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ABBREVIATIONS

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

COUNTRIES AND CURRENCIES

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

BE	Belgium	EUR (euro)
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.

CONTENTS

1 Overview

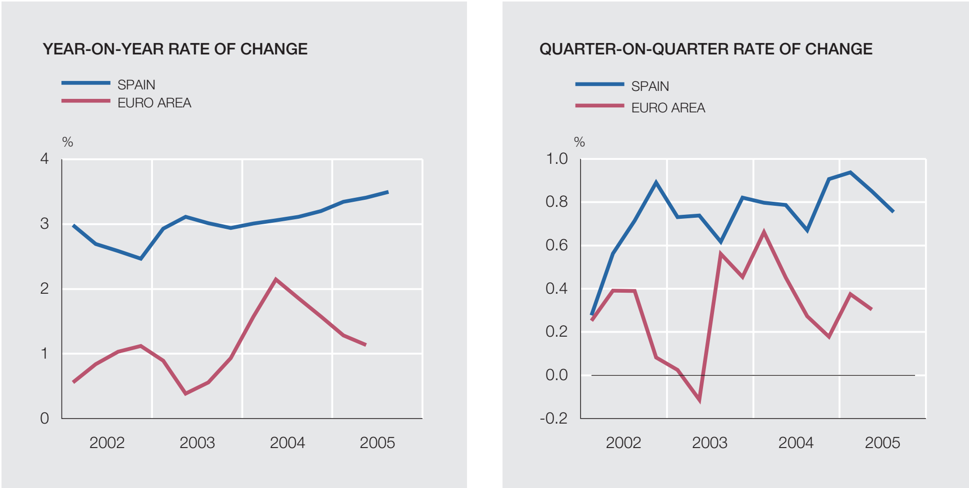
During the summer months developments in the Spanish economy unfolded against a very similar background to that marking the first half of the year. The external environment remained expansionary overall, accompanied by stability in the financial and foreign exchange markets, despite the substantial shocks continuing to affect the oil market. The euro area has remained far less buoyant than the other geographical regions. And this, combined with the relative containment of price increases, has allowed generous monetary and financial conditions to be maintained. From a domestic perspective, these conditions have continued to be conducive to the sustained growth of Spanish household and corporate spending, and it is estimated that domestic demand grew at a real rate of around 5% in Q3, compared with 5.6% the previous quarter. This slowdown will have been due, on one hand, to something of a downturn in the growth of consumption and, on the other, to the profile of investment in equipment. Despite having posted a high quarter-on-quarter increase, the year-on-year rate of this latter variable will have seen the base effect of its strong rise in 2004 Q3 stripped out. The behaviour of demand has given rise to a slowdown in imports, enabling the lower increase in domestic spending to be offset by a less negative contribution of net external demand.

There was thus something of a restructuring of growth in Q3, with a move towards a lower increase in domestic demand and a less negative contribution of the external sector, although the divergence between both magnitudes remains very marked and the underlying factors have scarcely altered. As a result of this adjustment, the year-on-year growth of GDP in real terms is estimated at 3.5%, somewhat higher than in Q2, although this signifies a slight easing of the quarter-on quarter rate of increase (see Chart 1). From the standpoint of value added, growth has continued to be based on construction and on services, a mix which explains, at least partly, the strong job-creation seen in this expansionary phase. Indeed, EPA (Labour Force Survey) data for Q3 confirm that the job-creation process has not lost momentum. There was a further rise in the inflation rate in Q3, reflecting the direct impact of dearer energy. As a result, the 12-month increase in the CPI stood at 3.7% in September, and the inflation differential with the euro area was 1.2 pp. The information available for October, relating to the HICP, points to a slight easing of the 12-month inflation rate to around 3.5%.

In August and September oil prices rose further, moving up to close to $70 per barrel. At the same time, a series of devastating storms hit the Gulf of Mexico head-on, jeopardising oil production and refining in the area. However, once the critical moments of these events were behind, the oil price resumed the – undoubtedly high – levels it had reached in July and speculative positions in this market diminished considerably. The impact of these increases on inflation rates continues to be confined, since it has scarcely passed through to underlying inflation and wage increases in the main economies remain moderate. Elsewhere, notwithstanding the effect on local activity in the areas affected, global activity and trade are sustaining very high rates of expansion, albeit lower than in 2004, without additional signs of deceleration being perceptible.

GDP growth in the United States fell off moderately in Q2 to an annualised rate of 3.3%, which would possibly have moved back up in Q3 were it not for the adverse impact of the hurricanes. The rate of inflation has risen, owing to dearer oil and refined product prices, but not that of underlying inflation. Despite that, the Federal Reserve is expected to further tighten its monetary policy stance with fresh rises in official rates. Nonetheless, long-term interest rates have scarcely increased. Among the Asian economies, the first half of the year was much better

GROSS DOMESTIC PRODUCT (a) CHART 1



SOURCES: ECB, INE and Banco de España.

a. Seasonally adjusted series.

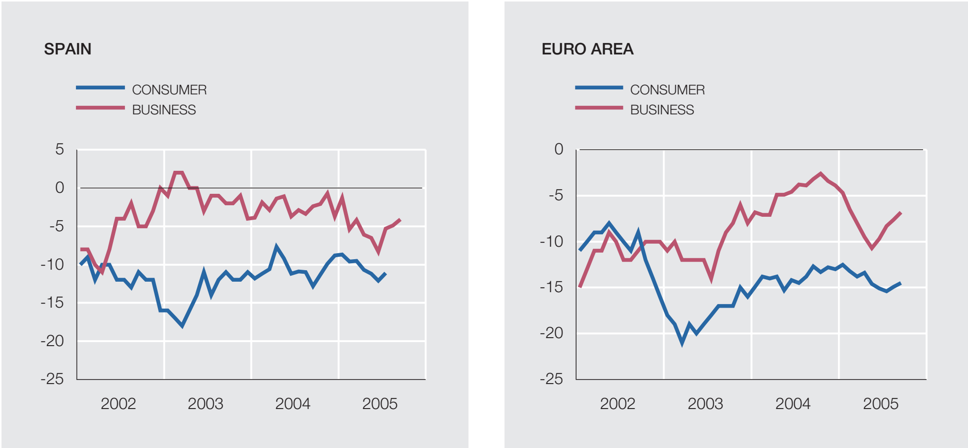
than expected in Japan, spurred on by the pick-up in private consumption and investment, while deflationary pressures appear to be beginning to wane. The main emerging economies in Asia, namely China and India, have maintained – and in India's case even built on – their high growth rates, as in the rest of the region. A recovery was also seen in Latin America as from 2005 Q1, with a sound performance by exports, as a result of which average year-on-year growth stands at 5%. Inflation is generally under control, which has provided for a fresh cut in interest rates in the main countries in the area. Lastly, among the European countries not belonging to the euro area, mention should be made of the United Kingdom. There, the signs of a slowdown in domestic demand and, in particular, in private consumption are clear and have been accompanied by a rapid moderation in house price increases. The Bank of England lowered interest rates in August and has held them constant since, in anticipation of potential inflationary pressures arising essentially from high oil prices.

Against this background, in which the world economy has continued to show a high capacity to absorb adverse shocks without these seriously affecting its course, the outlook for the coming quarters points to a mild slowdown in, or even to a maintenance of, the high tempo of global growth. Nonetheless, the downside risks to this scenario are similar to – or even sharper than – those identified before the summer. Oil prices remain at very high levels, while futures market prices scarcely incorporate a correction of these levels. The slow process of expanding extraction and refining capacity may prolong this period of high prices, thereby heightening the vulnerability of the world economy to new unforeseen events in this market or to adverse weather. Further, the current-account imbalances between the main economic areas and, in particular, the US deficit remain at similar levels, and a sharp adjustment entailing considerable exchange rate movements and substantial interest rate hikes cannot be ruled out.

In the euro area, the Eurostat figures released for Q2 showed GDP growth of 0.3% compared with the previous quarter, and of 1.1% in comparison with the same period in 2004. Both rates indicate a slowdown in activity, set against the greater buoyancy achieved at the start of the year, stemming from a more negative contribution of net external demand and, in particular, from the rise in imports. Under domestic demand, investment in construction performed better, while private consumption remained notably slack, as in the previous quarter. The activity and employment indicators for Q3, most of which are of a qualitative nature, have tended to

CONFIDENCE INDICATORS

CHART 2



SOURCE: European Commission.

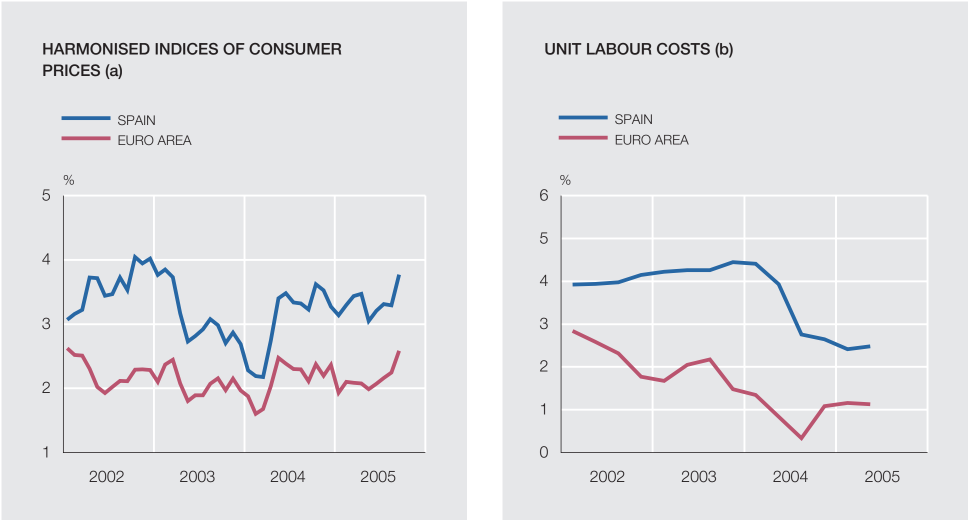
improve. That might presage something of a pick-up in GDP in this period, with a subsequent resumption of growth rates close to those at the start of the year (see Chart 2). From the expenditure standpoint, the recovery in Q3 was essentially centred on investment and on external demand, and only to a lesser extent on private consumption, the course of which is highly influenced by the scant growth in employment and the adverse impact of the energy price rises on household purchasing power. Other factors of uncertainty, relating mainly to consumer expectations about future income, have not abated either and have tended to restrict the increase in spending in recent years.

During Q3, the overall HICP for the euro area quickened, markedly so in September when it climbed to a 12-month rate of 2.6%, compared with an average increase of 2% in the first half of the year. This acceleration was the result of dearer energy, while underlying inflation – which excludes energy prices, among others – had evidenced a declining profile since the start of 2005, standing at around 1.4% in early summer, although it edged up to 1.5% in September (see Chart 3). The divergent course of both indices illustrates the fact that, despite the strong direct impact of higher oil prices on inflation, dearer oil is not yet significantly affecting either the general price formation process or the behaviour of wages, rises in which are moderate in most member countries.

In these circumstances the ECB Governing Council has decided to hold its official interest rates unchanged, leaving the rate on its main refinancing operations at 2%. The Council believes that, for the moment, inflation developments are compatible with a gradual return to rates consistent with price stability. Nonetheless, it is acknowledged that the risk of the current price rises passing through to underlying inflation and to wage increases has heightened, whereby the Council will be extremely vigilant. Against this backdrop, the markets are discounting an increase in official interest rates in early 2006.

In any event, financial conditions in the euro area remain easy and uphold expectations that, in an expansionary external environment, the pace of growth will gradually pick up and move towards its potential rate. However, there is considerable uncertainty over this scenario. The risk of inflation and wage increases moving off paths compatible with price stability were already mentioned. And without a significant and lasting contribution of household spending, the sustainability of the recovery is not guaranteed. In this respect, economic policies should play an active role in promoting growth and dispelling the uncertainty that is denting household confidence.

PRICES AND COSTS CHART 3



SOURCES: Eurostat, ECB and INE.

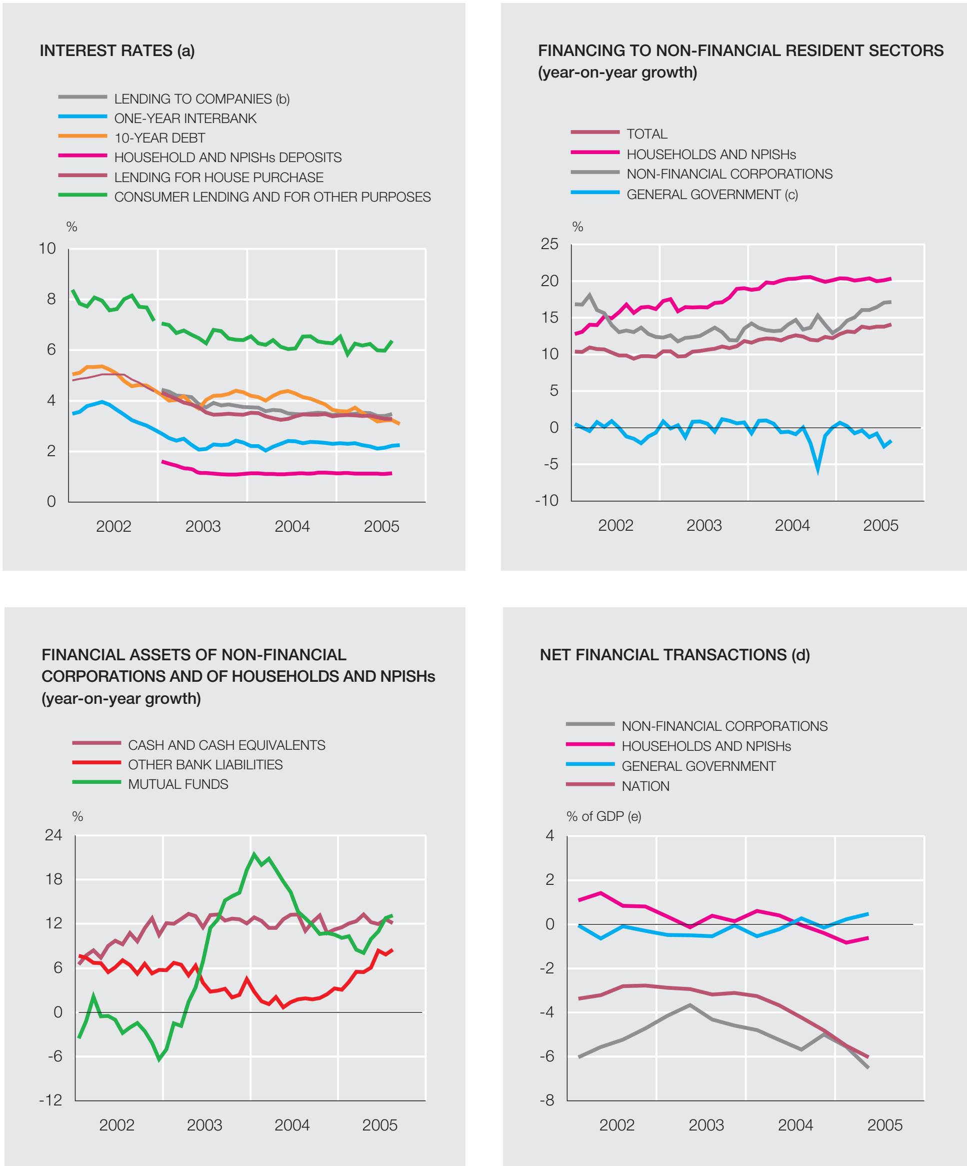
a. Year-on-year rate of change.
b. Per unit of output. Year-on-year rate of change calculated on the basis of seasonally adjusted series.

Sustaining sound public finances is an indispensable requirement for sustained growth, and the fiscal discipline framework in place in Europe should smooth the attainment of this objective, provided its credibility is retained. In this connection, the current public finances situation, with a significant number of EU countries running the risk of failing to comply with the rules set in the Stability and Growth Pact, is very delicate. Moreover, the application of structural reform programmes, which are being defined under the re-launching of the Lisbon agenda, is also pivotal for overcoming the obstacles to growth present in the European economies. This can only be addressed by means of a broad and well-defined programme of measures aimed at improving market workings, at promoting innovation and at increasing human and technological capital.

The Spanish economy continues to post very favourable results in terms of growth and employment creation, and the information received for Q3 has not altered this diagnosis. As indicated, real GDP is estimated to have grown by 3.5% year-on-year in this period, while employment, measured in terms of full-time equivalent jobs, continued to rise strongly at a rate of 3.2%. A certain turnaround in the trend of the main expenditure components was also discernible, since the buoyancy of domestic demand has begun to moderate, maintaining considerably high rates, while a strong deterioration in the contribution of the external sector points to a correction, although this has not sufficed to contain the increase in the nation's financing requirements.

Under domestic demand, the real rate of change of private consumption fell by several tenths of a point in Q3 after having grown at a rate of close to 5% since late 2004. Even so, it clearly continued to outpace the disposable income of households, whose purchasing power was adversely affected by dearer consumer prices during the summer; overall, the saving ratio has fallen again. The strength of consumption continues to be attributable to the effects on expenditure arising from the rise in wealth. These effects remain very substantial, since house price increases are holding at double-figure rates and stock market prices have risen significantly. The favourable financial conditions continue to underpin residential investment, which has scarcely slowed in relation to 2004 and which posted an increase of around 6% on the

FINANCIAL INDICATORS OF THE SPANISH ECONOMY CHART 4



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. For loans exceeding €1 million, the interest rate is obtained by adding to the NEDR (Narrowly Defined Effective Rate), which does not include commission and other expenses, a moving average of such expenses.
c. Consolidated financing: net of securities and loans that are general government assets.
d. Cumulative four-quarter data.
e. Spanish National Accounts, base year 2000.

latest QNA estimates (see Chart 4). In these circumstances, the growth rate of credit intended to finance house purchases continues to stand at around 24%, while the household debt ratio has reached a level close to 110% of disposable income. Households' lending capacity, moreover, remains in negative figures. That all makes for greater financial pressure on the sector, the main source of relief of which lies in the favourable trend of its total net wealth.

Turning to productive investment, its lower year-on-year growth in Q3, judging by the estimated trend for investment in equipment, does not so much reflect a contemporaneous weakening of expenditure as the stripping out of the strong increase it underwent a year earlier.

Among the determinants of investment, demand expectations are favourable, financial conditions very lax, as earlier mentioned, and corporate profitability high, according to data from the Banco de España CBQ survey. Nonetheless, the ongoing deterioration in the competitive position of companies in the most exposed sectors, in both their foreign and domestic markets, might also affect their investment plans. Moreover, the sector's indebtedness has continued to increase, further to expenditure picking up and the process of balance-sheet restructuring undertaken by the major business groups being concluded. As a result, the sector's borrowing requirements expressed as a percentage of GDP are high. The financial position of companies remains healthy, as confirmed by the main indicators available, although the ongoing increase in their liabilities raises their exposure to possible future rises in interest rates.

The contribution of net external demand to growth had turned very negative by late 2004. This remained the case throughout the first half of 2005, followed by an improvement in Q3. Goods exports left behind the declines recorded at the start of the year, although their subsequent recovery has not been as sharp as expected, given the buoyancy of world trade. Tourism, for its part, has recovered more clearly in 2005 to date, with tourist inflows posting a notable increase, especially in the summer months. Nonetheless, the increase in revenue continues to be held back by the progressive decline in spending per tourist. Compared with the moderate recovery in exports of goods and services, imports have grown sharply, largely as a result of the pick-up in investment in equipment, which is drawing mainly on imported products. As mentioned, the external imbalance continues to widen, in terms of the current account and of borrowing requirements. Undoubtedly, the higher growth rate of the Spanish economy compared with its euro area partners is contributing to the overall negative results of the external sector. But the losses in export share and growing import penetration show the additional influence of the deterioration in competitiveness, associated with the inflation and cost-growth differentials that have built up.

As earlier indicated, there have been no significant changes in the growth pattern of value added, which continues to be based on the expansion of activities high in employment generation but which are less capital-intensive. The EPA data for Q3 indicate that job creation remains very resilient, but continues to be concentrated in activities where productivity is relatively flat, such as construction and services, although a better performance in industry was also observed in the past quarter. Against this background of low productivity gains, labour costs per unit of output continued to post comparatively high increases. Wage settlements are anchored in the increases agreed upon in collective bargaining, which stand at around 3% (2.9% to August 2005), and here the effects of the wage indexation clauses must be taken into account, these having added more than 0.5 pp to this increase in 2005. Although these negotiated increases may subsequently be tempered by composition effects, arising from the fact that the new contracts have lower wage levels, the final result is an increase in unit labour costs that is excessive, compared with our competitors, and which restricts the expansion capacity of industries with export potential. In addition, the upturn in the inflation rate in the second half of this year will give rise to a new and significant effect in 2006, owing to the activation of the 2005 wage indexation clauses, hampering the desirable containment of cost increases.

In any event, cost differentials are only part of the factors underlying the persistent inflation differential maintained by the Spanish economy, whether vis-à-vis the euro area or a broader set of countries. In the past three months the Spanish inflation rate has increased by 0.6 pp, practically the same rise as that in the euro area, leaving the inflation differential at 1.2 pp in September. In Spain, too, the energy component has been chiefly responsible for the acceleration in prices, while underlying inflation has held relatively stable at around 2.5%. That said, this latter index shows widely differing behaviour between the prices of industrial products (excluding energy), which grew by 0.9% in September compared with the same month a year earlier, and services prices, which climbed by 3.7%. These differences are illustrative of the different degrees of competition in place in different markets and which also contribute to exacerbating the losses in competitiveness via the inflation differential.

In sum, the current economic situation highlights how important it is that the Spanish economy should tackle the factors underlying the ongoing build-up in losses in competitiveness. In this respect, the government has published and sent the National Reforms Programme (NRP) to the European Commission in compliance with the undertakings made by the European Council as part of the re-launching of the Lisbon agenda. The Programme provides a highly appropriate framework for structuring the responses needed in terms of medium and long-term policies that simultaneously promote employment and productivity growth, based on deeper market liberalisation and efficiency. The NRP sets objectives in terms of employment creation (the employment rate should stand at 66% in 2010) and of real convergence (per capita GDP should be the same as the EU-25 average level that same year), which should be attained with significant gains in efficiency. As the Banco de España has indicated on numerous occasions, the achievement of these objectives is crucial for shoring up the growth foundations of the Spanish economy.

Fiscal policy is the other pillar which should underpin not only the drive to sustain macroeconomic stability, but also those economic policy strands aimed at promoting growth and productivity. With respect to macroeconomic stability, it is important that fiscal policy should help bring the pace of demand towards more sustainable rates in the medium term. In this respect, the provisional close of public finances in 2005 contained in the draft State budget – which points to a surplus of at least 0.1% of GDP – might, if it finally stands around this figure, signify a slowdown in the fiscal drive made this year, given the continuing buoyancy of tax revenue.

Budgetary programming for 2006 estimates a surplus on the general government account of 0.2% of GDP and a substantial cut in the public debt ratio, which might fall to around 45%, comfortably meeting the requirements of the SGP. Nonetheless, the limited improvement in the public finances balance would not provide for an additional improvement in the primary structural surplus, whereby it would not correct the expansionary stance of 2005 or contribute to regulating the behaviour of domestic demand. In this setting, any increase in revenue above the forecasts included in the budget should be harnessed firmly to bringing about a higher surplus and to achieving a fiscal policy stance more in step with the requirements arising from the Spanish economy's current situation.

2 External environment of the euro area

The price of oil and other fuels continued to be the focus of international markets' attention during 2005 Q3. Oil, refined products and natural gas prices all reached new highs (an all-time high in the case of crude oil) in September and early October. Conducive to this rise in prices was the increase in outbreaks of geopolitical and labour turbulence in major oil producing areas during July and August, but key triggers were the Katrina and Rita hurricanes in late August and mid-September ($67 per barrel of Brent). The oil price progressively resumed pre-Katrina levels in mid-October, although the grinding to a halt of part of US gas production and oil refining meant that the price of these products held strongly above those seen at the start of Q3. The prices of futures contracts at over six years stabilised from early August in a range of between $55-60 per barrel of WTI crude.

On the financial markets, developments in Q3 were very favourable. That said, in recent weeks market expectations about further rises in US official interest rates have heightened, owing to the increase in inflationary risks. Judging by what the markets have discounted, the federal funds target rate might be standing at 4.25% at the end of the year and there would be further rises in 2006. Long-term interest rates rose moderately in October to a level at over 4.45%, compared with 4.25% the previous month. That did not change the slope of the yield curve, which remains very flat. At the same time, low-grade corporate bond spreads have increased and there have been declines on the main stock markets. The dollar retained a proportion of the gains it posted the previous month against the euro and it appreciated further against the Japanese yen. The sound behaviour of the emerging financial markets continued and even heightened during the quarter, against a background of extensive global liquidity and sound economic fundamentals. Nonetheless, in the first half of October, and as on the developed markets, there was a generalised correction on stock exchanges and in sovereign spreads.

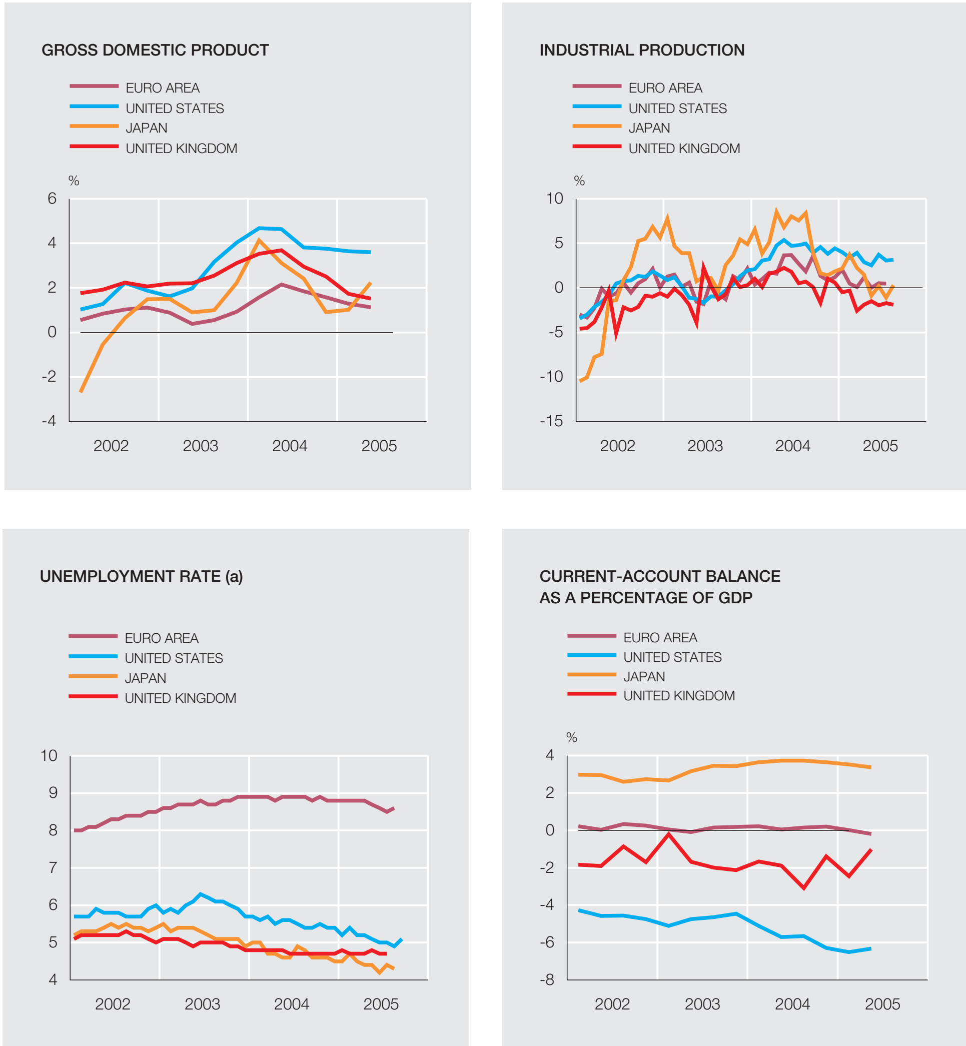
US GDP quickened in Q3 in relation to Q2 (to an annualised quarterly rate of 3.8%, from 3.3%). Domestic demand quickened once more (from 2.1% to 3.5% in annualised quarterly terms) and the contribution of the external sector turned positive again, albeit considerably down on Q2.

Exports slowed sharply in relation to Q2 and the growth of business investment also eased. Although the initial indicators for Q3 (retail sales, orders for durables, employment) point to robust growth, the hurricanes considerably upset the outlook. Consumer confidence and the services ISM index fell, as did employment in September, interrupting its rising path. Even so, the positive ISM manufacturing index and retail sales figures, and the favourable opinion reflected by the *Beige Book*, suggest the impact of the hurricanes will be short-lived. Set against this, supply frictions and the strong rise in energy prices necessarily increase inflationary risks, as can be perceived in the September CPI, which posted a year-on-year rate of 4.7%, the highest since June 1991. Notwithstanding, underlying inflation dipped from 2.1% to 2%. Turning to the external sector, the trade deficit edged up again in August from $58 billion to $59 billion, owing largely to increased exports in volume terms and energy product prices.

In Japan, real GDP was more buoyant than expected in Q2, growing at a year-on-year rate of 2.1%, against 1.3% in Q1, which is equivalent to 3.3% in annualised quarterly terms. At the root of this robustness was the favourable trend of investment and private consumption, which offset the slightly negative contribution of external demand. The partial indicators for Q3 confirm this favourable pattern, albeit suggesting slightly less momentum. On the supply side, in-

MAIN MACROECONOMIC INDICATORS
Year-on-year rate of change

CHART 5



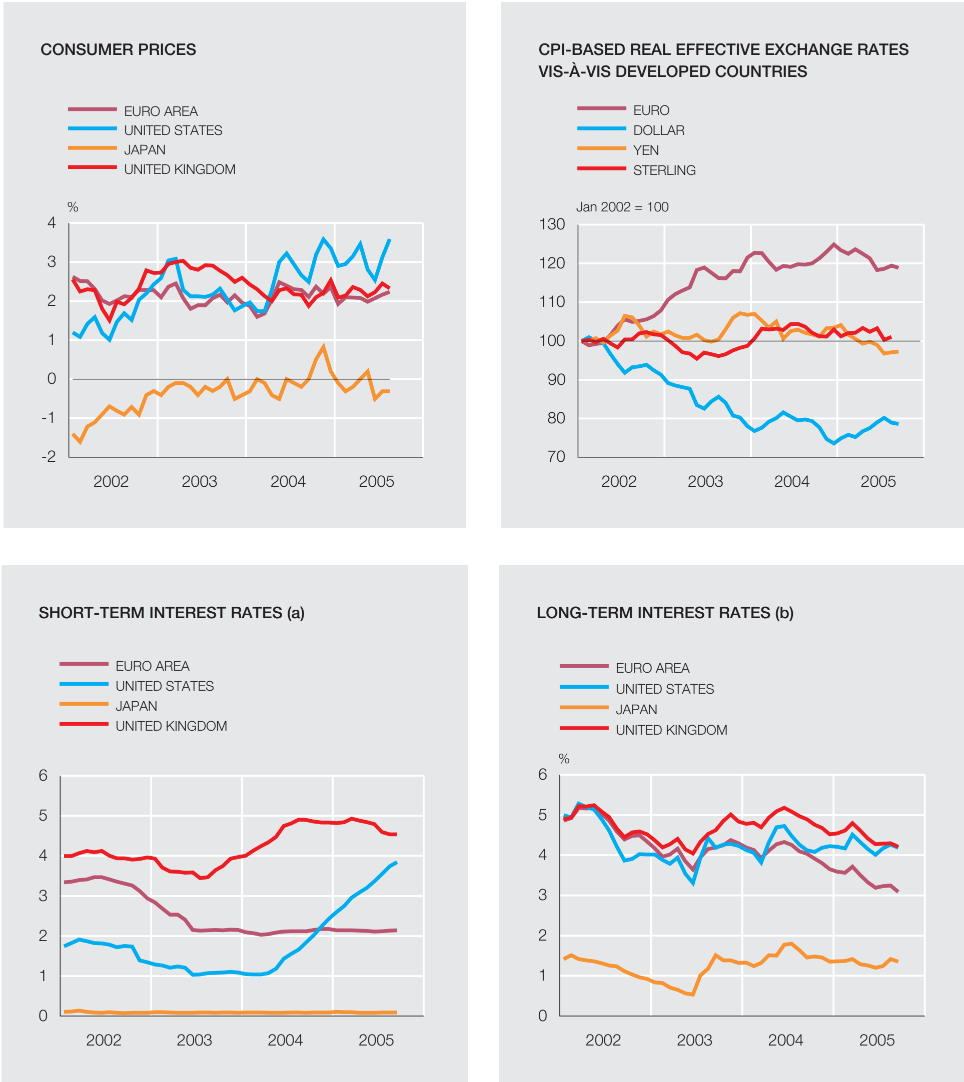
SOURCES: Banco de España, national statistics and Eurostat.

a. Percentage of the labour force.

dustrial production, the synthetic indices of activity and orders for machinery advanced significantly during the quarter, despite the slip in the first two variables in July. Moreover, confidence at the major manufacturing firms (according to the Tankan survey) improved. As regards the labour market, there was a notable increase in employment despite it flattening in September. The unemployment rate dipped slightly (24.3%), while employee compensation fell. On the demand side, retail sales slowed in the final months, while the external sector picked up in August, as exports showed renewed momentum. Finally, the deflationary pressures on consumer prices declined slightly in Q3, making for a slight increase in the underlying rate from –0.2% year-on-year in June to –0.1% in September. The prospect of deflation disappearing during 2006 is the backdrop to the current debate within the bank of Japan on a possible change in monetary policy, towards a lesser expansion and different policy implementation.

In the United Kingdom, year-on-year GDP slowed in Q2 from 1.7% to 1.5%, holding at 2% in annualised quarterly terms. Domestic demand decelerated from 2.5% to 1.3% compared with the same period a year earlier, with an even sharper slowdown in private consumption from

PRICES, REAL EXCHANGE RATE AND INTEREST RATES CHART 6



SOURCE: Banco de España.

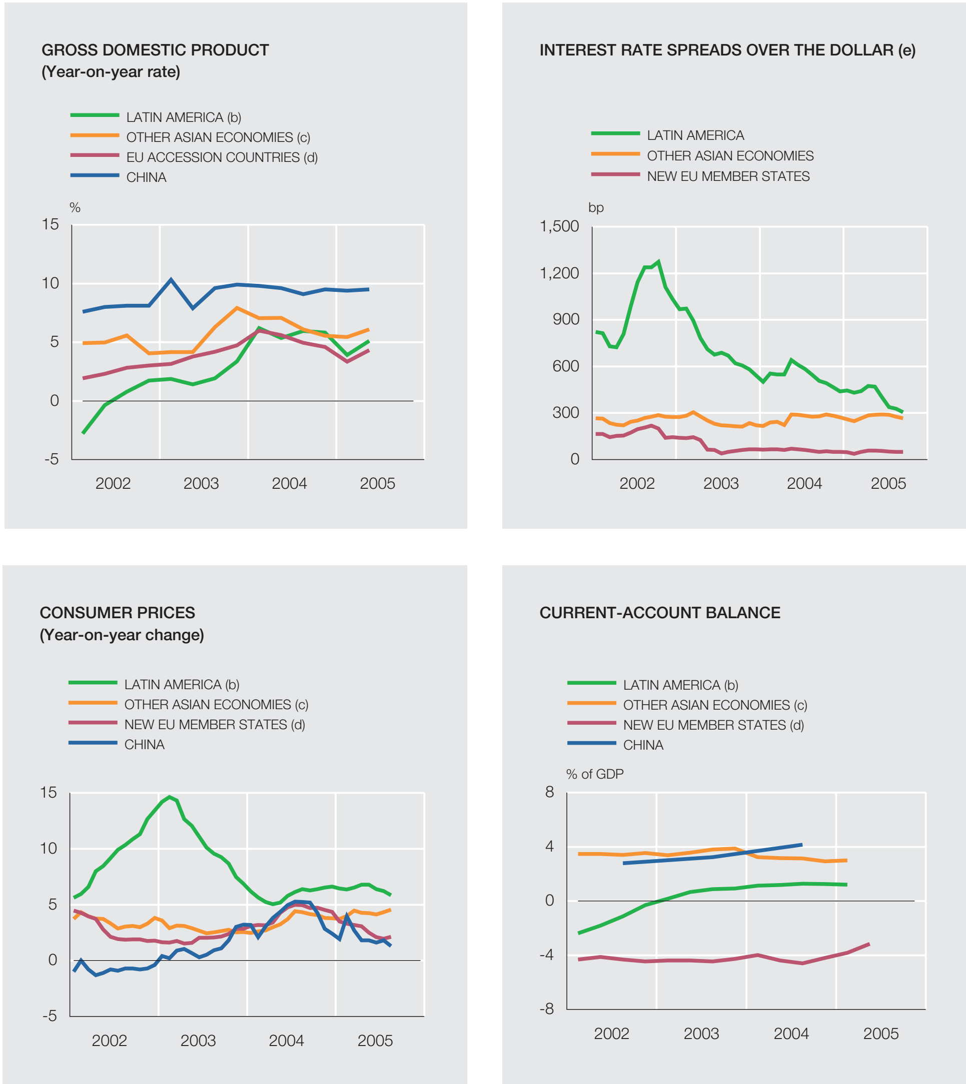
a. Three-month interbank market interest rates.
b. Ten-year government debt yields.

2.7% to 1.5%. The improvement in net external demand, based on an increase in exports, partly countered the slowdown in domestic demand. The year-on-year increase in GDP in Q3 was 1.6% (as it also was in annualised quarterly terms). The latest indicators point to a relative weakening compared with Q2, albeit with signs of a slight pick-up in manufacturing. The 12–month growth rate of consumer prices, measured by the harmonised index, rose from 2.4% in August to 2.5%, despite which the Bank of England decided to keep its intervention rate unchanged, following the cut in August.

In the new EU member states, GDP growth rebounded in 2005 Q2 thanks to the improved external balance and, in most cases, to the fresh momentum of domestic demand. The indicators for Q3 show signs that activity in the region is holding up well. Further, inflation has continued to ease in recent months, thanks to the favourable trend of food prices and, in most of the countries with flexible exchange rates, to the appreciation of their currencies. That said, inflation has risen slightly recently owing to the increase in energy prices. The sound behaviour of prices has enabled official interest rates to continue being cut in some countries, such as

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, Philippines 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. The Asia aggregate does not include China.
f. Annual data.

Hungary or Poland. The public finances situation in the year to date allows for optimism regarding compliance with the fiscal targets for 2005, with the notable exception of Hungary, which has recently revised its deficit targets for this and next year substantially upwards. Finally, negotiations for the accession of Turkey and Croatia to the EU formally began on 3 October.

In China the economy remains very buoyant, and Chinese real GDP grew by 9.4% in Q3 compared with the same period a year earlier, 0.1 pp down on Q2. Regarding the indicators of activity for the quarter, industrial production and retail sales eased slightly in August, but investment in fixed assets remained very strong. Following the rise in oil prices, imports picked up forcefully in August and in September to the year-on-year rate of 23.5%, while exports slowed in September from their high growth rate in August to 25.9% year-on-year. Turning to inflation, the fall in food prices was conducive to CPI-based inflation dipping to a 12-month rate of 0.9 % in September, 0.5 pp down on July. Further to the reform announced on 21 July, the central bank widened the daily fluctuation bands of the currencies other than the dollar to which the renminbi is pegged to 3%. Despite the reform, the exchange rate has held virtually stable and the central bank's foreign reserves grew at a year-on-year rate of over 50% in August, rising to $753 billion, 46% of GDP.

Following a hesitant start to the year, activity in Latin America firmed in Q2, and year-on-year growth of 5% was posted for the region as a whole. The indicators for Q3 tend to support the pick-up in activity. Although the negative contribution of external demand to growth is increasing, the behaviour of exports remains very sound, with growth rates of over 20% in the area as a whole. Against this background, the inflation figures in most countries, and particularly in Brazil and Mexico, were favourable, which was conducive to the onset of interest-rate cuts in both countries, and also in Colombia. Conversely, Chile continued to gradually tighten its monetary policy, while the annual rate of inflation exceeded 10% in Argentina in September, highlighting the difficulties the authorities face in controlling inflationary pressures.

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

The euro area does not appear to have been capable of benefiting fully from the relatively favourable situation of the world economy in 2005. Over the last three quarters growth in the area has remained modest, holding at a similar rate to that recorded in 2004 Q4, and the growth outlook for the year as a whole has been progressively scaled back as the months have transpired. The latest forecasts point to modest average growth in GDP of around 1.3% in 2005, reflecting the notable sluggishness of internal demand. The information available for 2005 Q3 suggests a slightly more optimistic short-term outlook than before the summer, which would be compatible with a central scenario in which economic activity – supported by the favourable monetary and financial conditions in place and the relatively sharp growth of world trade – would pick up sustainedly and promptly to a rate of around 2%, in line with growth potential. Nonetheless, the hesitant trajectory of some economic indicators, particularly those relating to private consumption, coupled with continuing very high oil prices, add uncertainty to the foreseeable course of activity and mean that this scenario is still subject to fundamentally downside risks.

As regards inflation, the euro area HICP has felt the impact of the strong increase in the prices of crude oil, which rose to an all-time high in nominal terms in the summer, and in petrol. These prices were particularly affected by the refining capacity constraints in the wake of the two hurricanes in the United States. As a result, the 12-month inflation rate stood at 2.6% in September, driven essentially by the energy component. While there are clearly temporary factors at play in this acceleration, inflation in the area is unlikely to fall below 2% until well into 2006. Looking further ahead, in the medium run, there is still no clear evidence that underlying inflationary pressures are looming, as evidenced by the moderate course of the most stable component of consumer prices and of wages (see Box 1). The foreseeable holding at high levels of energy prices (where there is still no sign of a reduction in the short term), the possible pass-through to other components of the overall index to a greater extent than hitherto observed and the possible second-round effects on wages look to be the main – and this time upside – risks for inflation in the euro area.

Against this background, the ECB governing Council decided that official interest rates, which have held unchanged at 2% since June 2003, still remain appropriate. However, and in step with the markets' interpretation of the latest data, the ECB indicated that the risks for inflation in the area have been increasing, which requires a reinforcement of monetary policy vigilance. Turning to fiscal policies, it cannot be ruled out that certain Member States will not meet this year the budgetary commitments established under the excessive deficit procedure and the Stability and Growth Pact. That would entail a fresh challenge to upholding the credibility of the fiscal discipline framework in force in the euro area. Finally, it is to be expected that national reform plans, which should be unveiled by the member countries under the new Lisbon strategy this autumn, will contain, at core, labour market policies enabling headway in rates of employment to be made (see Box 2).

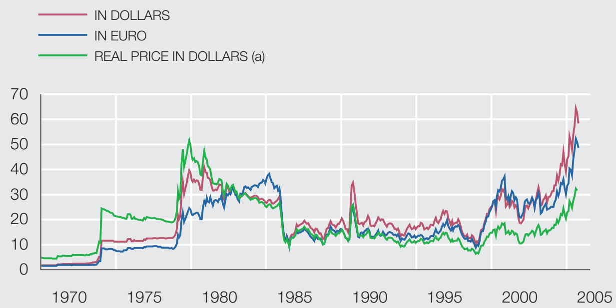
3.1 Economic developments

On euro area National Accounts figures for 2005 Q2, GDP grew by 0.3% in quarter-on-quarter terms, 0.1 pp down on Q1 (see Table 1). Compared with the same period a year earlier, GDP has slowed to 1.1%. As regards the composition of growth, the contribution of internal demand, excluding inventories, to the increase in GDP rose to 0.3 pp thanks to the pick-up in gross fixed capital formation, insofar as the improvement in investment in construction offset the loss of momentum of equipment. The sluggishness of private consumption continued, with

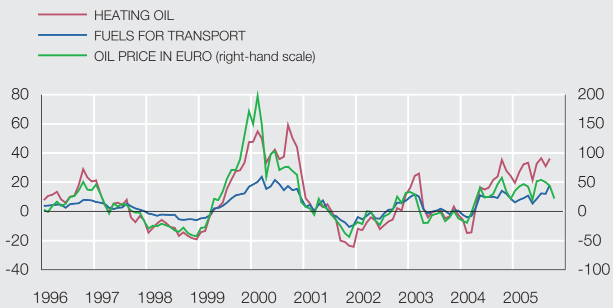
Since May 2003 oil prices have moved on a sharply rising path, up to an all-time high of close to $67 dollars in the case of a barrel of Brent (see panel 1). In real terms, however, the prices observed in the recent period have been some way off those reached in the early eighties, although they have shown a marked growing profile throughout 2005. Behind this climb are widely differing factors, including the vigour of the demand for energy in the emerging countries, such as China and India, political tension in the Middle East and, more recently, the effects of hurricanes Katrina and Rita in the Gulf of Mexico, which have damaged oil refining and production capacity in the United States. Against this background, this Box analyses the extent to which the increase in the energy bill is passing through to prices and wages in the euro area.

As can be seen in panel 2, the oil price rises have had a direct effect on the energy component of the HICP. In 2005 to date, heating oil prices have been growing at an average year-on-year rate of 30%, and fuels for transport have done so at an average rate of 10.1%. Moreover, the rise in crude oil prices has not only affected the items most closely linked to oil. Energy substitutes, such as gas and, to a lesser extent, electricity, have also experienced higher growth rates (see panel 3). This acceleration in energy prices accounts for 1.2 pp of the increase in the HICP recorded between May 2003 and September 2005 (which amounted to 0.8 pp). The growth of energy prices also contributes 1.2 pp to the current inflation rate, which stood at 2.6% in September.

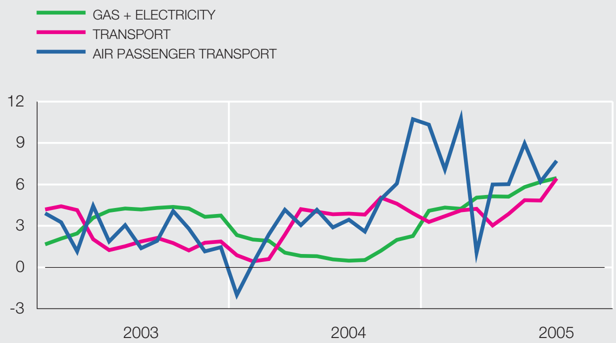
1. OIL PRICE



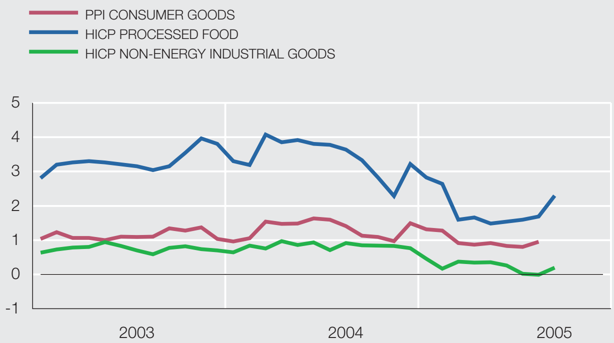
2. ENERGY COMPONENT (b)



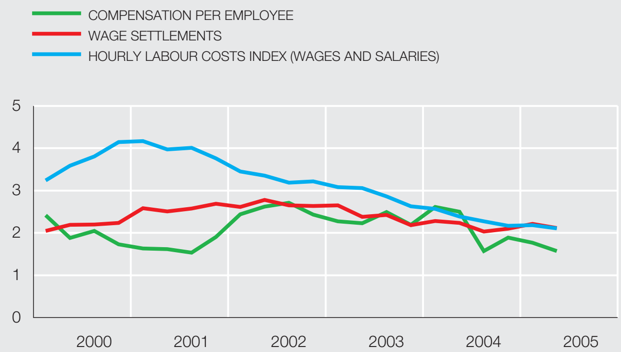
3. INDIRECT EFFECTS (b)



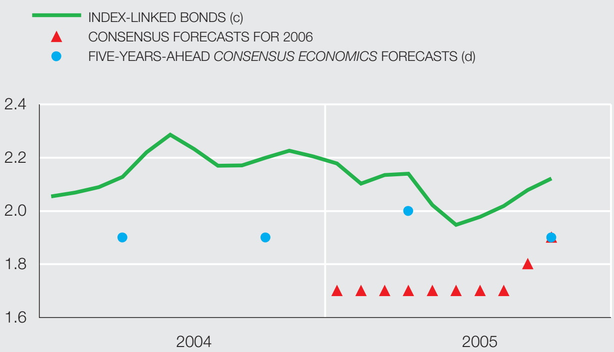
4. INDIRECT EFFECTS (cont'd) (b)



5. WAGES (b)



6. INFLATION EXPECTATIONS



SOURCES: EUROSTAT, OECD and *Consensus Economics Forecasts.*

a. Deflated by the US CPI.
b. Year-on-year rate of change.
c. Expected inflation is derived from French index-linked bonds maturing in 2012.
d. The long-term *Consensus* forecasts are only published in April and October.

However, despite the undeniable direct effects on the above-mentioned items, the impact of the rising oil prices is not so perceptible in other HICP components which, given the indirect effects stemming from the rise in the price of an important factor of production such as oil (and its derivatives), might also be expected to reflect the hike in the price of crude oil. Only the items related to transport within the services component have reflected these inflationary pressures, as can be seen in panel 3. The remaining components have behaved moderately. The annual average growth rate of the prices of processed food and of non-energy industrial goods is down in 2005 on that recorded in 2004 (see panel 4). This moderation, in any event, corresponds to the course shown by the producer prices of consumer goods, whose average growth in the year to date has been only 1%, 0.3 pp down on 2004.

Finally, it is particularly worth studying the appearance of so-called second-round effects, i.e. the possibility that the rise in oil prices may have been incorporated into inflation expectations, and hence into wage negotiations, which might generate a price-wage spiral. So far, the evidence available does not appear to corroborate this hypothesis. The growth of the negotiated wages indicator has been notably stable since early 2004 (see panel 5), as has the labour costs index. Moreover, compensation per employee continues to grow at a very moderate pace, which has not exceeded a year-on-year rate of 2% over the past four quarters (1.6% in 2005 Q2).

It would be worth enquiring into the factors that may have contributed to this limited response by inflation rates to the climb in crude oil prices. In the case of the euro area, one of the salient factors has been the sluggishness of economic activity in the reference period. The slackness of internal demand may have obliged producers to restrict the growth of their prices, despite higher production costs. Moreover, the stagnation of the labour market in recent years has made for an absence of second-round effects. Conceivably, the credibility obtained by the European monetary authority in combating inflation has been conducive to containing inflation expectations and, therefore, wage growth.

Nonetheless, oil prices remain at very high levels, with much uncertainty surrounding future oil production capacity, given the insufficient investment in this industry in recent years. Accordingly, further rises cannot be ruled out, adding to which will be the additional pressure imposed by refining capacity constraints on the prices of derivative products. Since June a slight rising trend has been observed in some inflation expectations indicators (see panel 6). This means close monitoring of inflation developments in the short-term and of their possible impact on the forthcoming wage negotiation rounds is necessary, since the risk of second-round effects ultimately emerging persists. To date, the weakness of the euro area economy has moderated the transmission of energy price increases, but if the crude oil price holds at its current high level for any length of time, there is a risk that the likely pick-up in activity in the area will fan inflationary pressures.

a meagre figure of 0.1%, and the rate of expansion of government consumption also held at 0.4%. The contribution of net external demand was negative (of the order of 0.1 pp) as a result of the greater recovery in imports than in exports. Finally, stockbuilding contributed 0.1 pp to GDP growth (see Chart 8).

The National Accounts country-by-country breakdown shows that the growth of the two economies with most weight in the area was virtually zero, while in Italy and Spain the expansion of GDP was relatively high. In Germany, the stagnation of GDP was due to the persistent weakness of private consumption, which fell off once again, and to the deterioration of net external demand, as a result of the lesser momentum of exports and import buoyancy. By contrast, gross fixed capital formation posted a positive rate of change after two consecutive quarters of contraction. In France, GDP slowed to 0.1%, owing to the negative growth of private consumption and of gross fixed capital formation, which fell in relation to Q1. Both imports and, above all, exports quickened notably, meaning that the negative contribution of the external balance declined. Italy, by contrast, which grew 0.7%, recovered from its technical recession thanks to the rise in all domestic demand components and in exports. Only stockbuilding detracted from output. Finally, GDP in Spain increased by 0.9%, the same as in the two previous quarters. The buoyancy of output was attributable to dynamic consumption and investment, while the net external balance subtracted almost 1 pp from growth.

Across the different branches of production, value added in the euro area economy grew in Q2 by 0.4%, unchanged on Q1. As regards sectors, construction posted a positive growth rate

The recent publication of the European Labour Force Survey, which includes the data for 2004, offers the opportunity for an updated evaluation of labour market developments in the area from a medium- and long-term perspective and, in particular, an assessment of the progress made in meeting the Lisbon Agenda targets.

The March 2000 European Summit in Lisbon defined a strategic objective consisting of turning the EU into "the world's most competitive and dynamic knowledge-based economy". For this to happen, stepping up the degree of utilisation of the labour factor is an essential ingredient. Acknowledging this, the Lisbon Summit and that held a year later in Stockholm chose to set a series of targets in terms of the rates of employment of various population groups. One such target was for the employment rate for individuals of working age in the EU to stand at 67% in 2005 and at 70% in 2010. In the case of the female population, the aim is for this variable to rise to 57% and 60%, respectively, by each of these dates, while for the over-55s a target of 50% has been set for the end of the decade.

In the specific case of the euro area countries, progress towards these targets has been modest and uneven. In the case of the female population, a simple extrapolation to the future of the headway made to date reveals that the target for the end of the decade appears feasible. Conversely, the pace of increase of the employment rate in the case of older workers and of the population of working age as a whole does not appear to be consistent with the attainment of the targets set for 2010.

The rate of employment of a population group reaches a figure that is all the greater the higher the proportion of the population in this group that participates actively in the labour market (i.e. the participation rate) and the lower the proportion of those who participate in the market but cannot find a job (unemployment rate). As can be seen, the contribution of the increase in the participation rate to the rise in employment rates in each of the three groups for which targets have been set has been substantial. However, although the fall in the unemployment rate has also helped in all cases in progress towards these targets, only in the case of women has the contribution made by this component been on a substantial scale.

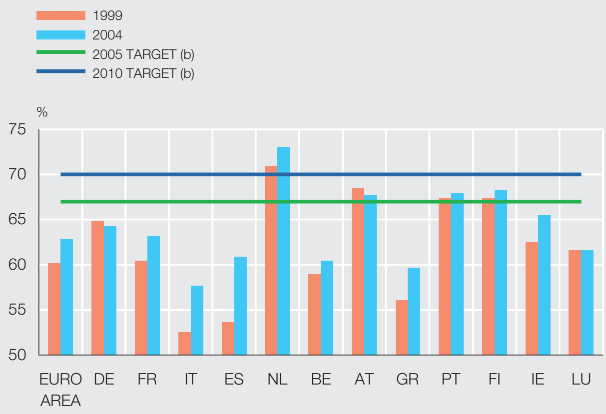
Furthermore, the survey data reveal that employment rates are all the greater the higher the level of education attained. In particular, this is

1. RATES OF EMPLOYMENT, PARTICIPATION AND UNEMPLOYMENT IN THE EURO AREA (a)

	1999	2000	2001	2002	2003	2004	2005 (b)	2010 (b)
TOTAL: 15-64-YEAR-OLDS								
Rate of employment	60.2	61.3	62.1	62.4	62.6	62.8	67.0	70.0
Participation rate	67.1	67.5	67.5	68.1	68.6	69.1		
Unemployment rate	10.4	9.2	8.1	8.4	8.8	9.1		
WOMEN: 15-64-YEAR OLDS								
Rate of employment	49.8	51.2	52.2	52.9	53.6	54.3	57.0	60.0
Participation rate	57.1	57.7	57.9	58.7	59.7	60.5		
Unemployment rate	24.3	21.4	18.8	19.5	20.3	20.8		
TOTAL: 15-64-YEAR-OLDS								
Rate of employment	33.7	34.2	34.7	36.1	37.8	38.4		50.0
Participation rate	37.3	37.3	37.5	38.8	40.8	41.6		
Unemployment rate	9.4	8.4	7.4	7.0	7.3	7.8		

CONTRIBUTIONS TO CHANGES IN THE EMPLOYMENT RATE: 1999-2004

3. TOTAL EMPLOYMENT RATE: 15-64-YEAR-OLDS



SOURCE: European Commision.

a. The equation linking the three variables is the following: employment rate = participation rates * (1–unemployment rate).
b. Lisbon Agenda targets for the EU 15.

associated with more intense participation in the labour market and with a lower unemployment rate. That shows the importance of improved training, both in the stage prior to the start of a working life and during it, in raising employment rates in the area.

Country by country, and since the implementation of the agenda, the employment rate of the whole of the population of working age has increased across the board. The only exceptions are Germany and Austria, where the negative contribution arising from the increase in unemployment rates could not be countered by the rise in participation rates. At the other end of the spectrum, the proportion of people employed has increased most substantially (by more than 5 pp) over the past five years in Spain and Italy, this being due in similar proportions to the contributions of the participation and unemployment rates.

The population pockets in which the room for an increase in employment rates is greater have been correctly identified in the so-called Integrated Guidelines package approved last July by ECOFIN for the period 2005-2008. Along with other economic policy recommendations, the package contains a series of employment policy guidelines aimed at removing the obstacles hampering swifter progress towards the Lisbon and Stockholm targets. For instance, in the case of older workers, the text urges Member States to adopt the necessary measures to encourage the prolongation of working life and to lessen the incentives offered by tax and welfare benefit arrangements for premature access to early retirement. As regards the female labour force, the provision of services for childminding and the care of dependent persons is promoted so as to help reconcile family and working life. Finally, the pursuit of initiatives enabling youth unemployment rates to be reduced is advocated.

The guidelines also emphasise the need to introduce measures that increase the adaptability of labour market participants to the constant changes in the economic environment. The growing pace of change requires the implementation of mechanisms that make for the readier occupational adaptability and regional mobility of workers, along with the adaptation of workplaces to the new technologies. In particular, wide-ranging measures to reform the legislation on employment protection, to provide continuing training and to promote new businesses are required. More generally, in terms of educational policies, the guidelines advocate better identification of the skills required at each point in time by the labour market and the establishment of extensive continuing training strategies.

Finally, the Member States are advised to implement policies aimed at supporting the incorporation into the labour market of the underprivileged, through mechanisms such as improved job-search assistance or the provision of specific training.

after contracting in Q1. By contrast, industry and services slowed, albeit moderately. Turning to the labour market, employment increased by 0.2%, a similar rate to that seen in the previous quarters, meaning an unchanged rate of increase of 0.7% in year-on-year terms. Against a background of slightly slowing GDP, this entailed lower growth in apparent labour productivity. Nonetheless, the quarter saw the continuing moderate growth of unit labour costs, which proved lower than the increase in the GDP deflator, meaning that business margins widened further (see Chart 11).

The latest information on the course of indicators in Q3 signals a slight improvement in the rate of increase of GDP compared with that witnessed in Q2. As regards the supply-side indicators, the industrial production index (excluding construction) grew by 0.8% in the July-August period compared with Q2, and all the qualitative indicators of activity increased on the previous quarter. The European Commission's business confidence and construction indices, together with the Reuters Manufacturing PMI (Purchasing Managers' Index), improved significantly, placing the latter at a level of over 50, consistent with an expansion of activity (see Chart 9). The indicators of activity in the services branch – that of the European Commission and the PMI – posted an appreciable increase in the same period (see Table 1). As to employment, the survey-based indicators also showed something of an improvement in Q3 in industry, and to a greater extent in construction and services (see Chart 10). Finally, the unemployment rate stood at 8.6% in August, somewhat down on that posted at the beginning of the year.

On the demand side, the indicators available do not yet reflect a resolute rebound in consumption in Q3, although they are consistent with a moderate increase in investment. While retail sales in July and August were on average above the level for Q2 and new car registrations

EURO AREA ECONOMIC INDICATORS TABLE 1

	2004				2005			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP								
Year-on-year growth	1.6	2.1	1.9	1.6	1.3	1.1		
Quarter-on-quarter growth	0.7	0.5	0.3	0.2	0.4	0.3		
European Commission forecasts (c)							(0.2 ; 0.6)	(0.4 ; 0.8)
IPI (d)	1.1	2.9	2.5	1.1	0.9	0.7	*1.5*	
Economic sentiment	98.6	99.8	100.6	100.9	99.0	96.3	98.0	
Industrial confidence	-7.0	-5.0	-3.7	-3.7	-6.7	-10.3	-7.7	
Manufacturing PMI	52.8	54.4	53.9	51.4	51.4	49.3	51.0	
Services confidence	11.3	11.7	12.0	11.0	10.7	9.0	10.7	
Services PMI	56.0	55.2	54.4	52.9	53.1	53.1	53.8	
Unemployment rate	8.9	8.9	8.9	8.8	8.8	8.7	*8.6*	
Consumer confidence	-14.3	-14.3	-14.0	-13.0	-13.3	-14.3	-15.0	
HICP (d) (e)	1.7	2.4	2.1	2.4	2.1	2.1	2.6	
PPI (d) (e)	0.4	2.4	3.3	3.6	4.2	4.0	*4.0*	
Oil price in USD (e)	33.8	35.3	43.3	39.7	53.3	54.0	62.6	58.4
Loans to the private sector (d) (e)	5.4	6.1	6.5	7.2	7.5	8.0	8.6	
Euro area ten-year bond yield	4.2	4.4	4.2	3.8	3.7	3.4	3.3	3.3
US-euro area ten-year bond spread	-0.11	0.28	0.14	0.36	0.67	0.80	0.98	1.18
Dollar/euro exchange rate (e)	1.222	1.216	1.241	1.362	1.296	1.209	1.204	1.195
Appreciation/Depreciation of the euro (e)	-3.2	-3.8	-1.7	7.8	-4.8	-11.2	-11.6	-12.3
Dow Jones EURO STOXX Broad index (e)	1.9	3.7	1.5	9.9	4.3	8.9	17.7	12.3

SOURCES: Eurostat, ECB and Banco de España.

a. The information in italics does not cover a full quarter.
b. Information available up to 19 October 2005.
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.

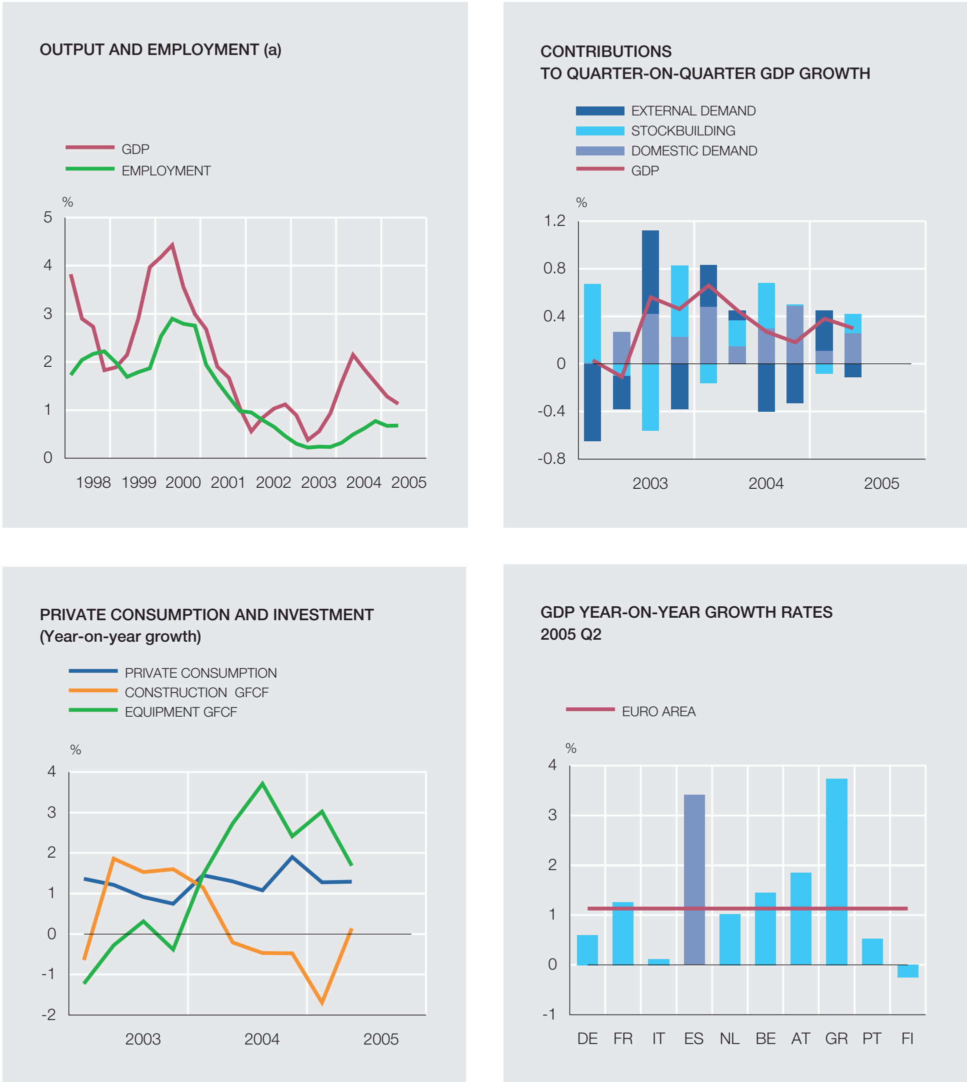
increased, the confidence indicators relating to consumption trended negatively in this period. In particular, consumer confidence has held stable since May at a level below its historical average. With regard to the investment indicators, employers improved their assessment of industrial orders and the degree of capacity utilisation rose slightly. Export data from the balance of payments in July and August point to the continuing buoyancy of this variable. The quarterly indicator of export expectations compiled by the EC held stable in the summer months and the monthly indicator of the assessment of foreign orders increased. Finally, drawing on the business confidence survey, the assessment of stock levels coincided in the quarter with the related historical average, which would suggest a virtually zero contribution of inventories to output.

In sum, the information available on activity in the euro area in Q3 appears to suggest a maintenance or slight improvement in the growth rate of GDP. That would be in line with the European Commission's estimate, which places the increase in output in Q3 in a range of 0.2% to 0.6% (see Table 1). Nonetheless, uncertainty remains about the future course of consumption, in which the momentum of external demand and improved business confidence have yet to translate into greater employment creation and where the strong rise in energy product prices is eroding households' spending capacity.

The inflation indicators reflected the effects of dearer energy over the summer. The HICP showed a 12-month growth rate of 2.6% in September, 0.5 pp up on June and due essentially to the greater contribution of the energy component. Food prices also quickened during

EURO AREA NATIONAL ACCOUNTS

CHART 8



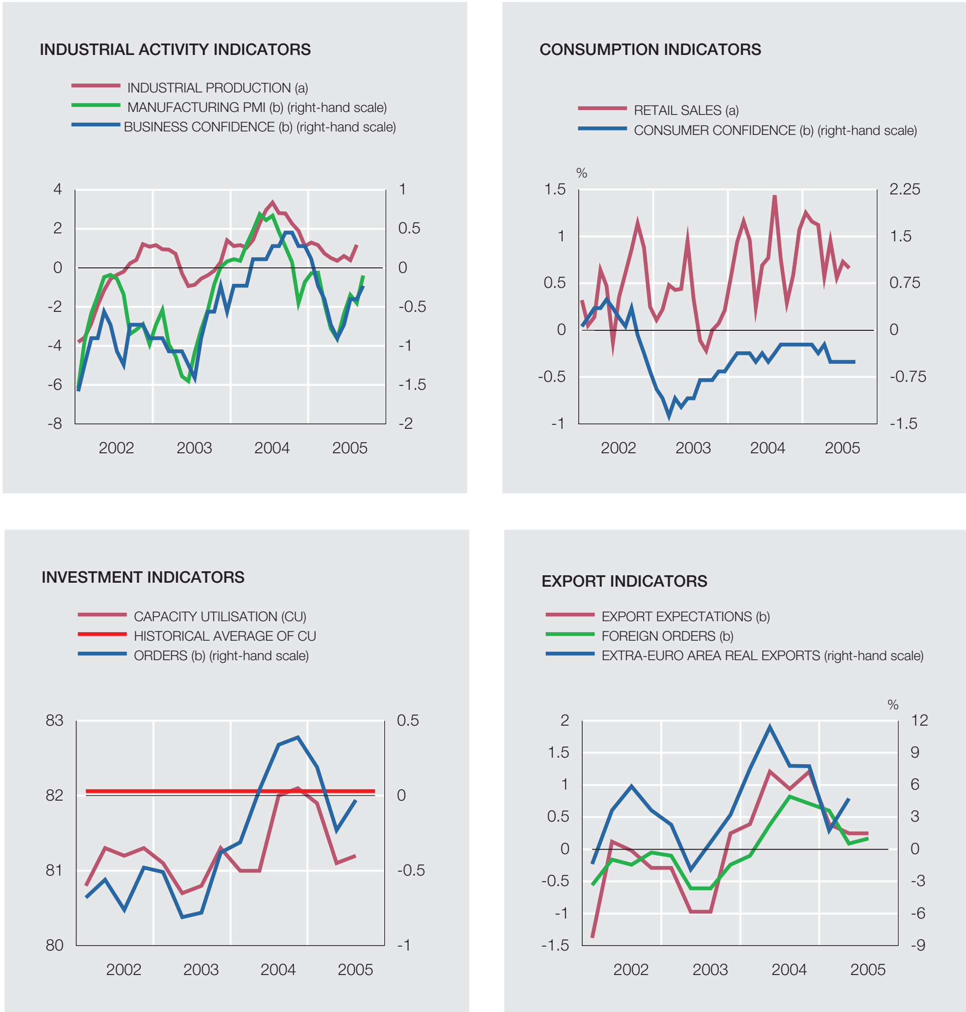
SOURCES: Eurostat and national statistics.

a. Year-on-year rates of change.

Q3, largely as a result of the rise in the price of tobacco in Germany (see Chart 10). The stability of the remaining components meant that underlying inflation, which excludes unprocessed foods and energy from the overall index, rose by only 0.1 pp between June and September to 1.5%. Country by country there was a strong acceleration in prices in Germany, Ireland, Luxembourg and Portugal in the summer months. The year-on-year increase in producer prices was 4% in August, unchanged on June. Behind this stability is the acceleration in the energy component, which is countered by the lower growth of intermediate goods prices, in line with the moderation of commodity prices.

As Box 1 shows, there are upside risks concerning the future course of prices stemming from the trend of oil prices and their pass-through to price and wage formation in the economy. So far, the economic sluggishness in the euro area, the slackness of the labour market, stiff foreign competition and the credibility of monetary policy objectives have meant that the effects of the increase in oil prices on wage growth have been limited. Any attempt by workers to make up for their purchasing power losses through increasing their wage demands would automatically reinforce inflationary pressures.

EURO AREA. REAL INDICATORS CHART 9



SOURCES: Eurostat and European Commission.

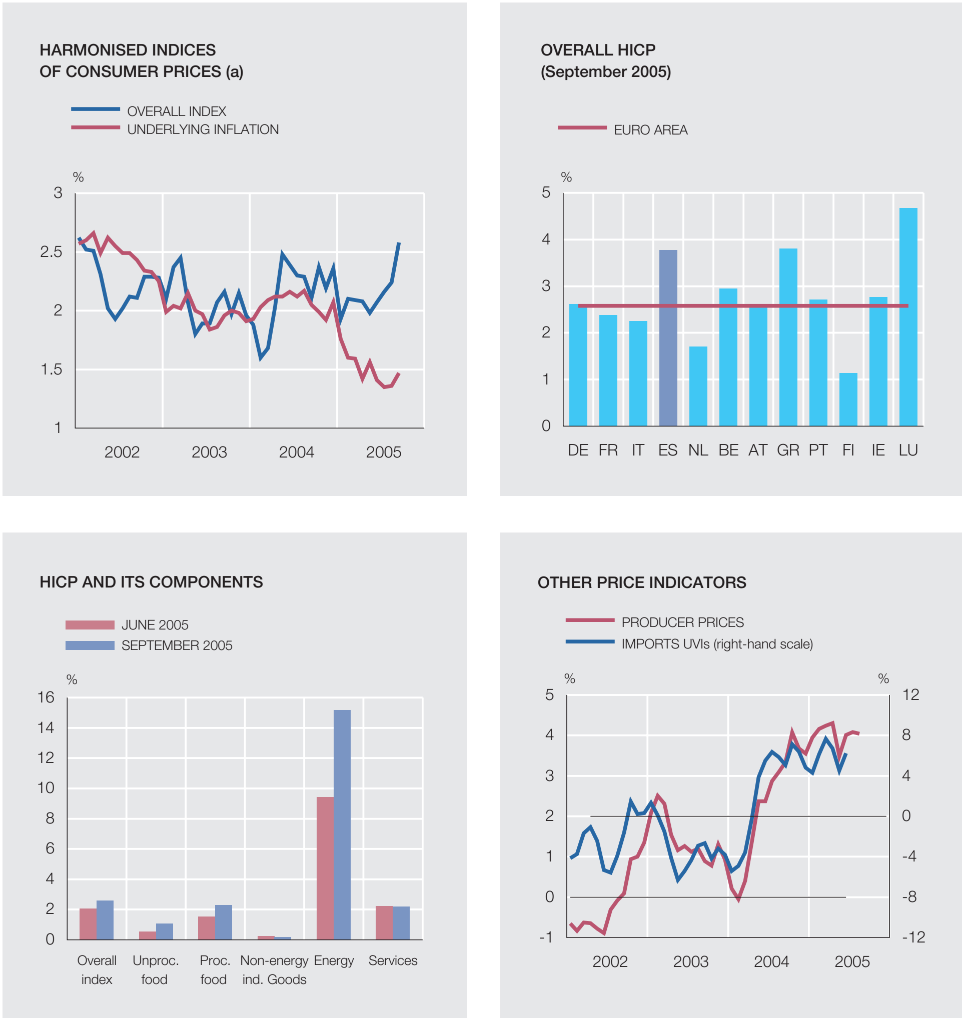
a. Non-centred annual percentage changes, based on the quarterly moving average of the seasonally adjusted series.
b. Normalised data.

According to estimates published by the ECB, the current-account deficit on the balance of payments in the seven months to July 2005 amounted to €12.6 billion, compared with a surplus of €27.8 billion in the same period in 2004. This reduction was chiefly the outcome of a lower surplus on the goods balance, as a result of the higher increase in imports than in exports. By contrast, net capital inflows in the form of portfolio investment were witnessed in the same period for an amount higher than net outflows in respect of direct investment; consequently, the basic balance posted a surplus of €62.3 billion in 2005 to July, compared with a deficit of €16.8 billion observed in the same period in 2004.

Turning to fiscal policy, the budget deficit will exceed in 2005 in several euro area countries the ceiling of 3% of GDP established in the Treaty on European Union, according to the information available (see Table 2). Specifically, it is very likely that the German deficit will exceed this level, while it cannot be ruled out that the French deficit will do likewise. Judging by the conclusions of the November 2003 ECOFIN Council and the Commission's communiqué of December 2004, the deadline for the correction of the excessive deficit expires in both countries this year. Accordingly, if the European Commission's autumn forecasts confirm that this breach will take place, it will be necessary to reactivate the procedure. In this respect, there is evidently a

CHART 10

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



SOURCES: Eurostat and European Central Bank.

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

need for the decisions adopted to be consistent with the revised version of the Stability and Growth Pact, so as to ensure the credibility of its disciplining capacity. In July and September, the Council adopted decisions on the existence of an excessive deficit in Italy and Portugal, a situation which will have to be corrected, by the latest, in 2007 and 2008, respectively. Under the new formulation of the Pact, the period for bringing the deficit below the ceiling of 3% of GDP has been extended beyond the year following that in which the excessive deficit is identified, owing to the significant size of the adjustment needed and to the poor economic situation of both these economies.

As regards budgetary plans for 2006, the French deficit is forecast to stand at 2.9% of GDP, based on the assumption of somewhat more favourable economic growth than that indicated in the forecasts available. Notably, the State budget for the coming year does not include the adoption of temporary measures (which are estimated to have contributed in 2005 to improving the overall general government balance by almost 0.5 pp). Further, to ease the social security deficit, the budget for this sub-sector envisages increases in payments by patients for drugs, medical certificates and hospital admittances. Moreover, the tax cuts foreseen for household income have been postponed until 2007, so as to avoid the impact of the resulting

EURO AREA. WAGE AND EMPLOYMENT INDICATORS
Year-on-year percentage changes

CHART 11

SOURCES: Eurostat and European Central Bank.

a. Expectations based on European Commission sentiment indicators. Normalised data.

GENERAL GOVERNMENT BUDGET BALANCES OF EURO AREA COUNTRIES (a)

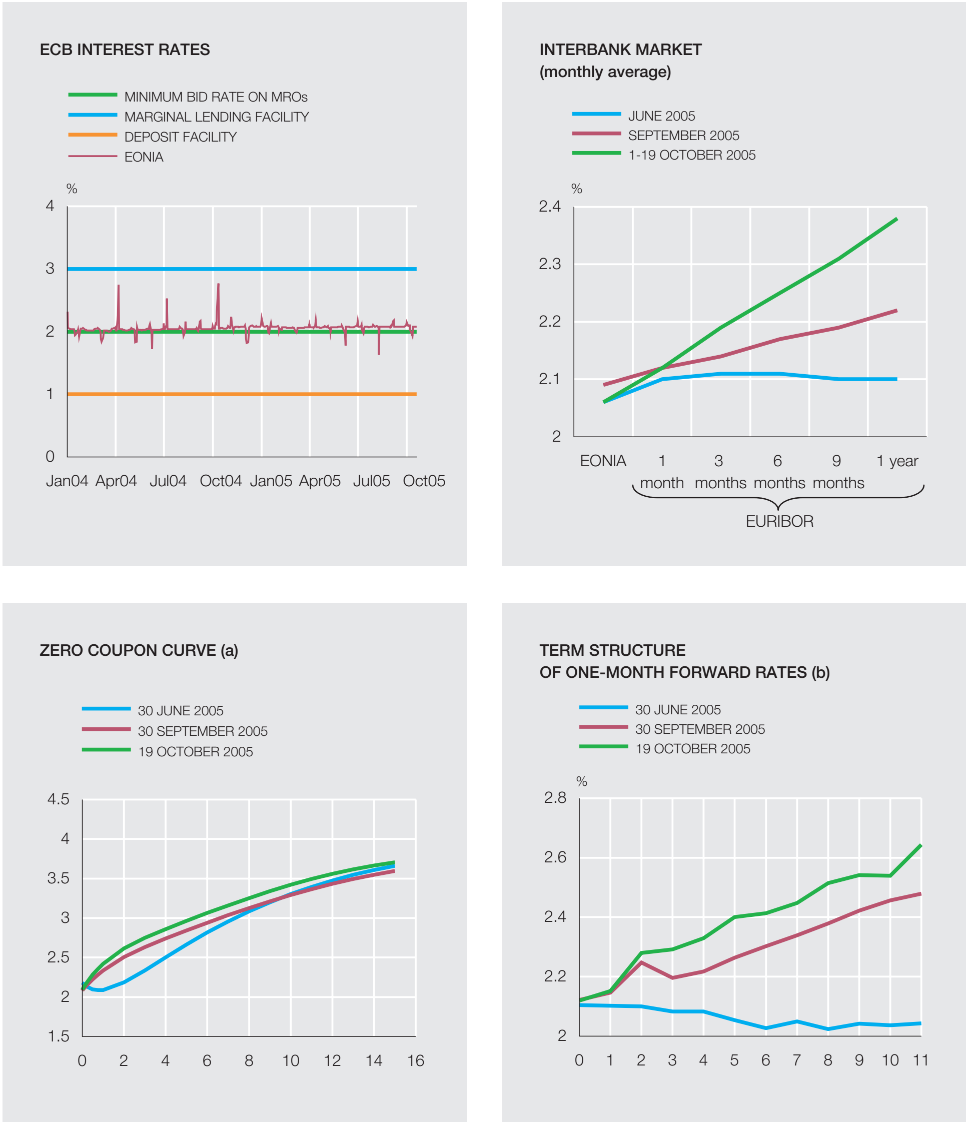
TABLE 2

% of GDP	2002	2003	2004 (b)	2005 (c)	2005 (d)
Belgium	0.1	0.3	0.0	-0.2	0.0
Germany	-3.7	-3.8	-3.7	-3.3	-3.0
Greece	-4.2	-5.2	-6.6	-4.5	-3.7
Spain	-0.3	0.3	-0.1	0.0	0.1
France	-3.2	-4.2	-3.6	-3.0	-2.9
Ireland	-0.5	0.2	1.4	-0.6	-0.8
Italy	-2.7	-3.0	-3.2	-3.6	-2.7
Luxembourg	2.3	0.5	-0.6	-1.5	-1.0
Netherlands	-1.9	-3.3	-2.1	-2.0	-2.6
Austria	-0.4	-1.3	-1.0	-2.0	-1.9
Portugal	-2.7	-3.0	-3.0	-4.9	-6.2
Finland	4.3	2.3	2.1	1.7	1.8
MEMORANDUM ITEM: EURO AREA					
Primary balance	1.2	0.6	0.5	0.6	
Total balance	-2.5	-2.9	-2.7	-2.7	-2.3
Public debt	69.5	70.8	70.8	71.7	70.6

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. Forecasts in accordance with notifications of the excessive deficit procedure.
c. European Commission forecasts (spring 2005).
d. Targets of the stability programmes presented between November 2004 and June 2005.

EURO AREA INTEREST RATES CHART 12



SOURCES: European Central Bank and Banco de España.

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

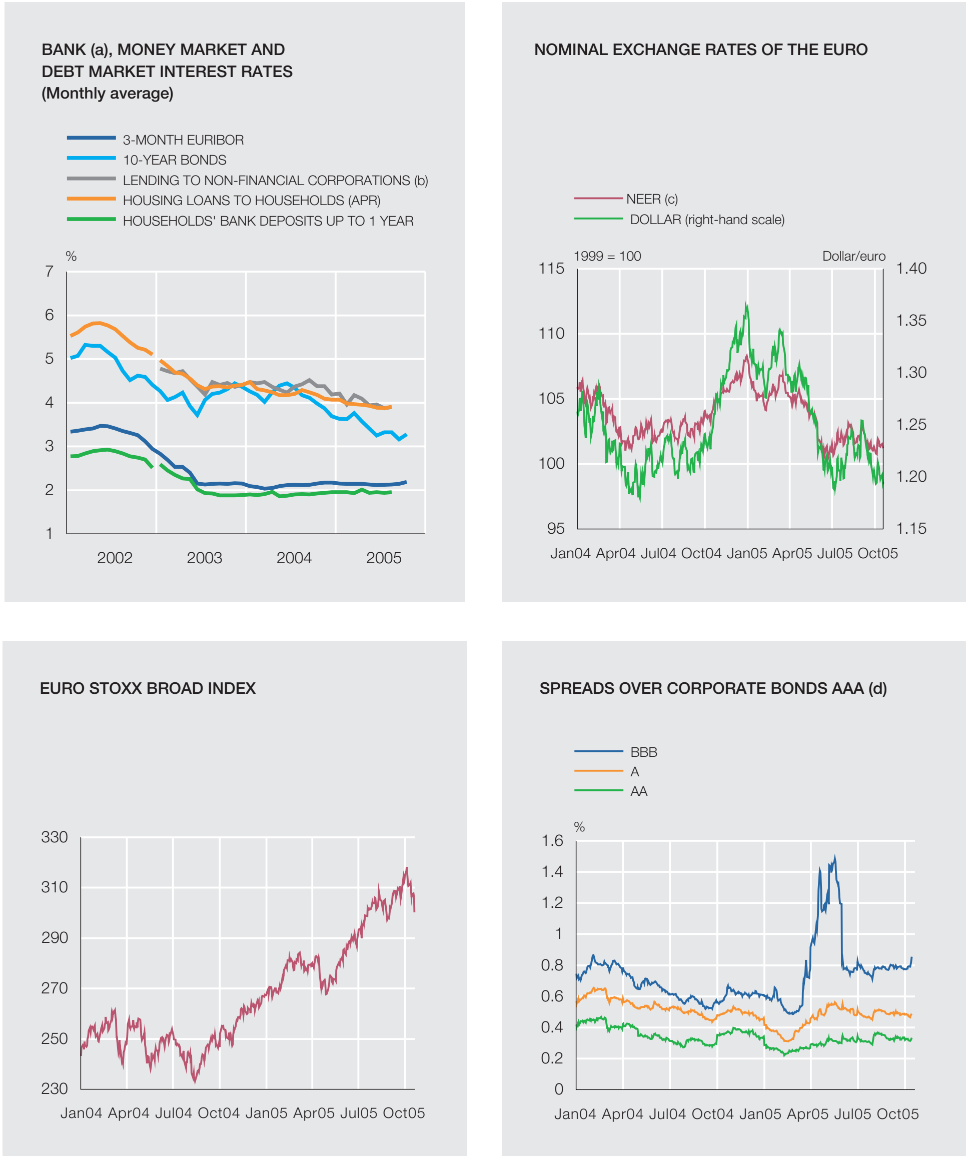
loss of tax revenue on the budget balance. In Italy, the budget for 2006, which envisages a deficit of 3.8% of GDP, combines certain measures aimed at stimulating the economy (such as an increase in deductions in the income tax base, cuts in social security contributions and an increase in public investment) with measures geared to fiscal consolidation (specifically, to containing public-sector employee compensation). Finally, there is still considerable uncertainty in Germany about the future course of budgetary policy, since the parties comprising the recently established coalition government have not yet reached agreement on this matter.

