ECONOMIC BULLETIN

04/2006

BANCO DE ESPAÑA

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ISSN: 1130 - 4987 (print)
ISSN: 1695 - 9086 (online)
Depósito legal: M. 31904 - 1990
Printed in Spain by Artes Gráficas Coyve, S. A.

ABBREVIATIONS

AIAF	Association of Securities Dealers
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
FISIM	Financial Intermediation Services Indirectly Measured
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 Statistics Institute
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
PFs	Pension Funds
PPP	Purchasing power parity
QNA	Quarterly National Accounts
RoW	Rest of the World
SCLV	Securities Clearing and Settlement Service
SDRs	Special drawing rights
SICAV	Open-end Investment Companies
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

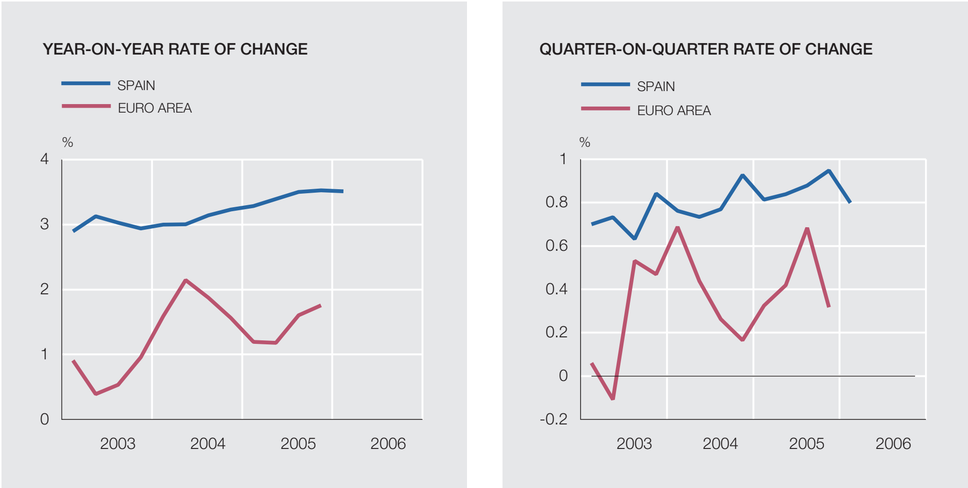
The Spanish economy ended the year 2005 in a highly robust mode stabilising at a real year-on-year rate of 3.5%, although the hitherto mildly rising trend of its growth rate was checked. This performance continued to be clearly more expansionary than that in the euro area as a whole (see Chart 1). The QNA estimates for 2005 Q4 showed a fresh improvement in the negative contribution of net external demand to growth, underpinned by the slowdown in imports and, in a more muted fashion, an easing of the brisk pace of national demand, which stood below 5%. In the opening months of 2006, and drawing on as yet incomplete conjunctural data, real GDP is estimated to have again posted a high year-on-year increase (of 3.5%), similar to that of the previous quarter. Quarter-on-quarter growth, for its part, would have been 0.8%, compared with 0.9% in 2005 Q4.

National demand continued its slow deceleration in early 2006 (its growth rate fell by 0.1 pp to 4.7%), underpinned by the course of private consumption and of investment in fixed capital. The momentum of both investment in equipment and construction eased, although the growth of gross capital formation held at around 6%. The improvement in the contribution of net external demand was less sharp than during 2005, standing at –1.4 pp, 0.1 pp less than in the previous quarter. Significantly, however, goods exports picked up substantially in these opening months, while imports also increased at a higher rate. Employment trended in line with output, maintaining its growth rate, with no changes discernible in the pattern of low productivity gains. Finally inflation, measured by the HICP, rose notably at the start of 2006 and stood at 3.9% in March, fuelled by dearer oil and by the rise in underlying inflation to over 3%.

Turning to the external environment, the world economy began the year with high growth rates, the year 2005 having closed with an expansion that the IMF has recently estimated at 4.8%. Indeed, the available forecasts point to an increase of this order in 2006. Mention may be made of the greater geographical diversification of world growth, based on the recovery in Japan and in the euro area, while a somewhat lesser increase is expected in the United States. Among the emerging economies, dynamism remains very forceful, especially in Asia, although there has been some easing in Latin America. Generally, the behaviour of the financial and foreign exchange markets, characterised by stability, the moderation of risk premiums and low volatility, has been supportive of growth. Against this background, the gradual withdrawal of the monetary impulse in the main economies (the process is furthest ahead in the United States, just starting in the euro area and foreseeably due to start in Japan during the second half of this year) is finally translating into a rise in long-term interest rates, although these remain at low levels.

The cloud on this favourable horizon has been the oil market, with the oil price exceeding its all-time high in April. The fresh rise in oil has been prompted by the emergence of geopolitical tensions in certain producer zones. And this, against the backdrop of the strong increase in demand and scant production and refining capacity, has rapidly fed through to prices. Along with oil, other commodities have also seen their prices rise. So far, the influence of these increases on inflation and growth rates remains limited; but a delayed emergence of these effects should not be ruled out. Further, the risk of tensions in the oil market being exacerbated is high and, given that the source would, in this case, be a possible cut in supply, the impact on global growth could be greater. Moreover, dearer oil tends to heighten the uncertainty surrounding the world economy, particularly that stemming from the persistence of global imbalances and from the high US external deficit, which has tended to widen in 2005. Although the

GROSS DOMESTIC PRODUCT (a) CHART 1



SOURCES: ECB, INE and Banco de España.

a. Seasonally adjusted series.

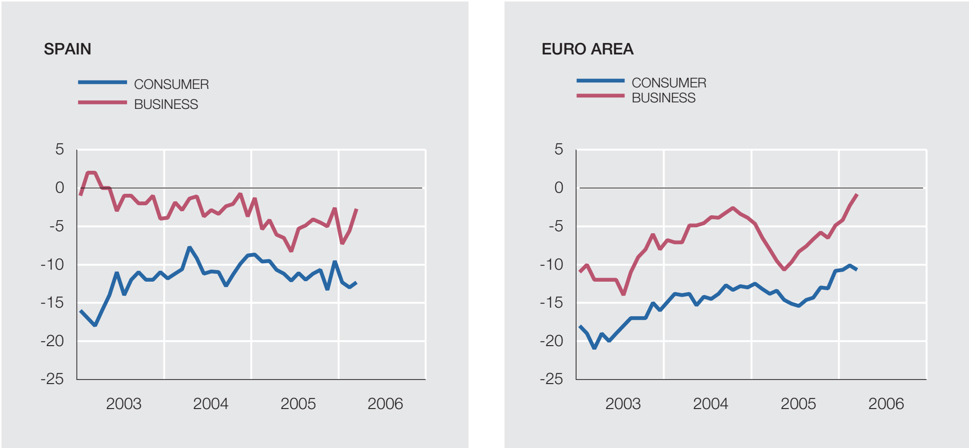
financing of this deficit poses no problems for the moment, its dynamics do not seem to be sustainable, and its direction in the medium term will require certain adjustments and some type of economic policy co-ordination to lessen the risk of sharp swings on markets.

Although average growth was low (1.4%) in the euro area in 2005, economic activity in the zone improved clearly in the second half of the year, when a rate close to potential growth was attained. Set against this recovery, the figures for Q4 reflected a temporary slowdown, largely as a result of technical factors associated with the National Accounts estimates, which appears to have been overcome in 2006 Q1. Indeed, the indicators for the opening months of 2006, which are in the main still qualitative in nature, and the initial estimates, in terms of intervals, made by the European Commission point to a quarter-on-quarter growth rate of around 0.5%.

As in the second half of 2005, growth remains underpinned by the increase in private investment, favoured by the generous financing conditions and the healthy position of European companies, and by sound export results. However, household consumption remains at a low rate, due principally to the scant dynamism of disposable income, where both limited job creation and the moderate trend of wages have a bearing. The low levels of consumer confidence, linked possibly to the uncertainty surrounding their income expectations, have likewise been a factor containing expenditure, although the latest figures indicate an improvement here (see Chart 2). In any event, the pick-up in employment and consumption is the factor posing the biggest risks, from a domestic perspective, to higher growth taking root in the area.

The moderate course of unit labour costs in the euro area, anchored in inflation expectations consistent with area-wide price stability, is a key factor for explaining the behaviour of inflation. Despite the upward impact of energy prices, inflation has held at a level only slightly above 2%. The year-on-year increase in the HICP thus stood at 2.2% in March, while underlying inflation, which excludes the energy component among others, held at below 1.5%, revealing the absence of relevant pressures on core prices. Nonetheless, the risk remains that dearer oil may extend over time and ultimately affect the inflationary core, especially against a background of more buoyant activity as is expected. This has led the ECB governing Council to continue to reduce the expansionary character of its monetary policy stance, raising official interest rates by

CONFIDENCE INDICATORS CHART 2



SOURCE: European Commission.

25 bp in March. This increase, which adds to that of the same amount made last December, leaves the interest rate on the main refinancing operations at 2.5%, a level which is still low.

Following the presentation of the newly updated Stability Programmes in late 2005, there have been no substantial changes regarding the design of the euro area countries' fiscal policies. These programmes comply with the new criteria applicable under the Stability and Growth Pact, following the reform agreed last year (albeit with only a small margin in the case of some countries running an excessive deficit). It is estimated that the fiscal results for 2005 as a whole were better than foreseen in autumn by the European Commission and that they have drawn closer to the budgetary targets initially set. This result is largely attributable to the economic recovery in the area. In this respect, it is important to reiterate the need for the European countries to step up their budgetary consolidation drive so as to make growth more sustainable, now that a phase of higher growth has begun. Along the same lines, it is important to implement the commitments made in the National Reform Programmes, approved as part of the re-launch of the Lisbon strategy.

The recovery in the main euro area economies is an important add-in to the environment in which the Spanish economy is operating since it may help see through the changes which, very incipiently, are taking place in the composition of demand, making it somewhat less unbalanced. As earlier mentioned, in recent quarters and with differing degrees of intensity and persistence, there has been a pattern of slow moderation in national demand (which retains a very high rate), along with a reduction in the negative contribution of external demand to growth, although this contribution remains highly contractionary. The estimates for 2006 Q1 are generally in line with these trends, consolidating an increase in domestic demand of slightly below 5% and a negative contribution of net external demand of somewhat below 1.5 pp in absolute terms. In this setting, the lesser degree of looseness of monetary and financial conditions, and the moderate slowdown seen in house prices, consistent with the gap between their current and long-term equilibrium levels gradually being reabsorbed, would provide for the gradual adjustment of expenditure. Nonetheless, set against these factors, the build-up of losses in price and cost competitiveness has continued, with the continuing risk of a fresh widening of the external imbalance.

Household consumption increased by 4% in 2005 Q4, 0.5 pp down on the growth in the first six months of last year, and it is estimated to have slowed further in the opening months of

2006. Even so, it continues clearly to outgrow disposable income, the increase in which is firmly underpinned by employment growth, at a rate of close to 3%. The rise in interest rates provides for an easing in consumption, essentially via the effect on income, from which it is subtracting several tenths of a point of growth. Also, the lesser rise in household wealth, linked to the lower growth in house prices, contributes to slowing expenditure, although this lower growth is not sufficient to halt the reduction in the saving ratio. In the case of residential investment, where the impact of higher financing costs is in principle more forceful, the moderation in expenditure is currently also proving gradual. As a result, in the opening months of 2006 the rise in financing extended to households has continued to be very high, at a rate of over 20%, giving rise to a fresh increase in the debt ratio and in the financial burden, which raises the vulnerability of expenditure to any further tightening of monetary conditions.

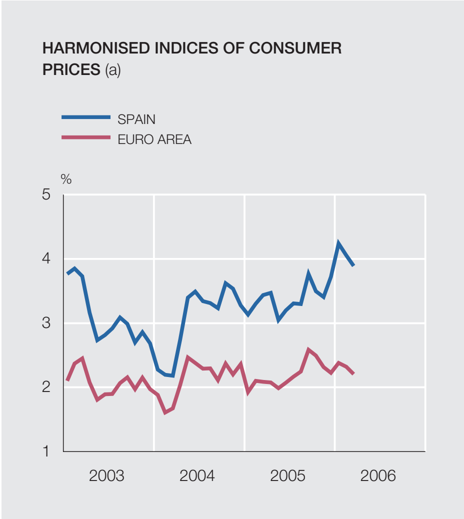
Corporate expenditure on gross capital formation has retained significant momentum, against a background of expectations of high demand, although it has tended to slow in relation to the first half of 2005 (as illustrated by spending on capital goods), having possibly been affected by the increases in financing costs that are beginning to materialise. In any event, the data available on credit extended to non-financial corporations do not yet reflect this slowdown; rather, they have reached a highly significant rate of change of around 20%. Although the financial pressure indicators have shown some deterioration recently, they do not reveal significant levels of pressure on spending on investment. It should be clarified, however, that these indicators are above all representative of the position of large companies (included in the CBQ sample), while smaller companies may be subject to greater pressure owing to the tightening of financing conditions. As regards general government investment, its growth in 2005 was substantially higher than initially foreseen, and the procurement figures point to a fresh and significant increase in 2006.

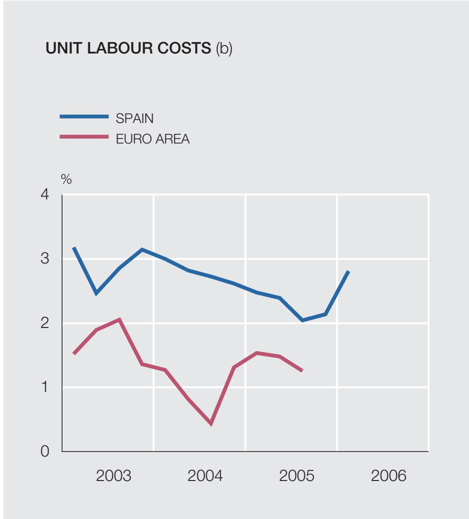
As indicated, the information available to date indicates that the negative contribution of net external demand to growth improved slightly in 2006 Q1, following its progressive correction throughout 2005, against the background of lacklustre exports and slowing imports. There appears to have been a turnaround in these trends in 2006 towards more buoyant exports and imports of goods. That would point, in the case of sales abroad, to the presence of certain extraordinary factors behind the poor results last year. However, the scant information available to substantiate the improvement in exports and the accumulation of additional losses in price competitiveness mean these signs must be viewed with caution. Moreover, the pick-up in imports might be illustrative of the resumption of a pattern whereunder competitiveness has a greater impact on the pace of import penetration in the domestic market. The data relating to the performance of tourism since end-2005 have generally been adverse and, although the initial figures for March this year show a significant improvement, this change must once again be viewed with caution. Overall, the recovery in exports indicated by the trade results in the opening months of 2006 is undoubtedly a positive development; but it has been accompanied by other movements which tend to offset it, and which are conducive to the continuing deterioration in the external deficit.

From the standpoint of activity and the labour market, developments in the opening months of 2006 have seen few changes to the previously witnessed patterns of surging value added in construction and services, and low actual labour productivity growth, especially in these same branches. Of note is the fact that industry has held on a line of modest recovery in recent quarters, which has continued into early 2006. The Labour Force Survey (EPA) indicates that employment generation in the economy as a whole remained very high at the start of 2006, against the background of sharp growth in the labour force and the ongoing incorporation of immigrants into the labour market. Consequently, it is estimated that the pace of labour pro-

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.

ductivity – which continues to reflect, in part, high job creation, many in sectors with lower-than-average productivity – held at a very low rate.

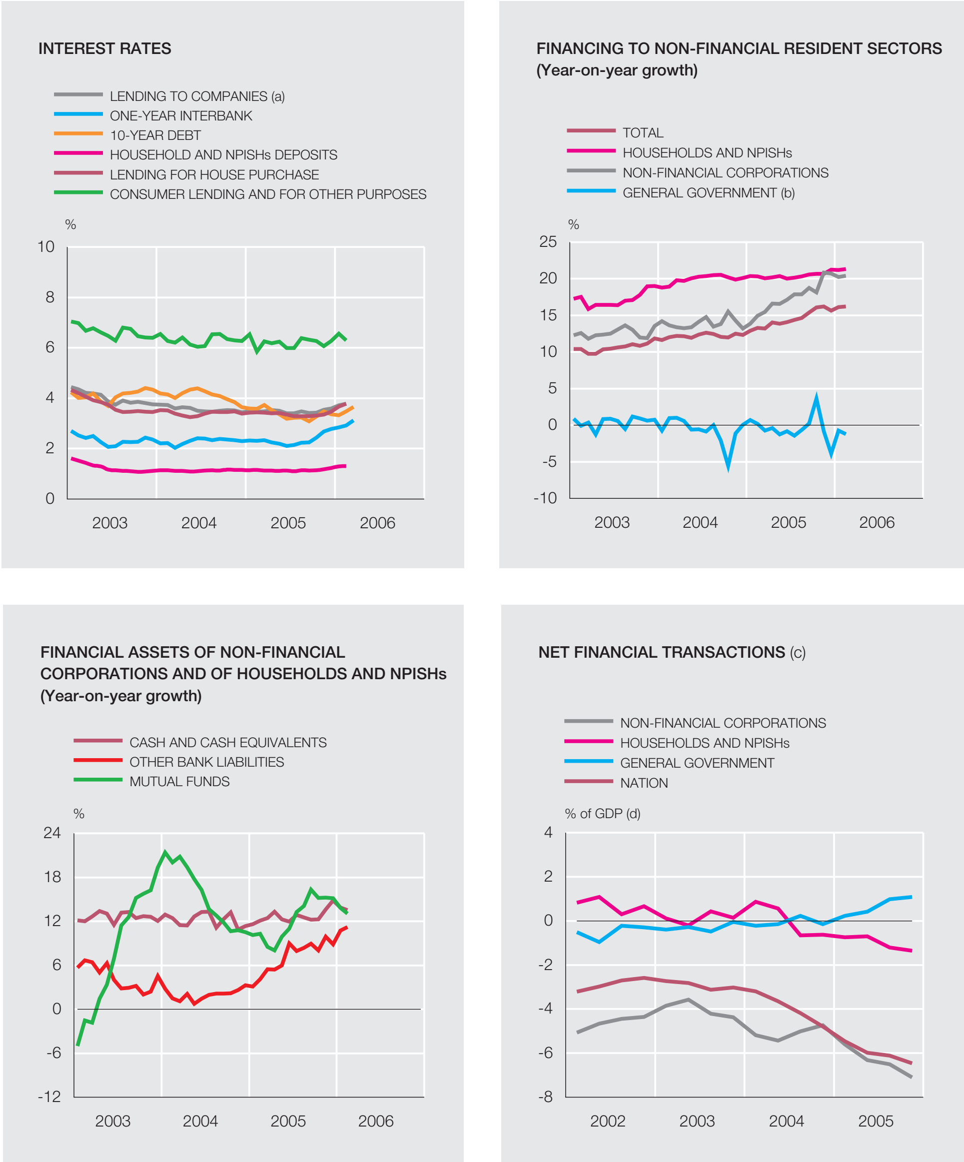
Labour costs per employee tended to slow last year, growing by 2.3% in the market economy, despite the fact that wage settlements in collective bargaining agreements held at around 3%. Indeed, if the impact of the previous year's indexation clauses is taken into account, the increase in wage rates amounts to 3.6%. The lower growth of compensation, relative to the increases agreed under collective bargaining (a result that has been arising to differing degrees for several years), reveals that the new jobs created are paid lower wages, partly because less experienced and, on average, less productive workers are involved. The outcome of collective bargaining for 2006 points again to wage increases of around 3%, although the impact of the activation of the 2005 indexation clauses will be sharper than last year. Accordingly, it is estimated that compensation per employee will have quickened in the opening months of this year.

Following the trend of compensation, unit labour costs slowed significantly in 2005. However, it is estimated they will have risen in the opening months of 2006 (see Chart 3), maintaining in any event a positive growth differential with the unit labour costs of the euro area countries. Nevertheless, in the current situation of buoyant demand, the lower growth of unit labour costs is not feeding through to final prices, on the whole, but is rather allowing margins to be widened further. The CPI, the main inflation indicator, ended 2005 at a year-on-year rate of 3.7% and had risen to 3.9% in March. Some of this high inflation is the outcome of dearer consumer prices for energy. But these rates also reflect the fact that underlying inflation is holding at a high level, one which has exceeded 3% in recent months. In turn, these developments have made for a widening of the inflation differential with the euro area.

Although in recent quarters the Spanish economy has been able to generate changes in its patterns of behaviour, in step with the necessary correction of the imbalances characterising it, these changes are still uncertain and incipient and may, in general, prove too slow and gradual to bring about the required correction. Further, in other areas such as price formation,

FINANCIAL INDICATORS OF THE SPANISH ECONOMY

CHART 4



SOURCE: Banco de España.

a. Weighted average of interest rates on various transactions grouped according to their volume. For loans exceeding €1 million, the interest rate is obtained by adding to the NDER (Narrowly Defined Effective Rate), which does not include commission and other expenses, a moving average of such expenses.
b. Consolidated financing: net of securities and loans that are general government assets.
c. Cumulative four-quarter data.
d. Base 2000 Spanish National Accounts.

inertial behaviour continues to prevail. This not only fails to contribute to correcting losses in competitiveness, but may even exacerbate them. In these circumstances it is important that domestic economic policies should be geared to correcting these imbalances, moderating demand pressures, particularly as far as fiscal policy is concerned, and increasing the flexibility and efficiency of the workings of the economy, as regards structural reform policies, the only means of improving productivity and competitiveness in the medium term. In this respect, mention should be made of the publication of the second package of measures under the *Plan de Dinamización Económica* (a plan designed to bring about a more dynamic economy and improve productivity performance) and the assessment of the implementation of the first package, unveiled a year ago.

The external environment of the euro area

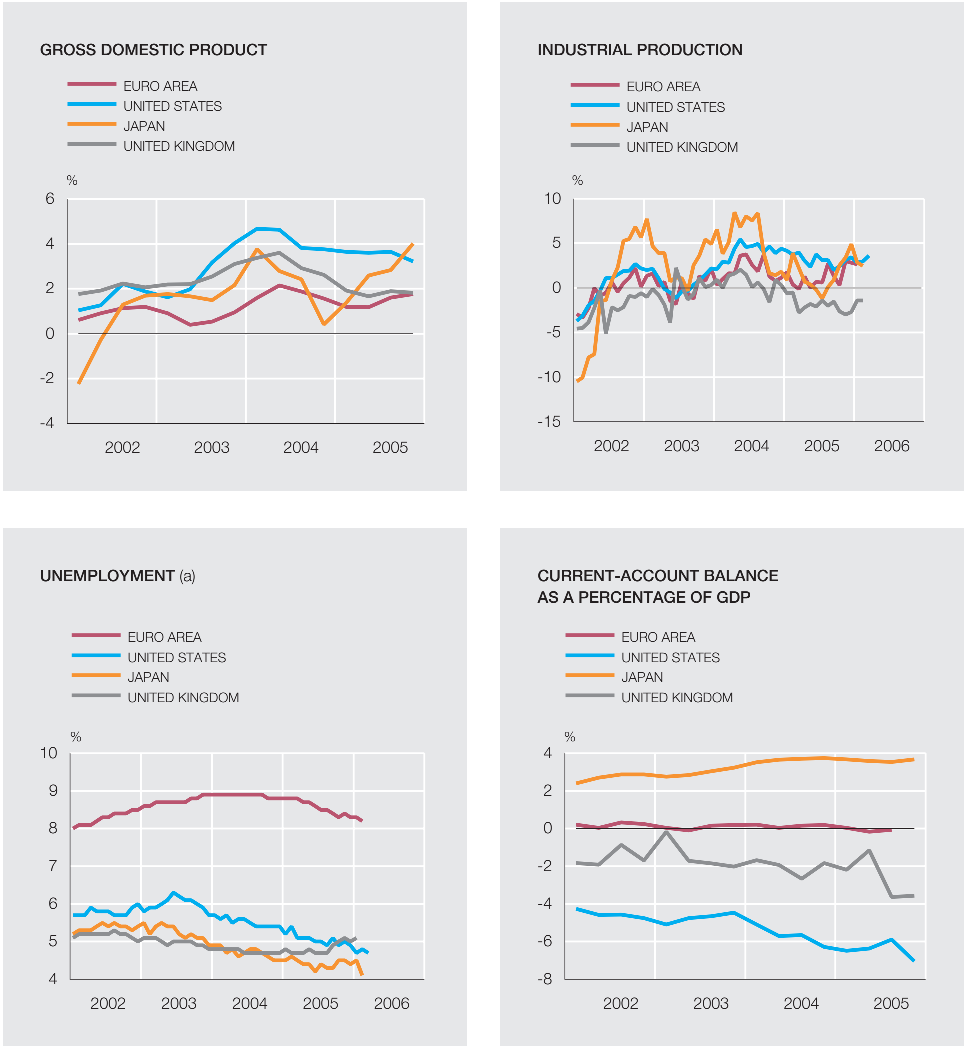
Between January and April this year, the key features in respect of economic and financial developments in the external environment of the euro area were the increase in oil prices, the favourable performance of financial markets (despite dearer oil and the moderate increase in long-term interest rates), the continuing withdrawal of monetary stimulus in the United States and the foreseeable start of a trend of the same sign in Japan.

The rise of around 28% in oil since the beginning of the year led its price to new all-time highs in April, with the price of a barrel of Brent crude exceeding $73. In recent months these upward movements have been influenced by supply-side problems and by the geopolitical instability in the Middle East and in Nigeria, against the background of continuing production and oil refining capacity constraints. Long-term futures followed this movement in spot prices closely, meaning that the futures curve continued to show similar or higher prices to the spot price for a horizon of up to two years. The hike in oil prices was accompanied by strong rises in prices of other commodities, especially industrial and precious metals, which in many cases stood at levels not seen for 20 or 25 years.

The higher oil price did not, however, appear to have a significant effect on financial markets. The rising path of US official rates thus continued, with a 25 bp increase at each of the two Federal Reserve meetings in the first four months of the year, which took the federal funds target rate to 4.75%. In the second half of April the markets discounted a further 25 bp rise, which would raise the federal funds target rate to 5% in May. Against this backdrop, there were also increases in US short and long-term interest rates. As a result, 10-year bond yields exceeded 5% in April and the slope of the yield curve resumed positive levels. Long-term interest rates in Japan also followed an upward course, standing at 2%, their highest level since 2000. On the foreign exchange markets the dollar fluctuated against the yen and the euro in a relatively narrow range, although it tended to depreciate against both in April, despite the increase in the short-term interest rate spread vis-à-vis the euro area. Corporate bond yields scarcely moved and the main stock exchanges posted minor gains, with the Nikkei index reacting positively to the change in Japan's monetary policy implementation arrangements. The emerging financial markets once again performed favourably, excepting a slight bout of volatility in the first fortnight of March. The stock markets in these areas posted rises and sovereign risk premiums generally continued to fall moderately, while exchange rates showed mixed signals.

Activity in the *United States* regained greater momentum in 2006 Q1 following the slowdown the previous quarter, when the economy grew at an annualised quarterly rate of 1.7% according to the final National Accounts revision. The Institute for Supply Management (ISM) index for the manufacturing and services sectors pointed to a dynamic expansion, despite some sluggishness in orders for durable goods and other manufactures in February. The indicators of disposable income, personal consumption and retail sales were firm in January and February, and the confidence surveys in March confirmed the continuing notable momentum of consumption throughout Q1. Also conducive to this expansion in consumption was the behaviour of the labour market, since the unemployment rate fell by 0.1 pp to 4.7% in March, and the number of unemployment benefit claimants held at a low level. Consumer prices grew moderately during the quarter and, although they rose somewhat more than was expected in March, the related year-on-year rates continue to be contained (3.4% and 2.1% for the overall index and for the underlying rate, respectively). Turning to the external sector, the trade deficit posted a new all-time high in January and only a slight correction in February, although exports have been more buoyant since the beginning of the year.

MAIN MACROECONOMIC INDICATORS CHART 5
Year-on-year rate of change

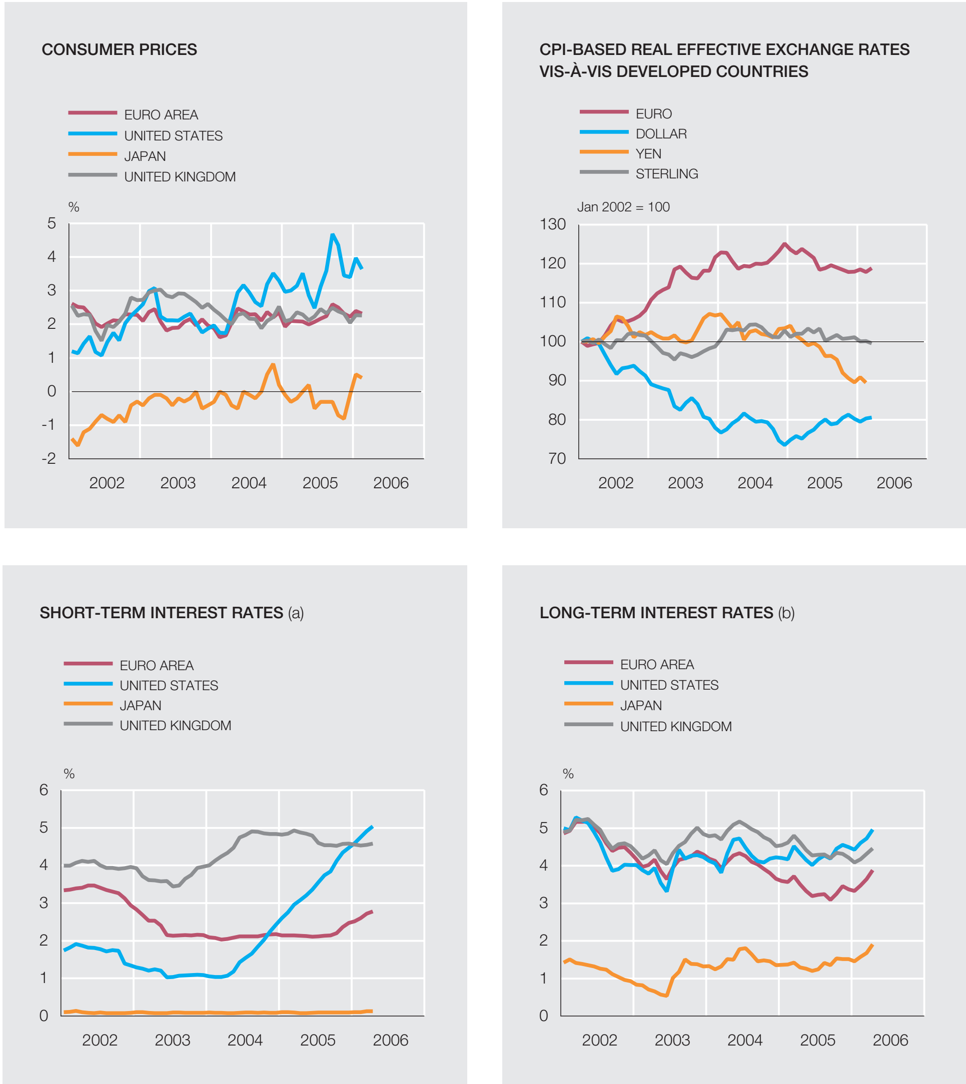


SOURCES: Banco de España, national statistics and Eurostat.

a. Percentage of labour force.

The economic performance in *Japan* in 2006 Q1 remained favourable. The dynamism of the industrial sector was confirmed both by the favourable performance of production in February and by the Tankan confidence survey for Q1, while the orders for machinery augured a robust rate of expansion of investment. Conversely, retail sales increased but slightly, despite the fact that consumer confidence was at its highest level for the past 15 years. The labour market remained notably resilient and the expansion of employment in February saw the unemployment rate cut by 0.4 pp to 4.1% of the labour force, while the nominal compensation of employees rose on January. The current account surplus also widened in February, as exports regained the momentum lost in January. Imports remained notably buoyant, led by the strength of domestic demand. As regards prices, the prospect of a permanent exit from deflation appears to be taking root as consumer prices grew for the second month running in February (at a year-on-year rate of 0.4%) and underlying inflation held at a positive rate for the fourth consecutive month (0.5% year-on-year in February). The Bank of Japan began gradually to reduce liquidity in March, in keeping with the announced change in the implementation of its monetary policy.

PRICES, REAL EXCHANGE RATE AND INTEREST RATES CHART 6



SOURCE: Banco de España.

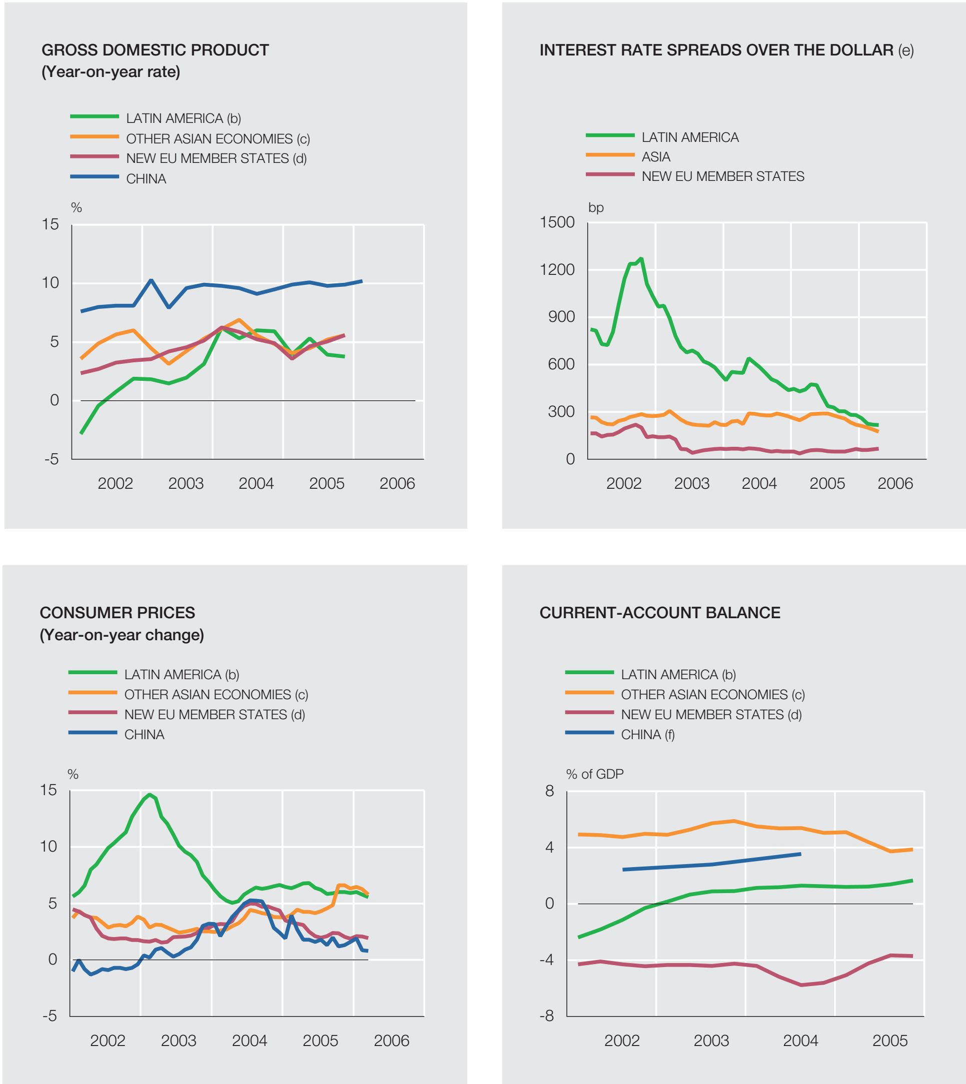
a. Three-month interbank market interest rates.
b. Ten-year government debt yields.

In the *United Kingdom*, final GDP in 2005 Q4 grew at a year-on-year rate of 1.8% owing to the slackness of private consumption, confirming the strong economic slowdown in the year as a whole. Although the contribution of external demand improved in 2005, the current account deficit in Q4 was higher than foreseen, rising to 3.6% of GDP. Most of the recent indicators show signs of sluggishness in consumption, compounded by the contraction in industrial output and manufactures in February, and the slide in the Purchasing Mangers Index (PMI) for March. Despite these developments, house prices remained on a moderately rising path. Consumer prices slowed in March, declining from a year-on-year increase of 2% to 1.8% (0.2 pp below the Bank of England's central target). Turning to the labour market, employment rose in February, although the unemployment rate was up 0.1 pp to 5.1%. Also in February, the external deficit on trade in goods and services widened again to £4.8 billion, compared with £3.8 billion in January.

In the *new EU Member States*, GDP quickened in 2005 Q4 practically across the board, posting a year-on-year rate of 5.4% on average, up from 4.9% the previous quarter. The in-

EMERGING ECONOMIES:
MAIN MACROECONOMIC INDICATORS (a)

CHART 7



SOURCES: National statistics and JP Morgan.

a. Three-month interbank market interest rates.
b. Argentina, Brazil, Chile, Mexico, Colombia, Venezuela and Peru.
c. Malaysia, Korea, Indonesia, Thailand, Hong Kong, Singapore and Taiwan.
d. Latvia, Lithuania, Estonia, Czech Republic, Hungary, Poland, Slovenia and Slovakia.
e. JP Morgan EMBI spreads. The data on the new EU Members States relate to Hungary and Poland.
f. Annual data.

crease was due to the greater buoyancy of domestic demand, which offset the lesser contribution of the external sector. A notable average growth rate (4.5%) was maintained in 2005 as a whole. This was somewhat down on the 2004 figure of 5.3% owing to the deceleration of the Polish economy, the biggest in the region. The indicators for 2006 Q1 remain favourable. Inflation has continued to trend unevenly in recent months, standing in March in a range from 0.4% year-on-year in Poland to 6.5% in Latvia. Official interest rates declined in Poland to 4%, while they rose in Slovakia and held stable in the other countries. Fiscal targets for 2005 were met in almost all the countries, with the exception of Hungary, where the budget deficit exceeded 6% of GDP. Current account deficits also differed across these countries in 2005. Although the average deficit for the region fell from 5.3% to 3.5% in 2005, owing to Poland's favourable performance, deficits exceeded 5% of GDP in seven of the ten new members.

In *Asia*, the highlight was the marked buoyancy of the Chinese economy in 2006 Q1, where GDP grew at a year-on-year rate of 10.2%, 0.3 pp up on the previous quarter. The Chinese central bank amassed a volume of foreign reserves whose outstanding balance ($875.1 billion in March) exceeded that of Japan. That places China in first position worldwide in terms of accumulated reserves. In the opening months of 2006 there was also a slight acceleration in the appreciation of the renminbi against the dollar (a total of 0.7% from January to April). The export sector regained its dynamism in March, as reflected in the high trade surplus of $23.2 billion in 2006 Q1. Foreign direct investment inflows grew once more in the first three months of the year, after having stagnated from mid-2005. CPI inflation eased in March to 0.8% compared with a year earlier, a trend which was accompanied by producer prices. The remaining indicators of activity (industrial production, investment in fixed assets and retail sales) held at a slightly more robust growth rate than in 2005 Q4. Economic activity in India eased slightly in 2005 Q4 (from 8% to 7.6% year-on-year) following several quarters of strong growth, although it ended the year with an expansion of 8%, up on the 2004 figure of 7.4%. Economic activity continued to expand strongly in most of the other South-East Asian countries during 2006 Q1.

In *Latin America*, 2005 ended with year-on-year growth of 4.3%. This was a notable figure, but substantially down on the exceptional previous year (5.8%) owing to some easing in activity in the second half of the year. The favourable behaviour of the financial markets made it easier to take measures aimed at reducing exposure to external debt. Brazil and Chile thus announced new legislation to promote the entry of foreign investors on the local debt markets, while Uruguay repaid its IMF loan instalment for 2006 ahead of schedule, and Venezuela and Brazil bought back their remaining Brady bonds. On the prices front, the moderation of inflation rates in Mexico and Brazil allowed the process of interest-rate cuts to continue, although in Mexico's case the scope for further reductions is already limited. By contrast, upward price pressures in Argentina remained considerable, although the 12-month inflation rate stabilised somewhat in 2006 Q1 (at around 12%), a development assisted in part by the government measures to restrict price rises.

The information available on economic developments in the euro area in the first few months of 2006 points to consolidation of a recovery scenario, underpinned by vigorous world trade and the progressive strengthening of domestic demand, especially private investment. However, there remain downside risks arising from the uncertain path of consumption and employment and, in particular, the persistence of high oil prices. The relevance of this latter risk factor has been highlighted by the substantial rise in the price of crude oil in April, to more than $70 a barrel.

Price developments in 2006 Q1 provided little new to the assessment of underlying inflationary pressures, which were relatively contained. The growth rate of the HICP, which has held at levels slightly above the medium-term price stability target, continued to reflect, through its energy component, the fluctuations of oil prices, while the prices of the less volatile components of the index increased at a moderately stable rate. That said, the growing perception (which recent events do no more than confirm) that the rise in the price of oil is not a temporary phenomenon tends to increase the risks that rises in production costs will eventually feed through to prices in all sectors and that wage moderation will come to an end, especially if the labour market recovers. Overall, the Q1 conjunctural information tends to confirm a central scenario, in which moderate upside risks to price stability persist against a background of progressively strengthening economic activity in the area.

Against this backdrop, the ECB Governing Council decided to take a further step in reducing the expansionary stance of its monetary policy to ensure that medium and long-term inflation expectations are kept anchored, and at the beginning of March it raised its official rates by 25 basis points to 2.5%. This increase ended a prolonged period of negative short-term real interest rates, although the monetary policy stance remains clearly accommodative and conducive to an expansion of domestic demand, which has yet to become fully entrenched.

As regards fiscal policy, the aggregate budget deficit of the area stood, on provisional data, at 2.4% of GDP. This figure is 0.1 pp less favourable than that obtained by aggregating the targets set by the Member States in their Stability Programmes at the beginning of the year. However, the actual deficit was half a percentage point lower than that projected by the European Commission in the autumn, this being partly attributable to the improvement in the economic situation. As regards future budget plans, those countries in an excessive deficit situation have projected in their most recent stability programmes (the first to be submitted following the reform of the Stability and Growth Pact) adjustment paths that are generally consistent with the requirement for an annual improvement in the structural balance of 0.5% of GDP or more and with the deadlines established in the respective excessive deficit procedures. However, on occasions, the objectives set may suffer from a certain arbitrariness, as reflected in the scant definition of the measures that would permit them to be achieved.

3.1 Economic developments

According to the national accounts of the euro area for 2005 Q4, the area's GDP grew by 0.3% in quarter-on-quarter terms, 0.4 pp less than in the previous quarter (see Table 1). This weak growth rate largely reflects technical factors such as incomplete adjustment for calendar effects and seasonal adjustment complications in certain countries. The year-on-year rate, a more accurate reflection of the trend in economic growth, was 0.2 pp up from Q3, at 1.8%.

EURO AREA ECONOMIC INDICATORS TABLE 1

	2004		2005				2006	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
GDP								
Year-on-year growth	1.9	1.6	1.2	1.2	1.6	1.8		
Quarter-on-quarter growth	0.3	0.2	0.3	0.4	0.7	0.3		
European Commission forecasts (c)							(0.4; 0.8)	(0.3; 0.8)
IPI (d)	2.5	1.1	0.8	0.7	1.5	2.1	*2.6*	
Economic sentiment	100.2	100.5	98.7	96.1	97.7	100.1	102.6	
Industrial confidence	-3.7	-3.7	-6.7	-10.3	-7.7	-6.0	-2.3	
Manufacturing PMI	53.9	51.4	51.4	49.3	51.0	53.0	54.7	
Services confidence	11.3	11.3	10.7	9.0	11.0	13.7	14.7	
Services PMI	54.4	52.9	53.1	53.1	53.8	55.6	57.8	
Unemployment rate	8.9	8.8	8.8	8.7	8.5	8.4	*8.2*	
Consumer confidence	-14.0	-13.0	-13.3	-14.3	-14.7	-12.3	-10.7	
HICP (d) (e)	2.1	2.4	2.1	2.1	2.6	2.2	2.2	
PPI (d) (e)	3.3	3.6	4.2	4.0	4.4	4.7	*5.4*	
Oil price in USD (e)	43.3	39.7	53.3	54.0	62.6	56.5	61.6	*69.5*
Loans to the private sector (d) (e)	6.5	7.2	7.6	9.2	9.7	10.4	10.8	
Euro area ten-year bond yield	4.2	3.8	3.7	3.4	3.3	3.4	3.6	*4.0*
US-euro area ten-year bond spread	0.14	0.36	0.67	0.80	0.98	1.12	1.06	*1.02*
Dollar/euro exchange rate (e)	1.241	1.362	1.296	1.209	1.204	1.180	1.210	*1.232*
Appreciation/Depreciation of the euro (e)	-1.7	7.8	-4.8	-11.2	-11.6	-13.4	2.6	*4.4*
Dow Jones EURO STOXX Broad index (e)	1.5	9.9	4.3	8.9	17.7	23.0	10.3	*11.6*

SOURCES: Eurostat, ECB and Banco de España.

a. The information in italics does not cover a full quarter.
b. Information available up to 21 April 2006.
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.

The slowdown in output with respect to the previous quarter was mainly attributable to the reduced buoyancy of every component of domestic demand, except inventories. Thus, private consumption grew by 0.1%, government consumption was unchanged and the contraction in equipment investment was only partly offset by the greater momentum in construction, so that the growth rate of gross fixed capital formation declined (see Box 1). External demand deducted 0.2 pp from the increase in output, having made a zero contribution in the preceding quarter, as a consequence of the sharp slowdown in exports, which was only partly offset by that in imports. Finally, the change in inventories contributed 0.4 pp to GDP growth, following a zero contribution in Q3 (see Chart 8).

The country breakdown of the national accounts shows that the slowdown in output in Q4 was concentrated in the three largest countries of the area. In Germany and Italy, where quarter-on-quarter GDP growth was zero, domestic demand excluding inventories declined notably, while in France, where 0.4% growth was recorded, its strength was sustained. As regards net exports, their contribution to output was considerably smaller in Germany and France, while it improved slightly in Italy. In Spain, Belgium and Austria, however, GDP grew at a higher rate than in Q3, while in the Netherlands its growth rate held unchanged.

In terms of branches of production, the loss of momentum was, albeit unevenly, shared by all of them except construction, whose value added accelerated by 0.7 pp to 1%. In the labour

RESIDENTIAL INVESTMENT IN THE EURO AREA COUNTRIES

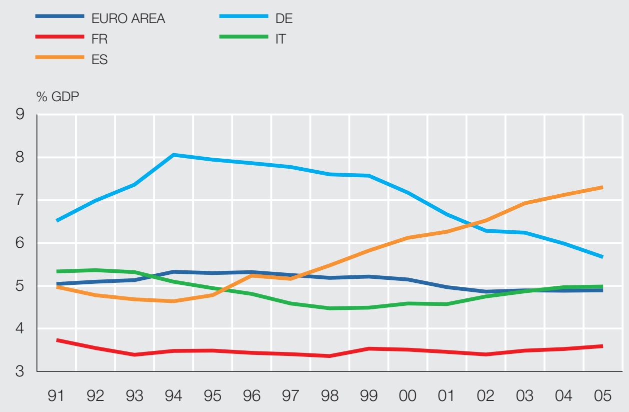
BOX 1

Residential investment is the macroeconomic aggregate that comprises households' acquisition of housing (both for own use and for investment). This, along with the purchase of property by firms and public infrastructure investment, makes up construction investment, a fundamental part of gross fixed capital formation. As seen in Chart 1, the relative weight of this demand component has declined, since peaking as a percentage of the area's GDP in 1994-1996, especially since the start of Economic and Monetary Union.

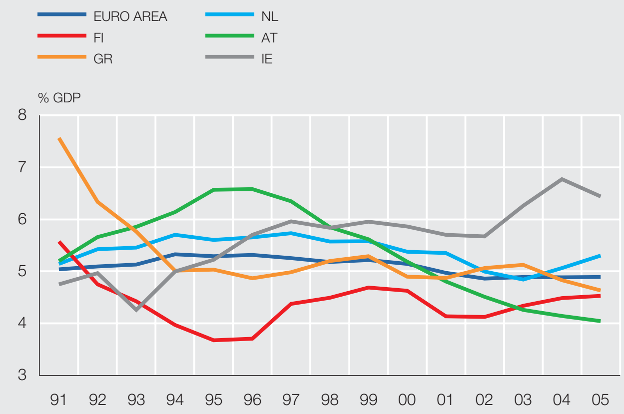
Charts 1 and 2 show how, in 2005, the weight of residential investment in GDP in the euro area as a whole was slightly below its value at the beginning of the 1990s (5%). However, the relative importance of residential investment varies greatly across the euro area countries, its weight in GDP ranging from a minimum of less than 4% in France to a maximum of more than 7% in Spain. Moreover, there have been large differences in its path over the last 15 years: in a first group, made up of France, Italy, the Netherlands, Finland and Greece, the percentage of GDP has held steady at around its long-term average, with fluctuations of varying magnitude. Meanwhile, in Germany and Austria the importance of residential investment has been gradually declining, following the boom at the beginning of the 1990s, while the opposite situation has been seen in Spain and Ireland, where it has progressively gained importance.

Focusing the analysis on the most recent period (from the start of Monetary Union until 2005), Charts 3 and 4 show the changes in the main determinants of residential investment for most euro area countries, i.e. household real disposable income, population growth and the user cost of housing (a variable that, in turn, depends positively on interest rates and negatively on changes in house prices). As regards disposable income, which would be a measure of household purchasing power, and population, the growth of which, in specific age groups, usually entails greater demand for housing, associated with household formation, there seems to be a positive relationship between the changes therein and residential investment. Also, since 1999, there has been a close relationship in most countries between residential investment and the user cost of housing. This latter variable has behaved very differently across countries, basically on ac-

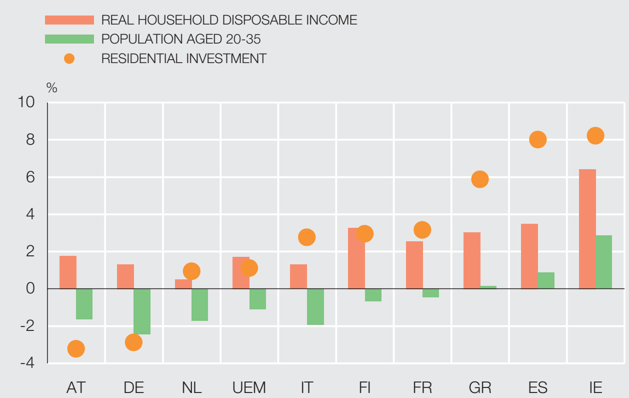
1. RESIDENTIAL INVESTMENT



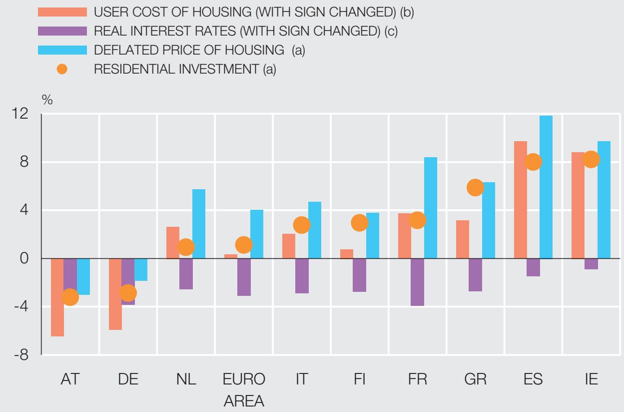
2. RESIDENTIAL INVESTMENT



3. DETERMINANTS OF RESIDENTIAL INVESTMENT (a)



4. DETERMINANTS OF RESIDENTIAL INVESTMENT



SOURCES: ECB and Eurostat.

a. Average annual change between 1999 and 2005, except for the price of housing (1999-2004)
b. Average 1999-2004.
c. Average 1999-2005.

count of the different behaviour of house prices, since real interest rates on mortgage loans have held at relatively similar levels in the various countries, with the exception of Spain and Ireland, where they have been lower. This has primarily been a consequence of the existence in these countries of higher inflation rates, but also of the higher relative weight of loans with variable rates based on interbank market yields which, in the period considered, have held below those on long-term debt.

The case of Germany merits special mention. The average rate of change of residential investment in this country during the period 1999 to 2005 was -2.7%, owing to the unfavourable trends in its determinants and, also, to the correction of the excessive investment in that country in the first half of the 1990s which has been holding back the growth of that variable (and, in general, that of construction investment) since the middle of that decade. In fact, in the period analysed, the average rate of growth of residential investment in the euro area, excluding Germany, was 3.7%, well above the rate of 1.3% for the area as a whole.

As for the outlook, the latest indicators seem to show that the decline in residential investment in Germany has bottomed out. This can be expected to give rise to a more favourable trend in that variable in the area as a whole, which would be reinforced by the improvement in household disposable income, against a background of higher growth in activity and employment. At the same time, however, a moderation in the growth rate of residential investment can be expected in those countries that have recorded very large increases in house prices in recent years, to the extent that these increases begin to subside.

market job creation was weak, running at a year-on-year rate of 0.8%, so that growth in apparent labour productivity remained relatively steady, at slightly below 1%. From the viewpoint of domestic price formation, unit labour costs grew in 2005 Q4 by less than the GDP deflator, so that profit margins widened further (see Chart 10).

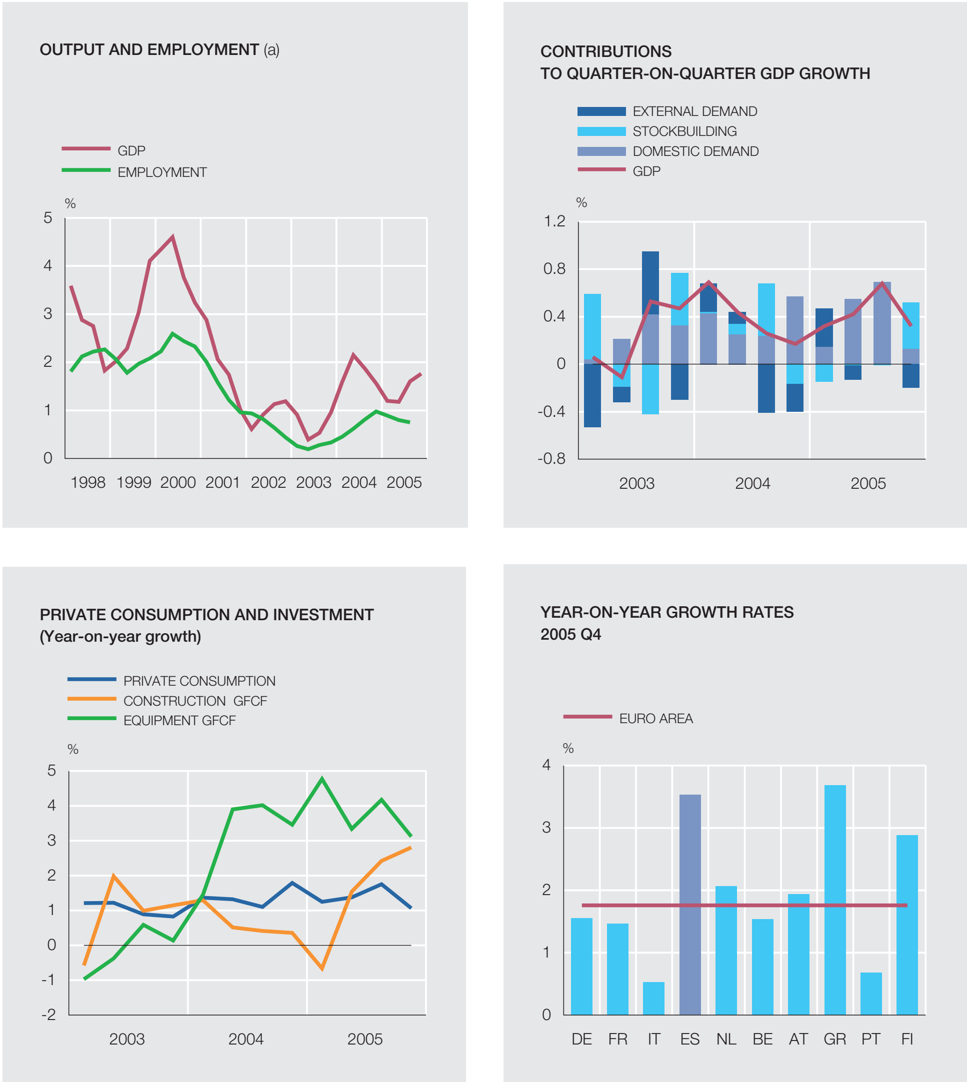
In 2005 as a whole, GDP grew by 1.4%, down 0.4 pp from 2004. The lower buoyancy of output was attributable to the decline in the contributions of net exports and changes in inventories, while the contribution of domestic demand rose slightly. This was the result of an increase in the growth rate of gross fixed capital formation and government consumption, while household consumption expenditure expanded at the same rate as in the previous year (1.4%). Foreign trade subtracted 0.2 pp from GDP growth, as exports slowed by more than imports.

Developments in the latest indicators show, overall, a rise in the rate of GDP expansion in 2006 Q1. As regards supply-side indicators, the industrial production index (excluding construction), on provisional data, increased by around 1% in January and February, with respect to the 2005 Q4 average, which made a year-on-year rate of change of slightly more than 3%. Meanwhile, survey-based qualitative indicators displayed very positive trends in Q1. In particular, the European Commission's industrial and construction confidence indicators showed net improvements and the manufacturing purchasing managers' index compiled by Reuters stood clearly above 50, consistent with an expansion in activity (see Chart 9). The services sector surveys also showed favourable signs, although these were more modest in the case of the European Commission survey than in that of purchasing managers' opinion (see Table 1). Finally, survey-based employment indicators increased in Q1. The increase was larger in industry and construction than in services (see Chart 10). The rate of unemployment, for its part, fell to 8.2% in February, down 0.2 pp from December 2005.

On the demand side, the available indicators offer patent signs of strengthening of investment and exports, but not such clear ones in relation to private consumption. Thus, retail sales, the monthly indicator most closely correlated with private consumption, grew at a low rate on

EURO AREA NATIONAL ACCOUNTS

CHART 8



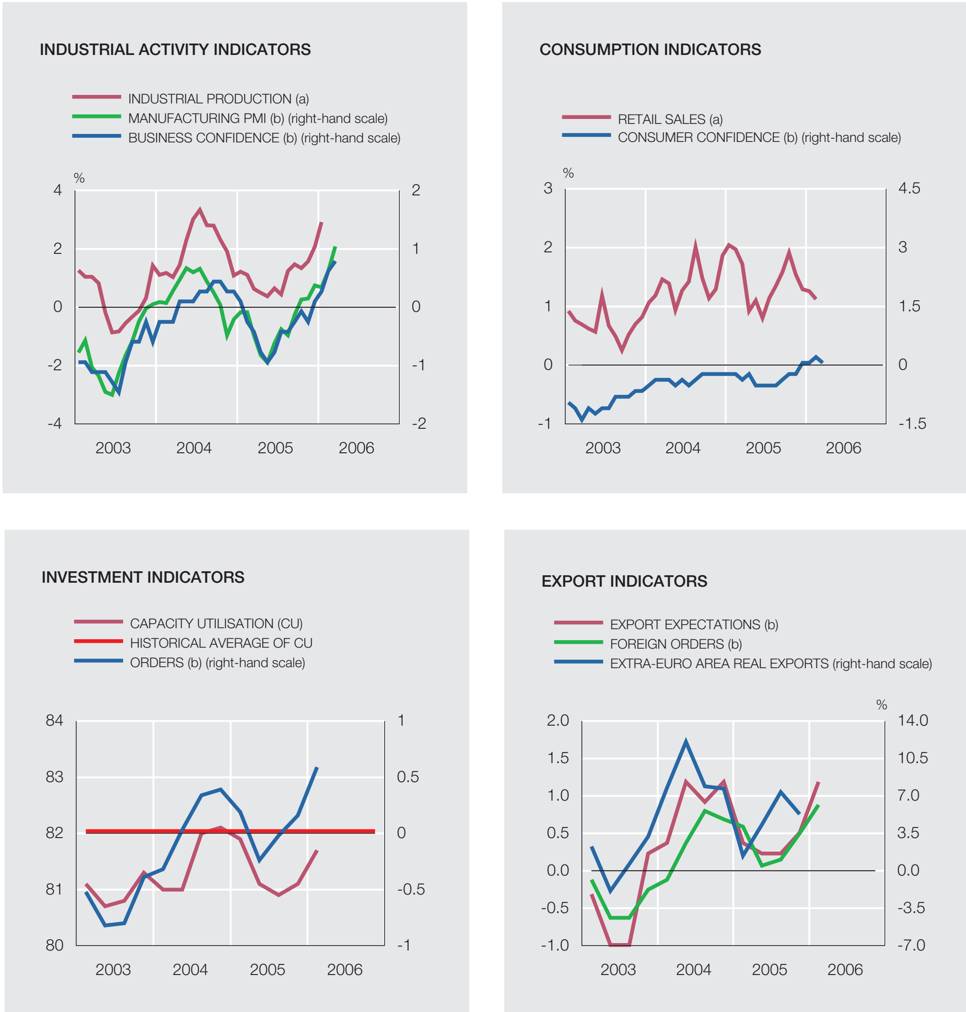
Sources: Eurostat and national statistics.

a. Year-on-year rates of change.

average in January and February, down slightly from the previous quarter. In contrast, car registrations and consumption-related surveys displayed a more favourable trend. In fact, in Q1 the consumer confidence indicator stood, for the first time since mid-2002, in line with its long-term average. As for investment indicators, businesses' assessment of order books and capacity utilisation improved, although the latter is still below its average level in recent years. For their part, the exports data from the January trade balance reflected greater dynamism in sales to the rest of the world, and both the European Commission's quarterly indicator of industrial export expectations and the survey of the monthly trend in foreign order books increased notably in Q1.

Overall, the available indicators of developments in activity in the euro area in Q1 would be consistent with an increase in the quarter-on-quarter GDP growth rate that could be in the range 0.4%-0.8% estimated by the European Commission (see Table 1) and several private analysts. Output would be driven by the strengthening of exports and gross fixed capital formation, against a background of favourable monetary and financial conditions, while consumption would continue to grow at a slower rate than investment. The faltering path still

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.

displayed by consumption and employment in some Member States represents the main internal source of uncertainty surrounding the degree of strength of the economic expansion in the coming months. Also, the downside risks indicated in previous quarters, arising from the persistence of high oil prices and, more in the medium term, from a potentially disorderly correction of the global macroeconomic imbalances, still exist. The rise in oil prices in April to over $70 a barrel accentuates these risks.

Price indicators in Q1 continued to reflect the impact of energy price movements. Thus, following a rise in January, inflation tended to moderate, dipping to its end-2005 levels. The Harmonised Index of Consumer Prices (HICP) rose by 2.2% year-on-year in March, the same rate as in December, as a result of a slowdown in energy, unprocessed food and, to a lesser extent, services prices (see Chart 10), which offset the rise in processed food prices. Underlying inflation, measured in terms of the HICP excluding unprocessed food and energy, remained steady, and stood in March at 1.4%. By country, with respect to the end of the previous quarter inflation fell slightly in Germany and France, and, to a greater extent in the Netherlands and Belgium, while there were mild increases in the rate of change of prices in Spain and Italy.

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

CHART 10

SOURCES: Eurostat and European Central Bank.

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

Producer prices, for their part, increased in February at a year-on-year rate of 5.4%, up 0.7 pp from December. The main reason for this rise was the acceleration in the energy component, although there were also mild increases in the growth rates of intermediate and consumer goods prices.

Inflation expectations remained at levels in line with price stability and no second-round wage effects were apparent. However, tensions in the markets for oil and non-energy commodities have increased the upside risks surrounding future price developments. In addition, the strengthening of activity may accentuate inflationary pressures, to the extent that it stimulates wage demands and a greater pass-through from production costs to final prices.

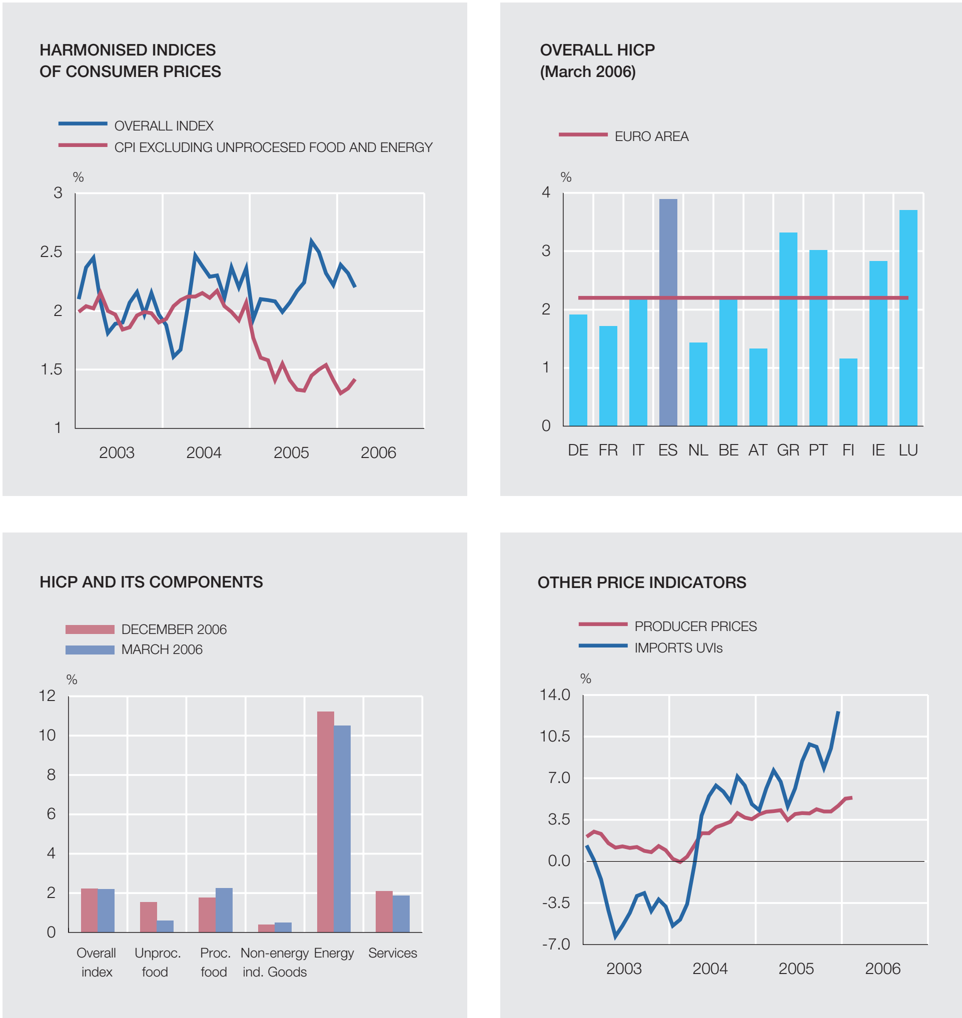
According to data published by the ECB, the current-account deficit in January 2006 was €11.3 billion, as against €5.8 billion in the same period of the previous year. This increase was basically attributable to the deterioration in the goods balance, which moved into deficit in January as imports had grown faster than exports over the previous 12 months. Net capital outflows in the form of portfolio investment that were much higher than net inflows under the heading of direct investment were also observed in January, and there was a decline from the previous year in net inflows of “other investment”, so that there was a negative basic balance of €44.4 billion, up from the negative balance of €33.6 billion in January 2005.

As regards budgetary developments in the euro area in 2005, the area deficit is estimated to have been 2.4% of GDP, while the debt ratio increased by 1 pp to around 71% of GDP. Just two months before the end of the year, in its autumn forecasts, the European Commission estimated that the deficit would be 0.5 pp higher than it actually was. The improvement seems to have been primarily a result of the increase in tax receipts owing to the more favourable cyclical conditions, although a rigorous budget outturn in some countries may also have contributed. These developments are a good starting point for a step-up in budgetary consolidation in 2006 (see Table 2).

EURO AREA. PRICE INDICATORS

Year-on-year percentage changes

CHART 11



SOURCES: Eurostat and European Central Bank.

By country, Germany, Greece, Italy and Portugal recorded budget deficits equal to 3% of GDP or more, while in France the budget deficit was reduced by 0.8 pp to 2.9%. Among the countries in breach of the limit laid down in the SGP, the deficit was reduced in the first two, while in the latter two it rose by 0.7 pp and 2.8 pp, to 4.1% and 6% of GDP, respectively. However, in Portugal, about two-thirds of the deterioration corresponded to the decline in the recourse to temporary measures, while in Italy this factor explains almost the entire deterioration. In fact, as the impact of macroeconomic conditions was unfavourable in Italy, the cyclically adjusted primary balance net of such measures improved.

Regarding the application of the excessive deficit procedures, in Germany the European Commission's December 2004 notification required correction of the excessive deficit by 2005 at the latest. Since the deficit for that period exceeded 3% of GDP, in March 2006 the Council adopted a decision pursuant to Article 104 (9) of the Treaty (for the second time, following the Greek precedent) in which it framed a warning to the German authorities to take measures to correct the excessive deficit. The Council has determined that the period within which the deficit must be reduced to below 3% of GDP ends in 2007. In the case of Italy, meanwhile, the Commission has assessed the measures taken by the authorities in response to the recommendation made pursuant to Article 104 (7) positively, albeit with some reservations.

GENERAL GOVERNMENT BUDGET BALANCES OF EURO AREA COUNTRIES (a)

TABLE 2

% of GDP

	2003	2004	2005 (b)	2005 (c)	2006 (d)
Belgium	0.1	0.0	0.0	0.1	0.0
Germany	-4.0	-3.7	-3.9	-3.3	-3.3
Greece	-5.8	-6.9	-3.7	-4.5	-2.6
Spain	0.0	-0.1	0.2	1.1	0.9
France	-4.2	-3.7	-3.2	-2.9	-2.9
Ireland	0.2	1.5	-0.4	1.0	-0.6
Italy	-3.4	-3.4	-4.3	-4.1	-3.5
Luxembourg	0.2	-1.1	-2.3	-1.9	-1.8
Netherlands	-3.1	-1.9	-1.8	-0.3	-1.5
Austria	-1.5	-1.1	-1.9	-1.5	-1.7
Portugal	-2.9	-3.2	-6.0	-6.0	-4.6
Finland	2.5	2.3	1.9	2.6	1.6
MEMORANDUM ITEM: Euro area					
Primary balance	0.4	0.5	0.3		0.7
Total balance	-3.0	-2.8	-2.9	-2.4	-2.3
Public debt	69.3	69.8	71.7	70.8	70.8

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

a. As a percentage of GDP. Deficit (–) / surplus (+). The deficits that exceed 3% of GDP have been shaded.
b. European Commission forecasts (autumn 2005).
c. Spring 2006 notifications of Excesive Deficit Procedure.
d. Stability programme targets

Achievement of the targets contained in the budget plans for 2006 and the new Stability Programmes would entail an aggregate euro area deficit of 2.3% of GDP in 2006 and 1.8% in 2007. Among the countries in an excessive deficit situation, the balance in Germany is projected to remain unchanged in 2006 and to improve to –2.5% of GDP only in 2007. The German authorities have adopted a neutral fiscal policy for 2006 so as not to hinder the recovery in activity, postponing the correction of the excessive deficit to 2007. According to the plans presented, the correction of 0.5% per annum in the cyclically adjusted balance net of temporary measures required by the Stability and Growth Pact will only be achieved in 2006 and 2007 on average. Most of the budgetary consolidation is to fall on the revenue side, in the form of a 3 pp increase in the standard VAT rate and a widening of the tax bases, partly offset by lower unemployment contributions. On the spending side, the adjustment will be supported by continuation of strict implementation of the budget. In France, the Stability Programme seeks to keep the deficit below 3% of GDP, basically through containment of public expenditure. The European Commission, in its assessment of the programme, has stated the need to secure strict compliance with the spending limits established to ensure that the deficit targets are met. In Italy, the Stability Programme projects a decline in the deficit to 3.5% of GDP in 2006, accompanied by a further reduction in the use of temporary measures. In a similar vein, the Commission has indicated that there is a notable risk that the projected spending containment will not take place. Also, beyond the present year, the measures to achieve the targets are not described in sufficient detail. The deficits in Greece and Portugal are projected to be below 3% of GDP within the periods laid down in the excessive deficit procedures, i.e. in 2006 and 2008, respectively. In general, the programmes of these five countries do not aspire to meet their medium-term targets (close to budget balance) until the end of the decade.

STABILITY PROGRAMMES: DEGREE OF PAST COMPLIANCE AND OUTLOOK FOLLOWING THE REFORM OF THE STABILITY AND GROWTH PACT

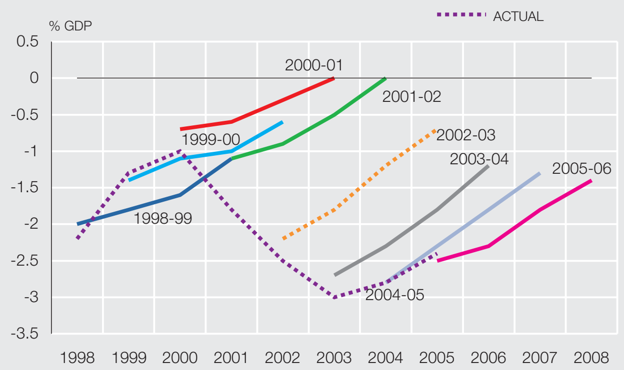
BOX 2

The Stability and Growth Pact (SGP) was conceived as a cornerstone of the edifice of Monetary Union with the aim of committing euro area Member States to budgetary discipline. At the same time, the Pact sought to allow fiscal policy to respond flexibly and within certain limits to the business cycle. In practice, however, the application of the SGP has not always been in step with these objectives. Ultimately, the difficulties that arose in 2003 and 2004 in the course of the Excessive Deficit Procedures initiated against Germany and France prompted the revision of the Pact, which the European Council finally ratified in March last year. Among other changes, the reform defines medium-term objectives for the structural balance (i.e. the cyclically adjusted balance adjusted net of temporary measures), which have to be more demanding for the countries with lower potential growth and with more indebted general government sectors. Further, it outlines the path to approach these goals for those countries that have not yet attained them. Specifically, the structural balance should improve annually, as a general rule, by at least 0.5% of GDP.

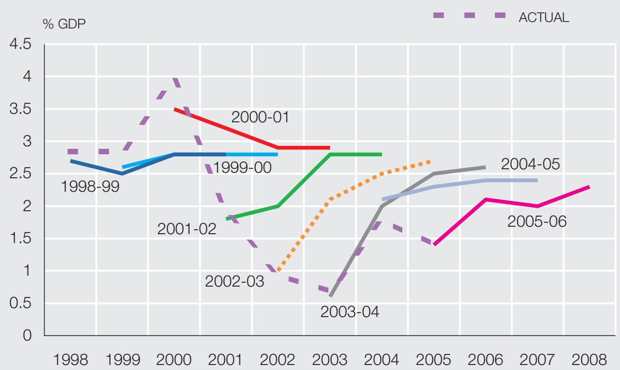
In both its original and reformulated versions, the SGP requires euro area members to submit, around the end of each year, the so-called Stability Programmes. These describe the future budgetary targets, conditional upon a specific underlying macroeconomic scenario. Since the first programmes were submitted in autumn 1998-1999, eight generations of these documents have followed.

In general, the sequence of programmes has left a trail of successive failures to comply. Only at the start of Monetary Union were the goals set achieved, although this was due exclusively to the unexpectedly favourable contribution of the cycle (see Charts 1 and 2). Thus, in 2000, the budget deficit for the area stood at the levels projected in the programmes drawn up a year earlier, despite the fact that economic growth had more than outpaced the forecasts. From 2001, moreover, these documents systematically erred, as it was predicted that the slowdown in activity would be less persistent and profound than was actually the case, meaning that budgetary targets were revised successively downwards. Hence, in 2003, with output growth of 0.7%, the area's budget deficit rose to 3% of GDP. That was in strong contrast to the balanced budget projected for that year in the programmes submitted at the end of 2000 when economic growth was running at 2.9%. Nonetheless, in almost all the years, the up-

1. BUDGET BALANCE PROJECTED IN THE STABILITY PROGRAMMES GENERATED (a)



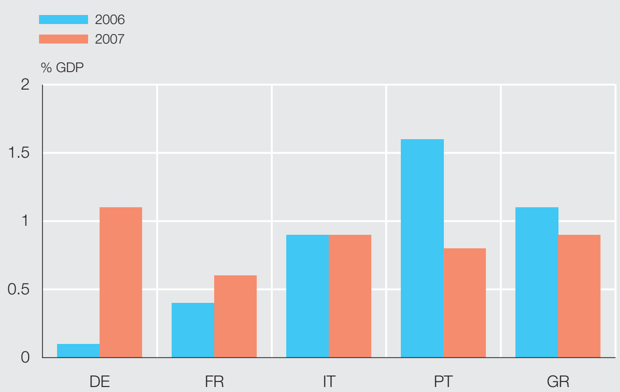
2. REAL GDP PROJECTED IN THE STABILITY PROGRAMMES GENERATED (a)



3. ONE-YEAR-AHEAD FORECASTING ERRORS

	1999	2000	2001	2002	2003	2004	2005 (b)
Budget blance (c)	0.5	0.1	-1.2	-1.6	-1.2	-0.2	-0.1
GDP growth (c)	0.3	1.2	-1.3	-1.1	-1.4	-0.2	-0.9
Estimation of the impact of the GDP forecasting error on the balance (d)	0.2	0.6	-0.6	-0.5	-0.7	-0.1	-0.5

4. STRUCTURAL BALANCE ADJUSTMENTS ENVISAGED IN THE LATEST STABILITY PROGRAMMES OF THE COUNTRIES IN AN EXCESSIVE DEFICIT SITUATION



SOURCES: Stability Programmes and European Commission.

a. The continuous lines plot the Stability Programme targets submitted between the end of the year first mentioned and the start of the following year.
b. Provisional.
c. Difference between the budget balance (or GDP growth) observed in each year and that projected a year earlier in the Stability Programmes.
d. Proxied by the product of the sensitivity of the budget balance to the cycle (estimated as 0.5 for the area as a whole) and the GDP forecasting error.

ward deviation in the deficit from the targets set in the programmes prepared at the end of the previous year can only be explained partly by the error committed in the GDP growth forecast (see Table 3). That indicates that the expansionary discretionary policies also contributed to the deficit targets being surpassed.

Between late 2005 and early 2006, the first programmes following the SGP reform were submitted. Among the five countries in an excessive deficit situation, Greece, Italy and Portugal set as their target an adjustment to the structural balance of more than 0.5% of GDP in each of the two coming years, in step with the new requirements (see Chart 4). Conversely, Germany and France would only meet the prescribed target over the two-year period as a whole.

The prospect, on this occasion, that the goal of moving towards correcting the area's fiscal imbalances will be met is somewhat more favourable than in recent years. In particular, along with the institutional changes in the wake of the reform of the Pact, the budgetary targets are based on more realistic GDP growth projections, precisely against the background of the growing firmness of the recovery. As a result, the setting is more conducive to the announced structural-deficit-correction drive being pursued in practice. It is also significant that in 2005 the actual deficit should have worsened to a lesser extent than would have been accounted for by the cycle.

However, the limited resolve shown in the past by numerous governments to move towards fiscal consolidation is an inauspicious precedent that advises caution when judging ex-ante to what extent the plans will be met. In addition, in its evaluation of the programmes of the Member States in an excessive deficit situation, the European Commission considered that the degree of detail of the measures enabling the goals to be met was insufficient, or that the margin by which it was intended to meet the requirement to correct the structural deficit by half a percentage point per year was very tight, meaning that any setback might require the application of additional measures. Lastly, in several of these cases, the medium-term objectives would be met only at very distant time horizons.

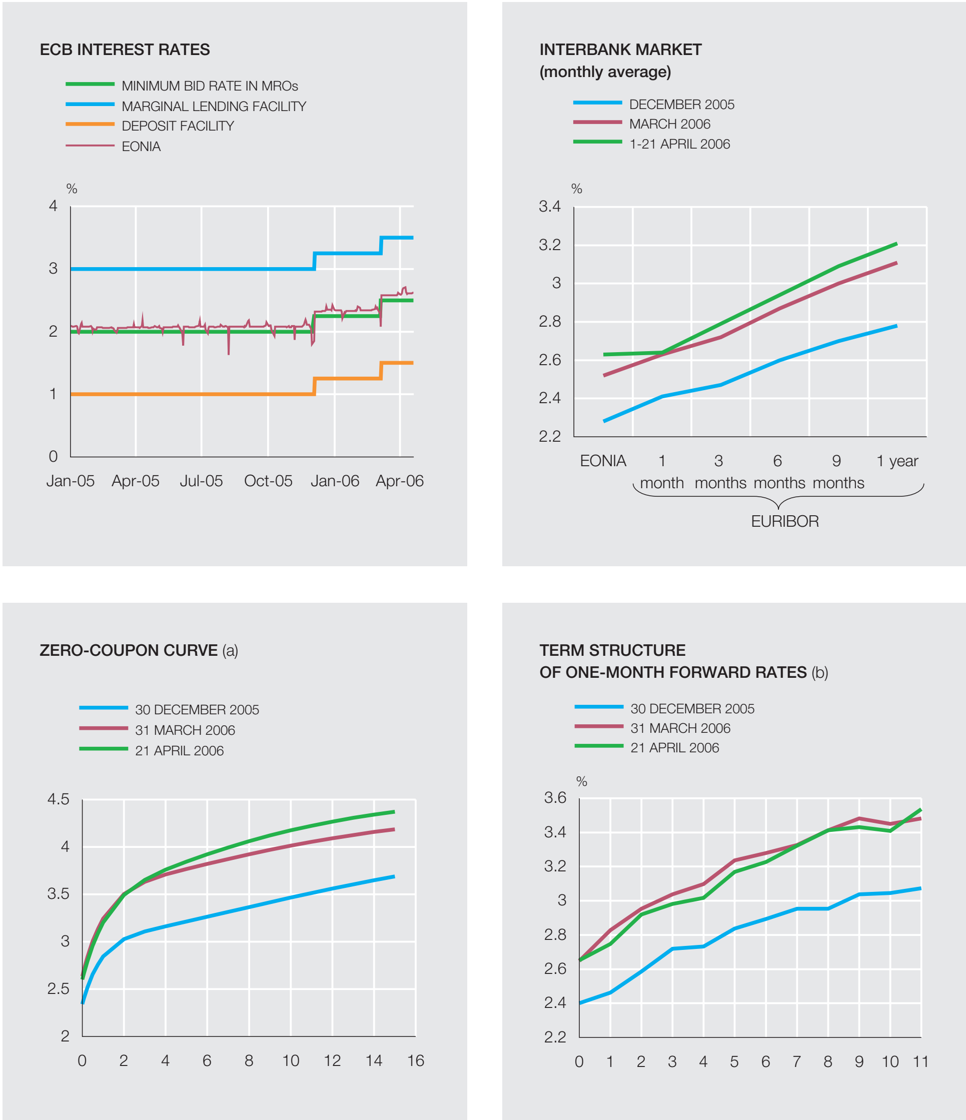
In short, although there was a modest improvement in public finances in 2005, the situation in many countries remains worrying. Moreover, the degree of ambition in the latest stability programmes contrasts with the persistence of high deficits. On past experience, delaying fiscal consolidation during a period of strengthening economic activity gives rise to imbalances that are very persistent in the medium term. Thus, the excessive deficit countries should take advantage of the current more favourable economic conditions to comply with their obligations (see Box 2). Finally, in the area of structural reforms, the March 2006 European Council reiterated its commitment to relaunching the Lisbon agenda, insisting on the importance of application by national authorities of the measures contained in their national reform programmes, in order to strengthen medium-term growth and employment generation.

3.2 Monetary and financial developments

In the first quarter of the year, the ECB Governing Council considered that the risks to medium-term price stability had increased significantly, as a result of the rise in oil prices, against an economic background in which the prospects for a strengthening of activity had clearly improved. Consequently, at its meeting of 2 March, it raised its official interest rates by 25 basis points. Thus, the interest rates on its main refinancing operations, the deposit facility and the marginal lending facility stood at 2.5%, 1.5% and 3.5% respectively (see Chart 12). Subsequently, at its April meeting, the ECB announced that it would continue to monitor economic developments very closely to ensure that risks to price stability over the medium term did not materialise.

