42,838	42,162	-1.6
Contingency fund	...	...	...	...	...	...	...	...
Investment	7,043	9.0	7,227	2.6	6.8	4,493	4,966	10.5
Capital transfers	6,455	-5.3	6,525	1.1	2.7	4,166	4,324	3.8
3. Cash-basis balance (3=1-2)	**-2,626**	...	**-5,210**	...	...	**-6,607**	**-6,424**	...
MEMORANDUM ITEM: NATIONAL ACCOUNTS								
Revenue	108,387	-12.5	109,770	1.3	2.2	76,442	77,539	1.4
Expenditure	111,807	-12.4	113,390	1.4	0.7	76,066	77,283	1.6
Net lending (+) or borrowing (-) (c)	**-3,420**	...	**-3,620**	...	...	**376**	**256**	...

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) Figures as per the method used in the Excessive Deficit Procedure.

outstripped by that in expenditure over the summer months. Revenue increased by 1.6%, against the 0.7% rise to June, while expenditure grew by 1.2%, against a fall of 2.2% to June.

For the purpose of analysing revenue developments, information is available on the total receipts from the main taxes, both the share assigned to the State and that allocated to the ordinary-regime autonomous regions, which is not shown in Table 3. The figures for total receipts indicate that direct taxes decelerated appreciably in Q3, in contrast to indirect taxes and other

revenue. Personal income tax receipts rose by 7.4% to September, compared with 10.5% growth in the first six months. Disregarding certain calendar effects, the deceleration mainly reflects the reduction in withholdings due to the personal income tax reform. In this respect, the initial projection envisages that personal income tax receipts (including those of regional government) will further decelerate in the second half of the year to 5.3% at year-end. Corporate income tax receipts, in contrast, have accelerated in recent months following receipt of the net tax payable, although they continue to post nega-

TABLE 4

Balance of payments: summary (a)

€m

	JANUARY-JULY	
	2002	2003
	Credits	Credits
Current account	**136,846**	**144,660**
Goods	77,725	83,107
Services	37,303	38,974
Tourism	*19,815*	*20,600*
Other services	*17,488*	*18,375*
Income	12,368	12,862
Current transfers	9,449	9,717
Capital account	**4,897**	**5,012**
	Debits	Debits
Current account	**144,013**	**156,340**
Goods	94,713	103,060
Services	22,771	23,725
Tourism	*3,856*	*3,898*
Other services	*18,915*	*19,827*
Income	19,223	20,831
Current transfers	7,306	8,725
Capital account	**634**	**618**
	Balance	Balance
Current account	**-7,167**	**-11,680**
Goods	-16,988	-19,953
Services	14,532	15,250
Tourism	*15,959*	*16,702*
Other services	*-1,427*	*-1,452*
Income	-6,855	-7,969
Current transfers	2,143	992
Capital account	**4,263**	**4,394**

Source: Banco de España.
(a)   First provisional results.

tive rates of change. However, the initial projection of 3.4% growth of these receipts implies a notable acceleration in the closing months of the year. Regarding indirect taxes, VAT grew in comparable terms by 9.6% to September, practically unchanged on June, while excise taxes picked up slightly to growth of 5.0%, against 4.3% in the first six months. The initial projection envisages a mild slowdown in the case of VAT (to 7.7% at year-end), while the behaviour of excise taxes will be similar to that up to September. Other net revenue rose slightly to September (0.6%), as against a fall of 3.6% in the previous quarter, owing to the higher rate of receipt of capital transfers. The initial projection for the whole of the year is for a substantial fall (12.2% in this aggregate), mainly due to a sharp slowdown in charges.

On the expenditure side, almost all the headings posted an acceleration in Q3, except operating costs (personnel and goods and services). That said, the continued strong growth of goods and services was notable, with a rise of 9.3% to September, whereas personnel costs held steady at around 5.5%, as they had been doing all year. Interest payments, the path of which is determined by the schedule of public debt maturities, accelerated notably in Q3 (to growth of 1.2%, against a fall of 7.7% in June). Current transfers, which are still influenced by the new regional government financing arrangements, decreased by 1.6%, a more moderate fall than in the previous quarter. Capital payments accelerated in Q3, particularly in the case of real investment, which rose by 10.5%, against 6.8% in the first half of the year. According to the initial projection, the expected acceleration in expenditure for the second half of the year is mainly attributable to the interest and current transfers headings, since it is expected that operating cost growth rates will stabilise somewhat and that capital payments will slow notably.

4.5. The balance of payments and the capital account of the economy

In the period January-July 2003, the overall balance on current and capital account was a deficit of €7.29 billion, an increase of €4.38 billion on the deficit in the same period of the previous year. This outcome is explained by the increase in the current-account deficit, which widened by €4.51 billion to €11.68 billion. The surplus on capital account improved slightly in this period to €4.39 billion. Within the current account, there was a notable increase in the merchandise deficit and, to a lesser extent, in the income deficit, as well as a smaller current-transfers surplus. However, the services surplus improved, as a result of the favourable trend in the tourism surplus.

During the first seven summer months of 2003 the trade deficit increased by €2.97 billion over the level reached during the same period a year earlier. In year-on-year terms the deficit increased by 17.5%. This notable increase stemmed from the buoyancy in the flows of real imports during the period, which exceeded that of exports despite the strong momentum the latter acquired in Q2, and from the large increase in the energy bill in the early months of the year.

As for the balance on services account, in the period January-July there was a surplus of €15.25 billion, up by €717 million on the same period of 2002. This improvement, of 4.9% in year-on-year terms, stemmed from the increase of 4.7% in the tourism surplus, while the

deficit in non-tourism services increased only slightly (1.8%). The positive trend in tourism receipts that began in the last quarter of 2002 intensified during this period, with year-on-year growth of 4%, in line with the behaviour of the real indicators up to that date. Meanwhile, tourism payments increased by barely 1.1% in this period, a further moderation from that already recorded in 2002 Q4, owing to the replacement of foreign tourism by domestic tourism.

The income deficit increased by €1.11 billion over the period January-July 2003, relative to the same period a year earlier, to stand at €7.97 billion. Receipts rose by 4%, driven by the buoyancy of those of the non-financial private sector, while the decline in those of other sectors reflects the fall in profits on foreign investments, as well as the reduction in the flows of direct investment that has been taking place since last year, partly as a consequence of the social and political crisis in certain Latin American countries. Payments increased at a higher rate of 8.4% reflecting, in this case too, the notable increase in those of the non-financial private sector.

The current-transfers surplus stood at €992 million in the first seven months of the year, a notable reduction of around €1.15 billion relative to the same period of 2002. Receipts rose by 2.8%, as a result of the increase in the flows to the private sector from the EU under the EAGGF Guarantee Section, while those to the European Social Fund fell significantly. Payments, meanwhile, increased at a very high rate of 19.4%, basically as a result of the notable increase in payments to the EU, especially in respect of additional GNP resource. Once again, the strong growth in immigrants' remittances was striking.

Finally, the capital-account surplus stood at €4.39 billion in the period January-July 2003, an increase of €130 million over the same period of the previous year. This 3.1% improvement, in year-on-year terms, stemmed from the expansion of most of the structural funds obtained from the EU, especially those to the ERDF and, to a lesser extent, to the EAGGF Guidance Section, while those relating to the Cohesion Fund fell.

5. Financial developments

5.1. Overview

The backdrop to the financial position of the private sector in 2003 Q3 was one in which interest rates remained at low levels, although at the end of that period there was a certain rise in the longer-term money market rates and in the yields on secondary public debt markets. Thus at the end of September the yield on 10-year Spanish Treasury bonds stood at 4.08%, nearly 50 bp above the end-Q2 levels. The cost of bank borrowing for households and firms held at historically low levels and the credit risk premia negotiated by Spanish firms on credit derivatives markets remained at the moderate rates recorded in June and in certain cases even decreased slightly, thereby limiting the impact of the higher medium- and long-term interest rates on the cost of this component of corporate financing (see Chart 23).

In July and August, domestic and international stock market prices continued the upward course of the previous quarter (see Chart 23). September, however, saw falls associated with episodes of instability on the foreign exchange markets. Thus at the end of that month the Madrid Stock Exchange General Index stood at around the end-June levels, with a rise of 12.5% in the year up till then, more than that of the EURO STOXX euro area stock market index (4.1%) and similar to that of the US S&P 500 (13.2%). This performance was accompanied by implied volatilities of these market prices which held steady at around the moderate levels reached in June. Meanwhile, according to the most recent information available (relating to Q2), house prices continued to grow at year-on-year rates above 17% (see Chart 23).

The spending decisions of households and firms continued to be underpinned by a sustained expansion of the demand for credit. Thus the growth rate of financing received by the private sector increased to 14.3% from April to June, up 0.5 pp on the previous quarter (see Table 6). This aggregate behaviour was not homogeneous across the various sectors since, whereas the financing received by firms held practically steady at the growth rate seen in March (13.5% in June in year-on-year terms), the volume of funds received by households accelerated significantly to 15.5%. The provisional information for Q3 points to a fresh rise, this time of more than 16%, in the growth rate of household debt, whereas that of corporate debt would appear to have diminished slightly with respect to the June levels.

The continued resort to financing by the non-financial private sector gave rise to further

increases in their debt ratios, which are now around the average for euro area countries. However, the loose financial terms allowed the burden associated with that debt to continue at moderate levels. In addition, the other indicators of household and corporate financial positions have generally evolved favourably. Thus household net wealth further increased and household gross saving after debt service continued to grow, although it is still at low levels. The profitability of firms showed signs of improvement in most industries.

In conclusion, the financial position of the private sector is not currently an obstacle to dynamic spending decisions. It is, however, becoming increasingly complex to base a major part of consumer and investment decisions on fresh resort to borrowing, due to the debt levels built up and the smaller margin for further interest rate cuts. Moreover, the debt accumulated by the private sector has made its spending decisions more sensitive than in the past to adverse shocks to its income, wealth or cost of debt.

5.2. Households

According to the provisional information available, in 2003 Q3 there was a further decrease in the lending rates charged by institutions to households for house purchases, along with a moderate increase in the cost of credit extended for other purposes. According to the Bank Lending Survey, the overall terms offered in this market from April to June were slightly more restrictive than in the previous quarter and the forecasts for Q3 pointed to a further tightening.

The growth rate of financing received by households increased in Q2 to 15.5%, up 1.4 pp on March (see Table 6 and Chart 24). In cumulative twelve-month terms, the fresh debt taken on by the sector represented 8.5% of GDP, 0.7 pp more than in the previous quarter. This rise reflects a pick-up in residential loans and, above all, in consumer and other lending. The provisional information for Q3 points to a continuation of the trend towards faster expansion of financing to households, although, unlike what happened from April to June, residential lending contributed in greater measure to the acceleration than did loans for other purposes.

Regarding portfolio decisions, financial assets acquired by households in Q2 amounted to 9.7% of GDP in cumulative twelve-month terms (see Table 6 and Chart 24). The breakdown by instrument showed a certain shift from the

CHART 23

Price indicators of various assets

STOCK EXCHANGE INDICES
- EURO STOXX
- MADRID STOCK EXCHANGE GENERAL INDEX
- S&P 500

IMPLIED VOLATILITY
- IBEX 35
- EURO STOXX 50
- S&P 500

FIVE-YEAR CREDIT RISK HEDGE PREMIUM (a)
- TELECOMMUNICATIONS
- UTILITIES
- OIL (right-hand scale)

INDEX OF PRICE PER M2 OF APPRAISED HOUSING
- NOMINAL
- REAL (b)
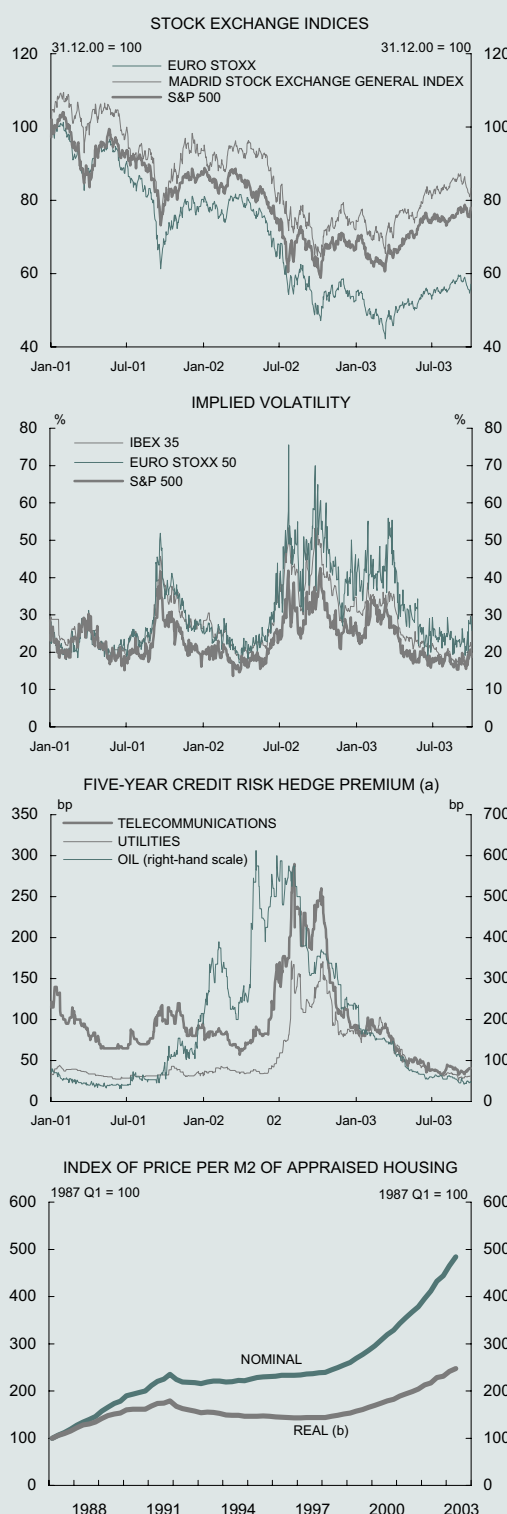
Sources: Bloomberg, Credit Trade and Banco de España.
(a) Average asset-weighted premia. On 22/6/03 a change came into effect in the contractual terms of European firms. The new contract carries lower associated premia (around 10%).
(b) Deflated by the CPI.

TABLE 5

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

% GDP

	NET FINANCIAL TRANSACTIONS								
					2002			2003	
	1998	1999	2000	2001	Q2	Q3	Q4	Q1	Q2
National economy	**0.2**	**-1.0**	**-2.5**	**-2.2**	**-1.7**	**-1.5**	**-1.6**	**-2.1**	**-2.0**
Non-financial corporations and households and NPISHs	**2.1**	**-0.3**	**-2.4**	**-3.5**	**-2.7**	**-3.4**	**-3.1**	**-3.7**	**-3.7**
Non-financial corporations	-1.1	-2.3	-3.5	-4.6	-4.0	-4.2	-4.6	-4.9	-4.9
Households and NPISHs	3.3	2.0	1.1	1.1	1.3	0.8	1.4	1.2	1.1
Financial institutions	**1.1**	**0.5**	**0.7**	**1.5**	**1.5**	**1.7**	**1.5**	**1.5**	**1.5**
General government	**-3.0**	**-1.2**	**-0.8**	**-0.3**	**-0.5**	**0.3**	**0.1**	**0.1**	**0.2**
	INTER-SECTORAL FLOWS (a)								
Households and NPISHs	**3.3**	**2.0**	**1.1**	**1.1**	**1.3**	**0.8**	**1.4**	**1.2**	**1.1**
Vis-à-vis:									
Credit institutions (b)	-4.6	0.5	-0.2	-1.5	-2.9	-3.5	-2.8	-3.3	-3.6
Institutional investors (c)	7.6	0.9	0.4	3.6	3.3	3.0	2.9	3.9	4.3
Non-financial corporations	**-1.1**	**-2.3**	**-3.5**	**-4.6**	**-4.0**	**-4.2**	**-4.6**	**-4.9**	**-4.9**
Vis-à-vis:									
Credit institutions (b)	-4.5	-4.1	-6.8	-3.9	-4.4	-4.0	-3.2	-4.0	-4.2
Rest of the world	0.7	-0.7	2.0	-2.3	-1.6	-1.3	-0.9	-0.8	-0.4
General government	**-3.0**	**-1.2**	**-0.8**	**-0.3**	**-0.5**	**0.3**	**0.1**	**0.1**	**0.2**
Vis-à-vis:									
Credit institutions (b)	1.4	1.4	2.2	-2.3	-0.3	0.9	1.0	-0.6	-0.3
Institutional investors (c)	-2.6	1.7	3.9	2.8	1.3	0.8	0.5	0.7	0.4
Rest of the world	-1.1	-4.3	-5.9	-1.6	-1.6	-1.6	-1.1	0.1	-0.2
Rest of the world	**-0.2**	**1.0**	**2.5**	**2.2**	**1.7**	**1.5**	**1.6**	**2.1**	**2.0**
Vis-à-vis:									
Credit institutions (b)	7.1	1.9	5.1	3.8	4.1	3.4	2.9	4.6	4.3
Institutional investors (c)	-6.3	-3.6	-5.7	-4.9	-3.7	-3.3	-2.3	-3.1	-2.7
Non-financial corporations	-0.7	0.7	-2.0	2.3	1.6	1.3	0.9	0.8	0.4
General government	1.1	4.3	5.9	1.6	1.6	1.6	1.1	-0.1	0.2

Source: Banco de España.

(a) A positive sign denotes the extension of financing to the counterpart sector. A negative sign indicates financing received from the counterpart sector.

(b) Defined in accordance with the First Banking Directive.

(c) Insurance corporations and collective investment undertakings.

"Other deposits and fixed-income securities" caption to "Cash and cash equivalents" and "Mutual funds". Thus net purchases of mutual funds amounted to 1.4% of GDP, against 1.1% in Q1. This increase was due entirely to growth in FIM (capital market) mutual funds, which received funds equal to 0.7% of GDP. Meanwhile, the "Shares and other equity" component recovered slightly.

In Q2 household financial saving declined slightly in cumulative twelve-month terms to 1.1% of GDP (see Table 5 and Chart 24). However, the sector's gross saving not used for debt service, which excludes resources absorbed by loan repayments, remained on the path of recovery seen since mid-2001 (see Chart 25), although it is still at relatively low levels. Household debt increased further to 87% of GDI, slightly higher than the euro area average, and the provisional information for Q3 points to an additional rise in this ratio. Nevertheless, the financial burden associated with this debt remained at moderate levels thanks to the low cost of debt. Moreover, despite the higher debt, the net wealth of the sector again grew in Q2 as a result of higher house prices and the recovery of the Spanish and international stock markets.

CHART 24

Households and NPISHs
(Cumulative four-quarter data)
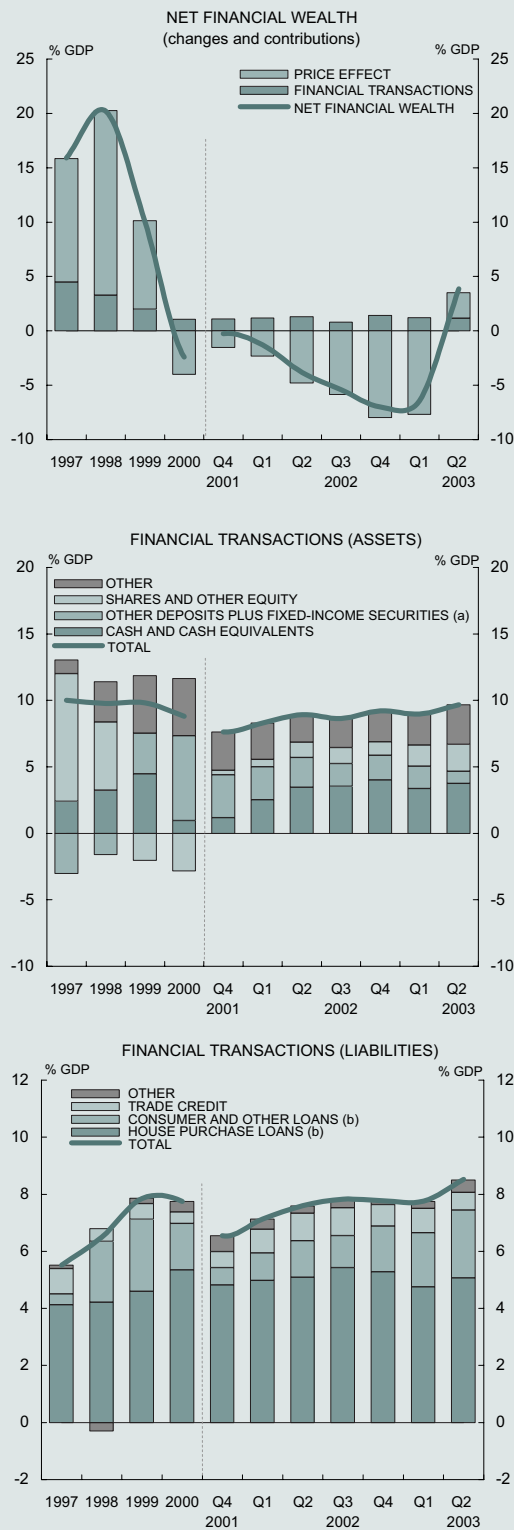
NET FINANCIAL WEALTH
(changes and contributions)

- PRICE EFFECT
- FINANCIAL TRANSACTIONS
- NET FINANCIAL WEALTH

FINANCIAL TRANSACTIONS (ASSETS)

- OTHER
- SHARES AND OTHER EQUITY
- OTHER DEPOSITS PLUS FIXED-INCOME SECURITIES (a)
- CASH AND CASH EQUIVALENTS
- TOTAL

FINANCIAL TRANSACTIONS (LIABILITIES)

- OTHER
- TRADE CREDIT
- CONSUMER AND OTHER LOANS (b)
- HOUSE PURCHASE LOANS (b)
- TOTAL

Source: Banco de España.
(a)   Not including unpaid accrued interest, which is included under "other".
(b)   Including securitised loans.

CHART 25

Indicators of the financial position of households and NPISHs

DEBT RATIOS

DEBT (a) / ASSETS 2 (c)

DEBT (a) / GDI
(right-hand scale)

DEBT (a) / ASSETS 1 (b)

WEALTH

NET TOTAL

PROPERTY (d)

FINANCIAL ASSETS

LIABILITIES

DEBT BURDEN

TOTAL (e)

INTEREST PAYMENTS

SAVING

GROSS SAVING (f)

SAVING NOT EARMARKED FOR
DEBT SERVICE (g)
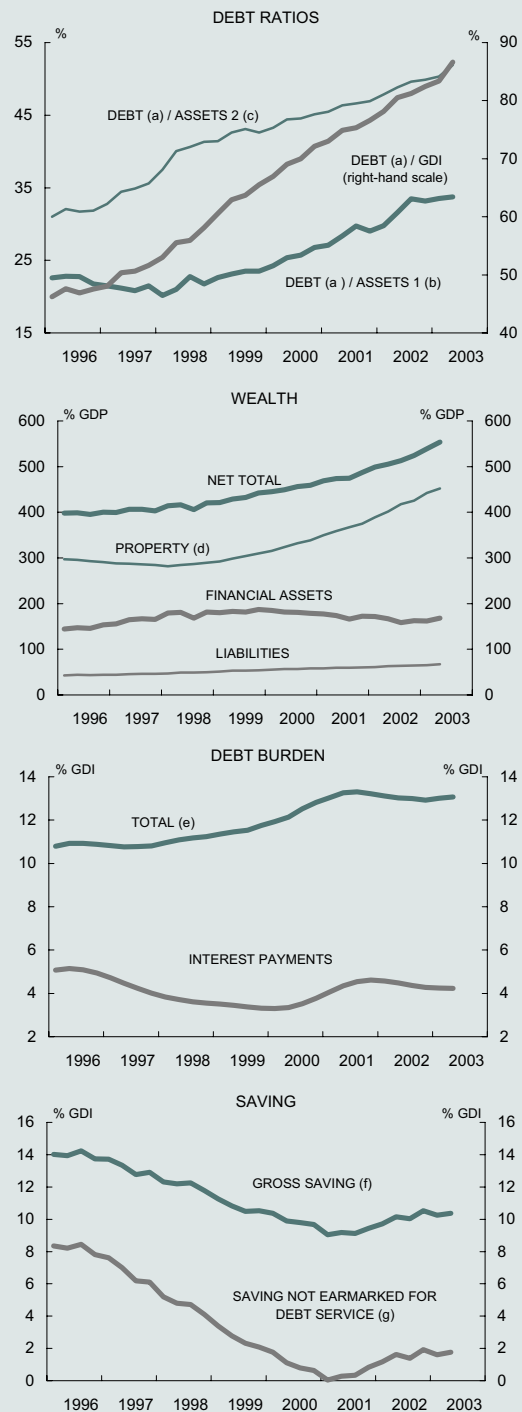
Source: Banco de España.
(a)   Includes bank credit and securitisation.
(b)   Assets 1 = Total financial assets - "other".
(c)   Assets 2 = Assets 1 - shares - shares in FIM.
(d)   Calculated on the basis of the estimated changes in the stock of housing, in the average area per house and in the price per square metre.
(e)   Estimated interest payments plus debt repayments.
(f)   Balance of households' use of disposable income account.
(g)   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 Q4	2003 Q1	2003 Q2
HOUSEHOLDS AND NPISHs:						
Financial transactions (assets)	**9.8**	**8.8**	**7.6**	**9.2**	**9.0**	**9.7**
Cash and cash equivalents	4.5	0.9	1.2	4.0	3.4	3.8
Other deposits and fixed-income securities (a)	3.0	6.4	3.2	1.9	1.7	0.9
Shares and other equity (b)	0.1	0.5	-0.4	0.8	0.5	0.6
Mutual funds	-2.1	-3.4	0.8	0.2	1.1	1.4
FIAMM	*-1.4*	*-1.3*	*1.3*	*0.7*	*0.7*	*0.7*
FIM	*-0.8*	*-2.0*	*-0.5*	*-0.5*	*0.3*	*0.7*
Insurance technical reserves	3.3	3.4	2.5	2.4	2.5	2.5
Of which:						
Life assurance	*2.0*	*1.9*	*1.4*	*1.6*	*1.7*	*1.6*
Pension funds	*1.0*	*1.3*	*0.9*	*0.7*	*0.7*	*0.8*
Other	1.0	0.9	0.4	-0.1	-0.2	0.4
Financial transactions (liabilities)	**7.9**	**7.7**	**6.5**	**7.8**	**7.8**	**8.5**
Credit from resident financial institutions (c)	7.1	7.0	5.4	6.9	6.7	7.5
House purchase credit (c)	4.6	5.4	4.8	5.3	4.8	5.1
Consumer and other credit (c)	2.5	1.6	0.6	1.6	1.9	2.4
Other	0.7	0.8	1.1	0.9	1.1	1.1
NON-FINANCIAL CORPORATIONS						
Financial transactions (assets)	**17.8**	**27.8**	**19.0**	**14.0**	**15.2**	**15.8**
Cash and cash equivalents	0.7	0.9	1.7	1.4	1.9	1.4
Other deposits and fixed-income securities (a)	-0.1	1.2	1.0	1.8	2.5	2.5
Shares and other equity	8.3	14.9	5.8	4.0	3.9	3.3
Of which:						
Vis-à-vis the rest of the world	*6.8*	*11.3*	*4.9*	*2.6*	*2.7*	*2.2*
Other	8.9	10.8	10.5	6.8	7.0	8.7
Financial transactions (liabilities)	**20.1**	**31.3**	**23.6**	**18.6**	**20.1**	**20.7**
Credit from resident financial institutions (c)	5.3	7.6	6.9	6.8	7.5	7.7
Foreign loans	3.0	3.5	4.0	3.4	2.4	2.0
Fixed-income securities (a)	0.5	-0.7	0.1	-0.3	-0.3	-0.2
Shares and other equity	5.1	12.8	5.3	3.1	3.5	3.4
Other	6.2	8.1	7.2	5.6	7.0	7.8
MEMORANDUM ITEM: YEAR-ON-YEAR GROWTH RATES (%)						
Financing (d)	**19.5**	**18.8**	**15.7**	**14.6**	**13.8**	**14.3**
Households and NPISHs	19.6	17.3	12.4	14.9	14.1	15.5
Non-financial corporations	19.4	19.9	18.2	14.4	13.6	13.5

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

Notably in this respect, net financial wealth increased in cumulative four-quarter terms for the first time since 2000.

Consequently, the available indicators suggest that the financial position of households continues to be sound, although the low level of their saving not earmarked for debt service means that they have little margin for absorbing possible adverse shocks to the sector's wealth, income or cost of debt.

5.3. Non-financial corporations

Financing terms for corporations continued to be generous in 2003 Q3. Thus lending rates and the cost of funds raised by issuing bonds

CHART 26

**Non-financial corporations
(Cumulative four-quarter data)**

CAPITAL AND FINANCIAL ACCOUNT

% GDP ... % GDP

- FINANCING GAP (a)
- BROAD GROSS CAPITAL FORMATION (b)
- GROSS SAVING (c)

FINANCIAL TRANSACTIONS (ASSETS)

% GDP ... % GDP

- OTHER
- TRADE CREDIT
- SHARES AND OTHER EQUITY
- OTHER DEPOSITS PLUS FIXED-INCOME SECURITIES (d)
- CASH AND CASH EQUIVALENTS
- TOTAL

FINANCIAL TRANSACTIONS (LIABILITIES)

% GDP ... % GDP

- OTHER
- TRADE CREDIT
- LOANS
- TOTAL
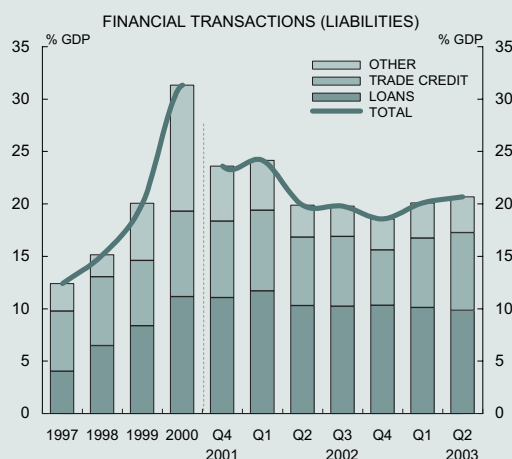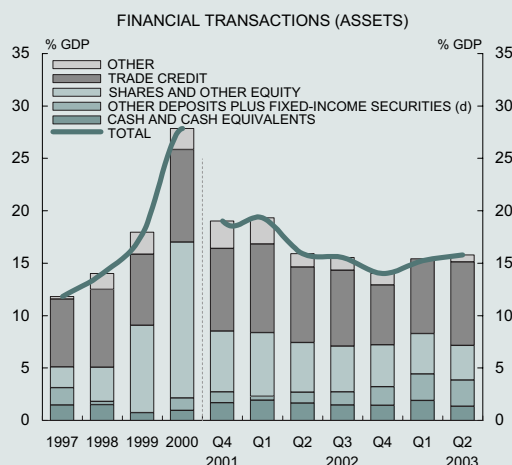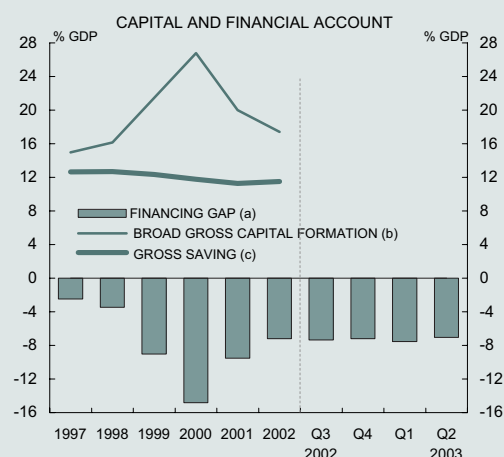
Source: Banco de España.

(a)   Financial resources that cover the gap between real and permanent financial investment and gross saving.
(b)   Includes gross capital formation, stockbuilding and foreign equities.
(c)   Includes capital transfers.
(d)   Not including unpaid accrued interest, which is included under "other".

remained low despite moving upwards in August. Also, in certain cases the higher yields on medium- and long-term assets did not pass through completely to the cost of financing via fixed-income securities, given the slightly downward movement in the risk premia of certain corporations. In addition, the more stable stock market prices made it easier for firms to obtain funds on these markets. However, the Bank Lending Survey for Q2 found that the general terms for corporate loans hardened slightly with respect to those from January to March.

The volume of liabilities-side transactions by non-financial corporations from March to June was relatively high, amounting to 20.7% of GDP in cumulative twelve-month terms, against 20.1% in the previous quarter. In terms of components, interest-bearing borrowed funds grew by 13.5% year-on-year, down 0.1 pp on March, and the funds obtained amounted to 9.5% of GDP in cumulative twelve-month terms; this was similar to the level in the previous quarter, although the proportions of instruments differed. Thus foreign loans again lost ground to loans from resident institutions. Meanwhile, corporations continued to make net redemptions of fixed-income securities, although in a lower amount than in the previous quarter (0.2% of GDP). The funds raised by issuing shares and other equity amounted to 3.4% of GDP. Finally, the trade credit received, which is included under the "Other" caption, also increased.

Analysis of lending by productive activity shows that the credit extended by resident institutions to the real estate industry in Q2, which includes construction and real estate services, again grew strongly. Meanwhile, bank financing for other activities quickened. This was particularly so in the case of that directed to industry excluding construction, the growth rate of which increased for the third quarter running, in line with the modest recovery of investment in capital goods in this period. The latest provisional information points to a slight slowdown in recourse to borrowed funds by corporations.

As regards the acquisition of financial assets by non-financial corporations, in the period from March to June the recovery initiated in the previous quarter proceeded and, as a result, financial investment stood at 15.8% of GDP in cumulative twelve-month terms (see Chart 26 and Table 6). As for the previous quarter, there was an increase in the amount of trade credit extended, which is included under the "Other" caption along with decreases in purchases of shares and other equity, particularly from the rest of the world, and in acquisitions of cash and cash equivalents.

BOX 1

Synthetic indicators of the financial position of Spanish non-financial corporations

Analysis of the financial position of firms is important in assessing macroeconomic conditions and financial stability. Thus, for example, the level of corporate debt can affect decisions regarding labour demand, investment plans or the probability of default. The financial position of firms is usually characterised by means of a wide array of ratios providing information on their profitability, indebtedness and liquidity. In this connection it is useful to have synthetic indicators to summarise the information provided by the various ratios.

The individual firm sample contained in the Annual Database of the Banco de España's Central Balance Sheet Data Office for 1985-2001 was used to construct three synthetic indicators summarising the impact that various financial variables have on corporate default probability, investment and employment. The first is calculated using a set of measures of indebtedness, financial burden, profitability, liquidity, dividend payment and sales and GDP growth. The weights allocated to components are based on the historically demonstrated capacity of these variables to anticipate default (1). The indicators relevant to employment and investment are obtained from the financial burden, profitability and, in the case of the investment indicator, the level of corporate debt. As in the previous case, the weight of these variables is determined on the basis of their estimated influence on the item of interest (employment or investment) (2).

The accompanying chart shows, for each of these synthetic indicators, how the median, the 90th percentile and the weighted average of their distribution have changed over time. In the latter case, the weights are constructed using various indicators of the relative size of firms (3). The first series characterises the behaviour of an average firm, while the top decile and the average are representative of the situation of the most vulnerable firms and of the sector in aggregate terms, respectively.

The three indicators depicted in the chart show, for each of the series, a clear counter-cyclical profile, which is particularly pronounced in the case of the top decile. Comparison of the three series also enables some interesting conclusions to be drawn. First, the median tends to be below the weighted average, which indicates that the financial position of the firms that are largest and most important from the standpoint of investment and employment has been – in the sample – somewhat more unfavourable than that of the average firm. Also, in certain periods the average behaves differently from the median. These two facts demonstrate that the behaviour of the average firm is not always sufficiently representative of the sector's behaviour. Also, comparison of the median and the 90th percentile shows how in recessions the deterioration in financial terms has been sharper in the firms that were in a more unfavourable financial position.

Synthetic indicators

INDICATOR OF DEFAULT PROBABILITY

RELEVANT INDICATOR FOR INVESTMENT

RELEVANT INDICATOR FOR EMPLOYMENT

These indicators have been normalised so as to set the median to 100 in 1990. Increases in indicators signify a worsening of the financial position of firms.

Finally, the chart also shows that, although in the last year of the sample the financial position of firms worsened somewhat, in historical terms the synthetic indicators stood at moderate levels (below the sample average of each of them). This suggests that the sector as a whole enjoys a sound financial position, which therefore does not seem to pose an obstacle to dynamic investment or hiring decisions.

---

(1) Technically, the weights are obtained from the estimate of a Probit model for the probability of corporate bankruptcy.

(2) The weights are obtained from the co-efficients of employment and investment equations estimated by the general method of moments.

(3) The weight of each firm in the default-probability indicator is given by the relative volume of assets, in the investment indicator it is given by the relative volume of fixed capital, and in the employment indicator by the relative number of employees.

CHART 27

Debt ratios of non-financial corporations (a)
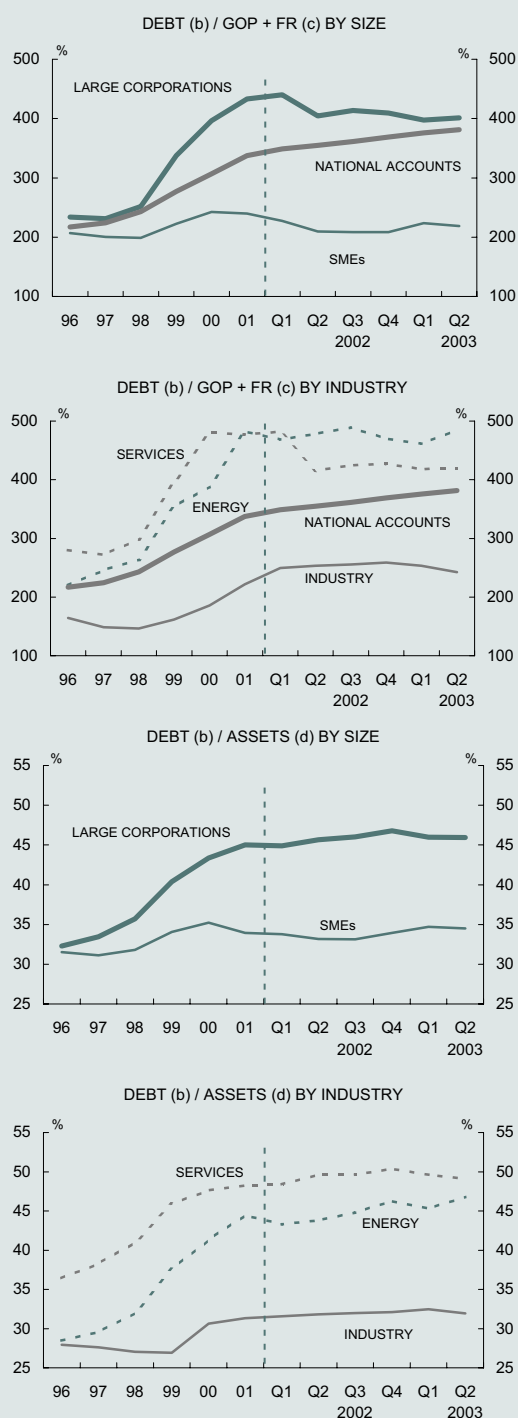
DEBT (b) / GOP + FR (c) BY SIZE

LARGE CORPORATIONS

NATIONAL ACCOUNTS

SMEs

96 97 98 99 00 01 Q1 Q2 Q3 Q4 Q1 Q2
2002 2003

DEBT (b) / GOP + FR (c) BY INDUSTRY

SERVICES

ENERGY

NATIONAL ACCOUNTS

INDUSTRY

96 97 98 99 00 01 Q1 Q2 Q3 Q4 Q1 Q2
2002 2003

DEBT (b) / ASSETS (d) BY SIZE

LARGE CORPORATIONS

SMEs

96 97 98 99 00 01 Q1 Q2 Q3 Q4 Q1 Q2
2002 2003

DEBT (b) / ASSETS (d) BY INDUSTRY

SERVICES

ENERGY

INDUSTRY

96 97 98 99 00 01 Q1 Q2 Q3 Q4 Q1 Q2
2002 2003

Source: Banco de España.
(a)   All the series, except "National Accounts", are calculated with CBSO information. Up to 2001, the information is from the CBSO annual survey (CBA). Thereafter, the indicators have been estimated drawing on the CBSO quarterly survey (CBQ).
(b)   Interest-bearing borrowed funds.
(c)   Gross operating profit plus financial revenue.
(d)   Defined as total inflation-adjusted assets less non-interest-bearing liabilities.

In Q2 the net financial requirement of corporations was high at 0.4% of GDP and the cumulative twelve-month debit balance was unchanged at 4.9% of GDP (see Table 5). However, the financing gap, which is the external funds required to enable permanent financial and real investment, improved slightly to 7% of GDP (see Chart 26).

The aggregate debt ratios of the sector further increased from March to June and, according to the provisional information available, also seem to have moved up in Q3 (see Chart 27). However, the low cost of debt meant that the interest burden remained moderate (see Chart 28). Meanwhile, according to the Central Balance Sheet Data Office (CBSO) Quarterly Survey, the financial burden indicator, which includes short-term debt plus interest, held relatively steady in 2003 Q2 at levels near the high in March 2002.

Corporate earnings performed favourably in the first half of 2003. Thus ordinary net profit of the firms participating in the CBSO Quarterly Survey, which excludes extraordinary revenue and expenses, grew by 10.8% with respect to the same period of 2002.

Overall, the financial position of firms remained sound and the financial terms faced by them were relaxed. Nevertheless, the sensitivity of their investment and hiring decisions to adverse shocks bearing on their financial position might be influenced by their degree of indebtedness (1).

5.4.   General government

The net balance of the financial transactions of general government in 2003 Q2 was positive and, in cumulative twelve-month terms, stood at 0.2% of GDP (see Chart 29).

The net issuance of marketable securities by general government was €9.9 billion from April to June and, in cumulative four-quarter terms, amounted to 1.7% of GDP. The breakdown by instrument shows that the sector resorted to a greater extent to long-term financing, the issues of which amounted to 1.3% of GDP in the last twelve months, while the funds obtained via short-term securities represented 0.4% of GDP in the same period. The funds obtained on the markets exceeded the current financing requirements, resulting in an increase in the deposits held by general government in the financial system.

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(1)   See Box 4 for a discussion of the extent to which certain synthetic indicators of the financial position of firms are relevant to the assessment of macroeconomic prospects.

CHART 28

Debt burden of non-financial corporations (a)
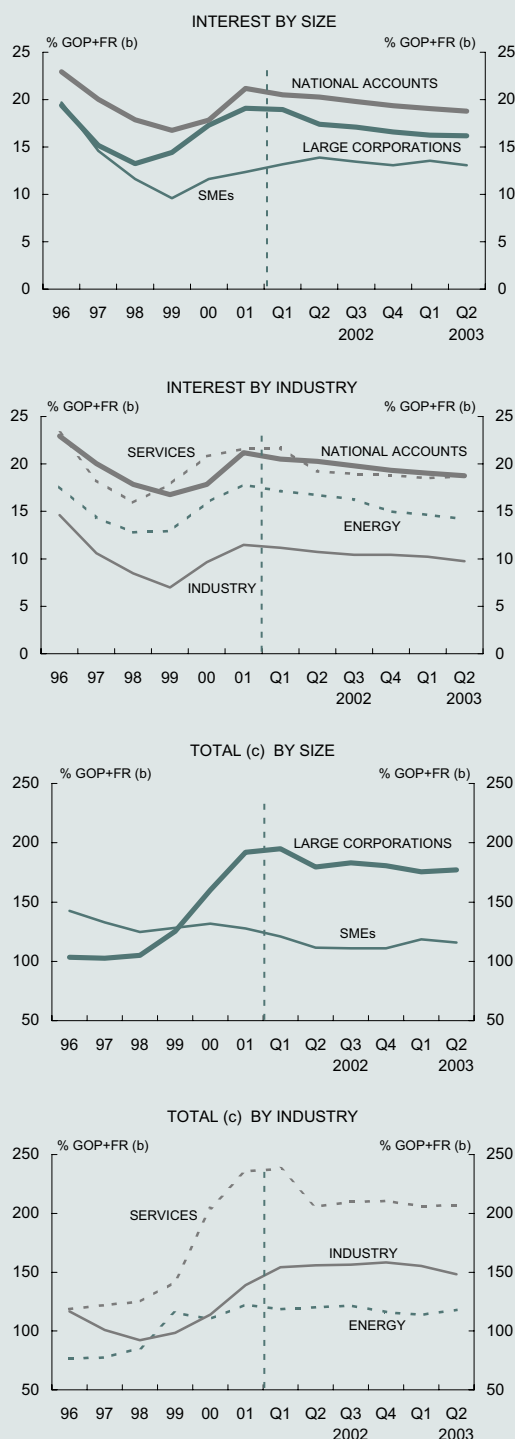
INTEREST BY SIZE

NATIONAL ACCOUNTS

LARGE CORPORATIONS

SMEs

INTEREST BY INDUSTRY

SERVICES

NATIONAL ACCOUNTS

ENERGY

INDUSTRY

TOTAL (c) BY SIZE

LARGE CORPORATIONS

SMEs

TOTAL (c) BY INDUSTRY

SERVICES

INDUSTRY

ENERGY

Source: Banco de España.
(a)   All the series, except "National Accounts", are calculated with CBSO information. Up to 2001, the information is from the CBSO annual survey (CBA). Thereafter, the indicators have been estimated drawing on the CBSO quarterly survey (CBQ).
(b)   Gross operating profit plus financial revenue.
(c)   Includes interest plus interest-bearing short-term debt.

CHART 29

General government
(Cumulative four-quarter data)

NET FINANCIAL TRANSACTIONS

NET FINANCIAL TRANSACTIONS (a)
FINANCIAL REQUIREMENTS

CONTRIBUTIONS

SHORT-TERM SECURITIES
BONDS (b)
CREDIT LESS DEPOSITS
OTHER
NET FINANCIAL TRANSACTIONS (a)
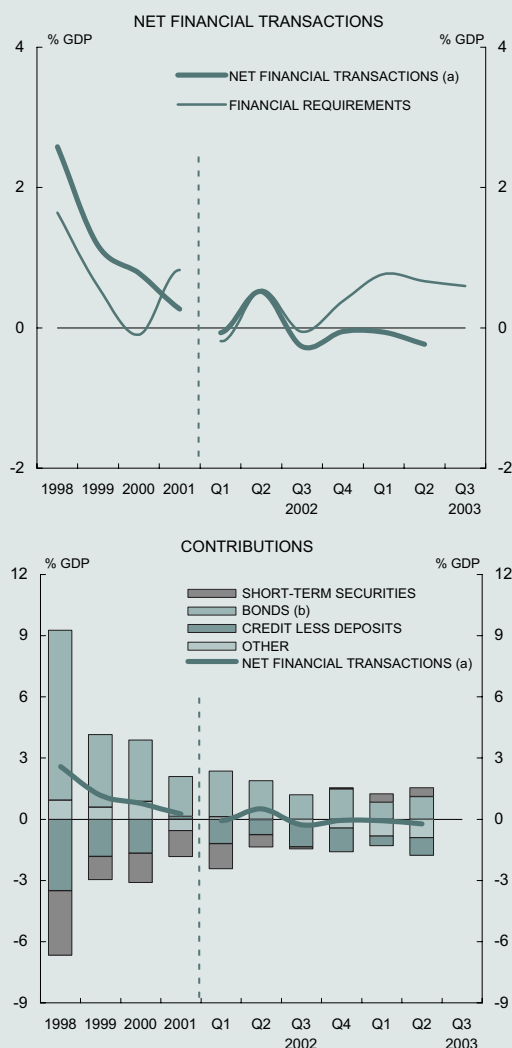
Source: Banco de España.
(a)   Sign changed.
(b)   Not including unpaid accrued interest, which is included under "other".

Preliminary information for 2003 Q3 indicates no change in the funds obtained via net issuance of short-term securities and a slight moderation in those obtained through bonds and debentures. As a result, financial requirements, which represent recourse by general government to the financial markets and proxy the sector's saving, improved slightly from July to September.

5.5.   The rest of the world

In 2003 Q2 the debit balance of the nation's financial transactions in cumulative twelve-

TABLE 7

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

% GDP

	1999	2000	2001	2002 Q4	2003 Q1	2003 Q2
Net financial transactions	**-1.0**	**-2.5**	**-2.2**	**-1.6**	**-2.1**	**-2.0**
Financial transactions (assets)	**15.3**	**25.2**	**12.2**	**11.4**	**12.9**	**12.1**
Gold and SDRs	**-0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Cash and deposits	**1.7**	**2.8**	**-2.7**	**3.5**	**4.0**	**2.7**
Credit system	3.7	2.5	-2.7	2.0	2.3	1.6
Other resident sectors	-2.1	0.4	0.0	1.5	1.7	1.2
Securities other than shares	**2.9**	**3.9**	**7.2**	**4.3**	**5.3**	**5.8**
Credit system	-0.8	-0.3	2.0	0.6	0.7	1.4
Other resident sectors	3.7	4.2	5.2	3.7	4.6	4.5
Shares and other equity	**10.1**	**15.6**	**5.2**	**3.1**	**3.0**	**2.2**
Credit system	0.8	1.8	0.0	0.2	0.0	-0.4
Other resident sectors	9.4	13.8	5.2	2.9	2.9	2.6
Of which:						
Non-financial corporations	6.8	11.3	4.9	2.6	2.7	2.2
Loans	**0.7**	**2.8**	**2.5**	**0.5**	**0.6**	**1.3**
Credit system	-0.2	0.5	0.8	0.1	0.2	0.2
Other resident sectors	0.9	2.3	1.7	0.3	0.4	1.1
Financial transactions (liabilities)	**16.2**	**27.7**	**14.4**	**13.0**	**15.0**	**14.1**
Deposits	**4.1**	**6.8**	**2.8**	**4.4**	**6.0**	**4.5**
Of which:						
Credit system	4.1	6.8	2.8	4.4	6.0	4.5
Securities other than shares	**5.4**	**7.0**	**3.1**	**4.2**	**4.1**	**5.3**
Credit system	0.9	0.7	0.6	1.4	1.8	2.7
General government	4.3	5.7	1.6	1.1	-0.1	0.3
Other resident sectors	0.2	0.5	0.9	1.7	2.3	2.3
Shares and other equity	**4.2**	**9.4**	**4.6**	**1.8**	**2.5**	**2.0**
Credit system	0.3	1.8	0.5	0.1	0.2	0.0
Other resident sectors	3.9	7.7	4.1	1.7	2.4	2.1
Loans	**3.8**	**4.5**	**4.7**	**3.9**	**2.8**	**2.5**
General government	0.0	0.0	0.1	0.1	0.0	0.0
Other resident sectors	3.7	4.4	4.7	3.8	2.8	2.6
Other, net (a)	**-1.2**	**0.1**	**-0.8**	**-1.3**	**-0.4**	**-0.3**

Source: Banco de España.
(a)   Includes the asset-side caption reflecting insurance technical reserves.

month terms stood at 2% of GDP, against 2.1% in the previous quarter. This slight improvement was basically the result of a moderate recovery in the credit balance of general government, since the other institutional sectors did not record significant changes. Meanwhile, unlike in the previous quarter, financial asset and liability transactions both decreased in GDP terms.

Net purchases of foreign assets declined to 12.1% of GDP in cumulative twelve-month terms, against 12.9% in the previous quarter (see Table 7), with uneven changes across the various instruments. Thus cash and deposits, along with shares and other equity, diminished significantly, whereas securities other than shares, particularly loans, continued the recovery dating from the previous quarter. According to provisional balance of payments information up to July, foreign long-term (direct) investment was down by more than 55% compared with the same period a year earlier. This

TABLE 8

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

% GDP

	1998	1999	2000	2001	2002	2003 (b)
National economy	**-21.8**	**-22.5**	**-20.4**	**-21.8**	**-24.7**	**-26.1**
Non-financial corporations and households and NPISHs	**-8.7**	**-8.7**	**-0.4**	**-1.3**	**-1.2**	**-1.8**
Non-financial corporations	-14.9	-16.3	-8.2	-9.2	-10.1	-11.7
Households and NPISHs	6.2	7.6	7.7	7.9	8.8	10.0
Financial institutions	**4.8**	**6.8**	**4.9**	**4.6**	**1.9**	**-1.2**
Credit institutions (b)	-5.5	-7.6	-12.6	-14.5	-15.3	-19.1
Institutional investors (c)	10.7	15.0	18.3	20.8	20.7	22.7
Other financial institutions	-0.4	-0.6	-0.9	-1.7	-3.5	-4.7
General government	**-17.9**	**-20.6**	**-24.8**	**-25.0**	**-25.3**	**-23.1**

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)   Q2 data.

(c)   Defined according to the First Banking Directive.

(d)   Insurance corporations and collective investment institutions.

contraction was related to the international setting of economic and geopolitical uncertainty in the opening months of 2003. Portfolio investment abroad continued to be high and picked up notably with respect to the flows in 2002.

On the liabilities side, net flows amounted to 14.1% of GDP in cumulative twelve-month terms, against 15% in the previous quarter. This decrease was apparent in most non-resident investment, except for fixed-income issues. Ac-cording to balance of payments information, inward foreign direct investment in Spain in the first half fell by 25% with respect to the same period a year earlier.

Finally, the provisional information on the debit position of the Spanish economy vis-à-vis the rest of the world shows that it stood at 26.1% of GDP in Q2, a deterioration of 1.4 pp relative to December 2002 (see Table 8).

31.10.2003.

Results of non-financial corporations in the first two quarters of 2003 (1)

1. INTRODUCTION

The data of the CBSO Quarterly Survey (CBQ) on business activity in the first half of 2003 show notable buoyancy, confirming the results reported for the first quarter of the year. In the first half as a whole, gross value added (GVA) rose by 8% in nominal terms with respect to the same period a year earlier (see Table 1 and Chart 1). This is confirmed when allowance is made for how corporate earnings in the sector have been affected by the crude oil price rises early in the year. Both this overall performance and the step-up in activity in the first six months of 2003 by the trading and industrial firms reporting to the CBQ are in line with the growth of private consumption and of investment in capital goods recorded by other sources. Factors that have favourably influenced these developments are the abatement of uncertainty in the international setting, the alleviation of the situation of certain Latin-American economies and the improved expectations in the United States in the last few months. However, the doubts persisting abroad, basically about some of the main European economies, could have repercussions for Spanish firms in the future, particularly in the industrial sector where activity is more dependent on trade with these countries.

In step with the favourable trend in activity, employment continued to grow for the third consecutive quarter at a rate of 1.0% (which, although modest, has to be judged in the context of a sample of large, mostly industrial corporations, as is that of the CBQ), confirming the gradual recovery initiated in the second half of 2002. As in recent quarters, average compensation has continued to post notable increases (4.4% on this occasion), of greater size than those seen in the first half of 2002. This may be a temporary phenomenon associated with the application of the indexation clauses during the early months of the year, but if it spreads generally throughout firms, it may affect their competitiveness, particularly that of industrial firms, and bear on the deceleration of the rate of inflation in the economy. As a result of these developments, personnel costs again reached growth rates unseen since 2001 of around 5.4%. This level, since it is lower than the growth of GVA, explains the strong growth of 10% in the surplus, or gross operating profit. Despite the decline in financial revenue and the slight increase

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(1) This article is based on the data provided to 17 September 2003 by the 721 corporations on average that voluntarily reported to the CBSO Quarterly Survey (CBQ). These corporations account for 14% of the total activity of the non-financial corporations sector (measured as gross value added at basic prices).

TABLE 1

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

Databases	CBA structure	CBA		CBQ (a)		
	2001	2000	2001	02 Q1-Q4/ 01	02 Q1-Q2	03 Q1-Q2
Number of corporations / Total national coverage		8053/28.9%	7081/25.9%	845/15.6%	880/15.9%	721/14.0%
1. VALUE OF OUTPUT (including subsidies)	100.0	16.0	2.9	2.2	-0.8	5.6
Of which:						
1. Net amount of turnover and other operating income	130.0	17.4	5.6	2.8	1.2	5.2
2. INPUTS (including taxes)	69.0	20.1	2.3	0.7	-2.7	4.2
Of which:						
1. Net purchases	42.9	23.8	-2.0	-0.5	-4.4	2.7
2. Other operating costs	25.6	14.4	7.9	4.6	3.1	6.8
S.1. GROSS VALUE ADDED AT FACTOR COST [1 - 2]	31.0	7.5	4.1	4.7	2.4	8.0
3. Personnel costs	15.9	7.5	5.2	4.0	3.7	5.4
S.2. GROSS OPERATING PROFIT [S.1 - 3]	15.1	7.5	3.0	5.3	1.2	10.0
4. Financial revenue	5.3	26.3	25.8	-1.2	9.1	-7.2
5. Financial costs	4.1	26.3	14.4	-4.3	-9.7	0.4
6. Depreciation and operating provisions	6.8	6.6	-0.2	0.4	1.1	4.5
S.3. ORDINARY NET PROFIT [S.2 + 4 - 5 - 6]	9.5	8.3	12.2	10.8	8.9	10.8
7. Capital gains and extraordinary revenue	4.5	-10.3	2.6	70.2	190.0	-10.8
8. Capital losses and extraordinary expenses	3.7	11.0	2.9	141.6	85.3	4.4
9. Other net provisioning	3.3	-21.1	46.2	98.9	(b)	-94.4
10. Income tax	1.7	-15.4	1.9	2.8	1.7	12.1
S.4. NET PROFIT [S.3 + 7 - 8 - 9 - 10]	5.3	15.3	-0.8	(b)	(b)	(b)
Memorandum item:						
FUNDS GENERATED FROM OPERATIONS [S.2 + 4 - 5 - 10]	14.7	10.5	7.2	6.6	6.1	7.7
PROFIT RATIOS						
R.1 Return on investment (before taxes)		7.4	7.6	8.9	8.3	8.4
R.2 Interest on borrowed funds/ interest-bearing borrowing		5.0	5.1	4.6	4.5	4.2
R.3 Ordinary return on equity (before taxes)		9.1	9.5	12.7	11.5	12.1
R.4 ROI - cost of debt (R.1-R.2)		2.4	2.5	4.3	3.8	4.2
R.5 Debt ratio		47.3	49.0	52.8	52.0	52.5

Source: Banco de España.
(a) All the data in these columns have been calculated as the weighted average of the quarterly data.
(b) Rate not significant or not calculable because the relevant figures are of opposite sign.
Note: Internal accounting movements have been edited out of items 4, 5, 7, 8, 9 and 10 in the calculation of rates.

TABLE 2.a

Value added, employees, personnel costs and compensation per employee
Breakdown by size 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			CBA	CBQ			CBA	CBQ			CBA	CBQ		
	2001	02 Q1-Q4	02 Q1-Q2	03 Q1-Q2	2001	02 Q1-Q4	02 Q1-Q2	03 Q1-Q2	2001	02 Q1-Q4	02 Q1-Q2	03 Q1-Q2	2001	02 Q1-Q4	02 Q1-Q2	03 Q1-Q2
Total	**4.1**	**4.7**	**2.4**	**8.0**	**2.5**	**0.2**	**0.2**	**1.0**	**5.2**	**4.0**	**3.7**	**5.4**	**2.7**	**3.8**	**3.5**	**4.4**
SIZE:																
Small	7.6	—	—	—	2.0	—	—	—	7.5	—	—	—	5.4	—	—	—
Medium	8.5	4.6	4.0	0.2	3.7	1.4	1.2	1.1	9.1	4.1	3.8	5.5	5.2	2.7	2.6	4.4
Large	3.4	4.7	2.3	8.4	2.3	0.1	0.1	0.9	4.6	3.9	3.7	5.4	2.2	3.8	3.6	4.5
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE:																
Energy	-5.9	-0.2	-5.7	16.0	-2.5	-3.1	-2.7	-1.9	3.0	0.0	-0.2	3.5	5.7	3.2	2.6	5.5
Industry	-0.9	2.4	0.4	4.9	-1.0	-1.5	-2.1	0.4	2.9	2.2	1.3	4.6	3.9	3.8	3.5	4.2
Wholesale and retail trade	10.5	9.3	10.0	8.9	7.2	4.4	5.3	4.4	9.1	6.7	7.6	8.2	1.7	2.2	2.2	3.6
Transport and communications	9.2	7.4	5.1	4.7	0.1	-1.0	-0.9	0.3	3.1	4.4	3.6	5.4	3.0	5.5	4.5	5.1

Source: Banco de España.
(a) All the data in these columns have been calculated as the weighted average of the quarterly data.

in financial costs (which had shown negative rates of change in 2002), the behaviour of gross operating profit fed through to ordinary net profit (growth of 10.8% with respect to the first half of 2002), which is the relevant variable for calculating profitability. As noted in the article on 2003 Q1, the slight rise in financial costs (barely 0.4%) was due to increases in indebtedness (now growing at nearly 7%) and in commissions, since the impact of interest rates continued to decline.

As a result of the foregoing developments, and of the performance of ordinary net profit in particular, profit ratios remained higher than in the same period a year earlier. The implications of this favourable situation are best summed up by the difference between the ratio that measures the ordinary return on net assets (2) (or return on investment) and that which measures the cost of debt (3). This difference was four percentage points in the period analysed here and, as noted in this article in previous Economic Bulletins, evidences the favourable financial situation of firms. As regards extraordinary transactions, which, to-

gether with income tax, are added to or subtracted from ordinary net profit to arrive at net profit (i.e. total profit), it should be noted that the erratic and extremely volatile nature of these extraordinary revenues and expenses may, as in 2002, give rise to a negative net profit. This prevents the rate of change of this balance from being calculated for 2002 and for the period to date of 2003, in which the net profit has turned positive again. As pointed out in this article in the past, the high provisioning in the first half of 2002 to cover the loss of value of Spanish groups' investments in Argentina and other Latin American countries and to write off failed foreign investments in communications technologies was the main reason for the negative net profit in 2002. This setback has nothing to do with the income generated in that period, which once again bears out the wisdom of calculating returns on the basis of ordinary profits.

In sum, in the first two quarters of 2003 the firms reporting to the CBQ have sustained the recovery initiated in the second half of 2002 and which firmed in Q1 this year. The reporting corporations have continued to create jobs, while average compensation has kept growing at relatively high rates. The available data also point to a certain upturn in borrowing to fi-

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(2)   Ordinary net profit plus earned interest divided by total assets.
(3)   Interest borne divided by borrowed funds.

CHART 1

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

GROSS VALUE ADDED AT FACTOR COST
(Rate of change)

CBA/CBQ CBQ

TOTAL CBA

TOTAL CBQ

1998(b) 1999(b) 2000(b) 2001(b) 2002(c) 2003(d)

FINANCIAL COSTS
(Rate of change)

CBA/CBQ CBQ

1998(b) 1999(b) 2000(b) 2001(b) 2002(c) 2003(d)

PERSONNEL COSTS
(Rate of change)

1998(b) 1999(b) 2000(b) 2001(b) 2002(c) 2003(d)

ORDINARY NET PROFIT
(Ratios)

1998(b) 1999(b) 2000(b) 2001(b) 2002(c) 2003(d)

EMPLOYMENT AND WAGES
(Rate of change)

PERSONNEL COSTS
PER EMPLOYEE

AVERAGE NUMBER
OF EMPLOYEES

1998(b) 1999(b) 2000(b) 2001(b) 2002(c) 2003(d)

RETURN ON INVESTMENT (R.1)
(Ratios)

1998(b) 1999(b) 2000(b) 2001(b) 2002(c) 2003(d)

GROSS OPERATING PROFIT
(Rate of change)

1998(b) 1999(b) 2000(b) 2001(b) 2002(c) 2003(d)

COST OF DEBT (R.2) AND ROI-COST OF DEBT (R.1-R.2)
(Ratios)

COST OF DEBT (R.2)
ROI - COST OF DEBT

1998(b) 1999(b) 2000(b) 2001(b) 2002(c) 2003(d)

NUMBER OF CORPORATIONS

CBA	8,135	8,248	8,053	7,081		
CBQ	839	892	906	868	845	721

% OF GDP OF THE SECTOR NON-FINANCIAL CORPORATIONS

CBA	33.6	31.6	28.9	25.9		
CBQ	18.3	17.9	16.7	15.7	15.6	14.0

CBA data.

NUMBER OF CORPORATIONS

CBA	8,135	8,248	8,053	7,081		
CBQ	839	892	906	868	845	721

% OF GDP OF THE SECTOR NON-FINANCIAL CORPORATIONS

CBA	33.6	31.6	28.9	25.9		
CBQ	18.3	17.9	16.7	15.7	15.6	14.0

CBQ data.

Source: Banco de España.
(a) Information available to 17 September 2003 (CBA and CBQ).
(b) The 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 four quarters of 2002 relative to the same period of 2001.
(d) Average of the first two quarters of 2003 relative to the same period of 2002.