3.2 Monetary and financial developments

At its meetings during Q3, the ECB Governing Council considered that the monetary policy stance continued to be consistent with the maintenance of price stability in the medium term. In parallel, it believed that the level of interest rates was providing an appreciable stimulus to activity. Consequently, the interest rates on the main refinancing operations, the deposit facility and the marginal lending facility held at 2%, 1% and 3%, respectively (see Chart 12). Nonetheless, the ECB has indicated that the upside risks for price stability have increased, and it will

EURO AREA INTEREST RATES, EXCHANGE RATE AND STOCK MARKET INDEX

CHART 13



SOURCES: Banco de España and European Central Bank.

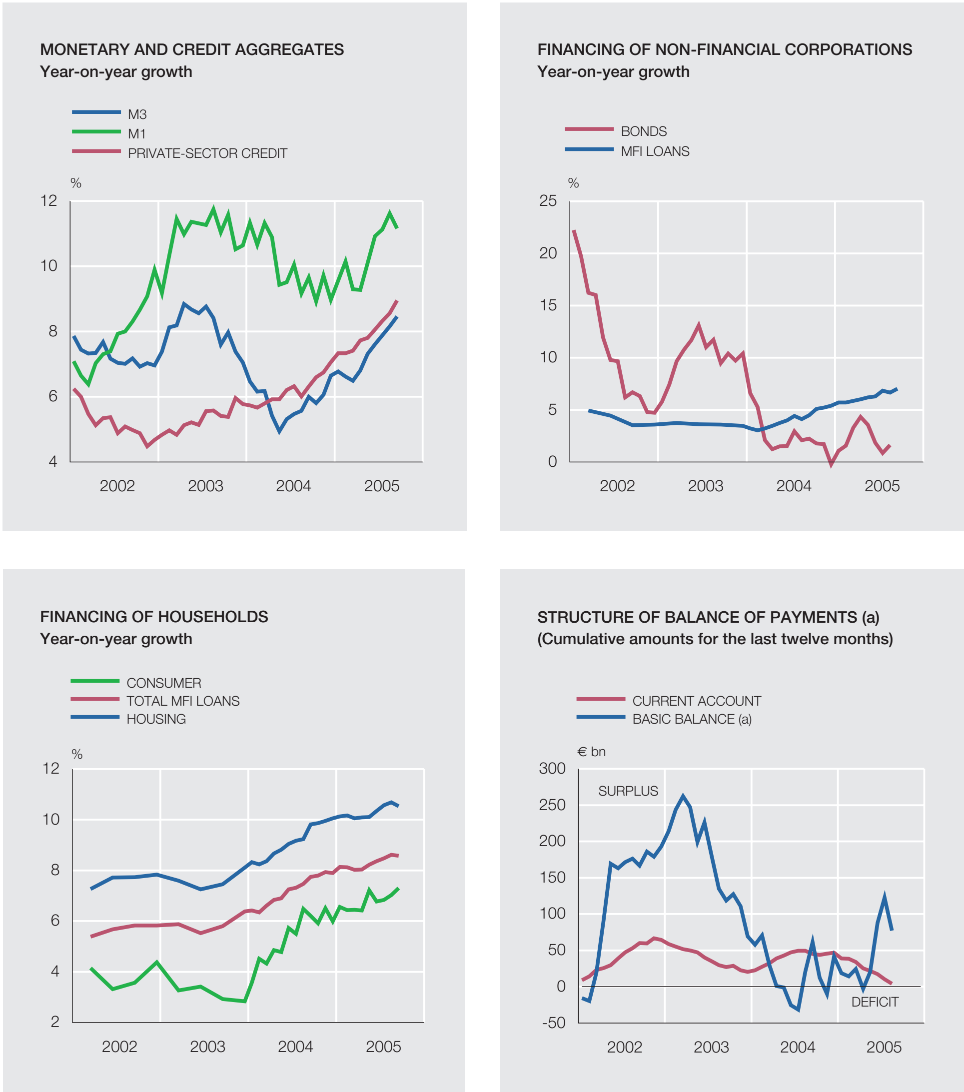
a. Data drawn from new statistics on interest rates compiled by the ECB for new business.
b. Interest rates at over five years depicted.
c. Nominal effective exchange rate index. Narrow group of currencies defined by the ECB.
d. Euro-denominated bonds issued by non-financial corporations.

remain extremely vigilant about the potential pass-through of oil prices to production prices and wages, which may threaten the goal of price stability.

The poor inflation data published for September prompted an increase in money market interest rates at the longer-dated terms. As a result, in mid-October the profile of the one-month forward rate curve was discounting a quarter-point rise in official interest rates for early 2006 (see Chart 12). On the debt markets, 10-year yields reached a level in mid-October of close to 3.3%, somewhat higher than that observed at the end of Q2. The sharp increase in US 10-year bond yields in the period considered gave rise to a widening of the positive spread of US long-term interest rates over their European counterparts to 1.2 pp. On the information available to August, the interest rates set by credit institutions on their lending and borrowing

MONETARY AND CREDIT AGGREGATES AND BALANCE OF PAYMENTS

CHART 14



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.

transactions held stable, generally, although the interest rate on loans extended to households for house purchase continued to move on a slightly declining trend, standing at 3.9% in August (see Chart 13).

On the currency markets, the euro ceased to move in the July-October period on the depreciating trend against the dollar seen since the beginning of the year, with the bilateral exchange rate stabilising at around \$1.20 per euro. With regard to the yen and sterling, the euro also showed great stability over the past three months; as a result, in nominal effective terms the euro scarcely varied during the period considered (see Chart 13).

On the euro area equity markets, the rising trend of stock market prices continued in Q3, fuelled by good corporate results and by improved earnings expectations in the business sector. In October, prices underwent a slight correction, meaning that gains for the year 2005 stood at around 12%. The sub-indices relating to the different sectors trended unevenly in Q3. The increase in prices was greater in the energy sector and in consumer goods and commodities, but was meagre in the technology and telecommunications sectors. Accompanying these movements in equity market prices was a moderate increase in volatility compared with that in Q2.

In the summer months, the M3 monetary aggregate quickened once more, rising to 8.5% in September, 0.9 pp above the rate recorded in June (see Chart 14). In parallel, the growth of credit to the private sector gathered steam, whereby its year-on-year rate of change rose to 8.9% in August, 0.8 pp up on June. In terms of the demand-side agents, both loans extended to non-financial corporations and those to households gained in force. Among the latter, loans for the purchase of consumer goods quickened from June, rising to a rate of increase of 7.3% in September, while loans for house purchase held at a stable rate of increase of around 10.5%. Among the biggest countries, lending increased on June in Germany and Italy, and it quickened, albeit to a lesser extent, in France. In Spain, the growth of both loans to non-financial corporations and to households was very high, far higher than recorded in the euro area on average.

Coinciding with the release of the QNA for 2005 Q2, INE has published the new base-year 2000 National Accounts series as from 1995, thereby extending the revision initially made for the period 2000-2004. Compared with the base-year 1995 accounts, and as occurred for the period of 2001-2004, the new data entail an upward revision of the growth of the Spanish economy, markedly so in 1999 and 2000, when the rate of increase of GDP rose by 0.5 pp and 0.6 pp, respectively.

On QNA estimates, GDP growth rose by 0.1 pp in 2005 Q2 to a real year-on-year rate of 3.4%, in line with the mildly accelerating profile seen in the preceding quarters. In quarter-on-quarter terms, the increase was 0.9%, unchanged on the two previous quarters. In terms of components, national demand remained considerably buoyant, and its contribution to output growth was 6 pp, while the negative contribution of external demand to GDP growth declined slightly.

The short-term economic information available indicates that the rate of expansion of GDP may have risen once again in 2005 Q3 to 3.5%, underpinned, as in recent quarters, by the buoyancy of domestic demand, while net external demand has continued to contribute very negatively to the increase in output. Nonetheless, it is estimated that the expansion of domestic demand will ease and that the external sector will subtract less from growth (see Chart 15). The domestic demand components that slowed were private consumption and investment in capital goods. Also, both exports and imports lost momentum in relation to Q2.

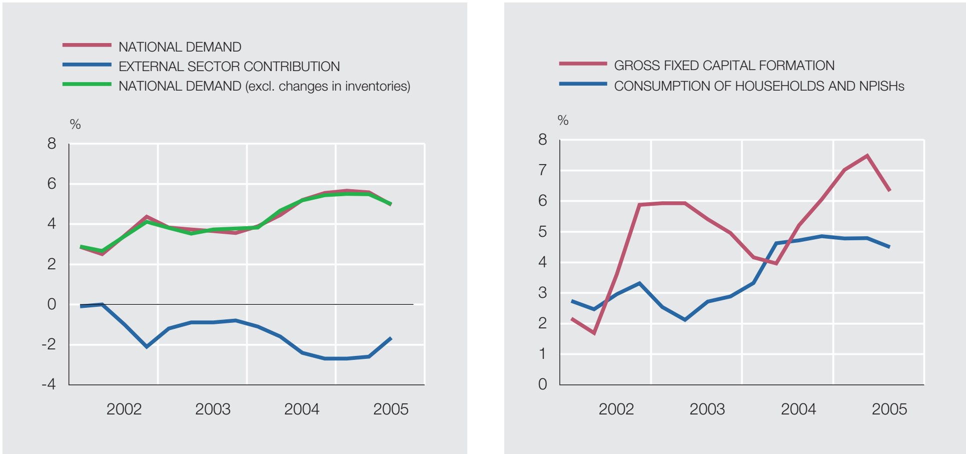
In terms of activity across the different branches, estimates point to the continuing strong buoyancy of services and construction in Q3, while value added in manufacturing industry appears to have continued posting a very moderate growth rate of scarcely 1%, and activity in the agriculture and fisheries branches has been adversely affected by the drought. The main employment indicators suggest this variable is stabilising at a high rate of expansion. Indeed, the EPA (Labour Force Survey) for Q3 reveals a 5.1% increase in numbers employed, somewhat higher than in Q2. Against this background, the growth rate of apparent labour productivity in the economy as a whole has tended to stabilise, while in the market economy it held at a very low rate (0.4%).

Compensation per employee grew at a very moderate rate in the first half of 2005, and it is estimated that in the second half of the year it will draw closer to a rate nearer to that shown by the wage indicators, giving rise, in conjunction with low productivity growth, to an acceleration in unit labour costs. Lastly, the inflation rate, measured by the CPI, increased to 3.4% in Q3, peaking at 3.7% in September. This was due essentially to dearer energy. The leading indicator of the HICP for October points to a 12-month increase of 3.5%.

4.1 Demand

The growth of household final consumption in real terms held at 4.8% in 2005 Q2, a similar rate to the previous quarter. The indicators available for Q3, with as yet incomplete information, appear to signal an easing of the marked robustness of private consumption (see Chart 16). However, private consumption spending appears to be holding at a significant rate of increase, far above that of disposable income, to which the rise in the real wealth of households – both financial and property-related – and the maintenance of favourable financing conditions are apparently still contributing.

MAIN DEMAND AGGREGATES (a) CHART 15



SOURCES: INE and Banco de España.

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

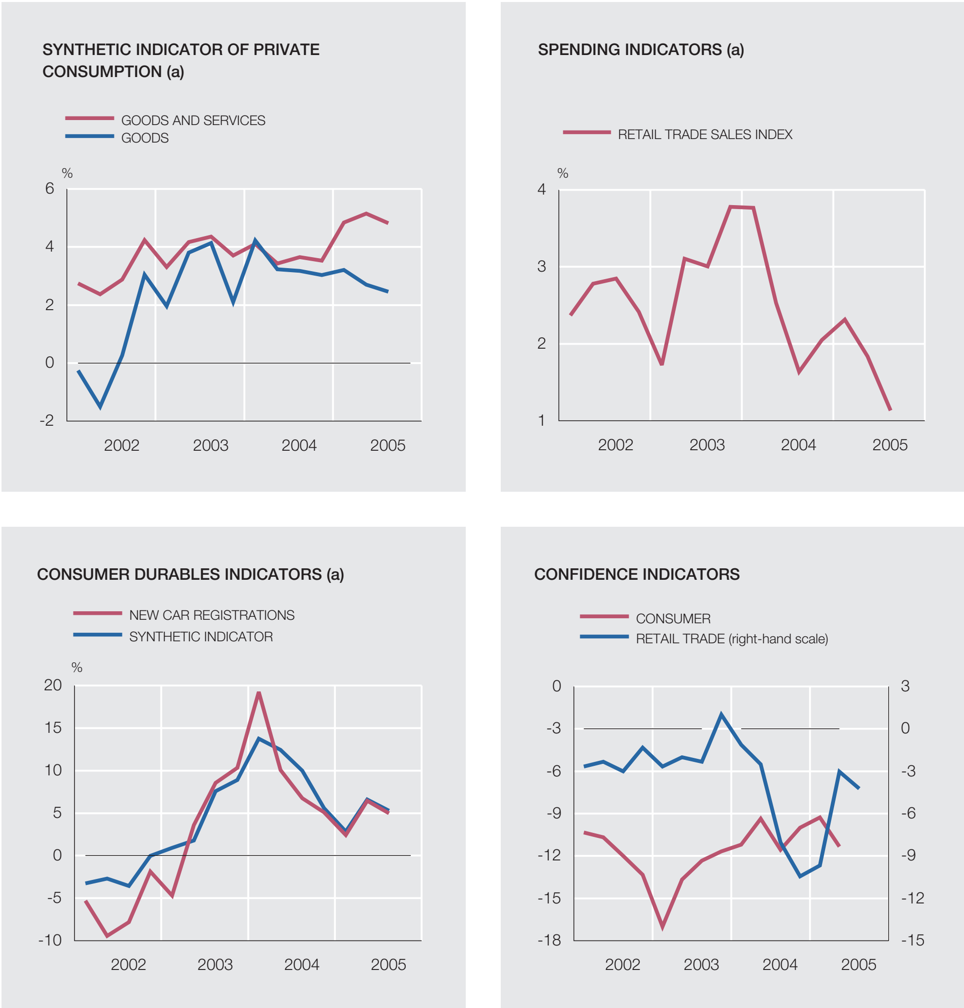
As Chart 16 shows, the synthetic indicator of private consumption of goods and services reveals a mildly slowing profile in Q3, which is more marked in the case of consumption of services and of durable goods. Notable among the indicators more directly related to household spending is the overall retail sales index, which slowed in July and August, while the retail trade confidence indicator fell off slightly in the summer months. New car registrations continue to grow at a significant pace, albeit down on Q2.

As regards the main determinants of private consumption, estimates point to a slowdown in real disposable income following its notable momentum in 2004. The slight acceleration in compensation per employee and in the gross surplus is being countered by the more contractionary contribution of general government to income growth, mainly as a result of higher tax revenue, now the effects stemming from the personal income tax reform in 2003 have been overcome. Conversely, household wealth has continued to increase at a high rate, underpinned both by the increase in stock market prices during the year (16% in the case of the IBEX 35 index) and by the rise in property values. Against a background marked, moreover, by low financing costs, this has led the saving ratio to fall further.

In 2005 Q2, general government final consumption posted a year-on-year increase of 4.6%, 0.9 pp down on the previous quarter. The as yet very incomplete short-term economic information available, drawn from State budget outturn figures, points to stability in the rate of increase of this aggregate.

Gross fixed capital formation continued to quicken in 2005 Q2, growing at a rate of 7.5% compared with the same period a year earlier, 0.5 pp up on Q1. This performance was the outcome of the greater buoyancy of all its components: investment in capital goods retained its considerable strength and increased by 10.4%, in real terms, construction grew by 5.8% and investment in other products by 8.7%. Judging by the latest available information, lower year-on-year growth in investment in equipment is expected in 2005 Q3. This estimate chiefly reflects the trend of the indicator of apparent investment in capital goods, and is due, in part, to a mere base effect, since in 2004 Q3 investment in equipment grew exceptionally sharply (see Chart 17). Other indicators offer positive signals: specifically, the orders of producers of capital goods and the indicator of business confidence have improved in the July-September period. Likewise, capacity utilisation in industry as a whole

PRIVATE CONSUMPTION INDICATORS CHART 16



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

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

has increased, while the proportion of firms that consider their plant capacity to be excessive has fallen.

The information on non-financial corporations compiled by the Central Balance Sheet Office, encompassing 2005 Q2, has reflected a slight slowdown in activity. That said, some favourable factors remain, such as the growth of turnover, employment developments, the moderation of average compensation, the contained growth of financial costs and the rise in financial revenue (essentially due to the inflow of dividends from subsidiaries abroad). These circumstances explain why returns remain high and account for the sound behaviour of total net profit, which is in step with the momentum of investment.

Investment in construction rose by 5.8% in 2005 Q2, 0.1 pp up on the previous quarter. On the latest information, this buoyancy has continued into Q3. The indicators of intermediate supplies for construction, such as the apparent consumption of cement and the production of construction materials, were less intense on average in July and August than in Q2. However, the confidence indicator, which had fallen off in Q2, picked up in Q3, holding somewhat below the levels reached at end-2004, while the employment indicators trended somewhat more favourably in Q3.

GROSS FIXED CAPITAL FORMATION

CHART 17

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 the different types of works, the high growth rate of residential building eased and non-residential building picked up somewhat, after having exhibited considerable slackness until 2005 Q1. Indeed, according to building permits and approvals, the increase in the surface area of residential building to be built in the first seven months of the year is below the related increase in 2004, whereby it augurs a decelerating profile for work performed during 2005. In the case of building intended for other uses, the surface area to be built is, on the contrary, proving much more dynamic in the January-July period than in 2004 as a whole. Regarding civil engineering works, both the Construction Industry Survey (ECIC) and the indicators estimated drawing on the official procurement budgets indicate that the real value of works executed is holding at a similar level to that of last year. Despite the fact that the volume of general government civil engineering works executed in 2005 as a whole might be higher than that of the previous year, the estimated growth profile over the course of the year is a clearly declining one.

On QNA estimates, the contribution of net external demand to growth in 2005 Q2 continued to be markedly negative, although it picked up slightly on the previous quarter. Q2 saw a halt in the slowing trend of real exports of goods and services, which posted real growth of 1.9% (compared with –1.9% the previous quarter), while real import flows regained greater buoyancy, with a rate of increase of 8% (5.6% in Q1). In any event, the recovery in exports did not

FOREIGN TRADE
Percentage change on year ago

CHART 18

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.

prevent them from continuing to lose ground on international markets. The as yet incomplete information for Q3 indicates that the contribution of net external demand in this period may have been less contractionary, against a background of lower growth in both exports and, to a greater extent, in imports.

Goods exports gained momentum during 2005 Q2, posting real growth of 2.6% year-on-year, following the contraction of 2% seen the previous quarter (see Chart 18). However, the latest foreign trade figures published by the Customs Department for July and August show a year-on-year slide in real terms of 1.4%, suggesting a loss of buoyancy of sales abroad in Q3. By geographical area, the slowdown in exports was across the board in July and August, although it affected those targeted on the EU to a greater extent, with a fall of 3.8% in real terms against the backdrop of quickening export prices. The performance of sales to the rest of the world, where demand had been showing greater robustness, was more favourable (4.3%), despite the marginal appreciation of the euro in this period.

Real exports of tourist services remained very sluggish in 2005 Q2, falling by 1.5% on QNA estimates, in line with the still-adverse course of the nominal Balance of Payments indicator.

However, the main real indicators of tourism, such as overnight stays in hotels by foreigners and real spending by tourists, drawn from the EGATUR figures, signalled the moderately favourable behaviour of tourism in this period. In fact, the Banco de España Balance of Payments Department, INE and the Instituto de Estudios Turísticos recently acknowledged that the data on tourism revenue in the first half of the year are underestimated, and will be revised upwards in the coming months. The recovery firmed in Q3, where most foreign tourist arrivals are concentrated. In July and August, total real spending by tourists increased by 6.3%, while the rate of increase of overnight stays in hotels and tourist numbers rose to 4.6% and 7%, respectively, in the quarter as a whole, heralding a recovery in tourism revenue. Exports of non-tourist services, according to QNA figures, showed something of an acceleration in 2005 Q2 (1.4%), though one less sharp than that shown by the nominal Balance of Payments indicator. Notable under this item was the favourable course of revenue relating to financial and IT services.

As can be seen in the QNA figures, real goods imports quickened by 1.5 pp to a growth rate of 8.5% in 2005 Q2 as a result of the bigger increase in final demand. Customs figures for July and August show, however, a slowdown in imports, with growth of 4.3% in real terms. These figures augur a loss of buoyancy of real goods imports in Q3, behind which is the low increase in final demand and, in particular, in the components with a greater import content, such as exports and gross fixed capital formation.

Lastly, in QNA terms, real imports of services in 2005 Q2 picked up notably: foreign purchases of non-tourist services ceased to exhibit the negative rates of the previous quarter, posting a rate of virtually zero, while the strong buoyancy of expenditure on tourist services (26.9%) continued, which is consistent with the strength of household consumption and the appreciation of the euro.

4.2 Output and employment

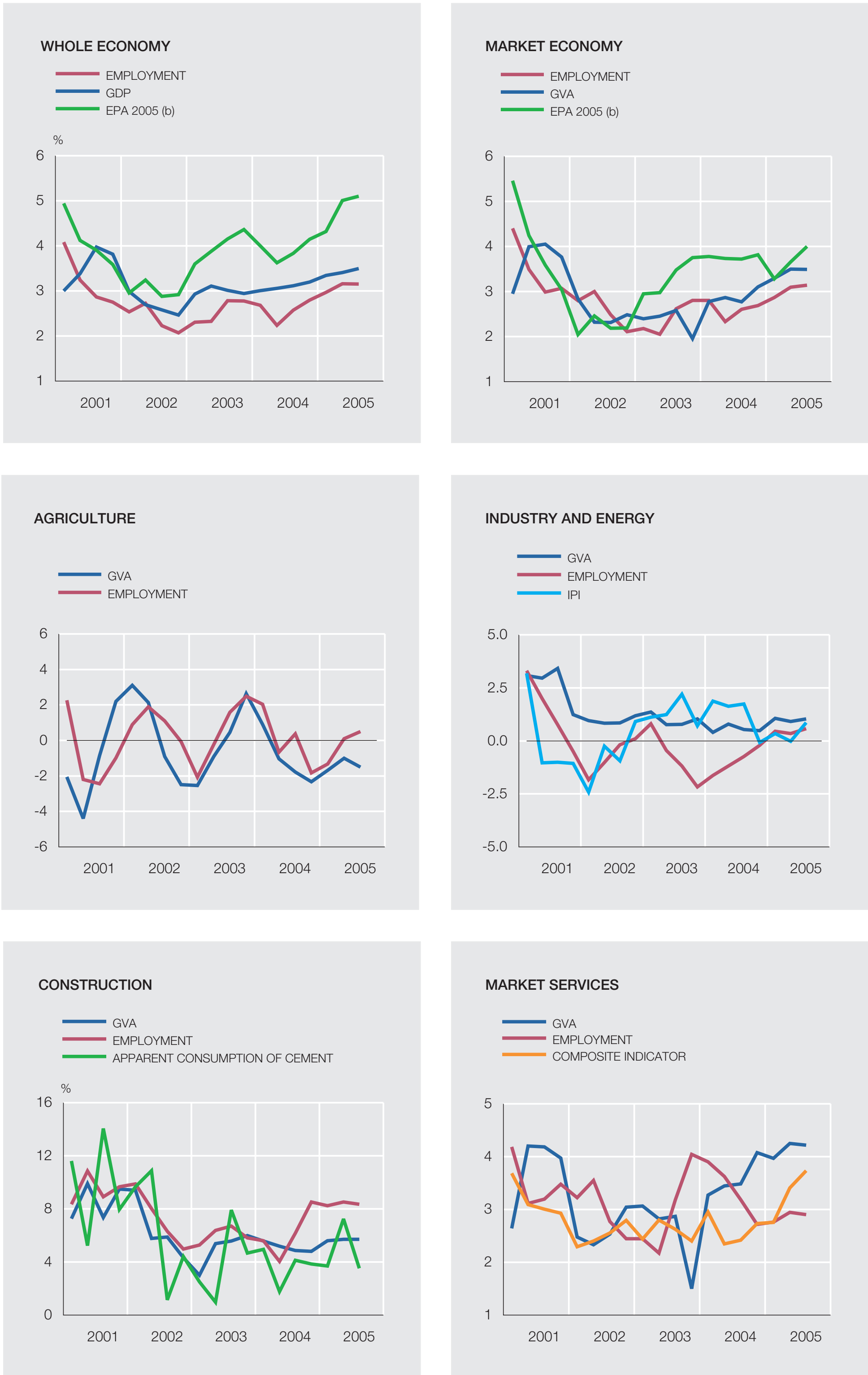
From the standpoint of supply, activity in the market economy was estimated in 2005 Q2 to have gathered fresh momentum, on a similar scale to that shown in the opening months of the year, attaining a growth rate of 3.5%, slightly up on that of the economy as a whole. This acceleration is mainly attributable to the behaviour of the services branch, although construction also improved. The information available indicates that the growth rate of activity in the market economy in Q3 might have stabilised.

Activity in the agricultural and fisheries branches continues to be influenced by the rainfall in the past hydrological year, in which only 63% of the average historical volume of rainfall was recorded. As a result, yields in the case of the main agricultural crops declined, markedly so in the case of cereals. The exception was fruit, which had already undergone a severe cut in 2004. Partially tempering this adverse behaviour of vegetable produce was that of livestock production, which showed signs of reviving. In QNA terms, the value added of these branches shrank by 1% in Q2 and forecasts point to an intensifying decline during Q3 (see Chart 19).

The industrial and energy branches as a whole lost momentum in Q2 owing to the scant buoyancy of industry, which partly felt the impact of the sluggishness of Spanish goods exports. The slackness of industrial activity in Q2 was manifest in the manufacture of capital and intermediate goods; consumer goods, for their part, performed favourably overall owing to the behaviour of non-food products, including cars. The information available points to these features continuing into Q3, although the industrial production index data are subject to a degree of uncertainty: after posting a negative rate of increase in July, this index performed very favourably in August, when it usually exhibits high erraticism. The indicators of turnover and incoming orders behaved similarly to the industrial production index, while employment acceler-

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

CHART 19



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

a. Year-on-year percentage rates based on seasonally adjusted series, except gross series in the EPA. Employment in terms of full-time equivalent jobs. EPA in persons.For incomplete quarters, the year-on-year rate for the period available within the quarter is taken.
b. Series linked by the Directorate General Economics, Statistics and Research of the Banco de España based on the control survey carried out using the methodology applied until 2004 Q4.

ated during this quarter, according to the EPA (Labour Force Survey), showing growth of 1.1% compared with 0.3% the previous quarter. The opinion-based indicators trended favourably, since both the business confidence index and the PMI reflected an improved situation in relation to Q2.

According to QNA data, value added in construction remained very buoyant in 2005 Q2, and its rate of increase rose by several tenths of a point to 5.7%, the highest figure for the last 18 months. Housebuilding and other construction both gathered steam, more markedly so in the latter case. In keeping with the inertial behaviour characterising activity in this branch, growth is estimated to have held at a high rate in Q3. Despite the fact that signs of a slowdown in certain indicators of intermediate supplies (such as cement consumption) have been observed, the information from the EPA denotes a slight quickening in employment in the sector in Q3.

Activity in services in 2005 Q2 retained the momentum seen in the first quarter of the year, with a rate of increase of 4% on QNA figures. However, this figure masks the very different behaviour of the various components. While GVA in non-market services slowed by 0.8 pp to 3.2%, market services gained in force in Q2 after having paused in the first three months of the year, posting a growth rate of 4.3% year-on-year, 0.3 pp up on Q1. On the information available, the greater robustness of activity and market services did not continue into Q3. According to the EPA, numbers employed in services grew by 4.3%, slightly below growth in Q2, and Social Security registrations eased in this period (once the effect of the recent regularisation of immigrants was stripped out); the indicators of activity in the services sector (IASS) slowed in July and August, once deflated and adjusted for calendar effects; and the opinion-based indicators – the confidence indicator for the sector compiled by the European commission, and the PMI – declined over the quarter as a whole. Under the various branches making up market services, the profile of the hotels and restaurants trade was, according to the overnight hotel stays statistic, more dynamic in Q3, after having lost momentum the previous quarter. The real estate and business activities sector quickened in the summer months, though much more moderately. Conversely, trade and transport, and, above all, trade and repairs weakened, due in the latter case to both the diminished activity in vehicle sales and the loss of steam in retail trade.

Employment[1] in the economy as a whole continued to quicken in 2005 Q2 on QNA estimates, posting a year-on-year increase of 3.2%, 0.2 pp up on the previous quarter. As the growth profile of GDP was less marked, there was a slight deterioration in apparent labour productivity, which fell between April and June to 0.2%, thereby holding on the modestly expanding path seen in the past three years. As regards the latest short-term economic information, one of the main employment indicators[2], the EPA, showed growth in numbers employed of 5.1% in Q3, slightly up on the Q2 figure.

According to QNA data, employment trended relatively steadily in the different branches, except in agriculture, where the minimal increase recorded meant a break in the ongoing process of job destruction. In industry, the year-on-year growth of numbers employed eased by 0.1 pp to 0.2%; in market services, employment continued to increase at a sustained rate (2.9%, after quickening by 0.1 pp); in non-market services employment held stable at 3.4%; and finally, in construction, which remains the most dynamic branch in terms of job creation, there was a rise of 0.2 pp, which placed growth for the quarter at 8.5%. Employment in the market economy rose by 3.1%, from 2.9% at the start of the year. Nonetheless, as the increase in GVA was somewhat greater, the gain in apparent labour productivity remained relatively stable, in con-

1. In terms of full-time equivalent jobs. **2.** The rates of the indicators discussed in the text are based on gross data.

trast to the deterioration seen in the economy as a whole. The EPA data indicate, as earlier mentioned, that in Q3 employment quickened in construction and continued to advance at a higher rates in services, while it picked up somewhat in agriculture and industry

In National Accounts terms, the increase in total employment in Q2 continued to be more sharply perceptible among wage-earners, whose numbers grew by 3.4% in year-on-year terms, 0.3 pp up on the previous quarter, while the self-employed component slowed by 0.5 pp to 1.4%. The EPA figures also showed a sharper acceleration in dependent employment than National Accounts. This variable held firm in Q3, in contrast to the moderate slide in self-employment. Reflecting this was an increase in dependent employees as a proportion of total numbers employed, to 82.1%. Conversely, in the figures on registrations, the creation of self-employment has been exhibiting greater momentum than that of dependent employment since Q2, a development tied to the ongoing regularisation of immigrants, since 34% of those regularised to September come under the special household employees regime and, therefore, were not counted as dependent-employment registrations.

In terms of contract duration, the EPA figures (adjusted for the methodological changes introduced in early 2005) indicate that the behaviour of temporary employees in Q3 was once again very dynamic, while the pace of permanent employment growth held stable. Specifically, temporary employment increased at a rate of 13.1% during the quarter, in line with the rise in the previous quarter and far greater than that of permanent employees (3.1% in the same quarter). This prompted an increase in the contribution of temporary employment to the growth of dependent employment and an increase in the ratio of temporary to permanent employees, which climbed to 34.4%, more than two points above its level a year earlier.

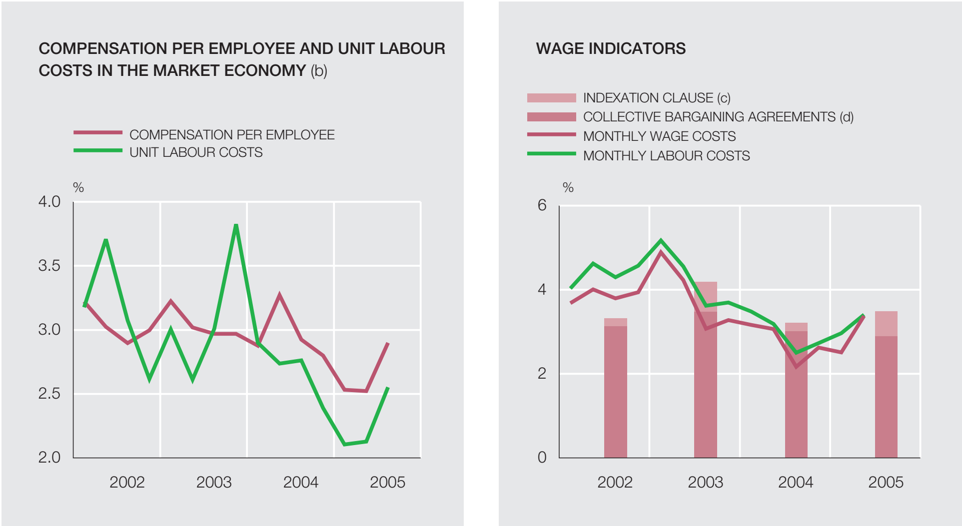
Concerning the length of the working day, EPA estimates show very high year-on-year changes in part-time hiring which are difficult to interpret even when adjusted for the above-mentioned methodological changes. The year-on-year growth rate of part-time employees adjusted for these changes was 17% in Q3, a figure nevertheless down on that recorded in the first half of the year. The increase in the number of full-time employees rose considerably in this quarter, although it held at a notably lower growth rate (of 4%, from 2.7% in Q2). As a result of these developments, the percentage of part-time employees rose to 11.6%, 1.3 pp above the level a year earlier, though 1.2 pp down in relation to the previous quarter.

On uniform information drawn from the EPA, the working population grew by 2.9% in Q3, entailing a significant slowdown on the previous quarter (when it grew by 3.4%). Behind this lies a lower increase in the participation rate, which stood at 57.4% in Q3, 0.7 pp higher than in the same period in 2004. The number of unemployed fell by 15.5% in relation to 2004 Q3, entailing a marked intensification of this variable's rate of decline. Consequently, the unemployment rate stood at 8.4%, 0.9 pp down on its level in the previous quarter and almost 2 pp below that of a year ago. Unemployment per the EPA figures is more favourable than registered unemployment, whose rate of decline eased in Q3 to –1.5%, after posting a figure of –3.6% the previous quarter.

4.3 Costs and prices

On QNA estimates, compensation per employee in the economy as a whole in 2004 Q2 increased at a rate of 2.7%, thereby extending the slightly slowing trend initiated in the preceding quarters (see Chart 20). In a market economy, the growth of compensation per employee stabilised at 2.5%, the lowest rate since 2000, as a result of a lower rate of expansion in agriculture and in industry combining with a slight rise in construction and market services. In contrast to the QNA figures, the quarterly labour costs survey (ETCL) revealed a 0.4 pp acceleration in monthly labour costs per employee in Q2, with growth standing at 3.4% year-on-

WAGES AND LABOUR COSTS (a) CHART 20



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.

year. On this occasion, the wage component was responsible for the upward trend of the aggregate, since its year-on-year rate increased notably from 2.5% in Q1 to 3.4%, while the rate of increase of non-wage costs dipped to 3.5%.

The information on increases in wage rates agreed under collective bargaining in the first eight months of 2005 reflects a wage increase of 2.93%, similar to that agreed the previous year, before considering the effect of the indexation clause. These agreements cover more than 6 million employees, a somewhat higher number than that observed in the same period in 2004. Revised agreements, which affect 87.5% of employees, show a wage increase of 2.85% to July, while under newly signed agreements wage settlements are almost half a point higher, although they only affect 740,000 employees. Regarding the effect of the indexation clause, the current estimate for the clause for the year 2004 is 0.6 pp, up from 0.2 pp the previous year, since the inflation deviation from the official government target was also higher (see Box 3). These clauses are present in 77% of the agreements signed between January and July 2005.

Despite the slowdown in compensation per employee, the increase in labour costs per unit of value added remained stable in 2005 Q2, since value added per employee slowed slightly. As a result, the unit surplus increased by 7%, thereby maintaining the ongoing widening of margins seen in previous quarters. Developments in the market economy were similar, against a background of stable costs and slightly accelerating prices.

The brisker pace of the value added deflator in Q2 was attributable to services and agriculture, since prices in construction and in industry and energy held stable or slowed in relation to Q1 (see Chart 21). By contrast, unit labour costs slowed in industry and energy, and in agriculture, while they posted higher increases in construction and in market services. Despite these differences, the widening of margins was extensive to all branches of activity, except agriculture. The indicators available for Q3 show these patterns of behaviour to be holding, with the growth of the deflators continuing to be above that of unit labour costs, although this differential is expected to narrow progressively in the coming quarters.

THE EFFECT OF INDEXATION CLAUSES

As is known, the collective bargaining system in Spain is characterised by the generalised use of indexation clauses as a safeguard against inflation. In episodes where actual inflation shows an upward deviation from the official forecast or from the reference adopted in the agreement, these clauses induce a lagged adjustment of wages to actual inflation. The inclusion of this type of clause is one of the key elements of the AINC (Inter-Confederal Agreements for Collective Bargaining) to which the social partners have subscribed since 2002.

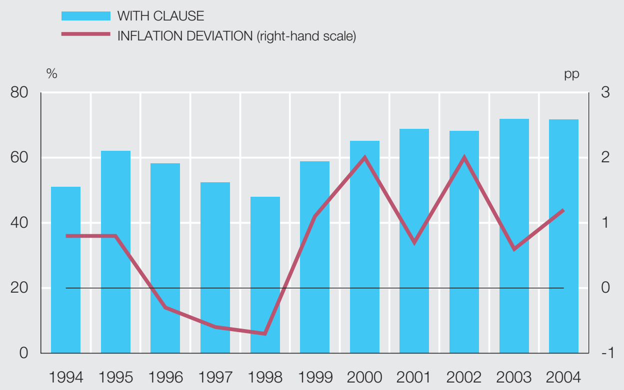
The first panel below shows how indexation clauses are used in the majority of collective bargaining agreements (72% of total agreements in 2004), and evidences the existence of a positive relationship between the number of employees affected by these clauses and the differential between the actual rate of inflation and the official forecast. The AINC entered into by the social partners since 2002 have also contributed to the increase witnessed in these clauses in recent years.

Two effects of the presence of counter-inflationary indexation clauses on the wage increases agreed under collective bargaining can be distinguished. First, the clauses have an indirect effect on the wage increase agreed ex-ante, insofar as their presence allows a wage increase to be agreed which is different from (normally lower than) that which would be agreed without them. Second, once the rate of inflation is known, the indexation clauses are activated on the basis of the actual inflation deviation and the different inflation thresholds set in each agreement, giving rise to an upward adjustment of wage increases.

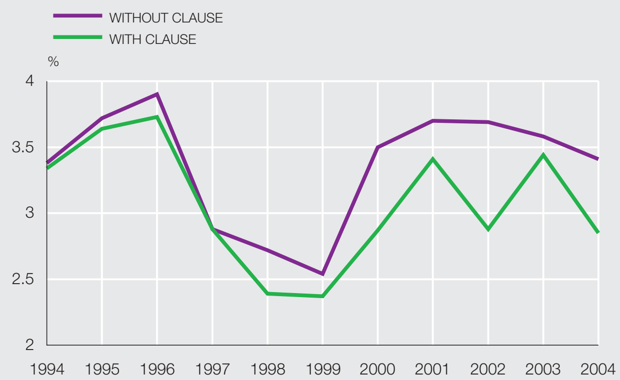
Panels 2 and 3 seek to isolate the impact of each of these effects on the ex-post wage increases (i.e. those finally observed). As can be seen in the panel, agreements with a clause usually entail initial wage increases that are lower than those agreed in agreements without a clause. In 2004, the last year for which full information is available, agreements with a clause resulted in an average wage increase of 2.85%, compared with 3.41% in agreements in which there was no such clause. Over time, this differential has hovered between 0.1 pp and 0.6 pp, although its sign has always been positive on the side of agreements without a clause. This result indicates that the presence of indexation clauses in agreements acts as a safeguard for employees against inflation deviations and therefore allows more moderate initial wage increases to be agreed.

Panel 3 below shows that, since 1999, a growing percentage of indexation clauses have been activated, once the inflation rate was

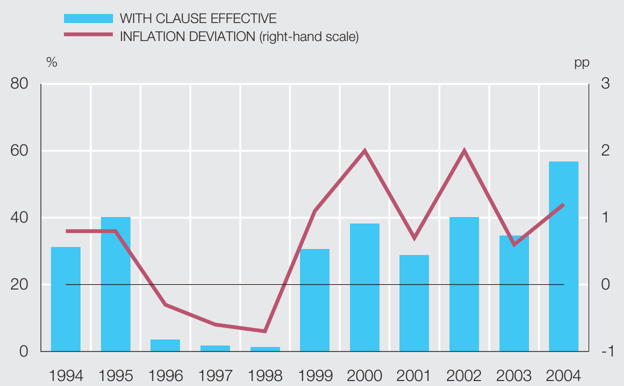
1. PERCENTAGE OF EMPLOYEES WITH CLAUSE



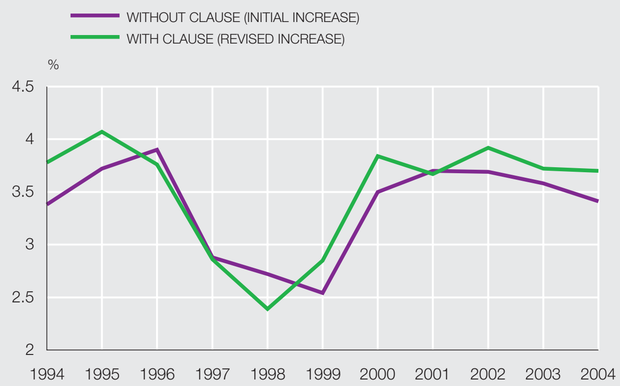
2. INITIAL WAGE INCREASES AGREED. ALL AGREEMENTS



3, ACTIVATION OF CLAUSES



4. WAGE INCREASES AGREED. ALL AGREEMENTS



SOURCE: INE, Ministerio de Economía y Hacienda and Ministerio de Trabajo y Asuntos Sociales.

known, owing to the sizeable deviations by actual inflation from forecast inflation of close to or more than 1 pp. Moreover, the thresholds above which the clauses become effective appear to have fallen in recent years. As can be seen in the panel, only 59% of clauses in 2002, with a deviation of 2 pp between forecast and actual inflation, were activated, while two years later, with a deviation of 1.2 pp, 79% of the clauses became operative.

The fourth accompanying panel shows that, once the activation of the indexation clauses is taken into account, agreements with a clause gives rise to higher wage increases than agreements without such a clause. In 2004, the final wage increase under agreements with a clause was 3.7%. That is to say, the 1.2 pp deviation by inflation from the official target of 2% brought about an upward adjustment of 0.85 pp in agreements containing an indexation clause, which placed the final increase 0.3 pp above that agreed in agreements without a clause. The sign of this differential has historically been positive — between 0.1 pp and 0.4 pp — with the exception of the 1996-1998 period, when the fact that the official inflation target was met meant that the indexation clauses were not activated.

Overall, the wage increases agreed under collective bargaining in 2004 have been raised by 0.6 pp owing to the impact of indexation clauses and, given the foreseeable course of the inflation rate in the final months of 2005, the effect this year is estimated to be at least 0.8 pp. Accordingly, although the presence of indexation clauses in collective bargaining agreements generally enables initial wage increases to be tempered, it subsequently entails an automatic adjustment of wages based on past inflation. This wage indexing mechanism may, in a setting such as the current one in which it is essential to limit to the utmost the pass-through of oil price increases to prices and wages, hamper the necessary adjustment of wages — and of the economy in general — to this shock.

The rate of increase of the final demand deflator fell by 0.5 pp to 3.7% in 2005 Q2, due in part to the lower growth of the imports deflator, while the GDP deflator held stable at 4.2%. On the expenditure side, the private consumption deflator slowed by 0.2 pp to 3.2% in Q2, a similar increase to that of the CPI over the same period. However, the rate of CPI-based inflation gathered fresh momentum in Q3, and stood at a 12-month rate of 3.7% in September. Underlying inflation posted growth of 2.5% (see Chart 22). As has habitually been the case in the past 12 months, energy prices were once again the most inflationary component, showing average growth of 12.7%, to which the price rises in natural gas and in the distribution of butane gas in July and August contributed. Further, the rising trajectory of fuel prices evident since the start of the year steepened. The average price of oil increased by $10 per barrel in Q3 compared with the previous quarter. Finally, the average year-on-year rate of increase of unprocessed food prices slowed by 0.7 pp to 2.7% in Q3.

In terms of the components of underlying inflation, the growth of processed food prices fell by 0.8 pp in 2005 Q3, taking the average year-on-year increase to 2.8%, due largely to the moderation of the growth of oil and tobacco prices. The increase in services prices held at 3.7%, against the backdrop of very moderate rises in hotel and package tour prices, while the prices of certain transport services, essentially air travel, quickened as dearer crude oil prices began to make themselves felt. Lastly, non-energy industrial goods prices slowed by 0.1 pp to an average year-on-year increase of 0.8% in Q3, partly as a result of the reduction in clothing and footwear prices, which was perhaps associated with the growing imports of Asian products.

Spanish inflation measured by the HICP rose by 0.2 pp in Q3 to an average rate of 3.5%, standing at 3.8% in September. As indicated, inflation in the euro area as a whole increased to 2.6% in the same month, marginally widening the inflation differential to 1.2 pp (see Chart 23). Component by component, price rises were higher in Spain in the case of services, where the differential with the euro area widened to 1.6 pp over the course of Q3, undergoing a more moderate increase in the case of non-energy industrial goods and food. The leading indicator of the October HICP points to a slowdown in consumer prices to a 12-month rate of 3.5%.

PRICES AND COSTS BY BRANCH OF ACTIVITY (a) CHART 21

SOURCES: INE and Banco de España.

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

The producer price index quickened in September to a year-on-year growth rate of 5.4%. Its upward course since May has been caused by energy prices, which climbed at a year-on-year rate of 17.9%. Moreover, the overall index excluding energy also quickened slightly to 2.8%, owing to the behaviour of the prices of intermediate goods and of non-durable consumer goods. Capital goods and durable consumer goods prices moved on a more moderate course. As regards the other price indicators, prices received by farmers were more volatile in recent months, moving on a clearly increasing trend, as reflected by the rises in the prices in source markets in the face of the prospect of worse crop yields. Finally, hotel prices quickened slightly in July.

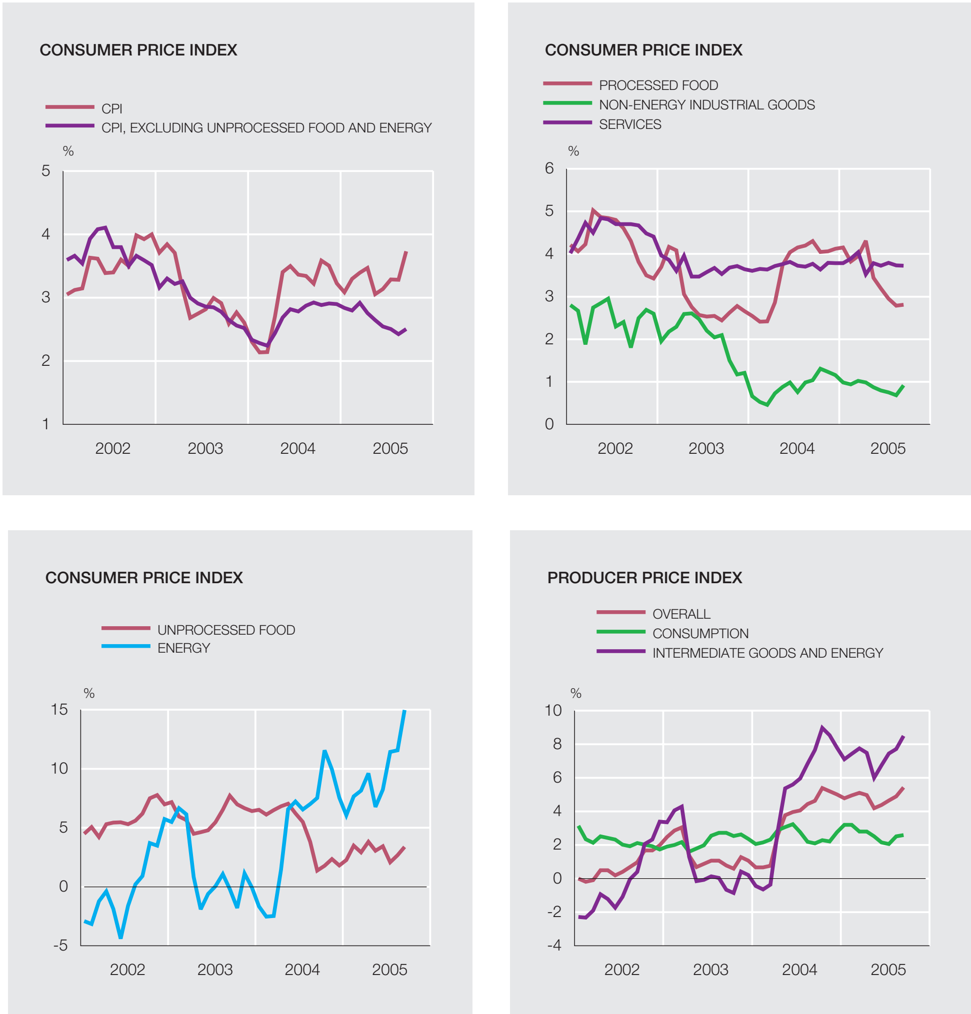
4.4 The State budget

On 27 September the government submitted the draft State budget for 2006 to Parliament. The aim of the budget is to achieve a surplus of 0.2% in 2006, as established in the Pluriannual Budgetary Stability Programme for the period 2006-2008. It is envisaged that the National Accounts balance for the general government sector will end the current year with a surplus of at least 0.1% of GDP, compared with the minor deficit (0.1% of GDP) for the year 2004[3]. In terms of the sub-sectors, central government will, according to this forecast, post a

3. Note, however, that 2004 saw the assumption by the State of the debt of RENFE, as part of the restructuring of the railway system, accounting for 0.7% of GDP. This operation was recorded as capital transfers paid by the State and, therefore, had a bearing on the National Accounts deficit, though not on the cash-basis figures.

PRICE INDICATORS (a)
Spain

CHART 22



SOURCE: INE.

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

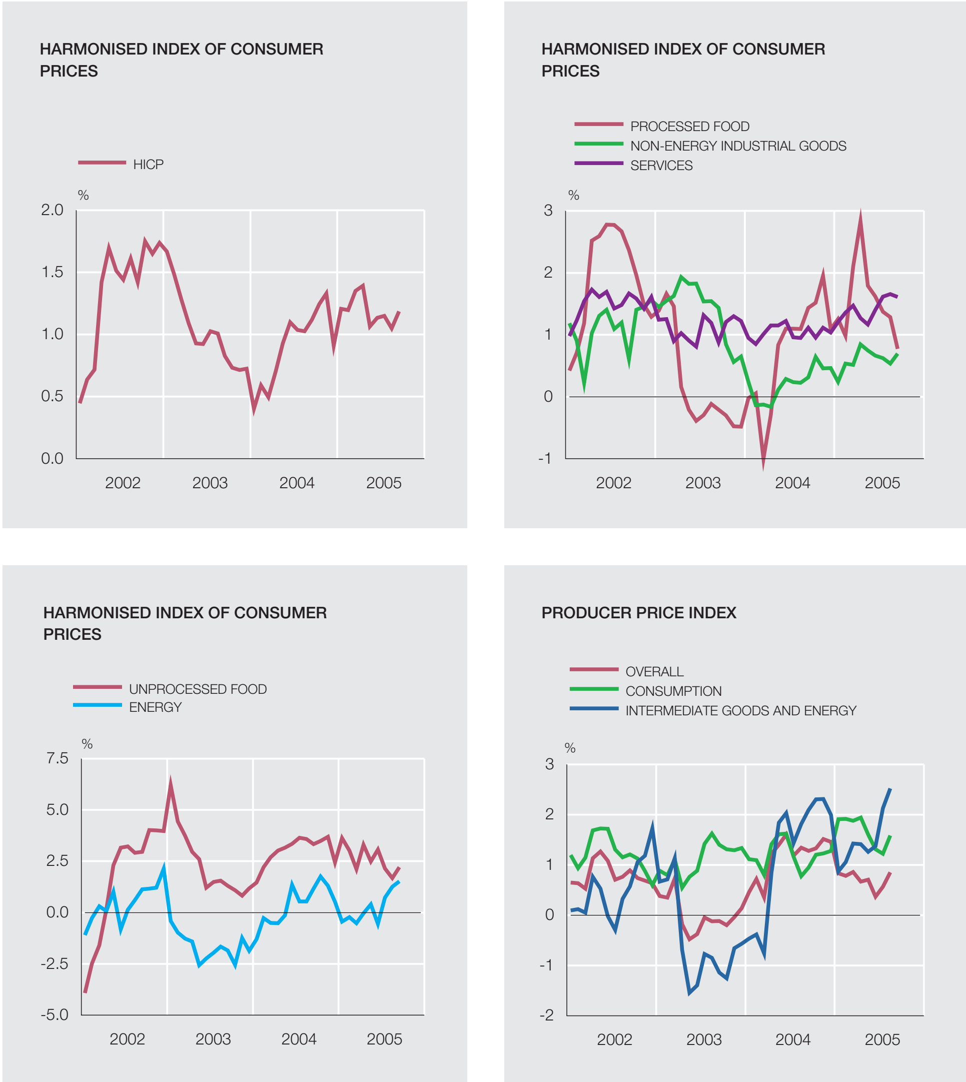
deficit of 0.5% of GDP in 2005, while the regional (autonomous) governments will end the year with a deficit of 0.1% of GDP and the local government accounts will remain in balance. As regards the Social Security system accounts, these are expected to be in surplus to the tune of 0.7% of GDP (see Box 4).

According to National Accounts methodology, the State accounts posted a surplus in the nine months to end-September of €8,108 million (0.9% of GDP) notably up on the surplus of €585 million (0.1% of GDP) in the same period a year earlier (see Table 3). This is due to the strong growth of revenue (14.2%), while expenditure has been contained somewhat, and will increase by 4.6%. In both cases, but especially in that of revenue, the growth rates observed to September exceed the forecast for the whole year provided by the 2005 outturn projection, included in the draft State budget for 2006. The projection augurs a State deficit of €3,073 million (0.3% of GDP).

In cash-basis terms, the State will record a slight deficit in 2005 (€220 million) according to the outturn projection, a substantial improvement on the deficit foreseen in the initial budgetary documentation, which set the deficit at €6,935 million. This difference arises as a result of

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

CHART 23



SOURCES: Eurostat and Banco de España.

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

higher tax revenue (especially indirect tax) and other net revenue, and of lower-than-budgeted expenditure (owing to the effect of lower interest payments and, probably, the only partial use of the Contingency Fund).

The State budget outturn to September resulted in a surplus of €3,599 million, compared with the deficit of €2,513 million recorded in the same period a year earlier (see Table 3). This performance is along the lines of that recorded to June, with a similar slowdown both in revenue and expenditure during Q3. Revenue increased by 15.7% to September, compared with 17% to June, while expenditure rose by 7.8%, against 9% in the first half of the year.

For the analysis of revenue, there is information on total takings under the main tax headings, both the portion assigned to the State, which is the only one reflected in Table 3, and the portion corresponding to the Regional (Autonomous) Governments. This aggregate information is more illustrative for evaluating tax revenue. The figures for total takings indicate that both direct taxes and other revenue quickened slightly during Q3, while indirect taxes slowed (due to VAT).

The Social Security system posted a surplus of €7,405 million in the period to July 2005, €463 million (6.7%) up on the same period the previous year, signifying a slightly less favourable outturn than that to April. However, the result to July contrasts vividly with the strong reduction in the surplus that is obtained on comparing the initially budgeted figure for 2005 with the previous year's outturn[1] (see accompanying table). Revenue quickened slightly in the recent period, growing at a rate of 7.2%, while the acceleration in expenditure was greater, posting an increase of 7.3% as a result of the course of sickness benefits and of non-contributory pensions.

Receipts from social security contributions quickened slightly and increased by 7.3% in the seven months to July, somewhat above the rate for 2004 as a whole (6.9%). The number of Social Security registrations rose by 4% in the period to September 2005, partly as a result of the ongoing regularisation of foreign workers. If the 468,633 additions to 30 September further to this regularisation process are discounted, the growth of the number of registrations in the first nine months of 2005 would have retained its momentum, since it would be standing at 2.9%, in line with the rate recorded the previous year.

1. This reduction is due to the fact that, as in previous years, takings relating to contributions are greatly underestimated in budgetary projections.

As to expenditure, that earmarked for contributory pensions slowed very slightly and posted an increase of 6.7% to July, marginally down on the budgeted figure and substantially below the rate of 7.2% for 2004 as a whole. However, the number of contributory pensions increased by 1%, somewhat up on that observed in the previous months and above what was expected. Spending on sickness benefits accelerated to 13.5% in July, in line with the previous year.

With regard to the SPEE (the State Employment Public Service), the information on which is not included in the accompanying table, contributions received increased by 8% to June, above the initially budgeted figure. Rebates on contributions in respect of employment-promoting contracts, meanwhile, climbed by 15.1% in the first half of 2005, running counter to the freeze set in the budgetary forecast.

SPEE expenditure on unemployment benefits rose by 6.9% to September, compared with the 9.6% increase in 2004 as a whole. Behind this slowdown was the change in the number of beneficiaries, which grew by 2.8% to July, compared with average growth of 5.6% in 2004. This development came about, in turn, as a result of the decline in registered unemployment, which dipped by 1.2% to September 2005, in contrast to the growth of 1.6% in 2004 as a whole. The effect of this reduction in unemployment on the number of beneficiaries was greater than that of the increase in the eligibility ratio, which stood at 59.8% in the period to July 2005.

SOCIAL SECURITY SYSTEM (a)
Transfers to regional governments allocated (b)
Current and capital transactions, in terms of recognised entitlements and obligations

EUR m and %

	Outturn	Budget		Outturn JAN-APR	Outturn JAN-JUL		
	2004	2005	% change	% change	2004	2005	% change
	1	2	3=2/1	4	5	6	7=6/5
1 REVENUE	88,571	90,040	1.7	7.0	50,762	54,433	7.2
1.1 Social security contributions (c)	82,675	83,915	1.5	7.1	47,489	50,973	7.3
1.2 Current transfers	4,618	4,874	5.5	-2.5	2,899	2,906	0.2
Other (d)	1,278	1,251	-2.1	56.6	374	554	48.2
2 EXPENDITURE	79,105	84,100	6.3	6.4	43,820	47,029	7.3
2.1 Wages and salaries	1,909	1,998	4.7	11.8	1,072	1,186	10.6
2.2 Goods and services	1,556	1,566	0.6	12.9	784	857	9.2
2.3 Current transfers	75,226	80,060	6.4	6.2	41,816	44,884	7.3
Benefits	75,225	80,059	6.4	6.2	41,816	44,883	7.3
Contributory pensions	64,453	68,905	6.9	6.9	36,140	38,569	6.7
Sickness	5,830	5,925	1.6	8.3	2,883	3,271	13.5
Other	4,942	5,229	5.8	-4.2	2,793	3,042	8.9
Other current transfers	1	1	-3.1	—	0	1	—
2.4 Other (e)	414	476	15.0	-26.5	148	102	-31.1
3 BALANCE	9,466	5,940	-37.2	9.0	6,942	7,405	6.7

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

a. Only data relating to the system, not to the entire Social Security Funds sector are given. This is because the figures for other Social Security funds are not available to July 2005.
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.

STATE BUDGET OUTTURN TABLE 3

EUR m and %

	Outturn 2004	Percentage change 2004/2003	Outturn projection 2005	Percentage change 2005/2004	Outturn JAN-JUN Percentage change 2005/2004	Outturn 2004 JAN-SEP	Outturn 2005 JAN-SEP	Outturn Percentage change
	1	2	3	4 = 3/1	5	6	7	8 = 7/6
1 REVENUE	114,950	4.8	122,166	6.3	17.0	79,592	92,093	15.7
Direct taxes	58,692	3.9	65,933	12.3	22.0	39,189	47,896	22.2
Personal income tax	30,412	-7.3	34,951	14.9	21.8	22,591	27,372	21.2
Corporate income tax	26,025	18.8	28,793	10.6	31.0	14,907	18,888	26.7
Other (a)	2,255	27.1	2,189	-2.9	-11.7	1,691	1,636	-3.3
Indirect taxes	41,368	5.8	43,100	4.2	18.9	30,959	34,672	12.0
VAT	29,124	7.3	30,158	3.6	27.0	21,715	25,116	15.7
Excise duties	9,751	-0.4	10,175	4.3	-4.6	7,388	7,456	0.9
Other (b)	2,493	15.0	2,767	11.0	12.9	1,855	2,100	13.2
Other net revenue	14,890	5.9	13,133	-11.8	-2.7	9,445	9,526	0.9
2 EXPENDITURE	114,891	1.0	122,386	6.5	9.0	82,105	88,494	7.8
Wages and salaries	19,488	5.6	20,677	6.1	7.4	13,919	14,861	6.8
Goods and services	3,510	17.1	3,419	-2.6	-11.6	2,383	2,223	-6.7
Interest payments	16,751	-15.3	18,291	9.2	21.2	13,689	15,421	12.7
Current transfers	61,136	5.3	64,002	4.7	7.6	43,049	46,002	6.9
Contingency fund	...	...	...	...	...	...	...	...
Investment	7,104	-5.7	8,776	23.5	12.0	4,712	5,446	15.6
Capital transfers	6,901	-0.6	7,221	4.6	4.4	4,352	4,541	4.3
3 CASH-BASIS BALANCE (3 = 1 – 2)	59	...	-220	...	...	-2,513	3,599	...
MEMORANDUM ITEM: NATIONAL ACCOUNTS								
Resources	113,330	2.5	120,856	6.6	13.8	78,082	89,193	14.2
Uses	122,652	9.0	123,929	1.0	4.4	77,497	81,085	4.6
NET LENDING (+) OR BORROWING (–)	-9,322	...	-3,073	...	...	585	8,108	...
(as a percentage of GDP)	-1.1		-0.3			0.1	0.9	

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.

Revenue from both personal income tax and corporate income tax maintained high growth rates. In the case of the former, revenue was underpinned by the withholdings on income from work and by the withholdings on gains on mutual funds (with growth of over 30% to September) and, in the latter case, by corporate profits. In both cases, revenue should moderate notably in the final quarter to enable the outturn projection, which points to growth for 2005 as a whole of 12% in personal income tax and 10.6% in corporate income tax, to be met. As regards indirect tax, VAT slowed notably and posted growth of 14%, as the cumulative delay in paying out refunds was partially corrected. This correction should continue in the coming months, with revenue approaching a growth rate of 7.3%, as forecast in the outturn projection. Excise duties remained sluggish throughout the year, influenced above all by the freeze on the tax on hydrocarbons and the moderation in the consumption of this type of product. Following the recent rises in the duties on alcohol and spirits, and on tobacco, the outturn projection foresees higher takings for excise duties, seeing them rise to growth of 4.3% over the year as a whole. Finally, other revenue quickened slightly, with a rate of change of 0.9% to September, owing to the fact that the increase in charges and current transfers offset the decline in interest received and capital transfers. The outturn projection foresees a further slowdown in the sec-

BALANCE OF PAYMENTS: SUMMARY TABLE (a) TABLE 4

EUR m

		JANUARY-JULY	
		2004	2005
CREDITS	Current account	150,327	153,494
	Goods	87,310	89,284
	Services	38,050	39,619
	— Tourism	19,771	20,028
	— Other services	18,279	19,591
	Income	14,888	14,281
	Current transfers	10,080	10,310
	Capital account	5,127	4,737
	Current + capital accounts	155,454	158,231
DEBITS	Current account	172,855	191,166
	Goods	114,566	127,447
	Services	26,413	28,569
	— Tourism	5,182	6,495
	— Other services	21,231	22,074
	Income	22,882	25,028
	Current transfers	8,993	10,122
	Capital account	507	348
	Current + capital accounts	173,361	191,514
BALANCES	Current account	-22,527	-37,672
	Goods	-27,257	-38,163
	Services	11,637	11,050
	— Tourism	14,589	13,532
	— Other services	-2,952	-2,482
	Income	-7,994	-10,746
	Current transfers	1,087	187
	Capital account	4,620	4,388
	Current + capital accounts	-17,907	-33,283

SOURCE: Banco de España.

a. Provisional data.

ond half of the year, due above all to charges (for which a decline of 0.3% over the year as a whole is foreseen, compared with growth of 38.1% to September).

As regards expenditure, the slowdown in Q3 was marked by the deceleration in current expenditure. The growth rates of both wages and salaries and interest and current transfers eased, while the rate of increase of goods and services (the only item posting a negative rate) increased over the course of these months. In all cases, the same trends should continue in the second half of the year, judging by the figures furnished by the outturn projection for the close of the year. Specifically, the additional slowdown in current transfers will be influenced by the exceptional payment of €2,500 million to the Andalusia regional government, for the cancellation of outstanding debt, made in the closing months of 2004. Lastly, there were bigger increases in capital expenditure in this quarter as a result of the strong growth of investment (15.6%), the buoyancy of which is partly due to the fact that the State has included in its accounts investment relating to the conventional railway network since January 2005, as part of the restructuring of the railway system. Unlike with current expenditure, the outturn projection foresees an acceleration in such expenditure in the final months of the year.

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

In the first seven months of 2005, the overall balance on the current and capital account resulted in a deficit of €33,283 million, 86% up on a year earlier. This was due essentially to the notable widening of the current-account deficit (67.2%) and, to a lesser extent, to the slight decline in the surplus on capital transactions (–5%), which stood at €4,388 million. The main items of the current account worsened, especially the trade deficit, although the negative balance on income also widened and the surpluses on tourism and on current transfers declined; conversely, the deficit on non-tourist services showed something of an improvement.

In the January-July period, the deficit on the trade balance increased by €10,906 million in relation to the level attained in the same period a year earlier, rising to a figure of €38,163 million. In year-on-year terms, the deficit widened by 40%, thereby sharpening the notable deterioration already seen the previous year. Behind the significant increase in the trade deficit lay the sluggishness of real export flows in this period — as opposed to the robustness of imports, against the background of a widening economic growth differential with our main trading partners and the prolongation of the recent years' losses in competitiveness — combined with the strong rise in the energy bill. Nonetheless, the pace at which the trade deficit is widening has slowed somewhat from Q2, as a result of the slight pick-up in exports in this period and the greater moderation of imports.

Turning to the services balance, there was a surplus of €11,050 million in the first seven months of 2005, €587 million down on that recorded in the same period the previous year. This deterioration is due to the €1,057 million decline (–7.2%) in the tourism surplus, since the non-tourist services deficit improved by €470 million. Tourist revenue, following a negative performance at the start of the year, posted a slightly positive rate (1.3%) in the period to July, thanks to the recovering path on which it has been moving since May. It should be clarified, however, as acknowledged by the Balance of Payments Department of the Banco de España, INE and the Instituto de Estudios Turísticos (part of the Spanish Ministry of Industry, Trade and Tourism), that tourist revenue in the first half of the year is underestimated and will be revised upwards, meaning that its growth rate in this period could be close to 3%, compared with the initial estimate of -0.5%. Tourist expenditure, for its part, increased by 25.4% in the seven months to July.

The deficit on the income balance worsened notably in the January-July period, climbing to €10,746 million, an increase of €2,752 million on the same period a year earlier. The rate of growth of revenue was negative (–4.1%) as a result of the fall in revenue relating to the private non-financial sector, contrasting with the 9.4% increase in expenditure, owing essentially to the notable momentum of payments made by monetary financial institutions. Foreign direct investment flows into Spain continued to decline in this period, partly as a result of the fall in non-resident investment in real estate, which accounted for more than 40% of direct inflows in this period. However, portfolio investment and other investment from abroad grew notably. As to Spanish investment flows abroad, direct investment increased slightly while portfolio investment gathered considerable steam.

The surplus on the balance of current transfers stood at €187 million in the January-July period, a decline of €900 million in relation to the level seen in the same period in 2004. Revenue increased by scarcely 2.3%, despite the favourable trend of flows from the EU under the EAGGF-Guarantee heading; however, flows directed to the public sector under the European Social Fund fell off. Expenditure, for its part, increased at a much higher rate (12.6%), due above all to the notable increase in expenditure earmarked for Community coffers under the additional resource (GNP) and VAT resource headings. Likewise, emigrants' remittance payments maintained momentum (7.3%), although the strong increase seen the previous year slowed.

Finally, the surplus on capital account was €4,388 million in the first seven months of 2005, €232 million down on the same period a year earlier. This deterioration is due to the notable fall-off in Community transfers under the Cohesion Fund and ERDF flows, while structural funds relating to the EAGGF-Guidance Fund trended favourably.

5 Financial developments

5.1 Overview

In 2005 Q3 the financial conditions of Spanish households and corporations were largely determined by the low interest rate environment. In September, the twelve-month EURIBOR stood on average at 2.22%, up 12 basis points from June, while at the shortest maturities rates remained unchanged, so that the yield curve regained a positive slope between the one-month and twelve-month maturities. During the same period, the ten-year Spanish bond yield fell by 11 bp to the historically low level of 3.09%. These developments, together with the fact that Spanish corporate risk premia remained at moderate levels, led to a further reduction in the cost of bond financing (see Chart 24). Meanwhile, the cost of bank financing for firms and households remained practically unchanged at low values in July and August.

Spanish stock markets, between July and September, remained on an upward trend. The Madrid Stock Exchange General Index rose by 9.3% over the period (by 20.9% since the beginning of the year), thereby outstripping the EURO STOXX broad index of euro area markets (6.2%) and especially the US market S&P 500 (0.1%). These developments, led by the oil and energy sector, were accompanied by continued low levels of volatility and notable growth in the earnings of listed companies.

On the property market, according to Ministry of Housing statistics with base year 2005, the price of appraised unsubsidised housing rose in Q3 by 13.4% year-on-year. The new rate is 0.5 pp down from June and more than 4 pp down from the average rate last year, although it is still at very high levels.

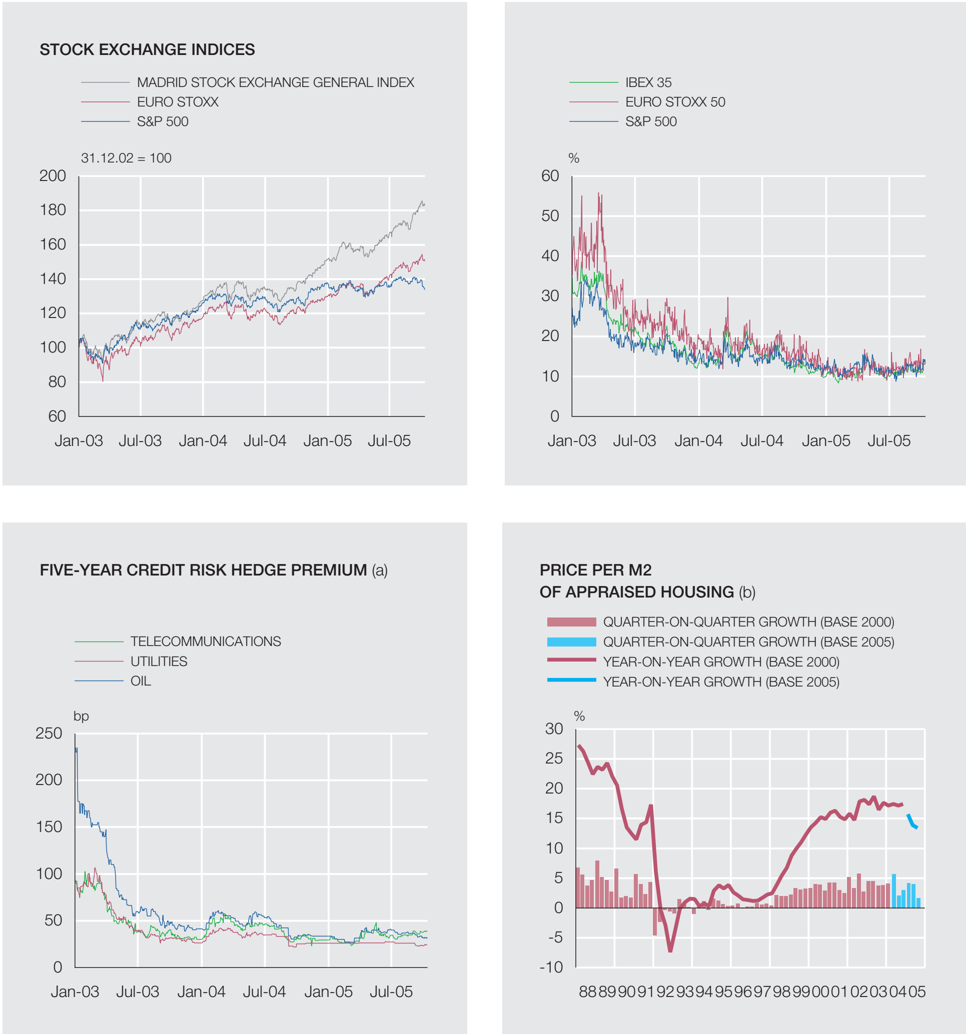
Against this background, between April and June the volume of financing to households and corporations remained on a path of rapid expansion, with growth rates of around 20% and above 16%, respectively. The provisional information available for Q3 points to continuation of the same patterns. This growth in the liabilities of corporations and households is at the root of the fresh increase in the nation's net borrowing which, in cumulative four-quarter terms, rose to 6% of GDP. The intermediation of Spanish credit institutions is channelling the resources needed to finance the economy's current pattern of growth, putting further pressure on their risk management and control systems.

In the case of households, the buoyancy of debt continued to be driven by credit for house purchase, which grew at a rate of close to 24%. This high growth led to a further deterioration in the indicators of financial pressure on the sector in 2005 Q2. Thus, the debt and debt burden of households continued to rise relative to their gross disposable income (GDI), while their saving after debt service fell. Meanwhile, household net lending remained negative, at -0.6% of GDP, in cumulative twelve-month terms (see Table 5). However, the upward trend in house prices and rising stock markets enabled the net worth of households to continue to increase.

The aggregate debt and debt-interest burden of non-financial corporations also rose, relative to their earnings. The debit balance of their financial transactions grew, in cumulative twelve-month terms, to 6.5% of GDP in Q2, as against 5.6% in March, while the financing gap, which approximates the funds necessary to undertake gross capital formation and direct investment abroad, rose by 0.7 pp to 9.6% of GDP. However, according to quarterly Central Balance Sheet Data Office data, these developments were mitigated by the favourable trend in corporate returns, which led the synthetic indicators of financial pressure on investment and employment to remain at moderate levels.

PRICE INDICATORS FOR VARIOUS ASSETS

CHART 24



SOURCES: Bloomberg, Credit Trade and Banco de España.

a. Average asset-weighted premia. On 22.6.03 a change in the contractual conditions of European firms came into force. The new contract carries lower premia (around 10%).
b. New statistic from 2004.

Financial conditions continued, therefore, to contribute to boosting household and corporate spending. That said, there was a further deterioration in some indicators of financial pressure. In the case of households this has tended to increase the risks to the medium-term growth of consumption and residential investment described in previous reports.

The risks to private productive investment arising from the financial situation of companies are, in contrast, more balanced, since the increase in debt has been accompanied by an improvement in firms' profitability and signs of a possible end to large companies' rebuilding of their balance sheets. That said, it should not be forgotten that the continued rise in corporate liabilities increases the sector's exposure to adverse developments in the macroeconomic environment and in the cost of financing.

5.2 *Households*

The financing conditions for households remained highly favourable during Q3. In August, the interest rates applied to new housing loans stood at 3.3%, the same level as in June, while the cost of bank finance for consumption and other purposes reached 6.4% (up 40 bp from the middle of the year). According to data from the latest available Bank Lending Survey, institu-

NET FINANCIAL TRANSACTIONS
Cumulative four-quarter data

TABLE 5

% GDP (a)	2000	2001	2002	2003	2004			2005	
					Q2	Q3	Q4	Q1	Q2
National economy	-2.9	-3.7	-2.8	-3.1	-3.7	-4.2	-4.8	-5.5	-6.0
Non-financial corporations and households and NPISHs	-2.8	-4.6	-3.9	-4.5	-4.8	-5.7	-5.4	-6.4	-7.1
Non-financial corporations	-4.4	-6.0	-4.7	-4.6	-5.2	-5.7	-5.0	-5.6	-6.5
Households and NPISHs	1.6	1.4	0.8	0.1	0.4	0.0	-0.4	-0.8	-0.6
Financial institutions	0.8	1.5	1.4	1.4	1.4	1.2	0.7	0.6	0.6
General government	-0.9	-0.5	-0.3	0.0	-0.2	0.3	-0.2	0.2	0.5
MEMORANDUM ITEM:									
Financing gap of non-financial corporations (b)	-14.4	-9.5	-9.7	-9.5	-9.2	-9.0	-7.6	-8.9	-9.6

SOURCE: Banco de España.

a. Spanish National Accounts, base 2000.
b. Financial resources that cover the gap between expanded gross capital formation (real and permanent financial investment) and gross saving.

tions planned to offer similar lending terms between July and September to those existing in the three previous months, while expecting the demand for funds to be relatively stable.

The generous financial conditions continued to help sustain the growth of household debt, which carried on growing at a high year-on-year rate in Q2, of around 20%, as has been the case since mid-2004. This growth was again driven by credit for house purchase, which grew by around 24%, representing a flow equivalent to 9.5% of GDP, in cumulative twelve-month terms, 0.3 pp more than in March. The funds assigned to consumption and other purposes grew more moderately, at around 11%. The provisional information to August on the financing of the sector shows the same patterns as in the preceding months.

Household financial investments between April and June amounted to 9.8% of GDP in cumulative twelve-month terms (see Table 6). The weight of liquid, low risk assets (cash and deposits) rose, to 6.7% of GDP, as against 6% in March. Meanwhile, investments in the form of insurance technical reserves and in mutual funds held relatively stable, at 2% and 1.4% of GDP, respectively. Finally, there was a net divestment of shares equivalent to 0.5% of GDP, despite the favourable performance of stock markets.

As a result of the developments in the flows of financial assets and liabilities, household net lending, according to the June Financial Accounts, was negative, being equivalent to -0.6% of GDP in cumulative twelve-month terms. This negative sign contrasts with the credit position traditionally shown by the household sector, but the figure was 0.2 pp lower than in March.

The expansionary trend in financing led to a further rise in household debt, as a percentage of GDI, to 106% in Q2 (see Chart 25). Likewise, the associated debt burden, despite the stability of the interest rate, rose to practically 14% of GDI. This, along with the decline in gross saving, led to a further decline in the sector's saving after debt service. That said, the information from the Spanish family expenditure survey shows that the percentage of households that can save and the percentage that report some degree of difficulty making ends meet (around 39% and 55%, respectively) held steady.

In western societies, the availability of a home is considered a basic objective (if not a right). This, together with the positive externalities associated with house ownership, has meant that, in many countries, including Spain, there have traditionally been tax incentives for house purchases.

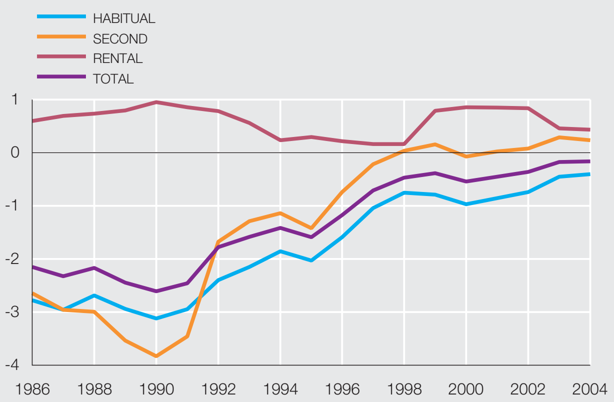
This box presents an estimate of the net incentive arising from the tax system for the demand for housing in Spain during the period 1986-2004, taking into account the structure (income, number of persons submitting tax returns, recourse to external financing) of households demanding housing in Spain. Also, not only are purchases of habitual dwellings considered, but also those of second dwellings for own use and to rent out, along with their specific tax treatment in each case. In this way it is possible to obtain an aggregate measure that takes into account the characteristics of the housing market in Spain and its evolution. The necessary information is obtained from various sources (in particular, the Spanish Survey of Household Finances (EFF), recently established by the Banco de España, and housing censuses) and the measure used is the tax wedge, or difference between the user cost of property calculated before and after taxes and deductions.

The adjoining chart shows the tax wedge over the last 19 years, both as a percentage of the price of housing and of its user cost before taxes. When interpreting this measure, it should be taken into account that the exercise performed did not consider the possible pass-through of tax incentives into house prices. Also, the taxes associated with property construction and development and the direct government assistance to the purchase of subsidised housing were not considered either.

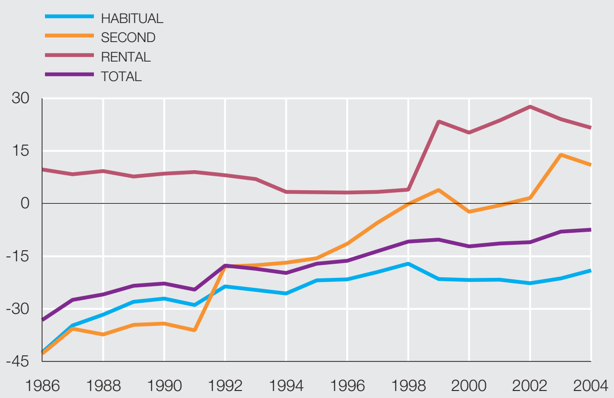
In any case, the chart shows that the total tax wedge remained negative throughout the period considered, indicating that the overall effect of taxes and subsidies on purchasers was a net subsidy and, therefore, an incentive to the demand for housing vis-à-vis other alternative assets. As might be expected, this is particularly true in the case of housing acquired as a habitual residence. On the other hand, the positive value of the tax wedge for housing acquired for rental shows that the existence of taxes associated with its purchase is not offset, in this case, by significant deductions in personal income tax (IRPF). As regards the tax regime for purchases of second dwellings for own use, there was a fundamental change in 1992, when the deductions for investment and the payment of interest on external financing associated with such purchases disappeared. However, the treatment of this type of purchase was still relatively favourable, insofar as the imputed income taxed under the IRPF was generally below the actual income that could be obtained by renting out the property on the market.

During the period considered, the total tax wedge displayed a downward trend in terms of the price of housing. This is basically, but not exclusively, a result of the decline in nominal interest rates. Thus, lower rates involve a smaller implicit return on housing, so that the advantages arising from the favourable tax treatment of this return are also smaller. In addition, in the case of habitual dwellings, there was a decline in the effect of the deduction for interest in the IRPF. Thus, the tax system continues to favour housing over other alternative assets, although its effect on the house price upswing that the Spanish economy is still experiencing does not seem to have been significant.

1. AS % OF THE PRICE OF HOUSING



2. AS % OF THE USER COST BEFORE TAXES



SOURCE: Banco de España.

TRANSACTIONS OF HOUSEHOLDS, NPISHs AND NON-FINANCIAL CORPORATIONS
Cumulative four-quarter data

TABLE 6

% GDP (a)

	2001	2002	2003	2004	2005	
				Q4	Q1	Q2
HOUSEHOLDS AND NPISHs						
Financial transactions (assets)	7.5	8.3	9.3	10.0	9.7	9.8
Cash and cash equivalents	1.1	3.6	4.2	3.9	4.2	4.2
Other deposits and fixed-income securities (b)	3.4	1.7	-0.1	2.0	1.8	2.5
Shares and other equity (c)	-0.2	0.6	0.6	0.1	-0.2	-0.5
Mutual funds	0.8	0.2	2.3	1.5	1.3	1.4
FIAMM	1.2	0.7	0.6	-0.2	-0.1	0.0
FIM	-0.5	-0.5	1.7	1.6	1.2	1.3
Insurance technical reserves	2.6	2.5	1.8	1.8	1.9	2.0
Of which:						
Life assurance	1.4	1.4	0.7	0.7	0.7	0.8
Retirement	0.9	0.9	0.9	0.9	0.9	1.0
Other	-0.1	-0.3	0.5	0.7	0.6	0.1
Financial transactions (liabilities)	6.1	7.5	9.1	10.4	10.5	10.4
Credit from resident financial institutions (d)	5.4	7.2	9.2	10.8	11.0	11.4
House purchase credit (d)	4.7	5.1	7.0	8.7	9.2	9.5
Consumer and other credit (d)	0.6	2.1	2.2	2.0	1.8	1.9
Other	0.7	0.3	0.0	-0.4	-0.5	-1.0
NON-FINANCIAL CORPORATIONS						
Financial transactions (assets)	14.6	14.5	16.2	14.0	16.2	17.5
Cash and cash equivalents	1.6	1.6	0.8	1.0	1.2	1.2
Other deposits and fixed-income securities (b)	0.9	1.6	1.4	0.8	0.7	1.0
Shares and other equity	5.4	6.6	7.5	4.2	4.9	4.6
Of which:						
Vis-à-vis the rest of the world	3.9	4.8	4.5	2.6	3.4	3.1
Other	6.8	4.7	6.5	8.0	9.4	10.7
Financial transactions (liabilities)	20.7	19.2	20.8	19.0	21.8	24.1
Credit from resident financial institutions (d)	5.8	5.4	6.4	8.5	9.6	10.8
Foreign loans	3.8	2.7	2.7	0.5	0.9	0.8
Fixed-income securities (b)	0.0	-0.4	-0.2	0.0	0.0	0.0
Shares and other equity	4.9	5.9	5.2	2.7	2.7	2.4
Other	6.2	5.5	6.7	7.3	8.6	10.1
MEMORANDUM ITEM: YEAR-ON-YEAR GROWTH RATES (%):						
Financing (e)	15.3	14.0	15.9	16.1	17.3	18.0
Households and NPISHs	12.6	16.2	19.0	20.1	20.1	20.0
Non-financial corporations	17.4	12.4	13.5	12.9	15.0	16.5

SOURCE: Banco de España.

a. CNE with base 2000.
b. Not including unpaid accrued interest, which is included under "other".
c. Excluding mutual funds.
d. Including off-balance-sheet securitised credit.
e. Defined as the sum of bank credit extended by resident credit institutions, foreign loans, fixed-income securities and financing through securitisation vehicles.