In the opening months of the year, money market interest rates reflected the change in monetary policy stance by rising at all maturities. Thus, the one-month forward rate curve had shifted upwards and steepened by mid-April (see Chart 12). On the debt markets, yields negotiated at the 10-year maturity also rose, not only as a result of the signals from short-term rates but also because of the strengthening of activity. By mid-April they had reached 4.2%, up 0.7 pp from end-2005. An increase of the same size in the yield on 10-year debt

EURO AREA INTEREST RATES CHART 12



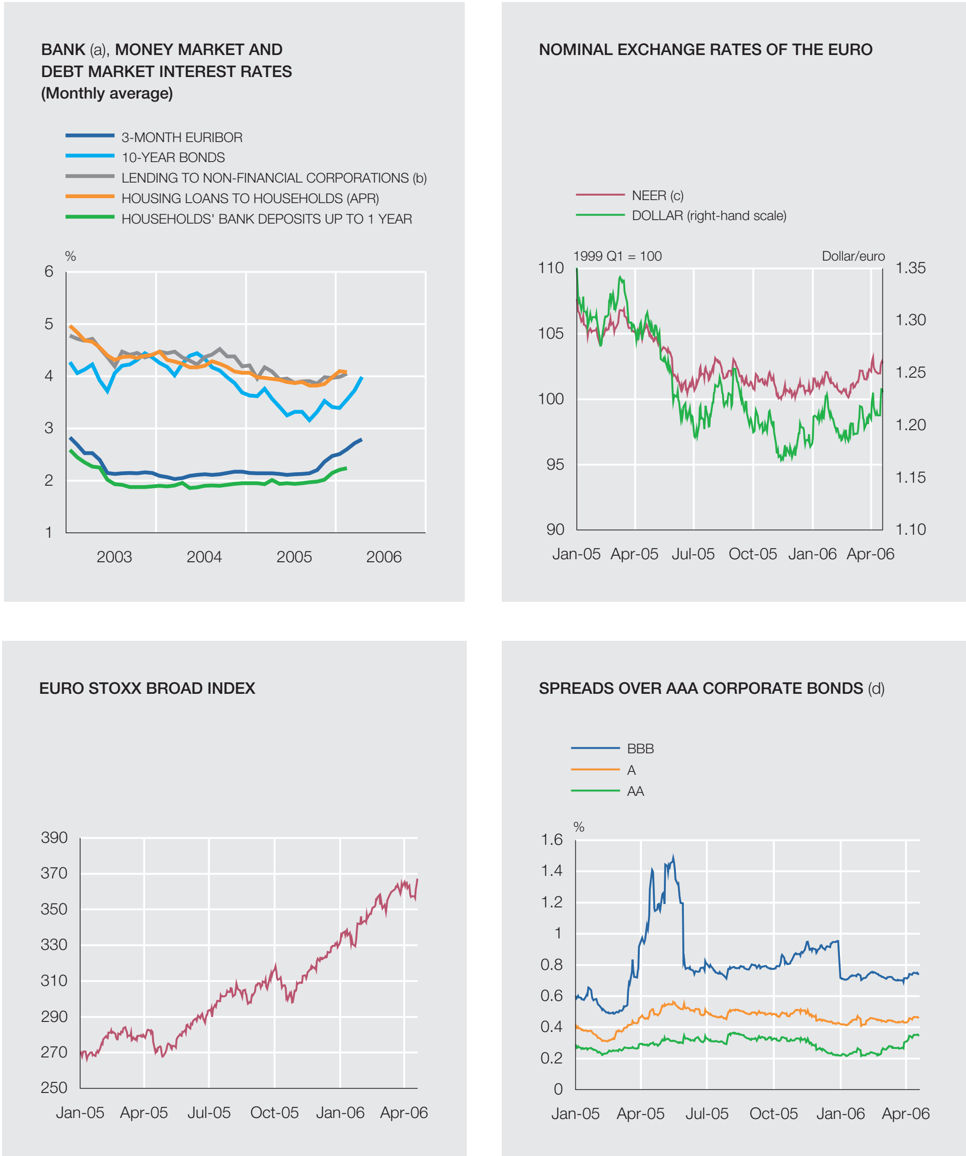
SOURCES:European Central Bank and Banco de España.

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

in the United States means that the spread over the European bond held relatively steady at somewhat more than 100 bp. According to the data available to February, the interest rates set by credit institutions in their lending and borrowing transactions generally reflected the upward movements in rates on the financial markets, although the rate charged on loans granted to non-financial corporations at a maturity of more than five years held unchanged at around 4% (see Chart 13).

On the currency markets, the euro fluctuated against the dollar during the first four months of the year within a range of 1.18 to 1.23 dollars to the euro, showing no clear trend over the period as a whole. The euro also held very steady against the yen and sterling, so that in nominal effective terms it hardly moved (see Chart 13). The rising trend in euro area equity markets continued during Q1 against a background of moderate volatility. However, oil and commodity price increases led to temporary corrections in April, given the fear of an outbreak of inflationary pressures in future.

EURO AREA INTEREST RATES, EXCHANGE RATE AND STOCK MARKET INDEX CHART 13



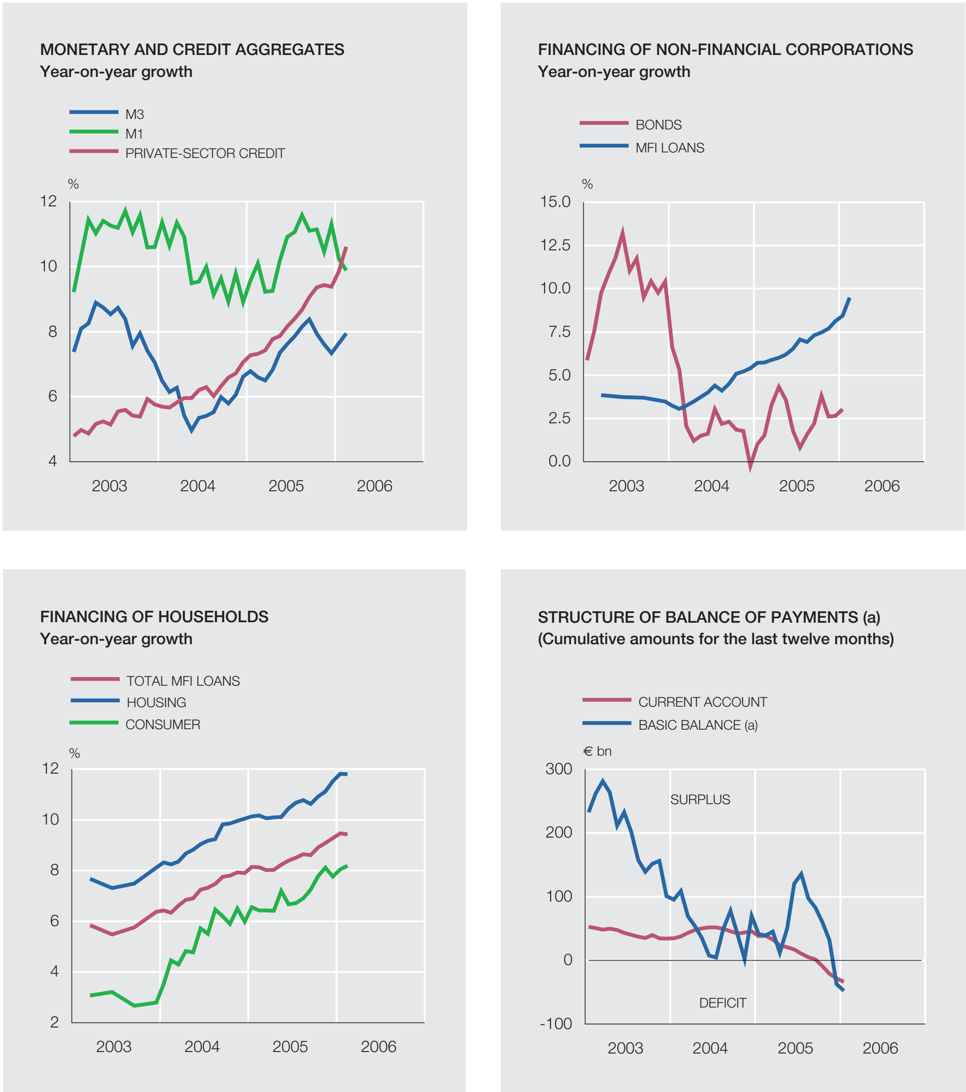
SOURCES: Banco de España and European Central Bank.

a. Data drawn from new statistics on interest rates compiled by the ECB for new business.
b. Interest rates on loans at over five years.
c. Nominal effective exchange rate index (EER-23). Narrow group of currencies defined by the ECB.
d. Euro-denominated bonds issued by non-financial corporations.

The year-on-year growth rate of M3 accelerated in 2006 Q1, to reach 8.6% in March, up 1.2 pp from December (see Chart 14). The growth of credit to the private sector also gained momentum, its year-on-year rate rising to 11.5% in March, up 2.1 pp from December. As for the agents demanding credit, the greater strength of loans to non-financial corporations was notable, stimulated both by new investment projects and increased mergers and acquisitions activity. Loans to households grew at a slightly higher rate, consistent with an acceleration in those for house purchase, which was partly offset by the slowdown in other loans granted for other purposes. The increase in the rate of growth of credit was common to most member countries. In Germany, the recovery in the growth of total credit to the non-financial private sector was notable, although there was no comparable increase in the buoyancy of loans. In Spain, loans to both non-financial corporations

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.

and households continued to expand at a very high rate, considerably above the euro area average.

4 The Spanish economy

On published QNA figures, the growth of GDP in the Spanish economy in 2005 Q4 stabilised at a year-on-year growth rate of 3.5%. In this period, domestic demand increased by 4.8%, having moderated slightly, and net external demand subtracted 1.5 pp from growth, marking an improvement in relation to the previous quarter (see Chart 15). The information available points to these patterns continuing at the start of the current year, with an additional easing in domestic demand as a result of the diminished buoyancy of private consumption and, to a greater extent, of gross fixed capital formation. Set against this, government consumption should show renewed strength. It is estimated that foreign trade flows increased substantially in the opening months of the year, giving rise to a somewhat smaller negative contribution of the external sector, in absolute terms, to that recorded in 2005 Q4. Overall, GDP would have held at a year-on-year growth rate of 3.5% in 2006 Q1.

From the standpoint of value added, the activities most contributing to the increase in GDP at the start of 2006 are construction and market services, which remain the most buoyant market economy industries. Industrial activity tended to firm and further the improvement recorded in the second half of 2005. As regards employment, the number of jobs is estimated to have increased by 3.2% in Q1, with its rate of change stabilising, as is the case with GDP. Despite the stability in the growth of apparent labour productivity, unit labour costs tended to quicken in the opening months of the year owing to the upward behaviour of compensation. The expected acceleration chiefly reflects the activation of the indexation clauses under the 2005 agreements, with an estimated impact of close to 1 pp on the negotiated increase in wage rates for 2006. The rise in labour costs and the upward impact of dearer energy have been behind the increase in inflation in the early months of 2006, against the background, moreover, of the continuing widening of operating margins. The 12-month growth rate of the CPI stood at 3.9% in March, after having reached 4.2% in January, and the CPI excluding unprocessed food and energy quickened to 3.1%.

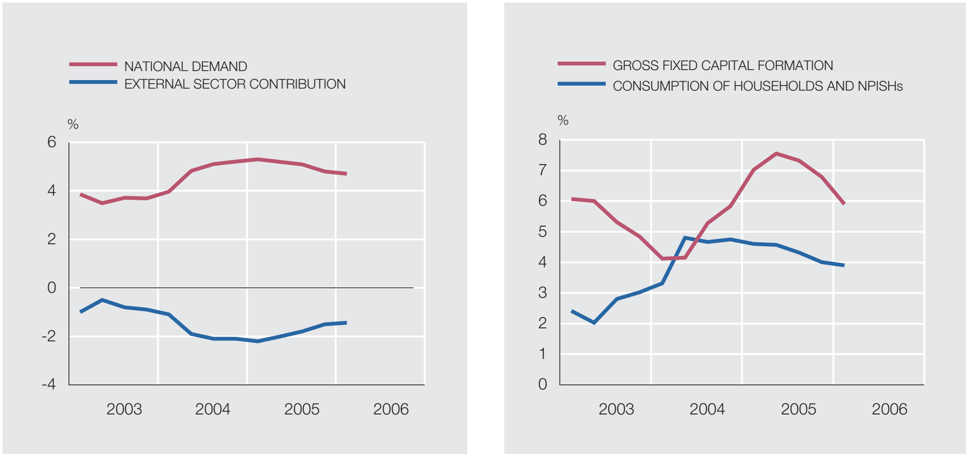
4.1 Demand

On QNA estimates, the rate of increase of household final consumption expenditure eased by 0.3 pp in 2005 Q4 to 4% year-on-year. The latest information indicates that the path of deceleration extended, albeit with less intensity, into 2006 Q1 (see Chart 16). Consumer confidence worsened somewhat over the first three months, reflecting a downward revision of sentiment in relation to the economic situation. The more volatile retail trade confidence indicator underwent a sharper deterioration, reaching its lowest level since 1996. At least in qualitative terms, this matches the behaviour of the retail trade sales index, in real terms, which moderated further on information to February, with zero growth in its non-food component. Car sales improved in Q1 following the decline in the closing months of 2005, though this recovery should be viewed with caution since it might be influenced by the Easter holidays calendar in 2005 and 2006. Finally, the synthetic indicator of private consumption of goods and services quickened in early 2006, in terms of seasonally adjusted rates. It was influenced by the anomalous imports figure for January, though its underlying trend points to a mild slowdown.

The course of the main determinants of private consumption helps explain the tendency towards lower growth of this expenditure component. Real household disposable income is expected to slow somewhat, mainly as a result of a bigger negative contribution of net interest payments, against the background of the rise in interest rates, while employee compensation would grow more sharply than in 2005 as a result of higher wage increases. The diminished degree of looseness of monetary conditions would further have a direct – albeit minor – effect on containing

MAIN DEMAND AGGREGATES (a)

CHART 15

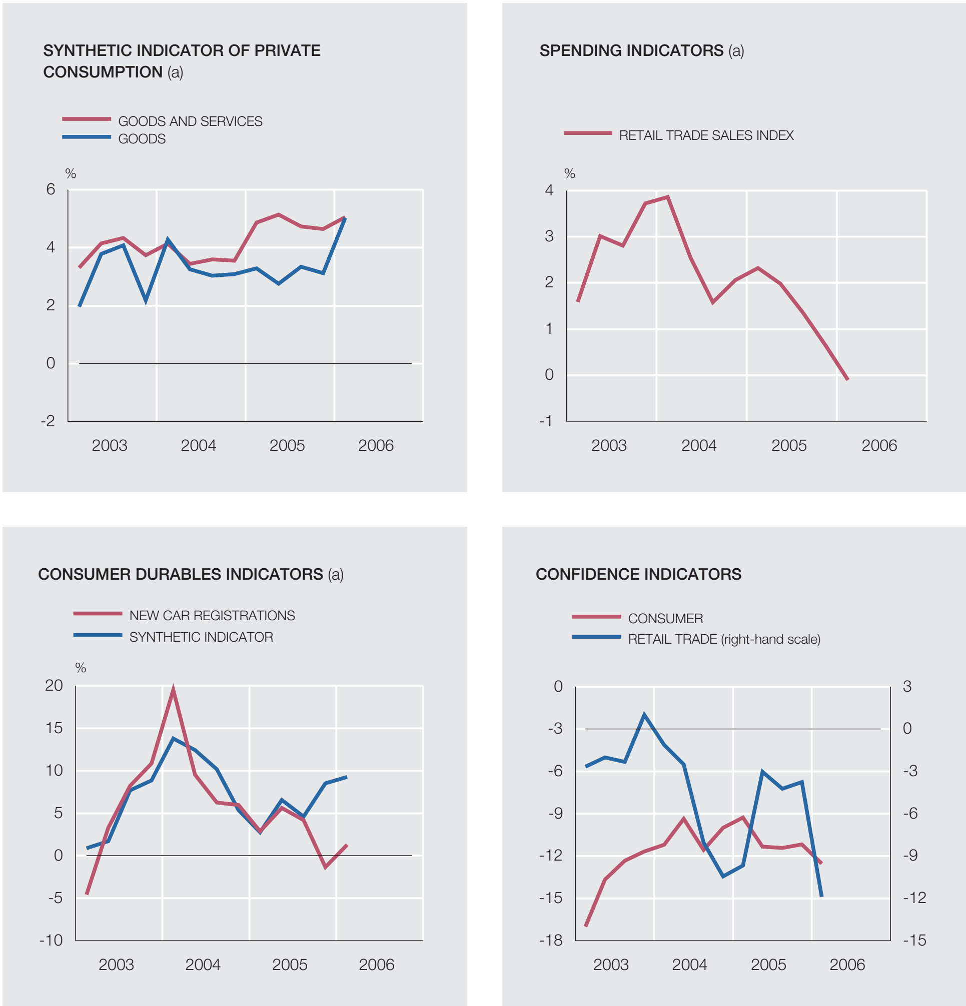


SOURCES: INE and Banco de España.

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

PRIVATE CONSUMPTION INDICATORS

CHART 16

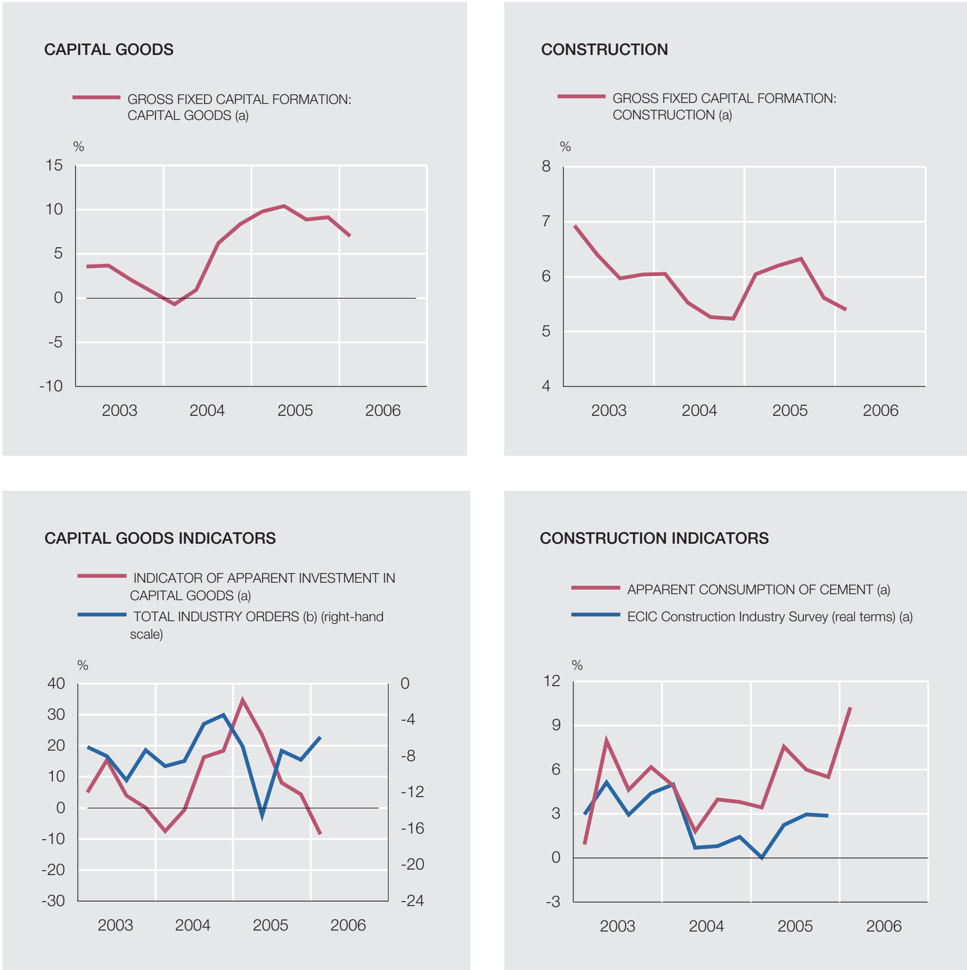


SOURCES: INE, European Commission, ANFAC and Banco de España.

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

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.

consumption. Household wealth continues on an expansionary path, although it is estimated to rise less for the current year than in previous years, owing to the slowdown in house prices over the course of 2005, which has run into 2006 Q1. Financial wealth is being driven by the appreciable rise in stock market prices, which have grown by around 11% to March.

General government final consumption is estimated to have accelerated in 2006 Q1 to around 5.5%, compared with the growth of 4.6% posted in 2005 Q4, although this increase in the year-on-year rate is due above all to a base effect. The acceleration in general government consumption would be associated more with the behaviour of personnel costs and, specifically, the increase in public-sector employment, than with purchases of goods and services.

The growth rate of gross fixed capital formation moderated slightly in the final months of 2005; in Q4 as a whole, its rate compared with the same quarter a year earlier stood at 6.8%, 0.5 pp down on the growth posted in Q3. This was the result of the smaller increase in construction, the rate of change in which declined by 0.7 pp, and in investment in other products, a component very closely linked to investment in construction, the growth rate of which eased by 1 pp. Conversely, the pace of growth of investment in capital goods stabilised at a rate close to that of the preceding quarter (see Chart 17). The conjunctural indicators available for Q1 point to a fresh slowdown in fixed-capital investment, which would have spread to all its components: both to investment in equipment, which would nevertheless remain the most dynamic component of domestic demand, and to investment in construction and in other products.

Turning to capital goods expenditure, the indicator of apparent investment in capital goods, calculated with incomplete data for Q1, posted a notable slowdown in this period, which may have been partly influenced by exceptional increases in exports. The domestic production of capital goods increased by 6.5% in 2006 to February, compared with 2.5% in 2005 Q4, while imports of these goods eased somewhat over the same period, albeit posting a high growth rate. The related business confidence indicator increased appreciably in the first two months of 2006, reflecting a tendency to recovery of orders, and capacity utilisation in industry held far above its historical average, supporting the continuity of the investment process. Conversely, however, the number of companies assessing their plant capacity as excessive has increased considerably in the first three months of the year.

According to Central Balance Sheet Data Office (CBSO) figures, with information to 2005 Q4, non-financial corporations' productive activity held on a moderate growth path last year, lower than that observed the previous year. It should be recalled that some of the most buoyant sectors, such as construction and services, are not properly represented in this source. In any event, the smaller increase in activity was compatible with an appreciable acceleration in companies' net profit, thanks to the strong increase in extraordinary income, and with an increase in the ordinary return on equity higher than that in the cost of debt. The indicators of financial pressure on investment and employment, likewise calculated using CBSO data, are holding at very favourable levels, despite having worsened slightly. All these factors would have driven the observed momentum in corporate investment in 2005.

The year-on-year rate of investment in construction stood at 5.6% in the closing months of 2005. The diminished buoyancy of this variable compared with Q3 was due to the more modest trend of residential investment (5.1%), while other construction, an aggregate encompassing civil engineering works and non-residential building, rose to 6.1%, 0.5 pp up on the rate the previous quarter. Almost all the coincident indicators of activity in construction remained notably robust in 2006 Q1, limiting the scale of any possible slowdown compared with end-2005. There was an acceleration in the indicators of inputs (cement and the industrial production index of construction materials), the information for which is still incomplete. This was in line with the indicators of employment since the rate of decline of registered unemployment stepped up to February while Social Security registrations (adjusted for the effect of the regularisation of immigrants) increased by more than 7% (6.2% in 2005). The confidence of construction companies, however, was highly volatile over recent months and worsened in Q1 as a whole, owing to something of a slide in contracting orders.

The buoyancy of investment in housing is manifest in the burgeoning figures for housing starts (estimated on the basis of project-approval statistics released by the Spanish Ministry of Development), which continue on a rising trend. In 2004 around 690,000 houses were started, and there were 700,000 new houses in 2005 (without including refurbishments), while in 2006 Q1 the number of housing starts would have been 10% above the starts recorded in the same quarter in 2005. Drawing on this information and under different assumptions about work execution schedules, it is estimated that investment in housing has slowed slightly in 2006 Q1. Nonetheless, the rise in approvals in the opening months of this year projects robust residential investment for the whole of 2006.

FOREIGN TRADE CHART 18
Percentage change on year ago

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

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

On the latest QNA data, net external demand subtracted 1.5 pp from output growth in 2005 Q4, reducing its negative contribution to GDP growth by 0.3 pp in relation to the previous quarter. The moderate pick-up in net external demand showed a loss of momentum in imports, to 6.6% year-on-year, against the background of a further easing in exports of goods and services, the year-on-year rate of which stood at 1.9% (see Chart 18). In 2005 as a whole, the net external balance made a negative contribution of 1.9 pp to growth, which was in response to the notable increase in imports of goods and services (7.1%), compared with the slackness shown by exports, in an international setting only slightly less expansionary than in 2004. The as yet very incomplete information for 2006 Q1 nevertheless points to a recovering profile for goods exports (along with some worsening in exports of tourist services), while imports would also be picking up, in line with the strength of domestic demand and the improvement in industrial activity. Overall, the net contribution of external demand would have improved slightly.

During 2005 Q4, real goods exports continued to weaken, posting a decline of 0.6% on QNA figures. The latest data from Customs records relate to January and February, and entail an interruption in this downward path, with a real increase of close to 12% (the biggest rise recorded since end-2004). Nonetheless, given the characteristic volatility of customs data, they should be viewed with some caution. Yet the trend of this indicator projects something of a recovering profile for this variable, consistent with its main determinants, in particular the pick-up on European markets (Spain's main trading partners) and fewer losses in competitiveness, underpinned by the stability of the euro. In the first two months of the year sales to the EU regained momentum, rising by 6.3% in real terms, following their poor performance in 2005.

According to QNA figures, the rate of increase of real exports of tourist services fell in 2005 Q4 to 4.1% year-on-year, in line with the slowdown in the nominal Balance of Payments indicator. Specifically, the main real-terms indicators of tourism embarked on a slide last December, which steepened in the first two months of the current year. Over the January-February period, both real total expenditure by tourists and overnight stays in hotels (one of the indicators best approximating tourist spending) posted declines of 2.3% and 1.5%, respectively. However, in March the number of overnight stays grew by over 6% year-on-year, a particularly favourable figure given that in 2005 the Easter holiday period was in March, unlike this year. As to the number of tourists, this moderated to March, with a growth rate of below 1% following a figure of 6.2% in 2005 as a whole, although the March figure also proved more favourable if adjusted for the above-mentioned Easter holiday week effect. That said, the decline in average expenditure per tourist appears to be continuing, owing to shorter average stays and the reduction in average daily expenditure.

Real exports of non-tourist services grew by 11.1% in 2005 Q4, according to QNA figures, intensifying the upward tone of recent quarters. Sales of transport services and exports of corporate services trended very favourably, while insurance, construction, financial and IT services posted big increases.

Real goods imports continued to slow in 2005 Q4, and their year-on-year growth rate stood at 5.3% on QNA estimates, affected by the great moderation of certain domestic demand components, such as final consumption expenditure or exports. However, according to customs data, imports rebounded significantly in January and February to 14.5% year-on-year. Purchases of consumer goods and of energy showed the most buoyancy, although it is possible that the January figure for consumer goods imports is biased upwards owing to the atypical entry of a large amount of textile products, which were not acquired in 2005 so as not to exceed the annual quotas with certain countries. By geographical area, there was a clear pick-up in purchases from the EU in the first two months of 2006, with an increase of over 11% compared with 2.5% growth in 2005 as a whole, while the strong demand from the rest of the world continued, with an expansion of 19%. The trend of customs figures also projects some momentum in imports, in line with the recovery in exports and the take-off of industrial activity.

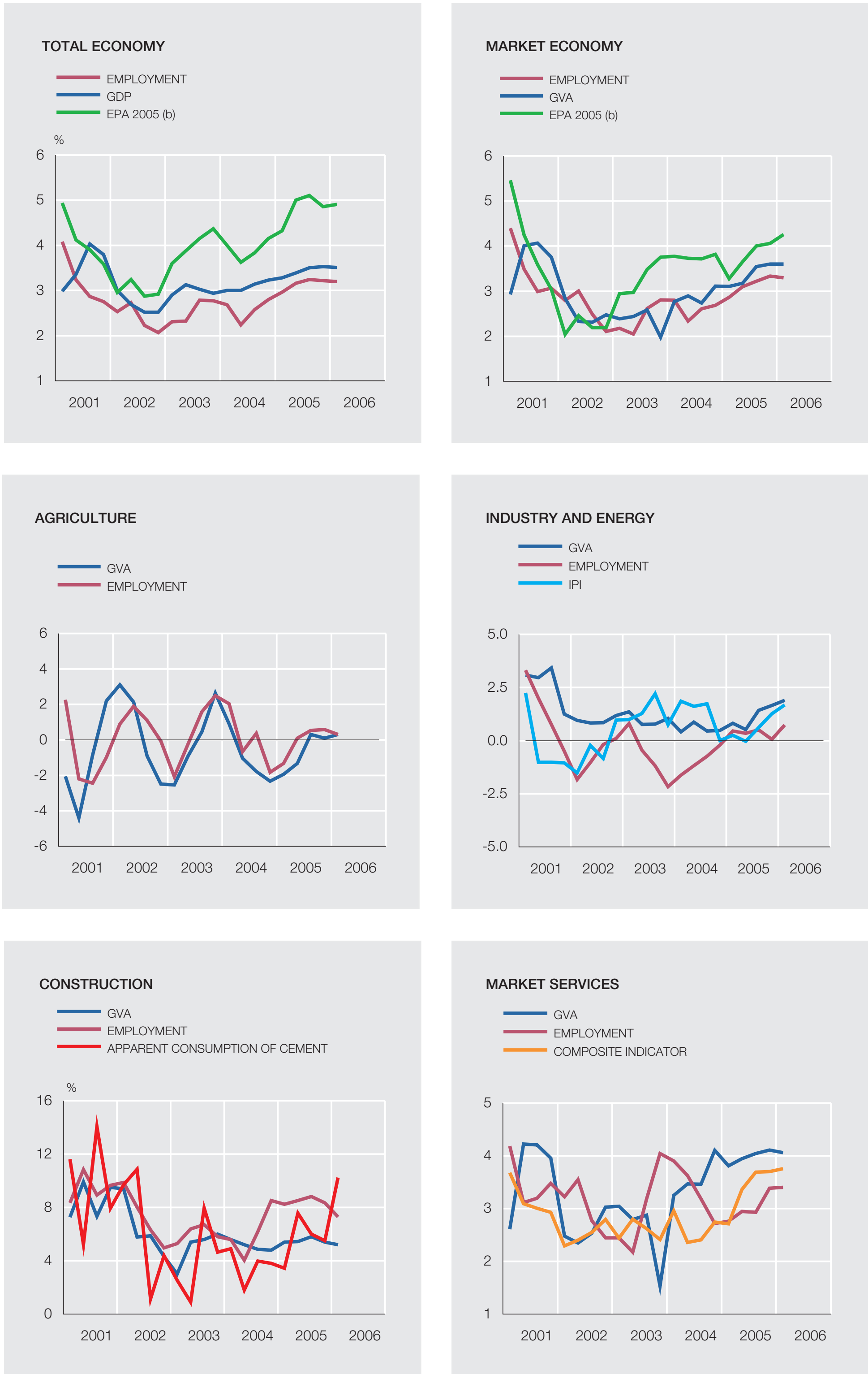
Finally, real imports of services continued to quicken in 2005 Q4 to a rate of 12.4% on QNA figures. This was the consequence of the continued buoyancy of imports of tourist services (20.1%), which was consistent with the robustness of nominal tourism expenditure on the balance of payments during this period, and of the momentum of real non-tourist services imports (10.7%), in particular those relating to financial, IT and construction services. As to 2006, the information for January suggests tourism expenditure has continued to expand at a high rate.

4.2 Output and employment

The growing trend of value added in the market economy initiated in late 2004 continued in the closing months of 2005. Its year-on-year rate stood at 3.6% in Q4, reflecting the recovery in industry and energy, and the growing dynamism of market services. The high growth rate of value added in the construction industry eased to 5.4%, although it remains the most buoyant activity in the Spanish economy (see Chart 19).

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

CHART 19



SOURCES: Instituto Nacional de Estadística, Ministerio de Trabajo y Asuntos Sociales and Banco de España.

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

The agricultural and fisheries branches ended 2005 with growth in value added of practically zero (0.1% year-on-year in Q4), following the cuts in the first half of the year. This trend largely responds to the reduction in vegetable produce in a year marked by scant rainfall. The outlook for 2006 is more favourable, with a start to the hydrological year marked by more abundant rainfall, which has already been reflected in the initial estimates of output. In any event, employment developments in the opening months of 2006 point to the continuation of the scant dynamism shown by these branches in the second half of 2005.

The recovery initiated in 2005 Q3 in the energy and industry branches continued in Q4, with a growth rate of 1.7%. The greater dynamism of this group of activities was largely due to the growing resilience of energy activities, the year-on-year rate in which rose by 0.5 pp to 5%. The industrial branches as a whole showed an acceleration of only 0.2 pp, with their year-on-year rate standing at 1.1%; but despite its scant magnitude, this is the highest growth rate recorded since 2003 Q1. On the latest available conjunctural information, the expansionary path of industrial activities as a whole ran into the opening months of 2006, boosted by the greater buoyancy of exports. The industrial production index increased by 1.8% in January and February, compared with 1.3% in 2005 Q4; the PMI reached a five-year high in March, while the growth rate of large industrial corporations' sales increased in the early months of the year, according to the information provided by the State Tax Agency. Social Security registrations in this branch increased marginally in Q1. Other conjunctural indicators show less favourable developments; such is the case of the confidence indicator compiled by the European Commission and of the turnover and incoming orders indicators, though the latter have been rather erratic in recent months.

Despite its growth being cut by 0.4 pp, the construction branch ended 2005 with a high growth rate (5.4%). As discussed in the previous section, the resilience of this sector was underpinned by the substantial dynamism of residential building and of civil engineering works executed by general government. Overall, the leading indicators project a mild slowdown in construction activity during the year.

Services activity was slightly more expansionary in 2005 Q4, growing at a rate of 4%, 0.1 pp up on the previous quarter. The two components of this branch contributed to the expansion: non-market services quickened by 0.3 pp to 3.8%, while the rate of increase of market services climbed by 0.1 pp to 4.1%. It is estimated that the moderately quickening path of value added in market services during 2005 has been interrupted in the opening months of 2006. Both the decline in the services and retail trade confidence indicators compiled by the European Commission, and the slight slowdown in the number of Social Security registrations point to the lesser momentum of tertiary activities. Nonetheless, other indicators suggest that services activity remains quite robust: such is the case of the synthetic services indicator, of the sales by major corporations according to the State Tax Agency or of the PMI. Among tertiary activities, developments in trade and repairs were notably adverse; their results were particularly poor in the opening months of the year, as shown by the employment and activity indicators, and, especially, by the related business surveys. In the hotel and catering trade, by contrast, the performance was positive in the early months of 2006, and a high pace of job creation was maintained according to the figures on Social Security registrations. Transport, storage and communications activities also performed favourably, while real estate and business services maintained the firmness shown in the closing months of 2005.

On QNA estimates, employment held at a growth rate of 3.2% in 2005 Q4, a similar rate to that seen in the two previous quarters. The same stability was seen in GDP, whereby the growth of apparent labour productivity remained at a minimal rate (0.3% in Q4 and on average for 2005).

For the market economy, the increase in apparent labour productivity was likewise scant, as a result of rises of the same order (of scarcely 0.1 pp) in the rates of increase of employment and value added to 3.3% and 3.6%, respectively. The main conjunctural indicators point to an ongoing expansion in employment in the opening months of 2006. The year-on-year growth of Social Security registrations, once the impact of the regularisation of immigrants was stripped out, stood at 2.7%, only 0.1 pp below the rate observed in 2005 Q4. Registered unemployment, meanwhile, held at a similar level in February and March to that recorded in the same months in 2005, confirming the end of the path of continuous declines seen since late 2004. To date in 2006, the rate of increase in the number of contracts has risen substantially, to a figure of close to 20%; however, this information should be viewed with great caution, since it includes a significant volume of contracts of a very short duration. Finally, according to the EPA (Labour Force Survey), numbers employed showed the same dynamism in the first three months of the year as in previous quarters, with year-on-year growth of 4.9%, the same rate as that recorded at end-2005.

Across the different branches of activity, QNA figures for 2005 Q4 show that the modest acceleration in employment in the market economy was the outcome of the greater buoyancy of market services, which offset the loss of momentum in the other branches of activity. The year-on-year increase in market services employment was 0.5 pp, up to 3.4%. Conversely, in other services, employment slowed by more than 0.5 pp, which placed its year-on-year rate of increase at 2.7%. Construction remains the most buoyant activity in terms of job creation, too, although its rate of increase slackened at the close of the year by half a percentage point to 8.3%. While the recovery in agriculture appeared to be confirmed, albeit very slowly, with growth in employment of 0.6% (only 0.1 pp more than in Q3), the slight pick-up in employment in industry initiated in early 2005 was interrupted in 2005 Q4, and the year-on-year rate in this period stood at 0.1%, compared with 0.5% the previous quarter. On EPA figures, employment in agriculture slowed in 2006 Q1, evidencing a sharp year-on-year decline of 3.2%; in the other branches, however, the buoyancy of employment increased. Specifically, positive rates of change resumed in industry, in line with the average for 2005 (0.5%), following the decline in employment in Q4. In services and construction, employment retained the marked dynamism it had shown in previous quarters and indeed quickened slightly, to respective growth rates of 6.3% and 7.3%.

The stability in the pace of total job creation in National Accounts terms in Q4 reflects the steady rate of increase in numbers of dependent employees. Wage-earners grew by 3.7% year-on-year, unchanged on Q3, while the self-employed component once again slowed, by 0.2 pp on this occasion to 0.3%. The EPA figures point to a virtually zero change in numbers of self-employed at the start of the year, and to sustained growth in the number of wage-earners (6.1%). Overall, the dependent employment ratio climbed to 81.9%, against 81% a year earlier. Other indicators confirm the loss of steam in self-employment in 2005; this is the case of employment creation among the self-employed as reflected by Social Security registrations, a trend that has continued into the opening months of 2006.

According to the EPA information on contract duration, temporary employment in 2006 Q1 posted a 10.9% year-on-year increase, slightly lower than in the previous quarter. It was once again more buoyant than permanent employment, which quickened by 0.5 pp (to 3.8%). That made for a fresh year-on-year increase in the proportion of temporary to total employees, to 33.3%, 1.4 pp up on its level in early 2005. Official INEM (National Employment Office) statistics on contracts show that permanent contracts performed more dynamically in Q1, raising the proportion of such contracts in the total to 11.3%, 1 pp up on a year ago. Regarding the duration of the working day, following the very high year-on-year changes in part-time hiring estimated by the EPA in 2005, the year-on-year growth rates of part-time employees fell sharply in Q1, posting a decline of 0.5% compared with the same quarter a year earlier. The year-on-year rate of increase in the number of part-time employees rebounded in this quarter to a growth rate of 5.7%, following the modest increases recorded during 2005. As a result, the proportion of part-time employees fell by 0.7 pp compared with 2005 Q1 to 12.4%. In terms of educational attainment, there continues to be high growth among employees with a university or higher education (7.6%), while the figures for those with primary studies continue to show a decline (–8.9%). Box 3 offers further information on the process of human capital accumulation in the Spanish economy.

The dynamism of the labour force once again increased in 2006 Q1, with year-on-year growth of 3.6% being recorded, 0.4 pp up on the figure both for 2005 Q4 and 2005 on average. This acceleration in the labour force was based on the high increase in the participation rate to 58%, 1.1 pp above the related level a year earlier, since the population aged over 16 held at the year-on-year growth rate of 1.7% seen since mid-2003. In terms of the breakdown by gender, the increase in the labour force was sharper among women (5%), with a year-on-year increase of 1.6 pp in the participation rate to 47.5%. Among men, however, the labour force slowed slightly, and the participation rate rose by 0.6 pp to 68.9%. Finally, according to EPA information, the numbers of unemployed fell again in 2006 Q1 compared with the same period a year earlier, albeit at a lesser pace than that seen in 2005, giving rise to an increase of 94,500 unemployed compared with the previous quarter. The year-on-year decline in unemployment thus fell to 7.8%, compared with 11.6% at end-2005, and the unemployment rate stood at 9.1%, more than 1 pp below its level in early 2005, but 0.4 pp above that recorded the previous quarter. The information provided by the registered unemployment figures shows a declining trend in the reduction of unemployment as positive changes have been recorded in 2006 Q1.

4.3 Costs and prices

Compensation per employee rose by 2.5% in 2005, appreciably down on the previous year (3.3%). In the market economy the slowdown was on a similar scale, with an increase in average compensation per employee of 2.3% and fairly similar growth in the other branches of activity (with the sole exception of agriculture), standing between the increases of 2.8% in industry and 2.2% in construction. The ETCL (Quarterly Labour Costs Survey) showed somewhat different results since, according to this statistic, average monthly labour costs ended 2005 with an average increase of 2.9%, a similar figure to that in 2004. A bigger increase is expected in compensation per employee in 2006 Q1, as a result of the effect of the application of the indexation clause corresponding to 2005, the impact of which is estimated at 0.93 pp, above the figure of 0.59 pp for the clause relating to the previous year.

The start of collective bargaining in 2006 is within the framework laid down by the AINC (the Interconfederal Agreement for Collective Bargaining), the extension of which to this year was signed in late January. The information on collective bargaining agreements registered to end-March points to a slight increase in wage settlements, the rate for which stands at 3.07% (see Chart 20). More than 5 million workers are covered by these agreements, a figure 10% higher than in the same period a year earlier. In all branches except agriculture, the agreed wage increases are in line with AINC guidelines. In industry, the increase in rates is holding at 3.2%, while in construction and services it stands at 2.9%.

On QNA figures, labour costs per unit of value added held at a stable growth rate of 2% in 2005 Q4, as the slight acceleration in compensation per employee was offset by a rise on the same scale in the rate of increase of value added per employee. Against this background, the growth rate of the value-added deflator was cut by 0.3 pp, as a result of the somewhat less expansionary behaviour of margins, which continued to widen, albeit at a lesser rate. Spe-

The human capital of an economy is one of the most significant variables when it comes to understanding the process of economic growth in the medium and long term. Its importance is all the greater in a setting such as the present one in which new technologies are being developed that are complementary to human capital and that require greater versatility of the labour force. The formal education system is the main determinant of human capital accumulation. In this respect, the increase in the Spanish population's average educational attainment in recent years has been most notable: the proportion of the population aged 25-39 with university studies has risen from 23.9% in 1995 to 37.5% in 2005, while the population with secondary studies has increased over the same period from 20.5% to 24%. However, despite this growth, some polarisation continues to be seen in the distribution by educational attainment. Chart 1 shows the proportion of people aged 25-39[1] that have attained the level of primary, secondary or tertiary studies in Spain, the EU-15 and the EU-25. Whereas the bulk of the population aged 25-39 has secondary studies in the EU-15 and EU-25, the distribution for Spain is concentrated at the two extremes, primary and tertiary studies, with the weight of secondary studies being much lower.

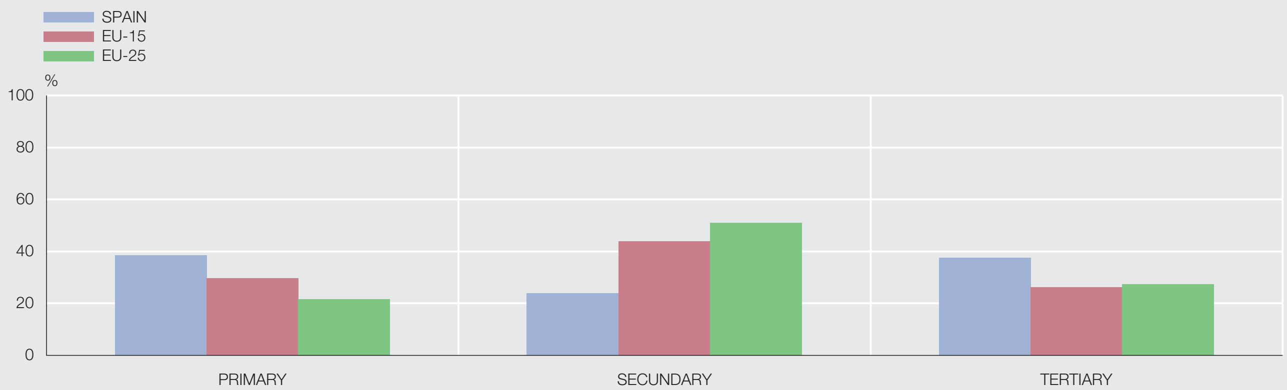
To evaluate the human capital accumulation of a specific country, regard must also be had to different indicators of educational quality. In this respect, indicators of spending on education and indicators of results are usually used. Chart 2 shows the situation in Spain relative to other European countries in respect of two measures of educational quality, one on spending and the other on outputs: spending per student in secondary education and the average score of the PISA[2, 3] project examination. Spain lies below the average in both variables, which means that the quality of Spanish studies, at least at secondary level, is probably inferior to that of our peer countries[4]. Nonetheless, while an increase in spending is to be recommended, it should be stressed that, in the light of the data in Chart 2, such an increase would not necessarily ensure better academic results. Further, taking all educational levels as a whole, spending per student in Spain has shown a tendency to converge towards the European level in recent years, although this convergence is admittedly more due to demographic and GDP convergence factors than to increases in budgetary allocations[5].

In any event, if improvements in the stock of human capital are to translate into increases in productivity, the new skills produced by the education system must be properly matched with the jobs that require them. The data provided by the Wage Structure Survey (EES)[6] allow the changes in relative wages at each educational level to be broken down into two components: i) the effect of the change in the occupational structure (to what extent individuals with different educational attainment levels are being employed in jobs with different skills requirements), and ii) the change in the returns to education for each job (to what extent, for the same job and level of educational attainment, wages are changing). As can be seen in the accompanying table, the median wage of workers with a greater level of educational attainment relative to the median wage of workers with primary studies has fallen by

1. It has been decided to use this age bracket to analyse educational attainment of individuals who have completed their studies in a recent period. **2.** The PISA (Programme For International Student Assessment) project consists of the examination of 15-year-old students to assess their knowledge of maths, language and science. The 15-year-old students are in the first cycle of secondary education, meaning that the relevant comparison would be with spending per student at secondary level. Spain is denoted by the abbreviation "es", and the two axes represent the average of both quality measures for the EU-15, excluding Great Britain, whose PISA 2003 results are not available. **3.** The data on spending per student and PISA results are for 2002 and 2003, respectively.

4. There are no reliable measures of results for the other educational levels. However, spending per student in Spain for these levels is likewise below that of the EU countries. **5.** See Puente and Pérez (2004), "Las series de *stock* de capital humano y tecnológico en los indicadores de convergencia real", *Boletín Económico*, December, Banco de España. **6.** The EES offers information on workers' wages, classified by level of educational attainment and occupation. This box considers four educational levels (primary, first and second cycle of secondary, and university) and four occupational levels (unskilled manual, skilled manual, unskilled non-manual and skilled non-manual). For further information on this breakdown, see J.F. Jimeno, M.Izquierdo and V. Herranz (2001), "La desigualdad salarial en España: descomposición y variación por niveles de salarios", *Papeles de Economía Española,* vol. 88.

1. DISTRIBUTION OF THE PEOPLE AGED 25-39 BY EDUCATIONAL ATTAINMENT IN SPAIN, EU-15 AND EU-25.

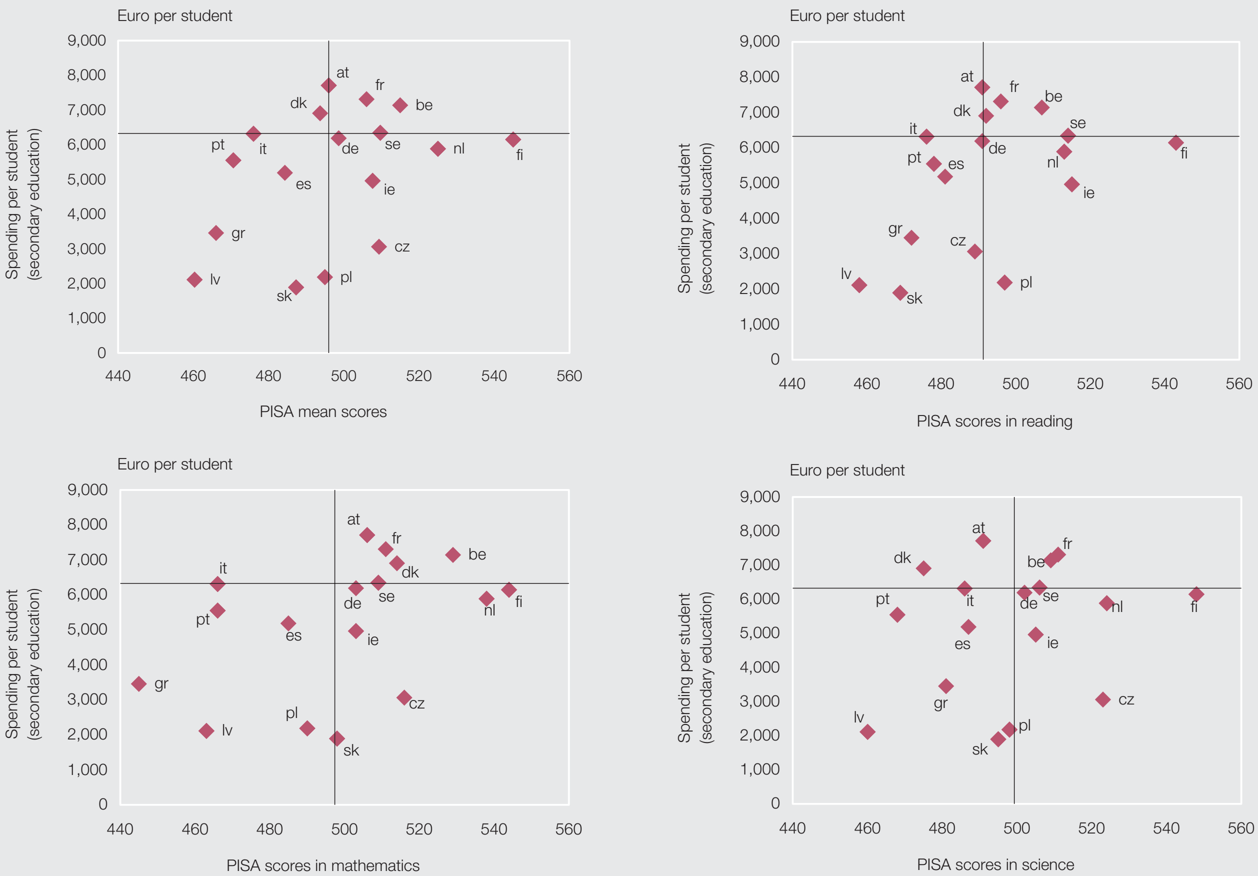


SOURCES: EUROSTAT.

almost 15%, from 1.95 to 1.67, between 1995 and 2002. The third column in the table shows what these relative wages would have been had there been no changes in the occupational structure of employment. It may be concluded in the light of this column that, even with the low level of occupational disaggregation considered, 18% of the decline seen in wage returns to university education may be attributed to the fact that workers with higher studies are in low-skill jobs.

These considerations allow us to conclude that the Spanish education system has several challenges to face. First, the number of people that have only completed primary studies should be reduced, which will necessarily involve reducing educational under-achievement. Second, particular emphasis should be placed on improving educational quality. As shown in Chart 2, an increase in the resources earmarked for education is needed, accompanied by other institutional measures so that this may translate into quality improvements. And third, initiatives should be taken to improve the matching of workers with a university educational level and the skills required by their jobs, such initiatives forming part of the ongoing deepening of labour reforms.

2. QUALITY INDICATORS



SOURCES: OECD and EUROSTAT.

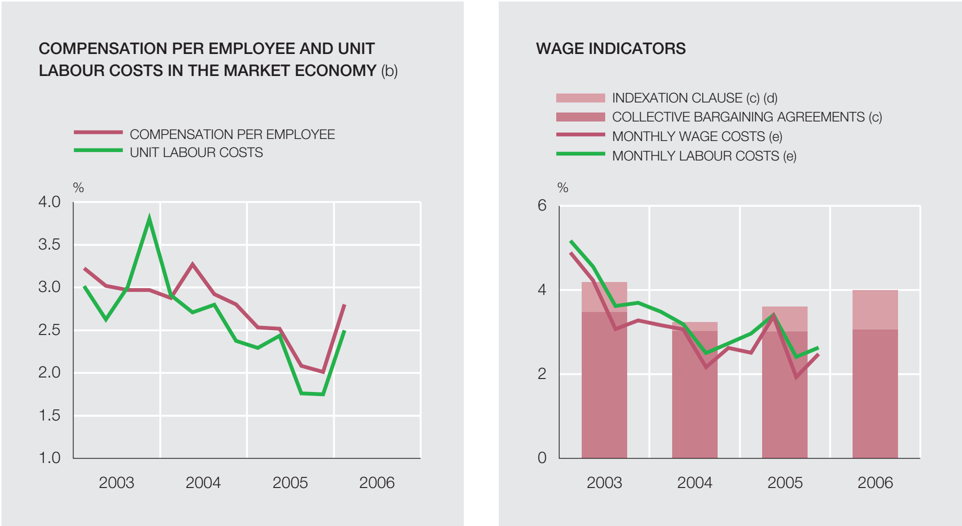
3. RELATIVE WAGES BY EDUCATIONAL ATTAINMENT (a)

Education	Relative median wages in 1995	Relative median wages in 2002	Relative median wages in 2002 with occupational structure of 1995
Primary or Lower	1.00	1.00	1.00
First cycle of secondary	0.96	1.04	1.04
Second cycle of secondary or basic vocational training	1.33	1.26	1.24
University or Higher	1.95	1.67	1.72

SOURCE: Encuesta de Estructura Salarial (Wage Structure Survey).

a. Workers in NACE sectors C-K.

WAGES AND LABOUR COSTS (a) CHART 20



SOURCES: Instituto Nacional de Estadística, Ministerio de Trabajo y Asuntos Sociales and Banco de España.

a. Percentage change on same period a year earlier.
b. Rates based on QNA seasonally adjusted series.
c. Information on collective bargaining agreements to March 2006.
d. Previous year's indexation clause.
e. ETCL (Quarterly Labour Cost Survey).

cifically, the unit operating surplus posted a rate of 7% at the end of last year. There was also a widening of margins in the market economy, against the backdrop of moderate cost growth.

Chart 21 reflects the behaviour of the deflator and of unit labour costs in the market economy and in its main branches. Prices performed uniformly in Q4 in the different branches of activity, with a slowdown in the value added deflator in all branches except agriculture. Conversely, unit labour costs only slowed in industry and energy, while their growth rate stepped up in the remaining branches. In any event, the widening of unit margins was common to all branches of activity. The indicators available for 2006 Q1 suggest that the growth of the deflators has continued to outpace that of unit labour costs, despite the foreseeable increase in the rate of expansion of compensation per employee.

The year-on-year rate of increase of the final demand deflator held stable in Q4 at 4.4%. However, the GDP deflator slowed by 0.1 pp, bringing its rate of expansion to 4.4% too. The growth rate of the private consumption deflator rose by 0.3 pp to 3.8%, while those of the gross fixed capital formation and exports deflators diminished to 5.7% and 4.8%, respectively. The imports deflator slowed, although much less sharply than in Q3. The upward trajectory of oil prices eased in the October-December period, following the summer highs, although this was offset partially by the depreciation of the euro against the dollar, which has contributed to dearer import prices.

Consumer prices accelerated in a similar fashion to the private consumption deflator in Q4 last year, rising to a year-on-year rate of 3.6%. This pattern intensified in 2006 Q1, taking the 12-month growth rate of the CPI to 4% on average in the first three months, while the CPI excluding unprocessed food and energy quickened by 0.1 pp to a rate of 3% (see Chart 22). Once again, the most inflationary component was energy, with an average increase in its price of 13.3%. At the beginning of the year electricity charges rose as did the prices of natural gas and

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.

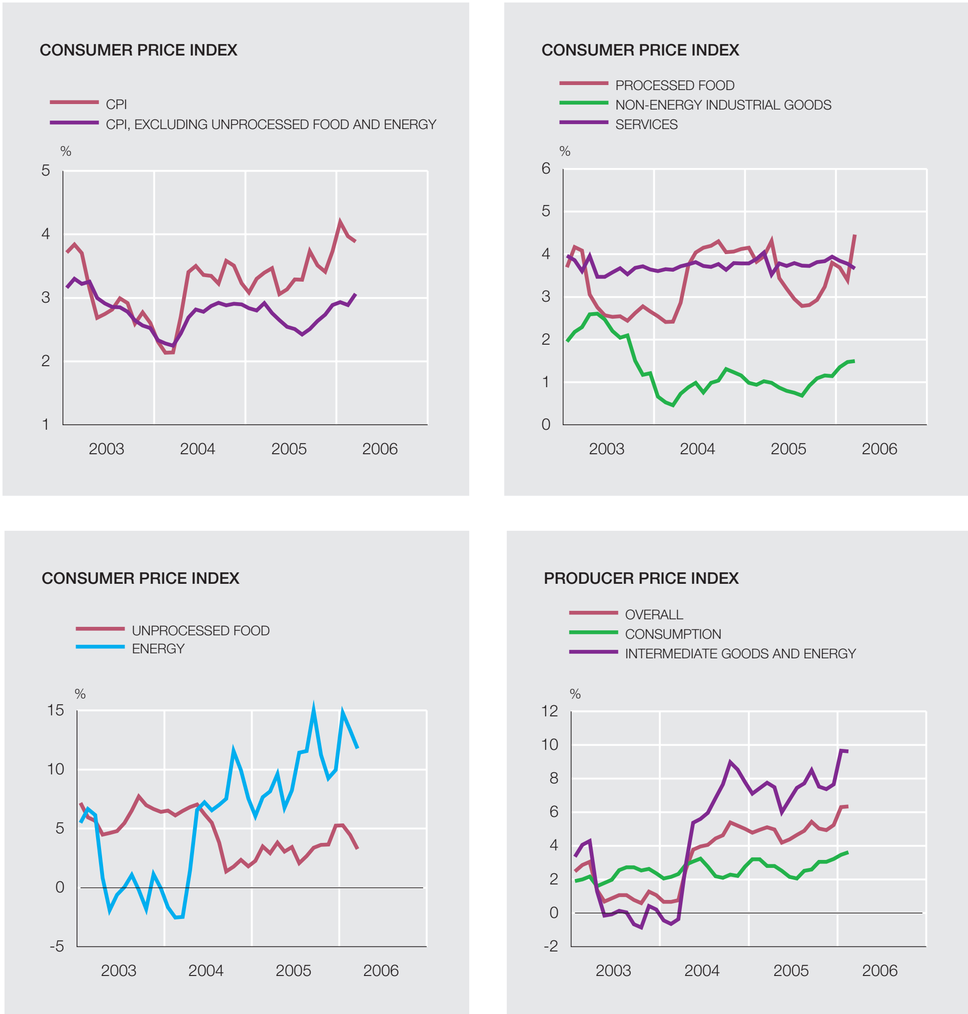
butane, while vehicle and heating fuel prices resumed an upward path in January, in line with the trend of crude oil prices on international markets. The prices of non-energy industrial goods increased by 1.4% in average year-on-year terms in Q1, 0.3 pp up on the previous quarter, owing mainly to higher car prices.

Processed food prices quickened by 0.6 pp in Q1 compared with the previous quarter, taking the related average year-on-year growth to 3.9%. The acceleration in olive and other vegetable oil prices stepped up in the first three months of the year, and their year-on-year rate exceeds 30%. After rising in the previous quarter, unprocessed food prices increased by 0.1 pp more in the opening months of 2006, to a rate of 4.3%. The renewed dynamism of this CPI caption reflects dearer meat prices and an end to the declines in poultry prices. Conversely, fresh fruit and vegetable prices eased significantly. Finally, services prices slowed by scarcely 0.1 pp in Q1 to an average year-on-year price of 3.8%, a result which partly reflects the change in month of the Easter holiday period, while the increases in transport prices recorded in the opening months of the year were on a similar scale to those of 2005.

Inflation in Spain measured by the HICP increased by 0.6 pp between 2005 Q4 and 2006 Q1 to an average rate of 4.1%. In the euro area as a whole, inflation held at 2.3% in the January-March period, giving rise to an appreciable widening of the differential between Spain and the area to 1.8 pp, a figure not seen since 2002; in March, however, the differ-

PRICE INDICATORS (a)
Spain

CHART 22



SOURCE: INE.

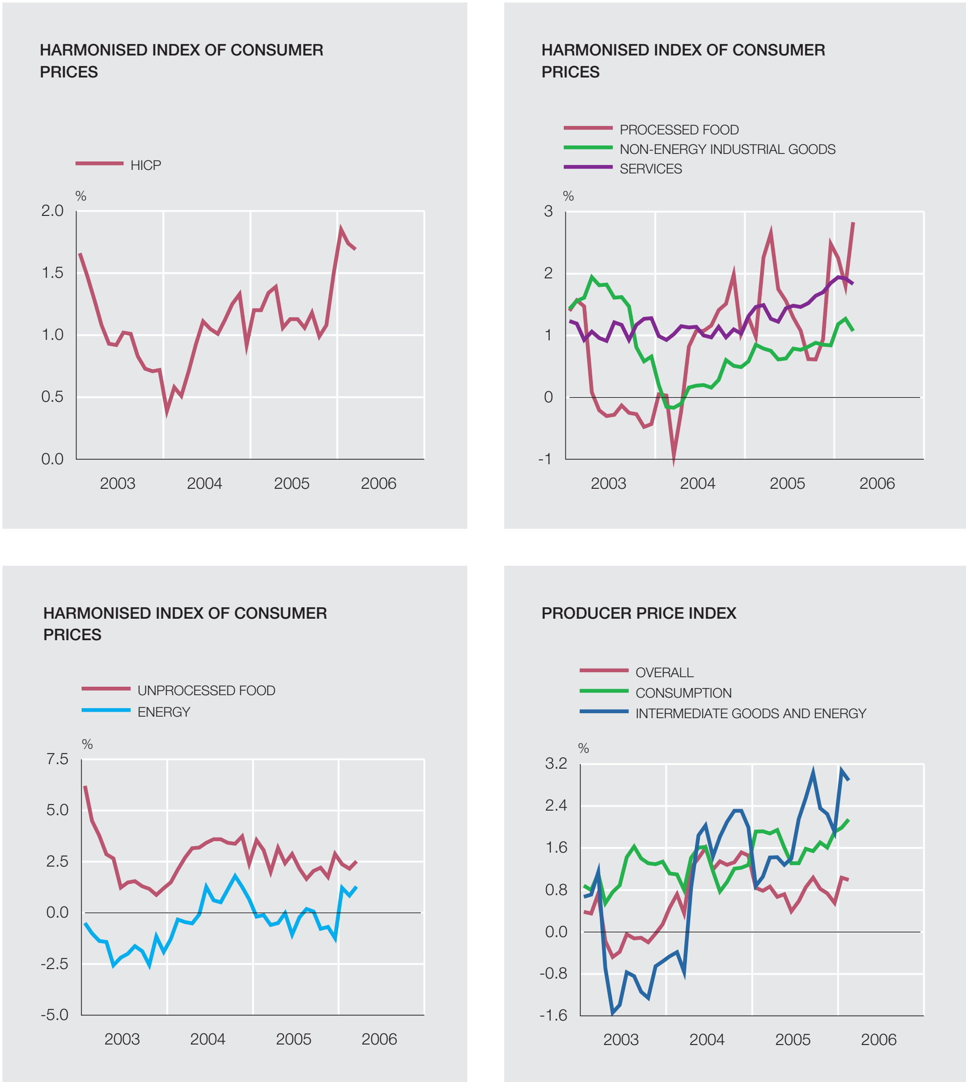
a. Twelve-month percentage change based on the original series.

ential narrowed slightly to 1.7 pp (see Chart 23). The widening of the inflation differential with the euro area is apparent both in services – where a significant part of the inflationary gap has traditionally been concentrated – and in goods, where it increased sharply during the first three months of the year. In this respect, the widening of the differential was substantial in the case of processed food and non-energy industrial goods, where in both cases the acceleration in Spain was in contrast to the slowdown in the euro area. In the case of energy, the differential has resumed positive values following the negative values recorded for most of last year.

The producer price index posted year-on-year growth of 5.8% in March, compared with 6.3% the previous month. Although the sharpest increase continued to be in energy producer prices, their year-on-year growth rate fell by almost 4 pp to 16.4%; the producer prices of consumer and capital goods also slowed, while the intermediate goods component quickened to 4.5%. In the euro area, the year-on-year rate of producer prices stood at 5.4% in February, 1 pp up on the average recorded in Q4. Prices received by farmers ended last year at a year-on-year growth rate of around 2%. Lastly, hotel prices have been behaving very moderately since last summer, growing by 1.2% in year-on-year terms to February.

PRICE INDICATORS CHART 23

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



SOURCES: Eurostat and Banco de España.

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

4.4 *The State budget*

The figures released on the State budget outturn in Q1, following National Accounts methodology, show some improvement in the surplus, which climbed from €3,140 million (0.3% of GDP) in March 2005 to €4,584 million (0.5% of GDP) this year. This was due to a 10.2% increase in resources, set against the 5.9% increase in uses. These figures are in contrast to the result in terms of the cash-basis balance, which posted a surplus of €244 million in 2006 Q1, compared with the deficit of €3,011 million recorded in the same period in 2005 (see Table 3). The differences in the National Accounts figures are largely due, in this case, to the different criterion for recording interest. It should be recalled, however, that the figures for the opening months of the year are highly erratic and scarcely representative of State budgetary developments over the rest of the year.

State revenue in cash-basis terms increased in Q1 by 7.2% in comparison with the same period the previous year owing to the resilience of the main taxes (personal income tax and VAT). This is in stark contrast to the budgetary forecast of a stagnation in revenue over the whole of 2006 (a rate of change of –0.1%). The buoyant takings from direct taxes are attributable to

STATE BUDGET OUTTURN TABLE 3

EUR m and %

	Outturn 2005	Percentage change 2005/2004	Outturn projection 2006	Percentage change 2006/2005	Outturn 2005 JAN-MAR	Outturn 2006 JAN-MAR	Outturn Percentage change
	1	2	3	4 = 3/1	5	6	7 = 6/5
1 1 REVENUE	128,777	12.2	128,591	-0.1	31,019	33,260	7.2
Direct taxes	70,665	20.4	72,036	1.9	12,466	13,717	10.0
Personal income tax	35,953	18.2	37,992	5.7	11,091	12,144	9.5
Corporate income tax	32,496	24.9	31,681	-2.5	854	896	4.9
Other (a)	2,215	-1.3	2,363	6.7	520	678	30.2
Indirect taxes	44,618	7.9	45,302	1.5	15,638	17,012	8.8
VAT	32,009	10.0	31,438	-1.8	12,683	13,997	10.4
Excise duties	9,795	0.5	10,903	11.3	2,289	2,286	-0.1
Other (b)	2,813	12.9	2,961	5.3	666	729	9.4
Other net revenue	13,494	-8.7	11,253	-16.6	2,915	2,531	-13.2
2 2 EXPENDITURE	122,755	7.0	133,951	9.1	34,030	33,017	-3.0
Wages and salaries	20,677	6.1	22,124	7.0	4,507	4,962	10.1
Goods and services	3,388	-3.5	3,069	-9.4	813	861	5.9
Interest payments	17,831	6.4	17,443	-2.2	8,209	6,290	-23.4
Current transfers	64,541	5.8	70,968	10.0	16,426	17,287	5.2
Contingency fund	…	…	2,873	…	…	…	…
Investment	8,978	26.4	9,338	4.0	2,455	2,155	-12.2
Capital transfers	7,341	6.8	8,134	10.8	1,621	1,462	-9.8
3 CASH-BASIS BALANCE (3 = 1 – 2)	6,022	…	-5,360	…	-3,011	244	—
MEMORANDUM ITEM: NATIONAL ACCOUNTS							
Resources	126,811	11.9	127,817	0.8	29,464	32,470	10.2
Uses	123,550	0.7	131,775	6.7	26,324	27,886	5.9
NET LENDING (+) OR BORROWING (–)							
	3,261	…	-3,958	…	3,140	4,584	…
(as a percentage of GDP)	0.4	…	-0.4	…	0.3	0.5	…

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.

developments in personal income tax, which increased by 9.5% (in particular, withholdings on income from work rose by 9.3%, and those on movable capital and gains on mutual funds did so by 16.8%), and to tax on non-residents' income. Corporate income tax was 4.9% up, although this tax will not show relevant rates of change until the first prepayment in April. The most dynamic indirect tax was VAT, which posted similar growth to 2005 and increased by 10.4%, while excise duties were virtually flat owing to sluggish revenue in connection with the tax on hydrocarbons and to the decline in revenue from the tax on alcohol and spirits. As regards the items under the heading of "other revenue", the fall here was brought about by the strong reductions in revenue relating to differences between public debt redemption and issuance values and in revenue relating to capital transfers, mostly from European Union funds, which were only partly offset by the greater resources arising from Banco de España profits.

In clear contrast to the budgetary projection, which points to growth of 9.1% over the year as a whole, there was a 3% decline in cash-basis expenditure. The decline in revenue was due to interest payments (greatly affected by the timing of public debt maturities) and to capital payments. In both cases, these payments are very variable and their rates of change will foreseeably converge in the coming months to figures more in keeping with the budget projection. There was also strong growth in the two items forming part of government consumption (wages and salaries, and goods and services), and particularly in the former, with growth of around 10%, due partly to the improved compensation of certain groups. The growth of current transfers was below-budget, due – among other factors – to the lower payments directed to the European Union compared with the same period a year earlier.

Turning to the Social Security budget outturn, the related information is relatively lagged since it refers to January. Social security contributions increased by 7.5% compared with January 2005, entailing a similar growth rate to that recorded at end-2005, though lower than the figure of 8.4% envisaged in the budget, in relation to the budget of the previous year. The number of Social Security registrations rose by 5.5% in 2006 Q1, a higher figure than for the whole of 2005. On the expenditure side, pensions increased by 7.8% in January, somewhat above-budget for the year as a whole. The number of contributory pensions grew at a rate of 2.5% in Q1. As regards the State Employment Public Service, spending on unemployment benefits increased by 6.3% to February, compared with the 6.9% rise in 2005 as a whole. Among the determinants here is the decline in registered unemployment, which fell by 1.3% in February 2006 compared with the decline of 1.1% over the whole of 2005. However, the eligibility ratio stood at 83.4% in January 2006, considerably above the 2005 level.

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

In January 2006, the overall balance on current and capital account was a deficit of €6,444 million, 1.3% up on the same month a year earlier (see Table 4). The current account deficit fell slightly this same month (–1.2%) to a level of €6,744 million, while the surplus on capital transactions declined to €330 million (–32.8%). In terms of the current account items, the trade deficit and the services surplus deteriorated in January compared with the same month in 2005, while the income and current transfers deficits improved notably.

In January 2006 the trade deficit widened by €1,280 million on a year earlier, reaching the figure of €5,916 million; expressed as a year-on-year rate, the deficit increased by 27.6%, prolonging the strong deterioration that characterised it during the two previous years. Foreign trade in goods stepped up notably in January, although there remained a significant nominal growth differential between import flows (19.6%) and export flows (16.3%). Nonetheless, the pace of the non-energy trade imbalance has eased since the second half of 2005, while the energy deficit continues to grow at a burgeoning rate owing to the forceful rise in imported energy prices.

Turning to the services balance, there was a surplus of €123 million in January 2006, €1,215 million down on the same period in 2005. This was attributable both to the €583 million decline in the tourist surplus, and to the €632 million increase in the non-tourist services deficit. Tourist revenue fell by 13.7% in January, in nominal terms, furthering the negative performance of December 2005. Tourist expenditure was up 28.9% in the first month of 2006, extending the strong dynamism that has characterised it in the two previous years, against the background of sustained growth in private consumption demand.

The deficit on the income balance was significantly corrected in January and stood at -€387 million, an improvement of €1,108 million on the same month in the previous year. Revenue rose most substantially (74.4%), with notable momentum in that relating to the non-financial private sector. At the same time, the increase in expenditure was more moderate (9.7%) owing to the decline in payments by monetary financial institutions and general government, while payments by the non-financial private sector rose appreciably. Foreign direct investment flows into Spain fell in January; however, portfolio investment and, to a lesser extent, other invest-

BALANCE OF PAYMENTS: MAIN COMPONENTS (a) TABLE 4

EUR m

		ENERO	
		2005	2006
CREDITS	Current account	19,073	22,288
	Goods	11,114	12,923
	Services	5,186	5,147
	— Tourism	2,446	2,111
	— Other services	2,739	3,035
	Income	1,934	3,374
	Current transfers	839	844
	Capital account	558	489
	Current + capital accounts	19,631	22,777
DEBITS	Current account	25,926	29,062
	Goods	15,749	18,839
	Services	3,848	5,023
	— Tourism	860	1,109
	— Other services	2,987	3,915
	Income	3,429	3,760
	Current transfers	2,900	1,439
	Capital account	67	159
	Current + capital accounts	25,992	29,221
BALANCES	Current account	-6,853	-6,774
	Goods	-4,636	-5,916
	Services	1,338	123
	— Tourism	1,586	1,003
	— Other services	-248	-880
	Income	-1,495	-387
	Current transfers	-2,061	-595
	Capital account	492	330
	Current + capital accounts	-6,361	-6,444

SOURCE: Banco de España.

a. Provisional data.

ment from abroad grew notably. As to Spanish outward investment flows, direct investment also fell off in January, while both portfolio investment and, especially, other investment (essentially loans, deposits and repos) grew very sharply.

The current transfers deficit stood at €595 million in January 2006, €1,466 million down on the deficit recorded in the same month in 2005. Revenue barely increased by 0.6%: one of the main items, flows from the EU under EAGGF-Guarantee, fell off, while Community transfers from the European Social Fund trended favourably. Expenditure, for its part, declined notably (–50.4%), essentially affected by the notable fall in payments to Community coffers under GNP Resource and VAT Resource. Nonetheless, payments relating to emigrants' remittances remained very buoyant.

Finally, the capital account surplus stood at €330 million in January 2006, down €161 million on the same month a year earlier. This deterioration is partly due to the decline in structural funds from the EU's ERDF and EAGGF-Guidance, although there are usually delays in the opening months of the year, and it has come about despite the markedly favourable course of Community transfers from the Cohesion Fund.

5 Financial developments

5.1 Overview

Financing conditions for Spanish households and firms remained fairly generous in 2006 Q1, although they tightened somewhat against a background in which market rates continued on their rising path as at end-2005. The average level of the one-year Euribor stood at 3.11% in March, 33 bp above the December 2005 level, while Spanish 10-year government bond yields rose by 28 bp to 3.65%. In line with these developments, the price of bank loans to households and firms increased, as did the average cost of issuing fixed-income securities (see Chart 24).

The rising course of Spanish stock market prices continued during 2006 Q1. At end-March, the Madrid Stock Market General Index had risen by 11.3% since the beginning of the year, with a particularly notable increase in share prices for the basic materials, industry and construction sector (close to 25%). This trend, which was more favourable than that seen in the main international indices (the broad Euro Stoxx rose by 10.3% during this period, and the S&P 500 by 3.7%), was accompanied by continuing low volatility.

On data released by the Spanish Ministry of Housing, the slowing path of property prices extended into 2006 Q1. Their annual growth rate stood in March at 12%, entailing a moderate reduction (of 0.8 pp) on the end-2005 figure. These data continue to support the expected scenario of an orderly and gradual correction of the current overvaluation of these assets.

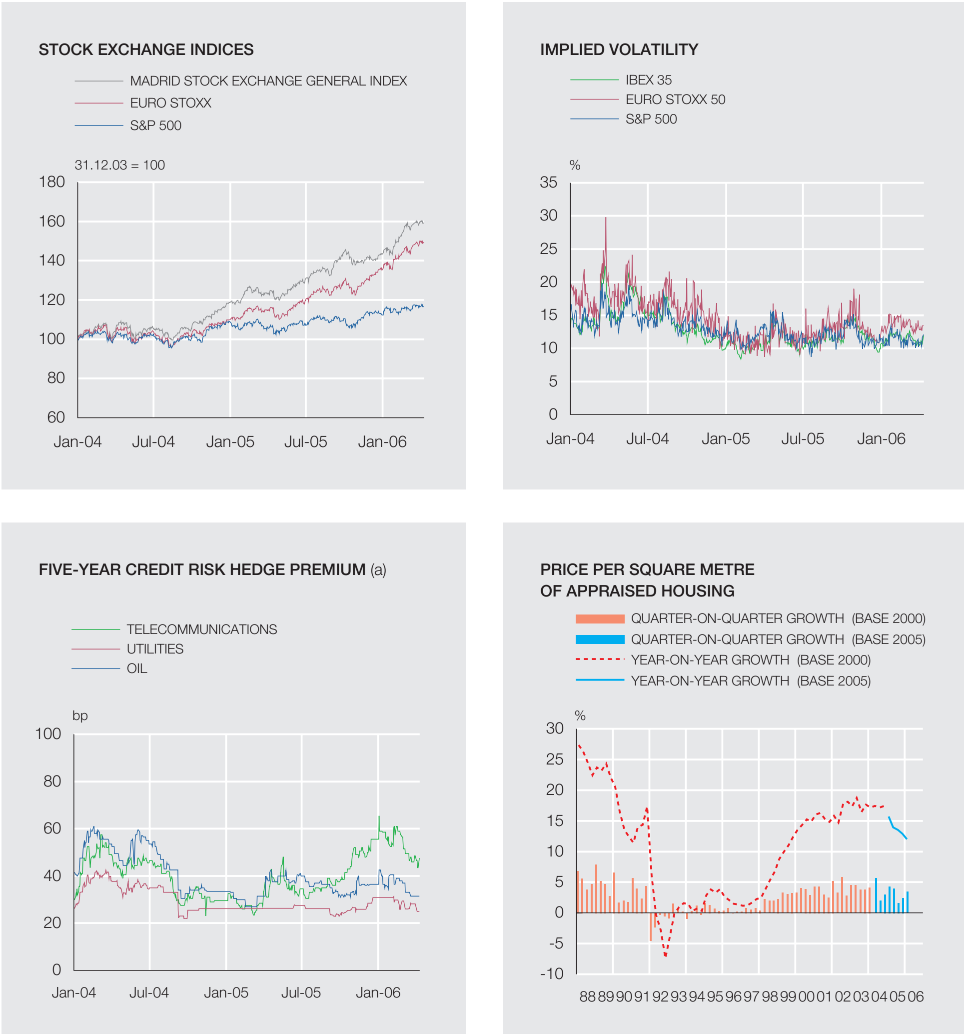
In this setting marked by low financing costs and increased asset values, the volume of financing extended to the private sector continued to grow during the closing months of 2005 at a brisk pace (at a rate of around 21%). In the case of both households and firms, this marked a rise (a sharper one in the latter case) on the September figures. The provisional information available suggests there were no significant changes in the course of this variable during the early months of 2006. The breakdown by component under household liabilities shows that debt for house purchases during 2005 Q4 continued to be the most expansionary item, although the rate of increase of financing for consumption and other ends rose somewhat. For companies, the breakdown by productive activity of credit from resident institutions shows an across-the-board acceleration during that period, while funds directed at the real estate and construction services branches were once again the most dynamic.

As a result of these developments, the indicators of household financial pressure continued to worsen between October and December 2005, and, on the provisional information available, this would have continued during 2006 Q1. The debt and financial burden ratios thus increased once again, while saving not earmarked for debt service fell off once more and the sector's borrowing requirements increased to approximately 1.5% of GDP (see Table 5). But despite the buoyancy of liabilities, household net aggregate wealth will have continued growing, albeit at a more moderate rate than in the recent past, thanks to the rise in the value of their real and financial assets.

In the case of non-financial corporations, the aggregate debt and financial burden ratios were also on a rising trajectory during 2005 Q4 and, on the provisional data available, this same trend would have held in the opening months of 2006. Moreover, both the debit balance of net financial transactions and the financing gap increased in the second half 2005, leading them to exceed 7% and 11% of GDP, respectively. In this period profit ratios held at similar levels to

PRICE INDICATORS FOR VARIOUS ASSETS

CHART 24



SOURCES: Bloomberg, Credit Trade, Ministerio de Vivienda and Banco de España.

a. Average asset-weighted premia.

those observed during the summer. However, for the aggregate of corporations reporting to the Central Balance Sheet Data Office quarterly survey (CBQ), the debt and financial burden indicators showed no significant changes, while profitability continued to pick up. In combination, these indicators show a better performance in the financial position of the companies in this survey, in which major corporations have a high weight. These developments were against the background of the stability of the synthetic indicators of financial pressure on investment and of a moderate decline in the employment indicators, which in both cases are holding at low levels.

The greater financing requirements of households and firms were not offset by the improvement in the net financial resources of financial institutions and of general government. As a result, the nation had to increase its resort to saving from the rest of the world, which stood at 6.5% of GDP at end-2005 in cumulative four-quarter terms, compared with 6.1% in September. The financial sector remained the main channel through which foreign funds were obtained, these operations essentially taking the form of interbank loans and, to a greater extent, issues of securities other than shares, including most notably those linked to mortgage loans (see Box 4).

NET FINANCIAL TRANSACTIONS
Cumulative four-quarter data

TABLE 5

% GDP (a)	2000	2001	2002	2003	2004	2005			
					Q4	Q1	Q2	Q3	Q4
National economy	-3.2	-3.4	-2.6	-3.0	-4.8	-5.5	-6.0	-6.1	-6.5
Non-financial corporations and households and NPISHs	-3.1	-4.3	-3.7	-4.2	-5.4	-6.3	-7.0	-7.7	-8.5
Non-financial corporations	-4.5	-5.4	-4.4	-4.4	-4.7	-5.6	-6.3	-6.5	-7.1
Households and NPISHs	1.4	1.1	0.7	0.1	-0.6	-0.7	-0.7	-1.2	-1.4
Financial institutions	0.8	1.4	1.4	1.3	0.7	0.7	0.6	0.6	0.9
General government	-0.9	-0.5	-0.3	0.0	-0.2	0.2	0.4	1.0	1.1
Financing gap (b)	-15.5	-10.0	-8.6	-8.5	-9.0	-10.6	-10.9	-10.9	-11.2

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.

Overall, the latest information shows that households and firms have increased their exposure to adverse shocks in income, asset prices or the cost of financing. The sensitivity is, moreover, more significant in the current setting in which there is a greater likelihood that interest rates will in the near future move to levels in step with a more neutral monetary policy stance and that the slowing path onto which the value of housing has moved will continue and even intensify. Accordingly, the factors of uncertainty highlighted in previous reports concerning the medium-term course of spending by firms and, above all, by households remain in place.

5.2 Households

In 2006 Q1 there was some tightening of household financing conditions. In February, the interest rates applied by institutions on new business were 32 bp up on the December levels, in the case of credit for house purchases, and 2 bp up in that of credit for consumption and other purposes. According to the EPB (Bank Lending Survey), institutions forecast for the opening months of 2006 a slight easing in the supply-side conditions applied in the extension of credit for consumption and other purposes, and a similar movement – but in the opposite direction – in those relating to loans for house purchases.

The rise in the cost of financing observed since end-2005 did not, however, contain the marked dynamism of household debt, which in the closing months of 2005 grew at a rate somewhat higher than that seen during the summer (at round 21%). The provisional information for 2006 Q1 does not show significant changes in the course of this variable. In any event, its behaviour in the second half of 2005 was in keeping with institutions' forecasts which, according to the aforementioned EPB, foresaw an increase in the demand for loans. By end-use, credit for house purchases remained the most expansionary component over this period, with an annual rate of increase that held at over 24%, which represented a flow of over 10% of GDP in cumulative 12-month terms. It is also significant that the growth rate of funds earmarked for consumption and other purposes increased by almost 2 pp, exceeding 13%.

As regards portfolio decisions, household acquisitions of financial assets rose in December to an amount equivalent to 10.6% of GDP in cumulative 12-month terms, compared with 9.9% in September (see Table 6). In terms of products, the most liquid and least risky instruments (cash and deposits) remained the main component of financial investment, and their volume in

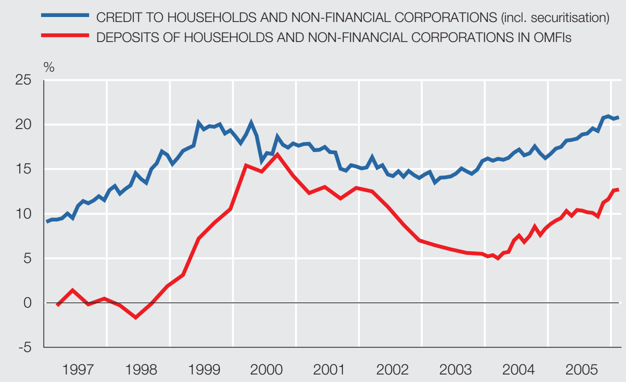
As panel 1 illustrates, in recent years the growth rate of credit granted by Spanish institutions to the non-financial private sector has persistently outpaced that of deposits vis-à-vis households and firms. Against this background, these institutions have had to resort to other, more onerous means of financing such as interbank loans and, above all, the issuance of securities other than shares, both directly and via other vehicles. This latter channel basically includes the activity of financial vehicle corporations (FVCs) and operations undertaken by subsidiaries specialising in the issuance of preference shares and other similar instruments. In the first case, the funds obtained revert to the entity that securitises the loans, and in the second, to the parent.

