

ECONOMIC BULLETIN

01/2005

BANCO DE ESPAÑA



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ABBREVIATIONS

AIAF	Association of Securities Dealers	GDP	Gross domestic product
BCBS	Basel Committee on Banking Supervision	GFCF	Gross fixed capital formation
BE	Banco de España	GNP	Gross national product
BIS	Bank for International Settlements	GVA	Gross value added
CBSO	Central Balance Sheet Data Office	HICP	Harmonised index of consumer prices
CCR	Central Credit Register	IADB	Inter-American Development Bank
CEMLA	Center for Latin American Monetary Studies	ICT	Information and communications technology
CEPR	Centre for Economic Policy Research	IGAE	National Audit Office
CNE	Spanish National Accounts	IMF	International Monetary Fund
CNMV	National Securities Market Commission	INE	National Institute of Statistics
CPI	Consumer price index	INVERCO	Association of Collective Investment Institutions and Pension Funds
DGS	Directorate General of Insurance and Pension Funds	LIFFE	London International Financial Futures Exchange
EAGGF	European Agricultural Guidance and Guarantee Fund	MEFF	Financial Futures and Options Market
ECB	European Central Bank	MEFF RF	Fixed-income derivatives market
ECCO	ECB External Communications Committee	MEFF RV	Equity derivatives market
ECOFIN	Council of the European Communities (Economic and Financial Affairs)	MFI	Monetary financial institutions
EDP	Excessive Deficit Procedure	MMFs	Money market funds
EMU	Economic and Monetary Union	MROs	Main refinancing operations
EONIA	Euro overnight index average	NCBs	National central banks
EPA	Official Spanish Labour Force Survey	NPISHs	Non-profit institutions serving households
ERDF	European Regional Development Fund	OECD	Organisation for Economic Co-operation and Development
ESA 79	European System of Integrated Economic Accounts	OPEC	Organisation of Petroleum Exporting Countries
ESA 95	European System of National and Regional Accounts	PPP	Purchasing power parity
ESCB	European System of Central Banks	QNA	Quarterly National Accounts
EU	European Union	SCLV	Securities Clearing and Settlement Service
EU-15	Countries making up the European Union as at 31/04/04	SDRs	Special drawing rights
EU-25	Countries making up the European Union as from 1/5/04	SMEs	Small and medium-sized enterprises
EUROSTAT	Statistical Office of the European Communities	TARGET	Trans-European Automated Real-time Gross settlement Express Transfer system
FASE	Financial Accounts of the Spanish Economy	TFP	Total factor productivity
FDI	Foreign direct investment	ULCs	Unit labour costs
FIAMM	Money market funds	VAT	Value added tax
FIM	Securities funds	XBRL	Extensible Business Reporting Language
GDI	Gross disposable income		

COUNTRIES AND CURRENCIES

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

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

CONVENTIONS USED

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

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QUARTERLY REPORT ON THE SPANISH ECONOMY

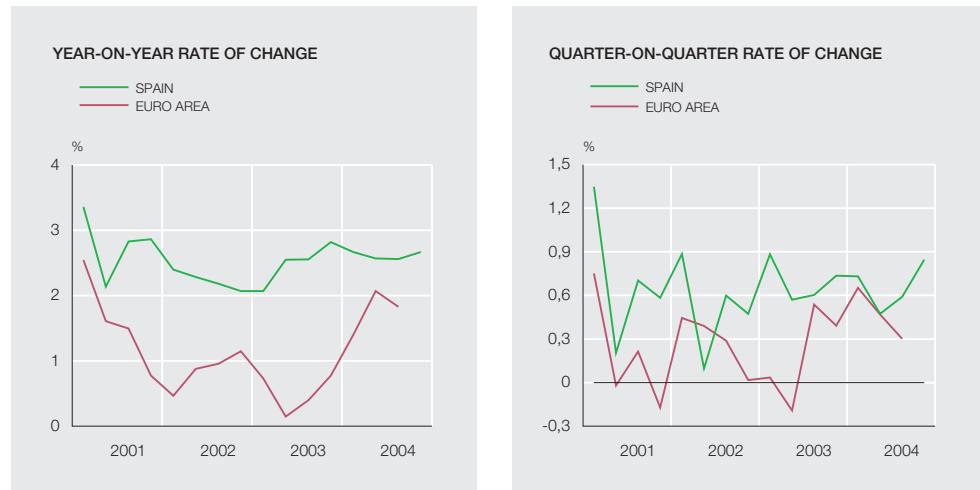
1 Overview

After several quarters of sustained growth running at a rate of 2.6%, the Spanish economy ended the year 2004 with a slight rise in activity. Although the year-on-year change in domestic demand is estimated to have turned down slightly, following growth of 4.4% in Q3, the improvement in tourism in the closing months of the year and a slight reduction in the notable momentum of imports have helped ease the negative contribution of external demand. GDP is thus estimated to have increased by 2.7% year-on-year in Q4, 0.1 pp up on the QNA estimate for the two previous quarters, and by 0.8% in quarter-on-quarter terms, also above the previous estimate (see Chart 1). In any event, the Spanish economy ended the year in line with previous trends: domestic demand increased notably and, despite slowing, grew by over 4%; the contribution by the external sector was strongly negative and the rate of job creation high; and inflation, measured by the CPI, was driven by dearer oil and closed the year standing at 3.2%.

Estimates in 2004 Q4 place growth for the whole of the year at 2.6%, slightly above the figure of 2.5% in 2003. Domestic demand would have quickened to a rate of increase of 4%, compared with 3.2% in 2003, reflecting higher growth in both consumption and, mainly, investment. The negative contribution of external demand would have stepped up notably, despite the improvement in Q4, standing at a negative figure of over -1.5 pp, against -0.8 pp the previous year. Employment growth exceeded 2%, compared with 1.7% in 2003, extending the path of low productivity growth, and the inflation rate, with a variable profile over the course of the year, averaged 3%, a similar rate to 2003.

On the international front, growth was very high in 2004, the outcome of a recovery that has spread to most economic areas and which has been accompanied by a vibrant increase in the volume of international trade. Nonetheless, set against this strength, a clearly slowing trend has been discernible as the year has elapsed. This is related to two factors. First, the change in economic policy stance, the expansionary nature of which has begun to be tempered by the authorities in regions as far apart as China and the United States. Further, higher oil prices, the reflection in turn of the strength of world demand, have acted as a growth-stabilising factor, possibly dampening recovery expectations. Following this gradual slowdown, the outlook for 2005 is for the expansion to hold at a more contained rate. Bearing witness in part to these bright prospects, stock markets ended the year on a rising trend, and both long-term interest rates and sovereign spreads in the emerging markets and in the markets for debt issued by the private sector in the developed countries have held at relatively moderate levels.

The expansion of the world economy has not, however, seen many improvements in the macro-financial imbalances persisting between the different economic areas. Indeed, the scale of the US external deficit appears to be the main reason for the depreciation by the dollar in the second half of 2004, the main counterpoint to which has been the rise in the euro. This trend has reversed to some extent in early 2005. The oil price peaked in October, at over \$50 per barrel, tending to ease thereafter but without abandoning levels above \$40. At the outset of 2005 the oil price rose again, and the futures markets project a very slow downward adjustment until the end of the year. Against this background, inflation rates in the main economic areas have shown a rising profile, although inflationary risks remain under control owing to the fact that there has been no surge in wages, the increases in which remain moderate, and corporate profits have picked up, allowing the higher cost of energy to be accommodated.



SOURCES: ECB, INE and Banco de España.

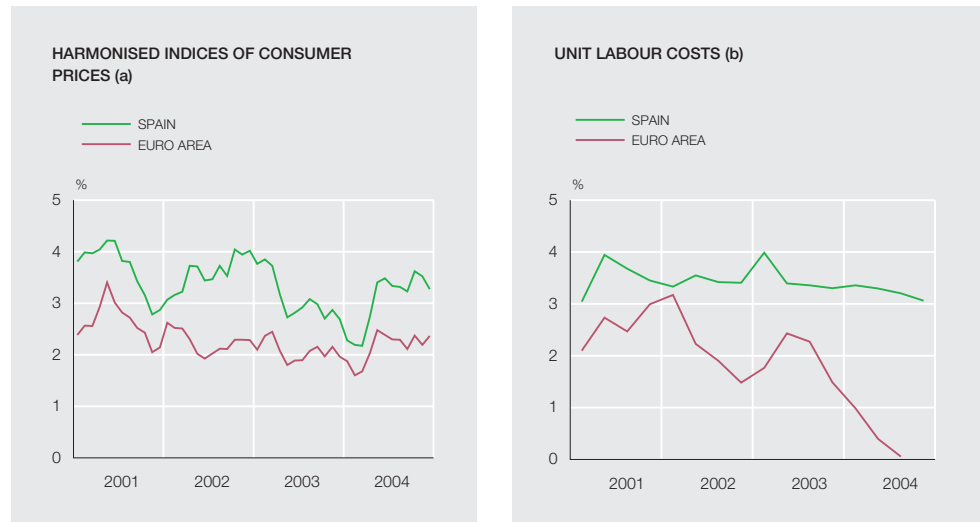
a. Seasonally adjusted series.

Across the geographical areas, Q3 data in the United States confirmed robust though slightly slowing growth, led by consumption and investment, which no doubt extended into the final quarter of the year. Although the inflation rate was on a rising trend, owing to dearer oil and to the depreciation of the dollar, underlying inflation rose only slightly and no significant deterioration in inflation expectations is perceptible. The Chinese economy continues to post growth rates of over 9%, meaning that the containment measures adopted by the authorities have had only a limited success. Finally, growth in Latin America in 2004 is shaping up to be the highest in several decades, owing to the increase in investment and exports, while sovereign spreads have held at minimum levels and central banks have significantly increased their foreign reserves.

Against the backdrop of this widespread expansion in the world economy, the euro area continues to post moderate rates of increase which depend largely on external demand. Recovery in this area is therefore vulnerable to events in the international environment, and domestic demand has so far failed to react with the necessary force. After a relatively strong first half of the year, with increases close to GDP potential, the figures for Q3 – which placed year-on-year GDP at 1.8% – and the trends suggested by the indicators for the end of the year point to a lower growth rate, tied to the sluggishness of exports, which are affected by the appreciation of the euro. Although investment has been more buoyant in recent months and the consumption indicators presage a slight improvement in Q4, the limited expectations of an increase in employment or in income appear to be weighing household expenditure down.

That said, developments across the euro area members continue to be highly diverse, since some show high growth rates (such as Finland, Belgium, Ireland and Spain) while others (such as Germany and, more recently, France) have recently faced difficulty in maintaining the pace of activity.

Higher oil prices have had an upward effect on the inflation rate in the euro area, although its scale has been cushioned by the appreciation of the euro. Overall, the HICP ended the year with a year-on-year increase of 2.4%, although expectations point to a resumption of a rate below 2% in the coming months. Moreover, underlying inflation has barely exceeded this level during 2004. The expectations of inflation holding at a level consistent with the ECB's definition



SOURCES: Eurostat, ECB and INE.

a. Year-on-year rate of change. To December 2001, the rates relate to those released as at that date.

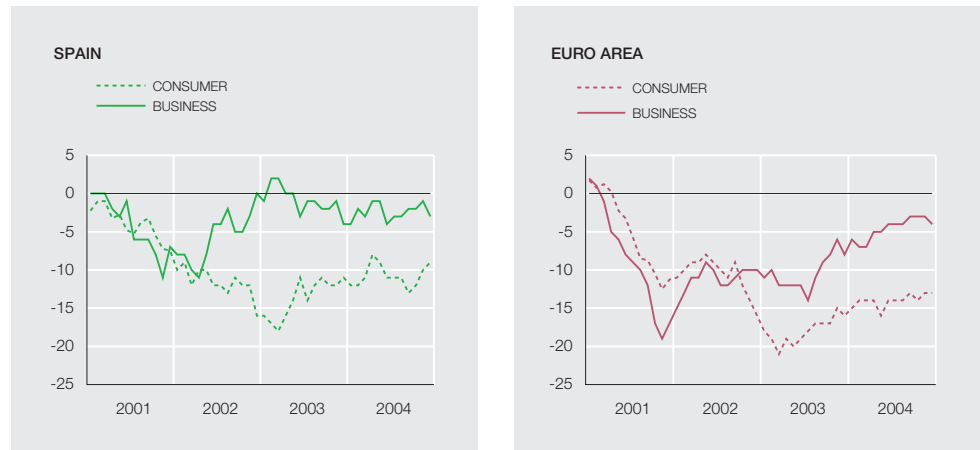
b. Per unit of output. Year-on-year rate of change calculated on the basis of seasonally adjusted series.

of price stability have been strengthened by the moderate course of wages, where the price rises linked to dearer oil do not appear to have exerted an effect. In these circumstances, the ECB has decided to keep the interest rate on its main refinancing operations stable at 2%, albeit monitoring closely the perceptible risks to the inflation rate.

As regards fiscal policy stance in the euro area, the insufficiency of the fiscal adjustments made by certain countries in the past was once again highlighted in 2004, as was the lack of sufficiently corrective measures at present. Consequently, the public deficit in the euro area as a whole stood at 2.9%. Against this background, the discussions being held by ECOFIN to reform the Stability and Growth Pact are continuing. Apart from fiscal policy co-ordination, the application of the structural reform measures agreed in Lisbon would appear to be vital if the euro area economy is to be galvanised and growth potential raised. In this connection, the European Council in March may prove most important, since it is scheduled that the reform of the Stability and Growth Pact be addressed and the strategy on structural policies in Europe reviewed, so as to give the euro area fresh momentum.

As indicated at the beginning of this report, the Spanish economy, against this background of international expansion and moderate growth in the euro area, has sustained its own dynamism and a positive and significant growth differential with the euro area. Domestic spending, underpinned by generous financial conditions, high job-creation capacity and favourable demand expectations for companies, remained forcefully buoyant in Spain in the final months of 2004, despite the moderate slowdown in private consumption and investment. The negative contribution of net external demand to GDP growth declined somewhat, giving rise to an increase in activity of 2.7%, slightly up on the previous quarter's figure of 2.6%.

The private consumption indicators for Q4 point to a slight loss of steam compared with the growth for the second and third quarters of 2004. Nonetheless, the year closed with an increase in consumption of around 3.3%, clearly up on the 2003 figure. This result was underpinned by the growth of real disposable income, the favourable financing conditions and a sizable increase in both financial and non-financial wealth, based on rising house prices and



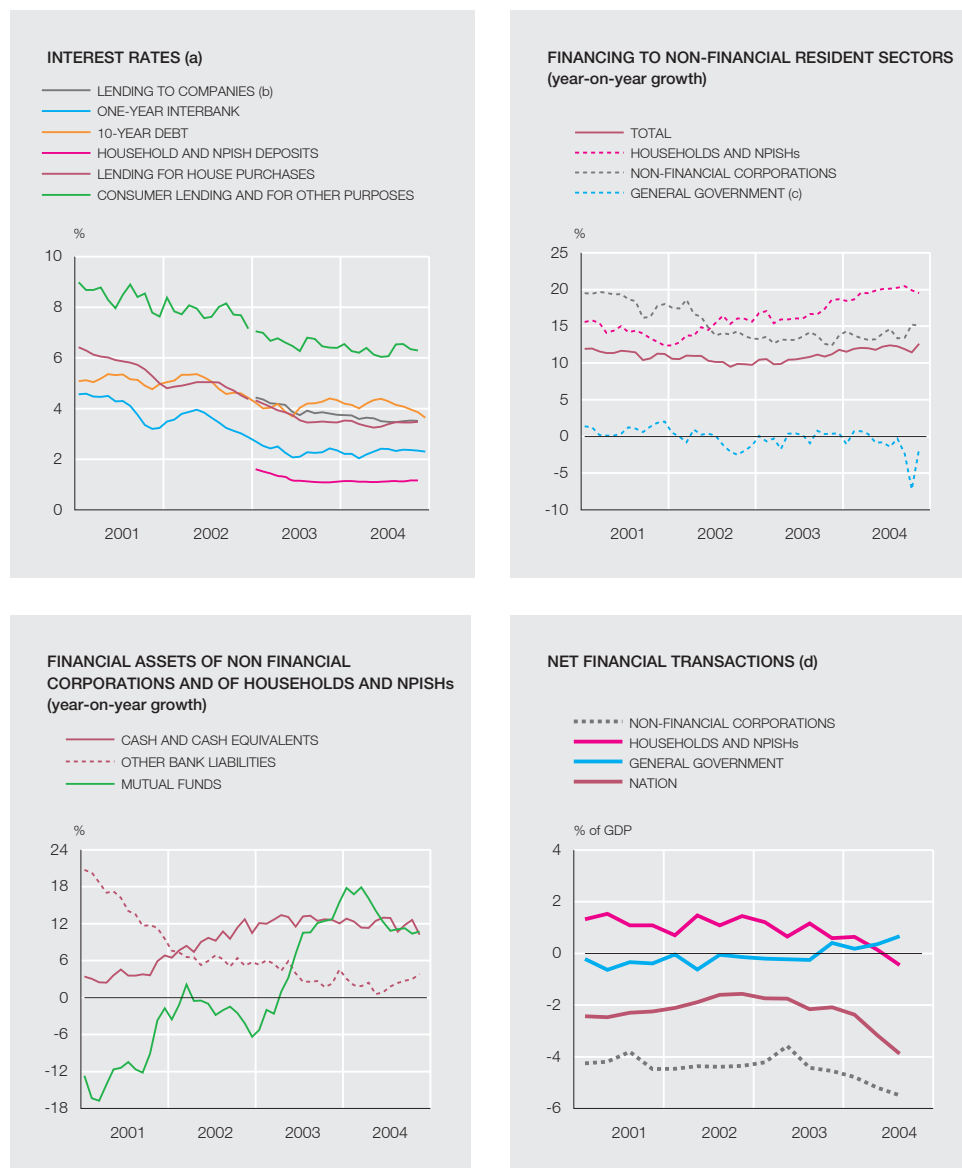
SOURCE: European Commission.

the rally on the stock market. The residential investment indicators signal that the other component of household expenditure also expanded significantly in 2004 which, combined with the growth in house prices, accounts for the increase in mortgage lending. On the figures for 2004 to Q3, household financial saving has turned negative for the first time, reflecting the growing financial pressure the sector is facing.

Fixed capital investment also ended 2004 having slowed slightly, following its notable increase in Q3. Notwithstanding, the pick-up in investment in the year as a whole was significant, especially that in capital goods (with an estimated average increase of over 5.5%), since construction grew at a very similar rate to that of 2003 (4.3%). Corporate investment has been the main driver of gross fixed capital formation, to which improved demand expectations, sustained by the recovery in the international economy against a backdrop of less financial pressure on companies and an improvement in their economic performance, have undoubtedly contributed.

The negative contribution of external demand to GDP growth moderated to some extent in 2004, after having stepped up considerably in the three previous quarters. Despite this, the subtraction from growth in Q4 was 1.6 pp. The deterioration in external demand over the year as a whole is largely attributable to losses in competitiveness arising from the appreciation of the euro over the past two years and the maintenance of positive differentials in respect of price and cost changes with Spanish producers' main competitors. Although goods exports recovered significantly in 2004, this pick-up was far less than that recorded by the markets. Tourism-related results were affected by additional adverse factors such as the weather and geopolitical tensions, the effect of which has been lessened by the strong rise in Q4. Lastly, the considerable buoyancy of final demand, the unfavourable course of competitiveness and the rise in Spanish tourism abroad, spurred by the appreciation of the euro, account for the acceleration in goods and services imports, which has only been checked in the final quarter.

The estimated slight pick-up in GDP growth in Q4 (0.1 pp in year-on-year terms) would have been accompanied by a similar rise in employment, according to the EPA (Labour Force Survey) employment figure for Q4, released as this report was going to press. In 2004 as a whole, employment is estimated to have grown by 2.1%, giving rise to an additional cut in the growth rate of labour productivity. Sector by sector, this result reflects the situation in market services, where employment has not only grown more than value added but has accelerated to a greater extent in 2004, and in construction, where both variables increased at the same rate.



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. Weighted average of interest rates on various transactions grouped according to their volume.
- c. Consolidated financing: net of securities and loans that are general government assets.
- d. Cumulative four-quarter data.

Conversely, in industry, where competitive pressures are greater, employment fell substantially until Q3, prompting high productivity gains. But this process has come to a halt in the closing months of the year, in which industrial employment has resumed positive rates of change.

The labour cost indicators and the results of collective bargaining in 2004 showed a moderation in wages in relation to 2003, which tended to firm over the course of the year. The QNA estimates of compensation per employee identified this slowing profile, which has fed through to unit labour costs, despite the low increase in productivity. However, the growth of compensation (3.7% in Q3 compared with a year earlier, and 3.2% in the market economy) is high when compared with other euro area economies, and has contributed to upholding the labour cost growth differential vis-à-vis Spanish producers' main competitors, adversely affecting their competitiveness. Indeed, the outlook for 2005 points to a rise in wages owing to the ef-

fect of the inflation-adjustment clauses included in many agreements, and which will enter into force as a result of the upward effect that dearer oil had on inflation in the final months of 2004. While in most economies the increase in oil prices has not affected wages, thereby limiting the effects on the inflation outlook, their incorporation in Spain into wage growth by means of the above-mentioned clauses will fuel losses in competitiveness. The endurance of indexing mechanisms reinforces an economy's inflationary inertia, curtailing its flexible response capacity to the unexpected shocks that may affect it. Consequently, having a system of this nature in place to annually revise the national minimum wage would be inappropriate, particularly if it were to become legally enforceable.

Turning to inflation developments in 2004, the 12-month rate of the CPI, which had started the year at 2.3%, ended it at 3.2%, after having peaked in October (3.5%) when the effects of dearer energy were at a height. This effect was partly offset by the favourable behaviour of unprocessed food prices. Among the least variable price components, included in the CPI excluding energy and unprocessed goods, there was also an acceleration in the second half of the year, placing this index at a 12-month rate of around 2.9%, due to slippage by processed-food and non-energy industrial goods prices. Finally, services prices held at a high rate of around 3.8%. The inflation rate averaged 3% in 2004 and the inflation differential with the euro area, measured by the HICP, which moved on a rising profile during the year, stood at 0.9 pp in December.

In the fiscal policy realm, the unveiling of the Updated Stability and Growth Pact for the 2004-2008 period confirmed the economic authorities' commitment to budgetary stability. After a deficit of 0.8% of GDP in 2004, owing to the recognition of certain extraordinary transactions in the year, projections point to successive surpluses in public finances until the year 2008, conditional upon a specific growth scenario.

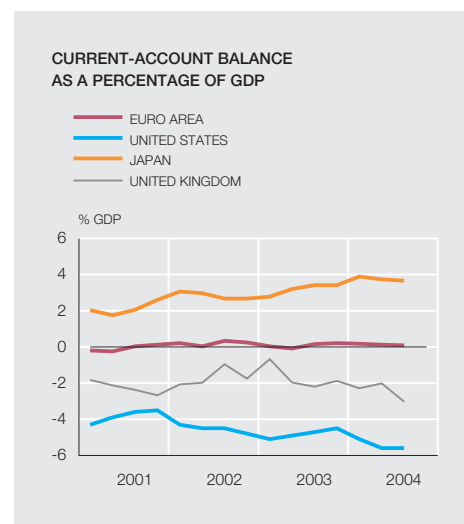
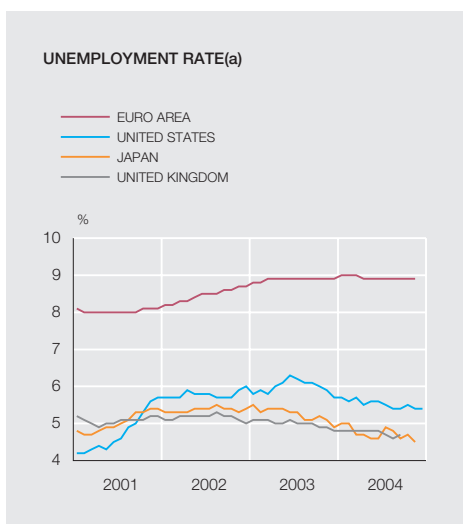
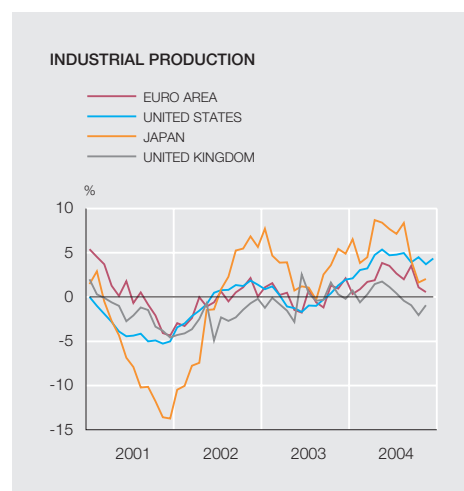
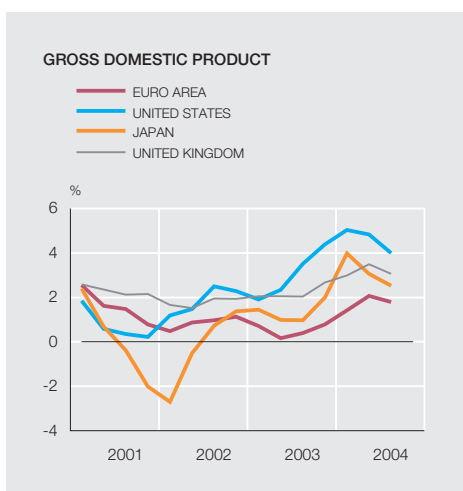
For the Spanish economy to continue maintaining its positive growth differential and to sustain its real convergence with the most advanced euro area economies, it must not only hold on a path of budgetary stability but also apply measures that promote growth potential by means of a flexible and efficient functioning of the economy. In this respect, the announced raft of measures to foster competitiveness is an opportunity to achieve significant progress here. Ahead of some of these measures, a White Paper on competition protection has been published. This provides for the creation of an independent agency – the National Commission for the Protection of Competition – to watch over these aspects, thereby increasing safeguards in respect of the system's transparency and effectiveness.

2 External environment of the euro area

Developments on international financial markets in the last three months of 2004 were marked by the weakness of the dollar, which reached a new low against the euro – at over \$1.36 per euro – in mid-December. The deterioration in the US external deficit and doubts about the future course of productivity, following the news of the decline in its growth rate in Q3, might have contributed to the depreciation of the US currency. In the opening weeks of January, however, the dollar appreciated significantly, in a movement attributed to the prospect of a fresh tightening of US monetary policy. As expected, the Federal Reserve increased its federal funds rate by 25 bp to 2.25%. The markets now appear to be discounting fresh interest-rate rises with greater certainty, following the scrutiny of the minutes of the last Federal Reserve Open Market Committee meeting, which were released for the first time before the following meeting and which had a more contractionary tone than expected. The movements of the dollar against the yen were similar to those against the euro, though of less intensity. US long-term interest rates increased very slightly during the quarter which, combined with the decline in euro long-term rates, prompted a widening of the related spread to 60 bp. The price of crude oil fell at the end of the year to \$40 per barrel, after peaking in October, while its volatility increased substantially. In the first fortnight of January the oil price rose owing to uncertainty related to the imminent elections in Iraq and to purely seasonal factors. Despite these vicissitudes, there have been no significant movements in long-term futures, which remain in any event at relatively high levels. The emerging economies performed very favourably during Q4, with their GDP growth rate higher than that of the developed economies, widespread declines in sovereign spreads (although they widened slightly in January), stock market rises, the appreciation of their currencies (except in those countries with fixed exchange rates) and a build-up in currency reserves by their central banks.

In the United States, the final GDP figure for Q3 was 4% in annualised quarter-on-quarter terms (year-on-year it was also 4%), up on the initially estimated figure of 3.9% and on the Q2 figure of 3.3%. Activity was essentially driven by an acceleration in private consumption and in private investment in equipment. The indicators available for Q4 point to the continuing buoyancy of the economy. On the demand side, the robustness of retail sales, combined with the recent improvement in consumer confidence, portray a favourable outlook for private consumption, while the positive trend of durable goods orders in November would suggest the continuing resilience of investment. On the supply side, indicators are likewise favourable: industrial production posted increases in the last quarter of 2004; capacity utilisation reached a four-year high in December; the confidence indicators in the manufacturing and services sectors both posted increases in November and December; and the leading indicator of economic activity showed increases for the first time in six months in November and December. On the downside, job creation was low in the last two months of the year, below the annual average and expectations. That said, the year closed with 2.2 million jobs having been created, the highest figure in five years. The trade deficit continued widening, reaching a new all-time high in November owing to the strong growth of imports. As to prices, the CPI slowed in December (3.3% year-on-year, against 3.5% in November) owing to the decline in energy prices. The underlying rate held at 2.2%. These figures confirm the easing of inflationary pressures signalled by the supply-side indicators (import and producer prices), despite the depreciation of the dollar.

In Japan, National Accounts data highlighted the slowdown in activity in Q3, with GDP posting year-on-year growth of 2.6%, compared with 3% in Q2. The differing trends of the latest indi-

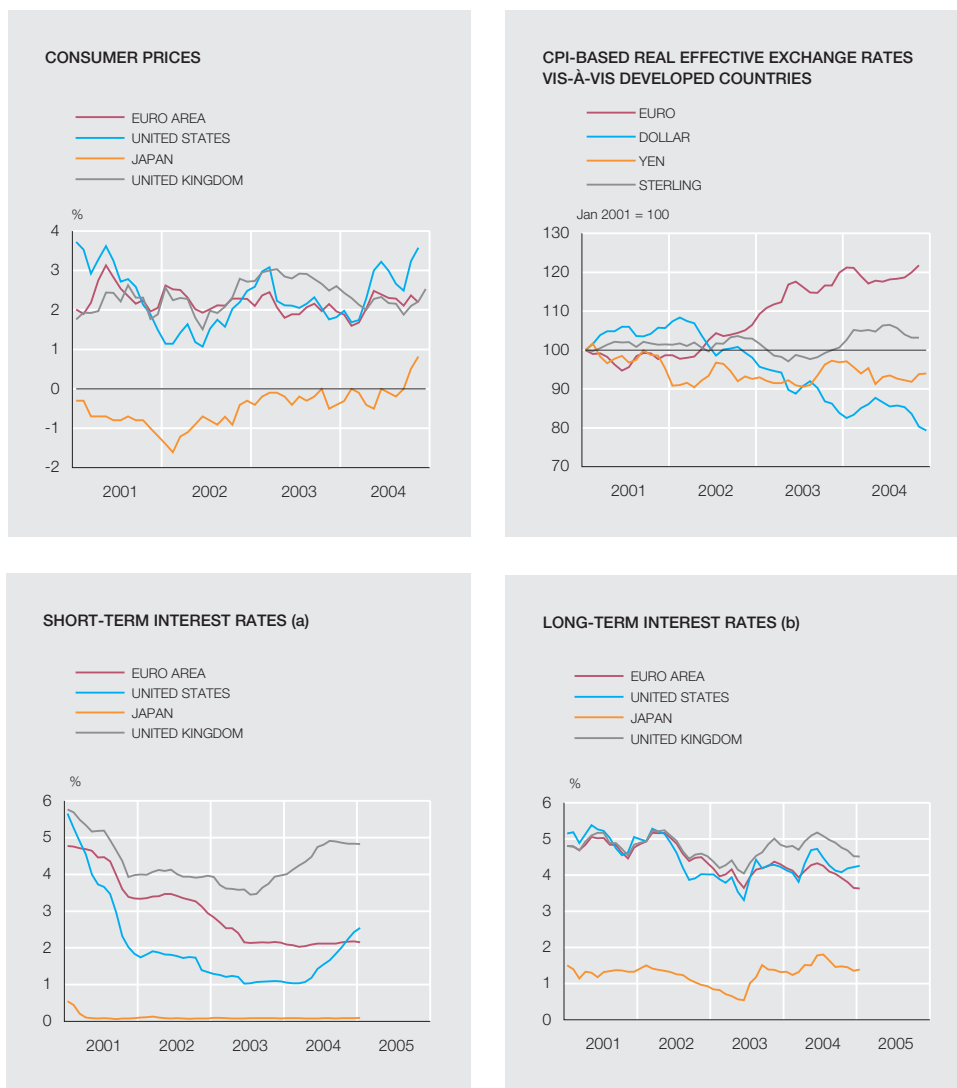


SOURCES: Banco de España, national statistics and Eurostat.

a. Percentage of labour force.

icators do not help ascertain whether the slowdown observed is temporary. On the supply side, the improvement in industrial output and the rise in the indicators of economic activity in November contrasted with the slight deterioration in the Tankan business expectations survey. On the demand side, the increases in retail sales and in personal income in November would suggest an improvement in private consumption, though strong job destruction that same month might limit these gains. Finally, deflationary pressures remain in place, as indicated by the course of underlying inflation in November (-0.2% year-on-year), although consumer prices grew by 0.8% , due essentially to the increase in energy prices.

GDP in the United Kingdom slowed in Q3, increasing by 0.5% in quarter-on-quarter terms (3.1% year-on-year) compared with 0.9% in Q2 (3.5% year-on-year). The indicators released for Q4 show a divergent trend; the demand indicators evidenced clear improvements (increases in retail sales in November and in consumer confidence in December), while the supply-side indicators, especially industrial production, worsened. Regarding the behaviour of prices, the harmonised CPI grew by 1.6% in December compared with a year earlier, against 1.5% in November, still below the Bank of England's target of 2% . On the property market,



SOURCE: Banco de España.

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

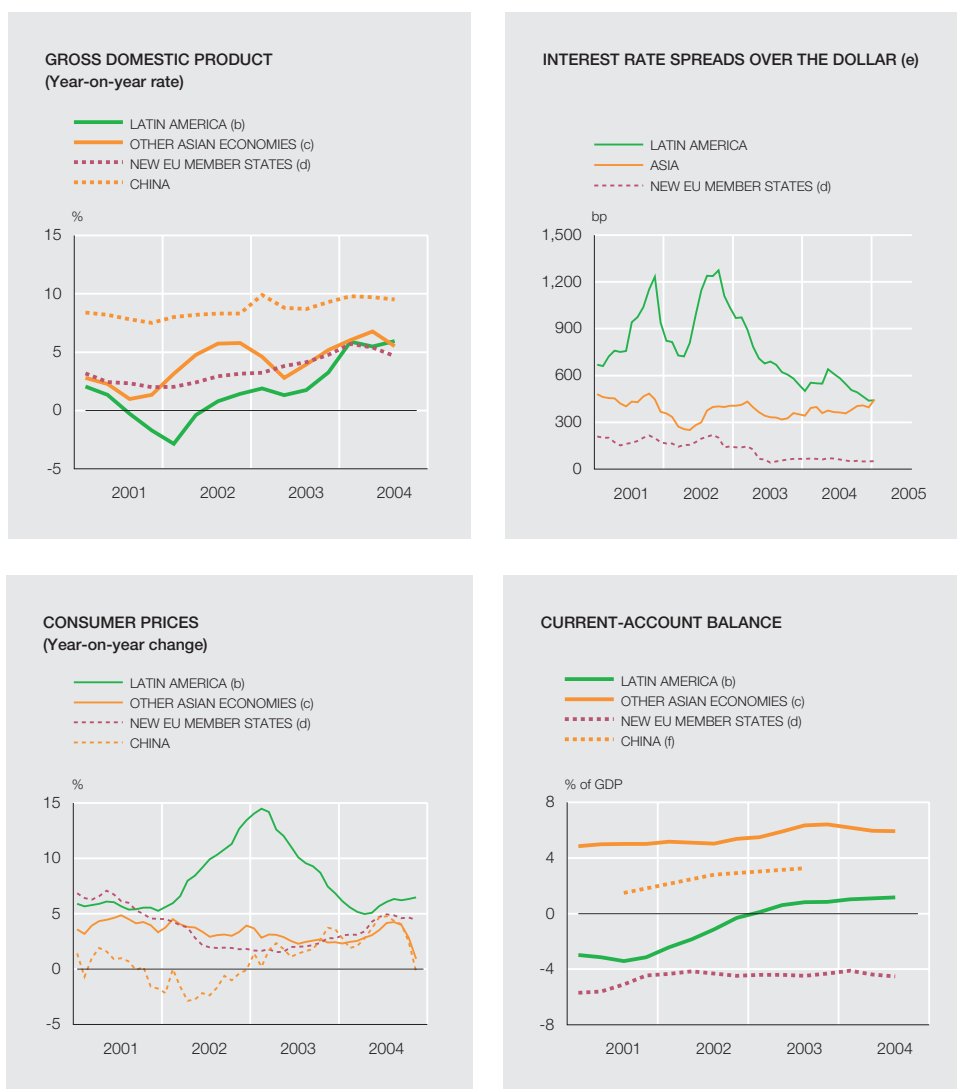
house prices held on the slowing trend seen in recent months, although they were still standing at a year-on-year rate of over 12% in December.

In the new European Union Member States, GDP growth in 2004 Q3 was slightly down on that recorded in the first half of the year, though it remained above 4% year-on-year in virtually all cases. The indicators for Q4 generally show rises in industrial production in the region. Prices in recent months have continued on a slightly easing trend, following the increases in mid-2003 due largely to factors relating to EU accession and to the rise in oil prices. Against this background, interest rates have generally remained stable in recent months, exceptions such as Hungary aside, where they were cut to 9.5%. The performance of financial markets was relatively favourable, with across-the-board rises on stock markets, a narrowing of long-term interest rate spreads and the appreciation of currencies (except in those countries belonging to the exchange-rate mechanism), thanks to strong capital inflows.

In the main south-east Asian economies, the pace of activity continued to ease in October and November. It is estimated that the economic consequences of the tidal wave in late December

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

CHART 7



SOURCES: National statistics and JP Morgan.

- a. The aggregate for the different areas has been calculated using the weight of the countries making up such areas in the world economy. Based on IMF information.
- b. Argentina, Brazil, Chile, Mexico, Colombia, Venezuela and Peru.
- c. Malaysia, Korea, Indonesia, Thailand, Hong Kong, Singapore and Taiwan.
- d. Latvia, Lithuania, Estonia, Czech Republic, Hungary, Poland, Slovenia and Slovakia.
- e. JP Morgan EMBI spreads. The data on the new EU Member States relate to Hungary and Poland.
- f. Annual data.

will be relatively moderate and will be concentrated, on current estimates, in the first half of 2005, particularly affecting Indonesia and Thailand. Likewise, there have been no significant movements in financial indicators in these economies in the wake of the disaster. In China, the indicators of activity for Q4 show no signs of a clear slowdown, despite the contractionary measures adopted by the authorities. Although these measures led to a slight deceleration in industrial output, in investment in fixed assets and in retail sales, GDP growth for the year as a whole is estimated at 9.5%, up on the authorities' target (8%). Inflation fell by 0.5 pp in December to a year-on-year rate of 2.4%, but this was largely due to the slowdown in food prices. Currency reserves continued to increase briskly and now stand at \$610 billion, 50% up on the previous year.

In Latin America, the growth rate was high in 2004 Q3 at close to 6%. Judging by the supply and demand-side indicators available to date, this rate might continue into Q4, making for the

biggest expansion in regional GDP since 1980. The growth in activity was led by investment and, especially, by exports, which led to record trade surpluses being posted in certain countries, such as Brazil, Chile and Peru. Against this backdrop, Latin American financial markets continued to perform favourably, with historical lows in sovereign spreads that contributed to the increase in debt issues on international markets and to strong stock market rises. The Latin American currencies appreciated significantly against the dollar and the build-up in international reserves continued, rising to all-time highs in some cases. Inflation eased in December, despite which the region's central banks kept their monetary policies tight, except in the case of Colombia. These favourable developments led rating agencies to upgrade Mexican and Ecuadorian sovereign and improve the outlook for Brazil's rating. Lastly, the Argentine authorities finally made their debt conversion offer, the acceptance of which by foreign bond-holders is uncertain, and the outcome of which will be known around the first week in March.

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

The information available on economic developments in the euro area in the closing months of 2004 appears to suggest that the rate of recovery of activity has remained slow. In this setting there are certain signs that portray a brighter outlook for economic developments in the first half of 2005. In particular, the continuing favourable financial conditions and the pick-up in business margins provide the basis for the gradual strengthening of investment in the coming quarters. Further, the pressures in the oil market have eased recently, dispelling the fears of the potential adverse effects arising from a continuing increase in energy prices. Nonetheless, risks persist that confer a degree of fragility on the current expansionary phase. For instance, the course of net exports and of private consumption is shrouded in great uncertainty. First, it is difficult to determine to what extent the recent slowdown in sales to the rest of the world is a temporary phenomenon or whether what is rather involved is a manifestation of the delayed effects of the notable appreciation of the euro. And further, weak job creation is a sizable obstacle in the way of household spending abandoning its protracted sluggishness.

Where the outlook is now somewhat less uncertain is in the inflation domain, since the moderation of labour costs and the strength of the euro exchange rate have made for a relatively favourable outlook for the easing of inflationary pressures during the coming months. As regards fiscal policy, the European authorities face a significant challenge in the coming months to bring about improvements in the application of the Stability and Growth Pact that safeguard the credibility of the institutional framework currently in place.

3.1 *Economic developments*

On the latest estimates, the quarter-on-quarter growth of GDP in the euro area slowed in 2004 to 0.3%, compared with an average rate of 0.6% in the first half of the year (see Table 1). In year-on-year terms, the increase was 1.8%, 0.3 pp below the rate observed the previous quarter (see Chart 8). In respect of components, there was a notable slowdown in the quarterly pace of expansion of exports (which increased by 1.5%, against 2.8% the previous quarter). And this, in combination with the strength of imports, led the contribution of the net external balance to GDP growth, which was 0.2 pp the previous quarter, to turn negative. Box 1 shows the breakdown of exports and imports by area and product, respectively. The contribution of domestic demand – excluding stockbuilding – increased by 0.1 pp to 0.3 pp. Behind this lay the more expansionary behaviour of gross capital formation (especially of capital goods) and of government consumption, while private consumption remained sluggish. Stockbuilding added 0.7 pp to GDP growth. This strong build-up in stocks may possibly have been involuntary, should it have come about through the slowdown in demand from abroad. However, it is also possible that it is a further indication of the strength of investment in fixed capital, insofar as it includes goods of this type in process.

Among the eight economies for which Quarterly National Accounts data are available, Germany and France posted the lowest GDP growth rates in Q3 (0.1% and 0%, respectively). Consequently, the slowdown in activity in the area as a whole was caused by the weakness of these two economies in which, moreover, there was an intense contribution of stockbuilding to the expansion of output. In both cases, private consumption was very weak. However, the trend of gross capital formation was divergent, since it improved substantially in Germany but contracted in France. Finally, mention should be made of the strong negative contribution of the net external balance to economic growth in Germany.

Across the production branches, there was a notable reduction in the rate of expansion of value added in industry, the growth rate of which eased from 1.2% quarter-on-quarter in Q2 to

	2003			2004				2005
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
GDP								
Year-on-year growth	0.2	0.4	0.8	1.4	2.1	1.8		
Quarter-on-quarter growth	-0.2	0.5	0.4	0.7	0.5	0.3		
European Commission forecasts (c)							(0.2 ; 0.6)	(0.3 ; 0.7)
IPI (d)								
Economic sentiment	91.4	94.2	97.7	98.9	100.0	100.7	100.9	
Industrial confidence	-12.0	-11.4	-7.3	-6.7	-4.7	-3.7	-3.3	
Manufacturing PMI	47.1	49.1	52.0	52.8	54.4	53.9	51.4	
Services confidence	-2.0	5.3	10.3	11.3	11.7	12.3	11.3	
Services PMI	47.9	51.9	56.7	56.0	55.2	54.4	52.9	
Unemployment rate	8.9	8.9	8.9	9.0	8.9	8.9	8.9	
Consumer confidence	-19.3	-17.3	-16.0	-14.3	-14.7	-13.7	-13.3	
HICP (d) (e)								
HICP (d) (e)	1.9	2.2	2.0	1.7	2.4	2.1	2.4	
PPI (d) (e)	1.3	0.9	0.9	0.4	2.4	3.3	3.6	
Oil price in USD (e)	27.6	27.1	29.9	33.8	35.3	43.3	39.9	43.9
Loans to the private sector (d) (e)								
Loans to the private sector (d) (e)	4.6	4.9	5.5	5.3	6.0	6.5	7.0	
Euro area ten-year bond yield	4.0	4.2	4.4	4.2	4.4	4.2	3.8	3.6
US-euro area ten-year bond spread	-0.32	0.09	-0.05	-0.11	0.28	0.14	0.36	0.66
Dollar/euro exchange rate (e)	1.143	1.165	1.263	1.222	1.216	1.241	1.362	1.296
Appreciation/Depreciation of the euro (e)	9.0	11.1	20.4	-3.2	-3.8	-1.7	7.8	-4.8
Dow Jones EURO STOXX Broad index (e)	2.9	4.1	18.1	1.9	3.7	1.5	9.9	0.5

SOURCES: Eurostat, ECB and Banco de España.

a. The information in italics does not cover a full quarter.

b. Information available up to 21 October 2004.

c. Quarter-on-quarter growth forecasts.

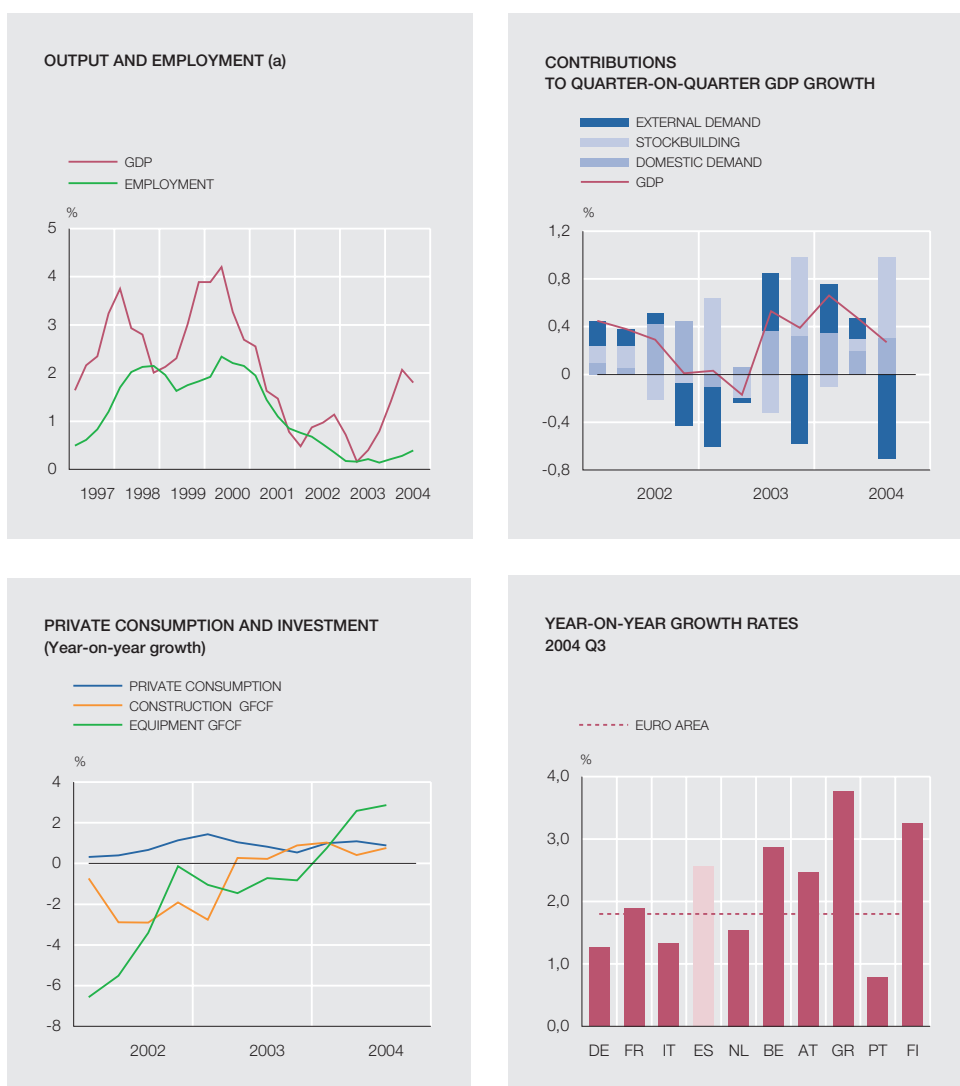
d. Year-on-year growth.

e. End-period data. Figures for exchange rates and the stock market are percentage changes over the year.

0.1% in Q3. Nonetheless, there was also a sharp slowdown in value added in construction and in services. As regards the labour market, employment grew by 0.1% in Q3. Underpinning this modest job-creation were the private-sector services branches, while industry and construction continued to evidence net job destruction. In year-on-year terms, apparent labour productivity continued to grow at a high rate (1.4%), albeit somewhat down on the previous quarter. In October the unemployment rate held, for the seventh month running, at 8.9%.

The indicators available on economic activity in Q4 suggest that the moderate rate of expansion of output continued in the final stretch of the year. As regards the supply-side indicators, the industrial production index, to November, reflected a progressive deterioration in activity in the sector since the summer months, while the qualitative indicators drawn from confidence surveys did not provide clear evidence about the trend of output in the sector in the most recent period (see Chart 9). The purchasing managers' index increased in December for the first time following five consecutive months of declines. Conversely, the business confidence indicator compiled by the European Commission worsened slightly in December, after having remained unchanged from September to November. The confidence indicators in the services sector showed lower average levels in Q4 than in Q3, although they remain at relatively high values.

Turning to demand, certain signs of a pick-up in private consumption have been observed. In particular, both the consumer and the retail trade confidence indicators increased timidly in Q4.



SOURCES: Eurostat and national statistics.

a. Year-on-year rates of change.

Moreover, new car registrations improved in this quarter. Retail sales also tended to recover, though their growth remains very low. As regards the demand for capital goods, the stabilising of the assessment of order books made by the corporate sector points firmly to the growing buoyancy this demand component has shown throughout the year. Lastly, in respect of external demand, assessment of export order books worsened somewhat in Q4, perhaps reflecting the consequences of the appreciation of the euro. That said, export expectations according to the quarterly business survey, relating to Q4 and published in October, improved on the previous quarter.

In sum, judging by the information available, area-wide output will plausibly expand in Q4 at a similar or slightly higher rate than in Q3, in line with the interval estimated by the European Commission, which places the foreseeable increase in GDP in Q4 at between 0.2% and 0.6%. The growth of funds generated within businesses, boosted by the widening of their margins as a result of the growing containment of their labour costs, and continuing favourable financial conditions make for an outlook conducive to more robust investment and employment, which should lead to a strengthening of activity in the first half of 2005. However, the materialisation of this scenario is conditional upon the heightened dynamism of the demand exerted by

On National Accounts data, the rate of increase in euro area goods and services exports in 2004 Q3 diminished, while imports were highly buoyant, which made for a very negative contribution of external demand to output. The related year-on-year rates, which reflect the average growth of recent quarters, stand at relatively high figures of 6.2% for exports and 8.7% for imports, if compared with the figures for previous years. It would therefore be worth analysing developments in euro area trade by means of a breakdown by type of product and country of destination.

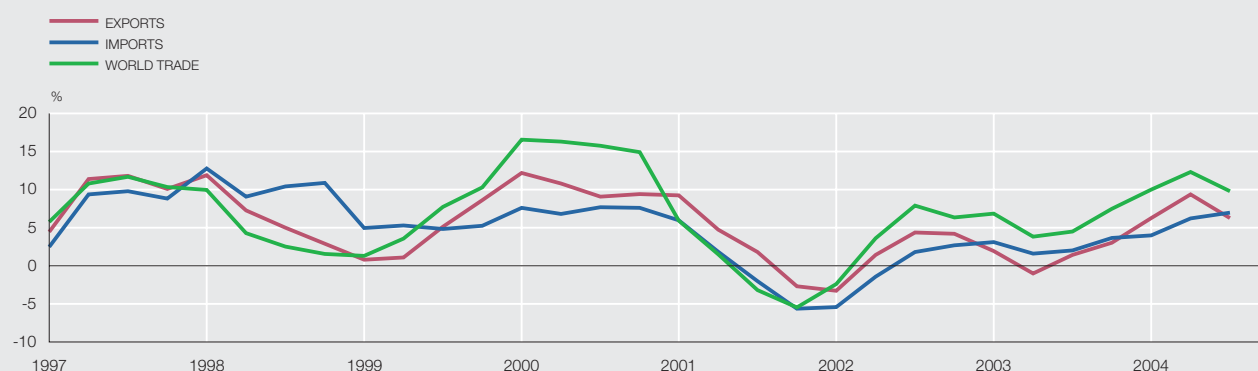
According to Eurostat, euro area merchandise trade during 2004 picked up considerably, attaining an average growth rate in the January-October period of 6.6% for exports and 5.2% for imports. The strength of exports is due to the buoyancy of external demand, which has offset the negative contribution of the appreciation of the euro, which in effective terms has posted an increase of over 20% since early 2002. Imports, meanwhile, have trended in line with the increase in internal demand and with lower attendant prices. As regards the more recent performance of trade flows, imports held on a rising trend in the summer of 2004, while this trend discontinued in the case of exports, in keeping with worldwide trade developments.

According to the breakdown of euro area exports by geographical destination, the pick-up in trade in the area in the first ten months of 2004 was more intense in extra-Community than in intra-Community flows. Although the increase in exports to outside the area was fairly

generalised, the growth rates of sales to Russia, China and south-east Asia were particularly strong, at between 15% and 20% in all cases. In any event, the relative weight of none of these areas exceeds 2% of total euro area trade, whereby the lesser buoyancy of exports to the main geographical destinations (the United States and the United Kingdom) has a bearing on the aggregate rate of change of exports not exceeding single figures. In Q3, the recent slowdown in the growth rate was partly justified by the trend of sales to the United States and to China. As regards imports, the biggest year-on-year increase in the period of 2004 in question was in those from China (23.8%), a country which has increased its relative weight in extra-area imports to almost 10% and is establishing itself firmly as the third-ranked supplier of goods to the area behind the United Kingdom and the United States.

In the breakdown by product, imports of manufactures – which account for somewhat more than three-quarters of total imports – increased strongly in the period from January to October 2004. Under manufactures, the most expansionary component was machinery and transport equipment, with an increase of 6%, which is in keeping with the strength shown by capital goods purchases in 2004. Exports of manufactures evidenced the biggest growth and, hereunder, the biggest rates of increase were for machinery and transport and for chemicals, industries in which the euro area plays a leading role in respect of world trade. Notable in Q3 was the 4.4 pp reduction in the growth rate of exports of manufactured products to 5.6%.

1. YEAR-ON-YEAR RATES OF CHANGE



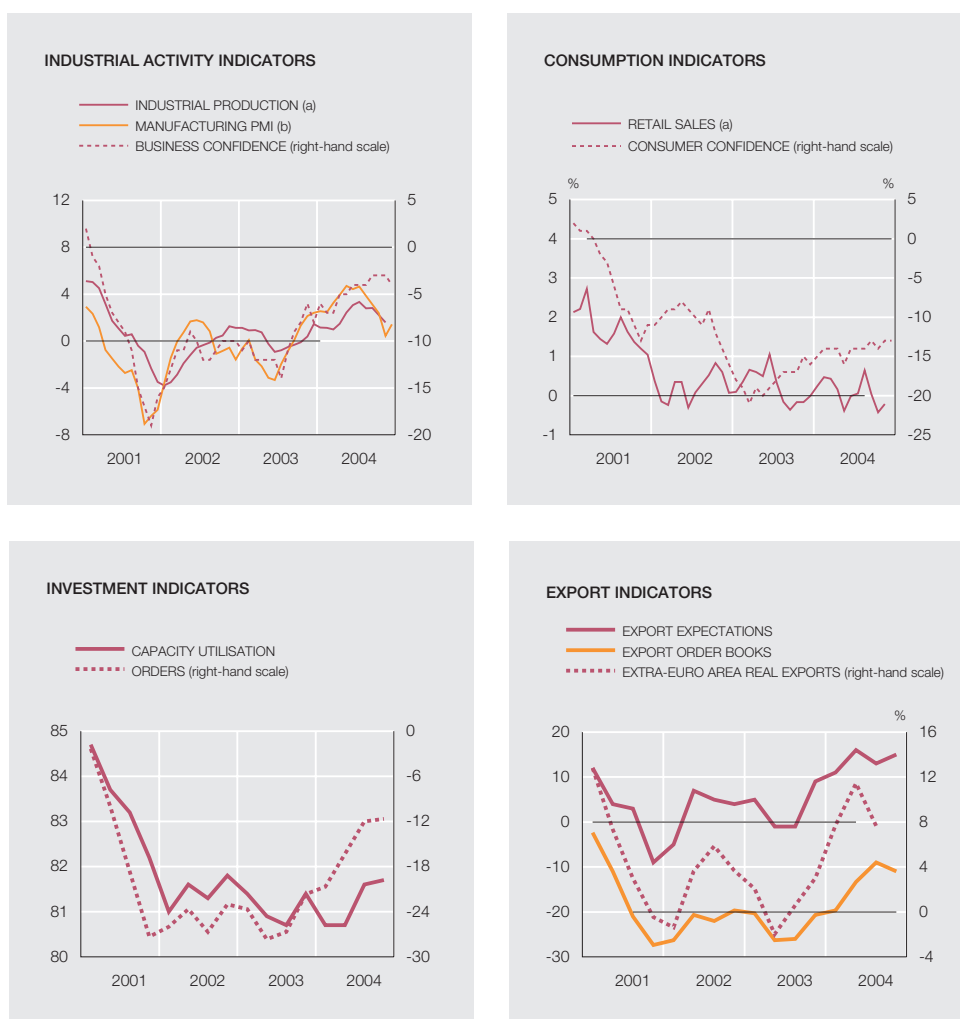
2. EXPORTS - BREAKDOWN BY AREA

	2003		2004			
	(%)	Rate	Jan-Oct	Q1	Q2	Q3
TOTAL		1.4	6.6	6.3	9.4	6.3
INTRA-EURO AREA	49.9	1.8	5.1	4.6	7.2	5.0
EXTRA-EURO AREA	50.1	0.9	8.0	7.9	11.5	7.4
United Kingdom	9.3	-2.0	3.2	1.5	5.9	3.3
United States	8.2	-3.2	4.6	4.4	9.0	3.1
Russia	1.4	11.4	19.7	17.4	25.0	20.4
Japan	1.6	-1.0	8.3	12.9	8.4	8.9
China	1.7	20.3	17.8	18.7	30.8	8.8
South-east Asia	1.4	0.7	16.9	13.7	19.3	19.5

3. IMPORTS - BREAKDOWN BY PRODUCT

	2003		2004			
	(%)	Rate	Jan-Oct	Q1	Q2	Q3
TOTAL		2.6	5.2	4.0	6.2	7.0
(Of which, extra-EU)	50.5	3.6	5.4	4.7	5.5	7.8
FOOD	6.9	3.3	0.7	2.0	1.2	-0.4
COMMODITIES	3.6	0.1	1.8	1.1	0.3	6.2
OIL AND DERIVATIVES	10.1	4.4	2.3	4.8	-0.5	3.8
MANUFACTURES	75.9	2.2	4.5	2.9	6.4	5.8
Chemicals	13.1	2.3	4.1	4.8	4.8	5.2
Commodity derivatives	13.7	0.1	2.5	2.1	2.5	4.8
Machinery and transport	37.0	2.5	6.0	2.5	9.7	7.4
Other	12.1	4.0	2.7	3.1	2.6	3.2
OTHER	2.3	12.1	67.7	55.4	61.9	97.6

SOURCES: Eurostat and IMF.

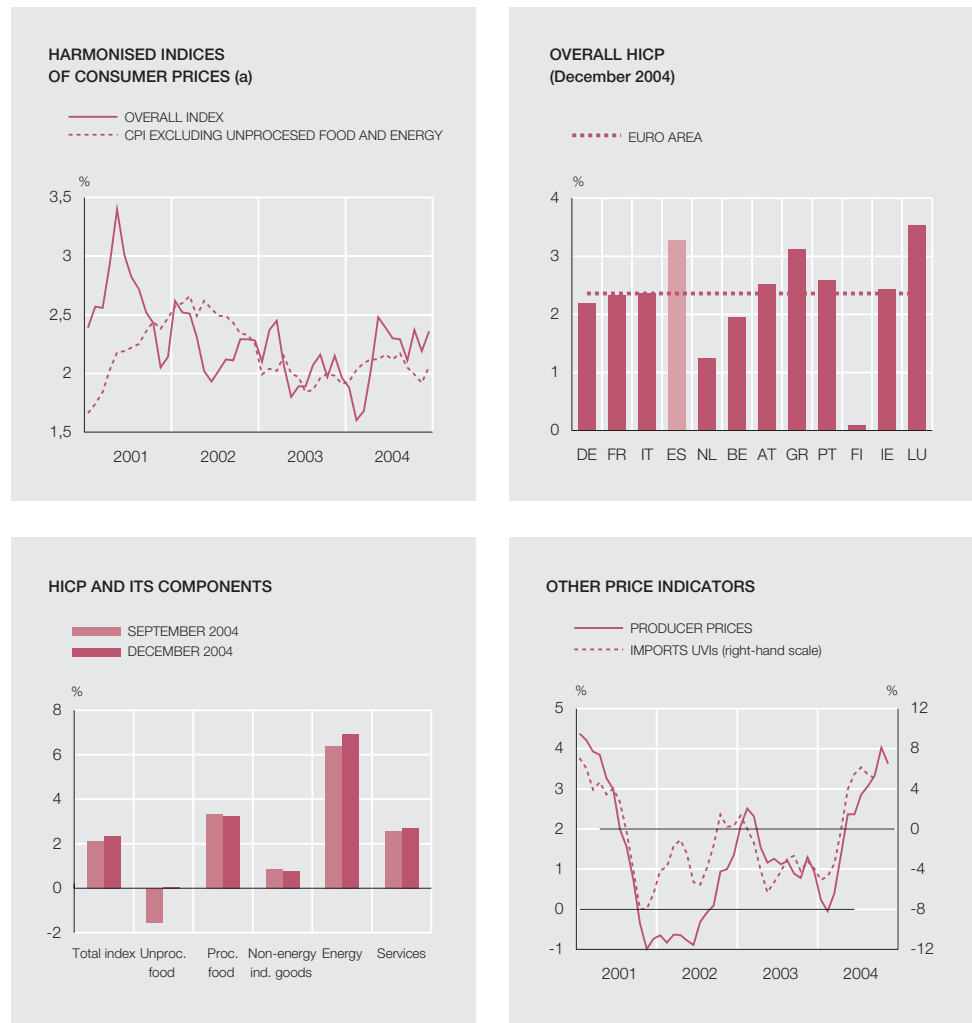


SOURCES: Eurostat and European Commission.

- a. Non-centred annual percentage changes, based on the quarterly moving average of the seasonally adjusted series.
 b. Normalised data.

households and by agents from the rest of the world, and here there are sizable obstacles. Against a background in which the notable appreciation of the euro so far may hamper the behaviour of exports, it is crucial that private consumption gathers greater momentum. This latter component should be assisted by continuing low interest rates and by the wealth effect resulting from the rise in the value of households' real and financial assets. However, sluggish employment growth may be a drag on the expansion of these agents' disposable income, tempering their spending decisions. Consequently, any acceleration in activity in the area will hinge crucially on breaking the vicious circle that prevents companies from hiring new employees because of the slackness of demand and households from increasing their spending because of the weak growth of employment.

The year-on-year pace of the harmonised index of consumer prices (HICP) for the euro area has quickened by 0.3 pp in the period September-December 2004, closing the year at a rate of 2.4% (see Chart 10). This performance was due to the behaviour of the prices of unprocessed food and, to a lesser extent, of energy goods (the two traditionally most volatile components), which rose by 1.6 pp and 0.5 pp, respectively. The growth of the index comprising prices of services and of goods other than energy and unprocessed food also increased by



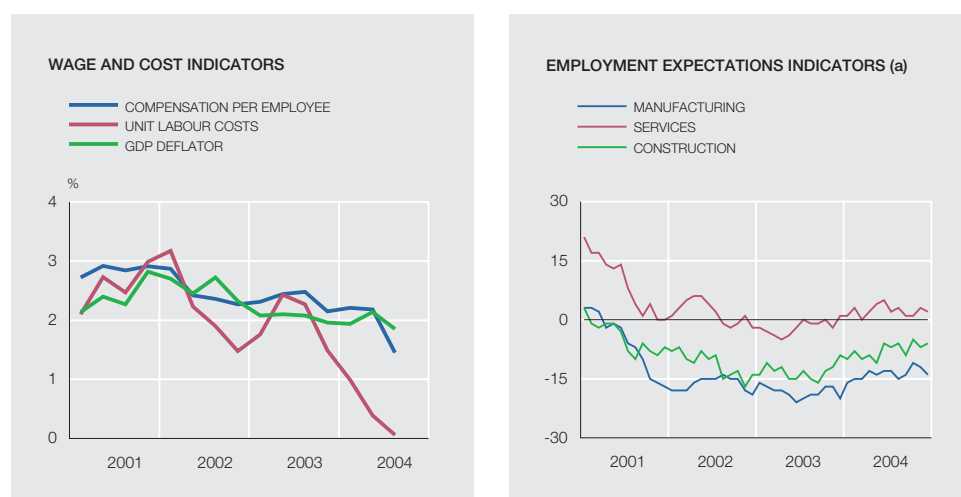
SOURCES: Eurostat and European Central Bank.

a. There is a break in January 2002 when the series was rebased to 2001.

0.1 pp during the quarter to 2.1%, a result attributable to the slight rise in services prices. The rate of increase of industrial producer prices, which had been quickening uninterruptedly since February 2004, slowed in November to 3.6%. This was thanks to the less expansionary behaviour of non-durable consumer goods and, above all, of the energy component, which included in November the decline in oil prices on international markets.

The inflationary outlook for 2005 is relatively favourable, since the downturn in wage growth exerts a significant moderating influence on price dynamics. In 2004 Q3, the year-on-year increase in compensation per employee fell to 1.5% which, given similar growth in productivity, enabled the increase in unit labour costs to slow to a rate of virtually zero (see Chart 11). While the recovery in margins will, in the future, foreseeably contribute to a sharper pace of employment generation, the slight improvement in business expectations about the behaviour of this variable would not suggest that this process is to take place soon and be of any intensity, a fact propitious to continuing wage moderation (see Box 2).

The surplus that built up on the euro area current-account balance in the period from January to October 2004 amounted to €29.9 billion, compared with €12.9 billion in the same period in



SOURCES: Eurostat and European Central Bank.

a. Expectations based on European Commission sentiment indicators.

2003. The rise was due to the increase in the surplus on the merchandise balance and to the trend of the income balance, the deficit on which fell by €9 billion despite the decline in the value in euro of income from the rest of the world as a result of the appreciation of the euro.

With regard to fiscal policy, and according to the European Commission's autumn forecasts (see Table 2), the overall general government deficit in the euro area rose in 2004, for the fourth year running, to 2.9% of GDP. This deficit is 0.6 pp higher than that resulting from the aggregation of the national stability programmes submitted in winter 2003, despite the fact these documents foresaw GDP growth as being 0.1 pp lower. Country by country, the three biggest economies in the area – Germany, France and Italy – and Greece all recorded deficits equal to or greater than 3% of GDP last year according to the Commission. In late 2004, the member countries presented the updates of their respective stability programmes. These inferred a budget deficit of 2.5% in 2005, 0.2 pp down on the Commission's autumn forecast. This difference is due, in approximately equal parts, to the fact that certain countries (Germany in particular) included budgetary consolidation measures in their programmes that had still not been disclosed when the Commission drew up its forecasts and because, in aggregate terms, the programmes envisage somewhat greater economic growth.

There were fresh developments in January in connection with the excessive deficit procedures initiated against Germany, France and Greece. In the case of Greece, the ECOFIN Council examined the degree of compliance with the recommendation made last July, in which the Greek authorities were given four months to adopt measures aimed at correcting the excessive deficit. It deemed the action taken to be insufficient, and will therefore demand in the coming weeks that the Greek authorities take further measures to remedy the situation.

In the cases of Germany and France, the Council endorsed the conclusions of a communication issued by the Commission in December on the position of these two countries in respect of their obligations under the excessive deficit procedure. In this connection, the Commission evaluated the consequences of the European Court of Justice's ruling that invalidated the conclusions adopted by the Council in November 2003. In the Commission's opinion, since these conclusions were presumed to be valid until their annulment by the Court, the action

In recent years compensation per employee in the euro area has slowed progressively, even in the recent period in which activity has picked up, falling from year-on-year growth of 3% in 2000 and 2001 to 1.5% in 2004 Q3. In this same period, real wages trended very moderately, constantly in line with – or below – the growth rate of apparent labour productivity (see panel 1). Such wage restraint has stepped up since mid-2003, the juncture at which GDP began to recover. And along with flatter employment, it has given rise to a marked rebound in productivity, which has provided for a continuous decline in the growth rate of unit labour costs and, consequently, a notable widening of business margins (see panel 2).

Among the determinants of this prolonged phase of wage moderation in the euro area are the strong reduction in the growth rate of employment, the rise in the unemployment rate – from 8% in mid-2001 to 8.9% at present (at which level it has held unchanged in recent months) – and, to a lesser extent, the downtrend in the growth of the HICP to 2004 (see panel 3). Uncertainty over the intensity of the economic recovery and the greater competitive pressures facing European companies – due partly, in turn, to the forceful appreciation of the euro in this period – may also have contributed to keeping wage increases contained. Indeed, such wage containment was clearly apparent in 2004 when, despite the notable acceleration in consumer prices (mainly as a result of the hike in oil prices), there was no sign of an increase in wage pressures, which would also be testifying to the fact that inflation expectations have held stable. However, it cannot be ruled out that some of the structural changes in the recent period in European labour mar-

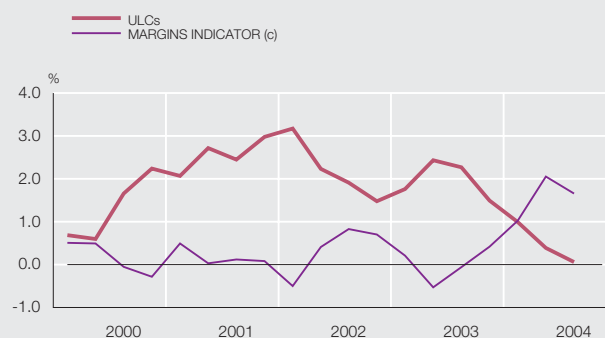
kets, aimed at making them more flexible, may also have exerted some influence on the moderate behaviour of wages. Thus, for instance, the introduction in Germany of new forms of hiring with lower labour costs (the so-called “mini-jobs”) might explain the negative year-on-year rate of change for compensation per employee in Germany in 2004 Q3 (–0.5%), which has been conducive to the notably lower growth of compensation per employee in the euro area as a whole.

Despite the expected improvement in labour markets in the area in 2005, this will foreseeably come about gradually, in step with the progressive pick-up in activity and with the behaviour shown to date by employment. This will limit the likelihood of the substantial rise in oil prices during 2004 generating second-round effects; accordingly, the period of wage moderation may be expected to continue. The figures available to date on collective bargaining agreements already signed in the euro area for 2005 and, to a lesser extent, for 2006 confirm this. Broadly, the figures suggest that in both years the wage growth agreed upon under collective bargaining will, for the euro area as a whole, hold at a similar level to that recorded in 2004 (see panel 4). Nonetheless, this aggregate behaviour will be the result of differing developments from country to country, since in some a certain increase in the growth rates of negotiated wages is expected in 2005 (the case of Germany, owing to specific factors that gave rise to smaller wage rises in 2004, or Spain, as a result of the activation of the inflation-adjustment clauses), while in others (such as Greece or Ireland, with high increases in 2004) lower wage growth is foreseen.

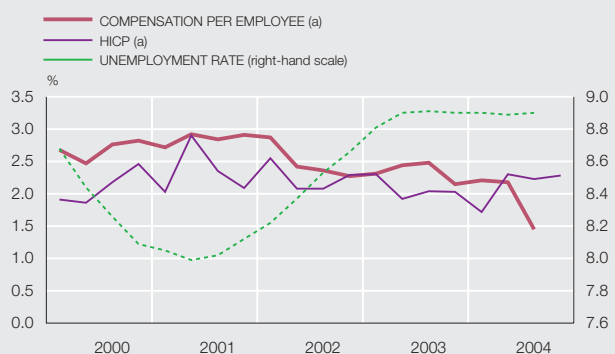
1. REAL WAGES AND PRODUCTIVITY (a)



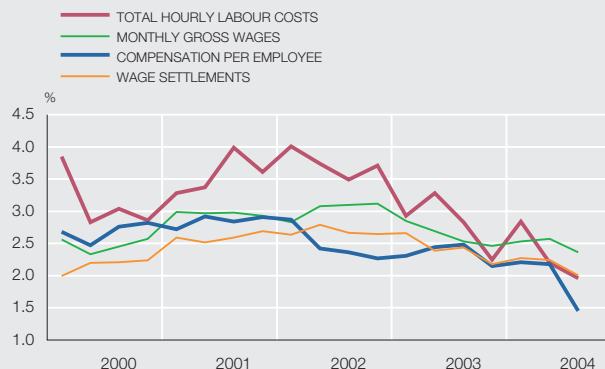
2. ULCs AND MARGINS (a)



3. WAGES AND UNEMPLOYMENT



4. INDICATORS OF LABOUR COSTS (a)



SOURCES: EUROSTAT and ECB.

- a. Year-on-year rates of change.
- b. Compensation per employee deflated using the GDP deflator.
- c. Proxied by the ratio of the deflator of GDP at factor cost to unit labour costs.

**GENERAL GOVERNMENT BUDGET BALANCES
OF EURO AREA COUNTRIES (a)**

TABLE 2

% of GDP						
	2002	2003	2004 (b)	2004 (c)	2005 (b)	2005 (d)
Belgium	0.1	0.4	-0.1	0.0	-0.3	0.0
Germany	-3.7	-3.8	-3.9	-3.3	-3.4	-3.0
Greece	-3.7	-4.6	-5.5	-1.2	-3.6	-2.8
Spain	-0.1	0.4	-0.6	0.0	-0.1	0.1
France	-3.2	-4.1	-3.7	-3.6	-3.0	-2.9
Ireland	-0.2	0.1	-0.2	-1.1	-0.6	-0.8
Italy	-2.3	-2.4	-3.0	-2.2	-3.0	-2.7
Luxembourg	2.8	0.8	-0.8	-1.8	-1.6	-1.0
Netherlands	-1.9	-3.2	-2.9	-2.3	-2.4	-2.6
Austria	-0.2	-1.1	-1.3	-0.7	-2.0	-1.9
Portugal	-2.7	-2.8	-2.9	-2.8	-3.7	-2.8
Finland	4.3	2.3	2.3	1.7	2.1	1.8
MEMORANDUM ITEM: Euro area						
Primary balance	1.3	0.7	0.5		0.8	
Total balance	-2.4	-2.7	-2.9	-2.3	-2.5	
Public debt	69.4	70.7	71.1		71.1	

SOURCES: European Commission, national stability programmes and Banco de España.

a. As a percentage of GDP. Proceeds from the sale of UMTS licences not included. Deficit (-) / surplus (+). The deficits that exceed 0.03 of GDP have been shaded.

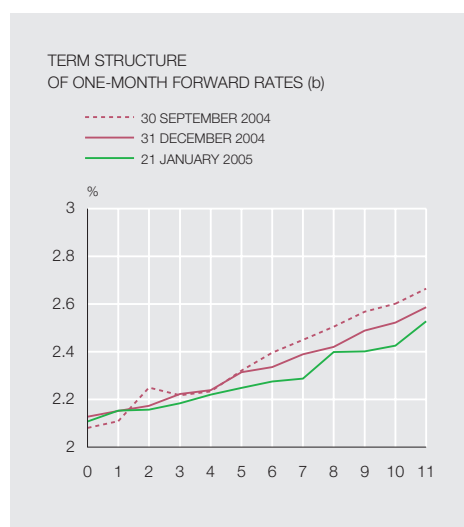
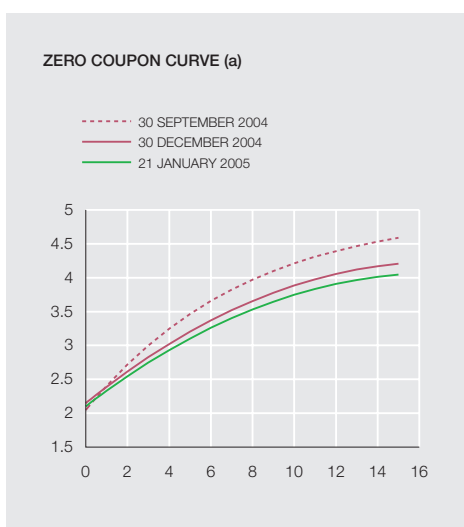
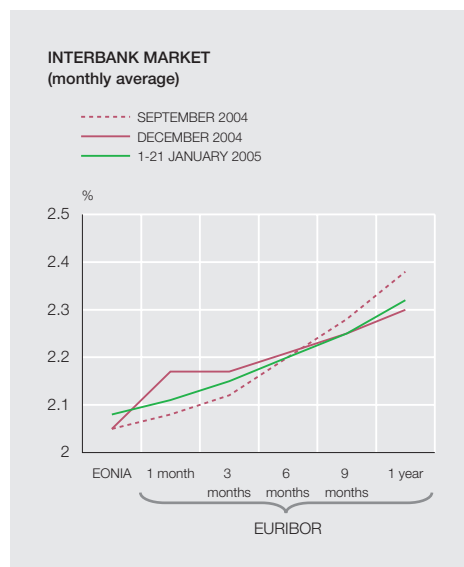
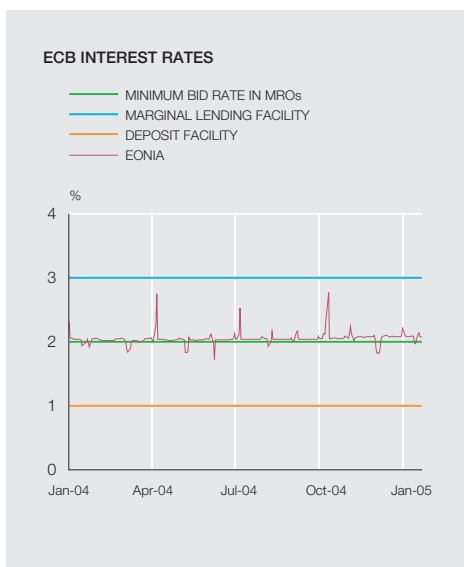
b. European Commission forecasts (autumn 2004).

c. Targets of the stability programmes presented between November 2003 and January 2004.

d. Targets of the stability programmes presented between November 2004 and January 2005.

taken by the German and French authorities should be judged on the basis of compliance with these conclusions. In particular, the Council ruled that the action taken has been consistent with the elimination of the excessive deficit in 2005 required by the aforementioned conclusions, whereby the following steps of the procedure will not for the moment be initiated. Nonetheless, the Council has noted that the vulnerability of the budgetary position of both Member States persists and, in particular, that the correction of the excessive deficits requires the effective application of all the measures envisaged. In the absence of such measures, the Commission will recommend to the Council that it should take the necessary action under the provisions of the Stability and Growth Pact.

In the case of Germany, the initial budgetary consolidation strategy for 2005 in the draft central government budget was based on a uniform lowering of the spending ceilings for all ministerial departments and on the reduction of subsidies to the private sector. However, the European Commission's autumn forecasts, which took these plans into account, pointed to a deficit of 3.4% of GDP in 2005. For this reason, the authorities unveiled a package of additional measures in November so that the budget deficit should not exceed 3% of GDP in the current year. In France, the envisaged reduction in the deficit for this year is based on the reform of the public health system, on stabilising real State expenditure and on a transfer of an amount equal to 0.5% of GDP received from the privatised gas and electric utilities in exchange for the government assuming responsibility for the future spending on their employees' pensions. In both countries, many of the measures adopted have a merely temporary effect on public finances, and even increase future deficits in some cases. In both countries the budgetary strategies designed for 2005 contain activity-stimulating elements or structural reforms bearing a budgetary cost. Thus, in Germany, the last phase of the tax reform planned in

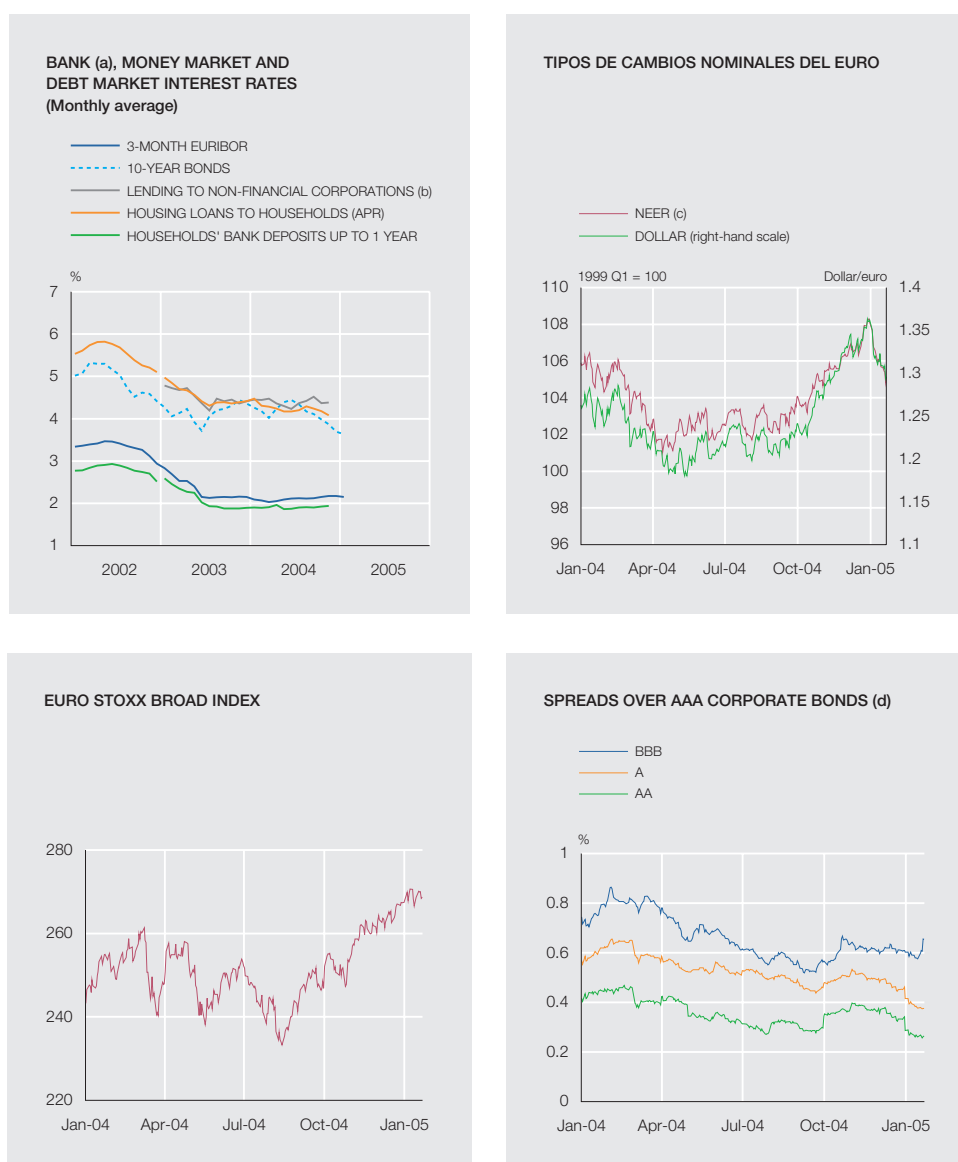


SOURCES: European Central Bank and Banco de España.

- a. Estimated using swap market data.
- b. Estimated using Euribor data.

2000 came into force on 1 January, which will entail a reduction in income tax revenue of the order of 0.3% of GDP. And in France, the application of various tax cuts (affecting, above all, corporate income tax) will have an estimated cost of 0.1% of GDP.

Finally, after summer last year, the euro area countries discussed the possible means of improving the Stability and Growth Pact. Deliberations are expected to conclude in the coming months, such that the final outcome of this debate will be agreed at the spring European Council. The most controversial aspects refer to the degree of flexibility that might be accorded to the definition first, of the exceptional circumstances or the relevant factors that have to be taken into account to determine whether a deficit higher than 3% of GDP is excessive or not; and further, of the particular conditions that would justify correction of the excessive deficit being extended beyond the two years stipulated in the Stability and Growth Pact. It is of paramount importance in a monetary union to maintain an institutional framework of fiscal discipline that steers and watches over national budgetary policies. It is therefore necessary that the final outcome of this process should address compliance with this objective.



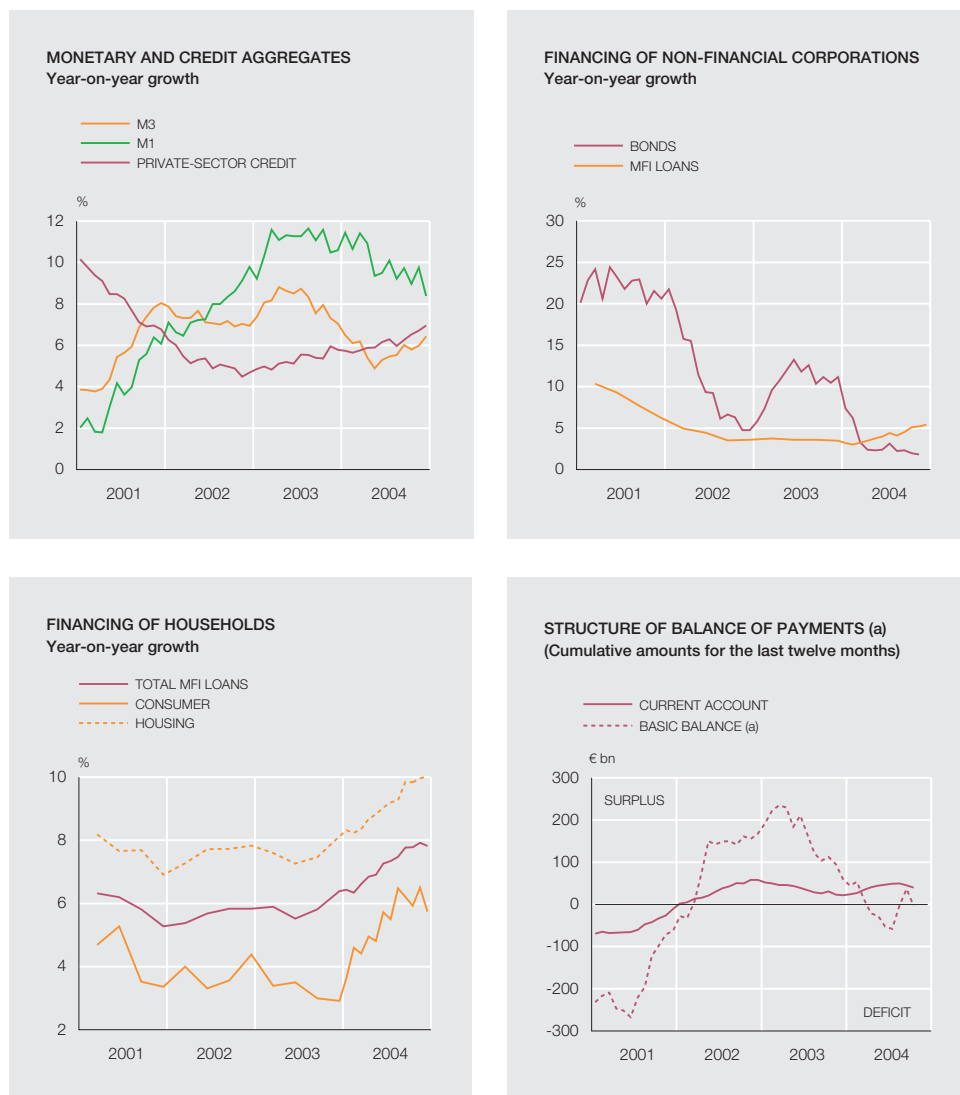
SOURCES: Banco de España and European Central Bank.

- Data drawn from new statistics on interest rates compiled by the ECB for new operations.
- Interest rates over five years.
- Nominal effective exchange rate index. Narrow group of currencies defined by the ECB.
- Euro-denominated bonds issued by non-financial corporations.

3.2 Monetary and financial developments

As described in the preceding section, economic activity continued to expand in the second half of 2004, albeit at more moderate rates than those observed in the first half of the year, and the factors of uncertainty previously in place were not fully dispelled. Against this background, the ECB Governing Council considered the increase in inflation in the closing months of the year to be an essentially transitory development, arising from higher oil prices. It did not therefore expect price stability in the medium term to be endangered. Accordingly, in the final stretch of 2004 and at its first meeting in 2005, the ECB decided to hold its official interest rates at the levels ruling since June 2003. Hence the rates on the main refinancing operations, on the deposit facility and on the marginal lending facility were left unchanged at 2%, 1% and 3%, respectively.

As can be seen in Chart 12, the money market yield curve has tended to flatten slightly since September, as a result of the moderate decline at the longer end. At the end of the third week of



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.

January the spread between one-year and one-month terms was approximately 20 bp, meaning that market participants have revised their expectations downwards regarding the raising of official interest rates in the current year. In the secondary markets for public debt in the area, the decline in ten-year yields that began during the summer continued. The falls from the relative high attained in mid-June and since late September have been 90 bp and 50 bp, respectively. Conversely, in the United States, the trend which had seen a decline in the ten-year bond yield to late October turned around thereafter. This divergent trend has given rise to a widening of the spread between US debt and that of the euro area to its highest level since 2000 (70 bp).

On the private fixed-income markets, corporate bond spreads broadly held at very low levels (see Chart 13). The interest rates applied by credit institutions to operations with customers held stable to November around the levels maintained since the last cut in official interest rates in June 2003.

The rise in euro area stock market prices initiated in mid-August continued during 2004 Q4. The explanatory factors potentially behind this include the sustained growth of corporate prof-

its, the reduction in interest rates on long-term debt and, more recently, the fall in oil prices. As a result, the broad Euro Stoxx index climbed by approximately 13% from its low in August to the end of 2004, closing the year with gains of 10%. In the opening weeks of 2005, the direction of stock markets across the area has not been clear.

On the currency markets, the appreciation of the euro against the dollar that began in late August continued during the final part of the year. This trend, linked very possibly to the growing concern of financial market participants for the high and persistent US current-account deficit, saw the bilateral exchange rate between both currencies end the year at \$1.36 per euro, an all-time high. In Q4, the euro rose by almost 10% against the dollar, while in the year as a whole the depreciation was somewhat less, at around 8%. In nominal effective terms, the strengthening of the European single currency in 2004 was less marked, amounting to 3.3%. In the first three weeks of 2005, more than one-third of the depreciation by the dollar against the euro in Q4 was recouped.

In December, the year-on-year growth rate of the M3 monetary aggregate stood at 6.4%, 0.4 pp up on the end-Q3 figure, which entails something of a firming of the more dynamic phase initiated following the relative low of 4.9% reached in May. The expansion of credit to the private sector continued to strengthen gradually in the closing months of 2004, as a result of the greater vigour of bank loans granted to non-financial corporations, the rate of increase of which rose by almost 1 pp between September and December to 5.4%. Loans to households increased in December at a year-on-year rate of 7.8%, unchanged on that at the end of Q3, since the slight acceleration in lending to finance house purchases was offset by the slowdown in consumer lending. In Spain, credit to the private sector continued to expand at a much higher rate, exceeding 18%.

4 The Spanish economy

During 2004 Q4, the buoyancy of domestic demand in the Spanish economy remained substantial, though somewhat diminished, while the contribution of external demand to growth should have improved in relation to the sharp subtraction of 2 pp recorded in Q3. As a result of these developments, GDP is estimated to have grown by 2.7% year-on-year in Q4, slightly up on the previous quarter. Domestic demand has shown signs of slowing slightly in year-on-year terms, which has affected both household consumption and investment in construction. Investment in capital goods remained very robust, running at a somewhat lower rate than in Q3. It was underpinned by the improvement in corporate profits and rates of return during the year. Behind the pick-up in external demand is the improvement in tourism, while the losses in competitiveness that have built up, against the background of the strength of the euro, have checked the growth rate of goods exports, even though trade is notably vigorous at present.