TABLE 2.b

Employment and personnel costs
Details based on changes in staff levels

	Total CBQ corporations 03 Q1-Q2	Corporations increasing (or not changing) staff levels	Corporations reducing staff levels
Number of corporations	**721**	**405**	**316**
Personnel costs			
Initial situation 02 Q1-Q2 (€ m)	10,490.7	5,328.6	5,162.1
Rate 03 Q1-Q2/02 Q1-Q2	5.4	9.0	1.7
Average compensation			
Initial situation 02 Q1-Q2 (€)	18,556	16,345	21,509
Rate 03 Q1-Q2/02 Q1-Q2	4.4	3.2	7.4
Number of employees			
Initial situation 02 Q1-Q2 (000s)	566	326	240
Rate 03 Q1-Q2/02 Q1-Q2	1.0	5.6	-5.3
Permanent			
Initial situation 02 Q1-Q2 (000s)	*467*	*262*	*205*
Rate 03 Q1-Q2/02 Q1-Q2	*0.7*	*3.9*	*-3.4*
Non-permanent			
Initial situation 02 Q1-Q2 (000s)	*99*	*64*	*35*
Rate 03 Q1-Q2/02 Q1-Q2	*2.1*	*12.5*	*-16.5*

Source: Banco de España.

CHART 2

Distribution of corporations by rate of change in GVA at factor cost
(02 Q1-Q2 / 01 Q1-Q2, 03 Q1-Q2 / 02 Q1-Q2)

Source: Banco de España.

nance productive investment, in response to the stimulus of favourable financial conditions and high rates of return available. Also, unlike in 2002, in 2003 to date Spanish firms have not had to devote significant resources to writing down investments abroad in order to restore balance to their financial position. This, together with the more stable international situation and the other factors mentioned above, makes for a situation conducive to investment and job creation.

2. ACTIVITY

In the first half of 2003 the productive activity of Spanish firms continued on the growth path apparent in the first three months of the year, bettering by far the performance in 2002. The GVA generated by the sample firms increased by 8% in the first two quarters of 2003, compared with 2.4% in the same period a year earlier and with 4.7% for the whole of 2002 (see Table 1 and Chart 1), confirming the progressive acceleration in Spanish productive activity since the beginning of 2003 in response to the buoyancy of private consumption and, more recently, to the recovery of investment in capital goods, both documented by sources other than the CBSO. This performance was against a backdrop of considerably lower uncertainty in

the international sphere. The calculation of the GVA growth rate in the first two quarters of 2003 is affected by how much oil prices rose in the first two quarters of 2003 with respect to the same period of 2002. To the extent that this rise was passed on by the refineries, it led to high GVA growth of refineries in 2002 Q2. However, even if the influence of this factor on the GVA of the industrial sector is disregarded, the trend in 2003 to date has been for activity to expand. Indeed, if the refineries and fuel distributors (see below) are excluded from the sample, GVA continues to grow faster in the first two quarters of 2003 than it did in the same period of 2002 (5.4% against 3.9%). Noteworthy as regards external activity was that in 2003 to date there has been a slight increase in the percentage of sales in foreign markets (see Table 3) and an even greater increase in purchases in these markets.

Activity increased in all sectors, although at differing paces. The GVA of the energy and industrial sectors rose by 16.0% and 4.9%, respectively, in both cases clearly higher than the rates in the first half of 2002 and in 2002 as a whole. In the case of energy, this change was particularly marked, since in the first six months of 2003 its GVA grew at the rate indicated, whereas it declined by 5.7% in the same period of 2002. The average crude oil price rise in the first six months of 2003 with respect to the average levels in the first half of 2002 significantly influenced the increase in GVA recorded by the refining sector. This behaviour was also appar-

TABLE 3

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

	CBA	CBQ (a)	
	2001	02 Q1-Q4/01 Q1-Q4	03 Q1-Q2/02 Q1-Q2
Total corporations	**7,081**	**845**	**721**
Corporations reporting source/destination	**7,081**	**814**	**693**
	%	%	%
Net purchases	**100.0**	**100.0**	**100.0**
SOURCE OF PURCHASES:			
Spain	65.3	78.9	78.4
Total abroad	34.7	21.1	21.6
EU countries	*20.8*	*15.9*	*16.6*
Third countries	*13.9*	*5.2*	*5.0*
Net turnover	**100.0**	**100.0**	**100.0**
SALES DESTINATIONS:			
Spain	81.4	86.9	86.3
Total abroad	18.6	13.1	13.7
EU countries	*13.5*	*8.4*	*9.6*
Third countries	*5.1*	*4.7*	*4.1*

Source: Banco de España.
(a)   All the data in these columns have been calculated as the weighted average of the relevant quarters.

ent in the electricity sector, the GVA of which grew by 5.6% in the first half of 2003, thanks to higher demand (up 4% in the first half of 2003) and to increased hydroelectric generation, which reduced production costs. In industry, which is analysed in greater detail in Table 1, activity recovered significantly in the first half of 2003. GVA was up by 4.9%, against 0.4% in the same period a year earlier and 2.4% for 2002 as a whole, as a result of the upturn in investment in capital goods in 2003. The wholesale and retail (distributive) trade has continued to grow at a good pace in 2003 to date (GVA up 8.9%, against 10.0% in the same period of 2002), with rates similar to those of previous periods and in line with that of private consumption. Also, as in the case of refining firms, if the effect exerted on the GVA of fuel distributors (firms forming part of the distributive trade that are scantly represented in the CBQ) by oil price rises (which, since they could not be passed on in full, led to slightly negative GVA growth in the first six months of 2003) were stripped out, the strength of the distributive trade aggregate in 2003 would be more clearly visible (its GVA growth would be 10% in 2003, against 6.1% in 2002). The transport and communications sector again grew at a good pace in 2003 to date, with GVA up 4.7% (against 5.1% in the same period a year earlier). This performance reflects,

among other factors, the strong growth of mobile telephony firms, mainly based on services associated with the new technologies.

Finally, Chart 2, which analyses the distribution of sample firms by GVA growth without taking size into account, shows that the growth of the "total CBQ reporting firms" aggregate is not evenly distributed among its components. The chart shows that the percentage of firms whose GVA increased in the first half of 2003 (56.2%) was higher than the percentage whose GVA increased in the first half of 2002 (55.1%). Conversely, 43.8% of firms showed negative GVA growth in the first half of 2003, against 44.95% in the first half of 2002. This statistic confirms that the growth of activity in the first six months of 2003 was not only more marked, but also more general.

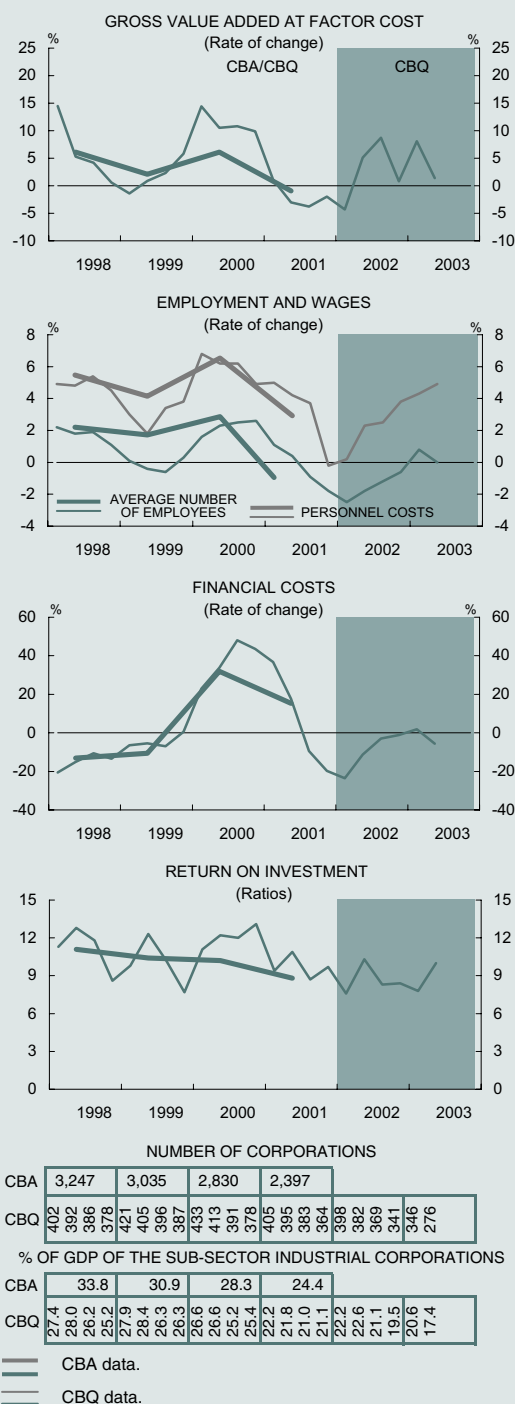## 3. EMPLOYMENT AND PERSONNEL COSTS

In the first half of 2003 the personnel costs of firms grew by 5.4%, as a result of increases in both employment (1%) and average compensation (4.4%). The greater vigour shown by business activity in the period analysed was accompanied, for the third quarter running, by on-

BOX 1

Analysis of the industrial sector

The industrial sector is one of the areas of the economy that has shown the clearest signs of recovery with respect to the same period a year earlier. After a first half in 2002 in which GVA grew by only 0.4%, the same period of 2003 saw GVA rise by 4.9%, up even on the figure for 2002 as a whole (2.4%). This rise is explained by a recovery of investment in capital goods which, moreover, has been across the board in all the sub-sectors comprising the industrial sector. However, analysis of the quarter-on-quarter profile shows a slowdown in 2003 Q2, particularly in *chemicals industry* firms. Their greater exposure to other markets, particularly those in certain European countries, has led them to be more directly affected by the sluggishness in the euro area, impairing the recovery that had been apparent in the sector early in the year. By contrast, the *food, beverages and tobacco* and *glass, ceramics and metal processing* sub-sectors exhibited greater buoyancy in Q2. In step with activity, employment also posted a rise which, although slight, broke the negative trend prevailing in 2002. Thus, in the first half, employment in industry rose by 0.4%, against a fall of 2.1% in the same period of 2002. Except in the *chemicals industry* and *other manufacturing* sub-sectors, there were net increases in workforce numbers. Average compensation grew by 4.2%, which was very similar to the rate for the sample as a whole (4.4%). This growth was fairly widespread across the firms analysed by the CBQ and posed an obstacle to the improved competitiveness of Spanish firms, particularly that of industrial firms so strongly exposed to foreign competition. The two headings (employment and average compensation) led personnel costs to grow by 4.6%, nearly the same as GVA. This enabled increases of 5.4% in gross operating profit and of 7.9% in ordinary net profit, the latter marking a substantial improvement on the figure for the first half of 2002 (–0.1%). This performance of ordinary net profit resulted in ordinary returns remaining at high levels similar to those achieved in 2002. The interest rate cuts slightly reduced the ratio that measures the financial costs of industrial firms (4.2% in the first half of 2003), which meant that, for yet another quarter, the spread between the return on investment and the cost of debt was positive and similar to the level in preceding periods

In sum, a progressive recovery of activity, based on improved investment in capital goods, seems to be taking root in Spanish industry. However, certain uncertainties persisting on the international front affect this sector in particular, given its exposure to foreign competition. Also, the maintenance and/or wider diffusion of the recent trend in average compensation would mean that the competitiveness of Spanish companies would be at risk. It is natural that, as in the other sectors, industry is capitalising on highly favourable financing conditions and high returns which may provide for a rise in productive investment or, in other words, the generation of employment.

Performance of industrial corporations reporting to the CBSO (a)

GROSS VALUE ADDED AT FACTOR COST
(Rate of change)

EMPLOYMENT AND WAGES
(Rate of change)

AVERAGE NUMBER OF EMPLOYEES — PERSONNEL COSTS

FINANCIAL COSTS
(Rate of change)

RETURN ON INVESTMENT
(Ratios)

NUMBER OF CORPORATIONS

| CBA | 3,247 | 3,035 | 2,830 | 2,397 | | | | | |

| CBQ | 402 392 386 378 | 421 405 396 387 | 433 413 391 378 | 405 395 383 364 | 398 382 369 341 | 346 276 |

% OF GDP OF THE SUB-SECTOR INDUSTRIAL CORPORATIONS

| CBA | 33.8 | 30.9 | 28.3 | 24.4 | |

| CBQ | 27.4 28.0 26.2 25.2 | 27.9 28.4 26.3 26.3 | 26.6 26.6 25.2 25.4 | 22.2 21.8 21.0 21.1 | 22.2 22.6 21.1 19.5 | 20.6 17.4 |

—— CBA data.

—— CBQ data.

Source: Banco de España.
(a)   Information available to 17 September 2003 (CBA and CBQ). The CBQ data are growth rates in relation to the same quarter a year earlier.

TABLE 4

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

	CBA		CBQ			
	2000	2001	01 Q1-Q4 (a)	02 Q1-Q4 (a)	02 Q1-Q2	03 Q1-Q2
Number of employees	**8,053**	**7,081**	**868**	**845**	**880**	**721**
Personnel costs	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Falling	18.1	21.8	28.3	33.4	33.0	27.4
Constant or rising	81.9	78.2	71.7	66.6	67.0	72.6
Average number of employees	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Falling	24.5	27.8	40.3	43.7	44.1	44.0
Constant or rising	75.5	72.2	59.7	56.3	55.9	56.0
Average compensation						
(relative to inflation) (b)	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Lower growth	47.4	39.1	46.8	49.7	50.0	41.3
Higher or same growth	52.6	60.9	53.2	50.3	50.0	58.7

Source: Banco de España.
(a) Weighted average of the relevant quarters for each column.
(b) Twelve-month percentage change in the CPI.

going job creation, this time at a higher rate than that in the first half of 2002 and that in 2002 as a whole (both 0.2%). The particular characteristics of the quarterly sample, in which large firms belonging to sectors undergoing re-organisation and staffing adjustments have a significant relative weight, highlight the importance of this employment trend, although quantitatively it does not represent a very large increase, and confirm the recovery initiated in mid-2002. As regards contractual terms, both permanent and temporary employment increased, although in relative terms the latter grew more. Sectoral analysis shows increases in average workforce numbers in all sectors except energy. As has now become customary, this aggregate continued to reflect the effect of staffing adjustments undertaken in the electricity sub-sector as part of the liberalisation process in progress, although the available information suggests that these adjustments are drawing to an end. Employment in industry and in transport and communication rose in the first six months of 2003, in marked contrast to the behaviour before then. As regards transport and communication, the positive rate posted (0.3%) signifies that the downward trend in employment in these sectors in recent years, closely linked to the opening up of telephony markets and firms to competition, has been reversed, although this liberalisation process has seemingly not yet come to an end. Finally, the wholesale and retail trade once again recorded the

highest rate of job creation (4.4%), albeit below that in the first half of 2002 (5.3%).

Average compensation continued to grow at an even higher pace than in previous quarters (4.4% in the first six months of 2003, against 3.5% in the same period of 2002), outstripping the year-on-year rate of inflation recorded in June (2.7%). After an initial period in 2002 in which greater moderation was achieved, this trend was broken in Q3 that year and growth rates returned to around 4%, similar to those in 2001, apparently due to the application of indexation clauses linked to an inflation rate that stood at 4% at the end of 2002. Table 2b, which classifies firms according to whether or not they have destroyed jobs, shows that the firms that maintained or increased their workforces recorded, as is customary, smaller growth in average compensation (around 3%), while the firms that destroyed jobs saw average compensation rise by 7.4%. The upward trend in average compensation spread throughout all sectors. Meriting special mention are the relative increases in the wholesale and retail trade (growth of 3.6%, against 2.2% in the first six months of 2002) which, although still the most moderate in the sample, have started to reflect the upward pressure on average personnel costs.

Finally, Table 4 classifies firms based on certain variables related to employment and compensation. Notably, the percentage of

TABLE 5

Gross operating profit, ordinary net profit, return on investment and ROI-cost of debt (R.1-R.2).
Breakdown by size and main activity of corporations
(Ratios and growth rates of the same corporations on the same period a year earlier)

	Gross operating profit				Ordinary net profit				Return on investment (R. 1)				ROI-Cost of debt (R.1-R.2)			
	CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)		
	2001	02 Q1-Q4	02 Q1-Q2	03 Q1-Q2	2001	02 Q1-Q4	02 Q1-Q2	03 Q1-Q2	2001	02 Q1-Q4	02 Q1-Q2	03 Q1-Q2	2001	02 Q1-Q4	02 Q1-Q2	03 Q1-Q2
Total	**3.0**	**5.3**	**1.2**	**10.0**	**12.2**	**10.8**	**8.9**	**10.8**	**7.6**	**8.9**	**8.3**	**8.4**	**2.5**	**4.3**	**3.8**	**4.2**
SIZE:																
Small	7.6	—	—	—	4.3	—	—	—	8.9	—	—	—	2.8	—	—	—
Medium	7.7	5.4	4.3	-6.5	4.7	0.9	1.4	-9.6	9.9	9.4	9.9	8.7	4.7	4.6	5.1	4.7
Large	2.3	5.3	1.1	10.7	13.2	11.4	9.3	11.8	7.4	8.8	8.2	8.4	2.4	4.2	3.7	4.2
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE:																
Energy	-8.6	-0.2	-7.3	19.8	-8.7	6.2	-3.8	6.1	8.4	10.9	9.5	8.6	3.7	6.2	4.8	4.8
Industry	-5.9	2.6	-0.8	5.4	-7.4	1.7	-0.1	7.9	8.8	8.7	9.0	8.9	3.2	4.1	4.4	4.7
Wholesale and retail trade	12.5	12.4	13.1	9.9	20.8	14.8	20.5	21.8	12.5	11.8	10.7	11.0	7.4	7.0	6.3	6.6
Transport and communications	14.2	9.5	6.2	4.2	43.1	24.0	22.3	5.3	8.4	10.8	9.7	13.2	2.7	6.0	4.9	8.5

Source: Banco de España.
(a) All the data in these columns have been calculated as the weighted average of the quarterly data.

firms at which compensation increased more quickly than inflation was up by nearly nine percentage points in the first half of 2003, which poses a threat for competitiveness and, in short, for the medium-term growth of Spanish firms.

4. PROFITS, MARGINS AND RATES OF RETURN

The foregoing picture of the performance of Spanish firms allows an optimistic judgement to be ventured as to the future, although tempered by the caution befitting a scenario in which international instability persists and in which additional efforts are needed to improve competitiveness. Against this background, the increases in gross operating profit (10.0%) and in ordinary net profit (10.8%) in the first six months of 2003 can be regarded as confirming that judgement. The higher rate of growth of gross operating profit in the first six months of 2003 with respect to the same period a year earlier was underpinned by the performances of energy and industry, which grew much faster than in 2002, and of the wholesale and retail trade, which continued to grow at high rates. Financial costs held practically unchanged in the period analysed, with an increase of 0.4% in

the first half of 2003, the breakdown of which is as follows:

	03 Q1-Q2/ 02 Q1-Q2
Change in financial costs	**+0.4%**
A. *Interest on borrowed funds (1+2)*	*+0.1%*
1. Due to the cost (interest rate)	−6.7%
2. Due to the amount of interest-bearing debt	+6.6%
B. *Commissions and cash discounts*	*+0.5%*

From the table it can be concluded that in the first half of 2003 the financial burden disclosed by firms' profit and loss accounts was practically the same as in the first half of 2002, owing to two movements in opposite directions: a reduction in the cost of debt, and an almost totally offsetting inflow of new funds, both relatively moderate. Moreover, although the available data suggest that firms are gradually taking advantage of the favourable financing conditions due to the low interest rates, the CBQ lacks data to confirm that the large Spanish firms are undertaking large-scale investment projects (4). Given that the financial costs and the other two items (financial revenue and de-

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(4) Construction and public works firms are not well represented in the CBQ.

TABLE 6

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

	CBQ			
	Return on investment (R. 1)		Ordinary return on equity (R. 3)	
	02 Q1-Q2	03 Q1-Q2	02 Q1-Q2	03 Q1-Q2
Total corporations	**100.0**	**100.0**	**100.0**	**100.0**
R <= 0 %	21.0	24.2	24.2	27.1
0 % < R <= 5 %	19.6	19.5	14.9	15.3
5 % < R <= 10 %	16.5	14.7	13.0	10.7
10 % < R <= 15 %	11.8	11.8	10.0	10.3
15 % < R	31.1	29.8	37.9	36.6
Number of corporations	**880**	**721**	**880**	**721**
	02 Q1-Q2	03 Q1-Q2	02 Q1-Q2	03 Q1-Q2
MEMORANDUM ITEM:				
Average return	**8.3**	**8.4**	**11.5**	**12.1**

Source: Banco de España.

preciation and operating provisions) needed to calculate ordinary net profit from gross operating profit have changed only moderately, it is obvious that the growth of ordinary net profit in 2003 is due to increased activity. Regarding the performance of extraordinary revenue and expenses, Table 1 shows that the write-downs forced upon some of the major Spanish firms have come to an end. These write-downs were required because of the situation of certain investments in Argentina and other Latin American (and even European) countries, and their most immediate consequence was a drastic fall in total net profit (i.e. final profit), which, since it turned negative in 2002, prevents the rates of change from being calculated for 2002 and for 2003 to date, when total net profit turned positive again. Unlike in 2002, in 2003 to date no write-downs like those described above have been required. This, together with the fact that everything seems to indicate that these countries have moved into a more stable period, augurs a rapid recovery and, in short, a return to a situation in which the income generated in the production process can be used for investment rather than rebuilding impaired financial positions.

This situation enabled firms to report high returns in the first half of 2003 which were practically identical to those in the same period of 2002. Specifically, the return on investment (ROI) was 8.4% in the first half of 2003, up slightly on the first six months of 2002. All sec-

tors performed favourably, with high ordinary returns similar to or even above those in 2002 (see Table 5). Table 6, which shows the performance of the sample firms according to the return generated by them, shows that in the first two quarters of 2003 there was a shift en masse by firms towards lower levels of return than in the same period of 2002, but with an increase of 0.6 percentage points in average return on equity. Further, since the ratio that measures the cost of debt has remained unchanged or decreased slightly for all the sectors analysed, the spread between these two ratios (ROI minus cost of debt) remained positive and even grew in comparison with that in the first half of 2002, confirming that the sample firms are in a good position to undertake investments if the international situation is favourable. However, everything seems to indicate that, given the historically low interest rates, there is not much room for further cost cutting by this means, so any widening of this spread will have to come from increases in return rather than from additional reductions in the cost of debt.

In short, in the first half of 2003 Spanish firms performed satisfactorily as regards activity and employment, confirming the recovery initiated in mid-2002. The available data point to a certain upturn in borrowing to finance productive investment, in response to the stimulus of favourable financial conditions and high rates of return available. Also, unlike in 2002, in 2003 to

date Spanish firms have not had to devote significant resources to writing down investments abroad in order to restore balance to their financial position. This, together with the more stable international situation, makes for a scenario conducive to investment and job creation. The developments described took place against a background in which inflation was being increasingly contained and confidence progressively recovering, due, among other things, to a certain easing of the international situation and to improvements in some international economies (basically the United States and Latin America). That said, risks still persist in the world economy and domestically that may jeopardise these developments, such as the stagnation of growth in certain EU countries and the risk to competitiveness stemming from the recent trend in average compensation in Spanish firms.

18.9.2003.

House prices in Spain

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1. INTRODUCTION

Housing is the main asset of most households both in Spain and in many other developed countries. It is also the security for a significant part of the loans granted by Spanish deposit institutions. Consequently, through their effects on household consumption and investment decisions and on the financial position of households and financial institutions, changes in house prices have potential implications for the macroeconomic and financial stability of the Spanish economy.

Real house prices in Spain have doubled over the last 25 years. As a proportion of average household income they have increased significantly, being among the highest in the developed countries. Between 1997 and 2002, the average price of appraised housing in Spain rose by 78%, and the latest official information for 2003 Q1 (an annual rate of increase of 17.5%) shows no sign of moderation in this growth, despite the economic downturn. However, it should be pointed out that GDP and employment continue to grow at positive rates (unlike, for example, in most of the euro area), that expectations regarding the continuation of this process are favourable, while interest rates on mortgage loans are holding at what are, in historical terms, notably low levels.

These circumstances would seem to warrant asking how the recent behaviour of the price of housing in Spain relates to that of its basic determinants. Given the special characteristics of this real asset, which combines the properties of a consumer durable with those of an investment asset, there are a number of possible approaches to this analysis. This article summarises the results of two recent studies in this area carried out by the Research Department of the Banco de España, which take different approaches.

Following this introduction, Section 2 summarises the results of the analysis of house prices in Spain carried out in Martínez and Maza (2003), which basically explores the nature of housing as a consumer durable. Under this approach (referred to below as the macroeconomic approach), the price of this real asset is essentially related to macroeconomic variables such as household disposable income and the cost of mortgage finance. Section 3 summarises the results of the alternative approach of Ayuso and Restoy (2003), which focuses on the

CHART 1

**House prices and their
determinants in Spain**

HOUSE PRICES AND DISPOSABLE

HOUSE PRICES / INCOME
REAL HOUSE PRICES
HOUSEHOLD REAL INCOME

GROWTH IN HOUSE PRICES AND DISPOSABLE
INCOME PER PERSON OVER 25
Real growth rates

INCOME (right-hand scale)

HOUSE PRICES

INTEREST RATES AND USER COST

NOMINAL INTEREST RATE

REAL INTEREST
RATE

USER COST

DEBT

LOANS / INCOME

LOANS / WEALTH
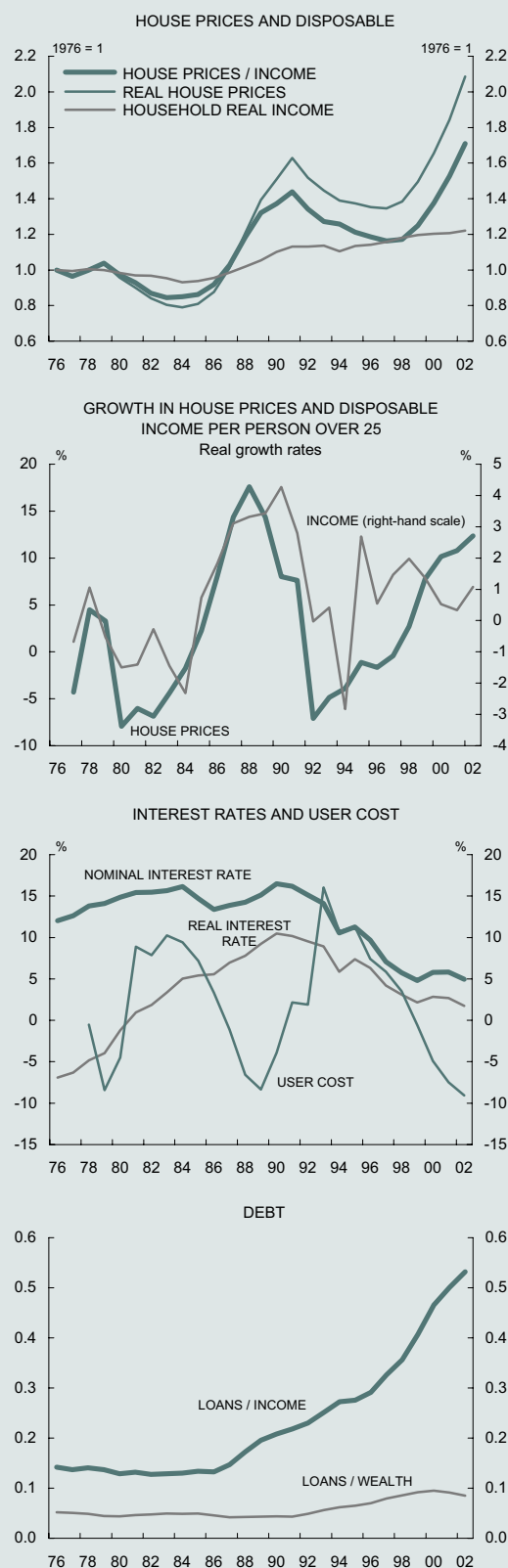
Sources: Ministerio de Fomento, INE and Banco de España.

financial properties of the housing asset (financial approach), analysing by means of a general asset pricing model the theoretical relationship between their price and the "dividends" they offer, whether in the form of rents or accommodation services. The main conclusions of the article are presented in Section 4.

2. MACROECONOMIC APPROACH

The traditional analysis of house prices under this approach starts with an equation for the demand for housing derived from the theory of durable goods consumption (1). According to this theory, the demand of the representative consumer, in a particular period, depends basically on their income and the total cost of owning a house during such period. The latter, known as the "user cost", is equal, in the absence of capital market imperfections, to the opportunity cost (net of tax effects) of investment in housing, plus depreciation, less the expected change in house prices. The opportunity cost, in turn, depends on the investment and financing alternatives existing at any given moment. Demand will be higher the higher the average household disposable income and the lower the user cost. The latter will be lower the lower the cost of financing, the lower the returns on alternative investments and the larger the expected increase in house prices.

To estimate the theoretical price of housing, the demand equation is turned round, so that the price becomes the variable explained by the determinants mentioned above and the existing number of dwellings. Since the latter is endogenous, it is frequently replaced by variables that characterise the behaviour of supply in this market. In practice, demographic variables (to correct for the fact that the assumed representative consumer does not exist) and factors relating to the existence of credit restrictions are also included in the equations. In addition, the static equation is usually supplemented with dynamic terms which may appear as a consequence not only of the influence of future-price expectations on user cost, but also of the existence of adjustment costs in supply (possibly non-symmetric), of the so-called "psychological aversion to losses" of owners and of the effects of price changes interacting with credit restrictions. All this tends to give rise to significant inertia in house prices.

Before commenting on the results of the estimates, it is worth noting, as seen in Chart 1, that house prices in Spain deflated by the CPI, albeit with fluctuations, have shown a tendency to rise

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(1)   See, for example, Muellbauer and Murphy (1997)

TABLE 1

Determinants of house prices in Spain
Dependent variable: growth rate of real house prices
Annual data for 1978 to 2002

	MODEL 1		MODEL 2	
Constant	-1.32	***	0.72	***
Growth rate of real house prices $_{t-1}$	0.66	***	0.59	***
Growth rate of real income $_t$	2.16	***	1.91	***
Change in the nominal interest rate $_t$			-1.30	*
Stock market returns $_t$ (from 1995)	-0.16	***	-0.14	**
Real house prices $_{t-1}$	-0.49	***	-0.19	***
Real household income $_{t-1}$	1.36	***	0.19 (a)	
Nominal interest rate $_{t-1}$			-0.86	***
STATISTICS (b):				
R^2	0.86		0.86	
s_e(*100)	3.23		3.25	
DW	2.41		2.61	
Q(4)(p-value)	(0.21)		(0.13)	
Cointegration test	-4.92		-4.04	
LONG-TERM ELASTICITIES:				
Real household income	2.78		1.00 (a)	
Interest rate			-4.50	

(a) Restricted parameter.
(b) s: standard deviation of the regression residual; DW: Durbin Watson statistic; Q(4): fourth order residual autocorrelation test; Cointegration test of Banerjee, Dolado and Mestre (1998), whose critical values at 5% are -3.64 and -3.91, so that the existence of cointegration between the variables in levels is not rejected.
Note: (*) Statistically significant variable at 10%. (**) Statistically significant variable at 5%. (***) Statistically significant variable at 1%.

over the last 25 years (2). At the same time, there has been a close relationship between house prices and household disposable income. The periods in which the former rose most in real terms (1978-79, 1986-91 and 1998-2000) coincide with periods of growth in the spending capacity of households. However, on one hand, this correlation has been less strong since the mid-1990s (in the latest stage of the cycle, the increase in real house prices started with some lag and continued during the 2001-2002 slowdown) and, on the other hand, it cannot by itself explain the trend in prices which, since the mid-1980s, have also tended to rise relative to average household disposable income. This suggests that there may have been a structural change in the long-term equilibrium relationship between house prices and household income.

The most likely explanation for such a structural change may be found in the progressive increase in the accessibility of bank loans, which is reflected by the ratio of housing credit to household disposable income (see Chart 1). Underlying this greater availability of credit to households for the purchase of housing is the

greater efficiency and competition in the Spanish banking system and, especially, the fall in nominal interest rates associated with the process of convergence of the Spanish economy and its entry into the euro area (3). However, in practice, it is difficult to identify the effect of this structural change, since the variables that might approximate it (such as the aforementioned credit-to-income ratio and the level of nominal interest rates) are highly correlated with disposable income (with sample correlation coefficients of 0.92 and 0.51, respectively). In addition, the credit-to-income ratio is strongly endogenous.

In fact, the problem of multi-collinearity between the variables and the strong inertia in house prices mean that it is difficult to obtain empirical specifications in which many of the variables mentioned above as being potential determinants of house prices are significant (4). Table 1 summarises some of the results of the

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(2) See Martínez and Maza (2003) for the details of construction of the variables used.

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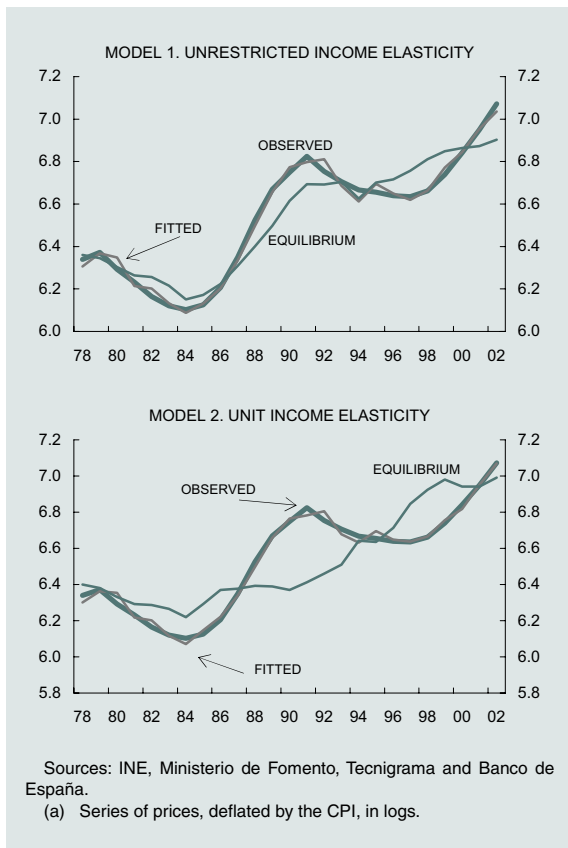(3) With no change in the level of real interest rates, a decline in inflation reduces the financial burden of credit during the initial years of its life. Since the initial financial burden is generally the main restriction on the granting of credit, this reduction helps to relax credit restrictions. This effect may be very important, as the example in Nickell (2002) shows.

(4) See also Bover (1992).

House prices in Spain (a)

MODEL 1. UNRESTRICTED INCOME ELASTICITY

OBSERVED

FITTED

EQUILIBRIUM

MODEL 2. UNIT INCOME ELASTICITY

EQUILIBRIUM

OBSERVED

FITTED

Sources: INE, Ministerio de Fomento, Tecnigrama and Banco de España.

(a) Series of prices, deflated by the CPI, in logs.

estimates presented in Martínez and Maza (2003). Column 1 presents the results of estimation of the basic model. The rate of growth of house prices depends positively on the same rate of growth lagged by one period and on the increase in income and, negatively, on stock market returns from 1995 (when equity investment became more widespread among Spanish households) and on the deviations of the price of housing from its long-term equilibrium, determined exclusively by the path of income (5).

On the basis of statistical tests, the existence of a long-term equilibrium relationship between the level of house prices and household disposable income can be accepted, but the long-term elasticity of the former with respect to the latter is 2.8. Such a high value might be partly reflecting the effect of the relaxation of credit restrictions already referred to above. If this elasticity is restricted in the long term to a more theoretically plausible value of one, the

nominal interest rate (which would reflect both the effect of changes in the real interest rate on the user cost and the effect of the decline in the inflation rate on credit restrictions) is clearly significant (column 2), with a long-term semi-elasticity of –4.5, and the existence of a long-term relationship between price, income and the interest rate is maintained.

Given the difficulty of separating, on the basis of the sample information, the effects of changes in income and changes in credit restrictions, Chart 2 shows the results of estimating the equilibrium price of housing in Spain, in the short and long term, using the two models presented in Table 1. As can be seen, these two models offer a broadly similar view of the path of house prices. They have tended to fluctuate around their equilibrium value, normally moving towards it at a relatively slow speed. In fact, the recent upturn began with housing undervalued, as a result of excessive correction of the overvaluation in the late 1980s. Part of the growth since then can, therefore, be interpreted in terms of adjustment towards equilibrium levels which, during most of the 1990s, tended to be above the observed prices.

However, the increase in prices has now gone beyond merely closing this gap. On average in 2002, therefore, the real price of housing, according to these models, stood between 8% and 17% above its long-term equilibrium level. The estimated overvaluation is greater according to the model with no restriction on long-term income elasticity. That said, comparing the values observed with those corresponding to the short-term path of adjustment shows that the current situation is in line with what might be expected, given the characteristic inertia of this market and, in particular, the slow speed of adjustment towards equilibrium in past periods. This speed is higher in the unrestricted model, in which the distance to equilibrium is also greater.

3. FINANCIAL APPROACH

As mentioned in the introduction, housing is the most important asset of most Spanish households. Seen from this perspective, its price, like that of any financial asset, should be related in some way to the flow of income that it provides to its owners. More specifically, the price should, in equilibrium, be equal to the discounted present value of the flow of present and future income. In the case, for example of a share, this income takes the form of dividends. In that of housing, it consists of either the rents received by the owner (when it is rented out) or else the accommodation services provided

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(5) Although the user cost is not significant in the estimates made, this may be partly because the lagged price growth variable already reflects a large part of the effect of the user cost through its influence on expectations of the future change in prices.

(when it is occupied as a first or second home). In the literature, various authors (see, for example, Case and Shiller, 1988) have applied this approach (which is equivalent to that underlying, for example, the analysis of P/E ratios in the case of equities) to the study of property prices.

This approach is adopted by Ayuso and Restoy (2003) but, unlike the usual procedure in such studies, they allow the discount factor applied to future income to change over time, in accordance with the variables that determine the readiness of agents to substitute future for present consumption. More specifically, they use an asset pricing model (that is inter-temporal and stochastic), in which households decide how many goods (and other services) to consume and how many accommodation services to demand, in accordance with the prices thereof and their income. The latter may derive from employment or from their asset portfolio, which may include housing itself.

Logically, in equilibrium, the price of accommodation services must coincide with that of renting a dwelling, since any household can acquire such services by doing the latter. Also, it is demonstrated that the house price-to-rent ratio (the equivalent of the P/E ratio for shares) depends positively on expected future rents (or prices of accommodation services, in the case of owner-occupied housing) and negatively on the discount factor. This, in turn, varies in accordance with the expected growth of a consumption basket consisting of accommodation services and other goods and services, as well as a parameter measuring the inter-temporal elasticity of substitution of consumption (6).

Using the above theoretical relationship, it is possible to estimate the equilibrium value of the house price-to-rent ratio at any given moment. There are, however, two problems. First, neither the amount of the consumption-accommodation basket acquired nor its price are directly observable, information only being available on the amounts and prices corresponding to each of their components (rents and aggregate consumption). Second, household expectations regarding the future path of rents and consumption of the above-mentioned basket are not directly observable either.

The first of these problems is resolved by a number of transformations and approximations that enable the equilibrium relationship to be reformulated in terms of prices and amounts directly observable on the market. As for the sec-

CHART 3

House prices/rents (a)

Source: Banco de España.
(a) In logs.

ond, the paper follows an approach that is relatively standard in the literature, which involves estimating expectations on the basis of the projections of VAR (vector autoregression) models explicitly formulated to predict the future behaviour of the variables in question, on the basis of their own past and of that of other relevant macroeconomic variables (e.g. GDP growth and changes in wealth and interest rates).

The model estimation procedure also takes into account that, as under the macroeconomic approach, there may be temporary differences between the equilibrium and observed values. Consequently a short-term adjustment path is estimated along with the equilibrium values.

The empirical part of the paper considers three countries (the United States, the United Kingdom and Spain). The long-term equilibrium house price-to-rent ratios, and the (short-term) adjustment path towards them are estimated for these countries (7). In all three cases, the results of the estimation satisfy the usual goodness-of-fit requirements (8). Also, the presence in the equations of a coefficient with an economic interpretation (the inter-temporal substitution parameter) means that its estimated value can be compared with those obtained in other studies, which provides an additional check for the suita-

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(6) Readers interested in the technical details of the model should refer to the original paper.

(7) The period considered is 1987-2002. See the original paper for details of the specific series used in each case.

(8) In particular, there are no symptoms of autocorrelation in the residuals and the so-called Sargan test validates the set of instruments used in the estimation.

bility of the approach taken. The estimated intertemporal substitution parameter is around 0.2 and 0.3 for the United States and Spain, and around 0.8 for the United Kingdom. In the first case, the estimates are in line with those obtained in other studies, while in the second they are towards the upper end of the scale.

Chart 3 shows, for Spain only, the estimated equilibrium ratios and adjustment path, as well as the related observed values. As can be seen, subject to the proviso that in this case the ratio depends not only on house prices but also on rents, Chart 3 tends to confirm the results obtained under the macroeconomic approach in the previous section.

In the first place, house prices in Spain (relative to rents) show signs of undervaluation in the first half of the 1990s, as a consequence of overreaction to the overvaluation that existed at the end of the 1980s. However, the gap began to be corrected between 1997 and 1998 and the consequent upward trend eventually led to the ratio exceeding its equilibrium value by around 20% at end-2002 (the end of the sample).

Despite this overvaluation relative to the long-term equilibrium levels, the values observed are close to the estimated adjustment path, as was the case under the approach of the previous section. Thus, the recent price movements are, according to the results of the model, in line with those that might be expected, given the slow adjustment that usually characterises the behaviour of this market.

4. CONCLUSIONS

The analysis of the price of housing in Spain in this article (based on the results obtained from the models and methodologies used in Martínez and Maza (2003) and Ayuso and Restoy (2003)) suggests that this asset was somewhat undervalued in the second half of the 1990s, owing to an excessive correction (in real terms) of its value from 1991. This undervaluation has, however, been more than offset by the strong growth towards the end of the decade, so that in 2002, when the sample ends, prices were above their long-term equilibrium level.

The magnitude of the overvaluation, depending on the approach and model considered, is between 8% and 20%.

The behaviour of the price of this real asset, with its fluctuations and strong inertia, is not without precedent in the Spanish economy or, indeed, in the history of other developed countries. In fact, in accordance with the estimated models, the recent developments in house prices in Spain and the resulting overvaluation are, generally, compatible with the usual dynamics of adjustment in this market. In consequence, and subject to the caveats that should accompany exercises like the ones carried out, a reduction may be expected in the rate of growth of this price towards levels more in line with the trends in the long-term fundamentals. However, obviously, the longer this convergence is put off the greater will be the risk that the necessary adjustment ends up occurring more rapidly than is desirable.

23.9.2003.

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The determinants of competitiveness and its indicators for the Spanish economy

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1. INTRODUCTION

The globalisation of economic activity and the incorporation of new technologies require a continuous drive to adapt on the part of economic agents. It is precisely the ability of an economy to adapt, and its medium and long-term growth possibilities that the analysis of an economy's competitiveness aims to assess. However, competitiveness is an imprecise and controversial concept. Its definition and the instruments used to analyse it, have been changing over time, as new theoretical formulations have been developed.

The focus of studies of competitiveness has been shifting from the traditional emphasis on trade and its most direct determinants (exchange rates, costs and prices) towards other considerations of a more structural nature linked to productivity and its determinants, which are ultimately responsible for welfare increases in an economy.

This article analyses the competitiveness of the Spanish economy from a broad perspective that includes both approaches. This approximation is of all the more interest following entry into the euro area, because the traditional mechanisms for adjusting to external shocks have been modified, and the structural aspects of competitiveness have become more important.

The article is organised as follows: following this introduction, section two outlines the debate in recent years regarding the meaning of competitiveness and certain indicators are defined that may be used for its diagnosis in the case of the Spanish economy. Section 3 analyses recent developments in competitiveness and section 4 offers the main conclusions.

2. THE CONCEPT OF COMPETITIVENESS AND THE RELEVANT INDICATORS FOR MONITORING IT

Competitiveness has traditionally been defined as the ability of an economy to maintain or sustainedly increase its presence in world markets, including the domestic market. In its strict version, this definition has attracted numerous criticisms, since the underlying conception of competitiveness and international trade is of a zero-sum game, in which one country's share can only be increased at the expense of that of

FIGURE

Competitiveness indicators

	Indicators of behaviour (results)	Determinants
TRADITIONAL APPROACH	Trade balance Export shares on world markets Import penetration in the domestic market	Nominal exchange rate Costs, prices and relative profitability

STRUCTURAL APPROACH	GDP *per capita* and productivity	Endowment / use of productive factors: *stocks*
		   of physical (including infrastructure),
		   technological and human capital
		Innovative capacity
		Productive specialisation
		Efficiency of market functioning
		Characteristics of business organisation

other countries. This may prompt excessively protectionist policies or exchange rate devaluations, which might end up reducing the real wages of the economy and overall welfare (1). This approach emphasises the role of relative costs and prices as fundamental determinants of trade and, therefore, of the competitiveness of the economy. Certain theoretical developments in the field of international trade, however, have stressed the limitations of an analysis of the competitive position based solely on the study of relative costs and prices. These developments highlight the ability of firms to compete through product differentiation and other mechanisms, and the influence of factors of a more structural nature, such as the degree of development of human and technological capital (2).

More recently, the debate has gone beyond the strict field of trade and has shifted towards considerations relating to the capacity to increase the welfare of the economy (3). The concept of competitiveness thus acquires a long-term perspective, being linked to factors that determine productive efficiency. From this viewpoint, technological progress seems to be a fundamental determinant of productivity growth in the long term. It depends not only on the research and development carried out by each country, but also on their capacity to adopt innovations made abroad, through trade and international investment flows, and the ability to ensure that their effects are

spread throughout the productive structure. In turn, these factors are closely linked to the quality of training and education, to the infrastructure endowment, to firms' organisational and managerial capacity and, in short, to the existence of a sufficiently competitive and flexible institutional environment to stimulate innovation and its diffusion throughout the economic system.

The figure above summarises the factors which are considered most important for a study of competitiveness, distinguishing between the two approaches that have just been discussed and also, for each approach, between the behavioural indicators and their ultimate determinants.

Among the indicators that approximate the international competitiveness of the economy are the trade balance, export shares and import penetration in the domestic market, while the explanatory factors include the various measures of the effective exchange rate and the deflators and costs that enable the relative profitability of exporters and producers of marketable goods to be approximated (4). In addition there are indicators relating to welfare, productivity and their determinants. The most representative variable of the welfare of the economy and, thus, of its competitiveness is GDP per capita, its breakdown into apparent labour productivity, the employment rate and population. Since ap-

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(1) See Krugman (1994 and 1996) and Porter (1990).

(2) See Fagerberg and Verpagen (2000).

(3) See Krugman (1996), Porter (2002) and European Commission (2001 and 2002)

(4) Among the studies in which a description of the characteristics and the advantages and disadvantages of these indicators is presented are Durand and Giorno (1987) and Gordo and L'Hotellerie (1993).

parent productivity is an imperfect measure of productive efficiency, total factor productivity should also be analysed, although the correct measurement of this variable is not without its difficulties either.

As regards the determinants of productivity and productive efficiency, the complexity involved in obtaining indicators that enable some of their most important aspects to be compared at the international level should be noted. For example, in the case of innovation and the quality of human capital there is no single measure enabling these concepts to be approximated quantitatively, but a broad set of indicators, each of which provides partial information on one or more of their multiple facets [investment in research and education, the incorporation of imported technology, the quality of education, etc. (5)]. In this paper, the most relevant ones have been selected, to illustrate the challenges facing the Spanish economy in these areas. Also, indicators have been included of the degree of introduction and use of information and communication technologies (ICT) in the Spanish economy, in so far as these activities have significant effects on the efficiency of the productive system as a whole (6).

As regards the degree of competition and of regulation of goods and factor markets, the available information is scant, although the OECD has recently made notable efforts to try to obtain a synthetic indicator to enable the situation to be compared across its member countries (7). Finally, there is hardly any comparable information on the strategic capacity of firms and the quality of the business environment. Only certain international organisations that compile synthetic indicators of competitiveness from a very broad perspective include among their criteria the odd indicator relating to this area (8).

Competitiveness is analysed in this paper at the aggregate level, with the focus on the behaviour of the economy as a whole and on the main productive sectors, namely manufacturing and market services. The focus on manufacturing is normal in studies in this area, given its nature as a producer of marketable goods. In this case, besides price and cost indicators, it is also relevant to consider the pattern of productive and trade specialisation within Spanish manufacturing, in order to assess its ability to

adapt to changes in international demand. For this purpose, information is used on value added, exports and imports of the various productive branches, classified according to their technological intensity. This classification, with its obvious limitations, is very useful for presenting the results, since traditionally, the most technology intensive sectors include the most recently introduced products, which have more dynamic demand and greater growth potential, as well as requiring more highly skilled workers. By contrast, the low technology sectors usually have more moderate demand and make intensive use of unskilled labour (9).

As for the market services sector, as a result of its increasing importance in the composition of the value added and employment of the economy as a whole, as well as its role as a supplier of productive inputs to other industries, its behaviour is essential in determining the growth potential of the economy as a whole and the level of economic welfare. In addition, the growing internationalisation of some services activities has increased their influence in the determination of trade performance. However, this analysis is still handicapped by significant gaps in the statistical information of sufficient quality and comparability.

3. RECENT PERFORMANCE OF THE COMPETITIVENESS OF THE SPANISH ECONOMY

This section analyses the competitive position of the Spanish economy since the early 1990s, using certain indicators representing the different aspects mentioned in the previous section. In so far as possible, the results are compared with those for the EU or the euro area as a whole, these areas being the most relevant frame of reference.

3.1. An overall view

In the first half of the 1990s, the peseta exchange rate was sharply devalued, largely offsetting the appreciation that had taken place in the second half of the 1980s. The adjustment of relative prices and costs that this entailed, to-

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(5) See, for example, OECD (2001a and 2001b).

(6) See, inter alia, Hernando and Núñez (2002).

(7) See the *International Regulation Database* of the OECD.

(8) See World Economic Forum (2002) and Institute for Management & Development (2003).

(9) The OECD classifies manufacturing industries according to their technological intensity (high, medium-high, medium-low, low), measured in terms of their expenditure on research and development as a proportion of their value added or output (see OECD (2001)). When drawing conclusions on a country's pattern of specialisation and its productive and trade performance on the basis of this type of classification, it should be borne in mind that the composition of its output is as important as its sectoral productive efficiency.

CHART 1

**Main trade results for the
Spanish economy**

EXTERNAL BALANCE OF GOODS AND SERVICES

SHARES OF GOODS EXPORTS
(at constant prices)

IMPORT PENETRATION (a)
(at constant prices)
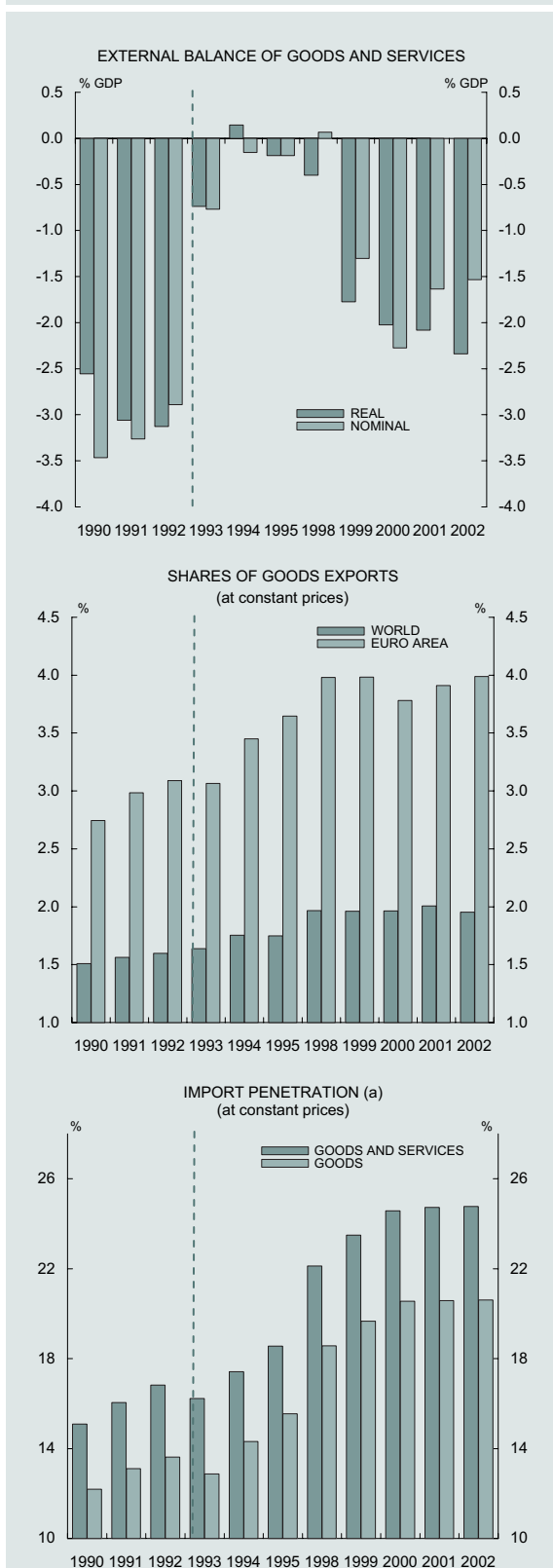
Sources: INE, IMF and OECD.
(a) Share of goods and services imports in final demand, in real terms.

gether with the significant expansion in merchandise trade at the international level, as a consequence, among other factors, of the stepping up of internationalisation and globalisation processes in numerous economies, explains the extraordinary buoyancy of Spanish goods and services exports from 1993, which grew at an average rate of more than 10% in the period to 1998, practically double the rate in the previous decade. This enabled the balance of goods and services trade to improve significantly between 1993 and 1998 (the year before Spain's entry into the euro area), with a surplus in some of these years, while the share of Spanish products in international markets increased notably. The share of goods exports reached 2% of the world market in 1998 and 4% of the euro area market (see Chart 1).

Nonetheless, following entry into the euro area and the adoption of the euro at the irrevocable rate, as the effects of the devaluations were petering out, the external balance at constant prices returned to deficit, the amount of which has continued to increase even during the cyclical correction of 2001 and 2002. In 2002, the deficit on goods and services trade amounted to 2% of real GDP, while the merchandise deficit was 6%. During the same period, the share of goods exports has remained unchanged at levels below the relative weight of Spanish GDP. As will be seen below, this shows up the persistence of positive differentials in price and cost growth, despite the substantial reduction in inflation, and the possible existence of mismatches between Spanish productive activity and the structure of international demand.

Meanwhile, imports doubled their share of domestic markets during the 1990s, to reach around the average level in the euro area. In the first few years of the current decade the rate of penetration of imports has been checked, against a background of greater cyclical weakness.

As mentioned in section 2, there are many factors that determine an economy's trade performance. Even though the most recent literature has highlighted the pre-eminence of aspects of a more structural nature, changes in relative prices, costs and margins certainly have a large influence in the short and medium term.

During the 1990s, the usual indicators of relative prices and costs were dominated, first, by the impact of the depreciation of the peseta exchange rate, which offset the differential between price and cost growth in the Spanish economy and in the developed countries as a whole (see Chart 2). However, from 1999, with Monetary

Union in place, the consumer price and unit labour cost indices appreciated notably against the euro area, while the relative prices of exports remained practically unchanged. In the late 1990s, the appreciation of the US dollar offset the cost and price growth differentials in relation to the other developed countries. Subsequently, during the first few years of this decade, most of the indices have risen in relative terms.

The difference observed between the behaviour of relative export prices and of unit labour costs shows the worsening in export margins since the late 1990s. As seen in Table 1, the nominal depreciation in the early 1990s enabled these margins to recover notably, following their deterioration during the previous upturn. From 1998, however, export margins began to contract again, in contrast to the behaviour of margins in the economy as a whole. There was a fall in the relative return on export activity (10), which may have increased the preference of domestic producers to sell their products on the domestic market, curbing their orientation towards external markets. In relative terms, however, the trend in export margins has been more favourable in Spain than in the EU, against a background of greater buoyancy of margins in the economy as a whole.

In short, as from 1999, the growth differential of prices and costs in the Spanish economy has checked the penetration of international markets by Spanish products, helping to worsen the trade imbalance. However, as mentioned above, the competitiveness of an economy ends up being reflected, beyond its trade results, in its capacity to sustainedly increase the level of its population's economic welfare.

The process of real convergence of the Spanish economy with the more advanced economies of the EU accelerated notably in the second half of the 1990s, and has even continued during the last few years of cyclical slowdown (in contrast to previous downturns). As seen in Table 2, in 2002, output per head in Spain stood at 84.5% of the EU average, when expressed in current prices, and at around 83%, when expressed in constant 1995 prices. Analysis of the components reveals that the progress in convergence was essentially based on the greater intensity of employment creation in Spain, while the growth of productivity was more moderate than on average in the EU. The modest increase in productivity and the persistence of differentials in the rate of growth of compensation per employee relative to EU countries have reduced the competitive advan-

CHART 2

Competitiveness indices for Spain (a)

Source: Banco de España.
(a) An increase in the index represents a loss of competitiveness and vice versa.

tages that the Spanish economy has traditionally derived from the level of its labour costs per unit of output over its main trading partners (see Table 2). Also, these advantages may be threatened by those offered by other more recently industrialised countries and the future new EU members from eastern Europe (11).

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(10)   This indicator compares the growth of domestic prices (measured by the GDP deflator) with that of export prices.

(11)   International comparisons of labour cost levels are subject to numerous caveats, owing to the absence of sufficiently comparable series of employment, costs and productivity and to the problems arising from the need to express all these series in a common currency or unit.

	Average 90-92	Average 93-97	1998	1999	2000	2001	2002
TABLE 1							
Export margins							
Rates of change							
1. Export margin (1.1/1.2 = 2x3)	**-5.9**	**1.7**	**-1.8**	**-1.7**	**4.2**	**-1.0**	**-3.2**
1.1 Exports deflator	2.2	3.8	0.6	0.4	7.3	2.7	0.0
1.2 Unit labour cost	8.6	2.1	2.5	2.1	3.0	3.8	3.2
1.2.1 Compensation per employee	*10.7*	*3.6*	*2.7*	*2.7*	*3.7*	*4.1*	*4.0*
1.2.2 Productivity per employed person	*1.9*	*1.5*	*0.2*	*0.6*	*0.8*	*0.3*	*0.7*
2. Relative profitability of exports (2.1/2.2)	**-4.3**	**0.2**	**-1.7**	**-2.3**	**3.7**	**-1.4**	**-4.2**
2.1 Exports deflator	2.2	3.8	0.6	0.4	7.3	2.7	0.0
2.2 GDPmp deflator	6.8	3.7	2.4	2.7	3.5	4.2	4.4
3. Whole economy unit margin (3.1/3.2) (a)	**-1.7**	**1.6**	**-0.1**	**0.6**	**0.5**	**0.4**	**1.1**
3.1 GDPmp deflator	6.8	3.7	2.4	2.7	3.5	4.2	4.4
3.2 Unit labour cost	8.6	2.1	2.5	2.1	3.0	3.8	3.2
SPAIN/EU COMPARISON							
Export margin	**-2.0**	**1.3**	**-0.6**	**0.7**	**2.2**	**0.7**	**-0.2**
Relative profitability of exports	-0.8	0.9	0.8	-0.4	1.4	-0.6	-1.4
Whole economy unit margin (a)	-1.2	0.5	-1.4	1.1	0.8	1.2	1.3

Sources: INE, Ministerio de Economía, OECD and European Commission.
(a) Inverse of real unit labour cost.

In any case, apparent labour productivity is an imperfect measure of productive efficiency, especially against a background of structural labour market reforms that have stimulated employment growth. In this respect, the breakdown of apparent labour productivity into the degree of use of the primary productive resources (capital and labour) and total factor productivity (12), which best approximates the changes in productive efficiency associated with technological development, shows that the rate of growth of the latter was below the EU average (see Chart 3).

During the period analysed the Spanish economy made a considerable effort to bring its levels of physical, human and technological capital into line with those recorded in EU countries, yet the distance is still considerable. In particular, the notable growth in the stock of physical capital stands out, although its components have behaved quite differently. Thus,

while the infrastructure endowment has increased notably, equipment investment has been somewhat weak in recent years, a circumstance that may affect the path of potential output in so far as this type of investment is the main channel through which technological progress is incorporated into productive processes (see Chart 2).

Meanwhile, expenditure on R&D in terms of GDP has improved substantially since the mid-1990s, reaching a level of around 1% of GDP in 2001 (see Chart 4). However, this percentage is still behind the average levels observed in the EU. Activities relating to the new information and communication technologies (ICT) still have a comparatively small presence in the Spanish productive structure (both in terms of value added and employment), despite having grown in recent years. At the same time, the skills possessed by human capital are still far from reaching the levels seen in other European countries, although the distances are considerably smaller when the comparison focuses on the youngest strata of the population.

In such circumstances, the existence of a sufficiently flexible and competitive institutional environment, which stimulates the enhancement of labour and business skills, and facilitates the incorporation of technological progress

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(12) Total factor productivity (TFP) captures both changes in productivity attributable to technical change and the influence of other factors that have a bearing on the efficiency of productive processes such as the skills possessed by labour, the quality of infrastructure, the characteristics of the institutional and regulatory framework, etc. In any case, it should be pointed out that the analysis of this variable is not without its problems, since it is based on estimates subject to some controversy.

TABLE 2

Main structural competitiveness indicators

	1990		2002		Latest figure available
	Spain	Spain/EU	Spain	Spain/EU	
GDP *PER CAPITA* AND COMPONENTS:					
GDP per capita (a)	11.5	78.0	20.2	84.5	2002
GDP per capita (b)	12.9	77.6	16.9	83.4	2002
Population 16-64 / Total population	66.5	99.5	68.3	103.2	2002
Employment rate (c)	53.4	81.9	58.9	87.6	2002
Labour productivity (d)	36.4	95.2	42.0	92.2	2002
TOTAL FACTOR PRODUCTIVITY AND CAPITAL STOCKS:					
Total factor productivity (e)	97.4	103.0	102.5	96.9	2002
Total capital stock / employment	98.2	83.7	126.2	89.1	2002
Technological capital / GDP	4.3	33.3	6.2	40.8	1999
Human capital / population 16-64	28.1	62.9	36.3	71.7	1999
OTHER SUPPLEMENTARY INDICATORS:					
Compensation per employee (f)	0.01	67.60	0.03	77.90	2002
Unit labour costs (g)	0.39	71.13	0.60	84.45	2002
Expenditure on R&D / GDP	0.82	42.27	0.96	49.74	2001
GVA of ICT branches (h)	3.31	69.95	4.05	72.85	2000
Expenditure per capita on ICT (i)	443.35	56.16	1,026.00	71.75	2001
Public expenditure on education / GDP	4.66	89.96	4.43	89.68	2000
Population of working age with secondary education / total population	24.00	47.86	40.00	62.60	2001

Sources: Eurostat, OECD, FUNCAS, Ministerio de Economía and Banco de España.
(a) Thousands of current euro in PPP.
(b) Thousands of 1995 euro in PPP.
(c) Employed persons as a percentage of the population aged 16-64.
(d) Thousands of PPP in euro per employed person.
(e) 1995 = 100.
(f) Millions of euro.
(g) Monetary units per unit of output (in PPP).
(h) % of whole-economy GVA.
(i) Euro in PPP per inhabitant. Start of the series, 1995.

and its transmission to the rest of the productive system, becomes especially important. One of the elements that has most helped to change the competitive environment of the Spanish economy has been the greater commercial and financial openness. In the domestic sphere, the drive to increase competition in certain sectors and markets has been notable. In fact, the indicators of barriers to competition in the goods and services market compiled by the OECD on the basis of information relating to 1998 place the Spanish economy in a position close to that of other euro area economies, when in the past it had higher levels of regulation and intervention (13). Even so, there is widespread agreement regarding the persistence of certain legal and administrative barriers that should be progressively eliminated to enable the Spanish economy to achieve its full growth potential.

(13) See Nicoletti, Scarpetta and Boyland (2000).

3.2. The competitiveness of manufacturing

Even though the relative importance of manufacturing output has tended to fall in the most advanced economies, analysis of the competitiveness of this sector is still relevant. This is not only because of its decisive weight in trade performance, but also because of its interdependence with the rest of the productive branches and because it is here that most of the technological advances that are transmitted to the rest of the productive system are developed.