Accordingly, the outstanding balance of securities other than shares issued by Spanish financial institutions has increased at a notable rate in recent years. In terms of credit extended to the non-financial sector[1], the resulting volume has increased from a level below 10% in 1997, which was far below that of the euro area average, to over 30% at end-2005, a proportion closer to but still below that of the euro area (see panel 2). On the latest information, those with the highest figure among the main euro area countries were the Netherlands, Germany and Italy.

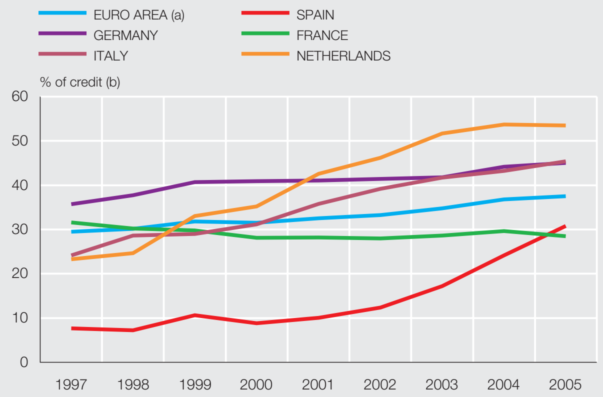
The breakdown by sub-sector also shows some significant differences within the euro area (see panel 3). In Spain, at end-2005, approximately half the outstanding balance of issues by financial institutions corresponded to non-monetary financial institutions, in which those by FVCs and by the subsidiaries of credit institutions specialising in the issuance of preference shares and other similar instruments are included. This proportion was notably higher than that of the euro area. Among the main countries in the area, only the Netherlands had a higher percentage than Spain. Conversely, in France and in Germany the bulk of the volume issued was attributable to the activity of monetary institutions, essentially credit institutions. In both cases, but especially in the latter, these operations included most notably instruments backed by mortgage loans. In Spain, the weight of securities linked to this type of liability is significant both under bonds issued by

1. Credit includes both that on the balance sheets of institutions and that which has been securitised and removed from the balance sheet.

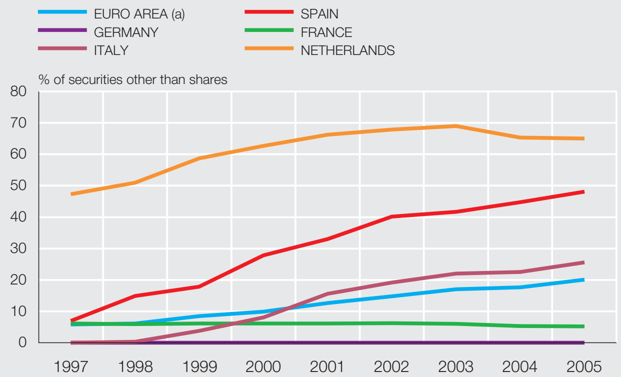
1. RESIDENT PRIVATE SECTOR CREDIT AND DEPOSITS VIS-À-VIS CREDIT INSTITUTIONS
Year-on-year growth rates



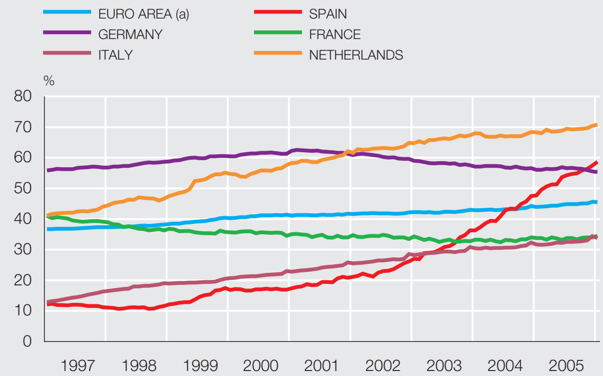
2. SECURITITES OTHER THAN SHARES ISSUED BY THE FINANCIAL SECTOR
Outstanding balances of euro area countries



3. WEIGHT OF NMFCs' ISSUES IN TOTAL FINANCIAL-SECTOR SECURITIES OTHER THAN SHARES
Outstanding balances



4. WEIGHT OF FINANCIAL SECTOR IN TOTAL DOMESTIC FIXED-INCOME MARKETS
Outstanding balances of euro area countries



SOURCE: Banco de España

a. Excluding Ireland Luxembourg, owing to a lack of information.
b. Measured as a precentage of the outstanding blance of credit extended by financial institutions to households, corporations and general government. Includes on- and off-balance sheet credit.

monetary institutions (35%) and especially those of the rest of the financial sector (54%).

The appreciable increase in the issuance of securities other than shares by the financial sector, in a setting marked by the diminished buoyancy of public debt, has meant that the weight of the securities in the total outstanding balance issued by the resident sector has increased by somewhat more than 10% in 1997 to a figure close to 60% in 2005, above the euro area average, where this ratio has grown moderately over the same period (see panel 4).

Reflecting the dynamism of financial institutions' issues has been the notable increase in activity on the secondary markets where these securities are traded. Furthermore, the expansion in Spain of these securities has other relevant consequences. On one hand, the fact that their cost is higher than that of traditional deposits has tended to squeeze the margin between the return on assets and the remuneration of credit institutions' liabilities. However, given the absence of domestic saving, these types of securities have become one of the main instruments for channelling the resort by our economy to external funds. From this standpoint, their growth and growing attractiveness to non-residents has smoothed the financing of national spending. In any event, the fact that a significant proportion of these securities is backed by mortgage loans means that this source of financing is linked to developments on the property

relation to GDP actually increased compared with the previous quarter. There was also a notable rise in net purchases of shares and other equities, which resumed a positive value, following the negative figures seen since early 2005.

The buoyancy of financing meant that the upward trajectory of the household debt ratio continued, reaching a value of more than 110% of GDI at end-2005 (see Chart 25). This resulted in a fresh increase in the financial burden, which stood in the same period at over 14% of GDI. The expansion of credit, along with the fresh decline in gross saving, led to a further fall-off in households' saving capacity, once the payments associated with liabilities incurred are stripped out. Likewise, according to the Financial Accounts, the sector's borrowing requirements increased to a level equivalent to 1.4% of GDP in cumulative 12-month terms. However, the microeconomic information drawn from the Household Expenditure Survey for this period does not reflect a decline in the proportion of households that can set aside money for saving or of those with difficulty making ends meet each month. Indeed, both indicators show an improvement on a year earlier and stability in relation to the September levels.

Despite the increase in debt, the sector's net wealth would have continued growing thanks to developments in the value of financial assets and the price of housing. As a result of this and of the rise in the cost of financing, the theoretical effort that buying a house requires continued to increase.

5.3 Non-financial corporations

Debt financing conditions for corporations also tightened somewhat during 2006 Q1. In the January-February period, the rise in interest rates was higher in loans of up to €1 million (24 bp) than in those of a lower amount (11 bp). In any event, the credit supply conditions forecast by institutions for this period will not have changed significantly according to the EPB. The cost of financing with fixed-income securities also increased as a result of the rise in public debt yields, which was not offset by the slight reduction in average credit risk premia. By contrast, the rising trajectory of stock market prices, along with their reduced volatility, has been conducive to the raising of funds on equity markets.

Despite the slight tightening seen in financing conditions since the end of Q3, these have remained loose. That has been supportive of the greater buoyancy of corporations' liabilities-side operations, which amounted to a volume equivalent to 25.1% of GDP at end-2005 in cumulative 12-month terms, compared with 23.5% in September (see Table 6). By instrument,

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

TABLE 6

% GDP (a)	2002	2003	2004	2005		
				Q2	Q3	Q4
HOUSEHOLDS AND NPISHs						
Financial transactions (assets)	8.4	9.1	10.0	9.7	9.9	10.6
Cash and cash equivalents	3.5	4.1	4.0	4.2	4.1	4.4
Other deposits and fixed-income securities (b)	1.8	-0.1	1.7	2.4	2.3	2.3
Shares and other equity (c)	0.6	0.6	0.4	-0.1	-0.1	0.2
Mutual funds	0.2	2.3	1.5	1.4	1.8	1.9
FIAMM	0.7	0.6	-0.2	0.0	0.2	0.2
FIM	-0.5	1.7	1.6	1.3	1.4	1.5
Insurance technical reserves	2.5	1.8	1.8	1.8	1.7	1.6
Of which:						
Life assurance	1.4	0.7	0.7	0.7	0.7	0.7
Retirement	0.9	0.9	0.8	0.9	0.9	0.8
Other	-0.3	0.4	0.7	0.0	0.1	0.2
Financial transactions (liabilities)	7.7	9.0	10.7	10.4	11.1	12.0
Credit from resident financial institutions (d)	7.2	9.2	10.8	11.4	11.9	12.6
House purchase credit (d)	5.1	7.0	8.7	9.5	9.9	10.3
Consumer and other credit (d)	2.1	2.2	2.0	1.9	1.9	2.3
Other	0.5	-0.2	-0.1	-1.0	-0.8	-0.6
NON-FINANCIAL CORPORATIONS						
Financial transactions (assets)	14.4	16.1	15.9	16.6	17.0	18.0
Cash and cash equivalents	1.6	0.9	1.0	1.1	1.2	2.1
Other deposits and fixed-income securities (b)	1.4	1.4	0.8	1.4	1.7	1.1
Shares and other equity	6.6	7.5	6.2	6.0	6.6	6.5
Of which:						
Vis-à-vis the rest of the world	4.6	4.5	3.7	4.2	4.2	3.8
Other	4.7	6.4	8.0	8.1	7.5	8.3
Financial transactions (liabilities)	18.8	20.5	20.6	22.9	23.5	25.1
Credit from resident financial institutions (d)	5.4	6.4	8.6	10.9	11.7	13.0
Foreign loans	2.7	2.7	0.7	1.2	1.6	2.0
Fixed-income securities (b)	-0.4	-0.2	0.0	0.0	-0.1	0.0
Shares and other equity	5.9	5.2	4.6	3.7	3.5	3.2
Other	5.1	6.4	6.7	7.1	6.8	7.0
MEMORANDUM ITEM: YEAR-ON-YEAR GROWTH RATES (%):						
Financing (e)	14.0	15.9	16.2	18.4	19.6	20.9
Households and NPISHs	16.2	19.0	20.1	20.0	20.6	21.2
Non-financial corporations	12.4	13.5	13.2	17.1	18.8	20.7

SOURCE: Banco de España.

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

the funds raised through the issuance of shares and other equities were, in terms of GDP, somewhat lower than three months earlier (3.2%), whereby borrowed funds remained the most expansionary component. In year-on-year terms, the growth rate of the sector's debt stood at close to 21%, almost 2 pp above the Q3 figure and, on the provisional information available, the opening months of 2006 will not have seen significant changes in this variable. Although the flow from foreign loans increased last year, it was those granted by resident financial institutions which increased most notably, in line with institutions' forecasts which, according to the EPB, augured an increase in demand.

INDICATORS OF THE FINANCIAL POSITION OF HOUSEHOLDS AND NPISHs

CHART 25

SOURCE: Banco de España.

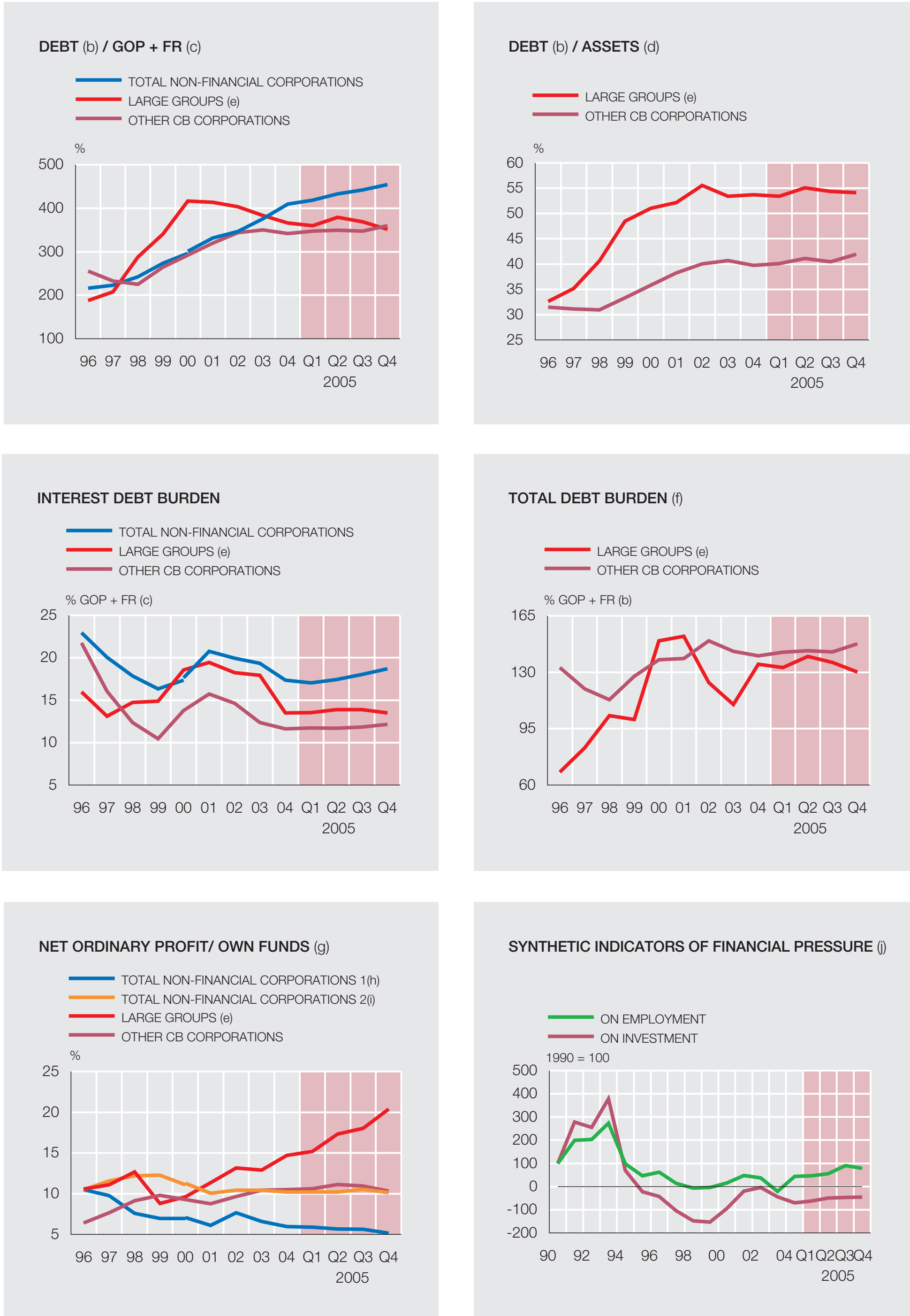
a. Until 2000, the sectoral National Accounts data correspond to the CNE with base 1995. Between 2000 and 2004 they are drawn fron the CNE with base 2000.
b. Includes bank credit and securitisation.
c. Assets 1 = Total financial assets less "other".
d. Assets 2 = Assets 1 less shares in FIM.
e. Estimated interest payments plus debt repayments.
f. Balance of use of disposable income account.
g. Gross saving less estimated debt repayments.
h. 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.

The breakdown of credit by productive activity shows that during the final months of 2005 there was an across-the-board acceleration in all branches, which was sharper in the case of real estate services and construction, where the most expansionary behaviour was seen. The path of recovery initiated in mid-2004 in industry continued, meaning that the related rate of increase was close to 15%. Conversely, on CBQ data, the debt of the major groups slowed noticeably during the same period, taking their annual growth rate to below 4%.

Corporations' asset-side operations also increased, albeit more moderately than those on the liabilities side, and came to account for 18% of GDP in December last year in cumulative 12-month terms. In terms of instruments, increases were concentrated in cash and cash equivalents and, specifically, in sight deposits, and also in the item "Other", which includes trade credit. For the remaining deposits and fixed-income securities there was, by contrast, a break in the rising path seen in previous quarters, and a fall-off of 0.6 pp was recorded. Investment

INDICATORS OF THE FINANCIAL POSITION OF NON-FINANCIAL CORPORATIONS (a)

CHART 26



SOURCE: Banco de España.

a. Indicators calculated drawing on the annual and quarterly CBSO surveys (CBA and CBQ, respectively), except the series «Total non-financial corporations», which has been obtained from the National Accounts (CNE and FASE). To 2000, the income for the sector relates to CNE base 1995. From 2000 to 2005, it corresponds to CNE base 2000.
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. Aggregate of all corporations reporting to the CBSO that belong to the Endesa, Iberdrola, Repsol and Telefónica groups. Adjusted for intra-group financing to avoid double counting.
f. Includes interest plus interest-bearing short-term debt.
g. For total non-financial corporations, NOP = GOS + interest and dividends received – interest paid – fixed capital consumption.
h. Own funds valued at market prices.
i. Own funds calculated by accumulating flows from the 1996 stock onwards.
j. Indicators estimated drawing on the CBA and CBQ surveys. A value above (below) 100 denotes more (less) financial pressure than that of the base year.

in shares and other equities declined slightly, as a result of the fall in acquisitions in the rest of the world, which was not offset by the pick-up in the volume relating to securities issued by residents.

As a result of these developments in corporations' asset- and liabilities-side operations, their borrowing requirements increased by more than half a percentage point, exceeding 7% of GDP in cumulative 12-month terms (see Table 5). Accompanying this contraction in financial saving was a reduction in the sector's foreign direct investment, meaning that the financing gap, which proxies the resources needed to undertake permanent real and financial investment abroad, increased to a lesser extent (by around 0.5 pp) and stood slightly over 11% of GDP.

The buoyancy of borrowed funds in the closing months of 2005 translated into fresh increases in corporations' debt ratios and financial burden relative to profit generated (see Chart 26). However, the information for this period on the sector's income shows a fairly favourable performance. The gross operating surplus grew by 8.5% in the year as a whole. Adding net financial revenue and deducting depreciation gives a measure of the sector's ordinary net profit, which increased at a rate of 6.1%. The ratio of this measure of ordinary net profit to equity at market prices, which offers an approximation to the concept of the ordinary return on equity, shows a slightly declining path throughout the past. This behaviour, however, partly reflects the rise in stock market prices. Thus, if the price effects are stripped out of the denominator of the ratio, the new indicator shows greater stability and, in 2005 specifically, this ratio did not evidence significant changes.

The financial indicators of the corporations reporting to the CBQ, where the weight of the largest companies is highest, show a more favourable trend than those of the sector as a whole. The data for 2005 Q4 reveal a slight reduction in the debt ratio and the maintaining of the interest burden. These developments are linked to the behaviour of the major groups, whose debt increased, as earlier discussed, at a very moderate rate. Ordinary net profit grew last year at a rate which, though down on that of 2004, was high (12.5% year-on-year), above the rise in operating profit (5.2%). This made for an average increase in the ordinary return on equity which, however, masked heterogeneous behaviour across the different types of company. While there was a notable recovery at the major groups, there was a decline in the aggregate including the other corporations.

As a result of the developments in debt, financial burden and profitability, the synthetic indicators of financial pressure on investment and employment constructed on the basis of the CBQ sample did not undergo significant changes in the case of the former, while in the latter there was a slight reduction after the increases in the previous quarters. The two stand at low levels in historical terms.

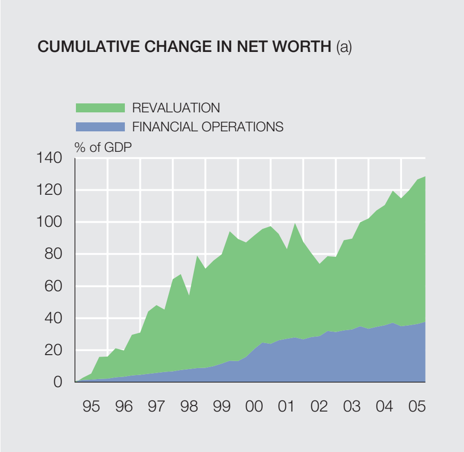
Finally, further to the rise in stock market prices, there was an increase in the net worth of non-financial corporations in relation to GDP at end-2005 (see Chart 27). The rise in equity prices came about against a background in which the growth of listed non-financial corporations' profits forecast by analysts held at a high rate, with this trend running into the opening months of 2006. Conversely, there are no signs of a pick-up in expectations concerning the growth of business profits in the long term, which are at historically low levels, although it should be borne in mind that the current profit level to which expected increases are applied is relatively high.

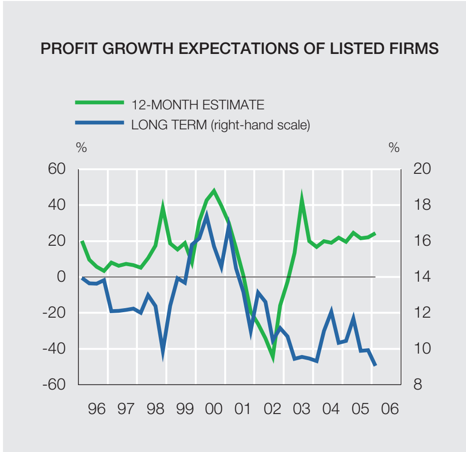
5.4 General government

During 2005 Q4, the lending capacity of general government increased once more and stood, in cumulative twelve-month terms, at over 1% of GDP (see Chart 28).

OTHER FINANCIAL INDICATORS OF NON-FINANCIAL CORPORATIONS

CHART 27



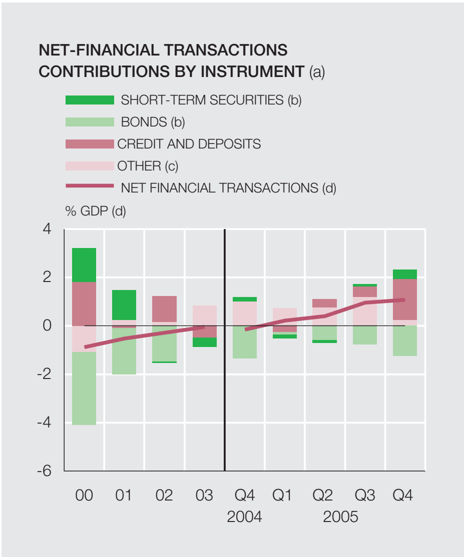


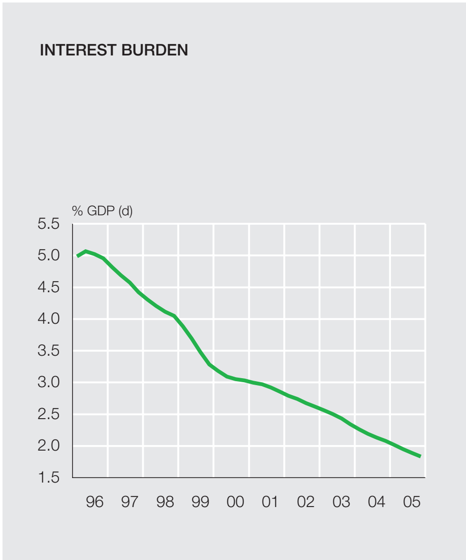
SOURCES: I/B/E/S and Banco de España.

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

GENERAL GOVERNMENT
Cumulative four-quarter data

CHART 28





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. Unpaid accrued interest on bonds and net investment of Social Security funds in assets issued by the rest of general government.
d. Spanish National Accounts, base 2000.

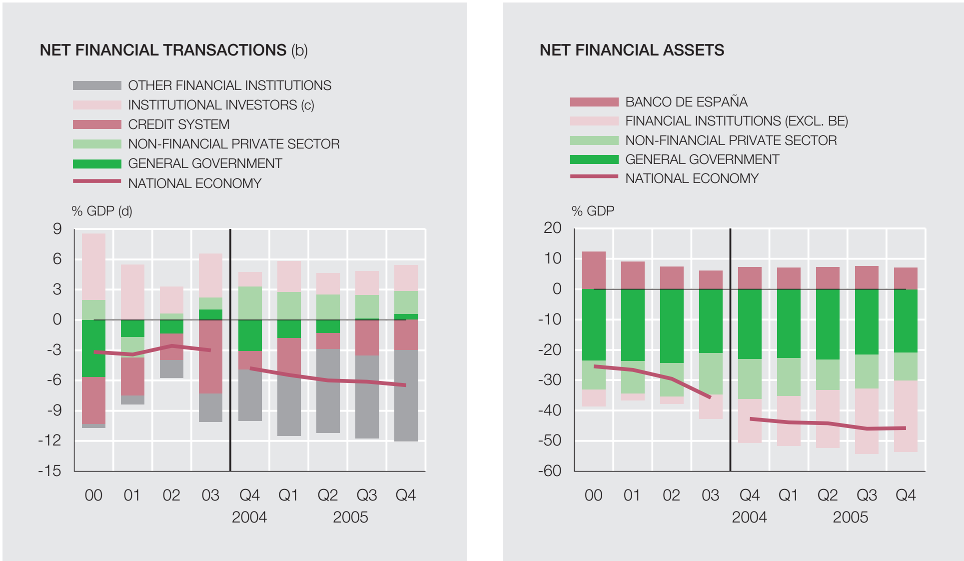
In terms of instruments, general government long-term securities issues increased, while there was a net redemption of short-term paper. The increase in deposits outgrew that in loans, making for a fresh and appreciable rise (1.3 pp) in the heading including the net balance of these two items. Interest payments as a proportion of GDP continued to fall thanks to the reduction in the debt ratio, and they stood at below 2%.

5.5 The rest of the world

In the closing months of 2005 the debit balance of the nation's financial transactions continued to increase, rising in four-quarter cumulative terms to 6.5% of GDP, compared with 6.1% in

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

CHART 29



SOURCE: Banco de España.

a. Cumulative four-quarter data for transactions. End-period data for stocks. Unsectorised assets and liabilitities not included.
b. A negative (positive) sign denotes that the rest of the world grants (receives) financing to (from) the counterpart sector.
c. Insurance companies and portfolio investment institutions.

September. Sector by sector, the greater need for funds stemmed from the deterioration in household and, above all, corporate saving, which was not offset by the improved lending capacity of financial institutions and general government.

Financial institutions continued to channel the bulk of the funds from abroad and, among these entities, non-monetary financial institutions have gained in significance; their net financial transactions with the rest of the world accounted for 9% of GDP in 2005, compared with 12.3% for the sector as a whole (see Chart 29).

Investment in foreign assets by the resident sectors rose at end-2005 to 17.7% of GDP in cumulative 12-month terms, which entails an increase of 0.7 pp on the Q3 figure (see Table 7). In terms of instruments, there was a notable rise in net purchases of securities other than shares, especially by credit institutions, which accounted for a flow in this connection equivalent to 6.6% of GDP. As a result, this type of acquisition, which has gained in significance over the course of the past year, became the main asset flow heading, against the backdrop of the highly buoyant debt markets. In contrast, there was a contraction in shares and other equity of almost 2 pp, this largely coming about due to a foreign direct investment transaction in 2004 by a Spanish credit institution.

Net capital inflows stood at end-2005 at 24.2% of GDP, in cumulative 12-month terms, compared with 23.1% in Q3. Funds raised through foreign investment in securities other than shares accounted, as in 2004 and the previous months of 2005, for the bulk of the flows from the rest of the world (over 50% of the total) and, indeed, as a proportion of GDP they increased by 1.1 pp compared with the September figure. Accordingly, these securities (and, specifically, those issued by financial institutions) remain the main route through which to channel and obtain resources from abroad to cover our economy's financing requirements. Among these securities, those linked to mortgage loans remain to the fore. Interbank deposits were also a

FINANCIAL TRANSACTIONS OF THE NATION
Cumulative four-quarter data

TABLE 7

% GDP	2002	2003	2004	2005		
				Q2	Q3	Q4
NET FINANCIAL TRANSACTIONS	-2.6	-3.0	-4.8	-6.0	-6.1	-6.5
FINANCIAL TRANSACTIONS (ASSETS)	12.9	13.5	13.8	14.6	17.0	17.7
Gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	3.3	0.7	3.2	2.6	1.9	2.4
Of which:						
Interbank (a)	2.3	0.5	0.7	2.2	1.2	3.2
Securities other than shares	4.1	6.5	1.8	3.5	6.1	8.7
Of which:						
Credit institutions	0.5	3.5	1.0	1.8	4.1	6.6
Institutional investors (b)	3.1	3.1	0.0	1.0	1.7	1.9
Shares and other equity	5.0	4.7	6.8	6.2	6.8	4.9
Of which:						
Non-financial corporations	4.6	4.5	3.7	4.2	4.2	3.8
Institutional investors (b)	-0.1	1.1	0.9	0.5	0.8	0.7
Loans	0.1	0.3	0.8	1.1	0.9	1.1
FINANCIAL TRANSACTIONS (LIABILITIES)	15.5	16.5	18.5	20.6	23.1	24.2
Deposits	4.0	6.9	1.7	0.5	3.4	5.3
Of which:						
Interbank (a)	3.1	5.3	5.0	3.4	5.6	7.2
Securities other than shares	4.3	5.3	12.4	15.2	14.4	15.5
Of which:						
General government	1.2	-1.0	2.7	1.1	0.0	0.0
Credit Institutions	1.3	3.5	4.6	5.6	5.9	6.3
Other non-monetary financial institutions	1.8	2.8	5.1	8.5	8.5	9.3
Shares and other equity	4.0	1.1	2.7	2.6	2.8	0.8
Of which:						
Non-financial corporations	3.3	1.3	1.7	1.6	1.4	1.0
Loans	3.0	2.8	1.3	1.7	1.9	2.0
Other, net (c)	-0.1	-0.8	-0.6	-0.6	-0.7	-0.1
MEMORANDUM ITEM						
Spanish direct investment abroad	4.8	3.1	5.8	6.0	5.5	3.4
Foreign direct investment in Spain	5.7	2.9	2.4	2.0	2.1	2.0

SOURCE: Banco de España.

a. Correspond only to credit institutions and include repos.
b. Insurance corporations and portfolio investment institutions.
c. Includes, in addition to other items, the asset-side caption reflecting insurance technical reserves and the net flow of trade credit.

significant source of funds (almost 4% of GDP in net terms). In contrast, a negative flow was once again recorded for other deposits, reflecting in part the net redemption of fixed-income securities issued by subsidiaries established abroad, while financing in the form of shares and other equity fell off notably (by 2 pp), in step with the decline in portfolio investment in these types of instruments. Resources obtained through foreign loans held at similar levels to those of the previous quarter.

As regards foreign direct investment in Spain, there were no significant changes, and this variable stood at 2% of GDP. Meanwhile, Spanish foreign direct investment fell, this being linked in part to the aforementioned operation last year by a Spanish credit institution, which translated into a high flow in 2004. In net terms, capital inflows held at a negative level (–1.4% of GDP).

As a result of the behaviour of financial flows vis-à-vis the rest of the world and of the changes in asset prices and the exchange rate, the debit position of the economy did not undergo significant changes and held at above 45.8% of GDP (see Chart 29). Across the different sectors, this performance was the result of an increase in the debit balance of financial institutions, which was offset by the improvement in most of the other sectors.

28.4.2006.

Introduction[1]

The quarterly articles compiled regularly on the basis of the information available in the database of the Central Balance Sheet Data Office Quarterly Survey (CBQ) reflect the developments in the accounts of non-financial corporations with a lag of three months from the quarter to which the latest information analysed relates. This information is usually assessed by summing the results of the approximately 800 corporations that report to the CBQ on the past quarters of each year and comparing this aggregate with the equivalent one for the same period of the previous year. This edition of the article therefore analyses the figures for the four quarters of 2005, which provide a first indication of the results of the Central Balance Sheet Data Office Annual Survey (based on the data of some 8,000 corporations and due to be disseminated in the January 2007 issue of the *Economic Bulletin*). Experience shows, as seen in Table 1 and Chart 1, these two databases usually display a similar profile for activity, as measured by nominal gross value added (GVA), but the rates obtained by the CBA always exceed those indicated by the CBQ for the same period. At the same time, the profile and the level of the path of the activity of non-financial corporations, according to the CBA, are usually similar to those recorded by the CNE, while the CBQ shows lower rates of activity than the Quarterly National Accounts (QNA), with a profile that is not always similar, owing to the low level of representation of small and medium-sized enterprises in the CBQ and to certain biases in the composition of the sample. However, besides the information that the Central Balance Sheet Data Office databases supply on developments in activity, they are also useful as they enable the factors that influence the cost of borrowing for companies, ordinary profit, returns and debt, as well as the influence of the extraordinary results on the total or net profit, which are those that explain the distribution of dividends, to be analysed.

Against this background, the information compiled by the CBQ to 2005 Q4 confirms that the productive activity of companies tended to grow moderately during the year, with a certain slowdown from the growth recorded a year earlier, confirming the developments indicated in the January 2006 issue of the *Economic Bulletin* on the basis of data for the first three quarters of the year. Thus, gross value added (GVA) rose by 4.6% in 2005, somewhat more than one percentage point less than a year previously (5.8%). This performance is, in principle, very different from that implied by the quarterly accounts data for non-financial corporations, provided by the QNA, which, on data to 2005 Q3, show a more positive performance in 2005 than in 2004[2]. Apart from the peculiarities of the sample referred to above, in this specific period the differences can be explained by the low level of representation in the CBQ of firms belonging to the sectors that have recently displayed most buoyancy, such as construction and other services, which are not well represented in the CBQ. On the other hand, the behaviour of the nominal GVA of large firms in industry, the wholesale and retail trade and transport and communications, those best represented in the sample of the Central Balance Sheet Data Office, was less favourable. The growth of activity recorded by the CBQ firms in 2005 again originated in the behaviour of energy and, to a lesser extent, the wholesale and retail trade, the latter stimulated by the solid growth of private consumption. As regards energy, the rise in oil prices in 2005 had a positive effect on the sector as a whole, owing to its impact on firms in the oil

1. This article is based on the data provided by the 728 corporations which, on average, reported information to the Central Balance Sheet Data Office on a voluntary basis to 16 March 2005. According to the Spanish National Accounts (CNE), the GVA of this aggregate of firms amounts to 12.9% of the GVA of the sector non-financial corporations. **2.** The INE published quarterly accounts for the sector non-financial corporations, for the first time, at the end of December 2005. These accounts, which are disseminated together with the quarterly accounts for the other institutional sectors, will be very useful for analysts and provide a point of comparison for the work of the Central Balance Sheet Data Office.

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	2004	2005	2006	03 Q1-Q4/ 02 Q1-Q4	04 Q1-Q4/ 03 Q1-Q4	05 Q1-Q4/ 04 Q1-Q4
Number of corporations		8,772	7,969	831	817	728
Total national coverage		30.0%	28.2%	14.9%	14.9%	12.9%
PROFIT AND LOSS ACCOUNT						
1. VALUE OF OUTPUT (including subsidies)	100.0	6.0	7.8	3.7	7.8	12.9
Of which:						
— Net amount of turnover and other operating income	134.3	5.9	8.6	4.0	8.1	16.3
2. INPUTS (including taxes)	67.0	5.9	8.2	3.3	9.0	17.6
Of which:						
— Net purchases	39.5	4.2	12.3	2.6	10.0	20.3
— Other operating costs	27.2	7.9	3.4	6.2	7.2	9.9
S.1. GROSS VALUE ADDED AT FACTOR COST [1 – 2]	33.0	6.3	7.1	4.3	5.8	4.6
3. Personnel costs	16.8	4.6	4.5	3.9	3.0	3.8
S.2. GROSS OPERATING PROFIT [S.1 – 3]	16.2	8.3	10.0	4.5	8.0	5.2
4. Financial revenue	3.1	4.3	13.9	18.8	2.9	22.6
5. Financial costs	2.6	-2.0	-3.9	-0.2	-7.4	7.8
6. Depreciation and operating provisions	6.5	4.1	2.5	1.6	-0.8	-0.4
S.3. ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	10.1	14.5	21.5	12.7	17.7	12.5
7. Capital gains and extraordinary revenue	3.5	8.3	-32.3	0.6	-33.9	62.3
8. Capital losses and extraordinary expenses	3.1	-28.3	-5.4	-34.6	-27.4	69.8
9. Other (provisions and taxes)	3.9	-35.9	-14.7	-44.7	1.1	-18.0
S.4. NET PROFIT [S.3 + 7 – 8 – 9]	6.6	(b)	17.1	(b)	8.0	26.2
NET PROFIT/GVA (S.4/S.1)		17.8	20.1	24.8	24.0	33.2
PROFIT RATIOS	Formulas (c)					
R.1 Return on investment (before taxes)	(S.3+5.1)/NA	7.8	8.1	8.0	8.3	9.5
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1/IBB	3.9	3.6	4.1	3.9	3.8
R.3 Ordinary return on equity (before taxes)	S.3/E	11.1	11.8	11.6	12.1	14.6
R.4 ROI - cost of debt (R.1 – R.2)	R.1–R.2	3.9	4.5	3.9	4.4	5.7

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 p ortion of financial costs which is interest on borrowed funds (5.1) and not commissions or cash discounts (5.2).
Note: In calculating rates, internal accounting movements have been edited out of items 4, 5 and 9.

refining business, but had an adverse effect on the rest of the sectors and, especially, on firms in the transport and communications and electricity sectors, which suffered a rise in their input costs and, consequently, a slowdown in the growth of their GVA. Finally, after a positive start to 2005, the results of industrial firms progressively worsened during the year, owing to the narrowing of their margins and the weakness of demand in the euro area countries, to which most Spanish industrial exports are sold. In the sample as a whole, external activity is seen to have maintained its negative contribution to output growth, in a year in which both imports and exports slowed significantly.

Meanwhile, personnel costs, which as a percentage of output fell by 7 percentage points between 1995 and 2005, increased by 3.8% in 2005, slightly more than in the previous year (3%). This was mainly a result of the improved behaviour of employment, which rose by 0.8% in 2005 (as compared with nil growth in 2004), against a background of steady growth in aver-

VALUE ADDED, EMPLOYEES, PERSONNEL COSTS AND PERSONNEL COSTS 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				PERSONEL COSTS PER EMPLOYEE			
	CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)	
	2003	2004	04 Q1-Q4	05 Q1-Q4	2003	2004	04 Q1-Q4	05 Q1-Q4	2003	2004	04 Q1-Q4	05 Q1-Q4	2003	2004	04 Q1-Q4	05 Q1-Q4
Total	6.3	7.1	5.8	4.6	1.2	2.3	0.0	0.8	4.6	4.5	3.0	3.8	3.4	2.2	3.0	3.0
SIZE																
Small	4.9	8.1	—	—	0.9	0.6	—	—	6.0	4.0	—	—	5.1	3.3	—	—
Medium	5.6	7.2	3.4	2.2	2.0	2.4	-0.6	1.2	6.7	5.2	3.1	5.2	4.7	2.7	3.7	4.0
Large	6.5	7.1	5.9	4.7	1.1	2.4	0.1	0.8	4.2	4.5	3.0	3.7	3.1	2.0	2.9	2.9
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	2.6	6.3	5.9	9.7	-1.7	-1.2	-1.1	-0.9	1.5	2.1	2.9	3.0	3.2	3.4	4.0	3.9
Industry	4.9	4.6	5.9	0.9	-0.8	-0.2	-0.7	-0.1	2.6	2.9	2.3	3.4	3.4	3.0	3.0	3.5
Wholesale and retail trade	8.6	10.5	6.9	3.9	5.2	5.7	4.3	2.6	8.5	8.5	6.7	4.1	3.1	2.6	2.3	1.5
Transport and communications	6.3	5.8	4.3	2.7	-0.8	-0.9	-1.8	-0.6	2.9	2.3	1.1	2.7	3.7	3.3	3.0	3.3

SOURCE: Banco de España.

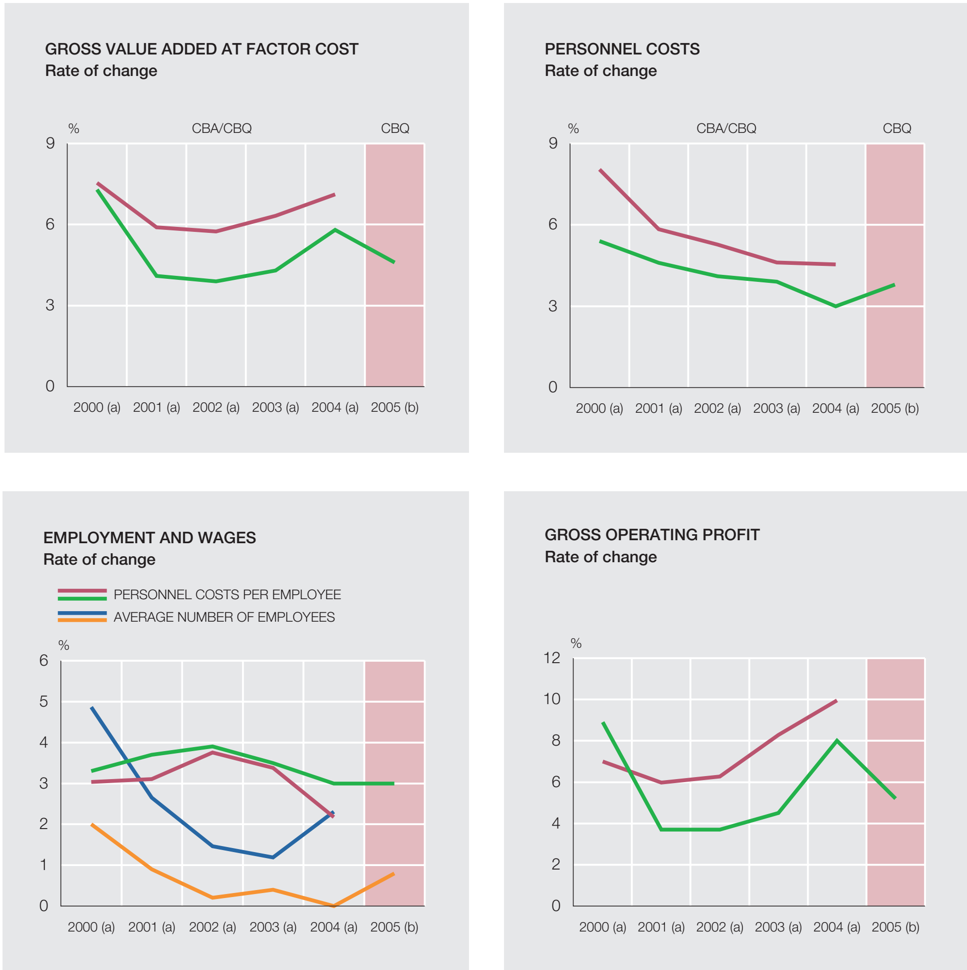
a. All the data in these columns have been calculated as the weighted average of the quarterly data.

age compensation of 3%, which was higher than according to the CNE. In 2005, once again, the sector in which employment was most buoyant was the wholesale and retail trade, although its growth rates in this sector were significantly lower than in the preceding periods, in line with the slower rate of growth of activity. As a result of the slowdown in productive activity in 2005, gross operating profit increased by 5.2%, almost three percentage points down from the previous year. Financial costs, for their part, displayed a change of trend, growing by 7.8% in the year as a whole, having fallen in every year since 2000, when they rose. This increase was the result of a fall of 1.6% in the cost component (i.e. the interest rates charged on loans), which was notably smaller than the declines recorded in the preceding years, and a rise of 9.4% in the level of debt. This increase in financial costs was offset by a 22.6% increase in financial revenues, as a consequence of the significant inflow of dividends from foreign subsidiaries. Both developments, along with the virtual stagnation of depreciation and operating provisions enabled ordinary net profit (ONP) to grow by 12.5% in 2005, although this rate was lower than in 2004. The contribution of extraordinary revenues and expenses to the final result was very positive, as a result of the significant reversals of provisions made in previous years that continued to be recorded and the capital gains generated on certain sales of shares, which enabled the final net profit to rise to 26.2%. The growth in ONP and in other variables that affect the calculation of returns enabled the CBQ firms to achieve a slightly higher level of profitability in 2005 than in 2004, as shown by the spread of 5.7 percentage points (pp) between ROI and the cost of debt, which was higher than in previous years. Finally, the E1 ratio (see Chart 4), which measures the level of the companies' debt relative to their net assets, showed a slight upward trend in 2005. This, together with the 8.1% increase in the gross fixed capital formation of the sample companies, seems to indicate a greater propensity on the part of firms to undertake new investment projects using external sources of financing, given the favourable market conditions.

To sum up, in general, the developments in the activity of the CBQ firms were similar to those in the activity of all Spanish non-financial corporations, according to the CNE/QNA.

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	8,489	8,417	8,420	8,772	7,969	—
	CBQ	883	859	848	831	817	728
% of GDP of the sector non-financial corporations	CBA	30.4	29.6	29.5	30.0	28.2	—
	CBQ	16.3	15.4	15.4	14.9	14.9	12.9

SOURCE: Banco de España.

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

However, unlike in the case of the latter, the GVA of the CBQ firms slowed slightly in 2005 relative to 2004. This difference can be explained by the low level of representation in the sample of the most buoyant sectors in 2005 (such as construction and certain services). However, this moderation in activity was not fully passed through to employment creation, against a background of stability in the growth of personnel costs per employee. The slower growth in operating profit and the higher financial costs (which brought to an end the continuous decline that began in 2001), were offset by a larger inflow of dividends from foreign subsidiaries. This led to a favourable trend in ONP and, in short, to a high level of profitability for the firms, while debt ratios were increasing. The growth in net extraordinary earnings

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	8,489	8,417	8,420	8,772	7,969	—
	CBQ	883	859	848	831	817	728
% of GDP of the sector non-financial corporations	CBA	30.4	29.6	29.5	30.0	28.2	—
	CBQ	16.3	15.4	15.4	14.9	14.9	12.9

SOURCE: Banco de España.

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

also contributed to a more positive trend in final net profit, which grew by 26.2% with respect to 2004.

Activity

In 2005, the activity of the CBQ firms grew moderately, although more slowly than in 2004. GVA increased at a rate of 4.6% (see Table 1), which was below the 2004 rate (5.8%). This slowdown in activity occurred against a background in which domestic demand continued to be the main engine of growth. The relative importance of the external component fell again, as seen in Table 3, which shows the decline in the importance of sales to foreign markets, and also in purchases from abroad. This behaviour, which affects industry in particular (the sector

EMPLOYMENT AND PERSONNEL COSTS TABLE 2.B

Details based on changes in staff levels

		TOTAL CBQ CORPORATIONS 2005 Q1 - Q4	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations		728	430	298
PERSONNEL COSTS				
Initial situation 04 Q1-Q4 (€m)		21,727.6	12,192.4	9,535.1
Rate 05 Q1-Q4/ 04 Q1-Q4		3.8	7.4	-0.8
AVERAGE COMPENSATION				
Initial situation 04 Q1-Q4 (€)		40,795.9	36,749.3	47,481.3
Rate 05 Q1-Q4/ 04 Q1-Q4		3.0	3.1	4.1
NUMBER OF EMPLOYEES				
Initial situation 04 Q1-Q4 (000s)		533	332	201
Rate 05 Q1-Q4/ 04 Q1-Q4		0.8	4.2	-4.7
Permanent	Initial situation 04 Q1-Q4 (000s)	444	270	174
	Rate 05 Q1-Q4/ 04 Q1-Q4	0.5	3.3	-3.9
Non-permanent	Initial situation 04 Q1-Q4 (000s)	89	62	27
	Rate 05 Q1-Q4/ 04 Q1-Q4	2.3	7.8	-10.2

SOURCE: Banco de España.

most dependent on developments in foreign markets), is explained by the absence of any clear pick-up in the main euro area countries. As for the net contribution of external demand to output (exports less imports), it remained negative, although the slowdown in imports in 2005 avoided any increase in its magnitude.

By sector, the growth of energy was notable, its GVA growing at a rate of 9.7% in 2005. This sharp increase is basically explained by the behaviour of oil refining, whose GVA increased by 33.2%, as a consequence of oil price developments, as discussed in previous articles (see Chart 2). Also in the energy sector, the GVA of electricity, gas and water utilities rose by 5% in 2005, owing to the strong expansion of the gas utilities and the favourable behaviour of the demand for electricity which grew by 3.3%, according to *Red Eléctrica Nacional* (the national electricity network), despite the increase in their production costs caused by greater generation of electricity by thermal power stations. Of the other sectors, after oil refining, wholesale and retail distribution recorded the highest growth in GVA in 2005 (3.9%), in line with the growth of private consumption. However, comparing with the previous year (the GVA of the wholesale and retail distribution firms rose by 6.9% in 2004), a slowdown is apparent, which is consistent with alternative indicators. Transport and communications meanwhile recorded a nominal increase in GVA of 2.7% in 2005, almost two percentage points down from the previous year. This rate was affected by the higher costs faced by both telecommunications firms (with significant advertising campaigns in 2005) and air transport firms (that suffered the severe impact of higher fuel prices), which led to a considerable reduction in their mark-ups. Finally, industry gradually lost buoyancy over the year, at a rate that stepped up in the final quarter. For the year as a whole, industrial GVA grew at a rate of 0.9%, well below the 2004 rate (5.9%). This slower rate of growth was apparent across practically all the sub-sectors that make up this aggregate (see Box 1). Lastly, Chart 3 shows that, when each of the sample firms are categorised according to the growth rate of their GVA, no significant changes are appreciated with respect to the 2004 situation. This shows that the fall in GVA in 2005, with respect to 2004, for the aggregate of all firms is

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

TABLE 3

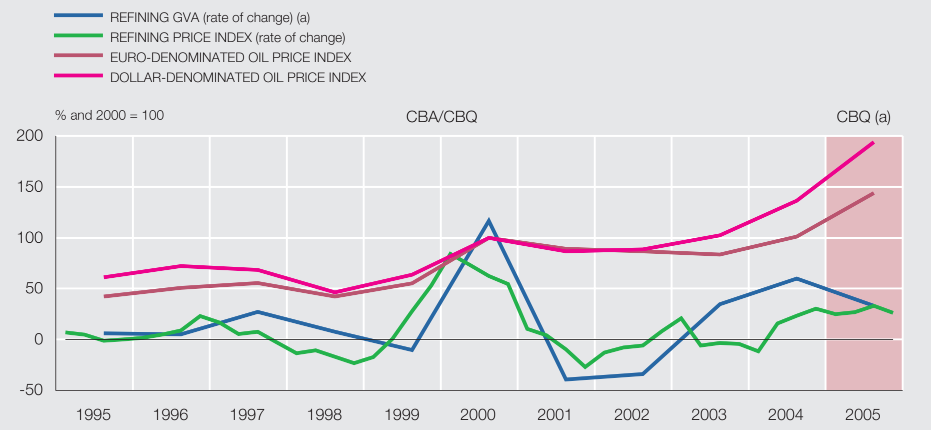
		CBA		CBQ (a)	
		2003	2004	04 Q1-Q4	05 Q1-Q4
Total corporations		7,969	7,969	728	728
Corporations reporting source/destination		7,969	7,969	702	702
Percentage of net purchases according to source	Spain	70.0	69.2	77.5	80.0
	Total abroad	30.0	30.8	22.5	20.0
	EU countries	17.4	17.2	15.6	13.8
	Third countries	12.6	13.6	6.9	6.2
Percentage of net turnover according to destination	Spain	83.9	84.4	87.8	88.7
	Total abroad	16.1	15.6	12.2	11.3
	EU countries	11.7	11.3	9.0	8.0
	Third countries	4.4	4.3	3.2	3.3
Change in net external demand (exports less imports), rate of change (b)	Industry	9.5	-4.4	3.6	-1.0
	Other corporations	-9.5	-32.2	-38.3	-4.4

SOURCE: Banco de España.

a. All the data in these columns have been calculated as the weighted average of the relevant quarterly data.
b. The rates of change for 2003 refer to the 8,772 corporations reporting to the CBA that year.

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. The 2005 data relate to the CBQ.

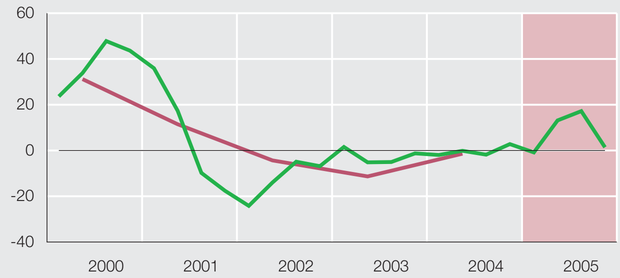
According to the CBQ, the productive activity of industrial corporations grew very moderately in 2005 (0.9% in relation to 2004), compared with almost 6% in 2004. This performance is the outcome of a progressive slowdown in activity as the year unfolded. Hence, while in the first half of the year GVA held at an average increase of close to 3%, the deterioration became increasingly clearer in the second half, as evidenced by the fact that the rate for Q4 was –3.6%. This lesser buoyancy was across the board in all sub-sectors of industry, the result of lower sale prices and squeezed margins, and also of the reduction in exports, which remain affected by the continuing sluggishness of some of the main euro area economies. Among the industrial sectors for which information is available, those performing worst were glass, ceramics and metals, and the manufacture of electric, electronic and optical equipment; after posting increases in GVA of close to 10% in 2004, these showed rates of change of 1.7% and 0.1%, respectively. The same was the case for the manufacture of transport equipment, whose GVA fell by 4.8%, due in part to the adoption of price-cutting strategic decisions by certain major manufacturers. The employment data for 2005 show a change of –0.1%, something of an improvement on the rate for the previous year (–0.7%). The quarterly profile also reveals a deterioration in employment as the year progressed, in step with the developments in productive activity. Average compensation rose by 3.5%, a higher rate than that for the sample as a whole. A deterioration was also discernible in average compensation as the year unfolded, as wage costs grew by 3.7% in Q4 following growth of 2.7% in Q1–Q3. As a result, personnel costs grew by 3.4%, slightly over 1 pp up on the previous year. Combined with the slowdown in activity, this meant that the industrial corporations reporting to the CBQ did not attain the ordinary net profit levels of the previous year. Both the gross operating profit and the ordinary net profit fell in 2005, by –1.9% and –6.1%, respectively. Accordingly, industrial corporations were unable to maintain the level of profitability of the previous years, prompting the return on investment to dip from 9.4% in 2004 to 8.6% in 2005.

PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO

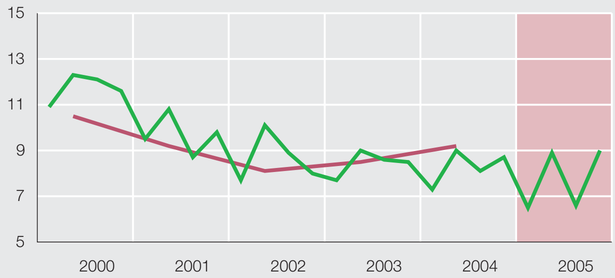
GROSS VALUE ADDED AT FACTOR COST
Rate of change

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				2,612				2,267				—			
	CBQ	431	411	390	378	402	392	380	363	389	375	365	354	366	361	352	345	353	344	336	326	322	306	290	198
% of GDP of the sub-sector industrial corporations	CBA	31.4				28.2				27.9				28.1				24.6							
	CBQ	26.3	26.7	23.4	24.0	21.5	21.2	18.8	20.1	19.6	20.6	18.6	18.5	18.8	19.1	17.1	17.8	19.8	20.2	17.7	18.9	18.9	19.2	15.7	10.1

SOURCE: Banco de España.

Nonetheless, with financial costs holding at minimum levels (the ratio measuring the cost of borrowed funds stood at 3.7% in 2005, virtually unchanged on the previous year), the spread between ROI and the cost of debt remained positive in 2005 (4.9) for the aggregate of industrial corporations, although clearly down on the previous year (5.6) and on the spread for the overall aggregate of corporations (5.7). In sum, the greater buoyancy of activity and employment in the industrial sector at the outset of 2005 has changed as the year has progressed, giving way to a scenario marked by great uncertainty. The competitiveness in markets has led margins to narrow, and this has been compounded by the continuing sluggishness of external demand, owing to the above-mentioned situation in the euro area countries. Consequently, how these corporations fare in the short and medium term will largely depend on their capacity to adapt their productive structure to the new circumstances of the globalised market.

affected by the lower growth rates, with respect to the preceding period, of certain large firms.

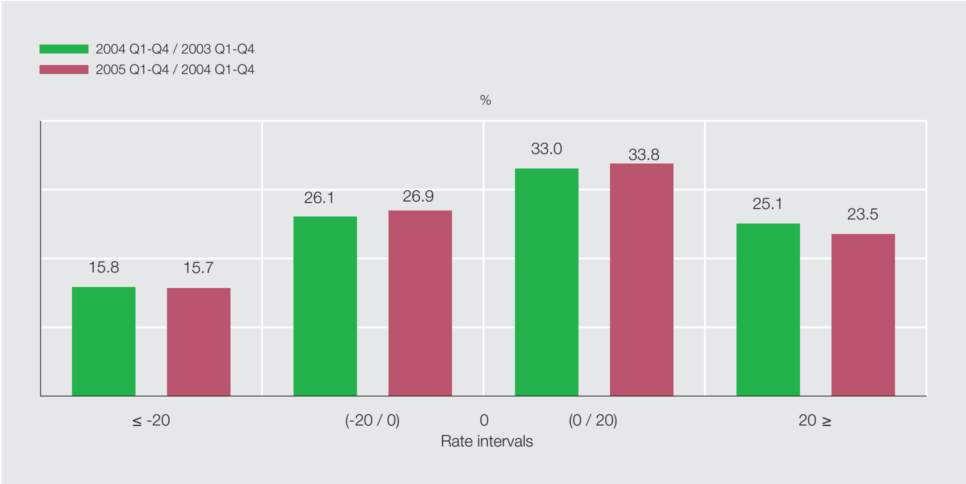
Employment and personnel costs

Personnel costs at the corporations reporting to the CBQ increased by 3.8% in 2005, compared with 3% in 2004. This growth is due to staffing increases, since average compensation at the corporations in the sample held at 2004 levels. In both cases the figures are higher than those shown by National Accounts for the economy as a whole. Specifically, employment grew by 0.8%, compared with zero growth during 2004. Previous CBSO reports have drawn attention to the fact that even a small increase in employment at the CBQ corporations should be viewed very favourably, given the particularities of the group of corporations making up this sample (large corporations and industrial and services companies predominate, some subject to employment regularisation processes). The increase is discernible in all sectors, though it should be specified that the highest growth in employment took place in the wholesale and retail sector (as has habitually been the case in recent years), with a 2.6% rise in the number of workers in 2005, a notably smaller rate than a year earlier (4.3%). The decline in employment in transport and communications experienced in previous periods eased off, with the related rate of reduction falling from 1.8% in 2004 to only 0.6% in 2005, this being influenced by the process of adjustment in a major corporation in the sector, outlined in previous articles, without which this aggregate would show net increases in employment of around 1%, both in 2004 and in 2005. As in 2004, there was no positive change in staff numbers in energy corporations in 2005, since the rate was –0.9%, although this marked an improvement on the previous period (–1.1% in 2004 and –1.7% in 2003). This would seem to indicate that the reorganisation processes at the electric utilities are coming to a close. Finally, industrial corporations continue to shed labour at a lesser rate than in 2004, although the quarterly profile highlights a worsening trend, with a progressive deterioration as 2005 unfolded (see Box 1).

Average compensation increased by 3% in 2005 (unchanged on 2004), which is in the lower band for this variable in recent years according to CBQ data and which, along with employment developments, is contributing to the continuing decline in personnel costs relative to output. This reduction dates back considerably since, on CBQ figures, this percentage, which stood at 20.1% in 1995, was 13.3% in 2005. It should also be borne in mind that the average compensation at CBQ corporations is moving at a higher rate than that which the National Accounts show for the economy as a whole. This trend in average compensation has been more markedly perceptible in the wholesale and retail sector which, moreover, was that which showed the lowest rate of change (1.5%), confirming that the sectors with the most moderate rises in average compensation are those most active in job creation. This is also illustrated in Table 2.B, where the level of average compensation is shown to be one of the variables that

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

CHART 3



SOURCE: Banco de España.

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

TABLE 4

	CBA			CBQ (a)		
	2002	2003	2004	03 Q1-Q4	04 Q1-Q4	05 Q1-Q4
Number of corporations	8,420	8,772	7,969	831	817	728
PERSONNEL COSTS	100	100	100	100	100	100
Falling	27.9	25.6	27.9	31.5	32.3	28.4
Constant or rising	72.1	74.4	72.1	68.5	67.7	71.6
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	31.3	31.6	30.6	45.1	44.4	40.7
Constant or rising	68.7	68.4	69.4	54.9	55.6	59.3
PERSONNEL COSTS PER EMPLOYEE	100	100	100	100	100	100
Lower growth (b)	44.6	38.9	44.4	44.5	46.5	48.6
Higher or same growth (b)	55.4	61.1	55.6	55.5	53.5	51.4

SOURCE: Banco de España.

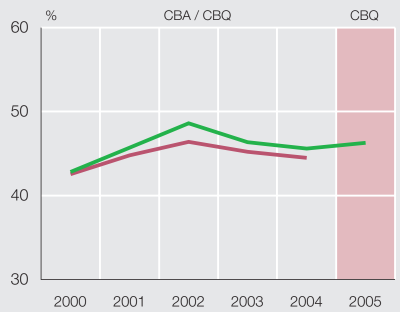
a. Weighted average of the relevant quarters for each column.
b. Year-on-year change in the CPI.

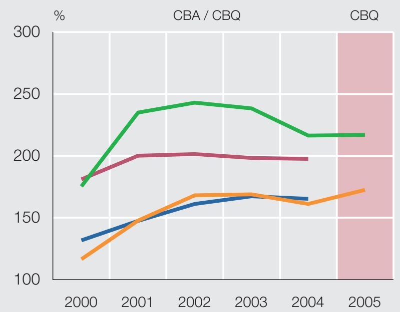
explains the trend of employment. The remaining sectors in the sample maintained a similar pattern of growth in average wages in 2005 of around 3.5%, with relatively negligible changes on the rate recorded the previous year. Lastly, Table 4 shows how the proportion of corporations whose personnel costs outgrew inflation continued to be in the majority, although the percentage is falling (from 53.5% in 2004 to 51.4% in 2005). The table likewise reveals how the proportion of corporations in which employment is holding or rising is increasing; on CBQ data for 2005, this percentage amounts to approximately 60%.

Profits, rates of return and debt

The slight slowdown in the activity of the CBQ corporations in 2005, along with the moderate growth of personnel costs, meant that the gross operating profit, or surplus, grew by 5.2%, almost 3 pp down on the previous year. To this increase in resources from the production process must be added those from revenue less financial costs in order to determine ordinary profit, which are relevant for the calculation of rates of return. The former grew at a rate of

DEBT RATIOS CHART 4





	2000	2001	2002	2003	2004	2005
CBA	42.5	44.8	46.4	45.2	44.5	
CBQ	42.8	45.7	48.6	46.4	45.6	46.3

	2000	2001	2002	2003	2004	2005
CBA	180.9	200.0	201.4	198.2	197.6	
CBQ	175.3	234.9	242.8	238.4	216.4	216.9
CBA excl. MGs	131.6	147.6	161.0	167.3	165.2	
CBQ excl. MGs	116.6	147.6	168.2	168.9	161.1	172.4

SOURCE: Banco de España.

a. Ratio calculated from final balance sheet figures. Equity includes 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.

22.6%, due essentially to inflows of dividends from subsidiaries abroad, and the latter increased by 7.8%, indicating a turnaround after four years of continuous reductions under this heading. The following breakdown of financial costs helps analyse the causes behind recent changes therein:

	05 Q1-Q4/04 Q1-Q4
Change in financial costs	**+7.8%**
A. Interest on borrowed funds (1 + 2)	*+7.8%*
1. Due to the cost (interest rate)	–1.6%
2. Due to the amount of interest-bearing debt	+9.4%
B. Commissions and cash discounts	*+0.0%*

As the table shows, the change due to the cost (interest rates applied) slightly cushioned the growth of financial costs, since the cuts in interest rates were of a lesser amount than those in previous years, owing among other things to the lower level they had reached. Greater resort to sources of borrowed funds is also apparent, which alone explains the increase in financial costs of over 9 pp, this being the main cause of the growth of this heading. The increase in the change due to the amount of interest-bearing debt, brought about by the generous market conditions, can also be seen in connection with the E1 and E2 ratios (see Chart 4). In E1 (interest-bearing borrowing/net assets), a mild rising trend is perceptible, confirming that corporations have resorted to a greater extent to borrowed funds in order to cover their needs. This

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	2004	04 Q1-Q4	05 Q1-Q4	2003	2004	04 Q1-Q4	05 Q1-Q4	2003	2004	04 Q1-Q4	05 Q1-Q4	2003	2004	04 Q1-Q4	05 Q1-Q4
Total	8.3	10.0	8.0	5.2	14.5	21.5	17.7	12.5	7.8	8.1	8.3	9.5	3.9	4.5	4.4	5.7
SIZE																
Small	3.3	14.9	—	—	7.1	23.0	—	—	7.2	7.1	—	—	2.9	3.4	—	—
Medium	4.1	10.1	3.9	-1.6	9.1	13.8	8.6	-6.2	7.8	8.2	8.3	7.6	3.9	4.8	4.7	4.4
Large	8.9	9.8	8.2	5.4	15.4	22.3	18.0	13.2	7.8	8.1	8.3	9.5	3.9	4.5	4.4	5.7
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	2.9	7.8	6.8	11.5	1.1	9.0	10.2	25.4	7.9	8.0	9.0	10.1	4.5	4.7	5.5	6.6
Industry	8.5	7.0	10.5	-1.9	14.9	10.5	27.5	-6.1	8.5	9.2	9.4	8.6	4.7	5.7	5.6	4.9
Wholesale and retail trade	8.7	13.2	7.1	3.6	9.7	19.6	7.1	7.8	10.9	12.3	10.0	9.5	7.1	8.7	5.8	5.4
Transport and communications	8.8	8.3	6.6	2.7	25.4	26.2	17.0	7.7	9.2	9.5	13.8	14.5	5.2	5.3	9.3	10.3

SOURCE: Banco de España.

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

trend is also consistent with that of the sampled corporations' gross fixed capital formation during the period, which stands at 8.1%[3]. The E2 ratio ([consolidated] interest-bearing borrowing/GVA) held in 2005 at a very similar value to that of previous years, which confirms that greater debt has not significantly affected either corporations' level of risk or their repayment capacity.

The course of financial revenue and costs enabled the CBQ aggregate of corporations to increase ordinary net profit to a rate of 12.5%, down on that in 2004 (17.7%). However, this growth allowed high rates of return to be maintained, which even exceeded those attained the previous year, owing to the trends in the other factors bearing on the calculation of the ratios (greater cash flow to cover financial costs and a better relative position of the balance sheet items in the ratio denominators, as indicated at the bottom of Table 1). The return on investment stood at 9.5% for 2005 (more than 1 pp up on the previous year), while the return on equity rose to 14.6% (compared with 12.1% in 2004). Sector by sector (see Table 5), it can be seen how these same high rates of return were maintained practically across the board. The exception was the industrial sector, where a strong decline was seen in 2005 as a result of the slowdown in activity. Conversely, the sector in which rates of return rose most clearly was "other market services" (a grouping which is not explicitly shown in the tables illustrating this report), which includes – inter alia – holding companies, the biggest beneficiaries of the strong inflows of dividends from the rest of the world in 2005. The ratio measuring the cost of borrowed funds held at a minimum level of around 3.8%, meaning that the spread between the return on investment and the cost of debt held, for another year, at a clearly positive value, that was higher than in previous years. Finally, as regards extraordinary profit, many of the provisions set aside in previous years were reversed in 2005 as a result of the pick-up in the value of the investments made, principally in Latin America. Combined with the capital gains

3. To approximate the trend of gross fixed capital formation, the CBQ questionnaire has begun to require additional information on tangible fixed assets operations (essentially depreciation provisions and gains/losses on the disposal of tangible fixed assets)

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 Q1-Q4	05 Q1-Q4	04 Q1-Q4	05 Q1-Q4
Number of corporations		817	728	817	728
Percentage of corporations by profitability bracket	R ≤ 0%	24.2	23.6	27.0	26.3
	0% < R ≤ 5%	21.3	21.1	16.0	16.4
	5% < R ≤ 10%	15.5	17.6	11.0	13.0
	10% < R ≤ 15%	10.6	10.7	9.1	10.1
	15% < R	28.5	27.0	36.9	34.2
MEMORANDUM ITEM: Average return		8.3	9.5	12.1	14.6

SOURCE: Banco de España.

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

arising on equity-sale transactions, this meant that net final profit grew at a rate of 26.2% for 2005.

In sum, the activity of the CBQ corporations – among which the most dynamic sectors at present, such as construction and services other than wholesale and retail distribution, transport and communications, are not well represented – held at a moderate growth rate during 2005, down on the previous year. This performance is affected not only by the characteristics of the sample, but by the persistence of sluggish external demand in the euro area countries and by higher oil costs, which has narrowed margins in certain sectors and reduced the generation of operating surpluses. That has not affected job creation, which has held on a slightly rising course, with average compensation stable at the previous year's levels. Further, the inflow of dividends from abroad has made for a rise in ordinary profit which, along with the performance of the other variables determining rates of return, has allowed the latter to continue at high levels, up on those of the previous year. This was so to the extent that the spread between the return on investment and the cost of debt for the total aggregate of corporations was 5.7 pp. During 2005 the reporting corporations saw productive investment trend favourably, as was deduced from the alternative indicators for the economy as a whole, which is conducive to the maintenance and creation of employment.

17.3.2006

Introduction

The pace of growth in Latin America continued to ease very gradually in 2005 Q4, and the year-on-year rate stood at 3.8%, almost 1.5 pp down on that attained mid-year. Over the year as a whole, GDP increased by 4.3%, marking a notable slowdown on the exceptional performance the previous year (5.8%). Nonetheless, the aggregate of the eight main countries somewhat distorts the overall assessment, since the two biggest economies (Brazil and Mexico, which jointly account for close to 60% of the region's GDP) were those that posted a lower growth rate, as can be seen in Chart 1. In this respect it should be stressed that, in addition to the two countries mentioned, only Venezuela and Uruguay – which grew at double-digit rates in 2004 – saw their growth rate fall during the year, while the other four countries posted growth equal to or higher than that of the previous year, with a persisting high rate of activity in Argentina. Another noteworthy factor in this growth ranking is the momentum entailed in recent years by the improvement in the terms of trade, which continues to operate. Indeed, as can be seen in the right-hand panel of Chart 1, Brazil and Mexico were two of the economies that benefited relatively less from this stimulus and those that least grew in average terms over the past three years. That said, other factors, such as the adjustment prompted by the previous crisis and the subsequent rebound, as in Argentina, also had a significant effect on economic developments in this period in some countries.

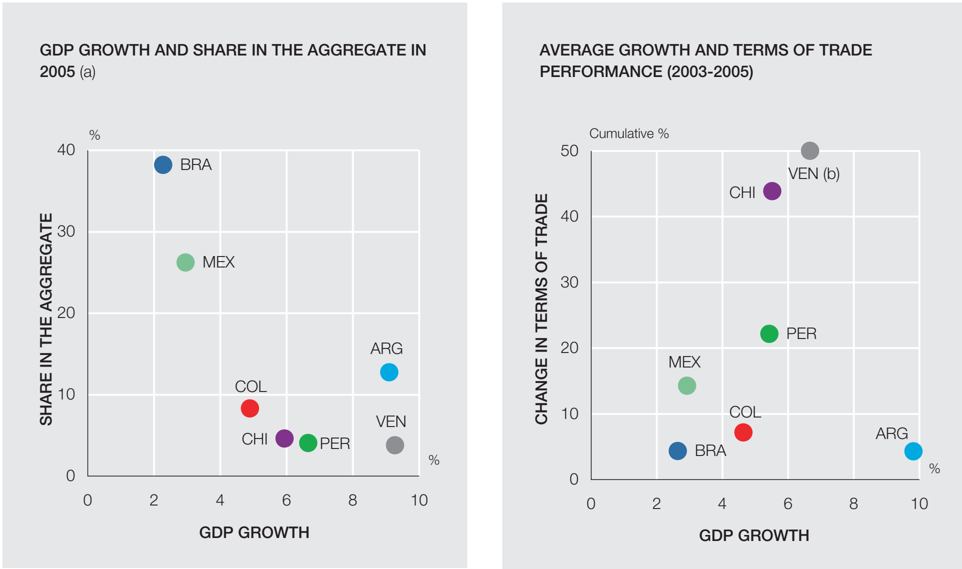
Activity during the second half of 2005 was underpinned by the firming of domestic demand, based on the sound performance of the labour market. Notwithstanding, inflation (underlying inflation in particular) continued on a downward path and enabled all the main countries with direct inflation targets to meet their end-year goals, in contrast to what happened in 2004. Public finances also performed satisfactorily, as the primary surplus widened and the total budget deficit stabilised at a rate not far off budgetary equilibrium in the area as a whole. The negative contribution of external demand to GDP growth gradually increased, despite the performance of exports remaining very positive.

Financial markets continued to perform very favourably in the second half of the year. There were strong gains on stock exchanges and a notable narrowing of sovereign yields, with these trends running into early 2006. The Latin American region outperformed other emerging regions, and a contributing factor here was the perception that some of the traditional sources of financial instability in the area are gradually abating as local markets gain in depth, as less resort is made to external financing and as the characteristics of public debt improve, through a very active management thereof. Net capital inflows were relatively scant in 2005 as a whole (compared with a slightly negative outstanding balance in 2004), but this was due to the fact that the notable increase in private flows was partly countered by a significant contraction in official flows. This reduction was attributable to the region's improved economic situation, but a key determinant was the early cancellation of the IMF loans by the Fund's two principal debtors, Brazil and Argentina. This repayment meant that, for the first time in many years, Latin America ceased to be the main recipient of the Fund's financial resources.

The outlook for the coming quarters remains positive, but not free from risks. Domestic demand is upheld by the high level of agents' confidence in a low-inflation environment (except in Argentina and Venezuela). In this setting, the favourable effects of the downward cycle of interest rates initiated in 2005 Q3 in the two main countries, Brazil and Mexico, should contribute to giving an additional boost to domestic demand, providing for a pick-up in activity in the area as a whole and greater convergence among growth rates. Further momentum might be

GDP GROWTH
Year-on-year change and percentage

CHART 1



SOURCES: National Statistics Offices and IMF

a. Share in Latin American aggregate based on PPP GDP.
b. Terms of trade in Venezuela increased by 90%

induced by a greater fiscal stimulus, typically associated with electoral phases, in which several countries remain immersed. However, this characteristic has been less marked than in past electoral episodes. Over the longer term, these favourable features should not mean the stagnation of reforms over the past year is forgotten.

Although there are no clouds on the horizon in Latin America in the short term, it should be stressed that the maintenance of favourable global financial conditions cannot be taken for granted. The persistence of a benign external environment has been pivotal in recent years for the firming of recovery in the area. The global economy has assimilated better than expected the adverse effects of dearer energy prices and the tightening of monetary conditions in the United States, but it is not proving capable of making headway in the correction of global imbalances, which became even deeper-rooted in 2005. The recent shift in the monetary policy stance in the euro area and Japan might have consequences through at least two interrelated channels: first, there might be some reduction in the hitherto abundant global liquidity in 2006 derived from the rise in interest rates in these economies; and second, the narrowing of their interest-rate spreads vis-à-vis the United States might impact the dollar and the perception of global risks, insofar as investors might refocus on the growing imbalances in the US economy. Both factors might prompt a more conservative attitude on the part of agents. And this, given how closely adjusted valuations in emerging markets are, might entail a reversal or, at least, some deterioration in the favourable conditions they have enjoyed in recent years.

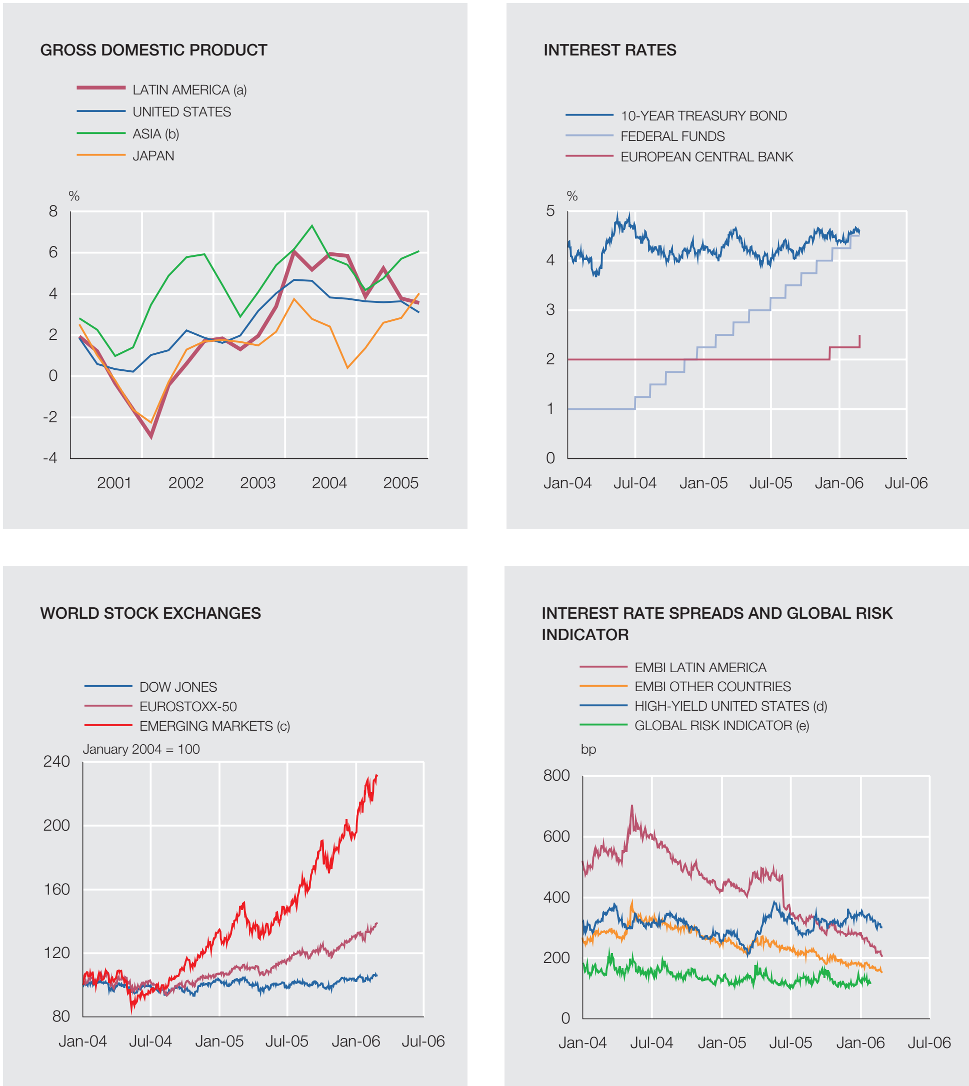
Economic and financial developments

EXTERNAL ENVIRONMENT

International economic and financial developments (see Chart 2) remained very favourable for emerging markets, in particular for Latin America, for the third year running. The growth of the world economy showed clear signs of dynamism, both in the second half of 2005 and in early 2006, accompanied by the spread of such buoyancy to a broader group of countries that had been lagging in recent years, such as the euro area and Japan. The extension of favourable growth expectations might have a notable impact on global liquidity conditions. In this respect,

GLOBAL MACROECONOMIC AND FINANCIAL INDICATORS CHART 2

Year-on-year changes, percentages, basis points and indices



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

a. 2005Q4: estimate.
b. Malaysia, Korea, Indonesia, Thailand, Hong Kong, Singapore and Taiwan. Latest figure without Thailand.
c. MSCI index, in US dollars.
d. US B1 rated corporate bond.
e. Implied volatility of options traded in the CBOE, multiplied by 10.

monetary policies in both Japan and in the euro area are moving into a moderately tightening phase. In the first instance, this made for a change in monetary policy in March, which will entail the abandonment of zero interest rates in the medium term. Further, short-term interest rates in the United States continued to rise gradually, and were up to 4.75% in March (an increase of 1.25 pp since September); and expectations about the end of the upward cycle were progressively postponed, although they continue to be considered close in time. The persistence of a positive spread in interest rates between the United States and the rest of the developed countries was a determining factor of the course of the dollar, which appreciated in nominal effective terms during 2005 as a whole, although this overall result masks widely differing trajectories. Against the currencies of the emerging economies the dollar tended to depreciate, and against those of the industrialised countries it appreciated, although it stabilised against the euro in the second half of the year.

Despite these monetary policy developments, long-term interest rates, which directly influence the cost of financing in dollars on the emerging markets, did not change significantly until March this year, when they rose across the board, although this increase was less than 0.5 pp in the United States. The perception that inflationary pressures would be contained globally in the medium term, despite the persistent rise in energy prices, and other circumstantial factors – such as the demand of institutional investors, the recycling of petrodollars and the build-up of reserves in Asia – are what would explain this insensitivity of long-term interest rates to short-term monetary and economic developments and the resulting anomalous behaviour of the yield curve in the United States, which showed negative slopes in certain segments. This favourable perception tended to strengthen investor confidence, to the extent that the developed stock markets ended 2005 and started 2006 with notable rises. Last year was much more favourable in Europe (gains of around 20%) and, above all, in Japan (40%) than in the United States, where gains were confined to 3% in the case of the Dow Jones index.

In these circumstances the emerging markets continued to perform exceptionally, especially in Europe and Latin America. This was underscored by the forceful narrowing of sovereign yields, which have continued diverging from the yields on private junk bonds in the United States (which are considered a sound indicator of the predisposition to risk on markets), with which they had traditionally run in parallel. Such divergences would be attributable to the greater attractiveness of emerging markets, due in the cases of Asia and Eastern Europe to the prospect of continuing strong growth and, in Latin America's case, to the marked reduction in financial vulnerability in recent years. The EMBI spread narrowed by 32 bp in 2005 Q4 and by a further 39 bp in Q1, taking it to 191 bp at end-February; in March, however, it rebounded slightly as a result of the correction in long-term rates in the developed countries. This figure marked a historical low, which was also attained in many Eastern European and Latin American countries, while the behaviour in Asia was somewhat less exceptional. The index of emerging stock markets rose by somewhat over 50% in 2005 (although the rise was more limited on the Asian stock exchanges) and continued to post gains at a sound rate in the opening months of this year.

ECONOMIC ACTIVITY AND DEMAND

During the second half of 2005, regional growth held stable at a moderate rate, following the strong expansion the previous year. Year-on-year growth in the eight main economies as a whole stood at 3.8%, in both 2005 Q3 and 2005 Q4 (see Chart 2 and Table 1), compared with an average rate of 4.5% in the first half of the year and some way below the growth of 5.8% for Latin America in 2004. Nonetheless, as can be seen in Chart 3, the quarter-on-quarter rates reflect the stability of the growth rate in the second half of the year, with an average figure of 0.8%, compared with 0.7% in the first six months. Some higher frequency indicators, such as industrial output or retail sales, which are reflected in Chart 4, held on a moderate path to the end of the year and into the beginning of 2006. That would point to a potential further slowdown in activity, especially in domestic demand. However, the improvement in consumer confidence and other factors would be conducive to activity holding up in the coming quarters, as indicated elsewhere in this report.

Notable among the countries in the area (see Chart 3) was the ongoing robust growth in Argentina and Venezuela following four and three years, respectively, of close to double-figures increases in output, as well as in Peru and Chile, where the growth rate quickened once more in Q4, and in Colombia, where activity was also very buoyant in recent quarters. A common denominator in several of these economies is the notably favourable impact of changes in the terms of trade (see Chart 1). Conversely, the growth rates in Mexico and Brazil have eased off notably, although there was something of a pick-up in the latter economy in the final quarter, following a negative quarter-on-quarter growth rate in Q3.