In 2004 as a whole, the economy would have grown by 2.6%, 0.1 pp up on 2003. The year was marked by high job-creation (2.1%), which boosted household consumption and the demand for housing, and by the pick-up in investment in capital goods, the momentum of which was more in step with the cyclical situation. Despite the recovery in exports in 2004, the negative contribution of the external sector was around 1.5 pp, owing to the acceleration in imports of goods and services and to the slight slide in tourism over the year as a whole.

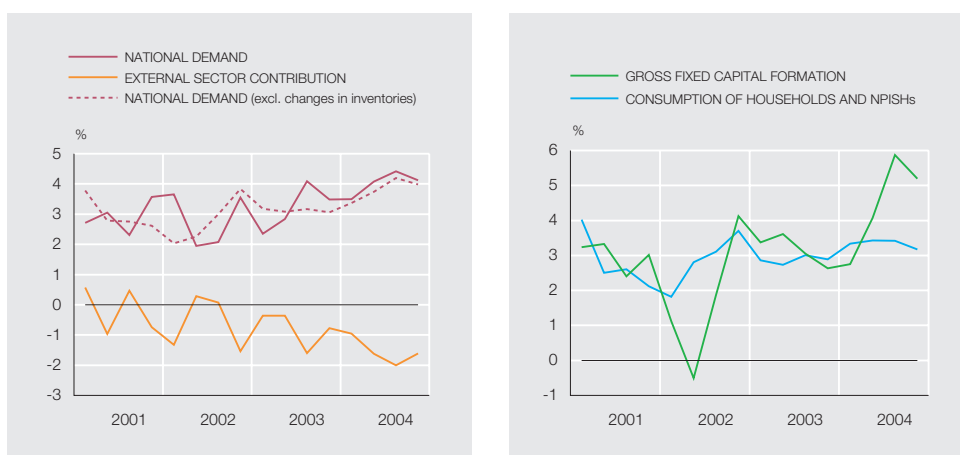
From the production standpoint, value added in the market economy grew at a similar rate in Q4 to the rest of the year. The information available points to a recovery in the agriculture and fisheries branch, while growth in market services held stable and construction slowed, albeit retaining a high growth rate. The economic indicators on employment in Q4 reflected an improvement in industry and construction, meaning that a slightly higher growth rate may be estimated for numbers employed than in Q3.

Productivity in Q4 has thus held on its habitual path of low growth. Labour costs slowed slightly, in a similar fashion to Q3. However, the acceleration in the GDP deflator shows that margins may have widened in the market economy in the closing months of the year. In respect of the CPI, a year-on-year increase of 3.2% was posted at the end of the year, following a figure of 3.5% in October, as a result of the upward impact of oil prices. For the year on average, the CPI increased by 3%.

4.1 Demand

Spanish household final consumption spending, in real terms, posted a high and stable year-on-year growth rate of 3.4% in the first three quarters of 2004 (see Chart 15). The latest information appears to indicate that this robustness has extended into Q4, although its pace may have eased to some extent. The buoyancy of private consumption last year was based on the sound growth of household real income, on the real net wealth gains in this sector and on the continuing generous financial conditions which, overall, contributed to checking the recovery in the household saving ratio.

The available indicators point, as mentioned, to a slight easing in the pace of private consumption in Q4 (see Chart 16). The synthetic indicator of goods and services consumption, estimated with incomplete data for this quarter, moved on a mildly slowing profile owing to the behaviour of durable consumer goods, especially cars. In particular, the considerable buoyancy of new car registrations diminished in part in Q4, despite their sound behaviour over the year as a whole. Under the remaining indicators of household spending, while there has been



SOURCES: INE and Banco de España.

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

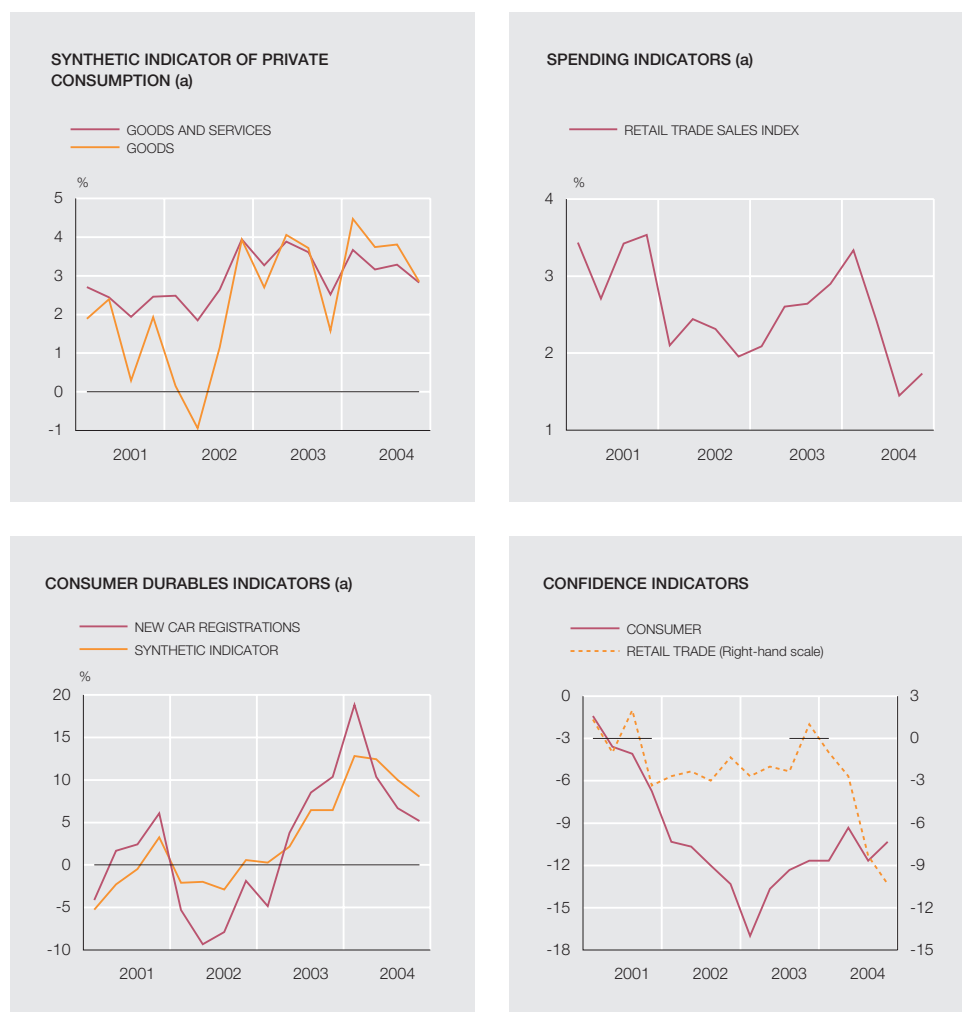
fresh slippage in the retail trade confidence indicator, the overall retail sales index increased moderately in October and November. On a more optimistic note, the consumer confidence indicator improved progressively from October to December, driven by rising expectations about households' position.

Among the determinants of private consumption, real disposable income increased in 2004 at a higher rate than the previous year, assisted by the ongoing rise in employment and by an increasingly more expansionary general government contribution to its growth. In this respect, despite the favourable impact of the 2003 personal income tax reform having run its course, there has been an acceleration in the payment of both pension and unemployment benefits, due in the latter case to the widening of the related eligibility ratio. Household wealth also supported the growth of consumption, as there was a continuing and significant rise in the value of real-estate assets due to house-price rises and an increase in household financial wealth through rising stock market prices, especially in the second half of the year.

In 2004 Q3, general government final consumption posted a year-on-year increase of 4.4%. The scant information available points to an increase in the pace of this aggregate in Q4, in step with the State budget outturn figures.

Gross fixed capital formation rose by 5.9% in 2004 Q3, accentuating the recovery initiated the previous quarter (see Chart 15). Although the acceleration in investment in capital goods was sharpest, all the components trended favourably.

As earlier mentioned, the indicators of investment in equipment point to a slight slowdown in this type of investment in 2004 Q4, after it peaked in the summer months (see Chart 17). In particular, on current information, the indicator of apparent investment in capital goods has continued to show very high growth rates (albeit somewhat lower than those in Q3) which reflect a fresh and very positive contribution of foreign trade in this type of good. On a less expansionary note, surveys on the order books of capital-goods producers worsened substantially in November and December, a negative trend which is also apparent, albeit more moderately, in the indicator of the business climate for this type of good. However, the order book of industry as a whole has improved. Capacity utilisation across industry has fallen slightly in Q4, although the proportion of companies that consider their plant capacity to be excessive has also declined.

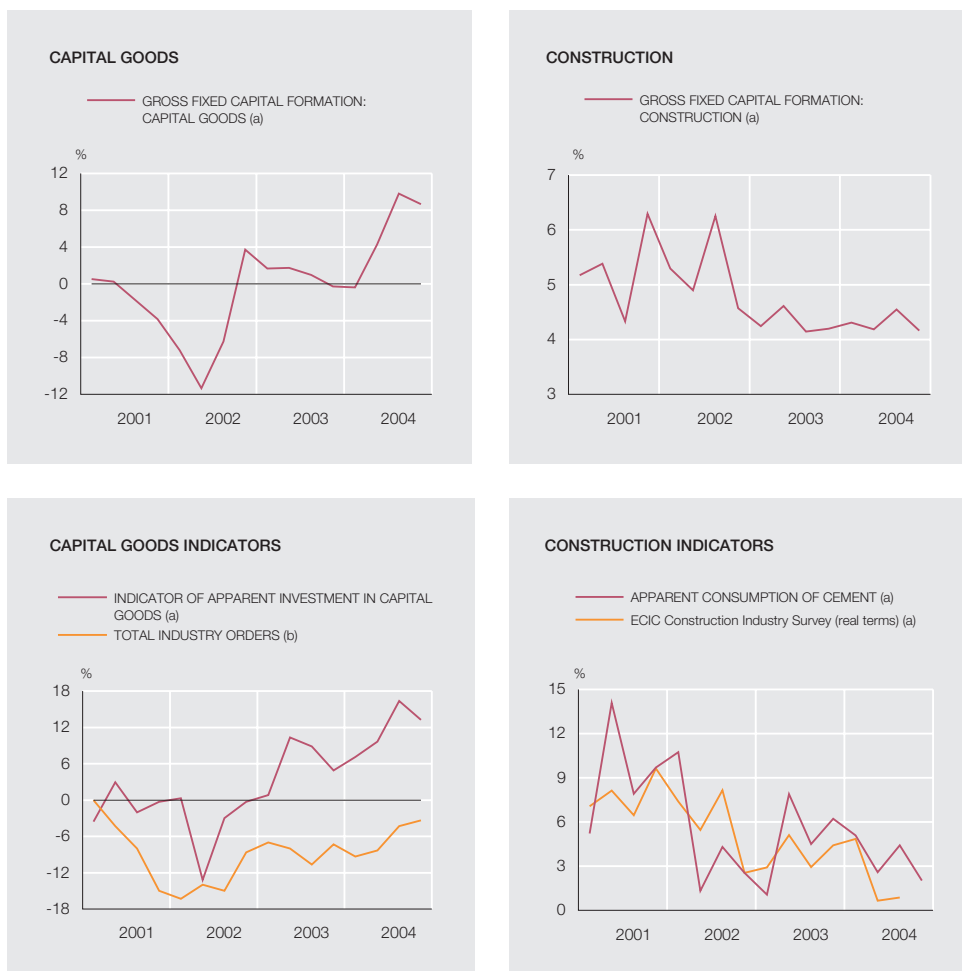


SOURCES: INE, European Commission, ANFAC and Banco de España.

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

The information on non-financial corporations compiled by the Banco de España Central Balance Sheet Data Office, running to 2004 Q3, indicates that Spanish companies have maintained a sustained growth rate during this period. Along with the increase in activity, personnel costs and financial expenses were on a declining trend, making for favourable net operating profit and profit ratios. This should underpin buoyant investment in capital goods in the coming quarters.

Investment in construction in 2004 Q3 increased by 4.5%, a growth rate not attained since 2003 Q2. However, the latest economic information, taken as a whole, would suggest a mild slowdown in the final quarter of the year. True, the confidence indicator for the sector rebounded forcefully from August onwards, holding on a growing path in the last two quarters of the year, and the indicators of registered unemployment and social security registrations were favourable in Q4. Yet the apparent consumption of cement maintained a more stable profile and the industrial production index for construction materials posted a slight slowdown in the closing months of the year. Lastly, according to the Construction Industry Survey (ECIC) the volume of work undertaken by companies in the sector, deflated by the construction costs index, showed a stable rate of change until Q3, although it was down on that recorded in 2003.



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

- a. Year-on-year percentage change based on the seasonally adjusted series.
b. Level of original series.

Distinguishing between different types of work, the leading indicators on residential building turned around in Q4, moving onto a mildly slowing path. Thus, building approvals indicated a slowdown in the surface area to be built. Elsewhere, according to the leading indicators of non-residential building, such as project approvals or government procurement, there would have been a certain rise in the second half of the year, following the poor figures in the previous quarters. In the case of civil engineering works, too, official procurement budgets, especially in the general government sector, increased in the second half of the year. In both cases, however, the effects on construction activity will not be visible until late 2005 or early 2006.

In 2004 Q3, net external demand subtracted 2 pp from GDP growth, 0.4 pp up on the negative contribution of the previous quarter. Real exports of goods and services picked up somewhat in this period, with their year-on-year rate of increase edging up to 4.2%, while real import flows continued on the expansionary path on which they have been moving since the start of the year, with their year-on-year rate rising to 9.6% (see Chart 18). This result was against a background of notably buoyant worldwide trade, which held at a rate of over 9%. But the increase in our exports remained below the growth of our export markets, since the sharp loss in competitiveness that has built up since last year, given the considerable strength of the euro, checked their growth. As regards imports, the greater buoyancy of final demand and the



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

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

strength of industrial activity account for the rise in purchases abroad. The as yet incomplete information for 2004 Q4 suggests something of a correction in the external imbalance in the final stretch of the year, owing to the slowdown in imports, in a setting of slightly decelerating industrial activity. That said, sales abroad are also projected to ease, affected by the forceful rise in the euro in the closing months of the year.

Turning to goods exports, their year-on-year rate of increase rose in 2004 Q3 to 6.5%. That said, Customs data drawing on QNA figures for October and November showed a slightly slowing profile. This trend is consistent with the pause in the recovery in the euro area, the main export market for Spanish products, and with the deterioration in competitiveness, both vis-à-vis the euro area and, to a greater extent, the other developed countries, further to the growing appreciation of the euro in the closing months of the year. In the first eleven months of 2004, goods exports grew by 5.5%, down on the 6.2% increase for the whole of 2003. By geographical area, sales to the EU-15 were similar to the previous year (4.2%), while extra-Community exports increased by 8.5% in real terms, slowing the notable increase seen the previous year. However, there was a strong pick-up in exports to Japan and, to a lesser extent, to Latin America and the south-east Asian countries, while exports to the central and eastern

European countries, conversely, slowed notably, and sales to the United States remained sluggish.

As to exports of services, on QNA figures for 2004 Q3 the year-on-year rate of decline of real tourism revenue lessened to -1.5% from -2.2% the previous quarter. This item remained sluggish, however, marked by the progressive loss in competitiveness vis-à-vis the tourist offer of the eastern Mediterranean countries, Spain's biggest competitors in the sun and beach segment, and against the background of the strong euro. On the latest available information, the number of overnight stays in hotels in Q4 on average picked up notably, to a positive rate of 3.5%. Yet for 2004 as a whole the indicator posted a negative rate (-1.3%), revealing a reduction in the average stay by tourists in these establishments along with a decline in their average spending. The rate of increase in the number of tourists entering Spain climbed notably in the last three months of 2004 to 10%, although over the year as a whole the increase was more modest, at 3.4%. During this period the rate of increase of the British market, from where most tourists to Spain are drawn, slowed substantially, while the German market – ranked second in importance – appeared to have initiated an incipient recovery. As to tourism from outside Europe, there was a heavy decline in the Japanese market while the US market was flat.

Exports of non-tourist services continued to slip in 2004 Q3 (-2.2%), in line with the nominal balance of payments indicator, which reflected a fresh weakening in services linked to construction, IT services and corporate services.

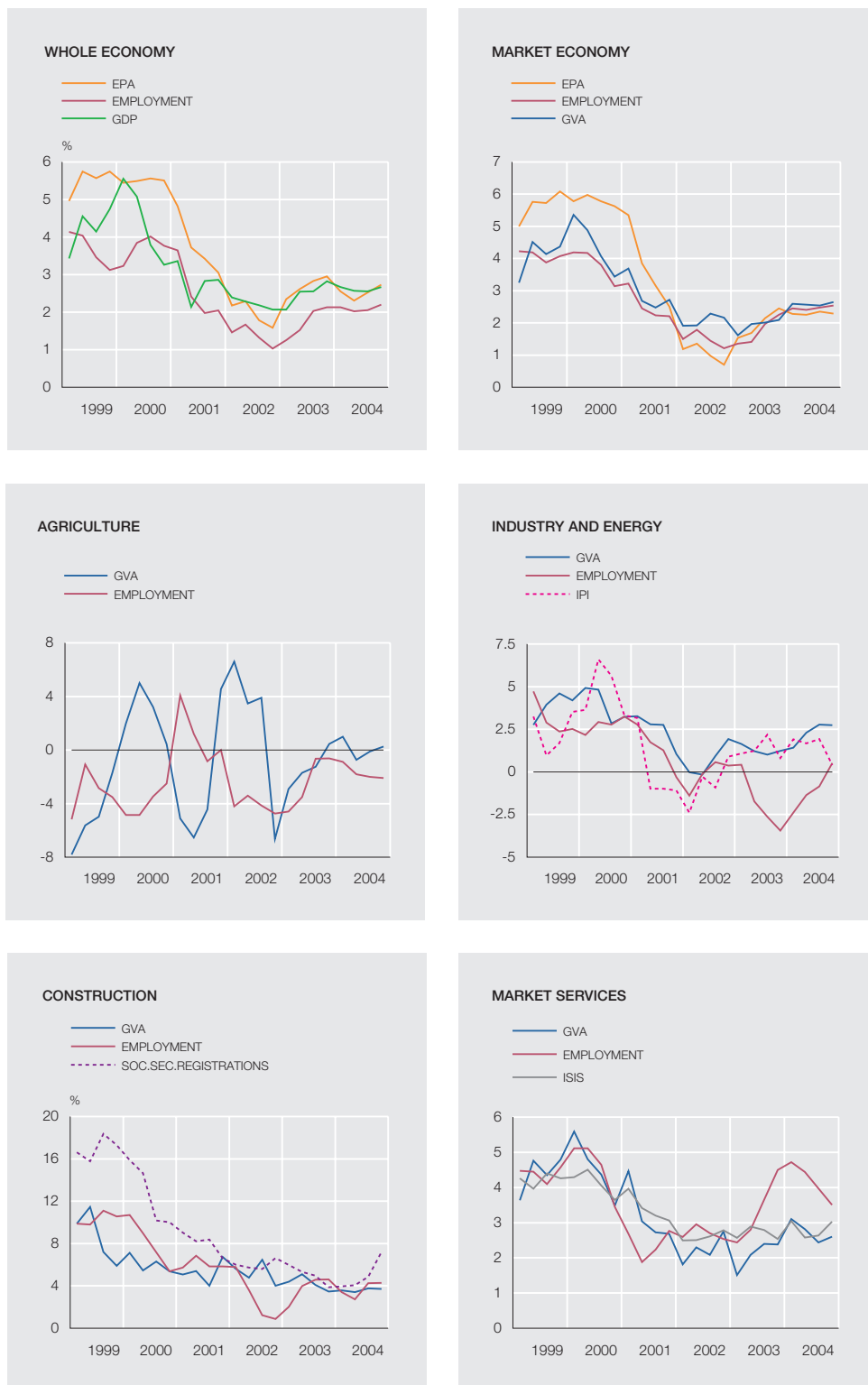
On QNA figures, the year-on-year rate of increase of real goods imports continued rising in 2004 Q3 to 10.6%, driven by the strength of final demand and the improvement in industrial activity, against the backdrop of the ongoing loss in competitiveness of domestically produced goods vis-à-vis imported products. The Customs data for October and November show that the rate of increase of external purchases eased slightly in this period, projecting a mild slowdown for Q4 as a whole, albeit retaining high rates. During the first eleven months of the year there was a real increase in imports of 10.7%, more than 3 pp up on the average for 2003, with a notably sharp increase in purchases of capital goods (19%) and of consumer goods (14.8%).

Finally, in terms of QNA, real imports of services quickened slightly in 2004 Q3 (4.4%). Purchases of non-tourist services grew at a muted rate of 1.4%, though this marked an advance on the first half of the year, while the buoyancy of imports of tourist services continued apace (17.4%). The recovery in consumer confidence and the strength of the euro would be prompting the expansionary behaviour of this item.

4.2 Output and employment

The growth of value added in the market economy in 2004 was appreciably higher than in 2003 (1.9%). Following the mild slowdown in Q3 (2.5%), output is estimated to have regained a similar pace in Q4 to that seen in the first half of the year (2.6%), driven by the improvement in agriculture and in market services (see Chart 19). Activity in the agriculture and fisheries branches gathered some momentum in Q3, which did not prevent its year-on-year rate of increase from remaining at a negative value (-0.1%), though it may have turned positive in the final months of the year.

The industry and energy branch gathered steam once more in 2004 Q3, posting a rate of change of 2.8%. Value added in the industrial branches increased by 2.9%, while energy slowed slightly with growth at 2.2%. The drivers of this behaviour in industry were the robustness of investment in capital goods and of goods exports. However, the Q4 data on investment in capital goods and on sales abroad were somewhat less expansionary, which meant



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

a. Year-on-year percentage rates based on seasonally adjusted series. Employment in terms of full-time equivalent jobs. For incomplete quarters, the year-on-year rate for the period available within the quarter is taken.

the ensuing performance of industrial activity was less buoyant. In October and November, the rate of increase of the overall industrial production index was lower than in Q3, with the slowdown centred on the non-energy component. Nonetheless, other indicators, such as that of confidence in the sector, or that of Social Security registrations, improved slightly in Q4.

The resilience of construction in terms of it not slowing was highlighted once again in 2004 Q3. In this period it gained fresh momentum, maintaining it as the Spanish economy's most dynamic industry. On QNA figures, the year-on-year growth of value added in Q3 was 3.8%, compared with 3.4% three months earlier. However, signs of weakness were detected in Q4, as discussed in the preceding section, regarding investment in these products.

Services evidenced once again in Q3 the loss of steam they underwent in Q2, posting a year-on-year rate of increase of 2.7%, 0.2 pp down on the previous quarter. This diminished buoyancy was prompted by market services, which grew by 2.4%, while non-market services quickened to a year-on-year growth rate of 3.4%. Despite this slowdown in market services, the short-term economic information available offers favourable signs for the final quarter of 2004. The composite market services indicator (ISIS) improved in Q4, following stable growth in Q3. Social Security registrations also picked up in the closing months of the year. Set against this, the sentiment indicators fell off during the quarter as a whole, although the confidence indicator compiled by the European Commission moved on a rising path and the services PMI advanced in December.

The favourable trend of market services in 2004 Q4 was specifically evident in the sound performance of transport and communications, the hotel and catering trade, and real-estate and business services. Notable among market services was the hotel and catering branch, which showed the most clearly accelerating trend. The figures on both overnight stays and Social Security registrations showed increases in their growth rates. At the opposite end of the spectrum were distribution and repair services, which lost momentum in the closing months of 2004. Under the distributive trade as a whole, the retail segment also showed signs of slowing, despite the increase in the retail sales index in the final months.

Following the profile of output, employment growth remained sustained during the period covered in 2004 (see Chart 19). In Q3, numbers employed increased by 2.1% year-on-year, in line with the rise recorded in the first half of the year. This relative stability came about against a background of flattening apparent labour productivity, which increased by 0.5% year-on-year in Q3, unchanged on the rate in the first half of the year. The growth of numbers employed in the market economy stood at 2.5% in Q3, likewise in step with the pace in the first half of the year and with that of GVA in 2004 to date. Indeed, apparent labour productivity gains posted a rate of only 0.1% in Q3.

Regarding the main economic indicators, the course of the Labour Force Survey (EPA) and that of QNA are most notably in step. For the economy as a whole, the year-on-year rate of numbers employed according to the EPA quickened by 0.2 pp in Q3 to 2.5%, after their growth had slowed in the first half of the year. The EPA data for Q4, released as this report was going to press, have confirmed the higher-growth trend of employment, and reflect an increase of 2.7% in the numbers employed in the economy as a whole. In the second half of the year, Social Security registrations rose substantially to a rate of 3.1%, although this dynamism should be viewed with caution when extrapolating to the QNA employment figures for the market economy, given the volatility this statistic exhibits, especially during holiday periods. In fact, the EPA data for Q4 point to stability in the growth of employment across the market branches, at a rate of 2.3%.

Branch by branch, employment in the market economy showed great heterogeneity in Q3: construction and market services remained to the fore in terms of job creation, while job destruction continued in agriculture and industry, although in this latter activity the rate of decline of employment has eased (see Chart 19). Specifically, the rate of decline of numbers employed in agriculture was 2%, similar to the previous quarter. Likewise, the acceleration in industrial activity during the quarter was accompanied by a 0.9% reduction in employment, although the path of recovery of 2004 was extended. Employment in construction evidenced a sizable rise during the quarter, climbing from growth of 2.7% in Q2 to 4.2% in Q3. That reduced apparent labour productivity, given that the acceleration in GVA was milder. Lastly, employment in market services grew by 4% year-on-year, a rate still high but which entails a slowdown of 0.4 pp on the summer months, during which period it had already lost momentum. The EPA data for Q4 indicate that job destruction in agriculture continued at a sharper rate in this period (-4.4%). They also confirm the pick-up in employment in industry (1.6%), after six consecutive quarters of job destruction, the sharp growth that employment in construction continues to show (5.1%) and the slowdown in employment in market services (2.7%).

With regard to dependent employment, the figures for Q3 suggest the slowdown initiated in the summer of 2003 might be coming to an end, as they show a minimal rise in the related year-on-year rate to 2%. Conversely, the slowdown in the increase in the number of self-employed, with growth of 2.3%, has broken for the moment the rising path of recent quarters. These trends are also apparent in the EPA data, having firmed in Q4. In the figure for Social Security registrations, the groupings for both employment segments accelerated by the same amount in Q3 (0.1 pp), while the rise in the growth rate for dependent employees was bigger in Q4 (0.5 pp, compared with 0.2 pp for the self-employed).

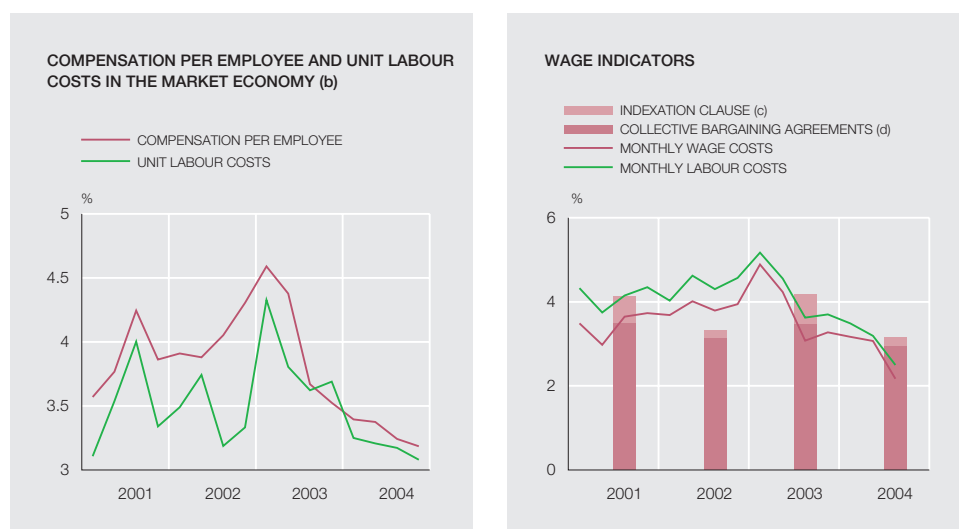
Drawing on EPA information on contract duration, the rise in total employment in 2004 Q3 was due solely to the contribution of temporary employment, which quickened notably from 1.4% in Q2 to 4.1%, while the growth rate of permanent employment was cut by 0.8 p.p. to 1.8%. Indeed, for the first time in the last four years, the growth of temporary employees was higher than that of permanent employees. This pattern held in Q4, despite the notable pick-up in permanent employment (2.7%), whereby the proportion of temporary to total employees stood at 30.9%, 0.2 pp less than in Q3, but above the related rate for 2003 Q4. From the standpoint of the length of the working day, part-time employment grew strongly (7.5%), despite the fact that its increase in Q4 moderated in relation to the year-on-year rate of 14.3% attained in Q3.

In the second half of 2004 the rate of increase of the labour force continued to moderate, though it remained substantially robust (1.8%). Intense employment creation had a sharper affect than that of the increase in the participation rate: there was thus a significant decline in joblessness and the unemployment rate fell to 10.4%, compared with 11.2% at the end of 2003. These developments were partly corroborated by the registered unemployment figures, the increase in which eased in Q3 to a year-on-year rate of 1.1% (against 2.4% in the April-June period). The trend extended into Q4, when registered unemployment fell by 1.5%.

4.3 Costs and prices

On National Accounts estimates, compensation per employee in the economy as a whole grew by 3.7% in Q3, 0.2 pp down on Q2. This reduction in the growth rate was the outcome of the slowdown in both the market and non-market services branches, and of the acceleration in agriculture, industry and construction. If the market economy alone is considered, the growth of compensation was 3.2%, showing a slowdown on a similar scale to the previous quarter (see Chart 20).

If the quarterly labour cost survey (ECTL) is taken as a reference, the slowdown was even greater. In 2004 Q3, monthly labour costs per employee grew by 2.5%, 0.7 pp down on the



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

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

previous quarter. This deceleration was essentially due to the lower growth of the wage component, which increased by 2.2%, and was above all in the services sector, where wage costs grew by 1.6% in this quarter. Given that wage settlements under collective bargaining agreements in the services branch grew by 2.8%, there would appear to be burgeoning negative drift, which might be related to the incorporation of workers with lower wage levels, against a backdrop of strong dependent-employment creation in this sector.

Taking the information on collective bargaining agreements to December, wage settlements stood at 3%, 0.5 pp down on 2003, before including the inflation-adjustment clauses. These agreements affected 7.8 million workers, 69% of whom had revised agreements; however, in recent months there has been a significant increase in the registration of newly signed agreements. On data to November, wage settlements under revised agreements stood at 2.9%, slightly below the agreed increase under newly signed agreements (3%). The rise in negotiated increases under this type of agreement might be reflecting the effect of the increase in inflation in the closing months of 2004. In any event, these figures stand at around what would be the ceiling established implicitly by social agents in the Interconfederal Collective Bargaining Agreement applicable to 2004, where the arrangements in place in previous years for setting increases in wage rates were retained.

Estimates for 2004 Q4 suggest compensation per employee in the economy as a whole will continue to behave moderately, slowing slightly on the previous quarter. In the market economy a slight acceleration in wages is estimated which, nevertheless, entails notable wage moderation for the year as a whole in relation to the growth witnessed in 2003, in line with the previously mentioned information on wage rates and the fullest indicators of wage costs.

The moderate course of compensation per employee has passed through to labour costs per unit of value added, which grew by 3.1% in Q3, 0.1 pp down on Q2. Consequently, the acceleration in the deflator (which grew by 4.1% against 3.8% the previous quarter) fed through to the unit surplus, whereby the ongoing widening of margins seen already in previous quarters

continued. There was also a widening of margins in the market economy, against a background of cost and price developments that were similar to those in the economy as a whole. The indexation mechanisms in place might, however, pass the deviation in inflation through to wage behaviour and pose an obstacle to the current moderation continuing, whereby it would not seem appropriate to extend their effect to the statutory minimum wage. The considerations made in Box 3 on the measures announced in connection with the updating of the minimum wage are along these lines.

Chart 21 shows the behaviour of the deflator and of unit labour costs in the market economy and in the main branches comprising it, with significant differences seen in Q3 in these variables across the different branches. While the acceleration of the deflator was common to all branches, with the exception of agriculture, unit labour costs only slowed in market services. Margins thus continued to widen in industry and construction, while in services there was a slight widening following several consecutive quarters of contraction. The indicators available for Q4 show a continuation of these patterns of behaviour. In the market economy, the gap between the growth rates of the deflator and those of labour costs per unit of value added would have widened slightly.

In 2004 Q3, the year-on-year pace of the final demand deflator quickened by 0.2 pp to 3.5%. The acceleration in the GDP deflator amounted to 0.3 pp, attaining a year-on-year growth rate of 4%. On the expenditure side, the private consumption deflator was more buoyant and its growth rate stood at 3.3% year-on-year, while the related rate for the gross fixed capital formation deflator held stable. The imports deflator grew less sharply than in the previous quarter, as the sizable increase in oil prices in the July-September period was offset by the very moderate behaviour of non-energy goods import prices, to which the strength of the euro contributed.

In Q4 the year-on-year rate of consumer prices rose by 0.1 pp to 3.4%, while the 12-month growth rate of the CPI excluding unprocessed food and energy held stable at 2.9% (see Chart 22). Energy prices continued to be the most inflationary component, posting a year-on-year growth rate of 9.7%. Heating and vehicle fuel prices rose markedly in October, initiating a mild downward trajectory in November, following the path of crude oil prices on international markets. Non-energy industrial goods prices posted a rate of 1.2% in Q4, 0.4 pp up on the previous quarter. This reflected, first, the greater intensity of the seasonal sales period, compared with the previous year; and further, the greater price rises at the start of the autumn season in textiles and clothing.

The year-on-year growth rate of processed food prices held virtually stable at 4.1% between Q3 and Q4 last year, while unprocessed food prices grew by 2% in Q4, 1.5 pp down on the previous period. Behind these favourable developments was the marked slowdown in the prices of eggs, fresh fruit and vegetables, and potatoes. Lastly, the growth rate of services prices held at 3.7% in Q4, which saw a reversal in the moderation observed in the summer of the items related to tourism and the hotel and catering trade.

Spanish inflation measured by the HICP increased by 0.2 pp from Q3 to Q4 last year, up to 3.5%. Inflation in the euro area as a whole increased by 0.1 pp, standing at 2.3% in the October-December period, meaning the differential between Spain and the euro area widened by 0.1 pp (see Chart 23). Significantly, the acceleration in energy prices was sharper in Spain than in the euro area as a whole, while the slowdown in processed food prices was greater in the euro area.

In recent months the national minimum wage (NMW) has been raised and changes have been made to its use as a reference index. Furthermore, discussions are under way on the procedure to determine future rises in the NMW, so that by 2008 (at the end of this legislature) it should stand at €600 per month.

Royal Decree 2388/2004 of 30 December 2004 approved a 4.5% rise in the NMW (to a monthly rate of €513), adding to the 6.6% rise on 1 July 2004. This latter increase was presented as the recouping of the loss in purchasing power in the previous four years, and it was accompanied by the decision to uncouple the amounts of all public benefits, assistance and subsidies (indexed until then to the NMW) from the increases agreed upon for the NMW. To replace this reference the so-called "public indicator of income with multiple effects" (IPREM by its Spanish abbreviation) was created, which held at the previous NMW amount (€460.5 per month)¹.

To settle the procedure to be followed in future NMW rises, the government, following the Cabinet meeting at which the rise for 2005 was approved, agreed to address a document to the social partners on the matter. The proposal is pending negotiation with the social partners, under the industrial relations talks set in train further to the Declaration of 8 July 2004.

Specifically, the document proposes an annual average rise in the NMW of 5.4% over the next three years, to €600 in 2008, which entails growth clearly expected to outpace forecast inflation for this period. In an attempt to soften the impact of this measure on companies' wage costs, a monthly rebate of €10 on employers' Social Security contributions for employees contributing under the minimum bases in 2005 has been proposed. This rebate would entail a reduction equivalent to 2 pp of the Social Security contributions for employees paid in step with such minimum bases².

In parallel, the document proposes an amendment of article 27 of the Workers' Statute in which the criteria the government has to follow in the annual revision of the NMW are laid down. The proposed criteria are very similar to those already in place (changes in the CPI, labour productivity, average wage increases under collective bargaining agreements and economic picture in general), but they expressly include an automatic NMW updating clause, provided that the increase in the overall level of prices has exceeded the rise agreed the previous year for the NMW.

Regarding the revaluation of the IPREM, the document suggests updating this indicator in 2005 by an amount equivalent to the inflation target set by the Budget (2%), which would be set in subsequent years to 2007. However, a commitment is included to evaluate purchasing power trends under this indicator at end-2006 and, in the event of a cumulative loss, to revise its amount in 2007. At the end of that year, this indicator would be reassessed on the basis of the be-

¹ Nonetheless, the upper and lower limits of unemployment benefits were revised so that they might reflect a similar increase to that in the NMW in July. ² It should be recalled that any increase in the NMW passes through automatically to the Social Security minimum contribution bases, since the NMW is maintained as the floor for these bases.

haviour of other indicators such as average income per inhabitant or social spending.

POSSIBLE CONSEQUENCES

This package of measures has two types of consequences for labour market workings. First, those arising from the increase in the minimum wage. And further, those associated with the change in the procedure for revaluing the NMW, if automatic and permanent indexation mechanisms related to past inflation were to be statutorily established.

Regarding the first type of consequences, rises in the NMW affect the labour market in at least three ways. Firstly, they have a direct impact on the overall increase in wages which is related to the number of workers affected by this wage reference. Further, they may exert an indirect effect on wage bargaining, since a rise in the NMW may be taken as a reference to determine the minimum wage levels set under collective bargaining. And finally, these wage increases may have a negative bearing on certain groups of low-skills and/or inexperienced employees, who might see themselves crowded out of the labour market because the minimum wage in force proves higher than their productivity.

Although the two NMW rises approved have accounted for an 11.4% increase since July, the direct impact on average wage increases should, in principle, be low, since the number of workers directly affected by this wage reference is not very high. Nonetheless, this effect tends to increase as the level of the NMW draws closer to the wages of increasingly numerous groups.

The information available on the number of workers directly affected by the NMW is not very accurate. The quarterly labour market survey estimates that some 100,000 wage-earners receive the NMW, accounting for somewhat less than 1% of estimated total dependent employees according to this same source, although this estimate may be biased downwards by certain characteristics of this survey³. Other estimates⁴, drawing on more lagged information, placed the proportion of total wage-earners receiving the NMW in 1994 at 5%, and the related percentage for the sub-set of wage-earners in industry at 2%⁵. Finally, data from the 1995 wage structure survey placed the percentage of wage-earners receiving the NMW that year at 0.9%⁶. In any event, these figures show that, in Spain's case, minimum wages that prove binding are those agreed under collective bargaining, and these have stood significantly above the legal minimum in recent years.

³ This survey is not directly addressed to workers and excludes certain sectors, such as agriculture, where the incidence of the NMW is probably high. ⁴ J.J. Dolado, F. Felgueroso and J.F. Jimeno (2000), "The role of the minimum wage in the welfare state: an appraisal", Documento de Trabajo FE-DEA 2000-12. ⁵ J.J. Dolado, F. Felgueroso and J.F. Jimeno (1997), "The effects of minimum bargained wages on earnings", *European Economic Review*, 41, pp. 713-721. ⁶ This percentage rises to 1.7% if we allow an interval of +2% around the NMW for possible errors. The availability of the disaggregated data from this 2002 survey will allow estimates to be updated.

Against this background, one of the main risks that may arise from the NMW updates is that related precisely to the fact that such a re-valuation may be taken as a reference for collective bargaining wage negotiations, especially in the case of the wages of job categories whose remuneration is very close to the NMW. There is thus a risk that attempts to maintain the structure of relative wages may extend the effects of increases in the NMW.

The NMW expressed as a proportion of the average wage had been on a declining trend in recent years, standing at around 34%⁷ before the rise last July. The latest increases have raised this proportion to 38%, approximately, and it is estimated that the forecast rise to 2008 could place the NMW at slightly over 40% of the average wage at that date⁸. However, the potential effects of workers being crowded out of the labour market due to rises in the NMW do not hinge on its relationship to the overall average wage, but to those groups of low-productivity workers who are, in sum, those who may be most affected by movements in the minimum wage. To evaluate this potential impact it would be necessary to have disaggregated information on the wage structure, whereas only the intermediate aggregations released by INE in the 2002 wage structure survey are known. On this information, the NMW would account for 73.7% of the average wage of unskilled workers in services and 54.5% of the average wage paid in the hotel and catering trade. However, these data should be viewed with caution, since they do not allow the effect of part-time workers to be isolated.

In any event, the degree of accuracy of these preliminary estimations aside, it is the jobs of the groups of workers with lowest productivity

7. In relation specifically to the average wage estimated by the quarterly labour cost survey covering industry, construction and most market services. 8. Assuming annual average growth of 3% for the average wage in the economy.

that may be most put at a disadvantage by rises of some substance in the NMW. It should be borne in mind that the growth model followed by the Spanish economy in recent years has been an employment-intensive one characterised by low average productivity, which suggests a high dispersion of labour productivity and a low level of productivity in a significant segment of new jobs. Accordingly, it cannot be ruled out that sizable rises in the NMW may have an adverse bearing on employment opportunities for these groups of workers and affect the Spanish economy's capacity to sustain the current, intense job-creation process.

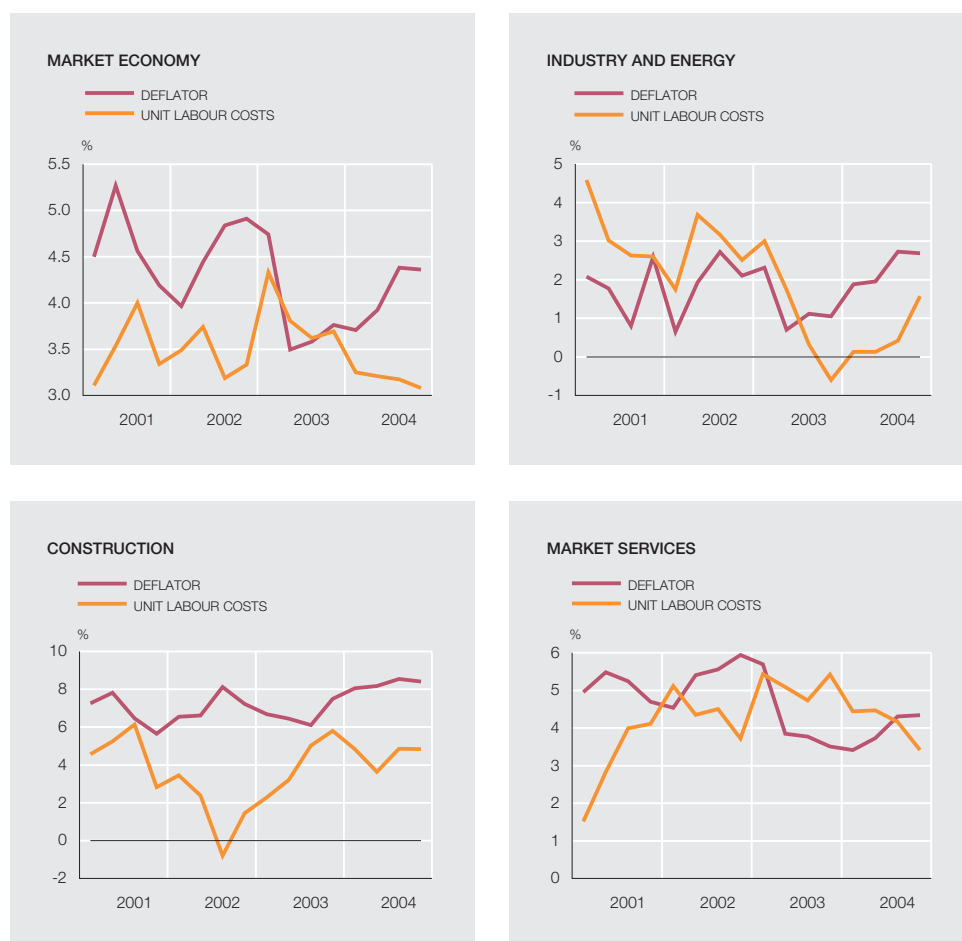
The legal amendment of the Workers' Statute to include an automatic NMW past-inflation-adjustment clause would be inappropriate under the workings of EMU and in the relatively low inflation setting in which the Spanish economy moves. It would entail the setting in place of a permanent, statutory indexation mechanism that would tend to reinforce the indirect effects linked to the rise in the NMW. Such a clause would provide for a feed-through of past increases in inflation (whether temporary or permanent) to the minimum wage, and might cause spiralling wage demands among those groups of workers with wages above this reference. The inclusion of such indexation would further constrain the economy's flexibility, a constraint not present in most European countries⁹, and this would diminish the economy's capacity to adjust to adverse situations. Finally, this legal amendment would send a signal contrary to the need to increase the flexibility of bargaining and wage-setting arrangements.

9. Only France and the Netherlands have similar minimum wage increase procedures. However, in the Dutch case the reference is not past inflation, but the average behaviour of wages under collective bargaining, and the rise is not automatic but conditional upon the economic situation. Indeed, the government and social partners agreed to freeze the minimum wage for 2004 and 2005.

Finally, the acceleration in the producer price index in Q4 was similar to that in the previous quarter. Its growth rate rose to 5% in year-on-year terms in December and to 5.2% in Q4 as a whole, compared with 4.4% in Q3. The acceleration in energy and intermediate-goods producer prices was accompanied by greater stability in the other components. In the euro area, the deterioration in producer prices to November was sharper, with the year-on-year change in the overall index rising to 3.8% compared with 3.1% in Q3 on average. Prices received by farmers trended very moderately in the closing months of 2004, and hotel prices slowed following a slight rebound in Q3.

4.4 The State budget

The Government unveiled the updated Stability and Growth Programme (SGP) for the Kingdom of Spain in late December, with fiscal projections for the 2004-2008 period. The SGP has revised downwards slightly the growth scenario for the economy which acted as a basis for the preparation of the State budget for 2005, but it has kept the projections for public finances balances unchanged. A deficit of 0.8% of GDP is forecast (under National Accounts methodology) in the general government sector for 2004, and a slight surplus, of 0.1% of GDP, for 2005. In terms of the respective sub-sectors, the 2004 deficit would be caused by central govern-



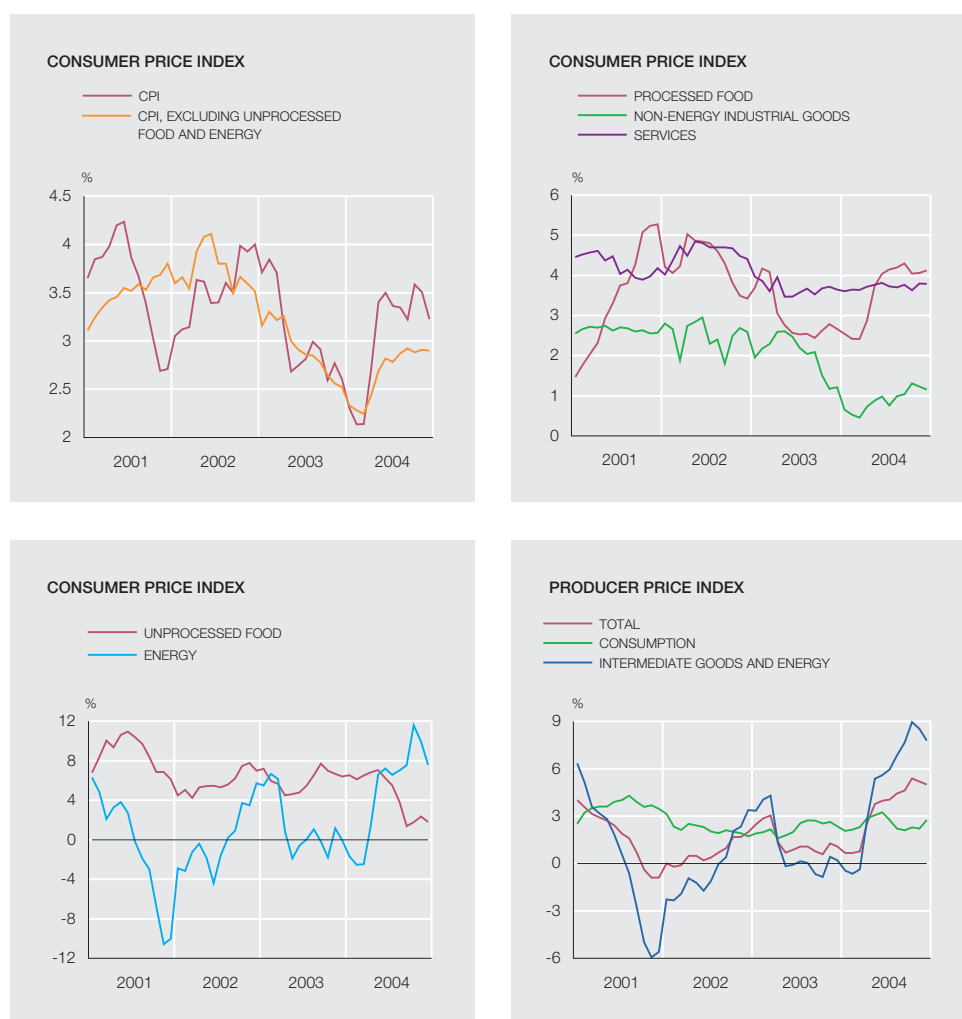
SOURCES: INE and Banco de España.

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

ment, for which a deficit of 1.8% of GDP is expected. Conversely, the Social Security system and the regional (autonomous) governments will run surpluses¹ of 0.8% and 0.2% of GDP, respectively, while local governments will close the year with a balanced budget. The 2005 surplus will be due to that projected for the Social Security system, since central government and the regional governments will post a deficit, while the local governments will maintain a balanced budget.

Following National Accounts methodology and on the information available to November 2004, the State posted a surplus of 0.2% of GDP, notably down on the figure of 0.7% of GDP a year earlier (see Table 3). That figure is in contrast to the forecast included in the projected outcome of the draft State budget, which raises the forecast State deficit to 1.8% of GDP as at the close of 2004. The figure is, however, highly influenced by the marked seasonality of the State's non-financial transactions, whereby the December balance may differ greatly from that of November. Bearing this in mind, the State is fairly likely to end the year with a lower deficit than that forecast in the projected outcome, since the November figures already include the payment cancelling the debt with the Andalusian regional government and much of the planned assumption of RENFE's debt, operations which, overall, have reached an amount close to 0.8% of GDP.

1. Much of the deficit is of a temporary nature, since it is due to the assumption by the State of RENFE debt (0.7% of GDP), as part of the restructuring of the railway sector.



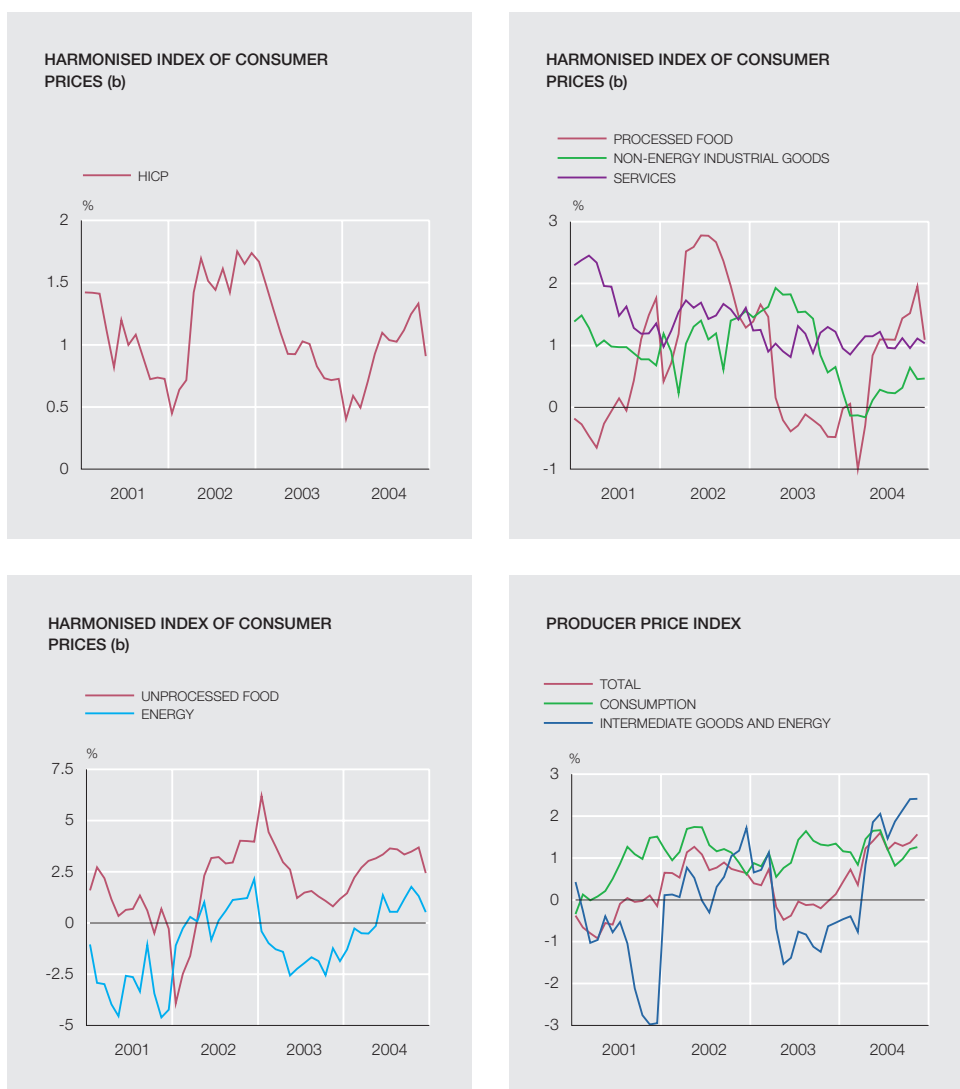
SOURCE: INE.

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

In cash-basis terms, the State accounts ran a surplus of €3.22 billion to November, against a deficit of €902 million in the same period in 2003. The discrepancies between the National Accounts and cash-basis balances are due, as usual, to the adjustment for the different interest imputation criterion and to the change in receivables and payables. This year, however, the assumption of the debt of RENFE should also be taken into account. This operation does not entail any flow of funds and, therefore, does not affect the State cash-basis deficit, but it is reflected in capital transfers and in the National Accounts balance.

Under the cash-basis criterion, the growth of State revenue was slightly above the projected out-turn, while expenditure underwent a more moderate increase than indicated by the related projection. Accordingly, the cash-basis balance for the year as a whole might be better than indicated in the aforementioned projection. Higher revenue would be due to corporate income tax, to VAT and to non-tax revenue, while the containment of expenditure would be practically across the board. Compared with the figures to September, both revenue and expenditure have accelerated.

For the analysis of revenue, information is available on total takings for the main taxes in terms of both those assigned to the State and those to the ordinary-regime regional governments.



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.

According to these figures, which are not reflected in Table 3, direct taxes quickened in the closing months, as did VAT under indirect taxes. Personal income tax quickened slightly, evidencing the strong increase in withholdings on income from work, arising from the sound performance of the labour market. Nonetheless, the growth rate in the period to November (2.7%) remained low. This was due partly to the fact that withholdings in the opening months of 2003 were higher, because they did not yet reflect the reform of this tax, which also had a bearing on net tax paid in 2004; and partly, in turn, to the calendar change for revenue from certain general government sub-sectors, which temporarily raised revenue in 2003 by a notable amount. Further, corporate income tax quickened additionally because of the strong increase in the October prepayment, owing to the course of corporate profits during 2004. VAT, meanwhile, continued to accelerate in the closing months to a growth rate of 10.7% (outpacing, indeed, the outturn projection, which had forecast growth of 8.1%). Conversely, excise duties slowed slightly, holding at a moderate growth rate caused by the freeze on tax rates. Finally, other revenue dipped marginally in relation to the same period a year earlier, compared

The Social Security System posted a surplus of €11.84 billion in 2004 in the period to October, 8.7% up on the same period in 2003 and in line with the outturn to July. This increase is in contrast to the strong reduction in the surplus resulting from comparing the initial budget for 2004 with the outturn for the previous year¹ (see adjoining table). Both revenue and, above all, expenditure quickened in the final months. In the case of revenue, the acceleration was due to the different timing of certain interest received², which is in the table under "Other", and this placed its growth at 7.1%. The acceleration in expenditure stemmed chiefly from temporary disability benefits and other contributory benefits, which placed its growth rate at 6.9%, in line with the figure budgeted.

Receipts from social security contributions held at a growth rate of 6.9% to October, which is something of a slowdown on the trend maintained during 2003, despite the increase in rates for the special regime for the self-employed³. The number of Social Security registrations increased by 2.8% over 2004 as a whole, only slightly below the 3% growth recorded in the two previous years.

Expenditure on contributory pensions continued to grow, moving at a rate of 6.4% to October. This was below budget, but substan-

1. This reduction is due to the fact that, as in previous years, takings relating to contributions are greatly underestimated in budgetary projections. 2. Interest on government debt securities assigned to the Reserve Fund. 3. This increase in rates is linked to financing the greater coverage for temporary disability.

tially up on the growth for 2003 as a whole. Nonetheless, and given that the difference between actual and projected inflation was considerably wider in 2004 than that of a year earlier, the annual amount of spending on pensions will foreseeably post a similar increase to that budgeted. The number of contributory pensions moved on a very moderate trend, increasing by 0.8%, somewhat below the projected figure and the growth recorded the previous year.

Regarding INEM⁴, the information on certain items is available with a greater lag. Contributions received rose by 6.7% to July, in line with the budgeted projection of 6.6%, while rebates on contributions in respect of employment-promoting contracts increased by 8.5% to August, compared with the 21.4% growth budgeted.

Expenditure on unemployment benefits increased by 9.3% to October, against 5.9% in 2003 as a whole. Behind this was the change in the number of beneficiaries, which grew by 5.6% to October 2004, against average growth of 3.2% the previous year. The increase in the number of beneficiaries, in contrast to the slight growth in the number of registered unemployed (1.8% in 2004 as a whole, 1 pp down on 2003), gave rise to a notable increase in the eligibility ratio, which stood at 74.1% in 2004 to October (71.9% in 2003).

4. Its current Spanish acronym is SPEE (State Employment Service).

SOCIAL SECURITY SYSTEM (a)

Transfers to regional governments allocated (b)

Current and capital transactions, in terms of recognised entitlements and obligations

EUR m and %

	Budget			Outturn		Outturn JAN-OCT	
	Outturn	2004	% change	JAN-JUL	2003	2004	% change
	2003	2004	3=2/1	% change	2003	2004	7=6/5
	1	2	3=2/1	4	5	6	7=6/5
Revenue	82,503	82,221	-0.3	6.9	68,151	73,021	7.1
Social security contributions (c)	77,332	76,753	-0.7	7.1	63,893	68,322	6.9
Current transfers	4,267	4,672	9.5	7.5	3,711	3,989	7.5
Other (d)	904	797	-11.9	-15.3	548	710	29.6
Expenditure	73,511	78,691	7.0	6.3	57,256	61,182	6.9
Wages and salaries	1,777	1,907	7.3	6.2	1,419	1,505	6.0
Goods and services	1,496	1,497	0.1	7.1	1,083	1,109	2.4
Current transfers	69,788	74,775	7.1	6.4	54,540	58,370	7.0
Benefits	69,787	74,774	7.1	6.4	54,540	58,369	7.0
Contributory pensions	60,151	64,307	6.9	6.5	46,864	49,876	6.4
Sickness	5,154	5,312	3.1	7.5	3,996	4,468	11.8
Other	4,481	5,155	15.0	3.6	3,680	4,025	9.4
Other current transfers	1	1	3.0	—	0	1	—
Other (e)	451	512	13.7	-6.0	214	198	-7.5
Balance	8,992	3,530	-60.7	10.9	10,895	11,839	8.7

SOURCES: Ministerio de Economía y 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 available only to March 2004.

b. Transfers from the ISM to the regional governments to finance transferred health-care and social services have been distributed among the various expenditure captions on the basis of the percentages obtained from the general government accounts for 1997.

c. Including surcharges and fines.

d. Excluding surcharges and fines.

e. Reduced by the disposal of investments.

EUR m and %								
	Outturn 2003	Percentage change 2003/2002	Outturn projection 2004	Percentage change 2004/2003	Outturn JAN-SEP Percentage change	2003 JAN-NOV	Outturn 2004 JAN-NOV	Percentage change
	1	2	3	4=3/1	5	6	7	8=7/6
1 REVENUE	109,655	1.1	110,516	0.8	4.0	101,115	105,985	4.8
Direct taxes	56,510	1.8	56,931	0.7	4.4	51,388	53,783	4.7
Personal income tax	32,824	1.7	30,549	-6.9	-4.0	30,582	28,236	-7.7
Corporate income tax	21,912	2.3	24,173	10.3	17.2	19,230	23,350	21.4
Other (a)	1,774	-3.7	2,209	24.5	33.0	1,576	2,197	39.4
Indirect taxes	39,084	2.8	40,930	4.7	5.8	37,656	40,202	6.8
VAT	27,130	5.5	28,466	4.9	6.4	26,662	29,021	8.9
Excise duties	9,787	-5.4	9,889	1.0	1.7	9,027	8,896	-1.4
Other (b)	2,167	10.6	2,575	18.8	16.2	1,968	2,284	16.1
Other net revenue	14,061	-5.6	12,655	-10.0	-3.0	12,071	12,000	-0.6
2 EXPENDITURE	113,787	2.4	117,754	3.5	-1.0	102,017	102,762	0.7
Wages and salaries	18,450	5.1	19,415	5.2	4.4	16,079	16,865	4.9
Goods and services	2,996	5.4	3,454	15.3	21.2	2,484	2,930	18.0
Interest payments	19,788	4.9	17,888	-9.6	-15.5	19,284	16,335	-15.3
Current transfers	58,078	-0.4	62,364	7.4	2.1	52,227	55,288	5.9
Contingency fund	...	...	...	...	...	...	...	...
Investment	7,535	7.0	7,629	1.2	-5.1	6,279	5,737	-8.6
Capital transfers	6,940	7.5	7,004	0.9	0.7	5,664	5,606	-1.0
3 CASH-BASIS BALANCE (3=1-	-4,132	...	-7,238	...	...	-902	3,223	...
MEMORANDUM ITEM: NATIONAL ACCOUNTS								
Resources	110,449	1.9	115,972	5.0	3.0	101,725	105,997	4.2
Uses	112,566	0.7	130,251	15.7	2.2	96,617	104,015	7.7
NET LENDING (+) OR BORROWING (-)	-2,117	...	-14,279	...	...	5,108	1,982	...
(as a percentage of GDP)	-0.3		-1.8			0.7	0.2	

SOURCE: Ministerio de Economía y Hacienda.

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

b. Includes taxes on insurance premiums and tariffs.

with an expected decline of 10%, owing to higher growth in revenue arising on charges and capital transfers.

On the State expenditure side virtually all items, with the exception of goods and services, posted lower-than-budgeted rates of change. In particular, there was a heavy decline of 15.3% in interest payments to November, compared with the expected reduction of 9.6% for the year as a whole. Current transfers quickened in the closing months owing to the above-mentioned cancellation of the outstanding debt with the Andalusian regional government (in October), though the 5.9% growth to November was notably below the figure of 7.4% forecast in the projected outturn. Finally, the decline in capital expenditure, especially under real investment, was significant and ran counter to the forecast of moderate growth included in the outturn projection.

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

In the first ten months of 2004, the overall balance on current and capital account resulted in a deficit of €23.65 billion, €14.65 billion up on the same period a year earlier. This was due to the notable widening of the current-account deficit to €30.01 billion, since the surplus on capital transactions was practically unchanged on the level of the previous year. The unfavour-

BALANCE OF PAYMENTS: SUMMARY TABLE (a)

TABLE 4

EUR m		JANUARY-OCTOBER	
		2003	2004
CREDITS	Current account	206,227	211,377
	Goods	117,328	121,871
	Services	57,375	57,446
	<i>Tourism</i>	31,777	31,907
	<i>Other services</i>	25,599	25,540
	Income	18,575	18,624
	Current transfers	12,949	13,436
	Capital account	7,257	7,172
	Current + capital accounts	213,484	218,549
DEBITS	Current account	221,663	241,475
	Goods	147,669	163,402
	Services	33,924	35,917
	<i>Tourism</i>	6,141	7,355
	<i>Other services</i>	27,783	28,562
	Income	27,857	29,025
	Current transfers	12,213	13,131
	Capital account	816	723
	Current + capital accounts	222,479	242,198
BALANCES	Current account	-15,436	-30,099
	Goods	-30,341	-41,532
	Services	23,452	21,529
	<i>Tourism</i>	25,636	24,552
	<i>Other services</i>	-2,184	-3,023
	Income	-9,282	-10,401
	Current transfers	736	304
	Capital account	6,440	6,449
	Current + capital accounts	-8,996	-23,649

SOURCE: Banco de España.

a. Provisional data.

able current-account performance was chiefly the result of the widening of the merchandise deficit and, to a lesser extent, of the deterioration in the other main items, namely services, income and current transfers.

In the period from January to October 2004, the trade deficit widened by €11.2 billion to €41.53 billion in relation to the level in the same period a year earlier. In year-on-year terms, the deficit was 36.9% up, accentuating the deterioration already witnessed over the whole of the previous year. The notable momentum of real import flows during the year, which was far greater than that of export flows, would – in conjunction with the deterioration in the terms of trade, which were impacted by the strong rise in oil and, to a lesser extent, non-energy commodity prices on international markets – have led to this unfavourable trend of the trade imbalance.

Turning to services, the surplus in the first ten months of the year stood at €21.53 billion, €1.92 billion below that recorded in the same period a year earlier. This worse performance made for

a year-on-year decline of 8.2%, which was due to the 4.2% reduction in the tourist surplus and to the 38.4% deterioration in the non-tourist services deficit. Tourism revenue increased by scarcely 0.4% to October, affected by the terrorist bombings on 11 March and the considerable strength of the euro, which led the gap in Spanish competitiveness vis-à-vis the eastern Mediterranean countries, our main competitors, to widen. Nonetheless, as from September it held on an improving line, in step with the upward course shown in the closing months of the year by the real indicators of foreign tourists and overnight stays in hotels. Tourist payments to October rose by 19.8%, set against the resumption of normality worldwide in geopolitical terms, improved consumer confidence and the strength of the euro.

The deficit on the income balance stood at €10.4 billion in the first ten months of 2004, reflecting a deterioration of €1.12 billion in relation to the level posted in the same period a year earlier. The widening of the income deficit was the outcome of the deterioration in the balances relating to the non-financial private sector and to monetary financial institutions, while the general government deficit was slightly corrected. In terms of instruments, there was a deterioration in the balances of income linked to direct investment and other investment (loans, deposits and repos).

The surplus on the balance of current transfers stood at €304 million in the period January-October 2004, reflecting a reduction of €431 million on the level observed over the same period in 2003. Revenue rose by 3.8%, chiefly as a result of the increase in flows received by the public sector, especially EU flows under the European Social Fund, while Community funds for the private sector in connection with the EAGGF-Guarantee fund declined. Payments grew by 7.5% owing to the increase in those earmarked for Community coffers under the GNP Resource and Traditional Own Funds, and to the continuing robustness of emigrants' remittance payments.

Finally, the surplus on capital account was €6.45 billion in the first ten months of 2004, scarcely €9 million above that observed in the same period in 2003. Despite this slight improvement, net capital transfers from the EU, the biggest item in quantitative terms, declined in this period as a result of the fall-off in ERDF structural funds and in the EAGGF-Guidance Fund, while Cohesion Fund flows trended more favourably.

5 Financial developments

5.1 Highlights

The financial setting for households' and companies' economic activity in 2004 Q4 was marked primarily by the stability of money market interest rates in the euro area and by the reduction (sharper in the longer-dated terms) in public debt yields to the lowest figures of recent years. In December, the one-year EURIBOR and the ten-year government bond stood on average at 2.30% and 3.64%, 8 bp and 44 bp below the related September figures, respectively. On the latest available information, for November, the interest rates applied by credit institutions to households and firms generally underwent little change and held slightly above the minimum levels reached in mid-2003. The cost for companies of financing via fixed-income securities continued on a declining course as a result of the reduction in yields on public debt markets, since the risk premiums demanded scarcely changed from the moderate levels recorded three months earlier (see Chart 24).

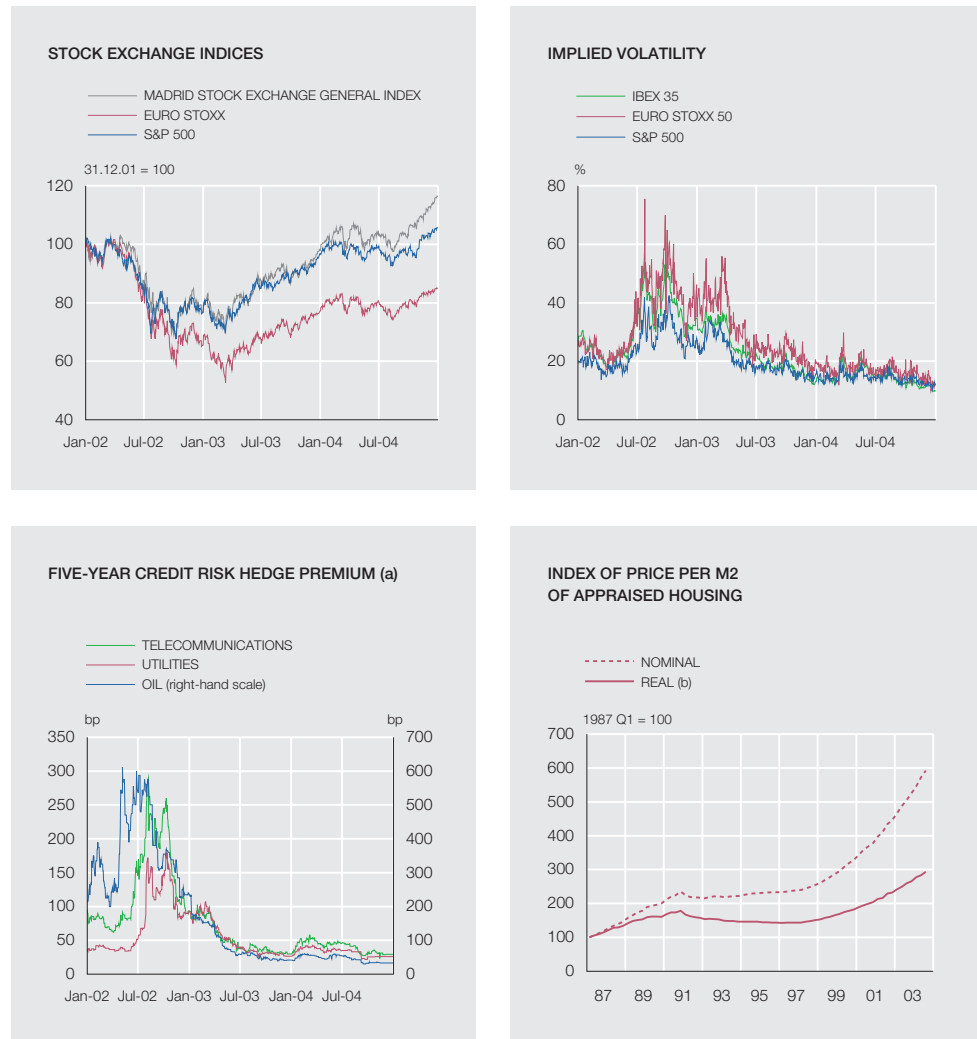
On domestic and international stock markets, prices rose significantly during Q4, a movement accompanied by further declines in implicit volatilities to historically low values⁴. In Spain's case, the performance of stock market indices was more favourable than in most international centres, against the background of quoted companies' disclosed earnings for Q3 which were highly favourable and better than expected by analysts. From October to December the Madrid Stock Exchange General Index rose by 12.7%, meaning that the cumulative gain for 2004 totalled 18.7%, clearly up on the gains posted for the same period by the EURO STOXX broad index (9.9%) or the S&P 500 (9%).

House market prices continued to grow at a high rate. On the latest information provided by the Spanish housing ministry for Q3, the average value of housing was up 17.2% on the same period in 2003, only 0.2 pp below the June figure. The breakdown by municipality size shows that this slight fall in the rate of expansion affected all categories and was somewhat sharper in the case of towns with over 500,000 inhabitants, although the rate of change for this latter sub-aggregate remained above those for the rest.

The favourable financing conditions described in the foregoing paragraphs meant, for another quarter, that the funds raised by households and firms were very buoyant. From July to September they grew at a high rate, similar to that recorded in mid-2004, with the property sector continuing to absorb a very significant portion of these resources. Provisional information for the closing months of 2004 points to a moderate slowdown in household debt (whose rate of expansion, however, should hold at over 19%) and a slight increase in the pace of borrowed funds obtained by companies.

Under these conditions, the indicators of financial pressure on households reveal a rise in such pressure between July and September 2004 which, on the latest provisional information, might have continued in the final stretch of the year. The debt/gross disposable income (GDI) and financial burden/GDI ratios thus continued on the rising path of previous quarters, coming to stand at their peak for recent years; saving not earmarked for debt service fell once more; and, according to the Financial Accounts, net household financial saving fell in Q3 in cumulative twelve-month terms, turning negative for the first time over an extensive period (-0.4% of GDP). Household financial wealth fell off once more, but this was not reflected in the sector's net wealth which continued growing thanks, once again, to the rise in property prices.

4. Box 5 analyses the informative content of another indicator based on option prices.



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 conditions of European firms. The new contract carries lower premia (around 10%).
 b. Deflated by the CPI.

As indicated in previous reports, the course followed by household variables such as debt, debt burden or saving is generally consistent with the substantial changes undergone by the fundamentals underpinning their behaviour. Nonetheless, it is unlikely that these trends will continue in the medium term without one of the underlying risks in the household financial position possibly materialising and adversely affecting household spending decisions. Prominent among these is that arising from the absence of clear symptoms of a significant slow-down in house prices.

In the case of companies, the sector's debt ratio continued on its rising path between July and September, although the interest burden contracted slightly. Provisional data for the closing months of 2004 point to continuity in the rising trend of the former indicator and the maintenance of the latter. In parallel, corporate borrowing needs continued to increase, though the financing gap, which measures the net resources needed to undertake gross capital formation and direct investment abroad, narrowed moderately. According to the Banco de España Central Balance Sheet Data Office, the results of its reporting firms fared very favourably in Q3, and their debt ratios and interest burden held stable. Consequently, there was a fresh decline in the

Option premiums contain information on market expectations in relation to the future behaviour of the price of the asset on which they are issued, since the return thereon depends precisely on how this price moves. Among the indicators that use this information content is the so-called "risk-neutral density function" (RNDF), which offers an estimate of the probability agents assign to changes of different amounts in the prices of the underlying asset. The RNDF, however, is calculated under the assumption that investors are risk-neutral; consequently, if they prove to be risk-averse, the RNDF will tend to provide probabilities of price falls (increases) occurring which will be biased upwards (downwards). Further, RNDFs are not directly observable, whereby it is necessary to estimate them.

In a recent paper, Alonso, Blanco and Rubio (2005) estimate RNDFs for the IBEX 35 using different, alternative methodologies¹. Notable among their findings are, first, that the choice of estimation method does not significantly alter the results. Moreover, as the accompanying table shows, for a four-week forecasting horizon the estimated RNDFs approximate the ex-post probability distribution of the IBEX 35 reasonably well; however, as would be expected in the event of the

existence of risk aversion, they tend to overestimate the probability of declines taking place and to under-predict upward movements in the price of the underlying asset. Hence the average probabilities associated with declines of greater than 5%, 10% and 15% exceed the frequency with which such movements came about. The opposite is the case with increases of greater than 10%. These results show that the levels provided by the RNDFs should be viewed with some caution. In this respect, it might be worthwhile paying greater relative attention in the analysis to the changes in these levels.

In this regard, the last two columns of the table show the RNDFs estimated for the final months of 2004. As can be seen, there was a high concentration at this time of probabilities around zero, i.e. around the absence of price changes. The estimated probability for reductions (increases) greater than 5% was only 5.3% (2.6%) in December. These probabilities contrast strongly both with the average values estimated for the whole of the period available – 20.5% (22.4%) – and with the frequencies with which this event was actually observed – 16.3% (21.4%) –. This comparison indicates, in line with the recent trend of other indicators such as implied volatility, that the degree of uncertainty over the movements in prices perceived by markets declined considerably at the end of last year.

1. For greater detail see Alonso, Blanco and Rubio (2005), Banco de España Working Paper series, forthcoming.

PROBABILITY DISTRIBUTIONS OF THE IBEX 35

%

Probability of changes (a)	Observed frequency (b)	Risk-neutral probabilities extracted from options (c)		
		Average 1996-2004	SEP-04	DEC-04
<= -5 %	16.3	20.5	9.0	5.3
<= -10 %	5.1	8.9	1.0	0.2
<= -15 %	2.0	3.8	0.0	0.0
>= 5 %	21.4	22.4	5.7	2.6
>= 10 %	12.2	7.0	0.1	0.0
>= 15 %	2.0	2.0	0.0	0.0

SOURCE: MEFF and Banco de España estimates.

a. Changes are calculated in relation to the price of the future four weeks before expiration.

b. Percentage of realisations in which the Ibex 35 future has moved by a specific percentage over a four-week horizon.

c. Estimated at a four-week horizon. The date indicates the estimation period for RNDFs.

% GDP	1999	2000	2001	2002	2003		2004		
					Q3	Q4	Q1	Q2	Q3
					National economy	-1.0	-2.5	-2.2	-1.6	-2.2	-2.1	-2.4	-3.2	-3.9
Non-financial corporations and households and NPISHs	-0.3	-2.4	-3.4	-2.9	-3.3	-4.0	-4.1	-5.1	-5.9
Non-financial corporations	-2.3	-3.4	-4.5	-4.4	-4.4	-4.6	-4.8	-5.2	-5.5
Households and NPISHs	2.0	1.1	1.1	1.4	1.2	0.6	0.6	0.1	-0.4
Financial institutions	0.5	0.8	1.5	1.5	1.4	1.5	1.6	1.5	1.4
General government	-1.2	-0.9	-0.4	-0.1	-0.3	0.4	0.2	0.4	0.7

SOURCE: Banco de España.

synthetic indicators of financial pressure on investment and employment. Lastly, the latest data appear to confirm the signs of an improvement in industry seen already the previous quarter, in line with the pick-up witnessed in capital goods.

The sound aggregate balance-sheet position of corporations, the generous financing conditions in place, the bright prospect of future profits, the restructuring undertaken by large companies and the signs of a pick-up in industry all shape a scenario conducive to a rise in productive investment. However, these favourable expectations are not free from risk which, in this instance, is linked chiefly to the levels of debt attained and to the growing significance among corporate liabilities of loans granted at a floating interest rate.

5.2 Households

Financing conditions for households remained very generous in Q4. The interest rate on lending for house purchases stood at 3.48% in November, only 3 bp more than in September. The cost of consumer and other loans fell by 25 bp from October to November, partly correcting the rise in the previous months. In both cases, the cost of bank financing was only 25 bp above the minimum levels of mid-2004. According to the latest EPB (Bank Lending Survey), banks tightened slightly in 2004 Q3 their lending terms for house financing, but eased those for consumer and loans.

Against this background, there was a slight acceleration in household debt in 2004 Q3, meaning the related rate of increase stood at somewhat over 20%. That entails an increase of approximately 0.5 pp in relation to the level in June. In terms of purpose, the rise was sharpest in the case of loans for house-purchase, the rate of expansion of which remained very high (at around 24%). Consumer and other loans grew at around 13% compared with the same period a year earlier. Provisional information on the closing months of the year points to something of a slowdown in the resort to lending by households which, however, will end the year at a growth rate of close to 20%.

Turning to financial investment, households increased their asset portfolio in the period from July to September by an amount equivalent to 10.9% of GDP, in cumulative twelve-month terms, 0.4 pp down on the Q2 figure (see Table 6). Its composition by instrument continued to show greater buoyancy in the more liquid and low-risk assets (cash and deposits), the flow in which amounted to 5.3% of GDP. Conversely, mutual funds purchases as a proportion of GDP fell by 0.6 pp to 1.6%, as a result of the net redemptions of holdings in money market asset mutual funds and of lower net subscriptions of capital market mutual fund shares. Investment in shares and insurance technical reserves held at similar levels to those of Q2 (0.9% and 2% of GDP, respectively).

% GDP	2001	2002	2003	2004		
				Q1	Q2	Q3
HOUSEHOLDS AND NPISHs						
Financial transactions (assets)	7.8	8.8	10.1	10.8	11.3	10.9
Cash and cash equivalents	1.2	3.7	4.4	4.3	4.5	4.1
Other deposits and fixed-income securities (a)	3.4	1.5	-0.2	0.0	0.7	1.2
Shares and other equity (b)	-0.2	0.8	0.8	1.0	0.9	0.9
Mutual funds	0.8	0.2	2.3	2.3	2.2	1.6
<i>FIAMM</i>	1.3	0.7	0.6	0.1	0.0	-0.3
<i>FIM</i>	-0.5	-0.5	1.7	2.3	2.2	1.9
Insurance technical reserves	2.7	2.6	2.1	2.0	1.9	2.0
Of which:						
<i>Life assurance</i>	1.5	1.5	0.7	0.7	0.8	0.8
<i>Retirement</i>	0.9	0.9	1.1	1.1	0.9	0.9
Other	0.0	-0.1	0.7	1.2	1.1	1.1
Financial transactions (liabilities)	6.7	7.3	9.5	10.2	11.2	11.4
Credit from resident financial institutions (c)	5.4	7.2	9.3	9.9	10.6	11.0
<i>House purchase credit (c)</i>	4.8	5.1	7.2	7.8	8.3	8.8
<i>Consumer and other credit (c)</i>	0.6	2.1	2.1	2.1	2.3	2.2
Other	1.3	0.1	0.2	0.2	0.5	0.4
NON-FINANCIAL CORPORATIONS						
Financial transactions (assets)	16.4	16.5	17.0	15.1	15.4	14.9
Cash and cash equivalents	1.7	1.7	0.9	0.6	1.3	1.2
Other deposits and fixed-income securities (a)	0.7	1.8	1.5	0.6	0.1	-0.4
Shares and other equity	6.1	6.8	6.7	5.4	5.5	4.7
Of which:						
<i>Vis-à-vis the rest of the world</i>	4.6	5.1	4.6	3.2	3.6	2.9
Other	7.9	6.2	7.9	8.6	8.5	9.4
Financial transactions (liabilities)	20.9	20.8	21.6	19.9	20.6	20.4
Credit from resident financial institutions (c)	6.5	6.3	7.0	7.1	7.7	8.2
Foreign loans	4.0	3.0	2.8	2.4	2.3	1.5
Fixed-income securities (a)	0.0	-0.4	-0.1	0.0	0.0	0.0
Shares and other equity	5.3	6.0	5.0	3.7	3.5	3.5
Other	5.1	5.9	6.9	6.8	7.2	7.2
MEMORANDUM ITEM: YEAR-ON-YEAR GROWTH RATES (%):						
Financing (d)	15.6	14.3	15.8	16.0	16.6	16.5
Households and NPISHs	12.3	15.6	18.7	19.5	20.1	20.5
Non-financial corporations	18.0	13.3	13.8	13.4	14.0	13.4

SOURCE: Banco de España.

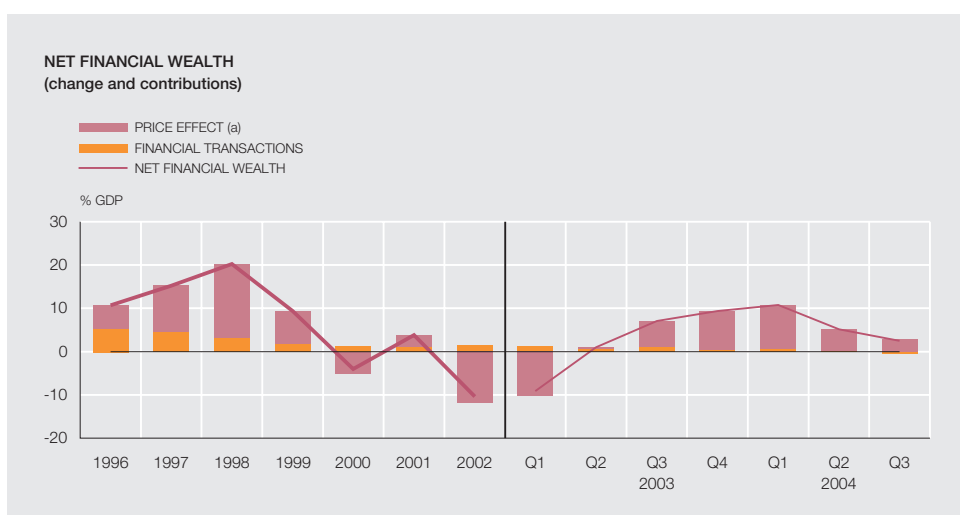
a. Not including unpaid accrued interest, which is included under "other".

b. Excluding mutual funds.

c. Including securitised loans.

d. Defined as the sum of bank credit extended by resident credit institutions, foreign loans, fixed-income securities and financing through securitisation vehicles.

The vigour of household financing, along with the less expansionary behaviour of household income, meant that their debt rose in September to a value equivalent to the sector's annual GDI. The associated debt burden increased to around 13.5%, the highest figure recorded in recent years. The rise in financial obligations, along with the slight contraction in gross saving, resulted in a fresh reduction in the indicator of saving not earmarked for debt service. In parallel, net financial transactions recorded in the Financial Accounts were negative in cumulative 12-month terms, for the first time in recent years, posting a negative value equivalent to 0.4% of GDP (see Table 5). This performance contributed to there being a quarter-on-quarter decline



SOURCE: Banco de España.

a. Includes revaluation and other changes in volume.

in net financial wealth⁵, although net worth held on a rising trajectory as a result of the upward course of house prices (see Chart 26).

Despite the unfavourable trend of saving in aggregate terms, the period from July to September saw a slight increase in the percentage of households able to earmark money for saving, according to the Spanish Household Expenditure Survey, while the proportion of those saying that they reach the end of the month with difficulty or great difficulty fell moderately.

5.3 Non-financial corporations

Financing conditions for corporations also remained generous in 2004 Q4, to a greater extent even than in the previous months. Lending rates held around the low level attained in September. Specifically, the cost of bank financing stood, in November, at 4.13% for amounts below €1 million and at 0.94% for higher amounts, signifying no change and a decline of 5 bp, respectively, in relation to the September levels. According to the latest available Bank Lending Survey, credit institutions relaxed the criteria for granting loans to corporations in Q3 last year and, during the final quarter, they envisaged applying slightly more lax conditions. The cost of financing on fixed-income markets fell once again as a result of the decline in long-term public debt yields and of the stability of the moderate risk premiums demanded. The conditions for raising funds on equity markets improved as a result of the increase in stock market prices and of lower implied volatilities.

During 2004 Q3, the sector's liabilities-side transactions accounted, in cumulative 12-month terms, for 20.4% of GDP, slightly down on the mid-year figure of 20.6% (see Table 6 and Chart 26). Component by component, the expansion of interest-bearing external borrowing contracted by around 0.5 pp in relation to the level three months earlier, to a rate of around 13%. Nonetheless, provisional information on the final stretch of 2004 suggests something of an acceleration in corporate debt. The funds thus obtained accounted in September, in cumulative 12-month terms, for 9.7% of GDP, a level slightly down on that of June and with a somewhat different instrument-by-instrument breakdown. The weight of external loans thus diminished (representing 1.5% of GDP, 0.8 pp down on the previous quarter), while that of loans from credit institutions (8.2%) increased by 0.5 pp. The net issue of fixed-income securities

5. In cumulative four-quarter terms, however, it continued to grow, as evidenced in Chart 25.



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 use of disposable income account.
- g. Gross saving less estimated debt repayments.

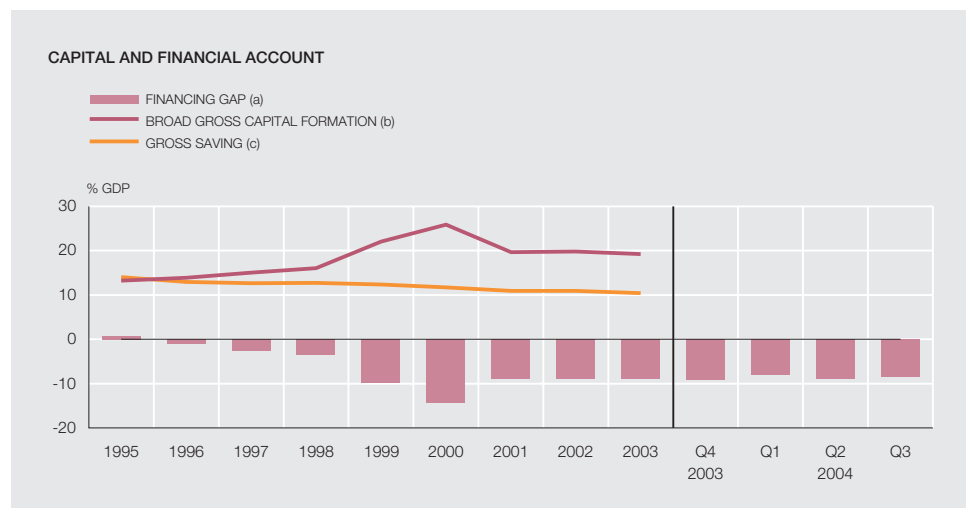
remained close to zero. Funds raised through the issuance of shares and other equity amounted to 3.5% of GDP, the same level as in mid-2004. Finally, according to quarterly data (CBQ) from the Central Balance Sheet Data Office, the debt of large corporations held at around the same level as in previous quarters.

In terms of production branches, the behaviour of bank credit obtained by corporations was heterogeneous in 2004 Q3. Funds for construction and real estate services retained the momentum of the previous months, with their respective rates of increase at 22% and 44%, slightly above the June figures. Conversely, in the remaining services, rates of expansion eased by almost 1 pp to a figure somewhat below 12%. In the case of industry, the resort to credit continued to pick up, in line with the improvement in activity in this sector. Consequently, year-on-year rates continued to be positive.

As regards the acquisition of financial assets by non-financial corporations in Q3, financial investment fell in cumulative 12-month terms to 14.9% of GDP (see Table 6). This declining course,

NON-FINANCIAL CORPORATIONS
Cumulative four-quarter data

CHART 27

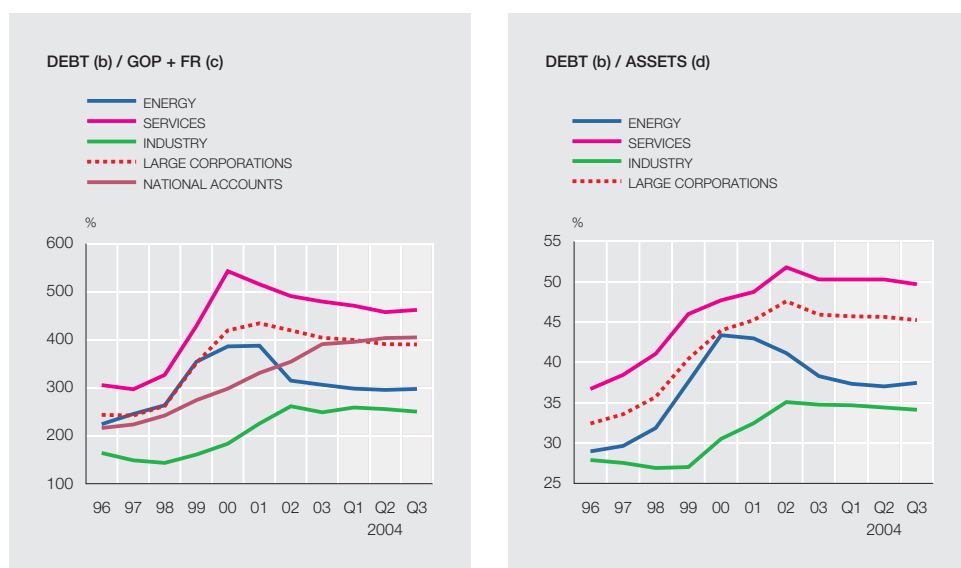


SOURCE: Banco de España.