In the case of the Spanish economy, the overall trade results described above largely reflect the behaviour of manufacturing. These industries have an external deficit, which has tended to widen in recent years, at the same time as there has been a moderation in the capacity of exports to increase their presence on

Technical characteristics of the productive process. Private sector (a)

APPARENT LABOUR PRODUCTIVITY

TOTAL FACTOR PRODUCTIVITY

CAPITAL/LABOUR RATIO

Source: Banco de España, based on Ameco data.

CHART 4

Expenditure on R&D (a)

WHOLE ECONOMY

Source: Banco de España, based on ANBERD data.
(a) As a percentage of the value added at current prices of each sector.

tional markets, the result being a squeeze on their operating margins (14).

The lower growth of apparent productivity in manufacturing basically reflects the notable employment creation that has taken place in Spanish industry since the mid-1990s. However, the influence of other elements of a structural nature cannot be ruled out, including, in particular, the moderate effort made to incorporate technological progress, as inferred from the information compiled by the OECD on the R&D expenditure of this sector.

The pattern of productive and commercial specialisation of Spanish manufacturing indicates that, although its productive and export structure has moved closer to the European average in recent decades, owing to a shift towards activities with a higher technology content, the more traditional industries continue to account for a higher proportion of Spanish production and exports, in comparison with the EU, while the high-technology ones are smaller in size (15) (see Chart 7). Also, the high-technology industries, which are the main channel for the transmission of technological progress in countries, such as Spain, that have a smaller capacity to generate technology domestically, account for a smaller relative share of imports.

Against this background, the Spanish economy requires a further innovation drive, to draw

world markets with the intensity with which they did so in the past (see Chart 5).

With regard to competitiveness as measured by prices and costs, in recent years the unit labour costs of Spanish manufacturing have risen at higher rates than in the EU countries, as a result of higher growth of compensation per employee and lower productivity gains. And this has taken place in an increasingly competitive setting which, as mentioned above, obliges domestic producers of tradable goods to set their prices in line with those prevailing on interna-

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(14) Given the methodological differences involved in the international comparison of productivity levels in different sectors of the economy, as no appropriate conversion factor is available for every case, it was decided to include only rates of change in this paper.

(15) See Gordo, Gil and Pérez (2002 and 2003).

CHART 5

Spain's external balance and competitiveness indices. Manufacturing (a)

EXTERNAL BALANCE IN MANUFACTURING

COMPETITIVENESS INDICES BASED ON MANUFACTURING PRODUCER PRICES

COMPETITIVENESS INDICES BASED ON MANUFACTURING UNIT LABOUR COSTS
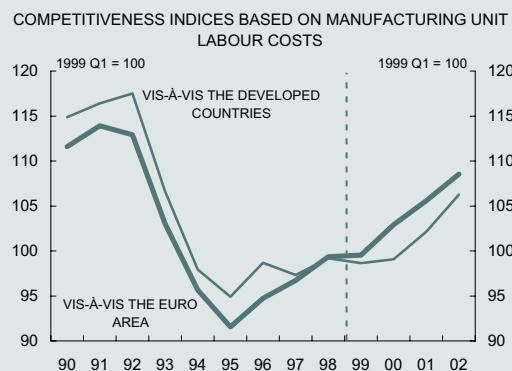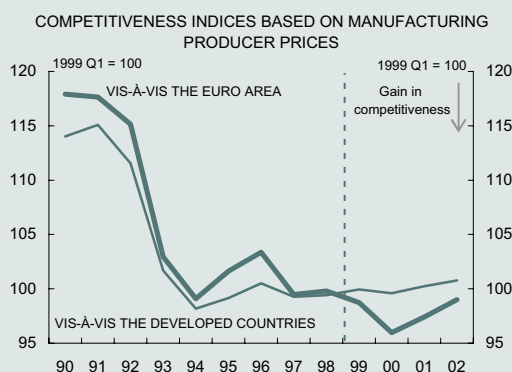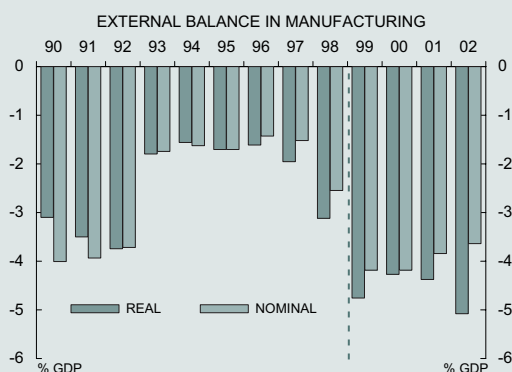
Sources: Ministerio de Economía and Banco de España.
(a)   An increase in the index denotes a loss of competitiveness and vice versa.

CHART 6

Prices and labour costs in manufacturing (a)

VALUE-ADDED DEFLATOR AND UNIT LABOUR COSTS

PRODUCTIVITY AND COMPENSATION PER EMPLOYEE

Source: Banco de España, based on Ameco data.
(a)   Spain/EU relative index.

dustries, Spain has clearly been overtaken by the more recently industrialised countries. The capacity to attract foreign capital to this sector is also essential for its modernisation, given the role played by such investment when integrating technologically more innovative processes.

3.3.   The competitiveness of market services

The notable buoyancy of the market services sector in recent years has significantly boosted its share in the value added and employment of the economy as a whole, so that an analysis of its competitiveness is highly relevant. However, such an analysis faces a number of difficulties as the sector embraces a very diverse range of activities, with numerous particular features in terms of market structure, the degree of regulation, etc., and there is also an absence of comparable information at the international level on many of these aspects. Moreover, compared to merchandise, many services by their very nature have few possibilities of being sold abroad, so that the trade results may be a less useful indicator of their competitive position. However,

closer to the more advanced economies, insofar as the capacity to produce high-technology goods is concerned. Other industries, which generally face less buoyant international demand, as their products are more mature, also need to continue to modernise and to promote the adoption of more innovative technologies and the competitive advantages deriving from product differentiation. This is because, in the area of advantages based on an abundance of natural resources and cheap labour, which were the basis for the initial development of these in-

CHART 7

Composition and specialisation of the manufacturing sector (according to technological intensity)

STRUCTURE OF VALUE ADDED

STRUCTURE OF EXPORTS

STRUCTURE OF IMPORTS

EXPORT INTENSITY RATIOS (a)

IMPORT PENETRATION RATIOS (b)
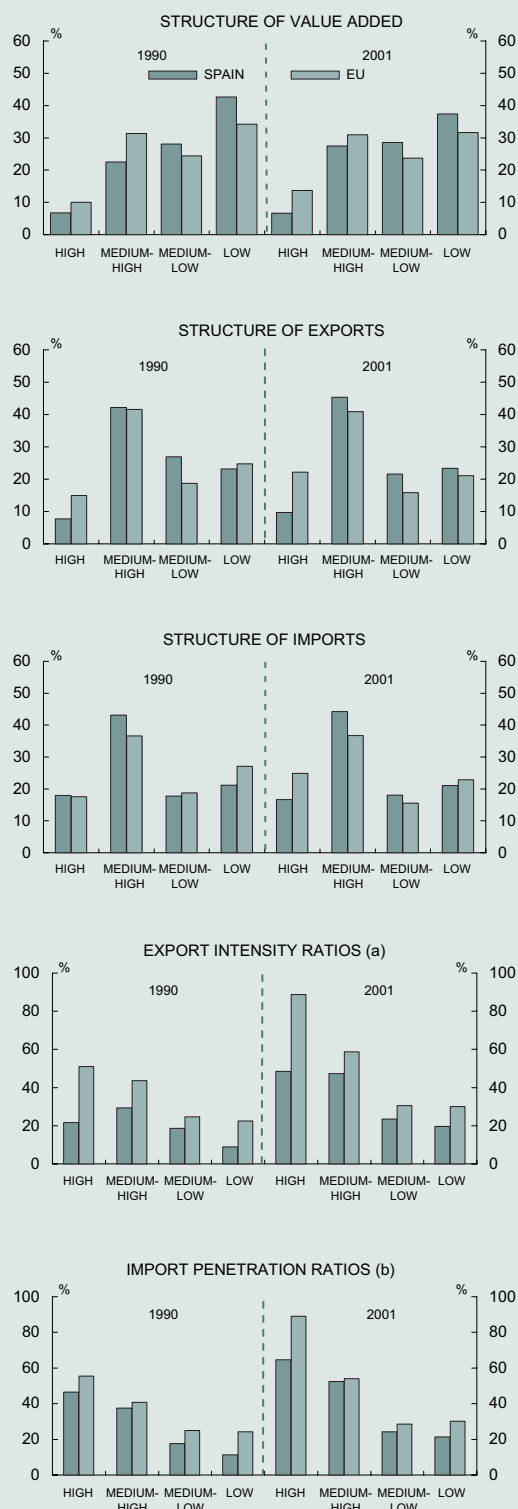
Source: Banco de España, based on Customs and STAN data.
(a) Exports/GVA.
(b) Imports/apparent consumption

CHART 8

Specialisation in the services sector (a)

STRUCTURE OF VALUE ADDED
IN THE SERVICES SECTOR (2001)

CHANGE IN THE WEIGHT OF EACH

Source: Banco de España, based on STAN data.
(a) Using constant-price GVA data.

it should be noted that the technological developments and the progress in the international liberalisation of services trade that have been made in recent years are changing this situation significantly.

As regards the pattern of productive specialisation, in comparison with the EU average, the services sector in the Spanish economy is dominated by the relative importance of tourism-related activities (in which Spain has natural and geographical advantages), while services most closely related to new technologies have a lower weight (see Chart 8). This pattern of specialisation partly explains the moderate growth of services productivity, since tourism is a very labour-intensive and highly mature sector. However, the

scant development of the services most related to the new technologies (where the largest increases in productivity at the international level are concentrated) and the lower degree of competition also contribute to this result.

Against this background, unit labour costs in the services sector have tended to increase at higher rates than in the EU, as can be seen in Chart 9. Both the lower growth of productivity and, in particular, the higher growth of compensation per employee have contributed to this outcome. However, unlike in manufacturing, domestic producers, sheltered by certain (legal and natural) barriers to competition in the sector, have passed through the higher increase in costs to final prices.

Given the importance of tourism in the Spanish productive structure and in determining the balance of payments, analysis of its competitiveness and its trade results is of particular interest. Estimates of the Spanish Tourism Satellite Account reveal that this activity contributed around 12% of GDP in 1999, being, as mentioned above, fundamental to the Spanish economy. Of this percentage, foreign tourism represents about 56%. Moreover, the balance of payments figures show the importance of the inflow of foreign tourists in offsetting trade imbalances, since tourism receipts represent more than 5% of GDP at current prices. Spain's share of international tourism, as measured both by the number of tourists received and by the nominal receipts, fluctuates around the 7% level, making Spain a leading international tourist destination (see Chart 10).

However, in contrast to its buoyancy in the second half of the 1990s, incoming tourism has slowed considerably over the last three years. Even though this can largely be explained by the uncertainty that has dominated the international scene, there are other factors that might jeopardise the competitive position in future. Notable among these are the inflation differential between the Spanish economy and the main areas tourists are drawn from, as well as its main competitor countries. In addition, studies tend to show up certain competitive weaknesses, relating to the predominance of small firms, with low-skilled labour forces and with a low degree of incorporation of technical progress. Although geography and climate will continue to be the main advantages on which the development of Spanish tourism is based, these shortcomings need to be corrected if the sustainability of this model is to be ensured. At the same time, there are still certain segments relating to the natural, historical and cultural wealth of the Spanish economy that have only just begun to be developed.

CHART 9

**Prices and labour costs
in the market services sector** (a)

VALUE ADDED DEFLATOR
AND UNIT LABOUR COSTS

PRODUCTIVITY AND COMPENSATION PER EMPLOYEE

Source: Banco de España, based on Ameco data.
(a) Spain/EU relative index.

Services other than tourism have, in recent years, undergone a process of increasing internationalisation. Thus, according to the balance of payments, and in line with developments in other countries, the share in real GDP of receipts and payments for the provision of international services doubled. As seen in Table 3, the Spanish economy has a trade deficit in this area. However, it has declined notably in recent years, as a result of the extraordinary buoyancy of sales abroad, which have more than offset the notable growth of imports. Among the most buoyant items are business services, which cover a wide range of transactions, including advertising services and market studies, research and development and legal, accounting, advisory, architectural, engineering, training services etc. The growth of these services is closely linked to the emergence of firms specialised in their provision, since previously they were obtained within the same productive unit. Meanwhile, in the case of *services relating to new technologies (*16) and *royalties and licence*

(16) These include Communications, IT and audiovisual services, and related services.

CHART 10

**Competitiveness indicators
for the tourist industry**

EXTERNAL BALANCE IN TOURISM

SHARE OF WORLD TOURISM (a)

COMPETITIVENESS INDICES BASED ON CONSUMER PRICES
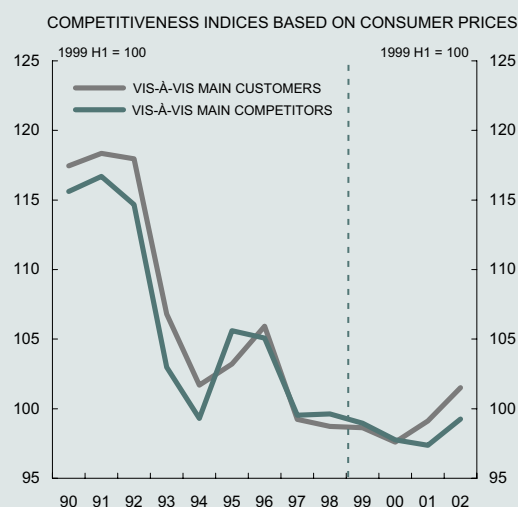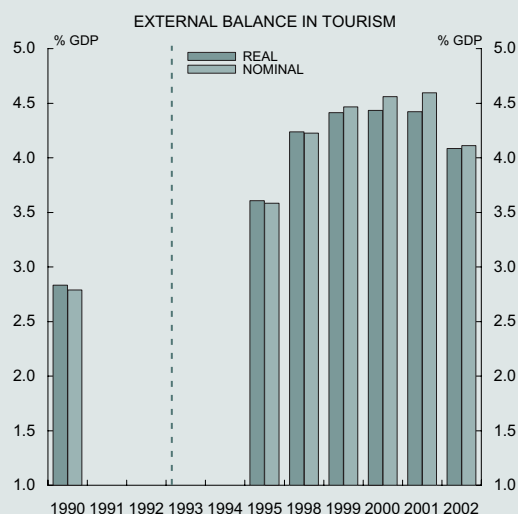
Sources: INE, WTO and Banco de España.
(a) Share of Spain's tourist arrivals in world total.

fees (17), which cover activities relating to technology transfer, the Spanish economy has a structural deficit, which has worsened slightly in recent years.

4. CONCLUSIONS

This article presents a set of useful indicators for monitoring competitiveness and some of its main determinants. These cover both the more traditional aspects of analysis, relating to trade results and the behaviour of relative prices and costs, and also more structural aspects, which extend the analysis to the economy's levels of efficiency and welfare.

Among other results, it has been established that, from 1999, coinciding with the loss of the exchange rate as an adjustment factor, the positive growth differential of the Spanish economy's prices and costs with respect to those of its main competitors has tended to erode its competitive advantages and to reduce the relative profitability of the productive sectors exposed to international competition. This has helped to curb the growth of the share of Spanish products in international markets, which in turn, along with the penetration of foreign products in the domestic market, has led to a notable widening, in real terms, of the trade deficit. Despite this, in recent years the Spanish economy has continued to make progress towards attaining the levels of economic welfare that prevail in the more advanced EU economies, with a pattern of convergence that is permitting part of the unemployed labour force to be absorbed. This pattern, however, has certain risk factors that may jeopardise its continuity, notable among them being the insufficient level of capitalisation and the poor rate of productivity growth.

The analysis in this article shows that, despite the advances that have been made in recent years, the Spanish economy must intensify its efforts to incorporate technical progress and new technologies if it is to draw closer to other advanced economies. The pattern of productive specialisation, both in manufacturing and in services, shows a smaller share, relative to the EU average, for activities involving a more intensive use of technology. Also, certain differences persist in human capital skills, which are an essential element of competitiveness in many services activities, including tourism. All these factors help to explain the moderate productivity growth in the Spanish economy.

It can therefore be concluded that, in order to attain sustained growth rates in the medium term

(17) See the box in Chapter II of *The Spanish Balance of Payments,* 2002.

TABLE 3

Structure of foreign trade in services

	Exports % nominal GDP				Imports % nominal GDP				Revealed comparative advantage indices (a)			
	1992		2001		1992		2001		1992		2001	
	Spain	EU	Spain	EU	Spain	EU	Spain	EU	Spain	EU	Spain	EU
Total services	**7.0**	**6.0**	**10.0**	**8.0**	**4.4**	**5.8**	**5.8**	**7.9**	**22.6**	**1.4**	**26.3**	**0.3**
Tourism	4.6	1.8	5.6	2.2	1.2	1.8	1.0	2.2	60.0	1.3	69.2	0.1
Transport	1.0	1.5	1.5	1.8	1.1	1.5	1.5	1.8	-2.9	-1.3	-0.3	0.6
Other services	1.4	2.7	2.9	3.9	2.2	2.5	3.3	3.9	-22.2	3.0	-6.8	0.3
Of which:												
Related to new technologies (b)	0.1	0.2	0.6	0.5	0.4	0.2	0.6	0.5	-46.1	-14.5	-2.5	0.0
Construction services	0.1	0.2	0.1	0.2	0.1	0.2	0.0	0.2	6.2	18.1	52.3	14.3
Financial services and insurance	0.4	0.4	0.4	0.7	0.3	0.4	0.4	0.5	20.8	7.0	4.5	24.7
Business services	0.6	1.2	1.6	2.0	1.0	1.2	1.9	2.2	-22.4	0.1	-9.1	-3.3
Royalties and licence fees	0.0	0.1	0.1	0.3	0.2	0.2	0.3	0.4	-82.5	-23.3	-64.3	-21.8

Sources: Eurostat and Banco de España.
(a) IVCRi=(Xi-Mi)/(Xi+Mi)x100, where Xi and Mi are, respectively, the exports and imports of branch i.
(b) Communications, information and audiovisual services.

and to remain on the current path of real convergence, productive efficiency needs to be improved, so that a high level of employment creation is compatible with increases in productivity. To do this, the Spanish economy needs to intensify the absorption and diffusion of technical progress and new technologies and to continue to enhance its human capital. In this respect, the changes still required to the business and competitive environment to stimulate high rates of innovation and human capital enhancement are particularly important. The forthcoming extension of the EU is an additional challenge for the Spanish economy, given that we will have to compete with a group of countries whose productive structures and factor endowments are similar to those of the Spanish economy.

19.9.2003.

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Financial regulation: 2003 Q3

1. INTRODUCTION

In 2003 Q3, relatively few new financial provisions were enacted.

Three regulations were published in relation to credit institutions. First, the regulations on minimum capital have been amended in order to transpose certain Community provisions, to implement higher-ranking provisions and to make specific amendments deemed advisable in the light of the experience in recent years. Further, the opportunity has been taken to regulate the characteristics of credit institutions' preference shares, along with the attendant tax arrangements. Finally, a new image-transmission procedure has been set in place in the SNCE (National Electronic Clearing System) to replace the delivery of facsimiles, and direct debit payments are included among the documents subject to processing in the various sub-systems.

In connection with the securities markets, a series of measures reinforcing the transparency of listed public limited companies and of savings banks have been enacted. This should contribute to improving the workings of financial markets.

Regarding other financial regulation, three rules of interest may be mentioned. First, the legal regime governing capital movements and cross-border economic transactions has been significantly updated, so as to ensure the full adaptation of Spanish law to Community law, and specific measures to prevent money laundering have been laid down. Second, a series of rules designed to co-ordinate the actions of the Security Forces and Corps and the Banco de España Monetary Offence Investigation Brigade in combating counterfeit banknotes and coins. And, finally, the Insolvency Law has been enacted, with a view to overhauling Spanish insolvency law.

2. CREDIT INSTITUTIONS: AMENDMENT OF MINIMUM CAPITAL REGULATIONS

The Banco de España has issued Circular CBE 3/2003 of 24 June 2003 (BOE of 7 July 2003), amending CBE 5/1993 of 26 March 1993 on the determining and monitoring of minimum capital, in order to transpose certain Community provisions, implement higher-ranking provisions and to make specific amendments deemed advisable in the light of the experience in applying CBE 5/1993. The main changes introduced are discussed below.

2.1. Coverage of commodities risk positions

Royal Decree 1419/2001 of 17 December 2001 (1) initiated the transposition of Directive 98/31/EC of the European Parliament and of the Council of 22 June 1998 (2). This Directive broadened the definition of the trading book to include positions in commodities (basic raw materials, excluding gold); it established the capital requirements for the coverage of risk positions, in respect both of investment and trading, in commodities and in gold; and it allowed the use of in-house models for the calculation of capital requirements and to cover trading-book, exchange-rate and commodities and gold positions market risks. In the implementation of the aforementioned Royal Decree, CBE 3/2003 sets the capital requirements for commodities positions and the minimum conditions that the in-house risk management models, the organisation of the institution and its internal controls must satisfy so that, following an individualised evaluation thereof to verify risk measurement, they may be used for the calculation of capital requirements for the purposes of covering the above-mentioned risks.

2.2. Coverage of risk positions in gold

Ministerial Order ECO/3451/2002 of 27 December 2002, which partially amended the Order of 30 December 1992 on the capital adequacy rules of credit institutions, set the level of capital required for the coverage of gold position risk. Against this background, CBE3/2003 established the method for calculating positions in gold, which is very similar to that already laid down for positions in currency. For these purposes, the net position in gold is taken as the difference, at a given time, between the sum of balance sheet assets – including their certain proceeds – and of purchase commitments, and the sum of balance sheet liabilities – including their certain costs – and of sale commitments, all these denominated in terms of gold. The net position in gold is called "long" when the aforementioned difference has a positive sign, and "short" when it has a negative sign.

2.3. Capital requirements for derivative instruments concerning underlyings other than interest and exchange rates

Directive 98/33/EC of the European Parliament and of the Council of 22 June 1998 (3), in addition to specifying the weight applicable to certain risks, amended the definition of organised markets (4), established the capital requirements for OTC (over the counter) – traded derivative instruments concerning underlyings other than interest and exchange rates (commodities and precious metals, except gold), and introduced greater refinement into the calculation of the effects of reducing the potential credit risk of the instruments included in netting agreements. Implementing the regulatory powers attributed in this connection, CBE 3/2003 transposes the Directive in question into Spanish law.

Regarding the capital requirements for commodity price risk, the Circular lays down how the net position in a commodity is to be calculated. It will include holdings of the commodity and the derivatives which have said commodity as the underlying instrument (financial futures contracts, options, call options, etc.), and positions classified as trading-book and investment will both be taken into account. Positions that are merely commodity-financing ones may be excluded from the calculation of commodities risk.

2.4. Elimination of individual limits for currency positions

The individual limits set for currency positions have been eliminated, as the introduction of the euro and the experience built up by Spanish credit institutions in the management of their foreign currency transactions, along with the adequacy of their internal control and foreign exchange risk assessment systems, preclude any such need for these limits. Any financial institution wishing to operate in foreign currency and in gold must have, in keeping with its level of activity, appropriate risk measurement and information systems for the purposes of management, monitoring and control. In particular, the risk-assumption policies approved by the governing bodies should be clearly established, including internal measurement procedures, operational limits, the frequency of their revision, the body or person responsible and other relevant aspects. Likewise, institutions should provide the Banco de España with all the documentation on internal control

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(1) This partially amended Royal Decree 1343/1992 of 6 November 1992 implementing Law 13/1992 of 1 June 1992 on the capital and consolidated supervision of financial institutions.

(2) This Directive amended Directive 93/6/EEC of the Council of 15 March 1993 on the capital adequacy of investment firms and credit institutions.

(3) This Directive partially amended Council Directive 89/647/EEC of the Council on a solvency ratio for credit institutions, and Council Directive 93/6/EEC on the capital adequacy of investment firms and credit institutions.

(4) For these purposes, organised markets are considered to be those regulated by the competent authorities and which: *a)* operate regularly; *b)* are governed by rules, set or approved by the competent authorities of the country in which the market is established, which determine the market operating and access conditions and the conditions a contract must meet before it is actually traded on the market; *c)* have a clearing mechanism that requires deposits to be set aside in the form of guarantees that are adjustable daily on the basis of transactions and price developments.

systems set up for this area, on compliance therewith and the functioning thereof, on existing internal limits and, where appropriate, on the models used, their quantitative parameters and the evaluations made as to their goodness, which may be required of them at any time.

2.5. Other amendments

Finally, the word-for-word content of the three higher-ranking provisions issued since the previous amendment of Circular 5/1993 has been incorporated: the above-mentioned Royal Decree 1419/2001, the Ministerial Order dated 13 April 2000 and the Ministerial Order ECO/3451/2002 of 27 December 2002, regarding risk weighting. Further, specific one-off or minor amendments deemed advisable owing to experience in the application of the rules on credit institutions' capital have been addressed.

3. CREDIT INSTITUTIONS: AMENDMENT OF PREFERENCE SHARE REGULATIONS

Advantage has been taken of the occasion of the enactment of *Law 19/2003 of 4 July 2003* (BOE of 5 July) – on the legal regime governing capital movements and cross-border transactions and on specific measures for the prevention of money laundering, which will be discussed later – to regulate the characteristics of credit institutions' preference shares, along with their tax regime.

3.1. Requirements for preference shares

Preference shares shall meet the following requirements:

a) They shall have been issued by a credit institution or an entity resident in Spain or in European Union territory that does not have tax-haven status. Also, their voting rights shall relate in their entirety directly or indirectly to the controlling credit institution of a consolidated group or sub-group of credit institutions, and whose activity or exclusive corporate purpose is the issuance of preference shares.

b) In the case of issues made by a subsidiary institution, the funds obtained shall be deposited in their entirety and permanently, once issuance and management costs have been discounted, at the controlling credit institution or at another entity of the consolidated group or sub-group. The deposit thus set up shall be used by the depository institution for the offset of losses, both in its liquidation and in the overall financial restructuring of the institution or of its consolidated group or sub-group, once reserves have been depleted and ordinary capital reduced to zero. In such instances, preference shares must have the joint and irrevocable guarantee of the controlling credit institution or of the depository institution.

c) Entitlement to a pre-set return of a non-cumulative nature. The accrual of this return will be conditional upon the existence of distributable profits at the controlling credit institution or at the consolidated group or sub-group.

d) Their holders shall not be granted voting rights, unless this is in exceptional cases established in the respective issuance conditions.

e) Pre-emptive rights in respect of future new issues shall not be granted.

f) They shall in principle be non-redeemable, although early redemption may be agreed upon as from the fifth year after the share payment date, following authorisation from the Banco de España.

g) They shall be listed on a regulated secondary market.

h) In the event of liquidation, winding-up or other such cases that may give rise to the application of the priorities envisaged in the Commercial Code, both of the issuing credit institution and of the controlling institution of the consolidated group or sub-group, preference shares will entitle holders to obtain exclusively the redemption of their face value along with the accrued, unpaid return. For the purposes of seniority of debt, these instruments will be immediately behind all the creditors, whether subordinated or not, of the issuing credit institution or of the controlling credit institution of the consolidated group or sub-group, and before ordinary shareholders and, if any, equity unit holders.

i) At the time of issuing these instruments, the nominal amount outstanding may not exceed 30% of the core capital of the consolidated group or sub-group, including the amount of the issue itself, without prejudice to the additional limits that may be established for solvency purposes. If this percentage were to be exceeded after the issue had been made, the credit institution should submit a plan to the Banco de España for authorisation, aimed

at resuming compliance with the above-mentioned percentage. Nonetheless, the Banco de España may alter the percentage in question.

3.2. Tax regime for preference shares

The tax regime for these instruments will be as follows:

a) The income arising on preference shares shall be considered a deductible expense for the issuing institution.

b) Such income shall be classified as returns obtained on the transfer of capital to third persons, in accordance with Law 40/1998 of 9 December 1998 on Personal Income Tax and Other Tax Provisions. Further, they shall not be subject to any withholding, since the exemption laid down in Law 41/1998 of 9 December 1998 on the Taxation of Non-Residents' Income and Tax Provisions is applicable.

c) Were income to be obtained by taxpayers subject to non-resident personal income tax without a permanent establishment, such income shall be exempt from this tax under the same terms established for returns arising on government debt in Law 41/1998 of 9 December 1998 on the Taxation of Non-Residents' Income and Tax Provisions.

d) Finally, operations arising from the issuance of preference shares shall be exempt from capital transfer tax and stamp duty.

The regime envisaged for preference shares will also be applicable to issues of debt instruments by institutions meeting certain requirements and whose activity or exclusive purpose is the issuance of preference shares and/or other financial instruments, provided they meet organised-market listing requirements and, where appropriate, the requirements governing permanent deposit and guarantee on the part of the controlling institution.

4. NATIONAL ELECTRONIC CLEARING SYSTEM: NEW IMAGE-TRANSMISSION PROCEDURE INTRODUCED TO REPLACE THE DELIVERY OF FACSIMILES, AND INCORPORATION OF NEW DOCUMENTS

Royal Decree 1369/1987 of 18 September 1987 (5), Ministerial Order of 29 February 1988 (6) and Banco de España Circular CBE 8/1988 of 14 June 1988 (7) regulated the structure and functioning of the SNCE (National Electronic Clearing System), composed of the SNI (National Exchange System) and the SNL (Spanish Settlement System). Later, Banco de España Circular CBE 11/1990 of 6 November 1990 defined the operating rules of the current account cheque and promissory note sub-system, which forms part of the SNI and is regulated by Regulation SNCE-004.

Subsequently, CBE 4/1996 of 29 March 1996 defined a new procedure for processing non-truncatable documents, based on the optional delivery of facsimile reproductions in lieu of the original documents. This measure aimed to expedite the exchange of non-truncatable documents via the sub-system.

The technological advances in image capture and transmission procedures made it possible for *CBE 4/2003 of 24 June* (BOE of 7 July 2003) to further improve these exchange procedures. This improvement consisted of introducing a software application that enables document delivery to be replaced by electronic transmission of their images.

Initially the new system will be used in document exchanges via the current account cheque and promissory note sub-system in which at present the original document or a physical image thereof (facsimile) is exchanged. Subsequently, it will be employed in the commercial paper and sundry operations sub-systems, in which the exchange of documents is also planned.

Finally, the Circular has added *direct debit payments* to the documents that can be processed by the current account cheque and promissory note sub-system and by the commercial paper sub-system, whenever these documents have been traded by credit institutions. For the purposes of processing in the sub-system, *direct debit payments* are documents issued by credit institutions at their customers' request whereby the credit institutions undertake to make the specified payment (provided they have not received express instructions not to pay it and provided there are sufficient funds in the paying customer's account).

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(5) See "Regulación financiera: cuarto trimestre de1987", in *Boletín económico,* Banco de España, January 1988, p. 51.

(6) See "Regulación financiera: primer trimestre de 1988", in *Boletín económico,* Banco de España, April 1988, p. 65.

(7) See "Regulación financiera: segundo trimestre de 1988", in *Boletín económico,* Banco de España, July-August 1988, p. 79.

5. TRANSPARENCY OF LISTED PUBLIC LIMITED COMPANIES

To improve the workings of the financial markets, it was considered fundamental to foster the principle of transparency—which implies that all information of importance to investors is transmitted to the markets and that it is true and correct—and to introduce measures regulating directors' duties and corporate governance.

For this purpose, *Law 26/2003 of 17 July 2003* (BOE of 18 July 2003), amending Securities Market Law 24/1988 of 28 July 1988 and the consolidated text of the Public Limited Companies Law approved by Royal Legislative Decree 1564/1989 of 22 December 1989, was enacted to strengthen the transparency of listed public limited companies.

The legal reform was completed with the amendment of Law 31/1985 of 2 August 1985 on the Regulation of Basic Rules on Governing Bodies of Savings Banks and with other provisions that extend to securities issuers some of the precepts established for listed firms. The main new features are outlined below.

5.1. Amendment of the Securities Market Law

The amendment adds to Securities Market Law 24/1988 of 28 July 1988 a new title ("Listed Firms") addressing public limited companies whose shares are traded in an official securities market.

Under this new title, mention may be made firstly of shareholders' agreements, defined in Law 26/2003 as agreements that regulate the exercise of voting rights in general shareholders' meetings or that affect the free transferability of shares in listed public limited companies. The entering into, extension or amendment of a shareholders' agreement must be notified immediately to the firm itself and to the CNMV (Spanish National Securities Market Commission). Once these notifications have been made, the document setting forth the shareholders' agreement must be lodged with the Mercantile Registry and publicly disseminated as a material event. Until such notification, lodgement and public dissemination as a material event have taken place, the shareholders' agreement shall not be effective.

If public dissemination may seriously prejudice the firm, at the request of the interested parties the CNMV can decide that a shareholders' agreement notified to it or part thereof will not be made public, and waive the requirement to notify the agreement to the firm itself, lodge the document in which it is set forth with the Mercantile Registry and publicly disseminate it as a material event, determining the time during which it can be kept secret by the interested parties.

Regarding *corporate bodies*, the listed firm's general meeting of shareholders shall approve specific rules addressing all matters concerning the general meeting. These rules shall be notified to the CNMV and registered with the Mercantile Registry in accordance with standard procedure.

The Board of Directors shall establish *rules on the internal regime* and workings of the Board in accordance with law and the firm's by-laws, which shall contain specific measures to ensure optimum administration of the firm. These rules shall be notified to the CNMV and registered with the Mercantile Registry.

As regards the *obligations of a listed firm's directors*, it is stipulated that, if those directors have publicly solicited proxy voting authority, they may not exercise such proxy votes on those agenda items in respect of which they have a conflict of interest. Directors must also refrain from carrying out, or suggesting to anyone that he carry out, a transaction involving shares of the firm itself or of subsidiary, associated or related firms about which, due to their position, they have inside or confidential information, unless that information is made publicly known.

The footnotes to a firm's annual accounts must disclose the transactions by directors or by persons acting on their behalf with the firm itself or with group firms during the financial year addressed by the annual accounts, whenever those transactions fall outside the firm's ordinary business activities or are not made on an arm's-length basis.

Fourth, listed public limited companies must publicly disseminate a yearly *corporate governance report* and communicate it to the CNMV, which will send a copy to the relevant supervisory authorities. The report shall be publicly disseminated as a material event and give a detailed explanation of the firm's system of corporate governance and of how it works in practice. The report's content and structure will be determined by the Ministry of Economy and, with this Ministry's express authorisation, by the CNMV.

In addition, listed public limited companies have to comply with the requirements imposed on them by the Public Limited Companies Law to disseminate information by any technical, IT

or teleprocessing medium, without prejudice to shareholders' rights under applicable legislation to request information in printed form. Listed public limited companies must have a web page as a means of catering for shareholders exercising their right to be informed and as a medium for disseminating key information.

Finally, the type of infringement constituted by non-compliance with the provisions of Law 26/2003 is defined.

5.2. Amendment of the consolidated text of the Public Limited Companies Law

The consolidated text of the Public Limited Companies Law approved by Royal Legislative Decree 1564/1989 of 22 December 1989 was modified by inclusion of the following amendments, among others.

Votes on proposals relating to general meeting agenda items of any kind can be delegated or exercised by shareholders by post, electronic medium or any other means of remote communication, provided that the identity of the party exercising his voting right is duly ensured.

As regards the right to information, up to seven days before the scheduled date of the general meeting, shareholders may ask directors for the information or clarifications they deem to be necessary or submit in writing the questions they consider to be pertinent to the matters on the agenda. This information can also be requested during the general meeting and the directors are obliged to furnish it (in writing up to the date of the general meeting), except in cases in which, in the Chairman's judgement, public dissemination of the requested information would harm the firm's interests.

Directors' are to carry out their duties with the diligence of an orderly businessman and loyal agent, and comply with the requirements of laws and articles of association in a manner befitting the general interest of the firm. No director may, for his own benefit or that of persons connected to him, make any investments or transactions related to the firm's assets that have become known to him by reason of his office if that investment or transaction would have been offered to the firm or if the firm would have been interested in it, unless the firm has rejected the investment or transaction in a decision uninfluenced by the director.

In addition, directors must notify the Board of Directors of any direct or indirect conflict they may have with the firm's interests. In the event of such conflict the director involved shall abstain from intervening in the transaction to which the conflict refers. Also, directors, even after leaving office, have to maintain secrecy regarding confidential information and may not disclose information, data, reports or background details known to them as a result of their office, which, accordingly, may not be communicated to third persons or disseminated if a knowledge thereof could harm the firm's interests.

Directors shall be liable (personally in the case of de facto directors and jointly in the case of members of the governing body) to the firm, to shareholders and to corporate creditors for the injury caused by their acts or omissions contrary to law or to the by-laws or by acts or omissions in violation of the duties of their office.

5.3. Other amendments

Finally, Law 26/2003 extends to savings banks that issue securities the requirement to prepare and make public the corporate governance report mentioned above. It also requires savings banks to set up a Board committee on compensation and a Board committee on investment.

6. LEGAL REGIME GOVERNING CAPITAL MOVEMENTS AND CROSS-BORDER TRANSACTIONS, AND CERTAIN MEASURES TO PREVENT MONEY LAUNDERING

Exchange Control Law 40/1979 of 10 December 1979 has, after more than 20 years in place, been characterised by its singularity in that it did not prohibit or restrict anything and did not impose any demands or administrative requirements. Rather, it was limited to generally empowering the government to establish such restrictions or controls as it deemed to meet the needs dictated by the prevailing economic situation at the time.

Further, Law 40/1979 contained major contradictions and had such regulatory gaps as the failure to address monetary offences. Accordingly, the reform of Law 40/1979 of 10 December 1979 effected by Organic Law 10/1983 of 16 August 1983 was left totally devoid of legal content when the only monetary offence still standing was abolished in 1996 (8). Also, the penalties established by Law 40/1979 proved to be inconsistent and out of touch with the current freedom of capital movements, although it was

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(8)   It consisted of the export of coins, banknotes and bearer banker's drafts for an amount exceeding five million pesetas or the equivalent thereof without having obtained prior authorisation.

partially amended by Payment Systems and Securities Settlement Law 41/1999 of 12 November 1999, which defined very serious offences and did away with the residual concept of a mild violation.

Moreover, Law 40/1979 exhibited incongruities with the new liberalised stage initiated by the Treaty establishing the European Community, which proclaimed the freedom of capital movements and prohibited restrictions not only on capital movements and payments between Member States, but also on those between Member States and third parties.

To ensure the full adaptation of Spanish law to Community law and, in particular, to the provisions of the Treaty establishing the European Community, Spain instituted a major update of Law 40/1979, which was repealed practically in its entirety by *Law 19/2003 of 4 July 2003* (BOE of 5 July 2003) on the legal regime governing capital movements and cross-border economic transactions and on certain measures to prevent money laundering. In addition, a new set of penalties has been drawn up in which express definitions of the various offending actions and omissions have been included and more precise penalties applicable in each case have been established.

Law 19/2003 is divided into two chapters: the first contains the general regime governing capital movements and cross-border economic transactions, and the second establishes penalties in respect of capital movements, in accordance with the principles of legality, uniformity and proportionality and upholding the assurance of due procedure. The additional provisions amend Law 19/1993 of 28 December 1993 on certain measures to prevent money laundering by improving the mechanisms in place to control cash and other payment instruments, in view of the risk that they represent from the standpoint of money laundering and terrorist financing. Finally, amendments are made to General Tax Law 230/1963 of 28 December 1963 to increase the effectiveness with which money laundering investigations are carried out. Some of the main new features are summarised below.

6.1. General regime governing capital movements and cross-border economic transactions

Law 19/2003 establishes the principle of freedom of capital movements and of cross-border economic transactions. Any acts, business arrangements, transactions and operations between residents and non-residents that entail,

or that may give rise to, cross-border payments or receipts, cross-border transfers in either direction or changes in external debit or credit positions can thus be freely carried out, subject only to the constraints defined in this law and in specific sectoral legislation.

Certain disclosure obligations have been established whereby the natural or legal persons resident or non-resident in Spain that carry out these operations have to furnish to the Ministry of Justice and to the Banco de España, as and when stipulated, the information required of them for administrative and statistical purposes.

Finally, the Government may suspend the liberalised regime established by this Law in the event of acts, business arrangements, transactions or operations that, owing to their nature, form or conditions of execution, affect or may affect activities related (even if only occasionally) to the exercise of public power, or activities directly related to national defence or that affect or may affect public order, public security and public health.

6.2. Penalties

The Law classifies infringements as very serious, serious and minor. Very serious infringements notably include operations prohibited by measures introduced by the Government or the European Union. Serious infringements include the failure to declare operations amounting to more than €6 million and untruthfulness, omission or inexactness exceeding €6 million in declarations of operations. Minor infringements under the Law are declarations by subject parties outside the regulatorily stipulated time periods, failure to declare an operation not exceeding €6 million and untruthfulness, omission or inexactness not exceeding €6 million in declarations of operations.

Depending on the infringement committed, the penalties vary from a fine of not less than €30,000 based on the economic content of the operation and a public or private reprimand for very serious infringements to a fine of up to one-quarter of the operation's economic content (subject to a minimum of €3,000) and a private reprimand for minor infringements.

6.3. Measures to prevent money laundering

The Law introduces a number of amendments to Law 19/1993 of 28 December 1993 on certain measures to prevent money laundering.

First, it extends the list of parties deemed to engage in professional or business activities particularly prone to being used for money laundering. Specifically, in addition to those specified in Law 19/1993, it includes natural or legal persons that in the exercise of their profession act as auditors, external accountants or tax advisers and notaries, lawyers and "*procuradores*" (Spanish court attorneys) when they participate in conceiving, executing or advising on transactions for the account of customers relating to the purchase or sale of real estate or business entities; the management of funds, securities or other assets; the opening or management of bank accounts, savings accounts or securities accounts; or the organisation of contributions needed to set up, operate or manage enterprises or to set up, operate or manage trusts, firms or similar organisations, or when they act on behalf of and for the account of customers in any financial or real estate transaction.

As a new feature, the source, destination and holding of funds must be declared, subject to regulatorily specified exceptions, by those natural and legal persons that, for their own account or that of third parties, carry out the following movements of payment instruments:

a) Exit from or entry into Spanish territory of coins, banknotes and bearer banker's drafts denominated in Spanish or any other currency and in any physical medium, including electronic ones, conceived for use as a payment instrument, in an amount exceeding €6,000 per person per trip.

b) Movements in Spanish territory of payment instruments consisting of cash, banknotes and bearer banker's drafts denominated in Spanish or any other currency and in any physical medium, including electronic ones, conceived for use as a payment instrument, in an amount exceeding €80,500.

Finally, the responsibilities and functions of the managers of foundations are broadened as permitted by Law 50/2002 of 26 December 2002 on Foundations. These managers are required to see that foundations are not used to route funds or resources to persons and entities linked to terrorist groups or organisations, in accordance with legislation regulating measures to prevent and block terrorist financing. For this purpose, all foundations shall retain for six years the records identifying all persons who receive funds or resources from the foundation. These responsibilities also apply to associations providing a public service in the exercise of the functions assigned to them by Article 34 of Organic Law 1/2002 of 22 March regulating the Right of Association.

7. CO-ORDINATION OF THE ACTIONS OF THE SECURITY FORCES AND CORPS AND THE BANCO DE ESPAÑA MONETARY OFFENCE INVESTIGATION BRIGADE IN COMBATING COUNTERFEIT BANKNOTES AND COINS

EU Council Regulation 1338/2001 of 28 June 2001, which lays down measures necessary for the protection of the euro against counterfeiting, imposes on Member States the obligation, among others, to ensure that, as soon as any case of counterfeiting is detected, information at national level is communicated to the national central office. To this end, Member States shall take all measures necessary to ensure the exchange of information between the national central office and the Europol national unit.

Law 24/2001 of 27 December 2001 on fiscal, administrative and social measures added an additional provision to Law 48/1998 of 17 December 1998 on the introduction of the euro deeming the Banco de España to be the competent national authority in this connection and designating it, for the purposes of Regulation 1338/2001, as Spain's National Analysis Centre (NAC) and Coin National Analysis Centre (CNAC).

In order to ensure that the actions of the Security Forces and Corps are duly co-ordinated in combating counterfeit banknotes and coins of all types and to duly comply with the obligations imposed by national and international regulations, *Royal Decree 857/2003 of 4 July 2003* (BOE of 15 July 2003) was enacted on co-ordination of the actions of the Security Forces and Corps and the Banco de España Monetary Offence Investigation Brigade in combating counterfeit banknotes and coins.

Any unit of the Security Forces and Corps that detects counterfeit banknotes and coins or which is presented with an opportunity to intervene shall communicate the available information, as soon as it is detected, to the Banco de España Monetary Offence Investigation Brigade (BIBE by its Spanish abbreviation) for the purpose of the co-operation envisaged in Royal Decree 857/2003, without prejudice to continuing with the actions required to carry out its criminal police duties.

Units of the Security Forces and Corps also have to forward to BIBE certain data and documents specified in Royal Decree 857/2003 for the purpose of complying with the obligations laid down by Regulation 1338/2001 and other applicable rules to combat counterfeit banknotes and coins.

Once the BIBE has received the counterfeits, it shall immediately forward them to the NAC (if banknotes) or to the CNAC (if coins) of the Banco de España, and shall provide these centres with any other information relevant to the execution of their duties regarding counterfeit banknotes and coins, along with any counterfeiting instruments and tools, which shall in any event be placed at the disposal of the competent legal authorities.

8. INSOLVENCY LAW

Spanish insolvency law has been extensively reformed by the enactment of *Law 22/2003 of 9 July 2003 on Insolvency* (BOE of 10 July 2003). This was a matter pending in the modernisation of Spanish law, given the archaic, dispersed nature of the provisions in force in this area. The main changes are briefly described below.

8.1. Specific provisions in the financial sector

The Law respects the specific legislation applicable to credit institutions, insurers and transactions relating to payment and clearing systems for securities or derivative financial instruments, largely imposed by European Union law, which affects certain aspects of insolvency. The provisions of this Law shall only apply in this area when the special provisions are silent and insofar as they are compatible with the nature of such systems.

The second additional provision of the Law thus provides that, in the event of the insolvency of credit institutions or legally similar entities, investment services firms and insurers, as well as the member institutions of official securities markets and participants in securities clearing and settlement systems, the special provisions for insolvency situations established in their specific legislation shall apply, except those relating to the composition, appointment and workings of the insolvency administration body.

The law also makes certain changes to provisions of a financial nature to adapt them to the provisions of the Insolvency Law. Notable, among others, are Law 24/1988 of 28 July 1988 on the Securities Market and Law 44/2002 of 22 November 2002 on Measures to Reform the Financial System.

Of note in the case of the former is the adaptation to this Law of the procedure for obtaining a court order declaring insolvency or the opening of suspension of payments proceedings in respect of a participant institution in the systems managed by the Systems Company (9), as well as a declaration of insolvency with respect to a registered Public-Debt-Book-Entry-Market dealer. In the case of the latter, it sets out the rules applicable to territorial certificates (10) in the event of the insolvency of a credit institution, which shall be considered to rank equally with credits with special priority and, specifically, within the group of "credits secured by voluntary or legal mortgage over real or personal property, or by a charge over assets that are not transferred to the lender".

Finally, other provisions of a financial nature are adapted to this Law, such as Law 19/1985 of 16 July 1985 on Bills of Exchange and Cheques, Law 2/1981 of 25 March 1981 on the Mortgage Market, Law 1/1999 of 5 January 1999 regulating venture capital entities and their management companies, Law 30/1995 of 8 November 1995 on Private Insurance and Law 1/1994 of 11 March 1994 on Mutual Guarantee Companies.

8.2. Principles of insolvency reform

The Law opts for the principles of legal, disciplinary and system unity. Unity of the insolvency procedure is obtained by virtue of the flexibility of the law, which means it can be applied to diverse situations and solutions, through which payment of creditors, the ultimate aim of the insolvency, can be achieved.

One of the most significant changes made by the Law is its special treatment of actions for the enforcement of security interests over the assets of the insolvent entity. The effects of insolvency declarations on contracts have also been given particular attention. This was one of the areas least adequately regulated by the previous law and, therefore, it is one of the most original parts of the new Law. According to the latter, an insolvency declaration has, in princi-

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(9)   Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores (the Systems Company) arose from the merger of the Securities Clearing and Settlement Service (SCLV) and the Spanish Public Debt Book-Entry System (CADE). This company will be able to integrate other systems already existing in Spain, such as the financial derivatives system and those managed by the Barcelona, Bilbao and Valencia stock exchanges. It will also be able to arrange interconnections and alliances with those of other countries.

(10)   Territorial certificates are fixed-income securities that can be issued by credit institutions, whose capital and interest are specially secured by the loans and credit granted by the institution to the State, regional (autonomous) governments and 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.

ple, no bearing on the effectiveness of contracts where both parties have not completed their performances thereunder. However, in the interests of the insolvent entity and with guarantees for the rights of the counterparty, the possibility is envisaged of a court order terminating the contract.

The law also considers the *principle of equal treatment of creditors,* which shall be the general rule in an insolvency. Any exceptions must be limited and always justified.

8.3. Insolvency declaration and proceedings

Persons with legal standing to petition for an insolvency order against the debtor shall base their case on one of the grounds set out in the Law. The petitioner is required to prove the facts on which the petition is based. If the petition is made by the debtor itself, it shall provide evidence of its indebtedness and its insolvency, although in this case it need not only be current, but also future, when foreseen as imminent. The debtor has a duty to petition for a declaration of insolvency when it knows or should know that it is insolvent, and it is entitled to petition in anticipation of such a situation. The solutions for insolvency provided for in the Law are an agreement and winding up, the procedure for which has specific phases. The Law is flexible in its regulation of the content of the proposed agreements, which may consist of proposals for the discharge of claims or deferred payment, or both. However, the discharge may not exceed half the amount of each ordinary credit, and the deferral shall not exceed five years from the approval of the agreement, without prejudice to cases involving the insolvency of firms of special significance to the economy and the filing of anticipatory proposals for an agreement when the judge so authorises. The effects of winding up are, obviously, more severe. The insolvent shall be subject to suspension of its powers to administer and dispose of its property, which shall pass to the administration body.

8.4. Insolvency bodies

The Law simplifies the organic structure of insolvency, since the judge and the insolvency administration body are the only bodies required in the proceeding. The meeting of creditors will only have to be convened in the agreement phase when an anticipatory proposal has not been approved by means of written acceptances.

The Law makes the judge the decision-making body for the proceeding, with greater powers than previously, and widens the discretion with which such powers are exercised. This helps to make the proceeding more flexible and to adapt it to the circumstances of each case. Competence to hear insolvency proceedings is attributed to the new Commercial Courts set up further to this Law, by the Organic Law for Insolvency Reform, with the relevant change to the Judiciary Act.

The insolvency administration body shall be a collegial body, although the judge may appoint a single professional administrator. The basic functions of this body are to intervene in acts by the debtor in exercise of its property rights, or to replace the debtor when it has been suspended from exercising such rights, as well as to draft the report of the administration body, which shall be accompanied by an inventory of the debtor's assets, the list of creditors and, where applicable, an assessment of the agreement proposals presented.

8.5. Other changes

Another change made by the insolvency reform is the establishment of a procedure to ensure the public registration of rulings declaring insolvency with fault and of those decisions that appoint or remove administrators in those cases that the law itself provides. Finally, special attention is given to issues of foreign insolvency which, in a globalised economy, arise with increasing frequency.

17.10.2003.

ECONOMIC INDICATORS

CHANGES

Indicator 7.9. External debt

The Banco de España is publishing for the first time the statistic on Spanish external debt, thereby complying with the principles laid down by the International Monetary Fund (IMF) in its Special Data Dissemination Standards (SDDS). The data for this statistic will be disseminated in economic indicator 7.9 on a quarterly basis and with a lag of three months, in step with the release of the international investment position. The time series commences in December 2002.

A country's external debt, as defined in the IMF "External debt statistics guide", is the outstanding amount of those actual current and not contingent liabilities vis-à-vis non-residents that are to give rise to payments relating to repayment of principal, interest or both. It therefore includes all financial instruments, except for shares and other equity, and financial derivatives, as these two types of instrument do not necessarily entail payments. The definitions and criteria used regarding time of recording, concept of residence and exchange rate conversion, along with classification by sector and instrument, conform virtually in their entirety to the principles set out in the IMF Balance of Payments Manual. Accordingly, external debt practically coincides with the liabilities of the international investment position, excluding - as indicated- shares and other equity and financial derivatives.

External debt is presented broken down by institutional sector (general government, monetary authority, other monetary financial institutions and other resident sectors), by maturity of the financial instruments at the time of issue (more or less than one year) and by type of instrument (fixed-income securities, loans, deposits, trade credits and other liabilities). Loans extended by non-resident companies to resident companies in the same group are detailed separately under the direct investment heading. This heading does not coincide with what is in column 4 of indicator 7.7 (foreign direct investment in Spain, intercompany debt transactions). The differences are due to the fact that, according to the IMF Balance of Payments Manual, loans between parent companies and their subsidiaries should be included in the international investment position following the directional principle. Thus, if the parent of the group is a resident company, loans are included under Spanish direct investment abroad (as an investment if they are extended and as reducing investment if they are received), and if the parent of the group is a non-resident company, they are correspondingly included under foreign direct investment in Spain. Naturally, loans extended by non-resident group companies to resident companies appear in external debt under the direct investment heading, irrespective of whether the parent is a resident or non-resident company.

Indicators 8.3 to 8.7

The former indicator 8.6 has been split into the current indicator 8.6 (relating to the financing of non-financial corporations) and the new indicator 8.7 (relating to the financing of households and NPISHs). Both these indicators, as well as indicators 8.3 and 8.4, include monthly data for credit institutions' loans and deposits vis-à-vis both sectors. These monthly data have been obtained following the entry into force of Regulation ECB/2001/13, and are available from January 2003. Indicators 8.6 and 8.7 aggregate the information on loans from resident credit institutions with that on loans from securitisation SPVs, although the latter are also shown as a memorandum item. In addition, the new indicator 8.7 breaks down loans to households and NPISHs into those used to finance the acquisition of housing and those used for other purposes.

C O N T E N T S

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 each week (http://www.bde.es/infoest/htmls/calenda.pdf). Where the dissemination dates shown in the calendar are approximate, the firm date shall be specfied one week before the data are released.

Page

(1) IMF Special Data Dissemination Standard (SDDS).

1.1. Gross domestic product. Constant 1995 prices. Demand components. Spain and Euro area (a)

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
00	P	4.2	3.5	4.0	2.7	5.1	2.1	5.7	4.9	4.5	2.9	10.0	12.6	10.6	11.2	610	6 452
01	P	2.8	1.6	2.8	1.8	3.6	2.4	3.3	-0.1	3.0	1.0	3.6	3.4	4.0	1.8	653	6 843
02	P	2.0	0.9	2.6	0.4	4.4	2.8	1.0	-2.6	2.6	0.2	-0.0	1.7	1.8	0.0	696	7 069
00 Q2	P	4.6	4.2	4.9	3.4	5.6	2.2	6.5	5.7	4.8	3.6	10.2	12.6	10.5	11.2	151	1 608
Q3	P	3.8	3.2	3.0	2.7	4.9	1.8	5.2	4.2	4.1	2.8	10.4	12.2	11.1	11.5	154	1 620
Q4	P	3.4	2.7	3.2	2.1	4.4	2.2	3.4	3.8	2.1	2.1	11.7	12.6	6.9	11.3	156	1 636
01 Q1	P	3.1	2.5	3.4	2.0	3.5	2.2	3.7	2.1	2.8	1.9	9.7	8.8	8.1	7.5	159	1 694
Q2	P	2.6	1.6	2.6	1.9	3.2	2.1	4.1	0.4	3.4	1.3	4.2	4.6	6.8	3.9	162	1 706
Q3	P	3.1	1.5	3.1	2.0	4.0	2.5	2.6	-1.0	2.5	0.6	3.3	2.1	1.5	-0.2	165	1 715
Q4	P	2.6	0.8	2.3	1.4	3.9	2.7	2.8	-2.0	3.2	0.1	-2.3	-2.0	-0.3	-3.9	167	1 728
02 Q1	P	2.2	0.5	2.1	0.5	4.6	2.8	0.3	-2.7	2.1	-0.3	-3.8	-2.1	-3.7	-4.3	169	1 747
Q2	P	2.0	0.9	2.8	0.1	4.5	3.2	-0.4	-3.5	1.8	-0.1	-2.5	1.7	-2.8	-1.1	173	1 761
Q3	P	1.8	1.0	2.7	0.2	4.2	3.1	1.5	-2.7	2.6	0.4	1.0	3.3	3.5	2.0	176	1 776
Q4	P	2.1	1.1	3.0	0.7	4.2	2.1	2.9	-1.7	3.7	0.8	5.4	4.0	10.5	3.5	179	1 785
03 Q1	P	2.2	0.7	3.0	1.6	3.9	1.8	3.1	-2.2	3.2	1.3	5.0	2.2	8.1	3.9	181	1 794
Q2	P	2.3	0.2	3.1	1.4	3.6	1.8	3.4	-1.0	3.2	1.3	7.7	-1.0	10.1	1.8	184	1 803

GDP. DEMAND COMPONENTS. SPAIN AND EURO AREA
Annual percentage changes
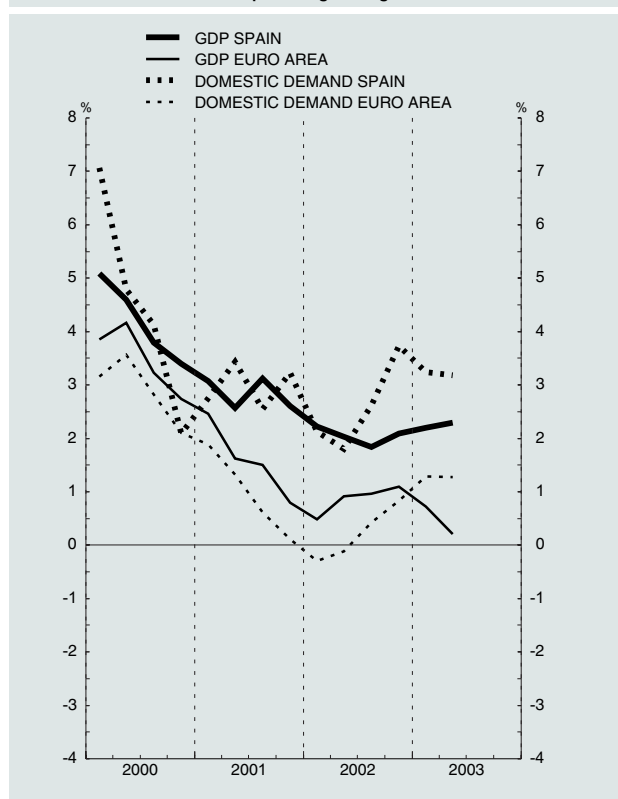
— GDP SPAIN
— GDP EURO AREA
···· DOMESTIC DEMAND SPAIN
- - - DOMESTIC DEMAND EURO AREA

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

— FINAL CONS. HOUS. AND NPISHs. SPAIN
— FINAL CONS. HOUS. AND NPISHs. EURO AREA
···· GFCF SPAIN
- - - GFCF EURO AREA
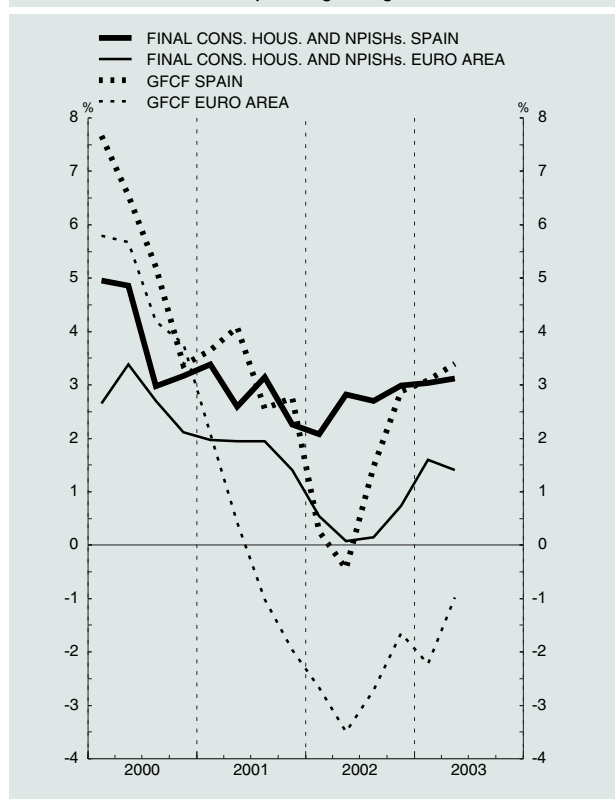
Sources: INE (Contabilidad Nacional Trimestral de España) and Eurostat.
   (a) Spain: prepared in accordance with ESA95, SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see *Economic bulletin* April 2002); Euro area, prepared in accordance with ESA95.
   (b) Private consumption.
   (c) Government consumption.
   (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	Construc-tion		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 ■
00	P	5.7	4.7	6.1	-0.1	10.0	10.0	5.3	17.5	10.6	10.5	9.7	11.4	-0.4	4.6	4.2
01	P	3.3	-1.2	5.8	-0.1	3.6	2.4	3.2	11.0	4.0	3.3	9.5	7.4	-0.2	3.0	2.8
02	P	1.0	-5.4	4.2	0.0	-0.0	1.2	-7.3	3.4	1.8	1.5	4.7	2.4	-0.6	2.6	2.0
00 *Q2*	P	6.5	7.9	5.6	-0.6	10.2	9.9	5.5	19.3	10.5	10.3	15.5	10.9	-0.3	4.9	4.6
Q3	P	5.2	3.3	6.4	0.3	10.4	10.3	7.2	15.9	11.1	11.5	9.8	9.1	-0.4	4.2	3.8
Q4	P	3.4	-0.6	5.6	-1.4	11.7	11.9	5.5	20.6	6.9	6.3	9.6	10.0	1.3	2.1	3.4
01 *Q1*	P	3.7	0.3	5.8	-0.7	9.7	8.3	9.9	17.7	8.1	7.5	20.6	9.4	0.2	2.8	3.1
Q2	P	4.1	0.5	6.3	0.4	4.2	3.4	3.9	8.7	6.8	5.7	8.2	13.5	-0.9	3.5	2.6
Q3	P	2.6	-1.9	4.9	-0.6	3.3	2.5	1.0	11.6	1.5	0.9	4.9	4.6	0.5	2.6	3.1
Q4	P	2.8	-3.6	6.2	0.5	-2.3	-4.2	-1.5	6.9	-0.3	-0.9	5.6	2.4	-0.7	3.3	2.6
02 *Q1*	P	0.3	-8.6	4.6	0.1	-3.8	-4.2	-7.6	3.1	-3.7	-4.3	0.6	-1.1	0.0	2.2	2.2
Q2	P	-0.4	-9.5	3.9	-0.5	-2.5	-2.3	-9.2	5.5	-2.8	-3.1	2.0	-2.0	0.2	1.9	2.0
Q3	P	1.5	-4.9	4.8	-0.0	1.0	2.5	-7.1	3.5	3.5	3.1	11.1	4.1	-0.8	2.7	1.8
Q4	P	2.9	1.7	3.7	0.5	5.4	8.9	-5.2	1.4	10.5	10.9	5.5	8.9	-1.7	3.8	2.1
03 *Q1*	P	3.1	2.9	3.4	0.0	5.0	7.5	-4.0	3.5	8.1	8.2	4.1	8.3	-1.1	3.3	2.2
Q2	P	3.4	3.1	3.8	-0.1	7.7	10.1	1.5	3.2	10.1	11.3	5.1	4.5	-1.0	3.3	2.3

GDP. DOMESTIC DEMAND AND NET EXTERNAL BALANCE
Annual percentage changes
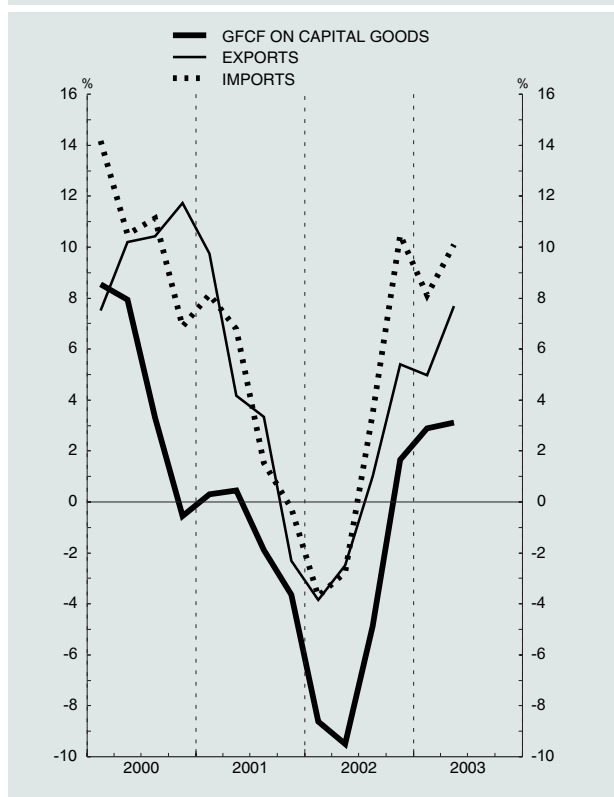
- GDPmp
- DOMESTIC DEMAND (b)
- NET EXTERNAL BALANCE (b)