LATIN AMERICA: MAIN ECONOMIC INDICATORS

TABLE 1

	2003	2004	2005	2004				2005			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q2
GDP (year-on-year change)											
Latin America (a)	2.1	5.9	4.3 (b)	6.0	5.2	5.9	5.8	3.9	5.2	3.8	3.8 (b)
Argentina	8.8	9.0	9.2	11.3	7.1	8.7	9.3	8.0	10.4	9.2	9.1
Brazil	0.5	5.0	2.3	4.1	5.1	5.9	4.8	2.7	3.9	1.0	1.4
Mexico	1.4	4.4	3.0	3.6	3.7	4.5	4.8	2.4	3.3	3.4	2.7
Chile	3.3	6.1	6.4	4.7	5.3	7.0	7.3	6.6	7.2	5.8	5.8
Colombia	4.0	4.2	5.2 (b)	3.5	4.5	2.9	5.4	4.0	6.2	5.6	3.8 (b)
Venezuela	-7.7	17.9	9.3	35.0	14.3	14.2	12.1	6.6	10.7	9.5	10.2
Peru	3.8	4.8	6.7	4.8	3.2	4.7	6.6	6.4	6.2	6.3	7.7
Uruguay	2.5	12.4	6.6	14.9	12.0	12.6	10.0	6.4	7.7	6.0	6.1
CPI (year-on-year change)											
Latin America (a)	10.9	6.0	6.3	5.6	5.2	6.3	6.5	6.4	6.6	6.0	6.0
Argentina	14.9	4.4	9.6	2.4	4.1	5.4	5.7	8.2	8.8	9.8	11.7
Brazil	14.8	6.6	6.9	6.8	5.5	6.9	7.2	7.4	7.8	6.2	6.1
Mexico	4.6	4.7	4.0	4.3	4.3	4.8	5.3	4.4	4.5	4.0	3.1
Chile	2.8	1.1	3.0	0.0	0.5	1.5	2.3	2.3	2.8	3.3	3.8
Colombia	7.1	5.9	5.1	6.2	5.7	6.0	5.8	5.2	5.0	4.9	5.1
Venezuela	31.4	21.7	16.0	24.0	22.4	21.5	19.5	17.0	16.3	15.3	15.2
Peru	2.3	3.7	1.6	3.0	3.4	4.4	3.8	2.2	1.8	1.2	1.3
Uruguay	19.4	9.2	4.7	9.3	9.2	10.0	8.1	5.6	4.5	3.9	4.8
PUBLIC SECTOR BALANCE (% GDP)											
Latin America (a)	-2.0	-0.6	…	-1.7	-1.0	-0.9	-0.6	-0.6	-0.9	-1.2	…
Argentina	0.4	2.5	1.8	1.1	2.0	2.7	2.5	1.2	1.5	1.2	1.8
Brazil	-3.6	-2.5	-3.1	-3.3	-4.0	-2.8	-2.5	-2.4	-2.1	-2.4	-3.1
Mexico	-0.7	-0.3	-0.1	-0.4	-0.7	-0.2	-0.3	-0.5	-0.5	0.0	-0.1
Chile	-1.4	2.2	4.8	-0.6	0.8	1.6	2.2	3.1	3.9	4.5	4.8
Colombia	-2.6	-0.6	…	-2.3	-0.7	0.3	-0.6	0.0	0.1	…	…
Venezuela	-4.3	-1.9	0.2	…	…	…	…	…	…	…	…
Peru	-1.8	-1.3	-0.6	-1.5	-1.0	-1.1	-1.3	-1.1	-0.5	-0.3	-0.6
Uruguay	-4.6	-2.5	-1.6	-3.9	-2.0	-2.4	-2.5	-2.1	-2.2	-1.9	-1.6
PUBLIC SECTOR DEBT (% GDP)											
Latin America (a)	54.4	50.9	…	53.6	50.1	50.8	50.2	50.5			…
Argentina	141.0	119.9	…	133.0	111.0	120.7	120.2	121.6	66.2	…	…
Brazil	57.2	51.7	51.9	55.6	54.2	52.0	51.7	51.3	51.4	51.5	51.9
Mexico	24.7	23.3	20.8	23.5	23.8	23.2	21.6	22.7	21.6	22.6	20.8
Chile	13.3	10.9	…	13.4	12.0	12.0	10.4	10.3	8.9	7.5	…
Colombia	50.9	47.5	…	48.7	47.5	46.4	43.8	47.1	45.1	41.1	…
Venezuela	56.9	53.5	48.7	43.1	45.1	49.8	53.5	47.6	49.2	50.4	48.7
Peru	47.7	45.0	37.2	45.8	40.2	42.6	42.3	41.9	36.0	38.1	37.2
Uruguay	108.3	100.8	…	94.6	96.0	101.5	118.6	99.4	102.1	103.8	…
CURRENT ACCOUNT BALANCE (% GDP)											
Latin America (a)	0.8	1.2	…	1.1	1.2	1.2	1.2	1.2	1.5	1.4	…
Argentina	6.1	2.2	…	4.6	3.1	2.7	2.1	1.8	1.5	2.3	…
Brazil	0.8	1.9	1.8	1.0	1.5	1.7	1.8	1.9	1.7	1.6	1.8
Mexico	-1.5	-1.1	-0.7	-1.2	-0.9	-0.8	-1.0	-1.2	-1.1	-1.0	-0.7
Chile	-1.5	1.5	…	-0.5	0.9	1.2	1.5	1.1	0.7	-0.2	…
Colombia	-1.7	-1.0	…	1.2	-1.3	-1.2	-1.0	-0.7	-0.6	-1.5	…
Venezuela	13.4	13.7	22.4	15.9	14.3	13.6	13.7	14.4	16.9	20.4	22.4
Peru	-1.7	0.0	1.3	-1.1	-0.8	-0.2	0.0	0.2	0.7	0.9	1.3
Uruguay	0.5	-0.8	…	-0.2	-0.2	-0.6	-0.8	-1.1	-1.0	-1.5	…
EXTERNAL DEBT (% GDP)											
Latin America (a)	46.7	42.7	…	45.3	42.2	43.4	40.6	39.6	30.4	28.9	…
Argentina	119.8	112.3	…	121.4	101.4	110.8	107.4	107.5	62.2	62.4	…
Brazil	40.1	33.3	…	38.7	37.9	35.3	31.7	29.8	25.5	22.6	…
Mexico	22.1	20.5	15.4	21.2	21.5	21.5	19.1	19.9	17.6	17.3	15.4
Chile	54.8	46.7	34.6	47.9	46.1	48.0	43.6	42.8	40.5	39.7	34.6
Colombia	44.9	41.3	…	42.6	41.2	38.7	36.3	34.3	31.2	28.0	…
Venezuela	48.3	44.1	41.2	39.5	42.0	41.6	43.4	36.9	40.1	39.5	41.2
Peru	48.3	45.3	35.7	47.2	42.1	43.7	42.5	42.4	36.3	36.7	35.7
Uruguay	98.0	87.6	…	85.3	81.9	85.6	87.6	84.5	84.8	84.7	…

SOURCES: IMF, Banco de España and national statistics.

a. Aggregate of the eight represented countries.
b. Estimation.

GDP IN LATIN AMERICA
Year-on-year change, unless otherwise indicated

CHART 3

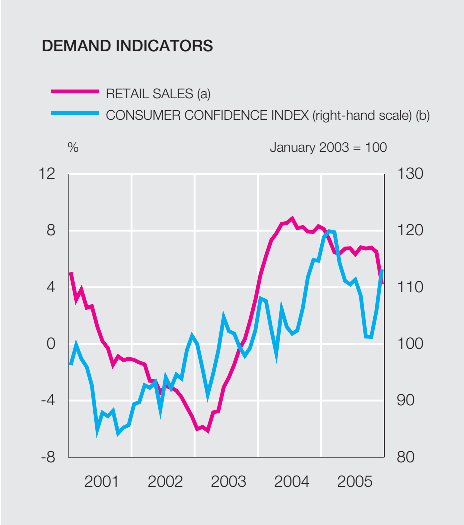
SOURCE: National Statistics.

a. 2005Q4: estimate

Domestic demand remained strongly buoyant in most countries (Brazil being the main exception), and contributed around 5 pp to growth in the last two quarters of the year (see Chart 5), in line with the first half of 2005. Private consumption remained robust, and picked up in Mexico. The real and financial factors upholding this dynamism recently continued to operate. The sound behaviour, in general, of labour markets (see Chart 6) was an important factor, given the improvement in labour income and the underpinning provided to consumer confidence. Unemployment declined in all the countries and the aggregate unemployment rate – which should be viewed with caution given the heterogeneity of measures from country to country – fell gradually during the year, marking a decline of 1 pp (to 7%) compared with 2004. The pace of employment creation stabilised in the area as a whole during the year, with an increase of 3.7% recorded in relation to 2004. Notable here was the increase in Mexico, at over 4%, and the slowdown in Brazil in the second half of the year. On the positive side, these developments contributed to reducing the proportion of informal employment. Real wage income trended

SUPPLY AND DEMAND
Year-on-year change and level

CHART 4

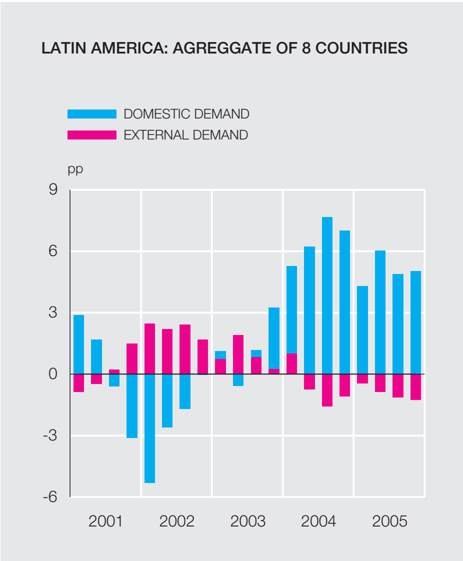


SOURCES: National statistics office.

a. Seven biggest economies, excluding Peru.
b. Argentina, Brazil, Mexico, Chile and Peru.

CONTRIBUTIONS TO GDP GROWTH
Percentage points

CHART 5

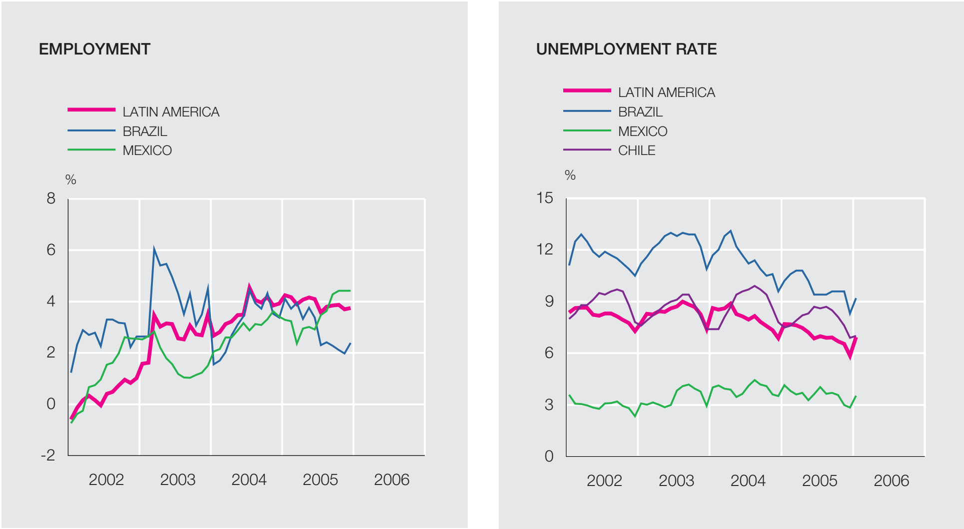


SOURCES: National statistics.

somewhat more moderately than in previous years (gains of over 2% were posted), with the exception of Argentina and Venezuela, where growth was 10% and 17%, respectively. Investment also performed favourably, with growth of around 6.4% in 2005 in relation to the previous year; the only notable exception was Brazil, where investment scarcely grew. Nonetheless, the downward interest rate cycle that began in the second half of the year in the region's two biggest countries should see the strength of investment take root and, in particular, a recovery in Brazil, along with a further boost to credit to the private sector, the growth of which quickened in the second half to a real rate of close to 17% at the close of the year in the area as a whole.

LABOUR MARKET
Indices and year-on-year changes

CHART 6



SOURCE: National statistics.

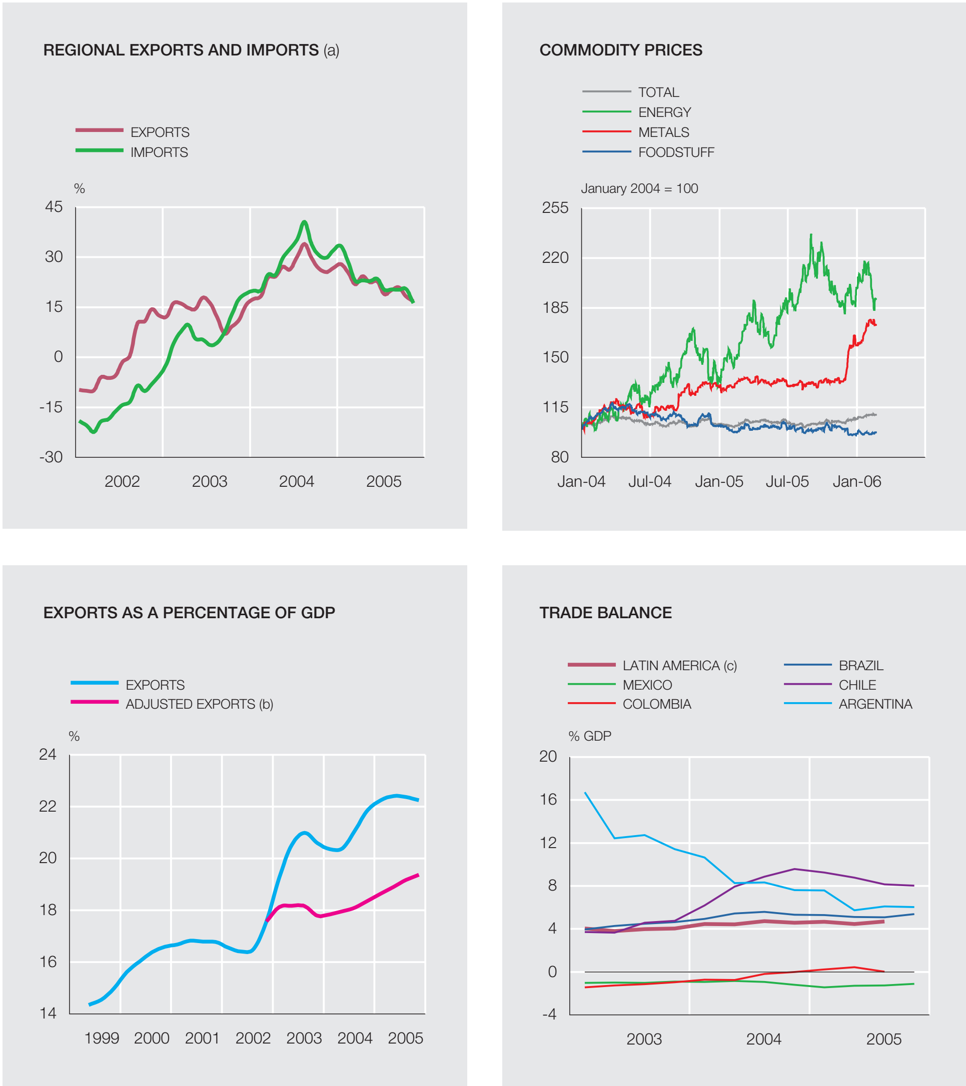
The fact domestic demand is holding up is particularly timely since the negative contribution of external demand increased progressively, subtracting 1.3 pp from GDP growth in Q4 (around 1 pp over the year as a whole). As can be seen in Chart 7, the behaviour of exports and imports was similar, since both continued to slow gradually in parallel. At the end of the year, and in dollar terms, they had grown by around 16%. Nonetheless, at the start of 2006 exports have perhaps started to move on a quickening trend. Conversely, imports have broadly stabilised, in keeping with the moderation of domestic demand. It should be clarified that the sound foreign trade performance is consistent with a growing negative contribution of external demand and with a continuing trade surplus since, in National Accounts terms, exports and imports are calculated in national currency and deflated by their prices. These prices, namely the terms of trade, have tended very favourably in recent years owing to the strong increase in commodities prices, although the behaviour of the latter has been divergent in recent quarters. The prices of agricultural commodities, which are an important component of Brazilian, Argentine and Colombian exports, have undergone cuts in recent quarters, while energy raw materials are holding in a very high price range and metals (which are beneficial for Chile in particular) enjoyed a very marked rise at the end of last year. In any event, the prolonged dynamism of exports in recent quarters should be attributed to the increase in exported volumes (see Chart 7). However, this volume increase is also closely related in most countries to a rise in global demand for commodities.

FINANCIAL MARKETS AND EXTERNAL FINANCING

The squeeze on sovereign yields was further accentuated after the summer, and the regional EMBI index reached successive lows, narrowing to 220 bp in February 2006, some 125 bp below the September level (see Chart 9). There was a moderate rise in March, in line with the increase in long-term rates in the developed countries. It is notable that all sovereign yields have narrowed further and significantly, with the exceptions of Peru, Chile and Argentina (although in the latter two cases this was mainly due to the recomposition of the index) and that it was in those countries with the widest yields that they narrowed most. This is the case of Venezuela, whose yield stands at below 250 pp (1.5 pp less than in September), and Ecuador, which regained access to international markets for the first time since its 1999 default, with 560 bp, 185 bp below the September level. Brazil, Colombia and Mexico also saw sizeable reductions to 220 bp, 160 bp and 115 bp, respectively,

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

CHART 7



SOURCES: National statistics office and Banco de España.

a. Quarterly moving average.
b. Exports at 2002 prices as a percentage of real GDP in US dollars.
c. Aggregate of 8 countries

which in relation to September 2005 means 30% less in the first two cases and 15% less for Mexico.

Stock markets performed very favourably in the second half of the year. The local-currency regional index rose by 30%, ending the year with an increase of 32%. In any event, the behaviour of stock markets was not fully uniform. Brazil, Mexico, Colombia and Venezuela saw practically continuous rises from September; the first three countries posted respective gains of 36%, 38% and 115%, in local currency, for the year as a whole, while Venezuela recorded a decline of 9%. Chile and Argentina showed greater volatility in Q4 but nevertheless ended the year with annual rises of around 10%. Stock markets began strongly in 2006, with the overall index posting a rise of 11% to February; since then, however, there has been a correction and consolidation, with markets at a high level. The correlative to this was the improvement in the credit ratings of several countries in the region: Brazil, upgraded by two different agencies, in October and March; Venezuela, in November and January, also by two different

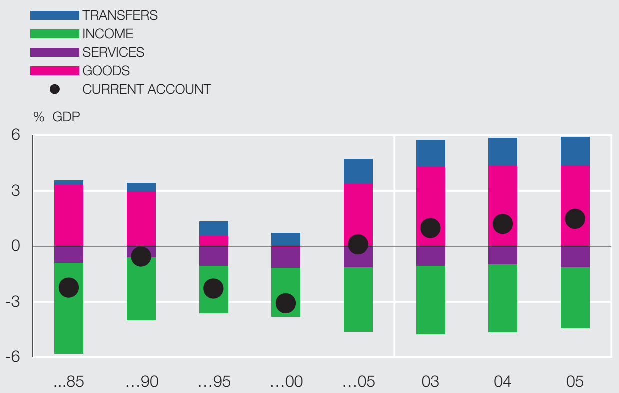
In 2005, for an unprecedented third year running, Latin America[1] recorded a positive current account balance. In the past, growth rates like those of the last three years would have entailed a current account deficit of at least 3% of GDP.

The main factor explaining this change in pattern over the last three years is the behaviour of the trade balance, which has moved from a relatively balanced position in the 1990s to large surpluses, for the first time since the late 1980s. In fact, at over 4% of GDP, the surpluses recorded in 2003-2005 were even larger than those of the 1980s, which were only slightly over 3% of GDP. The key to the good trade balance figures is the improvement, in recent years, in the terms of trade of the countries of the region, as a consequence of the rise in the prices of raw materials, which make up a significant proportion of Latin American exports. During the period 2003-2005, the terms of trade for the area as a whole improved by 13.5%, with much larger increases in some countries, such as Venezuela and Chile. In fact, isolating this improvement in the terms of trade and calculating the trade balance on the basis of the 2002 terms of trade reduces the surplus to 2% of GDP in 2005, 2 pp less than it actually was, which means that at end-2005 there would have been a deficit on current account of close to 1%. Moreover, this calculation only eliminates the price effect, not the quantity effect arising from the greater global demand for raw materials. All this goes to show that the improvement in Latin America's external position and degree of openness is more a consequence of external circumstances than of structural progress in its export capacity or external openness.

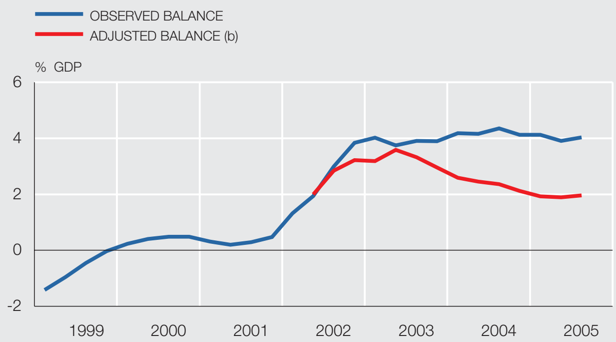
As regards the other components of the current account balance, the services account has recorded a relatively constant deficit, of around 1% of GDP. The growing transfers surplus arising from higher remittances, which have doubled over the last 10 years to around 1.5% of the region's GDP, has been offset in recent years by an increase in the

1. The calculations for the region include Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela.

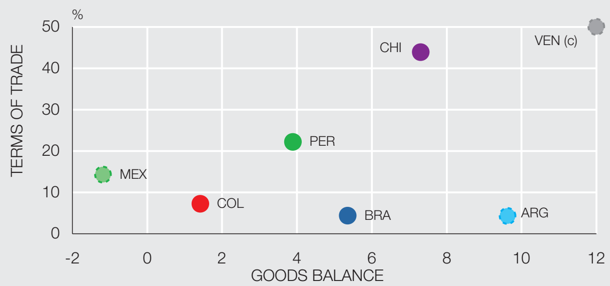
LATIN AMERICAN CURRENT ACCOUNT AND ITS COMPONENTS (a)



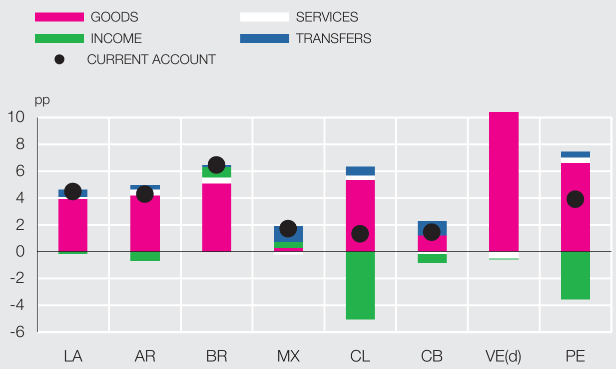
LATIN AMERICAN TRADE BALANCE



AVERAGE GOODS BALANCE RELATIVE TO GDP AND TERMS OF TRADE (2003-2005)



CHANGE IN COMPOSITION OF CURRENT ACCOUNT BALANCE RELATIVE TO GDP (2001-2005)



SOURCES: National statistics.

a. 2005: estimate made in the absence of the Q4 figure.
b. Trade balances using terms of trade relative to real GDP in US dollars.
c. Venezuela showed a 90% increase of the terms of trade and an average goods balance equal to 22% of GDP in the period.
d. Venezuela recorded a change in the current account of 17.1 GDP percentage points, and a contribution of the trade balance of 17.6 GDP percentage points.

income deficit (which includes debt interest payments, repatriated profits, etc), although it was less pronounced last year. Comparing the situation of the last three years with that of the 1980s, the current account was in deficit in those years because, despite the surpluses on goods trade of close to 3% of GDP, the income deficit was larger and there was only a very small surplus on the transfers account. In fact, the increase in the transfers surplus due to the increase in remittances is one of the most significant changes in the Latin American current account over the last 25 years which, given its upward trend and the fact that it is not pro-cyclical, has made the external position of the area more robust. Developments in the income account have been more volatile, since they depend on both financing costs and the rate of return on investments. However, the reduction in net financial liabilities in recent years (linked precisely to the accumulated current account surpluses and exchange rate appreciation) also improves the short and medium-term outlook.

Country by country, it can be seen that in all of them, except Mexico, there have been radical improvements in recent years in their current account balances, linked to the adjustment prompted by the economic crises and exchange rate appreciation (Argentina and Uruguay), to the increase in the prices of the main raw materials they export (Chile and Peru) or to both factors (Venezuela). In Mexico, by contrast, there was no recovery in the trade balance, despite the improvement in the terms of trade linked to the price of oil. This fact is related to the loss of competitiveness of export products in the US market (where around 90% of them are sold), especially relative to those of Asian countries.

Developments in the income balance in certain countries, like Chile and Peru, have also been notable, with a deterioration linked to the repatriation of profits arising from mining firms that have also contributed to the strong trade surplus in these countries. Meanwhile, there was an increase in the transfers surplus in countries such as Colombia, Mexico and Peru, but also in others, like Ecuador, Bolivia, and in many Central American countries. This has been a significant factor behind developments in the current account balance over the last five years. In fact, in Bolivia, Colombia and Ecuador the transfers surplus stands at close to 5% of GDP, and without it their external accounts would be in serious difficulty.

agencies; Mexico, in December, and Argentina, in March. Likewise, a substantial number of countries forecast a brighter outlook, with only Ecuador revising it downwards.

The favourable external environment and sound economic and financial conditions are being harnessed in this recovery phase to pursue increasingly active debt management policies with a view to reducing the vulnerability of these countries' financial positions. These policies have taken the form of numerous initiatives in recent quarters: the repurchase of all Brady bonds (previously undertaken by Mexico and to be concluded in April by Brazil) and other external debt; the issuance of local-currency external debt (Colombia and Brazil); the progressive cancellation of dollar-indexed debt in Brazil, completed in February; and, finally, a series of tax and regulatory measures, announced by Brazil and Chile, aimed at promoting the participation of non-resident investors in the domestic public debt market. Box 2 analyses in detail the impact of these policies on the notable reduction in exchange rate-linked debt witnessed in the region in recent years.

In this context it is worth mentioning the early cancellation by Brazil and Argentina of IMF financing, for amounts of $15.5 billion and $9.9 billion, respectively, since this also contributes to drastically reducing the external debt ratio. Nonetheless, the motives for this decision largely lie outside the scope of debt management and may even have a different interpretation in each of the countries. While in Brazil's case the decision was favourably interpreted by the markets, set against the improvement in the country's economic fundamentals and the credibility of its economic policies, in Argentina's case – which had a more adverse impact on the financial indicators – the severance from the IMF was related to the Argentine authorities' wish to follow through with policies different from those that the conditions attached to IMF financing entailed. In any case, the repayment of the loans has reduced the IMF loans portfolio by almost half, and the share of Latin America therein is now scarcely 8%, compared with 33% on average over the past decade (see Chart 10).

INVESTMENT AND SAVING IN LATIN AMERICA
Percentage of GDP

CHART 8

SOURCES: IMF and national statistics.

a. Calculated as budget balance.
b. Deflated by CPI.

These developments on Latin American capital markets were a determining factor of capital flows. Preliminary figures indicate that total net inflows were positive (exceeding $10 billion), compared with net outflows (–$1.5 billion) the previous year. However, the total figures (see Chart 10) fail to reveal the scale of the changes between private and official flows. Net private flows tripled in relation to the average for the four previous years, while net official flows amounted to –$24 billion. Bearing on this latter figure were, essentially, the cancellation of IMF loans (although the repayment by Argentina is not included as it was computed in January – see the related panel in Chart 10) and, also, the recovery in the region's economies.

The breakdown of private flows by category is also revealing. First, there was a forceful rebound in portfolio flows, which would have comfortably exceeded $20 billion, following four years of decline. This rebound is consistent with the strong inflow of foreign capital into the region's stock markets, but in principle it might clash with Latin American sover-

SOVEREIGN SPREADS AND STOCK EXCHANGES CHART 9

Basis points and indices

SOURCES: JP Morgan.

a. On 11 and 13 June 2005 the new Argentine bonds derived from the restructuring of the debt were included in the EMBI+.
b. Simple mean of the ratings of Moody's, Standard and Poor's and Fitch IBCA.

eign issues on international markets, which have fallen in relation to the previous year. This reduction, which is in contrast to other emerging regions, has come about despite the highly favourable external financing conditions. This may be attributed to lower effective financing requirements owing to the improvement in fiscal positions and to the preference shown by the authorities to local-market issuance. Nonetheless, fewer sovereign issues proved compatible with net inflows on the debt markets. On one hand, foreign investors' demand for Latin American bonds was partly met through purchases on national debt markets and, on the other, corporate issues grew strongly, especially in Mexico and Brazil in the first half of 2005. There was a 60% increase in corporate issues compared with 2004, which more than offset the slight reduction in sovereign issues. As a result, the total volume of issues amounted to $43 billion, 20% up on the previous year. The pick-up in portfolio flows was countered by the increasingly sharp decline in net flows of foreign loans and credits, the behaviour of which has maintained its negative sign of the past decade.

In Latin America, debt that is linked to the exchange rate, either because it has been issued in a foreign currency or because it is indexed to some currency, has traditionally played an important role in the financing of the public sector. It has also been a significant source of public finance vulnerability, by generating imbalances between assets and income denominated in local currency and liabilities and payments in foreign currency. At end-2002, in most of the main countries, this type of debt accounted for more than 50% of total government debt, and in some cases, like Peru and Uruguay, for around 90%. There are several factors that explain this tendency to borrow in foreign currency, including the absence of exchange rate hedging instruments in domestic markets, the distortions in incentives generated by the fixed exchange rate regimes, monetary policy credibility problems and the financial and exchange rate instability of the emerging countries.

Since 2003, however, the region has been enjoying exceptional financial conditions, which have enabled the weight of debt linked directly or indirectly to the exchange rate to be reduced, in some cases drastically. Chart 1 illustrates this tendency in the aggregate for the seven most important countries in Latin America (excluding Argentina). As seen in Chart 1, the ratio of gross government debt in foreign currency fell from 49% at end-2002 to 30% at end-2005, a reduction of almost 20 pp. Among the various countries, Brazil is notable, since its exchange-rate linked government debt fell from 52.8% of total debt at end-2002 to 14.1% in 2005, a fall of 73%, while in the other economies this reduction was between somewhat less than 3% in Peru and Venezuela and 31.7% (or 20.7pp) in Chile. The exception was Mexico, where the share of this type of debt rose slightly.

These developments may be linked to changes in the structure of debt, but also to the sharp appreciation in most Latin American currencies during this period (see Chart 11 of the main text). Latin American fiscal authorities are increasingly aware of the importance of sustained reductions in the vulnerability of public finances, and limiting the exposure of government debt to exchange-rate fluctuations is one of the most effective ways of reducing this vulnerability. The active debt management carried out by most of the countries would suggest that this may have been an important factor in the reduction of exchange-rate linked government debt[1].

The importance of the exchange-rate effect and of the composition effect (associated with changes in the structure of debt) can be calculated for each of the countries for the period considered. The former is determined by fixing the structure of the debt at the beginning of the reference period (December 2002) and calculating the percentage of debt that would be linked to the exchange rate at the end of the period (December 2005), taking into consideration only the exchange rates prevailing at that moment; i.e. ignoring the actual changes in the composition of the debt. The difference between the weight of the debt linked to the dollar calculated thus and the actual weight determines the composition effect. Both effects are shown separately in Chart 2 for each of the countries analysed, and also for the aggregate of all the countries.

The largest contribution to the reduction in exchange-rate linked debt arose from a change in the composition of debt instruments. The composition effect, for the countries as a whole, explains 15 pp of the fall, or around 80% of the total. The proportion is similar in the cases of Brazil and Chile, amounting to 20 pp and 16 pp of the reduction achieved. In Peru, with the same percentage, the size of the reduction is much smaller, since the fall in the exposure to the dollar was much smaller. This smaller link has involved an effective reduction in these countries in issues denominated in foreign currency or linked to the exchange rate and, even, in some cases, the swapping of external for domestic debt. Brazil, whose exchange-

1. See Box 1 of the "Half-yearly report on the Latin American economy", *Economic Bulletin*, April 2005, Banco de España.

CHART 1: EXCHANGE RATE-LINKED DEBT RELATIVE TO TOTAL PUBLIC DEBT

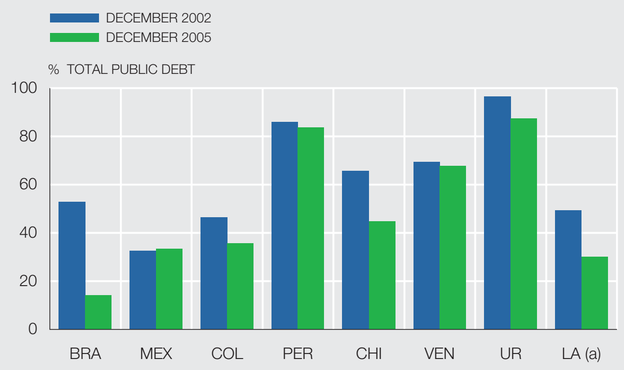
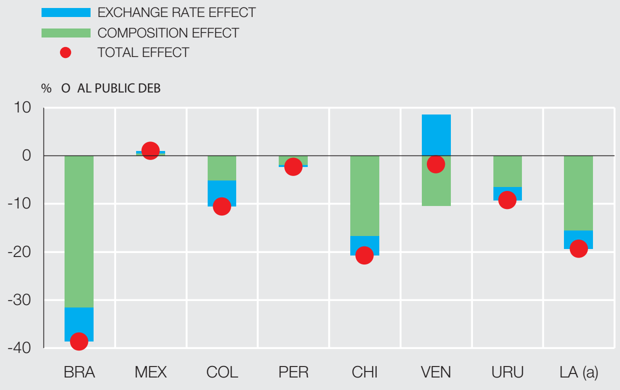


CHART 2: BREAKDOWN OF CHANGE IN PUBLIC DEBT



SOURCES: National statistics, IMF and in-house calculation.

a. Weighted mean of the seven countries.

rate indexed debt fell from a high of 56% of all debt in September 2002 to zero, is a case in point. In Colombia, the contributions of both the exchange-rate and the composition effect were balanced. Venezuela was a special case, given that its exchange rate depreciated substantially over the period considered, so that its impact tended to increase the weight of dollar-linked debt, instead of reducing it.

The strategy of reducing the exposure of debt to the exchange rate requires a financial analysis that may limit the attractiveness of this option. Thus, debt managers may be obliged to choose between minimising the expected cost of debt service, both in financial terms and in terms of credibility, and minimising the risk associated with drastic changes in the debt burden. In the short term, in view of the fact that the external interest rates that must be paid are at historical lows and of the strong appreciation of most currencies, it would be cheaper to increase the relative weight of debt in dollars. However, in the long-term this option would increase the exposure of the public sector to the exchange rate and, therefore, the risk of external shocks to the budget, which could ultimately lead to the payment of higher sovereign risk premiums.

The implementation of an active debt management policy may also be limited by a number of restrictions on the demand side. The domestic and external debt markets are segmented on account of the existence of barriers to entry, tax distortions, etc., which make it difficult to place local-currency securities with international investors and, as a consequence of the lack of depth of the local markets, hinder the construction of a yield curve with a broad range of maturities. Moreover, these problems are exacerbated by the fact that domestic issues tend to raise domestic interest rates and to crowd out private sector financing, which may have adverse effects on activity. Hence, the recent tendency to reduce market segmentation (which should facilitate more effective management of public debt and greater development of local markets) is positive.

In any event, the active management of debt policy in order to reduce vulnerability and financial volatility is supplemented by the entrenchment of fiscal discipline. Both factors may have costs of one type or another in the short term, but they complement each other in strengthening public finances in the medium and long-term. Persevering with this type of policy, therefore, helps improve the foundations for sustained economic growth in the area.

Also notable has been the ongoing recovery in foreign direct investment flows. These stood at over $50 billion in 2005 as a whole, a figure not far off that for inflows in the second half of the 90s, despite the theoretical competition for these flows from the Chinese economy, which is analysed in Box 3. The recovery was centred on Mexico and on other countries such as Peru, since in Brazil and, above all, Argentina, foreign investment is still at a relatively low level.

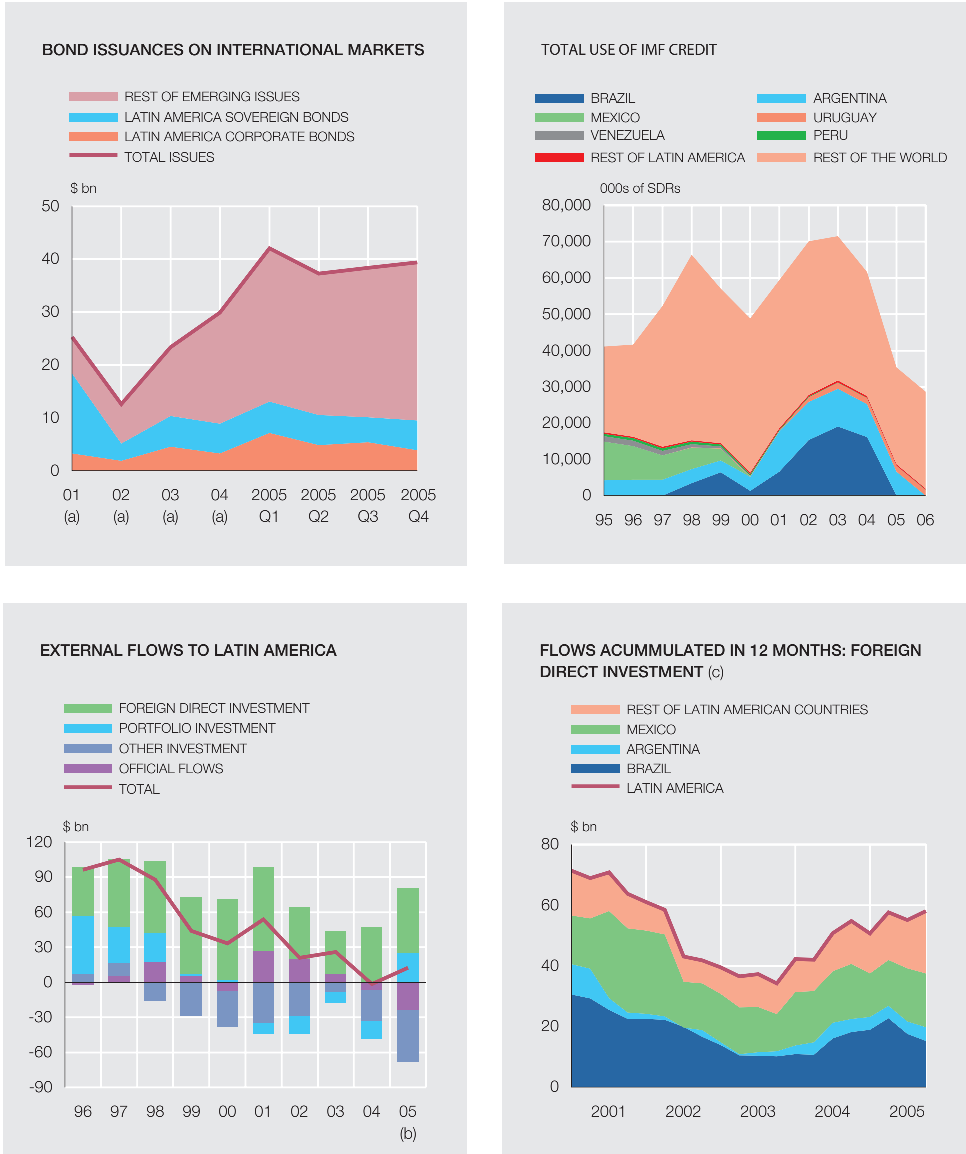
EXCHANGE RATE, PRICES AND MONETARY POLICIES

Strong upward pressures continued to be perceptible on the foreign exchange markets, though in recent quarters there were notable bouts of exchange rate volatility, associated in some cases with issues of political instability (see Chart 11). As a result, the aggregate exchange rate for the area appreciated by only 2.1% against the dollar in the second half of 2005. The appreciation of the Brazilian real was particularly significant, rising by 5% between September and February, after having appreciated by 10% in the first eight months of 2005. Exceptions to this trend were the traditionally very stable Peruvian sol, which underwent a depreciation at the end of the year, and the Argentine peso, which moved on a depreciating course from September until exceeding the level of three pesos per dollar, against the background of the economic policy changes in the country and the interruption of the programme with the IMF. Indeed, the cancellation of loans with this institution by Argentina and Brazil, which entailed a strong cut in their reserves, interrupted - probably temporarily - the build-up of reserves in the region as a whole, which fell by 1.6% in the second half of the year. As can be seen in Chart 11, were it not for this impact total reserves would have continued increasing, and they did so notably in Mexico and Colombia, principally.

The progressive easing of prices embarked upon in mid-2005 continued in the area as a whole (see Chart 12), and the year ended with a rate slightly below 6%. Underlying inflation, whose ongoing reduction (which is very gradual but constant across the area as a whole) dates back to the second half of 2003, ended the year at a rate of 5.2%, around 1 pp down on end-2004.

EXTERNAL CAPITAL FLOWS
Billions of US dollars

CHART 10



SOURCES: National statistics, JP Morgan and IMF.

a. Quarterly average.
b. 2005: projection.
c. 2005 Q4: estimate for Argentina, Latin America and the rest of Latin America.

The exception to this behaviour was Chile, where underlying inflation continued to rise strongly. Unlike that year, in 2005 all countries with direct inflation targets met their pre-set goals, which firmly underpinned the ongoing build-up in the area's monetary credibility. Nevertheless, recent inflation developments were divergent from one country to another. In Brazil, Mexico and Colombia, inflation moved onto a declining path that was particularly notable in the latter two economies, where the inflation figures posted were unusually low (below 3% and 5%, respectively). Conversely, in Peru and Chile the rates rose from very low levels, driven by the robustness of the expansion, to close to 3% and 4%, respectively, at the start of 2006. In Venezuela, the inflation rate continued on a gradually declining course, although it still stood comfortably above double figures at the end of the year. Finally, the acceleration in prices in Argentina was sustained and the inflation rate ended the year at over 12%, without clear signs of any easing apparent at the start of this year, which is a cause for growing concern.

The rapid expansion of China in the world economy has important global repercussions, one of which is the attraction by this country of an enormous quantity of foreign direct investment (FDI). In fact, China has become the world's leading recipient of FDI, with inflows of more than $60 billion in 2005, which accounted for around 25% of the net flows to emerging countries. Foreign investors have been attracted, on one hand, by the strong Chinese economic growth, its enormous population and its growing domestic demand and, on the other, by its comparative advantage as an export platform, thanks to its low labour costs. In addition, China's accession to the World Trade Organisation (WTO) in 2001 has strengthened investor interest in this country.

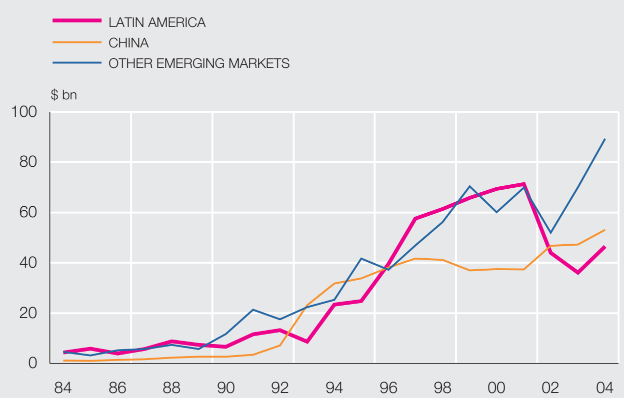
In the same way that many countries see China as a clear competitor in export markets, there is growing concern, especially in the emerging countries, that the FDI they receive may be diverted towards China. This is the case in Latin America, where FDI has been the main source of external financing in recent years and has played a decisive role in modernising its economic structure. In fact, FDI in Latin America began to fall in 2000, while that in China continued to grow rapidly (see left-hand chart).

There are various factors – some of which conflicting – that may, at least potentially, influence how FDI in China affects what the Latin American economies receive. The *first* relates to the global supply of FDI and segmentation in this market. One question that has to be considered is whether the flows of this nature to China affect world supply. If global supply is given, an increase in FDI in China will entail a reduction in that in other regions; but if it is not, and foreign investors obtain high profits from their presence in China, it is likely that total FDI will increase, leading to an increase in FDI in other parts of the world too. Another question is whether regional and proximity considerations are important in the allocation of this type of investment, in which case the global market will be geographically segmented and there may be little substitutability between the FDI in two different countries or regions. This seems to be the case of part of the FDI received by China, specifically that received from other Asian countries with close cultural and ethnic links, such as Hong Kong, Korea, Japan, Taiwan and Singapore, whose investment accounted for 59% of the total received by China in 2004 (see right-hand chart). It is simply not plausible to think that the Latin American countries could be a substitute for China for this type of investment, so that this supports the hypothesis of significant segmentation in this market. FDI in Latin America, in contrast, mostly originates from the OECD countries, which accounted for 76% of the total investment received by these countries in 2002, as against 35% in the case of China. A *second* aspect that should be considered is the sectoral distribution of FDI. If the flows to China are targeted on the export sector, there should be a larger substitution effect with third countries that receive this type of investment to compete in the same export markets. If, on the other hand, FDI is used to supply domestic Chinese demand, the impact on third countries is less obvious. The *third* element at play is the knock-on effect of FDI in China. Thus, the increase in international, commercial and financial relations with China may boost Chinese direct investment in the rest of the world, especially if its very high savings ratio is taken into account. Moreover, the FDI in China may increase the imports of this country, leading to an increase in direct investment in countries supplying these factors of production, including investment by China, which would thus be securing strategic access to these resources. The case of raw materials in Latin America may be illustrative of this type of argument.

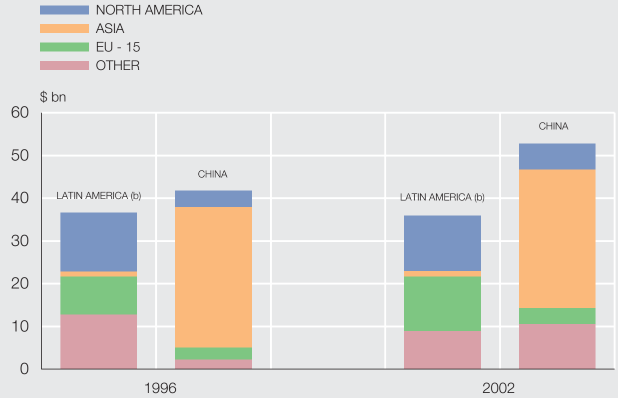
Given this diversity and the potential opposition of factors, a recent empirical paper[1] has analysed how FDI in China may affect that re-

1. Alicia García-Herrero and Daniel Santabárbara (2005), *Does China Have an Impact on Foreign Direct Investment to Latin America?*, Banco de España Working Paper No. 0517.

FDI: HOST COUNTRIES (a)



FDI: HOME COUNTRIES



SOURCES: IMF, UNCTAD and CEIC.

a. Net flows
b. Latin America: Argentina, Brazil, Mexico, Chile, Venezuela and Colombia.

ceived by each Latin American country. This study focuses on the flows originating in the OECD, whether to China or to Latin America, since only for these is it possible, in principle, to speak of an integrated market, with a greater possibility of substitution between recipient countries. Notable among the findings is that FDI in China does seem to have had a negative effect on that to Latin America as a whole during the years in which the negotiations for China's accession to the WTO were intensifying (1995-2001), but not since the start of the Chinese reform process (1984-2001). This negative effect is concentrated in Mexico and Colombia, but is not seen in the rest of the main Latin American economies analysed: Argentina, Brazil, Chile and Venezuela. This may partly reflect the differing characteristics of Latin American countries, especially as regards their productive structures and the sectoral type of FDI received. Thus, while direct investment in Mexico and Central America was concentrated in the export sectors, in South America it has been used in non-tradable sectors, like the financial sector, utilities and infrastructure, as well as in natural resource extraction.

Looking ahead, there are many reasons to think that China will continue to attract a large volume of FDI. First, in its agreements with the WTO, China undertook to continue its process of privatisation and opening up to foreign capital. Also, it is likely that China's comparative advantage, related to the low cost of labour, will be maintained for a time, given its surplus agricultural labour. Moreover, even if wages were to rise, the purchasing power of China's enormous population would too, so that China would become a more attractive destination for FDI aimed at supplying the domestic market.

This outlook may give rise to some concern on the part of Latin American countries, in particular those with a very similar productive structure to China, like Mexico and Central America. However, China will also generate a large number of opportunities in the medium term. Some of these opportunities are not particularly relevant to Latin American countries, especially those arising from productive integration, as they can be much more readily exploited by China's neighbours and other developed countries, as is in fact already occurring. However, Latin America has the opportunity to benefit from China's significant and growing demand for raw materials. This will not only boost Latin America's commodity exports to China, but should also increase the FDI in this sector, as long as there are no obstacles to foreign investment. Moreover, China may become one of the main investors in Latin America, as it is rapidly increasing its role as a world investor and wishes to diversify its net external assets and ensure access to its scarcest factor of production: raw materials. As a result, Latin American countries should strive to increase their attractiveness to investors so as to be able to harness the benefits arising from China's greater weight in the international economy.

With the odd exception, monetary policies mirrored recent developments in prices. As Chart 13 shows, in the countries with declining inflation paths, interest rates were in a downward cycle, although the room for further cuts could be seen to be more extensive in Brazil than in Mexico or Colombia. The official rate in Brazil declined by more than 3 pp between September and March, while in Mexico the so-called bank funding rate that has become the monetary policy signaller in recent quarters fell by 2 pp. Despite these declines, in Brazil the yield curve continues to have a negative slope, while in Mexico it has flattened in recent months. Chile is the economy most ahead among the countries with interest rates in the upward part of their cycle. With the odd interruption, the moderate tightening of monetary policy in train since late 2004 continued there. At the other extreme, Peru began to tighten its monetary policy only in January this year, while in Argentina the rises in rates since 2005 Q1 were rather too muted to exert any impact on real rates: the three-month interbank rate stands at around 10%, which is still below actual inflation.

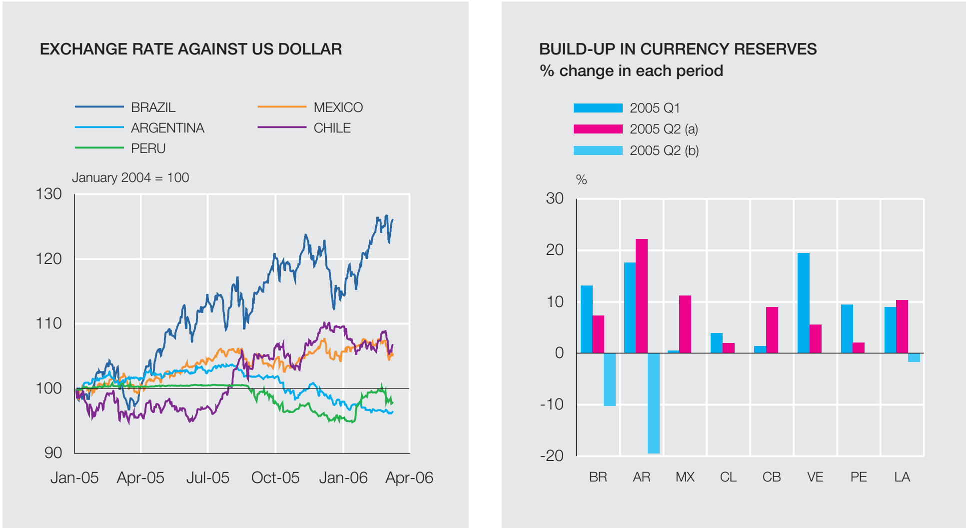
TRADE INTEGRATION AND STRUCTURAL REFORMS

Progress in trade integration and Latin America differed from one trade area to another; in some cases there was significant headway, but in others considerable backtracking. On the positive side, mention may be made of Chile's free trade agreement with China and also with India (albeit a partial one in the latter case), while negotiations were initiated with Japan. Colombia and Peru also concluded negotiations for a free trade treaty with United States, albeit separately and outside the scope of the Andean Community to which they belong. Further, CAFTA – the Central American Free Trade Agreement with the United States – encountered difficulties coming into force on 1 January, as scheduled, owing to the resistance by certain Central American parliaments, whereby it only entered into force with El Salvador. Finally, in MERCOSUR, Brazil and Argentina agreed on a set of restrictive rules for trade under certain

EXCHANGE RATES AND RESERVES

CHART 11

Indices and rate of change



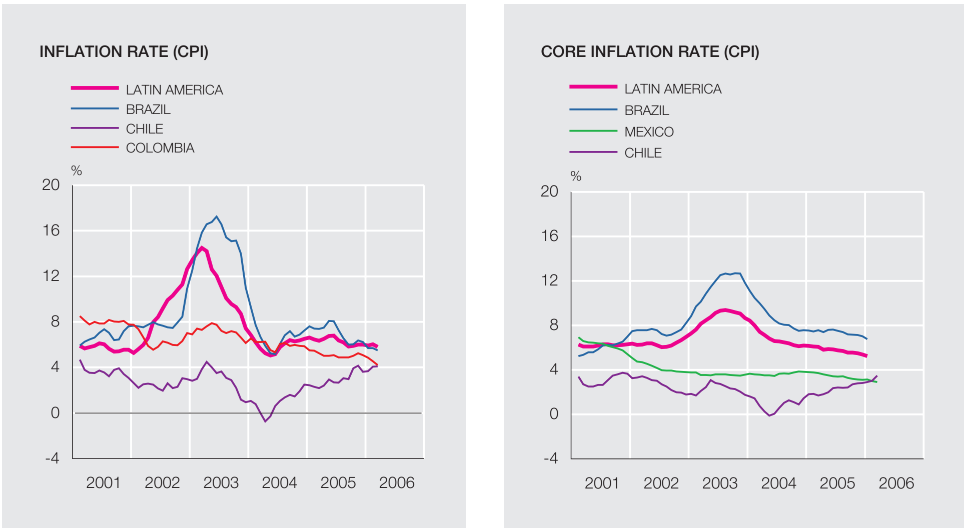
SOURCES: National statistics.

a. Excluding the payment to the IMF.
b. Including the payment to the IMF.

INFLATION, FULFILMENT OF INFLATION TARGETS AND CORE INFLATION

CHART 12

Year-on-year rate of change



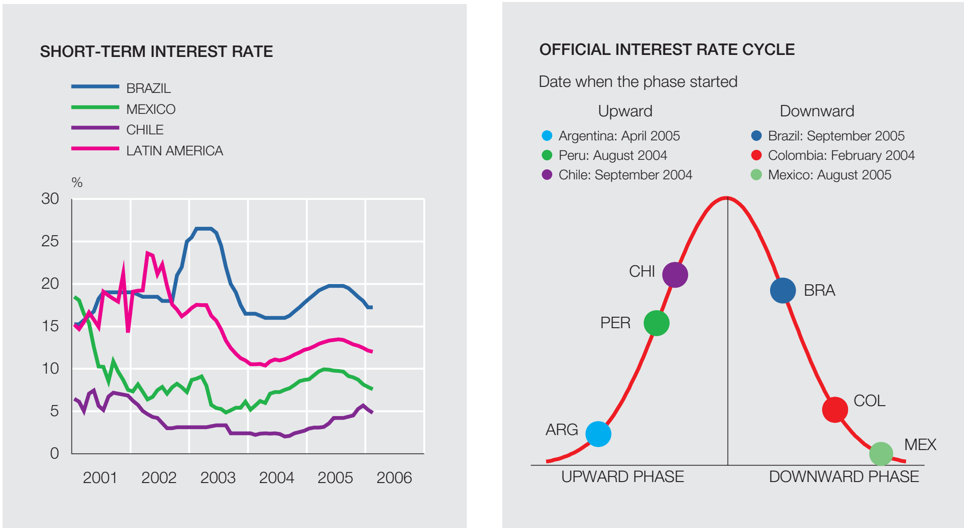
Country	2004	2005			2006
	Fulfilment	Target	Fulfilment	December	Target
Brazil	Yes	4.5±2.5 (a)	Yes	5.7%	4.5 ± 2
Mexico	No	3 ± 1	Yes	3.3%	3 ± 1
Chile	No (b)	3 ± 1	Yes	3.7%	3 ± 1
Colombia	Yes	4 ± 0,5	Yes	4.8%	4 ± 1
Peru	Yes	2.5 ± 1	Yes	1.5%	2.5 ± 1

SOURCES: National Statistics Offices

a. In September 2004 the central target was adjusted to 5.1%, and the range was maintained.
b. Below the lower limit.

SHORT TERM INTEREST RATES IN LATIN AMERICA

CHART 13



SOURCES: National Statistics Offices.

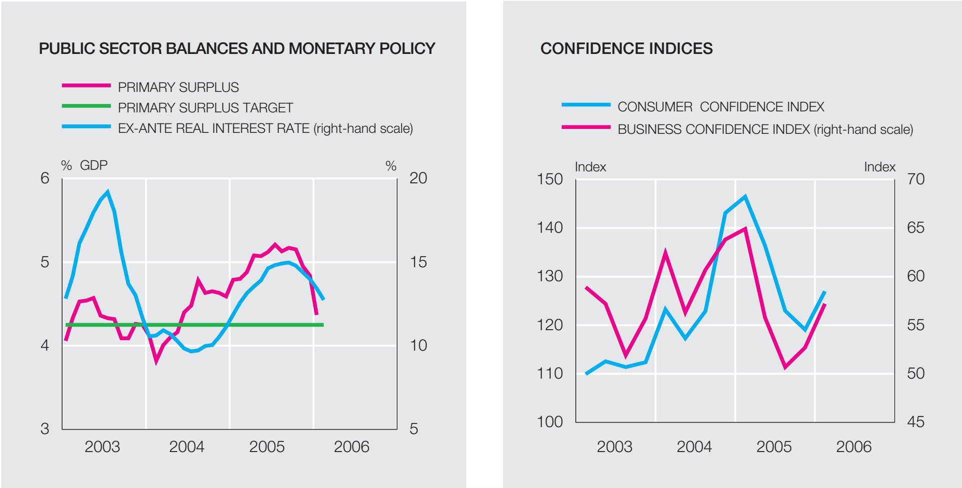
circumstances, so as to protect industries particularly affected by competition from imports. This so-called competitive adaptation mechanism, which was agreed upon without taking into consideration the other MERCOSUR members, marks a step backwards in the process of trade integration between these countries.

Turning to reforms, these stagnated in recent quarters. Few reforms were approved and few projects started up, as there were scarcely any advances in the financial field in Mexico and only minor ones in Brazil. The government's forceful reform drive in Brazil over the past three years was abruptly curtailed by political problems. Further, both countries, like practically the whole of the rest of the area, remain immersed in an electoral period. Ideally, new governments should work on re-forging consensus around the need to reactivate reform so as to improve growth possibilities in the medium term. That would also help shape a critical active mass of governments committed to reform that could counter the backtracking seen in some countries.

Developments in the main countries

In *Brazil,* the rate of expansion of economic activity slowed notably in the second half of 2005. GDP grew at a year-on-year rate of 1% in Q3 and of 1.4% in Q4, closing the year with growth of 2.3%, less than half the rate in 2004 (4.9%). The main causes behind the slowdown in activity were the restrictiveness in economic policies, in both their monetary and fiscal strands, and the impact of the political crises on consumer and, especially, business confidence. Both factors began to be corrected towards the end of last year (see Chart 14), but they notably affected investment figures, which increased by scarcely 1.6% during 2005. Activity was mainly underpinned by private consumption, which posted growth of 3.1% thanks to income gains brought about particularly by the decline in inflation and the relative strength of employment (which diminished in the second half of the year), prompting a reduction in the unemployment rate from 9.6% to 8.3 % during the year. The contribution of external demand was positive (0.3 pp), but less than in previous years. Indeed, exports slowed more than imports in real terms, although their growth rate remained somewhat higher. In 2005, too, there was a significant current-account surplus (1.8% of GDP), thanks to the strength of the trade balance, which posted a record surplus in nominal terms, albeit similar to that of the previous year as a proportion of GDP (around 5.7%). As regards public finances, the primary surplus ended the year at 4.8% of GDP, above the government target (4.25%) and several tenths of a point above the

BRAZIL CHART 14



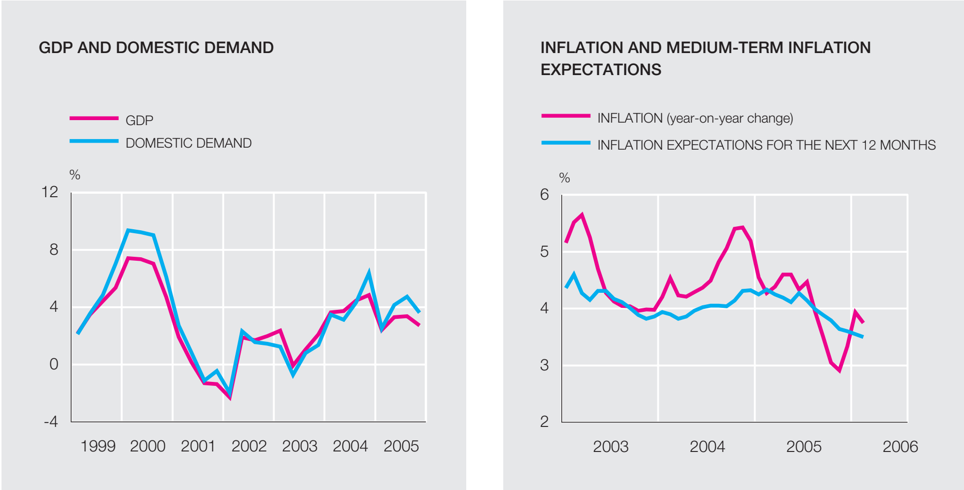
SOURCE: Banco Central do Brasil.

figure in previous years, thanks to the expansion of tax revenue and the containment of public spending. However, the notable increase in interest payments, linked to the monetary restrictiveness of the previous quarters, meant the budget deficit stood at 3.3% of GDP. Moreover, as a result of the foregoing, public debt held stable in comparison with 2004 (51.6% of GDP), despite the better management of debt.

The 12-month rate of inflation slowed in the second half of the year and stood at the end of 2005 at 5.7%, close to the adjusted central target and 2 pp down on end-2004. This deceleration was prompted by the exchange-rate appreciation, the favourable trend of agricultural prices and the cumulative monetary tightening between May 2004 and September 2005. The latter month saw the start of a cycle of monetary easing which has seen interest rate cuts of 3.25 pp, to 16.5%. The real appreciated notably against the dollar during 2005 (14%, and by an even higher amount in real effective terms), ending the year at a similar level to mid-2001, a trend which continued in 2006 Q1. The sovereign yield, after posting scarcely any changes in the first half of 2005, narrowed by almost 100 bp in the second half of the year and by a similar amount in the opening months of 2006, standing at a historical low of almost 200 bp. This behaviour was also seen in the stock markets, with slight losses in the first half of the year and strong gains in the second, which were confirmed in the early months of 2006. Influential in the excellent recent performance of financial variables was the warm reception given by the markets to the numerous debt management operations undertaken last year, including the aforementioned cancellation of the loan with the IMF, which entailed a 23% reduction in reserves. Significantly, the political difficulties last summer were followed by a period of greater calm, in the run-up to the campaign for the presidential elections to be held in October.

In *Mexico*, the economic performance was mixed in the second half of 2005. Activity quickened in Q3 to a year-on-year growth rate of 3.4%, but turned somewhat sluggish once again in Q4, standing at 2.7%, though this figure was strongly influenced by the very adverse behaviour of the agricultural sector. As a result, growth during 2005 was 3%, 1.2 pp below that recorded in 2004. Accounting for this slower growth was a growing negative contribution of the external sector (1.1 pp in Q4), given the greater slowdown in exports than imports, and the diminished buoyancy of domestic demand (Chart 15). This was attributable to the decline in inventories, since private consumption quickened to a growth rate of 5.4%, underpinned by

MEXICO CHART 15

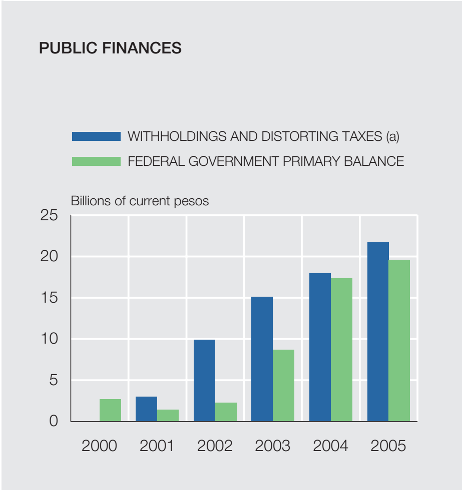


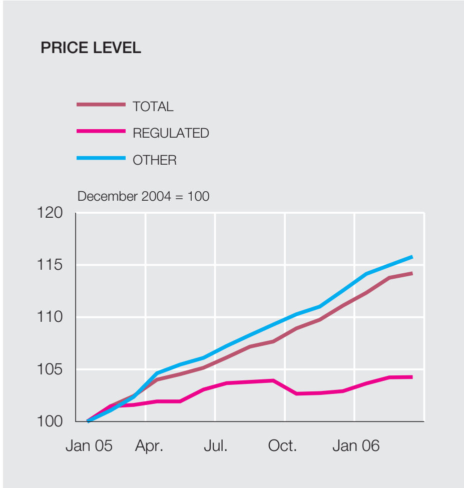
SOURCES: Banco de México.

the sound behaviour of employment and the strong growth of bank lending to the private sector; the growth rate of investment held at 7.6% and government consumption did not fall as it did in 2004. The trade deficit narrowed to 1% of GDP (compared with 1.3% in 2004), mainly as a result of the increase in oil exports, although in recent months there has also been a rise in the volume of non-oil exports. The current-account deficit during 2005 stood at 0.7% of GDP (1.1% in 2004), the lowest figure since 1995. This favourable development was the outcome of the reduction in the trade deficit and of the increase in the surplus on the balance of transfers (remittances grew by 20.6% and stood at 2.6% of GDP). Foreign direct investment in the country ($17.8 billion) was on a similar scale to 2004, when it was considered fairly favourable. The fiscal deficit was equivalent to 0.1% of GDP, lower than budgeted and than the 2004 figure of 0.3%. The reduction in the deficit came about due to lower interest payments, since the primary surplus (2.4% of GDP) was the same as in 2004. Along these lines, the ongoing reduction in external debt continued as did the promotion of debt issues at a fixed nominal rate with a maturity equal to or exceeding one year.

Inflation stood at 3.3% at the close of 2005, its lowest level since 1968 and almost 2 pp less than in 2004. The decline in inflation was the result of the favourable behaviour of agricultural products and of administered prices, together with the decline in underlying inflation, which stood at slightly below 3%, which proved pivotal to the reduction in inflation expectations (see Chart 15). Inflation rebounded in the opening months of 2006 to 3.8%, within the central bank target interval, although it is expected to be corrected during the year. On the basis of this favourable behaviour of inflation, the central bank began to ease monetary policy from August 2005 after having kept it on a tight rein for the previous 18 months. Specifically, the bank funding rate – which has become the effective monarchy policy instrument, unseating the traditional "corto" rate, which did not alter throughout the rate-reduction process – has narrowed by 225 bp to 7.5%. As a result of this cut in interest rates, the yield curve has flattened in relation to its inverted position in 2005 Q3. The exchange rate of the peso against the dollar has been appreciating since late 2004. In parallel with the other countries in the region, the sovereign yield continued to narrow, reaching historical lows in late February 2006. After having held practically stable in the first half of 2005, stock markets rose by over 30% in the second half of the year, an upward movement which continued into 2006 Q1. As regards reform, some headway was made in the financial field (the new securities law) and in respect of fiscal responsibility.

ARGENTINA CHART 16





SOURCES: Ministerio de Economía y Producción de la República de Argentina and Instituto Nacional de Estadística y Censos.

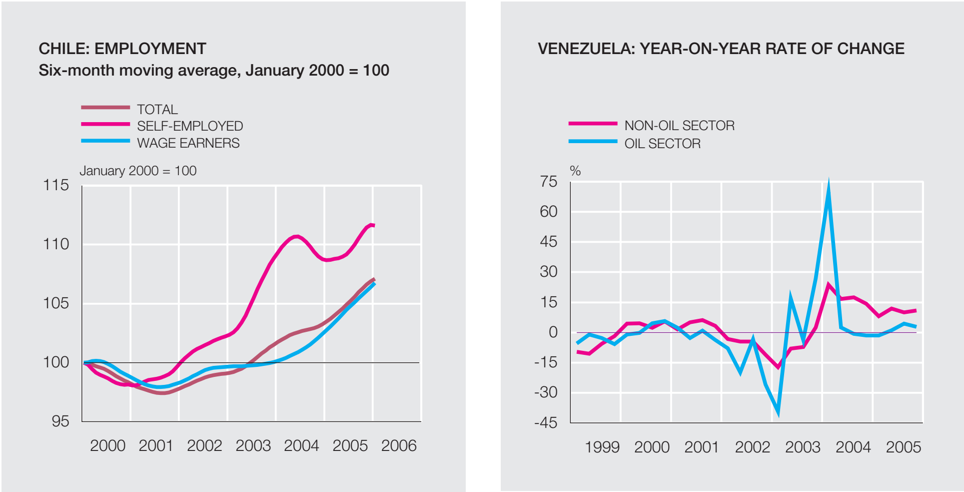
a. Distorting taxes: export duties and taxes on credit and debit balances in bank sight accounts.

In *Argentina*, in 2005, the economy grew by 9.2%, up slightly from the already high rates recorded in the previous two years. The year-on-year rates in the last two quarters were also slightly above 9%. By component, the higher growth stemmed from private consumption and, especially, investment. Unemployment was 2 pp lower than at end-2004. The negative contribution of external demand was significantly lower, since positive export developments partially offset the still sustained rate of increase in imports. The current account balance was positive, albeit lower than in previous years, owing to the excellent performance of the trade balance (which ran a somewhat smaller surplus, albeit still close to 6% of GDP). With regard to fiscal policy, the pattern of previous years continued: notable growth in revenues enabled primary expenditure to rise, and it did so more sharply in 2005 on account of the parliamentary elections. The public sector (excluding the provinces) ended the year with a primary surplus equivalent to 3.7% of GDP, down slightly from 2004. However, it should be noted that this ample surplus is still determined, as seen in Chart 16, by the size of the revenues from certain distorting taxes, in particular withholdings on exports, which reached 4% of GDP.

The acceleration in inflation is the main factor of concern. Inflation ended the year at 12.3% and the latest available data show no sign of a significant slowdown in the short run, although in February the rate edged down to 11.5%. The acceleration in inflation is attributed by the authorities to relative price adjustments, although other factors must also be playing a significant role, such as the rate of money creation imposed by the accumulation of reserves, the exhaustion of spare capacity in certain sectors and the impact of the depreciation of the peso on marketable products. The response of the central bank to the acceleration in inflation consisted of a mild and gradual tightening of monetary policy and partial sterilisation of money issuance through the sale of bills (LEBACs) and the cancellation of rediscounts granted to the banks during the crisis, in order to reconcile, at least temporarily, the control of inflation with the easing of the substantial pressures on the exchange rate, which has depreciated, however, by 6% against the dollar since September. This lack of reaction by the monetary authorities was made up for by administrative measures to restrain prices, through agreement with productive and distributive sectors and strong restraint of regulated prices, which, despite including energy products, increased by barely 3% in 2005. It is estimated that, without these measures, inflation would have been over 14% (see Chart

CHILE AND VENEZUELA

CHART 17



SOURCES: INE Chile and Banco Central de Venezuela.

16). The room for manoeuvre afforded by the favourable macroeconomic background led the government, after its strengthening in the legislative elections in October, to take measures to strengthen its financial autonomy. Thus, the IMF loan was repaid early (out of the large accumulated reserves, which were reduced by more than one-third), so that the country released itself from the conditionality associated with IMF programmes, while bonds with a value of USD 2.8 billion were sold to the Venezuelan government. The reaction of the markets to these measures was negative, but moderate: the stock exchange and sovereign spreads behaved less favourably than in the rest of the region. Finally, it should be noted that both the recent currency depreciation and the reduction in reserves arising from repayment to the IMF are conducive to continuation of the exchange-rate and monetary policies pursued to date.

Activity in *Chile* decelerated somewhat in the second half of 2005, from very high rates; year-on-year growth fell from 6.9% in the first half to 5.8% in Q3 and in Q4. In any event, growth in 2005 as a whole was 6.3%, similar to the rate in 2004. The slowdown was caused by slower export growth, which led to an increase in the negative contribution of external demand to around 6 pp, while domestic demand grew at year-on-year rates of over 10%. Paid employment grew strongly, in contrast to the fall in self-employment from mid-2005 (see Chart 17). Despite the strength of domestic demand, the high price of copper increased the trade surplus to 8.5% of GDP and enabled a surplus of 0.6% of GDP to be recorded on current account. These two factors, along with the spending restrictions augured by the structural surplus rule, also explain the fiscal surplus of 4.8% of GDP. Inflation increased during 2005 and ended the year at 3.7%. It rose higher in the first few months of 2006, to exceed the target range of 4%. Underlying inflation increased significantly, to reach 3.5% in February 2006, up from levels of close to zero. In these circumstances, the central bank continued to tighten monetary policy, until interest rates reached 4.75%. However, there was a pause at the end of 2005, owing to the concern prompted by the significant appreciation of the peso, both in nominal and in real terms in the second half of the year. Unlike most stock markets in the region, the Chilean market rose only moderately in 2005 (9%). The behaviour of sovereign spreads was not as favourable as in the rest of the region, but this was attributable to a technical reason relating to the change, at the end of October, in the composition of its EMBI. Finally, the coalition government's candidate won the presidential elections and the coalition achieved an absolute majority in both legislative chambers.

Growth in *Colombia* may have ended 2005 close to 5% (a ten-year high). In Q3, year-on-year growth was 5.7%, which meant that the strong buoyancy of activity in the previous quarter was sustained. Domestic demand grew vigorously, especially on account of the extraordinary behaviour of investment (up 32.5% year-on-year), although the improvement in the labour market also contributed to the buoyancy of consumption. The contribution of the external sector was strongly negative. There was a large current account deficit in Q3, as a consequence of higher profit and dividend payments, which meant the balance for the year as a whole returned to deficit. However, the increase in the capital account surplus in 2005 led to a heavy accumulation of reserves. The outlook for the fiscal result improved progressively over the year, as revenues increased by more than expected, owing to the boom in activity. On the spending side, lower interest payments were neutralised by higher current expenditure. Inflation ended 2005 at 4.9%, down 0.6 pp from end-2004 and within the central bank's target range, this behaviour being confirmed at the beginning of 2006. The fall in inflation was supported by the appreciation of the Colombian peso during the year, although the latter was moderate, especially in the second half of the year, on account of the central bank's foreign currency purchases. These purchases were partly sterilised by the sale of reserves to the government to manage the external debt. Against this background, the central bank decided to reduce its official interest rates in September by 50 bp to 6%. Stock markets rose by more than 100% during 2005, the largest gain in the region.

In *Peru*, the economy accelerated notably in 2005 Q4 (to 7.7% year-on-year), ending the year with growth of 6.7%, up almost 2 pp from the previous year. This higher growth was explained by the acceleration in domestic demand and is consistent with the increase in employment. A trade surplus was recorded in 2005 for the fourth year running (6.6%). This surplus was higher than in previous years, given the improvement in the terms of trade, which led to year-on-year export growth of 37%, in current dollar terms. These trade balance developments, along with the buoyancy of remittances, explain the current account surplus (1.3% of GDP), the first in 25 years, despite the deterioration in the factor income balance. The government deficit fell to 0.4% of GDP, 0.7 pp lower than in 2004 and below the fiscal target (1%), helped by the improvement in the primary surplus. Inflation ended the year at 1.5%, the lower end of the target range, but increased notably in the first two months of 2006. After holding its reference interest rate at 3% for 14 months, the central bank has raised it gradually by 1 pp since December 2005. The exchange rate, under strong pressure since 2003, depreciated against the dollar to 6% from September, although it has recently strengthened somewhat. The sovereign spread declined during 2005, to a historic low in October, since when it has been subject to some volatility.

In *Venezuela*, activity was highly buoyant in the second half of 2005, with year-on-year growth of 9.5% in Q3 and 10.2% in Q4. In 2005, therefore, the economy grew by 9.3%, although the contribution of the oil industry was very small, implying a change in composition with respect to previous years (see Chart 17). Despite slowing in the second half, domestic demand continued to grow at very high rates, driven especially by investment. The rate of unemployment was not in double figures at end-2005, for the first time since January 1999, although this was partly a consequence of unemployed persons moving outside the labour force owing to government social programmes. Although the contribution of the external sector to growth was strongly negative, high oil prices led exports to increase by 43%. The large trade surplus took the current account balance to a new historic high (22.4% of GDP) which, along with the maintenance of controls on outflows of foreign exchange, generated a heavy accumulation of reserves. Against this background, public spending increased drastically. Inflation continued to moderate, to stand at 14.4% at end 2005, down 4.8 pp from 2004. However, this reduction is the result of government-imposed price controls and the stability of the exchange rate, which remained fixed following the February 2005 (of 10.7%), there being no plans to change it this year.

In *Uruguay*, the economy was highly buoyant, although its year-on-year growth rate moderated from 6.9% on average in the first half to 5.9% in the second half, making for a rate of 6.6% for the year as a whole. The inflation rate ended the year at 4.9%, at the upper end of the target range, although it rose to 6.7% at the beginning of 2006. In *Ecuador*, the economy continued to slow in the second half of 2005, mainly on account of the reduced buoyancy in the oil industry. Inflation rose from 1.5% in the first half of the year to around 5% in the first few months of 2006. Developments in the external sector were unfavourable, since the volume of exports fell, while imports increased slightly. This difficult economic environment and the uncertainty surrounding the October presidential elections would explain the scant reduction of sovereign spreads in comparison with other countries of the region. In *Bolivia*, following a prolonged period of upheavals, the opposition candidate achieved a resounding election victory. However, growing state intervention in certain spheres of activity may discourage foreign direct investment, which would have negative consequences for economic growth.

28.3.2006.

IMF financial facilities: signalling versus insurance

This article has been prepared by Javier Díaz Cassou, María Jesús Fernández and Santiago Fernández de Lis, of the Directorate General International Affairs.

Introduction

Since 2005 the IMF has been reviewing its medium-term strategy, largely in response to the debate on its role in the financial crises of the late 1990s and early 2000s. Globalisation has unquestionably significantly changed the role of the IMF and revealed certain deficiencies in its functions and in the instruments used to carry them out. This debate has prompted reflection on its role in an international economy in which a formal framework of co-operation barely exists between the national authorities and in which the growing financial integration has enabled many emerging economies to benefit from unprecedented access to the financial markets, but which is highly vulnerable to sudden reversals of capital flows. Some of the matters addressed in recent months as part of this strategic review are: the role of official financing in crisis prevention and resolution; how the IMF should respond in a situation such as the present one, characterised by growing global imbalances; and the build-up of reserves in a good number of emerging economies, which, on the one hand, denotes a desire for self-insurance so as not to depend on the IMF and, on the other, tends to aggravate these global imbalances[1]. The early repayment by Brazil and Argentina of their outstanding debt to the IMF in late 2005 and early 2006, respectively, added fuel to the debate on its role in the financing of countries in crisis.

In general, the IMF's crisis management has drawn criticism from both borrowers and lenders. For creditor countries, the large rescue packages have contributed primarily to distorting incentives, both those of investors (for proper risk assessment) and those of the country authorities (for adopting appropriate economic policies). In the opinion of the borrower countries, however, the IMF's financial programmes have tended to impose excessively stringent domestic adjustment, and the volume of assistance has not been sufficiently predictable nor have the terms been adapted to the circumstances of each crisis.

One of the most interesting discussions regarding the role of official financing in emerging economies is to what extent there is a gap between the surveillance and financing functions of the IMF that could make it advisable either to strengthen its signalling role, i.e. its ability to provide signals about its members' economic policies that affect the decisions of international investors, or to broaden its range of financing facilities by adding an insurance-related instrument so that, in the event of adverse exogenous shocks, IMF members have assured access (under certain conditions) to its funds that is predictable in regard to volume and maturity.

This article briefly describes the context and terms of this debate, because of its topicality and significance within the discussions on international financial architecture.

The role of official financing in international financial architecture

The first manifestation of the impact of globalisation on the nature of balance of payments crises in emerging economies was the Mexican crisis of 1994-1995. In response to this crisis, the IMF led a rescue package unprecedented in the history of the international financial system: nearly USD 48 billion (USD 18 billion provided by the IMF itself), equal to 688% of its

1. See IMF (2005).

quota[2]. A few years later, the IMF granted further extraordinary financial packages in the 1997-1998 Asian crisis: USD 21 billion to Korea, equal to 1,940% of its quota; USD 10 billion to Indonesia, equal to 490% of its quota and USD 4 billion to Thailand, equal to 505% of its quota[3].

In view of the virulence and increasing frequency of these capital-account crises, the IMF decided to equip itself with new instruments. First, a new financing facility, the supplemental reserve facility (SRF), was developed to meet needs for large-scale, short-term financing derived from a sudden reversal of capital flows. And second, an insurance instrument known as the contingent credit line (CCL) extended the IMF's financial role to the area of crisis prevention, providing a certain degree of assurance against the systemic effects of financial crises. This demonstrates the importance given in the late 1990s to the provision of official financial assistance in constructing a new international financial architecture and which crystallised in proposals to consolidate the IMF as a quasi-lender of last resort at international level, adopting a similar role to that of central banks at national level[4].

However, as the IMF made increasingly large financing packages available to countries, sharp criticism began to be heard that the funds were being used mainly to repay debt to private lenders and release them from assuming their part in the cost of financial crises, thereby contributing to distort the private sector's incentives to properly assess the risk of its international lending (moral hazard). It was argued that the distortion of incentives was also observable in the authorities of the emerging countries themselves, which tended to adopt more lax economic policies in the knowledge that the IMF would bail them out.

The debate on the moral hazard potentially created by IMF programmes, along with the fact that the IMF could not provide sufficient funds to act as a lender of last resort, led the international community to reconsider the framework for crisis resolution and to adopt two significant measures to reform it. First, as a result of the debate on the role of the private sector in crisis resolution, the so-called Prague framework[5] was adopted in 2001. It established that the public sector and the private sector have to assume their respective shares of the financial cost of a crisis when it occurs. The objective pursued was to balance the contributions of these two sectors in resolving a crisis and consolidate market discipline as the key to the functioning of the international financial system. Second, in relation to access to IMF resources, the policy of exceptional access was adopted in 2002. This policy aims to constrain the discretionality with which the IMF had until then granted funds above the normal access limits and, at the same time, to enhance the clarity and predictability of the system. Consequently, from that time certain conditions were set for access to funds in excess of the limits, namely that: i) the country is under extraordinary pressure on its balance of payments, ii) its level of debt is sustainable, iii) there are grounds for considering that the country will regain access to the markets before the programme expires, and iv) the conditions exist for adequately implementing the adjustment policies associated with the IMF programme. Also, an "exceptional circumstances clause" was included to cater for cases in which none of these conditions was met.

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2. Member countries have access to IMF funds based on their quota. According to the normal access limits, a country can access in one year a volume of funds equal to 100% of its quota and it can access 300% cumulatively over three years. **3.** These IFM programmes were supplemented with funds from the Asian Development Bank, from the World Bank and bilateral aid to make up rescue packages amounting to USD 57 billion in the case of Korea, USD 36 billion in Indonesia and USD 16.7 billion in Thailand. **4.** See Fischer (2000). **5.** The crisis resolution framework agreed upon in Prague establishes that the financing needs arising in a balance of payments crisis should, after deduction of the related domestic adjustment, be covered by the following components: i) provision of official financing; ii) "spontaneous" catalysis of private financial flows, and iii) the more or less coercive assumption of losses by the private sector (private sector involvement).

In short, since 2000 the international community has sought to reduce the weight of official financing in crisis resolution. That said, the practical application of this policy has caused controversy. Some cases that have raised doubts regarding the application of this framework are: i) the extension in 2003 of the 2002 Brazilian programme, which, as a preventive project, in principle lay beyond the bounds of the exceptional access policy, since the pressure on the balance of payments was "potential" rather than real; ii) the 2003 Argentine programme, which was granted despite the evidence that the country's debt balance was unsustainable; and iii) the 2005 Turkish and Uruguayan programmes, which were granted in the absence of extraordinary pressure on their balance of payments.

The difficulty in applying strictly the exceptional access policy has made plain the problems in consistently applying the crisis resolution arrangements that had been designed and has rekindled the debate on the role to be played by IMF financing in the international financial architecture. For some, limiting the moral hazard problems continues to be the priority and, consequently, they defend the setting of limits on the IMF's financing capacity, a strict application of the Prague Framework and of the exceptional access policy and a strengthening of its surveillance – or signalling – function. Others, however, see the existence of market failure in the international financial system and the systemic effects of financial crises as reasons for strengthening the international financial system's safety nets and they defend the creation of a new insurance instrument as a means of preventing and, possibly, resolving crises; in their opinion, the difficulties encountered in applying the exceptional access framework are not so much due to inappropriate application as to inadequate design.

