ECONOMIC BULLETIN

07/2006

BANCO DE ESPAÑA

All of the Banco de España's regular reports and publications can be found on the Internet at http://www.bde.es

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

ABBREVIATIONS

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

COUNTRIES AND CURRENCIES

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

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

CONVENTIONS USED

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

CONTENTS

1 Overview

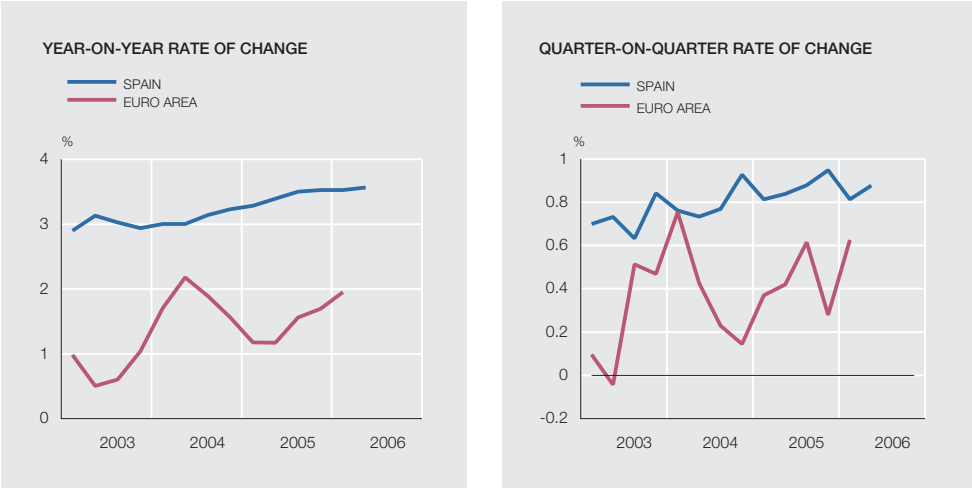
The pace of growth in the Spanish economy remains notably dynamic. During 2006 Q1, the slow deceleration in national demand throughout 2005 was brought practically to a halt, with this variable posting an annual growth rate of 4.7% on QNA data. The improvement that the contractionary contribution of net external demand had been showing was also checked. In combination, that held the rate of increase of GDP at 3.5%. In general terms, the information received for 2006 Q2 points to a resumption of the pattern observed in 2005. A slight slowdown in domestic spending is estimated, based fundamentally on the trend of consumption, along with an additional correction in the contribution of external demand, underpinned by the pick–up in exports in the first half at 2006 following the poor results last year. The negative contribution of external demand is estimated to have lessened from –1.5 pp in Q1 to –1.2 pp in Q2, whereby the annual increase in GDP would be standing at a rate of 3.6%, 0.1 pp up on the three previous quarters (see Chart 1). In quarter-on-quarter terms, estimated GDP growth in Q2 was 0.9%.

Of note under the national demand heading – along with the slight easing in private consumption which would have grown at around 3.8% – is the buoyancy of investment in equipment. This variable would have strengthened in 2006 Q2 to a rate of close to 8.5%, while the pace of investment in construction – at above 5.5% – evidenced greater inertia. On the supply side, the counterpart to the pick-up in exports and the sustained increase in investment in equipment was the upward trend of activity in industry, in train since the second half of 2005. Meanwhile, construction and services posted significant increases, set against a slight easing in their growth rates in Q2. Although the recovery in industry has not fed through to the same extent to employment in this sector, job generation continued at a rate of around 3%, concentrated especially in those activities less exposed to competition. The CPI ended Q2 at an annual rate of 3.9%, similar to that recorded three months earlier, against the background of substantial energy price rises and the notable persistence of underlying inflation at a rate of around 3%.

The strong rise in oil prices is the biggest factor of risk to an international economic setting that remains highly dynamic. In the case both of the United States and of China, the main engines of the world expansion, the Q1 figures revealed a rise in growth, which in China's case has stepped up in the subsequent months and firmed at double-digit rates. In the US economy, however, signs of some slowing in Q2 were observed, chiefly in household spending. In the other economic regions, commencing with the European and Asian economies, including Japan, growth also firmed in the opening months of the year; however, the euro area and the United Kingdom are running a notably more moderate rate of increase than the rest. Lastly, in Latin America, more balanced growth rates can be seen across the different countries, moving on a rising trend.

Against this expansionary backdrop, and a background of growing conflict in the Middle East, oil prices hit new highs, with Brent crude rising on occasions to $78 per barrel in July, although oil futures have incorporated these increases with less intensity than in the past. Inflation rates reflected dearer energy across the board, and in some cases, such as the United States, some pass-through to underlying inflation is becoming discernible. Foreseeably, therefore, the monetary authorities will continue to slacken their expansionary policy stance, although in the United States the correction has already been substantial. Mention should also be made of the start of a monetary policy tightening process in Japan, following six years of zero interest rates.

GROSS DOMESTIC PRODUCT (a) CHART 1



SOURCES: ECB, INE and Banco de España.

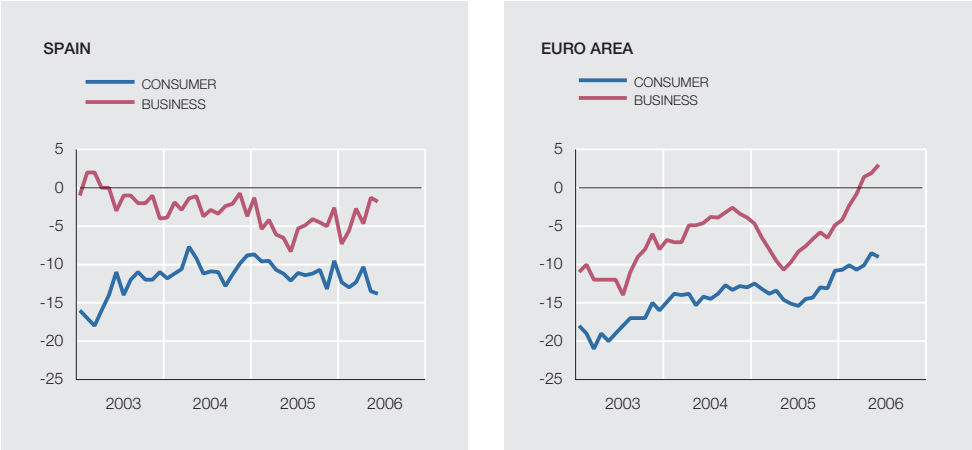
a. Seasonally adjusted series.

The financial markets, after several bouts of turbulence in May and June characterised by a preference for higher-quality assets, have resumed a more stable pattern in recent weeks. Overall, the situation of the oil market and the attendant geopolitical factors remain the main sources of uncertainty clouding a clearly favourable outlook for the world economy, insofar as any future disorderly correction of global imbalances will more likely be a relevant factor in the medium or long term.

The latest information on activity in the euro area in Q2 is consistent with the continuation of the upturn seen in previous quarters. The growth rate of GDP is expected to have held at a similar or even somewhat higher level than that in the opening months of the year, when it posted a year-on-year rate of 2% (0.6% in quarter-on-quarter terms). The resilience of activity continues to be underpinned by exports, which are benefiting from worldwide economic growth, and by investment, against a background of still-propitious financial conditions and sound corporate balance sheets. Further, the gradual improvement in consumer confidence and signs of greater robustness in the labour market might translate into a somewhat more sustained increase in private consumption in the coming months. Accordingly, the outlook for the coming quarters is compatible with a central scenario in which activity would hold at a rate close to the area's growth potential. Nonetheless, the rise in the VAT rate in Germany scheduled for January 2007 may distort somewhat the timing of the increase in the area's output, insofar as certain spending decisions envisaged for the coming year may be brought forward to the closing months of 2006.

In recent months, inflation in the euro area has moved on a course marked by increases in the most variable components. That has pushed inflation above 2%, the level below which price stability in the medium term is defined. However, underlying inflationary pressures remain moderate, and the evidence of any pass-through of oil price rises to other prices is very incipient. Further, the indicators show that wages continue to grow at a rate of around 2%, without any second-round effects discernible as a result of the rise in oil prices. Nonetheless, it cannot be ruled out that the current setting of strengthening activity may ultimately encourage, to some extent, wage demands to offset the loss of purchasing power. And adding to this is uncertainty over the effects that the rise in the VAT rate in Germany may have on inflation in the area. Overall, the perception holds that the risks to price stability in the medium term remain on the

CONFIDENCE INDICATORS CHART 2



SOURCE: European Commission.

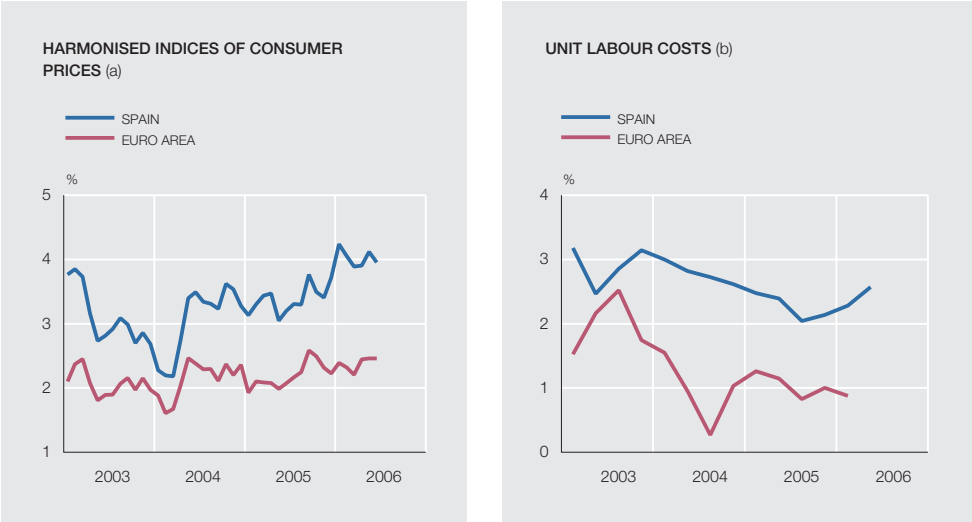
upside. Given the strength of economic activity, that led the ECB Governing Council to decide on a 25 bp increase in official interest rates in June, the third such rise since December 2005. Following its meeting in early July, the Governing Council continued to signal the existence of risks to price stability and stated its intention to remain highly vigilant in this connection.

Following the progress in budgetary consolidation in 2005, the phase of more buoyant activity offers the opportunity to make a further effort to place European public finances on a path of greater sustainability. Such an opportunity should not be wasted, as occurred with the economic boom at the beginning of the current decade. However, the European Commission's spring forecasts indicate that changes in the implementation of budgetary plans this year are not foreseen, whereby the budget deficit for the area as a whole would stand at 2.4% of GDP. At the aggregate level, that means that not even the inherently undemanding objectives of the Stability Programmes, which entailed a deficit of 2.3% of GDP, would be met. It should be borne in mind, moreover, that the Programmes were drawn up before it was disclosed that the 2005 deficit was 0.5 pp lower than estimated before the year had ended, and that, therefore, the maintenance of the objectives for 2006 represents a further easing of fiscal policy.

As mentioned at the start of this report, set against the expansionary background of the world economy, and in particular – albeit with less pace – the euro area, the Spanish economy remained notably dynamic, more so in fact than in the previous quarter. This dynamism was partly underpinned by the very strength of world trade, which is feeding through to exports to a greater extent than last year. Along with the recovery in exports, the sustained increase in investment in equipment and the uptrend in industrial activity are the most novel features behind the prolongation of the upturn, and features on which some re-balancing among the factors sustaining the upturn may be based. That said, the pattern of the expansion continues to be marked by the high rate of increase of household expenditure and, in general, of investment in construction. Domestic demand thus remains the chief underpinning of growth and, despite its estimated easing in Q2, its growth rate remains at around 4.5%. Set against this, as mentioned, external demand continues to detract notably from growth, with the momentum of imports contributing forcefully.

Despite the slowdown signalled by the information available, household consumption is estimated to have held at a high growth rate in Q2 of slightly below 4%, a figure higher, as has been the case for several years, than that of household disposable income (around 3% in real

PRICES AND COSTS CHART 3



SOURCES: Eurostat, ECB and INE.

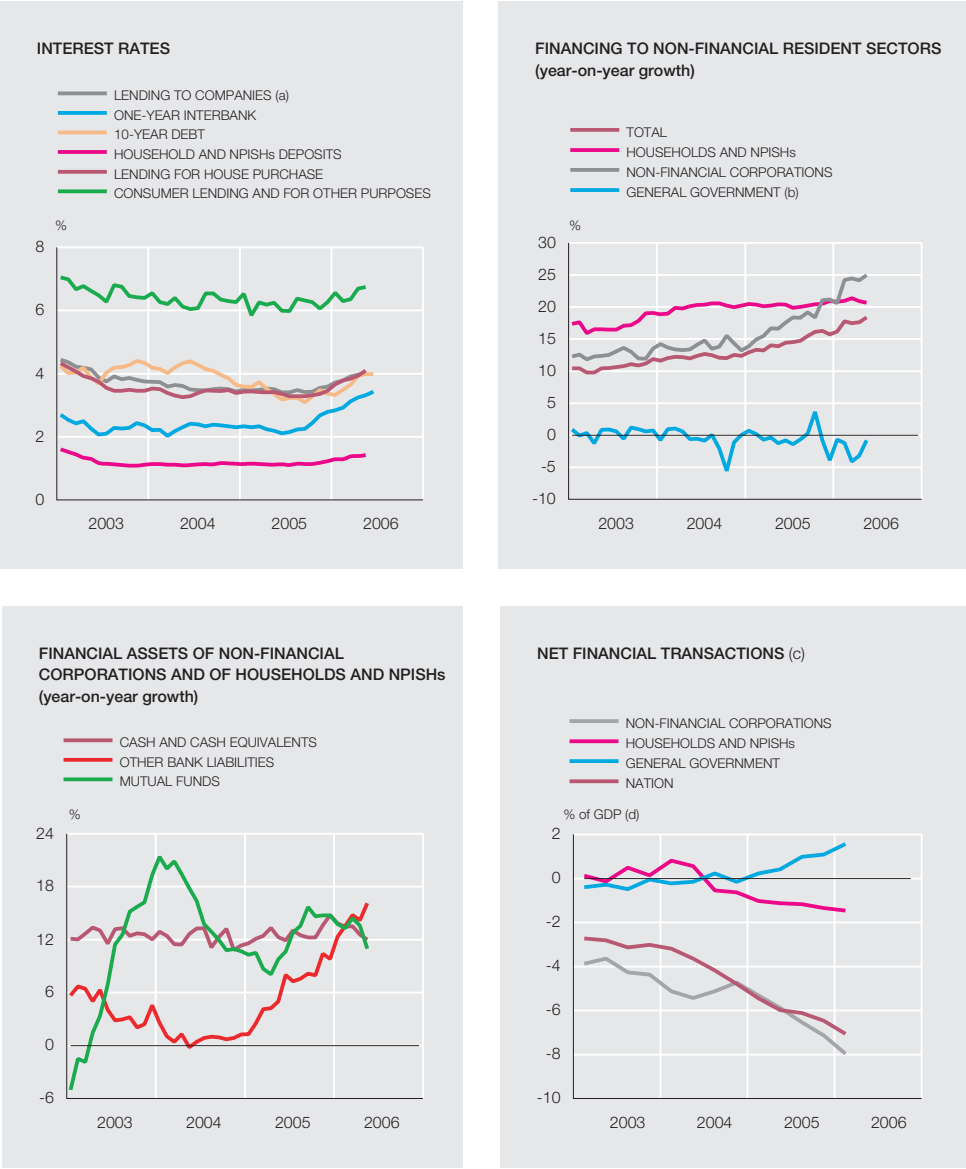
a. Year-on-year rate of change.
b. Per unit of output. Year-on-year rate of change calculated on the basis of seasonally adjusted series.

terms). Adding to this is the increase in residential investment, which is posting rates at least similar to those seen in 2005 (6% in annual average terms), according to QNA data for Q1. The substantial dynamism of spending is underpinned by job creation and by the looseness of financial conditions, which have tightened only partially following the recent rises in interest rates. Moreover, despite the slowdown confirmed by the data for Q2, house prices – another significant underpinning of household spending – remain very buoyant. From the standpoint of their financial position, households have continued to resort to credit to finance their spending, meaning that borrowing by this sector continues to grow at a rate of over 20%, and both indebtedness and the associated interest burden have continued to increase. Consequently, the safety buffer available to households to absorb adverse shocks without their spending decisions being adversely affected has once again diminished.

The greater dynamism of investment in equipment is symptomatic of the recovery witnessed in business investment in the last four quarters, which has also been reflected in the acceleration in financing to the corporate sector, which grew at a rate of over 24% in Q1, above that of household borrowing. Undoubtedly, the improved international economic outlook, particularly in the euro area, has contributed to this pick-up in investment, which continues to benefit from very easy financial conditions. However, the substantial dynamism of external borrowing is translating into an increase in debt and in the associated interest burden. And should this trend continue in the future, it might restrict the capacity of corporate spending to expand.

Foreign trade flows recovered considerably in the opening months of 2006. With some distortion due to calendar effects, this trend appears to have held in Q2, albeit with lower rates of change than in Q1. Goods imports posted somewhat higher increases than those seen in 2005, driven by the dynamism estimated for investment in equipment and by the recovery in exports. The export performance appears to confirm that the poor results last year – in which sales abroad were practically flat in real terms – were due in part to exceptional factors. In 2006, and supported by the European recovery, exports have resumed rates of increase closer to those of markets, though they are still somewhat lower, in a setting in which positive growth differentials in prices and costs remain in place. Following the notable fall-off in tourism

FINANCIAL INDICATORS OF THE SPANISH ECONOMY CHART 4



SOURCE: Banco de España.

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

in the opening months of the year, the various indicators point to a recovery of some intensity in Q2. Overall, as indicated, it is estimated that the negative contribution of net external demand to growth declined by 0.3 pp in Q2. This notwithstanding, and although the improvement may be expected to hold for the rest of the year, the Spanish external deficit continued to increase, suggesting a fresh deterioration in this imbalance over the year as a whole.

As mentioned, despite the fact that industrial activity has picked up clearly since mid-2005, employment in this sector has remained notably slack. As a result, construction and services have continued to be the source of job generation. Although this has entailed a clear recovery in industrial productivity, very low increases – and even reductions – in actual productivity con-

tinue to be observed in the sectors less exposed to competition, and these feed through to the aggregate level. As indicated on other occasions, these low productivity gains are partly in response to composition effects on employment, but are also partly a genuine consequence of the relative moderation in labour costs, when their trend is compared with domestic prices.

As regards labour costs, wages have tended to rise in the first half of 2006, as indicated by the course of compensation per employee in the market economy, which posted an increase of 2.4% in Q1, 0.4 pp up on the previous quarter. Despite this rise, which reflects the effect of the activation of the indexation clauses for 2005, the increase in remuneration is below the increases agreed in collective bargaining agreements, which stand at over 3%, as a result of the ongoing changes in the composition of employment. In any event, the higher growth of wages has passed through to unit labour costs, against a background of sluggish productivity. And that, combined with the widening of margins that the high growth of domestic demand and the persistent rise in oil prices continue to drive, is contributing to the maintenance of a relatively high inflation rate. In terms of the CPI, the annual increase in prices held at a level of close to 4% over the first half of the year (3.9% in June), above the end-2005 level. Behind this growth is not only the upward behaviour of the more variable components, but also a higher level of underlying inflation, which rose to a rate of 3% in the first half of the year. Under these conditions, the inflation differential with the euro area held at around 1.5 pp.

In sum, the strong pressure of demand continues to drive highly dynamic output and employment, while the interaction of expanding expenditure with the rigidities persisting in the economy tend to sustain the inflation rate and its attendant risks. At the financial level, these risks are manifest in the growing debt trend. In these circumstances, the role of economic policies in containing demand pressures and in boosting the economy's supply-side response capacity must be reinforced. Turning to budgetary policy, the information received points to an outturn that would enable the plans included in the Stability Programme to be improved, along the lines required to mitigate the risks posed by the momentum of demand.

As regards supply-side measures, steps were taken in implementing certain reforms over the course of the last quarter. A package of labour market reform measures was adopted and came into force on 1 July (Royal Decree Law 5/2006 of 9 June 2006, to improve growth and employment), and an Agreement containing Social Security measures was signed by the social agents in July. The labour market reform is geared to discouraging the hiring of labour on a temporary basis, but it is a very timid step in terms of correcting the duality persisting in the labour market, since it scarcely alters any of the incentives that lead employers to use temporary hiring as the main flexibility mechanism in employment adjustments. The Social Security measures agreed are of limited scope and entail a deferral of the main reforms envisaged to give substance to the commitments undertaken in the Toledo Pact; however, mention should be made of the measures aimed at prolonging working life, since they may contribute to a more efficient use of the labour force available and they are appropriate in the light of the future process of population ageing.

2 The external environment of the euro area

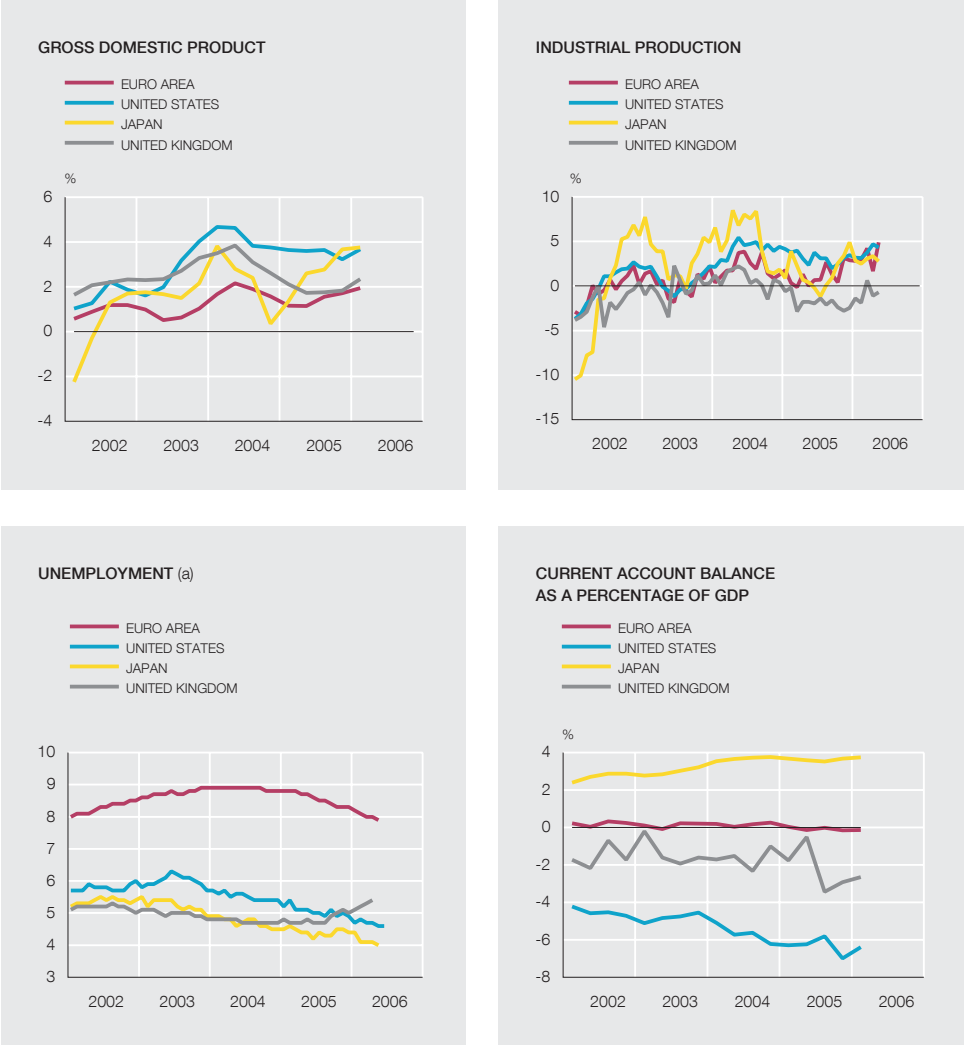
The key economic and financial developments in the external environment of the euro area between April and July were, firstly, the emergence of some signs of an as yet incipient slowdown in growth in the US economy, accompanied by a moderate deterioration in the inflation rate; secondly, the raising of official interest rates by the Bank of Japan to 0.25%, for the first time in six years; and thirdly, increased volatility on financial markets, which adversely affected risky assets, such as those on the equity, emerging and commodities markets, between May and June, though there was subsequently some recovery.

In the international financial domain, the Federal Reserve once again raised its official interest rate by 25 bp in June to 5.25%, against a background of greater uncertainty than in the recent past regarding the risk of a possible rise in inflation (due partly to high oil prices) and the risk associated with the possibility of a sharper slowdown in growth, given the weakness shown by certain indicators. On the currency markets the dollar hovered between 1.29 and 1.25 units against the euro, with episodes of appreciation owing to the turbulence on financial markets between May and June, and to the tension in the Middle East in mid-July. US long-term interest rates stood at around 5.10%, while stock markets and high-yield corporate bond spreads recovered somewhat in July following the losses in May and June. Oil prices underwent a fresh increase of close to 10% between April and July, and stood at over $78 per barrel in the third week of July, a new all-time high. Oil prices have been influenced in recent months mainly by supply-side problems, given the heightening of geopolitical risks in the Middle East, which compounded the rise in demand prompted by the start of the summer season.

In the *United States*, according to the advance estimate for the National Accounts, activity expanded at an annualised rate of 2.5% in 2006 Q2, compared with the strong expansion in Q1 (an annualised quarterly rate of 5.6%). This slowdown would be attributable to the moderation in consumption, which would appear to have been affected by the rise in petrol prices and the first incipient signs of the property market cooling, although that has not so far increased household saving (–1.7% of disposable income in May). The labour market also showed signs of weakness, since job creation in both May and June was significantly below the average for the previous quarters. However, the unemployment rate fell to 4.6%, and the favourable performance of other indicators, such as jobless claims and the number of hours worked, qualified the impression of weakness. The sustained growth of industrial production in the quarter as a whole confirmed that the slowdown in consumption would be more directly affecting imports than domestic output. Capacity utilisation rose in June to 82.4%, over 2 pp above its long-term average, while wage growth quickened in June to an annual rate of 3.9%, prompting some concern about the possibility of inflation pass-through, against the backdrop of a moderate rise in consumer prices and of their underlying component in the past three months. In this respect, the personal consumption deflator grew by 3.3% in May year-on-year (0.2 pp up on the April figure), while the underlying rate held stable at 2.1%, a level considered relatively high. The consumer price index rose more than expected once again in June, with the underlying rate at an annual rate of 2.6%, up from 2.4% in May. However, inflation expectations measured by consumer surveys and the spread between nominal and index-linked bonds did not reflect substantial changes. On the external front, exports trended favourably and the growth of imports eased off, enabling the increase in the cost of energy products to be offset and the trade deficit to stabilise, albeit at still-high levels. Consequently, and despite the fact the income balance turned positive again, the current account deficit increased by 0.1 pp in 2006 Q1 to 6.4% of GDP.

MAIN MACROECONOMIC INDICATORS
Year-on-year rate of change

CHART 5

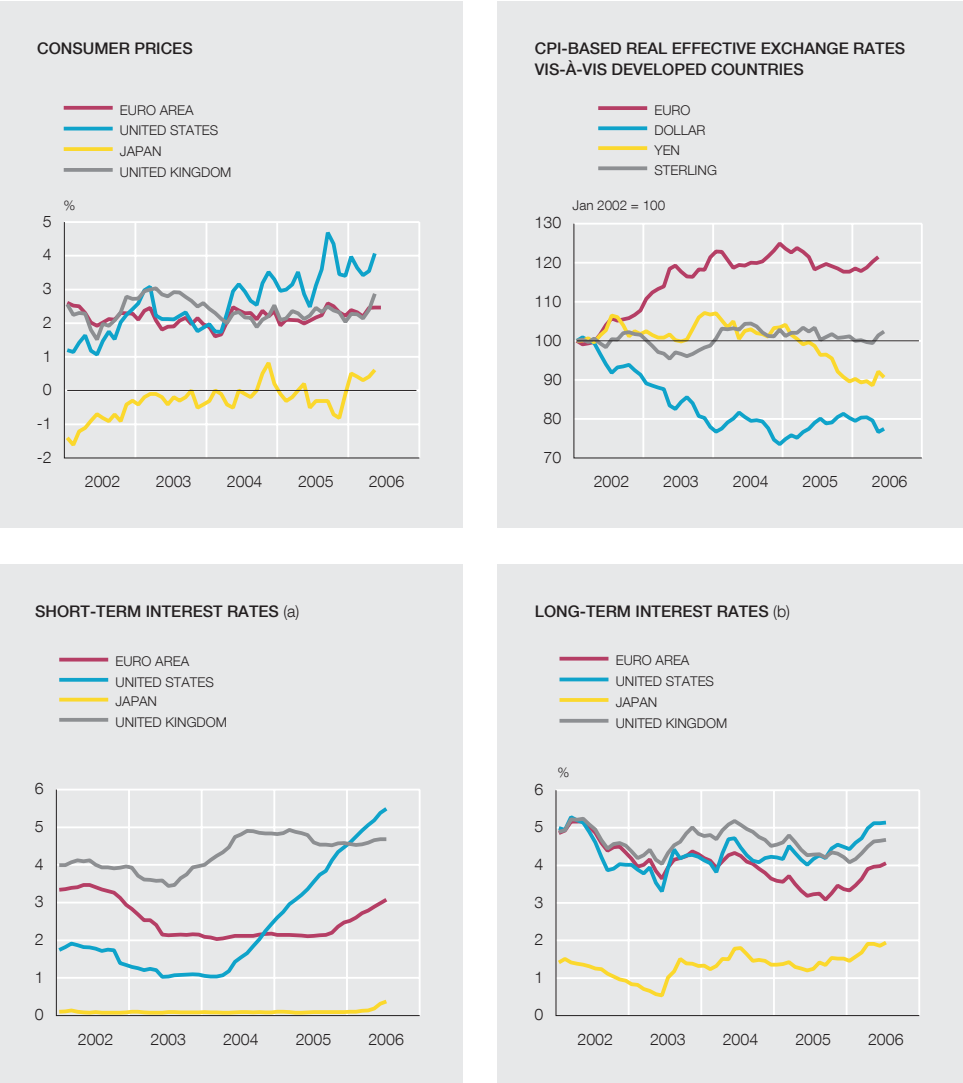


SOURCES: Banco de España, national statistics and Eurostat.

a. Percentage of labour force.

In *Japan*, activity remained very dynamic in 2006 Q2, though apparently somewhat down on Q1 judging by the slackness of the private consumption indicators, which are in contrast to the vigour of the investment indicators. In mid-July the Bank of Japan raised its official interest rate, which had held at close to 0% since March 2001, to 0.25%, thereby confirming the favourable outlook for activity and distancing the risk of a return to deflation. On the supply side, the Tankan business confidence survey for Q2 was once again positive (in particular the prospects for investment spending), while the annual growth rates of industrial production and machinery orders posted a fresh acceleration. On the demand side, retail sales in June recovered, and consumer confidence fell for the second month running in June, though it held at a high level. The labour market continued to display notable momentum, and the unemployment rate stood at 4.2% of the labour force in June while nominal employee remuneration quickened moderately. In the external sector the rise in exports was conducive to an improvement in the trade surplus in June, thereby interrupting the deterioration seen over the previous year. The overall index of consumer prices posted an annual increase of 1% in June, with underlying inflation holding at 0.6%, which confirms the mild upward trend of the last six months. Wholesale prices increased to an annual rate of 3.3% in June.

PRICES, REAL EXCHANGE RATE AND INTEREST RATES CHART 6



SOURCE: Banco de España.

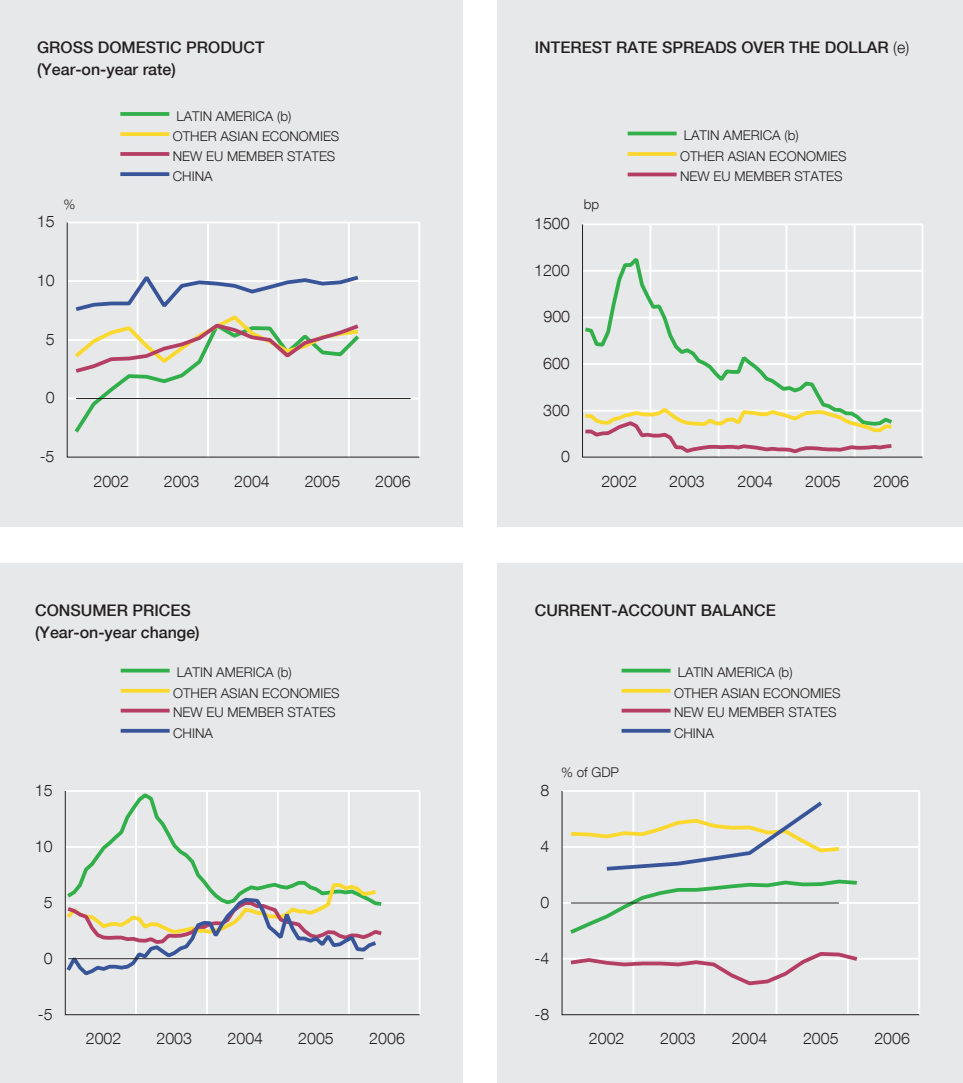
a. Three-month interbank market interest rates.
b. Ten-year government debt yields.

In the *United Kingdom*, GDP growth in Q2 (initial estimate) was 0.8% in quarterly terms and 2.6% year-on-year. Some of the indicators for Q2, such as the Purchasing Managers Index (PMI), rose substantially in June, in keeping with a recovery in the growth rate in Q2 in relation to Q1. This pick-up was also discernible in the buoyancy of imports, which prompted a widening of the trade deficit to 4.4 billion pounds sterling in May. In the labour market, job creation fell behind the increase in participation rates, which moderately raised the unemployment rate to 5.4% in May. Consumer prices grew at a rate of 2.5% in June compared with a year earlier, 0.3 pp up on May, owing to the acceleration in energy prices and in other less volatile items. The Bank of England held interest rates unchanged at 4.5%.

GDP quickened in almost all the new *EU Member States* in Q1, with an annual average rate of 6.1%, up from 5.4% the previous quarter. This was thanks to the greater dynamism of domestic demand, which offset the lesser contribution of the external sector. The indicators of activity and demand remained favourable in 2006 Q2. Inflation rates increased across the board, owing to the rise in energy and food prices, although there is notable variability from one coun-

EMERGING ECONOMIES:
MAIN MACROECONOMIC INDICATORS (a)

CHART 7



SOURCES: National statistics and JP Morgan.

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

try to another. Despite the rise in prices, official interest rates held stable in most countries. The exceptions were Hungary and Slovakia, where rates were raised owing to the upward revision of inflation expectations and, in the case of Hungary, to pressures on the financial markets in the face of worsening public finances. Indeed, in early June the Hungarian government revised its budget deficit forecast for 2006 upwards from 6.1% to 9.5% of GDP. In the remaining countries the fiscal targets for 2006, which foresee a generalised reduction in budget deficits, are likely to be met. In May and June, the turbulence on international financial markets worsened the economic outlook for Turkey, owing to the high vulnerability of its public debt and to other internal factors, such as its worsening current account deficit and inflation. From mid-June, the Turkish central bank tightened its monetary policy stance and intervened on the currency mar-

kets. In the institutional domain, the EU Council, following the analysis of the convergence reports for Slovenia and Lithuania prepared by the ECB and the European Commission, approved Slovenia's entry into the euro area on 1 January 2007. Lithuania, meantime, will have to wait as it does not meet the price stability criterion.

In *Asia*, China's GDP growth in Q2 was 11.3%. That confirms a significant rise in activity in relation to the already-high growth of the previous quarter, along with the persistence of risks of the economy overheating. The growth rate of the money supply increased during the quarter (and stands some way off the official target) as did domestic credit, despite the moderate increase in official interest rates on loans, the tightening of mortgage financing conditions and the rise in the bank reserves ratio. The renminbi appreciated by only 0.3% against the dollar during the quarter. Consumer prices accelerated progressively over this period, posting a year-on-year rate of 1.5% in June, as did producer prices, which stood at 3.5%. The trade surplus widened to $38 billion in Q2, 63% up on the previous year. However, foreign direct investment inflows continued to slow. In India, GDP in Q1 quickened to a year-on-year rate of 9.3%, driven by the resilience of domestic demand and by very high annual growth of around 30% in bank credit. In the rest of Asia, economic activity remained buoyant thanks to the favourable performance of exports and domestic demand in most countries. Inflation tended to increase slightly in Q2 owing to the rise in energy prices, which gave rise to some tightening of monetary policies.

In *Latin America*, GDP growth quickened considerably in Q1. Following the release of the figure for Colombia (5.4% year-on-year), GDP growth stood at an annual rate of 5.3%, compared with 3.8% in 2005 Q4. The mild slowdown in the countries that had previously posted the highest rates and the rise in the countries most behind in the cycle contributed to a lesser dispersion in regional growth. The contribution of domestic demand was notable (at over 6 pp), while the negative contribution of external demand increased slightly. The latest indicators for Q2 point to a slowdown in activity to which the financial turbulence recorded between May and June might have contributed. Nonetheless, the financial indicators have partially reversed what was a strong deterioration the previous month, reflecting the improvement in fundamentals and the lesser financial vulnerability of the area. Market volatility has not significantly disrupted access to financing, and some countries such as Chile and Brazil have even benefited from sovereign rating upgrades. Price developments remained favourable, leading the inflation rate to stand below 5% in the area as a whole, 1 pp below the end-2005 rate. Nonetheless, only in Brazil did the gradual lowering of interest rates continue (125 bp). Colombia, by contrast, joined the countries in an upward rate cycle. On the fiscal front, Mexico and Chile posted sizable surpluses, assisted by the proceeds from their production of commodities, while the primary balance target continues to be met in Brazil (4.25% of GDP), despite a certain rise in public spending. Finally, mention may be made of the intense activity in connection with trade agreements, where progress in the bilateral agreements with the United States is giving rise to appreciable tension in intra-regional treaties, in particular in the Andean Community and Mercosur.

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

The information available on economic developments in the euro area in 2006 Q2 points to a continuation of the upturn which began in the summer of last year. In a context in which the various indicators are consistent with rates of increase in activity that are perhaps outpacing the potential growth rate, greater consumer confidence and the incipient strengthening of the labour market are very positive signals, insofar as they might augur higher growth in private consumption over the next few months. Furthermore, the buoyancy of the economy continues to be sustained by strong exports, driven by vigorous global economic growth, and strong investment, boosted by favourable financing conditions and the robustness of corporate earnings. In the medium term, the outlook is compatible with a central scenario in which activity would continue to grow at rates close to those witnessed in Q1. However, this encouraging outlook is not free from uncertainty, notably the possibility that the escalation in the Middle East conflict could trigger fresh oil price increases. In addition, there is the persistent risk of a potentially disorderly correction of global imbalances. Lastly, the recent turbulence in the financial markets warrants increased vigilance in developments on these markets.

As regards price developments, underlying inflationary pressures remain moderate. Although the growth rate of the Harmonised Index of Consumer Prices (HICP) has remained clearly above the level defined in the medium-term objective of price stability, it has only done so as a result of the increase in its more volatile components. Foreseeably, the behaviour of these components will continue to affect the overall HICP over the next few months and, given the VAT rise in Germany, inflation will not drop to below 2% until well into next year. For the time being, evidence of a pass-though of the increase in oil prices to other prices in the economy and to wages is relatively negligible. However, the firming of activity and the incipient recovery of the labour market are heightening the risks of more pronounced inflationary pressures appearing, thereby justifying the monetary authority's vigilance. In fact, the European Central Bank has already begun a gradual withdrawal of the stimulus provided by monetary policy, reflected in three rises of 25 basis points since December 2005. As far as fiscal policy is concerned, following the progress made in 2005, greater buoyancy in activity should speed budgetary consolidation. Lastly, in July, the ECOFIN Council, after examining the Convergence Reports of the European Commission and the ECB, decided that Slovenia has reached a high and sustainable level of convergence, thereby fulfilling the requirements to adopt the euro from 1 January 2007. Only three years after joining the European Union, Slovenia is thus the first of the ten new Member States to accede to Economic and Monetary Union.

3.1 Economic developments

Euro area GDP grew by 0.6% in 2006 Q1, confirming the strength of the economic recovery as predicted by various indicators. A comparison of this rate with the rise in the previous quarter (0.3 pp lower) appears to substantiate the anomalous nature of the GDP growth figure over this period, possibly as a result of the incomplete adjustment for calendar effects. This effect may have been partially offset in 2006 Q1. In any case, the robustness of the dynamics of the increase in activity is confirmed by the upturn in the year-on-year growth rate, which rose 0.3 pp to 2%.

The acceleration in GDP was based on both domestic demand (excluding inventories) and net external demand, which contributed 0.6 pp and 0.4 pp respectively to output growth, while inventories subtracted 0.4 pp (see Chart 8). Of note is the recovery in the various components of domestic demand. Thus, private consumption and gross fixed capital formation grew by 0.6% and 0.9% respectively, rates very close to those observed in 2005 Q3 and considerably

EURO AREA ECONOMIC INDICATORS TABLE 1

	2004	2005				2006		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2 (a)	Q3 (b)
GDP								
Year-on-year growth	1.6	1.2	1.2	1.6	1.7	2.0		
Quarter-on-quarter growth	0.1	0.4	0.4	0.6	0.3	0.6		
European Commission forecasts (c)							(0.4 ; 0.8)	(0.3 ; 0.7)
IPI (d)	1.2	0.8	0.7	1.5	2.2	3.3	*3.3*	
Economic sentiment	100.5	98.7	96.1	97.7	100.1	102.6	106.5	
Industrial confidence	-3.7	-6.7	-10.3	-7.7	-6.0	-2.3	2.0	
Manufacturing PMI	51.4	51.4	49.3	51.0	53.0	54.7	57.1	
Services confidence	11.3	10.7	9.0	11.0	13.7	14.7	19.0	
Services PMI	52.9	53.1	53.1	53.8	55.6	57.8	59.2	
Unemployment rate	8.8	8.8	8.7	8.5	8.3	8.1	*7.9*	
Consumer confidence	-13.0	-13.3	-14.3	-14.7	-12.3	-10.7	-9.3	
HICP (d) (e)	2.4	2.1	2.1	2.6	2.2	2.2	2.5	
PPI (d) (e)	3.6	4.2	4.0	4.4	4.7	5.1	*6.0*	
Oil price in USD (e)	39.7	53.3	54.0	62.6	56.5	61.6	68.1	*73.8*
Loans to the private sector (d) (e)	7.2	7.6	8.1	8.8	9.2	10.8	*11.4*	
Euro area ten-year bond yield	3.8	3.7	3.4	3.3	3.4	3.6	4.0	*4.1*
US-euro area ten-year bond spread	0.36	0.67	0.80	0.98	1.12	1.06	1.08	*1.06*
Dollar/euro exchange rate (e)	1.362	1.296	1.209	1.204	1.180	1.210	1.271	*1.254*
Appreciation/Depreciation of the euro (e)	7.8	-4.8	-11.2	-11.6	-13.4	2.6	7.8	*6.3*
Dow Jones EURO STOXX Broad index (e)	9.9	4.3	8.9	17.7	23.0	10.3	4.2	*0.0*

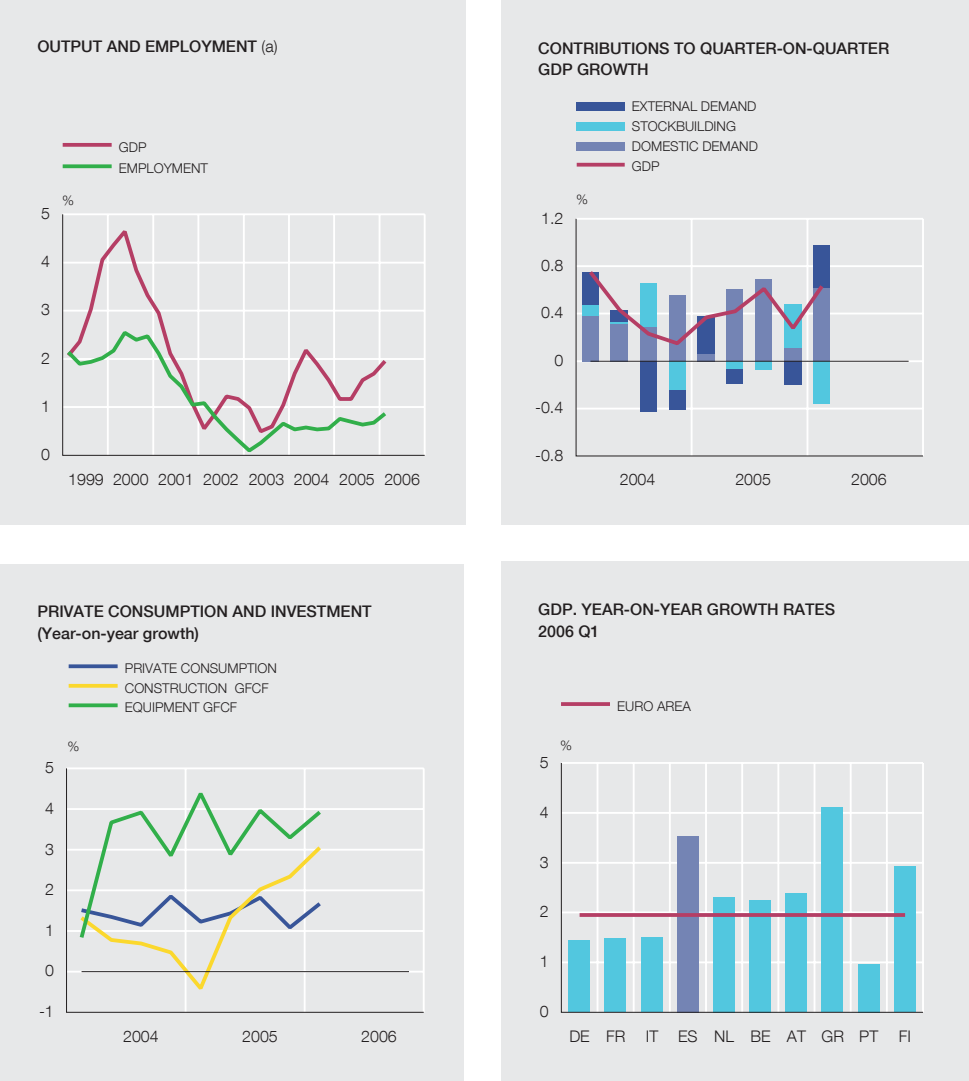
SOURCES: Eurostat, ECB and Banco de España.

a. The information in italics does not cover a full quarter.
b. Information available up to 17 July 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.

higher than the almost zero growth rates observed in Q4. The resilience of gross fixed capital formation was based above all on the capital goods component, although developments in the construction component were also favourable, especially bearing in mind that the weather caused this aggregate to perform poorly in some central European countries. Lastly, as far as the external sector is concerned, the sound increase in exports, against the backdrop of increased growth in imports, resulted in net external demand making the biggest contribution to growth in more than two years (see Box 1).

Analysis of the National Accounts country data shows how there was a fairly widespread improvement in the rate of increase of activity. Particularly noteworthy, albeit with the above-mentioned caveats concerning the data for 2005 Q4, is the greater dynamism in the three main economies of the euro area, and particularly Germany and Italy, whose GDP rose by 0.4% and 0.6% respectively, after recording zero rates of increase in the previous quarter. In both countries, consumption expanded forcefully following falls in Q4. Similarly, there was a recovery in capital goods investment in both countries. However, this did not prevent a decline in gross capital formation as a whole in Germany, given the fall-off in construction investment. Across the different production branches, the greatest buoyancy was seen mainly in financial and business services and industry, the gross value added of each of which grew by 1%, amounting to accelerations of 0.9 pp and 0.5 pp respectively. Conversely, construction activity declined by 0.5%, in contrast to a 0.7% rise the previous quarter.

EURO AREA NATIONAL ACCOUNTS CHART 8



Sources: Eurostat and national statistics.

a. Year-on-year rates of change.

As regards the labour market, employment posted quarter-on-quarter growth of 0.3% in Q1, an identical rate to that in 2005 Q4. Job creation, which continues to be relatively modest, occurred mostly in the various services branches. Significantly, though, for the first time since 2001 Q1, there was an increase in the number of employees in industry. In year-on-year terms, the increase in employment stood at 0.9%, 0.2 pp higher than in 2005 Q4. Given output growth, the rate of increase in apparent labour productivity was 1.1%, 0.1 pp up on the previous period. Compensation per employee continued to rise at a rate of 2%, resulting in a 0.1 pp slowdown in unit labour costs to 0.9%, a rate in line with the average for the second half of last year. Lastly, although growth of the GDP deflator eased by 0.2 pp to 1.8%, it continued to outpace the increase in unit labour costs, as it has done since the end of 2003, which led to a fresh widening of corporate margins.

The information available on activity in Q2 points to a continuation of the current phase of economic buoyancy, with the rate of growth around that of potential output growth. As regards supply indicators, the industrial production index rose in April and May to an average annual rate of 3.3%, unchanged on Q1 (see Chart 9). The qualitative indicators drawn from sector confidence surveys conducted by the European Commission and Reuters showed net im-

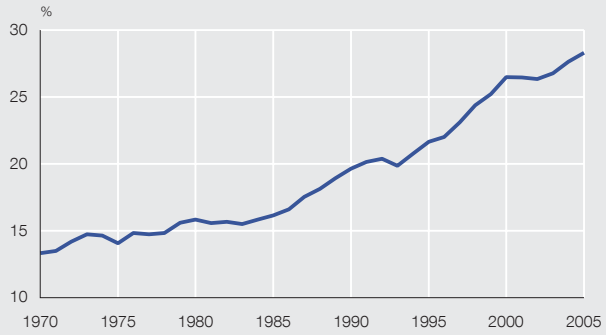
In 2006 Q1, the percentage of euro area countries' final demand for goods and services met by purchases made beyond their borders underwent a fresh increase. As can be seen in the accompanying panels, this rising trend of the degree of import penetration is part of a process that began back in the 70s. While at the beginning of that decade imports accounted for approximately 14% of final demand, this figure stood at 28% in 2005. However, the rate at which imports have progressively accounted for a greater share of final demand has not been constant over the course of this period: in the mid-80s, the rate of increase of the share intensified, and from 1995 it expanded notably.

Since 1995, the greater penetration of purchases abroad has been generalised in all the euro area countries, albeit to a differing degree of intensity. Spain in particular, along with Luxembourg and the Netherlands, is one of the countries that has recently experienced the highest growth recently (of around 9 pp between 1995 and 2005) in the penetration of goods and services. That has meant that the percentage of imports in final demand is currently similar to or higher than that of the biggest euro area countries. Notable at the other extreme are countries such as Italy and Greece, where the ratio has grown below the euro area average.

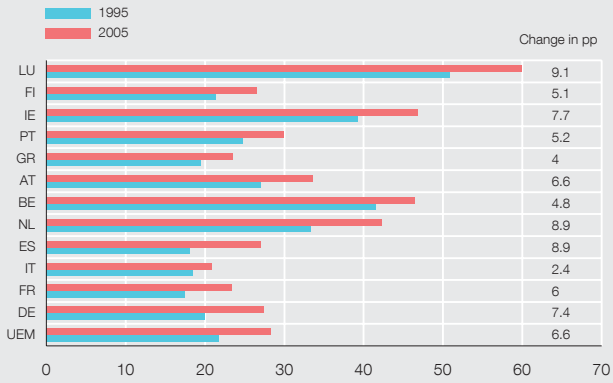
The growing role of foreign purchases in the euro area countries is part of the process of European integration and of the globalisation and liberalisation of the world economy. Indeed, the modelling of total euro area imports on the basis of their relative prices (proxied by the ratio of import prices to domestic prices) and of an income variable (measured by final demand) for the sample period 1970-2005 shows signs of a structural change around the mid-90s[1]. In particular, the re-estimation of the equation for recent years points to an increase in

1. The estimation of the euro area imports equation is with an error correction mechanism with quarterly data from 1970 to 2005.

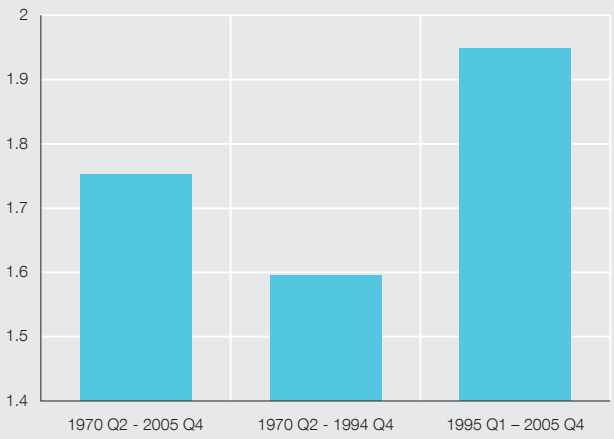
1 IMPORT PENETRATION IN EURO AREA FINAL DEMAND (a)
Constant prices



2 IMPORT PENETRATION IN FINAL DEMAND BY COUNTRY (a)



3 LONG-RUN ELASTICITY OF IMPORTS TO FINAL DEMAND (a)



4 CONTRIBUTION OF EACH AREA OF ORIGIN TO THE INCREASE IN GOODS IMPORTS BETWEEN 2001 AND 2005

	Euro imports by origin			Contribution to growth of euro area imports
	Weights		Growth	
	Year 2000	Change 2001 - 2005		
Total				11.1
Intra-euro area	52	-0.5	9.4	4.9
Extra-euro area	48	0.5	13.0	6.3
EU-10 (b)	3.6	1.1	34.3	1.2
EU-4 (c)	13.8	-2.0	-6.3	-0.9
United States	6.9	-1.8	-9.2	-0.6
Japan	3.3	-0.9	-12.4	-0.4
China	2.2	2.0	160.7	3.5
South east Asia (d)	3.7	-0.2	29.6	1.1
Rest of Asia	3.4	0.4	38.1	1.3
Latin America	1.8	0.2	36.1	0.6
Rest of the world	9.3	1.7	3.9	0.4

SOURCES: European Commission, ECB and Banco de España.

a. Includes intra- and extra-euro area trade.
b. New EU Member States.
c. United Kingdom, Switzerland, Sweden and Denmark.
d. South east Asia (DAEs: Korea, Taiwan, Thailand, Singapore, Malaysia and Hong Kong).

the elasticity of purchases abroad to final demand in the long run of 0.4 pp to 2 (see accompanying panel). The reasons for this greater sensitivity may be related not only to the possible effects of trade creation following the introduction of the euro, but also to new emerging economies entering the world trade arena. In fact, from 1995 to 2005 trade from countries not belonging to the euro area was more dynamic than intra-euro area trade (5.5% compared with 4.9% in annual average growth terms).

If analysis is confined to imports of goods and to the period from 2001 (the first year for which imports by place of origin are available in real terms), it can be seen in panel 4 that the volume of goods imports from outside the euro area has also grown more than trade between euro area member states. Admittedly, while the prices of goods imports from outside the euro area increased to a lesser extent than those of domestic goods during these years, this differential does not appear to be sufficient to explain the changes in relative volumes.

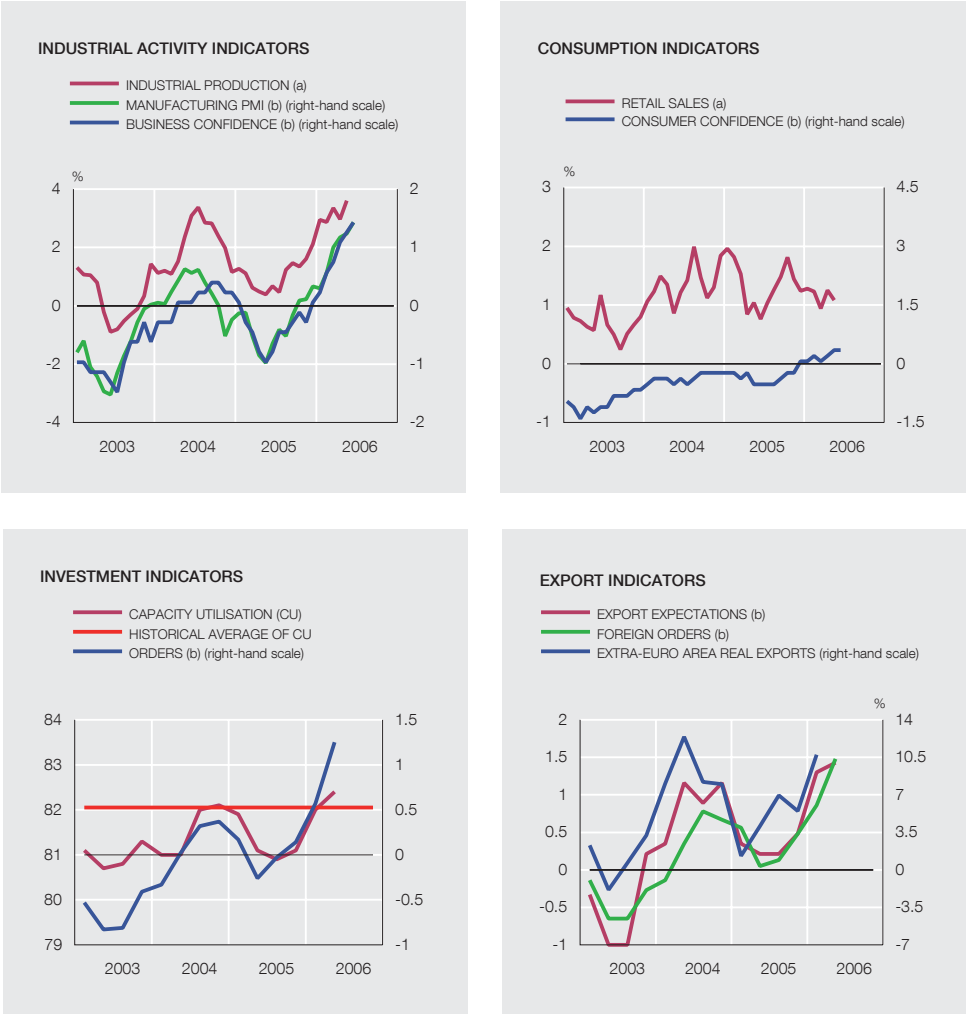
By country of origin of imports, penetration has been driven by the notable growth in sales of goods to the euro area from Latin America, the countries that have recently acceded to the European Union and the Asian economies in general. China is prominent among the latter, with sales to the euro area that have grown by more than 150% in only five years and at a higher rate of expansion than other regions. As a result, the weight of Chinese products in euro area imports has doubled in the period under study to 4.2%. Trending in the opposite direction have been imports from the EU countries not belonging to the euro area, from the United States and from Japan, the recent deterioration in which has entailed a negative contribution to the growth of import penetration.

provements in Q2. Services industry surveys displayed a similar performance. As a result, all these surveys recorded their highest levels in over five years. Turning to employment, survey expectations improved substantially in the first half of the year (see Chart 10).

On the demand side, the indicators available show signs of a moderate improvement in household expenditure. Thus, the expansionary course of new car registrations evident since the end of last year became firmer in Q2. In addition, the retail confidence indicator continued to rise sharply throughout the quarter, to stand significantly above its long-term average, while the related indicator for consumers rose moderately over the same period, driven by future unemployment expectations. However, household perceptions about their future financial situation remain flat, at levels close to those seen at the beginning of the year. Moreover, the retail sales indicator has continued to grow at a very low rate (around 0.1%, in terms of the quarterly moving average). As to indicators relating to investment in equipment, the strong pick-up in businesses' assessment of order books confirms the buoyancy of this demand component. Furthermore, capacity utilisation has exceeded its long-term average for the first time since 2001. Finally, in line with the spring half-yearly survey of investment in industry, companies in this sector hope to increase their capital goods expenditure by 7% in real terms during the current period, 2 pp more than six months ago. As to export demand, the assessment of foreign orders in Q2 further enhanced the substantial improvement witnessed since the beginning of the year. Substantiating this pattern is the performance of the quarterly business survey of export expectations.

To conclude, the indicators available point to a plausible scenario of output growth in the euro area in Q2 in line with that observed in Q1 and, therefore, around the midpoint of the range estimated by the European Commission, which puts expected GDP growth at between 0.4% and 0.8%. At the same time, the prevailing conditions are favourable to the pattern of growth remaining at around the potential rate of output growth for the rest of the year. As has been the case so far, it is likely that the external sector and investment will continue to drive GDP, thanks to robust global growth, the strength of corporate profits and, despite the recent official interest rate rises, the still-generous monetary and financial conditions. However, the improvement in the labour market, evident in terms of both the data observed over the past few months and the recent behaviour of indicators, lends itself favourably to household disposable income

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.

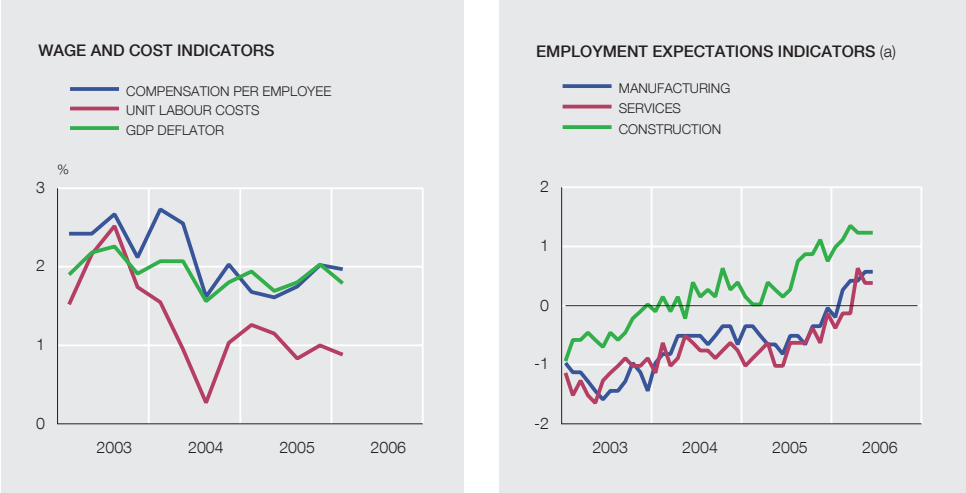
gathering greater momentum and, therefore, to household expenditure making a growing contribution to this scenario of buoyant activity. In any event, the pattern of output growth in the euro area may be distorted by the VAT increase in Germany, planned for January 2007, insofar as German households may decide to bring forward some of their expenditure planned for next year to 2006.

In this context, the strength of the latest indicators suggests that, in the short term, output may grow at even higher-than-expected rates. However, over the medium term, the risks to GDP growth remain on the downside, given the possibility that a worsening of the geopoliticial tensions in the Middle East could give rise to further oil price rises and a repeat of the instability on the international financial and exchange markets at the beginning of May, against a background of persistent global macrofinancial imbalances. Lastly, in spite of the buoyancy of private consumption in the first few months of the year, doubts remain as to whether this will be sustained.

After easing moderately during Q1, the HICP performed somewhat less favourably in Q2. The year-on-year rate of growth was 2.5% in June, 0.3 pp higher than in March (see Chart 11). The

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.

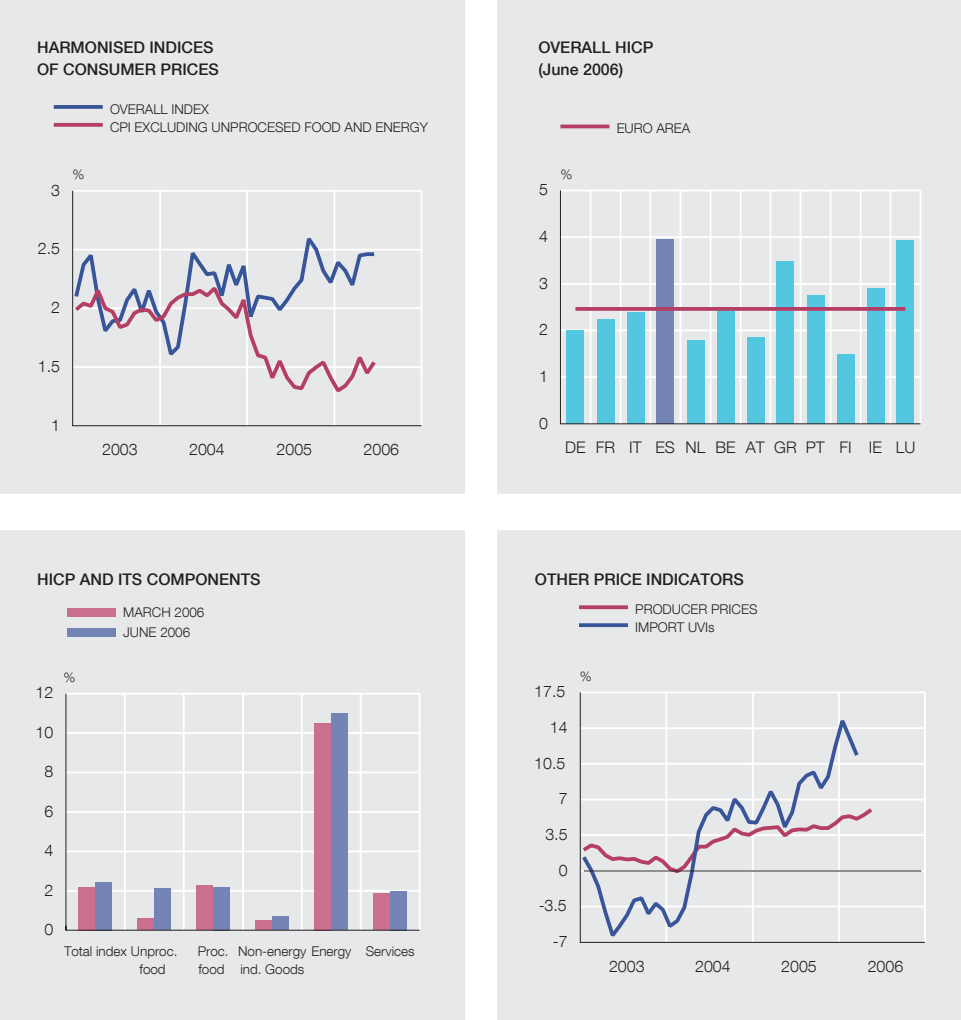
pick-up in inflation has resulted from the increase in all the related components, with the exception of processed food. The acceleration in energy and unprocessed food prices, which are the most volatile components of the overall index, has contributed 0.2 pp to the increase in the overall rate. The rate of change in the CPI excluding energy and unprocessed goods, which measures underlying inflation, rose by 0.1 pp in Q2, growing at a rate of 1.5% in June. All countries recorded increases in their year-on-year rates in the period between March and June, except for Portugal, where the rate fell. For its part, the year-on-year increase in producer prices stood at 6% in May, almost 1 pp higher than in March. All components increased to a greater or lesser extent, with the exception of capital goods.