GDP. DEMAND COMPONENTS
Annual percentage changes

- GFCF ON CAPITAL GOODS
- EXPORTS
- IMPORTS

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
00	P	4.2	1.8	4.4	3.8	6.0	4.1	4.3	3.3	5.1	6.9	5.5
01	P	2.8	-3.3	4.3	1.9	5.5	3.3	3.3	3.0	2.3	0.9	1.0
02	P	2.0	1.0	0.3	0.7	4.8	2.2	2.1	2.3	2.6	0.5	3.1
00 *Q2*	P	4.6	2.5	4.0	4.6	5.5	4.2	4.4	3.7	9.8	5.1	3.9
Q3	P	3.8	2.3	3.6	2.8	6.4	4.1	4.4	3.1	1.3	12.6	4.0
Q4	P	3.4	1.6	7.8	2.7	5.5	3.4	3.7	2.7	0.1	5.3	5.0
01 *Q1*	P	3.1	-6.9	5.4	2.5	5.3	3.7	4.1	2.5	2.9	5.9	-0.9
Q2	P	2.6	-6.1	5.7	2.4	5.9	3.3	3.5	2.7	-5.6	2.0	5.6
Q3	P	3.1	-3.7	4.1	2.7	4.4	3.3	3.3	3.5	6.0	-3.5	2.0
Q4	P	2.6	3.7	2.2	0.3	6.5	2.7	2.5	3.3	6.1	-0.4	-2.7
02 *Q1*	P	2.2	7.3	2.1	-0.6	5.0	2.1	1.8	3.2	4.5	-3.6	3.5
Q2	P	2.0	1.5	-1.2	-0.4	4.5	2.3	2.3	2.6	8.0	-	-1.6
Q3	P	1.8	2.3	-0.3	1.1	5.5	2.0	2.0	1.9	-0.8	2.4	0.8
Q4	P	2.1	-6.4	0.4	2.6	4.2	2.2	2.4	1.7	-0.8	3.1	10.1
03 *Q1*	P	2.2	-2.2	0.6	2.7	3.7	2.0	2.0	1.7	3.2	7.0	5.9
Q2	P	2.3	-0.9	2.2	2.6	4.1	2.3	2.4	2.0	0.6	8.3	3.3

GDP. BRANCHES OF ACTIVITY
Annual percentage changes
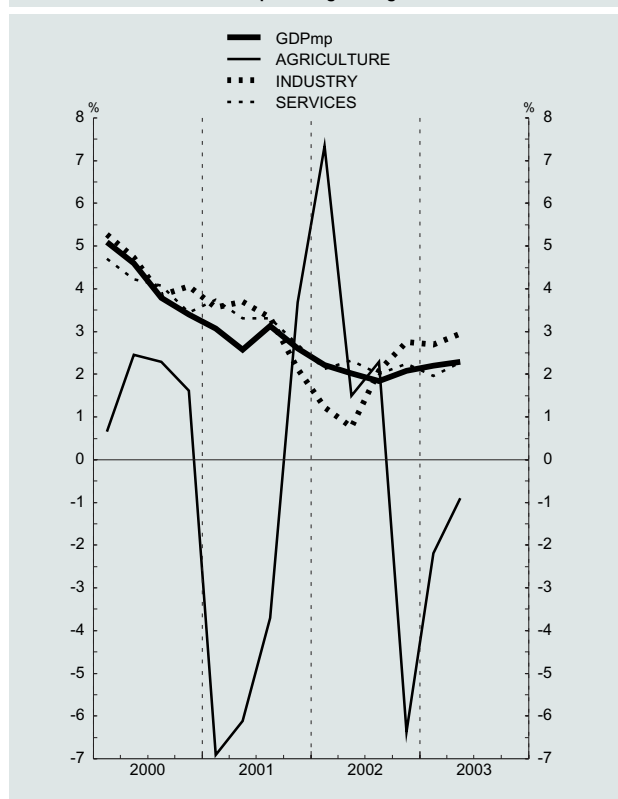
GDPmp
AGRICULTURE
INDUSTRY
SERVICES

GDP. BRANCHES OF ACTIVITY
Annual percentage changes

INDUSTRY, EXCEPT CONSTRUCTION
CONSTRUCTION

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)

Annual percentage changes

		Demand components								Branches of activity					
		Final consump-tion of households and NPISHs	Government final consump-tion	Gross capital formation			Exports of goods and services	Imports of goods and services	Gross domestic product at market prices	Agricul-ture and fisheries	Energy	Industry	Construc-tion	Of which	
				Total	Of which									Services	Market services
					Gross fixed capital formation										
					Capital goods	Construc-tion									
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
00	P	3.2	3.5	7.2	4.3	9.1	7.3	9.7	3.5	-0.6	1.3	2.1	8.6	3.5	3.5
01	P	3.3	3.2	4.0	1.0	5.4	2.7	0.5	4.2	8.0	0.5	2.0	6.6	4.7	5.1
02	P	3.5	3.4	4.5	1.7	5.3	1.1	-1.0	4.4	-0.3	4.2	1.7	6.8	4.8	5.1
00 Q2	P	2.9	3.4	7.5	4.8	9.3	7.6	10.7	3.2	-6.9	1.0	3.2	8.5	3.1	2.9
Q3	P	3.1	3.6	7.3	4.5	9.2	6.9	8.9	3.6	1.9	1.7	2.4	8.6	3.5	3.5
Q4	P	3.8	3.7	7.2	3.8	9.0	8.5	10.4	3.9	10.3	2.9	-0.1	9.2	4.3	4.5
01 Q1	P	3.3	3.2	4.9	2.1	6.5	4.7	3.7	4.0	2.7	0.7	2.3	7.6	4.4	4.8
Q2	P	3.5	3.3	4.1	1.0	5.9	3.8	0.8	4.6	16.4	0.9	1.5	7.3	5.1	5.7
Q3	P	3.4	3.2	3.8	0.6	5.1	3.2	1.2	4.1	11.0	0.7	0.5	6.6	4.7	5.2
Q4	P	2.9	3.0	3.2	0.3	4.2	-0.4	-3.3	4.0	1.9	-0.4	3.8	4.9	4.4	4.7
02 Q1	P	3.2	3.5	3.9	1.1	4.8	1.3	-0.5	4.0	9.4	2.4	0.0	5.6	4.5	4.7
Q2	P	3.5	3.5	4.4	1.5	5.1	1.2	-0.6	4.2	-2.3	3.6	1.6	6.5	4.7	4.9
Q3	P	3.4	3.4	4.8	1.9	5.5	0.6	-2.0	4.6	-3.4	4.5	3.1	7.4	4.9	5.2
Q4	P	3.8	3.3	4.9	2.2	5.8	1.4	-0.7	4.9	-3.6	6.4	2.2	7.8	5.2	5.7
03 Q1	P	3.7	2.9	4.6	1.9	6.0	1.3	-0.4	4.5	-1.3	7.7	2.4	7.9	4.5	5.0
Q2	P	2.8	2.5	5.1	2.1	5.8	0.8	-0.9	4.0	6.6	6.6	1.8	7.5	3.8	4.2

GDP. IMPLICIT DEFLATORS
Annual percentage changes
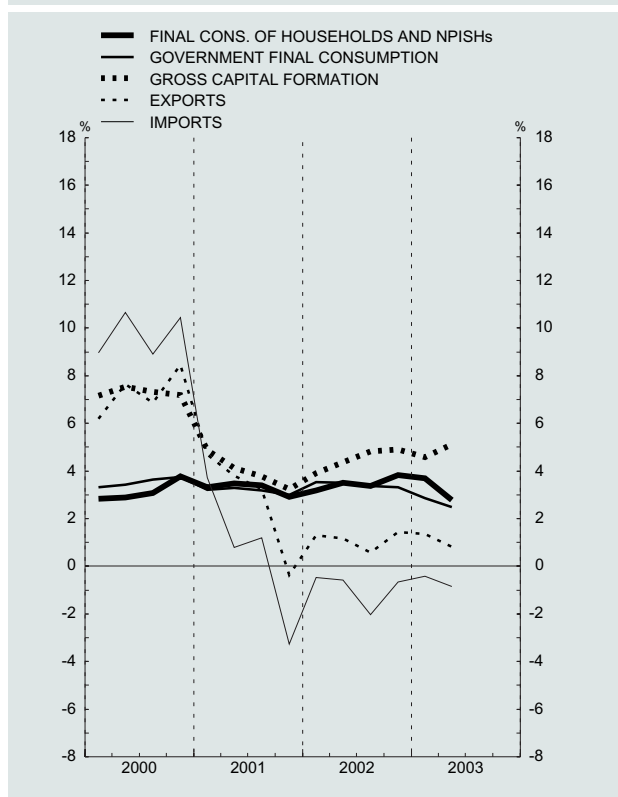
- FINAL CONS. OF HOUSEHOLDS AND NPISHs
- GOVERNMENT FINAL CONSUMPTION
- GROSS CAPITAL FORMATION
- EXPORTS
- IMPORTS

GDP. IMPLICIT DEFLATORS
Annual percentage changes

- GDPmp
- AGRICULTURE
- INDUSTRY
- ENERGY
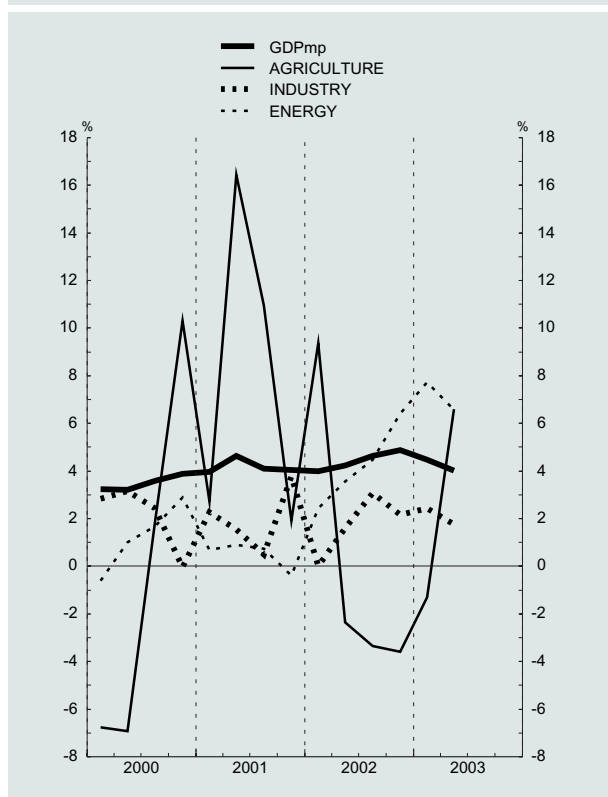
Source: INE (Contabilidad Nacional Trimestral de España).
  (a) Prepared in accordance with ESA95, SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see *Economic bulletin* April 2002).

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 ■
00	3.9	3.6	3.5	3.1	4.2	3.8	4.2	3.3	2.8	3.8
01	0.9	1.6	1.6	1.0	2.8	0.3	2.1	1.7	0.4	2.1
02	1.9	1.0	0.9	0.2	2.0	2.4	1.3	0.4	0.2	1.7
00 *Q2*	4.6	4.2	4.2	4.5	4.6	4.9	4.5	3.4	1.9	4.3
Q3	3.9	3.4	3.2	3.0	4.1	3.7	3.9	3.3	2.7	3.9
Q4	3.1	2.8	2.7	1.9	3.5	2.3	3.8	3.1	5.1	2.9
01 *Q1*	2.2	2.5	2.5	2.0	3.1	1.5	3.1	2.6	3.6	2.6
Q2	0.8	1.7	1.6	0.8	2.9	-0.1	2.2	2.1	1.1	2.2
Q3	0.3	1.5	1.5	0.7	2.7	-0.4	2.3	1.5	-0.6	1.8
Q4	0.2	1.0	0.8	0.5	2.6	0.1	0.7	0.7	-2.4	1.9
02 *Q1*	0.7	0.7	0.5	-0.1	2.3	1.4	0.9	-0.1	-2.8	1.4
Q2	1.7	1.1	0.9	0.1	2.0	2.2	1.5	0.3	-0.4	1.5
Q3	2.5	1.1	1.0	0.4	1.9	3.3	1.3	0.4	1.5	1.9
Q4	2.6	1.2	1.1	0.5	2.0	2.9	1.3	0.9	2.5	2.0
03 *Q1*	2.0	0.9	0.7	0.1	2.2	2.0	0.7	0.7	2.9	1.8
Q2	...	0.5	0.2	-0.2	2.5	2.5	-0.3	0.3	3.0	2.0

GROSS DOMESTIC PRODUCT
Annual percentage changes

UNITED STATES
EURO AREA
JAPAN

GROSS DOMESTIC PRODUCT
Annual percentage changes

SPAIN
UNITED KINGDOM
FRANCE
ITALY
GERMANY
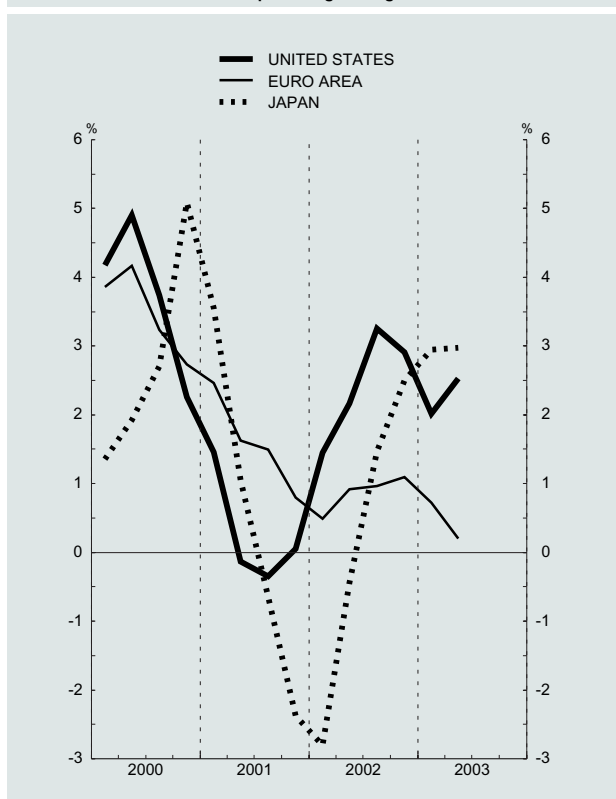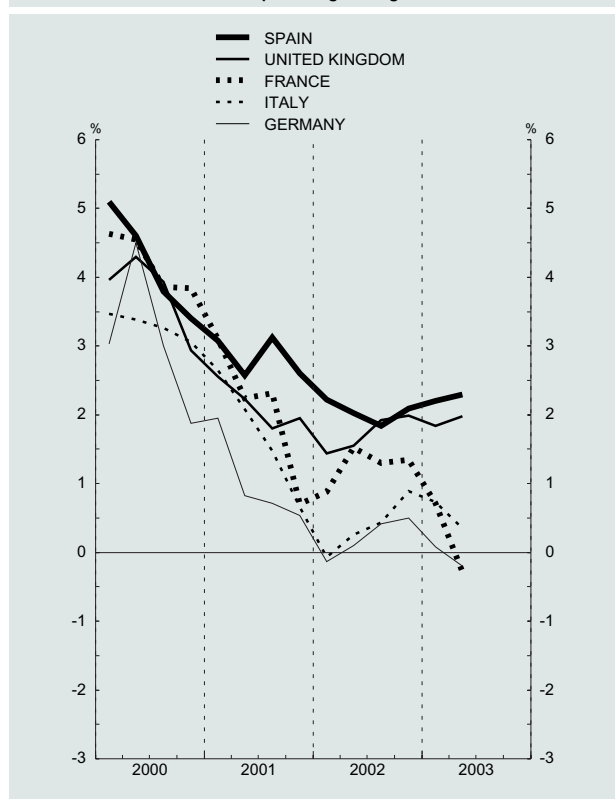
Sources: ECB, INE and OECD.
Note: The underlying series for this indicator are in Table 26.2 of the BE Boletín estadístico.

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 ■
00	6.3	7.8	8.4	7.8	11.3	4.0	9.3	10.4	4.7	5.4
01	6.5	7.4	8.0	7.8	10.6	4.8	8.5	9.4	5.0	5.0
02	7.0	7.7	8.4	8.6	11.3	5.8	8.8	9.0	5.4	5.1
02 *Mar*	6.9	7.6	8.3	8.3	11.2	5.7	8.6	9.1	5.3	5.1
Apr	6.9	7.6	8.3	8.4	11.2	5.9	8.7	9.0	5.3	5.2
May	6.9	7.6	8.3	8.5	11.3	5.8	8.8	9.0	5.4	5.1
Jun	7.0	7.7	8.4	8.7	11.3	5.9	8.8	9.0	5.4	5.1
Jul	7.0	7.7	8.4	8.6	11.3	5.8	8.8	9.0	5.4	5.2
Aug	7.0	7.7	8.5	8.7	11.4	5.8	8.9	9.0	5.5	5.2
Sep	7.0	7.8	8.5	8.7	11.5	5.7	8.9	8.9	5.4	5.2
Oct	7.0	7.8	8.5	8.8	11.4	5.8	9.0	8.9	5.5	5.1
Nov	7.1	7.8	8.6	8.9	11.5	6.0	9.0	8.9	5.3	5.1
Dec	7.1	7.9	8.6	8.9	11.5	6.0	9.1	9.0	5.5	4.9
03 *Jan*	7.0	7.9	8.7	9.1	11.4	5.7	9.1	9.0	5.5	5.0
Feb	7.0	8.0	8.7	9.2	11.4	5.8	9.2	8.9	5.3	5.1
Mar	7.1	8.0	8.8	9.3	11.5	5.8	9.3	8.8	5.4	5.0
Apr	7.1	8.0	8.8	9.4	11.4	6.0	9.3	8.7	5.4	5.0
May	7.2	8.0	8.8	9.4	11.4	6.1	9.3	8.7	5.4	4.9
Jun	7.3	8.0	8.8	9.4	11.4	6.4	9.3	8.6	5.3	5.0
Jul	7.2	8.0	8.8	9.4	11.4	6.2	9.4	8.5	5.3	...
Aug	7.1	8.0	8.8	9.4	11.4	6.1	9.4	...	5.1	...

UNEMPLOYMENT RATES
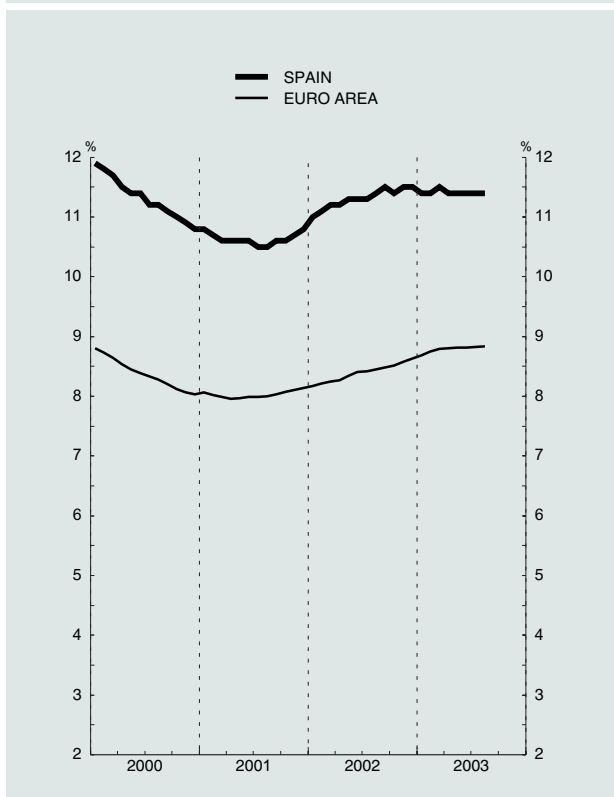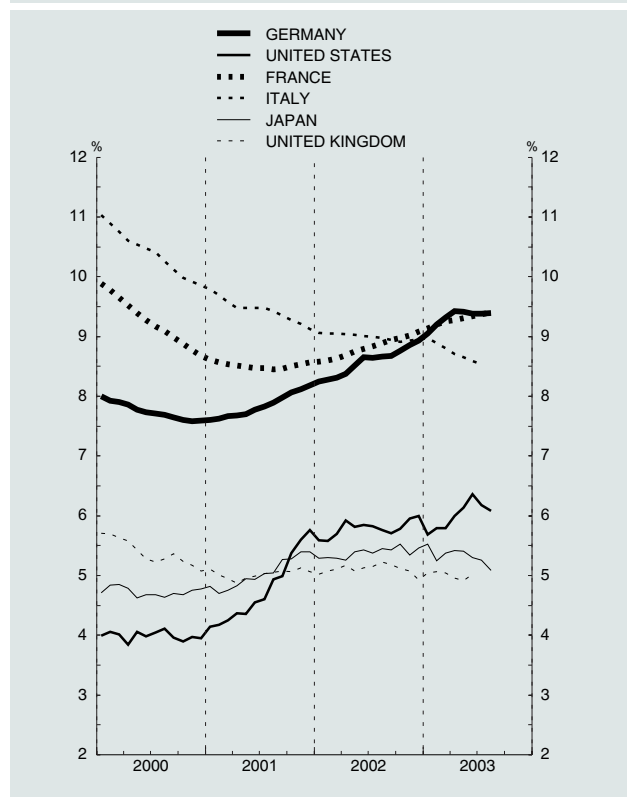
SPAIN
EURO AREA

UNEMPLOYMENT RATES

GERMANY
UNITED STATES
FRANCE
ITALY
JAPAN
UNITED KINGDOM

Sources: ECB and OECD.

■ 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 ■
00	2.5	1.9	2.1	1.4	3.5	3.4	1.8	2.6	-0.7	0.8
01	2.3	2.2	2.3	1.9	2.8	2.8	1.8	2.3	-0.7	1.2
02	1.6	2.1	2.3	1.4	3.6	1.6	1.9	2.6	-0.9	1.3
02 *Apr*	1.5	2.1	2.3	1.5	3.7	1.6	2.1	2.5	-1.1	1.3
May	1.3	1.8	2.0	1.1	3.7	1.2	1.5	2.4	-0.9	0.8
Jun	1.2	1.7	1.9	0.8	3.4	1.1	1.5	2.2	-0.7	0.6
Jul	1.4	1.9	2.0	1.0	3.5	1.5	1.6	2.4	-0.8	1.1
Aug	1.6	1.9	2.1	1.1	3.7	1.8	1.8	2.6	-0.9	1.0
Sep	1.5	1.9	2.1	1.0	3.5	1.5	1.8	2.8	-0.7	1.0
Oct	1.8	2.1	2.3	1.3	4.0	2.1	1.9	2.8	-0.9	1.4
Nov	2.1	2.2	2.3	1.1	3.9	2.2	2.1	2.9	-0.4	1.6
Dec	2.1	2.2	2.3	1.1	4.0	2.3	2.2	3.0	-0.3	1.7
03 *Jan*	2.2	2.0	2.1	0.9	3.8	2.6	1.9	2.9	-0.4	1.4
Feb	2.5	2.3	2.4	1.2	3.8	3.0	2.5	2.6	-0.2	1.6
Mar	2.5	2.3	2.4	1.2	3.7	3.1	2.6	2.9	-0.1	1.6
Apr	2.0	2.0	2.1	1.0	3.2	2.2	1.9	3.0	-0.1	1.5
May	1.8	1.7	1.8	0.6	2.7	2.0	1.8	2.9	-0.2	1.2
Jun	1.8	1.8	1.9	0.9	2.8	2.1	1.9	2.9	-0.4	1.1
Jul	1.8	1.8	1.9	0.8	2.9	2.1	1.9	2.9	-0.2	1.3
Aug	1.9	2.0	2.1	1.1	3.1	2.1	2.0	2.7	-0.3	1.4
Sep	...	1.9	2.1	1.1	3.0	...	2.3	3.0	...	1.4

CONSUMER PRICES
Annual percentage changes

— UNITED STATES
— EURO AREA
■■■ JAPAN

CONSUMER PRICES
Annual percentage changes

— SPAIN
— GERMANY
■■■ FRANCE
··· ITALY
— UNITED KINGDOM
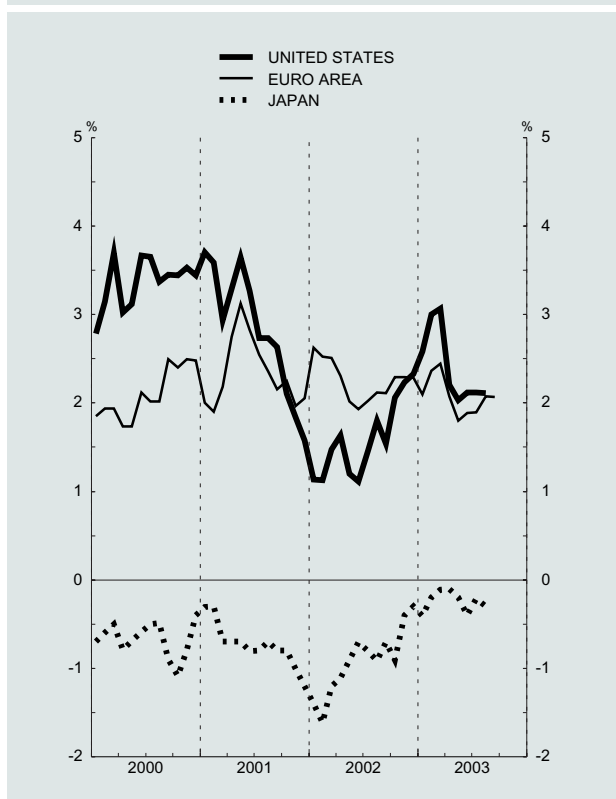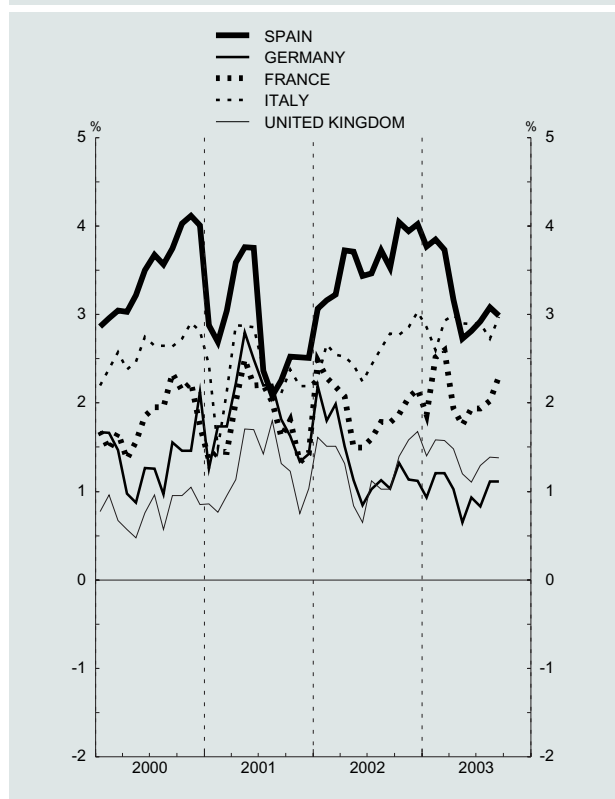
Sources: OECD, INE and Eurostat.
Note: The underlying series for this indicator are in Tables 26.11 and 26.15 of the BE Boletín estadístico.
    (a) Harmonised Index of Consumer Prices for the EU countries.

2.4. Bilateral exchange rates and nominal and real effective exchange rate indices for the euro, US dollar and Japanese yen

■ Series depicted in chart.   *Average of daily data*

| | Exchange rates | | | Indices of the nominal effective exchange rate vis-à-vis the (a) developed countries 1999 QI=100 | | | Indices of the real effective exchange rate vis-à-vis the developed countries (b) 1999 QI=100 | | | | | |
| | | | | | | | Based on consumer prices | | | Based on producer prices | | |
	US dollar per ECU/euro	Japanese yen per ECU/euro	Japanese yen per US dollar	Euro (c)	US dollar	Japanese yen	Euro (c)	US dollar	Japanese yen	Euro (c)	US dollar	Japanese yen
	1 ■	2 ■	3 ■	4	5	6	7 ■	8	9 ■	10	11	12
00	0.9239	99.52	107.76	85.7	105.0	118.0	86.5	107.6	113.2	87.1	106.1	111.5
01	0.8955	108.76	121.50	87.3	111.8	106.9	89.0	116.1	99.3	89.2	112.5	99.9
02	0.9454	118.08	125.18	90.0	110.5	101.1	92.9	115.3	91.4	92.6	109.5	94.4
02 *J-S*	0.9269	116.59	126.08	89.1	111.7	101.3	91.9	116.4	91.8	91.6	110.6	94.8
03 *J-S*	1.1116	131.49	118.31	99.6	99.3	98.8	103.0	104.6	87.3	102.3	100.0	90.4
02 *Jul*	0.9922	117.11	118.05	91.7	105.9	104.5	94.6	110.5	94.3	94.1	104.9	97.6
Aug	0.9778	116.31	118.96	91.1	107.3	104.5	94.0	112.0	94.4	93.9	106.2	97.5
Sep	0.9808	118.38	120.71	91.2	107.6	102.8	94.2	112.4	92.6	94.2	107.3	95.3
Oct	0.9811	121.57	123.92	91.7	108.4	100.0	94.7	113.4	89.8	94.4	108.5	92.5
Nov	1.0014	121.65	121.49	92.5	106.8	101.0	95.7	111.7	90.8	95.1	106.2	93.9
Dec	1.0183	124.20	122.00	93.6	106.0	99.8	96.7	110.4	89.6	96.8	104.7	92.7
03 *Jan*	1.0622	126.12	118.74	95.8	103.0	100.5	98.9	107.7	89.7	99.1	102.8	92.6
Feb	1.0773	128.60	119.38	97.1	102.2	99.3	100.2	107.4	87.8	100.1	103.0	90.7
Mar	1.0807	128.16	118.61	97.9	101.4	99.9	101.2	106.7	88.1	100.0	102.8	90.7
Apr	1.0848	130.12	119.95	98.6	101.3	98.6	102.1	106.5	87.4	101.1	101.3	90.5
May	1.1582	135.83	117.28	102.5	96.6	97.7	106.1	101.3	86.8	105.2	96.3	90.0
Jun	1.1663	138.05	118.37	102.7	96.0	96.3	106.5	100.8	85.3	105.3	96.0	88.7
Jul	1.1372	134.99	118.70	101.4	97.6	97.2	105.2	102.8	86.0	104.1	97.8	89.5
Aug	1.1139	132.38	118.83	100.3	98.9	98.2	104.0	104.1	86.9	103.0	...	...
Sep	1.1222	128.94	114.95	99.9	97.0	101.0	...	...	...	...	...	...

EXCHANGE RATES

— US DOLLAR PER ECU-EURO
— JAPANESE YEN PER US DOLLAR/100
··· JAPANESE YEN PER ECU-EURO/100
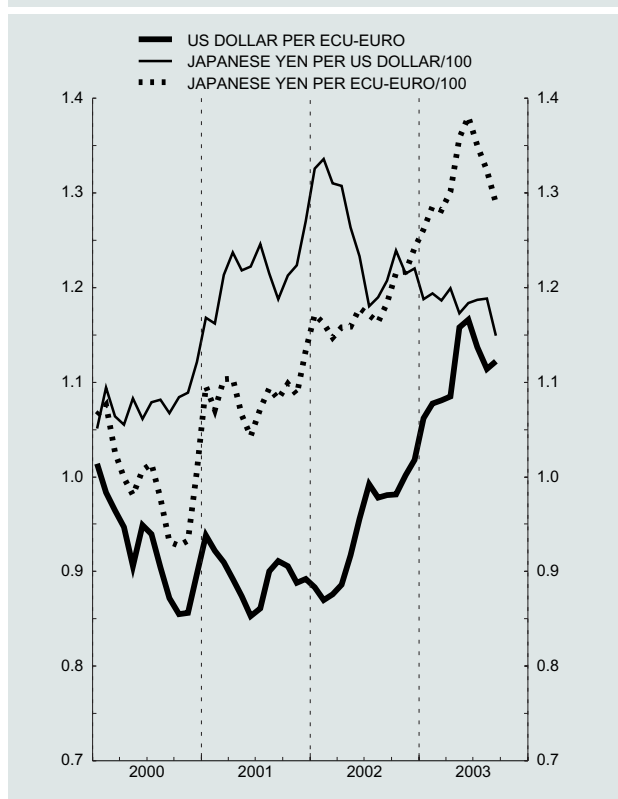
INDICES OF THE REAL EFFECTIVE EXCHANGE RATE BASED ON CONSUMER PRICES VIS-À-VIS THE DEVELOPED COUNTRIES

— EURO
— US DOLLAR
··· JAPANESE YEN

■ Series depicted in chart.   *Percentages*

	Official intervention interest rates					3-month interbank rates									
	Euro area (a)	United States Discount rate (b)	Federal funds rate	Japan (c)	United Kingdom (d)	OECD	EU	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
00	4.75	6.00	6.27	0.50	6.00	4.71	4.65	4.39	-	-	6.44	-	-	0.19	6.08
01	3.25	1.25	3.72	0.10	4.00	3.39	4.30	4.26	-	-	3.66	-	-	0.08	4.93
02	2.75	0.75	1.67	0.10	4.00	2.21	3.42	3.32	-	-	1.71	-	-	0.01	3.96
02 *Apr*	3.25	1.25	1.75	0.10	4.00	2.30	3.53	3.41	-	-	1.87	-	-	0.01	4.08
May	3.25	1.25	1.75	0.10	4.00	2.31	3.58	3.47	-	-	1.81	-	-	0.01	4.06
Jun	3.25	1.25	1.75	0.10	4.00	2.31	3.58	3.46	-	-	1.78	-	-	0.01	4.08
Jul	3.25	1.25	1.75	0.10	4.00	2.28	3.51	3.41	-	-	1.75	-	-	0.01	3.96
Aug	3.25	1.25	1.75	0.10	4.00	2.22	3.45	3.35	-	-	1.69	-	-	0.01	3.89
Sep	3.25	1.25	1.75	0.10	4.00	2.22	3.42	3.31	-	-	1.71	-	-	0.01	3.90
Oct	3.25	1.25	1.75	0.10	4.00	2.20	3.37	3.26	-	-	1.70	-	-	0.01	3.87
Nov	3.25	0.75	1.25	0.10	4.00	2.02	3.26	3.12	-	-	1.38	-	-	0.01	3.88
Dec	2.75	0.75	1.25	0.10	4.00	1.94	3.11	2.94	-	-	1.32	-	-	0.01	3.92
03 *Jan*	2.75	2.25	1.25	0.10	4.00	1.88	3.01	2.83	-	-	1.27	-	-	0.01	3.89
Feb	2.75	2.25	1.25	0.10	3.75	1.81	2.86	2.69	-	-	1.24	-	-	0.01	3.65
Mar	2.50	2.25	1.25	0.10	3.75	1.73	2.71	2.53	-	-	1.18	-	-	0.01	3.56
Apr	2.50	2.25	1.25	0.10	3.75	1.74	2.71	2.53	-	-	1.20	-	-	0.01	3.55
May	2.50	2.25	1.25	0.10	3.75	1.70	2.59	2.40	-	-	1.20	-	-	0.01	3.54
Jun	2.00	2.00	1.00	0.10	3.75	1.53	2.38	2.15	-	-	1.02	-	-	0.01	3.55
Jul	2.00	2.00	1.00	0.10	3.50	1.51	2.33	2.13	-	-	1.03	-	-	0.01	3.39
Aug	2.00	2.00	1.00	0.10	3.50	1.52	2.35	2.14	-	-	1.05	-	-	0.01	3.43
Sep	2.00	2.00	1.00	0.10	3.50	1.53	2.38	2.15	-	-	1.05	-	-	0.00	3.60

OFFICIAL INTERVENTION INTEREST RATES

- UNITED KINGDOM
- UNITED STATES: DISCOUNT RATE
- UNITED STATES: FEDERAL FUNDS RATE
- EURO AREA: WEEKLY TENDERS
- JAPAN

3-MONTH INTERBANK RATES

- UNITED KINGDOM
- UNITED STATES
- EURO AREA
- JAPAN
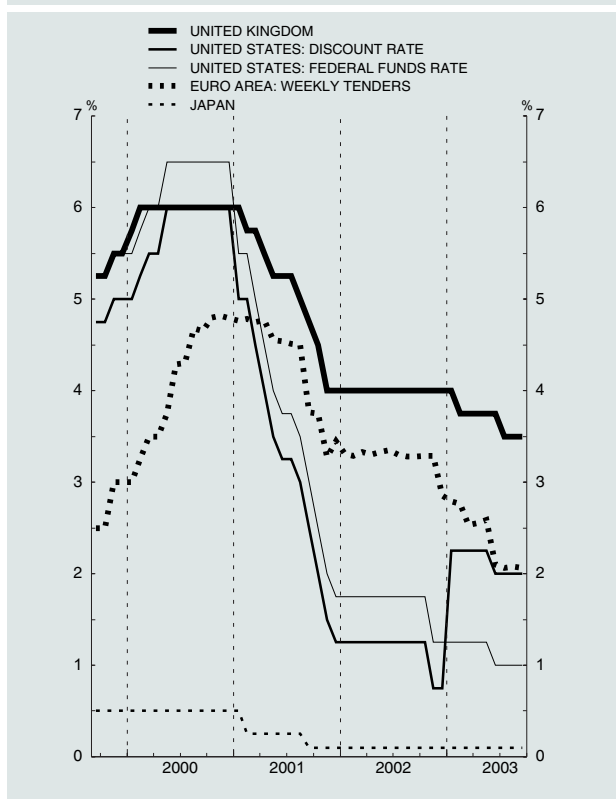
Sorces: ECB, Reuters and BE.
   (a) Main refinancing operations.
   (b) As from January 2003, the Primary Credit Rate.
   (c) Discount rate.

2.6. 10-year government bond yields on domestic markets

■ 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 ■
00	5.17	5.45	5.45	5.27	5.53	6.12	5.40	5.59	1.76	5.34
01	4.47	4.98	5.03	4.82	5.12	5.06	4.95	5.19	1.34	4.97
02	4.27	4.92	4.92	4.80	4.96	4.65	4.88	5.04	1.27	4.93
02 *Apr*	4.72	5.30	5.30	5.17	5.34	5.29	5.25	5.41	1.39	5.29
May	4.69	5.32	5.30	5.18	5.36	5.22	5.27	5.41	1.38	5.33
Jun	4.51	5.16	5.16	5.03	5.23	4.95	5.11	5.26	1.36	5.14
Jul	4.33	5.01	5.03	4.87	5.07	4.67	4.96	5.11	1.30	5.02
Aug	4.06	4.74	4.73	4.60	4.78	4.30	4.68	4.84	1.26	4.73
Sep	3.80	4.53	4.52	4.39	4.58	3.93	4.49	4.62	1.16	4.51
Oct	3.84	4.62	4.62	4.48	4.62	3.95	4.59	4.72	1.09	4.63
Nov	3.86	4.63	4.59	4.50	4.60	4.06	4.58	4.74	0.99	4.66
Dec	3.81	4.48	4.41	4.36	4.43	4.09	4.42	4.57	0.97	4.60
03 *Jan*	3.70	4.29	4.27	4.19	4.24	4.06	4.23	4.38	0.84	4.43
Feb	3.57	4.08	4.06	3.96	4.01	3.94	4.01	4.16	0.83	4.24
Mar	3.53	4.14	4.13	4.02	4.04	3.82	4.11	4.19	0.74	4.32
Apr	3.64	4.28	4.23	4.17	4.19	3.99	4.23	4.32	0.66	4.48
May	3.33	3.96	3.92	3.84	3.88	3.60	3.90	3.98	0.57	4.21
Jun	3.13	3.78	3.72	3.65	3.69	3.34	3.70	3.78	0.56	4.06
Jul	3.60	4.11	4.06	4.00	4.03	3.96	4.01	4.14	0.99	4.38
Aug	3.91	4.28	4.20	4.16	4.19	4.48	4.16	4.30	1.15	4.59
Sep	3.91	4.32	4.23	4.20	4.21	4.33	4.21	4.32	1.45	4.69

10-YEAR GOVERNMENT BOND YIELDS
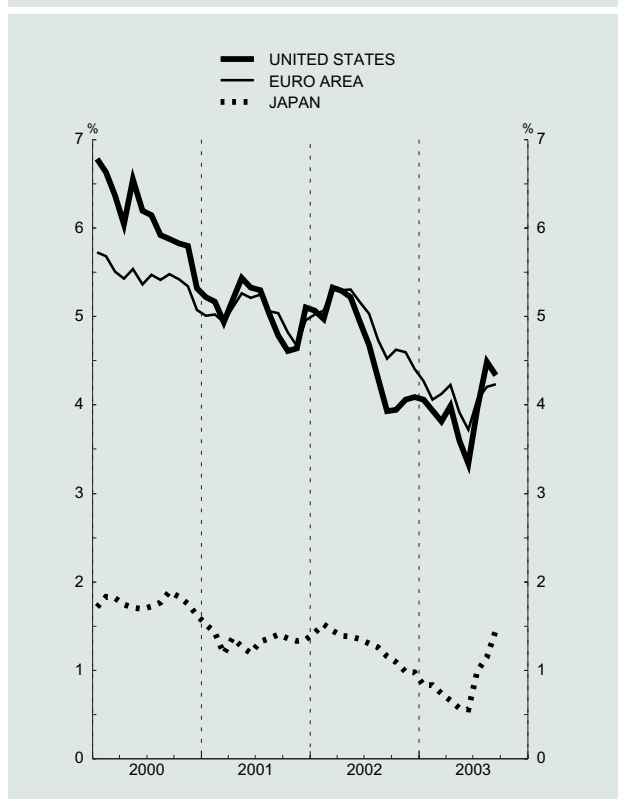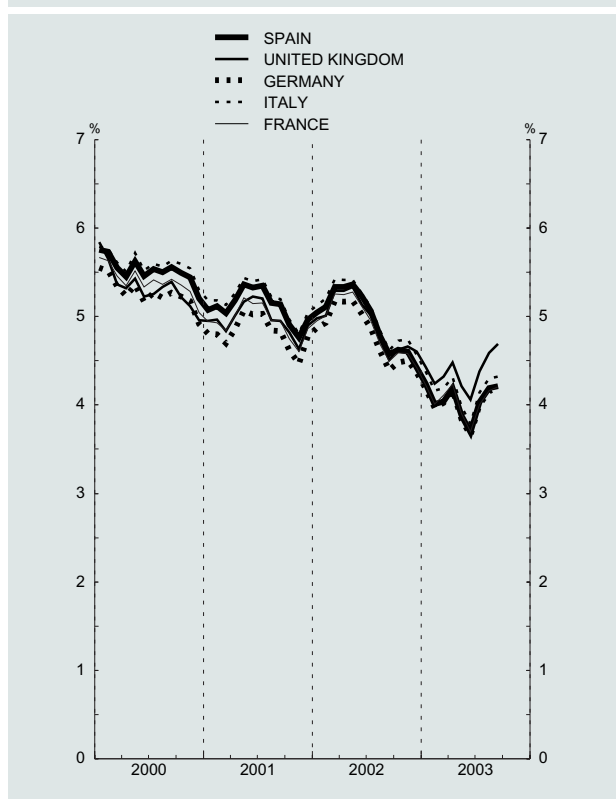
— UNITED STATES
— EURO AREA
••• JAPAN

10-YEAR GOVERNMENT BOND YIELDS

— SPAIN
— UNITED KINGDOM
••• GERMANY
••• ITALY
— FRANCE

Sources: ECB, Reuters and BE.

■ Series depicted in chart.   *1995 = 100*

	Non-energy commodity price index (a)						Oil		Gold		
	Euro index	US dollar index					Index (b)	Brent North sea US dollars per barrel	Index (c)	US dollars per troy ounce	Euro per gram
	General	General	Food	Industrial products							
				Total	Non-food agricultural products	Metals					
	1 ■	2 ■	3 ■	4 ■	5	6	7 ■	8	9 ■	10	11
00	104.4	73.3	71.2	76.1	70.3	80.9	163.9	28.5	72.6	279.0	9.68
01	100.7	68.5	68.6	68.4	65.4	70.9	142.1	24.6	70.5	271.1	9.74
02	99.8	71.7	73.8	68.8	69.7	68.0	145.2	25.0	80.7	310.0	10.55
02 *J-S*	100.0	70.4	71.9	68.3	68.7	67.9	141.8	24.4	79.6	305.7	10.61
03 *J-S*	91.7	77.5	78.5	76.2	79.5	73.4	...	28.6	92.1	354.0	10.24
02 *Jun*	96.8	70.0	69.9	70.1	71.2	69.2	142.4	24.1	83.6	321.2	10.77
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	155.5	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	10.47
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	143.9	24.3	83.0	319.1	10.24
Dec	97.4	75.7	78.8	71.5	74.0	69.4	162.1	28.2	86.6	332.6	10.51
03 *Jan*	95.0	76.8	79.4	73.2	75.8	70.9	178.7	31.3	92.9	356.9	10.80
Feb	96.7	79.1	81.0	76.4	79.6	73.7	191.1	32.7	93.4	359.0	10.70
Mar	93.7	77.1	78.0	75.8	79.0	73.0	176.2	30.3	88.7	340.6	10.13
Apr	91.7	75.8	77.5	73.1	77.8	69.3	148.2	25.0	85.3	327.7	9.72
May	87.2	76.9	79.4	73.4	75.1	72.0	151.6	25.8	92.8	356.4	9.89
Jun	86.7	77.0	77.6	76.2	79.2	73.7	162.2	27.6	92.8	356.4	9.82
Jul	87.9	76.2	75.6	76.9	79.5	74.7	166.3	28.5	91.4	351.0	9.92
Aug	92.6	78.5	77.6	79.7	82.9	77.0	...	29.8	93.6	359.8	10.38
Sep	94.4	80.8	80.6	81.3	86.5	76.5	...	27.1	98.5	378.5	10.84

NON-ENERGY COMMODITY PRICE INDEX

PRICE INDICES FOR NON-ENERGY COMMODITIES, OIL AND GOLD
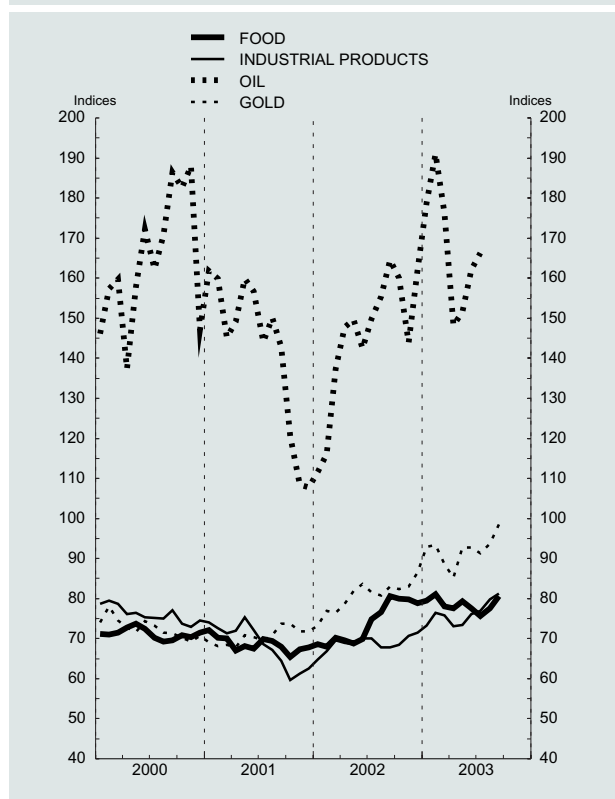
Sources: The Economist, IMF, ECB and BE.
   (a) The weights are based on the value of the commodity imports of the OECD countries during the period 1994-1996.
   (b) Index of the average price in US dollars of various medium, light and heavy crudes.
   (c) Index of the London market's 15.30 fixing in dollars.

3.1. Indicators of private consumption. Spain and euro area

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
00	2	5	7	3	1	-2	-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	-7	2.2	1.9	3.2	-0.8	7.1	3.4	3.5	5.1	1.5	1.7
02	-12	-7	-1	-2	-11	-16	-6.0	-5.6	-6.6	-4.3	5.7	2.2	7.9	1.7	2.8	-0.0
02 *J-S*	-11	-7	-0	-3	-9	-17	-7.9	-6.5	-8.4	...	5.7	2.2	7.9	1.9	2.8	0.0
03 *J-S* A	-14	-10	-2	-2	-19	-15	3.5	0.5	1.8	...	...	...	...	...	...	...
02 *Oct*	-12	-6	-	-	-12	-16	0.5	-0.2	0.3	-3.3	8.1	3.9	9.7	2.7	4.7	1.5
Nov	-12	-4	-	-1	-14	-14	-8.3	-10.5	-8.6	-1.2	7.6	3.6	11.0	2.7	4.3	-0.9
Dec	-16	-13	-4	-3	-16	-16	8.2	2.8	7.0	6.1	2.8	-1.2	2.8	-2.2	-0.6	-1.2
03 *Jan* P	-16	-13	-3	-5	-18	-19	-4.1	-4.3	-5.6	-5.3	6.1	2.3	9.5	0.7	3.1	2.8
Feb P	-17	-15	-4	-	-19	-14	-5.1	-1.9	-6.6	-3.5	6.1	2.2	7.9	0.6	3.1	1.1
Mar P	-18	-18	-4	-3	-21	-18	-3.1	2.6	-5.0	0.6	4.6	0.9	3.4	-2.6	3.3	-1.4
Apr P	-16	-12	-2	1	-19	-17	8.0	-3.8	6.8	-3.8	5.6	2.4	8.2	1.1	3.0	2.3
May P	-14	-8	-2	-4	-20	-13	-4.7	-5.9	-5.5	-5.3	6.0	3.2	10.6	1.2	4.3	0.3
Jun P	-11	-7	-	-3	-19	-14	11.7	-7.8	10.0	0.8	6.2	3.3	7.4	0.2	5.3	0.7
Jul P	-14	-8	-1	-3	-18	-12	8.2	6.5	5.7	2.6	5.6	2.7	7.1	1.9	3.0	-
Aug P	-12	-7	-	-3	-17	-14	5.7	5.9	3.6	-0.9	3.1	0.1	5.7	0.7	-0.9	...
Sep A	-11	-4	1	-1	-17	-12	17.2	17.9	14.6	1.7	...	...	...	...	...	...

CONSUMER CONFIDENCE INDEX

SPAIN
EURO AREA
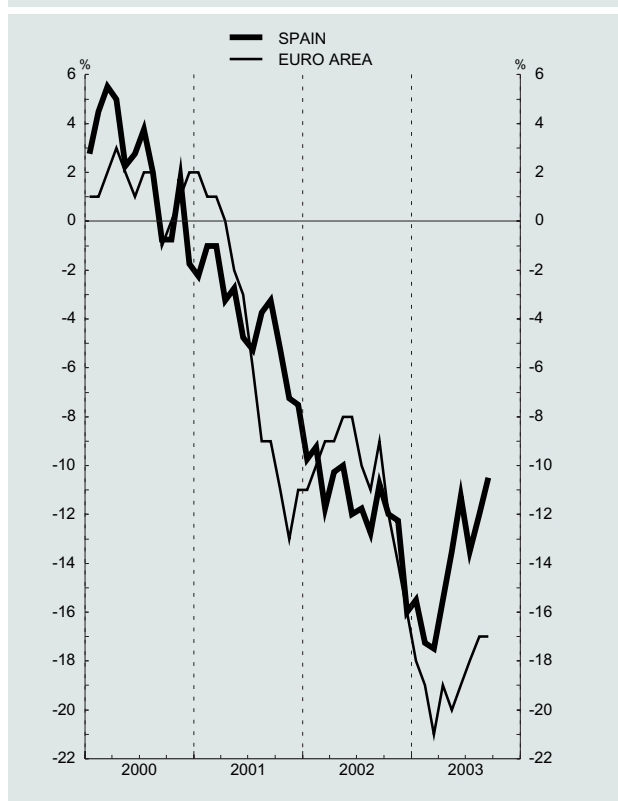
CAR SALES
Trend obtained with TRAMO-SEATS

ESTIMATED SALES (SPAIN)
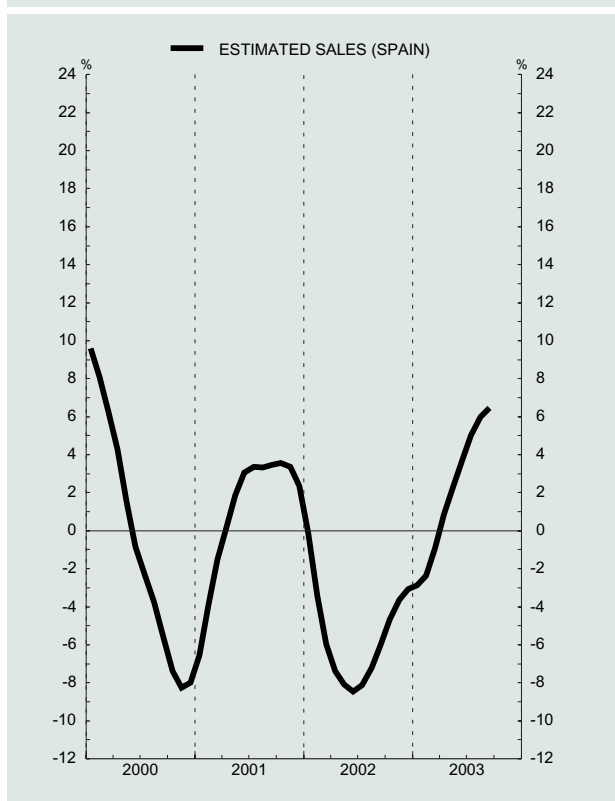
Sources: European Commission, European Economy, Supplement B, INE, Dirección General de Tráfico, Asociación Nacional de Fabricantes de Automóviles y Camiones and ECB.
(a) Deflated by the total CPI.
(b) Deflated by the food component of the CPI.
(c) Deflated by the total CPI excluding foods, beverages, and tobacco.

3.2. Investment in industry (excluding construction): opinion surveys. Spain

■ Series depicted in chart.

Annual percentage changes at current prices

	ACTUAL INV.	1st FORECAST	2nd FORECAST	3rd FORECAST
	1 ■	2 ■	3 ■	4 ■
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	-3	-2	-6	-7
03	...	1	-3	...

INVESTMENT IN INDUSTRY
Annual rates of change
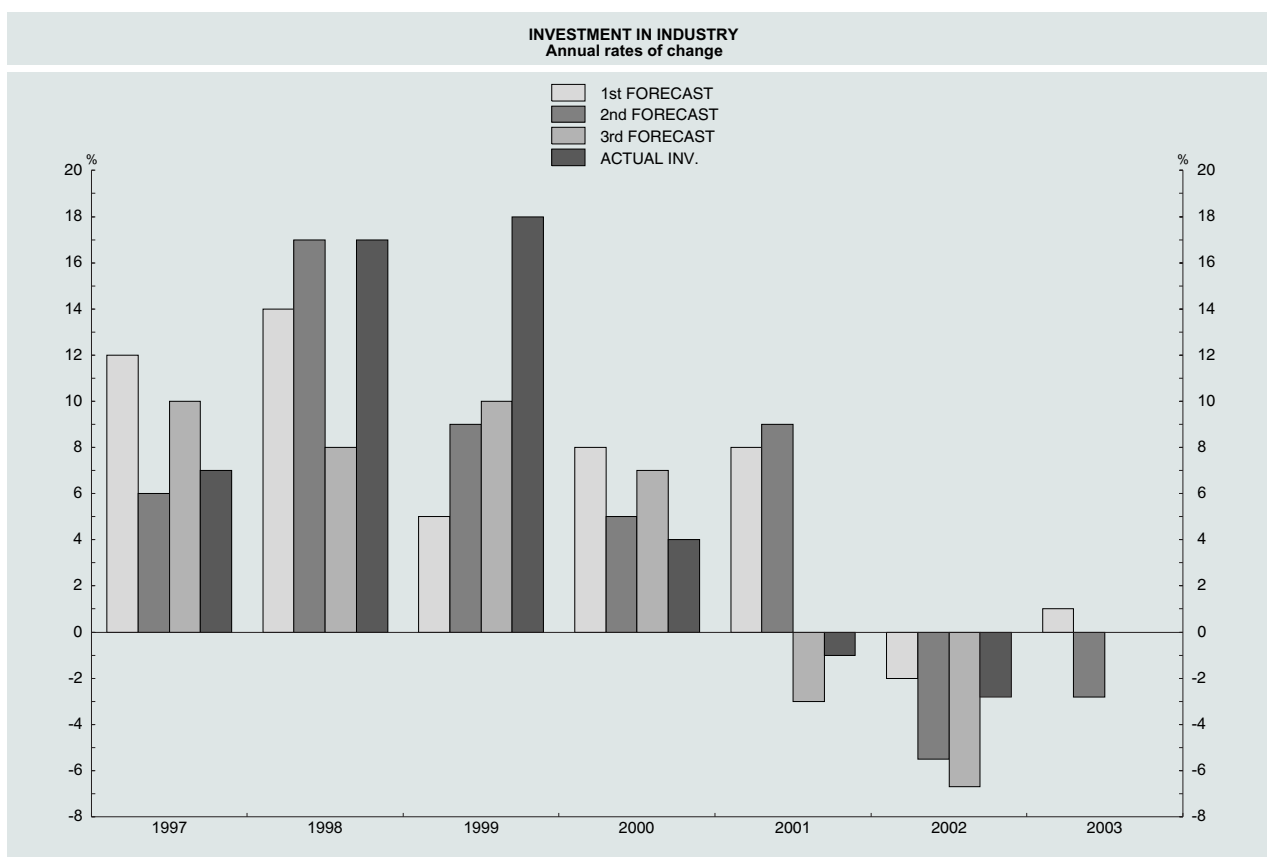
Source: Ministerio de Ciencia y Tecnología

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

Annual percentage changes

	Permits: buildable floorage				Approvals: buildable floorage		Government tenders (budget)							Apparent consumption of cement
			of which			of which	Total		Building					
											of which			
	Total	Residential	Housing	Non-residential	Total	Housing	For the month	Year to date	Total	Residential	Housing	Non-residential	Civil engineering	
	1 ■	2	3	4	5 ■	6	7 ■	8	9	10	11	12	13	14 ■
00	10.6	10.1	10.0	13.1	5.1	3.9	...	...	...	...	...	...	...	11.0
01	-3.7	-7.7	-8.3	14.6	-2.2	-5.5	...	...	...	...	...	...	...	9.7
02	-0.3	2.8	3.4	-11.7	3.0	4.1	13.2	13.2	-2.2	-15.2	3.9	3.5	20.1	4.7
02 *J-S*	-2.9	-1.5	-0.6	-8.0	1.5	2.8	4.7	4.7	1.5	-21.2	49.8	12.4	6.1	5.4
03 *J-S*	...	...	...	...	...	...	...	...	...	...	...	...	...	4.7
02 *Jun*	-12.4	-12.2	-12.6	-13.4	-4.4	-3.0	-34.3	8.8	-64.7	-87.7	-38.7	-39.3	-0.8	-3.8
Jul	-11.5	-4.5	-2.5	-32.0	0.8	2.9	50.2	19.1	38.3	60.5	-32.8	28.6	54.0	9.9
Aug	12.8	9.7	8.8	25.8	2.7	5.5	-29.5	10.4	-35.6	18.5	177.4	-44.6	-26.7	-1.2
Sep	7.3	3.5	3.7	24.9	15.3	18.2	-38.8	4.7	1.0	-54.2	53.3	33.4	-50.4	8.8
Oct	9.3	16.5	14.6	-16.3	7.5	13.5	3.3	4.5	47.3	289.7	19.3	5.9	-9.1	4.2
Nov	3.2	6.3	6.6	-8.0	-3.2	-3.7	52.8	8.8	-37.9	-58.8	-74.7	-29.3	111.0	-0.9
Dec	6.6	20.4	21.4	-37.3	21.0	15.2	60.0	13.2	-31.8	-49.1	-25.6	-24.9	116.1	4.6
03 *Jan*	7.4	14.4	12.6	-15.7	14.3	21.1	8.6	8.6	32.3	199.8	1 103.8	-30.0	-1.3	-5.1
Feb	14.3	14.1	14.6	14.9	10.6	11.9	13.3	10.4	9.2	-19.9	18.9	27.1	16.0	-2.3
Mar	30.7	36.8	35.5	9.0	27.7	36.5	78.5	34.2	-0.5	71.3	8.1	-15.5	104.8	19.8
Apr	23.5	32.5	31.1	-17.5	26.3	21.6	1.6	25.5	-22.4	-1.9	-59.6	-28.0	16.7	-0.2
May	...	...	...	...	18.9	19.1	57.7	32.0	-19.8	-5.4	-49.4	-23.0	109.6	5.1
Jun	...	...	...	...	19.0	21.7	...	...	...	...	...	...	...	10.8
Jul	...	...	...	...	...	...	...	...	...	...	...	...	...	5.9
Aug	...	...	...	...	...	...	...	...	...	...	...	...	...	-0.5
Sep	...	...	...	...	...	...	...	...	...	...	...	...	...	8.8

CONSTRUCTION
Trend obtained with TRAMO-SEATS

— PERMITS
— APPROVALS

CONSTRUCTION
Trend obtained with TRAMO-SEATS

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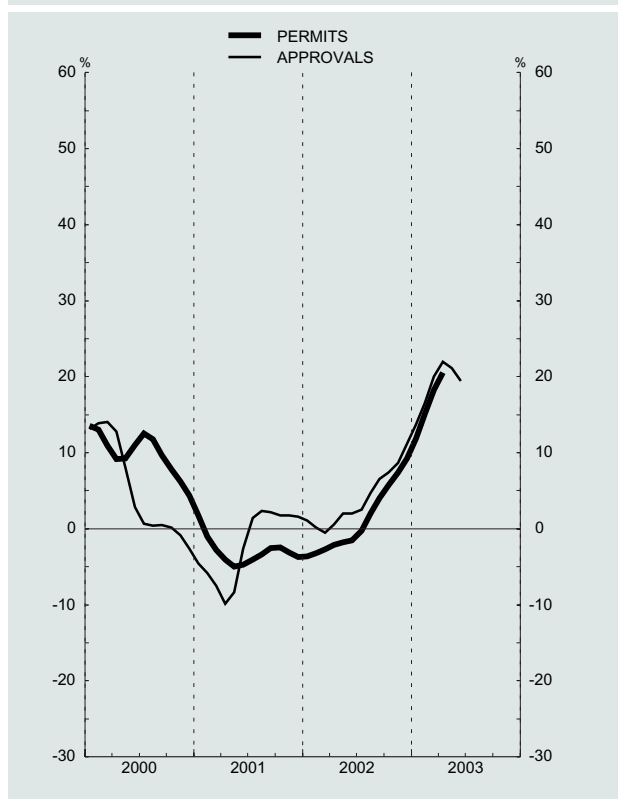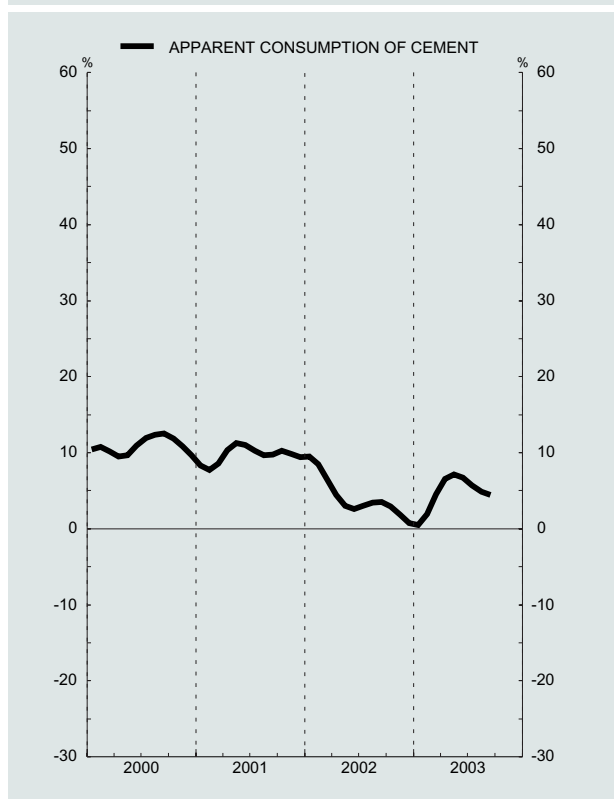
Sources: Ministerio de Fomento and Asociación de Fabricantes de Cemento de España.
Note: The underlying series for this indicator are in Tables 23.7, 23.8, and 23.9 of the BE Boletín estadístico.