The terms of the debate: signalling versus insurance

Two of the most important functions carried out by the IMF are signalling and insurance. Signalling refers to the IMF's ability to send out signals that influence the decisions of international investors or of the donor community (in the case of low-income countries) by giving a "stamp of approval" to the policy framework of its member countries. Basically, the IMF provides signals through: i) its surveillance instruments, e.g. its yearly reports on the economy of member countries[6], and ii) the programmes and subsequent reviews of compliance with the conditions[7] of these programmes. Insurance refers to the possibility of access to IMF resources that member countries have (based on their quota) and that provides them with some "insurance" against possible balance of payments needs.

The process of financial globalisation has heightened the importance of both functions, particularly because such adverse effects can be caused by sudden reversals of capital flows, as, for example, in the case of those that affected a certain number of emerging economies from the mid-1990s. That said, the international community does not have a unanimous stance on the weight that each of these functions should have in the new international financial architecture. Put plainly, this means there is no consensus on the role that should be played by official financing in crisis prevention and resolution in a globalised environment. The debate on the weight that the IMF should give to its signalling function as compared with its insurance function in emerging economies is due to differing views on such important underlying matters as: i) the origin and nature of balance of payments crises in these economies, ii) the impact of IMF financing on agents' incentives, iii) the catalytic effect of its intervention on private financial flows, iv) the IMF's financial capacity, and v) the desires of emerging countries in an increasingly globalised international economy.

6. These documents are called reports pursuant to Article IV. **7.** See Serra (2003).

ORIGIN AND NATURE OF BALANCE OF PAYMENTS CRISES IN EMERGING MARKETS

It is generally acknowledged that two key factors explain the dynamics that have characterised financial crises in the past decade: i) the application of inconsistent macroeconomic policies, and ii) the existence of failures in the functioning of international financial markets. Having said that, the same consensus does not exist on the relative importance of each of these factors. Those who consider that failures in economic policy are the primary cause tend to defend the strengthening of signalling mechanisms to enable international investors to distinguish better between countries committed to a sustainable policy framework and those that are not, in the belief that market discipline will act to reward the former and penalise the latter. Nevertheless, those who consider that market failure is the main cause tend to defend the need to improve insurance mechanisms, since they feel that capital account liberalisation and international financial integration may entail highly significant risks for emerging economies over which at times the authorities have little influence.

Two reasons lie behind the IMF's need to devise signalling mechanisms: information asymmetries and the strengthening of incentives to adopt sound economic policies. Firstly, if the actions of a country's authorities are not directly observable by international investors, those authorities would have an incentive not to keep the promises made to attract foreign investment, which in the long run would tend to reduce capital flows to emerging markets. Naturally these lesser capital flows would have a high cost in terms of lower economic growth, less efficient financial intermediation and worse allocation of resources at international level. Secondly, the logic of a signalling mechanism lies in the desirability of giving member countries an incentive to demonstrate their commitment to implementing an adequate combination of economic policies. In principle, if signalling mechanisms worked properly, the authorities would have to assume a more palpable and immediate cost for straying from this policy framework[8].

For its part, an insurance mechanism is desirable because of the problems of multiple equilibria that tend to affect emerging markets when they face a liquidity crisis. Owing to a lack of co-ordination between creditors, if a liquidity problem arises, these tend not to grant an extension of loan maturities, despite the fact that arranging this extension collectively would mean that the country's situation could be improved and the cost to be borne by the various parties involved would be lower. This problem of lack of co-ordination is aggravated by the self-confirming nature of financial markets' expectations, in that, as investors lose confidence in a country and capital outflows begin, the situation worsens and the process tends to feed back on itself. Under this interpretation of balance of payments crises, it is also argued that information problems prevent investors from distinguishing between a situation of illiquidity and one of insolvency, thereby activating the adverse market dynamics described above. An insurance mechanism would help to "co-ordinate" the agents, and this co-ordination would prevent such market dynamics from being activated and a liquidity crisis from resulting in insolvency, with its much greater economic cost.

IMPACT OF IMF FINANCING ON AGENTS' INCENTIVES

As mentioned above, much of the debate on the reform of international financial architecture has centred on the moral hazard problem posed by IMF programmes, basically those provid-

8. Insofar as low-income countries are concerned, the enhancement of the IMF's signalling role has a different rationale. In these countries, international private financial flows have a marginal importance compared with official development aid. In this context, IMF signalling is basically intended to show how the task is to be divided up within the official sector. The IMF would focus on establishing a macroeconomic conditionality that provides donors with a certain assurance of the sustainability of the countries' policies. The funds would be provided by donors, rather than the IMF, because, among other reasons, balance of payments disequilibria in these countries tend to be due to structural factors requiring longer-term development projects and strategies more suited to the mandate of institutions like the World Bank or regional development banks.

ing exceptionally high access to its funds. This line of argument led to the constraint of IMF financing as a result of the Prague Framework and the exceptional access policy. More recently, the discussion on the introduction of programmes without financing constitutes another step towards reducing the role of IMF financing and enhancing its signalling role. The aim is to limit moral hazard problems and consolidate market discipline as a key factor in the formation of agents' expectations and incentives.

However, the empirical findings on moral hazard induced by the IMF do not support the foregoing line of argument. The literature, which has concentrated on analysing the moral hazard of creditors, has studied the impact of IMF programmes on sovereign spreads and the price of certain financial assets and, in general, has not found any solid evidence for the existence of a significant moral hazard problem. There does, nonetheless, seem to have been a moral hazard problem in the Asian crisis, partly because of the precedent set by the 1995 Mexican rescue. However, the decision not to grant a financial programme to Russia in 1998 (a country that in principle seemed "to big to fall") possibly led to reconsideration of international market expectations on the availability of official financing for countries in crisis, and even more so following the 2001 Argentine crisis. The empirical literature, although not unanimous, tends to confirm this impression: following the experience of Russia, international investors have discriminated more finely between emerging markets, paying greater attention to the performance of their fundamentals and hence assessing their risks more accurately. These developments may be related to the improved transparency seen since then[9].

Additionally, it has been argued that moral hazard is an inevitable characteristic of any type of intervention aimed at mitigating a certain "catastrophe risk", although this does not justify a policy of "non-intervention". A certain moral hazard associated with the presence of the IMF as a mechanism of international financial protection should, according to this line of argument, be accepted in the same way as one accepts at domestic level the moral hazard derived from the role of central banks as lenders of last resort or from deposit insurance mechanisms. This does not mean that measures should not be taken to mitigate the distortions to agents' incentives that may be generated by the IMF's protection mechanism. But the objective of reducing the moral hazard associated with IMF financing should be balanced with other objectives of the IMF, such as the strengthening of international financial stability or crisis prevention and resolution. In other words, it is necessary to achieve a balance between "moral hazard" and "catastrophe risk", taking into account that the measures designed to reduce one of them often increase the other.

These arguments and empirical findings are cited by the proponents of strengthening the insurance role of the IMF. They insist that the importance of moral hazard has been overstated and that not all the effects of IMF financing on agents' incentives are negative. If country authorities assess the costs and the benefits of financial integration in the world economy, the presence of a safety net provided by the IMF's insurance function could tip the balance towards a deepening of the processes of financial liberation. This would both benefit emerging economies, which would presumably obtain greater volumes of international investment, and improve the functioning of the international financial system, since it would enable better diversification of risks worldwide.

CATALYTIC EFFECT OF THE IMF

The importance of the IMF's signalling role is based mainly on the premise that the IMF can significantly influence agents' decisions by providing signals such as the dissemination of the

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9. Regarding this improvement in transparency, see M. de Las Cases, S. Fernández de Lis, E. González-Mota and C. Mira-Salama (2004).

results of bilateral surveillance, the announcement of a programme or the favourable review of compliance with its conditions. One of the main reasons is that the information has some of the features of a public good, so agents tend to devote a very few of their resources to obtaining it and to resort to the reports of third parties for making their investment decisions. This problem is aggravated in transnational financial transactions by the fact that the information is more disperse and difficult to obtain, particularly in the case of emerging economies and low-income countries, which tend to be less transparent and have lower quality economic data. This market failure in regard to information would justify public intervention and the IMF, in view of its intellectual heritage, its global nature and its mandate, would seem be the most appropriate institution to act as "delegate assessor" on behalf of market agents, by providing signals on the economic condition of its member states.

However, empirical findings on the IMF's catalytic role do not seem to support this idea. Most studies find that the IMF has tended to overestimate its catalytic impact, and only in very specific circumstances of countries and depending on such matters as a country's relationship with the IMF and programme conditionality, has any significant catalytic effect been found[10].

Perhaps one of the factors contributing to limit the impact of the IMF's signals is the increasingly greater availability and quality of private information on emerging markets, which naturally tends to erode the IMF's informational superiority and therefore its ability to influence private investors. This weakens the argument in favour of introducing facilities without financing, since the greater availability of private information mitigates the asymmetries and market failures that might justify public intervention in the area of signalling. What is more, if empirical evidence shows that the catalytic effect of IMF financial programmes has tended to be smaller than expected, it can be asked what this catalytic effect would be in a programme without financing, even assuming the country in question undertook to meet conditions similar to those of a programme with financing. This assumption is questionable because, without the incentive of the successive payments under a conventional programme, the IMF's ability to ensure compliance with conditions is weakened.

FINANCIAL CAPACITY OF THE IMF

One of the key points of debate is whether the IMF can provide the funds needed to carry out an explicit insurance function or whether, in contrast, its financial limitations should be recognised and, accordingly, it is preferable to support the enhancement of its signalling function.

Naturally, the IMF's credibility as an insurance mechanism would essentially depend on its ability to harness funds on a sufficient scale to prevent the dynamic of a self-confirming financial crisis from establishing itself. Unlike other international financial institutions, the IMF functions basically as a "co-operative" and has little capacity to act as a financial intermediary. It has clearly defined financial limitations, which can only be overcome by periodically revising its members' quotas and, despite its current highly liquid position (which stands at a historical high), the fact is that its relative weight in the world economy has been declining in recent years in line with the rapid growth of private capital flows to emerging countries, which have risen from around USD 15 billion per annum in the 1970s and 1980s to more than USD 200 billion in 2004. The volatility of these capital flows has led to balance of payments problems that have tended to move from the current account to the capital account.

10. Some studies even find that IMF programmes have a negative impact on private capital flows to a country, although this may be due to unresolved matters in the econometric specifications used and, in particular, to problems of sample selection. For an in-depth review of the catalytic effect of the IMF, see J. Díaz Cassou, A. García Herrero and L. Molina (2005).

In view of this, one of the main arguments against establishing an insurance mechanism is that, for it to have a significant impact, the size of the IMF would have to be increased far beyond what can be considered feasible under the current quota system. That said, a counter-argument that has been adduced is that if an insurance mechanism were mainly a crisis prevention instrument, it would probably reduce the frequency of crises and hence would not put overly high pressure on IMF resources. Moreover, as seen in the Argentine crisis, the greater ability of international investors to discriminate between emerging markets has led to the moderation of contagion phenomena, which would also tend to reduce the financial requirements of an insurance mechanism.

DEMAND BY EMERGING COUNTRIES

There is reason to believe that emerging countries have little interest in a signalling mechanism based on facilities without financing. These countries have scarcely expressed interest in facilities of this type and in some fora[11] have even expressed opposition to their introduction. The predominant impression is that in emerging economies, especially the Asian ones, the demand is rather for insurance-type mechanisms designed to limit the risks deriving from sudden reversals in capital flows. Two indications of this are, first, the build-up of reserves by them in recent years[12], and, second, the signature of regional agreements to swap reserves, such as the Chiang Mai initiative[13]. Both developments point to a desire for self-insurance which has been interpreted as a tendency by certain emerging countries to dissociate themselves from the IMF in view of its inability to cater to their needs[14]. This impression has grown following the recent decision by Brazil and Argentina to terminate their programmes with the IMF.

Proposals made for the introduction of signalling and insurance instruments

PROPOSALS FOR SIGNALLING INSTRUMENTS

Countries agreeing facilities without financing would be subject to conditions that should, ideally, be similar to those of a traditional programme. There would be periodic revisions, to be approved by the Executive Board, but the IMF would make no kind of financial commitment. This type of instrument would basically be aimed at countries with vulnerabilities, but without an immediate balance of payments problem, so that a traditional programme would not be justified. It is argued that, in such cases, ordinary surveillance does not provide a sufficient “seal of approval” for the country’s adjustment policies and that its acceptance, without receiving anything in return, of the conditions of a programme without financing would amount to a stronger signal of its commitment to sound economic policies, which might catalyse larger flows of private financing (or, in the case of low-income countries, financing from the donor community). In fact, a consensus has already been reached on the potential of these facilities without financing for such countries and a new instrument, called the Policy Support Instrument (PSI), has recently been approved. Also, these facilities could be particularly useful for IMF-financing exit strategies[15].

When this type of instrument is proposed and designed, account must be taken, as already mentioned (and as the IMF itself has recognised) of the fact that the impact of the IMF’s signalling has generally been less than expected[16], largely because the IMF has tended to be very reluctant to issue negative signals, to avoid generating adverse market dynamics, and this has led to a loss of credibility for positive signals.

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11. The G-24 has openly come out against facilities without financing (G-24 Communiqué, October 2004). **12.** The world volume of international reserves increased from USD 1.2 billion in 1995 to USD 3.8 billion in 2005. Approximately 65% of these reserves are currently held by emerging markets, compared with 38% in 1995. **13.** Since the year 2000, the participants in this initiative have been the member countries of ASEAN plus China, Japan and South Korea (ASEAN+3). **14.** Other explanations of the IMF’s loss of influence in Asia are insatisfaction with the workings of the IMF governing bodies (problems concerning the right to speak and vote) and with the IMF’s response to the 1997-1998 Asian crisis. **15.** The IMF already has strengthened surveillance instruments for countries when a programme with financing expires, such as the Staff Monitoring Programme (SMP) and Post Programme Monitoring (PPM). However, the weakness of the signals issued by these instruments has led many countries to apply for subsequent programmes with financing, as their facilities have expired, so compounding the problem of prolonged use of IMF resources and, therefore, weakening their revolving character, which is one of the IMF’s founding principles. **16.** See IMF (2004).

A key element in the design of facilities without financing will be the conditionality that they should incorporate. In principle, this should be equivalent to that of traditional IMF programmes, which is well known by market agents. Another more difficult to resolve question is that of the link that these facilities without financing should have to traditional programmes with financing. Were balance of payments difficulties to arise during the term of the programme without financing, it would be difficult to find arguments to deny the granting of a programme with financing, given that the country would already be complying with the terms of conditions equivalent to those of this latter type of programme.

PROPOSALS FOR INSURANCE INSTRUMENTS

The insurance proposals that have been made so far are very different, but all have some significant similarities. First, an insurance mechanism should incorporate a sufficient amount of resources to check the adverse dynamics that may be triggered by an external shock, in a context of multiple equilibria and self-confirmed expectations; given the size of the financial markets and of the potential financial crises, a mechanism of this type cannot be strictly in line with the normal limits of access to IMF resources. Second, an insurance mechanism should make the resources available to countries sufficiently rapidly (although not necessarily automatically) when the contingency covered by the insurance mechanism occurs, so that the dynamic that characterises self-confirmed crises, which is sometimes very rapid, is halted in time. Third, the volume and conditions of the financing to which an instrument of this type gives access should be known ex ante, to clarify the rules of the game, both for potential borrowers and for financial market participants. Fourth, and to mitigate the moral hazard problems to which this instrument may give rise, it should only be made available to those countries that apply prudent macroeconomic policies. The various proposals therefore include some component of ex-ante conditionality, usually articulated by means of a pre-qualification mechanism.

The most widely expounded insurance proposal and the simplest to apply would be to broaden the exceptional access policy to embrace preventive programmes[17]. The first condition of the exceptional access framework establishes that the normal access limits may be exceeded only by countries experiencing extraordinary balance of payments pressures. This condition precludes preventive programmes, since they are granted to meet potential balance of payments problems. That said, there are precedents for preventive programmes being granted beyond the normal access limits, as is the case of the extension made in 2003 to the Brazil programme approved in 2002[18], an extension that was made by appealing to the exceptional circumstances clause.

A second type of proposal[19] consists of making the normal limits for access to IMF financing a dynamic variable, determined by the past policies applied by each country. Thus, the more a country perseveres with the application of prudent macroeconomic and structural policies, the higher the level of IMF resources to which it would have access and, therefore, the higher the degree of insurance granted by the IMF. This approach has some advantages. First, it would extend to all IMF members, thereby limiting its discretionality and strengthening the predictability and universality of the scheme for crisis prevention and resolution, which is one

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17. Preventive programmes are lines of financing that the IMF makes available to countries that agree not to use them unless it is strictly necessary to do so, i.e. unless a potential balance of payments problem actually arises. **18.** In December 2003, the Brazilian programme originally approved in September 2002 was extended and expanded by USD 6.6 billion. The Brazilian authorities announced at the time that they did not intend to use the programme's resources, and therefore it became a preventive programme. There is broad agreement that this preventive programme enabled Brazil to make an orderly exit from its financial relationship with the IMF. This was clear in March 2005, with the announcement by the Brazilian authorities that they would not seek to renew the IMF programme that expired at that time and with the final cancellation of the programme in December 2005. **19.** See Rajan (2005), and Ostry and Zettelmeyer (2005).

of the objectives of reform of the international financial architecture. Second, adequate incentives would be given, thus limiting the moral hazard problems. And, third, continuous signals would be emitted on the "quality" of a country's policy framework, which would, in principle, reduce the negative impact on the market of discrete signals arising from the activation/deactivation of the pre-qualification for these kinds of programme, this being one of the main problems with many proposals of this type.

Finally, various proposals have been made for a specific insurance facility for emerging economies. Most of them are based on a pre-qualification mechanism, whereby only countries with solid foundations would have access. Other proposals suggest that the IMF should lend to these countries when their sovereign debt spread passes a certain threshold or that a liquidity window should be created at a pre-determined interest rate[20].

The key to the success of a facility of this type is its design and, in this respect, the experience of the failure of the Contingent Credit Line (CCL) is most significant. This facility was created in 1999 as a preventive instrument to counter the risk of international contagion in those emerging markets committed to the maintenance of a prudent macroeconomic policy framework and was therefore essentially an insurance instrument. However, in 2003 this facility had to be allowed to expire because no country had requested it. There were significant design failures: i) the impact that its request might have had on international financial markets was not clear. It might have been interpreted as a sign of weakness revealing the existence of vulnerabilities, and not of a greater capacity to confront them, ii) at the same time there was an exit problem, since there was concern as to the impact that loss of eligibility for the CCL might have on markets, and iii) it was not clear to what extent the access to resources was automatic, since IMF Executive Board approval was required.

The CCL entry and exit problems were closely linked to the pre-qualification mechanism that constituted the ex-ante conditionality and are, to a certain extent, inherent in any insurance instrument. One response to the stigma involved in requesting an insurance facility could be to strengthen the conditionality. The greater the extent to which the market interprets the criteria that give access to the insurance as truly demanding, the more the negative signal that might be entailed by agreeing this facility would be mitigated. That said, excessively strong conditionality could mean that only those countries with very robust fundamentals, and thus less vulnerable to a crisis, would be eligible. In fact, it is worth asking what incentives a country with such characteristics would have to submit to strong conditionality when all it would obtain in return is the coverage of a risk perceived as very remote.

One option for avoiding the CCL entry problem would be to make eligibility for the insurance facility automatic. This would mean that countries would not have to apply for the insurance, but access would instead be universal, provided the pre-qualification criteria are met. However, the impact that generous use of this facility might have on the IMF's resources would need to be studied.

Finding a solution to the exit problems is even more complicated, because any instrument involving ex-ante conditionality generates the risk that failure to fulfil the conditions might unleash adverse market dynamics. One can think of ways to moderate the negative impact of this signal. In the case of the CCL it has been argued that the relative vagueness of the eligibility criteria gave the IMF an excessive margin for discretion and, therefore, introduced a factor

20. See Cohen and Portes (2004), and Cordella and Levy Yeyati (2005).

of uncertainty that aggravated the exit problems. In principle, if this discretionality were reduced, the market could monitor countries' eligibility for itself and the need for the IMF to issue unanticipated verdicts with destabilising effects would be eliminated. A system could be put in place, for this purpose, to determine eligibility "a la Maastricht", on the basis of the fulfilment of a set of criteria, directly observable by market agents, but not necessarily published by the IMF, summarising the ex-ante robustness of the policies applied by the countries.

Lastly, one of the lessons of the failure of the CCL is that the link between the insurance facility and access to IMF resources should be rapid and unambiguous. This means that it should be reasonably certain that, if the contingency covered by the insurance mechanism occurs, the country will have quasi-automatic access to IMF financing on the terms established ex ante. For this to be so, it is necessary that i) there be a clear, operative and observable definition of the contingencies covered by the insurance mechanism; ii) compliance with the access conditions by the countries be monitored and updated frequently (so that the time between pre-qualification and the possible activation of the financing is not excessive), and iii) rapid and relatively simple administrative procedures be put in place to effect the provision of financial assistance by the IMF.

Conclusions

There has been a fruitful debate in recent years on the IMF's role in relation to the emerging economies, which has coincided with a far-reaching strategic review of the IMF's role. The lower frequency of crises in recent years and the cancellation of the programmes of many of the countries that had suffered crises in previous years partly reflect advances in the international financial architecture, particularly in areas such as the transparency of the statistics and economic policies of these countries, the lower degree of contagion of crises and improvements in their fundamentals. However, at the same time, there is some concern that the lower recourse to the IMF may also be a consequence of the inadequacy of its instruments to protect countries from the volatility of capital flows inherent in increasingly globalised financial markets. The sharp accumulation of reserves by some of these countries would seem to reflect a certain desire for self-insurance, which would endorse this idea.

One of the possible shortcomings identified is the gap between the IMF's surveillance function and its financing function. The debate has turned on the question of whether it is better to cover this gap with a signalling instrument or with an insurance one. Signalling instruments seem suitable for low-income countries, where the available information is of poorer quality and whose financing comes from official sources. For these countries the macroeconomic conditionality of the IMF represents a guarantee of commitment with solid fundamentals. However, the usefulness of signalling instruments in the case of emerging economies, whose information has improved significantly and whose capital inflows come from private flows is more doubtful.

A priori, insurance instruments appear better suited to emerging economies, which face the risk of speculative attacks that sometimes have little or nothing to do with their fundamentals. However, designing a facility of this type comes up against complex problems, arising from the need to reconcile, on the one hand, a demanding pre-qualification mechanism providing quasi-automatic access to the IMF's resources, and on the other, a design that avoids the entry and exit problems that led to the failure of similar initiatives in the past. One solution that this article suggests might be worth considering would be the design of objective criteria (similar to the Maastricht criteria for access to Stage Three of EMU) that avoid a potentially destabilising process to establish eligibility.

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Financial regulation: 2006 Q1

Introduction

In 2006 Q1 there were few new financial provisions relative to the preceding period.

Firstly, a Guideline of the European Central Bank was published, amending the previous regulations on the monetary policy procedures and instruments of the Eurosystem, specifically in relation to the eligibility criteria of the collateral used in monetary policy operations.

As regards public debt, and is habitual in this period, the State debt issuance conditions for 2006 and for the month of January 2007 were laid down, with the limitation set in the 2006 State Budget Law. Broadly, the issuance conditions of previous years have been maintained.

Further, the circumstances have been stipulated in which the Directorate General of the Treasury and Financial Policy may authorise the opening, outside the Banco de España, of Treasury accounts at credit institutions.

In addition, and in compliance with the regulations on the protection of personal data, the Banco de España has created a new automated personal data file and has modified two of the pre-existing ones.

Finally, in the Community sphere, the exchange, assistance and training programme for the protection of the euro against counterfeiting was extended until the end of the year.

Monetary policy instruments and procedures of the Eurosystem

Guideline ECB/2000/7 of the European Central Bank of 31 August 2000 developed the instruments and procedures to apply a single monetary policy in the Eurosystem, with the national central banks (NCBs) being obliged to act in accordance with the provisions of this Guideline. Later, this regulation was amended by Guideline ECB/2002/2 of 7 March 2002, and by Guideline ECB/2005/2 of 3 February 2005[1], with a view to adapting it to the changes in the definition and implementation of monetary policy in the euro area.

Recently, Guideline ECB/2005/17 of the European Central Bank of 30 December 2005 (OJEU of 2 February 2006) has been published, amending Guideline ECB/2000/7 on the monetary policy instruments and procedures of the Eurosystem, especially regarding the eligibility criteria for Tier one and Tier two assets[2].

This Guideline substantially maintains the minimum eligibility criteria for Tier *one* assets. Specifically, it continues to accept that such assets should be debt instruments having: a) a fixed, unconditional principal amount, and b) a coupon that cannot result in a negative cash flow. Moreover, the coupon should be a zero coupon, a fixed rate coupon or a floating rate coupon linked to an interest rate reference. Inflation-indexed bonds are also eligible, and their features must be maintained until the redemption of the obligation. The Guideline further clarifies that asset-backed bonds may be eligible as collateral, despite the aforementioned requirement a), since the very nature of asset-backed bonds means their principal amount may be conditional.

1. See “Financial regulation: 2005 Q2”, *Economic Bulletin*, July 2005, Banco de España, pp. 103-104. **2.** The Eurosystem accepts a broad set of instruments as collateral in its operations. Essentially, a distinction is drawn between two categories of assets: Tier *one* and Tier *two*. Tier *one* comprises tradeable fixed-income instruments that meet uniform eligibility criteria for the whole Monetary Union, and are specified by the ECB. Tier *two* includes other tradeable and non-tradeable assets that are of particular importance for the financial markets and banking systems, and whose eligibility criteria are established by the NCBs, following the ECB’s approval.

The Eurosystem shall assess the eligibility of asset-backed securities other than Pfandbrief-type fixed-income instruments, bearing in mind the following criteria.

Assets generating a cash flow, firstly, must be legally acquired in accordance with the laws of a Member State from the originator[3] or an intermediary by the securitisation special purpose vehicle in a manner which the Eurosystem considers to be a *true sale* that is enforceable against any third party, and be beyond the reach of the originator and its creditors, including in the event of the originator's insolvency; and secondly, they shall not consist (in part or in whole, actually or potentially) of credit-linked notes or similar claims arising from the transfer of credit risk by means of credit derivatives.

The Eurosystem reserves the right to request from any relevant third party (for instance, the issuer, the originator or the arranger) any clarification or legal confirmation that it deems necessary to assess the eligibility of asset-backed securities.

The Guideline also makes this distinction for the minimum eligibility criteria for Tier *two* assets.

Lastly, the NCBs shall, no later than 1 March 2006, send the ECB detailed information on the texts and mechanisms through which they intend to comply with this Guideline, which shall be applicable from 1 May 2006.

State debt: issuance conditions during 2006 and January 2007

Law 30/2005 of 29 December 2005 on the State Budget for 2006[4] authorised the Minister of Economy and Finance to increase State debt this year, with the limitation that the outstanding balance thereof at the end of the year should not exceed the related balance as at 1 January by more than €14,082 million.

As is habitually the case at this time of year, Ministerial Order EHA/4247/2005 of 30 December 2005 (BOE of 16 January 2006) has been published, providing for the creation of State debt during 2006 and January 2007, and delegating specific powers to the Director-General of the Treasury and Financial Policy. Two Resolutions dated 17 January 2006 have also been published by the Directorate General of the Treasury and Financial Policy (BOE of 27 January and of 24 January 2006, respectively) providing for specific issues of Treasury bills and of medium- and long-term government bonds, and the calendar for auctions for 2006 and for January 2007 has been published.

Broadly, the issuance conditions prevailing in previous years have been maintained. As in 2005, the Ministry of Economy may provide for the creation of debt through issues of securities or credit operations, in euro or in other currencies.

Regarding the issuance procedures for State debt, the arrangements for previous years have been retained, in particular the following: through auctions (competitive and non-competitive bids), and through whatsoever technique not involving inequality of opportunity for the potential purchasers of the securities.

As in previous years, public debt will be in the form of Treasury bills and of medium- and long-term debt, in all cases exclusively in book-entry form.

TREASURY BILLS

For 2006, the issuance criteria and procedures prevailing in previous years are basically retained, as is the obligation to prepare an annual schedule of tenders for publication in the BOE.

3. This is the institution whose assets are going to be securitised. **4.** See "Financial regulation: 2005 Q4", *Economic Bulletin,* January 2006, Banco de España, pp. 129-130.

Tenders of 12-and 18-month bills are to continue, but those of six-month bills are suspended owing to the reduction in the total volume it is wished to issue. This advises reducing the number of issuance terms, as occurred in 2005, when the three-month term was eliminated. Nonetheless, for reasons of demand or of issuance policy, the Treasury could stage additional tenders to those scheduled at which it could auction shorter-dated bills.

The tenders take place on the third Wednesday of each month, and with this periodicity 12- and 18-month Treasury bills are auctioned. Issuance terms may differ in respect of the number of days needed to allow the grouping of maturities, so that the periodicity of such maturities is two months, taking place in the even-number months and coinciding with the issuance dates so as to make reinvestment easier for holders. In this way, the grouping together of issues is maintained, thereby consolidating the Treasury bill market, ensuring its liquidity and strengthening competitiveness with the other institutional issuers in the euro area.

As in previous years, bids at tenders will be interest-rate based, which is how bills are priced on the secondary markets. Competitive bids will thus indicate the interest rate bid for, and successful bids shall be allotted, in each case, at the price equivalent to the interest rate bid for or at the weighted average, whichever is appropriate on the basis of the outcome of the tender.

The tenders shall continue as at present, and both competitive and non-competitive bids may be formulated. The minimum nominal amount of competitive bids will continue to be €1,000, and higher bids shall be placed in multiples of this amount. As for non-competitive bids the minimum nominal amount is €1,000, and higher bids shall again be in multiples of this amount. A new feature is the raising of the maximum nominal amount per bidder from €200,000 to €1 million, in order to allow subscribers to underwrite bills up to this amount, without having to place competitive bids that may distort the average price of the tender.

Nonetheless, this limit will continue to be €100 million for certain institutions, namely: the Wage Guarantee Fund, the Deposit Guarantee Fund for Banking Establishments, the Deposit Guarantee Fund for Savings Banks, the Deposit Guarantee Fund for Credit Co-operatives, the Social Security Reserve Fund, the Investment Guarantee Fund, and any public entity or State-owned company stipulated by the Treasury.

Finally, tenders will be followed by a second round reserved for those financial institutions that have acquired Market-Maker status in respect of Treasury bills. This will unfold in accordance with the rules regulating market-makers.

MEDIUM- AND LONG-TERM GOVERNMENT BONDS

For 2006, the issuance criteria and procedures established for medium- and long-term government bonds will essentially be as in 2005. It will continue to be obligatory to prepare the annual schedule of tenders for publication in the BOE. This schedule will indicate the dates of tenders, specifying the term of the bonds that will be auctioned quarterly depending on market conditions and on developments in issues during the year. However, if market conditions or financing requirements so advise, the Treasury may, in the monthly Resolution providing for issues of bonds for the following month, decide not to issue at any of the terms which, for information purposes, had been set in the aforementioned quarterly schedule.

The maturities for both types of bonds will be unchanged, i.e. 3 and 5 years for medium-term bonds, and 10 and 30 years for long-term bonds. The resumption of the 15-year issue has not been envisaged so as to square, on one hand, the reduction in the total volume it is wished to issue, and, on the other, the increase in the liquidity of the types of instruments being issued. It will also continue to be possible to auction issues that are extensions of other, previous issues, in order to make up the necessary volume to ensure their liquidity on the secondary markets.

Tender arrangements remain as at present and will be followed, as in previous years, by a second round reserved for those financial institutions that have acquired Market-Maker status in respect of medium- and long-term bonds. However, some minor amendments have been made to improve how the arrangements work and to adapt regulations to the migration from the former Public Debt Book-Entry System to Iberclear. In connection with these amendments, the minimum nominal amount of €1,000 is maintained for non-competitive bids, but the maximum nominal amount per bidder is raised from €200,000 to €1 million, so that subscribers can underwrite Treasury securities up to this amount, without having to place competitive bids that may distort the average price of the tender. Finally, for the special institutions quoted in the previous section, this limit will continue to be €100 million.

Treasury accounts outside the Banco de España

In accordance with General Budgetary Law 47/2003 of 26 November 2003[5], the revenue and expenditure of the State and its autonomous agencies shall generally be routed through the accounts it holds at the Banco de España, with the opening of accounts outside the central bank of Treasury funds being subject to authorisation by the Directorate General of the Treasury and Financial Policy.

The Minister of Economy and Finance was empowered to establish the exceptional cases in which the Directorate General of the Treasury and Financial Policy could authorise the opening of such accounts.

By virtue of these powers, Ministerial Order EHA/333/2006 of 9 February 2006 (BOE of 15 February 2006) was enacted. The Order establishes the cases in which the Directorate General of the Treasury and Financial Policy may authorise the opening, outside the Banco de España, of Treasury fund accounts at credit institutions.

These cases are as follows:

a) Restricted accounts of non-tax revenue.

b) Current accounts for the payment of the wages and salaries of serving employees of the State and its autonomous agencies through banks or savings banks.

c) Current accounts for payments pending substantiation and for fixed cash advances.

d) Current accounts for payments via an intermediary.

e) Current accounts for the payment of expenses incurred through the holding of elections.

f) Accounts for payments by State autonomous agencies other than those above, provided the following requirements are met:

5. See "Financial regulation: 2003 Q4", *Economic Bulletin*, January 2004, Banco de España, pp. 90-91.

— That there is no Banco de España branch in the same municipality in which the headquarters of the agency that is to be the account holder is located, and that, moreover, this service cannot be provided by any other means.

— That provisions are made to meet specific payments, for the precise amounts and with the minimum notice needed for their correct execution, so that the account balance is at all times that required for the proper effectiveness of transactions.

New personal data files managed by the Banco de España

Banco de España Circular CBE 2/2005 of 25 February 2005 had compiled the descriptions of the automated files containing personal data in the Banco de España, in compliance with Organic Law 15/1999 of 13 December 1999 on the Protection of Personal Data, regarding the creation, modification or destruction of general government files.

Several measures to be launched shortly will amend certain aspects of the automated treatment of personal data in the Banco de España, necessitating the creation of a file and the modification of two of those already existing. Consequently, CBE 4/2005 of 23 December 2005 (BOE of 16 January 2006), updating CBE 2/2005 of 25 February 2005 on automated personal data files managed by the Banco de España, has been published.

The update involves the inclusion of the description of a new file, called “Central Credit Register System Files”, and the modification of the current descriptions for the file “Central Credit Register System” and the file “Most active appraisers by appraised value of appraisal companies and services”, the latter changing its name to “Most active appraisers and main customers of appraisal companies and services”. Both the file created and the two that have been modified are described in detail in the annex to this Circular.

Programme for the protection of the euro against counterfeiting

In accordance with Council Decision 2001/923/EC of 21 December 2001, the Commission submitted to the European Parliament and to the Council on 30 November 2004 a report, which was independent of the programme manager, evaluating the relevance and the effectiveness of the exchange, assistance and training programme for the protection of the euro against counterfeiting. The report stated the need for the programme to be maintained in the future. Further, the effectiveness of the programme could be enhanced if technical support were extended to provide, with the involvement of Europol, for financial support for Member-State co-operation in cross-border operations.

In the light of this report, Council Decision of 30 January 2006 (OJEU of 8 February 2006) was published, amending and extending Decision 2001/923/EC establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting (the ‘Pericles’ Programme), at least until 31 December 2006.

6.4.2006.

Additions

Indicators 8.2 to 8.4

Cash and cash equivalents, other liabilities of credit institutions and mutual funds shares of households and NPISHs resident in Spain

The information on mutual funds shares in indicators 8.2, 8.3 and 8.4 has been revised. The former categories money market funds (FIAMM) and fixed income mutual funds in EUR (FIM renta fija en euros) have been amalgamated into a single category “fixed income in EUR” (renta fija en euros). As a result, the liquidity aggregate AL1 is no longer compiled and the aggregate AL2 is now known as AL.

CONTENTS

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).

INTEREST RATES AND EXCHANGE RATES

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)

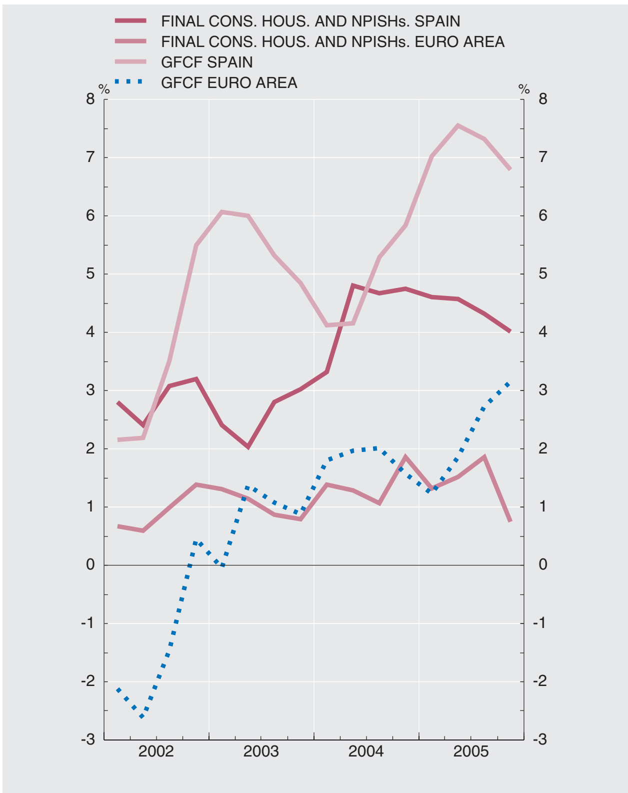
■ Series depicted in chart.

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) (g)	
		Spain	Euro area	Spain (b)	Euro area (c)	Spain	Euro area (d)	Spain	Euro area	Spain (e)	Euro area	Spain	Euro area (f)	Spain	Euro area (f)	Spain	Euro area
		1 ■	2 ■	3 ■	4 ■	5	6	7 ■	8 ■	9 ■	10 ■	11	12	13	14	15	16
03	P	3.0	0.7	2.6	1.0	4.8	1.7	5.6	0.8	3.7	1.3	3.6	1.2	6.0	3.0	781	7 446
04	P	3.1	1.8	4.4	1.4	6.0	1.1	4.9	1.8	4.8	1.8	3.3	5.9	9.3	6.2	837	7 723
05	P	3.4	1.4	4.4	1.4	4.5	1.3	7.2	2.2	5.1	1.6	1.0	3.9	7.1	4.7	904	7 968
03 *Q1*	P	2.9	0.9	2.4	1.3	5.5	2.0	6.1	-0.0	3.9	0.9	4.6	2.7	7.8	4.8	190	1 840
Q2	P	3.1	0.4	2.0	1.1	4.4	1.4	6.0	1.4	3.5	0.4	3.6	-0.4	4.8	2.2	193	1 848
Q3	P	3.0	0.6	2.8	0.9	4.5	1.7	5.3	1.1	3.7	0.6	4.1	1.2	6.4	2.1	197	1 872
Q4	P	2.9	0.9	3.0	0.8	4.8	1.6	4.8	0.9	3.7	0.9	2.2	1.4	5.1	2.8	200	1 886
04 *Q1*	P	3.0	1.6	3.3	1.4	5.5	1.3	4.1	1.8	4.0	1.6	4.0	3.9	7.4	3.3	204	1 906
Q2	P	3.0	2.1	4.8	1.3	6.0	1.3	4.1	2.0	4.8	2.1	3.0	7.7	9.6	6.6	207	1 927
Q3	P	3.1	1.8	4.7	1.1	6.5	1.1	5.3	2.0	5.1	1.8	3.7	6.3	10.5	7.7	211	1 939
Q4	P	3.2	1.6	4.7	1.9	6.0	0.7	5.8	1.6	5.2	1.6	2.7	5.8	9.7	7.1	215	1 951
05 *Q1*	P	3.3	1.2	4.6	1.3	5.2	0.8	7.0	1.2	5.3	1.2	-1.4	3.1	6.2	4.3	220	1 967
Q2	P	3.4	1.2	4.6	1.5	4.0	1.2	7.6	1.9	5.2	1.2	1.3	2.6	7.9	4.2	223	1 982
Q3	P	3.5	1.6	4.3	1.9	4.2	1.6	7.3	2.7	5.1	1.6	2.1	4.9	7.8	5.4	229	2 002
Q4	P	3.5	1.7	4.0	0.8	4.6	1.7	6.8	3.2	4.8	1.7	1.9	5.1	6.6	5.0	233	2 017

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

DEMAND COMPONENTS. SPAIN AND EURO AREA
Annual percentage changes



Sources: INE (Quarterly National Accounts of Spain. Base year 2000) and Eurostat.
a. Spain: prepared in accordance with ESA95, seasonally- and working-day-adjusted series (see Economic bulletin April 2002); *Euro area, prepared in accordance with ESA95. b. Final consumption expenditure may take place on the domestic territory or abroad (ESA95, 3.75). It therefore includes residents' consumption abroad, which is subsequently deducted in Imports of goods and services. c. Euro area, private consumption.*
d. Euro area, government consumption. e. Residents' demand within and outside the economic territory.
f. Exports and imports comprise goods and services and include cross-border trade within the euro area. g. Billions of euro.

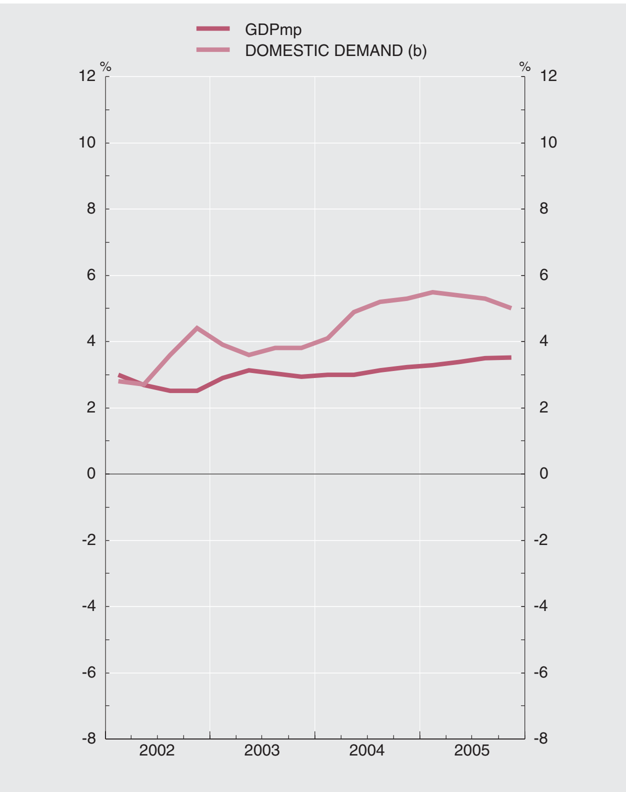
1.2. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. DEMAND COMPONENTS. SPAIN: BREAKDOWN (a)

■ Series depicted in chart.

Annual percentage changes

		Gross fixed capital formation					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 consumption of non-residents in economic territory	Services	Total	Goods	Final consumption of residents in the rest of the world	Services	Domestic demand (b) (c)	GDP
		1	2 ■	3	4	5 ■	6	7	8	9	10 ■	11	12	13	14 ■	15 ■
03	P	5.6	2.5	6.3	7.7	-0.0	3.6	5.0	0.4	1.1	6.0	6.4	5.0	4.1	3.8	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	3.7	4.9	3.1
05	P	7.2	9.5	6.0	7.6	-0.0	1.0	-0.4	1.9	6.4	7.1	7.0	22.2	4.5	5.3	3.4
03 *Q1*	P	6.1	3.6	6.9	7.4	0.0	4.6	6.5	-2.1	3.9	7.8	8.2	0.8	6.8	3.9	2.9
Q2	P	6.0	3.7	6.4	8.1	0.0	3.6	3.8	4.8	1.6	4.8	4.9	3.5	4.3	3.6	3.1
Q3	P	5.3	2.1	6.0	8.2	0.0	4.1	5.9	0.3	0.5	6.4	7.2	5.7	2.7	3.8	3.0
Q4	P	4.8	0.7	6.0	7.3	-0.1	2.2	3.9	-1.0	-1.3	5.1	5.4	10.1	2.6	3.8	2.9
04 *Q1*	P	4.1	-0.7	6.1	5.2	0.1	4.0	5.3	1.0	1.5	7.4	7.7	17.3	4.3	4.1	3.0
Q2	P	4.1	0.9	5.5	4.2	0.0	3.0	5.1	-4.6	2.0	9.6	10.3	20.2	4.1	4.9	3.0
Q3	P	5.3	6.2	5.3	4.1	-0.0	3.7	4.7	0.6	2.5	10.5	11.6	20.5	3.5	5.2	3.1
Q4	P	5.8	8.4	5.2	4.2	-0.0	2.7	2.3	2.8	4.3	9.7	10.6	24.0	2.7	5.3	3.2
05 *Q1*	P	7.0	9.8	6.0	6.5	-0.0	-1.4	-2.8	1.0	2.1	6.2	7.6	21.0	-3.3	5.5	3.3
Q2	P	7.6	10.4	6.2	8.1	-0.1	1.3	1.9	-4.9	5.4	7.9	8.4	23.7	2.2	5.4	3.4
Q3	P	7.3	8.9	6.3	8.5	-0.0	2.1	-0.3	7.4	7.1	7.8	7.0	23.9	8.5	5.3	3.5
Q4	P	6.8	9.1	5.6	7.5	-0.1	1.9	-0.6	4.1	11.1	6.6	5.3	20.1	10.7	5.0	3.5

GDP. DOMESTIC DEMAND
Annual percentage changes



GDP. DEMAND COMPONENTS
Annual percentage changes

Source: INE (Quarterly National Accounts of Spain. Base year 2000).

a. Prepared in accordance with ESA95, seasonally- and working-day-adjusted series (see Economic bulletin April 2002).

b. Contribution to GDPmp growth rate.

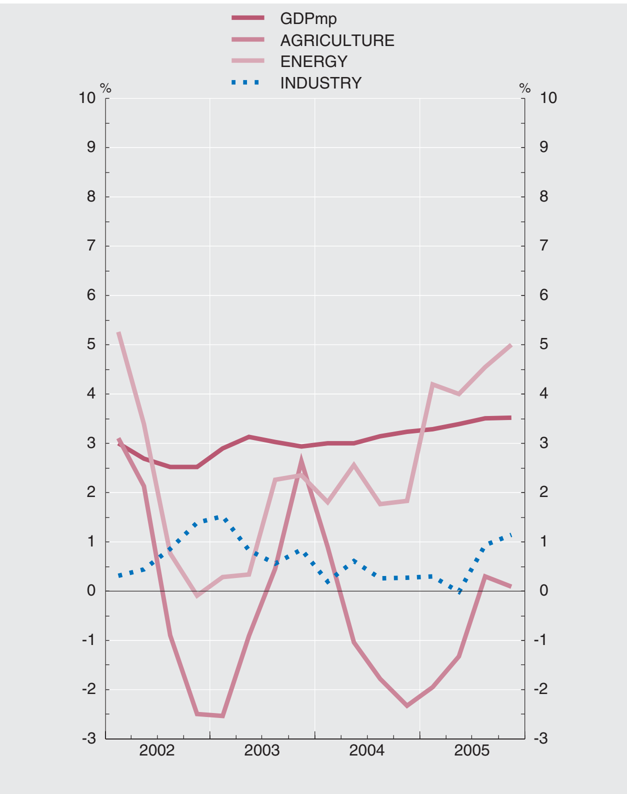
c. Residents' demand within and outside the economic territory.

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

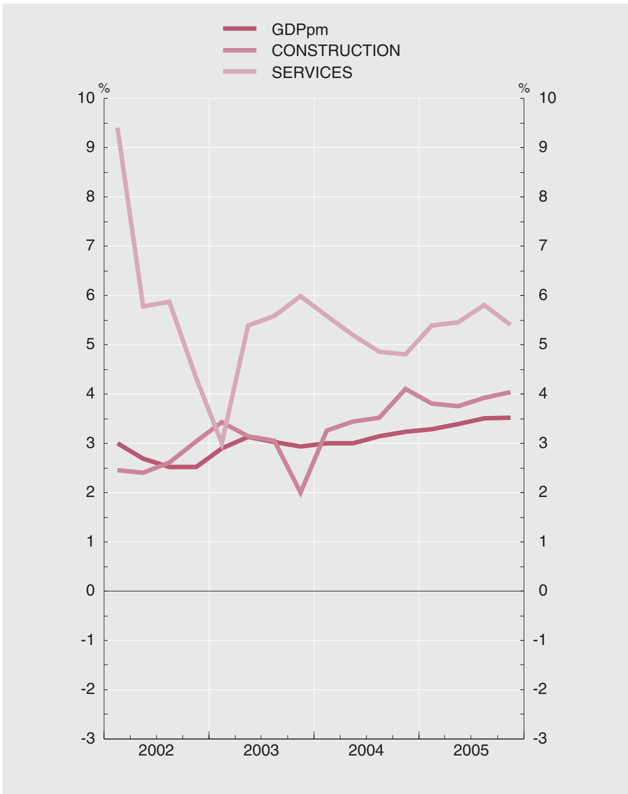
■ Series depicted in chart. *Annual percentage changes*

		Gross domestic product at market prices	Agriculture and fisheries	Energy	Industry	Construction	Services			VAT on products	Net taxes linked to imports	Other net taxes on products
							Total	Market services	Non-market services			
		1 ■	2 ■	3	4 ■	5 ■	6 ■	7	8	9	10	11
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
05	P	3.4	-0.7	4.4	0.6	5.5	3.9	4.0	3.5	4.4	3.6	2.9
03 *Q1*	P	2.9	-2.5	0.3	1.5	3.0	3.4	3.0	4.8	1.8	4.5	9.6
Q2	P	3.1	-0.9	0.3	0.8	5.4	3.1	2.8	4.4	6.7	5.5	8.1
Q3	P	3.0	0.4	2.3	0.6	5.6	3.1	2.9	3.8	3.8	8.1	9.1
Q4	P	2.9	2.6	2.3	0.8	6.0	2.0	1.5	3.7	9.3	8.4	11.1
04 *Q1*	P	3.0	0.9	1.8	0.2	5.6	3.3	3.2	3.3	0.4	12.4	11.3
Q2	P	3.0	-1.0	2.6	0.6	5.2	3.4	3.5	3.3	-0.4	12.9	9.6
Q3	P	3.1	-1.8	1.8	0.3	4.9	3.5	3.5	3.7	5.6	10.8	5.4
Q4	P	3.2	-2.3	1.8	0.3	4.8	4.1	4.1	4.1	4.4	12.0	0.3
05 *Q1*	P	3.3	-1.9	4.2	0.3	5.4	3.8	3.8	3.8	5.0	9.8	2.2
Q2	P	3.4	-1.3	4.0	-0.0	5.4	3.8	3.9	3.0	6.8	3.4	3.6
Q3	P	3.5	0.3	4.5	0.9	5.8	3.9	4.0	3.5	3.5	0.6	2.8
Q4	P	3.5	0.1	5.0	1.1	5.4	4.0	4.1	3.8	2.5	1.0	2.9

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).

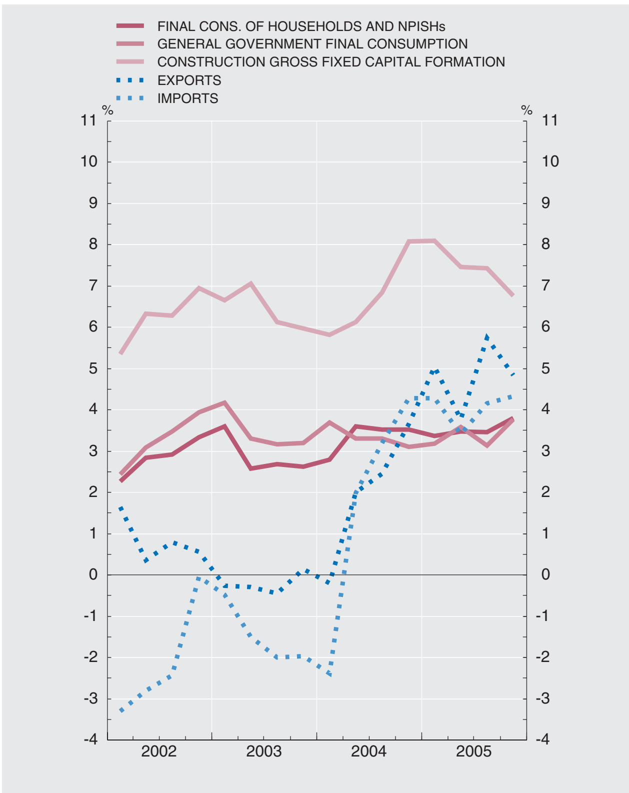
1.4. GROSS DOMESTIC PRODUCT. IMPLICIT DEFLATORS. SPAIN (a)

■ Series depicted in chart.

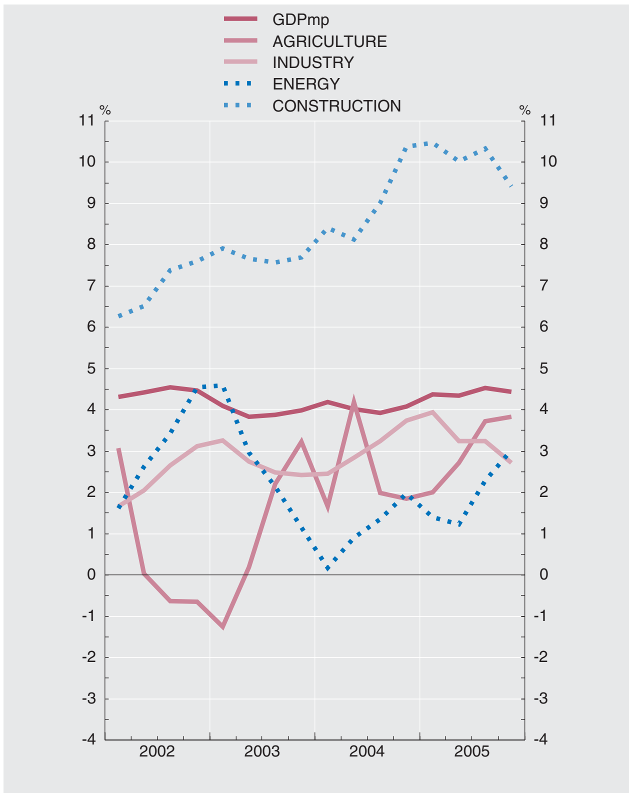
Annual percentage changes

		Demand components							Gross domestic product at market prices	Branches of activity					
		Final consump-tion of households and NPISHs (b)	General government final consump-tion	Gross fixed capital formation: Capital goods	Gross fixed capital formation: Construc-tion	Gross fixed capital formation: Other products	Exports of goods and services	Imports of goods and services		Agricul-ture and fisheries	Energy	Industry	Construc-tion	Services	Of which: Market services
		1 ■	2 ■	3	4 ■	5	6 ■	7 ■	8 ■	9 ■	10 ■	11 ■	12 ■	13	14
03	P	2.8	3.4	1.5	6.4	4.6	-0.2	-1.5	4.0	1.1	2.7	2.7	7.7	3.7	3.5
04	P	3.4	3.3	2.1	6.7	5.9	2.0	1.8	4.1	2.4	1.1	3.1	9.0	3.4	3.5
05	P	3.5	3.4	3.2	7.4	5.6	4.9	4.1	4.4	3.1	2.0	3.3	10.0	3.3	3.2
03 *Q1*	P	3.6	4.2	0.7	6.6	3.7	-0.3	-0.5	4.1	-1.2	4.6	3.3	7.9	3.8	3.7
Q2	P	2.6	3.3	1.5	7.1	4.6	-0.3	-1.5	3.8	0.2	3.0	2.8	7.7	3.6	3.6
Q3	P	2.7	3.2	1.7	6.1	5.0	-0.4	-2.0	3.9	2.2	2.1	2.5	7.6	3.7	3.6
Q4	P	2.6	3.2	2.0	6.0	5.2	0.1	-2.0	4.0	3.2	1.1	2.4	7.7	3.8	3.1
04 *Q1*	P	2.8	3.7	1.4	5.8	5.2	-0.2	-2.4	4.2	1.7	0.2	2.4	8.4	3.8	3.8
Q2	P	3.6	3.3	2.1	6.1	6.3	2.0	2.0	4.0	4.2	0.9	2.8	8.1	3.3	3.3
Q3	P	3.5	3.3	2.5	6.8	6.3	2.4	3.2	3.9	2.0	1.4	3.2	9.0	3.2	3.8
Q4	P	3.5	3.1	2.9	8.1	5.8	3.7	4.3	4.1	1.8	2.0	3.7	10.4	3.2	3.1
05 *Q1*	P	3.4	3.2	3.0	8.1	5.8	5.0	4.3	4.4	2.0	1.4	3.9	10.5	3.4	3.2
Q2	P	3.5	3.6	3.1	7.5	5.8	3.8	3.4	4.3	2.7	1.2	3.2	10.0	3.3	3.1
Q3	P	3.5	3.1	3.1	7.4	5.5	5.7	4.2	4.5	3.7	2.3	3.2	10.3	3.4	3.2
Q4	P	3.8	3.8	3.4	6.8	5.4	4.8	4.3	4.4	3.8	3.0	2.7	9.4	3.3	3.3

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).

b. Final consumption expenditure may take place on the domestic territory or abroad (ESA95, 3.75). It therefore includes residents' consumption abroad, which is subsequently deducted in Imports of goods and services.

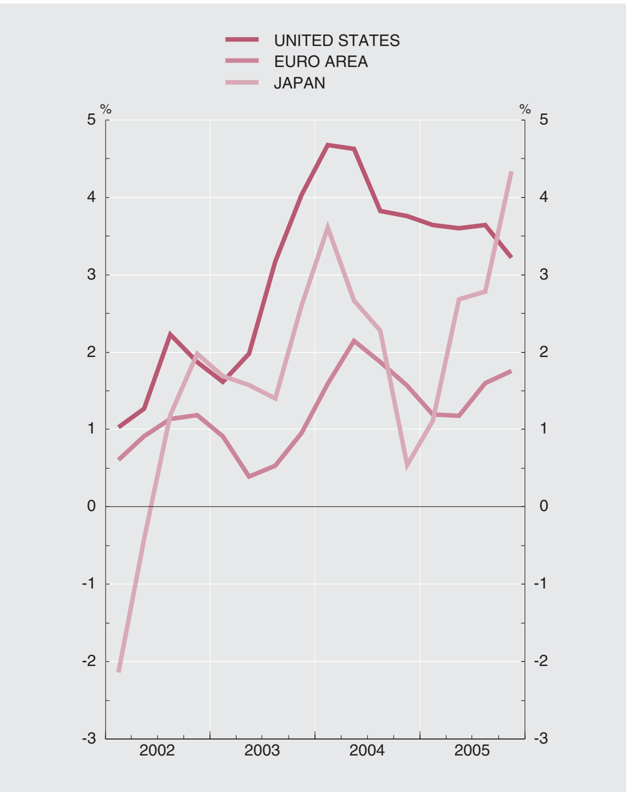
2.1. INTERNATIONAL COMPARISON. GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

■ Series depicted in chart.

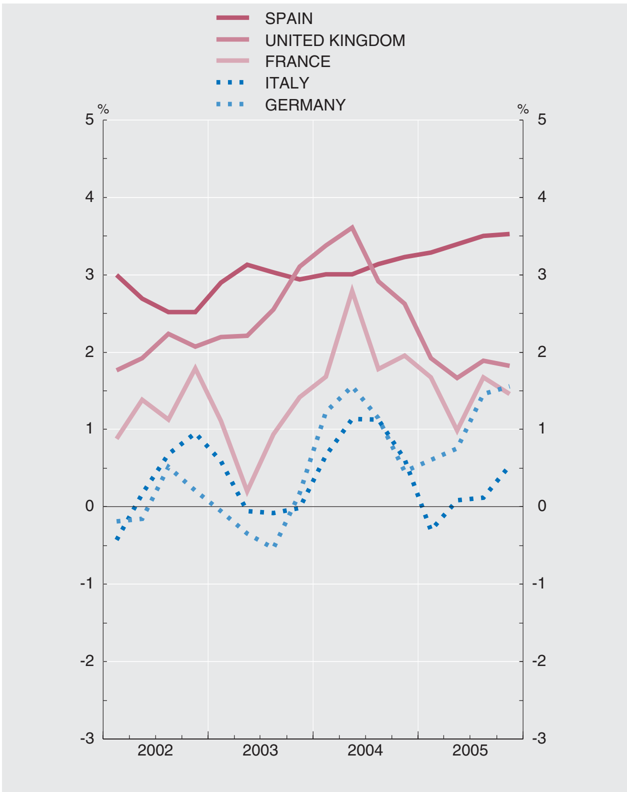
Annual percentage changes

	OECD 1	EU-15 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
03	2.0	1.0	0.7	-0.2	3.0	2.7	0.9	0.1	1.8	2.5
04	3.3	2.1	1.8	1.1	3.1	4.2	2.1	0.9	2.3	3.1
05	...	1.6	1.4	1.1	3.4	3.5	1.4	0.1	2.7	1.8
02 *Q4*	2.1	1.3	1.2	0.2	2.5	1.9	1.8	1.0	2.0	2.1
03 *Q1*	1.7	1.1	0.9	-0.1	2.9	1.6	1.1	0.6	1.7	2.2
Q2	1.6	0.7	0.4	-0.3	3.1	2.0	0.2	-0.1	1.6	2.2
Q3	2.1	0.9	0.5	-0.5	3.0	3.2	0.9	-0.1	1.4	2.6
Q4	2.8	1.4	1.0	0.2	2.9	4.0	1.4	-0.0	2.6	3.1
04 *Q1*	3.5	1.9	1.6	1.2	3.0	4.7	1.7	0.7	3.6	3.4
Q2	3.7	2.5	2.1	1.6	3.0	4.6	2.8	1.1	2.7	3.6
Q3	3.2	2.1	1.9	1.1	3.1	3.8	1.8	1.1	2.3	2.9
Q4	2.8	1.8	1.6	0.5	3.2	3.8	2.0	0.6	0.5	2.6
05 *Q1*	2.6	1.4	1.2	0.6	3.3	3.6	1.7	-0.3	1.1	1.9
Q2	2.6	1.3	1.2	0.8	3.4	3.6	1.0	0.1	2.7	1.7
Q3	2.9	1.7	1.6	1.5	3.5	3.6	1.7	0.1	2.8	1.9
Q4	...	1.8	1.8	1.6	3.5	3.2	1.5	0.5	4.3	1.8

GROSS DOMESTIC PRODUCT
Annual percentage changes



GROSS DOMESTIC PRODUCT
Annual percentage changes



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

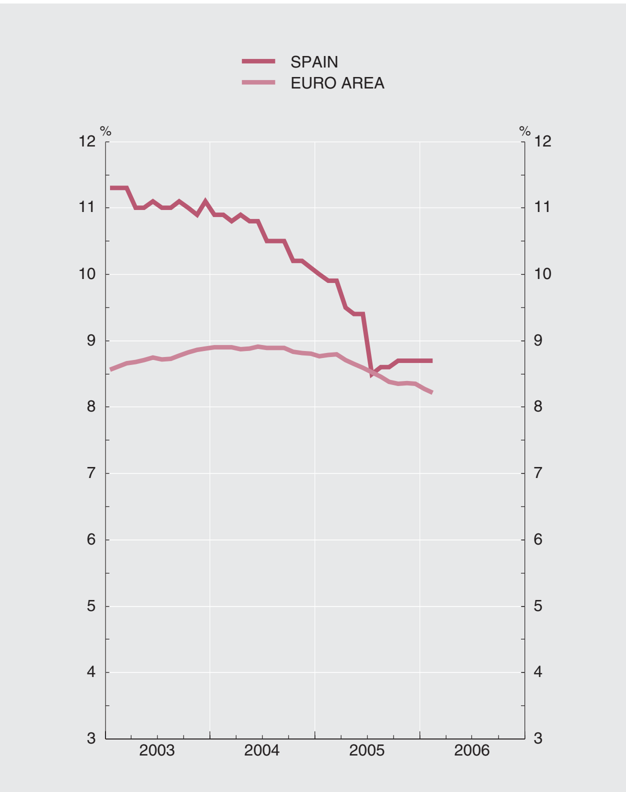
2.2. INTERNATIONAL COMPARISON. UNEMPLOYMENT RATES

■ Series depicted in chart.

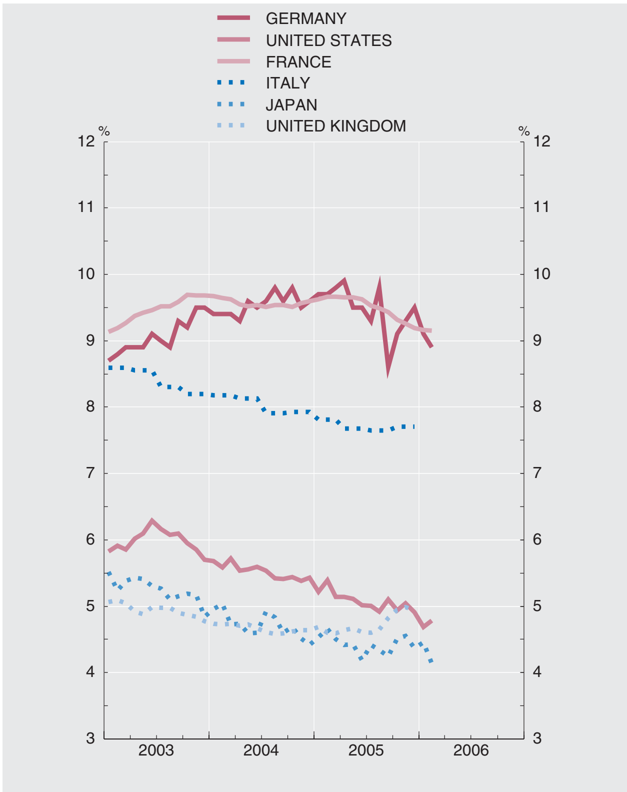
Percentages

	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3 ■	4 ■	5 ■	6 ■	7 ■	8 ■	9 ■	10 ■
03	7.1	8.0	8.7	9.1	11.1	6.0	9.5	8.4	5.2	4.9
04	6.9	8.1	8.9	9.5	10.6	5.5	9.6	8.0	4.7	4.7
05	6.6	7.8	8.6	9.5	9.2	5.1	9.5	7.7	4.4	4.7
04 *Sep*	6.8	8.1	8.9	9.6	10.5	5.4	9.5	7.9	4.6	4.6
Oct	6.8	8.1	8.8	9.8	10.2	5.4	9.5	7.9	4.7	4.6
Nov	6.8	8.1	8.8	9.5	10.2	5.4	9.6	7.9	4.5	4.6
Dec	6.8	8.0	8.8	9.6	10.1	5.4	9.6	7.9	4.4	4.6
05 *Jan*	6.7	8.0	8.8	9.7	10.0	5.2	9.6	7.8	4.5	4.7
Feb	6.8	8.0	8.8	9.7	9.9	5.4	9.7	7.8	4.7	4.6
Mar	6.7	8.0	8.8	9.8	9.9	5.1	9.7	7.8	4.5	4.6
Apr	6.6	8.0	8.7	9.9	9.5	5.1	9.7	7.7	4.4	4.6
May	6.6	7.9	8.7	9.5	9.4	5.1	9.7	7.7	4.4	4.7
Jun	6.5	7.9	8.6	9.5	9.4	5.0	9.6	7.7	4.2	4.6
Jul	6.5	7.8	8.5	9.3	8.5	5.0	9.5	7.7	4.4	4.6
Aug	6.5	7.8	8.5	9.8	8.6	4.9	9.5	7.7	4.3	4.7
Sep	6.5	7.7	8.4	8.6	8.6	5.1	9.4	7.7	4.2	4.8
Oct	6.5	7.7	8.3	9.1	8.7	4.9	9.3	7.7	4.5	5.0
Nov	6.5	7.7	8.4	9.3	8.7	5.0	9.3	7.7	4.6	5.0
Dec	6.4	7.7	8.3	9.5	8.7	4.9	9.2	7.7	4.4	4.9
06 *Jan*	6.3	7.7	8.3	9.1	8.7	4.7	9.2	...	4.5	...
Feb	6.3	7.7	8.2	8.9	8.7	4.8	9.2	...	4.1	...

UNEMPLOYMENT RATES



UNEMPLOYMENT RATES



Sources: ECB and OECD.

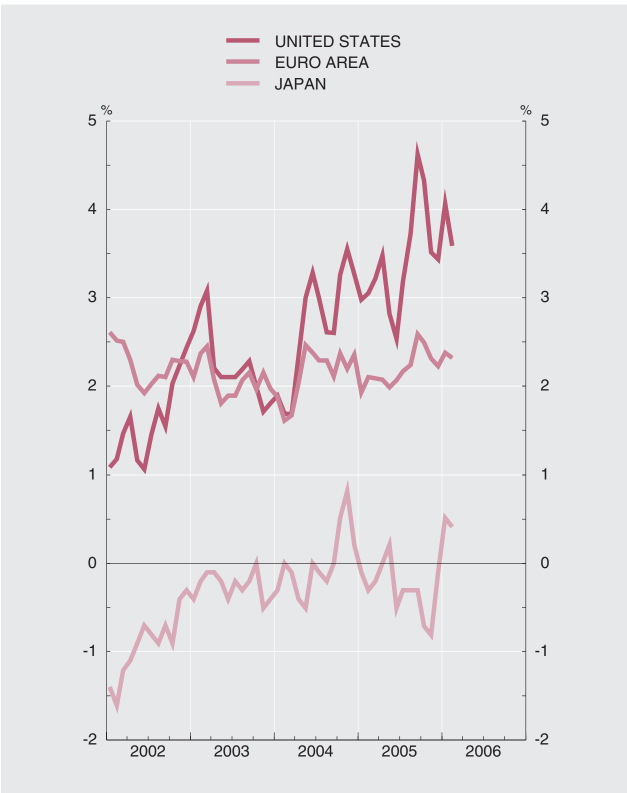
2.3. INTERNATIONAL COMPARISON. CONSUMER PRICES (a)

■ Series depicted in chart.

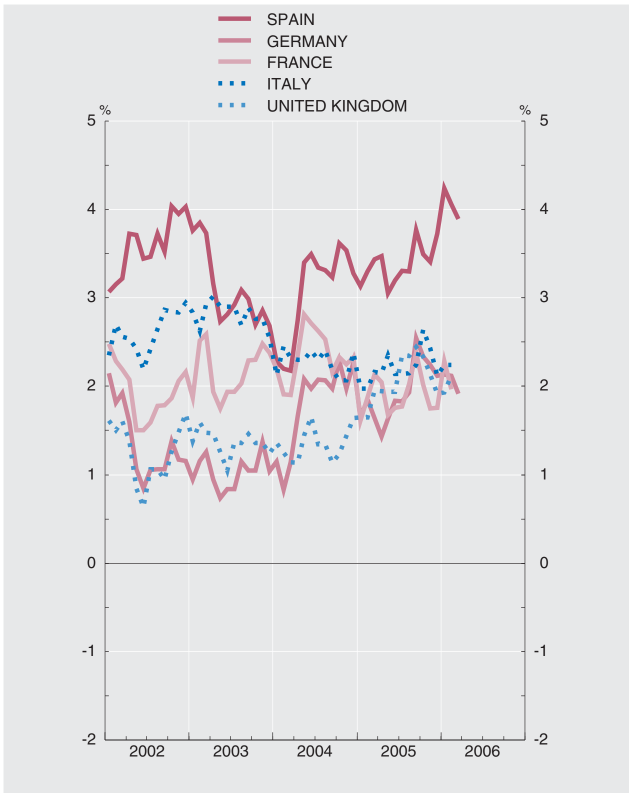
Annual percentage changes

	OECD 1	EU-15 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
02	2.5	2.1	2.2	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	2.4	2.0	2.1	1.8	3.1	2.7	2.3	2.3	-0.0	1.3
05	2.6	2.1	2.2	1.9	3.4	3.4	1.9	2.2	-0.3	2.1
04 *Oct*	2.8	2.1	2.4	2.3	3.6	3.3	2.3	2.1	0.5	1.2
Nov	2.8	2.0	2.2	2.0	3.5	3.5	2.2	2.1	0.8	1.4
Dec	2.7	2.2	2.4	2.3	3.3	3.3	2.3	2.4	0.2	1.6
05 *Jan*	2.4	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	1.9	3.3	3.1	1.9	2.0	-0.3	1.6
Mar	2.4	2.0	2.1	1.6	3.4	3.2	2.1	2.2	-0.2	2.0
Apr	2.7	2.0	2.1	1.4	3.5	3.5	2.0	2.1	-	1.9
May	2.3	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	2.1	-0.5	1.9
Jul	2.4	2.2	2.2	1.8	3.3	3.2	1.8	2.1	-0.3	2.4
Aug	2.7	2.3	2.2	1.9	3.3	3.7	2.0	2.1	-0.3	2.3
Sep	3.2	2.5	2.6	2.5	3.8	4.6	2.4	2.2	-0.3	2.4
Oct	2.9	2.4	2.5	2.3	3.5	4.3	2.0	2.6	-0.7	2.3
Nov	2.6	2.3	2.3	2.2	3.4	3.5	1.8	2.4	-0.8	2.1
Dec	2.6	2.2	2.2	2.1	3.7	3.4	1.8	2.1	-0.1	1.9
06 *Jan*	3.0	2.3	2.4	2.1	4.2	4.1	2.3	2.2	0.5	1.9
Feb	2.8	2.2	2.3	2.1	4.1	3.6	2.0	2.2	0.4	2.1
Mar	...	...	...	1.9	3.9	...	...	...	...	...

CONSUMER PRICES
Annual percentage changes



CONSUMER PRICES
Annual percentage changes



Sources: OECD, INE and Eurostat.
Note: The underlying series for this indicator are in Tables 26.11 and 26.15 of the BE Boletín Estadístico.
a. Harmonised Index of Consumer Prices for the EU countries.

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

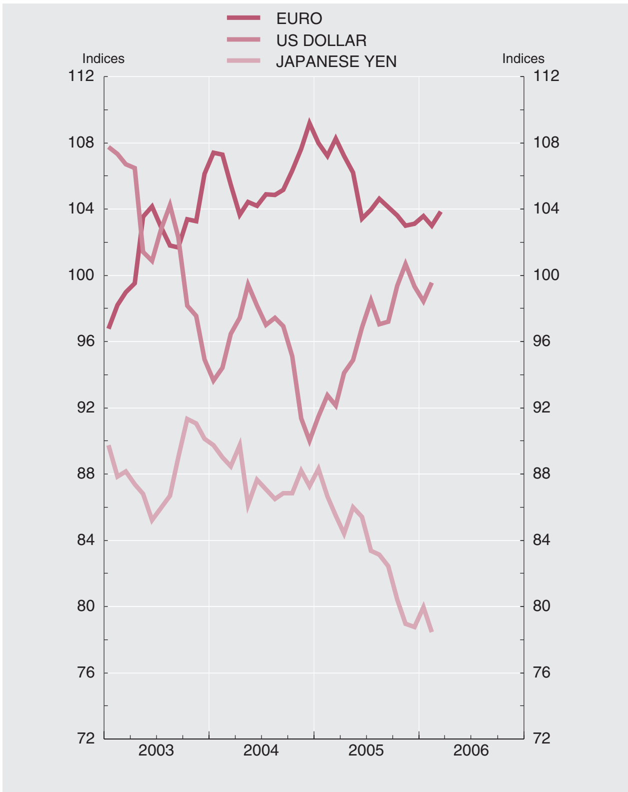
■ Series depicted in chart.

Average of daily data

	Exchange rates			Indices of the nominal effective exchange rate vis-à-vis the (a) developed countries 1999 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
03	1.1313	130.98	115.93	99.9	97.5	99.9	101.7	102.5	88.3	102.2	102.8	87.9
04	1.2433	134.41	108.18	103.8	89.7	101.5	105.9	95.6	87.8	105.2	96.6	87.6
05	1.2445	136.88	110.17	103.0	88.5	99.5	105.2	96.2	83.6	103.6	98.3	84.0
05 *J-M*	1.3115	137.02	104.48	105.7	85.4	102.2	107.8	92.1	86.8	106.9	93.8	86.7
06 *J-M*	1.2023	140.51	116.87	101.2	90.3	95.2	103.5	99.0	79.2	102.2	100.6	80.7
05 *Jan*	1.3119	135.63	103.38	105.8	85.2	103.3	108.0	91.5	88.3	107.1	93.2	88.1
Feb	1.3014	136.55	104.93	105.1	86.0	102.1	107.2	92.8	86.6	106.4	94.2	86.7
Mar	1.3201	138.83	105.18	106.0	85.2	101.1	108.2	92.1	85.5	107.3	94.0	85.3
Apr	1.2938	138.84	107.31	105.1	86.7	100.1	107.2	94.1	84.4	105.8	95.7	84.9
May	1.2694	135.37	106.66	104.0	87.7	101.7	106.2	94.9	86.0	104.6	96.7	86.4
Jun	1.2165	132.22	108.69	101.2	89.4	101.7	103.4	96.9	85.4	102.1	98.6	86.0
Jul	1.2037	134.75	111.94	101.7	90.5	99.5	104.0	98.5	83.4	102.3	100.6	84.0
Aug	1.2292	135.98	110.63	102.3	88.9	99.5	104.6	97.0	83.1	102.9	99.1	83.9
Sep	1.2256	136.06	111.03	101.8	88.5	99.1	104.1	97.2	82.4	101.9	99.8	82.9
Oct	1.2015	138.05	114.90	101.4	90.2	96.8	103.6	99.4	80.4	101.5	103.0	80.7
Nov	1.1786	139.59	118.45	100.7	91.9	94.9	103.0	100.7	79.0	100.9	102.6	80.1
Dec	1.1856	140.58	118.58	100.7	91.3	94.4	103.1	99.3	78.8	101.1	101.9	79.7
06 *Jan*	1.2103	139.82	115.53	101.4	89.7	96.0	103.6	98.4	80.0	102.0	100.6	80.7
Feb	1.1938	140.77	117.91	100.7	90.6	94.6	103.0	99.5	78.4	101.8	...	...
Mar	1.2020	140.96	117.27	101.5	90.5	95.0	103.9	...	...	102.6	...	...

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.

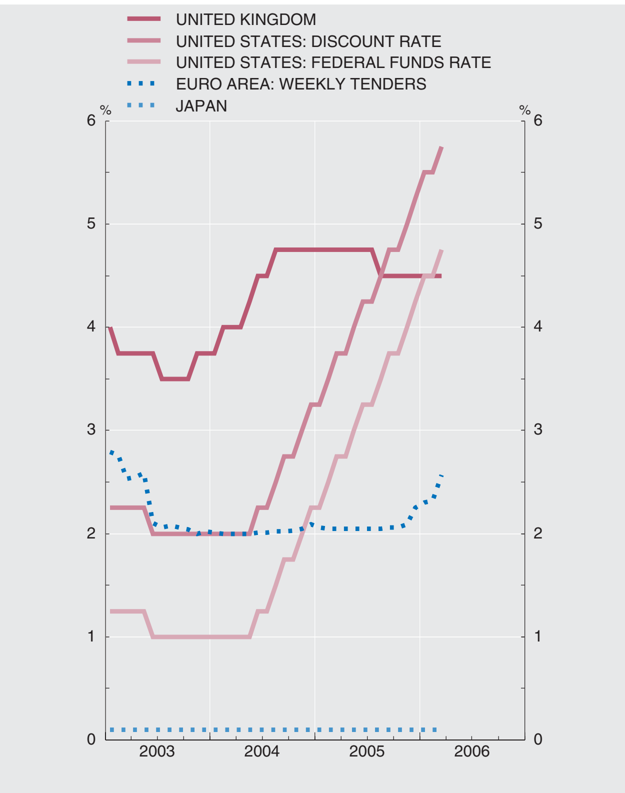
(b) Obtained by multiplying the relative prices of each area/country (relation betwen its price index and the price index of the group) by the nominal effective exchange rate. A decline in the index denotes a depreciation of the real effective exchange rate and, may be interpreted as an improvement in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

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

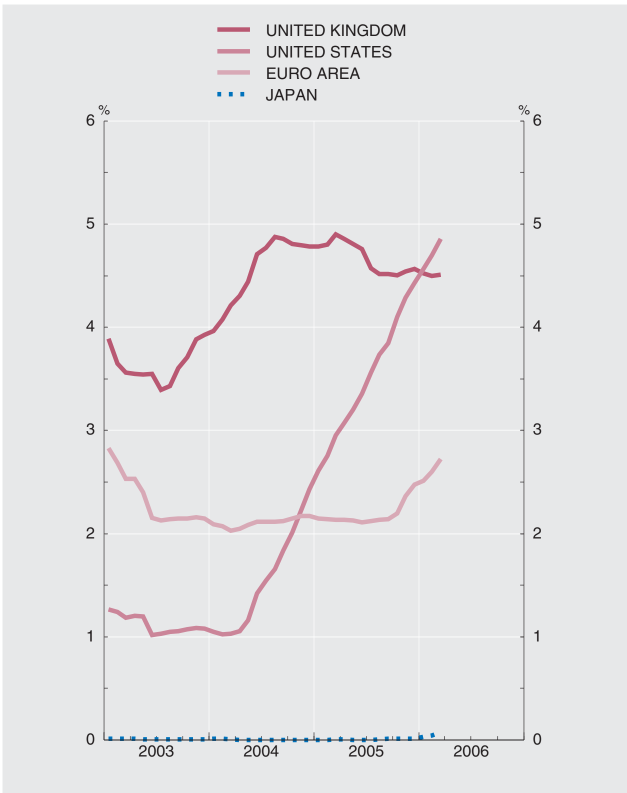
■ Series depicted in chart. *Percentages*

	Official intervention interest rates					3-month interbank rates									
	Euro area (a)	United States: Discount rate (b)	United States: Federal funds rate	Japan (c)	United Kingdom (d)	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1 ■	2 ■	3 ■	4 ■	5 ■	6	7	8 ■	9	10	11 ■	12	13	14 ■	15 ■
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
05	2.25	5.25	3.25	0.10	4.50	2.57	2.55	2.18	-	-	3.50	-	-	0.01	4.68
04 *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
Oct	2.00	4.75	3.75	0.10	4.50	2.81	2.53	2.20	-	-	4.10	-	-	0.01	4.50
Nov	2.00	5.00	4.00	0.10	4.50	2.95	2.67	2.36	-	-	4.28	-	-	0.01	4.54
Dec	2.25	5.25	4.25	0.10	4.50	3.05	2.77	2.47	-	-	4.43	-	-	0.01	4.57
06 *Jan*	2.25	5.50	4.50	0.10	4.50	3.12	2.80	2.51	-	-	4.57	-	-	0.03	4.52
Feb	2.25	5.50	4.50	0.10	4.50	3.21	2.87	2.60	-	-	4.70	-	-	0.04	4.50
Mar	2.50	5.75	4.75	0.10	4.50	3.32	2.98	2.72	-	-	4.86	-	-	0.07	4.51

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.

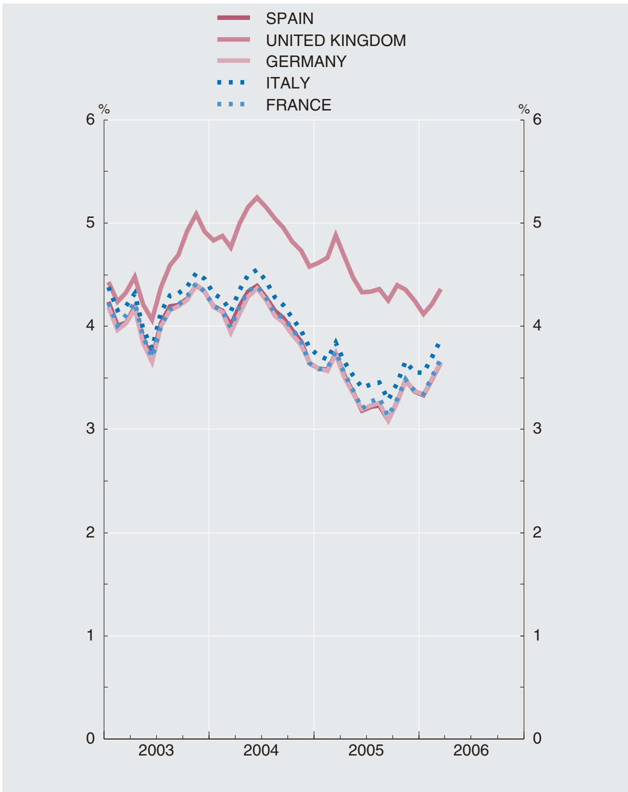
2.6. 10-YEAR GOVERNMENT BOND YIELDS ON DOMESTIC MARKETS

■ Series depicted in chart. *Percentages*

	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3 ■	4 ■	5 ■	6 ■	7 ■	8 ■	9 ■	10 ■
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
05	3.58	3.59	3.44	3.38	3.39	4.33	3.41	3.56	1.39	4.47
04 *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
Oct	3.62	3.47	3.32	3.26	3.27	4.50	3.29	3.45	1.54	4.40
Nov	3.73	3.64	3.53	3.47	3.48	4.59	3.49	3.66	1.52	4.36
Dec	3.66	3.54	3.41	3.37	3.37	4.52	3.38	3.56	1.54	4.25
06 *Jan*	3.60	3.50	3.39	3.34	3.33	4.45	3.34	3.55	1.47	4.12
Feb	3.74	3.64	3.55	3.49	3.48	4.61	3.51	3.70	1.57	4.21
Mar	3.89	3.81	3.73	3.66	3.65	4.78	3.68	3.87	1.70	4.36

10-YEAR GOVERNMENT BOND YIELDS

10-YEAR GOVERNMENT BOND YIELDS



Sources: ECB, Reuters and BE.