INDICATORS OF THE FINANCIAL POSITION OF HOUSEHOLDS AND NPISHs

CHART 25

SOURCE: Banco de España.

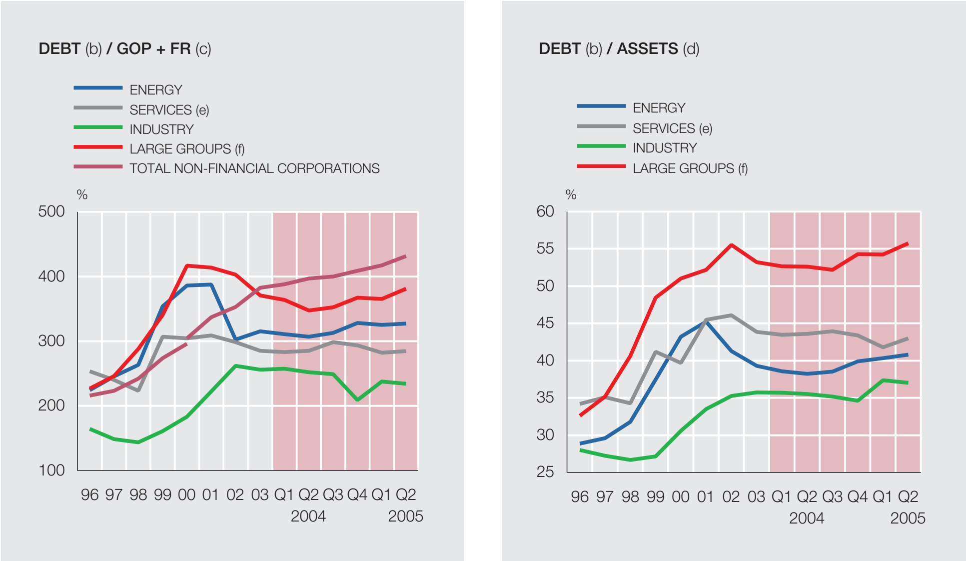
a. Until 2000, the sectoral National Accounts data correspond to the CNE with base 1995. From 2000, a provisional estimate consistent with the CNE with base 2000 is used.
b. Includes bank credit and off-balance-sheet securitised credit.
c. Assets 1 = total financial assets - "other".
d. Assets 2 = assets 1 - (shares including shares in FIM).
e. 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. New house price statistics from 2004.
f. CNE with base 2000.
g. Estimated interest payments plus debt repayments.
h. Balance of households' use of disposable income account.
i. Gross saving less estimated debt repayments.

Meanwhile, the net wealth of the sector continued to grow in Q2, driven by stock market developments and, above all, by the price of property. As a result of the increase in the value of property, the affordability of housing continued to deteriorate.

5.3 Non-financial corporations

The financing conditions of companies were also highly favourable in Q3. Thus, in August, the interest rates charged by credit institutions on new loans to companies remained at low levels (2.9%-4%, depending on the size of the transaction), similar to those in June. Likewise, according to the latest Bank Lending Survey, the institutions planned to offer lending terms between July and September similar to those existing between April and June, while expecting companies' demand for funds to continue to accelerate. At the same time, the reduction in the public debt yield and moderate risk premia enabled the costs of financing to fall further, albeit only slightly, while the rise in stock market indices tended to facilitate the raising of funds on equity markets.

DEBT RATIOS OF NON-FINANCIAL CORPORATIONS (a) CHART 26



SOURCE: Banco de España.

a. Indicators calculated drawing on the CBSO annual and quarterly surveys (CBA and CBQ), except the series «total non-financial corporations», which was obtained from the National Accounts (CNE and FASE). Until 2000, the income of the sector corresponds to the CNE with base 1995. From 2000, a provisional estimate consistent with the CNE with base 2000 was used.
b. Interest-bearing borrowed funds.
c. Gross operating profit plus financial revenue.
d. Defined as total inflation-adjusted assets less non-interest-bearing liabilities.
e. Excluding holding companies.
f. Aggregate of all the firms belonging to the Endesa, Iberdrola, Repsol and Telefónica groups. Adjusted for intra-group financing to avoid double counting.

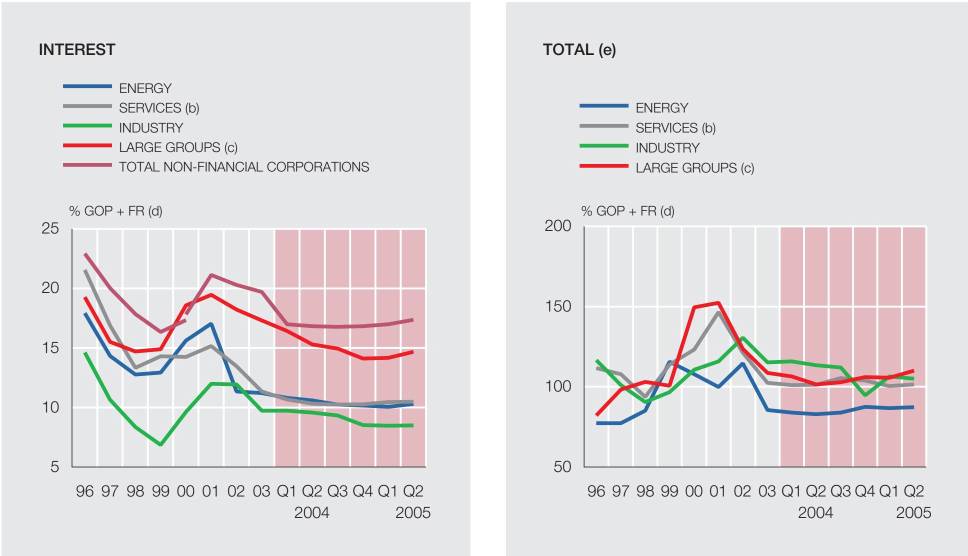
Against this background, the volume of the liabilities-side transactions of corporations between April and June was large, exceeding 24.1% of GDP in cumulative twelve-month terms, up 2.3 pp from March (see Table 6). By instrument, the main source of financing continued to be external funds. Within the latter, credit from resident financial institutions accounted for the bulk of the funds, with a flow equivalent to 10.8% of GDP, while loans from non-residents remained at similar levels to Q1 (0.8%) and the net issuance of fixed-income securities was practically zero. Meanwhile, those in the form of shares and other equity fell by 0.3 pp to 2.4% of GDP, despite the improvement in financing conditions on stock markets. In terms of rates of change, the year-on-year growth of debt reached more than 16% in June, an increase of 1.5 pp from March. The latest provisional information shows no significant changes in this accelerating profile.

The amount of the financial investments of non-financial corporations also grew, although more moderately, to 17.5% of GDP in cumulative twelve-month terms, up 1.3 pp from March. The breakdown by instrument shows that the largest change was in the heading that includes trade credit (included in the item “other” of Table 6), the volume of which stood at 10.7% of GDP (1.3 pp above the previous figure). Meanwhile, share purchases fell by 0.3 pp, to 4.6% of GDP, this being fully explained by the behaviour of securities issued by non-residents, while funds in other deposits and fixed-income securities increased by a similar amount to reach 1% of GDP.

As a result of these developments in assets and liabilities-side transactions, there was a notable rise in the net borrowing of corporations to 6.5% of GDP in June, in cumulative twelve-month terms, a figure that was 0.9 pp higher than in March (see Table 5). Meanwhile, the fi-

DEBT BURDEN OF NON-FINANCIAL CORPORATIONS (a)

CHART 27

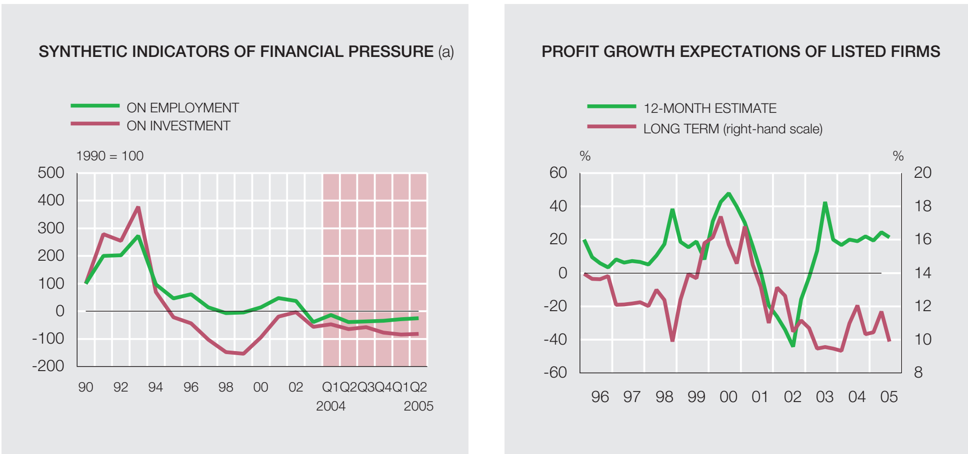


SOURCE: Banco de España.

a. Indicators calculated drawing on the CBSO annual and quarterly surveys (CBA and CBQ), except the series "total non-financial corporations" which was obtained from the National Accounts (CNE and FASE). Until 2000, the income of the sector corresponds to the CNE with base 1995. From 2000, a provisional estimate consistent with the CNE with base 2000 was used.
b. Excluding holding companies.
c. Aggregate of all the firms belonging to the Endesa, Iberdrola, Repsol and Telefónica groups. Adjusted for intra-group financing to avoid double counting.
d. Gross operating profit plus financial revenue
e. Includes interest plus interest-bearing short-term debt.

OTHER FINANCIAL INDICATORS OF NON-FINANCIAL CORPORATIONS

CHART 28

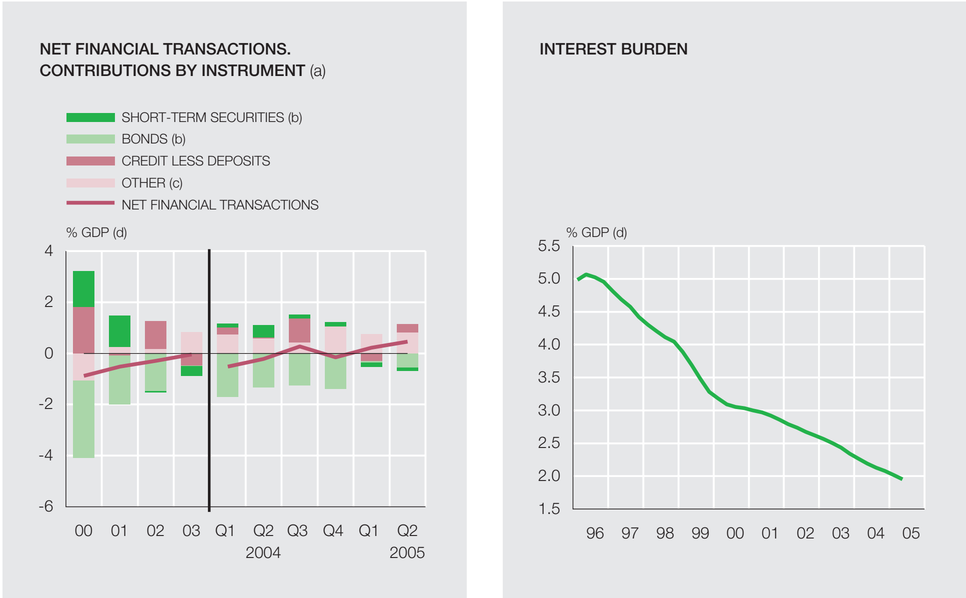


SOURCES: I/B/E/S and Banco de España.

a. Indicators estimated drawing on the CBSO annual and quarterly surveys. A value above (below) 100 indicates more (less) financial pressure than the reference level.

GENERAL GOVERNMENT
Cumulative four-quarter data

CHART 29



SOURCE: Banco de España.

a. A positive (negative) sign denotes an increase (decrease) in assets or a decrease (increase) in liabilities.
b. Includes only liabilities transactions.
c. Includes unpaid accrued interest on bonds.
d. CNE with base 2000.

nancing gap, which approximates the funds necessary to undertake gross capital formation and foreign direct investment rose to 9.6%.

The rapid expansion of the external funds of the companies caused the aggregate debt of the sector to continue to grow, to 430% of gross operating profit plus financial revenue (see Chart 26). Also, interest payments rose relative to profits, although they remained at moderate levels thanks to the stability of the costs of financing (see Chart 27). Similar developments were seen in the case of companies belonging to large industrial groups. Meanwhile, the ordinary net profit of firms reporting to the quarterly survey of the Central Balance Sheet Data Office grew by 10.7% during the first half. Although this figure was below the 21.2% rate recorded in the same period of the previous year, it was sufficient to raise the returns on investment (8.2%) and on equity (12%) and to keep the synthetic indicators of financial pressure on investment and on employment at historically low levels (see Chart 28).

Finally, analysts' expectations as to the earnings growth of listed non-financial corporations were revised slightly downwards in Q3, although in the case of short-run expectations they remained high.

5.4 General government

In 2005 Q2, the balance of the general government sector's net financial transactions was again positive, making for a further improvement in the sector's financial saving in cumulative twelve-month terms, which stood at 0.5% of GDP, as against 0.2% in March (see Chart 29).

In terms of instruments, there was a positive net issuance of short and long-term securities by general government, in cumulative twelve-month terms, while the balance of its deposits rose relative to the same period of the previous year. For their part, interest payments continued to

FINANCIAL TRANSACTIONS OF THE NATION
Cumulative four-quarter data

TABLE 7

% GDP (a)

	2001	2002	2003	2004	2005	
				Q4	Q1	Q2
NET FINANCIAL TRANSACTIONS	-3.7	-2.8	-3.1	-4.8	-5.5	-6.0
FINANCIAL TRANSACTIONS (ASSETS)	11.0	13.0	12.9	12.0	13.2	12.9
Gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	-2.6	3.3	0.7	3.4	3.3	2.6
Securities other than shares	6.9	4.1	6.5	1.7	2.4	3.4
Of which:						
Credit institutions	1.9	0.5	3.5	1.0	0.6	1.9
Institutional investors (b)	5.2	3.1	3.1	0.0	1.2	1.0
Shares and other equity	4.4	5.0	4.7	5.7	5.8	5.1
Of which:						
Non-financial corporations	3.9	4.8	4.5	2.6	3.4	3.1
Institutional investors (b)	0.4	-0.1	1.1	1.0	1.0	0.6
Loans	2.3	0.6	0.9	1.3	1.6	1.8
FINANCIAL TRANSACTIONS (LIABILITIES)	14.6	15.8	16.0	16.8	18.7	18.9
Deposits	2.5	4.0	6.9	1.7	2.2	0.5
Securities other than shares	2.9	4.3	5.3	12.2	12.6	15.1
Financial institutions	1.4	3.1	6.4	9.6	11.3	14.1
Other national sectors	1.5	1.2	-1.1	2.6	1.4	1.0
Shares and other equity	4.4	4.0	1.1	1.9	2.1	1.8
Of which:						
Non-financial corporations	3.8	3.3	1.3	0.9	1.3	0.9
Loans	4.2	3.3	3.2	1.5	2.1	2.0
Other, net (c)	0.7	0.2	-0.5	-0.5	-0.5	-0.5

SOURCE: Banco de España.

a. CNE, base 2000.
b. Insurance corporations and portfolio investment institutions.
c. Includes the asset-side caption reflecting insurance technical reserves.

fall relative to GDP, as a result of both the fall in financing costs and the downward path of the debt-to-GDP ratio.

5.5 *The rest of the world*

In 2005 Q2, the debit balance of the nation's financial transactions continued to deteriorate, to 6% of GDP, in cumulative twelve month terms, as against 5.5% in March (see Table 5). By sector, this behaviour was the result of higher net borrowing by non-financial corporations and households, which was not fully offset by general government saving.

In Q2, investment in external assets by resident sectors amounted to 12.9% of GDP, in cumulative twelve-month terms, down 0.3 pp from March (see Table 7). By instrument, purchases of shares and other equity abroad continued to account for a high percentage of flows, representing 5.1% of GDP. Meanwhile, funds in the form of cash and deposits fell by 0.7 pp, to 2.6% of GDP while securities other than shares rose by 1 pp, to 3.4% of GDP.

For their part, the new liabilities assumed vis-à-vis the rest of the world amounted to 18.9% of GDP, in cumulative twelve-month terms, 0.2 pp above the figure recorded in March. By instrument, the bulk of the capital inflows were channelled through the issuance of securities other than shares by financial institutions, which totalled 14.1% of GDP, up 2.8 pp from 2005 Q1.

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

TABLE 8

% GDP (b)

	2000	2001	2002	2003	2004	2005 (c)
National economy	-26.1	-27.1	-30.0	-36.0	-42.1	-43.8
Non-financial corporations and households and NPISHs	-9.6	-10.6	-11.2	-13.6	-12.5	-9.3
Non-financial corporations	-16.6	-17.7	-18.0	-21.1	-20.7	-17.9
Households and NPISHs	6.9	7.0	6.8	7.5	8.3	8.6
Financial institutions	7.3	7.4	5.6	-1.3	-6.6	-11.4
Credit institutions (d)	-11.9	-14.1	-14.3	-21.7	-22.9	-23.2
Institutional investors (e)	20.1	23.3	23.4	26.4	26.6	27.2
Other financial institutions	-0.9	-1.8	-3.4	-6.0	-10.4	-15.5
General government	-23.7	-23.9	-24.4	-21.1	-23.0	-23.1

SOURCE: Banco de España.

a. Calculated as the difference between the stocks of financial assets and liabilities vis-à-vis the rest of the world according to quarterly financial accounts data.
b. CNE, base 2000.
c. Q2 data.
d. Defined in accordance with the First Banking Directive.
e. Insurance corporations and portfolio investment institutions.

This shows the central role played by these institutions in raising abroad the funds necessary to finance the economy's growing external deficit.

Finally, the developments in flows with the rest of the world, along with the changes in the price of financial assets and the exchange rate, led to a further increase in the debit position of the Spanish economy vis-à-vis the rest of the world, which stood in June at 43.8% of GDP (see Table 8). By sector, there was a deterioration in the position of financial institutions, which was not fully offset by the improvement in that of non-financial corporations and households.

18.1.2006.

Results of non-financial corporations to 2005 Q2[1]

Introduction

In the first half of 2005, the activity of the non-financial corporations reporting to the Central Balance Sheet Data Office grew slightly more slowly than in the previous years. As Table 1 and Chart 1 show, the gross value added (GVA) of these corporations as a whole grew by 4.7% in nominal terms in the first half of the current year, a rate slightly lower than that in the first half of 2004 (5%). This picture is affected by the comparatively high weight in the Central Balance Sheet Data Office quarterly survey (CBQ) of certain activities whose GVA is linked to oil price movements. Thus, if oil refining and marketing corporations – whose overall GVA growth outstripped the average rise in euro-denominated oil prices (which rose by 44.7% in the period) – are excluded, the resulting overall growth rate for the other corporations was 2.7% in the first half of 2005, compared with 5.5% in the first half of 2004. It should be borne in mind, however, that the rates of this sub-aggregate are also affected, albeit in the opposite direction, by the impact of the higher oil prices on those activities for which oil is an input, as in the case of electric utilities and transport corporations. Finally, it should be noted that construction and "other services" (the activities currently showing the fastest growth rates, according to alternative indicators) have a very low weight within the CBQ, and that the slight slowdown in value added in the first half took place against a background of strong growth in turnover (16.8%, against 5.8% in the first half of 2004), indicating a high outflow of finished products.

Most noteworthy in the sectoral breakdown of activity, apart from what has been remarked on above, was that the energy sector reported growth of 10.2% (well above the 1.9% of the previous year), a rate which reflects the aforementioned opposite effect of the oil price rise on refining corporations and on electric utilities. Industrial corporations as a whole recorded a GVA increase in the first half of 3.1%, equal to that in the same period a year earlier and much less than that in 2004 (6.2%). Wholesale and retail trade again put in the second most favourable performance after energy, which was consistent with the behaviour of private consumption. Nevertheless, the sector showed a certain slowdown. The activity of transport and communications also slowed, with GVA growth of 1.6% in the first half of 2005, against 5.1% in the same period a year earlier, due to higher fuel costs and the sharp increase in advertising expenses of the major telecommunications corporations. Against this background it was noteworthy that employment performed well, its recent movements confirming the upward trend initiated in mid-2004. The average number of workers increased by 0.8%, as against the decrease of 0.5% in the first half of 2004, and permanent employment, which grew by 1.2%, was that which saw the largest rise, while temporary employment fell by 1.3%, due to some extent to the conversion of temporary contracts into permanent ones. Once again it should be pointed out that the behaviour of employment in the CBQ is affected by the staff reduction at a large telecommunications corporation. Despite this, it is the best employment figure posted by CBQ sample corporations since 2000. Meanwhile, average compensation again grew by 2.8%, down half a percentage point on the rate in the first half of 2004.

The employment growth explains why personnel costs of the corporations reporting to the CBQ increased by 3.6%, nearly half a percentage point more than they did a year earlier, re-

1. This article is based on the data provided to 15 September 2005 by the 710 corporations that reported information to the quarterly survey of the Central Balance Sheet Data Office (CBQ). These corporations account for 12.1% of the gross value added at basic prices of the total sector non-financial corporations.

PROFIT AND LOSS ACCOUNT. YEAR-ON-YEAR CHANGES AND PROFIT RATIOS TABLE 1
Growth rates of the same corporations on the same period a year earlier

	CBA STRUCTURE	CBA		CBQ (a)		
DATABASES	2003	2002	2003	04 Q1-Q4/ 03 Q1-Q4	04 Q1-Q2/ 03 Q1-Q2	05 Q1-Q2/ 04 Q1-Q2
Number of corporations		8,419	8,525	809	831	710
Total national coverage		30.1%	30.2%	14.9%	15.5%	12.1%
PROFIT AND LOSS ACCOUNT						
1. VALUE OF OUTPUT	100.0	2.8	6.2	7.7	4.8	13.4
Of which:						
Net amount of turnover and other operating income	131.3	3.8	5.9	8.2	5.8	16.8
2. INPUTS (including taxes)	67.2	1.5	6.0	8.6	4.7	18.6
Of which:						
Net purchases	38.8	-1.1	4.3	9.8	3.6	24.1
Other operating costs	28.1	6.4	8.0	7.0	7.7	8.7
S.1. GROSS VALUE ADDED AT FACTOR COST [1-2]	32.8	5.6	6.6	6.1	5.0	4.7
3. Personnel costs	17.1	5.3	4.7	3.0	2.7	3.6
S.2. GROSS OPERATING PROFIT [S.1-3]	15.7	5.9	8.7	8.6	6.9	5.4
4. Financial revenue	2.8	-6.0	10.0	6.9	15.3	11.0
5. Financial costs	2.8	-3.6	-2.0	-5.4	-6.4	6.8
6. Depreciation and operating provisions	6.9	3.2	4.9	-1.0	-2.7	-1.9
S.3. ORDINARY NET PROFIT [S.2 + 4-5-6]	8.8	7.7	16.4	19.2	21.2	10.7
7. Capital gains and extraordinary revenue	5.4	51.2	5.3	-38.9	-65.4	76.6
8. Capital losses and extraordinary expenses	3.4	34.1	-28.6	-17.6	-44.4	89.0
9. Other (net provisioning and income tax)	4.9	105.6	-34.5	-3.2	-0.5	-37.7
S.4. NET PROFIT [S.3 + 7-8-9]	5.9	-81.3	(b)	3.7	-8.2	31.9
NET PROFIT/GVA (S.4/S.1)		2.0	17.9	23.4	25.6	33.8
PROFIT RATIOS						
R.1 Return on investment (before taxes)	(S.3+5.1)/NA	7.9	7.7	8.5	7.4	8.2
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1/IBB	4.4	3.9	4.0	4.0	4.0
R.3 Ordinary return on equity (before taxes)	S.3/E	11.0	10.9	12.4	10.3	12.0
R.4 ROI - cost of debt (R.1 - R.2)	R.1–R.2	3.6	3.8	4.5	3.4	4.2

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 significant or not calculable because the relevant figures are of opposite sign.
c. The variables in the formulas are expresed as absolute values. 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.

sulting in gross operating profit growth of 5.4%, which was higher than that of GVA although one and half percentage points lower than in the same period a year earlier. This behaviour was apparent in all economic sectors except refining, for the reasons given above. Financial costs grew by 6.8%, basically because corporations took advantage of the favourable interest rates to borrow fresh funds. Financial revenue grew by 11% in the first half of 2005, reflecting the inflow of dividends into the parents of multinational groups due to the favourable earnings performance of their subsidiaries in Latin America. All this enabled the growth rate of ordinary net profit (ONP) to quicken to 10.7% in the first half of 2005. This increase, although lower than the 21.2% recorded in the previous year, was sufficient to maintain – and even improve – profit ratios (due, among other things, to the behaviour of financial costs in the two periods), as evidenced by the difference of 4.2 percentage points between the ROI and the cost of debt. The favourable performance of extraordinary results (on the one hand, gains on one-off real estate sales and exchange gains and, on the other, sharp falls in net impairment losses on the

NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE

CHART 1

REPORTING NON-FINANCIAL CORPORATIONS		2000	2001	2002	2003	2004	2005
Number of corporations	CBA	8,492	8,422	8,419	8,525	—	—
	CBQ	883	859	848	833	809	710
% of GDP of the sector non-financial corporations	CBA	30.7	30.1	30.1	30.2	—	—
	CBQ	16.5	15.7	15.8	15.4	14.9	12.1

SOURCE: Banco de España.

a. 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 four quarters of 2004 relative to the same period in 2003.
c. Average of the first two quarters of 2005 relative to the same period in 2004.

control portfolio, reflecting the improvement in the Latin American economies) helped total net profit to grow by 31.9% and account for 33.8% of GVA.

In short, in the first half of 2005 the business activity reflected by the CBQ (in which neither construction nor services other than wholesale and retail trade and transport are well represented) held at sustained moderate growth rates similar to those recorded in the early months of the year, albeit slightly down on those in the same period a year earlier. This mild slowdown was seen in most sectors, although basically in those affected by the higher prices of oil inputs. Also apparent was the expansionary course of turnover. Other noteworthy developments were

NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE (cont'd)

CHART 1

REPORTING NON-FINANCIAL CORPORATIONS		2000	2001	2002	2003	2004	2005
Number of corporations	CBA	8,492	8,422	8,419	8,525	—	—
	CBQ	883	859	848	833	809	710
% of GDP of the sector	CBA	30.7	30.1	30.1	30.2	—	—
non-financial corporations	CBQ	16.5	15.7	15.8	15.4	14.9	12.1

SOURCE: Banco de España.

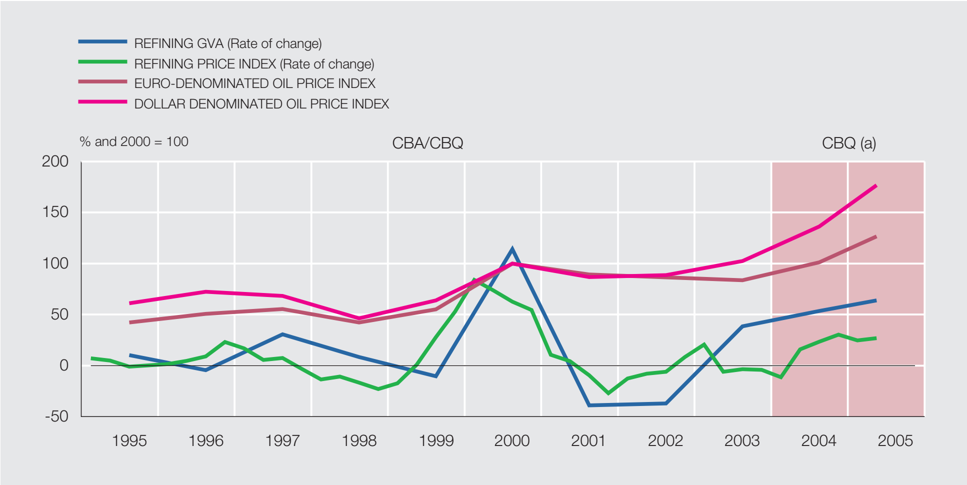
a. 2000, 2001, 2002 and 2003 data are the average data of the four quarters of each year (CBQ) in relation to the previous year for the corporations reporting to the annual survey (CBA).
b. Average of the four quarters of 2004 in relation to the same period in 2003.
c. Average for the first two quarters of 2005 in relation to the same period in 2004.

the healthy trend in employment, which in the CBQ sample corporations grew for the fourth quarter running, the moderate behaviour of average compensation and the favourable performance of financial revenue and costs, all of which explain the continued high profit ratios.

Activity

The CBDO data show that in the first half of 2005 business activity grew moderately, in line with that recorded in 2005 Q1. GVA grew at a nominal rate of 4.7%, reflecting a slight slowdown compared with the rate of 5% in the first half of 2004. This slowdown becomes more marked upon deducting the effect exerted on this rate by the growth in the GVA of refining and

IMPACT OF OIL PRICES ON THE REFINING SECTOR CHART 2



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

a. 2004 and 2005 data relate to the CBQ.

fuel marketing corporations, which rose by 53% with respect to the first half of 2004, basically due to the average growth of euro denominated oil prices, estimated at 44.7% in the first half of 2005 with respect to the same period of the previous year (see Chart 2)[2]. In short, if refining and fuel marketing corporations are excluded from the aggregate "total corporations" of the sample in the first half of 2005, the GVA of this subtotal grows by 2.7% in the first half of 2005, against 5.5% in the same period a year earlier, which clearly shows how the oil price fluctuations are significantly affecting the sample corporations as well as refining and fuel marketing corporations, electric utilities and transport corporations. Also, it should be kept in mind that, unlike in the annual survey of the Central Balance Sheet Data Office (CBA), the corporations making up the CBQ are not a very representative sample of the sectors that, according to alternative indicators, are growing most robustly, i.e. construction and services. The CBQ data on construction are classified in the grouping "activities with low coverage", which is taken into account on calculating the aggregate "total corporations", but which, given its low weight, is not expressly listed in the sectoral breakdowns in Tables 2A and 5, and which has been growing faster than the average of the aggregate. Services, leaving aside wholesale and retail trade and transport, are not well represented in the CBQ either. As in the case of construction, there is a third services grouping (called "other services") which, although obviously taken into account in calculating the aggregate "total corporations", is not listed in the aforementioned tables, for the same reasons as in the previous case. These "other services" have also been growing at higher rates than wholesale and retail trade and the aggregate "total corporations", so if they had had a higher weight in the sample, the rate of aggregate GVA growth would have been higher than stated here. As can be seen in Table 1, turnover is showing strong growth (16.8%) which is not fully reflected in the rate of production growth (13.4%), since the base information shows that there is an outflow of stocks of merchandise and finished products. Purchases (growth of 24.1%) also trended favourably, which can also be interpreted as reflecting favourable business expectations. This rate is higher than that of inputs (18.6%), in this case because other operating costs grew moderately (8.7%) in the period. The

2. In the first half of 2004, the GVA of refining and fuel marketing corporations changed at a rate of -5.4%. This implies that, possibly due to lags between production and marketing, the oil price rises (estimated at 28.9% in that period) were not passed through to production in that period.

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	04 Q1-Q4	04 Q1-Q2	05 Q1-Q2	2003	04 Q1-Q4	04 Q1-Q2	05 Q1-Q2	2003	04 Q1-Q4	04 Q1-Q2	05 Q1-Q2	2003	04 Q1-Q4	04 Q1-Q2	05 Q1-Q2
Total	6.6	6.1	5.0	4.7	1.3	-0.1	-0.5	0.8	4.7	3.0	2.7	3.6	3.4	3.1	3.2	2.8
SIZE																
Small	5.0	—	—	—	0.9	—	—	—	6.1	—	—	—	5.1	—	—	—
Medium	6.0	3.9	4.7	2.4	2.0	-0.4	-0.8	0.8	6.8	3.5	2.9	4.9	4.7	3.9	3.7	4.1
Large	6.7	6.2	5.1	4.8	1.2	0.0	-0.5	0.8	4.4	2.9	2.7	3.5	3.2	2.9	3.2	2.7
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	2.6	5.6	1.9	10.2	-1.7	-1.1	-1.3	-0.7	1.5	2.9	2.9	3.1	3.3	4.0	4.3	3.8
Industry	5.3	6.2	3.1	3.1	-0.7	-1.0	-1.8	0.9	2.8	1.6	0.4	3.8	3.5	2.6	2.2	2.9
Wholesale and retail trade	8.4	7.9	7.3	4.8	5.3	4.3	4.4	2.2	8.6	6.5	5.9	4.6	3.1	2.1	1.4	2.3
Transport and communications	6.7	4.6	5.1	1.6	-0.7	-1.7	-2.0	-0.4	2.9	1.7	2.3	2.5	3.6	3.5	4.4	2.9

SOURCE: Banco de España.

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

scant information available on the source of purchases and the destination of sales indicates (see Table 3) that the weight of exchanges with other EU countries declined in the second half of 2005. On CBA data, this trend started in 1999, which in the case of purchases (imports) is explained by a shift towards other, possibly Asian, suppliers of purchases previously made in the EU and, in the case of sales (exports), by an increase in relative terms in those to the Spanish market, to the detriment of those to the EU. Both developments are consistent with the alternative indicators of competitiveness and exports.

The sectoral breakdown (see Table 2.A) shows that the GVA of the energy sector increased sharply in the first half of 2005 (10.2%), well above the rate in the same period of 2004 (1.9%), as a result of the performance of the refining corporations referred to above. The electricity sector – the other large aggregate that, together with refining corporations, makes up the energy sector – saw a slight decrease in its GVA growth rate to 1.5% in the first half of 2005, as compared with a 1.7% rise a year earlier. The contraction in the margins of electricity generating corporations is explained by the poor weather conditions, which favoured the generation of thermal electricity to the detriment of hydroelectricity. Since the fuel used by thermal power stations is affected by the oil price rises, production costs increase. Regarding this sector, it should be kept in mind that the cost of acquiring gas emission allowances additional to those initially granted to each corporation under the Kyoto Protocol do not affect the measurement of the sector's GVA[3]. In the whole of the first half, the GVA of industrial corporations increased

3. The current regulations (Law 1/2005 of 9 March 2005) stipulate a greenhouse gas emission limit based on the allowances previously assigned to each economic sector. Companies exceeding these limits must acquire supplementary allowances in the market. In compliance with these regulations, the electric utilities reporting to the CBSO recorded as an input the purchase of emission allowances additional to those initially assigned to them (a cost of €116 million in the first half). If this entry had been included in preparing this report, it would have affected the determination of the GVA of the corporations in the sector, which would have been reduced by the amount of this input. The approach taken in preparing this article was to record these costs as extraordinary expenses, which is more consistent with the way transactions of this type are treated in the National Accounts (acquisition of intangible assets), and, as a result, the determination of the GVA generated by these corporations is not affected.

EMPLOYMENT AND PERSONNEL COSTS
Details based on changes in staff levels

TABLE 2.B

		TOTAL CBQ CORPORATIONS 05 Q1 - Q2	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations		710	416	294
PERSONNEL COSTS				
Initial situation 04 Q1-Q2 (€m)		10,566.0	5,947.5	4,618.5
Rate 05 Q1-Q2/ 04 Q1-Q2		3.6	7.5	-1.3
AVERAGE COMPENSATION				
Initial situation 04 Q1-Q2 (€)		20,207.3	17,980.9	24,040.6
Rate 05 Q1-Q2/ 04 Q1-Q2		2.8	3.4	3.4
NUMBER OF EMPLOYEES				
Initial situation 04 Q1-Q2 (000s)		523	331	192
Rate 05 Q1-Q2/ 04 Q1-Q2		0.8	3.9	-4.6
Permanent	Initial situation 04 Q1-Q2 (000s)	437	270	167
	Rate 05 Q1-Q2/ 04 Q1-Q2	1.2	4.3	-3.7
Non-permanent	Initial situation 04 Q1-Q2 (000s)	86	61	25
	Rate 05 Q1-Q2/ 04 Q1-Q2	-1.3	2.4	-10.1

SOURCE: Banco de España.

by 3.1%, the same as in the corresponding period of the previous year and much less than in 2004 (6.2%). In any event, the quarterly figures for the first half point to a mild acceleration (in 2005 Q1 GVA increased by 1.9%, and in 2005 Q2 it was up by 4.9%), probably because the improvement in capital goods investment has had a positive impact on this aggregate in 2005 to date (Box 1 looks in greater detail at the performance of the industrial sector). Wholesale and retail trade was again responsible for the next most favourable performance after the energy sector, with growth of 4.8% (consistent with the continued strength of private consumption). However, comparison of this performance with that a year earlier (7.3%) discloses a certain slowdown, which persists after the fuel marketing corporations are eliminated from the calculation (growth of 6% against 10.7% in the first half of 2004). The activity of transport and communications again slowed, since GVA grew by 1.6% in the first half of 2005, against 5.1% in the same period a year earlier. This moderation is explained by the higher fuel costs borne by transport corporations, along with a sharp increase in advertising costs of the major telecommunication corporations.

Finally, Chart 3 shows the distribution of corporations by GVA growth, disregarding size and economic sector. It can be seen that in the second half of 2005 the percentage of corporations with GVA growth decreased to around three and a half percentage points (the percentage of corporations with GVA declines rose by around three and a half percentage points). These figures confirm that the moderate growth of the value added of the sample corporations was fairly widespread, i.e. it was shared by most of them, regardless of size or activity, with the particularly significant exceptions mentioned above (basically refining corporations and, for different reasons, those using oil as an input).

Employment and personnel costs

In the first half of 2005 personnel costs increased by 3.6%, one percentage point more than the rise a year earlier. This greater growth is basically due to the favourable performance of employment, which grew by 9.8% (against –0.5% in the first half of 2004 with respect to the first half of 2003), while average compensation, although growing somewhat

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

TABLE 3

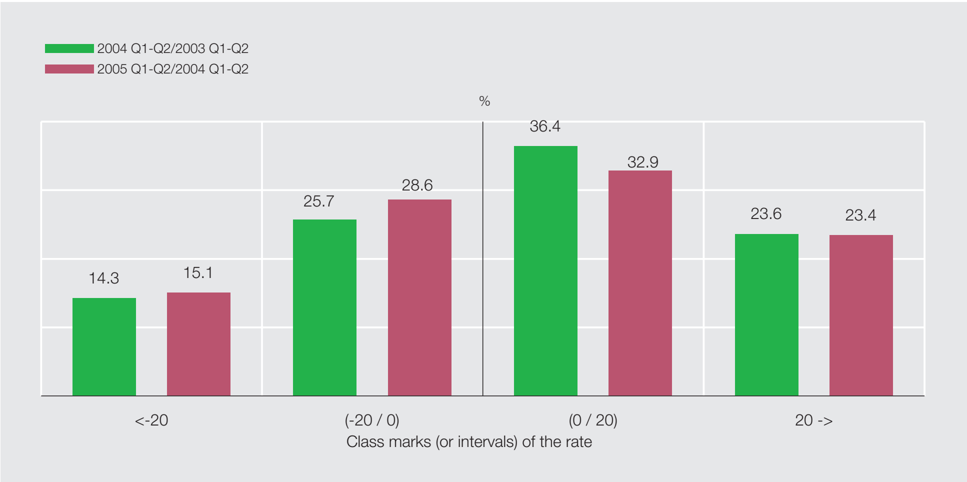
		CBA	CBQ (a)	
		2003	04 Q1-Q2	05 Q2-Q1
Total corporations		8,525	710	710
Corporations reporting source/destination		8,525	687	687
Percentage of net purchases according to source	Spain	69.3	79.5	81.1
	Total abroad	30.7	20.5	18.9
	EU countries	18.9	14.9	12.8
	Third countries	11.8	5.6	6.1
Percentage of net turnover according to destination	Spain	83.1	88.7	89.0
	Total abroad	16.9	11.3	11.0
	EU countries	12.6	8.2	7.5
	Third countries	4.3	3.1	3.5

SOURCE: Banco de España.

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

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

CHART 3



SOURCE: Banco de España.

less than in the first half of 2004, held at rates of change around 3% for the two periods under comparison.

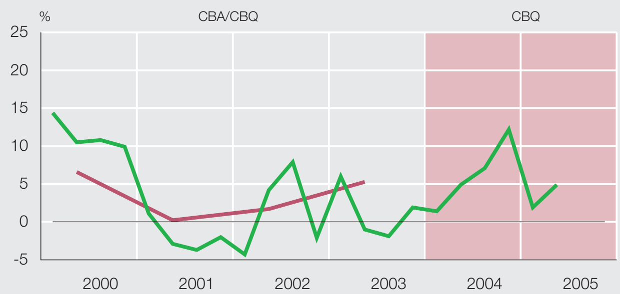
The performance of employment is a significant statistic, because this is the fourth quarter running in which the rate has been positive. Moreover, as explained in previous articles, the rate of change of employment for the half (0.8%) has been affected by an extraordinary staff reduction at a large telecommunications corporation. Permanent employment grew by 1.2%, while temporary employment showed a negative rate of –1.3%, partially explained by the conversion of temporary contracts into permanent ones. All sectors saw favourable employment behaviour, particularly, once again, wholesale and retail trade, which recorded the highest rise in average staff (2.2%), although, as pointed out in the previous section, there was a certain slowdown

The industrial corporations reporting to the CBQ grew at a rate of 3.1% in the first half of 2005, equal to that in the previous year although notably less than that in 2004 as a whole (6.2%), and this, owing to the favourable performance of investment in capital goods in the second half of that year, spurred activity in the sector. Against this background, mention should be made of the poor performance in the first half of 2005 by the food, beverages and tobacco sub-sector (the GVA of which fell by 3.8%) and the transport equipment manufacturing sub-sector, whose GVA fell by 8.7% as a result of highly aggressive price cutting policies which mainly affected the 2005 Q1 figures although they continue causing a substantial decrease in the GVA of the half as a whole. Excluding both these sub-sectors, the other industrial corporations posted a notably more expansionary increase, in line with the performance in the second half of 2004. This positive trend was also apparent in the healthy employment figures for the third consecutive quarter, where the increase of 0.9% in the first half of 2005 seems to confirm the resumption of job creation in this aggregate, albeit still mildly. Average compensation – like that of the total sample corporations, as mentioned above – held on a moderate course, growing at a rate of 2.9% in 2005 to date. Also, as in the total sample, there was a certain pick-up in the growth rate of average compensation in Q2 (the rate was 3.3% in Q2, while it was 2.6% in Q1), very likely associated with the pass-through of inflationary pressures generated as result of the sharp oil price rises. As a consequence of the overall behaviour of activity and personnel costs, the gross operating profit of industry rose by 2.2%, while ONP was up by 1.9%. These results enabled industrial corporations to continue posting notable ROI levels (8.2%), albeit slightly lower than those reported a year earlier (8.7%). Given all the foregoing, the resulting value of the ratio measuring the cost of borrowed funds in the first half of 2005 (3.7%) enabled the spread between ROI and the cost of debt to remain at high values (4.5 pp).

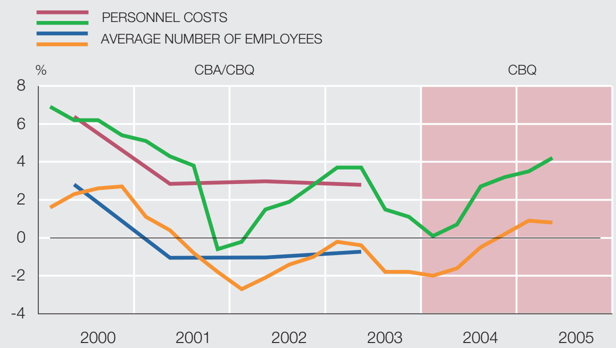
In short, industrial corporations continued to move towards steadier growth, albeit more moderate than in the preceding phase, and resumed job creation while maintaining high rates of return. Signs of weakness persisted, and these might intensify if the risks threatening this aggregate (basically lack of buoyancy of foreign demand and low productivity) are not overcome.

PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO

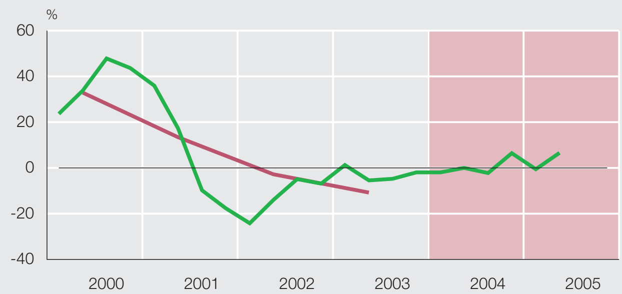
GROSS VALUE ADDED AT FACTOR COST
Rate of change



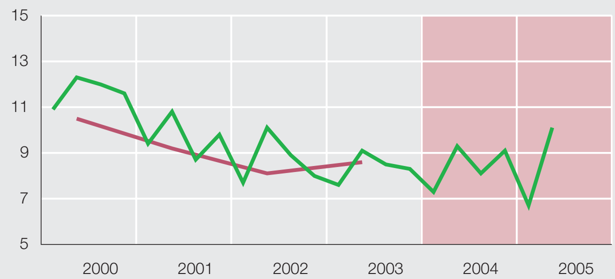
EMPLOYMENT AND WAGES
Rate of change



FINANCIAL COSTS
Rate of change



RETURN ON INVESTMENT
Ratios



REPORTING INDUSTRIAL CORPORATIONS		2000				2001				2002				2003				2004				2005			
Number of corporations	CBA	2,974				2,814				2,715				2,527				–				–			
	CBQ	431	411	390	378	402	392	380	363	389	375	365	354	367	361	352	345	350	340	332	318	312	240	–	–
% of GDP of the sub-sector industrial corporations	CBA	31.4				28.2				27.9				27.6				–				–			
	CBQ	26.6	26.6	25.2	25.4	22.2	21.7	20.6	21.0	21.0	21.1	20.3	19.3	20.3	20.1	18.7	18.6	20.7	20.9	19.0	19.4	18.6	13.4	–	–

SOURCE: Banco de España.

PERSONNEL COSTS, EMPLOYEES AND AVERAGE COMPENSATION TABLE 4
Percentage of corporations in specific situations

	CBA		CBQ (a)			
	2002	2003	03 Q1 - Q4	04 Q1 - Q4	04 Q1 - Q2	05 Q1 - Q2
Number of corporations	8,419	8,525	833	809	831	710
PERSONNEL COSTS	100	100	100	100	100	100
Falling	27.8	25.4	31.2	32.3	33.1	29.3
Constant or rising	72.2	74.6	68.8	67.7	66.9	70.7
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	31.2	31.4	45.2	44.5	45.5	41.4
Constant or rising	68.8	68.6	54.8	55.5	54.5	58.6
AVERAGE COMPENSATION RELATIVE TO INFLATION	100	100	100	100	100	100
Lower growth (b)	47.1	37.2	43.7	46.8	45.6	49.6
Higher or same growth (b)	52.9	62.8	56.3	53.2	54.4	50.4

SOURCE: Banco de España.

a. Weighted average of the relevant quarters for each column.
b. Twelve-month percentage change in the CPI.

compared with the rate in the same period a year earlier (4.4%). After the effect of the aforementioned staff reduction has been eliminated, the transport and communications sector shows an increase in employment of 1.2%, very similar to that in the previous year. The industrial sector again reported net rises in employment in the half (0.9%), and any assessment of this must take into account that in the last few years the employment rates of this CBQ sector have been negative. Finally, yet another quarter, the energy sector was again the only one that continued to report net declines in employment, with a change of –0.7% as a result of the staff reduction processes associated with the progressive deregulation of electricity sector corporations which, as mentioned in previous articles, exhibits a progressive mild downward trend.

Average compensation held on a moderate path, with growth of 2.8% for the first half of 2005, half a percentage point less than the increase in the same period of 2004. Nevertheless, the quarterly profile of the series showed a certain acceleration in 2005 Q2 (average compensation rose by 3%, against 2.6% in Q1). As is becoming customary in the CBQ sectoral analyses, mention must be made of the wholesale and retail trade, where personnel costs per worker grew at a rate of 2.3%, in line with its status as the most dynamic aggregate as regards job creation. Table 2.B shows, among other things, that corporations that reduce staff pay higher average compensation than corporations that increase staff, which reflects, inter alia, the lower cost of new employees. In the first half of 2005, however, for the first time the growth of average compensation at corporations that reduce staff was equal to that at corporations whose staff increases, whereas hitherto average compensation at the former had been growing at a notably higher rate than at the latter. This development will have to be confirmed before any inferences can be drawn as to its significance.

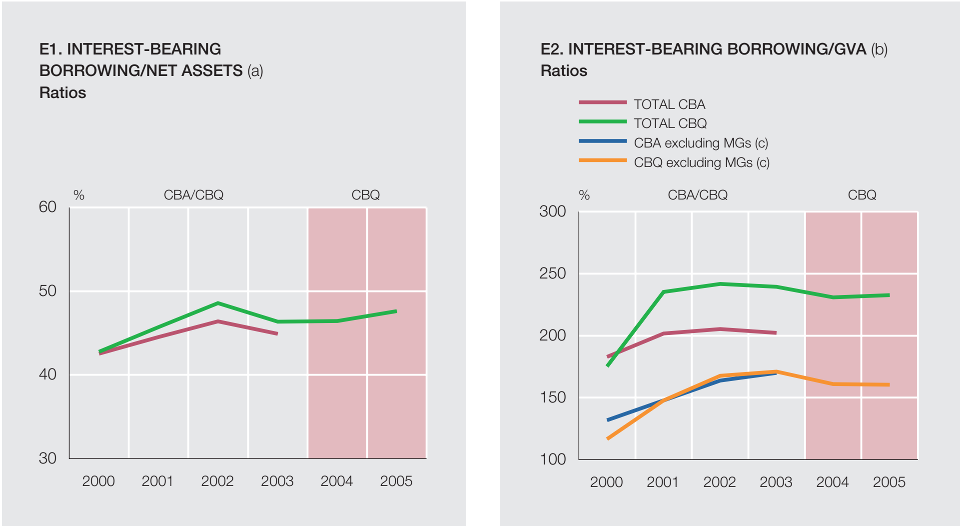
Finally, Table 4 completes what has been said so far on developments in employment. If the situation in the first half of 2005 is compared with that in the same period a year earlier, a significant increase is seen in the percentage of corporations that held unchanged or increased their average staff numbers, while, at the same time, an appreciable rise is apparent in the percentage of corporations at which average compensation grew more slowly than inflation. Both these developments corroborate the healthy trend in the employment and wage cost figures for the total sample.

Profits, rates of return and debt

Since the growth of personnel costs (3.6%) trailed behind that of productive activity (4.7%), gross operating profit grew by more than GVA (5.4%), the rate of which was two and half per-

DEBT RATIOS

CHART 4



	2000	2001	2002	2003	2004	2005
CBA	42.5	44.5	46.4	44.9		
CBQ	42.8	45.7	48.6	46.4	46.4	47.6

	2000	2001	2002	2003	2004	2005
CBA	182.7	201.8	205.4	202.2		
CBQ	175.1	235.1	241.8	239.4	231.0	232.6
CBA excl. MGs	131.7	147.7	163.7	170.1		
CBQ excl. MGs	116.6	147.6	167.6	171.0	160.8	160.3

SOURCE: Banco de España.

a. Ratio calculated from final balance sheet figures. Own funds include an adjustment to current prices.
b. Ratio calculated from final balance sheet figures. Interest-bearing borrowing includes an adjustment to eliminate intragroup debt (approximation of consolidated debt).
c. MGs Sample corporations belonging to the main reporting multinational groups.

centage points less than a year earlier. The rate of change of financial costs was positive for the second consecutive quarter, reflecting an increase of 6.8% in whole of the half. The reasons for this are:

	05 Q1-Q2/04 Q1-Q2
Change in financial costs	**+6.8%**
A. Interest on borrowed funds (1 + 2)	*+6.4%*
1. Due to the cost (interest rate)	+0.6%
2. Due to the amount of interest-bearing debt	+5.8%
B. Commissions and cash discounts	*+0.4%*

The above table shows that the increase in financial costs was mainly due to the inflow of fresh borrowed funds, since the effect of interest-rate fluctuations on this heading was practically nil for the second quarter running, which seems to indicate that interest rates have reached a very low level. Also, taking advantage of the easy financing conditions offered by markets, the corporations reporting to the CBQ have continued to have increasing recourse to additional funds, although they have done so more moderately. The debt figures shown in the table are complemented by those in Chart 4. The ratio E1 (interest-bearing borrowing/net assets) confirms the slight upward trend in 2005 to date. The ratio E2 (consolidated interest-bearing borrowing[4]/

4. The item Consolidated interest-bearing borrowed funds is obtained by eliminating intra-group debt between companies of the same group reporting in the quarterly survey.

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	04 Q1 - Q4	04 Q1 - Q2	05 Q1 - Q2	2003	04 Q1 - Q4	04 Q1 - Q2	05 Q1 - Q2	2003	04 Q1 - Q4	04 Q1 - Q2	05 Q1 - Q2	2003	04 Q1 - Q4	04 Q1 - Q2	05 Q1 - Q2
Total	8.7	8.6	6.9	5.4	16.4	19.2	21.2	10.7	7.7	8.5	7.4	8.2	3.8	4.5	3.4	4.2
SIZE																
Small	3.3	—	—	—	6.0	—	—	—	7.2	—	—	—	2.8	—	—	—
Medium	4.9	4.5	7.2	-0.6	10.3	7.4	16.5	-2.9	7.8	8.3	9.0	8.3	4.0	4.6	5.4	5.0
Large	9.3	8.7	6.9	5.7	17.5	19.7	21.4	11.3	7.8	8.5	7.3	8.2	3.8	4.5	3.3	4.2
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	2.9	6.4	1.6	12.1	4.9	8.4	5.5	22.2	8.2	9.2	8.3	9.3	4.7	5.7	4.8	5.8
Industry	9.1	12.1	6.5	2.2	19.5	30.3	9.9	1.9	8.6	9.6	8.7	8.2	4.8	5.8	4.9	4.5
Wholesale and retail trade	8.3	9.6	9.3	5.1	9.5	9.5	7.3	4.2	10.9	10.6	9.6	8.7	7.1	6.5	5.6	4.7
Transport and communications	9.4	6.5	7.0	1.1	25.6	15.9	18.4	6.4	9.4	14.5	12.6	15.6	5.3	10.1	8.2	11.1

SOURCE: Banco de España.

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

GVA), which shows a more moderate increase, evidences the unchanged relationship between debt and the ability to generate income from ordinary activity. In addition, analysis of the sample corporations excluding those belonging to some of the main multinational groups (MG) shows that this aggregate, characterised by a lower level of debt relative to its GVA, has held on a slightly downward trend in 2005 to date.

As regards financial revenue, the inflow of dividends from foreign subsidiaries meant that this caption increased by 11% and therefore showed notable growth, although not as high as in the same period a year earlier, when it was 15.3%. The favourable performance in recent years of certain areas, basically Latin America, has enabled the large Spanish multinationals to improve the return on their substantial investments in these areas. This improvement, along with the slight fall in depreciation and provisioning, meant that ONP grew by 10.7% in the first half of 2005. This growth, albeit appreciably lower than in the first half of 2004 when ONP grew by 21.2%, was sufficient to enable corporations to report further increases on top of their already high profit levels. Thus ROI and ROE stood at 8.2% and 4%, respectively, for the first half of 2005, against 7.4% and 10.3% a year earlier. The ratio measuring the cost of borrowed funds held practically unchanged at minimal levels (4%), which enabled the ratio measuring the difference between ROI and the cost of debt to stand, yet another period, at the clearly favourable level of 4.2 in the first half of 2005, in line with the behaviour of ROI. Finally, analysis of final net profit, which is the bottom line, revealed significant growth in the first half of 2005 (31.9%). This was due, on the one hand, to the behaviour of extraordinary results – gains on the sale of tangible assets and financial assets (sale of group company shares) as well as extraordinary income from exchange differences – and, on the other, to the sharp decrease in provisioning, which reflects the recovery in the value of investments abroad, particularly in Latin America, owing to the favourable performance shown by the economies of the area in recent years. All this explains how the ONP growth of 10.7% gives rise to total net profit growth of 31.9%, representing 33.8% of GVA, the highest percentage reported for a similar period in the whole quarterly series.

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)	
		04 Q2 - Q1	05 Q2 - Q1	04 Q2 - Q1	05 Q2 - Q1
Number of corporations		831	710	831	710
Percentage of corporations by profitability bracket	R <= 0%	23.4	23.2	25.9	26.0
	0% < R <= 5%	20.9	21.3	15.5	16.1
	5% < R <= 10%	14.8	16.7	10.8	12.0
	10% < R <= 15%	11.7	10.9	9.0	10.6
	15% < R	29.2	27.9	38.8	35.3
MEMORANDUM ITEM: Average return		7.4	8.2	10.3	12.0

SOURCE: Banco de España.

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

In all, there has been a slight slowdown in the activity of the sample corporations, measured in terms of GVA, although it should be kept in mind that, according to alternative indicators, the activities experiencing the most buoyant growth (construction and other services) are not well represented in the CBQ sample. Despite this, there are certain positive features, such as the growth of turnover, rising employment, moderation of average compensation, moderate growth of financial costs and favourable performance of financial revenue (basically due to the inflow of dividends from foreign subsidiaries), that account for the continuing high returns and that are linked to the favourable performance of extraordinary results and of total net profit. The oil price rise significantly affected the performance of the energy sector, both favourably (refining corporations) and adversely (electric utilities and the transport sector, among others). The available information also shows a decrease in relative terms in exchanges with the EU, in favour of other suppliers (in the case of purchases/imports) and of the domestic market, to which sales previously made to the EU have been redirected (in the case of sales/exports). These developments may reflect problems of competitiveness.

19.9.2005.

Introduction

Activity in Latin America was firm in the first half of 2005, as shown by the Q2 growth rate of 4.9% year-on-year. The forceful pace of expansion in late 2004 therefore moderated somewhat, coming more into line with the maturity of the region's business cycle and with the gradual closing of output gaps (Chart 1 gives an estimate of the gap for the area as a whole). The economic outlook remains favourable, against a benign external backdrop; the regional growth rate is forecast to stabilise at robust rates, of somewhat more than 4% for the year as a whole. If these forecasts are borne out, Latin America, for the first time in a decade, will have achieved two consecutive years of significant per capita income growth, at around 3.5% per annum. It should be noted that the economic fundamentals vary significantly across Latin American countries and that this dynamism is occurring in parallel with a general strengthening of their chronically fragile domestic and external financial position and with a (still limited) recovery in rates of investment. Yet cautious optimism about the sustainability of medium-term growth is warranted, provided that the external environment remains favourable. The coincidence of this upturn with the start of an intense phase in the region's electoral cycle (analysed in Box 1) is fortunate because, in most countries, it reduces the risk of a strengthening of support for platforms opposing economic reform. However, the improvement in the economic situation did not prevent the proliferation of bouts of political instability in the first half of the year in various countries of the area, or only scant progress being made in the reform process. A certain complacency regarding the economic and financial situation may have contributed to this lack of progress.

Domestic demand moderated slightly, but external demand, and exports in particular, continued to perform well, which was notable given the backdrop of currency appreciation and stabilisation of raw material prices. As a result of these different developments, domestic demand contributed less to growth than expected and external demand also reduced growth by less than expected. The strength of Latin American exports meant that, in dollar terms, they continued to grow faster than world trade, as seen in Chart 1, and they may even have grown faster than Asian exports, traditionally the most dynamic among those of the emerging countries. Also notable is the fact that inflationary pressures are contained in most countries, despite the continued rise in energy prices and the already positive output gaps in many countries and in the area as a whole. Thus, in Latin America as a whole, overall and underlying inflation have held at low rates, especially for the current stage of the cycle, although they are somewhat higher than at the beginning of the decade (see Chart 1). This moderate price behaviour enabled the cyclical upswing in interest rates in the two main countries of the region, Brazil and Mexico, to be halted. As a result, their interest rate cycle was decoupled from that of the United States, which continued to gradually withdraw its monetary stimulus.

Despite the raising of official interest rates by the Federal Reserve, global liquidity remained high and the search for returns dominated the financial scene. This reduced the level of financial vulnerability, as did the attractiveness of the debt issued in local currency, against a backdrop of upward exchange rate pressures. Thus, the continuation of the process of debt restructuring to achieve less vulnerable structures, the ongoing accumulation of foreign reserves and the persistence of a large external surplus in the area as a whole, despite the advanced stage of the cycle, helped to reinforce the fundamentals of financial stability. Only within this favourable framework can two striking events in the last half-year be explained: the very favourable external reception of the bonds issued by Argentina as part of the restructuring of its

INTERNAL AND EXTERNAL CONDITIONS FOR LATIN AMERICA GROWTH CHART 1
Rate of change and percentage

SOURCES: IMF, national statistics and in-house data.

a. 2005: inflation data to August and output gap estimate. The output gap is calculated as the difference between actual and potential output, in percentage points of potential GDP. This is stimated using the Hocrick-Prescott filter.
b. Change in goods exports in current dollars, 2005. IMF stimates for Asia. Data to May for the World and Latin America.

debt, which brought its debt spreads into line with Brazil's; and the limited impact that the delicate political situation of the latter country has had on its financial indicators.

In short, given the economic and financial developments within and outside Latin America, the opportunity offered by current circumstances to entrench and press ahead with the reduction of economic and financial vulnerabilities must continue to be grasped, in order to enable the upswing to continue. Externally, however, there persists the risk that if energy prices remain at historically high levels they may ultimately weaken the area's economic prospects considerably. As for the medium term, the stagnation of reforms discernible recently in the region is a cause for concern. With slack at low levels in several countries, the maintenance of satisfactory growth rates requires an increase in the potential growth rate, for which purpose perseverance with the reform process is essential.

Economic and financial developments in the area

EXTERNAL ENVIRONMENT

Many of the trends that shaped the external environment of the Latin American economies in 2004 have continued during 2005.

On one hand, the growth of the world economy has remained firm (albeit somewhat more moderate than in 2004), basically underpinned by the dynamism of the United States and China (see Chart 2). The continued rise in oil prices, which reached highs of more than $70 per barrel at the end of August (70% above the levels at the beginning of the year), has so far had only a mild effect on the global growth outlook.

On the other, the Federal Reserve has continued its policy of gradually withdrawing the monetary stimulus, with official interest rates reaching 3.75% in September, a cumulative rise of 275 basis points (bp) since they began to be raised in June 2004. However, with global liquidity at high levels, long-term interest rates in the United States held at very low levels, of around 4.25%, i.e. 50 bp below the levels prevailing when the rise in official rates began. This has

As reflected in the accompanying table, all the main Latin American countries except Uruguay are to hold presidential and/or parliamentary elections between 2005 Q4 and the end of 2006. Historically, elections in Latin America have been a substantial factor of uncertainty for international investors. Fortunately, this does not so far seem to be the case judging by the highly favourable recent developments in financial indicators. This box analyses the reasons for the potential concern that arises on markets in respect of elections, along with the differential factors in place on this occasion.

A distinction should be drawn between two time perspectives in order to explain the impact of the electoral cycle on agents' expectations. The first concerns the policies pursued by the government in the run-up to elections, and the second the expectations of policy change in the post-electoral period.

As regards pre-electoral policies, there is also evidence, as is the case for the developed countries, that Latin American governments have tended to adopt more expansionary fiscal policies in the period prior to elections so as to maximise their re-election options[1]. Moreover, structural reforms, especially the most unpopular ones, are not usually undertaken with elections on the horizon, owing both to the difficulties of finding ground for consensus at such times and to the potential electoral cost they may entail. At the current juncture an increase in public spending (analysed in the corresponding section of the main text) is being witnessed in most of the countries, but this is being accompanied by a parallel rise in revenue. Furthermore, the pick-up in spending is also the outcome of the severe contraction in this variable in prior years, whereby it should not be attributed in its entirety to the holding of elections. In any event, even while accepting that fiscal policies may be adopting a somewhat less restrictive stance this year, structural fiscal imbalances have not been substantially impacted (see also Box 3). The reason is that the need to maintain fiscal discipline has been assimilated in recent years by most countries in the area. And this is an initial differentiating factor when comparing with the past. It might also be pointed out that the differences along the political spectrum regarding commitment to fiscal orthodoxy, which were clear-cut in the past, have tended more recently to become blurred[2]. In connection with reforms, these have actually stalled recently, due partly to the imminent elections (as in Colombia and Mexico), but also because of the greater reluctance seen in recent years (in most of the countries) to deepen reform programmes, given voters' evident scepticism about the results of reform. Nonetheless, while there are clearly parties or candidates who openly advocate a reversal of reforms, their electoral prospects are not favourable in most countries, a fact to which the timely reactivation of the region's economies in the past two years has also contributed.

Although greater fiscal discipline and convergence by the different parties towards the principles of economic stability mark a difference from the past, the essential factor behind investors' greater ease in the run-up to the forthcoming electoral cycle is that the different indicators of vulnerability for the region's countries are in a considerably more favourable position than in previous pre-electoral periods. To illustrate this point, the accompanying chart compares the current situation of various vulnerability indicators with the corresponding indicators in a similar phase of the previous electoral cycle. The improvement is particularly appreciable in the cur-

1. Rogoff and Sibert (1988) show this evidence for the developed countries, and Kraemer (1997) and Amorim et al. (2001) do so for the Latin American countries.

2. Empirical evidence that parties on the political left have tended to pursue more expansionary policies is found both for the developed countries [Alesina, Roubini and Cohen (1997)] and for the Latin American countries [Ames (1987) and Borsani (2000)].

ELECTORAL CALENDAR IN LATIN AMERICA

	2004	
COUNTRY	Date	Type of election
Argentina	October 2005	Parliamentary
Chile	December 2005	Presidential and parliamentary
Venezuela	December 2005	Parliamentary
Bolivia	December 2005	Presidential
Colombia	March 2006	Parliamentary
Peru	April 2006	Presidential and parliamentary
Colombia	May 2006	Presidential
Mexico	July 2006	Presidential and parliamentary
Bolivia	July 2006	Parliamentary
Brazil	October 2006	Presidential and parliamentary
Venezuela	December 2006	Presidential

SOURCE: Banco de España.

rent-account balance, which will be in surplus in 2005 for the third year running. That is set against the – in certain cases burgeoning – deficits recorded in the run-up to the previous elections. Other indicators, such as debt service as a proportion of exports, the ratio of interest on public debt to revenue and the index of speculative pressures, which takes into account the volatility of exchange rates, interest rates and reserves, also show a generalised relative improvement, except in Argentina in the case of debt service. The prefinancing secured by many States on the international financial markets for the coming months or the setting aside of funds for the repayment of debt maturing before the elections (as Mexico has done) also contribute to reducing risks, as does the notable build-up of international reserves. Finally, the observed reduction recently in the contagion of financial or other problems in the region's countries is also a factor that alleviates vulnerability in the current situation.

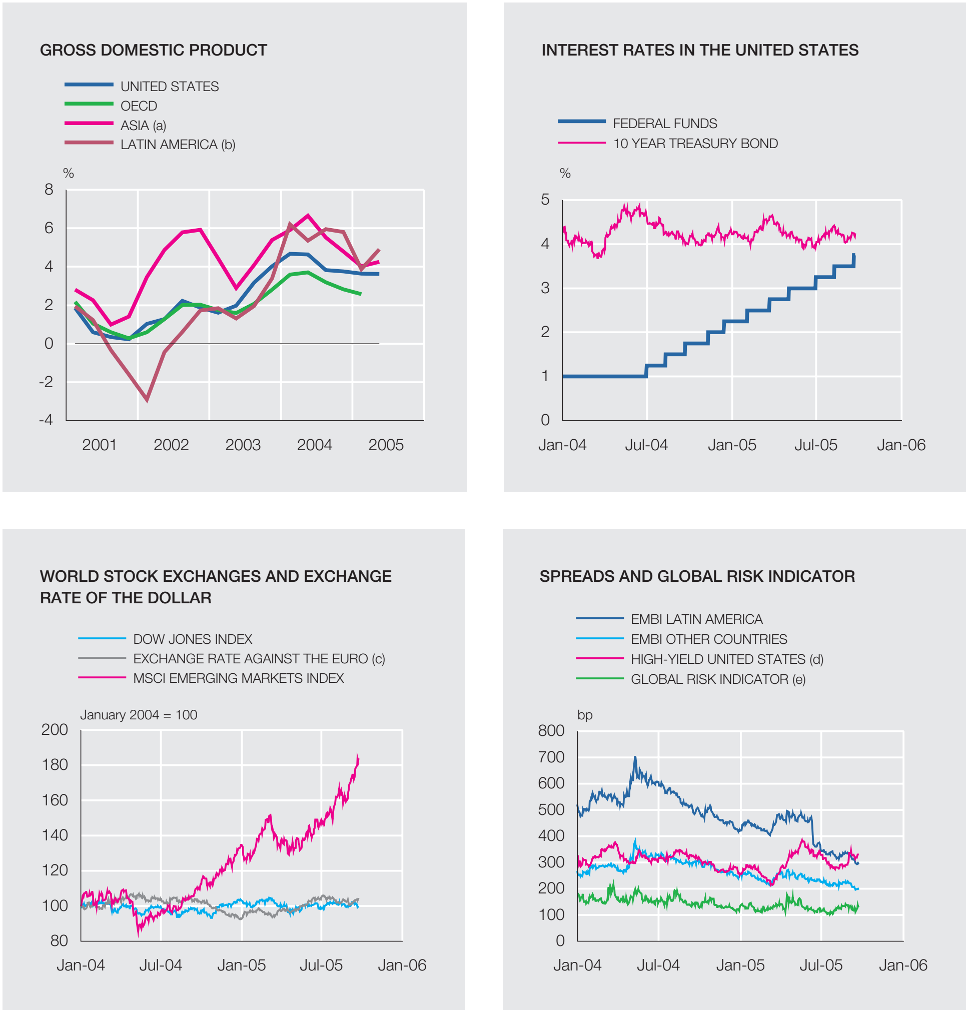
In sum, unlike in the past, the closeness of elections should not prompt substantial concern on financial markets, owing to the greater commitment of most candidates and parties to economic discipline and to the lesser vulnerability of the economies in the current circumstances. However, looking to the medium term, what may prove worrying is the lack of reforming momentum that incoming governments may show in the light of the disillusionment with the result of past reforms. Accordingly, the new governments and parliaments elected should desirably harness their recently acquired legitimacy at the polls to reactivate and redefine the programme of reforms, which are essential for successfully increasing the growth potential of their economies.

INDICATORS OF VULNERABILITY IN PRE-ELECTORAL PERIODS
Percentages and indices

SOURCE: Banco de España.

a. The "last elections" figures refer to the values of the variables when the same time remained prior to the holding of the last elections as remains from 2005H2 to the next elections.
b. Annual change in the index of speculative pressures, which shows the change relative to a baseline date in the exchange rate, the interest rate and reserves, weighted in a proportionately inverse way to their variance.
An increase denotes greater depreciation pressures on the exchange rate, upward pressures on the interest rate and downward pressures on reserves.

GLOBAL MACROECONOMIC AND FINANCIAL INDICATORS CHART 2
Year-on-year changes, percentage, basis points and indices



SOURCE: Bureau of Economic Analysis, Eurostat, Bloomberg and JP Morgan.

a. Malaysia, Korea, Indonesia, Thailand, Hong Kong, Singapore and Taiwan. Latest figure without Thailand.
b. 2005 Q2: estimate.
c. A fall denotes an appreciation of the dollar.
d. US B1 rated corporate bond.
e. Implied volatility of options traded in CBOE, multiplied by 10.

given rise to a notable flattening of the yield curve, as can be seen in Chart 2. The existence of a widening short-term interest-rate spread between the United States and the euro area contributed, along with the persistence of sharp divergences in the growth of these two areas, to the appreciation of the dollar against the euro, which has been partly reversed in recent months. For their part, stock market developments have been mixed in the developed countries. In the United States indices hardly rose, owing to the substantial downward correction in April, attributable, among other factors, to the financial problems of certain car firms; European markets, by contrast, performed more favourably, with cumulative rises of nearly 15%.

All these factors continued to exert a favourable impact on financial conditions in the emerging markets, where sovereign spreads once again hit a low in mid-September (of around 250 bp) and where, with certain exceptions such as China, stock markets peaked. Eastern Europe continued to be the region where stock market rises were most significant. Moreover, the course of the dollar and of long-term interest rates eased concerns about a sudden adjustment

LATIN AMERICAN GDP

CHART 3

Year-on-year change, unless otherwise specified

SOURCE: National statistics.

a. Estimate.

of global imbalances; however, it did so seemingly only temporarily, since imbalances continue to build up and the risk of a disorderly correction remains latent over the medium term. In this connection, one might wonder to what extent the uncertain future effect of the rise in oil prices may have reinforced the flattening of the long-term yield curve, and whether it would not be heralding, as it has on past occasions, a significant slowdown in activity in the coming years. If a scenario of considerably lower global growth were finally to materialise in the emerging countries, including the Latin American economies, that would not only reduce external demand; in addition, the progressive reduction of global liquidity would probably combine with a diminished appetite for risk, with adverse consequences for the emerging financial markets.

ECONOMIC ACTIVITY

The pace of economic activity in Latin America slowed moderately in 2005 Q1, dipping from 5.8% at end-2004 for the seven main economies as a whole to 4.9% in 2005 Q2 (see Chart 3 and Table 1). Although the decline in the year-on-year rate reflected, especially in Q1, the sub-

LATIN AMERICA: MAIN ECONOMIC INDICATORS

TABLE 1

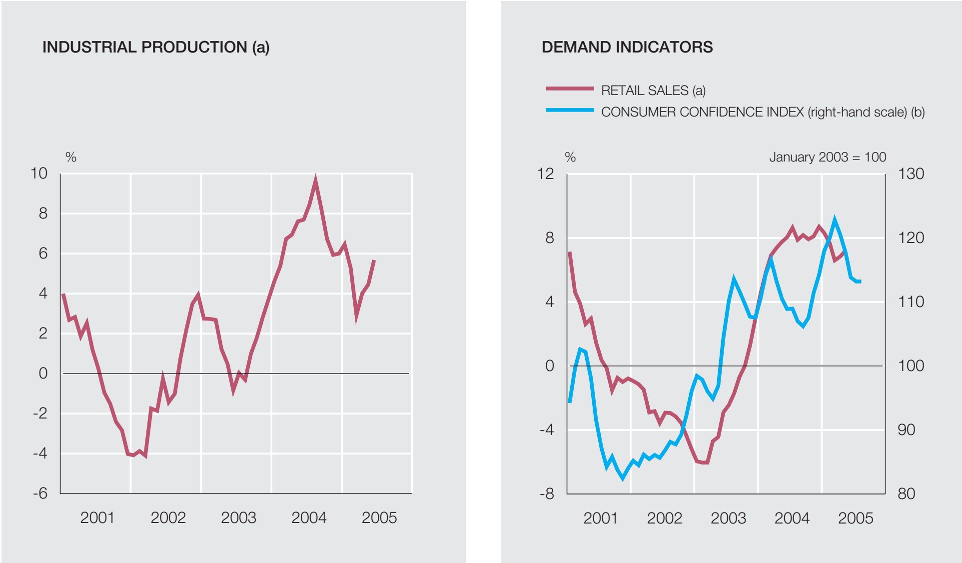
	2002	2003	2004	2003		2004				2005	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
GDP (year-on-year change)											
Latin America (a)	-0.2	2.1	5.9	1.9	3.4	6.0	5.6	6.0	5.9	4.0	4,9 (b)
Argentina	-10.9	8.8	9.0	10.2	11.7	11.3	7.1	8.7	9.3	8.0	10.1
Brazil	1.9	0.5	5.0	-0.2	0.9	4.1	5.6	5.9	4.8	2.7	3.9
Mexico	0.8	1.4	4.4	1.0	2.1	3.9	4.1	4.6	4.9	2.4	3.1
Chile	2.2	3.3	7.0	3.1	3.3	4.6	5.3	7.0	7.3	6.1	6.5
Colombia	2.3	4.0	4.2	4.5	4.8	4.2	4.8	3.2	4.4	3.8	...
Venezuela	-8.2	-7.7	17.9	-7.1	6.6	34.0	14.0	14.2	12.1	7.5	11.1
Peru	4.9	3.8	4.8	3.0	2.9	4.9	3.6	4.7	6.6	6.1	5.7
Uruguay	-11.1	2.5	12.4	7.5	15.8	14.3	12.4	12.7	10.0	7.2	7.6
CPI (year-on-year change)											
Latin America (a)	9.3	10.9	6.0	9.6	7.7	5.6	5.2	6.3	6.5	6.4	6.6
Argentina	25.9	14.9	4.4	5.2	3.7	2.4	4.1	5.4	5.7	8.2	8.8
Brazil	8.4	14.8	6.6	15.2	11.4	6.8	5.5	6.9	7.2	7.4	7.8
Mexico	5.0	4.6	4.7	4.1	4.0	4.3	4.3	4.8	5.3	4.4	4.5
Chile	2.5	2.8	1.1	2.7	1.1	0.0	0.5	1.5	2.3	2.3	2.8
Colombia	6.3	7.1	5.9	7.1	6.4	6.2	5.7	6.0	5.8	5.2	5.0
Venezuela	22.2	31.4	21.7	29.6	26.3	24.0	22.4	21.5	19.5	17.0	16.3
Peru	0.2	2.3	3.7	1.9	1.9	3.0	3.4	4.4	3.8	2.2	1.8
Uruguay	14.0	19.4	9.2	15.0	10.7	9.3	9.2	10.0	8.1	5.6	4.5
PUBLIC-SECTOR BALANCE (% GDP)											
Latin America (a) (c)	-5.1	-2.0	-0.8	-1.9	-2.0	-1.6	-1.6	-0.8	-0.8	-0,7 (b)	-0,7 (b)
Argentina	-1.3	0.4	2.6	0.5	0.4	1.1	2.0	2.7	2.5	2.6	1.9
Brazil	-10.3	-3.6	-2.5	-3.7	-3.6	-3.3	-4.0	-2.8	-2.5	-2.4	-2.1
Mexico	-1.1	-0.7	-0.3	-0.6	-0.7	-0.4	-0.7	-0.2	-0.3	-0.5	-0.5
Chile	-0.8	-1.4	2.2	-1.1	-1.4	-1.1	0.3	1.1	2.2	3.1	4.0
Colombia	-3.6	-2.6	-0.6	-2.9	-2.6	-2.4	-0.8	0.3	-0.6	…	…
Venezuela	-1.0	0.2	-2.6	1.8	0.2	…	…	…	…	…	…
Peru	-2.1	-1.8	-1.3	-1.7	-1.8	-1.5	-1.0	-1.1	-1.3	-1.1	-0.5
Uruguay	-4.9	-4.6	-2.5	-5.1	-4.6	-3.9	-2.0	-2.4	-2.5	-2.0	-2.2
PUBLIC-SECTOR DEBT (% GDP)											
Latin America (a)	54.4	54.4	50.9	54.7	54.4	53.6	50.1	50.8	50.2	50.5	49,7 (b)
Argentina	140.0	141.0	119.9	131.0	129.9	133.0	111.0	120.7	120.3	122.3	…
Brazil	55.5	57.2	51.7	56.9	57.2	55.6	54.2	52.0	51.7	51.3	51.0
Mexico	24.0	24.7	23.3	24.8	23.5	23.5	23.8	23.2	21.6	22.9	21.9
Chile	15.7	13.3	10.9	15.0	13.5	13.4	12.0	12.0	10.4	10.3	9.0
Colombia	50.1	50.9	47.5	49.8	48.1	48.7	47.5	46.4	43.8	46.9	…
Venezuela	45.1	56.9	53.5	48.5	56.9	43.1	45.1	49.8	53.5	48.2	49.9
Peru	46.9	47.7	45.0	46.9	47.0	45.8	40.2	42.6	42.3	42.1	36.2
Uruguay	92.7	108.3	100.8	108.9	108.3	94.6	96.0	101.5	118.6	99.1	…
CURRENT-ACCOUNT BALANCE (% GDP)											
Latin America (a)	-0.2	0.8	1.2	0.8	0.8	1.3	1.1	1.2	1.2	1.2	1,1 (b)
Argentina	9.7	6.1	2.2	6.6	5.4	4.6	3.1	2.7	2.1	1.8	…
Brazil	-2.0	0.8	1.9	0.7	0.8	1.0	1.5	1.7	2.0	2.2	2.2
Mexico	-2.3	-1.5	-1.1	-1.6	-1.4	-1.2	-0.9	-0.8	-1.0	-1.2	-1.1
Chile	-0.9	-1.5	1.5	-1.4	-1.5	-0.5	0.9	1.2	1.5	1.2	0.6
Colombia	-2.0	-1.7	-1.0	-1.6	-1.5	1.2	-1.3	-1.2	-1.0	-0.7	…
Venezuela	7.7	13.4	13.7	12.4	13.4	15.9	14.3	13.6	13.7	14.4	16.6
Peru	-2.0	-1.7	0.0	-2.0	-1.8	-1.1	-0.8	-0.2	0.0	0.3	0.5
Uruguay	3.4	0.5	-0.8	0.7	-0.3	-0.2	-0.2	-0.6	-0.8	-1.6	…
EXTERNAL DEBT (% GDP)											
Latin America (a)	59.1	46.7	42.7	48.8	46.7	45.3	42.2	43.4	40.6	39.6	38,2 (b)
Argentina	165.6	119.8	112.3	124.1	119.8	121.4	101.4	110.8	107.4	108.4	…
Brazil	57.3	40.1	33.3	42.7	40.1	38.7	37.9	35.3	31.7	29.8	28,2
Mexico	21.3	22.1	20.5	22.8	22.1	21.2	21.5	21.5	19.1	20.0	18.3
Chile	62.0	54.8	46.7	59.6	54.8	47.9	46.1	48.0	43.6	43.1	41.1
Colombia	47.6	44.9	41.3	47.0	44.9	42.6	41.2	38.7	36.3	34.3	…
Venezuela	48.4	48.3	44.1	46.5	48.3	39.5	42.0	41.6	43.4	38.0	40.9
Peru	49.0	48.3	45.3	48.6	48.3	47.2	42.1	43.7	42.5	42.6	36.5
Uruguay	85.9	98.0	87.6	93.7	98.0	84.2	80.9	100.7	103.1	99.4	…

SOURCE: National statistics.

a. Aggregate of 8 represented countries.
b. Estimation.
c. Data from 2004 onwards excluding Venezuela.

SUPPLY AND DEMAND
Year-on-year change and level

CHART 4



SOURCE: National statistics

a. Quarterly moving averages.
b. Index. Quarterly moving average.

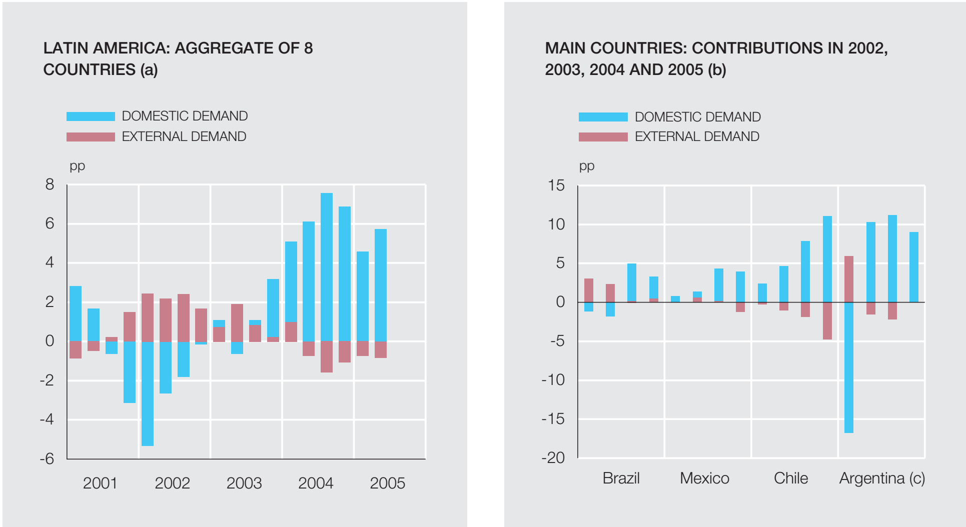
stantial base effect arising from the considerable buoyancy of the Latin American economies in early 2004, quarter-on-quarter rates were also cut, edging down from 1.2% in the two closing quarters of 2004 to an average of 0.8% in the first two quarters of 2005 (see Chart 3). The most frequent supply and demand indicators depicted in Chart 4, which can also act as leading indicators, have moderated in recent months, but have tended to hold at high rates. These factors, along with the pick-up in activity for the region as a whole in Q2, point to the pace of growth stabilising at a robust rate (albeit one somewhat lower than the exceptional rates recorded in 2004) of slightly over 4% for 2005 as a whole.