- 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.

DEBT RATIOS OF NON-FINANCIAL CORPORATIONS (a)

CHART 28



SOURCE: Banco de España.

- a. All the series, except "National Accounts", are calculated with CBSO information. Up to 2002, 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.



SOURCE: Banco de España.

- a. All the series, except "National Accounts", are calculated with CBSO information. Up to 2002, 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.

which was seen in most items, was sharper in the case of deposits and fixed-income securities and the acquisition of shares and other equity, especially vis-à-vis the rest of the world.

According to the Financial Accounts, there was a fresh increase (0.3 pp) in the sector's net borrowing in 2004 Q3 to 5.5% of GDP in cumulative 12-month terms, the highest figure in recent years. However, the financing gap, which measures the net funds needed to undertake gross capital formation and direct financial investment abroad, fell slightly (0.4 pp) to 8.4% of GDP (see Chart 27).

The expansionary behaviour of external borrowing by corporations explains why, in Q3, the sector's aggregate debt ratio should have continued on a rising course, although the interest burden continued to fall, albeit moderately. On CBQ data, the total debt and interest burdens held stable during this same period in relation to the reporting corporations' gross operating surplus (plus financial revenue). At the same time, the results of these corporations improved, making for an increase in their ordinary return on equity. As a consequence, there was a fresh reduction in the synthetic indicators of financial pressure on investment and employment (see Chart 30), which was fairly extensive to all the productive branches.

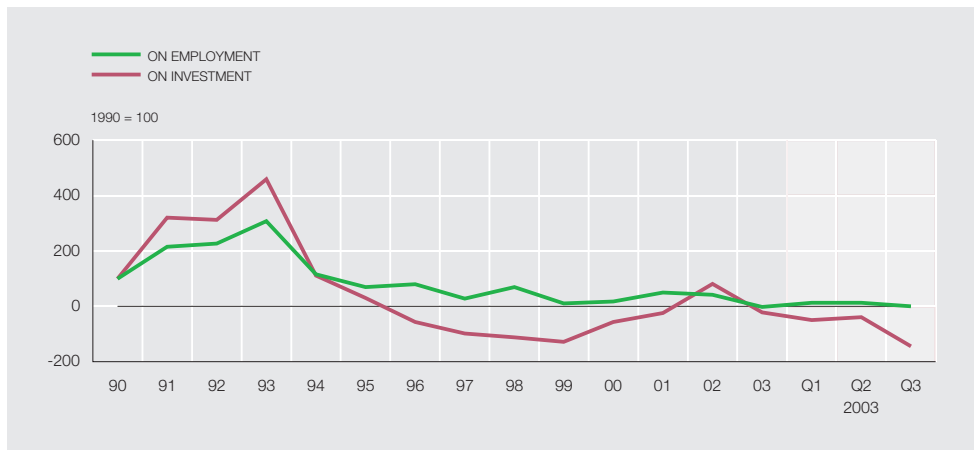
Finally, analysts' expectations about listed non-financial corporations' profits in the short term were generally revised upwards during Q4. The expected growth rate of profits in the long run remained relatively high, although it was reduced slightly.

5.4 General government

The balance of the general government sector's net financial transactions in 2004 Q3 was positive whereby, in cumulative 12-month terms, the sector's financial saving increased to 0.7% of GDP, 0.3 pp up on the June figure (see Chart 31). The lower financial requirements were reflected in a fresh net redemption of short-term securities, while positive net issues of medium and long-term debt for an amount of 1.4% of GDP provided, in the absence of any

SYNTHETIC INDICATORS OF FINANCIAL PRESSURE ON NON-FINANCIAL CORPORATIONS (a)

CHART 30

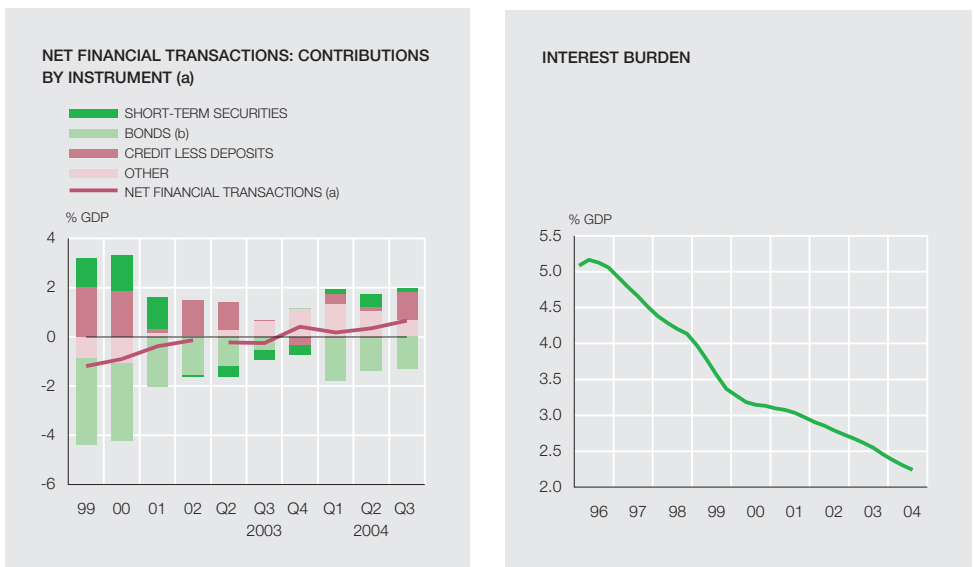


SOURCE: Banco de España.

a. A higher (lower) value than 100 denotes more (less) financial pressure than the reference level.

**GENERAL GOVERNMENT
Cumulative four-quarter data**

CHART 31



SOURCE: Banco de España.

- a. A positive (negative) sign denotes an increase (decrease) in assets or decrease (increase) in liabilities.
- b. Includes only liabilities transactions.
- c. Includes unpaid accrued interest on bonds.

deficit to cover, for an increase in asset-side positions in deposits and in own shares, or for the purchase of public debt by the Social Security Reserve Fund.

The indicator reflecting information on the interest burden borne by the sector shows, for the last quarter, a further decline to around 2.2% of GDP, less than half the figure recorded as of the mid-nineties. This decline was the overall result of the slide in the volume of liabilities as a proportion of GDP and of the reduction in the financial cost associated with this type of debt.

% GDP	2001	2002	2003	2004		
				Q1	Q2	Q3
NET FINANCIAL TRANSACTIONS	-2.2	-1.6	-2.1	-2.4	-3.2	-3.9
FINANCIAL TRANSACTIONS (ASSETS)	12.2	13.7	13.5	12.0	13.6	10.6
Gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	-2.7	3.5	0.8	1.3	2.7	3.9
Securities other than shares	7.2	4.3	7.0	4.8	4.3	1.3
<i>Of which:</i>						
<i>Credit institutions</i>	2.0	0.5	3.7	3.6	3.3	0.7
<i>Institutional investors (a)</i>	5.4	3.5	3.4	1.6	0.7	1.1
Shares and other equity	5.1	5.3	4.7	4.7	5.5	4.1
<i>Of which:</i>						
<i>Non-financial corporations</i>	4.6	5.1	4.6	3.2	3.6	2.9
<i>Institutional investors (a)</i>	0.5	-0.1	1.1	1.7	1.8	1.4
Loans	2.5	0.6	1.0	1.1	1.1	1.4
FINANCIAL TRANSACTIONS (LIABILITIES)	14.4	15.3	15.6	14.4	16.7	14.5
Deposits	2.8	4.4	7.5	5.0	7.0	3.2
Securities other than shares	3.1	4.5	5.6	8.9	9.5	11.2
<i>Financial institutions</i>	1.5	3.2	6.7	7.6	8.2	9.0
<i>Rest of resident sectors</i>	1.6	1.2	-1.1	1.3	1.3	2.2
Shares and other equity	4.6	4.1	0.8	-0.6	-1.5	-0.8
<i>Of which:</i>						
<i>Non-financial corporations</i>	4.1	3.5	0.9	-0.6	-1.0	-0.2
Loans	4.3	3.4	3.2	2.8	2.8	2.2
Other, net (b)	-0.4	-1.1	-1.4	-1.7	-1.0	-1.3

SOURCE: Banco de España.

a. Insurance corporations and portfolio investment institutions.

b. Includes the asset-side caption reflecting insurance technical reserves.

5.5 The rest of the world

The debit balance of the nation's financial transactions increased between July and September to stand at 3.9% of GDP in cumulative twelve-month terms, 0.7 pp up on the previous quarter. This deterioration was the outcome of the greater financial requirements of households and non-financial corporations, which could not be offset by the increase in the general government credit balance. Financial saving by financial institutions did not undergo significant changes (see Table 5).

The net acquisition of external assets accounted for 10.6% of GDP in cumulative twelve-month terms, compared with 13.6% the previous quarter (see Table 7). This decline was, however, heterogeneous across the different instruments. The flows for cash and deposits and for credit extended increased, while those relating to both fixed-income and equity securities fell sharply. On provisional Balance of Payments information to October, direct investment abroad shrank by more than 80% in relation to the same period a year earlier, while portfolio investment quickened on 2003.

On the liabilities side, net flows stood at 14.5% of GDP in cumulative twelve-month terms, compared with 16.7% the previous quarter. This decline was the outcome chiefly of the behaviour of deposits and, to a lesser extent, of credit raised. According to balance of payments

**NET FINANCIAL ASSETS VIS-À-VIS THE REST OF THE WORLD (a)
(Q4 data)**

TABLE 8

% GDP	1999	2000	2001	2002	2003	2004 (b)
National economy	-29.6	-26.2	-27.0	-30.9	-38.5	-41.6
Non-financial corporations and households and NPISHs	-17.3	-9.4	-10.2	-11.6	-15.2	-14.6
Non-financial corporations	-24.1	-16.7	-17.6	-18.9	-22.5	-22.1
Households and NPISHs	6.8	7.3	7.4	7.3	7.3	7.5
Financial institutions	8.2	8.3	8.5	6.5	-0.8	-3.0
Credit institutions (c)	-7.5	-11.6	-13.9	-14.3	-22.0	-22.3
Institutional investors (d)	16.3	20.7	24.3	24.4	27.5	28.3
Other financial institutions	-0.6	-0.9	-1.8	-3.6	-6.3	-9.0
General government	-20.5	-25.1	-25.4	-25.8	-22.4	-24.0

SOURCE: Banco de España.

a. Calculated as the difference between the stocks of financial assets and liabilities vis-à-vis the rest of the world according to quarterly financial accounts data.

b. Q3 data.

c. Defined in accordance with the First Banking Directive.

d. Insurance corporations and portfolio investment institutions.

figures, Spanish foreign direct investment declined moderately, while portfolio investment did so more sharply during the first ten months of 2004 compared with the same period a year earlier.

Finally, on the provisional information available, the debit position of the Spanish economy vis-à-vis the rest of the world stood at 41.6% of GDP in 2004 Q3, a decline of 3.1 pp from the position in December 2003 (see Table 8).

25.1.2005.

RESULTS OF NON-FINANCIAL CORPORATIONS IN 2003 AND IN THE FIRST THREE
QUARTERS OF 2004

Introduction

As is customary at this time of year, the Banco de España presents here the results of the corporations that have contributed to the Central Balance Sheet Data Office Annual Survey (CBA) during the previous year (2003), and those relating to the first three quarters of 2004, obtained from data from firms reporting to the Central Balance Sheet Data Office Quarterly Survey (CBQ). The latter can be considered a preliminary indicator of end-year data for 2004.

Table 1 and Chart 1 show the trend in business activity in the above periods. They confirm that 2003 annual data and trends are broadly in line with prior CBQ data. The year 2003 was characterised by the ongoing sustained growth of productive activity, slightly up on 2002 and driven mainly by continued strong retail activity growth and, on this occasion, a significant recovery in industrial activity, thanks to buoyant capital goods investment. The nominal growth rate of gross value added (GVA) thus stood at 6.5%, compared with 5.6% in 2002. However, this difference is almost entirely cancelled out if refining companies, which were affected by major fluctuations in oil prices, are not taken into account. The improvements in the international environment, especially apparent in the United States, Latin America and the major Asian economies, enhanced the climate of confidence, although there remains a degree of uncertainty associated with the lacklustre euro area data and spiralling oil prices.

Against this backdrop, data available for the first three quarters of 2004 show that productive activity displayed similar trends to those observed the previous year, and are in line with data from other sources. More specifically, the growth rate of GVA was 5.2%, slightly exceeding the related rate in the first three quarters of 2003 (4.5%). In sectoral terms, GVA in the industrial sector grew by 4.1%, compared with 1% in the first nine months of 2003, reflecting the above-mentioned recovery in capital goods investment and the notable strength of private consumption. The latter, together with the construction sector, were the main drivers of economic growth. Lastly, the improvement in the international situation has firmed throughout 2004 and has resulted in a modest recovery in exports, which are nevertheless continuing to grow at a slower pace than imports. It is expected that 2004 end-year data will confirm this generally favourable picture.

In 2003, as in the first three quarters of 2004, personnel costs trended downwards. This variable grew by 4.3% last year, which was more than 1 pp lower than in 2002. The results of the first three quarters of 2004 show a growth rate of 2.4% which is, in turn, lower than the 4.4% growth rate posted in the same period a year earlier. This ongoing slowdown in employee compensation reflects both the lower growth in employment and the moderation in average compensation. In 2003, employment rose by 1.1%, compared with 1.7% in 2002. This slowdown was mainly due to the loss of momentum in the wholesale and retail trade sector, which is where the biggest increases in jobs had been seen in past years. Moreover, as mentioned in

1. The information for 2003, used to compile this article, is a summary of that featured in the publication "Banco de España. Resultados anuales de las empresas no financieras 2003", released on 24 November 2004. The data used for this publication were provided by the 6337 non-financial corporations reporting to the Central Balance Sheet Data Office Annual Survey to end-October 2004. The quarterly series are drawn from information provided by 747 companies which, on average, sent data to the CBQ survey to mid-November 2004. The CBA sample represents 25.1% of the total activity of the non-financial corporations sector (measured by gross value added at basic prices), while the coverage of the CBQ sample is around 14%.

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

TABLE 1

	CBA STRUCTURE	CBA		CBQ (a)		
	2003	2002	2003	Q4/ 02 Q1-Q4	Q3/ 02 Q1-Q3	Q3/ 03 Q1-Q3
DATABASES						
Number of corporations		8.127	6.337	831	844	747
Total national coverage		28,9%	25,1%	15,3%	15,5%	13,9%
PROFIT AND LOSS ACCOUNT						
1. VALUE OF OUTPUT	100.0	2.8	6.0	3.7	3.8	6.3
Of which:						
1. Net amount of turnover and other operating income	131.0	3.7	6.0	4.0	4.0	6.6
INPUTS (including taxes)	67.8	1.5	5.7	3.3	3.3	6.9
Of which:						
1. Net purchases	39.8	-1.0	4.0	2.5	2.0	7.6
2. Other operating costs	27.6	6.7	7.7	6.3	5.6	7.7
S.1. GROSS VALUE ADDED AT FACTOR COST [1-2]	32.2	5.6	6.5	4.3	4.5	5.2
3. Personnel costs	16.3	5.5	4.3	4.0	4.4	2.4
S.2. GROSS OPERATING PROFIT [S.1-3]	15.9	5.7	8.8	4.5	4.6	7.4
4. Financial revenue	2.9	-8.2	10.2	22.9	12.5	4.9
5. Financial costs	3.1	-3.8	-0.6	0.9	2.0	-5.1
6. Depreciation and operating provisions	7.1	4.2	4.7	1.0	3.1	-2.8
S.3. ORDINARY NET PROFIT [S.2 + 4-5-6]	8.6	5.6	17.0	14.4	9.2	18.6
7. Capital gains and extraordinary revenue	5.8	53.3	4.1	-1.7	1.0	-61.2
8. Capital losses and extraordinary expenses	3.5	35.9	-32.4	-35.0	-15.1	-34.8
9. Other (net provisioning and income tax)	5.2	107.2	-33.8	-45.2	-62.4	-29.1
S.4. NET PROFIT [S.3 + 7-8-9-10]	5.8	-76.8	(b)	(b)	(b)	7.1
PROFIT RATIOS						
	Formulas (c)					
R.1 Return on investment (before taxes)	(S.3+5.1)/NA	7.9	7.4	7.8	7.1	7.7
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1/IBB	4.4	4.0	4.2	4.2	4.0
R.3 Ordinary return on equity (before taxes)	S.3/E	11.0	10.4	11.1	9.7	10.9
R.4 ROI - cost of debt (R.1 - R.2)	R.1-R.2	3.6	3.4	3.6	2.9	3.7
R.5 Debt ratio	IBB/NA	50.2	50.8	52.0	52.2	51.2

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 calculable because the relevant figures are of opposite sign.

c. The variables in the formulas are expressed as absolute vales. NA = Net Assets (net of non-interest-bearing-borrowing); E = Equity; IBB = Interest-Bearing-Borrowing; NA = E + IBB. The financial costs in the numerators of ratios R.1 and R.2 only include that portion of financial costs which is interest on borrowed funds (5.1) and not commissions and cash discounts (5.2).

Note: Internal accounting movements have been edited out of items 4, 5, 7, 8 and 9.

previous reports, the employment data for 2004 are adversely affected by the staffing adjustments at a major corporation in the telecommunications sectors. Stripping this out, employment for the rest of the companies in the sample grew by 0.7%, which is more in line with the results for most reporting companies than the figure of -0.5% resulting if the above adjustment is not made. Against this background, employment trends in the industrial sector are noteworthy: despite continuing to post negative rates for the first three quarters of 2004, a turnaround in the quarterly profile was observed, from which it can be assumed that employment destruction ceased in 2004 Q3. Furthermore, ongoing wage moderation, mentioned in previous articles, continued to be seen. This is reflected in both annual data for 2003 and CBA data to 2004 Q3. It should be noted, however, that the percentage of companies whose personnel costs per employee remain above or equal to inflation continued to rise in 2003 and only started to decline in 2004 (see Table 4).

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

TABLE 2.A

	GROSS VALUE ADDED AT FACTOR COST				EMPLOYEES (AVERAGE FOR PERIOD)				PERSONNEL COSTS				COMPENSATION PER EMPLOYEE			
	CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)		
	2003	03 Q1	03 Q1	04 Q1	2003	03 Q1	03 Q1	04 Q1	2003	03 Q1	03 Q1	04 Q1	2003	03 Q1	03 Q1	04 Q1
Total	6.5	4.3	4.5	5.2	1.1	0.5	0.6	-0.5	4.3	4.0	4.4	2.4	3.2	3.5	3.8	2.9
SIZE																
Small	3.7	—	—	—	0.0	—	—	—	5.0	—	—	—	5.0	—	—	—
Medium	5.6	2.8	2.7	4.3	1.5	-0.2	0.0	0.3	6.4	4.4	4.9	4.0	4.8	4.6	4.9	3.7
Large	6.6	4.4	4.6	5.3	1.1	0.5	0.6	-0.5	4.0	4.0	4.4	2.3	2.9	3.5	3.8	2.8
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	2.0	2.9	4.0	5.2	-2.2	-1.6	-1.9	-2.4	1.3	2.4	3.2	2.0	3.5	4.1	5.2	4.5
Industry	5.3	1.2	1.0	4.1	-0.7	-0.9	-0.7	-1.5	2.4	2.8	3.1	1.2	3.1	3.7	3.8	2.7
Wholesale and retail trade	8.6	7.9	9.4	5.9	6.3	4.3	4.2	4.2	9.3	7.3	7.5	5.3	2.8	2.9	3.2	1.1
Transport and communications	5.5	3.6	3.7	4.5	-1.2	-0.5	-0.1	-2.2	2.4	3.1	3.6	1.0	3.6	3.6	3.7	3.3

SOURCE: Banco de España.

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

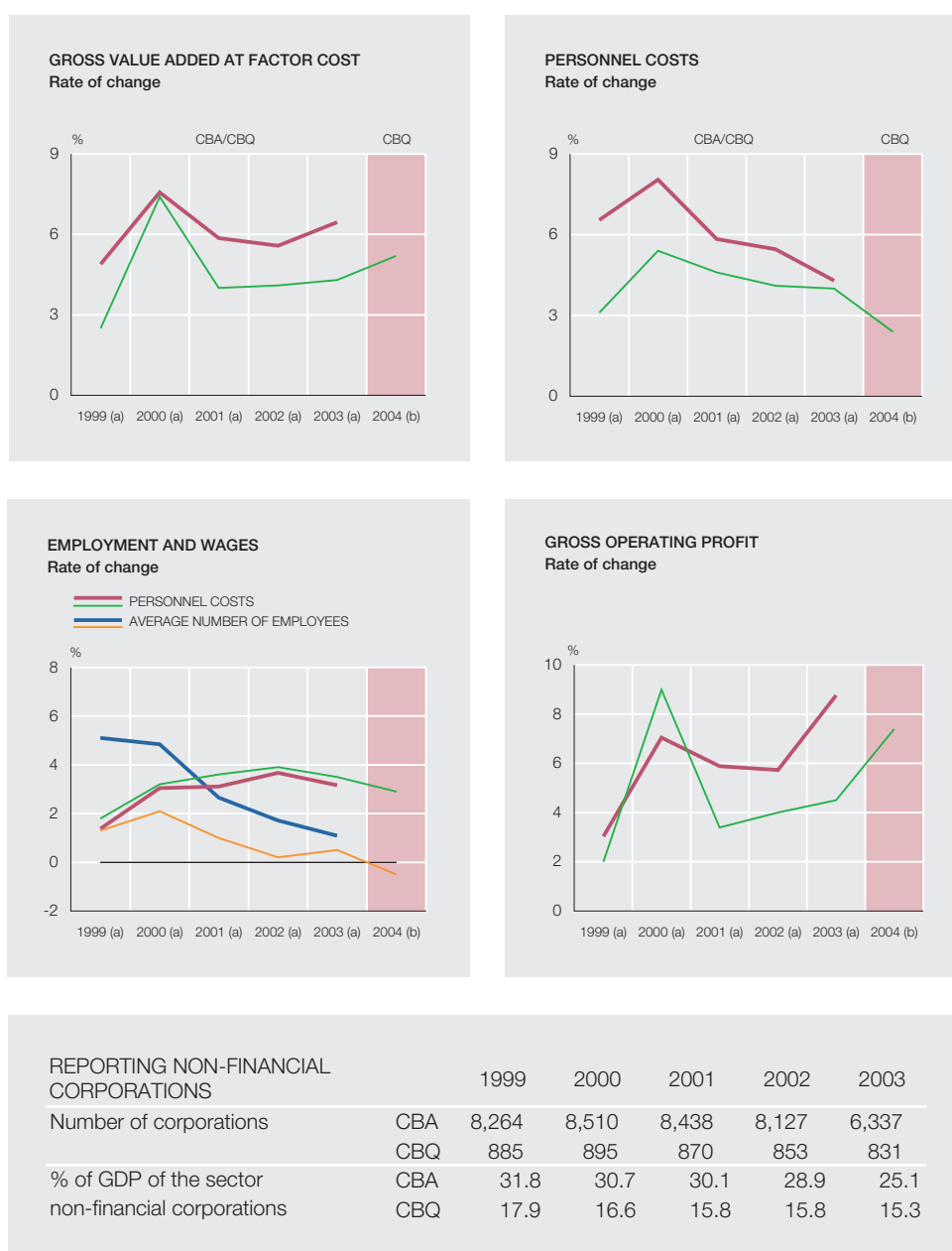
Thanks to these trends in activity and personnel costs, companies were able to maintain significant growth in their gross operating profit both in 2003 and the first three quarters of 2004 (8.8% and 7.4%, respectively). This, in turn, boosted net ordinary profit, adding to which was the substantial 10.2% rise in 2003 in financial revenue, which benefited, inter alia, from inflows of dividends from foreign subsidiaries. In the first three quarters of 2004, financial costs fell by 5.1%, due mainly to the decline in interest rates paid by companies. These factors resulted in sharp rises in the growth of net ordinary profit in 2003 and the first three quarters of 2004, which stood at 17% and 18.6%, respectively. These trends in financial revenue and costs explain the high profit ratios observed in the period under review. The spread between the return on investment and the cost of debt (interest on borrowed funds) trended favourably, essentially in the first three quarters of 2004, when it was close to 4 pp.

In short, this scenario confirms the uptrend in corporate activity in the recent period, with sustained growth in activity in both 2003 and the first three quarters of 2004. The wholesale and retail trade sector remains buoyant but appears to have lost some of its vigour in recent quarters, in line with a number of indicators showing a less expansionary performance by private consumption. Moreover, in 2004 the industrial sector has started to post sharper increases in GVA, thanks mainly to the rebound in investment in capital goods. These developments have been against a background of wage moderation and increasing international stability, threatened only by the persistent tensions in the Middle East and the course of crude oil prices. Nevertheless, as previous articles have shown, companies in the sample and Spanish firms more generally, given that they appear to display similar trends to those of the sector, are in a good position to see a sustained recovery in activity as business expectations improve. To achieve this, however, wage restraint will have to go hand in hand with productivity growth and job creation.

Activity

Corporate activity in 2003, measured by changes in GVA, remained sustained, growing at a pace similar to that of the previous year (see Table 1)². GVA thus grew at a rate of 6.5%, com-

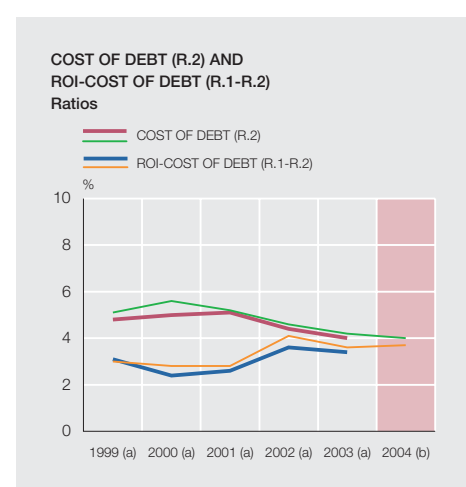
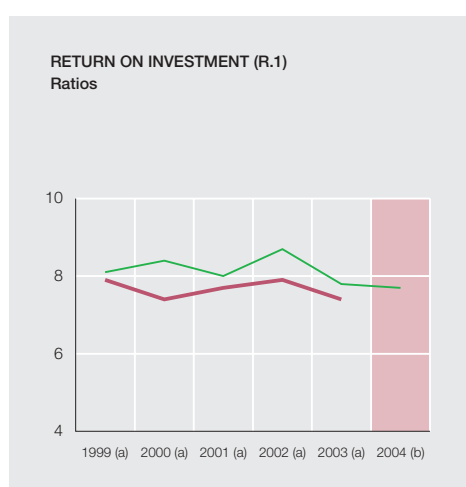
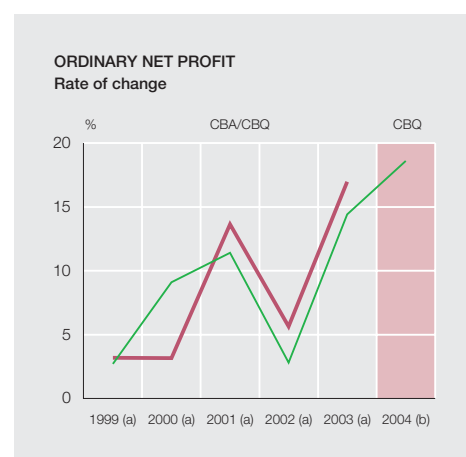
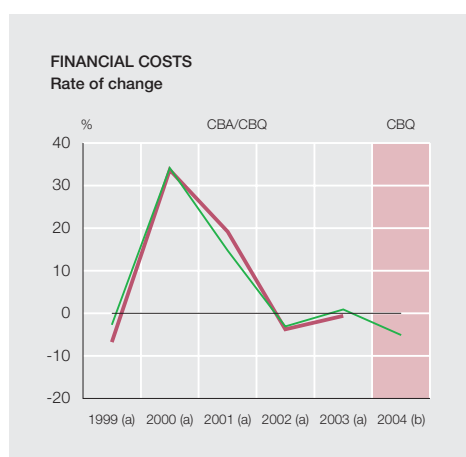
2. The first column of the table shows the relative weights of the different items of the profit and loss account for which growth rates have been calculated (see Box 3).



SOURCE: Banco de España.

a. 1999, 2000, 2001, 2002, and 2003 data are the average data of the four quarters of each year (CBQ) in relation to the previous year for the corporations reporting to the annual survey (CBA).
b. Average of the first three quarters of 2004 in relation to the same period in 2003.

pared with 5.6% in 2002. However, this was mainly attributable to the turnaround in the oil refining sector which, as a result of the high volatility of crude oil prices — and consequently of margins — went from posting a sizable fall in growth of GVA in 2002 (–33.8%), to a substantial rise in 2003 (37.3%). If we strip out this sector, the rest of the companies registered GVA growth of 6% in 2003, against 6.2% in 2002, which is more in line with the sample as a whole. Activity growth was chiefly driven by the strength of market services firms, and of retailers in particular, which registered the highest GVA growth rate (8.6%). However, this rate was lower than that of the same sector in 2002 (10.9%), which appears to reflect a certain containment of private consumption, as indicated in other sources. Nonetheless, private consumption re-



REPORTING NON-FINANCIAL CORPORATIONS		1999	2000	2001	2002	2003
Number of corporations	CBA	8,264	8,510	8,438	8,127	6,337
	CBQ	885	895	870	853	831
% of GDP of the sector non-financial corporations	CBA	31.8	30.7	30.1	28.9	25.1
	CBQ	17.9	16.6	15.8	15.8	15.3

SOURCE: Banco de España.

a. 1999, 2000, 2001, 2002, and 2003 data are the average data of the four quarters of each year (CBQ) in relation to the previous year for the corporations reporting to the annual survey (CBA).
b. Average of the first three quarters of 2004 in relation to the same period in 2003.

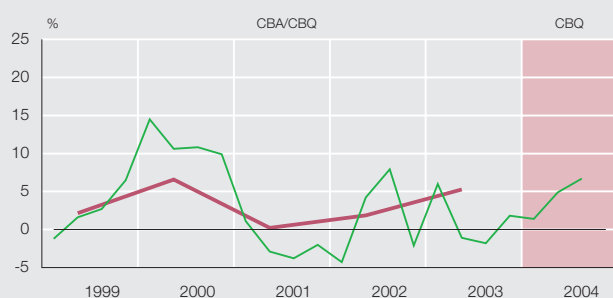
mained a key element in sustaining the level of activity in 2003. Following two consecutive years of sluggish growth, the industrial sector posted GVA growth of 5.3%, underpinned by the incipient recovery in capital goods investment, which can be deduced from the performance of companies specialising in this sector. And this despite the fact that the long-awaited recovery of euro area economies, which are the main destination of exports in this sector, did not materialise in 2003 (for a more detailed analysis, see Box 1). In sum, there was a slight change in the composition of the factors that sustained activity throughout 2003 at similar levels to those of the previous year, with significant increases in output, outstripping those of other euro area economies. The main drivers of productive activity in 2004 were similar to

Figures from the Central Balance Sheet Data Office show that in 2003 and the first three quarters of 2004, the productive activity of the industrial sector recovered steadily, following two years of sluggish growth. Industry posted GVA growth of 5.3% in 2003, i.e. over 3 pp up on 2002 (1.9%). Quarterly data confirm this trend, showing a 4.1% rise in industrial activity to September 2004, compared with just 1% for the same period a year earlier. The recovery of Spanish industry can largely be attributed to the rebound in capital goods investment in 2003, which has been even clearer in the first three quarters of 2004. Other favourable factors include the more stable international environment and the improvement in some major European economies, which has not as yet resulted in a rise in exports among the companies in the sample, whereas imports have continued to grow at a steady pace. The sub-sectors benefiting most from this recovery were electrical, electronic and optical equipment; glass, ceramics and metals; and other manufacturing. Personnel costs grew by 2.4% in 2003 and by 1.2% in the first nine months of 2004. This is due to the fact that industrial corporations reduced staffing levels in both the periods under review. However, quarterly data for 2004 show a turna-

round in this trend, and in Q3 no job destruction appears to have been registered. As was the case for the sample as a whole, there was a slowdown in the growth of average wages, which constitute the other factor contributing to trends in personnel costs. While annual data show a 3.1% increase in wage costs in 2003, quarterly data indicate a 2.7% rise in the period under review in 2004. As for the sample as a whole, the industrial sector benefited from this ongoing trend while remaining exposed to the risks associated with oil price developments. These trends have allowed Spanish industry to post growth in ordinary profit, which also benefited from the decline in financial costs borne by these companies. Net ordinary profit for 2003 stood at 18.4%, according to CBA data, while the data to 2004 Q3 showed growth of 12% under this heading. These increases meant high levels of profitability were sustained, and on a rising trend in relation to the preceding periods. The return on investment for 2003 was 8.4%, compared with 8% in 2002, and 9.1% for the first three months of 2004, against 9% for the same period a year earlier. However, the downward trend of the ratio measuring the cost of borrowed funds resulted directly in, for the two periods under review, a clearly

PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO (a)

GROSS VALUE ADDED AT FACTOR COST
Rate of change



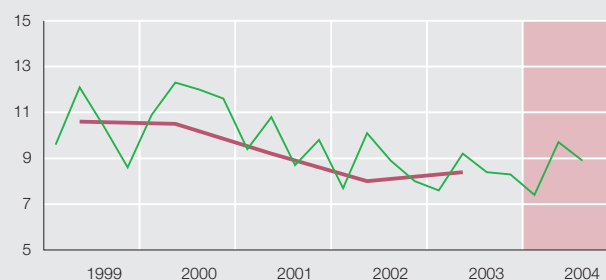
EMPLOYMENT AND WAGES
Rate of change



FINANCIAL COSTS



RETURN ON INVESTMENT
Ratios



REPORTING INDUSTRIAL CORPORATIONS	1999	2000	2001	2002	2003	2004
Number of corporations	CBA 3,038	2,974	2,814	2,606	2,074	—
	CBQ 422 406 397 387	433 413 391 377	403 393 381 364	390 376 365 353	369 361 350 335	338 312 262 —
% of GDP of the sub-sector industrial corporations	CBA 31.2	31.4	28.2	26.5	22.6	—
	CBQ 28.4 29.0 27.1 27.1	26.6 26.6 25.2 25.4	22.2 21.8 20.6 21.0	21.0 21.1 20.3 19.2	20.3 20.1 18.7 18.5	20.4 20.0 15.4 —

SOURCE: Banco de España.

positive value for the ratio measuring the spread between the ROI and the cost of debt and one higher than in previous periods. This confirms the general recovery in industry, which is generating healthy surpluses and high profits. A turnaround in employment data trends has also been observed. Doubts nevertheless remain as to the possible impact in this scenario of ongoing high oil prices, whose effects on activity and business costs are difficult to assess looking forward. This is especially the case for industry, which is particularly exposed

and sensitive to international developments and their effect on foreign trade. The coming quarters will be important, and as the recovery in capital goods investment gains momentum and the improvement in other economies start to boost foreign trade, employment creation will no doubt firm, the first signs of which are already apparent. Against this backdrop, it is important for the industrial sector to step up efforts to enhance competitiveness, which is the only way to ensure stability and survival in an increasingly globalised market.

those of 2003. In the first nine months of the year, GVA grew by 5.2%, compared with 4.5% in the same period in 2003. As in 2003, growth in 2004 was largely underpinned by the favourable trend of market services companies and, in particular, of retailers, whose GVA rose by 5.9%, outpacing, as is frequently becoming the case, the best performers from the other main sectors analysed. The recovery in the industrial sector, which is the main beneficiary of the rebound in capital goods investment, was another key factor behind growth in productive activity in 2004. The Central Balance Sheet Data Office does not have comprehensive data on the export activity of the companies in the sample. However, on the basis of the data collected, Table 3 shows a muted recovery in exports, while imports clearly grew more strongly in the first nine months of 2004. These data suggest, for the case of the reporting companies too, that the contribution of foreign trade to GVA growth was negative.

Sector by sector, and in addition to the comments made for the industrial and for the wholesale and retail trade sectors, there was notable growth in 2004 in the transport and communications sector, whose quarterly data show an increase in GVA to September 2004 of 4.5%, almost 1 pp up on the rate in 2003, when this sector slowed slightly as a result of the fall in activity at air transport corporations. In 2004 there has been renewed buoyancy, reflecting once again the momentum the mobile telephony sector has maintained recently, joined in recent quarters by air transport. Finally, the energy sector posted increases in GVA of 2% for 2003 and of 5.2% in the first three quarters of 2004. The oil refining sector, included in this aggregate, had a notable influence here as its GVA was subject to strong upward fluctuations both in 2003 (37%) and in the first three quarters of 2004 (33.8%) owing to the effect of the changes in oil prices. The behaviour of the electricity, gas and water sector was much more contained, with GVA figures of -0.6% for 2003, and of 1.3% to September 2004. These rates reflect the effect in the form of price reductions that has come about in the periods under analysis further to the liberalisation of the electricity and gas industries. And adding to this are the higher production costs borne by electricity companies in 2004, as this year they have significantly cut electricity output from hydroelectric plants, which are those that incur the lowest costs.

Finally, Chart 2 presents a classification in intervals of each of the reporting corporations based on the growth rate of their GVA. The aim is to show to what extent the data obtained for the aggregate of corporations (which are highly influenced by developments at the biggest corporations) are representative of developments at corporations in general and, in short, to offer information on the dispersion of the rates obtained. The chart reveals there is great similarity in the distribution of the rates in the first three quarters of 2003 and in the first three quarters of 2004. Moreover, small shifts are seen from the intervals of corporations with declines in activity towards the intervals of firms that recorded increases in GVA. The latter,

EMPLOYMENT AND PERSONNEL COSTS

TABLE 2.B

Details based on changes in staff levels

	TOTAL CBQ CORPORATIONS 04 Q1 - Q3	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations	747	412	335
PERSONNEL COSTS			
Initial situation 03 Q3 (€m)	16,739.0	9,300.1	7,438.9
Rate 04 Q3/ 03 Q3	2.4	6.5	-2.7
AVERAGE COMPENSATION			
Initial situation 03 Q3 (€m)	28,149.5	25,905.6	31,926.6
Rate 04 Q3/ 03 Q3	2.9	2.3	5.0
NUMBER OF EMPLOYEES			
Initial situation 03 Q3 (000s)	592	359	233
Rate 04 Q3/ 03 Q3	-0.5	4.1	-7.5
Permanent			
Initial situation 03 Q2 (000s)	496	299	197
Rate 04 Q3/ 03 Q3	-0.5	3.4	-6.3
Non-permanent			
Initial situation 03 Q2 (000s)	96	60	36
Rate 04 Q3/ 03 Q3	-0.3	7.6	-13.8

SOURCE: Banco de España.

having accounted for 57.2% of the total firms in the sample in the first three quarters of the year, represented 58.8% in the same period in 2004. This confirms to some extent that the moderate and sustained growth seen for the aggregate is valid as well for corporations in general.

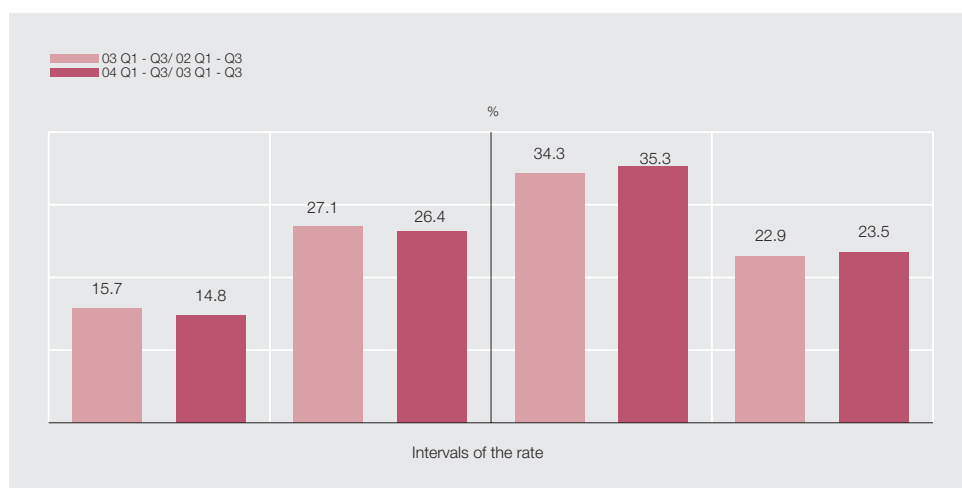
**Employment and
personnel costs**

Personnel costs rose by 4.3% in 2003, on CBA data, signifying a reduction of somewhat over 1 pp compared with the increase in 2002. The quarterly data also denote a notable reduction, since they grew by 2.4% in the first three quarters of 2004 against 4.4% in the same period in 2003. Contributing to this progressive reduction in the growth rate of personnel costs were both the greater moderation of wage costs and employment, which also posted smaller and even slightly negative rates of change, as is the case of the data for the first three quarters of 2004.

The behaviour of employment at the reporting corporations points to its weakening, both in 2003 and in the first nine months of 2004. Having shown an increase of 1.7% in 2002, the related rate was only 1% in 2003 and turned negative (-0.5%) in the first three quarters of 2004. While the 2003 data reflect something of a slowdown in job creation, a fact which particularly affected the industrial corporations, the rate for 2004 is greatly impacted by the specific instance of a heavy reduction in employment at a major corporation in the telecommunications sector, which began in late 2003. If this corporation is excluded, the rest of the aggregate shows a positive rate of increase for employment of 0.7% for the first nine months of 2004, practically unchanged on the same period a year earlier and in line with developments in productive activity. Sector by sector, the wholesale and retail trade, as was the case with activity, moved on a notably expansionary course, with increases in net employment of 4.2% for the first nine months of 2004, identical to that a year ago for this same sector. The other sectors analysed evidenced negative rates of employment for various reasons. The energy sector, affected by far-reaching corporate restructuring in the ongoing opening-up of

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

CHART 2



SOURCE: Banco de España.

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

TABLE 3

		CBA		CBQ (a)	
		2002	2003	03 Q1-Q3	04 Q1-Q3
Total corporations		6,337	6,337	747	747
Corporations reporting source/destination		6,337	6,337	723	723
Percentage of net purchases according to source	Spain	67.6	68.0	77.0	76.2
	Total abroad	32.4	32.0	23.0	23.8
	EU countries	19.5	19.3	17.0	18.0
	Third countries	12.9	12.7	6.0	5.8
Percentage of net purchases according to destination	Spain	82.7	82.7	87.6	87.4
	Total abroad	17.3	17.3	12.4	12.6
	EU countries	12.8	12.9	9.9	10.1
	Third countries	4.5	4.4	2.5	2.5

SOURCE: Banco de España.

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

the electricity industry to competition, once again showed negative employment rates which, however, have gradually been diminishing; it may thus be ventured that the employment adjustment process in this industry is drawing to a close. The transport and communications sector has posted a clearly negative rate (-2.2%) to date in 2004, having been affected by the above-mentioned staffing adjustment. If the effect of this adjustment is stripped out, this figure changes substantially, showing an increase in 2004 of 1.3%, which is much more representative of the sector's overall behaviour and more in line with the positive trend of the productive activity of the corporations making up this aggregate. Finally, there were also contractions in employment in the industrial sector in the first nine months of 2004. These were, according to CBQ figures, of the order of -1.5%, which means sharper falls even than those

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

TABLE 4

	CBA		CBQ (a)			
	2002	2003	02 Q1 - Q4	03 Q1 - Q4	03 Q1 - Q3	04 Q1 - Q3
Number of corporations	8,127	6,337	853	831	844	747
PERSONNEL COSTS	100	100	100	100	100	100
Falling	27.6	25.8	33.0	30.6	28.6	32.5
Constant or rising	72.4	74.2	67.0	69.4	71.4	67.5
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	30.7	32.1	43.0	45.1	45.1	44.9
Constant or rising	69.3	67.9	57.0	54.9	54.9	55.1
AVERAGE COMPENSATION RELATIVE TO INFLATION	100	100	100	100	100	100
Lower growth (b)	47.2	37.0	49.6	43.1	42.4	46.7
Higher or same growth (b)	52.8	63.0	50.4	56.9	57.6	53.3

SOURCE: Banco de España.

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

b. Twelve-month percentage change in the CPI.

last year. However, analysis of the quarterly profile does in fact reveal a turnaround since, departing from a negative rate of -2.4% in Q1, a rate of -0.3% was attained in 2004 Q3. Accordingly, it seems that the greater buoyancy shown by industry since 2003 is gradually feeding through, albeit with something of a delay, to job creation processes in these corporations.

Average compensation also showed a trend towards greater wage moderation which was patent both in 2003 (growth of 3.2%, compared with 3.8% in 2002) and to September 2004 (growth of 2.9% against 3.8% in the same period a year earlier). This behaviour was assisted by inflation trends in 2003 and has extended into 2004 to date, despite the surge in prices, which raises doubts about its sustainability given the widespread nature of inflation-adjustment clauses. This moderation was discernible in all sectors, although it was in the wholesale and retail trade, with average growth of 1.1% in 2004, in which containment was greatest. That confirms, as shown in Table 2. A, that those corporations (or sectors) posting net increases in employment are those where personnel costs per employee are trending most moderately. Lastly, Table 4 reveals that, in 2004 to date, the percentage of corporations whose average compensation has outgrown inflation has risen, standing at 46.7%, 4 pp up on 2003, which is consistent with the previous references.

Profits, margins and rates of return

The outlook so far described, with sustained growth in activity and progressive moderation in increases in personnel costs, allowed corporations to increase their gross operating profit notably, both in 2003, for which year the CBA survey shows growth of 8.8%, and for the first nine months of the current year, in which the CBQ survey has evidenced an average increase of 7.4%, 3 pp up on 2003. Net ordinary profit posted even higher rates of change (17% in 2003 and 18.6% to September 2004), due firstly to higher financial revenue which, in 2003 in particular, came about owing to the sizable inflow of dividends from subsidiary corporations abroad, and further to the reduction in financial costs in 2004 to date, which are 5.1% down on the same period a year ago. The following table explains to what extent this fall is due to changes in interest rates and to changes in debt:

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

TABLE 5

	GROSS OPERATING PROFIT				ORDINARY NET PROFIT				RETURN ON INVESTMENT (R.1)				ROI-COST OF DEBT (R.1-R.2)			
	CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)	
	2003	03 Q1 - Q4	03 Q1 - Q3	04 Q1 - Q3	2003	03 Q1 - Q4	03 Q1 - Q3	04 Q1 - Q3	2003	03 Q1 - Q4	03 Q1 - Q3	04 Q1 - Q3	2003	03 Q1 - Q4	03 Q1 - Q3	04 Q1 - Q3
Total	8.8	4.5	4.6	7.4	17.0	14.4	9.2	18.6	7.4	7.8	7.1	7.7	3.4	3.6	2.9	3.7
SIZE																
Small	1.8	—	—	—	6.0	—	—	—	7.5	—	—	—	3.0	—	—	—
Medium	4.6	0.7	-0.3	4.8	15.6	0.5	0.8	17.0	8.1	8.4	8.5	8.6	4.5	4.4	4.5	4.9
Large	9.4	4.7	4.8	7.5	17.4	15.0	9.6	18.7	7.4	7.8	7.0	7.7	3.4	3.6	2.8	3.7
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	2.2	3.0	4.3	6.2	9.7	2.9	-2.2	13.2	8.2	8.6	7.5	8.7	4.7	5.0	4.0	5.2
Industry	9.6	-0.7	-1.5	7.6	18.4	8.1	11.4	12.0	8.4	8.9	9.0	9.1	4.6	4.8	4.8	5.2
Wholesale and retail trade	7.7	8.6	11.9	6.6	6.0	7.2	14.1	3.9	12.0	11.2	11.3	9.7	8.2	7.1	7.1	6.0
Transport and communications	7.9	3.9	3.8	7.0	23.3	5.1	5.4	18.9	8.4	11.4	11.1	13.5	4.2	6.8	6.4	9.1

SOURCE: Banco de España.

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

	<u>2003/2002</u>	<u>04 Q1-Q3/03 Q1-Q3</u>
Change in financial costs	-0.6%	-5,1%
A. Interest on borrowed funds (1+2)	-0.3%	-5,4%
1. Due to the cost (interest rate)	-9.1%	-4,8%
2. Due to the amount of interest-bearing debt	+8.8%	-0,6%
B. Commissions and cash discounts	-0.3%	+0,3%

It can be seen that, although in both periods interest-rate cuts continued to occur, the biggest ones were in 2003, when inflows of borrowed funds were also recorded which offset virtually in full the effect derived from the decline in rates. In 2004 to date, the CBQ figures show a slight decline in debt which will have to be confirmed in due course with the CBA data, the reduction in financial costs being explained essentially by the fall in interest rates.

The positive trend of ordinary net profit meant that the profit ratios held at high levels, reflecting the favourable situation of the Spanish corporate sector. The return on investment (ROI) ratios stood at 7.4% and 7.7% for 2003 and for the first three quarters of 2004, respectively. The stabilisation of financial costs at 4%, both in 2003 and in 2004 to date, mark a historical low in the CBA and CBQ series which, along with developments in the ROI, explain why the ratio measuring the difference between the return on investment and the cost of debt held at levels of 3.4% and 3.7%, respectively, and which is the ultimate reason for the high ordinary return on equity (before tax), which is standing at over 10.9% at the end of 2004 Q3. This situation is extensive to all sectors of activity, as can be seen in Table 5, where the returns obtained by transport and communications corporations are notable.

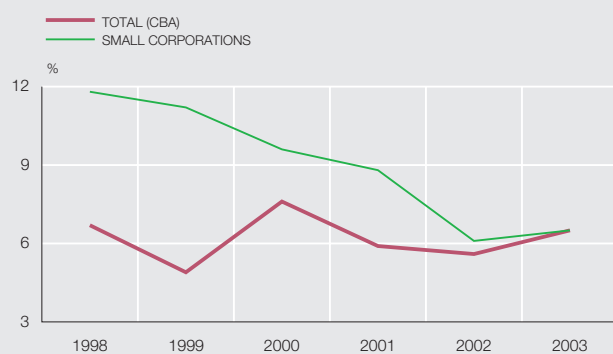
Analysis of captions 7 to 9 in Table 1 shows that, following a strongly anomalous year such as 2002 when there were significant capital losses and extraordinary provisions to recognise the lower value of certain investments abroad, in 2003 these captions returned to more habitual levels, which explains the fall in their rate in relation to the previous period. This performance influences that of net profit, whose rate for 2003 is not calculated in the table because the

The annual monograph published towards year-end by the Central Balance Sheet Data Office dedicates one of its chapters to analysing the activity of small and medium-sized enterprises. To do this it uses the information included in the databases constructed on the basis of the accounts filed with the Spanish Mercantile Registries (CBBE/RM, or CBB). Although these data are received with a greater lag than those of the CBA, the CBB includes a bigger number of corporations, the main limitation being the lesser degree of detail available when conducting analyses. The Central Balance Sheet Data Office also performs some data editing and consistency tests which ensures that analyses can be conducted on activity, employment and profit ratios, although it is not possible to draw up a statement of investment and financing flows of the type featured in Table 7 for the CBA.

Lastly, it should be recalled that all corporations which, due to their directing reporting status vis-à-vis the Central Balance Sheet Data Office, are already included in the sample used by the CBA have been excluded from the aggregate of corporations used in this database. In sum, this database is a valuable complement to the analyses performed by the Central Balance Sheet Data Office. It allows for observation of certain aspects which, due to the bias inherent in other databases, would remain hidden or would be more difficult to discern. The CBB data for 2002 include information on 286,963 corporations, which account for 12% of the GVA of non-financial corporations, while for 2003, up to the cut-off date for this article, information on 57,670 firms has been received, accounting for 2.3% in terms of coverage of the GVA of the national total.

RESULTS OF SMALL CORPORATIONS

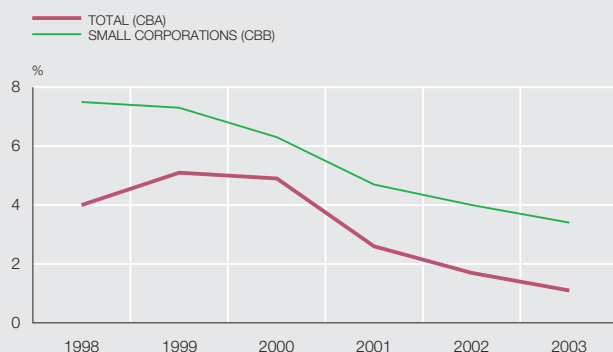
GROSS VALUE ADDED AT FACTOR COST
(Rate of change)



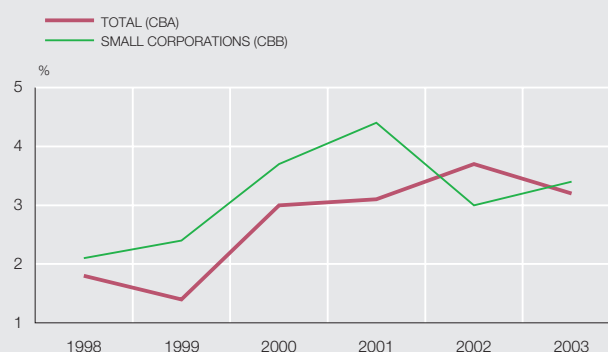
FINANCIAL COSTS
(Rate of change)



EMPLOYMENT
(Rate of change)



PERSONNEL COSTS PER EMPLOYEE
(Rate of change)



		1998	1999	2000	2001	2002	2003
Number of corporations	CBA	8,142	8,264	8,510	8,438	8,127	6,337
	CBB (a)	238,378	211,893	231,932	245,870	286,963	57,670
% of GDP of the sector non-financial corporations	CBA	33.6%	31.8%	30.7%	30.1%	28.9%	25.1%
	CBB (a)	12.1%	10.6%	10.8%	11.0%	12.0%	2.3%

SOURCE: Banco de España.

a. In the case of the "Employment" and "Personnel Costs per Employee" charts, the data relate to the sub-set of corporations with consistent employment figures (50% of the CBB total).

The CBB data showed that the productive activity of small and medium-sized firms held at a sustained growth rate in 2003, similar to that of 2002. GVA in this aggregate increased by 6.5% in 2003, compared with 6.1% the previous year. Similar to the case for the CBA sample, these figures were the outcome of continuity in terms of the sound performance of domestic demand, against an international economic background of relative uncertainty owing to the war in Iraq, which began in the first half of this year. However, there has been a progressive trend towards greater stability and a pick-up in dynamism as the end of the year has drawn closer. Across the different sectors the same continuity was seen, although prominent in this respect were market services companies and, among these, those engaging in real-estate and those of the sub-sector other business activities, which showed the most favourable developments in terms of productive activity, with sharper increases in GVA than in 2002. Personnel costs also held at a similar growth rate in 2003 to that of the previous year. Their rate of change, at 7.6%, was only 0.2 pp down on 2002. This was the outcome of lesser growth in the average number of staff, while average compensation grew by 3.4%, entailing a slight rise when compared with the 3% increase seen in average wages in 2002. The slightly rising trend of wage costs has been witnessed across the board in all sectors of activity, although it was sharpest in the industrial sector, with the growth of average wages rising from 3.1% in 2002 to 4.1% in 2003. As seen in the accompanying chart, this latter rate was similar to that of the CBA corporations. Unlike until 2001, the activity of the CBB corporations has not been moving at a higher rate than the CBA, and nor has CBB average compensation been lower than that of the CBA corporations. But there is a difference in terms of employment creation, where the rates of the CBB firms (4% and 3.4% in 2002 and 2003) have outpaced those of the CBA (1.7% and 1.1% in these years).

The foregoing developments meant that gross operating profit grew by 3.9% in 2003, slightly up on the previous year's figure of 1.8%. The moderate trend of the net financial burden, with growth of 1% (due essentially to the 12.9% decline in financial revenue, since financial costs continued to fall at a rate of 4.2%, in line with that for the CBA and the CBQ), along with the lower growth in depreciation and operating provisions in 2003, meant that ordinary net profit was able to increase by 1.9%. This was a favourable figure if it is taken into account that, in the two previous years, the related rates of change had been negative. As a result, SMEs held at acceptable profitability levels, virtually unchanged on those for 2002. The ordinary return on equity was 9.1% in 2003, only 0.1 pp up on the previous year. In terms of sectors, market services firms showed a more favourable ROE ratio, with a rise from 8.6% in 2002 to 9.2% the following year, in line with the trend of productive activity in this aggregate. In the industrial sector there was a slight deterioration in profit ratios, furthering the declining path on which this sector has moved since 1999 in the CBB. The slackness of investment in capital goods, combined with the international situation during these years, marked by greater uncertainty and slowing foreign trade, explains the trajectory of the industrial sector, the related developments for which in 2004 are not yet available in this database. Finally, the limited information available in this base on indebtedness highlights the fact that the trend of debt is similar to that described for the CBA, although its levels in terms of GVA are higher than for this latter aggregate. In conclusion, SMEs (i.e. the CBB corporations) are, generally, showing similar trends in activity, average compensation and profit ratios to those of the CBA corporations. The CBB corporations have been more active in employment creation and have had higher debt levels, in relative terms, in the recent period.

move from a position of scant to one of burgeoning profits gives rise to a very high rate, which is strongly conditioned by the low starting level. So far in 2004 there have not been any relevant events in this area, since the decline in the rates of extraordinary revenue recorded is due to the fact that in this period there have been no capital gains arising on the sale of shares on the level recorded in the first three quarters of 2003. These developments have been offset to some extent by additional reductions in capital losses and extraordinary provisions, whereby net profit has grown by 7.1% compared with the same period a year earlier. In any event, more relevant than the growth of net profit is its high level as a proportion of GVA, standing at 18% in the CBA for 2003 and at 27.1% in the CBQ for the first three quarters of 2004.

In conclusion, Spanish corporations have performed favourably overall, both in 2003 and in 2004 to date. Productive activity held on a path of stable and sustained growth, although a progressive change in the composition of the factors driving such growth has been discernible over the past two years. Hence, while private consumption continues to be the main driving force of the expansion, it appears to have progressively lost steam in favour of investment in capital goods which, in recent quarters, has taken on greater momentum. Greater international stability seems to have brought about a recovery in exports which, in any event, con-

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

TABLE 6

	CBQ (a)				
	RETURN ON INVESTMENT (R.1)		ORDINARY RETURN ON EQUITY (R.3)		
	03 Q1 - Q3	04 Q1 - Q3	03 Q1 - Q3	04 Q1 - Q3	
Number of corporations	844	747	844	747	
Percentage of corporations by R <= 0% profitability bracket	23.7	23.5	26.7	26.3	
	0% < R <= 5%	20.2	21.4	15.7	16.2
	5% < R <= 10%	15.3	15.5	11.2	11.1
	10% < R <= 15%	11.1	10.9	9.4	8.9
	15% < R	29.7	28.7	37.0	37.5
Memorandum item: Average return	7.1	7.7	9.7	10.9	

SOURCE: Banco de España.

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

tinue to grow less sharply than imports. Against this background, the conflicts still under way in areas such as the Middle East and, above all, the high level of oil prices may endanger the current growth model, or at least restrict its intensity and duration. Faced with this, corporations, on the basis of their starting point of solvency and high profitability, should harness the sound financial conditions offered by the markets to undertake investment allowing them to modernise and become increasingly more competitive, maintaining balanced growth in their costs and ensuring, in this way, stable and durable growth in the medium and long term, with the generation of new investment and, therefore, of employment.

Investment flows and financing. The sector non-financial corporations in the CBA and in the National Accounts (Spanish National Accounts and FASE)

THE SECTOR NON-FINANCIAL CORPORATIONS ACCORDING TO THE CBA

The CBA information is complete and detailed, which allows analysts, using this source, to approximate investment and financing flows that cannot be analysed on the basis of the limited information compiled by the CBQ, which is geared for the study of the profit and loss account and for calculating profit ratios. The information referred to here is drawn from Chapter 3 of the Central Balance Sheet Data Office (CBSO) annual monograph (in Spanish only), which details the CBSO results in terms of National Accounts.

Table 7 offers a summary of the capital and financial flows recorded in the period 2001-2003 for the corporations reporting to the CBA, expressed as percentages of GVA. It would be meaningless to use absolute values, since the data refer to the group of reporting corporations which, moreover, are not always the same over time. Evidently, these flows are affected by the particular composition of the CBSO sample, which is biased towards larger corporations and industrial corporations. In practice, the sample does not take into account the effect of small and newly created corporations. The table infers that, in 2003, the capital resources of the companies reporting to the CBA exceeded by a very small amount (1.6% of GVA) their capital uses. That highlights the fact that the corporations in the sample, or at least the set available to the cut-off date for this publication, have not had to resort, in net terms, to the financial markets to finance their investments; on the contrary, they have a small surplus of loanable funds. Regarding gross capital formation, the most significant of capital uses, a rate of 12.9% has been determined for 2003 in relation to 2002 in nominal values (compared with 7.6% under National Accounts).

Regarding the financial account shown in Table 7 for the CBA corporations, there is a notable decline in financial transactions on both the asset and liabilities sides, in clear contrast to the

CBA

(Structure: GVA at basic prices = 100)

Databases	% of GVA at basic prices		
	2001	2002	2003
Number of corporations / Total national coverage	8438/30.1%	8127/28.9%	6337/25.1%
CAPITAL ACCOUNT			
1. Capital resources	27.9	29.4	32.9
1. Gross saving	29.0	31.0	33.0
2. Net capital transfers	-1.1	-1.6	0.0
2. Uses of capital	32.0	30.0	31.4
1. Gross capital formation	30.0	28.5	30.5
2. Other uses of capital	2.0	1.5	0.9
3. Statistical discrepancy	0.0	0.0	0.0
3. Net lending (+), net borrowing (-) (1 - 2 = 5)	-4.2	-0.6	1.6
FINANCIAL ACCOUNT			
4. Net financial assets acquired	64.8	25.2	0.8
1. Cash and deposits	0.2	0.8	0.5
2. Securities other than equity	-0.3	0.0	2.8
3. Loans	25.9	1.2	-5.4
4. Shares and other equity	39.0	23.2	2.9
5. Net financial operations plus net liabilities incurred (6 + 7)	64.8	25.2	0.8
6. Net financial operations (4 - 7 = 3)	-4.2	-0.6	1.6
7. Net liabilities incurred	68.9	25.8	-0.8
1. Securities other than equity	-0.9	-4.1	-3.4
2. Loans	38.3	18.4	1.4
2.1. Loans from financial institutions	7.5	7.9	-1.8
2.2. Loans from the rest of the world	2.4	-7.3	13.0
2.3. Loans from other resident sectors	28.4	17.8	-9.8
3. Shares and other equity	32.2	11.4	-3.6
4. Pension funds	-2.1	-1.9	0.0
5. Trade credit and other accounts payable (net)	1.4	2.0	4.9
MEMORANDUM ITEM: GVA at basic prices	98,685	100,486	93,004

SOURCE: Banco de España.

trend in previous years. Caption by caption, the small increases in the shares and other equity portfolio, the fall in the issuance of shares and other equity³, the decline in the net loans of other resident sectors (essentially loans from group companies) and the increase in loans vis-à-vis the rest of the world are all salient. The table also shows that, following three successive years of reductions in internal pension funds, i.e. of corporations' obligations in this connection to their dependent employees, such reduction has levelled off, since the process of externalising these commitments is nearing completion. The commitments are set up as technical reserves (liabilities) of insurance companies, the balancing entries of which on the asset side are the instruments in which the entitlements of these dependent employees ma-

3. This reduction is tied to the co-existence, in the period, of small issues by the CBA corporations and of a major operation by an electric holding company involving the absorption of its subsidiaries. Also, pending certain clarifications, the distribution by a major reporting corporation of share premiums to shareholders has been recorded provisionally as a deduction from shares and other equity.

Databases	% of GVA at basic prices		
	2001	2002	2003
CAPITAL ACCOUNT			
1. Capital resources	21.9	22.0	21.2
1. Gross savings	19.8	19.6	19.0
2. Net capital transfers	2.1	2.4	2.2
2. Uses of capital	30.9	30.7	30.3
1. Gross capital formation	29.9	29.2	29.5
2. Other uses of capital	0.1	0.1	0.1
3. Statistical discrepancy	0.9	1.3	0.6
3. Net lending (+), net borrowing (-) (1 - 2 = 5)	-9.0	-8.7	-9.1
FINANCIAL ACCOUNT			
4. Net financial assets acquired	17.1	20.6	18.5
1. Cash and deposits	4.1	5.4	2.8
2. Securities other than equity	0.8	1.4	2.2
3. Loans	2.2	-0.2	-0.1
4. Shares and other equity	12.2	13.8	13.5
5. Net financial operations plus net liabilities incurred (6 + 7)	17.1	20.6	18.5
6. Net financial operations (4 - 7 = 3)	-11.2	-8.5	-9.0
7. Net liabilities incurred	28.3	29.1	27.5
1. Securities other than equity	-0.2	-0.7	-0.3
2. Loans	21.6	19.2	20.3
2.1. Loans from financial institutions	13.0	12.6	14.2
2.2. Loans from the rest of the world	8.0	6.0	5.6
2.3. Loans from other resident sectors	0.5	0.5	0.5
3. Shares and other equity	10.5	12.1	10.0
4. Pension funds	-0.7	-0.5	-0.1
5. Trade credit and other accounts payable (net)	-2.9	-1.0	-2.5
MEMORANDUM ITEM: GVA at basic prices	327,849	347,612	370,021

SOURCE: Banco de España.

terialise⁴. Developments in the trade credits caption reveal that the commercial management policies of the corporations in the aggregate have enabled them to obtain an additional source of financing by this means, a source which grew in 2003. Tables 2.26 and 2.27 in the annual monograph confirm that there was indeed an increase in the average period of payment to suppliers, rising from 67 to 68 days for the sample as a whole. In the case of the average collection period, the trend was in fact the opposite, with a slight shortening of this figure, which fell from 52 days on average in 2002 to only 50 days in 2003. Across the sectors, it can be seen that both industry, where the average number of days taken to pay suppliers lengthened, and the wholesale and retail sector, thanks to a bigger reduction in average collection periods, were most favoured by this type of financing. Finally, debt in the CBA

4. Under Royal Decree-Law 1588/1999 and Law 14/2000, the process of externalisation should have concluded by mid-November 2002. Nonetheless, Law 44/2002 gave an additional extension to 31 December 2004 for some of these commitments, which apparently explains why there are still some pension funds pending externalisation on the balance sheets of the corporations.

The information compiled by the CBQ allows an overall analysis to be made of the situation of corporations with a lag of approximately three months in relation to the date of the last quarterly figures. The CBA provides for a more detailed analysis, but it is disseminated with a lag of approximately eleven months to the release date of the latest annual information. The different breakdowns available in both databases for certain captions hamper the compilation of a uniform profit and loss account that is compatible with both approaches (see Table 1 of the article). The problem is that certain CBQ items are not identical to those of the CBA. Accordingly, it is necessary to work with approximations when constructing a small time series with data from

both bases. The following table (which reproduces the structure featured in the first column of Table 1) shows that these approximations entail a minimum loss of information, whereby they do not substantially affect the analysis or reduce the capacity of the CBQ to anticipate the trends of the results which, with an additional lag of several months, the CBA disseminates. The structure of the profit and loss account featured in this box includes all the items of the CBA, the items that are not available in the CBQ having been highlighted with an explicit indication. As can be seen, these headings have a very limited weight in the set of costs and revenue that make up the profit and loss account in the table.

DATABASES	CBA 2003
Number of corporations	6337
Total national coverage	25.10%
PROFIT AND LOSS ACCOUNT	
1. VALUE OF OUTPUT (including subsidies)	100.0
Of which:	
1. Net amount of turnover and other operating income	131.0
2. (-) Consumption (wholesale and retail trade and real state sectors)	-33.1
a. Other items (not available in CBQ)	2.1
2. INPUTS (including taxes)	67.8
Of which:	
1. Net purchases	39.8
2. Other operating costs	27.6
Other items (not available in CBQ)	0.4
S.1. GROSS VALUE ADDED AT FACOR COST (1 - 2)	32.2
3. Personnel costs	16.3
S.2. GROSS OPERATING PROFIT (S.1 - 3)	15.9
4. Financial revenue	2.9
5. Financial costs	3.1
6. Depreciation and provisions	7.1
S.3. ORDINARY NET PROFIT (S.2 + 4 - 5 - 6)	8.6
7. Capital gains and extraordinary income	5.8
8. Capital losses and extraordinary expenses	3.5
9. Other (provisions and taxes)	5.2
S.4. NET PROFIT (S.3 + 7 - 8 - 9 - 10)	5.8

SOURCE: Banco de España.

sample in terms of GVA began to slow as from 2002 and to fall in 2003. The reduction in the debt of the CBQ corporations, in terms of GVA, appears to have begun in 2002 and stands below the CBA, which shows that it is the small and medium-sized companies of the CBA that maintain the biggest levels of debt.

THE SECTOR NON-FINANCIAL
CORPORATIONS ACCORDING TO
NATIONAL ACCOUNTS (SPANISH
NATIONAL ACCOUNTS AND FASE)

The Banco de España *Annual Report* and other specialist publications have analysed the capital and financial flows of non-financial corporations over the most recent period, drawing on the Spanish National Accounts and the Financial Accounts of the Spanish Economy (FASE). The aim of Table 8 is not to analyse these variables but to show the accounts for the total sector in the format of Table 7, highlighting in this way some of the characteristics of the CBA corporations in relation to the accounts that are reflected, in aggregate form, by the totals

for the sector. Table 8 shows that, unlike the CBA corporations, which have limited borrowing needs and even lending capacity in 2003, the borrowing requirements of the total sector over the past three years have held at close to 9% of GVA, essentially because they generate fewer capital resources than the CBA companies. This may be due, among other reasons, to the fact that the CBA does not include newly created corporations (numbering some 100,000 per year), which finance their investment by incurring debt before generating resources internally. Indebtedness in terms of the GVA of the total sector non-financial corporations has continued to grow in 2004 Q2 according to the FASE. And this, given the trend of debt in the CBQ and CBA samples, confirms that it is the smaller companies that are justifying this pattern in the recent period.

22.11.2004

SURVEY OF HOUSEHOLD FINANCES (EFF): DESCRIPTION, METHODS,
AND PRELIMINARY RESULTS

Introduction

This article presents the Spanish Survey of Household Finances (EFF), a new survey conducted by the Banco de España that is included in the National Statistics Plan, recently approved by the Council of Ministers. The main aim of the EFF, whose methodology is described in Bover (2004), is to obtain detailed information on Spanish households' wealth and financial decisions.

In recent years, the modernisation of financial systems and the progress in most industrialised economies in consolidating a stable macroeconomic environment have wrought substantial changes in households' saving patterns, financing and investment. In the Spanish economy, in particular, low interest rates, strong job creation, and the increased flexibility and competitiveness of the credit market have been conducive to an increase in household indebtedness. Similarly, broader investment opportunities, stemming from greater openness and financial innovation, have led to significant changes in the composition of household assets: the share of marketable instruments has risen, while that of traditional bank products has lost ground.

These changes in the size and composition of households' balance sheets have enabled them to take advantage of the developments in the financial and macroeconomic environment to improve their welfare. At the same time, households have become more exposed to certain macroeconomic or idiosyncratic shocks, such as those caused by changes in interest rates, asset prices or household incomes. This increased exposure has a direct impact on the determinants of household consumption and investment (see Malo de Molina and Restoy, 2004), which account for almost three-quarters of economic activity. In turn, the rise in debt taken on by households has increased the exposure of credit institutions and, consequently, of the financial system as a whole to changes in the factors governing the soundness of households' wealth position.

In its analyses of the economic situation and outlook, and in its reports on financial stability, the Banco de España has thus increasingly focused on the financial decisions and wealth of households. To date, these analyses have mainly been based on the *Financial Accounts of the Spanish Economy* (FASE), compiled by the Bank itself. The FASE contain a wealth of statistics, within the framework of National Accounts, on the aggregate balance sheet of the household sector and on its financial flows with the rest of the economy's institutional sectors. However, they do not enable us to conduct disaggregated analyses that could prove useful for assessing all the implications of the position and financial decisions of households.

Indeed, from a financial and a macroeconomic standpoint, it would be useful to obtain not only the position of the sector as a whole, but also the distribution in the population of the different assets and debts positions. For example, when estimating the potential impact of a rise in interest rates, it is important to know whether debt is proportional to households' income or wealth or if it is concentrated among the least wealthy households. Likewise, the consequences of potential sharp corrections in asset prices depend on the capacity of the households owning these assets to absorb this shock and, accordingly, on their income and wealth. Factors such as age or labour market status of the members of the household also come into play.

For this reason, the Banco de España decided in 2001 to launch the EFF, following in the footsteps of other countries that have been compiling this type of survey for some years. The

Spanish survey is specifically based on that of the Banca d'Italia (*Indagine sui Bilanci delle Famiglie*, IBF) [see Banca d'Italia (2000)] and above all on that of the US Federal Reserve's *Survey of Consumer Finances* (SCF) [see Aizcorbe, Kennickell and Moore (2003)].

The EFF questionnaire contains a wide range of questions on assets, debt, incomes, spending and socioeconomic variables relating to the household sector. The availability of information on these variables for each reporting household unit will help refine financial and macroeconomic analyses of the Spanish economy. At the same time, the disaggregated information will be most useful for extending our knowledge of specific key questions, such as the relationship between the distribution of income and wealth in Spain, property ownership rates, the types of households with pension fund holdings and the financial and socioeconomic determinants of saving. Despite the fact that, in view of the complexity of the questionnaire, the number of responses (just over 5,000) is lower than in other official surveys, quality comparisons made drawing on data in other national statistics and on similar surveys in other countries yield satisfactory results. This is largely due to the sophisticated and innovative sample design, involving a blind system of collaboration between the National Statistics Office (INE) and the Tax Authorities. Naturally, we are also extremely grateful to the households that contributed to this survey.

This article describes the main methodological features of the EFF and some of the preliminary results obtained in the first wave, whose reference period is 2002 Q4. In Section 2, we will briefly outline some relevant aspects of the making of the survey, a more detailed description of which is given in Bover (2004). The results are then presented in subsequent sections. Specifically, in Section 3, results on households' incomes and net wealth are provided. In Sections 4 and 5, households' holdings of real and financial assets are respectively analysed. Section 6 gives information on households' debt levels and debt service burden. Section 7 focuses on aspects relating to household spending. And, lastly, Section 8 offers some concluding remarks.

The main tables of results, which describe asset and debt holdings (Tables 3, 5 and 7), give the percentage of the different types of household holding each asset or type of debt, along with the median value of each instrument for households where this value is significant. Given that for most of these variables the distributions show very high values for a relatively small number of households, the median is a better approximation than the mean to the typical values of the distribution.

Description and methods

SAMPLE DESIGN

A significant characteristic of the EFF, and one it shares with the SCF, is that there is oversampling of wealthy households. The distribution of wealth is heavily skewed and, moreover, certain types of assets are held by only a small fraction of the population. It was therefore judged important to have a sample that would not only be representative of the population but also of aggregate wealth, and one that would facilitate the study of financial behaviour at the top of the wealth distribution. This oversampling was achieved thanks to the collaboration of the INE and the Tax Authorities (TA), through a complex co-ordination mechanism that enabled the TA's strict confidentiality requirements to be observed at all times. Specifically, the TA devised a wealth strata-based random sample drawing on the Padrón Continuo (a continuously updated municipal population census) provided by INE, following the guidelines of the sample design prepared by INE. This provides the EFF with a unique population frame for its sample, thereby ensuring the representativeness of the information obtained while attaining accurate information on the behaviour of the richest household segment. Finally, a complex procedure for replacing non-respondent households was incorporated into the sample design, thus ensuring the maintenance of the sample's desirable characteristics.

The questionnaire given to households is divided into nine main sections which reflect the aims of the EFF. These are as follows:

1. Demographics
2. Real assets and their associated debts
3. Other debts
4. Financial assets
5. Pension plans and insurance
6. Labour market situation and related income
7. Non-labour income in previous calendar year (2001)
8. Means of payment
9. Consumption and savings

The questions on assets and debts refer to the household as a whole, while those on labour market situation and related income are for each household member over 16. The information was collected by means of personal interviews with the households, conducted between October 2002 and May 2003. Given the complexity of the questionnaire, the interviews were computer-assisted. At the end of the field work, 5,143 interviews of a total of 19,901 attempted interviews were deemed valid. The percentage of households that could not be contacted accounted for 35% of the total, and the co-operation rate was, overall, 47.3%¹. This diminishes as the wealth stratum rises, standing at 53.6% for the lowest stratum and at 29.4% for the highest. These figures are comparable to those obtained in the SCF.

The degree of oversampling in the final sample is satisfactory. For example, the household segment holding 40% of total taxable wealth is represented in the EFF sample by some 500 observations. In the absence of oversampling, and if the response rate were uniform across the different strata, scarcely 20 households might be expected at best in this stratum, which would hamper statistical analysis of the population segment in which the most complex financial decisions are concentrated.

To obtain magnitudes representative of the population, use is made of weights, i.e. the frequency with which households in the sample are to be found in the total household population. To calculate the weights, account is taken mainly of the characteristics of the sample design, but various adjustments are made to reflect the different response rate by income and wealth level.

Along with a significant percentage of refusals to participate in the survey, the lack of a reply to certain questions is an inherent characteristic of wealth surveys. This type of non-response arises when a household agrees to reply to the survey but leaves one or several questions unanswered, owing to a lack of knowledge or to other reasons. Any analysis based exclusively on cases with fully completed questionnaires might bias the results substantially. Consequently, the Banco de España has devised a system of imputations for the non-observed values to facilitate data analysis. These imputations are based on advanced statistical techniques, with several estimations being obtained for each non-observed value so as to take into account the uncertainty associated with the imputation². The statistics of interest are obtained by combining the information on these multiple imputations³.

1. The co-operation rate is defined as the ratio of the number of completed interviews to the sum of the number of completed interviews and the number of refusals to participate. 2. Five imputations are provided in the EFF for each non-observed value. 3. The data presented in this report will foreseeably be revised slightly upon conclusion of the process of imputation of the EFF variables not used in the compilation of the report.

As discussed in the introduction, the EFF bears notable similarities to surveys conducted in other countries, such as the US SCF and the Italian IBF. However, there are also significant technical differences. First, there is no oversampling in the IBF, while in the SCF oversampling is based on the distribution of income and not of wealth, as is the case in the EFF. Second, the EFF sample, despite including oversampling, uses a unique population frame. Conversely, the information in the SCF is from two separate samples: a random, non-stratified sample and a stratified sample drawn from individual tax returns. Third, the EFF, unlike the SCF, includes questions on household spending, as the IBF does. Fourth, like the IBF but unlike the SCF, the EFF is expected in future waves to have a “panel” component, which would call for the repeated interviewing of a portion of the households over time. Finally, the IBF, unlike the EFF and the SCF, does not include an overall imputation process as it does not generally consider households that fail to reply to certain key questions as part of the sample.

Household income and net wealth

INCOME^{4, 5}

According to the EFF, the average income of Spanish households in 2001 is €28,400, with a median of €22,000 (see Table 1)⁶. By age group, the expected life-cycle profile is observed with income increasing with age, peaking for households in the 45 to 54-year-old segment, and then declining for the older groups. Income also increases with education, being substantially greater for households whose head is a college graduate compared with those with a lower level of education. In terms of labour market status, households whose heads are self-employed are the ones with the highest income, followed by employees, retired persons and other inactive and unemployed people.

NET WEALTH⁷

The median net wealth of households is €96,300 (see Table 1). This is substantially lower than the average figure (€153,400), which reflects the asymmetry in the distribution of wealth. The greater concentration of net wealth compared with income is because wealth is the result of the accumulation of saving flows and of inter-generational transfers. The average income of the 10% of households with the highest income is thus three times that of the 50% of households with least income, while the average wealth of the richest 10% of households is sixteen times that of the 50% of households with least wealth. The wealth means and medians increase with income, the result of incomes generated from assets and of the greater saving opportunities for high-income households.

Net wealth conforms to the expected life-cycle profile, peaking for households whose head is aged between 45 and 64, which is slightly later than the age at which income peaks. Wealth also rises with level of education, and is greatest for households whose head is self-employed. Comparing the corresponding means and medians, the distribution of wealth may be said to be more asymmetric for the self-employed than for employees and retired persons.

Real assets

Real assets make up 87.4% of the value of total household assets (see Table 2). This proportion holds approximately constant as income rises, and only diminishes noticeably in the top decile. However, even for the relatively higher income levels, they continue to account for a large portion of the total value of household assets (80.4%). In terms of net wealth levels, real assets are relatively less significant at the two extremes of the distribution, though they exceed 82% in both cases.

4. As a measurement of household income this report takes total household income (including the labour and non-labour income of all household members) for the whole of the year 2001. Information is also requested in the survey on labour and non-labour income as at the time of the survey. 5. The concept of income used throughout this report is that of gross income, i.e. before tax and social security contributions. 6. That is to say, 50% of households have income above €22,000, and 50% below it. 7. Net wealth is defined as the total value of assets (real and financial) minus the amount of debts. The value of cars and other vehicles is not included.

HOUSEHOLD INCOME AND NET WEALTH
Distribution by household characteristics. 2002

TABLE 1

% and thousands of euros					
Household characteristics	% of households	Income		Net wealth	
		Median	Average	Median	Average
ALL HOUSEHOLDS	100.0	22.0 (0.5) (a)	28.4 (0.5)	96.3 (2.5)	153.4 (4.7)
INCOME PERCENTILE					
Less than 20	20.0	7.6	7.4	52.7	75.0
Between 20 and 40	20.0	14.7	14.7	77.9	99.5
Between 40 and 60	20.0	22.0	22.1	88.1	120.0
Between 60 and 80	20.0	32.2	32.6	115.7	165.8
Between 80 and 90	10.0	47.0	47.6	152.0	209.6
Between 90 and 100	10.0	70.5	82.2	247.0	402.9
AGE OF HOUSEHOLD HEAD (b)					
Under 35	14.0	23.2	27.2	54.0	85.5
35-44	22.1	24.1	29.9	89.3	125.9
45-54	19.7	29.0	36.5	126.6	196.3
55-64	16.5	25.4	33.5	122.2	215.4
65-74	17.1	16.5	21.7	102.1	155.4
75 and over	10.5	10.3	14.4	77.2	120.3
LABOUR MARKET SITUATION OF HOUSEHOLD HEAD					
Employee	45.7	26.8	33.8	92.3	130.0
Self-employed	11.4	30.2	38.0	184.5	327.3
Retired	25.4	16.8	22.4	103.1	156.7
Other inactive or unemployed	17.5	12.1	16.5	64.6	96.4
LEVEL OF EDUCATION OF HOUSEHOLD HEAD					
Below secondary education	58.8	17.5	21.8	82.2	118.4
Secondary education	26.0	25.9	31.4	107.5	160.2
University education	15.2	38.1	48.3	156.1	276.5
STATUS OF MAIN RESIDENCE					
Ownership	81.9	23.4	29.9	116.4	180.2
Other	18.1	17.3	21.5	1.8	31.7
NUMBER OF HOUSEHOLD MEMBERS WORKING					
None	28.8	10.9	13.5	78.5	121.3
One	38.4	22.3	27.5	91.3	148.8
Two	26.9	33.6	40.9	115.5	182.9
Three or more	5.9	43.4	49.1	133.3	205.4
NUMBER OF HOUSEHOLD MEMBERS					
One	15.2	9.4	12.6	64.2	94.2
Two	25.7	17.5	22.2	90.4	146.6
Three	24.3	24.9	30.9	99.0	165.4
Four	24.3	29.2	37.2	118.6	170.2
Five or more	10.6	33.2	39.8	112.9	188.4
NET WEALTH PERCENTILE					
Less than 25	25.0	15.9	18.9	7.7	12.7
Between 25 and 50	25.0	19.0	23.0	68.0	68.3
Between 50 and 75	25.0	23.2	27.7	126.8	131.7
Between 75 and 90	15.0	29.9	35.9	232.7	239.3
Between 90 and 100	10.0	45.5	56.0	476.7	642.0

SOURCE: Banco de España.

a. Bootstrap standard errors in brackets.

b. This report designates a household head as a means of organising the data consistently. The reference person designated by the household for the purposes of replying to the survey is defined as the household head if the reference person is a man, or the partner if the reference person is a woman but her partner lives in the household.

Household characteristics	%					Memorandum: real assets as a % of total assets
	Main residence	Other real estate properties	Businesses related to self- employment	Jewellery, works of art, antiques	Total	
ALL HOUSEHOLDS	66.5	24.1	8.8	0.6	100.0	87.4
INCOME PERCENTILE						
Less than 20	79.8	17.4	2.6	0.2	100.0	91.9
Between 20 and 40	78.7	16.9	4.0	0.3	100.0	91.1
Between 40 and 60	71.6	21.5	6.6	0.3	100.0	90.9
Between 60 and 80	66.1	25.1	8.4	0.4	100.0	89.1
Between 80 and 90	63.4	25.0	11.0	0.7	100.0	87.5
Between 90 and 100	53.2	31.0	14.6	1.2	100.0	80.4
AGE OF HOUSEHOLD HEAD						
Under 35	72.9	14.0	12.6	0.4	100.0	92.1
35-44	69.4	19.0	11.1	0.4	100.0	89.6
45-54	65.7	23.8	9.7	0.8	100.0	85.0
55-64	56.6	31.3	11.4	0.6	100.0	85.8
65-74	69.7	27.5	2.3	0.6	100.0	87.9
75 and over	75.0	23.6	1.0	0.4	100.0	87.5
LABOUR MARKET SITUATION OF HOUSEHOLD HEAD						
Employee	76.8	21.1	1.5	0.6	100.0	88.0
Self-employed	41.4	26.1	31.9	0.6	100.0	84.8
Retired	69.1	28.5	1.7	0.7	100.0	87.8
Other inactive or unemployed	76.0	21.2	2.3	0.5	100.0	90.6
NET WEALTH PERCENTILE						
Less than 25	85.3	11.1	2.3	1.3	100.0	83.4
Between 25 and 50	90.1	7.7	1.8	0.4	100.0	92.0
Between 50 and 75	84.3	12.4	3.0	0.4	100.0	91.7
Between 75 and 90	70.8	23.3	5.5	0.5	100.0	89.5
Between 90 and 100	43.7	38.2	17.2	0.8	100.0	82.9

SOURCE: Banco de España.

The main residence is households' most important asset (66.5% of the value of total household real assets), followed by other real estate property (24.1%) and businesses related to activities engaged in by self-employed family members (8.8%)⁸. As income and net wealth increase, housing diminishes in relative significance in favour of other real estate properties and businesses. For the self-employed, the value of their business accounts for 31.9% of the total value of their real assets.

87.3% of households have some type of real asset (see Table 3) and, for these, the median value of their real assets is €120,000.

MAIN RESIDENCE

The percentage of households that own their main residence (81.9% of all households) increases with the level of income, but reaches 73.7% even for the 20% of households with lower earnings. By age, 68.3% of the youngest households are the owners of their main residence, while this figure rises to 88.4% for households whose head is in the 55 to 64-year-old group.

⁸ The value of businesses is, in some cases, considered as a real asset if it is related to the work of their owners; and, in other cases, as a financial asset via the ownership of unlisted shares or other equity, if it is a means of investing saving.

HOLDINGS OF REAL ASSETS BY HOUSEHOLDS
By type of asset and household characteristics. 2002

TABLE 3

% and thousands of euros						
Household characteristics	Main residence	Other real estate properties	Businesses related to self-employment	Jewellery, works of art, antiques	Some type of real asset	Some type of asset
Percentage of households owning asset						
ALL HOUSEHOLDS	81.9	30.1	12.4	18.2	87.3	99.4
INCOME PERCENTILE						
Less than 20	73.7	18.5	4.0	12.0	78.8	97.8
Between 20 and 40	79.0	22.9	8.5	13.5	83.6	99.7
Between 40 and 60	80.8	27.4	12.8	16.4	86.8	99.8
Between 60 and 80	85.1	33.5	15.3	20.7	90.7	100.0
Between 80 and 90	89.6	42.7	19.9	26.8	95.7	100.0
Between 90 and 100	92.3	53.7	22.6	30.0	97.8	99.9
AGE OF HOUSEHOLD HEAD						
Under 35	68.3	16.6	13.0	14.8	73.4	99.3
35-44	78.9	26.0	16.5	19.5	85.9	99.3
45-54	83.2	36.3	16.8	22.9	90.0	99.2
55-64	88.4	40.9	15.8	19.7	93.4	99.4
65-74	87.9	32.8	5.1	16.2	91.2	99.7
75 and over	84.1	23.8	1.3	11.9	88.1	100.0
LABOUR MARKET SITUATION OF HOUSEHOLD HEAD						
Employee	79.7	27.2	3.6	19.2	85.2	99.5
Self-employed	87.0	47.9	78.5	22.4	97.1	100.0
Retired	87.5	33.6	4.7	14.8	91.5	99.8
Other inactive or unemployed	76.4	21.0	3.5	17.6	80.5	98.3
NET WEALTH PERCENTILE						
Less than 25	38.5	6.8	3.6	12.1	50.6	97.8
Between 25 and 50	94.6	18.6	6.4	17.0	98.7	100.0
Between 50 and 75	97.6	31.9	12.1	17.4	100.0	100.0
Between 75 and 90	97.3	53.0	20.6	21.2	100.0	100.0
Between 90 and 100	96.4	78.4	37.8	33.6	100.0	100.0
Median of the asset value for households owning such asset						
ALL HOUSEHOLDS	97.3	68.9	34.5	1.4	120.0	113.1
INCOME PERCENTILE						
Less than 20	65.3	35.4	20.4	0.8	72.0	60.7
Between 20 and 40	90.0	46.3	18.5	1.0	98.8	91.6
Between 40 and 60	90.9	53.5	25.9	1.2	108.3	102.7
Between 60 and 80	113.1	82.8	40.0	1.8	136.6	137.4
Between 80 and 90	121.3	84.8	49.6	2.5	158.6	172.0
Between 90 and 100	173.0	128.5	53.1	6.0	238.4	273.2
AGE OF HOUSEHOLD HEAD						
Under 35	104.5	69.0	43.5	1.2	113.9	93.3
35-44	105.3	60.0	34.8	1.2	120.0	114.7
45-54	116.1	73.3	43.1	1.9	140.0	139.3
55-64	98.5	90.2	20.5	1.8	121.1	129.6
65-74	90.0	59.2	33.2	1.7	106.7	104.8
75 and over	72.6	39.6	25.2	1.1	82.1	78.1
LABOUR MARKET SITUATION OF HOUSEHOLD HEAD						
Employee	109.3	71.4	22.6	1.5	120.0	116.4
Self-employed	120.0	95.7	39.7	1.5	188.4	206.8
Retired	90.0	60.3	25.2	1.8	107.8	104.8
Other inactive or unemployed	72.8	53.4	29.0	0.9	85.2	73.7
NET WEALTH PERCENTILE						
Less than 25	34.6	21.4	7.6	0.9	30.5	12.9
Between 25 and 50	71.2	23.1	12.2	0.8	72.4	79.5
Between 50 and 75	120.0	43.5	22.0	1.4	123.6	138.5
Between 75 and 90	168.1	90.7	43.7	2.8	221.4	248.3
Between 90 and 100	237.7	210.1	117.4	6.0	438.8	499.7

SOURCE: Banco de España

DISTRIBUTION OF THE VALUE OF HOUSEHOLDS' FINANCIAL ASSETS

By type of asset and household characteristics. 2002

Household characteristics	Accounts and deposits usable for payments	Accounts usable for payments and house-purchase savings accounts	Listed shares	Mutual funds	Fixed-income securities
ALL HOUSEHOLDS	21.4	18.5	14.7	9.7	2.3
INCOME PERCENTILE					
Less than 40	36.7	29.2	5.3	7.4	3.5
Between 40 and 60	32.8	23.9	5.0	7.4	3.3
Between 60 and 80	26.2	21.7	9.1	11.0	3.7
Between 80 and 90	20.9	19.1	10.5	11.6	2.1
Between 90 and 100	10.5	11.4	24.8	10.0	0.9
NET WEALTH PERCENTILE					
Less than 50	48.3	23.6	3.6	4.0	1.4
Between 50 and 75	36.6	21.1	5.8	7.8	2.3
Between 75 and 90	25.9	24.7	6.1	10.8	5.0
Between 90 and 100	9.7	14.6	22.4	11.1	1.5

SOURCE: Banco de España.