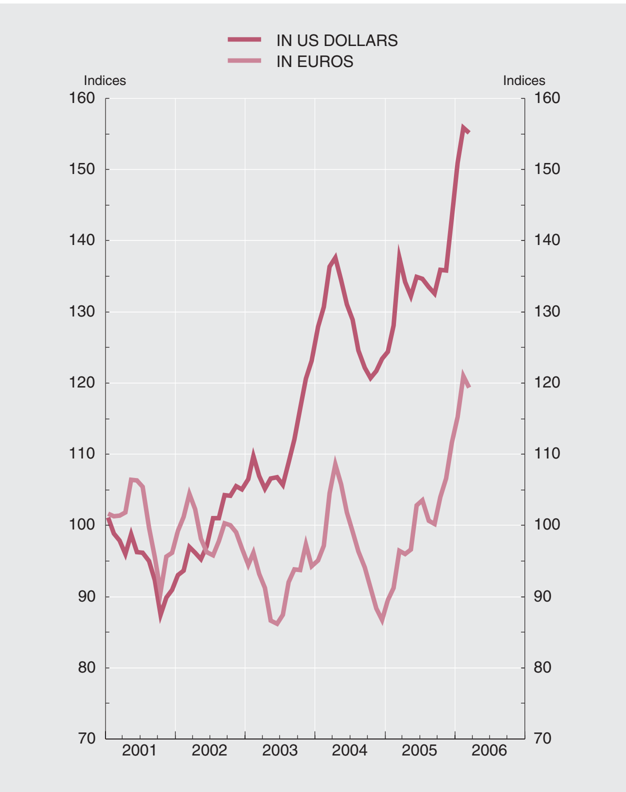
2.7 INTERNATIONAL MARKETS. NON-ENERGY COMMODITIES PRICE INDEX. CRUDE OIL AND GOLD PRICE.

■ Series depicted in chart.

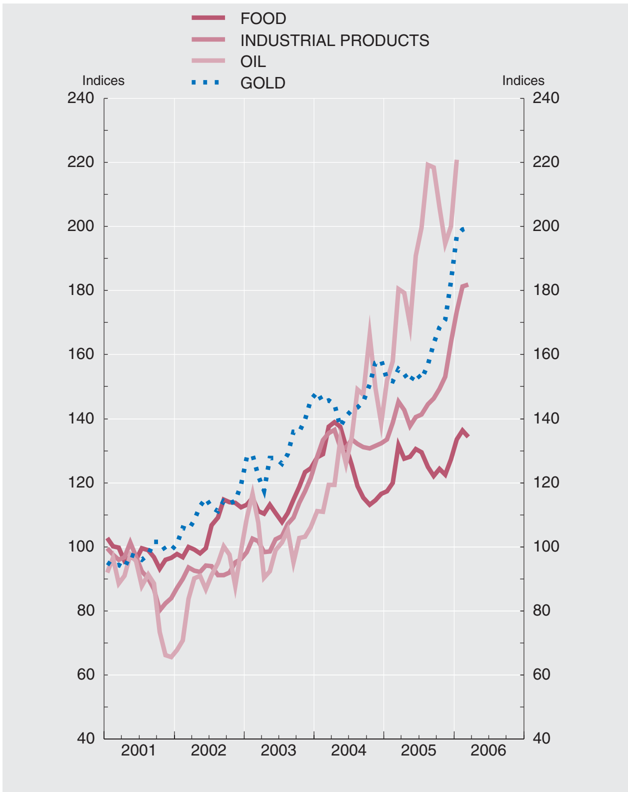
Base 2000 = 100

	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
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
05	100.0	134.0	125.5	144.8	131.2	152.1	189.2	54.2	159.5	445.1	11.53
05 *J-M*	92.4	130.1	123.1	139.1	126.8	146.0	163.6	47.6	153.2	427.3	10.48
06 *J-M*	118.4	153.9	134.6	178.8	146.8	196.1	...	61.4	198.6	554.0	14.78
05 *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	129.6	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	218.4	62.6	163.5	456.0	11.98
Oct	104.0	135.9	124.3	149.3	135.7	156.7	206.1	58.3	168.4	469.9	12.57
Nov	106.6	135.8	122.4	153.1	132.8	164.2	194.7	55.0	170.9	476.7	13.01
Dec	111.6	143.3	127.3	163.9	136.0	179.0	200.0	56.5	182.8	509.9	13.81
06 *Jan*	115.2	150.9	133.4	173.4	143.0	189.5	220.9	62.9	197.1	549.9	14.53
Feb	121.0	155.9	136.2	181.3	149.5	198.6	...	59.7	198.9	555.0	14.94
Mar	119.4	155.2	134.4	182.0	148.3	200.3	...	61.6	199.7	557.1	14.89

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.

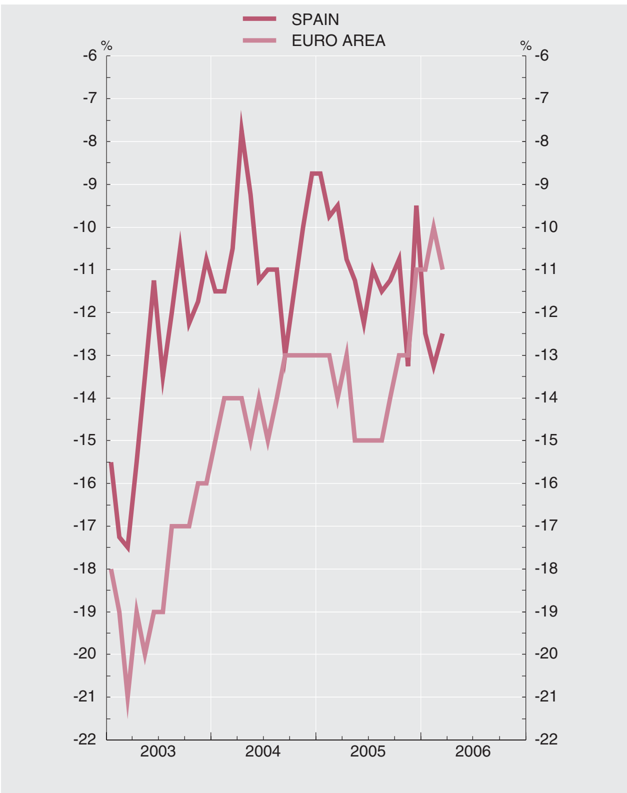
3.1. INDICATORS OF PRIVATE CONSUMPTION. SPAIN AND EURO AREA

■ Series depicted in chart.

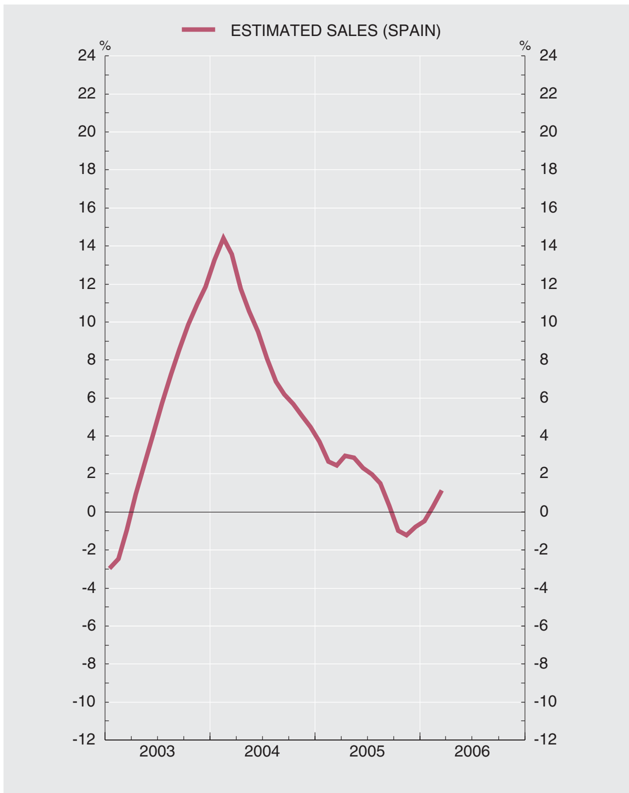
Annual percentage changes

		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
03		-13	-9	-2	-2	-18	-11	6.0	4.0	3.8	-1.5	5.7	2.9	5.2	0.8	4.2	0.7
04	P	-11	-4	-1	-6	-14	-9	10.8	12.2	9.8	0.9	5.5	2.8	4.4	0.4	4.5	1.4
05	P	-11	-7	-1	-5	-14	-9	1.4	1.9	0.8	1.3	4.4	1.3	3.2	0.1	2.1	1.4
05 *J-M*	P	-9	-4	-1	-10	-13	-10	0.7	1.0	-0.0	0.5	4.1	1.2	4.4	0.3	1.7	1.9
06 *J-M*	A	-13	-11	-3	-12	-11	-4	2.9	5.1	2.5	...	...	...	...	...	...	...
05 *Apr*	P	-11	-7	-2	-2	-13	-10	7.7	14.0	6.5	1.0	7.3	3.7	6.1	1.1	5.5	-0.5
May	P	-11	-9	-1	-2	-15	-11	7.9	3.1	7.1	-4.2	4.6	1.9	1.6	-0.2	3.3	2.2
Jun	P	-12	-9	-2	-6	-15	-11	1.6	-0.7	1.8	6.1	4.3	1.4	0.8	-0.3	2.6	1.1
Jul	P	-11	-7	-	-4	-15	-11	-2.9	-3.1	-2.8	3.0	1.7	-1.3	-0.5	-1.6	-1.0	0.5
Aug	P	-12	-8	-1	-4	-15	-10	9.4	9.1	9.5	7.4	6.4	3.3	5.0	2.0	4.4	2.2
Sep	P	-11	-7	-1	-5	-14	-7	5.4	6.3	4.6	4.6	5.6	1.8	4.1	1.5	2.0	1.6
Oct	P	-11	-7	-1	-4	-13	-5	-8.6	-6.3	-9.6	0.1	3.3	-0.1	1.6	-0.2	0.1	1.6
Nov	P	-13	-14	-3	-2	-13	-8	-3.1	0.6	-4.0	-2.0	3.6	0.4	1.1	-1.6	1.6	1.4
Dec	P	-10	-9	1	-5	-11	-5	0.8	2.1	-0.4	-1.8	4.4	0.8	4.8	-0.9	1.9	1.0
06 *Jan*	A	-13	-10	-3	-10	-11	-6	0.0	-1.1	-0.3	2.1	4.6	0.1	-0.2	-0.5	0.2	1.2
Feb	A	-13	-11	-3	-13	-10	-5	-1.6	3.8	-2.3	2.6	3.7	-0.4	1.6	-1.1	-	1.1
Mar	A	-13	-12	-3	-13	-11	-2	8.6	11.7	8.3	...	...	...	...	...	...	...

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.

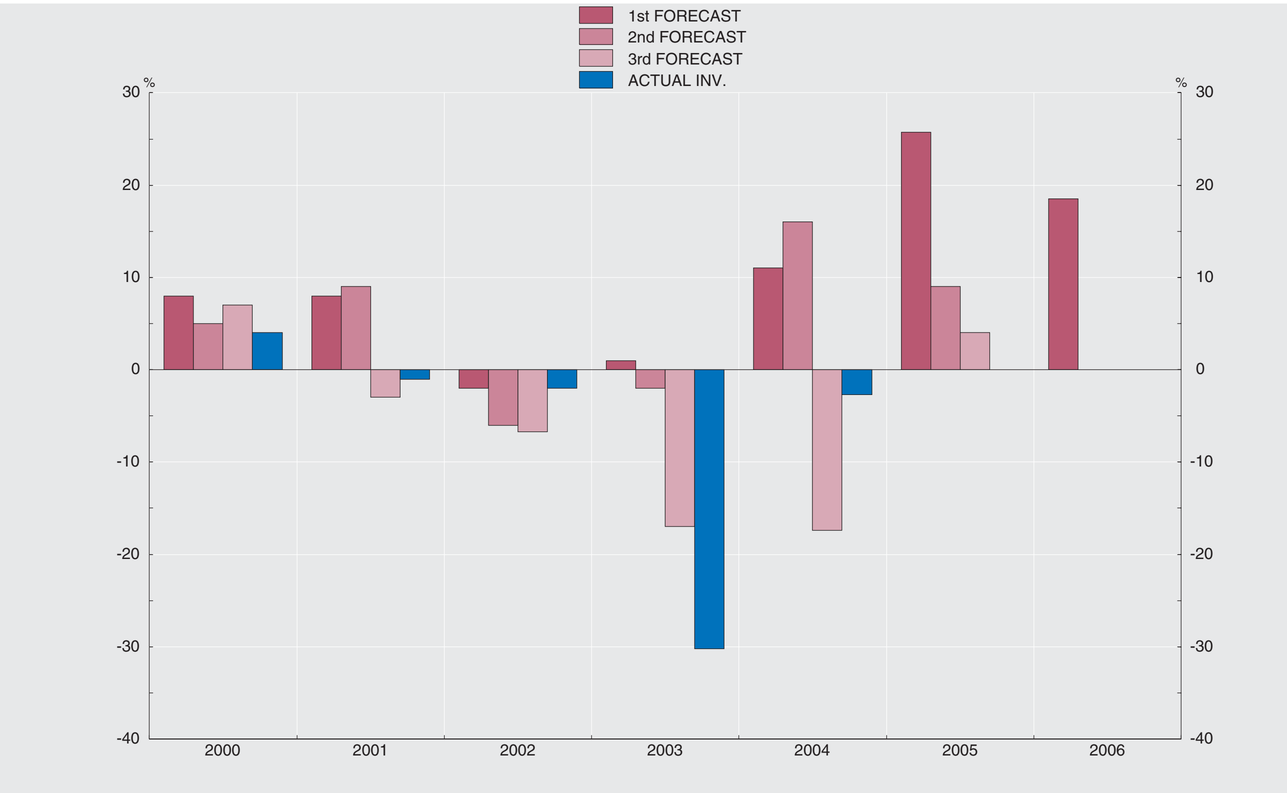
c. Until December 2002, deflated by the total CPI excluding foods, beverages, and tobacco. From January 2003, INE.

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
00	4	8	5	7
01	-1	8	9	-3
02	-2	-2	-6	-7
03	-30	1	-2	-17
04	-3	11	16	-17
05	...	26	9	4
06	...	19	...	...

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.

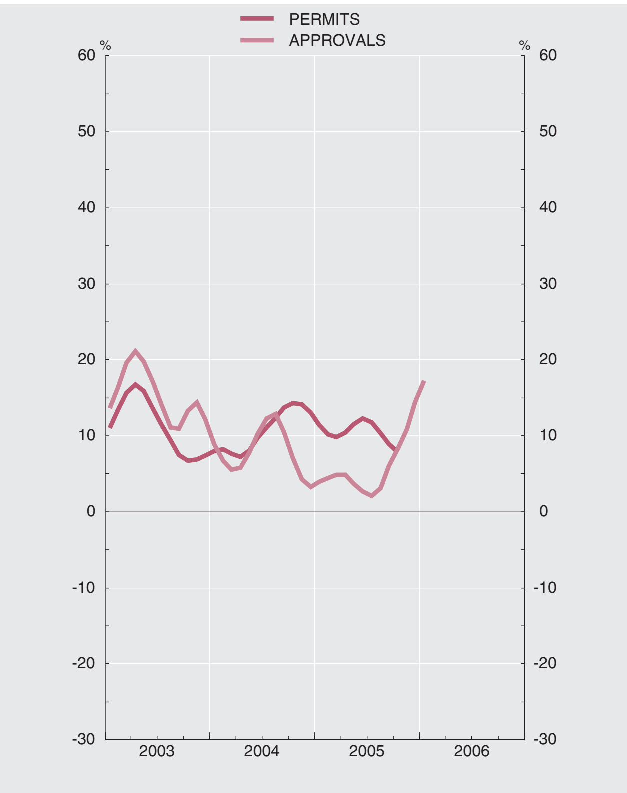
3.3. CONSTRUCTION. INDICATORS OF BUILDING STARTS AND CONSUMPTION OF CEMENT. SPAIN

■ Series depicted in chart.

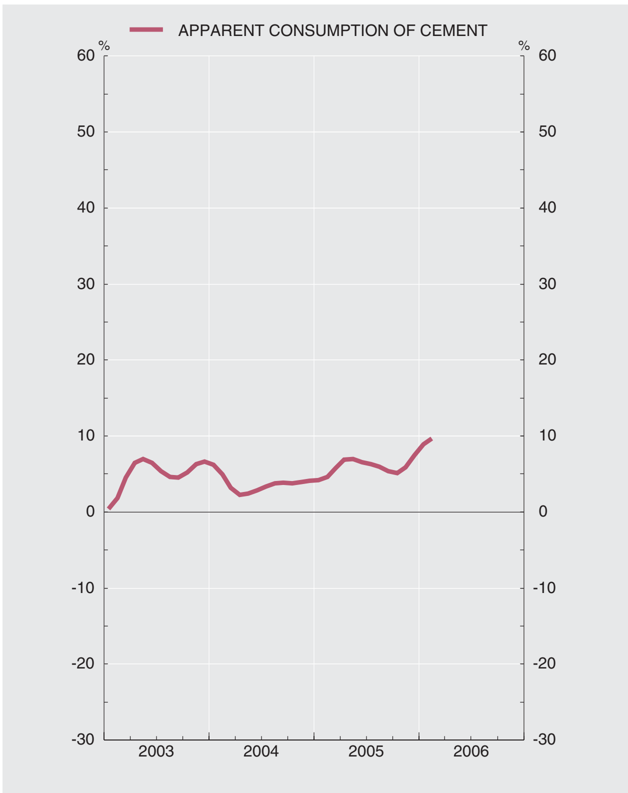
Annual percentage changes

	Permits: buildable floorage — Total (1) ■	Permits — of which: Residential (2)	Permits — of which: Housing (3)	Permits — Non-residential (4)	Approvals: buildable floorage — Total (5) ■	Approvals — of which: Housing (6)	Government tenders (budget) — Total: For the month (7) ■	Government tenders — Total: Year to date (8)	Government tenders — Building: Total (9)	Building — of which: Residential (10)	Building — of which: Housing (11)	Building — Non-residential (12)	Civil engineering (13)	Apparent consumption of cement (14) ■
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	18.3	18.3	3.2	30.9	-0.5	-5.2	24.9	3.7
05	...	...	...	...	5.3	4.8	18.5	18.5	40.5	15.1	30.3	51.0	10.7	5.2
05 *J-F*	3.2	5.3	5.7	-6.4	5.8	9.0	4.7	4.7	23.5	-3.8	13.5	35.8	0.2	1.4
06 *J-F*	...	...	...	...	...	...	...	...	...	...	...	...	...	13.0
04 *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	61.7	18.3	144.6	365.4	259.0	102.5	28.6	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	0.3
Feb	2.3	4.9	6.3	-8.7	6.8	5.8	-38.7	4.7	25.8	-52.7	91.5	84.6	-52.2	2.4
Mar	1.9	7.3	7.6	-21.2	3.0	-3.2	7.7	5.8	101.0	109.7	-16.4	97.6	-12.2	-2.3
Apr	-1.6	-3.7	-6.6	10.7	7.6	12.9	57.8	15.6	94.4	229.3	213.0	73.3	45.6	16.9
May	20.7	21.2	23.6	17.7	4.7	3.6	142.2	29.9	122.4	28.5	-19.4	159.4	152.0	12.4
Jun	23.4	23.8	25.5	21.7	2.4	2.2	-10.4	19.9	93.6	-19.1	21.2	150.6	-32.6	4.9
Jul	26.0	21.8	21.0	46.1	-2.5	-10.7	-30.9	7.1	8.3	66.0	-23.2	-10.3	-42.9	-0.1
Aug	8.5	12.8	11.5	-13.0	-6.0	-1.8	21.0	9.1	11.8	-23.9	559.0	50.3	24.2	15.9
Sep	6.9	8.1	11.0	1.2	20.9	19.9	89.7	13.3	48.0	8.9	2.4	62.8	108.7	3.1
Oct	5.2	6.1	5.6	0.6	3.1	4.9	63.3	17.0	33.2	-7.2	189.3	47.6	80.8	3.2
Nov	...	...	...	...	5.8	6.8	42.9	18.9	81.6	88.7	101.7	79.9	18.6	1.6
Dec	...	...	...	...	14.8	13.7	15.1	18.5	-21.2	-35.3	-16.1	-15.1	42.7	6.7
06 *Jan*	...	...	...	...	23.9	18.9	18.8	18.8	143.0	262.1	192.9	83.9	-5.1	13.6
Feb	...	...	...	...	...	...	...	...	...	...	...	...	...	12.5

CONSTRUCTION
Trend obtained with TRAMO-SEATS



CONSTRUCTION
Trend obtained with TRAMO-SEATS



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

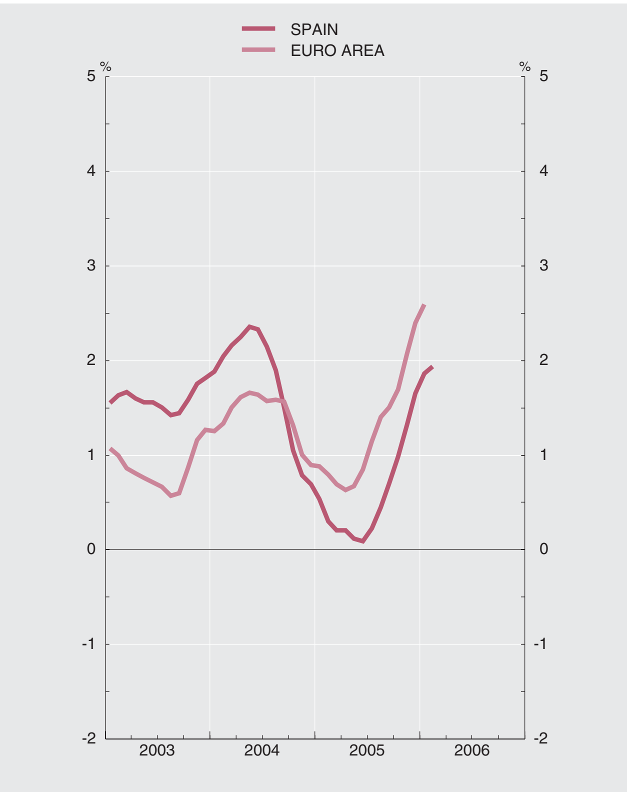
3.4. INDUSTRIAL PRODUCTION INDEX. SPAIN AND EURO AREA

■ Series depicted in chart.

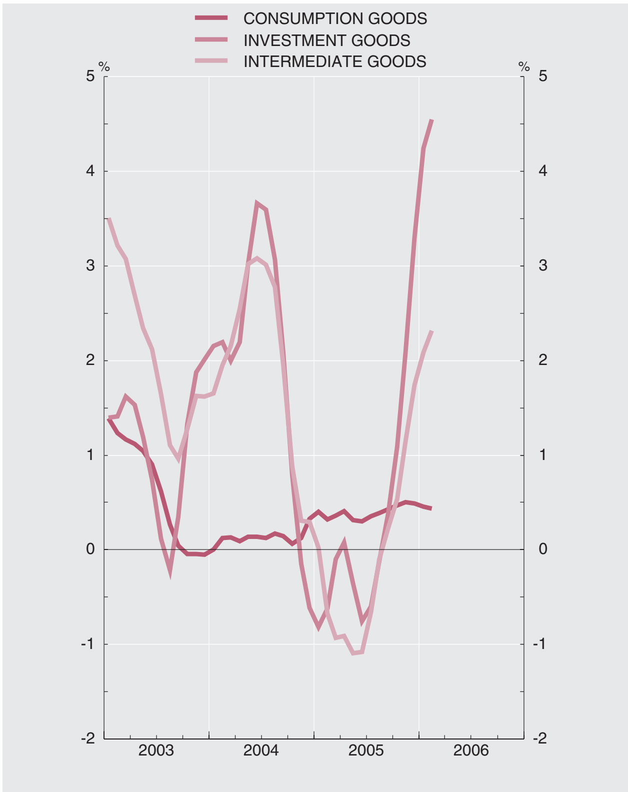
Annual percentage changes

		Overall Index		By end-use of goods				By branch of activity			Memorandum item: euro area				
		Total		Consumption	Investment	Intermediate goods	Energy	Mining and quarrying	Manufacturing	Production and distribution of electricity, gas and water	of wich		By end-use of goods		
		Original series	12-month %change 12								Total	Manufacturing	Consumption	Investment	Intermediate goods
		1	2 ■	3 ■	4 ■	5 ■	6	7	8	9	10 ■	11	12	13	14
03	MP	100.5	1.6	0.5	0.8	2.1	3.9	0.0	1.5	2.9	0.3	0.0	-0.4	-0.1	0.3
04	MP	102.3	1.8	0.0	1.9	1.9	4.9	-4.8	1.2	7.0	1.9	2.0	0.5	3.0	2.2
05	MP	102.4	0.1	0.2	-0.7	-0.6	2.9	-4.0	-0.3	4.1	1.2	1.2	0.6	2.5	0.8
05 *J-F*	MP	98.5	-0.1	-0.4	-3.0	-0.7	5.7	-10.9	-1.2	9.3	1.1	1.2	-0.2	2.3	1.3
06 *J-F*	MP	102.2	3.8	1.7	8.1	3.5	3.4	3.9	3.9	3.0	...	...	...	...	...
04 *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	1.1
Dec	P	95.5	1.2	1.4	-1.7	1.1	4.8	2.3	0.4	6.4	1.2	0.8	0.9	-0.3	1.2
05 *Jan*	P	96.8	0.8	1.1	-4.7	0.6	7.8	-10.1	-0.3	10.9	1.7	2.4	0.5	3.3	2.8
Feb	P	100.1	-1.0	-1.7	-1.4	-2.0	3.6	-11.6	-2.0	7.7	0.4	0.0	-0.8	1.4	-0.2
Mar	P	105.0	-6.7	-7.0	-6.7	-8.7	-0.4	-16.2	-7.7	2.9	-0.1	-1.0	-1.9	1.8	-1.0
Apr	P	107.2	7.4	9.7	11.6	6.1	0.8	-	8.2	2.1	1.3	2.2	0.8	3.4	0.5
May	P	106.9	0.1	-0.1	1.7	-0.6	1.0	5.1	-0.2	2.3	0.0	-0.2	0.5	0.7	-0.5
Jun	P	110.1	-0.2	1.1	-1.4	-1.2	1.7	1.6	-0.5	3.0	0.7	0.6	0.6	2.5	-1.2
Jul	P	106.3	-3.5	-2.8	-6.2	-4.5	2.1	-3.4	-4.1	2.6	0.6	0.1	-0.2	2.8	-0.9
Aug	P	76.0	3.7	4.2	5.7	4.8	-0.7	5.9	4.3	-0.4	2.7	3.1	3.6	2.9	3.5
Sep	P	107.9	0.2	0.5	-2.2	-0.1	3.9	-1.7	-	2.1	1.3	1.6	1.8	2.9	0.8
Oct	P	104.7	-0.1	-	-0.9	-1.1	3.7	-4.8	-0.2	1.4	0.3	0.7	0.5	0.4	0.9
Nov	P	110.6	0.9	0.2	-1.3	1.1	5.5	-2.1	0.4	6.3	3.0	3.4	1.1	4.7	3.7
Dec	P	96.8	1.4	-1.1	2.4	1.0	5.4	-8.6	0.8	6.7	2.8	2.4	1.3	3.9	2.6
06 *Jan*	P	101.9	5.3	2.6	12.2	4.8	3.8	0.6	5.5	4.5	2.6	2.4	1.0	4.5	2.2
Feb	P	102.4	2.3	0.8	4.5	2.3	2.9	7.1	2.5	1.4	...	...	...	...	...

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.

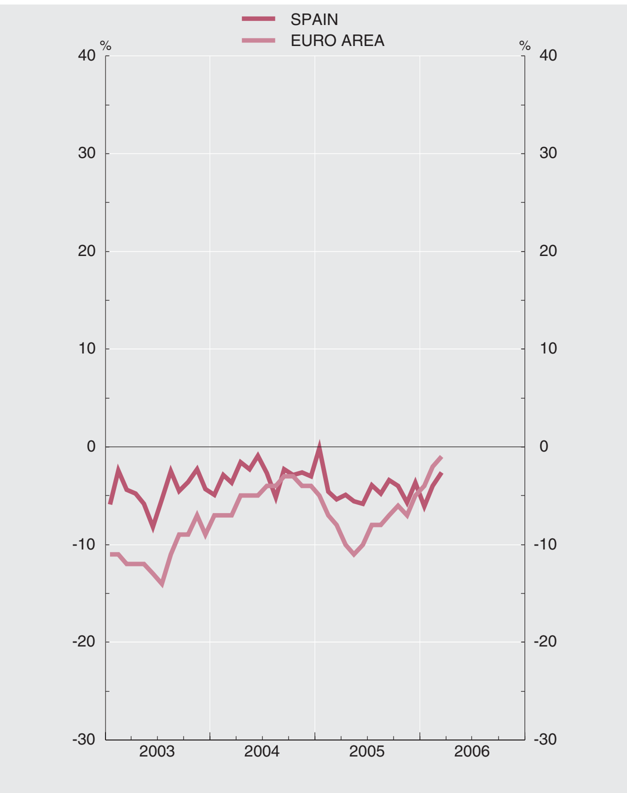
3.5. MONTHLY BUSINESS SURVEY: INDUSTRY AND CONSTRUCTION. SPAIN AND EURO AREA

■ Series depicted in chart.

Percentage balances

		Industry, excluding construction: Business climate indicator (a)	Industry, excluding construction: Production over the last three months	Industry, excluding construction: Trend in production (a)	Industry, excluding construction: Total orders (a)	Industry, excluding construction: Foreign orders	Industry, excluding construction: Stocks of finished products (a)	Industry, excluding construction: Business climate indicator: Consumption (a)	Industry, excluding construction: Business climate indicator: Investment (a)	Industry, excluding construction: Business climate indicator: Intermediate goods (a)	Industry, excluding construction: Business climate indicator: Other sectors (a)	Construction: Business climate indicator	Construction: Production	Construction: Orders	Construction: Trend: Production	Construction: Trend: Orders	Memorandum item: euro area: Industry, excluding construction: Business climate indicator	Memorandum item: euro area: Industry, excluding construction: Order Book	Memorandum item: euro area: Construction climate indicator
		1 ■	2	3	4	5	6	7	8	9	10	11 ■	12	13	14	15	16 ■	17	18 ■
03	M	-5	4	8	-11	-20	10	-1	-3	-9	1	10	9	20	30	19	-11	-26	-18
04	M	-3	4	10	-8	-17	11	-3	1	-5	-0	14	7	21	30	26	-5	-16	-14
05	M	-4	0	7	-9	-18	12	-2	-5	-6	1	22	31	35	30	22	-8	-17	-9
05 *J-M*	M	-3	-3	8	-7	-16	11	-3	-4	-4	-0	25	1	43	31	20	-7	-15	-11
06 *J-M*	M	-4	0	5	-5	-16	13	-3	-3	-6	-0	16	13	30	28	18	-2	-9	-4
04 *Dec*		-3	3	10	-7	-12	12	-1	-1	-6	1	22	15	28	9	13	-4	-12	-11
05 *Jan*		-0	2	10	-1	-15	9	-0	-4	2	-1	19	12	27	44	38	-5	-11	-11
Feb		-5	-4	7	-9	-17	12	-2	-3	-8	0	30	-1	56	21	6	-7	-16	-11
Mar		-5	-7	7	-11	-17	12	-6	-4	-6	-	26	-8	46	29	17	-8	-17	-11
Apr		-5	-5	10	-12	-20	13	-4	-2	-8	-0	24	38	33	49	16	-10	-19	-11
May		-6	2	8	-11	-21	13	-2	-7	-8	2	19	55	36	48	20	-11	-21	-11
Jun		-6	6	8	-12	-21	13	-2	-3	-11	-	18	42	30	28	27	-10	-21	-12
Jul		-4	12	7	-7	-17	12	-1	-7	-5	1	21	46	30	41	40	-8	-18	-11
Aug		-5	4	5	-9	-17	11	1	-4	-11	7	20	43	23	23	23	-8	-18	-9
Sep		-3	-4	6	-6	-18	11	-2	-6	-3	3	22	37	32	39	20	-7	-16	-7
Oct		-4	-1	7	-11	-20	8	-4	-5	-4	2	15	43	23	13	26	-6	-16	-7
Nov		-6	1	6	-8	-14	15	-3	-10	-6	2	33	30	54	15	11	-7	-16	-3
Dec		-4	-2	7	-6	-16	13	-1	-4	-6	-1	21	39	31	7	19	-5	-13	-6
06 *Jan*		-6	-3	5	-8	-19	15	-4	-8	-7	2	21	25	37	39	32	-4	-12	-4
Feb		-4	1	4	-5	-16	11	-3	0	-7	-1	7	-2	21	27	2	-2	-10	-5
Mar		-3	2	6	-1	-13	13	-2	-1	-4	-1	20	15	31	19	21	-1	-6	-3

INDUSTRIAL BUSINESS CLIMATE
Percentage balances



CONSTRUCTION BUSINESS CLIMATE
Percentage balances

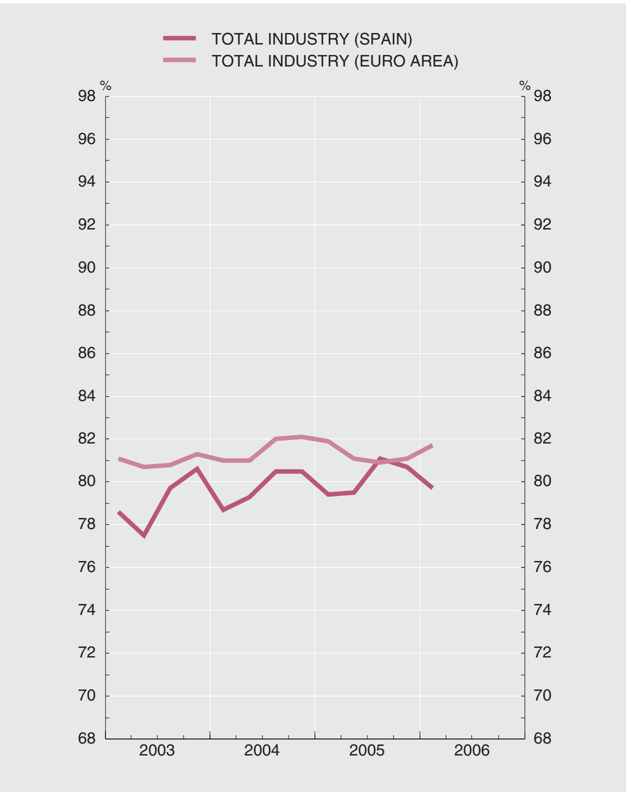
Sources: Ministerio de Industria, Turismo y Comercio and ECB.
a. Seasonally adjusted.

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

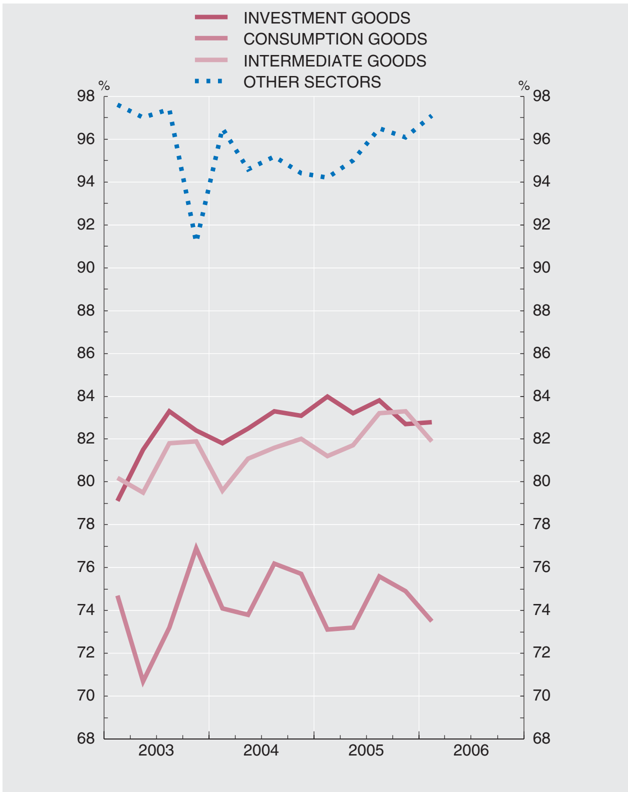
■ Series depicted in chart. *Percentages and percentage balances*

	Total industry			Consumer goods			Investment goods			Intermediate goods			Other sectors			Memo-ramdum item: euro area capacity utilisa-tion
	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 (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	(%)
	1 ■	2	3	4 ■	5	6	7 ■	8	9	10 ■	11	12	13 ■	14	15	16 ■
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	81.0
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	81.5
05	80.2	81.5	5	74.2	76.3	6	83.4	84.3	5	82.4	83.3	4	95.5	95.1	0	81.3
05 *Q1-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
06 *Q1-Q1*	79.7	80.5	9	73.5	75.5	6	82.8	82.6	14	81.9	82.5	9	97.1	97.4	-	81.7
03 *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	-	80.8
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	-	81.3
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	-	81.0
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	-	81.0
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	-	81.1
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	-	80.9
Q4	80.7	81.3	5	74.9	76.7	6	82.7	82.9	8	83.3	83.4	3	96.1	91.9	0	81.1
06 *Q1*	79.7	80.5	9	73.5	75.5	6	82.8	82.6	14	81.9	82.5	9	97.1	97.4	-	81.7

CAPACITY UTILISATION. TOTAL INDUSTRY
Percentages



CAPACITY UTILISATION. BY TYPE OF GOOD
Percentages



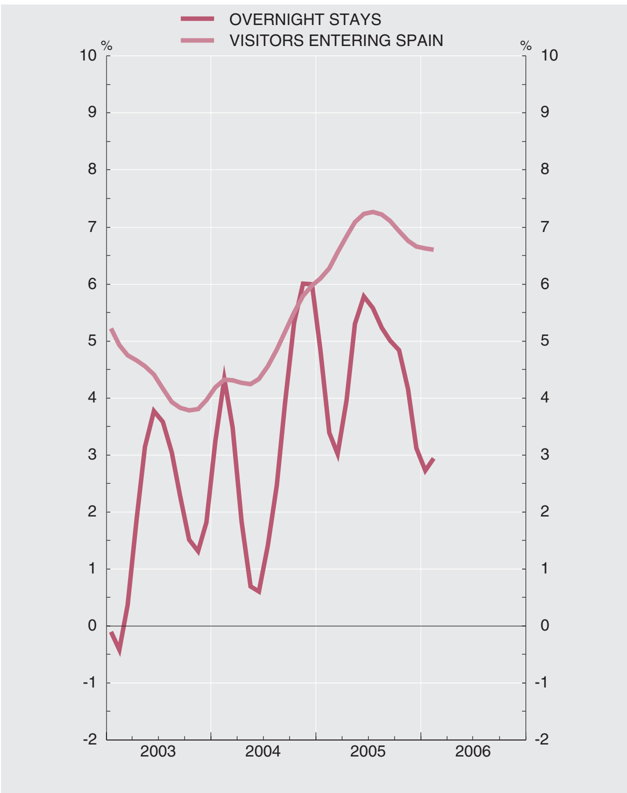
Sources: Ministerio de Industria, Turismo y Comercio and ECB.

3.7. TOURISM AND TRANSPORT STATISTICS. SPAIN

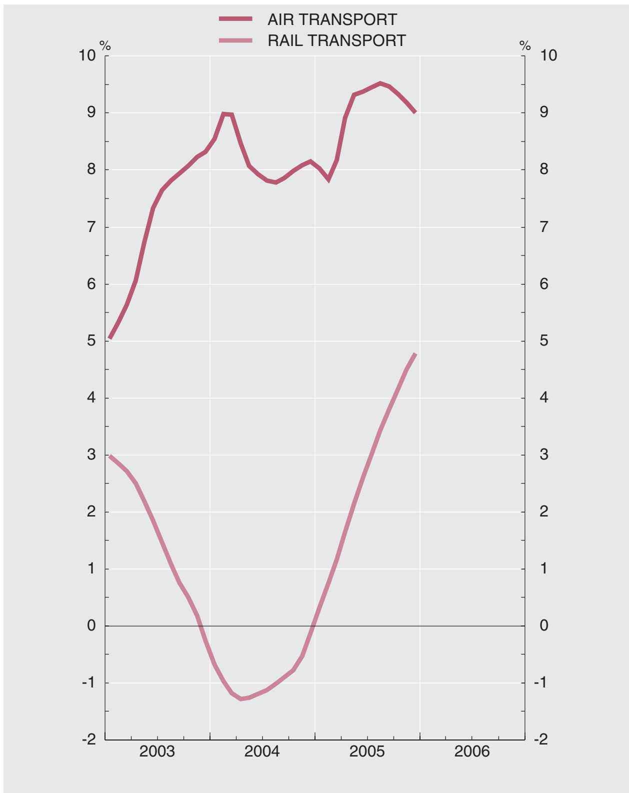
■ Series depicted in chart. *Annual percentage changes*

		Hotel stays (a)		Overnight stays		Visitors entering Spain			Air transport				Maritime transport		Rail transport	
									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
03		3.8	2.1	2.4	0.7	2.9	-2.8	13.6	7.4	8.1	7.0	0.5	-3.3	4.8	1.4	2.1
04		6.9	1.4	2.9	-1.6	4.4	3.1	6.6	8.0	9.8	6.8	9.1	10.6	6.8	-1.5	-2.1
05	P	5.7	5.2	4.6	3.3	7.3	6.1	9.0	9.2	13.6	6.2	-3.0	...	...	4.1	-2.2
05 *J-F*	P	4.0	3.3	3.7	2.3	3.2	3.0	3.6	6.2	7.6	5.0	1.4	-4.2	22.2	2.7	-8.3
06 *J-F*	P	4.5	1.5	0.8	-1.4	5.0	1.0	10.0	...	...	...	...	...	...	...	...
04 *Nov*		6.9	5.4	6.0	5.3	6.7	8.0	5.0	6.7	9.9	3.9	7.5	15.3	4.5	-1.6	1.1
Dec		8.1	1.3	9.2	3.4	8.9	12.2	5.4	9.7	9.5	9.9	11.7	-0.0	10.6	-1.6	-13.2
05 *Jan*	P	6.4	6.9	6.6	6.3	5.3	6.2	4.2	9.9	10.0	9.7	4.2	9.8	44.1	4.3	-3.5
Feb	P	2.0	0.4	1.2	-1.0	1.4	0.2	2.9	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	6.4	6.6	2.5	-10.6
Aug	P	5.1	5.1	4.1	3.5	5.9	5.5	6.6	8.7	14.9	5.0	-5.1	-2.2	7.6	5.7	2.5
Sep	P	6.5	9.0	5.4	5.3	10.9	8.3	16.1	10.6	16.4	7.0	-5.0	12.4	3.7	3.8	4.5
Oct	P	3.5	5.4	5.5	6.9	4.9	4.6	5.4	8.3	14.7	4.4	-1.2	-16.0	5.4	2.0	31.3
Nov	P	9.0	9.9	7.1	7.2	5.7	7.7	3.1	10.7	12.5	9.1	-3.1	-1.7	5.3	3.2	-2.4
Dec	P	3.8	7.9	0.8	2.9	5.0	2.8	7.5	9.0	10.4	7.8	-10.5	...	...	3.2	8.8
06 *Jan*	P	3.3	0.9	-0.3	-1.2	3.6	-0.1	7.9	...	...	...	...	...	...	...	...
Feb	P	5.6	1.9	1.8	-1.7	6.4	2.0	12.2	...	...	...	...	...	...	...	...

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. Since January 2006, the directories have been update and the information-collection period extended to every day of the month

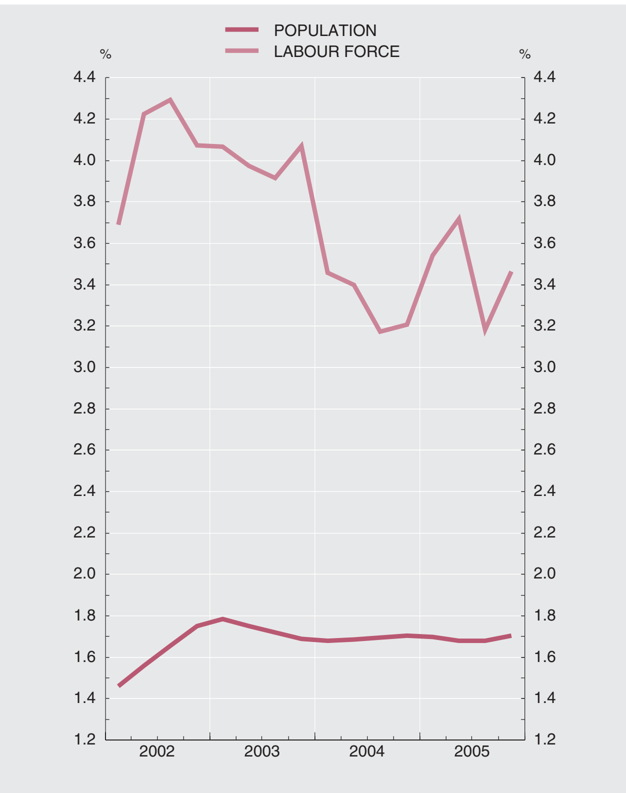
4.1. LABOUR FORCE. SPAIN

■ Series depicted in chart.

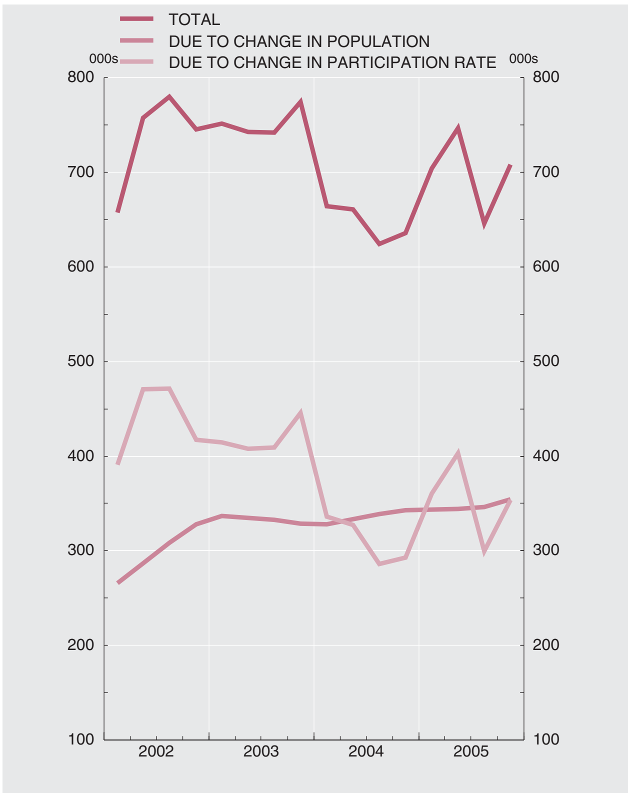
Thousands and annual percentage changes

	Population over 16 years of age: Thousands	Population over 16 years of age: Annual change	Population over 16 years of age: 4-quarter % change	Participation rate (%) (a)	Labour force: Thousands (a)	Labour force: Annual change (b): Total	Labour force: Annual change (b): Due to change in population over 16 years of age	Labour force: Annual change (b): Due to change in partici-pation rate	Labour force: 4-quarter % change
	1	2	3 ■	4	5	6 ■	7 ■	8 ■	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-Q4* M	35 811	596	1.7	56.36	20 184	2 585	1 343	1 242	3.3
05 *Q1-Q4* M	36 416	605	1.7	57.35	20 886	2 805	1 388	1 417	3.5
03 *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
Q3	36 490	603	1.7	57.43	20 956	646	346	300	3.2
Q4	36 652	614	1.7	57.72	21 156	708	354	354	3.5

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.

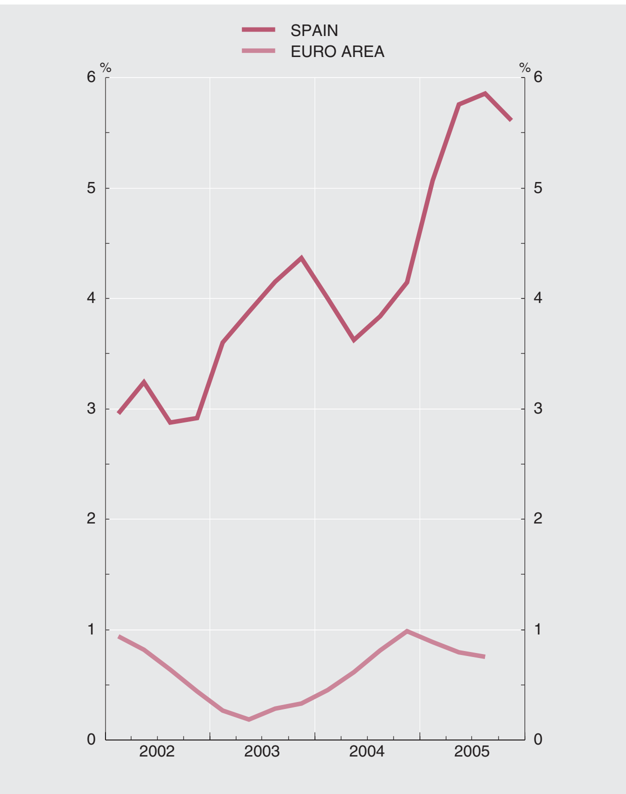
4.2. EMPLOYMENT AND WAGE-EARNERS. SPAIN AND EURO AREA

■ Series depicted in chart.

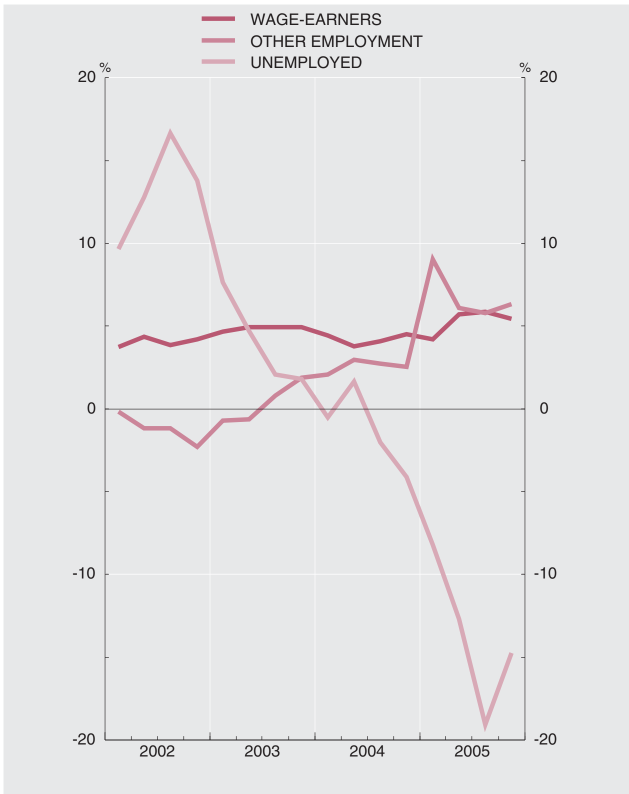
Thousands and annual percentage changes

	Employment									Unemployment				Memorandum item: euro area	
	Total			Wage-earners			Other						Unem-ployment rate (a)		
	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		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	8.28
03 M	17 296	666	4.0	14 127	656	4.9	3 169	10	0.3	2 242	87	4.0	11.48	0.3	8.73
04 M	17 971	675	3.9	14 721	593	4.2	3 250	82	2.6	2 214	-29	-1.3	10.97	0.7	8.87
04 *Q1-Q4* M	17 971	675	3.9	14 721	593	4.2	3 250	82	2.6	2 214	-29	-1.3	10.97	0.7	8.87
05 *Q1-Q4* M	18 973	1 002	5.6	15 502	781	5.3	3 471	221	6.8	1 913	-301	-13.6	9.16	...	8.56
03 *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	0.3	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	0.3	8.86
04 *Q1*	17 600	677	4.0	14 375	612	4.4	3 225	65	2.1	2 287	-12	-0.5	11.50	0.4	8.90
Q2	17 866	625	3.6	14 609	531	3.8	3 256	93	3.0	2 227	36	1.6	11.08	0.6	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	0.8	8.89
Q4	18 288	728	4.1	15 022	648	4.5	3 266	81	2.5	2 159	-93	-4.1	10.56	1.0	8.82
05 *Q1*	18 493	892	5.1	14 977	602	4.2	3 516	291	9.0	2 099	-188	-8.2	10.19	0.9	8.78
Q2	18 895	1 029	5.8	15 440	831	5.7	3 455	198	6.1	1 945	-282	-12.7	9.33	0.8	8.65
Q3	19 191	1 062	5.9	15 750	874	5.9	3 442	188	5.8	1 765	-416	-19.1	8.42	0.8	8.46
Q4	19 314	1 026	5.6	15 842	819	5.5	3 473	207	6.3	1 841	-318	-14.7	8.70	...	8.35

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.

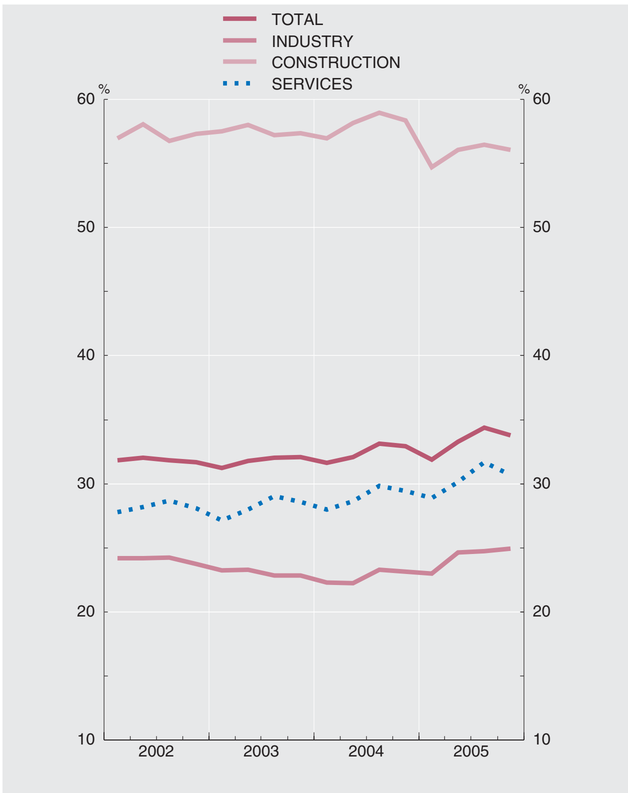
4.3. EMPLOYMENT BY BRANCH OF ACTIVITY. SPAIN (a)

■ 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	4.1
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	4.2	5.3
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-Q4* M	3.9	4.2	2.1	-0.2	3.9	2.6	0.3	1.0	-1.4	7.2	6.4	1.0	4.7	4.8	2.8	4.6	4.4	3.7
05 *Q1-Q4* M	5.6	5.3	2.7	1.2	1.7	0.6	2.1	0.5	7.0	4.6	3.3	-3.9	7.1	7.3	4.7	5.8	...	...
03 *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	4.0	4.7
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	4.1	5.3
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	6.6
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	5.9
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	4.1	5.3
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	4.8
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	...	...
Q3	5.9	5.9	34.4	2.9	6.4	63.6	2.7	1.0	24.7	5.0	3.3	56.4	7.1	7.8	31.7	6.0	...	...
Q4	5.6	5.5	33.8	2.7	6.3	62.8	1.3	-0.5	24.9	3.9	2.7	56.1	7.4	7.7	30.7	5.8	...	...

EMPLOYMENT
Annual percentage changes

TEMPORARY EMPLOYMENT
Percentages



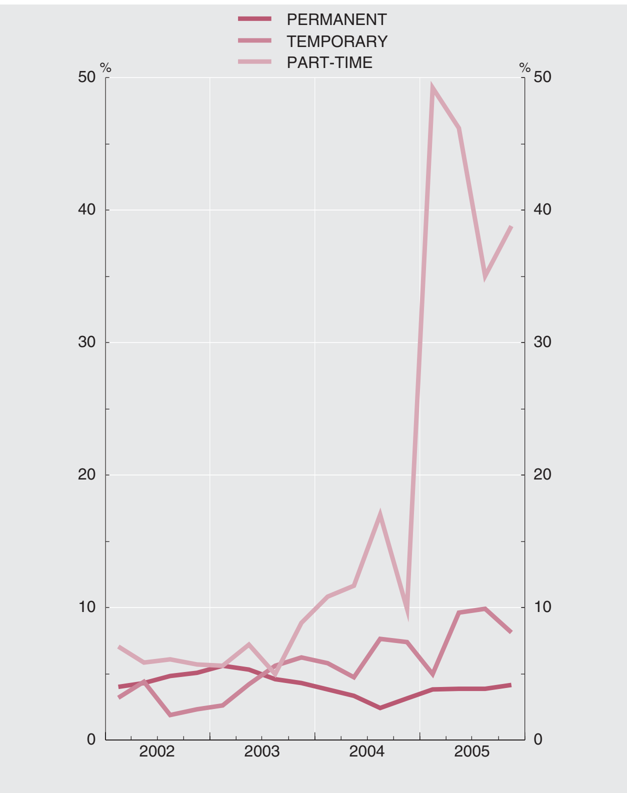
Source: INE (Labour Force Survey: 2005 methodology).
a. Branches of activity in accordance with NACE-93.
Notes: The underlying series of this indicator are in Tables 24.4 and 24.6 of the BE Boletín estadístico.
As a result of the change in the population base (2001 Census), all the series in this table 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	147	12.3	9.10	6.33	0.6	3.82	-6.0	18.20	42.19	47.33
04 *Q1-Q4* M	306	3.2	288	6.4	32.44	524	4.0	147	12.3	9.10	6.33	0.6	3.82	-6.0	18.20	42.19	47.33
05 *Q1-Q4* M	390	3.9	392	8.2	33.32	289	2.1	566	42.2	12.30	5.49	-10.2	2.65	-28.3	...	...	...
03 *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	524	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	...	...	...
Q3	385	3.9	489	9.9	34.39	403	3.0	471	35.1	11.52	4.92	-17.4	2.43	-30.8	...	...	...
Q4	417	4.1	402	8.1	33.77	289	2.1	531	38.8	11.98	5.32	-11.0	2.50	-29.4	...	...	...

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.

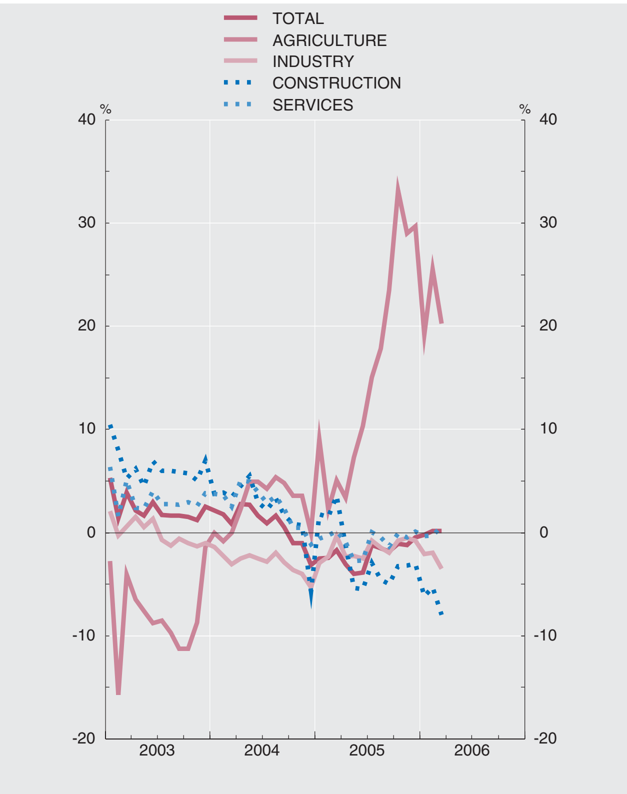
4.5. REGISTERED UNEMPLOYMENT BY BRANCH OF ACTIVITY. CONTRACTS AND PLACEMENTS. SPAIN

■ Series depicted in chart.

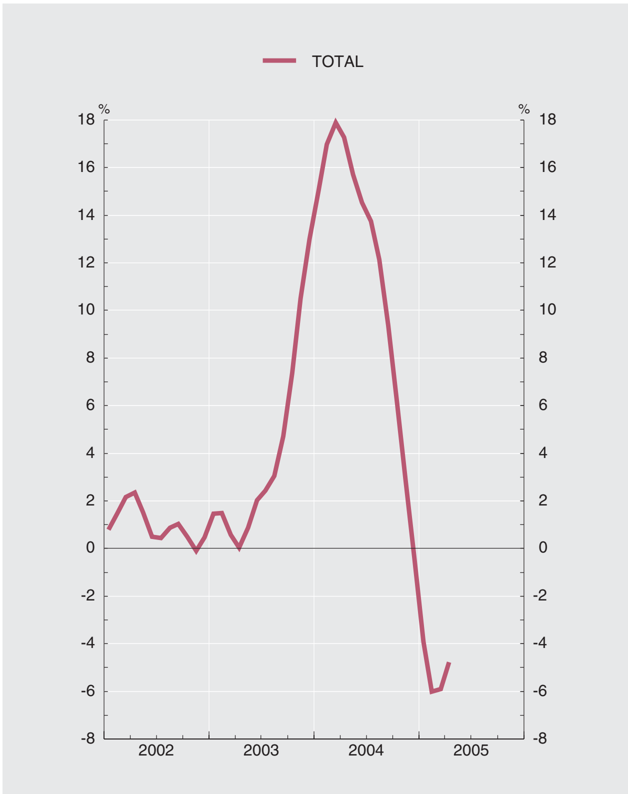
Thousands, annual percentage changes and %

		Registered unemployment										Contracts					Placements	
		Total			First time job-seekers	Previously employed						Total		Percentage of total			Total	
						12-month % change												
								Branches other than agriculture										
		Thou-sands	Annual change Thou-sands	12 month % change	12 month % change	Total	Agri-culture	Total	Industry	Construc-tion	Services	Thou-sands	12 month % change	Perma-nent	Part time	Tempo-rary	Thou-sands	12 month % change
		1	2	3 ■	4	5	6 ■	7	8 ■	9 ■	10 ■	11	12	13	14	15	16	17 ■
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
05	M	2 070	-44	-2.1	-12.5	-0.6	15.2	-1.1	-1.6	-2.2	-0.8	1 430	5.0	9.03	23.34	90.97	...	...
05 *J-M*	M	2 162	-49	-2.2	-17.9	-0.0	5.4	-0.2	-1.9	2.3	-0.3	1 274	-8.8	10.35	21.60	89.65	1 226	-11.5
06 *J-M*	M	2 163	1	0.0	5.8	-0.6	21.6	-1.3	-2.5	-6.5	0.0	1 465	15.0	11.31	21.83	88.69	...	...
05 *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	...	...
Oct		2 053	-23	-1.1	-11.3	0.3	33.2	-0.6	-0.7	-3.3	-0.1	1 637	11.2	9.05	27.18	90.95	...	...
Nov		2 096	-26	-1.2	-10.1	0.0	29.0	-0.8	-0.5	-3.2	-0.5	1 569	8.5	9.10	25.24	90.90	...	...
Dec		2 103	-10	-0.5	-6.8	0.4	29.7	-0.5	-0.7	-3.0	0.1	1 330	8.7	8.16	23.95	91.84	...	...
06 *Jan*		2 172	-5	-0.2	4.9	-0.8	19.2	-1.4	-2.1	-6.2	-0.3	1 473	14.6	10.85	21.25	89.15	...	...
Feb		2 169	4	0.2	5.9	-0.5	25.6	-1.2	-1.9	-5.3	-0.3	1 367	11.1	11.75	21.83	88.25	...	...
Mar		2 149	4	0.2	6.5	-0.6	20.3	-1.2	-3.5	-7.9	0.6	1 556	19.0	11.33	22.42	88.67	...	...

REGISTERED UNEMPLOYMENT
Annual percentage changes



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



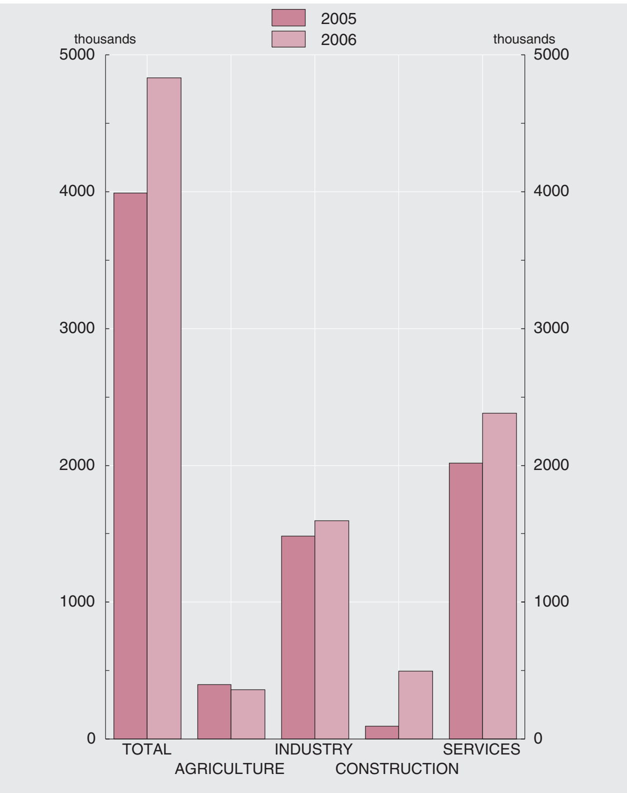
Source: Instituto de Empleo Servicio Público de Empleo Estatal (INEM).
Note: The underlying series for this indicator are in Tables 24.16 and 24.17 of the BE Boletín estadístico.

4.6. COLLECTIVE BARGAINING AGREEMENTS

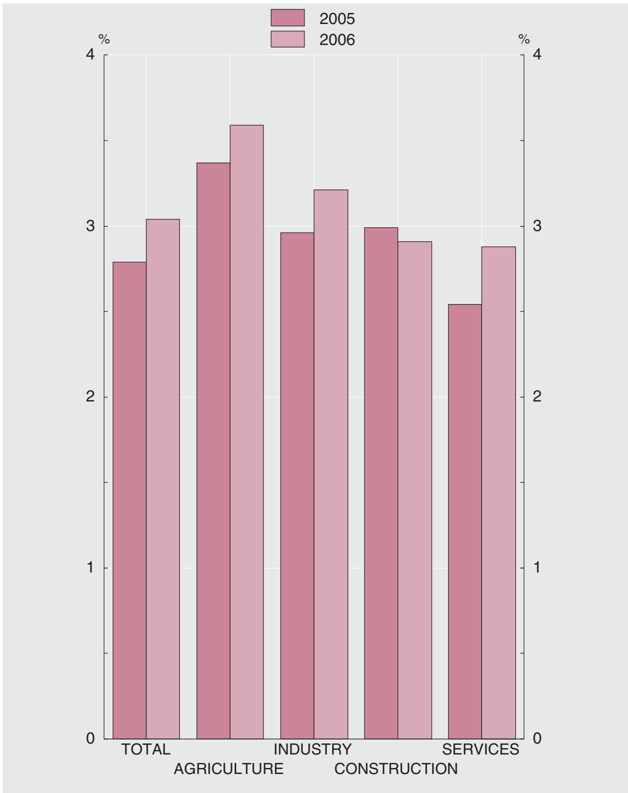
■ Series depicted in chart. *Thousands and %*

	As per month economic effects come into force(a)		As per month recorded														
			Employees affected (a)								Average wage settlement (%)						
	Em-ployees affec-ted	Average wage settle-ment	Automa-tic adjust-ment	Newly-signed agree-ments	Total	Annual change	Agricul-ture	Indus-try	Construc-tion	Services	Auto-matic adjust-ment	Newly signed agree-ments	Total	Agricul-ture	Indus-try	Construc-tion	Services
	1	2	3	4	5 ■	6	7 ■	8 ■	9 ■	10 ■	11	12	13 ■	14 ■	15 ■	16 ■	17 ■
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	9 981	3.63	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	8 745	3.95	5 581	2 800	8 381	580	568	2 418	1 095	4 300	2.87	3.20	2.98	3.38	3.00	2.93	2.93
04 *Sep*	9 863	3.62	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	9 979	3.63	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	9 980	3.63	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	9 981	3.63	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*	8 048	3.98	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	8 076	3.98	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	8 127	3.98	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	8 448	3.96	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	8 594	3.95	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	8 637	3.95	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	8 641	3.95	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
Aug	8 641	3.95	5 324	1 010	6 334	361	456	1 817	562	3 499	2.87	3.27	2.93	3.46	3.02	3.00	2.80
Sep	8 744	3.95	5 324	1 382	6 706	-42	456	2 104	562	3 584	2.87	3.09	2.91	3.46	2.96	3.00	2.80
Oct	8 745	3.95	5 457	1 862	7 319	303	491	2 207	742	3 879	2.86	3.08	2.92	3.44	2.97	2.92	2.82
Nov	8 745	3.95	5 539	2 384	7 923	457	491	2 345	969	4 117	2.86	3.14	2.95	3.44	2.98	2.92	2.88
Dec	8 745	3.95	5 581	2 800	8 381	580	568	2 418	1 095	4 300	2.87	3.20	2.98	3.38	3.00	2.93	2.93
06 *Jan*	4 654	3.05	3 708	1	3 709	440	336	1 057	483	1 833	2.79	2.62	2.79	3.55	2.65	2.85	2.71
Feb	4 671	3.06	4 774	57	4 832	840	361	1 593	495	2 383	3.04	3.16	3.04	3.59	3.21	2.91	2.88

EMPLOYEES AFFECTED
January-February



AVERAGE WAGE SETTLEMENT
January-February



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

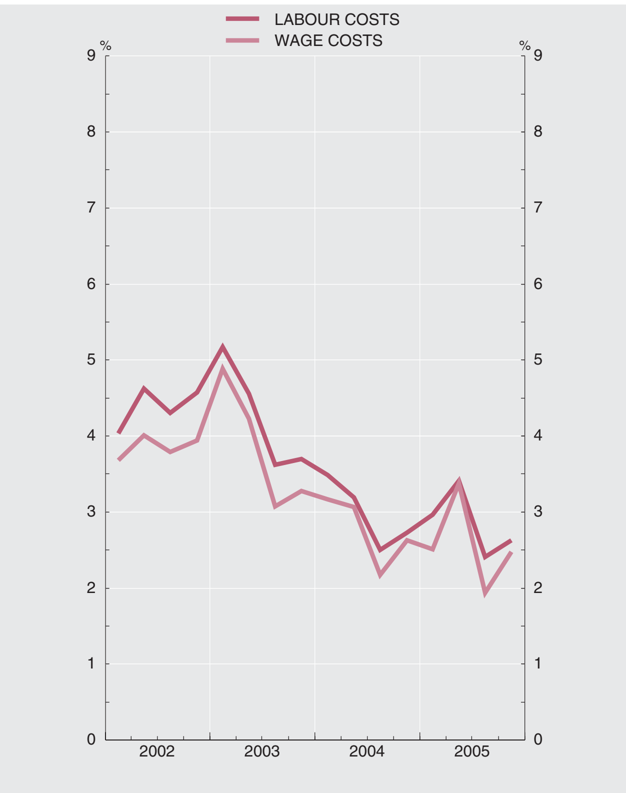
4.7. QUARTERLY LABOUR COSTS SURVEY

■ Series depicted in chart.

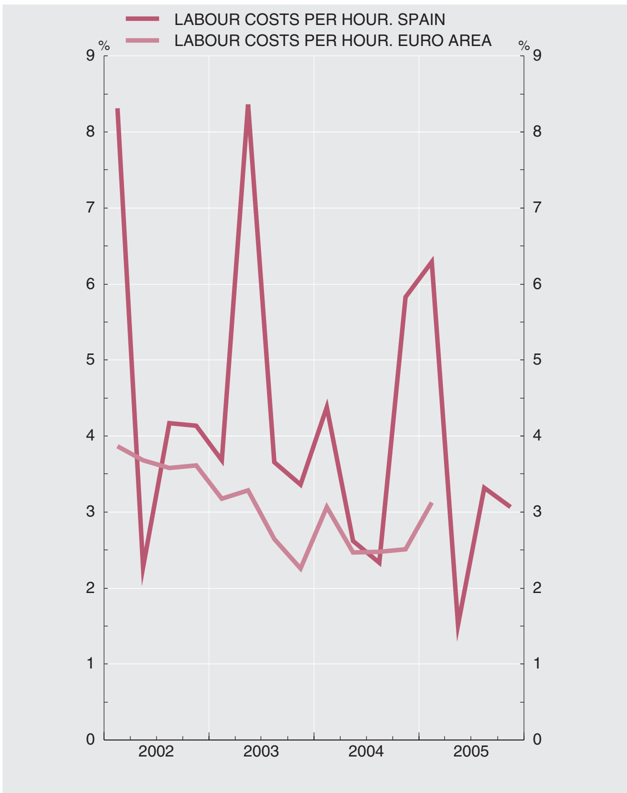
Annual percentage change

	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-Q4* 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
05 *Q1-Q4* M	2.9	3.1	2.8	3.1	3.5	2.6	2.7	2.3	2.9	3.2	3.6	...
03 *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	...
Q3	2.4	2.1	2.2	2.9	3.3	1.9	1.5	1.3	2.6	2.8	3.7	...
Q4	2.6	3.2	2.6	2.8	3.1	2.5	3.0	2.0	2.8	2.9	3.1	...

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.

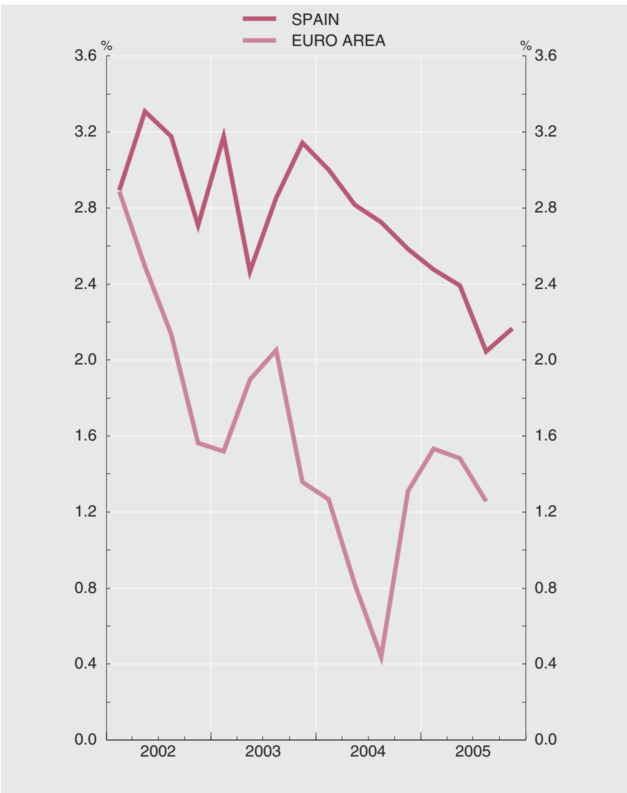
4.8. UNIT LABOUR COSTS. SPAIN AND EURO AREA (a)

■ 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
03	P	2.9	1.7	3.4	2.1	0.4	0.4	3.0	0.7	2.5	0.3	2.3	...
04	P	2.8	1.0	3.3	2.0	0.5	1.1	3.1	1.8	2.6	0.7	2.5	...
05	P	2.3	...	2.5	2.0	0.3	...	3.4	1.4	3.1	...	2.5	...
03 *Q1*	P	3.2	1.5	3.8	2.2	0.6	0.6	2.9	0.9	2.3	0.3	3.2	...
Q2	P	2.5	1.9	3.3	2.1	0.8	0.2	3.1	0.4	2.3	0.2	2.9	...
Q3	P	2.9	2.1	3.1	2.3	0.2	0.3	3.0	0.5	2.8	0.3	2.2	...
Q4	P	3.1	1.4	3.3	2.0	0.2	0.6	2.9	1.0	2.8	0.3	0.9	...
04 *Q1*	P	3.0	1.3	3.3	2.4	0.3	1.1	3.0	1.6	2.7	0.4	2.1	...
Q2	P	2.8	0.8	3.6	2.3	0.7	1.5	3.0	2.1	2.2	0.6	1.9	...
Q3	P	2.7	0.4	3.3	1.5	0.6	1.0	3.1	1.9	2.6	0.8	2.9	...
Q4	P	2.6	1.3	3.0	1.9	0.4	0.6	3.2	1.6	2.8	1.0	3.2	...
05 *Q1*	P	2.5	1.5	2.8	1.8	0.3	0.3	3.3	1.2	3.0	0.9	3.5	...
Q2	P	2.4	1.5	2.6	1.9	0.2	0.4	3.4	1.2	3.2	0.8	3.5	...
Q3	P	2.0	1.3	2.3	2.1	0.3	0.8	3.5	1.6	3.2	0.8	1.9	...
Q4	P	2.2	...	2.5	2.1	0.3	...	3.5	1.8	3.2	...	1.2	...

UNIT LABOUR COSTS: TOTAL
Annual percentage changes



UNIT LABOUR COSTS: MANUFACTURING
Annual percentage changes

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

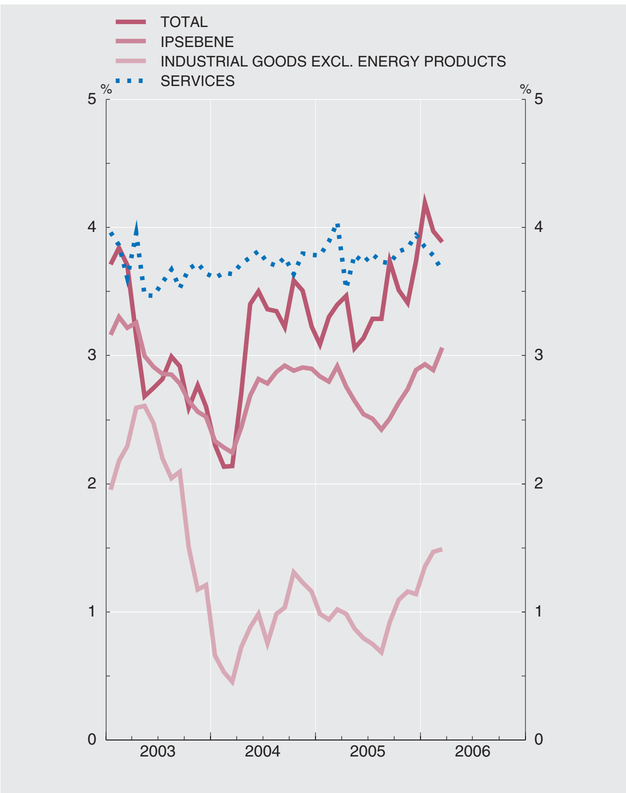
5.1. CONSUMER PRICE INDEX. SPAIN (2001=100) (a)

■ Series depicted in chart.

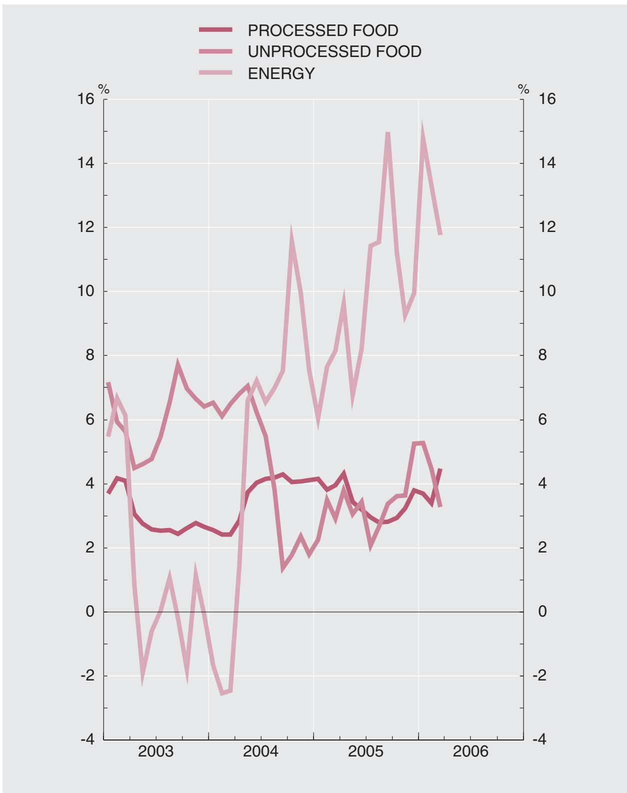
Indices and annual percentage changes

		Total (100%)				Annual percentage change (12-month % change)						Memorandum item:prices for agricultural products (2000=100)	
		Original series	Month-on-month % change	12-month % change (b)	Cumulative % change during year (c)	Unprocessed food	Processed food	Industrial goods excl. energy products (e)	Energy	Services	IPSEBENE (d)	Original series	12-month % change
		1	2	3 ■	4	5 ■	6 ■	7 ■	8 ■	9 ■	10 ■	11	12
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
05	M	113.6	_	3.4	3.7	3.3	3.4	0.9	9.6	3.8	2.7	109.9	2.9
05 *J-M*	M	111.2	0.1	3.3	-0.4	2.9	4.0	1.0	7.3	3.9	2.9	120.7	11.2
06 *J-M*	M	115.7	0.1	4.0	-0.1	4.3	3.9	1.4	13.3	3.8	3.0	...	...
04 *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	102.9	-5.1
Aug		113.8	0.4	3.3	1.9	2.7	2.8	0.7	11.5	3.7	2.4	102.3	9.2
Sep		114.5	0.6	3.7	2.5	3.4	2.8	0.9	15.0	3.7	2.5	99.5	6.7
Oct		115.4	0.8	3.5	3.4	3.6	2.9	1.1	11.2	3.8	2.6	99.6	-0.8
Nov		115.6	0.2	3.4	3.5	3.6	3.2	1.2	9.3	3.8	2.7	106.9	2.0
Dec		115.9	0.2	3.7	3.7	5.2	3.8	1.1	9.9	3.9	2.9	113.6	2.1
06 *Jan*		115.4	-0.4	4.2	-0.4	5.3	3.7	1.4	14.8	3.8	2.9	119.9	4.0
Feb		115.4	0.0	4.0	-0.4	4.5	3.4	1.5	13.3	3.8	2.9	...	...
Mar		116.3	0.7	3.9	0.3	3.3	4.5	1.5	11.8	3.7	3.1	...	...

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 (2005=100) (a)

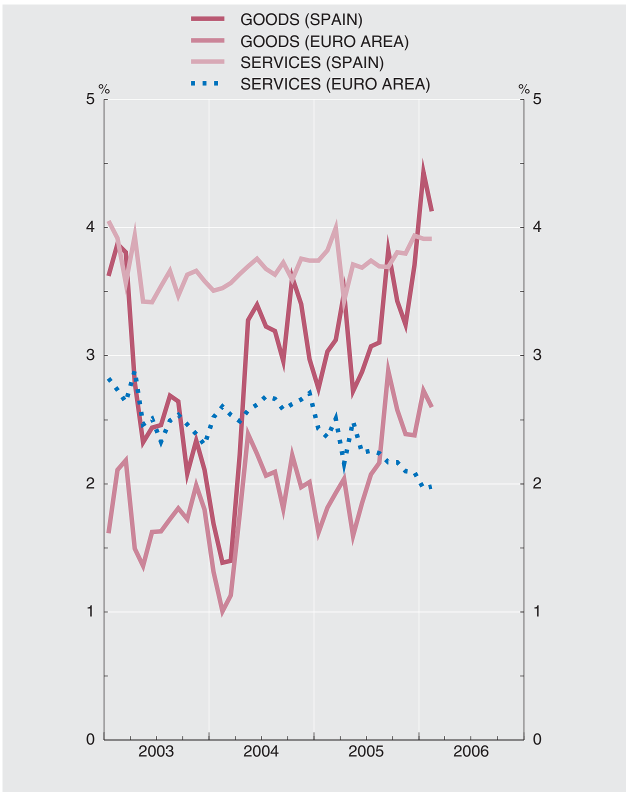
■ Series depicted in chart.