Recently the first – albeit very tenuous – signs of a pass-through from past price increases in the energy component to final prices have been observed. The slight acceleration, since the start of the year, in the CPI excluding energy and unprocessed goods, in the producer prices of intermediate goods and, to a lesser extent, of consumer goods is along these lines. The assessment of inflationary trends in business confidence surveys is another example. Finally, in accordance with what has been published by other price surveys, the ECB's Survey of Professional Forecasters for 2006 Q2 contains a slight upward revision – by 0.1 pp – of short-term inflation expectations, although longer-term expectations remain anchored at below 2%. In any case, the various wage indicators continue to grow at rates close to 2%, indicating that second-round effects are not discernible as a result of the rise in oil prices, i.e. there are no signs that workers are taking this increase into account in their wage demands; were they to do so, it might ultimately feed back into final prices. However, it cannot be ruled out that the current strengthening of activity may, to some extent, provide for the spread of such effects.

The cumulative balance of payments current account deficit in the 12 months to April 2006 stood at EUR 32.4 million (around 0.4% of GDP), with a slighter lower surplus than a year earlier. This is principally the result of a decline in the trade surplus, although there was also a slight increase in the deficits in the income and transfers balances. Turning to the financial account, in the 12-month period to April 2006, net portfolio investment inflows of €189.6 billion were recorded (compared with €51.7 billion a year earlier), while net outflows in the form of direct investment reached €122.3 billion (double that observed in the 12 months to April 2005).

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

CHART 11



SOURCES: Eurostat and European Central Bank.

Consequently, the basic balance posted an accumulated positive balance of €34.9 billion, €10 billion higher than the related 12-month period ending in April 2005.

In the area of fiscal policy, it is not expected that the imbalances in public finances will be corrected in 2006. As such, according to European Commission forecasts, the deficit for the euro area as a whole will remain at 2.4% of GDP this year, the same as last year (see Table 2). The Commission's estimate of the cyclically adjusted primary balance confirms the lack of changes at the aggregate level in the fiscal policy stance, since the slight expected worsening of 0.1 pp – to 1% of GDP – can be explained by a modest fall in the use of temporary measures to reduce the deficit. Were these results to be confirmed, however, the unambitious budgetary objectives contained within the Stability Programmes would not even be met.

Of the five countries in the euro area with an excessive budget deficit, Greece and Portugal will, according to Commission forecasts, fulfil in 2006 their undertaking to improve their structural balance by at least 0.5% of GDP (i.e. the cyclically adjusted balance net of temporary measures). France would only correct its structural deficit by 0.4% of GDP, while Germany would only comply with the Commission's condition averaging the envisaged adjustment over the course of 2006 and 2007 taken together. Lastly, it is expected that

GENERAL GOVERNMENT BUDGET BALANCES OF EURO AREA COUNTRIES (a) TABLE 2

% of GDP

	2003	2004	2005	2006 (b)	2006 (c)
Belgium	0.0	-0.1	-0.1	0.0	-0.5
Germany	-4.0	-3.7	-3.3	-3.3	-3.1
Greece	-5.8	-6.8	-4.4	-2.6	-2.9
Spain	-0.1	-0.2	1.1	0.9	0.9
France	-4.2	-3.7	-2.9	-2.9	-3.0
Ireland	0.2	1.6	1.0	-0.6	0.1
Italy	-3.5	-3.5	-4.3	-3.5	-4.1
Luxembourg	0.2	-1.1	-1.9	-1.8	-1.8
Netherlands	-3.2	-2.1	-0.3	-1.5	-1.2
Austria	-1.7	-1.2	-1.6	-1.7	-2.0
Portugal	-3.0	-3.2	-6.0	-4.6	-5.0
Finland	2.4	2.1	2.4	1.6	2.6
MEMORANDUM ITEM: Euro area					
Primary balance	0.3	0.3	0.6	0.7	0.6
Total balance	-3.1	-2.8	-2.4	-2.3	-2.4
Public debt	69.3	69.8	70.8	70.8	70.5

SOURCES: European Commission and national stability programmes.

a. As a percentage of GDP. Deficit (-) / surplus (+). The deficits that exceed 3% of GDP have been shaded.
b. Stability programme targets.
c. European Commission forecasts (spring 2006).

Italy will violate the requirement by a wide margin. However, all these countries, with the exception of Germany, would post a higher-than-forecast deficit in their Stability Programmes. In Q2, the only institutional news in the application of the corrective arm of the Stability Pact concerned the opening of the excessive deficit procedure against Portugal. In June, the European Commission issued a communication in which it deemed the measures adopted by the authorities of that country – a long list of measures on both the income and expenditure sides – to be in line with the recommendations made by the Council in September 2005, and in particular deemed that these measures should enable, in principle, the excessive deficit to be corrected within the stipulated timeframe (by 2008 at the latest). Nevertheless, this would depend, inter alia, on all the corrective measures that have been announced becoming law very soon. In the light of the Commission's communication, the ECOFIN Council confirmed that, for the time being, it was not necessary to put subsequent steps of the procedure into action.

Of the other countries with an excessive deficit, the coalition government in Germany formed in November 2005 has continued to implement the measures initially agreed upon, though the occasional difficulties of the government partners in forging compromises has been evident. Although a reform of the healthcare system has been agreed upon and will take effect in 2007, there is the perception that not enough has been done to achieve the initial objectives, which include a change in the sources of financing and the introduction of greater competition among health service providers. The difficulties of controlling public expenditure in this sector are analysed, from a broader perspective for the area as a whole, in Box 2. In addition, Germany is looking into a reform of its corporate taxation, which should take effect in January 2008 and see the tax rate reduced from 39.7% to just under 30%. The resulting loss of revenue would be partially offset by a broadening of tax bases.

Health spending in the euro area as a whole stood at 9.7% of GDP in 2004, with the portion relating to the general government sector amounting to 74.9% of the total. There is cross-country divergence in these figures, meaning that total health spending as a percentage of GDP ranges from 10.9% in Germany to 7.1% in Ireland, and the proportion of the public-sector component varies from 90.5% in Luxembourg to 52.8% in Greece (see Chart 1). In addition to this disparity in the share of general government in financing the health system, the differences are even greater regarding the provision of services which, in some countries, is public (such that most workers in the sector are public-sector employees), while in others services are privately provided. In any event, the phenomenon - common to other OECD countries - of a strong expansion in public spending on health as a proportion of GDP between 1970 and 2004 (4% for the weighted average of the 11 countries in the area for which there are data throughout the period) warrants its growing significance in economic policy discussion (see Chart 2).

There are several determining factors behind the changes in public spending on health. Firstly, the increase in spending on this item is partly the result of social preferences; on one hand, universal coverage has become generalised in all countries and, on the other, the demand for health services appears to have been viewed in the past as a "luxury good", increasing more than commensurately with the level of per capita income. However, the evidence is not conclusive in this respect since it is difficult to isolate the effect of the different course of GDP and health spending deflators. Secondly, although technological improvements have occasionally given rise to treatment whose unit cost is, in many cases, lower, the resulting rise in demand has been so great that it has prompted an increase in the total cost. In other cases, medical innovations have entailed a greater cost, although they have also led to an improvement in the quality of the services offered.

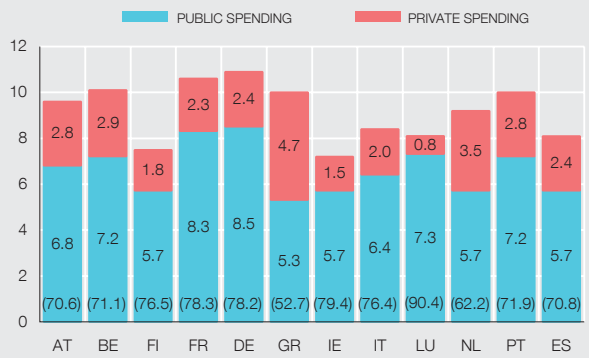
Other determinants of health spending are the result of the institutional structure underpinning the provision and financing of these services by general government. There is therefore scope for the authorities to intervene through reforms to the system that allow for more efficient (though not necessarily more desirable in terms of equality) allocation. Thus, for instance, there is evidence that total health spending tends to be greater in countries in which the public sector share is higher or in which primary care professionals are remunerated for each act of medical assistance instead of with a salary or on the basis of the total number of patients assigned.

Awareness of the inadequacy of incentives has led governments to introduce a series of reforms that have frequently not yielded the desired results. On occasions, attempts to control costs have been made using the administrative power of the authorities to set prices (especially in the case of drugs). However, suppliers have often been able to offset the effects of these measures by substituting other products beyond the reach of administrative controls. The introduction of patient co-payment mechanisms has proven more effective, these being more widespread in the pharmaceutical field than in the primary care and hospital medicine areas.

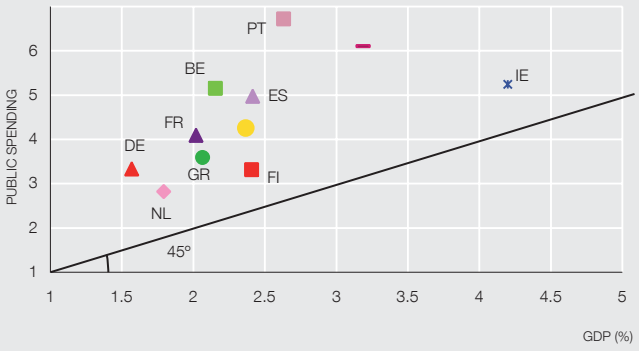
In several euro area countries, ceilings have been set for overall spending or for its growth rate, although they have rarely been effective because they merely act as a guideline or because they are not accompanied by mechanisms to ensure that non-compliance is corrected in successive years. The problem with these restrictions is that they often result in a reduction in services offered and do not succeed in altering their unit cost. Accordingly, other reforms have attempted to provide the same level of services at a lower cost. By way of example, measures have been taken in several countries so that a greater proportion of patients receive ambulatory treatment, in view of the lower cost compared with treatment in hospitals.

As regards potential future developments, one interesting aspect concerns the impact of demographic trends. In principle, the propensity of health spending to increase should conceivably be exacerbated by population ageing, insofar as older individuals tend to have poorer health. However, it is not clear whether longer life expectancy will be accompanied or not by an increase in the number of years of

1 HEALTH SPENDING AS A PERCENTAGE OF GDP, 2004 (a) (b)



2 ANNUAL AVERAGE GROWTH PER CAPITA OF PUBLIC SPENDING ON HEALTH AND OF GDP IN REAL TERMS, 1970-2004 (a)



SOURCE: OECD.

a. The data on the breakdown between public and private spending in Belgium and Germany are for 2003. The rest of the data are provisional.
b. The figure in brackets at the foot of each column depicts public spending on health as a percentage of total spending on this item.

life in a poor state of health. The February 2006 Economic Policy Committee report on the budgetary effects of population ageing between 2004 and 2050 considers a central scenario in which it is assumed that half of the total number of years by which life expectancy is expected to increase will be lived in poor health. Further, income elasticity is assumed to be 1.1 at the start of the projection horizon, converging linearly to 1 at the end of the horizon. Given these assumptions, the report concludes that public spending on health will increase by 1.5% of GDP over the period considered. Several combinations of changes in the initial assumptions give rise to a range for the total increase in public spending of between 0.9% and 2.2% of GDP. In particular, if the number of years lived in poor health were to hold constant, the growth of total spending would fall by 0.4 pp on the central scenario.

The sensitivity of the calculations to the assumptions used illustrates the difficulties of projecting health spending over the long term. In any event, the increase may, under certain scenarios, be substantial. And that highlights the need to exert greater control over this spending item and to improve the management thereof by introducing the necessary changes in public health systems so that an appropriate level of services can be provided at the least possible cost.

Lastly, the Government has sent Parliament the draft budget for 2007 for discussion in the autumn. The text seeks a reduction in the federal deficit to 0.9% of GDP, 0.7 pp lower than in the 2006 budget.

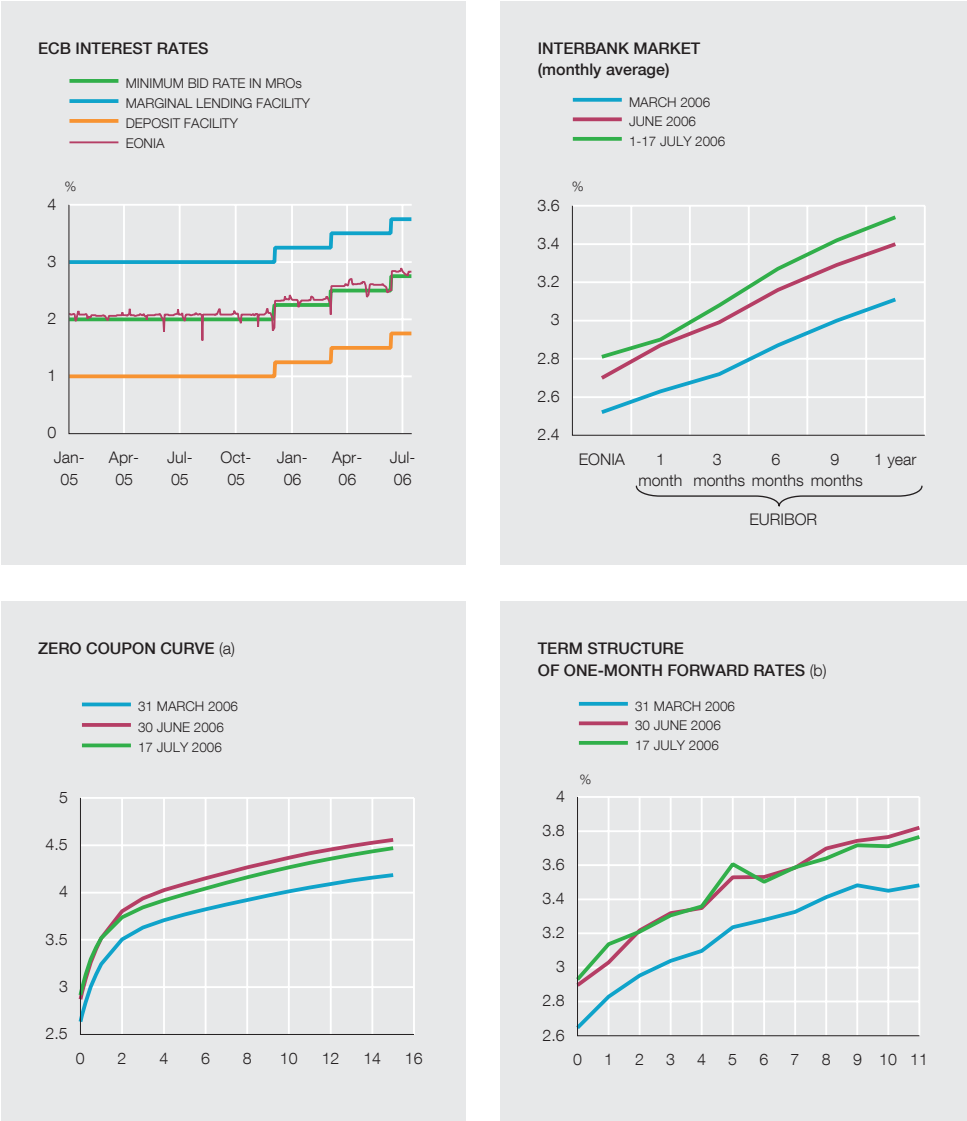
In early July the Italian Government set out its medium-term budgetary plans. The intended deficit for this year was revised upwards by half a percentage point to 4% of GDP. For 2007, the Government hopes to achieve a deficit of 2.8% of GDP, thereby falling within the margin laid down in the Council Recommendation. This challenge seems to be particularly ambitious given that it has been announced that next year's budget will contain a reduction in labour income tax and that the heterogeneity of the government coalition will make it difficult to reach a consensus on those expenses to be cut. Finally, in the case of France, the authorities have cut their deficit objective for the current year by one percentage point, to 2.8% of GDP, in the light of better-than-expected taxation revenue.

3.2 Monetary and financial developments

In April and May, the perception of continued upward risks to price stability over the medium term, against a background of a gradual strengthening of activity, led the Governing Council of the ECB to announce that it would continue to monitor economic developments very closely to ensure that risks to price stability over the medium term did not materialise. Consequently, at its meeting on 8 June, it raised minimum interest rates on its main refinancing operations by 25 basis points to 2.75%. Interest rates on the marginal lending facility and the deposit facility also increased by a quarter of a percentage point to 3.75% and 1.75% respectively (see Chart 12). Subsequently, at its meeting on 6 July, the Governing Council indicated that, in a context in which the monetary policy stance continued to be accommodative, a hypothetical confirmation of the continuation of output growth at rates similar to the potential growth rate and of the persistence of risks to price stability would justify the gradual withdrawal of the monetary stimulus in the near future.

This gradual change in monetary policy stance over Q2 was reflected by a gradual upward movement in the money market yield curve. The increases were somewhat greater in the longer-dated terms, which resulted in a moderate increase in the slope of the curve, reflecting some acceleration in the expected pace of interest rate rises over the coming months. In the debt markets, ten-year yields, which recovered strongly in early April, continued to do so subsequently, albeit at a slower pace (see Chart 13). In mid-July, ten-year yields stood at around 4.1%. In the United States, the related rates trended similarly to their European counterparts over the period in question. As a result, the differential vis-à-vis the euro area ten-year bond

EURO AREA INTEREST RATES CHART 12



SOURCES: European Central Bank and Banco de España.

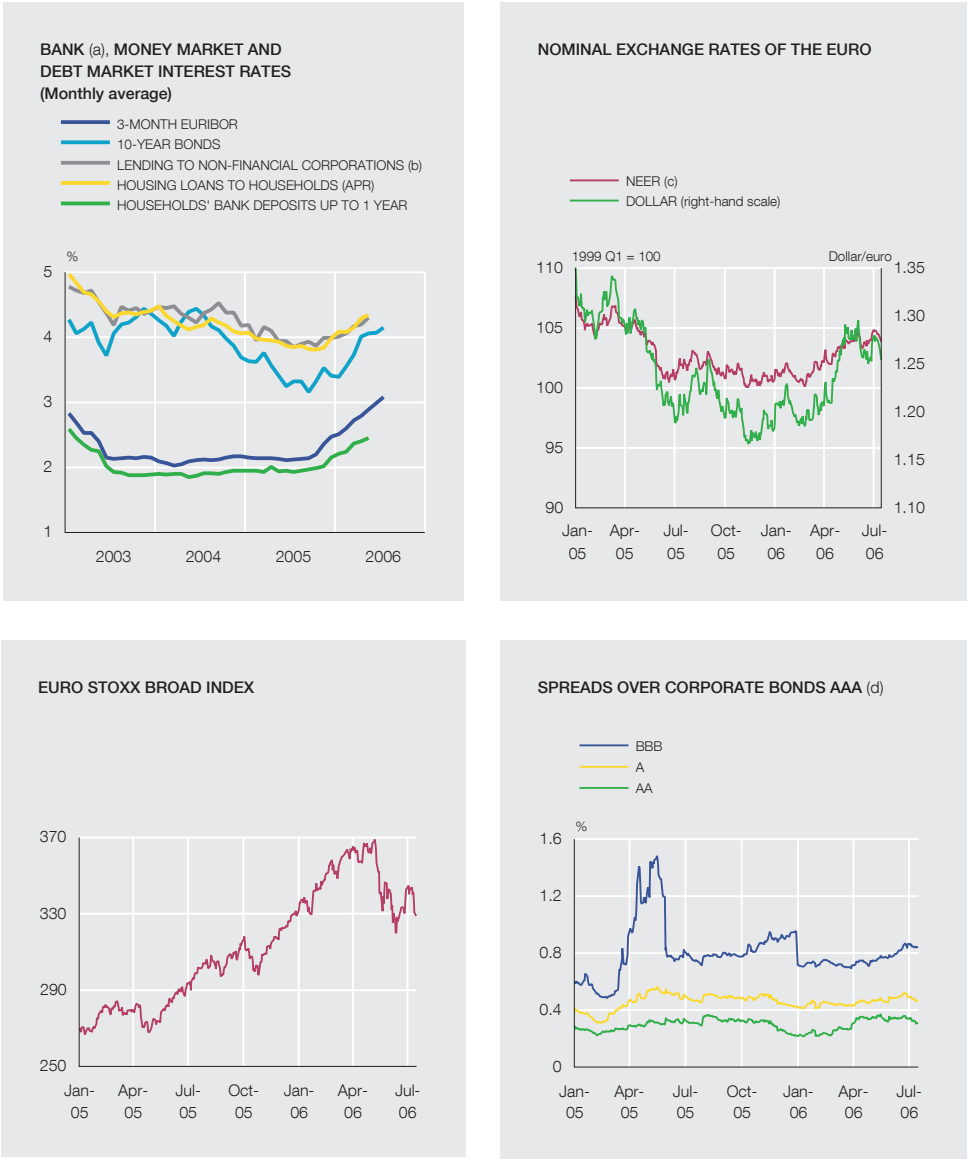
a. Estimated using swap market data.
b. Estimated using Euribor data.

continues to stand at around 1.1 pp. Finally, according to the data available to May, the interest rates applied by credit entities to both their liabilities-side and, in particular, asset-side transactions continued to rise. However, the increases were somewhat lower than those observed in financial market interest rates.

Throughout Q2, the euro tended to appreciate against the main currencies; as a result, the trend of the exchange rate contributed to subtracting laxity from the financial conditions in the area. The gains by the European currency, which may possibly be due in part to the heightening of expectations about further interest rate increases in the area, were sharper against the dollar than against other currencies and, in nominal effective terms, the size of the appreciation was almost 2%. On the euro area's stock markets, the main indices attained their highest levels since June 2001 in early May. However, a severe correction ensued thereafter - accompanied by an increase in volatility - on all world stock markets, the apparent trigger for which was an increase in the perceived risk for the global economic outlook. Following a temporary pick-up in share prices, there were heavy declines once again in mid-July and, as of the date

EURO AREA INTEREST RATES, EXCHANGE RATE AND STOCK MARKET INDEX

CHART 13



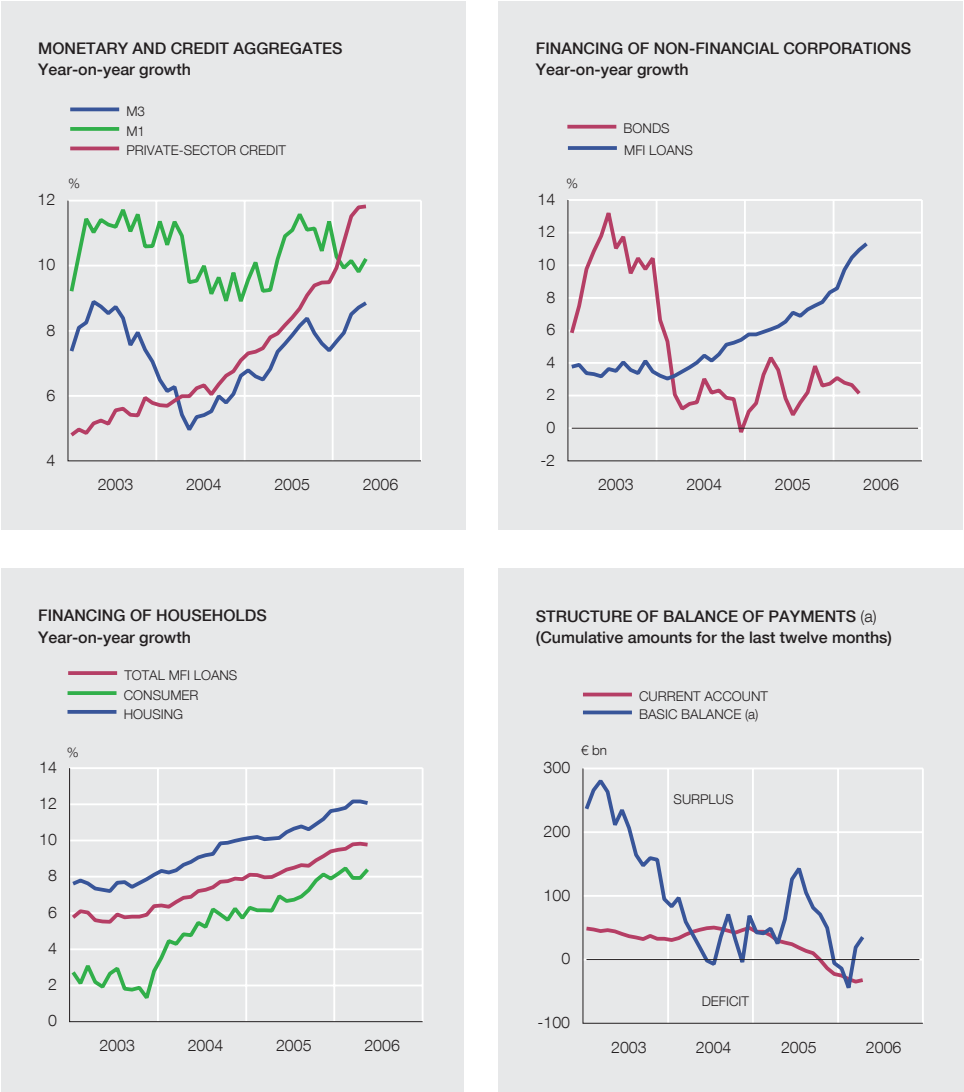
SOURCES: Banco de España and European Central Bank.

a. Data drawn from new statistics on interest rates compiled by the ECB for new operations.
b. Interest rates 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.

of this Bulletin going to press, the broad Euro-Stoxx index stood almost 10% below its peak in early May.

The acceleration in the M3 monetary aggregate which began at the onset of 2006 continued during Q2. In May the rate was at 8.9%, 1.5 pp up on that seen at the end of 2005 (see Chart 14). The reflection of this, on the side of the counterparts, was in the path of expansion of credit extended to the private sector, which grew at a rate of 11.8% in April and May, i.e. 2.4 pp more than in December. Loans from monetary financial institutions, which make up close to 90% of total credit to the private sector, expanded in May at 11.4%, the biggest rate of increase recorded since the start of EMU. That reflects the strengthening of economic activity, against a background in which the cost of lending, despite progressively rising, remains low in

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.

historical terms. In respect of agents, loans to non-financial corporations were notably more dynamic, while those to households did not quicken, although they continued to show a high rate of expansion. Among the biggest countries in the area, total lending in France and Italy was more dynamic, while in Germany, by contrast, the growth rate of this variable remained very low.

On QNA estimates, GDP growth in 2006 Q1 held stable at a year-on-year growth rate of 3.5%. In quarter-on-quarter terms the increase was 0.8%, somewhat down on the figure in the two previous quarters. During this period national demand continued to slow, albeit very slightly, while net external demand continued to subtract 1.5pp from output growth. The information available for Q2 points to an increase in the year-on-year growth rate of GDP to 3.6%, consistent with a rise of 0.9% in quarter-on-quarter terms. Bearing on this result will have been a further easing of domestic demand, the slowdown in which continued on the basis of the lesser momentum in private consumption and in gross fixed capital consumption, and a less negative contribution by the external sector, which more than offset the smaller increase in domestic spending (see Chart 15). The improved external sector contribution came about, in turn, against a background of deceleration in both exports and imports of goods and services, compared with the high increases in Q1, although exports, underpinned by the pick-up in external markets (and European ones in particular), held at a higher rate of change than that recorded in 2005.

Activity across the various branches shows that there has been some change in the composition of growth. Accordingly, the forceful momentum of services appears to have stabilised and even eased off in Q2. By contrast, the recovery in value added in manufacturing, which began in the second half of 2005, has intensified. The main employment indicators for Q2 also reflect the continuing high rate of expansion. Against this background, it is estimated that apparent labour productivity once again moved at a very moderate rate (0.3%), which has not offset the upward trend of compensation, as a result of which the growth in unit labour costs has increased. This, together with the persistent rise in energy prices, has contributed to keeping inflation rates high, in a setting moreover in which unit operating surpluses have continued to expand. The 12-month growth rate of the CPI stood at 3.9% in June, after having exceeded 4% at the start of the year, while the rate of increase of the CPI excluding unprocessed food and energy moved on a rising path from mid-2005, stabilising at 3% in 2006 Q2.

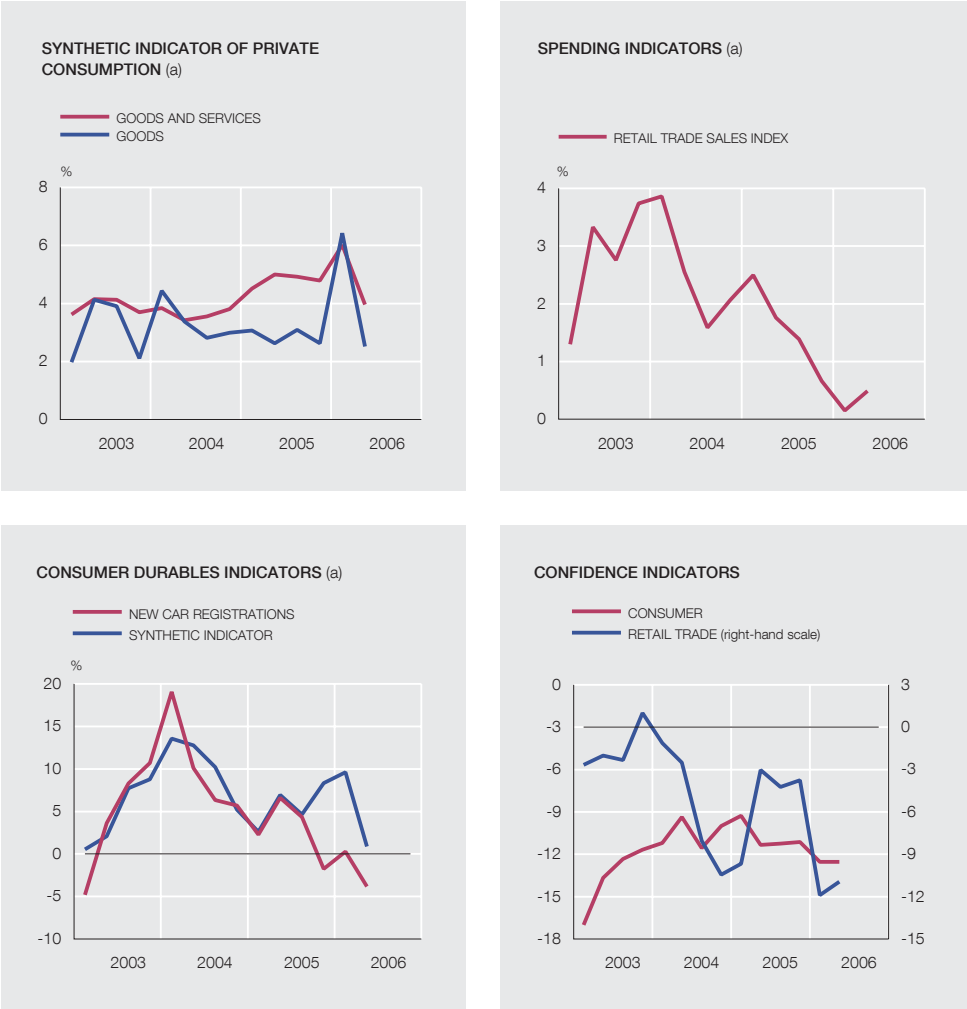
4.1 Demand

In 2006 Q1, private consumption grew at a rate of 3.9%, 0.1 pp down on 2005 Q4. It thus continued on the mildly slowing path on which it embarked in mid-2005. The indicators available for Q2 point to the moderation of private consumption growth, the intensity of which is difficult to gauge owing to the effect of the different dates for the Easter holiday week in 2005 and 2006 on several of these indicators (see Chart 16).

Car sales slowed strongly in Q2, after posting a rise in Q1. The same profile was apparent in the synthetic indicator of durable goods, which includes cars and other durables, and in that of goods, both durables and non-durables. Conversely, other indicators of spending on consumer goods, such as the index of apparent consumption of consumer goods and that of retail sales, improved in Q2 in step with the surveyed business opinions in the indicator published by the European Commission. The synthetic indicator of goods and services, which summarises much of this information, showed a slowdown, which was further amplified by the Easter holiday week effect; but this was more modest than the deceleration in the goods indicator, which is consistent with the information on sales by large corporations drawn from the State tax revenue agency, suggesting a more stable behaviour of consumer services. Finally, consumer confidence showed scarcely any changes in relation to Q1.

The tendency towards a lesser rate of increase of household consumption marking recent developments has several explanations. It is due, first, to the lower growth of disposable in-

PRIVATE CONSUMPTION INDICATORS CHART 16



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

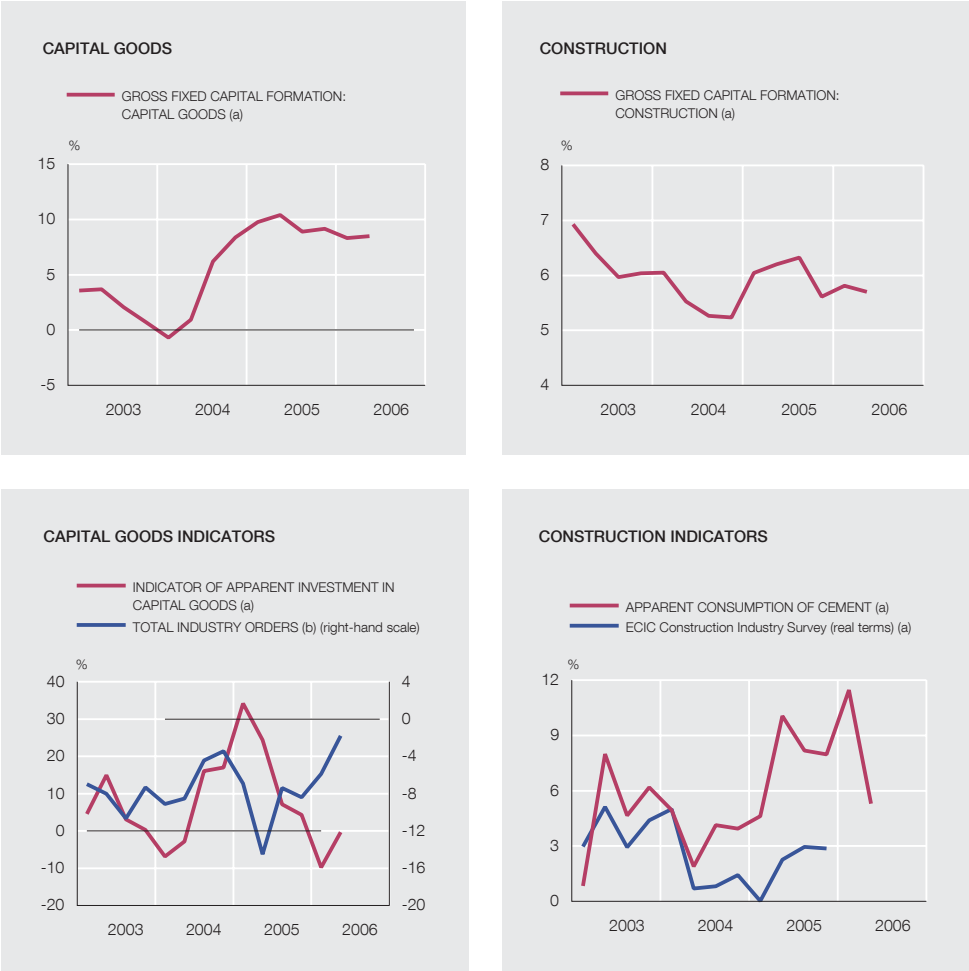
a. Year-on-year percentage change based on the seasonally adjusted series.

come, affected both by the erosion of purchasing power which lies behind the increase in the inflation rate and by the more negative contribution of net interest payments, owing to the rising course of interest rates. Employee compensation, by contrast, has contributed to a greater expansion in income, as a result of the rise in employment and bigger wage increases. Further, household wealth, although it continues to increase at a high rate, has tended to slow owing to the lower growth of house prices. Finally, the rise in interest rates is an additional factor containing current consumption, to the benefit of saving and future consumption.

In 2006 Q1, final general government consumption increased at a rate of 4.7% year-on-year, a similar figure to that of the previous quarter. The information available, drawn from State budget outturn figures, points to some deceleration in this spending component in Q2 that is related to the trend of spending on wages and salaries.

The rate of increase of gross fixed capital formation eased in 2006 Q1 to a rate of 6.2% compared with the same period a year earlier, 0.6 pp below the figure for 2005 Q4. This was the outcome of a slight slowdown in investment in capital goods, the growth of which stood at 8.3%, and, above all, of a smaller increase in investment in other products (a component

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.

linked to real estate promotion and intermediation and to software purchases), the year-on-year rate of which declined by 2.5 pp. Conversely, investment in construction quickened by 0.2 pp on the previous quarter, posting growth of 5.8% (see Chart 17). The information provided by the indicators for Q2 signals that gross fixed capital formation continued to expand at a rate close to, although somewhat below, that of Q1. This was the result of a slight slowdown in investment in construction, which nevertheless continued to display notable momentum, and of the resilience of spending on capital goods, which remains the most dynamic component of domestic demand.

The indicators of spending on capital goods offer a more positive outlook than in Q1. The indicator of apparent investment in capital goods, obtained with as-yet incomplete figures for Q2, points to something of a recovery following the sharp slowdown at the start of the year. The path of this indicator in the opening months of 2006 is a result of the most significant increase in the domestic output of capital goods (the cumulative growth of which to May was 8%), which replaced imports of this type of good as a basic source of incorporating new productive capital, compared with the experience in the two previous years. Survey-based indicators, such as business confidence in the capital goods industry and confidence in industry as a whole, improved appreciably in Q2, as did orders. The assessment of the level of capacity

utilisation also increased in this period, while the number of firms that consider their plant capacity excessive fell.

Investment in construction quickened slightly in 2006 Q1 to an annual rate of 5.8% after slowing in the final quarter of 2005. This buoyancy was due to a 2.3 pp rise in investment in housing, while other construction segments – civil engineering works and non-residential building – slowed by 2 pp. On the latest conjunctural information, investment in construction remained highly dynamic in Q2, although it might have decelerated slightly. All the coincident indicators of activity showed signs of slowing in this period, although some of them, such as inputs (production of construction materials and consumption of cement), might be influenced by the Easter holiday week calendar in 2005 and 2006. Employment indicators, such as Social Security registrations and registered unemployment, also eased off in Q2. Finally, the opinions of employers in the sector included in the European Commission's confidence indicator worsened slightly, holding below the levels reached the previous year.

By type of work, the leading information provided by the Ministerio de Fomento's work approvals statistic, allocated in time according to a project execution schedule, points to a mildly slowing path of investment in housing during 2006, and to the maintenance of a high growth rate for housing starts. Non-residential building continues to pick up in the opening months of 2006, as denoted by the strong expansion in official procurement in this type of work in 2005 promoted by general government and by the State-owned companies in the Fomento group (EPEGF). The latest procurement data, while evidencing lower growth, remain along these lines, as do the approvals figures (both for new works and refurbishments), though they fell significantly in April, influenced perhaps by the effect of the Easter holiday week. Finally, concerning civil engineering works, the projection for official general government procurement – distributed according to an average execution schedule and deflated – is one of slight growth in 2006. Civil engineering works in the private sector have maintained their growth in the first half of 2006, since the slowdown in EPEGF projects has been offset by the greater procurement of the territorial general government entities under concession arrangements, which is also part of private-sector non-residential construction.

As regards the financial situation of corporations, data from the quarterly Central Balance Sheet Data Office survey (CBQ) for 2006 Q1 indicate a widespread acceleration in the activity of the corporations reporting to this survey, both by sector and by company size. This momentum of corporate activity has been accompanied by a slight increase in the return on investment and the maintenance of the cost of borrowing, making new investment more attractive. The indicators of financial pressure, calculated with CBQ data, are holding at favourable levels, despite having worsened slightly. It should be qualified, however, that these results are essentially representative of the situation at large corporations (included in the CBQ) and that the financial position of smaller companies may be subject to greater pressures stemming from the rise in the cost of borrowing. The borrowing requirements of non-financial corporations as a whole, which increased notably in 2006 Q1, point in this direction.

On QNA estimates, net external demand subtracted 1.5 pp from GDP growth in 2006 Q1, a similar figure to that for 2005 Q4. In the former quarter there was sizeable growth in foreign trade flows which gave rise to a marked acceleration in goods and services exports, which grew by 9.1% in real terms, accompanied by a strong rise in the growth of imports, which stood at 12.4%. The as-yet incomplete information for Q2 indicates that the contribution of net external demand in this period was less contractionary, against a background of lower growth in both exports and imports.

FOREIGN TRADE
Percentage change on year ago

CHART 18

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

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

The rate of increase of goods exports rose exceptionally in 2006 Q1, posting year-on-year growth of 12.7% in real terms, which partly reflects the comparison with the low levels observed in the same period the previous year (see Chart 18). The latest Customs figures for foreign trade for April and May (with a 2.4% increase in annual terms) are distorted by the slackness of exports in April, owing to the Easter holiday week. If an adjustment is made for this effect, the growth rate of goods exports in Q2 stands below the very high rates in the opening months of the year, although it is significantly above the rates observed in 2005 and shows a return by sales abroad to growth rates more in keeping with the increase in worldwide trade. By geographical area, exports to countries other than those in the euro area, in particular to Latin America, continued to prove more dynamic during Q2. Inside the euro area, the market where Spanish sales grew at the highest rate was Italy.

On QNA figures, real exports of tourist services in 2006 Q1 once again fell significantly, posting a year-on-year rate of -8.7%. The main real indicators of tourism also weakened at the start of the year, although they gathered momentum as from March. The information available for Q2 indicates that overnight stays in hotels by foreign visitors grew by 13.1% in this period, while numbers of tourists rose by 9.5%, clearly higher than the growth of world tourism, although

the upward effect of the Easter holiday week has a bearing on these figures. However, average spending per tourist continued to fall in April and May as a result of both a decline in average daily spending by tourists, and of the shortening of average stays, meaning that total spending by tourists increased by only 5.2% in nominal terms according to EGATUR figures. This downtrend in average spending per tourist would be connected with their new behavioural habits; they tend to shorten their stays and opt, more frequently, for lodging off the habitual tourist circuit or stay in their own property. Regarding Spain's main markets of origin for tourists, the British market grew very moderately while French tourism remains buoyant and German tourism has tended to pick up.

Real exports of non-tourist services grew by 13.4% in 2006 Q1, on QNA figures, prolonging the uptrend of the previous quarters and in line with the expansionary course shown by the nominal Balance of Payments indicator. In this period both foreign sales of transport services and exports of business services, which are the main items, trended very favourably, while there were substantial increases in construction, financial and IT services.

In 2006 Q1, the year-on-year growth rate of real goods imports increased to 11.6%, up from 5.3% the previous quarter. According to Customs data, this rise in imports during Q1 was most clearly manifest in purchases of intermediate goods and of consumer goods, influenced by the atypical entry of a large quantity of textile imports in January. As in the case of goods exports, purchases abroad in the April-May period slowed considerably, with a real year-on-year rate of 1.8%, having been highly influenced by the slackness of foreign trade in April. As earlier discussed for exports, if the April effect is adjusted for, imports display a lower growth rate in Q2 than in Q1, but one in line with that recorded in the second half of 2005. By type of product, energy purchases abroad in April and May behaved very expansively, increasing by almost 10%, as did imports of consumer durables. By contrast, purchases of capital goods, which had been one of the components with the highest rates of expansion in 2005 and 2006 Q1, fell by 6% in real terms.

Finally, QNA data indicate that real imports of services continued to quicken in 2006 Q1, placing the year-on-year rate of increase at 15.8%. This was due to the marked dynamism of real imports of non-tourist services (16.1%), driven by transport services and business services. Real imports of tourist services, by contrast, slowed in Q1, placing the related year-on-year growth rate at 14.6%, after having sustained growth of over 20% throughout the previous year.

4.2 Output and employment

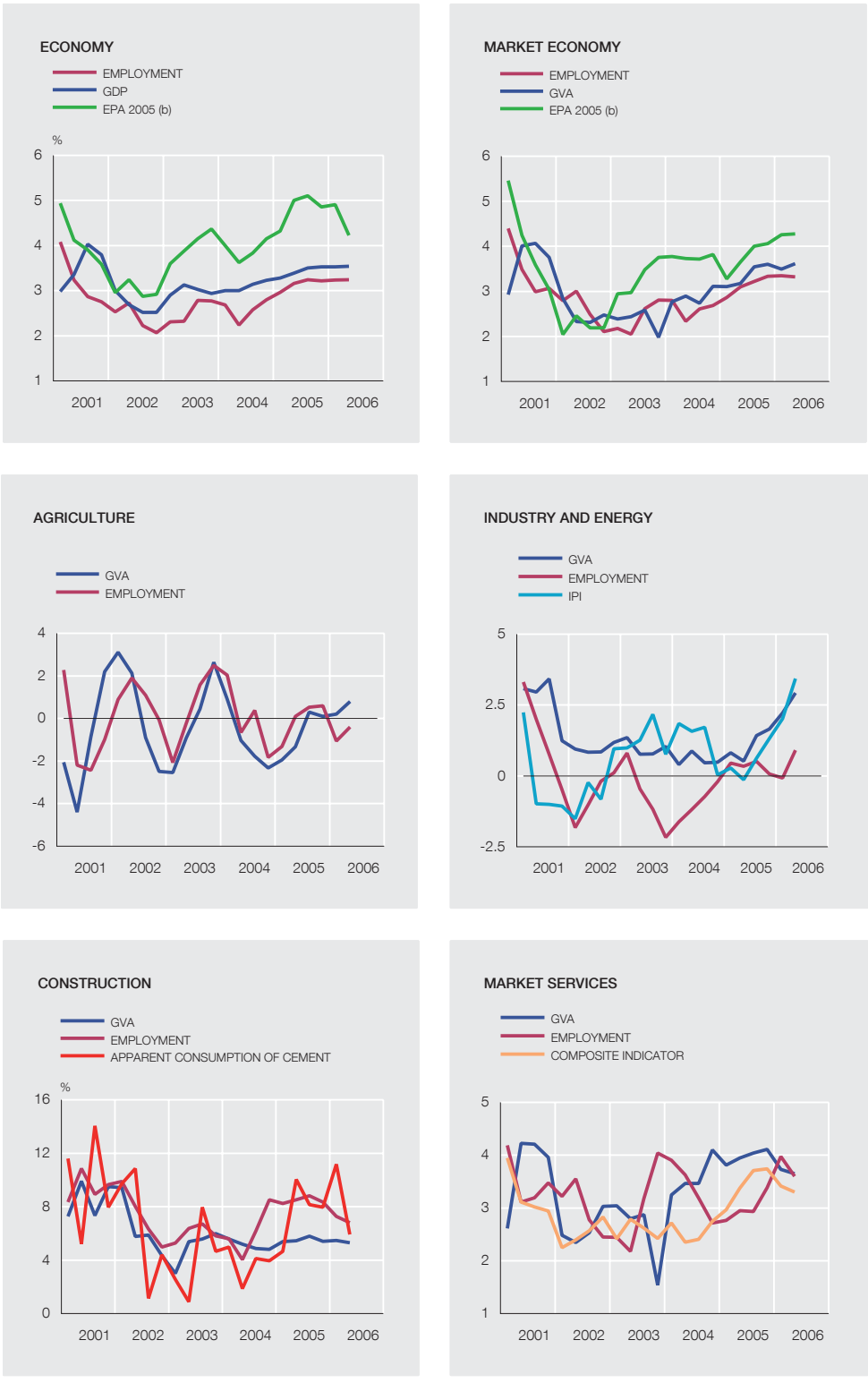
Value added in the market economy began 2006 showing considerable dynamism, although its year-on-year rate (3.5%) was slightly down on 2005 Q4. This moderate loss in momentum was due to the slowdown in the market services branch, which held sway over the increases posted in the other branches of activity of the market economy and, in particular, over the notable improvement in the rate of expansion of industry (see Chart 19).

Less unfavourable weather than in 2005 allowed for something of an increase (albeit an extremely moderate one) in activity in the agricultural and fisheries branches. On QNA figures, the year-on-year growth of value added in Q1 was 0.2%, 0.1 pp up on the preceding quarter. Nonetheless, activity in these branches will foreseeably be more dynamic in the coming quarters, in view of the better yields estimated for certain crops, including most notably – due to their higher magnitude – cereals, pulses and fruit.

The recovery in the industrial and energy branches since mid-2005 continued into 2006 Q1. In this latter period the year-on-year rate rose to 2.2%, on QNA figures, entailing an

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

CHART 19



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

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

acceleration in activity of 0.5 pp. The increase in the growth rate of value added in this quarter was concentrated in industry, since the energy branch underwent a slowdown of 1.1 pp to 3.9%. Conversely, the year-on-year rate of activity in the industrial branches increased by 0.9 pp to 2%, a figure not seen since 2001. The focal point of this greater buoyancy was the production of non-food consumer goods and, above all, the manufacture of capital goods. On the conjunctural information available for Q2, this ongoing expansion in industrial activity is proving even sharper than in the previous quarters. The industrial production index increased by around 3.5% over the course of April and May (in calendar-adjusted terms), compared with the growth of 1.9% seen in 2006 Q1, reflecting an increase in all the industrial sectors. The employment indicators, specifically the number of Social Security registrations, improved in Q2, albeit more moderately. The survey-based indicators, such as the PMI and the European Commission's confidence indicator, also trended favourably in Q2.

According to QNA figures, value added in the construction branch commenced 2006 with a slight acceleration of the order of 0.1 pp, taking its year-on-year rate of increase to 5.5% in Q1. As discussed in the previous section, the strength of this sector was essentially underpinned by residential building, since the growth rates of other building and civil engineering works eased during this quarter. Information drawn from the leading indicators and the high inertia characterising this branch of activity, as a result of the long lead times of the works involved, ensure that its rate of expansion will remain relatively high in Q2 and over the rest of the year. However, as also mentioned, the coincident indicators point to some loss of momentum in construction activity during Q2.

Services activity slowed in 2006 Q1, placing the related year-on-year rate at 3.7%, 0.3 pp less than in the final quarter of 2005, which was a year marked by a continuous, though moderate, acceleration in this sector. This loss of momentum was centred on market services, which decelerated by 0.4 pp to a year-on-year rate of 3.7%, while the remaining services displayed a growth rate similar to that of the previous quarter. This slowdown in value added might have continued in 2006 Q2, albeit in a much more diluted fashion, according to the conjunctural indicators of real activity. Both the composite market services indicator (ISIS) and turnover in real terms, drawing on the indicators of activity in the services sector (IASS) compiled by INE, and the Tax Revenue Service's figures on large corporations' sales (adjusted for the effect of price growth) have seen their growth decline in the months in Q2 for which data are available. However, the improvement in the survey-based indicators (the PMI and the European Commission's confidence index for the sector) and the substantial dynamism of Social Security registrations in this branch indicate a sustained rate of activity in this period. Among the tertiary branches, there was some momentum in the hotel and catering trade, as indicated by the number of overnight stays in hotels by tourists, the number of Social Security registrations and the IASS turnover figure. Transport, for its part, was also more dynamic than in Q1, as were inter-company services. The wholesale and retail trade branch, by contrast, continued to be the activity showing the most unfavourable situation.

On QNA estimates, job creation remained as stable in 2006 Q1 as in recent quarters, with its year-on-year rate of increase holding at 3.2% for the fourth quarter running. This performance, along with that of GDP in 2005 Q4 and 2006 Q1, made for a low economy-wide increase in apparent labour productivity of 0.4%, 0.1 pp up on the figure posted in the two previous quarters. Job creation in the market economy held on the mildly accelerating path of the past two years. Against this background, the slowdown in value added in Q1 gave rise to a meagre 0.1% rise in productivity. The conjunctural indicators point to a prolongation of growth in employment in Q2, at a similar rate to that of its recent path.

The year-on-year growth of Social Security registrations, having stripped out the immigrant regularisation effect, stood at 2.8% in Q2, 0.1 pp up on the previous quarter's figure. The registered unemployment figures once again showed declines in the number of unemployed, placing the annual change at -0.6% in 2006 Q2, set against the stability of this variable in Q1. Finally, information from the EPA for Q2 shows year-on-year growth of 4.2% in employment, which also remains very buoyant, although the figure marks a slowdown on the preceding quarter (4.9%), due in part to the base effect derived from the strong rise in employment recorded in the same quarter in 2005.

Across the different branches of activity, and on QNA estimates for 2006 Q1, employment in the services branch and, more specifically, in market-sector activities was notably dynamic, holding stable in other services. The year-on-year increase in employment in market services rose substantially to 4%, 0.6 pp up on the previous quarter, while in other services the rise in employment was 2.7%, similar to that of the preceding three-month period. Conversely, employment in construction slowed to a year-on-year growth rate of 7.3%, although this continues to be by far the most dynamic branch in terms of job creation. In agriculture and industry there was a return to job destruction, with year-on-year rates of change of -1.1% and -0.1%, respectively, thereby interrupting the pick-up in employment initiated the previous quarter in both branches. The EPA data for Q2 show a similar behaviour for employment across the sectors. Specifically, employment in agriculture during this quarter fell to a similar rate to that in Q1 (- 3%). Nonetheless, a marginal recovery in employment in the industrial branches is perceptible and the year-on-year growth rate rose to 0.7%. According to the EPA, the dynamism of employment in construction increased once again, taking the year-on-year growth rate to 7.8%, while in the services branches employment slowed to growth of 5% (6.3% the previous quarter). However, this diminished buoyancy was centred on the non-market services branches, where employment grew by 4.1%, compared with 6.8% the previous quarter. Overall, the growth rate of employment in the market economy stabilised at 4.3%.

On QNA estimates, the stability of job creation in Q1 chiefly reflects changes in the group of dependent employees, which grew by 3.6% year-on-year, 0.1 pp less than in the previous quarter, while the self-employment component recovered slightly, growing by 1%. In general, most economic indicators coincide in reflecting greater robustness in dependent employment than in self-employment. However, the EPA data for Q2 show a slowdown in dependent employment, which posted a year-on-year growth rate of 4.3% after growth of around 6% in the previous three quarters. As a result, dependent employees as a proportion of total numbers employed in the economy declined by 0.1 pp on the preceding quarter (to 81.8%). In the registrations statistic, job creation in the self-employment segment continues to increase at a lesser pace than in the case of dependent employees, once the immigrant regularisation effect is stripped out.

EPA data on contract duration in 2006 Q2 indicates that temporary employment, though its year-on-year rate of increase slowed to 7.9%, was once again more dynamic than permanent employment, which slowed by 1.2 pp to 2.6%. That made for a fresh year-on-year increase in the ratio of temporary to total employees, to 34.4%, 1.1 pp above the level a year earlier. The strong dynamism seen in hiring at the start of the year, far higher than that in dependent employment, gave rise to some increase in labour turnover, following the relative stability marking 2005. Nonetheless, information drawn from the INEM statistics on contracts shows, in the first half of the year, a more dynamic performance in the case of permanent hiring, which has raised the weight of this type of contract in proportion to the total to 10.7%, almost 2 pp up on a year ago.

On EPA data for 2006 Q2, part-time hiring once again underwent a year-on-year decline (of 0.6%), as in the previous quarter, after having posted most sizeable growth during 2005. The year-on-year rate of increase in the number of full-time employees remained strongly dynamic, standing at 4.9%. As a result, the proportion of part-time employees fell to 12.2%, 0.6 pp less than in 2005 Q2.

The labour force increased by 3.3% in 2006 Q2, 0.3 pp below the growth recorded the previous quarter, but in line with the average growth over the past two years. The dynamism of the labour force is due to a notable increase in the participation rate to 58.3%, 0.9 pp above its level in the same period a year earlier, and to growth in the working population aged over 16 similar to that in previous quarters (1.6%). By sex, the increase in the labour force was sharper among women (4.6%), which gave rise to an annual increase of 1.4 pp in the female participation rate, which stood at 47.9%. Among men, the labour force increased by 2.4%, raising the related participation rate by 0.4 pp on the same period a year earlier to 69.1%.

Finally, the EPA data indicate that the number of unemployed fell once again in 2006 Q2, albeit at a lower year-on-year rate (5.5%) than in the preceding quarters. Compared with the previous quarter the number of unemployed fell by 98,800, and the unemployment rate dipped to 8.5%, against 9.1% in Q1 and 9.3% in the same quarter in 2005. The information drawn from the registered unemployment figures once again shows a decline in the number of unemployed in Q2.

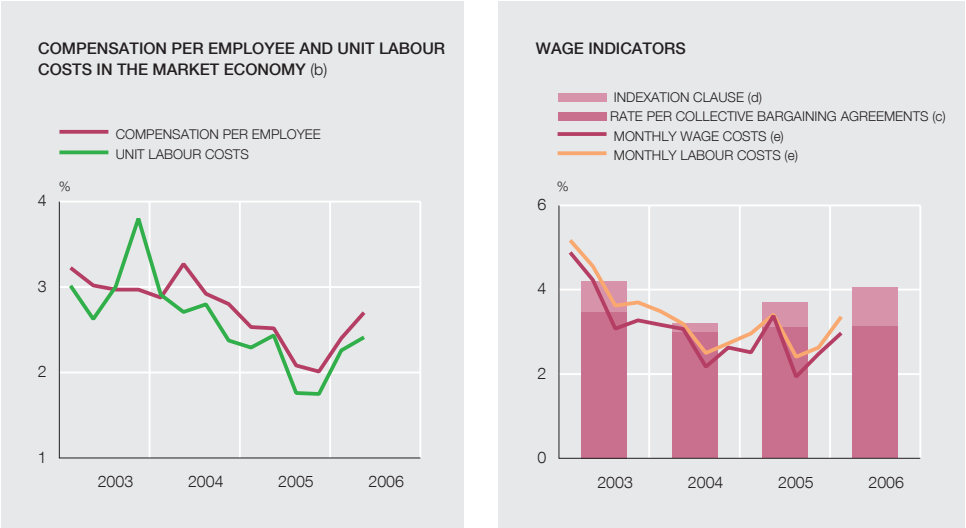
4.3 Costs and prices

In 2006 Q1, the annual growth rate of compensation per employee rose by 0.2 pp to 2.6% on QNA figures (see Chart 20). In the market economy, the acceleration was higher, and the year-on-year rate stood at 2.4%, compared with 2% at end-2005. Across the branches of activity there was a generalised increase in the growth of average compensation, with the exception of industry, whose year-on-year rate of increase held at the figure of 2.4% posted at the end of the previous year. The smallest rise was in construction, with the biggest acceleration in agriculture and services. The ETCL (quarterly labour costs survey) also showed a higher increase in monthly labour costs per employee, growing by 3.4% year-on-year, 0.8 pp higher than the rate for 2005 Q4. The wage component quickened more moderately (by 0.5 pp) to 3%, with the rate of change of non-wage costs undergoing the strongest increase between December and March.

The information on agreed wage settlements in collective bargaining agreements in the first six months of 2006 shows a wage increase of 3.15%, somewhat higher than that agreed the previous year, before considering the effect of the indexation clauses. In the case of revised agreements, the increase was 3.16%, affecting 6.3 million workers, and in newly signed agreements a rise of 3.01% was agreed, below that of the previous year, though the number of workers covered is still low. The outcome of collective bargaining is at the upper limit of the wage recommendations implicit in the Interconfederal Agreement for Collective Bargaining, which was extended in late January by the social agents. In the current year workers will also have to receive back-pay relating to 2005 owing to the application of the indexation clauses, the impact of which on the growth of employee compensation in 2006 is estimated at 0.94 pp, up on the figure of 0.59 pp the previous year. These clauses are present in 82% of the agreements signed between January and June 2006.

The bigger increase in compensation per employee in 2006 Q1, along with the smaller increase in value added per employee, meant that the year-on-year growth rate of labour costs per unit of value added increased to 2.3% for the economy as a whole. The growth of the value added deflator, by contrast, dipped by 0.2 pp to 3.7% year-on-year, reflecting a less

WAGES AND LABOUR COSTS (a) CHART 20



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

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

expansionary performance by the surplus per unit of value added, which continued to increase, albeit at a lower rate than in 2005 Q4. The pattern in the market economy was similar, with higher labour costs and a somewhat sharper slowdown in prices.

The lower rate of increase of the value added deflator in Q1 was the result of a slowdown in the deflator in all branches, with the exception of agriculture (see Chart 21). The reduction in the growth of prices was especially sharp in construction, though it remained the activity with the highest growth. The acceleration in unit labour costs was due to the strong rise in market services, with the rate of increase falling in the remaining branches. Given these differences, surpluses continued to widen in all branches of activity, though at different rates. The indicators available for Q2 show a continuation of these patterns of behaviour, with the growth of the deflators outpacing that of unit labour costs, despite the increase foreseen in compensation per employee.

The year-on-year rate of the final demand deflator rose by 0.2 pp to 4.5% in 2006 Q1, driven by the notable increase in the imports deflator, whose rate climbed to 5%, against 4.3% the previous quarter. The higher growth rate of imported energy prices largely explains this acceleration in the imports deflator. Although the exchange rate of the euro against the dollar held virtually stable in the opening months of the year, oil prices rose again in this period, after easing in 2005 Q4. The GDP deflator was somewhat less expansionary, since it slowed by 0.1 pp to a year-on-year rate of 4.3%. On the expenditure side, both the private consumption deflator, whose growth rate increased by 0.3 pp year-on-year to 4.1%, and the gross fixed capital formation deflator, which rose by only 0.1 pp, saw their rate of increase rise. Conversely, the growth of the exports deflator continued to decline in 2006 Q1, standing at 4.3%.

In the first quarter of the year consumer prices quickened in a similar fashion to the private consumption deflator, reaching a year-on-year growth rate of 4.1%, a figure not recorded since late 2002. In the April-June period, by contrast, consumer prices slowed by 0.1 pp, while the rate of the CPI excluding unprocessed food and energy held at 3% (see Chart 22). In Q2, the most inflationary component was once again energy, which increased at a rate of 12.9% com-

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.

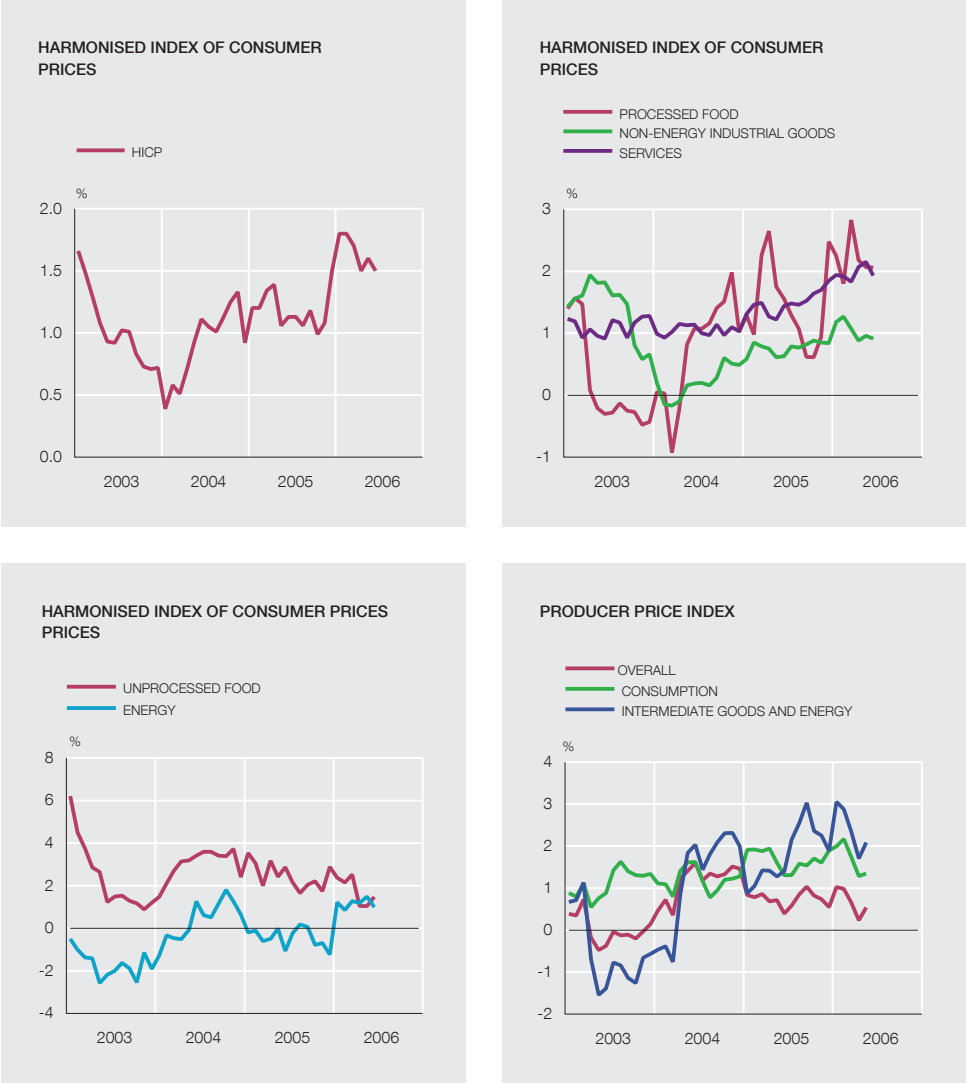
pared with the same period a year earlier, 0.4 pp below the Q1 figure. The rise in oil throughout this period and the increase in the price of butane gas in April were the main factors behind the maintenance of such a high rate. Non-energy industrial goods prices increased by 1.4% in Q2, a similar figure to that posted in Q1.