While in 2005 Q1 all the economies in the region saw growth – measured in year-on-year terms – slow, growth in Q2 has been uneven, which might augur cross-country divergences in cyclical developments, these having been fairly uniform in recent years. Continuing strong dynamism, and indeed recovery, can thus be seen in the Andean countries and in Chile, while the Q2 figures in Mexico (where a negative quarter-on-quarter rate was posted) and developments in the other most frequent indicators point to a diminished pace of activity. Interpreting conjunctural developments in both Argentina and Brazil proves more complex. Some data denote continuing dynamic activity, while others, along with other considerations such as the impact of the political crisis in Brazil on agents' confidence, might prompt a slowdown over the rest of the year.

The robustness of domestic demand, the driver of the acceleration in activity the previous year, has tended to firm, albeit at somewhat lower levels, in the first half of 2005. Domestic demand contributed 4.6 pp to growth in Q1, and an estimated 5.7 pp in Q2, compared with the figure of almost 7 pp contributed at end-2004. Private consumption remained robust (although it showed signs of weakening in Mexico), underpinned by the entrenched high rate of job creation (3.8% year-on-year). There was a notable pick-up in the labour market in certain countries, where recent developments had been unfavourable, despite the cyclical upturn. Notable in this respect were Chile, where the rise in job creation enabled the unemployment rate to be signifi-

CONTRIBUTIONS TO GDP GROWTH

CHART 5

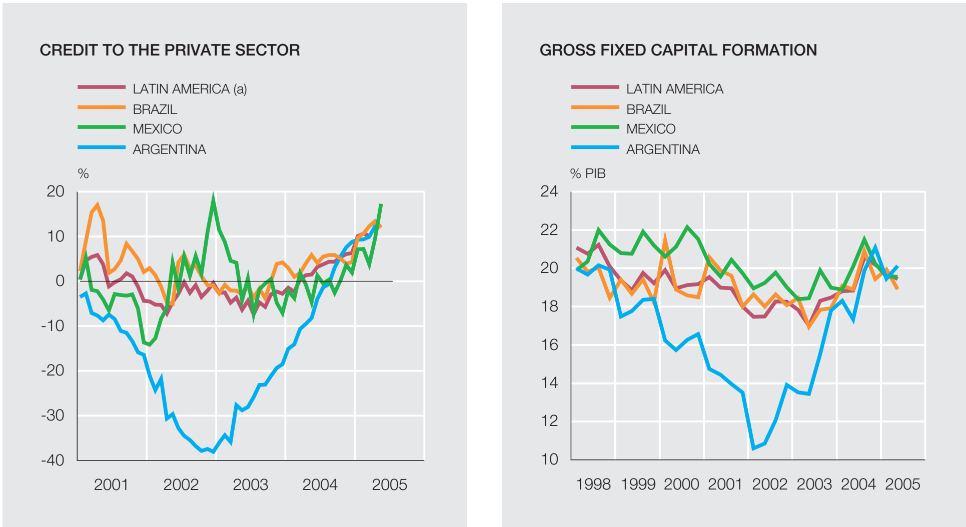


SOURCE: National Statistics Offices

a. Q2 data: estimate.
b. First half of 2005.
c. Domestic demand in 2002: -16.7pp.

CREDIT AND GROSS FIXED CAPITAL FORMATION
Year-on-year changes and percentage of GDP

CHART 6



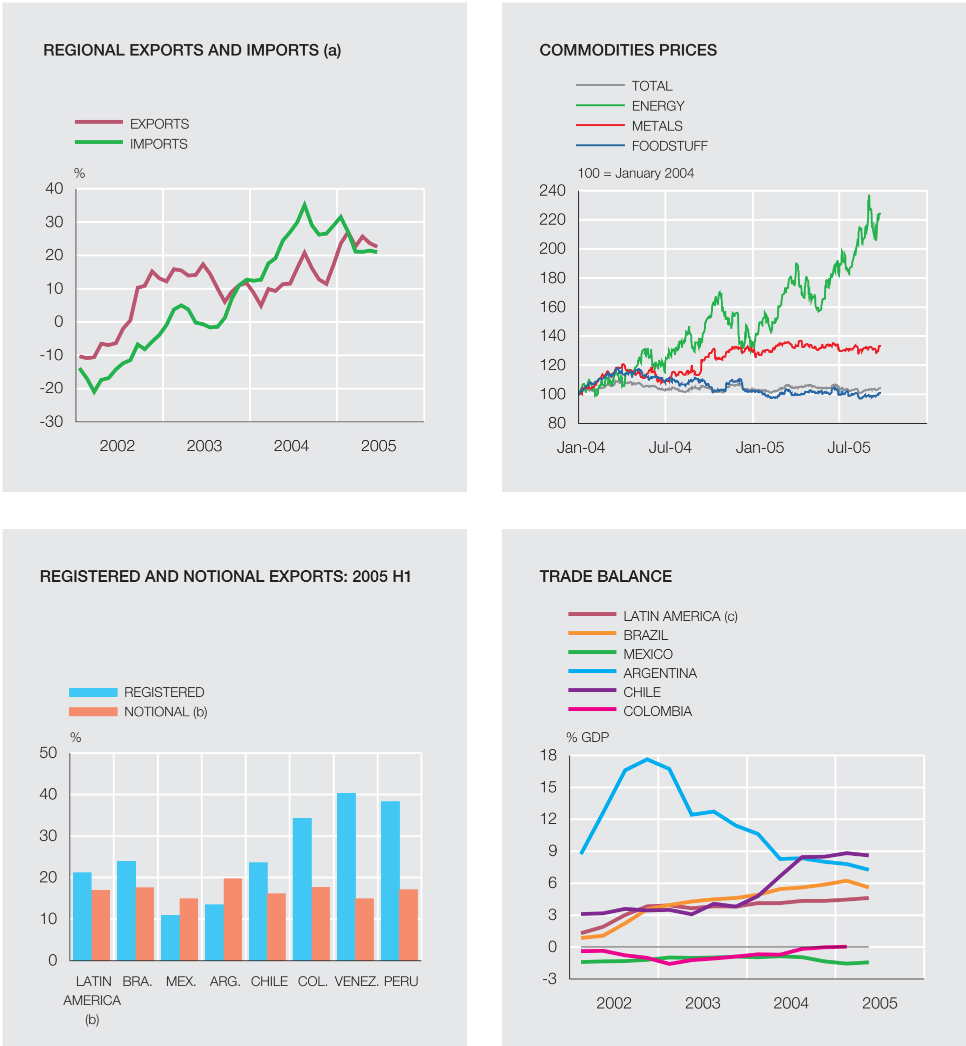
SOURCES: National statistics

a. Weighting of the seven main countries.

cantly reduced, and Colombia, where a prolonged period of net job destruction in industry apparently came to a halt. Nonetheless, the real growth of wage income fell below 2% for the area as a whole. The buoyancy of consumption was also underpinned by the recovery in credit to the private sector in most countries (see Chart 6), particularly in Brazil, Mexico (where it quickened from what were already notable rates) and Argentina, meaning that the real growth rate of such credit stood at 14% for the region as a whole at the end of the first half of the year, compared with 1.5% a year earlier. Also conducive to credit availability was private investment, which was favoured by continuing bright economic expectations, by the sound performance of the external

EXTERNAL ACCOUNTS AND THEIR DETERMINANTS
Year-on-year changes indices and percentage of GDP

CHART 7



sector and by high capacity utilisation. As a result, the investment/GDP ratio has increased to almost 20% in the area as a whole (see Chart 6), although the rate prevailing in the late nineties has not been regained and the performance across countries has been uneven; in some, such as Mexico and Brazil, it was affected by the raising of interest rates in recent quarters.

The contribution of external demand to GDP growth turned negative as from 2004 Q2 (see Chart 5) and subtracted 0.8 pp from growth in the area in 2005 Q2. However, the sound performance of exports was notable, holding steady at a growth rate of over 20% (measured in dollars) in the first half of the year (see Chart 7). This came about despite the slowdown in the growth of world trade (see Chart 1), the stabilising of commodity prices (except energy and, for instance, copper prices, which continue to post highs) and the appreciation of most of the countries' real effective exchange rates. The comparison between the growth of registered and notional exports – the latter defined as the weighted increase in the main trading partners' demand for imports – highlights the sound performance of foreign trade. As can be seen in Chart 7, the growth of registered exports outpaced that of notional exports by 5 pp. The performance of the Andean countries was particularly favourable, and only in Mexico and Argentina did exports grow less than the demand for imports of their trading partners. The growth of imports tended to stabilise or slow moderately, in step with the pause in domestic demand in

Q1. As a result, taking the regional outlook, the growth rate of imports was once again slightly below that of exports as from March, although both rates were above 20%. In the most dynamic countries, such as Chile or Venezuela, imports remained on a rising path, but in the other countries they stabilised or turned moderately downwards.

The persistent dynamism of the external sector translated into the maintenance and even the widening of the trade surplus in the region, which exceeded 4% in the first half of the year. Several countries in the area managed to continue to improve their trade balances, some most significantly, such as Brazil, Venezuela and Peru. And Colombia has recently brought its trade accounts into balance, after four years of deficits (see Chart 7). Conversely, the Argentine and Uruguayan trade surpluses (the latter very ample) progressively narrowed. Finally, in Mexico the deficit stabilised at around 1% of GDP. This favourable progression in the area as a whole, along with the ongoing growth of remittances, has maintained the current-account surplus at over 1% of GDP for the regional aggregate, which provides the external position with greater room for manoeuvre to face the maturing of the business cycle without generating substantial external imbalances.

FINANCIAL MARKETS AND EXTERNAL FINANCING

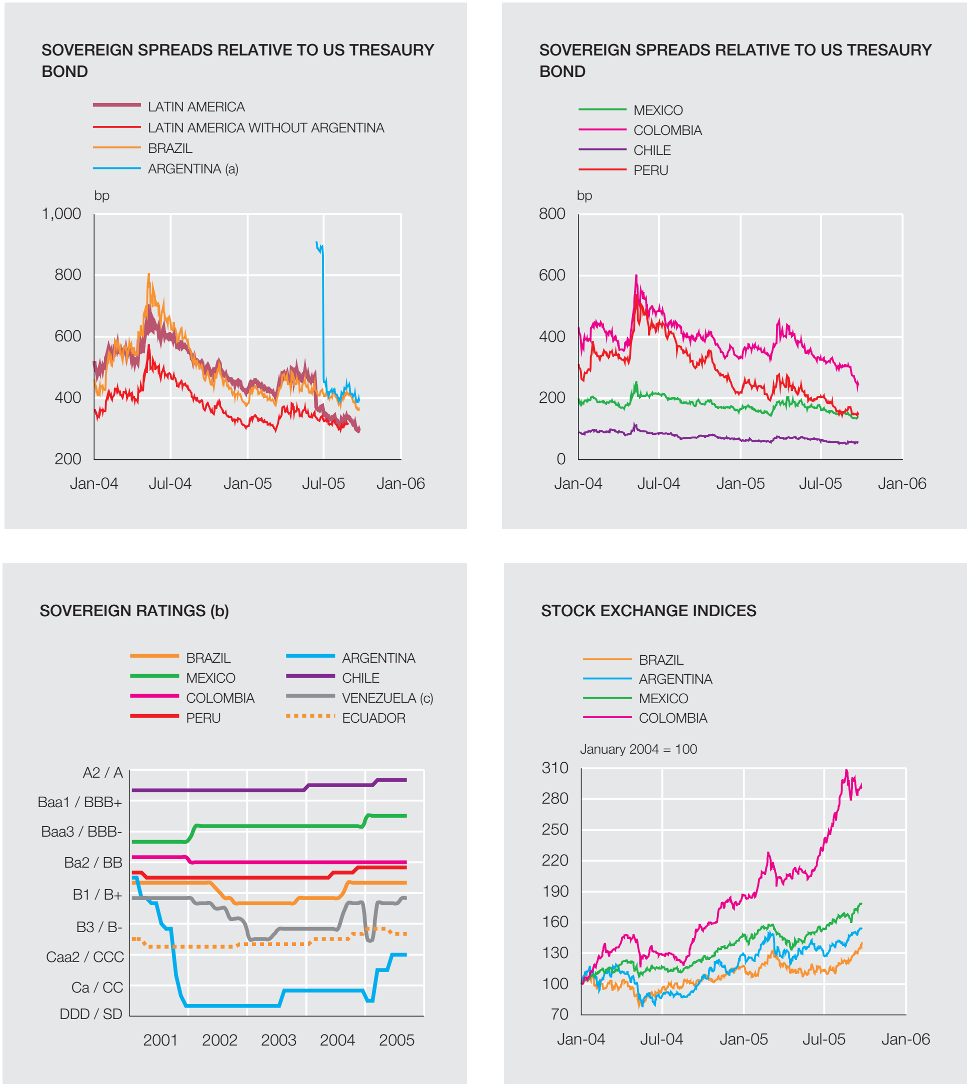
Developments on international financial markets to September 2005 continued to be clearly favourable for Latin America, and the successive rises in official interest rates by the US Federal Reserve did not have a lasting effect on the course of sovereign spreads. Abundant global liquidity and the search for returns, along with the holding of commodities prices at high levels and, generally, the firming of sounder economic and financial underpinnings, all retained international investors' interest in the region. Accordingly, despite the political uncertainty in several countries, the impact on the area's financial markets was limited and did not give rise to a crisis in confidence or to sharp adjustments in asset prices, as had occurred in other circumstances. Even locally, the impact was limited, in contrast to the sensitivity to unfavourable news that had characterised the Latin American bond markets some years earlier.

One of the consequences of these favourable financial circumstances in the region was the growing development of the markets for local-currency debt and the foreign participation in such markets, and another was the generalisation in the area of several debt management operations by sovereign issuers. There was a notable reduction in Brazilian foreign-currency or dollar-indexed debt, which currently stands at below 4%; Peruvian debt to the Paris club was repaid, financed in the local market; and Colombian foreign debt was exchanged for domestic debt. All these measures are geared to reducing the vulnerability of debt structure to market risk and refinancing risk, which should be viewed favourably.

Sovereign spreads (see Chart 8) remained on a declining course during the first half of the year and early in the second half, taking the regional EMBI index to a historical low, slightly below 300 bp in mid-September, compared with 420 bp at the start of the year, i.e. a reduction of almost 30%. Indeed, the only general upward correction came about with the rise by around 50 bp in US long-term interest rates in March, which prompted a widening of the region's differentials by around 100 bp, a very moderate amount in historical terms. While this development was favourable, it needs to be qualified by the entry into the EMBI index in June of the new bonds issued following the restructuring of Argentine debt. That meant not only a narrowing of Argentine bond spreads, but also an increase in the weight of this country. Stripping out Argentina from the EMBI index, the regional spread would scarcely have altered between end-2004 and mid-September, as can be seen in the chart. In any event, the convergence that has taken place between the Argentine and Brazilian sovereign spreads is also notable, despite Argentina defaulting on debt less than four years ago. That would seem to suggest that investors have a relatively short memory when the search for returns prevails over risk considerations, as is the case at the current juncture.

SOVEREIGN SPREADS AND STOCK EXCHANGES
Basis points and indices

CHART 8



SOURCE: JP Morgan.

a. On 11 June 2005, the new restructured Argentine bonds joined the EMBI.
b. Simple mean of the ratings of Moody's, Standard and Poor's and Fitch IBCA.
c. In January 2005, Standard and Poor's downgraded Venezuela debt to selective default (SD) for technical reasons.

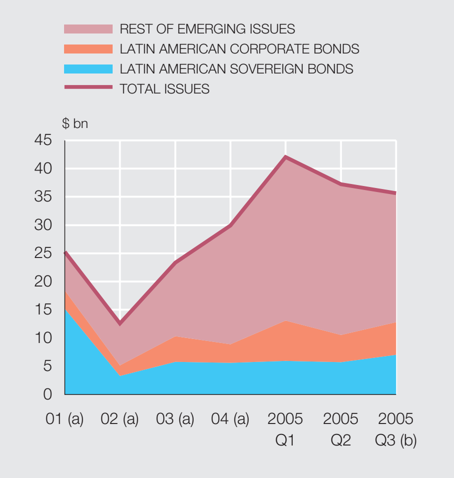
The narrowing of spreads was particularly striking in Peru (by up to 40%, standing in mid-September at around 150 bp), Colombia and Uruguay, while in Brazil and Ecuador there was a moderate widening compared with the start of the year, which shows the limited but not negligible impact of the political problems in both countries on their financial variables. However, the past few weeks' sound performance enabled Brazil to attain annual – and very close to all-time – lows in mid-September. Sovereign ratings did not undergo many changes during the half-year period (see Chart 8). Ecuador and Venezuela experienced upward and downward revisions, whereby both countries remained practically where they were at the end of last year, while Argentina saw the substantial upgrading of its sovereign rating confirmed in June following the restructuring of its debt. Mexico, in January, and Chile, in March, benefited respectively from an upgrading by the two main rating agencies and by the third-ranked agency.

Stock markets performed favourably during the period (see Chart 8), with the regional index posting a rise of around 30% in dollar terms from January to mid-September, far above the

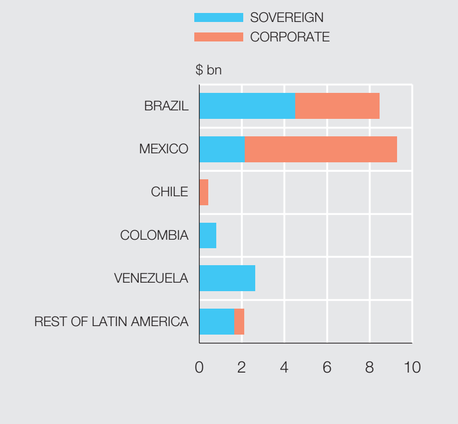
EXTERNAL CAPITAL FLOWS
$bn

CHART 9

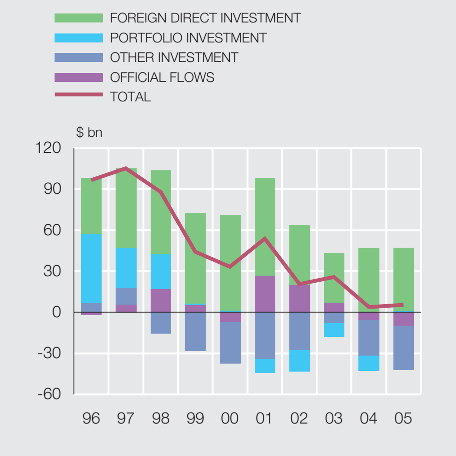
BOND ISSUANCE ON INTERNATIONAL MARKETS



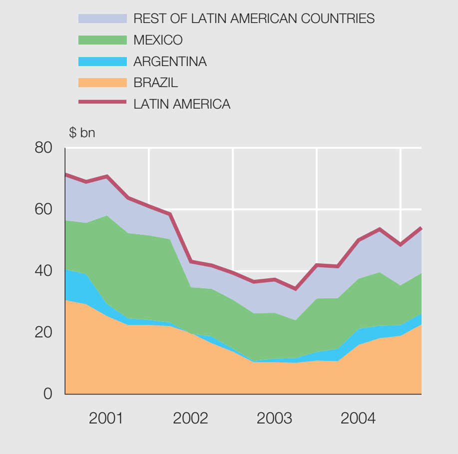
ISSUES IN LATIN AMERICA: 2005 H1



EXTERNAL FLOWS TO LATIN AMERICA (c)



FLOWS ACCUMULATED IN 12 MONTHS: FOREIGN DIRECT INVESTMENT



SOURCES: JP Morgan, IMF and national statistics.

a. Quarterly average
b. Data to July and estimate for August and September 2005.
c. 2005: estimate.

return on the industrialised countries' stock markets, and particularly the United States. The increases in local currency were more limited, owing to the appreciation of almost all the region's currencies. Moreover, the amount of the average rise masks mixed behaviour across the different countries' stock markets, with most substantial rises in Colombia (of over 50% in local currency to mid-September), and somewhat more moderate increases in the other countries (between over 30% in Peru and over 10% in Chile). Conversely, Venezuela, despite strong economic growth and its high oil output, underwent a decline of around 30%, owing to the scant attractiveness of the local stock market in a context of financial restrictions.

The favourable financing conditions were conducive to the placement of government and private paper on debt markets. In the first half of the year, Latin America issued almost $24 billion on international markets, one-third more than in the same period in 2004 (see Chart 9). Since there was a sharper pick-up in issues in the other emerging areas, this increase did not prevent the weight of Latin American issues relative to the total for emerging markets from falling below 30%, continuing on the recent declining trend. Chiefly behind this would be the relative stagnation of international sovereign issues by the countries in the area, which amounted to $11.6 billion, up scarcely 6% in the first half of the year compared with 2004. On this occasion, the trend observed is not the outcome of market-access difficulties; rather, as earlier discussed, it reflects the recent efforts by governments to reduce the vulnerability of their financial position, which entails a shift in supply towards local markets. In parallel, there was also a relative increase in local-currency issues, both on domestic and international markets, although in this latter case they do actually appear in the statistics shown. In contrast to international sovereign issues, private-sector issues took off strongly in the first half of the year ($12 billion), up 70% on the previous year, leading them to exceed sovereign issues. To the fore in this respect was Mexico, where corporate bonds totalling more than $7 billion were issued, 40% more than the previous year.

On the available data, which are usually inexact and subject to continuous revisions, net capital flows to Latin America would have picked up somewhat in 2005 (to $5.4 billion) in relation to their very low level in 2004 (only $3.7 billion -- see Chart 9). There has been a notable recovery in private flows, which have climbed from $9.5 billion to $15.2 billion, the bulk of which foreign direct investment, with $46.2 billion; portfolio flows have turned positive again (albeit marginally) after four years of declines; and other private flows, including bank loans, have undergone a sharper rate of outflow compared with 2004 ($32 billion). Conversely, the deficit in respective official flows has widened to almost $10 billion, reflecting the region's improved financial and balance-of-payments situation. As analysed in detail in Box 2, it should be underscored that, although IMF credit to the Latin American countries has diminished notably, after peaking in 2003, its weight in the IMF loan portfolio has continued to increase.

PRICES AND MACROECONOMIC POLICIES

Price developments in the region were relatively favourable in the first half of 2005, as shown in Chart 10. The annual inflation rate eased slightly during the period from 6.5% at end-2004 to 5.8% in August. The underlying rate performed similarly, and posted the same figure in August 2005. The declining trend of inflation was not followed in Chile, although it departed from very low rates. Conversely, inflation in Argentina has quickened since end-2004, and is approaching 10%. Restrained inflationary pressures, despite the buoyancy of activity, the rise in energy prices and, in certain cases such as Brazil and Argentina, limited slack all account for the improved anti-inflationary credibility in most of the countries and, more circumstantially, for the appreciation of the Latin American currencies in effective terms.

Indeed, exchange rates generally continued on their appreciating trend against the dollar (see Chart 10), with the aggregate for the area rising by more than 7% to mid-September. The rise was particularly notable in the cases of the Brazilian real (over 10%), the Colombian peso and the Mexican peso. As a result, several currencies posted highs, such as the Peruvian sol, which stood at its highest level for the past seven years, and the Brazilian real, which recorded a five-year high. The strength of the dollar in the first half of the year relative to the other main currencies also meant that the nominal effective appreciation of the Latin American currencies was even higher, totalling 9.6% for the region as a whole in the nine months to September. As can be seen in Chart 10, this appreciation was compatible with the ongoing build-up of reserves, which has in fact accelerated for the area as a whole, standing at 8% for the six-month period. The overall performance, however, masks notable divergences. While the pace of accumulation of reserves quickened notably in Venezuela and Brazil, it was checked in Colombia. In Argentina, despite inflationary pressures, reserves grew by more than 15% in the first half of the year. Argentina supplemented its interventions with certain exchange controls aimed

IMF CREDIT TO LATIN AMERICA

The priority mission of the International Monetary Fund to safeguard the stability of the international monetary system has focused in recent decades on promoting and restoring the financial stability of developing countries, through economic programmes involving sizeable financial resources. As can be seen in the accompanying table, Latin America has been one of the regions that has benefited most from IMF credit, accounting for an average of 34% of funds in the past decade. This box describes the changes in and composition of such credit during this period.

IMF credit draws principally on the contributions of the member countries, in the form of a quota, which make up the General Resources Account (GRA). Resources are channelled in the main through three credit facilities: the Stand-By Arrangements (SBA), the Extended Fund Facility (EFF) and the Supplemental Reserve Facility (SRF). These three facilities are the usual financing instruments available to the Fund to support its members in the event of balance-of-payments problems. The SBA is the basic facility, and has a duration of 2 to 2 1/2 years, while the EFF is used for longer-term needs (those requiring more structural reform), and the SRF is designed for those cases in which there is a need for short-term and large-scale financing. In addition to credit from the GRA, the fund extends concessional financing to low-income countries. This is channelled through the Poverty Reduction and Growth Facility (PRGF). In this case, the resources are drawn from the bilateral contributions of a large number of members and of the IMF itself, and they are held in a trust fund administered by the institution.

Between 1995 and 2005, 57 financial programmes were extended to the region for a total amount of almost $300 billion, i.e. around 50% of Latin American GDP in 2004. Among these loans, 37 were instrumented as SBA, compared with 6 EFF, 5 SRF and 9 PRGF. Further, 37% of these resources were initially conceived under a precautionary arrangement, whether with the intention of preventing a crisis or following a conventional programme as a strategy to exit from such a programme. That means that, at the time of applying, the authorities expressed their intention of not making use, in principle, of the resources granted to them. The high proportion accounted for by these preventive programmes suggests there is high potential demand for insurance facilities that reinforce the IMF's range of instruments and whose establishment is currently being debated in various international fora.

The chart supplements the information in the table and highlights the importance of IMF credit to Latin America and its close relationship to the recurrence of financial crises. Indeed, the latest figure available (end-June 2005) discloses a peak in IMF credit exposure to Latin America, at 45% of the total. This figure is far higher than that of 14% in 2000, when there was a strong regional expansion, or of 24% in 1998, the year of the Russian crisis and the adjustment to the Asian crisis. Nonetheless, in quantitative terms, the current outstanding balance of credit to Latin America (24.5 billion in SDRs, approximately $36.3 billion) is substantially lower than the peak reached in 2003 ($47.7 billion), following the series of crises which affected the region in the two years from 2001, owing to the net disbursements made thereafter.

Most Latin American countries have borrowed resources from the IMF in the period under study. Among the main countries, the only exceptions were Chile and Colombia. Of note in the initial period was the volume of credit extended to Mexico in the wake of its 1995 crisis, which was settled in 2000. On the latest available figures, at the end of the first half of this year, Brazil ($20.7 billion and 26.5% of the IMF's total outstanding credit) and Argentina ($11.2 billion and 14.3%) headed the list of main recipients of IMF credit. Only Turkey ($17.8 billion and 22.7%) has similar debt levels. The high concentration of credit (75% is distributed among these three countries plus Indonesia) is a feature that arouses some concern as regards the Fund's financial situation. Financial concentration is, moreover, exacerbated in this case by regional concentration, as three of the five countries with most IMF debt (Uruguay is in fifth position, with 3.1%) are in Latin America.

The accompanying chart tracks each country's indebtedness as a proportion of its financial contribution (or quota) to the IMF, depicting

WEIGHT OF LATIN AMERICAN ECONOMIES IN THE TOTAL VOLUME OF IMF CREDIT

	Average for period	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
(% IMF credit)												
LATIN AMERICA	34.46	43.17	39.54	26.15	23.38	25.96	13.76	31.74	39.97	44.68	44.87	45.80
ARGENTINA	11.36	9.91	10.40	8.27	5.79	5.67	7.86	18.56	14.96	14.52	14.60	14.37
BRAZIL	11.93	0.23	0.11	0.04	5.13	11.18	2.75	11.07	21.74	26.50	25.93	26.57
MEXICO	6.81	25.57	21.96	12.80	8.91	5.66	0.00	0.00	0.00	0.00	0.00	0.00
VENEZUELA	1.10	3.62	3.63	2.28	1.30	0.94	0.32	0.00	0.00	0.00	0.00	0.00
PERU	0.76	1.54	1.53	1.42	0.96	0.93	0.87	0.51	0.25	0.13	0.11	0.10
URUGUAY	0.99	0.03	0.01	0.00	0.17	0.20	0.23	0.19	1.87	2.26	2.78	3.11
REST OF LAT. AM. AND CARIBBEAN	1.51	2.26	1.89	1.33	1.12	1.38	1.73	1.40	1.15	1.27	1.45	1.64
MEMORANDUM ITEM: IMF CREDIT ($ bn)												
WORLD TOTAL	83.15	60.65	61.26	76.64	97.27	83.80	71.88	87.28	102.66	104.76	90.52	77.93
LATIN AMERICA	28.79	26.18	24.22	20.04	22.75	21.75	9.89	27.70	41.03	46.81	40.62	35.69

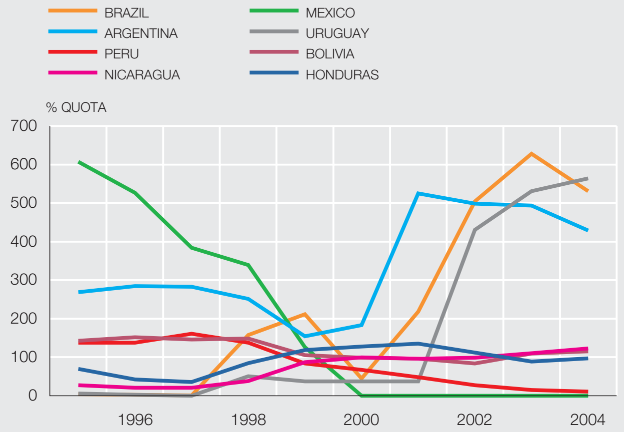
those countries that have exceeded 100% of this contribution at some time. Under this criterion, too, Brazil and Argentina are among the most indebted Latin American countries, with 530% and 430%, respectively, of their quota, although Uruguay heads the list with almost 565%. Historically, debt in terms of the IMF quota was greatest in Brazil (628% in 2003), followed by Mexico (607% in 1995). Since that year, only the four countries mentioned in this paragraph have exceeded 300% of their quota, this figure being the normal access limit to financing set by the IMF. As to the persistence of indebtedness, Argentina is to the fore with an average of 337% of its quota over the past decade.

Credits on this scale represent a considerable amount of the IMF-indebted countries' financial obligations. Thus, by end-2005, Uruguay will have to make over 1.5% of its GDP to the IMF as payment of principal and interest, while Argentina will pay 1.1% and Brazil 0.74%.

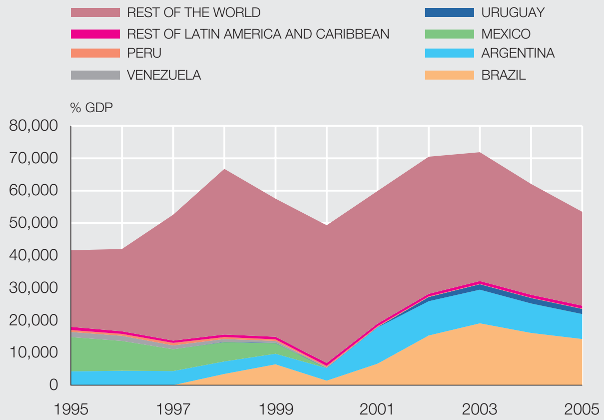
To conclude, Latin America can be seen to have been – and still is – the main destination for IMF funds, accounting for over 40% of such resources. Most of the credit extended to these economies has been geared to alleviating balance-of-payments requirements, brought about by these countries' dependence on external financial flows and by the volatility of these flows. Nonetheless, their improved economic and financial fundamentals in recent years are providing for the reduction (at a brisk pace in some countries) in credit to Latin America. In some cases, such as Brazil, this accelerating reduction is a means of reaffirming its independent commitment to economic discipline.

POSITION VIS-A-VIS THE IMF
Percentage and levels

DEBT AS A PERCENTAGE OF QUOTA (a)



TOTAL USE OF CREDIT (b)



SOURCE: IMF.

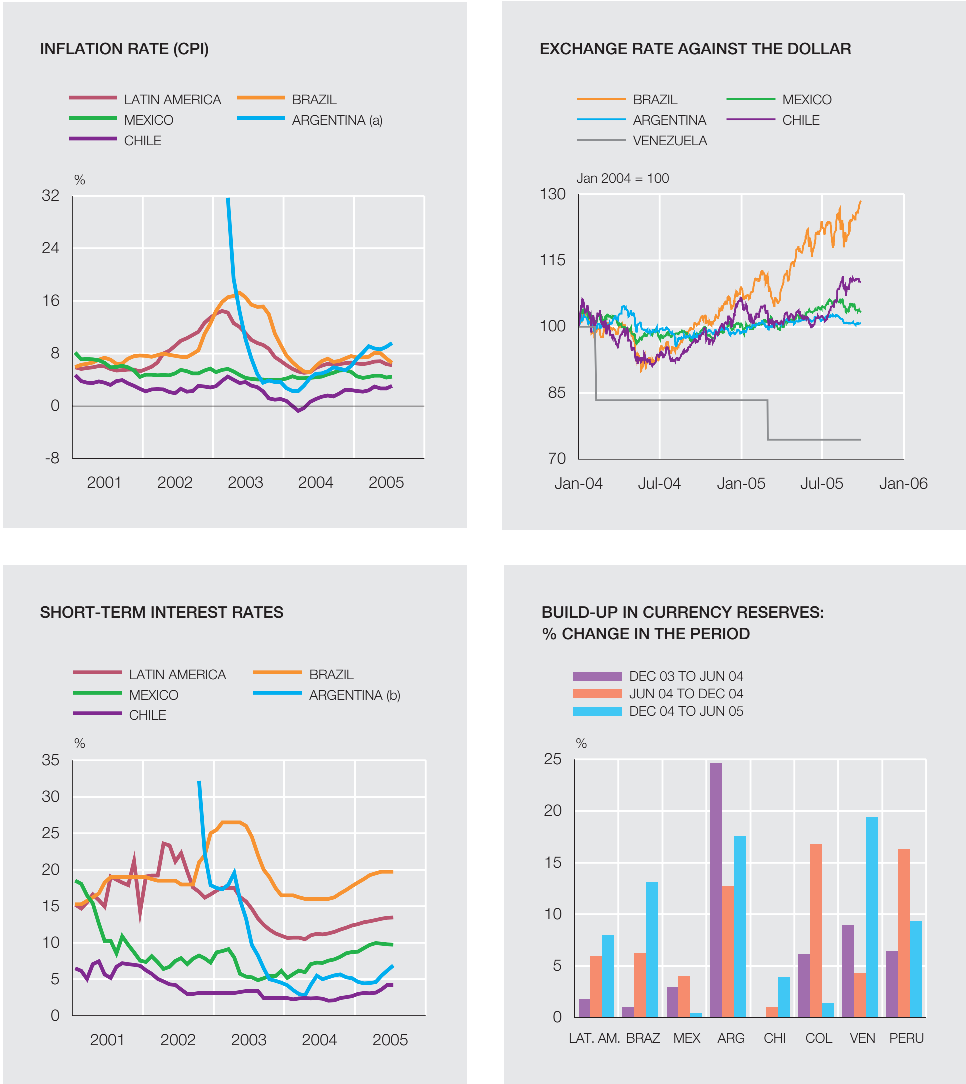
a. Included are the Central and South American countries that have exceed on one or more occasions their quota, excepting Guyana.
b. The figure for 2005 is for June.

at restricting capital inflows, in contrast to the lifting of the previous controls in Colombia and implementation of further liberalising measures in Brazil.

The containment of inflationary pressures in most of the countries and the dampening effect of currency appreciations on prices meant that during the course of the period the upward cycle of interest rates embarked upon in Mexico and Brazil during 2004 was interrupted. Into Q3, both countries have begun to lower interest rates (in August and September, respectively). Significantly, for the first time in many years, monetary developments in Mexico have been explicitly decoupled from those in the United State and, moreover, instruments alternative to the traditional "corto" are being used to bring about changes in interest rates. In contrast to this situation, the pace of rate rises intensified in Chile, though rates still remain at lower levels, while interbank rates have climbed notably in Argentina in recent months.

INFLATION, EXCHANGE RATES, SHORT TERM INTEREST RATES AND RESERVES CHART 10

Year-on-year rate of change, index values and percentages



SOURCE: National statistics.

a. Above 18% from May 2002 to May 2003.
b. Above 30% from July 2001 to November 2002, except in December 2001.

Budget deficits continued falling to around 0.7% of GDP towards mid-year (see Chart 11), while primary balances stabilised, since the reduction in Argentina (where it is still above 3% of GDP) offset the increase in Brazil, where it exceeded 5% half-way through the year. Behind these developments was a certain moderation in revenue, in real terms, which was particularly marked in Argentina, and the stabilisation of real spending at around 10%. All these figures indicate that the principle of fiscal discipline is taking root. In recent years, as analysed in Box 3, fiscal policy has ceased to play the procyclical (and therefore economic-fluctuation-amplifying) role that traditionally characterised it, and has adopted a neutral or slightly countercyclical stance. Nonetheless, if this incipient stabilising behaviour is to be sustained in the current expansionary phase, the fiscal authorities will have to resist the temptation to increase spending in the run-up to the electoral cycle now commencing.

STRUCTURAL REFORMS AND TRADE INTEGRATION

The firming of macroeconomic policy discipline contrasts with the halt in the structural reform process perceptible in the region and which may be attributed to several factors. The first,

MAIN INDICATORS OF PUBLIC SECTOR PERFORMANCE CHART 11
Year-on-year changes and percentage of GDP

SOURCE: National statistics.

a. Deflated by the CPI.

reiterated in previous reports, is the disillusionment with past reforms, which the latest recovery in growth has not wiped out; the second is the above-mentioned start of the electoral cycle, which means that the most important and difficult economic matters will be put to the back of political agendas; the third factor is the political instability, related in part to the two foregoing factors, which affected a good number of countries to differing degrees, namely Ecuador, Peru, Bolivia, more recently Brazil, and also Mexico. Finally, it may be assumed that the improved economic situation and the excellent financing conditions may tend to give rise to complacency in economic policy management and weaken the momentum of reform, since reforms tend in some cases to be unpopular since their favourable effects are only fully seen in the medium and long run.

In respect of trade integration, only discrete advances were seen, without progress being made on the most substantive processes. Mention should be made of the approval of the Central America Free Trade Agreement (CAFTA) by the US Congress, the agreements on energy integration in the Southern Cone, and the signing of a free trade treaty between Chile and

Traditionally, macroeconomic policies in Latin America have not been able to perform the expected cycle-stabilising role for different reasons. For one thing, monetary policy focused in the nineties on combating the legacy of high inflation, indeed of hyperinflation, from the eighties. But, moreover, from the second half of the nineties, the conduct of the economic authorities was subordinated to mitigating the impact of the various financial crises that affected the region. The presence of fixed exchange rate arrangements, though they were key to the transition to a lower inflation regime, contributed to further restricting the room for manoeuvre of monetary policies. Fiscal policies also faced difficulties stabilising the cycle, owing principally to the fragility of public finances, in conjunction with their dependence on external financing[1].

However, the recent economic adjustment prompted by the successive financial crises the region underwent in the period 2002-2003 resulted in an expansionary period in which a series of circumstances are in place that are conducive to macroeconomic policies being able, in principle, to adopt a more stabilising role. This period is characterised by a combination of high economic growth and a phase of financial stability and declining financial costs. Furthermore, the region's fiscal authorities have shown greater awareness of the importance of fiscal discipline for bolstering sustained growth processes. At the same time, the gradual adoption of monetary arrangements based on direct inflation targeting against the background of flexible exchange rates, at least de jure, gives monetary policy greater scope for implementing stabilising measures.

This box focuses on the stabilising role played by fiscal policy. The accompanying chart details the estimates of changes in the primary structural balance and in the output gap for the seven main countries in the region in the period 1990-2005. This latter variable proxies the cyclical position of the economy, while the change in the primary structural balance, which excludes interest payments and the impact of the cycle on the revenue components that are deemed to be affected by it, is one of the commonest indicators of fiscal policy stance. An increase in the primary structural balance indicates that fiscal policy is adopting a contractionary stance, and vice versa. A positive correlation between both variables means that contractionary (expansionary) fiscal policies coincide with cyclical upturns (downturns) and, therefore, they contribute to stabilising activity, by behaving in a countercyclical fashion. As can be seen in the chart and, more clearly, in the red regression line, there is a negative relationship between both variables for the whole of the period considered, which is very significant statistically. This result would confirm the hypothesis that the region's fiscal policy has tended to be procyclical, i.e. instead of contributing to stabilising economic fluctuations, it has tended to deepen them.

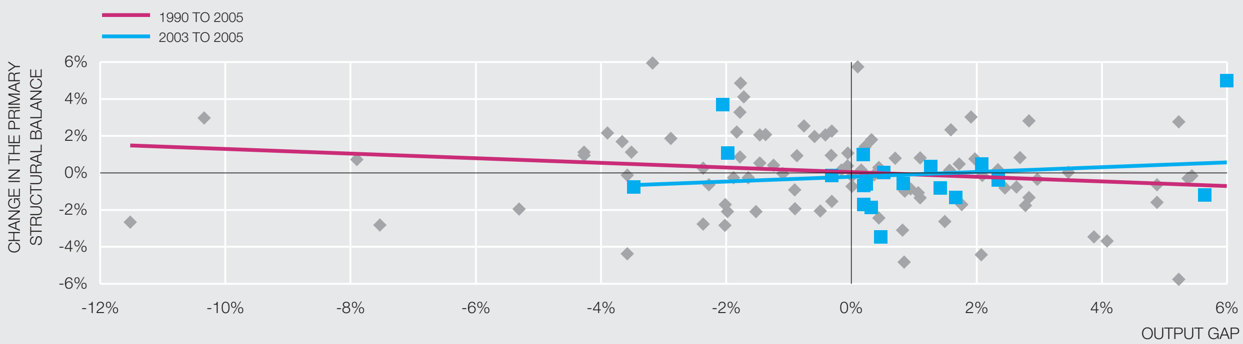
The reason behind this behaviour lies in the structural fragility of public finances, which arises in episodes of financial instability. Such episodes have a direct and immediate impact on economic activity, since they cause a current-account adjustment which is usually generated through a sharp curb on domestic demand. At the same time, doubts arise on the markets about the sustainability of public finances (which are already inherently vulnerable), and that leads to higher financing costs and, potentially, to closures of external financing. Under these circumstances, the fiscal authorities are obliged to rein in spending and to reduce borrowing requirements, and these restrictions run in parallel to and tend to exacerbate the adjustment of activity. Hence the procyclical bias in Latin American fiscal policy reflected in the chart and which has been backed by more rigorous empirical evidence.

Nonetheless, if we focus on the recent period of economic recovery (2003-2005), fiscal policy can be seen to have turned neutral, or

1. M. Gavin and R. Perotti (1997), «Fiscal policy in Latin America», *NBER Macroeconomics Annual 1997.* See also E. Alberola y J. M. Montero (2005), *Debt sustainability and procyclical fiscal policies in Latin America,* mimeo, Banco de España, from which the results used in the Box are also drawn.

FISCAL IMPULSE AND OUTPUT GAP IN LATIN AMERICA
Percentages

FISCAL IMPULSE AND OUTPUT GAP



SOURCE: Banco de España.

slightly countercyclical, as inferred by the blue regression line. Had the previous behaviour been maintained, the fiscal position would have deteriorated; but, unlike in previous episodes, a stance of some caution appears to have been sustained, which may principally be attributed to the greater commitment to fiscal discipline in recent years. In any event, this greater discipline has been consistent with notable growth in public sector primary expenditure (7.5% in real terms in the period 2003-2004, and 10.8% in 2005 Q1 for the region as a whole, excluding Venezuela), favoured by the greater availability of revenue, and as a result of the recovery in expenditure levels, which had been strongly curtailed in the previous period of adjustment (2001 and 2002).

It would be desirable for budgetary caution to be maintained in the run-up to the elections that are to take place in most of the main countries of the area. Indeed, in some of these countries upward pressures on public spending can already be seen, whereupon the near future will be a good test for verifying the existence of greater fiscal discipline. In the context we are analysing, and provided that activity continues to grow firmly, this greater discipline should translate into improved primary structural balances. Beyond the short-term electoral horizon, the acid test of greater fiscal policy capability to exert a stabilising role will be in any future deterioration in financial conditions, whether for domestic or external reasons. In this respect, it should be stressed that public debt stocks are still high and have a vulnerable composition, making them sensitive to a deterioration in financial markets' sentiment. This means that simultaneous adjustments in spending and in activity are foreseeable in this case.

Precisely to avoid such adjustments, it is of paramount importance that, in the current favourable circumstances, a far-reaching and sustained effort should be made to shore up public finances through the reinforcement of the structural position of public finances. Note that this means, among other things, increasing the primary structural balance in the current upturn, which entails de facto compliance with the stabilising role assigned to fiscal policy.

three ASEAN countries. However, negotiations on the Free Trade Area of the Americas (FTAA) have ground to a halt, no further bilateral agreements were reached between the future members of the FTAA (the Andean Community with the United States, for example) and nor was it possible to finalise the agreement between MERCOSUR and the EU.

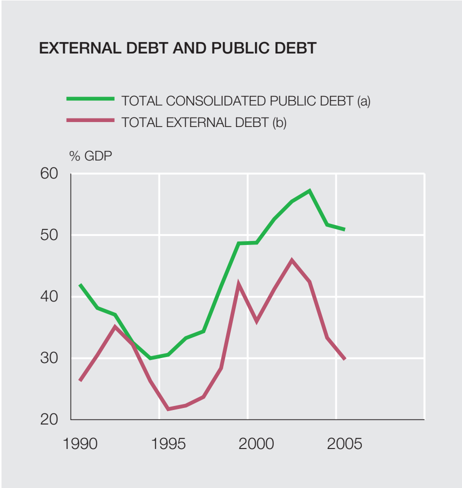
Developments in the main countries

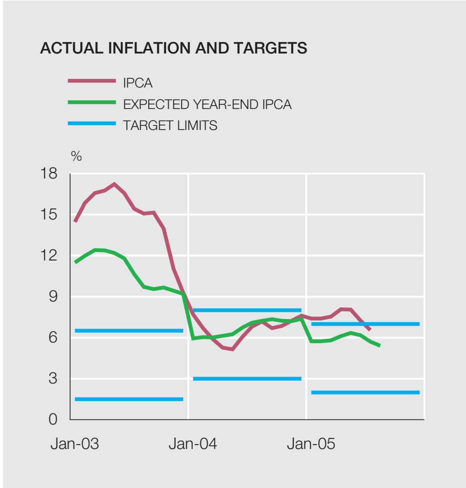
In *Brazil*, the rate of expansion of economic activity stood at a rate of 3.9% in Q2 compared with the same quarter a year earlier, substantially up on Q1 (2.8%). Overall, that meant a slowdown in GDP during the first half of 2005 of almost 2 pp compared with the second half of 2004 (from 5.3% to 3.4% in year-on-year terms). Once again, domestic demand contributed the bulk of the growth (3.3 pp to the year-on-year rate in Q2), although external demand contributed positively again (0.6 pp). Exports remained strong despite the cumulative base effect and the appreciation of the real against Brazil's main trading partners (18% in the first half of the year). Private consumption continued to be underpinned by employment growth at over 3% and by the expansion of new forms of credit, which placed its real growth at over 12% in July. Nonetheless, owing to the rise in inflation, real wages were virtually flat in the first half of the year, in contrast to the improvement in purchasing power throughout 2004. The external accounts continued to perform exceptionally, with a trade surplus standing at over 6% of GDP and a surplus on the current-account balance of close to 2%. That provided for a significant reduction in the external debt ratio (see Chart 12), which breached the threshold of 30% of GDP for the first time since 1998. Fiscal discipline remains in place, as testified by the primary surplus, which closed the half-year period at 5.1% of GDP, above the target for the end of the year (4.25%). The high primary surplus, the favourable course of financial variables against a background of high growth and the improved management of public debt enabled the public debt/GDP ratio to be reduced (albeit by only half a percentage point) in the first six months from 51.7% at end-2004 to 51.2% in July. The scale of this cut is indicative of the resistance to further reductions following the substantial progress in previous years.

Year-on-year inflation stood at over 8% in April and May (see Chart 12), but turned down thereafter (6% in August) until reaching levels consistent with the targets set for 2005 (4.5% +

BRAZIL
Percentages and year-on-year changes

CHART 12





SOURCE: Banco do Brasil.

a. Latest figure: 30 June 2005.
b. Latest figure: 31 March 2005.

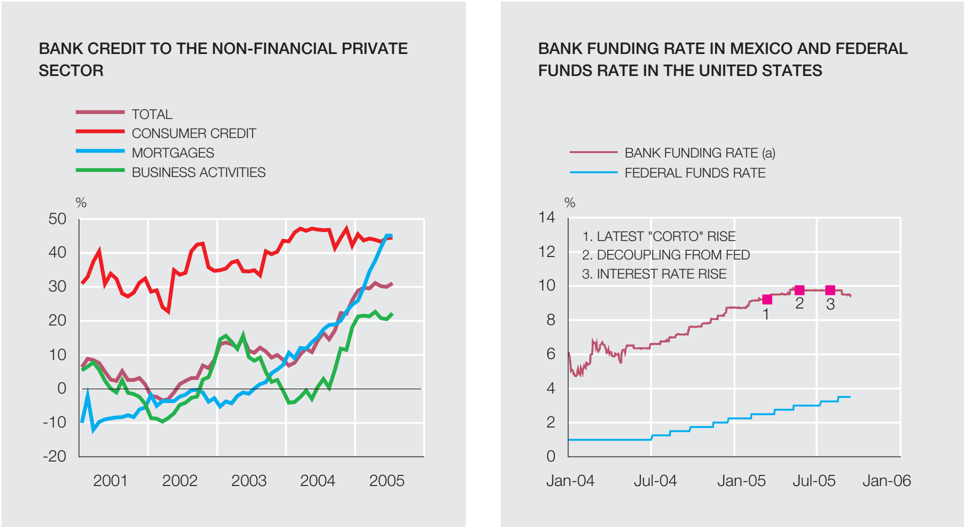
2.5%). Moreover, the course of underlying inflation and the appreciation of the real point to a declining rate in the coming months. Although the rise in prices was influenced by seasonal factors and the readjustment of administered prices, the downward stickiness of inflation expectations prompted the central bank to continue with the greater monetary constraints initiated in September 2004. That made for a further rise of 200 bp on official interest rates between January and May 2005, during which period they stood at 19.75%. After holding unchanged for several months, official interest rates were cut by one-quarter of a point at the last central bank monetary policy meeting in mid-September in the light of the favourable inflation developments and expectations subsequently witnessed.

The favourable course of the economy led the government to cancel ahead of schedule a portion of its debt with the IMF, after forgoing the renewal of the financial programme concluded in March 2005. Both decisions may be interpreted as a wish by the government to strengthen its independent commitment to macroeconomic discipline. This commitment is particularly important set against the political turbulence the country is experiencing, and which may persist over the year remaining to the next presidential elections. In any event, these political difficulties brought certain reforms, such as those relating to tax and central bank independence, to a halt. However, and thanks largely to the perception that macroeconomic discipline is ensured, the financial variables were scarcely affected by the political problems facing the government: risk premiums held at very low levels (at around 400 bp), the real appreciated against the dollar and the stock market posted gains of close to 20% from the start of the year.

In *Mexico*, economic activity slowed notably in the first half of the year, growing by 2.8% in the first six months compared with 4.7% in the previous half-year. While year-on-year growth was higher in 2005 Q2 (3.1%, against 2.4%), these figures mask the fact that, unlike in Brazil, there was no pick-up in Q2, since the quarter-on-quarter growth rate was negative in this period. In the first two quarters of 2005, the contribution of the external sector was negative of the order of more than 1 pp, maintaining the trend embarked on in 2004 Q4. Under domestic demand, the behaviour of the two main components during the first two quarters of the year was notably different. Whereas private consumption slowed, reaching a negative quarter-on-quarter growth rate in Q2, investment accelerated strongly in this period. The loss of economic dyna-

MEXICO
Real year-on-year changes and percentages

CHART 13



SOURCE: Banco de Mexico

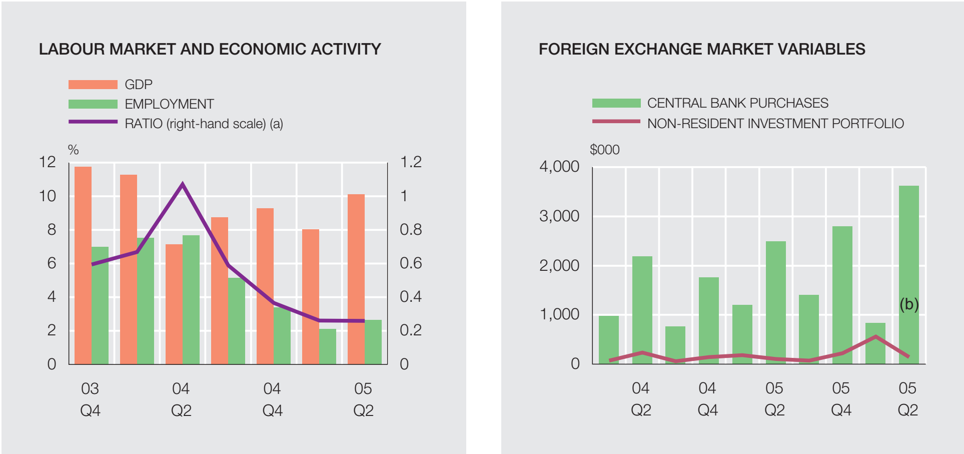
a. Rate representative of bank and brokerage house wholesale operations, whether direct or overnight repo, with certificates of deposit, bank bills and bank acceptances.

mism was scarcely seen in the pace of job creation, the year-on-year growth rate of which was still close to 3%. Conversely, credit to the private sector quickened, climbing from a year-on-year rate of 25% at end-2004 to 31% in July 2005, mainly because of the expansion of credit for house purchases (see Chart 13). The performance of the current-account balance was very different in the first two quarters of the year. While the Q1 data posted a high current-account deficit, the Q2 figures were practically in balance, something not seen since the same quarter in 1996. Overall, the current-account deficit in the first half of the year was equivalent to 0.7% of GDP, while in the same period in 2004 it stood at 0.5%. This slight increase in the deficit was due to the trade balance, since the improvement in the income balance (remittances rose by 18% on the first half of 2004) only offset the bigger deficit recorded in the services balance, owing to interest payments and profits paid abroad. On the basis of the figures for public finances in the first half of the year, the government may well be expected to meet its budget deficit target (0.2% of GDP) for 2005, assisted in part by the soundness of oil revenue.

In the final months of the period under study inflation fell, dipping in August to 3.9%, just below the upper limit of the central bank's target range (3% + 1%) and marking a historical low. A particularly positive development was the reduction in underlying inflation, which is drawing close to 3%, although this does not seem to have been mirrored in expectations. This more favourable inflation performance, coupled with the economic slowdown, explains why the Bank of Mexico abandoned the process of monetary policy tightening it had begun in early 2004 and which ran to June (see Chart 13). This process was channelled mainly via increases in the official "corto" rate (the main monetary policy instrument) and, subsequently, via increases in short-term interest rates in parallel with the US Federal Reserve, but without changes in the "corto". In late August, interest rates began to fall after the central bank announced the desired bank funding rate; once again, this occurred without altering the "corto". The gradual differentiation between movements in the "corto" and those in interest rates may be viewed as part of the process to redefine monetary policy arrangements that the Bank of Mexico has announced it is considering. Finally, the financial markets performed favourably during 2005, as witnessed by the appreciation of the peso against the dollar, the narrowing of the sovereign spread and the almost 10% rise on the stock market.

ARGENTINA
Year-on-year changes, elasticity and levels

CHART 14



SOURCES: National statistics and Banco de España.

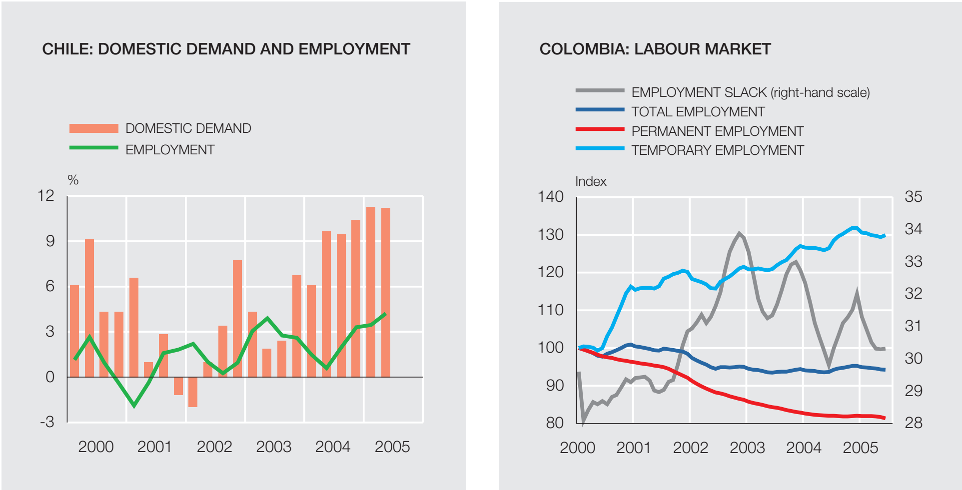
a. Annual change in employment divided by annual change in GDP.
b. Reinforcement of capital controls.

In *Argentina* there was a notable slowdown in growth in Q1, when the quarter-on-quarter rate fell to scarcely 0.8%, but it picked up again in Q2. In this period the year-on-year rate stood once again at over 10% (10.1% to be specific) and the quarter-on-quarter rate also exceeded 2%, a similar figure to the average for 2004. Investment, and particularly capital goods purchases, regained the firmness they had momentarily lost at the start of the year. Exports also rose, although the strength of imports meant that the net contribution of the external sector was virtually zero in Q2. In any event, the Argentine economy showed signs of having initiated a new phase of its cycle, marked by the progressive normalisation of key variables such as employment and by the emergence of renewed inflationary pressures. While labour market developments did not cease to be favourable, job creation is slowing, both in terms of growth and in relation to increases in output, as can be seen in Chart 14. Indeed, the reduction in the unemployment rate is partly attributable to the easing in the participation rate recently observed.

Despite the sound performance of exports, especially in volume terms (since export prices fell from the highs reached the previous year), the trade surplus continued to narrow, though it still stood at around 7% of GDP at the end of the first half of the year. This ample surplus enabled the sign of the current-account balance to remain positive at 2.8% of GDP. Public finances held in positive territory, although in recent months they felt the impact of the upcoming parliamentary elections. This led to successive rises in expenditure, such as increases in public-sector wages and in minimum pensions. Inflation grew significantly in 2005, and the central bank reacted with a moderate rise in its intervention interest rate – albeit one lower than that recorded in inflation expectations – and with the interruption of foreign exchange market interventions in the form of currency purchases. Nonetheless, concerns over the appreciating trend of the peso resulted in a resumption of such interventions towards the end of the half-year period, while capital controls were tightened, in order to temper the non-resident inflows observed at the start of the year (see Chart 14). Having concluded the defaulted debt exchange in February, Argentina resumed issues on capital markets, albeit for modest sums (some $1.5 billion in total) and concentrating on the domestic market and on peso-denominated issues. These securities, along with the new bonds delivered under the debt exchange, evidenced very narrow spreads if regard is had to the recentness of the default and to the fact that the outlook for the Argentine financial position in the medium run is far from satisfactory.

CHILE AND COLOMBIA
Year-on-year change and levels

CHART 15



SOURCE: National statistics

Activity in Chile eased off slightly in the first half of 2005, but it still sustained a growth rate of 6.1% in Q1 compared with the same quarter a year earlier and a somewhat higher rate of 6.5% in Q2. Domestic demand continued to quicken, accelerating to a rate of 11.2% in the first two quarters of the year (see Chart 15), essentially as a result of the strength of investment and, specifically, of the capital goods component. The labour market also contributed to sustaining domestic demand, with the growth of employment firming at over 4% in Q2. This acceleration in the pace of job creation ultimately allowed the unemployment rate to fall significantly and led to a rise in real wages, consigning their recent flatness to the past. The firming of domestic demand and the increase in copper-related revenue (63.8% year-on-year in the first half of 2005) resulted in a fiscal surplus of 2.9% of GDP in the first six months of the year. During this same period the current-account balance posted a surplus of 1.4% of GDP, somewhat down on the same period in 2004, owing essentially to a higher deficit in the income balance, since the trade balance continues to show a surplus of over 8% of GDP (see Chart 7). Inflation has accelerated notably in the year to date, the result of output growth outpacing potential growth and of higher oil prices. Following several quarters of very low rates, inflation stood at the centre of the central bank target range. Official interest rates continued to move upwards (seven 25 bp rises during 2005, up to 4%), and they are expected to continue doing so over the coming months.

In *Colombia*, the economy slowed by 0.5 pp in 2005 Q1 to 3.8%. The moderation in activity was less than in the rest of the region, probably because Colombia was not as far ahead in its cycle. The external sector showed signs of picking up following previous slackness, which was in contrast to the rest of Latin America. Some of the sluggishness of the sector would be due to the strength of the Colombian currency, which appreciated by 5% against the dollar. The improvement in the labour market was particularly noteworthy, since employment increased in year-on-year terms towards the end of the first half of the year for the first time since October 1993, although this improvement was associated with the higher creation of temporary jobs (see Chart 15). The budget deficit held at around 0.7% of GDP at end-2004, a historically low level. However, the government appeared to have relaxed its fiscal commitment in the closing months of the period, since the increase in primary expenditure stood above that of revenue in a pre-electoral year, structural reforms in the fiscal area were put back once again and the budget for 2006 includes a strong increase in expenditure, without specifying new sources of revenue. The resilience of the peso allowed inflation to fall below 5%, a rate unheard of in the past 40 years. Against this background, interest rates remained unchanged in the first three quarters of the year, while international reserves continued to post historical highs.

In Peru, growth in the economy has been persistently strong, despite the fact that activity grew at a somewhat lower rate in the first two quarters (6.1% and 5.7%, respectively, in year-on-year terms) than in 2004 Q4. The contribution of the external sector to growth remained positive, underpinned by the highly favourable export performance. This took the trade balance into surplus (5.6% of GDP), a position not enjoyed since 1989, and saw the current account continue in surplus. Despite the fact that high economic growth prompted year-on-year increases in employment of over 5% during 2004 Q2 and 2005 Q1, the unemployment rate appeared to have hit a floor at 9%. The fiscal performance was also favourable and inflation, after returning to the target range in Q1, continued on a declining path to 1.2% in August, 0.3 pp below the central bank's minimum target for the year. The central bank kept official interest rates at 3.75%. The financial markets also viewed developments in the country most favourably, and this has been reflected in the significant narrowing of the sovereign spread to a level similar to that of an investment-grade country such as Mexico, and in stock market rises outpacing the regional average.

In *Venezuela*, activity continued to grow strongly, albeit at a lower rate than the previous year (7.5% and 11.1% year-on-year, respectively, in the first half of 2005 and 2004). Domestic demand retained its robustness, investment most particularly. The strong negative contribution of the external sector was due to the close to 50% rise in imports in year-on-year terms. Nonetheless, the current-account surplus remained most ample at 16.6% of GDP thanks to the high price of oil, which accounted for more than 85% of foreign sales. In the fiscal domain there was a substantial rise in expenditure, supported by the increase in revenue. Contributing to the strengthening of fiscal resources was the increase in transfers arising on the build-up of reserves by the central bank, following the amendment of the legislation governing the workings of this institution, which entailed a curtailment of its independence. That enabled expenditure to be substantially increased. The exchange rate remained subject to capital controls, and there were no changes in parity following the 10.7% devaluation in February. Prices, which were also tightly controlled, posted an annual inflation rate of around 16% during the first half of 2005, and of below 15% in August. High oil prices and the perception that they were here to stay contributed to sovereign spreads standing once more at their lowest levels since early 1998, as well as to an upgrading of Venezuelan public debt. Conversely, the stock market underwent a decline of over 30% over the period, due partly to the diminished attractiveness of share purchases in companies that are also listed on foreign stock markets.

In *Uruguay*, the pace of expansion of activity eased from 11.4% in the second half of 2004 to 6.9% in the first six months of 2005. Inflation remained on a declining path and stood at 3.4% in August, below its target range (5%-7%). In *Ecuador*, political tensions resulted in the removal from office of the president. The new cabinet, headed by the former vice-president, changed the course of economic policy with measures such as the elimination of an oil-revenue-sustained fund set aside for the repayment of external debt and the suspension of loans from multilateral agencies and of the planned external debt exchange supplemented by new issues. Finally, in *Bolivia*, the social and political crisis worsened in the run-up to the summer, though the calling of early elections has calmed matters for the moment.

Financial regulation: 2005 Q3

Introduction

In 2005 Q3 relatively few financial provisions were published.

First, the law on the minimum own funds of credit institutions has been amended to adapt it to the new accounting environment arising from the adoption by the European Union of the International Financial Reporting Standards (IFRS). However, the substance of the current definition of eligible own funds and the accounting basis for calculating exposures have been left unchanged.

In the area of public debt, the legal regime for market makers has been updated, in order to facilitate its adaptation to the changes that have occurred in public debt markets in the last two years.

Meanwhile, as anticipated in the 2005 State Budget, Sociedad Española de Sistemas de Pago (SESP) has been authorised to manage the National Electronic Clearing System (SNCE) from 1 July 2005.

In the area of taxation, the Corporate Income Tax regulations have been revised to adapt them to the new accounting rules on credit risk allowances and provisions in financial institutions, in particular, taking into account the new circumstances determining the tax deduction for such allowances and provisions.

Finally, certain clarifications have been made to the law on the reporting obligations for preference shares and other debt instruments and for certain income obtained by individuals resident in the European Union.

Modification of the law on the determination and control of minimum own funds

Law 13/1992 of 1 June 1992[1] on own funds and supervision on a consolidated basis, Royal Decree 1343/1992 of 6 November 1992 and the Order of 30 December 1992 incorporated into Spanish law a large part of the Community legislation regulating the solvency of credit institutions. The Banco de España, in the exercise of its powers, developed and applied such law by means of CBE 5/1993 of 26 March 1993[2] on the determination and control of minimum own funds. Specifically, CBE 5/1993 defined the accounting items that have to be computed for the purposes of calculating the solvency of credit institutions and their consolidable groups, on the basis of the rules for the measurement and presentation of financial statements contained in Circular 4/1991 of 14 June 1991[3] on accounting rules and financial statement formats for credit institutions.

Subsequently, CBE 4/2004 of 22 December 2004[4] on public and confidential financial reporting rules and formats repealed CBE 4/1991 and made significant changes to the accounting rules for Spanish credit institutions to adapt them to the new accounting environment arising from the adoption by the European Union of IFRS. This important reform necessitated the revision of Circular 5/1993, which has been carried out by means of *CBE 3/2005 of 30 June 2005* (BOE of 13 July 2005) on the determination and control of minimum

1. See "Regulación financiera: cuarto trimestre de 1992", *Boletín Económico,* January 1993, Banco de España, pp. 65-71. **2.** See "Regulación financiera: primer trimestre de 1993", *Boletín Económico,* April 1993, Banco de España, pp. 88-89. **3.** See "Regulación financiera: segundo trimestre de 1991", *Boletín Económico,* July-August 1991, Banco de España, pp. 58-60. **4.** See "Financial regulation: 2004 Q4", *Economic Bulletin,* January 2005, Banco de España.

own funds. However, it should be noted that there has been no change in the substance of either the current definition of eligible capital or the accounting basis for the calculation of risk exposures.

With regard to *own funds,* irrespective of their accounting classification as a financial liability or as equity, the Circular specifies the instruments eligible as own funds and sets out adjustments to be applied to accounting equity to adapt it to the definition of regulatory capital, thereby avoiding the computation of elements that do not fulfil the requirements of complete availability to absorb losses and permanence laid down by the applicable legislation.

As regards the elements that make up own funds, *preference shares*[5], which are regulated in Law 19/2003 of 4 July 2003 on capital movements, cross-border financial transactions and measures to prevent money laundering, are included, whether or not they are recorded as a financial liability.

In the section on *deductions from own funds,* some of the items are revised, such as the prior years' losses, and the current year's loss. Specifically, the Circular establishes that the debit balance (losses) of each of the equity accounts that reflect valuation adjustments of available-for-sale financial assets, whether debt or equity securities, or non-current assets for sale, and of the valuation adjustments attributable to exchange differences that arise from the application of CBE 4/2004, shall be added to the loss for the year. Any debit balance in the asset revaluation reserve, in consequence of the application of CBE 4/2004, shall also be added to the losses.

On the *exposures* side, most of the sections are amended to adjust them to the new nomenclature of CBE 4/2004. Also, the Circular specifies their valuation and the adjustments necessary to go, where applicable, from the amounts contained in the confidential individual or consolidated financial statements to the calculation basis of the own funds requirements. The purpose of this is to avoid modifying the level of the requirements, either because the new risk exposures reflected in the accounts should not be subject to additional capital requirements, or because the new valuation rules increase or decrease their book amount.

Within the *risk groups* and asset *weightings*, the Circular lists new assets that shall not be subject to the weightings established in CBE 5/1993. These are as follows: a) hedging derivatives; b) capital calls made to shareholders; c) fees and commissions for financial guarantees; d) changes in the fair value of the hedged items in portfolio hedges of interest rate risk; e) tax assets, provided that the foreseeable recovery period does not exceed 10 years, and f) insurance contracts linked to pensions which meet the other conditions to be considered scheme assets and, in accordance with the provisions of CBE 4/2004, have been included in the assets of the institution simply because their counterparty is an insurance company that is a related party.

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5. Preference shares must comply, inter alia, with the following requirements: a) they shall be issued by a credit institution or by an entity resident in Spain or in a European Union territory that is not a tax haven, whose voting rights correspond entirely, directly or indirectly, to a parent credit institution of a consolidable group or sub-group of credit institutions, and whose sole activity or object is the issuance of preference shares; b) their holders shall be entitled to receive a non-cumulative pre-set dividend. The accrual of this dividend shall be conditional upon the existence of distributable earnings at the parent credit institution or at the consolidable group or sub-group; c) they shall not give their holders voting rights, except in exceptional cases established in the relevant terms of issuance; d) they shall not give their holders pre-emptive rights in respect of future new issues; e) they shall be non-redeemable, although early redemption may be agreed from the fifth year after the share payment date, following authorisation from the Banco de España, and f) they shall be listed on organised secondary markets.

Another amendment of the Circular refers to the *calculation of the solvency ratio*. Assets and off-balance sheet items shall be computed at their book value, as defined in CBE 4/2004 (they were previously computed at their book value net of the corresponding specific provisions), based in each case on the amounts included in the individual and consolidated confidential statements, without taking into account certain valuation adjustments relating to micro-hedges reflected in equity and to assets measured at fair value, except those for any type of asset when the adjustments have been recognised through the income statement.

As regards the own funds requirements for *portfolio risk,* it should be noted that the Circular establishes that, securities used to collateralise transfers to financial accounts and securities given as collateral for a period of more than six months, provided that they are not directly related to other elements in the portfolio, cannot be included in the held-for-trading portfolio, or, where applicable, shall be excluded from it.

Finally, most of the statements in the annexes of the Circular are revised in order to adapt them to the new accounting rules.

Credit institutions had until 1 October 2005 to send to the Banco de España statements relating to the first half of 2005, in line with the new formats and criteria established in the Circular.

New regulations for State debt market makers

The Ministerial Order of 10 February 1999[6], implemented by the Resolution of 11 February 1999 of the Directorate General of the Treasury and Financial Policy (the Treasury), established the basic principles for the regulation of "Kingdom of Spain public debt market makers[7]". Subsequently, the Resolution of 20 February 2002[8] redefined the terms on which these institutions collaborate with the Treasury as regards the placement of public debt securities on the primary market and their trading on the secondary market. Later, the Treasury Resolution of 5 March 2003 repealed the previous resolution in order to broaden the scope of market makers' collaboration so as to include not only the State bond market, but also the Treasury bill market, and thus to guarantee market liquidity and maintain competitiveness with other institutional issuers in the euro area.

Treasury *Resolution of 20 July 2005* (BOE of 28 July 2005) has recently been published. This updates the regime for market makers to facilitate its adaptation to the changes that have occurred in public debt markets over the last two years. In addition, it seeks to promote the market for strips and to cover the agreement reached by the euro area Treasuries represented on the European Commission's Economic and Financial Committee (EFC) Sub-Committee on EU Government Bills and Bonds Markets with regard to the harmonised format for primary dealers to report on their activity. This resolution repeals and replaces that of 5 March 2003.

The most important changes are as follows:

MARKET MAKER ELIGIBILITY REQUIREMENTS

The eligibility requirements for market makers are similar to those set out in the previous Resolution. Notable, among others, are being the holder of an Iberclear securities account in one's own name; meeting the technical and human resources requirements that may be es-

6. See "Financial regulation: first quarter 1999", *Economic Bulletin,* April 1999, Banco de España, pp. 60-62. **7.** Kingdom of Spain public debt market makers are those financial institutions belonging to the Book-Entry Public Debt Market whose function is to boost liquidity and the smooth and orderly operation of the Spanish public debt market and to co-operate with the Treasury in the placement and promotion in and outside Spain of State debt. **8.** See "Financial regulation: 2002 Q1", *Economic Bulletin,* April 2002, Banco de España, pp. 70-72.

tablished; meeting certain financial and legal conditions that are necessary to be considered a member with full powers of at least one of the organised electronic dealing systems determined by the Treasury; and demonstrating for at least one month, through activities in the primary and secondary Treasury bill markets, a commitment similar to that required by market makers as a whole.

RIGHTS AND OBLIGATIONS OF STATE BOND MARKET MAKERS

Similar rights to those in the previous Resolution are maintained, including the following: participation in State bond auctions; exclusive access to the second rounds of State bond auctions; stripping and reconstituting State debt securities; debt management and placement operations that can be performed by the Treasury, such as syndicated issues in euro, swap transactions and issues in foreign currency; receiving information on the Treasury's financing policy, and participation, where applicable, in the setting of targets for the issuance of medium and long-term Treasury instruments.

Likewise, the same obligations are maintained, with some changes. They continue participating in State bond auctions and guaranteeing liquidity in the secondary bond and strips markets, on the same conditions as in the previous Resolution.

Also, the Treasury may modify the trading terms set out above, and those appearing in paragraphs a) and b) below, after consulting the market makers:

a) Each market maker shall trade at least four benchmarks (previously 5), but there is no reference to the three additional bond baskets established in the previous Resolution.

b) Each market maker shall trade at least four main strips (previously two main ones and two extra benchmarks, which could be either strips or the two bonds replacing the strips) in accordance with certain maximum spread (expressed in basis points of yield) and volume (millions of euro) conditions.

Another change is that market makers may divide themselves up into groups for quoting the main strips. Thus, at meetings with the Treasury baskets may be designed containing the main strips, whose quotation shall be compulsory, with each basket assigned to a group of market makers. When making up the baskets the maturity of the benchmarks included shall be taken into account, so that their duration and liquidity is similar. The baskets may normally be modified every two months.

At the same time, they must provide the information that the Treasury may request on the debt market in general and on market making activity in particular. A new obligation is that if a market maker is allotted more than 40% of the volume issued in one bond auction, it shall notify the Treasury of any clients on whose behalf it was acting in the auction.

Finally, they shall continue to ensure the sound operation of the market, respecting the operational obligations that may be established and avoiding actions that may have an adverse effect on the market or on State debt.

RIGHTS AND OBLIGATIONS OF TREASURY BILL MARKET MAKERS

The same rights as in the previous Resolution are maintained: exclusive access to a second round of the Treasury bill tender; debt and treasury management operations that the Treasury may perform, such as auctions of Treasury liquidity; receipt of information regarding the Treasury's financing policy; participation, where applicable, in the setting of issuance targets for short-term Treasury instruments, and representation on the Public Debt Market Advisory Committee, along with the bond market makers.

As in the previous case, the same obligations are maintained, although with some changes: they shall participate in Treasury bill tenders and shall guarantee liquidity on the secondary Treasury bill market.

At meetings with the Treasury they shall define the bills deemed to be market benchmarks, but there is no reference to the two extra bill baskets and creation of the corresponding groups.

Finally, they shall provide the information that the Treasury may request on the debt market in general and on market making activity in particular, and they shall ensure the sound operation of the market, respecting the operational obligations that may be established and avoiding actions that may have an adverse effect on the market or on State debt.

ASSESSMENT OF MARKET MAKERS

As under the previous Resolution, the Treasury shall assess each month, and independently, the activity of market makers in different areas specified in the Resolution. There are five new areas of assessment:

1. Degree of participation in the monthly dealing in public debt by market makers with entities that do not hold Iberclear accounts.

2. Stripping and reconstitution of strippable securities, and dealing therein.

3. Degree of participation in operations to promote State debt in and outside Spain.

4. Degree of distribution of State debt in countries or strategic areas calculated on the basis of the monthly reports the market makers send to the Treasury.

5. Regularity in the behaviour of market makers, to contribute to the stability of their efforts over time.

Unlike previously, the Resolution specifies those cases in which market makers shall be penalised:

a) When they fail to comply with a request for information or advice from the Treasury, when they fail to attend meetings with the Treasury, or when they carry out actions that may have an adverse effect on the operation of the market or that have as their single ultimate aim to improve the Treasury's assessment of them.

b) When the bids submitted at auctions differ substantially from the price or yield on the secondary market five minutes before the auction and thus distort its operation.

LOSS OF MARKET MAKER STATUS

Treasury bill market maker status may be lost for any of the following reasons, envisaged in the previous Resolution of 5 March 2003: renunciation by the entity itself notified to the Treasury; a decision of the Treasury, when it considers that the entity does not show sufficient commitment in the public debt market or that it has failed to comply with its obligations under the Resolution for three consecutive months; and a decision of the Treasury, when an entity fails to comply with the rules on withholding taxes in the current law applicable to it.

Also, a new case in which an entity may lose its market maker status is:

When the Treasury decides that it has performed actions that may have an adverse effect on the operation of the market or on State debt or that it considers its behaviour improper for a market maker, against the interests of the Treasury or contrary to the aim of sound operation of the debt market.

When the Treasury decides to rotate its group of market makers in order to give new entities access to the group, increasing their total number or not. The choice of the entity or entities who are to lose their market maker status shall be made on the basis of the assessment carried out in accordance with this Resolution and of the composition of the groups of bill and bond market makers.

Sociedad Española de Sistemas de Pago, SA: management of the National Electronic Clearing System

The 2005 State budget Law 2/2004 of 27 December 2004[9], in its additional provisions, amended Law 41/1999 of 12 November[10] on payment and securities settlement systems. Specifically, it regulated Sociedad Española de Sistemas de Pago, SA (SESP), which replaced Servicio de Pagos Interbancarios, SA. SESP has as its main object, to facilitate the exchange, clearing and settlement of orders for the transfer of funds between credit institutions, whatever the type of document, or of payment or fund transfer instrument from which such transfer orders arise; to facilitate for credit institutions the distribution, collection and processing of means of payment; and to provide technical and operational services that supplement or are ancillary to the above activities, and any others requested so that SESP collaborates and coordinates its activities in the payment systems area. It was also provided that SESP should take over the management of the National Electronic Clearing System (SNCE) before 1 July 2005.

For this reason, the Executive Commission of the Banco de España published a *Resolution of 30 June 2005* (BOE of 8 July 2005), authorising *SESP* to manage the SNCE with effect from 30 June 2005.

That said, the company will continue to be supervised by the Banco de España, which shall be responsible for authorising, prior to their adoption by the relevant bodies of the company, its articles of association and any amendments thereto, as well as the basic rules of operation of the systems and services that it manages. Also, the penalty regime of Law 26/1988 of 28 July 1988 on discipline and intervention of credit institutions, with such refinements as may be determined by law, shall be applicable to the company.

Revision of the Corporate Income Tax regulations to adapt them to the new accounting rules on the credit risk allowances and provisions of financial institutions

The consolidated text of the Corporate Income Tax Law approved by Legislative Royal Decree 4/2004 of 5 March 2004[11], implemented by the corporate income tax regulations, approved by Royal Decree 1777/2004 of 30 July 2004[12], provided for impairment allowances, and regulated the deductibility of the impairment charges to provide for the risk arising from the possible insolvency of debtors, establishing the rules relating to this risk in financial institutions and the amount of impairment charges to provide for such risk; all this in conformity with the rules in Circular 4/1991 of 14 June 1991 of the Banco de España, which regulated the accounting rules and financial statement formats for credit institutions.

This Circular was repealed by Circular 4/2004 of 22 December 2004 of the Banco de España on credit institutions' public and confidential financial reporting rules and formats, which came

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9. See "Financial regulation: 2004 Q4", *Economic Bulletin,* January 2005, Banco de España. **10.** See "Financial regulation: 1999 Q4", *Economic Bulletin*, January 2000, Banco de España, pp. 103-104. **11.** See "Financial regulation: 2004 Q1", *Economic Bulletin*, April 2004, Banco de España, pp. 99-100. **12.** See "Financial regulation: 2004 Q3", *Economic Bulletin*, October 2004, Banco de España.

into force on 30 June 2005 and amended the accounting regime for Spanish credit institutions in order to adapt it to the new accounting environment arising from the adoption by the European Union of IFRS, so that its application will affect tax periods from this year.

Consequently, it was necessary to revise the corporate income tax regulations in order to adapt them to the new accounting rules on the credit risk allowances and provisions in financial institutions. This was achieved with the publication of *Royal Decree 1122/2005 of 26 September 2005* (BOE of 6 October 2005), which amended the corporate income tax regulations approved by Royal Decree 1777/2004 of 30 July 2004 in relation to credit risk allowances and provisions in financial institutions, and Royal Decree 1778/2004 of 30 July 2004, which laid down reporting obligations for preference shares and other debt instruments and certain income obtained by individuals resident in the European Union. The latter amendment will be discussed in the following section.

With regard to insolvency risk, Circular 4/1991 distinguished a specific provision, a general provision (insolvency fund to cover credit risk) and a statistical provision (fund to cover insolvencies statistically). Circular 4/2004 of 22 December 2004 makes a substantive change to the regulation of provisioning, while attempting to maintain a high degree of continuity with the previous regime, as regards both its accounting objectives (accurate valuation of losses in credit portfolios) and its supervisory and prudential aims. Thus Circular 4/2004 proposes two types of allowance or provision: a specific allowance or provision which reflects the deterioration in assets identified as impaired, and a general allowance or provision which turns on the entire credit portfolio.

Accordingly, Royal Decree 1112/2005 regulates the new circumstances that give rise to the tax deduction for credit risk allowances and provisions and its amount. In this respect, the general rule is still that all provisioning charges taken for credit risk, up to the level of the minimum amounts provided for in Circular 4/2004 of the Banco de España, are deductible, but some of the exceptions have been amended. Specifically, provisioning expense recorded in cases of loss or impairment of security and that recorded in accordance with the provisions of section 17.b) of Annex IX of Circular 4/2004 which refer to secured transactions is deductible. Also, a new category of risk is added, known as "substandard"[13]. This was introduced by Circular 4/2004, and the conditions for the related expense to be deductible are established.

Finally, a new criterion is added for the general allowance or provision to be tax deductible, subject to a quantitative limit. Thus, the amount of the general allowance or provision that does not correspond to contingent exposures shall be deductible, up to the limit of 1% of the overall positive change during the tax period in the debt instruments classified as standard risk referred to in Annex IX of Circular 4/2004 of 22 December 2004, excluding negligible-risk debt instruments, securities traded on organised secondary markets, secured credits and amounts not yet due on financial leases of property. That part of the general allowance or provision for contingent exposures that derives from the application of the alpha parameter referred to in section 29.b) of the aforementioned Annex IX shall be deductible[14].

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13. The substandard category includes all debt instruments and contingent exposures which, without qualifying individually for classification as doubtful or write-off, show weaknesses that may entail the entity assuming losses higher than the allowances and provisions for impairment of exposures under special monitoring. This category includes, inter alia, the transactions of customers who form part of groups in difficulty (such as the residents in a specific geographical area at sub-country level, or those belonging to a specific, ailing economic sector), for which overall losses higher than those in the foregoing category are estimated, and transactions that are not properly documented. **14.** The method of estimating the general allowance or provision in Annex IX of CBE 4/2004, so that the alpha parameter takes into account the historical inherent loss and the adjustments to adapt them to the current economic circumstances.

Modification of the law on reporting obligations for preference shares and other debt instruments and certain income obtained by individuals resident in the European Union

Royal Decree 1778/2004 of 30 July 2005[15], which establishes reporting obligations for preference shares and other debt instruments and certain income obtained by individuals resident in the European Union, incorporated into Spanish law Council Directive 2003/48/EC of 3 June 2003, on taxation of savings income in the form of interest payments. In this respect, it established that exchange of information would be applied to all relevant income paid as from 1 July 2005, whether or not it accrued after that date.

Subsequently, the ECOFIN Council resolved, at a meeting held on 12 April 2005, that the Directive would be applied to all interest payments accruing as from 1 July 2005. Royal Decree 1778/2004 has thus been amended by means of the above-mentioned *Royal Decree 1122/2005 of 26 September 2005*, which kept its date of entry into force as 1 July 2005, but made it applicable to all income subject to reporting requirements that is paid or received from that date, excluding the proportionate part accruing previously.

