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ABBREVIATIONS

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

COUNTRIES AND CURRENCIES

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

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

CONVENTIONS USED

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

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1 Overview

During the first three quarters of 2005 the Spanish economy posted high and slightly rising growth, attaining a year-on-year rate of 3.5% in Q3. On the information available for the closing months of the year, the notable buoyancy of activity continued in Q4, in which GDP is estimated to have registered once more a year-on-year increase of 3.5%, consistent with an increase of 0.1 pp in the quarter-on-quarter rate of change, which would have stood at 0.9% (see Chart 1). The contribution of national demand to the increase in output was very high and stable throughout the year as a result of the expansionary behaviour of all its components. Private consumption continued to grow at a higher rate than disposable income, against a background of favourable financial conditions, although it exhibited a slight tendency to ease which became sharper in Q4. In the case of investment, whose components gained greater momentum in 2005 as a whole, the acceleration seen in the first half of the year was checked as from Q3, owing to the mild deceleration in investment in equipment and, more recently, in construction too. Conversely, net external demand remained strongly contractionary throughout the year and its negative contribution to GDP growth was scarcely corrected, although in Q4 the improvement in tourism was perceptible to a greater extent.

The estimates for Q4 place GDP growth for 2005 as a whole at 3.4%, above the figure of 3.1% for 2004. This was the result of higher growth in national demand and of a somewhat more negative contribution of net external demand, which drew closer to 2 pp. Employment generation remained high and the number of jobs created rose by over 3% (compared with 2.6% in 2004), which made for a very small increase in labour productivity. Among other factors, this reflects the weight of construction and of services in the sectoral composition of growth. As regards inflation, consumer prices increased at an annual average of 3.4%, 0.3 pp up on 2004, closing the year at 3.7%.

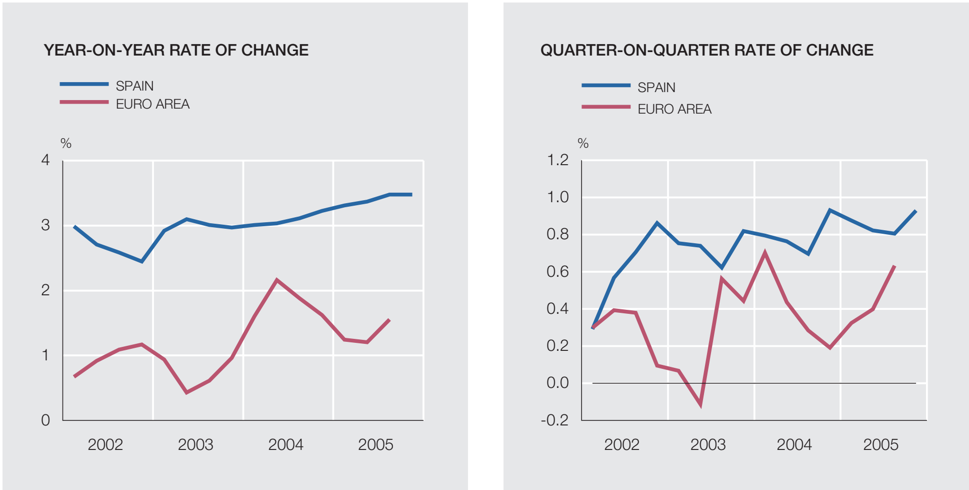
The sound performance of the world economy during 2005 continued in the closing months of the year. During this period, oil prices temporarily returned to under $60 per barrel, following their surge during the summer, while stock markets registered new rises and the financial markets generally performed favourably. Contributing to this was the mild stance of economic policies and, in particular, anticipation that the end of the upward interest rate cycle in the United States was near. Against this backdrop, economic growth in the main geographical areas broadly remained high, and inflation rates moderate.

Economic activity in the United States progressed firmly in 2005 Q3, with an annualised quarter-on-quarter rate of 4.1%. Job creation held at a high rate, despite a small dip in September and October related to the impact of the hurricanes in the south of the country. Underlying inflation remained at a rate of somewhat over 2%, without the energy rises impacting in full, while the trade deficit tended to widen in relation to 2004. Japanese growth figures also confirmed the economic recovery in that country, while the signals were more mixed in the United Kingdom. Activity in the main emerging regions, namely Asia, the new EU members and Latin America, remained notably buoyant. In particular, the Chinese economy is holding at a stable growth rate of slightly below 10%, although there is a certain risk of activity overheating. In Latin America, the sound situation of the region’s economies, with the exception of the abrupt slowdown in Brazil in Q3, has resulted in a further improvement in financial indicators and a fresh cut in sovereign risk premia.

The outlook for the world economy in 2006 is favourable and points to similar growth to that seen in 2005, estimated at close to 4.5%. However, the uncertainty and risks marking the in-

GROSS DOMESTIC PRODUCT (a)

CHART 1



SOURCES: ECB, INE and Banco de España.

a. Seasonally adjusted series.

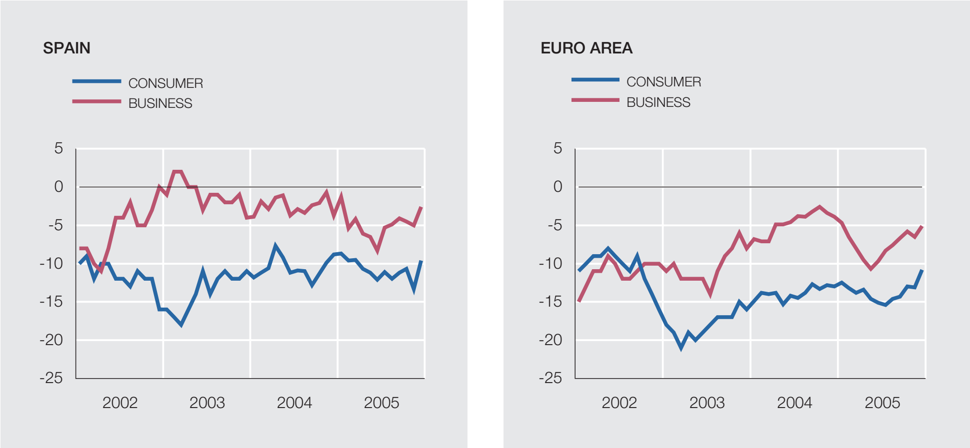
ternational setting last year persist. The oil market is very vulnerable to the emergence of supply problems, whether of a weather-related or geopolitical nature, in a situation in which the thrust of demand remains firm. The rise in oil prices witnessed in January, which has fed through rapidly and in full to the futures markets, has once again highlighted the presence of substantial upward risks to the price of this commodity. Further, trade imbalances have continued widening globally, leaving the way open for potential adjustments, including a significant depreciation of the dollar, while the risk of an upward adjustment of long-term interest rates persists. All these factors particularly affect the outlook for the US economy, one of the main engines of the world economy, which has still to absorb the rapid increase in interest rates implemented by the Federal Reserve since mid-2004.

In the euro area, the year 2005 ended on an optimistic note. The latest information suggests GDP would have posted an increase in Q4 close to that estimated in Q3, above the growth for the first half of the year. The greater buoyancy in the final six months originated, first, in the pick-up in fixed capital investment, which continued to benefit from the generous financial conditions and from the favourable position of European companies; and further, in the sound performance of exports, which benefited from the expansion of the economy and world trade, raising the contribution of net external demand. Private consumption, however, has not yet regained a sufficient pace of growth to provide the support needed to sustain the current rate of increase in activity over the medium term. Although the rise in consumer confidence in the final months of 2005 (see Chart 2) and the improvement in employment expectations may be auguring greater job creation and higher increases in household disposable income, there is uncertainty about the timing and intensity with which these elements – which are fundamental for anchoring consumer spending – will materialise.

Inflation in the euro area tended to diminish during 2005 Q4, assisted by the reduction in oil prices. As a result, the 12-month growth rate of the HICP stood at 2.2% in December (see Chart 3). Underlying inflation stabilised at a level slightly below 1.5%, without any significant impact on this index from the pass-through of dearer energy having so far been observed. Nor have there been perceptible second-round effects on wage developments. Nonetheless, the instability of the oil market, which raises the likelihood of further price rises, and the strengthening of activity, which means price rises may be incorporated more easily into wage increases, led

CONFIDENCE INDICATORS

CHART 2



SOURCE: European Commission.

the ECB Governing Council to consider that the upside risks to price stability had increased. Accordingly, the Council decided in December to raise official interest rates by 0.25 pp, setting the interest rate on the main refinancing operations at 2.25%, after holding it unchanged at 2% for almost two and a half years. This monetary policy measure, fully consistent with the ECB's communications to date, entailed only modest changes in medium- and long-term market interest rates. In any event, monetary and financial conditions in the euro area remain generous and supportive of economic recovery.

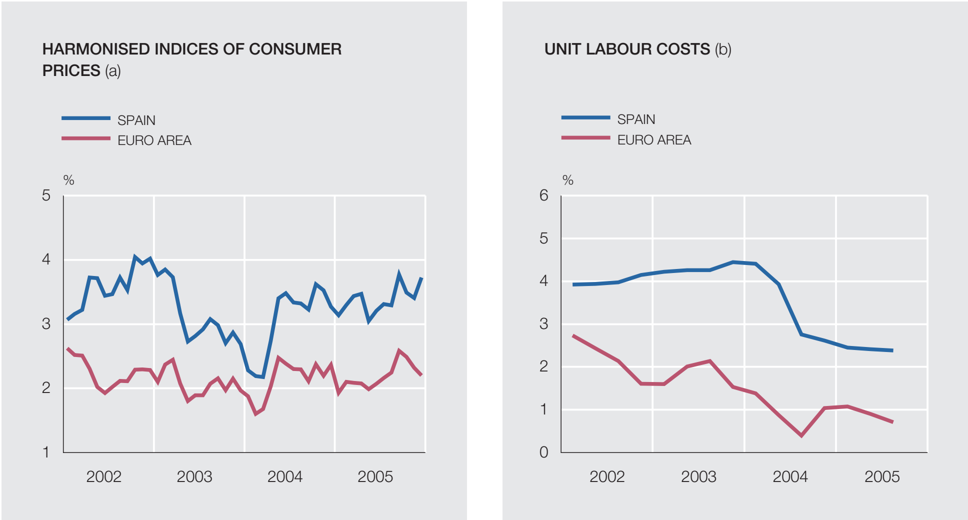
With few exceptions, the adjustment of the budgetary position of the euro area countries continues to be insufficient for the requirements of the European fiscal framework. A significant number of countries in the area have once again posted budget deficits above the ceiling of 3% of GDP in 2005, exceeding in many cases the targets set in the stability programmes, and it is estimated that the overall deficit will have risen to 2.9% of the area's GDP. The delay in introducing measures conducive to fiscal consolidation, to which the cyclical position in many countries has no doubt contributed, makes it increasingly important that the European Commission and governments rigorously apply the rules of the Stability and Growth Pact recently agreed upon.

As regards structural reforms, there have been delays in introducing measures, making compliance with the Lisbon objectives for 2010 very difficult. The submission of national reform plans, following the initiative adopted by the European Council in spring 2005 to revive this process, provides a fresh opportunity to push economic reforms through. Such reforms are needed to provide the euro area economies with a more solid base for growth and to address the tendencies towards globalisation and structural change in the world economy. Moreover, only clear action on both the fiscal policy and structural reform fronts will enable the uncertainty still overshadowing the decisions of a good number of European agents to be overcome.

The Spanish economy, with estimated growth of 3.5% in 2005 Q4, remains one of the most dynamic euro area economies and continues to be characterised by a greater capacity to generate employment. From a domestic standpoint, the buoyancy of the economy in Q4 followed on from the patterns observed in the preceding quarters, with no substantially marked changes appreciable in respect of the composition of growth; that said, there was a modest slowdown in national demand which corresponded to a likewise modest improvement in the negative contribution of external demand. In the year as a whole, there were some changes

PRICES AND COSTS

CHART 3



SOURCES: Eurostat, ECB and INE.

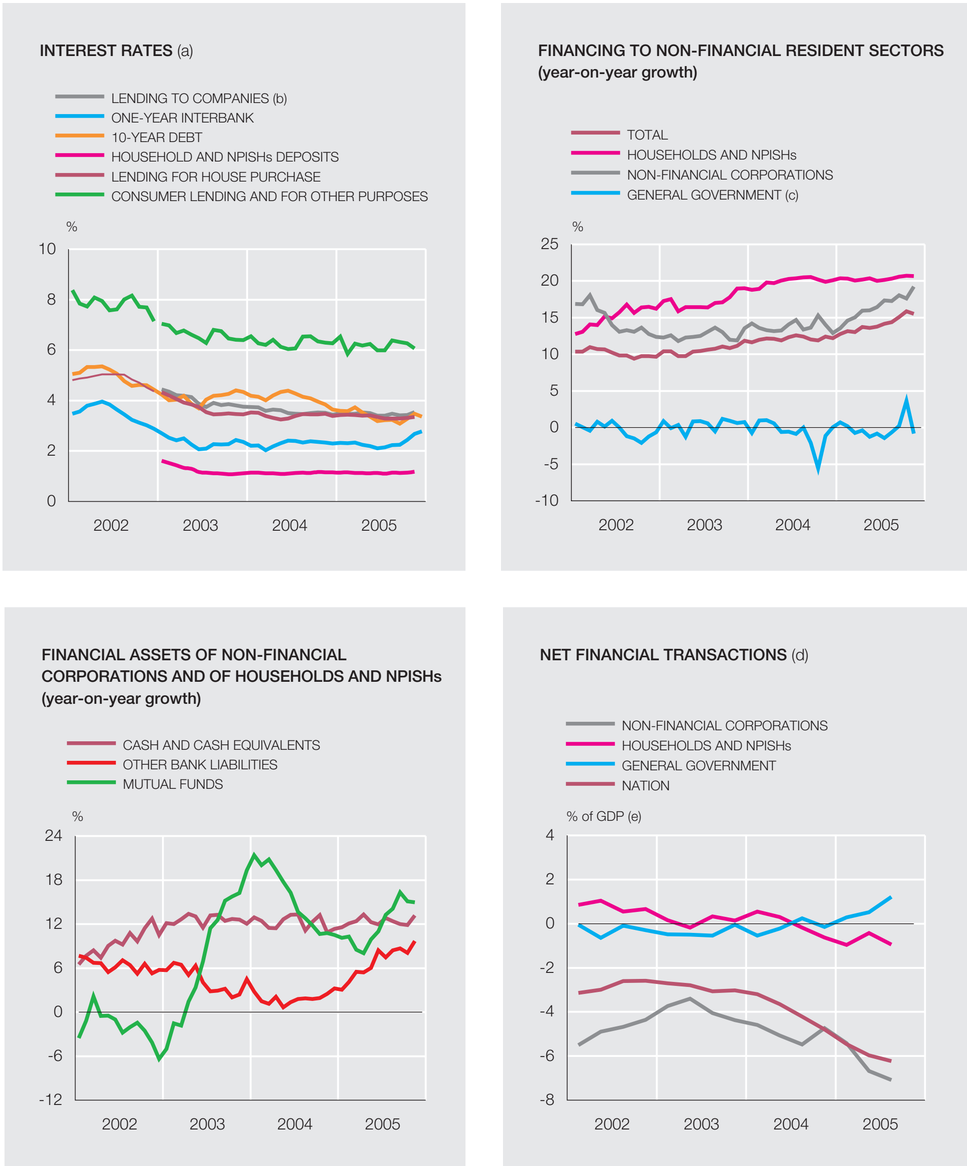
a. Year-on-year rate of change.
b. Per unit of output. Year-on-year rate of change calculated on the basis of seasonally adjusted series.

worth mentioning in relation to 2004, especially the pick-up in investment in capital goods; however, there was a prolongation of the main trends recorded in past years, such as the strength of household consumption and residential investment, these being accompanied by an increase in household debt and in the negative contribution of the external sector to growth, by a sizeable increase in the nation's financing requirements, and by a continuing high inflation differential, in terms both of costs and of prices.

In the case of households, the factors sustaining consumer spending and residential investment in recent quarters continued into Q4. Disposable income continued growing at a rate of somewhat over 3% in real terms, underpinned by the increase in employment, and financial conditions remained favourable, thanks to the substantial rise in the value of both financial and non-financial household wealth and to low lending costs (see Chart 4). Over the course of 2005, house price increases tended to ease off, albeit holding at double-figure rates. This moderate slowdown, if it continues in the coming months, could favour an orderly absorption of the current overvaluation in the property market. Financing conditions, for their part, tightened slightly at the end of the year. All these developments may have borne on the mild slowdown in expenditure seen from Q3 onwards, though they may be expected to have a sharper impact on demand in 2006. Taking the year as a whole, 2005 closed with a fresh fall-off in the household saving ratio, a sizeable increase in financing requirements and an additional rise in the debt ratio (accounting for over 110% of disposable income) and in the associated financial burden.

As inferred by the expansionary trend of spending on capital goods and on non-residential construction, business investment recovered significantly last year, although the strong growth of the first two quarters eased off in the second half of the year. Contributing to this recovery have been the expansion in demand, the notable generosity of financing conditions (which has only diminished to some extent in the closing months of the year), and the healthy position of companies, as the figures from the Banco de España Central Balance Sheet Data Office testify. Accordingly, although the increase in investment has been accompanied by an acceleration in credit, the debt levels attained do not preclude expectations that this increase will be sustained if underpinned by demand conditions.

FINANCIAL INDICATORS OF THE SPANISH ECONOMY CHART 4



SOURCE: Banco de España.

a. There is a break, in January 2003, in the series of banking rates owing to changes in the data compilation statistical requirements.
b. Weighted average of interest rates on various transactions grouped according to their volume. For loans exceeding €1 million, the interest rate is obtained by adding to the NEDR (Narrowly Defined Effective Rate), which does not include commission and other expenses, a moving average of such expenses.
c. Consolidated financing: net of securities and loans that are general government assets.
d. Cumulative four-quarter data.
e. Spanish National Accounts, base 2000.

Goods exports posted very low growth in the last two quarters of 2005 (in the absence of year-end figures) which has not enabled the fall-off in the opening months to be put behind. As a result, in annual average terms, the rate of change of goods exports was scarcely positive. The performance of tourism revenue, which picked up substantially in the second half of 2005, only partly alleviated this flatness. In comparison with the buoyancy of world trade and of Spanish export markets, whose growth exceeded 5%, the slackness of sales abroad entailed a fresh decline in the market share of Spanish products, which illustrates the deterioration in their competitiveness, despite the depreciation of the euro. The effects of this loss of competitiveness were also discernible on the domestic market, as imports grew at a high rate throughout 2005, as has become habitual. That gave rise to a fresh increase in the import penetration ratio, albeit a less sharp one than in 2004. Particular mention should be made of the strength of tourism expenditure, which attained a real growth rate of around 25%. As a result of these trends, the contribution of net external demand to growth became even more negative last year although, as earlier mentioned, a slight correction was seen in the closing months of the year. The result of the foregoing was a fresh increase in the current-account deficit and in the nation's financing requirement, which stood at over 7.5% and 6.5% of GDP, respectively.

In step with the difficulties of the Spanish products most exposed to international competition, the growth of activity in the industrial branches was low in 2005, though it moved on a recovering path as from the summer that appears to have held in the closing months of the year. Conversely, activity in the construction industry expanded more sharply than in 2004, with a growth rate in value added close to 6%, which turned slightly down in the final quarter. Services moved on a slightly quickening trend, ending the year at around 4%. The pattern of increase in employment was similar to that in value added, though somewhat more pronounced, accentuating the divergences in the behaviour of apparent labour productivity. In particular, strong employment generation in construction accentuated the declines in apparent productivity in this activity, while productivity gains in industry and in market services were around 1%. In aggregate terms, employment tended to quicken during 2005, following the profile of GDP, with its growth stabilising in Q4. The recently released EPA (Labour Force Survey) data for 2005 Q4 confirm the continuing strong buoyancy of employment, with the growth rate for this quarter compared with the same period a year earlier standing at 4.9%.

The sectoral composition of employment and the significant weight that temporary hiring still accounts for help explain developments in labour costs. Although the increase in wages agreed under collective bargaining drew close to 3.6% in 2005 (an agreed 3% increase for the year and 0.6 pp more for the application of the 2004 indexation clauses), compensation per employee in the market economy increased by around 2.5%, below the increase in 2004, reflecting – at least partly – the composition of the employment created. The slowdown in compensation has passed through to unit labour costs. But against a background of very small increases in productivity, the growth differential with the costs of countries with which Spain competes internationally remains very wide, as highlighted in Chart 3. The behaviour of costs is also manifest in the inflation differential. In terms of the HICP, Spanish inflation ended 2005 at a rate of 3.7%, representing a notable opening up of the differential with the euro area, with food and services prices proving markedly more inflationary.

The persistence of the comparatively high growth of costs and prices in Spain amplifies losses in competitiveness and tends to make any future correction of the imbalances which, to date, have continued to build up, more difficult to achieve. The economic policy response to this situation should be aimed at promoting price and wage flexibility, and to fomenting gains in productivity, thus enhancing the competitiveness of the economy without impairing the growth of employment. The National Reform Programme, unveiled in October, is geared precisely along these lines, though ideally it should be accompanied by firmer resolve in labour market and collective bargaining reform (see Box 1).

On the budgetary policy front, the government presented the Updated Stability Programme on 30 December last year, defining the fiscal strategy for the period 2005-2008. The projections provided by this programme, which include the estimated effect from 2007 onwards of the recently approved indirect tax reform, revise the general government surplus upwards in relation to the latest official figures, and they point to a notable decline in the debt ratio, which

THE SPANISH NATIONAL REFORM PROGRAMME: CONVERGENCE AND EMPLOYMENT

BOX 1

As described in Box 3 of this quarterly report, the March 2005 Spring European Council decided to step up the reform drive to push through the implementation of the Lisbon Agenda. In this connection, it was considered necessary to focus on achieving the objectives behind the Agenda, defined in terms of economic growth and employment. It was also agreed to strengthen the degree of involvement of the Member States and, to do this, it was decided, among other initiatives, that countries should submit annually a National Reform Programme (NRP) detailing and explaining the economic policy measures designed to achieve these objectives. These would be subject to subsequent oversight and multilateral evaluation. The Spanish NRP was submitted by the government on 15 October 2005.

To frame the set of measures contained in the NRP, the Programme makes a full diagnosis of the factors constraining the long-term growth of the Spanish economy, focusing in particular on discussing the determinants of low productivity growth. Against this background, it defines a strategy to promote long-term growth based on two pillars: first, to boost productivity; and further, to shore up the dynamism of employment generation. In keeping with these goals, the NRP considers two objectives to be met in 2010: to achieve convergence in per capita income with the EU 25 and to place the rate of employment at 66%, 1 pp above the current European average.

To attain these two targets, the NRP consists of seven pillars with seven intermediate or specific targets set, as shown in the accompanying table. As regards specific measures, the NRP includes some that have been adopted by the government in this legislature [drawn above all from the plan to dynamise the economy and enhance productivity, and the follow-up plans (PEIT, AGUA, Avanz@, INGENIO 2010, detailed in the table below)] and supplements them with proposals for the public sector, the labour market and small businesses. In the public sector domain, in addition to the reform of budgetary stability legislation, tax reforms and the reform of the regional government financing system, the Programme announces the reform of social security benefits and the rationalisation of health spending. Also proposed are measures aimed at improving human capital, as are a series of measures affecting the labour market, though these are conditional upon ratification by the social partners. Finally, there is an entrepreneurship programme aimed at boosting small business start-ups and at improving their productivity.

In terms both of diagnosis and of the means proposed to address the structural problems underlying the Spanish growth model, the thrust of the Programme is appropriate. The different pillars of the NRP cover the main areas of relevance for attaining the objectives in terms of real convergence and employment, although more specifics would be desirable for some of the proposals and the timing of their implementation. As in the case of the above-mentioned reinvigoration plans, the NRP provides for mechanisms to monitor the progress made towards the different objectives that may prove useful for reinforcing the effectiveness of the Programme and its disciplined implementation.

On 25 January the European Commission published the Annual Progress Report on the Lisbon Strategy. It includes a section that assesses the NRPs and makes national economic policy recommendations. The Commission believes the Spanish NRP identifies and responds to the main economic policy challenges facing the Spanish economy, it views favourably the commitment to budgetary stability, the R+D+i plan and the infrastructure investment drive, and its economic policy recommendations are centred on competition (electricity and distribution) and the labour market, where it calls for efforts to reduce segmentation and increase female employment.

PILLAR	ACTION PROPOSED	AIM
1	Strengthening of macroeconomic and budgetary stability	To significantly reduce the public debt/GDP ratio to 34% in 2010
2	Infrastructure and Transport Strategic Plan (PEIT) and Programme of Measures for Water Management and Use (AGUA)	To extend the railway network to 35 km/1,000 km^2 in 2010 (32 km/1,000 Km^2 in 2008) and to reduce road accidents by 40% by 2010
3	Increasing and improving human capital	To halve (to 15%) the early school leavers rate by 2010
4	R+D+i strategy (INGENIO 2010)	To double investment in R+D to 2% of GDP in 2010. To converge with Europe in terms of the Information Society, so that spending on ICT stands at 6.3% of GDP in 2008 and at 7% in 2010
5	More competition, better regulation, general government efficiency and competitiveness	To improve Spain's position in terms of the competitiveness indicators, converging in 2010 with the European average
6	Labour market and social dialogue	To increase the female rate of employment from 48% to 57%. To reduce the youth unemployment rate from 22.1% to 18.6%, the current average for the EU 25
7	Entrepreneurship Programme	To increase the number of business start-ups by 25% through promoting entrepreneurship, especially among the young and women

SOURCE: Programa Nacional de Reformas de España.

could fall to 36.6% of GDP in 2008. The revision of the surplus on the general government account (to 1% of GDP and 0.9% of GDP in 2005 and 2006, respectively) is in response to the continuing buoyancy of government revenue in the final months of 2005 and to their foreseeable effect on the budget outturn for 2006. These figures confirm that the surplus tax takings, in relation to the forecasts of the budgetary programme, are being earmarked to improve the general government fiscal position. That contributes to raising the stabilising potential of fiscal policy throughout the cycle, in line with the objectives underpinning the principle of budgetary stability.

2 The external environment of the euro area

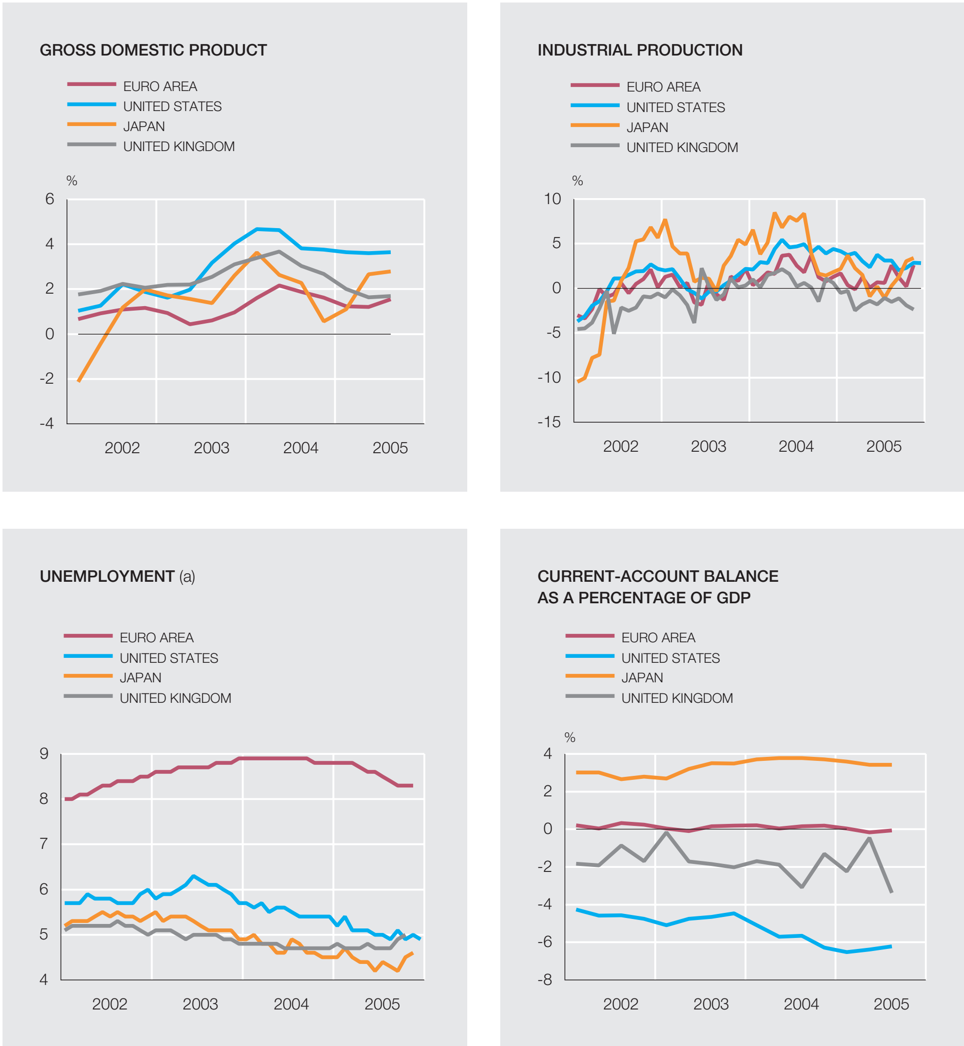
Economic and financial developments in the external environment of the euro area during 2005 Q4 and early 2006 were marked by sustained high and generalised economic growth, by continuing moderate inflation and by the favourable trend of financial variables. Against this background, expectations of movements in official interest rates in the United States were revised slightly downwards. Following the two rises in the final quarter of the year to 4.25%, the markets anticipated from December the impending end of the current upward cycle of rates, although they still expect rises of at least 25 bp in the forthcoming Federal Reserve meetings. Long-term interest rates fell to below 4.5%, to the extent that, temporarily, the yield curve slope was inverted as from the two-year bond term. This change in expectations, along with the recent improvement in the growth outlook in Japan and Europe, saw the appreciating trend of the dollar interrupted in early December, and the US currency has moderately diminished in strength since against the euro and the yen. The main stock market indices continued to post gains. These were particularly marked in Japan, in the light of the better growth outlook. The sound performance of the emerging financial markets continued in 2005 Q4 and early 2006: stock markets posted strong rises and sovereign risk premiums stood at the lowest levels recorded since the related series have been compiled.

During December, oil prices stabilised at around $58 per barrel of Brent crude, following the marked fall since the all-time high of close to $69 was reached in early September. Nonetheless, during January the price of Brent rose once more to above $65 per barrel, as a result of geopolitical tensions in the Middle East and Nigeria and of the continuing strength of demand. The behaviour of the prices of long-term futures contracts ran in parallel, and the futures curve continued to show similar or higher prices to spot prices over the horizon up to two years.

According to the initial National Accounts results, activity in the United States expanded at an annualised rate of 1.1% in 2005 Q4, compared with 4.1% the previous quarter, whereby growth over 2005 as a whole would be 3.5%. This slowdown in the final quarter came about mainly due to the fall in car purchases and owing to exceptional measures reducing defence expenditure. However, the indicators towards the end of Q4 showed a brighter outlook for early 2006. Retail sales in November and December were somewhat sluggish, but consumer confidence in December increased notably. On the supply side, durable goods orders and the services ISM index improved in December, while orders for capital goods and the manufacturing ISM index worsened slightly. The labour market remained buoyant and employment grew at a similar rate to the previous quarter, which enabled the unemployment rate to end the year at 4.9%, the lowest figure in four years. As regards prices, following the rise in September and October brought on by the strong increase in energy prices, the inflation rate slowed to a year-on-year rate of 3.4% in December, while the core rate held stable at around 2.2%. With respect to the external sector, the trade deficit widened once more in November, albeit less than expected, owing to the rise in exports. Notwithstanding, in the eleven months to end-November, the deficit exceeded the total deficit recorded in 2004, which was already a historical high.

In Japan, activity continued to quicken in the closing months of the year. Real GDP grew by 2.9% in Q3 compared with the same quarter a year earlier, 0.3 pp up on Q2. Underpinning this was the robustness of investment and private consumption. The indicators for Q4 confirmed the favourable circumstances, although at a lower momentum than in previous quarters. On the supply side, the behaviour of most indicators remained favourable, while on the demand

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



SOURCES: Banco de España, national statistics and Eurostat.

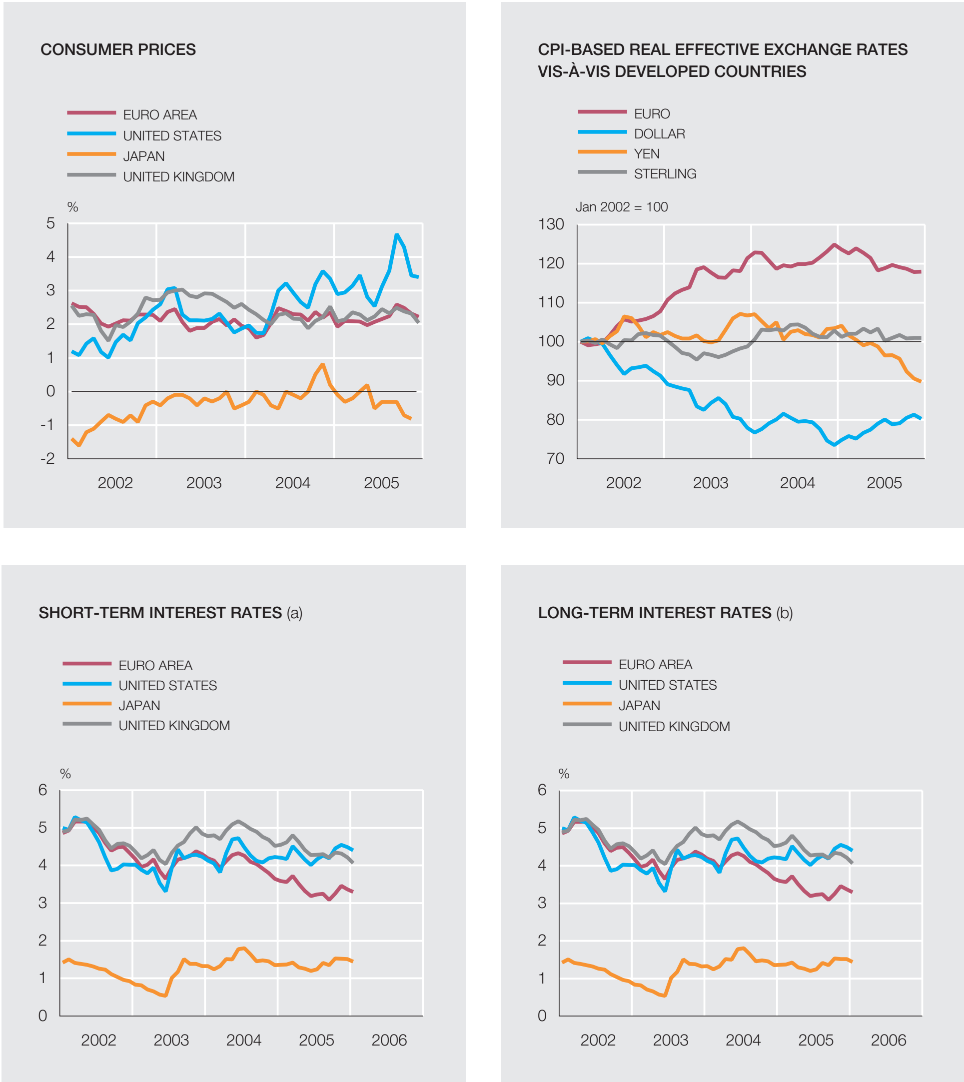
a. Percentage of labour force.

side retail sales slowed moderately, while consumer confidence dipped slightly. Of note in the labour market was the gradual slowdown in the rate of expansion of employee compensation and of job creation, which led the unemployment rate to 4.6% in November. Turning to the external sector, imports and exports were notably buoyant in 2005 Q4. The year-on-year rate of core inflation was positive in December (0.1%), although the overall index still fell by 0.1%. Signs that the long deflationary phase is possibly behind, against a backdrop of greater economic dynamism, prompted the announcement by the central bank of future changes in both the stance and implementation of monetary policy.

In the United Kingdom, the growth rate stabilised after slowing in the final quarters. According to initial results, GDP grew at a year-on-year rate of 1.7% in Q4, unchanged on Q3. Recent indicators have pointed to something of an improvement in activity. In December, the services PMI index rose notably and the distribution industry survey improved substantially, moving into non-negative territory for the first time since February 2005, although consumer confidence worsened slightly. The labour market lost some momentum and in November the unemployment rate (according to the ILO criterion) was up 0.3 pp on the end of Q3 to 5%. The current-

PRICES, REAL EXCHANGE RATE AND INTEREST RATES

CHART 6



SOURCE: Banco de España.

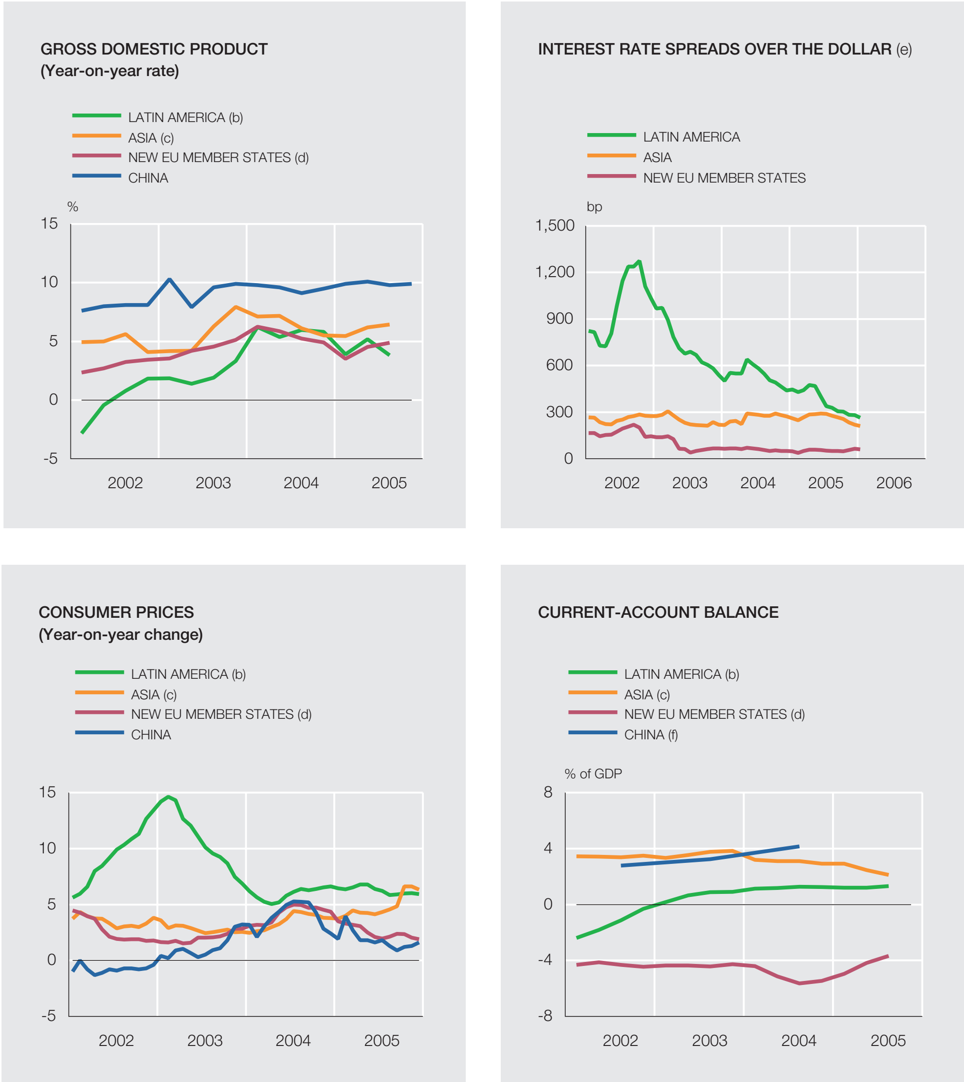
a. Three-month interbank market interest rates.
b. Ten-year government debt yields.

account deficit widened considerably in Q3 to 3.4% of GDP, owing to temporary factors. Finally, the harmonised index of consumer prices stood at 2% in December, while house prices, which had been slowing since the second half of 2004, edged up slightly in the closing months of the year.

In the new EU Member States, GDP growth was robust in Q3 owing to the firm behaviour of external demand and the gradual recovery in domestic demand. The indicators for Q4 confirmed the soundness of activity in the region. In terms of inflation developments, a common trajectory was still not discernible: the inflation rate rose in several countries (especially in the Baltic states) owing to the increase in energy prices, while in others (such as Poland and Slovenia) it eased, due to the fall in food prices. The Czech Republic raised its official interest rate to 2%, while the remaining countries held them unchanged. Budget deficit targets for 2005, although in most cases such deficits exceeded 3% of GDP, might be attained. The exception is Hungary, whose deficit will exceed 7% of GDP. Finally, on 28 November the Slovak koruna joined the ERM II and the European Council of 16 December granted EU candidate country status to Macedonia.

EMERGING ECONOMIES:
MAIN MACROECONOMIC INDICATORS (a)

CHART 7



SOURCES: National statistics and JP Morgan.

a. The aggregate for the different areas has been calculated using the weight of the countries making up such areas in the world economy. Based on IMF information.
b. Argentina, Brazil, Chile, Mexico, Colombia, Venezuela and Peru.
c. Malaysia, Korea, Indonesia, Thailand, Hong Kong, Singapore, Philippines and Taiwan.
d. Latvia, Lithuania, Estonia, Czech Republic, Hungary, Poland, Slovenia and Slovakia.
e. JP Morgan EMBI spreads. The data on the new EU Member States relate to Hungary and Poland. The Asia aggregate does not include China.
f. Annual data.

In China, activity remained very buoyant and GDP grew at a year-on-year rate of 9.9% in Q4, signifying growth of 9.9% for 2005 as a whole. In parallel, the methodological reforms to National Accounts, which entailed an increase in the weight of the tertiary sector in activity, prompted an upward revision (of 0.5 pp on average per annum) in the growth figures since 1993. Specifically, growth stood at 10% in 2003 and at 10.1% in 2004, against the initial estimate of 9.5% in both cases. As to the indicators of activity for the quarter, industrial production and retail sales maintained a robust growth rate, while the rate of expansion of investment in fixed assets eased. In the external sector there was a notable slowdown in exports in the quarter, while there was a gradual and moderate deceleration in imports, though the trade surplus reached $102 billion in 2005, somewhat more than triple the 2004 figure. As regards prices, CPI inflation increased in December to a 12-month rate of 1.6%. Despite the very slight appreciation in the renminbi, the central bank's external reserves continued to grow, albeit at slightly more moderate year-on-year rates, rising to $819 billion at the end of 2005.

In Latin America, the ongoing firmness of activity eased in Q3 to a year-on-year rate of 3.8%, against 5.2% in Q2. Virtually all of this reduction was due to the lower contribution of Brazil, where the year-on-year rate diminished drastically, dragged down by negative quarterly growth. Conversely, in Mexico there was a pick-up in activity and the countries that had maintained stronger rates of expansion, such as Argentina and Venezuela, once again posted very high growth rates. Inflation continued to moderate in most of the countries, with the notable exception of Argentina, where it ended the year at over 12%. Accordingly, and unlike the previous year, inflation targets were met in most of the countries. Against this background, Mexico and Brazil proceeded in the closing months of the year with their downward cycle of interest rates. Finally, Brazil and Argentina refunded the total sum of their loans with the IMF for an overall value of over $25 billion.

Economic activity in the euro area appears to have picked up in the second half of 2005 from the slackness that began to affect it in the second half of 2004. GDP growth quickened notably in Q3 and the latest available information suggests that dynamism was maintained in Q4. All the signs are that investment continued its phase of recovery, driven by very favourable financial conditions and the robustness of business profits, while exports, assisted by the strong growth of world trade and the lagged effects of the depreciation of the euro, remained a driving force of growth. Nonetheless, the absence of clear signs of a recovery in consumption remains a significant factor of uncertainty for the prospect of sustained growth in euro area activity in the short and medium-term (see Box 2). And combining with this are the risks of the persistence of high oil prices and the possibility of further increases, along with a potential disorderly correction of the global macroeconomic imbalances. However, the prospects for the first half of 2006 are compatible with the central scenario in which activity would grow at a rate around that of the euro area's potential growth.

As regards prices, while underlying inflation has held stable at a moderate rate of around 1.5%, short-term developments in the HICP have continued to reflect oil price oscillations. The decline in oil prices in the closing months of the year prompted some moderation in the growth rate of the HICP which, having peaked after the summer, stood at 2.2% in December. This slowdown incorporates, however, temporary factors which may give rise to an increase in inflation in early 2006 and to its maintenance above 2% until well into the year. Looking ahead more to the medium-term, economic agents' conviction that oil prices will hold at high levels increases the risk of dearer production costs ultimately prompting price increases across all sectors and bringing wage moderation to a halt, especially against a background of progressively strengthening economic activity and of recovery in the labour market.

Against this backdrop the ECB Governing Council, at its meeting on 1 December, considered that the risks to achieving price stability in the medium-term had increased, and it accordingly decided to raise official interest rates by 25 bp, after maintaining rates at historically low levels for two and a half years. Nonetheless,while awaiting new economic data, the ECB monetary policy stance continues to be accommodative, which is a clear stimulus for economic growth and job creation in the euro area.

In the fiscal policy realm, all the signs are that the budget deficit will exceed the 3% ceiling set in the Stability and Growth Pact in several Member States. In the cases of Germany and, potentially, in France, non-compliance would oblige the Commission to take a further step in the respective excessive deficit procedures initiated, although to date it has not announced how it will act in this connection, which will be crucial for the future credibility of the Pact. Regarding structural policies, the various European countries have submitted their National Reform Programmes, in accordance with the Lisbon strategy revised in spring 2005 (see Box 3).

3.1 Economic developments

According to the euro area National Accounts estimate for 2005 Q3[1], euro area GDP grew by 0.6% in quarter-on-quarter terms, up 0.2 pp on the previous quarter (see Table 1). This signi-

1. Starting with this estimate, Eurostat has made two significant methodological changes to the euro area National Accounts: the allocation as an intermediate input or final consuption of the different sectors and productive branches of "financial intermediation services indirectly measured", and the use of chain linking volume indices. According to the information provided by Eurostat, this change has a limited effect on the growth rates of the macroeconomic aggregates of the euro area.

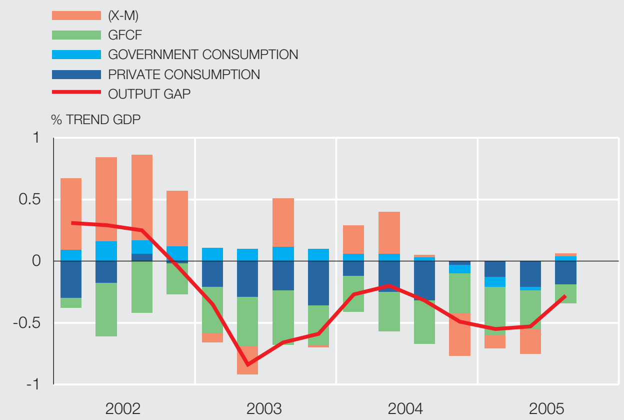
Since 2002, private consumption in the euro area has been characterised by its notable slackness, which has continued to date. This variable posted low growth of around 0.2%-0.3% in quarter-on-quarter terms in the first three quarters of 2005 against a background in which, unlike previous years, both investment spending and sales to the rest of the world were more buoyant. Accordingly, the negative contribution of consumption to the output gap has remained very sizeable, recently becoming the biggest of all the output gap components (see panel 1 below)[1].

From the standpoint of the determinants of consumption, the moderation of disposable income in 2005, stemming particularly from the low growth of employee compensation, in both the wage and job-creation components, would be in step with the hesitant course of consumption. Nonetheless, developments in other factors such as wealth or interest rates might be driving household expenditure upwards. To illustrate the interaction of these determinants, panel 2 depicts the contributions to consumption growth of its determinants, according to the Area Wide Model (AWM)[2]. As can be seen in this panel, the variables in the equation and the relationships between these and consumption explained reasonably well the course of consumption during 2005, since the actual year-on-year rate is only slightly below the rate estimated by the equation. Indeed, this difference is far lower than that in place from mid-2003 and virtually the whole of 2004. It should be stressed that this analysis must be performed with due caution given the lack of sufficiently accurate information on certain variables (such as agents' wealth) or given the possibility that there are other factors other than the habitual determinants that may have influenced household spending. In this respect, the recent trend of consumer confidence indicators, which managed to exceed their historical average only in December 2005, suggests that households may still be acting cautiously when it comes to their expenditure, albeit less markedly so than in the recent period, when these indicators reached minimum levels (see panel 3). Country by country, the sluggishness of consumption in Germany in 2005 was particularly notable, whereby, considering a euro area aggregate without Germany, consumption would have grown at rates more in

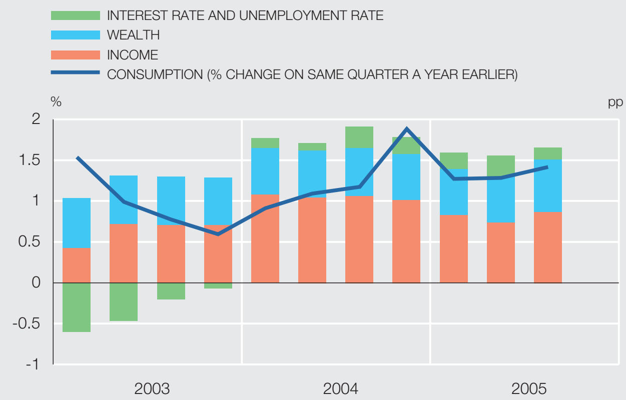
1. The output gap has been calculated as the difference between actual output and its trend level, estimated through a Hodrick-Prescott filter. The contribution of each component is measured as its difference in respect of its trend as a percentage of trend GDP.

2. For a detailed description of this econometric model, see G. Fagan, J.Henry and R. Mestre (2001), *an Area-Wide Model (AWM) for the euro area,* ECB Working Paper no. 42.

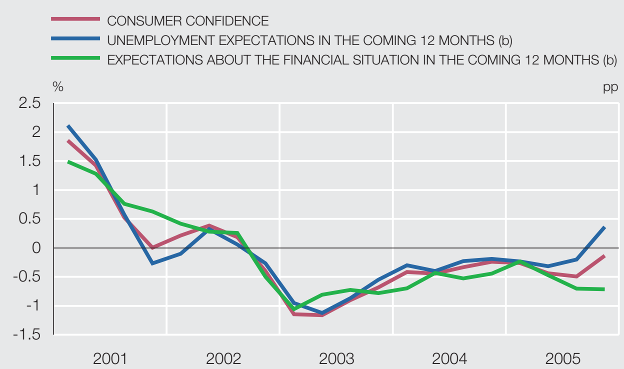
1. EURO AREA OUTPUT GAP. CONTRIBUTION BY COMPONENT



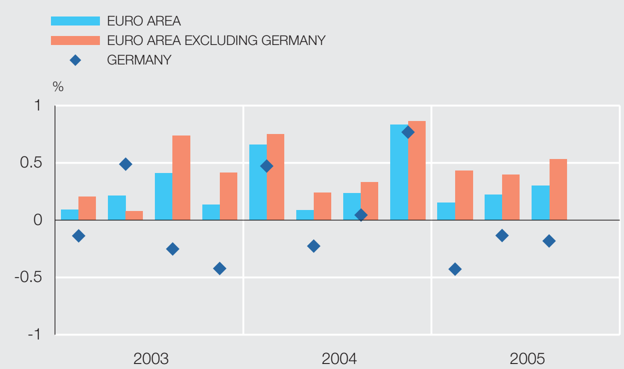
2. CONTRIBUTIONS TO YEAR-ON-YEAR GROWTH BY DETERMINANT



3. CONFIDENCE INDICATORS (a)



4. GERMANY'S CONTRIBUTION IN TERMS OF QUARTER-ON-QUARTER GROWTH COMSUMPTION



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

a. Normalised data.
b. Component of the synthetic indicator of Consumer Confidence.

keeping with the ongoing recovery in GDP seen in recent quarters (see panel 4).

In recent months, as mentioned in the main body of the text, most of the euro area private consumption indicators are not yet pointing to an immediate and sustained increase in household expenditure. Nonetheless, the improvement in exports and corporate spending should feed through to private consumption as the demand for labour increases and as household disposable income, therefore, improves. In principle, there are signs that this effect may have begun, since the qualitative indicators on employment expectations rose in the final months of the year. However, the recent improvement in consumer confidence does not dispel the uncertainty over households' readiness to spend, as they remain pessimistic about their financial position in the twelve coming months (see panel 3).

Against this background, the most recently published projections of the European Commission, which are in line with those of the Eurosystem, foresee a very slow pick-up in consumption. In 2006, this variable would grow at 1.4%, a very similar rate to that expected for 2005 and therefore lower than its average growth in the past decade. This moderate growth would be the outcome of a greater contribution of disposable income to the increase in consumption, as a result of improved employment and of the lower contribution of financial and non-financial wealth, insofar as house and stock market prices are expected to ease during 2006. The persistence of high deficits in the euro area generates further uncertainty over the maintenance, under the present conditions, of public pension and health care systems, in the light of population ageing. Nonetheless, the progress made in implementing structural reforms in some countries has dispelled some uncertainty and, inasmuch as such progress becomes widespread, this might help reinvigorate consumption.

fied an increase of 0.4 pp in the year-on-year rate of expansion of GDP, which stood at 1.6%. The components contributing to this acceleration in GDP were, essentially, net external demand and investment. In particular, exports rose notably, while imports accelerated more moderately, meaning the net contribution of the external sector to GDP growth increased by 0.3 pp to 0.2 pp. Gross fixed capital formation increased strongly on the previous quarter at a rate of 1.3% (up from 0.9% in Q2), the result of the marked recovery in investment in capital goods, since the rate of expansion of investment in construction, on the contrary, fell notably. That explains much of the increase in the contribution of internal demand (excluding stocks) to growth, which was 0.6 pp (0.4 pp in the previous quarter), since private consumption remained notably lacklustre. This latter variable grew by 0.3% (only 0.1 pp more than in Q2), broadly influenced by the sluggish growth of disposable income, which was due in turn to the limited contribution of both its employment and its wage components (see Box 2). Finally, while the rate of expansion of government consumption increased slightly (0.7%), the contribution of stockbuilding to GDP growth was negative of the order of 0.3 pp (see Chart 8).

The breakdown of National Accounts by country shows that the greater dynamism of economic activity in the area in 2005 Q3 was largely due to developments in the German and French economies. In Germany, the quarter-on-quarter change in GDP stood at 0.6% (compared with 0.2% in Q2), as a result of the strong acceleration in exports and the substantial buoyancy of investment, both in construction and, mainly, in capital goods. This allowed a fresh contraction in private consumption to be offset, this variable having failed to show signs of picking up, unlike in other countries. In France, all components except stockbuilding contributed positively to the acceleration in GDP, which increased by 0.7% in quarter-on-quarter terms, compared with 0.1% the previous quarter. Mention should be made of the recovery both in private consumption and in gross fixed capital formation, and of the positive contribution of net external demand to GDP growth. By contrast, the quarter-on-quarter growth rate in Italy slowed (to 0.3%, 0.4 pp down on the previous quarter), due largely to the significant negative contribution of stockbuilding, although private consumption also slowed. Lastly, the quarter-on-quarter growth rate of GDP in Spain held at 0.8%, since the greater buoyancy of private consumption and of investment offset the deterioration in the net contribution of the external sector.

The review by the European Council in spring 2005 of the progress made under the Lisbon strategy showed certain achievements in some areas, such as job creation, but also clearly insufficient headway in other fields. In order to step up the reform drive and thus attain by the end of the decade the final targets in terms of growth and employment, the European Council deemed it necessary to introduce certain changes into the process. These markedly affect, among other areas, the attendant institutional aspects. In particular, the European Council devised a three-year cycle of policy design and application, which began in June 2005 with the approval, by the Ecofin Council, of the so-called Integrated Guidelines. This document served as a basis for each Member State to draw up, last autumn, a National Reform Programme (NRP) setting out the measures that the authorities intended to implement in the period from 2005 to 2008. In drawing up their NRPs, the different countries took into account the European Council's recommendation that consultation procedures with a broad base of national players (encompassing parliaments, regional and local authorities, and social agents) should be established. Consequently, the final text of the programmes benefited from the contributions of these agents, which should be conducive to their assuming full ownership of the objectives and result, in sum, in a boost to the reform process. In their programmes the EU member states identified, from their different starting positions, a set of five priority areas for reform (see panel 1). These areas include, first, improving the workings of labour markets, where the different countries have proposed measures spanning aspects such as tax systems and social security benefits (with the particular aim of encouraging active job-search), ongoing training throughout working life and the refocusing of collective bargaining arrangements to make them more favourable to employment generation. However, only six Member States have formulated objectives relating to their rate of employment in 2008, which would involve, on average, increases of around 2 pp in comparison with 2004 levels (see panel 2).

The second area of action most mentioned by the Member States in their NRPs is research and development (R&D). In this field almost all countries have announced plans to increase public spending and to foment private spending (see panel 3). However, it is not clear whether the programmes ensure the efficiency of the public component of this expenditure, or the ability of the latter to spur private spending, which might also hamper fulfilment of the R&D objectives.

Another area where the countries identify a more pressing need for reform is the improvement of the regulatory environment for business. Here, most Member States have established catalogues listing examples of good practices, which have been useful to them in the setting of quantitative objectives for reducing the administrative burden, while observing a minimal level of regulatory quality. Fourth, many countries have announced education and continuous-training reforms in acknowledgement of the fact that a quality education is an essential ingredient for retaining the adaptability of the workforce to changes in the economic environment and for improving their skills. This is, moreover, an important ingredient for improving the efficiency of R&D spending.

Lastly, the NRPs of 19 Member States have coincided in highlighting improvements to the sustainability and quality of public finances as a relevant area for further measures. Given the current projections, in which population ageing will give rise in many countries to a most substantial increase in spending on pension and health care systems, many programmes contain reforms along these lines. Insofar as these reforms include measures to raise the actual retirement age, they overlap with those aimed at increasing labour supply. The publication by the Economic Policy Committee in February 2006 of updated long-term budgetary projections will help in assessing the degree of ambition of the measures proposed by the Member States in their NRPs.

On 25 January earlier this year, the Commission released its first Annual Progress Report. This formulates indications for each Member State about the areas on which it should focus reform efforts. Further, the Report identifies four areas in which it calls on the European Council to promote specific actions. These areas encompass policies aimed at increasing employment rates, spending on research and education, the regulatory environment for business and the development of policies that ensure the availability of efficient energy sources.

Earlier, and at the request of the European Council, the Commission had unveiled the Lisbon Community Programme in July 2005. The Programme contains the complementary actions that are required at the overall EU level to attain the final objectives. As priority areas, this document establishes the creation of a true single market for services, an improved environment for innovation (in particular in respect of intellectual property rights), the effective liberalisation of international trade and, regarding competition in the Community, the completion of the European market for energy and the reduction of the regulatory burden, matters which, as indicated, are also envisaged at the national level in the Progress Report.

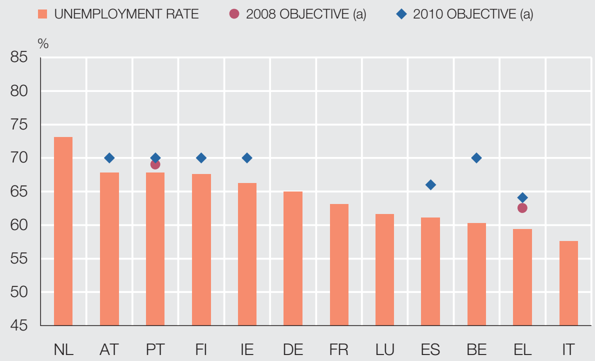
It is difficult to gauge to what extent the national strategies contained in the NRPs - and in the Community programme - are, along with the appropriate monitoring of progress made, sufficient instruments to attain the goals of the Lisbon Agenda. What is clear is that the objectives laid down in the programmes should translate into specific policies to be introduced as shortly as possible, since the comprehensive and rigorous application of the list of reforms proposed is of paramount importance for successfully placing the European economy on a path of higher growth.

1. MAIN CHALLENGES IDENTIFIED BY MEMBER STATES (a)

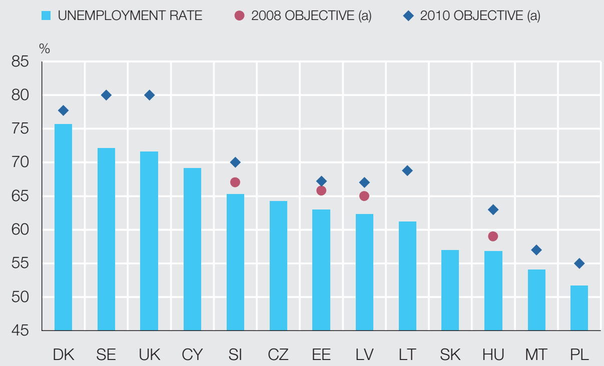
EURO AREA REST OF EU

2. UNEMPLOYMENT RATES IN 2004 AND OBJECTIVES FOR 2008 AND 2010

EURO AREA

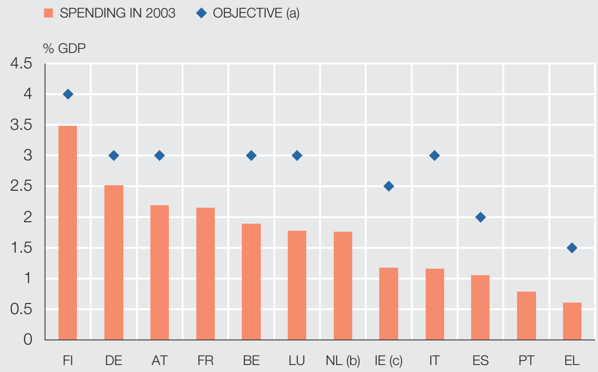


REST OF EU



3. SPENDING ON R+D IN 2003 (% OF GDP) AND OBJECTIVES FOR 2010

EURO AREA



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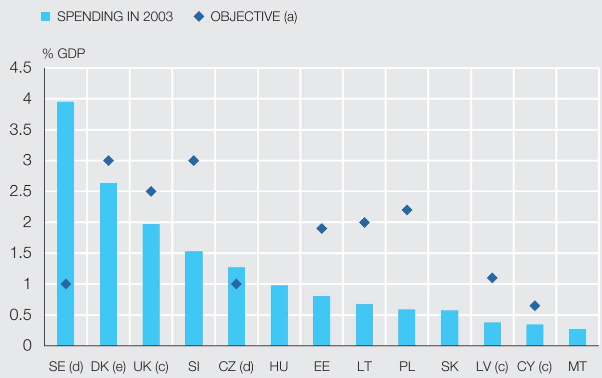


SOURCES: Economic Policy Committee (Report on Lisbon National Reform Programmes 2005).

a. Some countries have not presented objectives in their programmes.
b. The objective is to be among the leading five EU countries.
c. Objetives for 2008 (CY and LV), 2013 (IE) and 2014 (UK).
d. Ojectives refer only to the public component of spending.
e. Objective expressed as 3% or higher.

EURO AREA ECONOMIC INDICATORS TABLE 1

	2004			2005				2006
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
GDP								
Year-on-year growth	2.2	1.9	1.6	1.2	1.2	1.6		
Quarter-on-quarter growth	0.4	0.3	0.2	0.3	0.4	0.6		
European Commission forecasts (c)							(0,4 ; 0,8)	(0,4 ; 0,8)
IPI (d)	2.9	2.5	1.1	0.8	0.7	1.3	*1.5*	
Economic sentiment	99.2	100.2	100.5	98.7	96.1	97.8	100.2	
Industrial confidence	-5.0	-3.7	-3.7	-6.7	-10.3	-7.7	-6.0	
Manufacturing PMI	54.4	53.9	51.4	51.4	49.3	51.0	53.0	
Services confidence	10.0	11.3	11.3	10.7	9.0	11.0	13.7	
Services PMI	55.2	54.4	52.9	53.1	53.1	53.8	55.6	
Unemployment rate	8.9	8.9	8.8	8.8	8.6	8.4	*8.3*	
Consumer confidence	-14.3	-14.0	-13.0	-13.3	-14.3	-14.7	-12.3	
HICP (d) (e)	2.4	2.1	2.4	2.1	2.1	2.6	2.2	
PPI (d) (e)	2.4	3.3	3.6	4.2	4.0	4.4	*4.2*	
Oil price in USD (e)	35.3	43.3	39.7	53.3	54.0	62.6	56.5	62.8
Loans to the private sector (d) (e)	6.1	6.5	7.1	7.5	8.1	8.7	*9.0*	
Euro area ten-year bond yield	4.4	4.2	3.8	3.7	3.4	3.3	3.4	3.3
US-euro area ten-year bond spread	0.28	0.14	0.36	0.67	0.80	0.98	1.12	1.09
Dollar/euro exchange rate (e)	1.216	1.241	1.362	1.296	1.209	1.204	1.180	1.228
Appreciation/Depreciation of the euro (e)	-3.8	-1.7	7.8	-4.8	-11.2	-11.6	-13.4	4.1
Dow Jones EURO STOXX Broad index (e)	3.7	1.5	9.9	4.3	8.9	17.7	23.0	0.3

SOURCES: Eurostat, ECB and Banco de España.

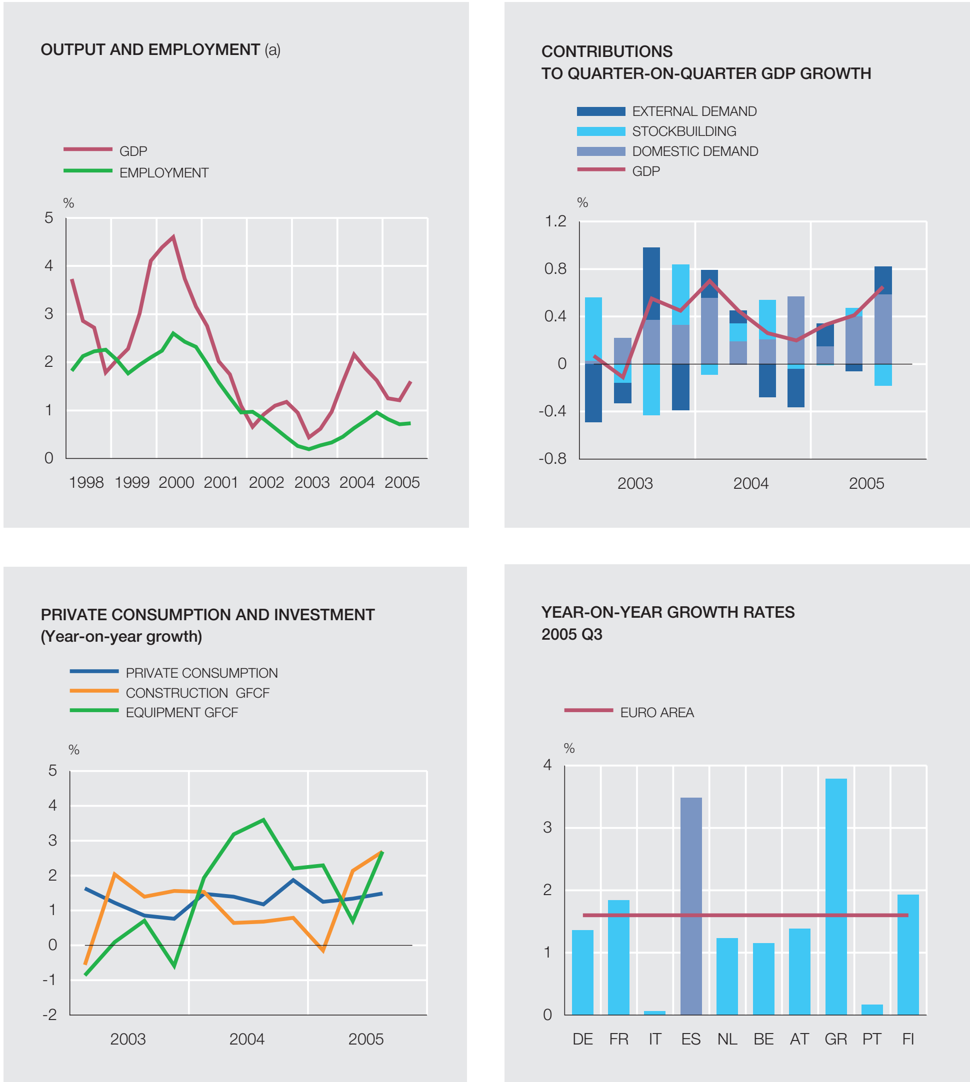
a. The information in italics does not cover a full quarter.
b. Information available to 23 January 2006.
c. Quarter-on-quarter growth forecasts.
d. Year-on-year growth.
e. End-period data. Figures for exchange rates and the stock market are percentage changes over the year.

In terms of production branches, the gross value added of the euro area economy grew in 2005 Q3 at a quarter-on-quarter rate of 0.5%, similar to that of the previous quarter. Activity in industry and in services remained buoyant, while the growth rate of construction was substantially cut, following its strongly expansionary behaviour in Q2. Turning to the labour market, employment increased during the quarter by 0.3%, 0.1 pp up on the previous quarter. That meant its year-on-year rate of change held at 0.7%, whereby the growth rate of apparent labour productivity stood at 0.9%, 0.4 pp up on Q2. Accordingly, and despite the slight acceleration in compensation per employee (which grew by 1.6% compared with the same quarter a year earlier, against 1.4% the preceding quarter), the rate of increase in unit labour costs moderated further to 0.7%. The growth of the GDP deflator (1.5%) outpaced that of unit labour costs for another quarter, providing for a fresh expansion in business margins (see Chart 10).

The latest conjunctural information on economic activity in the euro area in 2005 Q4 points to the economy's continuing dynamism. As to the supply-side indicators relating to the industrial branch, the industrial production index (excluding construction) picked up extensively in November, after its fall in October. As a result, for the period on average, it increased by 1.5% in relation to its average level in Q3. The qualitative indicators of activity extended their growth path in the closing months of the year, and both the European Commission's business confidence index and Reuters PMI manufacturing index improved significantly relative to the average for the previous quarter, standing at higher values than the historical average (see Chart 9). The performance of the indicators of activity in the services sector – the EC confidence

EURO AREA NATIONAL ACCOUNTS

CHART 8



Sources: Eurostat and national statistics.

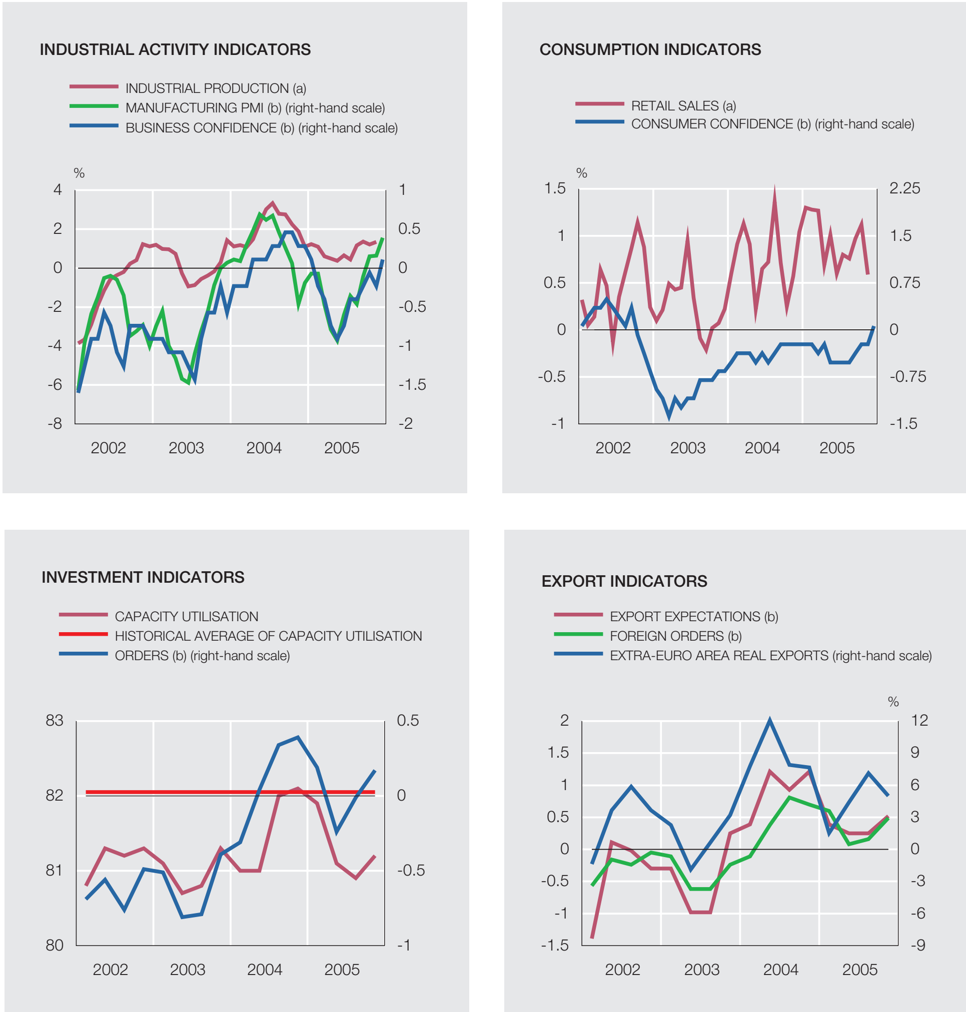
a. Year-on-year rates of change.

index and Reuters PMI index – was also very favourable (see Table 1). With respect to employment, the available indicators, likewise drawing on business confidence surveys, showed a significant improvement in employment expectations in all sectors in 2005 Q4 (see Chart 10). Also along these lines was the trend of the unemployment rate which, albeit gradually, has continued to decline, standing in November at 0.1 pp below the average for Q3 (8.3%).

From the standpoint of demand, the indicators available offer mixed signals about the course of private consumption in Q4, although they point on the whole to the continuing sluggishness of this variable. Although consumer and retail trade confidence rose, both retail sales (in the October-November period) and, especially, new car registrations worsened in relation to the average level in Q3. Conversely, the investment indicators substantiate the prolongation of the phase of firm recovery, given the increase in entrepreneurs' assessment of industrial orders and the moderate increase in the degree of capacity utilisation. As to external demand, balance of payments exports figures for October and November show something of a slowdown in the year-on-year growth rate, although exports are expected to remain buoyant, in line with the firmness in Q4 of both the EC quarterly indicator of export expectations in industry and the

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.

monthly indicator of the assessment of foreign orders. Finally, according to the business confidence survey, the assessment of stock levels in 2005 Q4 stood below the historical average, which would suggest an interruption in the process of destocking, as these are below what might be considered the desired average level.

In sum, analysis of the conjunctural information on economic developments in the area in 2005 Q4 is compatible with a rate of expansion for GDP similar to that observed in the previous quarter, in line with the European Commission's estimates, which projects the quarter-on-quarter growth rate will stand in a range from 0.4% to 0.8% (see Table 1). Foreseeably, the main drivers of growth will once again be investment and the external sector, thanks to the impulse stemming from robust global economic growth, to the gains in competitiveness associated with the depreciation of the euro over the course of 2005, to generous monetary and financial conditions and to improved business profits. That said, this scenario is subject to downward risks, associated with the persistence of oil prices at very high levels and with the possibility of further rises, as well as with a potentially disorderly correction of the current global imbalances. Moreover, the limited pass-through of the external impulse to employment and to private consumption to date is a significant source of uncertainty for the future course of activ-

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.

ity in the area, although the improvement in the qualitative labour market and consumption indicators in Q4 might contain this risk to some extent, especially if they were to augur a more rapid recovery in employment than expected.

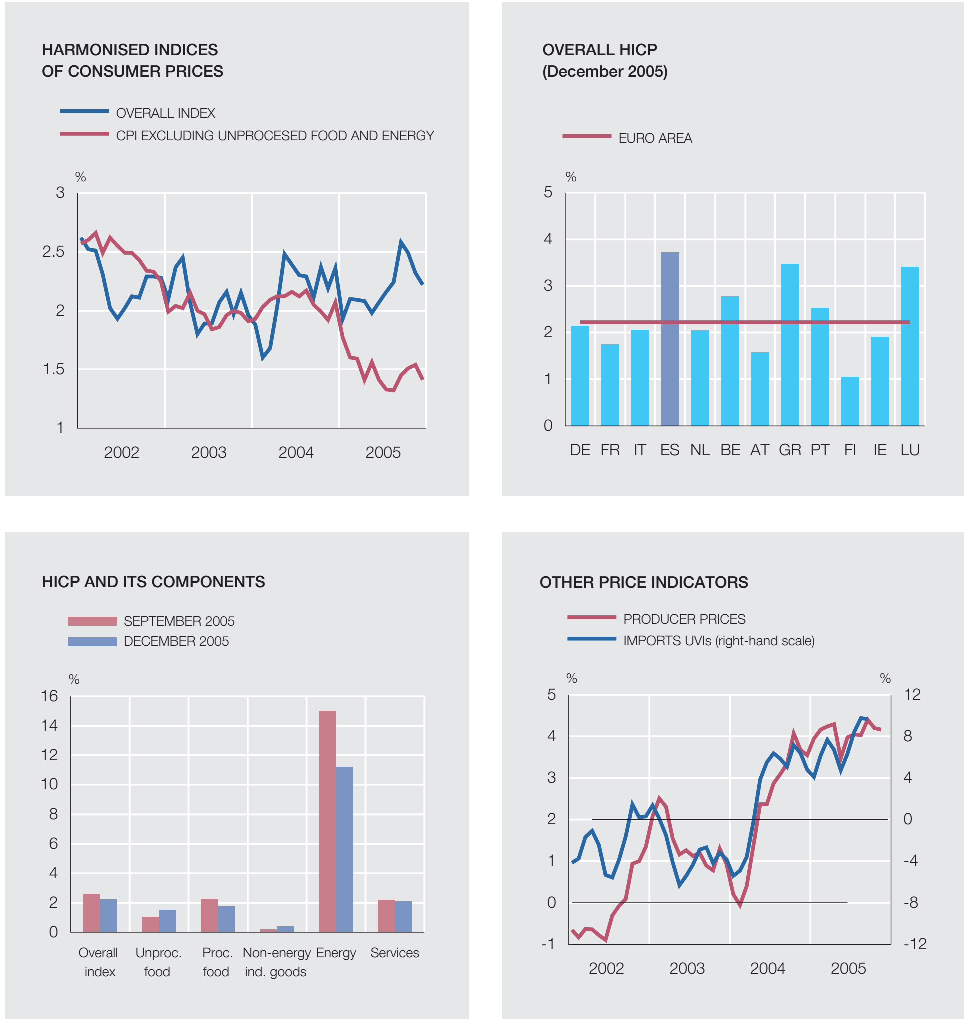
The main indicators of inflation continued to reflect developments in oil prices, which in the closing months of the year stood at lower levels compared with the peaks attained in the summer months. The harmonised index of consumer prices (HICP) posted a year-on-year growth of 2.2% in December, 0.4 pp below the September figure. This was thanks mainly to the lower contribution of the energy component, since the changes in the other components offset one another (see Chart 11). Underlying inflation, measured in terms of an index excluding the most volatile components, i.e. unprocessed food and energy, held stable during Q4, standing at 1.4% in December, unchanged on September. These patterns of behaviour of consumer prices in the euro area as a whole were broadly repeated in the different member states. Finally, producer prices grew at a year-on-year rate of 4.2% in November, 0.2 pp less than in September, owing to the slight slowdown in energy prices (which, however, continue to increase at a year-on-year rate of 14.8%). The prices of the remaining components, by contrast, are still holding at low growth rates.

Despite this recent easing in inflation in the area, risks remain on the upside owing to the uncertainty stemming from oil prices in a setting in which spare production and refining capacity is still very limited. This situation makes oil prices very vulnerable to geopolitical tension, as has indeed been observed in the opening weeks of 2006. Moreover, the strengthening of activity in the area raises the likelihood of second-round effects emerging, should greater labour market vigour prompt an increase in workers' wage demands. It also remains possible that fresh increases in indirect taxes and administered prices will be decided, especially in those member countries that have to make a fiscal consolidation drive.

According to estimates published by the ECB, the current-account deficit that built up in the period from January to October 2005 was €22.9 billion, compared with the surplus of €33.3 billion in the same period in 2004. This was mainly the outcome of the smaller surplus on the goods balance which narrowed to €53.4 billion in the period analysed, compared with the €94

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

CHART 11



SOURCES: Eurostat and European Central Bank.

billion recorded a year earlier, as a consequence of the increase in imports outperforming that in exports, although the increase in the deficit on the income and current transfers balances also contributed. Between January and October 2005, the amount of net capital inflows in the form of portfolio investment exceeded both foreign direct investment outflows and the current-account deficit, meaning that the basic balance in this period was positive of the order of €26 billion, although it was lower than that observed in the same period a year earlier (€46.3 billion).

In the field of fiscal policy, and according to the European Commission's autumn forecasts, the budget deficit for the euro area as a whole worsened by 0.2 pp in 2005 to 2.9% of GDP (see Table 2). In turn, this deficit is 0.6 pp higher than that resulting from the aggregation of the targets contained in the stability programmes presented a year ago by the different countries. However, fiscal policy retained a neutral stance in 2005, since the cyclically adjusted balance remained approximately stable, having improved by only 0.1 pp in relation to 2004. Further, the deficit is expected to have exceeded once again in several euro area countries the ceiling of 3% of GDP set in the Treaty on European Union. These countries include most notably Germany, Italy, Portugal, Greece and, perhaps, France. In Germany's case, and potentially in that of France, the existence of an excessive deficit last year would entail non-compliance with the

GENERAL GOVERNMENT BUDGET BALANCES
OF EURO AREA COUNTRIES (a)

TABLE 2

% of GDP

	2003	2004	2005 (b)	2005 (c)	2006 (c)
Belgium	0.1	0.0	0.0	0.0	-0.3
Germany	-4.1	-3.7	-3.0	-3.9	-3.7
Greece	-5.7	-6.6	-3.7	-3.7	-3.8
Spain	0.0	-0.1	0.1	0.2	0.1
France	-4.1	-3.7	-2.9	-3.2	-3.5
Ireland	0.2	1.4	-0.8	-0.4	-0.3
Italy	-3.2	-3.2	-2.7	-4.3	-4.2
Luxembourg	0.2	-1.2	-1.0	-2.3	-2.0
Netherlands	-3.2	-2.1	-2.6	-1.8	-1.9
Austria	-1.2	-1.0	-1.9	-1.9	-1.8
Portugal	-2.9	-3.0	-6.2	-6.0	-5.0
Finland	2.5	2.1	1.8	1.9	1.9
MEMORANDUM ITEM: Euro area					
Primary balance	0.4	0.5		0.3	0.2
Total balance	-3.0	-2.7	-2.3	-2.9	-2.8
Public debt	70.4	70.8	70.6	71.7	71.7

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. Targets of the stability programmes presented between November 2004 and June 2005.
c. European Commission forecasts (autumn 2005).

conclusions of the November 2003 Ecofin Council, whereunder these countries should have corrected the situation in 2005. Given such non-compliance, the Commission is expected to communicate its course of action regarding the next steps of the procedure. In this respect, a rigorous application of the fiscal rules in force will contribute to strengthening the credibility of the revised Stability and Growth Pact.