■ Series depicted in chart.   *Annual percentage changes*

		Overall Index		By end-use of goods				By branch of activity			Memorandum item: euro area				
		Total		Consumption	Investment	Intermediate goods	Energy	Mining and quarrying	Manufacturing	Production and distribution of electricity, gas and water	of which		By end-use of goods		
											Total	Manufacturing	Consumption	Investment	Intermediate goods
		Original series	12-month %change 12												
		1	2 ■	3 ■	4 ■	5 ■	6	7	8	9	10 ■	11	12	13	14
00	M P	100.0	4.0	0.8	6.8	3.7	7.0	1.1	3.3	8.6	5.3	5.7	2.0	8.3	5.9
01	M P	98.8	-1.2	-0.7	-3.3	-2.1	3.0	-3.2	-2.0	4.3	0.5	0.4	0.6	1.6	-0.5
02	M P	98.9	0.1	2.3	-4.9	1.4	0.0	-0.5	0.4	0.0	-0.5	-0.7	-0.5	-2.0	0.4
02 J-A	M P	97.5	-1.3	1.9	-9.1	-0.5	1.8	-1.2	-1.5	2.0	-1.3	-1.7	...	-3.2	-0.7
03 J-A	M P	98.8	1.3	0.8	-0.5	2.2	2.9	-1.1	1.4	1.7	...	...	...	...	...
02 May	P	105.3	-2.0	0.7	-10.5	-0.2	-1.7	-4.4	-2.3	-2.0	-0.8	-1.2	-0.3	-3.2	0.0
Jun	P	99.9	-5.2	-3.7	-14.6	-3.5	1.5	-8.0	-6.0	1.2	-0.4	-1.0	-1.4	-0.7	-0.6
Jul	P	108.0	3.6	7.4	-3.1	5.3	0.8	6.3	3.9	1.2	0.7	0.4	-0.6	-0.4	1.3
Aug	P	70.6	-3.4	3.0	2.9	-6.7	-5.4	-12.2	0.1	-6.7	-0.7	-0.8	-1.3	-0.6	-0.2
Sep	P	101.3	2.4	4.7	-0.1	3.7	-2.2	3.9	2.9	-2.0	0.2	-0.0	-0.4	-2.3	2.5
Oct	P	111.8	5.1	5.9	4.0	6.5	-0.1	3.2	5.5	0.3	1.3	1.0	0.5	0.5	1.5
Nov	P	103.7	0.3	-1.5	2.9	3.1	-5.9	-0.8	1.2	-5.4	2.7	3.3	1.9	3.3	4.9
Dec	P	90.6	3.5	3.0	10.4	7.9	-5.3	-4.5	7.0	-7.3	-0.5	0.2	-0.7	-0.1	1.9
03 Jan	P	98.9	-0.1	-0.3	-2.5	1.7	-2.0	-6.5	0.3	-2.9	1.3	1.0	-0.7	1.4	2.8
Feb	P	99.3	1.7	-	0.7	2.9	4.6	-1.0	1.1	8.7	2.2	1.1	-0.4	3.2	1.1
Mar	P	105.0	9.7	8.7	11.6	12.1	3.3	8.3	10.9	1.6	0.0	0.5	-1.1	0.1	0.5
Apr	P	99.1	-4.5	-5.0	-6.8	-4.1	-1.2	-7.3	-4.5	-3.4	0.9	0.0	0.8	-0.4	0.7
May	P	104.0	-1.2	-2.3	-2.6	-0.5	1.9	-1.2	-1.1	-1.7	-1.1	-1.2	-2.7	-0.5	-1.0
Jun	P	104.4	4.5	6.3	2.7	5.3	1.1	3.3	5.1	-0.3	-1.3	-1.7	-1.0	-3.8	-0.5
Jul	P	110.2	2.0	1.6	-1.7	2.9	6.2	-0.8	1.9	2.7	0.8	0.7	1.3	1.5	0.1
Aug	P	69.4	-1.7	-2.8	-7.5	-4.4	10.4	-3.6	-3.4	9.7	...	...	...	...	...

INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS

SPAIN
EURO AREA

INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS
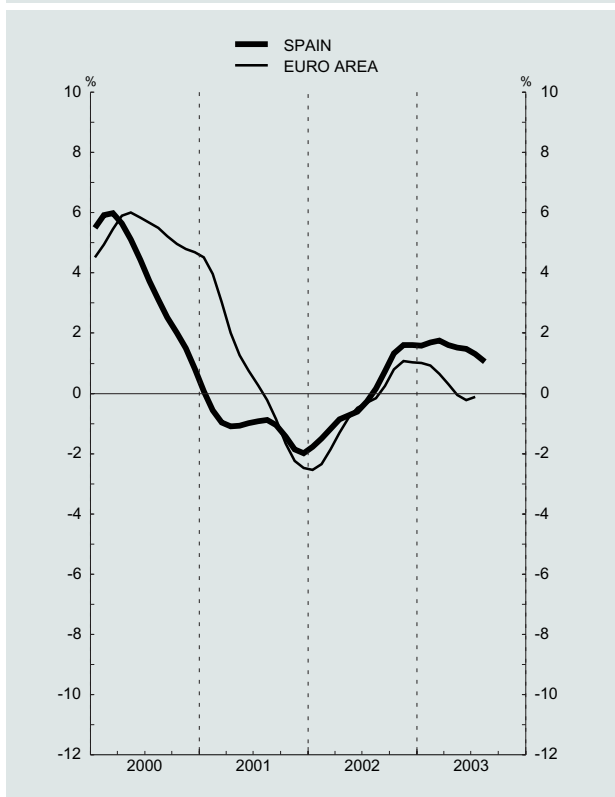
CONSUMPTION GOODS
INVESTMENT GOODS
INTERMEDIATE GOODS
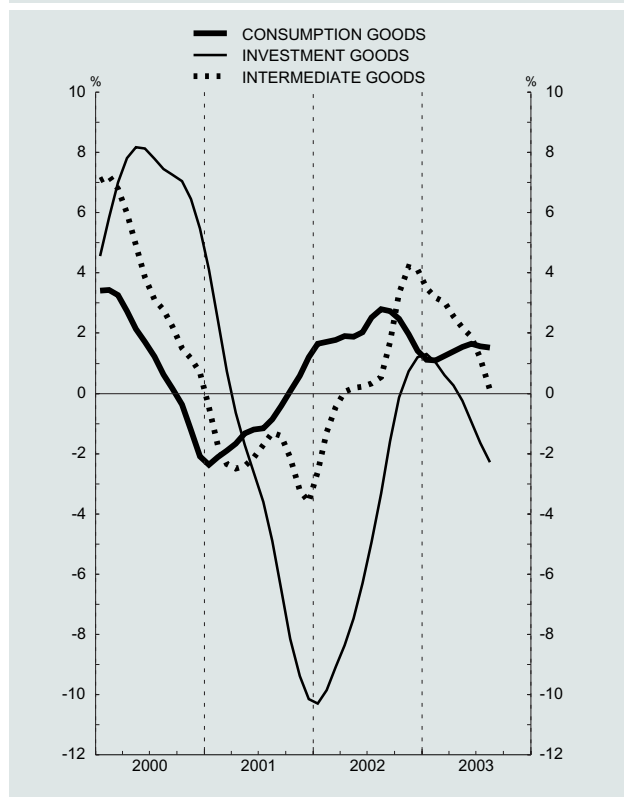
Sources: INE and BCE.
Note: The underlying series for this indicator are in Table 23.1 of the BE Boletín estadístico.

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 (a)		
		Business climate indicator	Produc-tion over the last three months	Trend in pro-duction	Total orders	Foreign orders	Stocks of finished products	Business climate indicator			Business climate indicator	Produc-tion	Orders	Trend		Industry, excluding construction		Construc-tion business climate indicator
								Con-sum-ption	Invest-ment	Inter-mediate goods				Produc-tión	Cons-truction	Business climate indicator	Order book	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
00	M	3	9	11	3	-4	7	2	2	4	21	12	21	41	37	5	2	-5
01	M	-5	-0	3	-9	-13	11	-5	-4	-7	13	10	21	37	38	-9	-15	-11
02	M	-6	-1	2	-11	-16	9	-7	-6	-5	7	10	13	11	25	-11	-25	-19
02 *J-S*	M	-6	-2	5	-12	-18	8	-9	-6	-3	10	12	12	18	44	-11	-25	-18
03 *J-S*	M	-2	4	11	-9	-12	6	0	-1	-5	13	10	25	30	20	-11	-26	-21
02 *Jun*		-2	4	5	-6	-16	8	-1	-4	-2	23	10	22	14	62	-10	-24	-17
Jul		-1	7	4	-7	-19	5	-7	0	3	17	39	9	46	34	-12	-26	-19
Aug		-1	4	11	-6	-15	7	-5	2	0	3	23	5	8	-25	-12	-28	-24
Sep		-6	-	5	-15	-17	8	-7	-8	-4	2	10	12	6	19	-10	-26	-22
Oct		-5	-4	-	-11	-12	11	-3	-6	-7	-2	14	15	8	-24	-9	-25	-22
Nov		-5	2	-13	-8	-12	8	-2	-6	-7	-5	7	9	-11	-34	-10	-22	-24
Dec		-6	9	-5	-5	-5	11	4	-7	-12	4	-11	17	-18	-45	-10	-22	-21
03 *Jan*		-6	-1	-1	-8	-13	6	-4	-4	-9	16	-5	24	35	20	-11	-22	-21
Feb		-2	-6	23	-14	-16	8	-6	-1	-	19	7	32	46	37	-10	-23	-19
Mar		0	-7	22	-10	-9	5	3	-5	0	12	3	22	25	14	-12	-26	-20
Apr		-1	14	18	-8	-13	6	1	-1	-2	17	32	24	15	15	-12	-27	-20
May		-0	11	12	-6	-9	4	3	1	-4	15	16	20	19	11	-12	-27	-21
Jun		-1	12	8	-6	-13	7	3	4	-7	21	14	30	26	14	-12	-28	-22
Jul		-3	10	5	-12	-14	5	3	-3	-8	21	13	36	35	23	-14	-28	-20
Aug		-3	2	8	-11	-13	4	2	-0	-8	-1	2	20	42	17	-11	-26	-23
Sep		-3	3	3	-7	-4	5	-3	2	-6	-1	7	17	28	25	-9	-26	-23

INDUSTRIAL BUSINESS CLIMATE
Net percentages
— SPAIN
— EURO AREA

CONSTRUCTION BUSINESS CLIMATE
Net percentages
— SPAIN
— EURO AREA
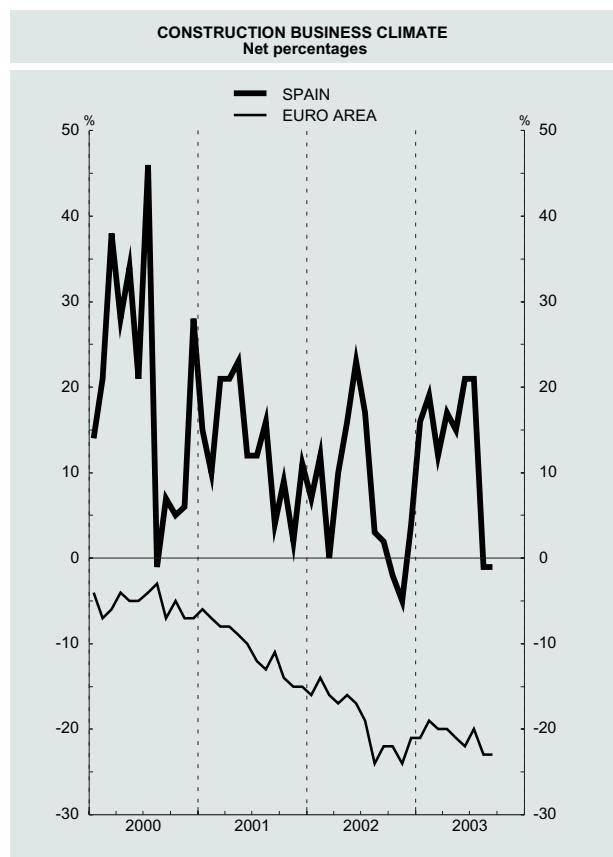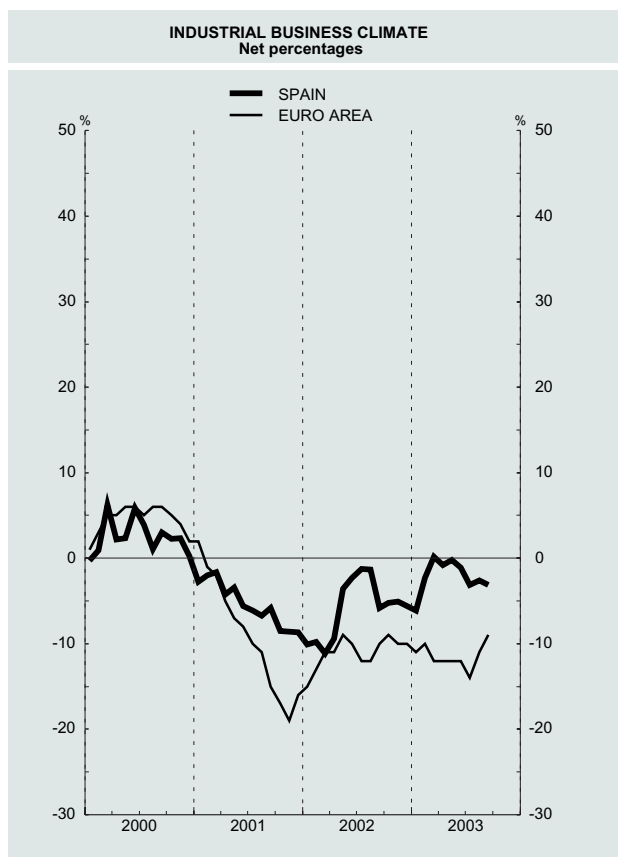
Sources: Ministerio de Ciencia y Tecnología, Encuesta de coyuntura industrial, and ECB.
(a) Before November 2001, the period referred to is different, so that the value of the indicator for month n corresponds to the data published by the MCYT for month n-1.

■ 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	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	
	Over last three months (%)	Forecast (%)	(balances)	Over last three months (%)	Forecast (%)	(balances)	Over last three months (%)	Forecast (%)	(balances)	Over last three months (%)	Forecast (%)	(Balances)	
	1	2	3	4	5	6	7	8	9	10	11	12	13
00	80.7	81.7	-1	78.0	78.4	1	82.0	83.5	-2	82.5	83.7	-2	84.4
01	79.2	80.3	3	76.5	78.0	3	79.4	81.1	2	81.6	82.0	2	83.4
02	78.1	80.0	8	74.3	76.6	13	78.5	80.9	7	81.3	82.6	4	81.4
02 *Q1-Q3*	77.4	79.6	8	73.4	76.1	13	77.8	80.3	8	80.7	82.3	4	81.2
03 *Q1-Q3*	78.8	80.8	5	75.9	78.8	5	78.6	80.3	5	81.5	82.7	4	80.9
01 *Q1*	79.3	80.9	2	76.4	77.4	3	79.1	81.8	-	82.0	83.5	-	84.7
Q2	80.6	81.5	2	77.9	80.2	2	82.4	83.3	-	82.2	81.8	1	83.6
Q3	78.7	80.2	2	75.4	78.2	1	79.2	80.4	3	81.4	81.9	3	83.2
Q4	78.3	78.6	6	76.4	76.0	7	76.7	79.0	5	80.7	80.6	5	82.1
02 *Q1*	76.9	78.5	5	71.7	73.5	6	78.5	80.0	5	80.7	82.1	5	81.0
Q2	76.8	80.5	8	73.6	78.0	10	77.6	81.2	5	79.3	82.2	6	81.5
Q3	78.4	79.8	12	74.8	76.7	22	77.2	79.8	14	82.1	82.6	1	81.2
Q4	80.3	81.2	8	77.0	78.1	15	80.8	82.4	5	82.9	83.4	2	81.7
03 *Q1*	78.9	80.5	3	77.5	79.1	3	75.1	77.9	4	81.8	82.9	3	81.3
Q2	77.7	80.6	4	73.6	78.4	4	79.6	80.8	7	80.5	82.4	3	80.8
Q3	79.8	81.3	8	76.7	79.0	8	81.0	82.1	5	82.1	82.9	5	80.6

CAPACITY UTILISATION. TOTAL INDUSTRY
Percentages

TOTAL INDUSTRY (SPAIN)
TOTAL INDUSTRY (EURO AREA)
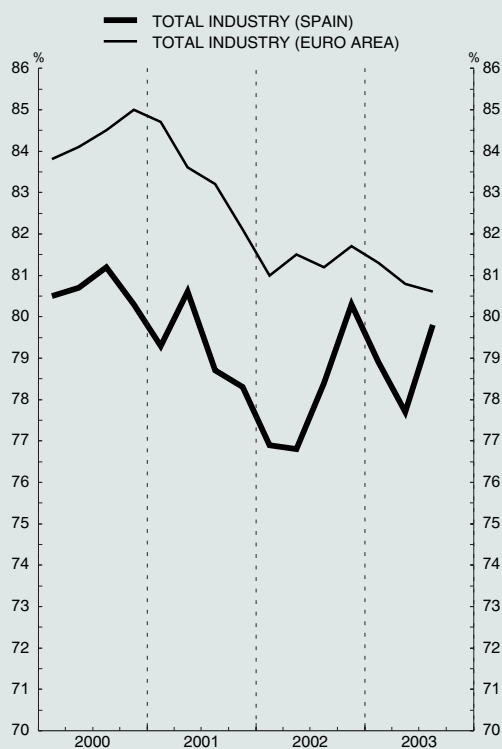
CAPACITY UTILISATION. BY TYPES OF GOODS
Percentages

INVESTMENT GOODS
CONSUMPTION GOODS
INTERMEDIATE GOODS
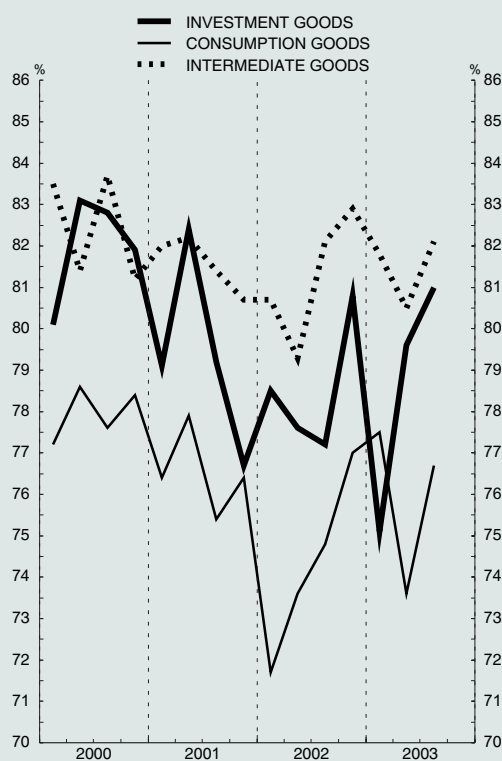
Sources: Ministerio de Ciencia y Tecnología and ECB.

3.7. Tourism and transport statistics. Spain

Annual percentage changes

		Hotel stays (a)		Overnight stays		Visitors entering Spain			Air transport				Maritime transport		Rail transport	
									Passengers							
		Total	Foreig- ners	Total	Foreig- ners	Total	Tourists	Day-trip- pers	Total	Domestic flights	Interna- tional flights	Freight	Passen- gers	Freight	Passen- gers	Freight
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
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		1.0	-0.5	0.7	-0.2	1.6	4.6	-3.7	3.0	0.8	4.5	-4.9	0.2	3.4	6.6	-0.6
02	P	-0.0	-1.4	-2.6	-5.2	5.3	4.1	7.9	-1.0	-2.2	-0.3	-0.7	4.2	5.0	3.8	2.8
02 *J-A*		-0.6	-2.4	-2.6	-5.3	5.4	4.3	7.4	-2.7	-3.8	-1.9	-3.3	2.5	6.4	3.4	1.9
03 *J-A*	P	3.8	2.5	2.7	1.5	3.1	0.5	8.1	7.4	7.9	7.1	-0.0	...	...	1.5	...
02 *May*		0.1	-4.4	-3.0	-7.7	5.2	3.2	9.8	-3.3	-4.4	-2.6	-1.1	-1.6	6.9	0.3	-8.5
Jun		-3.2	-5.1	-4.7	-6.5	2.3	1.4	4.7	-4.0	-6.7	-2.4	-0.7	3.6	6.2	0.1	1.8
Jul		0.0	-2.5	-3.3	-6.4	2.4	1.6	4.1	-2.4	-1.6	-2.9	5.4	-0.2	7.8	4.7	7.0
Aug		2.9	0.9	0.4	-3.1	13.4	14.1	12.1	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	-0.2	-1.7	3.6	-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	7.8	6.7	10.2	2.1	-2.2	4.9	3.2	9.9	6.0	7.3	7.0
Nov	P	1.7	2.5	-3.0	-5.4	12.0	8.9	16.8	6.1	4.2	7.7	3.1	11.9	3.6	-3.5	3.5
Dec	P	4.5	2.2	2.1	-2.6	5.0	3.5	7.0	7.7	7.4	8.0	6.7	10.7	-1.0	10.3	8.5
03 *Jan*	P	3.6	6.2	3.1	-0.3	10.7	10.6	10.8	10.2	9.5	10.7	0.0	-2.2	-4.5	0.6	-1.4
Feb	P	-1.9	-5.4	-3.7	-6.2	-0.0	3.1	-4.7	5.9	7.9	4.2	3.6	-5.7	2.8	1.4	1.3
Mar	P	-7.9	-5.5	-8.6	-3.1	-4.1	-10.4	7.7	-0.6	1.9	-2.4	4.4	-24.8	2.1	8.0	6.3
Apr	P	10.4	2.5	9.7	3.5	11.2	12.3	9.2	9.4	7.1	11.2	-2.1	6.5	1.9	-5.1	-10.6
May	P	4.8	4.1	2.5	1.7	8.7	4.7	17.4	7.3	4.4	9.2	-1.3	0.0	11.0	1.8	1.1
Jun	P	8.9	6.8	5.4	4.2	5.3	0.2	18.2	8.3	11.5	6.5	-2.5	0.4	5.1	3.4	2.2
Jul	P	5.8	4.0	2.7	0.3	2.5	1.0	5.9	7.8	10.2	6.4	-0.7	...	...	1.7	...
Aug	P	3.5	2.7	5.1	4.8	-2.9	-6.8	4.1	10.2	10.0	10.3	-1.5	...	...	0.6	...

TOURISM
Trend obtained with TRAMO-SEATS

OVERNIGHT STAYS
VISITORS ENTERING SPAIN

TRANSPORT
Trend obtained with TRAMO-SEATS

AIR TRANSPORT
RAIL TRANSPORT
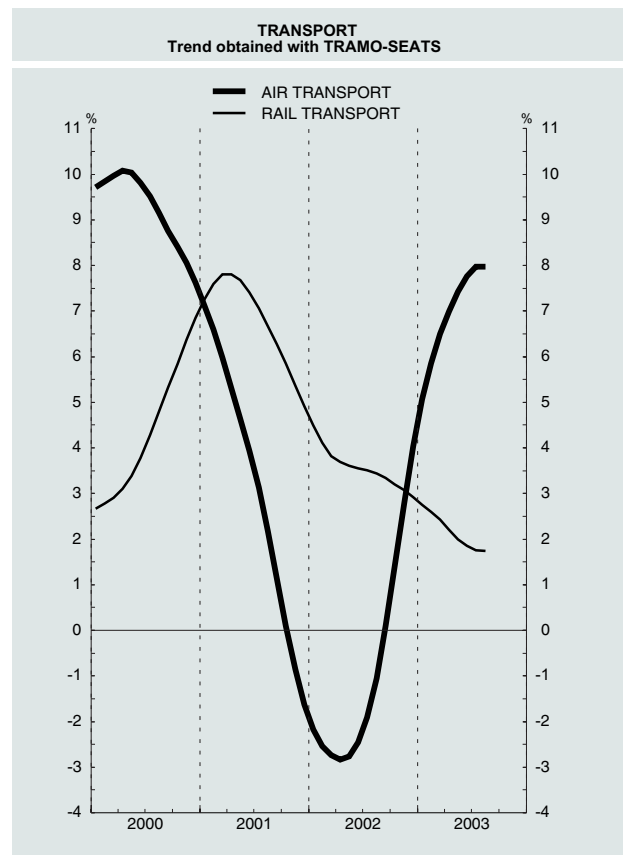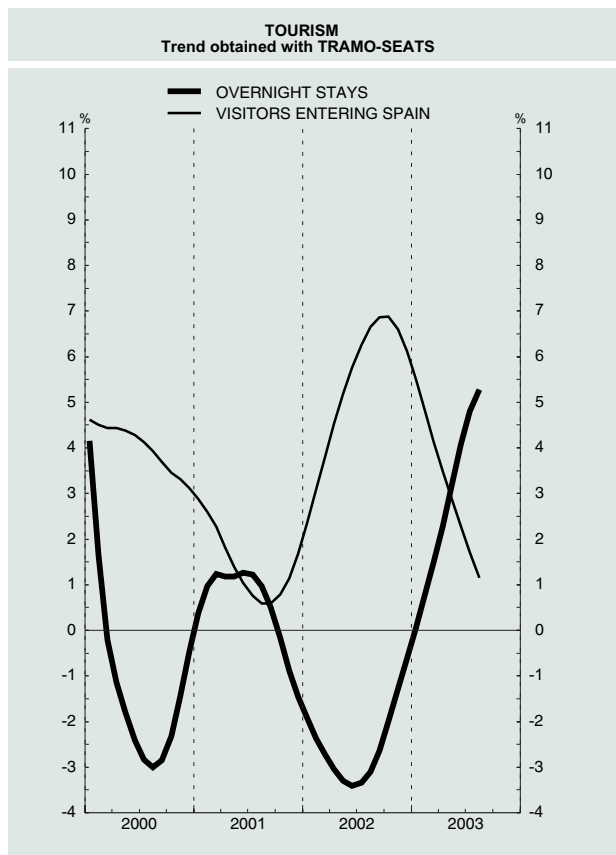
Sources: INE and Instituto de Estudios Turísticos, Estadística de Movimientos Turísticos en Frontera.
Note: The underlying series for this indicator are in Table 23.15 of the BE Boletín estadístico .
(a) From January 2003, the information for Galicia is based on total figures for hotel stays and overnight stays for the month. The directory of hotels has been reviewed thoroughly.

4.1. Labour force. Spain

Thousands and annual percentage changes

| | | Population over 16 years of age | | | | Labour force | | | | |
| | | Thousands | Annual change | 4-quarter % change | Participation rate (%) | Thousands (a) | Total | Due to change in population over 16 years of age | Due to change in partici-pation rate | 4-quarter % change (b) |
		1	2	3 ■	4	5	6 ■	7 ■	8 ■	9 ■
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
02	M	33 965	276	0.8	54.00	18 340	526	149	377	3.0
02 *Q1-Q3* M		33 933	281	0.8	53.90	18 289	1 621	455	1 166	3.0
03 *Q1-Q3* M		34 176	243	0.7	54.91	18 766	1 432	400	1 033	2.6
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
	Q4	34 061	261	0.8	54.30	18 495	483	142	341	2.7
03 *Q1*		34 120	252	0.7	54.56	18 615	479	137	341	2.6
	Q2	34 176	243	0.7	54.87	18 751	484	133	351	2.7
	Q3	34 231	234	0.7	55.31	18 932	469	129	340	2.5

LABOUR FORCE SURVEY
Annual percentage change

— POPULATION
— LABOUR FORCE
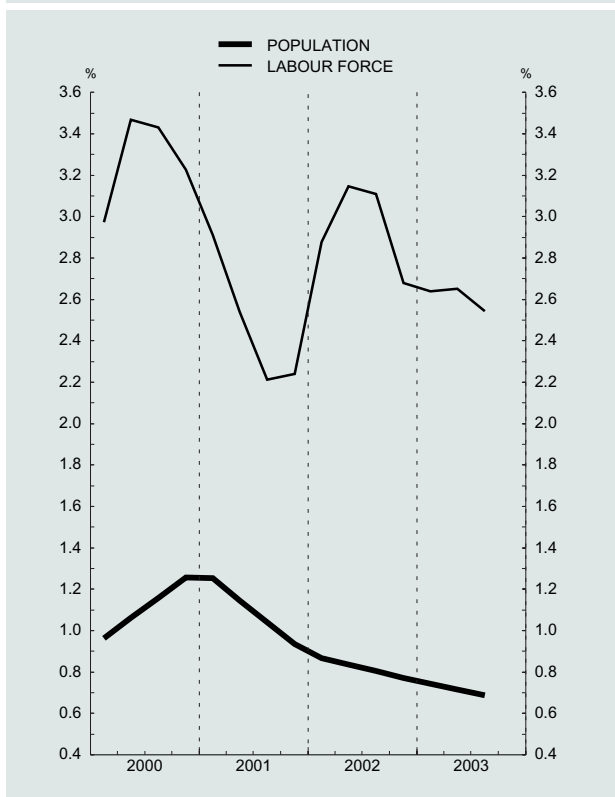
LABOUR FORCE
Annual changes
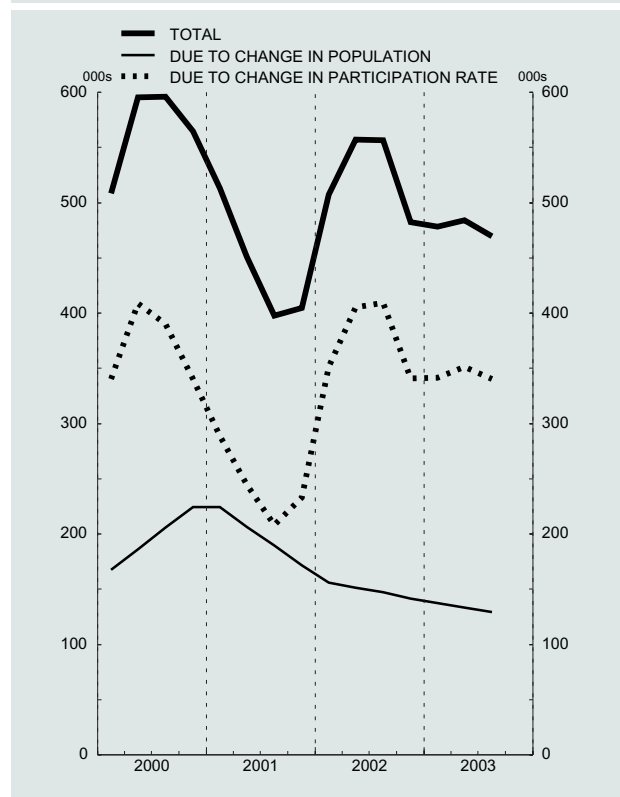
— TOTAL
— DUE TO CHANGE IN POPULATION
···· DUE TO CHANGE IN PARTICIPATION RATE

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).

(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).

(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)

Thousands and annual percentage changes

		Employment									Unemployment				Memorandum item: euro area	
		Total			Wage-earners			Other						Unemployment rate	Employment 4-quarter % change	Unemployment rate
		Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change			
											(a)	(b)	(b)	(a)		
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
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	8.38
01	M	15 946	576	3.7	12 787	501	4.1	3 159	75	2.4	1 869	-134	-5.4	10.49	1.4	8.03
02	M	16 258	312	2.0	13 142	355	2.8	3 116	-43	-1.4	2 083	214	11.4	11.35	0.4	8.39
02 Q1-Q3	M	16 218	331	2.1	13 089	361	2.8	3 129	-31	-1.0	2 071	210	11.3	11.32	0.5	8.33
03 Q1-Q3	M	16 639	421	2.6	13 546	457	3.5	3 092	-36	-1.2	2 127	56	2.7	11.34	...	...
01 Q1		15 713	725	4.8	12 563	649	5.4	3 150	76	2.5	1 916	-212	-8.1	10.87	2.0	8.02
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	7.97
Q3		16 072	529	3.4	12 928	472	3.8	3 144	58	1.9	1 835	-132	-5.4	10.25	1.2	8.01
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	8.11
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	8.21
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	8.34
Q3		16 357	285	1.8	13 263	335	2.6	3 094	-50	-1.6	2 106	271	14.8	11.41	0.3	8.45
Q4		16 377	256	1.6	13 300	336	2.6	3 077	-80	-2.5	2 118	226	12.0	11.45	0.1	8.58
03 Q1		16 432	377	2.3	13 334	425	3.3	3 098	-48	-1.5	2 183	102	4.9	11.72	-0.0	8.74
Q2		16 666	425	2.6	13 574	479	3.7	3 092	-54	-1.7	2 085	59	2.9	11.12	-0.0	8.81
Q3		16 818	461	2.8	13 730	467	3.5	3 088	-6	-0.2	2 115	9	0.4	11.17	...	...

EMPLOYMENT
Annual percentage changes
(SPAIN, EURO AREA)

LABOUR FORCE: COMPONENTS
Annual percentage changes
(WAGE-EARNERS, OTHER EMPLOYMENT, UNEMPLOYED)
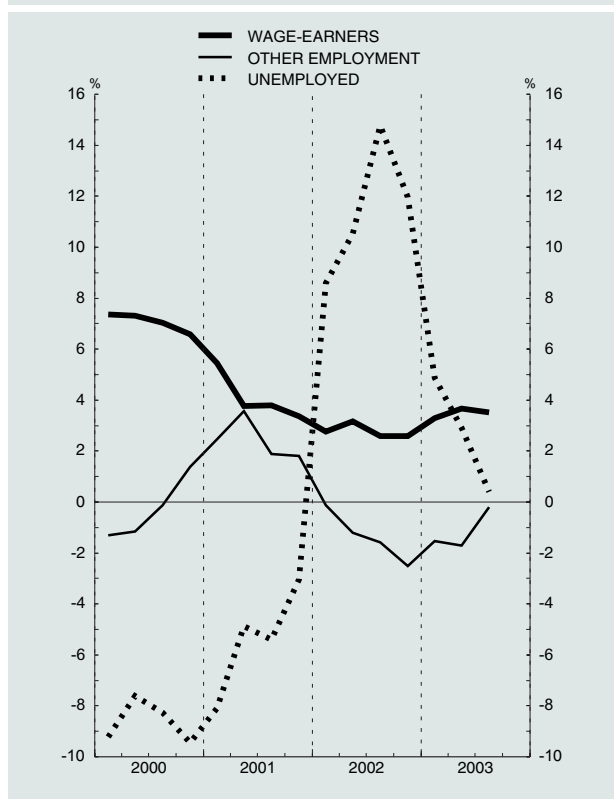
Sources: INE (Labour Force Survey: 2002 methodology), and ECB.

(a) the new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See www.ine.es).

(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, mehodological notes may be consulted at INE's website(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
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
02	M	2.0	2.8	31.0	-5.7	-5.7	58.1	-0.4	-0.2	23.7	3.4	3.4	56.4	3.2	4.2	27.5	2.5	2.1	2.9
02	Q1-Q3 M	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
03	Q1-Q3 M	2.6	3.5	-1.9	-3.0	...	...	-0.3	...	...	3.5	...	...	3.8	...	...	3.0	...	...
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
	Q4	1.6	2.6	30.7	-6.5	-7.1	59.5	0.6	1.0	23.2	1.0	1.4	56.2	2.8	3.9	27.2	2.1	1.8	2.5
03	Q1	2.3	3.3	30.3	-5.8	-5.1	62.6	1.9	1.6	22.6	2.2	3.3	56.3	3.3	4.3	26.3	2.9	2.6	3.0
	Q2	2.6	3.7	30.6	-3.0	1.2	57.7	-0.9	-1.5	22.7	4.1	5.5	56.6	4.0	5.2	27.0	3.0	2.5	3.5
	Q3	2.8	3.5	30.7	0.2	...	...	-1.8	...	...	4.3	...	...	4.2	...	...	3.0	...	...

EMPLOYMENT
Annual percentage changes

- INDUSTRY
- CONSTRUCTION
- SERVICES

TEMPORARY EMPLOYMENT
Percentages

- TOTAL
- INDUSTRY
- CONSTRUCTION
- SERVICES
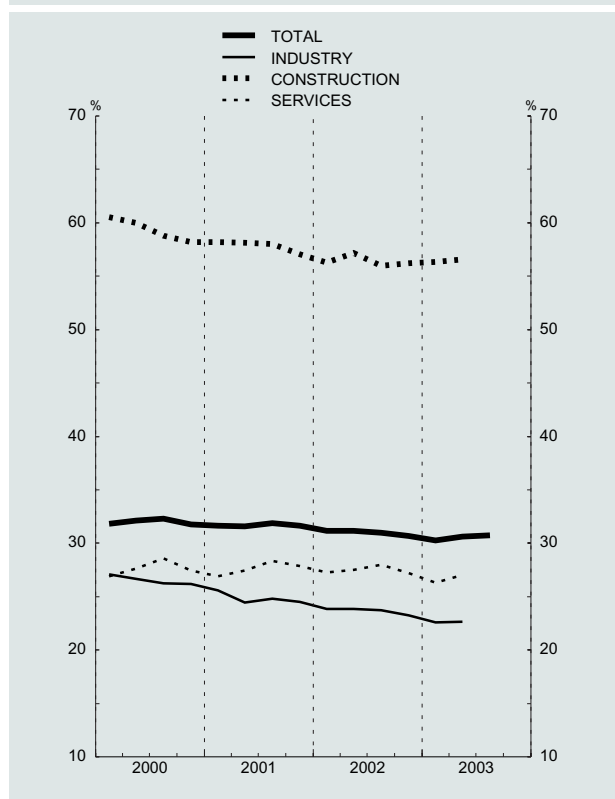
Source: INE (Labour Force Survey: 2002 methodology).
Note: The underlying series of this indicator are in Tables 24.4 and 24.6 of the BE Boletín estadístico.
 (a) Branches of activity in accordance with NACE-93.

4.4. Wage-earners by type of contract and unemployment by duration. Spain. (a)

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 Thousands	4-quarter % change	Annual change Thousands	4-quarter % change	Proportion of temporary employment	Annual change Thousands	4-quarter % change	Annual change Thousands	4-quarter % change	As % for wage earners	Unemployment rate (a)	4-quarter % change (b)	Unemployment rate (a)	4-quarter % change (b)	Entailing a change of residence	Whith a lower wage	Requiring fewer skills
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
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
02	M	331	3.8	24	0.6	31.01	315	2.7	40	3.9	8.20	6.33	20.9	4.25	3.2	20.16	43.38	49.09
02 Q1-Q3	M	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
03 Q1-Q3	M	393	4.4	64	1.6	30.53	...	...	...	...	...	...	...	...	...	...	...	...
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	45.44	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
Q4		357	4.0	-21	-0.5	30.70	302	2.5	34	3.2	8.22	6.42	17.3	4.36	9.0	19.51	43.91	49.10
03 Q1		416	4.7	9	0.2	30.26	388	3.3	37	3.4	8.35	6.54	6.0	4.38	2.7	20.22	42.43	47.93
Q2		406	4.5	74	1.8	30.60	420	3.5	60	5.4	8.49	6.34	4.1	4.10	2.7	19.97	43.92	49.45
Q3		358	3.9	109	2.7	30.74	...	...	...	...	...	...	...	...	...	...	...	...
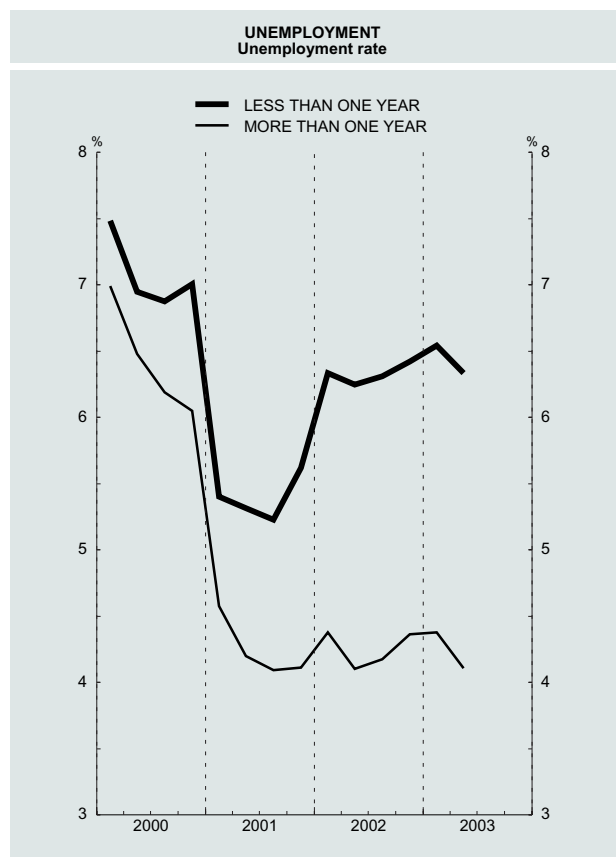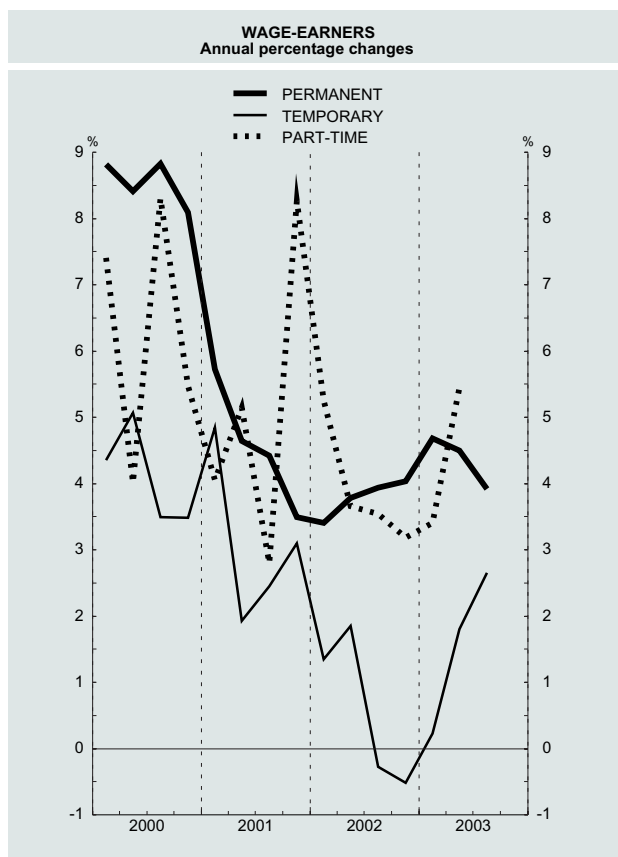
WAGE-EARNERS
Annual percentage changes

— PERMANENT
— TEMPORARY
···· PART-TIME

UNEMPLOYMENT
Unemployment rate

— LESS THAN ONE YEAR
— MORE THAN ONE YEAR

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).

(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).

4.5. Registered unemployment by branch of activity. Contracts and placements. Spain

■ Series depicted in chart.

Thousands, annual percentage changes and %

		Registered unemployment										Contracts					Placements	
		Total			First time job-seekers	Previously employed							Total		Percentage of total			Total	
								12-month % change											
			Annual change	12 month % change	12 month % change				Branches other than agriculture					12 month % change	Perma-nent	Part time	Tempo-rary		12 month % change
		Thou-sands	Thou-sands			Total	Agri-culture	Total	Industry	Construc-tion	Services	Thou-sands						Thou-sands	
		1	2	3 ▪	4 ▪	5	6 ▪	7	8 ▪	9 ▪	10 ▪	11	12	13	14	15	16	17 ▪
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	18.47	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	19.48	90.74	1 133	-0.2
02	M	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	20.80	90.95	1 145	1.0
02 J-S	M	1 606	87	5.7	-1.5	7.0	1.1	7.2	5.4	8.9	7.4	1 166	1.9	9.11	20.10	90.89	1 128	1.7
03 J-S	M P	1 646	40	2.5	1.4	2.7	-5.8	3.0	0.5	6.2	3.1	...	1.8	8.80	20.46	91.20	1 153	2.2
02 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	20.49	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	21.41	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	23.74	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	22.75	90.99	1 152	-9.4
Dec		1 688	113	7.2	1.7	8.1	1.2	8.3	4.1	16.1	8.1	958	-0.1	8.48	22.22	91.52	936	1.6
03 Jan		1 742	91	5.5	2.5	6.0	-1.8	6.2	2.7	11.4	6.2	1 356	6.7	8.95	18.92	91.05	1 313	7.0
Feb		1 734	68	4.1	2.2	4.4	-2.6	4.6	2.0	8.6	4.6	1 198	5.1	10.03	19.51	89.97	1 154	4.2
Mar		1 720	71	4.3	4.0	4.3	-1.5	4.5	0.9	5.2	5.4	1 128	12.7	10.27	20.31	89.73	1 087	12.7
Apr		1 658	22	1.3	1.4	1.3	-9.3	1.6	0.9	5.0	1.2	1 053	-15.6	10.22	19.91	89.78	1 014	-15.6
May		1 608	19	1.2	0.6	1.3	-7.2	1.6	0.3	3.8	1.5	1 196	-3.4	9.06	19.85	90.94	1 160	-2.6
Jun	P	1 601	33	2.1	2.1	2.1	-4.9	2.4	0.3	5.6	2.4	1 199	11.6	8.29	20.37	91.71	1 162	12.1
Jul	P	1 573	25	1.6	0.3	1.9	-8.0	2.2	-0.8	5.9	2.3	1 302	-1.2	7.37	21.93	92.63	1 270	-0.8
Aug	P	1 569	17	1.1	-0.2	1.3	-8.5	1.6	-1.5	5.5	1.8	971	-4.8	6.96	21.02	93.04	953	-3.9
Sep	P	1 608	18	1.1	-0.7	1.4	-8.9	1.7	-1.0	5.0	1.9	1 284	8.2	8.08	22.36	91.92	1 268	9.9

REGISTERED UNEMPLOYMENT
Annual percentage changes

TOTAL
AGRICULTURE
INDUSTRY
CONSTRUCTION
SERVICES
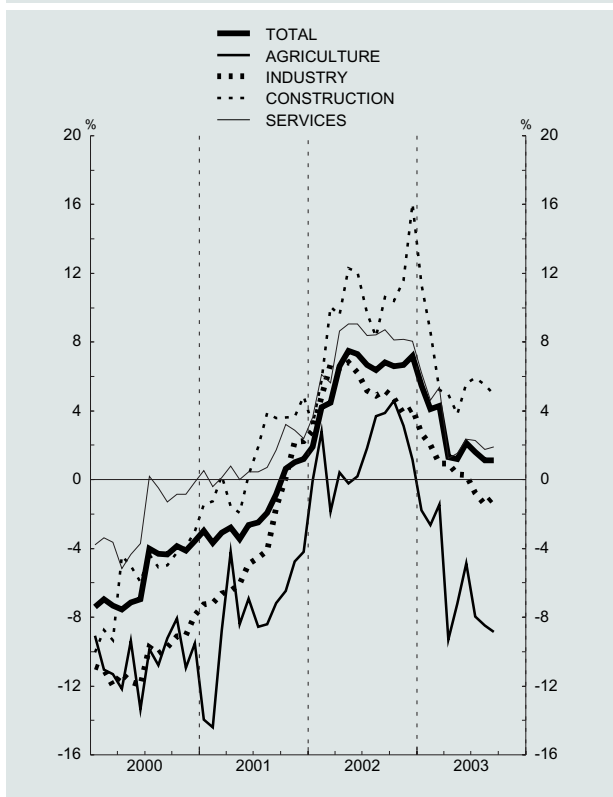
PLACEMENTS
Annual percentage changes (Trend obtained with TRAMO-SEATS)

TOTAL
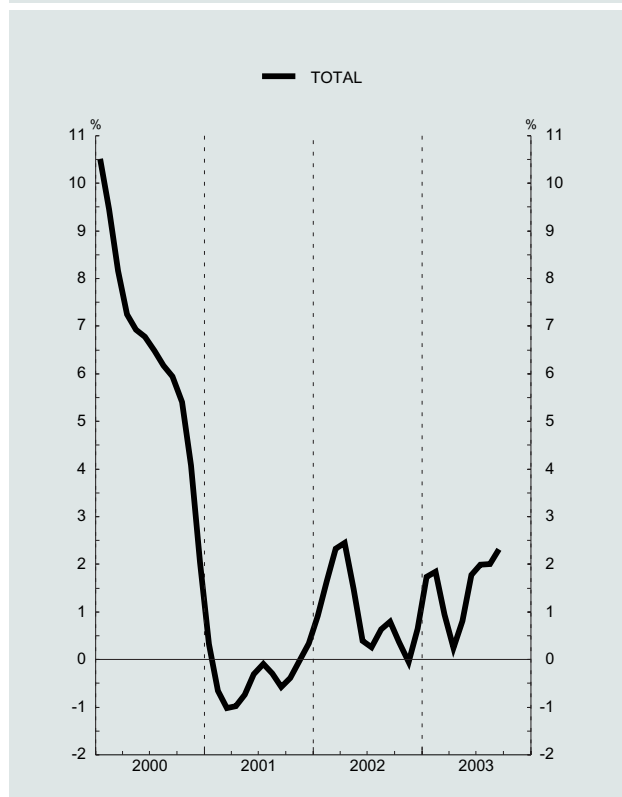
Source: Instituto Nacional de Empleo, Estadística de Empleo.
Nota: The underlying series for this indicator are in Tables 24.16 and 24.17 of the BE Boletín estadístico.

■ Series depicted in chart.

Thousands and %

	As per month economic effects come into force(a)		As per month recorded														
			Employees affected (a)								Average wage settlement (%)						
	Employees affected	Average wage settlement	Automatic adjustment	Newly-signed agreements	Total	Annual change	Agriculture	Industry	Construction	Services	Automatic adjustment	Newly signed agreements	Total	Agriculture	Industry	Construction	Services
	1	2	3	4	5 ■	6	7 ■	8 ■	9 ■	10 ■	11	12	13 ■	14 ■	15 ■	16 ■	17 ■
00	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
01	9 496	3.68	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
02	9 513	3.84	5 528	2 280	7 808	202	589	2 538	771	3 910	2.82	3.62	3.05	3.49	2.84	3.52	3.03
02 *Mar*	8 731	3.85	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
Apr	9 060	3.85	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
May	9 262	3.83	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
Jun	9 307	3.83	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
Jul	9 328	3.83	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
Aug	9 332	3.83	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
Sep	9 399	3.84	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
Oct	9 509	3.84	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
Nov	9 509	3.84	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
Dec	9 513	3.84	5 528	2 280	7 808	202	589	2 538	771	3 910	2.82	3.62	3.05	3.49	2.84	3.52	3.03
03 *Jan*	5 583	3.36	3 531	1	3 532	1 262	274	1 187	23	2 048	3.41	4.89	3.41	3.91	2.90	3.90	3.63
Feb	5 614	3.36	4 007	45	4 051	1 567	305	1 327	23	2 396	3.45	2.66	3.45	3.81	3.07	3.88	3.61
Mar	5 676	3.35	4 308	87	4 395	494	388	1 379	24	2 604	3.43	2.82	3.42	3.63	3.06	3.90	3.57
Apr	5 912	3.36	4 406	126	4 532	-458	390	1 405	32	2 705	3.43	2.74	3.41	3.64	3.06	4.32	3.54
May	6 051	3.38	4 429	375	4 804	-350	545	1 431	38	2 790	3.42	2.90	3.38	3.46	3.06	4.09	3.52
Jun	6 064	3.38	4 598	449	5 048	-514	546	1 498	38	2 966	3.42	3.10	3.39	3.46	3.07	4.09	3.54
Jul	6 066	3.38	4 784	596	5 380	-472	546	1 561	47	3 226	3.39	3.22	3.37	3.46	3.08	3.83	3.49
Aug	6 066	3.38	4 931	1 138	6 069	74	552	1 925	197	3 395	3.43	3.17	3.38	3.45	3.03	4.72	3.49

EMPLOYEES AFFECTED
January-August

■ 2002
▨ 2003
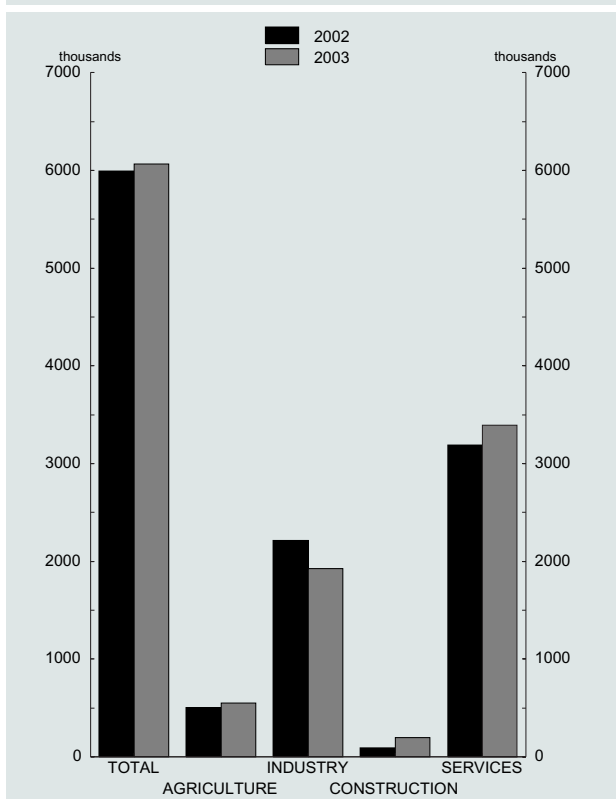
AVERAGE WAGE SETTLEMENT
January-August

■ 2002
▨ 2003
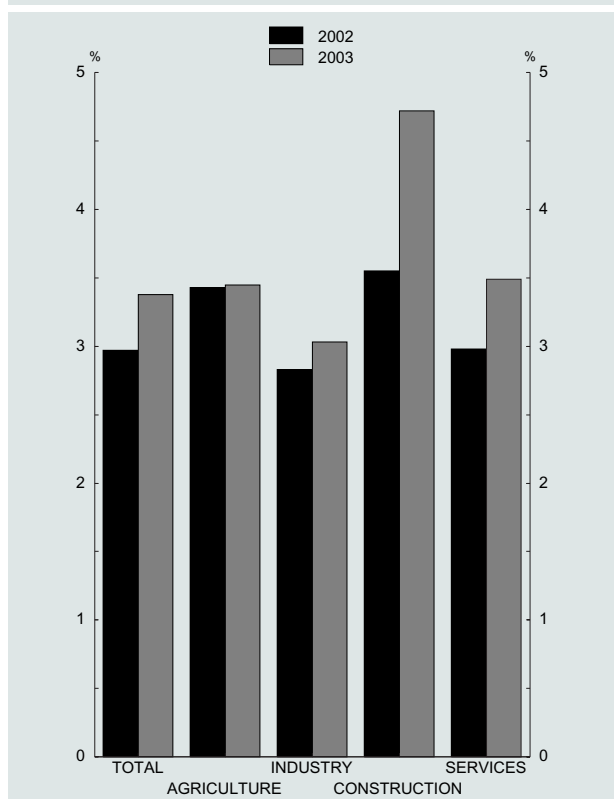
Source: Ministerio de Trabajo y Asuntos Sociales (MTAS), Encuesta de Convenios Colectivos. Avance mensual.
(a) Cumulative data.

4.7. Labour costs index

Annual percentage change

		Labour costs					Wage costs					Other costs per worker and month	memoram-dum 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
00	M	...	...	...	...	...	2.3	2.5	3.8	3.0	2.4	...	2.8
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
02	M	4.4	4.8	4.8	4.4	4.6	3.9	4.7	4.1	3.8	4.1	6.0	3.5
02 Q1-Q2	M	4.3	4.4	4.6	4.6	5.2	3.9	4.4	3.9	3.9	4.8	5.7	3.6
03 Q1-Q2	M	4.9	5.4	6.2	4.5	6.0	4.5	5.0	5.0	4.4	5.7	5.7	2.8
00 Q4		...	...	...	...	...	2.3	2.3	4.4	2.9	2.4	...	2.3
01 Q1		4.3	5.1	4.8	4.2	4.2	3.5	4.1	3.9	3.4	3.3	6.8	3.1
Q2		3.7	3.9	4.9	3.7	4.1	3.0	3.1	4.2	2.9	3.2	6.1	3.2
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	4.1
Q2		4.6	5.1	4.5	4.7	2.3	4.0	4.9	4.0	4.0	1.8	6.5	3.2
Q3		4.3	5.0	5.2	4.1	4.2	3.8	4.9	4.2	3.6	3.7	5.8	3.2
Q4		4.6	5.4	4.7	4.4	4.1	3.9	5.0	4.4	3.6	3.5	6.6	3.5
03 Q1		5.2	5.2	6.0	5.0	3.7	4.9	5.0	5.1	4.8	3.3	6.0	2.7
Q2		4.6	5.5	6.3	4.0	8.4	4.2	5.1	4.9	3.9	8.0	5.5	2.9

PER WORKER AND MONTH
Annual percentage change

— LABOUR COSTS
— WAGE COSTS
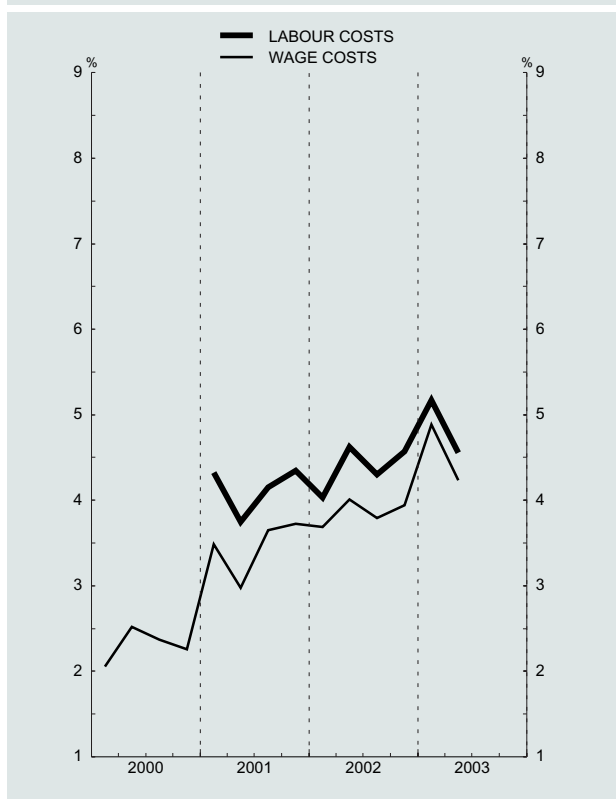
PER HOUR WORKED
Annual percentage change

— LABOUR COSTS PER HOUR. SPAIN
— LABOUR COST PER HOUR. EURO AREA
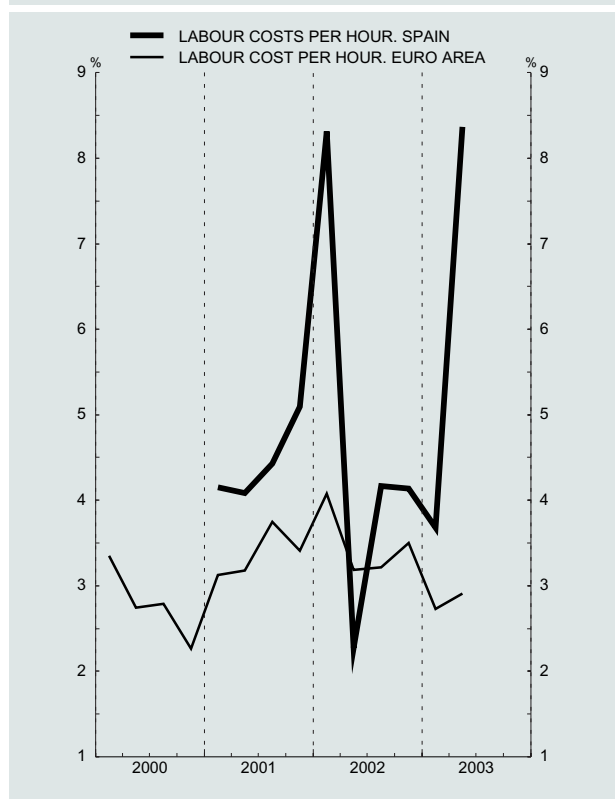
Sources: INE (Labour costs index) and Eurostat.
Note: The underlying series for this indicator are in Tables 24.25, 24.26 and 24.27 of de BE Boletín estadístico.
(a) Whole economy, excluding the agriculture, public administration, education and health sectors.

■ Series depicted in chart.   *Annual percentage changes*

		Whole-economy unit labour costs		Compensation per employee		Productivity						Memorandum item: unit labour costs in manufacturing	
								Output		Employment			
		Spain	Euro area	Spain (b)	Euro area	Spain	Euro area	Spain	Euro area	Spain (b)	Euro area	Spain (c)	Euro area
		1 ■	2 ■	3	4	5	6	7	8	9	10	11 ■	12
00	P	3.0	1.3	3.7	2.5	0.6	1.2	4.2	3.5	3.6	2.2	2.4	...
01	P	3.4	2.5	3.8	2.8	0.4	0.2	2.8	1.6	2.4	1.4	4.0	...
02	P	3.3	2.1	3.9	2.6	0.5	0.5	2.0	0.9	1.5	0.4	2.9	...
00 Q2	P	2.9	0.6	3.8	2.4	0.8	1.7	4.6	4.2	3.7	2.4	1.6	...
Q3	P	3.6	1.8	3.5	2.7	-0.1	0.9	3.8	3.2	3.9	2.3	4.1	...
Q4	P	3.3	2.2	3.1	2.6	-0.2	0.4	3.4	2.8	3.6	2.3	4.4	...
01 Q1	P	3.4	2.1	3.0	2.6	-0.4	0.4	3.1	2.5	3.5	2.0	5.9	...
Q2	P	3.5	2.7	3.7	2.8	0.2	0.1	2.6	1.6	2.3	1.5	3.7	...
Q3	P	3.3	2.3	4.5	2.7	1.1	0.3	3.1	1.5	2.0	1.2	2.7	...
Q4	P	3.4	3.0	4.1	3.0	0.6	0.0	2.6	0.8	2.0	0.8	3.6	...
02 Q1	P	3.3	3.1	4.0	2.9	0.7	-0.2	2.2	0.5	1.5	0.7	2.1	...
Q2	P	3.6	2.0	3.9	2.4	0.2	0.4	2.0	0.9	1.8	0.5	4.2	...
Q3	P	3.3	1.9	3.6	2.5	0.3	0.6	1.8	1.0	1.5	0.3	3.1	...
Q4	P	3.1	1.5	3.9	2.5	0.8	1.0	2.1	1.1	1.3	0.1	2.1	...
03 Q1	P	3.6	2.0	4.2	2.8	0.5	0.7	2.2	0.7	1.6	-0.0	2.7	...
Q2	P	3.1	2.5	3.7	2.8	0.6	0.2	2.3	0.2	1.7	-0.0	0.8	...