15. See "Financial regulation: 2004 Q3", *Economic Bulletin,* October 2004, Banco de España.

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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 specfied one week before the data are released.

1. IMF Special Data Dissemination Standard (SDDS).

1. IMF Special Data Dissemination Standard (SDDS).

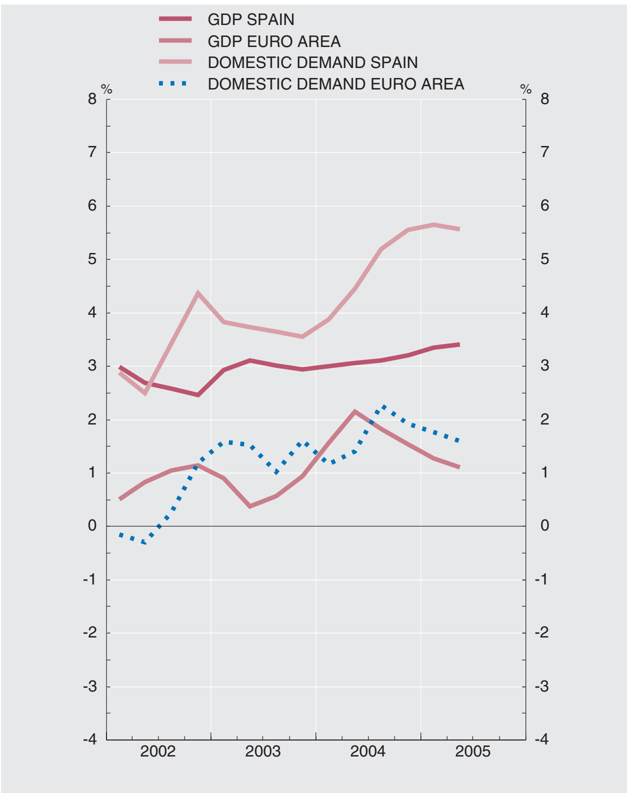
1.1. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES, REFERENCE YEAR 2000=100.DEMAND COMPONENTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

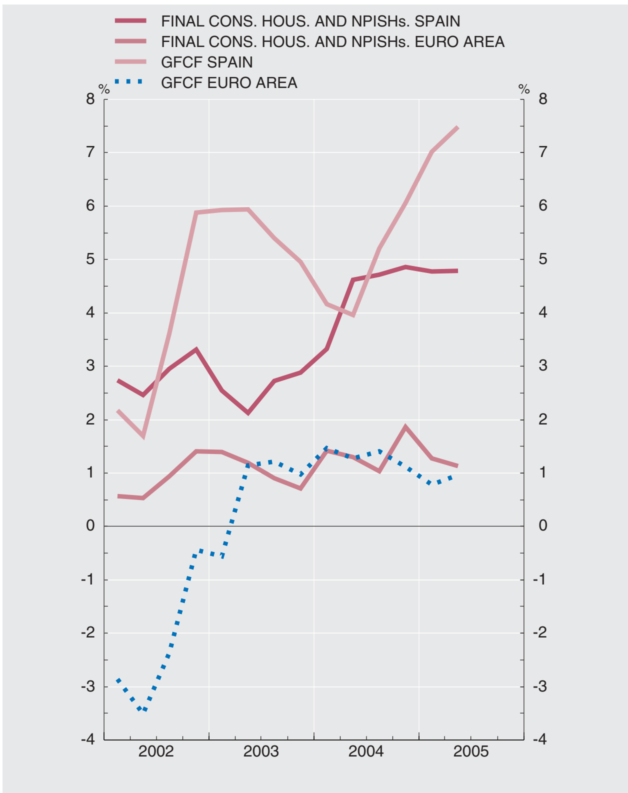
Annual percentage changes

		GDP		Final consumption of households and NPISHs		General government final consumption		Gross fixed capital formation		Domestic demand		Exports of goods and services		Imports of goods and services		Memorandum item: GDPmp (current prices) (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
02	P	2.7	0.9	2.9	0.9	4.5	2.5	3.3	-2.3	3.3	0.2	1.8	1.9	3.9	0.3	729	7 122
03	P	3.0	0.7	2.6	1.1	4.8	1.5	5.5	0.7	3.7	1.4	3.6	0.7	6.0	2.7	781	7 327
04	P	3.1	1.8	4.4	1.4	6.0	1.1	4.9	1.3	4.8	1.7	3.3	6.0	9.3	6.1	837	7 601
02 *Q3*	P	2.6	1.0	3.0	0.9	4.6	2.6	3.6	-2.4	3.4	1.0	1.8	3.3	4.6	1.3	184	1 791
Q4	P	2.5	1.1	3.3	1.4	4.2	2.3	5.9	-0.4	4.4	1.1	4.5	3.5	10.3	3.8	186	1 802
03 *Q1*	P	2.9	0.9	2.5	1.4	4.9	1.7	5.9	-0.6	3.8	0.9	5.7	2.2	6.5	4.2	190	1 810
Q2	P	3.1	0.4	2.1	1.2	4.6	1.3	5.9	1.1	3.7	0.4	3.0	-1.1	5.5	1.9	194	1 819
Q3	P	3.0	0.6	2.7	0.9	4.6	1.7	5.4	1.2	3.6	0.6	3.5	0.6	7.1	1.8	197	1 843
Q4	P	2.9	0.9	2.9	0.7	5.0	1.4	5.0	1.0	3.5	0.9	2.4	1.0	5.0	2.8	200	1 855
04 *Q1*	P	3.0	1.6	3.3	1.4	5.0	1.4	4.2	1.5	3.9	1.6	4.0	3.7	7.4	2.8	203	1 876
Q2	P	3.1	2.1	4.6	1.3	5.9	1.4	4.0	1.3	4.4	2.1	3.3	7.9	9.2	6.2	208	1 898
Q3	P	3.1	1.8	4.7	1.0	6.7	1.1	5.2	1.4	5.2	1.8	3.7	6.4	10.4	7.9	212	1 909
Q4	P	3.2	1.5	4.9	1.9	6.4	0.6	6.1	1.1	5.6	1.5	2.3	6.1	10.2	7.4	215	1 918
05 *Q1*	P	3.3	1.3	4.8	1.3	5.5	0.9	7.0	0.8	5.7	1.3	-1.9	3.7	5.6	5.1	219	1 934
Q2	P	3.4	1.1	4.8	1.1	4.6	0.9	7.5	1.0	5.6	1.1	1.9	3.2	8.0	4.6	224	1 948

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



DEMAND COMPONENTS. SPAIN AND EURO AREA
Annual percentage changes



Sources: INE (Quarterly National Accounts of Spain. Base year 2000) and Eurostat.

a. Spain: prepared in accordance with ESA95, seasonally- and working-day-adjusted series (see Economic bulletin April 2002); Euro area, prepared *in accordance with ESA95.*

b. Euro area, private consumption.

c. Euro area, government consumption.

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

e. Billions of euro.

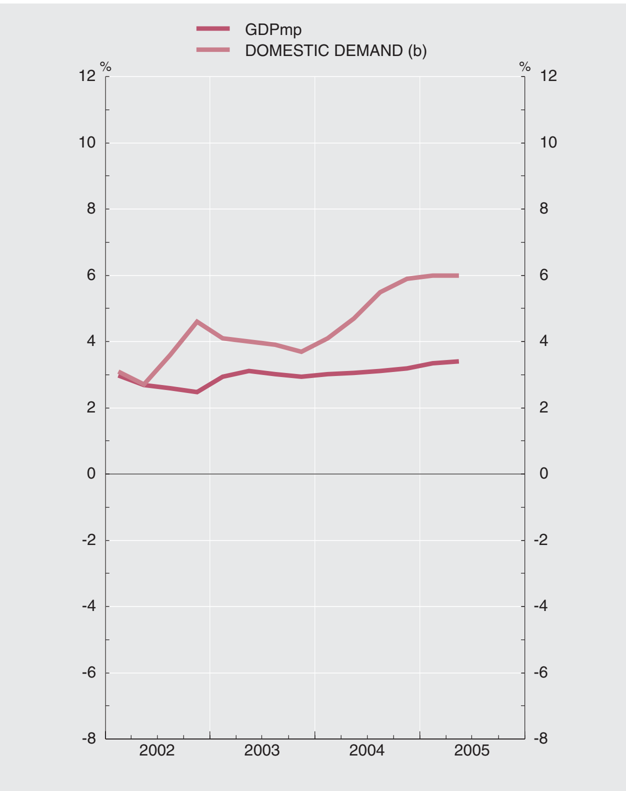
1.2. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. DEMAND COMPONENTS. SPAIN: BREAKDOWN (a)

■ Series depicted in chart.

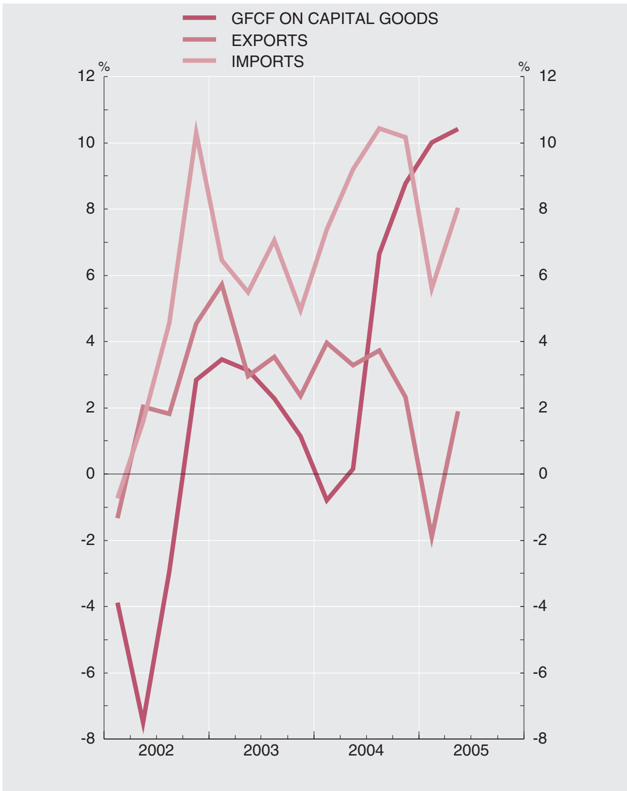
Annual percentage changes

		Gross fixed capital formation					Exports of goods and services				Imports of goods and services				Memorandum items:	
		Total	Capital goods	Construc- tión	Other products	Change in Stocks (b)	Total	Goods	Final con- sumption of non-resi- dents in economic territory	Services	Total	Goods	Final consumption of residents in the rest of the world	Services	Domestic demand (b)	GDP
		1	2 ■	3	4	5 ■	6	7	8	9	10 ■	11	12	13	14 ■	15 ■
02	P	3.3	-2.9	6.2	5.0	0.0	1.8	3.4	-6.5	4.4	3.9	4.4	1.8	1.5	3.5	2.7
03	P	5.5	2.5	6.3	7.7	-0.0	3.6	5.0	0.5	1.2	6.0	6.4	5.1	4.1	3.9	3.0
04	P	4.9	3.7	5.5	4.4	0.0	3.3	4.4	-0.1	2.6	9.3	10.1	20.6	3.6	5.1	3.1
02 *Q3*	P	3.6	-2.9	6.9	4.3	0.1	1.8	3.9	-7.9	4.2	4.6	4.9	3.6	3.4	3.6	2.6
Q4	P	5.9	2.8	7.1	7.1	0.2	4.5	7.0	-4.1	3.5	10.3	11.9	1.2	4.3	4.6	2.5
03 *Q1*	P	5.9	3.5	6.8	7.6	0.0	5.7	8.1	-2.1	4.0	6.5	6.6	0.8	6.6	4.1	2.9
Q2	P	5.9	3.1	6.4	8.6	0.0	3.0	2.9	4.8	1.6	5.5	5.8	3.6	4.4	4.0	3.1
Q3	P	5.4	2.3	6.0	8.3	-0.0	3.5	5.0	0.2	0.4	7.1	8.0	5.7	2.8	3.9	3.0
Q4	P	5.0	1.1	6.1	6.6	-0.1	2.4	4.0	-1.0	-1.3	5.0	5.3	10.1	2.7	3.7	2.9
04 *Q1*	P	4.2	-0.8	6.1	4.7	0.1	4.0	5.3	1.1	1.5	7.4	7.7	17.4	4.3	4.1	3.0
Q2	P	4.0	0.2	5.6	3.2	0.0	3.3	5.5	-4.7	2.0	9.2	9.9	20.2	4.2	4.7	3.1
Q3	P	5.2	6.7	5.3	3.6	-0.0	3.7	4.8	0.6	2.5	10.4	11.5	20.5	3.4	5.5	3.1
Q4	P	6.1	8.8	5.1	5.9	-0.0	2.3	1.9	2.8	4.4	10.2	11.1	24.0	2.6	5.9	3.2
05 *Q1*	P	7.0	10.0	5.7	7.3	-0.0	-1.9	-2.0	-3.4	0.1	5.6	7.0	24.5	-6.0	6.0	3.3
Q2	P	7.5	10.4	5.8	8.7	0.0	1.9	2.6	-1.4	1.3	8.0	8.5	26.9	0.1	6.0	3.4

GDP. DOMESTIC DEMAND
Annual percentage changes



GDP. DEMAND COMPONENTS
Annual percentage changes



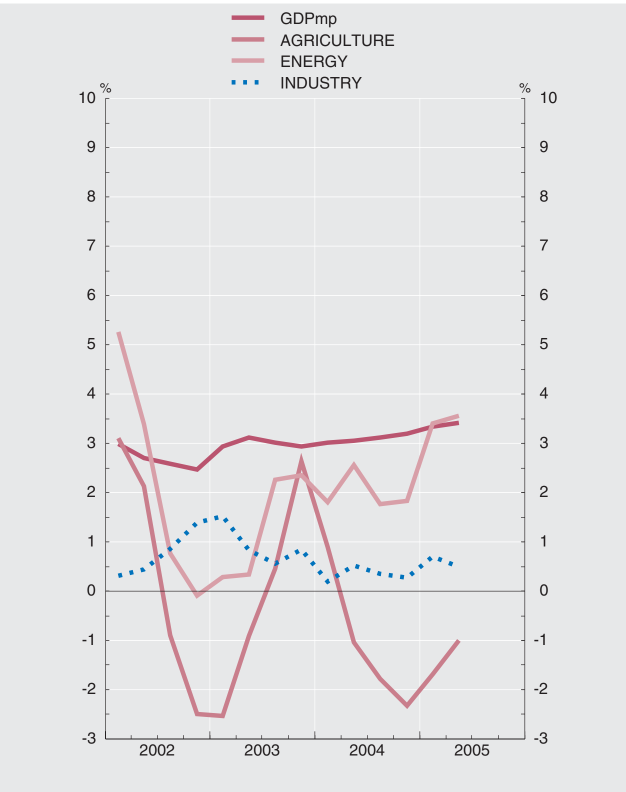
Source: INE (Quarterly National Accounts of Spain. Base year 2000).
a. Prepared in accordance with ESA95, seasonally- and working-day-adjusted series (see Economic bulletin April 2002).
b. Contribution to GDPmp growth rate.

1.3. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. BRANCHES OF ACTIVITY. SPAIN (a)

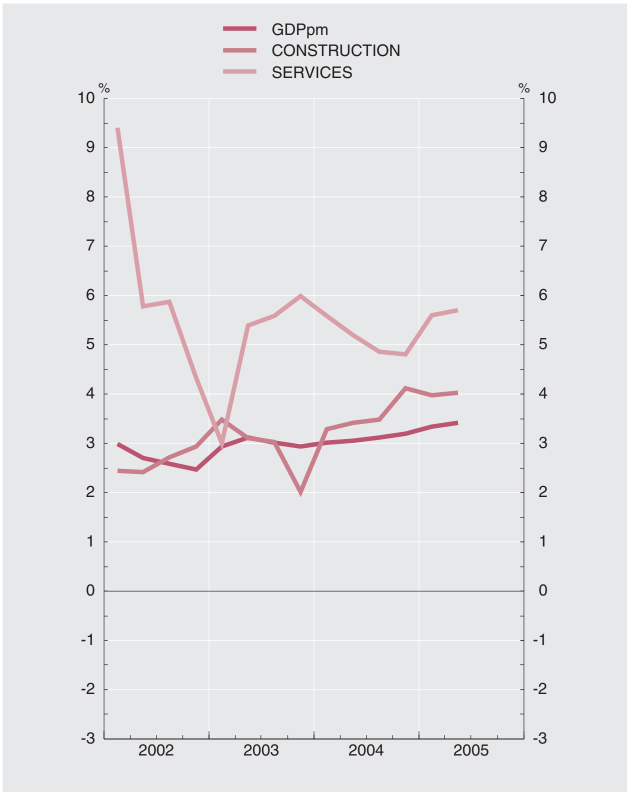
■ Series depicted in chart. *Annual percentage changes*

		Gross domestic product at market prices	Agriculture and fisheries	Energy	Industry	Construction	Services: Total	Services: Market services	Services: Non-market services	VAT on products	Net taxes linked to imports	Other net taxes on products
		1 ■	2 ■	3	4 ■	5 ■	6 ■	7	8	9	10	11
02	P	2.7	0.4	2.3	0.7	6.3	2.6	2.6	2.7	2.3	-0.3	8.1
03	P	3.0	-0.1	1.3	0.9	5.0	2.9	2.6	4.2	5.3	6.6	9.5
04	P	3.1	-1.1	2.0	0.3	5.1	3.6	3.6	3.6	2.5	12.0	6.5
02 *Q3*	P	2.6	-0.9	0.8	0.9	5.9	2.7	2.5	3.4	0.6	1.1	10.0
Q4	P	2.5	-2.5	-0.1	1.4	4.3	2.9	3.0	2.6	-1.9	1.9	9.5
03 *Q1*	P	2.9	-2.5	0.3	1.5	3.0	3.5	3.1	5.0	1.3	4.5	10.4
Q2	P	3.1	-0.9	0.3	0.8	5.4	3.1	2.8	4.2	7.1	5.5	7.3
Q3	P	3.0	0.4	2.3	0.6	5.6	3.0	2.9	3.6	4.3	8.1	8.2
Q4	P	2.9	2.6	2.3	0.8	6.0	2.0	1.5	3.9	8.8	8.4	12.1
04 *Q1*	P	3.0	0.9	1.8	0.2	5.6	3.3	3.3	3.4	1.3	12.4	9.5
Q2	P	3.1	-1.0	2.6	0.5	5.2	3.4	3.4	3.3	0.1	12.9	10.6
Q3	P	3.1	-1.8	1.8	0.4	4.9	3.5	3.5	3.5	4.7	10.8	6.2
Q4	P	3.2	-2.3	1.8	0.3	4.8	4.1	4.1	4.3	3.9	12.0	0.3
05 *Q1*	P	3.3	-1.7	3.4	0.7	5.6	4.0	4.0	4.0	4.2	6.6	-0.6
Q2	P	3.4	-1.0	3.6	0.5	5.7	4.0	4.3	3.2	4.5	2.0	-0.8

GDP. BRANCHES OF ACTIVITY
Annual percentage changes



GDP. BRANCHES OF ACTIVITY
Annual percentage changes



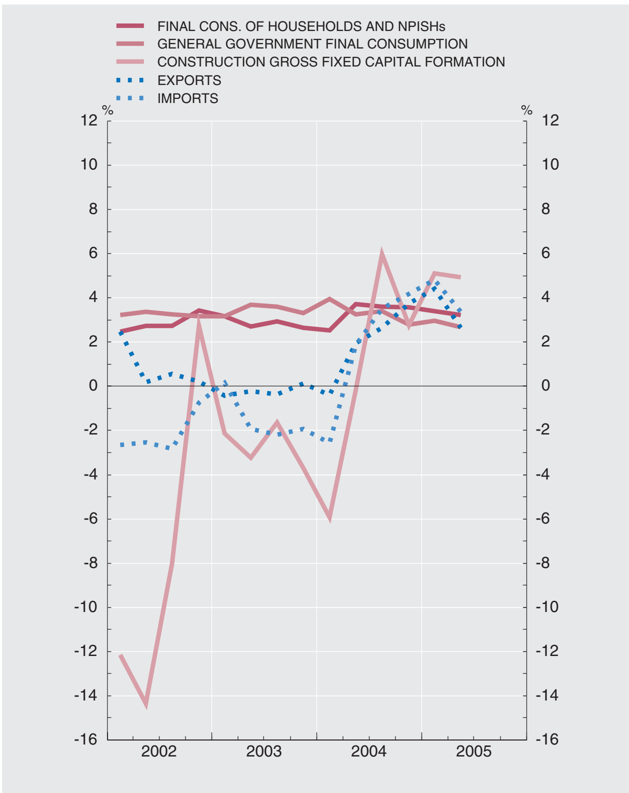
Source: INE (Quarterly National Accounts of Spain. Base year 2000).
a. Prepared in accordance with ESA95, seasonally- and working-day-adjusted series (see Economic bulletin April 2002).

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

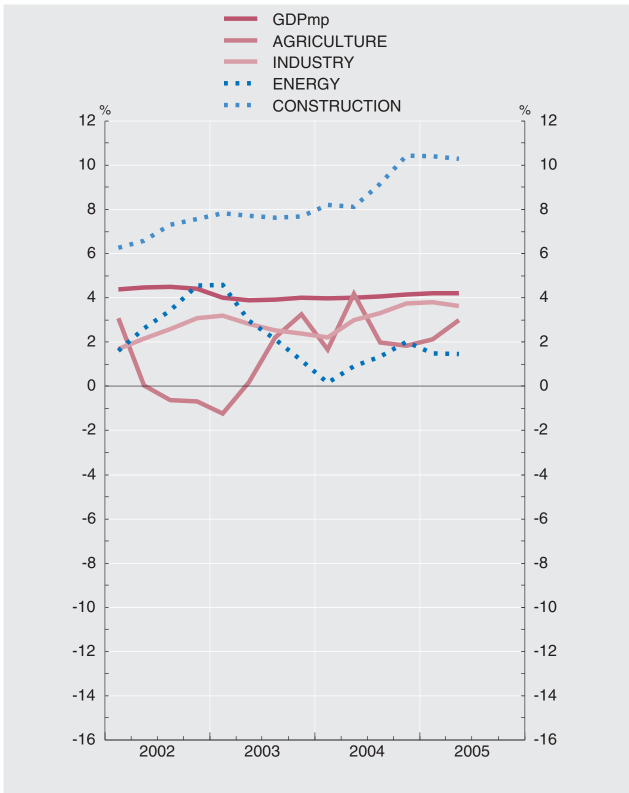
■ Series depicted in chart. *Annual percentage changes*

		Demand components							Gross domestic product at market prices	Branches of activity					
		Final consump-tion of households and NPISHs	General government final consump-tion	Gross fixed capital formation			Exports of goods and services	Imports of goods and services		Agricul-ture and fisheries	Energy	Industry	Construc-tion	Services	Of which
				Capital goods	Construc-tion	Other products									Market services
		1 ■	2 ■	3	4 ■	5	6 ■	7 ■	8 ■	9 ■	10 ■	11 ■	12 ■	13	14
02	P	2.9	3.3	2.1	-7.9	10.1	0.9	-2.2	4.4	0.4	3.1	2.4	6.9	5.0	3.3
03	P	2.8	3.4	1.7	-2.7	10.5	-0.2	-1.5	4.0	1.1	2.7	2.7	7.7	3.7	3.5
04	P	3.4	3.3	1.8	0.7	10.4	2.0	1.8	4.1	2.4	1.1	3.1	9.0	3.4	3.5
02 *Q3*	P	2.7	3.3	1.2	-8.0	11.6	0.6	-2.8	4.5	-0.6	3.4	2.6	7.3	4.9	3.5
Q4	P	3.4	3.2	-0.2	2.7	15.6	0.2	-0.7	4.4	-0.7	4.6	3.1	7.6	4.3	3.3
03 *Q1*	P	3.2	3.2	0.3	-2.1	14.5	-0.4	0.1	4.0	-1.2	4.6	3.2	7.8	3.7	3.6
Q2	P	2.7	3.7	2.8	-3.2	10.2	-0.2	-1.9	3.9	0.2	3.0	2.8	7.7	3.6	3.5
Q3	P	2.9	3.6	1.7	-1.6	8.1	-0.4	-2.2	3.9	2.2	2.1	2.5	7.6	3.7	3.4
Q4	P	2.6	3.3	2.2	-3.7	9.1	0.1	-1.9	4.0	3.3	1.2	2.4	7.7	3.9	3.3
04 *Q1*	P	2.6	3.9	1.3	-5.9	9.8	-0.4	-2.6	4.0	1.7	0.2	2.2	8.2	3.6	3.8
Q2	P	3.7	3.3	0.4	-0.2	12.5	1.9	1.9	4.0	4.2	0.9	3.0	8.1	3.3	3.4
Q3	P	3.6	3.4	1.5	6.0	11.1	2.6	3.5	4.1	2.0	1.4	3.3	9.2	3.3	3.7
Q4	P	3.6	2.8	4.1	2.7	8.0	3.7	4.2	4.2	1.8	2.0	3.7	10.4	3.2	3.1
05 *Q1*	P	3.4	3.0	3.9	5.1	7.8	4.4	4.8	4.2	2.1	1.5	3.8	10.4	3.4	3.2
Q2	P	3.2	2.7	4.1	4.9	5.5	2.6	3.4	4.2	3.0	1.5	3.6	10.3	3.5	3.1

GDP. IMPLICIT DEFLATORS
Annual percentage changes



GDP. IMPLICIT DEFLATORS
Annual percentage changes



Source: INE (Quarterly National Accounts of Spain. Base year 2000).
a. Prepared in accordance with ESA95, seasonally- and working-day-adjusted series (see Economic bulletin April 2002).

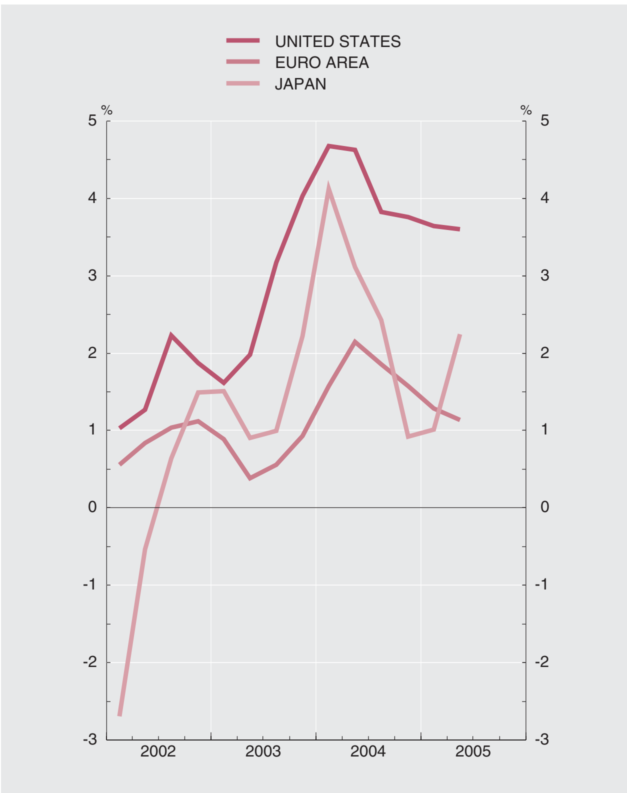
2.1. INTERNATIONAL COMPARISON. GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

■ Series depicted in chart.

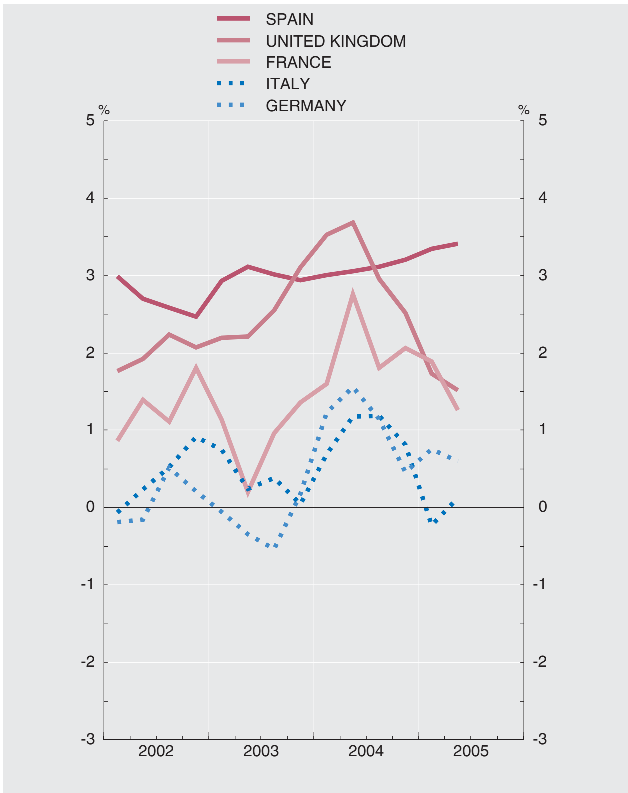
Annual percentage changes

	OECD 1	EU-15 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
02	1.7	1.1	0.9	0.1	2.7	1.6	1.3	0.4	-0.3	2.0
03	2.1	1.0	0.7	-0.2	3.0	2.7	0.9	0.4	1.4	2.5
04	3.4	2.0	1.8	1.1	3.1	4.2	2.1	1.0	2.6	3.2
02 *Q2*	1.5	1.0	0.8	-0.2	2.7	1.3	1.4	0.2	-0.5	1.9
Q3	2.2	1.2	1.0	0.5	2.6	2.2	1.1	0.5	0.6	2.2
Q4	2.2	1.2	1.1	0.2	2.5	1.9	1.8	0.9	1.5	2.1
03 *Q1*	1.8	1.1	0.9	-0.1	2.9	1.6	1.1	0.7	1.5	2.2
Q2	1.6	0.7	0.4	-0.3	3.1	2.0	0.2	0.2	0.9	2.2
Q3	2.1	0.9	0.6	-0.5	3.0	3.2	1.0	0.4	1.0	2.6
Q4	2.9	1.3	0.9	0.2	2.9	4.0	1.4	0.0	2.2	3.1
04 *Q1*	3.7	1.9	1.6	1.2	3.0	4.7	1.6	0.7	4.1	3.5
Q2	3.8	2.4	2.1	1.6	3.1	4.6	2.8	1.2	3.1	3.7
Q3	3.3	2.1	1.9	1.1	3.1	3.8	1.8	1.2	2.4	3.0
Q4	2.9	1.8	1.6	0.5	3.2	3.8	2.1	0.8	0.9	2.5
05 *Q1*	2.6	1.4	1.3	0.8	3.3	3.6	1.9	-0.2	1.0	1.7
Q2	...	1.2	1.1	0.6	3.4	3.6	1.3	0.1	2.2	1.5

GROSS DOMESTIC PRODUCT
Annual percentage changes



GROSS DOMESTIC PRODUCT
Annual percentage changes



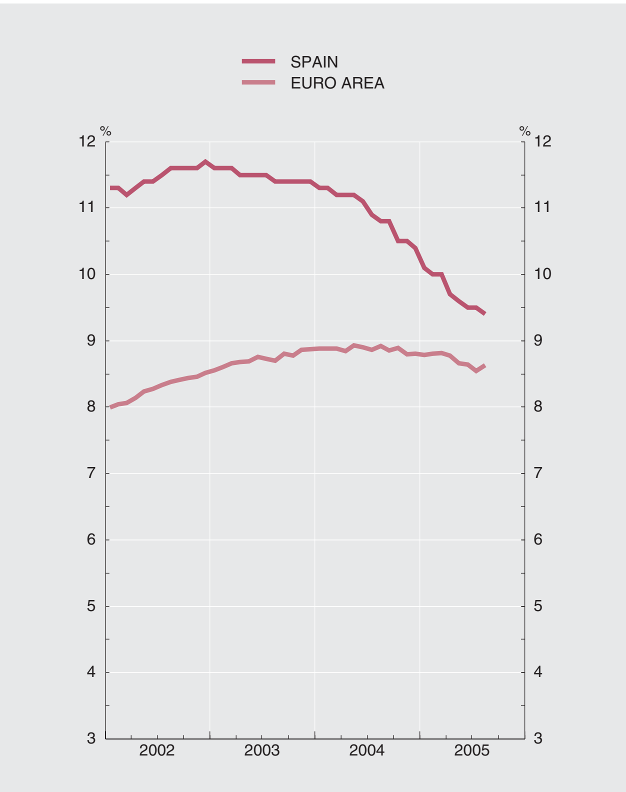
Sources: ECB, INE and OECD.
Note: The underlying series for this indicator are in Table 26.2 of the BE Boletín Estadístico.

2.2. INTERNATIONAL COMPARISON. UNEMPLOYMENT RATES

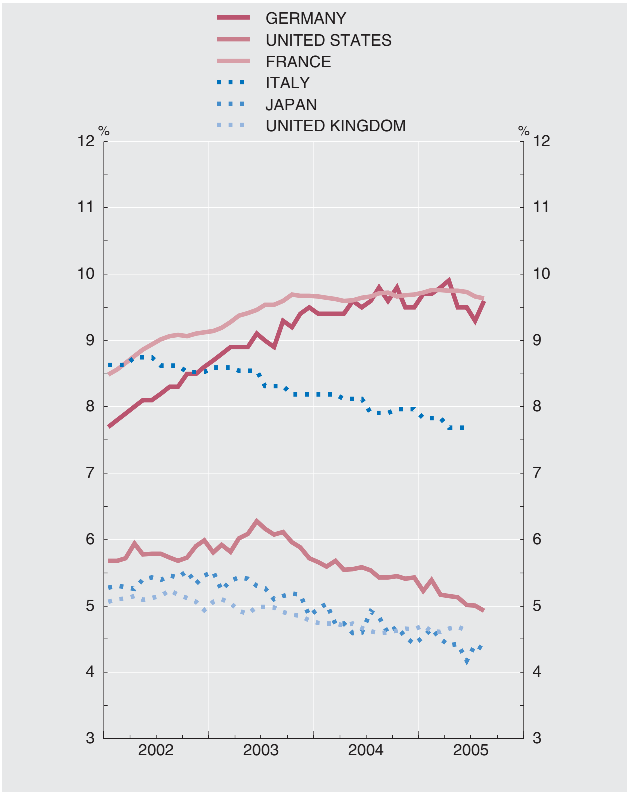
■ Series depicted in chart. *Percentages*

	OECD 1	EU-15 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
02	6.9	7.6	8.3	8.2	11.5	5.8	8.9	8.6	5.4	5.1
03	7.1	8.0	8.7	9.1	11.5	6.0	9.5	8.4	5.3	4.9
04	6.9	8.1	8.9	9.5	10.9	5.5	9.7	8.0	4.7	4.7
04 *Mar*	7.0	8.1	8.9	9.4	11.2	5.7	9.6	8.2	4.7	4.7
Apr	6.9	8.1	8.8	9.4	11.2	5.6	9.6	8.1	4.7	4.7
May	6.9	8.1	8.9	9.6	11.2	5.6	9.6	8.1	4.6	4.7
Jun	6.9	8.1	8.9	9.5	11.1	5.6	9.6	8.1	4.6	4.7
Jul	6.9	8.1	8.9	9.6	10.9	5.5	9.7	7.9	4.9	4.6
Aug	6.9	8.1	8.9	9.8	10.8	5.4	9.7	7.9	4.8	4.6
Sep	6.8	8.1	8.8	9.6	10.8	5.4	9.7	7.9	4.6	4.6
Oct	6.8	8.1	8.9	9.8	10.5	5.5	9.7	8.0	4.7	4.6
Nov	6.8	8.0	8.8	9.5	10.5	5.4	9.7	8.0	4.5	4.7
Dec	6.8	8.0	8.8	9.5	10.4	5.4	9.7	8.0	4.4	4.7
05 *Jan*	6.7	8.0	8.8	9.7	10.1	5.2	9.7	7.8	4.5	4.7
Feb	6.8	8.0	8.8	9.7	10.0	5.4	9.8	7.8	4.7	4.6
Mar	6.7	8.0	8.8	9.8	10.0	5.2	9.8	7.8	4.5	4.6
Apr	6.6	8.0	8.8	9.9	9.7	5.2	9.8	7.7	4.4	4.7
May	6.6	7.9	8.7	9.5	9.6	5.1	9.8	7.7	4.4	4.7
Jun	6.5	7.9	8.6	9.5	9.5	5.0	9.7	7.7	4.2	4.6
Jul	6.5	7.8	8.5	9.3	9.5	5.0	9.7	...	4.4	...
Aug	6.5	7.9	8.6	9.6	9.4	4.9	9.6	...	4.3	...

UNEMPLOYMENT RATES



UNEMPLOYMENT RATES



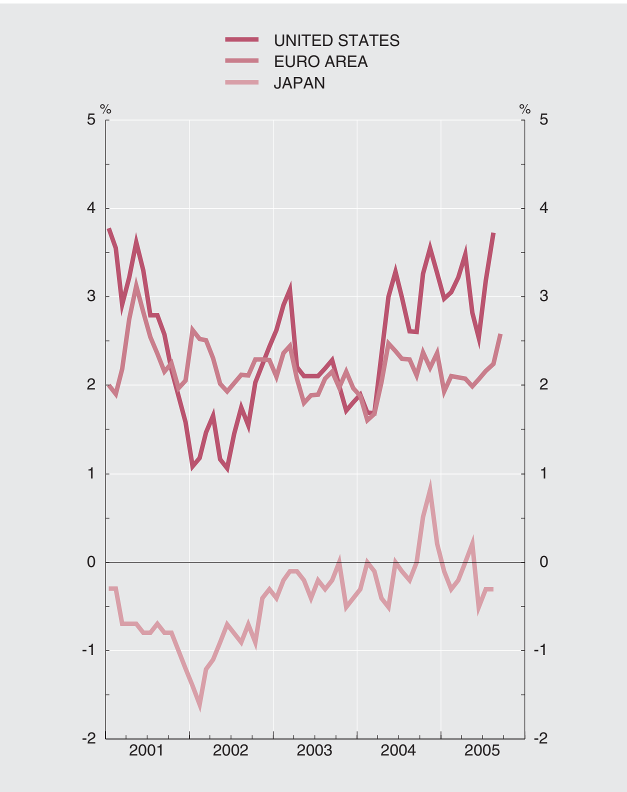
Sources: ECB and OECD.

2.3. INTERNATIONAL COMPARISON. CONSUMER PRICES (a)

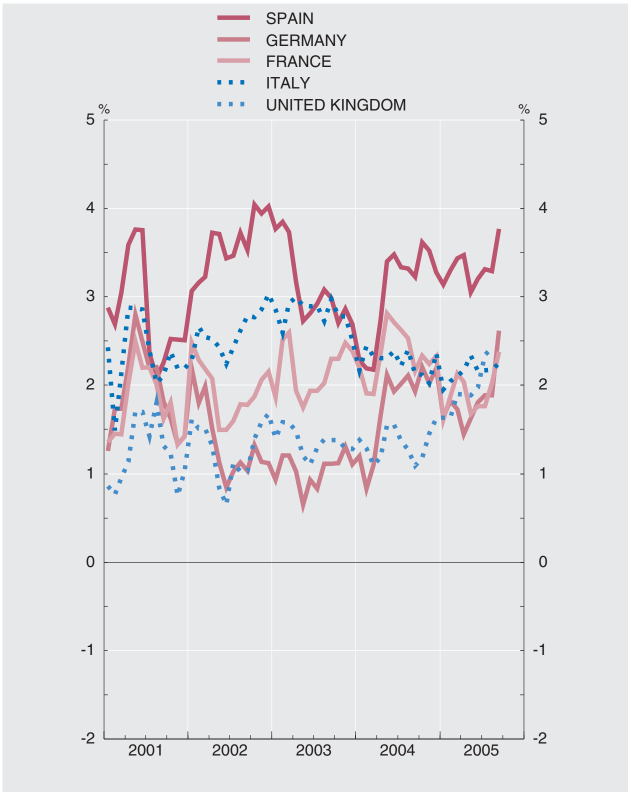
■ Series depicted in chart. *Annual percentage changes*

	OECD 1	EU-15 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
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
04	2.5	2.0	2.1	1.8	3.0	2.7	2.3	2.3	-0.0	1.3
04 *Apr*	2.1	1.8	2.0	1.7	2.7	2.3	2.4	2.3	-0.4	1.2
May	2.7	2.3	2.5	2.1	3.4	3.0	2.8	2.3	-0.5	1.5
Jun	2.8	2.2	2.4	1.9	3.5	3.3	2.7	2.4	-	1.6
Jul	2.7	2.1	2.3	2.0	3.3	3.0	2.6	2.2	-0.1	1.4
Aug	2.6	2.1	2.3	2.1	3.3	2.6	2.5	2.4	-0.2	1.3
Sep	2.5	1.9	2.1	1.9	3.2	2.6	2.2	2.1	-	1.1
Oct	2.8	2.1	2.4	2.2	3.6	3.3	2.3	2.1	0.5	1.2
Nov	3.0	2.0	2.2	2.0	3.5	3.5	2.2	2.0	0.8	1.5
Dec	2.8	2.2	2.4	2.2	3.3	3.3	2.3	2.4	0.2	1.6
05 *Jan*	2.5	1.8	1.9	1.6	3.1	3.0	1.6	2.0	-0.1	1.6
Feb	2.5	2.0	2.1	1.8	3.3	3.1	1.9	2.0	-0.3	1.6
Mar	2.5	2.0	2.1	1.7	3.4	3.2	2.1	2.1	-0.2	1.9
Apr	2.8	2.0	2.1	1.4	3.5	3.5	2.0	2.2	-	1.9
May	2.4	1.9	2.0	1.6	3.0	2.8	1.7	2.3	0.2	1.9
Jun	2.2	2.0	2.1	1.8	3.2	2.5	1.8	2.2	-0.5	2.0
Jul	2.5	2.2	2.2	1.9	3.3	3.2	1.8	2.2	-0.3	2.3
Aug	2.8	2.3	2.2	1.9	3.3	3.7	2.0	2.2	-0.3	2.4
Sep	...	2.6	2.6	2.6	3.8	...	2.4	2.2	...	...

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.

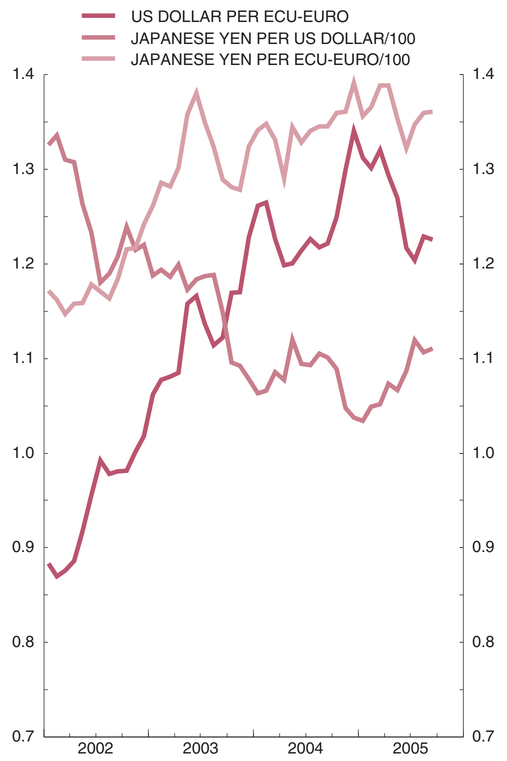
2.4. BILATERAL EXCHANGE RATES AND NOMINAL AND REAL EFFECTIVE EXCHANGE RATE INDICES FOR THE EURO, US DOLLAR AND JAPANESE YEN

■ Series depicted in chart.

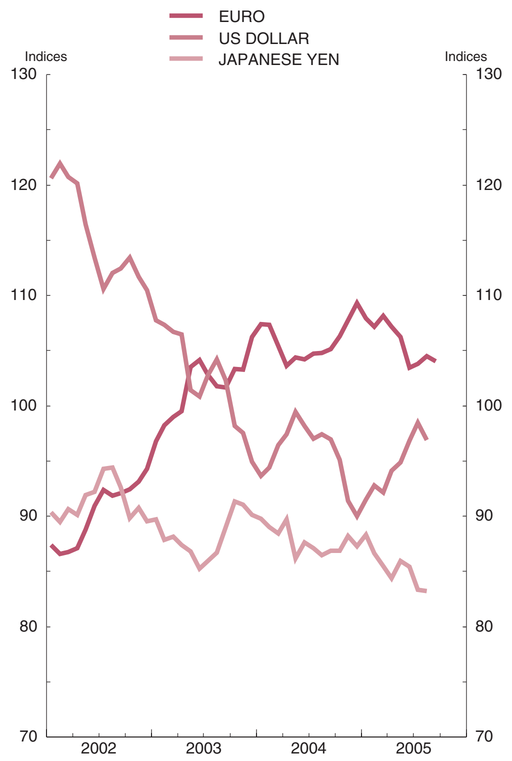
Average of daily data

	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					
							Based on consumer prices			Based on producer prices		
	US dollar per ECU/euro	Japanese yen per ECU/euro	Japanese yen per US dollar	Euro	US dollar	Japanese yen	Euro	US dollar	Japanese yen	Euro	US dollar	Japanese yen
	1 ■	2 ■	3 ■	4	5	6	7 ■	8 ■	9 ■	10	11	12
02	0.9454	118.08	125.18	89.2	110.5	101.1	90.3	115.3	91.4	91.9	113.3	90.9
03	1.1313	130.98	115.93	99.9	97.5	99.9	101.7	102.5	88.3	102.2	102.8	88.0
04	1.2433	134.41	108.18	103.8	89.7	101.5	105.9	95.6	87.8	105.3	96.6	87.6
04 *J-S*	1.2256	133.51	108.97	103.2	90.9	101.5	105.2	96.8	87.9	104.8	97.5	87.8
05 *J-S*	1.2633	136.02	107.77	103.7	87.6	100.9	105.8	94.7	85.3	104.8	96.1	85.9
04 *Jul*	1.2266	134.08	109.32	102.8	90.7	101.0	104.7	97.0	87.1	104.4	97.4	87.2
Aug	1.2176	134.54	110.50	102.7	91.2	100.4	104.8	97.4	86.5	104.4	98.0	86.3
Sep	1.2218	134.51	110.09	103.0	90.7	100.7	105.1	96.9	86.9	104.6	97.7	86.4
Oct	1.2490	135.97	108.89	104.2	88.8	100.6	106.3	95.1	86.8	105.5	97.0	85.8
Nov	1.2991	136.09	104.77	105.6	85.3	102.3	107.7	91.4	88.2	106.6	93.4	87.6
Dec	1.3408	139.14	103.78	107.1	84.3	101.8	109.3	90.0	87.3	108.4	91.8	87.4
05 *Jan*	1.3119	135.63	103.38	105.8	85.2	103.3	107.9	91.5	88.3	107.2	93.2	88.1
Feb	1.3014	136.55	104.93	105.1	86.0	102.1	107.1	92.8	86.6	106.6	94.2	86.7
Mar	1.3201	138.83	105.18	106.0	85.2	101.1	108.2	92.1	85.5	107.5	94.0	85.4
Apr	1.2938	138.84	107.31	105.1	86.7	100.1	107.2	94.1	84.4	106.0	95.8	84.9
May	1.2694	135.37	106.66	104.0	87.7	101.7	106.3	94.9	86.0	104.7	96.7	86.3
Jun	1.2165	132.22	108.69	101.2	89.4	101.7	103.5	96.9	85.4	102.3	98.5	86.0
Jul	1.2037	134.75	111.94	101.7	90.5	99.5	103.8	98.5	83.4	102.6	100.4	84.0
Aug	1.2292	135.98	110.63	102.3	88.9	99.5	104.5	96.9	83.2	103.2	...	...
Sep	1.2256	136.06	111.03	101.8	88.5	99.1	104.0	...	...	102.7	...	...

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.

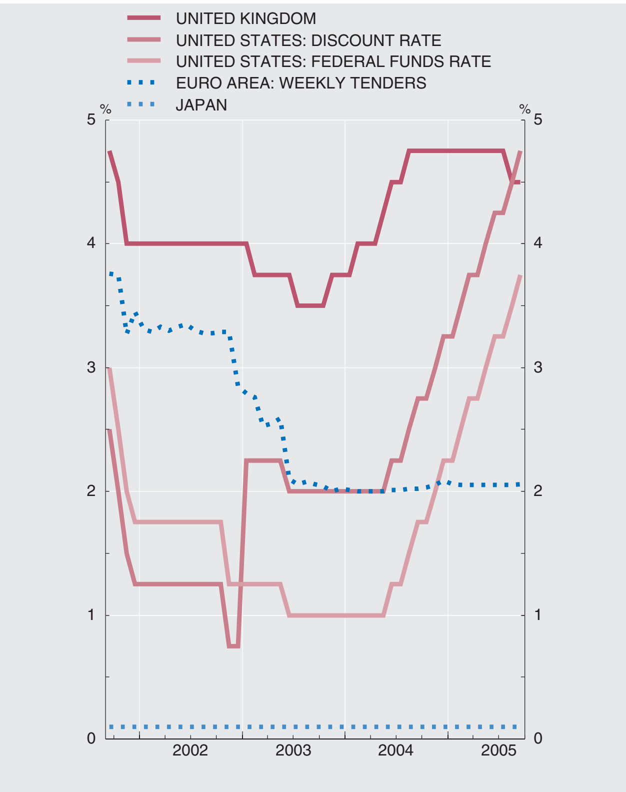
(b) Obtained by multiplying the relative prices of each area/country (relation betwen its price index and the price index of the group) by the nominal effective exchange rate. A decline in the index denotes a depreciation of the real effective exchange rate and, may be interpreted as an improvement in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

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

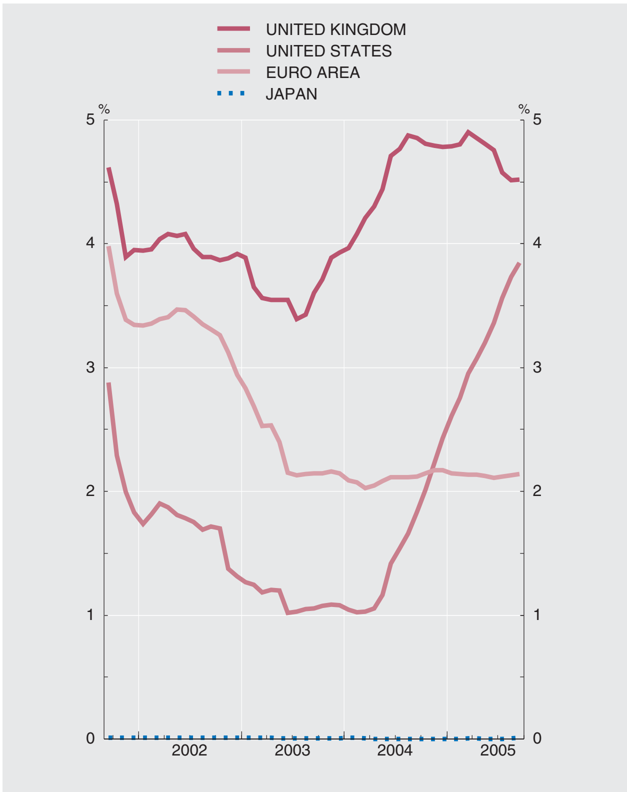
■ Series depicted in chart. *Percentages*

	Official intervention interest rates: Euro area (a)	Official intervention interest rates: United States: Discount rate (b)	Official intervention interest rates: United States: Federal funds rate	Official intervention interest rates: Japan (c)	Official intervention interest rates: United Kingdom (d)	3-month interbank rates: OECD	3-month interbank rates: EU-15	3-month interbank rates: Euro area	3-month interbank rates: Germany	3-month interbank rates: Spain	3-month interbank rates: United States	3-month interbank rates: France	3-month interbank rates: Italy	3-month interbank rates: Japan	3-month interbank rates: United Kingdom
	1 ■	2 ■	3 ■	4 ■	5 ■	6	7	8 ■	9	10	11 ■	12	13	14 ■	15 ■
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
04	2.00	3.25	1.40	0.10	4.75	1.75	2.48	2.11	-	-	1.54	-	-	0.00	4.55
04 *Apr*	2.00	2.00	1.00	0.10	4.00	1.52	2.39	2.05	-	-	1.06	-	-	0.00	4.30
May	2.00	2.00	1.00	0.10	4.25	1.58	2.44	2.09	-	-	1.16	-	-	0.00	4.44
Jun	2.00	2.25	1.25	0.10	4.50	1.71	2.50	2.11	-	-	1.42	-	-	0.00	4.71
Jul	2.00	2.25	1.25	0.10	4.50	1.76	2.52	2.12	-	-	1.54	-	-	0.00	4.77
Aug	2.00	2.50	1.50	0.10	4.75	1.81	2.53	2.11	-	-	1.66	-	-	0.00	4.88
Sep	2.00	2.75	1.75	0.10	4.75	1.89	2.53	2.12	-	-	1.83	-	-	0.00	4.85
Oct	2.00	2.75	1.75	0.10	4.75	1.97	2.55	2.15	-	-	2.01	-	-	0.00	4.81
Nov	2.00	3.00	2.00	0.10	4.75	2.07	2.56	2.17	-	-	2.23	-	-	0.00	4.79
Dec	2.00	3.25	2.25	0.10	4.75	2.15	2.56	2.17	-	-	2.43	-	-	0.00	4.78
05 *Jan*	2.00	3.25	2.25	0.10	4.75	2.21	2.54	2.15	-	-	2.61	-	-	0.00	4.79
Feb	2.00	3.50	2.50	0.10	4.75	2.26	2.54	2.14	-	-	2.76	-	-	0.00	4.80
Mar	2.00	3.75	2.75	0.10	4.75	2.35	2.55	2.14	-	-	2.95	-	-	0.01	4.90
Apr	2.00	3.75	2.75	0.10	4.75	2.40	2.54	2.14	-	-	3.07	-	-	0.01	4.86
May	2.00	4.00	3.00	0.10	4.75	2.44	2.53	2.13	-	-	3.20	-	-	0.00	4.81
Jun	2.00	4.25	3.25	0.10	4.75	2.49	2.50	2.11	-	-	3.36	-	-	0.00	4.76
Jul	2.00	4.25	3.25	0.10	4.75	2.56	2.47	2.12	-	-	3.56	-	-	0.00	4.57
Aug	2.00	4.50	3.50	0.10	4.50	2.63	2.48	2.13	-	-	3.74	-	-	0.01	4.51
Sep	2.00	4.75	3.75	0.10	4.50	2.69	2.48	2.14	-	-	3.84	-	-	0.01	4.52

OFFICIAL INTERVENTION INTEREST RATES



3-MONTH INTERBANK RATES



Sorces: ECB, Reuters and BE.
a. Main refinancing operations.
b. As from January 2003, the Primary Credit Rate.
c. Discount rate.
d. Retail bank base rate.

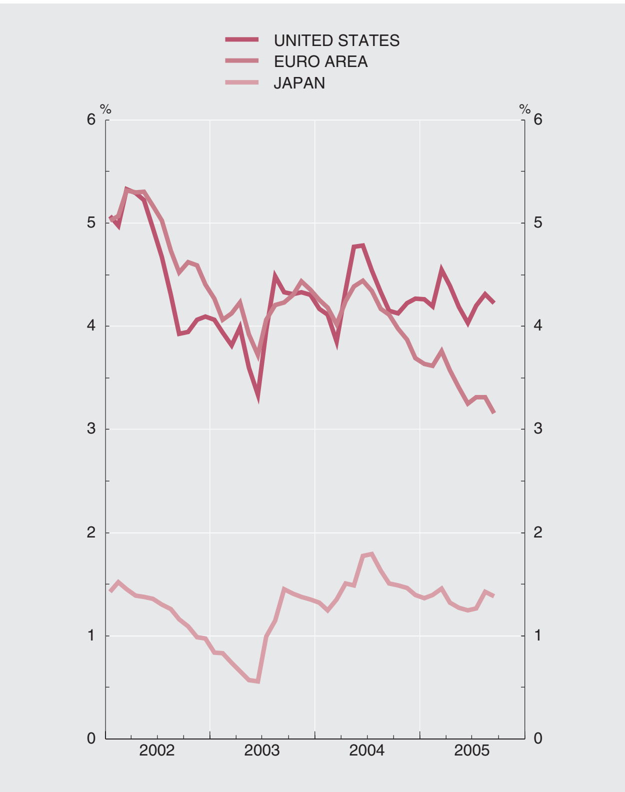
2.6. 10-YEAR GOVERNMENT BOND YIELDS ON DOMESTIC MARKETS

■ Series depicted in chart.

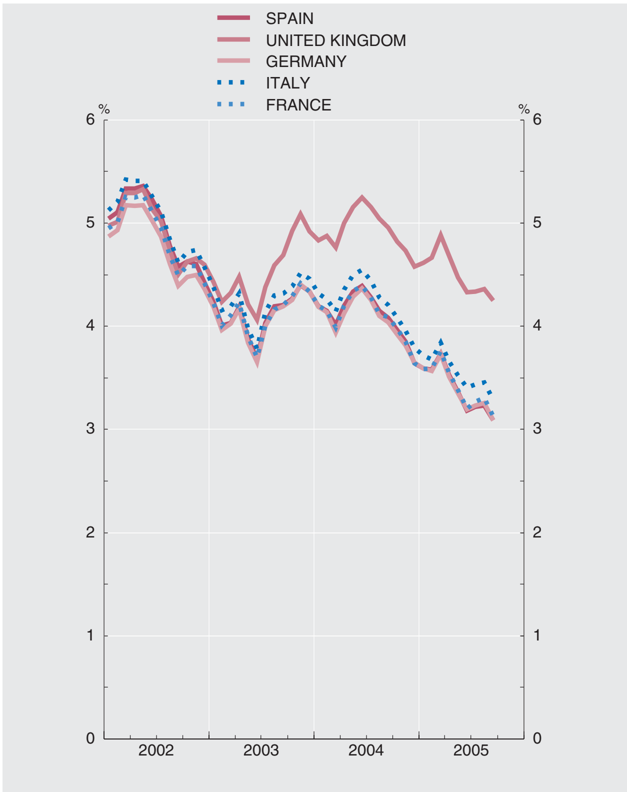
Percentages

	OECD 1	EU-15 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
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
04	3.87	4.26	4.14	4.07	4.10	4.31	4.10	4.24	1.50	4.93
04 *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
05 *Jan*	3.63	3.77	3.63	3.59	3.59	4.26	3.58	3.72	1.36	4.62
Feb	3.60	3.76	3.62	3.57	3.58	4.20	3.59	3.68	1.40	4.66
Mar	3.83	3.93	3.76	3.73	3.73	4.55	3.76	3.84	1.46	4.88
Apr	3.66	3.73	3.57	3.51	3.53	4.39	3.55	3.66	1.32	4.69
May	3.49	3.56	3.41	3.35	3.36	4.19	3.38	3.52	1.27	4.47
Jun	3.36	3.40	3.25	3.19	3.19	4.04	3.20	3.41	1.24	4.33
Jul	3.44	3.44	3.32	3.23	3.22	4.20	3.27	3.44	1.26	4.34
Aug	3.52	3.47	3.32	3.26	3.23	4.31	3.30	3.46	1.43	4.36
Sep	3.42	3.31	3.16	3.09	3.09	4.23	3.13	3.29	1.38	4.25

10-YEAR GOVERNMENT BOND YIELDS



10-YEAR GOVERNMENT BOND YIELDS



Sources: ECB, Reuters and BE.

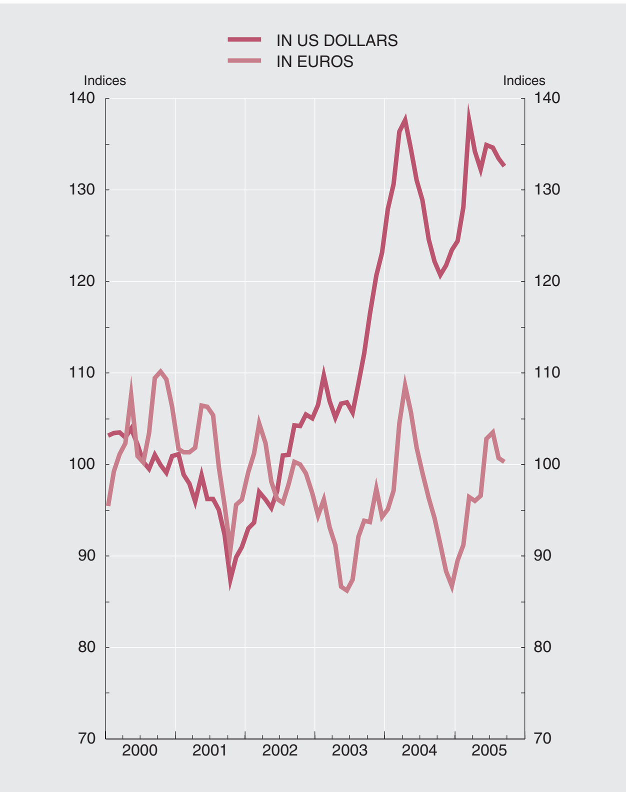
2.7 INTERNATIONAL MARKETS. NON-ENERGY COMMODITIES PRICE INDEX. CRUDE OIL AND GOLD PRICE.

■ Series depicted in chart.

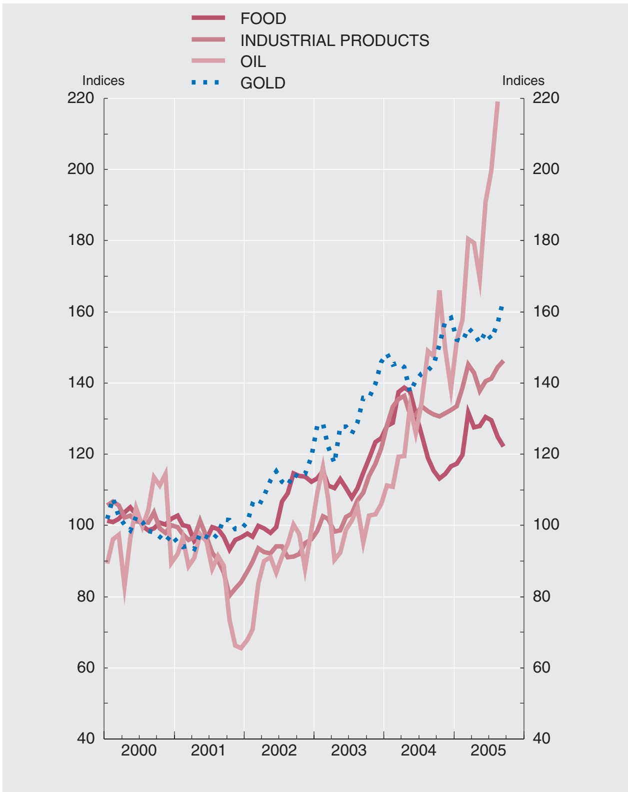
Base 2000 = 100

	Non-energy commodity price index (a)						Oil		Gold		
	Euro index	US dollar index					Index (b)	Brent North sea	Index (c)	US dollars per troy ounce	Euro per gram
	General	General	Food	Industrial products				US dollars per barrel			
				Total	Non-food agricul-tural products	Metals					
	1 ■	2 ■	3 ■	4 ■	5	6	7 ■	8	9 ■	10	11
00	103.8	101.6	101.4	102.2	101.9	100.8	100.0	28.5	100.0	279.0	9.68
01	100.2	95.0	97.7	91.9	94.8	88.4	86.1	24.6	97.2	271.1	9.74
02	99.3	99.5	105.2	92.4	101.0	84.7	88.5	25.0	111.1	310.0	10.55
03	92.2	110.7	114.4	106.2	118.7	95.5	102.3	28.9	130.3	363.6	10.33
04	97.4	128.3	125.5	132.2	131.5	130.7	133.8	38.3	146.7	409.2	10.58
04 *J-S*	100.3	130.4	129.1	132.5	135.9	127.9	128.0	36.3	143.7	400.9	10.51
05 *J-S*	97.5	132.5	125.8	141.2	130.0	147.3	...	53.4	154.6	431.4	11.00
04 *Aug*	96.3	124.6	119.0	132.0	132.8	129.5	149.0	42.5	143.6	400.5	10.57
Sep	94.1	122.2	115.4	131.2	128.5	131.1	147.5	43.3	145.3	405.3	10.67
Oct	91.2	120.7	113.2	130.6	118.5	137.4	166.0	49.8	150.7	420.5	10.82
Nov	88.3	121.7	114.5	131.4	118.5	138.8	149.6	43.0	157.5	439.4	10.87
Dec	86.7	123.4	116.6	132.4	118.0	140.9	138.4	39.7	158.4	441.8	10.60
05 *Jan*	89.5	124.4	117.3	133.4	121.2	140.4	151.9	44.1	152.2	424.6	10.40
Feb	91.2	128.1	119.9	138.7	127.2	145.0	157.8	45.4	151.8	423.4	10.46
Mar	96.5	137.6	131.7	145.2	132.1	152.4	180.4	53.3	155.4	433.5	10.57
Apr	96.0	134.2	127.6	142.8	129.7	149.9	179.4	51.1	153.9	429.2	10.67
May	96.6	132.3	128.0	137.8	129.2	142.5	169.3	48.0	151.4	422.3	10.69
Jun	102.8	134.9	130.5	140.6	129.7	146.1	190.9	54.0	154.4	430.7	11.39
Jul	103.5	134.7	129.6	141.2	135.6	144.3	199.7	57.7	152.3	424.9	11.34
Aug	100.7	133.5	124.9	144.5	130.3	152.2	219.1	64.3	157.0	437.9	11.45
Sep	100.3	132.6	122.1	146.2	134.6	152.5	...	62.6	163.5	456.0	11.98

NON-ENERGY COMMODITY PRICE INDEX



PRICE INDICES FOR NON-ENERGY COMMODITIES, OIL AND GOLD



Sources: The Economist, IMF, ECB and BE.

(a) The weights are based on the value of the world commodity imports during the period 1999-2001.

(b) Index of the average price in US dollars of various medium, light and heavy crudes.

(c) Index of the London market's 15.30 fixing in dollars.

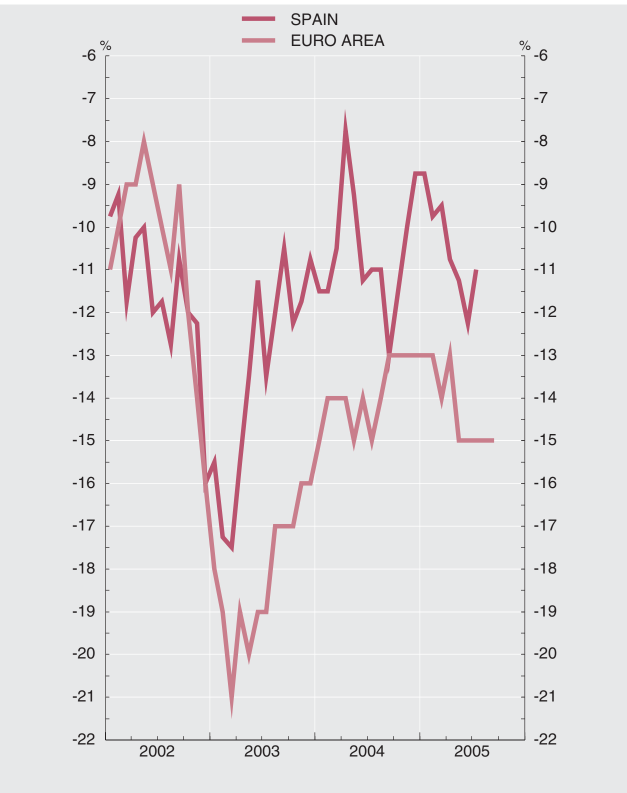
3.1. INDICATORS OF PRIVATE CONSUMPTION. SPAIN AND EURO AREA

■ Series depicted in chart.

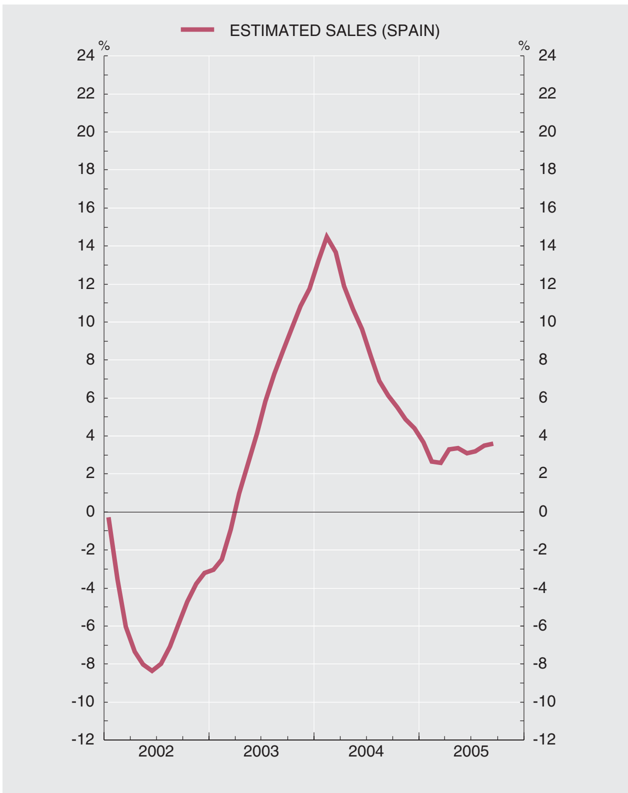
Annual percentage changes

		Opinion surveys (net percentages): Consumers: Confidence index	Opinion surveys: Consumers: General economic situation: anticipated trend	Opinion surveys: Consumers: Household economic situation: anticipated trend	Opinion surveys: Retail trade confidence index	Opinion surveys: Memorandum item: euro area: Consumer confidence index	Opinion surveys: Memorandum item: euro area: Retail trade confidence index	New car registrations and sales: Registrations	New car registrations and sales: of which: Private use	New car registrations and sales: Estimated sales	New car registrations and sales: Memorandum item: euro area: Registrations	Retail trade: sales index: General index: Nominal	Retail trade: General index: of which: Deflated (a)	Retail trade: General index: of which: Large retail outlets (a)	Retail trade: By type of product (deflated indices): Food (b)	Retail trade: By type of product (deflated indices): Other (c)	Retail trade: Memorandum item: euro area deflated index
		1 ■	2	3	4	5 ■	6	7	8	9 ■	10	11	12	13	14	15	16
02		-12	-7	-1	-2	-11	-17	-6.0	-5.6	-6.6	-4.1	5.7	2.2	-0.7	1.7	2.8	0.3
03		-13	-9	-2	-2	-18	-12	6.0	4.0	3.8	-1.5	5.7	2.9	5.2	0.8	4.2	0.4
04	P	-11	-4	-1	-6	-14	-8	10.8	12.2	9.8	0.9	5.5	2.8	4.4	0.4	4.5	0.8
04 *J-S*	P	-11	-4	-1	-4	-14	-8	12.8	15.0	11.6	0.1	5.5	3.0	4.7	-0.1	5.1	0.8
05 *J-S*	A	...	...	...	-6	-14	-8	2.5	2.5	2.5	2.1	...	...	...	...	...	...
04 *Oct*	P	-12	-5	-1	-11	-13	-7	-1.3	-2.1	-1.7	4.0	2.6	-1.0	3.6	-0.5	-1.2	0.2
Nov	P	-10	-6	-1	-10	-13	-10	13.6	10.4	13.4	4.7	8.5	4.9	4.1	3.4	6.0	1.4
Dec	P	-9	-2	2	-10	-13	-7	4.0	7.3	3.2	1.9	5.6	2.6	2.9	2.6	2.6	1.4
05 *Jan*	P	-9	-2	-	-10	-13	-6	6.0	4.9	6.0	1.5	3.4	0.7	2.9	-1.5	2.0	1.1
Feb	P	-10	-4	-1	-12	-13	-8	0.2	-2.0	-0.7	-2.3	4.3	1.3	4.1	1.0	1.4	1.4
Mar	P	-10	-5	-1	-7	-14	-10	-2.4	0.4	-3.4	1.7	4.8	1.7	6.2	1.5	1.7	1.5
Apr	P	-11	-7	-2	-2	-13	-8	7.7	14.0	6.5	1.0	7.3	3.7	6.1	1.1	5.5	-1.0
May	A	-11	-9	-1	-2	-15	-8	7.8	3.0	7.1	-4.2	4.6	1.9	1.6	-0.2	3.3	2.2
Jun	A	-12	-9	-2	-6	-15	-9	1.6	-0.8	1.8	6.1	4.3	1.4	0.8	-0.3	2.6	0.6
Jul	A	-11	-7	-	-4	-15	-10	-5.8	-6.5	-2.8	3.0	1.8	-1.2	-0.5	-1.6	-0.9	0.1
Aug	A	...	...	...	-4	-15	-9	9.3	9.1	9.5	7.4	6.3	3.1	5.1	2.0	4.0	1.5
Sep	A	...	...	...	-5	-15	-8	5.4	6.2	4.6	4.5	...	...	...	...	...	...

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 2002, deflated by the total CPI. From January 2003, INE.

b. Until December 2002, deflated by the food component of the CPI. From January 2003, INE.

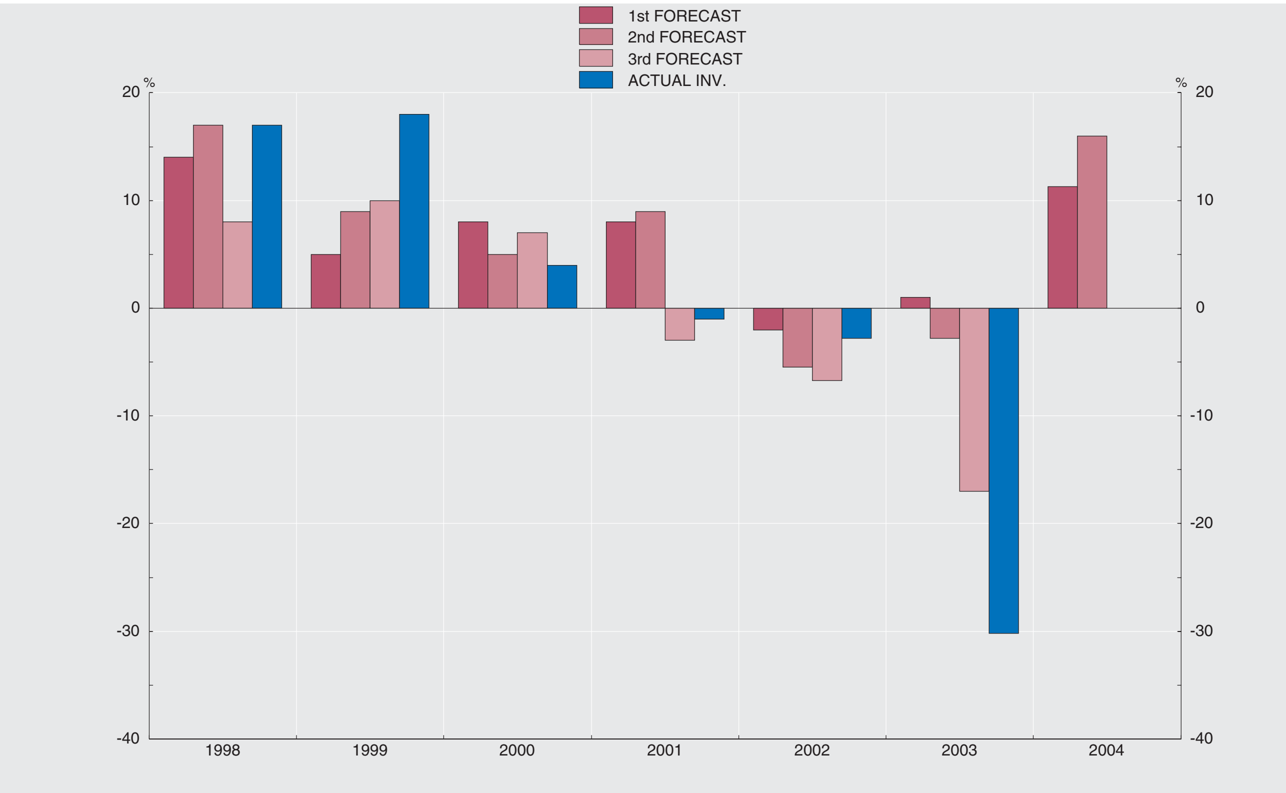
c. Until December 2002, deflated by the total CPI excluding foods, beverages, and tobacco. From January 2003, INE.

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

■ Series depicted in chart. *Annual percentage changes at current prices*

	ACTUAL INV. 1 ■	1st FORECAST 2 ■	2nd FORECAST 3 ■	3rd FORECAST 4 ■
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.

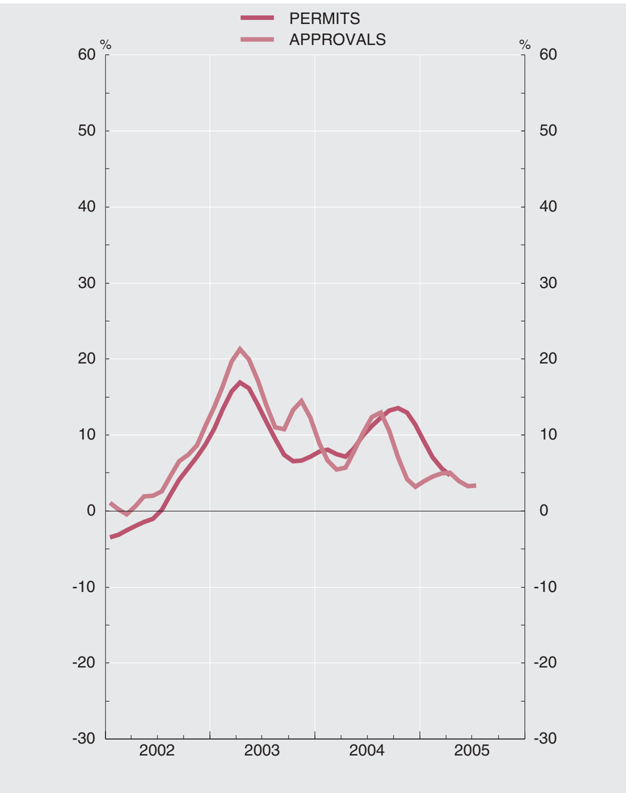
3.3. CONSTRUCTION. INDICATORS OF BUILDING STARTS AND CONSUMPTION OF CEMENT. SPAIN

■ 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	of which	Total		Building				Civil engineering	
		Residential	Housing			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 ■
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
04	12.4	13.1	13.9	9.4	6.3	9.9	17.9	17.9	3.2	30.9	-0.5	-5.2	24.3	3.8
04 *J-S*	9.7	8.9	9.9	13.8	8.2	12.1	13.4	13.4	-19.0	5.8	-22.6	-26.7	28.1	3.8
05 *J-S*	...	...	...	...	...	...	...	...	...	...	...	...	...	4.7
04 *Jun*	32.6	26.3	25.6	70.5	18.6	20.6	74.4	-6.0	62.2	162.7	277.6	35.9	77.3	7.9
Jul	3.2	1.3	2.0	13.2	5.3	10.0	87.9	7.6	1.8	114.5	170.2	-12.9	152.9	-1.0
Aug	14.2	18.4	20.0	-2.8	33.9	39.3	96.9	15.2	30.6	226.0	-68.0	-20.6	140.1	8.8
Sep	27.9	31.2	29.0	14.0	10.1	13.7	-12.6	13.4	6.6	91.6	71.1	-8.8	-19.3	4.9
Oct	6.0	9.5	10.6	-9.5	-5.7	-4.5	4.4	12.6	65.7	65.7	6.8	65.8	-14.0	-6.1
Nov	39.3	44.5	44.8	15.4	14.8	16.1	60.0	15.2	160.2	176.1	175.8	156.6	28.8	12.8
Dec	16.4	22.0	21.0	-4.8	-5.8	-0.5	55.9	17.9	144.6	365.4	259.0	102.5	20.5	6.1
05 *Jan*	4.4	6.0	4.9	-2.8	4.7	13.2	63.0	63.0	21.0	117.9	-17.8	-0.8	74.6	1.4
Feb	2.3	4.9	6.3	-8.7	6.8	5.8	-38.8	4.6	25.8	-52.7	91.5	84.7	-52.3	1.4
Mar	1.9	7.3	7.6	-21.2	3.0	-3.2	7.8	5.9	102.0	109.7	-16.4	99.0	-12.2	-2.3
Apr	-1.7	-3.8	-6.8	10.7	7.6	12.9	57.9	15.6	94.9	229.3	213.0	73.9	45.6	17.0
May	...	...	...	...	4.7	3.6	144.3	30.2	122.7	29.3	-19.4	159.4	155.0	12.6
Jun	...	...	...	...	2.4	2.2	-10.1	20.2	94.6	-18.5	21.2	151.9	-32.5	3.5
Jul	...	...	...	...	-2.5	-10.7	-30.0	7.5	9.6	70.3	-16.5	-9.9	-42.0	-3.3
Aug	...	...	...	...	...	...	...	...	...	...	...	...	...	13.3
Sep	...	...	...	...	...	...	...	...	...	...	...	...	...	0.9

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.

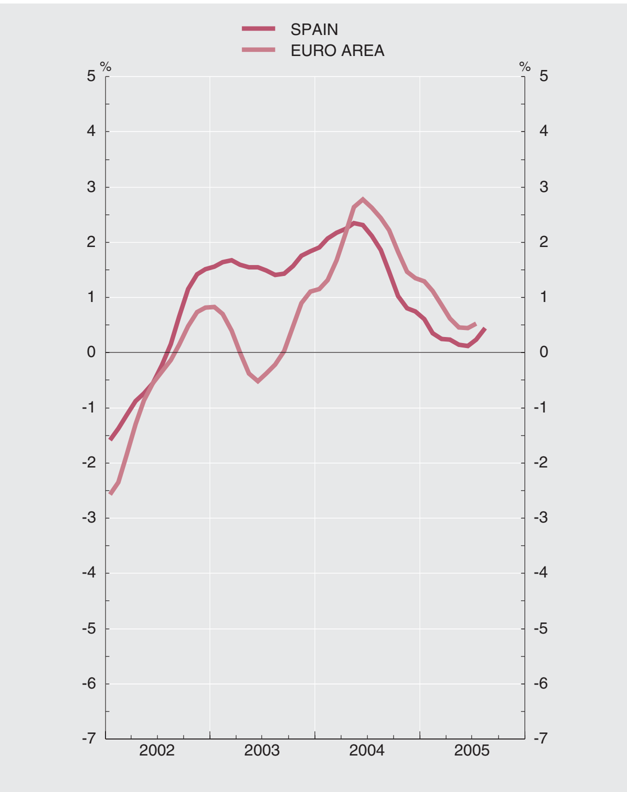
3.4. INDUSTRIAL PRODUCTION INDEX. SPAIN AND EURO AREA

■ Series depicted in chart.