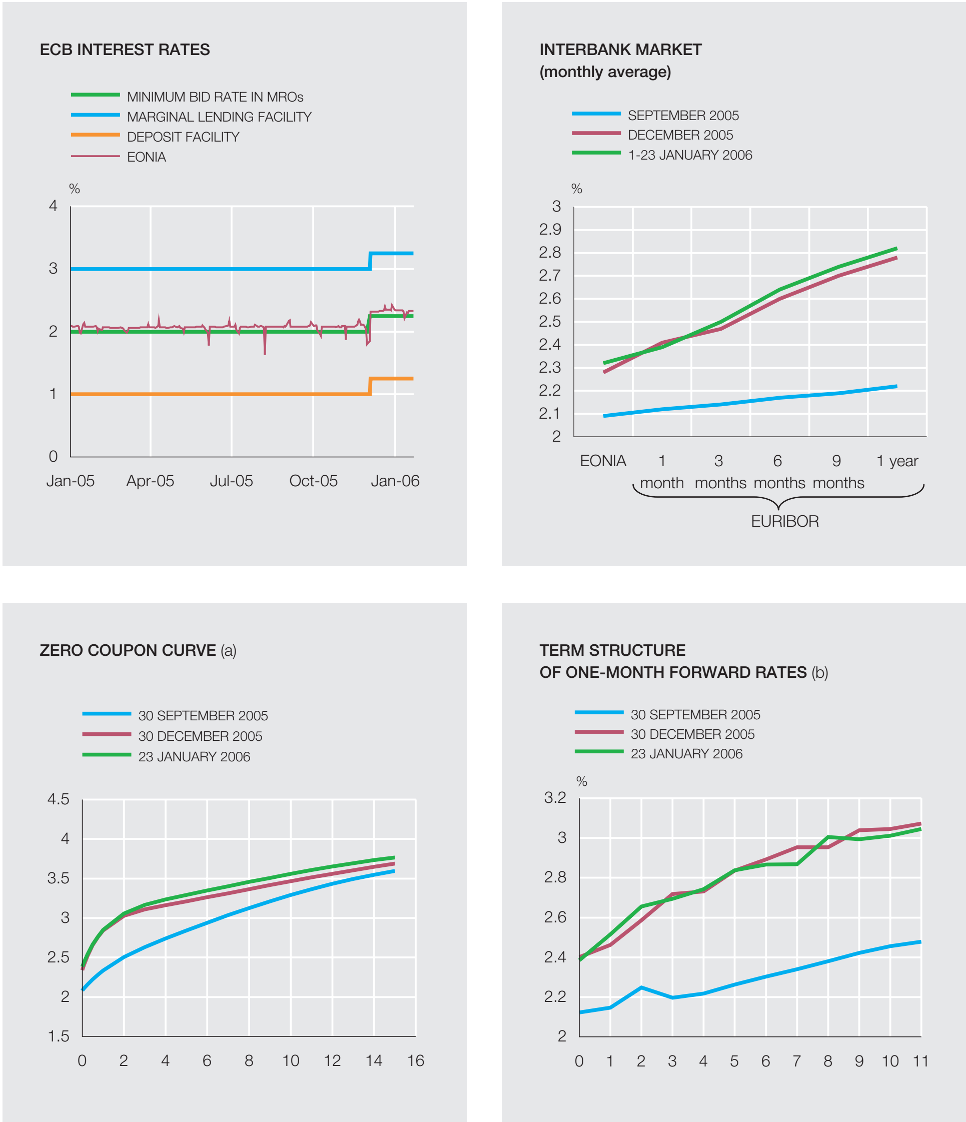
Into 2006, and according to the Commission's autumn forecasts, the deficit for the area as a whole should decline by 0.1 pp to 2.8% of GDP. In Germany, the budgetary plans laid by the new coalition government will have scarcely any influence on the 2006 deficit, which would therefore remain above the level of 3% of GDP. However, they envisage a series of measures, including most notably a 3 pp increase in the standard VAT rate in 2007, which should enable the deficit to be brought clearly below this limit in 2007. In France, the budgetary measures in the stability programme would entail only a 0.1 pp reduction in the deficit in 2006 (to 2.9% of GDP), postponing most of the fiscal consolidation drive to the 2007-2009 period. Finally, in Italy, where the budget deficit might have risen to 4.3% of GDP in 2005, the stability programme envisages a progressive improvement to a deficit of 2.8% in 2007, in which year the term granted to this country by the Ecofin Council to correct its excessive deficit finalises.

3.2 Monetary and financial developments

As earlier stated, the ECB Governing Council considered at its meeting in early December 2005 that the increased risks to achieving price stability in the medium-term, given the inflationary impact of quickening oil prices, warranted a 25 bp rise in official interest rates, after these had held unchanged for two and a half years. The measure, which had already been anticipated by the markets following the announcements the ECB had made at its previous meetings, has not entailed a change in the accommodative stance of monetary policy which,

EURO AREA INTEREST RATES

CHART 12



SOURCES:European Central Bank and Banco de España.

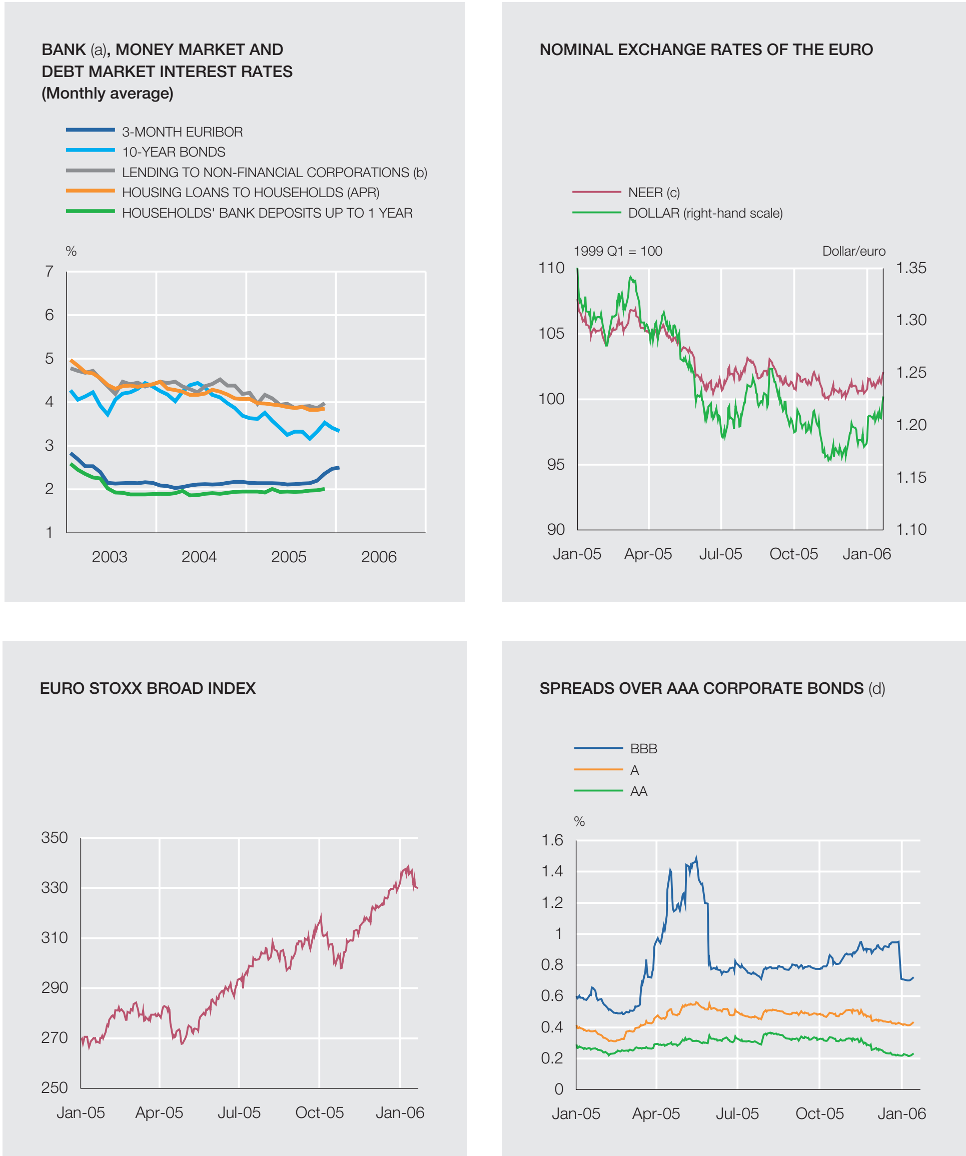
a. Estimated using swap market data.
b. Estimated using Euribor data.

therefore, continues to be supportive of recovery in the area. As a result, the interest rates on the main refinancing operations, on the deposit facility and on the marginal lending facility increased in December to 2.25%, 1.25% and 3.25%, respectively (see Chart 12).

In October and November, money market interest rates increased at all maturities, albeit more so in the longer-dated ones, in step with the expectations of an imminent upward movement in official interest rates, which the markets were already discounting, and of foreseeable subsequent rises (see Chart 12). Following the December rise, there have been no significant movements in the yield curve, which means a certain delay in the markets' expectations of fresh rises. Ten-year bond yields, after rising gradually in October and November in line with the deterioration in inflation expectations, subsequently reversed their trend, standing in mid-January at a level close to 3.3% (see Chart 13). Long-term yields in the United States ended similarly in the closing months of 2005, giving rise to a widening of only 0.1 pp in the spread with the related euro area long-term yield, which stood at 1.1 pp in the opening days of January. As regards the interest rates set by credit institutions on their lending and borrowing trans-

EURO AREA INTEREST RATES, EXCHANGE RATE AND STOCK MARKET INDEX

CHART 13



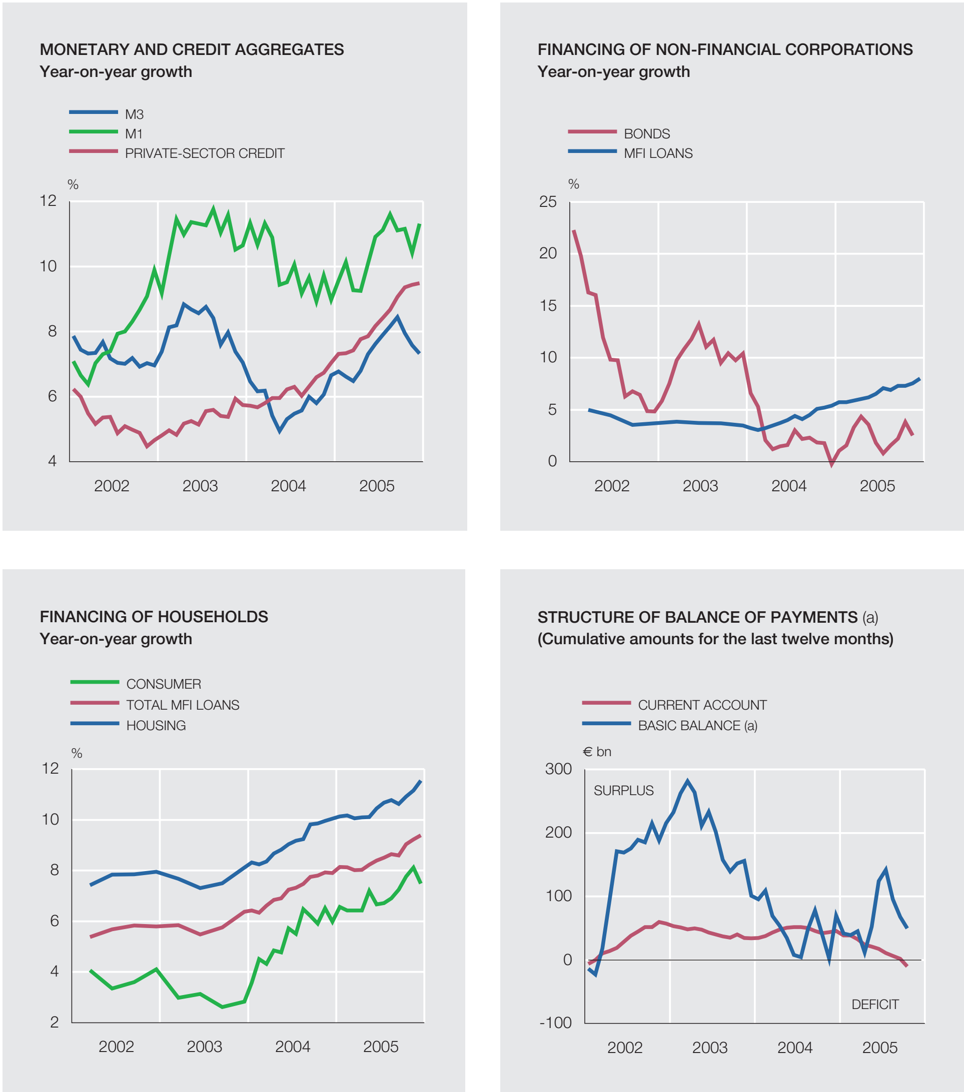
SOURCES: Banco de España and European Central Bank.

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

actions, these held stable according to the information available to November, although a mild rise was seen that month in interest rates on loans granted both to households and corporations, in line with the expectations of a rise in official rates.

On the foreign exchange markets, the euro moved once more in the final months of the year onto a depreciating trend against the dollar. This was due to the fact that the widening spread of US interest rates over those of the euro area and other regions, and the lesser importance attributed by the markets to the US current-account deficit, contributed to the strength of the dollar. Nonetheless, the markets' new expectations about the future course of monetary policy in the United States and the euro area have meant that, since mid-December and in January to date, this tendency has been corrected, with the euro standing once again at over $1.20. Its trend against sterling over this period was fairly similar to that against the dollar, and the

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.

opposite to that against the yen. As a result, the euro exhibited great stability in nominal effective terms in the period under study (see Chart 13).

On the euro area equity markets, the markedly upward trend of stock market prices continued into 2005 Q4, meaning that a gain of 23% was posted in the broad EURO STOXX index during 2005. This trend has continued in January to date, albeit with less intensity. Moreover, recent price developments have been accompanied by an additional decline in implied volatility. The strengthening of business confidence, reflecting the improved outlook for the growth of the area's economy, combined with sound corporate results fuelled these stock market gains. As regards the behaviour of the different sectors, there were across-the-board increases in the related sub-indices, except in that of telecommunications, where prices slipped over the course of 2005 by almost 5%. The rises recorded in the industrial, energy and, above all, financial sectors were notable.

With regard to developments in the monetary and credit aggregates in 2005 Q4, the continuously accelerating profile of M3 was interrupted and its rate of change underwent successive reductions, standing at 7.3% in December, more than 1 pp down on the rate recorded in September (see Chart 14). Conversely, credit to the private sector remained buoyant, posting a year-on-year growth rate of 9.5% in December, 0.4 pp up on September. In terms of agents, the acceleration in loans was both in those granted to non-financial corporations and those to households, and, among the latter, in both consumer credit and, especially, loans for house purchases, whose year-on-year rates of change increased by 0.3 pp and 0.9 pp, respectively (to 7.5% and 11.5%). However, the greater buoyancy of credit in the euro area as a whole was not extensive to all countries. In Germany, in particular, the rate of increase of this variable held stable in December relative to September, while it fell in Italy and France, raising certain doubts about the strength of the economic recovery in these countries. In Spain, on the contrary, both total credit and loans granted to non-financial corporations and to households continued to grow at very high rates, substantially up on those recorded in the euro area as a whole.

4 The Spanish economy

On the latest available conjunctural information, economic activity in Spain in 2005 Q4 tended to stabilise at a year-on-year growth rate of 3.5%, after having accelerated during the first half of the year. In quarter-on-quarter terms the increase was 0.9%, slightly up on the two previous quarters. This was the result, first, of some slowing in national demand, as a result of the lesser momentum of both household consumption and investment, which nevertheless remained notably buoyant. Further, the slowdown in demand was offset by the estimated improvement in the contribution of external demand to growth, which resided on the diminished thrust of imports, on a slight pick-up in goods exports and, above all, on the improvement in tourism as from the summer.

The estimate for Q4 places the growth of the economy in 2005 as a whole at 3.4%, 0.3 pp up on the previous year. High job creation (3.1%) and the cumulative rise in wealth in recent years underpinned the continuing strong dynamism of consumption and investment in housing. Moreover, there was a notable recovery in investment in capital goods, which moved more in keeping with the cyclical position. Conversely, the negative contribution of external demand worsened, despite the small increase in imports, owing to the fact that exports were very lacklustre, especially in the first half of the year. The growth achieved by the Spanish economy in 2005 has provided for an improvement in the indicators of real convergence with the euro area (see Box 4).

From the standpoint of production, value added in the market economy stabilised in Q4 at around the level reached in the summer months. The information available points to a strengthening of market services and to a mild easing in construction, although the rate of expansion of this latter variable remained very strong. A slowdown in growth is estimated for the remaining branches in the final months of the year.

Productivity held in Q4 on the path of small increases that has characterised it in recent years. Labour costs are estimated to have quickened in Q3 which, combined with the mild moderation of the GDP deflator, suggests that unit margins in the second half of the year might have slowed slightly in the market economy. CPI-based inflation rose to 3.6% in the final quarter of the year, posting an increase of 3.7% in December. Among other factors, this was the result of the impact of dearer oil over the course of the year. In annual average terms, the CPI grew by 3.4%, 0.4 pp more than in 2004.

4.1 Demand

Spanish household final consumption spending posted high growth in real terms in 2005 Q3, with a year-on-year rate of 4.4%, 0.2 pp down on Q2 (see Chart 15). The latest and as yet incomplete information appears to indicate that this moderation extended into the final months of the year, although private consumption continued to run at a sharper rate of increase than that of real household disposable income. The synthetic indicator of consumption of goods and services in Q4 lends support to this moderately decelerating profile, which originated in a slowdown in the consumption of both durable and non-durable goods. With data to November, the retail sales indicator points to an even sharper slowdown (see Chart 16). However, both the retail confidence indicator and the consumer confidence indicator held stable in Q4.

In the year as a whole, private consumption would have grown by around 4.4%, a similar rate to 2004. The estimates made indicate that real disposable income slowed slightly in 2005, after growing by 3.3% the previous year, as a result of a lower contribution of net interest, which was

Over the past year, the EU countries' National Accounts have been rebased in a fairly generalised fashion accompanied, in many cases, by highly relevant methodological changes. As a result of this there have, among other revisions, been significant changes in the GDP per capita series of the various countries. This box briefly describes the estimates of Spanish GDP per capita in relation to the EU 25 average published by the European Commission, coinciding with the autumn forecasting exercise, which already took into account the new National Accounts figures for a large number of countries.

GDP per capita at current prices, expressed in purchasing power parity (PPP) terms, is the indicator habitually used to assess a country's level of convergence vis-à-vis a reference area. Within the EU this indicator acts, as is known, as a reference for determining which countries and regions of the Union qualify for benefiting from the structural and cohesion funds, and it is on this basis that the convergence objective has been established in the Spanish government's National Reform Plan.

According to the figures in the European Commission's autumn forecasting exercise[1], Spain's GDP per capita in relation to the EU 25 stood in 2004 at a relative level of 98.6% (1 pp higher than the figure of 97.6% estimated before making the changes in National Accounts). On as yet preliminary estimates, the relative level of GDP per capita in 2005 would have risen to 99.2%.

This change in level is the outcome of the upward revision of Spanish GDP which, in PPP terms and at current prices, stood in 2004 - with the new National Accounts base - 5.2% above the level obtained in the previous estimates. For the purposes of the calculation of GDP per capita, this increase in Spanish GDP is partly cancelled out by the revision of average GDP for the EU 25 (by 1.5% that same year) and, above all, by the inclusion in the Spanish figures of population estimates drawn from the data in the last census, which entailed a 3% upward revision of this variable in 2004.

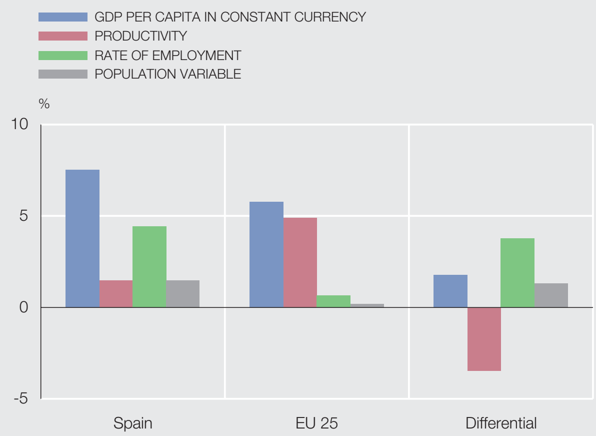
It should be pointed out that the GDP per capita series in PPP terms at current prices should not be used to obtain a diagnosis of the time profile of the convergence process, since the related trend is distorted by certain methodological problems underlying the preparation of PPPs. In their place, the GDP per capita series in PPP terms at constant prices are a more appropriate indicator of the course over time of real convergence or, expressed otherwise, of relative gains in economic welfare. This measure further provides for a breakdown into the factors behind real convergence: the population component, the

1. The data for 2004 and 2005 are provisional.

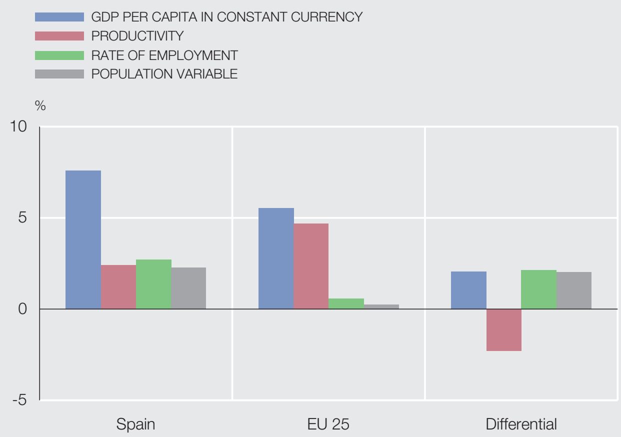
SPAIN/EU 25 LEVELS. EU25=100	2000	2001	2002	2003	2004 (p)	2005 (p)
GDP per capita in current PPPs	92.7	93.7	95.7	99.3	98.6	99.2
GDP per capita in constant PPPs (base 2005)	97.0	97.7	98.0	99.3	98.6	99.2
Apparent labour productivity	103.3	102.6	102.1	101.4	99.9	98.0
Rate of employment	92.1	93.3	93.9	94.8	95.5	97.8
Pop. aged 16-64/ total pop.	102.0	102.1	102.2	103.3	103.4	103.5

CUMULATIVE GROWTH RATES IN THE PERIOD 2000-2004

SPANISH NATIONAL ACCOUNTS (BASE 2000) ESTIMATE



SPANISH NATIONAL ACCOUNTS (BASE 1995) ESTIMATE



SOURCE: Banco de España.

a. The data for 2004 and 2005 are provisional.

relative employment rate and the relative level of apparent labour productivity[2].

The accompanying chart depicts the cumulative growth of constant GDP per capita for the period 2000-2004 and its breakdown into the three above-mentioned factors with the new National accounts figures, comparing them with the related spring estimates. As can be seen, and as was to be expected, the message that they be drawn from both estimates on the intensity and characteristics of the real convergence process is very similar, although the contribution of the different determinants is somewhat different. Behind the increase in the relative level of GDP per capita (2.4 pp in the period 2000-2004) are the strong growth of employment relative to the EU (an effect which, with the new data, is of even greater intensity) and, to a lesser extent, the rise in the population. Productivity growth in Spain continues to be less than that of the EU; however, with the new data the difference is amplified and the negative contribution of this factor to the growth of GDP per capita, in the period considered, is of greater intensity than was the case with the previous dataset.

The continuation of this declining trend in relative productivity may pose a risk for headway in real convergence, even if the current scenario of strong employment creation were to be maintained. Against this background, the adoption of various measures, such as those envisaged in the National Reform Plan unveiled by the government last October, is of paramount importance for reversing this trend.

2. The year taken as a reference for deflating GDP per capita has consequences for the level of this series. Given that the new National Accounts figures are not prepared with a fixed base, it would seem advisable to express the GDP series at constant prices in euro of the last year represented. In that year it would coincide with the latest estimated value for GDP per capita at current prices, which is the value that contains the latest available information on the structure and levels of relative prices. Note, however, that by following this procedure, and given that the latest European commission PPP estimates refer to 2003, in the subsequent years PPP runs in line with the relative level of the deflators, whereby the relative levels of current and constant GDP per capita are the same from that date onwards.

affected by the increase in household debt, and of the higher inflation rate, while the contribution of wage income and of the gross surplus held stable. Accordingly, the resilience of consumption was underpinned once more by household wealth gains, which were high due to the rise in property prices (although these were somewhat lower than in previous years) and to the strong growth of stock market prices in 2005 (approximately 20% in the case of the IBEX). These conditions, further reinforced by low financing costs which only rose slightly at the end of the year, gave rise to a fresh contraction in the household saving ratio. Box 5 briefly describes the changes that the introduction of CNE (Spanish National Accounts) base year 2000 has entailed for the estimations of income, saving and financing requirements for the different sectors.

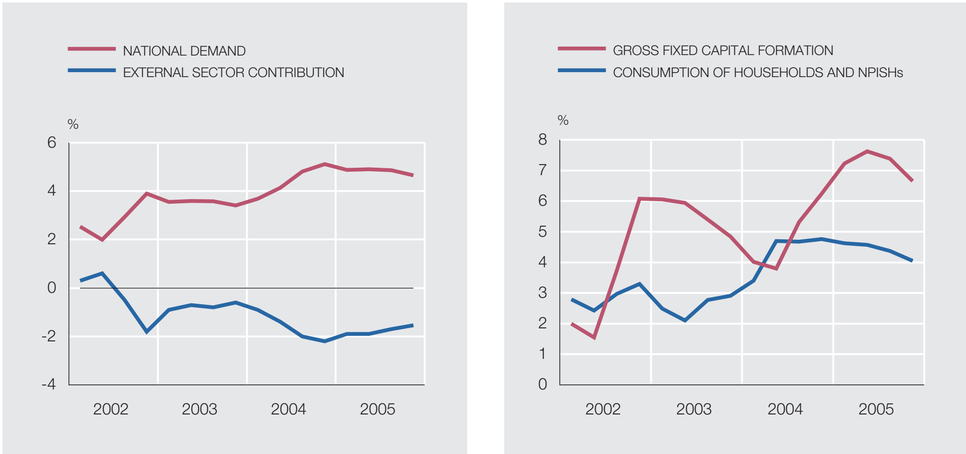
In 2005 Q3, general government final consumption posted a year-on-year increase of 4.6%. The scant conjunctural information available points to a slight acceleration in this aggregate in Q4, on the basis of the State budget outturn data.

Gross fixed capital formation continued to grow at a brisk pace in 2005 Q3, albeit at a year-on-year rate of 7.4%, 0.2 pp down on Q2. This moderation was due to the slowdown in investment in capital goods, the rate of change in which declined by 1.6 pp to 8.8%. Set against this, investment in construction and investment in other products quickened in Q3 to year-on-year rates of 6.3% and 9%, respectively. The information available indicates that the growth of investment in capital goods would have moderated once again in Q4 (see Chart 17). The year-on-year rate of increase in the indicator of apparent investment in these goods stabilised in Q4, albeit at a substantially lower rate than in the first half of the year. Moreover, both the business climate indicator for producers of capital goods and the assessment of orders and the degree of capacity utilisation fell in Q4, while the proportion of companies that consider their plant capacity to be sufficient also increased during this period.

The information on non-financial corporations compiled by the Central Balance Sheet Data Office, covering the period to 2005 Q3, points to a moderation in the growth rate of activity of

MAIN DEMAND AGGREGATES (a)

CHART 15



SOURCES: INE and Banco de España.

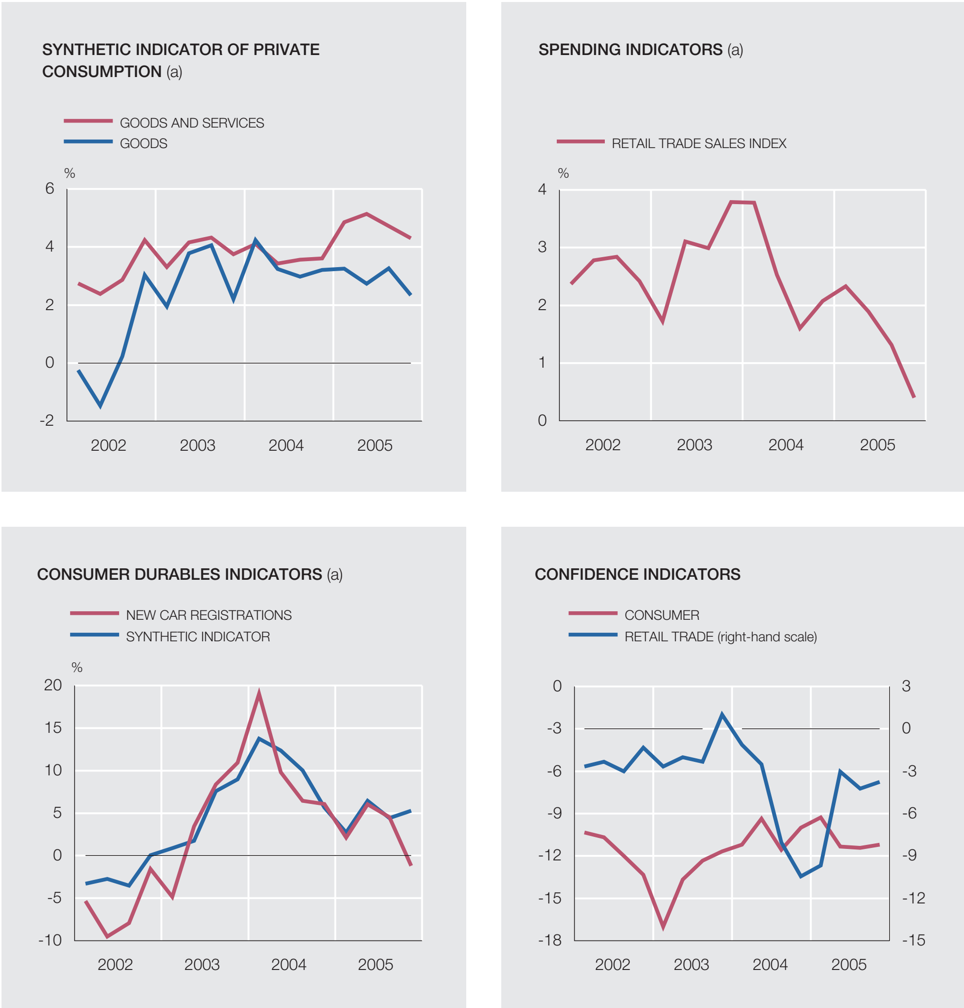
a. Year-on-year percentage change based on seasonally adjusted series.

the companies sampled in the year. Along with this, there has been something of an acceleration in personnel and financial costs which generated a slight slowdown in ordinary net profit. However, net profit and the profit ratios improved to Q3 owing to the lower volume of provisions and taxes. These figures indicate that companies have room to continue expanding their productive capacity and investing in capital goods in the coming quarters, albeit at more moderate rates than those recently observed.

Investment in construction increased by 6.3% in 2005 Q3, prolonging the notable momentum it has shown throughout the year. However, the latest conjunctural information, assessed as a whole, would suggest a mild slowdown in the final quarter of the year. The confidence indicator for the sector eased in December, although it improved over the quarter as a whole, rising to the highest average quarterly value since 2000 Q2. The other coincident indicators, namely registered unemployment, apparent consumption of cement and the industrial production index of construction materials, indicate lesser buoyancy in the final quarter of the year. The exception is Social Security registrations, which quickened in Q4, even when the impact of the regularisation of immigrants is discounted. By type of construction work, the leading indicators project a moderation in the growth rates of residential building, for the second quarter running, and confirm the recovery in non-residential building in the second half of the year. Regarding civil engineering works, the indicators estimated on the basis of government procurement budgets indicate that the real value of work executed slowed during 2005, and they project more stable – though more moderate – growth for 2006.

On QNA estimates, the contribution of net external demand to growth remained markedly negative in 2005 Q3, although it recovered slightly in relation to the previous quarter. This period saw confirmation of the mild recovery in real exports of goods and services initiated in Q2, with their year-on-year rate of increase standing at 1.3%, while the growth of real flows of imports eased somewhat to 7.7% (see Chart 18). Nonetheless, the recovery in exports was unable to prevent a further loss of share on international markets, which have expanded at far higher rates than those of Spanish sales. The as yet incomplete information for Q4 suggests the negative contribution of net external demand to growth continued to lessen, against a backdrop marked by something of a pick-up in exports, especially of services, and the slowdown in imports, in line with the diminished strength of the domestic demand for consumption and investment in capital goods.

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.

During Q3 the rate of increase of goods exports declined by 1.2 pp to 0.5%. The latest official customs figures, for October and November, fell by 0.4% year-on-year in real terms. But this figure should be analysed with caution, since it is possibly biased downwards due to the effect of the transport strike in October. By geographical area, the slowdown in exports in real terms in the October-November period was concentrated in sales to the EU 25 (–3.7%), while the performance of exports to the rest of the world improved (8%).

On QNA figures, after declining for several quarters, the growth of real exports of tourist services was zero in 2005 Q3, in line with the improvement shown by the nominal balance of payments indicator. This favourable performance, which was also reflected by the real indicators of tourism, has firmed in the closing months of the year, with a 6.1% increase in total tourist spending to November in real terms. Overnight hotel stays by non-residents, with figures to December, also increased by 6.1%, while the number of tourists rose by 5.1% in Q4. However, average spending by tourists, which declined by 1.8% to November as a result of the new behavioural habits of visitors, has been one of the factors detracting from the buoyancy of tourism revenue. Real exports of non-tourist services gathered notable steam in 2005 Q3, with a year-on-year increase of 6.6%, following their sluggishness in the first half of the year. All the items under this heading performed very favourably, most particularly insurance, construction, financial and IT services.

In late 2005, INE (the National Statistics Institute) published accounts of the institutional sectors that are consistent with the changes introduced into the Spanish National Accounts, base 2000 (CNE-2000). These accounts thus completed the set of National Accounts annual statistics for the period 2000-2004 with the new base. Moreover, the information relating to the institutional sectors is notably extended as from 2006, with the publication of quarterly sectoral accounts. This box summarises the most significant changes contained in the recently released annual estimates.

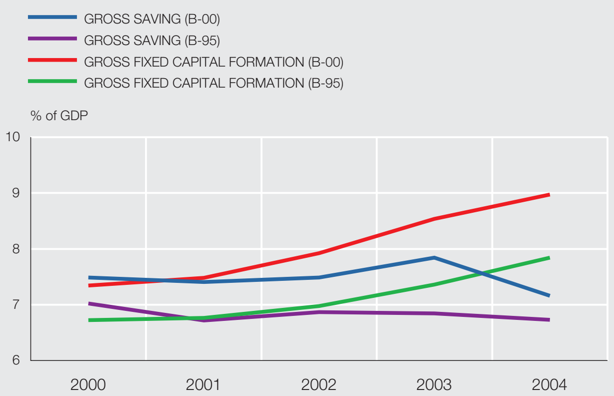
The net borrowing of the nation increases by 0.8% of GDP, on average, compared with the 1995-based (CNE-1995) estimates, entailing a similar deterioration in the period 2000-2004 to that already indicated by the estimates available on the rest of the world account (see adjoining table). The data now being published indicate that the most of this increase relates to the private non-financial sector, since the general government balance alters by only 0.1 or 0.2 pp of GDP, except in 2003, and that of financial institutions scarcely contributes to the revision of the nation's net borrowing. This revision is therefore due to the new estimates of the gap between the saving of and investment by households and non-financial corporations. At the start of the period (2000-2001) it is the increase in the net borrowing of non-financial corporations which explains most of this revision. Subsequently, by contrast, it is the net lending of households and NPISHs which most declines, showing a sharper deterioration than that offered by CNE-1995; as a result, the balance of this sector is in negative figures in 2003 and 2004, for the first time since statistical tracking of it began.

The trend of the imbalance between these two sectors' saving and investment has thus been changed. According to the new estimates, the widening of this imbalance was greater, in the case of non-financial corporations, during the first two years, owing essentially to a lower level of saving, since growth capital formation stood at a similar level in these years (see the accompanying panels). In the following two years, however, this sector's gross saving quickened to a greater extent, according to CNE-2000, with its weight in GDP standing above the CNE-1995 figure in 2003, thereby reducing the increase in the net borrowing of non-financial corporations at the end of the period. In the case of households and NPISHs, the reduction in net lending is mainly due to a sharper growth rate of gross capital formation in the CNE-2000 estimates, which has raised its weight in GDP by somewhat more than 1 pp and is consistent with the higher growth of investment in housing offered by the new accounts. Although the respective shares in GDP of household gross saving and the household saving ratio are now also higher, this increase is not enough to meet the requirements for funds arising from the higher growth of gross capital formation in the sector.

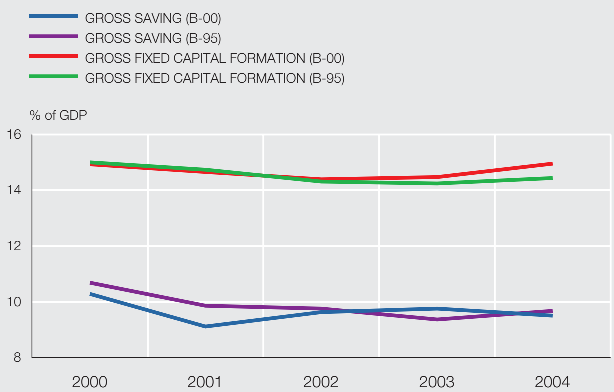
INSTITUTIONAL SECTORS ACCOUNTS: BASES 2000 AND 1995

	INE-2000					INE-1995					Differences				
	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004
NET LENDING (+) OR BORROWING (-) (% of GDP)															
Nation	-3.2	-3.4	-2.6	-3.0	-4.8	-2.5	-2.2	-1.6	-2.1	-4.2	-0.7	-1.2	-1.0	-0.9	-0.6
General government	-0.9	-0.5	-0.3	0.0	-0.2	-0.9	-0.4	-0.1	0.4	-0.3	0.0	-0.1	-0.2	-0.5	0.1
Households and NPISHs	1.1	0.6	0.4	-0.3	-0.8	1.3	0.8	0.8	0.3	0.1	-0.2	-0.1	-0.5	-0.5	-0.9
Companies	-3.4	-3.5	-2.7	-2.7	-3.9	-2.9	-2.6	-2.3	-2.8	-4.0	-0.5	-0.9	-0.4	0.1	0.2
— Financial institutions	0.8	1.4	1.4	1.3	0.7	0.8	1.5	1.5	1.5	0.8	0.0	-0.1	-0.1	-0.2	0.0
— Non-financial corporations	-4.2	-5.0	-4.1	-4.0	-4.6	-3.7	-4.2	-3.7	-4.2	-4.8	-0.5	-0.8	-0.3	0.3	0.2
MEMORANDUM ITEM:															
Saving ratio of households and NPISHs	11.2	11.2	11.4	12.1	11.1	10.7	10.4	10.6	10.6	10.5	0.5	0.8	0.8	1.4	0.5

HOUSEHOLDS AND NPISHs



NON-FINANCIAL CORPORATIONS



SOURCE: INE.

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.

Real goods imports continued to show high growth (7.1%) in 2005 Q3, albeit 2.3 pp down on Q2. The acceleration in import prices and the slowdown in certain components of domestic demand, especially capital goods, contributed to this deceleration. Customs data point to some stability in imports in October and November, in step with the estimate of a mild slowdown in real goods imports in 2005 Q4, and in line with the estimated trend for consumption and investment in capital goods.

Finally, real services imports, in QNA terms, quickened by 5.6 pp in 2005 Q3, posting year-on-year growth of 10.3%. This was the result of the substantial buoyancy of real imports of tourist (27%) and non-tourist services (6.8%), both of which were consistent with the course of nominal Balance of Payments debits in Q3.

4.2 Output and employment

Value added in the market economy gathered fresh momentum in 2005 Q3, quickening by 0.3 pp in relation to Q2 and rising to a year-on-year growth rate of 3.5%. Activity accelerated across the board, with the exception of market services, whose rate of increase held stable (see Chart 19). The information available indicates that the growth of activity in the market economy tended to stabilise in Q4, meaning that for 2005 as a whole the increase would have been greater than for the previous year both at the aggregate level and in each of the branches.

FOREIGN TRADE CHART 18

Percentage change on year ago

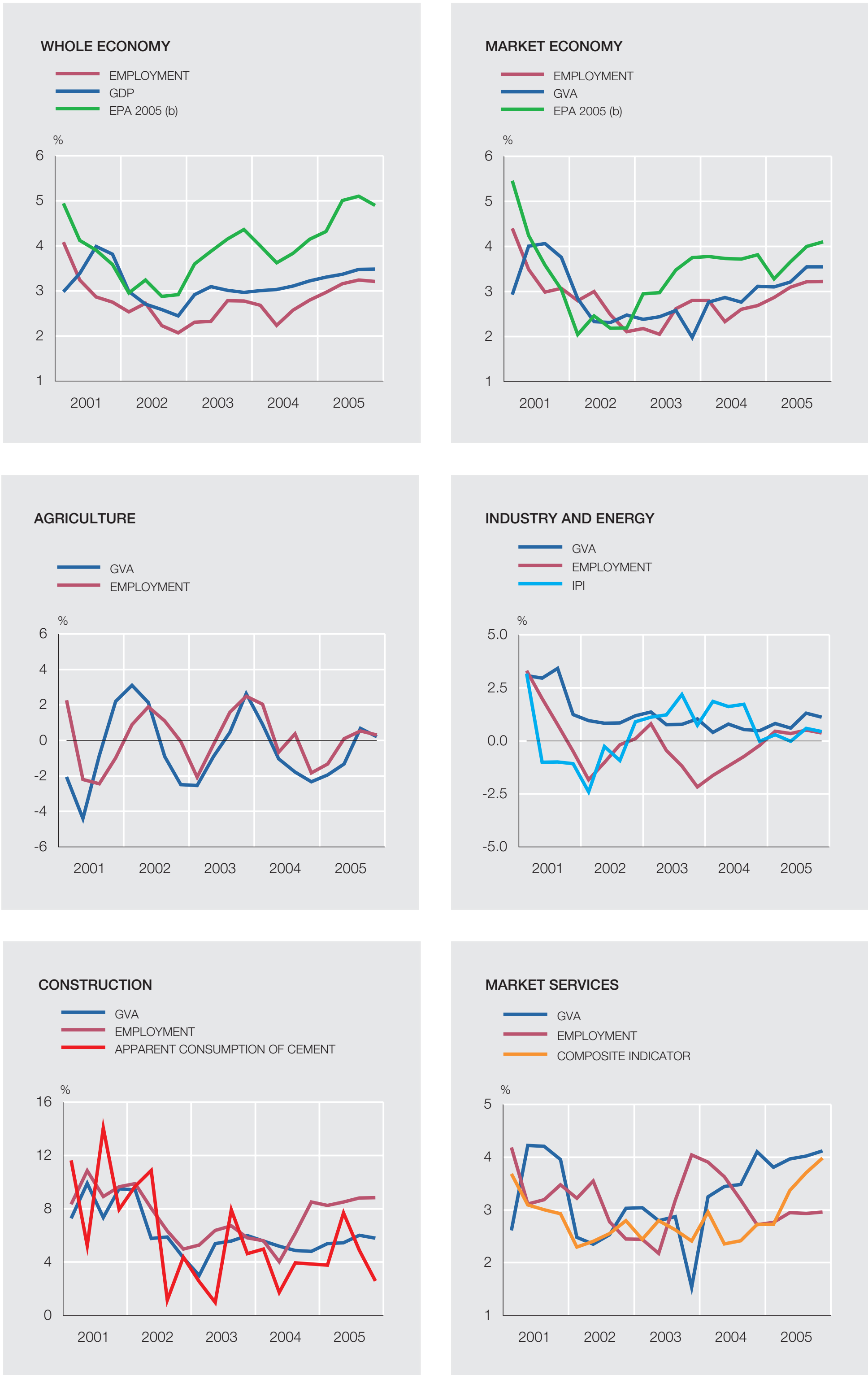
SOURCES: INE, Ministerio de Economía, Ministerio de Hacienda and Banco de España.

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

In Q3 the agricultural and fisheries branches managed to put the recent contractionary phase behind them, despite the considerable cuts in arable production due to scant rainfall. On QNA estimates, these branches posted a positive year-on-year growth rate (0.7%), 2 pp up on Q2. Nonetheless, the behaviour of the employment indicators in Q4 appears to suggest a slight slowdown at the end of the year.

Activity in the industrial and energy branches as a whole quickened in Q3 to a year-on-year growth rate of 1.3%, following the moderation seen in the previous quarter. The sectors driving growth were food consumer goods and intermediate goods, while the pace of capital goods eased off. The conjunctural information available for Q4 does not exhibit the presence of any fresh boost to industrial activity, in the light of the relative sluggishness of exports, the moderation of investment in capital goods and the diminished buoyancy of domestic consumption. In October and November, the overall industrial production index rose by 0.4% year-on-year, 0.3 pp less than in Q3. The indicators of turnover and incoming orders behaved similarly to the industrial production index in these months, as did imports of non-energy intermediate goods, which slowed. However, confidence indicators in the sector improved in Q4, especially in December.

GROSS VALUE ADDED AND EMPLOYMENT BY BRANCH OF ACTIVITY (a) CHART 19



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

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

There was a fresh acceleration in the construction industry in Q3, with the rate of increase rising by 0.6 pp to 6% year-on-year. The long expansionary cycle in this industry thus continued. The lengthy lead times involved in construction ensure that the momentum of activity in this branch will remain buoyant in the coming quarters, although this will be increasingly less according to the information available.

In 2005 Q3 the growth of activity in services was similar to that of the previous quarter, standing at 3.8% on QNA figures. This stability was extensive to all services components, whereby GVA in non-market services grew once again at a rate of 3.2%, while the growth of GVA in market services held at 4%. The information available points to fresh momentum in activity in the market services branch in 2005 Q4. The number of Social Security registrations, the synthetic indicator of services and sales by large corporations, once deflated, quickened in this period. The confidence indicators for the sector and the PMI index also improved in the closing months of 2005. Conversely, turnover, in real terms and adjusted for calendar effects, began the quarter with lower growth. This rise in activity in the final months of the year originated in the hotel and catering trade, where there has been notable buoyancy of Social Security registrations coupled with the sound behaviour of overnight hotel stays by non-residents, and in the real estate and business services branches, where an expansion in the employment indicators has also been seen. Conversely, as in the previous quarter, wholesale and retail trade and transport are the activities contributing least to the growth of the sector as a whole.

On QNA estimates, the growth rate of employment across the economy in 2005 Q3 held at 3.2%, making for an increase in apparent labour productivity of 0.2%, in line with the modest increases seen in the past three years. The latest conjunctural information coincides in reflecting stability in growth for the second half of 2005. Social Security registrations grew at a rate of 2.8% in Q4, once adjusted for regularisation affects, a similar figure to that of Q3. Hiring was strongly dynamic in the final months of 2005, surging by 9.5%, although the growth over the year as a whole was 5%, far below the figure of 11.5% recorded in 2004. Finally, according to the EPA (Labour Force Survey), the growth rate of numbers employed remained high in the final quarter of the year (4.9%), although there was a mild easing in relation to the two previous quarters.

The general tone in Q3 was one of quickening employment in all branches, except in services, and in particular in the non-market branches, where there was a slight slowdown to a year-on-year rate of increase of 3.3%. In market services job creation stabilised at 2.9%. The pick-up in employment in agriculture and industry was confirmed by the year-on-year increase of 0.5% in both sectors. Finally, construction remained the most dynamic branch in terms of job creation, with the related rate of increase rising by 0.3 pp to 8.8%. As a result of the better performance of the market branches, the mildly accelerating profile of employment in the market economy seen in recent quarters continued, standing at 3.2%, which was compatible with an acceleration in apparent labour productivity, which grew by 0.3%. According to the EPA, employment quickened in Q4 in the services branches and remained highly dynamic in construction, though some slowing was observed. In industry, however, employment resumed negative year-on-year rates of change, following several quarters of recovery. Employment in agriculture grew by 2.5%, in line with Q3.

QNA estimates for Q3 once again signalled dependent employment as the most dynamic component, with year-on-year growth of 3.6% (0.2 pp up on Q2), compared with the 0.5 pp slowdown in the numbers of self-employed (0.9%). The EPA data for Q4 paint a similar picture, with high growth in dependent employment (6%) and a 1.5% decline in self-employment, the reflection of which was a 0.2 pp increase in dependent employees as a proportion of total numbers employed to 82%. In the statistics on registrations, the creation of self-employment outgrew that of dependent employment owing to the immigrant regularisation process, since 36% of those regularised to the end of the year belonged to the special domestic employee regime, these workers not being recorded as dependent-employee registrations.

With regard to EPA information on contract duration, the behaviour of temporary employees in 2005 Q4 was once again most dynamic, growing at a year-on-year rate of 11.2%, far outpacing permanent employment (3.4%) and placing the ratio of temporary to total employees at 33.8%, against 32.1% a year earlier. The official figures provided by INEM (the National Employment Office) on contracts, however, show that permanent hires since mid-2005 have grown more than temporary contracts, which has allowed job turnover to stabilise, in relation to the previous year. As to the length of the working day, EPA estimates have been showing very high growth rates for part-time contracts. In Q4, numbers of part-time employees grew by 20.1% year-on-year, a similar increase to that of the previous quarter. The rate of increase in the number of full-time employees slowed slightly to 3.4%. Overall, the proportion of part-time employees rose to 12%, 1.3 pp above the level a year earlier.

The growth rate of the labour force quickened by 0.3 pp in 2005 Q4 to 3.2%, after slowing sharply in Q3. This was due to the increase in the participation rate, which stood at 57.7% in Q4, 0.8 pp above its level a year earlier. Turning to the number of unemployed, the year-on-year rate of decline eased to -11.1%, and the unemployment rate stood at 8.7%, 0.3 pp above its level in Q3, but 1.5 pp down on a year earlier. The number of officially registered unemployed declined by 0.9% in Q4 in relation to the same quarter in 2004, compared with falls of up to 4% in the first half of the year, confirming the moderation in the rate of decline of unemployment.

4.3 Costs and prices

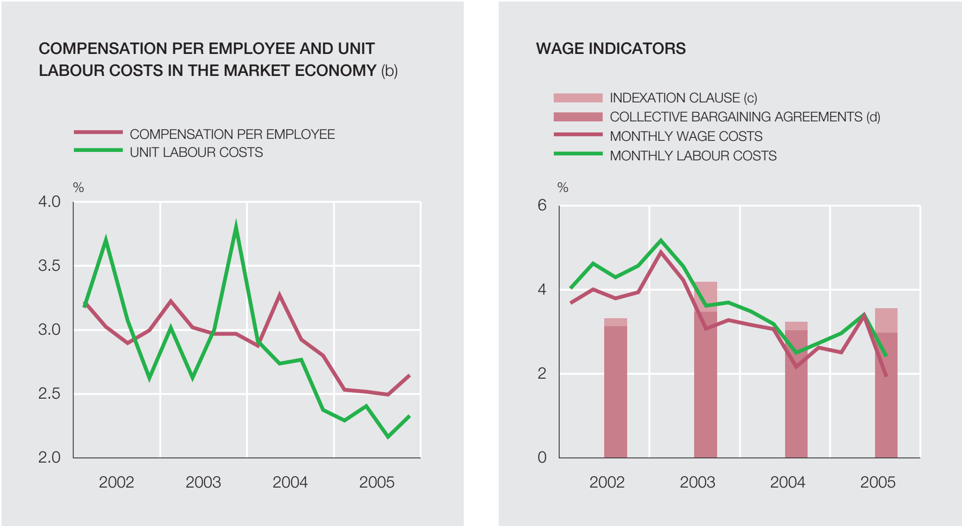
On National Accounts estimates the growth of compensation per employee stabilised in Q3, both in the economy as a whole and in the market economy, at rates of 2.6% and 2.5%, respectively. This slowdown in compensation was seen in all the branches except construction, where there was an acceleration of 0.8 pp, and in non-market services, where it rose marginally. By contrast, the quarterly labour costs survey exhibited a 1 pp slowdown in average monthly labour costs, which posted a year-on-year growth rate of 2.4% in Q3. Some quickening in compensation per employee is expected in 2005 Q4, although for the year as a whole the increase in wages will have been lower than in 2004, both for the whole economy and for the market economy.

In collective bargaining agreements registered to December, the average agreed increase in wage rates was 2.98%, a very similar figure to that in 2004 (3.04%), before including the wage indexation clauses. These agreements affect 8.4 million employees, 70% of whom had revised agreements on data to November. In recent months the thrust of negotiations was concentrated in newly signed agreements, which incorporate higher wage rises than revised agreements (3.14%, against 2.86%, to November), owing to the rise in inflation. As regards the wage indexation clauses, it is estimated that the effect of those signed in 2004 on the wage increase in 2005 was 0.6 pp, 0.4 pp higher than that of the preceding year owing to the greater deviation of inflation in 2004 from the official target (see Chart 20). These clauses are present in up to 76% of the agreements signed between January and November 2005. Since the CPI ended the year with a year-on-year increase of 3.7%, the activation of these clauses is expected to have an even greater impact on wages in 2006 than that estimated in 2005.

Despite the fact that the growth of compensation per employee stabilised in Q3, the increase in labour costs per unit of value added declined slightly to 2.4%, 0.2 pp down on the previous

WAGES AND LABOUR COSTS (a)

CHART 20



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

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

quarter, owing to the mild acceleration in value added per employee. Conversely, the value added deflator was slightly more dynamic, growing at a rate of 4.1% compared with 4% the previous period. As a consequence, the ongoing widening of unit margins seen in previous quarters continued. There was likewise a widening of margins in the market economy, against a backdrop of slowing costs similar to that of the whole economy, while the deflator quickened to 4.3%.

Developments were similar to those in the market economy across virtually all the branches of activity, with an acceleration in the value added deflator and a deceleration in unit labour costs. The exception was the construction industry, where the deflator slowed slightly from rates of 10% (see Chart 21). In any event, unit margins widened in all branches of activity. The indicators available for Q4 show a continuation of these patterns of behaviour, with the growth of the deflators far outpacing that of unit labour costs, especially in construction and in market services.

In Q3 the final demand deflator quickened, due in part to the rise in the imports deflator, which had eased in Q2. Meantime, the growth of the GDP deflator rose by 0.1 pp to 4.4%. On the expenditure side, the year-on-year growth rate of the private consumption deflator held at 3.6%, in line with its stability since mid-2004, while the gross fixed capital formation deflator slowed slightly.

The rate of change of the CPI increased by 0.2 pp in 2005 to 3.4%, slightly below the rise in the consumption deflator. The inflation rate in Q4 stood at 3.6%, closing the year with growth of 3.7%. The CPI excluding unprocessed food and energy quickened by 0.3 pp in Q4 to a growth rate of 2.8% (see Chart 22), after posting lower growth in the two previous quarters. Once again, the most inflationary component was energy prices, with average growth of 10.3%, to which the rises in butane gas and in natural gas in October contributed. However, fuel prices decelerated in Q4, reflecting the fall in the average price of oil of five dollars per bar-

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.

rel, following the highs reached in September. Finally, unprocessed food prices quickened by 0.5 pp in Q4 to a year-on-year rate of 4.2%, after having moderated the previous quarter.

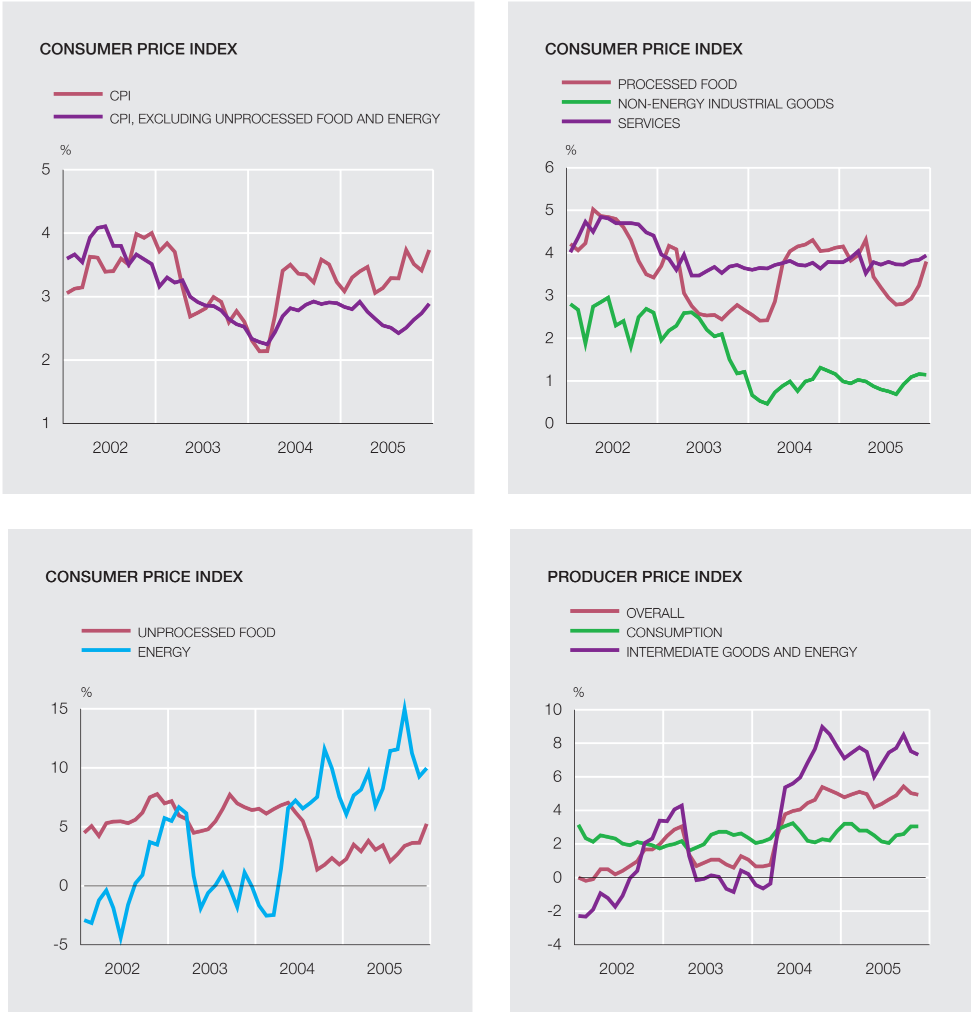
The acceleration in the CPI excluding unprocessed food and energy in Q4 was due to the higher growth of all its components, but especially processed food, which quickened by 0.5 pp to 3.3% owing to dearer cooking oil and tobacco, the latter as a result of higher excise duties. Services prices quickened by 0.2 pp. The most inflationary item here was the prices of certain air transport services, owing to the impact of dearer oil. Lastly, the year-on-year rate of increase of non-energy industrial goods prices increased to 1.1%, since clothing and footwear prices rose at the start of the winter season more than they did the previous year, and car prices resumed an expansionary path.

Inflation in Spain, measured by the HICP, held at 3.5% in Q4, compared with 2.3% in the euro area as a whole, and the differential between both rates widened slightly to 1.2 pp (see Chart 23). Component by component, the differential widened in the case of services, non-energy industrial goods and food, which underwent sharper inflation rate rises in Spain than in the euro area as a whole.

The year-on-year rate of the producer price index rose in December to 5.2%, after having trended steadily in the previous months. Energy production prices resumed their upward path

PRICE INDICATORS (a)
Spain

CHART 22



SOURCE: INE.

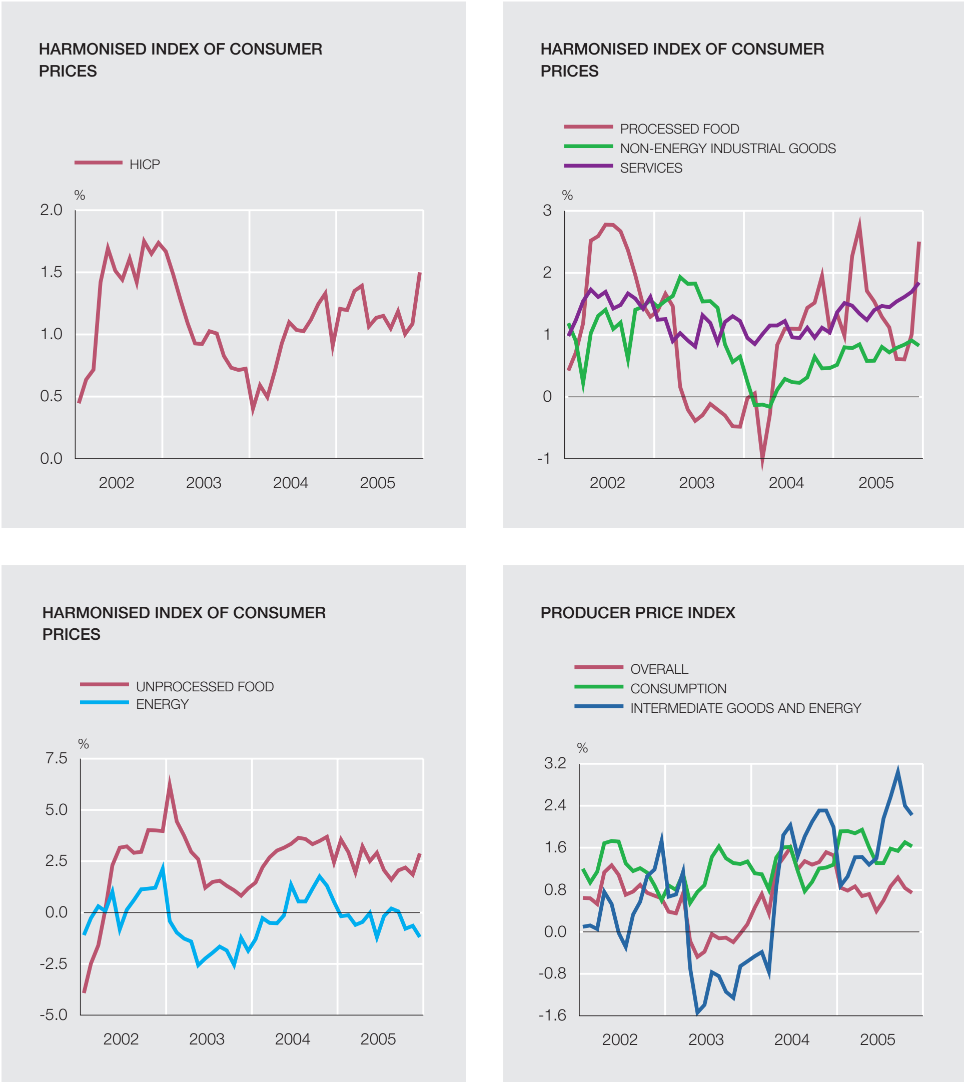
a. Twelve-month percentage change based on the original series.

and posted a year-on-year rate of 15.6%. The producer prices of capital goods held at a moderate rate of 2%, while the producer prices of consumer goods and of intermediate goods grew at a rate of over 3%. Among the remaining price indicators, prices received by farmers moved on a quickening trend as a result of the rises in prices in source markets related to worse crop yields. Lastly, hotel prices moderated following the rise in the summer months.

4.4 The State budget

In late December 2005 the government presented the seventh Updated Stability Programme, with macroeconomic and fiscal estimates and projections for the period 2005-2008, and using the new Spanish National Accounts 2000 base. The Programme revised estimated real GDP growth for 2005 slightly upwards (to 3.4%), but for 2006 it has retained the forecast that appeared in the growth scenario which acted as a basis for drawing up the 2006 State budget (3.3%). Moreover, the balances of the public finances accounts have been substantially revised. Thus, a general government surplus of 1% of GDP is augured for 2005, which will decline by 0.1 pp in 2006 to 0.9% of GDP. In the following years, against a background of moderately slowing activity, a slight reduction is forecast in the general government surplus to 0.6% of GDP in 2008. Across the different sub-sectors, the surplus for 2005 is essentially determined by the Social Security component, for which a surplus of 0.9% of GDP is expected,

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.

while there will be a central government surplus of 0.1% of GDP and the local and regional government accounts will end the year in balance. The small reduction in the overall surplus projected for 2006 is due to the deficit of 0.1% of GDP envisaged for the regional government sub-sector. In general, the estimates and projections of the Programme confirm that surplus takings on the expected figures are being earmarked to improving the general government fiscal position which, in keeping with the principle of budgetary stability, contributes to amplifying the stabilising potential of fiscal policy over the course of the cycle.

Following National Accounts methodology and on the information available to November 2004, the State ran a surplus of 1.6% of GDP, far above the surplus of 0.2% of GDP obtained a year earlier (see Table 3). This result is compatible with the Programme's estimate for the central government balance, referred to in the previous paragraph. It should be borne in mind that the State balance is subject to high seasonality, December being a month in which a deficit is clearly run. Accordingly, the surplus obtained in the eleven months to November will foreseeably fall significantly.

STATE BUDGET OUTTURN TABLE 3

EUR m and %

	Outturn 2004	Percentage change 2004/2003	Outturn projection 2005	Percentage change 2005/2004	Outturn JAN-SEP Percentage change 2005/2004	Outturn		
						2004 JAN-NOV	2005 JAN-NOV	Percentage change
	1	2	3	4 = 3/1	5	6	7	8 = 7/6
1 REVENUE	114,950	4.8	122,166	6.3	15.7	105,985	119,770	13.0
Direct taxes	58,692	3.9	65,933	12.3	22.2	53,783	64,940	20.7
Personal income tax	30,412	-7.3	34,951	14.9	21.2	28,236	34,115	20.8
Corporate income tax	26,025	18.8	28,793	10.6	26.7	23,350	28,808	23.4
Other (a)	2,255	27.1	2,189	-2.9	-3.3	2,197	2,017	-8.2
Indirect taxes	41,368	5.8	43,100	4.2	12.0	40,202	43,159	7.4
VAT	29,124	7.3	30,158	3.6	15.7	29,021	31,566	8.8
Excise duties	9,751	-0.4	10,175	4.3	0.9	8,896	9,020	1.4
Other (b)	2,493	15.0	2,767	11.0	13.2	2,284	2,574	12.7
Other net revenue	14,890	5.9	13,133	-11.8	0.9	12,000	11,671	-2.7
2 EXPENDITURE	114,891	1.0	122,386	6.5	7.8	102,762	108,561	5.6
Wages and salaries	19,488	5.6	20,677	6.1	6.8	16,865	17,969	6.5
Goods and services	3,510	17.1	3,419	-2.6	-6.7	2,930	2,754	-6.0
Interest payments	16,751	-15.3	18,291	9.2	12.7	16,335	17,569	7.5
Current transfers	61,136	5.3	64,002	4.7	6.9	55,288	56,971	3.0
Contingency fund	…	…	…	…	…	…	…	…
Investment	7,104	-5.7	8,776	23.5	15.6	5,737	7,117	24.1
Capital transfers	6,901	-0.6	7,221	4.6	4.3	5,606	6,182	10.3
3 CASH-BASIS BALANCE (3 = 1 – 2)	59	…	-220	…	…	3,223	11,209	…
MEMORANDUM ITEM: NATIONAL ACCOUNTS								
Resources	113,330	4.9	120,856	6.6	14.2	104,316	117,536	12.7
Uses	122,652	11.3	123,929	1.0	4.6	102,542	102,665	0.1
NET LENDING (+) OR BORROWING (–)								
	-9,322	…	-3,073	…	…	1,774	14,871	12.6
(as a percentage of GDP)	-1.1	…	-0.3	…	…	0.2	1.6	…

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.

Following the cash-basis convention, the State posted a surplus of €11,209 million to November, up from €3,223 million a year earlier. The discrepancies between the National Accounts and cash-basis balances are mainly due, as is habitual, to adjustments for the different interest allocation criteria and for the change in outstanding rights and obligations.

Also in cash-basis terms, State revenue far outgrew the initially projected outturn, while expenditure grew somewhat more moderately than projected. The higher revenue was due, above all, to indirect taxes, while there was a certain contraction in current transfers on the expenditure side.

In the case of revenue, information is available on total takings from the main taxes levied, in respect both of the portions assigned to the State and to the ordinary-regime regional governments, although Table 3 details only the State figures. According to total takings, revenue slowed slightly in the closing months of the year (albeit maintaining a high growth rate), with the exception of ex-

BALANCE OF PAYMENTS: SUMMARY TABLE (a) TABLE 4

EUR m

		JANUARY-OCTOBER	
		2004	2005
CREDITS	Current account	212,679	224,020
	Goods	121,668	126,308
	Services	58,092	62,008
	Tourism	31,965	33,032
	Other services	26,126	28,977
	Income	19,912	22,227
	Current transfers	13,007	13,477
	Capital account	7,153	6,630
	Current + capital accounts	219,832	230,650
DEBITS	Current account	246,044	278,130
	Goods	164,088	183,176
	Services	38,124	42,982
	Tourism	8,072	10,133
	Other services	30,052	32,849
	Income	31,086	37,724
	Current transfers	12,746	14,248
	Capital account	699	619
	Current + capital accounts	246,743	278,749
BALANCES	Current account	-33,365	-54,110
	Goods	-42,419	-56,867
	Services	19,967	19,026
	Tourism	23,893	22,899
	Other services	-3,926	-3,873
	Income	-11,174	-15,497
	Current transfers	261	-772
	Capital account	6,454	6,011
	Current + capital accounts	-26,911	-48,099

SOURCE: Banco de España.

a. Provisional data.

cise duties, as the tax rates on some of these had risen in September. Personal income tax held at a growth rate of over 16%, upheld by the withholdings on gains in mutual funds and by the strong increase in withholdings on income from work, derived from developments in the labour market. However, it should be stressed that a portion of the growth of these withholdings is due to the timing of revenue from certain tiers of government. Corporate income tax[2] slowed slightly following the October prepayment, but it continues to reflect the sound course of corporate earnings with growth exceeding 23% being recorded. Turning to indirect taxes, VAT continued decelerating in the final months to a level of 11.3%, while the growth rate of excise duties rose slightly to 3.4%, still below the projected outturn for the year as a whole. Finally, other revenue slowed in the closing months of the year and remains very sluggish owing to lower revenue relating to government debt premiums, Banco de España profits and transfers of funds from the European Union.

On the State expenditure side, wages and salaries and capital charges grew above the initially projected outturn, while other current expenditure grew less than estimated for the year

2. This tax is not affected by the transfer of revenue to the territorial governments.

as a whole. In particular, there were significant slowdowns in these months in interest payments and in current transfers, due in this latter case to the one-off event in October 2004 involving the cancellation of the Andalusian regional government's outstanding debt. As regards capital expenditure, the growth rate of real investment (due to the RENFE effect[3]) and the strong acceleration in transfers were both notable.

Box 6 outlines the main aspects of the Social Security budgetary outturn to October.

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

In the first ten months of 2005, the overall balance on the current and capital account resulted in a deficit of €48,099 million, 79% up on a year earlier. This was due to the notable widening of the current account deficit (62%) to €54,110 million and, to a lesser extent, to the slight decline in the surplus on capital transactions (–7%), which stood at €6,011 million. Among the main current account items, there was a notable deterioration in the trade deficit, although the negative balance on income also widened, the surplus on tourism diminished and the balance on current transfers turned negative. Conversely, the deficit on non-tourist services improved slightly.

In the period January-October 2005, the deficit on the trade balance widened by €14,448 million in relation to the level attained in the same period a year earlier, rising to a figure of €56,867 million. In year-on-year terms, the deficit widened by 34%, prolonging the deteriorating course characterising it the previous year. This significant widening in the trade deficit is due to the slackness shown by real export flows in this period, as opposed to the robustness of imports, along with the strong rise in the energy bill. Nonetheless, the pace at which the trade deficit is widening slowed from Q2 this year, as a result of the slight pick-up in exports in this period and a certain loss of steam in imports.

Turning to the services balance, the surplus recorded in the first 10 months of 2005 stood at €19,026 million, €941 million below the figure recorded in the same period a year earlier. This deterioration is due to the €994 million decline (–4.2%) in the tourism surplus, since there was a slight correction in the non-tourist services deficit, to €53 million. Tourist revenue ran at a moderately positive rate to October of 3.3%, in line with the momentum that some of the main real tourism indicators have been gathering. Tourist expenditure, for its part, rose by 25.5% in the ten months to October, extending the substantial buoyancy of the previous year.

The deficit on the income balance stood at €15,497 million in the first ten months of 2005, entailing a deterioration of €4,323 million in relation to the level observed in the same period in 2004. Revenue moved on a rising path (11.6%), with financial-sector revenue proving buoyant, although expenditure underwent a far higher increase of 21.4% owing to the higher growth of payments by all sectors, especially monetary financial institutions. Foreign direct investment flows in Spain picked up slightly in this period, although non-resident investment in property, which account for more than 45% of direct inflows in the period, continued to decline while portfolio investment and other investment from abroad grew notably. As regards Spanish investment flows abroad, direct investment fell off slightly, while portfolio investment grew very sharply.

There was a deficit on the balance of current transfers of €772 million in the January-October period, in contrast to the surplus of 261 million recorded in the same period in 2004. Revenue

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3. Note that a strong increase in this expenditure was budgeted owing to the expenses associated with the conventional railway network, the responsibility for which fell to the State as from January 2005. This operation is linked to the railway system restructuring process, which was carried out through the assumption of RENFE debt by the State in 2004. This operation had no effect on the cash-basis balance in 2004.

The Social Security system posted a surplus of €13,137 million in the ten months to end-October 2005, €1,297 million (11%) up on the same period a year earlier, which signifies a more favourable outturn than in the period to July (see accompanying table). The slight acceleration in revenue and the mild slowdown in expenditure in recent months, to growth rates of 7.6% and 7%, respectively, account for the improvement in the balance.

Receipts from Social Security contributions have been growing at a rate of around 7.3% in recent months, despite the rise in the number of Social Security registrations. But it is not possible to say whether the slight acceleration seen in the period to October (see accompanying table) will continue in the coming months. Specifically, the growth rate of the number of registrations has risen to 4.4% to December, compared with growth of 3.6% to July, partly as a result of the immigrant worker regularisation process. If the 465,000 new registrations to December as a result of this process are discounted, growth in the number of registrations in 2005 as a whole would have held at around 2.9%, in line with the rate recorded the previous year. Also notable is the strong growth of interest received, included under the heading of other revenue, owing to returns on assets in the Reserve Fund.

Turning to expenditure, that earmarked for contributory pensions quickened very slightly and increased by 7% to October, in line with the budgeted figure but somewhat below that for the year 2004 as a whole (7.2%). The number of contributory pensions increased from the summer, reaching a growth rate of 1.3% to December, compared with a rate of increase of 0.8% in July, this being partly due to the effect of the former Elderly and Disability Insurance pensions being recognised as compatible with widowhood pensions[1]. As these pensioners receive low pensions, the effect on the growth of expenditure has been limited. Spending on sickness benefits continued to grow at a high rate of 10.3% to October, far above the budgeted figure.

As regards the State Employment Public Service, the information on which is not included in the accompanying table, contributions received held at a rate of 8.2% to August, above the initially budgeted figure. Rebates on contributions in respect of employment-promoting contracts, meanwhile, increased by 13.7% in the same period, set against the virtually zero growth budgeted. Expenditure on unemployment benefits held steady at a growth rate of 7% to October, compared with the increase of 9.2% in 2004 as a whole. This lower growth compared with the previous year came about as a result of the change in the number of beneficiaries, which grew by 2.9% to September, compared with average growth of 5.6% in 2004. This was in turn due to a decline in registered unemployment (of around 1.2% in recent months, compared with 1.6% growth in 2004 as a whole) and to a rise in the eligibility ratio, which stood at 60.2% in September 2005 compared with 58.1% in 2004.

1. Law 9/2005 of 6 June 2005.

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

EUR m and %	Outturn	Budget		Outturn JAN-JUL	Outturn JAN-OCT		
	2004	2005	% change h	% change	2004	2005	% change
	1	2	3=2/1	4	5	6	7=6/5
1 REVENUE	88,571	90,040	1.7	7.2	73,021	78,571	7.6
1.1 Social security contributions (c)	82,675	83,915	1.5	7.3	68,322	73,352	7.4
1.2 Current transfers	4,618	4,874	5.5	0.2	3,989	4,057	1.7
Other (d)	1,278	1,251	-2.1	48.2	710	1,162	63.5
2 EXPENDITURE	79,105	84,100	6.3	7.3	61,181	65,434	7.0
2.1 Wages and salaries	1,909	1,998	4.7	10.6	1,505	1,641	9.0
2.2 Goods and services	1,556	1,566	0.6	9.2	1,109	1,192	7.5
2.3 Current transfers	75,226	80,060	6.4	7.3	58,369	62,464	7.0
Benefits	75,225	80,059	6.4	7.3	58,369	62,463	7.0
Contributory pensions	64,453	68,905	6.9	6.7	49,876	53,343	7.0
Sickness	5,830	5,925	1.6	13.5	4,468	4,928	10.3
Other	4,942	5,229	5.8	8.9	4,025	4,191	4.1
Other current transfers	1	1	-3.1	—	0	1	--
2.4 Other (e)	414	476	15.0	-31.1	198	138	-30.5
3 BALANCE	9,466	5,940	-37.2	6.7	11,840	13,137	11.0

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

a. Only data relating to the system, not to the entire Social Security Funds sector are given. This is because the figures for other Social Security funds are not available.
b. Transfers from the ISM to the regional governments to finance transferred health-care and social services have been distributed among the various expenditure captions on the basis of the percentages obtained from the general government accounts for 1997.
c. Including surcharges and fines.
d. Excluding surcharges and fines.
e. Reduced by the disposal of investments.

increased by scarcely 3.6% despite the favourable trend of flows from the EU under the EAGGF-Guarantee heading. However, Community transfers to the European Social Fund fell off. Expenditure grew at a higher rate (11.8%) due, in part, to the notable increase in expenditure earmarked for Community coffers under the additional resource (GNP) and VAT resource headings, and also to the continuing robustness of emigrants' remittance payments (9.6%), although the strong increase seen the previous year (20%) has slowed.

Finally, the surplus on capital account was €6,011 million in the first ten months of 2005, €443 million down on the same period a year earlier. This deterioration is due to the notable fall-off in Community transfers under the Cohesion Fund and the ERDF, while structural funds relating to the EAGGF-Guidance fund trended favourably.

5 Financial developments

5.1 Overview

Financing conditions for Spanish households and firms continued to be generous in 2005 Q4, although less so than at the end of the summer. From October onwards there was a progressive rise in market interest rates, which was more pronounced in the shorter maturities, reflecting expectations of a rise in the euro area's official interest rates, as finally happened in early December. Thus in December 2005, one-year EURIBOR stood at an average of 2.78%, up 54 basis points (bp) on the September figure, while in the same period the 10-year Spanish bond yield rose by 31 bp to 3.4%. These debt market developments, along with the slight rise in the risk premiums of Spanish firms, raised the cost of issuing fixed-income securities for these companies, although it remained at moderate levels (see Chart 24). The most recent information on the cost of bank financing to firms and households, which relates to November, only partially reflects the impact of the changes that have taken place in the markets.

After the summer upturn in the Spanish stock market, prices followed a markedly downward trend in October. However, the ensuing months saw a certain recovery. At end-December, the Madrid Stock Market General Index stood slightly below the end-September levels, in contrast to the appreciation recorded by the main international stock markets in the same period. After these movements, the Spanish index showed a cumulative gain of 20.6% in the year as a whole, similar to that of the euro area's broad Euro Stoxx (23%) and much higher than that of the United States' S&P 500 (3%).

The latest real estate market data published by the Ministry of Housing, which relate to Q4, confirm the decelerating pattern of the preceding months in the price of real estate assets. Specifically, the year-on-year rate of expansion of appraised unsubsidised house prices was 12.8% [0.6 percentage point (pp) less than in September and 4.4 pp less than at end-2004]. These figures seem to support the expectation of a gradual and orderly absorption of the current overpricing of real estate assets.

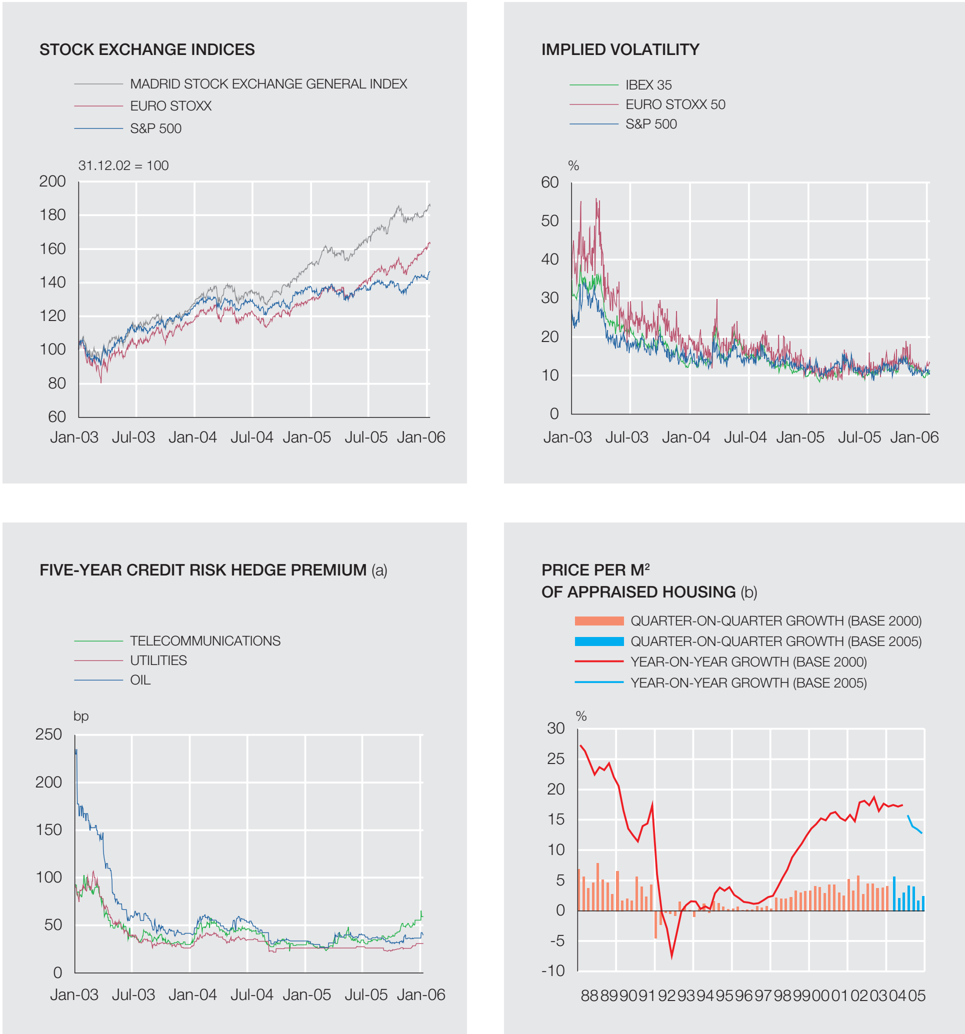
Against this backdrop, the volume of financing to households again grew briskly in Q3 at nearly 21% year-on-year, while the funds extended to corporations continued to accelerate and their rate of expansion in the same period stood at around 18%[4]. The provisional information available for the last few months of the year points to the persistence of these trends. The vigorous accumulation of liabilities by households and firms was reflected in the growth of private sector net borrowing, which could not be offset by the positive performance of the general government surplus. As a result, the debit balance of the nation's financial transactions stood, in cumulative twelve-month terms, at 6.2% of GDP, 0.2 pp more than in June (see Table 5). The bulk of the external deficit continued to be financed through the acquisition by non-residents of fixed-income assets issued by resident financial institutions. Accordingly, Spanish institutions again increased their recourse to the saving of the rest of the world in order to finance the rise in domestic credit.