Among the components of the measure of underlying inflation (CPI excluding unprocessed food and energy), the average growth of processed food prices was 3.9% in Q2, unchanged on the previous quarter. The price of olive and other oils began to fall in Q2, following the successive increases recorded since September 2005; conversely, however, the prices of alcoholic beverages quickened. Unprocessed food prices slowed substantially in Q2, posting average year-on-year growth of 2.8%, compared with 4.3% in Q1. In the April-June period, the rate of change of both poultry prices, and those of fruit and vegetables, fell considerably, turning negative. Meanwhile, the year-on-year growth rate of beef, fish and potato prices increased. Finally, services prices accelerated by 0.2 pp in Q2 to an average annual rate of 4%. The most notable development was the rise in the growth rate of tourism-related items in April, owing to the Easter holiday week falling in a different month than in 2005. The behaviour of the remaining components of the services aggregate was similar to that in Q1.

Inflation in Spain, measured by the HICP, fell by 0.1 pp in Q2 to a rate of 4%. Conversely, inflation in the euro area as a whole increased by 0.2 pp to 2.5% in this same quarter. Conse-

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

CHART 23



SOURCES: Eurostat and Banco de España.

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

quently, the differential narrowed to 1.5 pp after peaking at 1.8 pp in the previous quarter (see Chart 23). Nonetheless, the services differential widened slightly owing to the acceleration caused by the Easter holiday week effect, which was more acute in Spain than in the euro area. By contrast, the differential for the unprocessed food component diminished substantially, owing to the decline in rates recorded in Spain. In the case of processed food and non-energy industrial goods, the narrowing of the differential took place as a result of the greater dynamism of the prices of these goods in the euro area. Finally, energy prices have slowed similarly in both Spain and the euro area, with the differential having widened slightly.

The growth rate of the producer price index has been on a rising trend for somewhat more than two years. On the information available, the 12-month growth rate of the index was 6.1% in 2006 Q1, rising to 6.2% in Q2 on average, albeit with oscillations. Energy production prices remain the most inflationary component, although their growth rate has fallen in relation to Q1 to a year-on-year rate of 14.6% in June. Among the remaining producer price index components, the manufacturing prices of intermediate goods quickened, rising to a year-on-year rate

STATE BUDGET OUTTURN TABLE 3

EUR m and %

	Outturn 2005	Percentage change 2005/2004	Outturn projection 2006	Percentage change 2006/2005	Outturn JAN-MAR percentage change 2006/2005	Outturn		
						2005 JAN-JUN	2006 JAN-JUN	Percentage change
	1	2	3	4 = 3/1	5	6	7	8 = 7/6
1 REVENUE	128,777	12.2	128,591	-0.1	7.2	55,775	61,315	9.9
Direct taxes	70,665	20.4	72,036	1.9	10.0	23,592	27,130	15.0
Personal income tax	35,953	18.2	37,992	5.7	9.5	16,572	18,593	12.2
Corporate income tax	32,496	24.9	31,681	-2.5	4.9	6,011	7,293	21.3
Other (a)	2,215	-1.3	2,363	6.7	30.2	1,009	1,244	23.3
Indirect taxes	44,618	7.9	45,302	1.5	8.8	25,418	28,542	12.3
VAT	32,009	10.0	31,438	-1.8	10.4	19,320	22,334	15.6
Excise duties	9,795	0.5	10,903	11.3	-0.1	4,733	4,710	-0.5
Other (b)	2,813	12.9	2,961	5.3	9.4	1,366	1,498	9.7
Other net revenue	13,494	-8.7	11,253	-16.6	-13.2	6,764	5,643	-16.6
2 EXPENDITURE	122,755	7.0	133,951	9.1	-3.0	59,278	60,162	1.5
Wages and salaries	20,677	6.1	22,124	7.0	10.1	10,217	10,999	7.7
Goods and services	3,388	-3.5	3,069	-9.4	5.9	1,582	1,640	3.7
Interest payments	17,831	6.4	17,443	-2.2	-23.4	9,257	7,484	-19.2
Current transfers	64,541	5.8	70,968	10.0	5.2	31,345	33,207	5.9
Contingency fund	…	…	2,873	…	…	…	…	…
Investment	8,978	26.4	9,338	4.0	-12.2	3,709	3,889	4.8
Capital transfers	7,341	6.8	8,134	10.8	-9.8	3,169	2,944	-7.1
3 CASH-BASIS BALANCE (3 = 1 – 2)	6,022	…	-5,360	…	…	-3,503	1,153	…
MEMORANDUM ITEM: NATIONAL ACCOUNTS								
Resources	126,811	11.9	127,817	0.8	10.2	54,972	62,500	13.7
Uses	123,550	0.7	131,775	6.7	5.9	56,166	59,942	6.7
NET LENDING (+) OR BORROWING (–)								
	3,261	…	-3,958	…	…	-1,194	2,558	…
(as a percentage of GDP)	0.4	…	-0.4	…	…	-0.1	0.3	…

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.

of 6.7% in the last month. Producer prices for capital goods and consumer goods are holding at rates of slightly over 2% and 3%, respectively. The rate of change of prices received by farmers fell, posting negative rates in March and April, owing to the marked decline in fruit, vegetable and poultry prices. Lastly, the year-on-year rate of increase in hotel prices stood at 2.3% in June, closing the quarter with an increase of 2.7%.

4.4 The State budget

The figures released on the State budget outturn to June 2006, following National Accounts methodology, show a surplus of €2,558 million (0.3% of GDP). This is in contrast to the deficit of €1,194 million (0.1% of GDP) recorded in the same period of the previous year. The budget performance was due to the resilience of taxes, which boosted growth in resources to 13.7%, while uses increased by only 6.7% in the period considered (see Table 3). The cash-basis balance improved notably in relation to the first half of 2005. Following the cash-basis convention, the State posted a surplus of €1,153 million, compared with a deficit of €3,503 million in the same period the previous year. Against this background, and although an acceleration in expenditure is expected in the second half of the year, the robustness shown by taxes in com-

parison with what was initially budgeted points to a better close for the year than initially foreseen. Box 3 offers details on the Social Security budget outturn.

State revenue in cash-basis terms increased by 9.9% to June, owing to the buoyancy of the main taxes. This marked a clear difference from the slight decline of 0.1% for the year as a whole that the outturn projection (on comparison with the previous year's outturn) had augured. Personal income tax quickened in Q2 to growth of 12.2%, sustained by high revenue from withholdings on movable capital (a year-on-year rate of 18.9%) and on gains on mutual funds (an increase of 36.5%) and by growth of 9.9% in withholdings on income from work. Corporate income tax, after the first prepayment (in April), posted growth of over 20%. Indirect taxes also quickened notably in Q2 owing to VAT, although applications for refunds of this tax have increased notably, which might lead to a slowdown in revenue in the coming months. Takings from excise duties, however, were virtually flat throughout the first half of the year owing to the moderation in the consumption of the goods (hydrocarbons and tobacco products) on which the two main taxes here are levied. As regards the items under the heading Other net revenue, the acceleration in the rate of decline in Q2 came about due to lower revenue as a result of differences between government debt redemption and issuance values, and to transfer payments (both current and capital transfers). In both cases, developments in the coming months should bring them gradually closer to the initially budgeted rates of change. In the other headings there are no notable overruns in expenditure which is, to some extent, foreseeable since total expenditure is subject to the ceiling set under the Budgetary Stability Law.

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

In the first four months of 2006, the overall balance on current and capital account was a deficit of €31,116 million, 41.3% up on the same period in 2005. During this four-month period the current account deficit widened notably (by 36.9%), rising to €32,095 million, while the surplus on capital transactions declined (-31.2%) to €979 million. Under current transactions, there was a generalised deterioration in the balances of the main items, proving especially acute in the case of the trade deficit. Both the surplus on services and the income deficit worsened, as did, to a lesser extent, net current transfers.

The trade balance deficit increased by €4,533 million in the first four months of 2006 compared with the same period a year earlier, up to a figure of €24,988 million. In year-on-year terms, the deficit increased by 22.2%, prolonging the strongly deteriorating path of the two previous years. Despite the exceptional pick-up in real export flows in this period, the rise in the rate of increase of real imports and the strong deterioration in the terms of trade – owing to dearer oil – prompted the unfavourable course of the deficit in nominal terms. Nonetheless, the deficit on the non-energy trade balance has worsened more moderately since the second half of the previous year, while the energy deficit continues to grow at a burgeoning rate as a result of the persistent increase in energy import prices.

The services balance posted a surplus of €2,050 million euro in the first four months of 2006, down on the figure of €2,417 million recorded in the same period a year earlier. This strong deterioration was due to the €910 million decline in the tourist surplus and, to a greater extent, to the increase in the deficit on the non-tourist services balance, which increased by €1,507 million. Tourist revenue fell by 4.2% in the January-April period, in nominal terms, prolonging the adverse performance dating back to December 2005. Tourist expenditure rose by 15.5% in the first four months of 2006, entailing a slowdown from the robustness of the two previous years. As a result of these revenue and expenditure developments, the tourist surplus declined by 15.7%.

The deficit on the income balance widened significantly over the course of the first four months of 2006 to a negative figure of €6,054 million, €1,367 million more than the same period a year

SOCIAL SECURITY BUDGET OUTTURN

The Social Security system posted a surplus of €8,432 million in the four months to end-April 2006, €944 million up (12.6%) on the same period a year earlier. Revenue grew by 9.1% and expenditure by 8% (see accompanying table). There was notable growth in the *Other* heading which, though a minor item, shows a growth rate of 45.7% owing to the increase in returns on the Reserve Fund.

Revenue from Social Security contributions increased by 8.6% to April. The number of Social Security registrations rose by 5.1% to June 2006. However, if the 504,404 registrations of foreign workers in the six months to end-June as a result of the regularisation process are discounted, the growth of the number of registrations in the first half of 2006 would stand at 2.7%, slightly down on the rate for the whole of 2005.

Turning to expenditure, that earmarked for contributory pensions grew by 7.7% to April, slightly up on the figure budgeted for the year as a whole. The number of contributory pensions is sustaining a high growth rate, standing at 2.6% to April, far above that posted in 2005 as a whole (1.3%). This is partly due to the effect of the former Elderly and Disability Insurance pensions (SOVI) being recognised as compatible with widowhood pensions[1]. Expenditure on sickness benefits increased by 6.2% during the first four months, far below the budgeted figure.

As regards the SPEE (State Employment Public Service), the information on which is received with a greater lag, contributions received rose by 9% to February, above budget. Rebates on contributions in respect of employment-promoting contracts, meanwhile, increased by 10% in the first two months of 2006, also above the initial budget projection.

SPEE expenditure on unemployment benefits rose by 6.6% to April (a similar level to the 6.7% increase recorded in 2005 as a whole), and the number of beneficiaries grew by 4%. This was in turn due to the two main determinants at play here: first, the 1.4% year-on-year decline in registered unemployment in April 2006, compared with the 1.1% fall over 2005 as a whole; and further, the increase in the eligibility rate, which stood at 62% to April 2006, above the end-2005 level (60.7%).

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 %

	Budget			Outturn JAN-APR		
	2005	2006	% change	2005	2006	% change
	1	2	3 = 2/1	4	5	6 = 5/4
1 REVENUE	90,040	97,547	8.3	30,917	33,739	9.1
1.1 Social security contributions (c)	83,915	90,625	8.0	28,840	31,317	8.6
1.2 Current transfers	4,874	5,295	8.6	1,646	1,794	9.0
Other (d)	1,251	1,628	30.1	431	628	45.7
2 EXPENDITURE	84,100	90,562	7.7	23,429	25,307	8.0
2.1 Wages and salaries	1,998	2,165	8.4	647	676	4.4
2.2 Goods and services	1,566	1,733	10.7	417	487	16.6
2.3 Current transfers	80,060	86,133	7.6	22,328	24,115	8.0
Benefits	80,059	86,131	7.6	22,328	24,115	8.0
Contributory pensions	68,905	73,832	7.2	19,234	20,720	7.7
Sickness	5,925	6,656	12.3	1,686	1,790	6.2
Other	5,229	5,644	7.9	1,409	1,605	13.9
2.4 Other (e)	476	530	11.4	36	29	-18.7
3 BALANCE	5,940	6,986	17.6	7,488	8,432	12.6

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 until April 2006.
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.

BALANCE OF PAYMENTS: MAIN COMPONENTS (a) TABLE 4

EUR m

		JANUARY-APRIL	
		2005	2006
CREDITS	Current account	83,729	92,039
	Goods	50,274	56,118
	Services	20,377	21,793
	— Tourism	9,178	8,790
	— Other services	11,200	13,003
	Income	9,108	9,927
	Current transfers	3,970	4,201
	Capital account	1,671	1,585
	Current + capital accounts	85,400	93,624
DEBITS	Current account	107,171	124,134
	Goods	70,730	81,106
	Services	15,911	19,744
	— Tourism	3,370	3,893
	— Other services	12,541	15,850
	Income	13,795	15,981
	Current transfers	6,736	7,304
	Capital account	249	606
	Current + capital accounts	107,420	124,740
BALANCES	Current account	-23,442	-32,095
	Goods	-20,456	-24,988
	Services	4,467	2,050
	— Tourism	5,808	4,897
	— Other services	-1,341	-2,847
	Income	-4,687	-6,054
	Current transfers	-2,767	-3,103
	Capital account	1,422	979
	Current + capital accounts	-22,020	-31,116

SOURCE: Banco de España.

a. Provisional data.

earlier. Revenue grew by 9% in this period, with proceeds from the financial sector gathering notable momentum, while the increase in expenditure was higher, at 15.8%, as a result of the strong rise in expenditure by monetary financial institutions and, to a greater extent, by the non-financial private sector, the expenditure by general government having fallen.

In the four months to April, the current transfers deficit totalled €3,103 million, €336 million up on the deficit recorded in the same period in 2005. Revenue increased by only 5.8%, as one of its main items – flows from the EU under EAGGF-Guarantee – fell off, while Community transfers from the European Social Fund trended favourably. Expenditure, meanwhile, grew at a somewhat higher rate of 8.4%, as a result of a strong increase in emigrants' remittances and a rise in expenditure earmarked for Community coffers under the VAT resource and Traditional own resources.

Finally, the capital account surplus amounted to €979 million over the course of the first four months of 2006, a decline of €443 million on the same period a year earlier. This deterioration was partly due to the decline in structural funds from the ERDF (though there are frequently delays in the opening months of the year), and this despite the favourable trend of Community transfers from the Cohesion Fund. Furthermore, expenditure increased notably, especially capital transfers by the private sector.

5 Financial developments

5.1 Overview

In 2006 Q2, the financing conditions for the private sector were affected by the continuation of the upward trend in market interest rates that began in the second half of 2005. In June, one-year EURIBOR stood on average at 3.4%, up 29 bp from March, while Spanish ten-year government bond yields rose over the same period by 34 bp to 4%. In line with these developments, the price of bank loans to firms and households and the cost of fixed-income-security issuance rose, although the latter is still at low levels.

Developments on domestic and international stock markets were marked by the sharp fall in prices from mid-May, which cut short the upward path of previous months and was accompanied by a notable increase in volatility. These developments appeared to reflect an increase in the uncertainty of the international macroeconomic outlook, against a background characterised by high oil prices and persistent global imbalances. In the second half of June there was a certain recovery, but it was not sufficient to avoid a loss of 2.7% in the value of the Madrid Stock Exchange General Index at the end of the month, relative to March. Following these movements, the Spanish index showed a gain on the year of 8.3%, which was higher than those recorded by the euro area Euro Stoxx index (4.2%) and the US S&P 500 index (1.8%) (see Chart 24).

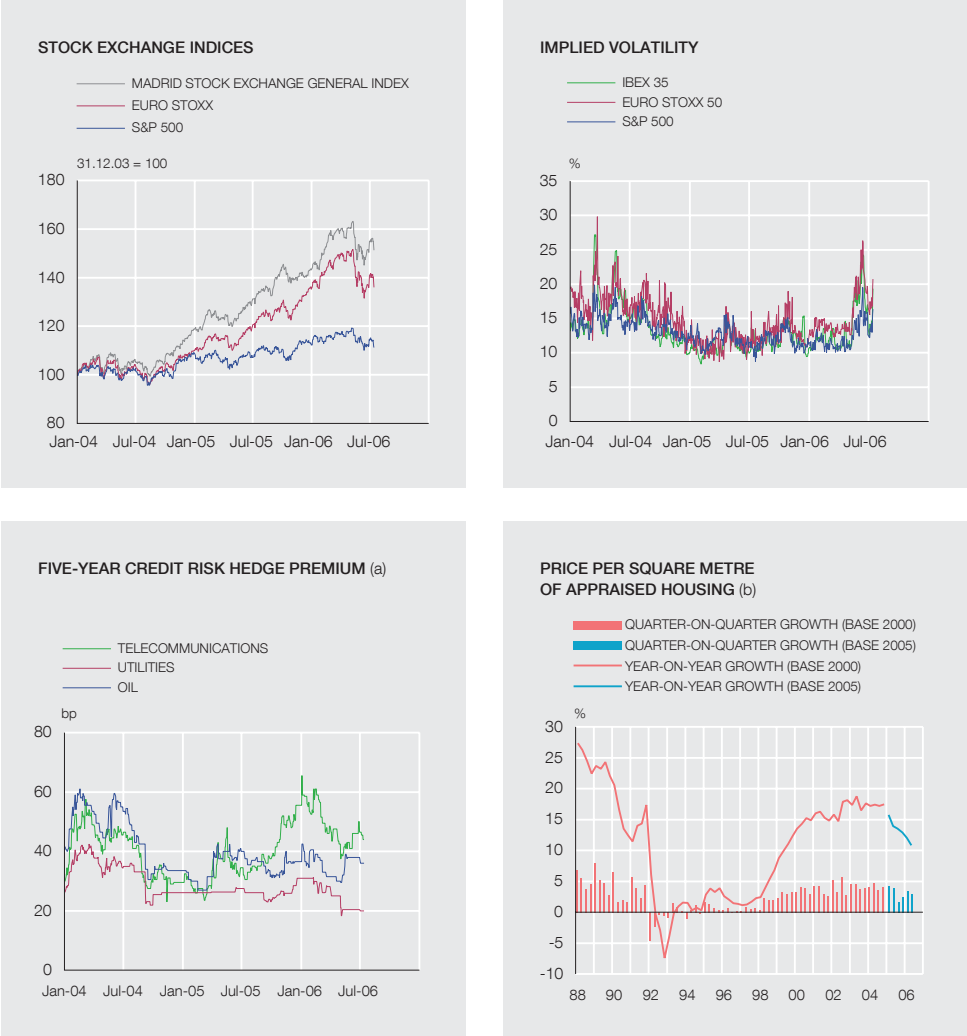
On the property market, according to the latest data published by the Ministry of Housing, the slowdown in prices seen in previous months continued in Q2. Thus the year-on-year rate of growth in the price of appraised unsubsidised housing stood at 10.8% in June (down 1.2 pp from March). This is consistent with the expected scenario of a gradual and orderly correction of the current overvaluation of these assets.

Notwithstanding the rises in interest rates and the slowdown in property prices, there were still no clear signs in Q1 of a slowdown in the volume of household and corporate debt. In the case of households, the rise in liabilities (by around 21% year-on-year in March) continued to be sustained by the expansionary behaviour of lending for house purchase, which grew by 24%, and by the increasing momentum of consumer credit and other loans, which is now growing at a rate of more than 14%. For its part, corporate borrowing accelerated to a rate of more than 24%, relative to the same period of the previous year, basically driven by the greater buoyancy of financing from abroad and by fixed-income-security issuance by the resident financial subsidiaries of non-financial corporations (see Box 4). The breakdown of lending by productive activity shows that in the first three months of 2006 borrowing by the real-estate sector accelerated sharply to a year-on-year growth rate of 50%, which is in line with the increase in the activity of new housing development. By contrast, in most cases loans to other sectors slowed, most markedly in industry, where the rate of change fell by 3 pp to 12%. On the provisional information available, private sector debt continued to grow at a high rate in Q2.

As a result of the buoyancy of financing, the indicators of household financial pressure deteriorated again in 2006 Q1 and, according to the provisional information available, this trend continued in Q2. Thus the debt and debt burden ratios, relative to gross disposable income (GDI), continued to rise, while the sector's net saving, after deducting debt principal and interest payments, fell again and its net borrowing, as measured over the twelve months to March, rose to 1.5% of GDP (see Table 5). However, the behaviour of household net wealth, which continued to rise strongly, underpinned by house prices, is still providing a safety valve for this growing pressure.

PRICE INDICATORS FOR VARIOUS ASSETS

CHART 24



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

a. Average asset-weighted premia.
b. New statistic from 2005.

In the case of corporations, the debt and debt burden ratios also continued to rise between January and March and, according to provisional data, this same trend extended into 2006 Q2. In addition, according to the financial accounts, both the debit balance of net financial transactions and the sector's financing gap increased significantly, so that they represented, respectively, 8% and over 14% of GDP, as measured over the twelve months to March. At the same time, there was a moderate decline in corporations' return on capital. For their part, the quarterly data of the Central Balance Sheet Data Office (CBQ) establish a sharp rise in indebtedness, that basically reflects the financing of the acquisition of the firm O2 by Telefónica. Interest payments also rose relative to profits for this sample of companies, mainly as a reflection of the rise in the cost of borrowing. The impact of these movements on synthetic indicators that approximate the degree of financial pressure on investment and employment was partially offset, however, by the favourable trend in financial results. There was thus a slight deterioration in such statistics, although they are still at low levels.

Once again, the higher net borrowing of households and corporations was not offset by the increase in net financial resources of general government, so that the nation had to increase its recourse to foreign savings to more than 7% of GDP in March, as measured over the four

NET FINANCIAL TRANSACTIONS
Four-quarter data

TABLE 5

% GDP (a)

	2001	2002	2003	2004	2005				2006
					Q1	Q2	Q3	Q4	Q1
National economy	-3.4	-2.6	-3.0	-4.8	-5.5	-6.0	-6.1	-6.5	-7.1
Non-financial corporations and households and NPISHs	-4.3	-3.7	-4.2	-5.4	-6.3	-7.0	-7.7	-8.5	-9.4
Non-financial corporations	-5.4	-4.4	-4.4	-4.7	-5.3	-5.9	-6.5	-7.1	-8.0
Households and NPISHs	1.1	0.7	0.1	-0.6	-1.0	-1.1	-1.2	-1.3	-1.5
Financial institutions	1.4	1.4	1.3	0.7	0.7	0.6	0.6	0.9	0.8
General government	-0.5	-0.3	0.0	-0.2	0.2	0.4	1.0	1.1	1.6
MEMORANDUM ITEM:									
Financing gap (b)	-10.0	-8.6	-8.5	-8.9	-10.4	-10.5	-11.2	-11.3	-14.3

SOURCE: Banco de España.

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

quarters to that month, as against 6.5% at end-2005. Financial institutions continued to channel the bulk of these funds from abroad.

In short, recent information shows that financial conditions remain conducive to buoyant economic activity, although less so than in previous quarters. At the same time, the increase in the debt of companies and households and in their debt burden has further narrowed the margin the private sector has to absorb possible adverse shocks without their having a negative effect on its consumption and investment decisions. Accordingly, the elements of uncertainty of a financial nature surrounding the medium-term macroeconomic outlook mentioned in previous reports have not been reduced.

5.2 Households

According to the information available on Q2, financing costs for households continued to rise. In May, the interest rates on new credit relating to housing and on consumer credit stood at 4.1% and 6.7%, respectively (up 26 bp and 38 bp from March). The rise from the low levels of last autumn is approximately 80 bp in both cases. However, according to the latest available Bank Lending Survey (BLS), institutions were expecting to relax their criteria for the approval of loans for house purchase slightly during Q2, while keeping those for consumer credit unchanged. Overall, therefore, financing conditions tightened further, although they remain loose.

Despite the increase in financing costs since end-2005, household debt has continued to grow at high rates. In March it grew by around 21%, similar to the December 2005 rate. Lending for house purchase was once again its most dynamic component, growing at a rate of more than 24%. For its part consumer and other credit accelerated further to year-on-year rates of over 14%, almost 2 pp higher than three months earlier, in line with the sharp increase in the demand for this type of loan reflected in the BLS. The most recent provisional information on developments in the sector's financing show no significant changes with respect to Q1.

Meanwhile, investment in financial assets in March represented 10.8% of GDP, as measured over the twelve months to March, up 0.1 pp from 2005 (see Table 6). By instrument, purchases were again concentrated in the least risky ones (cash and deposits). Especially notable was the growth of funds invested under the heading other deposits and fixed-income securi-

ISSUANCE OF FIXED-INCOME SECURITIES BY NON-FINANCIAL CORPORATIONS. RECENT DEVELOPMENTS AND IMPLICATIONS FOR THE FINANCING INDICATOR

One of the instruments used by non-financial corporations (NFCs) to finance their activity is the issuance of fixed-income securities. In the past, this sector has issued such securities either directly or indirectly, through foreign subsidiary SPVs (located mainly in tax havens). In the latter case, the securities issuer distributes the funds raised among the group companies by means of loans. The NFC financing indicator compiled by the Banco de España includes these funds as foreign loans, the information being obtained from the balance of payments.

As seen in the left-hand panel of the adjoining chart, this type of financing began to become more important from 1999, coinciding with the greater borrowing requirements of large companies associated with the process of international expansion, and the outstanding amount of such securities eventually came to exceed that corresponding to the issues of resident NFCs. Contributing to the greater relative growth in this means of raising funds were, inter alia, fiscal factors. From 2001, the financial restructuring carried out by large companies (the ones that use this type of financing), resulted in a decline in the outstanding amount of fixed-income securities issued abroad.

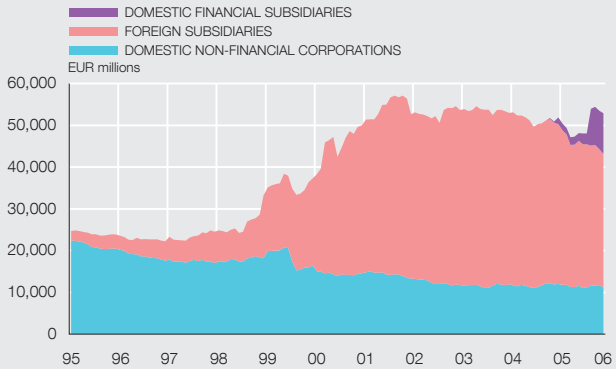
More recently, Law 19/2003 has promoted the issuance of fixed-income securities by subsidiaries resident in Spain (or in any other EU territory that is not a tax haven) of financial and non-financial firms. Among other benefits, foreign investors who acquire securities issued by these companies receive the same tax treatment as those who purchase Spanish public debt securities, so that the income paid on these securities is exempt from the tax on the income of non-residents. Also, the interest on the loan of the funds raised from the issuance of these securities to group companies is exempt from withholding tax and these issues are exempt from the tax on property transfers and documented legal acts.

Following the approval of this law, credit institutions, which also tended to use foreign subsidiaries to issue debt, began to transfer the operations of such subsidiaries to domestic institutions[1]. This movement has also been seen in the case of NFCs, although their activity did not begin to be significant until early 2006 (see left-hand panel of the adjoining chart). For the most part, the securities are issued in the form of euro-denominated bonds and, given that they are basically marketed to foreign investors, they are traded on international markets. As in the case of the funds raised through foreign subsidiaries, the funds obtained are channelled to the other firms of the group in the form of loans.

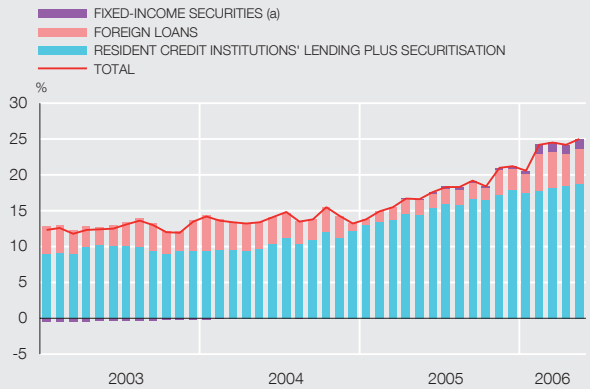
The growth of this type of issuance has important implications for the NFC financing indicator compiled by the Banco de España, which is used, inter alia, to monitor the sector's debt ratio. Unlike in the case of issues made directly by NFCs or indirectly through foreign subsidiaries, the funds raised in this way have, in the past, not been included in the definition of debt, as the transactions are not carried out by the parent company and there is no information on loans granted by institutions other than credit institutions. Given the importance recently gained by this means of raising funds, it has been decided to include in the fixed-income issuance of NFCs that carried out by their resident financial subsidiaries. The right-hand panel of the chart shows how in recent months the latter has explained more than one percentage point of the rate of growth of the sector's borrowing.

1. For further details see Box 5.2 of the 2005 Annual Report of the Banco de España.

NON-FINANCIAL CORPORATIONS' FIXED-INCOME SECURITIES
(outstanding amount)



FINANCING OF NON-FINANCIAL CORPORATIONS
(contributions to year-on-year growth)



SOURCE: Banco de España.

a. Not including the issues of foreign subsidiaries. The flows of financing obtained from these operations are included as credit from the rest of the world, when they are transferred to resident non-financial firms.

TRANSACTIONS OF HOUSEHOLDS, NPISHs AND NON-FINANCIAL CORPORATIONS TABLE 6
Four-quarter data

% GDP (a)

	2002	2003	2004	2005		2006
				Q3	Q4	Q1
HOUSEHOLDS AND NPISHs						
Financial transactions (assets)	8.6	9.0	9.7	9.9	10.7	10.8
Cash and cash equivalents	3.5	4.1	4.0	4.1	4.4	3.8
Other deposits and fixed-income securities (b)	2.0	-0.3	1.3	1.9	2.0	3.2
Shares and other equity (c)	0.6	0.6	0.5	0.2	0.2	0.0
Mutual funds	0.2	2.3	1.5	1.8	1.9	1.8
Insurance technical reserves	2.5	1.8	1.8	1.9	1.8	1.7
Of which:						
Life assurance	1.4	0.7	0.7	0.8	0.8	0.7
Retirement	0.9	0.9	0.8	0.9	0.8	0.8
Other	-0.3	0.5	0.7	0.0	0.4	0.2
Financial transactions (liabilities)	8.0	8.8	10.3	11.1	12.0	12.2
Credit from resident financial institutions (d)	7.2	9.2	10.8	11.9	12.5	13.1
House purchase credit (d)	5.1	7.0	8.7	9.8	10.3	10.5
Consumer and other credit (d)	2.1	2.2	2.1	1.9	2.2	2.4
Other	0.8	-0.3	-0.5	-0.8	-0.5	-0.8
NON-FINANCIAL CORPORATIONS						
Financial transactions (assets)	14.6	15.9	15.8	17.5	18.5	20.0
Cash and cash equivalents	1.6	0.9	1.0	1.2	2.1	2.1
Other deposits and fixed-income securities (b)	1.6	1.2	0.4	1.8	1.3	1.6
Shares and other equity	6.6	7.5	6.4	6.8	6.6	8.6
Of which:						
Vis-à-vis the rest of the world	4.6	4.5	3.8	4.5	3.8	6.2
Other	4.7	6.4	8.0	7.7	8.5	7.7
Financial transactions (liabilities)	18.9	20.3	20.5	24.1	25.7	27.9
Credit from resident financial institutions (d)	5.4	6.1	8.4	11.6	13.0	13.5
Foreign loans	2.7	2.7	0.7	1.6	2.0	3.7
Fixed-income securities (b)	-0.4	-0.2	0.0	0.2	0.3	0.9
Shares and other equity	5.9	5.2	4.6	3.5	3.2	3.2
Other	5.3	6.5	6.8	7.3	7.2	6.6
MEMORANDUM ITEM: YEAR-ON-YEAR GROWTH RATES (%):						
Financing (e)	14.0	15.9	16.3	19.6	21.0	23.1
Households and NPISHs	16.3	19.1	20.2	20.2	20.9	21.3
Non-financial corporations	12.4	13.5	13.2	19.2	21.2	24.5

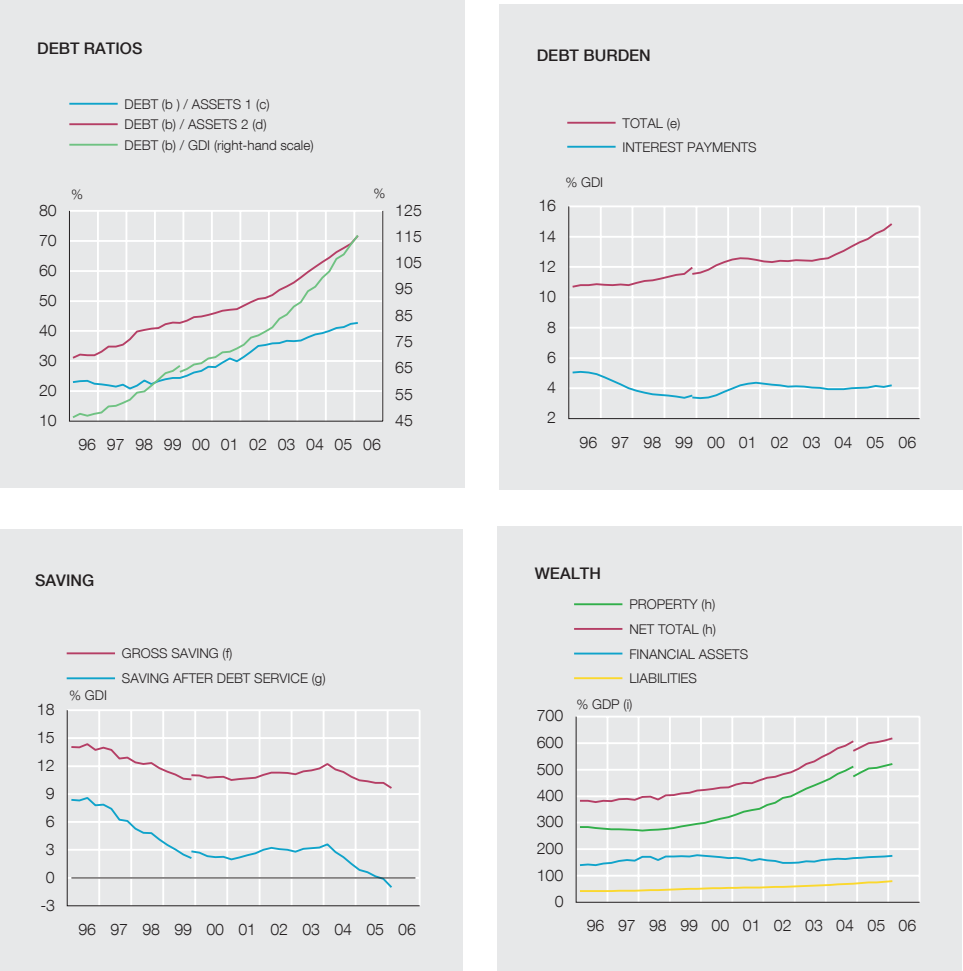
SOURCE: Banco de España.

a. CNE base 2000.
b. Not including unpaid accrued interest, which is included under "other". Includes the issues of resident financial subsidiaries.
c. Excluding mutual funds.
d. Including derecognised securitised loans.
e. Defined as the sum of bank credit extended by resident credit institutions, foreign loans, fixed-income securities and financing through securitisation special purpose entities.

ties, whose volume increased by more than one percentage point of GDP, while cash and cash equivalents grew by a lower amount than during the last two years. Net equity purchases were equal to zero, while net subscriptions for shares in mutual funds and the flows in the form of insurance technical reserves remained at similar levels to those of December last year.

The buoyancy of financing resulted in a further increase in household debt which reached 115% of GDI in March (see Chart 25). The associated debt burden was also affected by the increase in interest rates and stood at close to 15% of GDI. The further decline in the gross savings ratio, together with the increase in estimated principal payments on liabilities, led to

INDICATORS OF THE FINANCIAL POSITION OF HOUSEHOLDS AND NPISHs (a) CHART 25



SOURCE: Banco de España.
a. Until 1999 the sectoral National Accounts data correspond to the CNE base 1995. From 1999 they correspond to the CNE base 2000.
b. Includes bank credit and securitisation.
c. Assets 1 = total financial assets less "other".
d. Assets 2 = assets 1 less shares in FIM.
e. Estimated interest payments plus debt repayments.
f. Balance of use of disposable income account.
g. Gross saving less estimated debt repayments.
h. Calculated on the basis of the estimated changes in the stock of housing, in the average area per house and in the price per square metre. There is a new house price statistic from 2005.
i. CNE base 2000.

another decline in savings not used to service debt, an indicator that has now turned negative. Also, according to the financial accounts, household net borrowing continued to grow during 2006 Q1 and now represents 1.5% of GDP, as measured over the twelve months to March.

Despite its higher debt, the sector's net wealth continued to rise in Q1, basically as a result of the rise in the price of property (12% year-on-year), the main component of household wealth. These developments, together with the increase in financing costs, led to a further deterioration in the affordability of housing.

5.3 Non-financial corporations

Financing conditions for corporations also tightened during Q2, although they remain loose. In May, the interest rates charged by financial institutions on new loans stood at 3.6% and 4.5%, depending on the volume of the transaction, up 2 bp and 18 bp relative to their March levels, and up 65 bp from the low levels of last autumn. However, according to the BLS, the institu-

tions expected to relax their criteria for granting credit slightly in Q2. The cost of issuing fixed-income securities also rose as a result of the increase in public debt yields and unchanged risk premiums. Finally, the conditions for raising funds on equity markets worsened as a result of the decline in prices and rise in volatility.

Despite the pattern of rising financing costs since last autumn, the sector's debt accelerated, reaching a year-on-year rate of over 24% in March, up more than 3 pp from December 2005. According to the provisional information available, this momentum was sustained in Q2. By instrument, resident bank lending was again the most important component, although in terms of changes the higher growth in foreign loans and in fixed-income-securities issuance, especially by resident financial subsidiaries, were notable. These flows represented 3.7% and 0.9% of GDP respectively (as measured over the twelve months to March), as against 2% and 0.3% in the previous quarter (see Table 6). Funds raised through capital increases represented 3.2% of GDP, the same level as at end-2005.

With regard to the purpose of the credit, in 2006 Q1 there was a notable increase in the rate of expansion of funds raised by the property sector (50% year-on-year), while in most of the other branches of activity rates of change were more moderate than at end-2005. Thus, lending to construction grew by 27% (down more than one percentage point from December) and lending to industry by 12% (as against 15% three months earlier).

Corporations' assets side transactions also increased, although more moderately than those on the liabilities side, reaching 20% of GDP in March, as measured over the 12 months to March. By instrument, the increases were concentrated in investment in shares and other equity, as a result of larger acquisitions in the rest of the world, which amounted to 6.2% of GDP (as against 3.8% in the previous period), basically reflecting Telefónica's purchase of O2. The flow in the form of cash and cash equivalents remained at similar levels to the previous quarter, while deposits and fixed-income securities recovered somewhat.

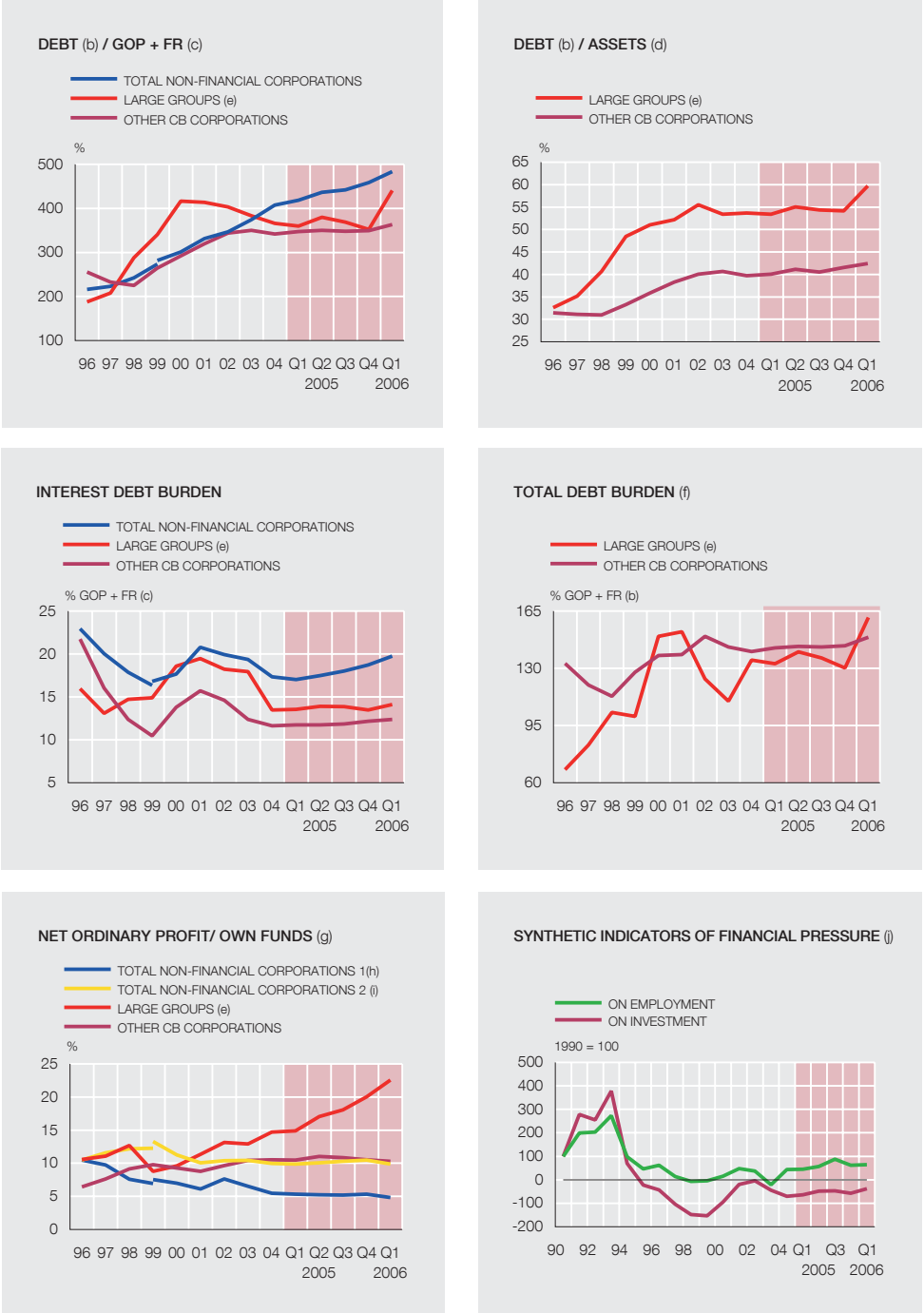
As a result of these flows of assets and liabilities, corporations' net borrowing increased by almost 1 pp, to 8% of GDP, as measured over the twelve months to March (see Table 5). This contraction in financial saving came on top of the increase in the sector's foreign direct investment (2.1% of GDP), causing the financing gap, which approximates the resources needed to undertake permanent real and financial investment abroad, to grow by 3 pp, to more than 14% of GDP.

The notable rise in financing caused the sector's aggregate debt to stand in Q1 at over 480% of gross operating profit plus financial revenue (see Chart 26). Also, interest payments rose again relative to profits, to reach levels of close to 20%, reflecting both the greater volume of external funds received and the rise in their cost. At the same time, as measured over the twelve months to March, there was a slowdown in the gross operating surplus and an increase in the rate of growth of net interest payments, which led to a slight reduction in the return on capital of non-financial corporations.

CBQ data also show a rising trend in the debt and debt burden ratios in 2006 Q1. The rise was especially large in the former case, basically reflecting the impact of the financing of the acquisition by Telefónica mentioned above. However, the ordinary return on equity of the CBQ corporations improved again, which is explained by the behaviour of large groups, since this ratio declined somewhat for other corporations. As a result of the changes in the variables mentioned above, the synthetic indicators of financial pressure on investment and employment constructed on the basis of the CBQ sample worsened slightly, although they are still at low levels.

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

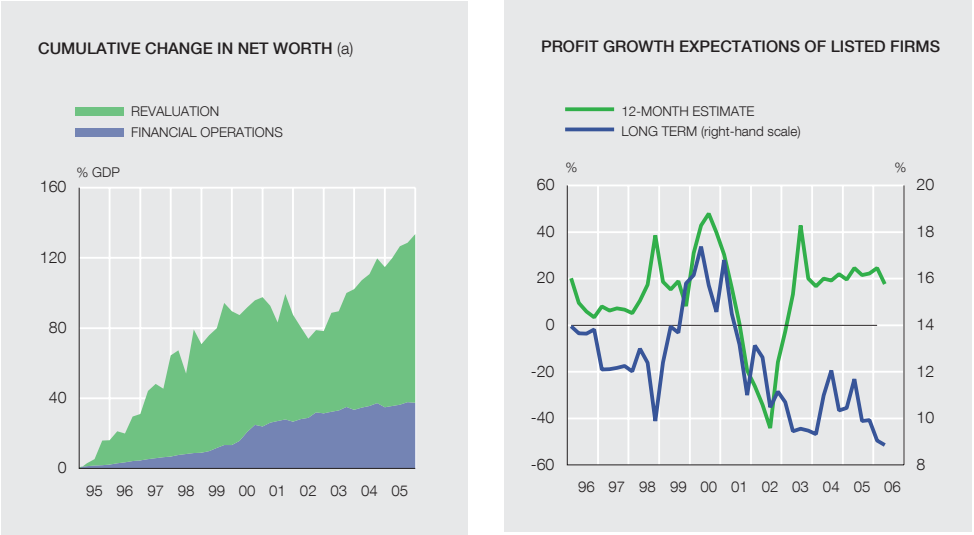
CHART 26



SOURCE: Banco de España.

a. Until 1999 the sectoral National Accounts data correspond to the CNE base 1995. From 1999 they are drawn from the CNE base 2000.
b. Interest-bearing borrowed funds.
c. Gross operating profit plus financial revenue.
d. Defined as total inflation-adjusted assets less non-interest-bearing liabilities.
e. Aggregate of all corporations reporting to the CBSO that belong to the Endesa, Iberdrola, Repsol and Telefónica groups. Adjusted for intra-group financing to avoid double counting.
f. Includes interest plus interest-bearing short-term debt.
g. For total non-financial corporations, NOP = GOS + interest and dividends received – interest paid -fixed capital consumption.
h. Own funds valued at market prices.
i. Own funds calculated by accumulating flows from the 1996 stock onwards.
j. Indicators estimated drawing on the CBA and CBQ surveys. A value above (below) 100 denotes more (less) financial pressure than in the base year.

OTHER FINANCIAL INDICATORS OF NON-FINANCIAL CORPORATIONS CHART 27



SOURCES: I/B/E/S and Banco de España.

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

Finally, analysts' expectations regarding the growth of listed non-financial firms' profits were reduced in Q2, both at long and, especially, at short horizons, although in the latter case the rate of change remained high (see Chart 27).

5.4 *General government*

In 2006 Q1, general government net lending increased again, to stand, as measured over the four quarters to Q1, at over 1.5% of GDP (see Chart 28). By instrument, there was a net redemption of short-term securities, while the net issuance of long-term securities remained positive, though lower than three months earlier. At the same time, there was a rise in the "other" heading, which reflects the net acquisition by Social Security funds of assets issued by the sector, while investments in the form of deposits continued to grow at a higher rate than the volume of loans, so that the net balance of these two items remained positive, at 1.6% of GDP. Finally, despite the increase in financing costs, interest payments remained on a downward path relative to GDP, thanks to the decline in the debt ratio.

5.5 *The rest of the world*

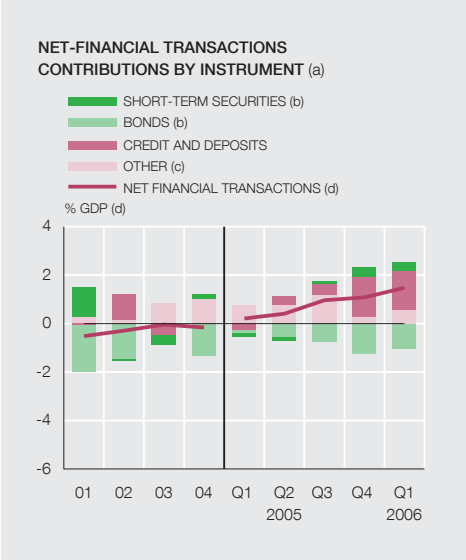
In 2006 Q1, the debit balance of the nation's financial transactions continued to increase, to stand (as measured over the twelve months to March) at 7.1% of GDP, as against 6.5% in December. By sector, the greater need for funds stemmed from the decline in household and, especially, corporate saving, which was not offset by the improvement in general government net lending.

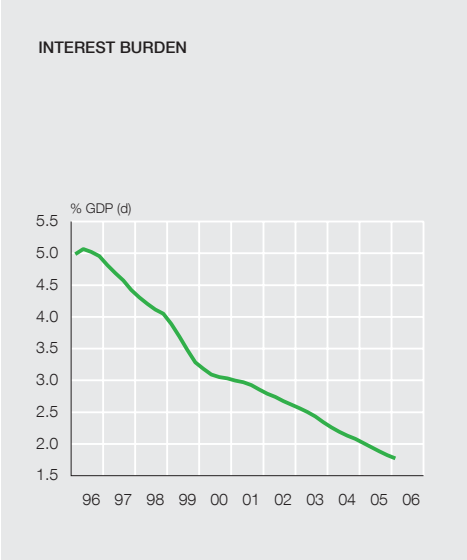
Between January and March 2006, the importance of financial institutions in channelling funds from abroad to the Spanish economy increased. Within this sector, non-monetary intermediaries continued to contribute most to the financing of the external deficit, so that the debit balance of their net financial transactions with the rest of the world now represents more than 10% of GDP (see Chart 29).

Financial investment in the rest of the world by resident sectors represented 22.8% of GDP in March (as measured over the twelve months to March), up 5 pp from 2005 (see Table 7). With regard to instruments, the main use of funds was for the net purchase of securities other than shares, especially by credit institutions, which accounted for a flow equivalent to 6.2% of GDP.

GENERAL GOVERNMENT
Four-quarter data

CHART 28



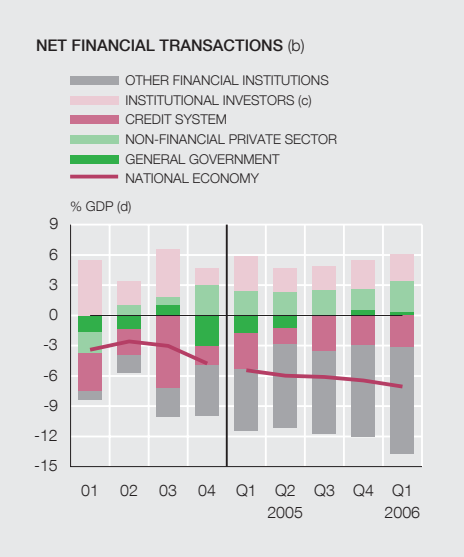


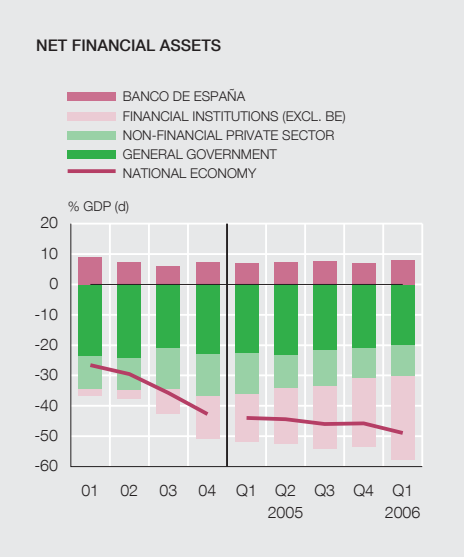
SOURCE: Banco de España.

a. A positive (negative) sign denotes an increase (decrease) in assets or a decrease (increase) in liabilities.
b. Includes only liabilities transactions.
c. Unpaid accrued interest on bonds and net investment of Social Security funds in assets issued by the rest of general government.
d. CNE base 2000.

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

CHART 29





SOURCE: Banco de España.

a. Four-quarter data for transactions. End-period data for stocks. Unsectorised assets and liabilities not included.
b. A negative (positive) sign denotes that the rest of the world grants (receives) financing to (from) the counterpart sector.
c. Insurance companies and portfolio investment institutions.
d. CNE base 2000.

FINANCIAL TRANSACTIONS OF THE NATION
Four-quarter data

TABLE 7

% GDP

	2002	2003	2004	2005		2006
				Q3	Q4	Q1
NET FINANCIAL TRANSACTIONS	-2.6	-3.0	-4.8	-6.1	-6.5	-7.1
FINANCIAL TRANSACTIONS (ASSETS)	12.9	13.5	13.8	17.1	17.7	22.8
Gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	3.3	0.7	3.2	1.9	2.4	3.4
Of which:						
Interbank (a)	2.3	0.5	0.7	1.2	3.2	2.3
Securities other than shares	4.1	6.5	1.8	6.1	8.7	8.4
Of which:						
Credit institutions	0.5	3.5	1.0	4.1	6.6	6.2
Institutional investors (b)	2.7	3.5	0.3	1.9	2.1	2.0
Shares and other equity	5.0	4.7	6.8	6.8	4.9	8.1
Of which:						
Non-financial corporations	4.6	4.5	3.8	4.5	3.8	6.2
Institutional investors (b)	-0.1	1.1	0.8	0.5	0.8	1.6
Loans	0.1	0.3	0.8	0.9	1.1	1.7
FINANCIAL TRANSACTIONS (LIABILITIES)	15.5	16.5	18.5	23.2	24.2	29.9
Deposits	4.0	6.9	1.7	3.4	5.3	6.2
Of which:						
Interbank (a)	3.1	5.3	5.0	5.6	7.2	7.5
Securities other than shares	4.3	5.3	12.4	14.4	15.5	18.7
Of which:						
General government	1.2	-1.0	2.7	0.0	0.0	0.8
Credit institutions	1.3	3.5	4.6	5.9	6.3	7.1
Other non-monetary financial institutions	1.8	2.8	5.1	8.5	9.3	10.8
Shares and other equity	4.0	1.1	2.7	2.8	0.8	0.9
Of which:						
Non-financial corporations	3.3	1.3	1.7	1.4	1.0	0.8
Loans	3.0	2.8	1.3	2.0	2.0	3.5
Other, net (c)	-0.1	-0.8	-0.6	-0.8	-0.1	-0.6
MEMORANDUM ITEM						
Spanish direct investment abroad	4.8	3.3	5.8	5.5	3.4	5.6
Foreign direct investment in Spain	5.7	2.9	2.4	2.1	2.0	1.8

SOURCE: Banco de España.

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

The purchase of shares and other equity is also notable, its amount (equivalent to 8.1% of GDP, up 3.2 pp from December 2005) being affected by the foreign acquisition made by Telefónica.

Net capital inflows in 2006 Q1 stood at close to 30% of GDP, as measured over the twelve months to March, up 5.7 pp from end-2005. The funds raised through securities other than shares again accounted for the bulk of the flows from the rest of the world (more than 50% of the total), and in fact increased by 3.2 pp of GDP with respect to December. Thus, these securities, and in particular those issued by financial institutions remained the main instrument for financing the Spanish external deficit. The flows in the form of interbank deposits also in-

creased in net terms to 5.2% of GDP. Also, the funds raised through borrowing rose by 1.5 pp, to 3.5% of GDP, basically reflecting the financing of the foreign acquisition by Telefónica.

Foreign direct investment in Spain continued to fall in 2006 Q1, to stand at 1.8% of GDP, while Spanish foreign direct investment recovered, partly as a result of the Telefónica transaction mentioned above. Net inflows of foreign direct investment thus remained negative, representing 3.8% of GDP.

As a result of these developments in the financial flows with the rest of the world and of the changes in asset prices and the exchange rate, the debit position of the Spanish economy increased to around 49% of GDP (see Chart 29). By sector, this increase stemmed from a rise in the debit balance of financial institutions, which was not offset by the improvement in the other sectors.

28.07.2006

Introduction[1]

The information available in the Central Balance Sheet Data Office Quarterly Survey (CBQ) for the first three months of 2006 shows that the productive activity of the sample corporations grew notably in the first quarter of the year. This growth was apparent both in the corporations as a whole and in practically all the sectoral and size-based groupings. Thus nominal gross value added (GVA) grew by 6.7% in this period, nearly two percentage points more than the growth reported a year earlier (see Table 1 and Chart 1). A sectoral breakdown shows that the positive performance of wholesale and retail trade and of transport and communications faithfully reflects the ongoing soundness of domestic demand (see Table 2.A). Among industrial corporations, there was a significant recovery of productive activity in 2006 Q1, linked to the trend in capital goods production and driven by the greater buoyancy of foreign trade, the latter influenced by the recovery of the euro area economies. For its part, unlike the other sectoral aggregates, the energy sector saw its GVA growth rate decline as a result of the appreciable contraction of the margins of oil refineries, which, on this occasion, did not pass through all the oil price growth to fuel marketing corporations. In any event the value added of energy companies continued to grow faster than that of all corporations taken together.

In line with the positive performance of activity, employment grew at a rate of 2.2% in 2006 Q1 with respect to the same period of 2005, this rate constituting a high in the quarterly series. Average compensation increased by 3.2% in an across-the-board rise in the corporations of all activity groupings, although it was greater in the industrial and energy sectors. Job creation and the behaviour of average compensation explain the rise in personnel costs of 5.5% in 2006 Q1, a rate clearly above that of the same period a year earlier (3.6%). However, since GVA increased at a higher rate, gross operating profit grew by somewhat more than two percentage points faster than the 2005 Q1 rate (7.6% against 5.3%). Financial costs rose by 19%, which was higher than the rates seen since mid-2002 and reflects both the increased indebtedness generally prevalent in the sample corporations (the latest interest rate adjustments took place after the end of 2006 Q1) and, in particular, the impact of the debt taken on by a major telecommunications corporation in order to acquire a foreign company in the same sector. If the effect of this transaction is excluded, financial costs grew by 5.9%. The ratio that measures the cost of debt borne by corporations held steady, with no substantial changes relative to previous periods. Financial revenues grew notably less than they did a year earlier, due to the slower inflow of dividends from foreign subsidiaries. The strong increase in financial costs, which, as noted, was affected by one specific transaction, caused ordinary net income (ONP) to moderate with respect to previous periods, showing an increase of 4.9% in 2006 Q1 (9.7% if the effect of this transaction is disregarded), compared with 14.4% in the same quarter of the previous year, or with 13.3% in 2005 as a whole. However, the total increase in ONP plus financial costs (the numerator of the return on investment ratio) meant that, in 2006 to date, the net return on investment remained at high values, even slightly above those in the same period of 2005. Also, the ratio approximating the cost of borrowed funds held steady and, accordingly, yet another quarter the spread between ROI and the cost of debt stood at a positive value (3.3) and was higher than in the same period of 2005 (2.8), thereby pushing up the return of on equity[2]. Finally, as regards extraordinary results, the item explaining the step

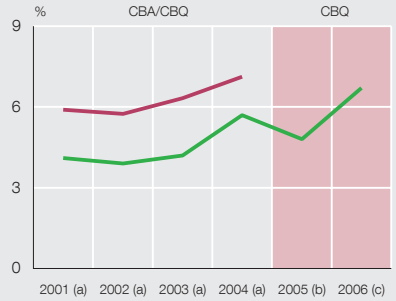
---

1. This article is based on the data provided to 14 June 2006 by the approximately 700 corporations which reported information to the Central Balance Sheet Data Office. The GVA of these corporations amounts to 13.2% of the GVA of the total sector non-financial corporations. **2.** The methodological note in the Central Balance Sheet Data Office annual monograph explains the relationship between these ratios. Briefly, return on equity (R.3) is higher than return on investment (R.1) when the cost of debt (R.2) is lower than return on investment.

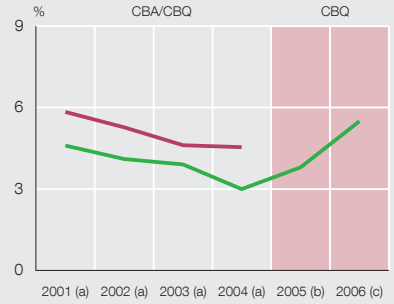
NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE

CHART 1

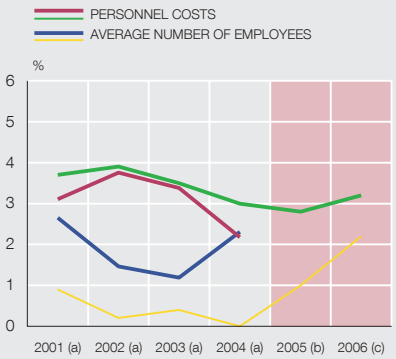
GROSS VALUE ADDED AT FACTOR COST
Rate of change



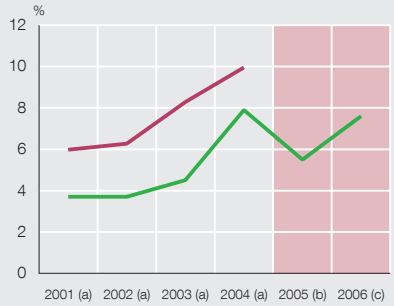
PERSONNEL COSTS
Rate of change



EMPLOYMENT AND WAGES
Rate of change



GROSS OPERATING PROFIT
Rate of change



REPORTING NON-FINANCIAL CORPORATIONS		2001	2002	2003	2004	2005	2006
Number of corporations	CBA	8,417	8,420	8,772	7,969	—	—
	CBT	859	848	830	817	768	691
% of GDP of the sector non-financial corporations	CBA	29.6	29.5	30.0	28.2	—	—
	CBT	15.4	15.4	14.9	14.9	13.6	13.2

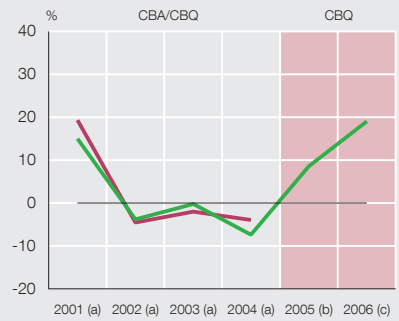
SOURCE: Banco de España.

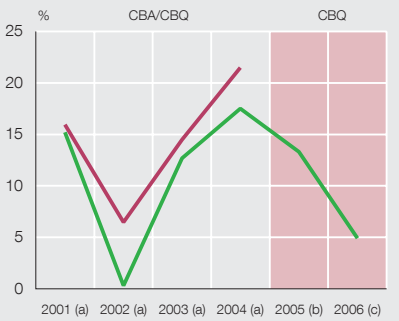
a. 2001, 2002, 2003 and 2004 data drawn from corporations reporting to the annual survey (CBA), and average data of the four quarters of each year in relation to the previous year (CBQ).
b. Average of the four quarters of 2005 relative to the same period of 2004.
c. Data for 2006 Q1 relative to the same period of 2005.

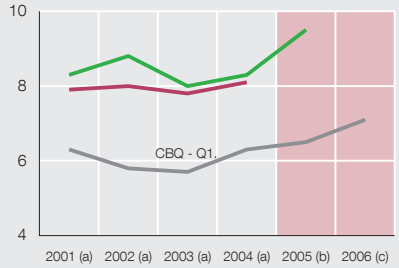
from ordinary net profit to final net profit (the amount of which determines distributable profit), mention should be made of certain tangible and financial asset sale transactions that generated significant gains and others that gave rise to exchange gains, as a result of which net profit grew by 24.9%. The high profits being generated by Spanish firms become plain if net profit is expressed as a percentage of gross value added. In 2006 Q1 this percentage stood at 32.4%, a figure which, in addition to being five percentage points higher than in the same period of the previous year, is the highest reported in a first quarter since 1994, the year when the CBQ series commenced.

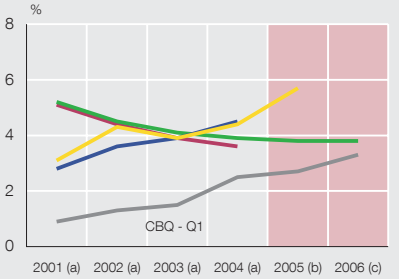
NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE (cont'd)

CHART 1









REPORTING NON-FINANCIAL CORPORATIONS		2001	2002	2003	2004	2005	2006
Number of corporations	CBA	8,417	8,420	8,772	7,969	—	—
	CBQ	859	848	830	817	768	691
% of GDP of the sector non-financial corporations	CBA	29.6	29.5	30.0	28.2	—	—
	CBQ	15.4	15.4	14.9	14.9	13.6	13.2

SOURCE: Banco de España.

a. 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 four quarters of 2005 relative to the same period of 2004.
c. Data for 2006 Q1 relative to the same period of 2005.

In sum, the CBQ corporations started 2006 with more buoyant productive activity than in previous quarters. This expansionary behaviour is influenced by the recovery in industrial activity, which performed weakly in 2005 Q1 and is overrepresented in this group of corporations. Nevertheless, this trend was reported in practically all sectors, which were favoured by continuing strong domestic demand and by greater export buoyancy, in line with the improvement in the euro area economies. Employment also showed stronger growth than in previous quarters. As a result of all this, the main variables used to calculate profitability behaved well, while the financial costs of most firms increased moderately due to the greater debt taken on to fund

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		
DATABASES	2004	2003	2004	05 Q1-Q4/ 04 Q1-Q4 (a)	05 Q1/ 04 Q1	06 Q1/ 05 Q1
Number of corporations		8.772	7.969	768	825	691
Total national coverage		30.0%	28.2%	13.6%	15.2%	13.2%
PROFIT AND LOSS ACCOUNT						
1. VALUE OF OUTPUT	100.0	6.0	7.8	12.9	11.4	19.5
Of which:						
Net amount of turnover and other operating income	134.3	5.9	8.6	16.2	14.2	20.3
2. INPUTS (including taxes)	67.0	5.9	8.2	17.5	15.4	26.4
Of which:						
Net purchases	39.5	4.2	12.3	20.0	21.3	29.0
Other operating costs	27.2	7.9	3.4	9.9	6.8	10.9
S.1. GROSS VALUE ADDED AT FACTOR COST [1 – 2]	33.0	6.3	7.1	4.8	4.6	6.7
3. Personnel costs	16.8	4.6	4.5	3.8	3.6	5.5
S.2. GROSS OPERATING PROFIT [S.1 – 3]	16.2	8.3	10.0	5.5	5.3	7.6
4. Financial revenue	3.1	4.3	13.9	23.8	26.9	3.1
5. Financial costs	2.6	-2.0	-3.9	8.6	5.3	19.0
6. Depreciation and operating provisions	6.5	4.1	2.5	-0.4	-2.4	5.3
S.3. ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	10.1	14.5	21.5	13.3	14.4	4.9
7. Capital gains and extraordinary revenue	3.5	8.3	-32.3	59.2	6.0	79.6
8. Capital losses and extraordinary expenses	3.1	-28.3	-5.4	69.1	35.6	17.8
9. Other (net provisioning and income tax)	3.9	-35.9	-14.7	-20.9	-5.2	10.8
S.4. NET PROFIT [S.3 + 7 – 8 – 9]	6.6	(b)	17.1	28.6	11.3	24.9
NET PROFIT/GVA (S.4/S.1)		17.8	20.1	33.1	27.5	32.4
PROFIT RATIOS	Formulas (c)					
R.1 Return on investment (before taxes)	(S.3+5.1)/NA	7.8	8.1	9.5	6.5	7.1
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1/IBB	3.9	3.6	3.8	3.7	3.8
R.3 Ordinary return on equity (before taxes)	S.3/E	11.1	11.8	14.5	8.9	10.8
R.4 ROI - cost of debt (R.1 - R.2)	R.1–R.2	3.9	4.5	5.7	2.8	3.3

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 expressed as absolute values. NA = net assets (net of non-interst-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 or cash discounts (5.2).
Note: In calculating rates, internal accounting movements have been edited out of items 4, 5 and 9.

productive investment. However, the high oil prices constitute a factor of risk that may affect the future performance of Spanish firms.