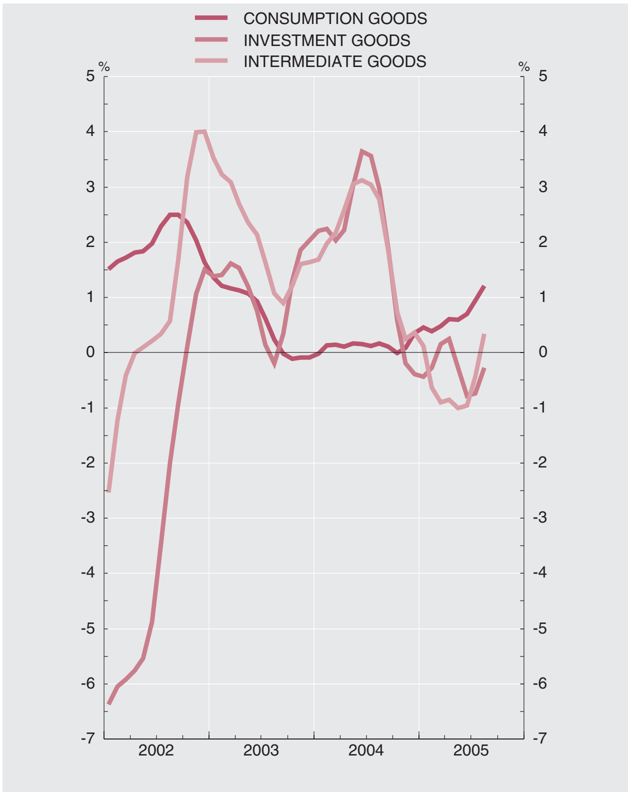
Annual percentage changes

		Overall Index: Total: Original series	Overall Index: Total: 12-month %change 12	By end-use of goods: Consumption	By end-use of goods: Investment	By end-use of goods: Intermediate goods	By end-use of goods: Energy	By branch of activity: Mining and quarrying	By branch of activity: Manufacturing	By branch of activity: Production and distribution of electricity, gas and water	Memorandum item: euro area: Total	Memorandum item: euro area: of wich: Manufacturing	Memorandum item: euro area: By end-use of goods: Consumption	Memorandum item: euro area: By end-use of goods: Investment	Memorandum item: euro area: By end-use of goods: Intermediate goods
		1	2 ■	3 ■	4 ■	5 ■	6	7	8	9	10 ■	11	12	13	14
02	MP	98.9	0.1	2.3	-4.9	1.4	0.0	-0.5	0.4	0.0	-0.5	-0.8	-0.4	-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	-0.5	-0.2	0.4
04	MP	102.3	1.8	0.0	1.9	1.9	4.9	-4.8	1.2	7.0	2.0	2.0	0.5	3.0	1.8
04 *J-A*	MP	101.3	2.5	0.3	3.3	2.8	5.2	-4.5	2.0	7.0	2.1	2.2	0.8	3.1	1.9
05 *J-A*	MP	101.1	-0.2	0.4	-0.8	-1.1	2.1	-3.9	-0.6	4.0	...	...	...	...	...
04 *May*	P	106.8	2.7	0.3	3.1	3.0	6.5	-7.6	2.1	9.9	3.6	3.9	2.4	5.4	2.9
Jun	P	110.3	5.7	2.4	11.2	5.4	5.4	-0.7	5.4	7.9	3.7	4.1	1.4	6.7	3.1
Jul	P	110.1	-	-3.3	2.5	0.6	2.5	-8.7	-0.6	6.8	2.7	2.8	-0.2	3.9	3.4
Aug	P	73.3	5.3	4.6	6.6	7.9	1.9	-5.5	6.0	3.1	1.9	2.4	0.4	4.8	1.6
Sep	P	107.7	3.8	2.5	6.6	2.5	7.0	-7.4	3.4	9.6	3.6	3.6	0.7	6.2	3.2
Oct	P	104.8	-7.0	-9.1	-10.2	-5.9	-0.6	-16.4	-8.0	4.1	1.3	1.3	-1.1	4.8	1.4
Nov	P	109.6	4.3	4.5	4.1	3.5	6.1	3.6	3.9	7.6	0.8	0.2	-0.5	0.7	0.8
Dec	P	95.5	1.2	1.4	-1.7	1.1	4.8	2.3	0.4	6.4	1.2	0.8	1.0	-0.5	1.1
05 *Jan*	P	96.8	0.8	1.1	-4.7	0.6	7.8	-10.1	-0.3	10.9	2.0	2.6	1.1	2.8	3.3
Feb	P	100.1	-1.0	-1.7	-1.4	-2.0	3.6	-11.6	-2.0	7.7	0.5	0.1	-0.3	1.4	0.3
Mar	P	105.0	-6.7	-7.0	-6.7	-8.7	-0.4	-16.2	-7.7	2.9	0.1	-0.8	-1.5	1.9	-0.5
Apr	P	107.2	7.4	9.7	11.6	6.1	0.8	-	8.2	2.1	1.2	2.0	0.8	3.0	0.4
May	P	106.9	0.1	-0.1	1.7	-0.6	1.0	5.1	-0.2	2.3	0.0	-0.4	0.6	0.3	-0.6
Jun	P	110.1	-0.2	1.1	-1.4	-1.2	1.7	1.6	-0.5	3.0	0.5	0.4	0.2	2.0	-0.9
Jul	P	106.3	-3.5	-2.8	-6.7	-4.4	2.1	-2.6	-4.2	2.6	0.6	-0.1	-0.0	2.0	-0.2
Aug	P	76.1	3.8	5.2	4.7	4.4	-0.4	5.7	4.3	0.2	...	...	...	...	...

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.

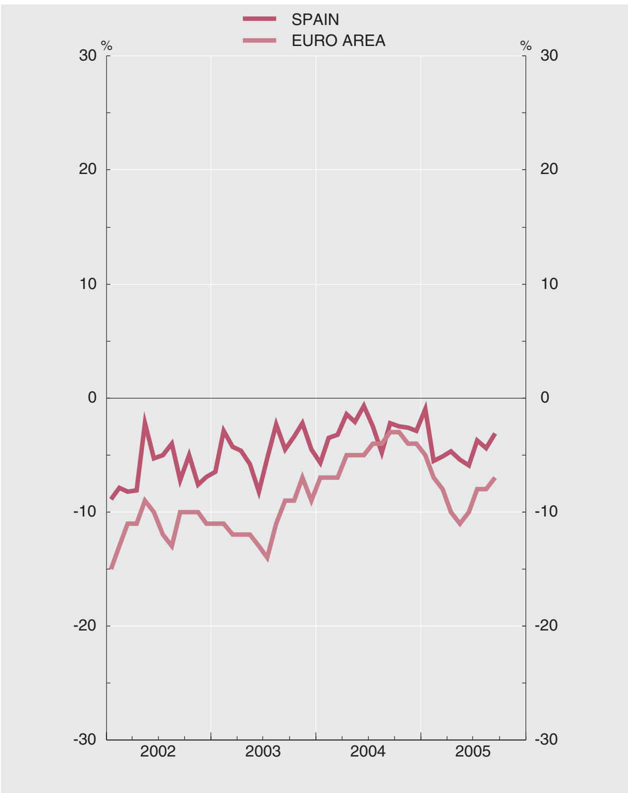
3.5. MONTHLY BUSINESS SURVEY: INDUSTRY AND CONSTRUCTION. SPAIN AND EURO AREA

■ 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: Consumption (a)	Business climate indicator: Investment (a)	Business climate indicator: Intermediate goods (a)	Business climate indicator: Other sectors (a)	Business climate indicator	Production	Orders	Trend: Production	Trend: Orders	Industry, excluding construction: Business climate indicator	Industry, excluding construction: Order Book	Construction climate indicator
	1 ■	2	3	4	5	6	7	8	9	10	11 ■	12	13	14	15	16 ■	17	18 ■
02 M	-6	-2	5	-13	-20	11	-7	-7	-6	1	7	10	13	11	25	-11	-26	-18
03 M	-5	4	8	-11	-20	10	-1	-3	-9	1	10	9	20	30	19	-11	-26	-20
04 M	-3	4	10	-8	-17	11	-3	1	-5	0	14	7	21	30	26	-5	-16	-15
04 *J-S* M	-3	4	10	-8	-18	11	-3	1	-5	0	13	6	18	33	26	-5	-17	-16
05 *J-S* M	-4	1	7	-8	-18	12	-2	-4	-7	1	22	29	35	36	23	-8	-18	-11
04 *Jun*	-1	7	10	-6	-13	7	1	1	-3	1	18	12	17	46	13	-5	-16	-14
Jul	-3	11	8	-6	-15	10	-4	2	-4	1	10	27	15	34	24	-4	-12	-15
Aug	-5	12	5	-7	-9	12	-9	-1	-4	-2	22	25	35	38	34	-4	-13	-14
Sep	-2	5	14	-7	-13	14	-2	4	-5	-5	13	2	22	19	17	-3	-13	-14
Oct	-3	8	11	-6	-9	12	-6	3	-3	-2	17	24	20	31	32	-3	-12	-13
Nov	-3	-1	13	-8	-16	13	-3	-1	-3	1	12	-8	33	16	37	-4	-12	-12
Dec	-3	3	10	-7	-12	12	-1	-1	-6	-	22	15	28	9	13	-4	-12	-12
05 *Jan*	-1	2	8	-2	-15	9	-2	-5	1	-1	19	12	27	44	38	-5	-11	-12
Feb	-6	-4	6	-11	-17	12	-4	-2	-9	-	30	-1	56	21	6	-7	-16	-12
Mar	-5	-7	7	-10	-17	12	-6	-3	-6	-1	26	-8	46	29	17	-8	-17	-12
Apr	-5	-5	10	-11	-20	13	-4	-1	-7	-0	24	38	33	49	16	-10	-19	-12
May	-5	2	8	-11	-21	13	-2	-7	-8	2	19	55	36	48	20	-11	-21	-12
Jun	-6	6	8	-12	-21	13	-2	-3	-11	-	18	42	30	28	27	-10	-21	-13
Jul	-4	12	7	-6	-17	12	-1	-6	-5	2	21	46	30	41	40	-8	-18	-12
Aug	-4	4	5	-8	-17	10	2	-4	-11	8	20	43	23	23	23	-8	-18	-9
Sep	-3	-4	6	-5	-18	11	-2	-4	-4	3	22	37	32	39	20	-7	-17	-7

INDUSTRIAL BUSINESS CLIMATE
Percentage balances



CONSTRUCTION BUSINESS CLIMATE
Percentage balances

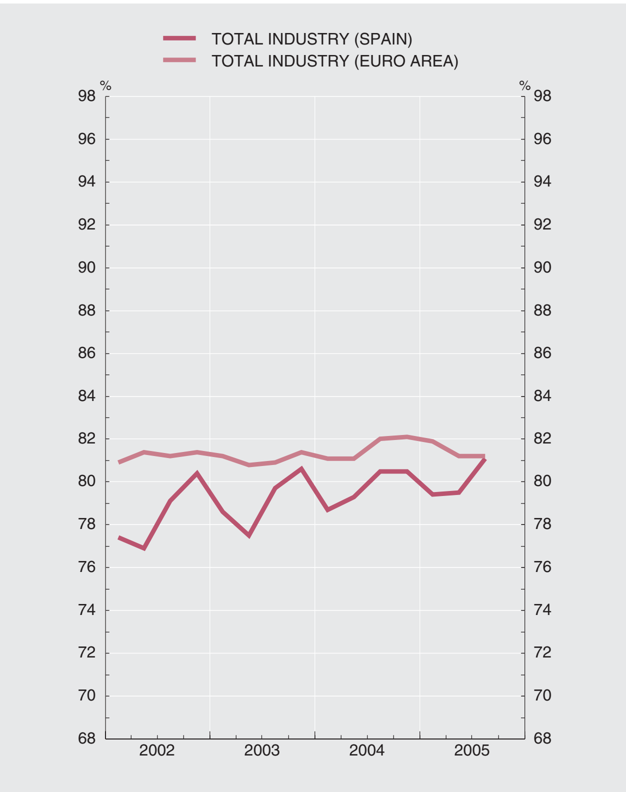
Sources: Ministerio de Industria, Turismo y Comercio and ECB.
a. Seasonally adjusted.

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

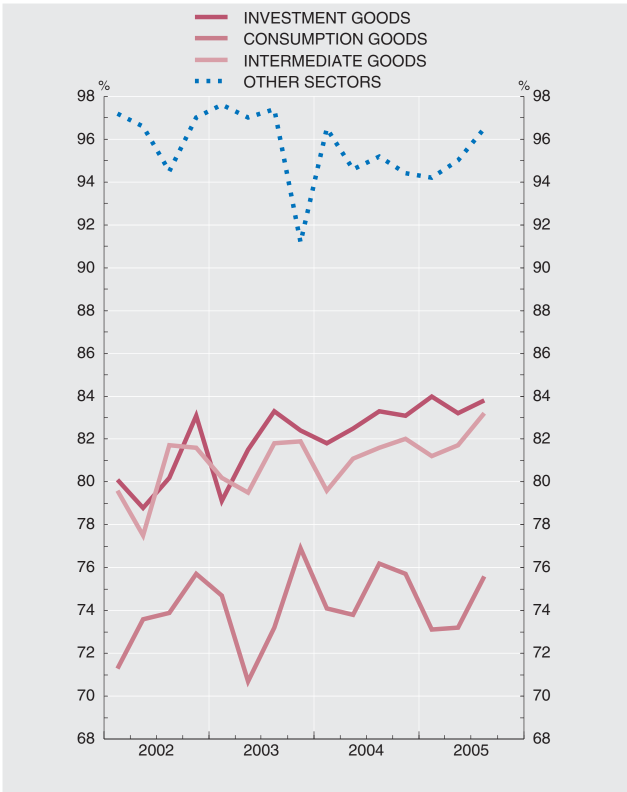
■ Series depicted in chart. *Percentages and percentage balances*

	Total industry			Consumer goods			Investment goods			Intermediate goods			Other sectors			Memoramdum item: euro area capacity utilisation
	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	
	Over last three months (%)	Forecast (%)	(Percentage balances)	Over last three months (%)	Forecast (%)	(Percentage balances)	Over last three months (%)	Forecast (%)	(Percentage balances)	Over last three months (%)	Forecast (%)	(Percentage balances)	Over last three months (%)	Forecast (%)	(Percentage balances)	(%)
	1 ■	2	3	4 ■	5	6	7 ■	8	9	10 ■	11	12	13 ■	14	15	16 ■
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	-	81.2
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
04	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	81.6
04 *Q1-Q3*	79.5	80.9	7	74.7	76.5	9	82.5	83.4	7	80.8	82.1	6	95.4	95.5	-	81.4
05 *Q1-Q3*	80.0	81.6	4	74.0	76.2	6	83.7	84.8	3	82.0	83.3	4	95.2	96.1	-	81.4
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	-	81.2
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	80.8
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	-	80.9
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	-	81.1
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	-	81.1
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	-	82.0
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	82.1
05 *Q1*	79.4	81.2	4	73.1	75.9	3	84.0	84.8	4	81.2	82.6	4	94.2	95.0	-	81.9
Q2	79.5	81.7	5	73.2	76.3	6	83.2	85.1	3	81.7	83.4	5	95.0	96.6	-	81.2
Q3	81.1	81.8	5	75.6	76.4	8	83.8	84.4	4	83.2	83.9	5	96.5	96.7	-	81.2

CAPACITY UTILISATION. TOTAL INDUSTRY
Percentages



CAPACITY UTILISATION. BY TYPE OF GOOD
Percentages



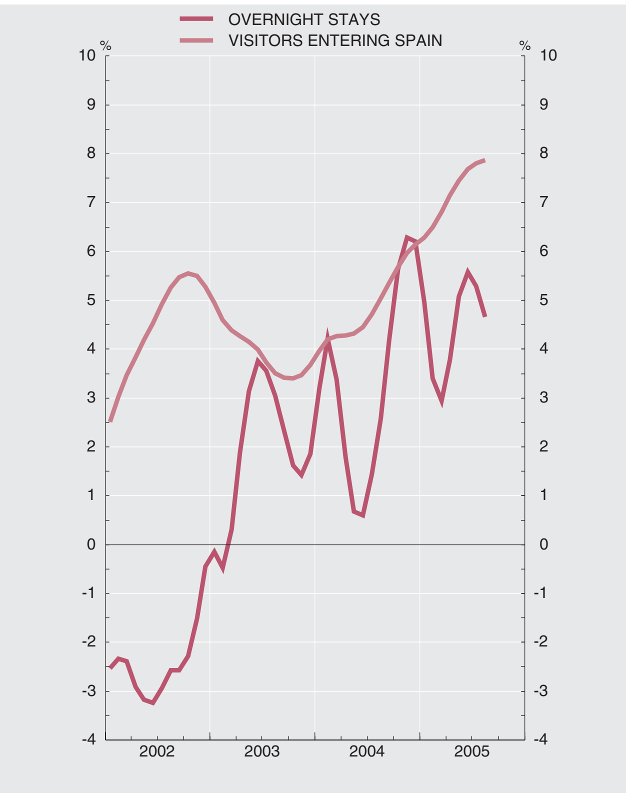
Sources: Ministerio de Industria, Turismo y Comercio and ECB.

3.7. TOURISM AND TRANSPORT STATISTICS. SPAIN

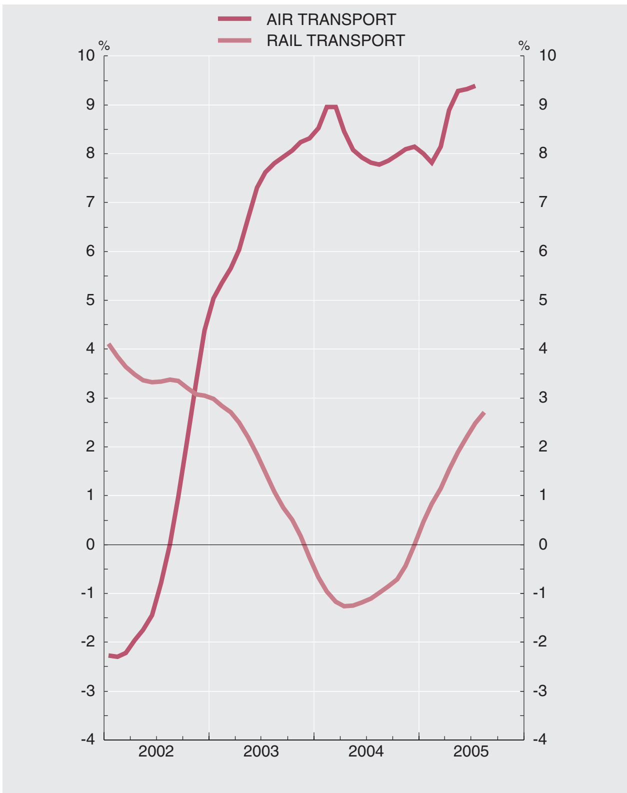
■ Series depicted in chart. *Annual percentage changes*

		Hotel stays (a)		Overnight stays		Visitors entering Spain			Air transport				Maritime transport		Rail transport	
									Passengers							
		Total	Foreig-ners	Total	Foreig-ners	Total	Tourists	Day-trip-pers	Total	Domestic flights	Interna-tional flights	Freight	Passen-gers	Freight	Passen-gers	Freight
		1	2	3 ■	4	5 ■	6	7	8 ■	9	10	11	12	13	14 ■	15
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	2.2	2.4	0.7	2.4	-1.0	8.7	7.4	8.1	7.0	0.5	-3.3	4.8	1.4	2.1
04	P	6.8	1.4	3.0	-1.3	4.7	1.8	9.7	8.0	9.8	6.8	9.1	10.6	6.8	-1.5	-2.1
04 *J-A*		6.0	0.4	1.5	-3.4	3.4	-0.9	11.1	7.9	10.3	6.4	10.0	11.9	6.7	-1.2	4.1
05 *J-A*	P	5.7	4.1	4.5	2.3	7.4	6.0	9.7	...	...	...	...	...	...	4.6	...
04 *May*		3.8	-0.6	-1.7	-4.6	3.6	3.1	4.6	7.3	14.9	2.8	11.5	27.3	3.8	2.1	-6.1
Jun		4.0	-4.4	-1.1	-6.8	-1.8	-4.9	4.8	6.1	12.2	2.6	14.6	17.8	9.4	2.2	12.8
Jul		6.4	-0.3	2.0	-2.7	4.0	-0.1	12.8	8.0	8.1	7.9	11.1	11.1	10.0	-2.5	-9.3
Aug		6.2	1.1	1.8	-3.5	0.1	-6.1	10.1	5.3	8.7	3.3	12.5	12.0	14.2	1.9	5.6
Sep	P	7.2	4.2	3.9	2.4	4.6	5.7	2.5	6.8	7.1	6.6	11.0	-1.0	10.0	2.1	-10.0
Oct	P	12.7	3.8	8.0	2.4	10.9	8.8	14.9	9.7	8.7	10.2	0.6	19.7	3.4	-6.2	-29.4
Nov	P	6.9	5.6	5.9	5.4	6.9	9.2	3.9	6.7	9.9	3.9	7.5	15.3	4.5	-1.6	1.1
Dec	P	8.4	1.4	9.6	4.0	9.4	12.9	5.3	9.7	9.5	9.9	11.7	-0.0	10.6	-1.6	-13.2
05 *Jan*	P	6.9	7.5	6.9	6.9	5.6	5.3	5.9	9.9	10.0	9.7	4.2	9.8	44.1	4.3	-3.5
Feb	P	2.0	0.8	1.2	-0.8	1.2	-0.8	3.8	2.9	5.5	0.7	-1.1	-18.5	5.3	1.2	-12.8
Mar	P	10.5	0.1	9.5	-2.2	17.8	16.3	20.0	12.2	14.1	10.8	-3.3	33.6	8.9	-0.5	-22.8
Apr	P	-1.4	-3.6	-6.7	-5.5	-0.7	0.0	-1.7	5.4	12.3	0.4	8.1	-18.0	5.7	15.9	-0.8
May	P	8.1	3.8	8.0	2.3	7.6	5.4	11.6	11.2	17.8	6.8	-6.9	-11.1	7.1	5.3	-3.5
Jun	P	6.4	8.4	5.0	4.6	11.0	7.8	17.0	8.8	13.7	5.6	-3.4	-4.4	11.4	3.7	-4.8
Jul	P	7.5	7.7	6.6	5.0	10.4	7.7	15.5	11.9	17.5	8.5	-6.9	...	...	2.5	...
Aug	P	5.1	5.1	4.1	3.5	5.9	5.5	6.6	...	...	...	...	...	...	5.7	...

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: Thousands 1	Population over 16 years of age: Annual change 2	Population over 16 years of age: 4-quarter % change 3 ■	Participation rate (%) (a) 4	Labour force: Thousands (a) 5	Labour force: Annual change (b): Total 6 ■	Labour force: Annual change (b): Due to change in population over 16 years of age 7 ■	Labour force: Annual change (b): Due to change in partici-pation rate 8 ■	Labour force: 4-quarter % change 9 ■
02 M	34 615	547	1.6	54.27	18 786	735	297	438	4.1
03 M	35 215	601	1.7	55.48	19 538	753	333	419	4.0
04 M	35 811	596	1.7	56.36	20 184	646	336	311	3.3
04 *Q1-Q2* M	35 659	590	1.7	56.06	19 990	1 325	662	664	3.4
05 *Q1-Q2* M	36 261	602	1.7	57.13	20 716	1 451	688	763	3.6
02 *Q4*	34 846	600	1.8	54.63	19 037	745	328	418	4.1
03 *Q1*	34 996	613	1.8	54.93	19 223	751	337	414	4.1
Q2	35 142	605	1.8	55.30	19 432	743	334	408	4.0
Q3	35 288	597	1.7	55.79	19 685	742	333	409	3.9
Q4	35 434	588	1.7	55.91	19 812	775	329	446	4.1
04 *Q1*	35 583	587	1.7	55.89	19 888	664	328	336	3.5
Q2	35 735	593	1.7	56.23	20 093	661	333	327	3.4
Q3	35 887	598	1.7	56.60	20 310	624	339	286	3.2
Q4	36 038	604	1.7	56.74	20 447	636	343	293	3.2
05 *Q1*	36 188	604	1.7	56.90	20 592	704	344	360	3.5
Q2	36 335	600	1.7	57.35	20 840	747	344	403	3.7

LABOUR FORCE SURVEY
Annual percentage change

LABOUR FORCE
Annual changes

Source: INE (Labour Force Survey: 2005 methodology).
a. the new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See www.ine.es).
b. Col.7 = (col.5/col.1)x annual change in col.1. Col. 8 = (annual change in col.4/100) x col.1(t-4).
Note: As a result of the change in the population base (2001 Census), all the series in this table have been revised as from 1996. In addition, since 2005 Q1 the new obligatory variables referred to in Regulation (EC) 2257/2003 (on the adaptation of the list of labour force survey characteristics) have been included, a centralised procedure for telephone interviews has been set in place and the questionnaire has been modified. Thus, in 2005 Q1, there is a break in the series of some variables. For further information, see www.ine.es.

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

■ Series depicted in chart.

Thousands and annual percentage changes

	Employment									Unemployment				Memorandum item: euro area	
	Total			Wage-earners			Other								
	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands (a)	Annual change	4-quarter % change	Unem-ployment rate (a)	Employ-ment 4-quarter % change	Unem-ployment rate
	1	2	3 ■	4	5	6 ■	7	8	9 ■	10	11	12 ■	13	14	15
02 M	16 630	484	3.0	13 472	522	4.0	3 158	-38	-1.2	2 155	251	13.2	11.47	0.7	8.27
03 M	17 296	666	4.0	14 127	656	4.9	3 169	10	0.3	2 242	87	4.0	11.48	0.2	8.72
04 M	17 971	675	3.9	14 721	593	4.2	3 250	82	2.6	2 214	-29	-1.3	10.97	0.6	8.87
04 *Q1-Q2* M	17 733	651	3.8	14 492	571	4.1	3 241	79	2.5	2 257	12	0.5	11.29	0.4	8.89
05 *Q1-Q2* M	18 694	961	5.4	15 209	716	4.9	3 485	245	7.5	2 022	-235	-10.4	9.76	0.7	8.76
02 *Q4*	16 825	477	2.9	13 699	551	4.2	3 127	-74	-2.3	2 212	268	13.8	11.62	0.5	8.47
03 *Q1*	16 924	588	3.6	13 764	611	4.6	3 160	-23	-0.7	2 300	163	7.6	11.96	0.3	8.60
Q2	17 241	644	3.9	14 078	664	4.9	3 163	-20	-0.6	2 191	99	4.7	11.28	0.2	8.71
Q3	17 459	696	4.2	14 293	672	4.9	3 166	25	0.8	2 226	45	2.1	11.31	0.2	8.74
Q4	17 560	734	4.4	14 375	676	4.9	3 185	59	1.9	2 252	40	1.8	11.37	0.2	8.83
04 *Q1*	17 600	677	4.0	14 375	612	4.4	3 225	65	2.1	2 287	-12	-0.5	11.50	0.3	8.88
Q2	17 866	625	3.6	14 609	531	3.8	3 256	93	3.0	2 227	36	1.6	11.08	0.5	8.89
Q3	18 129	670	3.8	14 876	583	4.1	3 253	87	2.7	2 181	-45	-2.0	10.74	0.6	8.88
Q4	18 288	728	4.1	15 022	648	4.5	3 266	81	2.5	2 159	-93	-4.1	10.56	0.8	8.83
05 *Q1*	18 493	892	5.1	14 977	602	4.2	3 516	291	9.0	2 099	-188	-8.2	10.19	0.7	8.80
Q2	18 895	1 029	5.8	15 440	831	5.7	3 455	198	6.1	1 945	-282	-12.7	9.33	0.7	8.71

EMPLOYMENT
Annual percentage changes

LABOUR FORCE: COMPONENTS
Annual percentage changes

Sources: INE (Labour Force Survey: 2005 methodology), and ECB.
a. the new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See www.ine.es).
Note: As a result of the change in the population base (2001 Census), all the series in this table have been revised as from 1996. In addition, since 2005 Q1 the new obligatory variables referred to in Regulation (EC) 2257/2003 (on the adaptation of the list of labour force survey characteristics) have been included, a centralised procedure for telephone interviews has been set in place and the questionnaire has been modified. Thus, in 2005 Q1, there is a break in the series of some variables. For further information, see www.ine.es.

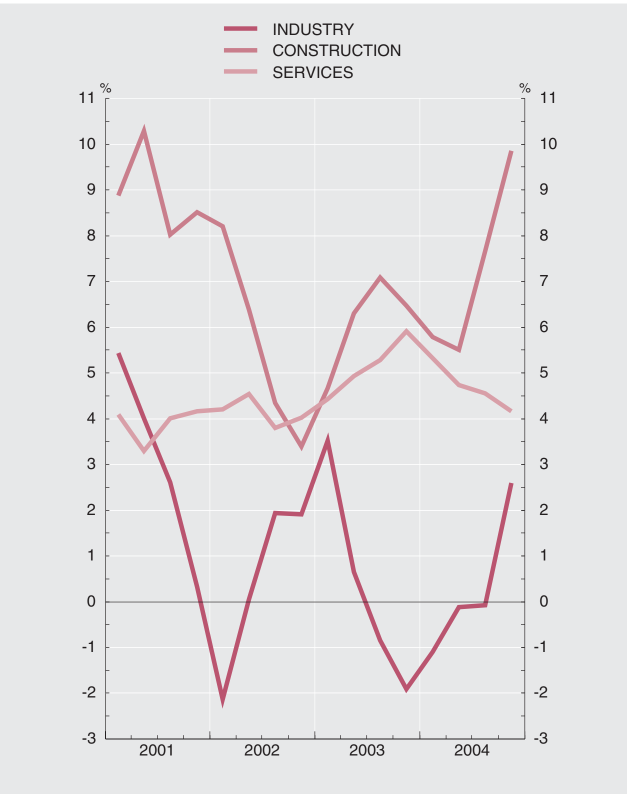
4.3. EMPLOYMENT BY BRANCH OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

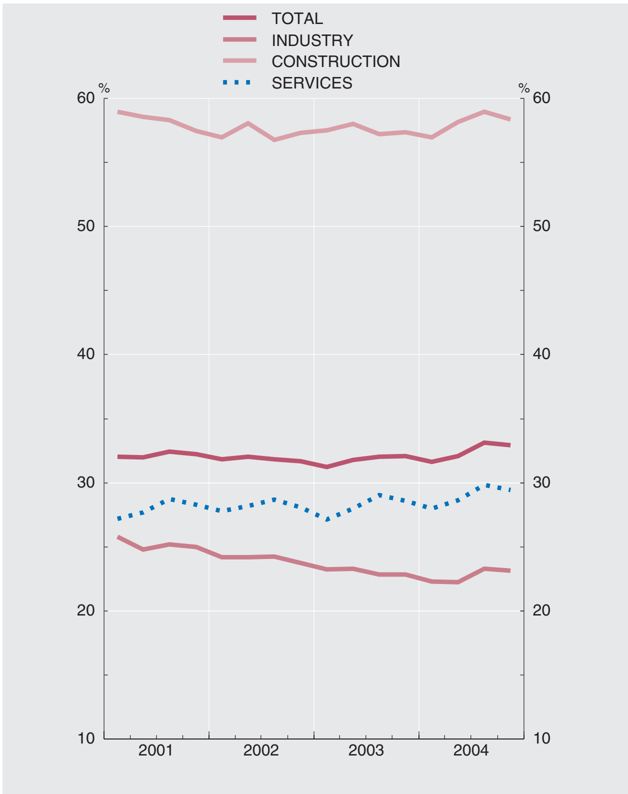
Annual percentage changes

	Total			Agriculture			Industry			Construction			Services			Memorandum item: employment in		
	Employ-ment	Wage-earners	Propor-tion of tempora ry em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of tempora ry em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of tempora ry em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of tempora ry em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of tempora-ry em-ployment	Branches other than agricul-ture	Branches other than agri-culture excluding general govern-ment	Services exclu-ding general govern-ment
	1	2	3 ■	4	5	6	7 ■	8	9 ■	10 ■	11	12 ■	13 ■	14	15 ■	16	17	18
02 M	3.0	4.0	31.8	-4.8	-4.0	60.4	0.4	0.7	24.1	5.5	5.9	57.3	4.1	5.3	28.2	3.5	3.4	4.2
03 M	4.0	4.9	31.8	-0.4	3.7	60.6	0.3	-0.0	23.0	6.1	7.5	57.5	5.1	6.0	28.2	4.3	4.1	5.2
04 M	3.9	4.2	32.4	-0.2	3.9	62.1	0.3	1.0	22.7	7.2	6.4	58.1	4.7	4.8	29.0	4.2	4.2	4.9
04 *Q1-Q2* M	3.8	4.1	1.1	1.1	5.2	0.9	-0.6	0.1	-4.3	5.6	4.8	-0.3	5.0	5.2	2.7	3.9	4.0	5.2
05 *Q1-Q2* M	5.4	4.9	2.2	-0.4	-2.9	-0.9	2.3	0.8	6.9	4.8	3.6	-3.8	6.9	6.9	4.3	6.1	...	...
02 *Q4*	2.9	4.2	31.7	-5.8	-6.0	61.3	1.9	2.2	23.7	3.4	4.2	57.3	4.0	5.4	28.1	3.5	3.4	4.0
03 *Q1*	3.6	4.6	31.2	-6.0	-5.2	63.9	3.5	3.0	23.2	4.7	6.2	57.5	4.4	5.5	27.1	4.3	4.2	4.3
Q2	3.9	4.9	31.8	-1.6	3.4	59.7	0.6	0.0	23.3	6.3	8.0	58.0	4.9	6.1	28.0	4.2	3.9	4.6
Q3	4.2	4.9	32.0	2.6	5.4	56.7	-0.8	-0.8	22.8	7.1	8.6	57.2	5.3	6.1	29.0	4.2	4.0	5.2
Q4	4.4	4.9	32.1	4.0	12.7	61.9	-1.9	-2.1	22.8	6.5	7.1	57.4	5.9	6.5	28.6	4.4	4.5	6.5
04 *Q1*	4.0	4.4	31.6	2.6	8.4	63.7	-1.1	-0.5	22.3	5.8	5.5	56.9	5.3	5.6	28.0	4.1	4.2	5.8
Q2	3.6	3.8	32.1	-0.5	1.9	61.0	-0.1	0.6	22.2	5.5	4.1	58.2	4.7	4.8	28.6	3.9	4.0	5.2
Q3	3.8	4.1	33.1	0.2	7.5	60.3	-0.1	0.6	23.3	7.7	6.5	58.9	4.6	4.6	29.8	4.0	4.1	4.7
Q4	4.1	4.5	32.9	-3.1	-1.7	63.5	2.6	3.3	23.1	9.8	9.4	58.3	4.2	4.3	29.4	4.6	4.4	3.7
05 *Q1*	5.1	4.2	31.9	-1.4	-8.5	61.7	2.6	0.9	23.0	5.1	3.4	54.7	6.4	6.0	28.9	5.5	...	...
Q2	5.8	5.7	33.3	0.7	3.3	61.9	2.0	0.7	24.6	4.5	3.7	56.0	7.5	7.7	30.1	6.1	...	...

EMPLOYMENT
Annual percentage changes



TEMPORARY EMPLOYMENT
Percentages



Source: INE (Labour Force Survey: 2005 methodology).
a. Branches of activity in accordance with NACE-93.
Notes: The underlying series of this indicator are in Tables 24.4 and 24.6 of the BE Boletín estadístico.
As a result of the change in the population base (2001 Census), all the series in this table have been revised as from 1996. In addition, since 2005 Q1 the new obligatory variables referred to in Regulation (EC) 2257/2003 (on the adaptation of the list of labour force survey characteristics) have been included, a centralised procedure for telephone interviews has been set in place and the questionnaire has been modified. Thus, in 2005 Q1, there is a break in the series of some variables. For further information, see www.ine.es.

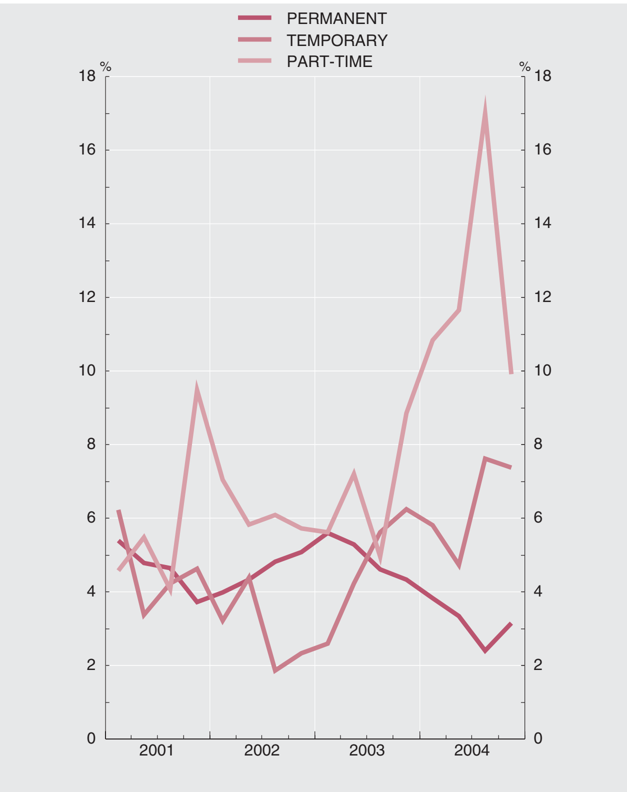
4.4. WAGE-EARNERS BY TYPE OF CONTRACT AND UNEMPLOYMENT BY DURATION. SPAIN. (a)

■ Series depicted in chart.

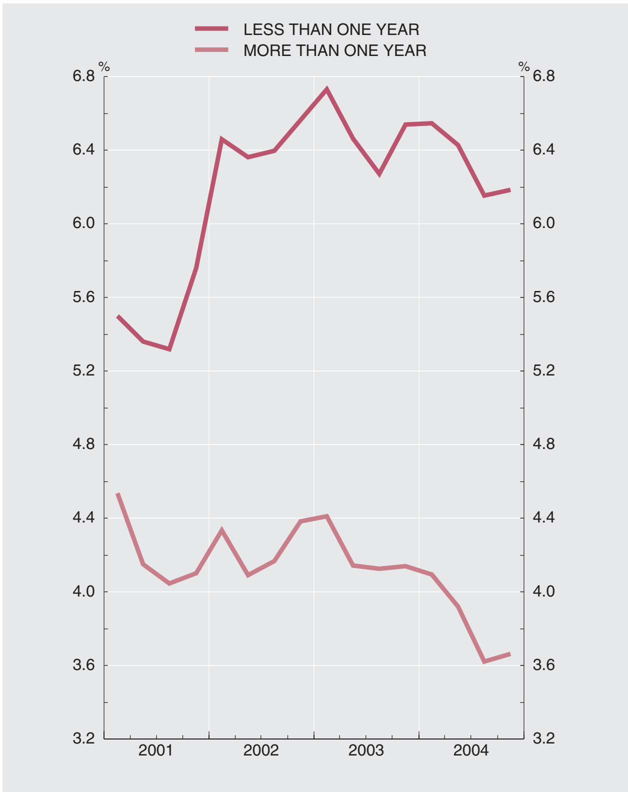
Thousands, annual percentage changes and %

	Wage-earners										Unemployment						
	By type of contract					By duration of working day					By duration				% of unemployed that would accept a job (a)		
	Permanent		Temporary			Full-time		Part-time			Less than one year		More than one year				
	Annual change Thousands	4-quarter % change	Annual change Thousands	4-quarter % change	Proportion of temporary employment	Annual change Thousands	4-quarter % change	Annual change Thousands	4-quarter % change	As % for wage earners	Unemployment rate (a)	4-quarter % change	Unemployment rate (a)	4-quarter % change	Entailing a change of residence	Whith a lower wage	Requiring fever skills
	1	2 ■	3	4 ■	5	6	7	8	9 ■	10	11 ■	12	13 ■	14	15	16	17
02 M	400	4.6	122	2.9	31.84	458	3.8	65	6.2	8.30	6.45	22.3	4.24	5.0	20.16	43.32	48.93
03 M	455	4.9	201	4.7	31.77	581	4.7	75	6.7	8.44	6.50	4.9	4.20	3.0	19.99	42.30	47.61
04 M	306	3.2	288	6.4	32.44	447	3.5	146	12.3	9.10	6.33	0.6	3.82	-6.0	18.20	42.19	47.33
04 *Q1-Q2* M	341	3.6	231	5.3	31.85	390	3.0	134	11.3	9.13	6.49	1.7	4.01	-3.0	18.38	42.29	47.94
05 *Q1-Q2* M	378	3.8	338	7.3	32.57	206	1.6	631	47.7	12.85	5.86	-6.4	2.84	-26.6	...	...	...
02 *Q4*	452	5.1	99	2.3	31.66	489	4.1	62	5.7	8.35	6.57	18.6	4.38	11.2	19.76	43.91	48.94
03 *Q1*	502	5.6	109	2.6	31.22	549	4.6	62	5.6	8.48	6.73	8.4	4.41	5.9	20.63	42.70	47.97
Q2	483	5.3	181	4.2	31.78	583	4.7	81	7.2	8.60	6.46	5.6	4.14	5.3	20.54	44.07	49.43
Q3	428	4.6	243	5.6	32.03	617	4.9	54	5.0	8.03	6.27	1.9	4.13	2.9	19.47	38.58	43.80
Q4	405	4.3	271	6.2	32.06	574	4.6	101	8.9	8.66	6.54	3.7	4.14	-1.7	19.34	43.87	49.23
04 *Q1*	362	3.8	250	5.8	31.63	485	3.9	127	10.8	9.00	6.55	0.7	4.09	-3.9	17.99	42.10	47.98
Q2	320	3.3	211	4.7	32.07	390	3.0	141	11.6	9.26	6.43	2.8	3.92	-2.1	18.77	42.48	47.89
Q3	234	2.4	349	7.6	33.13	388	2.9	195	17.0	9.03	6.15	1.2	3.62	-9.5	18.25	41.60	46.07
Q4	308	3.2	340	7.4	32.94	525	4.0	123	9.9	9.11	6.19	-2.4	3.66	-8.6	17.78	42.57	47.38
05 *Q1*	375	3.8	227	5.0	31.88	-36	-0.3	637	49.3	12.89	6.20	-2.0	3.02	-23.7	...	...	...
Q2	381	3.8	449	9.6	33.26	206	1.6	625	46.2	12.81	5.53	-10.8	2.66	-29.5	...	...	...

WAGE-EARNERS
Annual percentage changes



UNEMPLOYMENT
Unemployment rate



Source: INE (Labour Force Survey: 2005 methodology).
a. the new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See www.ine.es).
Note: As a result of the change in the population base (2001 Census), all the series in this table have been revised as from 1996. In addition, since 2005 Q1 the new obligatory variables referred to in Regulation (EC) 2257/2003 (on the adaptation of the list of labour force survey characteristics) have been included, a centralised procedure for telephone interviews has been set in place and the questionnaire has been modified. Thus, in 2005 Q1, there is a break in the series of some variables. For further information, see www.ine.es.

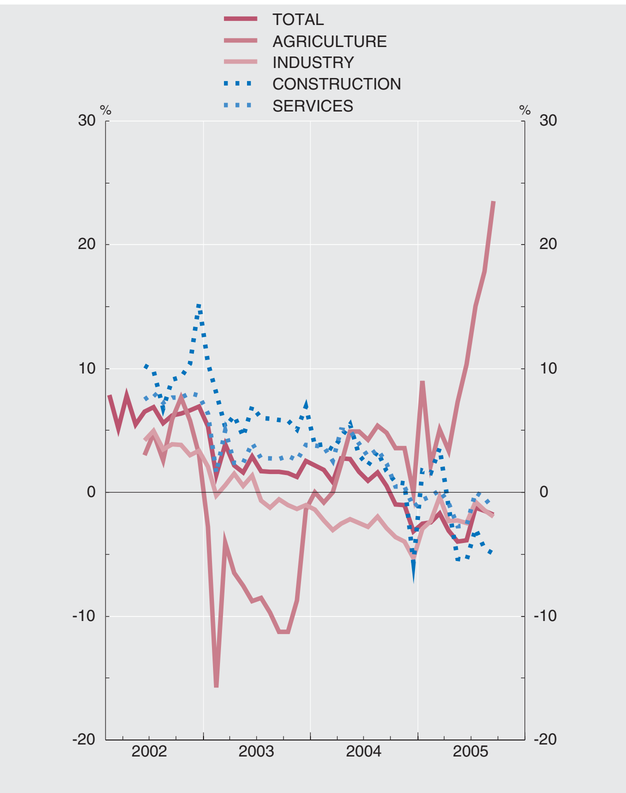
4.5. REGISTERED UNEMPLOYMENT BY BRANCH OF ACTIVITY. CONTRACTS AND PLACEMENTS. SPAIN

■ Series depicted in chart.

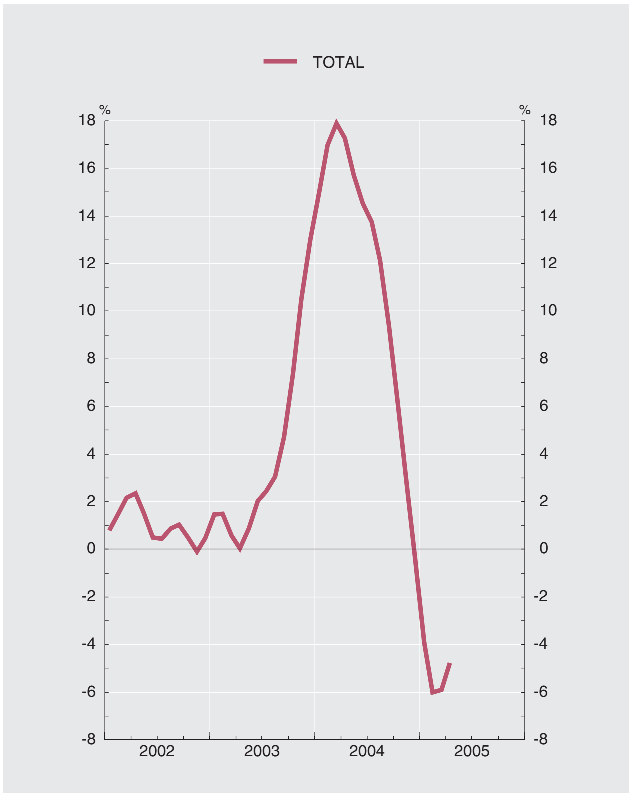
Thousands, annual percentage changes and %

	Registered unemployment: Total: Thousands	Registered unemployment: Total: Annual change, Thousands	Registered unemployment: Total: 12 month % change ■	First time job-seekers: 12 month % change	Previously employed: 12-month % change: Total	Previously employed: 12-month % change: Agriculture ■	Branches other than agriculture: Total	Branches other than agriculture: Industry ■	Branches other than agriculture: Construction ■	Branches other than agriculture: Services ■	Contracts: Total: Thousands	Contracts: Total: 12 month % change	Contracts: Percentage of total: Permanent	Contracts: Percentage of total: Part time	Contracts: Percentage of total: Temporary	Placements: Total: Thousands	Placements: Total: 12 month % change ■
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
02 M	2 050	153	8.0	...	...	...	...	...	...	...	1 182	0.9	9.05	20.80	90.95	1 145	1.0
03 M	2 097	47	2.3	-0.5	2.7	-8.2	3.1	-0.0	6.4	3.3	1 222	3.4	8.67	21.21	91.33	1 193	4.2
04 M	2 114	17	0.8	-5.0	1.7	2.7	1.6	-2.9	2.2	2.7	1 363	11.5	8.67	22.71	91.33	1 336	12.0
04 *J-S* M	2 117	35	1.7	-4.2	2.5	2.8	2.5	-2.4	3.5	3.6	1 357	14.3	8.81	21.97	91.19	1 333	15.6
05 *J-S* M	2 065	-52	-2.5	-13.4	-0.9	10.2	-1.2	-1.9	-1.9	-1.0	1 403	3.4	9.12	22.63	90.88	...	...
04 *Aug*	2 050	33	1.6	-4.8	2.6	5.4	2.5	-2.0	3.3	3.5	1 125	15.9	7.23	22.01	92.77	1 111	16.6
Sep	2 051	11	0.5	-5.5	1.4	4.8	1.3	-2.9	1.7	2.4	1 476	15.0	8.36	24.18	91.64	1 445	14.0
Oct	2 076	-21	-1.0	-7.2	-0.1	3.6	-0.2	-3.6	0.9	0.5	1 472	-5.5	8.68	26.26	91.32	1 434	-6.2
Nov	2 121	-22	-1.0	-7.1	-0.1	3.6	-0.3	-4.0	0.7	0.5	1 447	12.3	8.63	24.87	91.37	1 414	10.7
Dec	2 113	-69	-3.1	-8.2	-2.5	-0.0	-2.5	-5.3	-5.7	-1.2	1 223	7.6	7.49	23.64	92.51	1 183	4.8
05 *Jan*	2 177	-56	-2.5	-17.8	-0.4	9.0	-0.7	-2.9	1.8	-0.6	1 285	-7.6	9.30	20.17	90.70	1 255	-8.9
Feb	2 165	-54	-2.4	-17.8	-0.3	2.2	-0.4	-2.3	1.5	-0.3	1 230	-11.0	10.98	21.72	89.02	1 175	-14.2
Mar	2 145	-37	-1.7	-18.0	0.6	5.1	0.5	-0.4	3.6	0.1	1 307	-8.0	10.76	22.91	89.24	1 248	-11.5
Apr	2 096	-66	-3.1	-17.3	-1.0	3.4	-1.2	-2.3	-1.2	-0.9	1 323	5.3	10.07	22.68	89.93	1 278	3.6
May	2 007	-83	-4.0	-12.9	-2.7	7.3	-3.0	-2.3	-5.4	-2.8	1 430	11.8	9.40	22.85	90.60	...	...
Jun	1 975	-79	-3.9	-12.3	-2.6	10.4	-3.0	-2.5	-5.5	-2.7	1 567	12.6	8.49	22.88	91.51	...	...
Jul	1 989	-25	-1.2	-9.5	-0.1	15.1	-0.5	-0.8	-2.9	0.0	1 570	5.6	7.40	24.16	92.60	...	...
Aug	2 019	-31	-1.5	-7.7	-0.7	17.9	-1.2	-1.4	-4.5	-0.5	1 298	15.4	7.09	21.77	92.91	...	...
Sep	2 013	-37	-1.8	-6.1	-1.2	23.5	-1.9	-2.0	-5.0	-1.3	1 618	9.6	8.58	24.53	91.42	...	...

REGISTERED UNEMPLOYMENT
Annual percentage changes



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



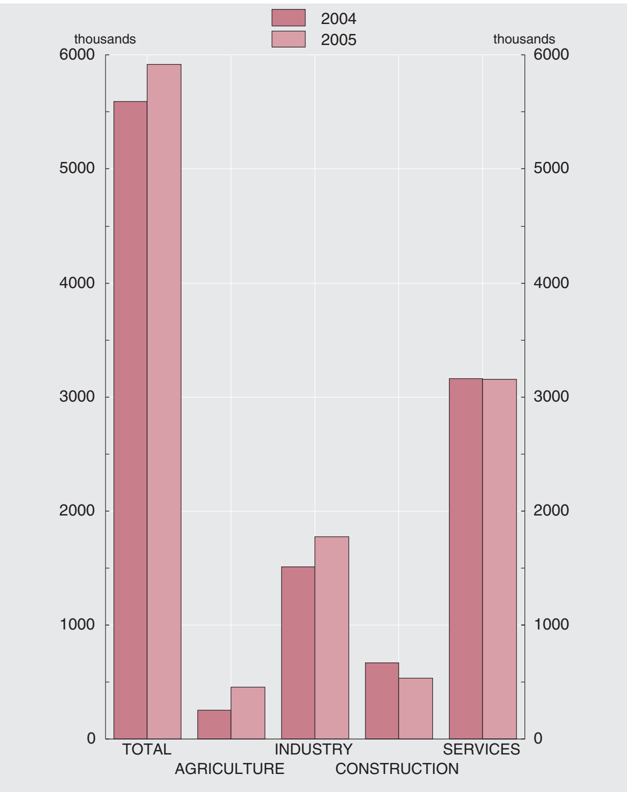
Source: Instituto de Empleo Servicio Público de Empleo Estatal (INEM).
Note: The underlying series for this indicator are in Tables 24.16 and 24.17 of the BE Boletín estadístico.

4.6. COLLECTIVE BARGAINING AGREEMENTS

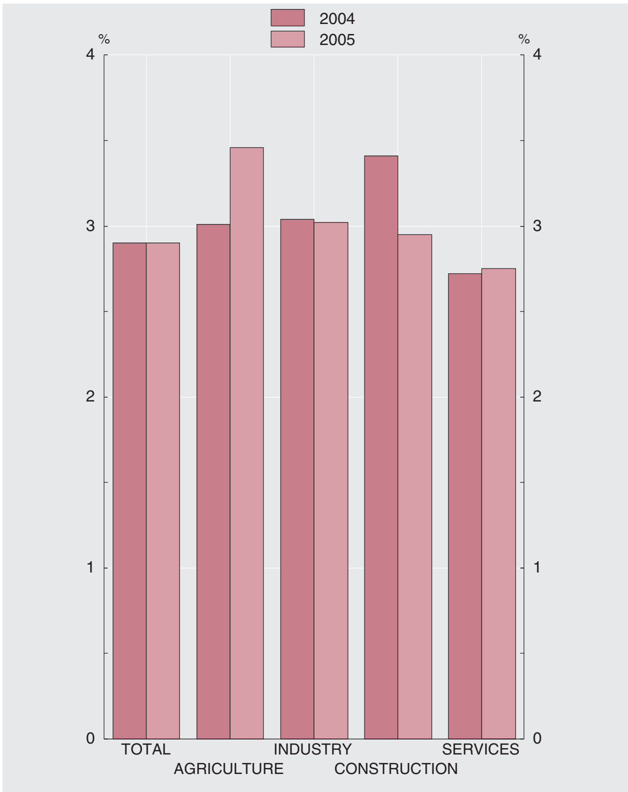
■ Series depicted in chart. *Thousands and %*

	As per month economic effects come into force(a)		As per month recorded														
			Employees affected (a)								Average wage settlement (%)						
	Employees affected	Average wage settlement	Automatic adjustment	Newly-signed agreements	Total	Annual change	Agriculture	Industry	Construction	Services	Automatic adjustment	Newly signed agreements	Total	Agriculture	Industry	Construction	Services
	1	2	3	4	5 ■	6	7 ■	8 ■	9 ■	10 ■	11	12	13 ■	14 ■	15 ■	16 ■	17 ■
02	9 697	3.85	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	9 995	3.68	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	9 357	3.61	5 207	2 594	7 801	-347	629	2 351	1 046	3 774	2.93	3.04	2.96	3.53	2.96	3.43	2.75
04 *Feb*	8 699	3.61	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	8 750	3.60	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	8 939	3.60	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	9 123	3.59	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	9 159	3.59	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	9 167	3.59	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	9 168	3.59	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	9 244	3.60	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	9 355	3.61	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	9 356	3.61	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
Dec	9 357	3.61	5 207	2 594	7 801	-347	629	2 351	1 046	3 774	2.93	3.04	2.96	3.53	2.96	3.43	2.75
05 *Jan*	5 738	2.90	3 268	2	3 269	387	398	1 220	93	1 558	2.73	2.00	2.72	3.37	2.75	2.98	2.52
Feb	5 739	2.90	3 988	3	3 991	888	399	1 483	93	2 016	2.79	2.64	2.79	3.37	2.96	2.99	2.54
Mar	5 739	2.90	4 581	181	4 762	651	410	1 565	283	2 503	2.82	3.63	2.85	3.38	2.95	3.00	2.69
Apr	5 802	2.90	4 805	189	4 994	488	410	1 650	309	2 625	2.85	3.61	2.88	3.38	3.00	3.05	2.70
May	5 913	2.91	4 919	633	5 553	813	454	1 719	523	2 856	2.87	3.37	2.92	3.46	3.02	2.95	2.78
Jun	5 916	2.91	4 989	650	5 639	580	454	1 729	523	2 932	2.86	3.36	2.92	3.46	3.01	2.95	2.77
Jul	5 918	2.91	5 178	740	5 918	325	456	1 773	532	3 157	2.85	3.32	2.90	3.46	3.02	2.95	2.75

EMPLOYEES AFFECTED
January-Jul



AVERAGE WAGE SETTLEMENT
January-Jul



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

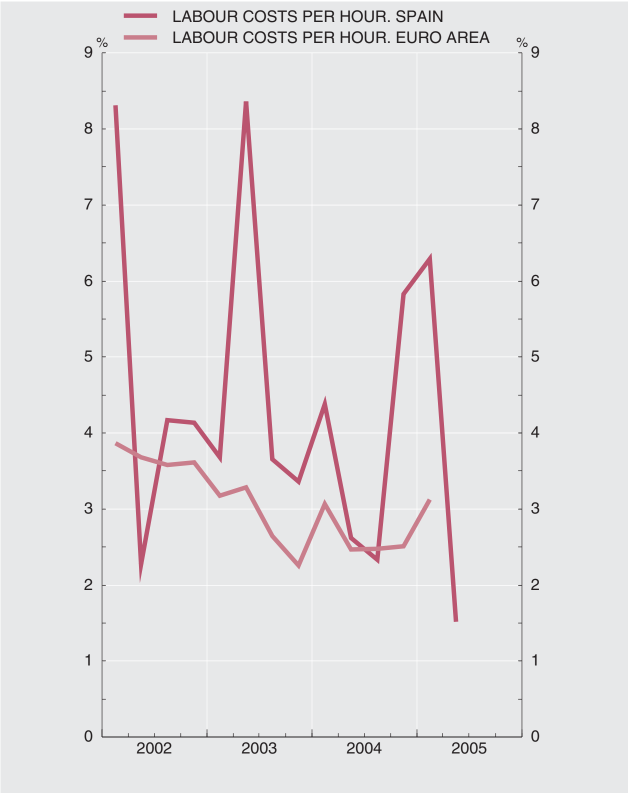
4.7. QUARTERLY LABOUR COSTS SURVEY

■ 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 ■
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
04 M	3.0	3.4	5.2	2.6	3.8	2.8	3.3	4.2	2.5	3.6	3.6	2.6
04 *Q1-Q2* M	3.3	3.5	5.7	3.1	3.5	3.1	3.4	4.6	3.0	3.3	4.0	2.8
05 *Q1-Q2* M	3.2	3.6	3.2	3.3	3.9	3.0	3.1	2.9	3.2	3.6	3.9	...
02 *Q4*	4.6	5.4	4.7	4.4	4.1	3.9	5.0	4.4	3.6	3.5	6.6	3.6
03 *Q1*	5.2	5.2	6.0	5.0	3.7	4.9	5.0	5.1	4.8	3.3	6.0	3.2
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	2.6
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	3.1
Q2	3.2	2.7	5.5	3.2	2.6	3.1	2.9	4.1	3.2	2.5	3.5	2.5
Q3	2.5	3.2	5.5	1.9	2.3	2.2	3.3	4.6	1.6	2.0	3.4	2.5
Q4	2.7	3.4	4.0	2.4	5.8	2.6	3.3	3.1	2.5	5.7	3.0	2.5
05 *Q1*	3.0	3.6	3.2	2.9	6.3	2.5	3.2	2.4	2.5	5.8	4.2	3.1
Q2	3.4	3.7	3.3	3.6	1.5	3.4	3.1	3.3	3.8	1.5	3.5	...

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.

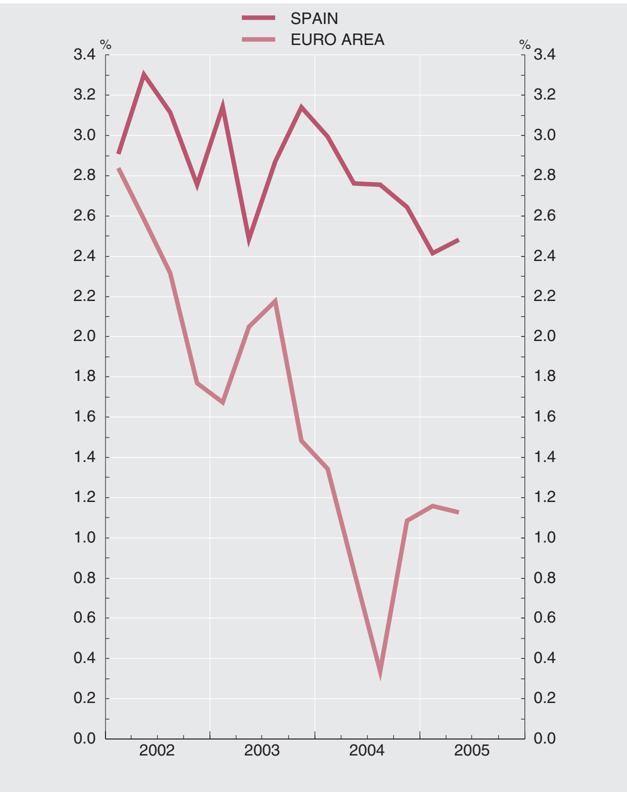
4.8. UNIT LABOUR COSTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

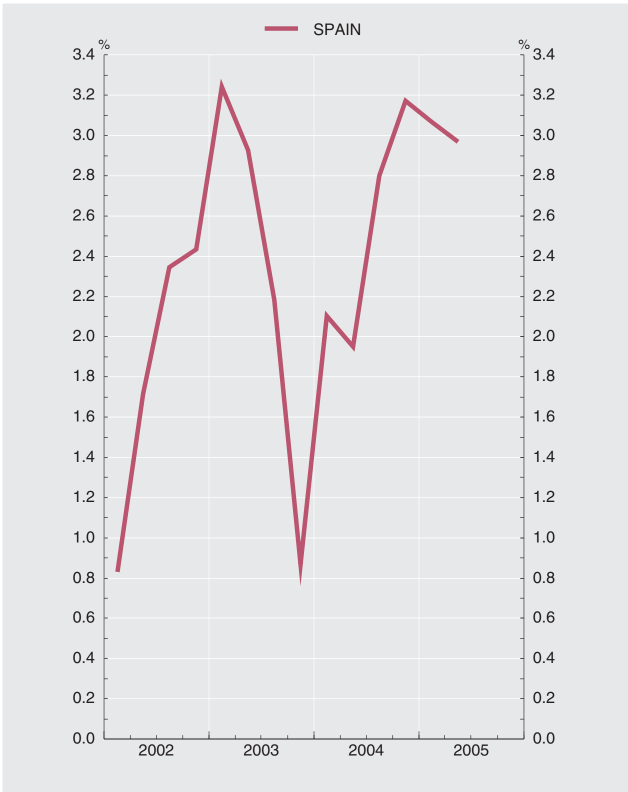
Annual percentage changes

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

UNIT LABOUR COSTS: TOTAL
Annual percentage changes



UNIT LABOUR COSTS: MANUFACTURING
Annual percentage changes



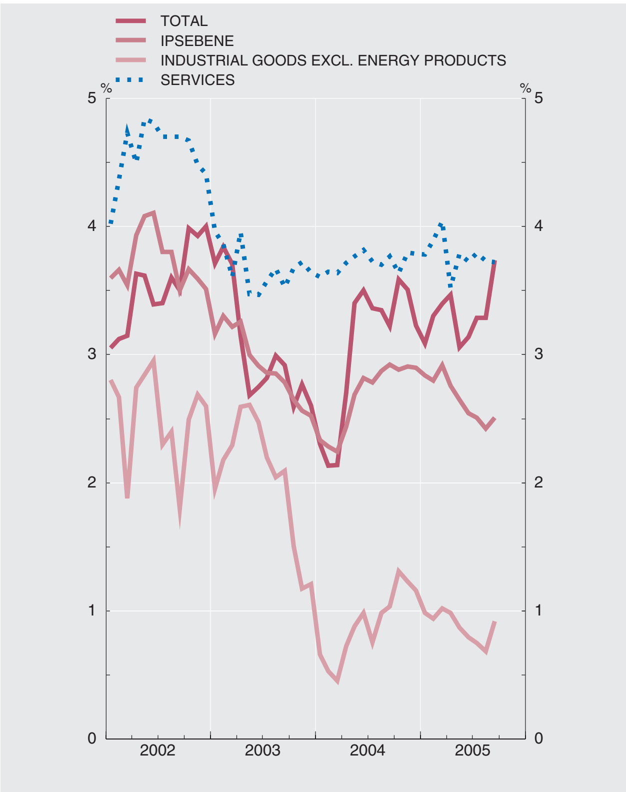
Sources: INE (Quarterly National Accounts of Spain. Base year 2000) and ECB.
a. Spain: prepared in accordance with ESA95. SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see economic bulletin April 2002).
b. Full-time equivalent employment.
c. Industry.

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

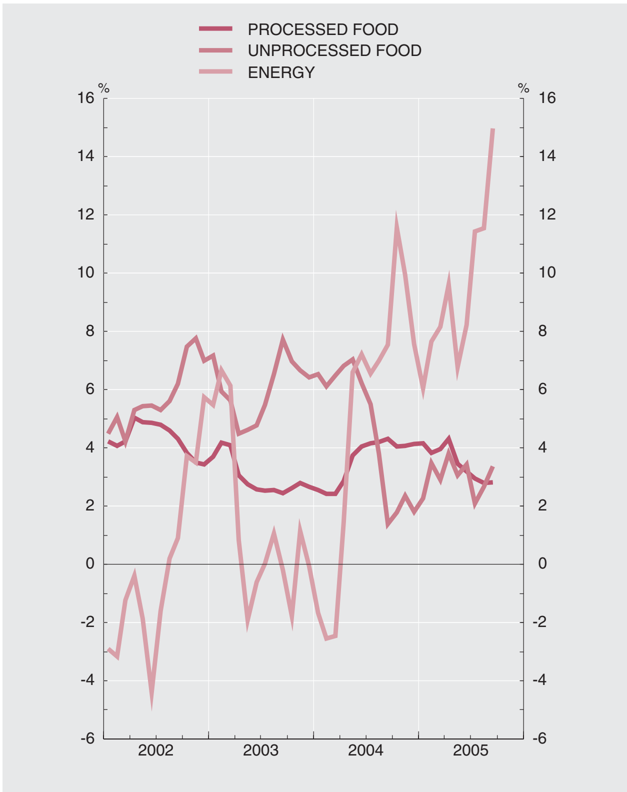
■ Series depicted in chart. *Indices and annual percentage changes*

	Total (100%)				Annual percentage change (12-month % change)						Memorandum item:prices for agricultural products (2000=100)	
	Original series 1	Month-on-month % change 2	12-month % change (b) 3 ■	Cumulative % change during year (c) 4	Unprocessed food 5 ■	Processed food 6 ■	Industrial goods excl. energy products (e) 7 ■	Energy 8 ■	Services 9 ■	IPSEBENE (d) 10 ■	Original series 11	12-month % change 12
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
04 M	109.9	_	3.0	3.2	4.6	3.6	0.9	4.9	3.7	2.7	106.8	0.9
04 *J-S* M	109.3	0.2	2.9	1.1	5.5	3.4	0.8	3.3	3.7	2.6	108.7	2.4
05 *J-S* M	113.0	0.3	3.3	1.1	3.0	3.5	0.9	9.4	3.8	2.7	...	...
04 *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	100.4	-5.1
Nov	111.8	0.3	3.5	3.3	2.3	4.1	1.2	9.9	3.8	2.9	104.8	-0.4
Dec	111.7	-0.1	3.2	3.2	1.8	4.1	1.2	7.6	3.8	2.9	111.3	2.5
05 *Jan*	110.8	-0.8	3.1	-0.8	2.3	4.2	1.0	6.1	3.8	2.8	115.2	8.4
Feb	111.0	0.3	3.3	-0.6	3.5	3.8	0.9	7.6	3.9	2.8	120.5	12.2
Mar	111.9	0.8	3.4	0.2	2.9	4.0	1.0	8.2	4.0	2.9	126.5	13.2
Apr	113.5	1.4	3.5	1.6	3.8	4.3	1.0	9.6	3.5	2.8	122.7	6.6
May	113.7	0.2	3.1	1.8	3.0	3.4	0.9	6.8	3.8	2.6	120.1	-0.9
Jun	114.0	0.2	3.1	2.1	3.4	3.2	0.8	8.2	3.7	2.5	106.9	-11.9
Jul	113.3	-0.6	3.3	1.5	2.1	3.0	0.7	11.4	3.8	2.5	102.8	-5.2
Aug	113.8	0.4	3.3	1.9	2.7	2.8	0.7	11.5	3.7	2.4	...	...
Sep	114.5	0.6	3.7	2.5	3.4	2.8	0.9	15.0	3.7	2.5	...	...

CONSUMER PRICE INDEX. TOTAL AND COMPONENTS
Annual percentage changes



CONSUMER PRICE INDEX. COMPONENTS
Annual percentage changes



Sources: INE, Ministerio de Agricultura, Pesca y Alimentación and BE.
Note: The underlying series for this indicator are in Tables 25.2 and 25.8 of the BE Boletín estadístico.
a. There is a break in January 2002 owing to the 2001 re-basing. There is no solution to this via the habitual legal links. Consequently, for the year 2002, the official rates of change cannot be obtained from the indices. The detailed methodological notes can be consulted on the INE Internet site (www.ine.es).
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	
						Food						Industrial							
						Total		Processed		Unprocessed				Non-energy		Energy			
		Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area
		1 ■	2 ■	3 ■	4 ■	5	6	7	8	9	10	11	12	13	14	15	16	17 ■	18 ■
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
04	M	3.1	2.1	2.7	1.8	3.9	2.3	4.2	3.4	3.7	0.6	2.0	1.6	1.0	0.8	4.8	4.5	3.7	2.6
04 *J-S*	M	2.9	2.1	2.5	1.8	4.1	2.6	4.2	3.7	4.1	1.1	1.5	1.3	0.9	0.8	3.2	3.1	3.6	2.6
05 *J-S*	M P	3.3	2.1	3.2	2.0	3.4	1.4	3.5	1.9	3.3	0.7	3.1	2.3	0.9	0.2	10.1	9.8	3.7	2.3
04 *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		3.3	2.4	3.0	2.0	3.3	2.0	4.2	3.2	2.4	-	2.7	2.0	1.3	0.8	7.6	6.9	3.7	2.7
05 *Jan*		3.1	1.9	2.7	1.6	3.5	1.5	4.1	2.8	2.9	-0.6	1.9	1.7	0.7	0.5	5.7	6.2	3.6	2.4
Feb		3.3	2.1	3.0	1.8	3.7	1.9	3.6	2.6	3.8	0.7	2.3	1.8	0.7	0.2	7.5	7.7	3.7	2.4
Mar		3.4	2.1	3.1	1.9	3.6	1.5	3.7	1.6	3.4	1.3	2.7	2.2	0.9	0.4	8.4	8.8	4.0	2.5
Apr		3.5	2.1	3.7	2.1	4.2	1.3	4.4	1.7	4.0	0.8	3.3	2.4	1.1	0.3	10.1	10.2	3.4	2.2
May		3.0	2.0	2.9	1.6	3.4	1.3	3.3	1.5	3.5	1.0	2.6	1.8	1.1	0.4	7.2	6.9	3.6	2.5
Jun		3.2	2.1	3.1	1.9	3.3	1.2	3.2	1.5	3.5	0.6	2.9	2.2	1.0	0.3	8.9	9.4	3.7	2.2
Jul		3.3	2.2	3.3	2.1	2.8	1.1	3.0	1.6	2.5	0.3	3.6	2.6	0.6	-	12.5	11.8	3.9	2.3
Aug		3.3	2.2	3.4	2.2	2.9	1.5	2.9	1.7	2.8	1.1	3.6	2.6	0.5	-	12.8	11.6	4.0	2.3
Sep	P	3.8	2.6	4.2	2.9	3.1	1.8	3.1	2.3	3.2	1.1	4.9	3.5	0.9	0.2	16.7	15.2	3.8	2.2

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 (www.europa.eu.int).

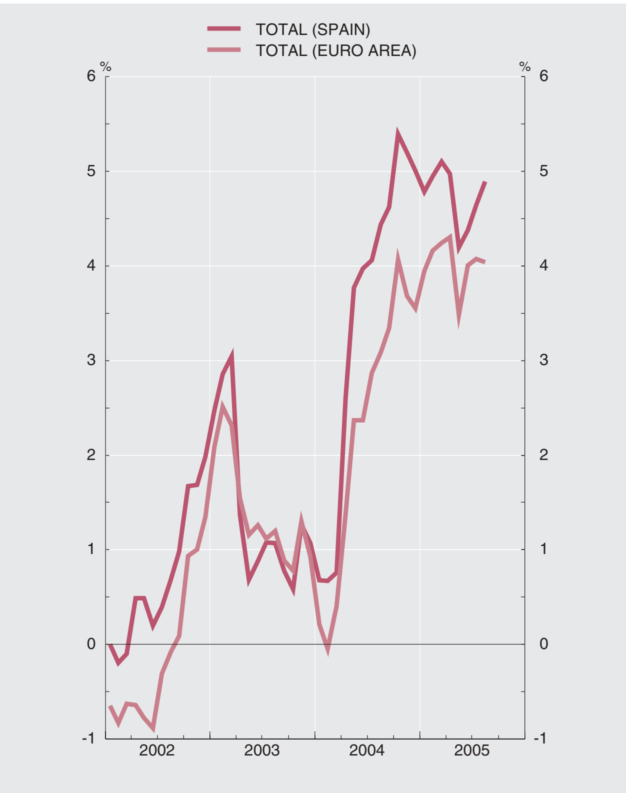
5.3. PRODUCER PRICE INDEX. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

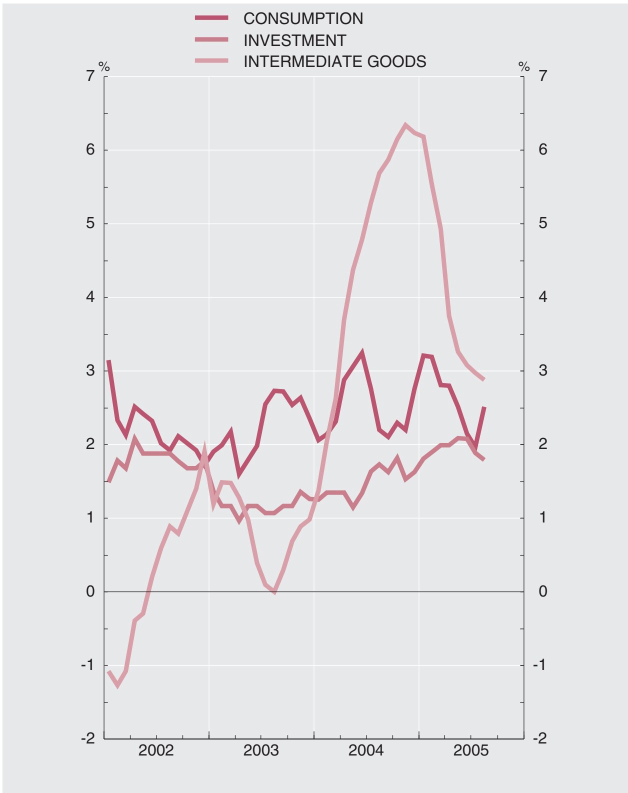
Annual percentage changes

		Total (100%)			Consumption (32.1 %)		Investment (18.3 %)		Intermediate (31.6 %)		Energy (18.0%)		Memorandum item: euro area				
		Original series	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Total 12-month % change	Consumption 12-month % change	Investment 12-month % change	Intermediate 12-month % change	Energy 12-month % change
		1	2	3 ■	4	5 ■	6	7 ■	8	9 ■	10	11	12 ■	13	14	15	16
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
04	MP	107.4	_	3.4	_	2.5	_	1.5	_	4.5	_	5.3	2.3	1.3	0.7	3.5	3.9
04 *J-A*	MP	106.6	_	2.6	_	2.6	_	1.4	_	3.7	_	2.0	1.6	1.4	0.6	2.6	1.8
05 *J-A*	MP	111.6	_	4.7	_	2.6	_	1.9	_	4.1	_	13.0	4.0	1.0	1.5	3.5	12.1
04 *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	5.5
Jun	P	107.4	0.1	4.0	0.3	3.2	0.2	1.3	-	4.8	-0.3	7.1	2.4	1.6	0.7	3.3	4.5
Jul	P	107.7	0.3	4.1	0.2	2.8	0.2	1.6	0.2	5.3	0.8	7.2	2.9	1.6	0.9	4.3	5.3
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	5.6
Sep	P	108.6	0.3	4.6	0.1	2.1	-	1.6	0.4	5.9	1.2	11.0	3.3	1.2	0.9	5.0	7.3
Oct	P	109.4	0.7	5.4	-0.1	2.3	0.2	1.8	0.5	6.2	3.1	14.2	4.1	1.1	1.1	5.5	10.1
Nov	P	109.3	-0.1	5.2	-0.1	2.2	-	1.5	0.3	6.3	-0.9	12.6	3.7	1.0	1.1	5.5	8.3
Dec	P	109.0	-0.3	5.0	0.3	2.8	0.1	1.6	-	6.2	-2.1	10.7	3.6	1.5	1.3	5.4	7.0
05 *Jan*	P	109.5	0.5	4.8	0.8	3.2	0.6	1.8	0.8	6.2	-0.5	8.8	3.9	1.3	1.6	5.5	8.4
Feb	P	110.3	0.7	4.9	0.4	3.2	0.4	1.9	0.5	5.5	1.5	11.0	4.2	1.3	1.7	5.2	10.0
Mar	P	111.2	0.8	5.1	0.4	2.8	0.2	2.0	0.2	4.9	3.4	13.1	4.2	0.9	1.7	4.5	11.7
Apr	P	111.9	0.6	5.0	0.4	2.8	0.1	2.0	-	3.7	2.6	14.5	4.3	0.9	1.5	3.7	13.3
May	P	111.8	-0.1	4.2	0.1	2.5	0.1	2.1	0.1	3.3	-0.8	11.0	3.5	0.9	1.5	3.0	9.8
Jun	P	112.1	0.3	4.4	-0.1	2.2	0.2	2.1	-0.2	3.1	1.9	13.5	4.0	0.8	1.4	2.6	13.5
Jul	P	112.7	0.5	4.6	-	2.0	-	1.9	0.1	3.0	2.7	15.7	4.1	0.7	1.2	2.0	15.1
Aug	P	113.6	0.8	4.9	0.4	2.5	-	1.8	0.2	2.9	3.2	16.3	4.0	0.9	1.2	1.7	15.1

PRODUCER PRICE INDEX. TOTAL
Annual percentage changes



PRODUCER PRICE INDEX. COMPONENTS
Annual percentage changes



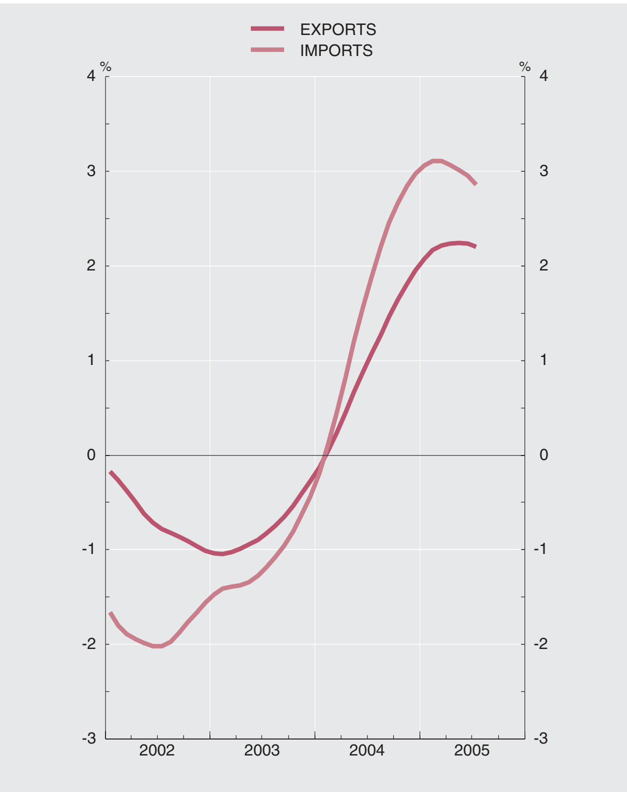
Sources: INE and ECB.
Note: The underlying series for this indicator, for Spain, are in Table 25.3 of the BE Boletín estadístico.
a. Spain: 2000=100; euro area: 2000=100.

5.4. UNIT VALUE INDICES FOR SPANISH FOREIGN TRADE

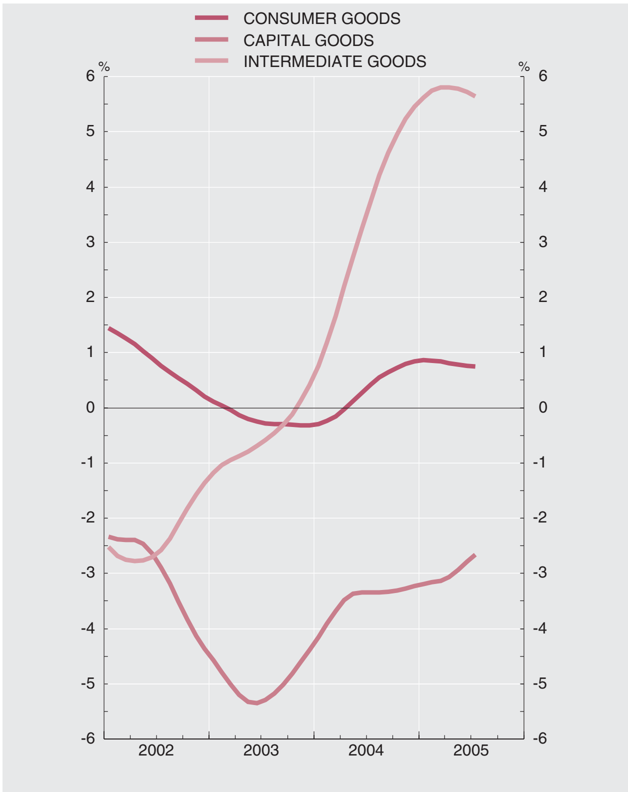
■ Series depicted in chart. *Annual percentage changes*

	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
02	-1.0	0.4	1.0	-2.3	-5.0	-2.1	-3.1	-0.0	-2.5	-4.3	-6.7	-3.6
03	-1.5	0.0	-9.6	-1.2	-1.7	-1.1	-1.3	-0.1	-7.3	-0.7	0.7	-1.1
04	1.0	-0.0	-0.6	2.1	12.3	1.6	2.4	0.5	-2.0	4.5	11.2	3.3
04 *J-J*	-0.1	-0.5	-1.9	0.6	2.4	0.5	0.2	-1.1	-0.6	1.2	1.9	1.2
05 *J-J*	4.3	1.6	4.6	6.4	35.6	5.0	5.0	1.3	-2.3	8.5	26.5	4.5
04 *Feb*	-2.7	-3.7	-2.5	-1.7	-19.4	-0.7	-4.3	-5.0	-3.0	-4.0	-12.8	-2.1
Mar	0.2	-0.1	-6.7	1.9	-8.4	2.4	-1.6	-1.2	-1.5	-1.6	-12.0	0.7
Apr	-0.9	-0.7	-0.1	-1.1	-5.6	-0.7	0.2	-4.5	5.1	1.7	-0.9	2.3
May	1.8	3.5	1.3	0.5	-0.5	0.5	5.6	2.9	5.1	7.0	16.7	5.4
Jun	3.0	2.2	4.8	3.2	19.3	2.4	1.4	-2.9	3.2	3.3	16.3	1.1
Jul	0.5	-1.7	-1.9	2.8	29.0	1.6	3.8	5.0	-9.8	6.4	17.0	4.1
Aug	2.0	-0.9	2.8	3.9	15.9	3.0	6.8	4.4	-1.8	9.9	20.9	6.9
Sep	1.0	0.1	-2.3	2.2	23.8	1.0	5.4	0.8	-3.1	9.6	21.5	6.9
Oct	3.9	4.2	5.2	3.6	34.6	1.9	5.2	1.7	-7.3	9.7	30.9	5.8
Nov	3.5	0.9	0.5	6.6	33.1	5.3	4.6	1.8	-3.0	7.5	27.4	3.6
Dec	2.2	-1.4	0.2	5.2	23.8	4.1	5.8	4.2	-3.7	9.4	19.9	7.1
05 *Jan*	5.1	2.7	-0.5	7.8	35.5	6.3	5.0	3.4	-1.6	7.2	16.7	4.8
Feb	5.4	4.2	6.9	6.1	40.8	4.6	5.4	1.0	-1.9	9.3	23.2	6.5
Mar	4.8	4.4	2.8	5.4	25.1	4.4	5.3	2.6	-7.6	9.7	27.8	5.6
Apr	2.7	-1.2	1.0	6.2	36.6	4.7	4.6	0.9	-7.5	9.1	32.8	4.2
May	3.3	-1.1	7.5	6.2	38.5	4.6	0.9	-3.2	-6.5	4.7	20.0	1.6
Jun	3.2	-0.3	-0.9	7.0	41.0	5.2	5.3	3.6	-1.3	7.7	26.3	3.5
Jul	5.7	2.2	15.6	6.3	32.7	4.9	8.2	0.6	10.4	11.7	38.6	5.1

EXPORT AND IMPORT UNIT VALUE INDICES (a)



IMPORT UNIT VALUE INDICES BY PRODUCT GROUP (a)



FUENTES: ME y BE.
Nota: Las series de base de este indicador figuran en el Boletín Estadístico del Banco de España, capítulo 17, cuadros 6 y 7.
a.Tasas de variación interanual (tendencia obtenida con TRAMO-SEATS).

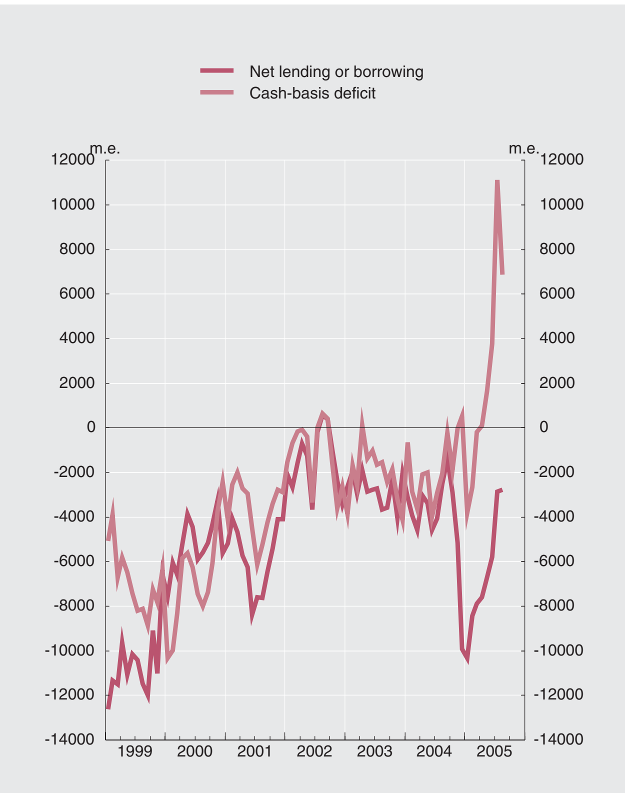
6.1. STATE RESOURCES ANS USES ACCORDING TO THE NACIONAL ACCOUNTS (A). SPAIN

■ Series depicted in chart.