The expansion of household liabilities continued to be led by lending for house purchase, which between July and September grew at year-on-year rates exceeding 24%. The buoyancy of debt meant that the indicators of financial pressure on the sector deteriorated fur-

4. Box 7 describes the behaviour in recent years of bank financing to the private sector, with a breakdown at provincial level.

PRICE INDICATORS FOR VARIOUS ASSETS

CHART 24



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

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

ther in this period, a trend which, according to the provisional information available for the last half of the year, has continued in the ensuing months. Thus both debt and debt burden again increased with respect to gross disposable income (GDI), while saving after debt service decreased. Also, household net lending became more negative and in 2005 Q3 amounted to -0.9% of GDP in cumulative twelve-month terms (see Table 5). The property prices published by the Ministry of Housing and the stock market prices indicate that household net wealth relative to GDP does not seem to have changed greatly from the June levels.

In the case of non-financial corporations, the debt/gross disposable income (GDI) and debt burden/GDI ratios also followed an upward course between July and September, which seems to have persisted during the last part of the year. Also, in accordance with the Financial Accounts, the debit balance of the sector's financial transactions increased further in Q3 and, in cumulative twelve-month terms, amounted to 7.1% of GDP, against 6.7% in June. In contrast, the information provided by the corporations reporting to the Central Balance Sheet Data Office quarterly survey (CBQ) shows a favourable economic perform-

Spanish household and corporate debt has grown notably in recent years, driven by the prolonged economic upturn and the generous financing conditions. Specifically, in the period 1995-2005, the credit extended by deposit institutions to households and firms has grown at an average annual rate of nearly 15%. This is substantially higher than the nominal expansion of GDP and has naturally raised the debt ratio of the sector, which now exceeds 100% of GDP, whereas in the middle of the past decade it had not reached 60%.

That said, from the standpoint of macroeconomic and financial stability, it is important to know, as a statistic complementing the aggregate figures of the sector as a whole, the distribution of debt among the agents. With this purpose in mind, this Box explores the behaviour of credit at provincial level. The information used comes from the data sent to the Banco de España by deposit institutions (banks, savings banks and credit co-operatives) on loans extended to the private sector of the economy, mainly households and non-financial corporations. It should be noted that the assignment criteria used for this variable may introduce some errors, which probably affect more its levels than the changes therein[1].

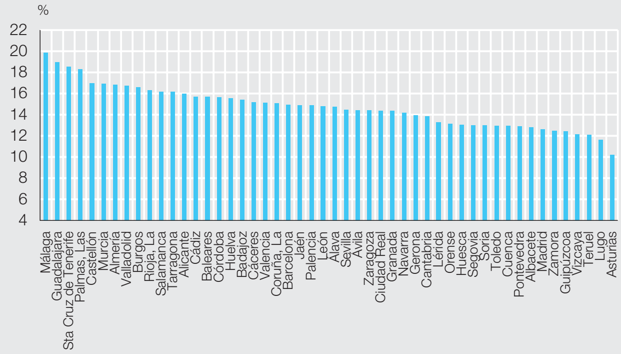
As shown in Chart 1, between 1995 and 2004 household and corporate debt to deposit institutions expanded rapidly in all Spanish provinces. However, it has not grown evenly and the average annual rates vary widely, ranging from 10% to 20%. Thus Málaga and Guadalajara showed the greatest buoyancy, with average growth of more than 19%, as compared with Lugo and Asturias, where, in annual terms, it was less than 12%.

This relatively high dispersion reflects the distinct economic realities that influence the financing decisions of the agents in each geographical area. In this regard, Chart 2 shows a positive correlation between average credit growth and house prices, illustrating how real estate market developments have been one of the conditioning factors of private-sector debt, both that of households, via funds for house purchase, and that of firms, via loans for real estate activities and construction.

Hence, although the strong growth of private-sector debt in the Spanish economy extends to all geographical areas, it has been accompanied by specific developments derived from the economic situation of some regions. The behaviour of the real estate market may be an important conditioning factor in this respect.

1. The loan classification criteria used by institutions in reporting information establish that balances are assigned to the province of the place in which the funds are invested, if identifiable and known, or, if not, to the province of the place of payment or extension. The application of this latter criterion may cause some distortions in the calculation of provincial debt ratios. Thus provinces in which banks' central services or non-financial corporations' registered offices are located may be assigned higher amounts of credit than were actually invested in those geographical areas.

1 BANK CREDIT TO OTHER RESIDENT SECTORS.
PROVINCIAL DATA
(Average annual growth rates in the period December 1995-December 2004)



2 PROVINCIAL ANALYSIS OF BANK CREDIT AND
OF HOUSE PRICES
(Average annual growth rates in the period December 1995-December 2004)

SOURCES: Ministerio de Vivienda and Banco de España.

NET FINANCIAL TRANSACTIONS
Cumulative four-quarter data

TABLE 5

% GDP (a)	2000	2001	2002	2003	2004		2005		
					Q3	Q4	Q1	Q2	Q3
National economy	-3.2	-3.4	-2.6	-3.0	-4.2	-4.8	-5.5	-6.0	-6.2
Non-financial corporations and households and NPISHs	-3.1	-4.3	-3.7	-4.2	-5.7	-5.4	-6.4	-7.1	-8.0
Non-financial corporations	-4.5	-5.4	-4.4	-4.4	-5.5	-4.7	-5.4	-6.7	-7.1
Households and NPISHs	1.4	1.1	0.7	0.1	-0.2	-0.6	-1.0	-0.4	-0.9
Financial institutions	0.8	1.4	1.4	1.3	1.2	0.7	0.6	0.6	0.6
General government	-0.9	-0.5	-0.3	0.0	0.2	-0.2	0.3	0.5	1.2
MEMORANDUM ITEM:									
Financing gap of non-financial corporations (b)	-14.4	-8.9	-8.7	-8.5	-8.8	-7.3	-8.8	-9.8	-10.3

SOURCE: Banco de España.

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

ance in that same period, which, however, was insufficient to prevent a certain rise in the synthetic indicators of financial pressure on investment and on employment, although these still stand at low values.

Overall, although financial conditions are still favourable for sustained household spending, the fresh deterioration of the financial pressure indicators has further raised the medium-term risk for consumption and residential investment signalled in previous reports. Conversely, the mild slowdown in house prices mitigates the risk associated with a possible sharp price correction.

In the case of corporations, although their financial position continues not to pose a significant obstacle for corporate spending and recruitment decisions, the rise in interest rates, against a background of rapid expansion of debt, has slightly raised the level of financial pressure on the sector.

5.2 Households

According to the information available on Q4, the financing conditions of households continued to be generous during that period. Thus in November the interest rates applied to new house and consumer credit transactions stood at 3.4% and 6.1%, respectively (the former were up by 7 bp, while the latter fell by 15 bp with respect to September). The latest available Bank Lending Survey shows that the terms of credit remained unchanged for house purchase loans and were slightly easier for consumer credit.

Households continued to take advantage of the generous financing conditions to raise their levels of debt. As a result, in September its year-on-year rate of growth of nearly 21% was slightly higher than the June figure. House purchase credit was again the most expansionary component. Its rate of expansion in the same period was nearly 25%, which represents a flow equal to 9.9% of GDP in cumulative twelve-month terms, 0.4 pp more than in June. Funds for consumer and other purposes grew more moderately, although significantly, with a year-on-year rate of change of around 11%. Provisional information to November on financing extended to the sector shows a continuation of the patterns seen in Q3.

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

TABLE 6

% GDP (a)

	2002	2003	2004	2005 Q1	2005 Q2	2005 Q3
HOUSEHOLDS AND NPISHs						
Financial transactions (assets)	8.3	9.2	9.9	9.6	10.0	10.3
Cash and cash equivalents	3.5	4.1	4.0	4.2	4.3	4.2
Other deposits and fixed-income securities (b)	1.8	-0.1	2.0	1.7	2.4	2.1
Shares and other equity (c)	0.6	0.6	0.0	-0.1	-0.3	-0.2
Mutual funds	0.2	2.3	1.5	1.3	1.4	1.8
FIAMM	0.7	0.6	-0.2	-0.1	0.0	0.2
FIM	-0.5	1.7	1.6	1.2	1.3	1.4
Insurance technical reserves	2.5	1.8	1.7	1.8	2.0	2.0
Of which:						
Life assurance	1.4	0.7	0.6	0.7	0.7	0.7
Retirement	0.9	0.9	0.9	0.9	1.2	1.2
Other	-0.3	0.5	0.6	0.6	0.1	0.5
Financial transactions (liabilities)	7.7	9.0	10.5	10.6	10.4	11.3
Credit from resident financial institutions (d)	7.2	9.2	10.8	11.0	11.4	11.9
House purchase credit (d)	5.1	7.0	8.7	9.2	9.5	9.9
Consumer and other credit (d)	2.1	2.2	2.0	1.8	1.9	1.9
Other	0.5	-0.1	-0.3	-0.4	-1.1	-0.7
NON-FINANCIAL CORPORATIONS						
Financial transactions (assets)	14.4	16.2	14.0	16.1	17.1	18.9
Cash and cash equivalents	1.6	0.9	1.0	1.1	1.1	1.2
Other deposits and fixed-income securities (b)	1.5	1.4	0.8	0.9	1.3	1.4
Shares and other equity	6.6	7.5	4.3	4.9	4.4	5.3
Of which:						
Vis-à-vis the rest of the world	4.6	4.5	2.6	3.4	3.1	3.2
Other	4.7	6.5	7.9	9.2	10.3	11.1
Financial transactions (liabilities)	18.8	20.6	18.7	21.5	23.8	26.0
Credit from resident financial institutions (d)	5.4	6.4	8.6	9.7	10.8	11.7
Foreign loans	2.7	2.7	0.5	0.9	0.8	1.1
Fixed-income securities (b)	-0.4	-0.2	0.0	0.0	0.0	-0.1
Shares and other equity	5.9	5.2	2.7	2.7	2.4	2.5
Other	5.1	6.5	6.9	8.3	9.8	10.8
MEMORANDUM ITEM: YEAR-ON-YEAR GROWTH RATES (%):						
Financing (e)	14.0	15.9	16.1	17.3	18.0	19.2
Households and NPISHs	16.2	19.0	20.1	20.1	20.0	20.6
Non-financial corporations	12.4	13.5	12.9	15.0	16.4	18.1

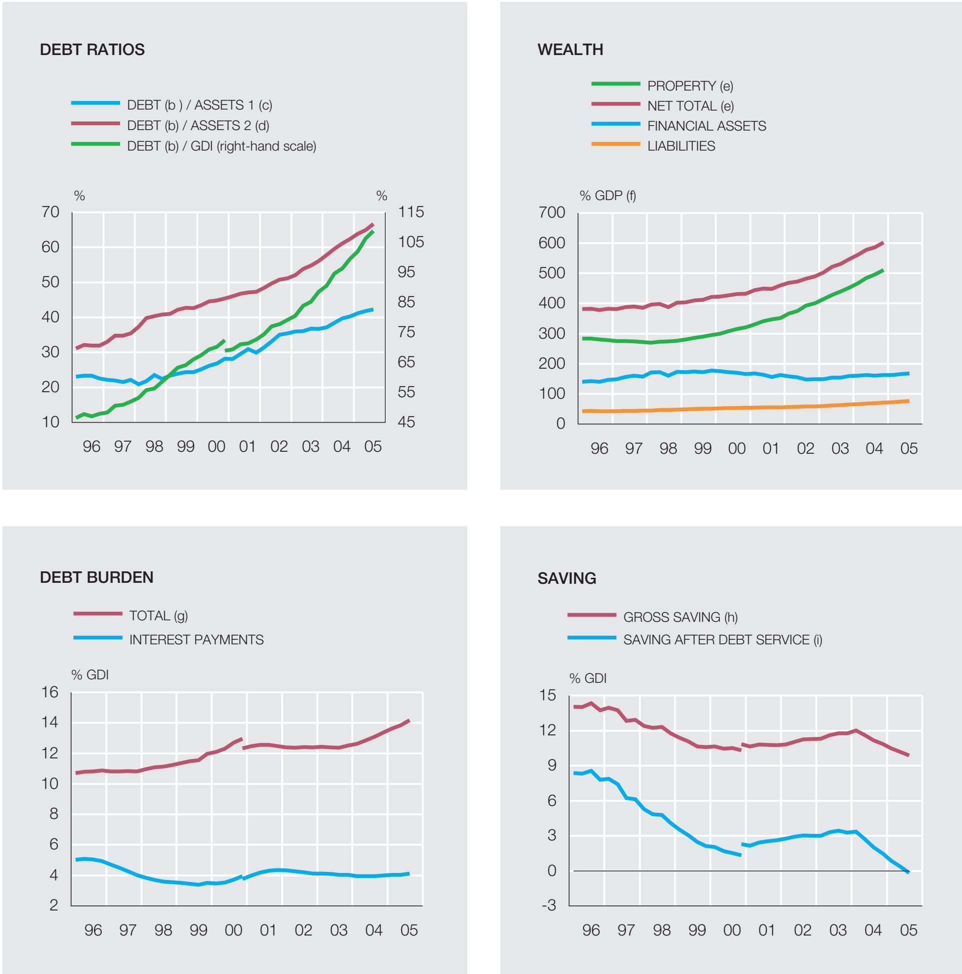
SOURCE: Banco de España.

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

As regards households' portfolio decisions, in September the volume of financial asset purchases equalled 10.3% of GDP in cumulative twelve-month terms, up 0.3 pp on Q2 (see Table 6). However, this increase was uneven and differed from one product to another. Thus transactions involving the more liquid, lower-risk instruments (cash and deposits) decreased to 6.3% of GDP. By contrast, purchases of mutual fund shares rose by 0.4 pp with respect to GDP to stand at 1.8%. Finally, the net divestment of shares continued, this time by an amount equal to 0.2% of GDP, while the amounts held in the form

INDICATORS OF THE FINANCIAL POSITION OF HOUSEHOLDS AND NPISHs

CHART 25



SOURCE: Banco de España.

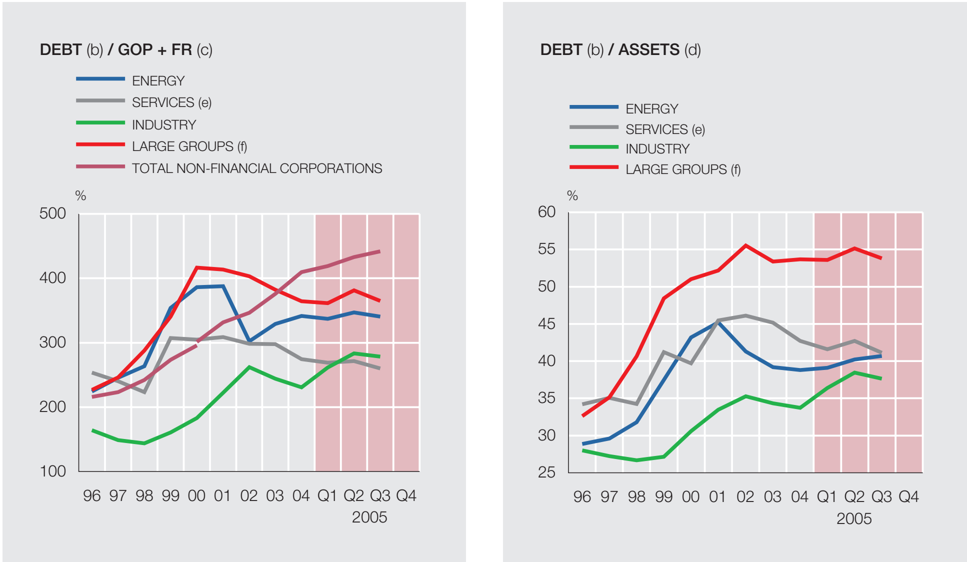
a. Until 2000, the sectoral National Accounts data correspond to the CNE with base 1995. Between 2000 and 2004 they are drawn from the CNE-2000. In 2005, a provisional estimate consistent with the CNE-2000 is used.
b. Includes bank credit and securitisation.
c. Assets 1 = Total financial assets – "other".
d. Assets 2 = Assets 1 – shares – shares in FIM.
e. Calculated on the basis of the estimated changes in the stock of housing, in the average area per house and in the price per square metre.
f. Spanish National Accounts, base 2000 (CNE-2000).
g. Estimated interest payments plus debt repayments.
h. Balance of households' use of disposable income account.
i. Gross saving less estimated debt repayments.

of technical insurance reserves remained at similar levels to those of mid-2005 (2% of GDP).

As a result of the movements in financial asset and liability flows, the sector's net lending according to the Q3 Financial Accounts again decreased and, in cumulative twelve-month terms, amounted to -0.9% of GDP, against -0.4% in June 2005.

The buoyancy of lending resulted in fresh rises in household debt and in the associated debt burden, the values of which, measured in terms of GDI, stood at nearly 110% and at above 14%, respectively, in September (see Chart 25). The estimated fresh decrease in gross saving in this period, along with the higher payments on the liabilities assumed, made for an additional decline in saving after debt service. Nevertheless, the Spanish family expenditure survey for Q3 does not show significant changes in the percentage of households able to save or having difficulty in making ends meet.

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



SOURCE: Banco de España.

a. Indicators calculated drawing on the CBSO annual and quarterly surveys (CBA and CBQ), except the series «total non-financial corporations», which was obtained from the National Accounts (CNE and FASE). Until 2000, the income of the sector correspond to the CNE with base 1995. In 2005. Between 2000 and 2004 they are drawn from the CNE-2000. In 2005 a privisional estimate consistent with the CNE-2000 was used.
b. Interest-bearing borrowed funds.
c. Gross operating profit plus financial revenue.
d. Defined as total inflation-adjusted assets less non-interest-bearing liabilities.
e. Excluding holding companies.
f. Aggregate of all the firms belonging to Endesa, Iberdrola, Repsol and Telefónica groups. Adjusted for intra-group financing to avoid double counting.

In September, the sector's net wealth with respect to GDP probably held similar to that in June, given the moderate quarter-on-quarter growth of real estate asset prices made public by the Ministry of Housing.

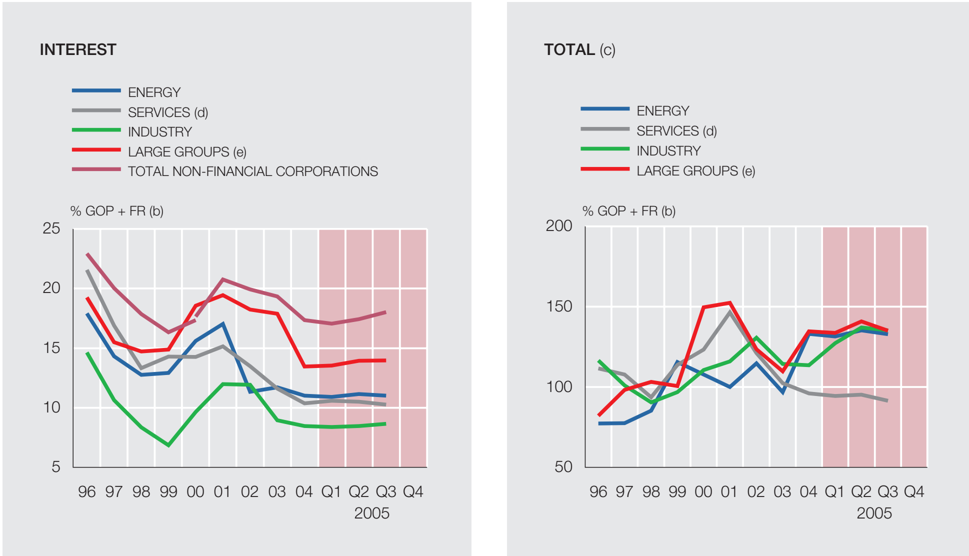
5.3 Non-financial corporations

The financing conditions of corporations also remained easy in Q4, although less so than in the preceding months. The interest rates applied by credit institutions to new loans in November were scarcely higher than those in September and held at low levels (between 3.2% and 3.9%, depending on the volume of the transaction). According to the Bank Lending Survey, financial institutions expected the lending terms offered by them to hold unchanged in that period. Also, the increase in public debt yields and the slight rise in risk premiums made financing via fixed-income securities somewhat more costly. Lastly, the conditions for raising funds on equity markets did not change significantly.

Against this backdrop, corporations' liabilities-side transactions again expanded and in September reached a volume equal to 26% of GDP in cumulative twelve-month terms, up 2.2 pp on June (see Table 6). These funds were again mostly in the form of borrowings, particularly credit from resident financial institutions, which accounted for a flow equal to 11.7% of GDP, while new loans from foreign lenders rose to 1.1% of GDP. Funds raised in the form of shares and other equity increased slightly by 0.1 pp to 2.5% of GDP.

The sectoral breakdown of bank financing shows that the funds extended to the construction sector and, in particular, to real estate activities continued to expand at high year-on-year rates, approaching 25% and 41%, respectively. Notable in the other sectors was the pick-up

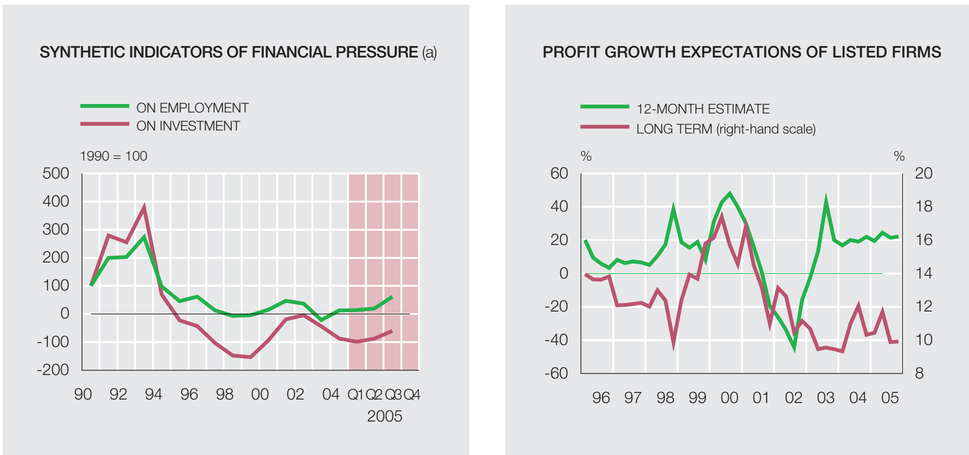
DEBT BURDEN OF NON-FINANCIAL CORPORATIONS (a) CHART 27



SOURCE: Banco de España.

a. Indicators calculated drawing on the CBSO annual and quarterly surveys (CBA and CBQ), except the series "total non-financial corporations" which was obtained from the National Accounts (CNE and FASE). Until 2000, the income of the sector corresponds to the CNE with base 1995. In 2005, a provisional estimate consistent with the CNE withe base 2000 was used. Between 2000 and 2004 they are drawn from the CNE-2000.
b. Gross operating profit plus financial revenue.
c. Includes interest plus interest-bearing short-term debt.
d. Excluding holding companies.
e. Aggregate of all the firms belonging to the Endesa, Iberdrola, Repsol and Telefónica groups. Adjusted for intra-group financing to avoid double counting.

OTHER FINANCIAL INDICATORS OF NON-FINANCIAL CORPORATIONS CHART 28



SOURCES: I/B/E/S and Banco de España.

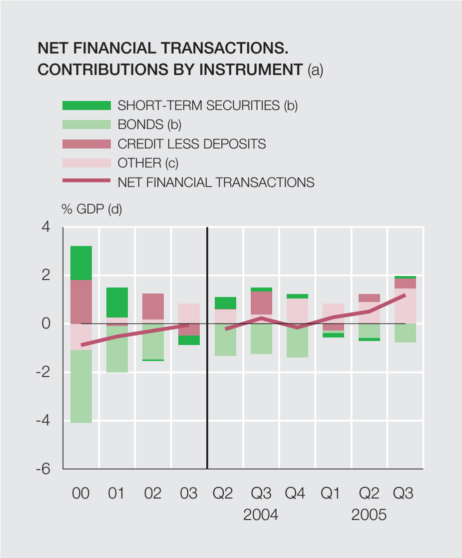
a. Indicators estimated drawing on the CBSO annual and quarterly surveys. A value above (below) 100 indicates more (less) financial pressure than the reference level.

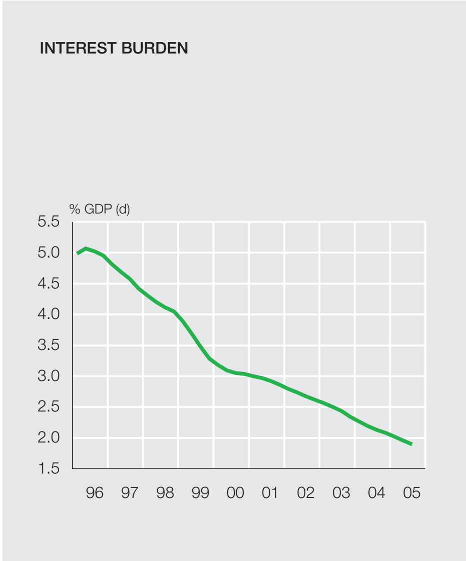
in credit to other services and the slight quickening in credit to industry, which grew by more than 13% with respect to the same period of the previous year.

In terms of rates of change, the year-on-year growth of the debt of non-financial corporations at the end of Q3 stood at around 18%, nearly 2 pp higher than in June. The most recent provisional information points to a continuation of the accelerating trend shown by this variable since early 2005.

GENERAL GOVERNMENT
Cumulative four-quarter data

CHART 29





SOURCE: Banco de España.

a. A positive (negative) sign denotes an increase (decrease) in assets or a decrease (increase) in liabilities.
b. Includes only liabilities transactions
c. Includes unpaid accrued interest on bonds and net investment of social security funds in assets issued by the rest of general government.
d. Spanish National Accounts, base 2000 (CNE-2000).

The sector's financial investment also grew significantly to 18.9% of GDP in cumulative twelve-month terms, up 1.8 pp on June. The most significant changes were in share purchases, particularly assets issued by residents, which rose by 0.9 pp to 5.3% of GDP, and in the caption that includes trade credit (included in the item "Other" of Table 6), the volume of which stood at 11.1% of GDP (up 0.8 pp on the previous figure). For their part, funds held in the form of cash and cash equivalents and under the caption "Other deposits and fixed-income securities" increased by 0.1 pp to reach 1.2% and 1.4% of GDP, respectively.

According to the Financial Accounts for Q3, between July and September there was a further increase in corporations' net borrowing to 7.1% of GDP in cumulative 12-month terms, up 0.4 pp on the June figure (see Table 5). This same development was repeated in the financing gap, an indicator which approximates the funds needed to undertake real and financial investment of a long-term nature, which grew to 10.3% of GDP.

The fresh accumulation of borrowed funds by corporations meant that the sector's aggregate debt and its interest payments grew further to stand in September at 440% and at 18% of gross operating profit plus financial revenue, respectively (see Charts 26 and 27). The ordinary net profit of the CBQ reporting corporations grew at 9.7% in the first two quarters of the year, which, although less than the 15.7% recorded in the same period of the previous year, was sufficient to raise the returns on investment (8.5%) and on equity (4.5%). The overall result of the changes in these variables was that the synthetic indicators of financial pressure on investment and on employment worsened slightly, although they remain at low levels (see Chart 28).

Finally, analysts' expectations as to the earnings growth of listed non-financial corporations did not change significantly in Q4, with those for the short term remaining higher than those for the long term.

FINANCIAL TRANSACTIONS OF THE NATION
Cumulative four-quarter data

TABLE 7

% GDP (a)

	2002	2003	2004	2005 Q1	2005 Q2	2005 Q3
NET FINANCIAL TRANSACTIONS	-2.6	-3.0	-4.8	-5.5	-6.0	-6.2
FINANCIAL TRANSACTIONS (ASSETS)	13.0	12.9	12.0	13.1	12.7	15.0
Gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	3.3	0.7	3.4	3.4	2.6	1.7
Securities other than shares	4.1	6.5	1.7	2.4	3.4	6.2
Of which:						
Credit institutions	0.5	3.5	1.0	0.6	1.9	4.2
Institutional investors (b)	3.1	3.1	0.0	1.2	1.0	1.7
Shares and other equity	5.0	4.7	5.7	5.8	5.1	5.7
Of which:						
Non-financial corporations	4.6	4.5	2.6	3.4	3.1	3.2
Institutional investors (b)	-0.1	1.1	1.0	1.0	0.6	0.9
Loans	0.6	0.9	1.3	1.6	1.7	1.5
FINANCIAL TRANSACTIONS (LIABILITIES)	15.6	16.0	16.8	18.6	18.7	21.3
Deposits	4.0	6.9	1.7	2.2	0.5	3.4
Securities other than shares	4.3	5.3	12.2	12.6	15.1	14.3
Financial institutions	3.1	6.4	9.6	11.3	14.1	14.5
Other national sectors	1.2	-1.1	2.6	1.4	1.0	-0.1
Shares and other equity	4.0	1.1	1.9	2.1	1.8	2.1
Of which:						
Non-financial corporations	3.3	1.3	0.9	1.3	0.9	0.7
Loans	3.3	3.2	1.5	2.1	2.0	2.2
Other, net (c)	0.0	-0.6	-0.5	-0.5	-0.7	-0.8

SOURCE: Banco de España.

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

5.4 General government

Between July and September 2005, and as in the previous quarters of the year, the balance of general government's financial transactions remained positive, so the sector's financial saving, expressed in cumulative 12-month terms, improve significantly to 1.2% of GDP, against 0.5% in June (see Chart 29).

By instrument and in cumulative 12-month terms, net issuance of long-term securities by general government was positive and not offset by net redemption of short-term securities. At the same time, the balance of its deposits increased with respect to the same period of the previous year, and the social security system purchased assets issued by the rest of the sector, an item which is not consolidated in Chart 29, where it is included in the caption "Other". Interest payments continued to decrease with respect to GDP, mainly as a result of the downward path of the debt ratio, and stood below 2%.

5.5 The rest of the world

The debit balance of the nation's financial transactions worsened further in 2005 Q3 and, in cumulative 12-month terms, stood at 6.2% of GDP, up 0.2 pp on June. The sectoral figures show that this again resulted from increased net borrowing by non-financial corporations and households not offset by the improvement in general government saving.

NET FINANCIAL ASSETS VIS-À-VIS THE REST OF THE WORLD (a) TABLE 8
(Q4 data)

% GDP (b)	2000	2001	2002	2003	2004	2005 (c)
National economy	-26.1	-27.1	-30.0	-36.0	-42.1	-46.5
Non-financial corporations and households and NPISHs	-9.6	-10.6	-11.2	-13.6	-12.4	-11.2
Non-financial corporations	-16.6	-17.7	-18.2	-21.2	-20.8	-20.2
Households and NPISHs	6.9	7.0	6.9	7.6	8.4	9.0
Financial institutions	7.3	7.4	5.6	-1.3	-6.7	-14.0
Credit institutions (d)	-11.9	-14.1	-14.3	-21.7	-22.9	-25.4
Institutional investors (e)	20.1	23.3	23.4	26.4	26.6	27.8
Other financial institutions	-0.9	-1.8	-3.4	-6.0	-10.4	-16.4
General government	-23.7	-23.9	-24.4	-21.1	-23.0	-21.3

SOURCE: Banco de España.

a. Calculated as the difference between the stocks of financial assets and liabilities vis-à-vis the rest of the world according to quarterly financial accounts data.
b. Spanish National Accounts, base 2000 (CNE-2000).
c. Q3 data.
d. Defined in accordance with the First Banking Directive.
e. Insurance corporations and portfolio investment institutions.

Net purchases of external assets by resident sectors stood, in cumulative 12-month terms, at 15% of GDP in September, up 2.3 pp on June (see Table 7). The buoyancy of this investment was largely due to a notable increase in the holdings of securities other than shares, which reached 6.2% of GDP (against 3.4% in Q2), mainly as a result of purchases of foreign public debt by financial institutions. Further, the volume invested in shares and other equity abroad increased to 5.7% of GDP. Conversely, funds held in the form of cash and deposits decreased by 0.9 pp to 1.7% of GDP.

The volume of liabilities vis-à-vis the rest of the world, expressed in cumulative 12-month terms, amounted to 21.3% of GDP in Q3, against 18.7% in June. Financial institutions continued to play a central role in raising funds abroad to finance the growing borrowing requirement of the Spanish economy. Issues of securities other than shares by this sector were again the main instrument through which these funds were channelled, and their volume in September amounted to 14.5% of GDP (up 0.4% on the previous quarter). In addition, this period saw a significant increase in deposits by non-residents, which grew by 2.9 pp with respect to June and accounted for 3.4% of GDP.

On balance of payments information, between January and October 2005 net foreign direct investment in Spain continued to be negative, although less so than in the same period a year earlier (-€7.5 billion, against -€12.4 billion). This resulted from an increase of 26.4% in inflows and a decrease of 11.2% in outflows.

Finally, the debit position of the Spanish economy vis-à-vis the rest of the world worsened and stood in September at 46.5% of GDP (see Table 8). This resulted from a notable increase in the debit balance of financial institutions which could not be offset by the improvement in the rest of the sectors.

27.1.2006.

RESULTS OF NON-FINANCIAL CORPORATIONS IN 2004 AND IN THE FIRST THREE QUARTERS OF 2005

Results of non-financial corporations in 2004 and in the first three quarters of 2005

Introduction[1]

As in previous years, the January *Economic Bulletin* of the Banco de España gives the results of the corporations that contributed to the Central Balance Sheet Data Office Annual Survey (CBA) up to the end of the past financial year (2004) and those of the corporations participating in the Central Balance Sheet Data Office Quarterly Survey (CBQ) in the first three quarters of 2005. The latter can be considered a preliminary indicator of the 2005 results.

Table 1 and Chart 1 analyse the trend in business activity in the aforementioned periods and show that the annual results for 2004 are, in the main, in line with the patterns and trends reported by the CBQ for that year. Specifically, in 2004 the growth rate of corporations' gross value added (GVA) was similar to that in 2003, while in the first three quarters of 2005 there was a mild slowdown in the overall activity of the corporations reporting to the CBQ. As is known, the corporations reporting to the CBQ (and to the CBA) are not selected by statistical sampling, and this database mainly represents large corporations operating in wholesale and retail trade, transport and communications, and industry. Recently the most buoyant activities in the Spanish economy have been construction and other services, which are under-represented in the samples, especially in the CBQ, so the resulting patterns do not fully coincide with the trend in activity reflected by the Spanish Quarterly National Accounts.

The engines of growth in 2004 were transport and communications, and wholesale and retail trade, driven by the strength of domestic demand. However, in 2005 these sectors grew somewhat more slowly (see Table 2.A). In the case of transport, the slowdown is due to the rising fuel prices, while the performance of wholesale and retail trade reflects the slowdown in retail sales, which capture the effect of alternative sources. Industry also contributed to the good results in 2004, since it benefited from the recovery of investment in capital goods, but this trend was not sustained in 2005. Overall, business activity has recently been strongly influenced by the rising oil prices, which reached historical highs in 2005. This is particularly affecting refining and fuel marketing corporations and also impinges on transport firms, electric utilities and industry in general. If refining and fuel marketing corporations are excluded from the aggregate, the GVA for the rest of the firms increased at the same pace in 2004 as it did in 2003, at a growth rate of 6.3%, whereas in the first three quarters of 2005 GVA growth according to the CBQ was 2.8%, against 4.9% in the previous year, evidencing the slowing trend mentioned above. However, the figures also reflect a worsening of the net balance of external activity of the sample corporations, both in 2004 and in the first three quarters of 2005 (2005 Q1-Q3). In summary, the data confirm the sustained growth of activity in 2004, basically due to the positive contribution from activities related to private consumption and investment in capital goods, whereas in 2005 certain signs of slowdown in the corporations making up the CBQ have been detected, since these companies have been strongly influenced by the higher fuel prices and by the deterioration in external activity against a backdrop of weak demand in the euro area economies.

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1. The information for 2004, used to compile this article, is a summary of that featured in the publication "Banco de España. Resultados anuales de las empresas no financieras 2004", released on 29 November 2005. The data used for this publication were provided by the 6,535 non-financial corporations reporting to the Central Balance Sheet Data Office annual survey to end-October 2005. The quarterly series are drawn from the information provided by the 706 corporations companies which, on average, sent data to the CBQ survey to mid-November 2005. The CBA sample represents 25.6% of the total activity of the non-financial corporations sector (measured by gross value added at basic prices), while the coverage of the CBQ sample is around 12.2%.

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	2003	2004	04 Q1-Q4/ 03 Q1-Q4	04 Q1-Q3/ 03 Q1-Q3	05 Q1-Q3/ 04 Q1-Q3
Number of corporations		8,569	6,535	816	827	706
Total national coverage		30.5%	25.6%	15.0%	15.3%	12.2%
PROFIT AND LOSS ACCOUNT						
1. VALUE OF OUTPUT (including subsidies)	100.0	6.1	7.7	7.9	6.7	12.6
Of which:						
— Net amount of turnover and other operating income	134.2	5.5	8.3	8.1	6.8	15.3
2. INPUTS (including taxes)	67.0	5.8	8.0	9.0	7.6	17.2
Of which:						
— Net purchases	39.5	4.3	12.5	10.1	8.5	21.9
— Other operating costs	27.3	7.6	2.7	7.2	7.4	8.0
S.1. GROSS VALUE ADDED AT FACTOR COST [1 – 2]	33.0	6.5	7.0	5.9	5.2	4.5
3. Personnel costs	16.0	4.7	4.1	3.2	3.0	3.7
S.2. GROSS OPERATING PROFIT [S.1 – 3]	16.9	8.6	10.0	8.0	6.9	5.0
4. Financial revenue	3.3	4.8	15.2	3.0	0.8	12.1
5. Financial costs	2.8	-2.6	-3.8	-6.9	-7.0	8.4
6. Depreciation and operating provisions	6.8	4.3	2.3	-0.8	-1.5	-1.8
S.3. ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	10.7	15.4	22.2	17.4	15.7	9.7
7. Capital gains and extraordinary revenue	3.6	6.7	-35.1	-33.4	-58.1	81.3
8. Capital losses and extraordinary expenses	3.3	-26.9	-5.5	-26.3	-40.3	81.7
9. Other (provisions and taxes)	4.1	-35.6	-15.8	0.6	-29.7	-19.9
S.4. NET PROFIT [S.3 + 7 – 8 – 9]	6.9	(b)	15.8	7.9	10.5	21.7
NET PROFIT/GVA (S.4/S.1)		17.9	20.9	24.2	24.8	27.9
PROFIT RATIOS	Formulas (c)					
R.1 Return on investment (before taxes)	(S.3+5.1)/NA	7.8	8.1	8.4	7.7	8.5
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1/IBB	3.9	3.6	4.0	4.0	3.9
R.3 Ordinary return on equity (before taxes)	S.3/E	11.0	11.8	12.1	10.8	12.5
R.4 ROI - cost of debt (R.1 – R.2)	R.1–R.2	3.9	4.5	4.4	3.7	4.6

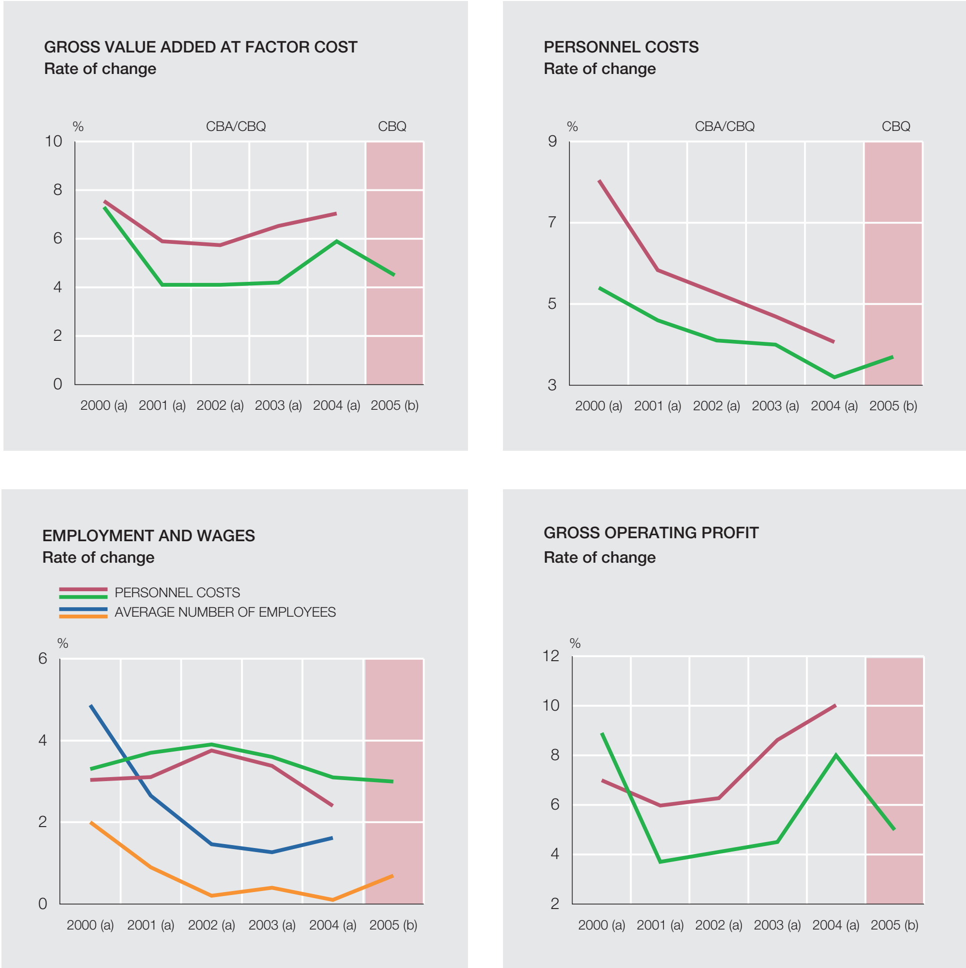
SOURCE: Banco de España.

a. All the data in these columns have been calculated as the weighted average of the quarterly data.
b. Rate not significant or not calculable because the relevant figures are of opposite sign.
c. The variables in the formulas are expresed as absolute values. NA = Net Assets (net of non-interest-bearing borrowing); E = Equity; IBB = Interest-Bearing-Borrowing; NA = E + IBB. The financial costs in the numerators of ratios R.1 and R.2 only include that portion of financial costs which is interest on borrowed funds (5.1) and not commissions and cash discounts (5.2).
Note: In calculating rates, internal accounting movements have been edited out of items 4,5 and 9.

In this setting, the behaviour of personnel costs was contained, both in 2004, when they grew by 4.1%, and in 2005 Q1-Q3, when this item rose by 3.7%, due basically to wage moderation. Thus on CBA data for 2004, the rate of change of wage costs was 2.4%, one percentage point less than the previous year, while the CBQ reflects growth of wage costs per worker of 3% for the first three quarters of 2005, a similar rate to that in the same period of 2004. The other component that explains the behaviour of personnel costs, i.e. employment, performed favourably both in 2004 (a year in which, on CBA data, it grew by 1.6%, up 0.3 pp on 2003) and in 2005 Q1-Q3, when average employment rose by 0.7%. This figure is in line with the sound performance of this variable at global level, particularly if account is taken of the composition of the quarterly sample and if it is compared with the rate for the same period of 2004 (–0.1%). Additionally, in 2004 and in 2005 Q1-Q3 a large communications corporation was undergoing far-reaching staff adjustment, on which information has given in previous articles. If the effect of this adjustment is excluded, the rate of change in the rest of the corporations in

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	8,569	6,535	—
	CBQ	883	859	848	832	816	706
% of GDP of the sector non-financial corporations	CBA	30.7	30.1	30.2	30.5	25.6	—
	CBQ	16.5	15.7	15.8	15.3	15.0	12.2

SOURCE: Banco de España.

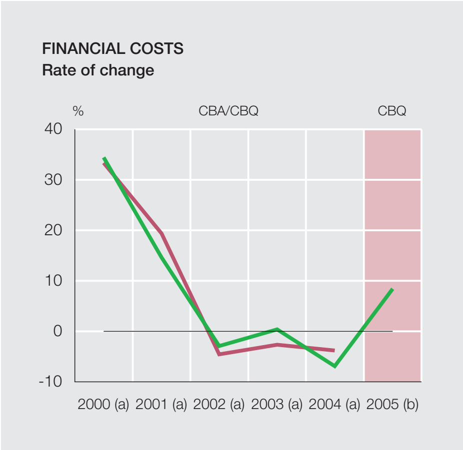
a. 2000, 2001, 2002, 2003 and 2004 data drawn from corporations reporting to the annual survey (CBA), and average data of the four quarters of each year in relation to the previous year (CBQ).
b. Average of the first three quarters of 2005 relative to the same period in 2004.

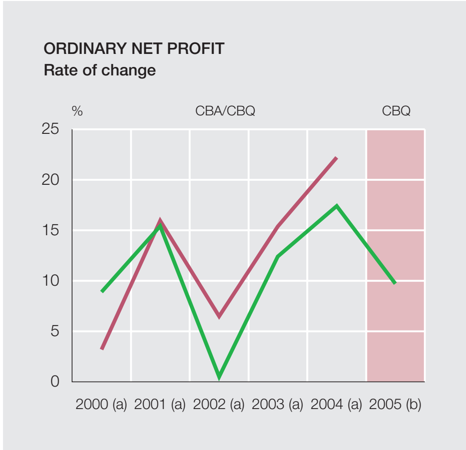
the sample shows more expansionary behaviour, with employment growth of 2.1% in 2004 and of 1.2% in the first three quarters of 2005.

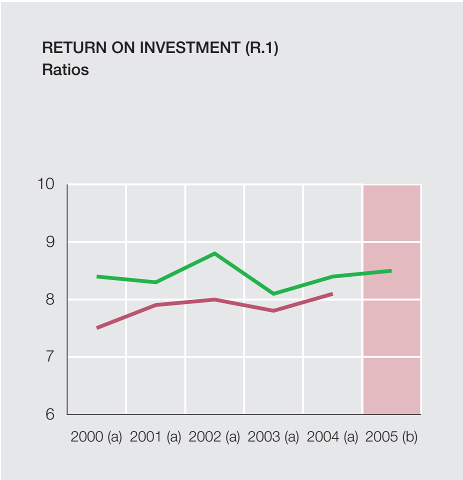
The behaviour of economic activity and the moderate growth of personnel costs, acting in unison, meant that gross operating profit also showed expansionary behaviour in 2004, in which year it grew by 10%, the highest rate for this caption in the annual series since 1998. In the first three quarters of 2005 the surplus increased by 5%, down slightly on the 6.9% recorded in the same period of the previous year. Financial costs again showed a negative rate of change in 2004 (–3.8%), basically as a result of additional interest rate cuts. However, the

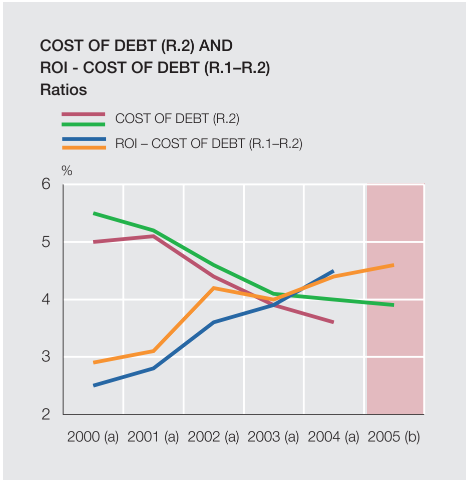
NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE (cont'd)

CHART 1









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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 three quarters of 2005 in relation to the same period in 2004.

quarterly data show a break in this trend in 2005, basically because of increased borrowing and because interest rates, which stand at very low levels, seem to have bottomed out. Thus financial costs have increased in 2005 Q1-Q3, the first time that this has happened since 2001. Financial revenue rose substantially both in 2004 and in 2005 Q1-Q3 as a result of significant inflows of dividends from the foreign subsidiaries of Spanish multinationals, following the recovery of the economies that received these companies' investments. All this enabled ordinary net profit to grow by 22.2% in 2004 and by 9.7% in the first three quarters of 2005, and this growth helped to keep rates of return at high levels, slightly above even those in the immediately preceding periods. Thus in 2004 the CBA corporations posted a return on invest-

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

TABLE 2.A

	GROSS VALUE ADDED AT FACTOR COST				EMPLOYEES (AVERAGE FOR PERIOD)				PERSONNEL COSTS				COMPENSATION PER EMPLOYEE			
	CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)		
	2004	04 Q1-Q4	04 Q1-Q3	05 Q1-Q3	2004	04 Q1-Q4	04 Q1-Q3	05 Q1-Q3	2004	04 Q1-Q4	04 Q1-Q3	05 Q1-Q3	2004	04 Q1-Q4	04 Q1-Q3	05 Q1-Q3
Total	7.0	5.9	5.2	4.5	1.6	0.1	-0.1	0.7	4.1	3.2	3.0	3.7	2.4	3.1	3.1	3.0
SIZE																
Small	6.4	—	—	—	-0.1	—	—	—	3.7	—	—	—	3.8	—	—	—
Medium	6.8	4.0	2.9	3.1	2.4	-0.5	-0.6	0.9	5.2	3.2	3.0	5.0	2.8	3.7	3.6	4.1
Large	7.1	6.0	5.3	4.5	1.6	0.1	-0.1	0.7	3.9	3.2	3.0	3.6	2.3	3.1	3.1	2.9
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	6.2	6.0	3.9	10.2	-1.4	-1.1	-1.2	-0.6	2.0	2.9	2.7	3.0	3.5	4.0	3.9	3.6
Industry	4.7	6.1	4.6	2.1	0.0	-0.7	-1.2	-0.1	2.9	2.2	1.7	3.3	2.9	2.9	2.9	3.4
Wholesale and retail trade	10.2	6.9	6.5	3.7	5.4	4.3	4.6	2.3	8.1	6.7	6.8	4.5	2.6	2.3	2.1	2.2
Transport and communications	6.0	4.4	4.7	2.7	-1.4	-1.7	-2.0	-0.3	1.9	1.5	1.7	2.7	3.4	3.3	3.8	3.0

SOURCE: Banco de España.

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

EMPLOYMENT AND PERSONNEL COSTS
Details based on changes in staff levels

TABLE 2.B

		TOTAL CBQ CORPORATIONS 2005 Q1 - Q3	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations		706	418	288
PERSONNEL COSTS				
Initial situation 04 Q1-Q3 (€m)		15,597.8	9,017.0	6,580.8
Rate 05 Q1-Q3/ 04 Q1-Q3		3.7	7.1	-1.0
AVERAGE COMPENSATION				
Initial situation 04 Q1-Q3 (€m)		29,534.0	26,569.1	34,865.4
Rate 05 Q1-Q3/ 04 Q1-Q3		3.0	3.1	4.0
NUMBER OF EMPLOYEES				
Initial situation 04 Q1-Q3 (000s)		528	339	189
Rate 05 Q1-Q3/ 04 Q1-Q3		0.7	3.9	-4.9
Permanent	Initial situation 04 Q1-Q3 (000s)	438	275	163
	Rate 05 Q1-Q3/ 04 Q1-Q3	0.8	3.6	-3.7
Non-permanent				
	Initial situation 04 Q1-Q3 (000s)	90	64	26
	Rate 05 Q1-Q3/ 04 Q1-Q3	0.3	5.2	-11.8

SOURCE: Banco de España.

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

TABLE 3

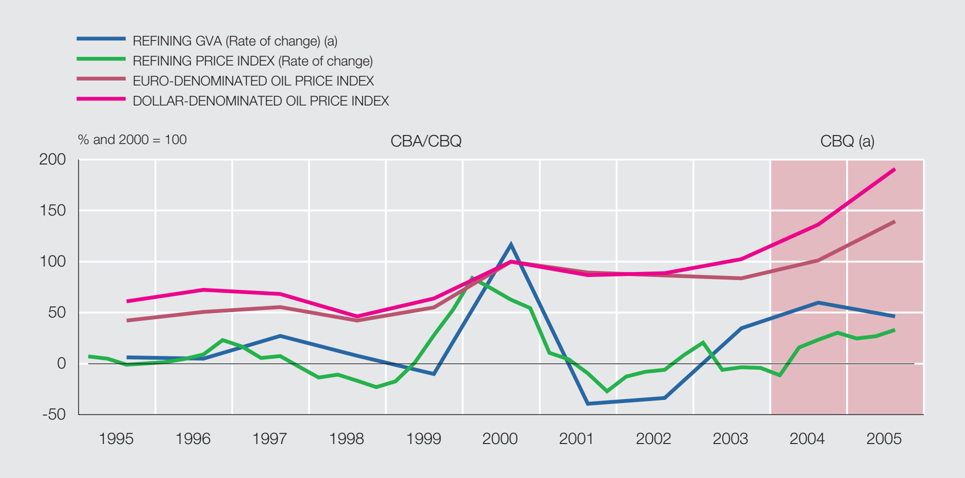
		CBA		CBQ (a)	
		2003	2004	04 Q1-Q3	05 Q1-Q3
Total corporations		6,535	6,535	706	706
Corporations reporting source/destination		6,535	6,535	681	681
Percentage of net purchases according to source	Spain	69.3	68.0	77.8	79.8
	Total abroad	30.7	32.0	22.2	20.2
	EU countries	17.5	17.3	15.6	13.6
	Third countries	13.3	14.7	6.6	6.6
Percentage of net turnover according to destination	Spain	83.6	84.0	87.1	87.7
	Total abroad	16.4	16.0	12.9	12.3
	EU countries	11.8	11.5	9.5	8.7
	Third countries	4.6	4.4	3.4	3.6
Change in net external demand (exports less imports), rate of change (b)	*Industry*	9.9	-3.6	8.8	-5.6
	Other corporations	-9.3	-32.1	-34.7	-3.8

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 8,569 corporations reporting to the CBA that year.

IMPACT OF OIL PRICES ON THE REFINING SECTOR

CHART 2



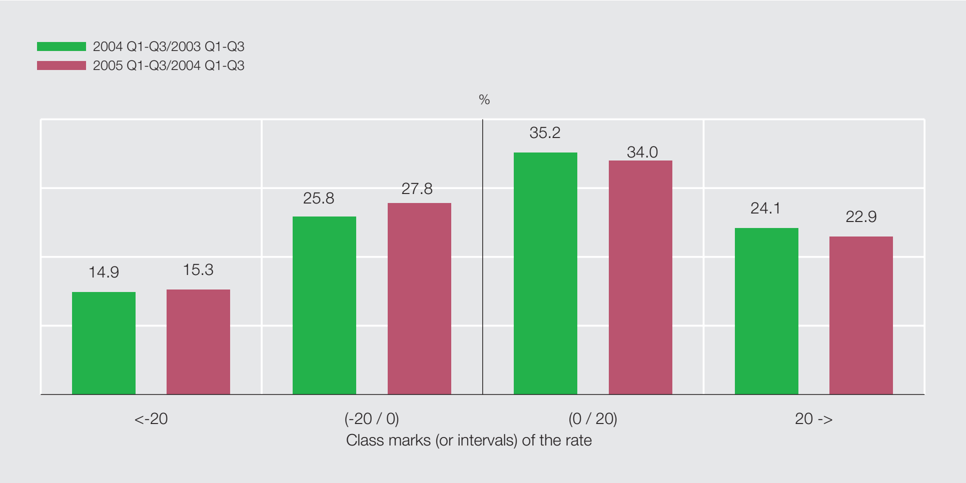
SOURCES: Banco de España and Ministerio de Industria, Turismo y Comercio *(Informe mensual de precios).*

a. 2004 and 2005 data relate to the CBQ.

ment of 8.1%, up 0.3 pp on the prior-year figure, while this ratio was 8.5% for 2005 Q1-Q3 for the CBQ corporations. Meanwhile, since the cost of borrowed funds held at minimal values both in 2004 (3.6%) and in the first three quarters of 2005 (3.9%), the difference between ROI and the cost of debt reached values that were positive and growing in comparison with the preceding periods. As regards extraordinary results, 2004 saw a decrease both in expenses and, in particular, in extraordinary revenue, the net effects of which, after taking into account

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

CHART 3



SOURCE: Banco de España.

the decrease in extraordinary provisioning, was net profit growth of 15.8%. The opposite occurred in the first three quarters of 2005, when the high growth of extraordinary revenue and expenses offset each other, while provisioning (basically for loss in value of the securities portfolio) decreased notably, largely due to recovery in the market value of investees of Spanish multinationals. Accordingly, the rate of change of net profit was 21.7% in this period. In any event, if this bottom line of the profit and loss account is expressed as a proportion of GVA, it can be seen that both in 2004 and in the first three quarters of 2005 the profits generated by corporations reached highs in the annual and quarterly series, respectively.

In sum, the activity of the corporations contributing to the Central Balance Sheet Data Office database was buoyant in 2004 and in the first three quarters of 2005, although it began to show certain signs of a slowdown in 2005, which are related to the situation of the industrial sector and to the deterioration of external activity. Aside from the small size of these samples (basically the CBQ), it should be taken into account that the most buoyant sectors in the current economy (construction and other services) are scantly represented in them. Also, the information available on foreign trade shows that imports gained in relative weight with respect to total purchases, while exports only managed to hold steady as a proportion of total sales. The job creation figures are holding at positive rates, against a background of moderately increasing wage costs. To this should be added the dividend inflows received from Spanish multinationals as a result of economic improvement in the areas in which their investments are concentrated. All this boosted the generation of ordinary profit and gave rise to high returns, boosted by moderating financial costs, and to the stabilisation of debt ratios. The effect of extraordinary income was to moderate the net profit with respect to 2004 ordinary results and to increase them notably in the first three quarters of 2005. The risks in this scenario impinge unevenly on the sectors analysed. On the one hand, the sharp upward trend of oil prices has started to pass through to certain sectors in the form of higher costs, and may, if it continues at the current level, contribute to inflationary and wage pressure, and thus lead to additional losses in competitiveness. On the other, the sluggishness of the euro area, together with the losses in competitiveness, has reduced the intensity of growth of certain sectors, such as industry, which has a higher external exposure.

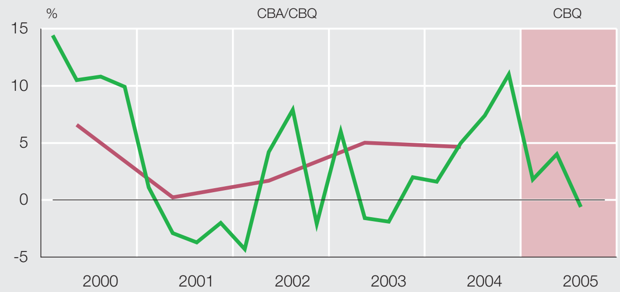
Activity

Business activity, as measured by GVA growth, increased by 7% in nominal terms in 2004. This rate was slightly higher than that in 2003, thereby prolonging the trend of sustained

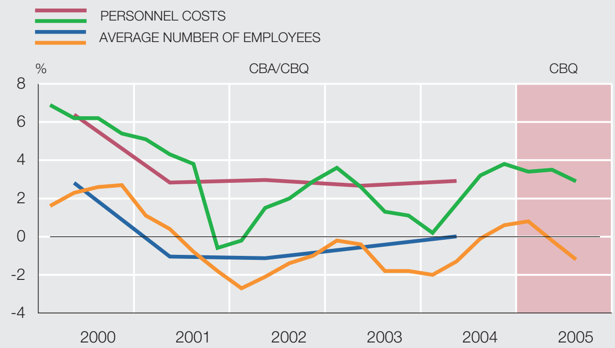
The figures from the Central Balance Sheet Data Office indicate that 2004 saw a firming of the moderately expansionary trend of Spanish industry that had started to become apparent in the previous year, with GVA posting a rate of change of 4.7%, very similar to that in 2003. However, the quarterly data for the first three quarters of 2005 seem to reflect a slowdown in activity, with GVA growth of 2.1%, appreciably lower than the 4.6% reported by the CBQ in the same period of the previous year. The slowdown in this aggregate, discernible in all its component sub-sectors, is in line with the progressive loss of vigour shown by industrial production throughout 2005 and in consonance with the information from other sources. Also contributing to this is the instability that is still being shown by the main economies in the euro area, and that particularly affects an aggregate like industry, which exhibits a greater dependence due to the trade relationship with the euro area countries. Of all the sectors analysed, those performing most negatively were glass, ceramics and metals, in which GVA, albeit up by 4.8%, rose much more slowly (at half the rate) than in the same period of 2004, and particularly electrical, electronic and optical equipment and transport equipment, the GVA of which decreased by –0.4% and –4.9%, respectively, in 2005. Employment trended very moderately in the two periods under review, but, nonetheless, improved in comparison with the two preceding periods. Thus the CBA figures show that the rate of change of employment was zero for 2004, against –0.7% in 2003, and the information compiled by the CBQ for the first three quarters of 2005 shows a slight decrease of –0.1%, compared with the fall of –1.2% in this aggregate in the same period of the previous year, which may indicate that business expectations continue to be favourable. In any event, the quarterly figures reflect a worsening in employment as the year progressed, in line with the slowdown in productive activity in this aggregate. Average compensation in 2004 exhibited the same moderation as that seen in the total sample. The figures available up to September 2005 reflect growth of 3.4%, which is higher than the average of the sample and evidences a slight change of trend as a result of the progressive increase in this item as the year progressed. However, the sub-sectors in which activity was less expansionary were also those with smaller wage increases. The developments so far described meant that in 2004 industrial corporations increased

PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO

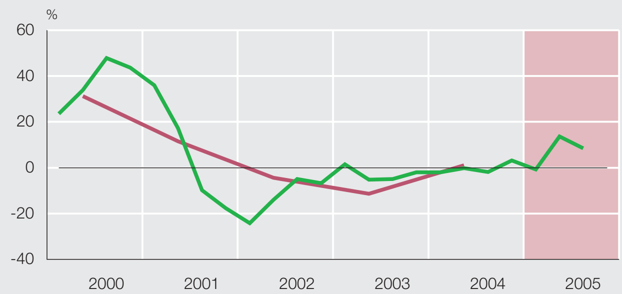
GROSS VALUE ADDED AT FACTOR COST
Rate of change



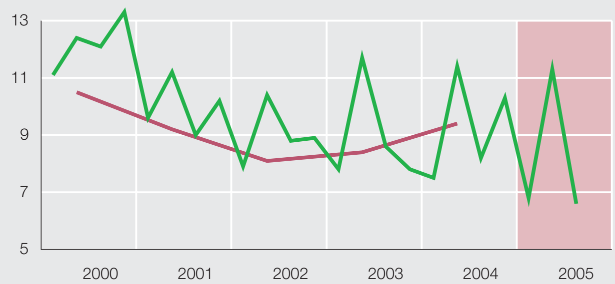
EMPLOYMENT AND WAGES
Rate of change



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	2,551	1,990	—
	CBQ	431 411 390 378	402 392 380 363	389 375 365 354	366 361 352 345	353 344 336 326	322 292 202 —
% of GDP of the sub-sector industrial corporations	CBA	31.4	28.2	27.9	27.4	21.1	—
	CBQ	26.6 26.6 25.2 25.4	22.2 21.7 20.6 21.0	21.0 21.1 20.3 19.3	20.1 19.9 18.7 18.6	20.9 20.9 19.1 19.4	19.3 18.6 11.2 —

SOURCE: Banco de España.

their ordinary returns and that in the first three quarters of 2005 a slowdown in productive activity became noticeable. In any event, profitability was high in both periods, although, for the reasons stated above, slightly lower in 2005 (8%) if compared with that recorded a year earlier (8.7%). Financial costs held at minimal levels, so the ratio measuring the difference between return on investment and the cost of debt remained clearly positive (5.7 in 2004 and 4.3 in the first three quarters of 2005). Hence, in 2004 Spanish industry saw a firming of the expansionary trend that had become apparent in the previous year, as a result of the greater buoyancy of investment in capital goods. This trend did not continue in the first three quarters of 2005, when there was a progressive slowdown in activity and a slight deterioration in job creation which, however, did not lead to a significant decline in profitability. Additionally, there are certain factors of risk that pose a threat to the continuing recovery of the productive activity shown by industry in 2003 and 2004. These include most notably, in addition to those deriving from the upward trend in oil prices and the ongoing sluggishness of the euro area countries, others whose impact has started to become apparent more recently and that point to problems of competitiveness in Spanish industry.

growth shown in recent years. Yet another year, this growth was based on the resilience of trade and of transport and communications, which showed GVA increases of 10.2% and 6%, respectively, confirming that private consumption continued to be the main driving force behind productive activity in 2004. However, in 2004 industry also showed expansionary behaviour thanks to the greater buoyancy of investment in capital goods. This pick-up, which had become apparent from the second half of the previous year, enabled this sector to record, for the second year running, rates of change of GVA of nearly 5%, after two years of practically zero growth. The data in Table 3 confirm that in 2004 net external demand (exports less imports) made a negative contribution to output growth, since its balance showed a negative rate of change both in 2004 and in 2005 Q1-Q3, evidencing a deterioration in competitiveness. It should, nonetheless, be taken into account that the clear improvement in the international situation and in world trade was not reflected in greater buoyancy in the euro area countries, which has reined in growth and negatively affected the expectations of certain sectors, like industry, that are more dependent on trade with these countries. Finally, mention should be made of the sharp nominal increase in GVA shown by oil refining corporations which, as a result of the rising oil prices, reported a rise in their margins and, consequently, in GVA, which grew by around 60% in 2004 (see Chart 2). Also affected, albeit in the opposite direction, were fuel marketers, the costs of which increased. Since they could not pass through these costs in full to sales prices, their trade margins narrowed. Excluding both these aggregates, GVA growth for both 2004 and 2003 stood at 6.3%, confirming the trend towards solid, stable growth recorded in most of the sectors analysed. The resulting scene for 2004 was thus one of sustained growth of productive activity in an international environment of greater stability and buoyancy, which had not yet spilled over into a recovery of activity in the euro area countries. This, together with the upward trend in oil prices and the aforementioned loss of competitiveness, is the main factor of risk threatening the ongoing expansionary trend of business activity.

Against this background, the information available up to 2005 Q3 shows moderate growth in productive activity, with a slight slowdown relative to the increase posted in 2004 by the reporting corporations, among which the firms engaging in construction and certain services activities are not well represented. This would explain the difference between the performance shown by the CBQ and that based on the quarterly National Accounts, which suggest a more favourable performance for 2005 Q1-Q3. Specifically, on CBQ data, GVA in 2005 Q1-Q3 rose by 4.5%, nearly 1 percentage point less than the rate posted by the quarterly sample for the same period a year earlier (5.2%). Moreover, this performance was strongly affected by the oil price hike in 2005. Hence the GVA of oil refining again grew at a high rate (46.2%) and the energy

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

	CBA		CBQ (a)			
	2003	2004	03 Q1 - Q4	04 Q1 - Q4	04 Q1 - Q3	05 Q1 - Q3
Number of corporations	8,569	6,535	832	816	827	706
PERSONNEL COSTS	100	100	100	100	100	100
Falling	25.5	28.8	31.3	32.2	32.7	28.3
Constant or rising	74.5	71.2	68.7	67.8	67.3	71.7
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	31.6	31.6	45.2	44.4	45.0	40.7
Constant or rising	68.4	68.4	54.8	55.6	55.0	59.3
AVERAGE COMPENSATION RELATIVE TO INFLATION	100	100	100	100	100	100
Lower growth (b)	37.2	45.6	43.9	46.6	46.3	49.2
Higher or same growth (b)	62.8	54.4	56.1	53.4	53.7	50.8

SOURCE: Banco de España.

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

sector as a whole saw its GVA rise by 10.2%. If, as done in the 2004 analysis, the refining and fuel marketing corporations are eliminated from the sample, more moderate GVA increases are obtained both in 2005 (2.8%) and in 2004 (4.9%), which shows more clearly the slowing trend of the sample corporations, in which transport companies and electric utilities – strongly affected by the rise in energy costs – are well represented. As stated above, this trend does not agree with that shown by alternative indicators. After the energy sector, the next highest increases in GVA were posted by wholesale and retail trade, which in the first three quarters of 2005 showed growth of 3.7%. This, however, was appreciably lower than in 2004 (6.5%), in line with the lower growth of consumption. The transport and communications sector also grew more moderately in the first three quarters of 2005 (2.7%) than it did a year earlier (4.7%), due to a strong impact of the oil price rise on transport companies and to the rise in the advertising costs of certain large telecommunications corporations. Also, in the first three quarters of 2005 industrial corporations recorded lower GVA growth (2.1%) compared to that in the same period of 2004 (4.6%), this slowdown being apparent in all the aggregates comprising the sector, as explained in Box 1. By contrast, electricity, gas and water production and distribution utilities, which are the other aggregate that, along with refining, makes up the energy sector, showed an increase of 2.6% in the first three quarters of 2005, exceeding in this case the 0.4% posted a year earlier. This favourable performance was mainly due to the growth of demand for electricity (up by 4% in 2005 to date) in a year in which production costs rose as a result of the drought, obliging thermal power stations to raise their output to make up for the lower hydroelectricity generation[2]. Noteworthy as regards external activity is, as shown in Table 3, the fall in net exports by industry, which, in any event, in both 2004 and the first three quarters of 2005 is lower than the fall recorded by corporations as a whole. This is in line with the information given by other sources on the pass-through of higher fuel costs via prices.

2. As mentioned in previous articles, since the beginning of 2005, firms have been subject to greenhouse gas emission regulations placing an upper limit on emissions. Corporations that exceed these limits must acquire supplementary allowances in the market. In this new legal framework, electricity sector corporations, which emit gases in their productive processes, have had to acquire emission allowances, on top of those that had been assigned to them, amounting to approximately €170 million in the first three quarters of 2005. These purchases were recorded by corporations as an addition to inputs, so their GVA is reduced by the amount of the purchases. By contrast, the Central Balance Sheet Data Office has reclassified these expenses as extraordinary (under “acquisition of allowances”), which is in line with the nature attributed to these transactions in the National Accounts. In short, in the results shown by the Central Balance Sheet Data Office, the acquisition of supplementary allowances has not affected the GVA generated by these corporations.

Using the information included in the databases constructed on the basis of the accounts filed with the Spanish Mercantile Registries, the Central Balance Sheet Data Office (CBSO) has constructed a database (CBBE/RM, or CBB) which enables the behaviour of small and medium-sized enterprises (SMEs) to be studied. Although the CBB data become available with a greater lag than those of the CBA and they are less detailed, they make it possible to find the main features defining the behaviour of this corporate aggregate that complements the one included in the CBA database, which, as is known, is biased towards large corporations. The CBB is constructed so as not to include any corporation included in the CBA. The annual report of the Central Balance Sheet Data Office includes an annex summarising the main information drawn from this aggregate of small and medium-sized enterprises and on the basis of which this box has been prepared. The CBB data for 2003 relate to a total of 375,080 firms which, in terms of GVA, make up 15.4% of the total of the sector non-financial corporations. For 2004, as at the date of publication of the CBSO annual report, information had been received from 69,913 corporations, representing 2.6% of the national total.

The information gathered by the CBB indicates that the activity of small and medium-sized enterprises increased moderately in 2004. Their GVA was up by 5.7%, a mild deceleration compared with the 6.4% of 2003. This trend towards slower growth extended to practically all the sectors analysed, with the exception of construction, real estate and hotels and restaurants, the only ones that in 2004 posted rates of change of GVA similar to or slightly higher than those of 2003. Against this background, personnel costs grew by 6.6% in 2004, more than one percentage point less than a year earlier (7.8%), due to the more moderate rise in wage costs per worker apparent throughout all the sectors of the sample without exception. Regarding employment data, in 2004 the SMEs included in the CBB increased their workforce by 3.2%, a rate similar to, although slightly below, that of 2003, which was 3.5%. This rate confirms yet another

RESULTS OF SMALL CORPORATIONS

		1999	2000	2001	2002	2003	2004
Number of corporations	CBA	8,245	8,489	8,417	8,420	8,569	6,535
	CBB (a)	211,753	231,792	245,732	320,115	375,080	69,913
% of GDP of the sector non-financial corporations	CBA	31.8	30.7	30.1	30.2	30.5	25.6
	CBB (a)	10.6	10.8	11.0	13.5	15.4	2.6

SOURCE: Banco de España.

a. In the case of the "Employment" and "Personnel Costs per Employee" charts, the data relate to the sub-set of corporations with consistent employment figures (65% of the CBB total).

year the greater vigour with which small and medium-sized enterprises can generate employment compared with the larger corporations included in the CBA. Sectoral analysis shows that it was basically industrial SMEs that were responsible for the more marked slowdown in job creation in 2004, since in that year the average number of their workers increased by practically zero, against an increase of 1.6% in 2003, thereby continuing the downward trend apparent since 1998 in employment growth in industrial SMEs. Meanwhile, in 2004 employment growth in market services was identical to that of the previous year, while construction was, as expected, the sector posting the sharpest rises in employment, higher even than in 2003, in line with the performance of its productive activity.

The growth of activity, along with the more moderate behaviour of personnel costs, enabled SMEs to show a moderate rise in gross operating profit of 3.4% in 2004, which was higher than the growth rate of this same profit figure in the previous year (2.8%). As in the CBA, financial costs fell for the third year running, while financial revenue grew strongly in 2004 (10.7%). All this, along with the sustained trend in depreciation, enabled ordinary net profit (ONP) in 2004 to grow by 4.4%, somewhat more than twice the rate in the previous year (2%). This improvement raised the already high profitability of Spanish SMEs, particularly those engaged in construction. Thus the ratio measuring ordinary return on equity, the only ordinary return that can be calculated from the CBB information, stood, for the sample as a whole, at 8.7% in 2004, up 0.2 pp on the previous year. For their part, construction SMEs posted a return of 16.1%, which was one percentage point more than in the previous year.

To sum up, in 2004 SMEs showed sustained growth at total aggregate level and in most economic sectors, although the construction and market services sectors were those that, in terms of activity and of job creation, recorded the most expansionary behaviour. To these developments should be added the wage moderation in the period and the positive performance of financial results, which enabled this aggregate, taken as a whole, to maintain a good rate of ordinary results and, therefore, high levels of profitability, better even than those achieved in the previous year. However, like the large corporations, industrial SMEs, which are the ones most exposed to external competition, are showing signs of a gradual slowdown, which is a fresh testimony to the need to take measures to improve the competitiveness of the Spanish economy.

Finally, Chart 3, which groups corporations according to the increase in GVA without regard to size and economic sector, shows that in the first three quarters of 2005 the percentage of corporations whose GVA increased in this period was somewhat more than two percentage points lower than that recorded in the same period of 2004. In addition, the shift was basically towards the segment of corporations with more moderate decreases in GVA, confirming that the mildly decelerating trend shown by the aggregate figures is independent of size and/or activity of the corporations.

Employment and personnel costs

Personnel costs increased moderately both in 2004 (4.1%) and in the first three quarters of 2005 (3.7%), confirming the trend of prior years. The growth in 2004 was somewhat more than half a percentage point lower than in 2003. Although the 2005 quarterly data show a slight rise with respect to 2004, this was due solely to the higher growth of employment in 2005.

Average compensation (personnel costs per worker) grew by 2.4% in 2004, one percentage point less than in 2003, while the quarterly figures up to September 2005 show wage increases of 3%, similar to those a year earlier (3.1%). Both the CBA and the CBQ describe similar trends, with progressive containment of the growth of these costs, which stabilised in the third quarter of 2005 at a rate of around 3%. This behaviour was across the board, except in the industrial sector, which was the only aggregate to show a slight rise in average compensation, probably linked to the negative trend in its employment figures throughout 2005, particularly in the third quarter. Notable among the other sectors was wholesale and retail trade because, as has now become customary, average compensation rose more moderately both in 2004 (2.6%) and in the first three quarters of 2005 (2.2%). Finally, analysis of Table 4 shows that in 2005 Q1-Q3 the percentage of corporations with wage increases remaining below the rate of inflation has moved up to 49.2%, compared with 46.3% a year earlier, despite the rise in recent months as a result of the energy price hikes.

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

TABLE 5

Ratios and growth rates of the same corporations on the same period a year earlier

	GROSS OPERATING PROFIT				ORDINARY NET PROFIT				RETURN ON INVESTMENT (R.1)				ROI-COST OF DEBT (R.1-R.2)			
	CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)		
	2004	04 Q1 - Q4	04 Q1 - Q3	05 Q1 - Q3	2004	04 Q1 - Q4	04 Q1 - Q3	05 Q1 - Q3	2004	04 Q1 - Q4	04 Q1 - Q3	05 Q1 - Q3	2004	04 Q1 - Q4	04 Q1 - Q3	05 Q1 - Q3
Total	10.0	8.0	6.9	5.0	22.2	17.4	15.7	9.7	8.1	8.4	7.7	8.5	4.5	4.4	3.7	4.6
SIZE																
Small	11.0	—	—	—	17.9	—	—	—	7.0	—	—	—	3.2	—	—	—
Medium	8.9	5.2	2.7	0.9	10.0	10.6	4.2	-1.3	8.2	8.4	8.6	7.7	4.7	4.8	5.1	4.5
Large	10.1	8.2	7.1	5.2	23.5	17.7	16.2	10.1	8.1	8.4	7.6	8.5	4.5	4.4	3.6	4.6
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	7.7	6.9	4.3	12.1	9.6	10.2	8.2	19.2	8.1	9.0	8.4	9.5	4.7	5.5	4.9	6.0
Industry	7.0	11.1	8.1	0.7	11.3	28.4	13.4	2.8	9.4	9.4	8.7	8.0	5.7	5.6	4.9	4.3
Wholesale and retail trade	13.0	7.1	6.1	2.6	19.4	6.7	4.0	5.1	12.7	10.0	9.7	8.7	9.0	5.8	5.5	4.7
Transport and communications	9.0	6.3	6.8	2.6	27.9	15.8	17.5	7.5	9.5	14.6	14.3	16.4	5.3	10.1	9.9	11.8

SOURCE: Banco de España.

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

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 - Q3	05 Q1 - Q3	04 Q1 - Q3	05 Q1 - Q3
Number of corporations		827	706	827	706
Percentage of corporations by profitability bracket	R <= 0%	23.5	23.8	26.0	26.6
	0% < R <= 5%	21.7	20.5	16.5	15.8
	5% < R <= 10%	15.5	17.6	11.2	12.8
	10% < R <= 15%	10.9	10.9	8.8	10.5
	15% < R	28.4	27.2	37.5	34.3
MEMORANDUM ITEM: Average return		7.7	8.5	10.8	12.5

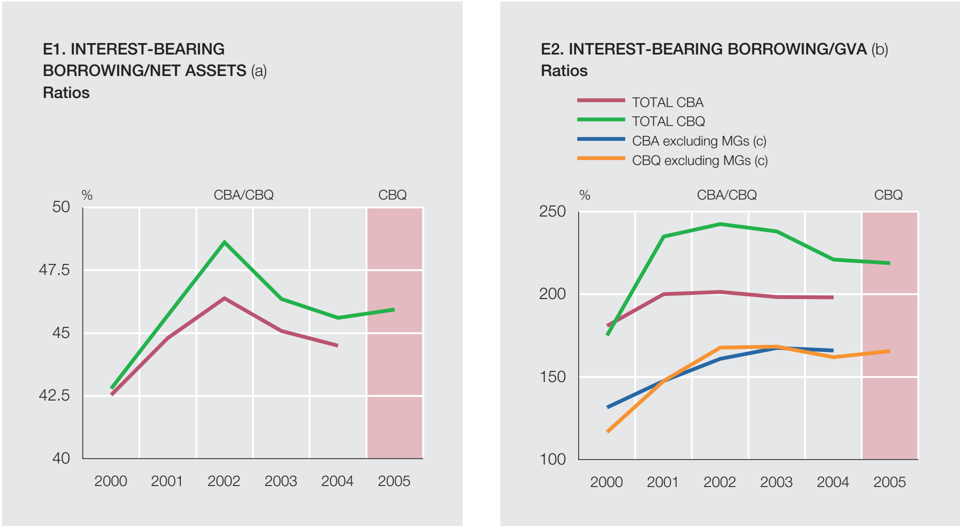
SOURCE: Banco de España.

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

The employment figures were clearly expansionary, both in 2004, when the average number of workers grew by 1.6%, and in the first three quarters of 2005, when the CBQ recorded net rises in employment of 0.7%. The rate recorded by the CBA for 2004 represents an increase of 0.3 pp above that of the previous year. This improvement was seen in all economic sectors except for transport and communications. The figures of this sector are influenced by a major staff reduction at a large communications corporation that has been underway throughout 2004 and 2005. Excluding this adjustment, the rate of change of employment in the sector is 1% in 2004, against –0.4% in 2003, and its trend is more in

DEBT RATIOS

CHART 4



	2000	2001	2002	2003	2004	2005
CBA	42.5	44.8	46.4	45.1	44.5	
CBQ	42.8	45.7	48.6	46.4	45.6	45.9

	2000	2001	2002	2003	2004	2005
CBA	180.9	200.0	201.4	198.4	198.0	
CBQ	175.1	234.9	242.4	238.0	220.9	218.7
CBA excl. MGs	131.6	147.6	161.0	167.5	166.0	
CBT excl. MGs	116.6	147.6	167.7	168.3	161.9	165.7

SOURCE: Banco de España.

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

line with that of the sector as a whole and that of the sample. The 2005 quarterly figures also show the effect of this staff reduction. Excluding this effect, employment in the first three quarters of 2005 is up by 1.2%, which, once again, is higher than the rate for the same period of 2004 (0.9%). As regards sectors, wholesale and retail trade was the sector in which employment increased most clearly in 2005 (2.3%), although this growth is nearly half that recorded a year earlier (4.6%), a development that is in line with the slowdown in the sector's productive activity in 2005. The other sectors, although showing less positive rates of change than those of wholesale and retail trade in 2005, improved notably in comparison with the rates for the first three quarters of 2004, confirming the inferences drawn from alternative sources. Additional confirmation of this behaviour comes from Table 4, which shows that in 2005 Q1-Q3 59.3% showed net increases in employment, against 55% in the first three quarters of 2004.

Profits, rates of return and debt

The performance of productive activity, along with the more moderate and contained growth of personnel costs, enabled gross operating profit (GOP) to grow by 10% in 2004. In the first three quarters of 2005, this balance increased by 5%, down slightly on the figure of 6.9% recorded a year earlier. The more moderate growth rate of this variable in 2005 is a result of the slowdown in productive activity, an all-pervasive phenomenon throughout the sectors analysed, except in energy for the reasons given above (see Table 5). Financial revenue grew rapidly in both 2004 and 2005 as a result of the inflow of dividends from foreign subsidiaries, with rates of change of 15.2% in 2004 and of 12.1% in the first three

STRUCTURE OF THE PROFIT AND LOSS ACCOUNT

BOX 3

The information gathered by the CBQ is a key analytical tool for monitoring the activity, costs, profits and profitability of corporations. For its part, the CBA enables diverse analyses which have a different focus from and are in greater depth than those of the CBQ, although they are released with a far greater time lag than those of the quarterly survey. The two databases can be considered to be complementary and, in fact, a link can be established between them by constructing a standard profit and loss account that is compatible with the two approaches (that with the format used in Table 1 of this article). To do this, given that the quarterly survey contains less information than the annual one, approximations must be made and not all the items can be made to coincide perfectly. However, these differences do not affect the analysis of the basic captions and the problem of lack of information only affects certain minor items. This is shown by the following table, which uses the structure of the 2004 profit and loss account with all the CBA items. The captions not available in the quarterly survey have been signalled by preceding them with a letter. As can be appreciated, these captions are of minor importance in relation to the total expenses and revenues making up the profit and loss account[1].