Activity

The information compiled by the CBQ for 2006 Q1, based on data furnished by the reporting corporations, shows a notable expansion of productive activity. Thus in this period GVA increased by 6.7%, more than in 2005 Q1 (4.6%) and than in 2005 as a whole (4.8%). Contributing to this were both the persistent strong growth of purchases and sales in Spain, confirming the continued vigour of domestic demand, and the recovery of a more buoyant tone in external activity. In this respect, Table 3 shows how imports and exports have gained relative weight with respect to the total purchases and sales of firms, although, except in the case of industrial corporations, the net domestic demand (exports minus imports) of the other sectors continues to show negative rates of change. Nonetheless, in 2006 Q1 Spanish industrial cor-

VALUE ADDED, EMPLOYEES, PERSONNEL COSTS AND COMPENSATION PER EMPLOYEE BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS

TABLE 2.A

Growth rate of the same corporations on the same period a year earlier

	GROSS VALUE ADDED AT FACTOR COST				EMPLOYEES (AVERAGE FOR PERIOD)				PERSONNEL COSTS				COMPENSATION PER EMPLOYEE			
	CBA	CBQ			CBA	CBQ			CBA	CBQ			CBA	CBQ		
	2004	05 Q1-Q4 (a)	05 Q1	06 Q1	2004	05 Q1-Q4 (a)	05 Q1	06 Q1	2004	05 Q1-Q4 (a)	05 Q1	06 Q1	2004	05 Q1-Q4 (a)	05 Q1	06 Q1
Total	7.1	4.8	4.6	6.7	2.3	1.0	0.7	2.2	4.5	3.8	3.6	5.5	2.2	2.8	2.9	3.2
SIZE																
Small	8.1	—	—	—	0.6	—	—	—	4.0	—	—	—	3.3	—	—	—
Medium	7.2	3.7	-1.7	9.7	2.4	2.9	0.4	2.5	5.2	4.9	3.6	7.0	2.7	1.9	3.3	4.4
Large	7.1	4.9	4.9	6.6	2.4	0.8	0.8	2.2	4.5	3.7	3.6	5.4	2.0	2.9	2.8	3.1
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	6.3	9.9	10.5	8.1	-1.2	-0.9	-0.7	-1.1	2.1	2.9	3.7	2.8	3.4	3.8	4.5	3.9
Industry	4.6	1.6	1.8	6.5	-0.2	0.2	0.6	0.7	2.9	3.2	3.6	4.4	3.0	3.0	3.0	3.7
Wholesale and retail trade	10.5	4.0	0.8	10.8	5.7	2.6	2.1	5.1	8.5	4.2	3.9	7.7	2.6	1.6	1.8	2.5
Transport and communications	5.8	2.8	4.0	4.2	-0.9	-0.3	-0.5	-0.5	2.3	2.8	2.8	3.1	3.3	3.1	3.3	3.6

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

TABLE 2.B

Details based on changes in staff levels

		TOTAL CBQ CORPORATIONS 06 Q1	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations		691	418	273
PERSONNEL COSTS				
Initial situation 05 Q1 (€m)		5,612.4	3,262.2	2,350.2
Rate 06 Q1 / 05 Q1		5.5	9.4	0.1
AVERAGE COMPENSATION				
Initial situation 05 Q1 (€)		10,289.7	9,131.6	12,488.2
Rate 06 Q1 / 05 Q1		3.2	3.5	4.8
NUMBER OF EMPLOYEES				
Initial situation 05 Q1 (000s)		545	357	188
Rate 06 Q1 / 05 Q1		2.2	5.7	-4.5
Permanent	Initial situation 05 Q1 (000s)	457	287	170
	Rate 06 Q1 / 05 Q1	0.4	2.7	-3.6
Non-permanent	Initial situation 05 Q1 (000s)	88	70	18
	Rate 06 Q1 / 05 Q1	11.1	18.6	-13.5

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)		
		2004	05 Q1-Q4	05 Q1	06 Q1
Total corporations		7,969	768	691	691
Corporations reporting source/destination		7,969	739	667	667
Percentage of net purchases according to source	Spain	69.2	80.0	79.8	78.9
	Total abroad	30.8	20.0	20.2	21.1
	EU countries	*17.2*	*13.7*	*11.6*	*11.0*
	Third countries	*13.6*	*6.3*	*8.7*	*10.1*
Percentage of net turnover according to destination	Spain	84.4	89.6	90.4	89.8
	Total abroad	15.6	10.4	9.6	10.2
	EU countries	*11.3*	*8.0*	*5.9*	*6.1*
	Third countries	*4.3*	*2.4*	*3.7*	*4.1*
Change in net external demand (exports less imports), rate of change	Industry	-4.4	0.5	5.2	17.5
	Other corporations	-32.2	-14.4	-17.9	-36.6

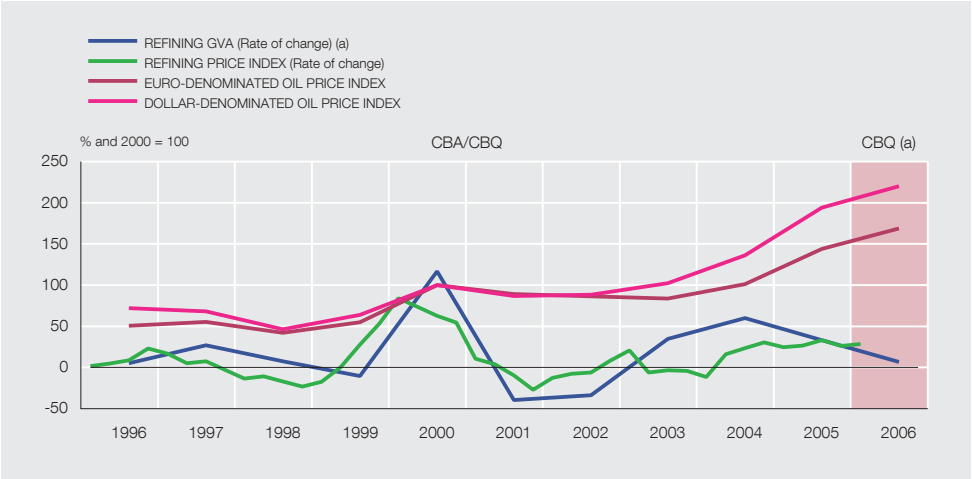
SOURCE: Banco de España.

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

porations recorded strong growth in their net external balance. Against this background, the main factor of risk continues to be the behaviour of oil prices, which is particularly affecting the firms and sectors that use this input and its derivatives.

Nearly all sectors improved their pace of GVA generation in comparison with 2005 Q1. An exception was the energy sector, whose GVA slowed in 2006 Q1, with a growth rate of 8.1%, two percentage points less than in 2005 Q1. The reason for this lies in the sharp slowdown of the GVA of the oil refining sub-sector in this period, with growth well below that a year earlier, since it was unable to fully pass through the rise in oil prices in recent quarters. Chart 2 shows the changes in oil and refining prices in the last few years, as well as the impact that these rates have on the GVA of oil refining corporations. In the corporations of the electricity, gas and water sub-sector, which is the other broad aggregate that, together with oil refining corporations, makes up the energy sector, GVA increased by 8.7%, due to the sound performance of gas corporations, in which prices rose significantly, and to the healthy trend of electric utilities, favoured by the growing electricity demand (up 2.3%, according to information furnished by Red Eléctrica de España) and by the lower production costs resulting from the greater use of hydroelectric power stations compared with the same period a year earlier. Most notable among the other sectors was wholesale and retail trade, which once again posted the fastest growth of all sectoral aggregates, with a rate of change of GVA of 10.8% in 2006 Q1, which agrees with the figure resulting from the indicators of private consumption. The transport and communications sector also posted a significant increase in GVA (4.2%), slightly higher than in the same period a year earlier, due to the expansion in the telecommunications sector, and in spite of the impact that the fuel price rises have had on the GVA of air transport corporations. Meriting special mention is the industrial sector, which, after a certain stagnation of activity in 2005, seems to have commenced 2006 more firmly and vigorously, buoyed by the recovery of external activity and of capital goods

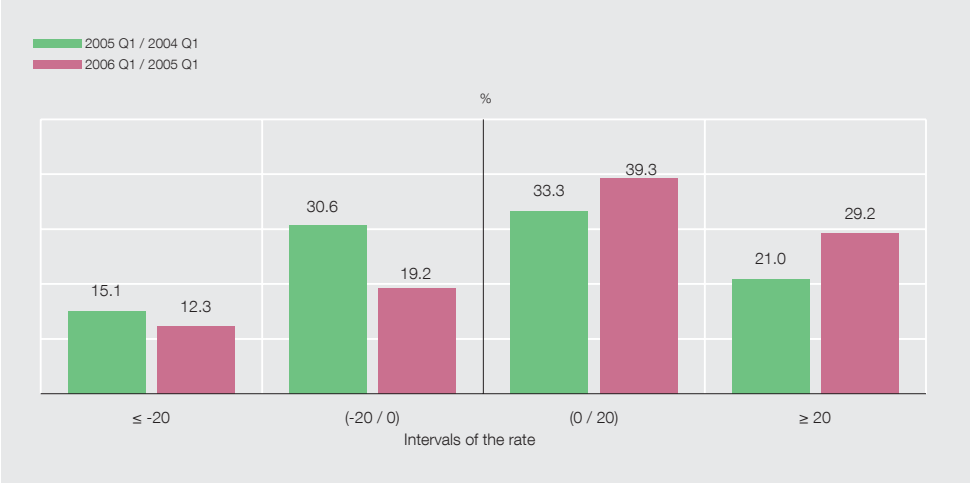
IMPACT OF OIL PRICES ON THE REFINING SECTOR CHART 2



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

a. The 2005 data relate to the CBQ.

DISTRIBUTION OF CORPORATONS BY RATE OF CHANGE IN GVA AT FACTOR COST CHART 3



SOURCE: Banco de España.

production, thanks to which a rate of change of GVA of 6.5% was posted in Q1 of the current year. This performance was achieved in most industrial sub-sectors, except food and chemicals. Additional details of the performance of industrial corporations are given in Box 1.

Lastly, Chart 3, which sets out the distribution of firms by increase in GVA irrespective of size and sector of activity, shows that the percentage of firms with increases in GVA has grown significantly. Thus, while in 2005 Q1, 54.3% of firms recorded increases in GVA, in 2006 Q1 this percentage rose to 68.5%. In sum, there is evidence that the growth of GVA in 2006 Q1 is not confined to a particular group of firms based on activity or size, but rather is fairly widespread.

Employment and personnel costs

In 2006 the personnel costs of CBQ corporations increased by 5.5%, nearly two percentage points more than in 2005 Q1. This growth was mainly due to the strong growth of employ-

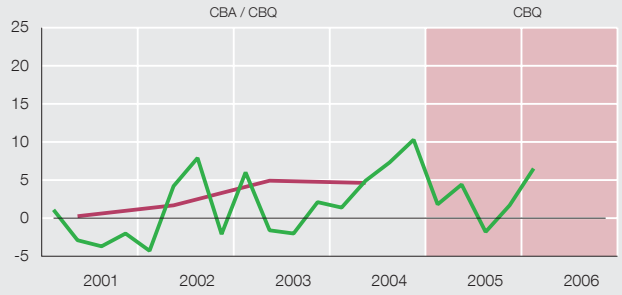
ANALYSIS OF THE INDUSTRIAL SECTOR

BOX 1

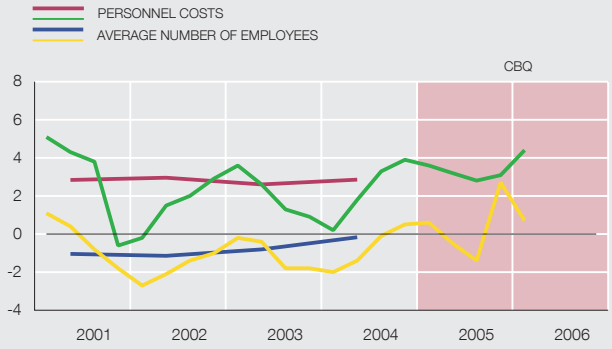
The information available in the CBQ on industrial firms shows that their GVA growth of 6.5% in 2006 Q1 was much higher than in the previous year (1.8%). This growth was reflected in nearly all industrial sub-sectors, although the groupings "electrical and optical equipment" and "transport equipment" were those with the highest GVA growth, at 31.3% and 18.8%, respectively. This behaviour is largely explained by the rebound in the buoyancy of export activity owing to the reactivation of the euro area countries. Quite a different performance was shown by the groupings "chemicals, chemical products and man-made fibres" (with GVA growth of -3.9%) and, above all, "food products, beverages and tobacco", which, with a GVA growth rate of -16.9%, reflected the decline in the production of tobacco companies in this quarter. The sector's personnel costs increased by 4.4% as a result of the combined behaviour of both employment and average compensation. The employment data showed, for the second quarter running, a net increase in the number of employees, although it was very small (0.7%). A glance at the sub-sectors shows that, in line with the behaviour of activity, the grouping "electrical and optical equipment" posted the highest increases in employment, with a rate of 5.1%, while the grouping "food products, beverages and tobacco" exhibited a clear downward trend in the number of average employees (-3.2%). Average compensation in the sector grew by 3.7% in 2006 Q1, half a percentage point higher than the average growth posted by the total CBQ firms (3.2%), and also above the rate reported by the industrial sector in 2005 (3%). These developments may indicate a certain pass-through of inflationary pressure to wage costs through indexation clauses. The ordinary surpluses reflected the effect of the behaviour of activity, since gross operating profit and ordinary net profit grew at high rates exceeding those of the previous year, which enabled industrial firms to appreciably raise their levels of return. Thus the return on investment stood at 7.4% for 2006 Q1, somewhat more than one percentage point above that in the same period of 2005. Since the cost of debt held at 3.4%, practically the same as in the previous year, the spread between ROI and cost of debt showed, yet another quarter, values that were positive, and growing in comparison with those seen in 2005 Q1. In sum, the industrial sector began 2006 with a clear expansion of its activity, spurred by greater export buoyancy. There was some increase in wage costs, which, added to the risks associated with oil prices, might hamper the ongoing positive performance of industrial activity.

PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO

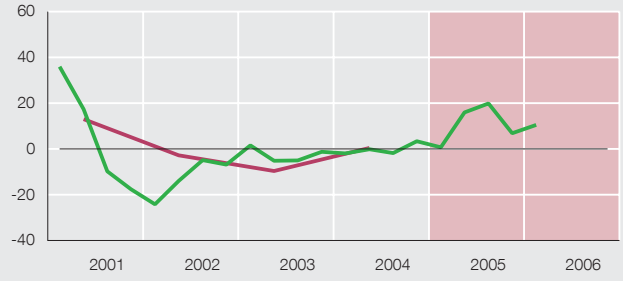
GROSS VALUE ADDED AT FACTOR COST
Rate of change



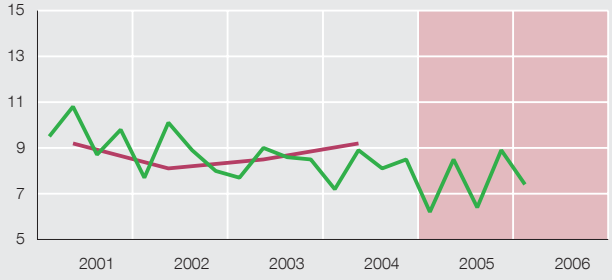
EMPLOYMENT AND WAGES
Rate of change



FINANCIAL COSTS
Rate of change



RETURN ON INVESTMENT
Ratios



REPORTING INDUSTRIAL CORPORATIONS		2001				2002				2003				2004				2005				2006			
Number of corporations	CBA	2,814				2,715				2,612				2,267				—				—			
	CBQ	402	392	380	363	389	375	365	354	366	361	352	345	352	343	336	333	322	307	295	263	261	—	—	—
% of GDP of the sub-sector industrial corporations	CBA	28.2				27.9				28.1				24.6				—				—			
	CBQ	21.5	21.2	18.8	20.1	19.6	20.6	18.6	18.5	18.8	19.1	17.1	17.8	19.5	20.0	17.7	19.0	18.3	18.8	15.5	13.7	14.2	—	—	—

SOURCE: Banco de España.

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

	CBA		CBQ			
	2003	2004	04 Q1 - Q4 (a)	05 Q1 - Q4 (a)	05 Q1	06 Q1
Number of corporations	8,772	7,969	817	768	825	691
PERSONNEL COSTS	100	100	100	100	100	100
Falling	25.6	27.9	32.3	28.6	28.6	23.1
Constant or rising	74.4	72.1	67.7	71.4	71.4	76.9
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	31.6	30.6	44.5	41.1	40.5	39.3
Constant or rising	68.4	69.4	55.5	58.9	59.5	60.7
AVERAGE COMPENSATION RELATIVE TO INFLATION	100	100	100	100	100	100
Lower growth (b)	38.9	44.4	46.3	48.7	49.8	48.8
Higher or same growth (b)	61.1	55.6	53.7	51.3	50.2	51.2

SOURCE: Banco de España.

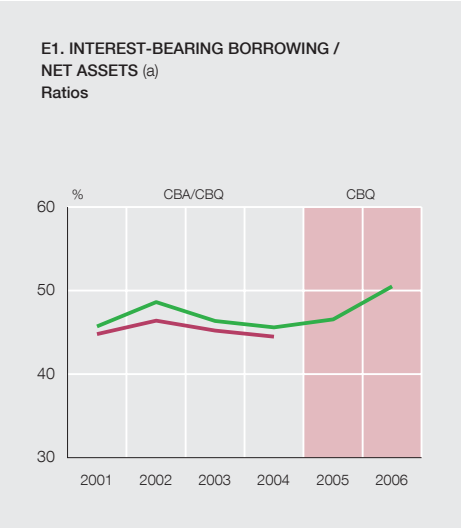
a. Weighted average of the relevant quarters for each column.
b. Annual percentage change in the CPI, for CBA, and quarterly percentage change for CBQ.

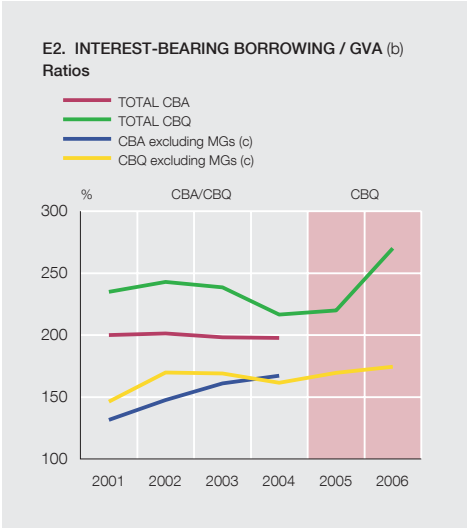
ment, which rose from a rate of 0.7% in 2005 Q1 to 2.2%, which is a record high in the series of 50 quarters available in the CBQ. In 2006 Q1 the change in average compensation also contributed to explaining the sharp increase in personnel costs, since it grew by 3.2%, slightly more than in the same period year a year earlier and in 2005 as a whole.

The generation of employment in non-financial CBQ corporations in 2006 Q1 confirmed the trend of the last few years, since this was the sixth consecutive quarter with net increases in employment. As has been frequently indicated in these articles, any interpretation of this behaviour should take into account the special characteristics of the corporations making up the quarterly sample (large corporations with a significant presence of sectors in processes of restructuring and staff reduction). In any event, it should be noted that the absolute value of the CBQ employment rates understates the actual figure, given the particular characteristics of this "sample", which consisted of approximately 800 corporations at the final date for inclusion of data in the databases. This becomes evident on examination of the behaviour of the EPA (Spanish Labour Force Survey), and even of the employment rates of the approximately 8,000 corporations composing the CBA, the 2004 data of which are included in Table 2.A.

By sector, wholesale and retail trade, in line with the expansion of its activity, showed yet another quarter the highest increases in staff numbers at 5.1%, this figure being up on that of the previous year (2.1% in 2005 Q1 and 2.6% in the year as a whole). The CBQ transport and communications corporations, for their part, again failed to report net employment growth (rate of change of -0.5%). Excluding the effect derived from the staff reduction at a large corporation in this sector, the resulting rate shows an increase of 0.6%, which is a change more consistent with the expansion of activity of the aggregate. The industrial sector also saw a rise in average staff numbers, in this case of 0.7%, a similar figure to that reported by most of the industrial sub-sectors, as indicated in Box 1. Finally, the energy sector was the only one to post a negative change in employment in 2006 Q1 (the rate was -1.1%), it being worse than a year earlier, which coincided with a period of job destruction (rate of -0.7%). This decrease in staff numbers is due to the electric utilities, which continue with staff reductions, although in recent years these falls have tended to stabilise.

DEBT RATIOS CHART 4





	2001	2002	2003	2004	2005	2006
CBA	44.8	46.4	45.2	44.5		
CBQ	45.7	48.6	46.4	45.6	46.6	50.5

	2003	2004	2005	2006
CBA	198.2	197.6		
CBQ	238.4	216.4	219.8	270.0
CBA excl. MGs	161.0	167.1		
CBQ excl. MGs	169.1	161.4	169.5	174.4

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 to consolidated debt).
c. MG = Corporations in the sample that belong to the main reporting multinational groups.

As indicated above, average compensation in the sample corporations grew in the sample as a whole by 3.2% in 2006 Q1, compared with 2.9% in the same period of 2005 and 2.8% in 2005. This was an across-the-board development in all sectors except wholesale and retail trade, where the largest staff increases took place and in which compensation rose by 2.5%. All the other aggregates showed growth of more than 3.5%. Average compensation in the industrial sector increased by 3.7%, although perhaps more significant is the fact that half of the sub-sectors composing it (chemicals, electrical equipment, transport equipment) showed growth between 4% and 5.5%. Table 2.B classifies corporations according to whether their employee numbers have increased or decreased. As has become usual, obviously the corporations with a net increase in employment were those that simultaneously posted the smallest growth in average compensation (3.5%), while those that reduced staff showed increases in wage costs of 4.8% in the period under consideration. Finally, Table 4 compares the movement in wage costs and the inflation rate. Of the corporations comprising the quarterly sample in 2006 Q1, 51.2% reported that compensation rose faster than the rate of inflation, against 50.2% in 2005 Q1.

Profits, rates of return and debt

The higher growth of GVA than of personnel costs led gross operating profit to increase by 7.6% in 2006 Q1, up more than two percentage points on the previous year. As noted in the section on the analysis of activity, most of this increase was located in the main CBQ sectors, except for the oil refining sub-sector, where margins decreased in the first quarter of the current year with respect to the same period a year earlier. For their part, financial costs increased

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

TABLE 5

	GROSS OPERATING PROFIT				ORDINARY NET PROFIT				RETURN ON INVESTMENT (R.1)				ROI-COST OF DEBT (R.1-R.2)			
	CBA	CBQ			CBA	CBQ			CBA	CBQ			CBA	CBQ		
	2004	05 Q1-Q4 (a)	05 Q1	06 Q1	2004	05 Q1-Q4 (a)	05 Q1	06 Q1	2004	05 Q1-Q4 (a)	05 Q1	06 Q1	2004	05 Q1-Q4 (a)	05 Q1	06 Q1
Total	10.0	5.5	5.3	7.6	21.5	13.3	14.4	4.9	8.1	9.5	6.5	7.1	4.5	5.7	2.8	3.3
SIZE																
Small	14.9	—	—	—	23.0	—	—	—	7.1	—	—	—	3.4	—	—	—
Medium	10.1	2.1	-8.5	13.4	13.8	-1.5	-15.0	42.3	8.2	7.6	6.3	7.7	4.8	4.4	3.2	4.3
Large	9.8	5.6	5.8	7.4	22.3	13.8	15.7	3.8	8.1	9.5	6.5	7.0	4.5	5.7	2.8	3.2
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	7.8	11.9	12.3	9.4	9.0	26.5	25.2	4.4	8.0	10.0	8.9	8.8	4.7	6.6	5.4	5.5
Industry	7.0	-0.3	-0.5	9.2	10.5	-3.8	1.1	22.0	9.2	8.4	6.2	7.4	5.7	4.6	2.7	4.0
Wholesale and retail trade	13.2	3.9	-2.7	14.6	19.6	7.5	-0.7	11.5	12.3	10.0	11.0	11.0	8.7	5.7	6.8	6.9
Transport and communications	8.3	2.8	4.7	5.0	26.2	6.5	11.1	8.0	9.5	14.1	11.7	15.1	5.3	9.9	7.7	10.6

SOURCE: Banco de España.

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

by 19% in 2006 Q1, although, as mentioned earlier, this high rate is strongly influenced by a specific transaction which, if disregarded, would leave the rate at 5.9%. The following table shows a breakdown of these changes:

	06 Q1/05 Q1
Change in financial costs	**19.0%**
A. Interest on borrowed funds (1 + 2)	*19.3%*
1. Due to the cost (interest rate)	–0.5%
2. Due to the amount of interest-bearing debt	19.8%
B. Commissions and cash discounts	*+0.3%*

As the table shows, the increases in financial costs in 2006 Q1 are explained by the inflow of fresh financing, given that the change due to the interest rate had practically no effect on the behaviour of this caption. That is to say, the increases in interest rates taking place in 2006 have not yet passed through to non-financial corporations in the first quarter of the year, and the financing conditions in the markets are holding at favourable levels for the corporations that can gain access to additional funds as a means of financing new investments. It is precisely the greater buoyancy of investment that lies behind the increases in corporate debt in 2006 Q1. Thus the indicators available to the Central Balance Sheet Data Office on the behaviour of gross fixed capital formation showed a rise in this item in 2006 Q1, with a rate of change of 19.2% (against 4.7% in 2005), which was particularly marked in certain sectors such as electricity, gas and water (16.1%), and, above all, in transport and communications (38.7%). However, the aforementioned debt taken on by a large telecommunications corporation to acquire control over a European telecommunications operator influences the total aggregate of the sample and its level of debt. This effect is clearly seen in the behaviour of the alternative corporate debt ratios in Chart 4. Hence ratio E1, which

STRUCTURE OF REPORTING CORPORATIONS' RETURN ON INVESTMENT AND ORDINARY RETURN ON EQUITY TABLE 6

		CBQ			
		RETURN ON INVESTMENT (R.1)		ORDINARY RETURN ON EQUITY (R.3)	
		05 Q1	06 Q1	05 Q1	06 Q1
Number of corporations		825	691	825	691
Percentage of corporations by profitability bracket	R ≤ 0%	26.2	22.6	29.0	26.7
	0% < R ≤ 5%	23.4	21.2	18.2	15.1
	5% < R ≤ 10%	16.5	16.1	11.7	11.6
	10% < R ≤ 15%	10.3	11.5	10.9	8.6
	15% < R	23.5	28.6	30.2	38.0
MEMORANDUM ITEM: Average return		6.5	7.1	8.9	10.8

SOURCE: Banco de España.

measures the proportion between interest-bearing borrowing and net assets, has taken an upward path in 2006 to date to stand at 50.5%. The ratio E2, which consists of interest-bearing burrowing[3] relative to gross value added, also showed a very significant increase in 2006 Q1. However, the sharpest rise was concentrated in the aggregate of firms forming part of the large Spanish multinational groups (MGs), since the firm that carried out the aforementioned transaction is classified in this segment. As shown in Chart 4, the debt of firms excluding MGs, the relative level of which is appreciably lower than that of the sample as a whole (270% for the latter, 174.4% for the total sample excluding MGs), also shows a profile of slow growth, indicating that the processes of financing and of investment are having an across-the-board effect on all firms.

This sharp increase in financial costs could not be offset by the growth of financial revenues, which showed a rate of change of 3.1% in 2006 Q1, due to the slowdown, with respect to the preceding period, of dividend inflows from foreign subsidiaries. As a result, ONP grew by 4.9% in 2006 Q1, well below the rate in 2005 Q1 (14.4%). This fall does not affect the determination of returns, since the return on investment ratio uses the sum of ONP and financial costs in its numerator. Therefore, owing to the positive performance of the spread between return and cost of debt, non-financial corporations recorded slightly higher profitabilities in 2006 Q1 than in the same quarter a year earlier. Thus, in the reporting period ROI was 7.1% and ROE was 10.8%, both above the previous year's figures of 6.5% and 8.9%, respectively. Table 6 confirms the positive profitability performance of the sample as a whole, since in 2006 to date there has been a greater percentage of companies in the higher profitability segments than there was in 2006 Q1. Moreover, the ratio that approximates the cost of debt stood at 3.8%, the same as in 2005 as a whole, meaning that the spread between return and cost of debt continued at clearly positive values in 2006 Q1 (3.3), higher even than in the previous year. Finally, examination of the change in net profit shows that, in contrast to the growth rate of ONP (4.9%), it rebounded much more strongly (rate of 24.9%) in the first quarter of the year, due to the inflow of considerable capital gains on tangible and financial asset sales and to exchange gains. Furthermore, as a percentage of GVA, net profit rose from 27.5% in 2005 Q1 to 32.4% in 2006 Q1, which confirms and sums up the favourable position of the sample companies.

3. Consolidated, i.e. adjusted to eliminate cross-financing between group companies.

In conclusion, the data published by the CBQ showed that the firms began the year with a notable expansion of activity, creating employment and generating surpluses, and with a slight rise in average compensation. Against this background, there were signs of more buoyant investment activity, encouraged by the ongoing favourable financing conditions. Forming a backdrop to all this was a more favourable international situation, with a progressive recovery of the euro area countries, albeit with persistently high oil prices.

20.6.2006

Workers' remittances in the Spanish Balance of Payments

The authors of this article are Francisco Javier Álvarez de Pedro, María Teresa García Cid and Patrocinio Tello Casas of the Directorate General Economics, Statistics and Research.

Introduction

In recent years international flows of workers' remittances have been receiving growing attention, in step with their constant increase, as a stable source of financing in certain developing countries, and with their notable economic and social impact. This attention has naturally spread to the statistics that measure this type of transaction. In this respect the Balance of Payments, which records real and financial transactions between an economy's residents (whether immigrants or not) and non-residents, is a fundamental point of reference for quantifying remittances. Nonetheless, the information on workers' remittances in the Balance of Payments is not free from limitations.

Broadly, these limitations come to light first, on comparing the figures under the heading Workers' remittances in the Balance of Payments of the different countries with their main economic, financial and cultural determinants and with that of other available indicators; and further, on comparing the data of the main remittance issuing and recipient countries. The awareness of these limitations and the growing demand for figures on workers' remittances have prompted the competent international agencies to initiate a process of revision of the conceptual framework and of the methods used to obtain the Workers' remittances heading.

The case of the Spanish Balance of Payments is no exception here. Comparisons with other indicators of the figures from the heading Workers' remittances, which the Balance of Payments had been including, highlighted a potential underestimation of debits and an overestimation of credits in this heading. These results reflect the problems of properly estimating workers' remittances using reporting systems based essentially on the filing of foreign proceeds and payments made through credit institutions and foreign accounts (the so called International Transactions Reporting System-ITRS). This is the procedure that the Spanish Balance of Payments has been using and it is, probably, the most common one used internationally. But it faces serious problems derived from the presence of exemption thresholds, which are high for the reporting of individual transactions, and from the sending via so-called remittance companies[1], or unofficial channels, of a significant proportion of the funds relating to remittances. The use of these procedures makes it difficult to capture this information and allocate it correctly, both in the related Balance of Payments heading and, geographically, according to the destination or source of the remittances.

Likewise, in Spain's case, the importance of revising calculation procedures, especially those affecting debits under this heading, was clearly apparent in view of the notable dynamism of the immigrant population in recent years and their impact on the sending of remittances. Specifically, in the period 2001-2004, the number of immigrants in Spain grew at an annual average rate of 35.3%, according to municipal census figures.

This article sets out the work undertaken to evaluate the quality of the debits figures under the Spanish Balance of Payments Workers' remittances heading and to improve the estimate thereof.

---

1. This article uses the term "remittance companies" to refer to the authorised Money Transfer Operators. Although these establishments are regulated by and registered at the Banco de España, to which they regularly provide information on their operations, in other countries the lack of specific regulation places them in the realm of unofficial channels.

First, an estimate is made of the maximum flow of remittances abroad (potential remittances). Second, following the analysis of the procedures used by different countries, an alternative calculation method is described for these remittances based on a panel data econometric model which, in addition to the information from the ITRS, uses that available on the characteristics of the immigrant population and on the economies from which they have come. This new method has helped reduce the uncertainty intrinsic to estimates to date and, along with the analysis and use of other alternative information sources (information on funds channelled through Money Transfer Operators and remittance credits of the main counterpart countries), has enabled the underestimation of remittance payments from Spain in the period 2001-2004 to be corrected. In April 2006, coinciding with the revision of the figures for 2005, the data under this heading in this period were revised, entailing an increase in debits of around 20%.

The article is structured as follows. Section 2 analyses developments in the Workers' remittances heading in the Spanish Balance of Payments. Section 3 compares this heading with other indicators, in order to detect potential biases. Section 4 makes an estimate of the maximum flow of remittances sent abroad drawing on the characteristics of the immigrant population in Spain. Section 5 details an alternative calculation method involving the estimation of an equation for remittances sent from Spain to the principal destinations and sets out the results obtained. Finally, section 6 draws conclusions.

The Workers' remittances heading in the Balance of Payments

Prior to the April 2006 revision, the surplus in the Balance of Payments heading Workers' remittances, after holding stable at around 0.4% of GDP during the period 1993-2000, had fallen significantly in recent years, accounting for only 0.1% of GDP in 2004. The main influential factor here was the behaviour of debits. Charts 1 and 2 show that, until 1999, both debits and credits trended similarly, their weight in terms of GDP holding up, whereas thereafter debits increased significantly and credits, by contrast, did so at a much more moderate rate.

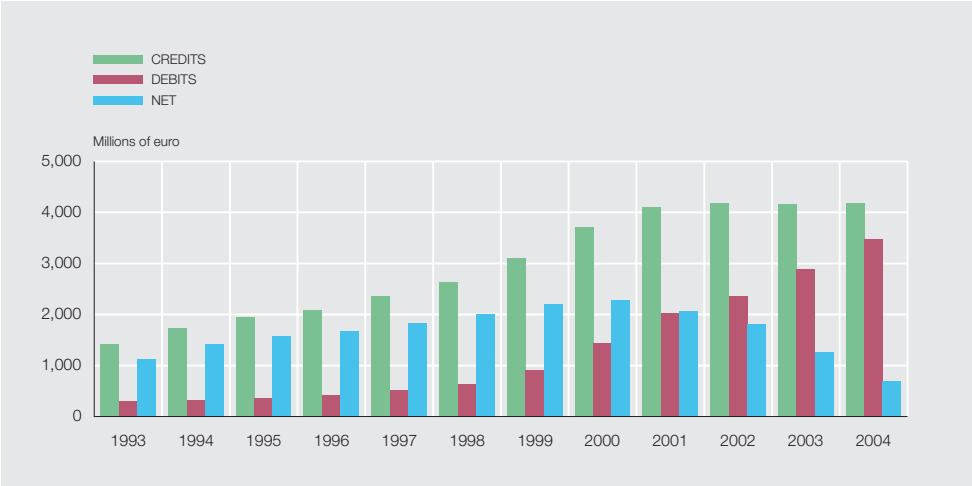
The differing course of credits and debits is due to the different times at which the emigration and immigration processes came about in Spain. Thus, if we focus on the second half of the 20th century, Spanish emigration can be seen to have been concentrated in the 50s and 60s and, thereafter, the Spanish population resident abroad has been on a declining path[2] (see Charts A1 and A2 in annex A). Conversely, immigration is a relatively recent phenomenon which, in the Spanish case, and unlike other European countries, has peaked in recent years[3].

The recent changes in migratory flows have not only affected the level of debits in the Workers' remittances heading, but have also thoroughly altered their geographical allocation. In 2004, using data prior to the April 2006 revision, Latin America was the destination of 50.6% of the total remittances sent from Spain, according to Balance of Payments estimates, while in 1994 only 13.7% of the total was routed to Latin American countries. These data confirm the growing significance these flows are acquiring in some countries as alternative sources of financing to other resources (e.g. direct investment or tourism). Conversely, the weight of the EU Member States as recipients of remittances from Spain has diminished from 35.0% of the total to 5.1% over the same period.

---

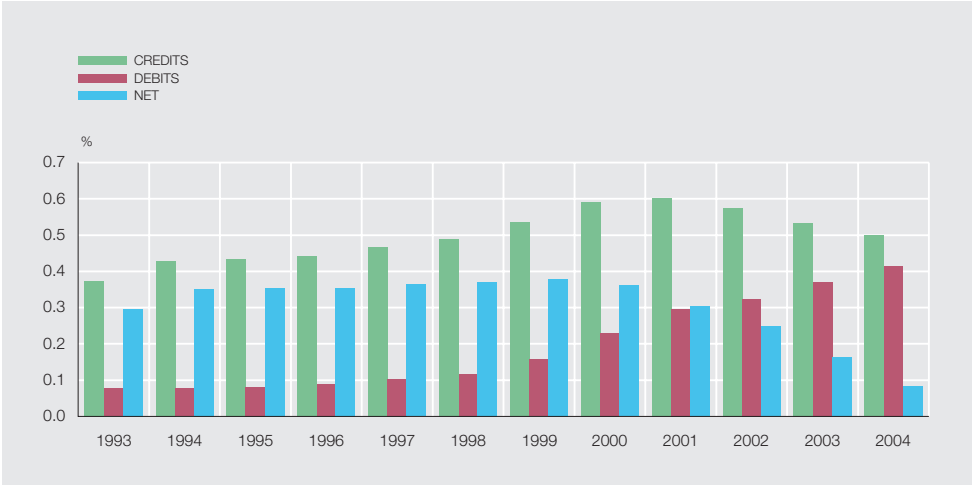
2. According to official data on migration (Anuario de Migraciones, Ministerio de Trabajo y Asuntos Sociales) and to records of residents registering with Spanish consulates, 649,039 Spaniards emigrated abroad in the 1950s, 929,662 in the 1960s, 492,991 in the 1970s, 195,944 in the 1980s, and only 27,683 in the 1990s. From 1993 to 2004, the Spanish population abroad fell from 2,327,759 to 1,497,817. The changes in the Spanish population stock abroad might be affected by the methodological change that came about in 1996 further to the creation of the Census of Spanish residents abroad (PERE by its Spanish name), compiled on the basis of data from consular records. The integration of the PERE information with that from the Spanish municipal censuses, and the subsequent update of the consular records would account for the decline that these records show. **3.** According to municipal census figures dated 1 January 2005, the foreign population as a proportion of the total population in Spain was 8.6%, compared with 2.2% in 2000. In Austria, Germany and Belgium, these percentages were already 9%, 8.8% and 9%, respectively, in 1995 (OECD, Factbook 2005).

WORKERS' REMITTANCES CHART 1



SOURCE: Banco de España. Data prior to the April 2006 revision of remittance debits figures.

WORKERS' REMITTANCES: WEIGHT IN GDP CHART 2



SOURCES: Banco de España and INE. Data prior to the April 2006 revision of remittance debits figures.

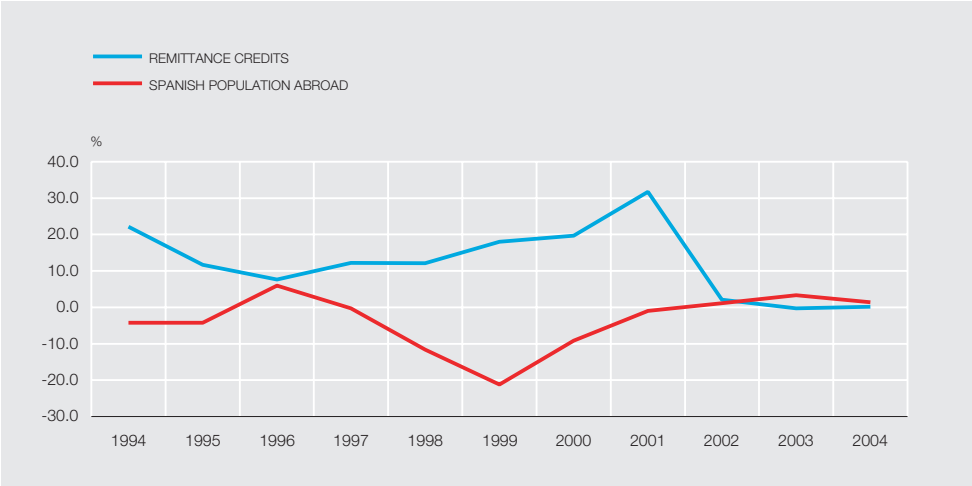
Although the trends revealed by the Balance of Payments figures reflected the change in the Spanish population's structure, the growing problems faced in properly measuring real and financial transactions by immigrants and the need for more reliable and detailed information on the phenomenon made it necessary to refine the estimation methods for the Workers' remittances heading, as set out below.

Difficulties in estimating the Workers' remittances heading

As indicated in the previous section, before the April 2006 revision the Spanish Balance of Payments figures appeared to reflect appropriately the population changes which, as a result of migratory flows, have taken place in our country in recent years. Nonetheless, it is not clear that they reflected such changes in all their intensity. An analysis of the credits and debits recorded in this statistic and the cross-checking thereof against some of the alternative information sources available suggested that the remittance credits figure in the Spanish Balance of Payments might be overestimated while that of debits might be underestimated.

GROWTH RATES OF REMITTANCE CREDITS AND OF THE SPANISH POPULATION ABROAD

CHART 3



SOURCES: Banco de España and Spanish Consular Records (Ministerio de Asuntos Exteriores y Cooperación).

REMITTANCE CREDITS: AVAILABLE EVIDENCE

One indicator of the potential overestimation of credits is the discrepancy between the Balance of Payments remittances figures and the figures for Spaniards abroad. Chart 3 shows the growth rates of remittance credits in the Balance of Payments and of the stock of Spaniards resident abroad obtained from official consular records.

In the period 1994-2001, and with the exception of 1996, the rate of change of the stock of Spaniards abroad was negative while that of remittance credits showed significant growth, peaking in 2001 with an annual rate of change of 31.7%[4]. In this period, remittance credits grew at an annual average rate of 16.9%, while the related rate for the population stock was -5.7%. From 2001, both credits and the population stock tended to stabilise. Considering the entire period from 1994 to 2004, the annual average growth rate of credits was 12.5% and that of the Spanish population stock abroad was -3.6%.

A similar conclusion, i.e. that Spanish remittance credits are overestimated, is drawn in Britton, Harrison y Swanson (2004). This paper compares the credits published by Spain with an alternative estimate that considers the remittance debits published by countries in which Spanish emigrants are resident and the proportion of the Spanish population in the total immigrant population in each of them[5].

REMITTANCE DEBITS: AVAILABLE EVIDENCE

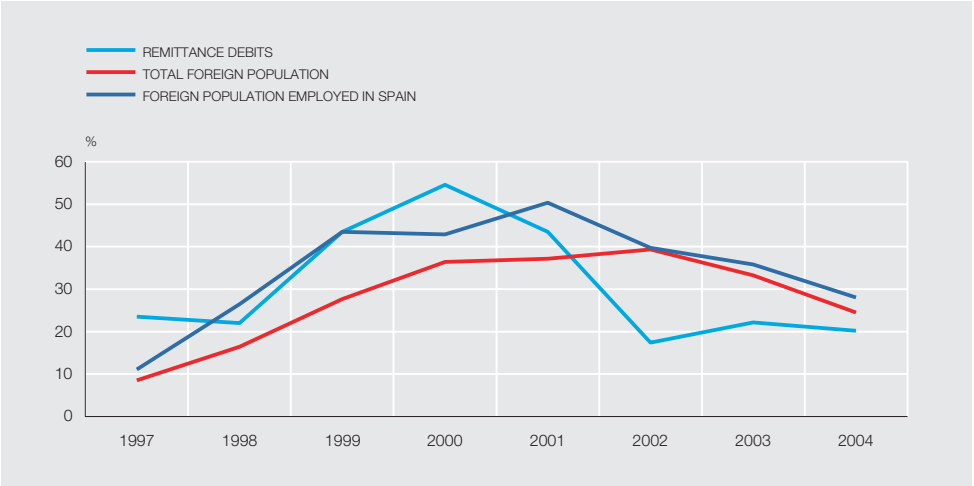
In the case of debits, the evidence of a potential underestimation of the data would lie in the comparison with the information available on the trend and characteristics of the immigrant population in Spain, the significance of remittance credits in the Balance of Payments of the recipient countries of funds sent from Spain and the transfers abroad via remittance companies[6].

---

4. The integration of the PERE information with that from Spanish municipal censuses, and the subsequent update of the consular records, as mentioned in footnote 3, might account for the heavy fall in the Spanish population stock from 1997, which peaked in 1999 (a decline of 21.2%). **5.** Although the paper points to an overestimation of Balance of Payments data of approximately 80%, the result should be viewed with caution. Firstly, a definition of the remittances variable that includes compensation of employees is assumed. Secondly, the paper assumes that the average remittance sent by emigrants in a country is the same irrespective of their nationality. Further, the result might be affected by the underestimation of the debits published by the counterpart countries. **6.** As previously indicated (see footnote 1), Money Transfer Operators provide information to the Banco de España Financial Reporting and Central Credit Register System Department on their transfer operations.

GROWTH RATES OF REMITTANCE DEBITS, TOTAL FOREIGN POPULATION AND FOREIGN POPULATION EMPLOYED IN SPAIN

CHART 4



SOURCES: Banco de España and INE. Data prior to the April 2006 revision of remittance debits figures.

Remittance debits and characteristics of the immigrant population

Chart 4 shows the growth rates of Balance of Payments remittances and of the total and employed foreign population resident in Spain[7] for the period 1997-2004. The population figures have been obtained from the EPA 2005[8] (the new Spanish Labour Force Survey).

According to this chart, two different periods can be distinguished. In the first period (from 1997 to 2001), the remittance debits show higher growth rates than those of the foreign population, while in the second period, the latter exceed the former. In this second period, which runs from 2001 to 2004, the average growth rates of Balance of Payments remittance debits, total foreign population and employed foreign population are 25.8%, 33.5% and 38.5%, respectively. The widening gap in recent years between the dynamism of debits and the foreign (total and employed) population was an indicator of the likely underestimation in the Balance of Payments of funds sent abroad by foreign workers resident in Spain.

The significance of immigration, which is reflected by the 2005 EPA for recent years, is also evident in the other available information sources: the 2001 Census (and its projections for the years 2002-2004), the Municipal Census and the DGP (Directorate General of Police) records of foreigners resident in Spain, as can be seen in Table 1.

Remittance debits set against recipient countries' credits

The moderate growth of remittance debits in the Spanish Balance of Payments from 2001 contrasted with the growing significance that the corresponding credits in the recipient economies have acquired. Table 2 shows the percentage of GDP accounted for by remittance credits in the Balance of Payments of the most significant countries from Spain's standpoint, both in terms of the weight of the total transfers sent abroad to these countries, and of the significance of the population from these countries as a proportion of the immigrants resident in Spain[9].

---

7. Only the population considered as foreign in the EPA is considered; the population with dual nationality is excluded. In the period 1996-2004, the segment of the population with dual nationality accounted for an average percentage of 13% of the total foreign population, with a gradual loss in weight from 1997. Specifically, this population segment accounted for 7% of the total in 2004. **8.** The EPA 2005 shows revised data on the total and employed foreign population for the period 1996-2004. For a detailed description of the methodological changes and of the main findings of this survey, see Quarterly Report on the Spanish Economy (Banco de España (2005a)). **9.** The increase in the Dominican Republic's figures for 2003 is affected by the strong fall in GDP expressed in dollars for this country (25.5% in relation to 2002).

STOCK OF FOREIGN POPULATION ACCORDING TO THE EPA 2005, THE 2001 CENSUS, THE MUNICIPAL CENSUS AND THE DGP RECORDS TABLE 1

	EPA 2005	2001 CENSUS	MUNICIPAL CENSUS	DGP
1996	400,150	-	542,314	540,649
1997	434,300	-	n.d.	611,697
1998	505,375	-	678,366	719,647
1999	645,200	-	748,953	801,329
2000	880,125	-	923,879	895,720
2001	1,207,075	1,548,941	1,370,657	1,109,060
2002	1,682,350	2,163,214	1,977,946	1,324,001
2003	2,241,325	2,728,240	2,664,168	1,647,011
2004	2,789,675	3,196,784	3,034,326	1,981,933

SOURCES: INE and Dirección General de Policía (Ministerio del Interior).

WEIGHT IN GDP OF THE REMITTANCE CREDITS OF SPAIN'S MAIN COUNTERPART COUNTRIES TABLE 2

%

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Colombia	1.2	0.9	0.8	0.7	0.8	1.5	1.9	2.3	2.9	3.9	3.4
Ecuador	1.5	1.9	2.3	2.7	3.4	6.5	8.3	6.7	5.9	5.7	5.4
Bolivia	0.0	0.0	0.0	0.9	0.8	0.9	1.2	1.3	1.0	1.3	1.3
Peru	1.1	1.1	1.1	1.1	1.1	1.3	1.4	1.4	1.3	1.4	1.5
Dominican Republic	7.0	6.6	6.7	7.2	8.3	8.6	8.4	8.2	9.0	14.2	13.9
Morocco	6.0	6.0	5.9	5.7	5.6	5.5	6.5	9.6	8.0	8.2	8.7

SOURCES: IMF and Inter-American Development Bank.

On the basis of the difference between the total debits recorded by Spain and the credits of the recipient countries, and of the percentage of total emigrants from these countries residing in Spain, a measure was obtained of the degree of underestimation of the Spanish Balance of Payments figures, which might stand between 15% and 20%. Table A1 of Annex A details these differences for some of the main recipient countries of remittances sent from Spain.

Remittances and transfers abroad through Money Transfer Operators (remittance companies)

Before the April 2006 revision, the Spanish Balance of Payments figures were very similar to those reported by remittance companies in respect of their transfers abroad: 3,481 million euro and 3,424 million euro in 2004, respectively. Bearing in mind that immigrants claimed to make 80% of their total remittances through these remittance companies[10], a degree of underestimation of debits recorded in the Balance of Payments of the order of 20% might be inferred, a percentage similar to that obtained from the comparison with the credits published by the main counterpart countries.

The data from these establishments offer valuable information on the countries that receive the remittances sent, which does not match that provided by the geographical breakdown of the data that were included in the Balance of Payments. Table 3 shows the amount of transfers

10. Evidence in this connection is provided by the study by CECA (Spanish Savings Bank Confederation) on remittances sent by Latin American emigrants resident in Spain to their home countries.

COMPARISON OF GEOGRAPHICAL BREAKDOWN IN BALANCE OF PAYMENTS AND REMITTANCES COMPANIES (a) TABLE 3

Millions of euro, %

	Rem. companies	BP	% Rem. Companies	% BP
% of total	-	-	76.8	90.2
Argentina	46.2	13.6	1.4	0.4
Bolivia	187.3	177.6	5.5	5.1
Brazil	153.7	10.5	4.5	0.3
Colombia	729.6	766.8	21.3	22.0
Ecuador	770.2	664.2	22.5	19.1
Peru	81.9	87.6	2.4	2.5
Dominican Republic	165.3	86.7	4.8	2.5
Philippines	75.6	55.9	2.2	1.6
Morocco	210.7	75.6	6.2	2.2
United States	4.8	1,160.4	0.1	33.3
Romania	192.5	38.2	5.6	1.1
Bulgaria	12.8	3.9	0.4	0.1

SOURCE: Banco de España. Data prior to the April 2006 revision of remittance debits figures.

a. Absolute figures per country (millions of euros) and percentage of world total.

sent to the main counterpart countries according to the foregoing sources for 2004 (Table A2 in Annex A includes the data for 2003).

One notable feature of this comparison is that while the sending of remittances to the United States accounted for a very significant proportion of total debits in the Balance of Payments (33.3%), their weight in the total transfers by remittance companies was negligible (0.14%). Conversely, for the Latin American and Eastern European countries the figures in the Balance of Payments were, in most cases, lower than those relating to the remittance companies. These differences highlight the different geographical allocation criterion used respectively in the Balance of Payments and remittance company figures. The fact that the Balance of Payments should use the information on the related payments between residents and non-residents made through Spanish banks (ITRS figures) meant that in some cases their reported geographical distribution did not properly reflect the country that was the final destination of the funds. This occurs when intermediaries resident in third countries intervene in the settlement of the transactions, a particularly significant aspect in the case of remittances routed via agents of the major international money-transfer networks. In these cases, the transfers through which the remittance companies settle their transactions go to the head offices of these networks, often resident in the United States, and not the final recipients of the remittances. This would explain the overestimation of the weight of remittances sent to the United States according to the Balance of Payments figures, before they were revised, which was offset by smaller amounts for the other destinations.

To illustrate this point, Table 4 shows the growth rates of Balance of Payments remittances, before the April 2006 revision, and of the foreign population stock in Spain in the case of the EU, the United States and Latin America. As can be seen, except for 1998, 2002 and 2004[11], remittances sent to EU countries posted negative growth rates, while the foreign population stock grew at an average rate of 10.6%. In the case of the United States, although the US foreign population stock grew at a lower rate than that of the EU countries, remittances did so at much higher rates (30.9% on average for the period considered). Finally, high growth rates

11. In 2002, an exceptionally high figure for remittance debits was recorded in the case of Germany.

GROWTH RATES OF REMITTANCE DEBITS AND OF THE STOCK OF FOREIGN POPULATION BY AREA TABLE 4

%

	EU		United States		Latin America	
	Remittance	Population	Remittance	Population	Remittance	Population
	16.2	10.6	30.9	3.2	45.3	32.4
1994	-12.1	9.2	37.1	1.4	13.1	7.7
1995	-7.6	6.7	56.9	2.5	-13.0	6.0
1996	-9.0	11.0	46.6	-7.6	-13.8	5.0
1997	-12.6	-2.9	18.7	-20.4	122.6	14.8
1998	28.0	12.6	15.5	16.6	58.9	10.9
1999	-3.3	20.4	50.6	12.8	74.5	11.9
2000	-0.4	8.5	74.1	9.1	66.2	36.3
2001	-31.7	10.0	25.9	11.1	87.8	123.6
2002	203.1	15.9	-27.6	14.3	62.7	77.4
2003	-50.2	18.2	25.6	17.3	30.0	43.4
2004	73.9	7.3	16.8	-22.4	9.0	20.5

SOURCES: Banco de España and INE. Data prior to the April 2006 revision of remittance debits figures.

were recorded in the case of Latin America both for remittances and for the foreign population stock, especially in the period 1997-2003.

The basic conclusion of this analysis is that the high growth rates of remittances to the United States did not match the growth rates of the foreign resident population in Spain of US nationals. As earlier indicated, this distortion is due to the fact that, in many cases, the Balance of Payments would assign transactions to the country of residence of the intermediary through which the funds were routed and not to the final destination of the remittances.

CALCULATION PROCEDURES FOR REMITTANCE DEBITS IN THE SPANISH BALANCE OF PAYMENTS: LIMITATIONS OF THE REPORTING SYSTEM

The analysis set out in the foregoing paragraphs highlights the limitations of the reporting system used, until the April 2006 revision, for estimating remittances in the Spanish Balance of Payments. As indicated, this system was essentially based on the ITRS figures, mainly payments made via Spanish resident banks. The first of these limitations, and probably the most important one in view of the correct measurement of remittances, is the existence of high minimum thresholds for the reporting of individual transactions (€12,500 since January 2001 and €3,005 before then). These thresholds particularly affect the Workers' remittances heading owing to the habitually small amounts characterising the transactions made in this connection[12]. In addition, regard should also be had to the influence exerted by the frequent use of alternative systems to deposit institutions, such as remittance companies or informal channels (direct delivery of banknotes, remittances in kind, etc.), to route remittances. In Spain's case, this influence is by no means negligible, given the low degree of financial integration that is still the case for immigrants. The use of these alternative systems affected the Balance of Payments figures in a different way.

As regards the use of remittance companies, their transactions were indeed captured indirectly by the reporting system, since these establishments periodically settle with their corre-

12. Reporting institutions communicate the total of the amount of transactions below the threshold, without specifying in which connection they are made. The distribution of these below-threshold amounts among the different Balance of Payments headings is estimated taking into account, as the main indicator, that relating to transactions of immediately higher amounts. This distribution system significantly affects remittance credits.

spondents, or with the clearing centres of the international money-transfer networks, the remittances that they channel. Such settlement, in which resident banks normally intervene, is recorded in the ITRS in net terms[13], albeit with the aforementioned problems regarding geographical allocation. Conversely, in the case of remittances sent through informal channels, no estimation as to their amount is currently available[14].

Finally, the possibility should be highlighted that, even if all transactions with non-residents (residents) conducted by an immigrant (emigrant) were recorded, it would be difficult to ensure that these had been correctly allocated to the various Balance of Payments headings[15]. This essentially affects the headings Workers' remittances, Compensation of employees, Capital transfers and Other current transfers.

In sum, the presence of high reporting thresholds and the routing of transactions through remittance companies and informal channels entails a weakening of the relationship between remittance debits and their demographic, economic and financial determinants; accordingly, while hampering their detection by the reporting system used by the Spanish Balance of Payments, this bears on the geographical allocation of remittance debits (see section 3.2.3 above) and on the incorrect recording of these transactions[16]. Thus, bearing in mind the direction and intensity of the migratory movements in Spain in recent years, the need to revise the procedure for calculating debits under this heading became patent.

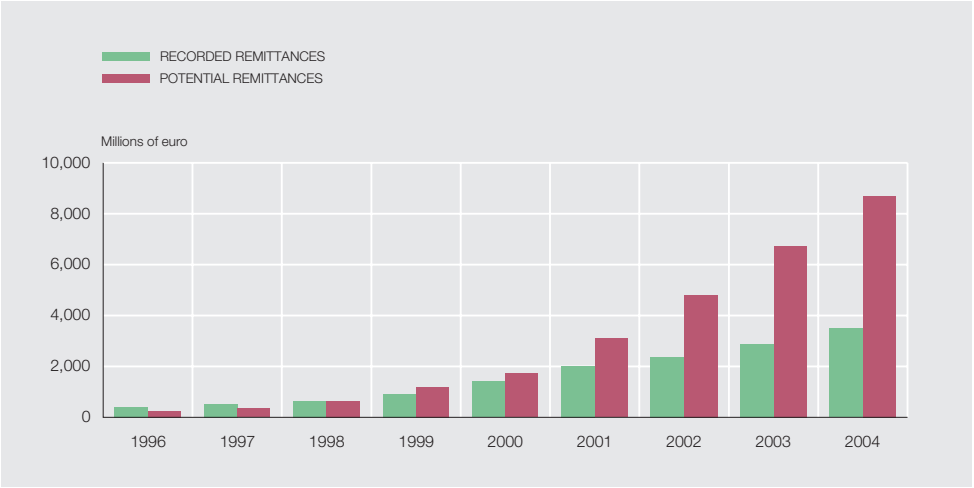
Estimation of potential remittances sent abroad

In order to quantify the underestimation of Balance of Payments remittance debits, the maximum flow of remittances that foreign workers resident in Spain could send to their home countries was first estimated, as described in this section. Hereafter, this estimation is called "potential remittances". Potential remittances are defined as the income available to immigrants once current expenditure and social security contributions have been deducted[17]. To calculate total potential remittances, regard is had fundamentally to changes in the foreign population in Spain[18] and its characteristics, using as basic information sources the new EPA 2005, and data from the Household Expenditure Survey and from the Quarterly Labour Costs Survey. Chart 5 shows, for the period 1996-2004, changes in Balance of Payments remittance debits and those in estimated potential remittances. As can be seen, and except for 1996 and 1997, potential remittances exceed debits. Further, this difference increases progressively over the years coinciding with the increase in the immigrant population. In particular, for 2004, an estimation of potential remittances of €8,710 million is obtained, compared with €3,481 million

---

13. The ITRS figures collect the net amount of transfers issued and received, although the amount of the latter is small in Spain's case. **14.** According to Puri and Ritzema (1999), for certain Asian and African countries, and in relation to different periods in the 80s and early 90s, the routing of remittances through informal channels would account for between 10% and 55% of the total sent. In a more recent paper, Freund and Spatafora (2005), using a model estimated for the period 1995-2003 and for a group of 104 countries, estimate that remittances sent through informal channels account for between 35% and 75% of total remittances sent to developing countries. Moreover, in keeping with the evidence shown by surveys conducted in some developing countries, significant differences between regions are observed regarding the proportion of informal remittances to total remittances. Specifically, it seems that the significance of remittances through informal channels is greater in the case of sub-Saharan Africa, Eastern Europe and Central Asia, with such remittances proving less substantial in the case of Latin America and the Caribbean, and East Asia. **15.** For example, transactions that should be recorded as Other current transfers might be being recorded under Workers' remittances. This might be the case for pensions received by Spanish retirees resident in Latin America from the Spanish Social Security system. **16.** In principle, it is to be expected that while the effect of transfers by remittance companies would be more significant in the case of immigrants from countries at a greater distance in miles from Spain, the resort to unofficial channels would be greater in the case of immigrants from countries geographically closer to Spain. **17.** The basic outline of the exercise for estimating potential remittances is included in *The Spanish Balance of Payments and International Investment Position, Banco de España (2003).* **18.** This exercise for calculating potential remittances considered the population classified as foreign in the EPA, excluding the population with dual nationality. One problem with the classification of dual nationality is the absence of a breakdown by geographical area. In another exercise not included in the article, individuals with dual nationality were considered, being assigned by area on the basis of their distribution for the group of foreigners. The results of this exercise in terms of the trend of potential remittances were similar to those set out in this article, with estimated potential remittances somewhat higher than those obtained considering only the group of foreigners.

RECORDED REMITTANCES AND POTENTIAL REMITTANCES CHART 5



SOURCE: Banco de España. Data prior to the April 2006 revision of remittance debits figures.

COMPARISON OF RECORDED REMITTANCES AND POTENTIAL REMITTANCES IN THE BALANCE OF PAYMENTS TABLE 5

Millions of euro, %

	1996	1997	1998	1999	2000	2001	2002	2003	2004
Potential EPA 2005	246	348	656	1,199	1,729	3,096	4,807	6,742	8,710
Potential Municipal Census	168	331	690	1,041	1,215	2,467	3,993	6,173	7,376
Potential 2001 Census	-	-	-	-	-	2,913	-	-	-
BP Remittances	421	520	634	910	1,446	2,019	2,371	2,895	3,481
% underestimation in BP in relation to:									
Potential EPA 2005	-0.7	-0.7	3.3	24.1	16.4	34.8	50.7	57.1	60.0
Potential Municipal Census	-0.6	-0.4	8.1	12.6	-19.0	18.1	40.6	53.1	52.8

SOURCES: Banco de España and INE. Data prior to the April 2006 revision of remittance debits figures.

of remittances recorded in the Balance of Payments. These data would indicate that immigrants were, on average and from 2001 to 2004, transferring 49% of the maximum amount (potential remittance) that they could send to their home countries. This percentage fell to 40% in 2004.

Table 5 compares the estimation of potential remittances obtained from the information provided by the EPA with that stemming from the use of the foreign population figures provided by the aforementioned alternative information sources (Census, Municipal Census[19] and DGP figures on foreigners). Although the figures for potential remittances obtained from the Municipal Census show the same trend as those of the EPA, the estimated level of potential remittances for each year is somewhat lower[20]. Note that the potential remittance estimated using the 2001 Census gives a closer value to the remittance estimated using the EPA 2005 than to the potential remittance estimated using the Municipal Census.

19. In the case of the Municipal Census, the employed population figures would be obtained by applying the participation and unemployment rates calculated using the new EPA. **20.** The greater potential remittance obtained using the population data from the EPA rather than from the Municipal Census is a result of the bigger employed foreign population/total foreign population ratio obtained using the EPA instead of the Municipal Census.

Although the analysis of potential remittances provides the maximum theoretical amount that such transactions could reach, as well as an indication of the underestimation of debits in the Balance of Payments heading Workers' remittances, this exercise does not allow the true degree of this underestimation to be quantified. To do this it would be necessary to know the propensity of each group to send remittances, and this information is not currently available in Spain.

Estimation of an equation for actual remittances sent from Spain

In order to obtain an accurate measure of the degree of underestimation, a panel data econometric model was estimated for the variable of remittances sent from Spain to other countries on the basis of the variables which, according to the literature on remittances, are their main determinants [World Bank (2005), Bougha-Hagbe (2004), Brown (1997), Chami, Fullenkamp and Jahjah (2003), El-Sakka and McNabb (1999), Solimano (2003) and Whaba (1991)]. One significant difference between this exercise and the papers mentioned is that the dependent variable is not defined in terms of the remittance credits of the recipient countries, but in terms of the remittances sent from the issuer country (in our case Spain)[21]. The primary aim of the exercise is to establish what the fundamental determinants are of remittances to the different countries. The second aim is to use the model, devised with data from the period 1993-2000, to make projections of the remittances figure during the period 2001-2004[22]. The basic equation considered is defined by[23]:

$$r_{it} = \alpha_i + \beta' z_{it} + v_{it} \quad i = 1, \ldots, N; t = 1, \ldots, T \qquad [1]$$

where rit denotes the logarithm of the remittance debits[24] recorded in the Spanish Balance of Payments in year t made by immigrants from counterpart country i, α_i is a specific effect relating to country i and z_{it} is a vector of explanatory variables.

As regards the selection of the model's explanatory variables, the guidelines of the literature on remittances that analyses the fundamental determinants for the sending of these transfers[25] have been followed. An initial approach in this literature establishes that remittances sent by immigrants are in response to altruistic motives. Under this approach, remittances reflect the immigrants' concern for the welfare of their family in the country of origin. Altruistic motivation has been considered as a determinant of the so-called fixed remittances (a minimum amount that immigrants send to their family to meet their basic needs). As explanatory variables related to this altruistic motivation, the literature mentions the economic situation in the immigrants' home country, the income differential between the home and host countries, and demographic variables, such as the foreign population stock and the average time that the immigrant has been in the country of residence. Regarding this latter variable, one of the predictions of the altruistic approach is that the remittances sent to the home country will diminish as the time that immigrants stay in their new country of residence increases and the ties to the country of

---

21. One exception would be the paper by Faini (1994), which analyses the determinants of remittance payments by various groups of immigrants resident in Germany. In the literature on remittances, the dependent variable is often defined by the proportion accounted for by remittance credits in each country's GDP. Along these lines, in a specification not included in the text, the percentage accounted for by remittance payments from Spain in each country's GDP was considered as a dependent variable. **22.** The choice of estimation period was in response both to the fact that the minimum reporting threshold for foreign proceeds and payments transactions was raised (in January 2001), with a subsequent loss of information deriving therefrom, and to the fact that from 2001 the correlation between the Balance of Payments data obtained from the habitual calculation procedure and those derived on the basis of the characteristics of the immigrant population lessened. **23.** The estimated equation can be deduced from a specification for total remittances sent that is defined by: Total remittances=Average remittance sent by immigrant * Number of immigrants. Taking logarithms in the specification and formulating a model for the average remittance per immigrant in terms of explanatory variables and of specific country effects gives equation (1). **24.** Remittance debits in euro deflated using the base 1992 Consumer Price Index (CPI) are considered. **25.** Another important branch of the literature on remittances analyses the effects that remittances have on the economy of the recipient country. It highlights the role played by these funds in supplementing national saving and as a source of external financing.

origin weaken. In an attempt to capture the altruistic motive, the model considers as explanatory variables the logarithm of the ratio of Spanish per capita GDP to that of the country of origin (adjusted by each currency's purchasing power parity), the growth rate of GDP in the immigrant's home country and the average duration of stay in Spain, all such variables being for immigrants from different geographical areas[26].