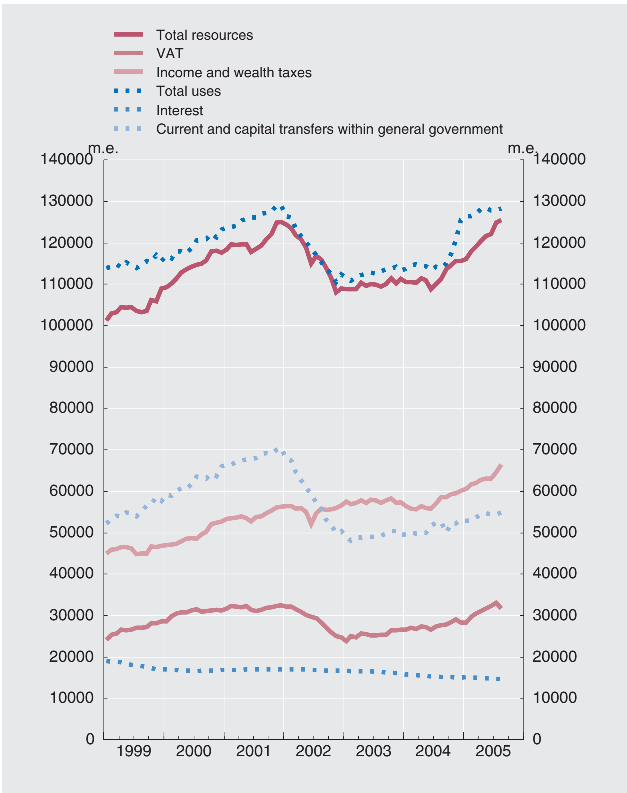
EUR millions

			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
		1=2-8 ■	2=3 a 7 ■	3 ■	4	5	6 ■	7	8=9 a 13 ■	9	10 ■	11 ■	12	13	14=15-16 ■	15	16
99		-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		-5 627	117 598	31 262	17 171	5 316	52 671	11 178	123 225	15 806	16 809	65 992	3 633	20 985	-2 431	118 693	121 124
01		-4 104	124 992	32 433	17 838	7 022	56 312	11 387	129 096	16 067	17 030	70 539	3 297	22 163	-2 884	125 193	128 077
02	P	-3 428	108 942	24 701	11 431	5 414	56 616	10 780	112 370	16 978	16 666	50 348	3 244	25 134	-2 626	108 456	111 082
03	A	-2 031	111 319	26 539	10 918	5 029	57 415	11 418	113 350	17 670	15 900	49 406	2 695	27 679	-4 132	109 655	113 787
04	A	-9 931	115 683	28 230	10 991	4 588	60 063	11 811	125 614	18 866	15 073	52 995	7 519	31 161	527	115 270	114 743
04 *J-A*	A	240	69 451	18 365	7 235	2 530	36 991	4 330	69 211	9 990	10 052	34 095	1 421	13 653	-3 937	70 785	74 722
05 *J-A*	A	7 383	79 266	21 874	7 200	2 148	43 476	4 568	71 883	10 468	9 663	35 939	1 161	14 652	2 408	83 046	80 637
04 *Sep*	A	605	10 437	2 603	1 088	122	3 541	3 083	9 832	3 428	1 213	1 591	262	3 338	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
Dec	A	-11 913	9 686	91	1 038	1 140	4 717	2 700	21 599	2 533	1 323	5 847	1 721	10 175	-2 696	9 285	11 981
05 *Jan*	A	83	8 142	-797	888	239	7 182	630	8 059	1 292	1 281	3 208	3	2 275	-6 812	9 956	16 768
Feb	A	8 249	17 055	12 341	851	183	2 987	693	8 806	1 308	1 150	4 318	63	1 967	6 784	15 623	8 840
Mar	A	-5 192	4 971	1 153	811	186	1 880	941	10 163	1 572	1 195	4 761	441	2 194	-2 983	5 439	8 422
Apr	A	9 277	18 654	6 263	966	238	10 477	710	9 377	1 590	1 211	4 539	154	1 883	10 150	18 510	8 360
May	A	-5 202	3 711	781	1 023	577	408	922	8 913	1 434	1 217	4 126	192	1 944	-3 651	3 840	7 491
Jun	A	-8 409	757	-560	849	250	214	4	9 166	829	1 193	6 040	216	888	-6 992	2 406	9 397
Jul	A	8 586	17 679	5 658	1 026	247	10 573	175	9 093	1 222	1 234	4 671	70	1 896	10 068	18 175	8 107
Aug	A	-9	8 297	-2 965	786	228	9 755	493	8 306	1 221	1 182	4 276	22	1 605	-4 157	9 096	13 252

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).

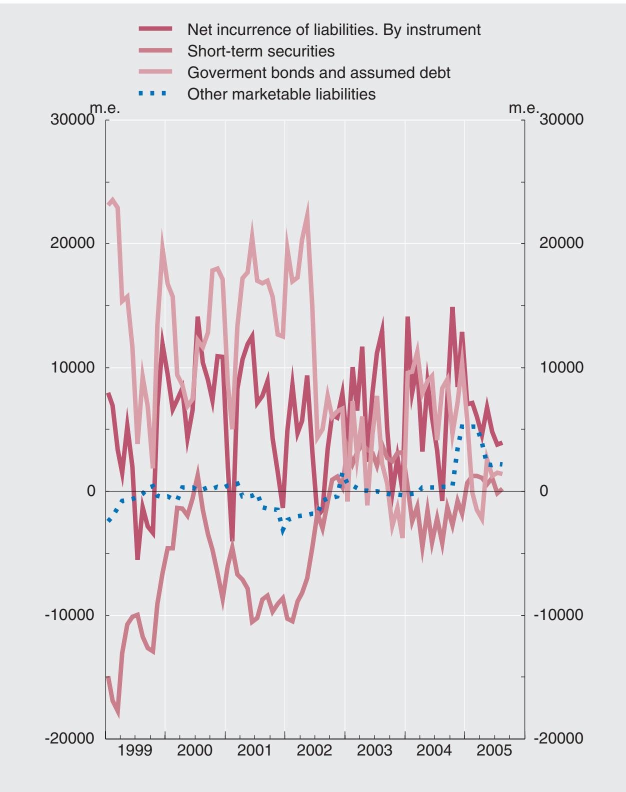
(a) Except in interest rate swaps, where the EDP criterion in followed. That is to say, the net outcome of these transactions is considered to be interest and not financial transactions (the ESA 95 criterion), whereby they influence the calculation of net lending or borrowing.

6.2. STATE FINANCIAL TRANSACTIONS (A). SPAIN

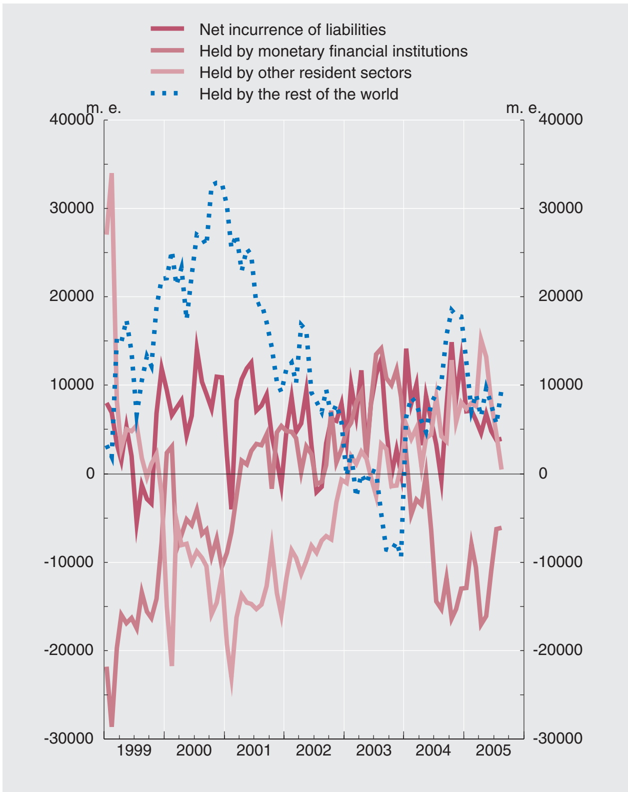
■ Series depicted in chart. *EUR millions*

		Net lending (+) or net borrowing(-)	Net acquisition of financial assets: Total	Net acquisition of financial assets: Of which: Deposits at the Banco de España	Net incurrence of liabilities: Total	Net incurrence of liabilities: Of which: In currencies other than the peseta/euro	By instrument: Short-term securities	By instrument: Goverment bonds and assumed debt	By instrument: Banco de España loans	By instrument: Other marketable liabilities (b)	By instrument: Other accounts payable	By counterpart sector: Held by resident sectors: Total	By counterpart sector: Held by resident sectors: Monetary financial institutions	By counterpart sector: Held by resident sectors: Other resident sectors	By counterpart sector: Rest of the world	Net incurrence of liabilities (excluding other accounts payable)
		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		-5 627	5 237	5 690	10 864	1 162	-8 683	17 127	-499	283	2 636	-22 060	-10 554	-11 506	32 924	8 228
01		-4 104	-5 451	-20 141	-1 347	803	-8 616	12 521	-499	-3 101	-1 652	-10 553	5 387	-15 940	9 206	305
02	P	-3 428	4 498	-95	7 926	-888	346	6 655	-486	1 488	-77	2 140	2 798	-657	5 785	8 002
03	A	-2 031	-2 025	0	6	-135	3 146	-3 761	-486	-281	1 388	9 478	8 664	815	-9 472	-1 381
04	A	-9 931	2 964	-0	12 895	-660	-1 813	10 356	-486	5 204	-366	-4 882	-12 978	8 096	17 777	13 261
04 *J-A*	A	240	433	-1	193	-2 069	-4 476	4 165	-	334	170	-10 211	-14 983	4 772	10 404	22
05 *J-A*	A	7 383	-1 371	0	-8 754	-2 849	-2 431	-4 770	-	-2 685	1 131	-10 981	-8 116	-2 865	2 227	-9 886
04 *Sep*	A	605	9 351	1	8 746	-15	2 883	5 232	-	3	627	2 509	3 410	-901	6 237	8 118
Oct	A	6 833	9 690	12 897	2 857	1 206	-1 534	-7 868	-	0	12 258	237	-5 971	6 209	2 619	-9 401
Nov	A	-5 696	-8 610	-12 897	-2 914	22	2 738	5 434	-	3 052	-14 138	-2 781	3 461	-6 242	-133	11 224
Dec	A	-11 913	-7 899	-0	4 014	196	-1 423	3 393	-486	1 815	716	5 364	1 105	4 259	-1 350	3 298
05 *Jan*	A	83	-215	0	-298	-19	2 712	-2 202	-	-38	-770	-4 661	-4 168	-492	4 363	473
Feb	A	8 249	5 119	-0	-3 130	-1 192	-3 174	-2 553	-	-10	2 606	-1 007	-1 098	91	-2 122	-5 736
Mar	A	-5 192	-1 827	0	3 365	-1 138	1 779	1 729	-	-32	-110	3 889	1 252	2 637	-524	3 475
Apr	A	9 277	7 587	275	-1 690	-3	-2 662	2 045	-	-974	-99	-1 817	-5 367	3 550	128	-1 591
May	A	-5 202	-208	-275	4 994	18	2 010	4 151	-	-1 715	549	2 935	88	2 847	2 059	4 446
Jun	A	-8 409	-8 388	1	21	18	-2 374	3 679	-	43	-1 327	-13	5 518	-5 531	34	1 348
Jul	A	8 586	-819	-1	-9 405	-537	1 618	-12 680	-	53	1 604	-6 327	-2 739	-3 589	-3 078	-11 009
Aug	A	-9	-2 622	1	-2 613	5	-2 340	1 060	-	-12	-1 321	-3 980	-1 603	-2 377	1 367	-1 291

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 in 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.

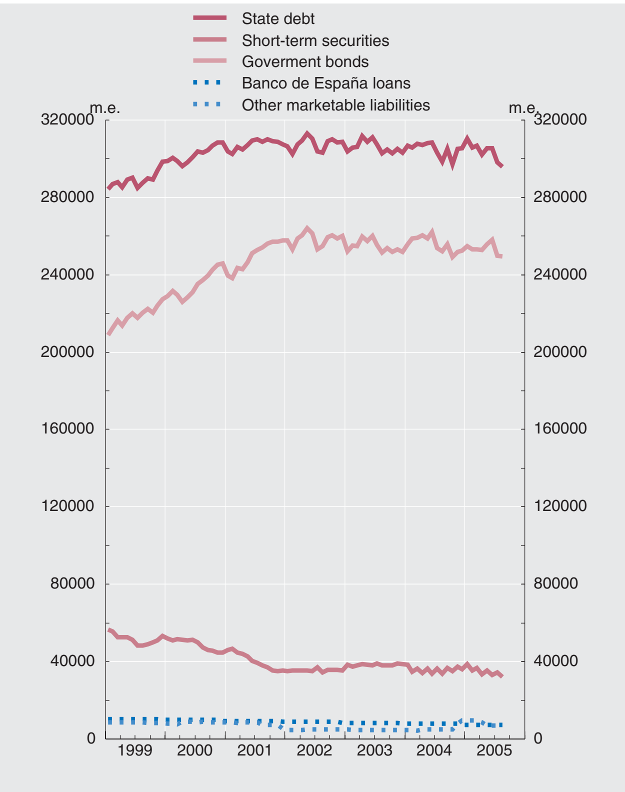
(b) Includes other loans, non-negotiable securities, coined money and Caja General de Depósitos (General Deposit Fund).

6.3. STATE: LIABILITIES OUTSTANDING. SPAIN

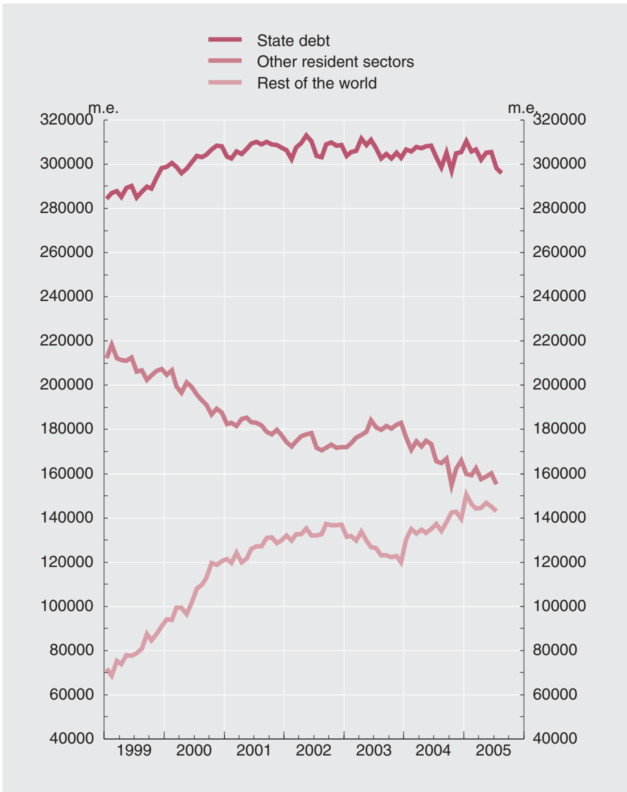
■ Series depicted in chart. *EUR millions*

		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	152 302	10 814	19 763	210 489	529	209 960	54 003	15 195	8 185
97		274 168	23 270	71 730	180 566	10 578	11 295	211 530	445	211 085	63 083	9 829	7 251
98		284 153	30 048	59 939	205 189	10 341	8 684	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	P	308 792	5 823	35 459	260 060	8 359	4 914	177 561	5 648	171 913	136 880	300	6 819
03	P	302 968	5 105	38 704	251 827	7 873	4 564	192 399	9 460	182 940	120 029	300	6 821
04 *Aug*	A	298 595	4 065	33 775	252 037	7 873	4 909	180 190	15 552	164 638	133 956	300	6 424
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
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
Nov	A	304 910	3 869	37 333	251 761	7 873	7 942	179 510	17 240	162 270	142 640	300	7 227
Dec	A	305 529	3 267	36 033	252 362	7 388	9 746	182 967	17 138	165 829	139 700	300	7 186
05 *Jan*	A	310 453	3 380	38 732	254 615	7 388	9 718	176 232	16 255	159 977	150 476	300	7 041
Feb	A	305 643	3 313	35 550	253 052	7 388	9 653	175 449	16 152	159 297	146 346	300	7 032
Mar	A	306 704	3 301	36 739	252 954	7 388	9 624	180 027	17 455	162 572	144 132	300	7 100
Apr	A	302 020	3 343	33 380	252 749	7 388	8 504	177 401	19 784	157 617	144 403	575	6 987
May	A	305 293	3 426	35 370	255 733	7 388	6 802	178 379	19 784	158 595	146 698	300	6 949
Jun	A	305 497	3 286	33 096	258 191	7 388	6 822	179 951	19 681	160 270	145 227	300	6 949
Jul	A	298 253	2 465	34 383	249 651	7 388	6 832	175 370	20 217	155 153	143 100	299	6 570
Aug	A	295 938	2 457	32 148	249 584	7 388	6 818	...	20 188	...	...	300	6 531

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).

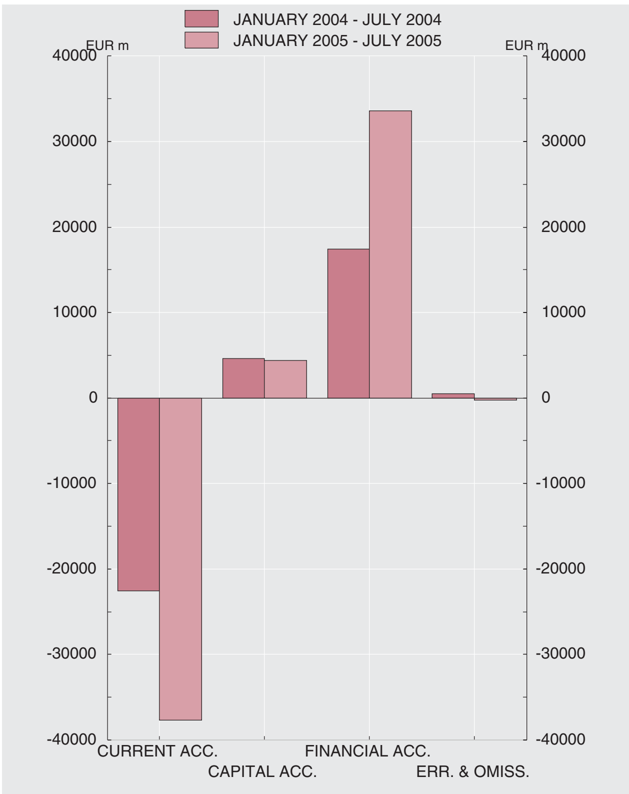
7.1. THE SPANISH BALANCE OF PAYMENTS VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. CURRENT ACCOUNT

■ Series depicted in chart.

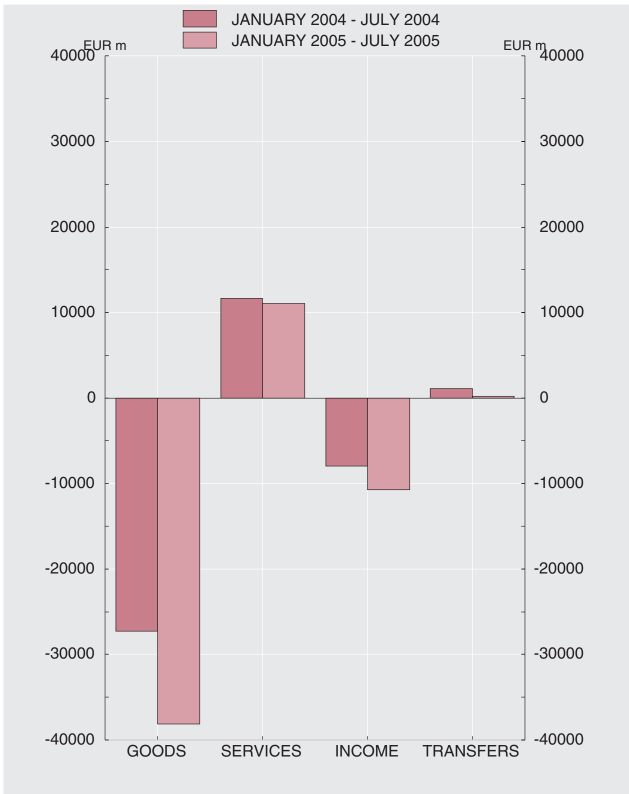
EUR millions

		Current account (a)													Capital account	Current account plus capital account	Financial account	Errors and omissions
			Goods			Services					Income			Current transfers (balance)				
		Total (balance)	Balance	Receipts	Payments	Balance	Receipts		Payments		Balance	Receipts	Payments		(balance)		(balance) (b)	
							Total	Of which: Tourism and travel	Total	Of which: 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) ■
02		-23 815	-36 510	134 816	171 326	22 609	63 523	33 557	40 914	7 687	-12 301	22 288	34 589	2 387	7 662	-16 152	15 988	165
03		-27 910	-39 839	139 754	179 593	23 301	65 689	35 047	42 389	8 010	-11 604	22 570	34 173	232	8 165	-19 745	18 876	869
04	P	-44 451	-52 937	148 106	201 043	22 231	68 387	36 376	46 156	9 772	-13 701	24 747	38 448	-44	8 548	-35 903	36 834	-931
04 *J-J*	P	-22 527	-27 257	87 310	114 566	11 637	38 050	19 771	26 413	5 182	-7 994	14 888	22 882	1 087	4 620	-17 907	17 425	482
05 *J-J*	P	-37 672	-38 163	89 284	127 447	11 050	39 619	20 028	28 569	6 495	-10 746	14 281	25 028	187	4 388	-33 283	33 559	-276
04 *Apr*	P	-3 078	-4 239	12 499	16 738	1 214	4 889	2 318	3 675	581	-51	2 940	2 991	-2	552	-2 526	1 455	1 072
May	P	-3 314	-4 079	12 851	16 930	2 112	5 633	2 936	3 521	599	-1 354	1 734	3 087	6	1 867	-1 447	1 104	343
Jun	P	-4 935	-4 804	13 221	18 026	2 124	6 087	3 417	3 963	907	-2 055	2 708	4 763	-200	426	-4 509	4 667	-158
Jul	P	-3 874	-4 400	13 017	17 417	2 881	7 251	4 308	4 370	1 013	-1 966	2 296	4 262	-389	595	-3 279	3 484	-204
Aug	P	-2 433	-4 845	8 972	13 817	3 172	6 976	4 616	3 804	998	-843	1 413	2 256	83	1 218	-1 214	1 706	-492
Sep	P	-4 843	-5 556	12 239	17 795	2 701	6 622	3 956	3 921	948	-1 551	1 611	3 162	-436	310	-4 533	4 358	175
Oct	P	-3 562	-4 761	13 148	17 909	2 458	6 444	3 622	3 986	945	-785	2 001	2 786	-474	306	-3 256	4 524	-1 268
Nov	P	-4 951	-4 979	13 948	18 928	1 249	5 137	2 352	3 888	897	-743	2 464	3 207	-477	416	-4 535	4 863	-328
Dec	P	-6 134	-5 538	12 489	18 027	1 015	5 159	2 059	4 144	803	-1 783	2 371	4 155	172	1 677	-4 457	3 958	500
05 *Jan*	P	-4 439	-4 651	11 028	15 679	1 342	5 023	2 485	3 681	860	-1 313	1 855	3 168	182	511	-3 928	4 591	-663
Feb	P	-3 769	-4 455	12 270	16 725	964	4 546	2 069	3 582	832	-1 261	1 379	2 640	983	139	-3 630	4 133	-503
Mar	P	-6 560	-5 631	13 028	18 658	743	4 861	2 184	4 118	958	-1 541	2 118	3 659	-132	555	-6 005	4 713	1 292
Apr	P	-6 014	-5 783	13 558	19 342	866	4 747	2 151	3 880	719	-766	2 799	3 565	-331	308	-5 706	6 183	-478
May	P	-5 258	-5 654	13 460	19 114	2 056	5 868	2 964	3 812	793	-1 620	1 913	3 532	-41	990	-4 268	4 347	-79
Jun	P	-7 085	-6 556	13 008	19 564	2 067	6 537	3 527	4 470	1 159	-2 395	1 831	4 227	-201	1 396	-5 689	4 475	1 214
Jul	P	-4 547	-5 434	12 931	18 365	3 011	8 038	4 647	5 027	1 174	-1 851	2 386	4 237	-273	490	-4 057	5 116	-1 060

SUMMARY



CURRENT ACCOUNT



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

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

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

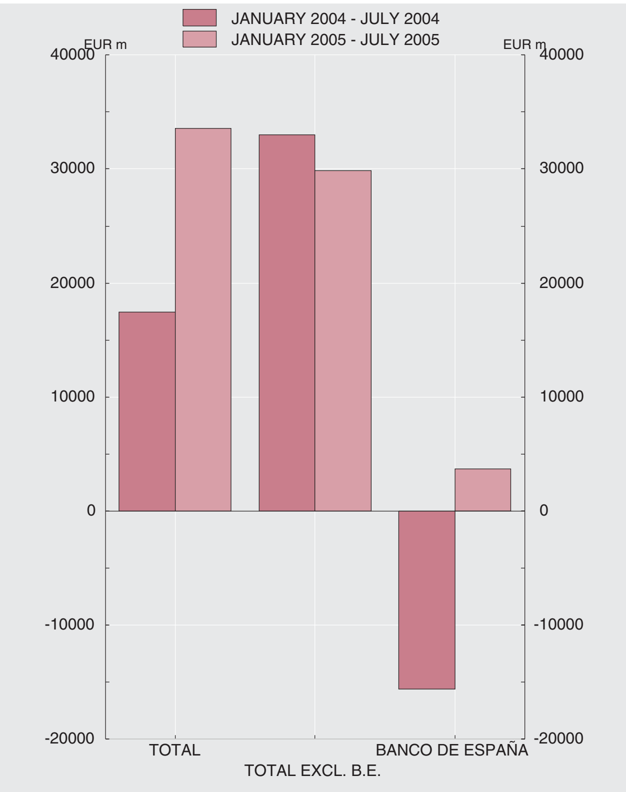
7.2. THE SPANISH BALANCE OF PAYMENTS VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. FINANCIAL ACCOUNT (a)

■ Series depicted in chart.

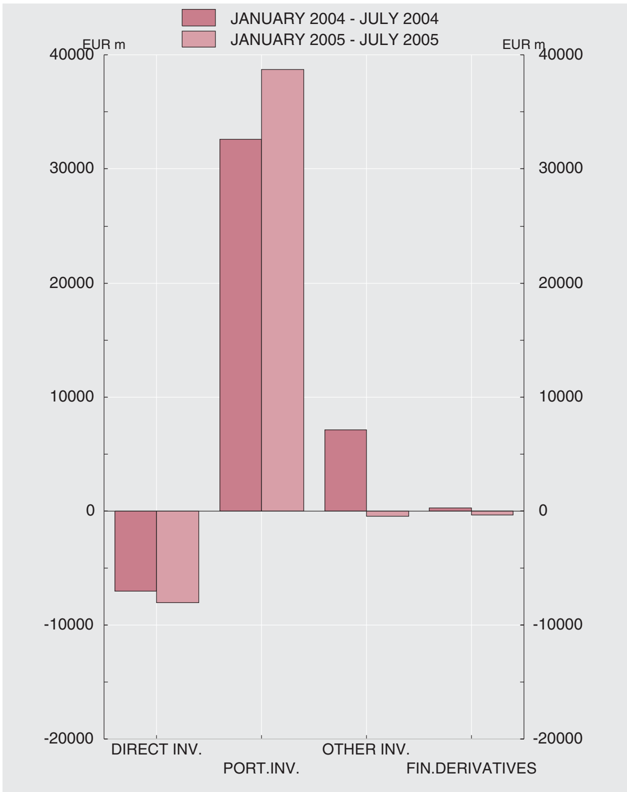
EUR millions

		Financial account (NCL-NCA) 1=2+13 ■	Total, excluding Banco de España: Total (NCL-NCA) 2=3+6+9+12 ■	Direct investment: Balance (NCL-NCA) 3=5-4 ■	Direct investment: Spanish investment abroad (NCA) 4	Direct investment: Foreign investment in Spain (NCL) (b) 5	Portfolio investment: Balance (NCL-NCA) 6=8-7 ■	Portfolio investment: Spanish investment abroad (NCA) 7	Portfolio investment: Foreign investment in Spain (NCL) (c) 8	Other investment (d): Balance (NCL-NCA) 9=11-10 ■	Other investment (d): Spanish investment abroad (NCA) 10	Other investment (d): Foreign investment in Spain (NCL) 11	Net financial derivatives (NCL-NCA) 12 ■	Banco de España: Balance (NCL-NCA) 13=14+15+16 ■	Banco de España: Reserves (e) 14	Banco de España: Claims with the Eurosystem (e) 15	Banco de España: Other net assets (NCL-NCA) 16
02		15 988	12 427	6 905	34 761	41 666	4 726	31 173	35 899	5 712	30 790	36 502	-4 916	3 561	-3 630	6 506	685
03		18 876	17 301	-1 421	24 392	22 971	-26 592	65 634	39 042	48 749	15 973	64 722	-3 435	1 575	13 626	4 382	-16 433
04	P	36 834	50 844	-26 345	39 825	13 480	85 805	24 981	110 786	-9 777	27 310	17 533	1 161	-14 010	5 147	-13 760	-5 397
04 *J-J*	P	17 425	33 018	-7 006	15 584	8 578	32 636	22 145	54 781	7 140	19 913	27 052	249	-15 593	4 499	-16 121	-3 971
05 *J-J*	P	33 559	29 859	-8 034	15 838	7 804	38 708	38 147	76 855	-488	36 514	36 025	-327	3 700	1 816	16 000	-14 116
04 *Apr*	P	1 455	816	1 797	1 394	3 191	-1 243	6 650	5 407	568	7 980	8 548	-305	638	720	570	-652
May	P	1 104	7 313	46	553	599	-6 650	7 172	522	13 610	-2 308	11 302	308	-6 209	-107	-6 473	370
Jun	P	4 667	3 439	-733	5 758	5 025	5 608	1 818	7 426	-1 614	5 763	4 149	178	1 228	182	970	76
Jul	P	3 484	9 883	-2 139	3 460	1 321	11 053	-202	10 851	1 011	-530	481	-42	-6 400	69	-6 330	-139
Aug	P	1 706	-6 080	-1 046	1 819	773	-1 798	2 149	351	-3 012	-370	-3 381	-224	7 786	28	7 650	108
Sep	P	4 358	-1 684	-1 174	798	-376	15 383	-5 092	10 291	-16 217	12 278	-3 939	324	6 041	219	6 117	-295
Oct	P	4 524	32 951	-3 131	3 304	173	10 381	3 207	13 587	25 373	-4 924	20 449	328	-28 426	344	-27 589	-1 181
Nov	P	4 863	-7 530	-12 531	13 526	995	20 724	1 696	22 420	-17 124	422	-16 701	1 401	12 393	12	13 138	-758
Dec	P	3 958	169	-1 457	4 794	3 337	8 479	877	9 356	-5 937	-10	-5 947	-917	3 789	44	3 045	700
05 *Jan*	P	4 591	2 190	-1 102	3 499	2 397	7 881	-1 201	6 680	-3 864	9 128	5 264	-726	2 401	94	2 351	-45
Feb	P	4 133	11 985	1 693	1 250	2 943	11 837	3 329	15 165	-1 900	6 294	4 394	355	-7 852	112	-5 202	-2 763
Mar	P	4 713	-1 997	-5 462	4 363	-1 099	8 427	5 239	13 665	-3 726	8 086	4 360	-1 236	6 710	1 343	9 579	-4 212
Apr	P	6 183	6 950	-902	2 279	1 377	3 231	2 069	5 301	5 657	3 803	9 461	-1 036	-767	189	1 021	-1 976
May	P	4 347	-623	247	745	993	7 086	1 187	8 274	-7 834	3 823	-4 011	-123	4 970	-39	6 595	-1 585
Jun	P	4 475	10 843	-3 828	2 950	-878	13 397	11 874	25 271	-877	2 048	1 171	2 151	-6 367	8	-4 430	-1 945
Jul	P	5 116	511	1 320	752	2 072	-13 150	15 649	2 499	12 054	3 333	15 387	288	4 606	109	6 086	-1 589

FINANCIAL ACCOUNT



FINANCIAL ACCOUNT, EXCLUDING BANCO DE ESPAÑA
Breakdown



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

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

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

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

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

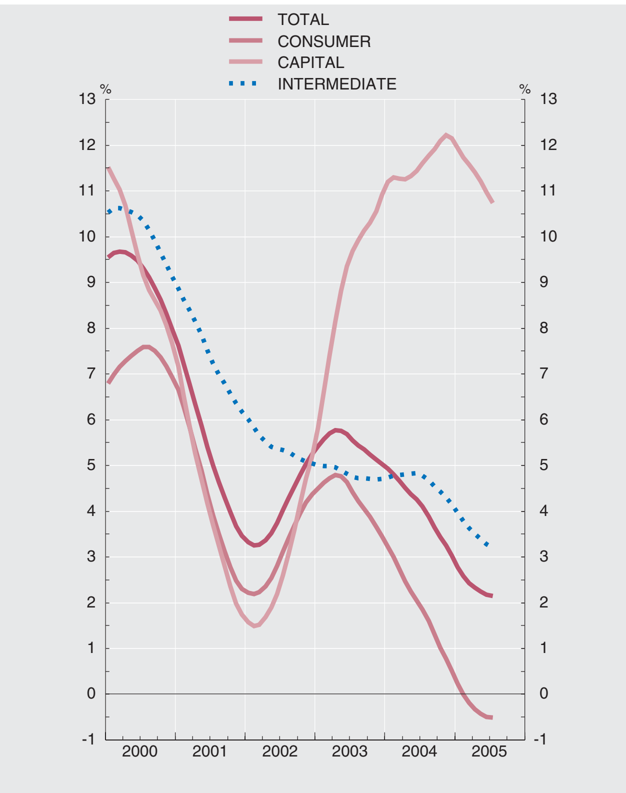
7.3. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD EXPORT AND DISPATCHES

■ Series depicted in chart.

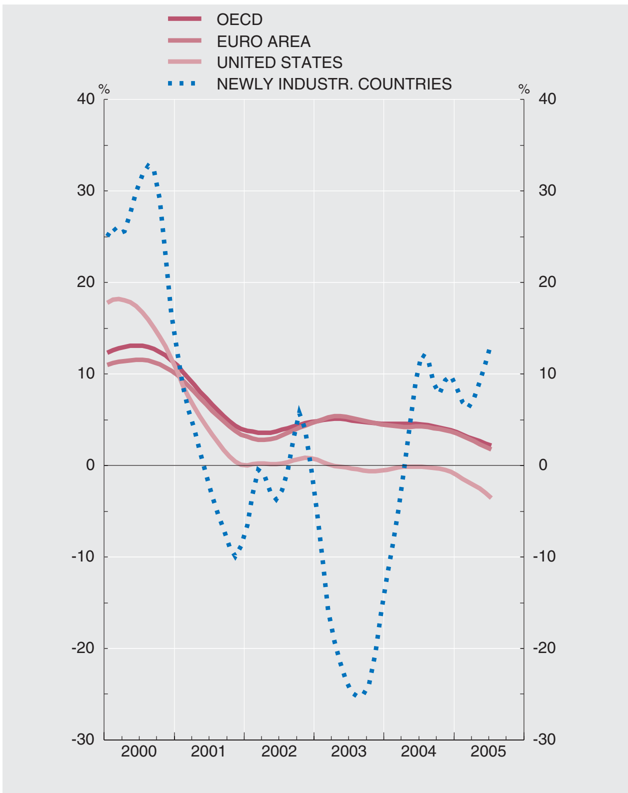
Eur millions and annual percentage changes

	Total			By product (deflated data) (a)					By geographical area (nominal data)							
						Intermediate			EU 25			OECD				
	EUR millions	Nominal	Deflated (a)	Consumer	Capital	Total	Energy	Non-energy	Total	of which: EU 15	of which: Euro area	Total	of which: United States	OPEC	Other American countries	Newly industrialised countries
	1	2	3 ■	4 ■	5 ■	6 ■	7	8	9	10	11 ■	12 ■	13 ■	14	15	16 ■
01	129 771	4.5	4.2	3.7	-1.4	5.7	-22.8	7.5	6.3	6.0	5.1	4.5	-6.6	8.3	-6.1	-6.6
02	133 268	2.7	3.7	3.9	-3.5	4.8	4.7	4.7	2.6	2.1	1.2	3.3	2.4	10.1	-19.8	5.7
03	138 119	3.6	5.2	4.2	11.9	4.8	24.7	3.9	4.4	4.5	5.2	3.8	-1.7	-5.4	2.2	-23.4
04	146 925	6.4	5.3	2.2	13.1	6.6	10.2	6.4	4.9	5.1	5.2	5.9	2.0	12.2	3.3	4.7
04 *Jun*	13 084	12.0	8.7	3.9	22.2	10.4	9.2	10.5	8.9	9.5	9.4	10.6	1.8	11.2	-4.2	23.0
Jul	12 881	12.7	12.1	6.0	30.5	14.0	23.5	13.5	11.6	12.3	12.8	12.5	3.9	7.8	20.0	27.5
Aug	8 891	7.5	5.5	8.0	-0.2	4.5	-6.9	5.4	5.2	6.2	6.1	6.5	2.4	10.0	23.9	26.6
Sep	12 103	3.4	2.3	2.0	-11.7	5.1	-4.1	5.7	2.8	3.1	3.3	2.6	-0.3	-6.0	30.2	5.9
Oct	13 002	-0.5	-4.3	-9.6	1.0	-0.7	0.7	-0.8	-1.8	-1.4	-1.7	-1.4	-7.9	27.6	-10.3	-21.1
Nov	13 779	18.0	14.0	11.6	34.8	12.6	10.7	12.7	16.4	16.5	17.0	16.6	22.5	38.8	-1.6	39.0
Dec	12 350	6.7	4.4	1.9	4.2	7.2	26.8	6.3	5.7	5.1	7.0	5.9	8.8	64.9	-17.2	9.0
05 *Jan*	10 905	1.9	-3.1	-5.2	-16.7	1.3	-5.9	1.8	3.5	3.8	5.3	3.5	9.6	8.7	-39.8	15.1
Feb	12 141	5.3	-0.1	-3.1	-9.0	4.1	-37.0	6.8	6.9	7.0	7.0	4.5	-8.9	15.8	6.4	-0.0
Mar	12 885	-1.5	-6.0	-12.3	-3.8	-1.0	-5.4	-0.8	-0.5	-0.4	-0.2	-2.3	-14.3	7.6	8.8	-1.0
Apr	13 405	8.4	5.6	6.5	13.6	3.6	-4.8	4.1	4.8	5.3	6.5	5.2	10.7	47.6	21.3	1.7
May	13 307	4.8	1.4	-3.0	5.4	4.7	-18.5	6.1	1.6	1.2	3.0	2.8	5.4	71.9	-19.3	15.2
Jun	13 581	3.8	0.5	-3.3	15.6	0.4	-3.5	0.5	-0.3	-1.1	-1.2	4.6	7.3	1.1	-0.8	3.2
Jul	12 800	-0.6	-5.9	-8.0	-2.8	-5.0	-12.6	-4.7	-5.3	-5.9	-7.7	-3.0	4.4	11.6	-3.9	19.6

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



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



SOURCES: ME y BE.
Note: The underlying series for this indicator are in Tables 17.4 and 17.5 of the Boletín estadístico.
a. Series deflated by unit value indices.

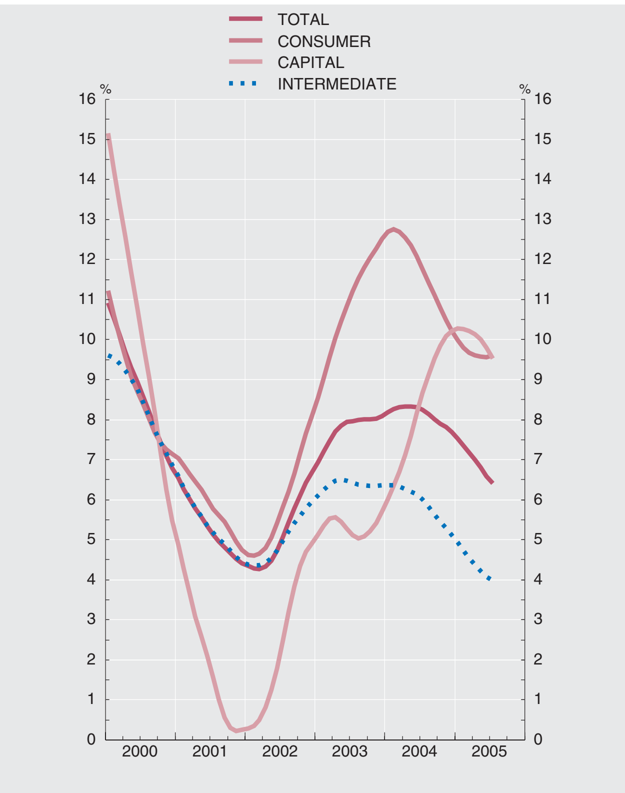
7.4. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD IMPORTS AND ARRIVALS

■ Series depicted in chart.

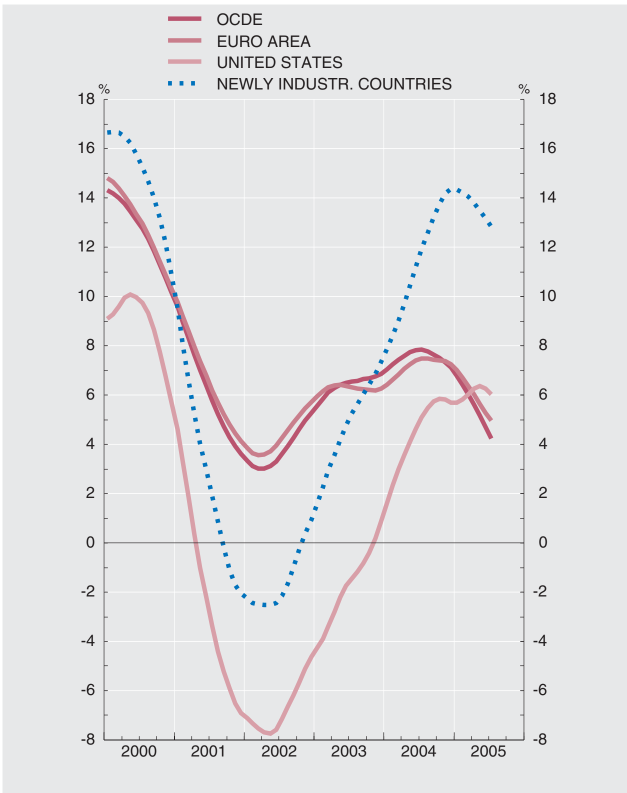
Eur millions and annual percentage changes

	Total			By product (deflated data) (a)					By geographical area (nominal data)							
						Intermediate			EU 25			OECD				
	EUR millions	Nom-inal	De-flated (a)	Con-sumer	Capital	Total	Energy	Non-energy	Total	of which: EU 15	of which: Euro area	Total	of which: United States	OPEC	Other Amer-ican coun-tries	Newly industri-alised coun-tries
	1	2	3 ■	4 ■	5 ■	6 ■	7	8	9	10	11 ■	12 ■	13 ■	14	15	16 ■
01	173 210	2.2	3.4	6.4	-2.0	3.2	-1.0	4.3	3.5	3.0	3.8	2.6	-10.1	-8.1	3.7	-2.2
02	175 268	1.2	4.3	5.0	-5.4	5.9	5.6	5.9	1.6	1.3	1.9	0.9	-8.5	-11.0	5.7	2.4
03	185 114	5.6	7.1	9.6	12.9	4.8	1.0	5.7	5.9	5.4	5.3	5.8	-4.8	1.9	12.9	1.1
04	208 411	12.6	9.9	13.5	14.4	7.3	10.6	6.5	9.8	9.5	10.1	11.3	9.3	12.8	7.9	14.6
04 *Jun*	18 575	20.4	18.8	25.0	15.6	16.4	23.0	15.1	16.0	15.9	15.6	18.6	27.7	13.3	24.5	20.5
Jul	17 958	15.9	11.6	5.8	48.6	8.4	3.7	9.6	15.5	15.6	15.3	15.3	0.7	15.1	8.7	8.3
Aug	14 258	17.9	10.5	13.0	12.6	8.5	16.7	6.4	10.7	10.3	9.1	14.1	26.8	32.3	17.7	21.5
Sep	18 389	11.1	5.3	10.9	0.2	3.6	9.4	2.2	3.8	4.4	5.4	6.9	19.1	34.5	31.9	13.2
Oct	18 393	7.1	1.8	2.6	13.6	-0.8	3.0	-1.5	4.8	4.9	6.1	6.4	16.2	6.2	-27.9	16.2
Nov	19 466	19.7	14.5	15.9	21.8	12.4	6.0	13.9	13.7	14.7	14.9	15.9	28.1	31.8	-1.6	31.4
Dec	18 546	16.9	10.5	7.0	49.2	4.2	12.3	2.3	14.5	15.8	18.2	15.4	-15.4	18.1	-12.7	50.2
05 *Jan*	16 185	13.9	8.5	3.4	21.7	8.7	6.0	9.4	11.0	12.1	12.7	12.2	-6.0	7.1	14.9	9.4
Feb	17 235	13.0	7.2	12.0	18.6	2.9	24.4	-1.3	8.1	9.1	8.9	7.1	-0.4	32.8	21.2	7.2
Mar	19 315	10.8	5.1	4.3	43.0	-0.6	18.2	-4.4	6.1	7.4	7.0	5.7	-8.7	41.9	12.4	14.2
Apr	19 929	15.8	10.7	6.8	50.5	5.8	3.3	6.4	8.3	8.6	8.4	11.7	33.1	60.6	19.8	24.1
May	19 681	12.9	11.9	15.5	28.4	7.1	-0.1	8.7	4.4	4.1	4.3	6.5	34.6	16.4	36.2	14.5
Jun	20 152	8.5	3.0	3.5	29.8	-1.9	5.9	-3.4	3.5	3.2	4.4	5.8	18.8	28.3	9.1	6.8
Jul	18 927	5.4	-2.5	4.4	-8.0	-4.8	-1.5	-5.5	-2.8	-3.3	-3.8	-1.3	7.7	25.8	12.9	17.8

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



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



SOURCES: ME y BE.

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

a. Series deflated by unit value indices .

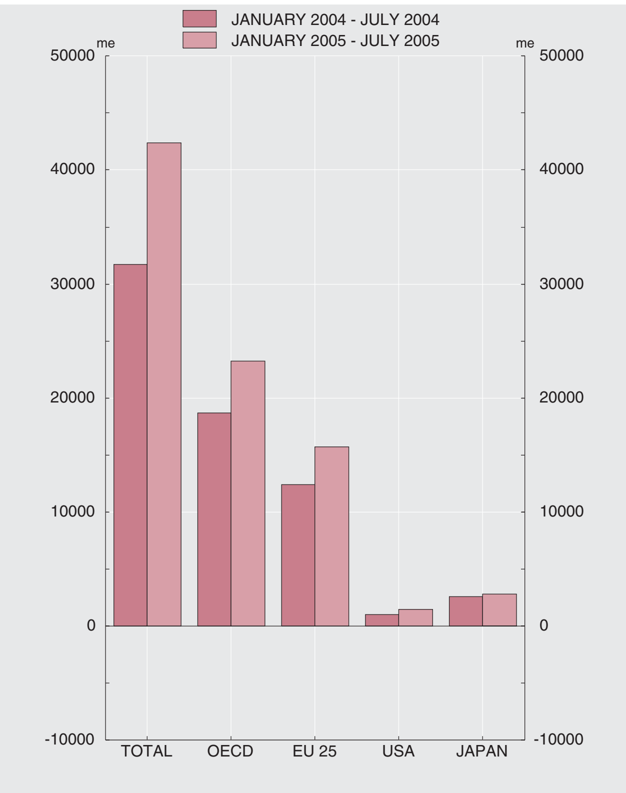
7.5. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD. TRADE BALANCE. GEOGRAPHICAL DISTRIBUTION

■ Series depicted in chart.

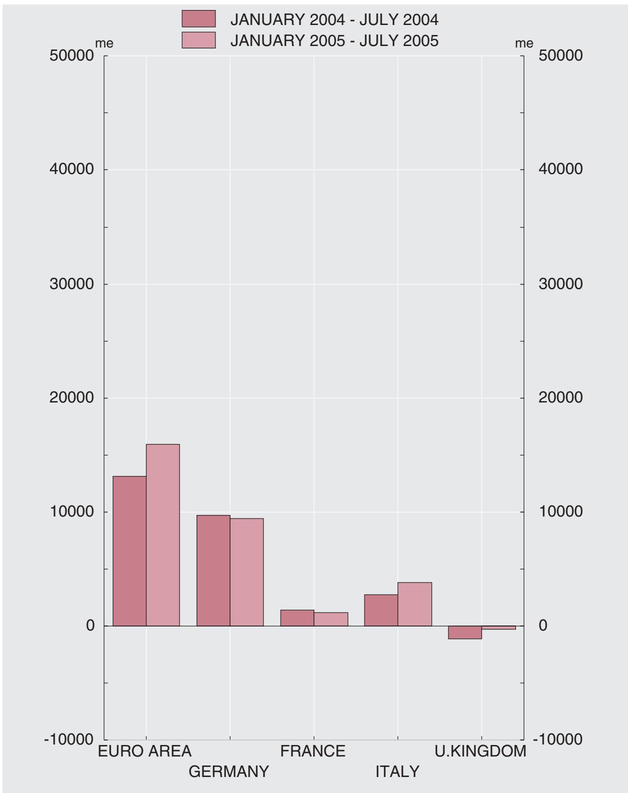
EUR millions

	World total	European Union (EU 25)								OECD			OPEC	Other American countries	Newly industrialised countries
		Total	European Union (EU 15)							Total	of which:				
			Total	Euro area				United Kingdom	Other EU 15 members		United States of América	Japan			
				Total	of which:										
					Germany	France	Italy								
	1 ■	2 ■	3	4 ■	5 ■	6 ■	7 ■	8 ■	9	10 ■	11 ■	12 ■	13	14	15
00	-45 291	-19 173	-20 065	-17 816	-9 828	-4 873	-4 272	-1 861	-388	-27 681	-2 707	-3 616	-10 879	936	-2 151
01	-43 439	-17 290	-17 987	-17 474	-11 539	-3 683	-4 283	-462	-51	-26 363	-2 219	-3 159	-9 501	420	-2 176
02	-42 000	-16 612	-17 543	-18 385	-12 970	-3 436	-3 312	1 430	-587	-24 004	-1 416	-3 224	-7 771	-897	-2 176
03	-46 995	-19 048	-19 322	-19 450	-13 731	-3 239	-3 517	1 035	-907	-27 616	-1 170	-3 855	-8 187	-1 467	-2 600
04	-61 486	-25 907	-25 478	-25 473	-16 282	-3 353	-5 671	472	-476	-36 990	-1 692	-4 583	-9 253	-1 784	-3 104
04 *J-J*	-31 743	-12 731	-12 391	-13 109	-9 701	-1 375	-2 738	1 148	-429	-18 698	-1 018	-2 584	-5 090	-965	-1 647
05 *J-J*	-42 401	-15 859	-15 718	-15 916	-9 429	-1 186	-3 825	305	-107	-23 223	-1 473	-2 791	-6 692	-1 772	-1 910
04 *Jul*	-5 077	-2 275	-2 266	-2 380	-1 736	-208	-489	176	-62	-3 048	-43	-386	-802	-134	-220
Aug	-5 367	-2 201	-2 193	-1 955	-1 118	-309	-436	-206	-32	-3 050	-166	-294	-848	-168	-223
Sep	-6 286	-2 330	-2 302	-2 218	-1 473	-98	-525	-19	-65	-3 362	-197	-390	-961	-410	-243
Oct	-5 391	-2 614	-2 551	-2 454	-1 362	-339	-528	-97	1	-3 506	-81	-388	-673	-126	-275
Nov	-5 687	-2 217	-2 216	-2 121	-1 335	-63	-608	-124	29	-3 462	-273	-450	-887	-112	-303
Dec	-6 196	-3 420	-3 434	-3 267	-1 308	-991	-718	-158	-9	-4 381	70	-410	-562	24	-407
05 *Jan*	-5 280	-1 395	-1 400	-1 530	-1 199	-47	-380	101	29	-2 627	-169	-457	-896	-207	-259
Feb	-5 093	-1 763	-1 816	-1 914	-1 256	-166	-492	133	-34	-2 645	-173	-332	-843	-145	-229
Mar	-6 431	-2 445	-2 489	-2 407	-1 117	-363	-608	-62	-20	-3 568	-125	-479	-1 056	-207	-281
Apr	-6 524	-2 494	-2 406	-2 257	-1 459	-37	-530	-132	-17	-3 878	-286	-385	-957	-358	-293
May	-6 374	-2 423	-2 341	-2 367	-1 445	-94	-644	59	-32	-3 473	-376	-397	-910	-344	-291
Jun	-6 571	-2 898	-2 842	-2 855	-1 573	-321	-466	78	-65	-3 842	-279	-373	-973	-284	-301
Jul	-6 128	-2 442	-2 424	-2 585	-1 379	-157	-704	129	32	-3 190	-64	-368	-1 057	-227	-257

CUMULATIVE TRADE DEFICIT



CUMULATIVE TRADE DEFICIT



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

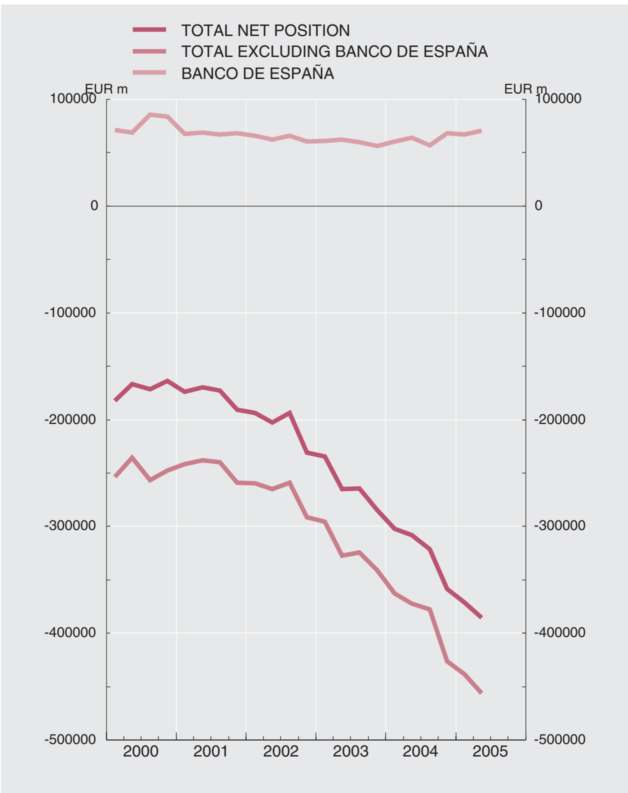
7.6. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD SUMMARY

■ Series depicted in chart.

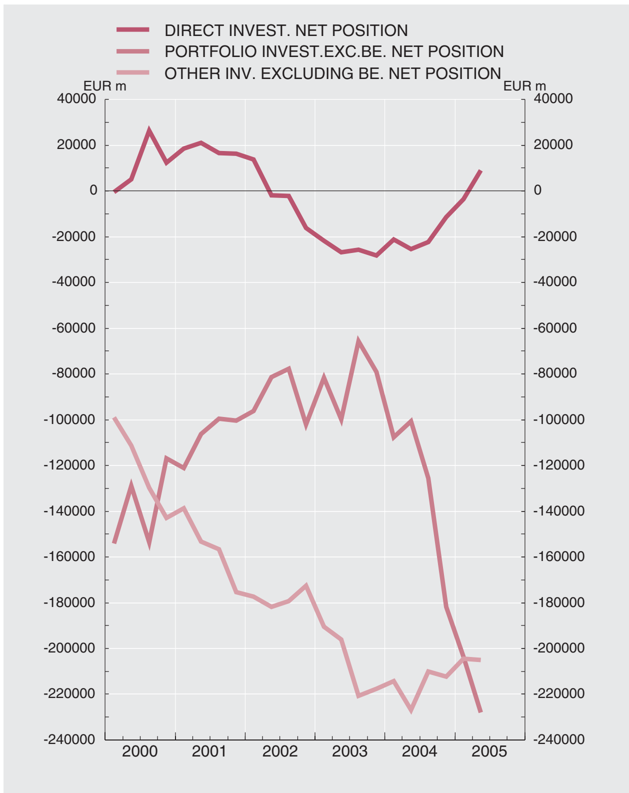
End-of-period stocks in EUR millions

	Net international investment position (assets-liabil.)	Total excluding Banco de España										Banco de España			
		Net position excluding Banco de España (assets - liabil.)	Direct investment			Portfolio investment			Other investment			Banco de España net position (assets-liabil.)	Reserves	Assets vis-à-vis the Euro-system	Other net assets (assets-liabil.)
			Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)	Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)	Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)				
	1=2+12 ■	2=3+6+9 ■	3=4-5 ■	4	5	6=7-8 ■	7	8	9=10-11 ■	10	11	12=13a15 ■	13	14	15
97	-124 372	-188 683	-47 635	48 368	96 003	-124 510	33 269	157 779	-16 539	141 396	157 935	64 311	64 174	-	137
98	-163 245	-215 787	-44 505	63 539	108 044	-136 322	73 126	209 447	-34 961	158 696	193 657	52 542	52 095	-	447
99	-168 264	-241 991	-7 287	117 500	124 787	-140 886	127 387	268 272	-93 818	149 562	243 380	73 727	37 288	36 028	411
00	-163 708	-247 665	12 220	180 246	168 026	-116 852	193 682	310 535	-143 033	162 942	305 975	83 957	38 234	45 278	445
01	-190 829	-259 296	16 336	217 464	201 128	-100 338	232 647	332 985	-175 294	169 551	344 845	68 466	38 865	29 156	445
02 *Q2*	-202 560	-265 045	-1 934	211 008	212 943	-81 381	245 723	327 104	-181 730	180 990	362 720	62 485	36 400	26 005	80
Q3	R -193 583	-259 258	-2 105	213 316	215 421	-77 878	240 550	318 428	-179 275	186 203	365 478	65 674	38 425	27 657	-407
Q4	-230 672	-291 313	-16 271	223 083	239 353	-102 593	256 806	359 399	-172 450	193 825	366 275	60 642	38 431	22 650	-440
03 *Q1*	-234 567	-295 592	-21 763	226 437	248 200	-83 276	278 284	361 560	-190 553	194 115	384 668	61 025	35 436	24 337	1 252
Q2	-265 023	-327 465	-26 793	225 425	252 218	-104 557	287 341	391 898	-196 115	193 650	389 765	62 442	31 326	26 766	4 350
Q3	-264 400	-324 158	-25 590	232 017	257 607	-77 863	309 568	387 431	-220 705	192 721	413 426	59 758	25 395	22 216	12 148
Q4	-285 078	-341 157	-28 281	234 250	262 531	-95 312	319 783	415 096	-217 564	200 385	417 949	56 079	21 229	18 269	16 581
04 *Q1*	-302 008	-362 532	-21 156	244 119	265 275	-127 069	332 900	459 969	-214 308	210 001	424 309	60 525	17 578	23 071	19 876
Q2	-308 368	-372 598	-25 490	248 999	274 488	-120 271	347 896	468 167	-226 838	221 129	447 967	64 231	16 245	27 941	20 045
Q3	-321 157	-377 931	-22 512	253 744	276 255	-145 365	344 383	489 748	-210 054	229 264	439 318	56 774	15 889	20 504	20 381
Q4	-358 382	-426 468	-11 600	267 833	279 433	-202 648	359 258	561 905	-212 220	218 792	431 013	68 086	14 505	31 909	21 672
05 *Q1*	-370 912	-438 213	-3 612	281 757	285 369	-230 142	367 506	597 648	-204 459	240 145	444 604	67 301	13 321	25 181	28 800
Q2	-385 682	-456 054	9 016	297 974	288 958	-259 989	391 206	651 195	-205 080	256 819	461 899	70 372	13 672	21 995	34 706

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.

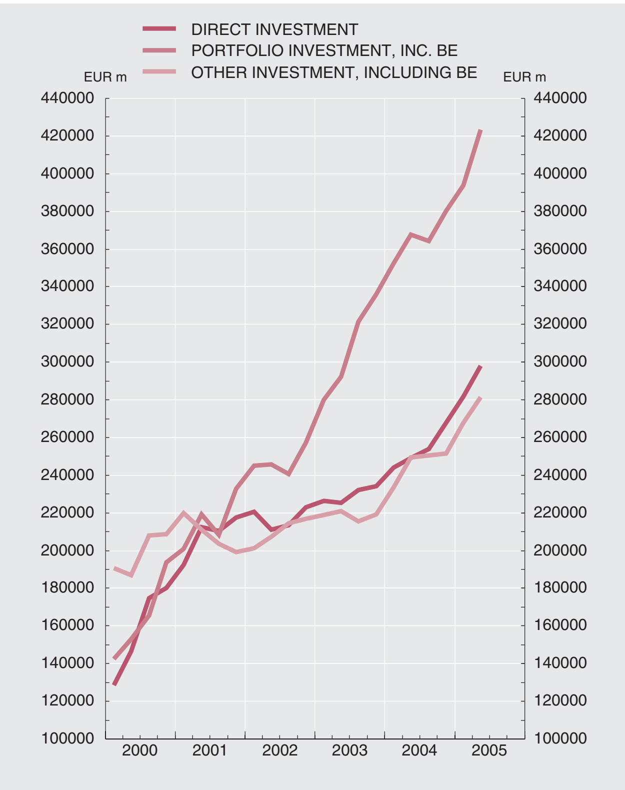
7.7. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-à-VIS OTHER EURO AREA RESIDENTES AND THE REST OF THE WORLD BREAKDOWN BY INVESTMENT

■ Series depicted in chart.

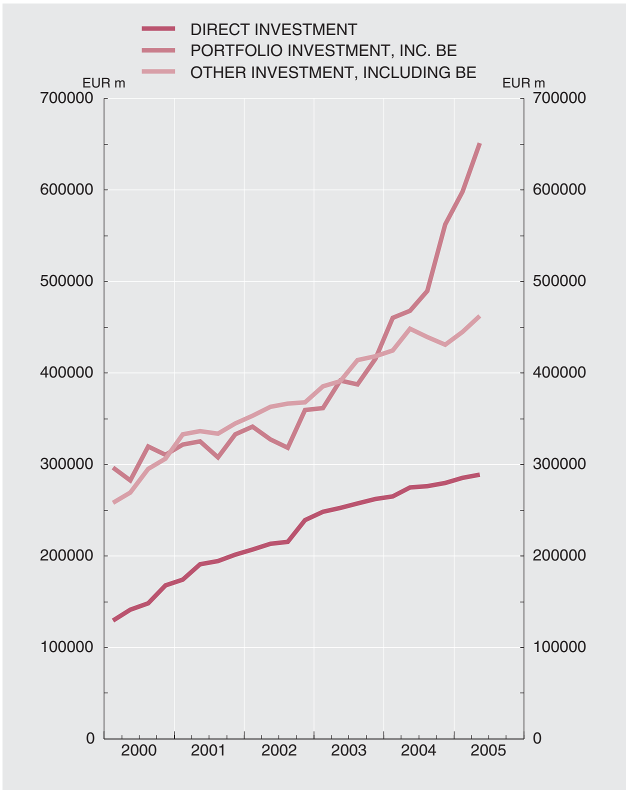
End-of-period stocks in EUR millions

	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 ■
97	45 227	3 141	83 046	12 957	9 917	23 352	75 414	82 364	141 579	157 981
98	57 849	5 690	90 760	17 284	20 250	52 876	116 698	92 750	159 195	193 708
99	110 031	7 469	106 535	18 251	42 282	85 105	145 948	122 324	186 034	243 414
00	167 151	13 095	142 844	25 182	83 918	109 764	147 521	163 014	208 665	305 975
01	197 233	20 231	164 360	36 768	74 596	158 052	144 151	188 834	199 152	344 845
02 *Q2*	194 364	16 644	168 040	44 903	65 225	180 498	128 578	198 526	207 440	363 085
Q3 R	195 529	17 788	168 310	47 112	56 624	183 926	103 690	214 738	214 305	366 330
Q4	206 268	16 815	188 898	50 456	50 712	206 581	116 967	242 432	216 920	367 646
03 *Q1*	209 136	17 301	198 182	50 018	47 089	232 800	116 359	245 201	218 897	385 465
Q2	208 085	17 340	201 738	50 480	51 400	240 716	133 812	258 086	220 861	390 636
Q3	216 213	15 804	204 784	52 823	56 847	264 737	130 593	256 839	215 382	413 739
Q4	219 927	14 323	201 283	61 247	62 677	273 334	147 878	267 218	219 099	418 041
04 *Q1*	227 390	16 729	204 595	60 680	70 575	281 824	153 501	306 468	233 512	424 371
Q2	231 583	17 416	210 683	63 806	75 270	292 239	149 108	319 059	249 503	447 968
Q3	234 206	19 538	213 041	63 214	71 014	293 157	150 702	339 047	250 361	439 318
Q4	250 128	17 705	213 738	65 695	78 052	302 019	183 210	378 695	251 575	431 028
05 *Q1*	261 630	20 126	215 790	69 579	79 828	314 117	184 791	412 857	267 687	444 605
Q2	277 983	19 991	219 989	68 970	83 493	339 824	178 816	472 379	281 479	461 969

SPANISH INVESTMENT ABROAD



FOREIGN INVESTMENT IN SPAIN



Source: BE.

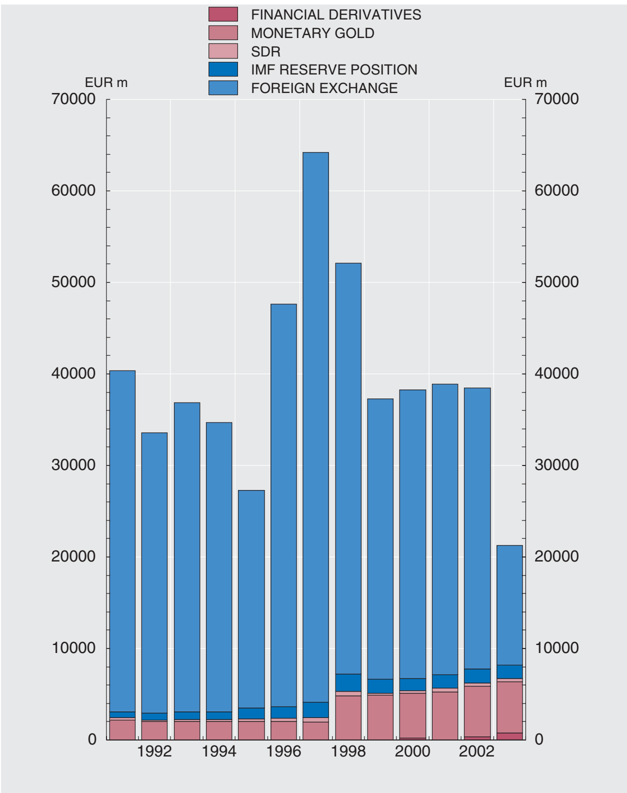
Nota: See footnote to Indicator 7.6

7.8. SPANISH RESERVE ASSETS

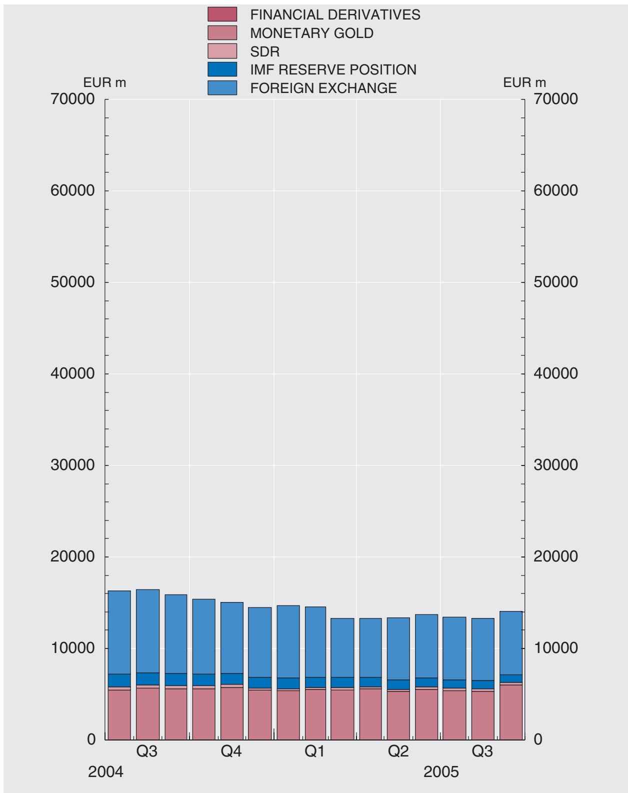
■ Series depicted in chart. *EUR millions*

	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
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	21 229	13 073	1 476	328	5 559	793	16.8
04 *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
05 *Jan*	14 712	7 962	1 142	250	5 453	-94	16.8
Feb	14 576	7 719	1 107	253	5 531	-35	16.8
Mar	13 321	6 490	1 117	255	5 549	-90	16.8
Apr	13 276	6 439	1 000	256	5 667	-87	16.8
May	13 356	6 782	1 022	262	5 577	-286	16.6
Jun	13 672	6 895	989	269	5 846	-327	16.2
Jul	13 409	6 827	918	270	5 726	-332	16.2
Aug	13 260	6 784	882	274	5 610	-290	15.9
Sep	14 032	6 896	839	275	6 236	-214	15.9

RESERVE ASSETS
END-OF-YEAR POSITIONS



RESERVE ASSETS
END-OF-MONTH POSITIONS



Source: BE.

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

7.9. SPAIN'S EXTERNAL DEBT VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. SUMMARY

End-of-period positions *EUR millions*

	Total	General government						Other monetary financial institutions				
		Total	Short-term		Long-term			Total	Short-term		Long-term	
			Money market instru-ments	Loans	Bonds and notes	Loans	Trade credits		Money market instru-ments	Deposits	Bonds and notes	Deposits
	1	2	3	4	5	6	7	8	9	10	11	12
02 *Q4*	672 115	194 649	1 461	1 072	179 644	12 473	-	307 780	346	154 007	34 190	119 237
03 *Q1*	693 724	183 827	2 196	710	168 451	12 470	-	328 247	315	165 842	39 596	122 493
Q2	714 150	188 663	3 069	267	173 146	12 181	-	339 679	323	170 814	44 803	123 739
Q3	741 776	180 679	3 560	1 780	163 164	12 175	-	362 690	353	183 340	49 196	129 801
Q4	768 186	176 496	4 386	335	159 152	12 623	-	374 346	326	187 752	56 575	129 693
04 *Q1*	814 267	192 144	3 676	489	174 928	13 051	-	392 698	361	186 529	72 324	133 485
Q2	855 121	189 034	3 270	428	172 191	13 144	-	425 960	353	207 118	79 812	138 676
Q3	866 679	195 525	3 136	1 755	177 265	13 368	-	424 052	362	198 299	89 418	135 974
Q4	903 476	205 305	2 956	705	184 800	16 845	-	427 636	301	194 246	101 018	132 071
05 *Q1*	953 457	206 595	2 600	1 024	185 261	17 709	-	456 631	467	202 197	121 665	132 301
Q2	1 033 129	215 477	2 268	438	196 053	16 717	-	486 884	587	213 838	135 742	136 716

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 instru-ments	Loans	Other liabilities	Bonds and notes	Loans	Trade credits	Other liabilities		Direct investors	Subsidia-ries
	13	14	15	16	17	18	19	20	21	22	23	24	25
02 *Q4*	1 371	1 371	106 278	3 001	19 895	78	23 790	58 757	450	307	62 036	32 569	29 468
03 *Q1*	798	798	117 795	2 678	19 112	123	31 964	62 935	446	537	63 058	32 529	30 529
Q2	870	870	119 510	2 497	17 755	167	34 248	63 830	437	576	65 429	32 735	32 694
Q3	313	313	126 895	2 418	20 330	168	38 148	64 922	419	491	71 198	32 383	38 815
Q4	92	92	134 325	2 297	19 243	-	44 482	67 506	404	393	82 927	38 253	44 674
04 *Q1*	62	62	145 935	2 321	20 164	359	52 859	69 159	405	669	83 428	35 003	48 425
Q2	1	1	152 033	2 561	18 386	229	60 871	68 955	402	626	88 094	35 772	52 322
Q3	0	0	158 788	3 312	18 760	634	65 553	69 597	392	538	88 314	36 340	51 974
Q4	16	16	176 767	4 043	19 031	1 175	85 577	66 021	413	507	93 753	37 586	56 167
05 *Q1*	0	0	194 236	4 274	20 557	787	98 590	69 155	405	468	95 995	39 009	56 986
Q2	71	71	231 917	4 385	19 590	1 569	133 344	72 163	397	468	98 781	41 025	57 756

Source: BE.

8.1.a CONSOLIDATED BALANCE SHEET OF THE EUROSYSTEM. NET LENDING TO CREDIT INSTITUTIONS AND ITS COUNTERPARTS

Average of daily data, EUR millions

	Net lending							Counterparts							
	Total	Open market operations				Standing facilities		Autonomous factors					Other liabili-ties (net) in euro	Actual reserves of credit institu-tions	Debt certifi-cates
		Main refinan-cing opera-tions	Longer-term refinan-cing opera-tions	Fine-tuning and structu-ral re-verse opera-tions (net)	Other	Marginal lending facility	Deposit facility	Total	Bank-notes	Net liabili-ties to general govern-ment	Gold and net as-sets in foreign currency	Other (net)			
	1=2+3+4 +5+6-7	2	3	4	5	6	7	8=9+10 -11+12	9	10	11	12	13	14	15
04 *Apr*	289 267	213 955	75 000	-	-1	449	135	151 317	434 742	4 739	310 312	22 148	689	136 207	1 054
May	292 238	217 976	75 001	-619	1	129	249	153 524	439 836	4 579	311 341	20 449	940	136 720	1 054
Jun	315 670	240 727	75 000	-	3	121	181	176 467	447 220	20 992	310 497	18 753	751	137 398	1 054
Jul	328 587	253 319	75 001	-	-1	370	102	186 453	457 756	21 532	300 848	8 013	1 314	139 766	1 054
Aug	327 230	252 433	74 998	-	2	41	244	184 518	463 568	13 127	299 826	7 649	1 224	140 434	1 054
Sep	330 874	255 818	74 999	-	5	224	173	189 407	463 363	17 605	298 817	7 256	1 443	138 969	1 054
Oct	330 710	255 309	75 001	-	10	442	51	188 106	468 150	10 658	298 569	7 866	1 803	139 747	1 054
Nov	339 060	263 841	75 000	295	16	169	261	196 810	472 556	17 770	298 041	4 525	1 971	140 136	144
Dec	352 610	278 196	75 000	-652	14	164	112	209 818	493 999	9 424	296 742	3 136	3 317	139 475	-
05 *Jan*	345 223	269 024	75 714	381	0	203	99	204 736	490 694	8 798	280 795	-13 960	1 852	138 635	-
Feb	358 741	277 826	80 749	125	-1	121	78	217 765	488 278	26 949	280 344	-17 118	825	140 152	-
Mar	363 955	278 761	85 217	-152	-0	218	87	220 986	495 751	27 381	279 511	-22 636	373	142 597	-
Apr	366 616	276 523	90 002	-	-1	200	108	223 659	502 026	26 012	287 206	-17 174	-98	143 054	-
May	361 885	271 865	90 000	-	8	93	81	214 859	511 289	10 493	286 876	-20 047	611	146 415	-
Jun	379 967	290 273	90 002	-169	20	145	305	232 941	518 749	24 141	286 606	-23 343	818	146 207	-
Jul	396 451	307 025	90 000	-457	1	67	185	246 362	529 715	27 514	306 173	-4 694	523	149 566	-
Aug	398 523	308 783	89 998	-22	11	18	266	246 736	532 886	24 501	304 931	-5 720	771	151 016	-
Sep	379 522	289 091	89 999	432	9	76	85	226 489	530 079	9 620	304 733	-8 476	1 556	151 477	-

8.1.b BALANACE SHEET OF THE BANCO DE ESPAÑA. NET LENDING TO CREDIT INSTITUTIONS AND ITS COUNTERPARTS

Average of daily data, EUR millions

	Net lending							Counterparts									
	Total	Open market operations				Standing facilities		Autonomous factors					Other liabilities (net) in euro			Actual reserves of credit institu-tions	Banco de España certifi-cates
		Main refinan-cing opera-tions	Longer-term refinan-cing opera-tions	Fine-tuning and structu-ral re-verse opera-tions (net)	Other	Margi-nal lending facility	Deposit facility	Total	Bank-notes	Net liabili-ties to general govern-ment	Gold and net assets in foreign curren-cy	Other (net)	Total	Of euro area resi-dents	Rest		
	1=2+3+4 +5+6-7	2	3	4	5	6	7	8=9+10 -11+12	9	10	11	12	13=14+ +15	14	15	16	17
04 *Apr*	24 386	21 735	2 618	-	0	32	-	33 475	63 565	5 800	20 812	-15 078	-22 119	-20 109	-2 010	13 030	-
May	22 748	19 387	3 363	-	-2	-	-	35 358	63 690	7 633	20 683	-15 281	-25 148	-23 226	-1 922	12 538	-
Jun	25 288	22 049	3 242	-	-1	-	2	38 291	64 808	8 776	20 671	-14 622	-26 221	-24 367	-1 854	13 218	-
Jul	22 648	19 955	2 692	-	0	0	-	37 135	66 720	5 930	20 153	-15 361	-27 805	-26 029	-1 776	13 318	-
Aug	26 132	24 479	1 652	-	1	-	1	37 297	66 578	6 180	20 080	-15 381	-24 634	-22 733	-1 901	13 469	-
Sep	30 412	28 714	1 698	-	2	-	2	36 239	65 816	6 062	20 057	-15 583	-19 736	-18 003	-1 733	13 909	-
Oct	28 088	25 882	2 201	-	6	0	-	38 575	66 286	8 347	19 975	-16 083	-24 539	-23 012	-1 527	14 052	-
Nov	22 313	20 361	1 931	2	9	11	-	36 719	66 473	8 591	19 962	-18 382	-27 803	-26 391	-1 411	13 396	-
Dec	24 540	22 266	2 270	-	4	-	0	36 123	69 795	4 360	19 942	-18 089	-26 265	-25 035	-1 230	14 682	-
05 *Jan*	25 136	22 414	2 721	-	1	-	0	37 359	69 878	5 213	18 833	-18 899	-26 045	-24 869	-1 176	13 821	-
Feb	24 353	21 467	2 882	-	1	2	-	37 045	69 247	6 501	18 821	-19 883	-26 880	-25 629	-1 250	14 187	-
Mar	26 496	23 987	2 540	-30	-2	0	-	35 977	70 599	7 890	18 811	-23 701	-24 017	-22 653	-1 364	14 536	-
Apr	29 675	26 863	2 809	-	3	-	0	33 212	71 134	6 329	19 220	-25 030	-18 113	-16 452	-1 662	14 576	-
May	29 050	26 029	3 020	-	2	0	1	33 933	71 959	7 008	19 178	-25 856	-19 224	-16 640	-2 584	14 341	-
Jun	28 526	25 508	3 017	-	6	-	5	35 021	73 124	8 845	18 997	-27 950	-21 561	-18 951	-2 610	15 065	-
Jul	30 823	28 108	2 725	-11	1	-	0	31 762	75 194	5 883	20 121	-29 194	-16 150	-13 372	-2 778	15 211	-
Aug	31 232	28 332	2 902	-	1	-	4	28 673	74 978	3 781	19 996	-30 091	-13 211	-10 398	-2 813	15 770	-
Sep	29 186	26 296	2 890	-	2	-	1	25 857	74 026	4 375	19 927	-32 617	-12 528	-10 124	-2 404	15 857	-

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

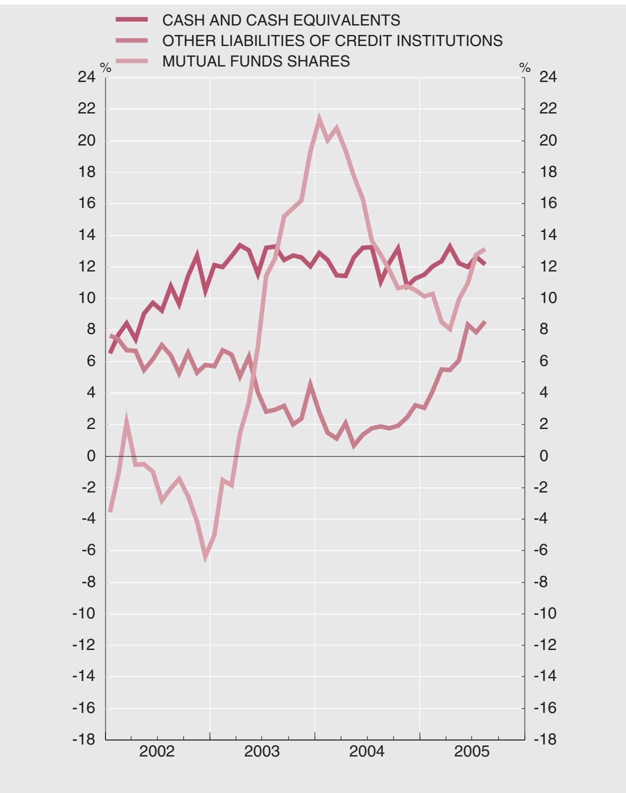
8.2 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES (a) OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN

■ Series depicted in chart.

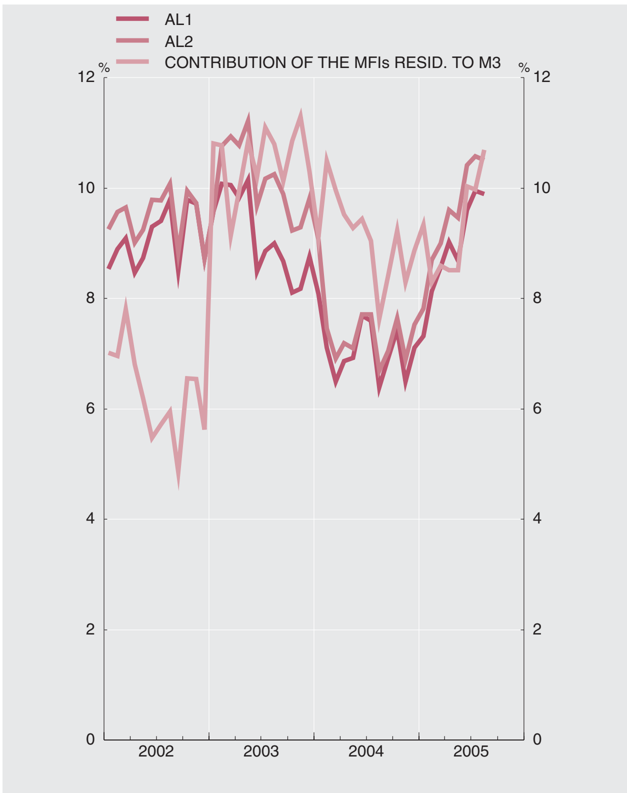
EUR millions and %

	Cash and cash equivalents				Other liabilities of credit institutions					Mutual funds shares					Memorandum items		
	Stocks	12-month % change	12-m. % change		Stocks	12 month % change	12-month % change			Stocks	12-month % change	12-month % change			12-month % change		
			Cash	Deposits (b)			Other deposits (c)	Repos + credit institutions' securities	Deposits in branches abroad			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 ■
02	321 911	10.5	22.2	8.5	265 690	5.8	6.9	1.6	5.0	145 758	-6.4	14.1	8.6	-21.3	8.7	8.7	5.6
03	360 693	12.0	20.9	10.3	277 689	4.5	2.2	14.9	-0.7	173 917	19.3	10.1	30.7	20.2	8.8	9.8	10.3
04	401 284	11.3	19.3	9.5	286 648	3.2	8.4	-12.6	-8.2	192 210	10.5	-1.1	14.5	15.8	7.1	7.5	8.9
04 *May*	371 327	12.6	20.6	11.0	274 800	0.7	2.4	-3.1	-9.7	185 781	17.7	3.5	10.0	32.6	6.9	7.1	9.3
Jun	388 989	13.2	20.4	11.8	273 641	1.4	3.4	-2.8	-12.2	186 948	16.3	3.9	8.1	29.8	7.7	7.7	9.4
Jul	390 272	13.3	21.4	11.6	272 821	1.8	4.1	-2.7	-16.1	186 664	13.6	-0.1	9.6	25.7	7.6	7.7	9.0
Aug	381 678	11.1	20.3	9.2	276 077	1.9	4.8	-2.5	-21.4	187 711	12.8	-1.0	11.5	23.3	6.4	6.7	7.6
Sep	388 979	12.2	20.9	10.5	274 149	1.8	5.5	-9.2	-12.2	187 269	11.8	-1.8	9.2	23.0	6.9	7.1	8.4
Oct	388 998	13.2	20.6	11.6	276 279	1.9	7.4	-14.4	-15.5	188 439	10.6	-1.8	11.0	18.8	7.4	7.6	9.2
Nov	392 891	10.8	19.6	9.0	278 536	2.5	8.1	-14.3	-15.9	190 665	10.8	-1.7	13.3	17.6	6.5	6.9	8.3
Dec	401 284	11.3	19.3	9.5	286 648	3.2	8.4	-12.6	-8.2	192 210	10.5	-1.1	14.5	15.8	7.1	7.5	8.9
05 *Jan*	396 594	11.5	19.5	9.8	284 952	3.1	8.7	-9.0	-28.5	194 486	10.1	1.0	16.0	12.7	7.3	7.8	9.3
Feb	402 249	12.1	18.9	10.6	286 493	4.1	9.3	-9.3	-22.4	198 006	10.3	2.1	17.8	11.4	8.1	8.7	8.3
Mar	408 675	12.3	18.6	11.0	290 114	5.5	8.8	-3.7	-9.1	198 909	8.5	-1.9	15.8	10.8	8.6	9.0	8.6
Apr	412 004	13.3	18.0	12.2	290 819	5.5	9.5	-3.2	-22.2	200 162	8.0	-2.1	18.7	8.6	9.0	9.6	8.5
May	416 751	12.2	17.5	11.1	291 502	6.1	10.0	-2.1	-23.6	204 210	9.9	-3.1	21.9	11.5	8.7	9.5	8.5
Jun	435 640	12.0	17.9	10.7	296 480	8.3	11.3	3.3	-19.8	207 466	11.0	-1.7	23.5	12.1	9.6	10.4	10.0
Jul P	439 595	12.6	16.1	11.9	294 195	7.8	10.5	2.3	-17.1	210 519	12.8	0.6	20.4	15.8	9.9	10.6	10.0
Aug P	428 028	12.1	15.5	11.4	299 695	8.6	11.1	1.8	-9.2	212 364	13.1	0.4	19.8	16.9	9.9	10.5	10.7

NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change



NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change



Source: BE.