1. This structure is reproduced in the first column of Table 1 of this article.

DATABASES	CBA 2004
Number of corporations	6,535
Total national coverage	25.6%
PROFIT AND LOSS ACCOUNT	
1. VALUE OF OUTPUT (including subsidies)	100.0
Of which:	
1.1 Net amount of turnover and other operating income	134.2
1.2 (–) Consumption (wholesale and retail trade and real estate sectors)	-36.3
1.a Other items (not available in CBQ)	2.1
2. INPUTS (including taxes)	67.0
Of which:	
2.1 Net purchases	39.5
2.2 Other operating costs	26.7
2.b Other items (not available in CBQ)	0.8
S.1. GROSS VALUE ADDED AT FACTOR COST (1 – 2)	33.0
3. Personnel costs	16.0
S.2. GROSS OPERATING PROFIT (S.1– 3)	16.9
4. Financial revenue	3.3
5. Financial costs	2.8
6. Depreciation and provisions	6.8
S.3. ORDINARY NET PROFIT (S.2 + 4 – 5 – 6)	10.7
7. Capital gains and extraordinary revenue	3.6
8. Capital losses and extraordinary expenses	3.3
9. Other (provisions and taxes)	4.1
S.4. NET PROFIT (S.3 + 7 – 8 – 9 – 10)	6.9

SOURCE: Banco de España.

quarters of 2005. The trend of financial costs changed significantly in 2005, as shown by the following table:

	2004/2003	*05 Q1-Q3/04 Q1-Q3*
Change in financial costs	**–0.6%**	**+8.4%**
A. Interest on borrowed funds	*–5.6%*	*+8.2%*
1. Due to the cost (interest rate)	–8.0%	–2.1%
2. Due to the amount of interest-bearing debt	+2.3%	+10.3%
B. Commissions and cash discounts	*+1.8%*	*+0.2%*

CAPITAL AND FINANCIAL FLOWS
CBA
(Structure: GVA at basic prices = 100)

TABLE 7

Databases	% of GVA at basic prices 2002	2003	2004
Number of corporations / Total national coverage	8.420/30,2%	8.569/30,5%	6.535/25,6%
CAPITAL ACCOUNT			
1. Capital resources	29.6	33.0	39.7
1.1 Gross saving	30.8	31.1	33.2
1.2 Net capital transfers	-1.2	2.0	6.5
2. Uses of capital	28.3	30.3	31.6
2.1 Gross capital formation	26.7	29.0	30.7
2.2 Other uses of capital	1.6	1.3	0.9
2.3 Statistical discrepancy	0	0	0
3. Net lending (+), net borrowing (–) (1 – 2 = 5)	1.3	2.7	8.1
FINANCIAL ACCOUNT			
4. Net financial assets acquired	27.6	8.4	31.0
4.1 Cash and deposits	1.1	0.5	0.4
4.2 Securities other than equity	1.2	4.1	3.1
4.3 Loans	1.5	-3.6	13.9
4.4 Shares and other equity	23.9	7.5	13.7
5. Net financial operations plus net liabilities incurred (6 + 7)	27.6	8.4	31.0
6. Net financial operations (4 – 7 = 3)	1.3	2.7	8.1
7. Net liabilities incurred	26.2	5.7	22.9
7.1 Securities other than equity	-2.8	-1.0	-0.3
7.2 Loans	17.9	4.8	15.5
7.2.1 Loans from financial institutions	7.4	0.3	6.9
7.2.2 Loans from the rest of the world	-6.7	11.4	-4.2
7.2.3 Loans from other resident sectors	17.2	-6.8	12.8
7.3 Shares and other equity	12.0	-0.1	3.4
7.4 Pension funds	-1.9	-0.1	0.0
7.5 Trade credit and other accounts payable (net)	1.0	2.1	4.4
MEMORANDUM ITEM: GVA at basic prices	104,506	111,851	100,349

SOURCE: Banco de España.

As can be appreciated, the interest rate cuts were the cause of the lower financial costs in 2004. In 2005 Q1-Q3, the cost of borrowing again decreased (–2.1%), albeit to a lesser extent, given the low levels of interest rates. However, the increase in financing in the first two quarters of 2005 absorbed the fall in financial costs and prompted an increase in financial costs. In any event, the rise in recourse to external sources of financing can be considered moderate, as shown by the debt ratios E1 and E2 (see Chart 4). The two panels of the chart show that both 2004 and the first three quarters of 2005 saw a steadying of the debt ratios as calculated both with respect to total net assets (E1) and with respect to GVA (E2).

The behaviour described for financial costs and revenue enabled ordinary net profit (ONP) to grow more rapidly than GOP. Hence ONP increased by 22.2% in 2004 and 9.7% in the first three quarters of 2005, when, as noted in the preceding paragraph, financial costs showed positive rates of change. In any event, both periods saw increases in ONP that were more than sufficient to maintain, and even raise, the high ordinary rates of return enjoyed by corporations. Thus the return on investment stood at 8.1% in 2004 (up 0.3 pp on 2003) and at 8.5% in the first three quarters of 2005 (bettering the 7.7% in the same period of the previous year). Since

INTRODUCTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS. EFFECTS ON THE ACCOUNTING DATA OF CORPORATIONS IN 2005 Q1

BOX 4

Box 2 of the Central Balance Sheet Data Office's quarterly article in the July 2005 *Economic Bulletin*, relating to corporate results in 2005 Q1, informed about the introduction of International Financial Reporting Standards (hereafter "IFRS") to the consolidated accounts of publicly traded Spanish groups and made an initial assessment of the accounting impact of their application[1]. In summary, the box concluded that:

These regulations have not affected the analyses conducted by the CBQ because the latter uses individual annual accounts not subject to IFRS.

The number of corporations (groups) affected by the new regulations was very small among non-financial corporations as a whole. Only 0.02% of non-financial corporations (generating 10.7% of jobs in the sector) is subject to IFRS.

The impact of application of IFRS on the 2005 Q1 income statement was a fall in turnover of around 4% and an increase in net profit of 3%.

This box updates our earlier analysis with data for the first half of 2005, and extends it by including the accounting reconciliation of the 2004 closing balance sheet to the 2005 opening balance sheet, sent to the CNMV by listed groups.

The half-yearly information supplied by listed groups to the CNMV can be used to approximate the deviations in certain income statement captions due to the application of IFRS. Table 1 shows the effect on corporations as a whole, which is limited for the total of 167 corporations analysed, albeit not for certain economic sectors[2]. Turnover fell by 4.1% due to the application of IFRS, profit for the period increased by 5.6% and depreciation and amortisation expense fell by –1.4%. As regards economic sectors, the application of IFRS resulted in a fall in sales that was sharpest in the energy sector, mainly attributable to new criteria for recording consolidated income. Specifically, in the electricity sector, offsetting is applied to purchase and sale transactions with the electricity pool, which are recorded at the margin on sales to the regulated market. The increase seen in profit is due to the diminution in deferred taxes and the disappearance of the obligation to amortise goodwill in the main corporations in the sector. The impact on the industrial sector cannot be analysed in detail because of the heterogeneity of the corporations in it; however, at aggregate level it can be said that the impact of IFRS is smaller in both turnover and net profit. The decrease in profit for the period of construction corporations was caused by the greater financial costs of their concession-holder subsidiaries, since the conditions for capitalisation of interest on loans are stricter under IFRS than under Spanish accounting regulations. Finally, in market services, the largest differences relate to property corporations, the turnover of which decreased due to the different interperiod allocation of sales, which are now accounted for once the property deeds have been executed. Also, the reduction in the amount of amortisation reflects the different treatment of the useful life of intangible assets under IFRS and the fact that, as indicated above, goodwill is not amortised. This decrease in amortisation may partly explain the increase in net profit.

Table 2 shows the impact of IFRS on the main captions of the consolidated balance sheet, using the information available from the

1. Regulation (EC) No 1606/2002 of the European Parliament and of the Council stipulated that groups with securities publicly traded on EU stock exchanges must prepare their consolidated annual accounts in conformity with IFRS for financial years starting on or after 1 January 2005. This Europe-wide obligation was introduced into Spain through amendment of the Commercial Code and through the issuance of CNMV Circular 1/2005 regulating the periodic public information to be reported by corporations with securities publicly traded on Spanish markets. The information required for the first half of 2005 includes a reconciliation statement of the 2004 accounts calculated under IFRS to those calculated under the 1990 General Chart of Accounts, which enables the impact of the change to be assessed in this box.

2. Table 1 compares the differences between the information supplied in 2005 (when IFRS were already in force) for the first half of 2004 and that furnished in 2004 for that same period. It should be taken into account that the differences that appear here are not due solely to the application of the new regulations, but also to the accounting revisions routinely carried out by corporations to remedy material errors.

IMPACT OF APPLICATION OF IFRS
Listed non-financial groups (consolidated accounts).
Half-yearly estimate of results for the first half of 2005

TABLE 1

Aggregate	Difference IFRS – PGC 90 (a)		
	Turnover	Profit for the period	Depreciation/Amortisation expense
	%	%	%
Total	-4.1	5.6	-1.4
1. Energy	-8.4	8.4	-3.0
2. Industry	-2.3	4.5	-9.1
3. Construction	0.7	-13.0	19.5
4. Market services	-2.4	9.4	-1.3

SOURCE: Banco de España, using CNMV data.

a. Estimated impact: (2004 Q2 value reported in 2005 – 2004 Q2 value reported in 2004) / 2004 Q2 value reported in 2004.
Information available up to mid-November 2005. The differences include those derived from the application of IFRS and other sources.

INTRODUCTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS. EFFECTS ON THE ACCOUNTING DATA OF CORPORATIONS IN 2005 Q1 (cont'd)

BOX 4

reconciliation of the 2004 closing balance sheet to the 2005 opening balance sheet (an obligatory statement defined in CNMV Circular 1/2005) for consolidated groups. The scant effect of the application of IFRS on non-current assets (fixed assets in the terminology of the 1990 General Chart of Accounts, hereafter "PGC 90") can be appreciated, although there are significant reclassifications in the balance sheet. The decrease in equity is mainly due to the treatment of treasury stock as a reduction of equity, rather than as an asset as required up till now under the PGC 90, it also being required to recognise any gain or loss on treasury stock transactions in equity. Finally, the total amount of the balance sheet has decreased in all sectors except the industrial sector, partly due to the effect of the decline in equity.

Until the revision of accounting rules currently underway to adapt the accounting framework for individual accounts to IFRS has been completed (which, according to ICAC plans, will be in 2007), it is not foreseeable that any changes directly relating to the application of these rules will arise in Central Balance Sheet Data Office publications.

IMPACT OF APPLICATION OF IFRS
Listed non-financial groups (consolidated accounts).
Differences in balance sheet reconciliation: IFRS (2005 opening) - PGC 90 (2004 closing)

TABLE 2

Aggregate	Difference IFRS – PGC 90 (a)		
	Non-current assets	Equity	Total assets/liabilities
	%	%	%
Total	-0.6	-11.3	-2.9
1. Energy	1.2	-6.6	-0.6
2. Industry	5.3	2.5	2.0
3. Construction	0.6	-9.9	-5.5
4. Market services	-3.8	-20.9	-5.2

SOURCE: Banco de España, using CNMV data.

a. Estimated impact: (2005 opening value under IFRS – 2004 closing value under PGC 90) / 2004 closing value under PGC 90.
Information available up to mid-November 2005.

the cost of borrowing is at a historical low (between 3.6% and 3.9%), the ratio that measures the difference between profitability and the cost of debt is once again clearly positive, both in the total sample and in all its component sectors.

Most noteworthy in respect of extraordinary results is the fall in 2004, basically due to the decrease in extraordinary revenue. The sharp reduction in extraordinary provisioning in the first three quarters of 2005 was due to the reversal of amounts provisioned for investments abroad in previous years. The recovery of these amounts meant that net profit grew by nearly 21.7% up to September 2005. As a percentage of GVA, net profit reached highs in the annual and quarterly series of 20.9% and 27.9%, respectively.

These results evidence the recent favourable performance of Spanish corporations. The mild slowdown in activity in the first three quarters of 2005 has not prevented the generation of profits and job creation from continuing at a brisk pace, against a background of wage moderation. Further, the renewed high buoyancy of world trade has contributed to rising business income and profits through the inflow of dividends from foreign subsidiaries. This has helped the expansion of ordinary (and, basically in the first three quarters of 2005, extraordinary) profit, which has resulted in increased returns. The main risks in this scenario are the behaviour of foreign demand, the persistence of high oil prices and the difficulties in strengthening the euro area economies.

CAPITAL AND FINANCIAL FLOWS
SPANISH NATIONAL ACCOUNTS AND FASE
(Structure: GVA at basic prices = 100)

TABLE 8

Databases	% of GVA at basic prices		
	2002	2003	2004
CAPITAL ACCOUNT (Spanish National Accounts, base 1995)			
1. Capital resources	22.0	21.2	22.4
1.1 Gross saving	19.7	19.0	19.7
1.2 Net capital transfers	2.4	2.2	2.7
2. Uses of capital	29.6	29.7	32.2
2.1 Gross capital formation	29.4	29.6	32.1
2.2 Other uses of capital	0.2	0.2	0.1
3. Net lending (+), net borrowing (–) (1 – 2) (Spanish National Accounts, base 1995)	-7.5	-8.6	-9.8
a. Adjustement (a)	2.4	1.2	0.9
3'. Net lending (+), net borrowing (–) (3 – a = 6)	-9.9	-9.8	-10.7
FINANCIAL ACCOUNT			
4. Net financial assets acquired	20.5	20.7	14.0
4.1 Cash and deposits	5.6	2.9	3.0
4.2 Securities other than equity	1.2	2.0	0.9
4.3 Loans	-0.2	-0.1	1.0
4.4 Shares and other equity	13.8	15.8	9.1
5. Net financial operations plus net liabilities incurred (6 + 7)	20.5	20.7	14.0
6. Net financial operations (4 – 7 = 3)	-9.9	-9.8	-10.7
7. Net liabilities incurred	30.4	30.4	24.6
7.1 Securities other than equity	-0.7	-0.4	0.0
7.2 Loans	17.5	19.8	19.5
7.2.1 Loans from financial institutions	11.4	13.6	18.2
7.2.2 Loans from the rest of the world	5.7	5.8	1.0
7.2.3 Loans from other resident sectors	0.4	0.4	0.3
7.3 Shares and other equity	12.5	11.0	5.8
7.4 Pension funds	-0.5	-0.1	-0.1
7.5 Trade credit and other accounts payable (net)	1.6	0.1	-0.6
MEMORANDUM ITEM: GVA at basic prices (Spanish National Accounts, base 1995)	346,513	367,257	392,116

SOURCE: INE (Spanish National Accounts) and Banco de España *(Financial Accounts of the Spanish Economy).*

a. This captation includes the differences between the capital account balance compiled by the INE (caption 3) and the financial account balance compiled by the Banco de España (caption 6).

Investment flows and financing

The analysis of the financing and investment flows contained in Table 7 is based on the CBA, since the CBQ does not include detailed information in this respect. From Table 7 it can be deduced that during the past three years the corporations in this sample have generated a growing level of capital resources and are now in a net lending position. According to this, the CBA corporations (a sample biased towards large corporations and in which the effect of newly formed corporations is practically absent) are able, with the funds generated by them and the capital transfers received by them[3], to finance their capital investment and, in addition, have a surplus with which to undertake transactions[4].

3. Including most notably the assumption by the State of the debt of RENFE as part of the reorganisation of RENFE/GIF provided for in Royal Decree Law 7/2004 of 27 September 2004. **4.** Previous Central Balance Sheet Data Office reports have referred to the apparent contradiction in the CBA corporations having a net lending position, when the Spanish National Accounts and the Financial Accounts of the Spanish Economy show net borrowing by the total sector. These two results are not contradictory, since the CBA comprises a small number of corporations and it is the newly formed companies, not included in the CBA, which largely explain the net borrowing by non-financial corporations in aggregate. New corporations invest and require funds to finance the commencement of their activities, since they do not generate sufficient income in the initial stages of their existence to finance these activities.

As regards transactions of a financial nature, 2004 saw a significant increase in the level of assets purchased and of net liabilities assumed. Table 7 shows that, after the period 1998-2002 in which the large Spanish multinationals expanded abroad vigorously (through share purchases, loans and reorganisations), they reined in the pace of financial transactions in 2003 and used the profits from current transactions to consolidate the restructuring of their balance sheets. In 2004 the corporations in the annual sample stepped up their financial transactions again, although these did not reach the levels prior to 2002. The significant events in 2004 include, insofar as financial assets are concerned, the granting of loans as a result of transactions with subsidiaries, the balancing entry of which is, in part, the increase recorded in "loans from other resident sectors" on the liabilities side. Also noteworthy are certain share purchase transactions representing the continuation of the process of expansion in other countries and the use of surplus savings to repay in 2004 the loans received in previous years.

Finally, Table 8 sets out capital and financial flows presented in Spanish National Accounts information for the sector non-financial corporations. It aims not so much to explain the behaviour of these data, which are analysed in other Banco de España publications, as to provide a further basis of comparison, in this case relating to the total non-financial corporations sector, with an aim to refining/qualifying some of the conclusions drawn from the CBA information. In this table the flows are expressed as a percentage of GVA of the sector non-financial corporations according to the Spanish National Accounts with base year 1995 (at the time of going to press the Spanish Statistics Office had not yet published the accounts of the sector non-financial corporations in the Spanish National Accounts with base year 2000). It can be seen that in 2004 net borrowing increased slightly in comparison with the previous year (–9.4% against –9.2%). Comparison of this balance with that drawn from the CBA for these same years discloses a substantial difference in both level and trend, since, as mentioned above, the Central Balance Sheet Data Office figures for both 2003 and 2004 show a positive capital account balance (net lending), which is, moreover, growing. Footnote 4 remarks on this apparent inconsistency.

21.11.2005

Inflation differentials in the euro area: the case of the Spanish economy

The authors of this article are J. David López-Salido and Fernando Restoy of the Directorate General Economics, Statistics and Research[1].

Introduction

The existence of divergences between the inflation rates of the countries or regions belonging to a monetary union is a phenomenon common to all such unions and does not by itself hamper their proper functioning. In fact, the dispersion of national inflation rates within the euro area is comparable to that seen across regions in the United States. Uneven growth of national price indices may, in principle, be a direct result of specific developments, such as changes in regulated prices and in indirect taxes, of differences in the cyclical positions of the economies in question or of their varying degree of exposure to particular shocks, such as those affecting the oil market [see, for example, ECB (2003)].

However, a singular feature of the inflation differentials within the euro area is their high degree of persistence. That is to say, some countries, like Germany and France, have had inflation rates systematically below the average, while others, like Portugal, Spain, Ireland and Greece have regularly had positive inflation differentials with respect to the euro area as a whole. This observation has given rise to the recent appearance of theoretical, empirical and economic analyses seeking to study the determinants and normative implications of the persistence of inflation differentials across the euro area member countries.

It has sometimes been argued that the persistence of inflation differentials may be associated with real convergence or catching-up. Countries in this situation tend to record higher relative productivity growth in the sector exposed to international competition, which may lead to a larger increase in wages and prices than in the mature economies of the monetary union. This is known as the Balassa-Samuelson hypothesis, according to which inflation differentials result from efficient adjustment by the various economies to productivity developments and do not, therefore, entail any change in their competitiveness or any direct adverse effects on the efficacy of the single monetary policy. However, although productivity developments may explain the medium and long-term dynamics of relative prices [see Ortega (2003)], the Balassa-Samuelson hypothesis cannot be reconciled with the sectoral price and productivity developments in Spain [see Estrada and López-Salido (2002 and 2005] and other euro area countries [see ECB (2003)] since 1999, so that it cannot provide a general explanation of the inflation differentials observed in the euro area.

An alternative hypothesis, enjoying greater empirical support, associates the persistent inflation differentials across the various national economies belonging to the euro area with the rigidities characterising the price and wage adjustments in each of them. These give rise to uneven developments in the national price indices in the face of common or specific shocks. According to this reasoning, inflation differentials are not a benign development, but a reflection of imperfections in factor, goods and services markets that affect the economies' competitiveness and may make implementation of the single monetary policy more complex [see, for example, Benigno and López-Salido (2003)].

This second line of analysis has important normative implications that can, however, only be specified to the extent that the type of shock and the nature of the frictions (or rigidities) which

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1. This article is based on Banco de España Working Paper No. 0514, entitled *Inflation differentials in EMU: the Spanish case*, which was also co-authored by Javier Vallés.

contribute to generating the inflation differentials are identified. In particular, it would be appropriate to analyse whether the discrepancy in price growth is a consequence of common shocks transmitted in a different way in each economy or, rather, a consequence of idiosyncratic shocks in each economy. Also, the relative importance of supply and demand shocks needs to be estimated and, in particular, evidence needs to be obtained on those aspects of price and wage formation that have the strongest influence on inflation differentials.

Recent literature provides abundant evidence on these issues, usually making use of general equilibrium models with nominal rigidities in the neo-Keynesian tradition[2]. However, these studies do not provide evidence which might enable the determinants of the inflation differentials observed in the euro area to be characterised generally. On the contrary, the heterogeneity of the findings would seem to suggest that the observed discrepancies in price growth across countries do not always stem from the same causes. Thus, a proper understanding of the phenomenon requires each economy to be examined in greater depth. It is precisely this strategy that has been followed in the research on which this article is based, with the aim of identifying the specific causes of the Spanish economy's persistent inflation differential with respect to the euro area average, the effects of such differentials on economic activity and certain implications for the conduct of economic policy.

The rest of this article is structured as follows: Section 2 describes those characteristic features of Spanish macroeconomic developments in recent years that may be relevant to explaining the path of the inflation differential. Section 3 explores the factors determining the path of consumer prices in Spain on the basis of a general equilibrium model. Section 4 describes the macroeconomic adjustment in response to the shocks that generate the observed inflation differentials. Finally, Section 5 provides certain normative conclusions.

Five characteristic features of the Spanish economy

HIGH AND STABLE GROWTH, PRINCIPALLY BASED ON THE EXPANSION OF DOMESTIC DEMAND

Chart 1 shows GDP in Spain and in the euro area since 1999, distinguishing between the contributions of domestic demand and net exports. It can be seen that the Spanish economy has sustained growth rates significantly above the euro area average. The reason for this has been the strong expansion of domestic demand, since the contribution of net external demand has been increasingly negative. More specifically, the strength of private consumption (especially of services) and of residential investment has been notable, with growth rates clearly above the average GDP growth rate[3]. These developments have been a direct consequence of the drastic reduction in interest rates associated with the convergence process and euro area accession, as well as of the strength of job creation.

MODEST PRODUCTIVITY GROWTH

Chart 2 shows labour productivity and total factor productivity (TFP) in Spain and in the euro area. The former has slowed progressively since the beginning of the 1990s, but more sharply in Spain than in the euro area. The reforms undertaken in the labour market, along with the substantial increase in labour supply, contributed to a significant reduction in the capital-labour ratio and, therefore, in labour productivity, which has grown at rates persistently below the euro area average. Likewise, TFP growth in Spain has been particularly disappointing, which suggests that technological progress has not been sufficiently incorporated into productive processes. The sector data

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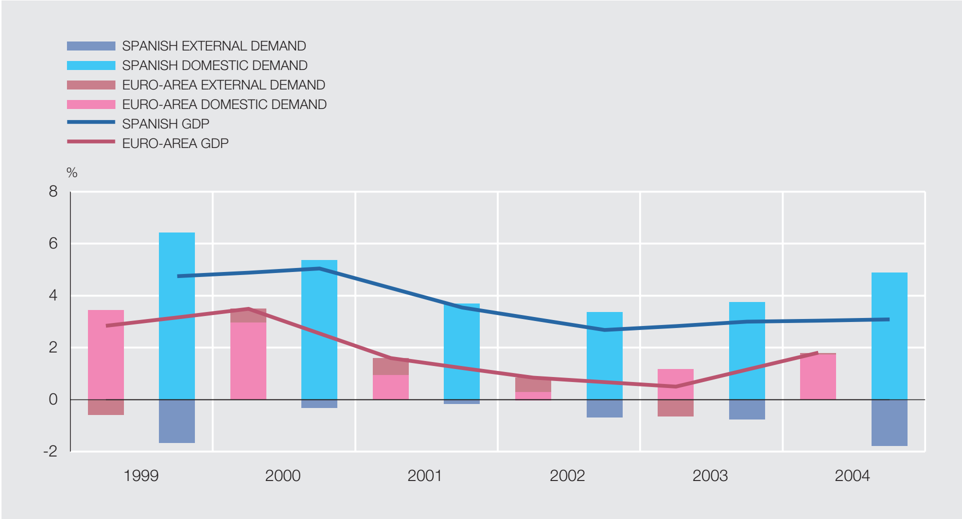
2. For example, Andrés et al. (2003) use a two-sector model to illustrate how the possibility of price discrimination provided by the existence of monopolistic competition means that common shocks can have a different impact on prices. Duarte and Wolman (2002) use the same type of model to conclude that supply shocks are better candidates than demand shocks to explain a persistent inflation differential. By contrast, Altissimo et al. (2004) point out that if labour markets are not sufficiently integrated with one another, demand shocks may generate prolonged periods of misaligned relative prices across sectors and countries. **3.** The growth rate of services consumption is more than one percentage point higher than that of consumption of processed food and goods. At the same time, during the period 1999-2004, the growth rate of residential investment was above 6%. The data for GDP and its components used in Chart 1 are based on the Spanish National Accounts, base 2000.

GDP GROWTH AND COMPOSITION OF DEMAND

CHART 1



SOURCE: Eurostat.

show that the poor productivity performance affects both the manufacturing and the services sectors and is, therefore, a general feature of the recent performance of the Spanish economy.

DEVIATIONS FROM PURCHASING POWER PARITY AND DUAL INFLATION

Table 1 gives a breakdown of the Spanish inflation differential vis-à-vis the euro area, distinguishing between the contribution of the manufacturing/industrial sectors, subject in principle to international competition, and that of the dual inflation component, i.e. the difference between the inflation observed in the prices of tradable goods and in those of services[4]. Also, the contribution of unit labour costs (distinguishing between wages and productivity) and mark-ups is estimated for each component. The table shows, first, the presence of a high inflation differential in the tradable goods sector. It also shows the significant contribution of the phenomenon of dual inflation, which accounts for somewhat more than one third of the average inflation differential vis-à-vis the euro area. At the same time, the high growth of mark-ups since 1999 (especially in services) explains a large part of the differentials. Finally, wages also make large contributions in both sectors, that are similar in magnitude.

PERSISTENT LOSSES OF COMPETITIVENESS WITH AN INCREASING EFFECT ON THE BALANCE OF PAYMENTS

Chart 3 shows various measures of competitiveness for the Spanish economy with respect to the euro area from 1998 to 2004. The persistent inflation differential has been reflected in the progressive deterioration in the indicators, which have fallen by 5-8%, depending on the measure used. Chart 4 shows the export share of Spanish products in the euro area and the penetration of products imported from the euro area since 1991. As a consequence of the progressive opening up of the Spanish economy and its higher growth both variables have displayed a clear upward trend. However, export shares seem to have fallen slightly in 2004, which would suggest that the Spanish economy's price and cost differentials are having an increasing impact on the trade balance.

NOTABLE STRUCTURAL RIGIDITIES, ESPECIALLY IN THE LABOUR MARKET

There are not many sufficiently detailed comparative studies of the degree of rigidity existing in factor (labour and financial) and goods (and services) markets in different euro-area countries, but those that are available would seem to imply that the degree of competition and price flex-

4. A detailed analysis of this breakdown can be found in the working paper on which this article is based and, also, in López-Salido and Pérez-Quirós (2005). Table 1 includes a concise description of this breakdown of inflation differentials.

PRODUCTIVITY INDICATORS CHART 2

SOURCES: European Commission and Banco de España.

ibility in goods markets is not generally lower in Spain then in the rest of the euro area [see, for example, Nicoletti et al. (1999) and Brandt et al. (2005)]. Moreover, the available microeconomic evidence on the degree of price rigidity indicates that there is little difference between the behaviour of companies in Spain as compared with the other euro area countries. In particular, in a recent paper, Álvarez and Hernando (2004) find that the frequency of price changes and the proportion of downward adjustments are similar in Spain to those estimated for most euro-area countries. The evidence on the functioning of the labour market is somewhat different. According to the few analyses available, the Spanish labour market, despite recent reforms, is characterised by a degree of inefficiency that is above the euro-area average [see Brandt et al. (2005)]. This inefficiency would appear to be generated by the structure of social benefits and by the bargaining systems and procedures followed, with the result that wages are inflexible in the face of changes in relevant economic conditions. An example of these rigidities are indexation clauses, whereby wage rates are automatically adjusted ex-post if observed inflation exceeds the rate projected at the time of bargaining. Unlike the situation in most countries, these clauses are present in the great majority of collective agreements signed in Spain.

The determinants of inflation differentials

The empirical regularities indicated in the previous section offer, in themselves, some important clues to help identify the causes of the higher growth of prices in Spain than on average in the euro area. Thus, it seems likely that demand shocks, particularly in the shel-

SPANISH INFLATION DIFFERENTIALS: 1999-2003 TABLE 1

Inflation differential	Tradables				Dual inflation			
	Total	Wages	Productivity	Mark-ups	Total	Wages	Productivity	Mark-ups
(1) + (2)	(1)	(3)	(4)	(5)	(2)	(6)	(7)	(8)
1.2	0.8	0.4	-0.1	0.3	0.4	0.1	0.4	0.7

SOURCE: Banco de España.

Note: The inflation differential between Spain and the euro area can be written as follows:

$$\pi_t - \pi_t^* = TRADABLE_t + DUAL_t$$

where $TRADABLE_t$ represents the differences in the inflation of tradable goods, that can be decomposed as the sum of the differences in mark-ups (μ) and in wages (w), minus relative productivities (x):

$$TRADABLE_t = (\pi_{T,t} - \pi_{T,t}^*) = (\Delta\mu_{T,t} - \Delta\mu_{T,t}^*) + (\Delta w_{T,t} - \Delta w_{T,t}^*) - (\Delta x_{T,t} - \Delta x_{T,t}^*)$$

while $DUAL_t$ represents the contribution of the differences in sectoral inflation differentials (i.e. relative dual inflation), that can also be decomposed as follows:

$$\begin{aligned} DUAL_t = & (1-\alpha)\theta[(\Delta w_{N,t} - \Delta w_{T,t}) - (\Delta w_{N,t}^* - \Delta w_{T,t}^*)] \\ & -(1-\alpha)\theta[(\Delta x_{N,t} - \Delta x_{T,t}) - (\Delta x_{N,t}^* - \Delta x_{T,t}^*)] \\ & +(1-\alpha)\theta[(\Delta\mu_{N,t} - \Delta\mu_{T,t}) - (\Delta\mu_{N,t}^* - \Delta\mu_{T,t}^*)] \end{aligned}$$

An additional and negligible term needs to be added to this expression to capture fluctuations in the terms of trade. Note that α represents the share of the imported goods in total consumption and θ is the share of private consumption of nontradable in total private consumption minus imported consumption. See Estada et al. (2004) for details.

All the numbers represent average annual rates of growth in percentage points.

According to the previous expressions, it is straightforward to see that column (1) has been obtained as (3) – (4) + (5), and column (2) as (6) – (7) + (8).

tered sectors, have been more important than supply shocks, that the relative degree of price flexibility is not a crucial factor and that wage rigidity, by contrast, may have played a larger role.

In order to be able to offer a complete and coherent analytical explanation of the phenomenon we should, however, start from a structural model that enables the reactions of prices in the Spanish economy and in the euro area to specific types of shock to be described. By its very nature, the model can only be a stylised representation of reality. The challenge is obviously to include those elements that are most important for characterising the behaviour of prices and, in general, the adjustment processes of the Spanish economy.

MODEL DESCRIPTION

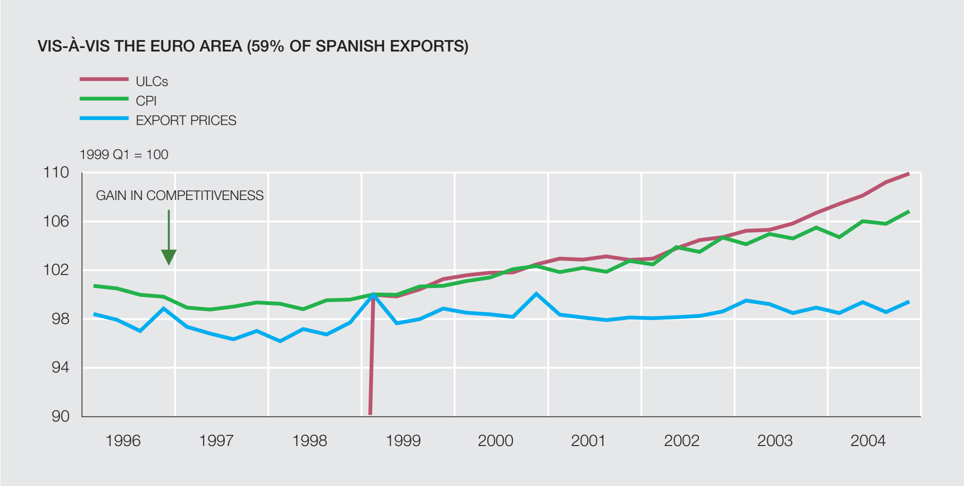
The model has two countries that form a monetary union with a central bank that fixes a single interest rate with the aim of maintaining price stability across the area as a whole. National inflation rates are equal in the stationary state, but may differ in the short-term, which would entail different real interest rates in each country.

We consider two sectors in each country; one producing tradable goods and the other specialised in goods not traded on international markets. Agents' preferences are defined for the consumption of both types of goods and incorporate habit. It is also assumed that the domestically-produced and imported tradable goods are not perfect substitutes, so as to allow departures from the law of one price. Another feature of the model, which limits crowding out effects between government and private consumption, is that some consumers have no access to capital markets, so that their consumption is limited by their current income.

Finally, the model incorporates various nominal and real rigidities commonly found in recent neo-Keynesian literature. In particular, it is assumed that markets are monopolistically competitive and that only a fraction of prices and wages are adapted at a given moment to the desired level. Prices and wages that are not adjusted vary in accordance with the aggregate inflation observed in the previous period.

SPANISH COMPETITIVENESS: RELATIVE CONSUMER PRICES, EXPORT PRICES AND UNIT LABOUR COSTS (a)

CHART 3



SOURCE: Banco de España.

a. An increase in the index denotes a loss of competitiveness.

The model is calibrated using conventional values. The basic calibration assumes parameters consistent with the situation of the Spanish economy in the euro area. Thus, the domestic bias of demand in the domestic country (Spain) is less than that in the other (the rest of the euro area), given the larger size of the latter. It is also assumed that the monetary policy (which follows a Taylor rule with inflation as the sole argument) assigns a lower weight to the inflation in the first country (0.1) than to that in the second (0.9). Given the evidence described in the previous section, the parameters that measure price rigidity are considered to be the same in each country. By contrast, the degree of wage indexation is assumed to be higher in the domestic country.

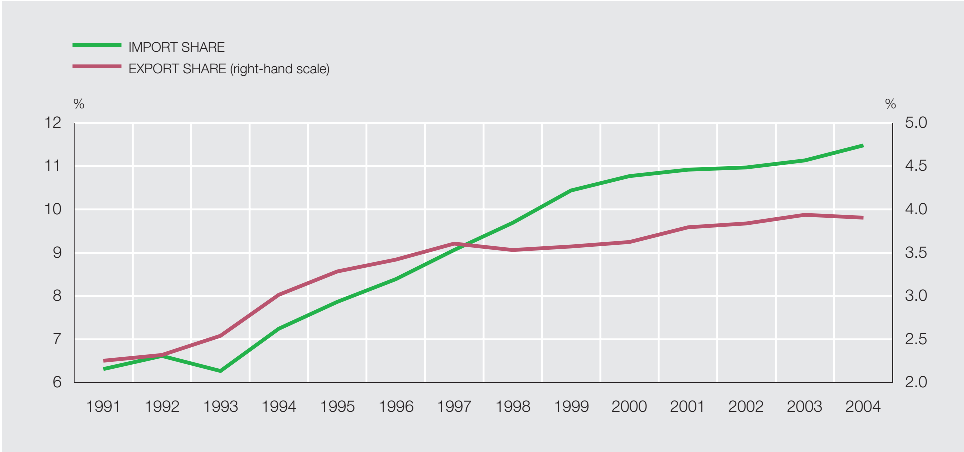
THE EFFECT OF SHOCKS ON PRICES

Given the structure of the economy, the next step is to use the model to study the effect that different types of shocks have on inflation differentials. For this purpose, the model is subjected to a large number of aggregate and sectoral supply and demand shocks that are either common to the area as a whole or specific to each country. López-Salido, Restoy and Vallés (2005) present the effects on the inflation differential and dual inflation of five shocks: i) a rise in interest rates in the monetary union; ii) a positive supply shock in the domestic economy; iii) a positive supply shock in the domestic tradable sector; iv) an exogenous increase in aggregate consumption in the domestic economy; and v) an exogenous increase in the consumption of non-durable goods in the domestic economy.

These simulations provide a series of useful results to understand the determinants of the Spanish inflation differential. First, despite the greater wage inertia assumed for the Spanish economy, the common shocks are unlikely to generate significant persistent inflation differentials. Second, aggregate-productivity shocks tend to reduce, rather than increase, the inflation differential and do not generate dual inflation. Also, technical change in the tradable goods sector tends to reduce the relative costs of production and, therefore, generates dual inflation. However, this type of shock also reduces inflation in the economy as a whole, so that its effect on the inflation differential is ambiguous (in fact, in the simulation the effect is negative). Third, both the expansion of aggregate consumption and that of spending on non-tradable goods help to generate a positive inflation differential in the domestic economy. Although the former has a larger effect on the inflation differential, only the latter generates the dual inflation that we

REAL EXPORT SHARES IN THE EURO AREA AND SHARE OF REAL IMPORTS IN FINAL DEMAND

CHART 4



SOURCES: Instituto Nacional de Estadística, Aduanas, Ministerio de Economía and MFI.

observe in the Spanish economy. The effects of this latter type of shock are summarised in Table 2.

Thus, the exercises performed with the artificial economy described provide new evidence against the Balassa-Samuelson hypothesis. At the same time, they indicate that the Spanish inflation differential seems to be mainly the consequence of expansionary demand shocks, biased towards the consumption of services or non-tradable goods, which interact with price and wage rigidities.

The economy's adjustment process

Having identified the main determinants of the inflation differential, the model is then used to investigate the economy's adjustment mechanisms; i.e. the pattern followed by the main macroeconomic variables when shocks giving rise to inflation differentials occur. In this respect, it is particularly interesting to see the impact of shocks on the economy's competitiveness and the effect of the latter on real activity.

It may be inferred from the foregoing sections that the most important shock for the Spanish economy is a demand expansion that is strongest in the non-tradables sectors, like services and construction. Such a shock is modelled by assuming a shock to aggregate consumption combined with a specific shock to the demand for non-tradable goods. This combination of shocks should enable a significant inflation differential to be generated, which is particularly high in the sheltered sector.

Also, in order to increase the persistence of the effect on dual inflation, it makes sense to assume that the inertia in the process of price formation in the non-tradable goods sector is greater than in that in the exposed sector. This assumption is consistent with the abundant evidence of greater price rigidity in services than in manufacturing [as analysed in Álvarez and Hernando (2004)].

Chart 5 shows the response of several macroeconomic variables to the combined shock described above. This shock has been calibrated so as to have an immediate 1% impact on GDP and to be persistent (the autocorrelation coefficient is 0.9). As expected, the shock generates an increase in the consumption of both types of goods that puts pressure on prices in both sectors and generates a positive and persistent inflation differential. Given that the demand for

SENSITIVITY ANALYSIS TABLE 2

	Demand for non-tradables		
	$\pi_H-\pi_F$	$\pi_N-\pi_H$	$\pi-\pi^*$
1	0.27	0.44	0.6
2	0.09	0.60	0.54
3	0.12	0.42	0.46

SOURCE: Banco de España.

NOTES: Case 1: No price indexation in the foreign economy. Case 2: Case 1 plus price indexation in the domestic economy only in non-tradable goods sector. Case 3: No price indexation at home or abroad. Simulations based on model with rule-of-thumb consumers.

non-tradables grows more than that for other goods, inflation in the sheltered sector increases to a greater extent, generating the dual inflation effect. In the foreign economy (the euro area), there is a minor contraction, as a consequence of the slight tightening of interest rates caused by the application of the Taylor rule by the common monetary authority. This helps to reduce the exports of the domestic economy and to progressively moderate the impact of the initial shock on the domestic prices of tradable goods.

One interesting result is that net exports fall only mildly and gradually, so that their stabilising effect on activity and on domestic prices is not very strong. However, the effect of the shock on the terms of trade, although not very pronounced, is very persistent, implying continuous losses of competitiveness over a relatively prolonged period. As indicated in the previous section, this moderate but increasing effect of competitiveness on trade is another of the characteristic features of the recent Spanish economic performance.

Conclusions

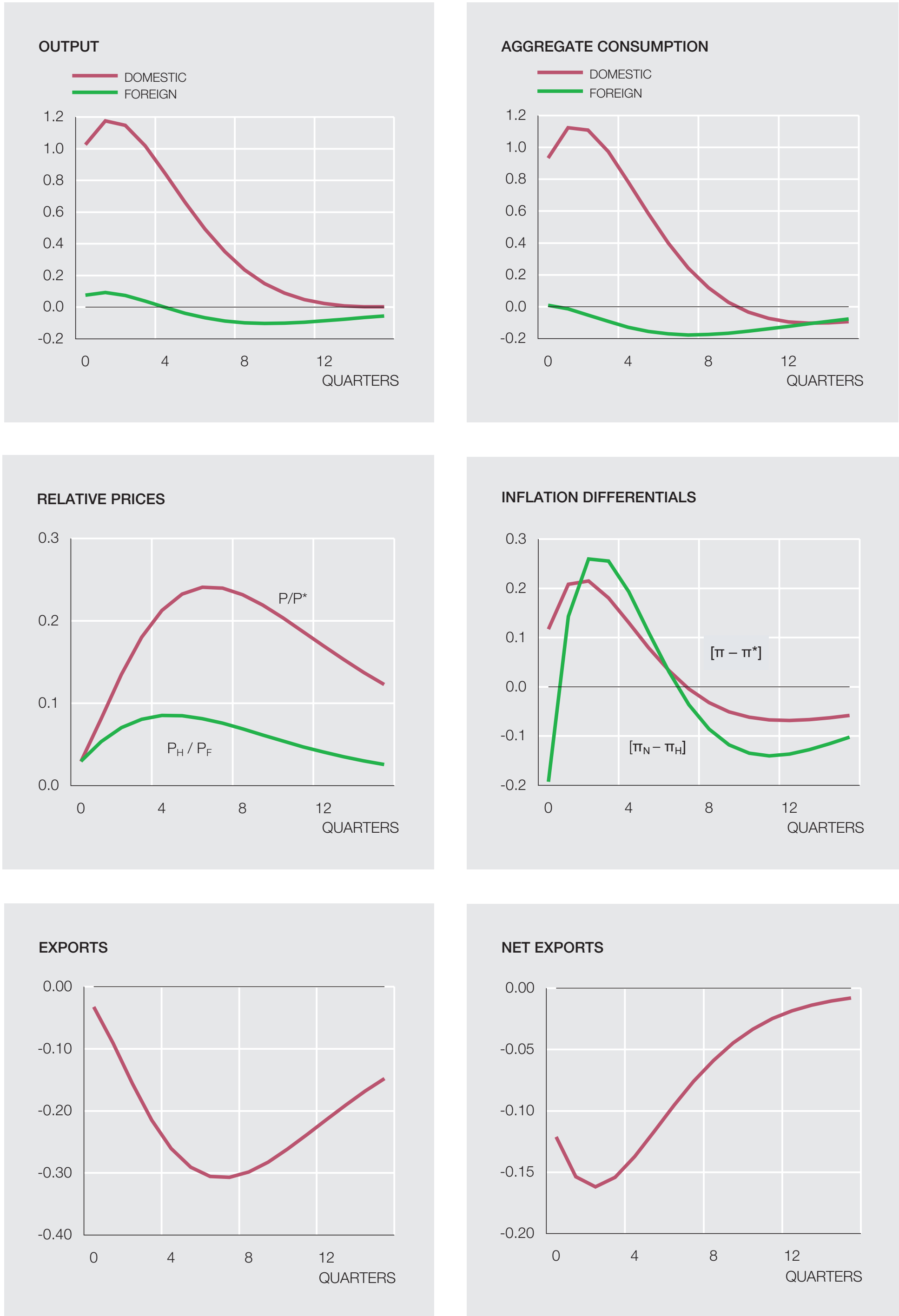
This article has set out descriptive evidence and analytical results that enable us to improve our understanding of the determinants of the Spanish economy's persistently positive inflation differential vis-à-vis the euro area.

In particular, the expansion of aggregate demand (biased towards spending on services and housing) would appear to be the fundamental factor behind the behaviour of relative prices in Spain, with respect to the euro area. The persistence of the effects of these shocks on price indices would seem to be attributable to inertial components in price and wage formation processes in the Spanish economy. In this respect, the frictions that prevent wages from adjusting flexibly to economic conditions (such as wage indexation clauses) seem to play an important role. Also, the size and persistence of the inflation differentials, along with the phenomenon of dual inflation, suggest, in line with recently published macroeconomic evidence for Spain and the rest of the euro area, that the prices of non-tradable goods are more rigid than prices in sectors exposed to international competition. Moreover, the analysis indicates that the deterioration in competitiveness caused by the cumulative effect of positive inflation differentials does not exert a significant stabilising effect in the short term, although its contractionary impact on net exports is very persistent. Thus, the inflation differential of the Spanish economy is not a direct consequence of virtuous real convergence processes, but rather reflects inertial elements (associated with price and wage rigidities) that give rise to sustained losses of competitiveness over prolonged periods.

Given the nature of the shocks that explain the inflation differentials and the absence of an autonomous monetary policy, a restrictive fiscal policy would appear to be a potentially useful instrument to mitigate the misalignment of prices in the Spanish economy. At the same time,

DYNAMIC RESPONSES TO A DEMAND SHOCK IN THE DOMESTIC ECONOMY CHART 5

Quarters after the shock



SOURCES: López Salido, Restoy and Vallés (2005).

Note: P_H and P_F are prices of home-produced and imported goods. P and P* are domestic and foreign consumer prices. The inflation differentials are changes in these relatives prices.

although the degree of flexibility of the Spanish economy is possibly no less than that of other European economies, the adverse effect on competitiveness of the rigidities in Spanish markets may be more significant than in other countries that have not experienced expansionary demand shocks of the same strength. Finally, labour market institutions require special attention, since a significant part of the frictions that explain the persistence of the Spanish inflation differential would appear to reside therein.

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Introduction

As usual in recent years, the number of new financial provisions in 2005 Q4 was higher than in previous quarters.

First, the rules on the payment of Banco de España profits to the Treasury have been amended and extended to 2007.

In relation to the financial markets, regulations have been issued implementing the legislation on the supervision of financial conglomerates and the transposition of Community law to Spanish law has been completed.

With regard to securities markets, five provisions are notable: first, the new regulations for collective investment institutions (CIIs), which aim, inter alia, to make the framework for their activities more flexible and to increase investor protection; second, the transposition into Spanish law of Community law on insider dealing and the manipulation of securities markets (market abuse); third, the provision that adapts the Directive on admission to trading of securities on official secondary markets, offers of securities to the public and the related prospectuses; fourth, the new regulation of venture capital entities and their management companies, which reforms the previous provisions in order to make their administrative regime and the rules for investment more flexible, in line with the more advanced countries; and finally, that which broadens the types of future receivables that can be incorporated into financial vehicle corporations created to hold securitised assets (FVCs), specifying the terms of their assignment.

In the field of taxation, various Community tax directives applicable to the parent and subsidiary companies of different Member States have been incorporated into Spanish law, as has the tax regime for cross-border contributions to pension funds within the European Union.

Also at the Community level, the following legislation has been published: the directive on cross-border mergers of limited liability companies, the directive on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and the regulation on controls of cash entering or leaving the Community.

A number of reforms have been introduced in various economic sectors to stimulate productivity in the Spanish economy, against a background of greater integration of European and world markets.

The European company has been regulated, following the guidelines set by the European Union and, finally, as usual in this period, the measures contained in the 2006 State budget, mainly monetary, financial and fiscal, are analysed.

Amendment of the rules on the payment of Banco de España profits to the Treasury

Royal Decree 1198/2005 of 10 October 2005 (BOE of 11 October 2005) on the rules governing the payment of the profits of the Banco de España to the Treasury has partially amended the previous rules[1], which are now extended to 2005, 2006 y 2007.

1. Royal Decree 1746/1999 of 19 November 1999 and Royal Decree 1080/2002 of 22 October 2002. See "Financial regulation: 1999 Q4", *Economic Bulletin*, January 2000, Banco de España, pp. 100-101 and "Financial regulation: 2002 Q4" *Economic Bulletin*, January 2003, Banco de España, pp 88 and 89, respectively.

The most important changes are as follows: first, the date of the second payment to the Treasury of Banco de España profits is put back from February to March; and, second, when authorised by the Council of Ministers, part of the profits shall be excluded from the November and March payments.

Thus, the percentages and periods for payment to the Treasury of the profits of the Banco de España shall be as follows:

a) On the first business day of November each year, 70% of the profits accrued and recorded to 30 September of such year. The payment resolution shall take into account profit forecasts to the end of the year.

b) On the first business day of the following March, 90% of the profits accrued and recorded to 31 December of the previous year, having deducted the payment referred to in the last paragraph.

   These payments to the Treasury shall be agreed by the Governing Council of the Banco de España after approval of the relevant income statement, taking into account the obligations of the Banco de España vis-à-vis the ESBC.

c) When authorised by the Council of Ministers, part of the profits shall be excluded from the November and March payments.

d) Finally, when the annual accounts and proposed distribution of profits formulated by the Governing Council of the Banco de España have been approved by the Council of Ministers, the Banco de España shall pay to the Treasury the rest of the profit for the year, except that part whose exclusion has been authorised by the Council of Ministers.

Supervision of financial conglomerates

Royal Decree 1332/2005 of 11 November 2005 (BOE of 23 November 2005) was published to implement Law 5/2005 of 22 April 2005 on the supervision of financial conglomerates amending other laws of the financial sector[2], and the transposition of Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002[3] was completed.

SCOPE

The Royal Decree adopts the new system of supplementary supervision designed by Law 5/2005. The entities subject to this system are credit institutions, investment firms and insurance and reinsurance undertakings, as well as CII management companies and pension funds (referred to generically both by the Directive and the Law as regulated entities) forming part of a financial conglomerate.

Also, it establishes the rules applicable to the calculations required to identify financial conglomerates, both in groups whose parent is a regulated entity and in those which, having no parent, carry out their activities primarily in the financial sector.

Non-consolidable mixed groups, for which Law 13/1992 of 1 June 1992 on own funds and supervision of financial institutions on a consolidated basis established a form of consolidation of limited scope whenever they could not be identified as financial conglomerates because they did not meet the sectoral diversification criteria, shall be subject to specific reporting requirements.

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2. See "Financial Regulation: 2003 Q1", *Economic Bulletin,* April 2003, Banco de España, pp. 83-99. **3.** See "Financial Regulation: 2005 Q2", *Economic Bulletin,* July 2005, Banco de España, pp. 111-125.

RELEVANT COMPETENT AUTHORITIES

The Royal Decree stipulates that the relevant competent authorities in the supervision of a financial conglomerate shall be as follows, in this order: a) the Spanish competent authorities and those of other EU Member States responsible for consolidated supervision of the regulated entities of a financial conglomerate; b) the co-ordinator designated pursuant to this Royal Decree, if different from the authorities referred to in the preceding point; c) other interested competent authorities, whenever so decided by mutual agreement of the authorities referred to in the preceding two points; and d) the Spanish competent authorities, in the case of a financial conglomerate whose foreign regulated entities do not belong to an EU State and which includes a Spanish financial institution. For this purpose, particular regard shall be had to the market share of the conglomerate's regulated entities in other EU Member States, particularly if it exceeds 5%, and to the importance within the conglomerate of any regulated entity established in another Member State.

DESIGNATION OF THE SUPERVISION CO-ORDINATOR

Law 5/2005 provided for a single co-ordinator as the competent authority responsible for exercising and co-ordinating supplementary supervision, given the possibility of there being a multiplicity of authorities if the financial conglomerate had a high degree of sectoral and territorial diversification. For its part, the Royal Decree establishes that, if the parent of a financial conglomerate is a Spanish regulated entity, the co-ordinator's function shall be exercised by the competent authority entrusted with monitoring and supervising the consolidable group of which that entity forms part or, if none, by the competent authority entrusted with monitoring and supervising the entity on an individual basis. In other cases, the function of co-ordinator shall be exercised by the competent authority responsible for supervising the Spanish regulated entity with the largest total balance sheet in the most important financial sector. Nevertheless, this criterion may also be changed by mutual agreement with the relevant competent authorities.

Finally, the Banco de España, the Spanish National Securities Market Commission (CNMV) and the Directorate General of Insurance and Pension Funds shall co-operate closely with each other and with the other competent authorities to identify the financial conglomerates in which Spanish entities are included, if any. For this purpose, they can call on any regulated entity falling within their competence to provide them with such information not in their possession as may be required to carry out such identification.

ELEMENTS OF SUPPLEMENTARY SUPERVISION AND REPORTING REQUIREMENTS

Capital adequacy policies are established and the eligible capital of financial conglomerates is defined. Also, the obligated entities of financial conglomerates must inform the co-ordinator with the periodicity specified by the latter, which must be at least once a year, of any significant intra-group transaction[4] of the regulated entities in the financial conglomerate and of any significant concentration of risk[5]; the co-ordinator must examine the possible risk of contagion and of conflict of interest within the financial conglomerate and the risk of evasion of sectoral rules and regulations, and the Ministry of economy is authorised to set quantitative limits and qualitative requirements in relation to such transactions.

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4. An intragroup transaction shall mean any transaction or agreement, whatever its nature, that directly or indirectly links the regulated entities of a financial conglomerate to other firms of the same group or to a natural or legal person closely related to the firms of that group for the fulfilment of an obligation, contractual or otherwise, whether or not for the purpose of payment. Any intragroup transaction of an amount exceeding 5% of the eligible capital of the financial conglomerate is considered to be significant, although the co-ordinator may define lower thresholds of significance for each case. **5.** Concentration of risk shall mean any exposure that may give rise to a loss borne by the entities of a financial conglomerate that is sufficiently important to jeopardise the solvency or general financial position of the regulated entities of the financial conglomerate. The exposure may derive from counterparty or credit risk, investment risk, insurance risk or market or other risk or from a combination or interaction of them. Also classed as a significant concentration of risk shall be those exceeding 10% of the eligible capital of the financial conglomerate, although the co-ordinator may define lower thresholds of significance for each case.

The obligated entities of financial conglomerates must send the co-ordinator the information, periodic or other, that the latter may require of them to verify compliance with their obligations. Also, they must attend to matters required of them by the co-ordinator and facilitate any inspections. Notwithstanding this, the competent authorities responsible for supervision of the entities or groups included in the conglomerate may address them directly in the exercise of their powers of individual or consolidated supervision of the entities included in the conglomerate.

Furthermore, financial conglomerates must have adequate risk management procedures and internal control mechanisms.

OTHER PROVISIONS

The final provisions established the revision of the sectoral (banking, securities and insurance) rules of regulatory rank in order to achieve an adequate consistency between them and bring them into line with the new regime for financial conglomerates. They also set common requirements for the commercial and professional integrity of certain supervised entities (including currency-exchange bureaux and appraisal companies), which seek to remedy the conceptual dispersion that has existed to date.

Finally, in the field of insurance the amendments included in the final provisions are used to establish an appropriate valuation of the real estate of insurance companies.

New regulations for collective investment institutions

Royal Decree 1309/2005 of 4 November 2005 (BOE of 8 November 2005)*,* which approves the Regulations of Law 35/2003 of 4 November 2003[6] on collective investment institutions (CIIs) has recently been published.

The basic objectives of the Regulations are as follows: to make the *framework for the activities of CIIs more flexible*, to increase *investor protection* and to improve the *rules for official intervention*. It also updates the tax regime for CIIs, while repealing the previous Regulations contained in Royal Decree 1393/1990 of 2 November 1990, although these will remain temporarily in force insofar as they do not conflict with the new legislation. Finally, it completes the transposition to Spanish law of Directives 2001/107/EC and 2001/108/EC.

The most important aspects of these new Regulations are summarised below.

MAKING THE FRAMEWORK FOR THE ACTIVITIES OF CIIs MORE FLEXIBLE

The Regulations seek to give investors a more extensive range of products in which to invest, broadening the vocations and specialities of CIIs. The previous distinction, i.e. between those of a financial and a non-financial nature, is maintained, but the categories of CII are changed, as summarised in Table 1.

The aim of the new categories is to avoid unnecessary restrictions on the investment possibilities and activities of Spanish CIIs. Notable among the changes, first, is that it is now possible to set up umbrella mutual funds (both financial and non-financial), specifying rules for distributing costs, obligations and expenses between the various sub-funds. Each sub-fund shall have its own name, which shall include the term "*fondo*" (fund). Unlike in the case of mutual funds (which shall have a minimum of 100 shareholders), in the case of umbrella funds the minimum number in each sub-fund shall be 20, while the total number of shareholders in the fund shall not, under any circumstances, be less than 100.

Likewise, financial and non-financial umbrella investment companies may be set up that, with a single formation agreement and set of articles of association, have two or more sub-compa-

6. See "Financial regulation: 2003 Q4", *Economic Bulletin*, January 2004, Banco de España, pp. 84-87.

CATEGORIES OF COLLECTIVE INVESTMENT INSTITUTION TABLE 1

PREVIOUS REGULATIONS (RD 1393/1990)	CURRENT REGULATIONS (RD 1309/2005)
Financial	Financial
FIM (capital market MFs and FIAMM (money market asset MFs)	Mutual funds
Open-end investment companies (SIMCAV)	Open-end investment companies (SICAV)
Closed-end investment companies (SIMCF)	*Category disappears*
Index funds	Exchange traded funds
Funds of funds	*Category disappears*
CIIs specialised in untraded securities	Hedge funds
	Umbrella funds
	Funds of hedge funds
Non-financial	Non-financial
Real-estate mutual funds (FII)	FII, umbrella FII
Real-estate investment companies (SII)	SII, umbrella SII

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

nies. Each sub-company shall have its own name, which shall include the term "*sociedad de inversión*" (investment company).

Another of the most significant features of the Regulations consists of the regulation of *hedge funds*, which are now therefore recognised by Spanish law. These institutions are characterised by greater freedom in their investment policy and greater flexibility in their compliance with reporting and liquidity requirements. In particular, they are exempted from compliance with a large number of the requirements and limits applicable to other institutions regulated in this chapter. Thus: a) the shares of these CIIs may be subscribed for or acquired by means of a minimum initial payment of €50,000; b) their marketing shall only be targeted at qualified investors; c) they shall have at least 25 shareholders; d) subscription for and redemption of mutual funds shares or, as the case may be, acquisitions and sales of the shares in investment companies may be carried out by means of the delivery of financial assets and instruments suitable for investment, that come within the investment vocation of the CII; e) they can have lock-up periods of up to six months; f) they may invest in financial assets and in financial derivatives, whatever the nature of their underlying, taking into account the principles of liquidity, diversification and transparency; g) they may assume debts of up to five times the value of their assets, and h) there shall be no legal limit to the fees they charge.

This exceptional regime is justified by the fact that these institutions are designed for qualified investors who can be assumed to have better judgement regarding their capacity to select and assume risks.

Funds of hedge funds, which give retail investors access to hedge funds, are also regulated. These institutions, as in the previous case, are exempted from compliance with many of the requirements and restrictions that apply to other financial CIIs, although the following are applicable to them: a) they shall invest at least 60% of their assets in Spanish hedge funds and in similar foreign CIIs (either domiciled in OECD countries or whose management has been entrusted to a management company subject to supervision domiciled in an OECD country), although they may not invest more than 10% of their assets in a single CII; b) they can have lock-up periods of up to six months; c) the limits on management, deposit, subscription and redemption fees in these Regulations shall not be applicable to them, and d) before subscribing for or acquiring shares, investors shall sign a statement that they understand the risks inherent in the investment, which shall be included, prominently, in the fund's prospectus and in all its promotional literature.

Exchange Traded Funds (ETFs) are also regulated. These resemble index funds, which were regulated in the previous legislation, but the acquisition or sale of their shares is now permitted not only once a day, but throughout the daily trading period on the relevant exchange. The Regulations define these funds as those whose shares are admitted to trading on a stock exchange. For the purposes of facilitating the alignment of the price with the net asset value estimated at different times during trading, there shall be institutions that undertake to quote firm bid and ask prices for the shares subject to a maximum spread. The Spanish markets are developing a new trading segment to give these funds liquidity.

As regards the investment policy of financial CIIs, their possibilities are broadened, under certain conditions, to include, inter alia, bank deposits, collective investment institutions, certain financial derivatives and unlisted money market assets. The minimum liquidity ratio for these CIIs is maintained at 3% of their assets. Table 2 sets out the most important changes in relation to minimum capital, investment policy and risk diversification.

Real-estate CIIs will now include investments in a company whose assets consist not only of one property (as envisaged previously), but of more than one, provided that such properties are subject to a lease. Also, the investment limits for purchases of property before completion and for commitments to purchase are combined into a single limit of 40% of the institution's assets (previously 20% of the assets in each case).

INVESTOR PROTECTION

The Regulations specially regulate the fees applicable to mutual funds. As in the previous Regulations, the management fee may be based on assets, returns or both. However, an important change in the case of financial CIIs is that when their management fees are based on the fund's profits, they can only be charged on actual profits.

Except in the case of hedge funds, management fees cannot be charged that exceed the following limits: a) when the fee is calculated solely in terms of the fund's assets, 2.25% thereof; b) when it is calculated solely in terms of profits, 18% thereof, and c) when both variables are used, 1.35% of assets and 9% of profits. As long as former money market asset mutual funds (FIAMM) do not alter their investment policy, the rules on their commissions remain unchanged.

The reporting obligations of CIIs are a key element of investor protection. These regulations, which require CIIs to be sufficiently transparent, specify such obligations in detail. Thus, CIIs shall publish, for dissemination among their shareholders and the general public, a full prospectus, a simplified prospectus, an annual report, a half-yearly report and two quarterly reports, which are concisely detailed in the Regulations. The intention is that up to date information should be published promptly on all circumstances that might play a part in the determination of the value of the assets and the prospects of the institution, in particular, inherent risks and legal compliance.

Notably, rules are established to ensure that the calculation of the net asset value and redemptions and subscriptions does not involve inappropriate practices that may give rise to arbitrage or speculation against a fund. For this purpose, the net asset value applicable to subscriptions and redemptions must be that of the same day, or of the day following the application. The simplified prospectus shall indicate the subscription and redemption procedures, which shall ensure that subscription and redemption orders are accepted by the CII management company only if made at a time when the applicable net asset value is not known by the investor and it is impossible to estimate it with certainty.

INVESTMENT POLICY AND RISK DIVERSIFICATION OF FINANCIAL CIIs TABLE 2

PREVIOUS REGULATIONS (RD 1393/1990)	CURRENT REGULATIONS (RD 1309/2005)
MUTUAL FUNDS	
Minimum net assets: €3 million.	As previously.
	In the case of umbrella funds, each sub-fund shall have net assets of at least €600,000, without the total net assets of the fund being in any event less than €3 million.
There were FIM (capital market mutual funds) and FIAMM (money market asset mutual funds.	The category of FIAMM has disappeared.
Management fees were based on net assets, profits or both variables.	As previously. However, in the case of profit-based management fees, a procedure has been introduced to ensure that fees are only charged on actual profits. Also, hedge funds and funds of hedge funds are not subject to the regulatory limits. The former FIAMM shall maintain their special fee regime insofar as their investment policy permits them to continue to be considered as such.
INVESTMENT COMPANIES	
The minimum paid-up capital of financial investment companies shall be €2.4 million.	As previously.
INVESTMENT POLICY OF FINANCIAL CIIs	
Listed securities or financial instruments, shares and other equity of other harmonised CIIs, subject to a limit of 10% of net assets.	As previously.
Derivatives traded on regulated markets.	As previously.
OTC derivatives: underlying suitable for investment, supervised counterparty, price listed daily.	As previously.
	Also, shares in other non-harmonised CIIs (subject to requirements), deposits in credit institutions with maturity of less than twelve months and unlisted money market instruments.
Up to 10% of net assets in other assets: unlisted securities or securities listed on unregulated markets, with sufficient diversification in all cases.	As previously. Also, other non-harmonised CIIs; hedge funds and funds of hedge funds; shares in venture-capital funds or companies and other deposits in credit institutions.
RISK DIVERSIFICATION RULES	
The limit, 5% of net assets in securities of one single issuer, except: up to 10%, if the sum of these securities does not exceed 40% (15-16 issuers).	As previously.
Up to 35% if they are public-sector securities, even 100% (Fondtesoro)	As previously.
25% in the case of covered bonds, *cédulas territoriales* and FCVs created to hold securitised mortgage assets	As previously.
Exceptions are established for index funds: the limit for index funds was 35% of net assets in one security and 45% in a group.	Exceptions are established for index funds: CIIs that replicate an index the limit is raised to 20% of net assets in the securities of one single issuer, a single issuer may reach 35%. CIIs that take an index as benchmark: 10% of the net assets of the CII in securities of one single issuer plus another 10% by means of derivatives traded on official or foreign secondary markets, and up to 35% for a single issuer. New limits on counterparty risk.
Limits on the holding of a CII in an issuer: the securities of a CII must not exceed 5% of the outstanding securities issued by an entity; the CII of the same group or manager must not exceed 15%.	As previously. No more than 45% of the net assets in shares issued by a single harmonised CII or equivalent (except master-feeder funds).
Use of derivatives: the manager must have a risk-management system. the total exposure to market risk must not exceed the net assets.	As previously. The exposure to market risk of the underlyings is computed in the diversification coefficients (5%-10%, 20%, 35%), except in index funds.

SOURCES: Ministerio de Economía y Hacienda and Banco de España

MODERNISATION OF THE ADMINISTRATIVE REGIME

The Regulations make a significant change that will help speed up these procedures, especially in the case of mutual funds, namely the establishment of a *simplified procedure*. This enables the CNMV to approve, in a single act, the authorisation and registration of mutual funds, within three months from completion of the documentation required.

Also, the exercise by shareholders of their right to withdraw from the fund is developed. This right allows shareholders, in certain circumstances, to request the redemption or transfer of their shares without any redemption fee or other expense being payable.

Another notable change is the possibility that the shares in Spanish CIIs may be *marketed abroad* by foreign agents. The marketing in Spain of the shares of CIIs authorised in accordance with the Directive[7] shall be carried out by authorised intermediaries and on the conditions laid down in current law.

The new Regulations, unlike the previous ones, regulate, in a separate Title, the rules of conduct applicable to CII management companies, CIIs with company status whose management is not entrusted to a CII management company, entities other than CII management companies that manage the assets of a CII, marketing entities, and, in short, all those involved in the activity of these institutions. In particular, they shall prepare mandatory *internal rules of conduct*, which shall regulate the activities of their management bodies, employees and representatives.

Another notable section consists of the rules to ensure the transparency and control of *related party transactions*. Specifically, related-party transactions between CII management companies and investment companies that have not delegated the management of their assets to another entity, and those who discharge administration and management duties therein, shall, when they represent a significant volume of business, be approved by the board of directors, in accordance with certain rules.

Also the Regulations strengthen the requirement for separation between the management company and the depository by means of the establishment of a number of rules for those cases in which both entities belong to the same group. To ensure that they exercise their respective functions independently, the regulations require, among other rules of separation, that an independent committee be set up in the management company or the investment company to control compliance.

OTHER ASPECTS OF THE ROYAL DECREE

The final provisions comprise various amendments and developments in the area of taxation, both in relation to the CIIs themselves and in relation to the taxation of their shareholders. Royal Decree 867/2001 of 20 July 2001 on the legal regime for investment services companies is also amended in order to introduce improvements into the administrative procedure for authorisation of amendments to articles of association, and, finally, the regulations for credit co-operatives, approved by Royal Decree 84/1993 of 22 January 1993, are amended to adapt them to international accounting standards.

Insider dealing and the manipulation of securities markets (market abuse)

The transposition into Spanish law of Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003[8] on insider dealing and market manipulation (market abuse) has been completed by means of *Royal Decree 1333/2005 of 11 November 2005* (BOE of 23 November 2005), which develops Law 24/1988 of 28 July 1988[9] on the securities market, in relation to market abuse.

7. Directive 85/611/EEC of the Council of 20 December 1985 **8.** See “Financial regulation: 2003 Q2”, *Economic Bulletin*, July 2003, Banco de España, pp. 85-87. **9.** See “Regulación financiera: tercer trimestre de 1988”, *Boletín Económico,* October 1988, Banco de España, pp. 56-58.

The Royal Decree adapts Spanish law to the following provisions that make up the regulatory framework for market abuse at the European level: a) Commission Directive 2003/124/EC of 22 December 2003 on the definition and public disclosure of inside information and the definition of market manipulation; b) Commission Directive 2003/125/EC of 22 December 2003 on the fair presentation of investment recommendations and the disclosure of conflicts of interest; and c) Commission Directive 2004/72/EC of 29 April 2004 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards accepted market practices, the definition of inside information in relation to derivatives on commodities, the drawing up of lists of insiders, the notification of managers' transactions and the notification of suspicious transactions. These directives, along with Commission Regulation (EC) No 2273/2003 of 22 December 2003 on exemptions for buy-back programmes and stabilisation of financial instruments, implement and complete the above-mentioned Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003.

INSIDE INFORMATION, MARKET MANIPULATION AND ACCEPTANCE OF MARKET PRACTICES

The Royal Decree considers *inside information* to be all information of a specific nature that refers directly or indirectly to one or more negotiable securities or financial instruments, or to one or more issuers of such securities or instruments, that has not been published and that, were it to be or have been published, could have or could have had a significant influence on dealing therein. Also considered inside information is all that transmitted by a client in relation to their own pending orders, that is specific and that refers directly or indirectly to one or more issuers of securities or financial instruments, or to one or more securities or instruments and that, were it published, could have significant repercussions on dealing in such securities (or financial instruments).

Information is considered, for these purposes, to be specific in nature if it indicates a series of circumstances that exist, or an event that has occurred, or that can be reasonably expected to exist or occur, when that information is sufficiently specific to enable conclusions to be drawn as to the possible effect of that series of circumstances or the event on the prices of the negotiable securities or financial instruments.

The Royal Decree details practices that may *distort price formation*, i.e. that may amount to *market manipulation*, which include the following: a) the action of one person or of several persons in concert to secure a dominant position over the supply or demand for a security or financial instrument, with the result that the purchase or selling prices or other non-equitable bargaining conditions are directly or indirectly fixed; b) the sale or purchase of a security or financial instrument at the moment the market closes, thereby misleading investors who act on the basis of closing prices and c) taking advantage of occasional or regular access to traditional or electronic media by expressing an opinion on a security or financial instrument or, indirectly on their issuer, after having taken positions in that security or financial instrument and having benefited, therefore, from the repercussions of the opinion expressed on the price of such security or financial instrument, without having adequately and effectively publicised that conflict of interest.

To determine whether conduct amounts to a practice that distorts price formation, i.e. market manipulation, the CNMV will ensure that certain signs detailed in the Royal Decree are taken into account, without prejudice to any others that the CNMV may determine in future. In addition, the CNMV is authorised to establish a non-exhaustive list and description of specific market practices expressly accepted or rejected for these purposes.

OBLIGATIONS OF ISSUERS AS REGARDS RELEVANT INFORMATION

Securities issuers are obliged to disseminate to the market, by means of notification to the CNMV, any relevant information or event. Also, when any significant change occurs in the relevant information that has been notified, it shall immediately be disseminated to the market in the same way. Issuers shall publish the content of such notifications on their websites. Issuers shall not combine, in a manner that may be misleading, the dissemination of relevant information with the marketing of their activities.

When an issuer's securities are admitted to listing on one or more markets regulated in the European Union, the issuer shall diligently attempt to ensure that the notification of relevant information is carried out in the most synchronised way possible across all the categories of investors of all the Member States in which the issuer has applied for or obtained admission to listing of such securities.

In the event that the issuer or a person acting on their behalf reveals relevant information in the normal exercise of their work, profession or duties, it shall rapidly be published in its entirety.

When the issuer is domiciled in Spain, its directors and executives[10], as well as persons with close links thereto[11], shall notify the CNMV of any transactions they may effect in relation to shares of the issuer admitted to listing on a regulated market or in relation to derivatives or other financial instruments linked to such shares. Such notification shall be made within five business days of the date of the transaction.

INVESTMENT RECOMMENDATIONS AND CONFLICTS OF INTEREST

A *recommendation* means any information addressed to the public, relating to one or more securities or financial instruments or to their issuers, including any report on the present or future value or on the price of such instruments, that advises or suggests an investment strategy, including: a) information prepared for such purposes by an independent analyst, an investment firm, a credit institution or by any other person whose main activity is to make recommendations, and b) information prepared by persons other than those mentioned above which directly recommends a specific investment decision with respect to a security or financial instrument.

Any recommendation shall clearly and prominently identify the person responsible for its preparation; in particular, stating the name and function of the individual who prepared the recommendation and the name of the legal person responsible for its preparation.

When the relevant person[12] is an investment services company or a credit institution, the recommendation shall refer to their competent supervisory authority. In other cases, if the relevant person is subject to standards of self-regulation or codes of conduct, such circumstances shall be expressly stated in the recommendation.

Unwritten recommendations shall refer to where the information is readily and directly available to the public, such as the relevant person's website.

The Royal Decree also establishes a number of rules for the impartial presentation of recommendations and for informing about conflicts of interest. In addition, investment services companies and credit institutions shall disclose, in general terms, the provisions of their internal conduct regulations to prevent and avoid conflicts of interest in relation to recommendations, including information barriers.

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10. An executive shall be considered to be any person with high-level responsibilities and regular access to inside information relating directly or indirectly to the issuer who is competent to take management decisions. **11.** Persons with close links to directors or executives shall be understood to include: the spouse of a director or executive or any person with whom they have a similar personal relationship, in accordance with domestic law; their dependent children; other relatives living with them or dependent upon them, for at least one year before the date of the transaction; any legal person or trust in which the directors or executives occupy an executive post or have management responsibility; and nominees. **12.** Relevant person means any natural or legal person who prepares or disseminates recommendations in the exercise of their profession or the management of their business activity.

Finally, the Royal Decree establishes general rules for the dissemination of recommendations when they have been prepared by a third party, and the additional obligations of investment services companies and credit institutions in relation to such dissemination.

Official secondary markets: admission to trading of securities, public offerings and prospectuses

INTRODUCTION

Royal Decree 1310/2005 of 4 November 2005 (BOE of 16 November 2005), which partially implements Law 24/1988 of 28 July 1988 on the securities market, as regards the admission to listing of securities on official secondary markets, public offerings and the prospectus required for such purposes, has been published in order to complete the transposition to Spanish law of Directive 2003/71/EC, and to incorporate the articles currently in force of Directive 2001/34/EC of the European Parliament and of the Council of 28 May 2001. It also repealed, inter alia, Royal Decree 291/1992 of 27 March 1992 on securities issuance and public offerings.

In addition, pursuant to the authorisation of Royal Decree-Law 5/2005, *Order EHA/3537/2005 of 10 November 2005* (BOE of 16 November 2005) has also been published. This implements Article 27.4 of Law 24/1988 of 28 July 1988 on the securities market, repealing, inter alia, the Order of 12 July 1993 on prospectuses.

CHANGES MADE IN RELATION TO THE ISSUANCE AND OFFERING OF SECURITIES

This decree seeks to simplify and reduce the costs of issuing and offering securities for sale or subscription, and to eliminate all registration, financial and commercial requirements that are not necessary for consumer protection or the proper functioning of the market. Specifically, the following changes have been made:

First, the recognition of the so-called *Community passport* for prospectuses approved within the European Union is regulated. Thus, a prospectus approved in one Member State, in accordance with the Directive, shall be valid for admission to trading on any European Union regulated market, so it will not be necessary to duplicate the documents for each Member State in which the offering is going to be made. The only requirement is that the supervisor that authorises the prospectus should notify host supervisors thereof.

Second, issuers of securities may select the competent authority to authorise the prospectus in the case of a public offering or application for admission to trading of certain categories of securities: all securities, other than shares, with a nominal value of €1,000 or more.

The Royal Decree completes the rules on responsibility for omissions and misstatements in prospectuses, thereby increasing the integrity, transparency and legal certainty of the Spanish securities market.

Finally, the definition of qualified investors is widened, the main change being that they can be individuals, and a register of such investors is required. Thus, investment services companies and credit institutions shall prepare a register of qualified investors, which shall include all those persons and entities that have applied to be included.

CHANGES TO THE CONTENT OF PROSPECTUSES

The content of the different types of prospectus shall be adjusted to the standard forms included in Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council, taking into account the type of issuer and the securities concerned.

The content of the prospectus shall refer to the issuer and to the securities. The summary shall have a predominant role, indicating, in comprehensible language, the characteristics and risks of the issue and of the securities. In addition, there is an obligation for at least the summary to be translated into Spanish, given that the Royal Decree enables the CNMV to authorise prospectuses presented in English, if the issuer decides to do this.

The CNMV may authorise the omission of certain information from the prospectus, where it considers that any of the following circumstances apply: a) that the dissemination of such information is contrary to the public interest; b) that the dissemination of such information would be seriously prejudicial to the issuer, provided that the omission is unlikely to mislead the public with regard to facts and circumstances that are essential to reach a well-founded view of the issuer or underwriter, and of the rights inherent in the securities to which the prospectus relates; c) that such information is of little relevance for a specific admission to trading on an official secondary market or on another regulated market domiciled in the European Union and such information has no influence on the assessment of the financial situation or on the expectations of the issuer or underwriter.

Venture capital entities and their management companies

The rules for venture capital have been reformed by the publication of Law 25/2005 of 24 November 2005 (BOE of 25 November 2005) regulating venture capital entities and their management companies, which repealed Law 1/1999 regulating venture capital entities and their management companies. The Law rearranges its articles to give greater clarity and legal certainty to the regulation of these entities.

The Law has three objectives: to improve the administrative arrangements for venture capital entities, to make their investment rules more flexible and to introduce operations accepted in the most advanced countries.

CHANGES TO THE ADMINISTRATIVE ARRANGEMENTS

In order to make the administrative arrangements for these entities more flexible, measures are introduced like the distinction, according to their openness, between ordinary-regime and simplified-regime entities, which are treated differently for administrative purposes. The rules on time periods are now more flexible and the rules on administrative silence for the procedures to authorise the formation of these entities and to alter their articles of association and management rules have been improved. The law also undertakes a significant rationalisation of powers in the area, with the bulk of the powers of authorisation contained in the law being conferred on the CNMV, as the venture capital supervisor.

The reform also seeks to make the activity more flexible by introducing financial concepts that are common in other industrial countries and that were restricted by the previous regulation. The scope of advice of the entities and their management companies is thereby broadened, although it is limited to firms in which the entities invest.

At the same time, venture capital entities are permitted to take holdings in non-financial firms listed on the first market, in order to exclude them from listing, so that an obligation is placed on them to exclude such companies from listing within a specified time period. Also, entities may invest in other venture capital entities subject to certain limits (see Table 3). Along with the foregoing, and with the same objective of reducing risk, new types of entity designed to diversify risk are introduced, such as funds and companies that basically invest in venture capital entities, with the aim of attracting retail investors to venture capital. These changes give the sector new and important tools that will certainly facilitate its productive investment activity.

As under the previous legislation, venture capital entities may adopt the legal status of venture capital companies or venture capital funds. At the same time, such entities may be of two types: ordinary-regime or simplified-regime.

INVESTMENT RULES FOR VENTURE-CAPITAL ENTITIES TABLE 3

LAW 1/1999 OF 5 JANUARY 1999	LAW 25/2005 OF 24 NOVEMBER 2005
Mandatory investment ratio	
60% of their eligible assets in shares and other securities or financial instruments that may, directly or indirectly, give entitlement to subscription or acquisition of them and holdings in the capital of companies that are the object of their activity.	As previously. Shares in non-financial firms listed or traded on a second market of a Spanish stock exchange or on equivalent markets of other countries that comply with certain characteristics indicated in the Law are also considered included in the mandatory ratio.
Within this percentage up to 30% of their total eligible assets may be assigned to participating loans in firms that are the object of their activity, whether or not the venture-capital entity has a holding in their capital.	As previously. Also they may assign up to 20% of their total eligible assets to the acquisition of shares in venture capital entities and in similar foreign entities domiciled in an OECD member state, provided that each of the venture capital entities or foreign entities in which they invest has not, in turn, invested more than 10% of its assets in other venture capital entities.
Unrestricted ratio	
Fixed-income securities traded on regulated markets or on organised secondary markets; holdings in the capital of companies other than those that are the object of its activity; cash; equity loans; financing of any type for investee companies that form part of its main object, and, in the case of venture capital companies, up to 20% of their share capital, in fixed assets necessary for the performance of their activity.	As previously.
Group limits	
They cannot invest more than 25% of their eligible assets at the time of the investment in a single company nor more than 35% in companies belonging to the same group. In the case of simplified-regime venture capital entities, the previous limits shall be extended to 40% of their assets, both for investment in a single company and in companies belonging to the same group.	As previously. In addition, they may invest up to 25% of their assets in companies belonging to their group or to that of their management company (previously not permitted), provided that the following requirements are fulfilled: a) that their articles of association or internal rules envisage such investments; b) that the entity or, where applicable, its management company has a formal procedure, specified in its internal rules of conduct, to enable conflicts of interest to be avoided and to ensure that the transaction is performed in the exclusive interest of the entity. An independent committee of the board of directors or an independent body to which the management company entrusts the function shall verify that these requirements are fulfilled, and c) that the prospectuses and periodic public information of the entity report in detail on the investments made in group entities.

SOURCE: Banco de España.

Simplified-regime entities shall have the following characteristics: a) their shares shall be offered on a strictly private basis, i.e. without any advertising; b) their shares shall be offered subject to a minimum investment commitment of €500,000 by each investor[13], and c) their shareholders shall number 20 or less, without taking into account any institutional investors or investors who are directors, executives or employees of the venture capital company or of the management company of the venture capital entity.

Ordinary-regime entities are those that do not have all the above-mentioned characteristics.

13. This minimum commitment shall not be required of institutional investors, such as pension funds, CIIs, insurance companies, credit institutions or investment services companies, which invest regularly and professionally in negotiable securities or financial instruments, or of investors who are directors, executives or employees of the venture capital company or of the management company of the venture capital entity.

The conditions for the taking up and pursuit of the activity are similar to those in the previous legislation in the case of ordinary-regime venture capital entities. However, for simplified-regime entities, there are certain exceptions set out in the legislation, for example, requiring the formation project to state the intention that the rules for simplified-regime entities should apply.

There are few changes in the law for venture capital companies, their minimum subscribed share capital being kept at €1,200,000. However, the new law indicates how the net assets of venture capital companies are valued and how the net asset value of their shares is determined. The value of the net assets is obtained by deducting accounts payable from total real assets. Also, the value of each share shall be obtained by dividing the company's net assets by the number of shares outstanding. Finally, the cases of alteration of status, merger, splitting and other company operations that require the prior approval of the CNMV are specified.