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 ■
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
05	M	3.4	2.2	3.2	2.1	3.4	1.6	3.5	2.0	3.3	0.8	3.1	2.4	1.0	0.3	9.7	10.1	3.8	2.3
05 *J-F*	M	3.2	2.0	2.9	1.7	3.6	1.7	3.9	2.7	3.3	0.0	2.4	1.7	1.0	0.3	6.8	7.0	3.8	2.4
06 *J-F*	M P	4.1	2.4	4.3	2.7	4.0	1.9	3.9	1.9	4.1	1.9	4.5	3.1	1.5	0.2	14.1	13.1	3.9	2.0
04 *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	3.4	2.0	4.2	3.2	2.4	-	2.7	2.0	1.2	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	2.2	1.7	1.1	0.5	6.0	6.2	3.7	2.4
Feb		3.3	2.1	3.0	1.8	3.7	1.9	3.6	2.7	3.8	0.7	2.6	1.8	1.0	0.2	7.6	7.7	3.8	2.4
Mar		3.4	2.1	3.1	1.9	3.6	1.5	3.9	1.6	3.3	1.3	2.8	2.1	1.2	0.4	8.2	8.8	4.0	2.5
Apr		3.5	2.1	3.5	2.0	4.1	1.3	4.3	1.7	3.9	0.8	3.1	2.4	1.1	0.3	9.6	10.1	3.4	2.2
May		3.0	2.0	2.7	1.6	3.3	1.3	3.2	1.5	3.4	1.0	2.3	1.7	1.0	0.3	6.8	6.8	3.7	2.5
Jun		3.2	2.1	2.9	1.8	3.2	1.1	3.1	1.5	3.4	0.5	2.6	2.2	0.9	0.2	8.3	9.4	3.7	2.2
Jul		3.3	2.2	3.1	2.1	2.7	1.1	2.9	1.6	2.4	0.3	3.4	2.6	0.8	-	11.5	11.7	3.7	2.3
Aug		3.3	2.2	3.1	2.2	2.7	1.4	2.8	1.7	2.7	1.0	3.4	2.5	0.8	-	11.6	11.5	3.7	2.2
Sep		3.8	2.6	3.8	2.9	3.0	1.8	2.9	2.3	3.1	1.0	4.4	3.4	1.0	0.2	15.1	15.0	3.7	2.2
Oct		3.5	2.5	3.4	2.6	3.2	1.9	3.0	2.4	3.3	1.1	3.6	2.9	1.2	0.3	11.3	12.1	3.8	2.2
Nov		3.4	2.3	3.2	2.4	3.4	2.2	3.5	2.6	3.2	1.5	3.1	2.5	1.2	0.4	9.3	10.0	3.8	2.1
Dec		3.7	2.2	3.7	2.4	4.3	1.7	4.2	1.8	4.4	1.5	3.3	2.7	1.2	0.4	10.0	11.2	3.9	2.1
06 *Jan*	P	4.2	2.4	4.4	2.7	4.3	1.9	4.1	1.8	4.4	2.0	4.6	3.1	1.4	0.2	14.8	13.6	3.9	2.0
Feb	P	4.1	2.3	4.1	2.6	3.8	1.8	3.7	1.9	3.9	1.7	4.4	3.0	1.5	0.3	13.4	12.5	3.9	2.0

HARMONISED INDEX OF CONSUMER PRICES. TOTAL
Annual percentage changes

HARMONISED INDEX OF CONSUMER PRICES. COMPONENTS
Annual percentage changes



Source: Eurostat.

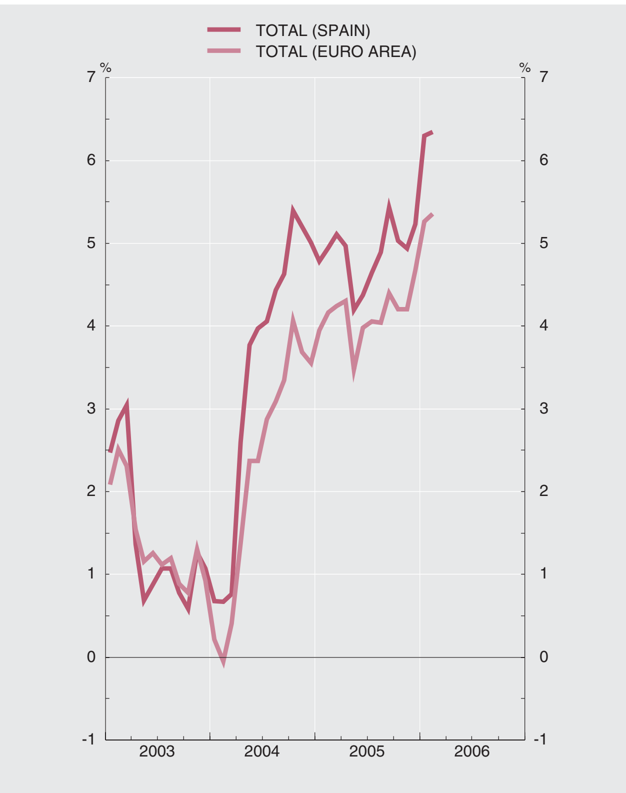
a. Compliance with the Regulation on the treatment of price reductions is now complete with the inclusion of sales prices in the Italian and Spanish HICP. The Spanish HICP has included a new basket of goods and services since January 2001. In accordance with the related regulations,the series for the 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)

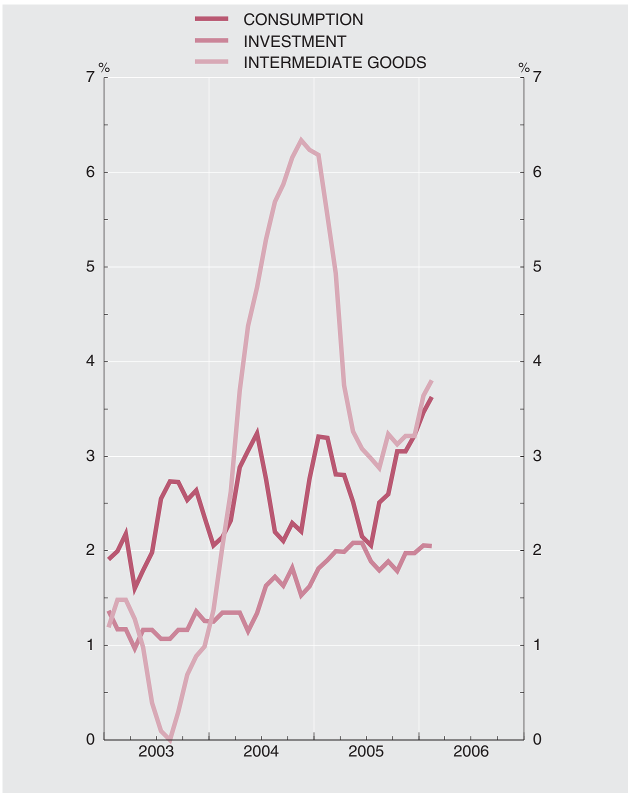
■ Series depicted in chart. *Annual percentage changes*

		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
03	M P	103.9	_	1.4	_	2.3	_	1.2	_	0.8	_	1.3	1.4	1.1	0.3	0.8	3.8
04	M P	107.4	_	3.4	_	2.5	_	1.5	_	4.5	_	5.3	2.3	1.3	0.7	3.5	3.9
05	M P	112.7	_	4.9	_	2.8	_	1.9	_	3.8	_	14.0	4.1	1.1	1.3	2.9	13.4
05 *J-F*	M P	109.9	_	4.9	_	3.2	_	1.9	_	5.9	_	9.9	4.1	1.3	1.6	5.3	9.2
06 *J-F*	M P	116.9	_	6.3	_	3.5	_	2.1	_	3.7	_	20.4	5.3	1.5	1.0	2.1	19.7
04 *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	13.2
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	9.7
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	13.4
Jul	P	112.7	0.5	4.6	0.1	2.1	-	1.9	0.1	3.0	2.7	15.7	4.1	0.7	1.2	1.9	15.1
Aug	P	113.6	0.8	4.9	0.3	2.5	-	1.8	0.2	2.9	3.3	16.4	4.0	0.9	1.1	1.7	15.2
Sep	P	114.5	0.8	5.4	0.2	2.6	0.1	1.9	0.7	3.2	2.5	17.9	4.4	1.1	1.2	1.6	16.6
Oct	P	114.9	0.3	5.0	0.3	3.0	0.1	1.8	0.4	3.1	0.7	15.2	4.2	1.3	1.2	1.6	15.3
Nov	P	114.7	-0.2	4.9	-0.1	3.1	0.2	2.0	0.4	3.2	-1.3	14.7	4.2	1.4	1.0	1.8	14.7
Dec	P	114.7	-	5.2	0.4	3.2	0.1	2.0	-	3.2	-1.3	15.6	4.7	1.3	1.0	1.9	17.0
06 *Jan*	P	116.4	1.5	6.3	1.0	3.5	0.6	2.1	1.2	3.6	3.8	20.6	5.3	1.5	1.0	2.0	19.8
Feb	P	117.3	0.8	6.3	0.6	3.6	0.4	2.1	0.7	3.8	1.1	20.1	5.4	1.5	1.0	2.2	19.6

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.

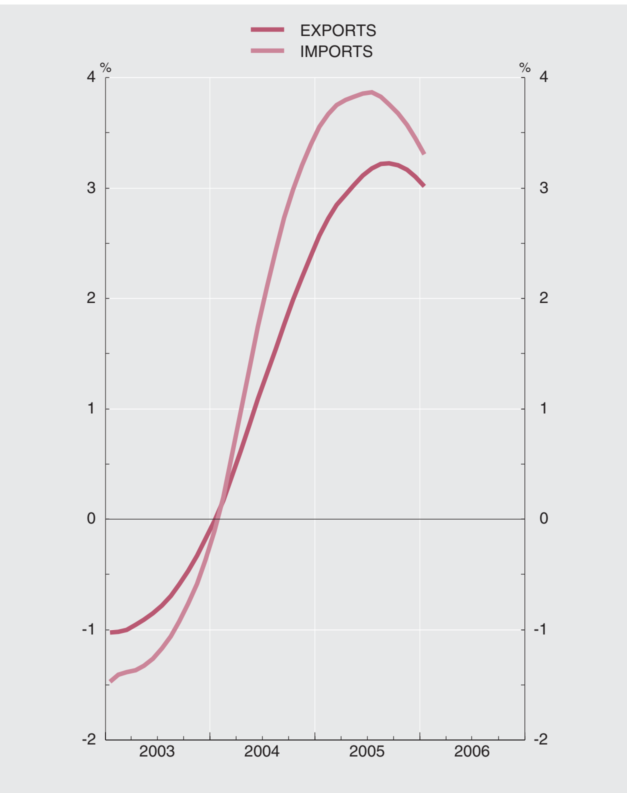
5.4. UNIT VALUE INDICES FOR SPANISH FOREIGN TRADE

■ Series depicted in chart.

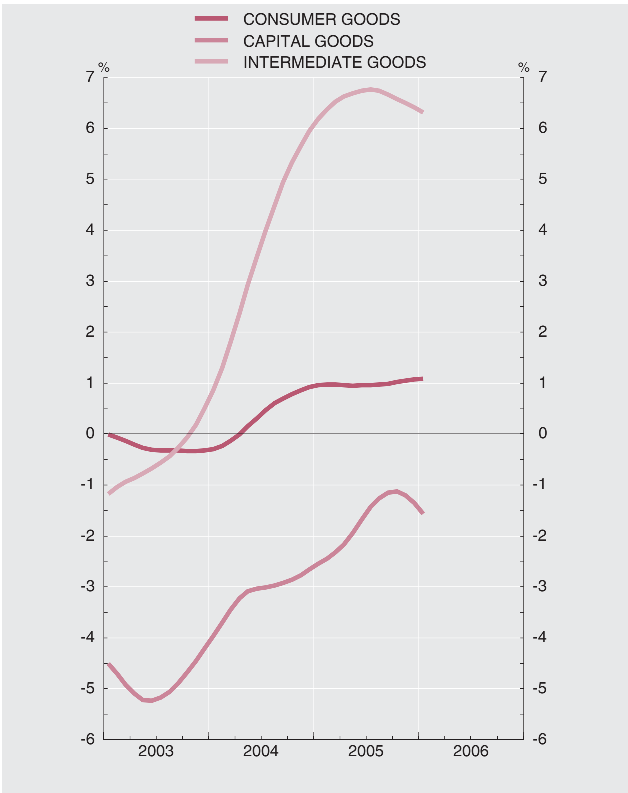
Annual percentage changes

	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
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
05	4,7	1,9	6,3	6,6	34,1	5,0	5,1	1,1	1,0	8,1	26,2	3,5
05 *J-J*	5,1	2,7	-0,5	7,8	35,5	6,3	5,0	3,4	-1,6	7,2	16,7	4,8
06 *J-J*	4,2	1,6	9,4	5,8	24,8	4,7	1,5	-6,5	-5,1	7,5	15,2	4,6
04 *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
Aug	6,1	3,9	3,8	8,2	48,4	5,1	6,1	-0,2	-0,4	11,0	26,8	4,5
Sep	5,4	0,6	11,5	8,4	33,8	6,9	4,3	-0,6	4,2	7,0	29,5	0,7
Oct	4,2	1,2	8,2	6,0	24,0	4,8	4,8	0,8	14,0	5,3	16,2	1,8
Nov	4,3	2,7	8,3	4,6	26,1	3,2	3,8	3,3	-0,8	5,6	22,5	0,8
Dec	6,2	3,6	11,8	6,5	27,2	5,3	7,1	0,9	10,2	8,9	33,5	3,2
06 *Jan*	4,2	1,6	9,4	5,8	24,8	4,7	1,5	-6,5	-5,1	7,5	15,2	4,6

EXPORT AND IMPORT UNIT VALUE INDICES (a)



IMPORT UNIT VALUE INDICES BY PRODUCT GROUP (a)



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

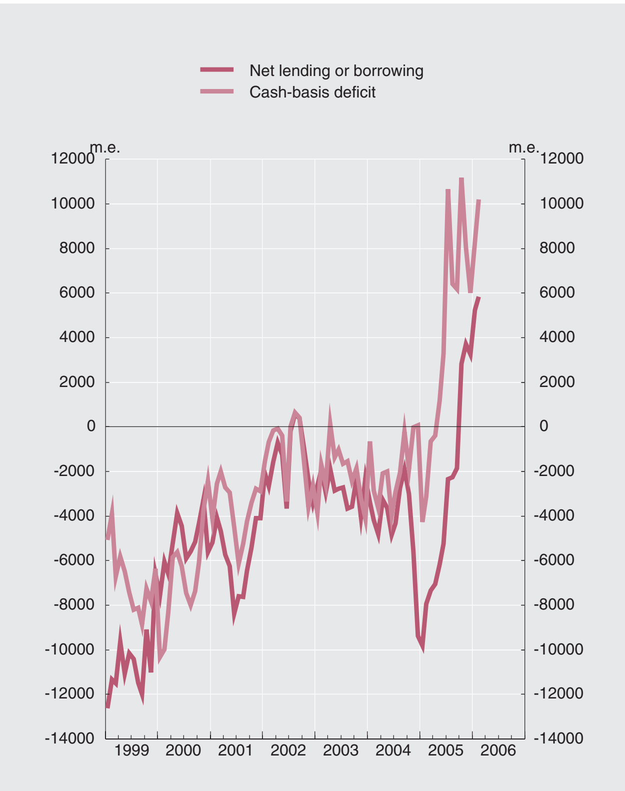
6.1. STATE RESOURCES ANS USES ACCORDING TO THE NACIONAL ACCOUNTS (A). SPAIN

■ Series depicted in chart.

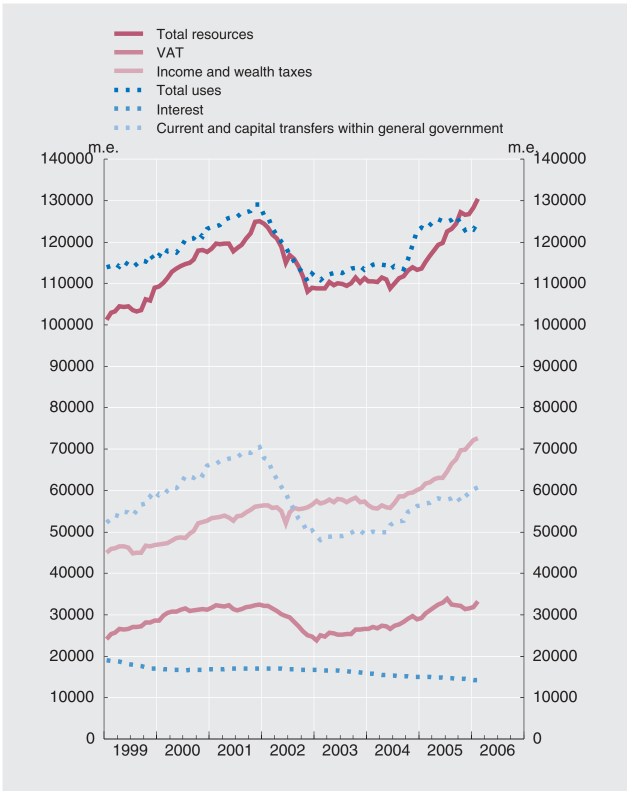
EUR millions

		Net lending (+) or borrowing (-)	Current and capital resources						Current and capital uses						Memorandum item: cash-basis deficit		
			Total	Value added tax (VAT)	Other taxes on products and imports	Interest and other income on property	Income and wealth taxes	Other	Total	Compensation of employees	Interest	Current and capital transfers within general government	Investment grants and other capital transfers	Other	Cash-basis deficit	Revenue	Expenditure
		1=2-8 ■	2=3 a 7 ■	3 ■	4	5	6 ■	7	8=9 a13 ■	9	10 ■	11 ■	12	13	14=15-16 ■	15	16
99		-6 585	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	P	-2 274	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	-9 390	113 330	28 950	10 991	4 714	60 059	8 616	122 720	15 619	15 053	56 347	7 419	28 282	59	114 793	114 734
05	A	3 261	126 811	31 542	11 069	4 661	70 987	8 552	123 550	16 466	14 313	59 404	3 539	29 828	6 022	128 777	122 755
05 *J-F*	A	8 276	24 744	11 544	1 739	422	10 169	870	16 468	2 147	2 431	7 995	66	3 829	-28	25 580	25 608
06 *J-F*	A	10 857	28 477	13 187	1 743	460	11 848	1 239	17 620	2 375	2 268	9 404	93	3 480	4 163	28 371	24 207
05 *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
Sep	A	725	9 927	2 987	1 251	182	4 480	1 027	9 202	1 303	1 145	4 726	153	1 875	1 191	9 048	7 857
Oct	A	11 907	21 828	5 697	1 070	257	13 883	921	9 921	1 234	1 197	5 746	161	1 583	10 622	21 550	10 927
Nov	A	-5 144	6 515	671	595	1 160	3 365	724	11 659	1 258	1 156	6 197	442	2 606	-3 012	6 127	9 140
Dec	A	-11 610	9 275	313	953	914	5 783	1 312	20 885	2 203	1 152	6 796	1 622	9 112	-5 187	9 006	14 194
06 *Jan*	A	2 024	9 612	-349	821	246	8 392	502	7 588	1 143	1 215	4 345	10	875	-4 557	10 255	14 812
Feb	A	8 833	18 865	13 536	922	214	3 456	737	10 032	1 232	1 053	5 059	83	2 605	8 720	18 115	9 395

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).

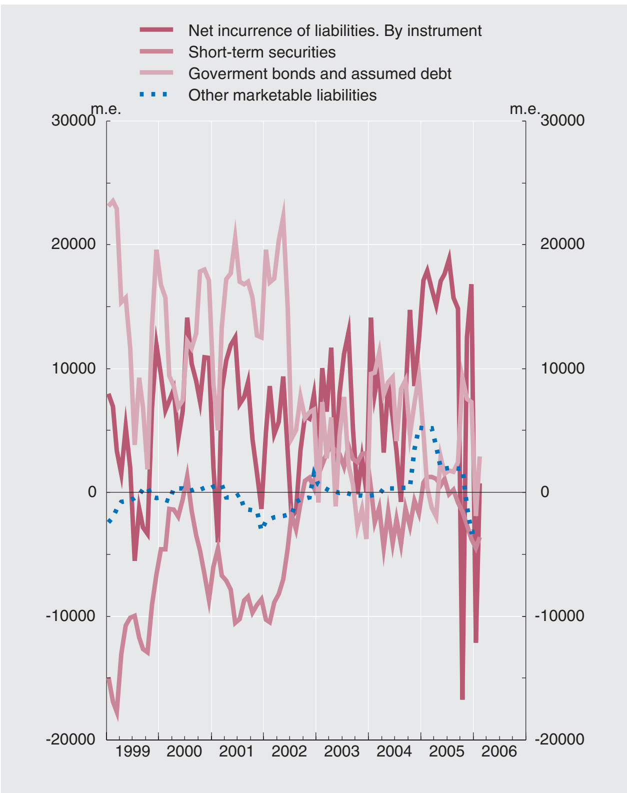
(a) Except in interest rate swaps, where the EDP criterion in followed. That is to say, the net outcome of these transactions is considered to be interest and not financial transactions (the ESA 95 criterion), whereby they influence the calculation of net lending or borrowing.

6.2. STATE FINANCIAL TRANSACTIONS (A). SPAIN

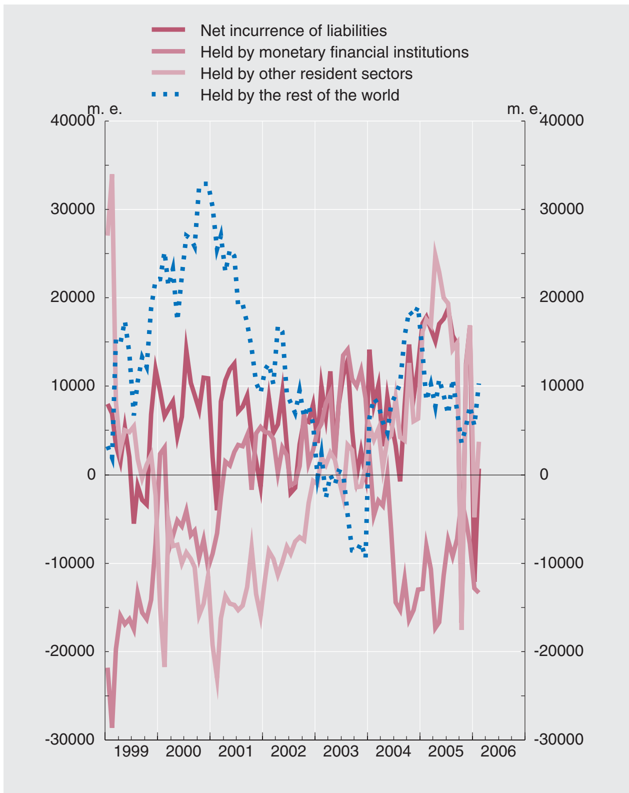
■ Series depicted in chart. *EUR millions*

		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	-2 274	-2 025	0	6	-135	3 146	-3 761	-486	-281	1 388	9 478	8 664	815	-9 472	-1 381
04	A	-9 390	2 906	-0	12 296	-1 600	-1 688	9 416	-486	5 204	-150	-6 679	-12 978	6 299	18 975	12 446
05	A	3 261	20 056	0	16 795	-1 910	-3 771	7 276	-486	-3 174	16 950	9 016	-7 866	16 883	7 779	-155
05 *J-F*	A	8 276	16 157	0	7 881	-7	-580	-3 300	-	-95	11 856	5 640	-5 314	10 954	2 241	-3 974
06 *J-F*	A	10 857	2 649	0	-8 208	16	-445	-7 668	-	-5	-90	-13 018	-10 825	-2 193	4 810	-8 118
05 *Apr*	A	9 277	7 730	275	-1 547	-3	-2 662	2 045	-	-1 124	194	-1 674	-5 618	3 943	128	-1 741
May	A	-5 202	-488	-275	4 714	18	2 010	4 151	-	-1 715	269	2 655	-242	2 897	2 059	4 446
Jun	A	-8 409	-5 815	1	2 594	18	-2 381	3 679	-	17	1 278	2 560	5 654	-3 093	34	1 316
Jul	A	8 586	1 372	-1	-7 214	-537	1 618	-12 680	-	14	3 834	-4 136	-3 363	-773	-3 078	-11 048
Aug	A	-9	-5 858	1	-5 849	5	-2 340	1 060	-	44	-4 613	-7 216	-3 601	-3 615	1 367	-1 236
Sep	A	725	8 797	-0	8 072	-28	1 824	5 962	-	-48	335	5 442	5 385	57	2 630	7 737
Oct	A	11 907	-17 217	-0	-29 124	8	-2 257	-1 014	-	2	-25 855	-28 106	-1 491	-26 615	-1 018	-3 268
Nov	A	-5 144	21 580	-0	26 724	9	1 786	3 704	-	-9	21 244	24 974	1 091	23 884	1 750	5 480
Dec	A	-11 610	-4 106	1	7 504	-254	-2 568	2 189	-486	-227	8 596	5 314	-1 620	6 933	2 190	-1 092
06 *Jan*	A	2 024	-16 510	-1	-18 534	12	1 991	-11 363	-	-4	-9 158	-20 644	-9 113	-11 530	2 110	-9 376
Feb	A	8 833	19 159	1	10 326	4	-2 436	3 695	-	-1	9 068	7 626	-1 711	9 337	2 700	1 258

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

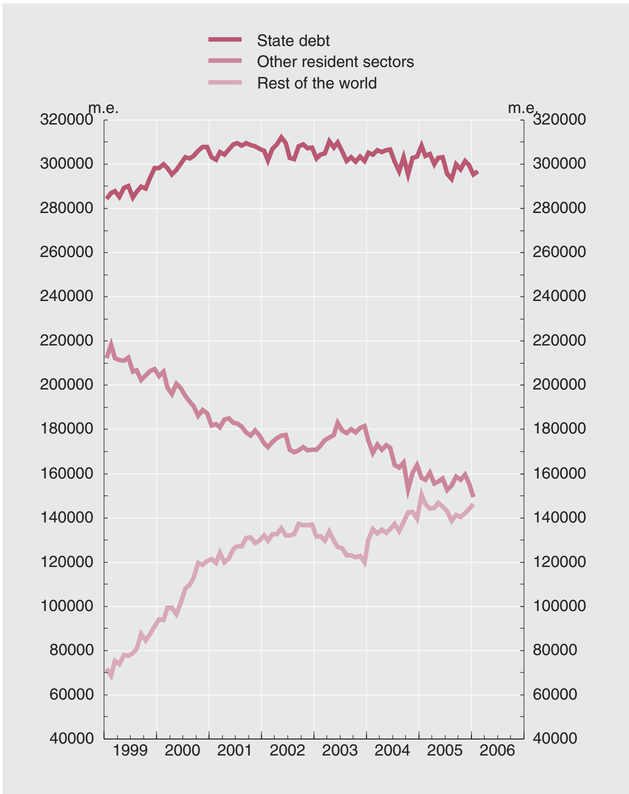
■ Series depicted in chart.

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
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		307 720	8 197	44 575	245 255	9 344	8 546	188 482	1 187	187 296	120 424	20 536	5 430
01		306 890	7 611	35 413	257 192	8 845	5 440	179 118	2 018	177 100	129 791	395	5 460
02	P	307 610	5 823	35 459	258 877	8 359	4 914	177 561	6 831	170 730	136 880	300	6 819
03	P	301 476	5 105	38 702	250 337	7 873	4 564	192 399	10 952	181 447	120 029	300	6 821
04	A	303 540	3 267	35 996	250 410	7 388	9 746	182 967	19 127	163 840	139 700	300	7 186
05 *Feb*	A	303 654	3 313	35 513	251 101	7 388	9 653	175 449	18 141	157 308	146 346	300	7 032
Mar	A	304 628	3 301	36 702	250 914	7 388	9 624	180 027	19 531	160 495	144 132	300	7 100
Apr	A	299 848	3 343	33 342	250 614	7 388	8 504	177 401	21 956	155 444	144 403	575	6 987
May	A	302 938	3 426	35 332	253 416	7 388	6 802	178 379	22 139	156 240	146 698	300	6 949
Jun	A	303 061	3 286	33 059	255 792	7 388	6 822	179 951	22 117	157 834	145 227	300	6 949
Jul	A	295 724	2 465	34 346	247 159	7 388	6 832	175 370	22 746	152 624	143 100	299	6 570
Aug	A	293 464	2 457	32 111	247 091	7 388	6 874	177 346	22 717	154 629	138 835	300	6 531
Sep	A	300 087	2 458	33 917	251 955	7 388	6 827	181 461	22 774	158 687	141 400	300	6 360
Oct	A	297 668	2 416	31 976	251 481	7 388	6 824	179 824	22 496	157 328	140 340	300	6 348
Nov	A	301 509	2 401	33 752	253 553	7 388	6 816	182 496	23 066	159 430	142 079	300	7 102
Dec	A	299 730	2 154	31 614	254 627	6 902	6 588	178 350	22 658	155 692	144 038	300	6 017
06 *Jan*	A	295 468	2 114	33 602	248 385	6 902	6 579	171 016	21 656	149 360	146 109	299	...
Feb	A	296 662	2 156	31 656	251 523	6 902	6 582	...	21 195	...	...	300	...

STATE. LIABILITIES OUTSTANDING
By instrument

STATE. LIABILITIES OUTSTANDING
By counterpart sector



Source: BE.

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

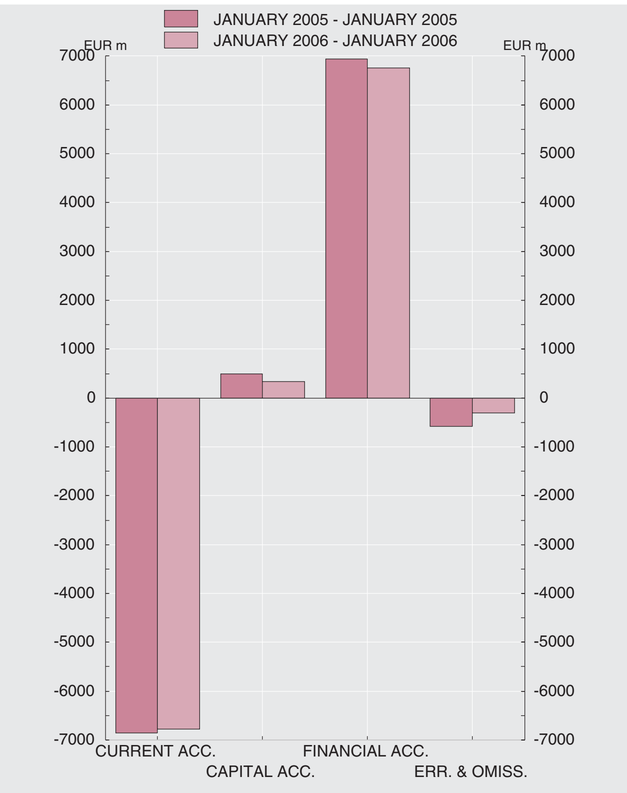
7.1. THE SPANISH BALANCE OF PAYMENTS VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. CURRENT ACCOUNT

■ Series depicted in chart.

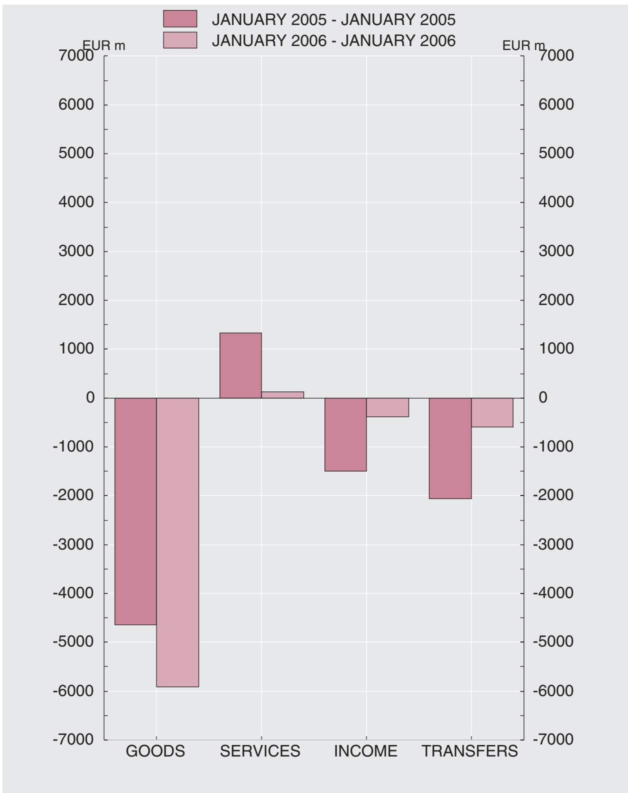
EUR millions

		Current account (a)													Capital account	Current account plus capital account	Financial account	Errors and omission
			Goods			Services					Income			Current transfers (balance)	(balance)		(balance) (b)	
		Total (balance)	Balance	Receipts	Payments	Balance	Receipts		Payments		Balance	Receipts	Payments					
							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) ■
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		-44 164	-53 660	148 967	202 627	21 753	69 355	36 376	47 602	9 772	-12 139	27 299	39 439	-117	8 428	-35 736	34 851	885
05	P	-66 627	-68 969	156 375	225 344	22 635	75 410	38 495	52 776	12 125	-17 208	31 312	48 520	-3 084	7 972	-58 655	59 551	-897
05 *J-J*	P	-6 853	-4 636	11 114	15 749	1 338	5 186	2 446	3 848	860	-1 495	1 934	3 429	-2 061	492	-6 361	6 940	-578
06 *J-J*	P	-6 774	-5 916	12 923	18 839	123	5 147	2 111	5 023	1 109	-387	3 374	3 760	-595	330	-6 444	6 755	-311
04 *Oct*		-3 334	-4 733	13 029	17 761	2 404	6 546	3 622	4 141	945	-651	2 198	2 849	-355	291	-3 042	3 931	-889
Nov		-2 668	-4 833	13 916	18 749	1 196	5 253	2 352	4 056	897	-561	2 686	3 247	1 529	425	-2 243	2 765	-522
Dec		-4 722	-5 503	12 226	17 729	918	5 286	2 059	4 368	803	-1 550	2 973	4 523	1 414	1 645	-3 077	2 378	699
05 *Jan*	P	-6 853	-4 636	11 114	15 749	1 338	5 186	2 446	3 848	860	-1 495	1 934	3 429	-2 061	492	-6 361	6 940	-578
Feb	P	-5 114	-4 433	12 371	16 803	1 000	4 766	2 055	3 767	832	-1 237	1 738	2 975	-444	80	-5 034	5 826	-792
Mar	P	-6 039	-5 611	13 133	18 744	1 179	5 421	2 570	4 242	958	-1 500	2 144	3 643	-108	543	-5 496	4 690	805
Apr	P	-5 437	-5 777	13 657	19 434	950	5 004	2 106	4 054	719	-455	3 292	3 748	-155	308	-5 128	5 238	-110
May	P	-5 398	-5 632	13 565	19 197	2 121	6 072	2 997	3 951	793	-1 697	2 166	3 863	-190	974	-4 424	4 223	201
Jun	P	-6 241	-5 833	13 824	19 657	1 972	6 501	3 228	4 528	1 159	-2 184	2 176	4 360	-196	1 383	-4 858	4 234	623
Jul	P	-4 602	-5 429	13 022	18 451	3 192	8 227	4 802	5 034	1 174	-2 015	2 418	4 433	-350	497	-4 106	3 737	369
Aug	P	-4 651	-6 522	10 090	16 612	3 614	8 174	5 096	4 560	1 302	-1 370	4 073	5 443	-372	726	-3 925	3 977	-52
Sep	P	-5 830	-6 222	13 772	19 995	2 981	7 769	4 767	4 787	1 172	-1 828	2 671	4 499	-761	460	-5 370	7 672	-2 301
Oct	P	-4 764	-5 931	13 448	19 379	2 563	7 120	4 017	4 557	1 163	-1 150	2 362	3 512	-246	279	-4 485	5 333	-848
Nov	P	-4 643	-6 491	14 860	21 350	1 364	5 984	2 709	4 620	1 050	-890	2 923	3 814	1 374	359	-4 283	3 735	549
Dec	P	-7 056	-6 454	13 519	19 973	360	5 187	1 701	4 827	942	-1 386	3 415	4 801	424	1 871	-5 185	3 947	1 238
06 *Jan*	P	-6 774	-5 916	12 923	18 839	123	5 147	2 111	5 023	1 109	-387	3 374	3 760	-595	330	-6 444	6 755	-311

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)

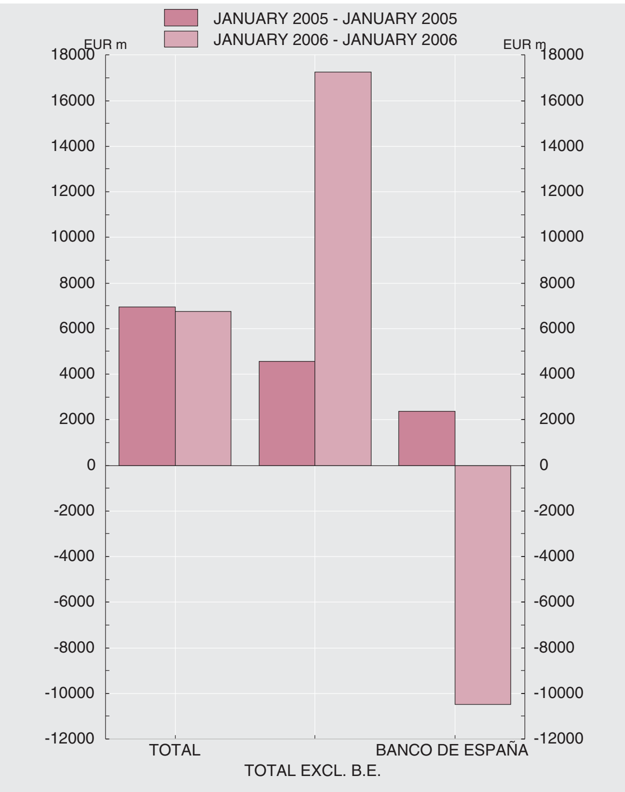
7.2. THE SPANISH BALANCE OF PAYMENTS VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. FINANCIAL ACCOUNT (a)

■ Series depicted in chart.

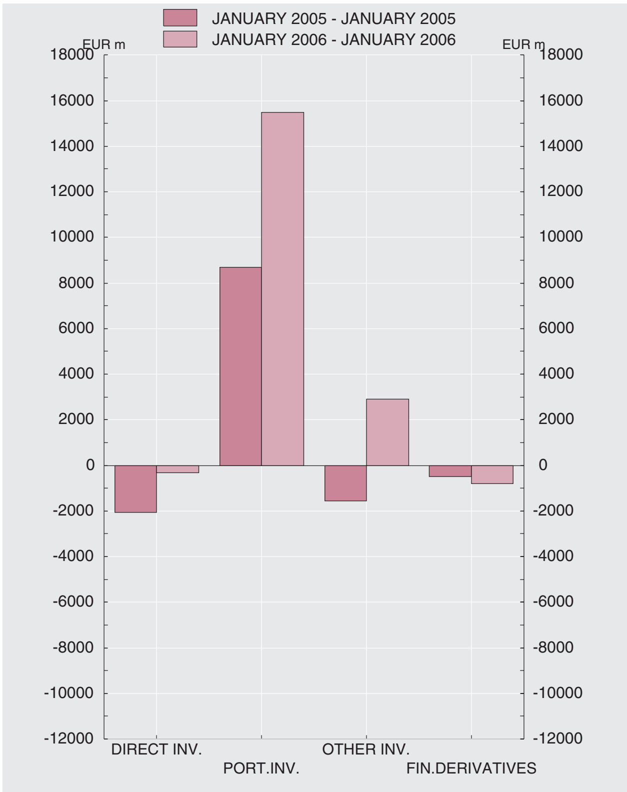
EUR millions

		Financial account (NCL-NCA)	Total, excluding Banco de España: Total (NCL-NCA)	Direct investment: Balance (NCL-NCA)	Direct investment: Spanish investment abroad (NCA)	Direct investment: Foreign investment in Spain (NCL) (b)	Portfolio investment: Balance (NCL-NCA)	Portfolio investment: Spanish investment abroad (NCA)	Portfolio investment: Foreign investment in Spain (NCL) (c)	Other investment (d): Balance (NCL-NCA)	Other investment (d): Spanish investment abroad (NCA)	Other investment (d): Foreign investment in Spain (NCL)	Net financial derivatives (NCL-NCA)	Banco de España: Balance (NCL-NCA)	Banco de España: Reserves (e)	Banco de España: Claims with the Eurosystem (e)	Banco de España: Other net assets (NCL-NCA)
		1=2+13 ■	2=3+6+9+12 ■	3=5-4 ■	4	5	6=8-7 ■	7	8	9=11-10 ■	10	11	12 ■	13=14+15+16 ■	14	15	16
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		34 851	48 861	-28 809	48 750	19 941	85 808	26 946	112 754	-8 212	28 419	20 207	74	-14 010	5 147	-13 760	-5 397
05	P	59 551	61 812	-12 693	31 177	18 484	57 890	78 714	136 605	16 599	46 258	62 857	16	-2 261	1 439	14 855	-18 555
05 *J-J*	P	6 940	4 557	-2 072	4 166	2 094	8 699	-1 370	7 329	-1 568	5 755	4 187	-502	2 383	94	2 351	-62
06 *J-J*	P	6 755	17 245	-334	2 107	1 773	15 477	6 077	21 554	2 908	1 501	4 409	-806	-10 490	45	-9 761	-773
04 *Oct*		3 931	32 357	-3 260	3 857	596	9 972	3 573	13 545	25 623	-4 811	20 812	23	-28 426	344	-27 589	-1 181
Nov		2 765	-9 628	-12 852	14 592	1 740	20 477	1 914	22 391	-18 452	1 816	-16 636	1 200	12 393	12	13 138	-758
Dec		2 378	-1 412	-2 233	8 508	6 275	8 323	1 549	9 871	-6 073	1 756	-4 317	-1 429	3 789	44	3 045	700
05 *Jan*	P	6 940	4 557	-2 072	4 166	2 094	8 699	-1 370	7 329	-1 568	5 755	4 187	-502	2 383	94	2 351	-62
Feb	P	5 826	13 698	1 575	1 518	3 093	11 052	3 846	14 898	986	2 855	3 841	85	-7 872	112	-5 202	-2 782
Mar	P	4 690	-2 012	-4 817	4 677	-139	7 771	5 561	13 332	-3 917	8 709	4 792	-1 049	6 702	1 343	9 579	-4 220
Apr	P	5 238	6 024	-1 198	1 732	534	3 817	2 061	5 878	4 321	4 771	9 092	-915	-786	189	1 021	-1 996
May	P	4 223	-734	-334	1 339	1 005	8 593	1 123	9 715	-8 873	5 221	-3 652	-119	4 956	-39	6 595	-1 600
Jun	P	4 234	10 613	-4 291	3 291	-1 001	14 020	12 127	26 147	-445	2 853	2 408	1 330	-6 379	8	-4 430	-1 956
Jul	P	3 737	-851	110	1 185	1 295	-12 894	14 717	1 823	11 533	2 494	14 027	399	4 588	109	6 086	-1 606
Aug	P	3 977	492	304	625	929	-13 296	8 479	-4 817	13 995	-14 251	-257	-510	3 486	3	4 913	-1 431
Sep	P	7 672	18 950	-331	2 860	2 529	25 795	-1 808	23 988	-6 433	13 261	6 827	-82	-11 278	-100	-10 184	-994
Oct	P	5 333	6 522	987	1 252	2 239	3 078	6 285	9 363	1 562	6 572	8 134	896	-1 190	-71	-986	-133
Nov	P	3 735	-103	4 548	2 622	7 170	-8 569	23 580	15 011	3 088	6 465	9 553	830	3 838	-463	4 286	15
Dec	P	3 947	4 657	-7 173	5 908	-1 265	9 824	4 113	13 938	2 352	1 554	3 905	-346	-710	253	826	-1 789
06 *Jan*	P	6 755	17 245	-334	2 107	1 773	15 477	6 077	21 554	2 908	1 501	4 409	-806	-10 490	45	-9 761	-773

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

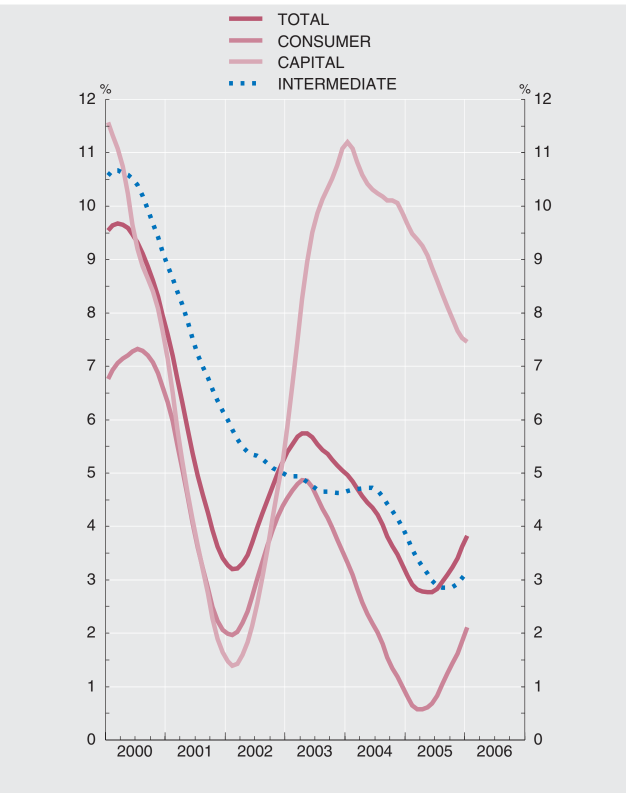
7.3. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD EXPORT AND DISPATCHES

■ Series depicted in chart.

Eur millions and annual percentage changes

	Total: EUR millions (1)	Total: Nominal (2)	Total: Deflated (a) (3) ■	By product (deflated data) (a): Consumer (4) ■	By product: Capital (5) ■	Intermediate: Total (6) ■	Intermediate: Energy (7)	Intermediate: Non-energy (8)	By geographical area (nominal data): EU 25 Total (9)	EU 25 of which: EU 15 (10)	EU 25 of which: Euro area (11) ■	OECD Total (12) ■	OECD of which: United States (13) ■	OPEC (14)	Other American countries (15)	Newly industrialised countries (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
05 P	153 559	5.0	0.2	-2.0	6.2	0.9	-8.7	1.5	2.5	2.3	1.9	3.2	6.1	14.8	12.3	14.1
04 *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	0.6	-0.3	-1.1	-1.2	4.6	7.3	1.1	-0.8	3.2
Jul	12 800	-0.6	-6.0	-8.0	-2.8	-5.0	-12.6	-4.6	-5.3	-5.9	-7.7	-3.0	4.4	11.6	-3.9	19.6
Aug	9 920	11.6	5.2	6.1	22.1	2.2	-0.3	2.4	7.3	6.8	3.2	9.1	17.8	11.1	20.9	12.1
Sep	13 516	11.7	5.9	6.1	16.1	4.2	-0.1	4.5	7.8	7.0	5.3	9.7	27.1	25.9	21.9	12.0
Oct	13 216	1.6	-2.4	0.6	-11.2	-3.4	-4.1	-3.4	0.4	-0.1	-0.5	2.4	11.3	-14.7	-11.1	24.0
Nov	14 593	5.9	1.5	-1.9	25.0	0.1	-1.8	0.2	-1.2	-1.4	-1.6	-1.3	6.1	25.7	82.5	53.5
Dec	13 291	7.6	1.3	-2.5	19.9	0.4	-12.1	1.1	5.1	5.3	3.9	3.1	-4.0	-33.0	62.9	13.3
06 *Jan*	12 753	17.0	12.2	8.7	56.4	8.3	-1.6	8.9	7.6	7.3	5.0	9.7	52.6	6.6	102.4	4.0

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.
The monthly series are provisional data, while the annual series are the final foreign trade data.
a. Series deflated by unit value indices.

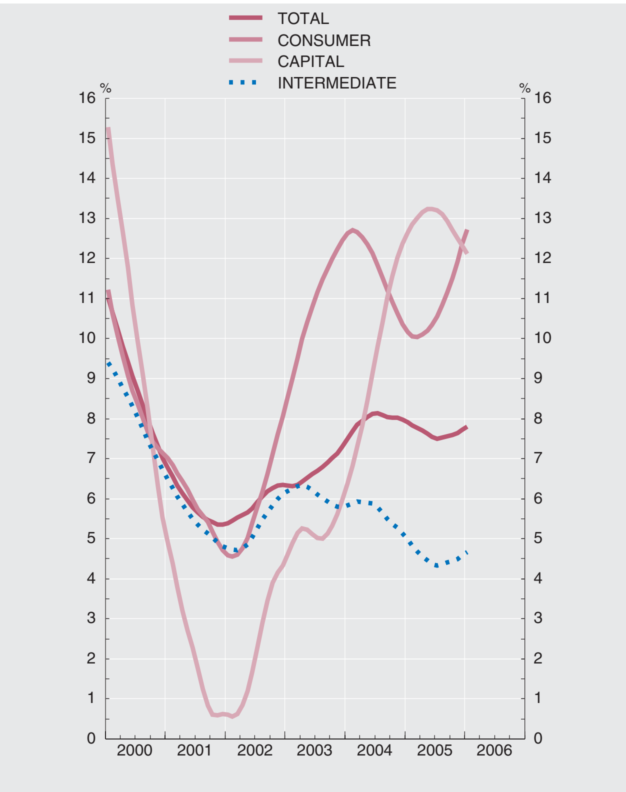
7.4. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD IMPORTS AND ARRIVALS

■ Series depicted in chart.

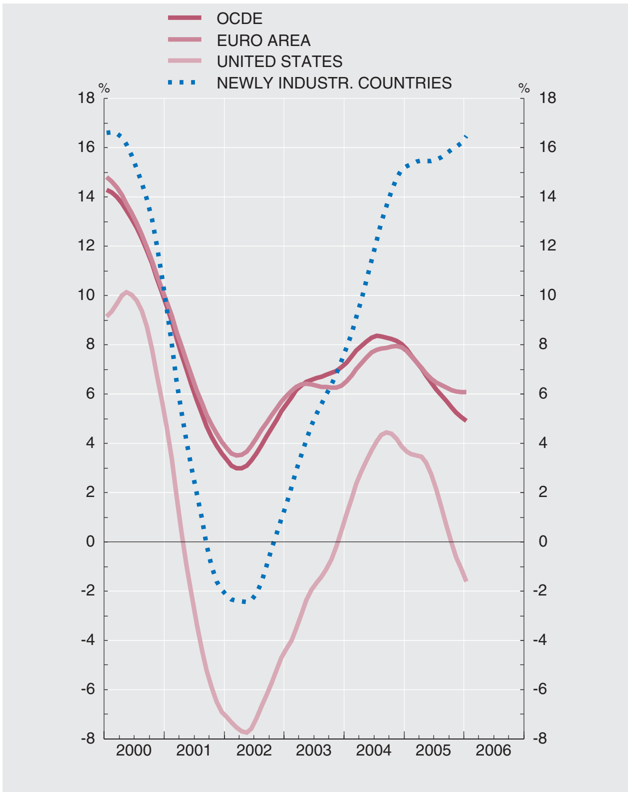
Eur millions and annual percentage changes

	Total			By product (deflated data) (a)					By geographical area (nominal data)							
						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
05 P	231 372	11.9	6.4	7.9	20.3	3.0	9.8	1.8	5.5	5.3	5.5	5.8	5.1	36.1	32.3	12.4
04 *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	-3.5	3.5	3.2	4.4	5.8	18.8	28.3	9.1	6.8
Jul	18 927	5.4	-2.6	4.4	-8.0	-4.8	-1.5	-5.6	-2.8	-3.3	-3.8	-1.3	7.7	25.8	12.9	17.8
Aug	17 112	20.0	13.1	10.5	44.3	9.5	27.6	4.3	10.6	10.0	11.7	11.2	7.6	48.5	32.1	0.2
Sep	20 622	12.1	7.6	9.0	17.0	5.1	9.4	4.1	6.5	6.0	6.7	6.8	-4.7	59.1	-15.4	22.3
Oct	19 855	7.9	3.0	6.8	-4.0	2.4	17.2	-0.7	0.8	-0.6	-0.2	1.9	-8.5	30.5	45.1	13.4
Nov	21 886	12.4	8.3	7.7	47.9	1.1	12.8	-1.4	3.6	2.9	3.0	0.3	-18.2	39.9	149.1	35.5
Dec	20 472	10.4	3.1	11.5	-11.9	3.7	-4.9	5.9	6.0	4.8	2.8	2.6	5.9	43.7	49.7	-15.3
06 *Jan*	19 337	19.5	17.7	40.4	20.8	7.0	27.3	1.7	13.8	13.2	13.8	9.9	18.2	44.3	50.1	49.5

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.
The monthly series are provisional data, while the annual series are the final foreign trade data.
a. Series deflated by unit value indices .

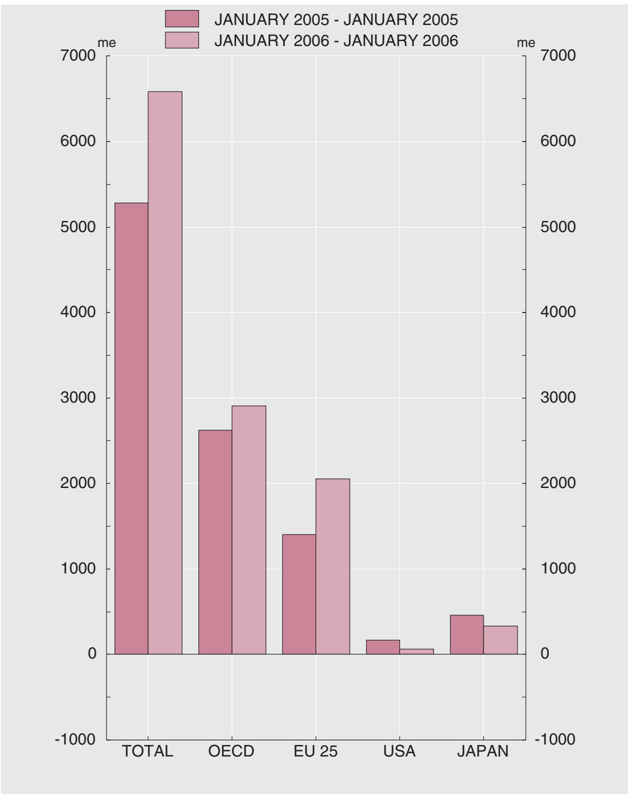
7.5. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD. TRADE BALANCE. GEOGRAPHICAL DISTRIBUTION

■ Series depicted in chart.

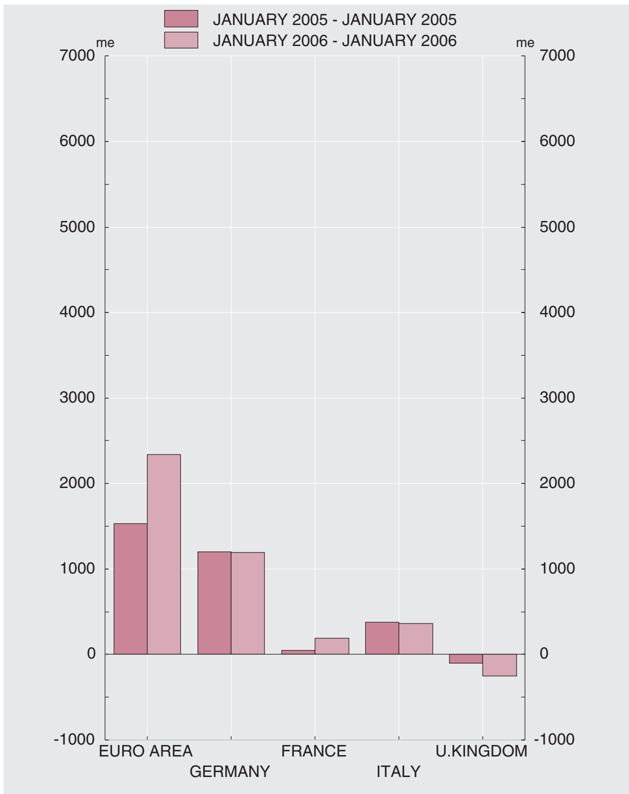
EUR millions

	World total (1 ■)	EU 25: Total (2 ■)	EU 15: Total (3)	EU 15: Euro area: Total (4 ■)	Euro area of which: Germany (5 ■)	Euro area of which: France (6 ■)	Euro area of which: Italy (7 ■)	EU 15: United Kingdom (8 ■)	EU 15: Other EU 15 members (9)	OECD: Total (10 ■)	OECD of which: United States of América (11 ■)	OECD of which: Japan (12 ■)	OPEC (13)	Other American countries (14)	Newly industrialised countries (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
05 P	-77 813	-30 022	-29 422	-29 320	-16 278	-3 187	-6 995	-170	67	-41 662	-1 722	-4 716	-13 288	-3 080	-3 427
05 *J-J*	-5 280	-1 395	-1 400	-1 530	-1 199	-47	-380	101	29	-2 627	-169	-457	-896	-207	-259
06 *J-J*	-6 584	-2 113	-2 057	-2 336	-1 197	-189	-363	252	28	-2 909	-63	-330	-1 386	-170	-432
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
Aug	-7 192	-2 645	-2 604	-2 613	-1 253	-530	-574	-52	61	-3 543	-141	-291	-1 358	-255	-212
Sep	-7 106	-2 365	-2 349	-2 469	-1 404	-376	-494	70	50	-3 296	-55	-394	-1 609	-226	-307
Oct	-6 639	-2 673	-2 494	-2 472	-1 378	-239	-586	-54	33	-3 516	29	-373	-1 060	-395	-302
Nov	-7 293	-2 780	-2 707	-2 567	-1 363	-267	-674	-193	53	-3 649	-93	-443	-1 294	-528	-386
Dec	-7 182	-3 700	-3 551	-3 282	-1 451	-589	-841	-246	-23	-4 436	11	-424	-1 275	96	-311
06 *Jan*	-6 584	-2 113	-2 057	-2 336	-1 197	-189	-363	252	28	-2 909	-63	-330	-1 386	-170	-432

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.

The monthly series are provisional data, while the annual series are the final foreign trade data.

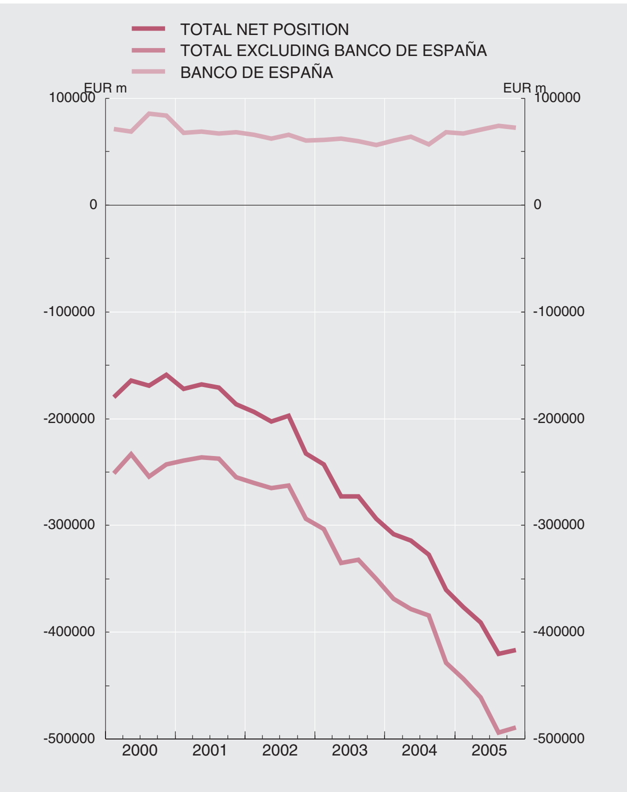
7.6. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD SUMMARY

■ Series depicted in chart.

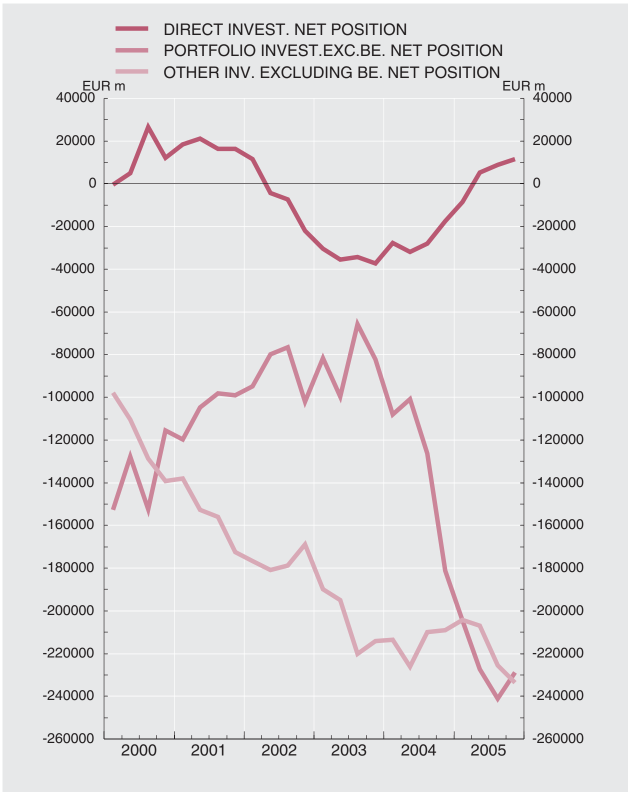
End-of-period stocks in EUR billions

	Net international investment position (assets-liabil.)	Total excluding Banco de España										Banco de España			
		Net position excluding Banco de España (assets - liabil.)	Direct investment			Portfolio investment			Other investment			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	-121.6	-185.9	-47.6	48.4	96.0	-124.5	33.3	157.8	-13.7	144.2	157.9	64.3	64.2	-	0.1
98	-160.5	-213.1	-44.5	63.5	108.0	-136.4	73.1	209.5	-32.2	161.5	193.7	52.5	52.1	-	0.4
99	-165.2	-239.0	-7.3	117.5	124.8	-141.0	127.4	268.4	-90.7	152.8	243.5	73.7	37.3	36.0	0.4
00	-158.7	-242.6	12.2	180.2	168.0	-115.5	193.7	309.2	-139.3	166.4	305.8	84.0	38.2	45.3	0.4
01	-186.5	-255.0	16.3	217.5	201.1	-99.0	232.6	331.6	-172.3	172.5	344.8	68.5	38.9	29.2	0.4
02 *Q4*	-232.9	-293.6	-22.1	223.1	245.2	-102.6	256.8	359.4	-168.9	197.4	366.3	60.6	38.4	22.7	-0.4
03 *Q1*	-242.6	-303.7	-30.4	223.9	254.3	-83.2	278.3	361.6	-190.0	194.7	384.7	61.0	35.4	24.3	1.3
Q2	-272.6	-335.1	-35.5	222.9	258.4	-104.6	287.3	391.9	-195.1	194.7	389.8	62.4	31.3	26.8	4.3
Q3	-272.6	-332.4	-34.3	229.5	263.8	-77.9	309.6	387.4	-220.2	193.2	413.4	59.8	25.4	22.2	12.1
Q4	-294.1	-350.2	-37.4	231.6	268.9	-98.6	319.8	418.4	-214.2	204.0	418.1	56.1	21.2	18.3	16.6
04 *Q1*	-308.3	-368.8	-27.7	242.0	269.8	-127.4	332.8	460.2	-213.6	210.9	424.5	60.5	17.6	23.1	19.9
Q2	-314.3	-378.6	-32.0	247.6	279.7	-120.5	347.9	468.4	-226.1	222.1	448.2	64.2	16.2	27.9	20.0
Q3	-327.3	-384.1	-28.0	254.4	282.4	-146.2	344.4	490.5	-209.9	229.7	439.7	56.8	15.9	20.5	20.4
Q4	-360.6	-428.7	-17.6	272.5	290.1	-202.1	359.3	561.4	-208.9	222.4	431.3	68.1	14.5	31.9	21.7
05 *Q1*	-376.6	-443.9	-8.6	287.2	295.8	-231.1	366.5	597.7	-204.2	240.7	444.9	67.3	13.3	25.2	28.8
Q2	-390.7	-461.0	5.3	303.8	298.5	-259.5	390.8	650.3	-206.9	256.0	462.9	70.4	13.7	22.0	34.7
Q3	-420.1	-494.1	8.7	311.7	302.9	-277.3	417.7	695.0	-225.5	256.3	481.8	74.0	14.0	21.2	38.7
Q4	-416.7	-488.9	11.4	323.1	311.7	-266.7	460.0	726.7	-233.7	270.3	504.0	72.2	14.6	17.1	40.5

INTERNATIONAL INVESTMENT POSITION



COMPONENTS OF THE POSITION



Source: BE.

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

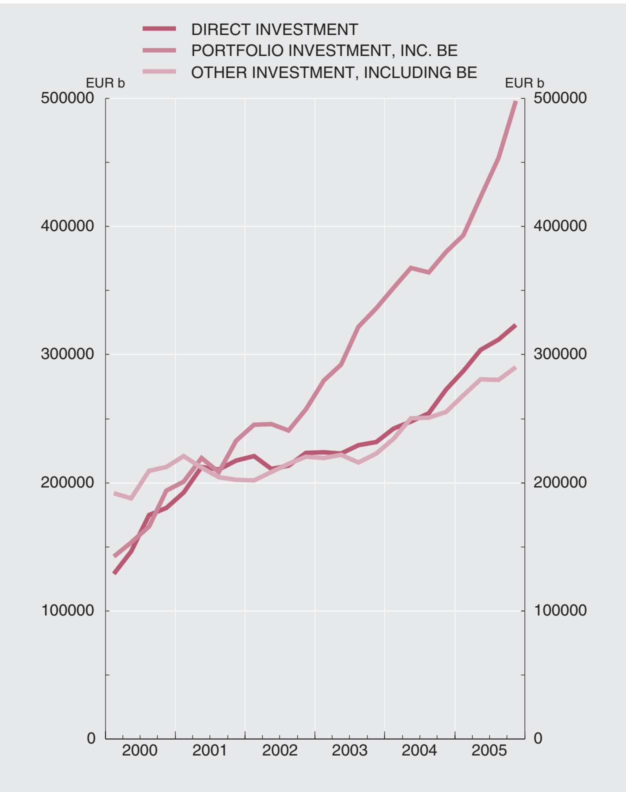
7.7. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-à-VIS OTHER EURO AREA RESIDENTES AND THE REST OF THE WORLD BREAKDOWN BY INVESTMENT

■ Series depicted in chart.

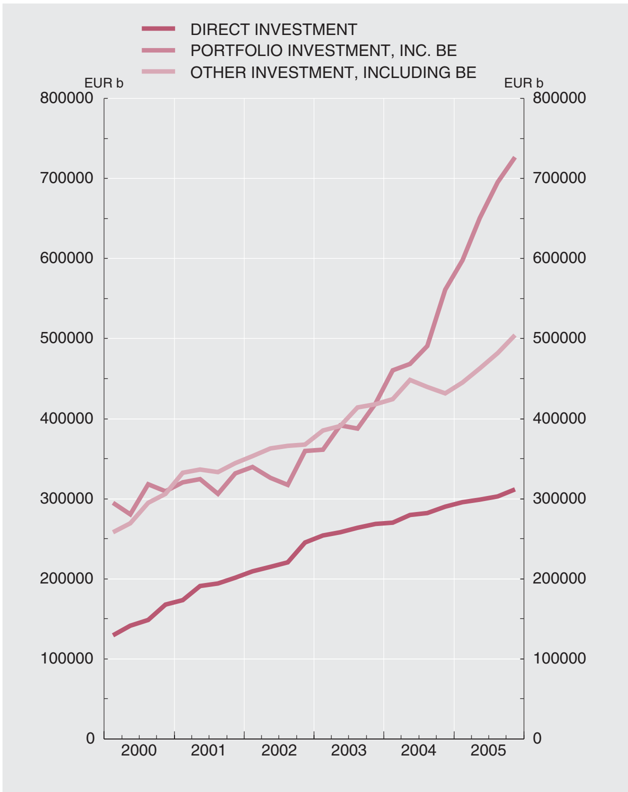
End-of-period stocks in EUR millions

	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	144 390	157 981
98	57 849	5 690	90 760	17 284	20 250	52 876	116 698	92 841	162 001	193 708
99	110 031	7 469	106 535	18 251	42 282	85 105	145 948	122 443	189 266	243 489
00	167 151	13 095	142 844	25 182	83 918	109 764	147 521	161 672	212 159	305 778
01	197 233	20 231	164 360	36 768	74 596	158 052	144 151	187 459	202 099	344 845
02 *Q4*	206 268	16 815	194 711	50 456	50 712	206 581	116 967	242 432	220 483	367 646
03 *Q1*	206 602	17 300	203 995	50 338	47 089	232 844	116 359	245 201	219 438	385 462
Q2	205 551	17 399	207 551	50 851	51 400	240 717	133 812	258 086	221 881	390 621
Q3	213 679	15 798	210 597	53 203	56 847	264 746	130 593	256 851	215 885	413 722
Q4	217 086	14 477	207 096	61 828	62 677	273 344	147 878	270 550	222 670	418 202
04 *Q1*	225 194	16 833	208 256	61 519	70 575	281 731	153 501	306 722	234 377	424 549
Q2	230 136	17 510	214 813	64 839	75 270	292 225	149 108	319 292	250 473	448 152
Q3	234 813	19 624	218 183	64 231	71 014	293 161	150 702	339 837	250 827	439 658
Q4	254 696	17 791	223 215	66 917	78 053	302 067	183 210	378 218	255 181	431 348
05 *Q1*	267 094	20 127	225 510	70 304	79 828	313 129	184 792	412 862	268 200	444 867
Q2	283 979	19 833	229 405	69 112	83 674	339 216	178 505	471 746	280 676	462 938
Q3	290 978	20 680	230 683	72 258	93 652	360 151	204 333	490 672	280 165	481 856
Q4	301 850	21 250	239 784	71 868	104 150	393 747	197 346	529 316	290 091	504 122

SPANISH INVESTMENT ABROAD



FOREIGN INVESTMENT IN SPAIN



Source: BE.
Nota: See footnote to Indicator 7.6

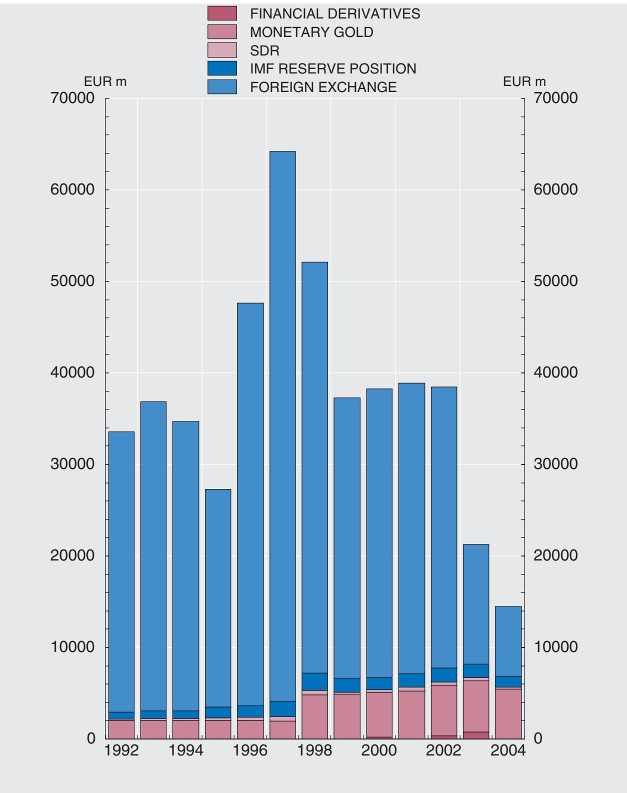
7.8. SPANISH RESERVE ASSETS

■ Series depicted in chart.

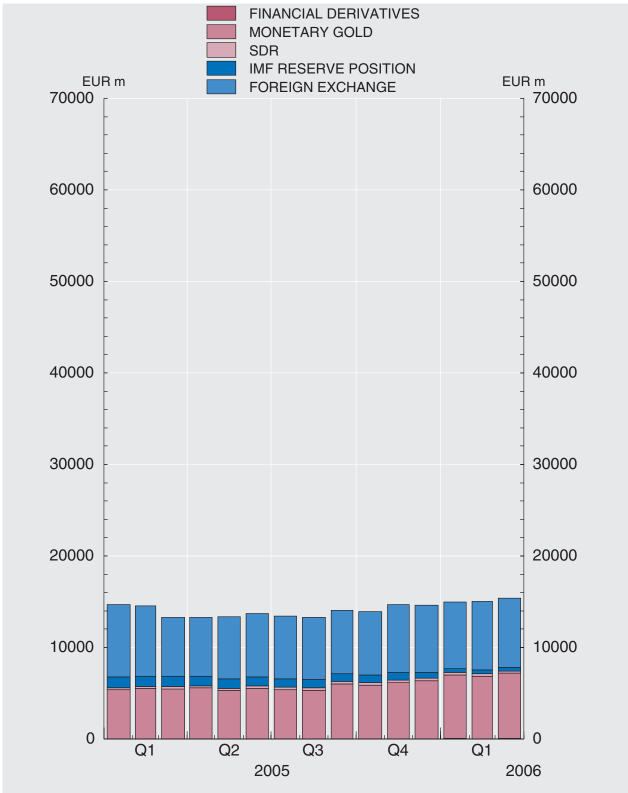
End-of-period socks in EUR millions

	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 *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
Oct	13 893	6 894	820	275	5 959	-55	15.2
Nov	14 694	7 423	825	281	6 238	-72	14.8
Dec	14 601	7 306	636	281	6 400	-21	14.7
06 *Jan*	14 970	7 254	432	279	6 904	102	14.7
Feb	15 005	7 443	437	261	6 878	-15	14.7
Mar	15 377	7 544	405	258	7 101	69	14.7

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*	694 062	183 831	2 196	710	168 451	12 474	-	328 247	315	165 842	39 596	122 493
Q2	714 542	188 667	3 069	267	173 146	12 185	-	339 679	323	170 814	44 803	123 739
Q3	742 230	180 683	3 560	1 780	163 164	12 179	-	362 703	353	183 340	49 208	129 801
Q4	772 151	176 501	4 386	335	159 152	12 628	-	374 134	326	187 752	56 363	129 693
04 *Q1*	815 215	192 147	3 676	489	174 928	13 055	-	392 792	361	186 529	72 417	133 485
Q2	856 271	189 040	3 270	428	172 191	13 151	-	425 717	353	207 118	79 569	138 676
Q3	868 750	195 531	3 136	1 755	177 265	13 374	-	423 118	362	198 299	88 484	135 974
Q4	904 325	205 323	2 956	705	184 800	16 863	-	427 328	301	194 245	100 711	132 071
05 *Q1*	954 641	206 611	2 600	1 024	185 261	17 726	-	456 631	467	202 197	121 665	132 301
Q2	1 034 314	215 489	2 268	437	196 053	16 731	-	486 308	577	232 191	135 730	117 810
Q3	1 075 270	214 956	3 168	1 424	193 837	16 527	-	514 123	340	264 976	147 031	101 776
Q4	1 137 322	215 091	2 547	65	195 014	17 465	-	544 853	705	276 510	160 788	106 850

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

End-of-period positions *EUR millions*

	Monetary authority		Other residents sectors								Direct investment		
	Total	Short-term	Total	Short-term			Long-term				Total	Vis-à-vis	
		Deposits		Money market 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	117 787	2 678	19 084	123	31 964	62 955	446	537	63 399	32 831	30 568
Q2	870	870	119 491	2 497	17 701	167	34 248	63 864	437	576	65 836	33 091	32 745
Q3	313	313	126 874	2 418	20 273	168	38 148	64 957	419	491	71 657	33 529	38 128
Q4	92	92	138 025	2 297	19 198	-	48 027	67 707	404	393	83 400	39 453	43 947
04 *Q1*	62	62	146 270	2 321	20 105	359	53 019	69 393	405	669	83 944	36 235	47 710
Q2	1	1	152 686	2 561	18 327	229	61 346	69 195	402	625	88 826	37 125	51 702
Q3	0	0	160 845	3 312	18 685	634	67 278	70 008	392	537	89 255	37 445	51 810
Q4	16	16	176 899	4 043	18 952	1 175	85 408	66 403	413	505	94 759	38 513	56 246
05 *Q1*	0	0	194 487	4 274	20 580	787	98 595	69 030	405	817	96 912	39 800	57 112
Q2	71	71	232 818	3 839	19 958	1 569	133 280	72 974	397	801	99 630	41 705	57 925
Q3	42	42	243 407	3 401	19 386	1 636	142 895	74 943	392	753	102 742	42 823	59 918
Q4	126	126	273 367	3 313	19 321	996	166 949	81 647	388	753	103 885	43 218	60 666

Source: BE.

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

Average of daily data, EUR millions

	Net lending							Counterparts							
	Total	Open market operations				Standing facilities		Autonomous factors					Other liabilities (net) in euro	Actual reserves of credit institutions	Debt certificates
		Main refinancing operations	Longer-term refinancing operations	Fine-tuning and structural reverse operations (net)	Other	Marginal lending facility	Deposit facility	Total	Banknotes	Net liabilities to general government	Gold and net assets in foreign currency	Other (net)			
	1=2+3+4 +5+6-7	2	3	4	5	6	7	8=9+10 -11+12	9	10	11	12	13	14	15
04 *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	-
Oct	380 847	291 327	89 999	-405	-7	61	128	227 409	534 411	7 149	315 263	1 112	2 194	151 245	-
Nov	389 195	299 224	90 002	-	1	80	113	234 860	538 109	11 412	313 526	-1 135	2 625	151 709	-
Dec	406 048	317 137	89 211	-341	5	145	109	248 369	558 128	5 237	312 391	-2 605	3 092	154 588	-
06 *Jan*	408 320	316 136	91 835	318	2	109	81	250 562	552 874	12 261	325 172	10 599	3 581	154 177	-
Feb	398 591	296 300	102 017	325	0	62	114	239 384	549 393	9 701	324 915	5 204	2 797	156 410	-
Mar	405 993	295 305	110 886	-113	-0	42	126	244 219	554 137	12 476	324 109	1 715	2 014	159 760	-

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

Average of daily data, EUR millions

	Net lending							Counterparts									
	Total	Open market operations				Standing facilities		Autonomous factors					Other liabilities (net) in euro			Actual reserves of credit institutions	Banco de España certificates
		Main refinancing operations	Longer-term refinancing operations	Fine-tuning and structural reverse operations (net)	Other	Marginal lending facility	Deposit facility	Total	Banknotes	Net liabilities to general government	Gold and net assets in foreign currency	Other (net)	Total	Of euro area residents	Rest		
	1=2+3+4 +5+6-7	2	3	4	5	6	7	8=9+10 -11+12	9	10	11	12	13=14+ +15	14	15	16	17
04 *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	-
Oct	27 830	25 082	2 762	-8	-5	-	1	28 243	74 576	7 007	20 359	-32 981	-16 551	-14 554	-1 997	16 138	-
Nov	30 344	27 660	2 690	-	-1	0	5	29 321	74 987	8 288	20 102	-33 852	-14 259	-12 459	-1 800	15 282	-
Dec	30 285	27 714	2 599	-28	1	0	1	28 287	78 418	4 987	20 091	-35 027	-14 642	-12 803	-1 839	16 640	-
06 *Jan*	29 043	26 427	2 614	5	-0	-	3	28 602	78 458	5 881	20 570	-35 167	-14 818	-13 117	-1 701	15 259	-
Feb	28 631	25 724	2 906	-	1	3	2	30 723	77 841	8 807	20 573	-35 352	-18 684	-17 199	-1 485	16 591	-
Mar	26 841	23 879	2 967	-	-2	-	4	30 439	78 742	7 948	20 571	-35 680	-20 262	-18 756	-1 506	16 664	-

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

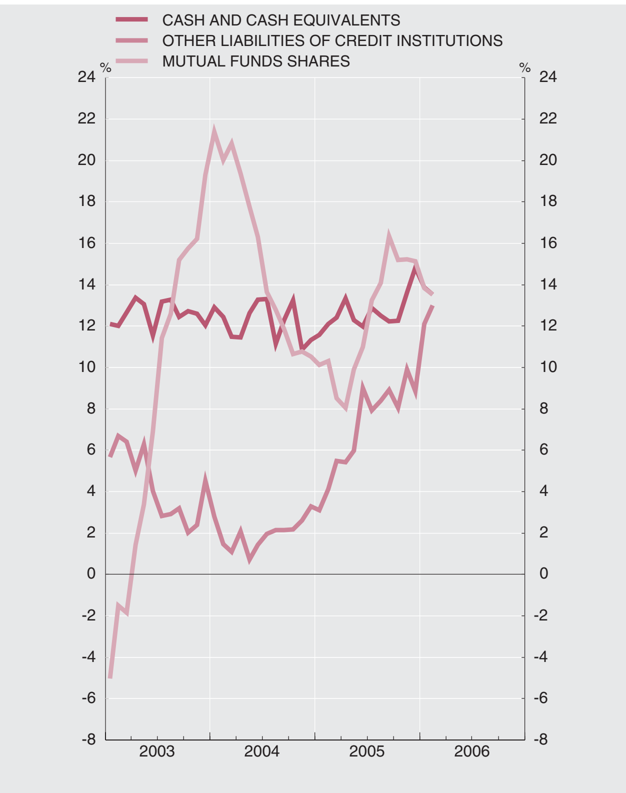
8.2 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES (a) OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN

■ Series depicted in chart.