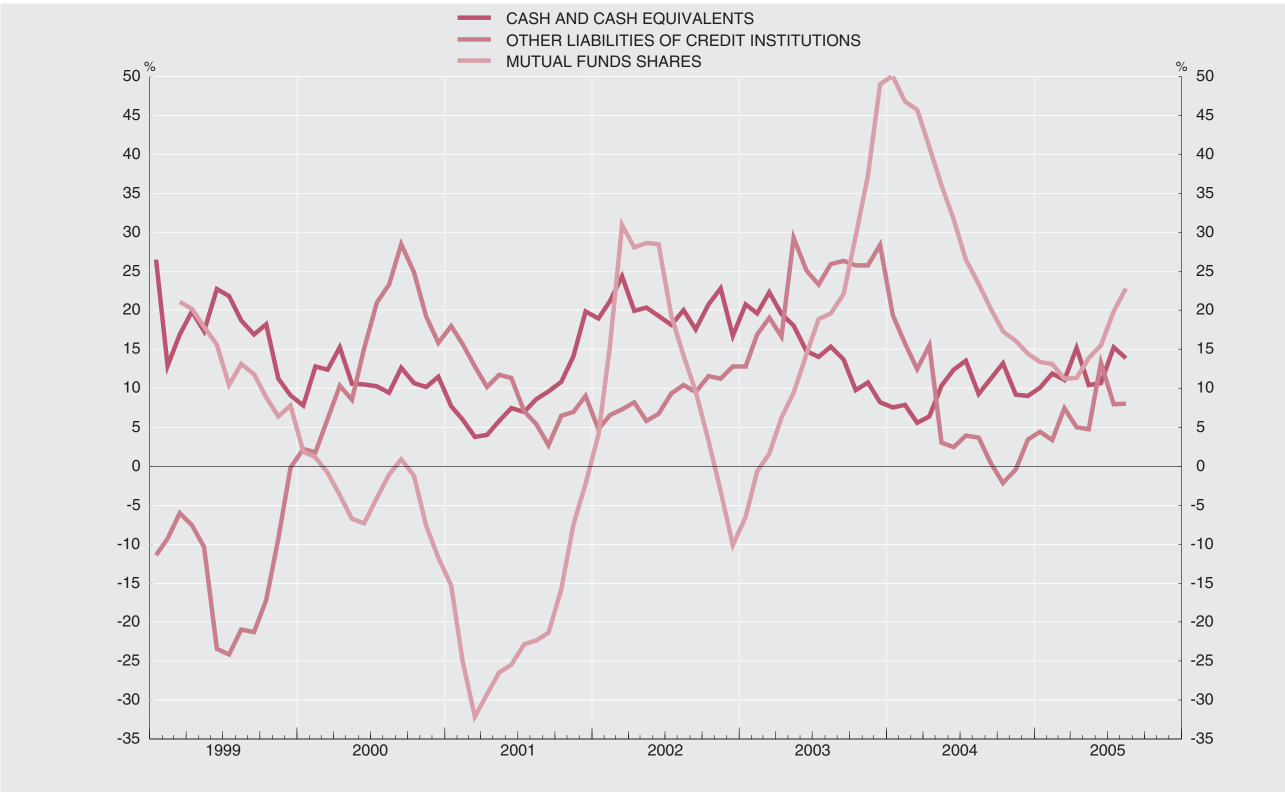
(a) This concept refers to the instruments included in the headings of the table, issued by resident credit institutions and mutual funds. The exception is column 9, which includes deposits in Spanish bank branches abroad.
(b) Current accounts, savings accounts and deposits redeemable at up to 3 months' notice.
(c) Deposits redeemable at over 3 months' notice and time deposits.
(d) 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 (b)		Other liabilities of credit institutions				Mutual funds shares				
	Stocks	Annual growth rate	Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate		
					Other depo-sits (c)	Repos + credit instit.' securit.+ dep. in branches abroad			Money market funds	Fixed income mutual funds in EUR	Other mutual funds
	1	2 ■	3	4 ■	5	6	7	8 ■	9	10	11
02	77 652	16.7	49 423	12.8	19.1	9.4	13 730	-10.2	16.3	2.5	-25.7
03	84 017	8.2	63 455	28.4	39.2	22.1	20 465	49.0	10.3	76.0	61.9
04	91 617	9.0	65 614	3.4	24.6	-10.7	23 418	14.4	25.7	10.2	11.5
04 *May*	86 699	10.3	58 938	3.0	11.7	-3.2	23 263	36.1	31.4	22.0	47.1
Jun	92 288	12.4	57 471	2.5	9.8	-3.1	23 587	31.7	35.0	15.7	39.0
Jul	89 826	13.5	56 968	4.0	10.6	-1.3	23 064	26.5	31.1	14.2	30.9
Aug	86 663	9.2	59 187	3.7	10.7	-1.7	22 706	23.4	31.3	13.0	24.9
Sep	90 115	11.3	57 542	0.4	12.9	-9.1	22 178	20.2	31.5	7.6	21.2
Oct	88 202	13.2	57 561	-2.1	17.8	-16.2	22 528	17.3	29.3	8.5	16.1
Nov	90 453	9.2	59 231	-0.4	19.7	-15.2	23 006	16.1	27.3	9.8	14.0
Dec	91 617	9.0	65 614	3.4	24.6	-10.7	23 418	14.4	25.7	10.2	11.5
05 *Jan*	89 730	10.1	61 703	4.4	28.4	-12.5	23 976	13.4	16.5	14.6	11.3
Feb	92 133	11.9	61 050	3.4	29.4	-15.0	24 689	13.1	8.2	19.0	12.5
Mar	93 841	11.1	63 700	7.4	30.2	-9.5	25 141	11.2	-5.0	19.9	14.7
Apr	95 493	15.2	62 724	5.0	29.7	-13.5	25 620	11.3	-7.1	24.7	14.1
May	95 725	10.4	61 754	4.8	31.2	-17.3	26 495	13.9	-9.9	30.2	19.0
Jun	102 102	10.6	65 124	13.3	43.7	-12.6	27 239	15.5	-10.3	33.9	21.5
Jul P	103 515	15.2	61 482	7.9	34.4	-15.7	27 647	19.9	-6.8	33.5	28.4
Aug P	98 655	13.8	63 964	8.1	36.4	-16.5	27 888	22.8	-5.4	36.0	32.7

NON-FINANCIAL CORPORATIONS
Annual percentage change



Source: BE.

(a) This concept refers to the instruments included in the headings of the table, issued by resident credit institutions and mutual funds. The exception is column 6, which includes deposits in Spanish bank branches abroad.

(b) Cash, current accounts, savings accounts and deposits redeemable at up to and including 3 months' notice.

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

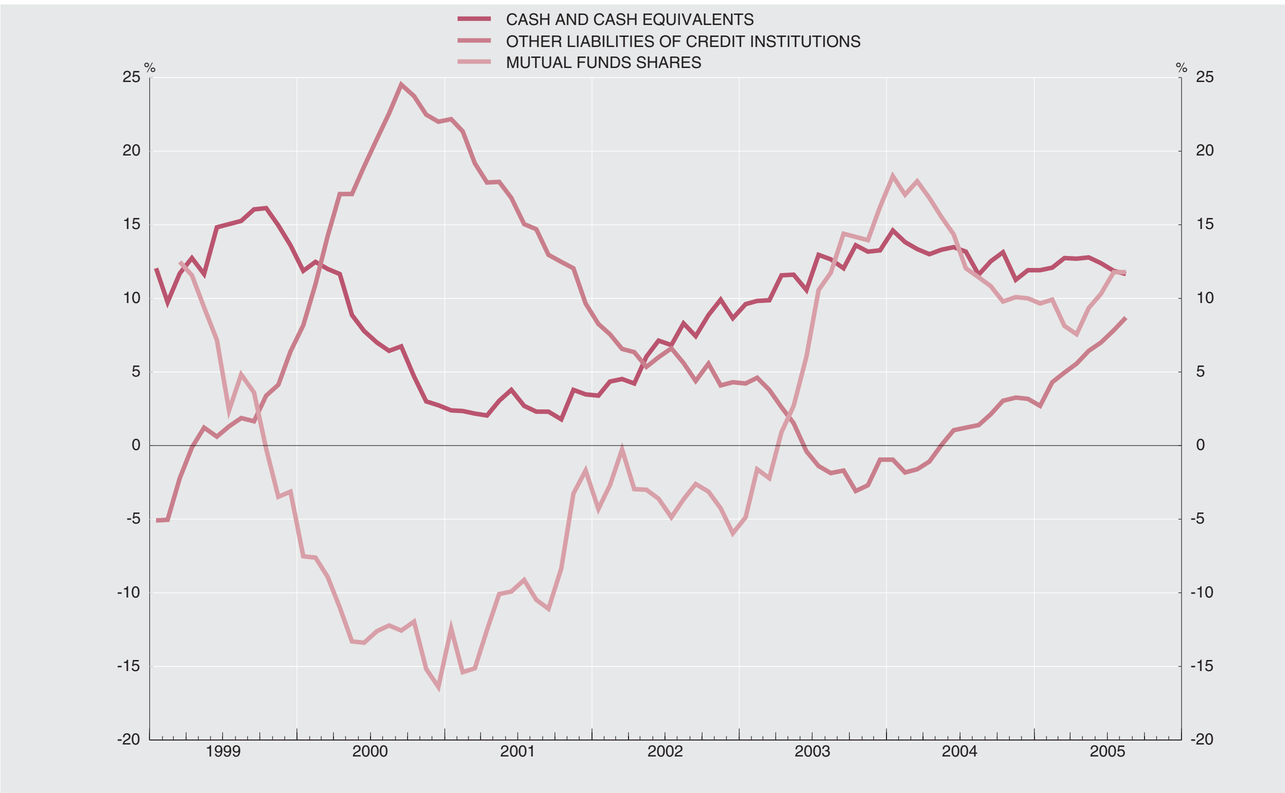
8.4 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

EUR millions and %

	Cash and cash equivalents				Other liabilities of credit institutions				Mutual funds shares				
	Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate		
			Cash	Deposits (b)			Other deposits (c)	Repos + credit instit.' securit.+ dep. in branches abroad			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
02	244 258	8.7	19.4	6.3	216 267	4.3	5.8	-3.7	132 028	-6.0	13.9	9.3	-20.8
03	276 676	13.3	21.2	11.3	214 234	-0.9	-1.4	1.9	153 452	16.2	10.1	25.9	15.8
04	309 667	11.9	19.7	9.8	221 034	3.2	6.1	-13.0	168 793	10.0	-3.8	15.1	16.4
04 *May*	284 627	13.3	21.0	11.3	215 862	0.0	1.2	-6.1	162 518	15.5	0.5	8.4	30.8
Jun	296 701	13.5	20.7	11.7	216 170	1.1	2.5	-6.8	163 360	14.4	0.5	7.1	28.6
Jul	300 446	13.2	21.8	11.0	215 853	1.2	3.3	-10.0	163 600	12.0	-3.4	9.0	25.0
Aug	295 015	11.6	20.6	9.3	216 891	1.4	4.0	-12.4	165 005	11.4	-4.4	11.3	23.1
Sep	298 864	12.5	21.3	10.3	216 608	2.1	4.5	-10.7	165 091	10.8	-5.2	9.4	23.3
Oct	300 796	13.1	21.0	11.1	218 718	3.1	6.0	-13.1	165 911	9.8	-4.9	11.4	19.2
Nov	302 438	11.3	20.0	9.0	219 305	3.3	6.5	-14.1	167 659	10.1	-4.6	13.7	18.1
Dec	309 667	11.9	19.7	9.8	221 034	3.2	6.1	-13.0	168 793	10.0	-3.8	15.1	16.4
05 *Jan*	306 864	11.9	20.0	9.8	223 249	2.7	6.0	-14.9	170 511	9.7	-0.7	16.2	12.9
Feb	310 116	12.1	19.3	10.2	225 443	4.3	6.7	-9.0	173 317	9.9	1.4	17.6	11.2
Mar	314 834	12.7	19.0	11.0	226 414	5.0	5.8	0.2	173 768	8.1	-1.6	15.2	10.2
Apr	316 511	12.7	18.3	11.2	228 096	5.6	6.7	-0.7	174 542	7.6	-1.4	17.8	7.8
May	321 026	12.8	17.9	11.4	229 748	6.4	6.9	3.6	177 716	9.4	-2.2	20.7	10.4
Jun	333 538	12.4	18.2	10.8	231 356	7.0	6.7	9.0	180 227	10.3	-0.4	22.0	10.7
Jul P	336 080	11.9	16.3	10.6	232 713	7.8	7.1	12.6	182 871	11.8	1.6	18.6	14.0
Aug P	329 373	11.6	15.7	10.5	235 730	8.7	7.4	16.8	184 476	11.8	1.2	17.6	14.8

HOUSEHOLDS AND NPISH
Annual percentage change



Source: BE.

(a) This concept refers to the instruments included in the headings of the table, issued by resident credit institutions and mutual funds. The exception is column 6, which includes deposits in Spanish bank branches abroad.

(b) Current accounts, savings accounts and deposits redeemable at up to 3 months' notice.

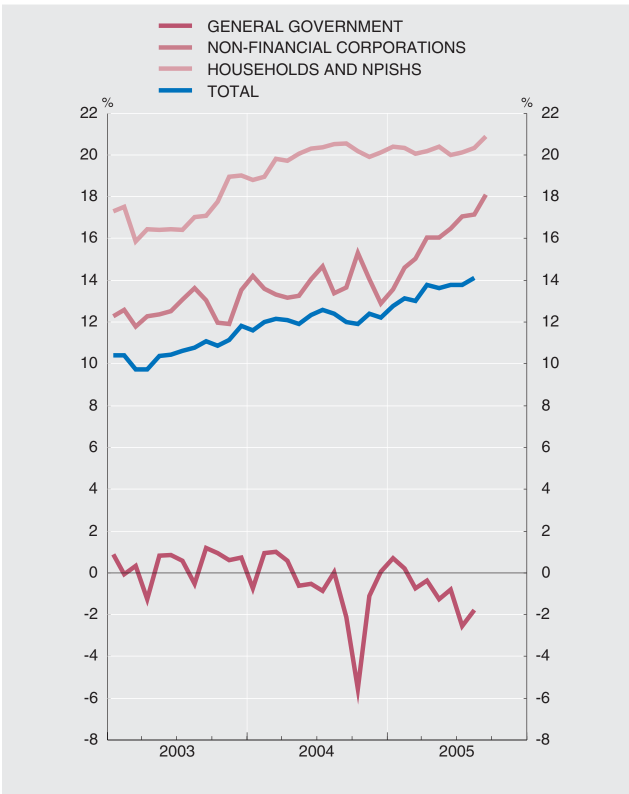
(c) Deposits redeemable at over 3 months' notice and time deposits.

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

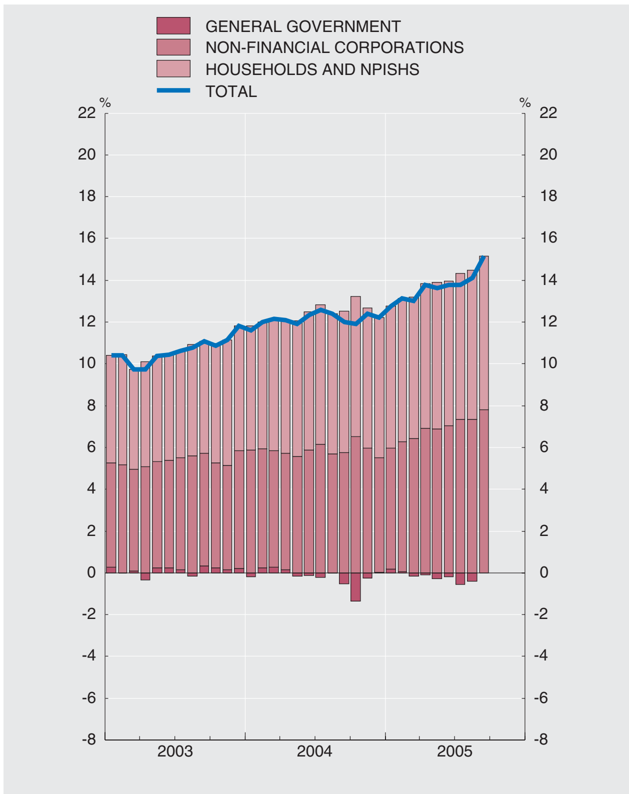
■ Series depicted in chart. *EUR millions and %*

		Total			Annual growth rate							Contribution to col. 3						
		Stocks	Effec-tive flow	Annual growth rate	General government (b)	Non-financial corp. and households and NPISHs						General government (b)	Non-financial corp. and households and NPISHs					
							By sectors		By instruments					By sectors		By instrumentss		
							Non-financial corporations	Households and NPISHs	Credit institutions' loans & securit. funds	Securities other than shares	External loans			Non-financial corporations	Households and NPISHs	Credit institutions' loans & securit. funds	Securities other than shares	External loans
		1	2	3 ■	4 ■	5	6 ■	7 ■	8	9	10	11 ■	12	13 ■	14 ■	15	16	17
02		1 195 088	105 569	9.7	-0.7	14.0	12.4	16.2	14.2	-16.7	16.4	-0.2	9.9	5.0	4.8	8.2	-0.2	1.8
03		1 343 183	141 381	11.8	0.7	15.9	13.5	19.0	16.4	-7.8	15.3	0.2	11.6	5.6	6.0	9.9	-0.1	1.8
04		1 511 091	164 035	12.2	0.0	16.1	12.9	20.1	19.0	0.2	2.4	0.0	12.2	5.5	6.7	11.9	0.0	0.3
04 *May*		1 398 809	16 277	11.9	-0.6	16.2	13.3	20.1	17.1	-1.5	12.9	-0.2	12.1	5.6	6.5	10.6	-0.0	1.5
Jun		1 428 631	29 926	12.3	-0.5	16.8	14.1	20.3	17.7	2.0	13.1	-0.1	12.5	5.9	6.6	10.9	0.0	1.5
Jul		1 445 682	17 005	12.6	-0.9	17.2	14.7	20.3	18.3	-0.1	12.4	-0.2	12.8	6.2	6.7	11.4	-0.0	1.5
Aug		1 441 398	-3 709	12.4	0.0	16.5	13.4	20.5	18.0	-2.7	10.6	0.0	12.4	5.7	6.7	11.1	-0.0	1.3
Sep		1 450 865	8 927	12.0	-2.1	16.7	13.7	20.6	18.4	0.7	9.2	-0.5	12.5	5.8	6.8	11.4	0.0	1.1
Oct		1 456 215	5 942	11.9	-5.5	17.5	15.3	20.2	18.9	-1.7	11.4	-1.3	13.2	6.5	6.7	11.9	-0.0	1.4
Nov		1 481 427	25 028	12.4	-1.1	16.6	14.0	19.9	18.2	-1.9	9.7	-0.3	12.7	6.0	6.7	11.5	-0.0	1.2
Dec		1 511 091	28 056	12.2	0.0	16.1	12.9	20.1	19.0	0.2	2.4	0.0	12.2	5.5	6.7	11.9	0.0	0.3
05 *Jan*		1 530 532	18 854	12.8	0.7	16.6	13.6	20.4	19.8	1.4	1.7	0.2	12.6	5.8	6.8	12.4	0.0	0.2
Feb		1 538 302	9 470	13.1	0.2	17.1	14.6	20.3	20.0	0.6	4.0	0.0	13.1	6.2	6.9	12.6	0.0	0.5
Mar		1 561 945	21 892	13.0	-0.7	17.3	15.0	20.1	20.0	0.7	4.6	-0.2	13.2	6.4	6.8	12.6	0.0	0.6
Apr		1 576 860	12 440	13.8	-0.4	17.9	16.1	20.2	20.6	2.6	5.2	-0.1	13.9	6.9	6.9	13.2	0.0	0.7
May		1 594 273	16 764	13.6	-1.3	18.0	16.0	20.4	20.6	1.1	5.5	-0.3	13.9	6.9	7.0	13.2	0.0	0.7
Jun		1 632 641	36 227	13.8	-0.8	18.0	16.5	20.0	20.9	1.0	4.1	-0.2	14.0	7.0	6.9	13.5	0.0	0.5
Jul	P	1 651 758	19 166	13.8	-2.5	18.4	17.0	20.1	21.3	1.5	4.3	-0.6	14.3	7.3	7.0	13.8	0.0	0.5
Aug	P	1 652 229	504	14.1	-1.8	18.6	17.1	20.3	21.4	3.0	4.9	-0.4	14.5	7.4	7.1	13.9	0.0	0.6

FINANCING OF NON-FINANCIAL SECTORS
Annual percentage change



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



Source: BE.

GENERAL NOTE: Tables 8.2 to 8.7 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.

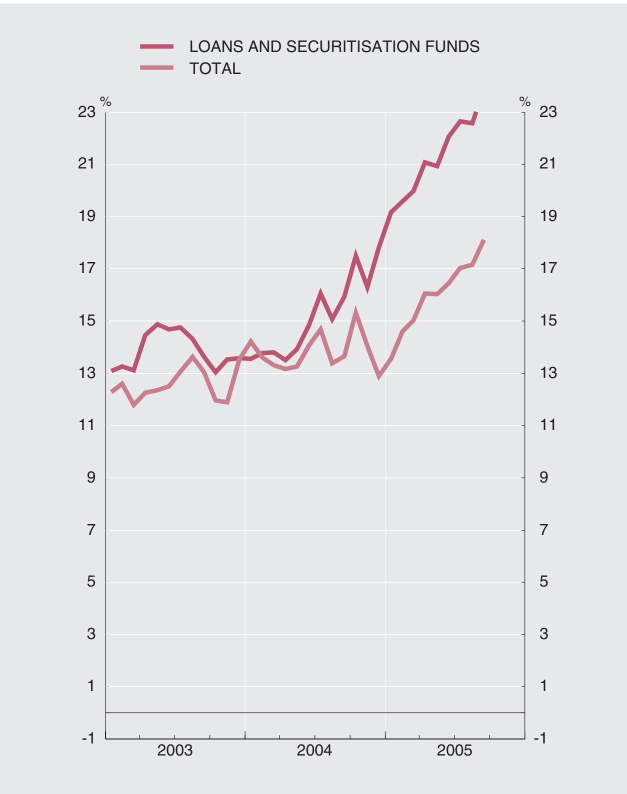
(b) Total liabilities (consolidated) less deposits. Inter-general government liabilities are deduced.

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

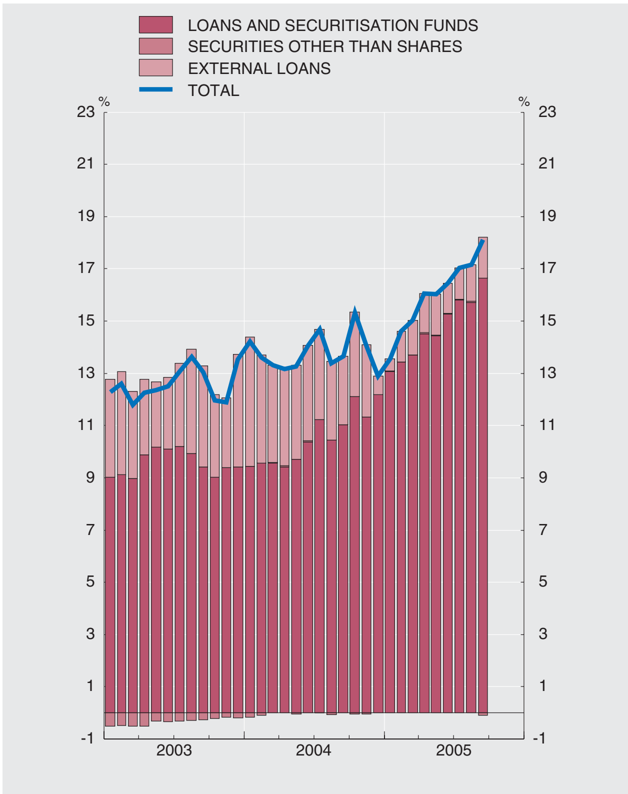
■ Series depicted in chart. *EUR millions and %*

	Total			Resident credit institutions' loans and off-balance-sheet securitised loans			Securities other than shares			External loans			Memorandum items: off-balance-sheet securitised loans
	Stocks	Effective flow	Annual growth rate	Stocks	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	
	1	2	3 ■	4	5 ■	6 ■	7	8	9 ■	10	11	12 ■	13
02	498 067	55 100	12.4	345 565	12.1	8.4	11 903	-16.7	-0.5	140 599	16.4	4.5	13 330
03	572 705	67 431	13.5	391 850	13.6	9.4	10 971	-7.8	-0.2	169 884	15.3	4.3	13 581
04	650 918	73 852	12.9	461 003	17.8	12.2	10 992	0.2	0.0	178 923	2.4	0.7	15 432
04 *May*	600 527	3 707	13.3	414 358	13.9	9.7	11 686	-1.5	-0.0	174 483	12.8	3.6	12 506
Jun	611 464	10 988	14.1	423 880	14.8	10.4	11 896	2.0	0.0	175 688	13.1	3.6	12 540
Jul	622 903	11 369	14.7	434 713	16.1	11.2	11 608	-0.1	-0.0	176 582	12.4	3.5	12 372
Aug	618 428	-3 937	13.4	430 647	15.1	10.4	11 386	-2.7	-0.1	176 395	10.5	3.0	12 469
Sep	625 393	6 364	13.7	436 567	15.9	11.0	11 789	0.7	0.0	177 038	9.1	2.6	12 172
Oct	640 315	15 485	15.3	448 011	17.5	12.1	11 546	-1.7	-0.0	180 758	11.3	3.2	13 240
Nov	639 387	-1 145	14.0	450 528	16.3	11.3	11 185	-1.9	-0.0	177 675	9.7	2.8	14 152
Dec	650 918	9 835	12.9	461 003	17.8	12.2	10 992	0.2	0.0	178 923	2.4	0.7	15 432
05 *Jan*	661 915	10 388	13.6	469 292	19.2	13.1	11 222	1.4	0.0	181 400	1.6	0.5	14 897
Feb	667 766	7 529	14.6	474 492	19.6	13.4	11 706	0.6	0.0	181 568	4.0	1.2	12 953
Mar	680 859	11 287	15.0	483 831	20.0	13.7	12 075	0.7	0.0	184 953	4.5	1.3	12 717
Apr	697 000	13 661	16.1	495 431	21.1	14.5	12 160	2.6	0.1	189 410	5.1	1.5	12 143
May	702 136	4 475	16.0	500 635	20.9	14.4	11 812	1.1	0.0	189 690	5.4	1.6	11 754
Jun	719 692	15 326	16.5	516 831	22.0	15.3	12 014	1.0	0.0	190 847	4.0	1.2	7 060
Jul P	736 578	16 899	17.0	532 657	22.6	15.8	11 785	1.5	0.0	192 136	4.3	1.2	6 418
Aug P	732 496	-4 047	17.1	527 345	22.6	15.7	11 729	3.0	0.1	193 422	4.8	1.4	6 364

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.

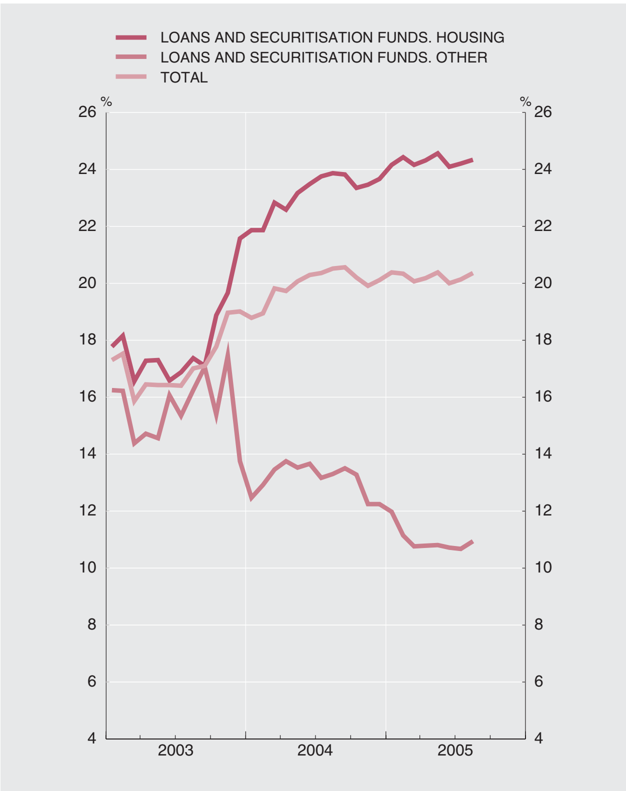
8.7. FINANCING OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

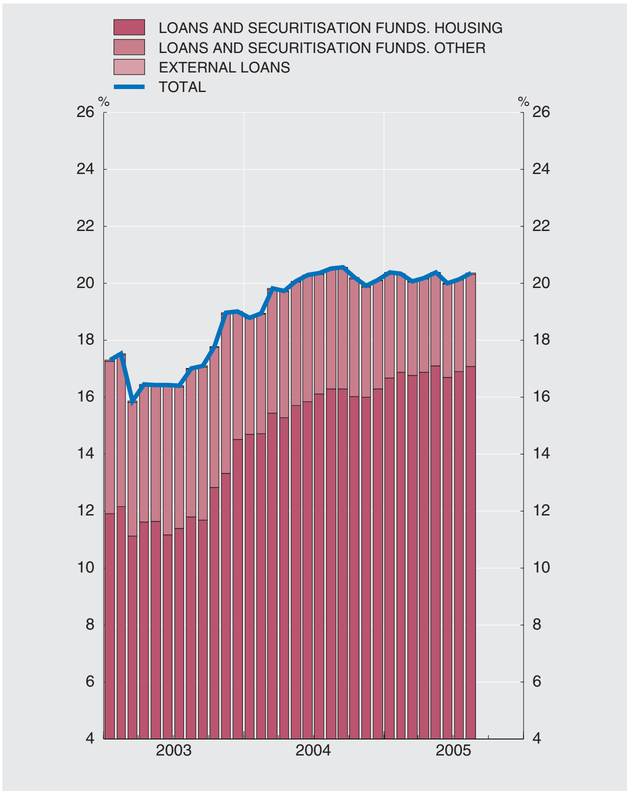
EUR millions and %

	Total			Resident credit institutions' loans and off-balance-sheet securitised loans. Housing			Resident credit institutions' loans and off-balance-sheet securitised loans. Other			External loans			Memorandum items: off-balance-sheet securitised loans	
	Stocks	Effective flow	Annual growth rate	Stocks	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	Housing	Other
	1	2	3 ■	4	5 ■	6 ■	7	8 ■	9 ■	10	11 ■	12 ■	13	14
02	376 612	52 607	16.2	253 552	17.1	11.4	122 447	14.4	4.8	613	27.0	0.0	18 466	3 934
03	447 712	71 594	19.0	308 195	21.6	14.5	138 796	13.7	4.5	722	17.7	0.0	32 237	6 070
04	537 250	90 026	20.1	381 050	23.6	16.3	155 339	12.2	3.8	860	19.2	0.0	47 225	8 819
04 *May*	482 171	7 748	20.1	335 655	23.2	15.7	145 736	13.5	4.3	780	20.4	0.0	36 797	6 236
Jun	494 584	12 466	20.3	342 837	23.5	15.8	150 949	13.7	4.4	798	21.0	0.0	41 300	6 311
Jul	502 118	7 556	20.3	350 792	23.7	16.1	150 516	13.2	4.2	810	19.9	0.0	45 670	6 362
Aug	505 493	3 412	20.5	354 651	23.9	16.3	150 022	13.3	4.2	819	20.7	0.0	45 633	6 680
Sep	511 833	6 402	20.6	359 990	23.8	16.3	151 013	13.5	4.2	830	19.5	0.0	44 969	6 635
Oct	519 451	7 645	20.2	366 156	23.3	16.0	152 455	13.3	4.1	840	18.5	0.0	45 005	8 009
Nov	531 030	11 612	19.9	373 499	23.4	16.0	156 676	12.2	3.9	854	19.5	0.0	46 081	8 358
Dec	537 250	6 308	20.1	381 050	23.6	16.3	155 339	12.2	3.8	860	19.2	0.0	47 225	8 819
05 *Jan*	543 344	6 116	20.4	386 991	24.1	16.7	155 477	12.0	3.7	876	18.2	0.0	46 673	8 754
Feb	550 144	6 823	20.3	393 386	24.4	16.9	155 873	11.1	3.4	886	18.3	0.0	46 815	8 225
Mar	559 129	9 040	20.1	401 580	24.2	16.8	156 658	10.8	3.3	892	17.5	0.0	49 823	8 119
Apr	569 730	10 606	20.2	409 201	24.3	16.9	159 631	10.8	3.3	898	17.3	0.0	51 203	8 014
May	580 000	10 281	20.4	418 030	24.5	17.1	161 061	10.8	3.3	909	16.6	0.0	54 343	7 764
Jun	592 963	13 052	20.0	425 364	24.1	16.7	166 675	10.7	3.3	924	15.3	0.0	34 300	3 385
Jul P	602 656	9 728	20.1	435 624	24.2	16.9	166 100	10.7	3.2	931	15.0	0.0	33 893	3 592
Aug P	607 872	5 215	20.3	440 930	24.3	17.1	165 999	10.9	3.2	942	15.0	0.0	34 035	3 514

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.

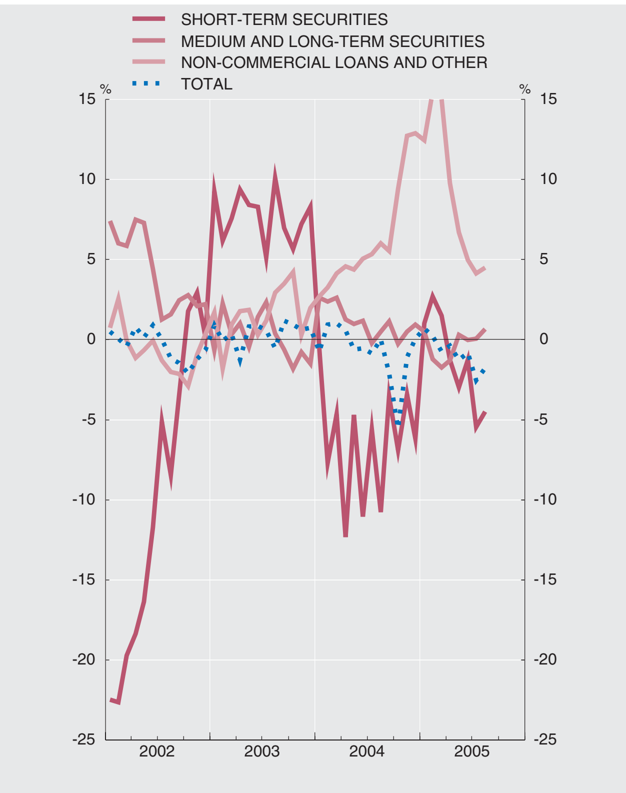
8.8. NET FINANCING OF SPAIN'S GENERAL GOVERNMENT

■ Series depicted in chart.

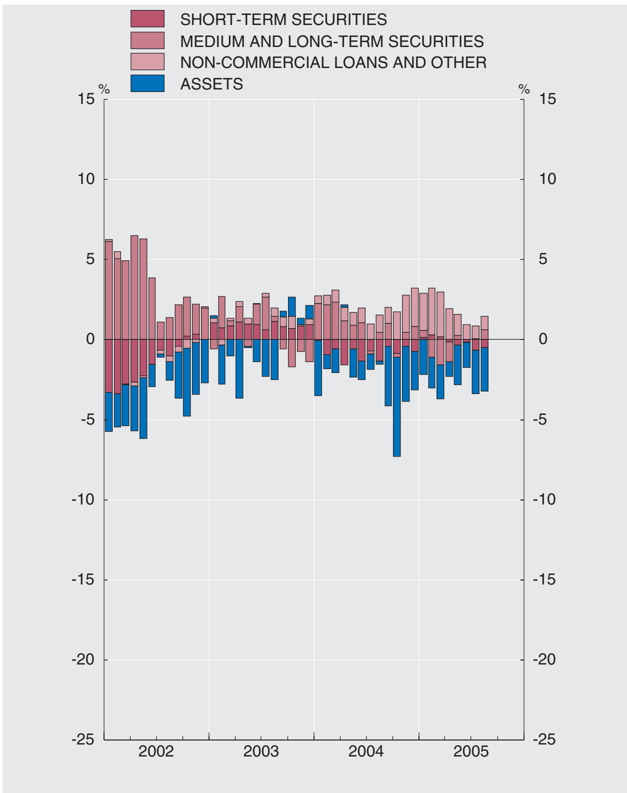
EUR millions and %

	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	Liabilities			Assets
	Net stock of liabilities	Monthly change (columns 4-8-9)	12-month % change of col. 1	Total	Securities: Short-term	Securities: Medium and long-term	Non-commercial loans and other (b)	Deposits at the Banco de Espana	Other deposits (c)	Total	Securities: Short-term	Securities: Medium and long-term	Non-commercial loans and other (a)		Securities: Short-term	Securities: Medium and long-term	Non-commercial loans and other (a)	
	1	2	3 ■	4	5	6	7	8	9	10	11 ■	12 ■	13 ■	14	15 ■	16 ■	17 ■	18 ■
02	320 409	-2 139	-0.7	6 597	59	6 352	185	1 785	6 950	1.7	0.2	2.2	0.3	15.2	0.0	2.0	0.1	-2.7
03	322 766	2 356	0.7	-240	3 049	-4 431	1 142	1 767	-4 363	-0.1	8.3	-1.5	2.0	-3.9	1.0	-1.4	0.4	0.8
04	322 923	157	0.0	7 849	-2 456	2 694	7 611	-1 817	9 509	2.0	-6.2	0.9	12.9	12.1	-0.8	0.8	2.4	-2.4
04 *Mar*	324 332	4 575	1.0	2 824	1 618	629	577	499	-2 250	2.1	-4.6	2.6	4.1	7.6	-0.6	2.3	0.7	-1.5
Apr	311 289	-13 043	0.6	265	-2 315	1 454	1 127	3 306	10 003	0.3	-12.3	1.2	4.6	-0.5	-1.6	1.2	0.9	0.1
May	316 111	4 822	-0.6	701	2 654	-1 721	-232	-61	-4 061	0.9	-4.7	1.0	4.4	7.7	-0.6	0.9	0.8	-1.7
Jun	322 583	6 472	-0.5	852	-2 846	3 418	280	-70	-5 550	0.5	-11.1	1.2	5.1	5.6	-1.3	1.1	0.9	-1.2
Jul	320 662	-1 921	-0.9	-4 483	2 966	-8 370	920	-2 007	-556	0.1	-5.6	-0.2	5.3	4.7	-0.7	-0.2	1.0	-1.0
Aug	317 478	-3 185	0.0	-5 422	-2 834	-1 820	-768	55	-2 292	0.2	-10.8	0.5	6.0	0.9	-1.3	0.4	1.1	-0.2
Sep	313 639	-3 839	-2.1	6 473	2 854	3 878	-259	-43	10 355	1.3	-3.5	1.1	5.5	18.1	-0.4	1.0	1.0	-3.7
Oct	296 450	-17 189	-5.5	-4 711	-1 504	-5 616	2 408	11 558	920	0.5	-6.9	-0.3	9.4	27.6	-0.9	-0.2	1.7	-6.2
Nov	311 011	14 561	-1.1	6 745	2 149	3 996	600	12 925	5 109	1.9	-3.4	0.5	12.7	15.3	-0.4	0.5	2.3	-3.4
Dec	322 923	11 913	0.0	1 336	-1 329	207	2 458	-389	10 188	2.0	-6.2	0.9	12.9	12.1	-0.8	0.8	2.4	-2.4
05 *Jan* P	325 274	2 350	0.7	5 576	2 621	2 431	524	2 095	1 131	2.4	1.0	0.5	12.4	10.4	0.1	0.5	2.3	-2.2
Feb P	320 391	-4 883	0.2	-3 472	-3 059	-2 041	1 627	209	1 201	1.7	2.7	-1.2	15.5	8.7	0.3	-1.1	2.9	-1.9
Mar P	321 957	1 566	-0.7	633	1 207	-945	371	193	-1 125	1.1	1.5	-1.7	15.1	10.1	0.2	-1.6	2.8	-2.1
Apr P	310 129	-11 827	-0.4	-2 559	-3 320	2 693	-1 932	1 471	7 798	0.4	-1.2	-1.3	9.8	3.5	-0.1	-1.2	1.9	-0.9
May P	312 137	2 008	-1.3	2 827	1 968	2 995	-2 136	-316	1 136	1.0	-3.0	0.3	6.7	10.1	-0.4	0.3	1.3	-2.5
Jun P	319 986	7 849	-0.8	-447	-2 166	2 486	-766	150	-8 446	0.6	-1.3	-0.0	5.0	7.1	-0.1	-0.0	0.9	-1.6
Jul A	312 525	-7 462	-2.5	-6 341	1 337	-8 111	432	181	939	0.2	-5.5	0.1	4.1	12.7	-0.6	0.0	0.8	-2.7
Aug A	311 861	-663	-1.8	-2 983	-2 350	-73	-560	-220	-2 100	0.8	-4.5	0.7	4.5	13.0	-0.5	0.6	0.9	-2.7

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.

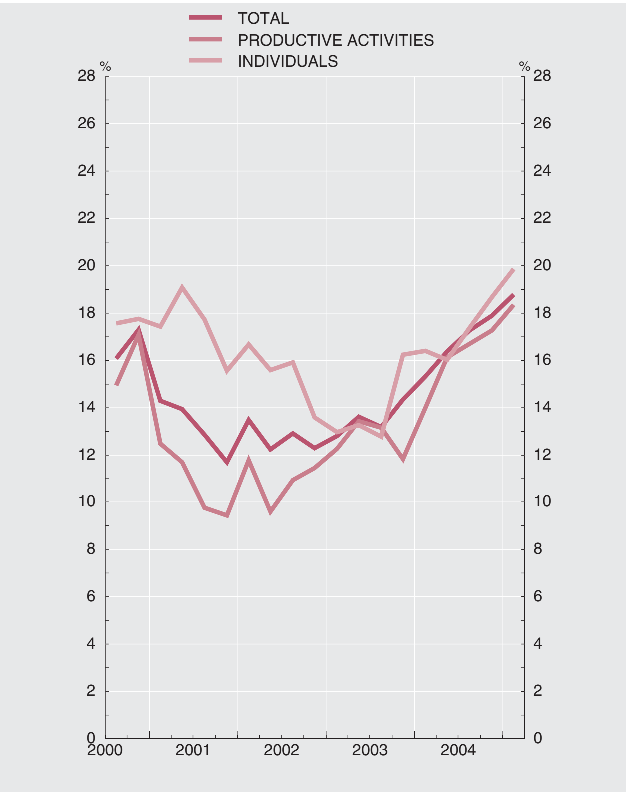
8.9 LENDING BY CREDIT INSTITUTIONS TO OTHER RESIDENT SECTORS. BREAKDOWN BY END-USE.

■ Series depicted in chart.

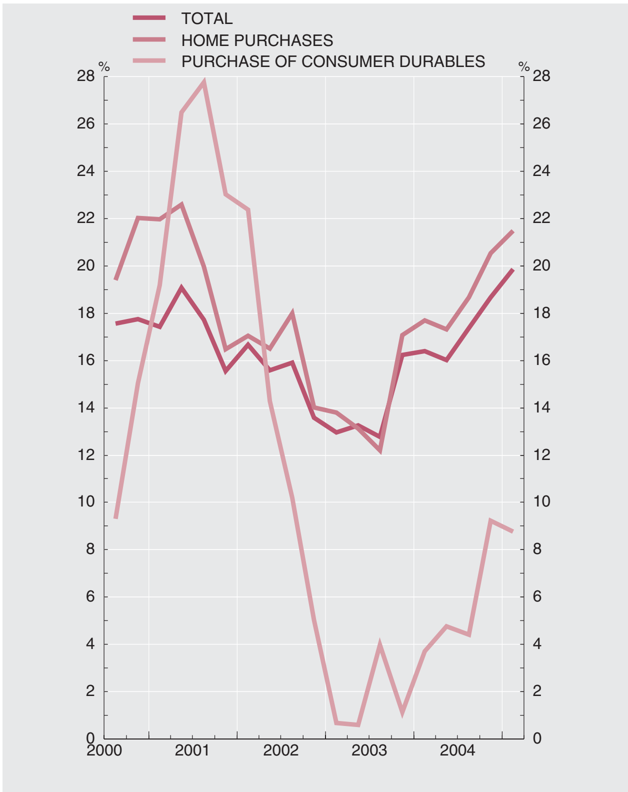
EUR millions and percentages

	Total (a)	Financing of productive activities					Financing of individuals						Financing of private non-profit entities	Unclassified
		Total	Agriculture and fisheries	Industry excluding construction	Construction	Services	Total	Home purchases and improvements			Purchases of consumer durables	Other (b)		
								Total	Purchases	Improvements				
	1 ■	2 ■	3	4	5	6	7 ■	8	9 ■	10	11 ■	12	13	14
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
04	945 697	483 061	18 104	90 487	78 372	296 097	441 443	333 826	317 268	16 557	38 379	69 238	3 677	17 517
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	464 652	17 655	88 360	75 494	283 143	419 230	315 021	299 447	15 574	38 075	66 134	3 426	16 281
Q4	945 697	483 061	18 104	90 487	78 372	296 097	441 443	333 826	317 268	16 557	38 379	69 238	3 677	17 517
05 *Q1*	989 196	507 164	18 188	93 815	83 421	311 740	462 910	351 757	334 224	17 532	39 375	71 778	3 548	15 574

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 Boletin estadístico, which are published at www.bde.es.

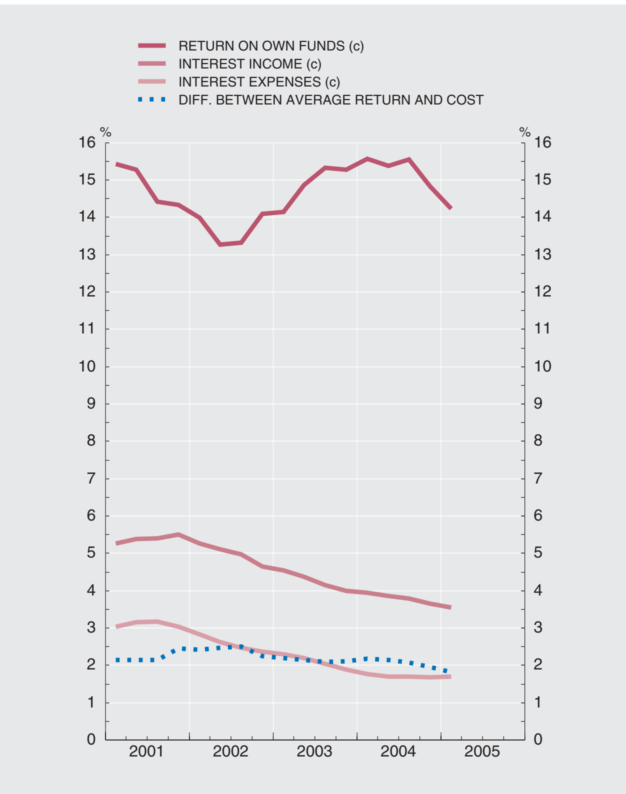
(b) Includes loans and credit to households for the purchase of land and rural property, the purchase of securities, the purchase of current goods and services not considered to be consumer durables (e.g. loans to finance travel expenses) and for various end-uses not included in the foregoing.

8.10. PROFIT AND LOSS ACCOUNT OF BANKS, SAVINGS BANKS AND CREDIT CO-OPERATIVES RESIDENT IN SPAIN

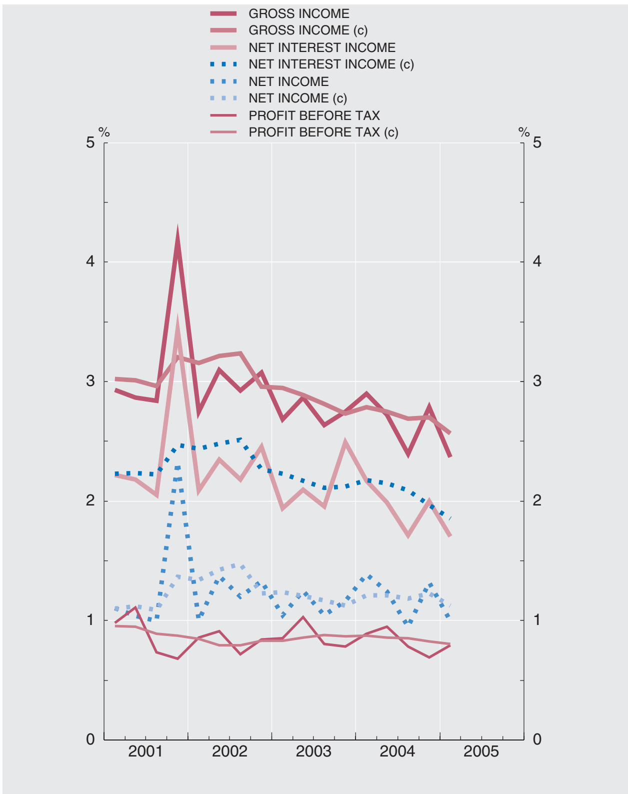
■ Series depicted in chart.

	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 ■
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
04	3.7	1.7	2.0	0.8	2.8	1.5	0.9	1.3	-1.6	0.7	11.6	3.9	1.9	1.9
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
Q4	3.7	1.7	2.0	0.8	2.8	1.5	0.9	1.3	-0.6	0.7	11.6	3.9	1.9	1.9
05 *Q1*	3.4	1.7	1.7	0.7	2.4	1.4	0.8	1.0	-0.2	0.8	13.5	3.8	1.9	1.8

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 averge return and cost.

(c) Average of the last four quarters.

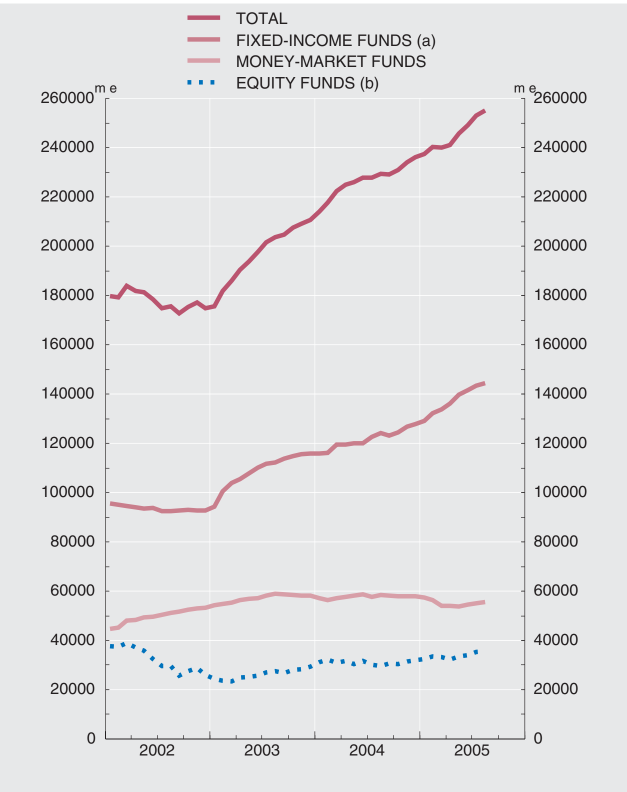
8.11. MUTUAL FUNDS RESIDENT IN SPAIN

■ 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: Monthly change	Of which: Net funds invested	Return over last 12 months	Net asset value	Of which: Monthly change	Of which: Net funds invested	Return over last 12 months	Net asset value	Of which: Monthly change	Of which: Net funds invested	Return over last 12 months	Net asset value	Of which: Monthly change	Of which: Net funds invested	Return over last 12 months	Net asset value
	1 ■	2	3	4 ■	5 ■	6	7	8 ■	9 ■	10	11	12 ■	13 ■	14	15	16 ■	17
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
04	236 088	25 461	18 250	3.3	57 989	-66	-744	1.2	127 735	11 917	10 445	2.9	32 023	2 622	480	9.7	18 341
04 *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	233 934	3 017	1 484	3.6	57 888	-93	-153	1.2	126 651	2 251	1 589	3.2	31 323	850	180	10.2	18 071
Dec	236 088	2 155	741	3.3	57 989	101	40	1.2	127 735	1 084	812	2.9	32 023	700	-90	9.7	18 341
05 *Jan*	237 309	1 220	171	3.1	57 368	-621	-684	1.2	129 162	1 427	1 029	2.7	32 489	466	-76	8.8	18 290
Feb	240 300	2 991	1 933	2.9	56 366	-1 002	-1 057	1.2	132 155	2 993	2 760	2.4	33 574	1 084	465	8.7	18 205
Mar	240 060	-240	30	3.0	54 000	-2 366	-2 419	1.2	133 898	1 743	1 741	2.3	33 335	-238	143	9.5	18 827
Apr	241 150	1 091	1 674	2.8	54 063	63	7	1.2	136 126	2 228	1 977	2.6	32 334	-1 001	-310	6.8	18 628
May	245 737	4 586	1 908	4.2	53 820	-243	-296	1.2	139 748	3 622	2 676	3.5	33 512	1 179	-338	13.0	18 657
Jun	249 193	3 456	1 493	4.6	54 626	806	751	1.2	141 550	1 803	1 137	3.7	34 116	603	-341	14.4	18 901
Jul	252 926	3 733	2 021	5.7	54 983	357	305	1.2	143 341	1 791	1 331	4.0	35 341	1 225	87	20.7	19 260
Aug P	255 127	2 201	...	5.6	55 571	588	...	1.2	144 425	1 083	...	3.7	35 532	191	...	21.1	19 599

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.

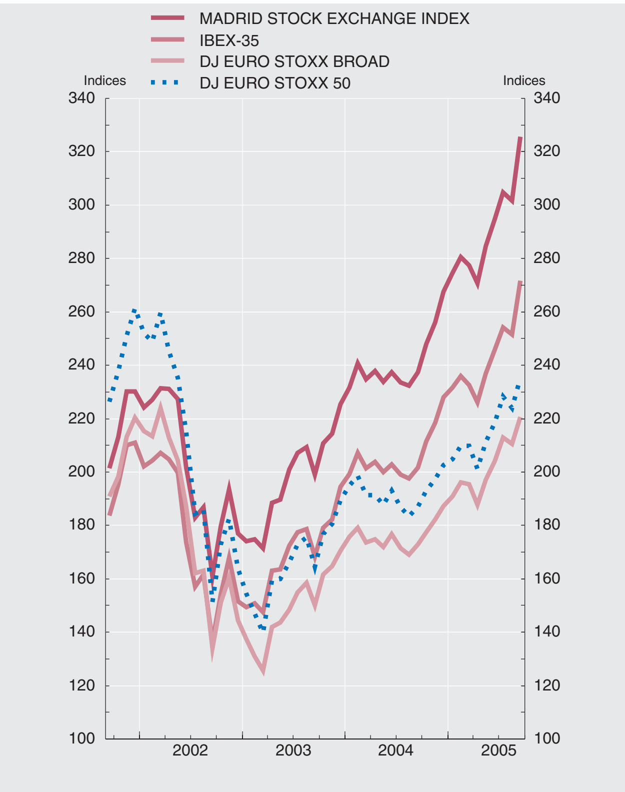
8.12. SHARE PRICE INDICES AND TURNOVER ON SECURITIES MARKETS. SPAIN AND EURO AREA

■ Series depicted in chart.

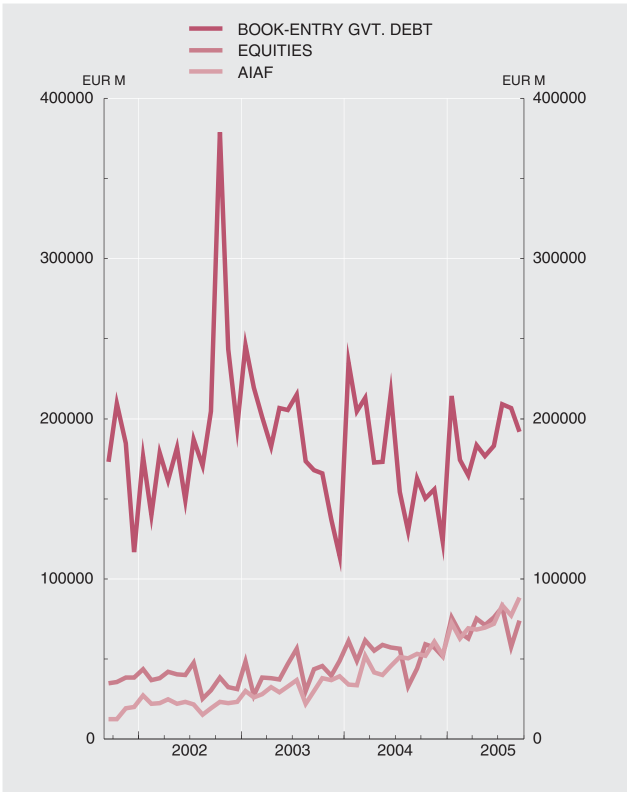
Indices, EUR millions and thousands of contracts

		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
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		863.25	8 195.58	251.25	2 800.48	643 542	82 790	2 090 447	566 600	-	8 495	0	4 473
05	A	1 041.02	9 670.23	287.95	3 145.66	641 171	67 688	1 703 776	662 647	-	8 136	-	3 738
04 *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		959.06	9 080.80	267.38	2 951.24	51 572	6 405	123 480	52 341	...	1 101	...	358
05 *Jan*		983.75	9 223.90	272.56	2 984.59	76 049	6 420	214 225	72 492	...	747	...	409
Feb		1 004.92	9 391.00	280.02	3 058.32	66 419	5 676	174 280	62 893	...	990	...	414
Mar		994.40	9 258.80	278.89	3 055.73	62 722	7 491	164 770	69 095	...	916	...	422
Apr		970.02	9 001.60	267.92	2 930.10	75 282	8 902	183 502	68 311	...	542	...	462
May		1 020.21	9 427.10	281.26	3 076.70	71 094	8 654	176 431	69 387	...	499	...	376
Jun		1 055.65	9 783.20	291.17	3 181.54	76 059	7 417	183 058	71 904	...	910	...	414
Jul		1 092.02	10 115.60	303.84	3 326.51	82 379	7 739	209 001	83 492	...	779	...	412
Aug		1 080.50	10 008.90	300.62	3 263.78	57 371	7 787	206 603	76 957	...	840	...	396
Sep	P	1 166.48	10 813.90	314.81	3 428.51	73 796	7 603	191 907	88 115	...	1 914	...	433

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 and4); AIAF (column 8) and Spanish Financial Futures Market (MEFFSA) (columns 9 to 12)

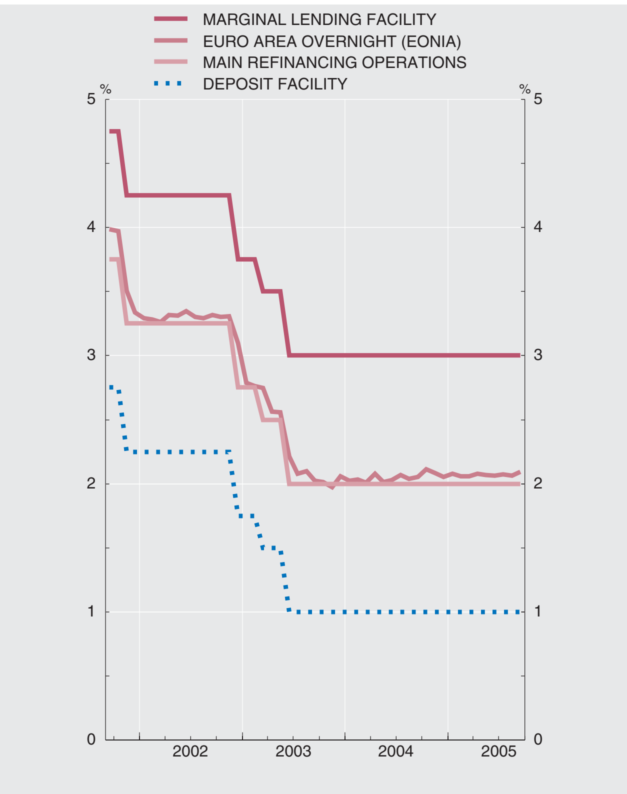
9.1. INTEREST RATES. EUROSYSTEM AND MONEY MARKET. EURO AREA AND SPAIN

■ Series depicted in chart.

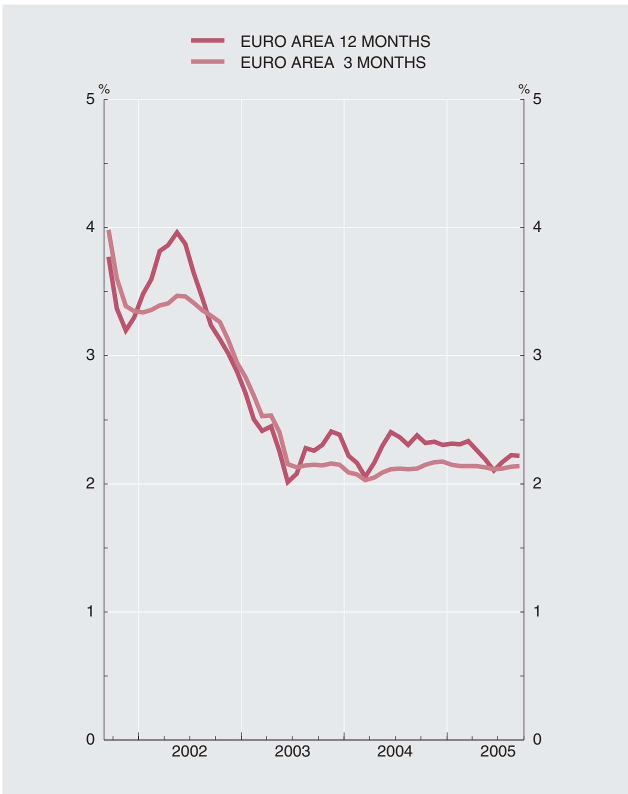
Averages of daily data. Percentages per annum

	Eurosystem monetary policy operations				Money market												
					Euro area: deposits (Euribor) (a)					Spain							
										Non-transferable deposits				Government-securities repos			
	Main refinancing operations: weekly tenders 1 ■	Longer term refinancing operations: monthly tenders 2	Standing facilities: Marginal lending 3 ■	Standing facilities: Deposit 4 ■	Overnight (EONIA) 5 ■	1-month 6	3-month 7 ■	6-month 8	1-year 9 ■	Overnight 10	1-month 11	3-month 12	1-year 13	Overnight 14	1-month 15	3-month 16	1-year 17
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
05 A	-	2.09	3.00	1.00	2.07	2.11	2.13	2.16	2.24	2.07	2.09	2.12	2.24	2.03	2.02	2.03	2.13
04 *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	2.05	2.17	2.17	2.21	2.30	2.05	2.15	2.17	2.30	2.02	2.05	2.06	-
05 *Jan*	2.00	2.09	3.00	1.00	2.08	2.11	2.15	2.19	2.31	2.07	2.10	2.14	2.33	2.04	2.04	2.05	2.17
Feb	2.00	2.08	3.00	1.00	2.06	2.10	2.14	2.19	2.31	2.06	2.08	2.13	2.30	2.02	2.03	2.04	2.17
Mar	2.00	2.09	3.00	1.00	2.06	2.10	2.14	2.19	2.34	2.05	2.09	2.13	2.33	1.98	2.03	2.03	2.22
Apr	2.00	2.08	3.00	1.00	2.08	2.10	2.14	2.17	2.27	2.07	2.09	2.13	2.24	2.01	2.00	2.03	2.18
May	2.00	2.08	3.00	1.00	2.07	2.10	2.13	2.14	2.19	2.07	2.08	2.12	2.19	2.02	2.02	2.02	-
Jun	2.00	2.06	3.00	1.00	2.06	2.10	2.11	2.11	2.10	2.06	2.08	2.10	2.11	2.02	2.01	2.01	2.01
Jul	2.00	2.07	3.00	1.00	2.07	2.11	2.12	2.14	2.17	2.06	2.09	2.11	2.15	2.03	2.00	2.01	2.04
Aug	2.00	-	3.00	1.00	2.06	2.11	2.13	2.16	2.22	2.07	2.09	2.13	2.23	2.04	2.03	2.04	2.12
Sep	2.00	2.09	3.00	1.00	2.09	2.12	2.14	2.17	2.22	2.09	2.09	2.13	2.25	2.09	2.04	2.04	2.13

EUROSYSTEM: MONETARY POLICY OPERATIONS AND EURO AREA OVERNIGHT DEPOSITS



INTERBANK MARKET: EURO AREA 3-MONTH AND 1-YEAR RATES



Source: ECB (columns 1 to 8).

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

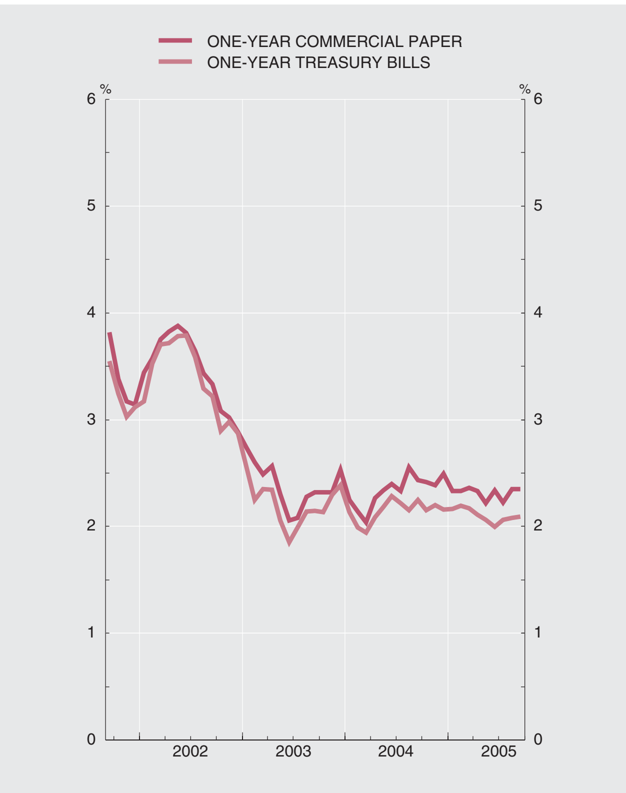
9.2. INTEREST RATES: SPANISH SHORT-TERM AND LONG-TERM SECURITIES MARKETS

■ Series depicted in chart.

Percentages per annum

	Short-term securities				Long-term securities							
	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. Book-entry debt. Outright spot purchases between market members		
	Marginal rate at issue	Secondary market: outright spot purchases between market members	Rate at issue	Secondary market: outright spot purchases	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 ■
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
05 A	2.10	2.11	2.31	2.27	2.30	2.85	3.43	3.70	3.92	2.45	3.39	3.51
04 *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
05 *Jan*	2.17	2.23	2.33	2.34	2.58	-	3.54	-	-	2.60	3.59	3.33
Feb	2.19	2.20	2.33	2.34	-	2.85	-	3.70	-	2.64	3.58	3.48
Mar	2.17	2.19	2.36	2.35	-	-	3.68	-	-	2.69	3.73	3.59
Apr	2.11	2.12	2.33	2.30	-	3.07	-	-	-	2.50	3.53	3.83
May	2.06	2.07	2.22	2.22	-	2.84	3.32	-	-	2.37	3.36	3.82
Jun	2.00	1.98	2.34	2.17	2.14	-	-	-	3.92	2.17	3.19	3.42
Jul	2.06	2.03	2.23	2.18	-	2.64	-	-	-	2.24	3.22	3.55
Aug	2.08	2.10	2.35	2.25	-	-	-	-	-	2.49	3.23	3.34
Sep	2.09	2.05	2.35	2.27	2.18	-	3.17	-	-	2.40	3.09	3.28

PRIMARY MARKET



SECONDARY MARKET

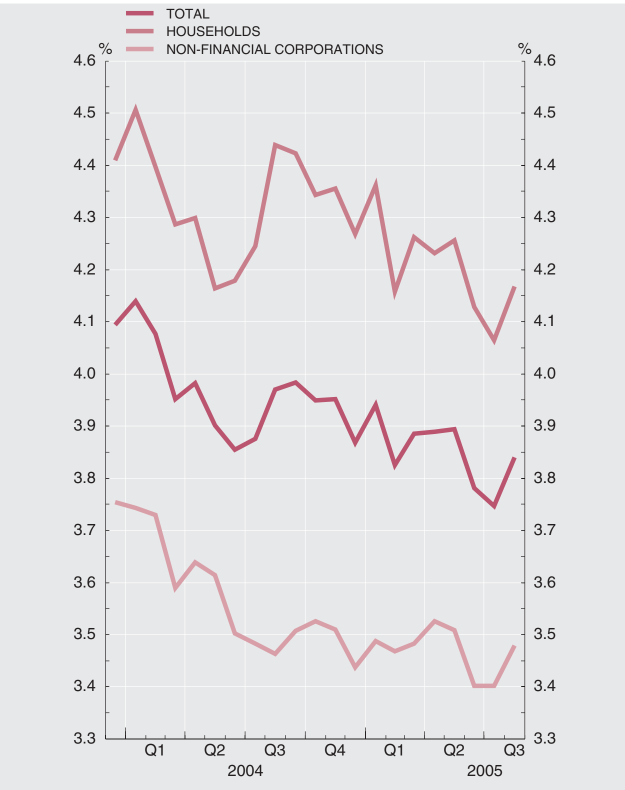
Sources: Main issuers (column 3); AIAF (columns 4 and 12).

9.3. INTEREST RATES ON NEW BUSINESS. CREDIT INSTITUTIONS. (CBE 4/2002)

Percentages

	Loans (APRC) (a)							Deposits (NDER) (a)								
	Syn-thetic rate (c)	Households and NPISH			Non-financial corporations			Syn-thetic rate (c)	Households and NPISH				Non-financial corporations			
		Syn-thetic rate	House pur-chase	Con-sump-tion and other	Syn-thetic rate	Up to EUR 1 million	Over EUR 1 million (b)		Syn-thetic rate	Over-night and re-deema-ble at notice	Time	Repos	Syn-thetic rate	Over-night	Time	Repos
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
03 *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	3.95	4.36	3.48	6.29	3.51	4.13	2.94	1.18	1.16	0.38	2.08	2.02	1.26	0.69	2.23	2.04
Dec	3.87	4.27	3.39	6.27	3.44	4.12	3.01	1.17	1.15	0.39	2.06	2.11	1.24	0.68	2.06	2.03
05 *Jan*	3.94	4.36	3.43	6.53	3.49	4.21	2.89	1.16	1.14	0.39	2.02	2.04	1.23	0.73	2.05	2.09
Feb	3.83	4.16	3.44	5.85	3.47	4.09	2.91	1.16	1.15	0.40	2.04	2.09	1.20	0.70	2.03	2.05
Mar	3.89	4.26	3.42	6.26	3.48	4.04	2.98	1.15	1.13	0.39	2.03	2.06	1.19	0.70	2.03	2.00
Apr	3.89	4.23	3.41	6.18	3.53	4.03	3.01	1.15	1.13	0.39	2.02	2.08	1.21	0.72	2.02	2.03
May	3.89	4.26	3.42	6.25	3.51	4.06	2.99	1.14	1.12	0.38	2.02	2.08	1.19	0.73	1.97	2.01
Jun	3.78	4.13	3.35	5.99	3.40	4.00	2.99	1.13	1.13	0.40	2.04	2.08	1.15	0.67	2.01	2.01
Jul	3.75	4.06	3.29	5.99	3.40	3.95	2.99	1.12	1.11	0.40	2.00	2.07	1.16	0.71	2.02	2.01
Aug P	3.84	4.17	3.29	6.38	3.48	4.01	2.92	1.16	1.14	0.40	2.05	2.09	1.23	0.73	2.11	2.02

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 NDER rate, which does not include commissions and other expenses, a moving average of such expenses.
c. The synthetic rates of loans and deposits are obtained as the average of the interest rates on new business weighted by the euro-denominated stocks included in the balance sheet for all the instruments of each sector.

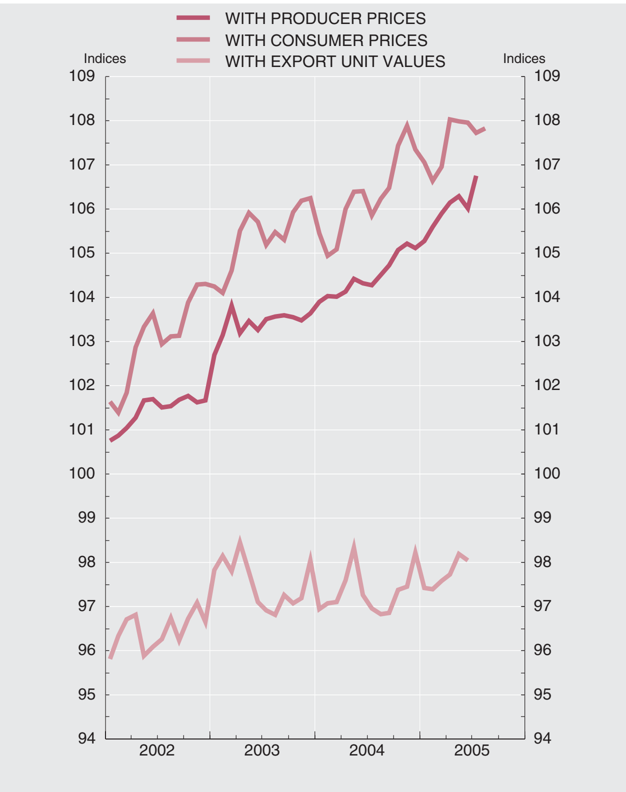
9.4 INDICES OF SPANISH COMPETITIVENES VIS-à-VIS THE EU-15 AND THE EURO AREA

■ Series depicted in chart.

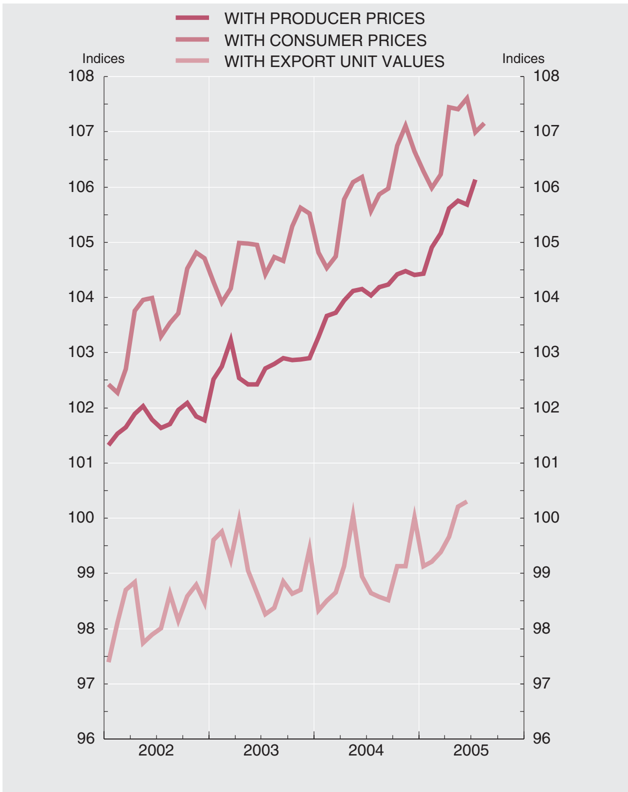
Base 1999 QI = 100

	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 manufactu-ring unit labour costs	Based on export unit values		Based on producer prices	Based on consumer prices	Based on manufactu-ring unit costs	Based on export unit values				
	1 ■	2 ■	3	4 ■	5	6	7	8	9	10 ■	11 ■	12	13 ■
02	101.4	103.0	105.3	96.4	99.1	102.4	104.0	106.3	97.4	101.8	103.6	105.9	98.3
03	103.4	105.4	107.0	97.5	100.1	103.3	105.2	106.8	97.4	102.7	104.8	106.0	99.0
04	104.5	106.3	109.2	97.3	99.9	104.6	106.4	109.3	97.4	104.1	105.8	108.5	99.0
03 *Q3*	103.6	105.3	106.9	97.0	100.3	103.3	105.0	106.6	96.7	102.8	104.6	105.7	98.5
Q4	103.6	106.1	107.0	97.4	100.2	103.3	105.9	106.8	97.2	102.9	105.5	105.8	98.9
04 *Q1*	104.0	105.2	107.4	97.0	100.0	104.0	105.2	107.4	97.1	103.6	104.7	106.7	98.5
Q2	104.3	106.3	108.4	97.7	99.7	104.6	106.5	108.7	98.0	104.1	106.0	107.8	99.4
Q3	104.5	106.2	109.6	96.9	99.8	104.7	106.4	109.8	97.0	104.1	105.8	109.1	98.6
Q4	105.1	107.6	111.4	97.7	100.2	105.0	107.4	111.3	97.5	104.4	106.8	110.5	99.4
05 *Q1*	105.6	106.9	...	97.5	100.2	105.4	106.7	...	97.3	104.8	106.2	...	99.2
Q2	106.2	108.0	...	98.0	100.0	106.2	108.0	...	98.0	105.7	107.5	...	100.1
04 *Dec*	105.1	107.3	...	98.2	100.2	104.9	107.2	...	98.1	104.4	106.6	...	100.0
05 *Jan*	105.3	107.1	...	97.4	100.2	105.0	106.8	...	97.2	104.4	106.3	...	99.1
Feb	105.6	106.6	...	97.4	100.1	105.5	106.5	...	97.3	104.9	106.0	...	99.2
Mar	105.9	107.0	...	97.6	100.2	105.7	106.8	...	97.4	105.2	106.2	...	99.4
Apr	106.1	108.0	...	97.7	100.0	106.1	108.0	...	97.7	105.6	107.4	...	99.7
May	106.3	108.0	...	98.2	100.0	106.3	108.0	...	98.2	105.8	107.4	...	100.2
Jun	106.0	108.0	...	98.0	99.8	106.2	108.2	...	98.2	105.7	107.6	...	100.3
Jul	106.8	107.7	...	...	100.2	106.6	107.6	...	...	106.1	107.0	...	...
Aug	...	107.8	...	...	100.1	...	107.7	...	...	...	107.2	...	...
Sep	...	...	...	...	100.0	...	...	...	...	...	...	...	...

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.

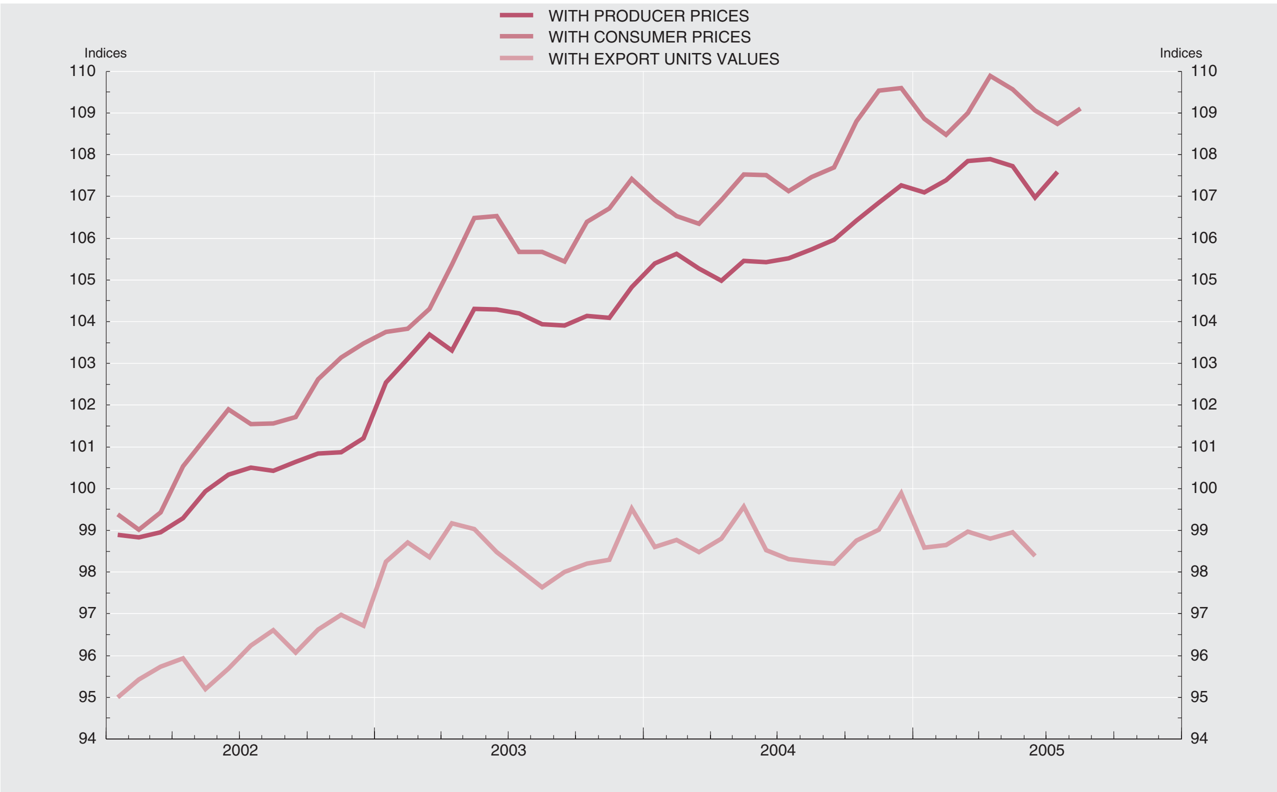
9.5 INDICES OF SPANISH COMPETITIVENESS VIS-à-VIS THE DEVELOPED COUNTRIES

■ Series depicted in chart.

Base 1999 QI = 100

	Total (a)				Nominal component (b)	Price component (c)			
	Based on producer prices	Based on consumer	Based on manufacturing unit labour costs	Based on export unit values		Based on producer prices	Based on consumer prices	Based on manufacturing unit labour cost	Based on export unit values
	1 ■	2 ■	3	4 ■	5	6	7	8	9
02	100.1	101.3	104.4	96.0	97.1	103.1	104.3	107.5	98.9
03	103.9	105.6	108.0	98.5	100.0	103.9	105.6	108.0	98.5
04	105.8	107.7	111.2	98.8	100.8	105.0	106.9	110.4	98.0
03 *Q3*	104.0	105.6	108.0	97.9	100.1	103.9	105.5	107.8	97.8
Q4	104.4	106.8	108.4	98.7	100.4	103.9	106.4	108.0	98.2
04 *Q1*	105.4	106.6	109.5	98.6	100.9	104.5	105.7	108.6	97.8
Q2	105.3	107.3	110.1	99.0	100.3	105.0	107.0	109.8	98.7
Q3	105.7	107.4	111.5	98.3	100.5	105.2	106.9	110.9	97.7
Q4	106.9	109.3	113.8	99.2	101.4	105.4	107.8	112.3	97.9
05 *Q1*	107.4	108.8	...	98.7	101.5	105.9	107.2	...	97.3
Q2	107.5	109.5	...	98.7	100.9	106.6	108.6	...	97.9
04 *Dec*	107.3	109.6	...	99.9	101.7	105.4	107.7	...	98.2
05 *Jan*	107.1	108.9	...	98.6	101.5	105.5	107.3	...	97.1
Feb	107.4	108.5	...	98.6	101.4	106.0	107.0	...	97.3
Mar	107.9	109.0	...	99.0	101.6	106.2	107.3	...	97.4
Apr	107.9	109.9	...	98.8	101.3	106.5	108.5	...	97.5
May	107.7	109.6	...	99.0	101.0	106.6	108.5	...	98.0
Jun	107.0	109.1	...	98.4	100.3	106.6	108.7	...	98.1
Jul	107.6	108.7	...	...	100.6	106.9	108.1	...	...
Aug	...	109.1	...	...	100.8	...	108.2	...	...
Sep	...	...	...	...	100.6	...	...	...	...

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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