There is a slight change to the minimum capital of venture capital funds, which is rounded to €1,650,000 (previously €1,652,783). Simplified-regime venture capital funds may issue shares with characteristics that differ from those of the fund's general shares, but they may only be subscribed for by the sponsors or founders.

The merger of venture capital funds, whether by takeover or by the formation of a new fund, shall require the prior authorisation of the CNMV. A merger project shall be presented first, that will differ according to whether the fund in question is an ordinary-regime or a simplified-regime fund.

The legislation for management companies of venture capital entities (SGECR) is unchanged, so that their initial minimum share capital is still €300,000. The functions of SGECR are the same as established in the previous law. However, those cases in which the authorisation may be revoked by the Minister of Economy and Finance, at the proposal of the CNMV, are specified. Also, the delegation of their management is regulated for the first time. With the prior authorisation of the CNMV, the SGECR may subcontract part of the management of the assets of the venture capital funds and venture capital companies they manage to a third party, without this having any effect on the liability of the management companies of venture capital entities, although they will be jointly and severally liable to the shareholders for any damages that may arise from the actions of the other entity.

INVESTMENT RULES

As mentioned above, one of the pillars of the reform is the increased flexibility of the investment rules for venture capital entities. Table 3 shows the most important changes with respect to the previous law.

Finally, the periods of temporary breach of the investment rules are unchanged. However, in the event of an increase in the capital of a venture capital company that is not required by law, or a new contribution of funds to venture capital funds, the ratios indicated previously may now be temporarily breached for a period of three years following the increase or new contribution.

OTHER ASPECTS

This law also amends the corporate income tax[14], as regards the tax regime for venture capital entities. In this respect, 99% of the income obtained by venture capital entities from the transfer of their shares in venture capital companies or entities remains exempt from tax, provided

14. Amending the consolidated text of the corporate income tax Law approved by Legislative Royal Decree 4/2004 of 5 March 2004.

that when the transfer takes place at least one year has elapsed from the moment they were acquired or excluded from listing, and no more than fifteen. This period may, exceptionally, be extended to twenty years.

However, in the case of income obtained from the transfer of shares in venture capital companies, in order for the exemption to be applicable, property representing at least 85% of the total book value of the property of the investee entity shall have been assigned, without interruption, during the whole period the shares have been held, to the pursuit of an economic activity in the terms of the personal income tax, other than a financial one, as defined in the law regulating venture capital entities and their management companies, or a real-estate one.

The 99% exemption shall not apply when the person or entity acquiring the securities is linked to the venture capital entity or to its shareholders, or when they are a resident in a country or territory deemed by regulations to be a tax haven, unless the acquirer is one of the following persons or entities: the investee entity itself, any of the shareholders or directors of the investee entity or other venture capital entity.

The reporting, audit and accounting obligations are specified in similar terms to those of the previous regulation, putting special emphasis on the auditors, who shall be appointed by the shareholders in general meeting of the venture capital companies or by the directors of the management companies of the venture capital funds. The last section of the law regulates conduct, supervision, inspection and sanctioning.

In particular, note that the SGECRs and the venture capital companies whose management is not entrusted to a management company, and those who perform management duties in all of them, and their employees, are subject to the rules of conduct laid down in Law 24/1988 of 28 July 1988 of the securities market, without prejudice to any adaptations that may be approved by the Minister of Economy and Finance or, with the express approval of the CNMV, as well as those contained in their internal rules of conduct. In this respect, such entities shall draw up an internal rules of conduct to regulate the actions of their governing bodies, management and employees.

FVCs: future receivables that can be incorporated into FVCs

Order EHA/3536/2005 of 10 November 2005 (BOE of 16 November 2005), which aims to specifically determine the types of future receivables that can be incorporated into an FVC, specifies the conditions for their assignment and expressly authorises the CNMV to issue specific rules on the accounting and reporting obligations of FVCs and their management companies.

Thus, this Order establishes that, inter alia, the following future receivables may be incorporated into FVCs: a) a lessor's right to receive amounts owed under a lease; b) the benefits or income arising from the use of a protected work or performance, and the benefits or income arising from the use of a duly registered trademark or trade name; c) the benefits or income arising from the use of an industrial design, patent or utility model; d) the right to receive consideration for the sale or supply of goods or the provision of services, on a one-off or successive basis, that gives rise to flows of payments of a recurrent or one-off nature, provided that such magnitude may be known or estimated; e) the future receivables corresponding to the income arising from loans, credits or other types of financing, and f) the financial value of usufructs and other rights in rem.

For this purpose, a number of conditions must be fulfilled: 1) the assignment of the future receivables shall be full and unconditional; 2) the deed of incorporation of the FVC shall indicate the terms of the agreement or activity pursuant to which the future receivables are going to be generated, and the powers of the assignor over such assigned receivables, and 3) the deed of incorporation of the FVC shall also contain the terms of the full and unconditional assignment of the future receivables with explicit reference to the term and to the division between the assignor and assignee of the risks inherent therein.

Finally, in accordance with the provisions of Royal Decree 926/1998, the Order authorises the CNMV to issue specific rules relating to the accounting, to the format and content of the annual accounts and management reports of FVCs, to the scope and content of special reports of auditors or other independent experts, and to the reporting obligations of FVCs and their managers.

Transposition of certain Community directives on taxation

Law 22/2005 of 18 November 2005 (BOE of 19 November 2005) has been published, incorporating into Spanish law various Community directives on the taxation of energy products and electricity, and the common system of taxation applicable to parent companies and subsidiaries of different Member States, and the tax regime for cross-border contributions to pension funds within the European Union.

Specifically, the following directives are transposed: Council Directive 2003/92/EC of 7 October 2003 amending Directive 77/388/EEC as regards the rules on the place of supply of gas and electricity; Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity; and Council Directive 2003/123/EC of 22 December 2003 amending Directive 90/435/EEC on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States.

There follows a brief analysis of the most relevant aspects of this Law in the financial field.

ORDINARY TAX REGIME APPLICABLE TO PARENT COMPANIES AND SUBSIDIARIES OF DIFFERENT MEMBER STATES

Law 22/2005 has transposed Directive 2003/123/EC by amending the consolidated text of the Law on the tax on the income of non-residents, approved by Legislative Royal Decree 5/2004 of 5 March 2004[15]. Thus, with effect from 1 January 2005, a parent company shall be considered to be an entity that has a direct holding of at least 20% (previously 25%) in the capital of another company (called a subsidiary). This percentage will be 15% from 1 January 2007 and 10% from 1 January 2009.

TAX SYSTEM FOR CROSS-BORDER CONTRIBUTIONS TO PENSION FUNDS WITHIN THE EUROPEAN UNION

Law 22/2005 regulates the tax system for cross-border contributions to pension funds within the European Union by means of a number of amendments to the consolidated text of the personal income tax (IRPF) Law approved by Legislative Royal Decree 3/2004 of 5 March 2004, and to the consolidated text of the corporate income tax Law, approved by Legislative Royal Decree 4/2004 of 5 March 2004, so that, with effect from 1 January 2005, contributions to pension funds in other Member States can have the same tax treatment as those made to Spanish pension funds, and can, therefore, be deductible from personal income tax on the same conditions and in the same circumstances as those made to institutions domiciled in Spain. Also, the same tax limits are maintained, namely €8,000 per annum for the sum of contributions to pension plans, mutual social insurance companies and insured provision-for-retirement schemes. In the case of contributors to these schemes who are over the age of 52, the previous limit shall be increased by a further €1,250 for each year by which they exceed the age of 52, subject to a maximum limit of €24,250 for those aged 65 years or more.

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15. See "Financial regulation: 2004 Q1", *Economic Bulletin*, April 2004, Banco de España, pp. 99-100.

AMENDMENT OF THE LAW OF AUTONOMY OF THE BANCO DE ESPAÑA

Finally, Law 22/2005 adds a new additional provision seven to Law 13/1994 of 1 June 1994[16] of Autonomy of the Banco de España, which establishes that no court or administrative authority may issue an attachment order or process an execution order against goods and property rights belonging, possessed or managed by the Banco de España, when they are physically subject to the exercise of public functions or the exercise of administrative powers.

The same rules shall apply to the goods and property rights belonging, possessed or managed by foreign states or central banks in which foreign reserves are invested, and to those belonging, possessed or managed by the Bank for International Settlements, unless there are international treaties or agreements to which Spain is a party that establish otherwise.

Directive on cross-border mergers of limited liability companies

Cross-border company mergers within the Community have until now encountered many legislative and administrative difficulties. *Directive 2005/56/EC of the European Parliament and of the Council of 26 October 2005* (OJEU of 25 November 2005) on cross-border mergers of limited liability companies has recently been published to lay down Community provisions to facilitate the carrying out of this type of merger between limited liability companies governed by the laws of different Member States.

The Directive shall apply to mergers of limited liability companies when at least two of them are governed by the laws of different Member States, and they have their registered office, central administration or principal place of business within the European Union. It shall not, however, apply to cross-border mergers involving a company the object of which is the collective investment of capital provided by the public, which operates on the principle of risk-spreading and the units of which are at the holders' request, repurchased or redeemed, directly or indirectly, out of the assets of that company.

In addition, the Directive provides for a single set of common terms for all the members of the companies involved in a cross-border merger transaction.

Finally, it is provided that the Commission shall, after five years, review this Directive in the light of the experience acquired in applying it and, if necessary, propose its amendment. In the meantime the Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 15 December 2007.

Controls of cash entering or leaving the Community

Regulation (EC) No 1889/2005 of the European Parliament and of the Council of 26 October 2005 (OJEU of 25 November 2005) on controls of cash entering or leaving the Community lays down harmonised rules for the control, by the competent authorities, of cash entering or leaving the European Union.

Consequently, cash entering or leaving the European Union of a value of €10,000 or more, carried by any natural person, whether or not it belongs to such person, shall be declared to the competent authorities of the Member State through which he is entering or leaving the Community. The information shall be supplied in writing, orally or electronically, to be determined by the Member State concerned. However, where the declarant so requests, he shall be entitled to provide the information in writing.

Where there are indications that the sums of cash are related to any illegal activity associated with the movement of cash, even if such sum is below the threshold established, the information ob-

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

tained may be transmitted to competent authorities in other Member States. Also, if the sum of cash involves the proceeds of fraud or any other illegal activity adversely affecting the financial interests of the Community, the information shall also be transmitted to the Commission.

Finally, the Member States shall introduce penalties to apply in the event of failure to comply with the obligation to declare. Such penalties shall be effective, proportionate and dissuasive and shall be notified to the Commission by 15 June 2007, the date from which the Regulation shall apply in such States.

Directive on money laundering and terrorist financing

Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 (OJEU of 25 November 2005) on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, which repeals Council Directive 91/308/EEC of 10 June 1991, has been published.

OBJECTIVE AND SCOPE OF APPLICATION

This Directive updates the content of Directive 91/308/EEC and is in line with the new recommendations of the FATF (which were substantially revised and expanded in June 2003). Also, the Directive shall apply to most of the entities and persons it mentions: credit institutions and other financial institutions, auditors, external accountants and tax advisors; notaries and other independent legal professionals when they participate on behalf of and for their client in the planning or execution of certain transactions that could give rise to suspicion of illicit activities; real estate agents; other natural or legal persons trading in goods, only to the extent that payments are made in cash in an amount of €15,000 or more. This Directive also covers life insurance intermediaries and trust and company service providers, in order to prevent money launderers and terrorist financers using alternative methods to conceal the origin of the proceeds of crime.

At the same time, Directive 91/308/EEC, though imposing a customer identification obligation, contained relatively little detail on the relevant procedures, so that Directive 2005/60/EC introduces more specific and detailed provisions relating to the identification of the customer and of any beneficial owner and the verification of their identity, given the crucial importance of this aspect of the prevention of money laundering and terrorist financing, in accordance with the new international standards.

DUE DILIGENCE MEASURES

The Directive establishes detailed rules on customer due diligence. To fulfil the requirement to identify the beneficial owner, public records of beneficial owners may be used, clients may be asked for relevant data or the information may be obtained otherwise, taking into account the fact that the extent of such customer due diligence measures relates to the risk of money laundering and terrorist financing, which depends on the type of customer, business relationship, product or transaction.

The Directive also distinguishes between simplified and enhanced customer due diligence measures, on a risk-sensitive basis, and in situations which by their nature can present a higher or lower risk of money laundering or terrorist financing.

REPORTING OBLIGATIONS

Member States shall require the institutions and persons covered by this Directive, and where applicable their directors and employees, to cooperate fully, by promptly informing the financial intelligence unit[17] (FIU), on their own initiative, when they know, suspect or have reasonable

17. The Financial Intelligence Unit serves as a national centre for receiving, analysing and disseminating to the competent authorities suspicious transaction reports and other information regarding potential money laundering or terrorist financing. This should not compel Member States to change their existing reporting systems where the reporting is done through a public prosecutor or other law enforcement authorities, as long as the information is forwarded promptly and unfiltered to FIUs, allowing them to conduct their business properly, including international cooperation with other FIUs.

grounds to suspect that money laundering or terrorist financing is being or has been committed or attempted, promptly furnishing the UIF, at its request, with all the necessary information in accordance with the procedures established by the applicable legislation.

By 15 December 2009, and at least at three-yearly intervals thereafter, the Commission shall draw up a report on the implementation of this Directive and submit it to the European Parliament and the Council. For the first such report, the Commission shall include a specific examination of the treatment of lawyers and other independent legal professionals.

Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 15 December 2007, forthwith communicating to the Commission how the provisions of this Directive correspond to the national provisions adopted.

Reforms to boost productivity

Law 23/2005 of 18 November 2005 (BOE of 19.11.05) on tax reforms to boost productivity and *Law 24/2005 of 18 November 2005* (BOE of 19.11.05) on reforms to boost productivity have been published. They contain a number of measures to boost and stimulate productivity in different spheres and with varying periods of execution, with the aim of invigorating the Spanish economy and facilitating the response to the increasing degree of economic integration in European and world markets.

The reforms adopted by these laws are part of a broader whole, which aims to provide confidence and a clear signal to the markets and economic agents of the wholehearted commitment of Spanish economic policy to productivity growth. Along with budgetary stability and the promotion of transparency, this is one channel through which to contribute to the objective of increasing citizens' welfare.

There follows a brief discussion of the most significant measures in various markets.

TAX REFORMS

As regards the law regulating corporate income tax, a new form of real-estate CII is introduced, which can engage in rented housing development activities. Such CIIs shall pay corporate income tax at a rate of 1%, on the condition that they comply with certain requirements designed to preserve the nature of these entities as instruments to channel savings.

In line with the foregoing, and in order to stimulate the performance of this activity, a number of restrictions that prevented this special regime from functioning properly have been eliminated and other requirements have been introduced to make its application more consistent. In particular, the 85% relief on gross tax payable is only maintained for income from the rental of housing and the relief for income arising from its transfer is abolished. Also, for the same purpose, notaries and registrars insofar as they receive government receipts, should collaborate in the public promotion of these entities by waiving their fees, without this having a significant effect on their fee income.

The deduction for research and development and technical innovation activities is amended to include textile samples within the concept of technical innovation. Also, in order to boost new technology in small and medium-sized firms, the percentage of the deduction for the promotion of information and communication technologies is raised by five percentage points from 10% to 15%.

With regard to VAT, the 4% rate applicable to housing acquired by entities in the house rental business is abolished, in accordance with the amendment to this special regime in the corporate income tax legislation.

In relation to the tax on property transfers and documented legal acts, approved by Legislative Royal Decree 1/1993 of 24 September 1993, the exemption and relief envisaged for real-estate CIIs are extended to those institutions whose activities include the development of property for rental, in accordance the new corporate income tax regime

FINANCIAL SECTOR REFORMS

The limits to the charges made by the CNMV for the provision of certain services have been substantially reduced in order to stimulate the competitiveness of the financial sector. This reduction in charges will involve a very significant saving for securities issuing entities, which will have a positive effect on the competitiveness of the financial market and will serve to better adapt the market to the new framework of greater competition imposed by Directive 2003/71/EEC of the European Parliament and of the Council of 4 November 2003.

Also, final provision two of Law 13/1985 of 25 May 1985 on financial intermediaries' investment ratios, own funds and reporting obligations is amended in order to be able to apply the tax regime for the preference shares of credit institutions[18] to securities listed on organised markets issued by the FVCs regulated by Law 19/1992 of 7 July 1992 and by those regulated by Law 3/1994 of 14 April 1994, which adapts Spanish law on credit institutions to the Second Banking Co-ordination Directive and introduces other changes to the financial system.

OTHER REFORMS

A number of improvements have been made to the administrative procedures that affect both individuals and companies. Formulae have been established to make the undoubted advantages of rapidity and simplicity entailed by the use of the company name established for the formation of a "new firm" private limited company (*sociedad limitada nueva empresa)* compatible with the use, a posteriori, of other company names that are more attractive for the business.

Finally, the level of effective competition is boosted in various sectors of the economy, including energy markets, especially those for electricity and hydrocarbons. Also, the tobacco market distribution system is reformed and funerary services are liberalised further.

The European company with registered office in Spain

Law 19/2005 of 14 November 2005 (BOE of 15.11.05) on the European company (SE) with registered office in Spain has been published to adapt Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company with respect to European companies with registered office in Spain.

The Law implements this Regulation by adding a new chapter to the consolidated text of the Public Limited Companies Law (*Ley de Sociedades Anónimas*), approved by Legislative Royal Decree 1564/1989 of 22 December 1989, to specify those matters required by the Regulation to make it fully operational. It also incorporates mechanisms to protect the particular interests of members and creditors, and the protection and public–interest mechanisms deemed most appropriate in the current phase of construction of the European Union.

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18. The tax regime for preference shares is as follows: a) the income arising from preference shares shall be considered a deductible expense for the issuing entity; b) such income shall be classified as returns obtained on the transfer of own equity to third parties, in accordance with Law 40/1998 of 9 December 1998 on personal income tax and other tax rules. Also, they shall not be subject to any withholding, as the exemption established by Law 41/1998 of 9 December 1998 on the tax on the income of non-residents and other tax rules is applicable to them; c) in the event that the income is obtained by taxpayers of the tax on the income of non-residents without a permanent establishment, such income shall be exempt from this tax on the same terms as were established for returns arising from public debt in Law 41/1998 of 9 December 1998 on the tax on the income of non-residents and other tax rules, and e) finally, the operations arising from the issuance of preference shares shall be exempt from the modality of corporate operations of the tax on property transfers and documented legal acts.

The following are notable features of this Law:

SEs shall establish their registered office in Spain when their head office is within Spanish territory. Also, the formation and other acts of a European Company with its registered office in Spain that can be registered shall be registered in the Mercantile Register. As regards the formation of an SE which must have its registered office in Spain, the Law establishes that other companies, which do not have their head office in the Community, may participate, provided that they are formed under the law of a Member State, have their registered office in that Member State and have a real and continuous link with a Member State's economy.

Finally, the Law also introduces certain amendments to Law 24/1988 of 28 July 1988 on the securities market, in relation to listed companies. Specifically, when the listed company is an SE with registered office in Spain which has opted for the two-tier system, the annual report on corporate governance prepared by the management shall be accompanied by a report prepared by the supervisory organ on the exercise of its functions. Also, the obligations established for the directors of a listed company shall also apply to the members of the supervisory organ of a listed company SE with registered office in Spain.

State budget for 2006

As usual in December, the law on the State budget [*Law 30/2005 of 29 December 2005* on the State budget for 2006 (BOE of 30.12.05)] has been published. For only the second time since 1993 and for the second year running, the government has chosen to submit this Law to parliament on its own, the usual practice being for it to be accompanied by the so-called Law on Fiscal, Administrative and Social Measures.

The Law on the budget for 2006 confirms the reorientation of spending towards programmes to boost productivity. This is apparent in three types of measure: public investment in infrastructure, the research, development and technical innovation drive, and also spending on education. The Law also reflects the social slant the government is giving to its economic policy, through the implementation of measures that enable welfare and social cohesiveness to be increased, ensuring that the benefits of growth reach all citizens.

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

One of the additional provisions of the budget Law fixes the *capital of the Banco de España* at €1 billion. The increase in capital from the current figure (€5 million) to the figure mentioned above shall be made against the profits recorded by the Banco de España to 31 December 2005.

As usual, in relation to *State debt*, the authorised increase in the outstanding amount of State debt as at 31 December is specified. For 2006, the government is authorised to increase this amount, subject to the condition that, as at 31 December 2006, it shall not exceed the level at the beginning of the year by more than €14,082 million. This limit may be exceeded during the course of the year, with the prior authorisation of the Ministry of Economy and Finance, and those cases in which it shall be automatically revised are established.

With regard to taxes, the main measure in relation to the *personal income tax (IRPF)* is the updating of the two components of the tax rate, the State one and the regional or supplementary one. Also, for the purposes of calculating the capital gains arising on property, the coefficients for adjusting acquisition values have been raised by 2%. Also the provisions are established that enable the loss of tax benefits, with respect to those established in the IRPF Law

18/1991 of 6 June 1991, by certain taxpayers, such as lessees and purchasers of principal homes, to be offset with the current IRPF law.

In relation to *corporate income tax*, the measures are, as in the case of the IRPF, those with annual effectiveness referred to by the corporate income tax law. Thus, the coefficients applicable to real assets, to enable an adjustment to be made for monetary depreciation upon their transfer, are updated. Also the manner of determining the advance payments of the tax in 2006 is determined. Finally, in relation to local taxes, the rateable values of properties are raised by 2%.

Other provisions of a financial nature relate to the *legal interest rate* and to *default interest*, both of which are held unchanged at their current levels, i.e. 4% and 5%, respectively.

5.1.2006.

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These indicators are continuously updated on the Banco de España's website. For those statistics whose source is the Banco de España, a data dissemination calendar giving the exact or approximate release date over the following three months is updated on the last day of each week (http://www.bde.es/infoest/htmls/calenda.pdf). Where the dissemination dates shown in the calendar are approximate, the firm date shall be specfied one week before the data are released.

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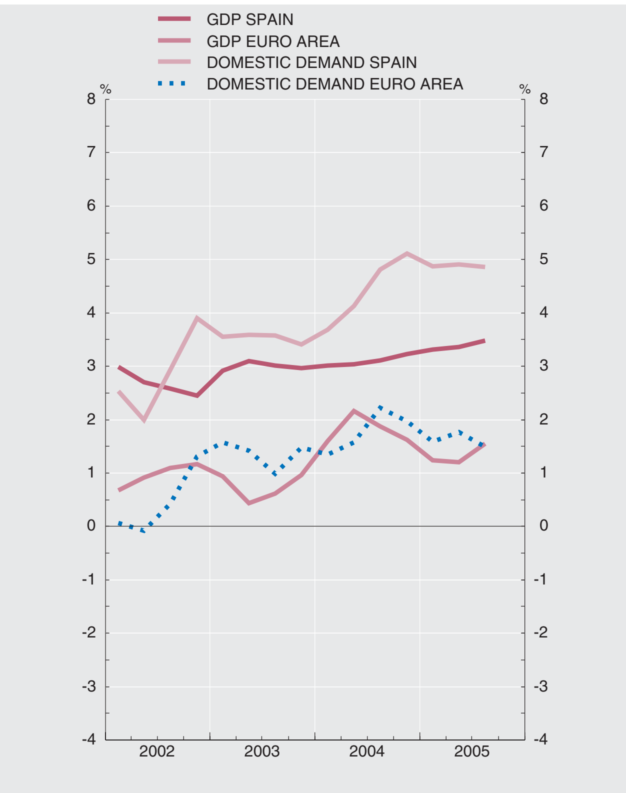
1.1. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES, REFERENCE YEAR 2000=100.DEMAND COMPONENTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

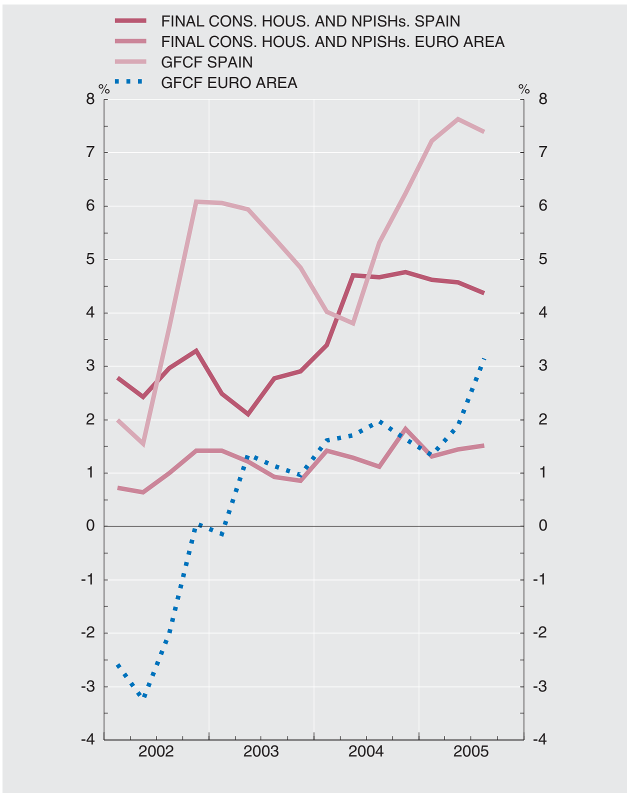
Annual percentage changes

		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
02	P	2.7	1.0	2.9	0.9	4.5	2.6	3.3	-1.9	2.8	0.4	1.8	1.8	3.9	0.4	729	7 214
03	P	3.0	0.7	2.6	1.1	4.8	1.6	5.6	0.8	3.5	1.4	3.6	1.3	6.0	3.1	781	7 412
04	P	3.1	1.8	4.4	1.4	6.0	1.1	4.9	1.7	4.4	1.8	3.3	5.9	9.3	6.1	837	7 686
02 *Q4*	P	2.4	1.2	3.3	1.4	4.1	2.3	6.1	0.1	3.9	1.2	4.5	3.6	10.4	4.2	187	1 825
03 *Q1*	P	2.9	0.9	2.5	1.4	4.8	1.9	6.1	-0.1	3.6	0.9	4.7	2.8	7.6	4.8	190	1 831
Q2	P	3.1	0.4	2.1	1.2	4.6	1.4	5.9	1.4	3.6	0.4	3.5	-0.3	5.0	2.3	193	1 840
Q3	P	3.0	0.6	2.8	0.9	4.6	1.7	5.4	1.1	3.6	0.6	4.1	1.2	6.4	2.3	197	1 863
Q4	P	3.0	1.0	2.9	0.9	5.0	1.6	4.8	1.0	3.4	1.0	2.3	1.5	5.0	2.9	201	1 877
04 *Q1*	P	3.0	1.6	3.4	1.4	5.1	1.3	4.0	1.6	3.7	1.6	4.2	3.8	7.2	3.3	203	1 896
Q2	P	3.0	2.2	4.7	1.3	5.9	1.3	3.8	1.7	4.1	2.2	3.3	7.7	9.2	6.5	207	1 918
Q3	P	3.1	1.9	4.7	1.1	6.6	1.2	5.3	2.0	4.8	1.9	3.5	6.3	10.7	7.6	211	1 930
Q4	P	3.2	1.6	4.8	1.8	6.3	0.7	6.2	1.6	5.1	1.6	2.3	5.9	10.1	7.1	215	1 941
05 *Q1*	P	3.3	1.2	4.6	1.3	5.4	0.9	7.2	1.3	4.9	1.2	-2.1	3.2	5.7	4.2	219	1 955
Q2	P	3.4	1.2	4.6	1.4	4.3	1.1	7.6	1.9	4.9	1.2	1.1	2.9	8.5	4.5	223	1 973
Q3	P	3.5	1.6	4.4	1.5	4.6	1.4	7.4	3.1	4.9	1.6	1.3	5.2	7.7	5.2	228	1 989

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.

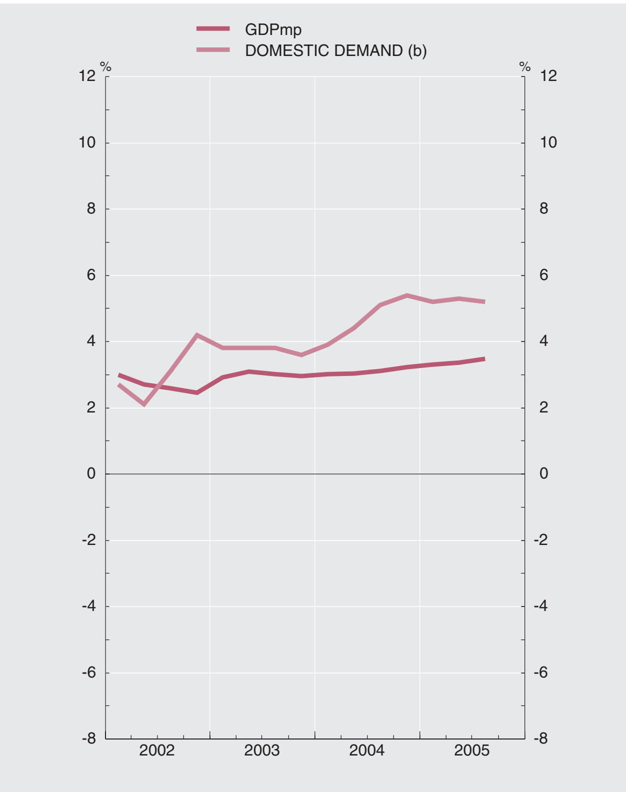
1.2. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. DEMAND COMPONENTS. SPAIN: BREAKDOWN (a)

■ Series depicted in chart.

Annual percentage changes

		Gross fixed capital formation					Exports of goods and services				Imports of goods and services				Memorandum items:	
		Total 1	Capital goods 2 ■	Construc-tión 3	Other products 4	Change in Stocks (b) 5 ■	Total 6	Goods 7	Final con-sumption of non-resi-dents in economic territory 8	Services 9	Total 10 ■	Goods 11	Final consumption of residents in the rest of the world 12	Services 13	Domestic demand (b) (c) 14 ■	GDP 15 ■
02	P	3.3	-2.9	6.2	5.0	0.0	1.8	3.4	-6.5	4.4	3.9	4.4	1.8	1.5	3.0	2.7
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	4.7	3.1
02 *Q4*	P	6.1	2.9	7.3	7.0	0.2	4.5	6.9	-4.1	3.4	10.4	12.0	1.2	4.4	4.2	2.4
03 *Q1*	P	6.1	3.5	6.9	7.5	0.0	4.7	6.6	-2.1	3.9	7.6	8.1	0.8	6.8	3.8	2.9
Q2	P	5.9	3.1	6.4	8.6	0.0	3.5	3.6	4.8	1.6	5.0	5.1	3.5	4.3	3.8	3.1
Q3	P	5.4	2.3	6.0	8.3	-0.0	4.1	5.8	0.3	0.5	6.4	7.2	5.7	2.7	3.8	3.0
Q4	P	4.8	1.1	6.0	6.6	-0.1	2.3	4.0	-1.0	-1.3	5.0	5.3	10.1	2.6	3.6	3.0
04 *Q1*	P	4.0	-0.8	6.1	4.8	0.1	4.2	5.6	1.0	1.5	7.2	7.5	17.3	4.3	3.9	3.0
Q2	P	3.8	0.1	5.5	3.3	0.0	3.3	5.6	-4.6	2.0	9.2	9.8	20.2	4.1	4.4	3.0
Q3	P	5.3	6.7	5.3	3.6	-0.0	3.5	4.5	0.6	2.5	10.7	11.8	20.5	3.5	5.1	3.1
Q4	P	6.2	8.8	5.2	5.8	-0.0	2.3	1.8	2.8	4.3	10.1	11.1	24.0	2.7	5.4	3.2
05 *Q1*	P	7.2	10.1	6.0	7.2	-0.0	-2.1	-2.3	-3.3	0.1	5.7	7.4	24.4	-6.0	5.2	3.3
Q2	P	7.6	10.4	6.2	8.5	0.0	1.1	1.7	-1.5	1.2	8.5	9.4	26.9	0.2	5.3	3.4
Q3	P	7.4	8.8	6.3	9.0	0.1	1.3	0.5	0.0	6.6	7.7	7.1	27.0	6.8	5.2	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.

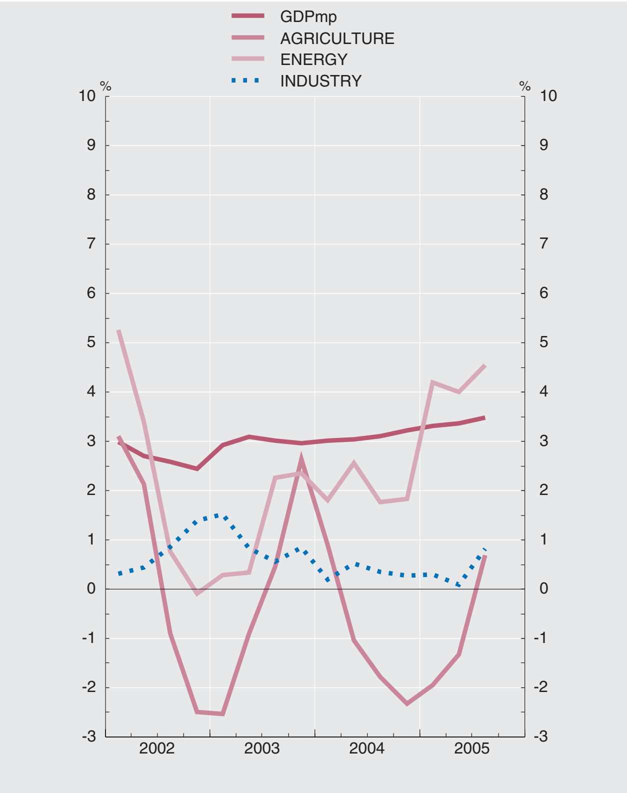
c. Residents' demand within and outside the economic territory.

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

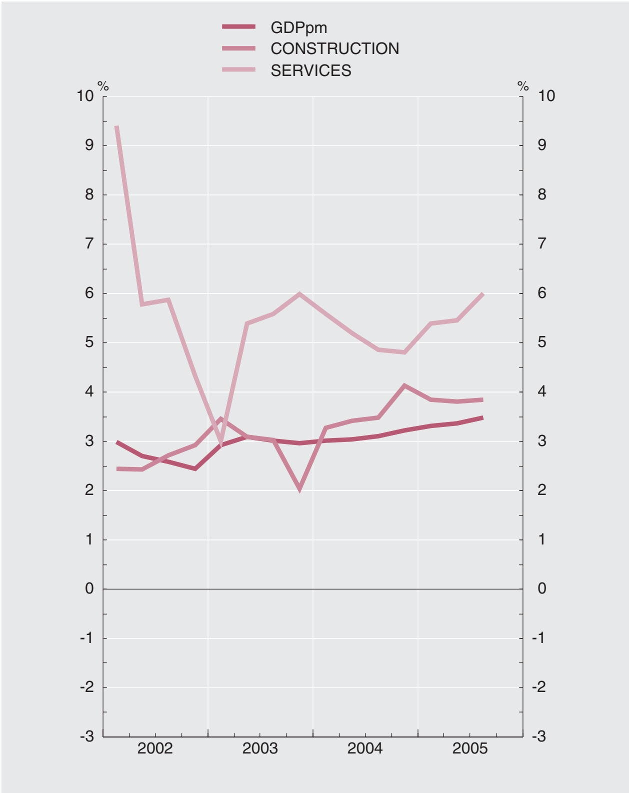
■ Series depicted in chart. *Annual percentage changes*

		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
02	P	2.7	0.4	2.3	0.7	6.3	2.6	2.6	2.7	2.3	-0.3	8.1
03	P	3.0	-0.1	1.3	0.9	5.0	2.9	2.6	4.2	5.3	6.6	9.5
04	P	3.1	-1.1	2.0	0.3	5.1	3.6	3.6	3.6	2.5	12.0	6.5
02 *Q4*	P	2.4	-2.5	-0.1	1.4	4.3	2.9	3.0	2.6	-1.9	1.9	9.5
03 *Q1*	P	2.9	-2.5	0.3	1.5	3.0	3.5	3.0	5.0	1.3	4.5	10.4
Q2	P	3.1	-0.9	0.3	0.8	5.4	3.1	2.8	4.2	7.1	5.5	7.3
Q3	P	3.0	0.4	2.3	0.6	5.6	3.0	2.9	3.6	4.3	8.1	8.2
Q4	P	3.0	2.6	2.3	0.8	6.0	2.0	1.5	3.9	8.8	8.4	12.1
04 *Q1*	P	3.0	0.9	1.8	0.2	5.6	3.3	3.2	3.4	1.3	12.4	9.5
Q2	P	3.0	-1.0	2.6	0.5	5.2	3.4	3.4	3.3	0.1	12.9	10.6
Q3	P	3.1	-1.8	1.8	0.4	4.9	3.5	3.5	3.5	4.7	10.8	6.2
Q4	P	3.2	-2.3	1.8	0.3	4.8	4.1	4.1	4.3	3.9	12.0	0.3
05 *Q1*	P	3.3	-1.9	4.2	0.3	5.4	3.9	3.8	4.0	5.0	6.6	2.3
Q2	P	3.4	-1.3	4.0	0.1	5.4	3.8	4.0	3.2	5.4	2.0	4.0
Q3	P	3.5	0.7	4.5	0.8	6.0	3.8	4.0	3.2	3.9	0.6	2.4

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).

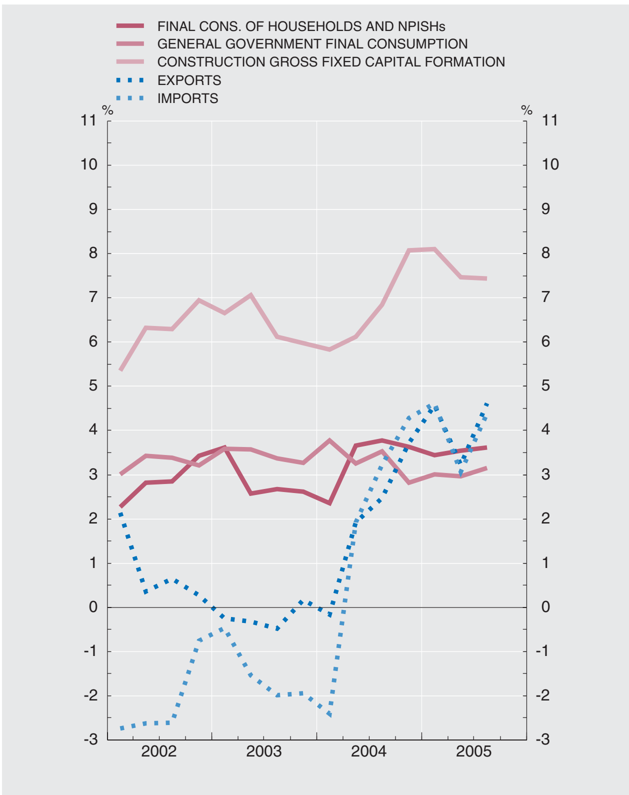
1.4. GROSS DOMESTIC PRODUCT. IMPLICIT DEFLATORS. SPAIN (a)

■ Series depicted in chart.

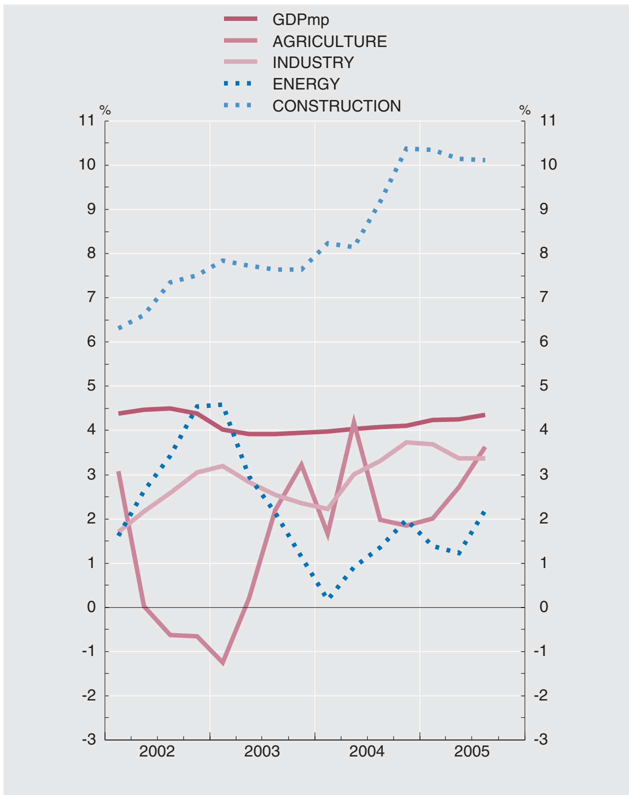
Annual percentage changes

		Demand components: Final consumption of households and NPISHs (b) ■	Demand components: General government final consumption ■	Demand components: Gross fixed capital formation: Capital goods	Demand components: Gross fixed capital formation: Construction ■	Demand components: Gross fixed capital formation: Other products	Demand components: Exports of goods and services ■	Demand components: Imports of goods and services ■	Gross domestic product at market prices ■	Branches of activity: Agriculture and fisheries ■	Branches of activity: Energy ■	Branches of activity: Industry	Branches of activity: Construction ■	Branches of activity: Services	Branches of activity: Of which: Market services
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
02	P	2.9	3.3	1.6	6.2	4.7	0.9	-2.2	4.4	0.5	3.1	2.4	6.9	5.0	3.3
03	P	2.9	3.4	1.5	6.5	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	2.0	6.7	5.9	2.0	1.8	4.1	2.4	1.1	3.1	9.0	3.4	3.5
02 *Q4*	P	3.4	3.2	1.9	6.9	5.1	0.3	-0.8	4.4	-0.7	4.5	3.0	7.5	4.3	3.3
03 *Q1*	P	3.6	3.6	0.9	6.6	3.9	-0.2	-0.5	4.0	-1.2	4.6	3.2	7.8	3.8	3.7
Q2	P	2.6	3.6	1.7	7.1	5.0	-0.3	-1.5	3.9	0.2	3.0	2.8	7.7	3.6	3.5
Q3	P	2.7	3.4	1.6	6.1	4.7	-0.5	-2.0	3.9	2.2	2.1	2.5	7.6	3.7	3.5
Q4	P	2.6	3.3	1.8	6.0	4.7	0.2	-1.9	4.0	3.2	1.1	2.4	7.6	3.8	3.2
04 *Q1*	P	2.4	3.8	1.0	5.8	5.1	-0.2	-2.4	4.0	1.7	0.2	2.2	8.2	3.6	3.8
Q2	P	3.7	3.3	1.9	6.1	6.0	1.9	1.9	4.0	4.2	0.9	3.0	8.1	3.3	3.4
Q3	P	3.8	3.5	2.6	6.8	6.0	2.5	3.2	4.1	2.0	1.4	3.3	9.2	3.3	3.7
Q4	P	3.6	2.8	2.6	8.1	6.3	3.7	4.3	4.1	1.8	2.0	3.7	10.4	3.2	3.0
05 *Q1*	P	3.5	3.0	3.0	8.1	6.3	4.6	4.6	4.2	2.0	1.4	3.7	10.3	3.3	3.2
Q2	P	3.6	3.0	3.2	7.5	6.3	3.2	3.1	4.3	2.7	1.2	3.4	10.1	3.3	3.1
Q3	P	3.6	3.2	3.0	7.4	6.2	4.6	4.4	4.4	3.6	2.2	3.4	10.1	3.4	3.1

GDP. IMPLICIT DEFLATORS
Annual percentage changes



GDP. IMPLICIT DEFLATORS
Annual percentage changes



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

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

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.

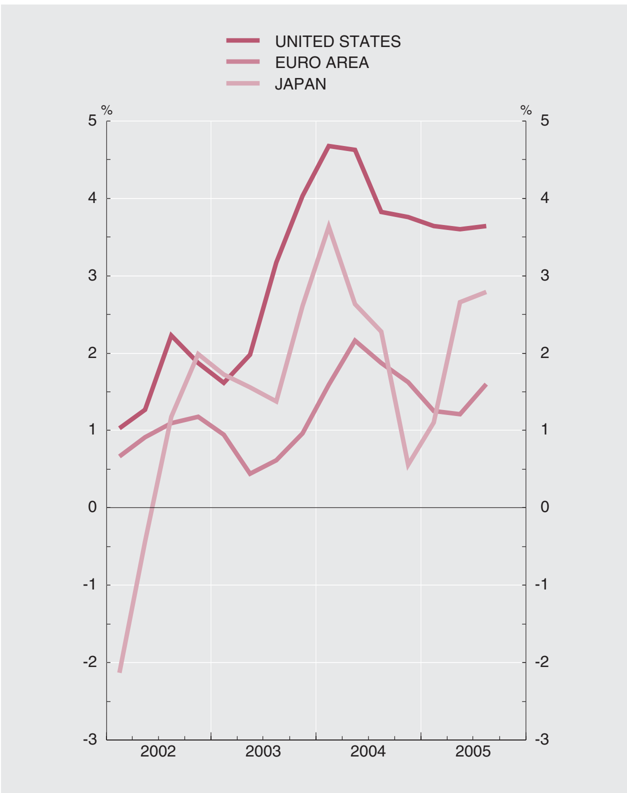
2.1. INTERNATIONAL COMPARISON. GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

■ Series depicted in chart.

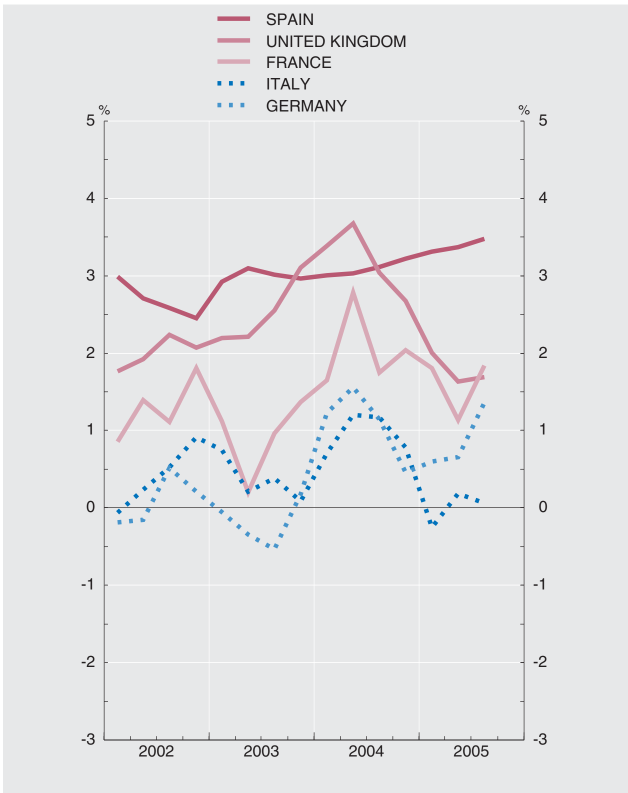
Annual percentage changes

	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3 ■	4 ■	5 ■	6 ■	7 ■	8 ■	9 ■	10 ■
02	1.5	1.2	1.0	0.1	2.7	1.6	1.3	0.4	0.1	2.0
03	2.0	1.1	0.7	-0.2	3.0	2.7	0.9	0.4	1.8	2.5
04	3.3	2.1	1.8	1.1	3.1	4.2	2.1	1.0	2.3	3.2
02 *Q3*	2.0	1.3	1.1	0.5	2.6	2.2	1.1	0.5	1.2	2.2
Q4	2.1	1.3	1.2	0.2	2.4	1.9	1.8	0.9	2.0	2.1
03 *Q1*	1.7	1.2	0.9	-0.1	2.9	1.6	1.1	0.7	1.7	2.2
Q2	1.5	0.8	0.4	-0.3	3.1	2.0	0.2	0.2	1.6	2.2
Q3	2.0	1.0	0.6	-0.5	3.0	3.2	1.0	0.4	1.4	2.6
Q4	2.8	1.4	1.0	0.2	3.0	4.0	1.4	0.1	2.6	3.1
04 *Q1*	3.6	2.0	1.6	1.2	3.0	4.7	1.6	0.7	3.6	3.4
Q2	3.7	2.5	2.2	1.6	3.0	4.6	2.8	1.2	2.6	3.7
Q3	3.2	2.1	1.9	1.1	3.1	3.8	1.8	1.2	2.3	3.0
Q4	2.8	1.8	1.6	0.5	3.2	3.8	2.0	0.8	0.6	2.7
05 *Q1*	2.6	1.4	1.2	0.6	3.3	3.6	1.8	-0.3	1.1	2.0
Q2	2.6	1.3	1.2	0.7	3.4	3.6	1.1	0.2	2.7	1.6
Q3	...	1.6	1.6	1.4	3.5	3.6	1.8	0.1	2.8	1.7

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.

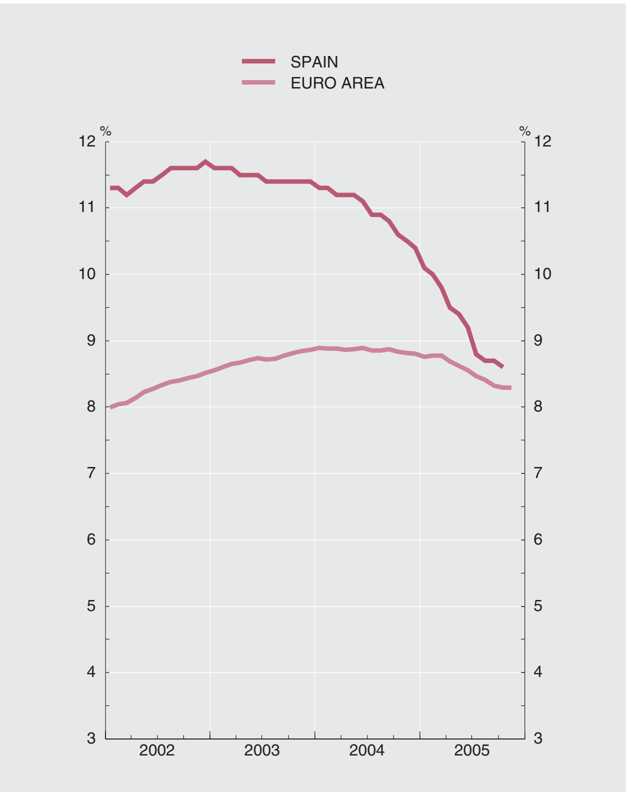
2.2. INTERNATIONAL COMPARISON. UNEMPLOYMENT RATES

■ 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 ■
02	6.9	7.6	8.3	8.2	11.5	5.8	8.9	8.6	5.4	5.1
03	7.1	8.0	8.7	9.1	11.5	6.0	9.5	8.4	5.3	4.9
04	6.9	8.1	8.9	9.5	10.9	5.5	9.6	8.0	4.7	4.7
04 *Jun*	6.9	8.1	8.9	9.5	11.1	5.6	9.5	8.1	4.6	4.7
Jul	6.9	8.1	8.9	9.6	10.9	5.5	9.5	7.9	4.9	4.6
Aug	6.9	8.1	8.9	9.7	10.9	5.4	9.5	7.9	4.8	4.6
Sep	6.8	8.1	8.9	9.6	10.8	5.4	9.6	7.9	4.6	4.6
Oct	6.8	8.0	8.8	9.8	10.6	5.5	9.5	8.0	4.7	4.6
Nov	6.8	8.0	8.8	9.5	10.5	5.4	9.5	8.0	4.5	4.6
Dec	6.8	8.0	8.8	9.6	10.4	5.4	9.5	8.0	4.4	4.6
05 *Jan*	6.7	8.0	8.8	9.7	10.1	5.2	9.6	7.8	4.5	4.7
Feb	6.8	8.0	8.8	9.7	10.0	5.4	9.6	7.8	4.7	4.6
Mar	6.7	8.0	8.8	9.8	9.8	5.2	9.6	7.8	4.5	4.6
Apr	6.6	7.9	8.7	9.9	9.5	5.2	9.6	7.7	4.4	4.6
May	6.6	7.9	8.6	9.5	9.4	5.1	9.6	7.7	4.4	4.7
Jun	6.5	7.8	8.6	9.5	9.2	5.0	9.6	7.7	4.2	4.6
Jul	6.5	7.8	8.5	9.3	8.8	5.0	9.5	...	4.4	4.6
Aug	6.4	7.7	8.4	9.8	8.7	4.9	9.4	...	4.3	4.7
Sep	6.5	7.6	8.3	8.6	8.7	5.1	9.4	...	4.2	...
Oct	6.4	7.6	8.3	9.1	8.6	5.0	9.3	...	4.5	...
Nov	...	...	8.3	...	...	5.1	...	...	4.6	...

UNEMPLOYMENT RATES



UNEMPLOYMENT RATES

Sources: ECB and OECD.

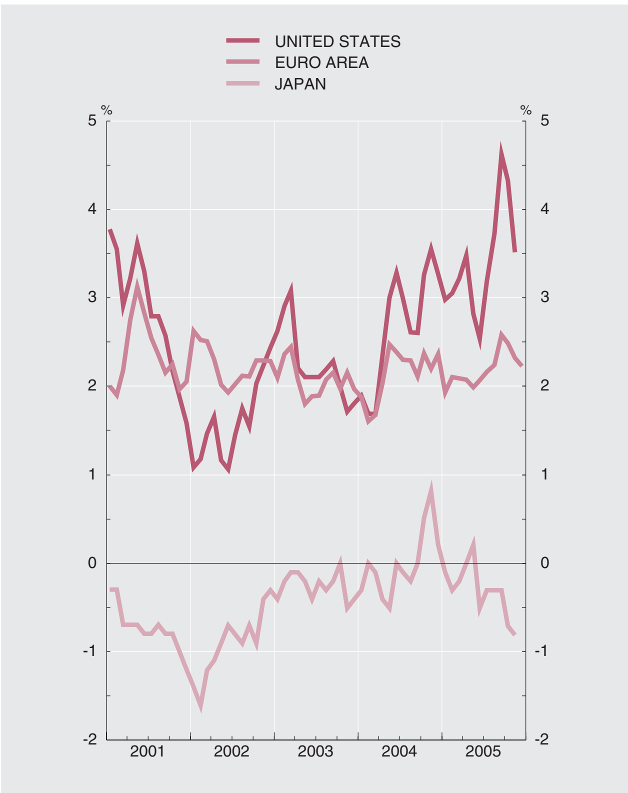
2.3. INTERNATIONAL COMPARISON. CONSUMER PRICES (a)

■ Series depicted in chart.

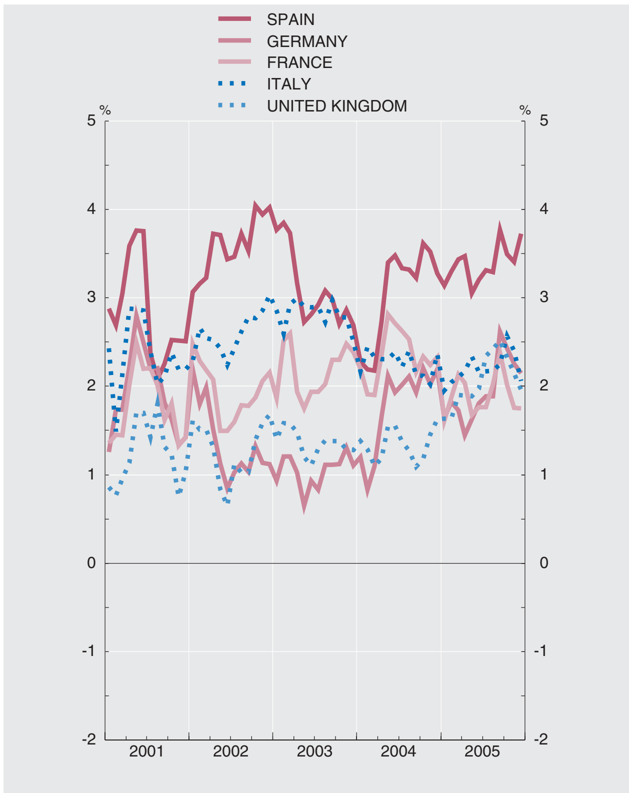
Annual percentage changes

	OECD 1	EU-15 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
01	3.5	2.2	2.3	1.9	2.8	2.8	1.8	2.3	-0.7	1.2
02	2.6	2.1	2.3	1.4	3.6	1.6	1.9	2.6	-0.9	1.3
03	2.5	2.0	2.1	1.0	3.1	2.3	2.2	2.8	-0.3	1.4
04	2.5	2.0	2.1	1.8	3.0	2.7	2.3	2.3	-0.0	1.3
04 *Jul*	2.7	2.1	2.3	2.0	3.3	3.0	2.6	2.2	-0.1	1.4
Aug	2.6	2.1	2.3	2.1	3.3	2.6	2.5	2.4	-0.2	1.3
Sep	2.5	1.9	2.1	1.9	3.2	2.6	2.2	2.1	-	1.1
Oct	2.8	2.1	2.4	2.2	3.6	3.3	2.3	2.1	0.5	1.2
Nov	3.0	2.0	2.2	2.0	3.5	3.5	2.2	2.0	0.8	1.5
Dec	2.8	2.2	2.4	2.2	3.3	3.3	2.3	2.4	0.2	1.6
05 *Jan*	2.5	1.8	1.9	1.6	3.1	3.0	1.6	2.0	-0.1	1.6
Feb	2.5	2.0	2.1	1.8	3.3	3.1	1.9	2.0	-0.3	1.6
Mar	2.5	2.0	2.1	1.7	3.4	3.2	2.1	2.1	-0.2	1.9
Apr	2.8	2.0	2.1	1.4	3.5	3.5	2.0	2.2	-	1.9
May	2.4	1.9	2.0	1.6	3.0	2.8	1.7	2.3	0.2	1.9
Jun	2.2	2.0	2.1	1.8	3.2	2.5	1.8	2.2	-0.5	2.0
Jul	2.5	2.2	2.2	1.9	3.3	3.2	1.8	2.2	-0.3	2.3
Aug	2.8	2.3	2.2	1.9	3.3	3.7	2.0	2.2	-0.3	2.4
Sep	3.3	2.5	2.6	2.6	3.8	4.6	2.4	2.2	-0.3	2.5
Oct	3.0	2.4	2.5	2.4	3.5	4.3	2.0	2.6	-0.7	2.3
Nov	2.6	2.3	2.3	2.3	3.4	3.5	1.8	2.4	-0.8	2.1
Dec	...	2.2	2.2	2.1	3.7	...	1.8	2.1	...	2.0

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.

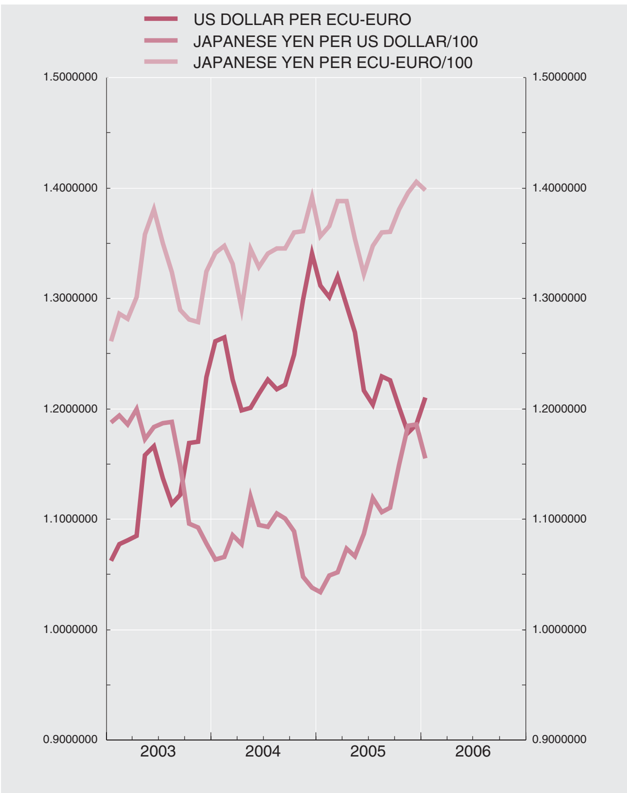
2.4. BILATERAL EXCHANGE RATES AND NOMINAL AND REAL EFFECTIVE EXCHANGE RATE INDICES FOR THE EURO, US DOLLAR AND JAPANESE YEN

■ Series depicted in chart.

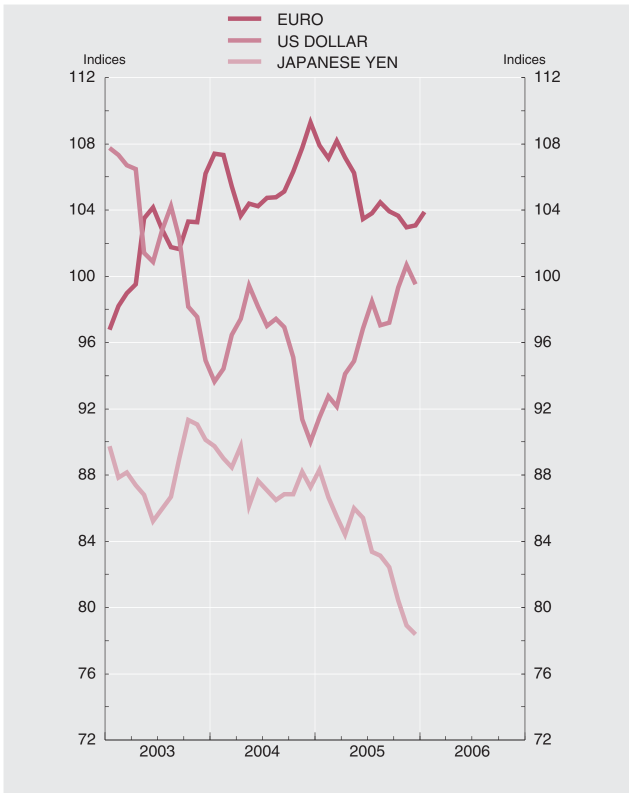
Average of daily data

	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	105.3	96.6	87.6
05	1.2445	136.88	110.17	103.0	88.5	99.5	105.2	96.2	83.6	103.7	98.0	84.5
05 *J-J*	1.3119	135.63	103.38	105.8	85.2	103.3	107.9	91.5	88.3	107.2	93.2	88.1
06 *J-J*	1.2103	139.82	115.53	101.4	89.7	96.0	103.9	...	...	101.4	...	...
04 *Nov*	1.2991	136.09	104.77	105.6	85.3	102.3	107.7	91.4	88.2	106.6	93.4	87.6
Dec	1.3408	139.14	103.78	107.1	84.3	101.8	109.3	90.0	87.3	108.4	91.8	87.4
05 *Jan*	1.3119	135.63	103.38	105.8	85.2	103.3	107.9	91.5	88.3	107.2	93.2	88.1
Feb	1.3014	136.55	104.93	105.1	86.0	102.1	107.1	92.8	86.6	106.6	94.2	86.7
Mar	1.3201	138.83	105.18	106.0	85.2	101.1	108.2	92.1	85.5	107.5	94.0	85.3
Apr	1.2938	138.84	107.31	105.1	86.7	100.1	107.2	94.1	84.4	106.0	95.7	84.9
May	1.2694	135.37	106.66	104.0	87.7	101.7	106.3	94.9	86.0	104.7	96.7	86.4
Jun	1.2165	132.22	108.69	101.2	89.4	101.7	103.5	96.9	85.4	102.3	98.6	86.0
Jul	1.2037	134.75	111.94	101.7	90.5	99.5	103.8	98.5	83.4	102.6	100.6	84.0
Aug	1.2292	135.98	110.63	102.3	88.9	99.5	104.5	97.0	83.1	102.9	99.0	83.9
Sep	1.2256	136.06	111.03	101.8	88.5	99.1	103.9	97.2	82.4	102.0	99.8	83.0
Oct	1.2015	138.05	114.90	101.4	90.2	96.8	103.7	99.3	80.4	101.4	103.0	80.8
Nov	1.1786	139.59	118.45	100.7	91.9	94.9	103.0	100.7	78.9	100.8	102.7	80.2
Dec	1.1856	140.58	118.58	100.7	91.3	94.4	103.1	99.5	78.4	100.7	...	...
06 *Jan*	1.2103	139.82	115.53	101.4	89.7	96.0	103.9	...	...	101.4	...	...

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.

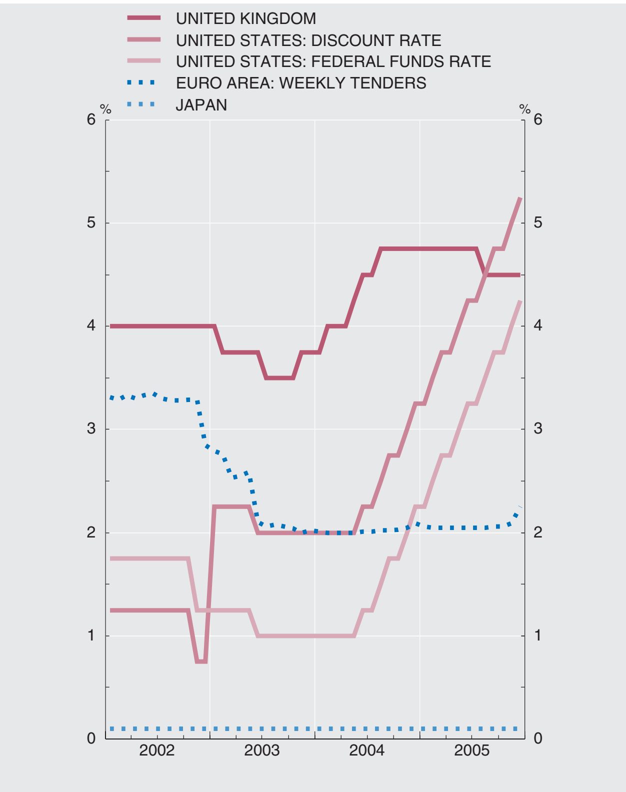
(b) Obtained by multiplying the relative prices of each area/country (relation betwen its price index and the price index of the group) by the nominal effective exchange rate. A decline in the index denotes a depreciation of the real effective exchange rate and, may be interpreted as an improvement in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

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

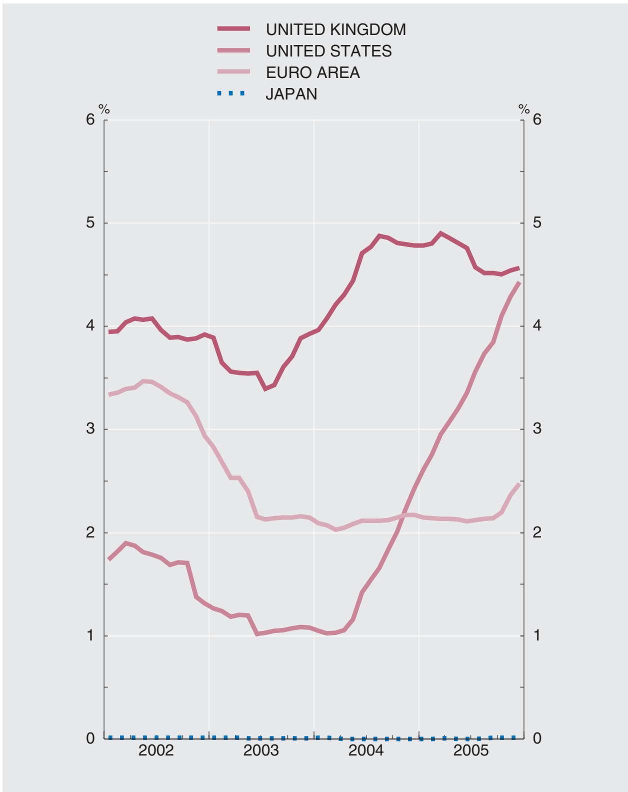
■ Series depicted in chart. *Percentages*

	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 ■
02	2.75	0.75	1.67	0.10	4.00	2.21	3.42	3.32	-	-	1.71	-	-	0.01	3.96
03	2.00	2.00	1.10	0.10	3.75	1.63	2.55	2.33	-	-	1.12	-	-	0.01	3.64
04	2.00	3.25	1.40	0.10	4.75	1.75	2.48	2.11	-	-	1.54	-	-	0.00	4.55
04 *Jul*	2.00	2.25	1.25	0.10	4.50	1.76	2.52	2.12	-	-	1.54	-	-	0.00	4.77
Aug	2.00	2.50	1.50	0.10	4.75	1.81	2.53	2.11	-	-	1.66	-	-	0.00	4.88
Sep	2.00	2.75	1.75	0.10	4.75	1.89	2.53	2.12	-	-	1.83	-	-	0.00	4.85
Oct	2.00	2.75	1.75	0.10	4.75	1.97	2.55	2.15	-	-	2.01	-	-	0.00	4.81
Nov	2.00	3.00	2.00	0.10	4.75	2.07	2.56	2.17	-	-	2.23	-	-	0.00	4.79
Dec	2.00	3.25	2.25	0.10	4.75	2.15	2.56	2.17	-	-	2.43	-	-	0.00	4.78
05 *Jan*	2.00	3.25	2.25	0.10	4.75	2.21	2.54	2.15	-	-	2.61	-	-	0.00	4.79
Feb	2.00	3.50	2.50	0.10	4.75	2.26	2.54	2.14	-	-	2.76	-	-	0.00	4.80
Mar	2.00	3.75	2.75	0.10	4.75	2.35	2.55	2.14	-	-	2.95	-	-	0.01	4.90
Apr	2.00	3.75	2.75	0.10	4.75	2.40	2.54	2.14	-	-	3.07	-	-	0.01	4.86
May	2.00	4.00	3.00	0.10	4.75	2.44	2.53	2.13	-	-	3.20	-	-	0.00	4.81
Jun	2.00	4.25	3.25	0.10	4.75	2.49	2.50	2.11	-	-	3.36	-	-	0.00	4.76
Jul	2.00	4.25	3.25	0.10	4.75	2.56	2.47	2.12	-	-	3.56	-	-	0.00	4.57
Aug	2.00	4.50	3.50	0.10	4.50	2.63	2.48	2.13	-	-	3.74	-	-	0.01	4.51
Sep	2.00	4.75	3.75	0.10	4.50	2.69	2.48	2.14	-	-	3.84	-	-	0.01	4.52
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

OFFICIAL INTERVENTION INTEREST RATES



3-MONTH INTERBANK RATES



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

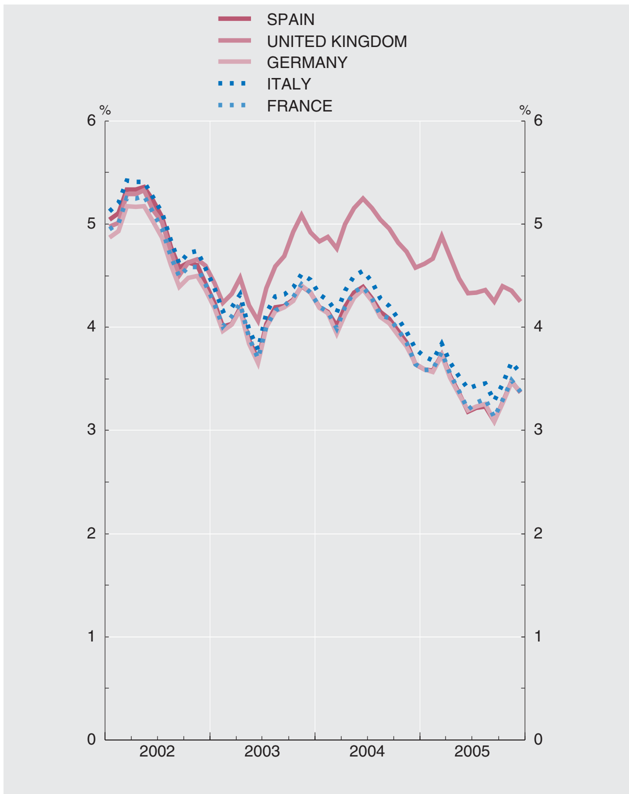
2.6. 10-YEAR GOVERNMENT BOND YIELDS ON DOMESTIC MARKETS

■ Series depicted in chart. *Percentages*

	OECD 1	EU-15 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
02	4.27	4.92	4.92	4.80	4.96	4.65	4.88	5.04	1.27	4.93
03	3.68	4.22	4.16	4.10	4.12	4.04	4.13	4.24	0.99	4.53
04	3.87	4.26	4.14	4.07	4.10	4.31	4.10	4.24	1.50	4.93
04 *Jul*	4.10	4.46	4.34	4.26	4.28	4.54	4.28	4.44	1.79	5.15
Aug	3.93	4.30	4.17	4.10	4.15	4.33	4.12	4.28	1.63	5.04
Sep	3.80	4.24	4.11	4.04	4.08	4.15	4.09	4.20	1.50	4.96
Oct	3.74	4.12	3.98	3.92	3.97	4.13	3.98	4.08	1.49	4.82
Nov	3.73	4.01	3.87	3.82	3.85	4.22	3.86	3.96	1.46	4.74
Dec	3.66	3.82	3.69	3.65	3.64	4.27	3.64	3.79	1.39	4.58
05 *Jan*	3.63	3.77	3.63	3.59	3.59	4.26	3.58	3.72	1.36	4.62
Feb	3.60	3.76	3.62	3.57	3.58	4.20	3.59	3.68	1.40	4.66
Mar	3.83	3.93	3.76	3.73	3.73	4.55	3.76	3.84	1.46	4.88
Apr	3.66	3.73	3.57	3.51	3.53	4.39	3.55	3.66	1.32	4.69
May	3.49	3.56	3.41	3.35	3.36	4.19	3.38	3.52	1.27	4.47
Jun	3.36	3.40	3.25	3.19	3.19	4.04	3.20	3.41	1.24	4.33
Jul	3.44	3.44	3.32	3.23	3.22	4.20	3.27	3.44	1.26	4.34
Aug	3.52	3.47	3.32	3.26	3.23	4.31	3.30	3.46	1.43	4.36
Sep	3.42	3.31	3.16	3.09	3.09	4.23	3.13	3.29	1.38	4.25
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

10-YEAR GOVERNMENT BOND YIELDS

10-YEAR GOVERNMENT BOND YIELDS



Sources: ECB, Reuters and BE.

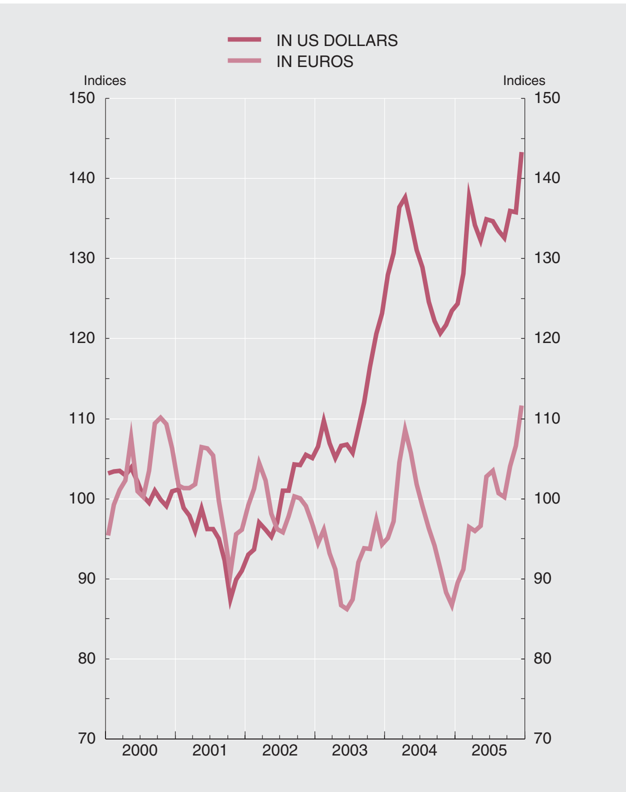
2.7 INTERNATIONAL MARKETS. NON-ENERGY COMMODITIES PRICE INDEX. CRUDE OIL AND GOLD PRICE.

■ Series depicted in chart.

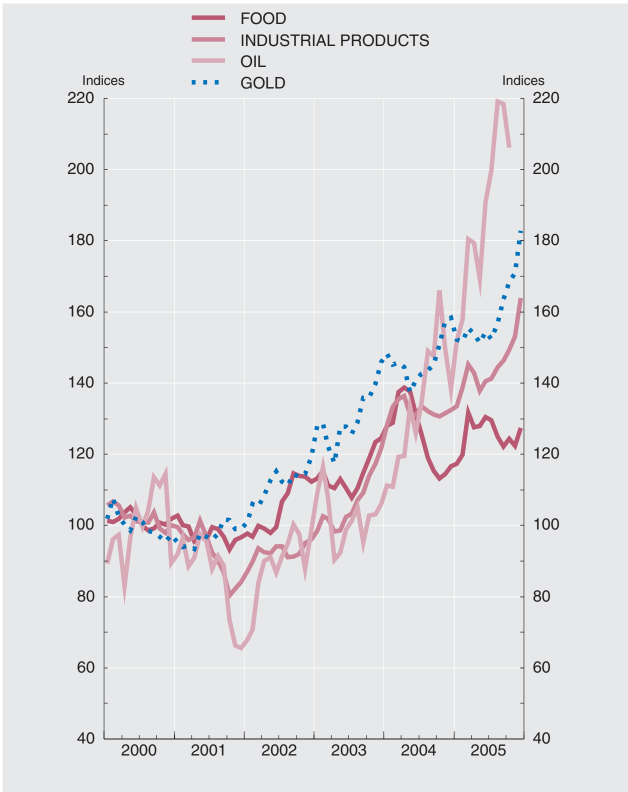
Base 2000 = 100

	Non-energy commodity price index (a)						Oil		Gold		
	Euro index	US dollar index					Index (b)	Brent North sea	Index (c)	US dollars per troy ounce	Euro per gram
	General	General	Food	Industrial products				US dollars per barrel			
				Total	Non-food agricul-tural products	Metals					
	1 ■	2 ■	3 ■	4 ■	5	6	7 ■	8	9 ■	10	11
00	103.8	101.6	101.4	102.2	101.9	100.8	100.0	28.5	100.0	279.0	9.68
01	100.2	95.0	97.7	91.9	94.8	88.4	86.1	24.6	97.2	271.1	9.74
02	99.3	99.5	105.2	92.4	101.0	84.7	88.5	25.0	111.1	310.0	10.55
03	92.2	110.7	114.4	106.2	118.7	95.5	102.3	28.9	130.3	363.6	10.33
04	97.4	128.3	125.5	132.2	131.5	130.7	133.8	38.3	146.7	409.2	10.58
04 *J-D*	97.4	128.3	125.5	132.2	131.5	130.7	133.8	38.3	146.7	409.2	10.58
05 *J-D*	100.0	134.0	125.5	144.8	131.2	152.1	...	54.2	159.5	445.1	11.53
04 *Nov*	88.3	121.7	114.5	131.4	118.5	138.8	149.6	43.0	157.5	439.4	10.87
Dec	86.7	123.4	116.6	132.4	118.0	140.9	138.4	39.7	158.4	441.8	10.60
05 *Jan*	89.5	124.4	117.3	133.4	121.2	140.4	151.9	44.1	152.2	424.6	10.40
Feb	91.2	128.1	119.9	138.7	127.2	145.0	157.8	45.4	151.8	423.4	10.46
Mar	96.5	137.6	131.7	145.2	132.1	152.4	180.4	53.3	155.4	433.5	10.57
Apr	96.0	134.2	127.6	142.8	129.7	149.9	179.4	51.1	153.9	429.2	10.67
May	96.6	132.3	128.0	137.8	129.2	142.5	169.3	48.0	151.4	422.3	10.69
Jun	102.8	134.9	130.5	140.6	129.7	146.1	190.9	54.0	154.4	430.7	11.39
Jul	103.5	134.7	129.6	141.2	135.6	144.3	199.7	57.7	152.3	424.9	11.34
Aug	100.7	133.5	124.9	144.5	130.3	152.2	219.1	64.3	157.0	437.9	11.45
Sep	100.3	132.6	122.1	146.2	134.6	152.5	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	...	55.0	170.9	476.7	13.01
Dec	111.6	143.3	127.3	163.9	136.0	179.0	...	56.5	182.8	509.9	13.81

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.

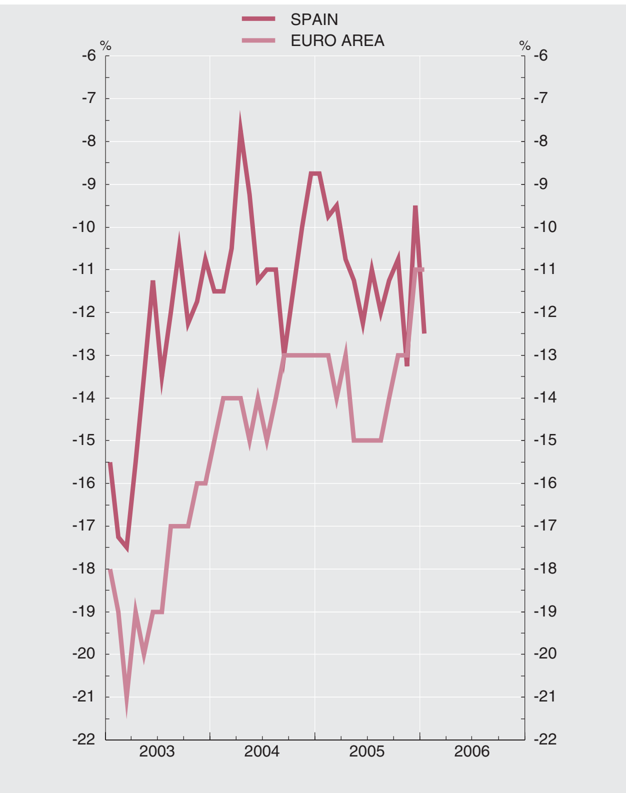
(c) Index of the London market's 15.30 fixing in dollars.