A second approach of the literature analyses remittances from the perspective of the family [Lucas and Stark (1985)]. Here, remittances are in response to an implicit contract between the immigrant and the family that stays in the country of origin. The contract may have an intertemporal perspective and investment and compensation components. The investment component refers to the fact that the family decides to meet the costs of the immigrant's education and, in some cases, to finance the cost of the change of residence (transport costs and initial subsistence costs in the host country). The compensation component is defined by the remittances that the immigrant sends once he/she is established in the host country as compensation for the investment made earlier by his/her family.

A variation on this theme of the implicit contract described in the previous paragraph refers to the concept of risk diversification. Under the assumption that economic risk in the home and host countries is negatively correlated, and assuming the existence of incomplete financial markets and liquidity constraints in the immigrant's home country, a risk diversification strategy for the family consists of promoting the emigration of one of its members. Under this approach, the immigrant can finance the family at times of economic crisis in the immigrant's home country. Likewise, the fact that the family remains in the home country is an insurance policy for the immigrant at times of economic crisis in the host country. This motivation behind the sending of remittances is included in the equation through the variables that reflect both the altruistic and the investment approaches.

Finally, another approach in the theory of remittances establishes that they are due to an economic or investment concern on the part of the immigrant (portfolio approach). Under this approach, the immigrant saves and sets aside a proportion of saving to invest in the home country (Faini (1994), Glytsos (1988) and Straubbar (1986)). In making this investment decision the immigrant takes into account the interest-rate differential and the expectations regarding future movements in the exchange rate[27]. The explanatory variables relating to the investment motive that are considered are the interest-rate differential between the immigrant's home country and Spain and the logarithm of the exchange rate of the home country's currency against the euro[28]. Regarding the interest-rate differential, the theory predicts that the remittances sent will be bigger the greater the interest-rate differential between deposits in the currency of the country to which the funds are sent and deposits in the currency of the immigrant's host country. As to the exchange rate variable, the theory's prediction is ambiguous since the total effect of a depreciation of the immigrant's home country's currency is the sum of a substitution effect and of an income effect. On one hand, there is a negative substitution effect induced by the fact that, with the depreciation, goods in the immigrant's home country are cheaper, expressed in the currency of his/her new country of residence and, therefore, he/she needs to transfer less income to finance the purchase of a given quantity of goods in the home country. On the other, there is a positive income effect arising from the fact that, with a depreciation, the immigrant's purchasing power, measured in the currency of his home

---

26. Annex B includes a full description of the variables and data sources used. **27.** The exchange rate is a variable that is also related to the altruistic motive owing to its effect on the purchasing power of the recipient of the remittance expressed in the currency of the country in which the immigrant resides. **28.** Given the characteristics of the immigrant population in Spain, it is to be assumed that investment-motive remittances are sent essentially to their respective home countries.

country, is greater, meaning that the remittance sent increases. Finally, a variable of the business cycle in the emigrant's country of residence, which is defined by the growth rate of GDP in Spain[29], is considered as an explanatory variable.

A key feature of the findings of the exercise, in the different models estimated, and in relation to the predictions of the theory of remittances, is that while the variables related to income differences between countries and demographic variables have, in general, turned out to be significant in the estimates for developing countries, the financial variables relating to the investment motive turned out to be negligible or insignificant for these countries; however, on occasions they were actually significant in the estimates obtained for the developed countries.

The estimation was made separately for three groups of countries: a) Latin American, African and Asian countries, b) Eastern European countries and c) EU countries and the United States[30]. The countries selected cover a significant proportion of the total remittance payments from Spain, during the period considered[31]. The separate estimation by group of countries is in response to the fact that the motivations for sending remittances may differ between immigrants from different geographical areas. In particular, bearing in mind the income differences between Spain and some Latin American, African and Asian countries, the altruistic and contractual motives will conceivably be important when explaining the remittances sent by immigrants from these countries. Conversely, in the case of foreigners from EU countries and the United States, the investment motive may be more important than the altruistic motive.

A summary description follows of the key results of the estimation of different specifications of the immigrants' remittances equation (model 1, model 2, model 3 and model 4).

The following table shows two alternative estimations of the remittances equation for the group of Latin American, African and Asian countries for the 1993-2000 period (model 1). As earlier indicated, the period considered for estimating the model does not run beyond 2000 for two reasons. The first is the raising of the minimum reporting threshold for individual transactions in 2001, and the second the lesser correlation between the Balance of Payments data on remittance debits obtained using the habitual procedure and the characteristics of the immigrant population in Spain as from that year. The second column contains ordinary least squares (OLS) estimations of the remittances equation, including the aforementioned main explanatory variables of remittances.

In general, the OLS estimations present the expected signs with a greater level of significance of the variables related to the altruistic motive. The remittances sent to other countries depend positively on the logarithm of the foreign population stock (lmigrant), on the difference in GDP per

---

29. Other variables considered in the estimations are the inflation rate in the immigrant's country of origin, the female participation rate in the country of origin, the local currency/euro real exchange rate and a political freedom index. While the first three variables proved relatively insignificant, the political freedom index was in fact significant and with a negative sign. This result was different from what was expected. All the indications are that the variable considered is not properly capturing the event it is sought to reflect. Accordingly, and given that the predictive results of the model do not change to any great extent when this variable is included, it is deemed preferable to set out the results of the estimation without including it and to undertake a more detailed analysis of the matter in the future. **30.** Latin America (Argentina, Bolivia, Colombia, Ecuador, Brazil, Mexico, Peru, Dominican Republic and Venezuela), Africa and Asia (Morocco and the Philippines), the United States, the EU 15 (Germany, Portugal, United Kingdom and France) and Eastern Europe (Romania, Poland, Bulgaria and Russia). **31.** Specifically, the remittance debits recorded in the Balance of Payments, those intended for the countries considered in the estimation, account for 73.9% of debits in 1993 and 95% in 2004. As to the percentage accounted for by the population of these countries in the total foreign population stock, Municipal Census figures show that the population of these countries represented 61.4% of the total population in 2003 and 74.4% in 2004.

ESTIMATION MODEL 1, PERIOD 1993-2000 (a) TABLE 6

VARIABLE	OLS	t-ratio	OLS with country effects	t-ratio
lmigrant	0.548	4.52	1.594	9.18
lgdpratio	1.058	3.15	-	-
gdpspain	0.161	2.64	0.136	2.73
gdphome	-0.017	-0.66	-0.033	-1.49
stay	-0.724	-3.15	-	-
intspread	0.000	-0.14	-	-
lcurrency	0.021	0.47	-0.611	-3.44
R2	0.687		0.994	

SOURCE: Banco de España.

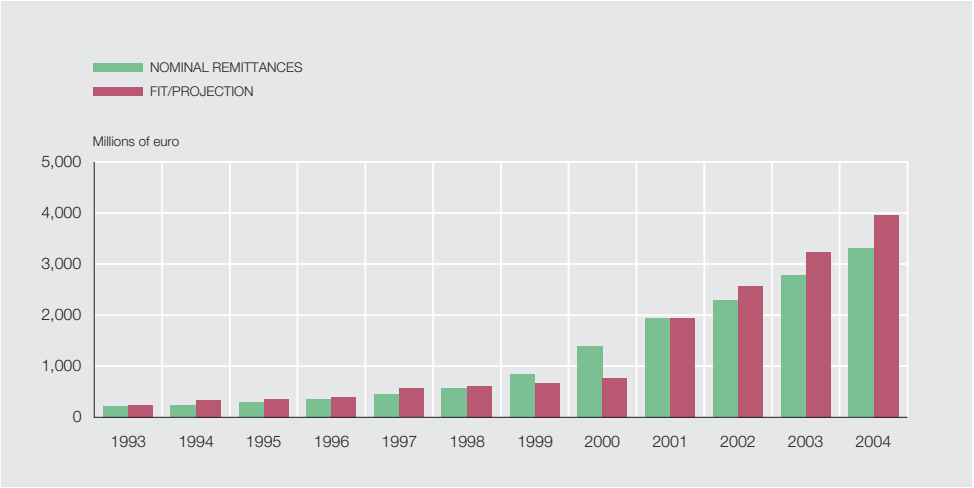
a. The fourth column includes OLS estimates with country effects (0-1 dummy variables for each country) interacting with the logarithm variable of the population stock. The dependent variable is the logarithm of real remittance debits. The variable lmigrant denotes the logarithm of the foreign population stock, the variable lgdpratio denotes the logarithm of the ratio of Spanish per capita GDP to that of the immigrant's home country (with a PPP adjustment), the variables gdpspain and gdphome denote the real growth rates of GDP in Spain and in the immigrant's home country. The variable stay is the average time the immigrant stays in the host country. The variable intspread is the nominal interest rate differential between the home country and Spain, and lcurrency denotes the logarithm of the home-country currency/euro exchange rate. The variable lmigrant in the second column refers to the interaction between the foreign population stock and a 0-1 dummy variable for Ecuador.

capita between Spain and the immigrant's home country (lgdpratio) and on the growth rate of Spanish GDP (gdpspain), albeit with a lower level of significance for the latter. However, there is negative dependence regarding the average stay by the immigrant (stay). The explanatory variables related to remittances responding to the investment motive are not statistically significant.

A problem that may affect the OLS estimation is the assumption that there is no heterogeneity between countries, either in the average of the equation or on the effect of specific explanatory variables on remittances sent. For example, it is assumed that the marginal effect of an increase in the number of immigrants of a specific nationality on remittances sent is the same irrespective of the nationality in question. In practice, it is to be expected that these effects will change significantly from one nationality to another, owing for instance to human capital differences among the immigrants arriving in Spain. To control for this, consideration has been given to an alternative specification which introduces interactions between the logarithm of the foreign population stock and 0-1 dummy variables for each country considered in the estimation[32]. The fourth column of Table 6 shows the results of this estimation[33]. It can be seen that the explanatory power of the equation (measured by the R2 ratio of the model) increases by means of the inclusion of the aforementioned interactions. The remittances sent depend positively on the foreign population stock (lmigrant), on the Spanish GDP growth rate (gdpspain) and, negatively, on the local currency/euro exchange rate (lcurrency). Moreover, the growth rate of GDP in the immigrant's home country[34] (gdphome), which was not previously signifi-

32. For a treatment of the estimation of the panel data models with fixed effects, see Arellano (2003) and Hausman and Taylor (1981). **33.** Table 6 only shows the final specification with the significant variables which will be used subsequently in the forecasting exercise. In practice, other alternative specifications were also considered. An initial specification included 0-1 dummy variables for each country in the remittances equation, although the fit of the model was inferior. A second specification included a lag of the dependent variable in the model. The lag proved significant, capturing part of the effect of the foreign population stock which was also a significant variable. The predictions of this specification did not change appreciably from that which was finally considered. **34.** Some studies mention the possibility of the GDP growth rate in the immigrant's home country being an endogenous variable. A Hausman exogeneity test, which compares the estimation made with an estimation of instrumental variables (using a lag of the GDP growth rate as an instrument), does not reject the hypothesis of exogeneity of this variable. Specifically, the value of the statistical test is 1.09 for a JI-square with 14 degrees of freedom.

FIT AND PROJECTION OF MODELS 1-3 CHART 6



SOURCE: Banco de España. Data prior to the April 2006 revision of remittance debits figures.

cant, is now marginally so. The negative sign of this variable suggests that remittances sent increase when the growth rate of the foreign country is lower. Lastly, the coefficients relating to interactions of the population variable with country effects show some cross-country heterogeneity[35].

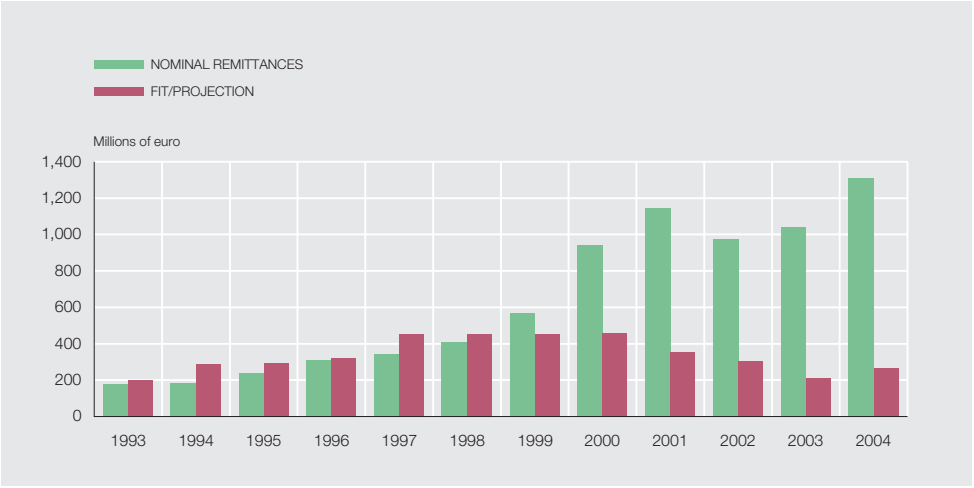
Along these same lines, an estimation (models 2 and 3 included in Annex D) has been made of the remittances equation for the group of countries of the EU and the United States, and for the group of Eastern European countries. In these areas, some of the variables lose their level of significance. In the case of the EU countries and the United States, there is a positive relationship between remittances sent and the interest rate differential between the home country and Spain. This effect might suggest an investment motive in the sending of remittances. In the case of the estimation for Eastern European countries there is a positive relationship between remittances sent and another two variables, the foreign population stock and the interest rate differential, while the variables proxying the altruistic effect did not only not prove significant but had, on occasions, a sign contrary to what the theory predicts. Behind this result might be a greater resort to unofficial channels for sending remittances than in other countries, aided by greater geographical proximity.

Chart 6 compares the Balance of Payments figure for nominal remittances for the three groups of countries considered as a whole, with the fit (for the period 1993-2000) and the projection (for the period 2001-2004) for the remittance debits obtained using the different models estimated by area. The models that finally appeared most suitable for obtaining the projections are those that include interactions of country effects and of the population variable, since they achieve a better fit of the remittances equation in the estimation period. In terms of the projection of the model for the period 2001-2004, the result is an average underestimation of debits of around 10% for this period.

It should be stressed that the coefficients estimated for the explanatory variables of the foregoing model might be affected by the fact that a significant portion of remittances is routed through remittance companies, whose settlement centres are resident in the United States.

35. In particular, the countries with the highest coefficient for the logarithm variable of the population stock (greater elasticity of remittances sent to the foreign population stock) are Mexico (1.094), the Philippines (1.178), Colombia (1.327) and Ecuador (1.594), while those with a lower coefficient (less elasticity of remittances sent to the foreign population stock) are Morocco (0.874), Argentina (0.783) and Bolivia (0.778).

FIT AND PROJECTION OF MODEL 2 CHART 7



SOURCE: Banco de España. Data prior to the April 2006 revision of remittance debits figures.

This flow of remittances, as discussed in section 3, was allocated to the United States as the counterpart country, although its final destination was other countries. The result was a debits figure recorded vis-à-vis the United States that was far higher than the prediction in the model, formulated on the basis of their demographic, economic and financial determinants. This is clearly reflected in Chart 7, which compares the remittances recorded and the projection of remittances in model 2 relating to the EU countries and the United States. As can be seen, the basic result is that the determinants of remittances in the developed countries predict far fewer remittances from Spain in the period 2001-2004.

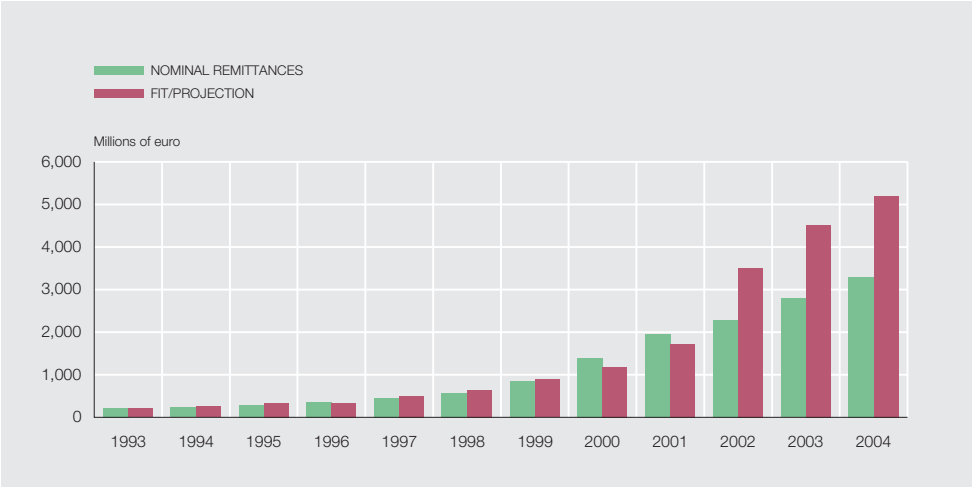
So as to control the effects that the potential overvaluation of remittances to the United States recorded in the Balance of Payments may be introducing into the estimation, an alternative estimation exercise has been conducted. Given the characteristics of immigrants from the United States and their motives for sending remittances, it was considered a reasonable hypothesis that remittance payments to the United States should have followed a similar pattern to that of remittance payments made by residents from EU countries[36]. Thus, it was considered that remittance payments whose final destination was the United States grew, from 1993, at a similar rate to that of remittance payments whose final destination was the EU countries. The difference between remittance payments to the United States recorded in the Balance of Payments and payments calculated in accordance with this criterion was reallocated to the countries with more weight in terms of remittances made through remittance companies[37]. Once the reallocation was made, the models were estimated again for the different groups of countries and projections were calculated for the period 2001-2004 (model 4)[38]. The comparison of the fit/projection of the model and the total remittance recorded in the Balance of Payments is shown below (Chart 8).

An initial conclusion that may be drawn from the estimation of the models entailing reallocation of the figure for remittances sent to the United States is that their fit, in the estimation period

---

36. Another alternative hypothesis involved applying the growth rates of the US foreign population stock to the pattern of remittances. The results would suggest an average underestimation that was somewhat greater in total debits for the period 2001-2004 (approximately 31%). **37.** In this connection, regard is had to the percentage accounted for by each country in transfers made through remittance companies in the period 2002-2003. **38.** Estimates for this model and the group of Latin American, African and Asian countries are included in Table D3 (Annex D).

FIT AND PROJECTION OF MODEL 4 CHART 8



SOURCE: Banco de España. Data prior to the April 2006 revision of remittance debits figures.

1993-2000, improves in relation to the fit of models without any reallocation[39]. Moreover, the projections of remittance debits suggest the existence of an average underestimation of 25% in the figure recorded for debits for the period 2001-2004. Therefore, the underestimation obtained for the model with reallocation of the debits figure to the United States, in the period 2002-2004, is higher than that of the model without reallocation. In order to compare statistically the projections resulting from the estimation of the models with reallocation of the US debits figure and without reallocation, Table 7 shows the 95% confidence intervals for the projections obtained with both models.

As can be seen in the table, the projections obtained from the models with no reallocation of the US debits figure are lower than the projections of the model with reallocation. Nonetheless, in each year a significant portion of the values in the intervals estimated in the first case is within the confidence intervals defined for the model with reallocation[40].

In sum, econometric model 4 reallocates a high proportion of the remittances sent from Spain to the United States according to the Balance of Payments to their final destinations, in accordance with the information provided by currency-exchange bureaux and with the pattern of remittances sent by immigrants from the EU, with similar characteristics to the immigrants whose home country is the United States. And it is this model which has the best fit in the estimation period 1993-2000. The projections obtained with this model for remittance payments sent from Spain in the period 2001-2004 point to an underestimation in the Spanish Balance of Payments data, prior to their revision, of close to 25%.

---

39. As an adjustment measure, the mean of the squared differences can be compared between the values of the adjusted remittance and the recorded remittance using the models estimated for the period 1993-2000. The value of this statistic for the estimation of the models without reallocation of the figure of payments to the United States is 15.076, while the value of the statistic for the estimation of the models with reallocation of the figure of payments to the United States is 4.272. **40.** As an alternative to the reallocation of the figure for remittance debits to the United States in the Balance of Payments, consideration was also given to the possibility of including as explanatory variables in the equation of remittances sent to the United States the foreign population stock of countries that use remittance companies, the average GDP growth rate of those countries and variables relative to the United States. As a result of the estimation, a positive relationship was identified between the remittances sent to the United States and the foreign population stock of the countries that send remittances via that country, with a low level of significance of the other explanatory variables associated with these countries. The model thus estimated suggests the existence of an average underestimation of close to 29% for the period 2001-2004. However, the projection of the figure for remittances sent via the United States for this period (and the projection of total remittances sent) will be biased upwards if the effect of the foreign population stock of the countries considered diminishes over time as the process of integration of this group of immigrants increases.

CONFIDENCE INTERVALS FOR THE PROJECTIONS OF REMITTANCES IN MILLIONS OF EUROS TABLE 7

	Model without reallocation of US figure			Model with reallocation of US figure		
	Lower value	Central value	Upper value	Lower value	Central value	Upper value
2001	1,616.1	1,943.7	2,271.4	1,518.1	1,763.8	1,935.6
2002	1,949.2	2,578.0	3,206.8	2,829.3	3,512.2	4,197.1
2003	2,290.5	3,234.4	4,178.3	3,505.2	4,519.3	5,533.4
2004	2,819.8	3,961.1	5,102.4	3,965.5	5,196.2	6,426.8

SOURCE: Banco de España.

Conclusions

The scale of migrant inflows into Spain in recent years and the evidence that such immigration was not being reflected in all its intensity in the Balance of Payments data has made it necessary to determine the possible biases in the figures included in this statistic, using methods other than the reporting system previously employed to calculate them.

This article describes the limitations to the data estimations of Workers' remittances in the Spanish Balance of Payments when they were estimated using exclusively the information from the ITRS figures. The pattern of remittances in Spain, according to Balance of Payments data, and that of their main determinants highlighted some overstatement of debits and a potential understatement of credits. The notable growth of migrant inflows into Spain in recent years has advised focusing work on the debits under this heading.

Accordingly, an estimation has been made both of the maximum remittances that immigrants resident in Spain might send to their home countries (potential remittances), and of remittances actually sent, bearing in mind the variables which -according to the literature on remittances- determine these flows. To do so, a panel data econometric model was estimated considering different geographical areas, with the aim of taking into account the different characteristics of immigrant groups. The result of this exercise was an average underestimation of remittance debits for the period 2001-2004 of around 25%. This result is consistent with that obtained from the comparison of Spanish Balance of Payments data with other available sources (data on transfers via remittance companies, data on the debits of the counterpart countries, etc.), from which an underestimation of close to 20% was inferred.

On the basis of the results of the exercise described in this article, and coinciding with the annual revision of the Spanish Balance of Payments data which, like every year, was conducted in April in 2006 when the initial data for January of the current year were released, the data on debits under the Workers' remittances heading were revised. In addition to bearing on the data for 2005, which were closed for the first time, this revision affected those relating to the period between 2001 and 2004. The revision has translated into an increase in debits of around 20% in relation to the previous figures. Furthermore, the allocation of these payments to their end-countries has improved, using information provided to the Banco de España by currency-exchange bureaux (remittance companies), which reflect the geographical breakdown of this variable more appropriately. The Balance of Payments department is continuing to work on a similar exercise for remittance credits, which offers evidence on their possible overestimation.

27.7.2006.

REFERENCES

ARELLANO, M. (2003). *Panel Data Econometrics*, Oxford University Press.

BANCO DE ESPAÑA (2003). The Spanish Balance of Payments and International Investment Position.

BANCO DE ESPAÑA (2005a). Quarterly report on the Spanish Economy, *Economic Bulletin*, April.

BOUGHA-HAGBE, J. (2004). "A Theory of Workers' Remittances with an Application to Morocco", *IMF Working Paper* 04, 194.

BRITTON, T., A. HARRISON and A. SWANSON (2004). "Working abroad, the benefits flowing from nationals working in other economies", Report of the OECD Round Table on Sustainable Development.

BROWN, R. (1997). "Estimating Remittances Functions for Pacific Islands Migrants", *World Development*, vol. 25, 4, 613-626.

CHAMI, R., C. FULLENKAMP and S. JAHJAH (2003). "Are Immigrant Remittances Flows a Source of Capital for Development?", *IMF Working Paper*, 03, 189.

CONFEDERACION ESPAÑOLA DE CAJAS DE AHORRO (2002). Estudio sobre las remesas enviadas por los emigrantes latinoamericanos residentes en España a sus países de origen.

EL-SAKKA, M. and R. MCNABB (1999). "The Macroeconomic Determinants of Emigrant Remittances", *World Development*, 27, 1493-1502.

FAINI, R. (1994). "Workers' remittances and the real exchange rate, a quantitative framework", *Journal of Population Economics*, 7, 235-245.

FREUND, C. and N. SPATAFORA (2005). "Remittances: Transaction Costs, Determinants, and the Informal Flows", World Bank, *Policy Research Working Paper*, 3704.

GLYTSOS, N. (1988), "Remittances in Temporary Migration: A Theoretical Model and its Testing with the Greek Experience", *Weltwirtschafliches Archiv*, 124, 524-548.

HAUSMAN, J. and W.E. TAYLOR (1981). "Panel Data and Unobservable Individual Effects", *Econometrica*, 49, 1377-1398.

IMF (2005). "Two Current Issues Facing Developing Countries", *World Economic Outlook*, Chapter 2, 69-107.

LUCAS, R. and O. STARK (1985). "Motivations to Remit: evidence from Botswana", *Journal of Political Economy*, 93, 901-918.

OECD (2005). Factbook. Economic, Environmental and Social Sciences.

OROZCO, M. (2003). "Worker Remittances in an International Scope*", IAD Research Series*, March 2003 (Washington: Inter-American Dialogue).

PURI, S. and T. RITZEMA. (1999). "Migrant Worker Remittances, Micro-Finance, and the Informal Economy: Prospects and Issues", *ILO Working Paper*, 21.

SOLIMANO, A. (2003). "Workers' Remittances to the Andean Region: Mechanisms, Costs and Development Impact", Document prepared for the Multilateral Investment Fund-IDB Conference on Remittances and Development.

STRAUBBAR, T. (1986). "The Determinants of Workers' Remittances: The Case of Turkey", *Weltwirtschafliches Archiv*, 122, 728-740.

WAHBA, S. (1991). "What Determines Workers' Remittances", *Finances and Development*, 28, 4, 41-44.

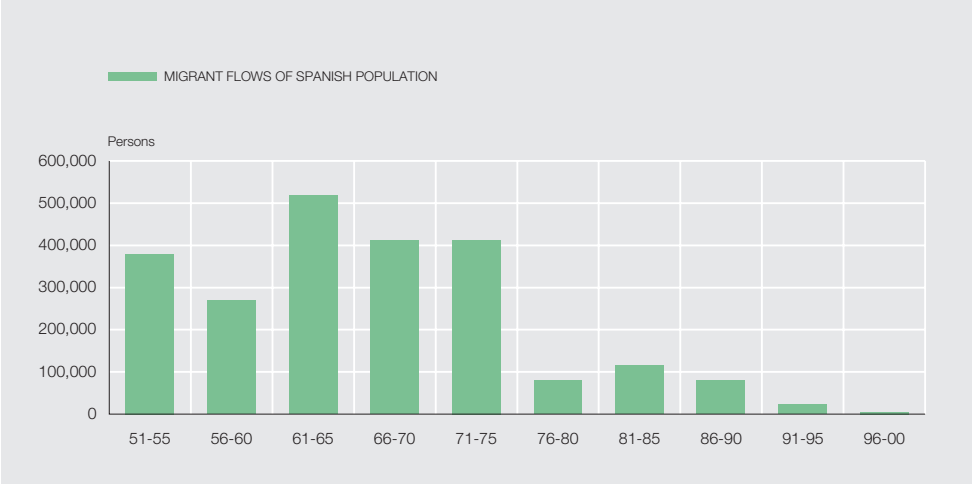
WORLD BANK (2005). "Remittances, Developments Impact and Future Prospects". Munzele and Ratha, editors.

ANNEX A

Alternative indicators of remittance payments

MIGRANT FLOWS OF SPANIARDS ABROAD

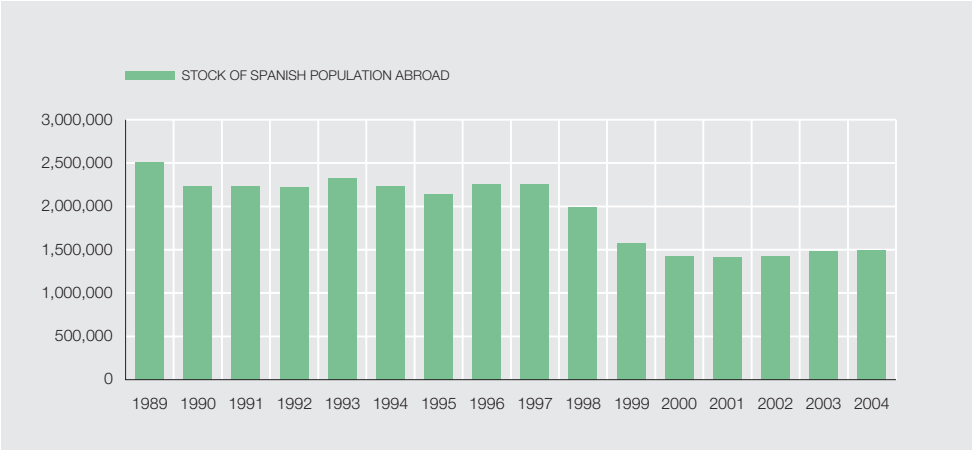
CHART A.1



SOURCE: *Anuario de Migraciones,* Ministerio de Trabajo y Asuntos Sociales.

STOCK OF SPANISH POPULATION ABROAD

CHART A.2



SOURCE: Registration of residents at Spanish Consular Records.

ESTIMATION OF REMITTANCE PAYMENTS IN SPAIN IN 2001 (a) TABLE A.1

Millions of euro

Country	Estimation of payments	Recorded remittances
Total	2,219.4	1,891.7
Colombia	407.9	191.6
Ecuador	598.2	480.7
Morocco	730.9	9.8
Romania	120.0	0.3
Dominican Republic	108.9	17.0
Brazil	73.8	17.1
Bolivia	17.3	12.6
Peru	97.7	44.0
Argentina	55.8	2.0
United States	7.8	1,092.1
Philippines	1.1	24.5

SOURCES: IMF and OECD, Database on Foreign Born and Expatriates, 2005

a. To calculate the estimation of debits, an allocation of credits is made from the Workers' remittances heading of the Balance of Payments of the main recipient countries of funds sent from Spain, using the proportion of emigrants aged over 15 resident in Spain in relation to total residents in OECD countries. It has been assumed in this estimation exercise that all immigrants who send remittances to their home country do so for a similar amount, irrespective of the country in which they currently reside. That is to say, on average, an Ecuadorian immigrant sends to Ecuador the same amount irrespective of whether he resides and works in Germany or in Spain. Furthermore, it should not be forgotten that the different estimation methods and sources of information used by the different countries reduce the comparability of bilateral flows.

GEOGRAPHICAL BREAKDOWN OF TRANSFERS IN 2003: INFORMATION FROM THE BALANCE OF PAYMENTS AND REMITTANCE COMPANIES IN 2003 (a) TABLE A.2

Millions of euro, %

	Rem. Companies	BP	% Rem. Companies	% BP
% of world total	-	-	77.0	94.5
Argentina	42.4	4.0	1.5	0.1
Bolivia	84.1	83.5	3.0	2.9
Brazil	93.6	3.2	3.3	0.1
Colombia	711.6	757.4	25.2	26.2
Ecuador	707.7	650.2	25.1	22.5
Peru	60.5	81.9	2.2	2.8
Dominican Republic	133.0	62.8	4.7	2.2
Philippines	33.5	32.2	1.2	1.1
Morocco	145.5	58.0	5.2	2.0
United States	15.5	993.9	0.6	34.3
Romania	135.7	5.3	4.8	0.2
Bulgaria	10.8	1.4	0.4	0.1

SOURCE: Banco de España. Data prior to the April 2006 revision of remittances debits figures.

a. Absolute figure (milions of euros) and percentage of world total.

ANNEX B
Description of the variables of the econometric model

This annex describes the variables used in the estimation and the data sources from which they are drawn.

1. Nominal remittance payments to the counterpart countries are obtained from the Spanish Balance of Payments for the period 1993-2004.

2. The consumer price index base 1992 used to deflate the variable of nominal remittance payments is obtained from INE (National Statistics Institute).

3. The data on PPP per capita GDP in dollars for Spain and the other countries are obtained from the September 2004 IMF World Economic Outlook database.

4. The growth rates of Spanish GDP and of GDP for the other countries at constant prices are obtained from the September 2004 IMF World Economic Outlook database. Specifically for Spain, the variable is defined as the growth rate of GDP at 1995 constant prices.

5. The exchange rate of the euro and the currencies of the other counterpart countries in relation to the dollar are obtained from the IFS (International Financial Statistics) database. The variable is defined as the annual average of exchange rates for each year of the period considered.

6. The interest rate differential is obtained as the short-term or deposits rate drawn from the IFS database.

7. The immigrant population in Spain variable is obtained by combining the data of the Municipal Census and the DGP figures for foreigners in Spain. For the period 1993-1995, the DGP data are taken. The data for 1996 and 1998 are obtained as averages of the Municipal Census and the DGP figures. For 1997, the 97/98 DGP growth rate is applied to the figure calculated for 1998. For the period 1999-2002, the Municipal Census data are used. There are countries for which the Municipal Census data are not available until 2001 (Ecuador, Colombia and Dominican Republic). In this case, a population figure is constructed by projecting backwards the Municipal Census 2001 population figure, using the growth rates of the DGP figure.

8. The variable of the average stay in Spain of the different groups of immigrants is constructed for different geographical areas using the information from the 2005 EPA (Labour Force Survey).

ANNEX C
Model 1 with a dependent variable defined as Remittances per immigrant

Estimation of the model with a dependent variable defined as the logarithm of remittance payments per immigrant. The following table shows the results of the estimation of a model with country effects in levels for the group of Latin American, African and Asian countries (model 1), including the most significant variables and the coefficients relating to the country effects in levels.

The result of the estimation shows that the remittance per immigrant depends positively on GDP growth in Spain and negatively on the average stay in Spain. The variable GDP growth in the home country has the expected sign but is not significant.

ESTIMATION MODEL 1. DEPENDENT VARIABLE: LOGARITHM OF REMITTANCES PER IMMIGRANT, PERIOD 1993-2000

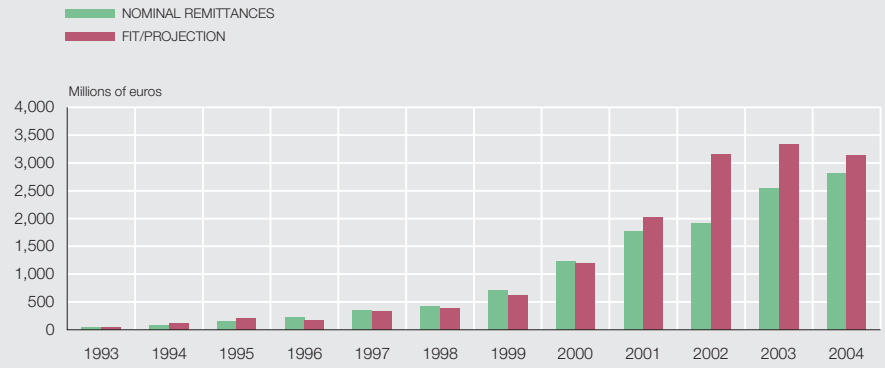
TABLE C.1

VARIABLE	OLS effects in levels	t-ratio
gdpspain	0.276	6.35
gdphome	-0.028	-1.33
stay	-0.485	-2.14
Bolivia	-1.260	-1.30
Argentina	1.092	1.13
Ecuador	1.922	1.99
Philippines	2.095	1.81
Morocco	1.221	1.05
Brazil	1.310	1.35
Mexico	1.102	1.14
Peru	0.772	0.80
Colombia	1.290	1.33
Venezuela	0.476	0.49
Dominican Republic	1.672	1.72
R2	0.717	

SOURCE: Banco de España.

FIT AND PROJECTION OF MODEL 1

CHART C.1



SOURCE: Banco de España.

The following chart compares the recorded remittance for model 1 with the prediction of the model when the reallocation of the US remittance is made. In each case the logarithm of the remittance per immigrant and specific country effects included in the average of the estimated equations is considered as a dependent variable.

The comparison of the recorded remittance and the predicted remittance using the model with reallocation for the period 2001-2004 reveals an average underestimation of approximately 21%.

ANNEX D

Results of the estimation of models 2, 3 and 4

This annex includes tables with estimations relating to model 2 (the United States and countries of the EU area) model 3 (Eastern European countries) and model 4 (with reallocation of the United States remittance payments).

ESTIMATION MODEL 2, PERIOD 1993-2000 (a) TABLE D.1

VARIABLE	OLS	t-ratio	OLS with country effects	t-ratio
lmigrant	-2.319	-5.83	-0.765	-2.52
gdpspain	0.272	2.37	-	
lcurrency	-3.834	-2.63	-	
intspread	-1.640	-2.41	0.080	3.17
R2	0.586		0.999	

SOURCE: Banco de España.

Note: OLS estimation with country effects denotes OLS estimation with individual country effects included in levels for the United States, Germany, Portugal, Italy and United Kingdom.

ESTIMATION MODEL 3, PERIOD 1993-2000 (a) TABLE D.2

VARIABLE	OLS	t-ratio	OLS with country effects	t-ratio
lmigrant	0.406	1.56	0.431	9.23
lgdpratio	-3.541	-3.42	-	
intspread	0.011	2.21	0.007	1.61
lcurrency	0.091	1.54	-	
R2	0.846		0.982	

SOURCE: Banco de España.

Note: OLS estimation with country effects denotes OLS estimation with individual country effects interacting with population for Romania, Bulgaria, Poland and Russia. The coefficient of the variable lmigrant corresponds to the interaction of the population with the variable (0-1) for Russia.

ESTIMATION MODEL 4, GROUP OF LATIN AMERICAN, AFRICAN AND ASIAN COUNTRIES. PERIOD 1993-2000 (a) TABLE D.3

VARIABLE	OLS	t-ratio	OLS with country effects	t-ratio
lmigrant	1.009	9.62	1.496	9.31
lgdpratio	0.365	1.26	-	-
gdpspain	0.267	5.07	0.302	6.55
gdphome	-0.010	-0.45	-0.029	-1.40
stay	-0.318	-1.60	-	-
intspread	0.000	0.00	-	-
lcurrency	0.021	0.52	-0.514	-3.13
R2	0.785		0.996	

SOURCE: Banco de España.

a. The fourth column includes OLS estimates with country effects (0-1 dummy variables for each country) interacting with the logarithm variable of the population stock. The dependent variable is the logarithm of real remittance debits with reallocation of remittance payments to the United States. The variable lmigrant denotes the logarithm of the foreign population stock, the variable lgdpratio denotes the logarithm of the ratio of Spanish per capita GDP to that of the immigrant's home country (with a PPP adjustment), the variables gdpspain and gdphome denote the real growth rates of GDP in Spain and in the immigrant's home country. The variable stay is the average time the immigrant stays in the host country. The variable intspread is the nominal interest rate differential between the home country and Spain, and lcurrency denotes the logarithm of the home-country currency/euro exchange rate. The variable lmigrant in the second column refers to the interaction between the foreign population stock and a 0-1 dummy variable for Ecuador.

House prices in Spain: is the evidence of overvaluation robust?

The authors of this article are Juan Ayuso and Fernando Restoy of the Directorate General Economics, Statistics and Research[1].

Introduction

Since late 1997 house prices in Spain have grown by around 150% in nominal terms. In real terms, the increase has exceeded 100%. Changes on such a scale in a variable that is important for analysing the situation and outlook for any developed economy warrant per se investigating which factors explain these movements.

As a starting point, it should be pointed out that the rises observed in property values in the recent past are not, despite their intensity, a one-off episode in the historical trajectory of our economy. And nor is this the case when they are compared with recent developments in other countries such as the United States, the United Kingdom or Ireland, among others. The rise in house prices in Spain has run in parallel with a series of substantial changes in variables such as interest rates, household income, employment and demographics, to cite a few, whose behaviour influences property values.

Under these conditions it is worthwhile disentangling the causes behind the marked property market boom and, in particular, the extent to which this may be explained by changes in the fundamentals of residential asset prices. Only thus may the future outlook for the market be evaluated in greater depth. Specifically, a distinction should be drawn between three possible alternative hypotheses, with widely different consequences in terms of the most likely future course of property prices and, therefore, of the foreseeable behaviour of the main macroeconomic and financial magnitudes that depend on them.

According to one hypothesis, the growth of house prices would be fully determined by the trend of its long-run fundamentals, such as income, interest rates and demographic variables. Under these conditions, property prices would be in equilibrium and additional changes therein would not be expected unless there were fresh changes in their fundamentals.

Assuming likewise that the changes in house prices have responded to changes in their fundamentals, one possible alternative is that the level reached stands temporarily above its long-run value as a consequence of the existence in this market of specific rigidities that prevent supply from reacting immediately to an expansion in demand. In this case, there would be an excessive response in the short run by prices which, subsequently, would autonomously move onto a trajectory returning them gradually to equilibrium. It is in these circumstances that there may be said to be *overvaluation* in the market and, consequently, a gradual adjustment of prices may be expected even if the fundamentals were to hold stable.

Finally, there is also a theoretical possibility that, irrespective of the changes caused by alterations to their fundamentals, house prices may increase as a result of the firming of expectations about future property price rises. By fuelling speculative demand, such expectations would ultimately be self-fulfilling. In this case, property prices would not only stand above their equilibrium level but would likewise outpace the adjustment path level proper to an overvaluation episode. It is at that point that mention of a *bubble* is warranted and, therefore, when a

---

1. The article is a summary of Documento de Trabajo no. 0609, *House prices and rents in Spain: does the discount factor matter?* by the same authors.

RECENT PAPERS ON HOUSE PRICES IN SPAIN TABLE 1

Paper	Approach	Differerence between observed price and	
		long-run equilibrium price (%)	short-term adjustment price (%)
Balmaseda et al. (2002)	Macro	28	...
Ayuso and Restoy (2003)	Financial	20	2
Martínez-Pagés and Maza (2003)	Macro	8 - 17	0 - 2
IMF (2004)	Macro	20	...
IMF (2005)	Financial	20 - 30	...
OECD (2005)	Financial	13	...
The Economist (2005)	Financial	> 50	...
ECB (2006)	Financial	30	...

SOURCE: Banco de España.

sudden change of expectations prompting an abrupt adjustment may be considered significantly likely.

To compare the likelihood of these three alternative hypotheses requires the use of formal statistical methods[2]. Indeed, papers in the past few years have analysed the recent behaviour of house prices in Spain from different analytical approaches which, essentially, may be grouped into two major blocks. On one hand are the macroeconomic-type models in which, along the lines laid down in Poterba (1984), house prices are approximated as a function of the variables which determine the supply of and demand for housing in a similar fashion to any durable good. On the other are financial-type models in which, as in Case and Schiller (1989), property is modelled as an asset that generates future income flows - in the form of rents or accommodation services - and whose equilibrium price may be derived through conventional valuation techniques under non-arbitrage conditions[3].

In both cases, however, the emphasis has traditionally been placed (as Table 1 shows) on evaluating the discrepancy between observed house prices and their theoretical long-run equilibrium prices. Indeed, the studies cited coincide in identifying a positive difference between both variables at the end of the sample used. However, only in certain cases has an attempt been made to compare real data with a level that would be consistent with a gradual adjustment path towards equilibrium. As seen, this latter comparison is crucial for being able to distinguish between overvaluation and bubble situations. In this latter group is the paper by Ayuso and Restoy (2003) which, using a very specific and stylised valuation model, offered evidence in favour of the overvaluation hypothesis.

This article extends the Ayuso and Restoy (2003) paper in two directions. First, it considers a reasonably broad set of asset valuation models, allowing the robustness of the results to be tested against more flexible approaches to the problem. Further, it studies the stability of the conclusions obtained when tax considerations, which were absent from the original paper, are brought into the analysis.

The following section briefly summarises the main characteristics of the financial approach and the results in Ayuso and Restoy (2003). The third section then tests the robustness of these results when alternative asset valuation models are estimated. The fourth section stud-

2. See Restoy (2006) for an explanation of the limitations of descriptive as opposed to quantitative approaches. **3.** See Ayuso, Martínez Pagés, Maza and Restoy (2004) for a more detailed explanation of both types of approach to the empirical analysis of house price behaviour.

ies the sensitivity of the models to tax considerations. Finally, the main conclusions are drawn.

The approach and the results in Ayuso and Restoy (2003)

Ayuso and Restoy (2003) use as a starting point an (intertemporal and stochastic) financial asset pricing model formulated on the behaviour of households that decide on their consumption of goods and their demand for accommodation services on the basis of the prices of such goods and services and of their income. Housing is one component among others in households' asset portfolio and, as such, provides returns in the form of rents received or accommodation services enjoyed. Insofar as individuals may obtain accommodation services through renting a house, the rental price should be equal, in equilibrium, to that of the services.

The financial asset pricing model formulated enables an equilibrium equation to be obtained for the ratio of the house price to the rental price (a ratio which plays, in this case, the same role as the PER for shares), which depends positively on expected rents and negatively on a temporary discount factor, which varies in terms of the envisaged behaviour of a consumption basket (featuring both consumer goods and accommodation services) and of a series of parameters[4]. The estimation of this equilibrium equation takes into account, moreover, the possibility that the observed and equilibrium prices may differ temporarily as a result of the existence of specific rigidities that prevent adjustments in this market from taking place immediately.

Chart 1 summarises the main findings of the paper. More specifically, it shows three series relating to the house prices/rents ratio: the observed ratio, the (estimated) long-run equilibrium ratio and the (estimated) ratio consistent with a dynamic but not immediate market adjustment towards a situation of equilibrium. Comparison of the first two ratios reveals that, at end-2004, the observed ratio stood around 30% above its reference value[5] (see left-hand panel of the chart). However, the distance between that ratio and the ratio relating to the adjustment path was at that same date scarcely 2% (see right-hand panel of the chart). It may be concluded from the joint consideration of these two results that, of the three possible situations discussed in the introduction, the model identifies the overvaluation hypothesis as that which best fits the data available.

How the results change when alternative discount factors are considered

The valuation model used in Ayuso and Restoy (2003) resides on a series of assumptions which, at least potentially, may prove restrictive in certain contexts. Under these conditions it is worthwhile asking whether the relaxing of some of these assumptions substantially affects the conclusions obtained. This section therefore considers alternative asset pricing models based on less demanding assumptions, it estimates the related long-run equilibrium and adjustment equations, and it compares the results obtained with one another and with those of the original paper.

Specifically, the intertemporal equilibrium conditions of the model in Ayuso and Restoy (2003) are replaced by the (weaker) condition of absence of arbitrage opportunities. This allows various discount factors to be specified for future rents in terms of the return on alternative financial assets. In particular, three possible reference portfolios are considered: the IBEX 35 index,

---

4. Those interested can find details of the model in the original paper summarised in this section. **5.** Note that this approach does not allow it to be ascertained whether the overvaluation of the ratio is mainly from an overvaluation of housing or from an undervaluation of rents, whereby it is reasonable to assume that it provides a higher level for the former. Moreover, it should be pointed out that in the original paper the sample ended in 2003 Q2 and provided an overvaluation level of around 20%.

(Ln) HOUSE PRICES/RENTS

CHART 1

SOURCE: Ayuso and Restoy (2006)

a public debt index compiled by the Banco de España[6] and the aggregate financial portfolio of households. We thus cover a reasonable spectrum ranging from a pure equity portfolio to a fixed-income portfolio, with an (observed) combination of both between. In addition, we include a constant discount factor in the analysis.

The different estimates were made on the basis of a quarterly data sample covering the period 1987 Q1-2004 Q4, the lengthiest period for which it is possible to obtain a sufficiently homogenous house price series in Spain, bearing in mind the different methodological changes in recent years in the compilation of this statistic.

The first result worth mentioning is that, of the four new valuation models considered, the only one to be rejected by the data is that which imposes a constant discount factor. This implies that the historical mean of the price/rents ratio is a poor guide for assessing the current market situation and, therefore, it reinforces the need to estimate more complex models. The fact that there is more than one such model compatible with the data shows, moreover, the notable difficulties there are in accurately quantifying, using the techniques available, the equilibrium value of any financial or, as in this case, non-financial asset.

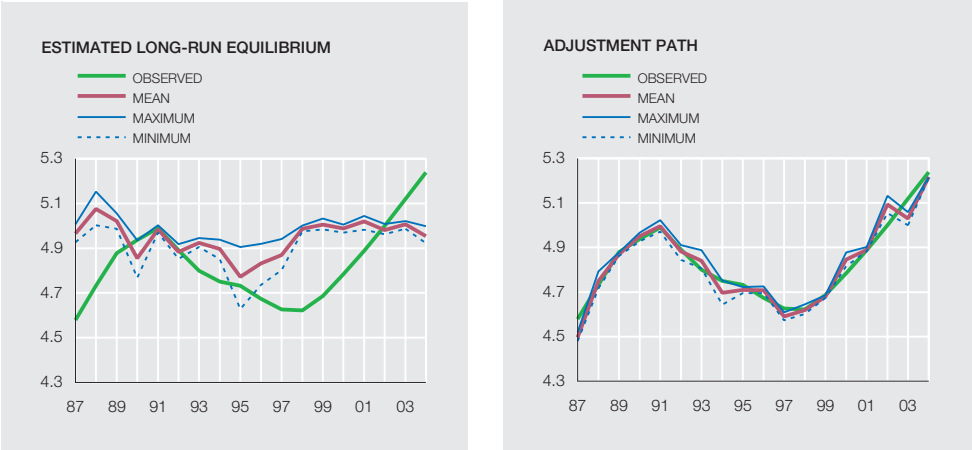
In order to assess to what extent the different models provide more or less homogenous results, the left-hand panel of Chart 2 shows the levels of the maximum, minimum and mean equilibrium price/rents ratios that are derived from the comparison of the results of the four alternative valuation models: those derived from the use of the three reference portfolios plus that used in Ayuso and Restoy (2003).

As can be seen, the mean equilibrium ratio shows a growing trend from the mid-90s, which was followed by a strong increase in the observed ratio. The latter tended, initially, to draw both ratios closer and, therefore, to restore a situation of equilibrium. However, its continuity ultimately placed the observed data approximately 29% above its estimated long-run equilibrium value. As might be expected, the minimum and maximum ratios determine a fairly wide "plausibility zone" which shows, as indicated, the difficulties inherent in any asset valuation exercise such as that tackled here. As a result, the difference between the observed value and the estimates available lies in a range from 24% to 32%.

---

6. See Banco de España (1991).

(Ln) HOUSE PRICES/RENTS CHART 2



SOURCE: Ayuso and Restoy (2006).

The right-hand panel of Chart 2 likewise shows the estimated mean, minimum and maximum ratios corresponding to the adjustment paths. In this case, the three series are much closer together and, therefore, the consideration of alternative models does not appear to question the conclusion that deviations from the equilibrium value are in step with those that would be expected in the light of the adjustment patterns exhibited by prices in this market in other episodes.

In sum, these results do not support the equilibrium or bubble hypothesis. On the contrary, they tend to reinforce the initial conclusion that the Spanish property market situation (at end-2004) was characterised by an overvaluation of housing compatible, therefore, with a gradual absorption of the discrepancy encountered between observed prices and those explained by their long-term fundamentals.

The influence of tax

In the formulation and subsequent estimation of the models discussed in the previous section, no explicit consideration has been given to the different taxes that have a bearing on the ratio of house prices to rents. The notable heterogeneity in the tax treatment of individual agents is a virtually insurmountable obstacle to an accurate analysis of the influence of taxation on equilibrium prices in this market.

However, a recent paper by García Vaquero and Martínez Pagés (2006) provided an estimate of what we might call the "net total tax" on housing that different standard Spanish households incur, defined on the basis of characteristics such as property ownership or rental status, among others. Drawing on this information, it is possible to redefine the equations derived from the different models considered so as to incorporate this total net tax and thus analyse its influence on the ratios estimated, under different assumptions. As explained in detail in the working paper summarised here, this process allows modified valuation rules to be obtained in which a new term emerges that depends directly on the tax wedge introduced by the taxation arrangements for house and rental prices.

This new term, however, is not statistically significant in any of the four models considered. Moreover, when the effects (while not being significant) of the total net tax on the calculation of the estimated equilibrium and adjustment ratios are included, the changes in the ratios are minimal: the observed prices ratio continues to hold (on average for the four models) at 28% above the first ratio, and it is 2% greater than the second.

Accordingly, the taxation of housing, even though it has probably affected the mean ratio of house prices to rents, does not appear to have exerted an appreciable influence on the latest expansionary behaviour of this ratio. Consequently, it does not seem likely either that the explicit non-consideration of taxes influences the conclusion whereby, of the three possible situations discussed in the introduction, the estimated models suggest that the most plausible is that of an overvaluation of housing.

Conclusions

Analysing the property market is a complex exercise that has to address the limitations of the quantitative techniques currently in use, against the background of the shortage of statistics on relevant variables and the scant length and uniformity of the price time series for these assets. Consequently, as seen in this and other related papers, we cannot reasonably aspire to evaluate accurately the extent to which the property inflation observed in recent years is due to the marked changes our economy has undergone. Accordingly, forecasts of the future course of house prices are inevitably prone to a high degree of uncertainty.

Nonetheless, it seems reasonable to attempt to set limits on this uncertainty through the adoption of a pragmatic methodological approach that consists of identifying common features in the results obtained from the application of alternative formal frameworks. The analyses available may, therefore, be a useful guide for evaluating the general market situation which, in turn, may enable future scenarios that prove more likely to be identified. In this respect, the article shows at least three conclusions that appear to offer an appreciable degree of robustness. First, the marked increase in house prices since the late 90s involves, in part, the correction of the prevailing undervaluation of this asset in the period immediately before. Second, econometric analyses support the hypothesis of an overvaluation of property in recent years that is compatible with the habitual adjustment path of a market subject to notable rigidities preventing the immediate response of supply to changes in demand. Third, the evidence available does not support the hypothesis that the recent market boom is due to widespread speculative behaviour or to the favourable tax treatment of owner-occupied housing.

On the basis of the foregoing, the most likely future scenario is one of a gradual absorption of the overvaluation existing in this market. The likelihood of this scenario, however, is not independent of the degree of persistence of unusually high house price growth rates, since these may ultimately take root in expectations and encourage speculative behaviour. Admittedly, the methodological change to the official statistics does not, so far, allow for a rigorous extension of the valuation exercises conducted beyond 2004 Q4. But the slowdown observed since then appears, in any event, to be consistent with a gradual move in property values towards levels more compatible with their long-run fundamentals.

16.6.2006.

REFERENCES

AYUSO, J., J. MARTÍNEZ PAGÉS, L. Á. MAZA and F. RESTOY (2004). «El precio de la vivienda en España», Boletín Económico, September, Banco de España, pp. 65-71.

AYUSO, J., and F. RESTOY (2003). House prices and rents: an equilibrium asset pricing approach, Documentos de Trabajo, No. 0304, Banco de España. Forthcoming in Journal of Empirical Finance.

— (2006). House prices and rents in Spain: does the discount factor matter?, Documentos de Trabajo, No. 0609, Banco de España.

BALMASEDA, M., I. SAN MARTÍN and M. SEBASTIÁN (2002). «Una aproximación cuantitativa a la "burbuja" inmobiliaria», Situación Inmobiliaria, December, BBVA, pp. 22-28.

BANCO DE ESPAÑA (1991). «A return index for a government debt portfolio», Economic Bulletin, July, Banco de España, pp. 47-62.

CASE, K., and R. SHILLER (1989). «The efficiency of the market for single-family homes», American Economic Review, 79, pp. 125-137.

EUROPEAN CENTRAL BANK (2006). «Assessing house price developments in the euro area», ECB Monthly Bulletin, February, pp. 55-70.

GARCÍA-VAQUERO, V., and J. MARTÍNEZ PAGÉS (2006). La fiscalidad de la vivienda en España, Documentos Ocasionales, No. 0506, Banco de España.
IMF (2004). World Economic Outlook, September.
— (2005). Spain: 2004 Article IV Consultation, IMF Country Report No. 05/56.
MARTÍNEZ PAGÉS, J., and L. Á. MAZA (2003). Análisis del precio de la vivienda en España, Documentos de Trabajo, No. 0307, Banco de España.
OECD (2005). Economic Outlook, 78.
POTERBA, J. (1984). «Tax subsidies to owner-occupied housing: an asset market approach», Quarterly Journal of Economics, 99, pp. 729-752.
RESTOY, F. (2006). «El mercado de la vivienda: realidades e incertidumbres», Economistas, No. 108 (España 2005. Un balance).
THE ECONOMIST (2005). «In come the waves», The Economist, 16 June 2005.

MACROECONOMIC DIVERGENCES BETWEEN EURO AREA COUNTRIES: SIZE, CAUSES AND IMPLICATIONS

Macroeconomic divergences between euro area countries: size, causes and implications

The authors of this article are Ana Buisán and Fernando Restoy of the Directorate General Economics, Statistics and Research[1].

Introduction

In recent years, economic activity in the euro area has grown at a modest rate: average growth between 2001 and 2005 was barely 1.4%, only just over half the rate recorded in the United States during the same period. However, this scant buoyancy of activity was not common to all Member States. Some countries, such as Greece, Spain and, in particular, Ireland, grew at well above the average rate for the area as a whole, while in other countries, such as Germany, Portugal and Italy, growth was very slack. These differences have led to some debate regarding the impact of the single monetary policy on discrepancies in the tempo of economic activity in the various euro area countries and on the difficulties that this heterogeneity may pose for the conduct of monetary policy by the ECB. This debate bears some relation to the discussions of the 1980s and early 1990s regarding the importance of the loss of stabilising economic policy instruments for the member countries of a monetary union.

This article attempts to analyse this problem using the evidence available on the size and origin of cross-country economic divergences within the euro area. In particular, the contribution of the absence of national monetary and exchange rate policies to the dispersion of growth and inflation rates is assessed and its normative implications are considered. Thus, Section two describes the degree of similarity between the behaviour of the national business cycles. Section three explores the differences in the degree of exposure to the various types of shock and in their transmission mechanisms within each national economy. Section four examines the influence of the monetary union on the observed discrepancies. Finally, Section five sets out the main conclusions.

The size of the divergences

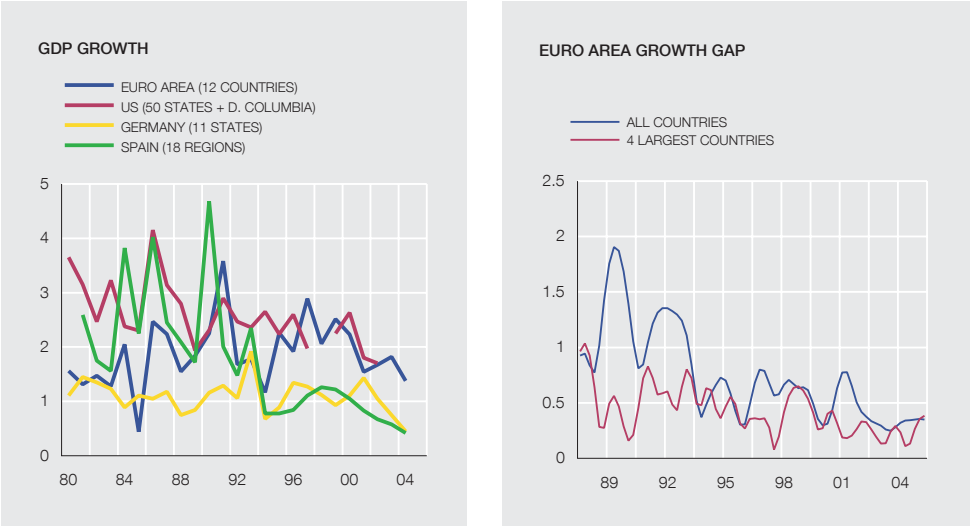
A simple way of illustrating the size of the macroeconomic discrepancies is to analyse the dispersion of key variables. Chart 1 presents the standard deviation of the GDP growth of the 12 countries of the area and of the 4 largest ones and compares it with similar statistics obtained for other monetary unions. The chart shows that the degree of dispersion of activity across euro area countries is currently lower that at the beginning of the 1990s. In addition, this dispersion is only moderately higher than that existing between the regions of Spain and between the German states and, most notably, it is not systematically higher than in the United States.

The estimated dispersion of the GDP growth rates may stem from both trend and cyclical factors. From the viewpoint of the conduct of monetary policy, to the extent that the trend elements of GDP, associated with low frequency structural developments, are less relevant, it is desirable to examine conveniently filtered measures of economic activity. For this purpose, Chart 1 also shows the dispersion of the output gaps of the 12 euro area countries and of the 4 largest ones. These dispersions are seen to be much smaller currently than in the 1990s, although the progress is concentrated in the years prior to the introduction of the euro in 1999. In fact, since then the divergence indicator has remained relatively stable, which may have frustrated certain expectations that the euro area would rapidly increase the cyclical synchronicity of the Member States. However, the relative stability of the cyclical divergences since the

---

1. The article is a summary of the Occasional Paper No. 0504 by the same authors entitled *Cross-country macroeconomic heterogeneity in EMU* prepared for the ECB Central Banking Seminar held in Frankfurt on 13 July 2005.

DISPERSION OF GDP GROWTH AND GROWTH GAP (a) CHART 1



SOURCES: ECB and Banco de España.

a. Unweighted standard deviation

creation of the euro area at relatively low levels has dispelled fears that the lesser availability of domestic stabilisation instruments might tend to exacerbate the discrepancies and so prejudice the exercise of the common monetary policy.

To analyse the degree of co-movement between the business cycle fluctuations in the Member States in greater detail, Chart 2 shows the correlation between each country's cycle and that of the euro area. With the exception of Finland, this correlation is generally very high (around 80%) which, in principle, may appear consistent with the existence of a common European cycle, as some authors have maintained [Artis et al. (1997) and Mansour (2003)]. However, the results of Camacho, Pérez-Quirós and Sáiz (2004), which formally reject the hypothesis of the existence of a common cycle, would appear to be more realistic, although they do identify notable similarities in the business cycles of the Member States. Moreover, It is inferred from the same analysis that the monetary and exchange rate policies implemented in each country are not among the factors that explain the cyclical leads and lags.

What causes the divergences?

Macroeconomic divergences are typically a result of the differing degree of exposure of national economies to a certain type of shock or of uneven transmission of these shocks to the economy as a whole, as a consequence of the idiosyncrasy of macroeconomic adjustment mechanisms. The relevance of these two types of factor needs to be analysed separately.

EXPOSURE TO SHOCKS

Following the literature on economic integration, four main types of shock should be highlighted. These relate to external demand, oil prices, sectoral developments and asset prices.

The sensitivity of the economy of the euro area and of that of each of its Member States to a change in world trade depends largely on their degree of openness, as measured by their trade with the rest of the world relative to their domestic economic activity. Chart 3 shows that there is a significant dispersion in exports and imports, vis-à-vis the rest of the world, as a percentage of GDP, which indicates that the responses of national economies to developments in the external environment of the euro area are likely to differ. In particular, Greece, Portugal, Spain, Italy and France display a below average exposure, while that of Germany,

FLUCTUATION OF THE GROWTH GAP

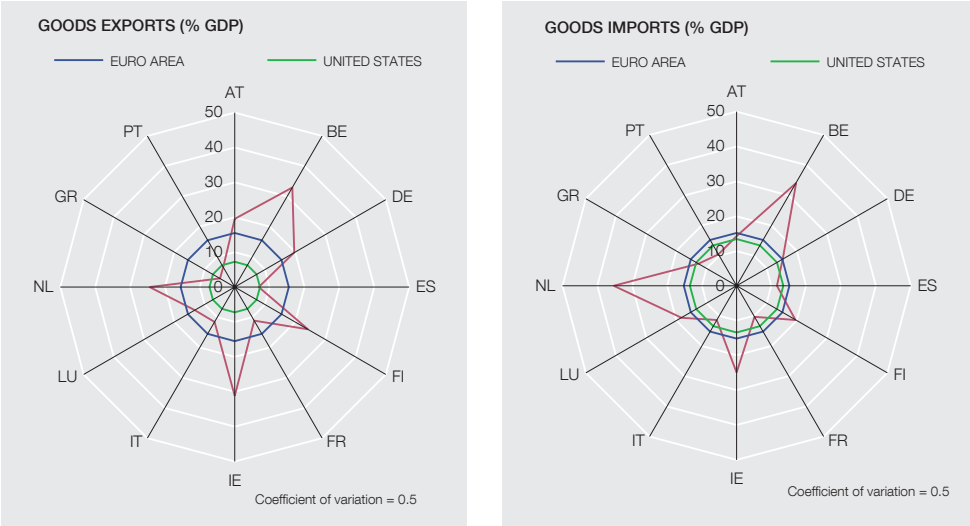
CHART 2

SOURCE: Banco de España.

Belgium, Finland, Ireland and the Netherlands is above average. Cabrero, Chuliá and Millaruelo (2004) analyse this phenomenon in depth and find that the differences also extend to the composition of exports by product and geographical area.