The median value of the main residence is €97,300 and grows as income increases. In terms of age, the median value is highest for households whose head is 45 to 54 years old (€116,100).

OTHER REAL ESTATE PROPERTIES⁹

Properties other than the main residence are owned by 30.1% of households. In particular, approximately 18.5% of households own a dwelling other than the main residence, followed by 8% who own plots of land and estates. These figures increase with income, but it can be seen even in the bottom and middle part of the distribution that a considerable proportion of households own real estate properties other than their main residence. In any event, the percentage of households owning other real estate peaks (78.4%) for the top decile of the wealth distribution. By age group, the ownership of other properties is more frequent among households whose head is aged between 55 and 64, and by labour market status, this is the case among the self-employed.

The median value of these properties is €68,900 and increases with income and net wealth. In terms of age, the maximum median value occurs in the 55 to 64-year-old group, and as regards labour market status, in the self-employed group.

BUSINESSES RELATED TO SELF-EMPLOYMENT

The proportion of households with assets in businesses related to their members' self-employment is 12.4%. This figure increases with income and net wealth and, by age, is highest for the 35 to 64-year-old group.

The median value of these businesses is €34,500 and rises with net wealth and with income¹⁰.

⁹. Included under other real estate properties are dwellings, plots of land and estates, garages, industrial buildings, stores, premises, offices and hotels. ¹⁰. Included in the value of businesses is that of the related land and buildings, provided that households have not included these as part of their properties.

Pension schemes and unit-linked or mixed life insurance	Unlisted shares and other equity	Other financial assets	Total	Memorandum: financial assets as a % of total assets	Household characteristics
17.6	11.4	4.5	100.0	12.6	ALL HOUSEHOLDS
					INCOME PERCENTILE
11.5	4.4	1.9	100.0	8.5	Less than 40
13.5	7.3	6.7	100.0	9.1	Between 40 and 60
17.4	6.7	4.1	100.0	10.9	Between 60 and 80
23.5	7.9	4.4	100.0	12.5	Between 80 and 90
19.1	18.3	5.0	100.0	19.6	Between 90 and 100
					NET WEALTH PERCENTILE
12.8	1.4	4.9	100.0	9.9	Less than 50
21.5	1.5	3.4	100.0	8.3	Between 50 and 75
21.7	3.7	2.1	100.0	10.5	Between 75 and 90
16.3	18.8	5.5	100.0	17.1	Between 90 and 100

Financial assets

For households as a whole, bank accounts make up almost 40% of the value of financial assets, followed by pension schemes (17.6%), listed shares (14.7%), and unlisted shares and other equity (11.4%) (see Table 4). By income and wealth levels, the portfolio composition tends to be similar at the low and middle levels of the income and net wealth distributions, but varies considerably in the relative significance of bank deposits and shares (listed and unlisted and other equity) for the top decile of these distributions. In particular, for the 40% of households with lower income, bank accounts represent 65.9% of their financial assets, listed shares 5.3%, and unlisted shares and other equity 4.4%. This breakdown does not differ greatly in the two following deciles. By contrast, for the top decile of the income distribution, the proportions of assets invested in bank accounts, listed shares and unlisted shares are 21.9%, 24.8% and 18.3%, respectively.

A total of 98.5% of households own some type of financial asset, although this percentage falls considerably if bank accounts are excluded. The median value of financial asset holdings is €4,300 (see Table 5). The percentage scarcely varies across the income groups.

BANK ACCOUNTS

The percentage of households that have some type of bank account that can be used to make payments is 97.7%. This percentage remains always above 94.5% for all types of households. The median amount in such accounts is €1,800.

The proportion of households with bank accounts that cannot be used to make payments (including “cuentas vivienda” - savings accounts in which the money deposited must be used to buy a house) is 16.6%. This percentage increases with income and net wealth. By age, the figure is biggest for households in the 65 to 74-year-old group (19.5%), and by labour market status, for retired persons (20.2%), reflecting the fact that such accounts are low-risk savings vehicles. The median amount in this case is €12,000.

HOLDINGS OF FINANCIAL ASSETS BY HOUSEHOLDS
By type of asset and household characteristics. 2002

% and thousands of euros

Household characteristics	Accounts and deposits usable for payments	Accounts not usable for payments and house-purchase savings accounts	Listed shares	Mutual funds	Fixed-income securities
Percentage of households owning asset					
ALL HOUSEHOLDS	97.7	16.6	10.8	7.2	1.9
INCOME PERCENTILE					
Less than 20	94.8	12.1	3.4	2.4	1.0
Between 20 and 40	97.2	14.2	5.3	2.9	1.0
Between 40 and 60	98.4	15.3	7.9	5.4	2.2
Between 60 and 80	98.9	16.8	11.9	9.5	2.3
Between 80 and 90	99.0	24.3	17.4	11.9	2.6
Between 90 and 100	99.8	25.4	33.6	19.9	3.4
AGE OF HOUSEHOLD HEAD					
Under 35	97.5	15.2	7.2	5.6	0.8
35-44	97.3	14.6	10.4	7.1	1.8
45-54	97.6	16.4	14.6	9.3	2.3
55-64	97.9	17.1	13.0	8.8	1.7
65-74	98.4	19.5	9.7	6.6	2.0
75 and over	98.2	17.6	7.6	4.3	2.9
LABOUR MARKET SITUATION OF HOUSEHOLD HEAD					
Employee	98.1	16.1	12.3	7.8	1.9
Self-employed	97.4	17.6	13.9	9.3	1.3
Retired	98.6	20.2	10.7	7.1	2.7
Other inactive or unemployed	95.8	12.2	4.8	4.4	1.0
NET WEALTH PERCENTILE					
Less than 25	95.5	10.4	2.3	1.5	0.3
Between 25 and 50	98.0	12.5	4.4	2.7	1.0
Between 50 and 75	98.4	16.4	10.1	7.5	1.9
Between 75 and 90	99.2	23.6	19.1	13.1	4.2
Between 90 and 100	98.9	32.6	37.4	23.4	4.5
Median of the asset value for households owning such asset					
ALL HOUSEHOLDS	1.8	12.0	5.8	12.0	12.0
INCOME PERCENTILE					
Less than 20	1.0	9.0	5.4	18.0	9.6
Between 20 and 40	1.2	12.0	5.8	14.0	15.6
Between 40 and 60	1.8	11.6	3.6	8.0	12.6
Between 60 and 80	2.3	12.2	4.4	12.0	18.6
Between 80 and 90	3.0	12.0	6.1	14.5	8.6
Between 90 and 100	4.1	18.3	9.0	13.5	6.4
AGE OF HOUSEHOLD HEAD					
Under 35	1.6	9.1	1.7	6.8	*
35-44	1.6	9.0	3.0	7.2	6.0
45-54	1.9	12.0	6.0	15.8	18.0
55-64	2.1	13.2	6.8	14.0	10.7
65-74	2.0	16.3	8.2	18.0	16.3
75 and over	1.9	12.0	11.8	17.0	16.2
LABOUR MARKET SITUATION OF HOUSEHOLD HEAD					
Employee	1.8	11.0	4.6	10.0	6.4
Self-employed	2.4	14.4	4.9	19.8	12.0
Retired	2.5	13.1	6.7	18.0	15.6
Other inactive or unemployed	1.0	13.6	10.8	13.8	18.0
NET WEALTH PERCENTILE					
Less than 25	1.0	7.9	3.7	6.8	*
Between 25 and 50	1.4	8.3	2.2	5.7	*
Between 50 and 75	2.0	12.0	3.8	8.6	12.0
Between 75 and 90	3.2	16.0	4.6	15.5	18.4
Between 90 and 100	5.2	28.9	12.0	30.0	18.0

SOURCE: Banco de España.

* Fewer than eleven observations.

TABLE 5

Pension schemes and unit-linked or mixed life insurance	Unlisted shares and other equity	Other financial assets	Some type of financial asset	Household characteristics
Percentage of households owning asset				
24.1	2.3	4.5	98.5	ALL HOUSEHOLDS
INCOME PERCENTILE				
4.8	0.7	3.5	95.9	Less than 20
15.6	1.3	2.6	98.2	Between 20 and 40
22.0	1.5	4.6	99.1	Between 40 and 60
30.5	3.5	4.3	99.6	Between 60 and 80
39.1	2.7	5.3	99.8	Between 80 and 90
55.6	6.0	9.9	99.9	Between 90 and 100
AGE OF HOUSEHOLD HEAD				
19.8	1.8	4.8	98.4	Under 35
31.9	3.6	6.7	98.6	35-44
38.7	2.7	7.0	98.0	45-54
32.1	2.8	3.6	98.4	55-64
6.2	1.1	1.6	98.9	65-74
2.4	0.5	1.1	99.3	75 and over
LABOUR MARKET SITUATION OF HOUSEHOLD HEAD				
33.5	1.8	3.6	98.9	Employee
42.9	9.3	14.9	98.7	Self-employed
8.6	1.1	1.8	99.2	Retired
9.7	0.5	3.9	96.6	Other inactive or unemployed
NET WEALTH PERCENTILE				
8.0	0.2	3.3	96.6	Less than 25
17.2	1.3	3.9	98.8	Between 25 and 50
27.6	1.5	3.3	99.1	Between 50 and 75
37.4	3.2	4.0	99.6	Between 75 and 90
52.7	10.1	12.9	99.7	Between 90 and 100
Median of the asset value for households owning such asset				
6.4	13.8	5.4	4.3	ALL HOUSEHOLDS
INCOME PERCENTILE				
5.3	*	2.5	1.4	Less than 20
4.4	10.6	1.8	2.4	Between 20 and 40
3.8	12.1	5.4	3.5	Between 40 and 60
5.1	10.1	7.0	5.9	Between 60 and 80
9.6	41.4	8.1	11.6	Between 80 and 90
12.8	50.5	15.6	22.0	Between 90 and 100
AGE OF HOUSEHOLD HEAD				
2.3	12.0	4.2	3.0	Under 35
4.3	9.1	5.4	3.8	35-44
8.0	14.0	5.8	6.0	45-54
13.0	35.3	9.5	6.0	55-64
10.5	26.8	3.0	4.2	65-74
7.9	56.5	3.4	3.1	75 and over
LABOUR MARKET SITUATION OF HOUSEHOLD HEAD				
5.9	10.7	2.6	4.4	Employee
6.4	22.6	14.2	10.4	Self-employed
11.9	12.3	3.0	5.1	Retired
4.8	37.0	3.0	1.5	Other inactive or unemployed
NET WEALTH PERCENTILE				
3.5	*	1.2	1.2	Less than 25
3.0	*	3.1	2.8	Between 25 and 50
4.9	6.2	2.9	5.7	Between 50 and 75
8.9	16.3	5.8	12.4	Between 75 and 90
17.4	52.8	19.8	45.6	Between 90 and 100

LISTED SHARES AND MUTUAL FUNDS¹¹

The percentage of households directly owning listed shares is 10.8%. This figure rises with income and net wealth, and the increase is greater on moving to the upper income and wealth groups. By level of income, 3.4% of households in the bottom two deciles of the distribution hold this type of asset, and the figure rises to 33.6% for the top decile. Households whose heads are in the 45-64 age bracket are those most inclined to hold listed shares.

For households investing in listed shares, the median invested value is €5,800. Median values do not vary significantly by income and wealth except for the group of households in the upper decile in both cases, but they increase with age and are highest for retired persons and other inactive people.

The profile of households with mutual funds is similar to that of households that invest in listed shares, but the proportions of households holding such funds (7.2% for households as a whole) are smaller for all types of households. Conversely, median mutual fund holdings are higher (€12,000) than in the case of listed shares for all types of households. By age, the median investment in this type of asset is greater for households in the over-64 age bracket, and, by labour market status, among the self-employed.

UNLISTED SHARES AND OTHER EQUITY

The percentage of households holding unlisted shares or other corporate participating interests is 2.3%. This percentage is higher in the top decile for income (6%) and wealth (10.1%), and is concentrated among the self-employed (9.3%). The median values invested are higher than in most financial assets (€13,800 for households as a whole), in particular in the upper parts of the income and net wealth distributions.

FIXED-INCOME SECURITIES

The proportion of households investing in fixed-income securities is 1.9%. This figure increases with income and net wealth, without exceeding 5% in any instance. By age, the holding of fixed-income securities is concentrated among the elderly (2.9%) and retired persons (2.7%).

The median holding of this instrument is €12,000, with no clear variation according to the level of income or wealth.

PENSION SCHEMES AND LIFE INSURANCE¹²

24.1% of households have a pension scheme (or unit-linked or mixed life insurance product). This proportion rises with income and net wealth. By age group, the holding of pension schemes is greatest for the 45 to 54-year-old group, and, by labour market status, for the self-employed.

The median amount invested in pension schemes is €6,400 for households as a whole. The amount increases in the upper income and net wealth brackets. By age group, it peaks for the 55 to 64-year-old group (€13,000).

OTHER FINANCIAL ASSETS

Included in this category are outstanding loans in favour of households. The holding of these assets is more frequent in the high income and wealth brackets, and especially, by labour market status, for the group of households whose head is self-employed. The median amount of these loans follows a similar pattern.

Debts

Household debt accounts for 8.6% of the total value of their assets (see Table 6). The amount outstanding relating to payment for the purchase of the main residence represents 56.6% of

¹¹. Mutual funds include money market funds, capital market funds, real estate investment funds and other undertakings for the collective investment of transferable securities. ¹². Pension schemes do not include entitlements to Social Security pensions. The life insurance instruments considered are unit-linked or mixed products, but not those covering the risk of death.

DISTRIBUTION OF THE VALUE OF HOUSEHOLD DEBT
By purpose of debt and household characteristics. 2002

TABLE 6

Household characteristics	%					Total	Memorandum: debt as a % of total assets
	Purchase of main residence	Purchase of other real estate properties	Investments and home refurbishments (a)	Purchase of vehicles	Purchase of other goods and services		
ALL HOUSEHOLDS	56.6	23.6	7.6	5.8	6.4	100.0	8.6
INCOME PERCENTILE							
Less than 40	70.4	9.5	5.4	7.3	7.4	100.0	6.1
Between 40 and 60	63.9	13.0	8.2	8.2	6.7	100.0	9.7
Between 60 and 80	60.3	21.4	6.9	5.5	5.9	100.0	9.9
Between 80 and 90	48.0	32.3	7.4	5.4	6.9	100.0	9.6
Between 90 and 100	44.5	36.3	9.5	3.8	6.0	100.0	8.4
NET WEALTH PERCENTILE							
Less than 50	69.3	9.9	6.3	6.9	7.6	100.0	23.9
Between 55 and 75	64.8	15.0	7.8	6.3	6.2	100.0	8.6
Between 75 and 90	45.2	33.0	10.2	6.2	5.4	100.0	5.5
Between 90 and 100	28.5	55.3	8.5	2.6	5.0	100.0	4.4

SOURCE: Banco de España.

a. Excluding the purchase of real estate properties.

household debt. This proportion diminishes with income and net wealth, just as the portion of debt assigned to the purchase of other properties increases.

43.6% of households have some type of debt and the median amount outstanding is €22,000 (see Table 7). The groups least likely to have debts are households in the lower brackets of the income and net wealth distributions, and those aged over 64. The highest volumes of outstanding debt in terms of the median amount are among the youngest group, the self-employed and households two of whose members are working. Moreover, these amounts increase with income, but not so clearly with net wealth.

**DEBTS RELATING TO PURCHASE
OF MAIN RESIDENCE**

Among households that are owner-occupiers of their main residence, 21.5% have debt outstanding in connection with the purchase of this asset. This proportion increases with income, but not with net wealth. Households most likely to have this type of debt are, by age group, those under 35 (47.4%); by labour market status, dependent employees (34.7%); and by number of members working, those with two employed members (36.4%).

The amount of debt outstanding relating to the purchase of the main residence is, in terms of the median amount, €31,800 for all households with this type of debt. The median volume of outstanding debt increases with income, holds relatively constant with wealth, is greater for households where the head is under 35 and when two household members are working, but is similar for indebted workers and inactive (not retired) people.

Debt outstanding in connection with the purchase of the main residence is, almost entirely, mortgage debt.

**DEBTS RELATING TO THE
PURCHASE OF OTHER REAL
ESTATE PROPERTIES**

In order to finance the purchase of other real estate properties, 6.5% of households have debts outstanding. This proportion increases with income and with wealth and, by age, is greater in the 35 to 64-year-old group, and, by labour market situation, for the self-employed (16.4%).

HOUSEHOLD DEBT

TABLE 7

By purpose, type of debt and household characteristics. 2002

Household characteristics	Purchase of main residence		Purchases of other real estate properties	Other debt outstanding			Some type of debt
	Total	With mortgage guarantee		With real guarantee (incl. mortgages)	Personal loan	Other debts	
Percentage of households with debts outstanding							
ALL HOUSEHOLDS	21.5	20.9	6.5	3.3	19.9	2.9	43.6
INCOME PERCENTILE							
Less than 20	7.0	6.8	0.8	0.8	7.3	2.2	15.9
Between 20 and 40	18.6	18.0	2.5	2.7	18.4	2.0	37.4
Between 40 and 60	23.7	22.8	5.0	4.1	24.4	1.9	49.2
Between 60 and 80	27.2	26.9	9.0	3.3	25.8	3.6	54.2
Between 80 and 90	28.2	27.0	12.0	6.4	22.5	5.6	57.5
Between 90 and 100	34.0	32.4	18.5	5.2	24.9	4.2	64.7
AGE OF HOUSEHOLD HEAD							
Under 35	47.4	46.0	6.2	3.0	24.1	4.0	64.7
35-44	40.0	39.3	8.7	4.7	24.6	3.8	63.5
45-54	18.2	17.1	9.7	4.9	27.1	4.0	51.9
55-64	10.2	9.8	9.0	4.0	22.9	2.1	41.0
65-74	3.4	3.2	1.7	1.3	10.0	1.6	17.0
75 and over	1.8	1.8	0.1	0.4	2.5	0.6	5.3
LABOUR MARKET SITUATION OF HOUSEHOLD HEAD							
Employee	34.7	33.5	7.8	3.6	26.2	3.0	59.8
Self-employed	27.9	27.8	16.4	7.3	20.9	7.0	59.6
Retired	3.9	3.9	2.5	1.6	10.6	1.1	17.2
Other inactive or unemployed	8.7	8.0	2.5	2.7	16.4	2.7	29.0
NUMBER OF HOUSEHOLD MEMBERS WORKING							
None	4.5	4.3	1.3	1.2	7.5	1.5	14.4
One	24.7	23.8	6.9	3.8	20.4	3.1	48.8
Two	36.4	35.6	10.6	4.6	30.3	3.8	65.6
Three or more	16.0	16.0	11.2	5.1	30.2	4.2	51.7
NET WEALTH PERCENTILE							
Less than 25	15.7	15.1	2.1	2.2	22.8	3.0	36.9
Between 25 and 50	28.6	28.3	3.2	3.9	22.8	3.1	49.6
Between 50 and 75	24.3	23.6	5.3	3.7	18.1	2.6	44.0
Between 75 and 90	17.9	17.6	10.9	3.7	17.4	2.2	42.1
Between 90 and 100	16.8	14.9	22.1	3.4	13.6	4.2	46.2
Median of the debt value for households having such debt							
ALL HOUSEHOLDS	31.8	30.3	38.7	19.1	5.4	2.3	22.0
INCOME PERCENTILE							
Less than 20	29.1	29.4	*	*	2.0	0.9	10.8
Between 20 and 40	26.6	26.6	17.0	11.1	3.8	*	12.4
Between 40 and 60	30.0	30.0	25.2	18.8	5.1	1.4	19.2
Between 60 and 80	33.8	32.6	36.1	17.3	5.6	2.6	24.0
Between 80 and 90	29.4	30.6	53.4	16.8	6.9	2.9	24.6
Between 90 and 100	42.4	43.1	52.0	58.4	8.7	17.6	44.4
AGE OF HOUSEHOLD HEAD							
Under 35	40.0	40.0	53.8	*	4.0	4.4	34.7
35-44	33.0	33.0	37.1	18.0	5.7	1.3	25.3
45-54	24.8	26.1	40.0	29.9	6.0	3.2	15.9
55-64	23.8	23.9	31.8	13.0	5.9	3.0	12.2
65-74	12.9	15.6	36.0	7.1	4.2	1.0	6.6
75 and over	18.0	18.0	*	*	3.0	*	10.7
LABOUR MARKET SITUATION OF HOUSEHOLD HEAD							
Employee	33.2	33.1	38.3	18.0	5.5	1.5	25.0
Self-employed	29.4	28.8	40.7	35.2	7.2	16.6	30.0
Retired	15.0	15.0	24.0	11.8	4.8	0.8	9.1
Other inactive or unemployed	32.6	30.1	49.0	18.3	4.2	1.0	9.0
NUMBER OF HOUSEHOLD MEMBERS WORKING							
None	23.7	22.9	24.0	7.2	3.0	2.1	7.5
One	29.8	30.0	30.4	24.0	5.0	1.8	20.1
Two	35.5	35.5	45.7	13.4	5.9	2.7	28.0
Three or more	30.0	27.4	42.1	14.0	9.0	3.0	21.0
NET WEALTH PERCENTILE							
Less than 25	36.6	35.3	36.6	23.4	4.5	1.5	17.6
Between 25 and 50	35.0	34.2	47.4	19.2	5.1	1.0	23.9
Between 50 and 75	25.0	26.3	20.3	17.2	4.8	2.1	19.4
Between 75 and 90	30.0	30.0	35.4	13.4	6.3	4.5	23.6
Between 90 and 100	30.6	39.9	46.9	36.2	10.0	18.0	36.8

SOURCE: Banco de España.

* Fewer than eleven observations.

MEASURES OF DEBT BURDEN OF HOUSEHOLDS WITH DEBT OUTSTANDING
By household characteristics. 2002

TABLE 8

Household characteristics	Ratio of debt payments to household income		Ratio of debt to household income		Ratio of debt to gross household wealth	
	Median (%)	Percentage of households where ratio exceeds 40%	Median (%)	Percentage of households where ratio exceeds 3	Median (%)	Percentage of households where ratio exceeds 75%
ALL HOUSEHOLDS WITH DEBT	15.2	7.2	73.3	8.5	17.8	8.5
INCOME PERCENTILE						
Less than 20	31.8	30.2	129.5	34.2	19.9	11.6
Between 20 and 40	20.8	14.8	88.0	13.7	19.0	12.4
Between 40 and 60	17.2	5.0	87.7	8.6	18.5	10.1
Between 60 and 80	14.3	3.7	73.7	4.8	19.5	8.5
Between 80 and 90	11.0	1.7	52.6	2.0	15.3	4.2
Between 90 and 100	8.5	1.2	54.4	1.5	15.9	3.8
AGE OF HOUSEHOLD HEAD						
Under 35	17.2	8.8	133.9	16.5	36.8	14.7
35-44	16.7	7.2	87.2	10.0	21.5	7.8
45-54	13.1	7.0	48.2	3.3	12.2	6.1
55-64	12.9	5.7	41.8	4.9	11.0	6.8
65-74	11.7	5.9	26.3	2.6	8.0	6.0
75 and over	16.7	9.2	43.0	8.8	10.4	0.1
LABOUR MARKET SITUATION OF HOUSEHOLD HEAD						
Employee	14.9	4.0	79.9	7.4	21.9	9.2
Self-employed	18.8	16.6	92.7	14.4	14.0	3.7
Retired	13.1	6.1	33.7	2.4	9.2	7.1
Other inactive or unemployed	14.8	12.8	47.7	11.4	14.8	12.0
STATUS OF MAIN RESIDENCE						
Ownership	15.7	7.3	81.3	8.9	16.1	3.4
Other	12.3	6.0	23.4	4.6	63.4	48.3
NUMBER OF HOUSEHOLD MEMBERS WORKING						
None	16.8	14.8	47.0	11.4	11.3	10.9
One	16.1	8.3	78.5	10.9	17.5	8.9
Two	14.0	4.7	77.2	6.4	21.3	7.7
Three or more	12.1	4.7	46.1	1.6	13.7	7.3
NET WEALTH PERCENTILE						
Less than 25	17.2	10.9	75.7	14.3	63.1	39.9
Between 25 and 50	16.2	4.7	85.0	8.4	26.1	0.0
Between 50 and 75	13.8	6.6	68.3	5.4	12.8	0.0
Between 75 and 90	13.4	5.2	58.8	4.8	9.1	0.0
Between 90 and 100	12.9	10.4	74.9	9.2	6.2	0.0

SOURCE: Banco de España.

The median value of debt outstanding relating to the purchase of properties other than the main residence is €38,700 and grows with income.

OTHER DEBTS

The EFF also collects information on other debts, in addition to those intended for the purchase of the main residence and other real estate properties. The reasons for incurring such debt are, among others: home refurbishment, investment in non-real estate assets, the financing of business activity and the purchase of vehicles and other durable goods. The types of debt incurred are: secured loans (including mortgage loans other than those for the purchase of the main residence or of other properties), personal loans and other¹³.

¹³. Specifically, credit facilities, deferred payment, advances, loans from family or friends, overdrafts, leasing or renting, and other unspecified forms.

HOLDINGS OF DURABLE GOODS AND SPENDING ON NON-DURABLE AND DURABLE GOODS
By type of good and household characteristics. 2002

Household characteristics	Valuation of stock			Expenditure	
	Cars and other vehicles		Other durable goods	Food	Other non-durable goods
	% with good	Median	Median	Median	Median
ALL HOUSEHOLDS	73.7	6.0	11.9	4.8	3.6
INCOME PERCENTILE					
Less than 20	33.7	2.1	6.0	3.0	1.8
Between 20 and 40	66.3	3.6	8.6	4.3	3.0
Between 40 and 60	83.1	6.0	11.1	5.2	3.6
Between 60 and 80	90.0	6.0	12.0	6.0	4.4
Between 80 and 90	94.1	8.4	15.0	6.8	5.1
Between 90 and 100	97.0	11.5	18.4	7.2	7.2
AGE OF HOUSEHOLD HEAD					
Under 35	86.3	6.0	11.9	4.3	4.2
35-44	86.7	6.0	12.0	5.3	3.7
45-54	86.0	7.0	12.0	6.0	4.2
55-64	83.2	6.0	12.0	6.0	3.6
65-74	55.9	3.0	8.0	4.3	2.4
75 and over	21.2	3.0	6.0	3.5	2.0
LABOUR MARKET SITUATION OF HOUSEHOLD HEAD					
Employee	88.0	6.0	12.0	5.7	4.3
Self-employed	95.2	8.8	12.0	5.8	3.8
Retired	55.4	3.6	9.0	4.3	2.4
Other inactive or unemployed	49.1	3.8	6.3	3.6	2.2
LEVEL OF EDUCATION OF HOUSEHOLD HEAD					
Below secondary education	63.8	5.0	9.0	4.7	2.9
Secondary education	86.2	6.0	12.0	5.2	3.6
University education	91.1	6.1	15.7	6.0	6.1
STATUS OF MAIN RESIDENCE					
Ownership	76.2	6.0	12.0	5.0	3.6
Other	62.5	4.6	6.0	4.4	3.4
NUMBER OF HOUSEHOLD MEMBERS WORKING					
None	37.7	3.0	6.0	3.6	2.2
One	84.7	6.0	12.0	5.0	3.6
Two	93.0	7.8	12.0	6.0	4.9
Three or more	91.0	9.1	12.6	7.2	4.1
NUMBER OF HOUSEHOLD MEMBERS					
One	33.0	3.0	6.0	2.6	2.2
Two	62.0	5.5	9.0	4.3	2.9
Three	85.2	6.0	12.0	5.4	3.9
Four	93.8	6.0	12.0	6.0	4.0
Five or more	88.4	7.2	12.0	7.2	4.3
NET WEALTH PERCENTILE					
Less than 25	60.2	4.2	6.0	4.1	2.8
Between 25 and 50	67.7	5.1	9.0	4.3	3.0
Between 50 and 75	78.5	6.0	12.0	5.3	3.6
Between 75 and 90	86.0	7.1	15.0	6.0	4.3
Between 90 and 100	92.2	9.8	18.8	7.2	5.2

SOURCE: Banco de España.

TABLE 9

Expenditure				
Cars and other vehicles		Other durable goods		Household characteristics
% incurring expense	Median	% incurring expense	Median	
13.1	12.0	35.4	0.9	ALL HOUSEHOLDS
INCOME PERCENTILE				
4.6	6.6	20.0	0.6	Less than 20
8.3	11.8	30.7	0.8	Between 20 and 40
12.7	11.6	35.4	0.8	Between 40 and 60
18.3	12.0	42.0	1.0	Between 60 and 80
19.4	15.0	47.5	1.0	Between 80 and 90
23.9	13.5	50.3	1.3	Between 90 and 100
AGE OF HOUSEHOLD HEAD				
22.4	12.0	49.6	1.2	Under 35
15.2	12.0	45.9	1.0	35-44
16.1	12.0	38.5	1.2	45-54
13.0	12.0	30.0	0.7	55-64
6.3	12.0	25.3	0.6	65-74
1.9	10.8	13.8	0.5	75 and over
LABOUR MARKET SITUATION OF HOUSEHOLD HEAD				
16.8	12.0	45.6	1.2	Employee
21.6	12.0	36.9	1.0	Self-employed
6.9	12.0	22.5	0.6	Retired
6.8	10.5	26.6	0.6	Other inactive or unemployed
LEVEL OF EDUCATION OF HOUSEHOLD HEAD				
10.4	11.4	27.8	0.6	Below secondary education
18.0	12.0	43.9	0.9	Secondary education
15.2	15.0	50.3	1.2	University education
STATUS OF MAIN RESIDENCE				
13.6	12.0	35.7	0.9	Ownership
11.0	9.6	34.3	0.8	Other
NUMBER OF HOUSEHOLD MEMBERS WORKING				
3.2	10.8	20.3	0.5	None
12.9	12.0	37.9	1.0	One
20.4	12.0	45.3	1.2	Two
29.1	11.9	47.9	0.7	Three or more
NUMBER OF HOUSEHOLD MEMBERS				
4.3	9.6	22.3	0.7	One
9.6	12.0	32.6	0.7	Two
14.0	11.4	38.6	0.9	Three
18.2	14.2	41.0	1.2	Four
20.7	12.0	40.9	0.9	Five or more
NET WEALTH PERCENTILE				
11.0	9.9	32.9	0.9	Less than 25
12.2	12.0	33.5	0.7	Between 25 and 50
12.5	12.0	35.4	0.7	Between 50 and 75
14.9	12.5	39.3	1.2	Between 75 and 90
19.5	13.4	40.8	1.2	Between 90 and 100

Of these debts, that most widely spread is the personal loan, to which 19.9% of households resort. The groups of households that least use this type of loan are those with lower income, higher net wealth, those over 64 and retired or inactive persons. The median outstanding amount of these personal loans is €5,400. Less frequent are outstanding secured loans (3.3% of households), but the median amount outstanding for this type of debt rises to €19,100.

DEBT BURDEN

The EFF enables measures of the financial burden to be constructed for different types of households with debts outstanding. Table 8 shows three measures. The first is the ratio of debt payments (including repayment of principal and interest) to gross household income¹⁴. One limitation of this measure is that it only reflects the significance of financial commitments in the short term. For this reason, figures of the ratio of total debt to gross household income and to total assets are also given. In all cases the median of these individual ratios is provided for each group of households, as is the percentage of households for which these financial burden measures exceed a certain threshold.

The median indebted household assigns 15.2% of its gross income to the payment of its debts (see the first column of Table 8). This figure is greater for the lower income levels and diminishes as income rises. By age group, the youngest and the oldest households earmark more of their income to debt payment than those of intermediate age; by labour market status, the financial burden is higher among the self-employed (18.8%). The stock of outstanding debt typically accounts for 73.3% of annual household income (see the third column of the same table). This proportion is greater for the 20% of lower-income households (129.5%), for younger people (133.9%) and for the self-employed (92.7%).

The proportion of households setting aside more than 40% of their gross income to debt payment is 7.2% of indebted families (see the second column of Table 8). However, for the 20% of lower-income households that have debts, 30.2% of these are in this relatively vulnerable situation. Across the different ages, these percentages do not change much, though they are somewhat bigger for the youngest and oldest groups. The debt of 8.5% of indebted households is more than threefold their annual gross income (see the fourth column of the same table). This figure is once again higher for the lower-income households (34.2%), but in this case age-based differences are observed. Specifically, for 16.5% of aged-under-35 households that have debts, the total amount of such debts is more than threefold their annual gross income.

Finally, the last two columns of the table give the data on debt in relation to gross wealth. For the median indebted household, debt accounts for 17.8% of the total value of its assets (real assets plus financial assets). Further, 8.5% of indebted households have debts the amount of which exceeds 75% of their assets.

Other information

The definition of household wealth does not include the value of vehicles and other durable goods. Table 9 provides information, by household characteristics, on the percentage of households that have cars or other vehicles and on the median value of these and of other durable goods. The changes across the different types of households are as expected. In particular, the percentage of households with a vehicle, the median value thereof and the median value of other durable goods increase with income and net wealth.

The EFF also includes information on expenditure, given the significance of its relationship to the distribution of household income, wealth and debt. Table 9 offers information on the distri-

14. Recall that gross household income for 2001 is used.

bution of different expenditure items according to household characteristics. Spending on food and other non-durable goods varies considerably with income and net wealth. For example, the median consumption of non-durables increases by 20% from the second to the third wealth quartile. Spending on vehicles and other durables for households that purchase these goods during the year changes to some extent with income and wealth. In turn, the percentage of households that incur such expenditure changes to a greater extent with income than with wealth.

Conclusion

Despite the preliminary and incomplete nature of the results presented, they are nevertheless fully illustrative of the wealth of information contained in the EFF and of its usefulness for economic analysis. Foreseeably, this survey will encourage research into key aspects of the Spanish economy on which our knowledge to date is very limited owing to the shortage of sufficiently detailed microeconomic information.

17.11.04

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HAS THE PASS-THROUGH OF MOVEMENTS IN THE EURO EXCHANGE RATE INTO IMPORT PRICES CHANGED SINCE THE START OF EMU?

Has the pass-through of movements in the euro exchange rate into import prices changed since the start of EMU?

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Introduction

The degree of exchange rate pass-through into an economy's domestic prices is an important area of analysis from the standpoint of a price stability-geared monetary policy. High pass-through rates of exchange rate changes into import prices, and from these to final costs in the economy, mean that nominal exchange rate fluctuations can give rise to significant changes in the relative prices of goods and in the level of inflation. Unsurprisingly, this issue has been subject to continuous analysis since, in the early seventies, the Bretton Woods exchange regime broke down and exchange rates in the Western economies were allowed to float. Since then, analysis of the determinants of the degree of pass-through has addressed both the relative significance of the macroeconomic determinants – such as the behaviour of inflation – and more microeconomic aspects, which highlight the importance of the structure of import markets and, in particular, of the degree of competition they display.

An earlier paper [Campa and González Mínguez (2002)] estimated the rates of exchange rate pass-through into import prices and final prices in euro in the euro area countries. The main conclusions drawn from this analysis were that, in the short term, the pass-through to import prices is incomplete and varies significantly depending on the type of product imported and on the country of destination, tending to be higher for commodities. In the long run, however, it could not be rejected that for the industries examined the exchange rate pass-through rates to import prices were 100% and the same across the different countries. It was also seen that the main determinant of the differences between euro area countries regarding the overall impact of exchange rate movements on final consumer prices and on input costs was the different degree of openness of each economy. Indeed, this factor prevailed over differences arising from the product composition of imports in the face of different estimated pass-through rates for each industry.

The foregoing paper used a monthly data set ending in March 2001. The shortage of observations subsequent to the start of EMU prevented any evaluation of the extent to which the single currency might have marked a structural change in the pass-through of exchange rate movements to import prices in the euro area. The enlargement of the sample with the latest data should allow sounder conclusions to be drawn about the possible existence of such a structural change, which is the main purpose of this article, whose sample period concludes in May 2004.

There are three main reasons why the elasticity of pass-through might be expected to have diminished following the inception of the euro. Firstly, the process of monetary union has entailed a certain convergence of the member countries' average inflation rates towards the levels of those economies where such rates have traditionally been lower. Since the higher-inflation tradition of a country has been associated in the literature with higher pass-through rates, these have foreseeably declined in a large number of members. Secondly, there are arguments suggesting that the creation of EMU may have encouraged intra-area trade at the expense of trade with the rest of the world. Were this confirmed, it might have led to a lesser pass-through into import prices (via the relative reduction in the market power of exporters outside the euro area) and to final prices (since the proportion of final demand in the area met

by non-euro area imports would have fallen). Thirdly and finally, it has been argued that the exchange rate pass-through to prices is smaller the greater the percentage of imports denominated in local currency. Insofar as the creation of a large monetary zone, such as the euro area, has promoted the expansion of the euro as a currency of denomination for its foreign trade, the rates of pass-through to import prices would have tended to diminish.

The following section analyses these three arguments whereby the inception of EMU may have reduced the pass-through rates of the euro area countries, placing particular emphasis on the last two arguments. To do this, changes in the degree of exposure to imports from outside the area are studied and developments in the use of the euro as a reference currency for setting import and export prices within the euro area are analysed. The conceptual consequences such use entails for the degree of pass-through of exchange rate movements to import prices are also studied. After this, the presence of changes in pass-through rates to import prices since the introduction of the euro is empirically studied. The third section shows the methodological framework used to this end, while the fourth presents the main findings and evaluates the extent to which there is evidence of a structural change in the transmission of exchange rate movements to domestic prices. The final section draws the conclusions.

Possible reasons for lower transmission since the start of EMU

THE CONVERGENCE
OF INFLATION RATES

As indicated, one of the causes to which the literature has attributed the differences across countries in the degree of transmission of exchange rate movements to prices has been the inflationary track record of a country and how this has been subsequently reflected in the changes in its nominal exchange rate. In this respect, Campa and González Mínguez (2002) find that, with the exception of Greece, the euro area countries that saw their nominal exchange rate depreciate during the eighties and nineties tended to have higher pass-through rates in the short run. Conceivably, now that these countries share the same currency, the differences between them in transmission rates in the short run will have tended to recede.

THE RELATIVE WEIGHT
OF EXTRA-EURO AREA IMPORTS

The introduction of the single European currency might have marked a change in the proportion of trade that each euro area member respectively has with the other euro area economies and with the rest of the world. In particular, factors such as the elimination of the risk associated with nominal exchange rate fluctuations in intra-euro area trade or the reduction of transaction costs suggest that the Monetary Union may have fomented trade among the euro area countries. Thus, small companies, for which the existence of these costs was an obstacle to their embarking on international trade, might have decided to gear up internationally following the onset of EMU. This has been termed the “trade creation” effect. Further, since these costs persist as far as extra-euro area trade is concerned, a portion of such trade will conceivably have been replaced by intra-euro area flows, given their increased relative attractiveness (the “trade diversion” effect).

The evidence accumulated in the five years since the introduction of the euro does not indicate that there have been very significant changes in the composition of the area's import flows. Indeed, the changes witnessed appear to run counter to those suggested by the above-mentioned arguments. Indeed, the share of imports from outside the area has increased in 7 of the 11 members (see Chart 1). As a consequence, the weight of imports from outside the euro area as a proportion of GDP has risen for all the area's members, with the notable exception of Ireland and, to a lesser extent, Portugal. One possible cause of this is the breakthrough of new countries (such as China) into international trade. In any event, while there have been no substantial changes in the total proportion of euro area imports from the rest of the world, there may well have been changes in the good-by-good composition of these flows. Hence, if the elasticities of transmission of exchange rate changes to import prices differ substantially on the basis of the type of product, changes in the structure of imported goods since the start of



SOURCES: Eurostat and national statistics.

EMU might have a significant bearing on total transmission rates. However, these changes have been on a relatively minor scale between 1998 and 2003. Moreover, they have been in the same direction in most countries. In particular, the share of mineral fuel and, to a lesser extent, of machinery and transport equipment in the total has increased, while that of food, other commodities and basic manufactures has fallen.

CURRENCY OF DENOMINATION IN INTERNATIONAL TRADE

The currency in which trade contracts with the non-euro area countries are denominated is a determinant of the impact of euro exchange rate movements on the economy. If foreign exporters tend to set their prices in their own currency, the degree of transmission of exchange rate movements to prices in euro will also tend to be high. As a result, inflation in the euro area will be affected and, as a consequence of the changes in relative prices, there will be a demand shift between goods produced within the area and outside it. If, conversely, extra-euro area exporters tend to set their price in euro, a relatively limited transmission of exchange rate movements to prices and activity in the area will be seen.

The theoretical literature on the factors behind the currency in which exporters set their prices has identified two main determinants: the macroeconomic stability of each currency and the degree of competition prevailing in markets. Regarding the first aspect, Devereux and Engel (2001) show, in a general equilibrium model, that countries with less volatile monetary policies enjoy a greater use of their currencies in the setting of prices in international trade. Moreover, the currency in which import and export flows are denominated is also important for determin-

ing the optimal monetary and exchange rate policies the authorities should pursue. Several papers in recent years have highlighted the implications of the currency in which foreign trade flows are denominated for the optimal strategies of economic authorities.

In addition to these macroeconomic aspects, other technical papers have underscored aspects relating to the industrial competitive structure. Bacchetta and Van Wincoop (2004) show that a fundamental determinant of the decision on the currency for setting prices is the degree of competition in markets. The lesser the elasticity of export demand in the end-market, the greater the probability that exporters will set their prices in their own currency and not in that of the importer. The factors underlying this elasticity of demand are also those that explain the currency in which the export contracts are denominated. For instance, foreign producers tend to set their prices in the currency of the market of origin if the imported goods show a high degree of differentiation vis-à-vis domestically produced goods and if the share of exports is high. These authors further show how, in a monetary union, the relevant market shares are not those of domestic and foreign producers within each country; rather, it is the share of the producers from the set of countries that share a single currency and that of exporters from the rest of the world. In this respect, the bigger the area of influence of a currency, the higher the percentage of international trade denominated in that currency will be. For this reason, the creation of EMU should have resulted in euro-denominated imports accounting for a higher proportion of total imports, when compared with the overall share of the currencies of the countries making up the euro area.

The evidence on the use of the euro as a currency of denomination in international trade is incomplete. Nonetheless, the scant data available point clearly to a progressive increase in the use of the single European currency (see Table 1). In particular, for all member countries for which information is available, there has been an increase since the onset of EMU in the percentage of imports from outside the area whose price is determined in euro. As regards merchandise trade, this share has grown in the 2000-2002 period by more than 20% for the four countries on which data are at hand. The rising tendency for the use of the euro as a currency of denomination has also been seen in trade in services. Evidently, since the change in habits of companies that export to the euro area is a lengthy process, it is possible that the effects of the inception of the euro will emerge but gradually. In this respect, the latest evidence suggests that the above-mentioned trend has continued in 2003 and 2004 as well.

This propensity for the growing use of the euro as a billing currency for the area's trade flows is also seen in euro area exports. For all countries for which there is evidence, the percentage of euro-denominated goods exports to outside the euro area has increased in the 2000-2002 period. In the latter year, with the exception of Greece, all member countries denominated almost 50% of their extra-euro area exports in the single European currency. The use of the euro to set services prices has followed a similar trend, with substantial increases during the period (except in the case of France). Significantly, the fact that, for each country, the proportions of local-currency-denominated imports and exports are very similar tends to contradict the so-called "Grassman law" under which each exporter would tend to bill in its own currency, though it is true that this law holds less when the size of the importer is much greater than that of the exporter.

This evidence should, however, be viewed with due caution. It is necessary to take into account the difference between billing currency and payment currency. From the standpoint of the impact on the importing country's prices and on the volume of its cross-border trade flows, what is really relevant is the decision on the currency in which contracts are denominated, and not the unit of account in which payment is made. That is because the unit of account may

**SHARE OF THE EURO AS A CURRENCY OF DENOMINATION OF
EURO AREA TRADE FLOWS WITH THE REST OF THE WORLD**
(% of total) (a)

TABLE 1

	Imports					
	Goods			Services		
	2000	2001	2002	2000	2001	2002
Belgium-Luxembourg	43.6	47.2	52.8	44.4	50.0	53.3
France	35.0	39.8	46.8	47.6	54.0	54.7
Germany	-	-	48.0	-	-	-
Greece	-	29.3	35.8	-	15.3	16.8
Italy	-	40.8	44.2	-	49.9	56.1
Portugal	47.0	53.6	57.6	53.7	55.6	59.2
Spain	44.0	49.7	55.8	42.4	45.3	48.7

	Exports					
	Goods			Services		
	2000	2001	2002	2000	2001	2002
Belgium-Luxembourg	42.0	46.7	53.4	45.4	50.5	54.6
France	48.0	49.2	55.3	57.3	60.4	56.9
Germany	-	-	49.0	-	-	-
Greece	-	23.5	39.3	-	11.3	13.3
Italy	-	52.7	54.1	-	50.7	57.0
Portugal	40.1	43.5	48.5	37.4	37.4	46.4
Spain	49.0	52.0	57.6	50.5	52.9	59.7

SOURCE: ECB (2003).

a. The data refer to the use of the euro as a payment currency, except in the case of Germany, where it is as an invoicing currency.

simply be the result of the conversion, at a previously agreed exchange rate, of the price into the currency in which billing is being conducted. Nonetheless, in virtually all cases the information available refers to the payment currency and not to the billing currency. In addition, the appreciation of the euro during the period considered may have prompted an increase in the value of euro-denominated trade, for a given volume.

The creation of EMU may, in principle, have had differing effects on different imported goods with regard to the currency of denomination of trade and, therefore, to the degree of exchange rate pass-through. In the commodities markets trade is with highly homogenous goods, for which there is a single world market in which the euro area's imports are not denominated either in euro or in the exporter's currency, but habitually in dollars. What are involved are markets in which the location of buyers and sellers is irrelevant for the purposes of the price of transactions. In this case, it is unlikely that the creation of EMU has entailed, so far, significant changes in the currency of denomination of this type of trade, although the setting up of a monetary area rivalling the United States in terms of size may have important longer-term effects. Consequently, the transmission of exchange rate movements to the import prices in euro of these goods will foreseeably have remained as high after the introduction of the new European currency as it was before¹. In the case of imported manufactures, whose degree of differentiation compared with that of their domestically produced counterparts is relatively high and for which demand therefore evidences limited price elasticity, it is to be expected that, prior to the onset of EMU, non-euro area exporters would have tended to set their contracts

1. In any event, it has recently been seen that periods of oil price rises tend to coincide with dollar depreciations.

in the currency of the country of origin. Hence the degree of transmission of exchange rate movements to euro-denominated import prices would be relatively high. In this case, by prompting an increase in the share of the area's internal producers, EMU would have entailed (or might with time entail) a reduction in this degree of transmission. Finally, for similar reasons, in the case of manufactures with a high degree of homogeneity to those produced within the area (and for which, therefore, the degree of pass-through was comparatively lower prior to EMU), an additional reduction would likewise be expected.

**Empirical analysis:
methodological framework
and data used**

The methodology used to evaluate to what extent the creation of the single currency has entailed a change in the rates of transmission of exchange rate movements to import prices is the same as that in Campa and González Mínguez (2002). In particular, the basic framework is the price-setting equation of foreign exporters. This equation relates the price of imported goods in national currency to the product of the import price in foreign currency and the nominal exchange rate expressed in units of the importer's currency for each unit of the exporter's currency.

The evaluation of the rate of transmission of euro exchange rate movements to the prices of imports from outside the area is performed using the following econometric specification:

$$\Delta \ln P_t^{ij} = \sum_{l=0}^4 a_l^{ij} \Delta \ln E_{t-l}^{ij} + \sum_{l=0}^4 b_l^{ij} \Delta \ln P_{t-l}^{*ij} + v_t^{ij} \quad [1]$$

where E_t is the nominal exchange rate and P_t and P_t^* are, respectively, the measures of the import price in domestic and foreign currencies (the latter depends on the costs of the foreign exporter and on its profit margin on these costs). Finally, the superscripts i and j refer to the country of destination of the imports and to the type of good, respectively. In this equation, expressed in rates of change, it is permitted, first, that the price of imports expressed in domestic currency does not react fully to changes in the exchange rate and to the prices set in the exporter's currency; and further, that this response does not take place fully at the outset. More specifically, four monthly lags of the independent variables are included to allow for the possibility that there is a partial adjustment with lags in the reaction of domestic-currency import prices to movements in the exchange rate or in international goods prices. Lastly, the estimated equation includes a correction of the first-order residual autocorrelation found in the ordinary least squares estimation.

After performing the appropriate tests, this specification proved preferable to an alternative model containing the long-run cointegration relationship along with an error-correction mechanism that captures the short-term transmission adjustment of the exchange rate to import prices. More specifically, the series stationarity tests reveal that the hypothesis of the presence of a unit root in approximately two-thirds of the variables cannot be rejected, which warrants the search for cointegration relationships. Nonetheless, in the sample used the evidence on the presence of cointegration is relatively weak². Given the absence of this relationship in the data and the limited length of our sample period (around fifteen years) for estimating long-run relationships, the estimation of equation [1] was opted for, as it has a less restricted form.

2. Specifically, cointegration tests were performed to determine whether, for each country and industry, there is a long-run relationship in levels between import prices, exchange rates and foreign prices. The results indicated that the existence of such a relationship cannot be rejected solely in one-third of cases (34 out of a total of 99). The lengthening of the sample compared with that of the original paper results in somewhat greater evidence of the existence of cointegration, which is not only consistent with econometric theory but is also so with economic theory. However, the results obtained indicate that an even longer sample is needed to be able to conduct an appropriate cointegration analysis.

The parameter a_0^{ij} measures the contemporaneous exchange rate pass-through into import prices, which we call short-run pass-through elasticity, while the sum of the contemporaneous and lagged coefficients of the exchange rate, $\sum_{i=0}^4 a_i^{ij}$, measures long-run pass-through elasticity.

The sample period includes monthly series of the dependent and independent variables for the period from January 1989 to May 2004. The import unit value index data are drawn from the Comext database, developed by Eurostat. The sample is similar to that used in Campa and González Mínguez (2002). However, there are two differences. First, the period is longer by somewhat over three years (in the former case, the sample ended in March 2001). Second, the breakdown by product is also different³.

The data relating to the dependent variable used in the estimation consist of time series of import unit value indices for goods from outside the euro area. The advantage with these series is that they are available by importer country and by type of product, which allows transmission rates to be estimated that may vary on the basis of these two dimensions. It is possible with this level of breakdown to attempt to ascertain the extent to which the differences in pass-through rates are due mainly to specific effects, either of each industry or of each importer country⁴.

The two exogenous variables are the nominal exchange rate and the price of the imported product in foreign currency. To measure these variables use is made of the nominal exchange rate of the currency of the importer country against the US dollar, and the unit value index of imports of the good by the euro area as a whole expressed in dollars. The assumption implicit in this definition of the independent variables is that, for the set of internationally tradable goods, there is a global competitive market in the US currency and that the relevant opportunity cost for an exporter of these goods is the price in dollars of this good on the world market⁵.

To evaluate the potential existence of a structural change in the equation of exchange rate transmission to import prices, two types of tests were performed. First, the methodology proposed by Andrews (1993) and Andrews and Ploberger (1994) was followed, the aim of which is not only to detect whether there is a significant structural change in the sample but also to determine the time at which it occurs. Essentially, the procedure selects the sample observation for which there is empirically a bigger difference between the transmission rates estimated in the two sub-periods prior and subsequent to that time, and it then determines whether this difference between the transmission rates in the two sub-periods is statistically significant or not.

The second test takes into consideration the fact that the irrevocable parities between the currencies of the countries participating in EMU were pre-set in May 1998, in view of the possibility that

³ For reasons of data availability, a breakdown into nine categories of goods is used, compared with thirteen in the original paper. Seven of the categories now used correspond to those of the former sample. ⁴ The use of this database with information by product and country of destination also has some drawbacks. The import price data are unit value indices, instead of prices in the true sense of the term, which makes them susceptible to potential changes in the definition of the categories of goods due to improvements in quality or to composition effects arising from changes in the relative demand for the different products making up each category. Nor is there any guarantee that the weights among the goods included in a category will be the same across different countries, which may give rise to consistency problems. ⁵ This description of world trade in terms of the existence of integrated markets for each type of product is superior, from an empirical standpoint, to an alternative specification in which these markets are segmented on the basis of the country of origin and of destination. In this case, the relevant exchange rates are the bilateral ones between both countries, since the prices of imports in foreign currency are constructed on the basis of the prices of goods in the countries of origin.

Country	(1) Short-term	(2) Long-term	Proportion of total industries for which the hypothesis specified can be rejected (a)			
			Short-term		Long-term	
			(3) Rate of transmission is zero	(4) Rate of transmission is one	(5) Rate of transmission is zero	(6) Rate of transmission is one
France	0.77 (c)(d)	0.79 (c)(d)	0.89	0.78	0.89	0.44
Belgium-Luxembourg	0.58 (c)(d)	0.83 (c)(d)	1.00	0.89	1.00	0.11
Netherlands	0.76 (c)(d)	0.79 (c)(d)	0.89	0.89	1.00	0.11
Germany	0.63 (c)(d)	0.75 (c)(d)	1.00	0.89	1.00	0.33
Italy	0.69 (c)(d)	0.94 (c)	0.89	0.78	1.00	0.00
Ireland	0.50 (c)(d)	0.56 (c)(d)	0.67	0.67	0.56	0.22
Greece	0.47 (c)(d)	0.78 (c)(d)	0.33	0.67	0.33	0.33
Portugal	0.80 (c)(d)	0.82 (c)	0.89	0.44	0.78	0.11
Spain (b)	0.81 (c)	1.04 (c)	1.00	0.88	0.88	0.25
Finland	0.75 (c)(d)	0.77 (c)(d)	0.89	0.78	0.78	0.33
Austria	0.54 (c)(d)	0.77 (c)(d)	0.78	1.00	0.44	0.56
Average	0.66	0.81				

SOURCES: Eurostat and Banco de España.

- a. There are a total of nine industries.
- b. Excluding the beverages and tobacco industry.
- c. A transmission rate of zero can be statistically rejected.
- d. A transmission rate of one can be statistically rejected.

the transmission of exchange rate movements to import prices may have changed following the introduction of the euro. Consequently, Chow tests for structural change were performed, taking this date as the possible point in time in which the relationship may have changed⁶.

Results

Tables 2 and 3 contain the results of the estimation of equation [1]. The first two columns of each table show the estimates of the elasticity of transmission of the exchange rate to import prices, in the short and long run (i.e. the estimations of the parameters a_i^{ij} y $\sum_{j=0}^4 a_i^{ij}$), under the assumption that this pass-through rate is constant for all industries in a single country (see Table 2) or for each industry in all countries (see Table 3)⁷. These columns also include the results of the tests of the hypotheses that each pass-through elasticity is zero, i.e. if the producers set the price in the importer country's currency and refrain from adjusting it in the face of exchange rate movements, and that each pass-through elasticity is one, i.e. if the producers set the price in their own currency, adjusting the price in the importer country's currency when faced with any exchange rate movement. Finally, the last four columns of each table summarise the result of estimating specific pass-through elasticities for each industry and country.

Broadly, the conclusions drawn from these estimations are very similar to those obtained in Campa and González Mínguez (2002). Firstly, the transmission of exchange rate movements to import prices is incomplete in the short run. The average rates by country and by industry (0.66 and 0.56, respectively) scarcely differ from those obtained with the previous sample, which supports the stability of the relationship estimated after the start of Monetary Union. The evidence that pass-through

6. In principle it is possible, however, that the break in the relationship took place earlier, given the pronounced stability of exchange rates in the years prior to the fixing of parities and the deep-seated expectations that this would happen to market exchange rates. 7. These tables have excluded the beverages and tobacco industry in Spain. The reason is that there is an error in the data in this case.

Industry	(1) Short-term	(2) Long-term	Proportion of total countries for which the hypothesis specified can be rejected (a)			
			Short-term		Long-term	
			(3) Rate of transmission is zero	(4) Rate of transmission is one	(5) Rate of transmission is zero	(6) Rate of transmission is zero
Food	0.54 (c)(d)	0.78 (c)(d)	0.82	0.91	0.82	0.18
Beverages and tobacco (b)	0.31 (c)(d)	0.44 (c)(d)	0.50	0.90	0.50	0.60
Other commodities (except fuels)	0.57 (c)(d)	0.93 (c)	0.91	0.91	1.00	0.09
Mineral fuels	0.85 (c)(d)	1.02 (c)	0.91	0.45	1.00	0.09
Oils, fats and waxes	0.64 (c)(d)	0.84 (c)	0.73	0.55	0.64	0.00
Chemical products	0.62 (c)(d)	0.78 (c)(d)	0.91	0.64	0.64	0.09
Basic manufactures	0.50 (c)(d)	0.87 (c)(d)	1.00	1.00	1.00	0.36
Machines and transport equipment	0.51 (c)(d)	0.76 (c)(d)	0.82	0.82	0.82	0.36
Miscellaneous manufactured goods	0.50 (c)(d)	0.64 (c)(d)	0.91	0.91	0.73	0.45
Average	0.56	0.79				

SOURCES: Eurostat and Banco de España.

- a. There are a total of eleven countries.
- b. Excluding Spain.
- c. A transmission rate of zero can be statistically rejected.
- d. A transmission rate of one can be statistically rejected.

is high, but incomplete, in the short run is corroborated by the rejection in all cases of the hypotheses that the elasticities estimated in the first column of tables 2 and 3 are one and zero⁸.

Secondly, in the long run the average pass-through elasticities are, at around 0.8 (column 2 of the tables), greater than in the short run. More significantly, it is possible to reject, for a majority of countries and products, that transmission is complete in the long run. Specifically, this hypothesis is not supported by the data in eight of the eleven economies and in six of the nine goods. Moreover, it is interesting to note how the cases in which it is not possible to reject a full transmission coincide with economies with a greater inflationary tradition (Italy, Portugal and Spain) and with industries related to commodities, which is consistent with what was to be expected a priori. These results are in contrast to some extent to those obtained with the sample that ended in early 2001. In that case, however, the specific estimations of the pass-through rates in the long run were only slightly greater than those obtained with the extended sample, and unit elasticity was rejected for only three countries (Germany, Austria and Ireland) and for two industries (electrical and electronic machinery, and home equipment)⁹.

Thirdly, the results of the unit and zero transmission tests when the same elasticity is imposed for all the industries in a single country or for all countries taking one industry are replicated fairly closely when the estimated coefficients are allowed to vary in terms of both country and product (see columns 3 to 6 of tables 2 and 3). However, only in one country (Austria) and in one industry (beverages and tobacco) is it possible to reject for more than half of all possible cases the hypothesis that transmission is complete in the long run, which contradicts to some extent the results of the restricted estimations.

8. Except in Spain's case. 9. Nonetheless, it should be borne in mind that the results obtained by industry are not directly comparable, since the classification by product group is not identical.

Country	Equality across countries for a given industry	
	Short-term	Long-term
France	0.00	0.11
Belgium-Luxembourg	0.43	0.39
Netherlands	0.00	0.45
Germany	0.00	0.00
Italy	0.00	0.98
Ireland	0.01	0.08
Greece	0.19	0.45
Portugal	0.47	0.86
Spain (b)	0.00	0.02
Finland	0.00	0.40
Austria	0.72	0.78
Percentage of rejections (at 5% level)	63.6	18.2

Industry	Equality across countries for a given industry	
	Short-term	Long-term
0. Food	0.00	0.28
1. Beverages and tobacco (c)	0.54	0.52
2. Other commodities (except fuels)	0.00	0.52
3. Fuels	0.13	0.83
4. Oils, fats and waxes	0.21	0.89
5. Chemical products	0.00	0.73
6. Basic manufactures	0.02	0.02
7. Machinery and transport equipment	0.00	0.02
8. Miscellaneous manufactured goods	0.04	0.20
Percentage of rejections (at 5% level)	66.7	22.2

SOURCES: Eurostat and Banco de España.

a. The table reports the p-values from a test of the restrictions that the estimated short-run and long-run elasticities are the same for all industries within each country (upper panel) and that they are constant for a given industry in the eleven countries in the sample (lower panel).

b. Excluding the beverages and tobacco industry.

c. Excluding Spain.

In addition, the hypothesis that pass-through rates are equal for all industries in a country or for all countries taking one industry has been tested in the short and long run (see Table 4). In the short run, this hypothesis is rejected for most countries and industries. However, in the long run it is only possible to reject unitary elasticity of transmission across the different industries in Germany and in Spain, and, across the different countries, in two of the nine industries (basic manufactures and machines and transport equipment). This latter result upholds the idea that exporters discriminate prices to a greater extent in manufactures than in commodities.

Finally, little evidence can be found of any structural change in exchange rate pass-through into import prices. Table 5 shows the cases in which we can reject the hypothesis, in the short and long run, that there has been no endogenous structural change according to the Andrews and Ploberger test, indicating in italics the date on which this instrument detects such changes and, in brackets, the p-value of the test. A cell that does not include this information indicates that, for this product-country combination, the hypothesis of a lack of structural change is not rejected either in the short or long run. As can be seen, there is very little evidence in favour of the alternative hypothesis that transmission is not stable (7 out of 198 cases), this evidence being concen-

	Product								
	0 Food	1 Beverages and tobacco	2 Other commodities (except fuels)	3 Mineral fuels	4 Oils, fats and waxes	5 Chemical products	6 Basic manufactures	7 Machines and transport equipment	8 Miscellaneous manufactured goods
France	SR-C						SR-C	SR-C	SR-C
Belgium-Luxembourg	SR-C LR-C				LR-E <i>1992:9</i> (0.10)		SR-C	SR-C LR-C	SR-C
Netherlands					LR-E <i>1998:1</i> <i>2</i> (0.10)		SR-C	SR-C	
Germany	SR-C LR-C						SR-C	SR-C LR-C	SR-C
Italy	LR-C						EP-E <i>1991:10</i> (0.03)	SR-C	
Ireland							LR-E <i>1993:1</i> (0.02)	LR-E <i>1993:3</i> (0.00)	
Greece			SR-C						
Portugal	SR-C								
Spain		SR-C							
Finland			LR-E <i>2002:10</i> (0.02) LP-C	LR-E <i>1998:9</i> (0.07)					
Austria						SR-C			

SOURCE: Banco de España.

a. SR-E (LR-E) denotes rejection of the null hypothesis of endogenous structural change in the short (long) run. The change occurs on the date indicated in italics. The p-value of the test is in brackets. SR-C (LR-C) denotes rejection of the null hypothesis of endogenous structural change in May 1998 in the short (long) run.

trated in the long-run parameters. Further, only two of the cases of structural change took place around the parity-setting dates (oils, fats and waxes in the Netherlands and mineral fuels in Finland). The two breaks in Ireland (in basic manufactures, and machinery and transport) might be linked to the price-setting policy of British exporters following sterling's exit from the exchange-rate mechanism. For the three other cases it is more difficult to find an explanation. In any event, it should be borne in mind that the power of these tests is limited in small samples.

Given the presumption that, had there been a break in the stability of the estimated relationships, this might have taken place at the time Monetary Union was established, Chow tests were performed setting the date of the structural change as at May 1998, when the parities between the currencies to be replaced by the euro were pre-announced. In Table 5, the shaded cells are those industry-country combinations for which this test rejects the stability of the rates of transmission, in the short and long run. This tool does not provide clear evidence either against the hypothesis of stability of the transmission rates, which in the short run may be rejected for 19 of the 99 industry-country combinations. By product group, rejections of the stability of the relationship are more

frequent among manufactured products (basic manufactures, machinery and transport, and other manufactures). By country, stability is rejected with greater frequency (in three or four industries) for the countries that made up the core of the former European Monetary System (France, Germany, Belgium-Luxembourg and the Netherlands). This result contradicts somewhat the idea expressed above that, a priori, it would be the countries with a tradition of high inflation that would have seen a change of regime upon entry into the euro area. As to long-run elasticities, the stability of the relationship can only be rejected in 6 of the 99 cases which is, approximately, what is to be expected statistically at a 5% confidence level. Taken as a whole, this evidence does not appear sufficient to conclude that there has been a significant change in pass-through rates as a result of the introduction of the euro.

Conclusions

The aim of this article is to evaluate to what extent the introduction of the euro has entailed a structural change in the rate of transmission of exchange rate movements in the member states' currencies to their import prices. In principle, this change could have come about for several reasons, including most notably: the move to an environment of greater macroeconomic stability and lower inflation rates for some member countries; a hypothetical expansion of intra-euro area trade at the expense of trade with countries outside the area; potential changes in the structure of markets in which goods produced within the area compete with one another; and the impact the creation of the euro may have had on the currency of denomination of imports from the rest of the world. The evidence to date indicates that the creation of the euro has not signified a loss of weight by extra-euro area imports in proportion to total imports, while the percentage of trade in goods and services with third countries whose prices are set in euro has increased substantially for all the member states.

The empirical analysis of the pass-through of exchange rate movements into euro area countries' import prices includes the estimation of short- and long-run elasticities, allowing these to vary on the basis of the type of product imported. The results obtained confirm that transmission may be characterised as high, though incomplete, in the short run. In the long run, the elasticities are greater, though it tends to be rejected that they are unitary, except in the traditionally more inflationary economies and for commodities. Compared with the results obtained in Campa and González Mínguez (2002), there is less evidence of full transmission in the long run, although this may be related, in part, to the greater power of the tests resulting from the use of a longer sample period. In general, unit elasticity across the different industries of each country and for the different countries taking one industry continues in the long run to be unable to be rejected. Finally, one very relevant conclusion of the analysis is the absence of clear evidence that there has to date been a substantial change in the pass-through of exchange rate movements into import prices since the introduction of the euro.

17.12.2004.

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Introduction

As has lately become usual, a larger number of new provisions of a financial nature were enacted in the fourth quarter of 2004 than in the other quarters of the year.

The Banco de España issued two circulars relating to credit institutions. The first contains the new accounting regime for credit institutions, adapted to International Financial Reporting Standards (IFRS). The second repeals certain circulars that have mostly been, in practical terms, repealed since the adoption of the euro and its replacement of the peseta as the monetary and accounting unit for the national monetary system.

Second, a European Central Bank Guideline was published on the procurement of euro banknotes which, among other matters, establishes the eligibility and award criteria of the tender procedure.

Third, amendments were made to the legislation on book-entry State debt and the Regulations for the *Caja General de Depósitos* to resolve a malfunctioning that arises in certain cases when charged securities are redeemed.

Fourth, as usual in this period, there is a description of the changes made in the State Budget for 2005, mainly of a monetary, financial and fiscal nature. In the fiscal area, the amendment of the personal income tax (IRPF) regulations is highlighted. The average annual wage of all taxpayers has been updated and the withholding brackets applicable to earned income have been adjusted.

Finally, another four laws of economic interest have been published: the consolidated text of the Private Insurance Law; the general regulations for the tax penalty system; the adaptation of Spanish law to the new Community competition law framework; and measures to combat late payment in commercial transactions, adjusting the Spanish legal system in this area to Community law.

Credit institutions: public and prudential financial reporting rules and formats for financial statements and returns

The Circular of the Banco de España CBE 4/1991 of 14 June 1991¹, which contains the accounting standards and formats for financial statements and returns for credit institutions, has been amended frequently to adapt its contents to the various changes affecting the credit system in recent years.

Recently, *CBE 4/2004 of 22 December 2004* on public and prudential financial reporting rules and formats for financial statements and returns (Official State Gazette (BOE) of 30 December 2004) has been published, which aims to modify the accounting regime for Spanish credit institutions contained in CBE 4/1991 (now repealed), to adapt it to the new accounting environment arising from the adoption by the European Union of IFRSs.

The Circular has the following structure: a rule regulating its scope; three titles regulating, respectively, public financial statements, prudential returns and internal control and management issues and mandatory registers; two additional provisions, on the submission of financial statements to the Banco de España and on the interpretation of the Circular; three transitional

1. See "Regulación financiera: segundo trimestre de 1991", *Boletín Económico*, Banco de España, July/August 1991, pages 58-60.

provisions, addressing the problems involved in the changes that will occur when the Circular is first applied; a repealing provision, and a final provision relating to its entry into force. In addition, the Circular includes nine annexes: three on the formats for public statements, and four on the formats for prudential returns, one on the sectorisation criteria and the last one on credit risk.

The most salient aspects of the Circular are set out below.

SCOPE

The Circular applies to the preparation of the public individual and consolidated financial statements and the prudential returns of credit institutions, Spanish branches of foreign credit institutions, groups of credit institutions and consolidable groups of credit institutions.

PUBLIC FINANCIAL STATEMENTS

The most important part of the Circular refers to the preparation of the public financial statements. It starts by determining the institutions and, where applicable, the groups of credit institutions that are required to prepare individual and consolidated annual accounts, and the obligation to publish regularly, through their respective professional associations, other information to which the criteria of the Circular must be applied.

It then addresses the content of the annual accounts, the characteristics the financial information must have (being clear, relevant, reliable and comparable), the accounting policies to be applied and the definitions of the elements of the annual accounts (assets, liabilities, equity, expenses, income, gains and losses).

The Circular also defines the basic assumptions on which the financial information is compiled (accruals basis and going concern) and the main criteria on which it is based (recognition, no offset and matching of costs with revenues). Also, it defines the general measurement bases common to all types of assets and liabilities, including fair value, the criteria for recognising income and the treatment of errors and changes in accounting estimates, those applicable to events occurring between the balance sheet date and the date the financial statements are authorised for issue and the rules for translating amounts in foreign currency.

It also includes the definitions and characteristics of financial instruments (financial assets, financial liabilities and equity instruments), and of the portfolios into which they are classified for the purposes of their measurement, these being:

- “Instruments recorded at fair value through profit or loss”, which include the trading portfolio and other financial instruments that fulfil certain requirements.
- “Held-to-maturity investments”, which include securities representing a debt of the issuer when the investor entity fulfils certain requirements; these securities are recorded at amortised cost.
- “Loans and receivables”, which include non-traded financial assets that represent debts for their issuer or obligor; they are recorded at amortised cost.
- “Available-for-sale financial assets”, which include debt securities and equity instruments not recorded in other categories; they are measured at fair value, with changes in value recorded in equity until they are realised, at which point they shall be recognised in the income statement; except equity instruments whose fair value cannot be reliably estimated, which are measured at cost.

It also establishes the criteria for derecognition of financial assets, including securitisation or other transactions involving the mobilisation of assets. As a general rule, the rights of the assets must be transferred or must have expired. In the first case, for derecognition to take place, all the risks and benefits incorporated in the financial asset need to have been substantially transferred.

The next section, devoted to non-financial assets contains the specific rules for tangible and intangible assets and for inventories. Cost has been chosen as the measurement basis. However, the Circular provides for the exceptional possibility, when it is first applied, of measuring freely disposable tangible assets at fair value with any change recorded in reserves.

The Circular also regulates the rules applicable to asset impairment, distinguishing between financial and other assets. Allowances for losses on financial assets are envisaged, provided that they are based on objective evidence. To estimate the losses arising from the deterioration of credit risk the criteria of Annex IX shall be used, which envisages the need to make specific and general provisions for insolvency risk attributable to the customer, and specific provisions for country risk. For other assets, including goodwill, deterioration is considered to have occurred when the carrying amount of the asset exceeds its recoverable amount.

An important part of the Circular refers to hedge accounting. There are two sets of rules: one for the hedging of financial instruments, or groups of instruments that share similar risk characteristics (known as micro-hedges), and another for the hedging of the interest rate risk of a portfolio of financial instruments (macro-hedges). In both cases, except for the hedging of exchange risk, only derivatives can be used as hedging instruments.

Three types of hedge are defined: fair value, cash flow and net investment in a foreign operation. These are distinguished by the way in which the gain or loss on the hedged instrument (in the case of fair value hedges, in which the hedged instruments are measured at fair value) or on the hedging instrument (in the case of the other two types of hedge, in which changes in value are recorded in equity, until they are recognised in the income statement in a manner symmetrical with the gain or loss on the hedged instruments) is recorded. In the case of portfolio hedges of interest rate risk, the possibility of applying the criteria adopted by the European Union (accepting the hedging of stable deposits and relaxing the requirements for estimating the efficacy of the hedge) has been included as an option.

The Circular also establishes the criteria applicable to the accounting treatment of mergers and acquisitions and other corporate reorganisations, as well as the methods of integrating the financial statements of branches of the institution and the general criteria for recording investments in subsidiaries, associates and jointly controlled entities in consolidated statements. The most important change worth mentioning is the disappearance of the exclusion from consolidation by reason of activity and the strengthening of the concept of control to integrate globally and of significant influence to apply the equity method. Proportionate consolidation is established as the general rule for jointly controlled operations and, exceptionally, the equity method.

CONTENT OF THE FINANCIAL STATEMENTS

Another important aspect of the Circular explains the content of the various financial statements: balance sheet, income statement, statement of changes in equity and cash flow statement.

For their part, the rules relating to the content of the explanatory notes and the information on related parties represent a substantial increase in information and in levels of transparency with

respect to the current situation. Thus, the information relating to financial risks and their management, along with the strategies and internal organisation, including hedging policies is increased. In addition, information must be given on the fair values of those assets and liabilities that have not been valued in the balance sheet, applying this criterion (e.g. held-to-maturity investments and loans and receivables). As regards the transactions with related parties, the nature and relations with each party shall be disclosed, as well as the policies followed with them and the amounts in the balance sheet and income statement that are affected by these relationships.

PRUDENTIAL FINANCIAL RETURNS

The Circular establishes that the same criteria shall be used to prepare the prudential returns as are used to prepare the public statements. Also, it sets the criteria for presenting such statements, defining the content of the off-balance-sheet items and establishes criteria for sectorising the personal balances.

At the same time, it establishes which are the prudential statements that must be sent to the Banco de España, as well as the frequency and submission deadlines.

Four types of statement are distinguished: individual, consolidated for the consolidable group of credit institutions and those relating to the statistical requirements of Economic and Monetary Union.

INTERNAL CONTROL AND MANAGEMENT CRITERIA

The Circular requires that entities have certain internal control and management criteria, and lays down the obligation to keep a centralised register of bank guarantees, as in the past, and to set up a register of powers of attorney granted and another of judicial and administrative procedures.

OTHER MATTERS

In the section containing the rules for preparing the public financial statements, a section of the Circular addresses certain matters that, owing to their relevance, need to be highlighted:

- Leases: including both operating and finance leases; the need for a put option to classify the lease as a finance lease has been dispensed with and operations are classified according to whether or not all the risks and rewards are transferred from the lessor to the lessee.
- Non-current assets held for sale: a rule to regulate assets with an economic life of more than one year, whose value the entity wishes to recover through sale instead of use. The rule requires a commitment by the board of directors to carry out the sale within the period envisaged which, save for exceptions, shall be one year. This rule includes the treatment of assets foreclosed as a consequence of breach of contract by the lender, and the criteria that shall be observed when this type of asset is sold with financing from the entity itself.
- Personnel expenses and equity-instrument based employee compensation: these two rules cover both short-term compensation, whatever the settlement formula, and long-term compensation which is normally paid from the time that the worker's working life ends; for this type of compensation, the possibility of using a corridor, even in the first application, to attribute the actuarial gains or losses that exceed a 10% limit with an attribution period of five years, is provided for.
- Other provisions and contingencies: the treatment of obligations whose nature is clearly identified, but the amount and timing of which are undetermined, provisions being required when losses are estimated.

- Commissions: the Circular classifies the treatment that shall be given to commissions received or paid, according to whether they are compensation for a service provided or for a cost incurred, or whether they are additional remuneration to the interest rate on the operation; the former are recognised as income when the service is performed or the cost incurred, and the latter are allocated over the life of the operation. Entities are expected to compensate the incremental costs they have incurred with part of the amount of the commissions received.
- Exchanges of assets: it is established how exchanges of assets should be recorded, which shall depend on whether or not they are commercial.
- Insurance contracts: the rule regulates the treatment of assets and liabilities having the nature of insurance transaction and, following the provisions of the International Financial Reporting Standards, does not propose a specific method for valuing the liabilities arising from these transactions, so that the entities shall apply the national regulation.
- Social funds and welfare projects: only affects savings banks and credit co-operatives; it is clarified that the transfers that are compulsory by nature shall be treated as an expenditure of the period and that the funds pending consumption and the tangible assets corresponding to these activities shall be presented in separate items of the balance sheet.
- Tax on company profits: following the recommendation of the White Book for the reform of accounting in Spain, the Spanish accounting treatment has been maintained, with the necessary adjustments to make it compatible with the IFRS.

Finally, the Circular establishes that the first statements that have to be presented to the Banco de España based on the new accounting criteria are those of 30 June 2005. In addition, the 2004 and 2005 statements must be restated using the new criteria.

The entry into force of the Circular is set for 1 January 2005, except for the individual financial statements, whose entry into force shall be 30 June 2005.

Repeal of various Banco de España circulars

CBE 22/1992 of 18 December 1992² on the foreign exchange market, regulated the functioning of that market, following the principle of free exchange rates and establishing the terms on which foreign-exchange buying and selling transactions (against both pesetas and other currencies) should be carried out and the days that are to be considered business days for such purposes. Also, the same Circular determined the foreign currencies quoted by the Banco de España and the obligation of the latter entity to publish the buying and selling rates for currencies applied to the ordinary transactions it carried out for its own account, which were considered “official rates” for the purposes of the provisions of the prevailing legislation that refer to such rates. However, on 1 January 1999 the euro was introduced and the peseta abolished as a monetary unit and a unit of account of the national monetary system, while exchange rate policy was attributed to the European Union. All of this has involved a radical change in the foreign exchange market, which is no longer local, but European in scope. Therefore, it is necessary to repeal this Circular. The same is the case with CBE 2/1997 of 25 March 1997³,

2. See “Regulación financiera: cuarto trimestre de 1992”, *Boletín Económico*, Banco de España, January 1993, page 73. 3. See “Regulación financiera: primer trimestre de 1997”, *Boletín Económico*, Banco de España, April 1997, pages 113 and 114.

addressed to registered institutions, which regulates the reporting of daily foreign currency positions and merely repealed rule four of Circular 22/1992.

It would also be appropriate to repeal CBE 1/1993 of 26 January 1993 on the payment regime with Colombia. This regime is no longer necessary as the Reciprocal Credit Agreement between the Bank of the Republic of Colombia and the Banco de España was terminated that year and all transactions that remained outstanding have been settled in the meantime.

Finally, CBE 12/1998 of 23 December 1998⁴ on the redenomination of Certificates of the Banco de España should also be repealed, since all the certificates of deposit issued by the Banco de España have already been redeemed.

In accordance with the foregoing, *CBE 5/2004 of 22 December 2004* (BOE 30 December 2004) has been published, which repealed the aforementioned Circulars as from 30 December 2004, the date of its entry into force.

Guideline of the European Central Bank on the procurement of euro banknotes

The Treaty establishing the European Community and, in particular, the Statute of the European System of Central Banks and of the European Central Bank grant the Governing Council of the European Central Bank (ECB) the exclusive right to authorise the issue of euro banknotes within the Community. The ECB may allocate the responsibility for issuing euro banknotes to the national central banks of the Member States that have adopted the euro (NCBs), in accordance with the NCBs' percentage shares in the ECB's subscribed capital in the relevant financial year. Moreover, the ECB should allocate the responsibility for concluding and managing supply agreements for euro banknote production taking into account the principle of decentralisation and the need for an effective management framework.

On 10 July 2003, the Governing Council of the ECB decided that a common Eurosystem competitive approach to tendering (hereinafter the single Eurosystem tender procedure) should apply to the procurement of euro banknotes at the latest from 1 January 2012 onwards. NCBs that have an in-house printing works, or those using a public printing works may elect not to participate in the single Eurosystem tender procedure. In such cases, these printing works will remain responsible for the production of the euro banknotes that have been allocated to their NCBs in accordance with the capital key but will be excluded from participating in the single Eurosystem tender procedure.

Now, the *Guideline of the European Central Bank of 16 September 2004* on the procurement of euro banknotes (ECB/2004/18) (OJ of 21 October 2004) has been published which, among other matters, establishes the eligibility and award criteria of the tender procedure.

The single Eurosystem tender procedure will ensure a level playing field between all printing works participating in the procedure by permitting competition between them in a transparent and fair manner that does not give any of the participants an unfair advantage.

Finally, the Governing Council shall monitor all key raw materials and factors of production and, if necessary, take adequate measures to ensure that they are selected and procured so as to ensure the continuity of supply of euro banknotes and, without prejudice to European competition law and the European Commission's competencies, to prevent the Eu-

4. See "Financial regulation: fourth quarter of 1998", *Economic Bulletin*, Banco de España, January 1999, p. 85.

rosystem suffering due to the abuse of a dominant market position by any contractor or supplier.

Amendment of the law on book-entry State debt and the Regulations of the Caja General de Depósitos

The current legal system applicable to the charging or attachment of book-entry government securities is contained, basically, in the Ministerial Order of 19 May 1987⁵, implementing Royal Decree 505/1987 of 3 April 1987, which provides for the setting up of a book-entry system, and in the Ministerial Order of 7 January 2000, implementing Royal Decree 161/1997 of 7 February 1997, which establishes the Regulations of the *Caja General de Depósitos*.

Malfunctioning has been detected in this system, when book-entry securities that have been charged or attached are redeemed since, in certain circumstances, the redemption amount is withheld indefinitely.

To avoid this situation, *Order EHA/4260/2004 of 27 December 2004*, which amends the Order of 19 May 1987 and the Order of 7 January 2000 (BOE of 30 December 2000), has been published. This requires the person or authority requesting the immobilisation of the securities to designate a cash account into which the redemption amount is to be paid.

Specifically, as regards the Order of 19 May 1987, the Book-Entry System shall establish the procedure for immobilising the balances necessary for establishing rights over or charging book-entry State debt. Upon redemption, the cash corresponding to immobilised balances shall from now on be paid to the registered entity or account holder in whose name the redeemed securities are recorded or into the account that, in accordance with the rules regulating the system for recording securities, such entities or the applicant or beneficiary judicial or administrative authority may designate.

Likewise, as regards the Ministerial Order of 7 January 2000, it is provided that, when securities that have been charged as security at the *Caja General de Depósitos* are redeemed, the cash corresponding to such securities shall be paid into the account of the Treasury at the Banco de España, remaining subject to the rules for security in the form of cash. The cash amount arising from redemption shall be paid to the managing entity or the account holder in whose name the securities are entered at the time of their redemption, which shall dispose of such cash amount as appropriate. However, in the event of cash arising from the redemption of securities that have been immobilised to provide security at the *Caja General de Depósitos*, when the effectiveness of such security has been confirmed by the administrative agency, autonomous body or public entity at whose disposal it was established, the corresponding cash shall be paid into the account determined by the Treasury, the cash deposits being subject to the rules for security in the form of cash.

State budget for 2005

As usual in December, *Law 2/2004 of 27 December 2004* on the State budget for 2005 (BOE of 28 December 2005) has been published. The Law seeks to help increase the productivity of the Spanish economy, through public and infrastructure investment, a research drive, technological development and innovation and the expansion of the educational grants at all levels. In addition, it attempts to boost social spending in certain areas in which the needs are particularly pressing.

For the first time since 1993, the government has chosen this year to submit only the budget law to parliament, the usual practice being for it to be accompanied by the so-called law on fiscal, administrative and social measures.

5. See "Regulación financiera: segundo trimestre de 1987", *Boletín Económico*, Banco de España, July-August 1987, pp. 46-48.

From the viewpoint of financial regulation, the following monetary, financial and fiscal sections are highlighted:

AMENDMENT OF THE LAW ON
PAYMENT AND SECURITIES
SETTLEMENT SYSTEMS

The Budget Law, in its additional provisions, amends Law 41/1999 of 12 November 1999 on payment systems and securities settlement systems. Specifically, it addresses the new regulation of *Sociedad Española de Sistemas de Pago, Sociedad Anónima* (the Company), which will replace *Servicio de Pagos Interbancarios, Sociedad Anónima*, which shall be responsible for managing the National Electronic Clearing System (SNCE), planned for before 1 July 2005.

The Company shall act under the principle of financial balance and shall have as its sole object:

- a) To facilitate the exchange, clearing and settlement of fund transfer orders between credit institutions, whatsoever the type of document, payment instrument or fund transmission giving rise to such transfer orders.
- b) To facilitate the distribution, collection and treatment of means of payment of credit institutions.
- c) To provide complementary or auxiliary technical or operating services to the above-mentioned activities, and any others requested so that the Company collaborates and co-ordinates its activities in relation to payment systems.
- d) Those others entrusted by the Government, following a report by the Banco de España.

The Company may participate in the other systems regulated by this Law, without it being able to assume risks other than those deriving from the activity that constitutes its sole object. The Ministry of Economy and Finance, following a report of the Banco de España, shall establish those financial intermediation activities that the Company may carry out and which are necessary for the development of their functions.

Within the limits of its corporate object, the Company may establish with other bodies or entities that perform similar functions, within or outside domestic territory, the relations it deems appropriate for best performing its functions, and assume the management of other systems or services with similar aims, other than the SNCE. Also, credit institutions operating in Spain and registered in the Banco de España's compulsory official registers may also participate in the National System or other systems managed by the Company. In no event may specialised credit institutions do so.

The Company shall be supervised by the Banco de España, which shall be responsible for authorising, before they are adopted by the Company's relevant bodies, the articles of association and any amendments thereto, as well as the basic rules of functioning of the systems and services it manages. The *penalty system* established by Law 26/1998 of 28 July 1998 on discipline and intervention of credit institutions, with such specifications as may be legally determined, shall be applicable to the Company, as shall the intervention regime established in the same law.

AMENDMENT TO THE LAW OF
AUTONOMY OF THE BANCO DE
ESPAÑA

The budget law also amends article 16 of Law 13/1994 of 1 June 1994 on autonomy of the Banco de España, in order to bring about the integration of payment systems in Spain, a fundamental pillar for the correct functioning of the financial system and for financial stability itself.

In performing its functions as a member of the ESCB, the Banco de España may, by means of Circulars, regulate payment clearing and settlement systems. In particular, it may implement and complete legal acts issued by the ECB and incorporate the recommendations of international agencies that constitute principles applicable to the safety and efficiency of payment systems and instruments. It may also manage, where applicable, the relevant payment clearing and settlement systems.

The Banco de España shall also be responsible for monitoring the functioning of clearing and payment systems. For this purpose it may require, both from the entity managing the payment system and from suppliers of payment services, including those entities that supply technical services for the aforementioned systems and services, all such information and documentation as it may consider necessary to assess the efficiency and safety of payment systems and instruments.

For reasons of prudence, the Banco de España may suspend the application of the decisions taken by the managing entity of a payment system, and take appropriate measures, when it considers that such decisions infringe the legislation in force or prejudice the smooth operation of clearing and settlement processes.

STATE DEBT

With regard to State debt, the government has been authorised to increase the outstanding amount of State debt as at 31 December during 2005, on condition that as at 31 December 2005 it shall not exceed the level at the beginning of the year by more than €14 billion. This limit may be exceeded during the course of the year with the prior authorisation of the Ministry of Economy and Finance, those cases in which it shall be automatically revised having been established.

TAX ASPECTS

As for personal income tax, the main measure is the updating of the tax rates to avoid an increase in the tax burden. Also, for the purposes of calculating the capital gains arising on property, the coefficients for adjusting the acquisition value have been raised by 2%.

Also the provisions that enable the loss of tax profits to be offset that affect certain taxpayers of the current personal income tax law, such as lessees and purchasers of first homes with respect to those established in the Personal Income Tax Law 18/1991 of 6 June 1991.

In relation to corporate income tax, the updating of the coefficients applicable to property assets is included, which enables the monetary depreciation in cases of transfer to be corrected. Finally, in relation to local taxes, the ratable values of properties are raised by 2%.

OTHER PROVISIONS

Other provisions of an economic nature relate to the legal interest rate, which is raised from 3.75% to 4%, and to default interest, which is raised from 4.75% to 5%. Likewise, the employment promotion programme is regulated, as is the financing of continued training. Finally, the public indicator of multiple effect income (IPREM), fruit of the new regulation of the minimum wage, has been introduced for 2005.

Amendment of the personal income tax regulations

The consolidated text of the Personal Income Tax Law, approved by Royal Legislative Decree 3/2004 of 5 March 2004⁶, established that withholdings and payments on account in respect of earned income arising from employment relationships or those based on articles of association and from ordinary and public-sector pensions would be determined by regulations,

6. See "Financial regulation: 2004 Q1", *Economic Bulletin*, Banco de España, April 2004, Section 10.

taking as reference the amount that results from applying the tax rates to the income in relation to which the withholding or payment on account is to be made.

Consequently, and considering that the government's economic aims include maintaining the purchasing power of wages and pensions, *Royal Decree 2347/2004 of 23 December 2004* has been enacted to amend the personal income tax regulations approved by Royal Decree 1775/2004 of 30 July 2004 on the annual average wage for all taxpayers and on withholdings and payments on account on earned income (BOE of 24 December 2004).

First, the annual average wage for all persons submitting income tax returns has been raised from €17,900 to €19,600. This variable is used to calculate the maximum amount to which, where applicable, the reduction of 40% of earned income arising from the exercise of stock options by employees is applied. Second, each of the withholding brackets applicable to earned income has been raised by 2%

Consolidated text of the Private Insurance Law

The Private Insurance Law 30/1995 of 8 November 1995⁷ incorporated Community provisions in force at the time into Spanish law, especially those relating to the control and supervision of insurance corporations, following the path forged by the Member States of the European Economic Area.

Subsequently, the Financial System Reform Law 44/2002 of 22 November 2002⁸ made a number of amendments to Law 30/1995. First, it transposed the Community legislation published up to that date into Spanish internal law, and promoted the efficiency of the insurance market through the abolition of the *Comisión Liquidadora de Entidades Aseguradoras* (Insurance Corporation Liquidation Board) and the assumption of its functions by the *Consorcio de Compensación de Seguros* (Insurance Compensation Consortium). Second, some important changes were made in relation to the protection of financial services customers: infringements involving shortcomings in the administrative procedures and internal control of insurance corporations were defined, and the penalty system for insurance infringements was updated. Finally, the government was authorised to draft a consolidated text of the Private Insurance Law 30/1995 of 8 November 1995 within one year, and to standardise, clarify and harmonise the legal texts to be included therein.

For its part, the Insolvency Law 22/2003 of 9 July 2003 amended Private Insurance Law 30/1995 of 8 November 1995 to adapt the wording of some of its provisions to the new insolvency regulations.

Subsequently, Law 34/2003 of 4 November 2003 on the amendment and adaptation of private insurance legislation to Community law, among other aspects, introduced significant changes into Law 30/1995 of 8 November 1995, given the need to adapt it to the most recent Community directives in the area of insurance, and authorised the government to prepare a consolidated text of the Private Insurance Law, including the amendments contained in Law 44/2002 of 22 November, and those arising from the Insolvency Law 22/2003 of 9 July 2003.

Legislative Royal Decree 6/2004 of 29 October 2004 (BOE of 5 November 2004), approving the consolidated text of the Private Insurance Law, has now been published to fulfil the mandate contained in the above-mentioned provisions. This Decree offers a systematic and unified

7. See "Regulación financiera: cuarto trimestre de 1995", *Boletín Económico*, Banco de España, January 1996, pp. 36-91. 8. See "Financial regulation: 2002 Q4", *Economic Bulletin*, Banco de España, January 2003, Section 2.

text, comprising the law applicable to private insurance, harmonising and clarifying the consolidated texts where necessary.