UNIT LABOUR COSTS: TOTAL
Annual percentage changes
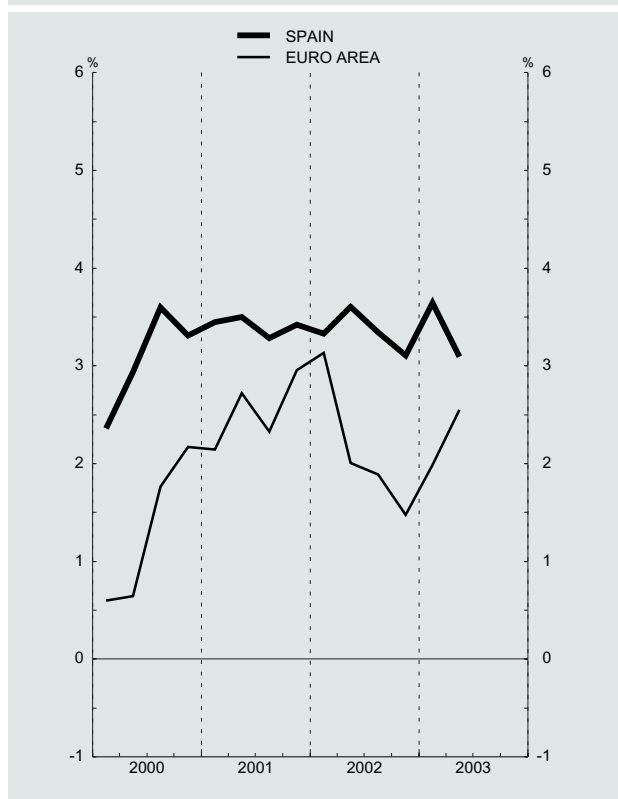
SPAIN
EURO AREA

UNIT LABOUR COSTS: MANUFACTURING
Annual percentage changes
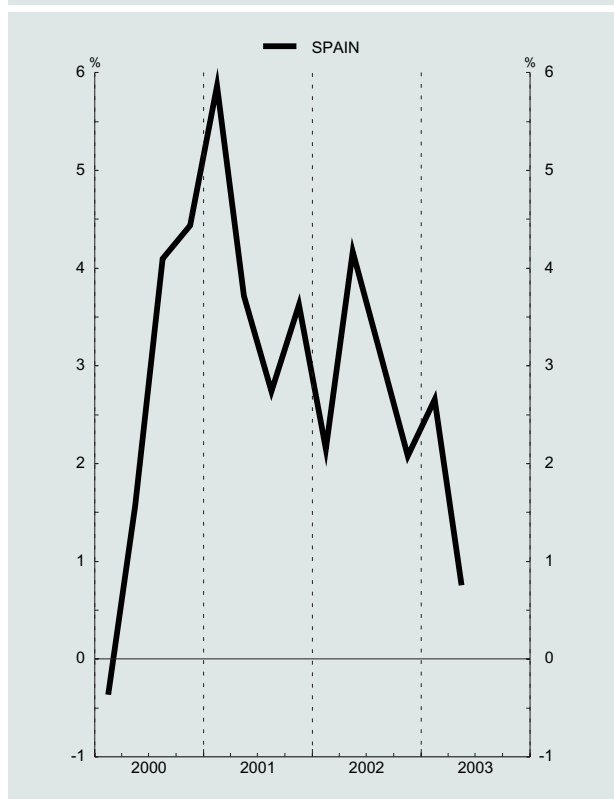
SPAIN

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
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
02	M	103.5	_	3.5	4.0	5.8	4.3	2.5	-0.1	4.6	3.7	99.5	-4.1
02 J-S	M	103.0	0.3	3.4	1.6	5.2	4.6	2.5	-1.6	4.6	3.8	101.2	-3.7
03 J-S	M	106.3	0.2	3.2	0.8	5.8	3.1	2.3	1.9	3.7	3.0	...	...
02 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	91.4	-5.3
Oct		104.9	1.0	4.0	3.5	7.5	3.8	2.5	3.7	4.7	3.7	95.9	-0.9
Nov		105.1	0.2	3.9	3.7	7.8	3.5	2.7	3.5	4.5	3.6	97.7	-4.6
Dec		105.5	0.3	4.0	4.0	7.0	3.4	2.6	5.7	4.4	3.5	98.6	-8.1
03 Jan		105.0	-0.4	3.7	-0.4	7.2	3.7	2.0	5.5	4.0	3.2	96.1	-10.3
Feb		105.2	0.2	3.8	-0.2	5.9	4.2	2.2	6.7	3.9	3.3	105.1	-0.7
Mar		106.0	0.7	3.7	0.5	5.6	4.1	2.3	6.1	3.6	3.2	108.9	-0.8
Apr		106.8	0.8	3.1	1.3	4.5	3.1	2.6	0.8	4.0	3.3	108.4	0.3
May		106.7	-0.1	2.7	1.2	4.6	2.8	2.6	-1.9	3.5	3.0	110.2	7.5
Jun		106.8	0.1	2.7	1.3	4.8	2.6	2.5	-0.6	3.5	2.9	107.1	6.6
Jul		106.1	-0.6	2.8	0.6	5.5	2.5	2.2	0.0	3.6	2.9	98.4	3.7
Aug		106.6	0.5	3.0	1.1	6.5	2.5	2.0	1.1	3.7	2.8	...	...
Sep		106.9	0.3	2.9	1.4	7.7	2.4	2.1	-0.2	3.5	2.8	...	...

CONSUMER PRICE INDEX. TOTAL AND COMPONENTS
Annual percentage changes

- **TOTAL**
- IPSEBENE (c)
- INDUSTRIAL GOODS EXCL. ENERGY PRODUCTS
- SERVICES

CONSUMER PRICE INDEX. COMPONENTS
Annual percentage changes

- **PROCESSED FOOD**
- UNPROCESSED FOOD
- ENERGY
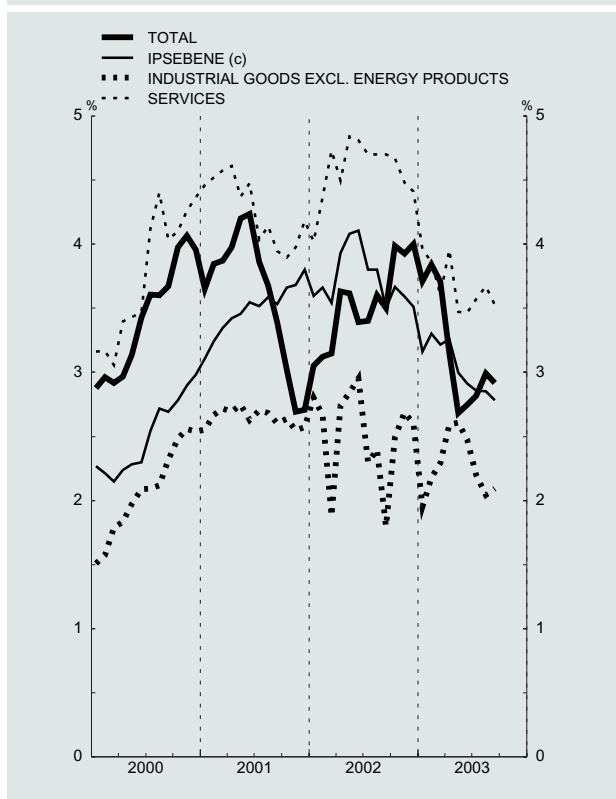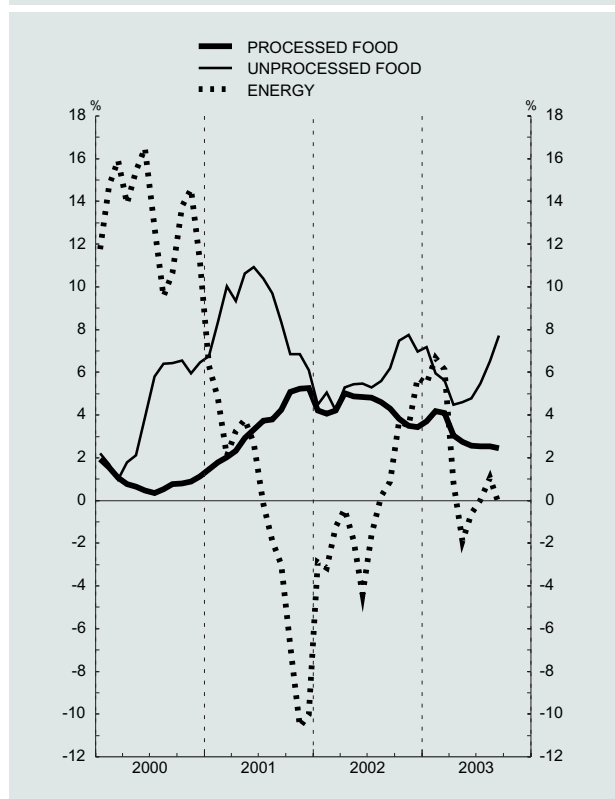
Sources: INE, Ministerio de Agricultura, Pesca y Alimentación and BE.

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).

(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.

■ Series depicted in chart.   *Annual percentage changes*

		Total		Goods															Services	
						Food						Industrial								
						Total		Processed		Unprocessed				Non-energy		Energy				
		Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
00	M	3.5	2.1	3.4	2.5	2.4	1.4	0.9	1.2	3.8	1.8	4.1	3.0	2.0	0.5	13.4	13.0	3.6	1.5
01	M	2.8	2.3	2.3	2.3	5.1	4.5	2.7	2.9	7.2	7.0	0.6	1.2	1.0	0.9	-0.7	2.2	3.9	2.5
02	M	3.6	2.3	3.0	1.7	4.8	3.1	4.9	3.1	4.7	3.1	1.9	1.0	2.6	1.5	-0.2	-0.6	4.6	3.1
02 *J-S*	M	3.5	2.2	2.8	1.6	4.8	3.3	5.2	3.2	4.4	3.6	1.6	0.8	2.5	1.5	-1.6	-1.7	4.6	3.2
03 *J-S*	M	3.2	2.1	3.0	1.7	4.0	2.5	3.5	3.2	4.5	1.7	2.3	1.3	2.4	0.8	1.9	3.5	3.7	2.6
02 *Jun*		3.4	1.9	2.6	1.0	5.0	2.3	5.7	3.1	4.3	1.2	1.2	0.4	2.9	1.5	-4.4	-3.6	4.9	3.2
Jul		3.5	2.0	2.8	1.1	4.9	2.2	5.7	3.0	4.1	0.9	1.4	0.7	2.4	1.3	-1.5	-1.6	4.7	3.2
Aug		3.7	2.1	3.1	1.4	4.9	2.3	5.6	3.0	4.3	1.4	2.0	0.9	2.5	1.3	0.3	-0.3	4.8	3.3
Sep		3.5	2.1	2.9	1.4	5.0	2.4	5.2	2.8	4.7	1.7	1.7	0.9	1.9	1.3	0.9	-0.2	4.8	3.2
Oct		4.0	2.3	3.7	1.7	5.0	2.2	4.5	2.6	5.6	1.7	2.9	1.5	2.6	1.2	3.7	2.6	4.8	3.1
Nov		3.9	2.3	3.7	1.8	4.9	2.3	4.0	2.6	5.8	1.9	3.0	1.5	2.8	1.3	3.5	2.4	4.6	3.1
Dec		4.0	2.3	3.9	1.9	4.6	2.1	3.9	2.7	5.4	1.3	3.4	1.7	2.7	1.2	5.8	3.8	4.5	3.0
03 *Jan*		3.8	2.1	3.6	1.6	4.9	1.4	4.2	2.8	5.5	-0.7	2.9	1.7	2.1	0.6	5.5	6.0	4.0	2.8
Feb		3.8	2.4	3.9	2.1	4.8	2.0	4.8	3.2	4.8	0.3	3.3	2.2	2.3	0.7	6.7	7.7	3.9	2.7
Mar		3.7	2.4	3.8	2.2	4.6	2.2	4.7	3.3	4.5	0.7	3.3	2.2	2.4	0.8	6.1	7.5	3.6	2.6
Apr		3.2	2.1	2.8	1.5	3.6	2.3	3.4	3.3	3.7	0.9	2.3	1.1	2.7	0.8	0.8	2.2	3.9	2.9
May		2.7	1.8	2.3	1.4	3.4	2.4	3.1	3.3	3.7	1.1	1.7	0.9	2.8	0.9	-2.0	0.6	3.4	2.5
Jun		2.8	1.9	2.4	1.6	3.3	2.9	2.9	3.2	3.8	2.5	1.9	1.0	2.6	0.8	-0.6	1.6	3.4	2.5
Jul		2.9	1.9	2.5	1.6	3.5	3.0	2.9	3.2	4.2	2.7	1.8	1.0	2.3	0.7	-	2.0	3.5	2.3
Aug		3.1	2.1	2.7	1.7	3.9	3.1	2.9	3.0	4.8	3.3	2.0	1.0	2.2	0.6	1.0	2.7	3.7	2.5
Sep		3.0	2.1	2.6	1.8	4.2	3.5	2.9	3.1	5.5	4.2	1.7	1.0	2.2	0.8	-0.2	1.7	3.5	2.5

HARMONISED INDEX OF CONSUMER PRICES. TOTAL
Annual percentage changes

— TOTAL (SPAIN)
— TOTAL (EURO AREA)
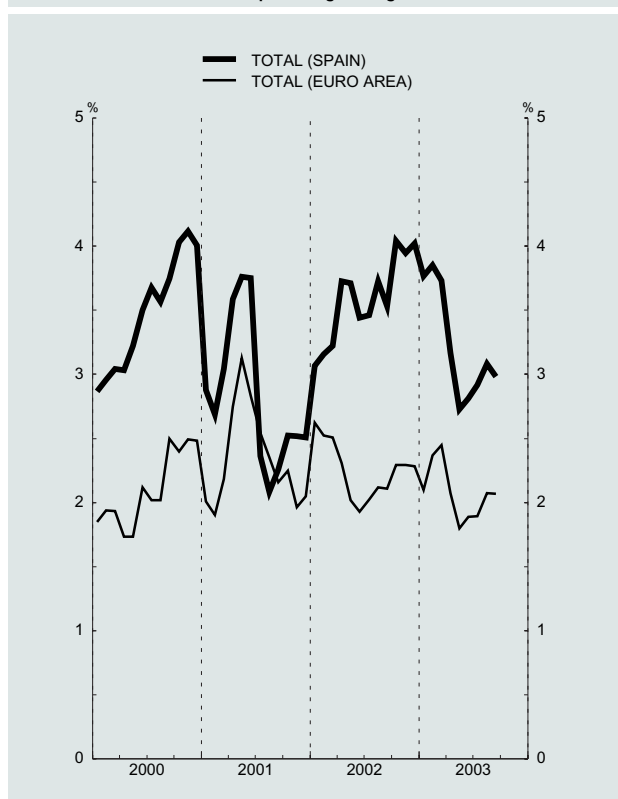
HARMONISED INDEX OF CONSUMER PRICES. COMPONENTS
Annual percentage changes

— GOODS (SPAIN)
— GOODS (EURO AREA)
···· SERVICES (SPAIN)
- - - SERVICES (EURO AREA)
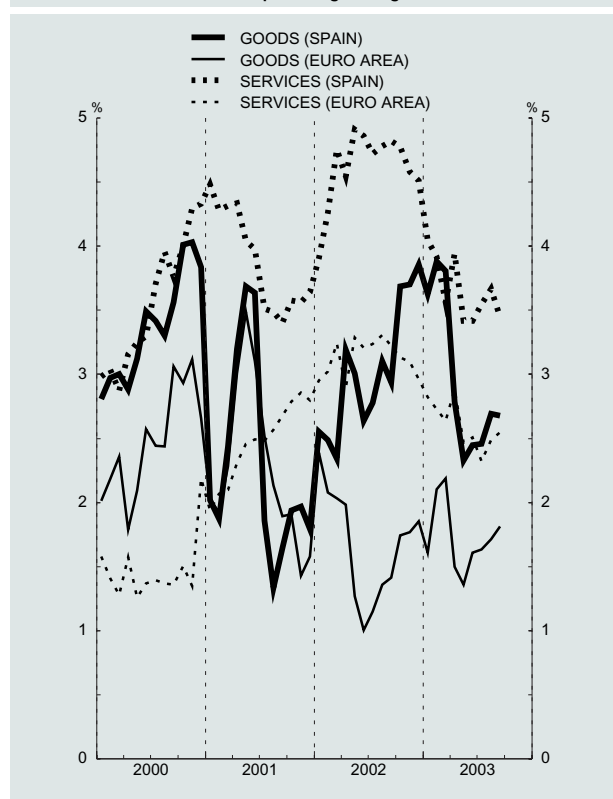
Source: Eurostat.

(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).

5.3. Producer price index. Spain and euro area (a)

■ Series depicted in chart.   *Annual percentage changes*

		Total (100%)			Consumption (32.1 %)			Investment (18.3 %)			Intermediate (31.6 %)			Energy (18.0%)		Memorandum item: euro area				
		Original series	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Total 12-month % change	Consumption 12-month % change	Investment 12-month % change	Intermediate 12-month % change	Energy 12-month % change
		1	2	3 ■	4	5 ■	6	7 ■	8	9 ■	10	11	12 ■	13	14	15	16
00	M P	100.0	–	5.4	–	1.3	–	1.4	–	6.8	–	22.7	5.3	1.6	0.6	5.1	17.3
01	M P	101.7	–	1.7	–	3.6	–	1.2	–	1.4	–	-2.0	2.2	2.9	1.0	1.2	3.0
02	M P	102.4	–	0.7	–	2.2	–	1.8	–	0.2	–	-1.3	-0.0	1.3	0.9	-0.3	-1.8
02 *J-A*	M P	102.2	–	0.2	–	2.3	–	1.8	–	-0.3	–	-3.5	-0.5	1.3	1.0	-0.8	-3.6
03 *J-A*	M P	103.9	–	1.7	–	2.1	–	1.1	–	0.9	–	3.0	1.8	1.4	0.4	1.1	4.9
02 *May*	P	102.7	0.2	0.5	-	2.4	-	1.9	0.2	-0.3	0.2	-2.9	-0.7	1.0	1.1	-0.8	-4.2
Jun	P	102.4	-0.3	0.2	-0.1	2.3	-	1.9	0.2	0.2	-1.5	-5.1	-0.8	1.0	0.9	-0.5	-4.9
Jul	P	102.4	-	0.4	0.1	2.0	-	1.9	-	0.6	-0.4	-4.1	-0.2	1.1	0.8	0.1	-2.9
Aug	P	102.6	0.2	0.7	0.2	1.9	-	1.9	1.0	0.9	1.0	-1.7	-	1.2	0.8	0.3	-1.9
Sep	P	103.0	0.4	1.0	0.2	2.1	-	1.8	-0.1	0.8	2.0	-0.3	0.3	1.4	0.8	0.5	-1.4
Oct	P	103.2	0.2	1.7	-0.1	2.0	-	1.7	-0.2	1.1	1.4	3.8	1.1	1.4	0.7	0.8	2.3
Nov	P	102.6	-0.6	1.7	-0.1	1.9	0.1	1.7	-0.1	1.4	-2.7	4.1	1.2	1.3	0.8	1.2	2.3
Dec	P	102.7	0.1	2.0	-	1.7	0.1	1.8	-	1.9	0.4	6.2	1.6	1.5	0.8	1.2	3.9
03 *Jan*	P	103.8	1.1	2.5	0.7	1.9	0.4	1.4	0.5	1.2	3.8	7.4	2.3	1.4	0.5	1.4	6.7
Feb	P	104.4	0.6	2.9	0.4	2.0	0.2	1.2	0.5	1.5	1.3	8.9	2.7	1.4	0.3	1.7	8.3
Mar	P	105.0	0.6	3.0	0.6	2.2	0.1	1.2	0.2	1.5	1.8	9.5	2.4	1.4	0.3	1.7	7.4
Apr	P	103.9	-1.0	1.4	-0.2	1.6	0.1	1.0	0.1	1.3	-5.6	1.3	1.7	1.3	0.4	1.6	3.4
May	P	103.4	-0.5	0.7	0.2	1.8	0.2	1.2	-0.1	1.0	-3.3	-2.3	1.3	1.3	0.4	1.3	1.8
Jun	P	103.3	-0.1	0.9	0.1	2.0	-	1.2	-0.4	0.4	-0.2	-0.9	1.4	1.3	0.4	0.8	3.3
Jul	P	103.5	0.2	1.1	0.6	2.5	-0.1	1.1	-0.3	0.1	0.7	0.2	1.4	1.4	0.4	0.4	3.8
Aug	P	103.7	0.2	1.1	0.4	2.7	-	1.1	-0.1	-	0.9	0.1	1.4	1.3	0.4	0.1	4.5

PRODUCER PRICE INDEX. TOTAL
Annual percentage changes

— TOTAL (SPAIN)
— TOTAL (EURO AREA)

PRODUCER PRICE INDEX. COMPONENTS
Annual percentage changes
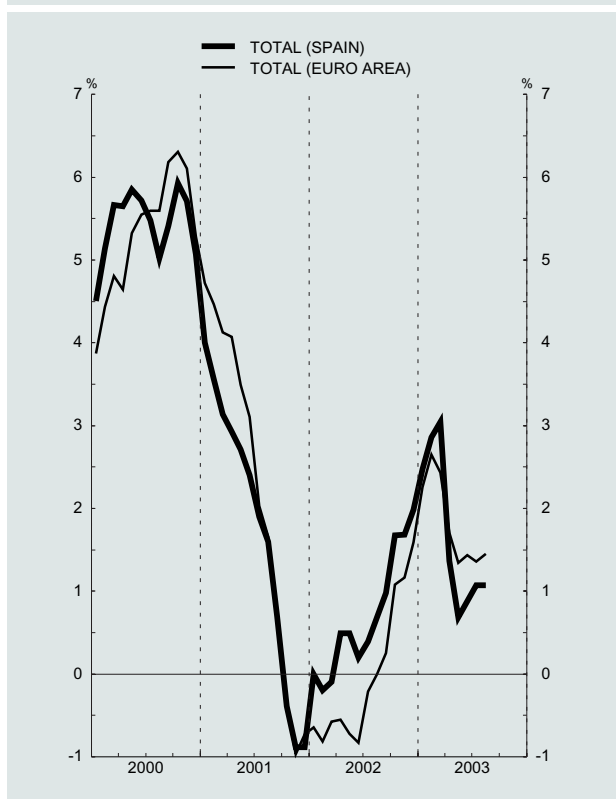
— CONSUMPTION
— INVESTMENT
••• INTERMEDIATE GOODS
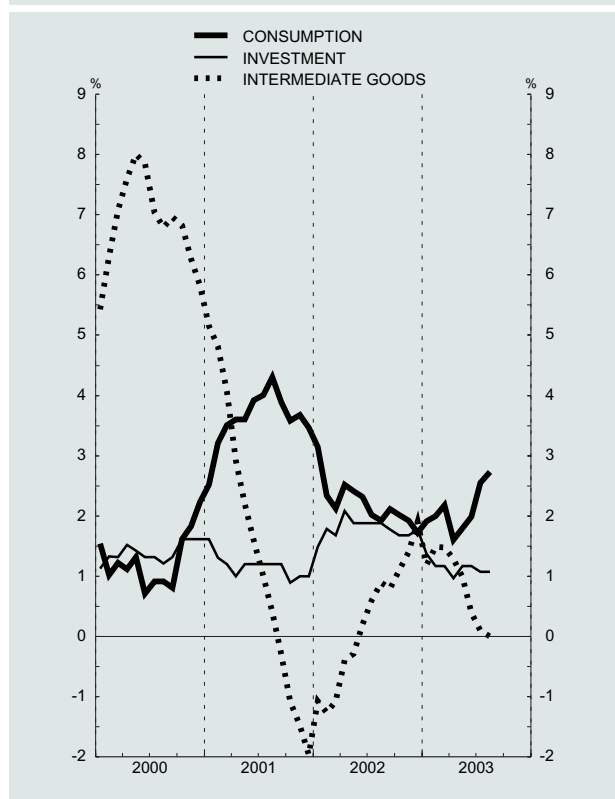
Sources: INE and ECB.
Note: The underlying series for this indicator, for Spain, are in Table 25.3 of the BE Boletín estadístico.
  (a) Spain: 2000=100; euro area: 2000=100.

5.4 Unit value indices for Spanish foreign trade

■ Series depicted in chart.   *Annual percentage changes*

	Exports/dispatches						Imports/arrivals					
	Total	Consumer goods	Capital goods	Intermediate goods			Total	Consumer goods	Capital goods	Intermediate goods		
				Total	Energy	Non-energy				Total	Energy	Non-energy
	1 ■	2 ■	3	4 ■	5	6	7 ■	8 ■	9 ■	10 ■	11	12
00	6.2	6.1	-0.9	8.9	80.1	6.6	13.0	5.6	6.9	18.8	94.6	8.0
01	2.7	4.1	6.2	-0.2	2.6	1.0	-0.4	1.7	0.9	-1.9	-7.9	0.1
02	0.2	-0.8	12.2	-2.4	-6.4	-1.8	-3.1	-0.5	0.6	-5.3	-5.3	-4.2
02 *J-J*	0.4	-0.7	18.2	-3.8	-13.3	-2.9	-3.5	1.9	-1.0	-6.6	-13.2	-4.7
03 *J-J*	-1.0	0.2	-10.4	0.9	12.5	-0.5	-0.3	-0.9	-6.4	1.9	7.8	1.5
02 *Feb*	2.4	3.3	25.3	-4.5	-13.8	-3.4	-1.2	-0.8	7.1	-3.8	-20.3	0.8
Mar	3.3	4.1	20.1	-2.3	-11.3	-1.3	-4.9	0.4	-3.5	-7.6	-11.2	-5.7
Apr	0.3	1.4	13.0	-4.1	-1.3	-3.7	1.1	5.5	1.0	-1.0	-1.0	-0.8
May	-1.4	-2.2	20.3	-6.3	-13.4	-5.5	-1.7	1.4	7.3	-5.7	-4.5	-5.3
Jun	-0.1	-3.3	11.1	-0.4	-6.7	-0.2	-5.4	-0.1	-3.9	-8.3	-18.8	-6.5
Jul	-2.1	-3.1	4.0	-3.3	-18.0	-2.5	-7.5	0.3	-6.0	-11.3	-15.4	-9.8
Aug	0.2	0.9	8.1	-2.2	-13.0	-1.4	-8.2	-12.3	3.9	-9.2	-9.1	-6.1
Sep	-0.4	1.1	-2.1	-1.6	-2.3	-1.2	-0.9	-1.1	5.5	-2.3	-1.5	-0.2
Oct	1.1	-1.0	9.5	0.1	4.0	0.1	-0.0	-0.2	4.2	-1.1	14.3	-2.6
Nov	0.6	-0.6	4.6	1.1	4.5	1.3	-0.5	-1.3	5.2	-2.0	12.0	-3.6
Dec	-1.9	-4.8	-0.2	-0.2	22.5	-0.1	-3.3	-4.4	-4.4	-2.2	12.9	-4.3
03 *Jan*	0.8	4.7	-8.0	0.4	18.1	-1.4	3.6	-4.0	2.0	7.4	36.6	2.7
Feb	0.3	0.5	-11.3	3.9	30.5	2.6	-5.1	2.7	-8.9	-6.9	28.5	-13.5
Mar	-2.1	-3.5	-5.4	0.0	31.8	-2.3	2.9	1.4	-3.0	5.3	25.0	2.0
Apr	-1.3	0.5	-8.1	-0.0	1.6	-2.0	-2.5	-0.1	-10.9	-0.9	-4.5	0.6
May	-0.9	-2.0	-9.2	2.1	3.0	0.9	-2.0	-1.9	-10.0	0.4	-13.8	4.1
Jun	-3.2	-1.4	-14.7	-0.8	-6.0	-1.4	0.7	-0.6	-7.2	3.7	-9.8	8.3
Jul	-0.9	2.5	-16.0	1.0	9.0	-0.0	-0.0	-3.4	-7.2	3.3	-6.0	5.4

EXPORT AND IMPORT UNIT VALUE INDICES (a)

EXPORTS
IMPORTS
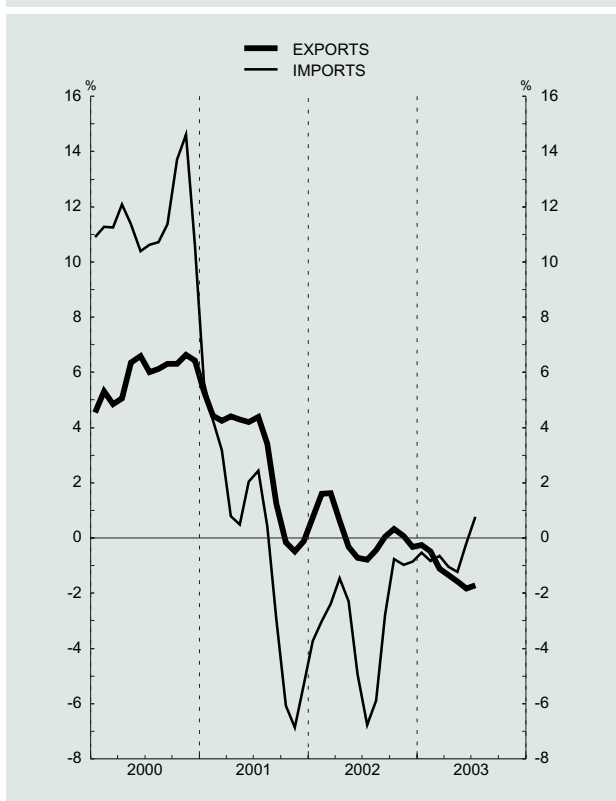
IMPORT UNIT VALUE INDICES BY PRODUCT GROUP (a)

CONSUMER GOODS
CAPITAL GOODS
INTERMEDIATE GOODS
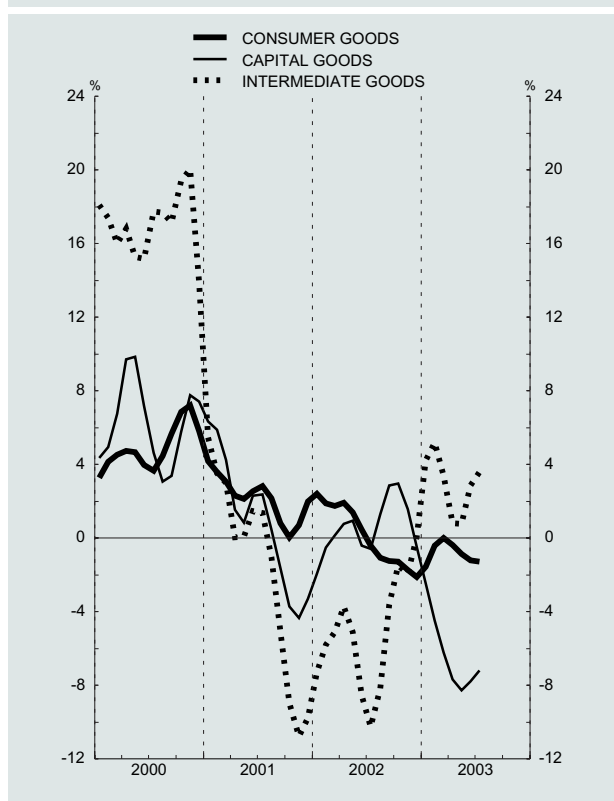
Sources: ME and BE.
Note: The underlying series for this indicator are in the Tables 17.6 and 17.7 of the Boletín estadístico.
 (a) Annual percentage changes (trend obteined with TRAMO-SEATS).

6.1. State resources and uses according to the National Accounts (ESA 95). Spain

EUR millions

		Current and capital resources						Current and capital uses						Memorandum item: cash-basis deficit		
	Net lending (+) or borrowing (-)	Total	Value added tax (VAT)	Other taxes on products and imports	Interest and other income on property	Income and wealth taxes	Other	Total	Compensation of employees	Interest	Current and capital transfers within general government	Investment grants and other capital transfers	Other	Cash-basis deficit	Revenue	Expenditure
	1=2-8	2=3 a 7	3	4	5	6	7	8=9 a13	9	10	11	12	13	14=15-16	15	16
99	-6 538	109 009	28 574	16 408	5 877	46 887	11 263	115 547	17 363	16 912	57 721	3 035	20 516	-6 354	110 370	116 724
00	-5 592	117 346	31 262	17 171	5 210	52 526	11 177	122 938	15 806	16 726	65 635	3 705	21 066	-2 431	118 693	121 124
01 P	-4 038	124 612	32 437	17 836	6 712	56 268	11 359	128 650	16 082	16 940	69 982	3 447	22 199	-2 884	125 193	128 077
02 A	-3 576	108 220	24 262	11 426	5 327	56 355	10 850	111 796	17 011	16 550	50 064	3 251	24 920	-2 626	108 456	111 082
02 J-S A	376	76 442	19 005	8 744	3 401	38 215	7 077	76 066	12 223	12 411	35 530	1 484	14 418	-6 607	75 358	81 964
03 J-S A	256	77 539	19 674	8 096	3 131	39 347	7 291	77 283	12 730	12 041	34 902	1 458	16 152	-6 424	76 532	82 955
02 Sep A	-580	7 625	2 342	981	148	2 999	1 155	8 205	1 327	1 350	3 532	271	1 725	481	7 046	6 566
Oct A	8 219	18 254	4 152	874	419	10 471	2 338	10 035	1 186	1 395	4 360	1 304	1 790	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
Dec A	-10 437	5 577	433	850	461	3 611	222	16 014	2 275	1 368	5 854	90	6 427	-2 295	8 870	11 165
03 Jan A	1 599	8 489	-967	843	290	7 747	576	6 890	1 191	1 430	3 070	68	1 131	-5 961	8 638	14 599
Feb A	7 161	15 185	10 643	876	686	2 417	563	8 024	1 362	1 246	3 728	219	1 469	7 864	14 957	7 093
Mar A	-5 118	3 965	640	791	197	1 693	644	9 083	1 323	1 366	4 383	192	1 819	-4 710	3 489	8 199
Apr A	7 391	16 038	5 068	812	671	8 922	565	8 647	1 390	1 332	3 727	165	2 033	8 334	16 064	7 730
May A	-5 727	3 003	245	882	293	594	989	8 730	1 301	1 373	3 807	215	2 034	-5 297	2 851	8 147
Jun A	-8 065	2 571	-488	887	343	382	1 447	10 636	2 176	1 323	4 609	212	2 316	-7 123	2 032	9 155
Jul A	5 176	13 619	3 971	1 134	175	7 818	521	8 443	1 324	1 378	3 868	46	1 827	1 652	14 185	12 533
Aug A	-1 659	6 484	-1 839	787	314	6 207	1 015	8 143	1 313	1 333	3 657	81	1 759	-765	6 628	7 393
Sep A	-502	8 185	2 401	1 084	162	3 567	971	8 687	1 350	1 260	4 053	260	1 764	-418	7 687	8 105

STATE. NET LENDING OR BORROWING AND CASH-BASIS DEFICIT (Lastest 12 months)
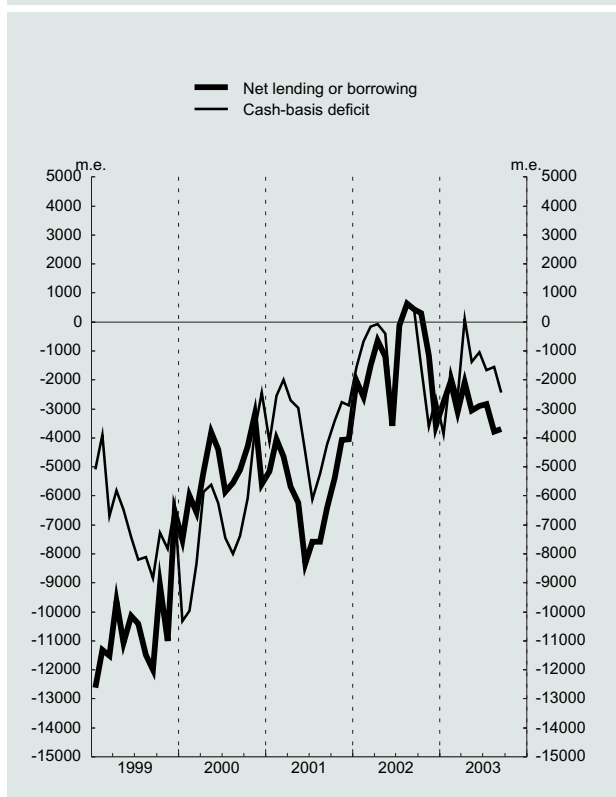
STATE. RESOURCES AND USES ACCORDING TO THE NATIONAL ACCOUNTS (Latest 12 months)
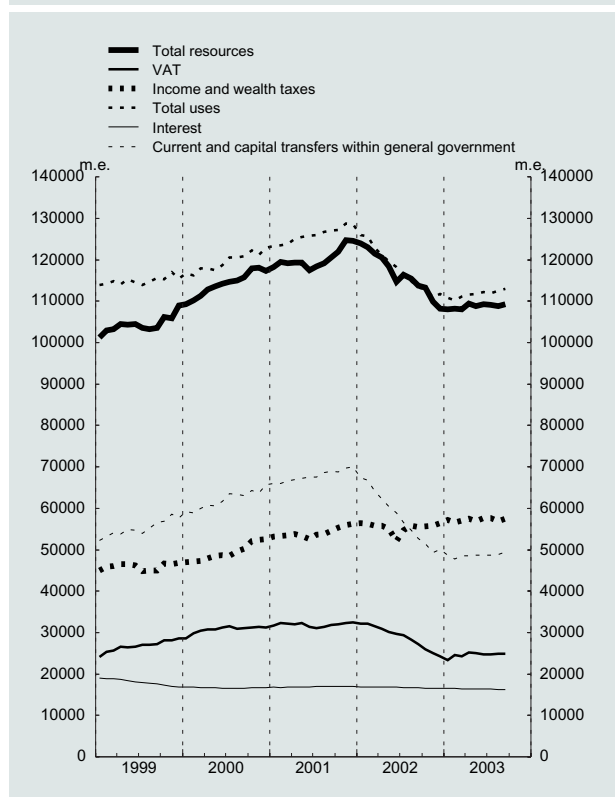
Source: Ministerio de Hacienda (IGAE).

6.2. State financial transactions (ESA 95). Spain

EUR billions

		Net acquisition of financial assets			Net incurrence of liabilities											Net incurrence of liabilities (excluding other accounts payable)
	Net lending (+) or net borrowing(-)	Of which		Total	Of which	By instrument					By counterpart sector			Rest of the world	
		Total	Deposits at the Banco de España		In currencies other than the peseta/ euro	Short-term securities	Goverment bonds and assumed debt	Banco de España loans	Other marketable liabilities (a)	Other accounts payable	Held by resident sectors				
											Total	Monetary financial institutions	Other resident sectors		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
99	-6 538	5 452	4 574	11 991	199	-6 629	19 581	-499	-446	-18	-10 035	-7 734	-2 301	22 026	12 008
00	-5 592	5 357	5 690	10 949	1 163	-8 683	17 129	-499	283	2 719	-21 975	-10 554	-11 421	32 924	8 230
01 P	-4 038	-5 294	-20 141	-1 256	826	-8 616	12 545	-499	-3 101	-1 586	-10 463	5 386	-15 849	9 206	329
02 A	-3 576	6 242	-95	9 818	-893	346	6 655	-486	1 488	1 815	4 350	2 797	1 552	5 468	8 002
02 J-S A	376	5 127	-90	4 751	-1 007	526	2 605	-	1 356	264	-1 012	862	-1 874	5 762	4 487
03 J-S A	256	2 093	-0	1 837	-206	2 859	-3 433	-	-339	2 750	7 467	8 773	-1 306	-5 630	-913
02 Sep A	-580	7 778	5	8 358	100	1 133	6 088	-	111	1 026	3 469	3 180	290	4 888	7 331
Oct A	8 219	8 225	-5	6	36	171	-57	-	35	-144	26	-550	577	-21	149
Nov A	-1 734	-1 062	-1	672	37	88	1 490	-	7	-913	1 455	630	825	-783	1 585
Dec A	-10 437	-6 047	0	4 390	40	-439	2 616	-486	90	2 609	3 880	1 855	2 025	509	1 781
03 Jan A	1 599	-6 981	-0	-8 580	-39	2 994	-10 919	-	-50	-605	-2 397	2 173	-4 569	-6 183	-7 975
Feb A	7 161	10 081	0	2 920	26	-956	3 177	-	-93	792	1 872	858	1 014	1 048	2 128
Mar A	-5 118	-2 796	-1	2 322	-64	603	1 546	-	-103	276	4 007	2 209	1 798	-1 685	2 046
Apr A	7 391	14 165	-4	6 774	16	745	6 115	-	-114	28	2 162	1 668	493	4 612	6 746
May A	-5 727	-8 555	4	-2 828	-14	-419	-1 668	-	37	-779	-2 476	-4 420	1 945	-353	-2 050
Jun A	-8 065	-3 298	-2	4 767	35	-292	4 617	-	33	409	6 042	6 642	-600	-1 275	4 358
Jul A	5 176	-479	2	-5 655	-113	880	-7 759	-	11	1 212	-4 368	-3 339	-1 030	-1 287	-6 868
Aug A	-1 659	-283	1	1 376	-39	-710	-3 020	-	-59	5 165	1 291	2 342	-1 050	85	-3 789
Sep A	-502	240	-1	742	-14	14	4 479	-	-2	-3 749	1 334	641	693	-592	4 491

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

- Net incurrence of liabilities. By instrument
- Short-term securities
- Goverment bonds and assumed debt
- Other marketable liabilities
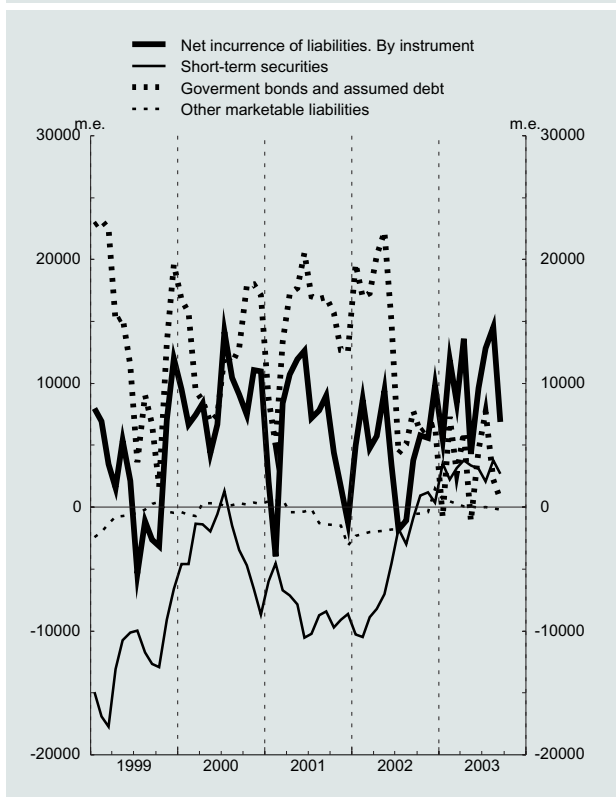
STATE. NET INCURRENCE OF LIABILITIES. BY COUNTERPART SECTOR
(Latest 12 months)
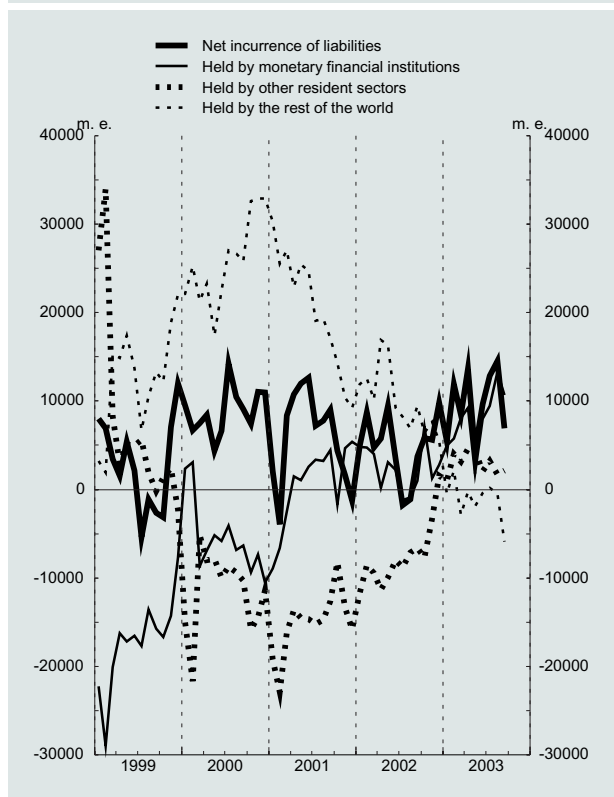
- Net incurrence of liabilities
- Held by monetary financial institutions
- Held by other resident sectors
- Held by the rest of the world

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

EUR millions

			of which	By instrument				By counterpart sector				Memorandum item:	
		State debt according to the metodology of the excessive deficit procedure	In currencies other than the peseta/euro	Short-term securities	Government bonds and assumed debt	Banco de España loans	Other marketable liabilities (a)	Held by resident sectors			Rest of the world	Deposits at the Banco de España	Guarantees given (contingent liabilities). Outstanding level
								Total	General government	Other resident sectors			
		1	2	3	4	5	6	7	8	9	10	11	12
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	215 200	305	214 895	69 258	10 273	6 412
99		298 378	7 189	53 142	227 151	9 843	8 243	207 458	150	207 308	91 070	14 846	5 310
00		308 212	8 197	44 605	245 711	9 344	8 552	188 482	695	187 787	120 424	20 536	5 430
01	P	307 434	7 611	35 428	257 716	8 845	5 445	179 118	1 474	177 644	129 791	395	5 460
02 *Jul*	P	303 819	6 187	37 019	253 117	8 845	4 838	175 687	3 970	171 718	132 101	303	7 099
Aug	P	303 118	6 206	34 546	254 851	8 845	4 876	174 529	3 970	170 559	132 559	300	7 092
Sep	P	308 928	6 089	35 666	259 554	8 845	4 863	175 609	3 970	171 640	137 288	305	7 063
Oct	A	309 866	6 044	35 795	260 332	8 845	4 893	177 084	3 970	173 115	136 751	300	7 046
Nov	A	308 431	6 011	35 847	258 843	8 845	4 896	177 454	5 713	171 741	136 691	299	6 920
Dec	A	308 792	5 823	35 459	260 060	8 359	4 914	177 561	5 648	171 913	136 880	300	6 819
03 *Jan*	A	303 668	5 633	38 508	251 959	8 359	4 842	177 633	5 563	172 070	131 598	300	6 325
Feb	A	305 627	5 664	37 525	254 987	8 359	4 755	179 407	5 563	173 844	131 783	300	6 324
Mar	A	305 975	5 551	38 090	254 881	8 359	4 644	182 471	6 150	176 321	129 654	299	6 271
Apr	A	311 560	5 412	38 815	259 871	8 359	4 515	183 965	6 341	177 624	133 936	295	6 213
May	A	308 676	5 129	38 376	257 420	8 359	4 521	185 234	6 309	178 926	129 750	300	6 051
Jun	A	310 980	5 264	38 055	259 999	8 359	4 567	191 317	7 118	184 198	126 782	298	6 079
Jul	A	307 269	5 313	38 895	255 475	8 359	4 540	188 595	7 667	180 927	126 342	299	6 070
Aug	A	302 704	5 597	38 171	251 608	8 359	4 566	187 785	8 043	179 741	122 963	300	6 098
Sep	A	304 674	5 437	38 151	253 628	8 359	4 535	...	9 109	...	...	299	6 894

STATE. LIABILITIES OUTSTANDING
By instrument

- State debt
- Short-term securities
- Goverment bonds
- Banco de España loans
- Other marketable liabilities

STATE. LIABILITIES OUTSTANDING
By counterpart sector
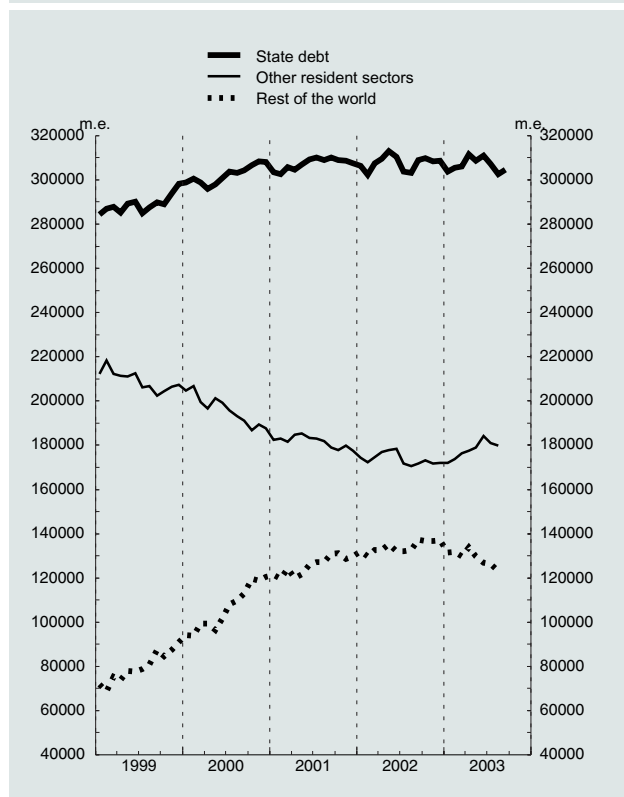
- State debt
- Other resident sectors
- Rest of the world

Source: BE.

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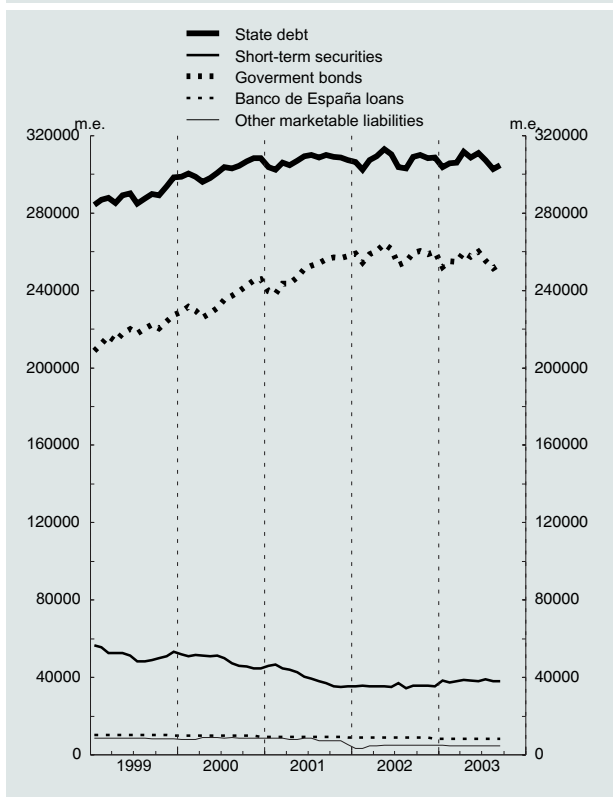
■ Series depicted in chart.

EUR millions

	Total (balance) 1=2+5+10+13	Goods Balance 2=3-4	Goods Receipts 3	Goods Payments 4	Services Balance 5=6-8	Services Receipts Total 6	Services Receipts Of which Tourism and travel 7	Services Payments Total 8	Services Payments Of which Tourism and travel 9	Income Balance 10=11-12	Income Receipts 11	Income Payments 12	Current transfers (balance) 13	Capital account (balance) 14	Current account plus Capital account 15=1+14	Financial account (balance) (b) 16	Errors and omissions 17=-(15+16)
00	-20 991	-37 778	126 070	163 848	24 243	58 407	33 750	34 163	5 967	-8 985	16 321	25 306	1 528	5 181	-15 811	21 300	-5 489
01	-18 346	-36 396	131 703	168 099	27 131	65 111	36 602	37 980	6 661	-10 878	22 156	33 034	1 798	5 566	-12 780	20 072	-7 293
02	-16 627	-34 712	133 218	167 931	26 128	66 153	35 543	40 025	7 020	-10 466	21 321	31 787	2 424	7 498	-9 129	16 179	-7 050
02 *J-J*	-7 167	-16 988	77 725	94 713	14 532	37 303	19 815	22 771	3 856	-6 855	12 368	19 223	2 143	4 263	-2 904	8 515	-5 611
03 *J-J* P	-11 680	-19 953	83 107	103 060	15 250	38 974	20 600	23 725	3 898	-7 969	12 862	20 831	992	4 394	-7 286	10 634	-3 348
02 *Apr*	-2 391	-2 505	11 558	14 063	1 612	4 932	2 435	3 320	459	-1 064	1 582	2 646	-434	903	-1 488	1 522	-34
May	-511	-2 784	11 343	14 126	2 636	5 812	3 190	3 176	505	-477	1 645	2 122	113	715	204	580	-784
Jun	-976	-2 790	10 876	13 666	2 545	5 698	3 197	3 153	577	-475	1 836	2 311	-256	615	-361	-169	530
Jul	-857	-2 697	11 348	14 045	3 405	7 260	4 356	3 854	772	-2 068	2 367	4 434	502	343	-515	1 632	-1 117
Aug	396	-2 605	9 002	11 607	3 463	6 515	4 044	3 052	736	-687	1 035	1 722	225	837	1 233	-458	-774
Sep	-2 493	-3 774	10 728	14 502	2 154	5 606	3 140	3 451	655	-1 412	1 450	2 862	538	784	-1 710	1 730	-20
Oct	-1 073	-3 617	12 826	16 443	2 570	6 330	3 541	3 760	707	38	2 426	2 388	-65	1 232	159	998	-1 157
Nov	-1 823	-3 279	12 049	15 327	2 175	5 541	2 994	3 366	568	-482	1 471	1 953	-238	82	-1 741	2 622	-881
Dec	-4 466	-4 450	10 889	15 339	1 233	4 858	2 010	3 625	498	-1 069	2 570	3 639	-179	300	-4 166	2 773	1 393
03 *Jan* P	-2 199	-2 694	10 592	13 286	1 176	4 751	2 121	3 575	578	-1 864	1 953	3 816	1 183	1 276	-923	1 549	-626
Feb P	-883	-2 491	11 457	13 948	1 299	4 510	2 152	3 211	503	-869	1 417	2 286	1 179	473	-410	642	-232
Mar P	-2 423	-2 751	12 460	15 211	1 611	4 907	2 382	3 295	472	-1 172	1 608	2 780	-111	70	-2 352	2 823	-470
Apr P	-1 209	-2 487	12 608	15 094	2 129	5 376	2 698	3 247	462	-438	2 297	2 735	-414	26	-1 184	2 447	-1 263
May P	-964	-2 928	12 581	15 509	2 848	6 080	3 413	3 231	478	-574	1 661	2 235	-310	603	-361	570	-209
Jun P	-1 922	-2 942	12 020	14 962	2 616	6 003	3 373	3 387	610	-1 274	1 700	2 974	-322	1 587	-335	573	-238
Jul P	-2 080	-3 660	11 389	15 049	3 570	7 348	4 461	3 778	794	-1 777	2 228	4 005	-213	359	-1 722	2 030	-308

SUMMARY
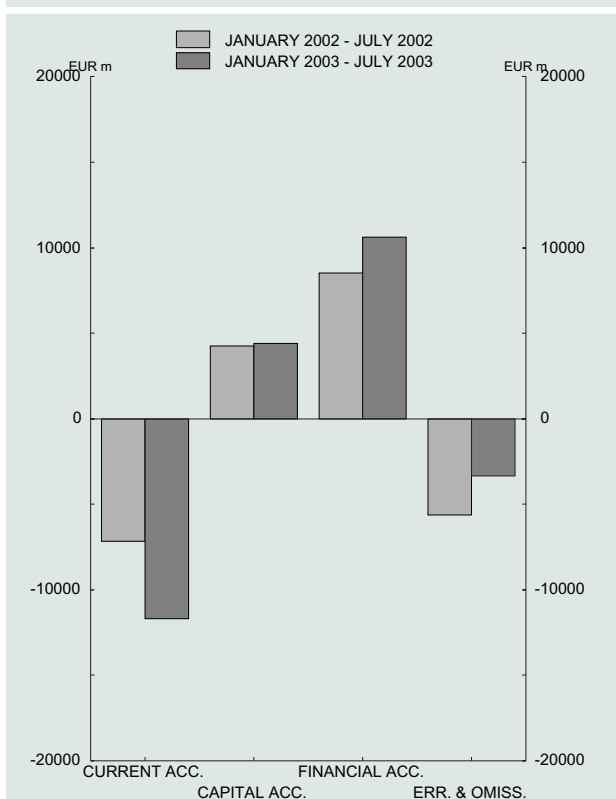
JANUARY 2002 - JULY 2002
JANUARY 2003 - JULY 2003

CURRENT ACC.   CAPITAL ACC.   FINANCIAL ACC.   ERR. & OMISS.

CURRENT ACCOUNT

JANUARY 2002 - JULY 2002
JANUARY 2003 - JULY 2003

GOODS   SERVICES   INCOME   TRANSFERS

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)

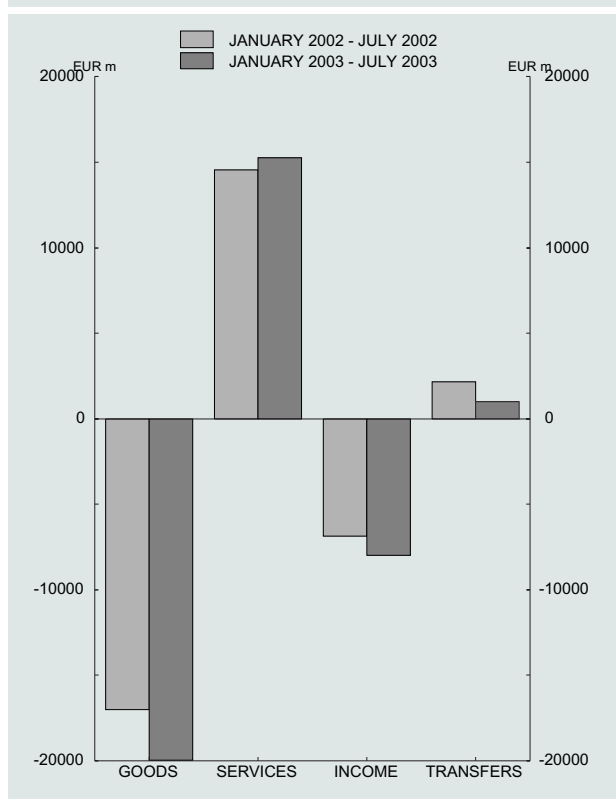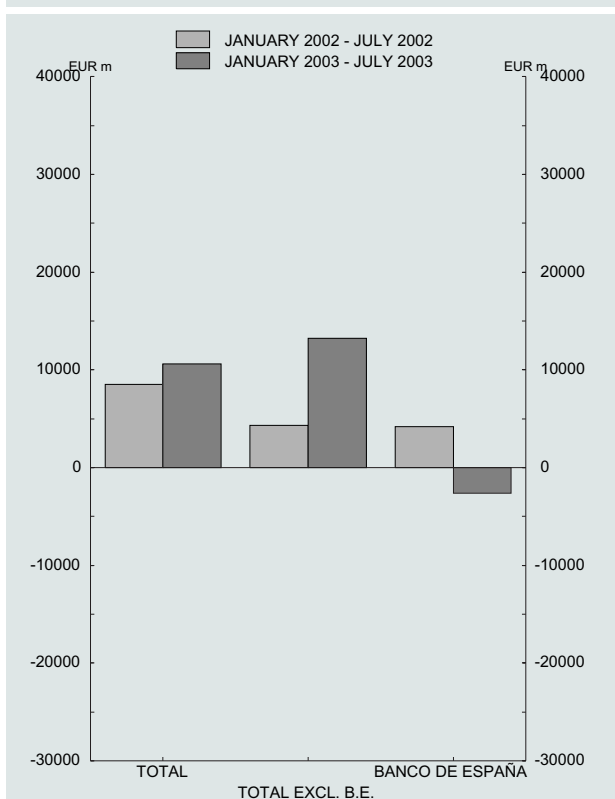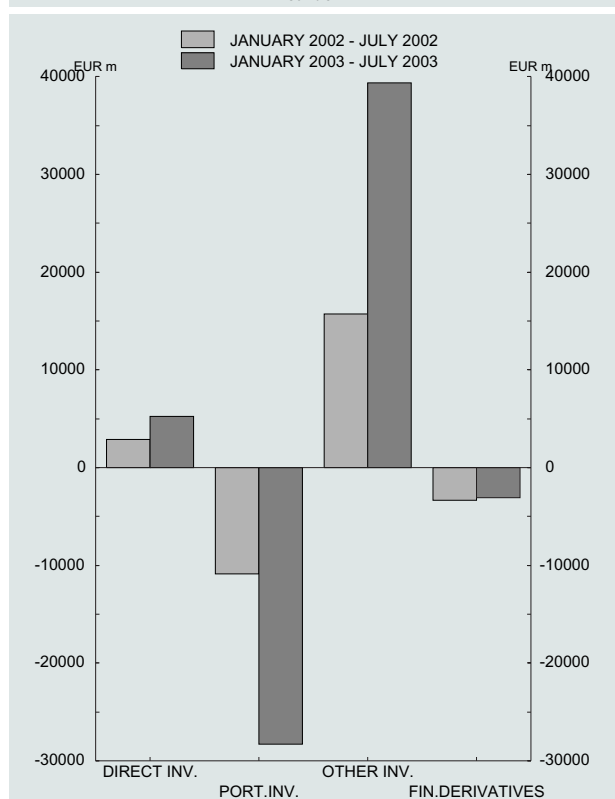■ Series depicted in chart.