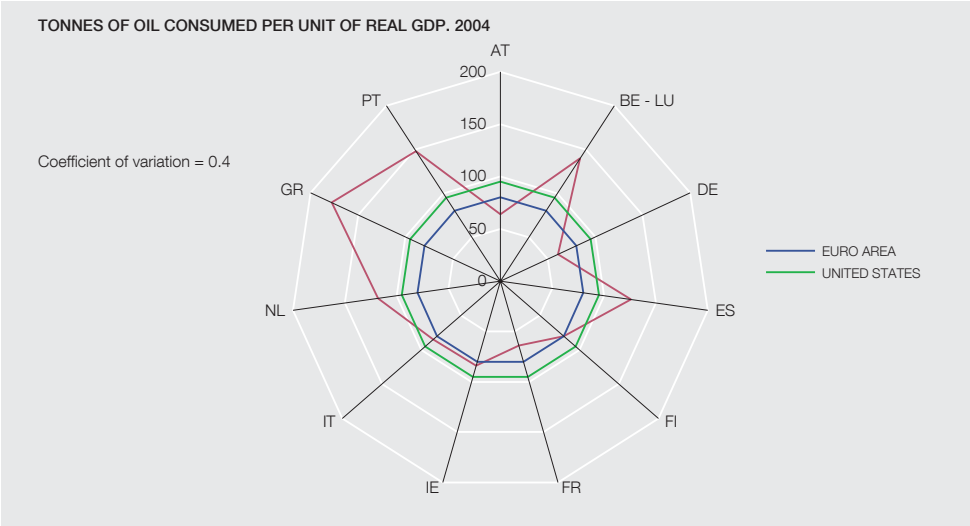
The exposure of each country to oil prices is likely to be strongly correlated with the intensity of oil use in production. Chart 4 shows that this measure is similar in the three largest countries, but that the oil dependency ratios of Greece, Portugal and Belgium and, to a lesser extent, Spain are significantly higher than average.

EXTRA-EURO AREA TRADE (2005) CHART 3



SOURCES: Eutostat and US Census Bureau.

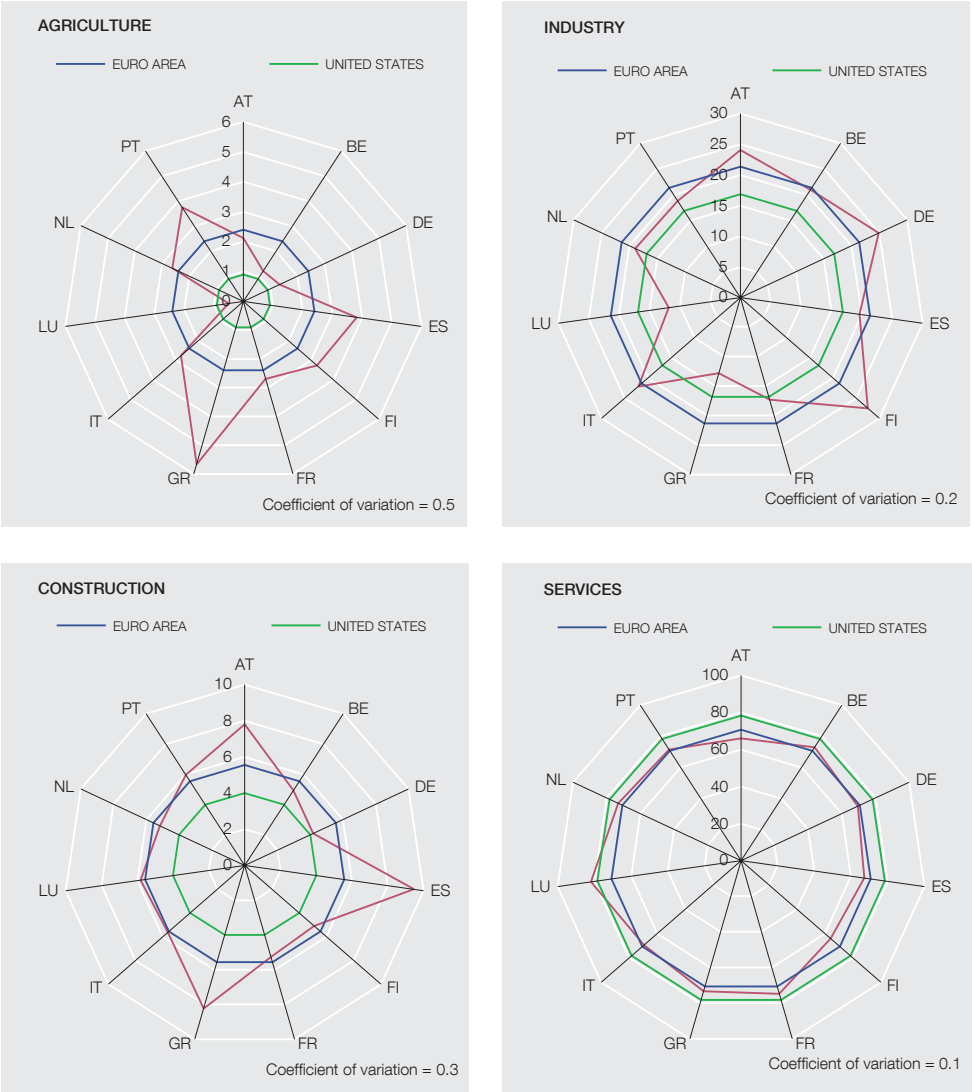
EXPOSURE TO OIL PRICES CHART 4



SOURCES: British Petroleum, European Commission and IMF.

To assess the differences in the exposure of each country to sectoral shocks, Chart 5 shows the composition of the productive structures according to the distribution of the value added of each national economy between the four largest sectors and Chart 6 according to the degree of technological intensity of industrial production. Chart 5 suggests that the exposure of euro area countries to sectoral shocks is not very different. Services represent a similar share of GDP (close to 70%) in all of them, which is less than the 80% level they almost reach in the United States; industrial activity accounts for around 20% in most of the Member States; the share of agriculture is very low, accounting for 1% to 5%, while construction ranges from 4% to 8%, which is higher than in the United States in both cases. In terms of technological intensity of industrial production there are more marked discrepancies, although in most countries there is a relatively diversified structure, in which the percentage of high-technology industries is lower in almost all the member countries than in the United States. Thus, the exposure to sectoral shocks does not generally seem to be an especially significant source of macroeconomic discrepancies.

COMPOSITION OF VALUE ADDED (2004) CHART 5



SOURCES: Eurostat and OECD.

Finally, to try to assess the sensitivity of the euro area countries to changes in asset prices, Chart 7 shows the weight of market instruments in household assets and in the liabilities of non-financial corporations. A high degree of intermediation of financial flows is seen in all countries. In fact, non-negotiable instruments represent more than 30% of the financial assets of households in all countries except Italy and the Netherlands, where they still exceed the proportion in the United States. Loans, meanwhile, typically make up between 30% and 40% of the liabilities of non-financial corporations in euro area countries, as against 17% in the United States. The exposure to changes in house prices is probably somewhat more variable than that to financial asset prices. As seen in Table 1, although residential investment as a percentage of GDP is not far from the euro area average in most countries, the ratio of owner-occupied to total housing varies significantly, which probably means a different sensitivity of investment and consumption decisions to changes in property values.

Accordingly, from a purely descriptive perspective, like that of this section, there do not seem to be significant discrepancies in the exposure of the countries to sectoral shocks and to financial asset prices. However, with regard to the impact of developments in the external environment, the disparities seem larger.

CHARACTERISTICS OF THE PRODUCTIVE STRUCTURE (2002) (a)

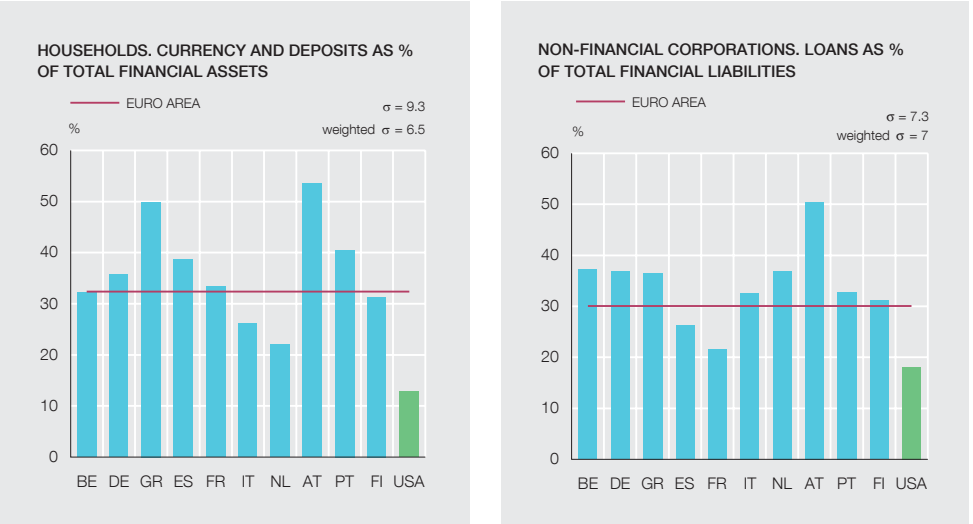
CHART 6

SOURCES: SBSplus of Eurostat and Banco de España.

a. The data for Ireland are for 2001.

FINNANCIAL ACCOUNTS. 2004

CHART 7



SOURCES: Eurostat and Federal Reserve.

HOUSING INVESTMENT IN THE EU

TABLE 1

	Weight of housing investment in GDP	Percentage of owner-occupied housing
	2004	2002
Euro area	5.9	60.0
Belgium	4.1	69.8
Germany	6.6	42.6
Greece	5.4	74.0
Spain	7.3	84.3
France	5.1	56.1
Ireland	7.3	77.4
Italy	5.8	72.8
Luxembourg	2.9	71.8
Netherlands	5.9	54.2
Austria	4.6	57.3
Portugal	6.2	75.7
Finland	5.1	58.0
United States	4.5	68.3

SOURCES: Eurostat and US Census Bureau.

TRANSMISSION MECHANISMS

A second source of cyclical discrepancies between the Member States arises from possible differences in their economies' mechanisms of adjustment to different types of shock. Although the Monetary Transmission Mechanism (MTM) is possibly the most relevant from the point of view of a central bank, it is also worth reviewing the available evidence on the functioning of labour and product markets, since these are essential to determine the way in which the relevant developments in the international or domestic arena ultimately affect activity and prices.

Starting with monetary policy transmission, according to a recent exercise carried out in the Eurosystem [see van Els, Locarno, Morgan and Villetelle (2001) and Berben, Locarno, Morgan and Vallés (2004)], the overall response of GDP and prices to an interest rate movement is relatively similar in all the euro area countries, perhaps with the exception of Finland and Austria (see Chart 8). However, the relative importance of the different transmission channels, such as the substitution effect, the cost-of-capital channel and the exchange-rate channel, varies notably. These discrepancies are found to result from various features of a structural nature. For example the degree of labour-market protection seems to be positively correlated with the size of the substitution channel and, naturally, the degree of openness with that of the exchange-rate channel.

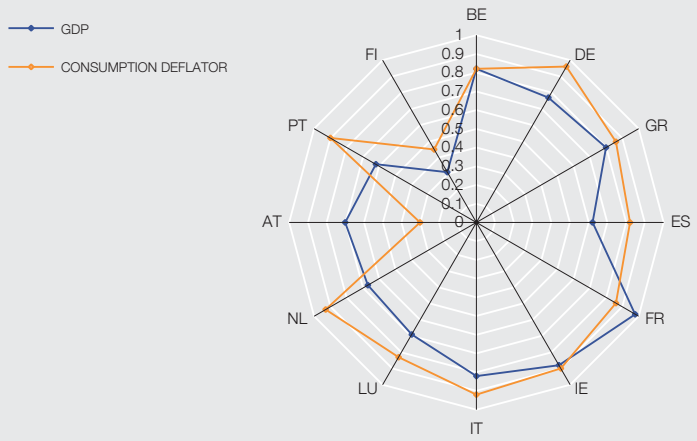
However, it is the differences in financial structures that go furthest in explaining the dispersion of the various effects of interest rate changes. The results of the network of Eurosystem transmission mechanism researchers [summarised in Angeloni, Kashyap, Mojon and Terlizzesse (2002)], show that the importance of transmission channels that operate through the balance sheet positions of banks, households and corporations is high in some countries (like Italy, France, Germany and Belgium), while it seems to be much less relevant in others (such as Finland, Spain and Luxembourg). This suggests that the way in which the effect of interest rates on economic activity depends on the financial situation of agents varies significantly from country to country.

The evidence recently provided by the OECD[2], set out in Table 2, enables the differences in each economy's wealth effects to be calibrated. The table shows the marginal propen-

2. See P. Catte, N. Girouard, R. Price and C. André (2004).

MONETARY POLICY SIMULATION CHART 8

EFFECT ON GDP AND PRICES: CORRELATION BETWEEN COUNTRIES AND EURO AREA



SOURCE: Berben R.-P. Berben, A. Locarno, J. Morgan and J. Valles (2004).

sity to consume out of financial and housing wealth for various developed countries. These propensities are generally higher in the United States, the United Kingdom and Canada than in the euro area countries, where they are low and relatively similar, except in the Netherlands. In this country, the real effects of wealth changes are very pronounced on account of households' large holdings of financial assets and of the widespread use, unlike in other Member States, of mortgage equity withdrawal to finance private consumption.

As regards the functioning of product markets, Chart 9 summarises the relative position of the euro area countries according to a qualitative indicator of the scope of regulation constructed by the OECD[3]. As can be seen, the degree of market flexibility in most euro area countries in 2003 was around the OECD average, being less than in the Anglo-Saxon countries and higher than in other European countries outside the euro area. This information can be completed with evidence available on the degree of price flexibility in the various countries, based on the results obtained recently by a network of Eurosystem researchers[4]. The frequency of price changes in the euro area countries was found to range from 13% to 23% per month, well below the level in the United States. The sectoral pattern of frequency of price changes is also similar across the Member States, the services sector being the most rigid sector and the energy sector the most flexible.

The degree of heterogeneity in the labour market appears to be greater however. Chart 10 shows, as a synthetic indicator of labour market efficiency, the cyclically adjusted employment rate, also calculated by Brandt, Burniaux and Duval (2005). According to this standard indicator, almost all the euro area countries had rates below the OECD average, although the range was relatively wide, extending from 55% in Italy to 75% in the Netherlands. For its part, the evidence available on the degree of wage rigidity also shows significant heterogeneity within the euro area, in the case of both nominal and real flexibility indicators[5].

Accordingly, a significant part of the economies' mechanisms of adjustment to different types of shock seems to be relatively homogeneous, as shown by the analysis available on the

3. See N. Brandt, J. M. Burniaux and R. Duval (2005). **4.** The results can be seen in E. Dhyne, L. J. Álvarez et al. (2005). **5.** See Dickens et al. (2005).

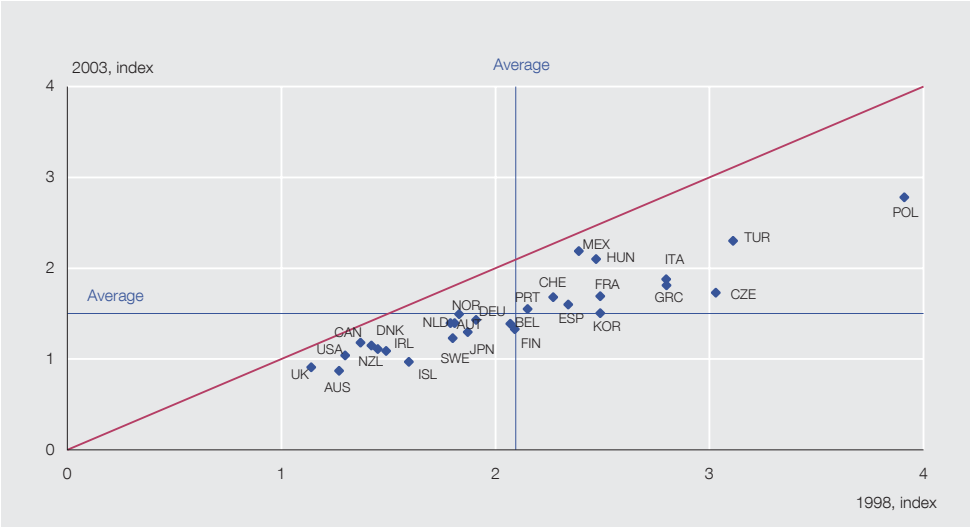
SHORT- AND LONG-TERM IMPACT OF HOUSING AND FINANCIAL WEALTH ON CONSUMPTION TABLE 2

ESTIMATION OF MARGINAL PROPENSITIES TO CONSUME OUT OF HOUSING AND FINANCIAL WEALTH

	Short-term		Long-term	
	Housing	Financial	Housing	Financial
Germany	…	0.01	…	0.02
France	…	…	…	0.02
Italy	…	0.01	0.01	0.01
Spain	0.01	…	0.02	0.02
Netherlands	0.02	…	0.08	0.06
United States	…	0.02	0.05	0.03
Japan	0.01	…	0.01	0.07
United Kingdom	0.08	0.03	0.07	0.04
Canada	0.03	0.03	0.06	0.04
Australia	0.02	…	0.07	0.03

SOURCE: OECD.

CHANGES IN MARKET REGULATION, 1998 - 2003 CHART 9



SOURCE: Brandt N., J.M. Burniaux and R. Duval (2005).

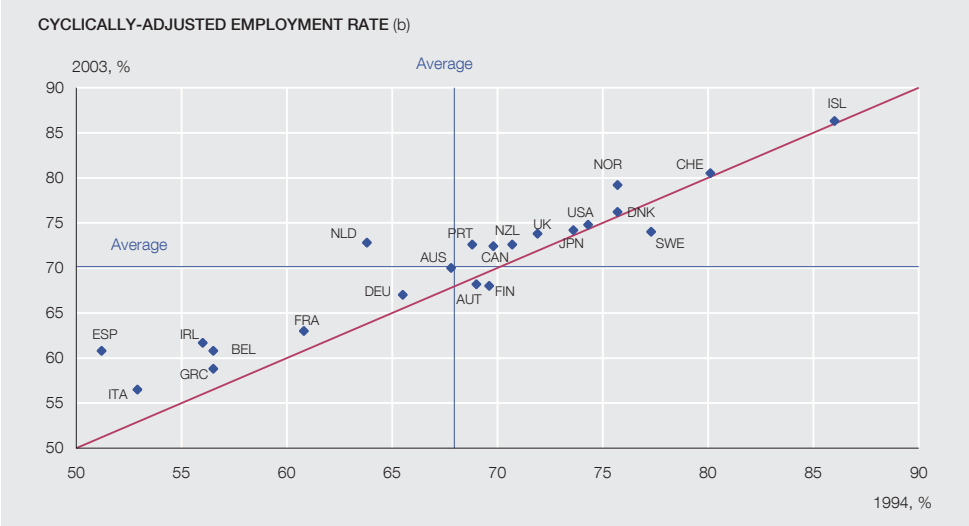
similarity of the real effects of changes in interest rates and wealth, the comparative studies of product market efficiency and the evidence on price rigidity. There are, however, certain differences arising mainly from the uneven relative importance of monetary transmission channels, which is attributable to the diversity of financial structures and to other idiosyncratic institutional features, and from the functioning of the labour market.

The relevance of monetary policy

In order to draw normative conclusions from the analysis of macroeconomic divergences in the euro area, it is necessary to study not only their size and source, but the extent to which the absence of domestic monetary stabilisation instruments contributes to reducing the stability of the national economies. For this purpose, two simple exercises have been carried out to see the effects of common and idiosyncratic shocks on the dynamics of the national economies using a conventional macro-econometric model, namely NIGEM[6].

6. The National Institute Global Macroeconomic Model, built by the London National Institute of Economic and Social Research.

EMPLOYMENT AND PARTICIPATION IN OECD COUNTRIES, 1994-2003 (a) CHART 10



SOURCE: Brandt N., J.M. Burniaux and R. Duval (2005).

a. The data for Ireland and Luxembourg are for 2002.
b. Estimated using Hodrick-Prescott filter.

The first exercise examines whether, given a common shock, the application of national monetary policies might have reduced the dispersion of GDP and inflation. For this purpose, three shocks are considered, namely increases in oil prices, in external demand and in government consumption in all countries. The effects on GDP and on the consumption deflator are obtained for the euro area countries for each shock, under two different monetary regimes: i) each country has autonomy to set interest rates in accordance with a rule defined in terms of domestic variables and bilateral exchange rates are endogenously determined on the basis of an interest-rate parity condition, and ii) monetary union, in which the exchange rates are irrevocably fixed and interest rates are determined for the area as a whole in accordance with a single rule defined in terms of aggregate variables. These simulations enable the dispersion of the GDP and inflation effects under an autonomous policy regime and under a monetary union to be compared (see Table 3).

The results show that under both regimes the dispersion generated by common shocks is moderate, except in the case of the oil price increase. The heterogeneity in the response to this shock seems attributable both to the different degree of energy dependence and, above all, to differences in the functioning of national labour markets, which generate discrepancies in the behaviour of employment and wages that eventually affect activity and prices. These results are in line with those obtained by, among others, Giannone and Reichlin (2005), Angeloni and Ehrmann (2004) and López-Salido, Restoy and Vallés (2005) on the relatively small importance of common shocks as a factor explaining the persistent differences in growth and inflation across euro area countries.

The simulations also show that the absence of monetary and exchange rate policy has an ambiguous effect on the dispersion of the macroeconomic variables considered. The domestic rules help to moderate the discrepancies in the behaviour of GDP in the face of an oil price and external demand shock, but not in that of an aggregate demand shock. On the other hand, the behaviour of prices is, in all cases, more heterogeneous under the policy autonomy regime than under the monetary union. The reason lies in the behaviour of the bilateral exchange rate, which in the model displays fluctuations that do not always help to stabilise GDP

EFFECTS OF DIFFERENT SHOCKS ON DISPERSION TABLE 3

COEFFICIENTS OF VARIATION (CVs) (a)

	GDP		Private consumption deflator	
	MONETARY UNION	AUTONOMY	MONETARY UNION	AUTONOMY
CURRENT SHOCKS				
Increase in oil prices				
Unweighted CV	-0.90	-0.58	0.41	0.50
Weighted CV	-0.67	-0.44	0.52	0.61
Increase in external demand				
Unweighted CV	0.27	0.21	0.57	0.61
Weighted CV	0.21	0.15	0.60	0.67
Increase in government consumption in all euro area countries				
Unweighted CV	0.33	0.37	0.46	0.57
Weighted CV	0.39	0.43	0.53	0.65

SOURCE: Banco de España.

a. Unweighted and weighted coefficients of variation of the percentage deviation from baseline after three years for the five largest euro area countries.

and generally tend to increase price variability. It should be noted that this is a very simplified exercise that depends on the specification of the particular model used. Indeed, it is likely that monetary policy rules could be designed that would help stabilise the economy more than the simple Taylor rule incorporated in NIGEM. In any case, the exercise illustrates (in line with other results in the academic literature) that EMU is unlikely to contribute to a significant reduction in the stability of national economies when they face common shocks.

The second exercise focuses on the analysis of the effects of specific shocks on particular economies. The impact on GDP and prices of an increase in government consumption in a large country (Germany) and in a medium-sized one (Spain) is compared under the two monetary policy regimes considered in the first exercise: policy autonomy and monetary union. As seen in Table 4, the differences in GDP and in interest rates between the baseline scenario and the scenario incorporating the specific shock are moderate in Germany under both regimes, and relatively large in Spain. The effects on inflation are small in both countries, since the exchange rate movements tend to offset the effect of demand on prices. In any case, the results suggest that, in a monetary union, certain idiosyncratic shocks can be expected to involve a significantly higher variability of economic conditions than would be observed with monetary policy under domestic control.

Conclusions

Using the statistical information available, recent literature and some simulations, this article has illustrated some empirical regularities in the discrepancies across euro area countries. Specifically, it has been noted that the euro area countries display some significant discrepancies in terms of economic developments, exposure to shocks and adjustment mechanisms. However, these prove to be compatible with a disparity in national growth rates that is not systematically greater than that observed across states within the United States and with a very high cross-country correlation in the cyclical component of GDP, despite the structural differences between the Member States. Also, the evidence suggests that the existing cyclical disparities appear to be more a consequence of asymmetric shocks than of differences between the mechanisms that propagate common shocks. Finally, although EMU seems to have had a modest impact on the response of the national economies to common shocks, it may have had a greater influence on their capacity to absorb their own idiosyncratic shocks.

EFFECTS OF AN IDIOSYNCRATIC DEMAND SHOCK (a) TABLE 4

PERCENTAGE DEVIATION FROM BASELINE AFTER THREE YEARS

	GDP		Private consumption deflator		Short-term interest rates	
SHOCK	MONETARY UNION	AUTONOMY	MONETARY UNION	AUTONOMY	MONETARY UNION	AUTONOMY
1% OF GDP INCREASE IN GOVERNMENT CONSUMPTION IN GERMANY						
Effect on:						
Germany	**0.23**	**0.09**	**0.22**	**0.21**	**0.12**	**0.19**
France	-0.01	0.01	0.02	0.00	0.12	0.01
Italy	0.02	0.01	0.05	0.03	0.12	0.03
Spain	0.01	0.02	0.03	0.02	0.12	0.03
Euro area (b)	0.09	0.04	0.10	0.09	0.12	0.08
1% OF GDP INCREASE IN GOVERNMENT CONSUMPTION IN SPAIN						
Effect on:						
Germany	**0.01**	**0.00**	**0.02**	**0.02**	**0.08**	**0.01**
France	0.01	0.00	0.01	0.00	0.08	0.01
Italy	0.02	0.00	0.02	0.02	0.08	0.02
Spain	0.66	0.35	0.27	0.30	0.08	0.45
Euro area (b)	0.09	0.04	0.05	0.05	0.08	0.06

SOURCE: Banco de España.

a. a. A backward-looking exchange rate determination rule is used. For example, in the case of Germany, the rule is: log(gerx(t)) = log(gerx(t–1)) + 0,25* log ((100+ger3m (t–1)) / (100+usr3m(t-1))), where gerx is the exchange rate expressed in units of national currency per US dollar, ger3m is the three-month interest rate in Germany and usr3m is the three-month interest rate in the US.
b. GDP-weighted average of the five largest euro area countries.

Thus, progress towards greater cyclical synchronicity of the euro-area economies seems to be a desirable objective more than an indispensable requirement for the proper functioning of EMU. In any case, given the evidence on the source of the discrepancies, any increase in the degree of similarity of developments in the national economies will not stem so much from increases in the homogeneity of structures or adjustment mechanisms, but from the achievement of sufficient flexibility in each to enable the destabilising effects of specific shocks to be minimised. EMU does not therefore alter the objectives of any reforming agenda which, irrespective of the monetary regime in force, attempts to improve the general efficiency of the economy. The inability to control interest rates and the exchange rate merely increases the priority that should be given to removing the obstacles that prevent flexible price and wage adjustment and the swift reallocation of resources between firms and sectors.

20.7.2006.

REFERENCES

ANGELONI, I., and M. EHRMANN (2004). *Euro area inflation differentials,* ECB Working Paper No 388.

ANGELONI, I., A. KASHYAP, B. MOJON and D. TERLIZZESE (2002). *Monetary transmission in the euro area: where do we stand?,* ECB Working Paper No 114.

ARTIS, M., Z. KONTOLEMIS and D. OSBORN (1997). "Classical business cycles for G-7 and European countries", *Journal of Business,* 70, pp. 249-279.

BERBEN, R.-P., A. LOCARNO, J. MORGAN and J. VALLÉS (2004). *Cross-country Differences in Monetary Policy Transmission*, ECB Working Paper No 400.

BRANDT, N., J. M. BURNIAUX and R. DUVAL (2005). *Assessing the OECD jobs strategy: past developments and reforms,* OECD Working Paper No 429.

CABRERO, A., C. CHULIÁ, and A. MILLARUELO (2004). *An assessment of macroeconomic divergences in the euro area,* Banco de España Occasional Paper No 0304.

CAMACHO M., G. PÉREZ-QUIRÓS and L. SÁIZ (2004). *Are European business cycles close enough to be just one?,* Banco de España Working Paper No 0408.

CATTE, P., N. GIROUARD, R. PRICE and C. ANDRÉ (2004). *Housing markets, wealth and the business cycle,* OECD Working Paper No 394.

DICKENS, W. T., L. GOETTE, E. L. GROSHEN, S. HOLDEN, J. MESSINA, M. E. SCHWEITZER, J. TURUNEN and M. WARD (2005). "The interaction of labor markets and inflation: analysis of micro data from the international wage flexibility project", *Journal of Economic Perspectives,* forthcoming.

DHYNE, E., L. J. ÁLVAREZ, H. LE BIHAN, G. VERONESE, D. DIAS, J. HOFFMANN, N. JONKER, P. LÜNNEMANN, F. RUMLER and J. VILMUNEN (2005). *Price setting in the euro area: Some stylized facts from Individual Consumer Price Data,* National Bank of Belgium Working Paper No 74.

ELS, P. VAN, A. LOCARNO, J. MORGAN and J.-P. VILLETELLE (2001). *Monetary policy transmission in the euro area: what do aggregate and national structural models tell us?,* ECB Working Paper No 94.

GIANNONE, D., and L. REICHLIN (2005). "Trends and cycles in the Euro area: how much heterogeneity and should we worry about it?", paper presented to the conference *What effects is EMU having on the Euro area and its member countries?,* Frankfurt, June, pp. 16 and 17. http://www.ecb.int/events/pdf/conferences/emu/sessionII_Reichlin_Paper.pdf.

LÓPEZ-SALIDO, D., F. RESTOY and J. VALLÉS (2005). "Inflation differentials in EMU: the Spanish case", *El futuro de la Unión Europea Ampliada, Moneda y Crédito,* 220, pp. 55-103.

MANSOUR, J. (2003). "Do national business cycles have an international origin?", *Empirical Economics,* 28, pp. 223-247.

Financial regulation: 2006 Q2

Introduction

In 2006 Q2 there were few new financial provisions relative to the preceding period. Firstly, the definition of Eurosystem reserves was amended and the threshold below which no remuneration is offered on overnight credit balances held as a cash/investment service was removed.

In the area of private securities markets, the regulations were implemented for collective investment institutions (hereafter CIIs) authorised for unrestricted investment (hedge funds) and for the funds of hedge funds, as were those for their management companies and those for custodian entities. Further, the adaptation of Spanish legislation on the activities and supervision of institutions for occupational retirement provision to Community regulations was finalised.

The period also saw the regulatory implementation of the legal regime for the prevention of money laundering, along with the prior declaration of movements of means of payments in this area.

In the Community domain three directives were promulgated, two of which are revised texts of earlier directives. The first consolidates the directives promulgated since 2000 on the taking up and pursuit of the business of credit institutions. The second does likewise with the directives promulgated since 1993 on the capital adequacy of investment firms and credit institutions. Finally, the third text harmonises (albeit not completely) legal auditing requirements for annual accounts and consolidated accounts in the European Union.

In the tax area, regarding income obtained without a permanent establishment in respect of non-residents' income tax, a special procedure has been established accrediting the residence of certain non-resident shareholders and unit-holders, and the reporting obligations of these agents vis-à-vis the Spanish tax authorities have been regulated.

Finally, Spanish regulations have been adapted to the Community legislation on public limited companies. In particular, so as to enhance financial transparency, it has been decreed that listed companies may not draw up abridged annual accounts.

European Central Bank: provision of reserve management services by the Eurosystem

The Guideline of the European Central Bank (ECB/2006/4) of 7 April 2006 (OJEU of 20 April) on the Eurosystem's provision of reserve management services in euro to central banks and countries located outside the euro area and to international organisations has been published, in order to reflect the changes in the definition of reserves and the removal of the threshold below which no remuneration is offered on overnight credit balances held as a cash/investment service. This instrument derogates the Guideline of the European Central Bank (ECB/2004/13) of 1 July 2004[1].

As to the changes in the definition of reserves, now included in addition to the previous assets are all those exclusively held in order to meet pension and related obligations of the customer vis-à-vis its former or existing staff; dedicated accounts opened with the Eurosystem member by a customer for public debt rescheduling purposes within the framework of international agreements; and such other categories of euro-denominated assets as decided by the Governing Council.

Finally, the Guideline seeks to ensure that, inter alia, the Eurosystem's reserve management services are provided under uniform conditions, that the ECB is sufficiently informed of the services and that common minimum requirements are set in agreements with customers.

---

1. Guideline ECB/2004/13 set a threshold of €100,000 below which no remuneration was offered, which is now removed.

The Guideline came into force on 12 April and application thereof began effective 1 July.

Collective investment institutions authorised for unrestricted investment (hedge funds)

Law 35/2003 of 4 November 2003[2], regulatorily implemented by Royal Decree 1309/2005 of 4 November 2005[3], substantially reformed collective investment in Spain. The reform pursued three fundamental principles: to make the operating framework for CIIs more flexible, to step up investor safeguards and to improve the official intervention regime. Regarding the first principle, the investment objectives or specialities of CIIs were extended, these undertakings comprising, inter alia, CIIs authorised for unrestricted investment, commonly known as hedge funds or alternative management funds, characterised by sizable freedom in their investment policies and greater flexibility in compliance with reporting and liquidity requirements, and the funds of hedge funds, which enabled access by minority investors to hedge funds.

Ministerial Order EHA/1199/2006 of 25 April 2006 (Official State Gazette of 26 April) implemented the provisions of the Regulation of Law 35/2003 on hedge funds and on funds of hedge funds, empowering the CNMV to regulate the more technical aspects of the regulation of hedge funds. Availing itself of this provision, the CNMV published Circular CCNMV 1/2006 of 3 May 2006 (Official State Gazette of 17 May) on hedge funds, which regulates the arrangements applicable to these institutions as well as to their management companies and custodians. The key aspects of both instruments are as follows.

INVESTMENT REGIME AND DEBT POLICY

The Order and the Circular address the investment regime and debt policy of hedge funds, clarifying the elements eligible for calculating the indebtedness limit. The Regulation stipulated that the indebtedness limit could not be more than five times the net asset value of the fund. It is now stipulated that, for the purposes of complying with this limit, hedge funds shall perform the calculation bearing in mind all the funds received in cash by it, without considering assets sold under repurchase agreement, financing received via simultaneous transactions or financing received on the sale of borrowed securities.

As to funds of hedge funds, the assets in which the compulsory ratio of 60% of net asset value can be invested include, inter alia, the following: hedge funds established in Spain and CIIs domiciled in OECD member countries or whose management has been entrusted to a management company or entity that engages in similar functions to those of the management company or with analogous accountability demands, subject to supervision with its domicile in an OECD country. Significantly, they are allowed to invest in so-called separate accounts or managed accounts, these being understood as those structures that replicate the investment portfolio of a hedge fund.

REALISABLE VALUE OF SHARES AND UNITS

The Order establishes the general criteria for calculating the realisable value of the shares and units of both institutions. The basic valuation principles and general criteria established for "financial" CIIs shall be applied. The aim of these criteria will be to reflect the value at which the assets of a third party who had no special relationship with the CII and who was appropriately informed at the time of the valuation could reasonably be liquidated.

Specific aspects of the right to reimbursement and of the regime for estimated realisable values are also implemented. In this respect, a hedge fund shall be entitled not to grant a reimbursement right at all the realisable value calculation dates, provided this is expressly indicated in its prospectus. In any event, the right to reimbursement shall observe the minimum periodicity laid down in the Regulation[4]. As regards the regime of estimated realisable values, irrespec-

---

2. See "Financial regulation: 2003 Q4", *Economic Bulletin,* January 2004, Banco de España, pp. 84-87. **3.** See "Financial regulation: 2005 Q4", *Economic Bulletin,* January 2006, Banco de España, pp. 112-116. **4.** The minimum periodicity is quarterly, although in some cases it may be half-yearly, if the investments envisaged so require it.

tive of the periodicity of its calculation, the unit-holders or shareholders of the hedge fund or the fund of hedge funds may receive from the management company, as often as the latter deems advisable, and as stipulated in the prospectus, preliminary or tentative estimates of the realisable value calculated by the management company on the basis of its estimates of commission, expenses and results of the asset portfolio, and which shall not be applicable to the liquidation of subscriptions and reimbursements.

CONDITIONS OF ACCESS TO THE ACTIVITY OF MANAGEMENT COMPANIES AND SOLVENCY THEREOF

Broadly speaking, a new category of management company dedicated exclusively to hedge funds has not been created; however, special requirements - including additional equity – are demanded of management companies intending to engage in the management of new CIIs. In this respect, these companies shall have a programme of activities that explicitly covers the management of hedge funds, funds of hedge funds or both, along with a description of internal control measures, detailing their organisational structure, the specific technical and human means at their disposal, and a general description of the specific controls and procedures applicable in the management of this type of fund. Likewise, there shall be a description of the controls over the activity of institutions to which functions are delegated, and of the activity of the institutions with which financial guarantee agreements are entered into.

To better cover any future operational risks, the equity demanded of management companies subject to this Circular shall be the sum of that generally required under the Regulations of the Law on CIIs plus 4% of the gross fee revenue obtained in respect of the management of the CIIs regulated thereunder. The equity requirements thus calculated shall be determined taking the average of the last three years.

RISK CONTROL AND MEASUREMENT SYSTEMS

It is established that management companies shall have risk measurement and control systems suited to the specific investment strategies to be pursued. These systems are entrusted with measuring current and potential exposure to risk, especially, in the case of hedge funds, if they engage in leveraging operations or operations involving unlisted shares, illiquid financial instruments or derivatives whose valuation is complex, or short sales.

The Circular indicates that, periodically, the management companies of hedge funds shall conduct stress tests and tests simulating specific crisis scenarios in order to analyse the potential effects on the portfolios of the funds being managed and on the management of liquidity. As to the management companies of funds of hedge funds, they shall have mechanisms for the control of the liquidity of underlying investments, so that reimbursements can be met in time and in proper form.

The selection of the underlying funds by the management companies of funds of hedge funds is also regulated, with certain control functions being granted to the depository, within the margins with which current legislation defines the attendant powers. In this respect, the management companies shall include as part of their internal control procedures the qualitative, quantitative and operational procedures on which they base the evaluation and analysis of investments for the institutions they manage. These criteria shall have been agreed with the depository and shall have been approved by Board of Directors of the management company and by a sufficiently authorised person from the depository.

REGIME FOR ASSETS PLEDGED BY HEDGE FUNDS

Relations between the management companies and the financial intermediaries that provide financing and other services (known as prime brokers) to hedge funds have been regulated, it being considered necessary to reinforce the depository's supervisory and control functions. Thus, when a hedge fund, or its management company, arranges a financial pledge agreement with a third party whereunder ownership of the asset delivered as collateral is transferred to the latter, or the asset is pledged with a right of disposition in favour of the pledgee, this

circumstance shall be reported to the depository. Contracts entailing financial pledge agreements shall include clauses providing for and allowing supervision by the CNMV, particularly as regards financing and securities lending operations.

The Circular stipulates that the management company, or the entity - if any - to which it has delegated the related administrative functions, and the depository shall receive from the entity with which it has entered into a financial pledge agreement regular information on the assets subject to the pledge and the amount of the guaranteed financial obligations. The agreement shall regulate the procedure for the reconciliation of any differences in terms of valuation or of positions that should arise.

PROSPECTUSES

In respect of prospectuses and regular information, similar rules applicable to ordinary CIIs are established, but investors are required to sign a written statement of consent, attesting to their knowledge of the particularities of hedge funds and their differences from ordinary CIIs. These particularities include most notably the fact that the prospectus features the following aspects: information on the general policy of guarantees extended by the institution, the possibility that their beneficiaries may dispose of the assets pledged, maximum market value of the guarantees liable to be re-used in respect of the fund's obligations and minimum financial solvency of these beneficiaries. Further, hedge funds shall offer information about the level of indebtedness and about additional leverage owing to repurchase agreements, simultaneous financing, financing through securities lending and derivatives transactions.

The Order came into force on 27 April 2006 and the Circular on 4 May 2006, except for the obligatory information that the management companies of hedge funds must file with the CNMV, which will be required as from 1 October 2006.

Institutions for occupational retirement provision: adaptation to Community regulations

Directive 2003/41/EC of the European Parliament and of the Council of 3 June 2003 on the activities and supervision of institutions for occupational retirement provision was the first step towards a single market in corporate provision for the retirement of employees organised on a European scale. The Directive responds to the need to establish a Community legal framework allowing institutions for occupational retirement provision to benefit from the advantages of the internal market.

Under Spanish legislation, institutions for occupational retirement provision were governed by the consolidated text of the Law regulating pension schemes and funds, approved by Royal Legislative Decree 1/2002 of 29 November 2002[5]; by the Regulation on pension schemes and funds approved by Royal Decree 304/2004 of 20 February 2004[6]; and by other complementary rules. These regulations covered the contractual, financial and organisational aspects of the pension schemes and funds system, along with the prudential and administrative supervision rules. In general, the regulations were adapted to the prudential and supervisory provisions of Directive 2003/41/EC, and they offered a series of detailed rules on conditions of entry to operate for pension funds domiciled in Spain and their management companies, following the prudential criteria of the Directive.

Recently, Law 11/2006 of 16 May 2006 (Official State Gazette of 17 May) was enacted, adapting Spanish legislation to the regime of cross-border activities regulated in Directive 2003/41/EC of the European Parliament and of the Council of 3 June 2003 on the activities and supervision of institutions for occupational retirement provision. This Law introduces specific amendments in Royal Legislative Decree 1/2002 to adapt Spanish domestic legislation to the aforementioned Directive in those areas where such adaptation had not hitherto taken place.

---

5. See "Financial regulation: 2002 Q4", *Economic Bulletin,* January 2003, Banco de España, pp. 107-108. **6.** See "Financial regulation: 2004 Q1", *Economic Bulletin,* April 2004, Banco de España, pp. 97-98.

The Law adds a new section to Royal Legislative Decree 1/2002, providing for the administrative supervision of relations between pension funds and their management companies, and other companies or institutions to which they have transferred their functions, and which have a bearing on their financial position or of importance for their effective supervision.

As regards the regime of cross-border activities of institutions for occupational retirement provision, Directive 2003/41/EC obliged Member States to allow such institutions whose registered office is in their territories to form part of pension schemes promoted or sponsored by companies located in other Member States, while companies established within their territories could sponsor pension schemes that were integrated into other Member States' institutions for occupational retirement provision. To this end, the Directive provided for co-operation between the home Member State (where the institution has its registered office) and the host Member State (whose social and labour legislation on occupational pension arrangements is applicable to the relationship between the sponsoring undertaking and the employees).

To date, Spanish regulations on pension schemes and funds had not regulated the cross-border activity of institutions for occupational retirement provision. Accordingly, the Law transposes to Spanish legislation the provisions relating to cross-border activity. To this end, a new Chapter has been added to Royal Decree 1/2002, comprising three sections: general provisions, the activity of Spanish institutions for occupational retirement provision in other Member States (development of schemes of companies established in other Member States), and the activity in Spain of other Member States' institutions for occupational retirement provision (development of schemes of companies established in Spain).

Finally, mention should be made of the activity in Spain of other Member States' institutions. Here, the Law provides for the integration into other Member States' institutions of occupational pension schemes subject to Spanish regulations, regulating the conditions of entry into other Member States' institutions, the functioning of schemes and their supervision, the compliance with Spanish legislation applicable to the scheme, and social and labour legislation.

Capital movements and prevention of money laundering

Law 19/2003 of 4 July 2003[7], on the legal regime governing capital movements and cross-border transactions and on specific measures for the prevention of money laundering, made a series of amendments to Law 19/1993 of 28 December 1993[8] aimed at adapting our legal regime for the prevention of money laundering to the provisions of Directive 2001/97/EC of the European Parliament and of the Council of 4 December 2001. As part of this adaptation, certain provisions of the Law required, for their full effectiveness, the appropriate amendment of the Regulation contained in Royal Decree 925/1995 of 9 June 1995, by means of the promulgation of Royal Decree 54/2005 of 21 January 2005.

Under the terms provided for in the Regulation, the related regulatory implementation of the prior declaration of capital movements has been by means of Ministerial Order EHA/143/2006 of 3 May 2006 (Official State Gazette of 13 May 2006), regulating the declaration of capital movements within the scope of the prevention of money laundering.

The main change here is the raising of the amounts subject to declaration, which are set at €10,000 (previously €6,000) for crossing the border, inwards or outwards, and at €100,000 (previously €80,500) for movement within national territory.

---

7. See "Financial regulation: 2003 Q3", *Economic Bulletin,* October 2003, Banco de España, pp. 95-96. **8.** See "Regulación financiera: cuarto trimestre de 1993", *Boletín Económico,* January 1994, Banco de España, pp. 78 and 79.

The declaration form (included as an annex to the Order) is also regulated. There will be a single form which must be carried and shown to the authorities so they can verify compliance with the obligation to declare. Generally, the possibility of presenting the declaration through telematic means is acceptable if the person declaring has the appropriate recognised electronic signature. If the recognised electronic signature is not used, the regulations allow – in certain cases and with all due caution – registered credit institutions to receive the declarations presented by their customers.

A ceiling of €1,000 is set for a minimum survival amount, which may be agreed by the acting authority bearing in mind the particular circumstances of the case, such as the need to continue the journey or the lack of any other means of subsistence.

The information provided to travellers is also regulated so as to prevent, as far as possible, interventions as a result of mere ignorance or unawareness of those concerned.

The regulations further indicate the obligation of subject persons[9] to include in the monthly or systematic communication to the Commission for the Prevention of Money Laundering and Monetary Offences all those transactions entailing capital movements subject to an obligatory declaration. This provision shall be understood without prejudice to the remaining obligations in respect of prevention and co-operation. Accordingly, in the event of signs or certainty of money laundering, transactions shall be communicated additionally in the form stipulated in the aforementioned Royal Decree.

Finally, official co-operation and information exchange between the Commission and the State Tax Revenue Service have been regulated, and the provisions of the regime governing subsisting changes in cross-border cash movements have been repealed. Likewise, the Commission for the Prevention of Money Laundering and Monetary Offences has been authorised to issue the necessary instructions for the application of the Order, which will come into force nine months after its publication in the Official State Gazette, with the aim of providing for the establishment of the necessary procedures and technical mechanisms.

European Directive on the taking up and pursuit of the business of credit institutions (recast)

Directive 2000/12/EC of the European Parliament and of the Council of 20 March 2000[10] proceeded to unify and codify all the directives relating to the taking up and pursuit of the business of credit institutions[11], grouping them in a single text.

This Directive has since been amended on several occasions[12], as a result of which the legislator deemed it advisable, for the sake of clarity, to recast it though the publication of Directive

---

9. Subject persons are indicated in Royal Decree 54/2005 and include, among others, the following: credit institutions; insurance companies authorised to operate in the life segment; securities-dealer companies and securities agencies; investment companies, unless their management is entrusted to a management company; companies managing collective investment institutions and pension funds; portfolio management companies; credit card-issuing companies, and individuals or corporations engaging in currency exchange or money transfer activities, whether this is their main activity or not, in respect of operations relating to this activity. **10.** See "Financial Regulation: 2000 Q4", *Economic Bulletin,* January 2001, Banco de España, pp. 70-71. **11.** The most significant are the following: Directive 73/183/EEC of the Council of the European Communities of 28 June 1973 on the abolition of restrictions on freedom of establishment and freedom to provide services in respect of self-employed activities of banks and other financial institutions; Directive 77/780/EEC of the Council of the European Communities of 12 December 1977 (First Banking Coordination Directive); Directive 89/646/EEC of the Council of the European Communities of 15 December 1989 (Second Banking Coordination Directive); Directive 89/299/EEC of the Council of the European Communities of 17 April 1989 on the own funds of credit institutions; Directive 89/647/EEC of the Council of the European Communities of 18 December 1989 on a solvency ratio for credit institutions; Directive 92/30/EEC of the Council of the European Communities of 6 April 1992 on the supervision of credit institutions on a consolidated basis, and Directive 92/121/EEC of the Council of the European Communities of 21 December 1992 on the monitoring and control of large exposures of credit institutions. **12.** Among others, it recasts the following: Directive 2000/12/EC of the European Parliament and of the Council of 18 September 2000, amending Directive 2000/12/EC on the taking up and pursuit of the business of credit institutions; Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and

2006/48/2006 of the European Parliament and of the Council of 14 June 2006 (OJEU of 30 June) on the taking up and pursuit of the business of credit institutions (recast), which repeals Directive 2000/12/EC.

Like its predecessor, the Directive constitutes the essential legislative instrument in the Community for the achievement of the internal market in the field of credit institutions, from the dual viewpoint of both the freedom of establishment and the freedom to provide financial services, based on harmonisation and mutual recognition of authorisation and of prudential supervision systems, making possible the granting of a single licence recognised throughout the Community and the application of the principle of home Member State prudential supervision.

The Directive retains the philosophy of its predecessors in that its underlying principle is to allow credit institutions authorised in their home Member States to carry on, throughout the Community, any or all of the activities listed in Annex 1 of the Directive (list of typical activities of credit institutions benefiting from mutual recognition) by establishing branches or by providing services. Nonetheless, it substantially alters the philosophy in respect of the treatment of credit institutions' solvency, which is now based on three pillars: minimum capital requirements (pillar 1), supervisory review (pillar 2) and market discipline (pillar 3), which should be taken jointly into account so that institutions may have a level of capital in keeping with their overall risk profile.

One notable change in the Directive is the inclusion of the provisions of the document approved by the Basel Committee on Banking Supervision on 26 June 2004 (known as Basel II) regarding the above-mentioned minimum capital requirements and capital rules for credit institutions, so as to avoid the distortion of competition and to bolster the banking system in the internal market. In this connection, the solvency regulations have been modernised to make them more extensive and risk-sensitive, and to encourage better risk management.

The Directive further adds that the provisions on minimum capital requirements should be viewed in relation to other specific instruments that also harmonise the essential techniques for monitoring credit institutions.

It also states that the harmonious functioning of the internal banking market requires close and regular co-operation and significantly greater convergence of regulatory and supervisory practices between the competent authorities of the Member States. To this end, it envisages the possibility of information exchanges between the competent authorities and specific authorities or agencies that contribute, on the basis of their function, to reinforcing the stability of the financial system. To ensure the confidentiality of the information forwarded, the list of addressees should remain within strict limits.

A further change in the regulations refers to the fact that credit institutions will be obliged to calculate capital requirements to cover their operational risk. In this connection, and in addition to

---

investment firms in a financial conglomerate and amending Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC of the Council, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council; Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC; Directive 2004/69/EC of the Commission of 27 April 2004 amending Directive 2000/12/EC of the European Parliament and of the Council, as regards the definition of "multilateral development banks"; and Directive 2005/1/EC of the European Parliament and of the Council of 9 March 2005 amending Council Directives 73/239"EEC, 85/611/EEC, 91/675/EEC, 93/6/EEC and 94/19/EC, and Directives 2000/12/EC, 2002/83/EC and 2002/87/EC in order to establish a new organisational structure for financial services committees.

simple supervisory methods, they may use advanced measurement methods based on their own operational risk-measurement systems, provided that the competent authority expressly authorises the use of the related models to calculate their own funds requirements. Such methods, once authorised by the competent authorities, shall not be applied before 1 January 2008.

The Directive maintains that the Member States shall prohibit persons or undertakings that are not credit institutions from carrying on the business of taking deposits or other repayable funds from the public. Nonetheless, this prohibition shall not apply to the taking of deposits or other repayable funds by a Member State or by a Member State's regional or local authorities or by public international bodies, or to cases expressly covered in national or Community legislation, provided that such activities are subject to the regulations and controls intended to protect depositors or investors.

The rest of the Directive scarcely covers any new areas worthy of mention. Regarding own funds, the Directive specifies the minimum criteria to which the various accounting items constituting own funds should adjust. It further establishes, depending on their quality, the distinction between the items constituting original loan funds and those constituting additional own funds (the latter should not account for more than 100% of original own funds). The minimum capital requirements should be proportionate to the risks covered. In particular, the requirements should reflect the reduction in risk levels that may be obtained thanks to the presence of a high number of relatively low risks.

As to supervisory responsibility for the financial soundness of a credit institution and, in particular, of its solvency, this remains with the institution's home Member State, while the competent authority of the host Member State shall be responsible for supervising the liquidity of the branches and monetary policies. The supervision of market risk should be the subject of close co-operation between the competent authorities of the home and host Member States. As previously established, the Member States may refuse or withdraw banking authorisation if they consider that the structure of the group is inappropriate for the pursuit of banking activities, in particular because such activities could not be satisfactorily supervised.

By 31 December 2006, the Member States shall adopt and publish the laws, regulations and administrative provisions necessary to comply with the different sections of this Directive, not included in previous Directives subject to recast. The Directive shall therefore be applicable from 1 January 2007.

European Directive on the capital adequacy of investment firms and credit institutions (recast)

Directive 93/6/EEC of the Council of 15 March 1993[13] on the capital adequacy of investment firms and credit institutions (hereinafter referred to as the "institutions") made headway in harmonising the factors considered essential for ensuring mutual recognition of authorisation and of prudential supervision systems of investment firms and of credit institutions. In particular, it regulated the definition of own funds, the supervision of market risks and the control of the large exposures which investment firms incur, along with the supervision on a consolidated basis of groups of credit institutions that have sub-groups of investment firms.

The Directive has since been amended substantially on numerous occasions[14]. As a result, the legislator deemed it appropriate to consolidate it by means of Directive 2006/49/EC of the

---

13. See "Regulación financiera: segundo trimestre de 1993", *Boletin Económico*, July-August 1993, Banco de España, pp. 108-109. **14.** The most substantial amendments were the following: Directive 98/31/EC of the European Parliament and of the Council of 22 June 1998 amending Directive 93/6/EEC of the Council on the capital adequacy of investment firms and credit institutions; Directive 98/33/EC of the European Parliament and of the Council of 22 June 1998 amending Directives 77/780/EEC, 89/647/EEC and 93/6/EEC; Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and invest-

European Parliament and of the Council of the EU of 14 June 2006 (OJEU of 30 June) on the capital adequacy of investment firms and credit institutions (recast), which repeals Directive 93/06/EEC.

Among other aspects, the recast Directive includes the objectives set by Directive 2004/39/EEC of the European Parliament and of the Council of 21 April 2004[15] on markets in financial instruments, i.e. the co-ordination of the regulations governing the authorisation and the pursuit of the activity of investment firms. Specifically, it covered the possibility of such firms creating branches and providing services freely in other Member States, on the basis of the authorisation and supervision of the home country.

Likewise, the Directive assumes the provisions of the Basel II framework agreement relating to the trading book. Nonetheless, it includes references to elements implemented in Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 on the taking up and pursuit of the business of credit institutions (discussed in the foregoing section), such as the definition of own funds that should act as a basis for determining the own funds of investment firms and of credit institutions, or the treatment of credit risk and operational risk. It further establishes specific complementary rules that take into account the different scope of capital requirements related to market risk. All these provisions are aimed at strengthening the Community financial system and avoiding distortions in competition.

Moreover, the Directive establishes common rules regarding credit institutions' market risks and provides a complementary framework for the supervision of investment firms' risks, including inter alia market risks and, most particularly, position risks, counterparty/settlement risks and foreign-exchange risks.

The rest of the Directive features some minor changes. It stipulates that minimum capital requirements be applied on the basis of the consolidated financial situation of a group to ensure adequate solvency of institutions within the group. Likewise, to ensure that own funds are appropriately distributed within the group and are available to protect investments where needed, the minimum capital requirements should apply to individual institutions within a group, unless this objective can be effectively achieved by other means. It further establishes a common framework for the supervision of investment firms on a consolidated basis.

In addition, it obliges institutions to ensure that they have internal capital which, having regard to the risks to which they are or might be exposed, is adequate in quantity, quality and distribution. Accordingly, institutions should have strategies and processes in place for assessing and maintaining the adequacy of their internal capital.

The Directive urges the competent authorities to evaluate the adequacy of own funds of institutions, having regard to the risks to which the latter are exposed. For the same reason, and to ensure that Community institutions which are active in several Member States are not disproportionately burdened as a result of the continued responsibilities of individual Member State competent

---

ment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council; Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on the markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC, and Directive 2000/12/EC of the European Parliament and of the Council, and repealing Council Directive 93/22/EEC, and Directive 2005/1/EC of the European Parliament and of the Council of 9 March 2005 amending Council Directives 73/239//EEC, 85/611/EC, 91/675/EEC, 92/49/EEC and 93/6/EEC and Directives 94/19/EC, 98/78/EC, 2000/12/EC, 2001/34/EC, 2002/83/EC and 2002/87/EC in order to establish a new organisational structure for financial services committees. **15.** See "Financial regulation: 2004 Q2", *Economic Bulletin*, July 2004, Banco de España, pp. 100-104.

authorities for authorisation and supervision, it is essential significantly to enhance the co-operation between competent authorities, strengthening the role of the consolidating supervisor.

In order to strengthen market discipline and stimulate institutions to improve their market strategy, risk control and internal management organisation, appropriate public disclosures by institutions should be provided for.

Member States shall adopt and publish, by 31 December 2006, the laws, regulations and administrative provisions necessary to comply with the articles of this Directive, not included in previous, recast directives. They shall apply those provisions from 1 January 2007.

Directive on statutory audits of annual accounts and consolidated accounts

Several Community directives in force[16] require that, when an institution audits its individual or consolidated annual accounts, these should be audited by one or more authorised persons. The conditions for authorising the persons responsible for conducting statutory audits were laid down in Eighth Council Directive 84/253/EEC of 10 April 1984 on the approval of persons responsible for carrying out the statutory audits of accounting documents.

The lack of a harmonised approach in this area and the accounting scandals that had occurred in Europe lay behind the enactment of Directive 2006/43/EEC of the European Parliament and of the Council of 17 May 2006 (OJEU of 9 June) on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC.

The Directive largely harmonises statutory audit requirements. Specifically, it requires the following: the application of a single set of international auditing standards adopted by the Commission; the updating and unification of training and educational requirements for auditors (which include knowledge of international accounting and auditing standards); the definition of professional ethics and greater co-operation between competent authorities of Member States and between those authorities and the authorities of third countries, in order to further enhance and harmonise the quality of statutory audit in the European Union.

In order to protect third parties, the Directive stipulates that all approved auditors and audit firms should be entered in a register which is accessible to the public and which contains basic information concerning statutory auditors and audit firms.

Statutory auditors should be subject to professional ethics, covering at least their public-interest function, their integrity and objectivity and their professional competence and due care. Good audit quality contributes to the orderly functioning of markets by enhancing the integrity and efficiency of financial statements.

The Directive requires that statutory auditors and audit firms should be independent when carrying out statutory audits. They may inform the audited entity of matters arising from the audit, but should abstain from the internal decision processes of the audited entity. Auditors should document in working papers all significant threats to their independence, along with the safeguards applied to mitigate them. If they find themselves in the situation where the significance of the threats to their independence, even after application of safeguards to mitigate those threats, is too high, they should resign or abstain from the audit engagement.

---

16. Council Directive 78/660/EEC of 25 July 1978 on the annual accounts of certain types of company; Council Directive 83/349/EEC of 13 June 1983 on consolidated accounts; Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions, and Council Directive 91/674/EEC of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings.

In the case of consolidated accounts, the group auditor should bear full responsibility for the audit report. To this end, the group auditor will have to revise and retain the documentation of his/her evaluation of the audit engagement performed by auditors from third countries.

The Directive indicates that Member States shall ensure that all statutory auditors and audit firms are subject to a system of quality assurance that is organised in a manner which is independent from the reviewed statutory auditors and audit firms. Member States shall organise a system of quality assurance in such a manner that each individual auditor is to be subject to a quality assurance review at least every six years (every three years for auditors of public-interest entities). They shall also ensure that there are effective systems of investigations and penalties to detect, correct and prevent inadequate execution of the statutory audit, providing for effective, proportionate and persuasive penalties where statutory audits are not carried out in conformity with the provisions adopted in implementation of this Directive.

Member States should organise an effective system of public oversight for statutory auditors and auditors on the basis of home country control. The regulatory arrangements for public oversight should make possible effective co-operation at Community level in respect of the Member States' oversight activities. The system should be governed by non-practitioners who are knowledgeable in the areas relevant to statutory audit. Co-operation with third countries is also envisaged, on the basis of the principles of equivalence and reciprocity.

The statutory auditor or audit firm should be appointed by the general meeting of shareholders or owners of the audited entity. In order to protect the independence of the auditor it is important that this till should be possible only where there are proper grounds and if those grounds are communicated to the authorities responsible for public oversight.

The Directive establishes special provisions for the statutory audits of public-interest entities. Inter alia, it requires auditors of public-interest entities to publish on their website an annual transparency report and to be subject to additional requirements of independence, in particular to a minimum period of rotation of seven years for the main auditing partner. The most important requirement is that public-interest entities should have an audit committee, with Member States being entrusted to specify the functions that may be assigned to this committee or to a body performing equivalent tasks, and which shall include, among others, the oversight of the presentation of the financial information, of the effectiveness of the firm's internal control, of the statutory audits of the annual and consolidated accounts, and of the independence of the statutory auditor or of the audit firm.

Member States may also decide to exempt public-interest entities which are collective investment undertakings whose transferable securities are admitted to trading on a regulated market from the requirement to have an audit committee. This option is based on the following. Firstly, if a collective investment undertaking functions merely for the purpose of pooling assets, the employment of an audit committee will not always be appropriate. Further, the financial reporting and related risks are not comparable to those of other public-interest entities. Finally, undertakings for collective investment in transferable securities (UCITS) and their management companies operate in a strictly defined regulatory environment and are subject to specific governance mechanisms such as controls exercised by their depositary.

Before 29 June 2008 Member States shall adopt and publish the provisions necessary to comply with this Directive.

Non-resident income tax: accreditation of residence

The regulations implementing Law 35/2003 of 4 November 2003[17] on CIIs, approved by Royal Decree 1309/2005 of 4 November 2005[18], introduced a change in the form of the possibility of shares and units in Spanish CIIs being marketed in other countries through entities legally approved to do so, provided that certain requirements are met. The income obtained by non-residents may be exempt by virtue of Spanish domestic regulations (in the case of capital gains) or subject to a reduced tax (in the case of dividends).

In accordance with the rules currently in force, to make withholdings applying these limited rates, and in cases where no withholding or payment on account is appropriate, a certificate of residence for tax purposes would be required of each taxpayer, issued by the related tax authority in keeping with the procedure established by the Ministry of Economy and Finance.

By virtue of the foregoing, Ministerial Order EHA/1674/2006 of 24 May 2006 (Official State Gazette of 1 June) established, in connection with income obtained not through a permanent establishment in respect of income tax on non-residents, a special procedure for accrediting the residence of certain non-resident shareholders or unit-holders in the event of cross-border agreements for the marketing of Spanish CIIs' shares or units. The obligation of these entities to provide information to the Spanish tax authorities has also been regulated.

This procedure has two aims. First, to justify the practice of withholdings or payments on account when a tax limit set in a tax treaty is applied, or when no withholding is made and a treaty has been entered into with an information exchange clause.

Second, even if no reduced rate lower than the domestic rate or no exemption on making the withholding were applied, the marketing entity is able to accredit the fact before the obligor that the income obtained by all its clients is taxed as income obtained without a permanent establishment (in the case of income tax on non-residents).

This special procedure is based on a blanket certificate of residence for tax purposes, without identification of the taxpayers, issued by the foreign marketing entity. This entity then has to send the certificate to the management company or the investment company on the profits being received or on the CII shares or units being reimbursed or transferred, and the certificate will act as an accreditation certificate of tax residence for the purposes indicated in the foregoing paragraphs.

Finally, the Order regulates the reporting obligations imposed on marketing entities abroad and the procedure for complying with such obligations. The marketing entity shall transmit to the Spanish tax authorities, in the first three months of the year following that to which the information relates, an annual itemised list of recipients and transferors, and of investment positions as at 31 December, of all its clients. The foreign marketing entity shall likewise inform the management company, or the investment company, that it has transmitted this information.

Adaptation of the consolidated text of the Companies Law

Directive 2003/51/EC of the European Parliament and of the Council of 18 June 2003[19] was intended, among other things, to increase the financial transparency of listed companies. For this reason, it eliminated some of the exceptions envisaged for companies whose marketable securities are admitted to trading on a regulated market in any Member State (listed compa-

---

17. See reference in footnote 2. **18.** See reference in footnote 3. **19.** This Directive amended Directives 78/660/EEC of 25 July 1978; 83/249/EEC of 13 June 1983; 86/635/EEC of 8 December 1986, and 91/674/EEC of 19 December 1991 on the annual and consolidated accounts of certain types of companies, banks and other financial institutions and insurance undertakings.

nies), one such exception being that listed companies were permitted to draw up abridged annual accounts.

To this same end, Law 7/2006 of 24 April 2006 (Official State Gazette of 25 April) was enacted, amending the consolidated text of the Companies Law, approved by Royal Legislative Decree 1564/1989 of 22 December 1989, in order to transpose Directive 2003/51/EC. As a result, since 26 April 2006 (when the legislation came into force) listed companies, i.e. those whose marketable securities are listed on a regulated market of any EU Member State, may not prepare abridged balance sheets or income statements.

7.7.2006.

Additions

Indicator 8.6

Financing of non-financial corporations resident in Spain

A new column has been introduced. It gives a breakdown of securities other than shares, which includes the issues by resident financial subsidiaries of non-financial corporations. As explained in footnote (b) of the indicator, the funds raised in these issues are routed to the parent company as loans. The issuing institutions of these financial instruments are classified as Other financial intermediaries in the Boletín Estadístico and in the Financial Accounts of the Spanish Economy.