The consolidated text of the Private Insurance Law maintains the same structure and system as the Private Insurance Law 30/1995 of 8 November 1995.

General regulations for the tax penalty system

Royal Decree 2063/2004 of 15 October 2004 (BOE of 28 October 2004) has been published, to approve the general regulations for the tax penalty system, to implement the General Tax Law 58/2003 of 17 December 2003 and to replace the legislation hitherto in force, basically Royal Decree 1930/1993 of 11 September 1998.

The new regulations are characterised, inter alia, by the following aspects:

- a) The conceptual distinction between tax debts and tax penalties.
- b) The new definition of infringements, which adopts the three-way classification of minor, serious and very serious of Law 30/1992 of 26 November 1992 on general government and the common administrative procedure.
- c) The introduction of new penalty reductions for cases in which investigation findings are agreed and penalties paid without appeal.
- d) The special importance given to the subjective aspect of the infringement, so that, generally, for an infringement to be classified as serious requires *concealment* and for an infringement to be classified as very serious requires the employment of *fraudulent means*, these being specific expressions of a fraudulent intent in relation to taxation.
- e) And an increase in legal certainty, the aim having been to reduce the degree of administrative discretion in the application of the penalty system.

The latter two characteristics shape the content of the new regulations, which no longer specify the exact amount of the penalty, this being determined in most cases by law. Instead the regulations limit themselves to establishing the calculation formulae required for the correct application of certain legal concepts within the new system, as well as regulating the penalty procedure.

The new General Tax Law makes the cornerstone of infringements that generate financial loss the subjective element in each case, essentially *concealment* or *fraudulent means*. The fundamental rule for application of the new regime is unitary classification of the infringement, so that, when the presence of concealment, fraudulent means or any other circumstance that influences the classification of an infringement are simultaneously appreciated in a particular regularisation, the impact of each of these circumstances on the amount to which the penalty is applied shall be analysed in order to determine whether the infringement should be classified as minor, serious or very serious. Once classified, the infringement shall be considered to be the only one and the relevant penalty percentage applied.

As for infringements that do not involve any financial loss to the tax authorities and basically consist of breach of duties or formal obligations, the implementing regulations contain rules that attempt to clarify the incompatibility of certain infringement types in accordance with the principle of non-simultaneity of tax penalties.

With regard to the penalty procedure, the most notable change is the new conception of the right to separate proceedings for the penalty procedure as a right that may be waived by the parties in a tax application procedure. In relation to separate proceedings, the most important changes affect the resolution of the procedure, since it is provided that the body competent to resolve the procedure may order extension of the actions and rectify the proposed resolution. Also, it should be noted that the special rules relating to the penalty procedures conducted by tax inspection bodies are incorporated into the tax penalty system and that in the previous system they were to be found in the above-mentioned general tax inspection regulations.

Finally, it should be pointed out that some special provisions have been introduced regulating the imposition of non-monetary penalties and actions in relation to offences against the tax authorities.

Spanish adaptation to the new Community competition law framework

Royal Decree 295/1998 of 27 February 1998 relating to the application in Spain of European competition rules regulated the application of these provisions by the national bodies responsible for fair trading, and generally attributed powers to each of the national authorities, the fair trade tribunal (*Tribunal de Defensa de la Competencia*) and the office for fair trading (*Servicio de Defensa de la Competencia*). It also regulated the duty of secrecy and the treatment of confidential information and established, generally, the application of the rules of procedure in Law 16/1989 of 17 July 1989 on fair trading, and in its implementing provisions.

Recently, important changes have been made to Community competition law that have had to be incorporated into Spanish law and this has been carried out by the publication of *Royal Decree 2295/2004 of 10 December 2004* relating to the application in Spain of the Community competition rules (BOE of 23 December 2004).

The Royal Decree transposes into Spanish law Council Regulation (EC) No 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty establishing the European Community and Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings.

In this respect, Royal Decree 2295/2004 attributes the powers and obligations arising from Community law to the State fair trading bodies, these being the competition authorities in Spain for the purposes of Community law (these powers were previously divided between the State and the regional governments). Also, it regulates collaboration with the European Commission, with the national courts and with the national competition authorities of other Member States, it defines the powers of the officials or agents who undertake inspections in Spain, it establishes the rules applicable to the duty of secrecy and to confidential information with respect to the actions arising from the application of this Royal Decree, as well as the co-operation with jurisdictional bodies and, finally, it determines the rules of procedure that shall govern the application of the Community rules by the national authorities.

Measures to combat late payment in commercial transactions

The European Union has been paying increasing attention to the problems of excessively long payment periods and delay in the payment of contractual debts, since they reduce the profitability of firms, having particularly negative effects on small and medium-sized firms.

The initiatives of the European Union in this area led to Directive 2000/35/EC of the European Parliament and of the Council of 29 June 2000 on combating late payment in commercial transactions. Its aim was to promote greater transparency in the determination of payment periods in commercial transactions, and also compliance therewith. Its scope was limited to

payments made as remuneration for commercial transactions between undertakings or between undertakings and the public sector. It did not regulate transactions with consumers, interest in connection with other payments, e.g. payments under the laws on cheques and bills of exchange, or payments made as compensation for damages.

This Directive has recently been transposed into Spanish law by means of *Law 3/2004 of 29 December 2004* on combating late payment in commercial transactions (BOE of 30 December 2004).

The purpose of the Law is to combat late payment of money debts and the abuse, to the detriment of the creditor, in the setting of payment periods in commercial transactions giving rise to the delivery of goods or the provision of services between undertakings or between undertakings and the government. Its scope does not extend to: a) payments made in commercial transactions with consumers; b) interest in connection with the laws on cheques, promissory notes and bills of exchange and payments made as compensation for damages, including payments from insurance companies; and c) debts that are subject to insolvency proceedings instituted against the debtor, which shall be governed by the special legislation applicable.

The substantive measures against late payment regulated by the Law basically consist of establishing, generally, the period during which interest for late payment is payable, determining its automatic accrual, stating the rate of interest for late payment and granting the creditor the right to claim reasonable compensation from the debtor for recovery costs. In addition, the Law permits the use of retention of title clauses, whereby the seller retains title to goods until they are fully paid for.

The provisions of the Law determining the period in which interest for late payment is payable and the rate at which it is payable apply in the absence of agreement between the parties. That said, freedom of contract should not shelter abusive practices involving the imposition of clauses providing for longer payment periods or interest rates for late payment below those provided for in this Law, so that the courts may modify such agreements if, having considered the circumstances of the case, they are abusive to the creditor. In this respect, the fact that the agreement mainly serves to provide the debtor with extra liquidity at the expense of the creditor or for the main contractor to impose on its suppliers or subcontractors payment conditions that are not justified by the obligations it assumes may be considered to amount to abuse. The Law also regulates collective actions to prevent the use of such clauses when they have been drafted for general use.

ECONOMIC INDICATORS

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These indicators are continuously updated on the Banco de España's website. For those statistics whose source is the Banco de España, a data dissemination calendar giving the exact or approximate release date over the following three months is updated on the last day of 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 specified one week before the data are released.

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1. IMF Special Data Dissemination Standard (SDDS).

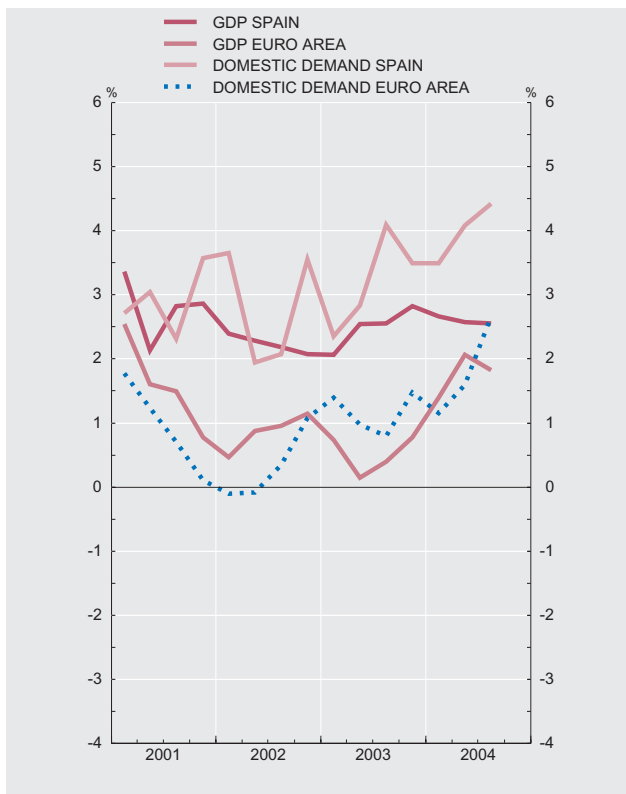
1.1. GROSS DOMESTIC PRODUCT. CONSTANT 1995 PRICES. DEMAND COMPONENTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

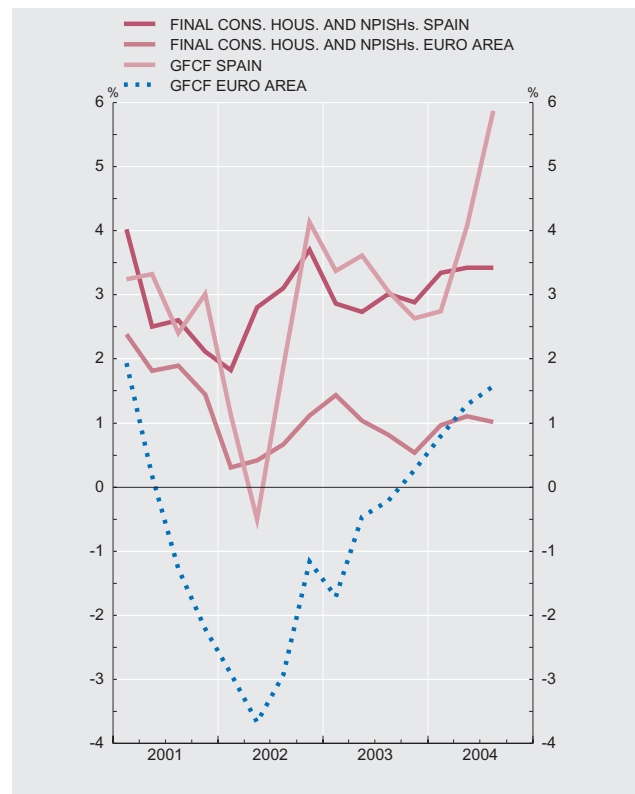
Annual percentage changes

		GDP		Final consumption of households and NPISHs		Government final consumption		Gross fixed capital formation		Domestic demand		Exports of goods and services		Imports of goods and services		Memorandum item: GDPmp (current prices) (e)	
		Spain	Euro area	Spain	Euro area (b)	Spain	Euro area (c)	Spain	Euro area	Spain	Euro area	Spain	Euro area (d)	Spain	Euro area (d)	Spain	Euro area
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
01	P	2.8	1.6	2.8	1.9	3.5	2.4	3.0	-0.3	2.9	1.0	3.6	3.4	3.9	1.7	654	6 847
02	P	2.2	0.9	2.9	0.6	4.1	3.1	1.7	-2.7	2.8	0.3	1.2	1.9	3.1	0.5	699	7 082
03	P	2.5	0.5	2.9	1.0	3.9	1.6	3.2	-0.5	3.2	1.2	2.6	0.2	4.8	2.0	745	7 265
01 Q4	P	2.9	0.8	2.1	1.4	3.7	2.8	3.0	-2.2	3.6	0.1	-2.4	-1.8	-0.1	-3.8	167	1 729
02 Q1	P	2.4	0.5	1.8	0.3	4.0	2.8	1.1	-2.9	3.7	-0.1	-4.0	-1.5	0.2	-3.2	170	1 750
02 Q2	P	2.3	0.9	2.8	0.4	4.3	3.4	-0.5	-3.7	1.9	-0.1	1.4	2.1	0.4	-0.4	173	1 764
02 Q3	P	2.2	1.0	3.1	0.7	4.2	3.1	1.9	-2.9	2.1	0.3	3.0	3.2	2.7	1.7	176	1 780
02 Q4	P	2.1	1.1	3.7	1.1	3.9	2.9	4.1	-1.2	3.6	1.1	4.7	3.9	9.3	3.9	179	1 789
03 Q1	P	2.1	0.7	2.9	1.4	4.0	1.9	3.4	-1.7	2.4	1.4	1.9	1.6	2.8	3.5	182	1 799
03 Q2	P	2.5	0.1	2.7	1.0	3.5	1.5	3.6	-0.5	2.8	1.0	3.9	-1.3	4.7	0.9	184	1 804
03 Q3	P	2.6	0.4	3.0	0.8	3.8	1.6	3.1	-0.2	4.1	0.8	3.1	0.2	7.9	1.3	187	1 824
03 Q4	P	2.8	0.8	2.9	0.5	4.2	1.5	2.6	0.3	3.5	1.5	1.6	0.3	3.7	2.1	191	1 838
04 Q1	P	2.7	1.4	3.3	1.0	4.3	1.7	2.7	0.8	3.5	1.2	5.5	3.6	7.8	3.1	194	1 859
04 Q2	P	2.6	2.1	3.4	1.1	4.3	1.7	4.1	1.3	4.1	1.6	3.5	7.6	8.1	6.7	196	1 880
04 Q3	P	2.6	1.8	3.4	1.0	4.4	1.9	5.9	1.6	4.4	2.7	4.2	6.1	9.6	8.7	200	1 896

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



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



Sources: INE (Contabilidad Nacional Trimestral de España) and Eurostat.

a. Spain: prepared in accordance with ESA95, SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see Economic bulletin April 2002); Euro area, prepared in accordance with ESA95.

b. Private consumption.

c. Government consumption.

d. Exports and imports comprise goods and services and include internal cross-border trade within the euro area.

e. Billions of euro.

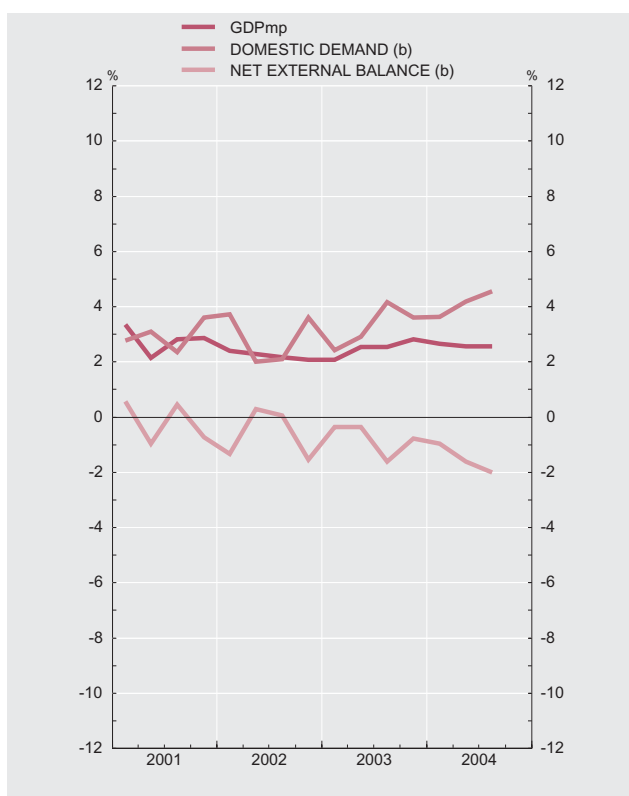
1.2. GROSS DOMESTIC PRODUCT. CONSTANT 1995 PRICES. DEMAND COMPONENTS. SPAIN (a)

■ Series depicted in chart.

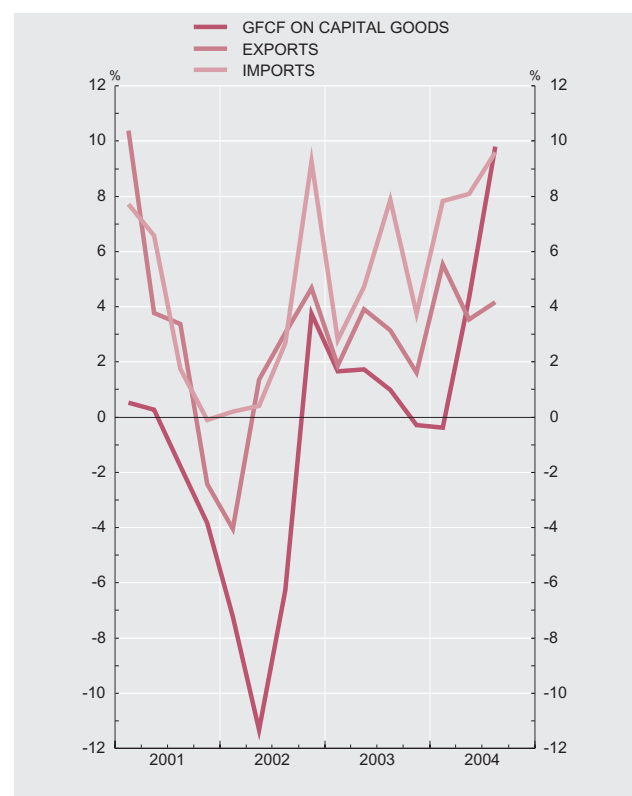
Annual percentage changes

		Gross fixed capital formation				Change in Stocks (b)	Exports of goods and services				Imports of goods and services				Memorandum items:		
		Total	Capital goods	Construction	Other products		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	16
01	P	3.0	-1.2	5.3	3.7	-0.1	3.6	2.4	3.3	11.1	3.9	3.3	9.2	6.9	-0.2	3.0	2.8
02	P	1.7	-5.4	5.2	3.0	0.0	1.2	3.0	-7.3	3.5	3.1	3.4	4.9	0.9	-0.6	2.9	2.2
03	P	3.2	1.0	4.3	3.0	0.1	2.6	3.9	-0.3	-0.6	4.8	5.2	5.0	2.3	-0.8	3.3	2.5
01 Q4	P	3.0	-3.8	6.3	5.2	0.9	-2.4	-4.4	-1.6	7.4	-0.1	-0.7	6.0	2.4	-0.7	3.6	2.9
02 Q1	P	1.1	-7.2	5.3	3.6	1.7	-4.0	-4.2	-8.1	2.4	0.2	0.1	1.4	0.3	-1.3	3.7	2.4
Q2	P	-0.5	-11.3	4.9	2.5	-0.3	1.4	3.3	-9.5	6.0	0.4	0.8	3.1	-2.5	0.3	2.0	2.3
Q3	P	1.9	-6.3	6.3	2.7	-0.9	3.0	5.2	-6.6	4.1	2.7	2.5	10.4	1.9	0.1	2.1	2.2
Q4	P	4.1	3.7	4.6	3.3	-0.3	4.7	7.7	-5.2	1.8	9.3	10.3	5.0	3.9	-1.5	3.6	2.1
03 Q1	P	3.4	1.7	4.2	3.4	-0.8	1.9	2.9	-3.1	2.7	2.8	2.5	1.2	4.8	-0.4	2.4	2.1
Q2	P	3.6	1.7	4.6	3.3	-0.2	3.9	5.3	0.9	0.1	4.7	4.8	3.7	4.2	-0.4	2.9	2.5
Q3	P	3.1	1.0	4.1	2.9	0.9	3.1	4.7	0.5	-1.7	7.9	9.2	5.0	0.5	-1.6	4.2	2.6
Q4	P	2.6	-0.3	4.2	2.4	0.4	1.6	2.7	0.7	-3.2	3.7	4.1	9.9	0.0	-0.8	3.6	2.8
04 Q1	P	2.7	-0.4	4.3	2.8	0.2	5.5	8.3	0.1	-1.9	7.8	8.5	21.1	0.6	-1.0	3.6	2.7
Q2	P	4.1	4.3	4.2	3.3	0.3	3.5	5.8	-2.2	-2.0	8.1	9.0	20.2	-0.4	-1.6	4.2	2.6
Q3	P	5.9	9.8	4.5	3.8	0.2	4.2	6.5	-1.5	-2.2	9.6	10.6	17.4	1.4	-2.0	4.6	2.6

GDP, DOMESTIC DEMAND AND NET EXTERNAL BALANCE
Annual percentage changes



GDP, DEMAND COMPONENTS
Annual percentage changes



Source: INE (Contabilidad Nacional Trimestral de España).

a. Prepared in accordance with ESA95, SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see Economic bulletin April 2002).

b. Contribution to GDPmp growth rate.

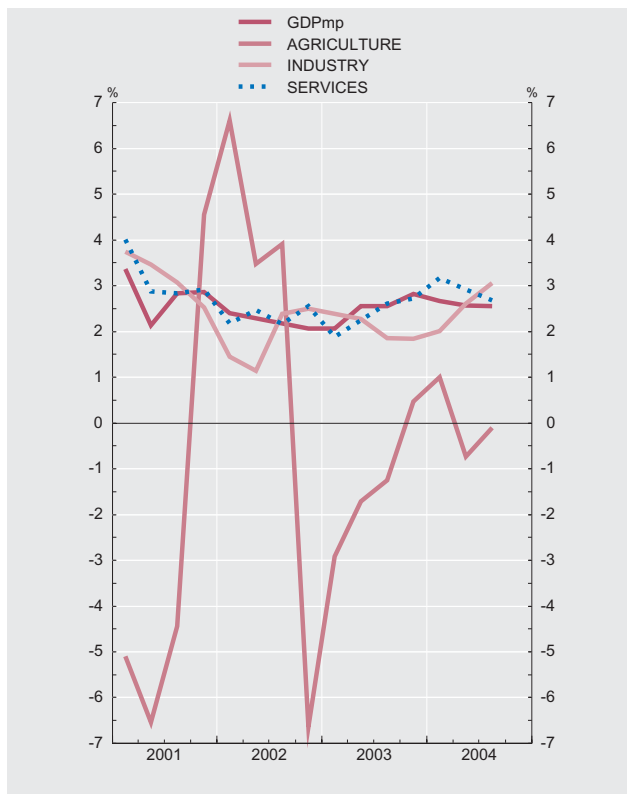
1.3. GROSS DOMESTIC PRODUCT. CONSTANT 1995 PRICES. BRANCHES OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

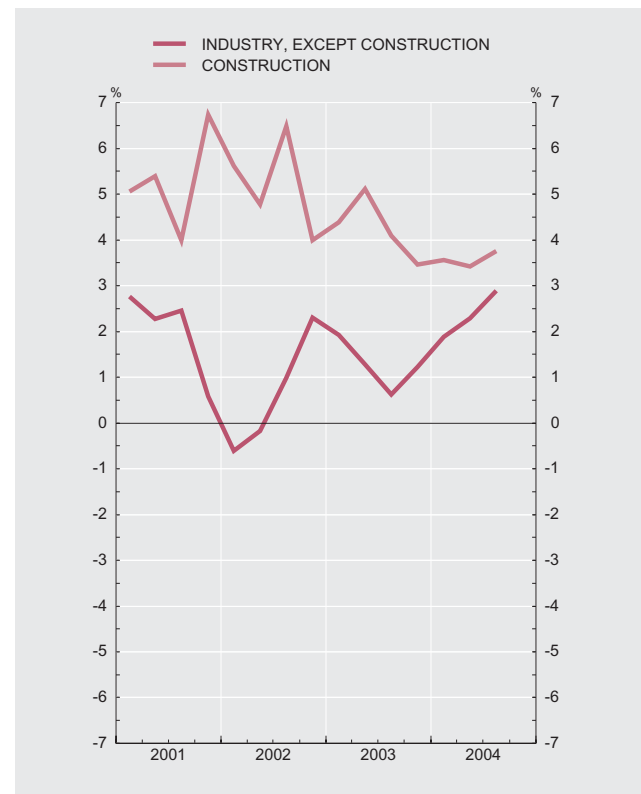
Annual percentage changes

		1	2	3	4	5	Services			9	10	11					
							Gross domestic product at market prices	Agriculture and fisheries	Energy				Industry	Construction	Total	Market services	Non-market services
01	P	2.8	-2.9	4.6	2.0	5.3	3.2	3.2	2.9	2.3	1.0	0.8					
02	P	2.2	1.7	0.9	0.6	5.2	2.3	2.2	2.7	2.3	-0.3	4.6					
03	P	2.5	-1.4	1.3	1.3	4.3	2.4	2.1	3.3	5.3	5.9	8.7					
01 Q4	P	2.9	4.6	3.3	0.6	6.7	2.9	2.7	3.7	6.3	-	-3.8					
02 Q1	P	2.4	6.6	2.7	-0.6	5.6	2.2	1.8	3.4	5.0	-3.2	6.4					
02 Q2	P	2.3	3.5	-0.1	-0.2	4.8	2.5	2.3	3.0	7.0	-	0.0					
02 Q3	P	2.2	3.9	0.7	1.0	6.5	2.2	2.1	2.4	-0.0	0.8	2.6					
02 Q4	P	2.1	-6.6	0.3	2.3	4.0	2.6	2.7	1.9	-2.3	1.2	9.6					
03 Q1	P	2.1	-2.9	0.3	1.9	4.4	1.9	1.5	3.1	3.2	3.3	7.0					
03 Q2	P	2.5	-1.7	0.9	1.3	5.1	2.2	2.1	2.8	7.3	4.0	8.0					
03 Q3	P	2.6	-1.2	2.9	0.6	4.1	2.6	2.4	3.3	4.9	9.1	8.6					
03 Q4	P	2.8	0.5	1.2	1.2	3.5	2.7	2.4	3.9	6.0	7.3	11.1					
04 Q1	P	2.7	1.0	-0.7	1.9	3.6	3.2	3.1	3.4	0.6	15.5	4.5					
04 Q2	P	2.6	-0.7	2.3	2.3	3.4	2.9	2.8	3.2	0.1	9.9	3.9					
04 Q3	P	2.6	-0.1	2.2	2.9	3.8	2.7	2.4	3.4	0.4	-	3.1					

GDP. BRANCHES OF ACTIVITY
Annual percentage changes



GDP. BRANCHES OF ACTIVITY
Annual percentage changes



Source: INE (Contabilidad Nacional Trimestral de España).

a. Prepared in accordance with ESA95, SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see Economic bulletin April 2002).

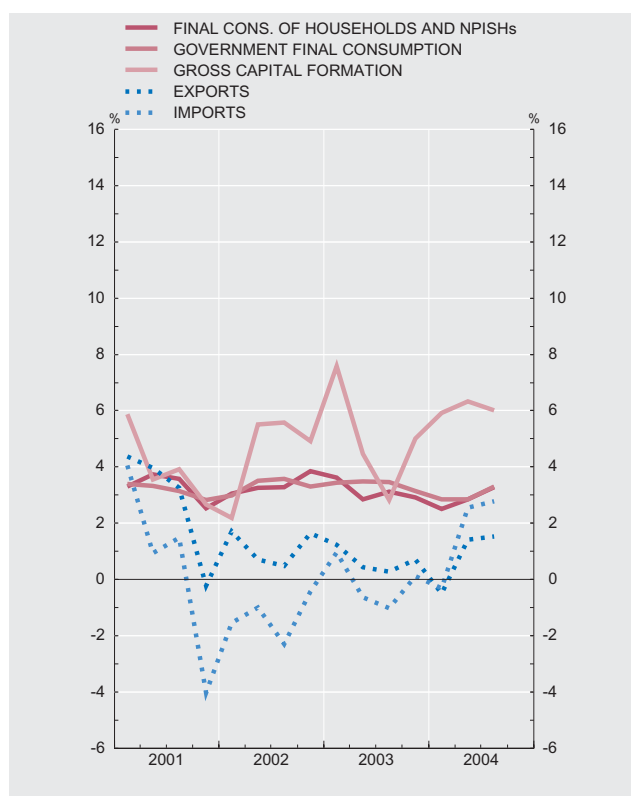
1.4. GROSS DOMESTIC PRODUCT. IMPLICIT DEFLATORS. SPAIN (a)

■ Series depicted in chart.

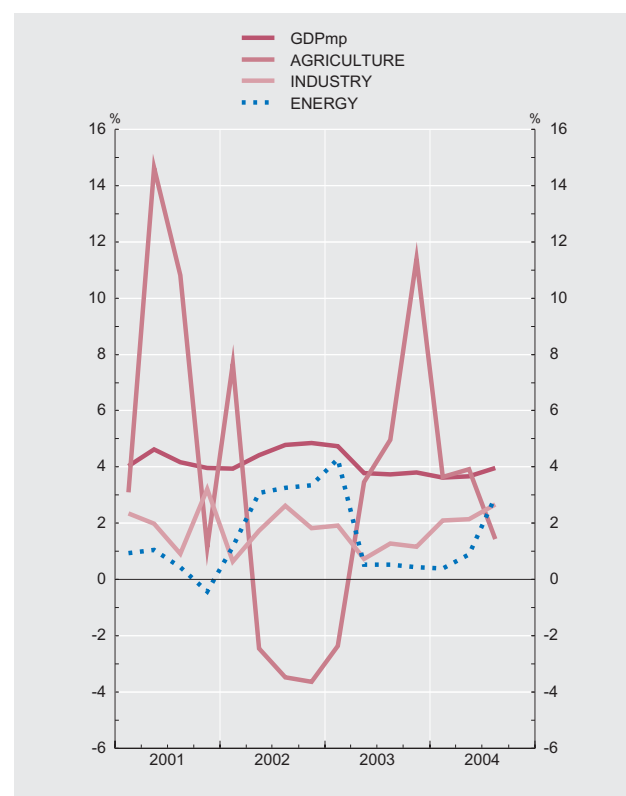
Annual percentage changes

		Demand components								Branches of activity						
		Final consumption of households and NPISHs	Government final consumption	Gross capital formation			Exports of goods and services	Imports of goods and services	Gross domestic product at market prices	Agriculture and fisheries	Energy	Industry	Construction	Services		
				Total	Of which									Market services	Of which	
					Capital goods	Construction										Other products
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		
01	P	3.3	3.2	4.0	1.0	5.5	3.7	2.7	0.5	4.2	7.3	0.5	2.1	6.8	4.7	5.1
02	P	3.4	3.3	4.5	1.6	5.3	4.7	1.1	-1.3	4.5	-0.6	2.7	1.7	7.1	5.0	5.4
03	P	3.1	3.4	5.0	1.9	6.0	5.4	0.7	-0.2	4.0	4.2	1.4	1.3	6.7	4.1	4.2
01 Q4	P	2.5	2.8	2.7	0.3	2.8	3.0	-0.2	-4.0	4.0	1.2	-0.4	3.2	5.6	4.4	4.7
02 Q1	P	3.1	3.0	2.2	0.8	4.4	3.7	1.7	-1.6	4.0	7.7	1.2	0.6	6.5	4.3	4.5
02 Q2	P	3.3	3.5	5.5	1.6	4.9	4.3	0.7	-1.0	4.4	-2.4	3.1	1.7	6.6	5.0	5.4
02 Q3	P	3.3	3.6	5.6	2.0	5.1	5.3	0.5	-2.3	4.8	-3.5	3.3	2.6	8.1	5.2	5.6
02 Q4	P	3.9	3.3	4.9	2.0	6.6	5.4	1.6	-0.4	4.8	-3.6	3.3	1.8	7.2	5.4	5.9
03 Q1	P	3.6	3.4	7.6	2.1	5.9	4.6	1.2	1.0	4.7	-2.4	4.3	1.9	6.7	5.2	5.7
03 Q2	P	2.9	3.5	4.5	2.0	5.8	5.7	0.4	-0.6	3.8	3.5	0.5	0.7	6.4	3.8	3.8
03 Q3	P	3.1	3.5	2.8	1.8	5.9	5.3	0.3	-1.0	3.7	5.0	0.5	1.3	6.1	3.7	3.8
03 Q4	P	2.9	3.1	5.0	1.8	6.5	6.1	0.7	0.1	3.8	11.4	0.4	1.2	7.5	3.5	3.5
04 Q1	P	2.5	2.9	5.9	1.9	7.4	6.5	-0.5	-0.3	3.6	3.6	0.4	2.1	8.1	3.4	3.4
04 Q2	P	2.9	2.9	6.3	2.0	7.8	7.7	1.4	2.5	3.7	3.9	0.9	2.2	8.2	3.5	3.7
04 Q3	P	3.3	3.3	6.0	2.4	8.1	7.5	1.5	2.8	4.0	1.4	2.9	2.7	8.5	3.9	4.3

GDP. IMPLICIT DEFLATORS
Annual percentage changes



GDP. IMPLICIT DEFLATORS
Annual percentage changes



Source: INE (Contabilidad Nacional Trimestral de España).

a. Prepared in accordance with ESA95, SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see Economic bulletin April 2002).

2.1. INTERNATIONAL COMPARISON. GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

■ Series depicted in chart.

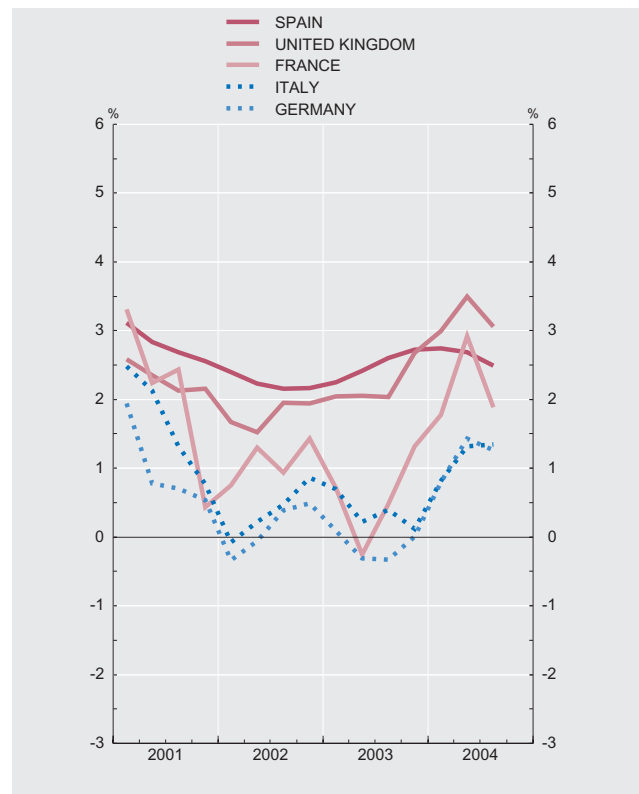
Annual percentage changes

	1	2	3	4	5	6	7	8	9	10
	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
01	1.1	1.7	1.6	1.0	2.8	0.8	2.1	1.7	0.2	2.3
02	1.6	1.0	0.9	0.1	2.2	1.9	1.1	0.4	-0.3	1.8
03	2.2	0.8	0.5	-0.1	2.5	3.0	0.6	0.4	1.3	2.2
01 Q3	0.7	1.5	1.5	0.7	2.8	0.4	2.4	1.3	-0.4	2.1
Q4	0.4	1.0	0.8	0.5	2.9	0.2	0.4	0.8	-2.0	2.2
02 Q1	0.7	0.7	0.5	-0.3	2.4	1.2	0.7	-0.1	-2.7	1.7
Q2	1.4	1.0	0.9	-0.1	2.3	1.5	1.3	0.2	-0.5	1.5
Q3	2.2	1.1	1.0	0.4	2.2	2.5	0.9	0.5	0.7	1.9
Q4	2.3	1.2	1.1	0.5	2.1	2.3	1.4	0.9	1.4	1.9
03 Q1	1.9	0.9	0.7	0.1	2.1	1.9	0.7	0.7	1.4	2.0
Q2	1.7	0.4	0.2	-0.3	2.5	2.3	-0.3	0.2	1.0	2.1
Q3	2.1	0.7	0.4	-0.3	2.6	3.5	0.5	0.4	1.0	2.0
Q4	2.9	1.1	0.8	0.0	2.8	4.4	1.3	0.1	2.0	2.7
04 Q1	3.7	1.7	1.4	0.8	2.7	5.0	1.8	0.8	4.0	3.0
Q2	3.8	2.3	2.1	1.4	2.6	4.8	2.9	1.3	3.1	3.5
Q3	...	2.0	1.8	1.3	2.6	4.0	1.9	1.3	2.5	3.1

GROSS DOMESTIC PRODUCT
Annual percentage changes



GROSS DOMESTIC PRODUCT
Annual percentage changes



Sources: ECB, INE and OECD.

Note: The underlying series for this indicator are in Table 26.2 of the BE Boletín estadístico.

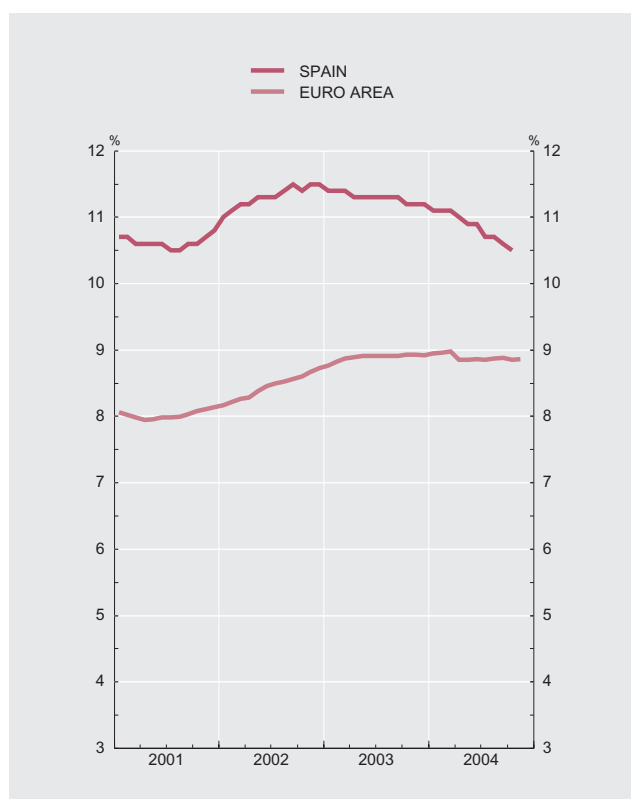
2.2. INTERNATIONAL COMPARISON. UNEMPLOYMENT RATES

■ Series depicted in chart.

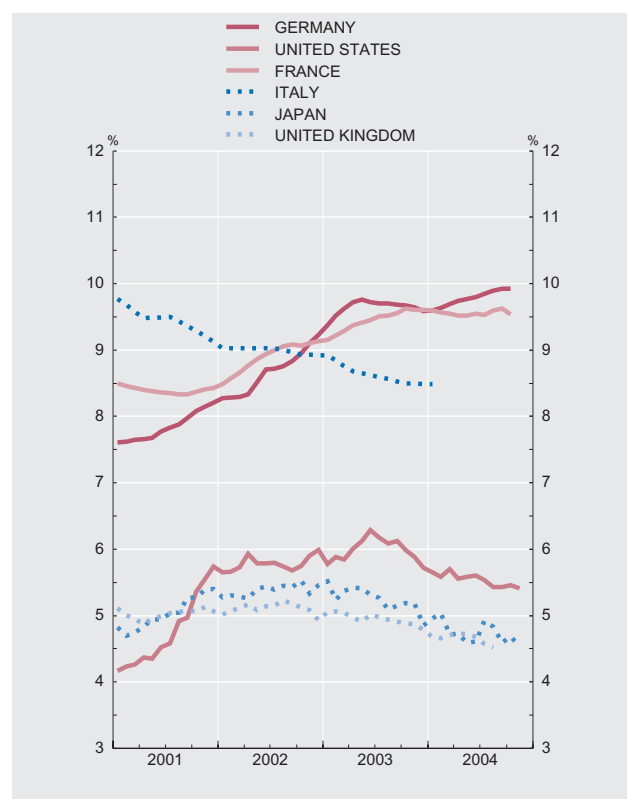
Percentages

	1	2	3	4	5	6	7	8	9	10
	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
01	6.5	7.4	8.0	7.8	10.6	4.8	8.4	9.4	5.0	5.0
02	7.0	7.7	8.4	8.7	11.3	5.8	8.9	9.0	5.4	5.1
03	7.1	8.1	8.9	9.6	11.3	6.0	9.4	8.6	5.2	5.0
03 Jun	7.2	8.1	8.9	9.7	11.3	6.3	9.5	8.6	5.3	5.0
03 Jul	7.2	8.1	8.9	9.7	11.3	6.2	9.5	8.6	5.3	5.0
03 Aug	7.2	8.1	8.9	9.7	11.3	6.1	9.5	8.6	5.1	4.9
03 Sep	7.2	8.1	8.9	9.7	11.3	6.1	9.6	8.5	5.2	4.9
03 Oct	7.1	8.1	8.9	9.7	11.2	6.0	9.6	8.5	5.2	4.9
03 Nov	7.1	8.1	8.9	9.6	11.2	5.9	9.6	8.5	5.2	4.9
03 Dec	7.0	8.1	8.9	9.6	11.2	5.7	9.6	8.5	4.9	4.8
04 Jan	7.0	8.0	9.0	9.6	11.1	5.7	9.6	8.5	5.0	4.7
04 Feb	6.9	8.0	9.0	9.6	11.1	5.6	9.6	...	5.0	4.7
04 Mar	6.9	8.1	9.0	9.7	11.1	5.7	9.6	...	4.7	4.7
04 Apr	6.9	8.1	8.9	9.7	11.0	5.6	9.5	...	4.7	4.7
04 May	6.9	8.1	8.9	9.8	10.9	5.6	9.5	...	4.6	4.7
04 Jun	6.9	8.1	8.9	9.8	10.9	5.6	9.6	...	4.6	4.7
04 Jul	6.9	8.0	8.9	9.9	10.7	5.5	9.5	...	4.9	4.6
04 Aug	6.9	8.0	8.9	9.9	10.7	5.4	9.6	...	4.8	4.5
04 Sep	6.8	8.0	8.9	9.9	10.6	5.4	9.6	...	4.6	...
04 Oct	6.8	8.0	8.9	9.9	10.5	5.5	9.5	...	4.7	...
04 Nov	...	...	8.9	...	...	5.4	...	...	4.5	...

UNEMPLOYMENT RATES



UNEMPLOYMENT RATES



Sources: ECB and OECD.

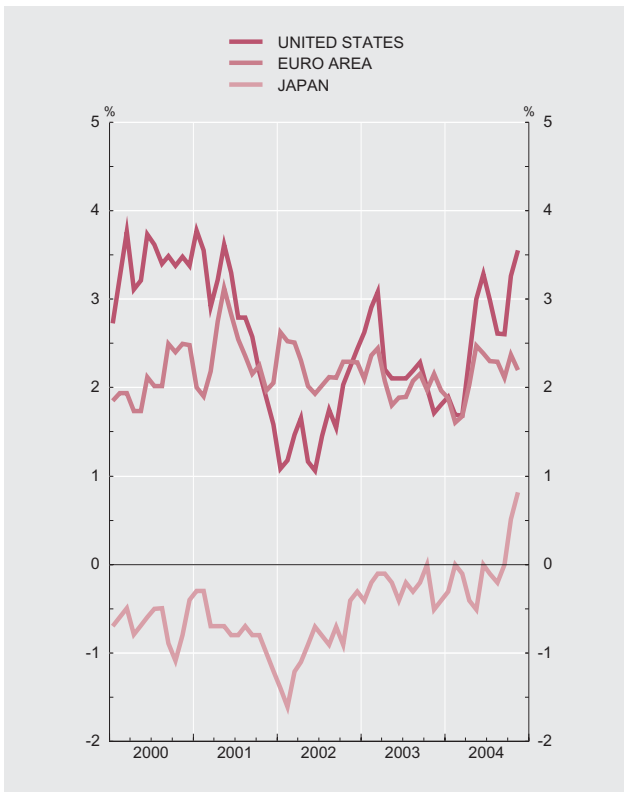
2.3. INTERNATIONAL COMPARISON. CONSUMER PRICES (a)

■ Series depicted in chart.

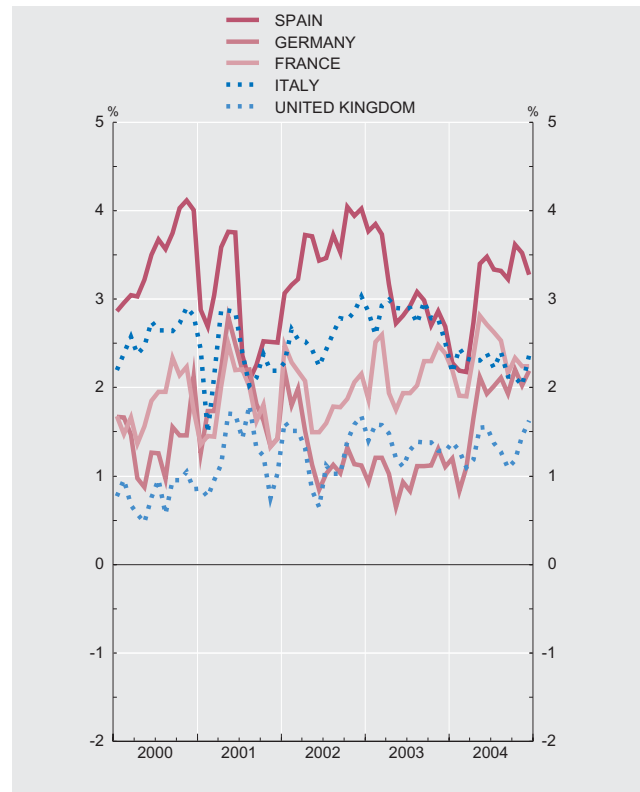
Annual percentage changes

	OECD 1	EU-15 2	Euro area 3	Germany 4	Spain 5	United States 6	France 7	Italy 8	Japan 9	United Kingdom 10
00	4.0	1.9	2.1	1.4	3.5	3.4	1.8	2.6	-0.7	0.8
01	3.5	2.2	2.3	1.9	2.8	2.8	1.8	2.3	-0.7	1.2
02	2.6	2.1	2.3	1.4	3.6	1.6	1.9	2.6	-0.9	1.3
03	2.5	2.0	2.1	1.0	3.1	2.3	2.2	2.8	-0.3	1.4
03 Jul	2.4	1.8	1.9	0.8	2.9	2.1	1.9	2.9	-0.2	1.3
<i>Aug</i>	2.3	2.0	2.1	1.1	3.1	2.2	2.0	2.7	-0.3	1.4
<i>Sep</i>	2.4	2.0	2.2	1.1	3.0	2.3	2.3	3.0	-0.2	1.4
<i>Oct</i>	2.2	1.9	2.0	1.1	2.7	2.0	2.3	2.8	-	1.4
<i>Nov</i>	2.1	2.0	2.2	1.3	2.9	1.7	2.5	2.8	-0.5	1.3
<i>Dec</i>	2.1	1.8	2.0	1.1	2.7	1.8	2.4	2.5	-0.4	1.3
04 Jan	2.0	1.8	1.9	1.2	2.3	1.9	2.2	2.2	-0.3	1.4
<i>Feb</i>	1.8	1.5	1.6	0.8	2.2	1.7	1.9	2.4	-	1.3
<i>Mar</i>	1.9	1.5	1.7	1.1	2.2	1.7	1.9	2.3	-0.1	1.1
<i>Apr</i>	2.1	1.8	2.0	1.7	2.7	2.3	2.4	2.3	-0.4	1.2
<i>May</i>	2.7	2.3	2.5	2.1	3.4	3.0	2.8	2.3	-0.5	1.5
<i>Jun</i>	2.8	2.2	2.4	1.9	3.5	3.3	2.7	2.4	-	1.6
<i>Jul</i>	2.7	2.1	2.3	2.0	3.3	3.0	2.6	2.2	-0.1	1.4
<i>Aug</i>	2.6	2.1	2.3	2.1	3.3	2.6	2.5	2.4	-0.2	1.3
<i>Sep</i>	2.5	1.9	2.1	1.9	3.2	2.6	2.2	2.1	-	1.1
<i>Oct</i>	2.8	2.1	2.4	2.2	3.6	3.3	2.3	2.1	0.5	1.2
<i>Nov</i>	3.0	2.0	2.2	2.0	3.5	3.5	2.2	2.0	0.8	1.5
<i>Dec</i>	...	...	...	2.2	3.3	...	2.2	2.4	...	1.6

CONSUMER PRICES
Annual percentage changes



CONSUMER PRICES
Annual percentage changes



Sources: OECD, INE and Eurostat.

Note: The underlying series for this indicator are in Tables 26.11 and 26.15 of the BE Boletín estadístico.

(a) Harmonised Index of Consumer Prices for the EU countries.

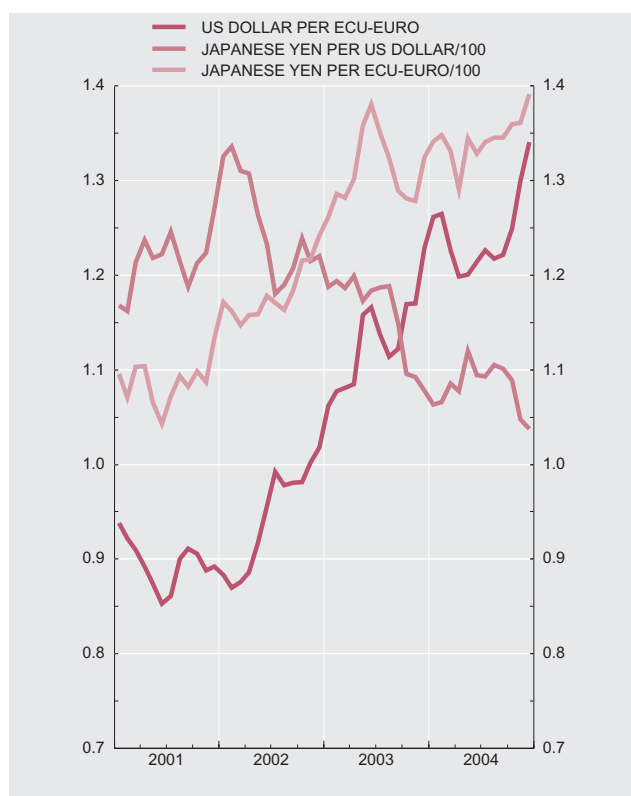
2.4. BILATERAL EXCHANGE RATES AND NOMINAL AND REAL EFFECTIVE EXCHANGE RATE INDICES FOR THE EURO, US DOLLAR AND JAPANESE YEN

■ Series depicted in chart.

Average of daily data

	Exchange rates			Indices of the nominal effective exchange rate vis-à-vis the (a) developed countries 1999 QI=100			Indices of the real effective exchange rate vis-à-vis the developed countries (b) 1999 QI=100					
	US dollar per ECU/euro	Japanese yen per ECU/euro	Japanese yen per US dollar	Euro	US dollar	Japanese yen	Based on consumer prices			Based on producer prices		
							Euro	US dollar	Japanese yen	Euro	US dollar	Japanese yen
1	2	3	4	5	6	7	8	9	10	11	12	
01	0.8955	108.76	121.50	86.7	111.8	106.9	86.8	116.2	99.3	88.4	112.9	100.3
02	0.9454	118.08	125.18	89.2	110.5	101.1	90.3	115.3	91.4	91.9	109.9	94.7
03	1.1313	130.98	115.93	99.9	97.5	99.9	101.7	102.5	88.3	102.2	98.3	91.9
03 J-D	1.1313	130.98	115.93	99.9	97.5	99.9	101.7	102.5	88.3	102.2	98.3	91.9
04 J-D	1.2433	134.41	108.18	103.8	89.7	101.5	105.9	96.2	87.8	105.3	93.4	90.5
03 Oct	1.1692	128.12	109.58	101.3	93.1	103.6	103.3	98.2	91.3	103.1	94.5	95.0
Nov	1.1702	127.84	109.25	101.2	92.7	103.7	103.3	97.6	91.1	103.2	93.6	95.1
Dec	1.2286	132.43	107.80	104.2	90.4	102.7	106.2	94.9	90.1	105.9	91.3	94.2
04 Jan	1.2613	134.13	106.34	105.4	88.7	102.5	107.4	93.6	89.7	107.0	90.1	93.5
Feb	1.2646	134.78	106.58	105.3	89.1	102.1	107.3	94.4	89.0	106.9	90.6	92.9
Mar	1.2262	133.13	108.56	103.4	90.8	101.8	105.4	96.5	88.4	105.2	92.7	92.0
Apr	1.1985	129.08	107.72	101.6	91.6	103.7	103.7	97.4	89.7	103.2	94.2	93.0
May	1.2007	134.48	112.02	102.4	93.3	99.9	104.4	99.5	86.2	103.9	96.7	88.8
Jun	1.2138	132.86	109.46	102.3	91.8	101.6	104.2	98.2	87.7	103.7	94.8	90.4
Jul	1.2266	134.08	109.32	102.8	90.7	101.0	104.7	97.0	87.1	104.4	93.8	89.6
Aug	1.2176	134.54	110.50	102.7	91.2	100.4	104.8	97.4	86.5	104.4	94.2	88.7
Sep	1.2218	134.51	110.09	103.0	90.7	100.7	105.1	96.9	86.9	104.6	93.8	88.7
Oct	1.2490	135.97	108.89	104.2	88.8	100.6	106.3	95.1	86.8	105.5	93.0	87.6
Nov	1.2991	136.09	104.77	105.6	85.3	102.3	107.7	91.6	88.2	106.6	...	...
Dec	1.3408	139.14	103.78	107.1	84.3	101.8	109.3	...	...	108.0	...	...

EXCHANGE RATES



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



Sources: ECB and BE.

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

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

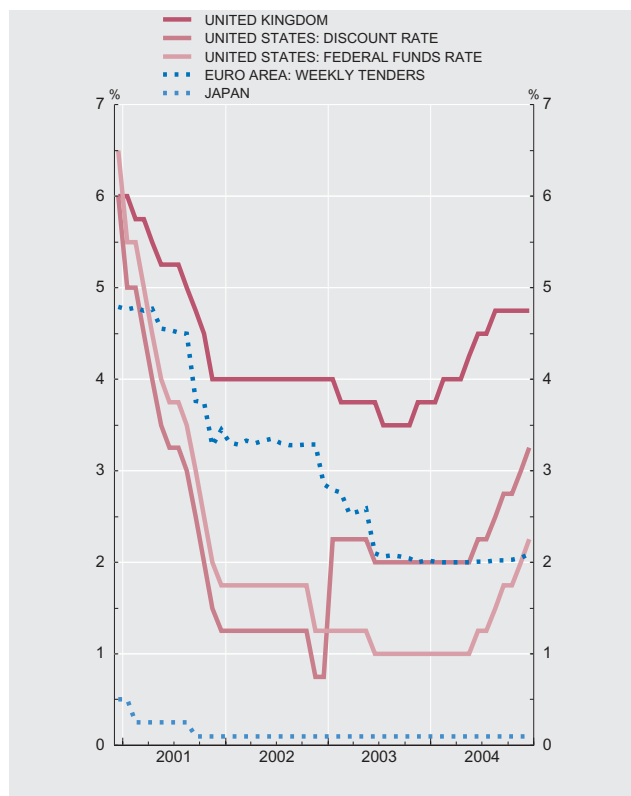
2.5. OFFICIAL INTERVENTION INTEREST RATES AND SHORT-TERM INTEREST RATES

■ Series depicted in chart.

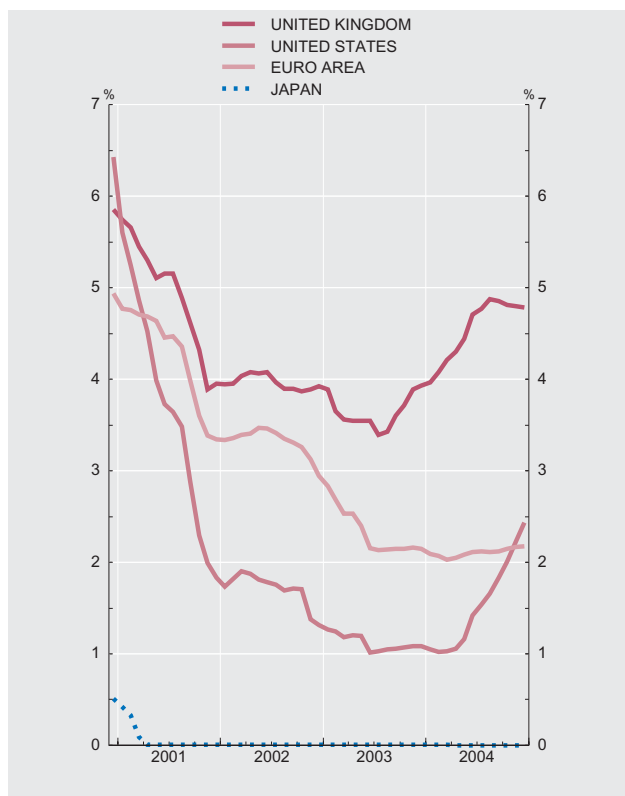
Percentages

	Official intervention interest rates					3-month interbank rates									
	Euro area (a)	United States		Japan (c)	United Kingdom (d)	OECD (6)	EU-15 (7)	Euro area (8)	Germany (9)	Spain (10)	United States (11)	France (12)	Italy (13)	Japan (14)	United Kingdom (15)
		Discount rate (b)	Federal funds rate												
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
03	2.00	2.00	1.10	0.10	3.75	1.63	2.55	2.33	-	-	1.12	-	-	0.01	3.64
03 Jul	2.00	2.00	1.00	0.10	3.50	1.51	2.33	2.13	-	-	1.03	-	-	0.01	3.39
<i>Aug</i>	2.00	2.00	1.00	0.10	3.50	1.52	2.35	2.14	-	-	1.05	-	-	0.01	3.43
<i>Sep</i>	2.00	2.00	1.00	0.10	3.50	1.53	2.38	2.15	-	-	1.05	-	-	0.00	3.60
<i>Oct</i>	2.00	2.00	1.00	0.10	3.50	1.54	2.40	2.14	-	-	1.07	-	-	0.00	3.71
<i>Nov</i>	2.00	2.00	1.00	0.10	3.75	1.57	2.43	2.16	-	-	1.08	-	-	0.01	3.89
<i>Dec</i>	2.00	2.00	1.00	0.10	3.75	1.57	2.43	2.15	-	-	1.08	-	-	0.01	3.93
04 Jan	2.00	2.00	1.00	0.10	3.75	1.53	2.39	2.09	-	-	1.05	-	-	0.01	3.96
<i>Feb</i>	2.00	2.00	1.00	0.10	4.00	1.51	2.39	2.07	-	-	1.02	-	-	0.01	4.08
<i>Mar</i>	2.00	2.00	1.00	0.10	4.00	1.50	2.37	2.03	-	-	1.03	-	-	0.01	4.21
<i>Apr</i>	2.00	2.00	1.00	0.10	4.00	1.52	2.39	2.05	-	-	1.06	-	-	0.00	4.30
<i>May</i>	2.00	2.00	1.00	0.10	4.25	1.58	2.44	2.09	-	-	1.16	-	-	0.00	4.44
<i>Jun</i>	2.00	2.25	1.25	0.10	4.50	1.71	2.50	2.11	-	-	1.42	-	-	0.00	4.71
<i>Jul</i>	2.00	2.25	1.25	0.10	4.50	1.76	2.52	2.12	-	-	1.54	-	-	0.00	4.77
<i>Aug</i>	2.00	2.50	1.50	0.10	4.75	1.81	2.53	2.11	-	-	1.66	-	-	0.00	4.88
<i>Sep</i>	2.00	2.75	1.75	0.10	4.75	1.89	2.53	2.12	-	-	1.83	-	-	0.00	4.85
<i>Oct</i>	2.00	2.75	1.75	0.10	4.75	1.97	2.55	2.15	-	-	2.01	-	-	0.00	4.81
<i>Nov</i>	2.00	3.00	2.00	0.10	4.75	2.07	2.56	2.17	-	-	2.23	-	-	0.00	4.79
<i>Dec</i>	2.00	3.25	2.25	0.10	4.75	2.15	2.56	2.17	-	-	2.43	-	-	0.00	4.78

OFFICIAL INTERVENTION INTEREST RATES



3-MONTH INTERBANK RATES



Sources: ECB, Reuters and BE.

- (a) Main refinancing operations.
- (b) As from January 2003, the Primary Credit Rate.
- (c) Discount rate.
- (d) Retail bank base rate.

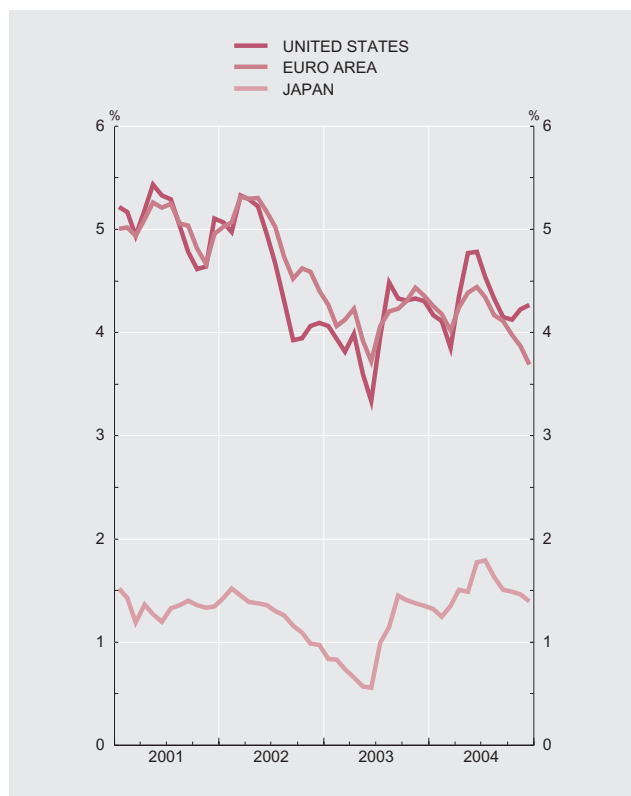
2.6. 10-YEAR GOVERNMENT BOND YIELDS ON DOMESTIC MARKETS

■ Series depicted in chart.

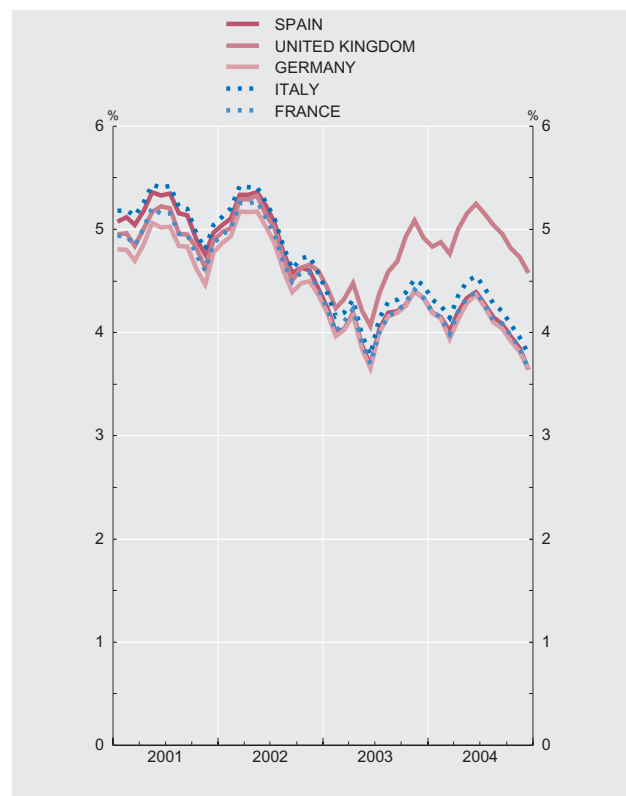
Percentages

	1	2	3	4	5	6	7	8	9	10
	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
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
03	3.68	4.22	4.16	4.10	4.12	4.04	4.13	4.24	0.99	4.53
03 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
Oct	3.93	4.41	4.31	4.25	4.27	4.31	4.29	4.39	1.41	4.92
Nov	4.00	4.55	4.44	4.40	4.40	4.33	4.41	4.52	1.38	5.09
Dec	3.94	4.47	4.36	4.34	4.34	4.31	4.34	4.46	1.35	4.92
04 Jan	3.82	4.33	4.26	4.19	4.19	4.17	4.20	4.32	1.32	4.83
Feb	3.77	4.29	4.18	4.14	4.15	4.11	4.15	4.26	1.24	4.88
Mar	3.61	4.14	4.02	3.94	4.01	3.86	3.99	4.15	1.35	4.77
Apr	3.93	4.34	4.24	4.13	4.20	4.35	4.20	4.35	1.51	5.00
May	4.16	4.50	4.39	4.29	4.33	4.77	4.34	4.50	1.49	5.16
Jun	4.24	4.56	4.44	4.37	4.39	4.79	4.39	4.55	1.77	5.25
Jul	4.10	4.46	4.34	4.26	4.28	4.54	4.28	4.44	1.79	5.15
Aug	3.93	4.30	4.17	4.10	4.15	4.33	4.12	4.28	1.63	5.04
Sep	3.80	4.24	4.11	4.04	4.08	4.15	4.09	4.20	1.50	4.96
Oct	3.74	4.12	3.98	3.92	3.97	4.13	3.98	4.08	1.49	4.82
Nov	3.73	4.01	3.87	3.82	3.85	4.22	3.86	3.96	1.46	4.74
Dec	3.66	3.82	3.69	3.65	3.64	4.27	3.64	3.79	1.39	4.58

10-YEAR GOVERNMENT BOND YIELDS



10-YEAR GOVERNMENT BOND YIELDS



Sources: ECB, Reuters and BE.

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

■ Series depicted in chart.

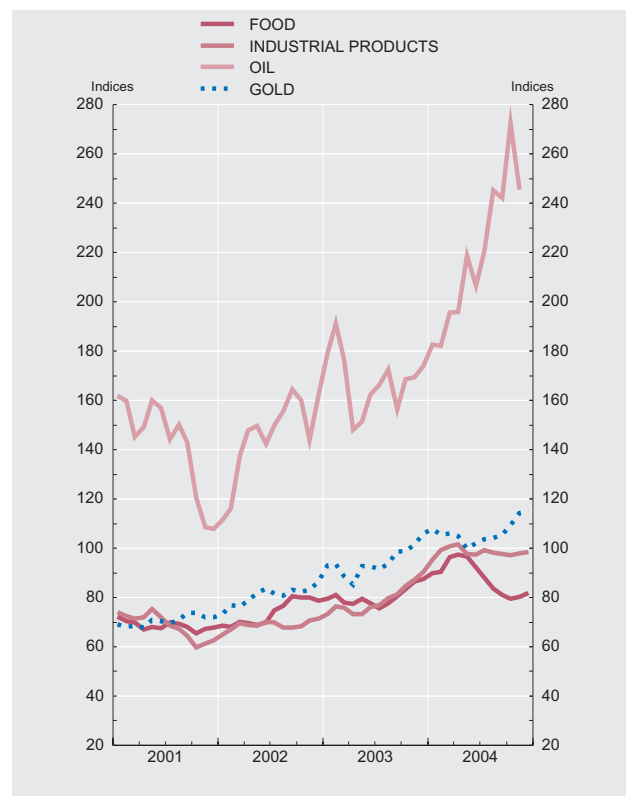
1995 = 100

	Non-energy commodity price index (a)						Oil		Gold		
	Euro index	US dollar index					Index (b)	Brent North sea	Index (c)	US dollars per troy ounce	Euro per gram
	General	General	Food	Industrial products				US dollars per barrel			
				Total	Non-food agricultural products	Metals					
1	2	3	4	5	6	7	8	9	10	11	
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
03	92.7	79.8	80.3	79.1	81.9	76.6	167.8	28.9	94.6	363.6	10.33
03 J-D	92.7	79.8	80.3	79.1	81.9	76.6	167.8	28.9	94.6	363.6	10.33
04 J-D	97.9	92.5	88.1	98.4	90.8	104.8	...	38.3	106.5	409.2	10.58
03 Sep	94.4	80.8	80.6	81.3	86.5	76.5	156.2	27.1	98.6	378.9	10.83
03 Oct	94.3	83.9	83.3	84.7	88.4	81.6	168.6	29.6	98.6	378.9	10.41
03 Nov	97.9	86.9	86.6	87.3	90.0	85.1	169.3	28.9	101.5	389.9	10.70
03 Dec	94.8	88.7	87.4	90.5	89.3	91.4	174.1	29.9	106.0	407.1	10.66
04 Jan	95.7	92.2	89.8	95.4	93.2	97.3	182.5	31.3	107.7	413.8	10.54
04 Feb	97.7	94.2	90.5	99.3	95.0	102.9	182.0	30.8	105.4	404.9	10.28
04 Mar	105.1	98.3	96.5	100.8	96.1	104.7	195.7	33.8	105.8	406.7	10.65
04 Apr	109.2	99.2	97.5	101.5	96.8	105.6	195.9	33.4	105.0	403.3	10.82
04 May	106.3	97.0	96.6	97.6	97.5	97.7	218.7	37.6	99.8	383.6	10.28
04 Jun	102.4	94.5	92.3	97.5	93.4	101.0	206.6	35.3	102.1	392.4	10.38
04 Jul	99.7	92.9	88.1	99.3	92.1	105.4	220.5	38.4	103.6	398.1	10.43
04 Aug	96.8	89.8	83.6	98.2	91.7	103.8	245.2	42.5	104.2	400.5	10.57
04 Sep	94.6	88.1	81.0	97.6	88.7	105.1	242.1	43.3	105.5	405.3	10.67
04 Oct	91.7	87.0	79.5	97.2	81.8	110.2	272.4	49.8	109.4	420.5	10.82
04 Nov	88.8	87.7	80.4	97.8	81.8	111.3	245.5	43.0	114.4	439.4	10.87
04 Dec	87.2	89.0	81.9	98.5	81.5	113.0	...	39.9	115.0	441.9	10.60

NON-ENERGY COMMODITY PRICE INDEX



PRICE INDICES FOR NON-ENERGY COMMODITIES, OIL AND GOLD



Sources: The Economist, IMF, ECB and BE.

(a) The weights are based on the value of the world commodity imports during the period 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.

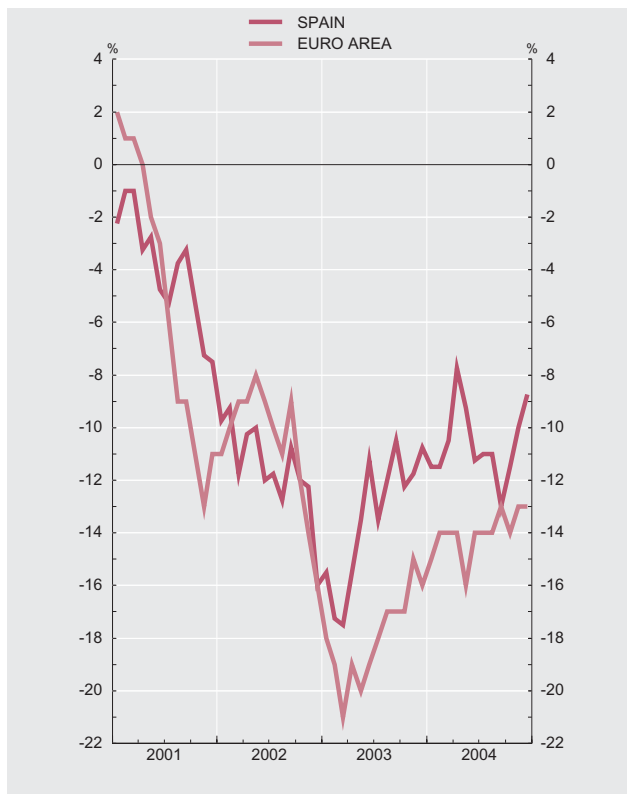
3.1. INDICATORS OF PRIVATE CONSUMPTION. SPAIN AND EURO AREA

■ Series depicted in chart.

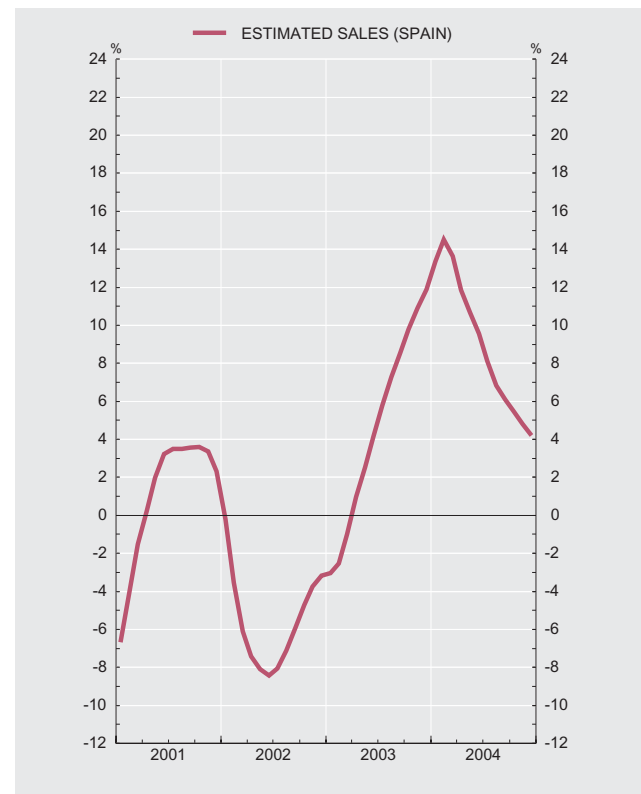
Annual percentage changes

	Opinion surveys (net percentages)						New car registrations and sales				Retail trade: sales index							
	Consumers			Retail trade confidence index	Memorandum item: euro area		of which			Memorandum item: euro area	General index			By type of product (deflated indices)		Memorandum item: euro area deflated index		
	Confidence index	General economic situation: anticipated trend	Household economic situation: anticipated trend		Consumer confidence index	Retail trade confidence index	Registrations	Private use	Estimated sales		Registrations	Nominal	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
01		-4	-3	4	-0	-5	-7	2.2	1.9	3.2	-0.6	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	-4.1	5.7	2.2	3.6	1.7	2.8	0.1	
03	P	-13	-9	-2	-2	-18	-11	6.0	4.0	3.8	-1.5	5.7	2.5	4.9	0.8	3.4	0.3	
03	J-D	P	-13	-9	-2	-2	-18	-11	6.0	4.0	3.8	-1.5	5.7	2.5	4.9	0.8	3.4	0.3
04	J-D	A	-11	-4	-1	-6	-14	-8	10.8	12.2	9.8	0.9	...	...	...	...	...
04	Jan	P	-12	-6	-	-2	-15	-8	10.6	11.9	9.2	1.0	6.0	4.4	8.0	1.7	6.1	1.1
	Feb	P	-12	-4	-2	-1	-14	-9	23.5	23.7	22.6	2.5	6.9	5.3	5.7	0.9	8.4	-0.2
	Mar	P	-11	-4	-1	-	-14	-8	28.6	26.8	28.2	-0.6	7.1	5.7	5.2	2.3	8.0	0.3
	Apr	P	-8	-	-	-	-14	-6	5.8	15.1	4.0	4.6	6.2	4.1	6.8	0.5	6.6	0.4
	May	P	-9	-2	-	-5	-16	-7	10.9	14.4	8.9	4.1	3.2	-0.2	-1.9	-3.0	1.8	-1.5
	Jun	P	-11	-5	-1	-5	-14	-10	16.2	19.0	15.0	0.6	7.3	3.8	9.1	1.2	5.5	1.2
	Jul	P	-11	-2	-1	-6	-14	-9	4.7	7.6	3.8	-1.8	6.4	3.0	6.9	0.9	4.5	0.6
	Aug	P	-11	-7	-1	-9	-14	-7	9.1	10.7	7.3	-9.5	2.6	-0.6	0.1	-3.6	1.9	-0.0
	Sep	P	-13	-6	-2	-10	-13	-9	7.2	8.6	6.3	-0.6	3.8	0.2	1.7	-1.1	1.2	-0.3
	Oct	P	-12	-5	-1	-11	-14	-7	-1.3	-2.1	-1.7	3.9	2.6	-0.9	3.6	-0.5	-1.2	-0.6
	Nov	P	-10	-6	-1	-10	-13	-10	13.6	10.4	13.4	4.8	8.3	4.7	4.1	3.0	5.9	0.4
	Dec	A	-9	-2	2	-10	-13	-7	3.9	7.2	3.2	1.8	...	...	...	...	...	...

CONSUMER CONFIDENCE INDEX



CAR SALES Trend obtained with TRAMO-SEATS



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

a. Until December 2003, deflated by the total CPI. From January 2004, INE.

b. Until December 2003, deflated by the food component of the CPI. From January 2004, INE.

c. Until December 2003, deflated by the total CPI excluding foods, beverages, and tobacco. From January 2004, INE.

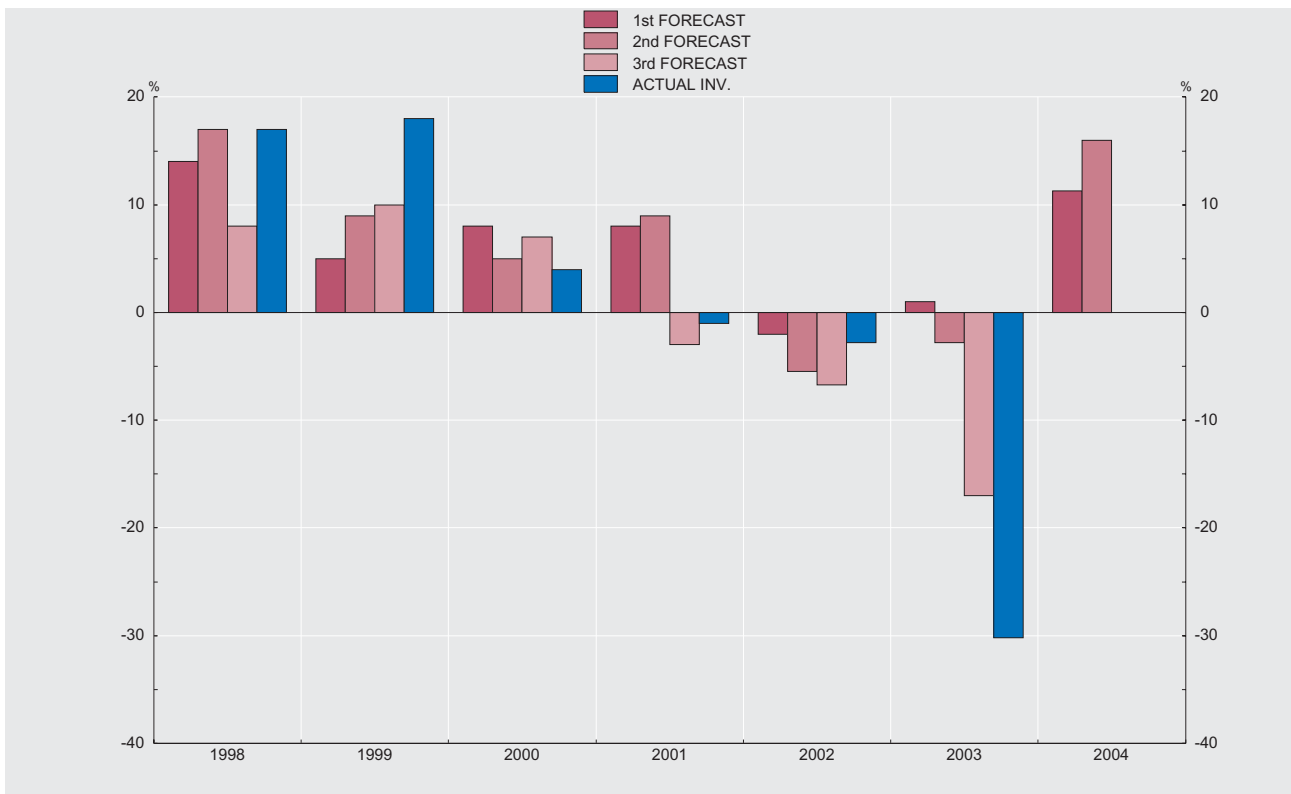
3.2. INVESTMENT IN INDUSTRY (EXCLUDING CONSTRUCTION): OPINION SURVEYS. SPAIN

■ Series depicted in chart.

Annual percentage changes at current prices

	1	2	3	4	
	ACTUAL INV.	1st FORECAST	2nd FORECAST	3rd FORECAST	
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	-30	1	-3	-17	
04	...	11	16	...	

INVESTMENT IN INDUSTRY
Annual rates of change



Source: Ministerio de Industria, Turismo y Comercio.

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

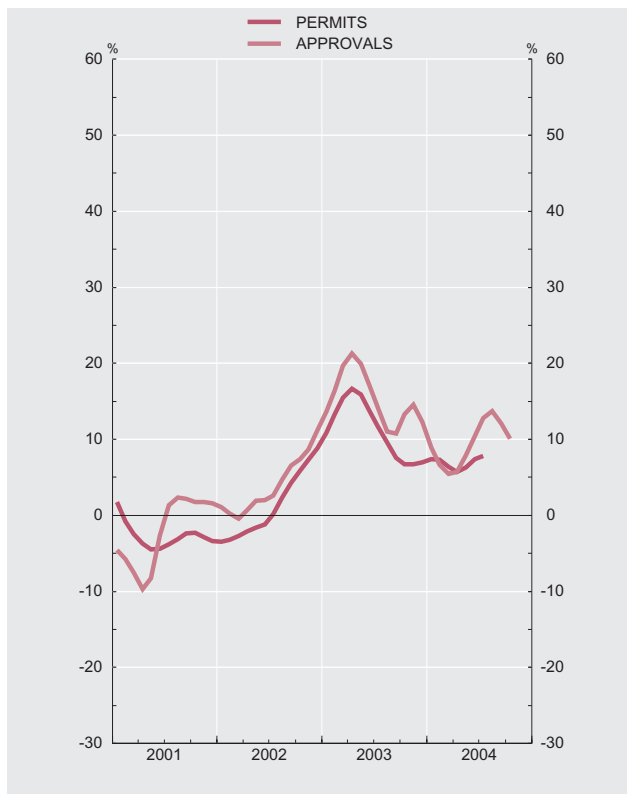
3.3. CONSTRUCTION. INDICATORS OF BUILDING STARTS AND CONSUMPTION OF CEMENT. SPAIN

■ Series depicted in chart.

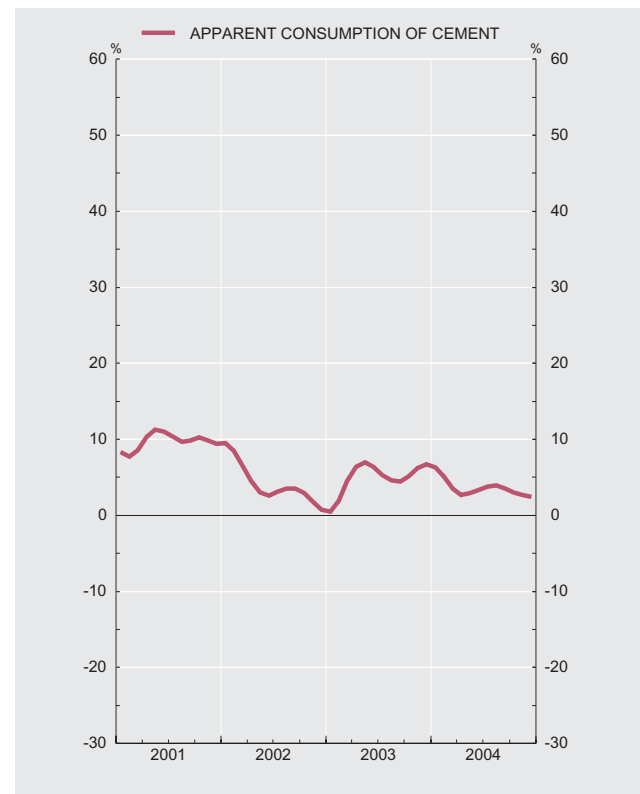
Annual percentage changes

	Permits: buildable floorage				Approvals: buildable floorage		Government tenders (budget)						Apparent consumption of cement	
	Total	of which		Non-residential	Total	Housing	Total		Building			Civil engineering		
		Residential	Housing				For the month	Year to date	Total	of which				Non-residential
										Residential	Housing			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
01	-3.7	-7.7	-8.3	14.6	-2.2	-5.5	45.4	45.4	61.4	132.5	95.4	42.6	39.2	9.7
02	-0.3	2.8	3.4	-11.7	3.0	4.1	13.1	13.1	-2.2	-15.2	3.9	3.4	20.0	4.7
03	12.4	14.6	14.7	3.0	17.5	19.9	-10.9	-10.9	-0.3	-11.7	35.4	3.8	-14.8	4.8
03 J-D	12.4	14.6	14.7	3.0	17.5	19.9	-10.9	-10.9	-0.3	-11.7	35.4	3.8	-14.8	4.8
04 J-D	...	...	...	...	...	...	...	...	...	...	...	...	...	3.6
03 Sep	-7.6	-5.9	-5.3	-14.0	9.8	10.8	7.7	9.1	-26.1	-32.5	-44.9	-24.8	27.8	9.0
Oct	3.7	1.3	1.8	15.0	17.7	17.5	-41.3	2.1	-56.7	-70.5	-44.7	-48.1	-34.2	0.9
Nov	-0.6	1.5	1.9	-9.0	17.6	21.9	-59.6	-5.6	-39.5	-42.2	-39.3	-38.9	-63.4	6.7
Dec	12.6	3.7	2.8	66.9	23.3	31.6	-49.5	-10.9	-11.2	-33.7	0.7	-5.0	-56.9	11.3
04 Jan	-1.2	-1.1	3.0	-1.8	-3.8	-8.6	-13.3	-13.3	-48.7	-84.8	-85.8	9.7	7.3	3.1
Feb	29.3	29.6	31.4	28.2	4.3	10.4	96.4	29.3	-18.0	33.5	-64.6	-36.4	168.4	6.6
Mar	4.2	3.1	4.7	9.6	13.1	20.9	-7.1	10.4	-59.8	7.5	82.7	-67.6	17.1	6.8
Apr	-2.1	-4.9	-2.4	18.0	0.8	3.6	-9.7	6.4	-25.2	-63.2	-34.3	-11.1	-2.9	0.3
May	-10.1	-10.1	-10.5	-10.2	2.2	10.4	-62.6	-10.6	-40.3	-32.8	125.6	-42.8	-68.5	-0.5
Jun	32.6	26.3	25.6	70.5	18.6	20.6	74.4	0.8	62.2	162.7	277.6	35.9	77.3	8.4
Jul	3.2	1.3	2.0	13.2	5.3	10.0	87.9	13.4	1.9	114.6	170.2	-12.9	152.9	-0.6
Aug	...	...	...	...	33.9	39.3	96.0	20.5	30.3	223.9	-68.0	-20.5	138.8	9.4
Sep	...	...	...	...	10.1	13.7	-12.7	18.2	6.9	93.1	71.1	-8.7	-19.5	4.9
Oct	...	...	...	...	-5.7	-4.5	4.9	17.2	62.1	65.4	6.8	61.0	-12.3	-7.6
Nov	...	...	...	...	...	...	...	...	...	...	...	...	...	13.7
Dec	...	...	...	...	...	...	...	...	...	...	...	...	...	1.0

CONSTRUCTION
Trend obtained with TRAMO-SEATS



CONSTRUCTION
Trend obtained with TRAMO-SEATS



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

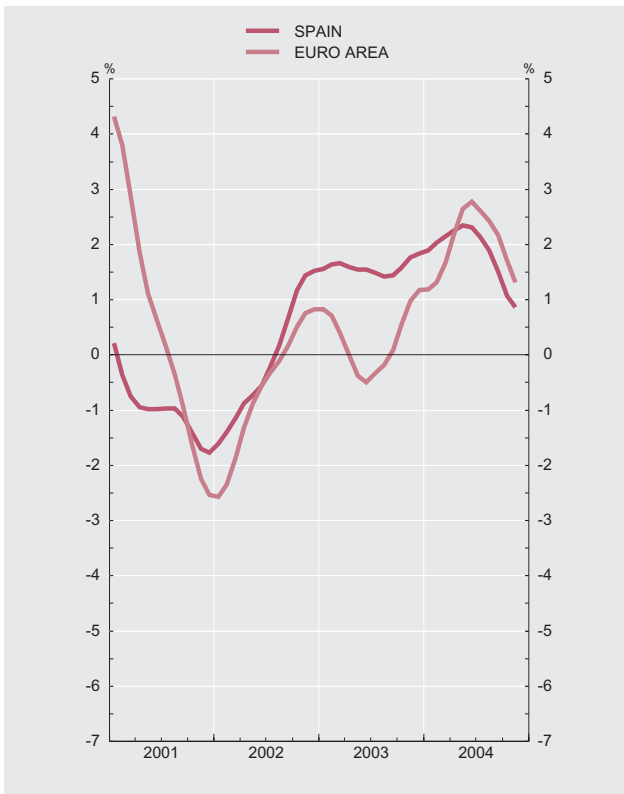
3.4. INDUSTRIAL PRODUCTION INDEX. SPAIN AND EURO AREA

■ Series depicted in chart.

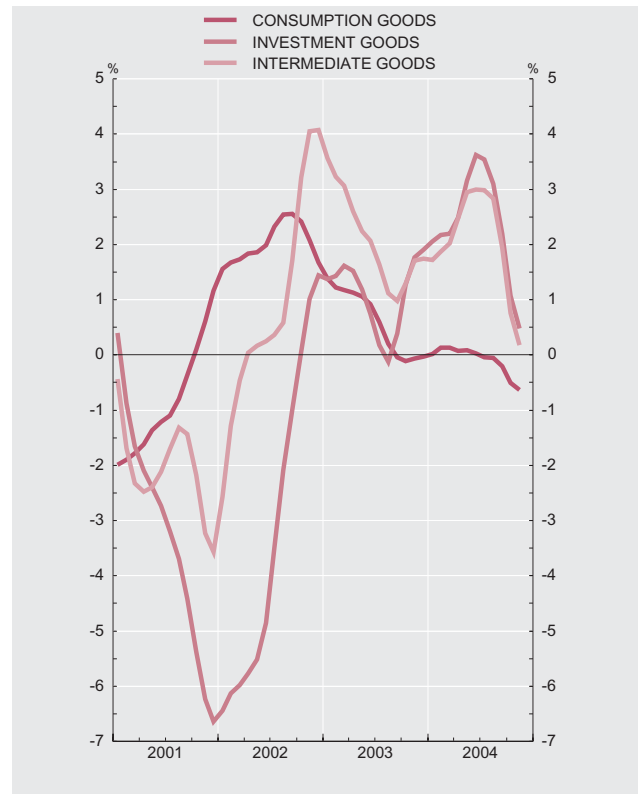
Annual percentage changes

		Overall Index		By end-use of goods				By branch of activity			Memorandum item: euro area				
		Total		Consumption	Investment	Inter-mediate goods	Energy	Mining and quarrying	Manufacturing	Production and distribution of electricity, gas and water	of wich		By end-use of goods		
		Original series	12-month %change 12								Total	Manufacturing	Consumption	Investment	Inter-mediate goods
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
01	MP	98.8	-1.2	-0.7	-3.3	-2.1	3.0	-3.2	-2.0	4.3	0.4	0.3	0.5	1.7	-0.7
02	MP	98.9	0.1	2.3	-4.9	1.4	0.0	-0.5	0.4	0.0	-0.5	-0.8	-0.3	-1.7	-0.1
03	MP	100.5	1.6	0.5	0.8	2.1	3.9	0.0	1.5	2.9	0.3	0.0	-0.4	-0.0	0.3
03 J-N	MP	101.1	1.4	0.3	0.5	2.0	3.5	-0.7	1.3	2.3	0.1	-0.2	-0.6	-0.3	0.1
04 J-N	MP	102.9	1.8	-0.1	2.3	1.9	4.9	-5.4	1.3	7.0	2.0	2.1	0.5	3.4	1.9
03 Aug	P	69.6	-1.4	-2.9	-7.5	-3.9	10.7	-4.1	-3.3	10.1	-0.6	-1.4	-0.2	-3.8	0.2
Sep	P	103.8	2.5	2.2	0.9	2.7	3.7	4.1	2.4	2.5	-1.2	-1.1	-0.6	-1.5	-2.1
Oct	P	112.7	0.8	-1.5	3.6	-0.1	5.4	-2.1	0.5	3.9	1.3	1.1	-0.7	1.3	1.3
Nov	P	105.1	1.4	-2.8	3.5	1.8	6.4	0.1	0.9	5.6	1.0	0.9	-0.7	1.5	0.9
Dec	P	94.4	4.2	2.6	5.1	3.7	7.4	10.6	3.6	8.5	2.1	2.3	1.3	3.1	2.6
04 Jan	P	96.0	-2.9	-5.3	-2.1	-2.8	0.4	-3.0	-3.3	-	0.4	0.2	-0.7	-0.2	0.4
Feb	P	101.1	1.8	-0.5	1.6	2.1	6.0	-6.5	1.6	4.2	0.9	1.2	0.2	0.1	1.8
Mar	P	112.6	7.2	7.9	6.0	5.3	12.7	1.1	6.4	15.3	1.7	1.4	1.7	2.0	0.1
Apr	P	99.8	0.7	-2.8	-1.6	2.6	6.7	-5.4	-0.2	10.7	1.9	2.0	0.9	2.6	1.9
May	P	106.8	2.7	0.3	3.1	3.0	6.5	-7.6	2.1	9.9	3.9	4.1	2.6	5.7	3.2
Jun	P	110.3	5.7	2.4	11.2	5.4	5.4	-0.7	5.4	7.9	3.5	3.8	1.3	6.4	3.0
Jul	P	110.1	-	-3.3	2.5	0.6	2.5	-8.7	-0.6	6.8	2.7	2.9	0.1	4.0	3.5
Aug	P	73.3	5.3	4.6	6.6	7.9	1.9	-5.5	6.0	3.1	2.0	2.5	0.4	4.9	2.1
Sep	P	107.7	3.8	2.5	6.6	2.5	7.0	-7.4	3.4	9.6	3.5	3.6	0.8	6.4	3.2
Oct	P	104.8	-7.0	-9.0	-9.9	-5.9	-0.7	-16.4	-8.0	4.1	1.1	1.1	-1.2	4.3	1.2
Nov	P	109.3	4.0	3.9	4.2	3.3	6.1	2.4	3.6	7.6	0.5	0.0	-0.3	0.7	0.8

INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS



INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS



Sources: INE and BCE.