3.1. INDICATORS OF PRIVATE CONSUMPTION. SPAIN AND EURO AREA

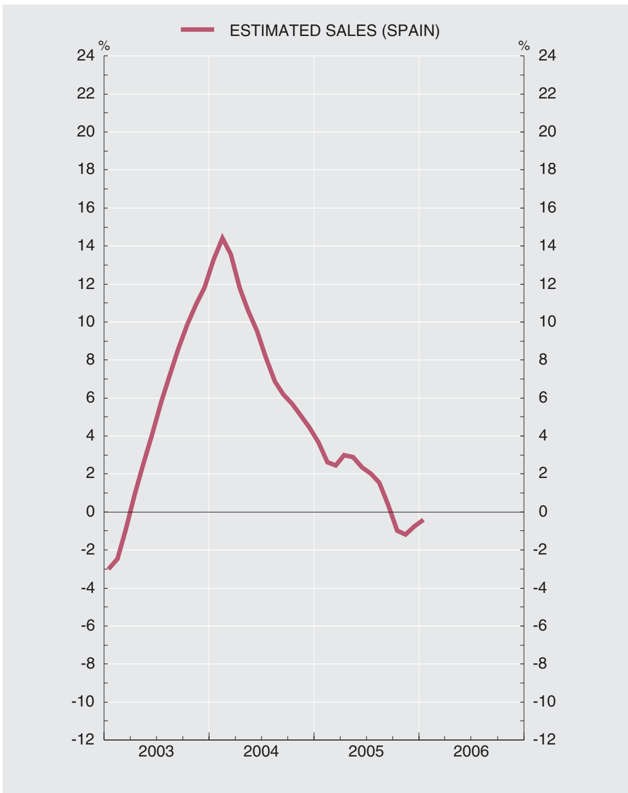
■ Series depicted in chart. *Annual percentage changes*

		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	-12	6.0	4.0	3.8	-1.5	5.7	2.9	5.2	0.8	4.2	0.4
04	P	-11	-4	-1	-6	-14	-8	10.8	12.2	9.8	0.9	5.5	2.8	4.4	0.4	4.5	0.8
05	P	-11	-7	-1	-5	-14	-8	1.4	1.9	0.8	1.2	4.4	1.3	3.2	0.1	2.1	...
05 *J-J*	P	-9	-2	-	-10	-13	-6	6.0	4.9	6.0	1.5	3.4	0.7	2.9	-1.5	2.0	1.2
06 *J-J*	P	-13	-10	-3	-10	-11	-4	...	...	-0.3	...	...	...	...	...	...	...
05 *Feb*	P	-10	-4	-1	-12	-13	-8	0.2	-2.0	-0.7	-2.3	4.3	1.3	4.1	1.0	1.4	1.5
Mar	P	-10	-5	-1	-7	-14	-10	-2.4	0.4	-3.4	1.7	4.8	1.7	6.2	1.5	1.7	1.6
Apr	P	-11	-7	-2	-2	-13	-8	7.7	14.0	6.5	1.0	7.3	3.7	6.1	1.1	5.5	-1.0
May	P	-11	-9	-1	-2	-15	-8	7.9	3.1	7.1	-4.2	4.6	1.9	1.6	-0.2	3.3	2.3
Jun	P	-12	-9	-2	-6	-15	-9	1.6	-0.7	1.8	6.1	4.3	1.4	0.8	-0.3	2.6	0.6
Jul	P	-11	-7	-	-4	-15	-10	-2.9	-3.1	-2.8	3.0	1.7	-1.3	-0.5	-1.6	-1.0	0.0
Aug	P	-12	-8	-	-4	-15	-9	9.4	9.1	9.5	7.4	6.4	3.3	5.0	2.0	4.4	1.6
Sep	P	-11	-7	-1	-5	-14	-8	5.4	6.3	4.6	4.5	5.6	1.8	4.1	1.5	2.0	0.9
Oct	P	-11	-7	-1	-4	-13	-4	-8.6	-6.3	-9.6	0.1	3.3	-0.1	1.6	-0.2	0.1	0.9
Nov	P	-13	-14	-3	-2	-13	-6	-3.2	0.5	-4.0	-2.0	3.6	0.4	1.1	-1.5	1.7	0.4
Dec	P	-10	-9	1	-5	-11	-4	0.8	2.0	-0.4	-1.8	4.2	0.6	4.8	-1.1	1.7	...
06 *Jan*	P	-13	-10	-3	-10	-11	-4	...	...	-0.3	...	...	...	...	...	...	...

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.

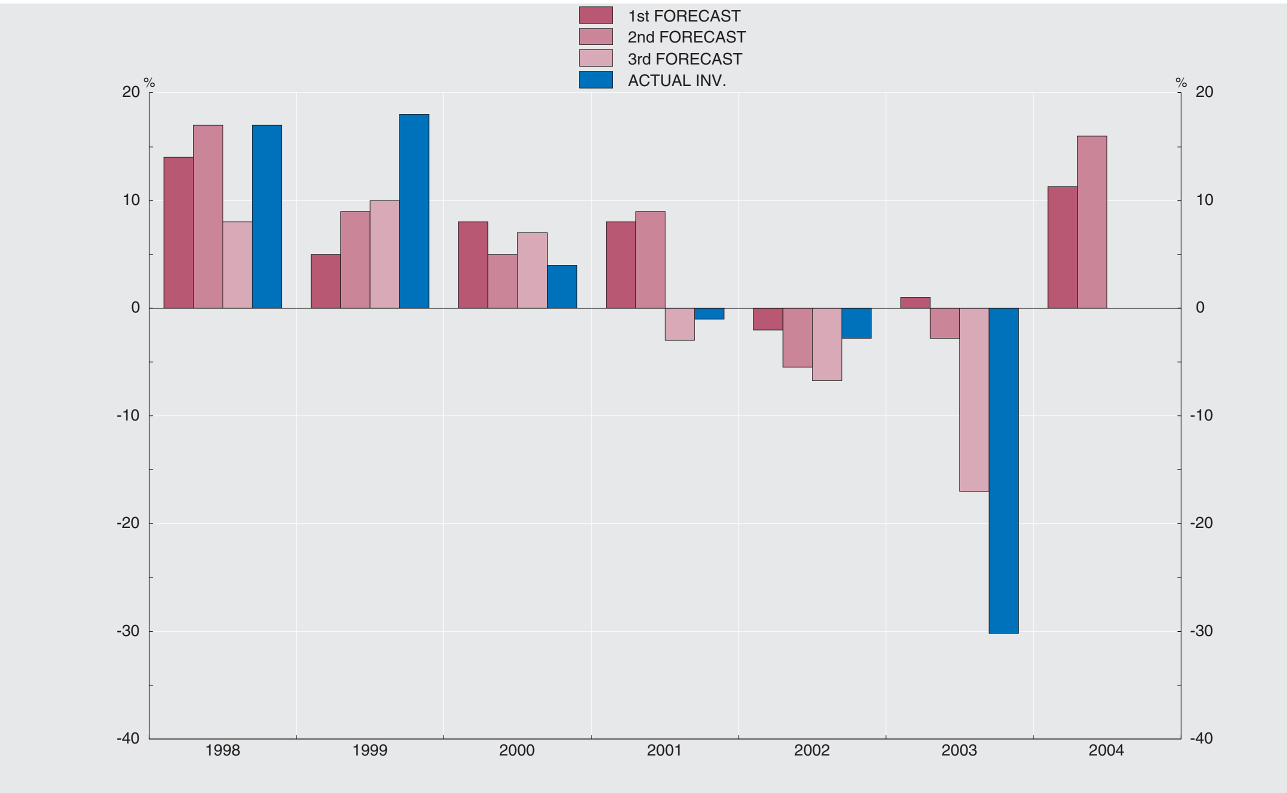
3.2. INVESTMENT IN INDUSTRY (EXCLUDING CONSTRUCTION): OPINION SURVEYS. SPAIN

■ Series depicted in chart.

Annual percentage changes at current prices

	ACTUAL INV. 1 ■	1st FORECAST 2 ■	2nd FORECAST 3 ■	3rd FORECAST 4 ■
98	17	14	17	8
99	18	5	9	10
00	4	8	5	7
01	-1	8	9	-3
02	-3	-2	-6	-7
03	-30	1	-3	-17
04	...	11	16	...

INVESTMENT IN INDUSTRY
Annual rates of change



Source: Ministerio de Industria, Turismo y Comercio.

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

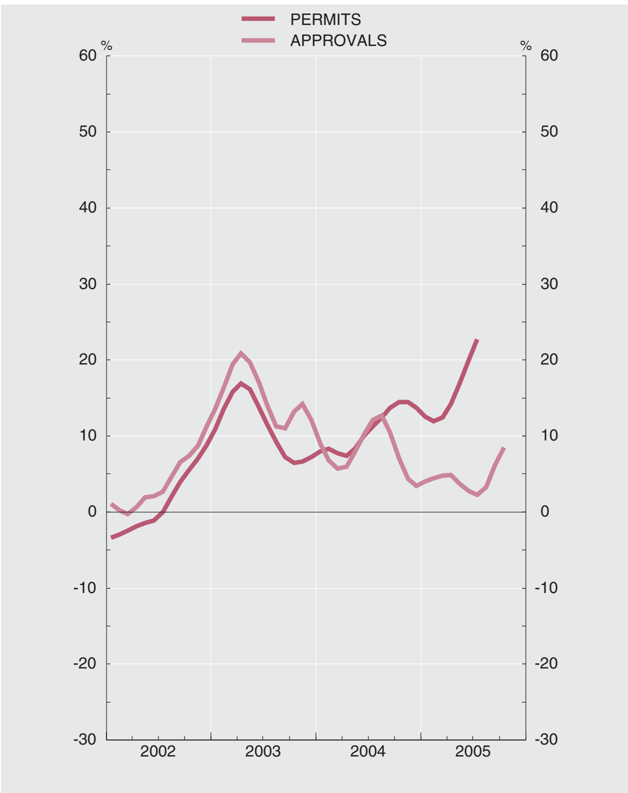
3.3. CONSTRUCTION. INDICATORS OF BUILDING STARTS AND CONSUMPTION OF CEMENT. SPAIN

■ Series depicted in chart.

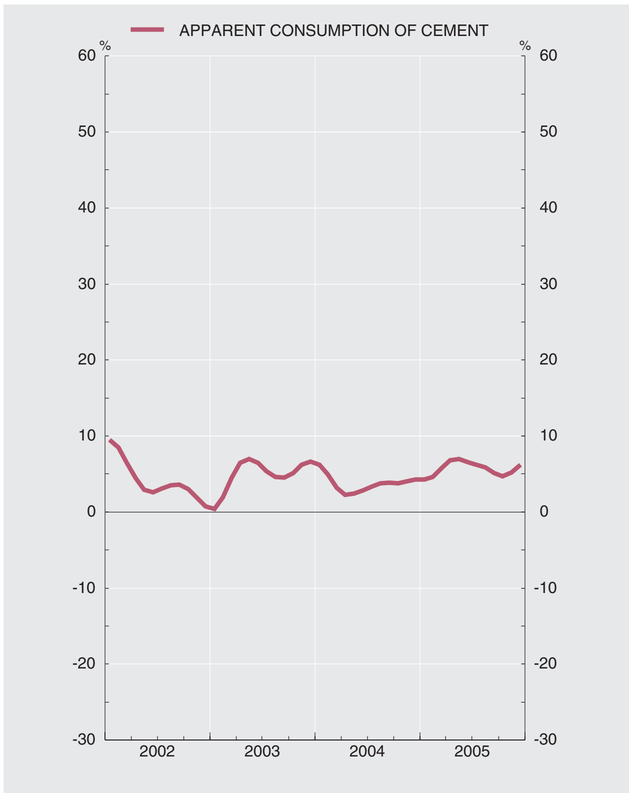
Annual percentage changes

	Permits: buildable floorage				Approvals: buildable floorage		Government tenders (budget)							Apparent consumption of cement
		of which				of which	Total		Building					
										of which				
	Total	Residential	Housing	Non-residential	Total	Housing	For the month	Year to date	Total	Residential	Housing	Non-residential	Civil engineering	
	1 ■	2	3	4	5 ■	6	7 ■	8	9	10	11	12	13	14 ■
02	-0.3	2.8	3.4	-11.7	3.0	4.1	13.1	13.1	-2.2	-15.2	3.9	3.4	20.0	4.7
03	12.4	14.6	14.7	3.0	17.5	19.9	-10.9	-10.9	-0.3	-11.7	35.4	3.8	-14.8	4.8
04	12.4	13.1	13.9	9.4	6.3	9.9	17.9	17.9	3.2	30.9	-0.5	-5.2	24.3	3.7
04 *J-D*	12.4	13.1	13.9	9.4	6.3	-0.5	17.9	17.9	3.2	30.9	-0.5	-5.2	24.3	3.7
05 *J-D*	...	...	...	...	...	...	...	...	...	...	...	...	...	5.2
04 *Sep*	27.9	31.2	29.0	14.0	10.1	13.7	-12.6	13.4	6.6	91.6	71.1	-8.8	-19.3	4.9
Oct	6.0	9.5	10.6	-9.5	-5.7	-4.5	4.4	12.6	65.7	65.7	6.8	65.8	-14.0	-6.3
Nov	39.3	44.5	44.8	15.4	14.8	16.1	60.0	15.2	160.2	176.1	175.8	156.6	28.8	12.8
Dec	16.4	22.0	21.0	-4.8	-5.8	-0.5	55.9	17.9	144.6	365.4	259.0	102.5	20.5	6.1
05 *Jan*	4.4	6.0	4.9	-2.8	4.7	13.2	63.0	63.0	21.0	117.9	-17.8	-0.8	74.6	1.4
Feb	2.3	4.9	6.3	-8.7	6.8	5.8	-38.7	4.7	25.8	-52.7	91.5	84.6	-52.2	1.4
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	150.7	-32.6	4.9
Jul	26.0	21.8	21.0	46.1	-2.5	-10.7	-30.5	7.2	8.4	66.0	-23.2	-10.2	-42.4	-0.1
Aug	...	...	...	...	-6.0	-1.8	17.4	8.7	11.9	-23.9	559.0	50.4	19.4	15.9
Sep	...	...	...	...	20.9	19.9	90.0	12.9	48.1	9.1	2.7	63.0	109.1	3.1
Oct	...	...	...	...	3.1	4.9	49.5	15.6	12.6	-33.0	87.6	28.9	70.8	2.6
Nov	...	...	...	...	...	...	...	...	...	...	...	...	...	1.6
Dec	...	...	...	...	...	...	...	...	...	...	...	...	...	6.7

CONSTRUCTION
Trend obtained with TRAMO-SEATS



CONSTRUCTION
Trend obtained with TRAMO-SEATS



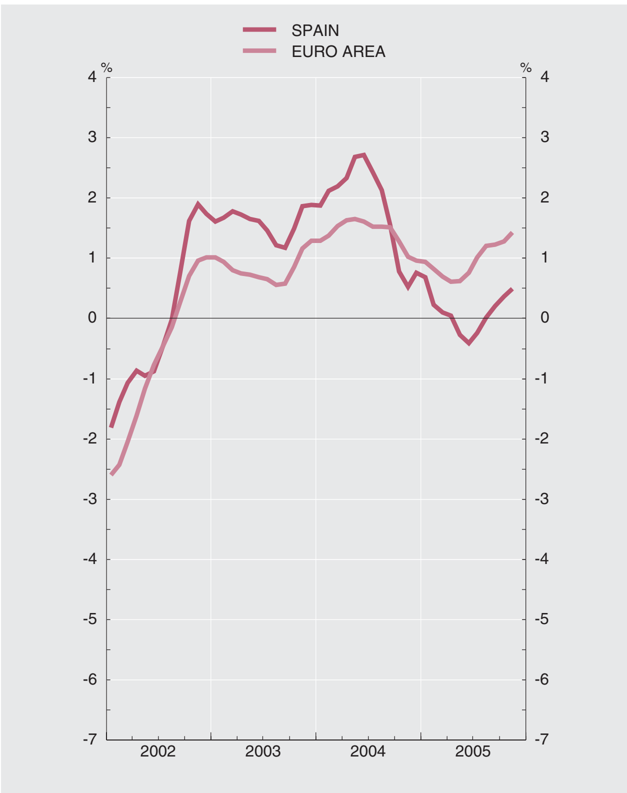
Sources: Ministerio de Fomento and Asociación de Fabricantes de Cemento de España.
Note: The underlying series for this indicator are in Tables 23.7, 23.8, and 23.9 of the BE Boletín estadístico.

3.4. INDUSTRIAL PRODUCTION INDEX. SPAIN AND EURO AREA

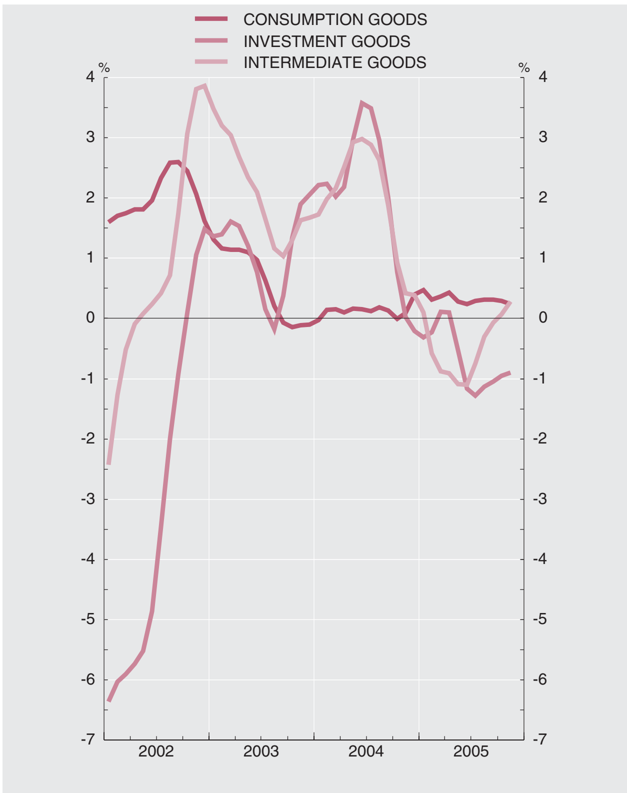
■ Series depicted in chart. *Annual percentage changes*

		Overall Index		By end-use of goods				By branch of activity			Memorandum item: euro area				
		Total		Consum-ption	Investment	Inter-mediate goods	Energy	Mining and quarrying	Manufac-turing	Produc-tion and distribu-tion of electri-city, gas and water	Total	of wich	By end-use of goods		
		Original series	12-month %change 12									Manufac-turing	Consum-ption	Investment	Inter-mediate goods
		1	2 ■	3 ■	4 ■	5 ■	6	7	8	9	10 ■	11	12	13	14
02	M P	98.9	0.1	2.3	-4.9	1.4	0.0	-0.5	0.4	0.0	-0.6	-0.8	-0.4	-1.7	-0.1
03	M P	100.5	1.6	0.5	0.8	2.1	3.9	0.0	1.5	2.9	0.3	-0.0	-0.5	-0.2	0.4
04	M P	102.3	1.8	0.0	1.9	1.9	4.9	-4.8	1.2	7.0	2.0	2.0	0.5	3.0	1.8
04 *J-N*	M P	102.9	1.8	-0.1	2.3	1.9	4.9	-5.3	1.3	7.0	2.0	2.1	0.4	3.3	1.9
05 *J-N*	M P	102.9	-0.1	0.3	-1.0	-0.8	2.7	-3.7	-0.4	3.8	1.0	1.0	0.5	2.2	0.9
04 *Aug*	P	73.3	5.3	4.6	6.6	7.9	1.9	-5.5	6.0	3.1	1.8	2.2	0.2	4.8	1.5
Sep	P	107.7	3.8	2.5	6.6	2.5	7.0	-7.4	3.4	9.6	3.7	3.7	0.7	6.5	3.2
Oct	P	104.8	-7.0	-9.1	-10.2	-5.9	-0.6	-16.4	-8.0	4.1	1.2	1.2	-1.0	4.6	1.2
Nov	P	109.6	4.3	4.5	4.1	3.5	6.1	3.6	3.9	7.6	0.8	0.1	-0.6	0.6	0.8
Dec	P	95.5	1.2	1.4	-1.7	1.1	4.8	2.3	0.4	6.4	1.3	0.9	0.9	-0.1	0.9
05 *Jan*	P	96.8	0.8	1.1	-4.7	0.6	7.8	-10.1	-0.3	10.9	1.7	2.3	0.4	3.2	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	1.3	0.4
Mar	P	105.0	-6.7	-7.0	-6.7	-8.7	-0.4	-16.2	-7.7	2.9	-0.1	-1.0	-2.1	1.9	-0.5
Apr	P	107.2	7.4	9.7	11.6	6.1	0.8	-	8.2	2.1	1.3	2.1	0.6	3.2	0.6
May	P	106.9	0.1	-0.1	1.7	-0.6	1.0	5.1	-0.2	2.3	0.1	-0.3	0.4	0.5	-0.4
Jun	P	110.1	-0.2	1.1	-1.4	-1.2	1.7	1.6	-0.5	3.0	0.7	0.5	0.4	2.4	-1.2
Jul	P	106.3	-3.5	-2.8	-6.2	-4.5	2.1	-3.4	-4.1	2.6	0.6	0.0	-0.2	2.6	-0.6
Aug	P	76.0	3.7	4.2	5.7	4.8	-0.7	5.9	4.3	-0.4	2.6	3.0	3.5	2.4	3.4
Sep	P	107.9	0.2	0.5	-2.2	-0.1	3.9	-1.7	-	2.1	1.2	1.6	1.8	2.7	1.0
Oct	P	104.7	-0.1	-	-0.8	-1.0	3.8	-4.8	-0.2	1.5	0.2	0.7	0.9	0.1	1.3
Nov	P	110.5	0.8	0.4	-2.1	1.0	5.6	-2.6	0.3	6.3	2.6	3.1	0.9	4.1	3.5

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.

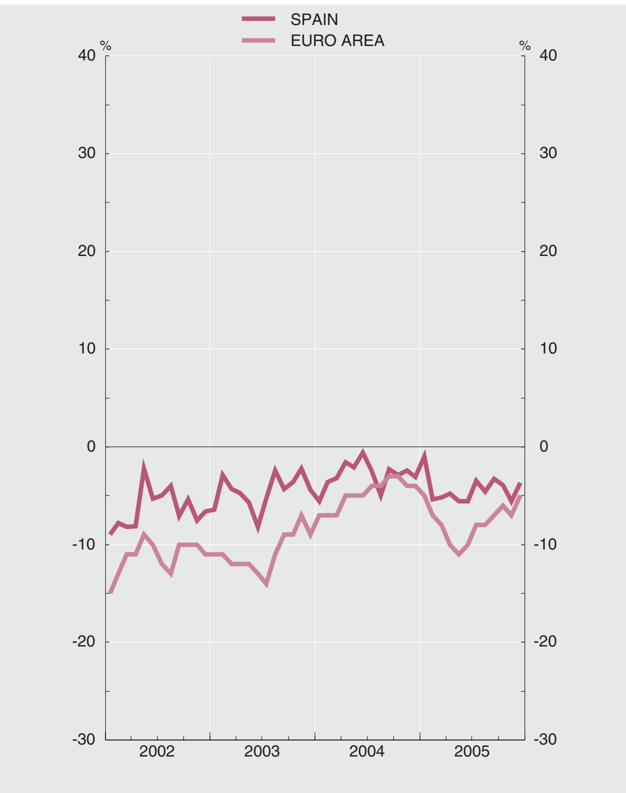
3.5. MONTHLY BUSINESS SURVEY: INDUSTRY AND CONSTRUCTION. SPAIN AND EURO AREA

■ Series depicted in chart.

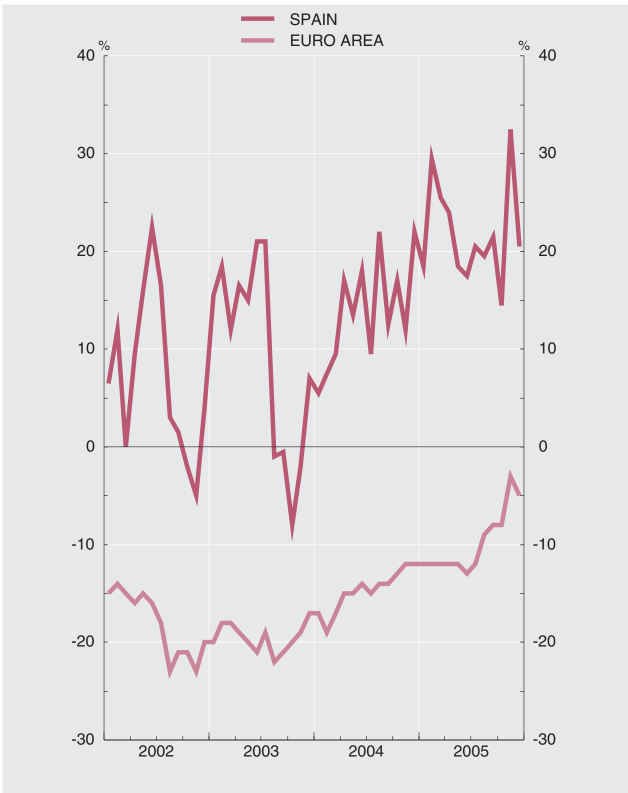
Percentage balances

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

INDUSTRIAL BUSINESS CLIMATE
Percentage balances



CONSTRUCTION BUSINESS CLIMATE
Percentage balances



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

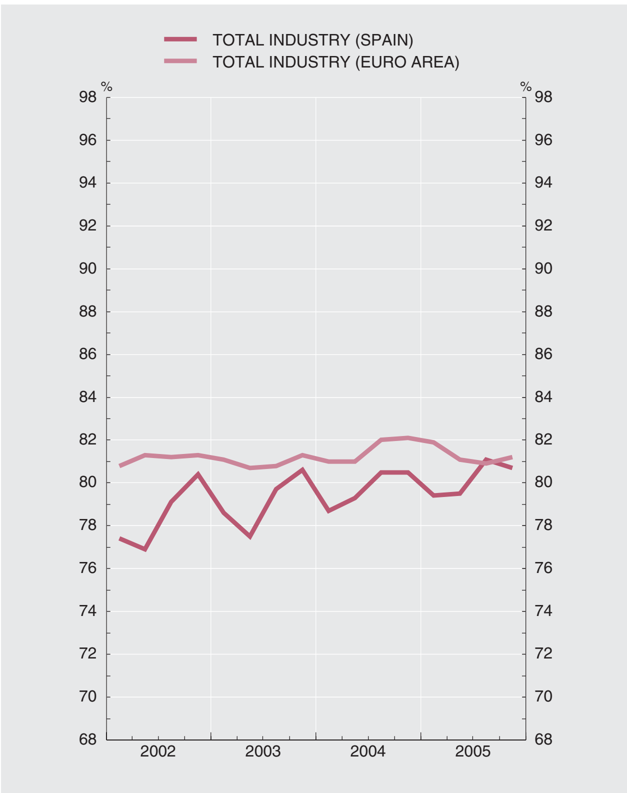
3.6. BUSINESS SURVEY: CAPACITY UTILISATION. SPAIN AND EURO AREA

■ Series depicted in chart.

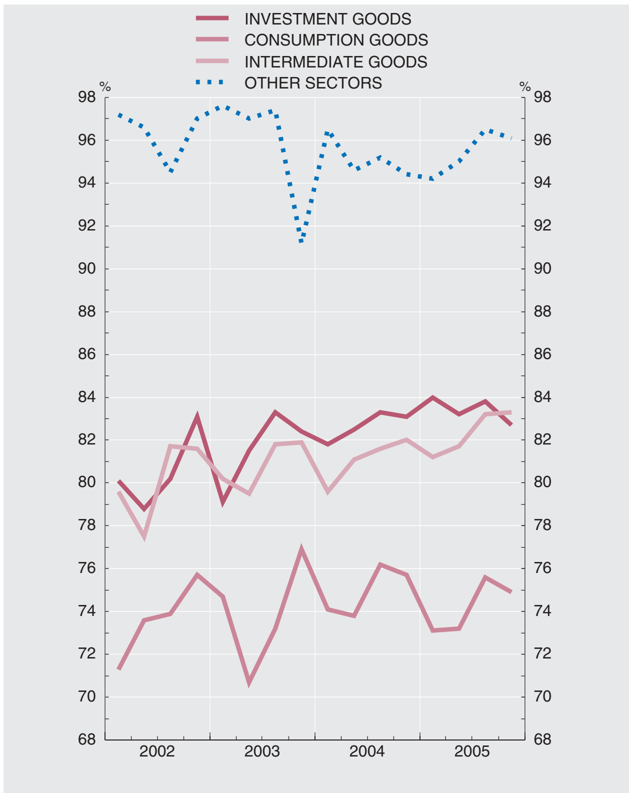
Percentages and percentage balances

	Total industry: Capacity utilisation: Over last three months (%)	Total industry: Capacity utilisation: Forecast (%)	Total industry: Installed capacity (Percentage balances)	Consumer goods: Capacity utilisation: Over last three months (%)	Consumer goods: Capacity utilisation: Forecast (%)	Consumer goods: Installed capacity (Percentage balances)	Investment goods: Capacity utilisation: Over last three months (%)	Investment goods: Capacity utilisation: Forecast (%)	Investment goods: Installed capacity (Percentage balances)	Intermediate goods: Capacity utilisation: Over last three months (%)	Intermediate goods: Capacity utilisation: Forecast (%)	Intermediate goods: Installed capacity (Percentage balances)	Other sectors: Capacity utilisation: Over last three months (%)	Other sectors: Capacity utilisation: Forecast (%)	Other sectors: Installed capacity (Percentage balances)	Memorandum item: euro area capacity utilisation (%)
	1 ■	2	3	4 ■	5	6	7 ■	8	9	10 ■	11	12	13 ■	14	15	16 ■
02	78.5	80.4	6	73.6	76.0	6	80.6	82.6	12	80.1	81.7	3	96.3	96.4	-	81.2
03	79.1	80.9	6	73.9	76.7	7	81.6	83.0	7	80.9	82.2	5	95.8	95.6	-1	81.0
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
04 *Q1-Q4*	79.8	81.0	6	75.0	76.6	7	82.7	83.5	6	81.1	82.3	5	95.2	95.2	2	81.5
05 *Q1-Q4*	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
03 *Q2*	77.5	80.0	5	70.7	75.4	7	81.5	82.2	5	79.5	81.4	4	97.0	97.4	-2	80.7
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	81.2

CAPACITY UTILISATION. TOTAL INDUSTRY
Percentages



CAPACITY UTILISATION. BY TYPE OF GOOD
Percentages



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

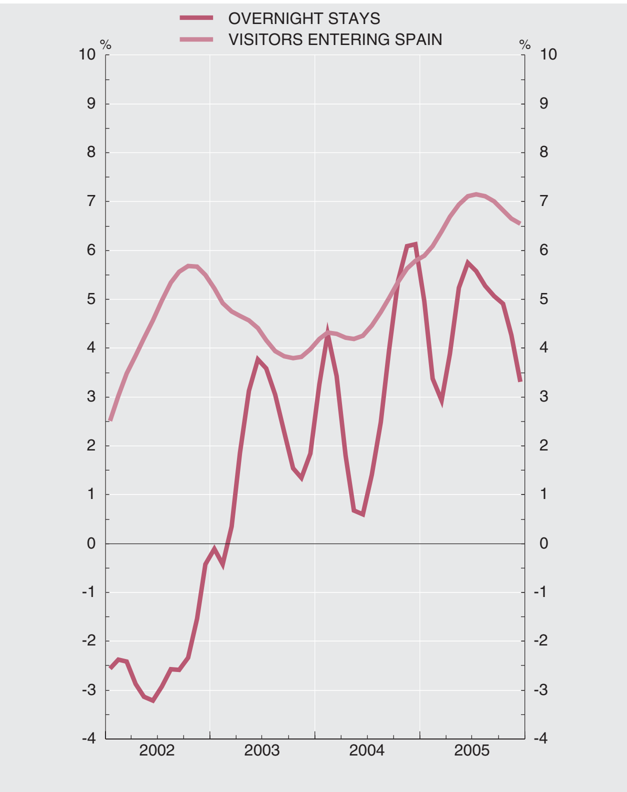
3.7. TOURISM AND TRANSPORT STATISTICS. SPAIN

■ Series depicted in chart.

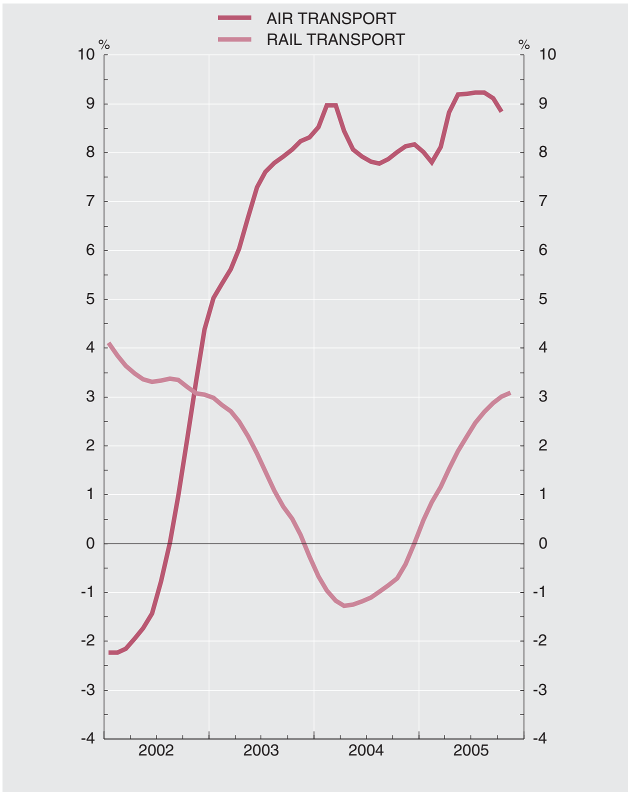
Annual percentage changes

		Hotel stays (a): Total	Hotel stays (a): Foreigners	Overnight stays: Total ■	Overnight stays: Foreigners	Visitors entering Spain: Total ■	Visitors entering Spain: Tourists	Visitors entering Spain: Day-trippers	Air transport: Passengers: Total ■	Air transport: Passengers: Domestic flights	Air transport: Passengers: International flights	Air transport: Freight	Maritime transport: Passengers	Maritime transport: Freight	Rail transport: Passengers ■	Rail transport: Freight
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
02		-0.1	-1.5	-2.7	-5.3	5.7	4.5	8.3	-1.0	-2.2	-0.3	-0.7	4.2	5.0	3.8	2.8
03		3.8	2.2	2.4	0.7	2.9	-2.8	13.6	7.4	8.1	7.0	0.5	-3.3	4.8	1.4	2.1
04	P	6.8	1.4	3.0	-1.3	4.4	3.1	6.6	8.0	9.8	6.8	9.1	10.6	6.8	-1.5	-2.1
04 *J-D*	P	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 *J-D*	P	5.7	5.3	4.6	3.4	7.1	6.0	8.9	...	...	...	...	...	...	...	...
04 *Sep*		7.3	4.0	3.6	1.8	4.4	6.1	1.2	6.8	7.1	6.6	11.0	-1.0	10.0	2.1	-10.0
Oct		12.5	3.4	7.9	2.3	10.2	8.2	13.6	9.7	8.7	10.2	0.6	19.7	3.4	-6.2	-29.4
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	P	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	6.9	7.5	6.9	6.9	3.2	4.9	1.3	9.9	10.0	9.7	4.2	9.8	44.1	4.3	-3.5
Feb	P	2.0	0.8	1.2	-0.8	1.2	-0.8	3.8	2.9	5.5	0.7	-1.1	-18.5	5.3	1.2	-12.8
Mar	P	10.5	0.1	9.5	-2.2	17.8	16.3	20.0	12.2	14.1	10.8	-3.3	33.6	8.9	-0.5	-22.8
Apr	P	-1.4	-3.6	-6.7	-5.5	-0.7	0.0	-1.7	5.4	12.3	0.4	8.1	-18.0	5.7	15.9	-0.8
May	P	8.1	3.8	8.0	2.3	7.6	5.4	11.6	11.2	17.8	6.8	-6.9	-11.1	7.1	5.3	-3.5
Jun	P	6.4	8.4	5.0	4.6	11.0	7.8	17.0	8.8	13.7	5.6	-3.4	-4.4	11.4	3.7	-4.8
Jul	P	7.5	7.7	6.6	5.0	10.4	7.7	15.5	11.9	17.5	8.5	-6.9	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	...	...	2.0	31.3
Nov	P	9.0	9.9	7.1	7.2	5.7	7.7	3.1	...	...	...	...	...	...	3.2	...
Dec	P	3.8	7.9	0.8	2.9	5.0	2.8	7.5	...	...	...	...	...	...	...	...

TOURISM
Trend obtained with TRAMO-SEATS



TRANSPORT
Trend obtained with TRAMO-SEATS



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

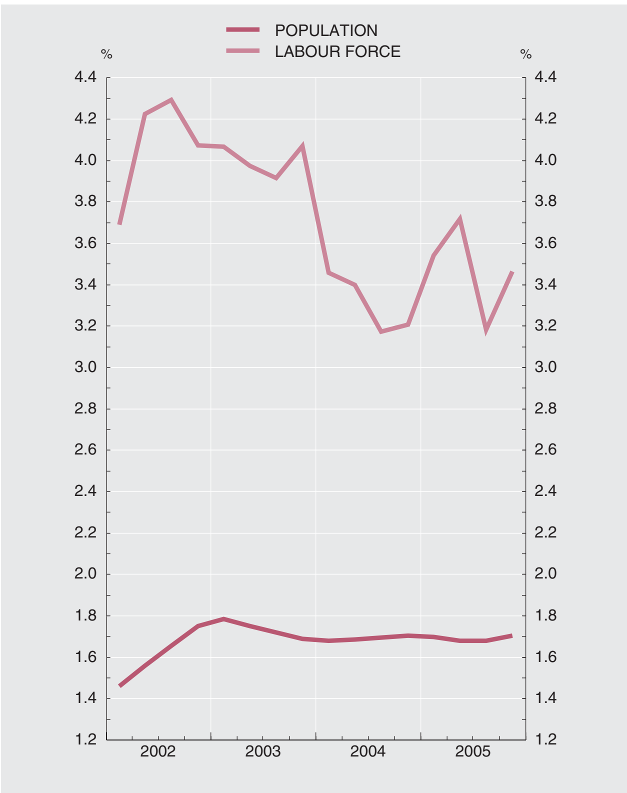
4.1. LABOUR FORCE. SPAIN

■ Series depicted in chart.

Thousands and annual percentage changes

	Population over 16 years of age			Participation rate (%) (a)	Labour force				
						Annual change (b)			
	Thousands	Annual change	4-quarter % change		Thousands (a)	Total	Due to change in population over 16 years of age	Due to change in partici- pation rate	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

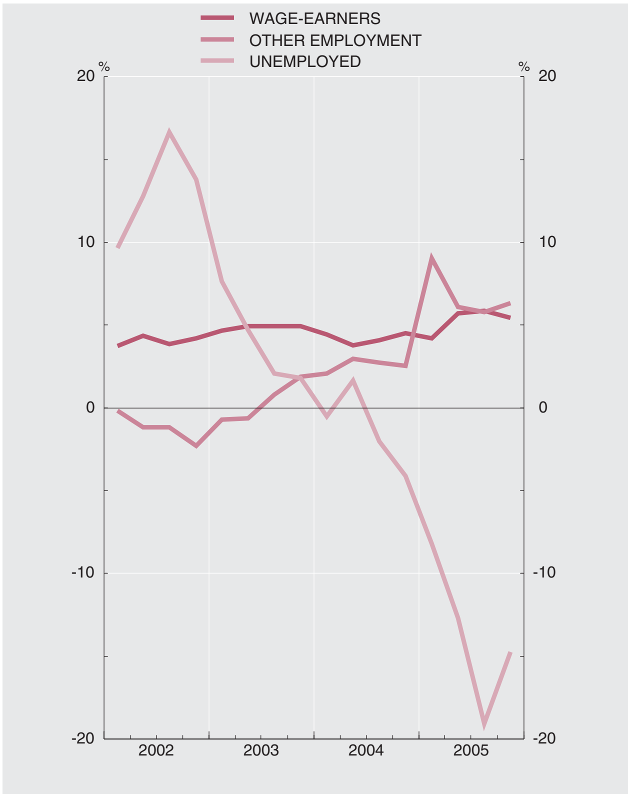
■ Series depicted in chart.

Thousands and annual percentage changes

	Employment									Unemployment			Unem-ployment rate (a)	Memorandum item: euro area	
	Total			Wage-earners			Other								
	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands (a)	Annual change	4-quarter % change		Employ-ment 4-quarter % change	Unem-ployment rate
	1	2	3 ■	4	5	6 ■	7	8	9 ■	10	11	12 ■	13	14	15
02 M	16 630	484	3.0	13 472	522	4.0	3 158	-38	-1.2	2 155	251	13.2	11.47	0.7	8.27
03 M	17 296	666	4.0	14 127	656	4.9	3 169	10	0.3	2 242	87	4.0	11.48	0.3	8.72
04 M	17 971	675	3.9	14 721	593	4.2	3 250	82	2.6	2 214	-29	-1.3	10.97	0.7	8.86
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	8.86
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	...	...
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	8.84
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	8.88
Q2	17 866	625	3.6	14 609	531	3.8	3 256	93	3.0	2 227	36	1.6	11.08	0.6	8.88
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	8.86
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	0.8	8.77
Q2	18 895	1 029	5.8	15 440	831	5.7	3 455	198	6.1	1 945	-282	-12.7	9.33	0.7	8.62
Q3	19 191	1 062	5.9	15 750	874	5.9	3 442	188	5.8	1 765	-416	-19.1	8.42	0.7	8.40
Q4	19 314	1 026	5.6	15 842	819	5.5	3 473	207	6.3	1 841	-318	-14.7	8.70	...	...

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.

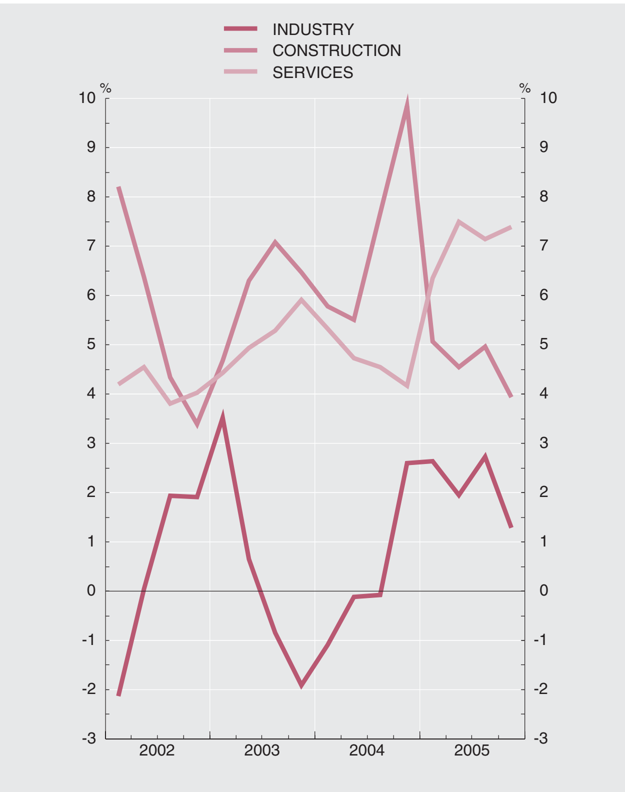
4.3. EMPLOYMENT BY BRANCH OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

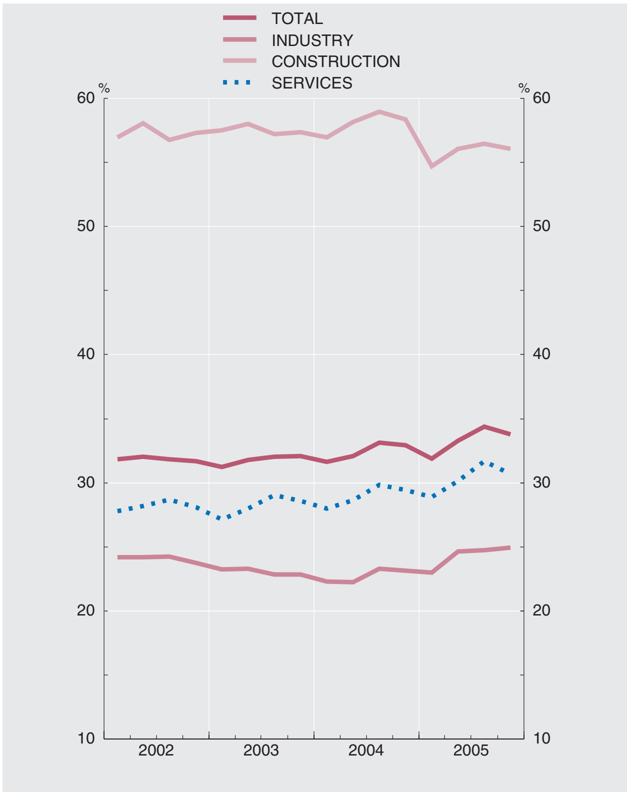
Annual percentage changes

	Total			Agriculture			Industry			Construction			Services			Memorandum item: employment in		
	Employ-ment	Wage-earners	Proportion of temporary employment	Employ-ment	Wage-earners	Proportion of temporary employment	Employ-ment	Wage-earners	Proportion of temporary employment	Employ-ment	Wage-earners	Proportion of temporary employment	Employ-ment	Wage-earners	Proportion of temporary employment	Branches other than agriculture	Branches other than agriculture excluding general government	Services excluding general government
	1	2	3 ■	4	5	6	7 ■	8	9 ■	10 ■	11	12 ■	13 ■	14	15 ■	16	17	18
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.

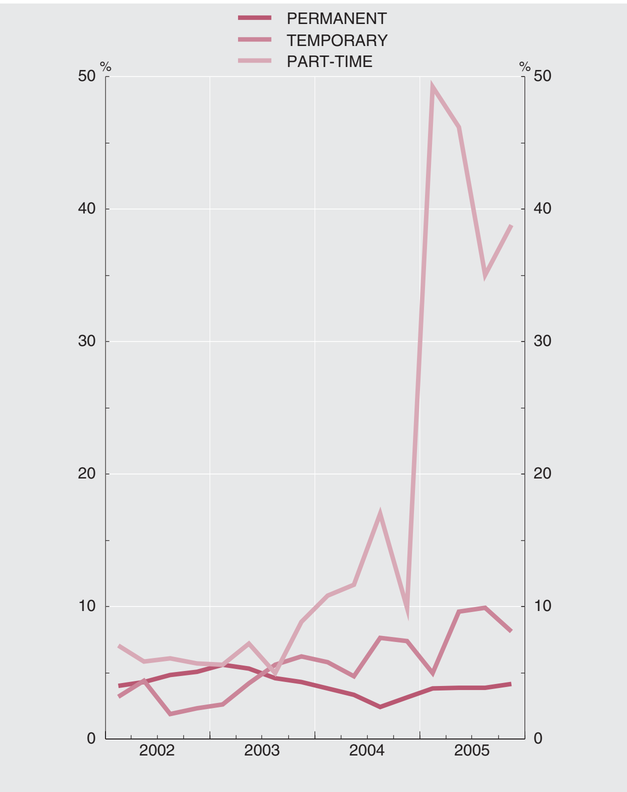
4.4. WAGE-EARNERS BY TYPE OF CONTRACT AND UNEMPLOYMENT BY DURATION. SPAIN. (a)

■ 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.

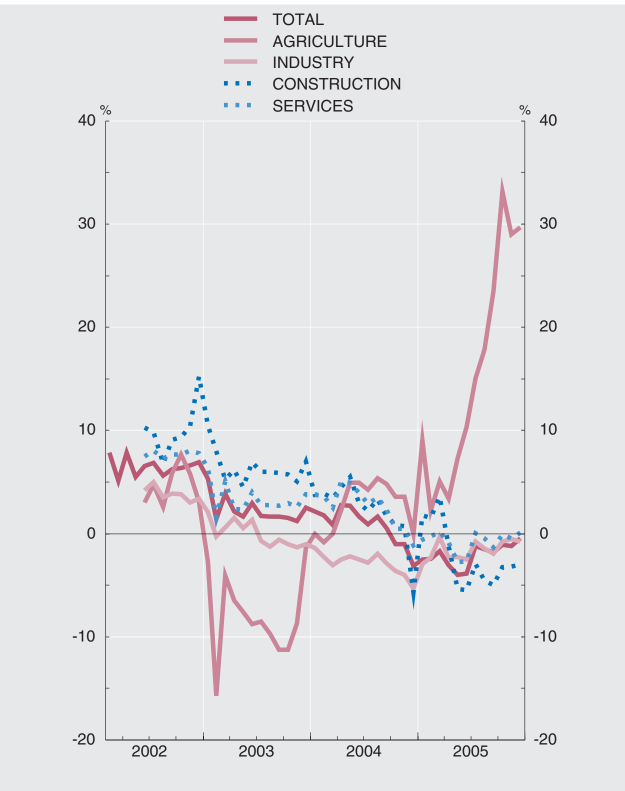
4.5. REGISTERED UNEMPLOYMENT BY BRANCH OF ACTIVITY. CONTRACTS AND PLACEMENTS. SPAIN

■ Series depicted in chart.

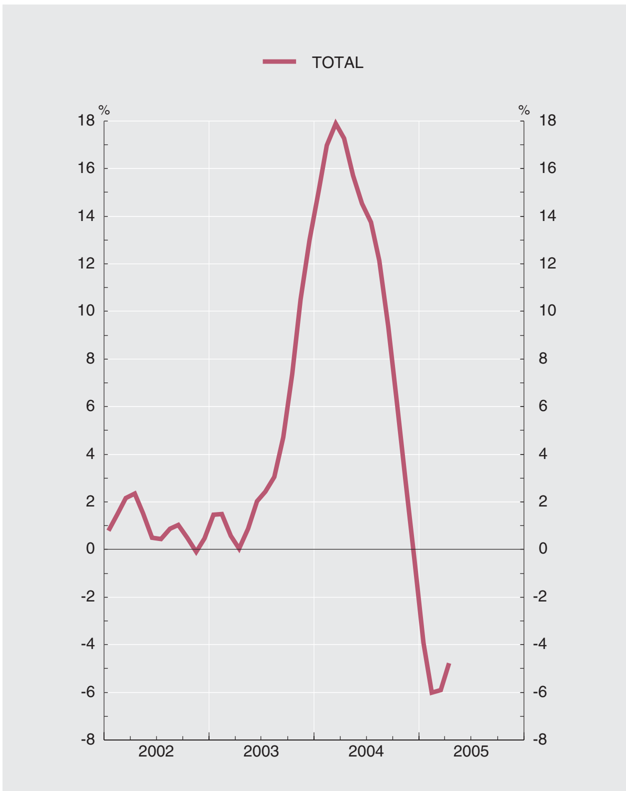
Thousands, annual percentage changes and %

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

REGISTERED UNEMPLOYMENT
Annual percentage changes



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



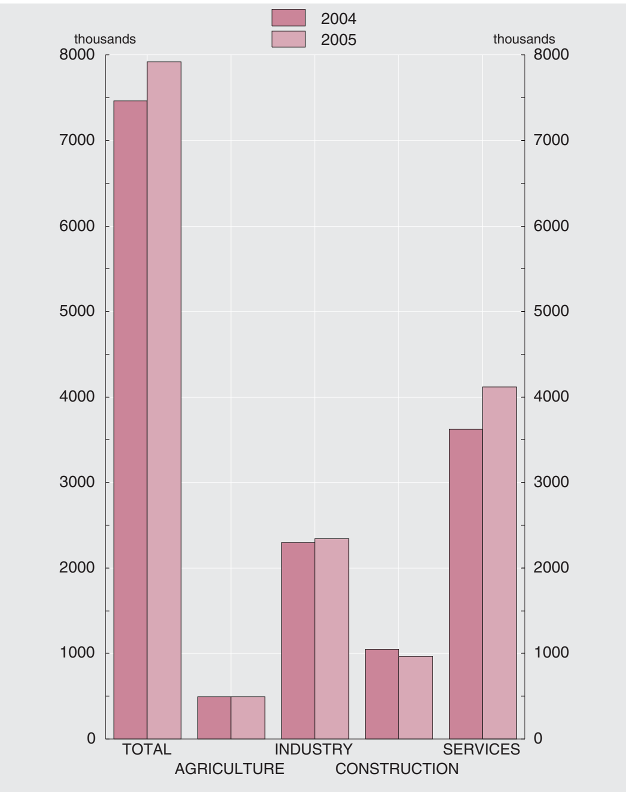
Source: Instituto de Empleo Servicio Público de Empleo Estatal (INEM).
Note: The underlying series for this indicator are in Tables 24.16 and 24.17 of the BE Boletín estadístico.

4.6. COLLECTIVE BARGAINING AGREEMENTS

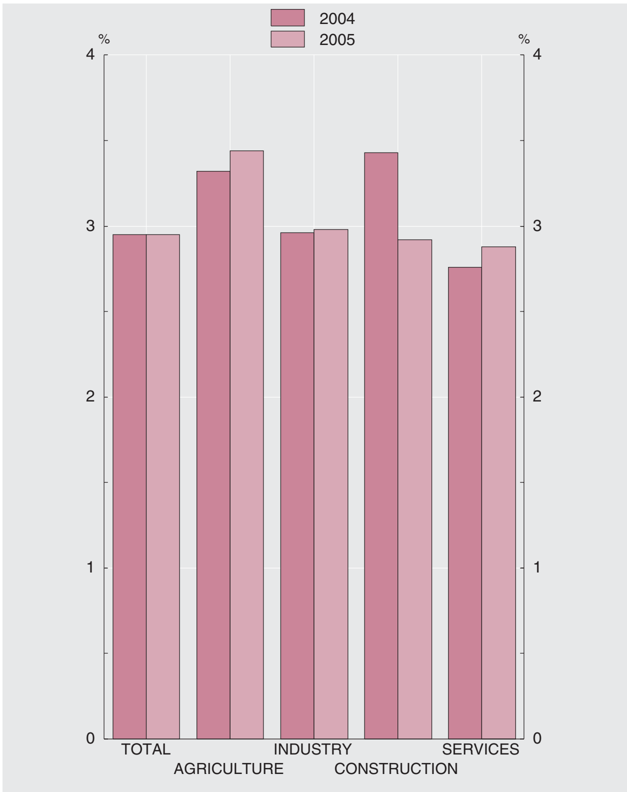
■ Series depicted in chart. *Thousands and %*

	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 ■
02	9 697	3.85	5 528	2 280	7 808	202	589	2 538	771	3 910	2.82	3.62	3.05	3.49	2.84	3.52	3.03
03	9 995	3.68	5 482	2 665	8 147	339	711	2 421	848	4 166	3.49	3.53	3.50	3.59	3.21	4.75	3.41
04	9 592	3.61	5 207	2 594	7 801	-347	629	2 351	1 046	3 774	2.93	3.04	2.96	3.53	2.96	3.43	2.75
04 *Jun*	9 394	3.59	4 539	520	5 059	12	247	1 435	583	2 795	2.89	2.98	2.90	3.00	3.05	3.41	2.71
Jul	9 402	3.59	4 797	796	5 593	213	253	1 512	667	3 162	2.89	2.99	2.90	3.01	3.04	3.41	2.72
Aug	9 403	3.59	4 842	1 131	5 973	-96	262	1 731	763	3 216	2.89	2.98	2.91	3.04	2.98	3.41	2.74
Sep	9 479	3.60	5 005	1 743	6 748	-212	325	2 094	877	3 451	2.90	2.93	2.90	2.99	2.96	3.41	2.73
Oct	9 590	3.61	5 073	1 943	7 017	-460	331	2 229	927	3 530	2.90	2.92	2.91	2.95	2.96	3.41	2.74
Nov	9 591	3.61	5 187	2 279	7 466	-341	497	2 301	1 046	3 622	2.93	3.00	2.95	3.32	2.96	3.43	2.76
Dec	9 592	3.61	5 207	2 594	7 801	-347	629	2 351	1 046	3 774	2.93	3.04	2.96	3.53	2.96	3.43	2.75
05 *Jan*	7 386	2.92	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	7 403	2.92	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	7 454	2.92	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	7 765	2.94	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	7 909	2.95	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	7 919	2.95	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	7 922	2.95	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	7 922	2.95	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	7 923	2.95	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	7 923	2.95	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	7 923	2.95	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

EMPLOYEES AFFECTED
January-November



AVERAGE WAGE SETTLEMENT
January-November



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

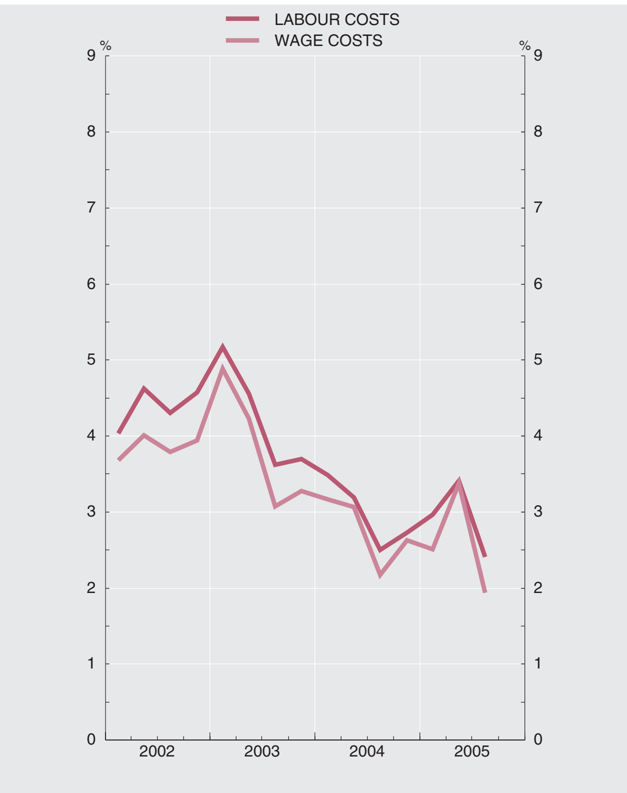
4.7. QUARTERLY LABOUR COSTS SURVEY

■ Series depicted in chart.

Annual percentage change

	Labour costs: Monthly earnings: Total ■	Labour costs: Monthly earnings: Industry	Labour costs: Monthly earnings: Construction	Labour costs: Monthly earnings: Services	Labour costs: Per hour worked ■	Wage costs: Monthly earnings: Total ■	Wage costs: Monthly earnings: Industry	Wage costs: Monthly earnings: Construction	Wage costs: Monthly earnings: Services	Wage costs: Per hour worked	Other costs per worker and month	memorandum item: euro area total hourly labour costs (a) ■
	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-Q3* M	3.1	3.4	5.7	2.7	3.1	2.8	3.3	4.6	2.5	2.8	3.8	2.7
05 *Q1-Q3* M	2.9	3.1	2.9	3.2	3.7	2.6	2.6	2.3	3.0	3.3	3.8	...
03 *Q1*	5.2	5.2	6.0	5.0	3.7	4.9	5.0	5.1	4.8	3.3	6.0	3.2
Q2	4.6	5.5	6.3	4.0	8.4	4.2	5.1	4.9	3.9	8.0	5.5	3.3
Q3	3.6	4.4	6.4	2.9	3.7	3.1	3.7	5.1	2.6	3.1	5.2	2.6
Q4	3.7	3.9	6.3	3.3	3.4	3.3	3.7	5.1	3.0	3.0	5.0	2.3
04 *Q1*	3.5	4.3	6.0	2.9	4.4	3.2	4.0	5.2	2.7	4.1	4.4	3.1
Q2	3.2	2.7	5.5	3.2	2.6	3.1	2.9	4.1	3.2	2.5	3.5	2.5
Q3	2.5	3.2	5.5	1.9	2.3	2.2	3.3	4.6	1.6	2.0	3.4	2.5
Q4	2.7	3.4	4.0	2.4	5.8	2.6	3.3	3.1	2.5	5.7	3.0	2.5
05 *Q1*	3.0	3.6	3.2	2.9	6.3	2.5	3.2	2.4	2.5	5.8	4.2	3.1
Q2	3.4	3.7	3.3	3.6	1.5	3.4	3.1	3.3	3.8	1.5	3.5	...
Q3	2.4	2.1	2.2	2.9	3.3	1.9	1.5	1.3	2.6	2.8	3.7	...

PER WORKER AND MONTH
Annual percentage change



PER HOUR WORKED
Annual percentage change

Sources: INE (Quarterly labour costs survey) and Eurostat.
Note: The underlying series for this indicator are in Tables 24.25, 24.26 and 24.27 of de BE Boletín estadístico.
a. Whole economy, excluding the agriculture, public administration, education and health sectors.

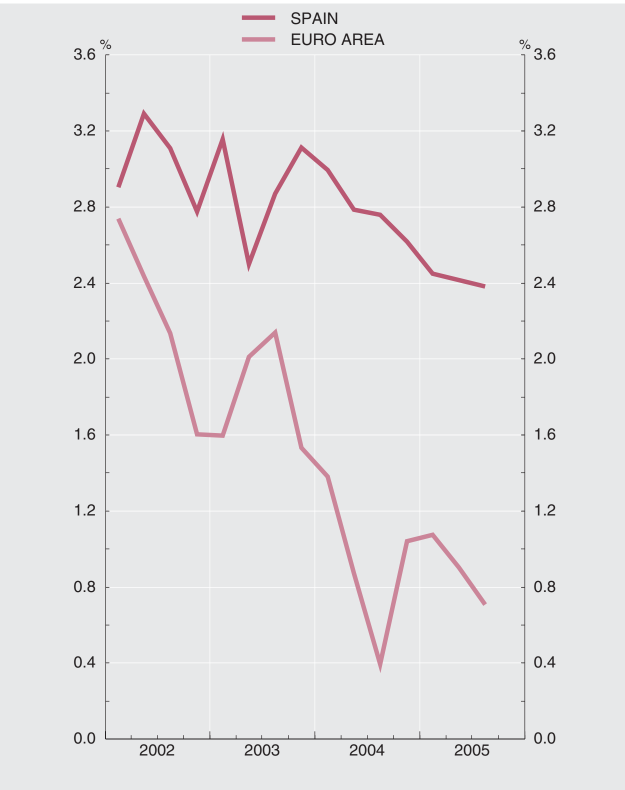
4.8. UNIT LABOUR COSTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

Annual percentage changes

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

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.

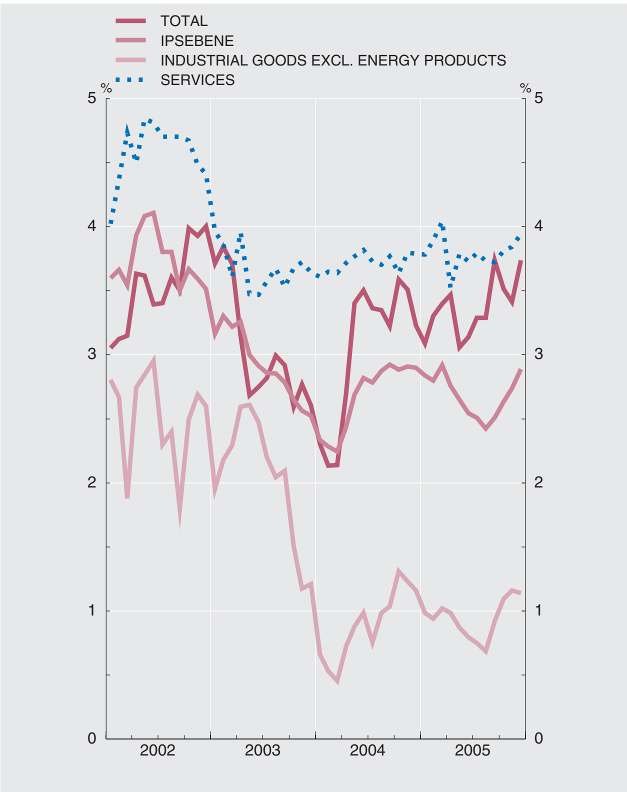
5.1. CONSUMER PRICE INDEX. SPAIN (2001=100) (a)

■ Series depicted in chart.

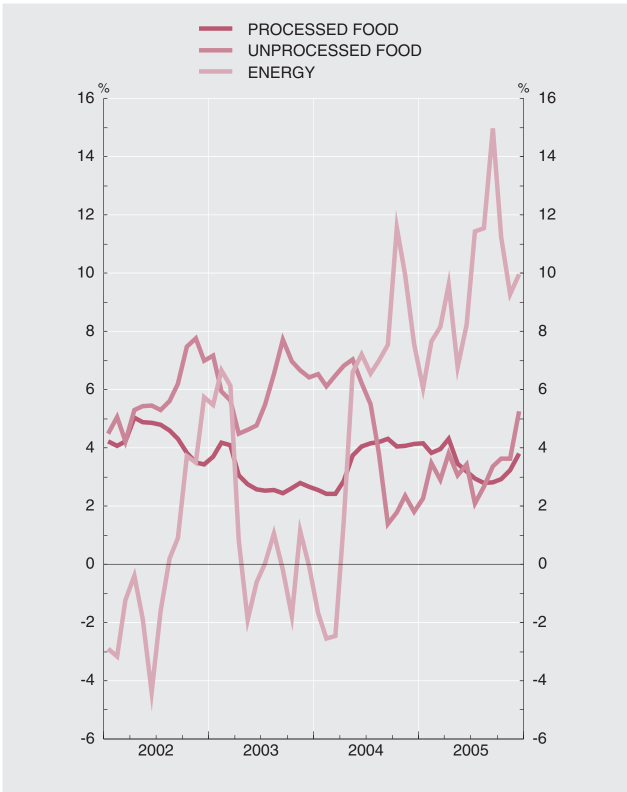
Indices and annual percentage changes

	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
02 M	103.5	_	3.5	4.0	5.8	4.3	2.5	-0.1	4.6	3.7	100.4	-2.6
03 M	106.7	_	3.0	2.6	6.0	3.0	2.0	1.4	3.7	2.9	105.8	5.5
04 M	109.9	_	3.0	3.2	4.6	3.6	0.9	4.9	3.7	2.7	106.8	0.9
04 *J-D* M	109.9	0.3	3.0	1.6	4.6	3.6	0.9	4.9	3.7	2.7	107.9	1.5
05 *J-D* M	113.6	0.3	3.4	1.7	3.3	3.4	0.9	9.6	3.8	2.7	...	...
04 *Sep*	110.4	0.2	3.2	2.0	1.4	4.3	1.0	7.5	3.8	2.9	93.2	-10.4
Oct	111.5	1.0	3.6	3.1	1.8	4.0	1.3	11.6	3.6	2.9	100.4	-5.1
Nov	111.8	0.3	3.5	3.3	2.3	4.1	1.2	9.9	3.8	2.9	104.8	-0.4
Dec	111.7	-0.1	3.2	3.2	1.8	4.1	1.2	7.6	3.8	2.9	111.3	2.5
05 *Jan*	110.8	-0.8	3.1	-0.8	2.3	4.2	1.0	6.1	3.8	2.8	115.2	8.4
Feb	111.0	0.3	3.3	-0.6	3.5	3.8	0.9	7.6	3.9	2.8	120.5	12.2
Mar	111.9	0.8	3.4	0.2	2.9	4.0	1.0	8.2	4.0	2.9	126.5	13.2
Apr	113.5	1.4	3.5	1.6	3.8	4.3	1.0	9.6	3.5	2.8	122.7	6.6
May	113.7	0.2	3.1	1.8	3.0	3.4	0.9	6.8	3.8	2.6	120.1	-0.9
Jun	114.0	0.2	3.1	2.1	3.4	3.2	0.8	8.2	3.7	2.5	106.9	-11.9
Jul	113.3	-0.6	3.3	1.5	2.1	3.0	0.7	11.4	3.8	2.5	102.9	-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	...	...
Dec	115.9	0.2	3.7	3.7	5.2	3.8	1.1	9.9	3.9	2.9	...	...

CONSUMER PRICE INDEX. TOTAL AND COMPONENTS
Annual percentage changes



CONSUMER PRICE INDEX. COMPONENTS
Annual percentage changes



Sources: INE, Ministerio de Agricultura, Pesca y Alimentación and BE.
Note: The underlying series for this indicator are in Tables 25.2 and 25.8 of the BE Boletín estadístico.
a. There is a break in January 2002 owing to the 2001 re-basing. There is no solution to this via the habitual legal links. Consequently, for the year 2002, the official rates of change cannot be obtained from the indices. The detailed methodological notes can be consulted on the INE Internet site (www.ine.es).
b. For annual periods: average growth for each year on the previous year. c. For annual periods: December-on-December growth rate.
d. Index of non-energy processed goods and service prices. e. Official INE series from January 2002.

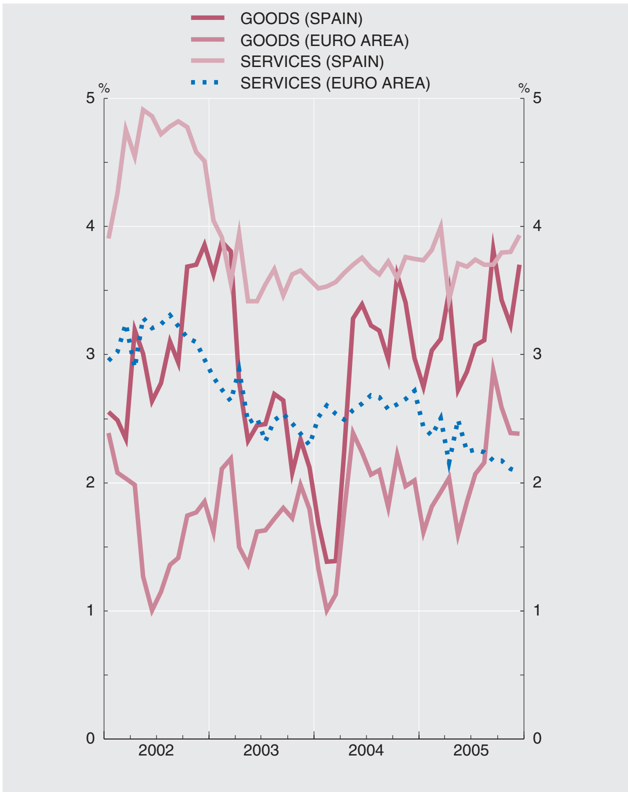
5.2. HARMONISED INDEX OF CONSUMER PRICES. SPAIN AND EURO AREA (1996=100) (a)

■ Series depicted in chart. *Annual percentage changes*

		Total		Goods														Services	
						Food						Industrial							
						Total		Processed		Unprocessed				Non-energy		Energy			
		Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area
		1 ■	2 ■	3 ■	4 ■	5	6	7	8	9	10	11	12	13	14	15	16	17 ■	18 ■
02	M	3.6	2.3	3.0	1.7	4.8	3.1	4.9	3.1	4.7	3.1	1.9	1.0	2.6	1.5	-0.2	-0.6	4.6	3.1
03	M	3.1	2.1	2.8	1.8	4.0	2.8	3.5	3.3	4.6	2.1	2.0	1.2	2.2	0.8	1.3	3.0	3.7	2.5
04	M	3.1	2.1	2.7	1.8	3.9	2.3	4.2	3.4	3.7	0.6	2.0	1.6	1.0	0.8	4.8	4.5	3.7	2.6
04 *J-D*	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 *J-D*	M	3.4	2.2	3.2	2.1	3.4	1.5	3.5	2.0	3.3	0.8	3.1	2.4	1.0	0.3	9.7	10.1	3.8	2.3
04 *Sep*		3.2	2.1	3.0	1.8	3.3	1.4	4.7	3.3	1.9	-1.5	2.7	2.0	1.1	0.8	7.5	6.4	3.7	2.6
Oct		3.6	2.4	3.6	2.2	3.3	1.2	4.4	2.8	2.2	-1.2	3.8	2.7	1.4	0.8	11.6	9.8	3.6	2.6
Nov		3.5	2.2	3.4	2.0	3.5	1.0	4.2	2.3	2.7	-1.0	3.4	2.5	1.3	0.8	9.9	8.7	3.8	2.7
Dec		3.3	2.4	3.0	2.0	3.3	2.0	4.2	3.2	2.4	-	2.7	2.0	1.3	0.8	7.6	6.9	3.7	2.7
05 *Jan*		3.1	1.9	2.7	1.6	3.5	1.5	4.1	2.8	2.9	-0.6	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	1.9	3.2	1.1	3.1	1.5	3.4	0.5	2.6	2.2	0.9	0.3	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

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).

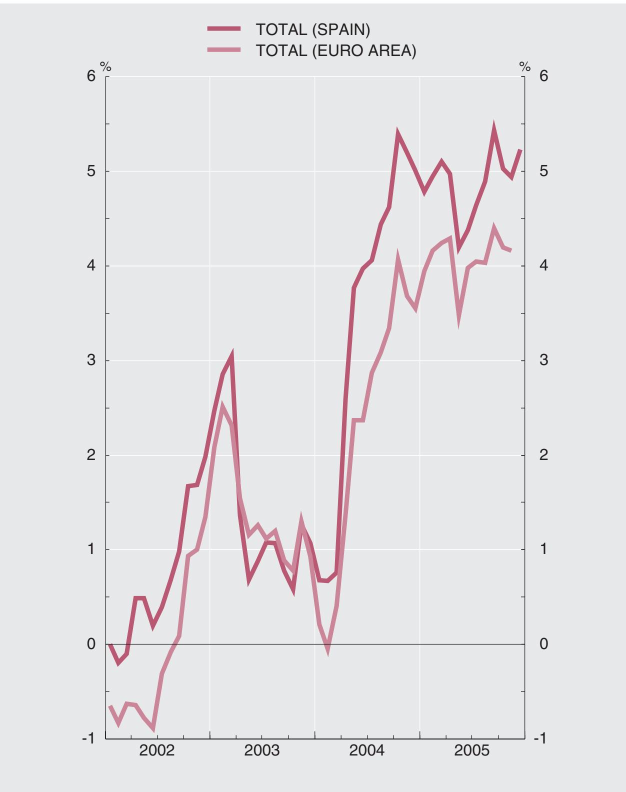
5.3. PRODUCER PRICE INDEX. SPAIN AND EURO AREA (a)

■ 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				
													Total	Consump-tion	Invest-ment	Intermediate	Energy
		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	12-month % change	12-month % change	12-month % change	12-month % change	12-month % change
		1	2	3 ■	4	5 ■	6	7 ■	8	9 ■	10	11	12 ■	13	14	15	16
02	MP	102.4	_	0.7	_	2.2	_	1.8	_	0.2	_	-1.3	-0.1	1.0	0.9	-0.3	-2.3
03	MP	103.9	_	1.4	_	2.3	_	1.2	_	0.8	_	1.3	1.4	1.1	0.3	0.8	3.8
04	MP	107.4	_	3.4	_	2.5	_	1.5	_	4.5	_	5.3	2.3	1.3	0.7	3.5	3.9
04 *J-D*	MP	107.4	_	3.4	_	2.5	_	1.5	_	4.5	_	5.3	2.3	1.3	0.7	3.5	3.9
05 *J-D*	MP	112.7	_	4.9	_	2.8	_	1.9	_	3.8	_	14.0	...	...	...	...	...
04 *Sep*	P	108.6	0.3	4.6	0.1	2.1	-	1.6	0.4	5.9	1.2	11.0	3.3	1.2	0.9	5.0	7.3
Oct	P	109.4	0.7	5.4	-0.1	2.3	0.2	1.8	0.5	6.2	3.1	14.2	4.1	1.1	1.1	5.5	10.1
Nov	P	109.3	-0.1	5.2	-0.1	2.2	-	1.5	0.3	6.3	-0.9	12.6	3.7	1.0	1.1	5.5	8.3
Dec	P	109.0	-0.3	5.0	0.3	2.8	0.1	1.6	-	6.2	-2.1	10.7	3.6	1.5	1.3	5.4	7.0
05 *Jan*	P	109.5	0.5	4.8	0.8	3.2	0.6	1.8	0.8	6.2	-0.5	8.8	3.9	1.3	1.6	5.5	8.4
Feb	P	110.3	0.7	4.9	0.4	3.2	0.4	1.9	0.5	5.5	1.5	11.0	4.2	1.3	1.7	5.2	10.0
Mar	P	111.2	0.8	5.1	0.4	2.8	0.2	2.0	0.2	4.9	3.4	13.1	4.2	0.9	1.7	4.5	11.7
Apr	P	111.9	0.6	5.0	0.4	2.8	0.1	2.0	-	3.7	2.6	14.5	4.3	0.9	1.5	3.7	13.2
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	4.0	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	1.5	15.2
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	1.7	14.7
Dec	P	114.7	-	5.2	0.4	3.2	0.1	2.0	0.1	3.3	-1.3	15.6	...	...	...	...	...

PRODUCER PRICE INDEX. TOTAL
Annual percentage changes



PRODUCER PRICE INDEX. COMPONENTS
Annual percentage changes

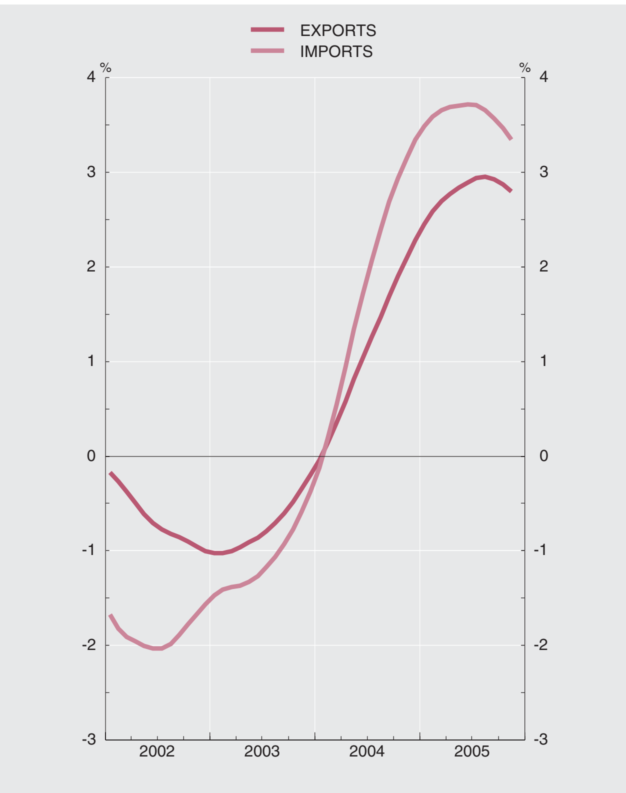
Sources: INE and ECB.
Note: The underlying series for this indicator, for Spain, are in Table 25.3 of the BE Boletín estadístico.
a. Spain: 2000=100; euro area: 2000=100.

5.4. UNIT VALUE INDICES FOR SPANISH FOREIGN TRADE

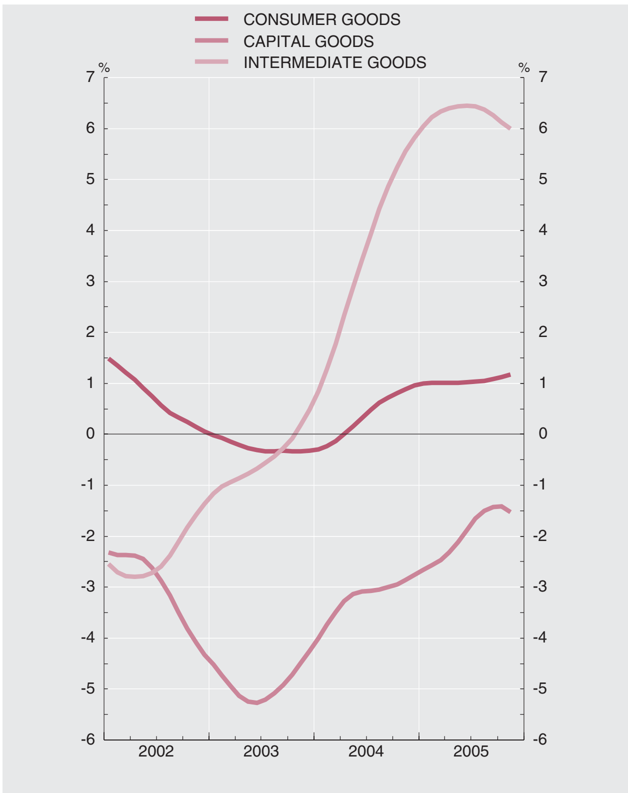
■ Series depicted in chart. *Annual percentage changes*

	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
02	-1,0	0,4	1,0	-2,3	-5,0	-2,1	-3,1	-0,0	-2,5	-4,3	-6,7	-3,6
03	-1,5	0,0	-9,6	-1,2	-1,7	-1,1	-1,3	-0,1	-7,3	-0,7	0,7	-1,1
04	1,0	-0,0	-0,6	2,1	12,3	1,6	2,4	0,5	-2,0	4,5	11,2	3,3
04 *J-N*	0,9	0,1	-0,7	1,8	11,3	1,3	2,1	0,1	-1,8	4,1	10,4	2,9
05 *J-N*	4,6	1,8	5,8	6,6	34,7	5,0	4,9	1,1	0,1	8,0	25,5	3,5
04 *Jun*	3,0	2,2	4,8	3,2	19,3	2,4	1,4	-2,9	3,2	3,3	16,3	1,1
Jul	0,5	-1,7	-1,9	2,8	29,0	1,6	3,8	5,0	-9,8	6,4	17,0	4,1
Aug	2,0	-0,9	2,8	3,9	15,9	3,0	6,8	4,4	-1,8	9,9	20,9	6,9
Sep	1,0	0,1	-2,3	2,2	23,8	1,0	5,4	0,8	-3,1	9,6	21,5	6,9
Oct	3,9	4,2	5,2	3,6	34,6	1,9	5,2	1,7	-7,3	9,7	30,9	5,8
Nov	3,5	0,9	0,5	6,6	33,1	5,3	4,6	1,8	-3,0	7,5	27,4	3,6
Dec	2,2	-1,4	0,2	5,2	23,8	4,1	5,8	4,2	-3,7	9,4	19,9	7,1
05 *Jan*	5,1	2,7	-0,5	7,8	35,5	6,3	5,0	3,4	-1,6	7,2	16,7	4,8
Feb	5,4	4,2	6,9	6,1	40,8	4,6	5,4	1,0	-1,9	9,3	23,2	6,5
Mar	4,8	4,4	2,8	5,4	25,1	4,4	5,3	2,6	-7,6	9,7	27,8	5,6
Apr	2,7	-1,2	1,0	6,2	36,6	4,7	4,6	0,9	-7,5	9,1	32,8	4,2
May	3,3	-1,1	7,5	6,2	38,5	4,6	0,9	-3,2	-6,5	4,7	20,0	1,6
Jun	3,2	-0,3	-0,9	7,0	41,0	5,2	5,3	3,6	-1,3	7,7	26,3	3,5
Jul	5,7	2,2	15,6	6,3	32,7	4,9	8,2	0,6	10,4	11,7	38,6	5,1
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

EXPORT AND IMPORT UNIT VALUE INDICES (a)



IMPORT UNIT VALUE INDICES BY PRODUCT GROUP (a)



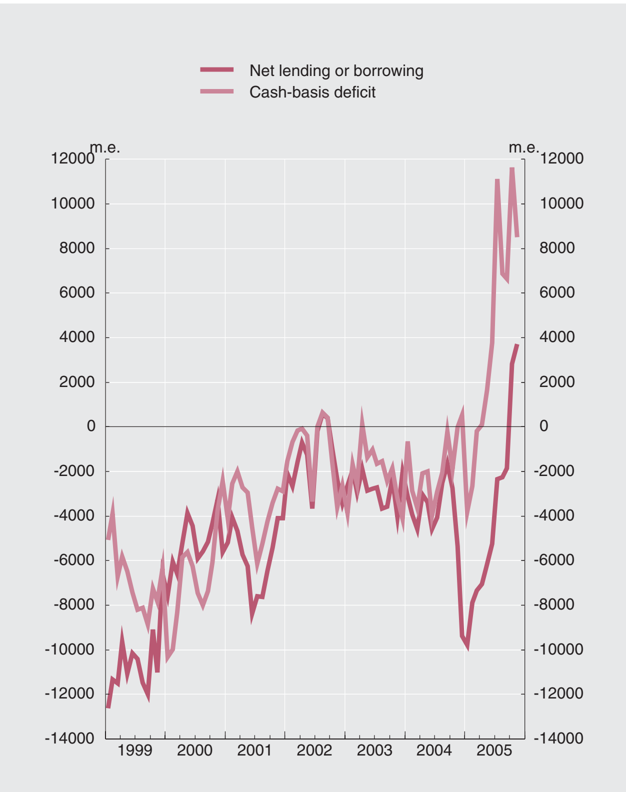
FUENTES: ME y BE.
Nota: Las series de base de este indicador figuran en el Boletín Estadístico del Banco de España, capítulo 17, cuadros 6 y 7.
a.Tasas de variación interanual (tendencia obtenida con TRAMO-SEATS).