CONTENTS

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

1. IMF Special Data Dissemination Standard (SDDS).

INTEREST RATES
AND EXCHANGE RATES

1. IMF Special Data Dissemination Standard (SDDS).

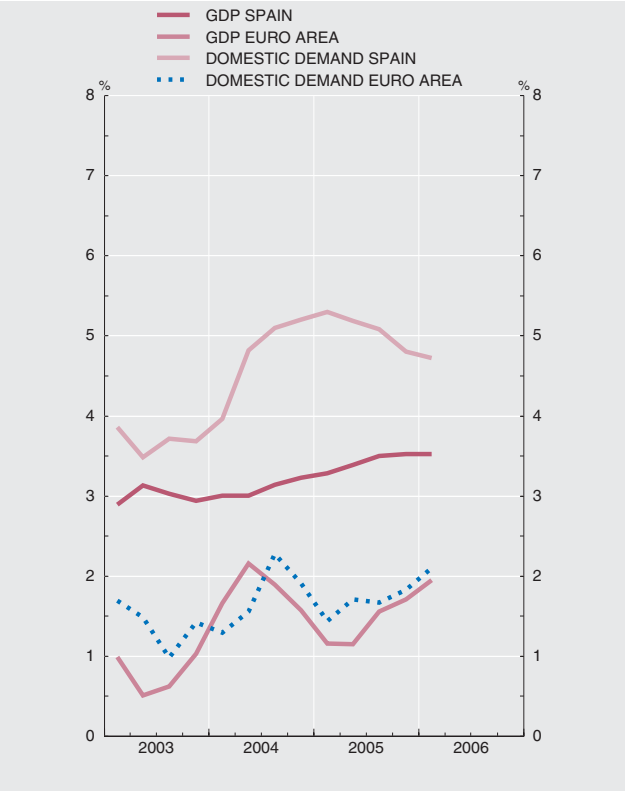
1.1. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES, REFERENCE YEAR 2000=100.DEMAND COMPONENTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

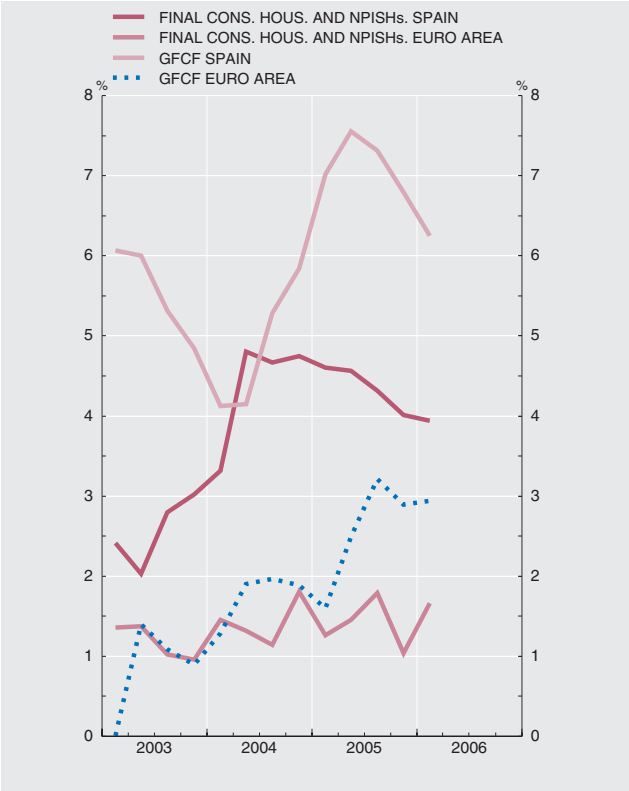
Annual percentage changes

		GDP		Final consumption of households and NPISHs		General government final consumption		Gross fixed capital formation		Domestic demand		Exports of goods and services		Imports of goods and services		Memorandum item: GDPmp (current prices) (g)	
		Spain	Euro area	Spain (b)	Euro area (c)	Spain	Euro area (d)	Spain	Euro area	Spain (e)	Euro area	Spain	Euro area (f)	Spain	Euro area (f)	Spain	Euro area
		1 ■	2 ■	3 ■	4 ■	5	6	7 ■	8 ■	9 ■	10 ■	11	12	13	14	15	16
03	P	3.0	0.8	2.6	1.2	4.8	1.7	5.6	0.8	3.7	1.4	3.6	1.3	6.0	3.1	781	7 459
04	P	3.1	1.8	4.4	1.4	6.0	1.0	4.9	1.8	4.8	1.8	3.3	6.1	9.3	6.2	837	7 738
05	P	3.4	1.4	4.4	1.4	4.5	1.3	7.2	2.6	5.1	1.7	1.0	4.0	7.1	4.9	904	7 993
03 *Q2*	P	3.1	0.5	2.0	1.4	4.4	1.5	6.0	1.4	3.5	0.5	3.6	-0.3	4.8	2.4	193	1 851
Q3	P	3.0	0.6	2.8	1.0	4.5	1.7	5.3	1.1	3.7	0.6	4.1	1.1	6.4	2.1	197	1 876
Q4	P	2.9	1.0	3.0	1.0	4.8	1.5	4.8	0.9	3.7	1.0	2.2	1.7	5.1	3.0	200	1 891
04 *Q1*	P	3.0	1.7	3.3	1.5	5.5	1.4	4.1	1.3	4.0	1.7	4.0	4.5	7.4	3.6	204	1 910
Q2	P	3.0	2.2	4.8	1.3	6.0	1.1	4.1	1.9	4.8	2.2	3.0	7.9	9.6	6.5	207	1 930
Q3	P	3.1	1.9	4.7	1.1	6.5	1.0	5.3	2.0	5.1	1.9	3.7	6.2	10.5	7.6	211	1 942
Q4	P	3.2	1.6	4.7	1.8	6.0	0.5	5.8	1.9	5.2	1.6	2.7	5.7	9.7	6.9	215	1 955
05 *Q1*	P	3.3	1.2	4.6	1.3	5.2	0.8	7.0	1.6	5.3	1.2	-1.4	3.5	6.2	4.5	220	1 970
Q2	P	3.4	1.1	4.6	1.5	4.0	1.1	7.6	2.5	5.2	1.1	1.3	2.7	7.9	4.4	223	1 986
Q3	P	3.5	1.6	4.3	1.8	4.2	1.5	7.3	3.2	5.1	1.6	2.1	4.9	7.8	5.4	229	2 007
Q4	P	3.5	1.7	4.0	1.0	4.6	1.6	6.8	2.9	4.8	1.7	1.9	4.8	6.6	5.3	233	2 030
06 *Q1*	P	3.5	1.9	3.9	1.7	4.7	1.8	6.2	2.9	4.7	1.9	9.1	8.3	12.4	9.0	237	2 048

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



DEMAND COMPONENTS. SPAIN AND EURO AREA
Annual percentage changes



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

a. Spain: prepared in accordance with ESA95, seasonally- and working-day-adjusted series (see Economic bulletin April 2002); Euro area, prepared in accordance with *ESA95. b. Final consumption expenditure may take place on the domestic territory or abroad (ESA95, 3.75). It therefore includes residents' consumption abroad, which is subsequently deducted in Imports of goods and services. c. Euro area, private consumption.*

d. Euro area, government consumption. e. Residents' demand within and outside the economic territory.

f. Exports and imports comprise goods and services and include cross-border trade within the euro area. g. Billions of euro.

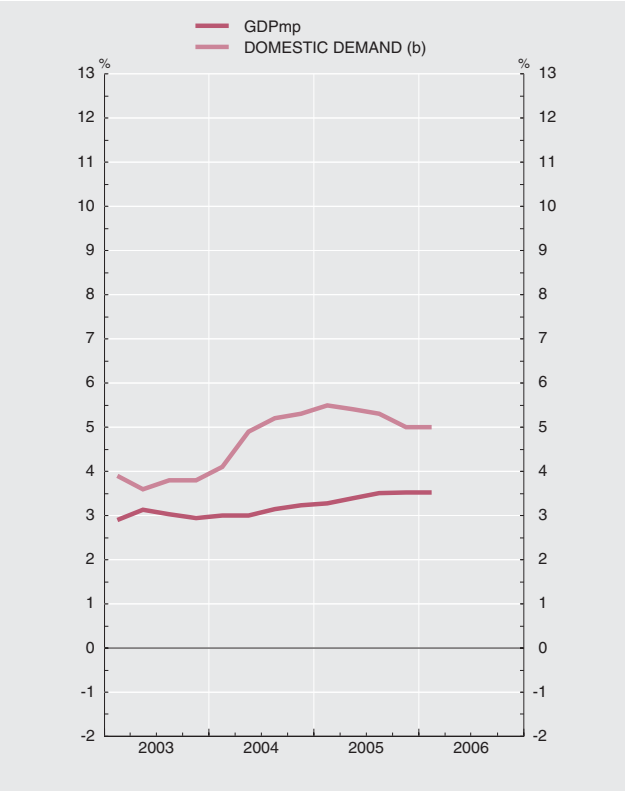
1.2. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. DEMAND COMPONENTS. SPAIN: BREAKDOWN (a)

■ Series depicted in chart.

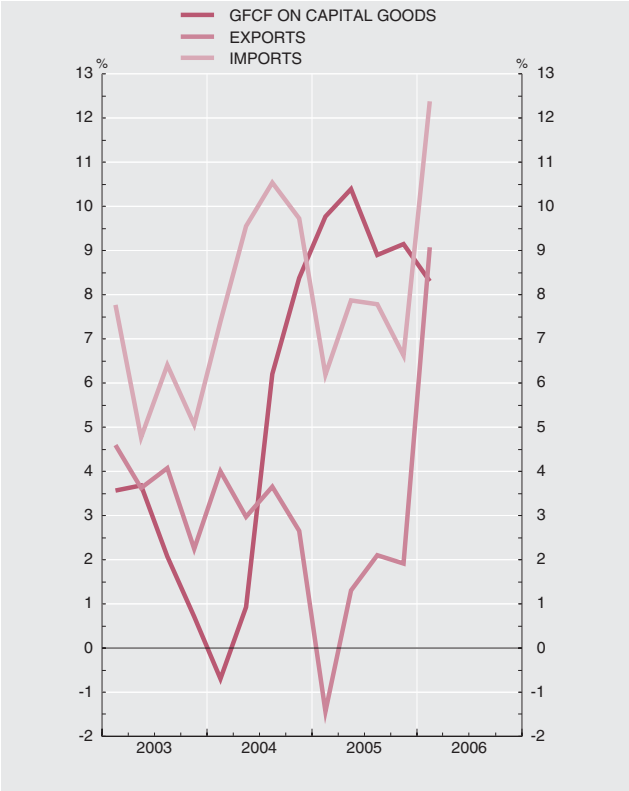
Annual percentage changes

			Gross fixed capital formation					Exports of goods and services				Imports of goods and services				Memorandum items:	
			Total	Capital goods	Construc-tión	Other products	Change in Stocks (b)	Total	Goods	Final con-sumption of non-resi-dents in economic territory	Services	Total	Goods	Final consumption of residents in the rest of the world	Services	Domestic demand (b) (c)	GDP
			1	2 ■	3	4	5 ■	6	7	8	9	10 ■	11	12	13	14 ■	15 ■
03		P	5.6	2.5	6.3	7.7	-0.0	3.6	5.0	0.4	1.1	6.0	6.4	5.0	4.1	3.8	3.0
04		P	4.9	3.7	5.5	4.4	0.0	3.3	4.4	-0.1	2.6	9.3	10.1	20.6	3.7	4.9	3.1
05		P	7.2	9.5	6.0	7.6	-0.0	1.0	-0.4	1.9	6.4	7.1	7.0	22.2	4.5	5.3	3.4
03	*Q2*	P	6.0	3.7	6.4	8.1	0.0	3.6	3.8	4.8	1.6	4.8	4.9	3.5	4.3	3.6	3.1
	Q3	P	5.3	2.1	6.0	8.2	0.0	4.1	5.9	0.3	0.5	6.4	7.2	5.7	2.7	3.8	3.0
	Q4	P	4.8	0.7	6.0	7.3	-0.1	2.2	3.9	-1.0	-1.3	5.1	5.4	10.1	2.6	3.8	2.9
04	*Q1*	P	4.1	-0.7	6.1	5.2	0.1	4.0	5.3	1.0	1.5	7.4	7.7	17.3	4.3	4.1	3.0
	Q2	P	4.1	0.9	5.5	4.2	0.0	3.0	5.1	-4.6	2.0	9.6	10.3	20.2	4.1	4.9	3.0
	Q3	P	5.3	6.2	5.3	4.1	-0.0	3.7	4.7	0.6	2.5	10.5	11.6	20.5	3.5	5.2	3.1
	Q4	P	5.8	8.4	5.2	4.2	-0.0	2.7	2.3	2.8	4.3	9.7	10.6	24.0	2.7	5.3	3.2
05	*Q1*	P	7.0	9.8	6.0	6.5	-0.0	-1.4	-2.8	1.0	2.1	6.2	7.6	21.0	-3.3	5.5	3.3
	Q2	P	7.6	10.4	6.2	8.1	-0.1	1.3	1.9	-4.9	5.4	7.9	8.4	23.7	2.2	5.4	3.4
	Q3	P	7.3	8.9	6.3	8.5	-0.0	2.1	-0.3	7.4	7.1	7.8	7.0	23.9	8.5	5.3	3.5
	Q4	P	6.8	9.1	5.6	7.5	-0.1	1.9	-0.6	4.1	11.1	6.6	5.3	20.1	10.7	5.0	3.5
06	*Q1*	P	6.2	8.3	5.8	4.9	0.0	9.1	12.7	-8.7	13.4	12.4	11.6	14.6	16.1	5.0	3.5

GDP. DOMESTIC DEMAND
Annual percentage changes



GDP. DEMAND COMPONENTS
Annual percentage changes



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

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

b. Contribution to GDPmp growth rate.

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

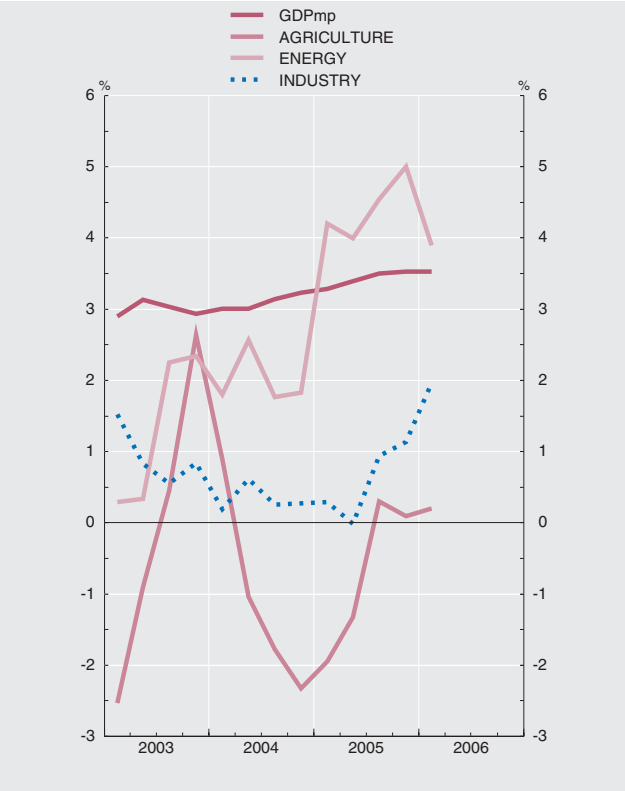
1.3. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. BRANCHES OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

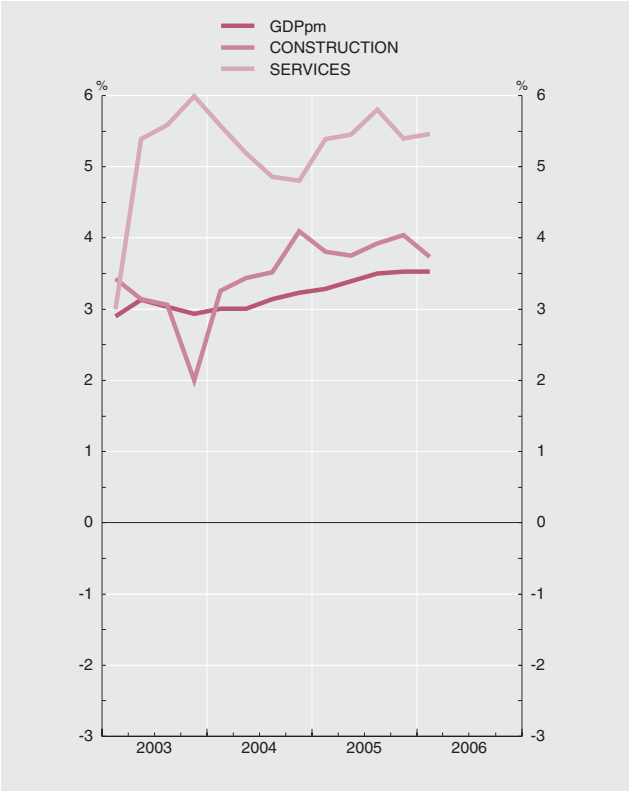
Annual percentage changes

			Gross domestic product at market prices	Agriculture and fisheries	Energy	Industry	Construction	Services			VAT on products	Net taxes linked to imports	Other net taxes on products
								Total	Market services	Non-market services			
			1 ■	2 ■	3	4 ■	5 ■	6 ■	7	8	9	10	11
03		P	3.0	-0.1	1.3	0.9	5.0	2.9	2.6	4.2	5.3	6.6	9.5
04		P	3.1	-1.1	2.0	0.3	5.1	3.6	3.6	3.6	2.5	12.0	6.5
05		P	3.4	-0.7	4.4	0.6	5.5	3.9	4.0	3.5	4.4	3.6	2.9
03	*Q2*	P	3.1	-0.9	0.3	0.8	5.4	3.1	2.8	4.4	6.7	5.5	8.1
	Q3	P	3.0	0.4	2.3	0.6	5.6	3.1	2.9	3.8	3.8	8.1	9.1
	Q4	P	2.9	2.6	2.3	0.8	6.0	2.0	1.5	3.7	9.3	8.4	11.1
04	*Q1*	P	3.0	0.9	1.8	0.2	5.6	3.3	3.2	3.3	0.4	12.4	11.3
	Q2	P	3.0	-1.0	2.6	0.6	5.2	3.4	3.5	3.3	-0.4	12.9	9.6
	Q3	P	3.1	-1.8	1.8	0.3	4.9	3.5	3.5	3.7	5.6	10.8	5.4
	Q4	P	3.2	-2.3	1.8	0.3	4.8	4.1	4.1	4.1	4.4	12.0	0.3
05	*Q1*	P	3.3	-1.9	4.2	0.3	5.4	3.8	3.8	3.8	5.0	9.8	2.2
	Q2	P	3.4	-1.3	4.0	-0.0	5.4	3.8	3.9	3.0	6.8	3.4	3.6
	Q3	P	3.5	0.3	4.5	0.9	5.8	3.9	4.0	3.5	3.5	0.6	2.8
	Q4	P	3.5	0.1	5.0	1.1	5.4	4.0	4.1	3.8	2.5	1.0	2.9
06	*Q1*	P	3.5	0.2	3.9	2.0	5.5	3.7	3.7	3.8	3.5	1.0	3.5

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).

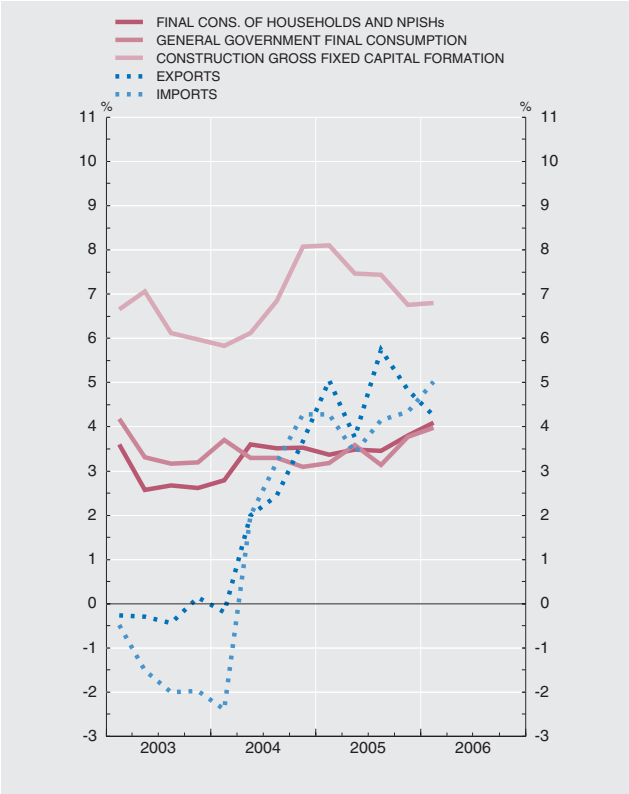
1.4. GROSS DOMESTIC PRODUCT. IMPLICIT DEFLATORS. SPAIN (a)

■ Series depicted in chart.

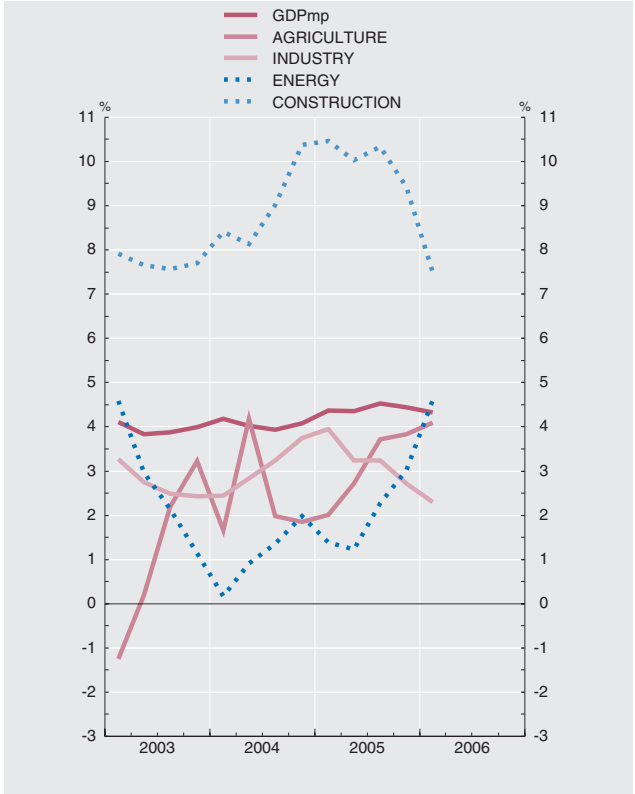
Annual percentage changes

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

GDP. IMPLICIT DEFLATORS
Annual percentage changes



GDP. IMPLICIT DEFLATORS
Annual percentage changes



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

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

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

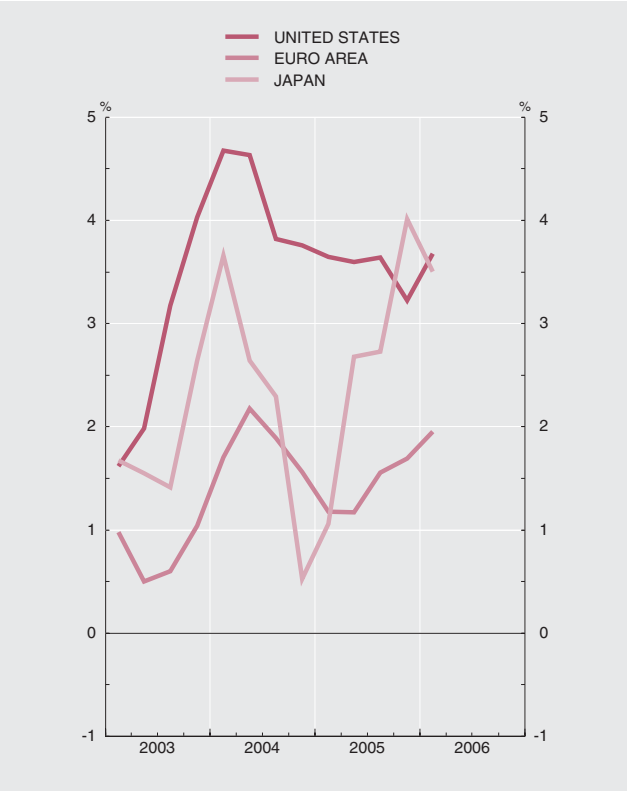
2.1. INTERNATIONAL COMPARISON. GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

■ Series depicted in chart.

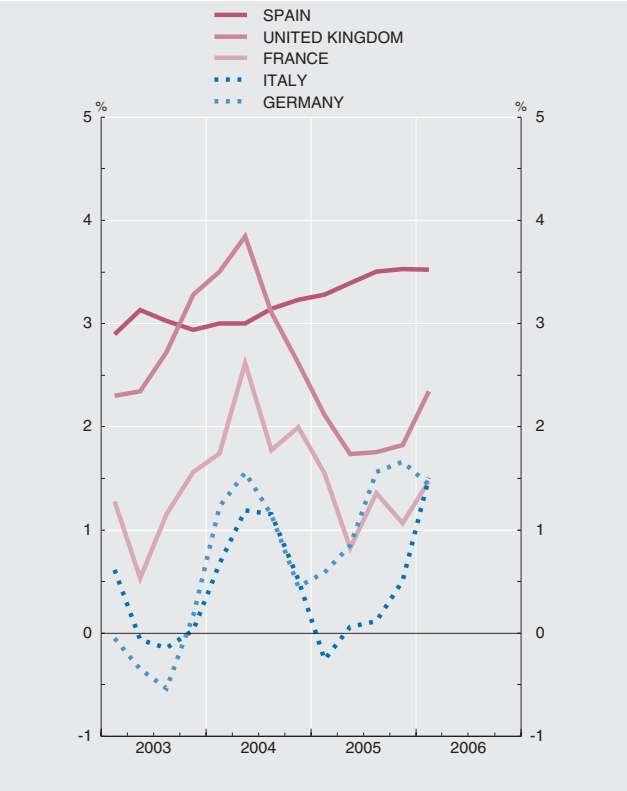
Annual percentage changes

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

GROSS DOMESTIC PRODUCT
Annual percentage changes



GROSS DOMESTIC PRODUCT
Annual percentage changes



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

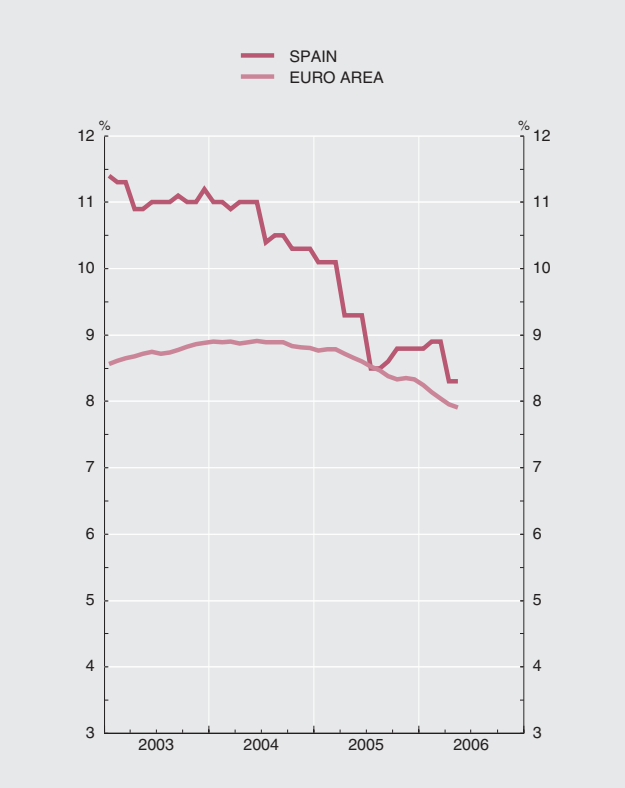
2.2. INTERNATIONAL COMPARISON. UNEMPLOYMENT RATES

■ Series depicted in chart.

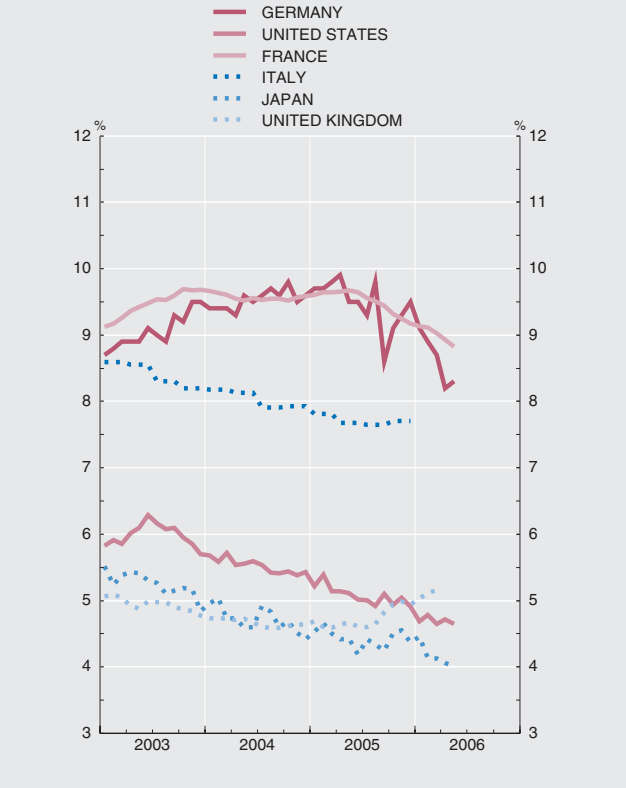
Percentages

	OECD 1	EU-15 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
03	7.1	8.0	8.7	9.1	11.1	6.0	9.5	8.4	5.2	4.9
04	6.9	8.1	8.9	9.5	10.7	5.5	9.6	8.0	4.7	4.7
05	6.6	7.8	8.6	9.5	9.2	5.1	9.5	7.7	4.4	4.7
04 *Dec*	6.8	8.1	8.8	9.6	10.3	5.4	9.6	7.9	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	10.1	5.4	9.6	7.8	4.7	4.6
Mar	6.7	8.0	8.8	9.8	10.1	5.1	9.6	7.8	4.5	4.6
Apr	6.7	8.0	8.7	9.9	9.3	5.1	9.7	7.7	4.4	4.6
May	6.6	7.9	8.7	9.5	9.3	5.1	9.7	7.7	4.4	4.7
Jun	6.5	7.9	8.6	9.5	9.3	5.0	9.6	7.7	4.2	4.6
Jul	6.5	7.8	8.5	9.3	8.5	5.0	9.6	7.7	4.4	4.6
Aug	6.5	7.8	8.5	9.8	8.5	4.9	9.5	7.7	4.3	4.7
Sep	6.5	7.7	8.4	8.6	8.6	5.1	9.4	7.7	4.2	4.8
Oct	6.5	7.7	8.3	9.1	8.8	4.9	9.3	7.7	4.5	5.0
Nov	6.5	7.7	8.3	9.3	8.8	5.0	9.3	7.7	4.6	5.0
Dec	6.4	7.7	8.3	9.5	8.8	4.9	9.2	7.7	4.4	4.9
06 *Jan*	6.3	7.7	8.2	9.1	8.8	4.7	9.1	...	4.5	5.0
Feb	6.3	7.6	8.1	8.9	8.9	4.8	9.1	...	4.1	5.1
Mar	6.2	7.5	8.0	8.7	8.9	4.7	9.0	...	4.1	5.2
Apr	6.2	7.4	8.0	8.2	8.3	4.7	8.9	...	4.1	...
May	6.1	7.4	7.9	8.3	8.3	4.7	8.8	...	4.0	...

UNEMPLOYMENT RATES



UNEMPLOYMENT RATES



Sources: ECB and OECD.

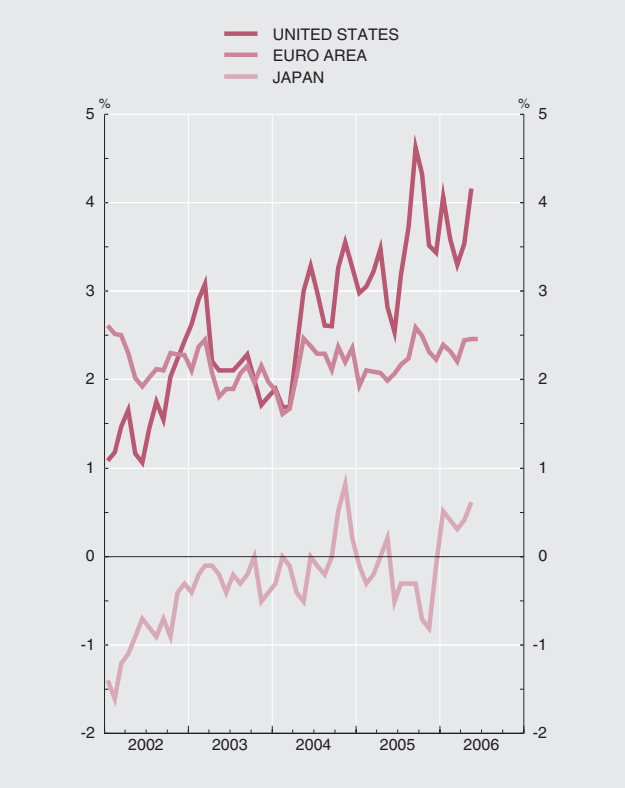
2.3. INTERNATIONAL COMPARISON. CONSUMER PRICES (a)

■ Series depicted in chart.

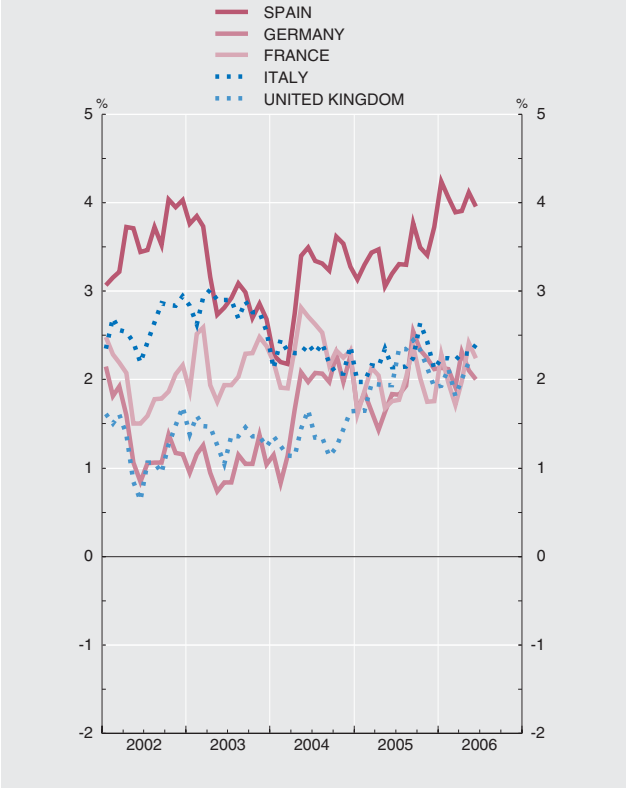
Annual percentage changes

	OECD 1	EU-15 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
02	2.5	2.1	2.2	1.4	3.6	1.6	1.9	2.6	-0.9	1.3
03	2.4	2.0	2.1	1.0	3.1	2.3	2.2	2.8	-0.3	1.4
04	2.4	2.0	2.1	1.8	3.1	2.7	2.3	2.3	-0.0	1.3
05	2.6	2.1	2.2	1.9	3.4	3.4	1.9	2.2	-0.3	2.1
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	1.9	3.3	3.1	1.9	2.0	-0.3	1.6
Mar	2.4	2.0	2.1	1.6	3.4	3.2	2.1	2.2	-0.2	2.0
Apr	2.7	2.0	2.1	1.4	3.5	3.5	2.0	2.1	-	1.9
May	2.3	1.9	2.0	1.6	3.0	2.8	1.7	2.3	0.2	1.9
Jun	2.2	2.0	2.1	1.8	3.2	2.5	1.8	2.1	-0.5	1.9
Jul	2.4	2.2	2.2	1.8	3.3	3.2	1.8	2.1	-0.3	2.4
Aug	2.8	2.3	2.2	1.9	3.3	3.7	2.0	2.1	-0.3	2.3
Sep	3.2	2.5	2.6	2.5	3.8	4.6	2.4	2.2	-0.3	2.4
Oct	3.0	2.4	2.5	2.3	3.5	4.3	2.0	2.6	-0.7	2.3
Nov	2.5	2.3	2.3	2.2	3.4	3.5	1.8	2.4	-0.8	2.1
Dec	2.6	2.2	2.2	2.1	3.7	3.4	1.8	2.1	-0.1	1.9
06 *Jan*	2.9	2.3	2.4	2.1	4.2	4.1	2.3	2.2	0.5	1.9
Feb	2.8	2.2	2.3	2.1	4.1	3.6	2.0	2.2	0.4	2.1
Mar	2.6	2.1	2.2	1.9	3.9	3.3	1.7	2.2	0.3	1.8
Apr	2.7	2.4	2.4	2.3	3.9	3.5	2.0	2.3	0.4	2.0
May	3.1	2.4	2.5	2.1	4.1	4.2	2.4	2.3	0.6	2.2
Jun	...	2.4	2.5	2.0	4.0	...	2.2	2.4	...	...

CONSUMER PRICES
Annual percentage changes



CONSUMER PRICES
Annual percentage changes



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

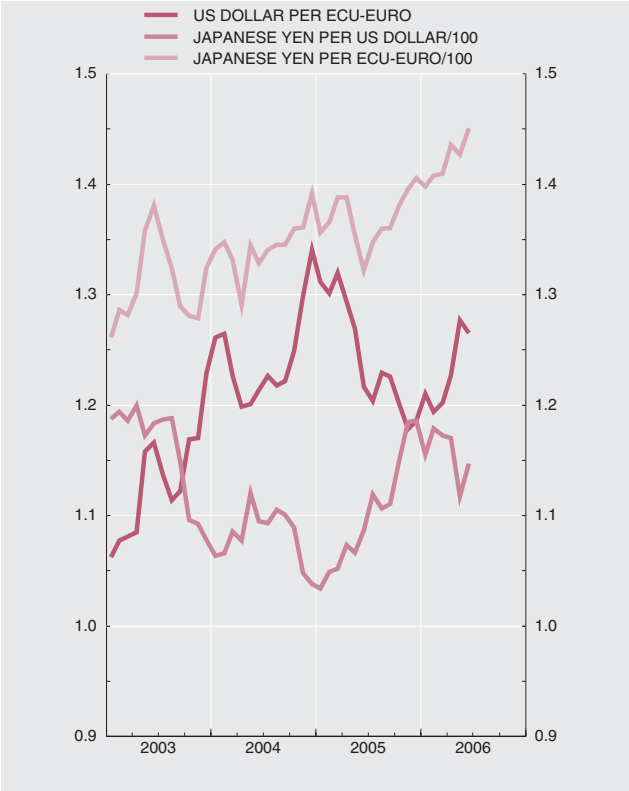
2.4. BILATERAL EXCHANGE RATES AND NOMINAL AND REAL EFFECTIVE EXCHANGE RATE INDICES FOR THE EURO, US DOLLAR AND JAPANESE YEN

■ Series depicted in chart.

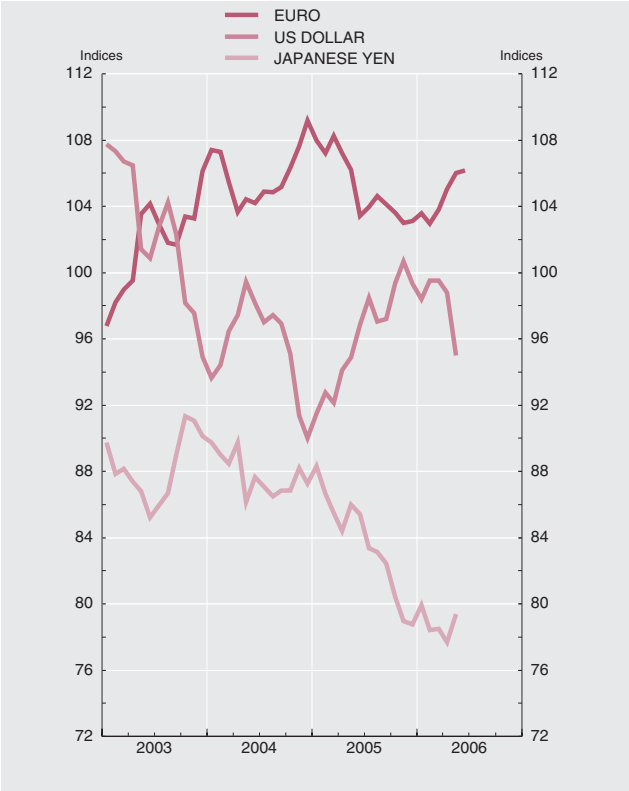
Average of daily data

	Exchange rates			Indices of the nominal effective exchange rate vis-à-vis the (a) developed countries 1999 QI=100			Indices of the real effective exchange rate vis-à-vis the developed countries (b) 1999 QI=100					
							Based on consumer prices			Based on producer prices		
	US dollar per ECU/euro	Japanese yen per ECU/euro	Japanese yen per US dollar	Euro	US dollar	Japanese yen	Euro	US dollar	Japanese yen	Euro	US dollar	Japanese yen
	1 ■	2 ■	3 ■	4	5	6	7 ■	8 ■	9 ■	10	11	12
03	1.1313	130.98	115.93	99.9	97.5	99.9	101.7	102.5	88.3	102.2	102.8	87.9
04	1.2433	134.41	108.18	103.8	89.7	101.5	105.9	95.6	87.8	105.2	96.6	87.6
05	1.2445	136.88	110.17	103.0	88.5	99.5	105.2	96.2	83.6	103.6	98.3	84.1
05 *J-J*	1.2856	136.24	106.02	104.5	86.7	101.7	106.7	93.7	86.0	105.5	95.4	86.2
06 *J-J*	1.2296	142.16	115.66	102.3	88.8	95.2	104.6	98.2	78.8	103.3	100.9	79.7
05 *Apr*	1.2938	138.84	107.31	105.1	86.7	100.1	107.2	94.1	84.4	105.8	95.7	84.9
May	1.2694	135.37	106.66	104.0	87.7	101.7	106.2	94.9	86.0	104.6	96.7	86.4
Jun	1.2165	132.22	108.69	101.2	89.4	101.7	103.4	96.9	85.4	102.1	98.6	86.0
Jul	1.2037	134.75	111.94	101.7	90.5	99.5	104.0	98.5	83.4	102.3	100.6	84.1
Aug	1.2292	135.98	110.63	102.3	88.9	99.5	104.6	97.0	83.1	102.9	99.1	84.0
Sep	1.2256	136.06	111.03	101.8	88.5	99.1	104.1	97.2	82.4	101.9	99.8	82.9
Oct	1.2015	138.05	114.90	101.4	90.2	96.8	103.6	99.4	80.4	101.5	102.9	80.8
Nov	1.1786	139.59	118.45	100.7	91.9	94.9	103.0	100.7	79.0	100.9	102.5	80.2
Dec	1.1856	140.58	118.58	100.7	91.3	94.4	103.1	99.3	78.8	101.1	101.8	79.8
06 *Jan*	1.2103	139.82	115.53	101.4	89.7	96.0	103.6	98.4	79.9	102.0	100.5	80.7
Feb	1.1938	140.77	117.91	100.7	90.6	94.6	103.0	99.5	78.4	101.8	101.0	79.9
Mar	1.2020	140.96	117.27	101.5	90.5	95.0	103.8	99.5	78.5	102.6	101.4	79.8
Apr	1.2271	143.59	117.03	102.7	89.4	94.3	105.1	98.8	77.7	103.8	100.8	78.6
May	1.2770	142.70	111.76	103.8	85.8	96.5	106.0	95.0	79.4	104.9	...	...
Jun	1.2650	145.11	114.72	103.9	87.0	94.6	106.2	...	...	105.0	...	...

EXCHANGE RATES



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



Sources: ECB and BE.

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

b. Obtained by multiplying the relative prices of each area/country (relation 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.

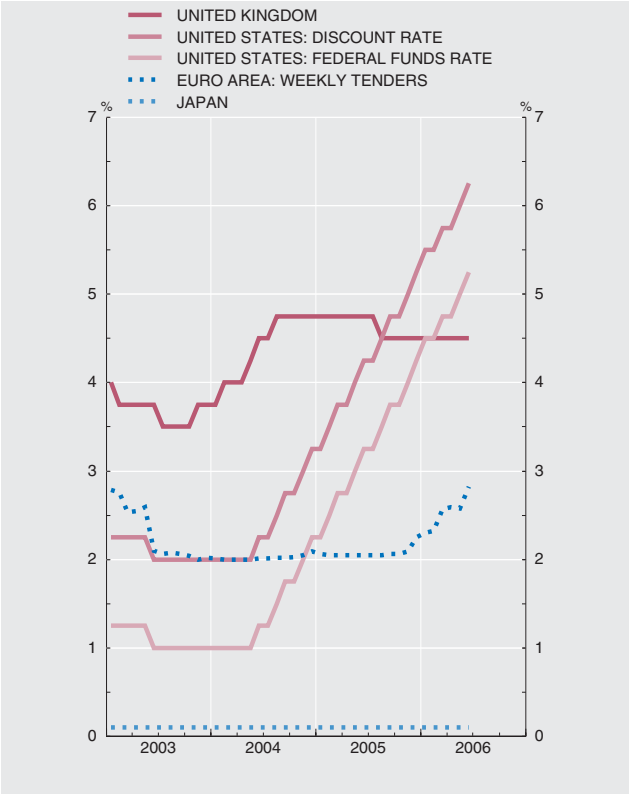
2.5. OFFICIAL INTERVENTION INTEREST RATES AND SHORT-TERM INTEREST RATES

■ Series depicted in chart.

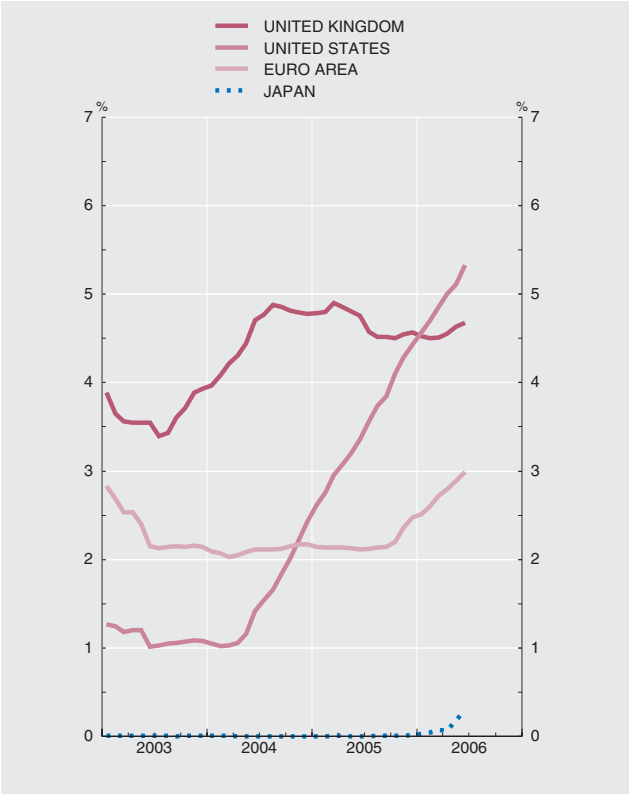
Percentages

	Official intervention interest rates					3-month interbank rates									
	Euro area	United States		Japan	United Kingdom	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	(a)	Discount rate (b)	Federal funds rate	(c)	(d)										
	1 ■	2 ■	3 ■	4 ■	5 ■	6	7	8 ■	9	10	11 ■	12	13	14 ■	15 ■
03	2.00	2.00	1.10	0.10	3.75	1.63	2.55	2.33	-	-	1.12	-	-	0.01	3.64
04	2.00	3.25	1.40	0.10	4.75	1.75	2.48	2.11	-	-	1.54	-	-	0.00	4.55
05	2.25	5.25	3.25	0.10	4.50	2.57	2.55	2.18	-	-	3.50	-	-	0.01	4.68
05 *Jan*	2.00	3.25	2.25	0.10	4.75	2.21	2.54	2.15	-	-	2.61	-	-	0.00	4.79
Feb	2.00	3.50	2.50	0.10	4.75	2.26	2.54	2.14	-	-	2.76	-	-	0.00	4.80
Mar	2.00	3.75	2.75	0.10	4.75	2.35	2.55	2.14	-	-	2.95	-	-	0.01	4.90
Apr	2.00	3.75	2.75	0.10	4.75	2.40	2.54	2.14	-	-	3.07	-	-	0.01	4.86
May	2.00	4.00	3.00	0.10	4.75	2.44	2.53	2.13	-	-	3.20	-	-	0.00	4.81
Jun	2.00	4.25	3.25	0.10	4.75	2.49	2.50	2.11	-	-	3.36	-	-	0.00	4.76
Jul	2.00	4.25	3.25	0.10	4.75	2.56	2.47	2.12	-	-	3.56	-	-	0.00	4.57
Aug	2.00	4.50	3.50	0.10	4.50	2.63	2.48	2.13	-	-	3.74	-	-	0.01	4.51
Sep	2.00	4.75	3.75	0.10	4.50	2.69	2.48	2.14	-	-	3.84	-	-	0.01	4.52
Oct	2.00	4.75	3.75	0.10	4.50	2.81	2.53	2.20	-	-	4.10	-	-	0.01	4.50
Nov	2.00	5.00	4.00	0.10	4.50	2.95	2.67	2.36	-	-	4.28	-	-	0.01	4.54
Dec	2.25	5.25	4.25	0.10	4.50	3.05	2.77	2.47	-	-	4.43	-	-	0.01	4.57
06 *Jan*	2.25	5.50	4.50	0.10	4.50	3.12	2.80	2.51	-	-	4.57	-	-	0.03	4.52
Feb	2.25	5.50	4.50	0.10	4.50	3.21	2.87	2.60	-	-	4.70	-	-	0.04	4.50
Mar	2.50	5.75	4.75	0.10	4.50	3.32	2.98	2.72	-	-	4.86	-	-	0.07	4.51
Apr	2.50	5.75	4.75	0.10	4.50	3.41	3.05	2.79	-	-	5.00	-	-	0.06	4.55
May	2.50	6.00	5.00	0.10	4.50	3.52	3.14	2.89	-	-	5.11	-	-	0.18	4.63
Jun	2.75	6.25	5.25	0.10	4.50	3.66	3.23	2.99	-	-	5.33	-	-	0.30	4.68

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.

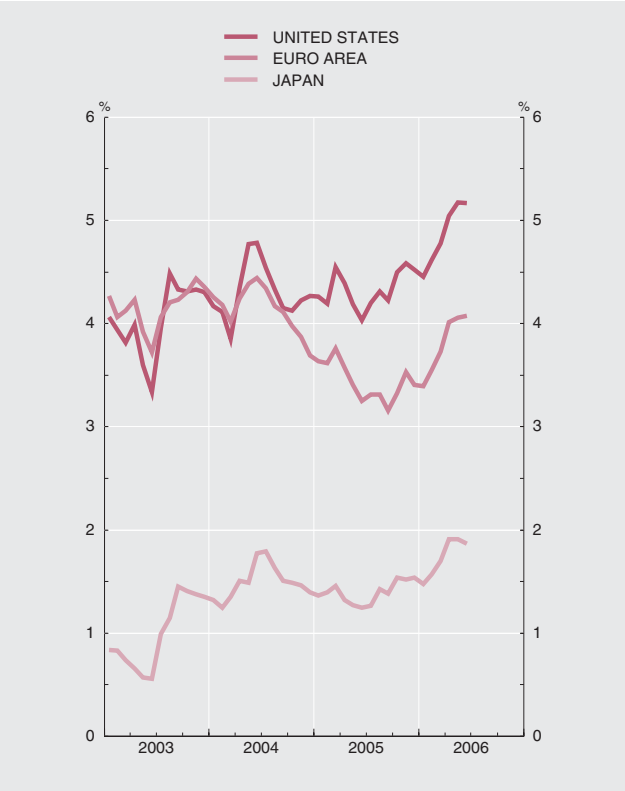
2.6. 10-YEAR GOVERNMENT BOND YIELDS ON DOMESTIC MARKETS

■ Series depicted in chart.

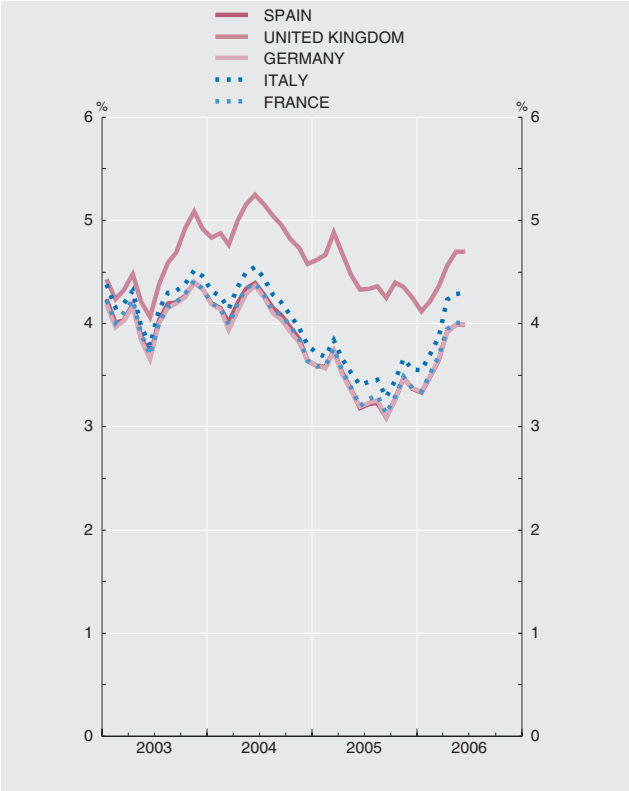
Percentages

	OECD 1	EU-15 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
03	3.68	4.22	4.16	4.10	4.12	4.04	4.13	4.24	0.99	4.53
04	3.87	4.26	4.14	4.07	4.10	4.31	4.10	4.24	1.50	4.93
05	3.58	3.59	3.44	3.38	3.39	4.33	3.41	3.56	1.39	4.47
05 *Jan*	3.63	3.77	3.63	3.59	3.59	4.26	3.58	3.72	1.36	4.62
Feb	3.60	3.76	3.62	3.57	3.58	4.20	3.59	3.68	1.40	4.66
Mar	3.83	3.93	3.76	3.73	3.73	4.55	3.76	3.84	1.46	4.88
Apr	3.66	3.73	3.57	3.51	3.53	4.39	3.55	3.66	1.32	4.69
May	3.49	3.56	3.41	3.35	3.36	4.19	3.38	3.52	1.27	4.47
Jun	3.36	3.40	3.25	3.19	3.19	4.04	3.20	3.41	1.24	4.33
Jul	3.44	3.44	3.32	3.23	3.22	4.20	3.27	3.44	1.26	4.34
Aug	3.52	3.47	3.32	3.26	3.23	4.31	3.30	3.46	1.43	4.36
Sep	3.42	3.31	3.16	3.09	3.09	4.23	3.13	3.29	1.38	4.25
Oct	3.62	3.47	3.32	3.26	3.27	4.50	3.29	3.45	1.54	4.40
Nov	3.73	3.64	3.53	3.47	3.48	4.59	3.49	3.66	1.52	4.36
Dec	3.66	3.54	3.41	3.37	3.37	4.52	3.38	3.56	1.54	4.25
06 *Jan*	3.60	3.50	3.39	3.34	3.33	4.45	3.34	3.55	1.47	4.12
Feb	3.74	3.64	3.55	3.49	3.48	4.61	3.51	3.70	1.57	4.21
Mar	3.89	3.81	3.73	3.66	3.65	4.78	3.68	3.87	1.70	4.36
Apr	4.15	4.08	4.01	3.91	3.92	5.04	3.95	4.23	1.91	4.56
May	4.24	4.15	4.06	3.99	3.99	5.18	4.01	4.29	1.91	4.70
Jun	4.23	4.16	4.07	3.99	3.99	5.17	4.01	4.30	1.87	4.70

10-YEAR GOVERNMENT BOND YIELDS



10-YEAR GOVERNMENT BOND YIELDS



Sources: ECB, Reuters and BE.

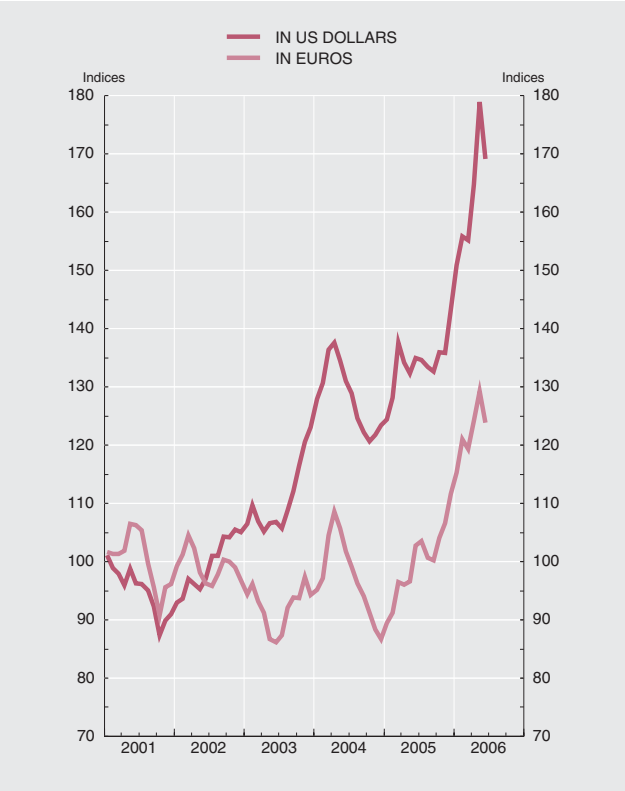
2.7 INTERNATIONAL MARKETS. NON-ENERGY COMMODITIES PRICE INDEX. CRUDE OIL AND GOLD PRICE.

■ Series depicted in chart.

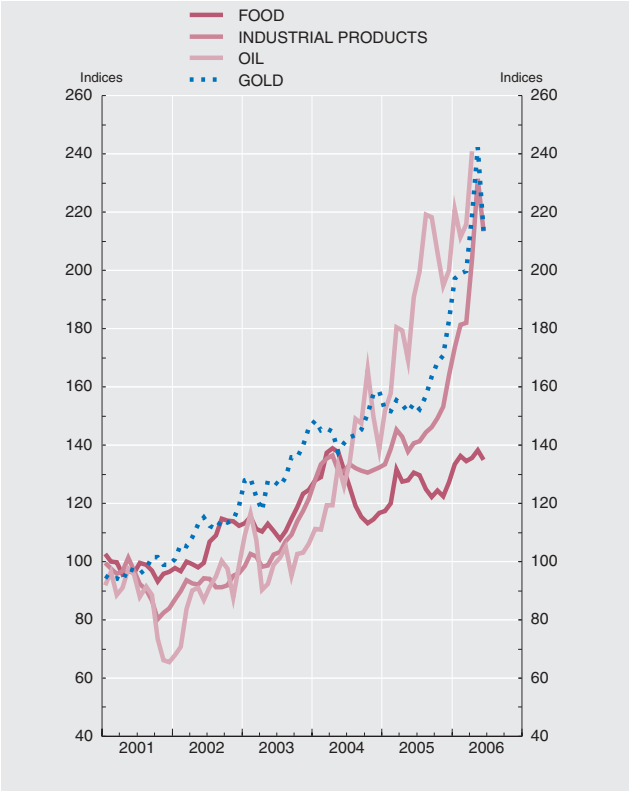
Base 2000 = 100

	Non-energy commodity price index (a)						Oil		Gold		
	Euro index	US dollar index						Brent North sea			
	General	General	Food	Industrial products			Index (b)	US dollars per barrel	Index (c)	US dollars per troy ounce	Euro per gram
				Total	Non-food agricultural products	Metals					
	1 ■	2 ■	3 ■	4 ■	5	6	7 ■	8	9 ■	10	11
01	100.2	95.0	97.7	91.9	94.8	88.4	86.1	24.6	97.2	271.1	9.74
02	99.3	99.5	105.2	92.4	101.0	84.7	88.5	25.0	111.1	310.0	10.55
03	92.2	110.7	114.4	106.2	118.7	95.5	102.3	28.9	130.3	363.6	10.33
04	97.4	128.3	125.5	132.2	131.5	130.7	133.8	38.3	146.7	409.2	10.58
05	100.0	134.0	125.5	144.8	131.2	152.1	189.2	54.2	159.5	445.1	11.53
05 *J-J*	95.4	131.9	125.9	139.7	128.2	146.0	171.7	49.3	153.2	427.3	10.70
06 *J-J*	122.1	162.5	135.5	197.7	151.3	222.7	...	65.4	211.9	591.0	15.30
05 *May*	96.6	132.3	128.0	137.8	129.2	142.5	169.3	48.0	151.4	422.3	10.69
Jun	102.8	134.9	130.5	140.6	129.7	146.1	190.9	54.0	154.4	430.7	11.39
Jul	103.5	134.7	129.6	141.2	135.6	144.3	199.7	57.7	152.3	424.9	11.34
Aug	100.7	133.5	124.9	144.5	130.3	152.2	219.1	64.3	157.0	437.9	11.45
Sep	100.3	132.6	122.1	146.2	134.6	152.5	218.4	62.6	163.5	456.0	11.98
Oct	104.0	135.9	124.3	149.3	135.7	156.7	206.1	58.3	168.4	469.9	12.57
Nov	106.6	135.8	122.4	153.1	132.8	164.2	194.7	55.0	170.9	476.7	13.01
Dec	111.6	143.3	127.3	163.9	136.0	179.0	200.0	56.5	182.8	509.9	13.81
06 *Jan*	115.2	150.9	133.4	173.4	143.0	189.5	220.9	62.9	197.1	549.9	14.53
Feb	121.0	155.9	136.2	181.3	149.5	198.6	211.5	59.7	198.9	555.0	14.94
Mar	119.4	155.2	134.4	182.0	148.3	200.3	215.8	61.6	199.7	557.1	14.89
Apr	124.2	164.7	135.6	203.8	149.0	232.3	240.8	70.4	218.9	610.7	15.99
May	129.2	178.9	138.2	231.5	156.3	272.5	...	69.4	242.1	675.4	16.96
Jun	123.8	169.2	135.0	213.3	162.1	241.3	...	68.1	213.4	595.3	14.43

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.

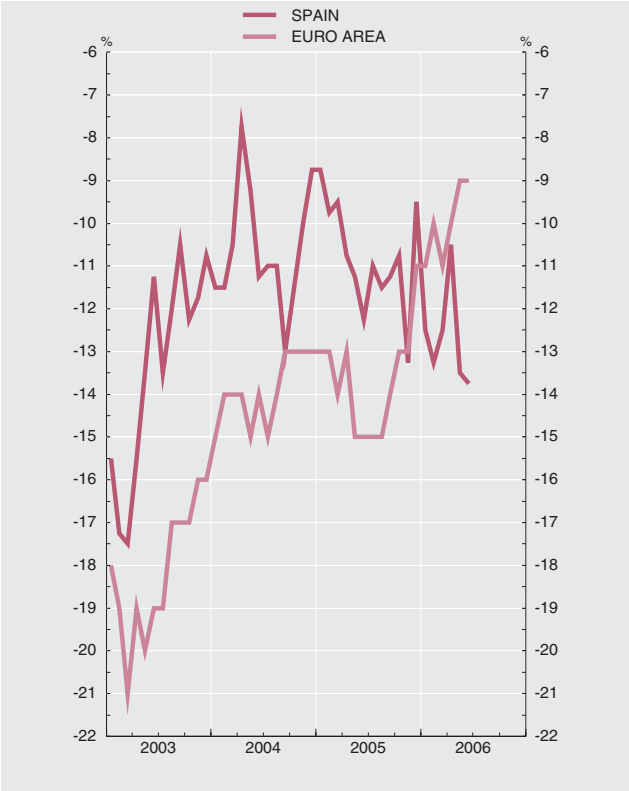
3.1. INDICATORS OF PRIVATE CONSUMPTION. SPAIN AND EURO AREA

■ Series depicted in chart.

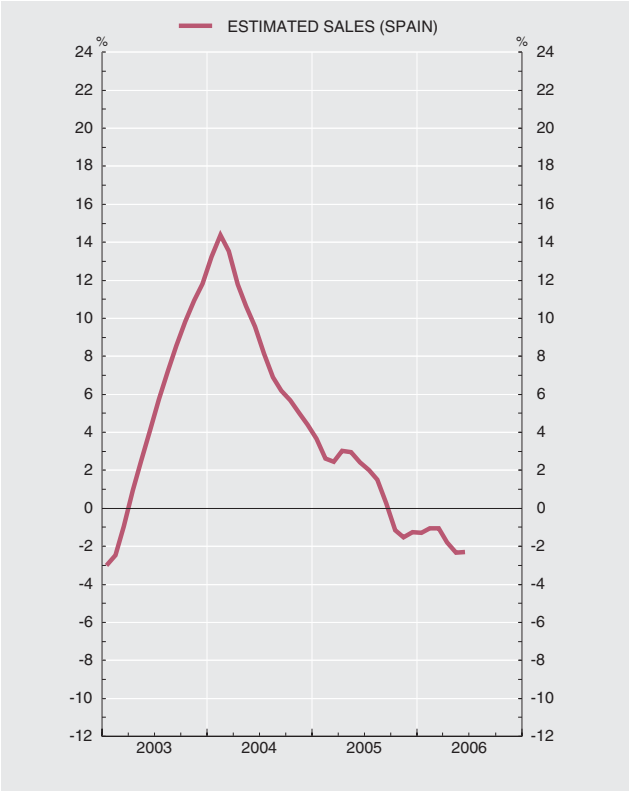
Annual percentage changes

		Opinion surveys (net percentages)						New car registrations and sales				Retail trade: sales index					
		Consumers			Retail trade confidence index	Memorandum item: euro area		of which			Memorandum item: euro area	General index			By type of product (deflated indices)		Memorandum item: euro area deflated index
		Confidence index	General economic situation: anticipated trend	Household economic situation: anticipated trend		Consumer confidence index	Retail trade confidence index	Registrations	Private use	Estimated sales	Registrations	Nominal	of which		Food (b)	Other (c)	
													Deflated (a)	Large retail outlets (a)			
		1 ■	2	3	4	5 ■	6	7	8	9 ■	10	11	12	13	14	15	16
03		-13	-9	-2	-2	-18	-11	6.0	4.0	3.8	-1.5	5.7	2.9	5.2	0.8	4.2	0.7
04	P	-11	-4	-1	-6	-14	-9	10.8	12.2	9.8	0.9	5.5	2.8	4.4	0.4	4.5	1.4
05	P	-11	-7	-1	-5	-14	-9	1.4	1.9	0.8	1.5	4.4	1.3	3.2	0.1	2.1	1.3
05 *J-J*	P	-10	-6	-1	-7	-14	-10	3.2	3.1	2.6	1.1	4.8	1.8	3.6	0.3	2.8	1.3
06 *J-J*	A	-13	-12	-3	-11	-10	-2	-0.4	0.4	-1.2	2.4	...	...	...	...	...	...
05 *Jul*	P	-11	-7	-	-4	-15	-11	-2.9	-3.1	-2.8	3.0	1.7	-1.3	-0.5	-1.6	-1.0	0.5
Aug	P	-12	-8	-1	-4	-15	-10	9.4	9.1	9.5	7.3	6.4	3.3	5.0	2.0	4.4	2.2
Sep	P	-11	-7	-1	-5	-14	-7	5.4	6.3	4.6	4.6	5.6	1.8	4.1	1.5	2.0	1.5
Oct	P	-11	-7	-1	-4	-13	-5	-8.6	-6.3	-9.6	0.1	3.3	-0.1	1.6	-0.2	0.1	1.5
Nov	P	-13	-14	-3	-2	-13	-8	-3.1	0.6	-4.0	-2.0	3.6	0.4	1.1	-1.6	1.6	1.3
Dec	P	-10	-9	1	-5	-11	-5	0.8	2.1	-0.4	-1.8	4.4	0.8	4.8	-0.9	1.9	1.0
06 *Jan*	P	-13	-10	-3	-10	-11	-6	0.1	-1.1	-0.3	2.1	4.7	0.2	-0.2	-0.6	0.4	1.3
Feb	A	-13	-11	-3	-13	-10	-5	-1.6	3.8	-2.3	2.6	4.2	0.1	1.6	-1.1	0.8	1.3
Mar	A	-13	-12	-3	-13	-11	-1	8.6	11.7	8.2	1.5	6.6	2.4	3.6	0.2	4.0	0.2
Apr	A	-11	-11	-	-2	-10	-1	-10.5	-16.6	-10.5	1.8	0.3	-3.3	0.5	-1.8	-4.2	2.6
May	A	-14	-14	-4	-11	-9	-1	1.4	5.5	0.5	8.9	6.6	2.4	5.5	2.1	2.5	0.7
Jun	A	-14	-13	-4	-19	-9	2	-1.5	0.1	-3.5	-2.5	...	...	...	...	...	...