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

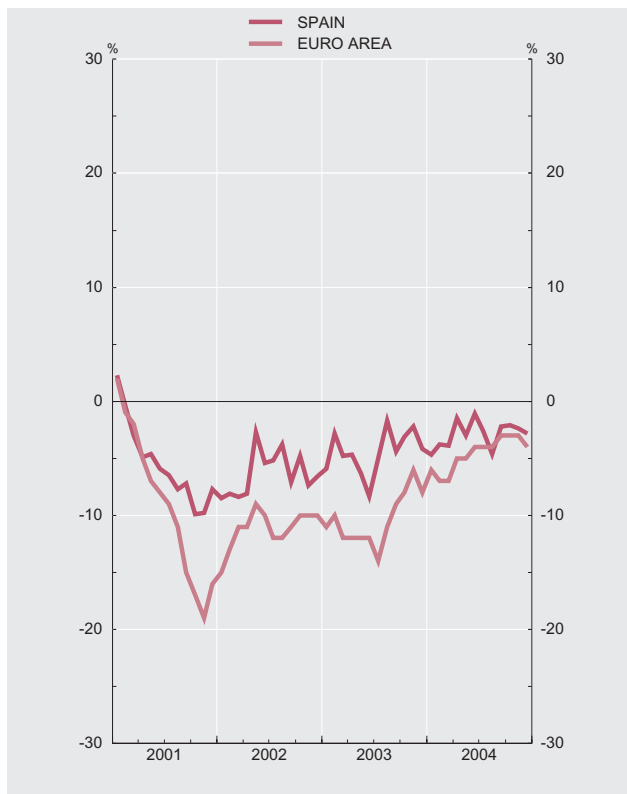
3.5. MONTHLY BUSINESS SURVEY: INDUSTRY AND CONSTRUCTION. SPAIN AND EURO AREA

■ Series depicted in chart.

Percentage balances

		Industry, excluding construction										Construction					Memorandum item: euro area		
		Business climate indicator (a)	Production over the last three months	Trend in production (a)	Total orders (a)	Foreign orders	Stocks of finished products (a)	Business climate indicator				Business climate indicator	Production	Orders	Trend		Industry, excluding construction		Construction climate indicator
								Consumption (a)	Investment (a)	Intermediate goods (a)	Other sectors (a)				Production	Orders	Business climate indicator	Order Book	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
01	M	-5	-0	3	-7	-15	12	-5	-3	-7	-2	13	10	21	37	38	-9	-15	-11
02	M	-6	-2	5	-13	-20	11	-7	-7	-6	1	7	10	13	11	25	-11	-25	-19
03	M	-4	4	8	-11	-20	10	-1	-3	-9	1	10	9	20	30	19	-10	-25	-20
03 J-D	M	-4	4	8	-11	-20	10	-1	-3	-9	1	10	9	20	30	19	-10	-25	-20
04 J-D	M	-3	4	10	-8	-17	11	-3	1	-5	0	14	7	21	30	26	-5	-15	-16
03 Sep		-4	6	6	-10	-20	9	-2	-2	-8	3	-1	7	17	28	25	-9	-26	-22
Oct		-3	4	10	-10	-14	9	3	-1	-9	4	-8	-15	6	17	-2	-8	-23	-21
Nov		-2	11	8	-7	-13	7	-	-2	-6	-0	-2	16	9	32	35	-6	-21	-19
Dec		-4	7	7	-9	-20	11	-4	-	-7	0	7	16	2	38	20	-8	-21	-19
04 Jan		-5	5	5	-9	-23	11	-4	-	-8	5	6	-2	5	11	-3	-6	-20	-19
Feb		-4	-5	10	-10	-23	11	-3	-1	-6	1	8	-19	8	44	45	-7	-21	-20
Mar		-4	-8	13	-13	-27	11	-5	2	-6	-1	10	-12	18	29	40	-7	-21	-18
Apr		-2	5	11	-7	-19	9	-2	-	-2	-	17	14	21	43	44	-5	-16	-17
May		-3	3	12	-11	-21	10	-3	-0	-5	1	14	10	25	35	20	-5	-18	-17
Jun		-1	7	10	-7	-13	7	1	1	-4	0	18	12	17	46	13	-4	-15	-15
Jul		-3	11	8	-6	-15	9	-4	1	-4	1	10	27	15	34	24	-4	-12	-16
Aug		-5	12	5	-6	-9	12	-8	-1	-4	-0	22	25	35	38	34	-4	-12	-15
Sep		-2	5	13	-6	-13	14	-2	3	-5	-4	13	2	22	19	17	-3	-12	-16
Oct		-2	8	11	-5	-9	12	-5	3	-2	-2	17	24	20	31	32	-3	-11	-14
Nov		-2	-1	13	-7	-16	13	-3	-1	-3	1	12	-8	33	16	37	-3	-12	-14
Dec		-3	3	10	-6	-12	13	-1	-1	-5	-	22	15	28	9	13	-4	-12	-14

INDUSTRIAL BUSINESS CLIMATE
Percentage balances



CONSTRUCTION BUSINESS CLIMATE
Percentage balances



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

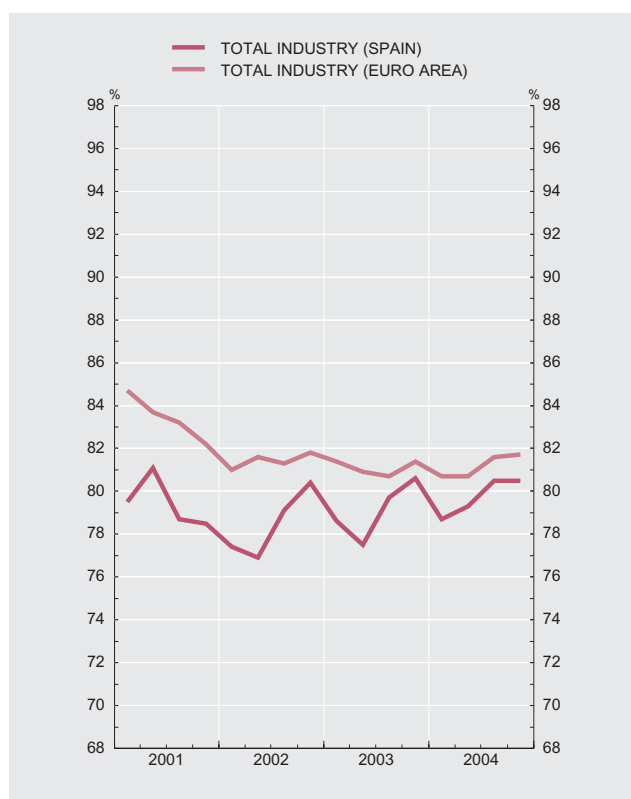
3.6. BUSINESS SURVEY: CAPACITY UTILISATION. SPAIN AND EURO AREA

■ Series depicted in chart.

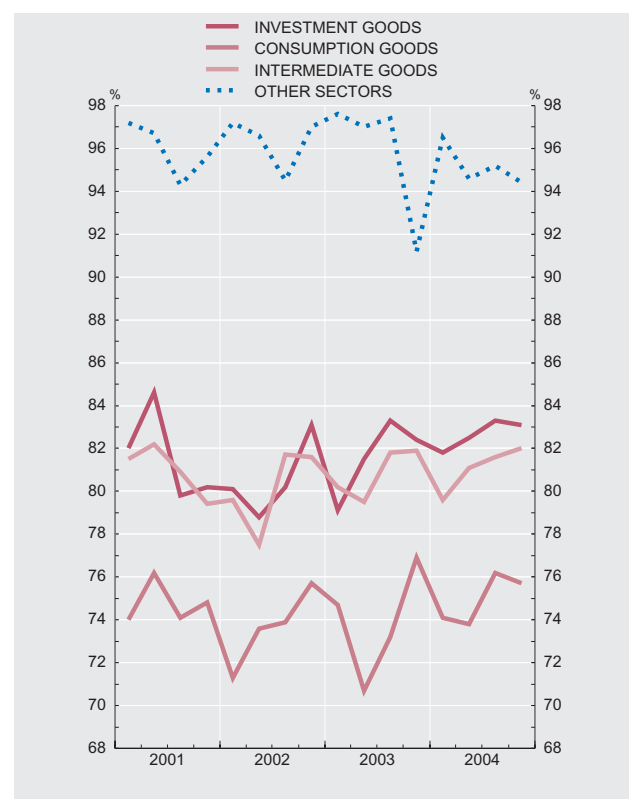
Percentages and percentage balances

	Total industry			Consumer goods			Investment goods			Intermediate goods			Other sectors			Memo- randum item: euro area capacity utilisa- tion (%)
	Capacity utilisation		Installed capacity (Per- centage balan- ces)	Capacity utilisation		Installed capacity (Per- centage balan- ces)	Capacity utilisation		Installed capacity (Per- centage balan- ces)	Capacity utilisation		Installed capacity (Per- centage balan- ces)	Capacity utilisation		Installed capacity (Per- centage balan- ces)	
	Over last three months (%)	Forecast (%)		Over last three months (%)	Forecast (%)		Over last three months (%)	Forecast (%)		Over last three months (%)	Forecast (%)		Over last three months (%)	Forecast (%)		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
01	79.5	80.5	2	74.8	76.0	4	81.7	83.2	3	81.0	81.6	1	96.0	96.5	2	83.5
02	78.5	80.4	6	73.6	76.0	6	80.6	82.6	12	80.1	81.7	3	96.3	96.4	-	81.4
03	79.1	80.9	6	73.9	76.7	7	81.6	83.0	7	80.9	82.2	5	95.8	95.6	-1	81.1
03 Q1-Q4	79.1	80.9	6	73.9	76.7	7	81.6	83.0	7	80.9	82.2	5	95.8	95.6	-1	81.1
04 Q1-Q4	79.8	81.0	6	75.0	76.6	7	82.7	83.5	6	81.1	82.3	5	95.2	95.2	2	81.2
02 Q2	76.9	80.7	6	73.6	77.9	7	78.8	82.5	9	77.5	81.2	4	96.6	95.2	-	81.6
Q3	79.1	80.7	8	73.9	76.7	8	80.2	82.2	15	81.7	82.2	3	94.5	95.9	-	81.3
Q4	80.4	81.0	5	75.7	76.1	4	83.1	83.9	12	81.6	82.4	2	97.0	97.1	-	81.8
03 Q1	78.6	80.6	3	74.7	77.4	2	79.1	81.8	6	80.2	81.6	4	97.6	96.8	-	81.4
Q2	77.5	80.0	5	70.7	75.4	7	81.5	82.2	5	79.5	81.4	4	97.0	97.4	-2	80.9
Q3	79.7	80.9	7	73.2	75.3	6	83.3	84.3	9	81.8	82.5	7	97.4	96.9	-	80.7
Q4	80.6	82.0	8	76.9	78.5	13	82.4	83.8	7	81.9	83.2	6	91.2	91.1	-	81.4
04 Q1	78.7	80.2	10	74.1	75.8	13	81.8	82.8	10	79.6	81.4	7	96.5	96.4	-	80.7
Q2	79.3	81.2	6	73.8	76.2	5	82.5	83.8	8	81.1	83.0	7	94.6	94.6	-	80.7
Q3	80.5	81.2	6	76.2	77.5	9	83.3	83.5	4	81.6	82.0	5	95.2	95.5	-	81.6
Q4	80.5	81.3	2	75.7	76.8	2	83.1	84.0	2	82.0	82.6	1	94.4	94.1	6	81.7

CAPACITY UTILISATION. TOTAL INDUSTRY
Percentages



CAPACITY UTILISATION. BY TYPE OF GOOD
Percentages



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

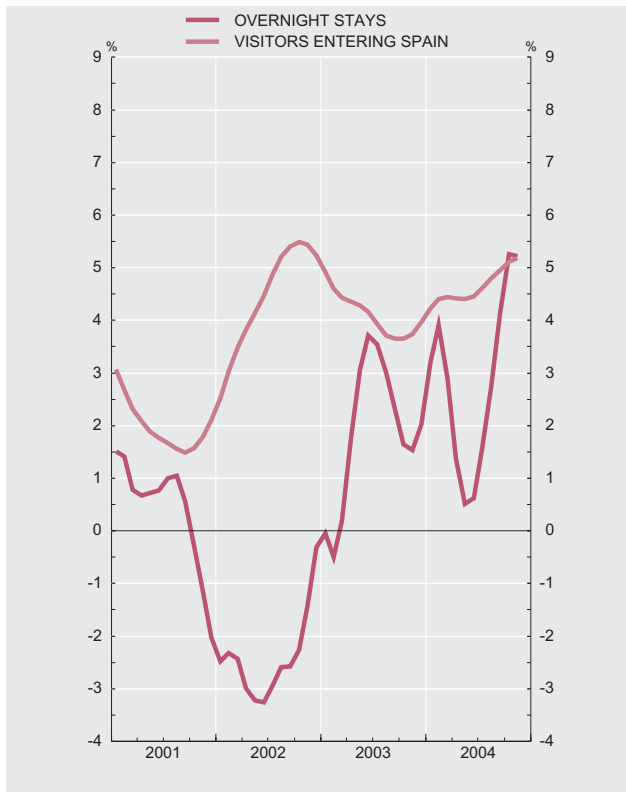
3.7. TOURISM AND TRANSPORT STATISTICS. SPAIN

■ Series depicted in chart.

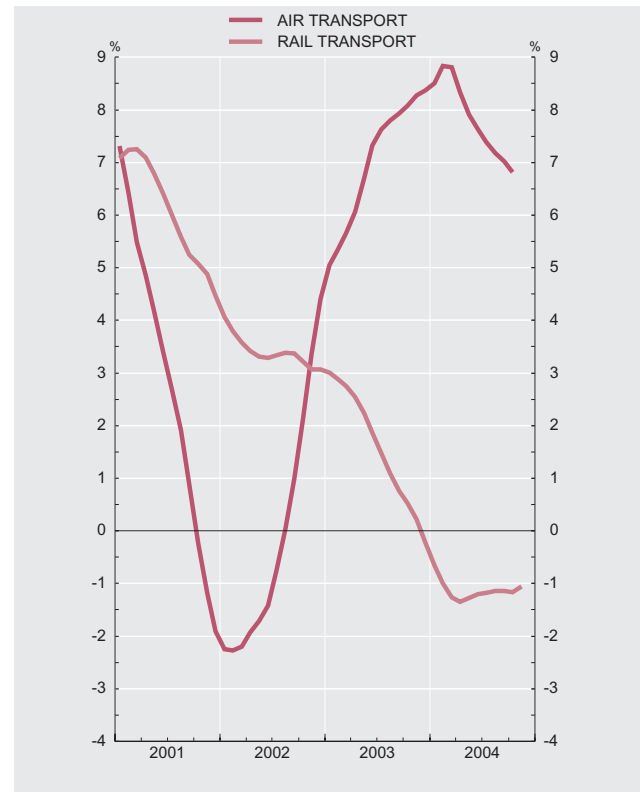
Annual percentage changes

	Hotel stays (a)		Overnight stays		Visitors entering Spain			Air transport				Maritime transport		Rail transport	
	Total	Foreigners	Total	Foreigners	Total	Tourists	Day-trip-ers	Passengers			Freight	Passen-gers	Freight	Passen-gers	Freight
								Total	Domestic flights	Internation-al flights					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
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	-0.1	-1.5	-2.7	-5.3	5.7	4.5	8.3	-1.0	-2.2	-0.3	-0.7	4.2	5.0	3.8	2.8
03	3.8	2.1	2.2	0.7	2.6	-0.7	8.7	7.4	8.1	7.0	0.5	-3.3	4.8	1.4	2.1
03 J-N	3.7	2.0	2.4	0.7	2.2	-1.0	8.5	7.3	8.0	6.8	0.5	-2.9	4.6	1.7	1.7
04 J-N	6.7	1.4	2.6	-1.5	4.3	2.9	6.7	...	...	...	...	...	...	-1.5	...
03 Aug	3.2	2.2	5.0	4.3	-2.9	-6.8	4.1	10.2	10.0	10.3	-1.5	4.0	1.5	0.6	-4.5
Sep	3.7	-0.7	1.7	-1.8	0.3	-2.8	7.3	4.9	7.4	3.5	-1.5	1.8	8.6	0.4	10.9
Oct	2.8	2.1	1.1	-1.4	2.9	-1.6	12.5	7.3	8.6	6.6	3.5	-9.0	6.0	1.0	6.4
Nov	3.5	2.6	0.4	-1.3	1.7	-3.8	9.8	9.5	9.0	9.9	3.2	-19.8	10.7	5.5	0.8
Dec	5.6	4.7	1.2	0.7	7.6	4.5	11.4	9.3	9.4	9.1	0.1	-8.4	6.4	-1.8	6.7
04 Jan	5.7	3.2	2.9	0.5	9.2	6.9	12.2	7.4	3.7	10.5	0.2	3.7	-13.2	-1.8	-1.0
Feb	13.9	10.4	9.8	5.2	16.1	10.5	24.9	15.6	13.4	17.5	7.4	7.5	9.2	0.4	6.7
Mar	6.5	2.7	2.0	-2.6	0.2	0.1	0.3	10.1	13.3	7.8	13.2	3.2	7.8	-4.2	14.9
Apr	3.3	-1.7	0.2	-5.8	4.4	-0.2	12.4	7.0	8.5	5.9	9.0	8.7	10.9	-6.5	11.8
May	3.9	-0.2	-1.7	-4.1	3.7	4.6	1.9	7.3	14.9	2.8	11.5	27.3	3.8	2.1	6.5
Jun	3.4	-4.6	-0.9	-6.2	-1.5	-3.2	2.0	6.1	12.2	2.6	14.6	17.8	9.4	2.2	12.8
Jul	6.6	-0.3	2.0	-2.8	3.4	0.6	9.4	8.0	8.1	7.9	11.1	11.1	10.0	-2.5	-9.3
Aug	6.3	1.2	2.3	-2.9	-0.4	-0.8	0.3	5.3	8.7	3.3	12.5	12.0	14.2	1.9	5.6
Sep	7.2	4.2	3.9	2.4	4.6	5.7	2.5	6.8	7.1	6.6	11.0	...	...	2.1	...
Oct	12.7	3.8	8.0	2.4	10.9	8.8	14.9	9.7	8.7	10.2	0.6	...	...	-6.2	...
Nov	6.9	5.6	5.9	5.4	6.9	9.2	3.9	...	...	...	...	...	...	-1.6	...

TOURISM
Trend obtained with TRAMO-SEATS



TRANSPORT
Trend obtained with TRAMO-SEATS



Sources: INE and Instituto de Estudios Turísticos, *Estadística de Movimientos Turísticos en Frontera*.

Note: The underlying series for this indicator are in Table 23.15 of the *BE Boletín estadístico*.

a. From January 2003, the information for Galicia is based on total figures for hotel stays and overnight stays for the month. The directory of hotels has been reviewed thoroughly.

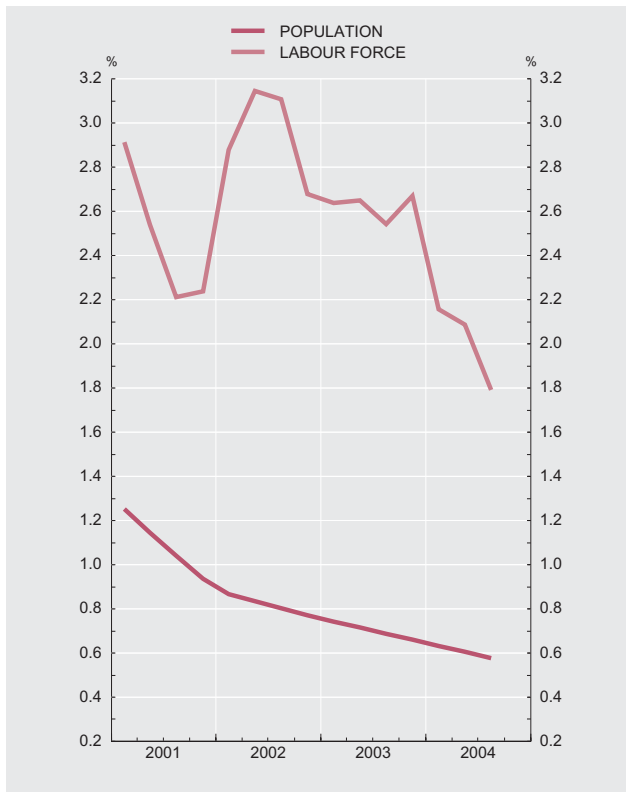
4.1. LABOUR FORCE. SPAIN

■ Series depicted in chart.

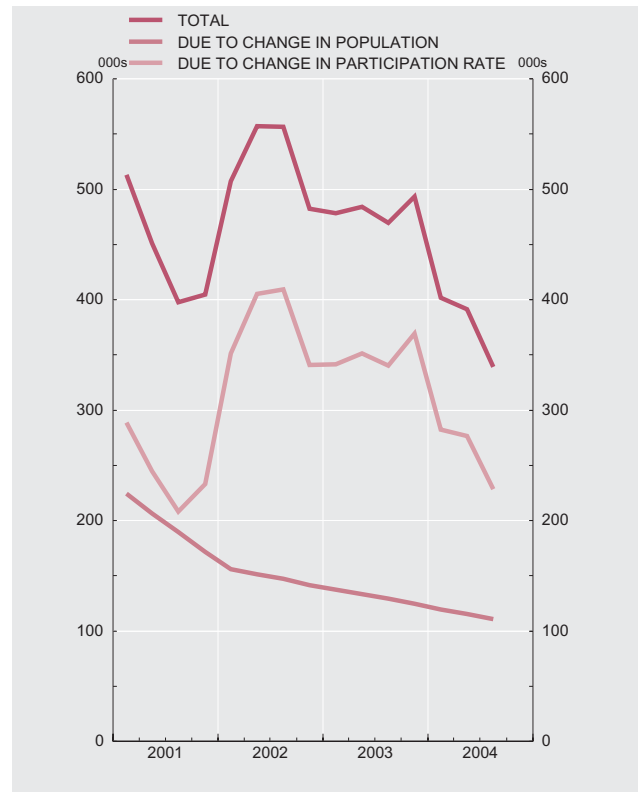
Thousands and annual percentage changes

		Population over 16 years of age			Participation rate (%) (a)	Labour force				
		Thousands	Annual change	4-quarter % change		Thousands (a)	Annual change (b) (c)			4-quarter % change (b)
							Total	Due to change in population over 16 years of age	Due to change in participation rate	
1	2	3	4	5	6	7	8	9		
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
03	M	34 203	238	0.7	55.03	18 822	481	131	350	2.6
03	Q1-Q3M	34 176	243	0.7	54.91	18 766	1 432	400	1 033	2.6
04	Q1-Q3M	34 382	207	0.6	55.68	19 144	1 132	345	787	2.0
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
	Q4	34 286	225	0.7	55.39	18 989	494	125	369	2.7
04	Q1	34 336	216	0.6	55.38	19 017	402	120	282	2.2
	Q2	34 382	207	0.6	55.68	19 143	392	115	276	2.1
	Q3	34 428	198	0.6	55.98	19 272	339	111	229	1.8

LABOUR FORCE SURVEY
Annual percentage change



LABOUR FORCE
Annual changes



Source: INE (Labour Force Survey: 2002 methodology).

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

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).

c. 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).

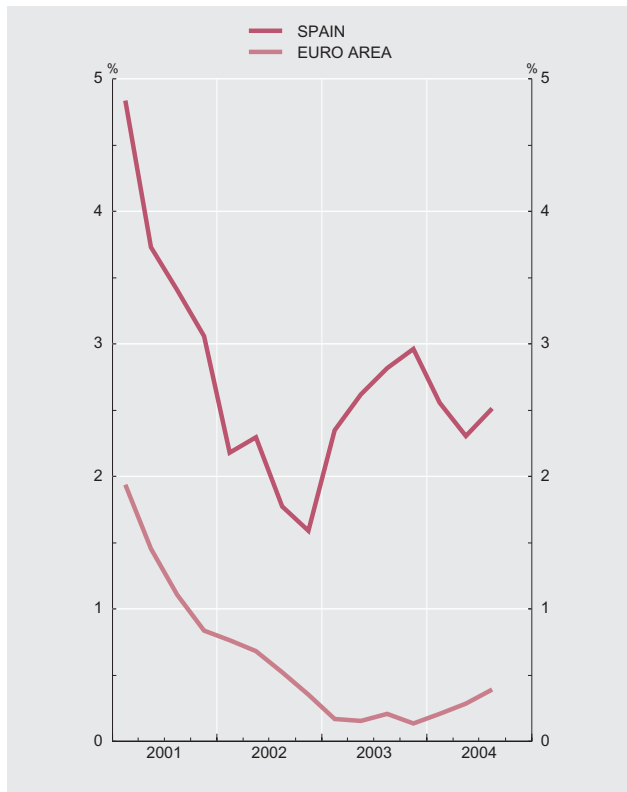
4.2. EMPLOYMENT AND WAGE-EARNERS. SPAIN AND EURO AREA

■ Series depicted in chart.

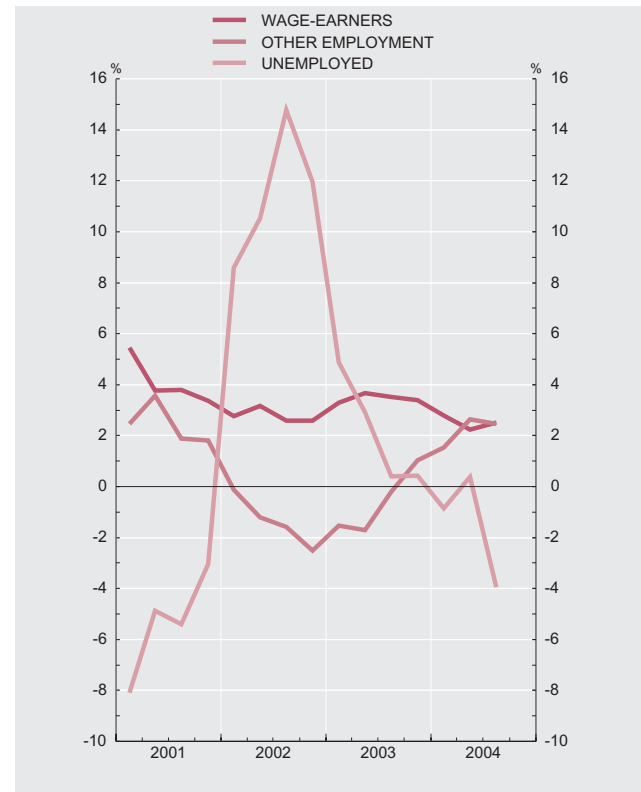
Thousands and annual percentage changes

		Employment									Unemployment			Memorandum item: euro area		
		Total			Wage-earners			Other			Thousands	Annual change	4-quarter % change	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						
		1	2	3	4	5	6	7	8	9	(a)	(b)	(b)	(a)	14	15
01	M	15 946	576	3.7	12 787	501	4.1	3 159	75	2.4	1 869	-134	-5.4	10.49	1.3	8.03
02	M	16 258	312	2.0	13 142	355	2.8	3 116	-43	-1.4	2 083	214	11.4	11.35	0.6	8.45
03	M	16 695	437	2.7	13 598	456	3.5	3 097	-19	-0.6	2 127	44	2.1	11.30	0.2	8.89
03	Q1-Q3M	16 639	421	2.6	13 546	457	3.5	3 092	-36	-1.2	2 127	56	2.7	11.34	0.2	8.88
04	Q1-Q3M	17 048	409	2.5	13 887	340	2.5	3 161	68	2.2	2 096	-31	-1.5	10.95	0.3	8.90
02	Q1	16 055	342	2.2	12 909	347	2.8	3 146	-4	-0.1	2 081	165	8.6	11.47	0.8	8.22
	Q2	16 241	364	2.3	13 095	403	3.2	3 146	-39	-1.2	2 026	193	10.5	11.09	0.7	8.37
	Q3	16 357	285	1.8	13 263	335	2.6	3 094	-50	-1.6	2 106	271	14.8	11.41	0.5	8.53
	Q4	16 377	256	1.6	13 300	336	2.6	3 077	-80	-2.5	2 118	226	12.0	11.45	0.4	8.67
03	Q1	16 432	377	2.3	13 334	425	3.3	3 098	-48	-1.5	2 183	102	4.9	11.72	0.2	8.82
	Q2	16 666	425	2.6	13 574	479	3.7	3 092	-54	-1.7	2 085	59	2.9	11.12	0.2	8.91
	Q3	16 818	461	2.8	13 730	467	3.5	3 088	-6	-0.2	2 115	9	0.4	11.17	0.2	8.91
	Q4	16 862	485	3.0	13 753	453	3.4	3 109	32	1.0	2 127	9	0.4	11.20	0.1	8.92
04	Q1	16 853	420	2.6	13 707	373	2.8	3 146	48	1.5	2 164	-19	-0.8	11.38	0.2	8.97
	Q2	17 050	384	2.3	13 877	303	2.2	3 173	82	2.6	2 093	8	0.4	10.93	0.3	8.85
	Q3	17 240	423	2.5	14 077	346	2.5	3 164	76	2.5	2 031	-83	-3.9	10.54	0.4	8.87

EMPLOYMENT
Annual percentage changes



LABOUR FORCE: COMPONENTS
Annual percentage changes



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, methodological notes may be consulted at INE's website(www.ine.es).

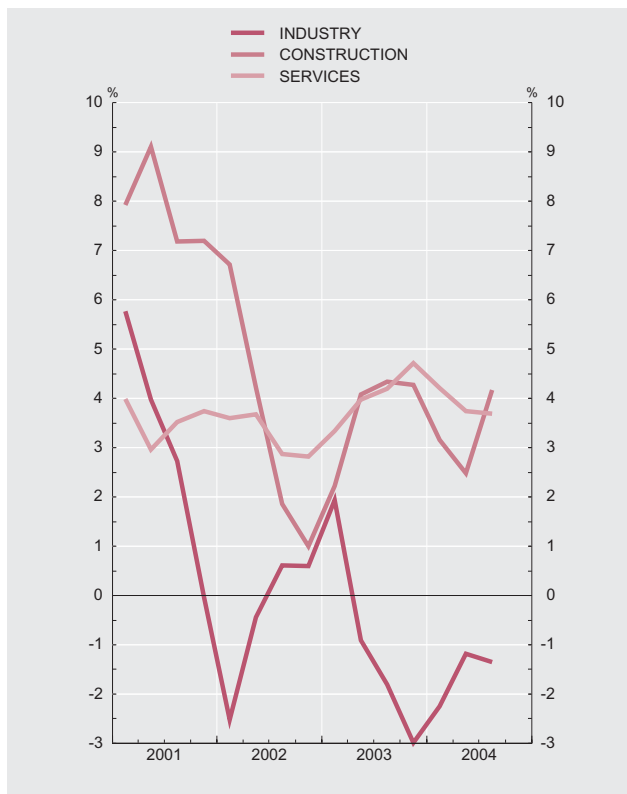
4.3. EMPLOYMENT BY BRANCH OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

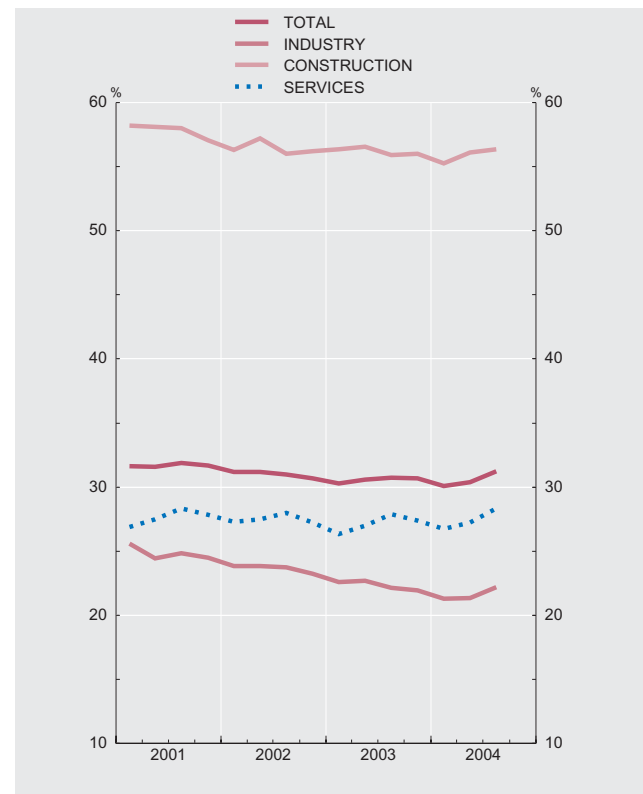
Annual percentage changes

		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
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
03	M	2.7	3.5	30.6	-2.0	1.3	58.6	-1.0	-1.3	22.3	3.7	4.8	56.2	4.1	4.9	27.1	3.0	2.7	3.9
03	Q1-Q3M	2.6	3.5	-1.9	-3.0	-0.9	1.1	-0.3	-0.6	-5.6	3.5	4.8	-0.4	3.8	4.9	-1.9	3.0	2.7	4.0
04	Q1-Q3M	2.5	2.5	0.1	-1.7	1.2	-0.3	-1.6	-1.2	-3.9	3.3	1.9	-0.7	3.9	3.9	1.4	2.8	2.6	3.7
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	2.0	54.6	-1.8	-1.9	22.1	4.3	5.4	55.9	4.2	5.0	27.9	3.0	2.7	4.0
	Q4	3.0	3.4	30.7	1.1	7.8	59.6	-3.0	-3.4	21.9	4.3	4.7	56.0	4.7	5.2	27.4	3.1	3.0	5.1
04	Q1	2.6	2.8	30.1	-0.7	2.6	60.8	-2.2	-1.9	21.3	3.2	2.5	55.2	4.2	4.4	26.7	2.8	2.7	4.6
	Q2	2.3	2.2	30.4	-2.7	-1.7	57.3	-1.2	-0.7	21.4	2.5	0.7	56.1	3.7	3.6	27.2	2.6	2.6	4.0
	Q3	2.5	2.5	31.2	-1.7	2.7	56.3	-1.3	-0.8	22.2	4.2	2.5	56.3	3.7	3.6	28.4	2.8	2.6	3.7

EMPLOYMENT
Annual percentage changes



TEMPORARY EMPLOYMENT
Percentages



Source: INE (Labour Force Survey: 2002 methodology).

Note: The underlying series of this indicator are in Tables 24.4 and 24.6 of the BE Boletín estadístico.

a. Branches of activity in accordance with NACE-93.

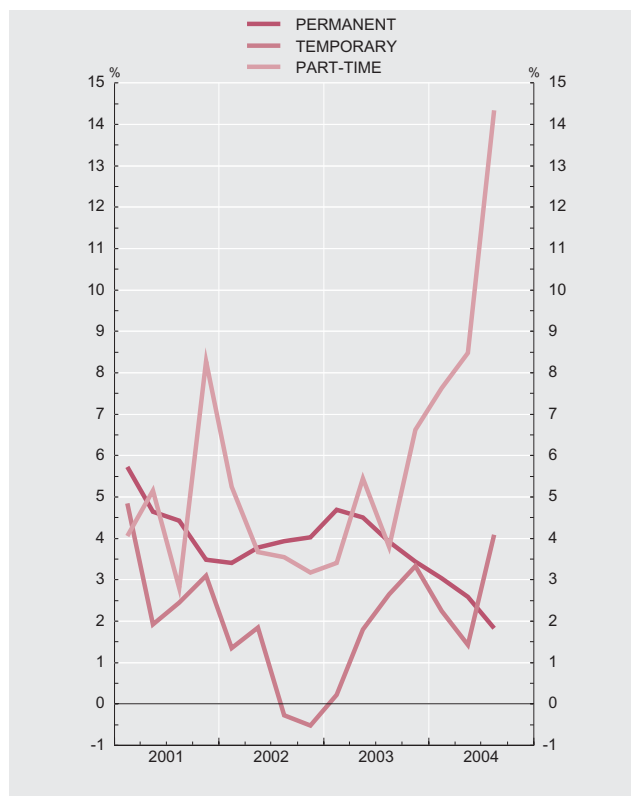
4.4. WAGE-EARNERS BY TYPE OF CONTRACT AND UNEMPLOYMENT BY DURATION. SPAIN. (a)

■ Series depicted in chart.

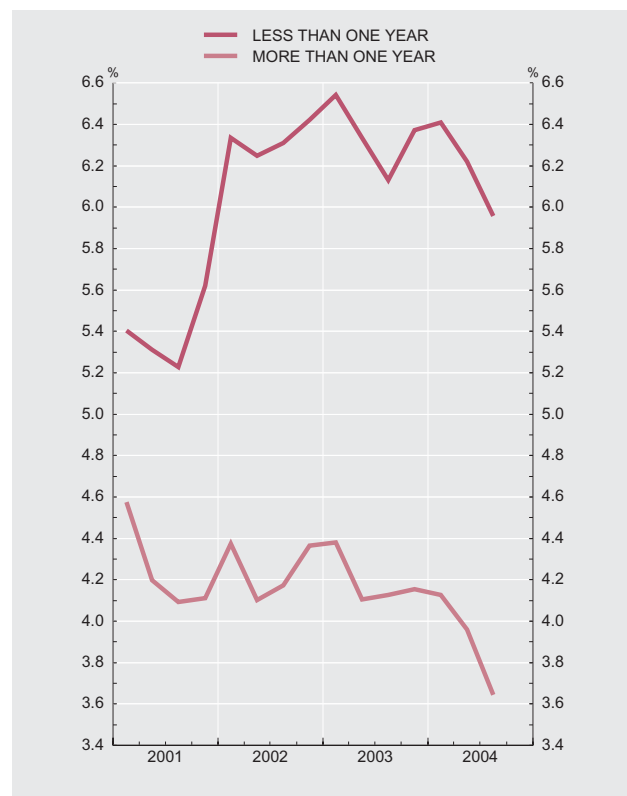
Thousands, annual percentage changes and %

		Wage-earners										Unemployment						
		By type of contract					By duration of working day					By duration				% of unemployed that would accept a job (a)		
		Permanent		Temporary			Full-time		Part-time			Less than one year		More than one year				
		Annual change	4-quarter % change	Annual change	4-quarter % change	Proportion of temporary employment	Annual change	4-quarter % change	Annual change	4-quarter % change	As % for wage earners	Unemployment rate	4-quarter % change	Unemployment rate	4-quarter % change	Entailing a change of residence	With a lower wage	Requiring fewer skills
		Thousands	%	Thousands	%	%	Thousands	%	Thousands	%	%	(a)	(b)	(a)	(b)			
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
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
03	M	374	4.1	82	2.0	30.57	404	3.3	52	4.8	8.31	6.34	2.9	4.19	1.1	19.67	42.05	47.54
03	Q1-Q3M	393	4.4	64	1.6	30.53	428	3.5	45	4.2	8.25	6.34	3.2	4.20	2.3	19.84	41.63	47.09
04	Q1-Q3M	233	2.5	107	2.6	30.55	190	1.5	113	10.1	8.86	6.20	-0.3	3.91	-5.1	18.20	41.77	47.21
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	428	3.5	40	3.8	7.91	6.13	-0.4	4.13	1.4	19.34	38.53	43.88
	Q4	317	3.4	136	3.3	30.68	380	3.1	72	6.6	8.47	6.37	1.9	4.15	-2.3	19.15	43.30	48.90
04	Q1	282	3.0	91	2.2	30.10	288	2.4	85	7.6	8.74	6.41	0.0	4.13	-3.7	18.00	41.81	47.93
	Q2	244	2.6	59	1.4	30.36	205	1.6	98	8.5	9.01	6.22	0.2	3.96	-1.5	18.58	42.12	47.66
	Q3	174	1.8	172	4.1	31.21	190	1.5	156	14.3	8.83	5.96	-1.1	3.64	-10.1	18.01	41.36	46.04

WAGE-EARNERS
Annual percentage changes



UNEMPLOYMENT
Unemployment rate



Source: INE (Labour Force Survey: 2002 methodology).

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

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).

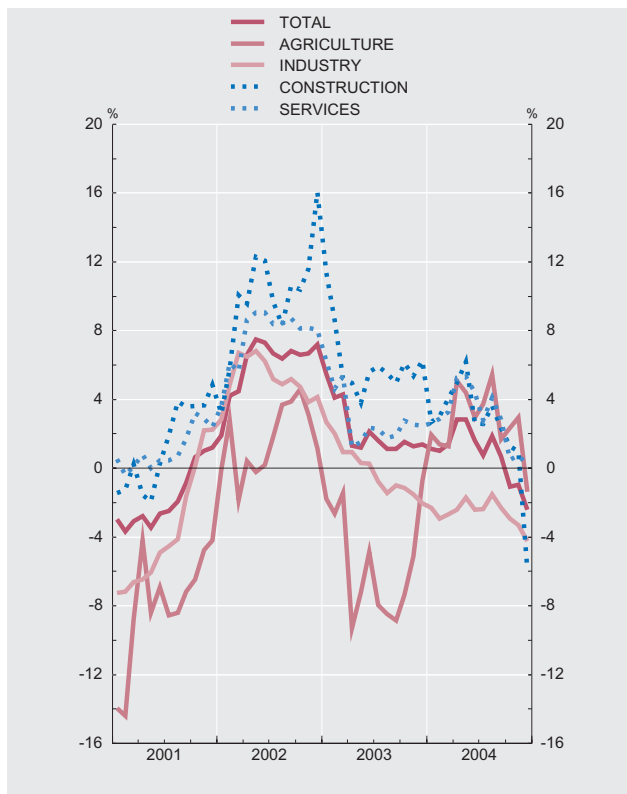
4.5. REGISTERED UNEMPLOYMENT BY BRANCH OF ACTIVITY. CONTRACTS AND PLACEMENTS. SPAIN

■ Series depicted in chart.

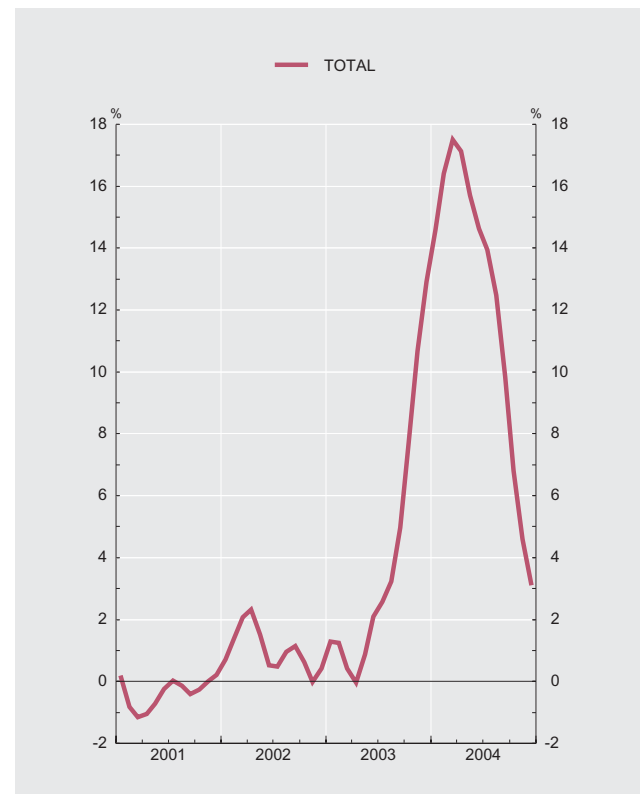
Thousands, annual percentage changes and %

		Registered unemployment										Contracts					Placements		
		Total			First time job-seekers		Previously employed					Total		Percentage of total			Total		
		Thousands	Annual change Thousands	12 month % change	12 month % change	12-month % change					Thousands	12 month % change	Permanent	Part time	Temporary	Thousands	12 month % change		
						Total	Agri-culture	Branches other than agriculture											
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
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	
03	M	1 658	36	2.2	0.4	2.5	-5.5	2.8	-0.1	6.2	2.9	1 222	3.4	8.67	21.21	91.33	1 193	4.2	
03	J-D	M	1 658	36	2.2	0.4	2.5	-5.5	2.8	-0.1	6.2	2.9	1 222	3.4	8.67	21.21	91.33	1 193	4.2
04	J-D	MP	1 671	13	0.8	-5.2	1.8	2.6	1.8	-2.6	2.2	2.9	1 363	11.5	8.67	22.71	91.33	1 336	12.0
03	Nov		1 699	21	1.3	-2.6	1.9	-5.1	2.1	-1.5	5.4	2.5	1 289	9.0	8.31	23.13	91.69	1 278	10.9
	Dec		1 711	23	1.4	-2.8	2.1	-0.8	2.1	-2.0	6.2	2.5	1 136	18.6	7.94	23.10	92.06	1 129	20.6
04	Jan		1 762	20	1.1	-2.6	1.7	2.0	1.7	-2.3	2.7	2.6	1 390	2.5	8.18	18.63	91.82	1 378	5.0
	Feb		1 752	18	1.0	-3.7	1.8	1.4	1.8	-2.9	3.0	2.9	1 383	15.5	9.71	20.93	90.29	1 370	18.7
	Mar		1 744	24	1.4	-3.6	2.3	1.3	2.3	-2.7	4.1	3.3	1 421	26.0	10.20	22.19	89.80	1 409	29.7
	Apr		1 705	47	2.8	-2.5	3.8	5.1	3.7	-2.4	4.9	5.2	1 257	19.4	10.09	21.94	89.91	1 234	21.7
	May		1 654	46	2.9	-4.4	4.1	4.4	4.1	-1.7	6.2	5.3	1 279	6.9	9.60	22.11	90.40	1 253	8.0
	Jun		1 626	25	1.6	-5.5	2.9	2.9	2.9	-2.4	2.6	4.4	1 392	16.0	8.43	22.30	91.57	1 350	16.2
	Jul		1 585	12	0.7	-5.7	1.8	3.7	1.8	-2.4	2.6	2.8	1 487	14.2	7.45	23.45	92.55	1 450	14.2
	Aug		1 598	29	1.9	-5.1	3.0	5.5	2.9	-1.5	3.6	4.1	1 125	15.9	7.23	22.01	92.77	1 111	16.6
	Sep		1 618	11	0.7	-6.1	1.8	1.7	1.8	-2.3	2.3	2.8	1 476	15.0	8.36	24.18	91.64	1 445	14.0
	Oct		1 649	-18	-1.1	-7.8	0.0	2.4	-0.0	-2.9	1.3	0.5	1 472	-5.5	8.68	26.26	91.32	1 434	-6.2
	Nov		1 683	-16	-1.0	-7.7	0.1	3.0	0.1	-3.3	1.0	0.7	1 447	12.3	8.63	24.87	91.37	1 414	10.7
	Dec	P	1 670	-41	-2.4	-8.2	-1.5	-1.4	-1.5	-4.2	-5.9	0.2	1 223	7.6	7.49	23.64	92.51	1 183	4.8

REGISTERED UNEMPLOYMENT
Annual percentage changes



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



Source: Instituto Nacional de Empleo, Estadística de Empleo.

Note: The underlying series for this indicator are in Tables 24.16 and 24.17 of the BE Boletín estadístico.

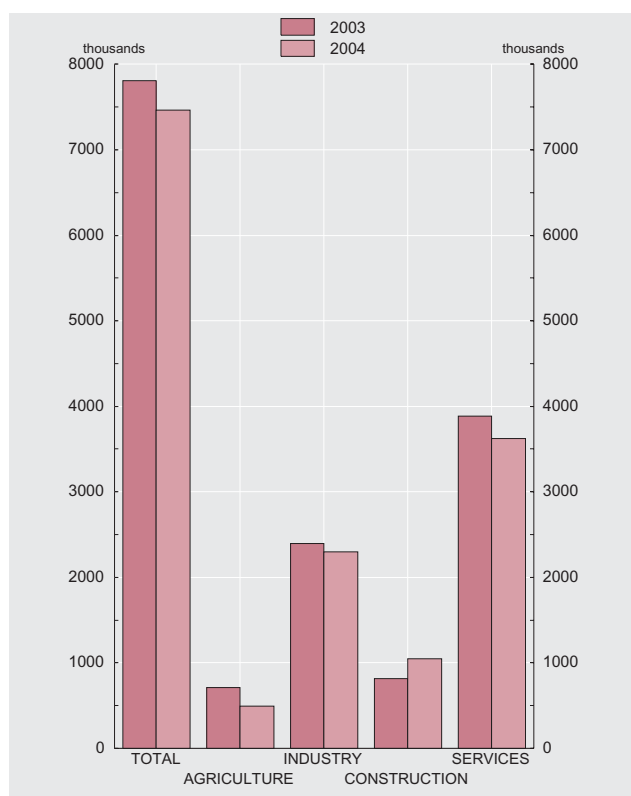
4.6. COLLECTIVE BARGAINING AGREEMENTS

■ Series depicted in chart.

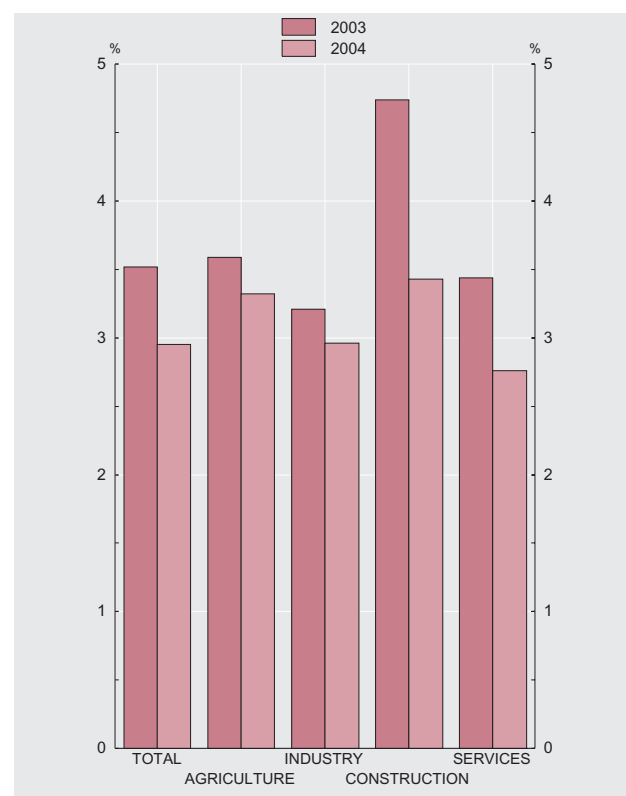
Thousands and %

	As per month economic effects come into force(a)		As per month recorded														
	Emp-loyees affected	Average wage settle-ment	Employees affected (a)							Average wage settlement (%)							
			Auto-matic adjust-ment	Newly signed agree-ments	Total	Annual change	Agricul-ture	Indus-try	Construc-tion	Services	Auto-matic adjust-ment	Newly signed agree-ments	Total	Agricul-ture	Indus-try	Construc-tion	Services
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
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	9 697	3.86	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	9 784	3.67	5 482	2 665	8 147	339	711	2 421	848	4 166	3.49	3.53	3.50	3.59	3.21	4.75	3.41
03 Jun	9 585	3.65	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	9 595	3.65	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	9 595	3.65	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
Sep	9 671	3.66	5 123	1 836	6 959	245	557	2 271	446	3 685	3.43	3.55	3.46	3.45	3.23	4.72	3.45
Oct	9 782	3.67	5 313	2 164	7 477	344	584	2 368	732	3 793	3.47	3.58	3.50	3.43	3.22	4.73	3.45
Nov	9 782	3.67	5 475	2 331	7 807	115	711	2 392	818	3 885	3.49	3.60	3.52	3.59	3.21	4.74	3.44
Dec	9 784	3.67	5 482	2 665	8 147	339	711	2 421	848	4 166	3.49	3.53	3.50	3.59	3.21	4.75	3.41
04 Jan	7 077	2.93	2 882	0	2 882	-650	126	1 046	77	1 633	2.85	3.29	2.85	2.51	3.09	3.40	2.70
Feb	7 090	2.93	3 099	4	3 103	-948	169	1 094	131	1 709	2.90	3.32	2.90	3.23	3.06	3.49	2.71
Mar	7 141	2.93	4 102	9	4 111	-284	239	1 305	192	2 375	2.84	3.42	2.84	3.02	3.06	3.46	2.65
Apr	7 316	2.93	4 335	172	4 506	-26	241	1 357	468	2 441	2.86	3.33	2.88	3.02	3.06	3.41	2.66
May	7 387	2.94	4 335	406	4 740	-64	246	1 378	568	2 548	2.86	2.99	2.87	3.00	3.05	3.41	2.63
Jun	7 390	2.94	4 539	520	5 059	12	247	1 435	583	2 795	2.89	2.98	2.90	3.00	3.05	3.41	2.71
Jul	7 393	2.94	4 797	796	5 593	213	253	1 512	667	3 162	2.89	2.99	2.90	3.01	3.04	3.41	2.72
Aug	7 393	2.94	4 842	1 131	5 973	-96	262	1 731	763	3 216	2.89	2.98	2.91	3.04	2.98	3.41	2.74
Sep	7 456	2.95	5 005	1 743	6 748	-212	325	2 094	877	3 451	2.90	2.93	2.90	2.99	2.96	3.41	2.73
Oct	7 466	2.95	5 073	1 943	7 017	-460	331	2 229	927	3 530	2.90	2.92	2.91	2.95	2.96	3.41	2.74
Nov	7 466	2.95	5 187	2 279	7 466	-341	497	2 301	1 046	3 622	2.93	3.00	2.95	3.32	2.96	3.43	2.76

EMPLOYEES AFFECTED
January-November



AVERAGE WAGE SETTLEMENT
January-November



Source: Ministerio de Trabajo y Asuntos Sociales (MTAS), Estadística de Convenios Colectivos de Trabajo. Avance mensual.
a. Cumulative data.

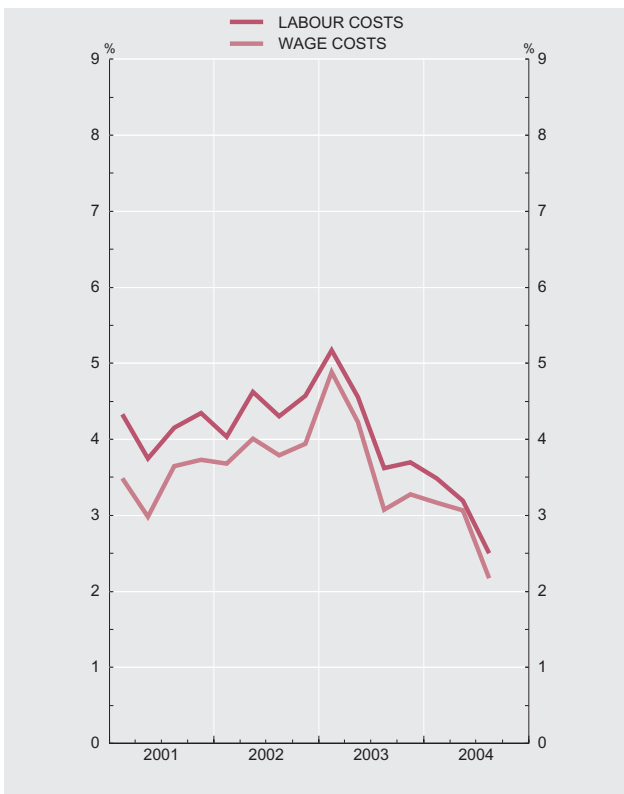
4.7. QUARTERLY LABOUR COSTS SURVEY

■ Series depicted in chart.

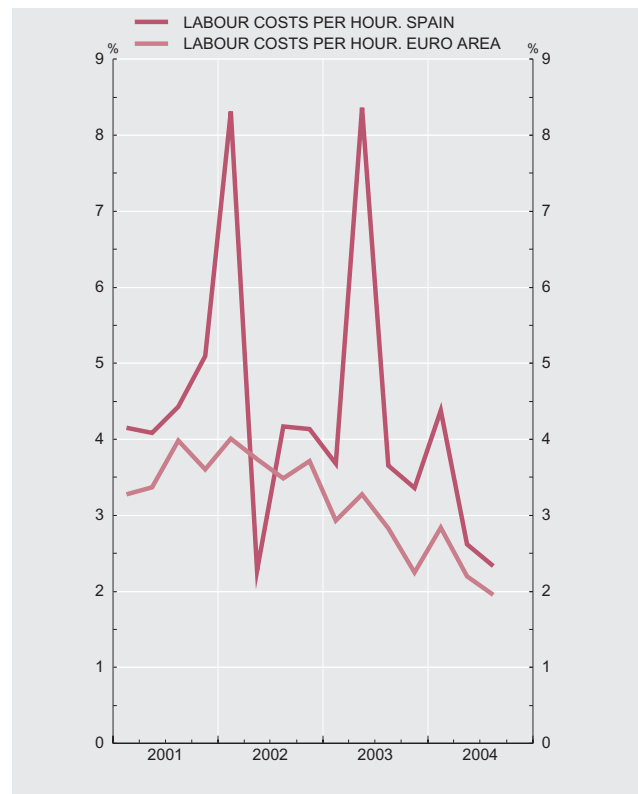
Annual percentage change

		Labour costs					Wage costs					Other costs per worker and month	memorandum item: euro area total hourly labour costs (a)
		Monthly earnings				Per hour worked	Monthly earnings				Per hour worked		
		Total	Industry	Construction	Services		Total	Industry	Construction	Services			
1	2	3	4	5	6	7	8	9	10	11	12		
01	M	4.1	4.4	4.7	4.1	4.5	3.5	3.7	3.9	3.6	3.8	6.2	3.6
02	M	4.4	4.8	4.8	4.4	4.6	3.9	4.7	4.1	3.8	4.1	6.0	3.7
03	M	4.2	4.7	6.3	3.8	4.7	3.8	4.4	5.0	3.5	4.3	5.4	2.8
03	Q1-Q3M	4.4	5.0	6.2	4.0	5.2	4.1	4.6	5.0	3.8	4.8	5.6	3.0
04	Q1-Q3M	3.1	3.4	5.7	2.7	3.1	2.8	3.3	4.6	2.5	2.8	3.8	2.3
02	Q1	4.0	3.7	4.6	4.4	8.3	3.7	3.8	3.9	3.9	8.0	5.0	4.0
	Q2	4.6	5.1	4.5	4.7	2.3	4.0	4.9	4.0	4.0	1.8	6.5	3.7
	Q3	4.3	5.0	5.2	4.1	4.2	3.8	4.9	4.2	3.6	3.7	5.8	3.5
	Q4	4.6	5.4	4.7	4.4	4.1	3.9	5.0	4.4	3.6	3.5	6.6	3.7
03	Q1	5.2	5.2	6.0	5.0	3.7	4.9	5.0	5.1	4.8	3.3	6.0	2.9
	Q2	4.6	5.5	6.3	4.0	8.4	4.2	5.1	4.9	3.9	8.0	5.5	3.3
	Q3	3.6	4.4	6.4	2.9	3.7	3.1	3.7	5.1	2.6	3.1	5.2	2.8
	Q4	3.7	3.9	6.3	3.3	3.4	3.3	3.7	5.1	3.0	3.0	5.0	2.3
04	Q1	3.5	4.3	6.0	2.9	4.4	3.2	4.0	5.2	2.7	4.1	4.4	2.8
	Q2	3.2	2.7	5.5	3.2	2.6	3.1	2.9	4.1	3.2	2.5	3.5	2.2
	Q3	2.5	3.2	5.5	1.9	2.3	2.2	3.3	4.6	1.6	2.0	3.4	2.0

PER WORKER AND MONTH
Annual percentage change



PER HOUR WORKED
Annual percentage change



Sources: INE (Quarterly labour costs survey) and Eurostat.

Note: The underlying series for this indicator are in Tables 24.25, 24.26 and 24.27 of de BE Boletín estadístico.

a. Whole economy, excluding the agriculture, public administration, education and health sectors.

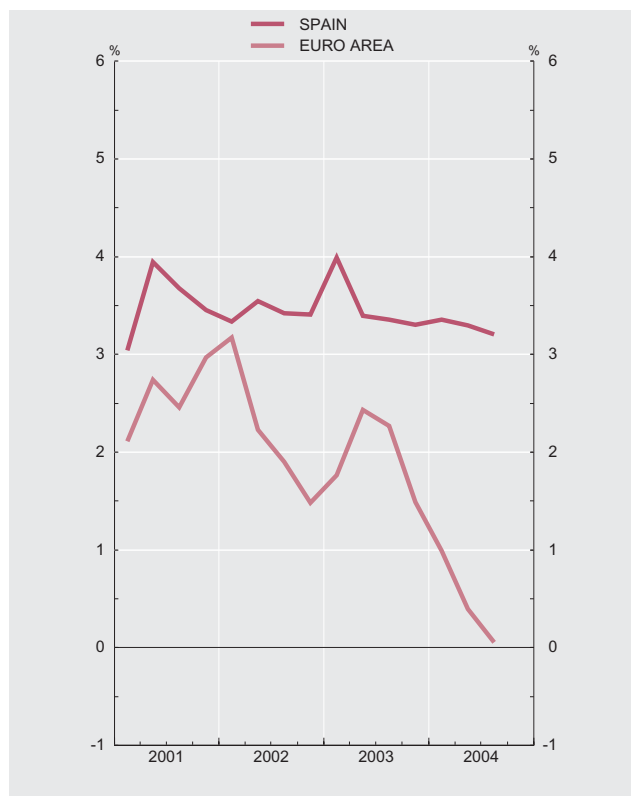
4.8. UNIT LABOUR COSTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

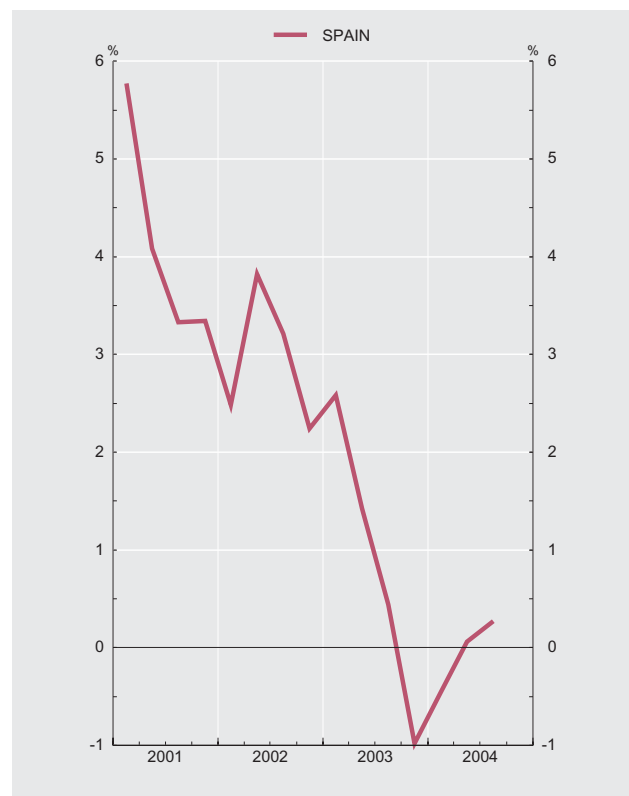
Annual percentage changes

	Whole-economy unit labour costs		Compensation per employee		Productivity						Memorandum item: unit labour costs in manufacturing	
	Spain	Euro area	Spain (b)	Euro area	Spain	Euro area	Output		Employment		Spain (c)	Euro area
							Spain	Euro area	Spain (b)	Euro area		
	1	2	3	4	5	6	7	8	9	10	11	12
01	3.5	2.6	3.8	2.8	0.3	0.3	2.8	1.6	2.5	1.3	4.1	...
02	3.4	2.2	4.3	2.5	0.9	0.3	2.2	0.9	1.4	0.6	2.9	...
03	3.5	2.0	4.3	2.3	0.7	0.4	2.5	0.5	1.7	0.2	0.8	...
01 Q4	3.5	3.0	4.3	2.9	0.8	-0.0	2.9	0.8	2.0	0.8	3.3	...
02 Q1	3.3	3.2	4.3	2.9	0.9	-0.3	2.4	0.5	1.5	0.8	2.5	...
02 Q2	3.5	2.2	4.2	2.4	0.6	0.2	2.3	0.9	1.7	0.7	3.8	...
02 Q3	3.4	1.9	4.3	2.4	0.9	0.4	2.2	1.0	1.3	0.5	3.2	...
02 Q4	3.4	1.5	4.5	2.3	1.0	0.8	2.1	1.1	1.0	0.4	2.2	...
03 Q1	4.0	1.8	4.8	2.3	0.8	0.5	2.1	0.7	1.3	0.2	2.6	...
03 Q2	3.4	2.4	4.4	2.4	1.0	0.0	2.5	0.2	1.5	0.2	1.4	...
03 Q3	3.4	2.3	3.9	2.5	0.5	0.2	2.6	0.4	2.0	0.2	0.4	...
03 Q4	3.3	1.5	4.0	2.2	0.7	0.7	2.8	0.8	2.1	0.1	-1.0	...
04 Q1	3.4	1.0	3.9	2.2	0.5	1.2	2.7	1.4	2.1	0.2	-0.5	...
04 Q2	3.3	0.4	3.9	2.2	0.5	1.8	2.6	2.1	2.0	0.3	0.1	...
04 Q3	3.2	0.1	3.7	1.4	0.5	1.4	2.6	1.8	2.1	0.4	0.3	...

UNIT LABOUR COSTS: TOTAL
Annual percentage changes



UNIT LABOUR COSTS: MANUFACTURING
Annual percentage changes



Sources: INE (Contabilidad Nacional Trimestral de España) and ECB.

a. Spain: prepared in accordance with ESA95. SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see economic bulletin April 2002).

b. Full-time equivalent employment.

c. Industry.

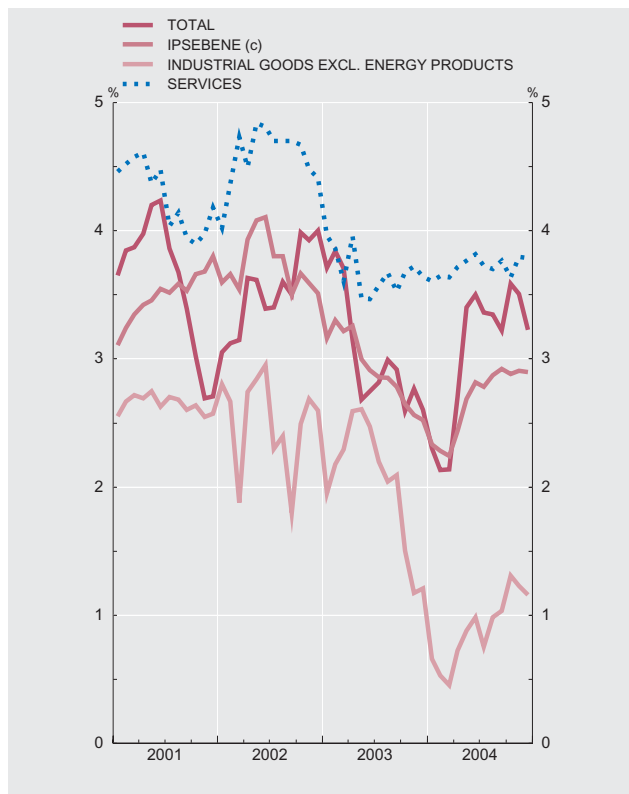
5.1. CONSUMER PRICE INDEX. SPAIN (2001=100) (a)

■ Series depicted in chart.

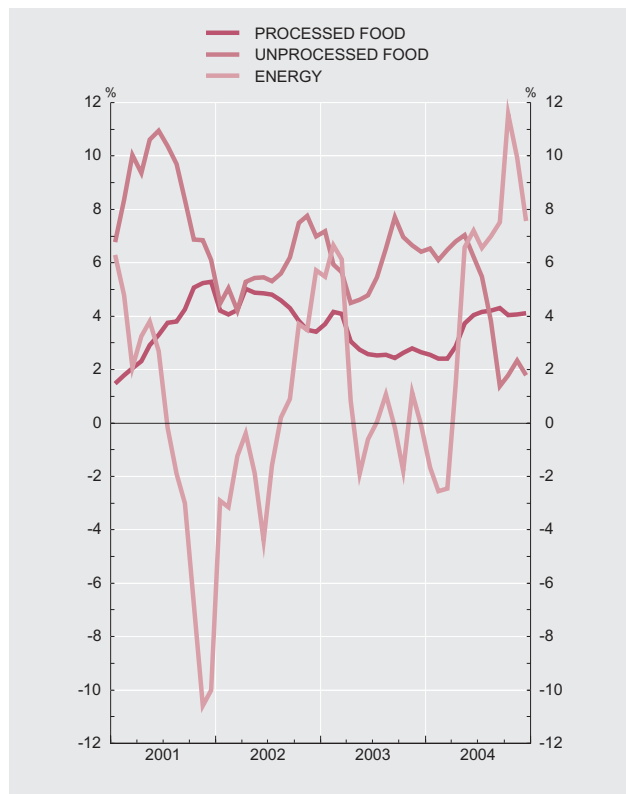
Indices and annual percentage changes

		Total (100%)				Annual percentage change (12-month % change)						Memorandum item: prices for agricultural products (2000=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 (e)	Energy	Services	IPSEBENE (d)	Original series	12-month % change (a)
		1	2	3	4	5	6	7	8	9	10	11	12
01	M R	100.5	—	3.6	2.7	8.7	3.4	2.6	-0.8	4.3	3.5	103.0	3.0
02	M	103.5	—	3.5	4.0	5.8	4.3	2.5	-0.1	4.6	3.7	100.4	-2.6
03	M	106.7	—	3.0	2.6	6.0	3.0	2.0	1.4	3.7	2.9	105.8	5.5
03 J-D	M	106.7	0.2	3.0	1.2	6.0	3.0	2.0	1.4	3.7	2.9	106.3	5.1
04 J-D	M	109.9	0.3	3.0	1.6	4.6	3.6	0.9	4.9	3.7	2.7	...	...
03 Sep		106.9	0.3	2.9	1.4	7.7	2.4	2.1	-0.2	3.5	2.8	104.1	13.5
	Oct	107.7	0.7	2.6	2.1	7.0	2.6	1.5	-1.8	3.7	2.6	105.8	10.0
	Nov	108.0	0.3	2.8	2.4	6.7	2.8	1.2	1.1	3.7	2.6	105.2	9.7
	Dec	108.2	0.2	2.6	2.6	6.4	2.7	1.2	-0.1	3.6	2.5	108.6	9.8
04 Jan		107.4	-0.7	2.3	-0.7	6.5	2.5	0.7	-1.7	3.6	2.3	106.4	4.4
	Feb	107.5	0.0	2.1	-0.7	6.1	2.4	0.5	-2.5	3.6	2.3	107.4	-2.6
	Mar	108.2	0.7	2.1	0.0	6.5	2.4	0.5	-2.5	3.6	2.2	111.8	1.3
	Apr	109.7	1.4	2.7	1.4	6.8	2.9	0.7	1.4	3.7	2.4	115.1	3.3
	May	110.4	0.6	3.4	2.0	7.0	3.7	0.9	6.6	3.8	2.7	121.2	7.1
	Jun	110.5	0.2	3.5	2.2	6.2	4.0	1.0	7.2	3.8	2.8	121.3	12.0
	Jul	109.7	-0.8	3.4	1.4	5.5	4.2	0.8	6.6	3.7	2.8	108.4	11.2
	Aug	110.2	0.4	3.3	1.8	3.8	4.2	1.0	7.0	3.7	2.9	93.7	-5.4
	Sep	110.4	0.2	3.2	2.0	1.4	4.3	1.0	7.5	3.8	2.9	93.2	-10.4
	Oct	111.5	1.0	3.6	3.1	1.8	4.0	1.3	11.6	3.6	2.9	101.9	-3.7
	Nov	111.8	0.3	3.5	3.3	2.3	4.1	1.2	9.9	3.8	2.9	...	...
	Dec	111.7	-0.1	3.2	3.2	1.8	4.1	1.2	7.6	3.8	2.9	...	...

CONSUMER PRICE INDEX. TOTAL AND COMPONENTS
Annual percentage changes



CONSUMER PRICE INDEX. COMPONENTS
Annual percentage changes



Sources: INE, Ministerio de Agricultura, Pesca y Alimentación and BE.

Note: The underlying series for this indicator are in Tables 25.2 and 25.8 of the BE Boletín estadístico.

a. There is a break in January 2002 owing to the 2001 re-basing. There is no solution to this via the habitual legal links. Consequently, for the year 2002, the official rates of change cannot be obtained from the indices. The detailed methodological notes can be consulted on the INE Internet site (www.ine.es).

b. For annual periods: average growth for each year on the previous year. c. For annual periods: December-on-December growth rate.

d. Index of non-energy processed goods and service prices. e. Official INE series from January 2002.

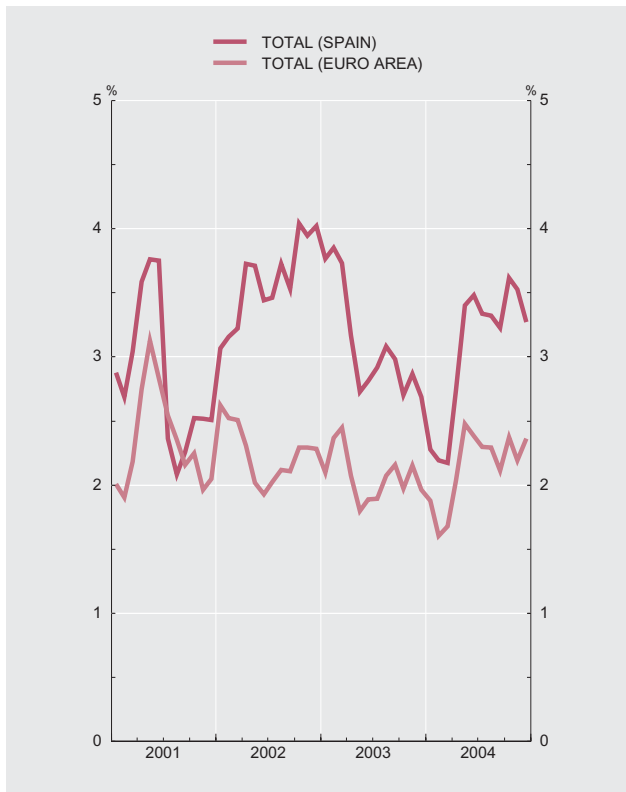
5.2. HARMONISED INDEX OF CONSUMER PRICES. SPAIN AND EURO AREA (1996=100) (a)

■ Series depicted in chart.

Annual percentage changes

		Total		Goods												Services			
		Spain	Euro area	Spain	Euro area	Food						Industrial						Spain	Euro area
						Total		Processed		Unprocessed		Spain	Euro area	Non-energy		Energy			
						Spain	Euro area	Spain	Euro area	Spain	Euro area			Spain	Euro area	Spain	Euro area		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18		
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
03	M	3.1	2.1	2.8	1.8	4.0	2.8	3.5	3.3	4.6	2.1	2.0	1.2	2.2	0.8	1.3	3.0	3.7	2.5
03 J-D	M	3.1	2.1	2.8	1.8	4.0	2.8	3.5	3.3	4.6	2.1	2.0	1.2	2.2	0.8	1.3	3.0	3.7	2.5
04 J-D	MP	3.1	2.1	2.7	1.8	3.9	2.3	4.2	3.4	3.7	0.7	2.0	1.6	1.0	0.8	4.8	4.5	3.7	2.6
03 Sep		3.0	2.2	2.6	1.8	4.2	3.6	2.9	3.2	5.5	4.2	1.7	1.0	2.2	0.8	-0.2	1.6	3.5	2.5
Oct		2.7	2.0	2.1	1.7	4.1	3.6	3.3	3.5	4.9	3.8	0.8	0.8	1.6	0.8	-1.8	0.7	3.6	2.5
Nov		2.9	2.2	2.3	2.0	4.1	3.9	3.5	4.0	4.7	3.8	1.3	1.1	1.3	0.7	1.1	2.2	3.7	2.4
Dec		2.7	2.0	2.1	1.8	3.9	3.6	3.4	3.8	4.4	3.2	1.0	0.9	1.4	0.7	-0.1	1.8	3.6	2.3
04 Jan		2.3	1.9	1.7	1.3	3.9	3.1	3.3	3.3	4.4	2.9	0.3	0.4	0.8	0.6	-1.6	-0.4	3.5	2.5
Feb		2.2	1.6	1.4	1.0	3.6	2.7	3.2	3.2	4.1	1.9	-0.1	0.2	0.7	0.8	-2.6	-2.2	3.5	2.6
Mar		2.2	1.7	1.4	1.1	3.7	3.1	3.2	4.1	4.4	1.7	-0.1	0.1	0.6	0.7	-2.5	-2.0	3.6	2.5
Apr		2.7	2.0	2.2	1.8	4.2	2.9	3.6	3.9	4.7	1.6	1.0	1.2	0.9	1.0	1.5	2.0	3.6	2.5
May		3.4	2.5	3.3	2.4	4.8	3.1	4.7	3.9	4.9	1.7	2.3	2.1	1.0	0.9	6.6	6.7	3.7	2.6
Jun		3.5	2.4	3.4	2.2	4.8	2.8	4.9	3.8	4.7	1.2	2.5	2.0	1.1	0.9	7.2	5.9	3.8	2.6
Jul		3.3	2.3	3.2	2.1	4.6	2.6	4.9	3.8	4.3	0.7	2.3	1.8	0.9	0.7	6.6	5.9	3.7	2.7
Aug		3.3	2.3	3.2	2.1	4.1	2.1	4.8	3.6	3.4	-0.2	2.6	2.1	1.1	0.9	7.0	6.5	3.6	2.7
Sep		3.2	2.1	3.0	1.8	3.3	1.4	4.7	3.3	1.9	-1.5	2.7	2.0	1.1	0.8	7.5	6.4	3.7	2.6
Oct		3.6	2.4	3.6	2.2	3.3	1.2	4.4	2.8	2.2	-1.2	3.8	2.7	1.4	0.8	11.6	9.8	3.6	2.6
Nov		3.5	2.2	3.4	2.0	3.5	1.0	4.2	2.3	2.7	-1.0	3.4	2.5	1.3	0.8	9.9	8.7	3.8	2.7
Dec	P	3.3	2.4	3.0	2.0	3.3	2.0	4.2	3.2	2.4	0.1	2.7	2.0	1.3	0.8	7.6	6.9	3.7	2.7

HARMONISED INDEX OF CONSUMER PRICES. TOTAL
Annual percentage changes



HARMONISED INDEX OF CONSUMER PRICES. COMPONENTS
Annual percentage changes



Source: Eurostat.

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

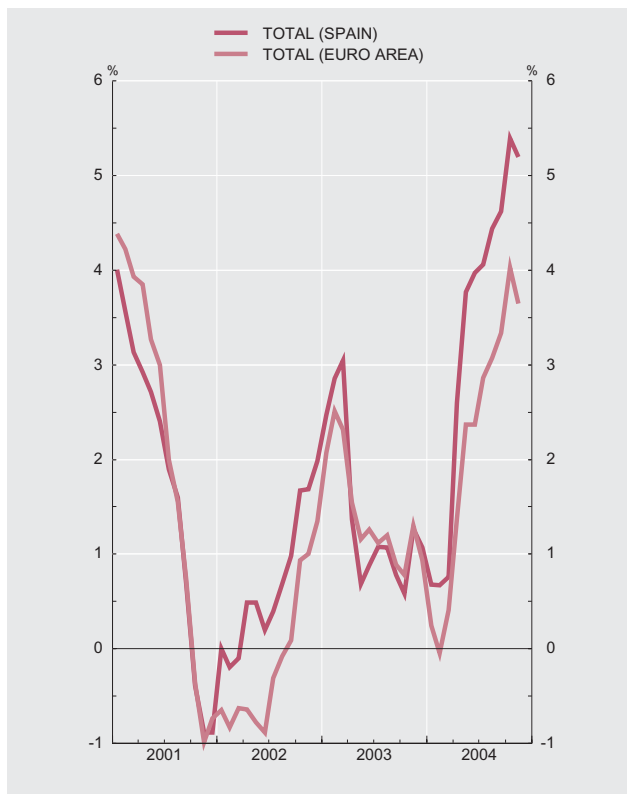
5.3. PRODUCER PRICE INDEX. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

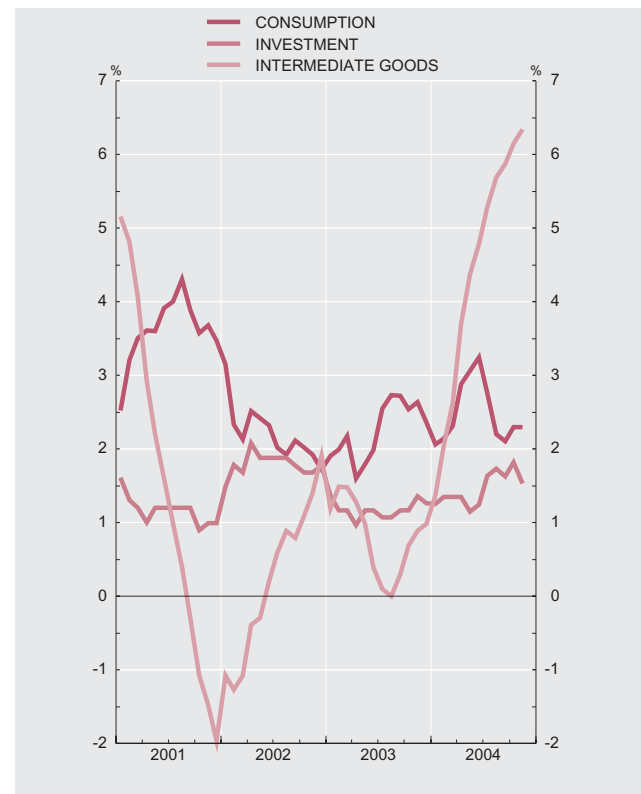
Annual percentage changes

		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	Investment	Intermediate	Energy	
														12-month % change	12-month % change	12-month % change	12-month % change	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16			
01	MP	101.7	-	1.7	-	3.6	-	1.2	-	1.4	-	-2.0	2.1	3.0	0.9	1.2	2.9	
02	MP	102.4	-	0.7	-	2.2	-	1.8	-	0.2	-	-1.3	-0.1	1.0	0.9	-0.3	-2.3	
03	MP	103.9	-	1.4	-	2.3	-	1.2	-	0.8	-	1.3	1.4	1.1	0.3	0.8	3.8	
03	J-N	MP	103.9	-	1.5	-	2.2	-	1.2	-	0.8	-	1.6	1.5	0.3	0.8	4.0	
04	J-N	MP	107.3	-	3.3	-	2.5	-	1.5	-	4.4	-	4.8	2.1	1.3	0.7	3.3	3.5
03	Aug	P	103.7	0.2	1.1	0.4	2.7	-	1.1	-0.1	-	0.9	0.1	1.2	1.1	0.3	-0.2	4.1
	Sep	P	103.8	0.1	0.8	0.2	2.7	0.1	1.2	0.2	0.3	-0.6	-2.4	0.9	1.3	0.3	-	1.8
	Oct	P	103.8	-	0.6	-0.3	2.5	-	1.2	0.2	0.7	0.2	-3.6	0.8	1.2	0.3	0.1	1.1
	Nov	P	103.9	0.1	1.3	-	2.6	0.3	1.4	0.1	0.9	0.5	-0.4	1.3	1.3	0.3	0.4	3.2
	Dec	P	103.8	-0.1	1.1	-0.3	2.4	-	1.3	0.1	1.0	-0.4	-1.2	0.9	1.0	0.2	0.4	1.7
04	Jan	P	104.5	0.7	0.7	0.4	2.1	0.4	1.3	0.9	1.4	1.2	-3.6	0.2	0.9	0.3	0.5	-1.5
	Feb	P	105.1	0.6	0.7	0.5	2.1	0.3	1.3	1.2	2.0	-0.5	-5.4	-0.0	1.0	0.3	0.9	-3.5
	Mar	P	105.8	0.7	0.8	0.7	2.3	0.1	1.3	0.8	2.6	1.5	-5.6	0.4	1.5	0.3	1.5	-2.8
	Apr	P	106.6	0.8	2.6	0.4	2.9	0.1	1.3	1.1	3.7	1.3	1.3	1.4	1.4	0.5	2.3	1.2
	May	P	107.3	0.7	3.8	0.4	3.1	-	1.2	0.6	4.4	2.3	7.2	2.4	1.4	0.6	2.9	5.4
	Jun	P	107.4	0.1	4.0	0.3	3.2	0.1	1.2	-	4.8	-0.3	7.1	2.4	1.6	0.7	3.3	4.4
	Jul	P	107.7	0.3	4.1	0.2	2.8	0.3	1.6	0.2	5.3	0.8	7.2	2.9	1.6	0.8	4.3	5.2
	Aug	P	108.3	0.6	4.4	-0.2	2.2	0.1	1.7	0.3	5.7	2.6	9.0	3.1	1.4	0.9	4.8	5.4
	Sep	P	108.6	0.3	4.6	0.1	2.1	-	1.6	0.4	5.9	1.2	11.0	3.3	1.1	0.9	5.0	7.0
	Oct	P	109.4	0.7	5.4	-0.1	2.3	0.2	1.8	0.5	6.2	3.1	14.2	4.0	1.1	1.1	5.5	9.6
	Nov	P	109.3	-0.1	5.2	-	2.3	-	1.5	0.3	6.3	-0.9	12.6	3.6	0.9	1.1	5.5	7.9

PRODUCER PRICE INDEX. TOTAL
Annual percentage changes



PRODUCER PRICE INDEX. COMPONENTS
Annual percentage changes



Sources: INE and ECB.

Note: The underlying series for this indicator, for Spain, are in Table 25.3 of the BE Boletín estadístico.

a. Spain: 2000=100; euro area: 2000=100.

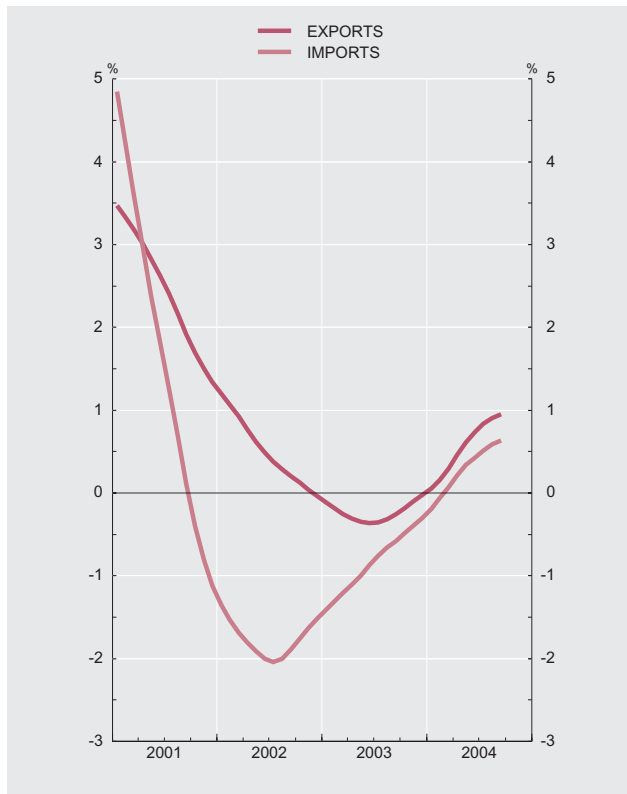
5.4 UNIT VALUE INDICES FOR SPANISH FOREIGN TRADE

■ Series depicted in chart.

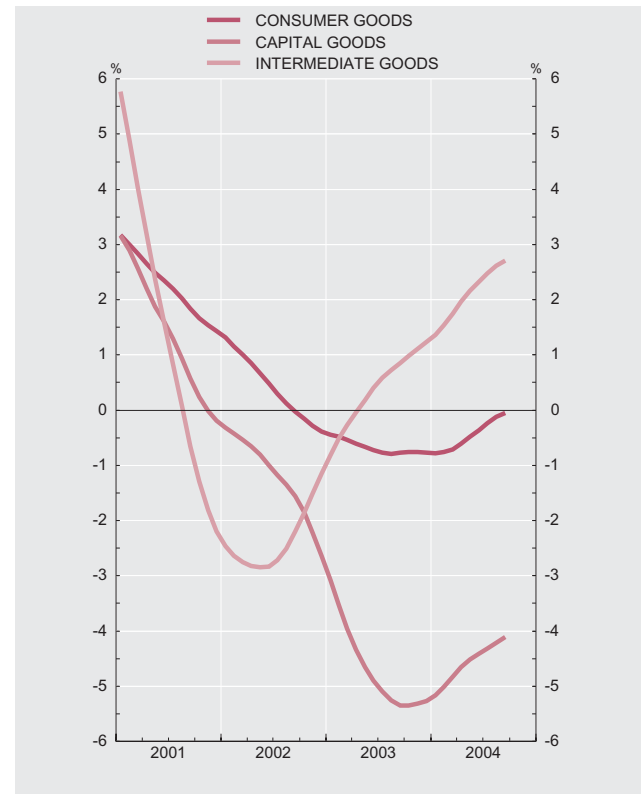
Annual percentage changes

	Exports/dispatches						Imports/arrivals					
	Total	Consumer goods	Capital goods	Intermediate goods			Total	Consumer goods	Capital goods	Intermediate goods		
				Total	Energy	Non-energy				Total	Energy	Non-energy
1	2	3	4	5	6	7	8	9	10	11	12	
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
03	-0.9	-0.7	-8.3	1.4	8.1	-0.1	-0.3	-0.1	-7.4	1.6	1.9	1.7
03 J-S	-1.3	-0.6	-10.2	1.0	10.3	-0.5	-0.3	-0.2	-7.9	1.9	4.7	1.7
04 J-S	0.6	-0.2	-0.6	2.1	7.0	1.3	1.1	-0.9	-4.1	3.6	5.2	2.8
03 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
<i>May</i>	-0.9	-2.0	-9.2	2.1	3.0	0.9	-2.0	-1.9	-10.0	0.4	-13.8	4.1
<i>Jun</i>	-3.2	-1.4	-14.8	-0.8	-6.0	-1.4	0.7	-0.6	-7.2	3.8	-9.8	8.3
<i>Jul</i>	-0.9	2.6	-16.0	1.0	9.0	0.0	-	-3.4	-7.2	3.2	-6.0	5.4
<i>Aug</i>	-3.8	-6.1	-15.9	1.6	7.7	-0.7	1.5	4.5	-9.1	2.9	-3.3	3.6
<i>Sep</i>	-0.2	-0.4	-2.7	1.2	-2.8	-0.4	-2.8	-0.2	-17.7	0.9	-9.6	0.6
<i>Oct</i>	-0.7	-2.5	-5.3	1.5	6.9	0.3	0.8	2.8	-0.6	-0.0	-12.3	2.3
<i>Nov</i>	0.5	-1.6	0.1	1.9	1.1	0.5	-0.2	-0.4	-7.0	1.8	-2.1	1.3
<i>Dec</i>	1.0	1.0	-3.3	3.6	-2.4	2.5	-1.4	-1.4	-9.4	1.0	-3.8	1.7
04 Jan	-2.0	-2.9	-3.3	-0.6	-2.3	-1.1	-3.6	-1.0	-8.4	-3.5	-17.1	-1.6
<i>Feb</i>	-4.3	-4.4	-5.9	-2.5	-16.9	-2.9	1.8	-6.0	-6.2	7.5	-20.4	13.9
<i>Mar</i>	-1.5	-1.4	-7.5	0.6	-11.5	0.5	-2.3	-3.6	-7.0	-0.5	-16.2	3.3
<i>Apr</i>	1.7	-1.9	7.9	2.8	-3.7	4.2	1.4	-3.9	2.6	3.4	2.4	2.8
<i>May</i>	3.6	4.7	3.8	3.2	2.9	2.2	5.3	2.9	-1.1	8.6	18.5	4.4
<i>Jun</i>	3.2	3.0	4.8	4.1	16.4	2.8	-0.5	-3.3	-2.0	1.4	16.8	-1.9
<i>Jul</i>	-2.3	-4.8	-5.5	2.1	19.1	0.2	-0.3	2.6	-8.9	1.8	18.4	-1.7
<i>Aug</i>	5.6	4.3	9.0	5.6	23.9	4.5	3.7	3.7	-3.4	5.9	23.7	1.5
<i>Sep</i>	0.9	1.2	-8.9	3.2	34.5	1.6	4.2	-0.2	-2.2	8.2	19.7	5.2

EXPORT AND IMPORT UNIT VALUE INDICES (a)



IMPORT UNIT VALUE INDICES BY PRODUCT GROUP (a)



Sources: ME and BE.