EUR millions

	Financial account (NCL-NCA) 1=2+13	Total, excluding Banco de España											Banco de España				Memorandum item: Other investment including Banco de España (d)	
		Total (NCL-NCA) 2=3+6+9+12	Direct investment			Portfolio investment			Other investment (d)			Net financial derivatives (NCL-NCA) 12	Balance (NCL-NCA) 13=14+15+16	Reserves (e) 14	Claims with the Eurosystem (e) 15	Other net assets (NCL-NCA) 16	Spanish investment abroad 17	Foreign investment in Spain 18
			Balance (NCL-NCA) 3=5-4	Spanish investment abroad (NCA) 4	Foreign investment in Spain (NCL) 5 (b)	Balance (NCL-NCA) 6=8-7	Spanish investment abroad (NCA) 7	Foreign investment in Spain (NCL) 8 (c)	Balance (NCL-NCA) 9=11-10	Spanish investment abroad (NCA) 10	Foreign investment in Spain (NCL) 11							
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	-195	20 665	56 659
01	20 072	2 597	-5 686	36 982	31 296	-19 813	50 284	30 471	28 498	4 043	32 541	-401	17 475	1 581	16 122	-228	-12 128	32 264
02	16 179	12 618	2 909	19 610	22 519	6 510	30 531	37 040	7 912	30 277	38 189	-4 712	3 561	-3 630	6 506	685	23 792	39 380
02 *J-J*	8 515	4 337	2 903	9 869	12 772	-10 892	27 628	16 736	15 694	14 109	29 803	-3 368	4 177	-958	4 460	676	9 636	30 466
03 *J-J* P	10 634	13 259	5 259	4 381	9 640	-28 273	46 196	17 923	39 359	3 368	42 727	-3 086	-2 624	7 836	-2 570	-7 890	5 965	41 871
02 *Apr*	1 522	1 762	736	1 903	2 638	2 166	2 002	4 169	-735	10 893	10 158	-404	-240	616	-250	-606	11 126	9 535
May	580	1 977	-1 663	2 485	822	-2 212	6 925	4 713	6 541	3 427	9 968	-689	-1 397	263	-1 385	-274	4 807	9 689
Jun	-169	-1 898	-1 300	1 566	266	-3 868	2 892	-977	-2 140	5 011	2 871	-1 741	1 728	157	1 803	-231	-3 921	2 662
Jul	1 632	286	1 200	983	2 183	-3 484	3 818	334	3 548	-2 669	879	-977	1 346	-544	1 309	581	-4 018	1 419
Aug	-458	-1 490	-2 256	1 097	-1 159	1 785	-156	1 629	-1 306	-2 776	-4 082	286	1 032	47	1 081	-96	-3 836	-4 157
Sep	1 730	6 341	-698	2 940	2 242	9 530	-1 036	8 493	-1 935	9 036	7 101	-555	-4 611	-593	-4 042	24	13 071	7 118
Oct	998	1 662	2 494	2 552	5 047	5 341	-755	4 586	-6 677	11 027	4 350	505	-664	1	-514	-151	11 556	4 214
Nov	2 622	3 766	1 275	219	1 494	2 543	2 814	5 358	305	647	952	-358	-1 144	-1 761	61	556	552	1 475
Dec	2 773	-1 999	-810	2 933	2 123	-1 797	2 035	238	1 831	-1 766	65	-1 222	4 771	-365	5 460	-324	-7 188	265
03 *Jan* P	1 549	7 329	2 279	215	2 494	-6 758	2 690	-4 068	13 007	-2 719	10 288	-1 199	-5 780	600	-5 834	-546	3 103	9 730
Feb P	642	-4 076	1 141	503	1 644	-3 683	6 484	2 801	-2 163	7 728	5 565	628	4 718	186	4 830	-298	2 924	5 664
Mar P	2 823	3 558	1 051	-691	360	-4 064	11 669	7 605	7 367	-1 951	5 416	-796	-735	804	-683	-856	-1 257	5 323
Apr P	2 447	3 765	629	725	1 354	-31	7 481	7 450	3 595	8 008	11 603	-428	-1 318	674	-1 320	-672	9 296	11 553
May P	570	3 432	-544	906	362	-2 330	5 431	3 101	7 751	-6 063	1 689	-1 445	-2 862	1 630	-2 711	-1 781	-3 324	1 333
Jun P	573	-1 099	1 777	766	2 543	-139	1 481	1 342	-3 177	-3 066	-6 243	441	1 672	658	1 602	-588	-4 650	-5 724
Jul P	2 030	349	-1 074	1 957	883	-11 269	10 961	-308	12 978	1 432	14 410	-286	1 681	3 284	1 546	-3 148	-127	13 992

FINANCIAL ACCOUNT

- JANUARY 2002 - JULY 2002
- JANUARY 2003 - JULY 2003

EUR m (y-axis: 40000, 30000, 20000, 10000, 0, -10000, -20000, -30000)

Categories: TOTAL | TOTAL EXCL. B.E. | BANCO DE ESPAÑA

FINANCIAL ACCOUNT, EXCLUDING BANCO DE ESPAÑA
Breakdown

- JANUARY 2002 - JULY 2002
- JANUARY 2003 - JULY 2003

EUR m (y-axis: 40000, 30000, 20000, 10000, 0, -10000, -20000, -30000)

Categories: DIRECT INV. | PORT.INV. | OTHER INV. | FIN.DERIVATIVES

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
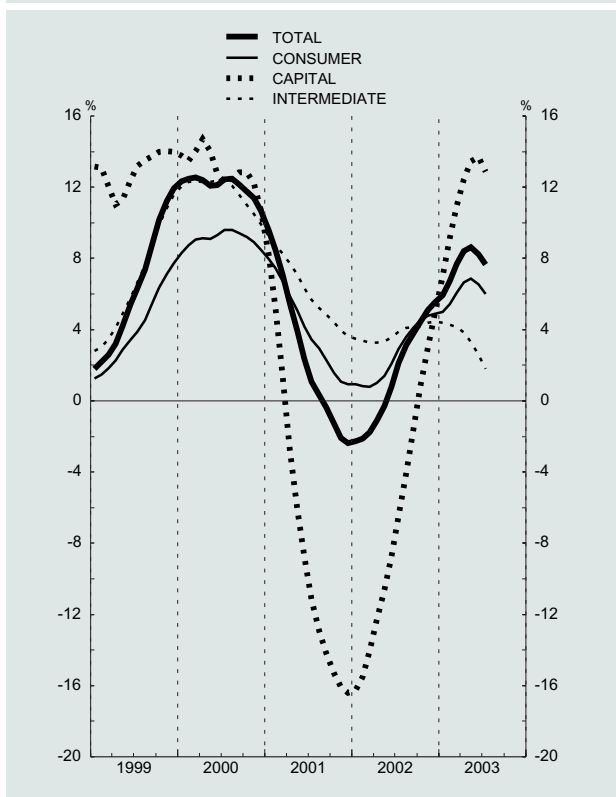
7.3 Spanish foreign trade with other euro area countries and with the rest of the world. Exports and dispatches

EUR millions and annual percentage changes

	Total			By product (deflated data)(a)					By geographical area (nominal data)								
						Intermediate			OECD						Other American countries	Newly industrialised countries	Other
	EUR millions	Nominal	Deflated	Consumer	Capital	Total	Energy	Non-energy	Total	European Union	of which: Euro area	United States of America	Other OECD members	OPEC			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
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
02	133 268	2.7	2.5	4.4	-10.3	5.1	4.7	4.9	2.9	0.1	1.0	2.4	3.9	10.1	-19.8	5.7	7.6
02 *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	5.8	-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	6.0	0.6	2.7	-3.4	2.8	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	-2.8	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	2.8	11.3	-0.3	21.5	-0.9	3.4	-3.3	1.1	13.6	5.0	7.6	-19.9	8.4	8.5
Dec	10 619	10.0	12.2	11.7	1.0	16.8	21.0	16.7	12.9	15.1	10.7	14.9	12.1	0.1	-18.8	1.1	3.7
03 *Jan*	10 320	1.8	1.0	-5.3	7.0	4.7	55.9	4.0	2.1	3.3	1.6	17.1	0.7	-13.5	-24.4	-3.5	12.1
Feb	11 212	3.8	3.5	2.3	14.8	1.2	26.8	1.1	3.4	4.7	4.0	-12.8	4.2	2.1	-1.3	1.3	8.8
Mar	12 250	10.7	13.1	15.2	15.2	10.8	25.9	10.9	12.6	10.8	13.3	0.2	14.1	-7.2	-4.9	-32.4	12.7
Apr	12 274	7.6	9.0	4.5	19.0	9.5	72.2	8.0	7.7	4.8	12.3	-7.2	9.9	-7.9	-6.3	-17.8	16.9
May	12 357	10.8	11.8	16.9	18.1	6.1	54.4	5.1	12.9	14.3	17.4	-9.2	14.4	6.2	-1.4	-23.8	4.9
Jun	11 680	9.2	12.8	12.3	35.5	7.0	32.1	6.4	9.2	13.8	13.8	13.5	7.3	-12.9	27.8	-25.5	12.5
Jul	11 431	2.4	3.4	3.5	25.2	-2.2	-6.7	-2.1	4.5	4.4	5.3	-0.8	4.9	-16.8	-9.6	-30.5	1.8

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

— TOTAL
— CONSUMER
··· CAPITAL
-- INTERMEDIATE

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

— OECD
— EURO AREA
··· UNITED STATES
-- NEWLY INDUSTR. COUNTRIES

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
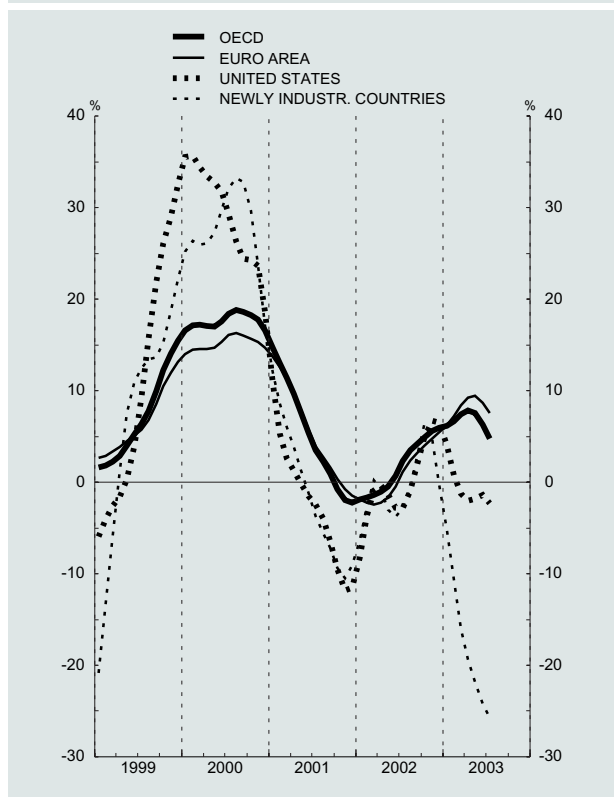
■ Series depicted in chart.

EUR millions and annual percentage changes

	Total			By product (deflated data)(a)					By geographical area (nominal data)								
						Intermediate			O E C D						Other American countries	Newly industrialised countries	Other
	EUR millions	Nominal	Deflated	Consumer	Capital	Total	Energy	Non-energy	Total	European Union	of which: Euro area	United States of America	Other OECD member	OPEC			
	1	2	3 ■	4 ■	5 ■	6 ■	7	8 ■	9 ■	10	11 ■	12 ■	13	14	15	16 ■	17
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
02	175 268	1.2	4.4	5.2	-4.6	6.7	4.8	7.0	0.6	-0.8	1.9	-8.5	1.7	-11.0	5.7	2.4	11.2
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
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
Aug	11 870	-1.0	7.8	8.7	0.2	9.7	-6.5	12.5	2.6	16.5	6.9	0.4	-0.6	-16.5	-13.7	-24.0	-1.3
Sep	14 835	4.2	5.1	4.7	-5.8	8.3	-0.0	9.3	3.3	-3.5	4.3	-12.7	6.8	-3.4	-4.7	7.3	16.3
Oct	16 891	8.9	9.0	9.4	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
Nov	15 827	6.0	6.6	9.4	-2.7	8.4	-2.4	9.7	3.3	-9.5	4.5	4.7	7.4	8.0	-6.3	20.0	25.2
Dec	15 725	12.3	16.2	13.2	-4.4	26.0	11.7	28.0	12.6	-1.2	12.7	16.4	17.0	6.6	24.9	-6.1	14.7
03 *Jan*	13 541	3.5	-0.1	7.1	0.3	-3.1	-17.8	-0.6	1.8	7.3	4.4	-10.2	1.3	18.1	-12.0	-2.8	9.1
Feb	14 382	7.0	12.7	2.4	15.5	16.5	-5.1	19.7	8.1	2.4	7.6	-13.0	11.8	9.1	-16.8	6.5	5.1
Mar	15 667	16.3	13.0	15.8	16.1	11.0	-0.4	12.6	15.2	17.8	17.3	-5.2	16.1	35.4	-14.0	24.0	19.1
Apr	15 583	7.2	9.9	7.5	16.3	9.2	7.0	9.4	9.5	5.7	11.3	-22.6	13.6	3.8	17.2	-12.2	-2.0
May	16 047	9.9	12.2	12.5	34.0	6.5	2.0	7.0	12.2	9.6	10.3	39.3	11.2	9.0	7.8	8.0	-1.0
Jun	15 426	9.7	8.9	11.0	18.0	5.6	-4.8	6.9	9.1	7.4	8.1	2.9	10.1	0.9	16.4	17.4	15.1
Jul	15 496	7.2	7.2	16.3	18.2	0.8	13.3	-0.7	6.9	2.0	7.3	6.8	8.5	9.3	9.8	5.1	7.3

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

— TOTAL
— CONSUMER
··· CAPITAL
-·- INTERMEDIATE

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

— OECD
— EURO AREA
··· UNITED STATES
-·- NEWLY INDUSTR. COUNTRIES

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.

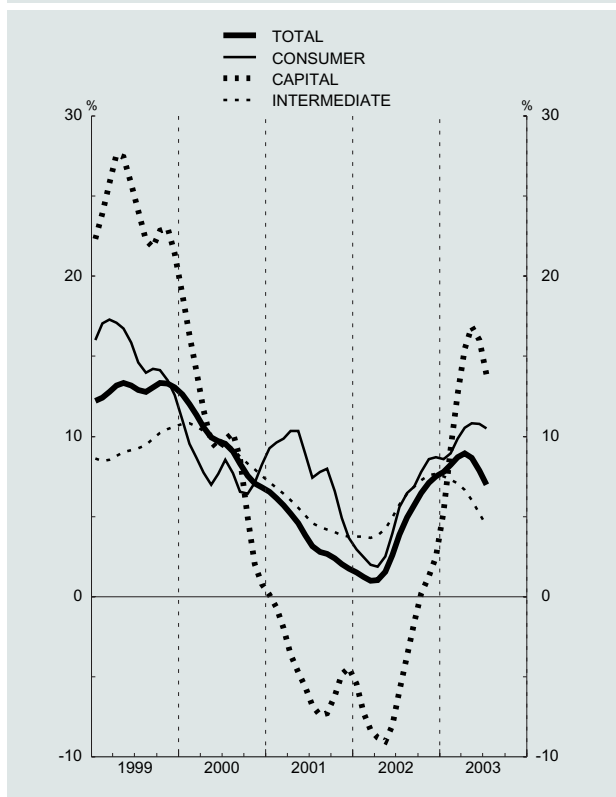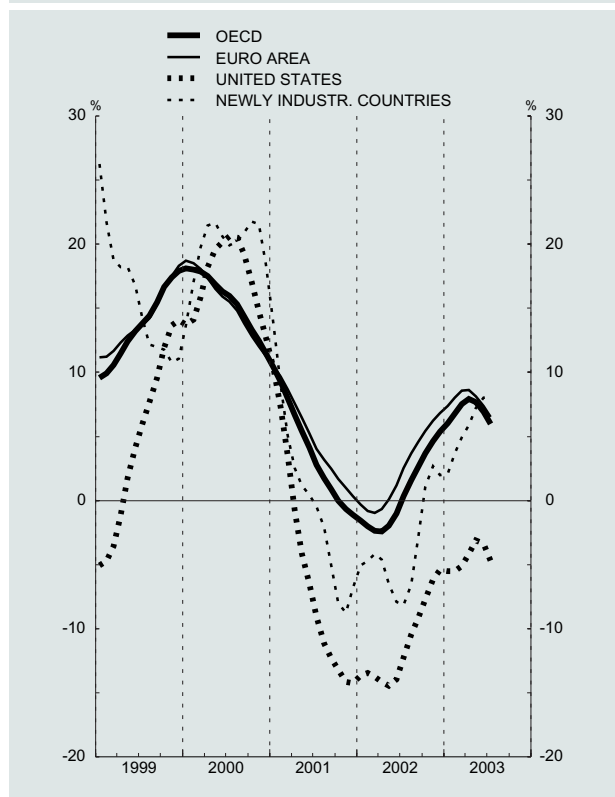## 7.5 Spanish foreign trade with other euro area countries and with the rest of the world.
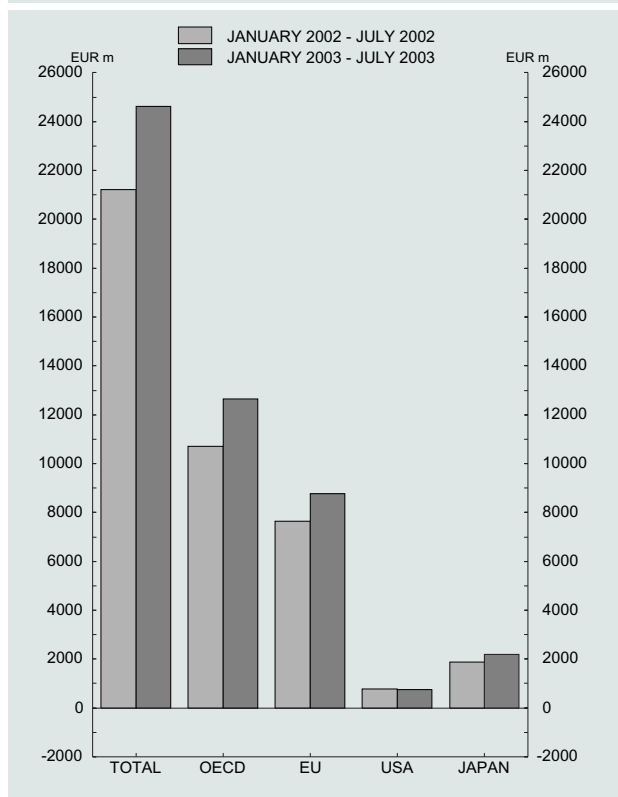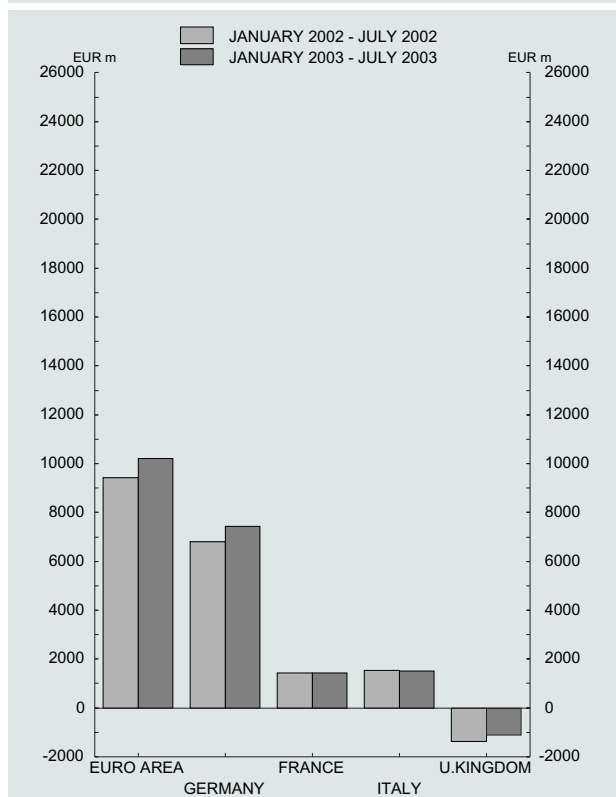### Trade balance: geographical distribution

■ Series depicted in chart.

	World total	OECD						United Kingdom	Other EU members	United States of America	Japan	Other OECD members	OPEC	Other American countries	Newly industrialised countries	Other
		Total	European Union													
			Total	Euro area												
				Total	of which:											
					Germany	France	Italy									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
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
02	-42 000	-22 665	-17 543	-5 753	-12 970	-3 436	-3 312	1 430	-13 220	-1 416	-3 224	-482	-7 771	-897	-2 176	-8 491
02 J-J	-21 217	-10 701	-7 632	-9 417	-6 792	-1 432	-1 544	1 380	405	-787	-1 884	-398	-4 010	-512	-1 222	-4 771
03 J-J	-24 619	-12 634	-8 765	-10 217	-7 441	-1 434	-1 505	1 100	352	-751	-2 186	-932	-4 904	-667	-1 531	-4 882
02 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
Dec	-5 106	-3 579	-2 973	-2 861	-1 383	-605	-549	-72	-40	-188	-246	-172	-719	-48	-164	-597
03 Jan	-3 221	-1 182	-572	-962	-836	-196	-76	299	91	-146	-268	-196	-895	-122	-242	-781
Feb	-3 171	-1 597	-1 140	-1 408	-1 045	-182	-219	231	37	-100	-219	-139	-715	19	-175	-703
Mar	-3 417	-1 681	-1 177	-1 427	-1 159	-178	-208	171	78	-116	-311	-77	-807	6	-206	-730
Apr	-3 309	-1 662	-1 217	-1 268	-945	-246	-115	41	10	-29	-311	-106	-628	-211	-220	-588
May	-3 690	-2 108	-1 348	-1 406	-1 175	-139	-172	1	57	-252	-364	-144	-572	-113	-235	-661
Jun	-3 746	-2 123	-1 579	-1 725	-1 098	-275	-238	118	29	-50	-375	-119	-611	-84	-232	-696
Jul	-4 065	-2 282	-1 732	-2 021	-1 182	-219	-477	239	50	-59	-340	-150	-677	-162	-221	-724

CUMULATIVE TRADE DEFICIT

JANUARY 2002 - JULY 2002
JANUARY 2003 - JULY 2003

TOTAL   OECD   EU   USA   JAPAN

CUMULATIVE TRADE DEFICIT

JANUARY 2002 - JULY 2002
JANUARY 2003 - JULY 2003

EURO AREA   FRANCE   U.KINGDOM
GERMANY   ITALY

Source: ME.

Note: The underlying series for this indicator are in Tables 17.3 and 17.5 of the Boletin estadistico.

■ Series depicted in chart.
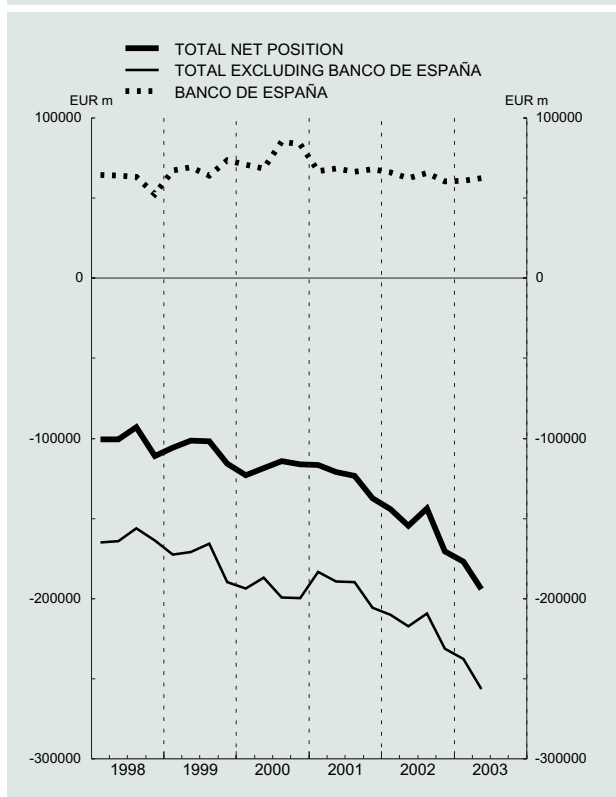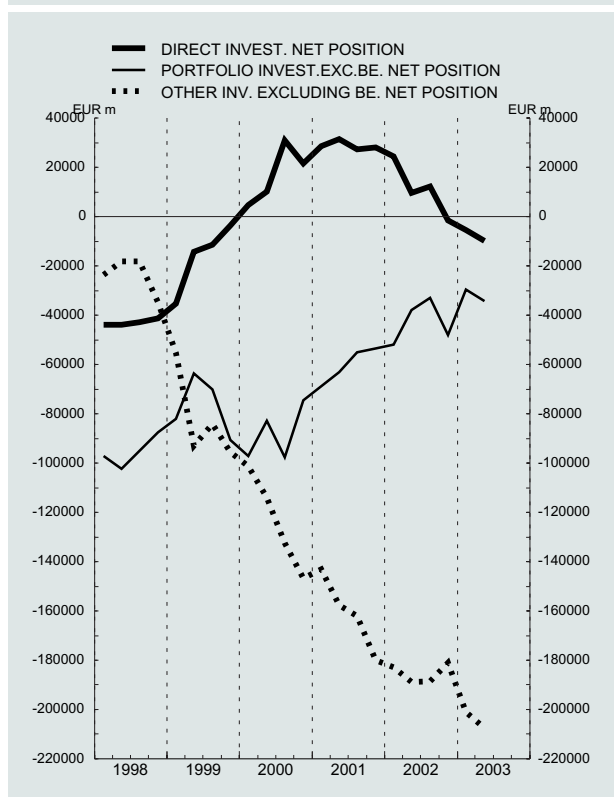
End-of-period stocks in EUR millions

		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=13a15	13	14	15
95	P	-83 544	-110 910	-53 271	26 434	79 704	-72 944	13 310	86 254	15 304	128 920	113 616	27 366	27 263	-	102
96	P	-87 026	-134 428	-53 177	31 988	85 165	-83 153	16 650	99 802	1 901	132 147	130 245	47 403	47 658	-	-256
97	P	-90 515	-154 826	-45 355	45 882	91 237	-93 277	31 775	125 053	-16 194	141 760	157 954	64 311	64 174	-	137
98	P	-111 091	-163 634	-41 178	60 123	101 301	-87 554	69 996	157 550	-34 902	158 775	193 677	52 542	52 095	-	447
99	P	-115 981	-189 724	-3 540	112 261	115 801	-90 568	118 031	208 599	-95 616	148 074	243 689	73 743	37 288	36 028	427
00 Q2	P	-118 494	-186 882	10 092	139 799	129 707	-82 917	144 138	227 055	-114 058	155 048	269 106	68 389	39 354	29 092	-57
Q3	P	-114 132	-199 234	31 003	167 316	136 313	-97 681	158 576	256 257	-132 556	162 484	295 041	85 101	42 750	42 610	-259
Q4	P	-116 342	-199 858	21 480	177 099	155 618	-74 528	186 044	260 572	-146 810	159 493	306 303	83 516	38 234	45 278	4
01 Q1	P	-116 482	-183 484	28 495	189 275	160 780	-68 802	200 135	268 937	-143 177	188 313	331 491	67 002	41 380	27 355	-1 732
Q2	P	-121 096	-189 498	31 454	209 441	177 987	-63 190	216 662	279 853	-157 761	178 122	335 884	68 402	40 776	28 376	-751
Q3	P	-123 334	-189 772	27 271	207 656	180 385	-55 080	216 650	271 731	-161 962	170 347	332 310	66 438	39 971	27 762	-1 296
Q4	P	-137 408	-205 552	27 985	214 931	186 945	-53 532	235 232	288 764	-180 005	163 426	343 431	68 145	38 865	29 156	123
02 Q1	P	-144 230	-210 279	24 513	218 243	193 730	-51 829	245 624	297 453	-182 964	167 518	350 482	66 050	41 015	26 173	-1 139
Q2	P	-154 645	-217 134	9 554	205 575	196 020	-37 922	254 047	291 969	-188 766	172 724	361 490	62 489	36 400	26 005	84
Q3	P	-143 746	-209 396	12 150	211 265	199 115	-33 079	257 602	290 681	-188 467	177 299	365 766	65 651	38 425	27 657	-431
Q4	P	-170 633	-231 270	-1 638	206 018	207 656	-48 591	259 863	308 454	-181 041	184 485	365 526	60 637	38 431	22 650	-445
03 Q1	P	-176 767	-237 813	-5 468	209 646	215 115	-31 276	278 955	310 232	-201 068	182 885	383 954	61 046	35 436	24 337	1 273
Q2	P	-193 977	-256 454	-9 924	207 429	217 353	-38 937	292 510	331 447	-207 592	181 140	388 732	62 477	31 326	26 766	4 384

INTERNATIONAL INVESTMENT POSITION

- TOTAL NET POSITION
- TOTAL EXCLUDING BANCO DE ESPAÑA
- BANCO DE ESPAÑA

COMPONENTS OF THE POSITION

- DIRECT INVEST. NET POSITION
- PORTFOLIO INVEST.EXC.BE. NET POSITION
- OTHER INV. EXCLUDING BE. NET 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 Balace 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').
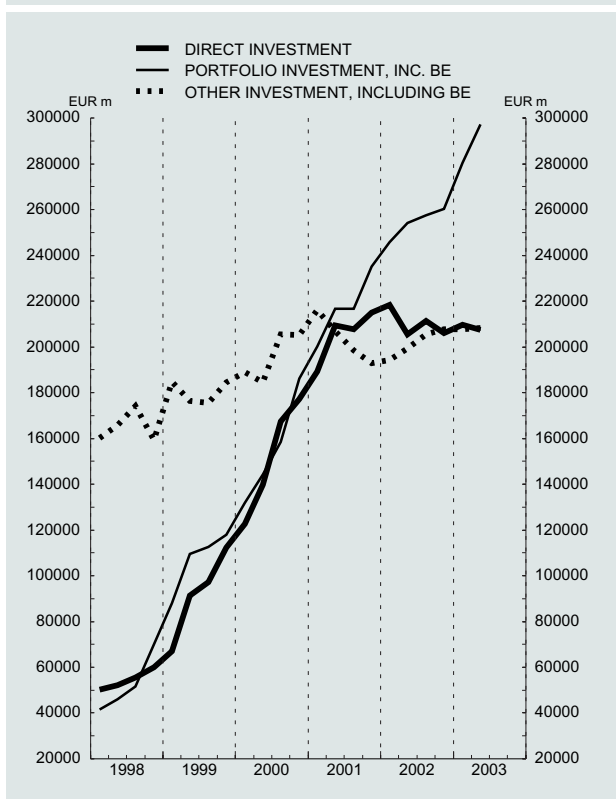
7.7. Spanish international investment position vis-à-vis other euro area residents and the rest of the world. Breakdown by investment
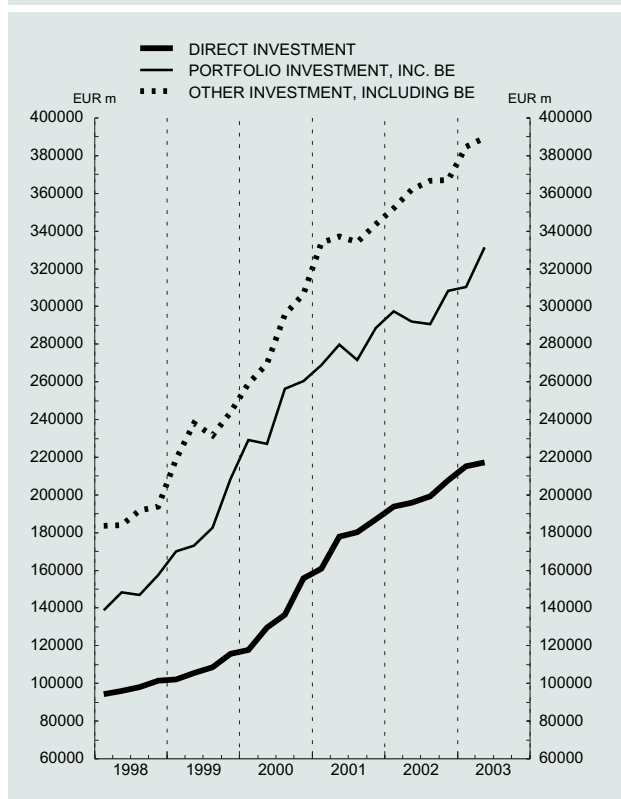
End-of-period stocks in EUR millions

		Direct investment				Portfolio investment, including Banco de España				Other investment, including Banco de España	
		Spanish investment abroad		Foreign investment in Spain		Spanish investment abroad		Foreign investment in Spain		Spanish investment abroad	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
95	P	24 520	1 913	66 930	12 774	2 748	10 562	23 682	62 572	129 101	113 694
96	P	29 633	2 354	71 683	13 482	3 501	13 149	30 895	68 908	132 328	130 683
97	P	42 705	3 177	78 261	12 977	8 421	23 354	42 827	82 226	141 943	158 000
98	P	54 370	5 753	84 022	17 279	17 122	52 874	64 947	92 603	159 274	193 729
99	P	104 807	7 454	97 447	18 355	32 910	85 121	86 422	122 177	184 563	243 723
00 Q2	P	131 451	8 347	108 796	20 911	51 679	92 459	90 505	136 549	184 601	269 623
Q3	P	154 516	12 800	111 991	24 322	58 411	100 165	104 888	151 369	205 535	295 740
Q4	P	164 136	12 962	129 955	25 664	76 253	109 792	97 709	162 864	205 229	306 757
01 Q1	P	172 430	16 846	132 506	28 274	78 652	121 483	99 517	169 420	216 093	333 647
Q2	P	190 730	18 711	144 585	33 402	77 829	138 834	103 951	175 902	206 932	337 068
Q3	P	187 128	20 528	146 839	33 546	75 104	141 547	88 212	183 518	198 552	334 047
Q4	P	194 340	20 590	150 244	36 702	77 090	158 142	100 065	188 699	193 003	343 730
02 Q1	P	197 319	20 924	148 913	44 816	76 792	168 833	103 993	193 461	194 139	352 069
Q2	P	188 597	16 978	151 710	44 310	74 281	179 766	92 459	199 510	199 177	361 855
Q3	P	192 560	18 705	152 982	46 133	74 946	182 655	74 960	215 721	205 377	366 618
Q4	P	186 608	19 410	157 018	50 638	72 008	188 342	80 626	227 828	207 575	366 897
03 Q1	P	191 028	18 619	165 985	49 130	70 899	209 661	78 366	231 865	207 688	384 751
Q2	P	189 382	18 047	168 557	48 796	71 713	225 573	88 392	243 055	208 386	389 602

SPANISH INVESTMENT ABROAD

DIRECT INVESTMENT
PORTFOLIO INVESTMENT, INC. BE
OTHER INVESTMENT, INCLUDING BE

FOREIGN INVESTMENT IN SPAIN

DIRECT INVESTMENT
PORTFOLIO INVESTMENT, INC. BE
OTHER INVESTMENT, INCLUDING BE

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
99	R	37 288	30 639	1 517	259	4 873	...	16.8
00		38 234	31 546	1 271	312	4 931	175	16.8
01		38 865	31 727	1 503	398	5 301	-63	16.8
02 *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
03 *Jan*		37 232	29 123	1 468	331	5 747	563	16.8
Feb		36 768	29 100	1 467	337	5 426	439	16.8
Mar		35 436	27 950	1 455	334	5 180	517	16.8
Apr		34 290	26 626	1 503	329	5 084	748	16.8
May		31 576	23 586	1 446	318	5 169	1 056	16.8
Jun		31 326	23 650	1 531	330	5 083	731	16.8
Jul		28 307	20 490	1 536	332	5 297	653	16.8
Aug		27 436	19 336	1 625	340	5 763	373	16.8
Sep		25 395	17 626	1 579	330	5 553	306	16.8

RESERVE ASSETS
END-OF-YEAR POSITIONS
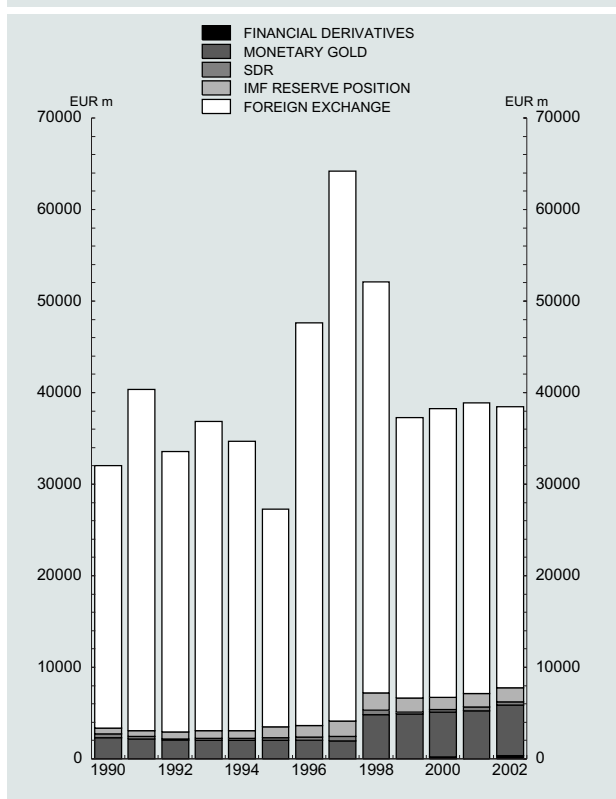
RESERVE ASSETS
END-OF-MONTH POSITIONS
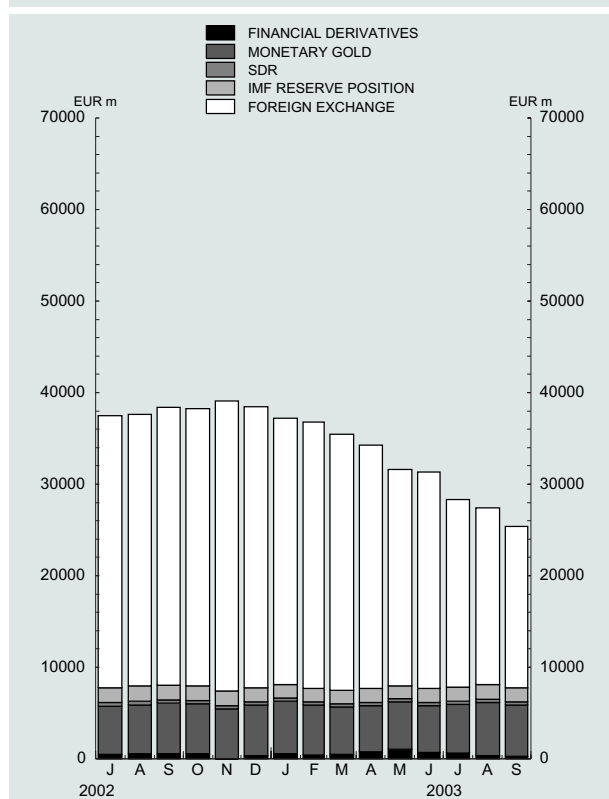
Source: BE.

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 ammount of EUR 37288 million published in this table.

7.9. Spain's external debt vis-à-vis other euro area residents and the rest of the world
Summary

End-of-period positions · *EUR millions*

	Total	General government							Other monetary financial institutions				
		Total	Short-term		Long-term				Total	Short-term		Long-term	
			Money market instruments	Loans	Bonds and notes	Loans	Trade credits			Money market instruments	Deposits	Bonds and notes	Deposits
	1	2	3	4	5	6	7	8		9	10	11	12
02 *Q4*	656 376	176 106	1 995	971	163 117	10 022	-	307 437		118	154 007	34 125	119 187
03 *Q1*	678 010	169 120	2 843	610	155 699	9 969	-	328 487		120	165 842	40 032	122 493
Q2	695 924	168 504	3 316	166	155 403	9 619	-	340 359		87	170 815	45 717	123 740

7.9.(cont.) Spain's external debt vis-à-vis other euro area residents and the rest of the world
Summary

End-of-period positions · *EUR millions*

	Monetary authority		Other residents sectors									Direct investment		
	Total	Short-term	Total	Short-term			Long-term					Total	Vis-à-vis	
		Deposits		Money market instruments	Loans	Other liabilities	Bonds and notes	Loans	Trade credits	Other liabilities			Direct investors	Subsidia-ries
	13	14	15	16	17	18	19	20	21	22		23	24	25
02 *Q4*	1 371	1 371	109 812	2 913	20 141	78	25 560	60 185	438	496		61 650	33 705	27 945
03 *Q1*	798	798	118 213	2 568	18 998	123	30 604	65 055	435	428		61 393	32 633	28 761
Q2	870	870	122 924	2 368	17 493	77	36 164	65 967	427	428		63 266	32 759	30 507

Source: BE.

8.1.a Consolidated balance sheet of the Eurosystem. Net lending to credit institutions and its counterparts

Average of daily data, EUR millions

	Net lending							Counterparts							
	Total	Open market operations				Standing facilities		Autonomous factors					Other liabilities (net) in euro	Actual reserves of credit institutions	Debt certificates
		Main refinancing operations	Longer-term refinancing operations	Fine-tuning and structural reverse operations (net)	Other	Marginal lending facility	Deposit facility	Total	Banknotes	Net liabilities to general government	Gold and net assets in foreign currency	Other (net)			
	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
02 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
03 Jan	216 134	171 227	45 000	-	44	194	331	78 901	343 292	1 621	357 455	91 443	4 633	130 571	2 029
Feb	214 155	169 101	45 000	-	30	215	190	77 507	341 834	6 205	355 613	85 081	2 911	131 708	2 029
Mar	226 881	181 762	45 000	-	22	176	80	92 269	349 423	16 524	350 769	77 092	3 144	129 438	2 029
Apr	225 887	181 136	44 982	-	14	88	332	86 415	361 691	3 881	333 632	54 475	4 102	133 342	2 029
May	223 549	178 317	44 980	-175	21	580	174	87 720	366 841	1 040	332 823	52 662	4 657	129 143	2 029
Jun	242 725	197 701	44 990	-	58	295	320	101 582	375 152	7 666	330 087	48 852	5 590	133 523	2 029
Jul	254 311	209 174	45 000	-	28	434	324	114 625	385 074	10 053	317 476	36 974	5 239	132 418	2 029
Aug	255 246	210 142	44 995	-	25	169	86	116 331	392 180	5 045	315 573	34 679	4 933	131 952	2 029
Sep	262 453	218 091	44 995	-	30	74	738	122 059	392 051	13 425	315 294	31 878	4 982	133 383	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								Actual reserves of credit institutions	Banco de España certificates
	Total	Open market operations				Standing facilities		Autonomous factors					Other liabilities (net) in euro				
		Main refinancing operations	Longer-term refinancing operations	Fine-tuning and structural reverse operations (net)	Other	Marginal lending facility	Deposit facility	Total	Banknotes	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
02 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	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	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	3 752	42 276	10 617	-22 641	-22 533	-108	11 368	-
03 Jan	15 510	14 845	670	-	8	1	13	25 487	52 831	3 594	40 512	9 574	-21 385	-21 064	-322	11 409	-
Feb	13 802	12 818	982	-	2	-	0	23 953	52 233	3 482	40 161	8 400	-21 027	-20 511	-515	10 875	-
Mar	16 858	15 631	1 228	-	-3	1	0	26 245	53 103	4 618	39 800	8 324	-21 571	-20 738	-834	12 184	-
Apr	15 460	14 563	900	-	-3	-	-	28 617	54 799	5 628	37 706	5 897	-24 679	-23 845	-833	11 522	-
May	16 142	15 771	367	-	4	-	-	29 707	54 804	6 792	36 619	4 730	-25 126	-24 535	-591	11 562	-
Jun	17 225	17 096	123	-	6	-	0	31 927	55 832	8 040	35 483	3 538	-26 074	-25 645	-429	11 371	-
Jul	18 096	17 719	410	-	5	-	37	30 278	57 570	5 051	32 508	165	-24 062	-23 644	-418	11 880	-
Aug	30 083	28 880	1 209	-	-5	-	-	30 350	57 898	4 681	29 732	-2 497	-12 216	-11 568	-648	11 949	-
Sep	26 635	25 331	1 311	-	-1	-	6	29 945	57 317	6 077	28 723	-4 726	-16 374	-15 599	-775	13 064	-

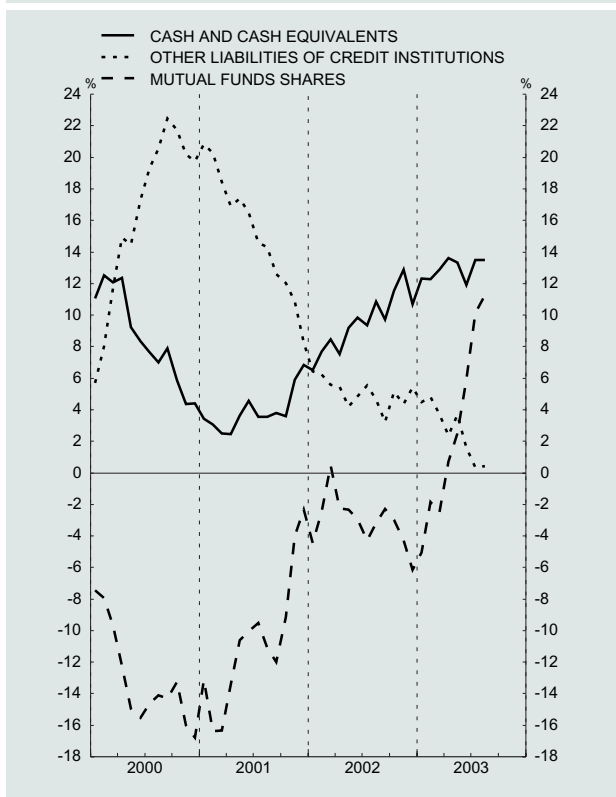Sources: ECB for Table 8.1.a and BE for Table 8.1.b.

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
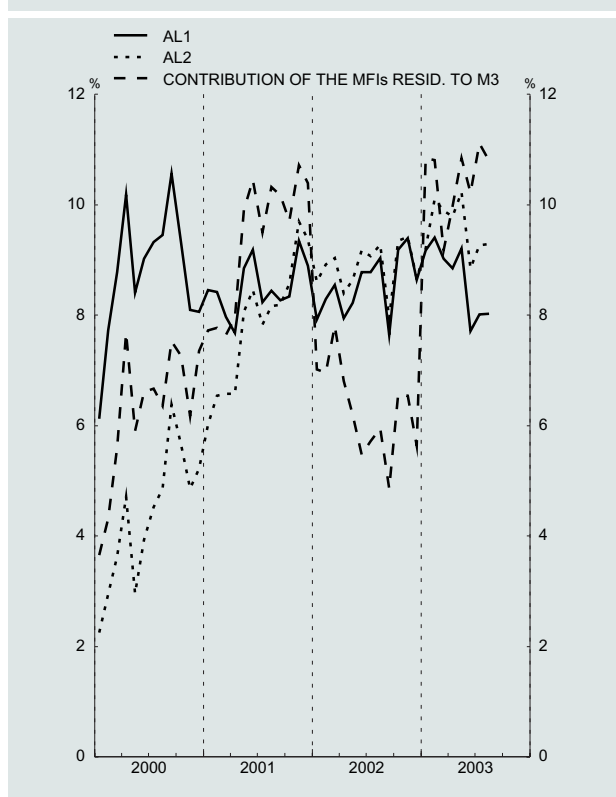
EUR millions and %

	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
00	272 700	4.4	-0.4	9.1	2.4	221 046	19.7	25.4	11.4	-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	239 330	8.3	13.0	-1.1	-20.6	153 804	-2.4	31.2	19.7	-18.0	8.9	9.4	10.4
02	322 417	10.7	23.4	10.3	6.5	252 273	5.4	6.9	-1.8	4.6	144 345	-6.1	12.9	9.2	-20.9	8.6	8.7	5.6
02 May	292 076	9.2	-13.8	16.0	13.1	246 024	4.2	6.2	6.2	-18.6	150 161	-2.3	28.5	17.7	-18.8	8.2	8.6	6.2
Jun	308 357	9.9	-10.8	16.3	12.7	248 463	4.8	6.2	4.5	-8.5	147 672	-2.9	27.0	17.8	-19.8	8.8	9.2	5.5
Jul	304 731	9.3	-7.3	15.1	11.1	249 325	5.5	7.1	5.6	-11.4	144 771	-4.3	25.8	15.4	-21.7	8.8	9.1	5.7
Aug	303 590	10.9	-5.0	17.0	11.9	251 542	4.6	6.0	3.2	-7.5	145 199	-3.2	24.3	14.3	-19.8	9.0	9.3	5.9
Sep	308 539	9.7	-1.9	14.5	9.8	248 957	3.2	5.1	-1.6	-8.6	142 743	-2.3	20.3	14.5	-18.2	7.6	7.9	4.9
Oct	305 273	11.5	3.2	16.7	9.8	253 146	5.1	7.1	-1.9	-2.9	144 919	-3.0	17.7	12.7	-18.0	9.2	9.3	6.6
Nov	315 449	12.9	8.6	17.8	9.7	252 523	4.4	6.3	-2.3	-4.8	146 234	-4.3	15.3	10.0	-18.5	9.4	9.4	6.5
Dec	322 417	10.7	23.4	10.3	6.5	252 273	5.4	6.9	-1.8	4.6	144 345	-6.1	12.9	9.2	-20.9	8.6	8.7	5.6
03 Jan	315 622	12.3	26.5	13.3	6.5	254 073	4.5	6.0	-0.7	-2.2	143 663	-5.1	15.2	9.8	-20.8	9.2	9.2	10.8
Feb	320 036	12.3	26.7	12.8	6.7	254 962	4.8	5.7	-3.3	11.9	147 210	-1.8	16.5	23.6	-20.8	9.4	10.1	10.8
Mar	327 084	12.9	36.5	12.6	5.5	254 335	3.7	4.6	-3.5	9.0	148 862	-2.5	13.1	27.2	-21.7	9.0	9.9	9.2
Apr	327 471	13.6	33.5	13.3	7.1	252 584	2.4	3.8	-3.7	-1.4	151 842	0.7	13.9	28.2	-16.9	8.9	9.8	10.0
May	331 029	13.3	29.0	12.4	8.6	255 063	3.7	5.7	-5.6	-0.0	153 938	2.5	12.7	30.5	-14.1	9.2	10.2	10.8
Jun	345 081	11.9	27.0	9.0	9.6	252 414	1.6	4.2	-7.5	-9.3	156 400	5.9	12.8	32.0	-8.7	7.7	8.9	10.2
Jul P	345 856	13.5	24.8	11.2	11.6	250 170	0.3	2.5	-10.8	-2.6	159 439	10.1	13.4	34.5	-2.2	8.0	9.3	11.1
Aug P	344 519	13.5	23.4	11.9	11.3	252 630	0.4	2.2	-10.4	1.2	161 558	11.3	13.6	34.6	-0.2	8.0	9.3	10.8

NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change

— CASH AND CASH EQUIVALENTS
···· OTHER LIABILITIES OF CREDIT INSTITUTIONS
– – MUTUAL FUNDS SHARES

NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change

— AL1
···· AL2
– – CONTRIBUTION OF THE MFIs RESID. TO M3

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.

(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.

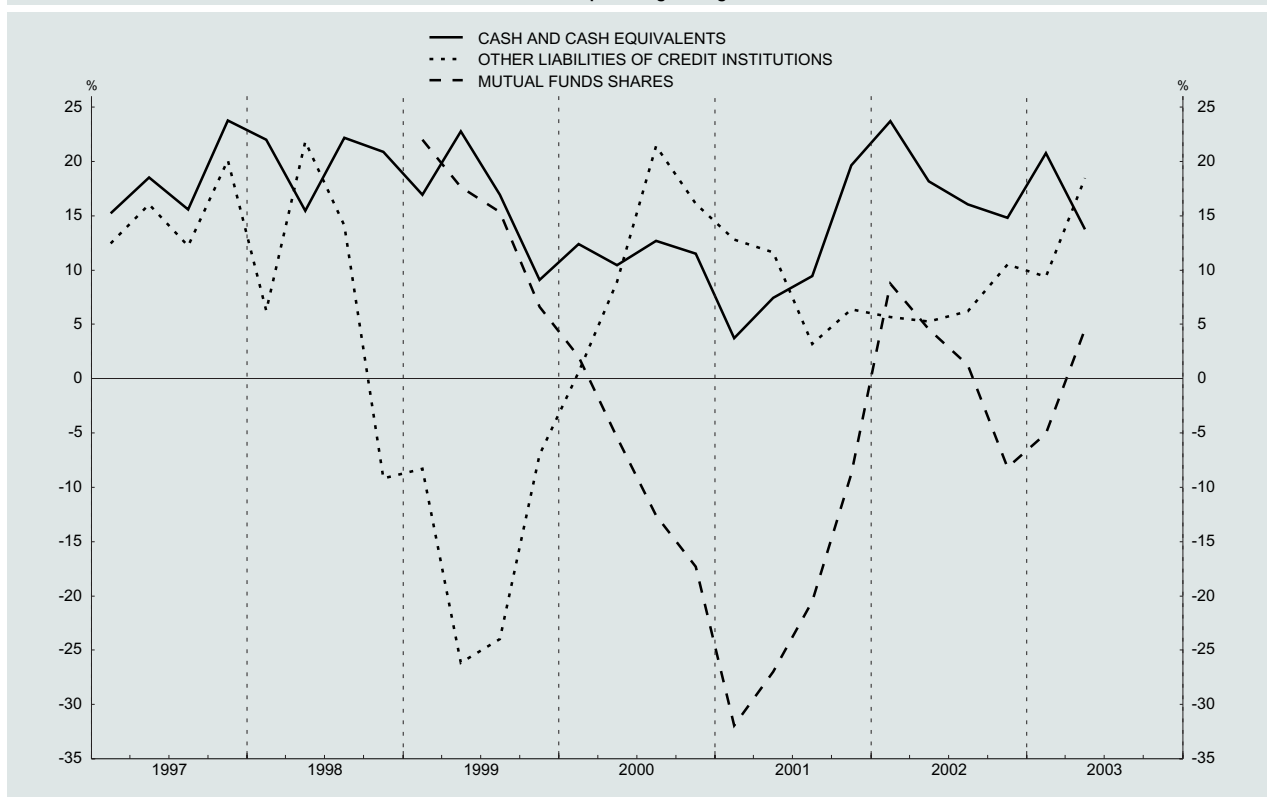(e) Defined as AL1 plus fixed income mutual fund shares in euro.

■ Series depicted in chart.

EUR millions and %

	Cash and cash equivalents				Other liabilities of credit institutions				Mutual funds shares				
	Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate		
			Cash and 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
	1	2 ■	3	4	5	6 ■	7	8 ■	9	10 ■	11	12	13
00	55 494	11.5	11.5	13.1	37 281	16.1	45.5	4.7	14 703	-17.3	-16.9	-34.6	-11.9
01	66 405	19.7	20.0	10.7	39 666	6.4	16.7	0.8	13 410	-8.8	40.7	5.2	-27.9
02	76 231	14.8	14.0	39.5	43 839	10.5	19.1	5.1	12 312	-8.2	4.1	8.3	-21.5
01 Q1	52 582	3.7	3.5	10.6	38 269	12.8	38.7	1.4	12 227	-31.9	1.5	-38.9	-40.1
Q2	59 976	7.5	7.4	8.3	38 437	11.7	27.5	3.5	12 399	-27.0	3.3	-29.0	-36.2
Q3	60 504	9.5	9.4	12.1	37 980	3.2	22.9	-6.8	12 352	-20.5	27.4	-12.0	-37.8
Q4	66 405	19.7	20.0	10.7	39 666	6.4	16.7	0.8	13 410	-8.8	40.7	5.2	-27.9
02 Q1	65 050	23.7	24.1	13.3	40 431	5.7	13.7	0.8	13 299	8.8	23.1	33.7	-4.9
Q2	70 875	18.2	18.1	19.6	40 457	5.3	10.1	2.2	12 964	4.6	28.5	26.6	-13.8
Q3	70 223	16.1	16.1	15.6	40 335	6.2	10.8	3.1	12 504	1.2	16.1	19.7	-14.5
Q4	76 231	14.8	14.0	39.5	43 839	10.5	19.1	5.1	12 312	-8.2	4.1	8.3	-21.5
03 Jan	74 373	...	...	...	42 704	...	...	...	12 243	...	...	...	...
Feb	74 913	...	...	...	43 262	...	...	...	12 510	...	...	...	...
Mar	78 554	20.8	20.4	31.0	44 215	9.4	16.0	4.9	12 623	-5.1	6.9	24.2	-23.5
Apr	76 510	...	...	...	43 408	...	...	...	12 972	...	...	...	...
May	77 104	...	...	...	48 664	...	...	...	13 252	...	...	...	...
Jun	80 617	13.7	13.5	20.6	47 936	18.5	47.2	-1.1	13 556	4.6	10.1	30.1	-10.0
Jul P	77 582	...	...	...	46 396	...	...	...	13 815	...	...	...	...
Aug P	77 751	...	...	...	47 699	...	...	...	14 000	...	...	...	...

NON-FINANCIAL CORPORATIONS
Annual percentage change

—— CASH AND CASH EQUIVALENTS
······ OTHER LIABILITIES OF CREDIT INSTITUTIONS
— — MUTUAL FUNDS SHARES

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.

(b) Deposits redeemable at up to and including 3 months' notice.

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

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				
	Stocks	Annual growth rate	Annual growth rate			Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate		
			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
	1	2 ■	3	4	5	6	7 ■	8	9	10	11 ■	12	13	14
00	217 206	2.7	-0.8	7.1	2.2	183 765	20.5	24.0	5.2	142 803	-16.7	-22.3	-22.3	-22.3
01	224 905	3.5	-22.4	12.1	11.8	199 663	8.7	12.7	-12.6	140 394	-1.7	30.2	30.2	30.2
02	246 186	9.5	23.7	6.9	5.9	208 434	4.4	5.8	-5.4	132 033	-6.0	13.9	13.9	13.9
01 Q1	214 555	2.2	-2.3	7.7	1.4	194 041	19.6	24.3	-1.4	139 728	-14.6	-10.1	-10.1	-10.1
Q2	220 710	3.8	-5.3	10.1	5.0	198 556	17.5	22.4	-5.2	139 720	-8.2	1.9	1.9	1.9
Q3	220 690	2.3	-9.5	5.4	6.5	203 231	14.5	20.1	-10.6	133 718	-11.1	16.0	16.0	16.0
Q4	224 905	3.5	-22.4	12.1	11.8	199 663	8.7	12.7	-12.6	140 394	-1.7	30.2	30.2	30.2
02 Q1	224 660	4.7	-24.4	11.4	14.9	204 822	5.6	7.7	-6.5	139 353	-0.3	31.0	31.0	31.0
Q2	237 482	7.6	-11.3	14.1	12.5	208 006	4.8	5.9	-1.9	134 707	-3.6	26.8	26.8	26.8
Q3	238 316	8.0	-2.1	12.6	9.7	208 622	2.7	4.6	-9.3	130 239	-2.6	20.9	20.9	20.9
Q4	246 186	9.5	23.7	6.9	5.9	208 434	4.4	5.8	-5.4	132 033	-6.0	13.9	13.9	13.9
03 Jan	241 250	...	...	...	...	211 369	...	...	...	131 420	...	...	...	...
Feb	245 122	...	...	...	...	211 700	...	...	...	134 701	...	...	...	...
Mar	248 530	10.6	36.9	5.8	5.0	210 120	2.6	3.6	-3.9	136 239	-2.2	13.8	27.5	8.5
Apr	250 960	...	...	...	...	209 176	...	...	...	138 870	...	...	...	...
May	253 925	...	...	...	...	206 398	...	...	...	140 686	...	...	...	...
Jun	264 464	11.4	27.4	4.8	9.3	204 478	-1.7	0.2	-14.1	142 844	6.0	13.1	32.2	7.3
Jul P	268 274	...	...	...	...	203 774	...	...	...	145 624	...	...	...	...
Aug P	266 768	...	...	...	...	204 932	...	...	...	147 558	...	...	...	...

HOUSEHOLDS AND NPISH
Annual percentage change
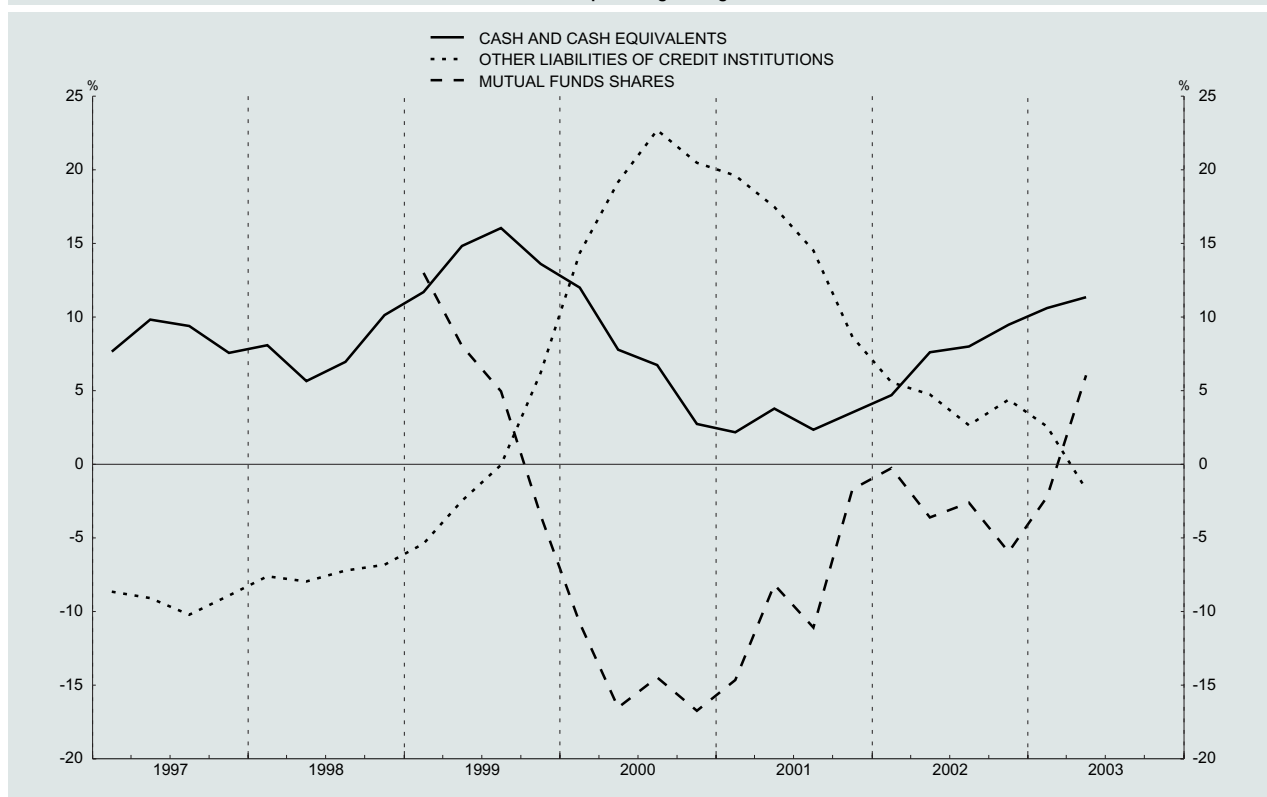
— CASH AND CASH EQUIVALENTS
···· OTHER LIABILITIES OF CREDIT INSTITUTIONS
– – MUTUAL FUNDS SHARES

Source: BE.

(a) This concept refers to the instruments included in the headings of the table, issued by resident credit institutions and mutual funds. The exception is column 9, which includes deposits in Spanish bank branches abroad.
(b) Deposits redeemable at up to and including 3 months' notice.
(c) Deposits redeemable at over 3 months' notice and time deposits.

# 8.5. Financing of non-financial sectors resident in Spain (a)

EUR millions and %

	Total			Annual growth rate					Contribution to col.3					Memoran-dum items: securiti-sation funds
	Stocks	Effec-tive flow	Annual growth rate	General govern-ment (b)	Non-financ. corp. and househ. and NPISHs	Credit institu-tions' loans and securiti-sation funds	Securi-ties other than shares	External loans	General govern-ment (b)	Non-financ. corp. and househ. and NPISHs	Credit institu-tions' loans and securiti-sation funds	Securi-ties other than shares	External loans	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
00	982 225	103 784	11.8	-0.6	18.8	18.5	-18.5	31.7	-0.2	12.1	10.0	-0.4	2.5	20 345
01	1 097 069	113 703	11.6	2.7	15.7	13.8	8.1	28.4	0.9	10.7	7.9	0.1	2.7	24 568
02	1 204 226	111 731	10.2	-0.6	14.6	14.4	-10.0	19.6	-0.2	10.4	8.4	-0.2	2.2	38 930
02 *May*	1 134 835	11 179	11.3	1.0	15.9	14.9	4.1	22.8	0.3	11.0	8.5	0.1	2.4	26 860
Jun	1 152 596	17 011	10.7	1.2	14.9	14.2	2.3	20.6	0.4	10.4	8.1	0.0	2.2	29 526
Jul	1 166 175	13 852	10.5	0.7	14.8	14.8	-2.3	17.9	0.2	10.3	8.5	-0.0	1.9	30 757
Aug	1 163 971	-3 112	10.5	-0.7	15.4	15.7	-4.3	16.8	-0.2	10.7	9.0	-0.1	1.8	30 888
Sep	1 169 813	5 432	10.0	-1.4	14.8	14.5	-3.5	19.5	-0.4	10.4	8.4	-0.1	2.1	31 381
Oct	1 175 061	8 248	10.8	-0.6	15.4	15.2	-4.5	19.9	-0.2	11.0	8.8	-0.1	2.2	31 894
Nov	1 187 138	12 378	10.7	0.0	15.0	14.8	-10.3	19.8	0.0	10.7	8.7	-0.2	2.2	35 853
Dec	1 204 226	18 847	10.2	-0.6	14.6	14.4	-10.0	19.6	-0.2	10.4	8.4	-0.2	2.2	38 930
03 *Jan*	1 216 383	12 643	10.8	0.6	14.9	15.4	-10.3	16.5	0.2	10.6	8.9	-0.2	1.9	38 426
Feb	1 216 487	-1 123	10.8	-0.0	15.1	15.5	-10.6	16.7	-0.0	10.8	9.1	-0.2	1.9	38 530
Mar	1 232 185	14 860	10.1	0.5	13.8	14.6	-11.0	13.3	0.1	9.9	8.6	-0.2	1.6	40 166
Apr	1 235 454	4 049	10.2	-0.7	14.3	15.6	-13.6	11.8	-0.2	10.3	9.2	-0.2	1.4	41 577
May	1 249 883	13 926	10.3	-0.2	14.3	15.7	-5.0	10.3	-0.1	10.4	9.2	-0.1	1.2	41 449
Jun	1 272 499	21 535	10.5	0.7	14.3	15.6	-6.3	10.7	0.2	10.4	9.2	-0.1	1.2	43 390
Jul P	1 285 493	13 056	10.4	-0.3	14.4	15.6	-4.7	10.9	-0.1	10.4	9.3	-0.1	1.3	44 535
Aug P	1 284 820	-608	10.6	-0.8	14.9	15.7	-5.0	13.1	-0.2	10.8	9.4	-0.1	1.5	44 605

FINANCING OF NON-FINANCIAL SECTORS
Annual percentage change

— NON-FINANC. CORP. AND HOUSEH. AND NPISHs
···· GENERAL GOVERNMENT
— TOTAL
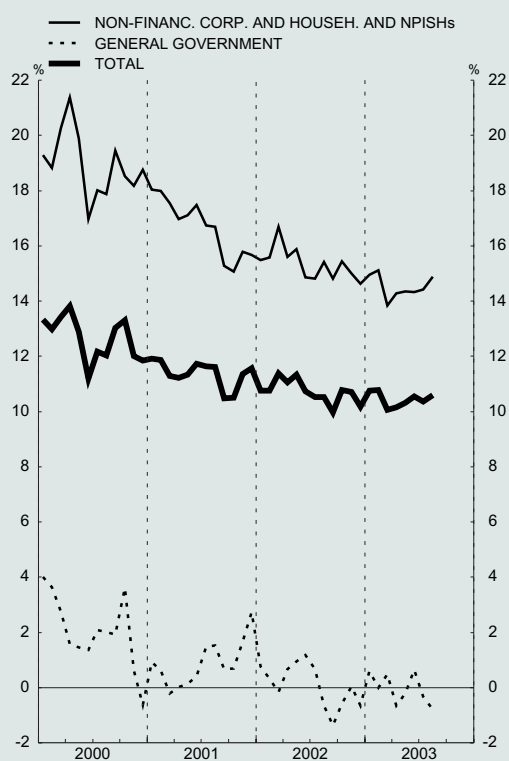
FINANCING OF NON-FINANCIAL SECTORS
Contributions to the annual percentage change
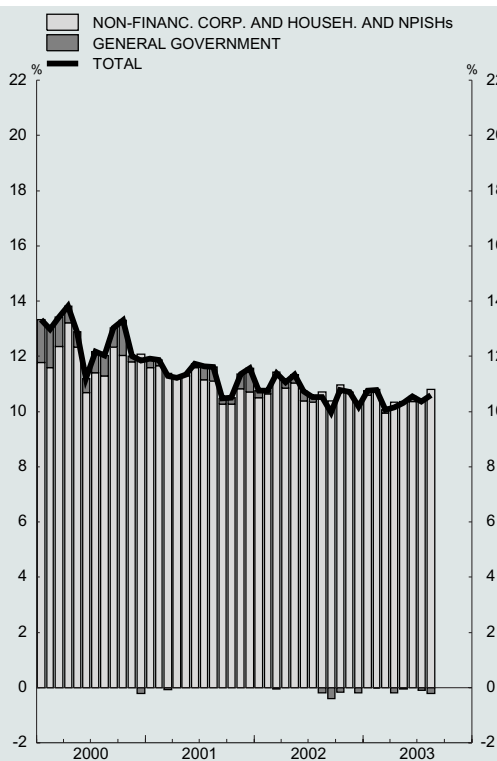
▢ NON-FINANC. CORP. AND HOUSEH. AND NPISHs
▨ GENERAL GOVERNMENT
— TOTAL

Source: BE.