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

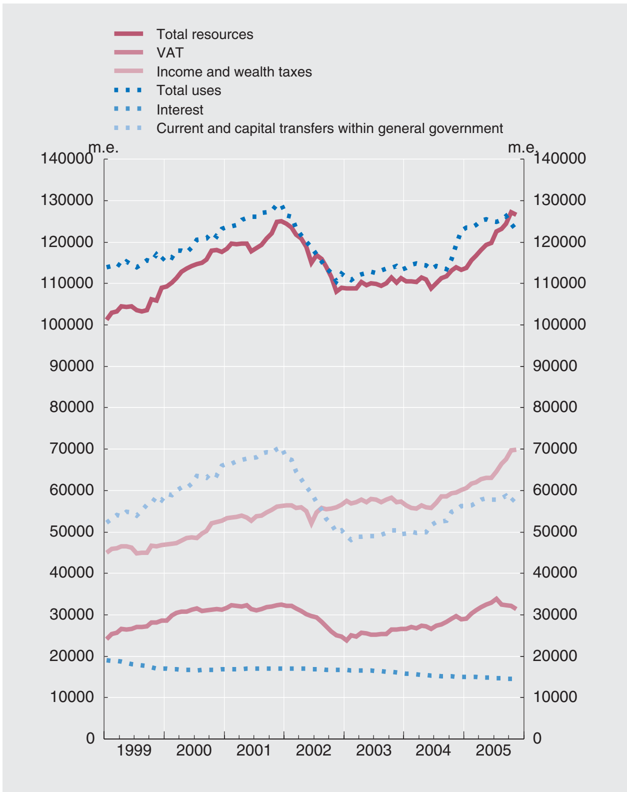
■ Series depicted in chart. *EUR millions*

		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 a 13 ■	9	10 ■	11 ■	12	13	14=15-16 ■	15	16
99		-6 585	109 009	28 574	16 408	5 877	46 886	11 264	115 594	17 363	16 959	57 721	3 034	20 517	-6 354	110 370	116 724
00		-5 627	117 598	31 262	17 171	5 316	52 671	11 178	123 225	15 806	16 809	65 992	3 633	20 985	-2 431	118 693	121 124
01		-4 104	124 992	32 433	17 838	7 022	56 312	11 387	129 096	16 067	17 030	70 539	3 297	22 163	-2 884	125 193	128 077
02	P	-3 428	108 942	24 701	11 431	5 414	56 616	10 780	112 370	16 978	16 666	50 348	3 244	25 134	-2 626	108 456	111 082
03	P	-2 031	111 319	26 539	10 918	5 029	57 415	11 418	113 350	17 670	15 900	49 406	2 695	27 679	-4 132	109 655	113 787
04	A	-9 390	113 330	28 950	10 991	4 714	60 059	8 616	122 720	15 619	15 053	56 347	7 419	28 282	527	115 270	114 743
04 *J-N*	A	1 774	104 316	28 783	9 953	3 507	55 346	6 727	102 542	13 599	13 750	50 297	5 826	19 070	3 223	105 985	102 762
05 *J-N*	A	14 871	117 536	31 229	10 116	3 747	65 204	7 240	102 665	14 263	13 161	52 608	1 917	20 716	11 209	119 770	108 561
04 *Dec*	A	-11 164	9 014	167	1 038	1 207	4 713	1 889	20 178	2 020	1 303	6 050	1 593	9 212	-2 696	9 285	11 981
05 *Jan*	A	83	8 142	-797	888	239	7 182	630	8 059	1 292	1 281	3 208	3	2 275	-6 812	9 956	16 768
Feb	A	8 249	17 055	12 341	851	183	2 987	693	8 806	1 308	1 150	4 318	63	1 967	6 784	15 623	8 840
Mar	A	-5 192	4 971	1 153	811	186	1 880	941	10 163	1 572	1 195	4 761	441	2 194	-2 983	5 439	8 422
Apr	A	9 277	18 654	6 263	966	238	10 477	710	9 377	1 590	1 211	4 539	154	1 883	10 150	18 510	8 360
May	A	-5 202	3 711	781	1 023	577	408	922	8 913	1 434	1 217	4 126	192	1 944	-3 651	3 840	7 491
Jun	A	-8 409	757	-560	849	250	214	4	9 166	829	1 193	6 040	216	888	-6 992	2 406	9 397
Jul	A	8 586	17 679	5 658	1 026	247	10 573	175	9 093	1 222	1 234	4 671	70	1 896	10 068	18 175	8 107
Aug	A	-9	8 297	-2 965	786	228	9 755	493	8 306	1 221	1 182	4 276	22	1 605	-4 157	9 096	13 252
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

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



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



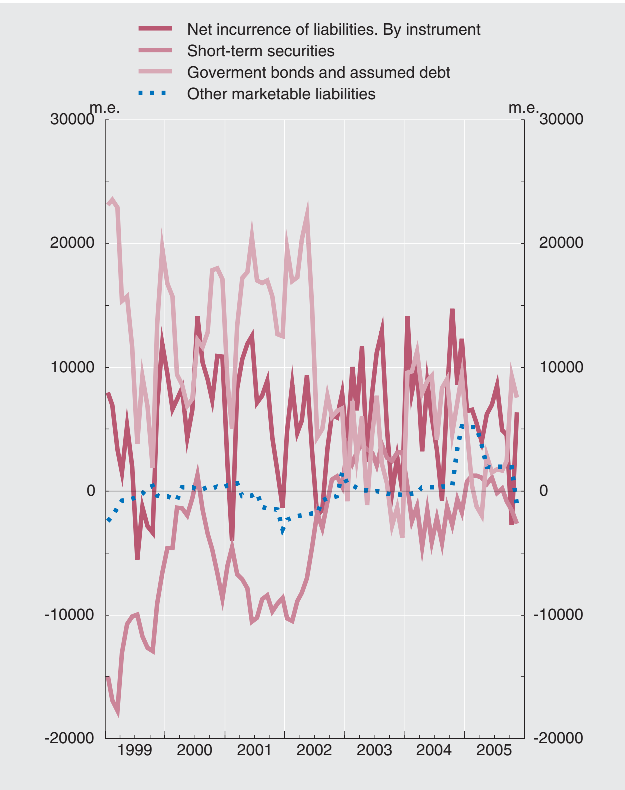
Source: Ministerio de Economía y Hacienda (IGAE).
(a) Except in interest rate swaps, where the EDP criterion in followed. That is to say, the net outcome of these transactions is considered to be interest and not financial transactions (the ESA 95 criterion), whereby they influence the calculation of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

6.2. STATE FINANCIAL TRANSACTIONS (A). SPAIN

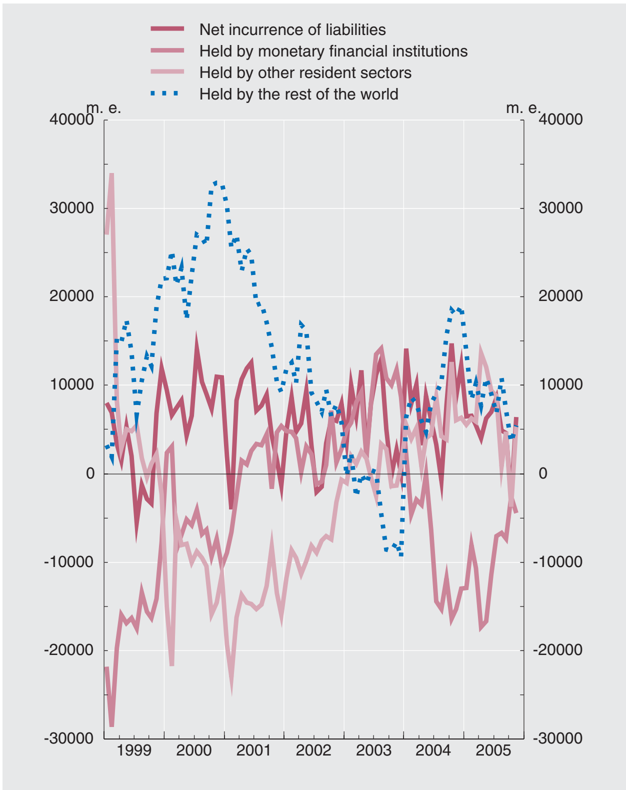
■ Series depicted in chart. *EUR millions*

		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	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	Held by resident sectors: Monetary financial institutions	Held by resident sectors: Other resident sectors	Rest of the world	Net incurrence of liabilities (excluding other accounts payable)
		1	2	3	4 ■	5	6 ■	7 ■	8	9 ■	10	11	12 ■	13 ■	14 ■	15
99		-6 585	5 337	4 574	11 922	209	-6 629	19 592	-499	-446	-96	-10 103	-7 734	-2 369	22 026	12 018
00		-5 627	5 237	5 690	10 864	1 162	-8 683	17 127	-499	283	2 636	-22 060	-10 554	-11 506	32 924	8 228
01		-4 104	-5 451	-20 141	-1 347	803	-8 616	12 521	-499	-3 101	-1 652	-10 553	5 387	-15 940	9 206	305
02	P	-3 428	4 498	-95	7 926	-888	346	6 655	-486	1 488	-77	2 140	2 798	-657	5 785	8 002
03	A	-2 031	-2 025	0	6	-135	3 146	-3 761	-486	-281	1 388	9 478	8 664	815	-9 472	-1 381
04	A	-9 390	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
04 *J-N*	A	1 774	10 826	-0	9 052	-856	-265	6 964	-	3 389	-1 036	-10 076	-14 083	4 008	19 127	10 088
05 *J-N*	A	14 871	18 018	-0	3 147	-1 656	-1 203	5 087	-	-2 947	2 209	-2 442	-5 583	3 140	5 589	938
04 *Dec*	A	-11 164	-7 919	-0	3 245	-744	-1 423	2 453	-486	1 815	887	3 397	1 105	2 292	-152	2 358
05 *Jan*	A	83	-215	0	-298	-19	2 712	-2 202	-	-38	-771	-4 661	-4 168	-493	4 363	473
Feb	A	8 249	5 119	-0	-3 130	12	-3 292	-1 098	-	-57	1 317	-1 008	-1 146	138	-2 122	-4 447
Mar	A	-5 192	-1 827	0	3 365	-1 138	1 779	1 479	-	-32	140	3 889	1 252	2 636	-524	3 225
Apr	A	9 277	7 601	275	-1 676	-3	-2 662	2 045	-	-1 124	65	-1 803	-5 618	3 814	128	-1 741
May	A	-5 202	-193	-275	5 009	18	2 010	4 151	-	-1 715	563	2 950	-242	3 191	2 059	4 446
Jun	A	-8 409	-5 660	1	2 749	18	-2 381	3 679	-	17	1 433	2 715	5 654	-2 938	34	1 316
Jul	A	8 586	1 786	-1	-6 800	-537	1 618	-12 680	-	14	4 247	-3 722	-3 006	-716	-3 078	-11 048
Aug	A	-9	-6 419	1	-6 410	5	-2 340	1 060	-	44	-5 174	-7 777	-1 431	-6 345	1 367	-1 236
Sep	A	725	9 362	-0	8 637	-28	1 824	5 962	-	-48	900	6 007	2 752	3 255	2 630	7 737
Oct	A	11 907	7 073	-0	-4 834	8	-2 257	-1 014	-	2	-1 566	-3 816	-1 171	-2 645	-1 018	-3 268
Nov	A	-5 144	1 390	-0	6 534	9	1 786	3 704	-	-9	1 054	4 784	1 541	3 243	1 750	5 480

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).

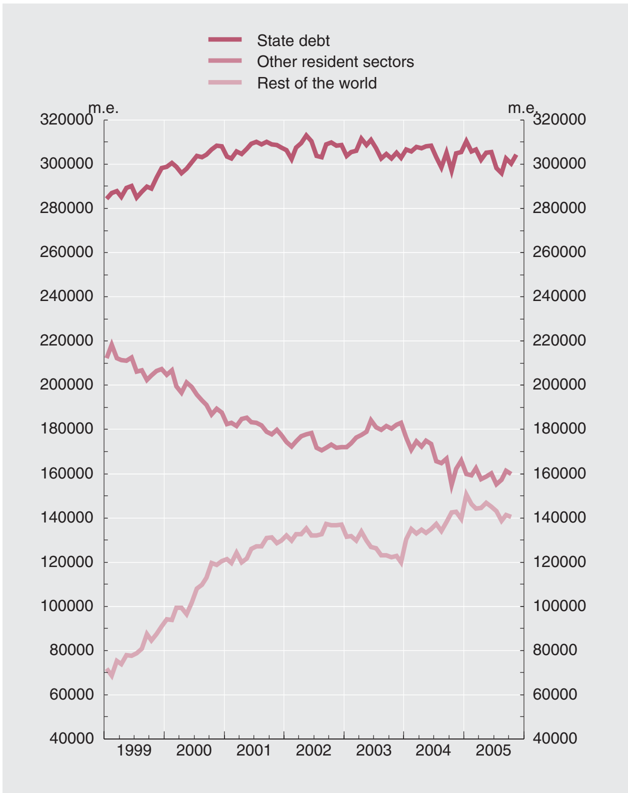
6.3. STATE: LIABILITIES OUTSTANDING. SPAIN

■ Series depicted in chart. *EUR millions*

		Liabilities outstanding (excluding other accounts payable)										Memorandum item:	
			of which	By instrument				By counterpart sector					
								Held by resident sectors			Rest of the world		
		State debt according to the methodology of the excessive deficit procedure	In currencies other than the peseta/ euro	Short-term securities	Government bonds and assumed debt	Banco de España loans	Other marketable liabilities (a)	Total	General government	Other resident sectors		Deposits at the Banco de España	Guarantees given (contingent liabilities). Outstanding level
		1 ■	2	3 ■	4 ■	5 ■	6 ■	7	8	9 ■	10 ■	11	12
96		263 963	20 434	81 084	152 302	10 814	19 763	210 489	529	209 960	54 003	15 195	8 185
97		274 168	23 270	71 730	180 566	10 578	11 295	211 530	445	211 085	63 083	9 829	7 251
98		284 153	30 048	59 939	205 189	10 341	8 684	215 200	305	214 895	69 258	10 273	6 412
99		298 378	7 189	53 142	227 157	9 843	8 236	207 458	150	207 308	91 070	14 846	5 310
00		308 212	8 197	44 605	245 717	9 344	8 546	188 482	695	187 787	120 424	20 536	5 430
01		307 434	7 611	35 428	257 721	8 845	5 440	179 118	1 474	177 644	129 791	395	5 460
02	P	308 792	5 823	35 459	260 060	8 359	4 914	177 561	5 648	171 913	136 880	300	6 819
03	P	302 968	5 105	38 704	251 827	7 873	4 564	192 399	9 460	182 940	120 029	300	6 821
04 *Nov*	A	304 910	3 869	37 333	251 761	7 873	7 942	179 510	17 240	162 270	142 640	300	7 227
Dec	A	305 529	3 267	36 033	252 362	7 388	9 746	182 967	17 138	165 829	139 700	300	7 186
05 *Jan*	A	310 453	3 380	38 732	254 615	7 388	9 718	176 232	16 255	159 977	150 476	300	7 041
Feb	A	305 643	3 313	35 550	253 052	7 388	9 653	175 449	16 152	159 297	146 346	300	7 032
Mar	A	306 704	3 301	36 739	252 954	7 388	9 624	180 027	17 455	162 572	144 132	300	7 100
Apr	A	302 019	3 343	33 379	252 749	7 388	8 504	177 401	19 785	157 616	144 403	575	6 987
May	A	305 292	3 426	35 369	255 733	7 388	6 802	178 379	19 785	158 594	146 698	300	6 949
Jun	A	305 497	3 286	33 096	258 191	7 388	6 822	179 951	19 681	160 270	145 227	300	6 949
Jul	A	298 253	2 465	34 383	249 651	7 388	6 832	175 370	20 217	155 153	143 100	299	6 570
Aug	A	295 993	2 457	32 148	249 584	7 388	6 874	177 346	20 188	157 158	138 835	300	6 531
Sep	A	302 673	2 458	33 954	254 504	7 388	6 827	181 461	20 188	161 274	141 400	300	6 360
Oct	A	300 281	2 416	32 013	254 056	7 388	6 824	179 824	19 884	159 941	140 340	300	6 348
Nov	A	304 293	2 401	33 789	256 300	7 388	6 816	...	20 282	...	...	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).

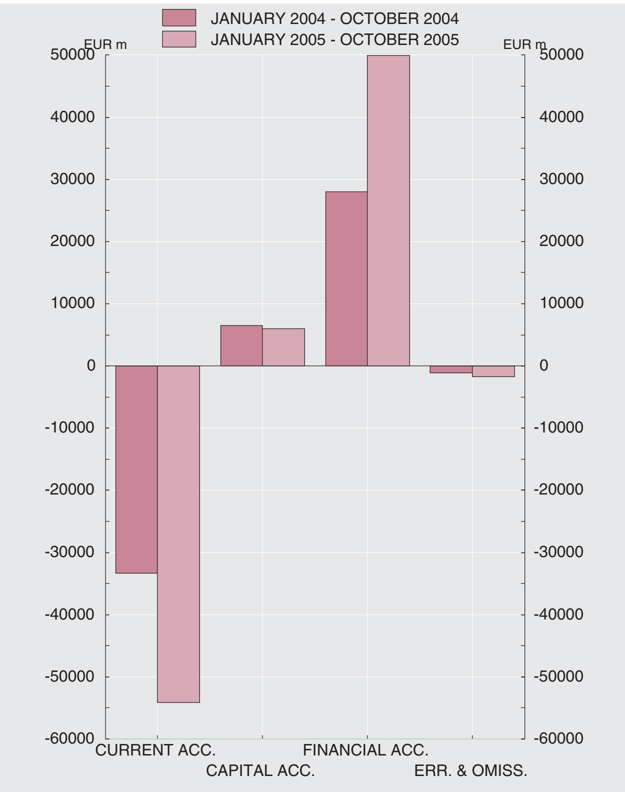
7.1. THE SPANISH BALANCE OF PAYMENTS VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. CURRENT ACCOUNT

■ Series depicted in chart.

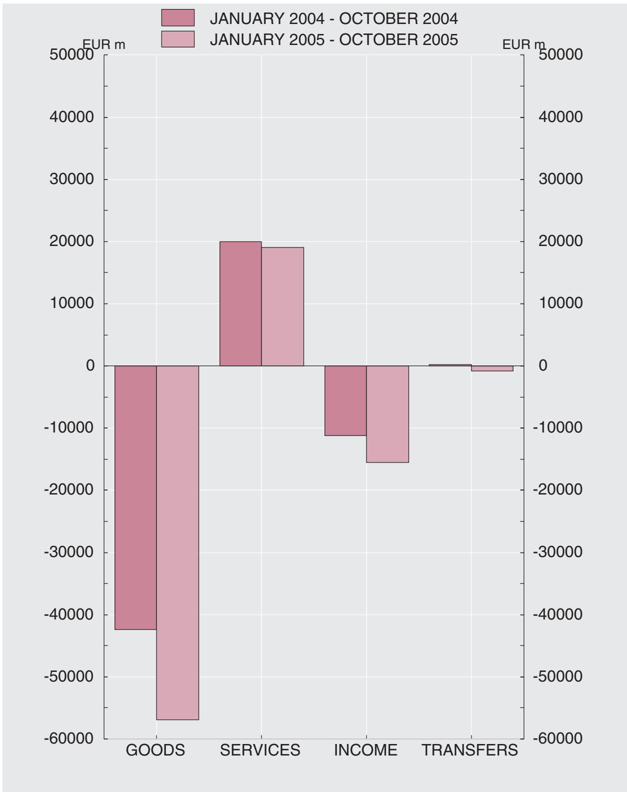
EUR millions

		Current account (a): Total (balance) 1=2+5+10+13 ■	Goods: Balance 2=3-4 ■	Goods: Receipts 3	Goods: Payments 4	Services: Balance 5=6-8 ■	Services: Receipts: Total 6	Services: Receipts: Of which Tourism and travel 7	Services: Payments: Total 8	Services: Payments: Of which Tourism and travel 9	Income: Balance 10=11-12 ■	Income: Receipts 11	Income: Payments 12	Current transfers (balance) 13 ■	Capital account (balance) 14 ■	Current account plus capital account 15=1+14	Financial account (balance) (b) 16 ■	Errors and omission 17=-(15+16) ■
02		-23 815	-36 510	134 816	171 326	22 609	63 523	33 557	40 914	7 687	-12 301	22 288	34 589	2 387	7 662	-16 152	15 988	165
03		-27 910	-39 839	139 754	179 593	23 301	65 689	35 047	42 389	8 010	-11 604	22 570	34 173	232	8 165	-19 745	18 876	869
04	P	-44 451	-52 937	148 106	201 043	22 231	68 387	36 376	46 156	9 772	-13 701	24 747	38 448	-44	8 548	-35 903	36 834	-931
04 *J-O*	P	-33 365	-42 419	121 669	164 088	19 967	58 092	31 965	38 124	8 072	-11 174	19 912	31 086	261	6 454	-26 911	28 013	-1 103
05 *J-O*	P	-54 110	-56 867	126 308	183 176	19 026	62 008	33 032	42 982	10 133	-15 497	22 227	37 724	-772	6 011	-48 099	49 884	-1 785
04 *Jul*	P	-3 874	-4 400	13 017	17 417	2 881	7 251	4 308	4 370	1 013	-1 966	2 296	4 262	-389	595	-3 279	3 484	-204
Aug	P	-2 433	-4 845	8 972	13 817	3 172	6 976	4 616	3 804	998	-843	1 413	2 256	83	1 218	-1 214	1 706	-492
Sep	P	-4 843	-5 556	12 239	17 795	2 701	6 622	3 956	3 921	948	-1 551	1 611	3 162	-436	310	-4 533	4 358	175
Oct	P	-3 562	-4 761	13 148	17 909	2 458	6 444	3 622	3 986	945	-785	2 001	2 786	-474	306	-3 256	4 524	-1 268
Nov	P	-4 951	-4 979	13 948	18 928	1 249	5 137	2 352	3 888	897	-743	2 464	3 207	-477	416	-4 535	4 863	-328
Dec	P	-6 134	-5 538	12 489	18 027	1 015	5 159	2 059	4 144	803	-1 783	2 371	4 155	172	1 677	-4 457	3 958	500
05 *Jan*	P	-4 439	-4 651	11 028	15 679	1 342	5 023	2 485	3 681	860	-1 313	1 855	3 168	182	511	-3 928	4 591	-663
Feb	P	-3 769	-4 455	12 270	16 725	964	4 546	2 069	3 582	832	-1 261	1 379	2 640	983	139	-3 630	4 133	-503
Mar	P	-6 560	-5 631	13 028	18 658	743	4 861	2 184	4 118	958	-1 541	2 118	3 659	-132	555	-6 005	4 713	1 292
Apr	P	-6 014	-5 783	13 558	19 342	866	4 747	2 151	3 880	719	-766	2 799	3 565	-331	308	-5 706	6 183	-478
May	P	-5 258	-5 654	13 460	19 114	2 056	5 868	2 964	3 812	793	-1 620	1 913	3 532	-41	990	-4 268	4 347	-79
Jun	P	-7 085	-6 556	13 008	19 564	2 067	6 537	3 527	4 470	1 159	-2 395	1 831	4 227	-201	1 396	-5 689	4 475	1 214
Jul	P	-4 547	-5 434	12 931	18 365	3 011	8 038	4 647	5 027	1 174	-1 851	2 386	4 237	-273	490	-4 057	5 116	-1 060
Aug	P	-4 887	-6 517	10 015	16 532	3 417	7 956	4 897	4 539	1 302	-1 786	3 594	5 380	-0	793	-4 094	3 918	176
Sep	P	-6 287	-6 239	13 665	19 904	2 247	7 175	4 180	4 928	1 172	-1 700	2 160	3 860	-596	580	-5 708	6 701	-994
Oct	P	-5 264	-5 948	13 344	19 292	2 313	7 259	3 927	4 946	1 163	-1 265	2 192	3 457	-363	249	-5 014	5 705	-691

SUMMARY



CURRENT ACCOUNT



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

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

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

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

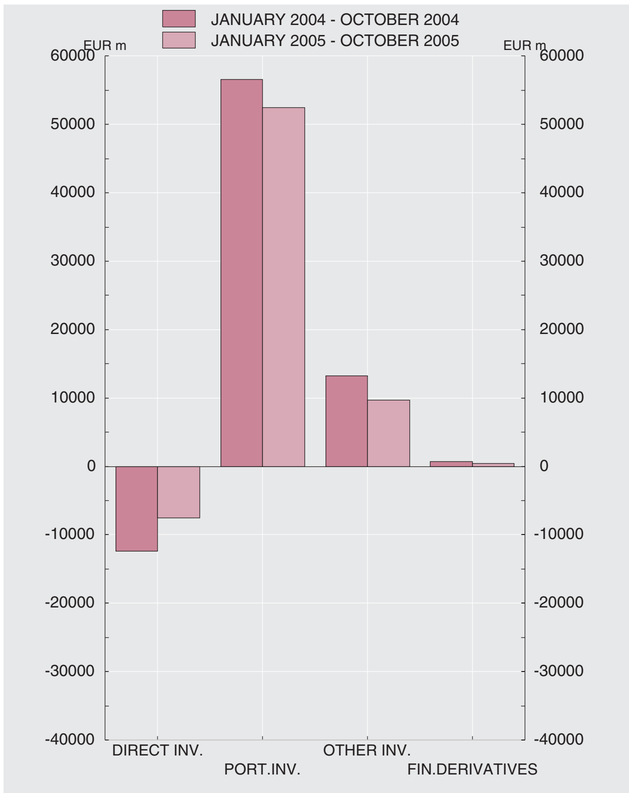
■ Series depicted in chart.

EUR millions

		Financial account (NCL-NCA) 1=2+13 ■	Total, excluding Banco de España: Total (NCL-NCA) 2=3+6+9+12 ■	Direct investment: Balance (NCL-NCA) 3=5-4 ■	Direct investment: Spanish investment abroad (NCA) 4	Direct investment: Foreign investment in Spain (NCL) (b) 5	Portfolio investment: Balance (NCL-NCA) 6=8-7 ■	Portfolio investment: Spanish investment abroad (NCA) 7	Portfolio investment: Foreign investment in Spain (NCL) (c) 8	Other investment (d): Balance (NCL-NCA) 9=11-10 ■	Other investment (d): Spanish investment abroad (NCA) 10	Other investment (d): Foreign investment in Spain (NCL) 11	Net financial derivatives (NCL-NCA) 12 ■	Banco de España: Balance (NCL-NCA) 13=14+15+16 ■	Banco de España: Reserves (e) 14	Banco de España: Claims with the Eurosystem (e) 15	Banco de España: Other net assets (NCL-NCA) 16
02		15 988	12 427	6 905	34 761	41 666	4 726	31 173	35 899	5 712	30 790	36 502	-4 916	3 561	-3 630	6 506	685
03		18 876	17 301	-1 421	24 392	22 971	-26 592	65 634	39 042	48 749	15 973	64 722	-3 435	1 575	13 626	4 382	-16 433
04	P	36 834	50 844	-26 345	39 825	13 480	85 805	24 981	110 786	-9 777	27 310	17 533	1 161	-14 010	5 147	-13 760	-5 397
04 *J-O*	P	28 013	58 205	-12 357	21 505	9 147	56 602	22 408	79 010	13 284	26 897	40 182	677	-30 192	5 090	-29 943	-5 339
05 *J-O*	P	49 884	55 128	-7 529	19 088	11 559	52 457	52 181	104 638	9 734	37 008	46 742	466	-5 244	1 649	9 743	-16 636
04 *Jul*	P	3 484	9 883	-2 139	3 460	1 321	11 053	-202	10 851	1 011	-530	481	-42	-6 400	69	-6 330	-139
Aug	P	1 706	-6 080	-1 046	1 819	773	-1 798	2 149	351	-3 012	-370	-3 381	-224	7 786	28	7 650	108
Sep	P	4 358	-1 684	-1 174	798	-376	15 383	-5 092	10 291	-16 217	12 278	-3 939	324	6 041	219	6 117	-295
Oct	P	4 524	32 951	-3 131	3 304	173	10 381	3 207	13 587	25 373	-4 924	20 449	328	-28 426	344	-27 589	-1 181
Nov	P	4 863	-7 530	-12 531	13 526	995	20 724	1 696	22 420	-17 124	422	-16 701	1 401	12 393	12	13 138	-758
Dec	P	3 958	169	-1 457	4 794	3 337	8 479	877	9 356	-5 937	-10	-5 947	-917	3 789	44	3 045	700
05 *Jan*	P	4 591	2 190	-1 102	3 499	2 397	7 881	-1 201	6 680	-3 864	9 128	5 264	-726	2 401	94	2 351	-45
Feb	P	4 133	11 985	1 693	1 250	2 943	11 837	3 329	15 165	-1 900	6 294	4 394	355	-7 852	112	-5 202	-2 763
Mar	P	4 713	-1 997	-5 462	4 363	-1 099	8 427	5 239	13 665	-3 726	8 086	4 360	-1 236	6 710	1 343	9 579	-4 212
Apr	P	6 183	6 950	-902	2 279	1 377	3 231	2 069	5 301	5 657	3 803	9 461	-1 036	-767	189	1 021	-1 976
May	P	4 347	-623	247	745	993	7 086	1 187	8 274	-7 834	3 823	-4 011	-123	4 970	-39	6 595	-1 585
Jun	P	4 475	10 843	-3 828	2 950	-878	13 397	11 874	25 271	-877	2 048	1 171	2 151	-6 367	8	-4 430	-1 945
Jul	P	5 116	511	1 320	752	2 072	-13 150	15 649	2 499	12 054	3 333	15 387	288	4 606	109	6 086	-1 589
Aug	P	3 918	417	-352	335	-17	-13 293	8 103	-5 190	14 428	-16 630	-2 202	-366	3 501	3	4 913	-1 415
Sep	P	6 701	17 966	-326	1 582	1 256	24 485	-1 260	23 225	-5 432	12 338	6 906	-761	-11 265	-100	-10 184	-981
Oct	P	5 705	6 886	1 183	1 333	2 515	2 556	7 191	9 748	1 226	4 787	6 013	1 921	-1 181	-71	-986	-124

FINANCIAL ACCOUNT

FINANCIAL ACCOUNT, EXCLUDING BANCO DE ESPAÑA
Breakdown



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

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

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

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

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

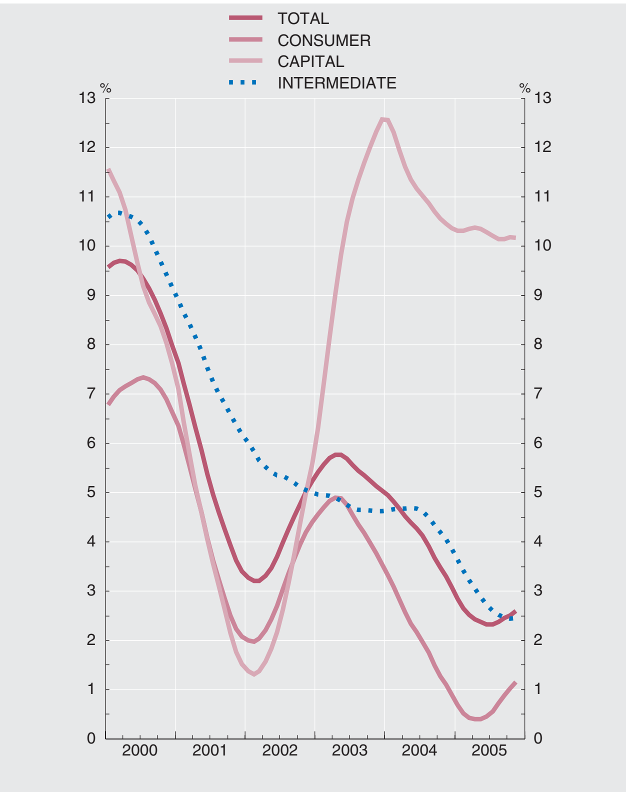
7.3. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD EXPORT AND DISPATCHES

■ Series depicted in chart.

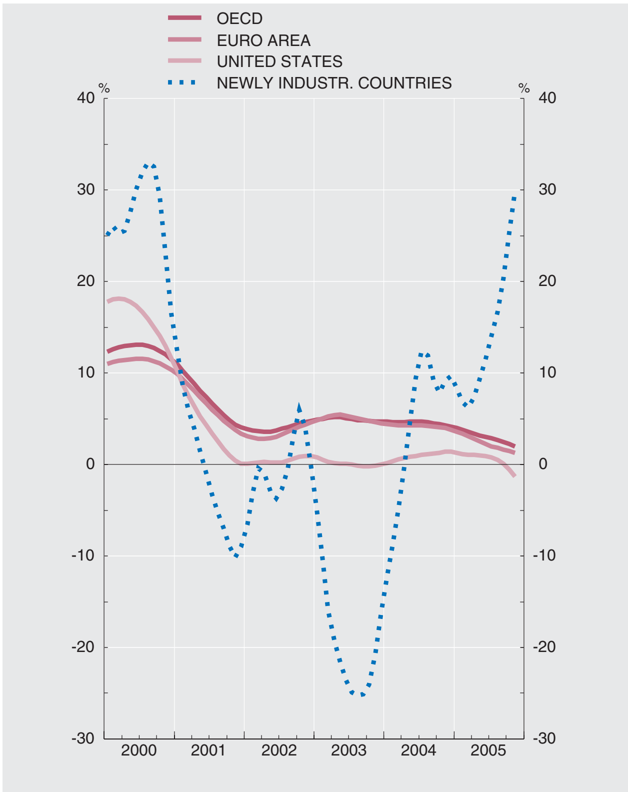
Eur millions and annual percentage changes

	Total			By product (deflated data) (a)					By geographical area (nominal data)							
						Intermediate			EU 25			OECD				
	EUR millions	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	129 771	4.5	4.2	3.7	-1.4	5.7	-22.8	7.5	6.3	6.0	5.1	4.5	-6.6	8.3	-6.1	-6.6
02	133 268	2.7	3.7	3.9	-3.5	4.8	4.7	4.7	2.6	2.1	1.2	3.3	2.4	10.1	-19.8	5.7
03	138 119	3.6	5.2	4.2	11.9	4.8	24.7	3.9	4.4	4.5	5.2	3.8	-1.7	-5.4	2.2	-23.4
04	146 925	6.4	5.3	2.2	13.1	6.6	10.2	6.4	4.9	5.1	5.2	5.9	2.0	12.2	3.3	4.7
04 *Oct*	13 002	-0.5	-4.3	-9.6	1.0	-0.7	0.7	-0.8	-1.8	-1.4	-1.7	-1.4	-7.9	27.6	-10.3	-21.1
Nov	13 779	18.0	14.0	11.6	34.8	12.6	10.7	12.7	16.4	16.5	17.0	16.6	22.5	38.8	-1.6	39.0
Dec	12 350	6.7	4.4	1.9	4.2	7.2	26.8	6.3	5.7	5.1	7.0	5.9	8.8	64.9	-17.2	9.0
05 *Jan*	10 905	1.9	-3.1	-5.2	-16.7	1.3	-5.9	1.8	3.5	3.8	5.3	3.5	9.6	8.7	-39.8	15.1
Feb	12 141	5.3	-0.1	-3.1	-9.0	4.1	-37.0	6.8	6.9	7.0	7.0	4.5	-8.9	15.8	6.4	-0.0
Mar	12 885	-1.5	-6.0	-12.3	-3.8	-1.0	-5.4	-0.8	-0.5	-0.4	-0.2	-2.3	-14.3	7.6	8.8	-1.0
Apr	13 405	8.4	5.6	6.5	13.6	3.6	-4.8	4.1	4.8	5.3	6.5	5.2	10.7	47.6	21.3	1.7
May	13 307	4.8	1.4	-3.0	5.4	4.7	-18.5	6.1	1.6	1.2	3.0	2.8	5.4	71.9	-19.3	15.2
Jun	13 581	3.8	0.5	-3.3	15.6	0.4	-3.5	0.6	-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	-3.1	-1.4	-1.6	-1.3	6.1	25.7	82.5	53.5

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



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



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

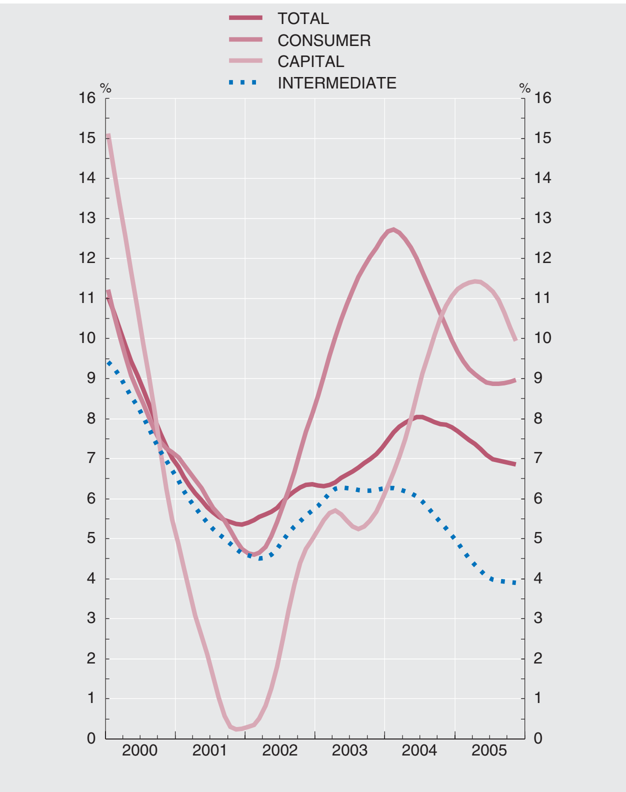
7.4. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD IMPORTS AND ARRIVALS

■ Series depicted in chart.

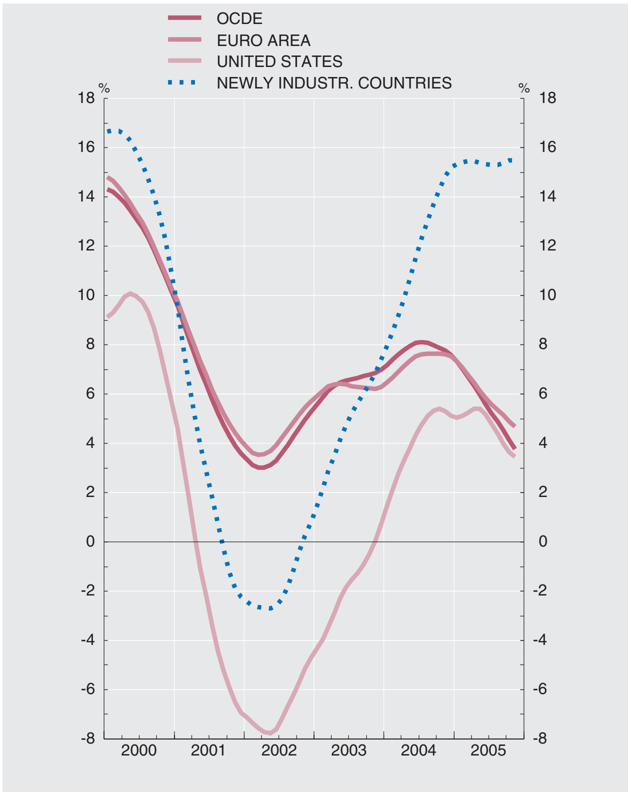
Eur millions and annual percentage changes

	Total			By product (deflated data) (a)					By geographical area (nominal data)							
						Intermediate			EU 25			OECD				
	EUR millions	Nominal	Deflated (a)	Consumer	Capital	Total	Energy	Non-energy	Total	of which: EU 15	of which: Euro area	Total	of which: United States	OPEC	Other American countries	Newly industrialised countries
	1	2	3 ■	4 ■	5 ■	6 ■	7	8	9	10	11 ■	12 ■	13 ■	14	15	16 ■
01	173 210	2.2	3.4	6.4	-2.0	3.2	-1.0	4.3	3.5	3.0	3.8	2.6	-10.1	-8.1	3.7	-2.2
02	175 268	1.2	4.3	5.0	-5.4	5.9	5.6	5.9	1.6	1.3	1.9	0.9	-8.5	-11.0	5.7	2.4
03	185 114	5.6	7.1	9.6	12.9	4.8	1.0	5.7	5.9	5.4	5.3	5.8	-4.8	1.9	12.9	1.1
04	208 411	12.6	9.9	13.5	14.4	7.3	10.6	6.5	9.8	9.5	10.1	11.3	9.3	12.8	7.9	14.6
04 *Oct*	18 393	7.1	1.8	2.6	13.6	-0.8	3.0	-1.5	4.8	4.9	6.1	6.4	16.2	6.2	-27.9	16.2
Nov	19 466	19.7	14.5	15.9	21.8	12.4	6.0	13.9	13.7	14.7	14.9	15.9	28.1	31.8	-1.6	31.4
Dec	18 546	16.9	10.5	7.0	49.2	4.2	12.3	2.3	14.5	15.8	18.2	15.4	-15.4	18.1	-12.7	50.2
05 *Jan*	16 185	13.9	8.5	3.4	21.7	8.7	6.0	9.4	11.0	12.1	12.7	12.2	-6.0	7.1	14.9	9.4
Feb	17 235	13.0	7.2	12.0	18.6	2.9	24.4	-1.3	8.1	9.1	8.9	7.1	-0.4	32.8	21.2	7.2
Mar	19 315	10.8	5.1	4.3	43.0	-0.6	18.2	-4.4	6.1	7.4	7.0	5.7	-8.7	41.9	12.4	14.2
Apr	19 929	15.8	10.7	6.8	50.5	5.8	3.3	6.4	8.3	8.6	8.4	11.7	33.1	60.6	19.8	24.1
May	19 681	12.9	11.9	15.5	28.4	7.1	-0.1	8.7	4.4	4.1	4.3	6.5	34.6	16.4	36.2	14.5
Jun	20 152	8.5	3.0	3.5	29.8	-1.9	5.9	-3.5	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

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



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



SOURCES: ME y BE.

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

a. Series deflated by unit value indices .

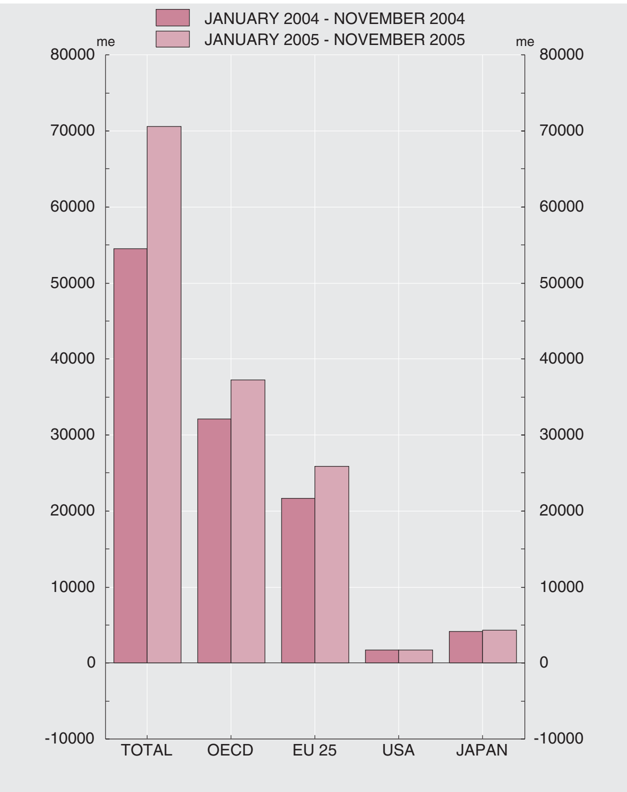
7.5. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD. TRADE BALANCE. GEOGRAPHICAL DISTRIBUTION

■ Series depicted in chart.

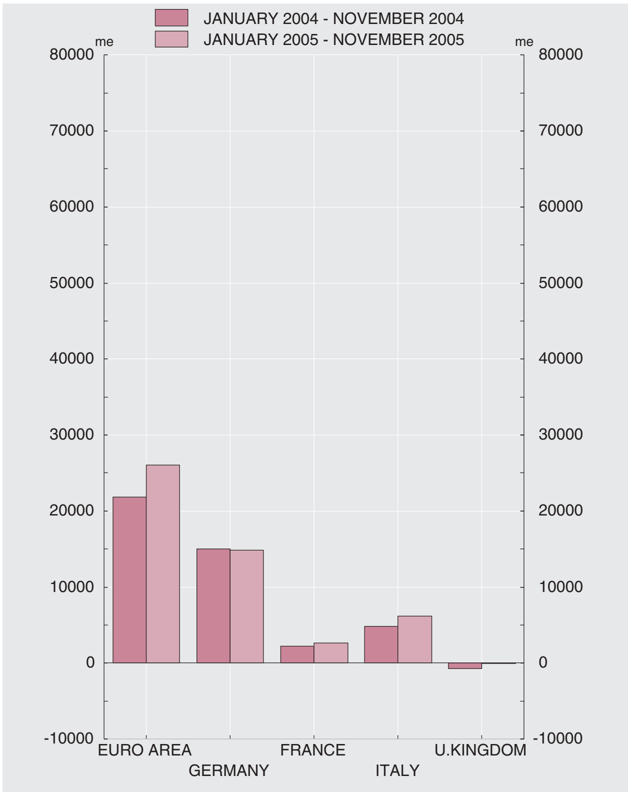
EUR millions

	World total	European Union (EU 25): Total	EU 15: Total	Euro area: Total	of which: Germany	of which: France	of which: Italy	United Kingdom	Other EU 15 members	OECD: Total	of which: United States of América	of which: Japan	OPEC	Other American countries	Newly industrialised countries
	1 ■	2 ■	3	4 ■	5 ■	6 ■	7 ■	8 ■	9	10 ■	11 ■	12 ■	13	14	15
00	-45 291	-19 173	-20 065	-17 816	-9 828	-4 873	-4 272	-1 861	-388	-27 681	-2 707	-3 616	-10 879	936	-2 151
01	-43 439	-17 290	-17 987	-17 474	-11 539	-3 683	-4 283	-462	-51	-26 363	-2 219	-3 159	-9 501	420	-2 176
02	-42 000	-16 612	-17 543	-18 385	-12 970	-3 436	-3 312	1 430	-587	-24 004	-1 416	-3 224	-7 771	-897	-2 176
03	-46 995	-19 048	-19 322	-19 450	-13 731	-3 239	-3 517	1 035	-907	-27 616	-1 170	-3 855	-8 187	-1 467	-2 600
04	-61 486	-25 907	-25 478	-25 473	-16 282	-3 353	-5 671	472	-476	-36 990	-1 692	-4 583	-9 253	-1 784	-3 104
04 *J-N*	-54 474	-22 093	-21 653	-21 858	-14 989	-2 183	-4 834	701	-495	-32 078	-1 735	-4 106	-8 458	-1 782	-2 691
05 *J-N*	-70 631	-26 521	-25 871	-26 037	-14 827	-2 598	-6 154	76	90	-37 226	-1 733	-4 293	-12 014	-3 176	-3 116
04 *Nov*	-5 687	-2 217	-2 216	-2 121	-1 335	-63	-608	-124	29	-3 462	-273	-450	-887	-112	-303
Dec	-6 196	-3 420	-3 434	-3 267	-1 308	-991	-718	-158	-9	-4 381	70	-410	-562	24	-407
05 *Jan*	-5 280	-1 395	-1 400	-1 530	-1 199	-47	-380	101	29	-2 627	-169	-457	-896	-207	-259
Feb	-5 093	-1 763	-1 816	-1 914	-1 256	-166	-492	133	-34	-2 645	-173	-332	-843	-145	-229
Mar	-6 431	-2 445	-2 489	-2 407	-1 117	-363	-608	-62	-20	-3 568	-125	-479	-1 056	-207	-281
Apr	-6 524	-2 494	-2 406	-2 257	-1 459	-37	-530	-132	-17	-3 878	-286	-385	-957	-358	-293
May	-6 374	-2 423	-2 341	-2 367	-1 445	-94	-644	59	-32	-3 473	-376	-397	-910	-344	-291
Jun	-6 571	-2 898	-2 842	-2 855	-1 573	-321	-466	78	-65	-3 842	-279	-373	-973	-284	-301
Jul	-6 128	-2 442	-2 424	-2 585	-1 379	-157	-704	129	32	-3 190	-64	-368	-1 057	-227	-257
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	-2 980	-2 707	-2 567	-1 363	-267	-674	-193	53	-3 649	-93	-443	-1 294	-528	-386

CUMULATIVE TRADE DEFICIT



CUMULATIVE TRADE DEFICIT



SOURCE: ME.

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

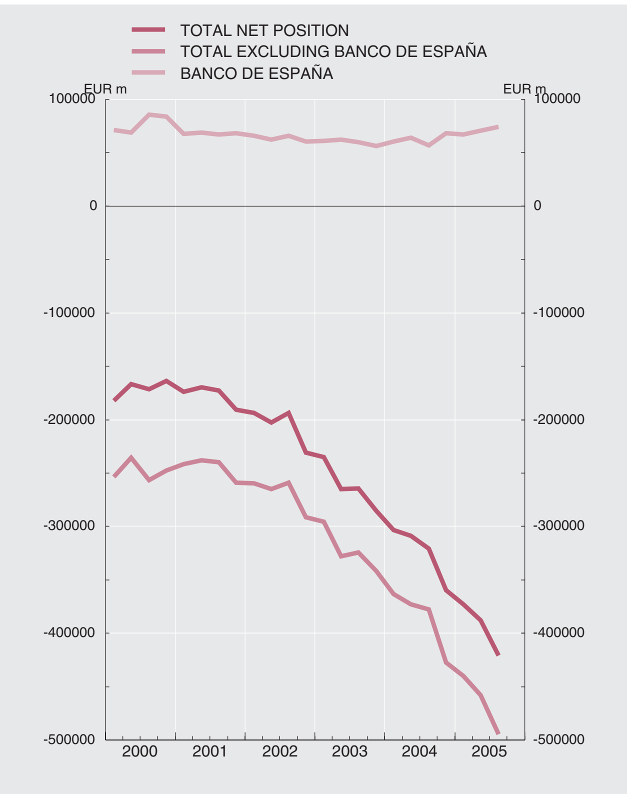
7.6. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD SUMMARY

■ Series depicted in chart.

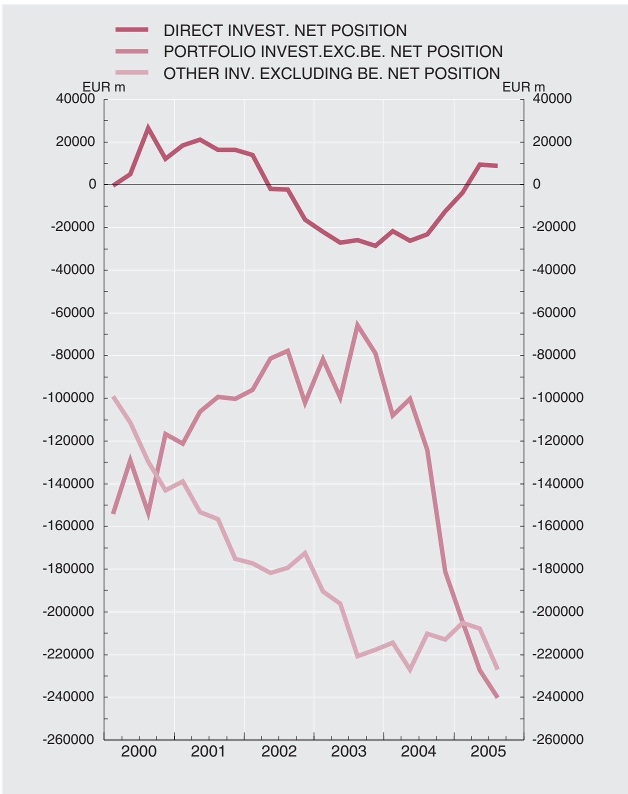
End-of-period stocks in EUR billions

	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	-124.4	-188.7	-47.6	48.4	96.0	-124.5	33.3	157.8	-16.5	141.4	157.9	64.3	64.2	-	0.1
98	-163.2	-215.8	-44.5	63.5	108.0	-136.3	73.1	209.4	-35.0	158.7	193.7	52.5	52.1	-	0.4
99	-168.3	-242.0	-7.3	117.5	124.8	-140.9	127.4	268.3	-93.8	149.6	243.4	73.7	37.3	36.0	0.4
00	-163.7	-247.7	12.2	180.2	168.0	-116.9	193.7	310.5	-143.0	162.9	306.0	84.0	38.2	45.3	0.4
01	-190.8	-259.3	16.3	217.5	201.1	-100.3	232.6	333.0	-175.3	169.6	344.8	68.5	38.9	29.2	0.4
02 *Q3* R	-193.6	-259.3	-2.1	213.3	215.4	-77.9	240.5	318.4	-179.3	186.2	365.5	65.7	38.4	27.7	-0.4
Q4	-230.7	-291.3	-16.3	223.1	239.4	-102.6	256.8	359.4	-172.4	193.8	366.3	60.6	38.4	22.7	-0.4
03 *Q1*	-234.8	-295.8	-22.0	226.4	248.5	-83.2	278.3	361.6	-190.5	194.1	384.6	61.0	35.4	24.3	1.3
Q2	-265.3	-327.7	-27.1	225.4	252.5	-104.6	287.3	391.9	-196.1	193.7	389.7	62.4	31.3	26.8	4.3
Q3	-264.6	-324.4	-25.9	232.0	257.9	-77.9	309.6	387.4	-220.6	192.7	413.4	59.8	25.4	22.2	12.1
Q4	-285.4	-341.5	-28.7	234.3	263.0	-95.1	319.8	414.9	-217.7	200.4	418.1	56.1	21.2	18.3	16.6
04 *Q1*	-303.1	-363.6	-21.8	244.2	266.0	-127.4	332.8	460.2	-214.4	210.0	424.4	60.5	17.6	23.1	19.9
Q2	-309.0	-373.2	-26.3	249.0	275.3	-119.9	347.9	467.8	-227.0	221.1	448.1	64.2	16.2	27.9	20.0
Q3	-320.9	-377.6	-23.1	253.8	276.9	-144.1	344.4	488.5	-210.4	229.3	439.6	56.8	15.9	20.5	20.4
Q4	-359.5	-427.6	-12.5	267.6	280.1	-202.1	359.3	561.4	-213.0	218.4	431.3	68.1	14.5	31.9	21.7
05 *Q1*	-372.7	-440.0	-3.8	281.6	285.4	-231.1	366.5	597.6	-205.1	240.0	445.0	67.3	13.3	25.2	28.8
Q2	-387.7	-458.1	9.3	297.8	288.5	-259.6	390.8	650.3	-207.9	255.4	463.3	70.4	13.7	22.0	34.7
Q3	-420.6	-494.6	8.9	302.6	293.7	-276.3	418.7	695.0	-227.2	256.1	483.2	74.0	14.0	21.2	38.7

INTERNATIONAL INVESTMENT POSITION



COMPONENTS OF THE POSITION



Source: BE.

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

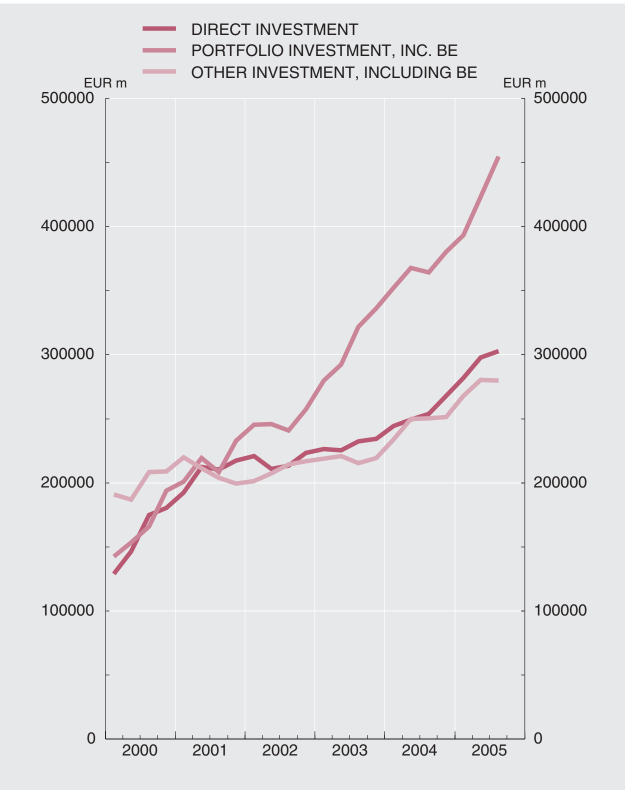
7.7. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-à-VIS OTHER EURO AREA RESIDENTES AND THE REST OF THE WORLD BREAKDOWN BY INVESTMENT

■ Series depicted in chart.

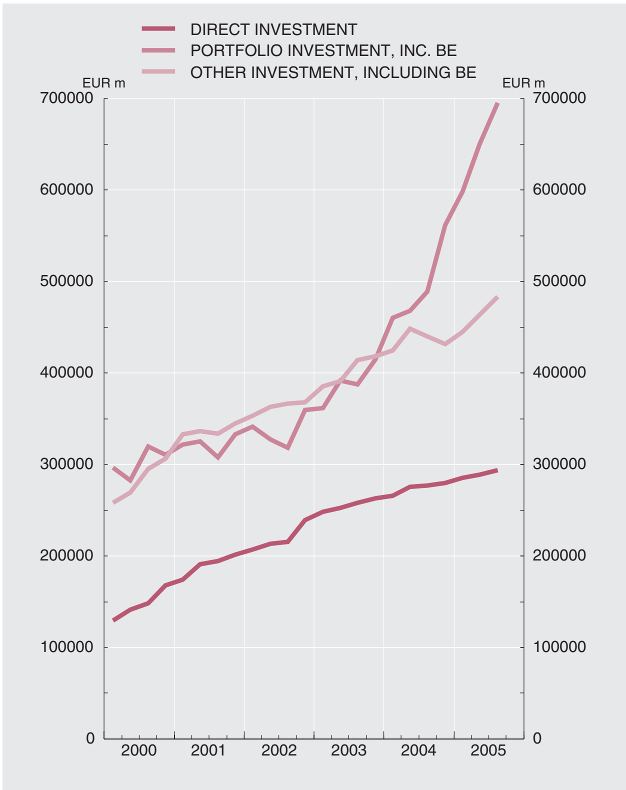
End-of-period stocks in EUR millions

	Direct investment				Portfolio investment, including Banco de España				Other investment, including Banco de España	
	Spanish investment abroad		Foreign investment in Spain		Spanish investment abroad		Foreign investment in Spain		Spanish investment abroad	Foreign investment in Spain
	Shares and other equities	Intercompany debt transactions	Shares and other equities	Intercompany debt transactions	Shares and mutual funds	Debt securities	Shares and mutual funds	Debt securities		
	1	2	3	4	5	6	7	8	9 ■	10 ■
97	45 227	3 141	83 046	12 957	9 917	23 352	75 414	82 364	141 579	157 981
98	57 849	5 690	90 760	17 284	20 250	52 876	116 698	92 750	159 195	193 708
99	110 031	7 469	106 535	18 251	42 282	85 105	145 948	122 324	186 034	243 414
00	167 151	13 095	142 844	25 182	83 918	109 764	147 521	163 014	208 665	305 975
01	197 233	20 231	164 360	36 768	74 596	158 052	144 151	188 834	199 152	344 845
02 *Q3* R	195 529	17 788	168 310	47 112	56 624	183 926	103 690	214 738	214 305	366 330
Q4	206 268	16 815	188 898	50 456	50 712	206 581	116 967	242 432	216 920	367 646
03 *Q1*	209 136	17 299	198 182	50 296	47 089	232 844	116 359	245 201	218 895	385 447
Q2	208 085	17 345	201 738	50 811	51 400	240 717	133 812	258 086	220 867	390 580
Q3	216 213	15 810	204 784	53 108	56 847	264 746	130 593	256 851	215 388	413 683
Q4	219 927	14 363	201 283	61 695	62 677	273 344	147 878	267 008	219 107	418 166
04 *Q1*	227 390	16 786	204 594	61 366	70 575	281 731	153 501	306 722	233 521	424 505
Q2	231 583	17 460	210 682	64 641	75 270	292 225	149 108	318 725	249 512	448 108
Q3	234 230	19 592	212 715	64 228	71 014	293 161	150 702	337 825	250 351	439 636
Q4	249 707	17 843	213 237	66 818	78 053	302 067	183 210	378 218	251 163	431 347
05 *Q1*	261 426	20 132	215 580	69 817	79 828	313 129	184 791	412 809	267 541	445 050
Q2	277 868	19 973	219 881	68 616	83 671	339 216	178 503	471 846	280 036	463 327
Q3	281 607	21 022	222 186	71 499	94 587	360 146	204 332	490 673	279 950	483 273

SPANISH INVESTMENT ABROAD



FOREIGN INVESTMENT IN SPAIN



Source: BE.
Nota: See footnote to Indicator 7.6

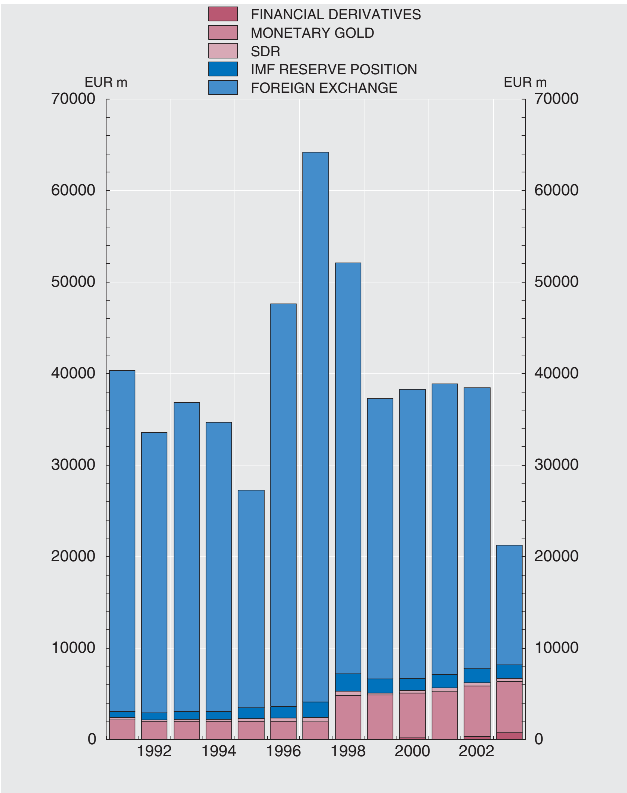
7.8. SPANISH RESERVE ASSETS

■ Series depicted in chart.

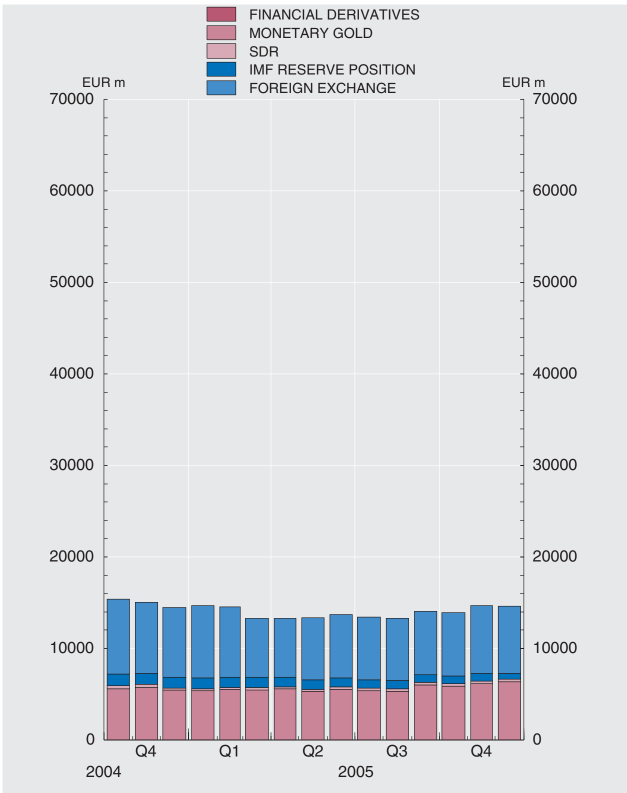
EUR millions

	Reserve assets						Memorandum item: gold
	Total	Foreign exchange	Reserve position in the IMF	SDRs	Monetary gold	Financial derivatives	Millions of troy ounces
	1	2 ■	3 ■	4 ■	5 ■	6	7
00	38 234	31 546	1 271	312	4 931	175	16.8
01	38 865	31 727	1 503	398	5 301	-63	16.8
02	38 431	30 695	1 518	337	5 500	382	16.8
03	21 229	13 073	1 476	328	5 559	793	16.8
04 *Jul*	16 272	9 078	1 398	348	5 448	-	16.8
Aug	16 415	9 073	1 345	346	5 651	-	16.8
Sep	15 889	8 627	1 324	346	5 591	-	16.8
Oct	15 368	8 138	1 264	343	5 623	-	16.8
Nov	15 061	7 796	1 197	337	5 729	1	16.8
Dec	14 505	7 680	1 156	244	5 411	15	16.8
05 *Jan*	14 712	7 962	1 142	250	5 453	-94	16.8
Feb	14 576	7 719	1 107	253	5 531	-35	16.8
Mar	13 321	6 490	1 117	255	5 549	-90	16.8
Apr	13 276	6 439	1 000	256	5 667	-87	16.8
May	13 356	6 782	1 022	262	5 577	-286	16.6
Jun	13 672	6 895	989	269	5 846	-327	16.2
Jul	13 409	6 827	918	270	5 726	-332	16.2
Aug	13 260	6 784	882	274	5 610	-290	15.9
Sep	14 032	6 896	839	275	6 236	-214	15.9
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

RESERVE ASSETS
END-OF-YEAR POSITIONS



RESERVE ASSETS
END-OF-MONTH POSITIONS



Source: BE.

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

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

End-of-period positions — *EUR millions*

	Total	General government						Other monetary financial institutions				
		Total	Short-term		Long-term			Total	Short-term		Long-term	
			Money market instru-ments	Loans	Bonds and notes	Loans	Trade credits		Money market instru-ments	Deposits	Bonds and notes	Deposits
	1	2	3	4	5	6	7	8	9	10	11	12
02 *Q4*	672 115	194 649	1 461	1 072	179 644	12 473	-	307 780	346	154 007	34 190	119 237
03 *Q1*	693 997	183 831	2 196	710	168 451	12 474	-	328 247	315	165 842	39 596	122 493
Q2	714 455	188 667	3 069	267	173 146	12 185	-	339 679	323	170 814	44 803	123 739
Q3	742 072	180 683	3 560	1 780	163 164	12 179	-	362 703	353	183 340	49 208	129 801
Q4	768 406	176 501	4 386	335	159 152	12 628	-	374 134	326	187 752	56 363	129 693
04 *Q1*	814 972	192 147	3 676	489	174 928	13 054	-	392 792	361	186 529	72 417	133 485
Q2	855 398	189 040	3 270	428	172 191	13 151	-	425 717	353	207 118	79 569	138 676
Q3	866 395	195 531	3 136	1 755	177 265	13 374	-	423 118	362	198 299	88 484	135 974
Q4	903 856	205 321	2 956	705	184 800	16 861	-	427 328	301	194 245	100 711	132 071
05 *Q1*	954 029	206 609	2 600	1 024	185 261	17 723	-	456 631	467	202 197	121 665	132 301
Q2	1 034 078	215 486	2 268	437	196 053	16 728	-	486 861	577	213 838	135 730	136 716
Q3	1 075 842	214 954	3 168	1 424	193 837	16 526	-	514 618	790	223 746	147 031	143 051

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	117 772	2 678	19 073	123	31 964	62 951	446	537	63 349	32 665	30 685
Q2	870	870	119 450	2 497	17 673	167	34 248	63 852	437	576	65 789	32 931	32 858
Q3	313	313	126 834	2 418	20 247	168	38 148	64 943	419	491	71 539	33 318	38 221
Q4	92	92	134 448	2 297	19 173	-	44 485	67 696	404	393	83 231	39 204	44 028
04 *Q1*	62	62	146 225	2 321	20 080	359	53 019	69 374	405	669	83 746	35 971	47 776
Q2	1	1	152 075	2 561	18 300	229	60 779	69 177	402	625	88 565	36 798	51 767
Q3	0	0	158 812	3 312	18 674	634	65 266	69 997	392	537	88 934	37 111	51 823
Q4	16	16	176 901	4 043	18 944	1 175	85 408	66 414	413	505	94 291	38 106	56 185
05 *Q1*	0	0	194 619	4 274	20 570	787	98 542	69 225	405	817	96 170	39 144	57 026
Q2	71	71	232 755	3 979	19 836	1 569	133 240	72 933	397	801	98 905	41 099	57 807
Q3	42	42	244 332	3 720	19 322	1 636	142 127	76 333	392	801	101 896	42 205	59 692

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 *Jul*	328 587	253 319	75 001	-	-1	370	102	186 453	457 756	21 532	300 848	8 013	1 314	139 766	1 054
Aug	327 230	252 433	74 998	-	2	41	244	184 518	463 568	13 127	299 826	7 649	1 224	140 434	1 054
Sep	330 874	255 818	74 999	-	5	224	173	189 407	463 363	17 605	298 817	7 256	1 443	138 969	1 054
Oct	330 710	255 309	75 001	-	10	442	51	188 106	468 150	10 658	298 569	7 866	1 803	139 747	1 054
Nov	339 060	263 841	75 000	295	16	169	261	196 810	472 556	17 770	298 041	4 525	1 971	140 136	144
Dec	352 610	278 196	75 000	-652	14	164	112	209 818	493 999	9 424	296 742	3 136	3 317	139 475	-
05 *Jan*	345 223	269 024	75 714	381	0	203	99	204 736	490 694	8 798	280 795	-13 960	1 852	138 635	-
Feb	358 741	277 826	80 749	125	-1	121	78	217 765	488 278	26 949	280 344	-17 118	825	140 152	-
Mar	363 955	278 761	85 217	-152	-0	218	87	220 986	495 751	27 381	279 511	-22 636	373	142 597	-
Apr	366 616	276 523	90 002	-	-1	200	108	223 659	502 026	26 012	287 206	-17 174	-98	143 054	-
May	361 885	271 865	90 000	-	8	93	81	214 859	511 289	10 493	286 876	-20 047	611	146 415	-
Jun	379 967	290 273	90 002	-169	20	145	305	232 941	518 749	24 141	286 606	-23 343	818	146 207	-
Jul	396 451	307 025	90 000	-457	1	67	185	246 362	529 715	27 514	306 173	-4 694	523	149 566	-
Aug	398 523	308 783	89 998	-22	11	18	266	246 736	532 886	24 501	304 931	-5 720	771	151 016	-
Sep	379 522	289 091	89 999	432	9	76	85	226 489	530 079	9 620	304 733	-8 476	1 556	151 477	-
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	-

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 *Jul*	22 648	19 955	2 692	-	0	0	-	37 135	66 720	5 930	20 153	-15 361	-27 805	-26 029	-1 776	13 318	-
Aug	26 132	24 479	1 652	-	1	-	1	37 297	66 578	6 180	20 080	-15 381	-24 634	-22 733	-1 901	13 469	-
Sep	30 412	28 714	1 698	-	2	-	2	36 239	65 816	6 062	20 057	-15 583	-19 736	-18 003	-1 733	13 909	-
Oct	28 088	25 882	2 201	-	6	0	-	38 575	66 286	8 347	19 975	-16 083	-24 539	-23 012	-1 527	14 052	-
Nov	22 313	20 361	1 931	2	9	11	-	36 719	66 473	8 591	19 962	-18 382	-27 803	-26 391	-1 411	13 396	-
Dec	24 540	22 266	2 270	-	4	-	0	36 123	69 795	4 360	19 942	-18 089	-26 265	-25 035	-1 230	14 682	-
05 *Jan*	25 136	22 414	2 721	-	1	-	0	37 359	69 878	5 213	18 833	-18 899	-26 045	-24 869	-1 176	13 821	-
Feb	24 353	21 467	2 882	-	1	2	-	37 045	69 247	6 501	18 821	-19 883	-26 880	-25 629	-1 250	14 187	-
Mar	26 496	23 987	2 540	-30	-2	0	-	35 977	70 599	7 890	18 811	-23 701	-24 017	-22 653	-1 364	14 536	-
Apr	29 675	26 863	2 809	-	3	-	0	33 212	71 134	6 329	19 220	-25 030	-18 113	-16 452	-1 662	14 576	-
May	29 050	26 029	3 020	-	2	0	1	33 933	71 959	7 008	19 178	-25 856	-19 224	-16 640	-2 584	14 341	-
Jun	28 526	25 508	3 017	-	6	-	5	35 021	73 124	8 845	18 997	-27 950	-21 561	-18 951	-2 610	15 065	-
Jul	30 823	28 108	2 725	-11	1	-	0	31 762	75 194	5 883	20 121	-29 194	-16 150	-13 372	-2 778	15 211	-
Aug	31 232	28 332	2 902	-	1	-	4	28 673	74 978	3 781	19 996	-30 091	-13 211	-10 398	-2 813	15 770	-
Sep	29 186	26 296	2 890	-	2	-	1	25 857	74 026	4 375	19 927	-32 617	-12 528	-10 124	-2 404	15 857	-
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	-

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

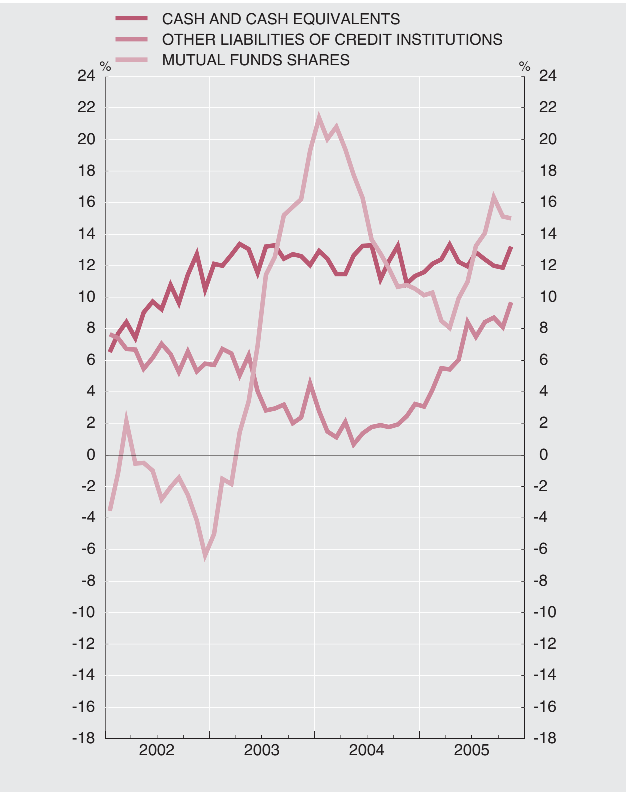
8.2 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES (a) OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN

■ Series depicted in chart.

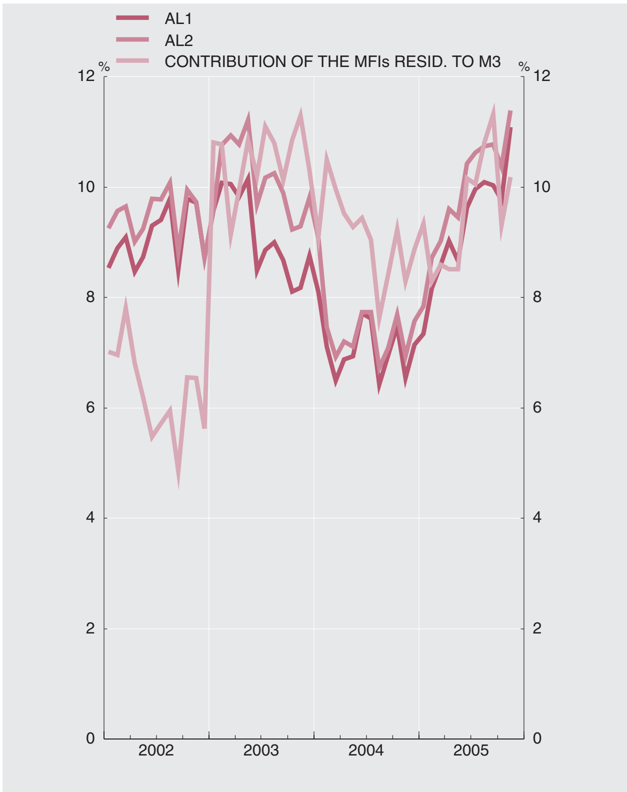
EUR millions and %

	Cash and cash equivalents				Other liabilities of credit institutions					Mutual funds shares					Memorandum items		
	Stocks	12-month % change	12-m. % change		Stocks	12 month % change	12-month % change			Stocks	12-month % change	12-month % change			12-month % change		
			Cash	Deposits (b)			Other deposits (c)	Repos + credit institutions' securities	Deposits in branches abroad			Money market funds	Fixed income mutual funds in EUR	Other mutual funds	AL1 (d)	AL2 (e)	Contribution of the MFIs resid. to M3
	1	2 ■	3	4	5	6 ■	7	8	9	10	11 ■	12	13	14	15 ■	16 ■	17 ■
02	321 911	10.5	22.2	8.5	265 690	5.8	6.9	1.6	5.0	145 758	-6.4	14.1	8.6	-21.3	8.7	8.7	5.6
03	360 691	12.0	20.9	10.3	277 689	4.5	2.2	14.9	-0.7	173 917	19.3	10.1	30.7	20.2	8.8	9.8	10.3
04	401 569	11.3	19.7	9.5	286 648	3.2	8.4	-12.6	-8.2	192 210	10.5	-1.1	14.5	15.8	7.1	7.6	8.9
04 *Aug*	381 888	11.1	20.6	9.2	276 077	1.9	4.8	-2.5	-21.4	187 711	12.8	-1.0	11.5	23.3	6.4	6.7	7.6
Sep	389 220	12.3	21.3	10.5	274 149	1.8	5.5	-9.2	-12.2	187 269	11.8	-1.8	9.2	23.0	7.0	7.1	8.4
Oct	389 273	13.2	21.0	11.6	276 279	1.9	7.4	-14.4	-15.5	188 439	10.6	-1.8	11.0	18.8	7.5	7.7	9.2
Nov	393 163	10.8	20.0	9.0	278 536	2.5	8.1	-14.3	-15.9	190 665	10.8	-1.7	13.3	17.6	6.5	6.9	8.3
Dec	401 569	11.3	19.7	9.5	286 648	3.2	8.4	-12.6	-8.2	192 210	10.5	-1.1	14.5	15.8	7.1	7.6	8.9
05 *Jan*	396 834	11.6	19.9	9.8	284 952	3.1	8.7	-9.0	-28.5	194 486	10.1	1.0	16.0	12.7	7.3	7.8	9.3
Feb	402 486	12.1	19.2	10.6	286 493	4.1	9.3	-9.3	-22.4	198 006	10.3	2.1	17.8	11.4	8.2	8.7	8.3
Mar	408 895	12.4	18.8	11.0	290 114	5.5	8.8	-3.7	-9.1	198 909	8.5	-1.9	15.8	10.8	8.6	9.0	8.6
Apr	412 218	13.3	18.2	12.2	290 682	5.4	9.5	-3.2	-23.2	200 162	8.0	-2.1	18.7	8.6	9.0	9.6	8.5
May	416 899	12.2	17.6	11.1	291 368	6.0	10.0	-2.1	-24.6	204 210	9.9	-3.1	21.9	11.5	8.7	9.5	8.5
Jun	435 669	12.0	17.8	10.7	296 704	8.4	11.5	3.3	-20.8	207 466	11.0	-1.7	23.5	12.1	9.6	10.4	10.2
Jul	440 541	12.8	17.1	11.9	293 227	7.5	10.4	0.9	-18.2	211 403	13.3	1.3	20.8	16.1	10.0	10.6	10.1
Aug	429 266	12.4	17.1	11.4	299 348	8.4	11.2	1.2	-10.2	214 149	14.1	1.8	20.6	17.7	10.1	10.7	10.8
Sep	435 942	12.0	17.7	10.7	298 004	8.7	10.5	8.3	-19.7	217 835	16.3	2.1	22.4	21.2	10.0	10.8	11.3
Oct P	435 518	11.9	16.0	11.0	298 622	8.1	9.7	5.8	-12.0	216 901	15.1	2.7	19.6	19.7	9.8	10.4	9.3
Nov P	445 055	13.2	16.5	12.5	305 485	9.7	10.4	11.7	-11.9	219 239	15.0	2.4	16.1	21.3	11.1	11.4	10.2

NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change



NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change



Source: BE.

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

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

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

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

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

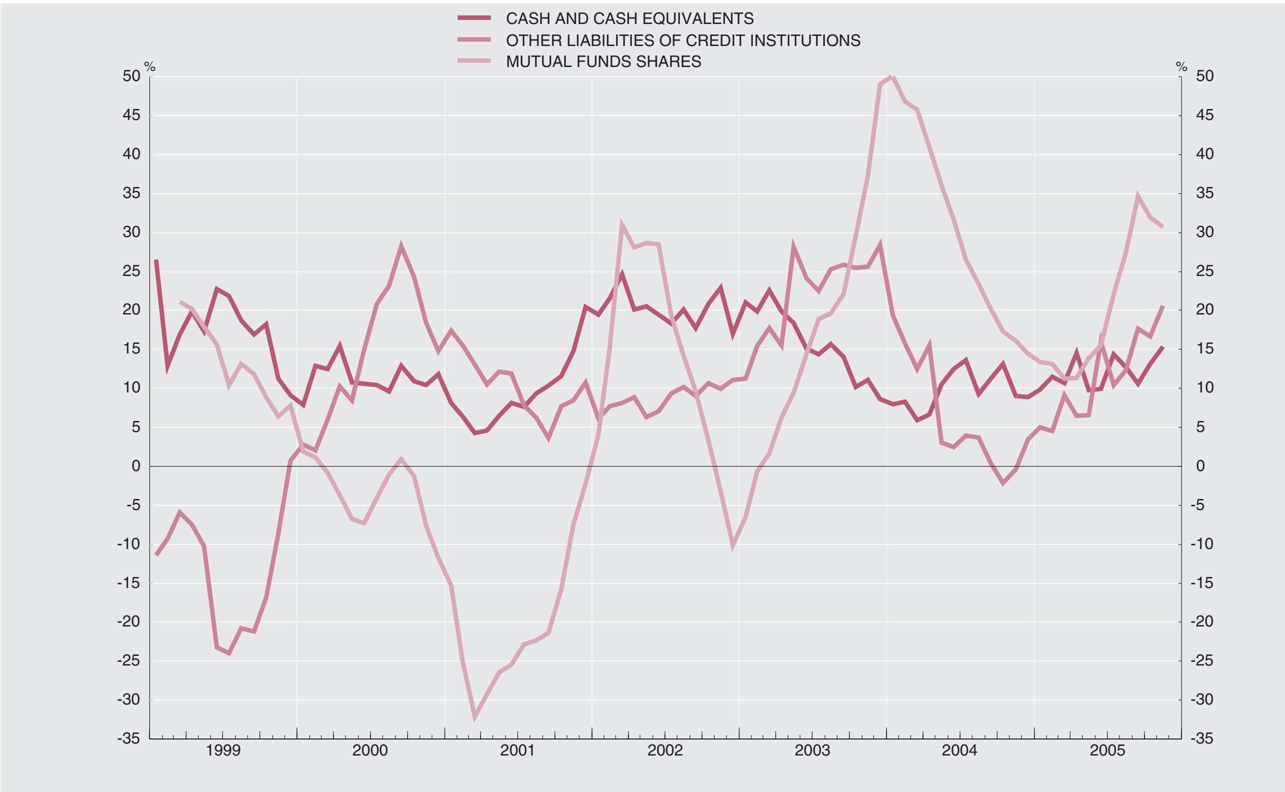
8.3 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

EUR millions and %

	Cash and cash equivalents (b)		Other liabilities of credit institutions				Mutual funds shares				
	Stocks	Annual growth rate	Stocks	Annual growth rate	Annual growth rate: Other deposits (c)	Annual growth rate: Repos + credit instit.' securit.+ dep. in branches abroad	Stocks	Annual growth rate	Annual growth rate: Money market funds	Annual growth rate: Fixed income mutual funds in EUR	Annual growth rate: Other mutual funds
	1	2 ■	3	4 ■	5	6	7	8 ■	9	10	11
02	78 418	17.0	49 423	11.1	19.1	6.9	13 730	-10.2	16.3	2.5	-25.7
03	85 186	8.6	63 455	28.4	39.2	22.1	20 465	49.0	10.3	76.0	61.9
04	92 764	8.9	65 614	3.4	24.6	-10.7	23 418	14.4	25.7	10.2	11.5
04 *Aug*	87 784	9.3	59 187	3.7	10.7	-1.7	22 706	23.4	31.3	13.0	24.9
Sep	91 228	11.2	57 542	0.4	12.9	-9.1	22 178	20.2	31.5	7.6	21.2
Oct	89 313	13.1	57 561	-2.1	17.8	-16.2	22 528	17.3	29.3	8.5	16.1
Nov	91 559	9.1	59 231	-0.4	19.7	-15.2	23 006	16.1	27.3	9.8	14.0
Dec	92 764	8.9	65 614	3.4	24.6	-10.7	23 418	14.4	25.7	10.2	11.5
05 *Jan*	90 754	9.9	62 039	5.0	28.4	-11.5	23 976	13.4	16.5	14.6	11.3
Feb	93 081	11.5	61 690	4.5	29.4	-13.1	24 689	13.1	8.2	19.0	12.5
Mar	94 706	10.6	64 677	9.1	30.2	-6.6	25 141	11.2	-5.0	19.9	14.7
Apr	96 277	14.5	63 603	6.5	29.7	-10.9	25 620	11.3	-7.1	24.7	14.1
May	96 414	9.8	62 787	6.5	31.2	-14.1	26 495	13.9	-9.9	30.2	19.0
Jun	102 686	9.9	66 674	16.0	45.1	-8.8	27 239	15.5	-10.3	33.9	21.5
Jul	104 034	14.3	62 910	10.4	34.0	-10.6	28 165	22.1	-8.0	37.2	31.9
Aug	98 985	12.8	66 458	12.3	36.6	-8.8	28 931	27.4	-7.8	43.5	40.0
Sep	100 884	10.6	67 719	17.7	33.7	2.3	29 865	34.7	-7.8	52.2	50.8
Oct P	101 049	13.1	67 131	16.6	33.8	-0.4	29 725	31.9	-5.8	45.9	46.1
Nov P	105 639	15.4	71 419	20.6	33.5	7.3	30 074	30.7	-4.5	39.0	45.2

NON-FINANCIAL CORPORATIONS
Annual percentage change



Source: BE.