Note: The underlying series for this indicator are in the Tables 17.6 and 17.7 of the Boletín estadístico.

(a) Annual percentage changes (trend obtained with TRAMO-SEATS).

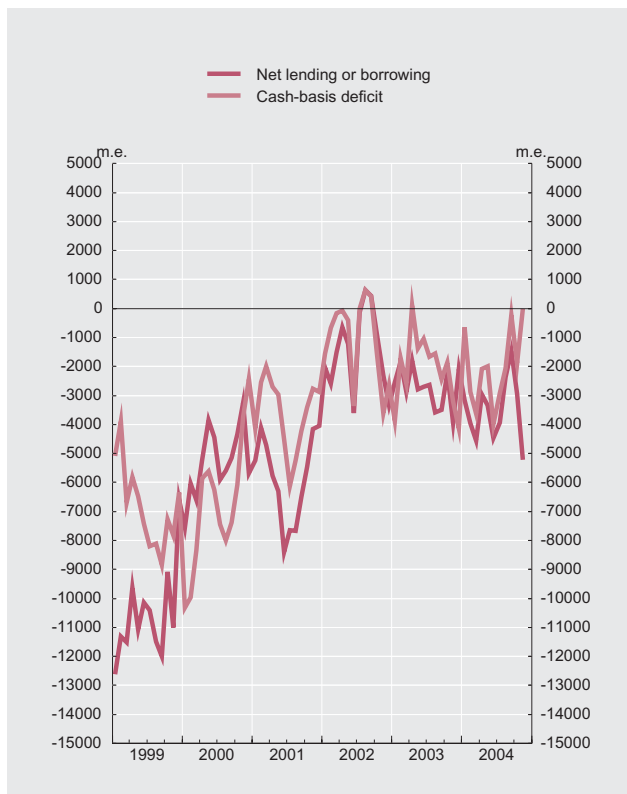
6.1. STATE RESOURCES AND USES ACCORDING TO THE NATIONAL ACCOUNTS (A). SPAIN

■ Series depicted in chart.

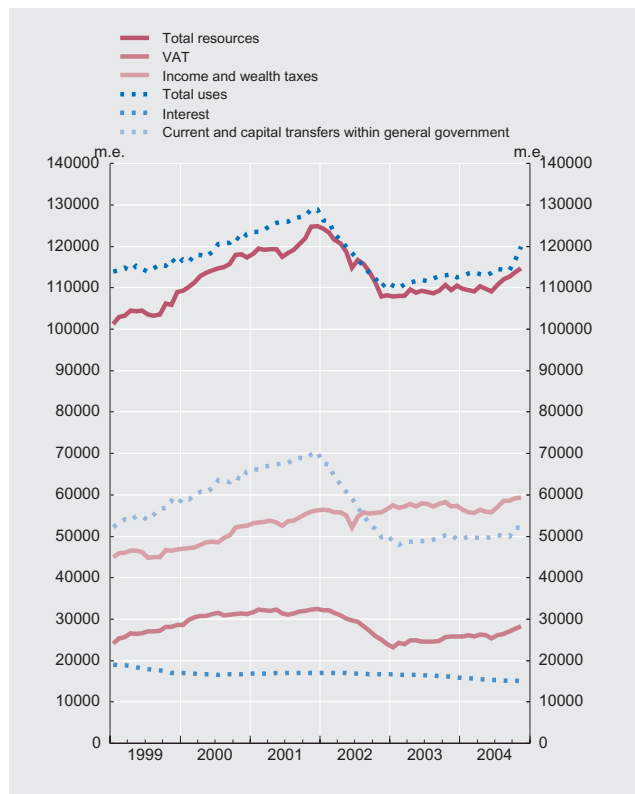
EUR millions

		Current and capital resources						Current and capital uses						Memorandum item: cash-basis deficit			
		Net lending (+) or borrowing (-)	Total	Value added tax (VAT)	Other taxes on products and imports	Interest and other income on property	Income and wealth taxes	Other	Total	Compensation of employees	Interest	Current and capital transfers within general government	Investment grants and other capital transfers	Other	Cash-basis deficit	Revenue	Expenditure
99		-6 585	109 009	28 574	16 408	5 877	46 886	11 264	115 594	17 363	16 959	57 721	3 034	20 517	-6 354	110 370	116 724
00		-5 675	117 346	31 262	17 171	5 210	52 526	11 177	123 021	15 806	16 809	65 703	3 705	20 998	-2 431	118 693	121 124
01		-4 046	124 838	32 433	17 838	6 913	56 267	11 387	128 884	16 067	17 030	70 319	3 379	22 089	-2 884	125 193	128 077
02	P	-3 336	108 150	24 005	11 431	5 319	56 616	10 779	111 486	16 978	16 666	50 217	3 318	24 307	-2 626	108 456	111 082
03	A	-2 084	110 463	25 764	10 918	4 949	57 403	11 429	112 547	17 676	15 900	49 248	2 910	26 813	-4 132	109 655	113 787
03 J-N	A	5 108	101 725	25 619	10 026	4 215	53 311	8 554	96 617	15 419	14 585	44 339	1 973	20 301	-902	101 115	102 017
04 J-N	A	1 982	105 997	28 139	9 953	3 448	55 346	9 111	104 015	16 333	13 750	47 148	5 798	20 986	3 223	105 985	102 762
03 Dec	A	-7 192	8 738	145	892	734	4 092	2 875	15 930	2 257	1 315	4 909	937	6 512	-3 230	8 540	11 770
04 Jan	A	496	7 755	-880	886	333	6 701	715	7 259	1 244	1 279	3 290	62	1 384	-2 471	6 949	9 420
Feb	A	6 367	14 958	10 850	860	510	1 822	916	8 591	1 259	1 193	4 155	218	1 766	5 631	16 317	10 686
Mar	A	-5 692	3 778	323	741	454	1 551	709	9 470	1 633	1 277	4 086	338	2 136	-5 457	3 993	9 451
Apr	A	9 004	17 204	5 583	1 022	377	9 715	507	8 200	1 374	1 248	3 825	197	1 556	9 876	17 306	7 430
May	A	-6 090	2 425	79	925	197	114	1 110	8 515	1 260	1 296	3 829	168	1 962	-5 208	2 324	7 532
Jun	A	-9 252	1 887	-1 180	1 103	164	297	1 503	11 139	2 417	1 226	4 648	237	2 611	-9 107	782	9 889
Jul	A	5 689	15 047	4 757	803	178	9 020	289	9 358	1 437	1 291	4 456	135	2 039	2 708	15 824	13 117
Aug	A	-86	7 906	-1 613	895	278	7 771	575	7 992	1 360	1 242	3 651	100	1 639	92	7 290	7 198
Sep	A	409	8 928	3 049	1 088	161	3 541	1 089	8 519	1 434	1 213	3 746	228	1 898	1 424	8 808	7 384
Oct	A	6 833	18 696	5 831	749	181	11 631	304	11 863	1 385	1 275	7 094	264	1 845	5 622	18 605	12 983
Nov	A	-5 696	7 413	1 340	881	615	3 183	1 394	13 109	1 530	1 210	4 368	3 851	2 150	113	7 787	7 674

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



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



Source: Ministerio de Economía y Hacienda (IGAE).

(a) Except in interest rate swaps, where the EDP criterion is followed. That is to say, the net outcome of these transactions is considered to be interest and not financial transactions (the ESA 95 criterion), whereby they influence the calculation of net lending or borrowing.

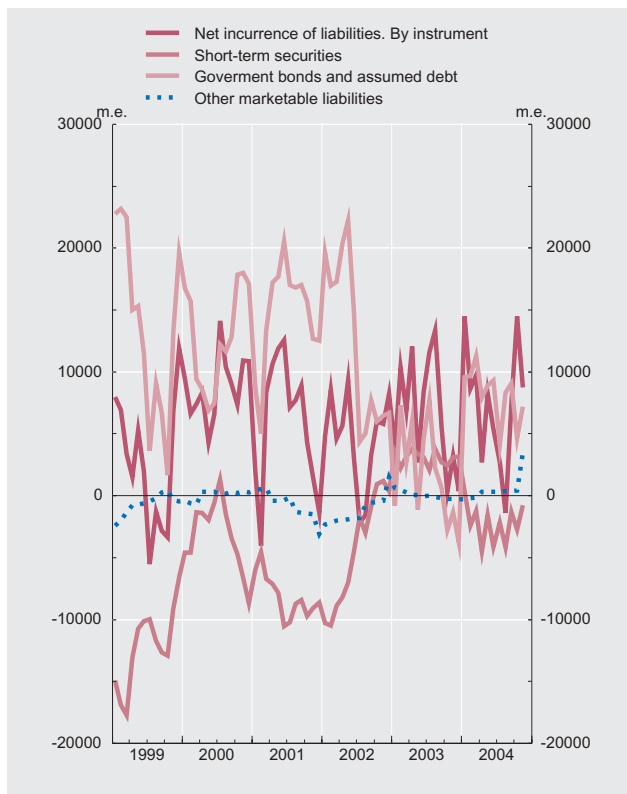
6.2. STATE FINANCIAL TRANSACTIONS (A). SPAIN

■ Series depicted in chart.

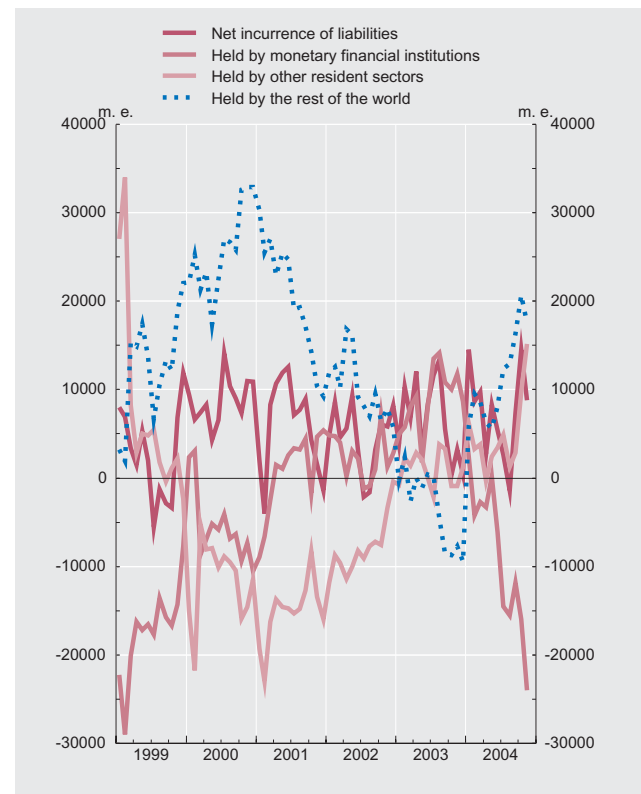
EUR millions

	Net lending (+) or net borrowing(-)	Net acquisition of financial assets		Net incurrence of liabilities										Net incurrence of liabilities (excluding other accounts payable)			
		Total	Of which Deposits at the Banco de España	Total	Of which	By instrument					By counterpart sector						
						Total	In currencies other than the peseta/euro	Short-term securities	Government bonds and assumed debt	Banco de España loans	Other marketable liabilities (b)	Other accounts payable	Held by resident sectors			Rest of the world	
													Total		Monetary financial institutions		Other resident sectors
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15			
99	-6 585	5 337	4 574	11 922	209	-6 629	19 592	-499	-446	-96	-10 103	-7 734	-2 369	22 026	12 018		
00	-5 675	5 191	5 690	10 866	1 162	-8 683	17 127	-499	283	2 638	-22 058	-10 554	-11 504	32 924	8 228		
01	-4 046	-5 445	-20 141	-1 399	803	-8 616	12 521	-499	-3 101	-1 704	-10 605	5 387	-15 992	9 206	305		
02	P -3 336	4 872	-95	8 208	-888	346	6 655	-486	1 488	205	2 422	2 798	-375	5 785	8 002		
03	A -2 084	-1 699	0	385	-135	3 146	-3 761	-486	-281	1 767	9 857	8 664	1 194	-9 472	-1 381		
03 J-N	A 5 108	5 646	-0	538	-142	3 540	-3 969	-	-339	1 306	8 802	9 917	-1 114	-8 264	-768		
04 J-N	A 1 982	10 899	-0	8 917	-856	-390	6 964	-	3 389	-1 046	-9 877	-22 711	12 834	18 794	9 963		
03 Dec	A -7 192	-7 345	1	-153	7	-393	208	-486	57	461	1 055	-1 253	2 308	-1 208	-614		
04 Jan	A 496	6 027	0	5 531	-33	222	2 398	-	-5	2 916	-3 535	-4 102	566	9 066	2 615		
Feb	A 6 367	3 422	-0	-2 945	33	-3 757	3 303	-	-45	-2 446	-7 601	-5 748	-1 854	4 656	-499		
Mar	A -5 692	-2 282	0	3 410	-51	1 807	3 117	-	-70	-1 445	5 984	3 701	2 283	-2 574	4 854		
Apr	A 9 004	8 707	-1	-297	14	-2 502	2 784	-	355	-934	-2 572	1 094	-3 667	2 276	637		
May	A -6 090	-3 329	1	2 761	-857	2 493	-683	-	37	914	3 303	-906	4 210	-542	1 847		
Jun	A -9 252	-7 302	-1	1 950	31	-2 882	5 038	-	58	-264	729	325	404	1 220	2 213		
Jul	A 5 689	-2 703	0	-8 392	-1 224	2 877	-12 939	-	-9	1 679	-10 570	-7 675	-2 894	2 178	-10 071		
Aug	A -86	-2 852	-0	-2 766	19	-2 735	1 146	-	13	-1 191	571	-1 861	2 432	-3 337	-1 575		
Sep	A 409	9 578	1	9 169	-15	2 883	5 232	-	3	1 051	4 886	3 572	1 314	4 283	8 118		
Oct	A 6 833	9 506	12 897	2 673	1 206	-1 534	-7 868	-	0	12 074	-1 565	-5 491	3 927	4 238	-9 401		
Nov	A -5 696	-7 874	-12 897	-2 178	22	2 738	5 434	-	3 052	-13 401	492	-5 621	6 113	-2 670	11 224		

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



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



Source: BE.

(a) Except in interest rate swaps, where the EDP criterion is followed. That is to say, the net outcome of these transactions is considered to be interest and not financial transactions (the ESA 95 criterion), whereby they influence the calculation of net lending or borrowing.

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

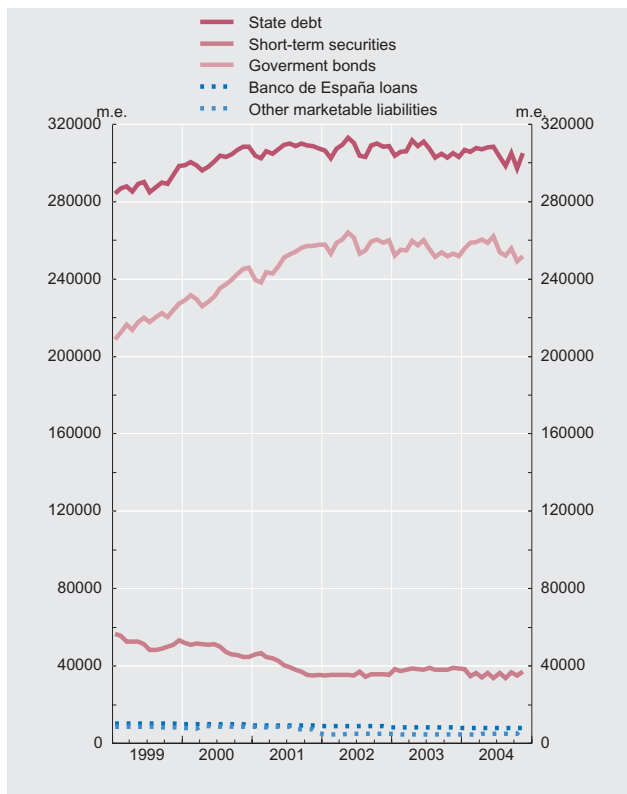
6.3. STATE: LIABILITIES OUTSTANDING. SPAIN

■ Series depicted in chart.

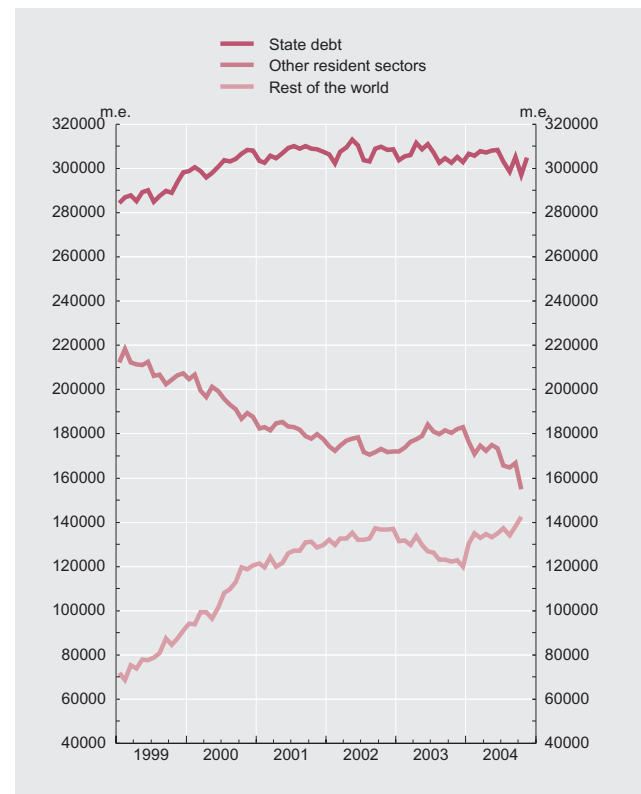
EUR millions

	Liabilities outstanding (excluding other accounts payable)										Memorandum item:		
	State debt according to the methodology of the excessive deficit procedure	of which	By instrument					By counterpart sector				Deposits at the Banco de España	Guarantees given (contingent liabilities). Outstanding level
			In currencies other than the peseta/euro	Short-term securities	Government bonds and assumed debt	Banco de España loans	Other marketable liabilities (a)	Held by resident sectors			Rest of the world		
								Total	General government	Other resident sectors			
1	2	3	4	5	6	7	8	9	10	11	12		
96	263 963	20 434	81 084	152 293	10 814	19 772	210 489	529	209 960	54 003	15 195	8 185	
97	274 168	23 270	71 730	180 558	10 578	11 303	211 530	445	211 085	63 083	9 829	7 251	
98	284 153	30 048	59 939	205 182	10 341	8 691	215 200	305	214 895	69 258	10 273	6 412	
99	298 378	7 189	53 142	227 157	9 843	8 236	207 458	150	207 308	91 070	14 846	5 310	
00	308 212	8 197	44 605	245 717	9 344	8 546	188 482	695	187 787	120 424	20 536	5 430	
01	307 434	7 611	35 428	257 721	8 845	5 440	179 118	1 474	177 644	129 791	395	5 460	
02	308 792	5 823	35 459	260 060	8 359	4 914	177 561	5 648	171 913	136 880	300	6 819	
03 Nov	P 305 064	5 329	38 912	253 268	8 359	4 525	191 301	9 009	182 292	122 772	300	7 112	
03 Dec	P 302 968	5 105	38 704	251 827	7 873	4 564	192 405	9 460	182 945	120 023	300	6 821	
04 Jan	A 306 738	5 244	38 519	255 775	7 873	4 570	187 640	11 319	176 322	130 416	300	6 743	
04 Feb	A 305 759	5 133	34 731	258 640	7 873	4 516	182 167	11 319	170 849	134 911	300	6 735	
04 Mar	A 307 788	5 353	36 398	259 051	7 873	4 466	188 048	13 326	174 721	133 067	300	6 717	
04 Apr	A 307 213	5 251	34 012	260 512	7 873	4 815	185 881	13 457	172 424	134 789	299	6 624	
04 May	A 308 093	5 192	36 491	258 883	7 873	4 846	188 249	13 457	174 792	133 301	300	6 531	
04 Jun	A 308 495	5 215	33 625	262 091	7 873	4 906	187 737	14 291	173 446	135 049	300	6 483	
04 Jul	A 303 060	4 068	36 497	253 794	7 873	4 895	179 555	13 793	165 761	137 298	300	6 483	
04 Aug	A 298 595	4 065	33 775	252 037	7 873	4 909	180 190	15 552	164 638	133 956	300	6 483	
04 Sep	A 305 080	3 958	36 659	255 647	7 873	4 900	182 721	15 773	166 948	138 132	300	6 304	
04 Oct	A 297 219	3 949	35 149	249 297	7 873	4 900	169 986	15 110	154 875	142 344	13 197	7 002	
04 Nov	A 304 910	3 869	37 208	251 886	7 873	7 942	...	17 240	...	...	300	...

STATE. LIABILITIES OUTSTANDING
By instrument



STATE. LIABILITIES OUTSTANDING
By counterpart sector



Source: BE.

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

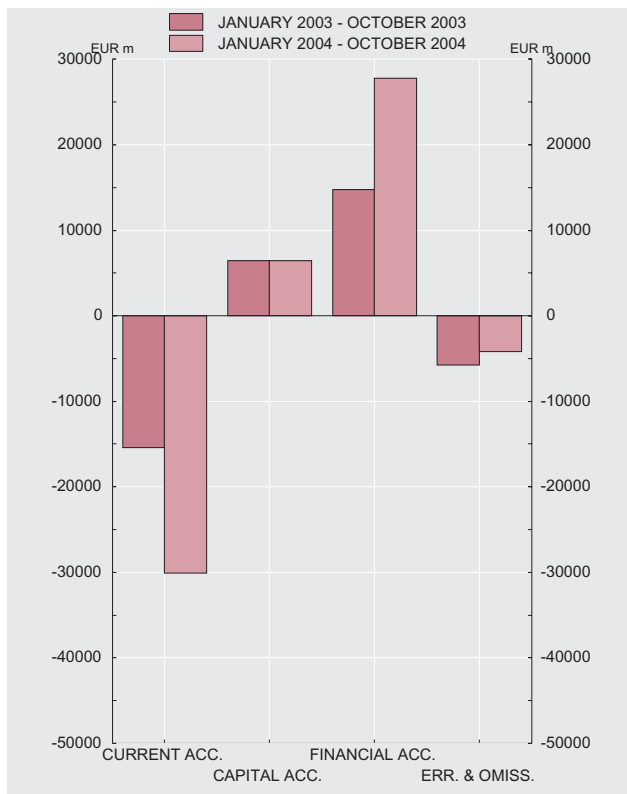
7.1. THE SPANISH BALANCE OF PAYMENTS VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD
CURRENT ACCOUNT

■ Series depicted in chart.

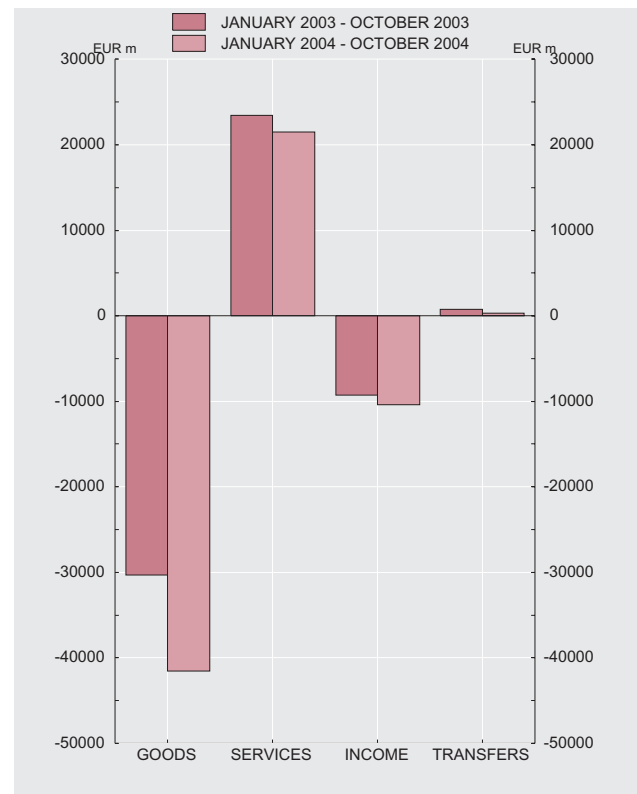
EUR millions

	Current account (a)													Capital account (balance)	Current account plus Capital account (balance)	Financial account (balance) (b)	Errors and omissions (c)
	Total (balance)	Goods			Services				Income			Current transfers (balance)					
		Balance	Receipts	Payments	Balance	Receipts		Payments		Balance	Receipts		Payments				
						Total	Tourism and travel	Total	Tourism and travel								
1=2+5+10+13	2=3-4	3	4	5=6-8	6	7	8	9	10=11-12	11	12	13	14	15=1+14	16	17=- (15+16)	
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	-16 881	-34 602	135 640	170 242	26 582	66 072	35 543	39 490	7 020	-11 276	21 357	32 633	2 414	7 741	-9 141	14 755	-5 614
03	-20 828	-37 843	141 017	178 860	27 265	67 903	36 871	40 638	7 315	-10 586	21 812	32 398	336	8 762	-12 065	17 634	-5 569
03 J-O	-15 436	-30 341	117 328	147 669	23 452	57 375	31 777	33 924	6 141	-9 282	18 575	27 857	736	6 440	-8 996	14 725	-5 729
04 J-O P	-30 099	-41 532	121 871	163 402	21 529	57 446	31 907	35 917	7 355	-10 401	18 624	29 025	304	6 449	-23 649	27 807	-4 158
03 Jul	-1 897	-3 323	11 717	15 040	3 528	7 372	4 461	3 844	794	-1 867	2 307	4 174	-235	358	-1 540	1 724	-184
<i>Aug</i>	-284	-3 357	8 522	11 879	3 543	6 732	4 327	3 189	737	-477	1 980	2 457	8	948	664	257	-920
<i>Sep</i>	-3 043	-4 121	11 966	16 086	2 201	5 696	3 203	3 495	754	-956	1 828	2 784	-167	184	-2 859	3 134	-275
<i>Oct</i>	-1 473	-3 328	13 377	16 705	2 495	6 293	3 647	3 798	752	-798	1 900	2 697	158	872	-600	1 479	-878
<i>Nov</i>	-3 141	-3 891	11 863	15 755	2 382	5 596	3 024	3 214	614	-749	1 122	1 871	-882	344	-2 796	2 858	-62
<i>Dec</i>	-2 251	-3 610	11 826	15 436	1 431	4 932	2 070	3 501	560	-555	2 116	2 670	483	1 978	-273	51	222
04 Jan P	-809	-2 989	10 814	13 803	1 292	4 583	2 214	3 291	632	-640	1 563	2 203	1 528	176	-633	1 673	-1 040
<i>Feb</i> P	-1 932	-3 069	11 671	14 740	1 336	4 619	2 285	3 283	611	-527	1 679	2 206	328	558	-1 374	1 905	-531
<i>Mar</i> P	-3 602	-3 503	13 339	16 842	1 291	5 076	2 422	3 785	657	-1 248	1 659	2 907	-142	430	-3 172	3 623	-452
<i>Apr</i> P	-2 397	-4 050	12 570	16 620	1 683	5 183	2 647	3 500	531	-27	2 623	2 650	-2	560	-1 837	1 135	702
<i>May</i> P	-2 544	-4 013	12 770	16 783	2 726	5 937	3 382	3 211	547	-1 250	1 634	2 884	-7	1 883	-662	433	228
<i>Jun</i> P	-4 547	-4 642	13 299	17 941	2 056	5 806	3 248	3 750	828	-1 823	2 519	4 341	-138	369	-4 178	4 986	-808
<i>Jul</i> P	-3 736	-4 371	12 938	17 308	3 045	7 062	4 296	4 017	909	-1 978	2 142	4 121	-431	623	-3 113	3 849	-736
<i>Aug</i> P	-2 448	-4 677	9 131	13 808	3 039	6 641	4 297	3 601	910	-896	1 354	2 250	86	1 225	-1 223	1 644	-421
<i>Sep</i> P	-5 144	-5 583	12 225	17 808	2 323	6 017	3 373	3 695	866	-1 443	1 500	2 943	-440	315	-4 830	4 429	400
<i>Oct</i> P	-2 940	-4 633	13 115	17 749	2 740	6 524	3 742	3 784	863	-569	1 951	2 520	-477	311	-2 629	4 128	-1 499

SUMMARY



CURRENT ACCOUNT



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

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

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

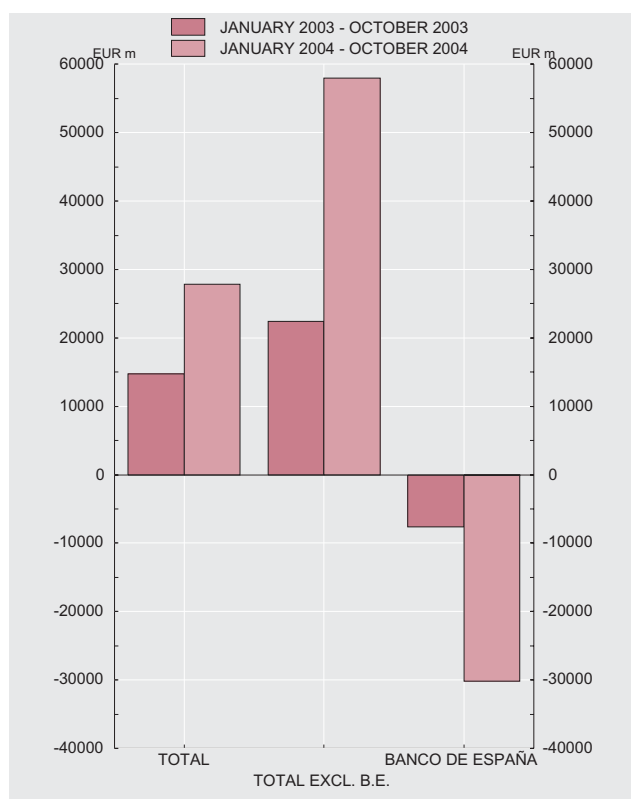
7.2. THE SPANISH BALANCE OF PAYMENTS VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD FINANCIAL ACCOUNT (a)

Series depicted in chart.

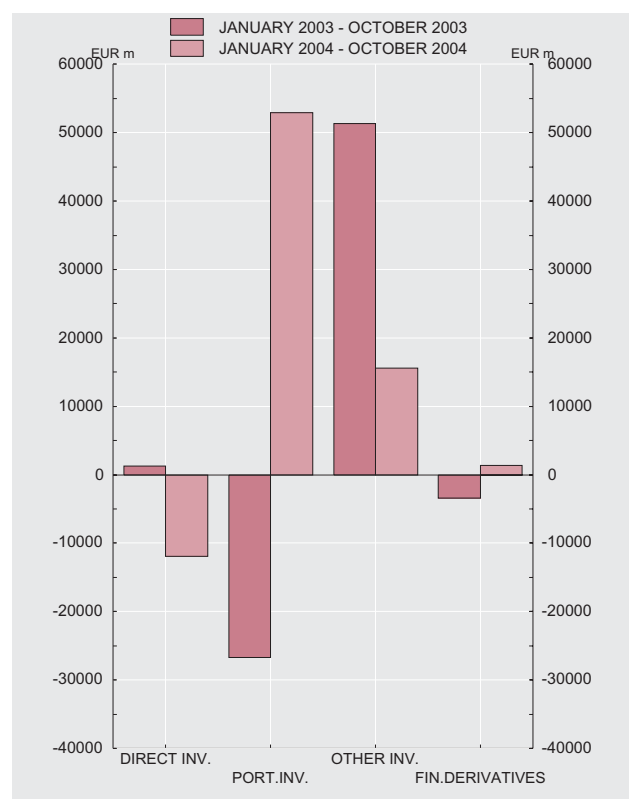
EUR millions

Financial account	Total, excluding Banco de España											Banco de España				Memorandum item:						
	Total	Direct investment			Portfolio investment			Other investment (d)			Net financial derivatives (NCL-NCA)	Balance (NCL-NCA)	Re-serves (e)	Claims with the Euro-system (e)	Other net assets (NCL-NCA)	Other investment including Banco de España (d)						
		Balance (NCL-NCA)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL)	Balance (NCL-NCA)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL)	Balance (NCL-NCA)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL)							Spanish investment abroad (NCA)	Foreign investment in Spain (NCL)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL)
	(NCL-NCA)	(NCL-NCA)	(NCL-NCA)	(NCL-NCA)	(NCL-NCA)	(NCL-NCA)	(NCL-NCA)	(NCL-NCA)	(NCL-NCA)	(NCL-NCA)	(NCL-NCA)	(NCL-NCA)	(NCL-NCA)	(NCL-NCA)	(NCL-NCA)	(NCL-NCA)	(NCL-NCA)	(NCL-NCA)				
1=	2=3+6+	3=5-4	4	5	6=8-7	7	8	9=11-10	10	11	12	13=14+15+16	14	15	16	17	18					
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	14 755	11 194	4 671	33 483	38 154	5 686	31 062	36 749	5 742	30 362	36 104	-4 905	3 561	-3 630	6 506	685	23 877	37 295				
03	17 634	16 059	1 995	20 709	22 705	-30 069	65 865	35 795	47 495	16 881	64 376	-3 362	1 575	13 626	4 382	-16 433	12 524	63 177				
03 J-O	14 725	22 375	1 232	16 553	17 785	-26 751	56 881	30 130	51 311	5 173	56 484	-3 417	-7 650	10 356	-3 439	-14 567	8 639	55 558				
04 J-O	27 807	57 999	-11 950	15 872	3 922	52 928	22 509	75 436	15 619	26 997	42 616	1 402	-30 192	5 090	29 943	-5 339	57 254	42 527				
03 Jul	1 724	43	-2 421	2 453	31	-11 201	10 936	-265	13 749	1 236	14 985	-84	1 681	3 284	1 546	-3 149	-323	14 567				
Aug	257	-12 296	-630	2 025	1 395	-8 904	5 267	-3 637	-2 855	6 399	3 544	92	12 553	1 748	12 612	-1 807	-6 233	3 495				
Sep	3 134	14 953	-701	1 602	901	1 573	5 387	6 960	14 466	-7 092	7 374	-385	-11 819	585	-9 607	-2 797	2 501	7 287				
Oct	1 479	7 233	-73	1 454	1 381	7 225	761	7 985	143	917	1 060	-62	-5 754	187	-3 874	-2 067	4 824	1 125				
Nov	2 858	5 497	-1 797	1 365	-432	1 907	3 253	5 160	4 832	263	5 096	554	-2 639	3 104	-4 780	-963	5 041	4 914				
Dec	51	-11 812	2 560	2 792	5 352	-5 225	5 731	506	-8 649	11 445	2 796	-499	11 864	166	12 601	-903	-1 155	2 705				
04 Jan	P 1 673	8 785	-326	1 222	896	7 597	967	8 564	1 467	8 685	10 151	47	-7 111	1 320	-7 132	-1 299	15 732	10 104				
Feb	P 1 905	-2 814	451	-729	-278	13 177	1 429	14 606	-16 483	6 047	-10 436	42	4 719	1 393	4 690	-1 365	1 357	-10 481				
Mar	P 3 623	6 081	-4 719	2 563	-2 156	2 536	4 868	7 404	8 533	-4 671	3 861	-268	-2 458	921	-2 416	-963	-2 252	3 923				
Apr	P 1 135	497	1 459	745	2 205	-1 763	6 455	4 692	940	7 821	8 761	-139	638	720	570	-652	7 275	8 698				
May	P 433	6 643	-173	387	214	-6 443	7 000	557	12 993	-2 382	10 612	265	-6 209	-107	-6 473	370	3 994	10 695				
Jun	P 4 986	3 758	-1 034	3 502	2 468	4 591	1 436	6 026	-250	5 194	4 945	451	1 228	182	970	76	4 179	4 865				
Jul	P 3 849	10 249	-2 479	2 904	425	11 212	-267	10 946	472	671	1 143	1 044	-6 400	69	-6 330	-139	7 024	1 143				
Aug	P 1 644	-6 142	-1 449	1 733	284	-1 642	2 111	469	-2 764	-561	-3 325	-287	7 786	28	7 650	108	-8 214	-3 324				
Sep	P 4 429	-1 612	-1 216	354	-862	14 895	-4 682	10 213	-15 565	11 799	-3 766	273	6 041	219	6 117	-295	5 890	-3 766				
Oct	P 4 128	32 555	-2 464	3 191	727	8 768	3 191	11 959	26 276	-5 606	20 670	-25	-28 426	344	-27 589	-1 181	22 269	20 671				

FINANCIAL ACCOUNT



FINANCIAL ACCOUNT, EXCLUDING BANCO DE ESPAÑA Breakdown



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

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

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

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

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

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

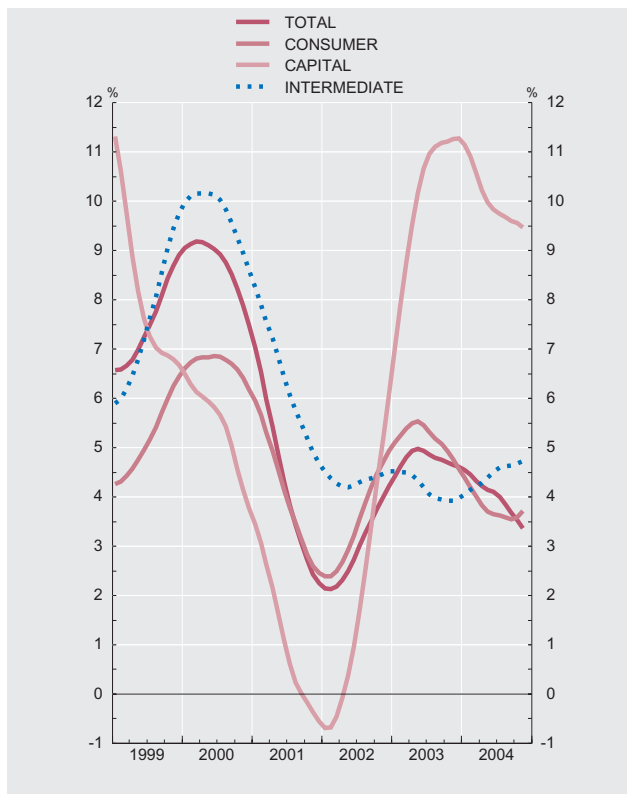
■ Series depicted in chart.

EUR millions and annual percentage changes

	Total			By product (deflated data)(a)					By geographical area (nominal data)									
	EUR millions	Nominal	De-flated	Consumer	Capital	Intermediate			OECD						OPEC	Other American countries	Newly industrialised countries	Other
						Total	Energy	Non-energy	Total	Euro-pean Union	of which: Euro area	United States of America	Other OECD members					
														10				
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	
03	138 119	3.6	4.5	3.9	15.1	2.0	15.6	1.9	3.8	4.6	5.2	-1.7	3.9	-5.4	2.2	-23.4	8.1	
03 Sep	11 708	11.3	11.5	11.8	24.5	7.5	45.7	6.5	13.4	14.3	13.6	-1.9	14.2	-1.8	-13.1	-21.0	7.4	
Oct	13 069	3.6	4.4	8.9	0.1	2.7	17.0	2.4	3.8	-0.2	3.4	-3.3	5.7	-5.9	13.7	-42.8	9.4	
Nov	11 675	-1.6	-2.1	2.3	-8.5	-3.0	10.2	-3.4	-1.7	-3.7	-1.0	-20.5	0.4	-15.9	8.4	-19.3	1.4	
Dec	11 573	9.0	7.9	7.4	30.4	1.2	11.4	0.9	4.9	-0.8	1.8	24.4	5.3	32.6	62.3	-7.1	20.0	
04 Jan	10 696	3.6	5.7	3.7	19.4	4.2	5.0	4.2	2.8	2.3	4.3	-18.8	4.6	-3.5	77.8	-14.5	-2.9	
Feb	11 522	2.8	7.4	3.6	20.2	6.4	63.9	5.0	4.0	-2.0	2.3	3.5	6.1	-19.0	-11.8	-3.4	2.6	
Mar	13 080	6.8	8.4	5.8	18.4	6.7	31.0	6.1	6.4	3.2	3.7	13.5	7.0	14.1	-0.6	-14.7	12.0	
Apr	12 361	0.7	-1.0	-1.1	-8.7	1.6	-16.4	2.3	1.3	1.3	-0.8	-4.9	1.8	7.1	-10.7	8.5	-2.7	
May	12 702	2.8	-0.8	-4.3	9.5	-1.3	17.3	-1.9	3.6	0.4	-0.5	2.7	4.8	-21.1	-3.1	-3.0	4.7	
Jun	13 084	12.0	8.5	3.1	19.9	8.9	14.2	8.7	11.1	12.1	9.0	1.8	11.3	11.2	-4.2	23.0	23.4	
Jul	12 881	12.7	15.4	9.3	31.3	14.5	35.3	13.9	13.0	15.5	12.7	3.9	12.9	7.8	20.0	27.5	8.6	
Aug	8 891	7.5	1.8	0.3	-1.4	2.4	-12.5	3.1	7.2	2.6	5.8	2.4	9.0	10.0	23.9	26.6	3.8	
Sep	12 103	3.4	2.4	1.0	-1.4	4.2	-8.3	4.7	2.8	12.1	3.2	-0.3	-0.1	-6.0	30.2	5.9	4.4	
Oct	13 002	-0.5	-3.1	-9.8	6.2	-1.7	10.9	-2.0	-1.1	4.9	-1.5	-7.9	-2.5	27.6	-10.3	-21.1	2.1	

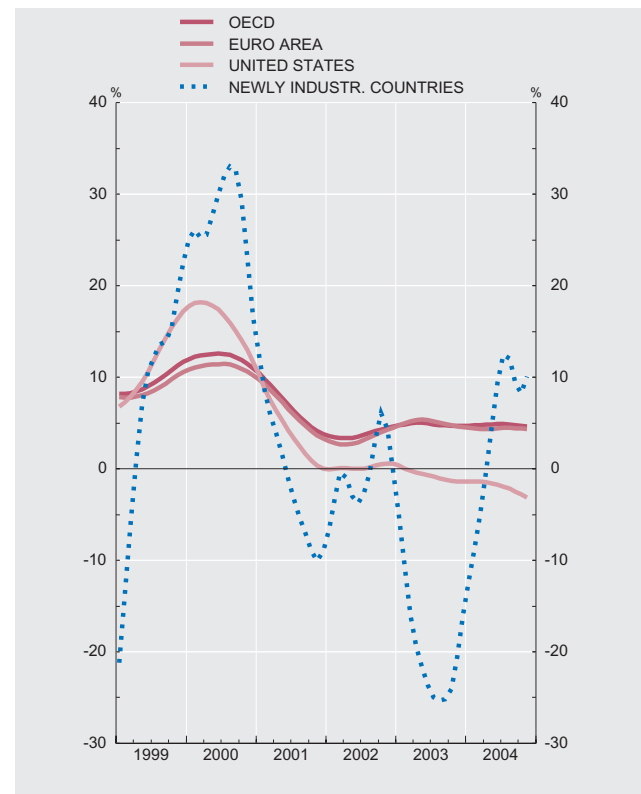
BY PRODUCT

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



BY GEOGRAPHICAL AREA

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



Sources: ME and BE.

Note: The underlying series for this indicator are in Tables 17.4 and 17.5 of the Boletín estadístico.

(a) Series deflated by unit value indices.

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

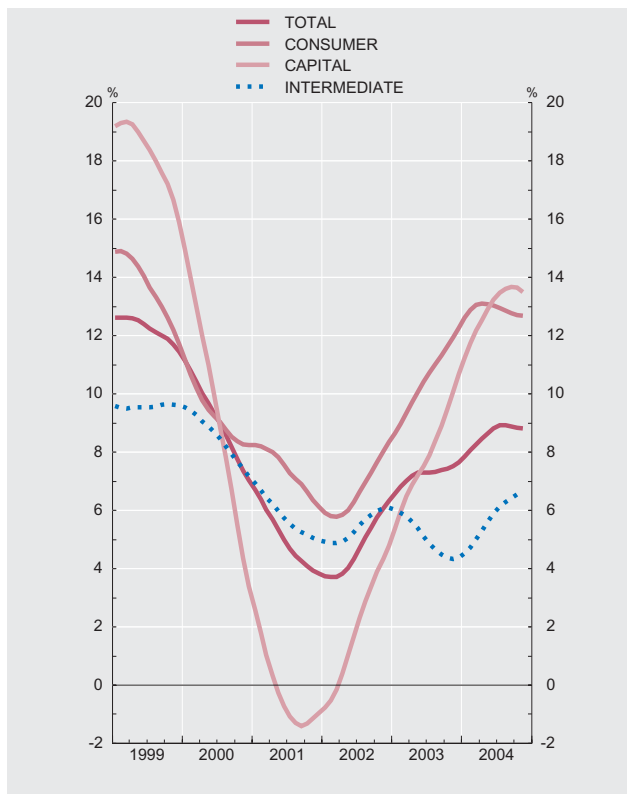
■ Series depicted in chart.

EUR millions and annual percentage changes

	Total			By product (deflated data)(a)					By geographical area (nominal data)									
	EUR millions	Nominal	De-fated	Consumer	Capital	Intermediate			O E C D						Other American countries	Newly industrialised countries	Other	
						Total	Energy	Non-energy	Total	Euro-pean Union	of which: EU-15	Euro area	United States of America	Other OECD member				OPEC
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	
03	185 114	5.6	6.1	8.5	15.2	2.5	0.2	2.9	5.4	3.4	5.3	-4.8	6.8	1.9	12.9	1.1	7.6	
03 Sep	16 558	11.6	14.8	17.4	56.7	3.6	21.1	1.8	11.4	5.8	11.5	-0.5	13.9	-12.7	35.4	4.0	21.1	
Oct	17 178	1.7	0.8	6.9	1.1	-1.9	-5.6	-1.5	3.7	2.4	2.5	-22.8	6.0	-9.7	29.3	-33.0	-2.8	
Nov	16 260	2.7	3.0	7.5	14.8	-2.3	7.4	-3.4	2.6	3.7	0.8	-6.8	3.1	-5.4	32.7	1.4	2.0	
Dec	15 869	0.9	2.4	12.7	14.0	-5.5	1.9	-6.4	-3.5	-4.8	-5.5	1.1	-3.5	-0.6	27.5	24.6	23.5	
04 Jan	14 207	4.9	8.9	16.1	16.3	3.7	18.0	1.9	5.0	1.4	4.7	1.7	6.5	-5.6	10.8	-4.6	10.8	
Feb	15 248	6.0	4.1	20.9	21.2	-6.4	1.3	-7.3	7.0	4.3	6.1	9.9	7.6	-16.4	22.4	9.8	9.2	
Mar	17 440	11.3	13.9	24.2	18.3	8.3	14.6	7.6	10.3	8.7	8.0	8.9	10.9	-9.2	55.7	1.7	22.3	
Apr	17 216	10.5	9.0	19.2	11.0	4.0	8.2	3.5	9.1	-1.6	8.4	15.8	12.0	-4.0	10.2	1.5	26.1	
May	17 429	8.6	3.1	7.2	6.5	0.1	16.0	-1.6	6.9	-0.6	9.8	-9.3	10.4	29.6	-8.7	4.9	15.2	
Jun	18 575	20.4	21.1	23.4	26.8	18.2	21.2	17.8	18.3	2.2	15.7	27.7	22.9	13.3	24.5	20.5	34.3	
Jul	17 958	15.9	16.3	8.9	48.2	11.2	2.5	12.4	15.3	13.6	15.3	0.7	16.7	15.1	8.7	8.3	22.5	
Aug	14 258	17.9	13.7	13.1	21.2	11.8	13.4	11.5	13.2	7.2	9.1	26.8	13.8	32.3	17.7	21.5	33.6	
Sep	18 389	11.1	6.6	12.5	2.6	5.1	11.6	4.2	7.0	5.6	5.5	19.1	6.7	34.5	31.9	13.2	18.1	
Oct	18 393	7.1	4.3	2.4	18.4	1.1	5.8	0.6	6.3	4.6	6.2	16.2	6.2	6.2	-27.9	16.2	21.7	

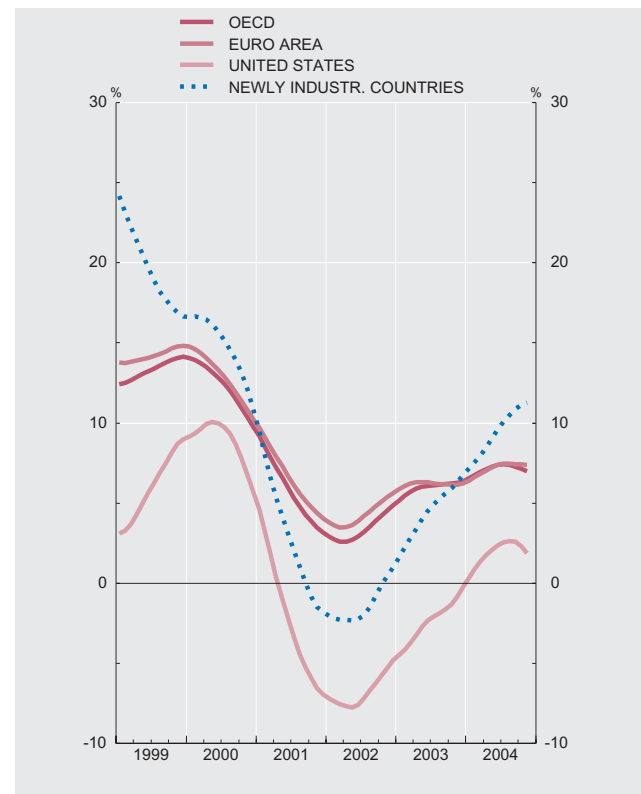
BY PRODUCT

Annual percentage changes (trend obtained with TRAMO-SEATS)



BY GEOGRAPHICAL AREA

Annual percentage changes (trend obtained with TRAMO-SEATS)



Sources: ME and BE.

Note: The underlying series for this indicator are in Tables 17.2 and 17.3 of the Boletín estadístico.

(a) Series deflated by unit value indices.

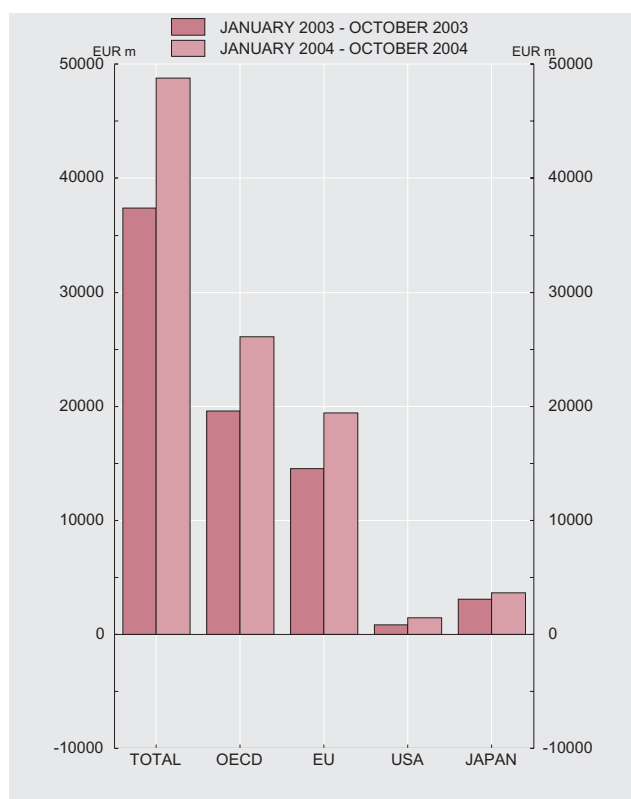
7.5 SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD TRADE BALANCE. GEOGRAPHICAL DISTRIBUTION

■ Series depicted in chart.

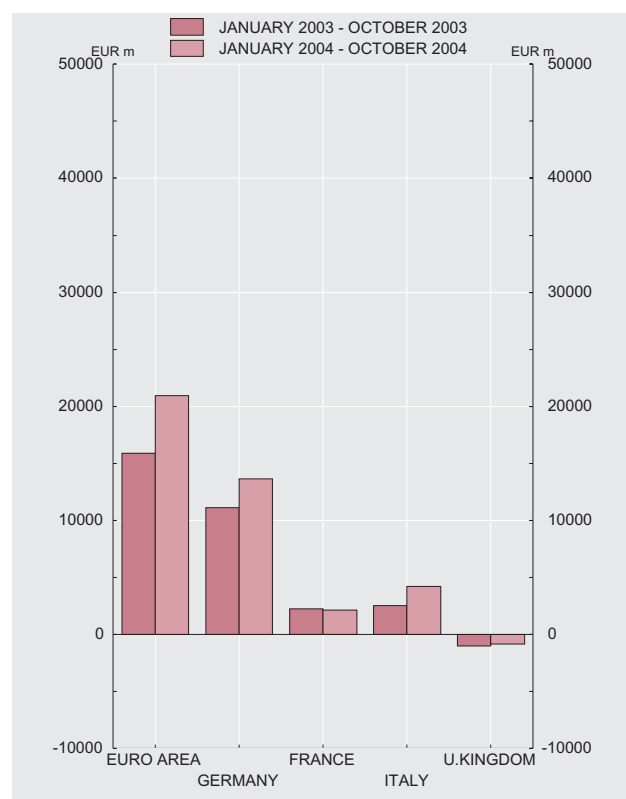
EUR millions

	OECD																
	World total	European Union (EU-15)											OPEC	Other American countries	Newly industrialised countries	Other	
		Total	Euro area						United Kingdom	Other EU-15 members	United States of America	Japan					Other OECD members
			Total	of which:													
				Germany	France	Italy											
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		
99	-34 305	-24 373	-17 970	-4 904	-8 169	-4 448	-3 572	-1 640	-11 425	-3 055	-3 301	-48	-4 642	885	-1 933	-4 243	
00	-45 291	-26 645	-20 065	-5 968	-9 828	-4 873	-4 272	-1 861	-12 236	-2 707	-3 616	-258	-10 879	936	-2 151	-6 551	
01	-43 439	-24 992	-17 987	-4 974	-11 539	-3 683	-4 283	-462	-12 551	-2 219	-3 159	-1 627	-9 501	420	-2 176	-7 190	
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	
03	-46 995	-25 669	-19 322	-5 855	-13 731	-3 239	-3 517	1 035	-14 502	-1 170	-3 855	-1 321	-8 187	-1 467	-2 600	-9 073	
03 J-O	-37 398	-19 614	-14 509	-15 888	-11 093	-2 227	-2 507	1 029	351	-862	-3 080	-1 164	-6 838	-1 408	-2 123	-7 416	
04 J-O	-48 791	-26 075	-19 437	-20 917	-13 654	-2 120	-4 227	825	656	-1 462	-3 656	-1 521	-7 571	-1 670	-2 388	-11 087	
03 Oct	-4 109	-2 281	-1 875	-1 863	-1 216	-332	-282	54	-66	48	-382	-71	-697	-278	-197	-657	
Nov	-4 585	-2 758	-2 061	-2 111	-1 279	-465	-401	39	11	-194	-401	-102	-687	-114	-236	-789	
Dec	-4 295	-2 712	-2 239	-2 249	-1 221	-495	-452	16	-6	-82	-336	-54	-622	56	-241	-777	
04 Jan	-3 511	-1 432	-674	-1 029	-771	-180	-280	246	109	-240	-265	-253	-839	33	-241	-1 031	
Feb	-3 726	-1 980	-1 503	-1 749	-1 119	-331	-259	224	22	-137	-300	-40	-605	-86	-207	-849	
Mar	-4 361	-2 254	-1 645	-1 859	-1 294	-328	-313	187	26	-105	-460	-45	-672	-173	-231	-1 029	
Apr	-4 855	-2 602	-1 945	-2 056	-1 410	-173	-473	55	56	-136	-374	-148	-572	-302	-216	-1 163	
May	-4 727	-2 587	-1 990	-2 310	-1 740	-114	-392	196	124	-168	-357	-72	-901	-79	-254	-905	
Jun	-5 490	-3 208	-2 368	-2 461	-1 630	-40	-531	62	31	-188	-442	-210	-698	-224	-278	-1 082	
Jul	-5 077	-2 834	-2 266	-2 499	-1 736	-208	-489	176	57	-43	-386	-139	-802	-134	-220	-1 087	
Aug	-5 367	-2 835	-2 193	-2 032	-1 118	-309	-436	-206	45	-166	-294	-182	-848	-168	-223	-1 292	
Sep	-6 286	-3 133	-2 302	-2 360	-1 473	-98	-525	-19	77	-197	-390	-244	-961	-410	-243	-1 539	
Oct	-5 391	-3 209	-2 551	-2 563	-1 362	-339	-528	-97	109	-81	-388	-189	-673	-126	-275	-1 108	

CUMULATIVE TRADE DEFICIT



CUMULATIVE TRADE DEFICIT



Source: ME.

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

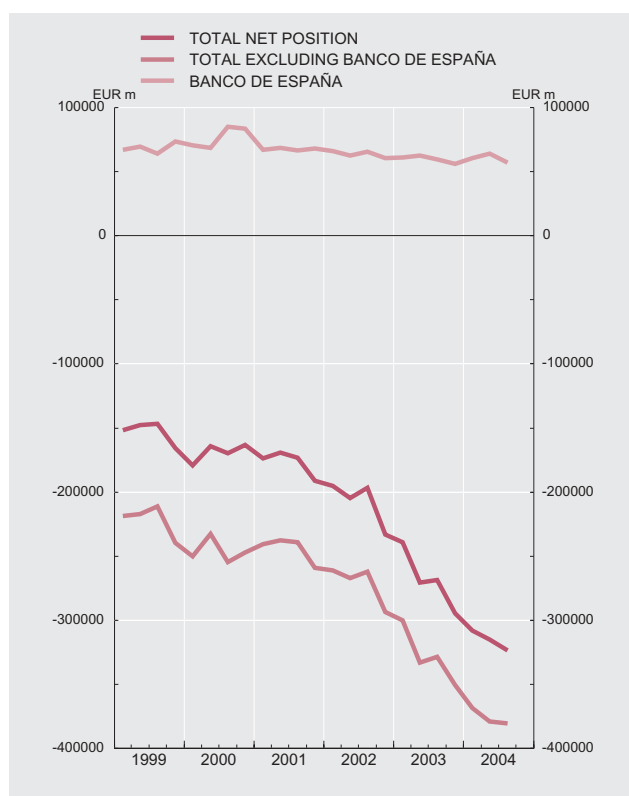
7.6. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD SUMMARY

■ Series depicted in chart.

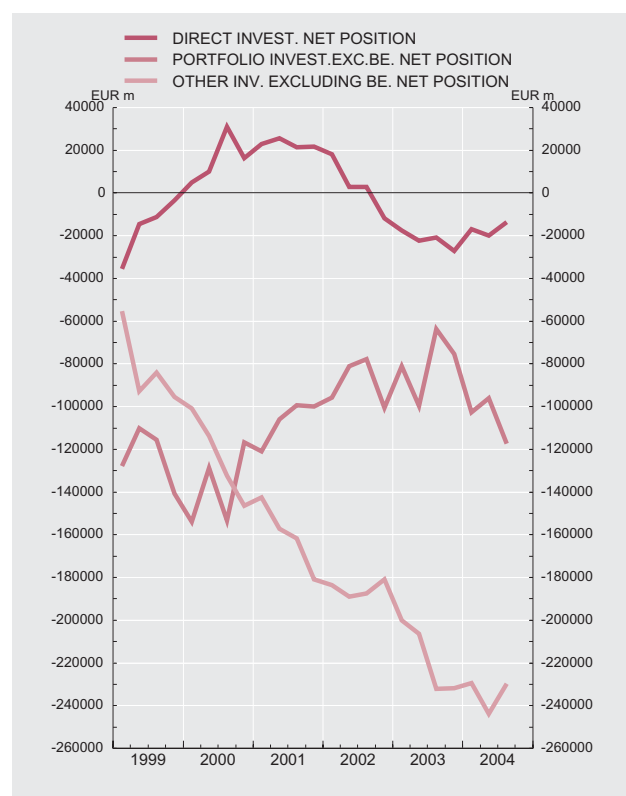
End-of-period stocks in EUR millions

	Total excluding Banco de España											Banco de España			
	Net international investment position (assets-liabil.)	Net position excluding Banco de España (assets-liabil.)	Direct investment			Portfolio investment			Other investment			Banco de España net position (assets-liabil.)	Reserves	Assets vis-à-vis the Euro-system	Other net assets (assets-liabil.)
			Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)	Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)	Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)				
1=2+12	2=3+6+9	3=4-5	4	5	6=7-8	7	8	9=10-11	10	11	12=13+15	13	14	15	
96	-108 679	-156 081	-53 108	31 973	85 081	-104 857	17 421	122 278	1 884	132 134	130 250	47 403	47 658	-	-256
97	-121 608	-185 920	-45 366	45 852	91 218	-124 360	33 272	157 632	-16 194	141 741	157 935	64 311	64 174	-	137
98	-159 772	-212 314	-41 242	60 064	101 306	-136 177	73 123	209 300	-34 895	158 762	193 657	52 542	52 095	-	447
99	-165 704	-239 447	-3 413	112 285	115 698	-140 717	127 409	268 125	-95 318	148 062	243 380	73 743	37 288	36 028	427
00	-163 412	-246 928	16 238	171 907	155 669	-116 666	193 719	310 384	-146 501	159 480	305 981	83 516	38 234	45 278	4
01 Q3	-172 977	-239 406	21 443	202 355	180 912	-99 224	208 490	307 714	-161 625	170 337	331 962	66 429	39 971	27 762	-1 305
01 Q4	-191 095	-259 231	21 753	209 307	187 554	-100 066	232 765	332 831	-180 918	163 881	344 799	68 136	38 865	29 156	114
02 Q1	-195 313	-261 353	18 096	212 342	194 246	-95 873	245 199	341 072	-183 576	168 176	351 752	66 041	41 015	26 173	-1 148
02 Q2	-204 842	-267 322	2 861	202 763	199 901	-81 119	245 783	326 902	-189 064	173 641	362 705	62 480	36 400	26 005	75
02 Q3	R -196 651	-262 293	2 848	204 572	201 724	-77 716	240 510	318 226	-187 424	178 034	365 458	65 642	38 425	27 657	-440
02 Q4	-233 023	-293 651	-11 702	213 682	225 384	-100 931	256 806	357 737	-181 017	185 135	366 152	60 628	38 431	22 650	-453
03 Q1	-239 047	-300 085	-17 443	216 331	233 774	-82 603	278 611	361 214	-200 039	184 517	384 556	61 037	35 436	24 337	1 264
03 Q2	-270 696	-333 164	-22 279	214 876	237 155	-104 524	287 475	392 000	-206 361	183 212	389 573	62 468	31 326	26 766	4 376
03 Q3	-268 879	-328 615	-20 782	220 581	241 363	-75 746	310 592	386 338	-232 088	181 112	413 200	59 736	25 395	22 216	12 126
03 Q4	-294 405	-350 494	-27 138	220 632	247 769	-91 616	320 778	412 394	-231 740	185 831	417 571	56 089	21 229	18 269	16 591
04 Q1	-307 851	-368 365	-16 892	229 248	246 140	-122 190	334 049	456 239	-229 283	194 375	423 658	60 514	17 578	23 071	19 866
04 Q2	-315 083	-379 259	-19 931	233 465	253 396	-115 615	349 331	464 946	-243 714	204 631	448 344	64 177	16 245	27 941	19 991
04 Q3	-323 691	-380 637	-13 578	239 984	253 561	-137 201	350 209	487 410	-229 858	210 261	440 119	56 946	15 889	20 504	20 553

INTERNATIONAL INVESTMENT POSITION



COMPONENTS OF THE POSITION



Source: BE.

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

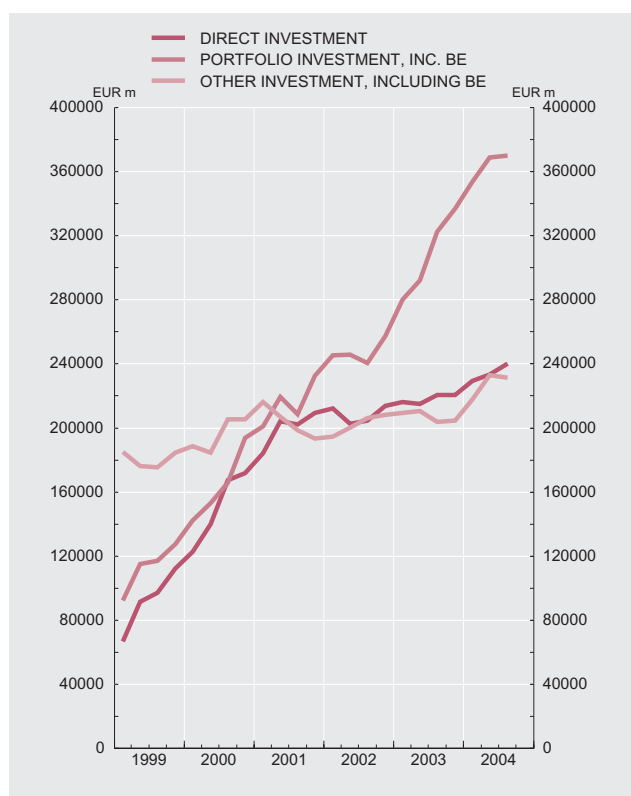
7.7. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-À-VIS OTHER EURO AREA RESIDENTES AND THE REST OF THE WORLD BREAKDOWN BY INVESTMENT

■ Series depicted in chart.

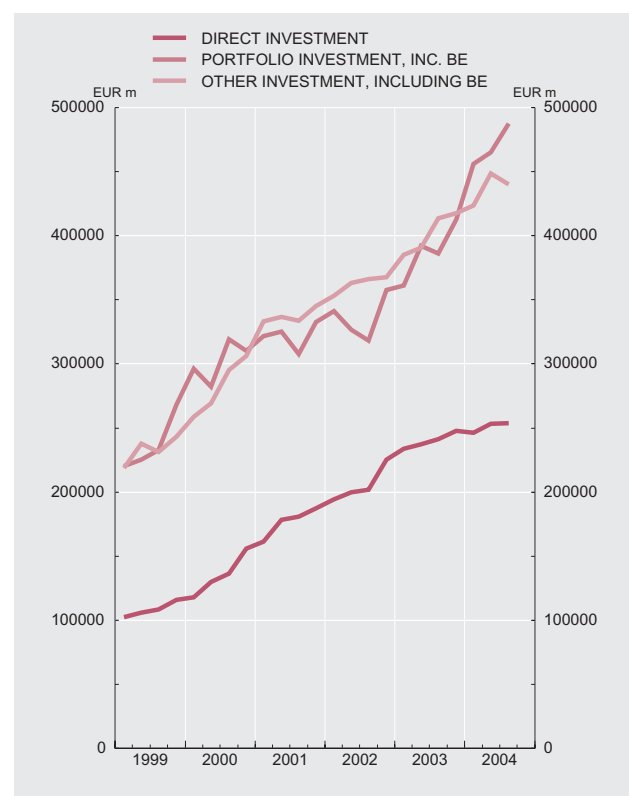
End-of-period stocks in EUR millions

	Direct investment				Portfolio investment, including Banco de España				Other investment, including Banco de España	
	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	
96	29 634	2 339	71 683	13 398	4 272	13 149	53 370	68 908	132 316	130 688
97	42 711	3 141	78 261	12 957	9 918	23 354	75 414	82 217	141 924	157 981
98	54 374	5 690	84 022	17 284	20 249	52 874	116 698	92 603	159 261	193 708
99	104 816	7 469	97 447	18 251	42 288	85 121	145 948	122 177	184 552	243 414
00	158 816	13 091	129 955	25 714	83 927	109 792	147 521	162 864	205 216	306 434
01 Q3	181 808	20 547	146 839	34 073	66 943	141 547	124 216	183 499	198 533	333 700
01 Q4	189 022	20 285	150 244	37 311	74 623	158 142	144 151	188 680	193 450	345 097
02 Q1	191 778	20 564	148 624	45 621	75 523	169 677	148 497	192 575	194 788	353 338
02 Q2	186 114	16 648	154 641	45 261	65 240	180 543	128 578	198 325	200 085	363 069
02 Q3	186 791	17 782	154 339	47 386	56 609	183 901	103 690	214 536	206 103	366 310
02 Q4	196 880	16 802	174 445	50 938	50 712	206 581	116 967	240 771	208 216	367 523
03 Q1	199 100	17 231	183 166	50 608	47 069	233 147	116 367	244 847	209 311	385 353
03 Q2	197 605	17 271	185 992	51 163	51 361	240 890	133 820	258 179	210 449	390 443
03 Q3	204 718	15 864	187 742	53 621	56 780	265 828	130 601	255 737	203 751	413 513
03 Q4	206 297	14 335	185 911	61 858	62 621	274 385	147 879	264 516	204 555	417 663
04 Q1	212 468	16 780	185 111	61 029	70 500	283 047	153 500	302 739	217 875	423 720
04 Q2	215 969	17 496	189 883	63 513	75 172	293 772	149 108	315 838	232 949	448 345
04 Q3	220 296	19 688	191 557	62 004	72 582	297 416	150 701	336 710	231 529	440 119

SPANISH INVESTMENT ABROAD



FOREIGN INVESTMENT IN SPAIN



Source: BE.

Nota: See footnote to Indicator 7.6

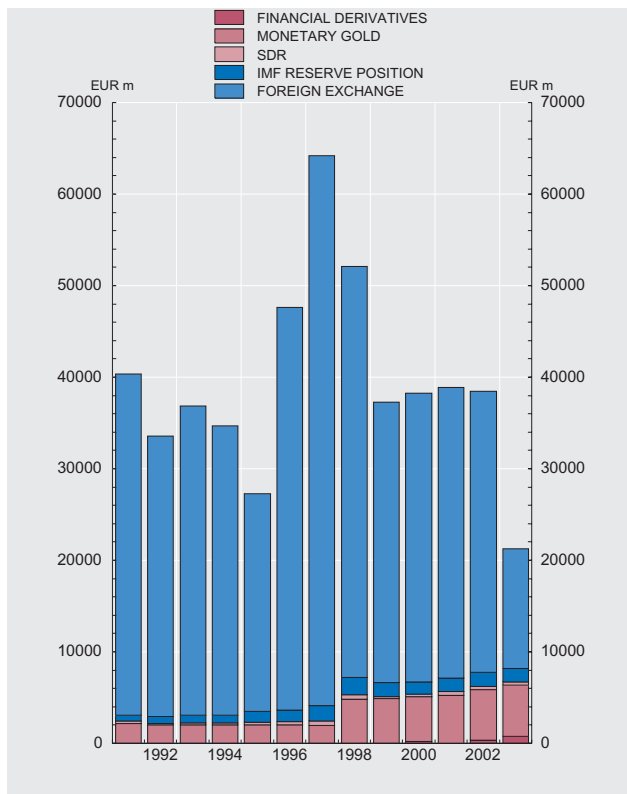
7.8. SPANISH RESERVE ASSETS

■ Series depicted in chart.

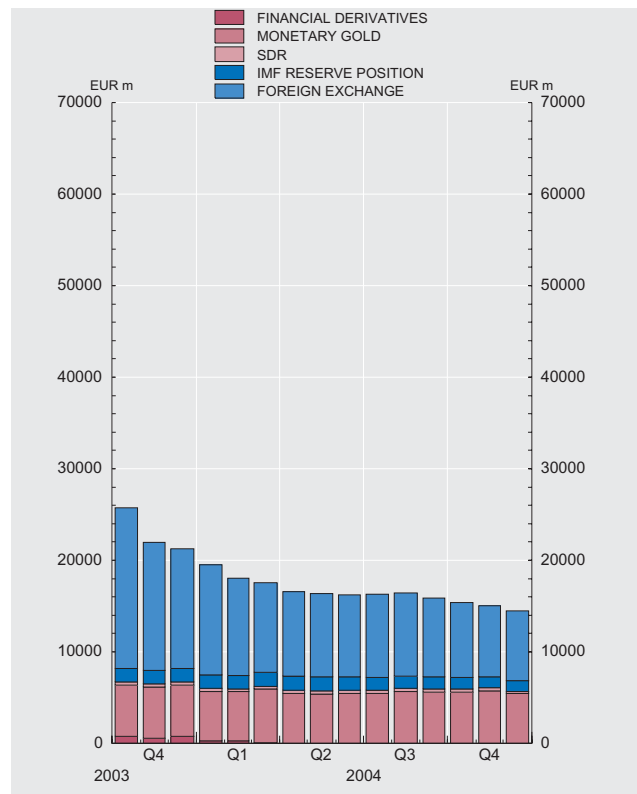
EUR millions

		Reserve assets						Memorandum item: gold
		Total	Foreign exchange	Reserve position in the IMF	SDRs	Monetary gold	Financial derivatives	Millions of troy ounces
		1	2	3	4	5	6	7
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		38 431	30 695	1 518	337	5 500	382	16.8
03								
	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
	Oct	25 744	17 528	1 505	332	5 592	787	16.8
	Nov	21 942	13 967	1 487	338	5 583	566	16.8
	Dec	21 229	13 073	1 476	328	5 559	793	16.8
04								
	Jan	19 497	11 984	1 499	333	5 424	258	16.8
	Feb	18 015	10 609	1 429	332	5 349	296	16.8
	Mar	17 578	9 790	1 532	337	5 823	95	16.8
	Apr	16 539	9 200	1 537	343	5 459	-	16.8
	May	16 368	9 094	1 517	344	5 413	-	16.8
	Jun	16 245	8 985	1 464	346	5 451	-	16.8
	Jul	16 272	9 078	1 398	348	5 448	-	16.8
	Aug	16 415	9 073	1 345	346	5 651	-	16.8
	Sep	15 889	8 627	1 324	346	5 591	-	16.8
	Oct	15 368	8 138	1 264	343	5 623	-	16.8
	Nov	15 061	7 796	1 197	337	5 729	1	16.8
	Dec	14 505	7 680	1 156	244	5 411	15	16.8

RESERVE ASSETS
END-OF-YEAR POSITIONS



RESERVE ASSETS
END-OF-MONTH POSITIONS



Source: BE.

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

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

	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	670 497	190 904	1 461	1 069	177 982	10 393	-	307 780	346	154 007	34 190	119 237
03 Q1	693 407	181 389	2 197	707	168 193	10 292	-	328 150	315	165 842	39 500	122 493
Q2	714 201	186 423	3 070	264	173 209	9 880	-	339 638	323	170 813	44 764	123 738
Q3	740 561	177 138	3 617	1 777	161 954	9 790	-	362 671	353	183 339	49 178	129 801
Q4	765 380	172 109	4 478	332	157 363	9 937	-	374 151	326	187 752	56 380	129 693
04 Q1	810 071	188 240	3 768	486	173 652	10 334	-	392 328	361	186 529	71 953	133 485
Q2	851 160	185 537	3 234	425	171 460	10 417	-	426 811	354	207 118	80 663	138 676
Q3	863 895	191 947	3 099	1 852	176 589	10 406	-	424 374	362	198 299	89 739	135 974

7.9. (CONT'D.) SPAIN'S EXTERNAL DEBT VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. SUMMARY
End-of-period positions
EUR millions

	Monetary authority		Other residents sectors								Direct investment		
	Total	Short-term	Total	Short-term			Long-term				Total	Vis-à-vis	
		Deposits		Money market instruments	Loans	Other liabilities	Bonds and notes	Loans	Trade credits	Other liabilities		Direct investors	Subsidiaries
13	14	15	16	17	18	19	20	21	22	23	24	25	
02 Q4	1 371	1 371	108 238	3 001	19 933	78	23 790	60 690	439	307	62 203	32 730	29 473
03 Q1	798	798	119 863	2 678	19 179	123	31 964	64 944	436	539	63 207	32 690	30 517
Q2	870	870	121 691	2 497	17 779	77	34 317	66 013	427	581	65 578	32 898	32 681
Q3	313	313	129 127	2 418	20 355	78	38 216	67 152	409	499	71 311	32 535	38 776
Q4	92	92	135 826	2 297	19 249	-	43 672	69 805	394	409	83 202	38 477	44 725
04 Q1	62	62	145 829	2 321	20 282	308	50 683	71 464	395	376	83 612	35 242	48 369
Q2	1	1	151 834	2 383	19 548	179	57 743	71 227	392	362	86 978	35 705	51 273
Q3	0	0	160 508	3 082	20 085	584	63 838	72 176	382	362	87 066	36 107	50 959

Source: BE.

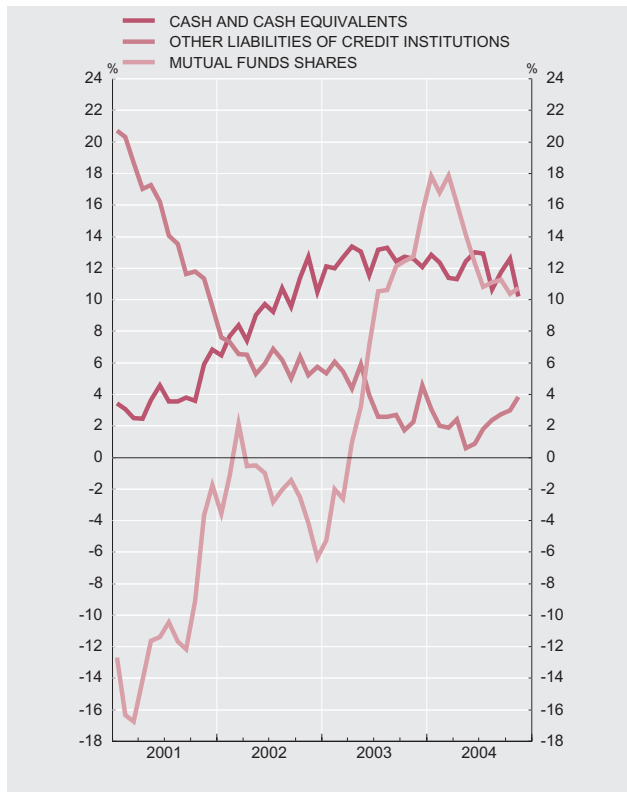
8.2 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES (a) OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN

■ Series depicted in chart.

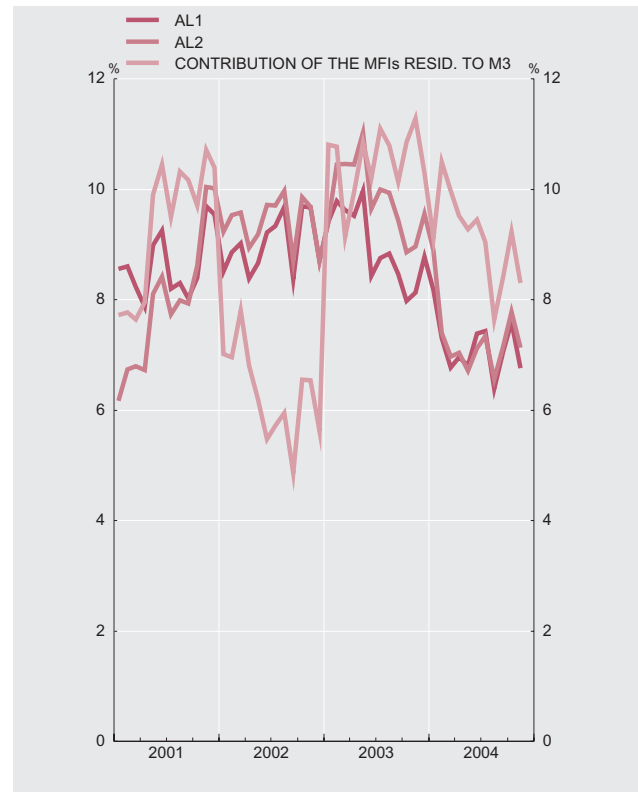
EUR millions and %

	Cash and cash equivalents					Other liabilities of credit institutions					Mutual funds shares				Memorandum items			
	Stocks	12-month % change	12-month % change			Stocks	12-month % change	12-month % change			Stocks	12-month % change	12-month % change			12-month % change		
			Cash	Sight deposits	Savings deposits (b)			Other deposits (c)	Repos + credit institutions' securities	Deposits in branches abroad			Money market funds	Fixed income mutual funds in EUR	Other mutual funds	AL1 (d)	AL2 (e)	Contribution of the MFIs resid. to M3
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
01	291 310	6.8	-21.3	16.0	11.8	251 032	9.5	13.0	6.8	-20.6	155 663	-1.8	33.8	20.4	-17.5	9.5	10.0	10.4
02	321 912	10.5	22.2	10.3	6.5	265 438	5.7	6.9	1.7	4.2	145 758	-6.4	14.1	8.6	-21.3	8.7	8.7	5.6
03	360 753	12.1	21.0	7.8	13.1	277 552	4.6	2.2	15.7	-2.7	168 406	15.5	10.1	24.9	14.8	8.8	9.6	10.3
03 Aug	343 583	13.3	22.2	11.9	11.3	270 547	2.6	1.9	5.9	0.7	163 547	10.6	15.6	31.7	-1.5	8.8	9.9	10.8
03 Sep	346 448	12.4	21.3	10.0	11.7	268 642	2.7	2.5	5.4	-2.5	162 940	12.1	14.7	28.5	2.9	8.5	9.4	10.1
03 Oct	343 646	12.7	21.7	9.5	12.6	270 499	1.7	0.4	12.6	-13.1	165 460	12.4	12.8	25.8	6.1	8.0	8.9	10.9
03 Nov	354 680	12.6	21.7	8.9	13.0	271 480	2.3	0.5	13.1	-9.2	166 941	12.7	11.3	25.5	7.8	8.1	9.0	11.3
03 Dec	360 753	12.1	21.0	7.8	13.1	277 552	4.6	2.2	15.7	-2.7	168 406	15.5	10.1	24.9	14.8	8.8	9.6	10.3
04 Jan	355 419	12.8	21.2	8.8	13.8	276 140	3.1	2.1	7.0	3.2	171 015	17.8	6.1	22.7	24.0	8.2	8.9	9.1
04 Feb	358 751	12.4	20.6	8.6	13.1	274 862	2.0	2.1	8.7	-18.4	173 801	16.8	3.4	9.2	31.2	7.3	7.4	10.5
04 Mar	363 354	11.4	20.1	7.4	12.2	274 609	1.9	3.0	3.9	-18.3	177 543	17.9	3.1	10.4	33.6	6.8	7.0	10.0
04 Apr	363 288	11.3	20.2	7.2	12.2	275 154	2.4	3.6	3.7	-15.9	179 347	16.1	2.9	8.4	30.3	7.0	7.0	9.5
04 May	370 798	12.4	19.7	10.2	11.9	273 928	0.6	2.4	-3.1	-11.5	179 799	14.1	3.5	5.3	27.0	6.8	6.7	9.3
04 Jun	388 201	13.0	19.0	12.5	11.0	272 566	0.9	3.4	-4.8	-14.2	180 858	12.3	3.9	3.0	23.6	7.4	7.1	9.4
04 Jul	389 164	12.9	19.5	12.4	10.7	272 777	1.8	4.1	-2.0	-18.6	180 609	10.8	-0.1	5.9	21.5	7.4	7.3	9.1
04 Aug	380 238	10.7	17.9	9.2	9.2	276 983	2.4	4.8	1.0	-24.5	181 697	11.1	-1.0	9.4	20.9	6.4	6.6	7.6
04 Sep	387 207	11.8	18.2	11.2	9.6	275 960	2.7	5.5	-3.0	-16.5	181 316	11.3	-1.8	8.6	22.4	7.1	7.2	8.4
04 Oct	P 387 022	12.6	17.5	13.2	10.0	278 579	3.0	7.4	-8.4	-18.4	182 602	10.4	-1.7	10.8	18.6	7.6	7.8	9.2
04 Nov	P 390 900	10.2	16.4	10.3	7.6	281 878	3.8	8.1	-7.1	-17.7	184 889	10.8	-1.5	13.4	17.7	6.8	7.1	8.3

NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS
Annual percentage change



NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS
Annual percentage change



Source: BE.

(a) This concept refers to the instruments included in the headings of the table, issued by resident credit institutions and mutual funds. The exception is column 10, which includes deposits in Spanish bank branches abroad.

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

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

(d) Defined as cash and cash equivalents, other liabilities of credit institutions and money market fund shares.

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

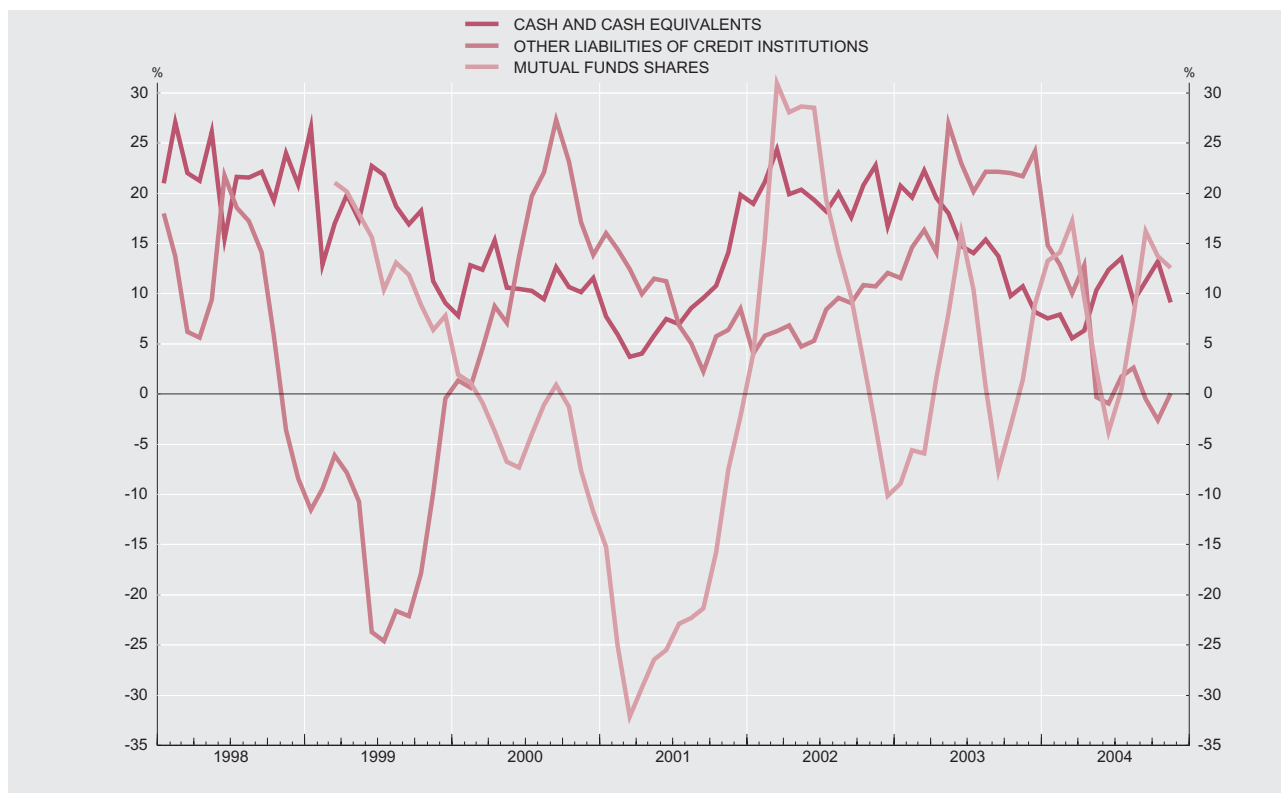
8.3 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

EUR millions and %

	Cash and cash equivalents				Other liabilities of credit institutions				Mutual funds shares (b)				
	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	Sa-ving deposits (c)			Other deposits (d)	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	
01	66 520	19.9	20.2	10.7	42 731	8.5	16.7	4.4	15 282	-2.2	86.1	14.1	-21.8
02	77 652	16.7	16.0	39.5	47 902	12.1	19.1	8.2	13 730	-10.2	16.3	2.5	-25.7
03	84 021	8.2	7.9	15.6	59 475	24.2	39.2	14.9	14 954	8.9	10.3	14.5	5.3
03 Aug	79 338	15.4	15.3	18.1	53 734	22.1	46.3	6.9	15 490	0.7	9.8	17.9	-11.9
Sep	80 995	13.7	13.3	24.7	53 822	22.1	47.5	6.3	13 959	-7.6	5.4	0.6	-19.5
Oct	77 904	9.8	9.5	17.8	55 103	22.0	38.8	11.3	14 347	-3.2	6.6	3.7	-12.5
Nov	82 859	10.7	10.0	28.3	55 616	21.7	39.8	9.9	14 646	1.4	8.2	9.0	-6.3
Dec	84 021	8.2	7.9	15.6	59 475	24.2	39.2	14.9	14 954	8.9	10.3	14.5	5.3
04 Jan	81 479	7.6	6.8	27.0	54 438	14.8	39.9	0.2	15 543	13.3	13.6	12.4	13.5
Feb	82 354	7.9	8.4	-4.6	54 801	12.9	30.4	1.9	16 118	14.1	17.4	-0.2	20.0
Mar	84 464	5.6	5.9	-2.5	55 100	10.0	33.8	-4.3	16 824	17.2	24.2	0.8	21.9
Apr	82 928	6.4	6.4	5.5	55 318	12.9	34.4	-0.8	17 105	9.5	27.4	-9.5	8.7
May	86 699	10.3	10.7	1.7	54 373	-0.3	11.7	-9.8	17 281	2.4	31.4	-19.5	-2.9
Jun	92 286	12.4	12.7	2.1	52 892	-1.0	9.8	-9.8	17 498	-3.8	35.0	-27.3	-12.7
Jul	89 826	13.5	13.6	10.1	52 812	1.7	10.6	-6.1	17 009	0.5	31.1	-19.5	-7.6
Aug	86 663	9.2	9.3	7.4	55 138	2.6	10.7	-4.3	16 692	7.8	31.3	-9.1	0.5
Sep	90 114	11.3	11.4	8.1	53 571	-0.5	12.9	-12.0	16 225	16.2	31.5	0.3	13.0
Oct	88 201	13.2	13.6	4.0	53 675	-2.6	17.8	-18.7	16 318	13.7	31.6	0.4	7.5
Nov	90 430	9.1	9.6	-2.3	55 653	0.1	19.7	-16.1	16 490	12.6	31.7	1.0	4.8

NON-FINANCIAL CORPORATIONS Annual percentage change



Source: BE.