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

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

(b) Total liabilities less deposits.

8.6. Financing of non-financial corporations resident in Spain (a)
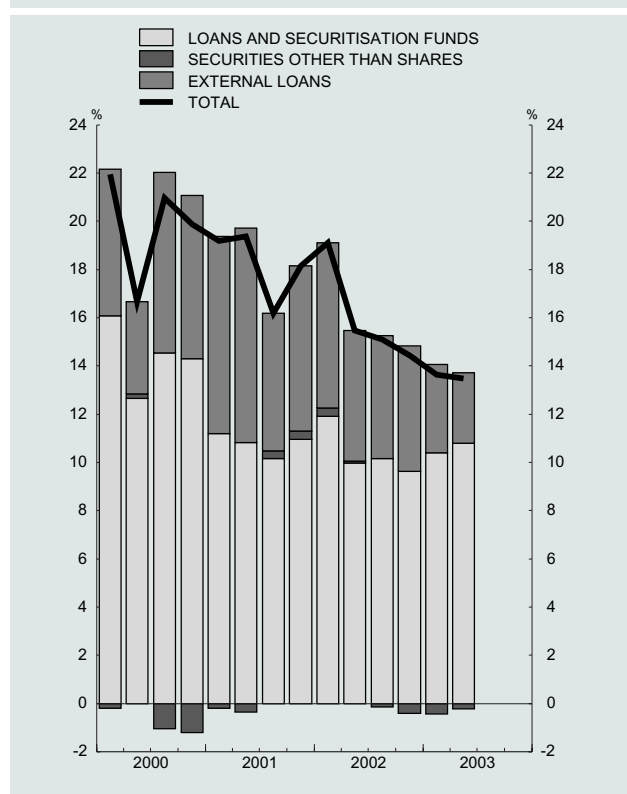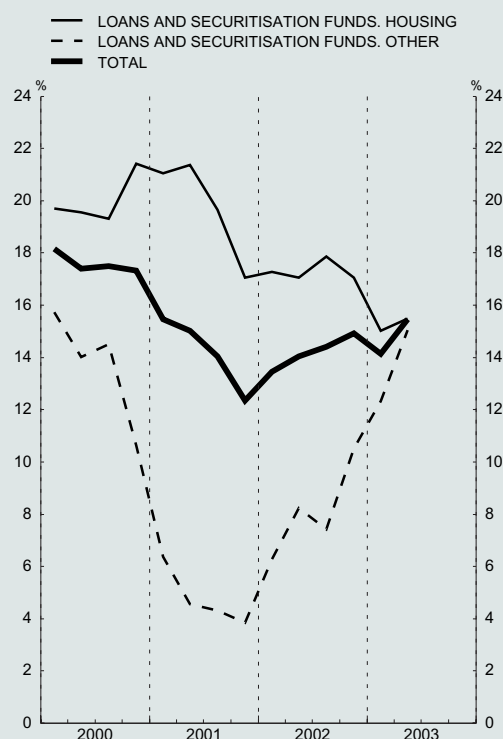
■ Series depicted in chart.

EUR millions and %

	Total			Resident credit institu-tions' loans and securi-tisation funds			Securities other than shares			External loans			Memoran-dum items: securiti-sation funds
	Stocks	Effec-tive flow	Annual growth rate	Stocks	Annual growth rate	Contri-bution to col.3	Stocks	Annual growth rate	Contri-bution to col.3	Stocks	Annual growth rate	Contri-bution to col.3	
	1	2	3 ■	4	5 ■	6 ■	7	8	9 ■	10	11	12 ■	13
00	384 131	63 227	19.9	274 983	19.8	14.3	16 780	-18.5	-1.2	92 368	31.8	6.8	12 419
01	455 456	69 740	18.2	316 517	15.3	10.9	18 142	8.1	0.4	120 797	28.5	6.9	14 395
02	517 246	65 682	14.4	359 570	13.9	9.6	16 335	-10.0	-0.4	141 341	19.6	5.2	25 927
01 *Q1*	395 699	10 990	19.2	277 446	15.3	11.2	17 036	-3.7	-0.2	101 217	38.0	8.2	13 970
Q2	420 487	23 624	19.4	292 587	14.8	10.8	17 498	-6.6	-0.4	110 402	41.2	8.9	14 041
Q3	433 409	12 958	16.2	302 146	14.3	10.2	18 045	7.3	0.3	113 218	23.6	5.7	15 007
Q4	455 456	22 167	18.2	316 517	15.3	10.9	18 142	8.1	0.4	120 797	28.5	6.9	14 395
02 *Q1*	472 864	16 824	19.1	324 087	17.0	11.9	18 373	7.8	0.3	130 404	26.7	6.8	17 318
Q2	484 982	13 095	15.5	334 019	14.3	10.0	17 899	2.3	0.1	133 063	20.6	5.4	19 606
Q3	499 512	13 349	15.1	345 627	14.6	10.2	17 418	-3.5	-0.1	136 467	19.5	5.1	21 157
Q4	517 246	22 414	14.4	359 570	13.9	9.6	16 335	-10.0	-0.4	141 341	19.6	5.2	25 927
03 *Jan*	521 546	4 759	...	364 504	...	...	16 386	...	...	140 656	...	...	25 912
Feb	525 666	2 876	...	366 018	...	...	16 414	...	...	143 234	...	...	25 886
Mar	534 468	7 925	13.6	372 432	15.2	10.4	16 353	-11.0	-0.4	145 684	13.3	3.7	26 114
Apr	540 837	7 128	...	378 996	...	...	16 048	...	...	145 793	...	...	26 794
May	543 147	1 786	...	380 234	...	...	17 059	...	...	145 854	...	...	26 500
Jun	549 464	5 174	13.5	385 638	15.7	10.8	16 780	-6.3	-0.2	147 047	10.6	2.9	26 487
Jul P	556 944	7 519	...	391 799	...	...	16 760	...	...	148 386	...	...	26 263
Aug P	558 554	1 647	...	392 123	...	...	16 639	...	...	149 793	...	...	26 399

FINANCING OF NON-FINANCIAL CORPORATIONS
Annual percentage change

— LOANS AND SECURITISATION FUNDS
— TOTAL

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

LOANS AND SECURITISATION FUNDS
SECURITIES OTHER THAN SHARES
EXTERNAL LOANS
— TOTAL

Source: BE.

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

(a) The annual percentage changes are calculated as the effective flow of the period / the stock at the beginning of the period.
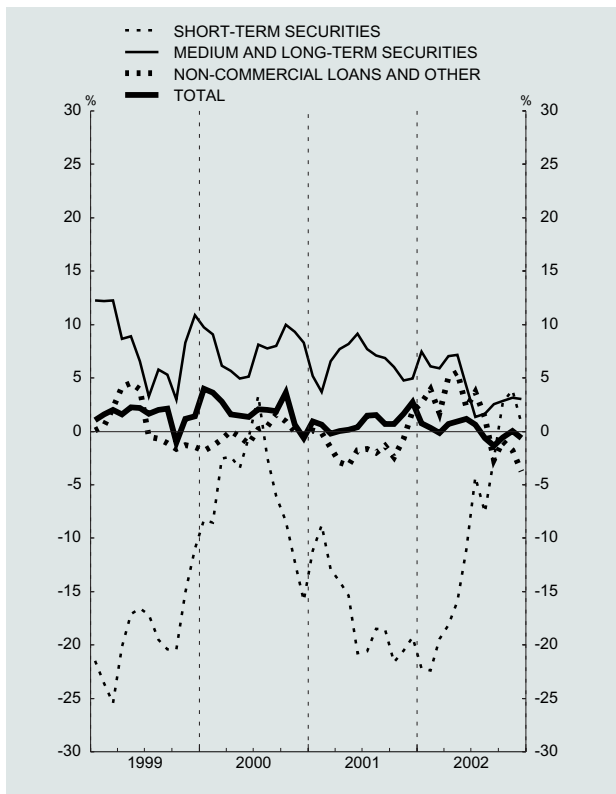
8.7. Financing of households and NPISHs resident in Spain (a)

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

	Total			Resident credit institutions' loans and securitisation funds. Housing			Resident credit institutions' loans and securitisation funds. Other			External loans			Memorandum items: securitisation funds	
	Stocks	Effective flow	Annual growth rate	Stocks	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	Housing	Other
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
00	287 430	42 525	17.3	184 578	21.4	13.3	102 448	10.6	4.0	404	4.5	0.0	7 926	-
01	322 472	35 487	12.3	215 775	17.1	11.0	106 237	3.9	1.4	460	13.9	0.0	9 985	188
02	369 902	48 113	14.9	252 108	17.1	11.4	117 184	10.5	3.5	610	32.5	0.0	12 872	131
01 *Q1*	294 072	6 703	15.5	191 219	21.0	13.0	102 435	6.4	2.4	418	4.1	0.0	8 030	231
Q2	306 757	12 818	15.0	201 246	21.4	13.3	105 070	4.5	1.7	441	6.8	0.0	7 819	218
Q3	312 564	5 907	14.0	207 890	19.6	12.5	104 233	4.3	1.6	441	9.0	0.0	9 143	203
Q4	322 472	10 059	12.3	215 775	17.1	11.0	106 237	3.9	1.4	460	13.9	0.0	9 985	188
02 *Q1*	333 159	10 753	13.4	223 966	17.3	11.2	108 693	6.3	2.2	501	19.8	0.0	9 612	174
Q2	349 389	16 329	14.0	235 282	17.0	11.2	113 588	8.2	2.8	519	17.6	0.0	9 761	159
Q3	357 126	7 873	14.4	244 748	17.9	11.9	111 820	7.4	2.5	558	26.3	0.0	10 079	145
Q4	369 902	13 157	14.9	252 108	17.1	11.4	117 184	10.5	3.5	610	32.5	0.0	12 872	131
03 *Jan*	371 320	1 444	...	252 771	...	...	117 936	...	...	617	...	...	12 382	131
Feb	375 969	4 666	...	255 480	...	...	119 877	...	...	625	...	...	12 513	131
Mar	379 585	3 655	14.1	257 166	15.0	10.1	121 801	12.3	4.0	624	24.7	0.0	12 853	1 199
Apr	386 336	6 770	...	261 648	...	...	124 066	...	...	632	...	...	13 585	1 199
May	392 969	6 654	...	265 945	...	...	126 385	...	...	643	...	...	13 751	1 199
Jun	402 731	9 826	15.5	271 367	15.5	10.4	130 336	15.0	4.9	653	25.8	0.0	15 517	1 387
Jul P	408 168	5 460	...	277 119	...	...	130 386	...	...	663	...	...	16 886	1 387
Aug P	410 048	1 908	...	280 227	...	...	129 148	...	...	673	...	...	16 819	1 387

FINANCING OF HOUSEHOLDS AND NPISHs
Annual percentage change

LOANS AND SECURITISATION FUNDS. HOUSING
LOANS AND SECURITISATION FUNDS. OTHER
TOTAL

FINANCING OF HOUSEHOLDS AND NPISHs
Contributions to the annual percentage change
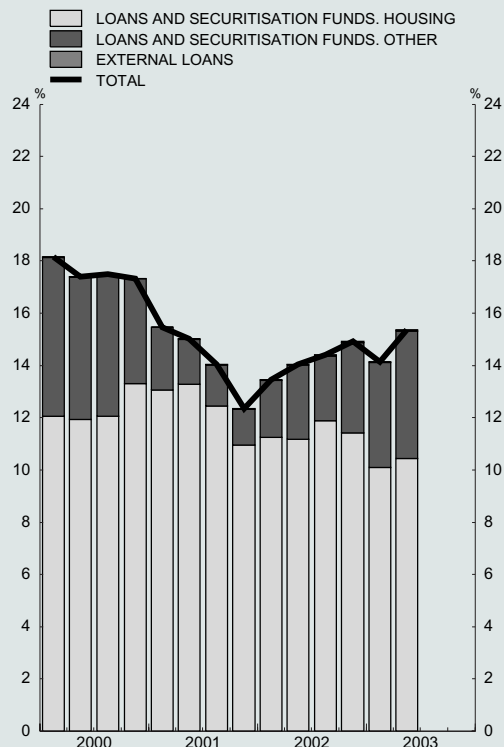
LOANS AND SECURITISATION FUNDS. HOUSING
LOANS AND SECURITISATION FUNDS. OTHER
EXTERNAL LOANS
TOTAL

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

8.8. Net financing of Spain's general government

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)	Assets	Securities		Non-commercial loans and other (a)	Assets
						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
00	P	310 665	-1 968	-0.6	11 770	-8 605	20 537	-162	8 319	5 419	3.3	-15.8	8.3	-0.3	32.2	-2.8	6.6	-0.1	-4.4
01	P	319 141	8 476	2.7	5 420	-8 804	13 223	1 001	-17 158	14 101	1.5	-19.3	4.9	1.9	-5.4	-2.8	4.3	0.3	1.0
02	A	317 077	-2 063	-0.6	6 741	275	8 513	-2 047	1 854	6 950	1.8	0.7	3.0	-3.7	16.5	0.1	2.7	-0.6	-2.8
02 Mar	A	316 628	1 726	-0.2	3 641	-60	5 350	-1 650	1 132	783	2.1	-19.5	5.9	1.7	17.2	-2.8	4.9	0.3	-2.6
Apr	A	310 328	-6 300	0.7	4 103	134	2 141	1 827	1 791	8 613	3.6	-18.1	7.1	5.1	20.2	-2.7	6.1	0.9	-3.6
May	A	314 463	4 135	1.0	4 274	21	4 355	-103	-1 179	1 317	4.1	-15.9	7.1	5.6	22.5	-2.2	6.2	0.9	-3.9
Jun	A	318 225	3 762	1.2	-3 554	-157	-2 465	-931	970	-8 286	2.2	-11.0	4.2	2.3	8.1	-1.5	3.7	0.4	-1.4
Jul	A	321 433	3 208	0.7	-3 056	1 972	-6 066	1 038	-2 005	-4 259	1.1	-4.3	1.4	3.7	3.7	-0.5	1.2	0.6	-0.6
Aug	A	318 755	-2 678	-0.7	-2 851	-2 490	1 724	-2 085	215	-388	0.6	-7.6	1.7	1.3	9.1	-0.9	1.4	0.2	-1.4
Sep	A	313 175	-5 580	-1.4	3 880	1 039	4 862	-2 021	1 286	8 174	1.3	-2.5	2.6	-2.7	17.1	-0.3	2.2	-0.5	-2.9
Oct	A	306 909	-6 266	-0.6	2 432	275	1 839	318	-584	9 283	2.3	2.7	2.8	-0.9	16.8	0.3	2.6	-0.2	-3.3
Nov	A	308 121	1 212	0.0	600	219	456	-75	1 136	-1 749	2.5	3.9	3.1	-1.8	14.9	0.5	2.8	-0.3	-3.0
Dec	A	317 077	8 956	-0.6	710	-656	894	472	-2 356	-5 890	1.8	0.7	3.0	-3.7	16.5	0.1	2.7	-0.6	-2.8
03 Jan	A	323 517	6 440	0.6	-4 670	3 038	-8 364	657	-1 005	10 104	0.4	9.8	-0.0	-3.5	-0.6	1.1	-0.0	-0.6	0.1
Feb	A	314 852	-8 665	2.1	2 088	-850	3 504	-566	-20	10 773	2.1	6.7	3.0	-5.6	14.1	0.8	2.6	-1.0	-2.4
Mar	A	318 131	3 279	0.5	782	443	507	-168	1 625	-4 122	1.3	8.1	1.2	-3.0	5.8	0.9	1.1	-0.5	-1.0
Apr	A	308 282	-9 849	-0.7	6 363	812	5 431	120	504	15 709	1.9	9.9	2.4	-6.0	13.6	1.2	2.2	-1.1	-2.9
May	A	313 767	5 486	-0.2	-2 845	-471	-2 586	212	1 801	10 132	-0.0	8.6	-0.1	-5.4	0.9	1.0	-0.1	-1.0	-0.2
Jun	A	320 303	6 536	0.7	3 141	-342	3 752	-269	317	-3 712	1.7	8.1	2.1	-4.3	7.6	0.9	1.9	-0.7	-1.4
Jul	A	320 381	77	-0.3	-3 036	702	-3 739	1	-2 876	-237	1.8	4.4	3.0	-6.1	14.4	0.5	2.6	-1.1	-2.4
Aug	A	316 218	-4 163	-0.8	-3 944	-844	-3 271	170	173	45	1.5	9.3	1.2	-2.1	15.2	1.1	1.0	-0.4	-2.5

NET FINANCING OF GENERAL GOVERNMENT
Annual percentage changes

- - - SHORT-TERM SECURITIES
—— MEDIUM AND LONG-TERM SECURITIES
▪▪▪ NON-COMMERCIAL LOANS AND OTHER
—— TOTAL

NET FINANCING OF GENERAL GOVERNMENT
Contributions to the annual percentage change

■ SHORT-TERM SECURITIES
■ MEDIUM AND LONG-TERM SECURITIES
□ NON-COMMERCIAL LOANS AND OTHER
■ ASSETS
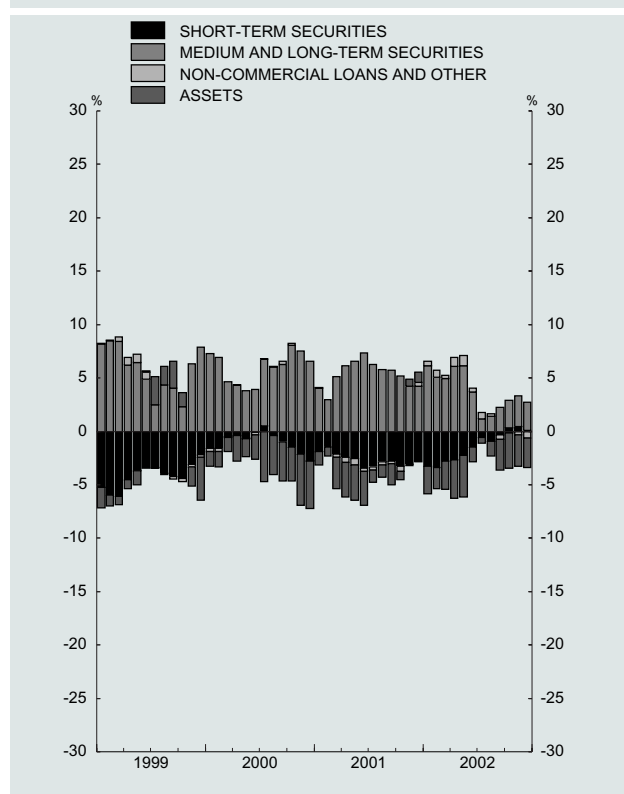
Source: BE.

(a) Including coined money and Caja General de Depositos.
(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

	Total (a)	Financing of productive activities					Financing of individuals						Financing of private non-profit entities	Unclassified
		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
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
02	701 663	365 203	14 750	85 587	57 002	207 865	323 520	239 236	228 919	10 317	34 684	49 600	2 432	10 508
00 *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
Q4	701 663	365 203	14 750	85 587	57 002	207 865	323 520	239 236	228 919	10 317	34 684	49 600	2 432	10 508
03 *Q1*	722 204	376 433	15 353	86 662	57 047	217 371	331 141	244 313	233 272	11 041	33 903	52 925	2 285	12 345
Q2	754 872	389 284	15 744	87 015	59 431	227 095	349 469	255 986	244 394	11 592	35 167	58 316	2 511	13 608

CREDIT BY END-USE
Annual percentage changes

TOTAL
PRODUCTIVE ACTIVITIES
INDIVIDUALS

CREDIT TO INDIVIDUALS BY END-USE
Annual percentage changes

TOTAL
HOME PURCHASES
PURCHASE OF CONSUMER DURABLES
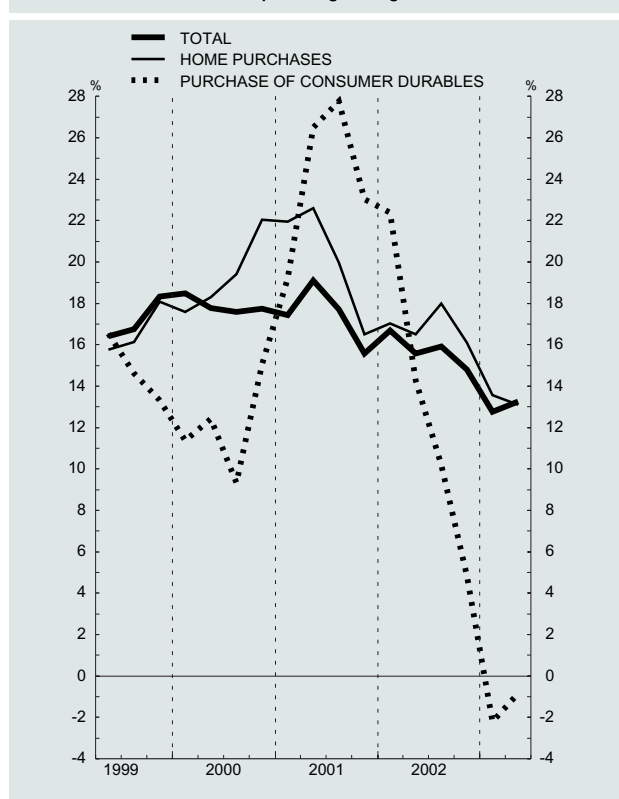
Source: BE.

(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.

(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	Interest expenses	Net interest income	Non interest income and expenses	Gross income	Operating expenses:	Of which: Staff costs	Net income	Provisions and other income and expenses	Profit before tax	Return on own funds (a)	Average return on lending operations (b)	Average cost of borrowing operations (b)	Difference (12-13)
	1 ■	2 ■	3 ■	4	5 ■	6	7	8 ■	9	10 ■	11 ■	12 ■	13 ■	14 ■
00	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
01	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
02	4.8	2.4	2.5	0.6	3.1	1.7	1.0	1.3	-1.6	0.8	14.6	5.0	2.7	2.3
00 *Q2*	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
Q3	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
Q4	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
01 *Q1*	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
Q2	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
Q3	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
Q4	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
02 *Q1*	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
Q2	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
Q3	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
Q4	4.8	2.4	2.5	0.6	3.1	1.7	1.0	1.3	-0.5	0.8	14.6	5.0	2.7	2.3
03 *Q1*	4.0	2.1	1.9	0.7	2.7	1.6	1.0	1.0	-0.2	0.8	14.8	4.8	2.7	2.2
Q2	4.0	1.9	2.1	0.8	2.9	1.6	1.0	1.3	-0.2	1.0	17.9	4.7	2.5	2.1

PROFIT AND LOSS ACCOUNT
Percentages of the adjusted average balance sheet and returns
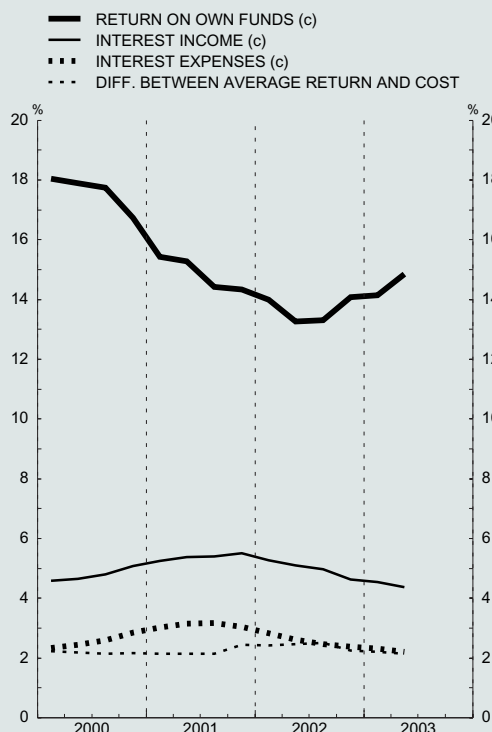
— RETURN ON OWN FUNDS (c)
— INTEREST INCOME (c)
▪▪▪ INTEREST EXPENSES (c)
···· DIFF. BETWEEN AVERAGE RETURN AND COST

PROFIT AND LOSS ACCOUNT
Percentages of the adjusted average balance sheet

—· GROSS INCOME
▪▪▪ NET INTEREST INCOME
– – NET INCOME
— PROFIT BEFORE TAX
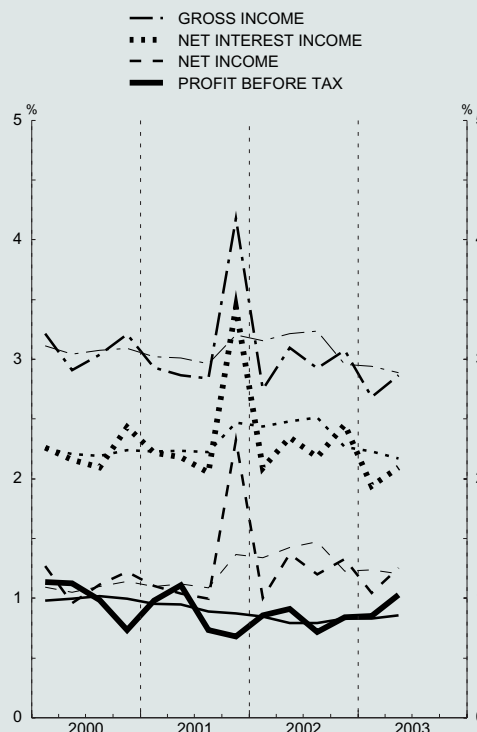
Source: BE.

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 averge return and cost.

(c) Average of the last four quarters.

■ Series depicted in chart.

EUR millions

	Total				Money-market funds				Fixed-income funds (a)				Equity funds (b)				Others funds (c)
			Of which				Of which				Of which				Of which		
	Net asset value	Monthly change	Net funds invested	Return over last 12 months	Net asset value	Monthly change	Net funds invested	Return over last 12 months	Net asset value	Monthly change	Net funds invested	Return over last 12 months	Net asset value	Monthly change	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
00	186 068	-20 225	-15 408	-1.7	33 368	-9 230	-10 156	3.0	101 190	-18 294	-19 692	1.4	49 249	6 534	14 493	-11.1	2 261
01	181 323	-4 746	-194	-1.5	43 830	10 462	9 798	3.5	97 246	-3 944	-47	1.9	37 494	-11 756	-5 053	-13.7	2 753
02	174 733	-6 590	3 345	-3.2	53 366	9 536	8 356	2.4	92 742	-4 504	-5 581	1.7	26 067	-11 427	-1 794	-25.7	2 558
02 May	181 231	-578	472	-2.6	49 455	1 023	912	2.9	93 521	-381	-309	1.0	35 843	-1 227	-135	-17.4	2 412
Jun	178 425	-2 806	352	-3.4	49 692	237	102	2.8	93 824	303	595	1.0	32 531	-3 312	-358	-21.5	2 378
Jul	174 935	-3 490	-1 160	-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
Aug	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
Sep	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
Oct	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
Nov	177 027	1 666	-274	-2.3	52 964	577	502	2.4	92 699	-249	-526	1.4	28 758	1 266	-220	-19.0	2 606
Dec	174 733	-2 294	-430	-3.2	53 366	402	290	2.4	92 742	43	-324	1.7	26 067	-2 691	-395	-25.7	2 558
03 Jan	175 610	877	1 417	-3.1	54 341	975	869	2.4	94 158	1 415	1 226	2.1	24 521	-1 546	-678	-26.7	2 590
Feb	181 800	6 190	5 576	-2.7	54 716	374	279	2.4	100 648	6 491	5 797	2.4	23 638	-883	-500	-27.0	2 798
Mar	185 853	4 053	4 271	-3.1	55 398	682	607	2.4	103 979	3 331	3 461	2.4	23 347	-291	203	-30.0	3 128
Apr	190 336	4 482	1 927	-1.4	56 235	836	762	2.3	105 580	1 601	1 249	2.7	24 970	1 623	-84	-22.0	3 551
May	193 743	3 408	2 136	-0.4	56 860	625	531	2.3	107 916	2 336	1 669	3.4	25 108	138	-64	-19.2	3 859
Jun	197 665	3 921	2 192	1.3	57 259	399	326	2.2	110 236	2 320	2 052	3.7	25 750	642	-185	-8.8	4 420
Jul	201 537	3 872	2 808	2.6	58 144	885	834	2.1	111 693	1 457	1 704	3.3	26 948	1 198	270	1.5	4 752
Aug P	204 207	2 670	...	2.6	58 977	834	...	1.9	112 595	902	...	3.0	27 642	694	...	3.0	4 993

NET ASSET VALUE

TOTAL
FIXED-INCOME FUNDS (a)
MONEY-MARKET FUNDS
EQUITY FUNDS (b)

RETURN OVER LAST 12 MONTHS

TOTAL
FIXED-INCOME FUNDS (a)
MONEY-MARKET FUNDS
EQUITY FUNDS (b)
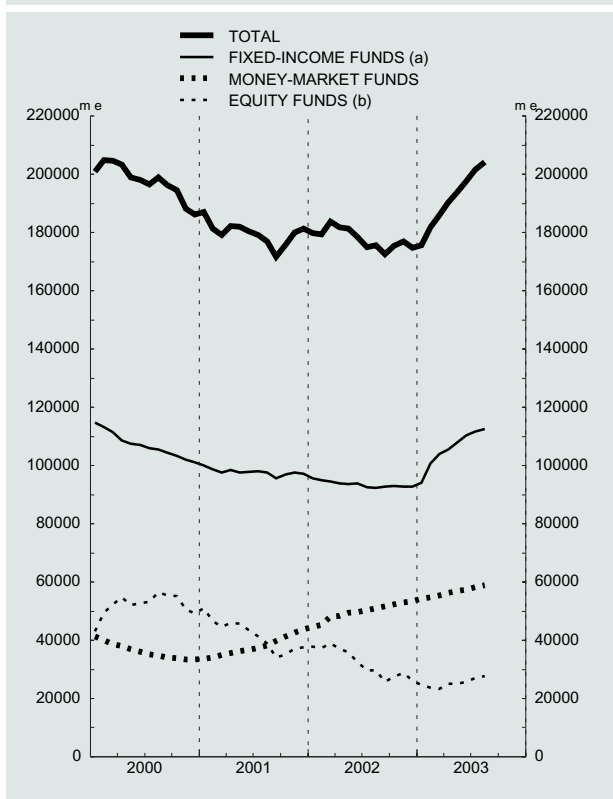
Sources: CNMV and Inverco.
(a) Includes short and long-term fixed-income funds in euros and international, mixed fixed-income funds in euros and international and guaranteed funds.
(b) Includes equity funds and mixed equity funds in euros, national and international.
(c) Global funds.

8.12. Share price indices and turnover on securities markets. Spain and euro area

■ Series depicted in chart.

Indices, EUR millions and thousands of contracts

	Share price indices				Turnover on securities markets							
	General Madrid Stock Exchange	IBEX 35	Dow Jones EURO STOXX indices		Stock market		Book-entry government debt	AIAF fixed-income market	Financial options (thousands of contracts)		Financial futures (thousands of contracts)	
			Broad	50	Equities	Bonds			Fixed-income	Shares and other equities	Fixed-income	Shares and other equities
	1 ■	2 ■	3 ■	4 ■	5 ■	6 ■	7 ■	8 ■	9	10	11	12
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
02	723.05	7 029.55	258.10	3 027.83	445 071	69 820	2 365 859	265 754	-	19 151	55	3 955
02 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
03 Jan	623.96	5 947.70	196.03	2 248.17	48 432	5 511	245 815	29 839	-	888	0	303
Feb	626.46	5 999.40	187.03	2 140.73	27 106	5 236	219 445	25 898	-	932	0	265
Mar	614.05	5 870.50	179.32	2 036.86	38 412	5 667	200 899	27 789	-	1 713	0	323
Apr	675.04	6 489.50	202.68	2 324.23	38 139	5 713	182 669	32 317	-	885	0	284
May	679.75	6 508.50	204.92	2 330.06	37 156	5 781	206 426	29 077	-	858	0	298
Jun	719.87	6 862.00	211.91	2 419.51	46 773	5 536	205 541	32 593	-	1 704	0	330
Jul	742.62	7 061.70	221.19	2 519.79	56 329	6 502	215 046	36 895	-	783	0	309
Aug	749.89	7 111.30	226.36	2 556.71	30 058	4 883	173 399	21 953	-	561	0	266
Sep P	713.22	6 703.60	214.34	2 395.87	43 490	6 203	167 990	30 011	-	1 080	0	327

SHARE PRICE INDICES
JAN 1994 = 100

MADRID STOCK EXCHANGE INDEX
IBEX-35
DJ EURO STOXX BROAD
DJ EURO STOXX 50

TURNOVER ON SECURITIES MARKETS

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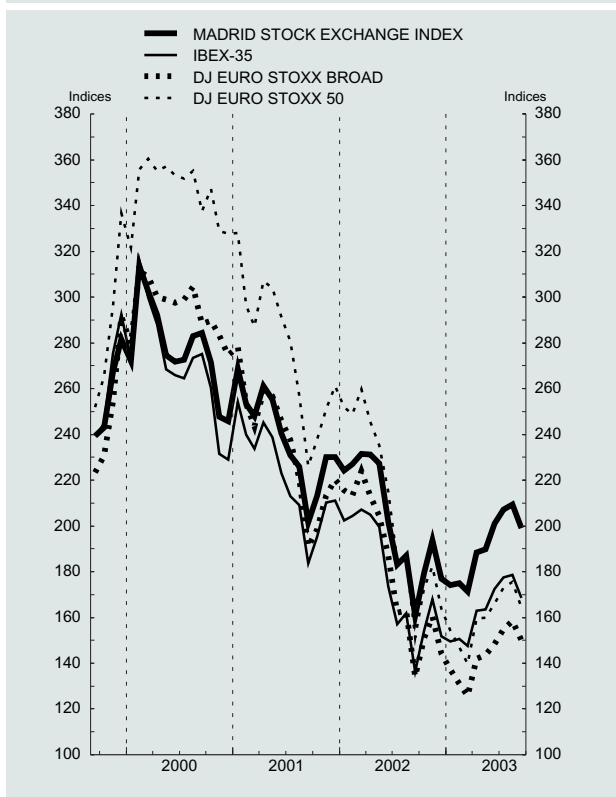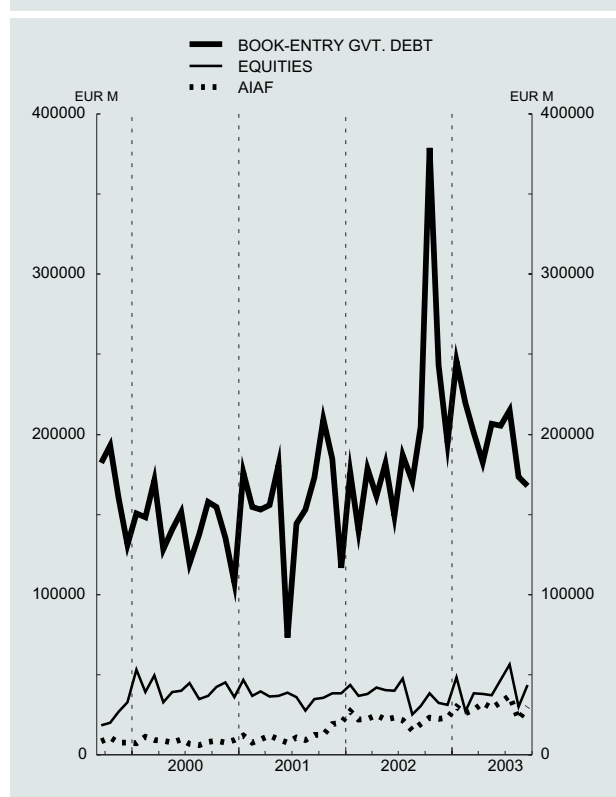
Sources: Madrid, Barcelona, Bilbao and Valencia Stock Exchanges (columns 1, 2, 5 and 6); Reuters (columns 3 and4); AIAF (column 8) and Spanish Financial Futures Market (MEFFSA) (columns 9 to 12).

■ 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
00	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
01	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
02	2.75	2.93	3.75	1.75	3.29	2.98	3.32	2.89	2.87	3.28	3.29	3.31	3.49	3.21	3.21	3.20	3.38
02 *Jun*	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
Jul	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
Aug	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
Sep	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	-
Oct	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
Nov	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
Dec	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
03 *Jan*	2.75	2.78	3.75	1.75	2.79	2.85	2.83	2.76	2.71	2.78	2.84	2.83	2.70	2.66	2.73	2.70	2.53
Feb	2.75	2.48	3.75	1.75	2.76	2.77	2.69	2.58	2.50	2.76	2.76	2.71	2.53	2.70	2.66	2.55	2.33
Mar	2.50	2.49	3.50	1.50	2.75	2.60	2.53	2.45	2.41	2.71	2.59	2.52	2.43	2.62	2.48	2.39	2.28
Apr	2.50	2.50	3.50	1.50	2.56	2.58	2.53	2.47	2.45	2.55	2.57	2.53	2.50	2.52	2.43	2.39	2.29
May	2.50	2.25	3.50	1.50	2.56	2.52	2.40	2.31	2.25	2.56	2.52	2.40	2.26	2.52	2.41	2.30	2.10
Jun	2.00	2.11	3.00	1.00	2.21	2.18	2.15	2.08	2.01	2.20	2.17	2.16	2.07	2.18	2.08	2.03	1.90
Jul	2.00	2.08	3.00	1.00	2.08	2.13	2.13	2.09	2.08	2.07	2.12	2.13	2.10	2.06	2.26	2.01	-
Aug	2.00	2.12	3.00	1.00	2.10	2.12	2.14	2.17	2.28	2.08	2.11	2.15	2.28	1.96	1.99	2.02	2.20
Sep	2.00	2.10	3.00	1.00	2.02	2.13	2.15	2.18	2.26	2.02	2.12	2.14	2.26	2.02	2.04	2.03	2.25

EUROSYSTEM: MONETARY POLICY OPERATIONS AND EURO AREA OVERNIGHT DEPOSITS

MARGINAL LENDING FACILITY
EURO AREA OVERNIGHT (EONIA)
MAIN REFINANCING OPERATIONS
DEPOSIT FACILITY
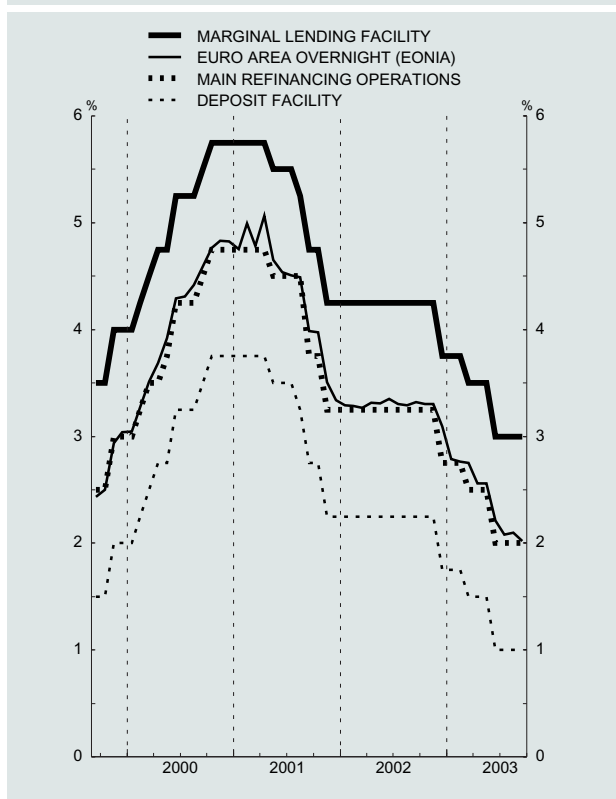
INTERBANK MARKET: EURO AREA 3-MONTH AND 1-YEAR RATES

EURO AREA 12 MONTHS
EURO AREA 3 MONTHS

Source: ECB (columns 1 to 8).

(a) To December 1998, synthetic euro area rates have been calculated on the basis of national rates weighted by GDP

9.2. Interest rates: Spanish short-term and long-term securities markets

■ Series depicted in chart.   *Percentages per annum*

	Short-term securities				Long-term securities							
	One-year Treasury bills		One-year commercial paper		Central Government debt							Private bonds with a maturity of over two years traded on the AIAF
	Marginal rate at issue	Secondary market: outright spot purchases between market members	Rate at issue	Secondary market: outright spot purchases	Marginal rate at issue					Secondary market. Book-entry debt. Outright spot purchases between market members		
					3-year bonds	5-year bonds	10-year bonds	15-year bonds	30-year bonds	At 3-years	At 10-years	
	1 ■	2	3 ■	4	5	6	7	8	9	10	11	12 ■
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
02	3.37	3.34	3.47	3.45	4.06	4.40	4.98	5.32	5.22	3.94	4.96	5.05
02 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	-	4.00	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
03 Jan	2.56	2.53	2.74	2.67	3.02	-	4.27	-	4.93	2.91	4.24	4.29
Feb	2.25	2.35	2.60	2.56	2.81	-	-	4.48	-	2.70	4.01	4.09
Mar	2.35	2.18	2.49	2.39	-	2.96	3.86	-	4.70	2.70	4.04	4.17
Apr	2.34	2.30	2.57	2.45	2.74	-	-	4.57	-	2.81	4.19	4.06
May	2.06	2.17	2.30	2.24	-	3.07	-	-	4.78	2.51	3.88	3.76
Jun	1.85	1.84	2.06	2.03	2.22	-	3.75	-	-	2.24	3.69	3.35
Jul	1.99	1.91	2.08	2.12	-	2.85	4.00	4.37	-	2.50	4.03	4.04
Aug	2.14	2.18	2.28	2.29	2.80	-	-	-	-	2.97	4.19	4.72
Sep	2.15	2.22	2.32	2.33	-	3.54	4.39	-	5.07	2.93	4.21	4.22

PRIMARY MARKET

- ONE-YEAR COMMERCIAL PAPER
- ONE-YEAR TREASURY BILLS

SECONDARY MARKET

- 3-YEAR CENTRAL GOVERNMENT DEBT
- 10-YEAR CENTRAL GOVERNMENT DEBT
- PRIVATE BONDS WITH MATURITY OVER 2 YEARS
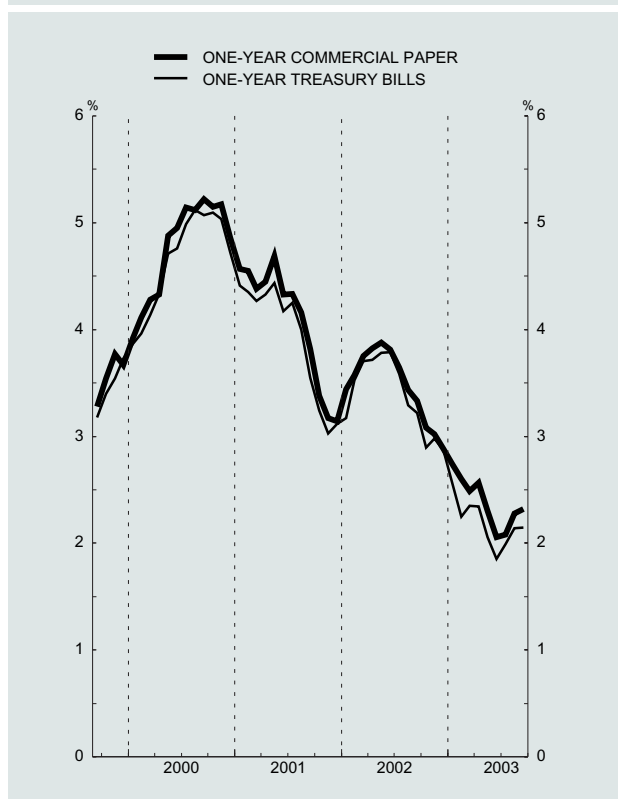
Sources: Main issuers (column 3); AIAF (columns 4 and 12).

■ Series depicted in chart.   *Percentages*

		Banks								Savings banks							
		Lending rates					Borrowing rates				Lending rates				Borrowing rates		
		Synthetic rate	Commercial discount up to three months	Credit accounts at 1-3 years	Loans at 3 years and over	Mortgage loans over 3 years	Synthetic rate	Current accounts	Repos on bills up to three months	Deposits at 1-2 years	Synthetic rate	Credit accounts at 1-3 years	Loans at 3 years and over	Mortgage loans over 3 years	Synthetic rate	Current accounts	Repos on bills up to three months	Deposits at 1-2 years
		1 ■	2	3	4	5 ■	6 ■	7	8	9 ■	10 ■	11	12	13 ■	14 ■	15	16	17 ■
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
02	M	4.74	5.62	4.96	6.84	4.69	2.21	1.99	3.14	2.65	5.04	6.81	7.72	4.90	2.27	1.87	3.15	2.85
01 *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	2.24	2.03	3.19	2.77	5.22	6.94	7.87	5.10	2.33	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	2.23	1.88	3.22	2.81
Oct		4.63	5.56	4.97	7.13	4.54	2.23	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	4.49	6.47	7.06	4.49	2.08	1.79	2.91	2.51
03 *Jan*		4.33	5.14	4.47	6.75	4.19	1.94	1.83	2.61	2.00	4.46	6.61	7.70	4.31	2.04	1.69	2.65	2.44
Feb		4.28	5.01	4.53	6.46	4.05	1.92	1.75	2.61	2.00	4.45	6.27	7.41	4.23	1.99	1.68	2.66	2.37
Mar		4.27	4.82	4.43	6.24	3.88	1.83	1.68	2.49	1.86	4.23	6.19	7.10	4.07	1.83	1.61	2.51	2.22

BANKS

- SYNTHETIC LENDING RATE
- MORTGAGE RATE
- DEPOSITS AT 1-2 YEARS
- SYNTHETIC BORROWING RATE

SAVINGS BANKS

- SYNTHETIC LENDING RATE
- MORTGAGE RATE
- DEPOSITS AT 1-2 YEARS
- SYNTHETIC BORROWING RATE
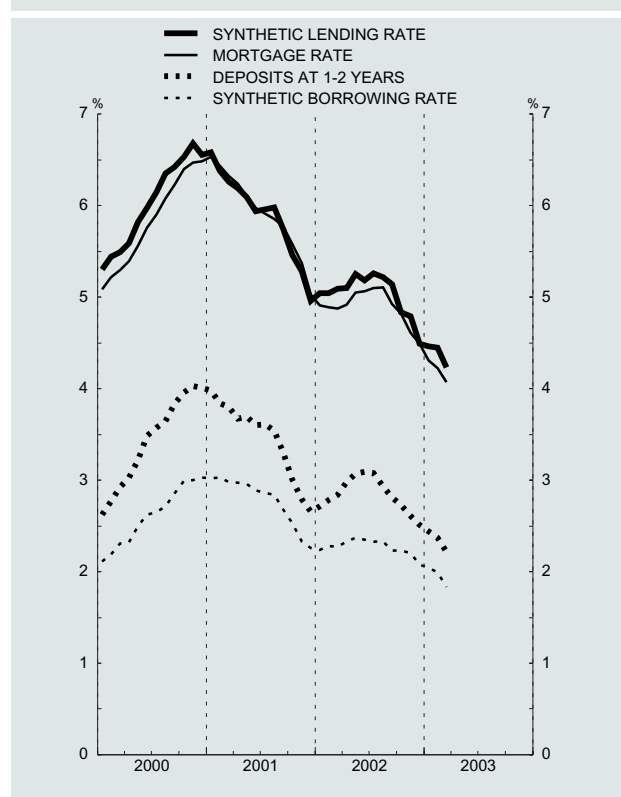
Source: BE.
Note: The underlying series for this indicator are in Tables 18.3 and 18.4 of the BE Boletín estadístico.

Percentages

		Loans (APRC) (a)						Deposits (NDER) (a)								
		Syn-thetic rate	Households and NPISH			Non-financial corporations			Syn-thetic rate	Households and NPISH				Non-financial corporations			
			Syn-thetic rate	House pur-chase	Con-sump-tion and other	Syn-thetic rate	Up to EUR 1 million	Over EUR 1 million		Syn-thetic rate	Over-night and re-deema-ble at notice	Time	Repos	Syn-thetic rate	Over-night	Time	Repos
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
03 *Jan*	P	4.76	5.17	4.30	6.94	4.32	5.07	3.67	1.56	1.61	0.53	2.66	2.66	1.50	0.82	2.62	2.69
Feb	P	4.70	5.07	4.18	6.87	4.29	4.96	3.72	1.50	1.52	0.54	2.47	2.61	1.49	0.82	2.54	2.71
Mar	P	4.59	4.87	4.04	6.55	4.29	4.84	3.86	1.43	1.44	0.53	2.34	2.60	1.41	0.78	2.44	2.62
Apr	P	4.45	4.81	3.90	6.64	4.06	4.80	3.45	1.35	1.33	0.51	2.16	2.48	1.37	0.76	2.36	2.52
May	P	4.70	4.71	3.82	6.50	4.68	4.69	4.68	1.35	1.30	0.48	2.13	2.45	1.42	0.78	2.33	2.51
Jun	P	4.31	4.60	3.72	6.36	3.99	4.48	3.64	1.20	1.16	0.44	1.94	2.19	1.27	0.77	2.03	2.16
Jul	P	4.18	4.40	3.52	6.19	3.94	4.39	3.60	1.15	1.14	0.42	1.93	2.05	1.17	0.66	1.92	2.05
Aug	P	4.20	4.52	3.45	6.72	3.86	4.47	3.36	1.15	1.12	0.42	1.89	2.02	1.20	0.69	1.98	1.97

LOANS SYNTHETIC RATES	DEPOSITS SYNTHETIC RATES
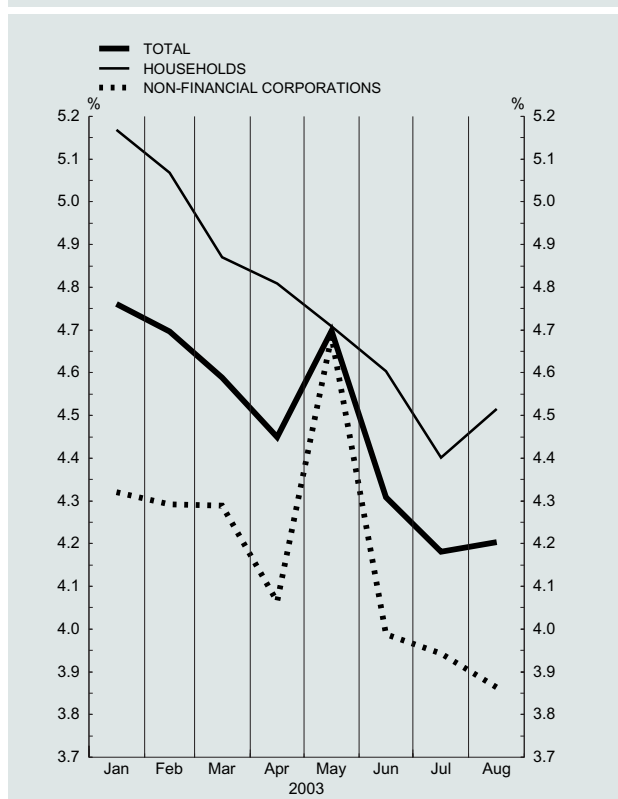
TOTAL
HOUSEHOLDS
NON-FINANCIAL CORPORATIONS
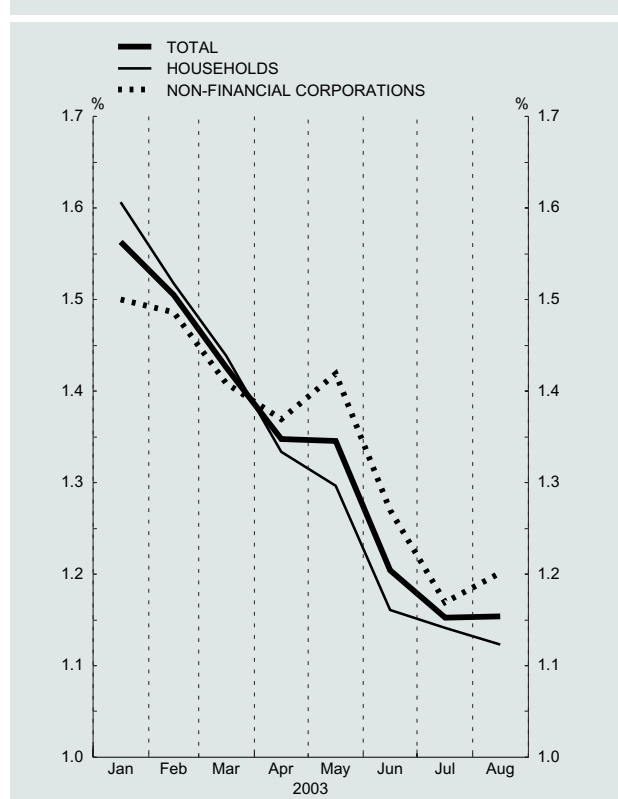
(a) APRC: annual percentage rate of change. NEDR: narrowly defined effective rate, which is the same as the APRC without including commissions.

9.4 Indices of Spanish competitiveness vis-à-vis the EU and the euro area.

■ Series depicted in chart.

	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
00	98.8	100.4	101.6	96.8	98.5	100.2	101.9	103.1	98.3	100.3	101.7	102.9	98.8
01	100.0	101.4	103.9	96.3	99.0	101.0	102.4	105.0	97.3	100.9	102.2	104.8	98.1
02	100.6	103.0	105.2	96.2	99.1	101.6	104.0	106.2	97.1	101.4	103.6	106.0	97.9
01 Q3	100.1	101.1	103.8	96.2	99.0	101.1	102.2	104.9	97.2	101.1	101.9	104.7	98.0
Q4	100.2	102.0	104.1	96.5	99.0	101.2	103.0	105.2	97.4	101.0	102.8	105.1	98.1
02 Q1	100.2	101.6	103.5	96.1	98.8	101.4	102.9	104.8	97.3	101.1	102.5	104.7	97.8
Q2	100.9	103.3	105.3	95.9	99.1	101.8	104.3	106.3	96.8	101.7	103.9	106.2	97.7
Q3	100.8	103.1	106.1	96.1	99.2	101.6	103.9	107.0	96.8	101.4	103.5	106.7	97.8
Q4	100.6	104.2	105.9	96.5	99.2	101.4	105.0	106.7	97.3	101.3	104.7	106.5	98.2
03 Q1	101.8	104.3	105.6	97.8	99.8	102.0	104.5	105.8	98.0	102.0	104.1	105.7	99.3
Q2	102.1	105.7	106.6	...	100.3	101.8	105.4	106.2	...	101.7	105.0	105.8	...
02 Dec	100.5	104.3	...	96.3	99.3	101.2	105.0	...	97.0	101.1	104.7	...	98.0
03 Jan	101.4	104.2	...	98.2	99.6	101.8	104.7	...	98.6	101.7	104.3	...	99.9
Feb	101.7	104.1	...	98.1	99.8	101.9	104.3	...	98.3	101.9	103.9	...	99.5
Mar	102.3	104.6	...	97.1	100.0	102.3	104.6	...	97.1	102.4	104.2	...	98.5
Apr	101.9	105.5	...	97.4	100.1	101.7	105.4	...	97.3	101.8	105.0	...	98.9
May	102.3	105.9	...	97.3	100.5	101.8	105.4	...	96.8	101.7	105.0	...	98.7
Jun	102.1	105.7	...	...	100.3	101.8	105.4	...	...	101.7	104.9	...	...
Jul	102.5	105.2	...	...	100.3	102.2	104.9	...	...	102.2	104.4	...	...
Aug	...	105.5	...	...	100.3	...	105.2	...	...	...	104.7	...	...
Sep	...	...	...	...	100.2	...	...	...	...	...	...	...	...

INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE UE
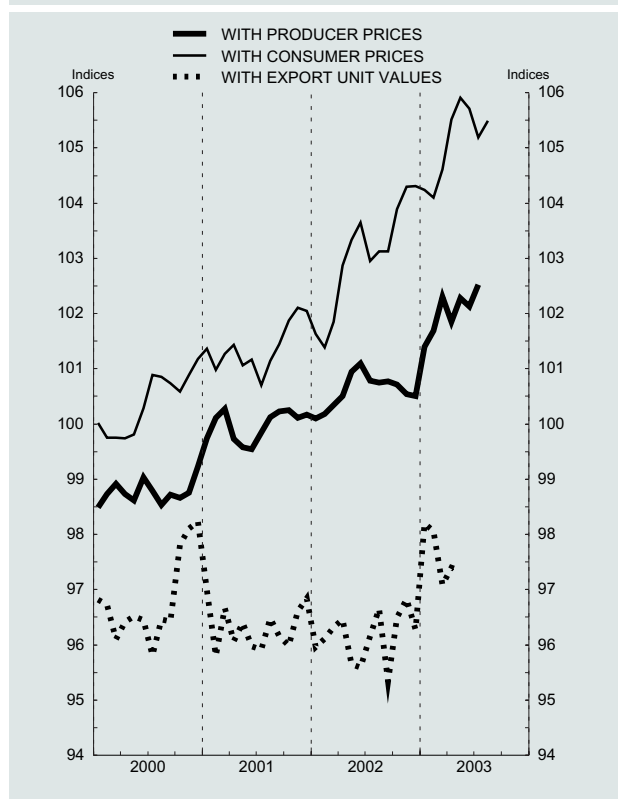
— WITH PRODUCER PRICES
— WITH CONSUMER PRICES
••• WITH EXPORT UNIT VALUES

INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EURO AREA

— WITH PRODUCER PRICES
— WITH CONSUMER PRICES
••• WITH EXPORT UNIT VALUES
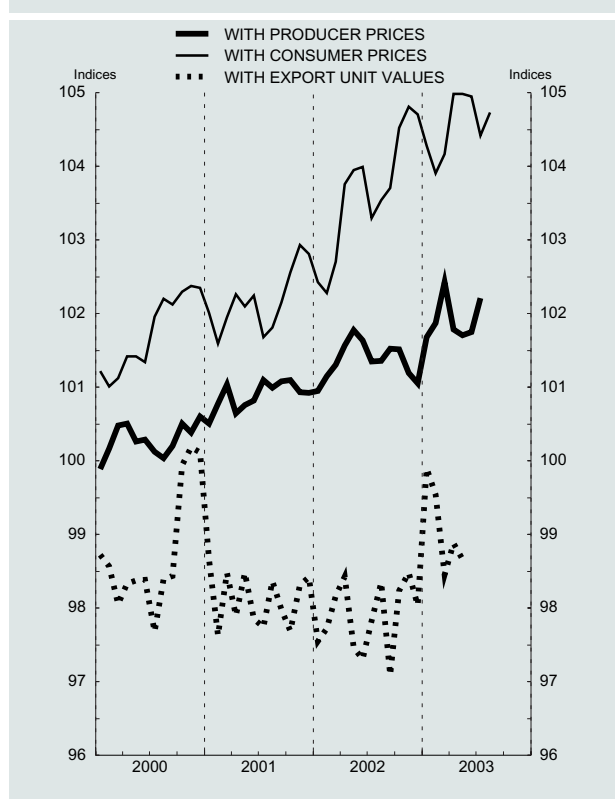
Source: BE.

(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.

Base 1999 QI = 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
00	96.5	97.6	99.0	95.3	95.8	100.7	101.9	103.4	99.6
01	97.9	98.7	101.4	95.0	96.3	101.7	102.6	105.3	98.7
02	99.4	101.3	103.8	95.8	97.1	102.4	104.3	106.9	98.7
01 *Q3*	97.9	98.4	101.2	94.8	96.2	101.8	102.3	105.2	98.6
Q4	98.2	99.5	101.8	95.3	96.3	101.9	103.3	105.6	98.9
02 *Q1*	98.4	99.3	101.4	95.1	96.2	102.2	103.2	105.4	98.9
Q2	99.4	101.2	103.5	95.4	96.8	102.7	104.6	107.0	98.5
Q3	99.9	101.6	105.0	96.1	97.5	102.5	104.2	107.7	98.5
Q4	100.1	103.1	105.2	96.7	97.8	102.3	105.4	107.6	98.8
03 *Q1*	102.0	104.0	105.7	98.8	99.1	102.9	104.9	106.7	99.6
Q2	103.0	106.1	107.4	...	100.3	102.7	105.8	107.0	...
02 *Dec*	100.3	103.5	...	96.7	98.1	102.2	105.4	...	98.5
03 *Jan*	101.5	103.8	...	99.1	98.8	102.8	105.0	...	100.3
Feb	101.9	103.8	...	99.1	99.2	102.8	104.7	...	99.9
Mar	102.5	104.3	...	98.2	99.4	103.2	105.0	...	98.8
Apr	102.2	105.4	...	98.5	99.6	102.7	105.8	...	98.9
May	103.3	106.5	...	99.0	100.7	102.6	105.8	...	98.3
Jun	103.4	106.5	...	...	100.7	102.7	105.8	...	...
Jul	103.4	105.7	...	...	100.4	103.1	105.3	...	...
Aug	...	105.7	...	...	100.1	...	105.6	...	...
Sep	...	...	...	...	99.9	...	...	...	...

INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE DEVELOPED COUNTRIES
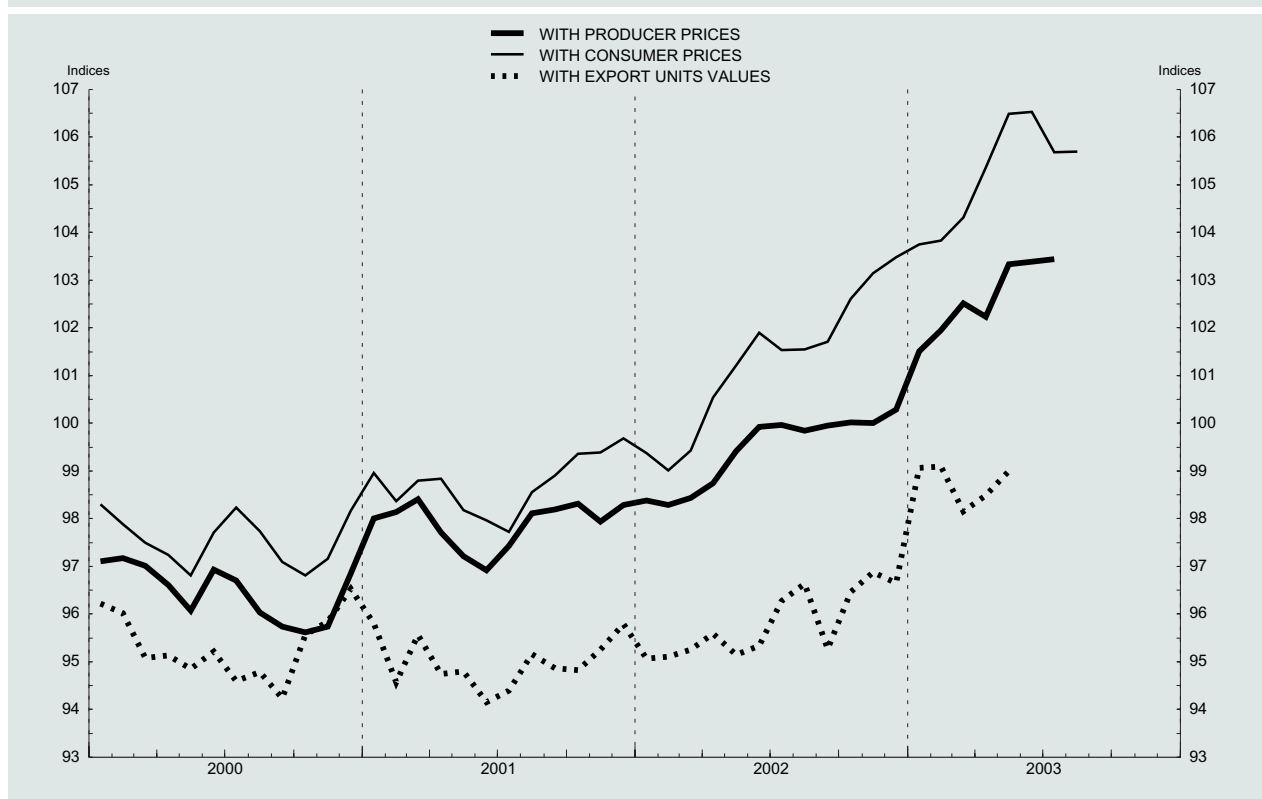
Source: BE.

(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.

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