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

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

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

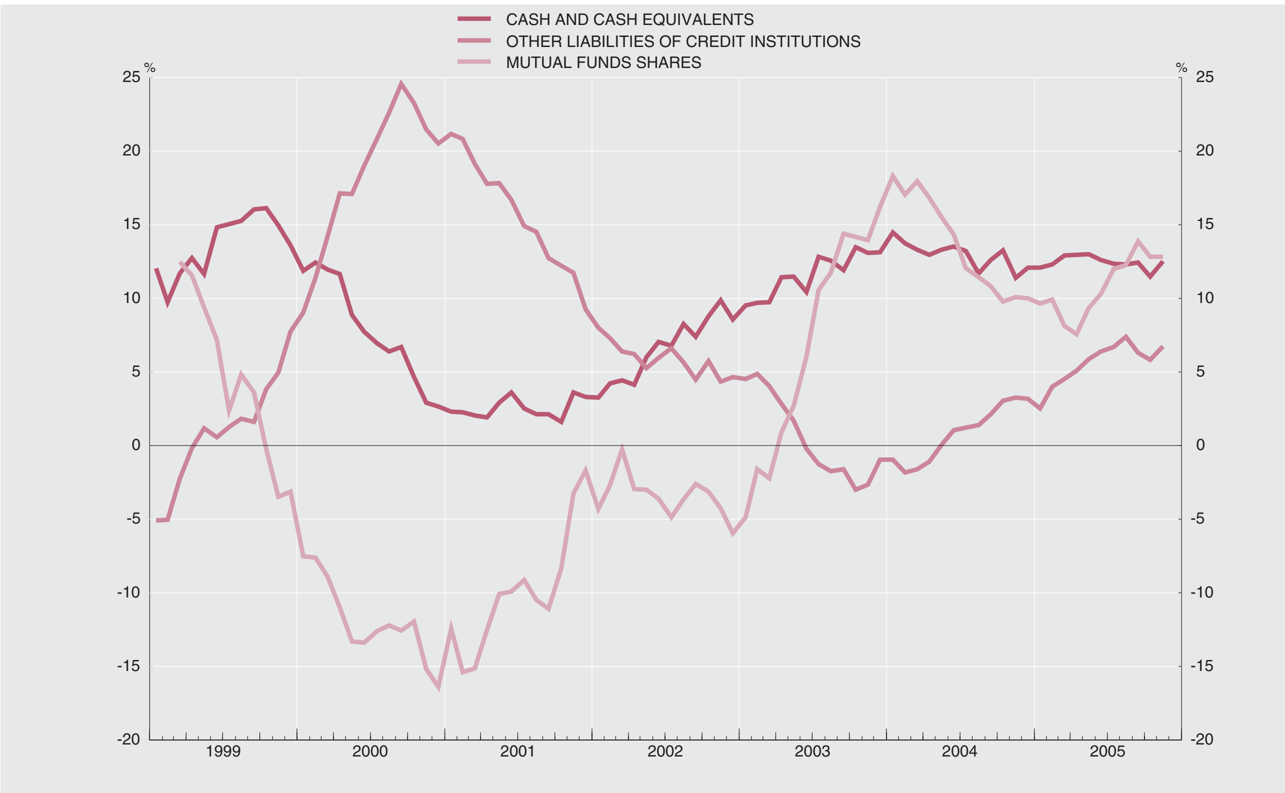
8.4 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

EUR millions and %

	Cash and cash equivalents				Other liabilities of credit institutions				Mutual funds shares				
	Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate		
			Cash	Deposits (b)			Other deposits (c)	Repos + credit instit.' securit.+ dep. in branches abroad			Money market funds	Fixed income mutual funds in EUR	Other mutual funds
	1	2 ■	3	4	5	6 ■	7	8	9	10 ■	11	12	13
02	243 493	8.6	19.0	6.3	216 267	4.6	5.8	-1.7	132 028	-6.0	13.9	9.3	-20.8
03	275 505	13.1	20.7	11.3	214 234	-0.9	-1.4	1.9	153 452	16.2	10.1	25.9	15.8
04	308 805	12.1	20.6	9.8	221 034	3.2	6.1	-13.0	168 793	10.0	-3.8	15.1	16.4
04 *Aug*	294 104	11.7	21.2	9.3	216 891	1.4	4.0	-12.4	165 005	11.4	-4.4	11.3	23.1
Sep	297 992	12.6	21.9	10.3	216 608	2.1	4.5	-10.7	165 091	10.8	-5.2	9.4	23.3
Oct	299 960	13.3	21.8	11.1	218 718	3.1	6.0	-13.1	165 911	9.8	-4.9	11.4	19.2
Nov	301 604	11.4	20.8	9.0	219 305	3.3	6.5	-14.1	167 659	10.1	-4.6	13.7	18.1
Dec	308 805	12.1	20.6	9.8	221 034	3.2	6.1	-13.0	168 793	10.0	-3.8	15.1	16.4
05 *Jan*	306 079	12.1	20.9	9.8	222 913	2.5	6.0	-15.9	170 511	9.7	-0.7	16.2	12.9
Feb	309 406	12.3	20.3	10.2	224 803	4.0	6.7	-11.0	173 317	9.9	1.4	17.6	11.2
Mar	314 189	12.9	20.1	11.0	225 437	4.5	5.8	-2.9	173 768	8.1	-1.6	15.2	10.2
Apr	315 941	13.0	19.5	11.2	227 079	5.1	6.7	-3.9	174 542	7.6	-1.4	17.8	7.8
May	320 485	13.0	19.0	11.4	228 582	5.9	6.9	-0.0	177 716	9.4	-2.2	20.7	10.4
Jun	332 982	12.6	19.3	10.8	230 030	6.4	6.7	4.8	180 227	10.3	-0.4	22.0	10.7
Jul	336 507	12.4	18.8	10.6	230 316	6.7	7.0	4.7	183 238	12.0	2.6	18.5	14.0
Aug	330 281	12.3	18.8	10.5	232 890	7.4	7.4	7.1	185 218	12.2	3.1	17.5	14.7
Sep	335 058	12.4	19.5	10.5	230 285	6.3	7.0	1.6	187 971	13.9	3.5	18.4	17.3
Oct P	334 469	11.5	17.6	9.8	231 491	5.8	6.0	4.5	187 176	12.8	3.8	16.0	16.2
Nov P	339 416	12.5	18.1	10.9	234 066	6.7	6.8	6.6	189 165	12.8	3.3	12.9	18.0

HOUSEHOLDS AND NPISH
Annual percentage change



Source: BE.

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

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

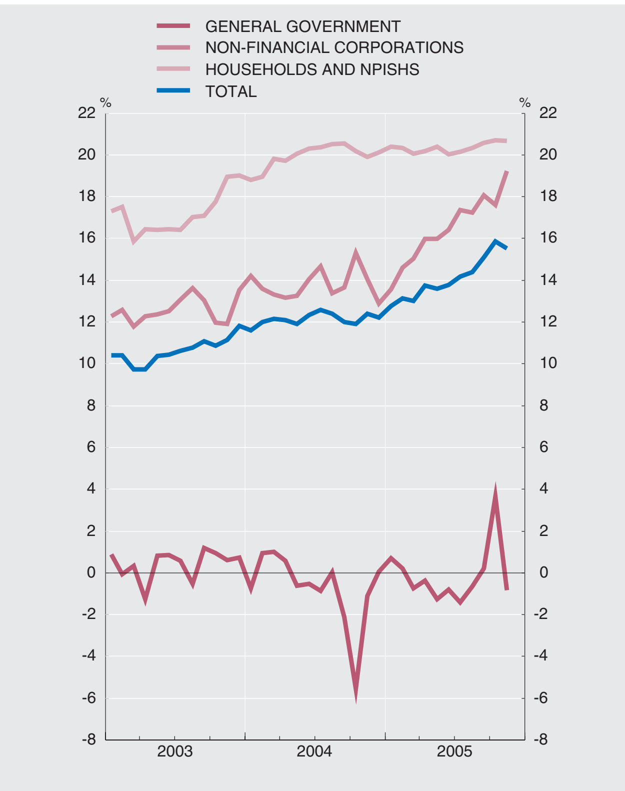
(c) Deposits redeemable at over 3 months' notice and time deposits.

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

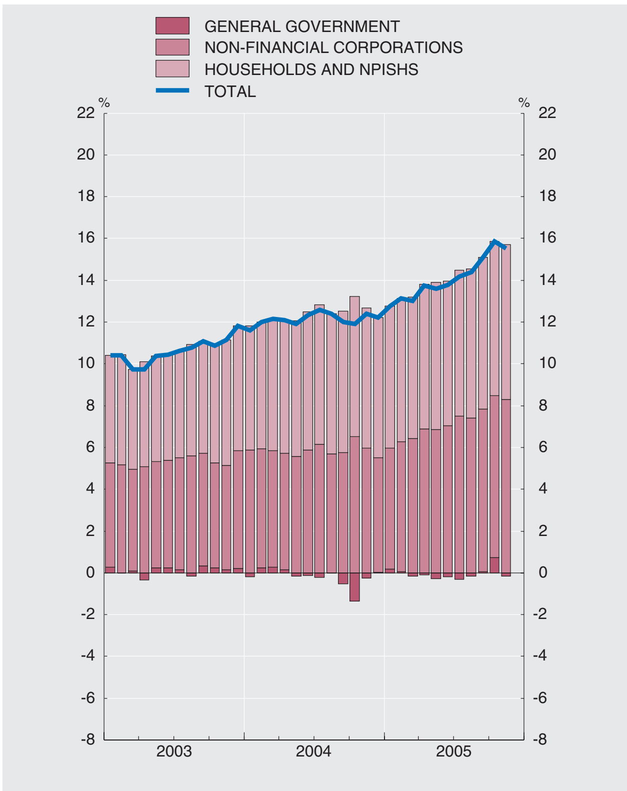
■ Series depicted in chart. *EUR millions and %*

		Total			Annual growth rate							Contribution to col. 3						
		Stocks	Effective flow	Annual growth rate	General government (b)	Non-financial corp. and households and NPISHs	By sectors: Non-financial corporations	By sectors: Households and NPISHs	By instruments: Credit institutions' loans & securit. funds	By instruments: Securities other than shares	By instruments: External loans	General government (b)	Non-financial corp. and households and NPISHs	By sectors: Non-financial corporations	By sectors: Households and NPISHs	By instrumentss: Credit institutions' loans & securit. funds	By instrumentss: Securities other than shares	By instrumentss: External loans
		1	2	3 ■	4 ■	5	6 ■	7 ■	8	9	10	11 ■	12	13 ■	14 ■	15	16	17
02		1 195 088	105 569	9.7	-0.7	14.0	12.4	16.2	14.2	-16.7	16.4	-0.2	9.9	5.0	4.8	8.2	-0.2	1.8
03		1 343 183	141 381	11.8	0.7	15.9	13.5	19.0	16.4	-7.8	15.3	0.2	11.6	5.6	6.0	9.9	-0.1	1.8
04		1 511 090	164 035	12.2	0.0	16.1	12.9	20.1	19.0	0.2	2.4	0.0	12.2	5.5	6.7	11.9	0.0	0.3
04 *Aug*		1 441 398	-3 709	12.4	0.0	16.5	13.4	20.5	18.0	-2.7	10.6	0.0	12.4	5.7	6.7	11.1	-0.0	1.3
Sep		1 450 864	8 927	12.0	-2.1	16.7	13.7	20.6	18.4	0.7	9.2	-0.5	12.5	5.8	6.8	11.4	0.0	1.1
Oct		1 456 215	5 942	11.9	-5.5	17.5	15.3	20.2	18.9	-1.7	11.4	-1.3	13.2	6.5	6.7	11.9	-0.0	1.4
Nov		1 481 427	25 028	12.4	-1.1	16.6	14.0	19.9	18.2	-1.9	9.7	-0.3	12.7	6.0	6.7	11.5	-0.0	1.2
Dec		1 511 090	28 056	12.2	0.0	16.1	12.9	20.1	19.0	0.2	2.4	0.0	12.2	5.5	6.7	11.9	0.0	0.3
05 *Jan*		1 530 753	18 849	12.8	0.7	16.6	13.6	20.4	19.8	1.4	1.7	0.2	12.6	5.8	6.8	12.4	0.0	0.2
Feb		1 538 516	9 469	13.1	0.2	17.1	14.6	20.3	20.0	0.6	4.0	0.0	13.1	6.2	6.9	12.6	0.0	0.5
Mar		1 561 945	21 897	13.0	-0.7	17.3	15.0	20.1	20.0	0.7	4.6	-0.2	13.2	6.4	6.8	12.6	0.0	0.6
Apr		1 576 634	11 938	13.7	-0.4	17.8	16.0	20.2	20.5	2.6	5.2	-0.1	13.8	6.9	6.9	13.1	0.0	0.7
May		1 594 266	17 006	13.6	-1.3	17.9	16.0	20.4	20.6	1.1	5.5	-0.3	13.9	6.9	7.0	13.2	0.0	0.7
Jun		1 632 550	36 391	13.8	-0.8	18.0	16.4	20.0	20.9	1.0	4.1	-0.2	14.0	7.0	6.9	13.4	0.0	0.5
Jul		1 659 791	24 982	14.2	-1.4	18.6	17.4	20.1	21.2	1.5	5.9	-0.3	14.5	7.5	7.0	13.7	0.0	0.7
Aug		1 658 813	-1 118	14.4	-0.7	18.6	17.2	20.3	21.3	3.0	5.6	-0.1	14.5	7.4	7.1	13.8	0.0	0.7
Sep		1 679 643	20 466	15.1	0.2	19.2	18.1	20.6	22.0	-4.5	5.7	0.0	15.0	7.8	7.3	14.4	-0.0	0.7
Oct	P	1 697 723	18 111	15.9	3.6	19.0	17.6	20.7	22.1	-3.7	4.0	0.7	15.1	7.7	7.4	14.7	-0.0	0.5
Nov	P	1 721 766	24 120	15.5	-0.8	19.9	19.2	20.7	22.5	0.2	6.8	-0.2	15.7	8.3	7.4	14.9	0.0	0.8

FINANCING OF NON-FINANCIAL SECTORS
Annual percentage change



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



Source: BE.

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

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

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

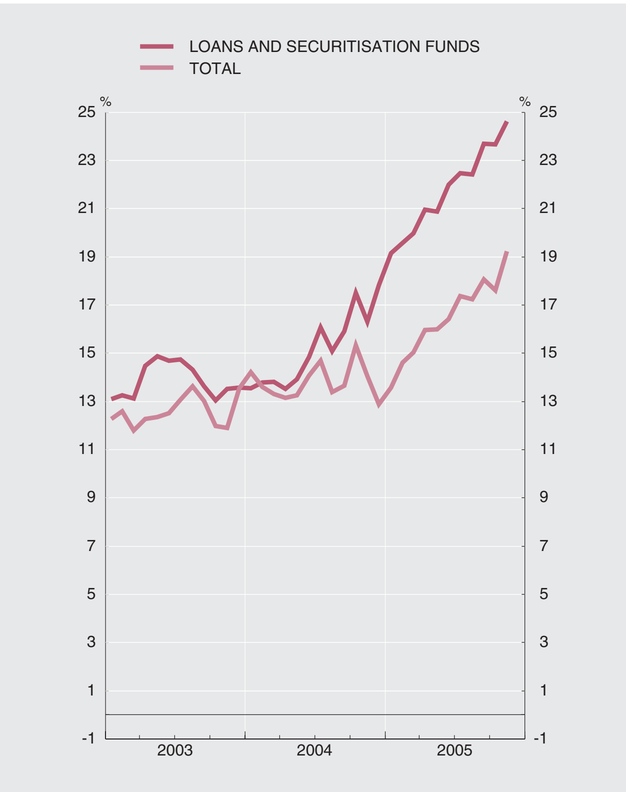
8.6. FINANCING OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

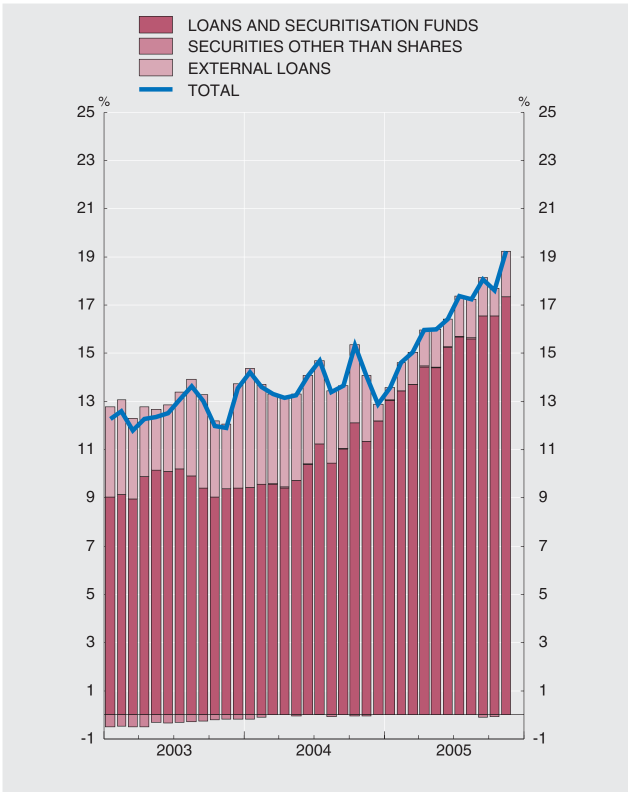
EUR millions and %

	Total			Resident credit institutions' loans and off-balance-sheet securitised loans			Securities other than shares			External loans			Memorandum items: off-balance-sheet securitised loans
	Stocks	Effective flow	Annual growth rate	Stocks	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	
	1	2	3 ■	4	5 ■	6 ■	7	8	9 ■	10	11	12 ■	13
02	498 067	55 100	12.4	345 565	12.1	8.4	11 903	-16.7	-0.5	140 599	16.4	4.5	13 330
03	572 705	67 431	13.5	391 850	13.6	9.4	10 971	-7.8	-0.2	169 884	15.3	4.3	13 581
04	650 918	73 852	12.9	461 003	17.8	12.2	10 992	0.2	0.0	178 923	2.4	0.7	15 432
04 *Aug*	618 427	-3 937	13.4	430 647	15.1	10.4	11 385	-2.7	-0.1	176 395	10.5	3.0	12 469
Sep	625 393	6 364	13.7	436 567	15.9	11.0	11 788	0.7	0.0	177 038	9.1	2.6	12 172
Oct	640 315	15 485	15.3	448 011	17.5	12.1	11 546	-1.7	-0.0	180 758	11.3	3.2	13 240
Nov	639 387	-1 145	14.0	450 528	16.3	11.3	11 185	-1.9	-0.0	177 675	9.7	2.8	14 152
Dec	650 918	9 835	12.9	461 003	17.8	12.2	10 992	0.2	0.0	178 923	2.4	0.7	15 432
05 *Jan*	662 140	10 388	13.6	469 292	19.2	13.1	11 222	1.4	0.0	181 626	1.6	0.5	14 897
Feb	667 986	7 529	14.6	474 492	19.6	13.4	11 706	0.6	0.0	181 788	4.0	1.2	12 953
Mar	680 859	11 287	15.0	483 831	20.0	13.7	12 075	0.7	0.0	184 953	4.5	1.3	12 717
Apr	696 771	13 155	16.0	494 929	20.9	14.4	12 160	2.6	0.1	189 682	5.1	1.5	12 143
May	702 125	4 717	16.0	500 377	20.9	14.4	11 811	1.1	0.0	189 936	5.4	1.6	11 754
Jun	719 455	15 346	16.4	516 594	22.0	15.2	12 014	1.0	0.0	190 847	4.0	1.2	7 060
Jul	740 911	19 173	17.4	531 869	22.5	15.7	11 785	1.5	0.0	197 257	5.9	1.7	6 418
Aug	735 561	-5 484	17.2	526 645	22.4	15.6	11 729	3.0	0.1	197 188	5.6	1.6	6 364
Sep	748 597	12 608	18.1	539 542	23.7	16.5	11 254	-4.5	-0.1	197 801	5.6	1.6	6 970
Oct P	763 979	15 396	17.6	553 582	23.7	16.6	11 122	-3.7	-0.1	199 275	4.0	1.1	9 652
Nov P	772 999	9 067	19.2	561 045	24.6	17.3	11 212	0.2	0.0	200 742	6.8	1.9	9 163

FINANCING OF NON-FINANCIAL CORPORATIONS
Annual percentage change



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



Source: BE.

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

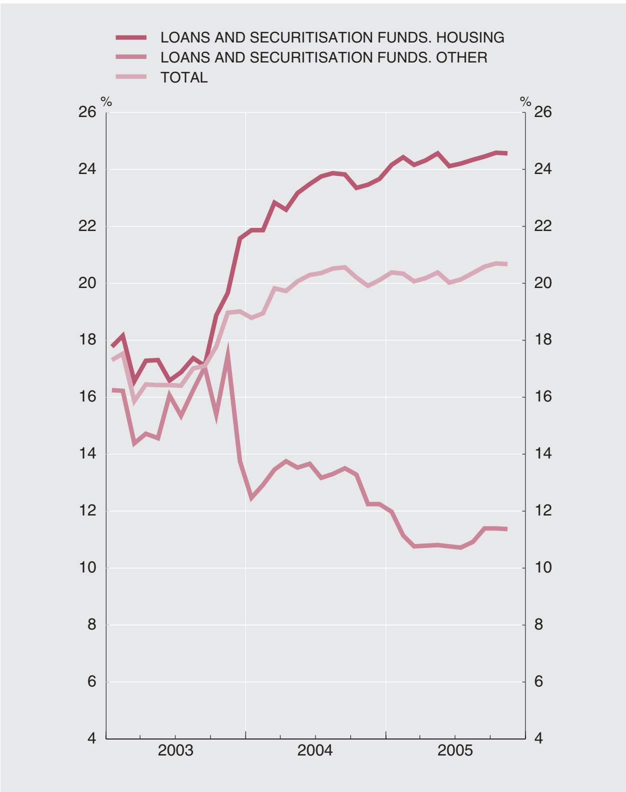
(a) The annual percentage changes are calculated as the effective flow of the period / the stock at the beginning of the period.

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

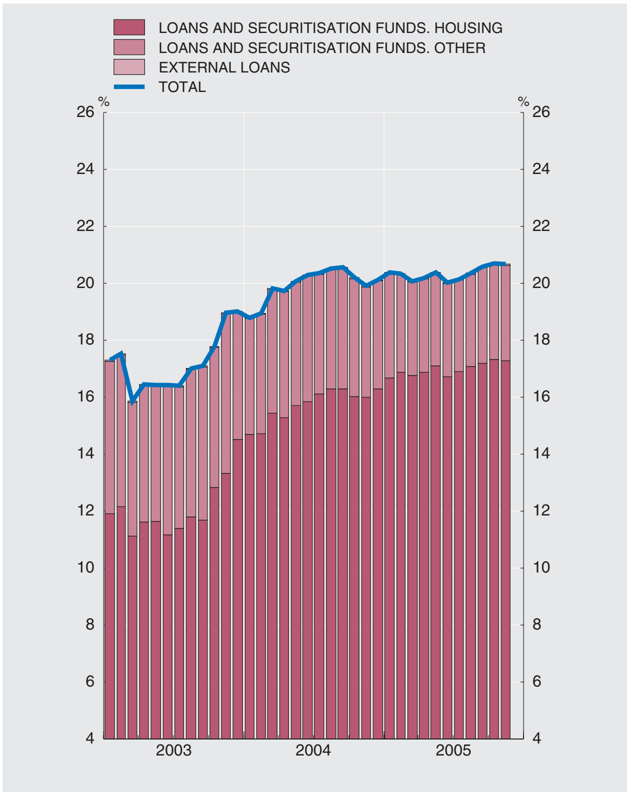
■ Series depicted in chart. *EUR millions and %*

	Total			Resident credit institutions' loans and off-balance-sheet securitised loans. Housing			Resident credit institutions' loans and off-balance-sheet securitised loans. Other			External loans			Memorandum items: off-balance-sheet securitised loans	
	Stocks	Effective flow	Annual growth rate	Stocks	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	Housing	Other
	1	2	3 ■	4	5 ■	6 ■	7	8 ■	9 ■	10	11 ■	12 ■	13	14
02	376 612	52 607	16.2	253 552	17.1	11.4	122 447	14.4	4.8	613	27.0	0.0	18 466	3 934
03	447 712	71 594	19.0	308 195	21.6	14.5	138 796	13.7	4.5	722	17.7	0.0	32 237	6 070
04	537 250	90 026	20.1	381 050	23.6	16.3	155 339	12.2	3.8	860	19.2	0.0	47 225	8 819
04 *Aug*	505 493	3 412	20.5	354 651	23.9	16.3	150 022	13.3	4.2	819	20.7	0.0	45 633	6 680
Sep	511 833	6 402	20.6	359 990	23.8	16.3	151 013	13.5	4.2	830	19.5	0.0	44 969	6 635
Oct	519 451	7 645	20.2	366 156	23.3	16.0	152 455	13.3	4.1	840	18.5	0.0	45 005	8 009
Nov	531 030	11 612	19.9	373 499	23.4	16.0	156 676	12.2	3.9	854	19.5	0.0	46 081	8 358
Dec	537 250	6 308	20.1	381 050	23.6	16.3	155 339	12.2	3.8	860	19.2	0.0	47 225	8 819
05 *Jan*	543 340	6 111	20.4	386 991	24.1	16.7	155 477	12.0	3.7	871	17.6	0.0	46 673	8 754
Feb	550 139	6 822	20.3	393 386	24.4	16.9	155 873	11.1	3.4	881	17.6	0.0	46 815	8 225
Mar	559 129	9 045	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	580 004	10 281	20.4	418 030	24.5	17.1	161 061	10.8	3.3	914	17.1	0.0	54 343	7 764
Jun	593 109	13 196	20.0	425 435	24.1	16.7	166 749	10.8	3.3	924	15.8	0.0	34 300	3 385
Jul	602 752	9 668	20.1	435 624	24.2	16.9	166 190	10.7	3.2	939	15.9	0.0	33 893	3 592
Aug	607 883	5 124	20.3	440 930	24.3	17.1	165 999	10.9	3.2	953	16.3	0.0	34 035	3 514
Sep	616 709	8 890	20.6	447 953	24.4	17.2	167 789	11.4	3.4	967	16.5	0.0	32 608	3 833
Oct P	626 532	9 840	20.7	456 143	24.6	17.3	169 412	11.4	3.3	978	16.4	0.0	32 451	3 452
Nov P	640 303	13 801	20.7	465 218	24.6	17.3	174 095	11.4	3.4	990	15.8	0.0	34 007	3 197

FINANCING OF HOUSEHOLDS AND NPISHs
Annual percentage change



FINANCING OF HOUSEHOLDS AND NPISHs
Contributions to the annual percentage change



Source: BE.

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

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

8.8. NET FINANCING OF SPAIN'S GENERAL GOVERNMENT

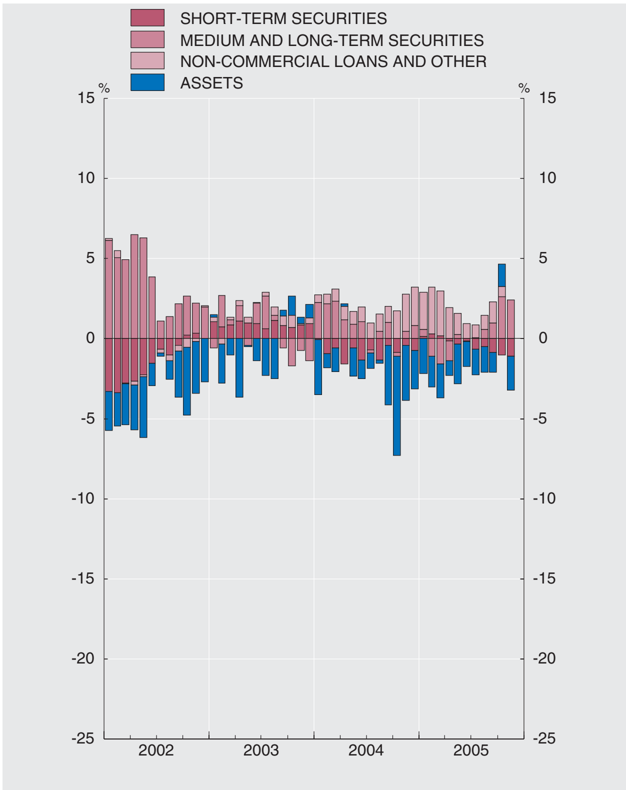
■ Series depicted in chart.

EUR millions and %

	Net financing			Monthly change in stocks						12-month % change in stocks					Contribution to 12-month % change in net stocks of liabilities			
				Liabilities (a)				Assets		Liabilities				Assets	Liabilities			Assets
	Net stock of liabilities	Monthly change (columns 4-8-9)	12-month % change of col. 1	Total	Securities: Short-term	Securities: Medium and long-term	Non-commercial loans and other (b)	Deposits at the Banco de Espana	Other deposits (c)	Total	Securities: Short-term	Securities: Medium and long-term	Non-commercial loans and other (a)	Assets	Securities: Short-term	Securities: Medium and long-term	Non-commercial loans and other (a)	Assets
	1	2	3 ■	4	5	6	7	8	9	10	11 ■	12 ■	13 ■	14	15 ■	16 ■	17 ■	18 ■
02	320 409	-2 139	-0.7	6 597	59	6 352	185	1 785	6 950	1.7	0.2	2.2	0.3	15.2	0.0	2.0	0.1	-2.7
03	322 766	2 356	0.7	-240	3 049	-4 431	1 142	1 767	-4 363	-0.1	8.3	-1.5	2.0	-3.9	1.0	-1.4	0.4	0.8
04	322 923	157	0.0	7 849	-2 456	2 694	7 611	-1 817	9 509	2.0	-6.2	0.9	12.9	12.1	-0.8	0.8	2.4	-2.4
04 *Jun*	322 583	6 472	-0.5	852	-2 846	3 418	280	-70	-5 550	0.5	-11.1	1.2	5.1	5.6	-1.3	1.1	0.9	-1.2
Jul	320 662	-1 921	-0.9	-4 483	2 966	-8 370	920	-2 007	-556	0.1	-5.6	-0.2	5.3	4.7	-0.7	-0.2	1.0	-1.0
Aug	317 478	-3 185	0.0	-5 422	-2 834	-1 820	-768	55	-2 292	0.2	-10.8	0.5	6.0	0.9	-1.3	0.4	1.1	-0.2
Sep	313 639	-3 839	-2.1	6 473	2 854	3 878	-259	-43	10 355	1.3	-3.5	1.1	5.5	18.1	-0.4	1.0	1.0	-3.7
Oct	296 450	-17 189	-5.5	-4 711	-1 504	-5 616	2 408	11 558	920	0.5	-6.9	-0.3	9.4	27.6	-0.9	-0.2	1.7	-6.2
Nov	311 011	14 561	-1.1	6 745	2 149	3 996	600	-12 925	5 109	1.9	-3.4	0.5	12.7	15.3	-0.4	0.5	2.3	-3.4
Dec	322 923	11 913	0.0	1 336	-1 329	207	2 458	-389	-10 188	2.0	-6.2	0.9	12.9	12.1	-0.8	0.8	2.4	-2.4
05 *Jan*	P 325 274	2 350	0.7	5 576	2 621	2 431	524	2 095	1 131	2.4	1.0	0.5	12.4	10.4	0.1	0.5	2.3	-2.2
Feb	P 320 391	-4 883	0.2	-3 472	-3 059	-2 041	1 627	209	1 201	1.7	2.7	-1.2	15.5	8.7	0.3	-1.1	2.9	-1.9
Mar	P 321 957	1 566	-0.7	633	1 207	-945	371	193	-1 125	1.1	1.5	-1.7	15.1	10.1	0.2	-1.6	2.8	-2.1
Apr	P 310 129	-11 827	-0.4	-2 559	-3 320	2 693	-1 932	1 471	7 798	0.4	-1.2	-1.3	9.8	3.5	-0.1	-1.2	1.9	-0.9
May	P 312 137	2 008	-1.3	2 827	1 968	2 995	-2 136	-316	1 136	1.0	-3.0	0.3	6.7	10.1	-0.4	0.3	1.3	-2.5
Jun	P 319 986	7 849	-0.8	-447	-2 166	2 486	-766	150	-8 446	0.6	-1.3	-0.0	5.0	7.1	-0.1	-0.0	0.9	-1.6
Jul	P 316 127	-3 859	-1.4	-6 341	1 337	-8 111	432	-3 422	939	0.2	-5.5	0.1	4.1	7.5	-0.6	0.0	0.8	-1.6
Aug	P 315 369	-758	-0.7	-3 078	-2 349	-169	-560	-220	-2 100	0.8	-4.5	0.6	4.5	7.6	-0.5	0.6	0.9	-1.6
Sep	P 314 337	-1 033	0.2	8 045	1 748	5 139	1 158	117	8 960	1.2	-7.1	1.1	6.8	5.0	-0.9	1.0	1.3	-1.2
Oct	A 307 212	-7 125	3.6	-2 638	-1 876	-945	183	-10 050	14 537	1.7	-8.4	2.7	3.1	-4.6	-1.0	2.6	0.7	1.4
Nov	A 308 464	1 253	-0.8	4 162	1 828	3 742	-1 408	-102	3 011	1.0	-8.7	2.6	-0.1	8.1	-1.1	2.4	-0.0	-2.1

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.

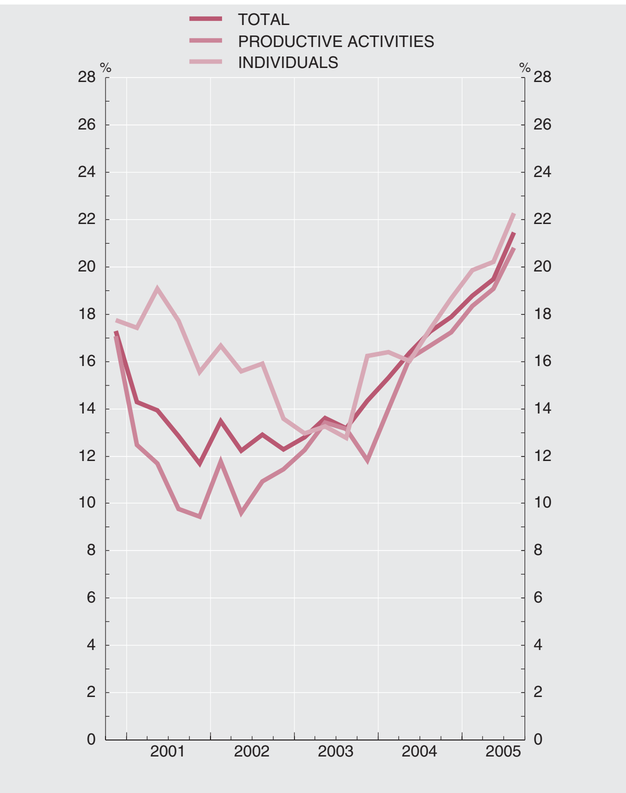
8.9 LENDING BY CREDIT INSTITUTIONS TO OTHER RESIDENT SECTORS. BREAKDOWN BY END-USE.

■ Series depicted in chart.

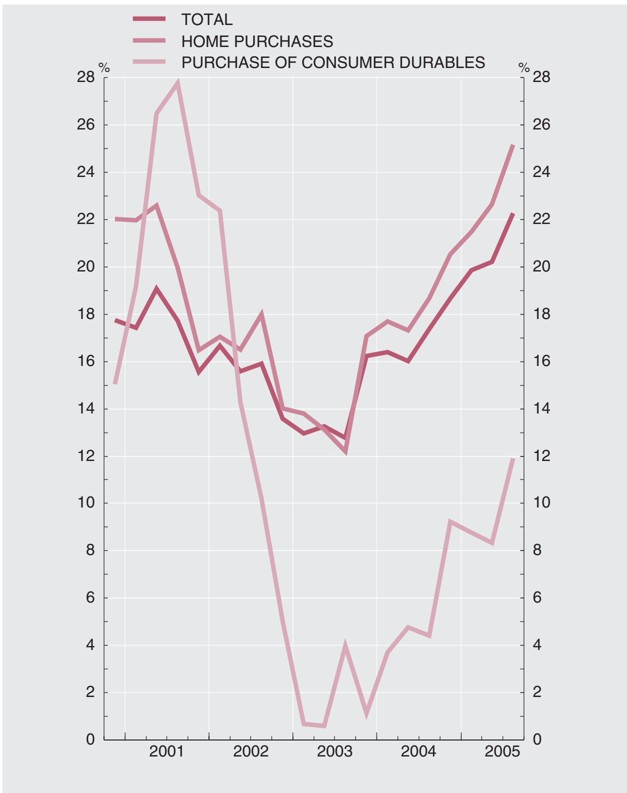
EUR millions and percentages

	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 *Q3*	680 806	351 950	14 281	82 834	53 777	201 057	316 697	234 668	224 849	9 819	35 072	46 957	2 339	9 820
Q4	701 663	368 466	15 122	85 762	57 376	210 206	320 053	235 086	224 830	10 256	34 741	50 227	2 324	10 819
03 *Q1*	722 204	375 901	15 138	86 559	56 975	217 229	331 747	244 498	233 729	10 769	34 910	52 339	2 285	12 271
Q2	754 872	389 249	15 712	87 015	59 431	227 091	349 500	256 010	244 414	11 596	35 676	57 814	2 512	13 608
Q3	770 523	398 206	16 462	87 240	61 902	232 601	357 146	264 453	252 316	12 136	36 468	56 225	2 651	12 520
Q4	802 212	411 986	16 402	85 829	65 784	243 972	372 013	275 958	263 192	12 766	35 136	60 919	3 002	15 212
04 *Q1*	832 734	428 517	16 973	85 326	68 171	258 047	386 179	288 736	275 107	13 629	36 201	61 242	3 108	14 930
Q2	878 477	452 030	17 102	86 636	72 362	275 930	405 486	301 537	286 744	14 793	37 374	66 575	3 183	17 777
Q3	903 590	464 578	17 655	88 360	75 494	283 069	419 230	315 021	299 447	15 574	38 075	66 134	3 426	16 355
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 077 710	542 523	19 459	99 000	89 710	334 354	512 464	391 135	371 669	19 466	42 494	78 836	4 200	18 522
Q3	1 125 369	565 606	20 144	101 351	94 322	349 789	537 597	415 345	394 810	20 534	44 609	77 644	4 355	17 812

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.

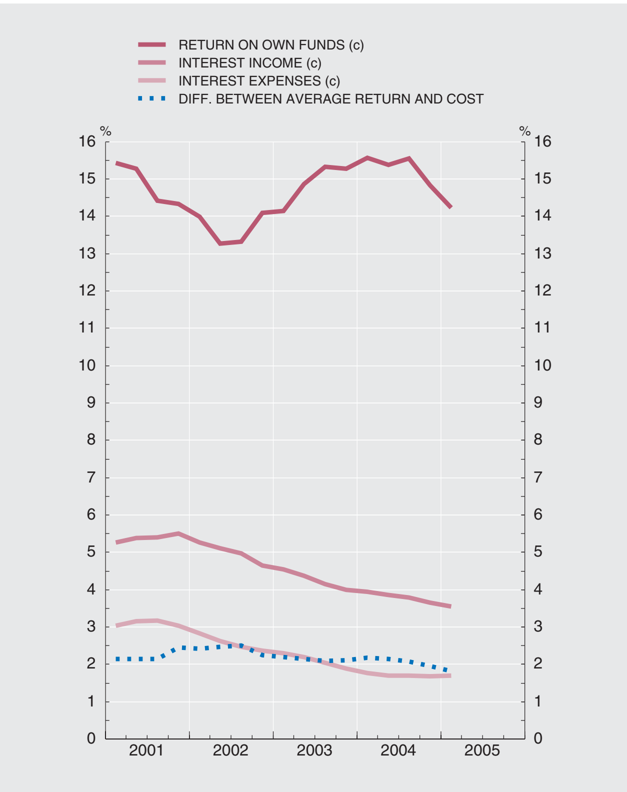
(c) Asset-backed securities brought back onto the balance sheet as a result of the entry into force of Banco de España Circular BE 4/2004 have caused a break in the series in June 2005. The rates depicted in the chart have been adjusted to eliminate this effect.

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	Interest expenses	Net interest income	Non interest income and expenses	Gross income	Operating expenses:	Of which: Staff costs	Net income	Provisions and other income and expenses	Profit before tax	Return on own funds (a)	Average return on lending operations (b)	Average cost of borrowing operations (b)	Difference (12-13)
	1 ■	2 ■	3 ■	4	5 ■	6	7	8 ■	9	10 ■	11 ■	12	13	14 ■
02	4.8	2.4	2.5	0.6	3.1	1.7	1.0	1.3	-1.6	0.8	14.6	5.0	2.7	2.3
03	4.2	1.8	2.5	0.3	2.7	1.6	0.9	1.2	-1.0	0.8	14.4	4.3	2.2	2.1
04	3.7	1.7	2.0	0.8	2.8	1.5	0.9	1.3	-1.6	0.7	11.6	3.9	1.9	1.9
02 *Q1*	4.5	2.4	2.1	0.7	2.7	1.7	1.0	1.0	-0.1	0.9	14.5	5.7	3.3	2.4
Q2	4.7	2.4	2.3	0.8	3.1	1.7	1.0	1.4	-0.5	0.9	15.0	5.5	3.0	2.5
Q3	4.6	2.4	2.2	0.7	2.9	1.7	1.0	1.2	-0.5	0.7	12.2	5.3	2.8	2.5
Q4	4.8	2.4	2.5	0.6	3.1	1.7	1.0	1.3	-0.5	0.8	14.6	5.0	2.7	2.3
03 *Q1*	4.0	2.1	1.9	0.7	2.7	1.6	1.0	1.0	-0.2	0.8	14.8	4.9	2.7	2.2
Q2	4.0	1.9	2.1	0.8	2.9	1.6	1.0	1.3	-0.2	1.0	17.9	4.7	2.5	2.1
Q3	3.7	1.7	2.0	0.7	2.6	1.6	0.9	1.0	-0.2	0.8	14.0	4.4	2.3	2.1
Q4	4.2	1.8	2.5	0.3	2.7	1.6	0.9	1.2	-0.4	0.8	14.4	4.3	2.2	2.1
04 *Q1*	3.8	1.7	2.2	0.7	2.9	1.5	0.9	1.4	-0.5	0.9	15.9	4.2	2.0	2.2
Q2	3.7	1.7	2.0	0.7	2.7	1.5	0.9	1.2	-0.3	0.9	17.1	4.1	1.9	2.1
Q3	3.4	1.7	1.7	0.7	2.4	1.4	0.9	1.0	-0.2	0.8	14.7	4.0	1.9	2.1
Q4	3.7	1.7	2.0	0.8	2.8	1.5	0.9	1.3	-0.6	0.7	11.6	3.9	1.9	1.9
05 *Q1*	3.4	1.7	1.7	0.7	2.4	1.4	0.8	1.0	-0.2	0.8	13.5	3.8	1.9	1.8

PROFIT AND LOSS ACCOUNT
Percentages of the adjusted average balance sheet and returns



PROFIT AND LOSS ACCOUNT
Percentages of the adjusted average balance sheet

Source: BE.

Note: The underlying series for this indicator are in Table 89.61 of the BE Boletín estadístico.

(a) Profit before tax divided by own funds (capital,reserves, and general risk fund less losses from previous financial years and intangible assets).

(b) Only those financial assets and liabilities which respectively give rise to financial income and costs have been considered to calculate the averge return and cost.

(c) Average of the last four quarters.

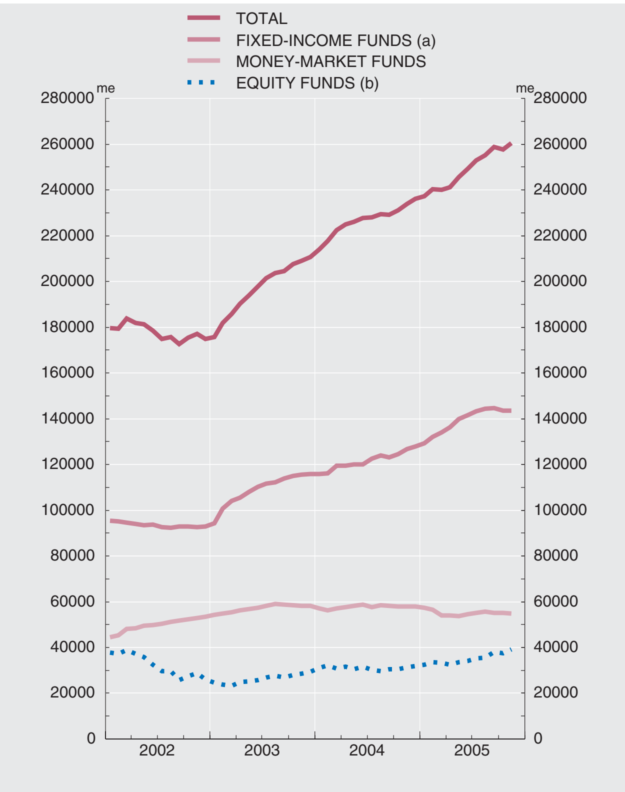
8.11. MUTUAL FUNDS RESIDENT IN SPAIN

■ Series depicted in chart.

EUR millions

	Total				Money-market funds				Fixed-income funds (a)				Equity funds (b)				Others funds (c)
	Net asset value	Of which			Net asset value	Of which			Net asset value	Of which			Net asset value	Of which			Net asset value
		Monthly change	Net funds inves-ted	Return over last 12 months		Monthly change	Net funds inves-ted	Return over last 12 months		Monthly change	Net funds inves-ted	Return over last 12 months		Monthly change	Net funds inves-ted	Return over last 12 months	
	1 ■	2	3	4 ■	5 ■	6	7	8 ■	9 ■	10	11	12 ■	13 ■	14	15	16 ■	17
02	174 733	-6 590	1 274	-3.2	53 366	9 536	8 327	2.4	92 742	-4 504	-5 581	1.7	26 067	-11 427	-1 794	-25.7	2 558
03	210 627	35 894	28 077	4.0	58 054	4 688	3 830	1.5	115 819	23 077	20 129	2.6	29 401	3 334	-202	15.1	7 353
04	236 088	25 461	18 250	3.3	57 989	-66	-744	1.2	127 735	11 917	10 445	2.9	32 023	2 622	480	9.7	18 341
04 *Aug*	229 421	1 559	1 318	2.4	58 502	759	707	1.2	124 031	1 521	1 115	2.3	29 565	-531	-300	5.9	17 323
Sep	229 216	-204	-963	3.3	58 129	-373	-435	1.2	123 035	-996	45	2.2	30 552	987	-81	11.9	17 500
Oct	230 916	1 700	486	3.0	57 981	-148	-207	1.2	124 401	1 366	1 254	2.6	30 473	-79	-294	8.5	18 062
Nov	233 934	3 017	1 484	3.6	57 888	-93	-153	1.2	126 651	2 251	1 589	3.2	31 323	850	180	10.2	18 071
Dec	236 088	2 155	741	3.3	57 989	101	40	1.2	127 735	1 084	812	2.9	32 023	700	-90	9.7	18 341
05 *Jan*	237 309	1 220	171	3.1	57 368	-621	-684	1.2	129 162	1 427	1 029	2.7	32 489	466	-76	8.8	18 290
Feb	240 300	2 991	1 933	2.9	56 366	-1 002	-1 057	1.2	132 155	2 993	2 760	2.4	33 574	1 084	465	8.7	18 205
Mar	240 060	-240	30	3.0	54 000	-2 366	-2 419	1.2	133 898	1 743	1 741	2.3	33 335	-238	143	9.5	18 827
Apr	241 150	1 091	1 674	2.8	54 063	63	7	1.2	136 126	2 228	1 977	2.6	32 334	-1 001	-310	6.8	18 628
May	245 737	4 586	1 908	4.2	53 820	-243	-296	1.2	139 748	3 622	2 676	3.5	33 512	1 179	-338	13.0	18 657
Jun	249 193	3 456	1 493	4.6	54 626	806	751	1.2	141 550	1 803	1 137	3.7	34 116	603	-341	14.4	18 901
Jul	252 926	3 733	2 021	5.7	54 983	357	305	1.2	143 341	1 791	1 331	4.0	35 341	1 225	87	20.7	19 260
Aug	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 P	260 433	2 916	...	5.1	54 861	-275	...	1.2	143 588	146	...	2.7	39 218	1 865	...	20.6	22 766

NET ASSET VALUE



RETURN OVER LAST 12 MONTHS

SOURCES: CNMV and Inverco.

a. Includes short and long-term fixed-income funds in euros and international, mixed fixed-income funds in euros and international and guaranteed funds.

b. Includes equity funds and mixed equity funds in euros, national and international.

c. Global funds.

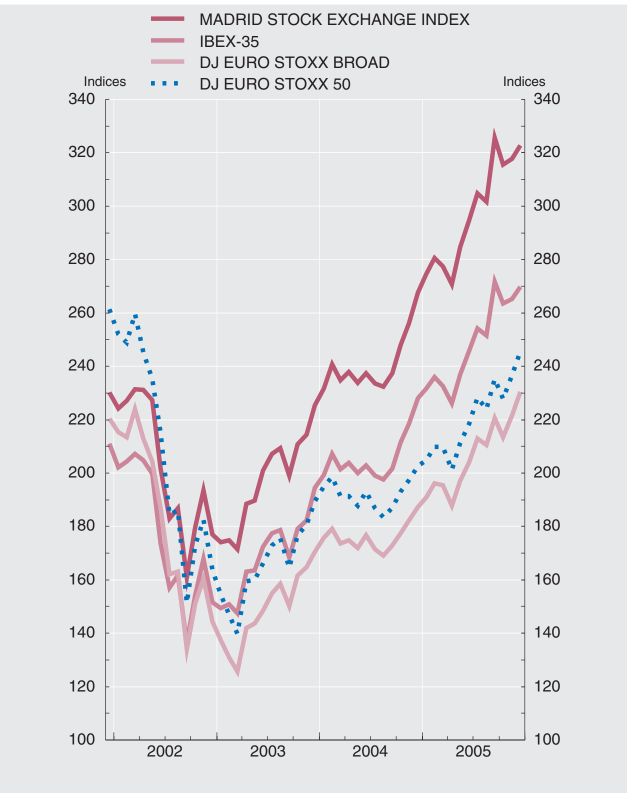
8.12. SHARE PRICE INDICES AND TURNOVER ON SECURITIES MARKETS. SPAIN AND EURO AREA

■ Series depicted in chart.

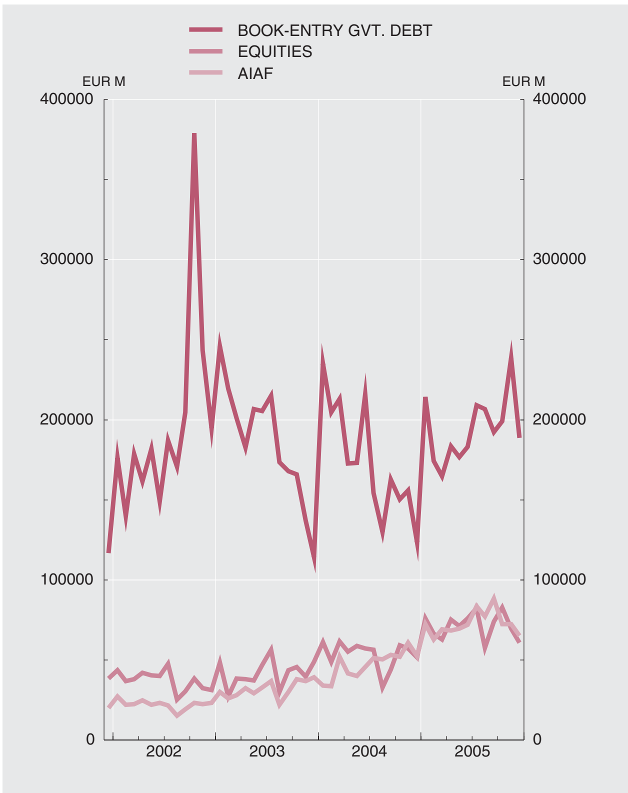
Indices, EUR millions and thousands of contracts

	Share price indices				Turnover on securities markets							
	General Madrid Stock Exchange	IBEX 35	Dow Jones EURO STOXX indices		Stock market		Book-entry government debt	AIAF fixed-income market	Financial options (thousands of contracts)		Financial futures (thousands of contracts)	
			Broad	50	Equities	Bonds			Fixed-income	Shares and other equities	Fixed-income	Shares and other equities
	1 ■	2 ■	3 ■	4 ■	5 ■	6	7 ■	8 ■	9	10	11	12
03	706.88	6 727.59	212.92	2 413.39	499 745	74 346	2 234 366	380 204	-	11 677	1	3 653
04	863.25	8 195.58	251.25	2 800.48	643 542	82 790	2 090 447	566 600	-	8 495	0	4 473
05 P	1 066.43	9 903.47	295.18	3 222.05	853 971	93 191	2 329 714	872 299	-	11 356	-	5 050
04 *Sep*	850.78	8 029.20	246.83	2 726.30	44 141	7 021	162 746	53 188	...	854	...	335
Oct	888.40	8 418.30	253.20	2 811.72	59 228	7 030	150 295	51 843	...	733	...	370
Nov	917.68	8 693.00	260.21	2 876.39	57 052	6 546	155 757	60 867	...	882	...	400
Dec	959.06	9 080.80	267.38	2 951.24	51 572	6 405	123 480	52 341	...	1 101	...	358
05 *Jan*	983.75	9 223.90	272.56	2 984.59	76 049	6 420	214 225	72 492	...	747	...	409
Feb	1 004.92	9 391.00	280.02	3 058.32	66 419	5 676	174 280	62 893	...	990	...	414
Mar	994.40	9 258.80	278.89	3 055.73	62 722	7 491	164 770	69 095	...	916	...	422
Apr	970.02	9 001.60	267.92	2 930.10	75 282	8 902	183 502	68 311	...	542	...	462
May	1 020.21	9 427.10	281.26	3 076.70	71 094	8 654	176 431	69 387	...	499	...	376
Jun	1 055.65	9 783.20	291.17	3 181.54	76 059	7 417	183 058	71 904	...	910	...	414
Jul	1 092.02	10 115.60	303.84	3 326.51	82 379	7 739	209 001	83 492	...	779	...	412
Aug	1 080.50	10 008.90	300.62	3 263.78	57 371	7 787	206 603	76 957	...	840	...	396
Sep	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 P	1 156.21	10 733.90	328.92	3 578.93	60 709	8 885	188 506	65 300	...	1 313	...	408

SHARE PRICE INDICES
JAN 1994 = 100



TURNOVER ON SECURITIES MARKETS



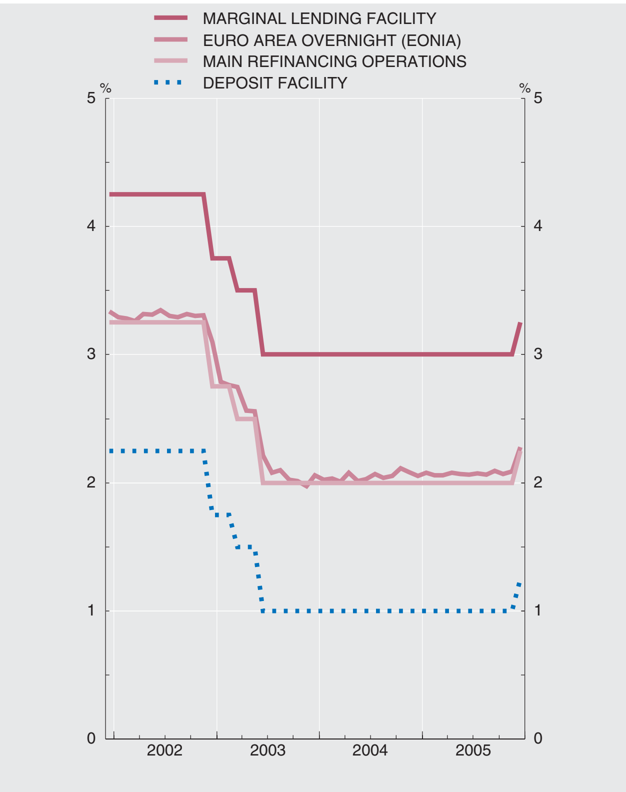
Sources: Madrid, Barcelona, Bilbao and Valencia Stock Exchanges (columns 1, 2, 5 and 6); Reuters (columns 3 and4); AIAF (column 8) and Spanish Financial Futures Market (MEFFSA) (columns 9 to 12)

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

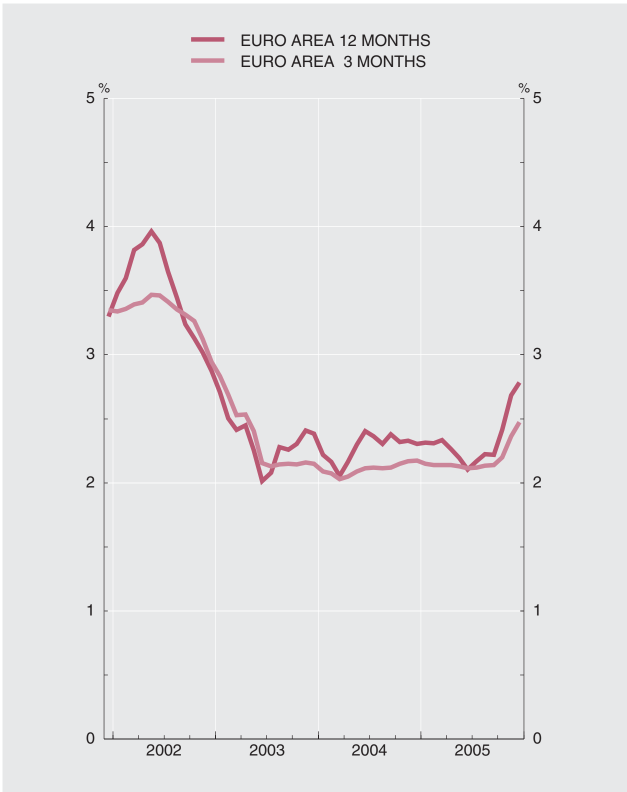
■ Series depicted in chart. *Averages of daily data. Percentages per annum*

	Eurosystem monetary policy operations				Money market												
	Main refinancing operations: weekly tenders	Longer term refinancing operations: monthly tenders	Standing facilities		Euro area: deposits (Euribor) (a)					Spain							
										Non-transferable deposits				Government-securities repos			
			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
03	2.00	2.12	3.00	1.00	2.32	2.35	2.33	2.31	2.34	2.31	2.34	2.33	2.35	2.26	2.26	2.21	2.23
04	2.00	2.12	3.00	1.00	2.05	2.08	2.11	2.15	2.27	2.04	2.06	2.10	2.29	1.99	1.99	1.99	2.14
05	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
04 *Sep*	2.00	2.06	3.00	1.00	2.05	2.08	2.12	2.20	2.38	2.05	2.07	2.11	2.38	2.02	2.00	2.02	2.29
Oct	2.00	2.10	3.00	1.00	2.11	2.09	2.15	2.19	2.32	2.09	2.07	2.15	2.37	2.05	2.00	2.04	2.22
Nov	2.00	2.05	3.00	1.00	2.09	2.11	2.17	2.22	2.33	2.08	2.09	2.16	2.34	2.06	2.04	2.06	-
Dec	2.00	2.12	3.00	1.00	2.05	2.17	2.17	2.21	2.30	2.05	2.15	2.17	2.30	2.02	2.05	2.06	-
05 *Jan*	2.00	2.09	3.00	1.00	2.08	2.11	2.15	2.19	2.31	2.07	2.10	2.14	2.33	2.04	2.04	2.05	2.17
Feb	2.00	2.08	3.00	1.00	2.06	2.10	2.14	2.19	2.31	2.06	2.08	2.13	2.30	2.02	2.03	2.04	2.17
Mar	2.00	2.09	3.00	1.00	2.06	2.10	2.14	2.19	2.34	2.05	2.09	2.13	2.33	1.98	2.03	2.03	2.22
Apr	2.00	2.08	3.00	1.00	2.08	2.10	2.14	2.17	2.27	2.07	2.09	2.13	2.24	2.01	2.00	2.03	2.18
May	2.00	2.08	3.00	1.00	2.07	2.10	2.13	2.14	2.19	2.07	2.08	2.12	2.19	2.02	2.02	2.02	-
Jun	2.00	2.06	3.00	1.00	2.06	2.10	2.11	2.11	2.10	2.06	2.08	2.10	2.11	2.02	2.01	2.01	2.01
Jul	2.00	2.07	3.00	1.00	2.07	2.11	2.12	2.14	2.17	2.06	2.09	2.11	2.15	2.03	2.00	2.01	2.04
Aug	2.00	-	3.00	1.00	2.06	2.11	2.13	2.16	2.22	2.07	2.09	2.13	2.23	2.04	2.03	2.04	2.12
Sep	2.00	2.09	3.00	1.00	2.09	2.12	2.14	2.17	2.22	2.09	2.09	2.13	2.25	2.09	2.04	2.04	2.13
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

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

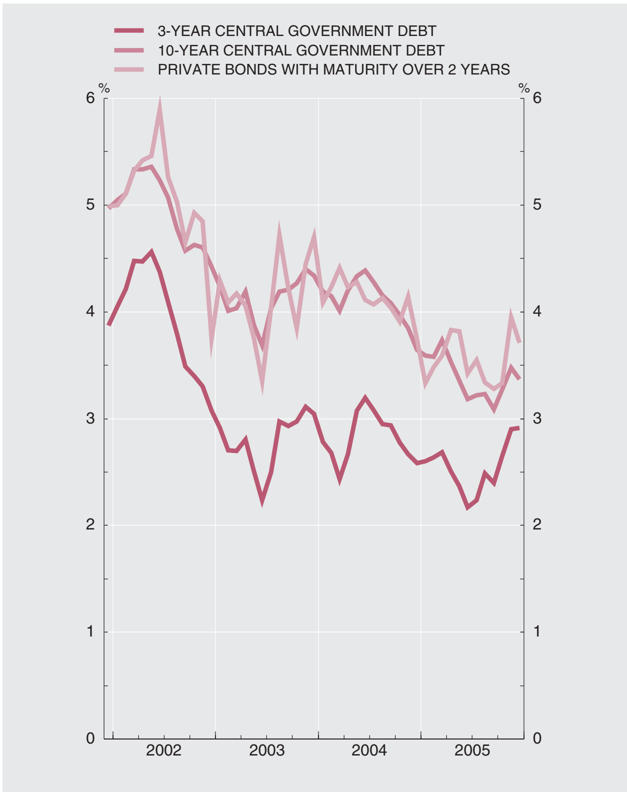
9.2. INTEREST RATES: SPANISH SHORT-TERM AND LONG-TERM SECURITIES MARKETS

■ 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 ■
03	2.21	2.21	2.38	2.34	2.66	3.19	4.11	4.46	4.90	2.78	4.12	4.14
04	2.15	2.17	2.34	2.25	2.79	3.22	4.02	4.27	4.73	2.82	4.10	4.11
05	2.20	2.19	2.40	2.36	2.38	2.89	3.44	3.70	3.84	2.55	3.39	3.55
04 *Sep*	2.25	2.17	2.44	2.36	2.78	-	4.13	-	4.71	2.94	4.08	4.04
Oct	2.15	2.17	2.41	2.31	-	3.19	-	4.10	-	2.78	3.97	3.91
Nov	2.20	2.25	2.39	2.38	2.63	-	3.79	-	4.41	2.67	3.85	4.14
Dec	2.16	2.20	2.50	2.29	-	2.86	3.57	3.71	-	2.58	3.64	3.74
05 *Jan*	2.17	2.23	2.33	2.34	2.58	-	3.54	-	-	2.60	3.59	3.33
Feb	2.19	2.20	2.33	2.34	-	2.85	-	3.70	-	2.64	3.58	3.48
Mar	2.17	2.19	2.36	2.35	-	-	3.68	-	-	2.69	3.73	3.59
Apr	2.11	2.12	2.33	2.30	-	3.07	-	-	-	2.50	3.53	3.83
May	2.06	2.07	2.22	2.22	-	2.84	3.32	-	-	2.37	3.36	3.82
Jun	2.00	1.98	2.34	2.17	2.14	-	-	-	3.92	2.17	3.19	3.42
Jul	2.06	2.03	2.23	2.18	-	2.64	-	-	-	2.24	3.22	3.55
Aug	2.08	2.10	2.35	2.25	-	-	-	-	-	2.49	3.23	3.34
Sep	2.09	2.05	2.35	2.27	2.18	-	3.17	-	-	2.40	3.09	3.28
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

PRIMARY MARKET

SECONDARY MARKET



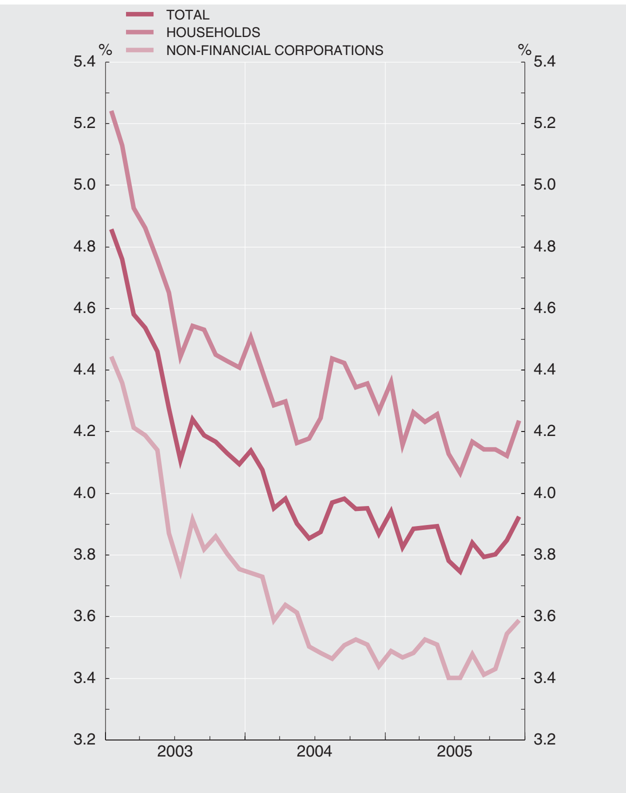
Sources: Main issuers (column 3); AIAF (columns 4 and 12).

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
03		4.09	4.41	3.46	6.40	3.75	4.25	3.40	1.13	1.11	0.39	1.93	2.05	1.20	0.66	2.01	1.98
04		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	P	3.93	4.24	3.46	6.26	3.59	4.04	3.26	1.26	1.23	0.41	2.27	2.22	1.33	0.82	2.21	2.22
04 *Apr*		3.98	4.30	3.31	6.40	3.64	4.14	3.14	1.13	1.12	0.39	1.95	2.01	1.17	0.65	1.99	1.96
May		3.90	4.16	3.25	6.13	3.61	4.18	3.13	1.11	1.09	0.38	1.92	1.94	1.16	0.66	1.96	1.96
Jun		3.85	4.18	3.29	6.04	3.50	4.15	3.09	1.12	1.11	0.37	2.00	2.06	1.14	0.64	2.01	1.98
Jul		3.88	4.24	3.38	6.07	3.48	4.14	3.03	1.13	1.12	0.37	2.04	2.07	1.16	0.66	1.98	1.99
Aug		3.97	4.44	3.46	6.54	3.46	4.21	2.88	1.15	1.14	0.38	2.03	2.00	1.19	0.68	1.97	2.00
Sep		3.98	4.42	3.45	6.54	3.51	4.13	2.99	1.14	1.13	0.38	2.01	1.98	1.17	0.67	2.00	2.00
Oct		3.95	4.34	3.45	6.34	3.53	4.15	2.95	1.19	1.16	0.39	2.08	2.01	1.28	0.70	2.28	2.03
Nov		3.95	4.36	3.48	6.29	3.51	4.13	2.94	1.18	1.16	0.38	2.08	2.02	1.26	0.69	2.23	2.04
Dec		3.87	4.27	3.39	6.27	3.44	4.12	3.01	1.17	1.15	0.39	2.06	2.11	1.24	0.68	2.06	2.03
05 *Jan*		3.94	4.36	3.43	6.53	3.49	4.21	2.89	1.16	1.14	0.39	2.02	2.04	1.23	0.73	2.05	2.09
Feb		3.83	4.16	3.44	5.85	3.47	4.09	2.91	1.16	1.15	0.40	2.04	2.09	1.20	0.70	2.03	2.05
Mar		3.89	4.26	3.42	6.26	3.48	4.04	2.98	1.15	1.13	0.39	2.03	2.06	1.19	0.70	2.03	2.00
Apr		3.89	4.23	3.41	6.18	3.53	4.03	3.01	1.15	1.13	0.39	2.02	2.08	1.21	0.72	2.02	2.03
May		3.89	4.26	3.42	6.25	3.51	4.06	2.99	1.14	1.12	0.38	2.02	2.08	1.19	0.73	1.97	2.01
Jun		3.78	4.13	3.35	5.99	3.40	4.00	2.99	1.13	1.13	0.40	2.04	2.08	1.15	0.67	2.01	2.01
Jul		3.75	4.07	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	P	3.93	4.24	3.46	6.26	3.59	4.04	3.26	1.26	1.23	0.41	2.27	2.22	1.33	0.82	2.21	2.22

LOANS
SYNTHETIC RATES



DEPOSITS
SYNTHETIC RATES

a. APRC: annual percentage rate of change. NEDR: narrowly defined effective rate, which is the same as the APRC without including commissions.
b. Calculated by adding to the NDER rate, which does not include commissions and other expenses, a moving average of such expenses.
c. The synthetic rates of loans and deposits are obtained as the average of the interest rates on new business weighted by the euro-denominated stocks included in the balance sheet for all the instruments of each sector.

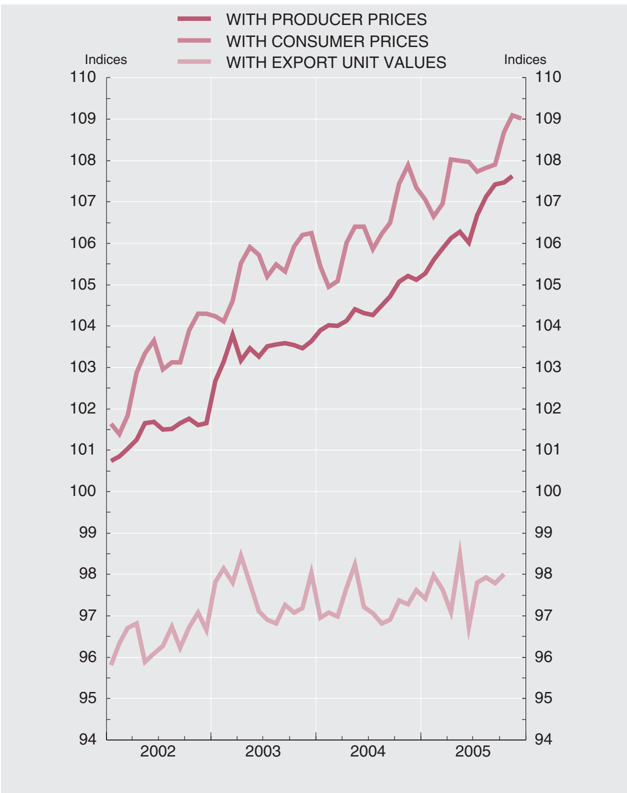
9.4 INDICES OF SPANISH COMPETITIVENES VIS-à-VIS THE EU-15 AND THE EURO AREA

■ Series depicted in chart.

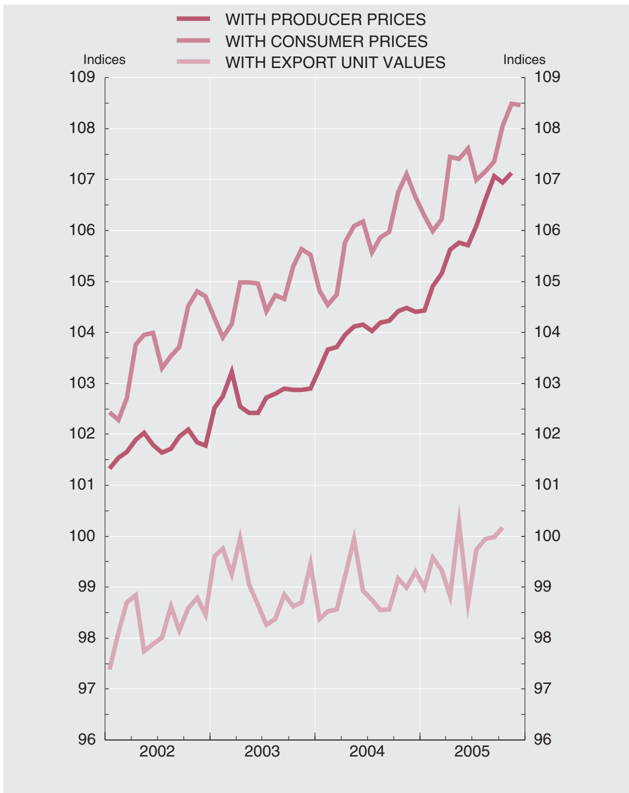
Base 1999 QI = 100

	Vis-à-vis the EU-15									Vis-à-vis the euro area			
	Total (a)				Nominal component (b)	Price component (c)				Based on producer prices	Based on consumer prices	Based on manufacturing unit labour costs (d)	Based on export unit values
	Based on producer prices	Based on consumer prices	Based on manufacturing unit labour costs (d)	Based on export unit values		Based on producer prices	Based on consumer prices	Based on manufacturing unit costs	Based on export unit values				
	1 ■	2 ■	3	4 ■	5	6	7	8	9	10 ■	11 ■	12	13 ■
03	103.4	105.4	103.4	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	107.0	97.3	99.9	104.5	106.4	107.0	97.3	104.1	105.8	106.2	98.9
05	...	107.9	110.9	...	100.1	...	107.9	110.8	...	...	107.3	110.1	...
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	106.1	97.7	99.7	104.6	106.5	106.4	98.0	104.1	106.0	105.5	99.4
Q3	104.5	106.2	107.3	96.9	99.8	104.7	106.4	107.5	97.1	104.1	105.8	106.7	98.6
Q4	105.1	107.6	108.7	97.4	100.2	105.0	107.4	108.6	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	110.7	97.4	100.0	106.2	108.0	110.7	97.5	105.7	107.5	109.9	99.3
Q3	107.1	107.8	110.9	97.8	100.1	107.0	107.7	110.8	97.8	106.6	107.2	110.1	99.9
Q4	...	108.9	111.4	...	100.0	...	108.9	111.4	...	...	108.3	110.8	...
05 *Apr*	106.1	108.0	...	97.1	100.0	106.1	108.0	...	97.1	105.6	107.4	...	98.8
May	106.3	108.0	...	98.5	100.0	106.2	108.0	...	98.4	105.8	107.4	...	100.3
Jun	106.0	108.0	...	96.7	99.8	106.2	108.2	...	96.9	105.7	107.6	...	98.7
Jul	106.7	107.7	...	97.8	100.2	106.5	107.6	...	97.7	106.1	107.0	...	99.7
Aug	107.1	107.8	...	97.9	100.1	107.0	107.7	...	97.8	106.6	107.2	...	99.9
Sep	107.4	107.9	...	97.8	100.0	107.5	107.9	...	97.8	107.1	107.4	...	100.0
Oct	107.5	108.7	...	98.0	100.1	107.4	108.6	...	98.0	106.9	108.0	...	100.2
Nov	107.6	109.1	...	...	100.1	107.6	109.0	...	...	107.1	108.5	...	...
Dec	...	109.0	...	...	100.0	...	109.0	...	...	...	108.5	...	...
06 *Jan*	...	...	...	...	100.1	...	...	...	...	...	...	...	...

INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EU-15



INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EURO AREA



Source: BE.

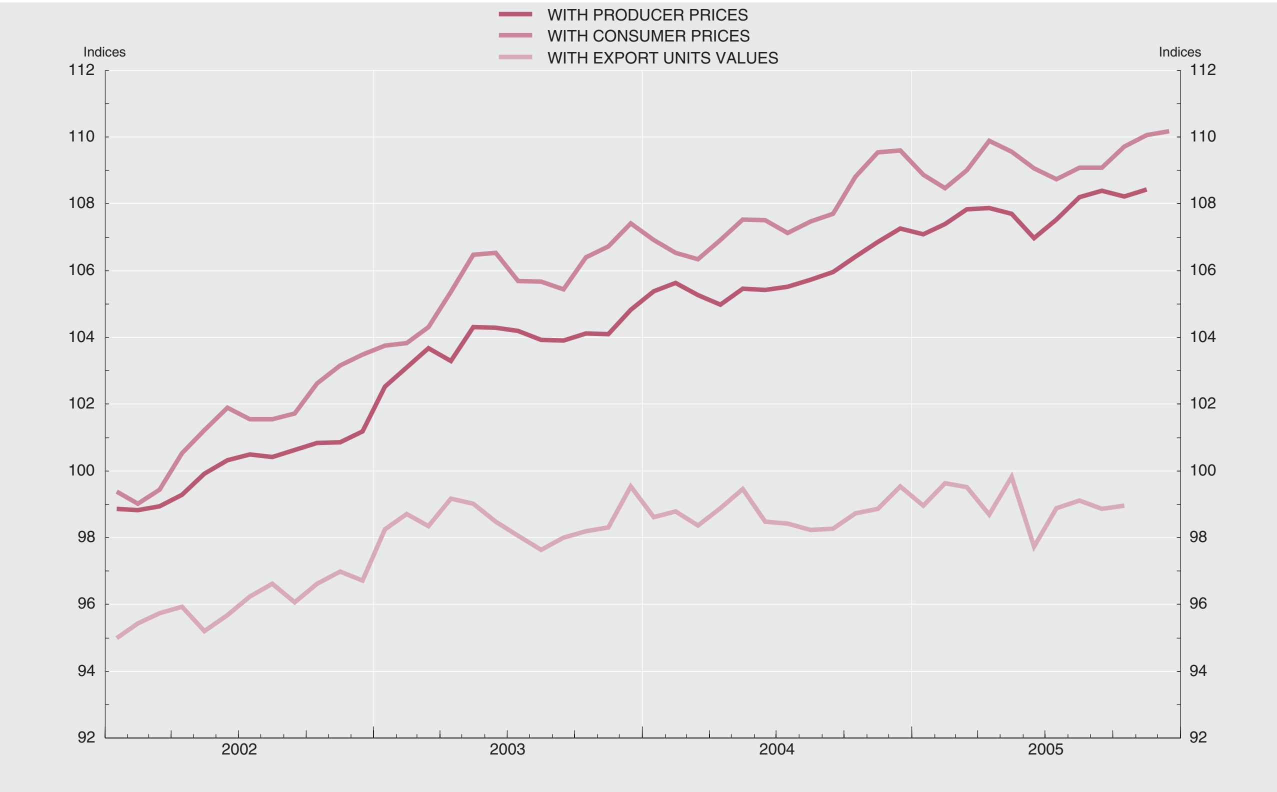
(a) Outcome of multiplying nominal and price components. A decline in the index denotes an improvement in the competitiveness of Spanish products.
(b) Geometric mean calculated using a double weighting system based on 1995-1997 manufacturing foreign trade figures.
(c) Relationship between the price indices 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	105.6	104.7	98.5	100.0	103.9	105.6	104.7	98.5
04	105.8	107.7	109.5	98.7	100.8	105.0	106.9	108.7	98.0
05	...	109.3	113.3	...	100.9	...	108.3	112.2	...
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	108.3	98.9	100.3	105.0	107.0	108.1	98.7
Q3	105.7	107.4	109.7	98.3	100.5	105.2	106.9	109.1	97.8
Q4	106.8	109.3	111.7	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	112.2	97.9
Q3	108.0	109.0	113.0	99.0	100.7	107.3	108.2	112.2	98.3
Q4	...	110.0	113.3	...	100.6	...	109.4	112.7	...
05 *Apr*	107.9	109.9	...	98.7	101.3	106.5	108.5	...	97.4
May	107.7	109.6	...	99.8	101.0	106.6	108.5	...	98.8
Jun	107.0	109.1	...	97.7	100.3	106.6	108.7	...	97.4
Jul	107.5	108.7	...	98.9	100.6	106.9	108.1	...	98.3
Aug	108.2	109.1	...	99.1	100.8	107.4	108.2	...	98.3
Sep	108.4	109.1	...	98.9	100.6	107.7	108.4	...	98.2
Oct	108.2	109.7	...	99.0	100.6	107.6	109.1	...	98.4
Nov	108.4	110.1	...	...	100.5	107.9	109.5	...	...
Dec	...	110.2	...	...	100.6	...	109.6	...	...
06 *Jan*	...	...	...	...	100.8	...	...	...	...

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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