(a) To December 2002 the frequency of this information was quarterly. The annual growth rates for months for which there is no information have been calculated using the figure obtained from the linear interpolation of the quarterly data.

(b) 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.

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

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

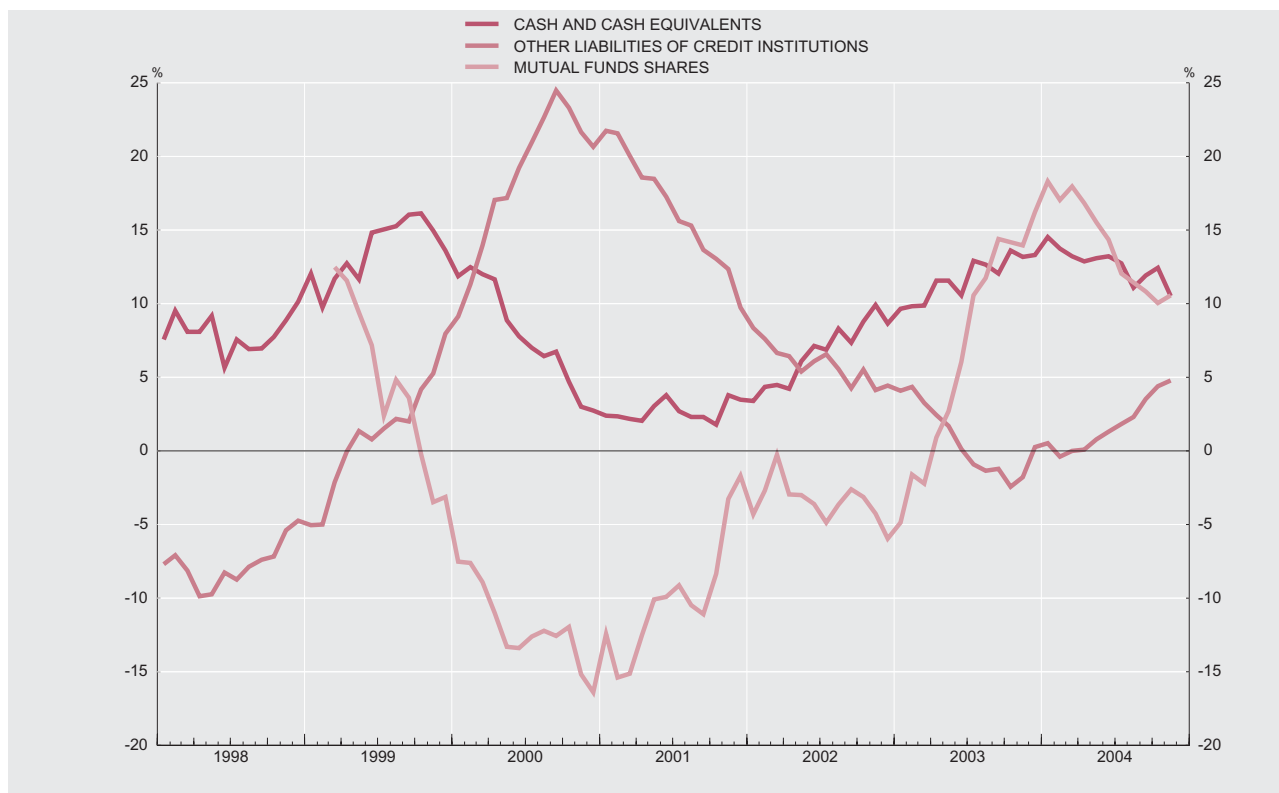
8.4 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

EUR millions and %

	Cash and cash equivalents					Other liabilities of credit institutions				Mutual funds shares (b)				
	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 (c)			Other deposits (d)	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	
01	224 789	3.5	-22.6	12.1	11.8	208 301	9.8	12.7	-3.1	140 381	-1.7	30.2	21.2	-16.9
02	244 260	8.7	19.4	6.9	5.9	217 537	4.4	5.8	-2.7	132 028	-6.0	13.9	9.3	-20.8
03	276 732	13.3	21.3	8.2	13.0	218 077	0.2	-1.4	9.5	153 452	16.2	10.1	25.9	15.8
03 Aug	264 245	12.7	21.5	9.6	11.2	216 813	-1.4	-2.2	2.8	148 057	11.8	16.3	33.4	-0.3
03 Sep	265 452	12.1	20.9	7.5	11.4	214 819	-1.2	-1.7	1.3	148 981	14.4	15.7	31.8	5.5
03 Oct	265 741	13.6	21.4	10.3	12.5	215 396	-2.4	-3.2	1.8	151 113	14.2	13.5	28.3	8.2
03 Nov	271 821	13.2	21.8	8.4	12.7	215 864	-1.8	-3.3	6.2	152 295	13.9	11.7	27.3	9.4
03 Dec	276 732	13.3	21.3	8.2	13.0	218 077	0.2	-1.4	9.5	153 452	16.2	10.1	25.9	15.8
04 Jan	273 940	14.5	21.5	11.4	13.5	221 702	0.5	-1.5	11.2	155 473	18.3	5.3	23.8	25.1
04 Feb	276 397	13.8	20.9	9.2	13.5	220 060	-0.4	-0.8	1.6	157 683	17.1	2.0	10.2	32.4
04 Mar	278 890	13.2	20.4	9.4	12.6	219 509	0.0	-0.1	0.7	160 719	18.0	1.0	11.4	34.9
04 Apr	280 360	12.9	20.5	8.5	12.3	219 836	0.1	0.4	-1.4	162 242	16.8	0.3	10.5	32.8
04 May	284 098	13.1	19.9	10.0	12.1	219 556	0.8	1.2	-1.2	162 518	15.5	0.5	8.4	30.8
04 Jun	295 914	13.2	19.3	12.5	11.2	219 674	1.3	2.5	-4.7	163 360	14.4	0.5	7.1	28.6
04 Jul	299 338	12.8	19.7	11.4	10.7	219 965	1.8	3.3	-5.5	163 600	12.0	-3.4	9.0	25.0
04 Aug	293 575	11.1	18.1	9.4	9.2	221 845	2.3	4.0	-5.9	165 005	11.4	-4.4	11.3	23.1
04 Sep	297 093	11.9	18.4	11.3	9.7	222 390	3.5	4.5	-1.3	165 091	10.8	-5.2	9.4	23.3
04 Oct	298 821	12.4	17.7	12.8	10.1	224 904	4.4	6.0	-3.6	166 284	10.0	-5.1	11.8	19.6
04 Nov	300 469	10.5	16.6	11.1	7.8	226 225	4.8	6.5	-3.4	168 400	10.6	-4.8	14.5	18.9

HOUSEHOLDS AND NPISH Annual percentage change



Source: BE.

(a) To December 2002 the frequency of this information was quarterly. The annual growth rates for months for which there is no information have been calculated using the figure obtained from the linear interpolation of the quarterly data.

(b) 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.

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

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

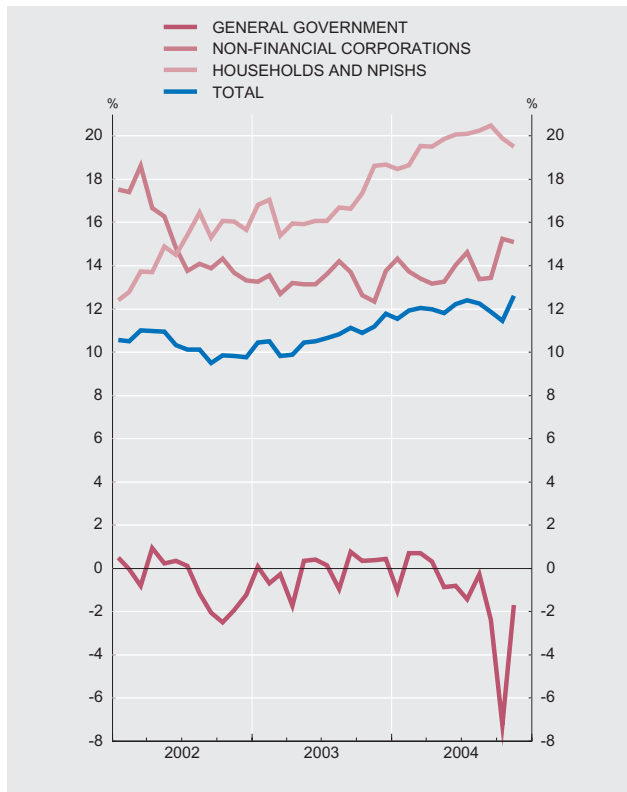
8.5. FINANCING OF NON-FINANCIAL SECTORS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

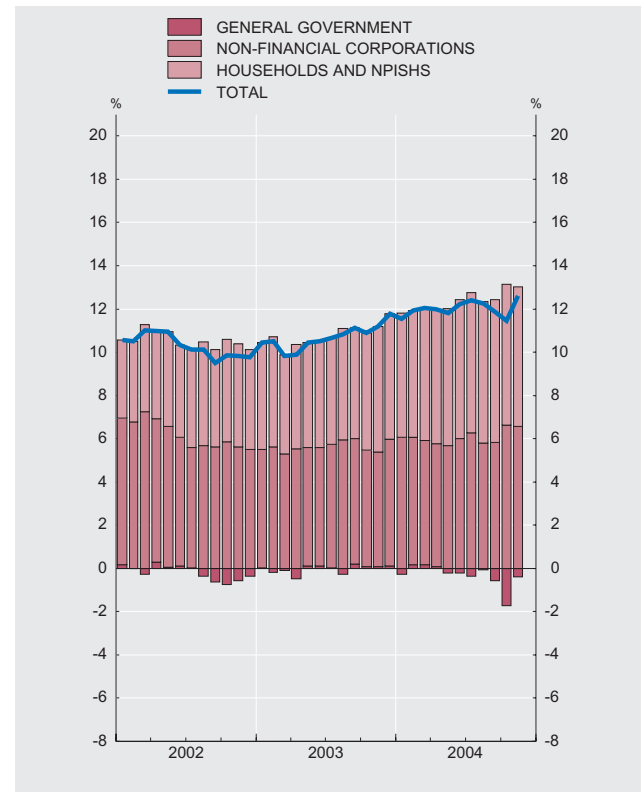
EUR millions and %

	Total				Annual growth rate						Contribution to col. 3					Memo- randum items: securi- tisation funds		
	Stocks	Effective flow	Annual growth rate	General gov- ernment (b)	Non-financial corp. and households and NPISHs					General gov- ernment (b)	Non-financial corp. and households and NPISHs							
					By sectors		By instruments				By sectors		By instruments					
					Non- fin- cial cor- por- ations	House- holds and NPISHs	Credit insti- tutions' loans & securit. funds	Securi- ties other than shares	Exter- nal loans		Non- fin- cial cor- por- ations	House- holds and NPISHs	Credit insti- tutions' loans & securit. funds	Securi- ties other than shares	Exter- nal loans			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
01	1 092 889	110 387	11.2	2.0	15.6	18.0	12.3	13.8	2.1	28.4	0.7	10.6	7.0	3.6	7.9	0.0	2.7	24 568
02	1 198 655	106 562	9.8	-1.2	14.3	13.3	15.6	14.4	-16.6	17.4	-0.4	10.1	5.5	4.6	8.4	-0.2	1.9	38 989
03	1 347 440	141 151	11.8	0.4	15.8	13.8	18.7	16.5	-7.1	14.6	0.1	11.7	5.9	5.8	10.0	-0.1	1.7	56 246
03 Aug	1 283 051	-1 311	10.8	-0.9	15.3	14.2	16.7	15.8	-9.7	14.9	-0.3	11.1	5.9	5.1	9.5	-0.1	1.7	44 978
Sep	1 293 869	12 684	11.1	0.8	14.9	13.7	16.6	15.5	-9.0	14.2	0.2	10.9	5.8	5.1	9.3	-0.1	1.7	49 887
Oct	1 301 992	5 993	10.9	0.3	14.6	12.6	17.4	15.6	-7.4	11.9	0.1	10.8	5.4	5.4	9.5	-0.1	1.4	51 373
Nov	1 319 691	16 477	11.2	0.4	15.0	12.3	18.6	16.4	-6.0	9.6	0.1	11.1	5.3	5.8	10.0	-0.1	1.1	52 546
Dec	1 347 440	26 687	11.8	0.4	15.8	13.8	18.7	16.5	-7.1	14.6	0.1	11.7	5.9	5.8	10.0	-0.1	1.7	56 246
04 Jan	1 357 955	10 222	11.5	-1.1	16.1	14.3	18.5	16.3	-6.7	16.8	-0.3	11.8	6.1	5.7	9.9	-0.1	2.0	56 660
Feb	1 361 188	4 248	11.9	0.7	15.8	13.7	18.7	16.5	-3.7	13.9	0.2	11.7	5.9	5.9	10.1	-0.0	1.7	56 921
Mar	1 382 895	19 921	12.1	0.7	16.0	13.4	19.5	17.0	1.4	12.2	0.2	11.9	5.7	6.1	10.4	0.0	1.5	58 249
Apr	1 384 873	1 888	12.0	0.3	15.9	13.2	19.5	16.8	2.8	11.9	0.1	11.9	5.7	6.2	10.5	0.0	1.4	59 437
May	1 402 916	15 901	11.8	-0.9	16.1	13.2	19.9	17.2	-1.5	11.5	-0.2	12.0	5.7	6.3	10.7	-0.0	1.4	60 193
Jun	1 432 681	29 914	12.2	-0.8	16.6	14.0	20.1	17.7	2.0	11.8	-0.2	12.4	6.0	6.4	11.0	0.0	1.4	64 901
Jul	1 449 329	16 238	12.4	-1.4	17.0	14.6	20.1	18.4	-0.1	11.0	-0.4	12.8	6.3	6.5	11.4	-0.0	1.3	69 368
Aug	1 446 164	-2 840	12.3	-0.3	16.3	13.4	20.2	18.0	-2.6	9.2	-0.1	12.3	5.8	6.5	11.2	-0.0	1.1	69 982
Sep	1 455 698	8 841	11.9	-2.4	16.5	13.4	20.5	18.4	0.7	7.7	-0.6	12.4	5.8	6.6	11.5	0.0	0.9	69 072
Oct	P 1 457 157	P 1 516	11.4	-7.2	17.2	15.2	19.9	19.0	-1.7	9.6	-1.7	13.2	6.6	6.5	12.0	-0.0	1.2	72 146
Nov	P 1 490 988	P 33 949	12.6	-1.7	17.0	15.1	19.5	18.3	-2.4	11.4	-0.4	13.0	6.6	6.5	11.6	-0.0	1.4	74 687

FINANCING OF NON-FINANCIAL SECTORS
Annual percentage change



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



Source: BE.

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

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

(b) Total liabilities (consolidated) less deposits. Inter-general government liabilities are deduced.

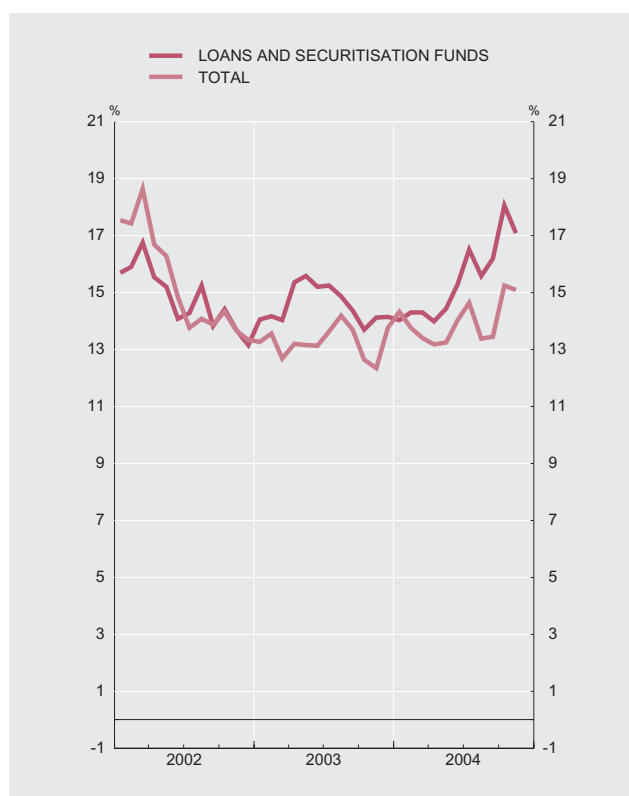
8.6. FINANCING OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

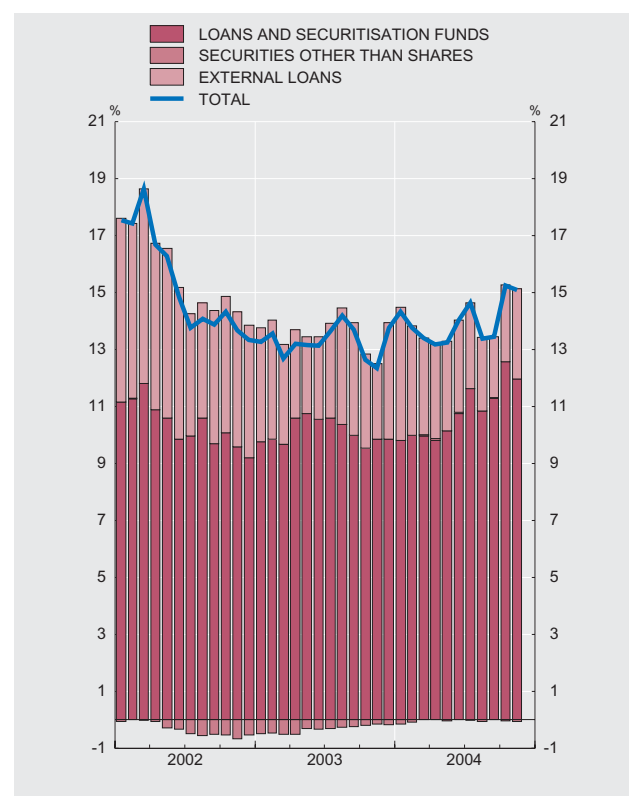
EUR millions and %

	Total			Resident credit institutions' loans and securitisation funds			Securities other than shares			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	
	1	2	3	4	5	6	7	8	9	10	11	12	13
01	450 324	68 516	18.0	315 161	15.3	11.0	14 367	2.1	0.1	120 797	28.5	6.9	14 395
02	510 236	60 026	13.3	355 787	13.1	9.2	11 987	-16.6	-0.5	142 462	17.4	4.7	20 949
03	588 603	70 239	13.8	405 444	14.1	9.9	11 131	-7.1	-0.2	172 028	14.6	4.1	24 351
03 Aug	555 623	2 495	14.2	386 920	14.9	10.4	11 859	-9.7	-0.3	156 845	14.9	4.1	21 638
03 Sep	559 295	5 494	13.7	390 094	14.4	10.0	11 871	-9.0	-0.2	157 331	14.2	4.0	23 576
03 Oct	567 002	5 541	12.6	394 857	13.7	9.5	11 906	-7.4	-0.2	160 239	11.8	3.3	23 466
03 Nov	573 415	5 141	12.3	401 139	14.1	9.8	11 561	-6.0	-0.1	160 715	9.5	2.7	23 584
03 Dec	588 603	14 000	13.8	405 444	14.1	9.9	11 131	-7.1	-0.2	172 028	14.6	4.1	24 351
04 Jan	594 802	5 869	14.3	408 059	14.0	9.8	11 228	-6.7	-0.2	175 516	16.8	4.7	24 048
04 Feb	595 471	1 661	13.7	411 272	14.3	10.0	11 801	-3.7	-0.1	172 398	13.8	3.9	24 064
04 Mar	604 523	7 224	13.4	417 930	14.3	10.0	12 153	1.4	0.0	174 440	12.2	3.4	23 975
04 Apr	611 237	6 597	13.2	424 210	14.0	9.8	12 015	2.8	0.1	175 012	11.9	3.3	24 407
04 May	616 747	3 332	13.2	428 964	14.4	10.1	11 846	-1.5	-0.0	175 937	11.4	3.1	23 997
04 Jun	628 178	11 527	14.0	438 843	15.3	10.7	12 056	-2.0	0.0	177 279	11.8	3.2	24 349
04 Jul	640 197	11 588	14.6	450 001	16.5	11.6	11 768	-0.1	-0.0	178 428	11.0	3.0	24 505
04 Aug	636 225	-3 685	13.4	446 442	15.6	10.8	11 546	-2.6	-0.1	178 238	9.1	2.6	25 107
04 Sep	643 399	6 418	13.4	452 496	16.2	11.3	11 949	0.7	0.0	178 954	7.6	2.1	24 943
04 Oct	660 058	16 689	15.2	465 468	18.1	12.6	11 706	-1.7	-0.0	182 884	9.5	2.7	27 503
04 Nov	665 228	5 256	15.1	468 970	17.1	12.0	11 281	-2.4	-0.0	184 978	11.3	3.2	29 423

FINANCING OF NON-FINANCIAL CORPORATIONS
Annual percentage change



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



Source: BE.

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

(a) The annual percentage changes are calculated as the effective flow of the period / the stock at the beginning of the period. To December 2002 the frequency of this information was quarterly. The annual growth rates for months for which there is no information have been calculated using the figure obtained from the linear interpolation of the quarterly data.

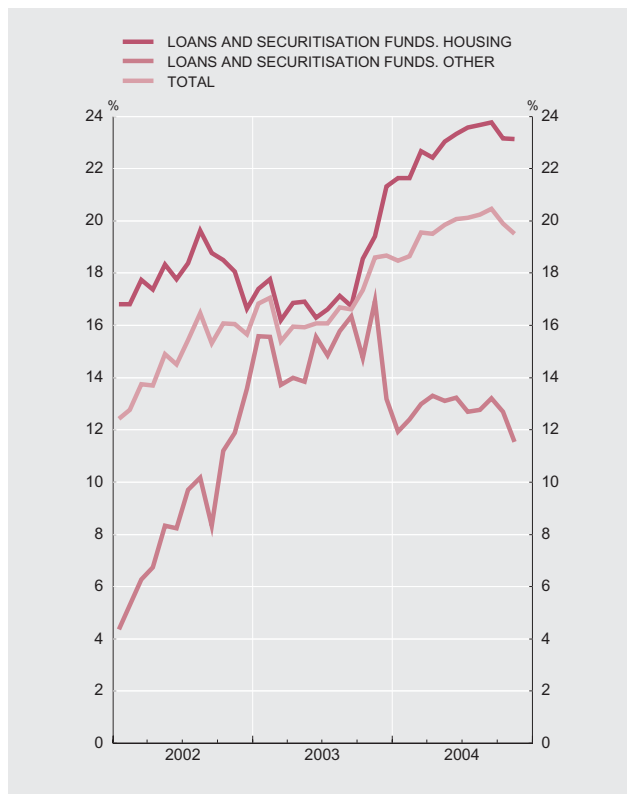
8.7. FINANCING OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

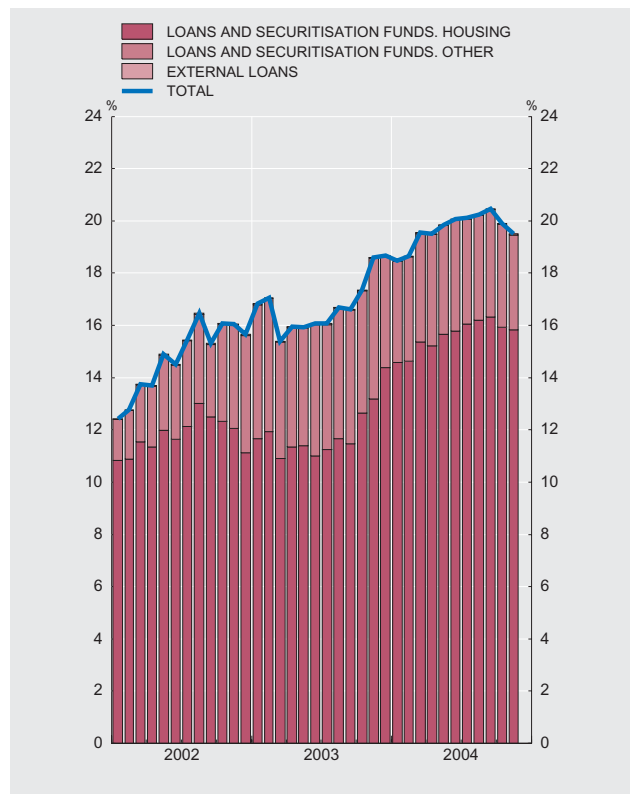
EUR millions and %

	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
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	372 251	50 461	15.6	251 195	16.6	11.1	120 443	13.6	4.5	613	33.3	0.0	16 109	1 931
03	441 298	69 540	18.7	304 729	21.3	14.4	135 850	13.2	4.3	719	17.3	0.0	28 771	3 124
03 Aug	414 649	2 168	16.7	283 510	17.1	11.7	130 463	15.8	5.0	676	22.3	0.0	20 153	3 187
Sep	419 118	4 515	16.6	287 606	16.7	11.5	130 821	16.4	5.1	692	24.0	0.0	23 153	3 157
Oct	426 691	7 608	17.4	293 668	18.6	12.6	132 319	14.8	4.7	705	23.1	0.0	24 749	3 157
Nov	437 240	10 599	18.6	299 288	19.4	13.2	137 240	16.9	5.4	712	18.4	0.0	25 804	3 157
Dec	441 298	4 183	18.7	304 729	21.3	14.4	135 850	13.2	4.3	719	17.3	0.0	28 771	3 124
04 Jan	445 300	4 040	18.5	308 272	21.6	14.6	136 290	11.9	3.9	738	19.1	0.0	29 488	3 124
Feb	451 060	5 783	18.7	312 657	21.6	14.6	137 656	12.4	4.0	747	18.8	0.0	29 733	3 124
Mar	459 488	8 470	19.5	319 914	22.7	15.4	138 819	13.0	4.2	756	20.4	0.0	31 178	3 095
Apr	467 610	8 148	19.5	325 516	22.4	15.2	141 331	13.3	4.3	763	20.1	0.0	31 935	3 095
May	475 332	7 757	19.9	331 959	23.0	15.7	142 595	13.1	4.2	778	20.3	0.0	33 101	3 095
Jun	487 523	12 245	20.1	339 021	23.3	15.8	147 707	13.2	4.3	796	21.2	0.0	37 484	3 068
Jul	494 951	7 450	20.1	346 916	23.6	16.0	147 223	12.7	4.0	812	20.7	0.0	41 795	3 068
Aug	498 056	3 143	20.2	350 630	23.7	16.2	146 605	12.8	4.0	821	21.5	0.0	41 612	3 263
Sep	504 360	6 366	20.5	355 950	23.8	16.3	147 578	13.2	4.1	832	20.3	0.0	40 928	3 201
Oct P	511 067	6 734	19.9	361 631	23.2	15.9	148 593	12.7	3.9	844	19.7	0.0	40 480	4 163
Nov P	521 950	10 915	19.5	368 511	23.1	15.8	152 584	11.5	3.6	855	20.1	0.0	41 101	4 163

FINANCING OF HOUSEHOLDS AND NPISHS
Annual percentage change



FINANCING OF HOUSEHOLDS AND NPISHS
Contributions to the annual percentage change



Source: BE.

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

(a) The annual percentage changes are calculated as the effective flow of the period / the stock at the beginning of the period. To December 2002 the frequency of this information was quarterly. The annual growth rates for months for which there is no information have been calculated using the figure obtained from de linear interpolation of the quarterly data.

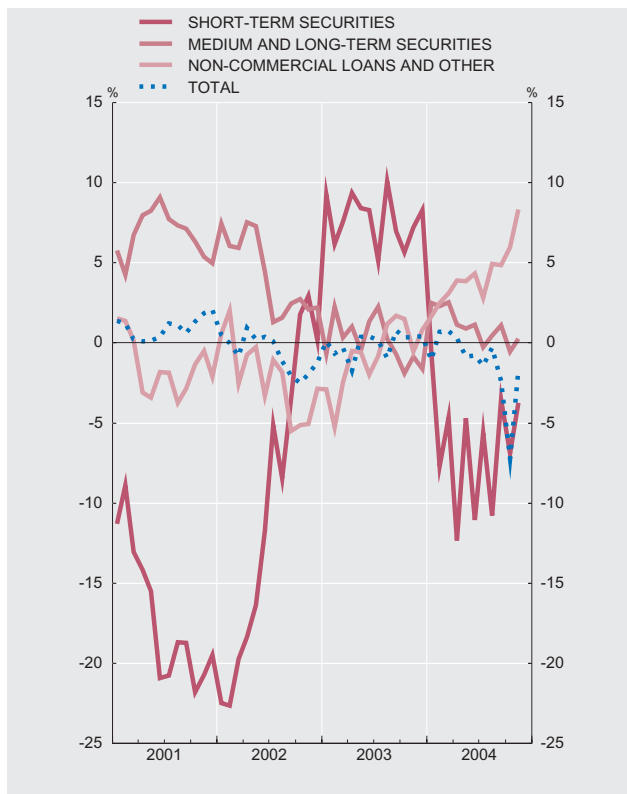
8.8. NET FINANCING OF SPAIN'S GENERAL GOVERNMENT

■ Series depicted in chart.

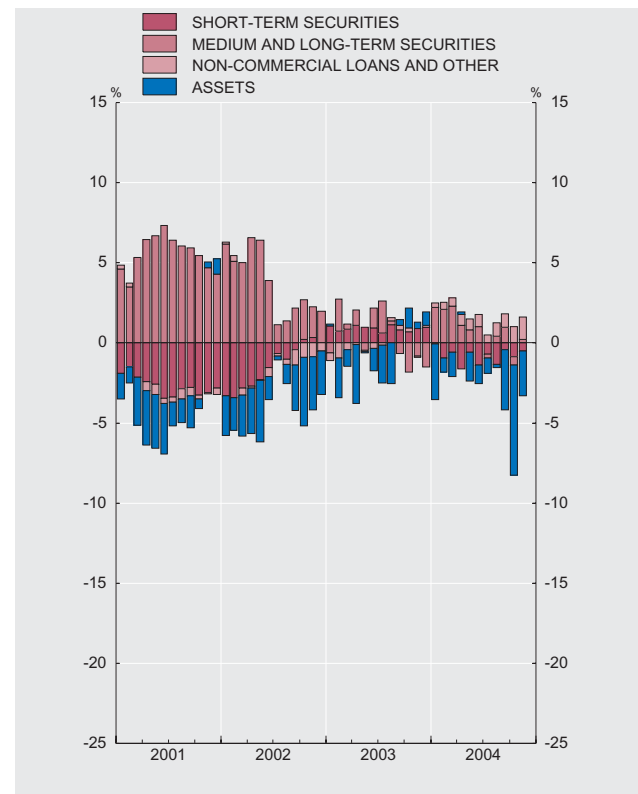
EUR millions and %

	Net financing			Monthly change in stocks						12-month % change in stocks				Contribution to 12-month % change in net stocks of liabilities				
				Liabilities (a)			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 (b)	Deposits at the Banco de España	Other deposits (c)	Total	Securities		Non-commercial loans and other (a)	Total	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	
01	320 093	6 384	2.0	3 425	-8 901	13 518	-1 193	17 060	14 101	0.9	-19.5	5.0	-2.1	-4.9	-2.8	4.3	-0.4	0.9
02	316 168	-3 925	-1.2	4 810	59	6 322	-1 571	1 785	6 950	1.3	0.2	2.2	-2.8	15.2	0.0	2.0	-0.5	-2.7
03	P 317 539	1 372	0.4	-1 225	3 049	-4 710	437	1 767	-4 363	-0.3	8.3	-1.6	0.8	-3.9	1.0	-1.5	0.1	0.8
03 Jun	P 319 523	5 974	0.4	2 118	-342	2 745	-285	-144	-3 712	1.5	8.3	1.3	-2.0	7.1	1.0	1.2	-0.3	-1.4
Jul	P 318 753	-770	0.1	-2 639	853	-4 332	840	-1 631	-237	2.1	5.1	2.3	-0.8	12.8	0.6	2.0	-0.1	-2.3
Aug	P 312 779	-5 974	-0.9	-5 709	-840	-3 871	-998	224	41	1.3	10.1	0.3	1.2	13.8	1.1	0.2	0.2	-2.5
Sep	P 315 455	2 676	0.8	1 749	-5	2 053	-300	-13	-914	0.4	7.0	-0.7	1.7	-1.6	0.8	-0.7	0.3	0.3
Oct	P 308 299	-7 156	0.3	-2 236	-194	-1 662	-381	-459	5 380	-0.7	5.7	-1.9	1.5	-5.1	0.7	-1.8	0.3	1.2
Nov	P 309 036	737	0.4	1 465	813	1 773	-1 121	64	664	-0.0	7.2	-0.9	-0.5	-1.8	0.9	-0.8	-0.1	0.4
Dec	P 317 539	8 504	0.4	1 070	-242	-1 037	2 349	275	-7 709	-0.3	8.3	-1.6	0.8	-3.9	1.0	-1.5	0.1	0.8
04 Jan	P 317 853	313	-1.1	4 234	-236	3 676	795	-1 730	5 651	2.1	-0.6	2.5	1.6	19.8	-0.1	2.2	0.3	-3.5
Feb	P 314 657	-3 196	0.7	-839	-3 632	2 968	-175	-11	2 367	1.3	-7.7	2.3	2.5	4.1	-1.0	2.1	0.4	-0.9
Mar	P 318 884	4 227	0.7	2 476	1 618	629	229	499	-2 250	1.9	-4.6	2.5	3.1	7.6	-0.6	2.3	0.5	-1.5
Apr	A 306 026	-12 858	0.3	451	-2 315	1 452	1 314	3 306	10 003	0.1	-12.3	1.1	3.9	-0.5	-1.6	1.1	0.7	0.1
May	A 310 838	4 811	-0.9	690	2 654	-1 781	-183	-61	-4 061	0.7	-4.7	0.9	3.9	7.7	-0.6	0.8	0.7	-1.8
Jun	A 316 980	6 142	-0.8	523	-2 846	3 418	-49	-70	-5 550	0.3	-11.1	1.1	4.3	5.6	-1.4	1.0	0.7	-1.2
Jul	A 314 181	-2 799	-1.4	-5 362	2 966	-8 373	45	-2 007	-556	-0.4	-5.6	-0.3	2.8	4.7	-0.7	-0.2	0.5	-1.0
Aug	A 311 882	-2 299	-0.3	-4 536	-2 834	-1 820	118	55	-2 292	-0.1	-10.8	0.5	4.9	0.9	-1.4	0.4	0.8	-0.2
Sep	A 307 939	-3 943	-2.4	6 369	2 854	3 878	-363	-43	10 355	1.1	-3.5	1.1	4.9	18.1	-0.4	1.0	0.8	-3.7
Oct	A 286 031	-21 908	-7.2	-7 673	-1 516	-6 344	188	13 315	920	-0.3	-6.9	-0.5	6.0	30.1	-0.9	-0.5	1.0	-6.9
Nov	A 303 809	17 778	-1.7	6 091	2 031	4 018	42	16 792	5 105	0.9	-3.7	0.2	8.3	12.3	-0.5	0.2	1.4	-2.8

NET FINANCING OF GENERAL GOVERNMENT
Annual percentage changes



NET FINANCING OF GENERAL GOVERNMENT
Contributions to the annual percentage change



Source: BE.

- (a) Consolidated: deducted securities and loans held by other General Government units.
 (b) Including coined money and Caja General de Depositos.
 (c) Tax collection accounts are not included.

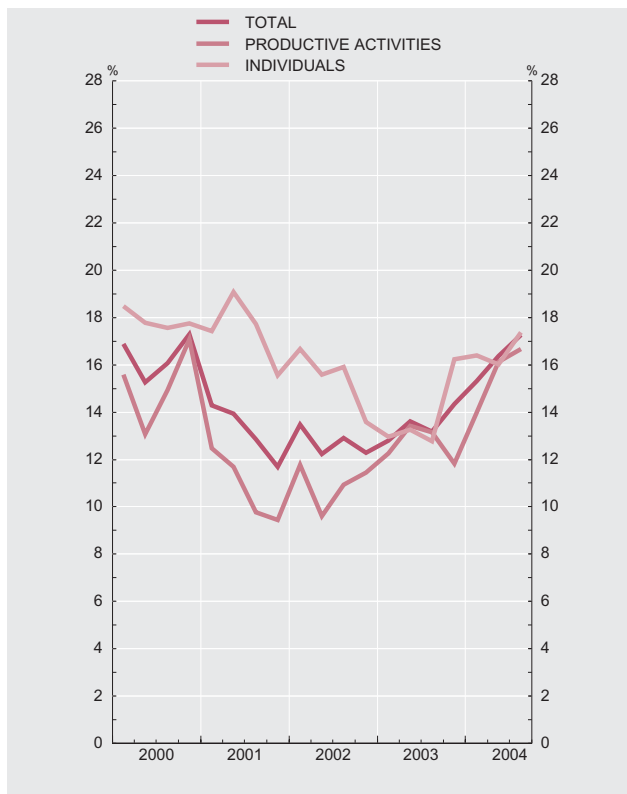
8.9 LENDING BY CREDIT INSTITUTIONS TO OTHER RESIDENT SECTORS. BREAKDOWN BY END-USE.

■ Series depicted in chart.

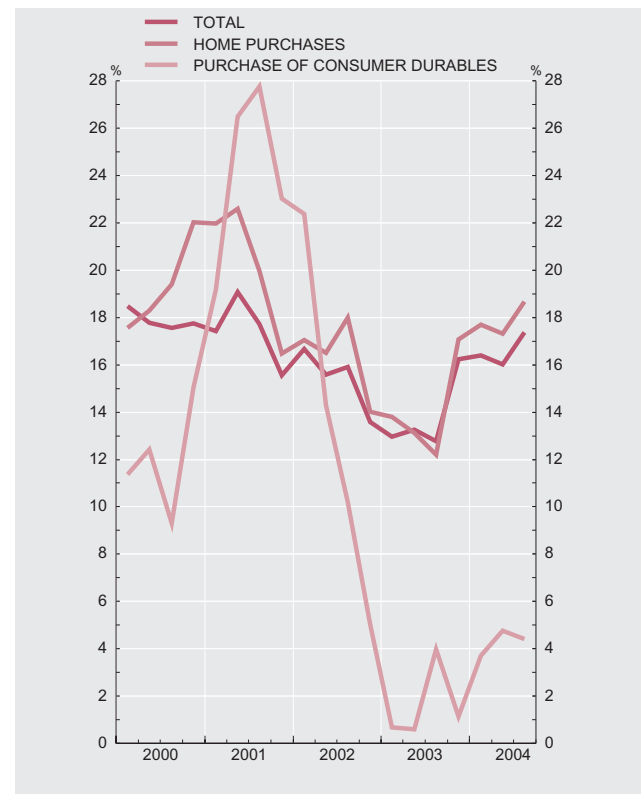
EUR millions and percentages

	Financing of productive activities						Financing of individuals						Financing of private non-profit entities	Unclassified
	Total (a)	Total	Agriculture and fisheries	Industry excluding construction	Construction	Services	Total	Home purchases and improvements			Other (b)			
								Total	Purchases	Improvements		Purchases of consumer durables		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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	368 466	15 122	85 762	57 376	210 206	320 053	235 086	224 830	10 256	34 741	50 227	2 324	10 819
03	802 212	411 986	16 402	85 829	65 784	243 972	372 013	275 958	263 192	12 766	35 136	60 919	3 002	15 212
01 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	368 466	15 122	85 762	57 376	210 206	320 053	235 086	224 830	10 256	34 741	50 227	2 324	10 819
03 Q1	722 204	375 901	15 138	86 559	56 975	217 229	331 747	244 498	233 729	10 769	34 910	52 339	2 285	12 271
Q2	754 872	389 249	15 712	87 015	59 431	227 091	349 500	256 010	244 414	11 596	35 676	57 814	2 512	13 608
Q3	770 523	398 206	16 462	87 240	61 902	232 601	357 146	264 453	252 316	12 136	36 468	56 225	2 651	12 520
Q4	802 212	411 986	16 402	85 829	65 784	243 972	372 013	275 958	263 192	12 766	35 136	60 919	3 002	15 212
04 Q1	832 734	428 517	16 973	85 326	68 171	258 047	386 179	288 736	275 107	13 629	36 201	61 242	3 108	14 930
Q2	878 477	452 030	17 102	86 636	72 362	275 930	405 486	301 537	286 744	14 793	37 374	66 575	3 183	17 777
Q3	903 590	464 578	17 655	88 360	75 494	283 069	419 230	315 021	299 447	15 574	38 075	66 134	3 426	16 355

CREDIT BY END-USE
Annual percentage changes



CREDIT TO INDIVIDUALS BY END-USE
Annual percentage changes



Source: BE.

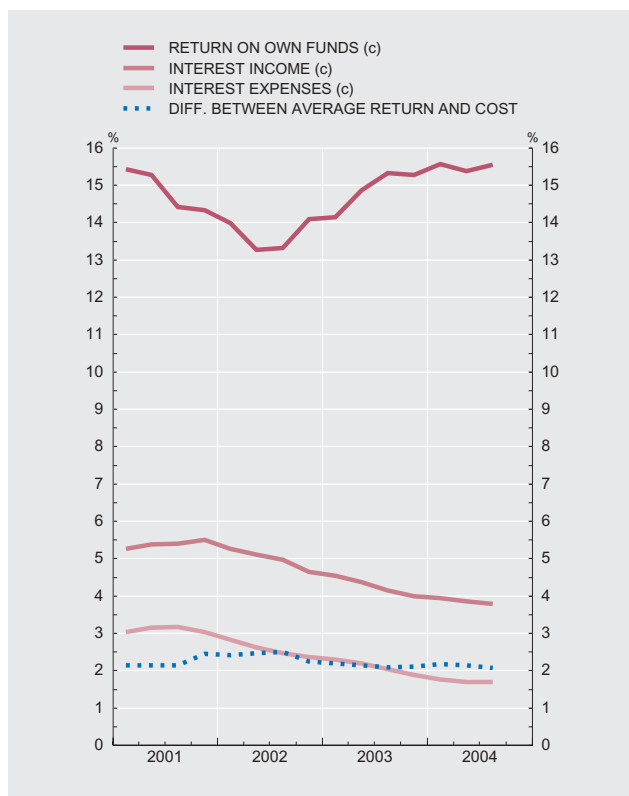
- (a) Series obtained from information in the accounting statement established for the supervision of resident institutions. See the changes introduced in the October 2001 edition of the Boletín estadístico and Tables 89.53, 89.54 and 89.55 of the Boletín estadístico, which are published at www.bde.es.
- (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

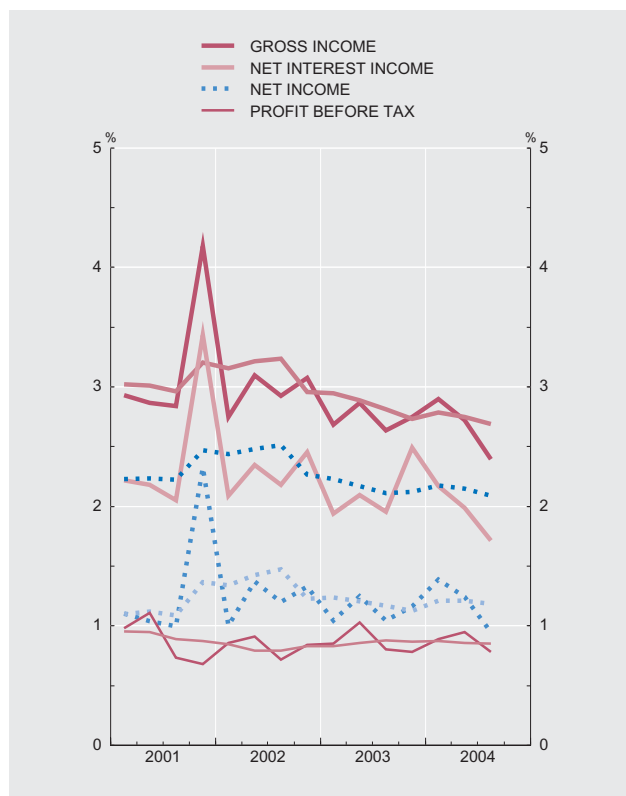
■ Series depicted in chart.

	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
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
03	4.2	1.8	2.5	0.3	2.7	1.6	0.9	1.2	-1.0	0.8	14.4	4.3	2.2	2.1
01 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	4.9	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
Q3	3.7	1.7	2.0	0.7	2.6	1.6	0.9	1.0	-0.2	0.8	14.0	4.4	2.3	2.1
Q4	4.2	1.8	2.5	0.3	2.7	1.6	0.9	1.2	-0.4	0.8	14.4	4.3	2.2	2.1
04 Q1	3.8	1.7	2.2	0.7	2.9	1.5	0.9	1.4	-0.5	0.9	15.9	4.2	2.0	2.2
Q2	3.7	1.7	2.0	0.7	2.7	1.5	0.9	1.2	-0.3	0.9	17.1	4.1	1.9	2.1
Q3	3.4	1.7	1.7	0.7	2.4	1.4	0.9	1.0	-0.2	0.8	14.7	4.0	1.9	2.1

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



PROFIT AND LOSS ACCOUNT
Percentages of the adjusted average balance sheet



Source: BE.

Note: The underlying series for this indicator are in Table 89.61 of the BE Boletín estadístico.

(a) Profit before tax divided by own funds (capital, reserves, and general risk fund less losses from previous financial years and intangible assets).

(b) Only those financial assets and liabilities which respectively give rise to financial income and costs have been considered to calculate the average return and cost.

(c) Average of the last four quarters.

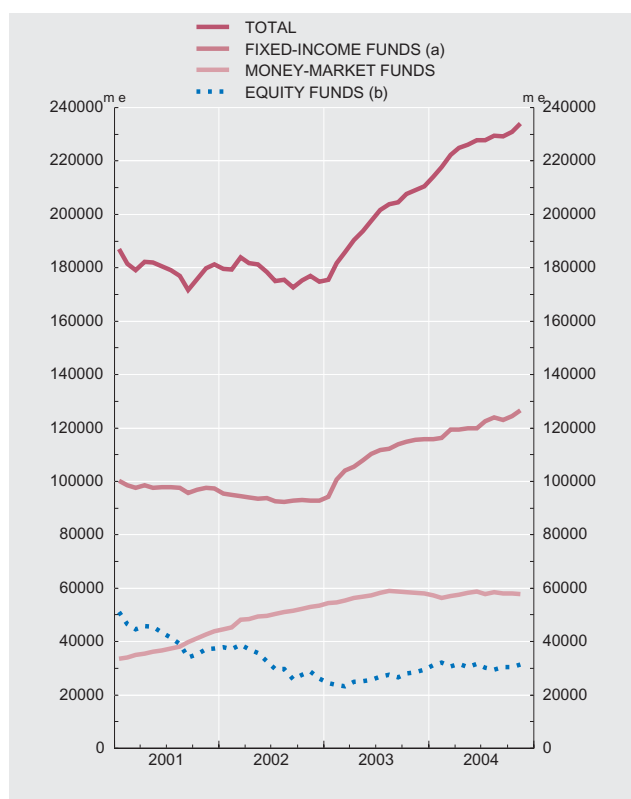
8.11. MUTUAL FUNDS RESIDENT IN SPAIN

■ Series depicted in chart.

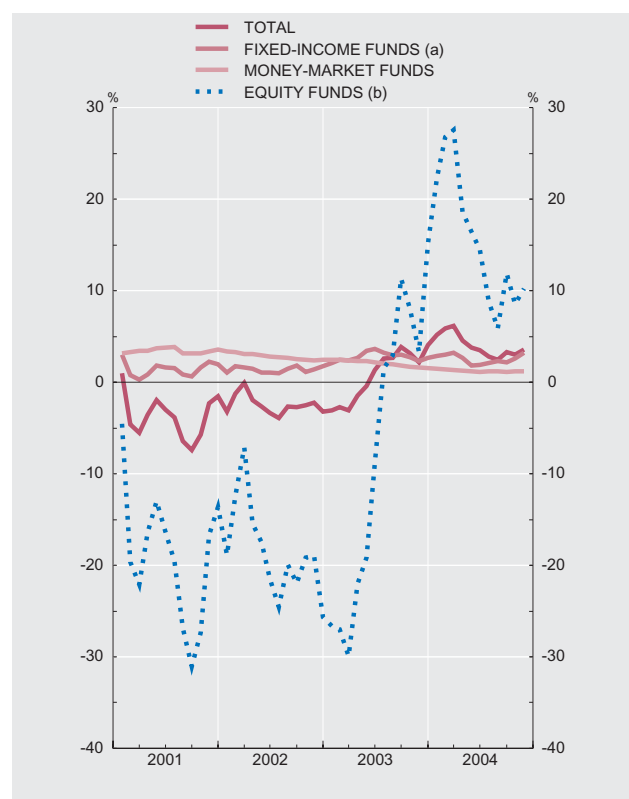
EUR millions

	Total				Money-market funds				Fixed-income funds (a)				Equity funds (b)				Others funds (c)
	Net asset value	Of which			Net asset value	Of which			Net asset value	Of which			Net asset value	Of which			
		Monthly change	Net funds invested	Return over last 12 months		Monthly change	Net funds invested	Return over last 12 months		Monthly change	Net funds invested	Return over last 12 months		Monthly change	Net funds invested	Return over last 12 months	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
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	1 274	-3.2	53 366	9 536	8 327	2.4	92 742	-4 504	-5 581	1.7	26 067	-11 427	-1 794	-25.7	2 558
03	210 627	35 894	28 077	4.0	58 054	4 688	3 830	1.5	115 819	23 077	20 129	2.6	29 401	3 334	-202	15.1	7 353
03 Aug	203 769	2 232	1 832	2.6	58 977	834	784	1.9	112 157	464	733	3.0	27 642	694	180	3.0	4 993
Sep	204 588	819	1 160	3.9	58 627	-350	-426	1.8	113 841	1 684	806	3.0	26 718	-924	334	11.3	5 402
Oct	207 521	2 933	1 531	3.1	58 461	-166	-204	1.7	114 870	1 029	1 117	2.7	28 050	1 332	-8	8.0	6 140
Nov	209 092	1 571	1 354	2.2	58 289	-172	-223	1.6	115 520	650	713	2.3	28 423	373	227	3.3	6 860
Dec	210 627	1 535	-156	4.0	58 054	-235	-309	1.5	115 819	299	-397	2.6	29 401	978	101	15.1	7 353
04 Jan	214 023	3 396	2 019	5.1	57 185	-869	-929	1.4	115 878	59	-479	2.8	31 101	1 701	989	22.3	9 858
Feb	217 640	3 617	2 284	5.9	56 357	-828	-892	1.4	116 217	339	-230	3.0	32 208	1 107	473	26.8	12 857
Mar	222 254	4 615	4 899	6.2	57 102	745	685	1.3	119 477	3 259	2 553	3.2	30 782	-1 426	-199	27.5	14 894
Apr	225 006	2 752	2 889	4.6	57 582	481	441	1.3	119 465	-11	515	2.6	31 578	796	621	18.6	16 380
May	225 991	984	1 576	3.7	58 295	712	671	1.2	119 904	439	1 019	1.8	30 404	-1 174	-669	16.5	17 387
Jun	227 806	1 816	800	3.5	58 666	371	311	1.2	119 975	71	316	1.9	31 647	1 243	66	14.5	17 518
Jul	227 862	56	719	2.8	57 743	-923	-984	1.2	122 510	2 535	1 936	2.1	30 096	-1 552	-216	8.8	17 514
Aug	229 421	1 559	1 318	2.4	58 502	759	707	1.2	124 031	1 521	1 115	2.3	29 565	-531	-300	5.9	17 323
Sep	229 216	-204	-963	3.3	58 129	-373	-435	1.2	123 035	-996	45	2.2	30 552	987	-81	11.9	17 500
Oct	230 916	1 700	486	3.0	57 981	-148	-207	1.2	124 401	1 366	1 254	2.6	30 473	-79	-294	8.5	18 062
Nov	233 932	3 015	...	3.6	57 888	-93	...	1.2	126 651	2 251	...	3.2	31 323	850	...	10.2	18 069

NET ASSET VALUE



RETURN OVER LAST 12 MONTHS



Sources: CNMV and Inverco.

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

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

(c) Global funds.

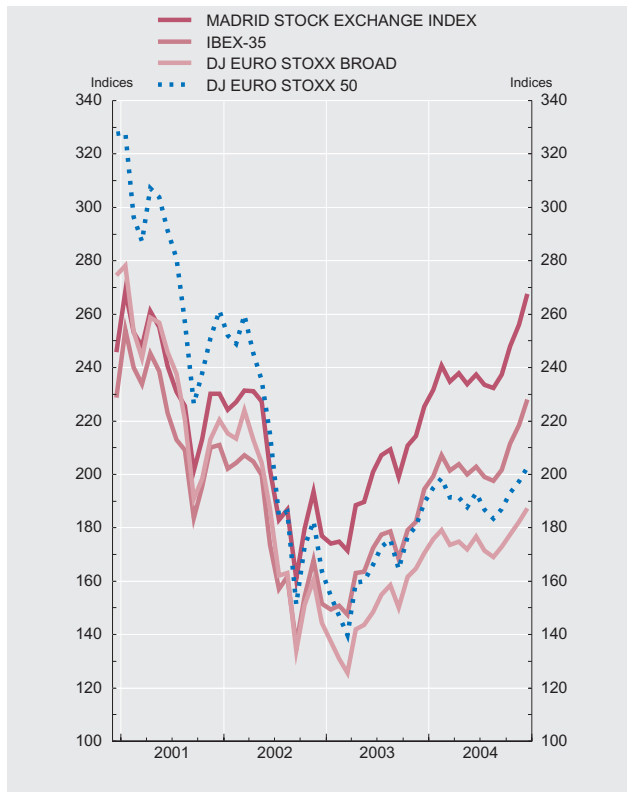
8.12. SHARE PRICE INDICES AND TURNOVER ON SECURITIES MARKETS. SPAIN AND EURO AREA

■ Series depicted in chart.

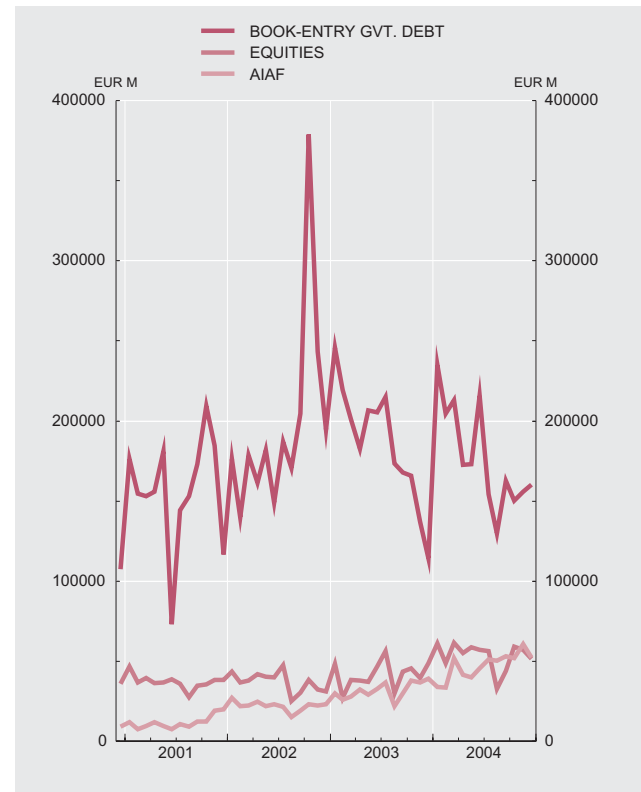
Indices, EUR millions and thousands of contracts

	Share price indices				Turnover on securities markets							
	General Madrid Stock Exchange	IBEX 35	Dow Jones EURO STOXX indices		Stock market		Book-entry government debt	AIAF fixed-income market	Financial options (thousands of contracts)		Financial futures (thousands of contracts)	
			Broad	50	Equities	Bonds			Fixed-income	Shares and other equities	Fixed-income	Shares and other equities
	1	2	3	4	5	6	7	8	9	10	11	12
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
03	706.88	6 727.59	212.92	2 413.39	499 745	74 346	2 234 366	380 204	-	11 677	1	3 653
04	P 863.25	8 195.58	251.25	2 800.48	643 542	82 790	2 127 396	566 600	-	8 495	0	4 473
03 Sep	713.22	6 703.60	214.34	2 395.87	43 490	6 203	167 990	30 007	-	1 080	0	327
Oct	755.09	7 129.50	230.69	2 575.04	45 571	7 582	165 674	37 844	-	740	0	328
Nov	768.38	7 252.50	235.26	2 630.47	39 690	6 965	137 049	36 962	-	473	0	308
Dec	807.98	7 737.20	243.21	2 760.66	48 589	8 767	114 414	39 030	-	1 061	0	312
04 Jan	830.23	7 929.90	250.91	2 839.13	61 276	6 910	235 109	33 803	-	718	0	350
Feb	862.50	8 249.40	255.66	2 893.18	48 757	6 956	204 758	33 643	-	635	0	370
Mar	841.46	8 018.10	247.90	2 787.49	61 389	7 877	213 010	52 067	-	1 064	0	471
Apr	851.91	8 109.50	249.62	2 787.48	55 268	6 795	172 710	41 488	-	402	0	374
May	837.42	7 959.30	245.43	2 736.83	58 788	6 625	172 908	40 128	-	621	0	386
Jun	850.50	8 078.30	252.24	2 811.08	57 168	7 528	215 732	45 679	-	726	0	358
Jul	836.80	7 919.30	244.74	2 720.05	56 271	7 640	154 223	51 245	...	362	...	376
Aug	832.79	7 869.50	241.33	2 670.79	32 632	5 457	129 720	50 308	...	398	...	324
Sep	850.78	8 029.20	246.83	2 726.30	44 141	7 021	162 746	53 188	...	854	...	335
Oct	888.40	8 418.30	253.20	2 811.72	59 228	7 030	150 295	51 843	...	733	...	370
Nov	917.68	8 693.00	260.21	2 876.39	57 052	6 546	155 757	60 867	...	882	...	400
Dec	P 959.06	9 080.80	267.38	2 951.24	51 572	6 405	160 429	52 341	...	1 101	...	358

SHARE PRICE INDICES
JAN 1994 = 100



TURNOVER ON SECURITIES MARKETS



Sources: Madrid, Barcelona, Bilbao and Valencia Stock Exchanges (columns 1, 2, 5 and 6); Reuters (columns 3 and 4); AIAF (column 8) and Spanish Financial Futures Market (MEFFSA) (columns 9 to 12)

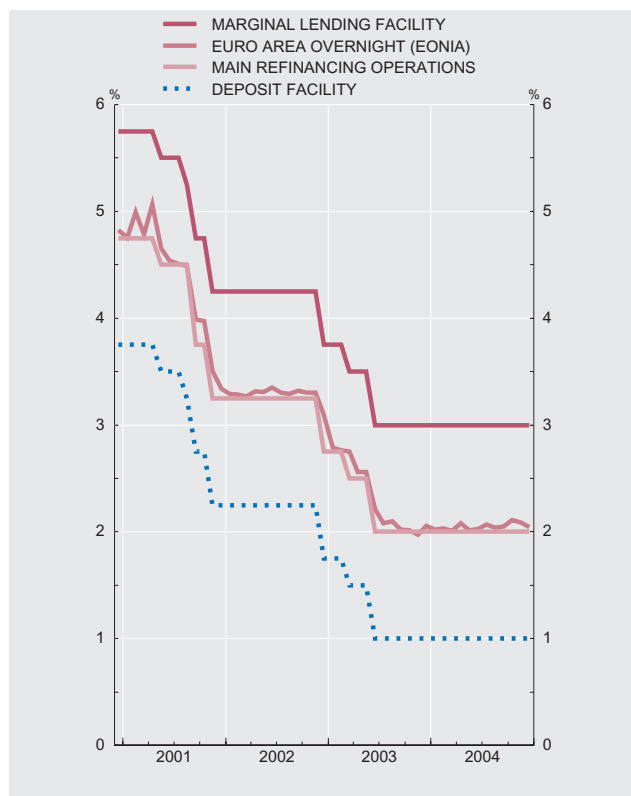
9.1. INTEREST RATES. EUROSISTEM AND MONEY MARKET. EURO AREA AND SPAIN

■ Series depicted in chart.

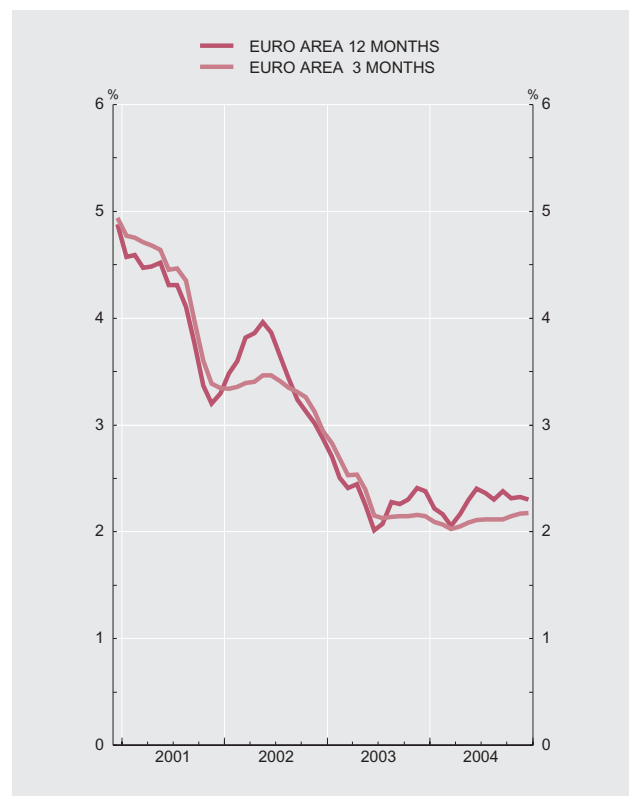
Averages of daily data. Percentages per annum

	Eurosistema 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			
	1	2	3	4	5	6	7	8	9	Over-night	1-month	3-month	1-year	Over-night	1-month	3-month	1-year
10	11	12	13	14	15	16	17										
02	2.75	2.93	3.75	1.75	3.29	3.30	3.32	3.35	3.49	3.28	3.29	3.31	3.49	3.21	3.21	3.20	3.38
03	2.00	2.12	3.00	1.00	2.32	2.35	2.33	2.31	2.34	2.31	2.34	2.33	2.35	2.26	2.26	2.21	2.23
04	2.00	2.12	3.00	1.00	2.05	2.08	2.11	2.15	2.27	2.04	2.06	2.10	2.29	1.99	1.99	1.99	2.14
03 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
Oct	2.00	2.13	3.00	1.00	2.01	2.10	2.14	2.17	2.30	2.01	2.08	2.14	2.28	2.00	2.02	2.02	2.16
Nov	2.00	2.12	3.00	1.00	1.97	2.09	2.16	2.22	2.41	1.98	2.07	2.15	2.43	1.96	2.01	2.04	2.30
Dec	2.00	2.12	3.00	1.00	2.06	2.13	2.15	2.20	2.38	2.02	2.11	2.14	2.36	1.95	2.03	2.04	-
04 Jan	2.00	2.03	3.00	1.00	2.02	2.08	2.09	2.12	2.22	2.01	2.06	2.08	2.21	1.94	1.97	1.92	2.07
Feb	2.00	2.01	3.00	1.00	2.03	2.06	2.07	2.09	2.16	2.03	2.05	2.06	2.22	1.98	1.96	1.97	2.03
Mar	2.00	-	3.00	1.00	2.01	2.04	2.03	2.02	2.06	2.00	2.02	2.03	2.03	1.94	1.95	1.93	1.87
Apr	2.00	2.01	3.00	1.00	2.08	2.05	2.05	2.06	2.16	2.06	2.03	2.03	2.18	1.96	1.94	1.95	2.12
May	2.00	2.04	3.00	1.00	2.02	2.06	2.09	2.14	2.30	2.01	2.05	2.08	2.30	1.97	1.96	1.97	2.18
Jun	2.00	-	3.00	1.00	2.03	2.08	2.11	2.19	2.40	2.03	2.06	2.10	2.41	1.99	1.98	1.99	2.15
Jul	2.00	2.07	3.00	1.00	2.07	2.08	2.12	2.19	2.36	2.05	2.06	2.11	2.40	2.00	1.98	2.01	2.29
Aug	2.00	2.06	3.00	1.00	2.04	2.08	2.11	2.17	2.30	2.03	2.06	2.11	2.33	2.00	2.00	2.01	2.22
Sep	2.00	2.06	3.00	1.00	2.05	2.08	2.12	2.20	2.38	2.05	2.07	2.11	2.38	2.02	2.00	2.02	2.29
Oct	2.00	2.10	3.00	1.00	2.11	2.09	2.15	2.19	2.32	2.09	2.07	2.15	2.37	2.05	2.00	2.04	2.22
Nov	2.00	2.05	3.00	1.00	2.09	2.11	2.17	2.22	2.33	2.08	2.09	2.16	2.34	2.06	2.04	2.06	-
Dec	2.00	2.12	3.00	1.00	2.04	2.17	2.17	2.21	2.30	2.05	2.15	2.17	2.30	2.02	2.05	2.06	-

EUROSISTEM: MONETARY POLICY OPERATIONS AND EURO AREA OVERNIGHT DEPOSITS



INTERBANK MARKET: EURO AREA 3-MONTH AND 1-YEAR RATES



Source: ECB (columns 1 to 8).

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

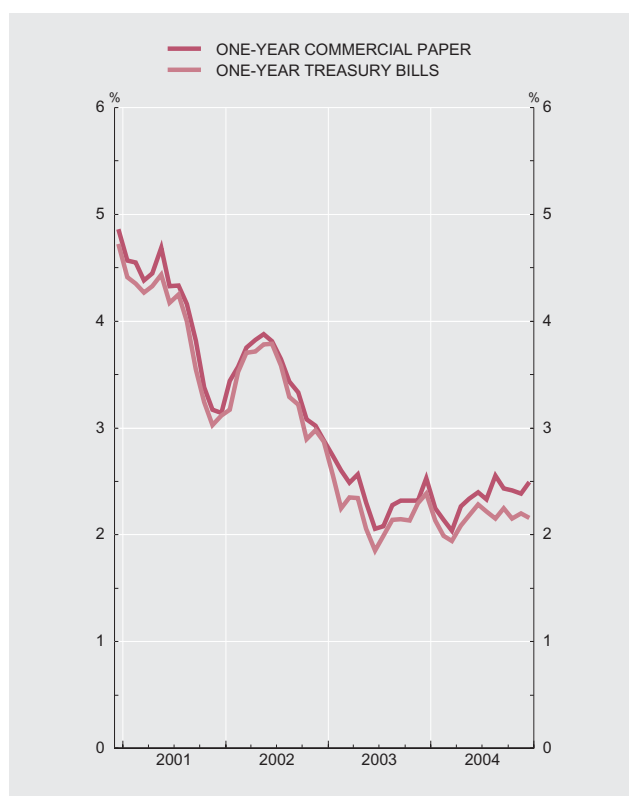
9.2. INTEREST RATES: SPANISH SHORT-TERM AND LONG-TERM SECURITIES MARKETS

■ Series depicted in chart.

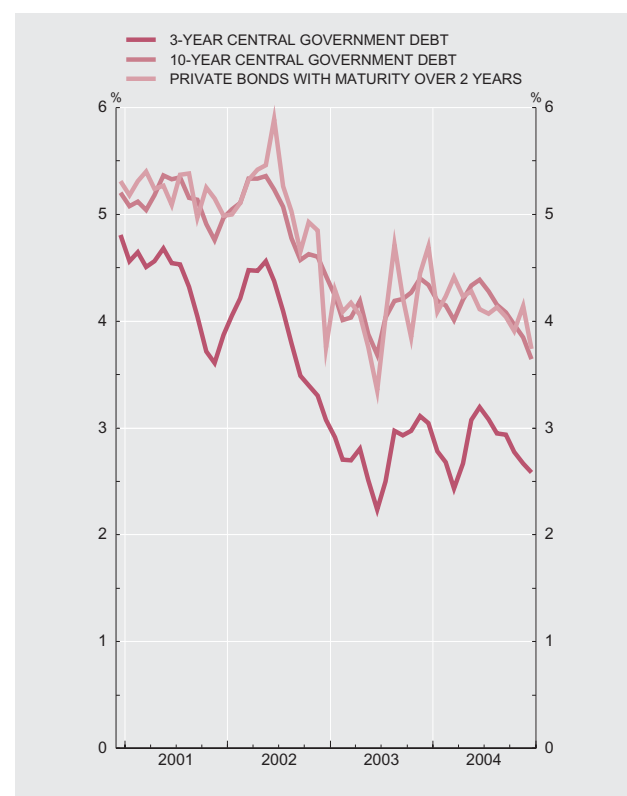
Percentages per annum

	Short-term securities				Long-term securities							
	One-year Treasury bills		One-year commercial paper		Central Government debt						Private bonds with a maturity of over two years traded on the AIAF	
	Marginal rate at issue	Secondary market: outright spot purchases between market members	Rate at issue	Secondary market: outright spot purchases	Marginal rate at issue					Secondary market: Book-entry debt. Outright spot purchases between market members		
					3-year bonds	5-year bonds	10-year bonds	15-year bonds	30-year bonds	At 3-years		At 10-years
1	2	3	4	5	6	7	8	9	10	11	12	
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
03	2.21	2.21	2.38	2.34	2.66	3.19	4.11	4.46	4.90	2.78	4.12	4.14
04	2.15	2.17	2.34	2.25	2.79	3.22	4.02	4.27	4.73	2.82	4.10	4.11
03 Sep	2.15	2.22	2.32	2.33	-	3.54	4.39	-	5.07	2.93	4.21	4.22
Oct	2.14	2.23	2.32	2.28	2.40	-	-	4.41	-	2.97	4.27	3.85
Nov	2.30	2.32	2.32	2.42	-	-	4.40	-	5.05	3.11	4.40	4.45
Dec	2.39	2.34	2.53	2.37	-	3.52	-	-	-	3.04	4.34	4.70
04 Jan	2.14	2.15	2.25	2.21	-	3.39	-	4.45	-	2.78	4.19	4.09
Feb	1.99	2.05	2.14	2.15	2.46	-	4.19	-	4.90	2.68	4.15	4.23
Mar	1.95	2.08	2.04	1.97	-	3.29	-	4.24	-	2.43	4.01	4.41
Apr	2.09	2.08	2.26	2.16	-	3.03	-	-	4.91	2.67	4.20	4.23
May	2.18	2.14	2.34	2.30	2.93	-	-	4.63	-	3.08	4.33	4.28
Jun	2.29	2.30	2.40	2.26	3.15	-	4.44	-	-	3.20	4.39	4.11
Jul	2.22	2.24	2.33	2.28	-	3.53	-	4.51	-	3.08	4.28	4.07
Aug	2.15	2.16	2.56	2.38	-	-	-	-	-	2.95	4.15	4.13
Sep	2.25	2.17	2.44	2.36	2.78	-	4.13	-	4.71	2.94	4.08	4.04
Oct	2.15	2.17	2.41	2.31	-	3.19	-	4.10	-	2.78	3.97	3.91
Nov	2.20	2.25	2.39	2.38	2.63	-	3.79	-	4.41	2.67	3.85	4.14
Dec	2.16	2.20	2.50	2.29	-	2.86	3.57	3.71	-	2.58	3.64	3.74

PRIMARY MARKET



SECONDARY MARKET



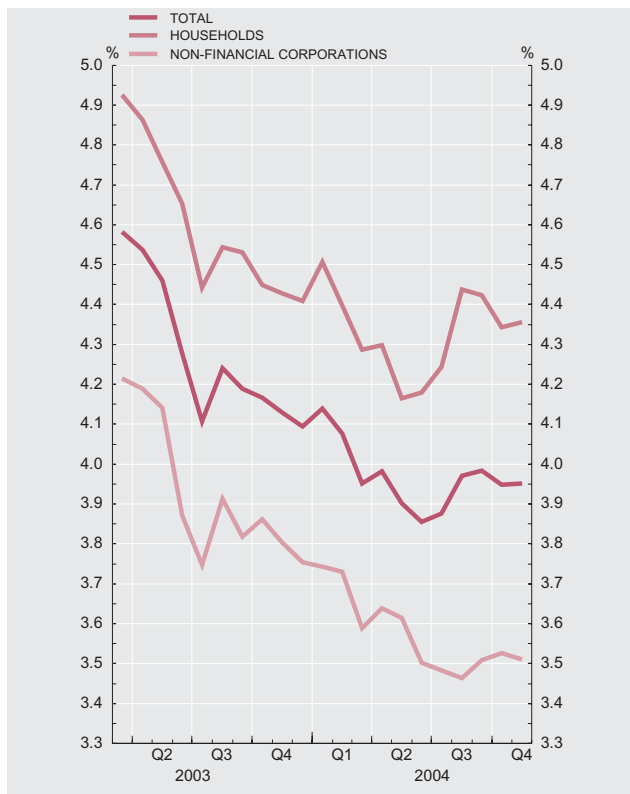
Sources: Main issuers (column 3); AIAF (columns 4 and 12).

9.3. INTEREST RATES ON NEW BUSINESS. CREDIT INSTITUTIONS. (CBE 4/2002)

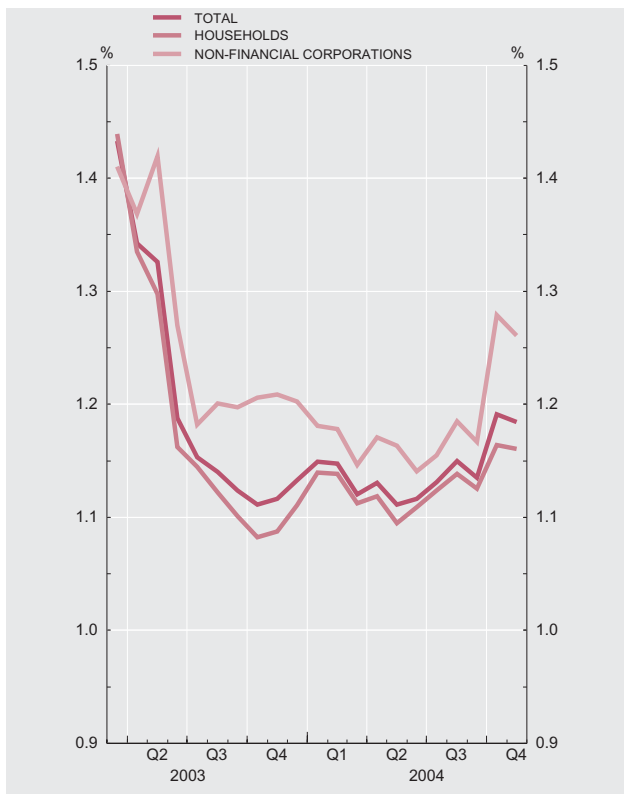
Percentages

	Loans (APRC) (a)							Deposits (NEDR) (a)								
	Synthetic rate	Households and NPISH			Non-financial corporations			Synthetic rate	Households and NPISH				Non-financial corporations			
		Synthetic rate	House purchase	Consumption and other	Synthetic rate	Up to EUR 1 million	Over EUR 1 million (b)		Synthetic rate	Over-night and redeemable at notice	Time	Repos	Synthetic rate	Over-night	Time	Repos
03 Jan	4.86	5.24	4.33	7.05	4.44	5.07	3.90	1.58	1.61	0.53	2.66	2.66	1.50	0.82	2.62	2.69
Feb	4.76	5.13	4.20	6.99	4.36	4.96	3.84	1.51	1.52	0.54	2.48	2.61	1.49	0.82	2.54	2.71
Mar	4.58	4.92	4.07	6.67	4.21	4.83	3.73	1.43	1.44	0.53	2.35	2.60	1.41	0.78	2.44	2.62
Apr	4.54	4.86	3.93	6.77	4.19	4.80	3.68	1.34	1.33	0.51	2.16	2.48	1.37	0.76	2.36	2.52
May	4.46	4.76	3.85	6.62	4.14	4.68	3.67	1.33	1.30	0.48	2.13	2.45	1.42	0.78	2.33	2.51
Jun	4.28	4.65	3.75	6.48	3.87	4.48	3.45	1.19	1.16	0.44	1.94	2.19	1.27	0.77	2.03	2.16
Jul	4.11	4.44	3.55	6.28	3.75	4.38	3.25	1.15	1.14	0.42	1.94	2.05	1.18	0.66	1.97	2.05
Aug	4.24	4.54	3.45	6.80	3.91	4.47	3.45	1.14	1.12	0.42	1.89	2.02	1.20	0.69	1.98	1.97
Sep	4.19	4.53	3.46	6.76	3.82	4.35	3.38	1.12	1.10	0.41	1.87	2.04	1.20	0.68	1.98	2.02
Oct	4.17	4.45	3.48	6.46	3.86	4.41	3.39	1.11	1.08	0.40	1.84	2.03	1.21	0.68	1.98	2.00
Nov	4.13	4.43	3.46	6.41	3.80	4.37	3.33	1.12	1.09	0.39	1.88	1.97	1.21	0.69	2.03	1.97
Dec	4.09	4.41	3.46	6.40	3.75	4.25	3.40	1.13	1.11	0.39	1.93	2.05	1.20	0.66	2.01	1.98
04 Jan	4.14	4.51	3.53	6.55	3.74	4.32	3.29	1.15	1.14	0.39	1.99	1.93	1.18	0.68	1.98	1.95
Feb	4.08	4.40	3.51	6.27	3.73	4.22	3.27	1.15	1.14	0.39	1.99	1.96	1.18	0.66	2.02	1.99
Mar	3.95	4.29	3.39	6.20	3.59	4.17	3.13	1.12	1.11	0.39	1.93	2.00	1.15	0.66	1.91	1.99
Apr	3.98	4.30	3.31	6.40	3.64	4.14	3.14	1.13	1.12	0.39	1.95	2.01	1.17	0.65	1.99	1.96
May	3.90	4.16	3.25	6.13	3.61	4.18	3.13	1.11	1.09	0.38	1.92	1.94	1.16	0.66	1.96	1.96
Jun	3.85	4.18	3.29	6.04	3.50	4.15	3.09	1.12	1.11	0.37	2.00	2.06	1.14	0.64	2.01	1.98
Jul	3.88	4.24	3.38	6.07	3.48	4.14	3.03	1.13	1.12	0.37	2.04	2.07	1.16	0.66	1.98	1.99
Aug	3.97	4.44	3.46	6.54	3.46	4.21	2.88	1.15	1.14	0.38	2.03	2.00	1.19	0.68	1.97	2.00
Sep	3.98	4.42	3.45	6.54	3.51	4.13	2.99	1.14	1.13	0.38	2.01	1.98	1.17	0.67	2.00	2.00
Oct	3.95	4.34	3.45	6.34	3.53	4.15	2.95	1.19	1.16	0.39	2.08	2.01	1.28	0.70	2.28	2.03
Nov	P 3.95	4.36	3.48	6.30	3.51	4.13	2.94	1.18	1.16	0.38	2.08	2.02	1.26	0.69	2.23	2.04

LOANS SYNTHETIC RATES



DEPOSITS SYNTHETIC RATES



(a) APRC: annual percentage rate of change. NEDR: narrowly defined effective rate, which is the same as the APRC without including commissions.
 (b) Calculated by adding to the NEDR rate, which does not include commissions and other expenses, a moving average of such expenses.

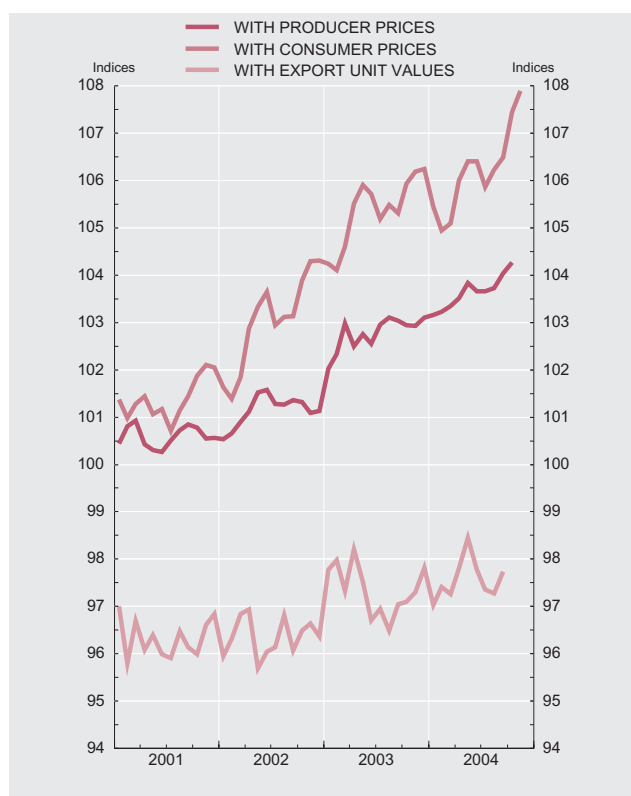
9.4 INDICES OF SPANISH COMPETITIVENES VIS-À-VIS THE EU-15 AND THE EURO AREA

■ Series depicted in chart.

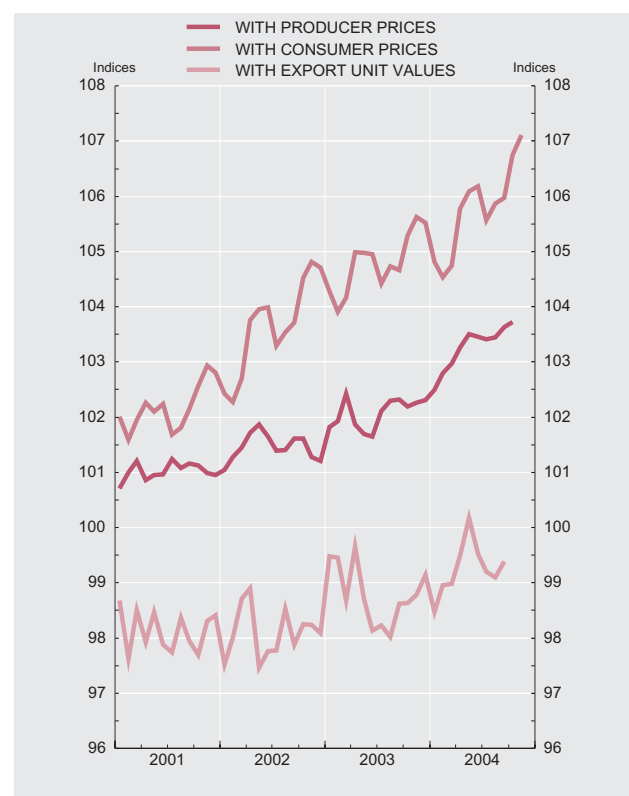
Base 1999 Q1 = 100

	Vis-à-vis the EU-15									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	
01	100.6	101.4	103.3	96.3	99.0	101.6	102.4	104.4	97.3	101.0	102.2	104.0	98.1
02	101.1	103.0	105.4	96.4	99.1	102.1	104.0	106.4	97.3	101.5	103.6	106.0	98.1
03	102.8	105.4	107.0	97.3	100.1	102.6	105.2	106.8	97.2	102.1	104.8	106.0	98.8
02 Q4	101.2	104.2	106.0	96.5	99.2	102.0	105.0	106.9	97.3	101.4	104.7	106.4	98.2
03 Q1	102.5	104.3	106.6	97.7	99.8	102.7	104.5	106.8	97.9	102.1	104.1	106.2	99.2
Q2	102.6	105.7	107.1	97.5	100.3	102.3	105.4	106.8	97.2	101.7	105.0	106.0	98.8
Q3	103.0	105.3	107.0	96.8	100.3	102.7	105.0	106.7	96.6	102.2	104.6	105.8	98.3
Q4	103.0	106.1	107.3	97.4	100.2	102.8	105.9	107.0	97.2	102.3	105.5	106.2	98.9
04 Q1	103.2	105.2	107.7	97.2	100.0	103.3	105.2	107.7	97.3	102.8	104.7	107.1	98.8
Q2	103.7	106.3	108.3	98.0	99.7	103.9	106.5	108.6	98.3	103.4	106.0	107.9	99.7
Q3	103.8	106.2	108.8	97.5	99.8	104.0	106.4	108.9	97.6	103.5	105.8	108.4	99.2
04 Mar	103.3	105.1	...	97.3	99.8	103.5	105.3	...	97.4	103.0	104.7	...	99.0
Apr	103.5	106.0	...	97.8	99.7	103.8	106.3	...	98.1	103.3	105.8	...	99.5
May	103.8	106.4	...	98.5	99.8	104.0	106.6	...	98.6	103.5	106.1	...	100.2
Jun	103.7	106.4	...	97.8	99.7	104.0	106.7	...	98.1	103.5	106.2	...	99.5
Jul	103.7	105.9	...	97.4	99.7	103.9	106.2	...	97.6	103.4	105.6	...	99.2
Aug	103.7	106.2	...	97.3	99.8	103.9	106.5	...	97.5	103.4	105.9	...	99.1
Sep	104.0	106.5	...	97.7	100.0	104.1	106.5	...	97.8	103.6	106.0	...	99.4
Oct	104.3	107.4	...	...	100.1	104.1	107.3	...	...	103.7	106.7	...	...
Nov	...	107.9	...	...	100.2	...	107.6	...	...	...	107.1	...	...
Dec	...	...	...	...	100.2	...	...	...	...	...	...	...	...

INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EU-15



INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EURO AREA



Source: BE.

(a) Outcome of multiplying nominal and price components. A decline in the index denotes an improvement in the competitiveness of Spanish products.

(b) Geometric mean calculated using a double weighting system based on 1995-1997 manufacturing foreign trade figures.

(c) Relationship between the price indices of Spain and of the group.

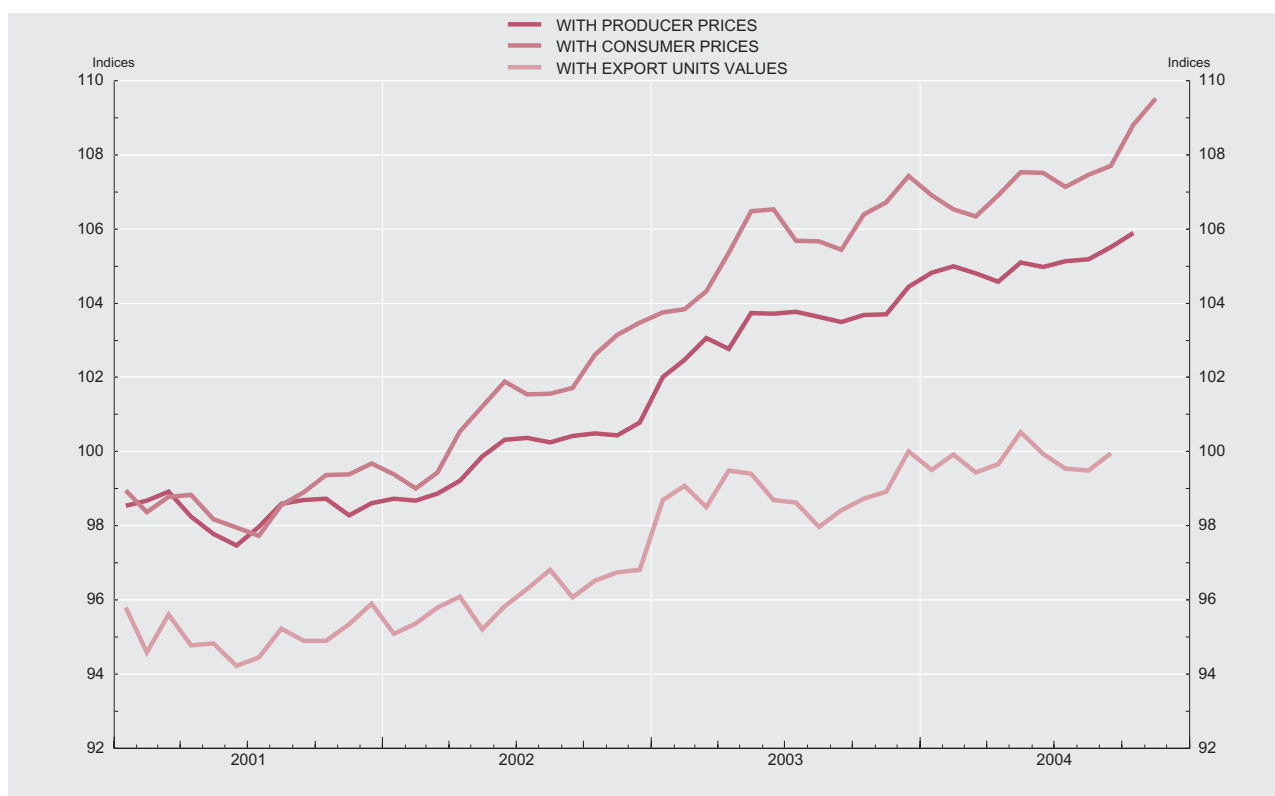
9.5 INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE DEVELOPED COUNTRIES

■ Series depicted in chart.

Base 1999 Q1 = 100

	Total (a)				Nominal component (b)	Price component (c)			
	Based on producer prices	Based on consumer	Based on manufacturing unit labour costs	Based on export unit values		Based on producer prices	Based on consumer prices	Based on manufacturing unit labour cost	Based on export unit values
	1	2	3	4	5	6	7	8	9
01	98.4	98.7	101.0	95.1	96.3	102.2	102.5	105.0	98.7
02	99.9	101.3	104.4	96.1	97.1	102.9	104.3	107.6	98.9
03	103.4	105.6	108.1	98.9	100.0	103.4	105.6	108.0	98.9
02 Q4	100.6	103.1	105.9	96.7	97.8	102.8	105.3	108.2	98.8
03 Q1	102.5	104.0	107.1	98.8	99.1	103.4	104.9	108.1	99.6
Q2	103.4	106.1	108.4	99.2	100.3	103.1	105.8	108.0	98.9
Q3	103.6	105.6	108.0	98.3	100.1	103.5	105.5	107.9	98.2
Q4	103.9	106.8	108.6	99.2	100.4	103.5	106.4	108.2	98.8
04 Q1	104.9	106.6	109.8	99.6	100.9	104.0	105.7	108.9	98.8
Q2	104.9	107.3	109.9	100.0	100.3	104.6	107.0	109.6	99.8
Q3	105.3	107.4	110.6	99.7	100.5	104.7	106.9	110.0	99.1
04 Mar	104.8	106.3	...	99.4	100.6	104.2	105.8	...	98.9
Apr	104.6	106.9	...	99.7	100.1	104.5	106.8	...	99.6
May	105.1	107.5	...	100.5	100.4	104.7	107.1	...	100.1
Jun	105.0	107.5	...	99.9	100.3	104.7	107.2	...	99.6
Jul	105.1	107.1	...	99.5	100.5	104.6	106.6	...	99.1
Aug	105.2	107.5	...	99.5	100.5	104.7	107.0	...	99.0
Sep	105.5	107.7	...	100.0	100.7	104.8	107.0	...	99.3
Oct	105.9	108.8	...	...	101.0	104.8	107.7	...	...
Nov	...	109.5	...	...	101.4	...	108.0	...	...
Dec	...	...	...	...	101.7	...	...	...	...

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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JUL 2000	Quarterly report on the Spanish economy 9 Results of non-financial corporations in 2000 Q1 51 Presentation of the financial accounts of the Spanish economy 63 Financial regulation: second quarter of 2000 81
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