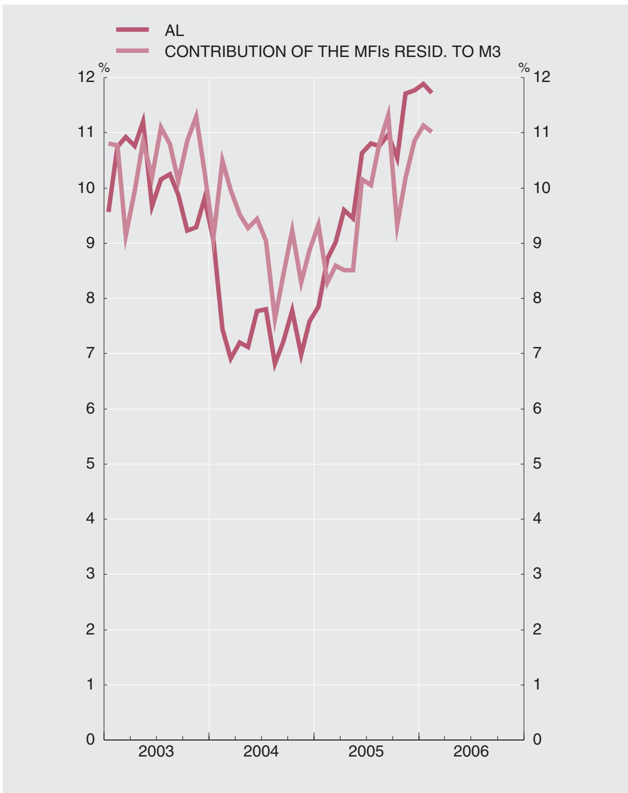
EUR millions and %

	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			Fixed income in EUR (d)	Other	AL (e)	Contribution of the MFIs resid. to M3
	1	2 ■	3	4	5	6 ■	7	8	9	10	11 ■	12	13	14 ■	15 ■
03	360 691	12.0	20.9	10.3	278 224	4.5	2.2	14.9	-0.7	173 917	19.3	18.5	20.2	9.8	10.3
04	401 569	11.3	19.7	9.5	287 354	3.3	8.4	-12.1	-8.3	192 210	10.5	5.9	15.8	7.6	8.9
05	461 130	14.8	18.0	14.1	312 767	8.8	10.6	3.1	1.1	221 291	15.1	7.8	22.8	11.8	10.9
04 *Nov*	393 163	10.8	20.0	9.0	279 500	2.6	8.1	-13.3	-16.0	190 665	10.8	5.0	17.6	7.0	8.3
Dec	401 569	11.3	19.7	9.5	287 354	3.3	8.4	-12.1	-8.3	192 210	10.5	5.9	15.8	7.6	8.9
05 *Jan*	396 854	11.6	19.9	9.8	285 547	3.1	8.7	-8.7	-28.6	194 486	10.1	7.8	12.7	7.9	9.3
Feb	402 476	12.1	19.2	10.6	286 991	4.1	9.3	-9.1	-22.5	198 006	10.3	9.3	11.4	8.7	8.3
Mar	408 970	12.4	19.0	11.0	290 499	5.5	8.8	-3.7	-9.3	198 909	8.5	6.3	10.8	9.0	8.6
Apr	412 266	13.3	18.2	12.2	291 306	5.4	9.5	-3.4	-21.7	200 162	8.0	7.5	8.6	9.6	8.5
May	417 032	12.3	17.8	11.1	291 950	6.0	10.0	-2.5	-23.5	204 210	9.9	8.5	11.5	9.5	8.5
Jun	435 667	12.0	17.8	10.7	299 131	9.0	11.5	2.5	-6.1	207 466	11.0	9.9	12.1	10.6	10.2
Jul	440 736	12.9	17.4	11.9	295 556	7.9	10.4	-0.0	-4.0	211 403	13.3	10.5	16.1	10.8	10.1
Aug	429 631	12.5	17.6	11.4	300 587	8.4	11.2	0.1	-6.1	214 149	14.1	10.7	17.7	10.8	10.8
Sep	436 815	12.2	18.7	10.8	300 234	8.9	10.6	6.7	-9.7	217 835	16.3	11.7	21.2	11.0	11.3
Oct	436 966	12.3	17.8	11.0	299 822	8.0	9.7	4.5	-8.1	217 087	15.2	10.8	19.8	10.5	9.3
Nov	446 668	13.6	18.4	12.5	307 171	9.9	10.4	9.2	3.6	219 666	15.2	9.3	21.5	11.7	10.2
Dec	461 130	14.8	18.0	14.1	312 767	8.8	10.6	3.1	1.1	221 291	15.1	7.8	22.8	11.8	10.9
06 *Jan* P	451 875	13.9	17.4	13.0	320 075	12.1	12.4	13.8	-0.1	221 399	13.8	3.4	24.8	11.9	11.1
Feb P	456 932	13.5	17.5	12.6	324 276	13.0	13.3	13.7	4.0	224 799	13.5	0.9	26.5	11.7	11.0

NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change



NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change



Source: BE.

(a) This concept refers to the instruments included in the headings of the table, issued by resident credit institutions and mutual funds. The exception is column 9, which includes deposits in Spanish bank branches abroad.

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

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

(d) The series includes the old categories of Money market funds and Fixed income mutual funds in euros.

(e) Defined as cash and cash equivalents, other liabilities of credit institutions and Fixed income mutual funds shares in euros.

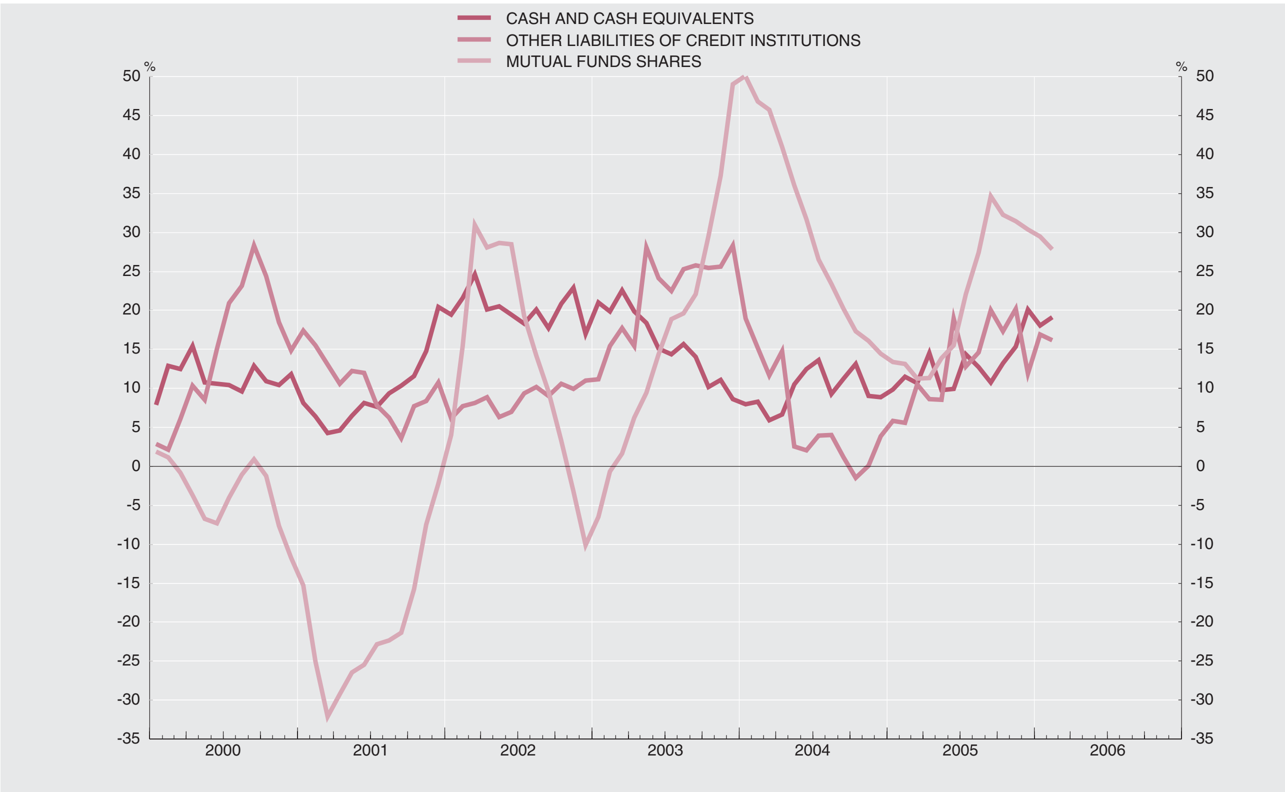
8.3 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

EUR millions and %

		Cash and cash equivalents (b)		Other liabilities of credit institutions				Mutual funds shares			
		Stocks	Annual growth rate	Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate	
						Other deposits (c)	Repos + credit instit.' securit.+ dep. in branches abroad			Fixed income in EUR (d)	Other
		1	2 ■	3	4 ■	5	6	7	8 ■	9	10
03		85 186	8.6	63 525	28.4	39.2	22.0	20 465	49.0	37.8	61.9
04		92 764	8.9	65 961	3.8	24.6	-10.0	23 418	14.4	17.5	11.5
05		111 423	20.1	73 818	11.9	30.8	-5.5	30 538	30.4	15.8	45.3
04 *Nov*		91 559	9.1	59 614	0.1	19.7	-14.2	23 006	16.1	18.1	14.0
Dec		92 764	8.9	65 961	3.8	24.6	-10.0	23 418	14.4	17.5	11.5
05 *Jan*		90 754	9.9	62 417	5.8	28.4	-10.1	23 976	13.4	15.5	11.3
Feb		93 081	11.5	62 082	5.5	29.4	-11.4	24 689	13.1	13.7	12.5
Mar		94 706	10.6	65 115	10.5	30.2	-4.3	25 141	11.2	7.6	14.7
Apr		96 277	14.5	64 569	8.6	29.7	-7.3	25 620	11.3	8.4	14.1
May		96 414	9.8	63 690	8.5	31.2	-10.6	26 495	13.9	8.9	19.0
Jun		102 686	9.9	68 205	19.0	45.1	-3.4	27 239	15.5	9.8	21.5
Jul		104 034	14.3	64 345	12.8	34.0	-6.1	28 165	22.1	13.1	31.9
Aug		98 985	12.8	68 150	14.6	36.6	-4.3	28 931	27.4	16.1	40.0
Sep		101 033	10.7	69 637	20.0	33.9	6.8	29 865	34.7	20.0	50.8
Oct		101 086	13.2	68 056	17.3	34.0	1.1	29 806	32.3	19.0	46.5
Nov		105 621	15.4	71 638	20.2	33.7	6.4	30 244	31.5	17.4	46.1
Dec		111 423	20.1	73 818	11.9	30.8	-5.5	30 538	30.4	15.8	45.3
06 *Jan*	P	107 184	18.1	72 997	17.0	27.3	6.5	31 035	29.4	14.8	43.9
Feb	P	110 900	19.1	72 107	16.1	25.7	6.2	31 557	27.8	12.1	42.7

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.

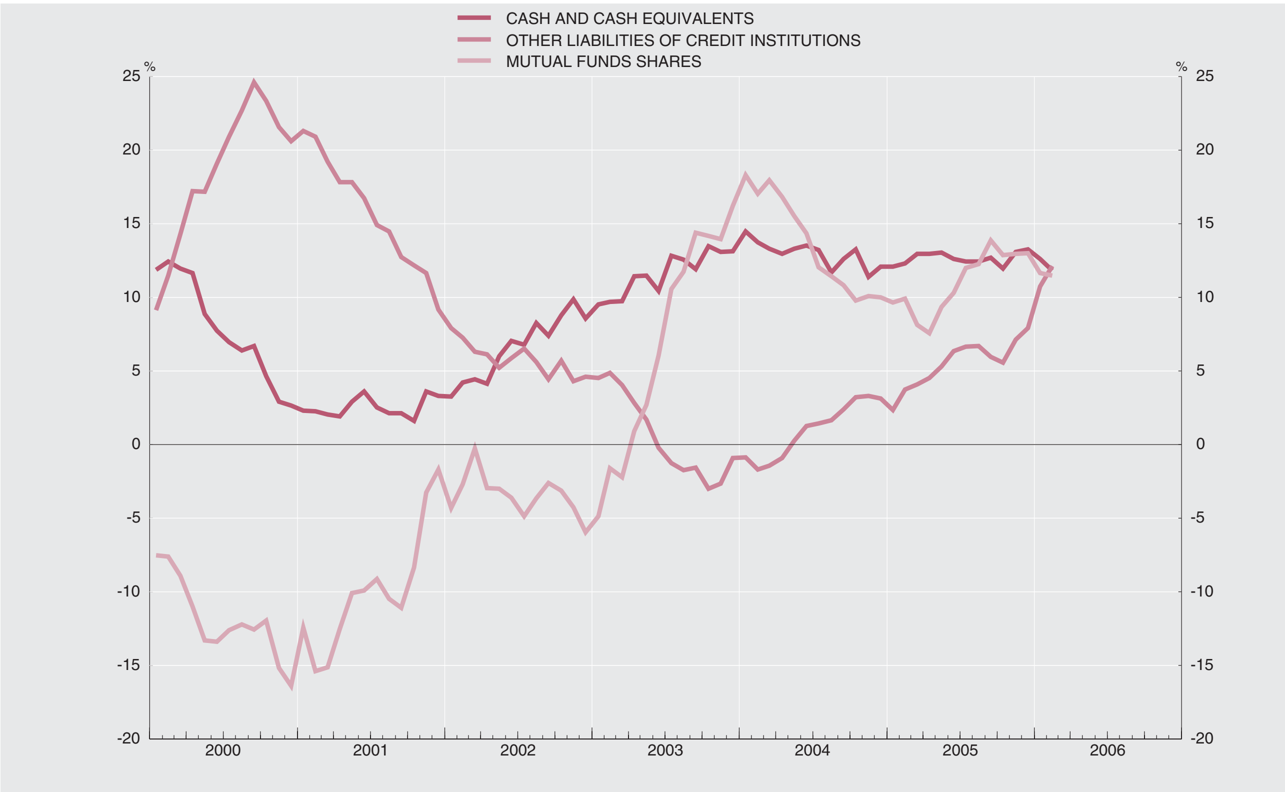
(d) The series includes the old categories of Money market funds and Fixed income mutual funds in euros.

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

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

		Cash and cash equivalents				Other liabilities of credit institutions				Mutual funds shares			
		Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate	
				Cash	Deposits (b)			Other deposits (c)	Repos + credit instit.' securit.+ dep. in branches abroad			Fixed income in EUR (d)	Other
		1	2 ■	3	4	5	6 ■	7	8	9	10 ■	11	12
03		275 505	13.1	20.7	11.3	214 699	-0.9	-1.4	2.0	153 452	16.2	16.6	15.8
04		308 805	12.1	20.6	9.8	221 393	3.1	6.1	-13.2	168 793	10.0	4.5	16.4
05		349 707	13.2	20.3	11.2	238 948	7.9	7.3	12.4	190 753	13.0	6.7	19.6
04 *Nov*		301 604	11.4	20.8	9.0	219 886	3.3	6.5	-13.5	167 659	10.1	3.5	18.1
Dec		308 805	12.1	20.6	9.8	221 393	3.1	6.1	-13.2	168 793	10.0	4.5	16.4
05 *Jan*		306 099	12.1	20.9	9.8	223 130	2.3	6.0	-16.7	170 511	9.7	6.8	12.9
Feb		309 395	12.3	20.3	10.2	224 908	3.7	6.7	-12.5	173 317	9.9	8.7	11.2
Mar		314 264	13.0	20.2	11.0	225 384	4.1	5.8	-5.5	173 768	8.1	6.1	10.2
Apr		315 989	13.0	19.5	11.2	226 738	4.5	6.7	-7.5	174 542	7.6	7.4	7.8
May		320 618	13.1	19.2	11.4	228 260	5.3	6.9	-3.8	177 716	9.4	8.4	10.4
Jun		332 981	12.6	19.3	10.8	230 926	6.4	6.7	4.6	180 227	10.3	9.9	10.7
Jul		336 703	12.4	19.1	10.6	231 211	6.6	7.0	4.4	183 238	12.0	10.2	14.0
Aug		330 646	12.4	19.4	10.5	232 437	6.7	7.4	2.1	185 218	12.2	10.0	14.7
Sep		335 782	12.7	20.6	10.5	230 597	6.0	7.1	-0.7	187 971	13.9	10.6	17.3
Oct		335 880	12.0	19.8	9.8	231 766	5.6	6.0	2.6	187 281	12.9	9.7	16.2
Nov		341 047	13.1	20.5	11.0	235 533	7.1	6.7	9.8	189 422	13.0	8.2	18.1
Dec		349 707	13.2	20.3	11.2	238 948	7.9	7.3	12.4	190 753	13.0	6.7	19.6
06 *Jan*	P	344 691	12.6	19.4	10.6	247 078	10.7	9.9	15.9	190 364	11.6	1.8	22.0
Feb	P	346 032	11.8	19.4	9.6	252 169	12.1	11.3	17.9	193 242	11.5	-0.7	24.1

HOUSEHOLDS AND NPISH
Annual percentage change



Source: BE.

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

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

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

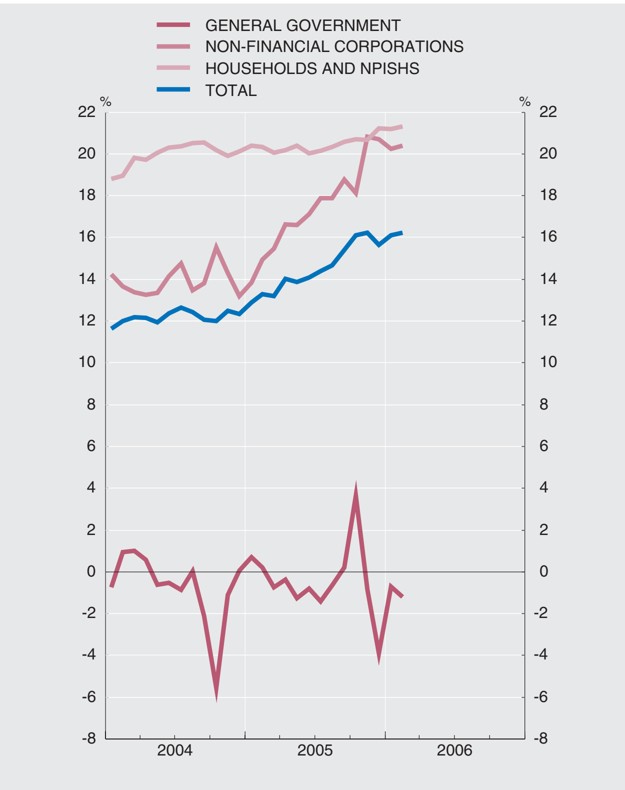
(d) The series includes the old categories of Money market funds and Fixed income mutual funds in euros.

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

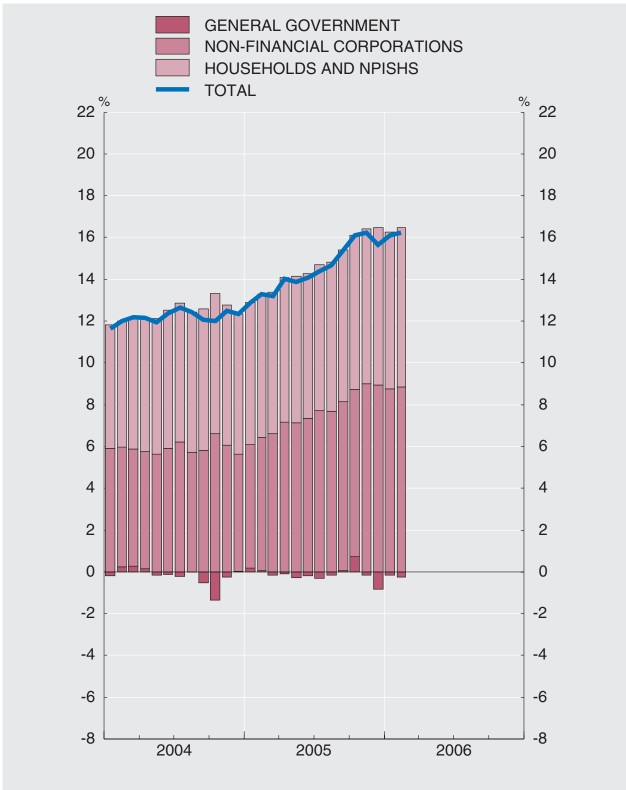
■ Series depicted in chart. *EUR millions and %*

	Total			Annual growth rate							Contribution to col. 3						
					Non-financial corp. and households and NPISHs							Non-financial corp. and households and NPISHs					
						By sectors		By instruments					By sectors		By instrumentss		
	Stocks	Effective flow	Annual growth rate	General government (b)		Non-financial corporations	Households and NPISHs	Credit institutions' loans & securit. funds	Securities other than shares	External loans	General government (b)		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
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	1 512 400	165 822	12.3	0.0	16.2	13.2	20.1	19.0	0.2	3.5	0.0	12.3	5.6	6.7	11.9	0.0	0.4
05	1 754 733	236 496	15.6	-3.9	20.9	20.7	21.2	23.2	-0.3	10.0	-0.8	16.5	8.9	7.5	15.3	-0.0	1.2
04 *Nov*	1 482 691	25 290	12.5	-1.1	16.8	14.3	19.9	18.2	-1.9	10.6	-0.3	12.8	6.1	6.7	11.5	-0.0	1.3
Dec	1 512 400	28 409	12.3	0.0	16.2	13.2	20.1	19.0	0.2	3.5	0.0	12.3	5.6	6.7	11.9	0.0	0.4
05 *Jan*	1 531 050	18 852	12.9	0.7	16.7	13.8	20.4	19.8	1.4	2.6	0.2	12.7	5.9	6.8	12.4	0.0	0.3
Feb	1 538 883	9 842	13.3	0.2	17.3	14.9	20.3	20.0	0.6	5.2	0.0	13.2	6.4	6.9	12.6	0.0	0.7
Mar	1 563 525	22 694	13.2	-0.7	17.5	15.5	20.1	20.0	0.7	6.0	-0.2	13.4	6.6	6.8	12.6	0.0	0.8
Apr	1 578 448	13 412	14.0	-0.4	18.2	16.6	20.2	20.7	2.6	6.8	-0.1	14.1	7.2	6.9	13.2	0.0	0.9
May	1 595 903	16 775	13.9	-1.3	18.3	16.6	20.4	20.7	1.1	7.0	-0.3	14.1	7.1	7.0	13.3	0.0	0.9
Jun	1 635 274	37 075	14.1	-0.8	18.4	17.1	20.0	21.0	1.0	6.2	-0.2	14.3	7.3	6.9	13.5	0.0	0.8
Jul	1 660 073	24 033	14.4	-1.4	18.9	17.9	20.1	21.3	1.5	7.4	-0.3	14.7	7.7	7.0	13.8	0.0	0.9
Aug	1 659 143	-533	14.7	-0.7	19.0	17.9	20.3	21.4	3.0	7.5	-0.1	14.8	7.7	7.1	13.9	0.0	0.9
Sep	1 679 859	21 428	15.4	0.2	19.6	18.8	20.6	22.1	-4.5	7.9	0.0	15.4	8.1	7.3	14.4	-0.0	1.0
Oct	1 695 811	17 306	16.1	3.6	19.3	18.1	20.7	22.1	-3.1	5.9	0.7	15.4	8.0	7.4	14.6	-0.0	0.7
Nov	1 728 807	31 433	16.2	-0.8	20.8	20.8	20.7	22.5	2.5	12.4	-0.2	16.4	9.0	7.4	14.9	0.0	1.5
Dec	1 754 733	24 179	15.6	-3.9	20.9	20.7	21.2	23.2	-0.3	10.0	-0.8	16.5	8.9	7.5	15.3	-0.0	1.2
06 *Jan* P	1 782 608	29 129	16.1	-0.7	20.7	20.2	21.2	22.9	-0.8	9.8	-0.2	16.3	8.8	7.5	15.1	-0.0	1.2
Feb P	1 795 263	12 841	16.2	-1.2	20.8	20.4	21.3	23.1	-2.2	9.5	-0.3	16.5	8.9	7.6	15.4	-0.0	1.1

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.

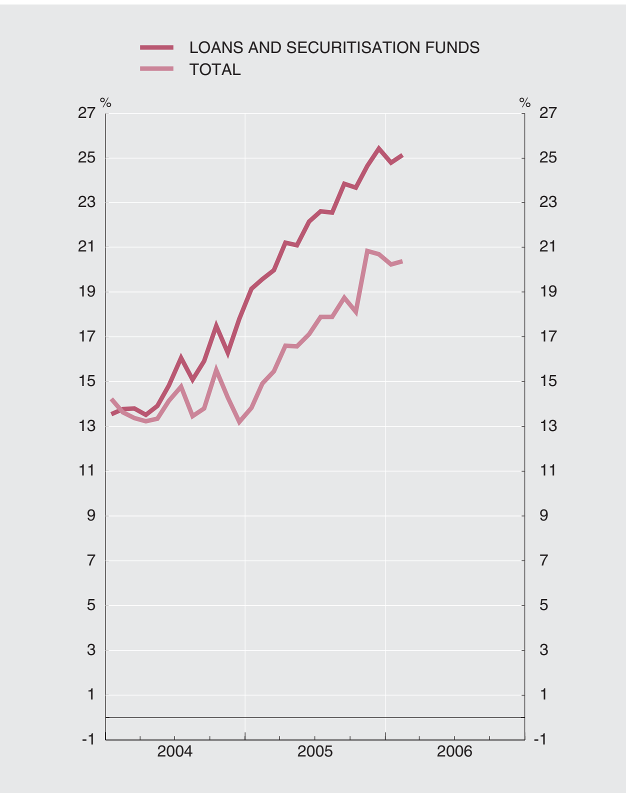
(b) Total liabilities (consolidated) less deposits. Inter-general government liabilities are deduced.

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

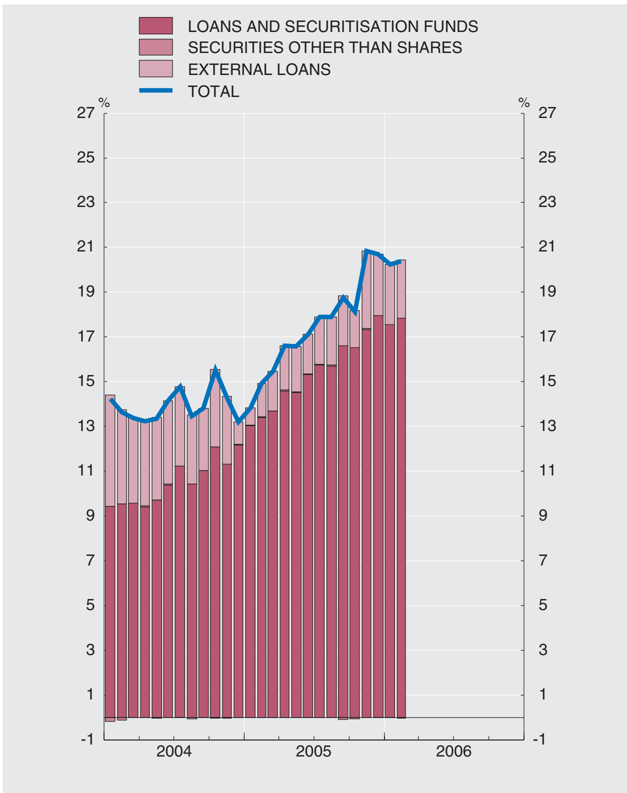
■ Series depicted in chart. *EUR millions and %*

	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
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	652 227	75 639	13.2	461 003	17.8	12.2	10 992	0.2	0.0	180 232	3.4	1.0	15 432
05	793 496	135 044	20.7	577 717	25.4	18.0	10 955	-0.3	-0.0	204 823	10.0	2.8	5 705
04 *Nov*	640 650	-882	14.3	450 528	16.3	11.3	11 185	-1.9	-0.0	178 938	10.6	3.0	14 152
Dec	652 227	10 188	13.2	461 003	17.8	12.2	10 992	0.2	0.0	180 232	3.4	1.0	15 432
05 *Jan*	662 433	10 387	13.8	469 292	19.2	13.0	11 222	1.4	0.0	181 919	2.6	0.8	14 897
Feb	668 347	7 901	14.9	474 492	19.6	13.4	11 706	0.6	0.0	182 149	5.1	1.5	12 953
Mar	682 439	12 089	15.5	483 831	20.0	13.7	12 075	0.7	0.0	186 533	6.0	1.8	12 717
Apr	698 585	14 630	16.6	496 084	21.2	14.6	12 160	2.6	0.1	190 341	6.7	2.0	12 143
May	703 760	4 483	16.6	501 301	21.1	14.5	11 811	1.1	0.0	190 647	7.0	2.0	11 754
Jun	722 176	16 028	17.1	517 294	22.2	15.3	12 014	1.0	0.0	192 867	6.2	1.8	7 060
Jul	741 189	18 224	17.9	532 569	22.6	15.8	11 785	1.5	0.0	196 835	7.4	2.1	6 418
Aug	735 891	-4 894	17.9	527 345	22.6	15.7	11 729	3.0	0.1	196 818	7.5	2.1	6 364
Sep	748 813	13 569	18.8	540 242	23.9	16.6	11 254	-4.5	-0.1	197 317	7.8	2.2	6 970
Oct	762 073	14 597	18.1	553 593	23.7	16.5	11 193	-3.1	-0.1	197 287	5.8	1.7	9 652
Nov	779 955	16 288	20.8	561 180	24.7	17.3	11 468	2.5	0.0	207 307	12.4	3.5	9 178
Dec	793 496	11 742	20.7	577 717	25.4	18.0	10 955	-0.3	-0.0	204 823	10.0	2.8	5 705
06 *Jan* P	801 664	9 408	20.2	585 245	24.8	17.6	11 137	-0.8	-0.0	205 282	9.8	2.7	5 550
Feb P	811 650	10 164	20.4	593 291	25.1	17.8	11 450	-2.2	-0.0	206 909	9.5	2.6	5 499

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.

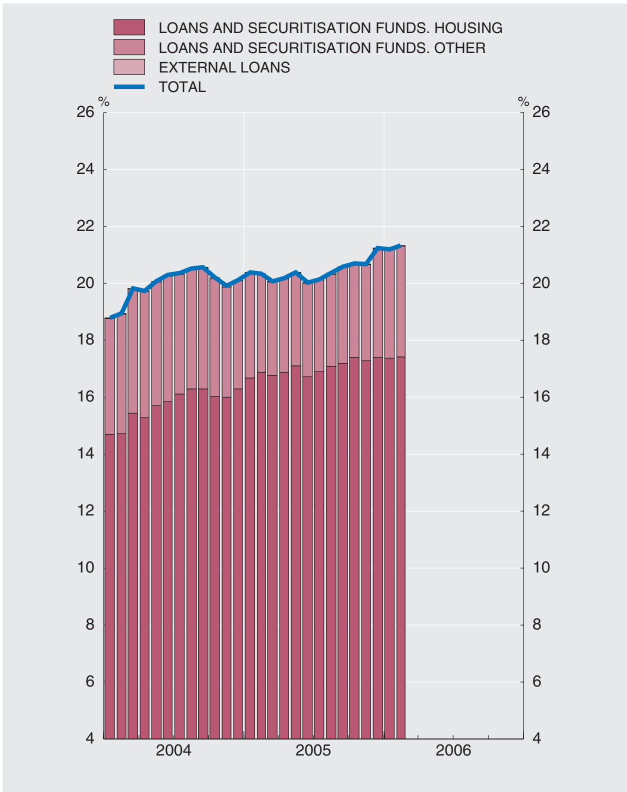
8.7. FINANCING OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ 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
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	861	19.2	0.0	47 225	8 819
05		650 909	114 048	21.2	474 400	24.5	17.4	175 508	13.2	3.8	1 001	16.3	0.0	28 419	3 019
04 *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	861	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		569 734	10 610	20.2	409 201	24.3	16.9	159 631	10.8	3.3	902	17.8	0.0	51 203	8 014
May		580 006	10 284	20.4	418 030	24.5	17.1	161 061	10.8	3.3	916	17.4	0.0	54 343	7 764
Jun		593 112	13 198	20.0	425 435	24.1	16.7	166 749	10.8	3.3	928	16.3	0.0	34 300	3 385
Jul		602 756	9 668	20.1	435 624	24.2	16.9	166 190	10.7	3.2	943	16.4	0.0	33 893	3 592
Aug		607 882	5 119	20.3	440 930	24.3	17.1	165 999	10.9	3.2	953	16.2	0.0	34 035	3 514
Sep		616 709	8 891	20.6	447 953	24.4	17.2	167 789	11.4	3.4	967	16.5	0.0	32 608	3 833
Oct		626 526	9 833	20.7	456 410	24.7	17.4	169 144	11.2	3.3	972	15.7	0.0	32 451	3 452
Nov		640 388	13 893	20.7	465 231	24.6	17.3	174 180	11.4	3.4	977	14.3	0.0	34 007	3 197
Dec		650 909	10 573	21.2	474 400	24.5	17.4	175 508	13.2	3.8	1 001	16.3	0.0	28 419	3 019
06 *Jan*	P	658 030	7 135	21.2	481 343	24.4	17.4	175 674	13.2	3.8	1 012	15.6	0.0	28 018	2 917
Feb	P	667 092	9 072	21.3	489 174	24.4	17.4	176 895	13.7	3.9	1 024	15.5	0.0	27 678	2 708

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

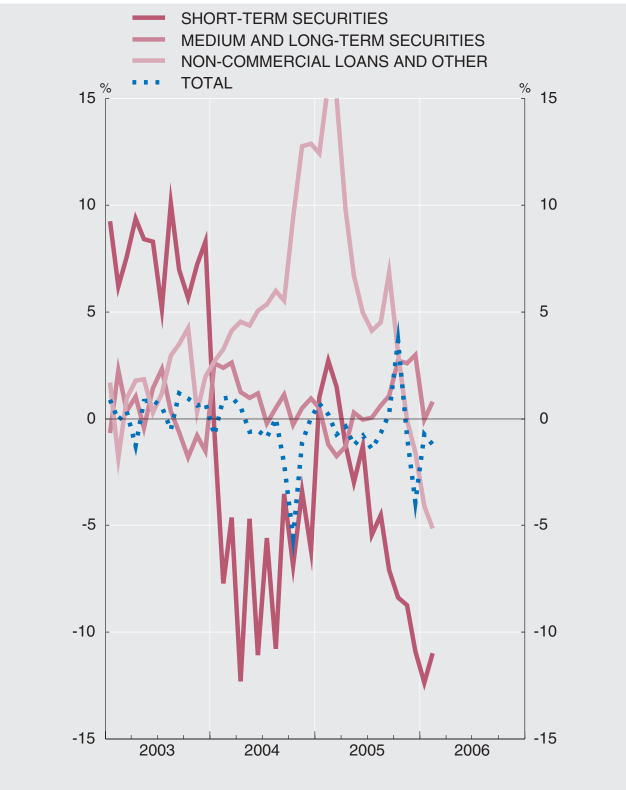
■ Series depicted in chart.

EUR millions and %

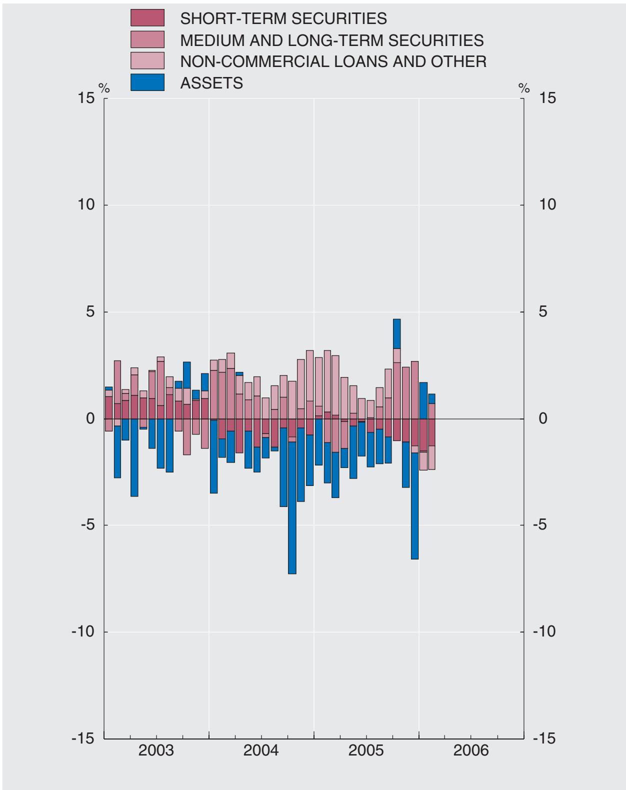
		Net financing: Net stock of liabilities (1)	Net financing: Monthly change (columns 4-8-9) (2)	Net financing: 12-month % change of col. 1 (3) ■	Monthly change in stocks, Liabilities (a): Total (4)	Liabilities (a), Securities: Short-term (5)	Liabilities (a), Securities: Medium and long-term (6)	Liabilities (a): Non-commercial loans and other (b) (7)	Assets: Deposits at the Banco de Espana (8)	Assets: Other deposits (c) (9)
02		320 409	-2 139	-0.7	6 597	59	6 352	185	1 785	6 950
03		322 766	2 356	0.7	-240	3 049	-4 431	1 142	1 767	-4 363
04		322 923	157	0.0	7 849	-2 456	2 694	7 611	-1 817	9 509
05	P	310 328	-12 595	-3.9	3 515	-4 075	8 649	-1 059	-695	16 806
04 *Sep*		313 639	-3 839	-2.1	6 473	2 854	3 878	-259	-43	10 355
Oct		296 450	-17 189	-5.5	-4 711	-1 504	-5 616	2 408	11 558	920
Nov		311 011	14 561	-1.1	6 745	2 149	3 996	600	-12 925	5 109
Dec		322 923	11 913	0.0	1 336	-1 329	207	2 458	-389	-10 188
05 *Jan*	P	325 274	2 350	0.7	5 576	2 621	2 431	524	2 095	1 131
Feb	P	320 391	-4 883	0.2	-3 472	-3 059	-2 041	1 627	209	1 201
Mar	P	321 957	1 566	-0.7	633	1 207	-945	371	193	-1 125
Apr	P	310 129	-11 827	-0.4	-2 559	-3 320	2 693	-1 932	1 471	7 798
May	P	312 137	2 008	-1.3	2 827	1 968	2 995	-2 136	-316	1 136
Jun	P	319 986	7 849	-0.8	-447	-2 166	2 486	-766	150	-8 446
Jul	P	316 127	-3 859	-1.4	-6 341	1 337	-8 111	432	-3 422	939
Aug	P	315 369	-758	-0.7	-3 078	-2 349	-169	-560	-220	-2 100
Sep	P	314 337	-1 033	0.2	8 045	1 748	5 139	1 158	117	8 960
Oct	P	307 212	-7 125	3.6	-2 638	-1 876	-945	183	-10 050	14 537
Nov	P	308 464	1 253	-0.8	4 162	1 828	3 742	-1 408	-102	3 011
Dec	P	310 328	1 864	-3.9	807	-2 014	1 375	1 447	9 179	-10 236
06 *Jan*	A	322 915	12 586	-0.7	-5 810	1 742	-6 375	-1 177	-9 835	-8 561
Feb	A	316 520	-6 394	-1.2	-921	-2 166	395	850	277	5 196

	12-month % change in stocks, Liabilities: Total (10)	Liabilities, Securities: Short-term (11) ■	Liabilities, Securities: Medium and long-term (12) ■	Liabilities: Non-commercial loans and other (a) (13) ■	Assets (14)	Contribution to 12-month % change in net stocks of liabilities, Liabilities, Securities: Short-term (15) ■	Securities: Medium and long-term (16) ■	Liabilities: Non-commercial loans and other (a) (17) ■	Assets (18) ■
02	1.7	0.2	2.2	0.3	15.2	0.0	2.0	0.1	-2.7
03	-0.1	8.3	-1.5	2.0	-3.9	1.0	-1.4	0.4	0.8
04	2.0	-6.2	0.9	12.9	12.1	-0.8	0.8	2.4	-2.4
05	0.9	-10.9	3.0	-1.6	22.6	-1.3	2.7	-0.3	-5.0
04 *Sep*	1.3	-3.5	1.1	5.5	18.1	-0.4	1.0	1.0	-3.7
Oct	0.5	-6.9	-0.3	9.4	27.6	-0.9	-0.2	1.7	-6.2
Nov	1.9	-3.4	0.5	12.7	15.3	-0.4	0.5	2.3	-3.4
Dec	2.0	-6.2	0.9	12.9	12.1	-0.8	0.8	2.4	-2.4
05 *Jan*	2.4	1.0	0.5	12.4	10.4	0.1	0.5	2.3	-2.2
Feb	1.7	2.7	-1.2	15.5	8.7	0.3	-1.1	2.9	-1.9
Mar	1.1	1.5	-1.7	15.1	10.1	0.2	-1.6	2.8	-2.1
Apr	0.4	-1.2	-1.3	9.8	3.5	-0.1	-1.2	1.9	-0.9
May	1.0	-3.0	0.3	6.7	10.1	-0.4	0.3	1.3	-2.5
Jun	0.6	-1.3	-0.0	5.0	7.1	-0.1	-0.0	0.9	-1.6
Jul	0.2	-5.5	0.1	4.1	7.5	-0.6	0.0	0.8	-1.6
Aug	0.8	-4.5	0.6	4.5	7.6	-0.5	0.6	0.9	-1.6
Sep	1.2	-7.1	1.1	6.8	5.0	-0.9	1.0	1.3	-1.2
Oct	1.7	-8.4	2.7	3.1	-4.6	-1.0	2.6	0.7	1.4
Nov	1.0	-8.7	2.6	-0.1	8.1	-1.1	2.4	-0.0	-2.1
Dec	0.9	-10.9	3.0	-1.6	22.6	-1.3	2.7	-0.3	-5.0
06 *Jan*	-2.0	-12.4	-0.1	-4.1	-7.4	-1.5	-0.0	-0.8	1.7
Feb	-1.3	-11.0	0.8	-5.1	-1.9	-1.3	0.7	-1.1	0.5

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.

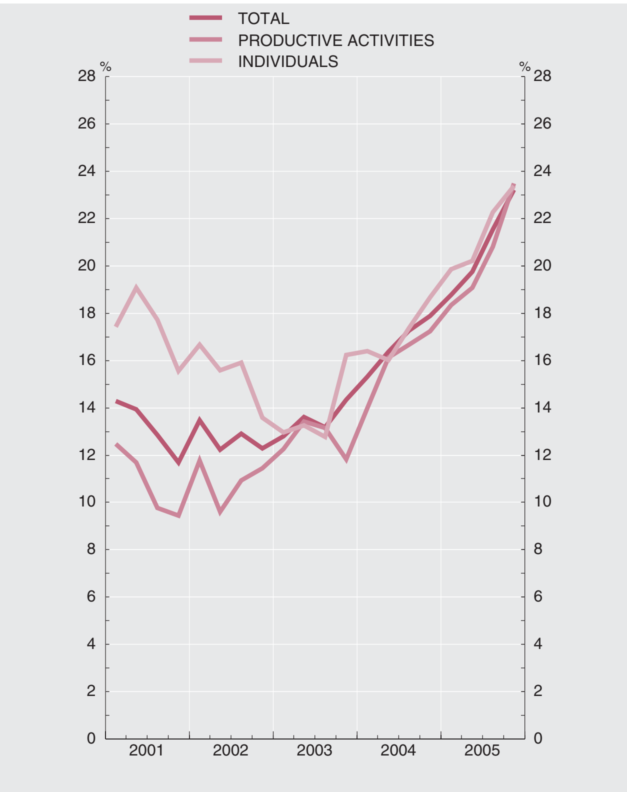
8.9 LENDING BY CREDIT INSTITUTIONS TO OTHER RESIDENT SECTORS. BREAKDOWN BY END-USE.

■ Series depicted in chart.

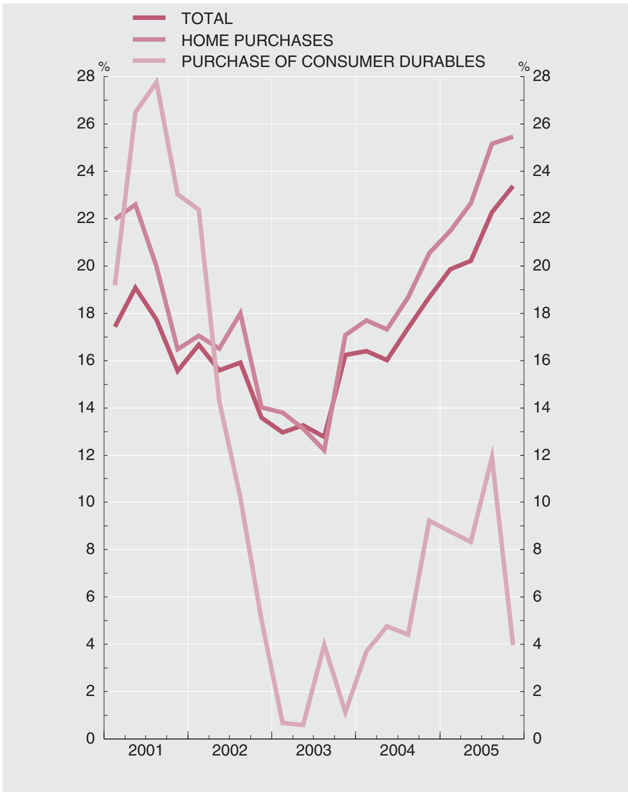
EUR millions and percentages

	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	482 984	18 104	90 487	78 372	296 020	441 443	333 826	317 268	16 557	38 379	69 238	3 677	17 594
02 *Q4*	701 663	368 466	15 122	85 762	57 376	210 206	320 053	235 086	224 830	10 256	34 741	50 227	2 324	10 819
03 *Q1*	722 204	375 901	15 138	86 559	56 975	217 229	331 747	244 498	233 729	10 769	34 910	52 339	2 285	12 271
Q2	754 872	389 249	15 712	87 015	59 431	227 091	349 500	256 010	244 414	11 596	35 676	57 814	2 512	13 608
Q3	770 523	398 206	16 462	87 240	61 902	232 601	357 146	264 453	252 316	12 136	36 468	56 225	2 651	12 520
Q4	802 212	411 986	16 402	85 829	65 784	243 972	372 013	275 958	263 192	12 766	35 136	60 919	3 002	15 212
04 *Q1*	832 734	428 517	16 973	85 326	68 171	258 047	386 179	288 736	275 107	13 629	36 201	61 242	3 108	14 930
Q2	878 477	452 030	17 102	86 636	72 362	275 930	405 486	301 537	286 744	14 793	37 374	66 575	3 183	17 777
Q3	903 590	464 578	17 655	88 360	75 494	283 069	419 230	315 021	299 447	15 574	38 075	66 134	3 426	16 355
Q4	945 697	482 984	18 104	90 487	78 372	296 020	441 443	333 826	317 268	16 557	38 379	69 238	3 677	17 594
05 *Q1*	989 196	507 089	18 188	93 815	83 421	311 665	462 910	351 757	334 224	17 532	39 375	71 778	3 548	15 649
Q2	R1 079 869	542 522	19 459	98 999	89 710	334 354	512 464	391 135	371 669	19 466	42 494	78 836	4 200	20 682
Q3	1 126 069	565 606	20 144	101 351	94 322	349 789	537 597	415 345	394 810	20 534	44 609	77 644	4 355	18 512
Q4	1 202 630	604 062	20 738	104 695	100 715	377 913	576 254	445 972	424 237	21 734	42 252	88 030	4 666	17 648

CREDIT BY END-USE
Annual percentage changes (c)



CREDIT TO INDIVIDUALS BY END-USE
Annual percentage changes (c)



Source: BE.

(a) Series obtained from information in the accounting statement established for the supervision of resident institutions. See the changes introduced in the October 2001 edition of the Boletín estadístico and Tables 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.

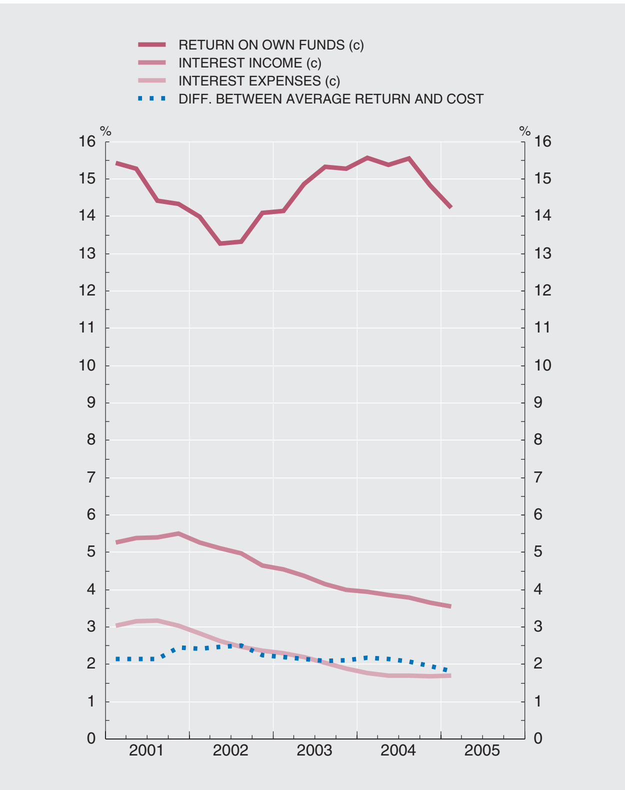
(c) Asset-backed securities brought back onto the balance sheet as a result of the entry into force of Banco de España Circular BE 4/2004 have caused a break in the series in June 2005. The rates depicted in the chart have been adjusted to eliminate this effect.

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

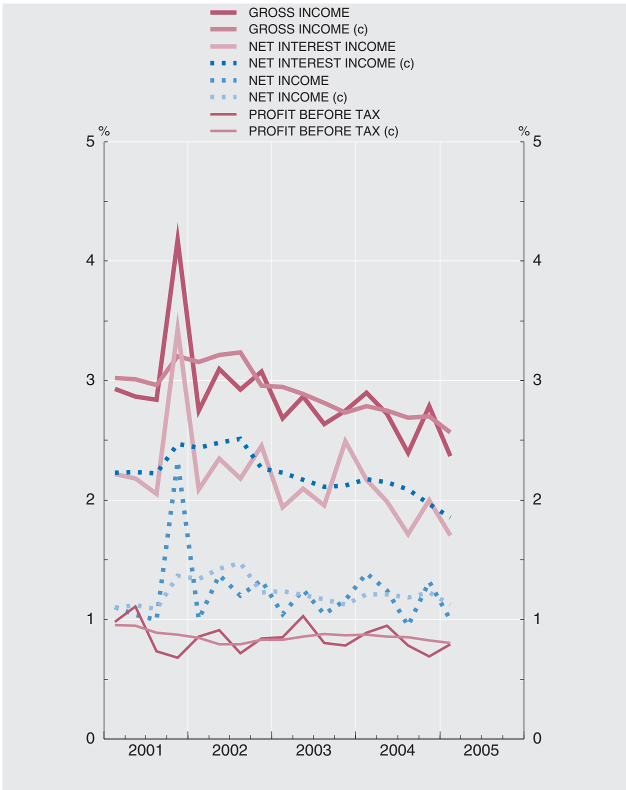
■ Series depicted in chart.

	As a percentage of the adjusted average balance sheet										Percentages			
	Interest income 1 ■	Interest expenses 2 ■	Net interest income 3 ■	Non interest income and expenses 4	Gross income 5 ■	Operating expenses: 6	Of which: Staff costs 7	Net income 8 ■	Provisions and other income and expenses 9	Profit before tax 10 ■	Return on own funds (a) 11 ■	Average return on lending operations (b) 12	Average cost of borrowing operations (b) 13	Difference (12-13) 14 ■
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.

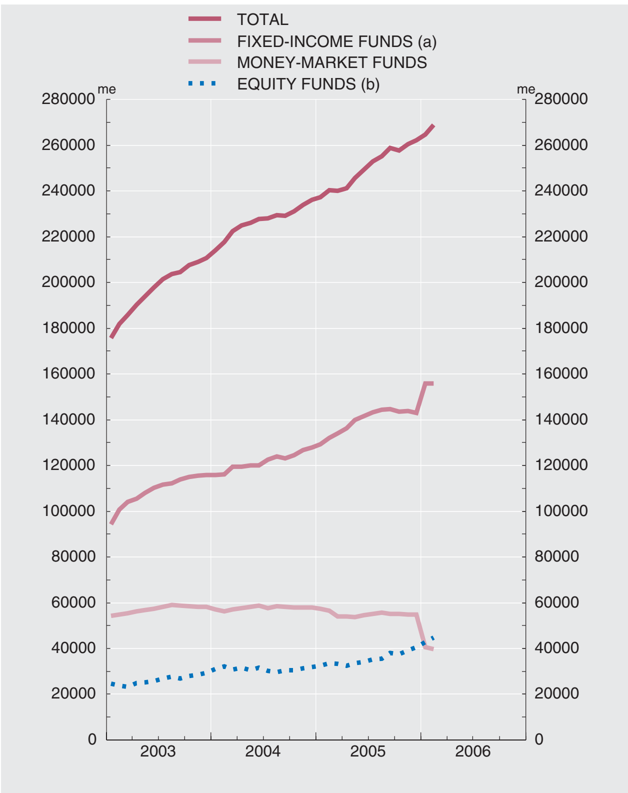
8.11. MUTUAL FUNDS RESIDENT IN SPAIN

■ Series depicted in chart.

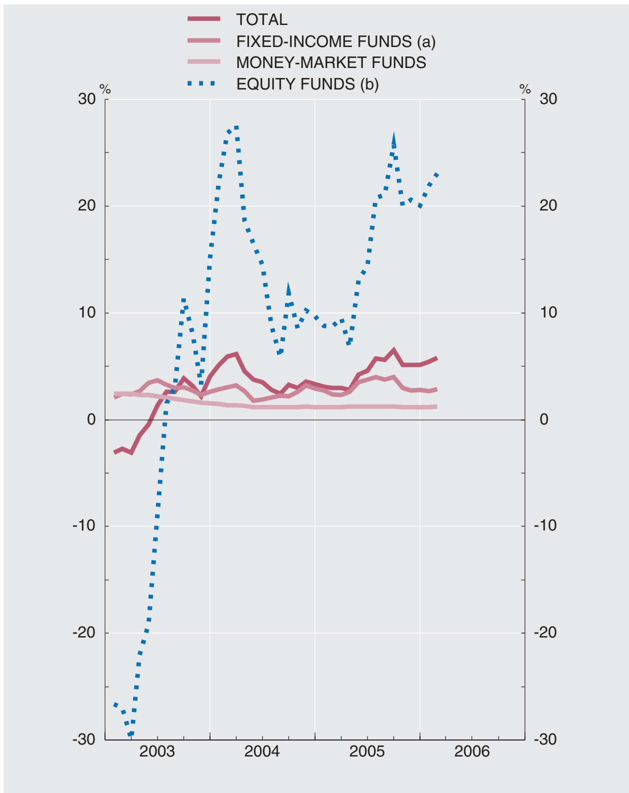
EUR millions

	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
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
05	262 201	26 113	14 270	5.1	54 751	-3 237	-3 881	1.2	143 047	15 312	12 061	2.8	40 672	8 649	2 303	20.0	23 730
04 *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	255 127	2 201	2 256	5.6	55 571	588	531	1.2	144 425	1 083	1 008	3.7	35 532	191	358	21.1	19 599
Sep	258 684	3 557	823	6.5	55 015	-556	-607	1.2	144 713	288	125	4.0	38 163	2 631	749	25.7	20 793
Oct	257 516	-1 168	774	5.1	55 136	121	75	1.2	143 442	-1 271	-348	3.0	37 353	-810	169	20.0	21 585
Nov	260 502	2 986	1 188	5.1	54 861	-275	-318	1.2	143 658	216	-208	2.7	39 218	1 865	860	20.6	22 766
Dec	262 201	1 698	-1	5.1	54 751	-110	-171	1.2	143 047	-611	-1 167	2.8	40 672	1 454	538	20.0	23 730
06 *Jan*	264 634	2 433	1 900	5.4	40 547	-14 204	-14 252	1.2	155 770	12 723	13 794	2.6	42 740	2 067	687	21.9	25 577
Feb P	268 846	4 213	...	5.8	39 839	-709	...	1.2	155 787	18	...	2.9	44 789	2 049	...	23.0	28 432

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.

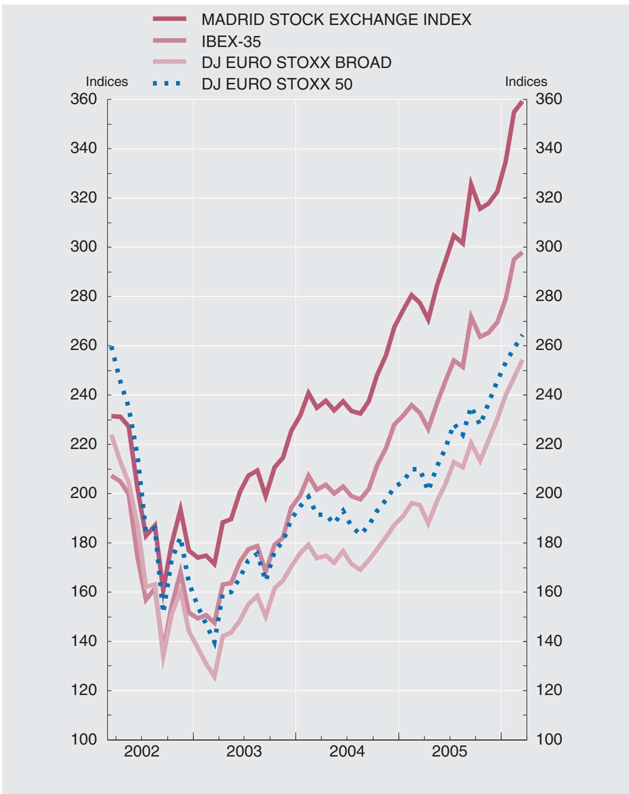
8.12. SHARE PRICE INDICES AND TURNOVER ON SECURITIES MARKETS. SPAIN AND EURO AREA

■ Series depicted in chart.

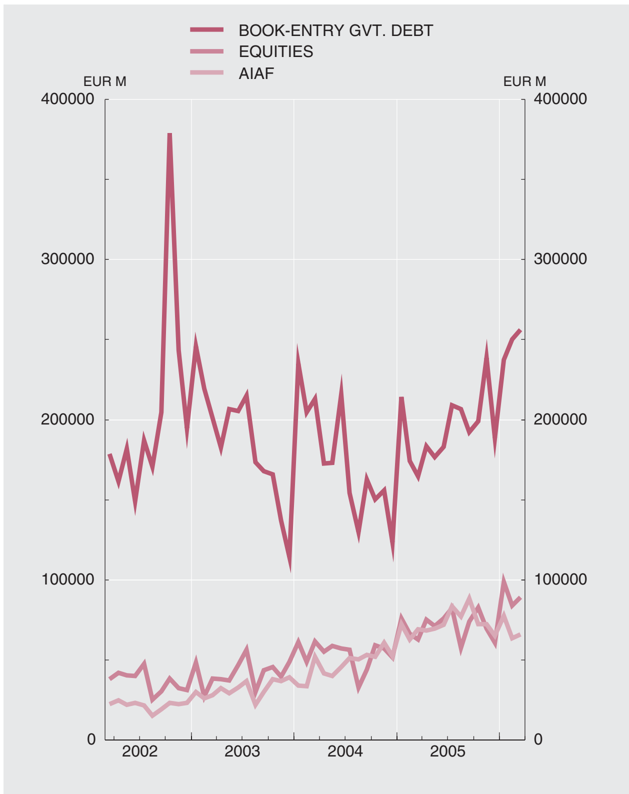
Indices, EUR millions and thousands of contracts

		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
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		1 066.43	9 903.47	295.18	3 222.05	853 971	93 191	2 330 021	872 299	-	11 356	-	5 050
06	A	1 252.12	11 560.62	352.71	3 773.18	271 876	24 043	743 311	207 099	-	3 834	-	1 461
04 *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		1 166.48	10 813.90	314.81	3 428.51	73 796	7 603	192 091	88 115	...	1 914	...	433
Oct		1 130.60	10 493.80	304.53	3 320.15	82 639	6 764	198 843	72 176	...	935	...	463
Nov		1 138.53	10 557.80	316.42	3 447.07	69 451	9 853	238 405	72 176	...	972	...	441
Dec		1 156.21	10 733.90	328.92	3 578.93	60 709	8 885	188 813	65 300	...	1 313	...	408
06 *Jan*		1 199.80	11 104.30	342.50	3 691.41	98 821	6 993	237 197	77 566	...	1 223	...	475
Feb		1 271.16	11 740.70	352.80	3 774.51	84 021	7 818	250 052	63 474	...	917	...	466
Mar	P	1 287.25	11 854.30	362.83	3 853.74	89 034	9 233	256 062	66 059	...	1 694	...	521

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)

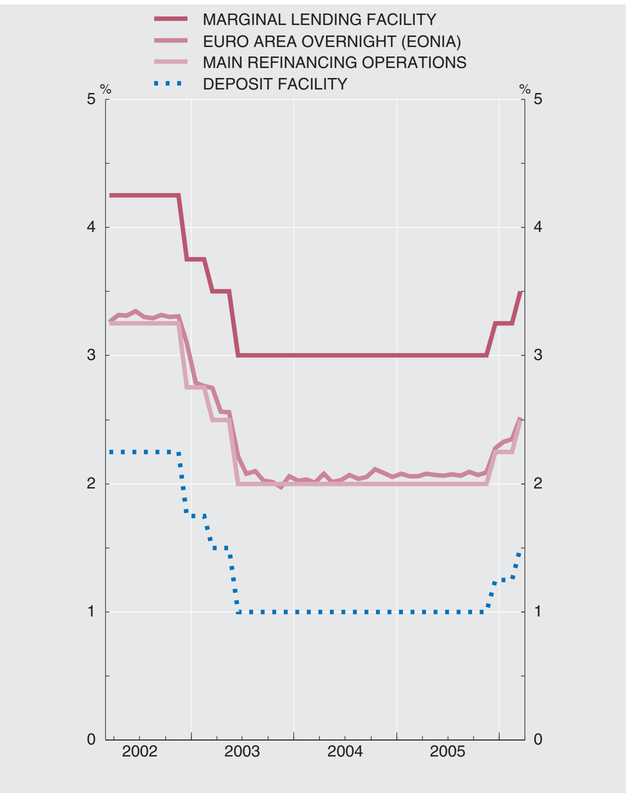
9.1. INTEREST RATES. EUROSYSTEM AND MONEY MARKET. EURO AREA AND SPAIN

■ Series depicted in chart.

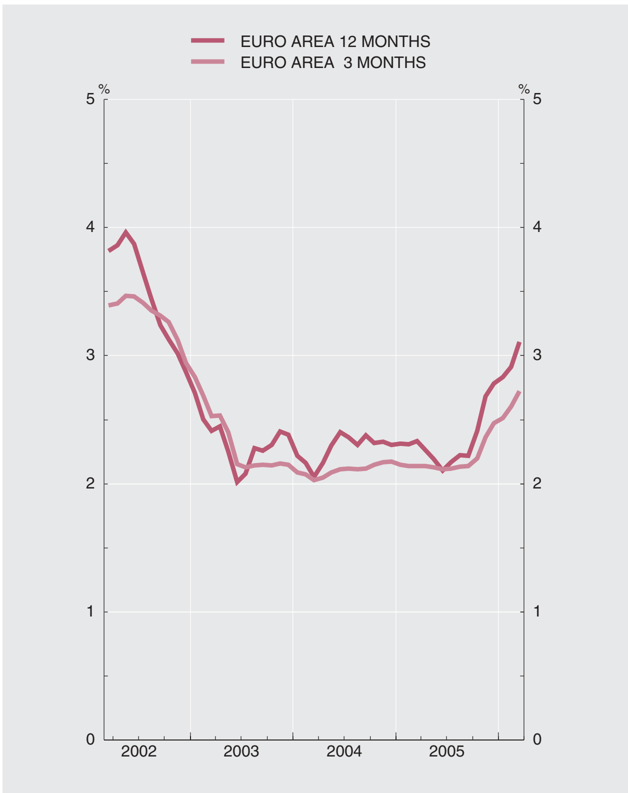
Averages of daily data. Percentages per annum

	Eurosystem monetary policy operations				Money market												
			Standing facilities		Euro area: deposits (Euribor) (a)					Spain							
										Non-transferable deposits				Govermment-securities repos			
	Main refinancing operations: weekly tenders	Longer term refinancing operations: monthly tenders	Marginal lending	Deposit	Overnight (EONIA)	1-month	3-month	6-month	1-year	Overnight	1-month	3-month	1-year	Overnight	1-month	3-month	1-year
	1 ■	2	3 ■	4 ■	5 ■	6	7 ■	8	9 ■	10	11	12	13	14	15	16	17
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	2.25	2.45	3.25	1.25	2.09	2.14	2.19	2.24	2.33	2.09	2.13	2.18	2.34	2.04	2.05	2.07	2.23
06 A	-	2.73	3.50	1.50	2.40	2.49	2.61	2.75	2.95	2.40	2.48	2.61	2.96	2.33	2.38	2.49	2.82
04 *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
Oct	2.00	2.17	3.00	1.00	2.07	2.12	2.20	2.27	2.41	2.07	2.11	2.19	2.44	2.02	2.04	2.08	-
Nov	2.00	-	3.00	1.00	2.09	2.22	2.36	2.50	2.68	2.09	2.21	2.36	2.68	1.95	2.11	2.23	2.62
Dec	2.25	2.45	3.25	1.25	2.28	2.41	2.47	2.60	2.78	2.28	2.40	2.47	2.78	2.22	2.28	2.32	2.69
06 *Jan*	2.25	2.47	3.25	1.25	2.33	2.39	2.51	2.65	2.83	2.32	2.37	2.50	2.84	2.27	2.27	2.40	2.73
Feb	2.25	2.57	3.25	1.25	2.35	2.46	2.60	2.73	2.91	2.34	2.44	2.60	2.92	2.25	2.36	2.47	2.78
Mar	2.50	2.73	3.50	1.50	2.52	2.63	2.72	2.87	3.11	2.52	2.61	2.72	3.12	2.46	2.51	2.60	2.96

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

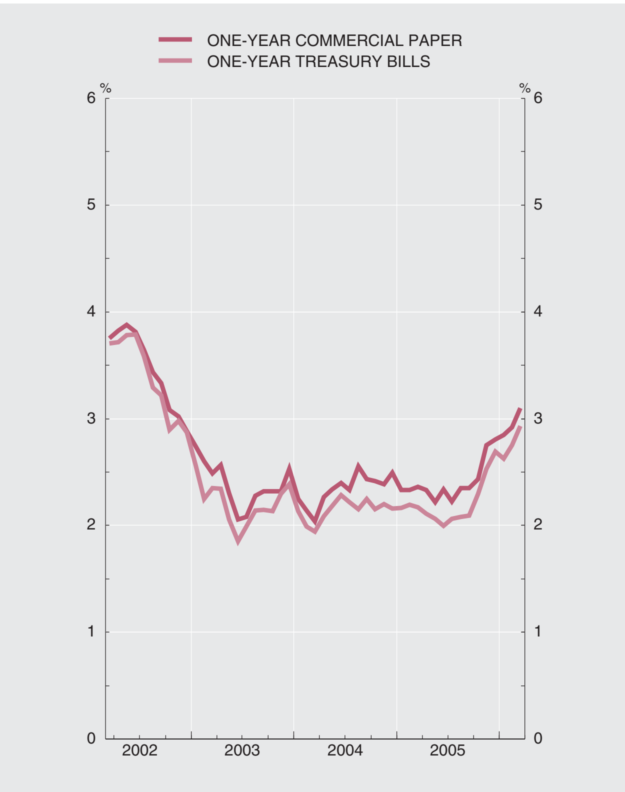
9.2. INTEREST RATES: SPANISH SHORT-TERM AND LONG-TERM SECURITIES MARKETS

■ 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: outright spot purchases between market members	Rate at issue	Secondary market: outright spot purchases	Marginal rate at issue					Secondary market. Book-entry debt. Outright spot purchases between market members		
					3-year bonds	5-year bonds	10-year bonds	15-year bonds	30-year bonds	At 3-years	At 10-years	
	1 ■	2	3 ■	4	5	6	7	8	9	10 ■	11 ■	12 ■
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	2.20	2.19	2.40	2.36	2.38	2.89	3.44	3.70	3.84	2.55	3.39	3.55
06 A	2.77	2.77	2.96	2.96	3.15	3.27	3.51	-	3.81	3.10	3.49	3.71
04 *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
Oct	2.29	2.30	2.43	2.44	-	-	-	-	3.77	2.65	3.27	3.33
Nov	2.53	2.42	2.75	2.66	2.62	-	3.48	-	-	2.90	3.48	3.95
Dec	2.69	2.63	2.81	2.84	-	3.03	-	-	-	2.91	3.37	3.71
06 *Jan*	2.62	2.66	2.85	2.87	2.93	-	3.31	-	-	2.95	3.33	3.58
Feb	2.75	2.77	2.92	2.93	3.09	-	-	-	3.81	3.07	3.48	3.73
Mar	2.93	2.87	3.10	3.07	-	3.27	3.70	-	-	3.28	3.65	3.83

PRIMARY MARKET



SECONDARY MARKET

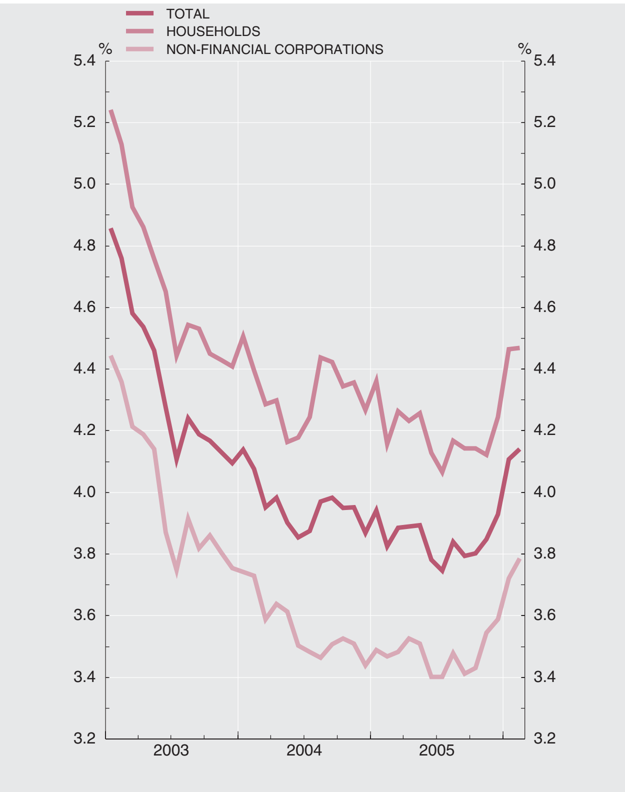
Sources: Main issuers (column 3); AIAF (columns 4 and 12).

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

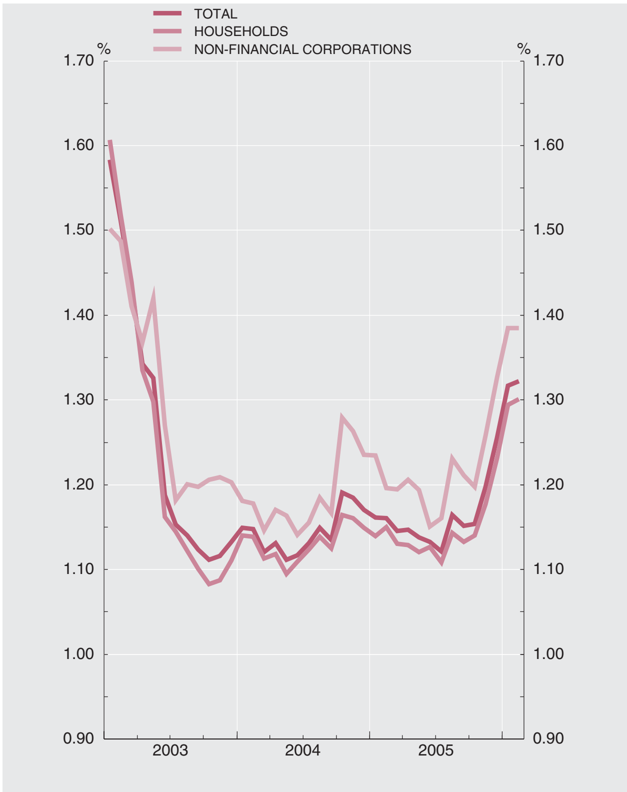
Percentages

	Loans (APRC) (a)							Deposits (NDER) (a)								
	Synthetic rate (c)	Households and NPISH			Non-financial corporations			Synthetic rate (c)	Households and NPISH				Non-financial corporations			
		Synthetic rate	House purchase	Consumption and other	Synthetic rate	Up to EUR 1 million	Over EUR 1 million (b)		Synthetic rate	Overnight and redeemable at notice	Time	Repos	Synthetic rate	Overnight	Time	Repos
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
04	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	3.93	4.24	3.46	6.27	3.59	4.04	3.26	1.26	1.23	0.41	2.27	2.25	1.33	0.82	2.22	2.22
06 A	4.14	4.47	3.78	6.29	3.78	4.28	3.37	1.32	1.30	0.44	2.32	2.24	1.38	0.87	2.33	2.27
04 *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	4.07	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	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
Sep	3.79	4.14	3.28	6.32	3.41	3.88	2.97	1.15	1.13	0.40	2.04	2.11	1.21	0.73	2.05	2.04
Oct	3.80	4.14	3.31	6.27	3.43	3.91	2.98	1.15	1.14	0.39	2.07	2.01	1.20	0.73	2.03	2.01
Nov	3.85	4.12	3.35	6.07	3.55	3.93	3.16	1.20	1.18	0.40	2.16	1.98	1.26	0.76	2.16	2.01
Dec	3.93	4.24	3.46	6.27	3.59	4.04	3.26	1.26	1.23	0.41	2.27	2.25	1.33	0.82	2.22	2.22
06 *Jan*	4.11	4.46	3.67	6.56	3.72	4.27	3.27	1.32	1.29	0.42	2.34	2.22	1.39	0.88	2.25	2.27
Feb P	4.14	4.47	3.78	6.29	3.78	4.28	3.37	1.32	1.30	0.44	2.32	2.24	1.38	0.87	2.33	2.27

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.

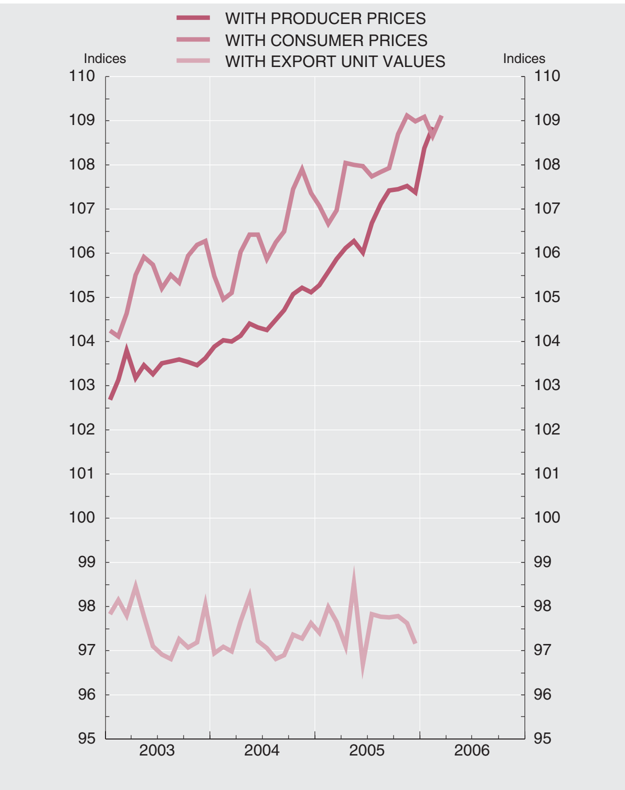
9.4 INDICES OF SPANISH COMPETITIVENES VIS-à-VIS THE EU-15 AND THE EURO AREA

■ Series depicted in chart.

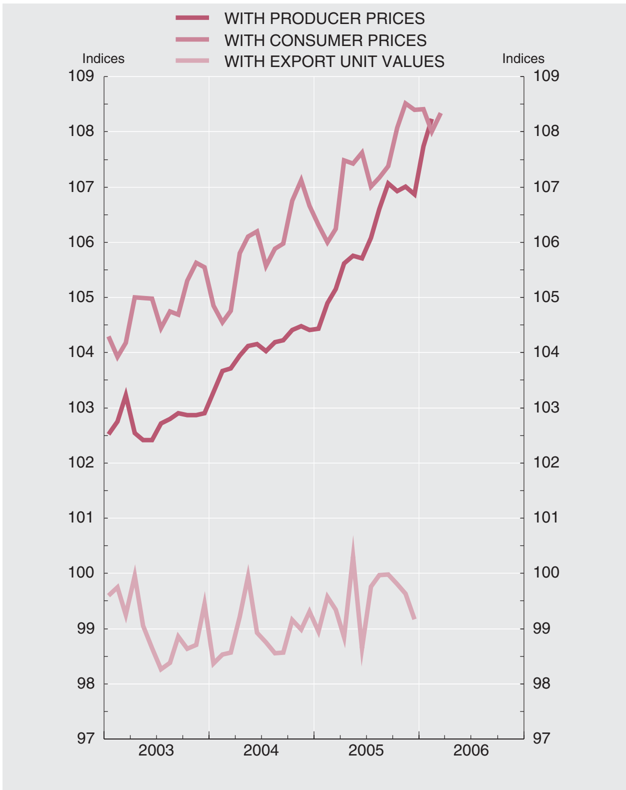
Base 1999 QI = 100

	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 manufactu-ring unit labour costs (d)	Based on export unit values		Based on producer prices	Based on consumer prices	Based on manufactu-ring unit costs	Based on export unit values	Based on producer prices	Based on consumer prices	Based on manufactu ring unit labour costs (d)	Based on export unit values
	1 ■	2 ■	3	4 ■	5	6	7	8	9	10 ■	11 ■	12	13 ■
03	103.4	105.4	103.3	97.5	100.1	103.2	105.2	103.2	97.4	102.7	104.8	102.6	99.0
04	104.5	106.3	106.9	97.3	99.9	104.5	106.4	107.0	97.3	104.1	105.9	106.2	98.9
05	106.6	107.9	110.4	97.6	100.1	106.5	107.9	110.3	97.5	106.0	107.3	109.7	99.5
04 *Q1*	104.0	105.2	105.7	97.0	100.0	104.0	105.2	105.7	97.0	103.6	104.7	104.9	98.5
Q2	104.3	106.3	106.0	97.7	99.7	104.6	106.6	106.2	98.0	104.1	106.0	105.4	99.4
Q3	104.5	106.2	107.4	96.9	99.8	104.7	106.4	107.6	97.1	104.1	105.8	106.8	98.6
Q4	105.1	107.6	108.7	97.4	100.2	105.0	107.4	108.5	97.3	104.4	106.8	107.7	99.2
05 *Q1*	105.6	106.9	110.6	97.7	100.2	105.4	106.7	110.4	97.5	104.8	106.2	109.7	99.3
Q2	106.1	108.0	110.6	97.5	100.0	106.2	108.1	110.7	97.5	105.7	107.5	109.9	99.3
Q3	107.1	107.8	110.2	97.8	100.1	107.0	107.8	110.1	97.7	106.6	107.2	109.5	99.9
Q4	107.5	108.9	110.0	97.5	100.0	107.4	108.9	110.0	97.5	106.9	108.3	109.6	99.5
05 *Jun*	106.0	108.0	...	96.7	99.8	106.2	108.2	...	96.9	105.7	107.6	...	98.6
Jul	106.7	107.7	...	97.8	100.2	106.5	107.6	...	97.7	106.1	107.0	...	99.8
Aug	107.1	107.8	...	97.8	100.1	107.0	107.7	...	97.7	106.6	107.2	...	100.0
Sep	107.4	107.9	...	97.8	100.0	107.5	108.0	...	97.8	107.1	107.4	...	100.0
Oct	107.5	108.7	...	97.8	100.1	107.4	108.6	...	97.7	106.9	108.1	...	99.8
Nov	107.5	109.1	...	97.6	100.1	107.5	109.1	...	97.6	107.0	108.5	...	99.6
Dec	107.4	109.0	...	97.2	100.0	107.4	109.0	...	97.1	106.9	108.4	...	99.2
06 *Jan*	108.4	109.1	...	...	100.1	108.3	109.0	...	...	107.7	108.4	...	...
Feb	108.9	108.7	...	...	100.1	108.8	108.6	...	...	108.2	108.0	...	...
Mar	...	109.1	...	...	100.2	...	108.9	...	...	...	108.3	...	...

INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EU-15



INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EURO AREA



Source: BE.

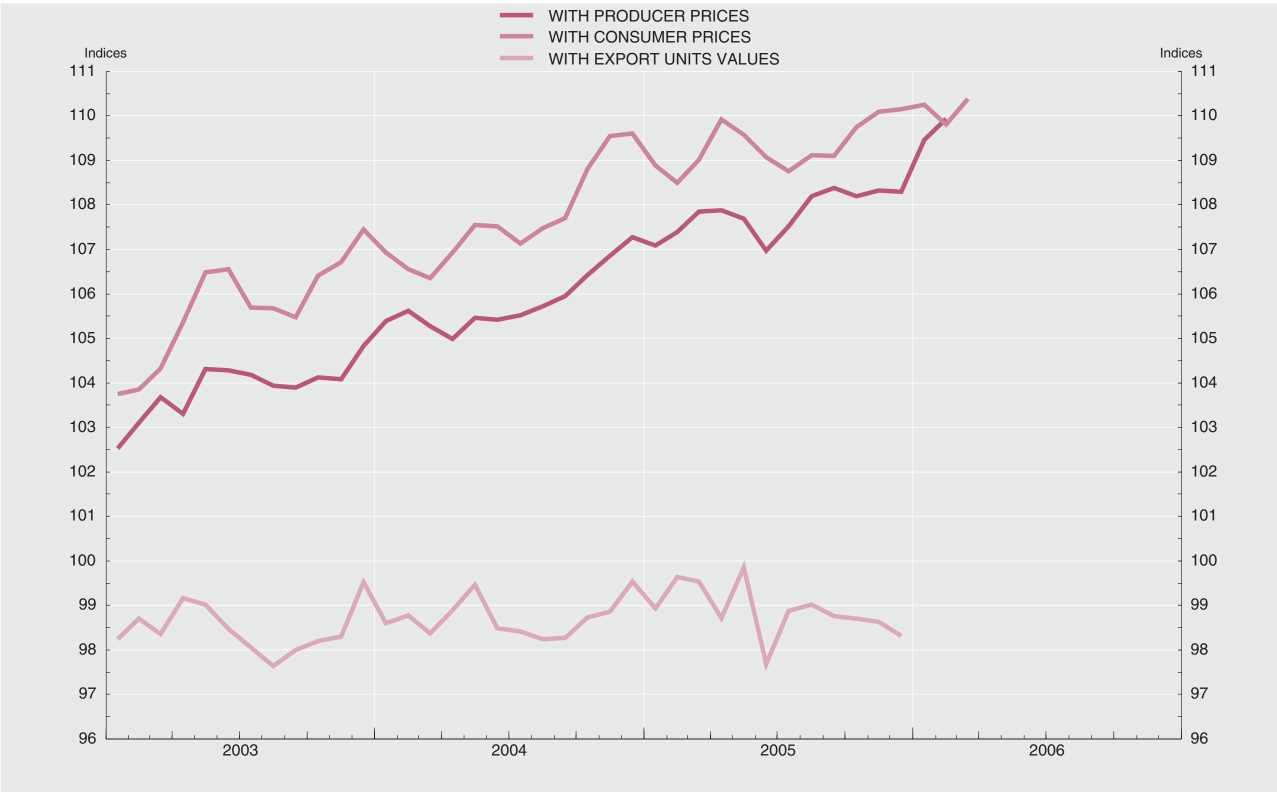
(a) Outcome of multiplying nominal and price components. A decline in the index denotes an improvement in the competitiveness of Spanish products.
(b) Geometric mean calculated using a double weighting system based on 1995-1997 manufacturing foreign trade figures.
(c) Relationship between the price indices of Spain and of the group.
(d) The index obtained drawing on Manufacturing Labour Costs has been compiled using base year 2000 National Accounts data.

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

■ 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 (d)	Based on export unit values		Based on producer prices	Based on consumer prices	Based on manufacturing unit labour cost (d)	Based on export unit values
	1 ■	2 ■	3	4 ■	5	6	7	8	9
03	103.9	105.7	104.6	98.5	100.0	103.9	105.6	104.6	98.5
04	105.8	107.7	109.5	98.7	100.8	105.0	106.9	108.7	98.0
05	107.8	109.3	112.7	98.9	100.9	106.9	108.4	111.7	98.0
04 *Q1*	105.4	106.6	108.3	98.6	100.9	104.5	105.7	107.4	97.7
Q2	105.3	107.3	108.2	98.9	100.3	105.0	107.0	107.9	98.7
Q3	105.7	107.4	109.8	98.3	100.5	105.2	106.9	109.2	97.8
Q4	106.8	109.3	111.6	99.0	101.4	105.4	107.8	110.1	97.7
05 *Q1*	107.4	108.8	113.6	99.4	101.5	105.9	107.2	112.0	97.9
Q2	107.5	109.5	113.1	98.8	100.9	106.6	108.6	112.1	97.9
Q3	108.0	109.0	112.3	98.9	100.7	107.3	108.2	111.5	98.2
Q4	108.3	110.0	111.9	98.5	100.6	107.7	109.4	111.3	98.0
05 *Jun*	107.0	109.1	...	97.7	100.3	106.6	108.7	...	97.4
Jul	107.5	108.8	...	98.9	100.6	106.9	108.1	...	98.3
Aug	108.2	109.1	...	99.0	100.8	107.3	108.3	...	98.2
Sep	108.4	109.1	...	98.8	100.6	107.7	108.4	...	98.1
Oct	108.2	109.7	...	98.7	100.6	107.5	109.1	...	98.1
Nov	108.3	110.1	...	98.6	100.5	107.8	109.5	...	98.1
Dec	108.3	110.1	...	98.3	100.6	107.7	109.5	...	97.8
06 *Jan*	109.5	110.3	...	...	100.8	108.6	109.4	...	...
Feb	109.9	109.8	...	...	100.7	109.2	109.1	...	...
Mar	...	110.4	...	...	100.9	...	109.4	...	...

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.
(d) The index obtained drawing on Manufacturing Labour Costs has been compiled using base year 2000 National Accounts data.

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