CONSUMER CONFIDENCE INDEX



CAR SALES
Trend obtained with TRAMO-SEATS



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

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

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

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

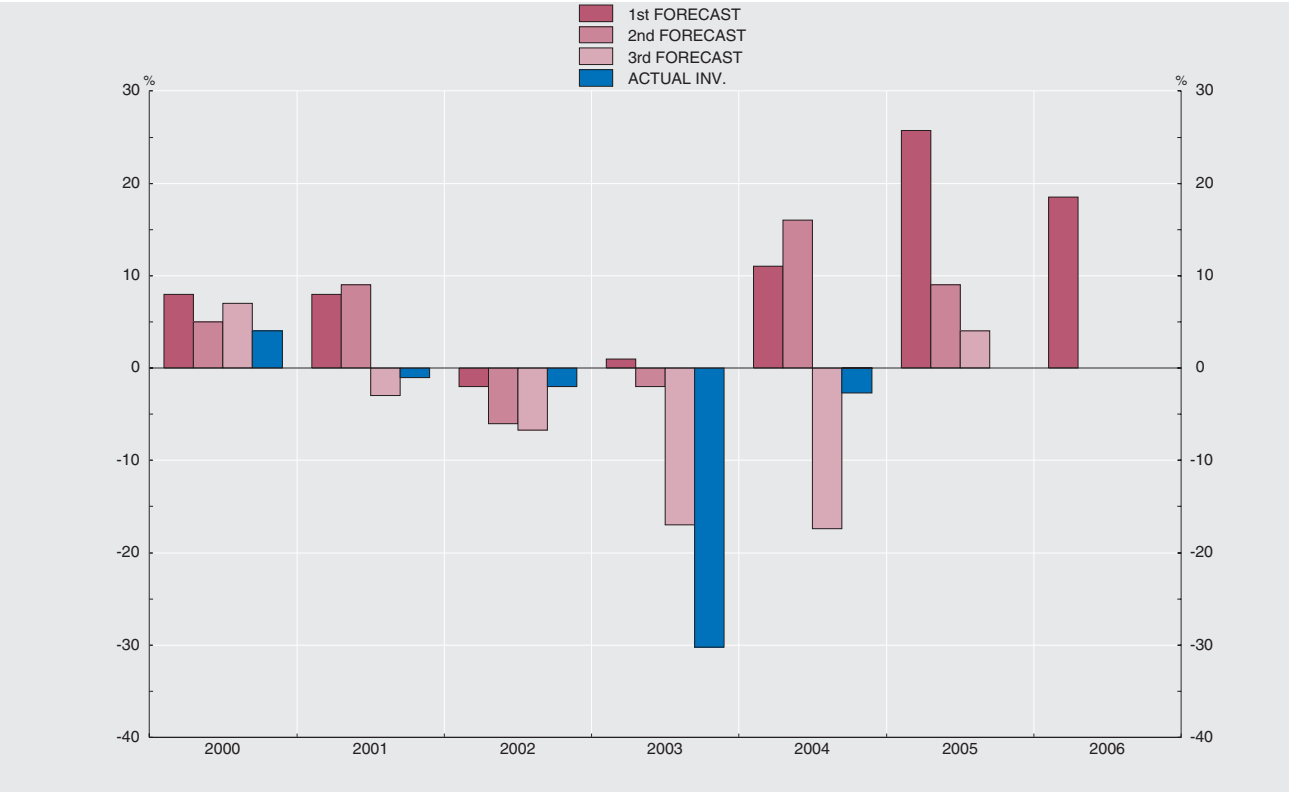
3.2. INVESTMENT IN INDUSTRY (EXCLUDING CONSTRUCTION): OPINION SURVEYS. SPAIN

■ Series depicted in chart.

Annual percentage changes at current prices

	ACTUAL INV. 1 ■	1st FORECAST 2 ■	2nd FORECAST 3 ■	3rd FORECAST 4 ■
00	4	8	5	7
01	-1	8	9	-3
02	-2	-2	-6	-7
03	-30	1	-2	-17
04	-3	11	16	-17
05	...	26	9	4
06	...	19	...	...

INVESTMENT IN INDUSTRY
Annual rates of change



Source: Ministerio de Industria, Turismo y Comercio.

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

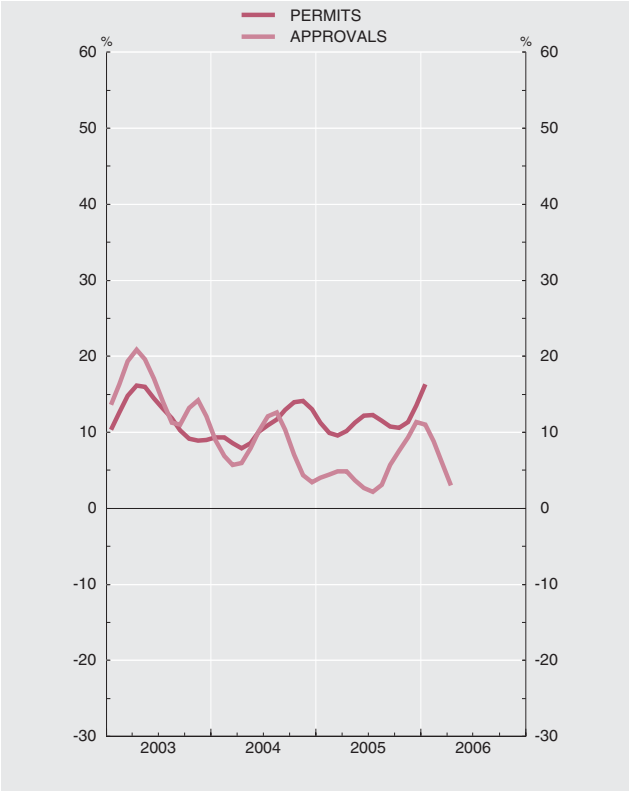
3.3. CONSTRUCTION. INDICATORS OF BUILDING STARTS AND CONSUMPTION OF CEMENT. SPAIN

■ Series depicted in chart.

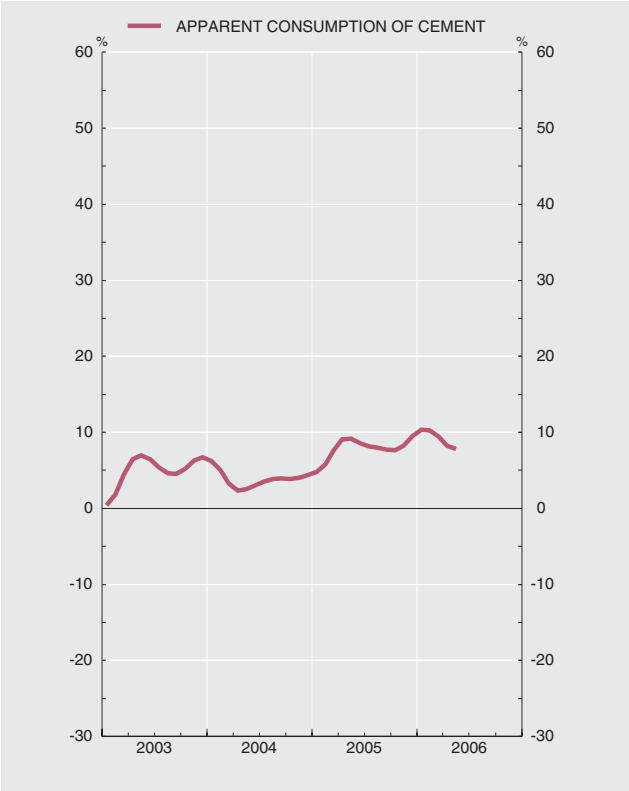
Annual percentage changes

		Permits: buildable floorage				Approvals: buildable floorage		Government tenders (budget)							Apparent consumption of cement
			of which				of which	Total		Building				Civil engineering	
		Total	Residential	Housing	Non-residential	Total	Housing	For the month	Year to date	Total	of which Residential	of which Housing	Non-residential		
		1 ■	2	3	4	5 ■	6	7 ■	8	9	10	11	12	13	14 ■
03		13.4	16.2	16.3	2.0	17.5	19.9	-10.9	-10.9	-0.3	-11.7	35.4	3.8	-14.8	4.8
04		12.8	13.7	14.5	8.4	6.3	9.9	18.3	18.3	3.2	30.9	-0.5	-5.2	24.9	3.9
05	P	7.7	8.4	8.6	4.4	5.3	4.8	18.5	18.5	40.4	15.1	30.2	51.0	10.7	7.3
05 *J-M*	P	5.8	7.5	7.8	-2.5	5.3	5.8	29.9	29.9	72.6	53.0	14.2	79.7	18.4	7.9
06 *J-M*	A	...	...	...	...	...	...	...	...	...	...	...	...	...	9.7
05 *Feb*		2.2	4.7	6.2	-8.4	6.8	5.8	-38.7	4.7	25.8	-52.7	91.5	84.6	-52.2	2.8
Mar		1.9	7.4	7.9	-21.0	3.0	-3.2	7.7	5.8	101.0	109.7	-16.4	97.6	-12.2	0.7
Apr	P	-1.0	-3.1	-5.4	11.0	7.6	12.9	57.8	15.6	94.4	229.3	213.0	73.3	45.6	20.4
May	P	21.1	21.8	24.2	17.1	4.7	3.6	142.2	29.9	122.4	28.5	-19.4	159.4	152.0	14.6
Jun	P	16.8	16.5	18.0	17.9	2.4	2.2	-10.4	19.9	93.6	-19.1	21.2	150.6	-32.6	6.7
Jul	P	26.8	22.7	21.9	46.3	-2.5	-10.7	-30.9	7.1	8.3	66.0	-23.2	-10.3	-42.9	1.7
Aug	P	8.3	13.7	12.4	-17.0	-6.0	-1.8	21.0	9.1	11.8	-23.9	559.0	50.3	24.2	15.7
Sep	P	8.5	10.5	13.5	-0.9	20.9	19.9	89.7	13.3	48.0	8.9	2.4	62.8	108.7	7.4
Oct	P	5.4	6.3	5.7	0.8	3.1	4.9	63.1	17.0	32.7	-7.2	189.3	46.9	80.8	6.3
Nov	P	-6.8	-7.0	-7.6	-5.9	5.8	6.8	42.8	18.9	81.5	88.4	101.2	79.8	18.5	3.9
Dec	P	5.4	4.2	4.6	11.2	14.8	13.7	15.1	18.5	-21.2	-35.6	-16.8	-14.8	42.7	8.8
06 *Jan*	P	28.5	28.6	28.8	28.1	23.9	18.9	18.2	18.2	142.1	260.0	192.9	83.7	-5.6	15.5
Feb	P	...	...	...	...	5.4	4.3	8.6	14.9	16.6	132.3	156.4	-5.6	4.1	12.9
Mar	P	...	...	...	...	15.2	18.0	14.3	14.7	23.4	62.8	279.8	7.4	9.9	22.0
Apr	A	...	...	...	...	-16.2	-14.0	25.9	17.6	38.9	-28.9	6.2	59.2	20.1	-8.1
May	A	...	...	...	...	...	...	...	...	...	...	...	...	...	9.2

CONSTRUCTION
Trend obtained with TRAMO-SEATS



CONSTRUCTION
Trend obtained with TRAMO-SEATS



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

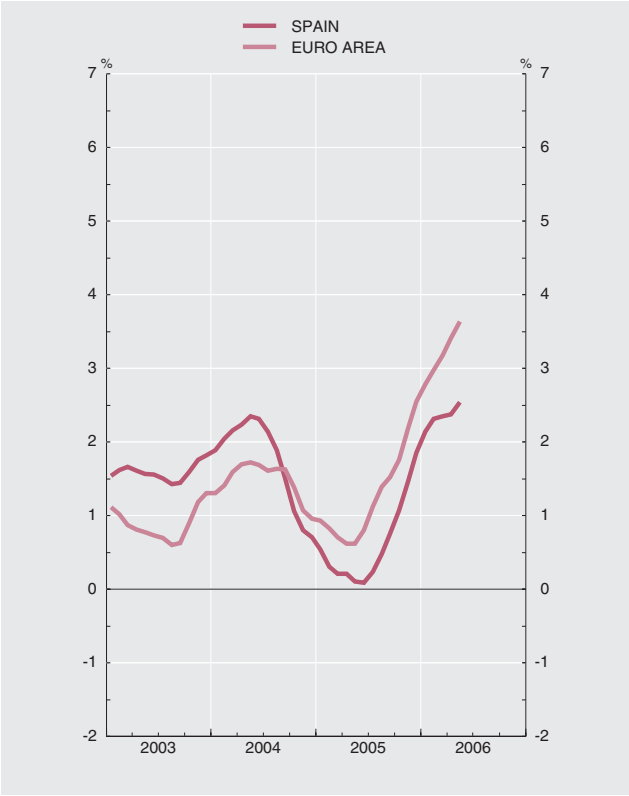
3.4. INDUSTRIAL PRODUCTION INDEX. SPAIN AND EURO AREA

■ Series depicted in chart.

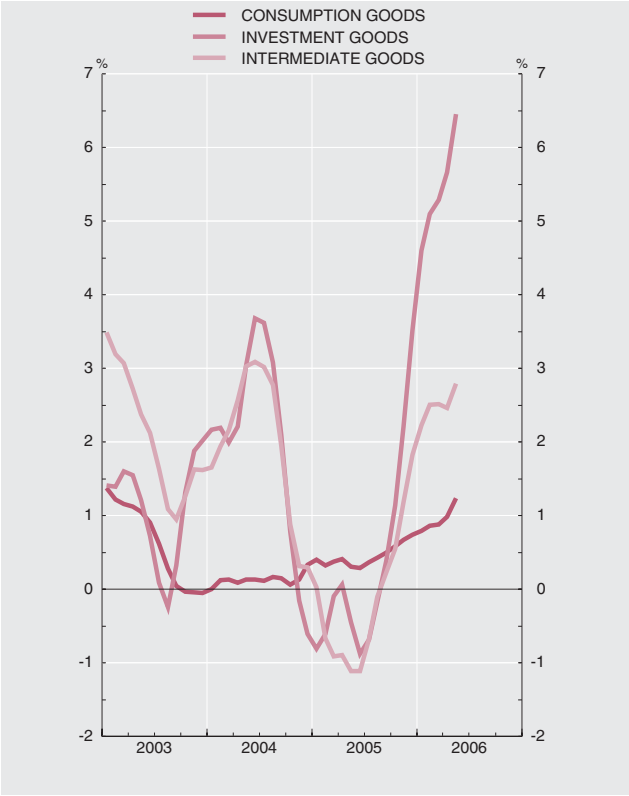
Annual percentage changes

		Overall Index		By end-use of goods				By branch of activity			Memorandum item: euro area				
		Total		Consumption	Investment	Intermediate goods	Energy	Mining and quarrying	Manufacturing	Production and distribution of electricity, gas and water	of wich		By end-use of goods		
		Original series	12-month %change 12								Total	Manufacturing	Consumption	Investment	Intermediate goods
		1	2 ■	3 ■	4 ■	5 ■	6	7	8	9	10 ■	11	12	13	14
03	MP	100.5	1.6	0.5	0.8	2.1	3.9	0.0	1.5	2.9	0.3	0.1	-0.3	-0.1	0.3
04	MP	102.3	1.8	0.0	1.9	1.9	4.9	-4.8	1.2	7.0	2.0	2.1	0.5	3.3	2.2
05	MP	102.4	0.1	0.2	-0.7	-0.6	2.9	-4.0	-0.3	4.1	1.2	1.3	0.7	2.6	0.8
05 *J-M*	MP	103.2	-0.1	0.2	0.0	-1.1	2.6	-6.8	-0.6	5.3	0.6	0.6	-0.3	2.2	0.2
06 *J-M*	MP	106.7	3.4	1.7	7.3	3.2	2.1	4.8	3.6	1.2	3.3	3.3	2.0	4.9	3.4
05 *Feb*	P	100.1	-1.0	-1.7	-1.4	-2.0	3.6	-11.6	-2.0	7.7	0.3	-0.1	-1.0	1.5	-0.3
Mar	P	105.0	-6.7	-7.0	-6.7	-8.7	-0.4	-16.2	-7.7	2.9	-0.1	-1.0	-1.9	2.0	-1.2
Apr	P	107.2	7.4	9.7	11.6	6.1	0.8	-	8.2	2.1	1.3	2.2	0.8	3.6	0.4
May	P	106.9	0.1	-0.1	1.7	-0.6	1.0	5.1	-0.2	2.3	0.0	-0.3	0.5	0.7	-0.5
Jun	P	110.1	-0.2	1.1	-1.4	-1.2	1.7	1.6	-0.5	3.0	0.7	0.6	0.7	2.5	-1.2
Jul	P	106.3	-3.5	-2.8	-6.2	-4.5	2.1	-3.4	-4.1	2.6	0.7	0.2	-0.2	3.0	-0.9
Aug	P	76.0	3.7	4.2	5.7	4.8	-0.7	5.9	4.3	-0.4	2.7	3.0	3.6	2.8	3.4
Sep	P	107.9	0.2	0.5	-2.2	-0.1	3.9	-1.7	-	2.1	1.3	1.6	1.8	2.9	0.8
Oct	P	104.7	-0.1	-	-0.9	-1.1	3.7	-4.8	-0.2	1.4	0.4	0.8	1.0	0.3	0.9
Nov	P	110.6	0.9	0.2	-1.3	1.1	5.5	-2.1	0.4	6.3	3.1	3.5	1.6	4.6	3.6
Dec	P	96.8	1.4	-1.1	2.4	1.0	5.4	-8.6	0.8	6.7	2.9	2.5	1.7	3.9	2.5
06 *Jan*	P	102.0	5.4	3.0	12.0	4.9	3.8	0.8	5.6	4.5	2.8	2.1	1.0	4.0	1.8
Feb	P	102.8	2.7	1.7	4.6	2.6	2.9	7.3	2.9	1.4	2.9	3.1	2.5	5.5	1.8
Mar	P	116.5	11.0	9.0	18.1	11.7	3.6	16.7	12.1	0.8	4.2	5.1	2.6	5.5	4.8
Apr	P	96.7	-9.8	-12.6	-9.9	-9.8	-3.6	-4.8	-10.4	-5.1	1.7	0.7	0.0	2.2	2.3
May	P	115.3	7.9	7.6	12.7	7.2	3.2	4.1	8.4	3.8	4.9	5.5	3.7	7.0	6.0

INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS



INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS



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

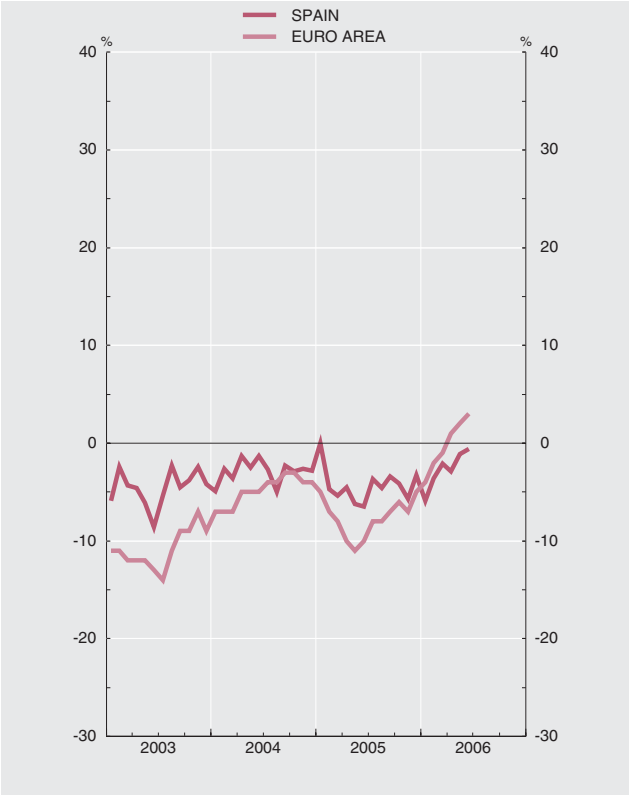
3.5. MONTHLY BUSINESS SURVEY: INDUSTRY AND CONSTRUCTION. SPAIN AND EURO AREA

■ Series depicted in chart.

Percentage balances

		Industry, excluding construction										Construction					Memorandum item: euro area		
		Business climate indicator (a)	Production over the last three months	Trend in production (a)	Total orders (a)	Foreign orders	Stocks of finished products (a)	Business climate indicator				Business climate indicator	Production	Orders	Trend		Industry, excluding construction		Construction climate indicator
								Consumption (a)	Investment (a)	Intermediate goods (a)	Other sectors (a)				Production	Orders	Business climate indicator	Order Book	
		1 ■	2	3	4	5	6	7	8	9	10	11 ■	12	13	14	15	16 ■	17	18 ■
03	M	-5	4	8	-11	-20	10	-1	-3	-9	1	10	9	20	30	19	-11	-26	-18
04	M	-3	4	10	-8	-17	11	-3	1	-5	0	14	7	21	30	26	-5	-16	-14
05	M	-4	0	7	-9	-18	12	-2	-5	-6	1	22	31	35	30	22	-8	-17	-9
05 *J-J*	M	-5	-1	8	-10	-18	12	-3	-4	-7	0	22	23	38	37	21	-9	-18	-11
06 *J-J*	M	-3	3	6	-2	-13	12	-3	-0	-4	-1	16	28	25	35	15	-0	-5	-3
05 *Mar*		-5	-7	7	-11	-17	12	-6	-4	-6	-0	26	-8	46	29	17	-8	-17	-11
Apr		-5	-5	11	-11	-20	13	-3	-1	-7	-	24	38	33	49	16	-10	-19	-11
May		-6	2	7	-12	-21	14	-1	-9	-9	2	19	55	36	48	20	-11	-21	-11
Jun		-7	6	6	-13	-21	13	-2	-3	-12	0	18	42	30	28	27	-10	-21	-12
Jul		-4	12	7	-7	-17	12	-1	-7	-5	1	21	46	30	41	40	-8	-18	-11
Aug		-5	4	6	-9	-17	10	2	-4	-11	7	20	43	23	23	23	-8	-18	-9
Sep		-3	-4	6	-6	-18	11	-2	-6	-3	3	22	37	32	39	20	-7	-16	-7
Oct		-4	-1	7	-11	-20	8	-4	-5	-4	2	15	43	23	13	26	-6	-16	-7
Nov		-6	1	6	-8	-14	15	-3	-10	-6	2	33	30	54	15	11	-7	-16	-3
Dec		-3	-2	7	-5	-16	12	-1	-3	-5	-1	21	39	31	7	19	-5	-13	-6
06 *Jan*		-6	-3	5	-8	-19	15	-4	-7	-7	2	21	25	37	39	32	-4	-12	-4
Feb		-4	1	5	-5	-16	11	-3	0	-6	-2	7	-2	21	27	2	-2	-10	-5
Mar		-2	2	6	-	-13	13	-2	-	-4	-1	20	15	31	19	21	-1	-6	-3
Apr		-3	7	3	-2	-12	10	-3	0	-4	-2	15	49	19	41	-1	1	-1	-3
May		-1	2	7	1	-8	11	-5	4	-1	-2	14	31	18	47	25	2	-2	-2
Jun		-1	10	9	0	-7	11	-2	1	-0	-1	19	51	22	34	9	3	2	-2

INDUSTRIAL BUSINESS CLIMATE
Percentage balances



CONSTRUCTION BUSINESS CLIMATE
Percentage balances

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

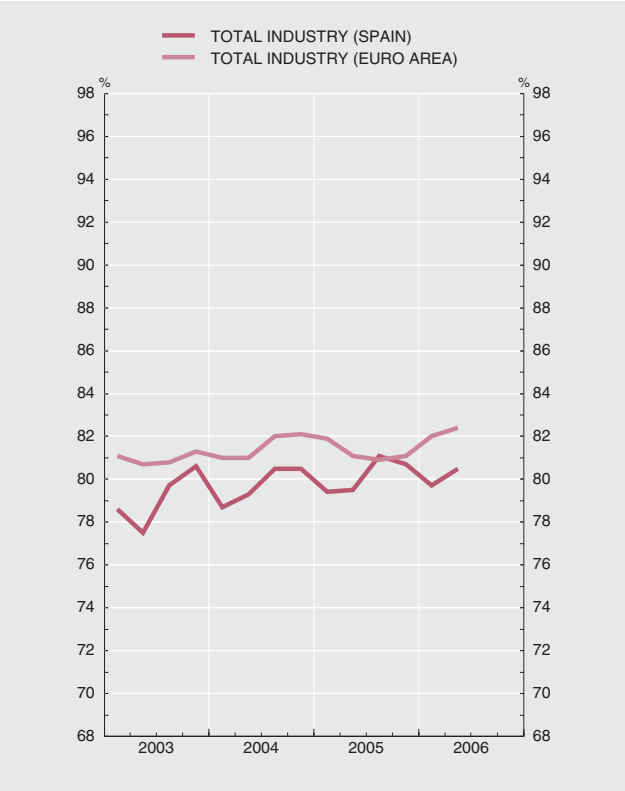
3.6. BUSINESS SURVEY: CAPACITY UTILISATION. SPAIN AND EURO AREA

■ Series depicted in chart.

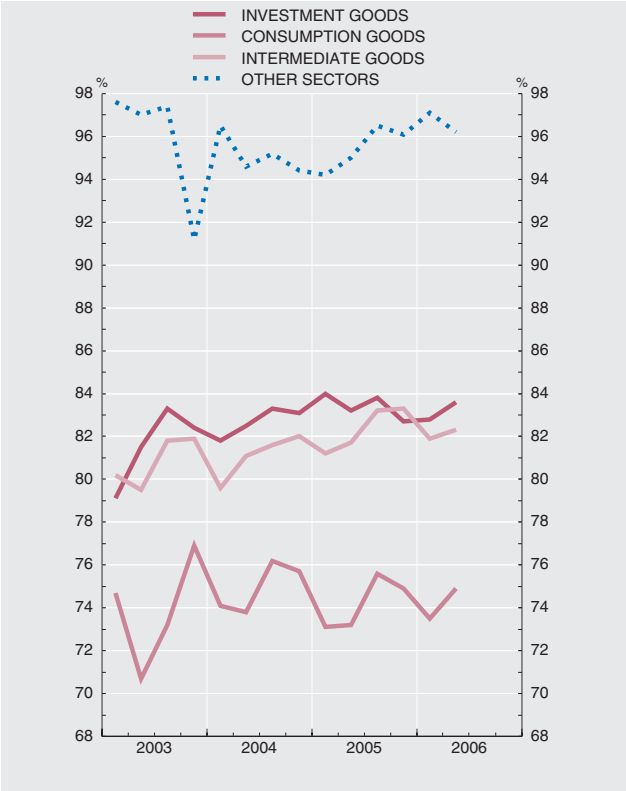
Percentages and percentage balances

	Total industry			Consumer goods			Investment goods			Intermediate goods			Other sectors			Memo-ramdum item: euro area capacity utilisation
	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	
	Over last three months (%)	Forecast (%)	(Percentage balances)	Over last three months (%)	Forecast (%)	(Percentage balances)	Over last three months (%)	Forecast (%)	(Percentage balances)	Over last three months	Forecast (%)	(Percentage balances)	Over last three months	Forecast (%)	(Percentage balances)	(%)
	1 ■	2	3	4 ■	5	6	7 ■	8	9	10 ■	11	12	13 ■	14	15	16 ■
03	79.1	80.9	6	73.9	76.7	7	81.6	83.0	7	80.9	82.2	5	95.8	95.6	-1	81.0
04	79.8	81.0	6	75.0	76.6	7	82.7	83.5	6	81.1	82.3	5	95.2	95.2	2	81.5
05	80.2	81.5	5	74.2	76.3	6	83.4	84.3	5	82.4	83.3	4	95.5	95.1	0	81.3
05 *Q1-Q2*	79.5	81.5	4	73.2	76.1	4	83.6	85.0	3	81.5	83.0	4	94.6	95.8	-	81.5
06 *Q1-Q2*	80.1	81.4	7	74.2	76.7	6	83.2	83.4	10	82.1	83.2	7	96.7	97.0	-	82.2
03 *Q4*	80.6	82.0	8	76.9	78.5	13	82.4	83.8	7	81.9	83.2	6	91.2	91.1	-	81.3
04 *Q1*	78.7	80.2	10	74.1	75.8	13	81.8	82.8	10	79.6	81.4	7	96.5	96.4	-	81.0
Q2	79.3	81.2	6	73.8	76.2	5	82.5	83.8	8	81.1	83.0	7	94.6	94.6	-	81.0
Q3	80.5	81.2	6	76.2	77.5	9	83.3	83.5	4	81.6	82.0	5	95.2	95.5	-	82.0
Q4	80.5	81.3	2	75.7	76.8	2	83.1	84.0	2	82.0	82.6	1	94.4	94.1	6	82.1
05 *Q1*	79.4	81.2	4	73.1	75.9	3	84.0	84.8	4	81.2	82.6	4	94.2	95.0	-	81.9
Q2	79.5	81.7	5	73.2	76.3	6	83.2	85.1	3	81.7	83.4	5	95.0	96.6	-	81.1
Q3	81.1	81.8	5	75.6	76.4	8	83.8	84.4	4	83.2	83.9	5	96.5	96.7	-	80.9
Q4	80.7	81.3	5	74.9	76.7	6	82.7	82.9	8	83.3	83.4	3	96.1	91.9	0	81.1
06 *Q1*	79.7	80.5	9	73.5	75.5	6	82.8	82.6	14	81.9	82.5	9	97.1	97.4	-	82.0
Q2	80.5	82.2	5	74.9	77.9	5	83.6	84.2	7	82.3	83.8	5	96.2	96.5	-	82.4

CAPACITY UTILISATION. TOTAL INDUSTRY
Percentages



CAPACITY UTILISATION. BY TYPE OF GOOD
Percentages



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

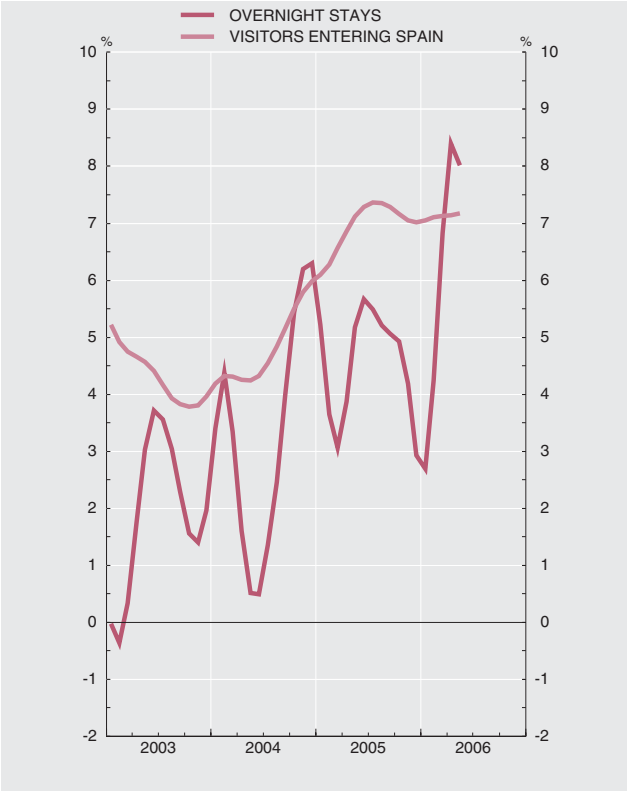
3.7. TOURISM AND TRANSPORT STATISTICS. SPAIN

■ Series depicted in chart.

Annual percentage changes

		Hotel stays (a)		Overnight stays		Visitors entering Spain			Air transport				Maritime transport		Rail transport	
									Passengers							
		Total	Foreigners	Total	Foreigners	Total	Tourists	Day-trippers	Total	Domestic flights	International flights	Freight	Passengers	Freight	Passengers	Freight
		1	2	3 ■	4	5 ■	6	7	8 ■	9	10	11	12	13	14 ■	15
03		3.8	2.1	2.4	0.7	2.9	-2.8	13.6	7.4	8.1	7.0	0.5	-3.3	4.8	1.4	2.1
04		6.9	1.4	2.9	-1.6	4.4	3.1	6.6	8.0	9.8	6.8	9.1	10.6	6.8	-1.5	-2.1
05	P	5.7	5.3	4.7	3.4	7.3	6.1	9.1	9.2	13.6	6.2	-3.0	-1.1	9.0	4.5	-2.2
05 *J-M*	P	5.3	1.3	3.9	0.0	6.2	5.4	7.3	8.4	12.2	5.6	-0.0	-3.1	12.5	5.4	-9.1
06 *J-M*	P	8.0	9.2	6.9	7.4	7.0	6.1	8.3	...	...	...	...	...	...	2.1	...
05 *Feb*	P	2.0	0.4	1.2	-1.0	1.4	0.2	2.9	2.9	5.5	0.7	-1.1	-18.5	5.3	1.2	-12.8
Mar	P	10.8	0.4	9.9	-2.2	17.7	17.0	18.9	12.2	14.1	10.8	-3.3	33.6	8.9	-0.5	-22.8
Apr	P	-1.3	-3.6	-6.0	-4.7	-0.3	-0.6	0.2	5.4	12.3	0.4	8.1	-18.0	5.7	15.9	-0.8
May	P	8.5	3.8	8.2	2.5	7.5	5.4	11.4	11.2	17.8	6.8	-6.9	-11.1	7.1	6.8	-3.5
Jun	P	6.4	8.4	5.0	4.6	11.0	7.8	17.0	8.8	13.7	5.6	-3.4	-4.4	11.4	3.7	-4.8
Jul	P	7.5	7.7	6.6	5.0	10.4	7.7	15.5	11.9	17.5	8.5	-6.9	6.4	6.6	2.5	-10.6
Aug	P	5.1	5.1	4.1	3.5	5.9	5.5	6.6	8.7	14.9	5.0	-5.1	-2.2	7.6	5.7	2.5
Sep	P	6.5	9.0	5.4	5.3	10.9	8.3	16.1	10.6	16.4	7.0	-5.0	12.4	3.7	3.8	4.5
Oct	P	3.5	5.4	5.5	6.9	4.9	4.6	5.4	8.3	14.7	4.4	-1.2	-16.0	5.4	2.0	31.3
Nov	P	9.0	9.9	7.1	7.2	5.7	7.7	3.1	10.7	12.5	9.1	-3.1	-1.7	5.3	3.2	-2.4
Dec	P	3.8	7.9	0.8	2.9	5.0	2.8	7.5	9.0	10.4	7.8	-10.5	0.5	7.1	6.4	8.8
06 *Jan*	P	3.3	0.9	-0.3	-1.2	3.6	-0.1	7.9	7.7	12.5	3.8	-1.5	-2.7	3.6	6.3	5.5
Feb	P	5.6	1.9	1.8	-1.7	6.4	2.0	12.2	5.4	7.5	3.7	-10.1	14.8	5.4	6.4	5.5
Mar	P	2.0	8.1	-1.0	6.4	1.1	0.0	2.7	3.1	6.9	-0.0	-5.4	-20.2	7.9	4.6	5.5
Apr	P	21.8	19.8	24.3	17.5	15.5	17.7	12.2	15.1	9.5	19.6	-16.2	...	...	-6.5	-22.1
May	P	5.2	9.3	6.3	9.8	6.9	6.9	6.8	...	...	...	...	...	...	0.3	...

TOURISM
Trend obtained with TRAMO-SEATS



TRANSPORT
Trend obtained with TRAMO-SEATS

Sources: INE and Instituto de Estudios Turísticos, Estadística de Movimientos Turísticos en Frontera.
Note: The underlying series for this indicator are in Table 23.15 of the BE Boletín estadístico .
a. From January 2003, the information for Galicia is based on total figures for hotel stays and overnight stays for the month. The directory of hotels has been reviewed thoroughly. Since January 2006, the directories have been update and the information-collection period extended to every day of the month

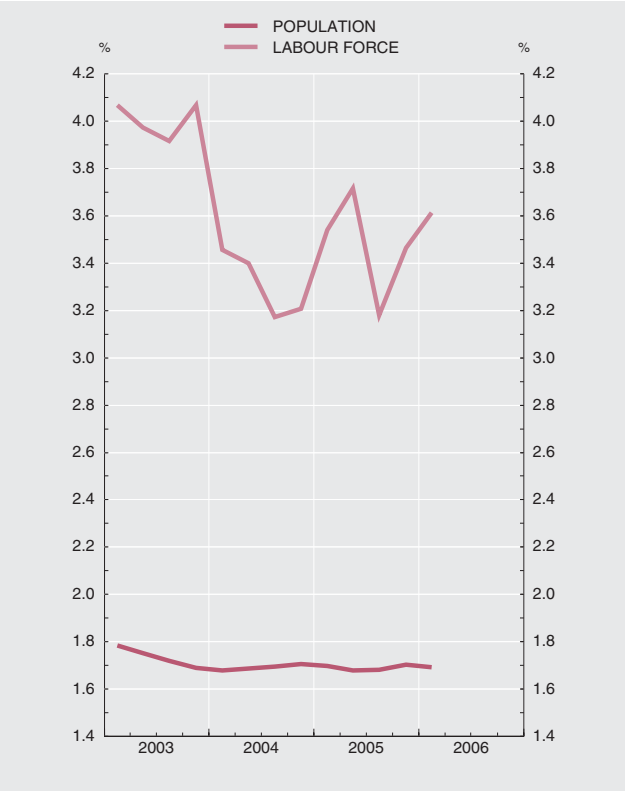
4.1. LABOUR FORCE. SPAIN

■ Series depicted in chart.

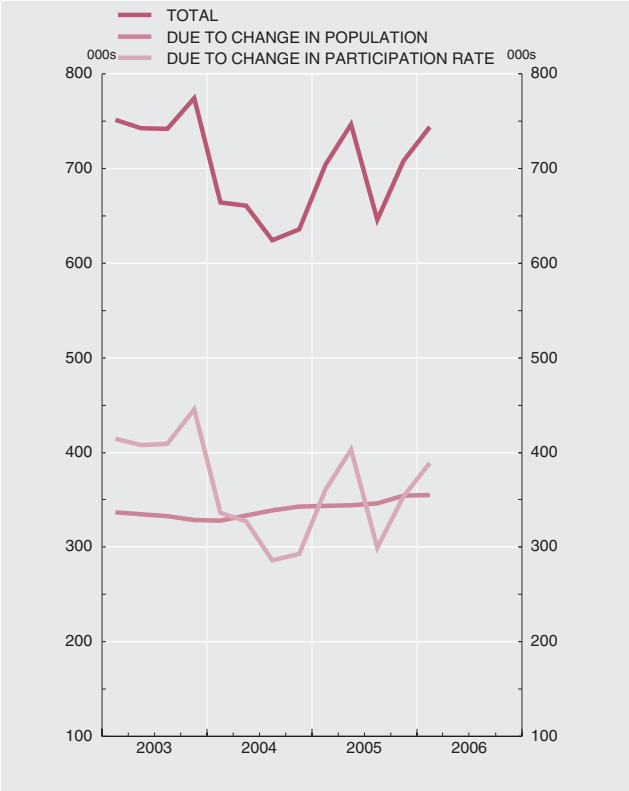
Thousands and annual percentage changes

		Population over 16 years of age				Labour force				
							Annual change (b)			
		Thousands	Annual change	4-quarter % change	Participation rate (%) (a)	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 ■
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
05	M	36 416	605	1.7	57.35	20 886	701	347	354	3.5
05 *Q1-Q1*	M	36 188	604	1.7	56.90	20 592	704	344	360	3.5
06 *Q1-Q1*	M	36 800	613	1.7	57.98	21 336	744	355	389	3.6
03 *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
06 *Q1*		36 800	613	1.7	57.98	21 336	744	355	389	3.6

LABOUR FORCE SURVEY
Annual percentage change



LABOUR FORCE
Annual changes



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

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

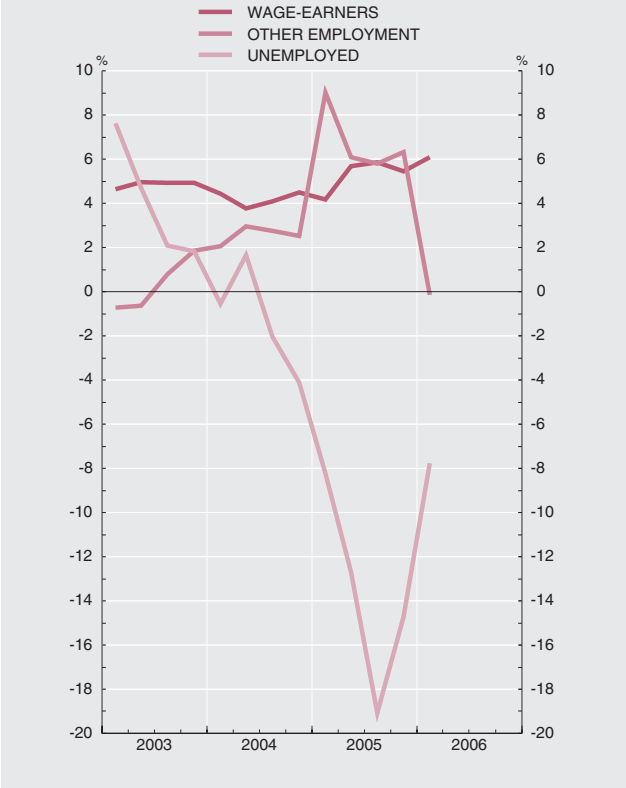
■ Series depicted in chart.

Thousands and annual percentage changes

		Employment									Unemployment				Memorandum item: euro area	
		Total			Wage-earners			Other								
		Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands (a)	Annual change	4-quarter % change	Unemployment rate (a)	Employment 4-quarter % change	Unemployment rate
		1	2	3 ■	4	5	6 ■	7	8	9 ■	10	11	12 ■	13	14	15
03	M	17 296	666	4.0	14 127	656	4.9	3 169	10	0.3	2 242	87	4.0	11.48	0.4	8.73
04	M	17 971	675	3.9	14 721	593	4.2	3 250	82	2.6	2 214	-29	-1.3	10.97	0.6	8.88
05	M	18 973	1 002	5.6	15 502	781	5.3	3 471	221	6.8	1 913	-301	-13.6	9.16	0.7	8.56
05	*Q1-Q1* M	18 493	892	5.1	14 977	602	4.2	3 516	291	9.0	2 099	-188	-8.2	10.19	0.8	8.78
06	*Q1-Q1* M	19 400	907	4.9	15 889	912	6.1	3 511	-5	-0.1	1 936	-163	-7.8	9.07	0.9	8.14
03	*Q3*	17 459	696	4.2	14 293	672	4.9	3 166	25	0.8	2 226	45	2.1	11.31	0.4	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	0.6	8.85
04	*Q1*	17 600	677	4.0	14 375	612	4.4	3 225	65	2.1	2 287	-12	-0.5	11.50	0.5	8.90
	Q2	17 866	625	3.6	14 609	531	3.8	3 256	93	3.0	2 227	36	1.6	11.08	0.6	8.89
	Q3	18 129	670	3.8	14 876	583	4.1	3 253	87	2.7	2 181	-45	-2.0	10.74	0.6	8.89
	Q4	18 288	728	4.1	15 022	648	4.5	3 266	81	2.5	2 159	-93	-4.1	10.56	0.7	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	8.78
	Q2	18 895	1 029	5.8	15 440	831	5.7	3 455	198	6.1	1 945	-282	-12.7	9.33	0.8	8.66
	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	8.46
	Q4	19 314	1 026	5.6	15 842	819	5.5	3 473	207	6.3	1 841	-318	-14.7	8.70	0.7	8.34
06	*Q1*	19 400	907	4.9	15 889	912	6.1	3 511	-5	-0.1	1 936	-163	-7.8	9.07	0.9	8.14

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.

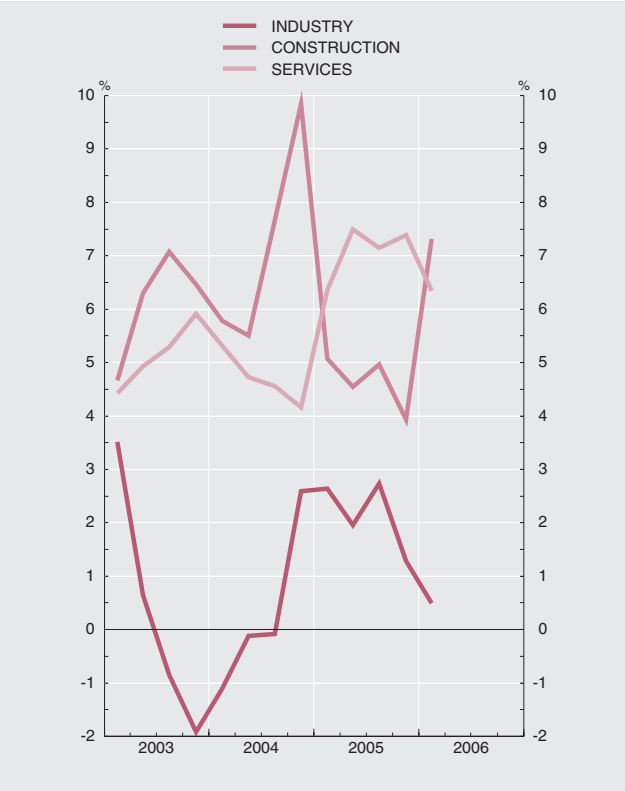
4.3. EMPLOYMENT BY BRANCH OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

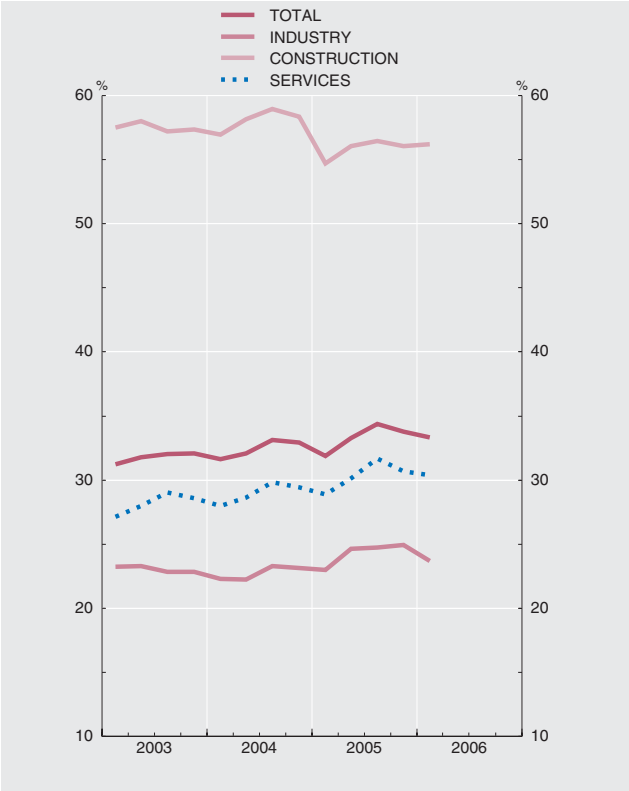
Annual percentage changes

		Total			Agriculture			Industry			Construction			Services			Memorandum item: employment in		
		Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Branches other than agriculture	Branches other than agriculture excluding general government	Services excluding general government
		1	2	3 ■	4	5	6	7 ■	8	9 ■	10 ■	11	12 ■	13 ■	14	15 ■	16	17	18
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
05	M	5.6	5.3	33.3	1.2	1.7	62.5	2.1	0.5	24.3	4.6	3.3	55.8	7.1	7.3	30.3	5.8	...	...
05	*Q1-Q1* M	5.1	4.2	0.8	-1.4	-8.5	-3.2	2.6	0.9	3.0	5.1	3.4	-3.9	6.4	6.0	3.2	5.5	...	...
06	*Q1-Q1* M	4.9	6.1	4.6	-3.2	8.1	-0.6	0.5	0.7	3.2	7.3	8.2	2.7	6.3	7.2	5.3	5.4	...	...
03	*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	...	...
06	*Q1*	4.9	6.1	33.3	-3.2	8.1	61.3	0.5	0.7	23.7	7.3	8.2	56.2	6.3	7.2	30.4	5.4	...	...

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.

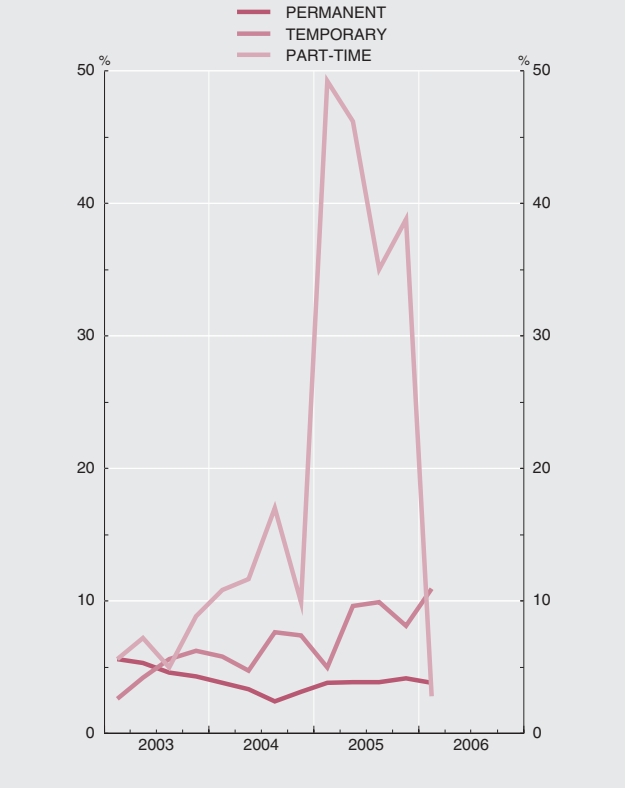
4.4. WAGE-EARNERS BY TYPE OF CONTRACT AND UNEMPLOYMENT BY DURATION. SPAIN. (a)

■ Series depicted in chart.

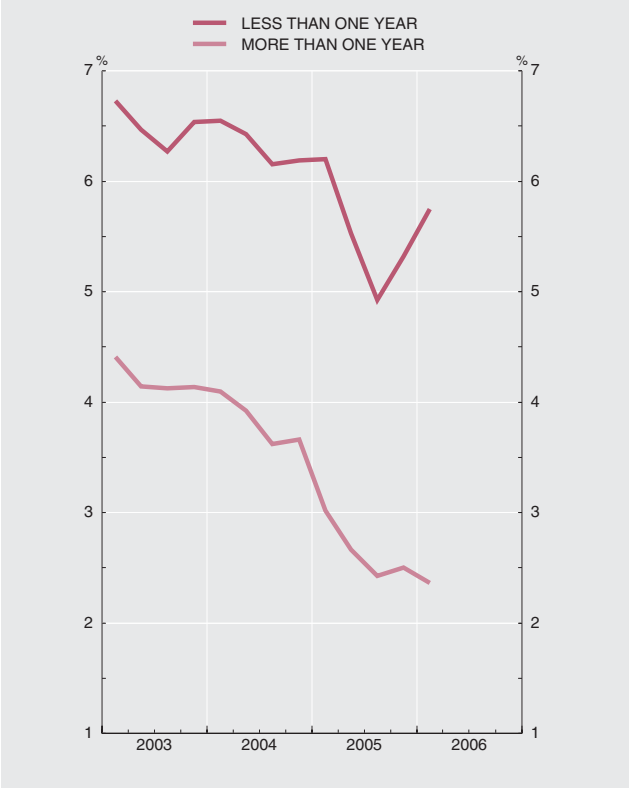
Thousands, annual percentage changes and %

		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	4-quarter % change	Annual change	4-quarter % change	Proportion of temporary employment	Annual change	4-quarter % change	Annual change	4-quarter % change	As % for wage earners	Unemployment rate (a)	4-quarter % change	Unemployment rate (a)	4-quarter % change	Entailing a change of residence	Whith a lower wage	Requiring fever skills
		Thousands		Thousands			Thousands		Thousands									
		1	2 ■	3	4 ■	5	6	7	8	9 ■	10	11 ■	12	13 ■	14	15	16	17
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
05	M	390	3.9	392	8.2	33.32	215	1.6	566	42.2	12.30	5.49	-10.2	2.65	-28.3	...	...	...
05	*Q1-Q1* M	375	3.8	227	5.0	31.88	-36	-0.3	637	49.3	12.89	6.20	-2.0	3.02	-23.7	...	...	...
06	*Q1-Q1* M	390	3.8	522	10.9	33.33	858	6.6	54	2.8	12.49	5.75	-3.9	2.36	-18.8	...	...	...
03	*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	...	...	...
06	*Q1*	390	3.8	522	10.9	33.33	858	6.6	54	2.8	12.49	5.75	-3.9	2.36	-18.8	...	...	...

WAGE-EARNERS
Annual percentage changes



UNEMPLOYMENT
Unemployment rate



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

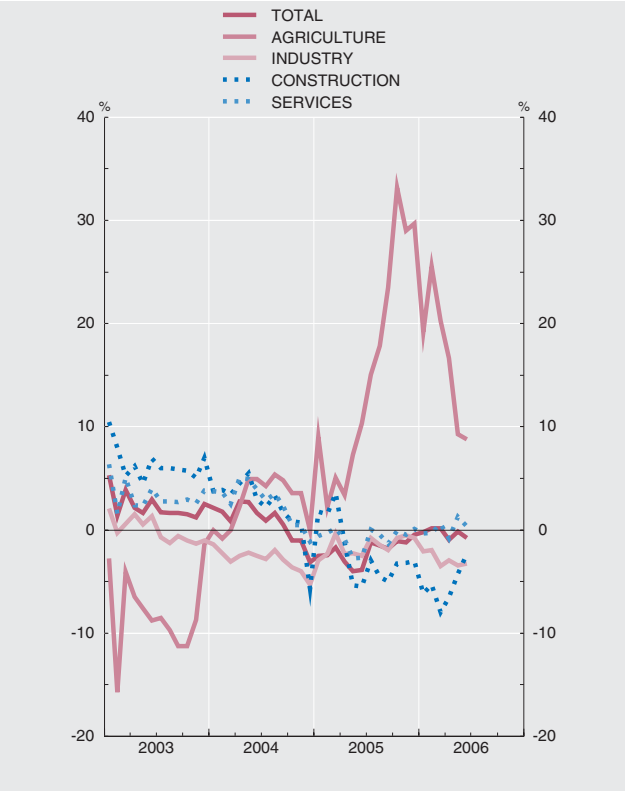
4.5. REGISTERED UNEMPLOYMENT BY BRANCH OF ACTIVITY. CONTRACTS AND PLACEMENTS. SPAIN

■ Series depicted in chart.

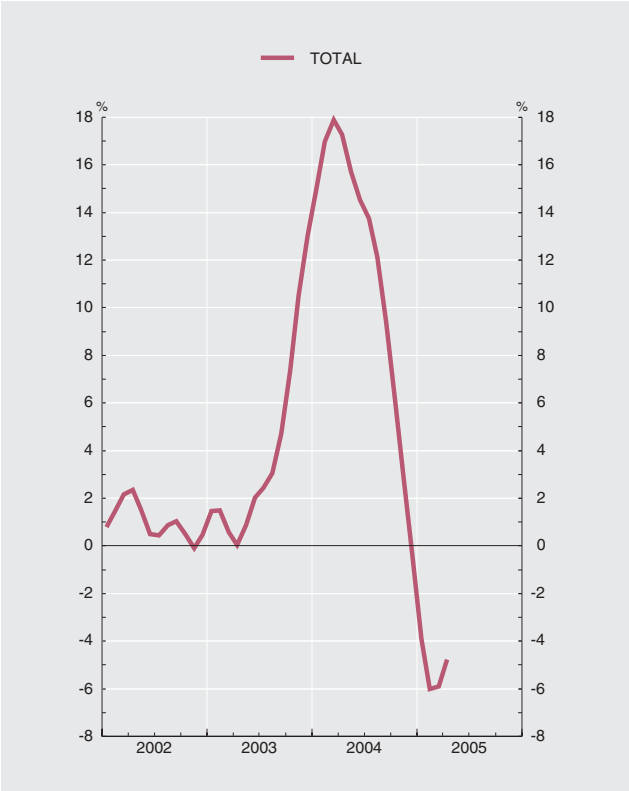
Thousands, annual percentage changes and %

		Registered unemployment										Contracts					Placements	
		Total			First time job-seekers	Previously employed						Total		Percentage of total			Total	
						12-month % change												
		Thousands	Annual change Thousands	12 month % change	12 month % change	Total	Agriculture	Branches other than agriculture				Thousands	12 month % change	Permanent	Part time	Temporary	Thousands	12 month % change
								Total	Industry	Construction	Services							
		1	2	3 ■	4	5	6 ■	7	8 ■	9 ■	10 ■	11	12	13	14	15	16	17 ■
03	M	2 097	47	2.3	-0.5	2.7	-8.2	3.1	-0.0	6.4	3.3	1 222	3.4	8.67	21.21	91.33	1 193	4.2
04	M	2 114	17	0.8	-5.0	1.7	2.7	1.6	-2.9	2.2	2.7	1 363	11.5	8.67	22.71	91.33	1 336	12.0
05	M	2 070	-44	-2.1	-12.5	-0.6	15.2	-1.1	-1.6	-2.2	-0.8	1 430	5.0	9.03	23.34	90.97	...	...
05 *J-J*	M	2 094	-63	-2.9	-16.0	-1.0	6.2	-1.3	-2.1	-0.8	-1.1	1 357	0.3	9.83	22.20	90.17	...	...
06 *J-J*	M	2 088	-6	-0.3	2.2	-0.6	16.5	-1.1	-2.8	-5.5	0.1	1 499	10.4	10.75	22.27	89.25	...	...
05 *May*		2 007	-83	-4.0	-12.9	-2.7	7.3	-3.0	-2.3	-5.4	-2.8	1 430	11.8	9.40	22.85	90.60	...	...
Jun		1 975	-79	-3.9	-12.3	-2.6	10.4	-3.0	-2.5	-5.5	-2.7	1 567	12.6	8.49	22.88	91.51	...	...
Jul		1 989	-25	-1.2	-9.5	-0.1	15.1	-0.5	-0.8	-2.9	0.0	1 570	5.6	7.40	24.16	92.60	...	...
Aug		2 019	-31	-1.5	-7.7	-0.7	17.9	-1.2	-1.4	-4.5	-0.5	1 298	15.4	7.09	21.77	92.91	...	...
Sep		2 013	-37	-1.8	-6.1	-1.2	23.5	-1.9	-2.0	-5.0	-1.3	1 618	9.6	8.58	24.53	91.42	...	...
Oct		2 053	-23	-1.1	-11.3	0.3	33.2	-0.6	-0.7	-3.3	-0.1	1 637	11.2	9.05	27.18	90.95	...	...
Nov		2 096	-26	-1.2	-10.1	0.0	29.0	-0.8	-0.5	-3.2	-0.5	1 569	8.5	9.10	25.24	90.90	...	...
Dec		2 103	-10	-0.5	-6.8	0.4	29.7	-0.5	-0.7	-3.0	0.1	1 330	8.7	8.16	23.95	91.84	...	...
06 *Jan*		2 172	-5	-0.2	4.9	-0.8	19.2	-1.4	-2.1	-6.2	-0.3	1 473	14.6	10.85	21.25	89.15	...	...
Feb		2 169	4	0.2	5.9	-0.5	25.6	-1.2	-1.9	-5.3	-0.3	1 367	11.1	11.75	21.83	88.25	...	...
Mar		2 149	4	0.2	6.5	-0.6	20.3	-1.2	-3.5	-7.9	0.6	1 556	19.0	11.33	22.42	88.67	...	...
Apr		2 076	-20	-1.0	2.5	-1.4	16.7	-1.9	-3.0	-6.5	-0.8	1 304	-1.4	11.17	22.60	88.83	...	...
May		2 005	-3	-0.1	-1.6	0.0	9.3	-0.3	-3.5	-4.3	1.3	1 638	14.5	10.19	22.60	89.81	...	...
Jun		1 960	-15	-0.8	-4.3	-0.3	8.8	-0.6	-3.2	-2.3	0.3	1 656	5.7	9.21	22.94	90.79	...	...

REGISTERED UNEMPLOYMENT
Annual percentage changes



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



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

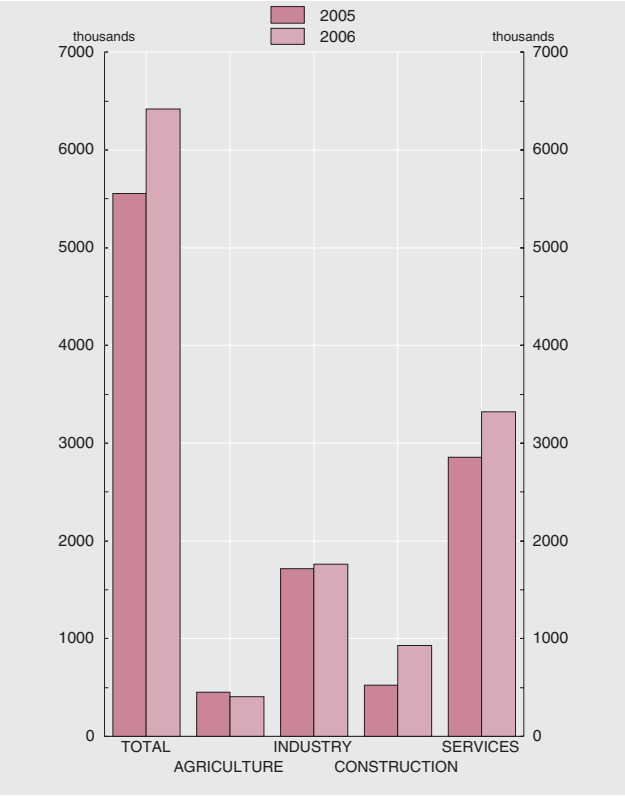
4.6. COLLECTIVE BARGAINING AGREEMENTS

■ Series depicted in chart.

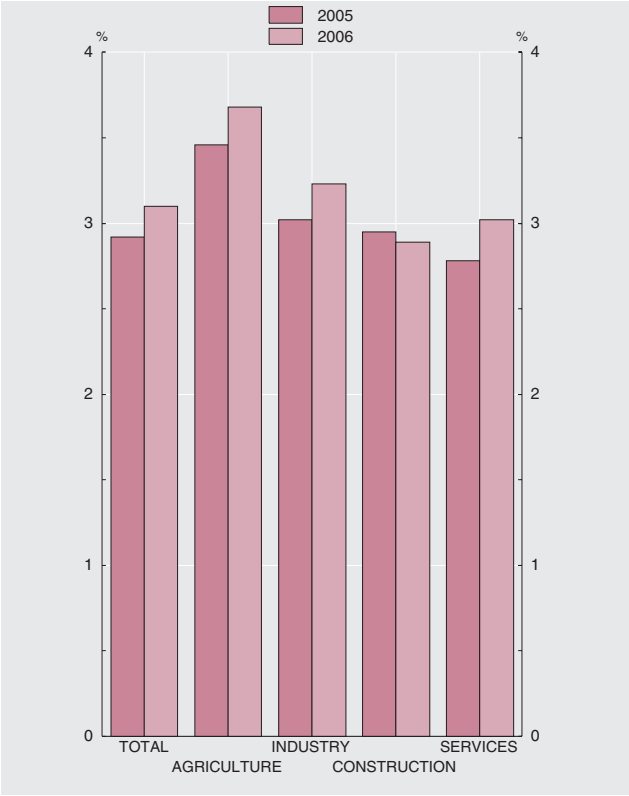
Thousands and %

	As per month economic effects come into force(a)		As per month recorded														
			Employees affected (a)								Average wage settlement (%)						
	Employees affected	Average wage settlement	Automatic adjustment	Newly-signed agreements	Total	Annual change	Agriculture	Industry	Construction	Services	Automatic adjustment	Newly signed agreements	Total	Agriculture	Industry	Construction	Services
	1	2	3	4	5 ■	6	7 ■	8 ■	9 ■	10 ■	11	12	13 ■	14 ■	15 ■	16 ■	17 ■
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	10 194	3.60	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	9 847	4.02	5 581	2 800	8 381	580	568	2 418	1 095	4 300	2.87	3.20	2.98	3.38	3.00	2.93	2.93
04 *Dec*	10 194	3.60	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*	9 120	4.05	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	9 149	4.05	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	9 200	4.05	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	9 522	4.03	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	9 672	4.02	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	9 715	4.02	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	9 724	4.02	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	9 724	4.02	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	9 841	4.02	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	9 846	4.02	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	9 847	4.02	5 539	2 384	7 923	457	491	2 345	969	4 117	2.86	3.14	2.95	3.44	2.98	2.92	2.88
Dec	9 847	4.02	5 581	2 800	8 381	580	568	2 418	1 095	4 300	2.87	3.20	2.98	3.38	3.00	2.93	2.93
06 *Jan*	6 237	3.11	3 708	1	3 709	440	336	1 057	483	1 833	2.79	2.62	2.79	3.55	2.65	2.85	2.71
Feb	6 255	3.11	4 774	57	4 832	840	361	1 593	495	2 383	3.04	3.16	3.04	3.59	3.21	2.91	2.88
Mar	6 305	3.11	5 158	69	5 227	465	402	1 653	501	2 672	3.07	3.22	3.07	3.68	3.21	2.92	2.93
Apr	6 406	3.10	5 792	580	6 372	1 378	405	1 753	921	3 293	3.11	3.00	3.10	3.68	3.22	2.90	3.02
May	6 407	3.10	5 792	626	6 418	865	406	1 759	930	3 323	3.11	2.98	3.10	3.68	3.23	2.89	3.02

EMPLOYEES AFFECTED
January-May



AVERAGE WAGE SETTLEMENT
January-May



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

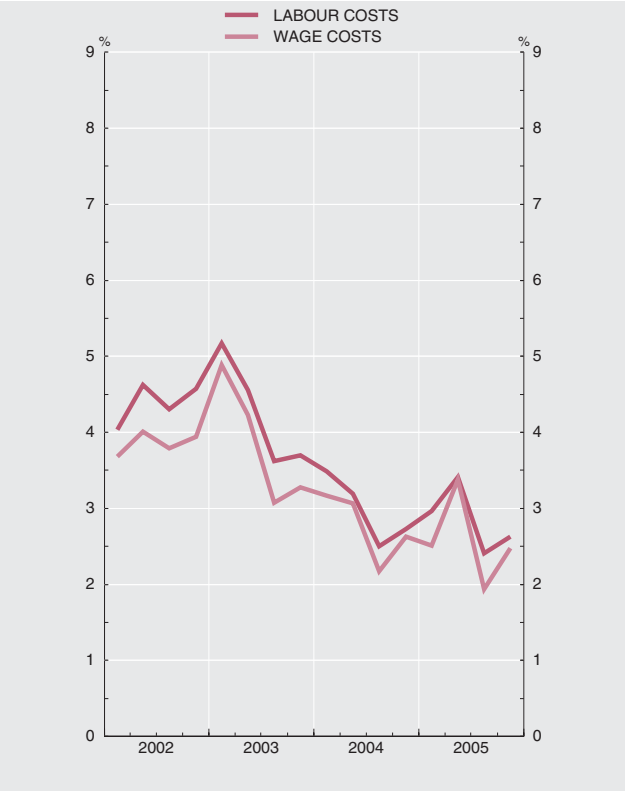
4.7. QUARTERLY LABOUR COSTS SURVEY

■ Series depicted in chart.

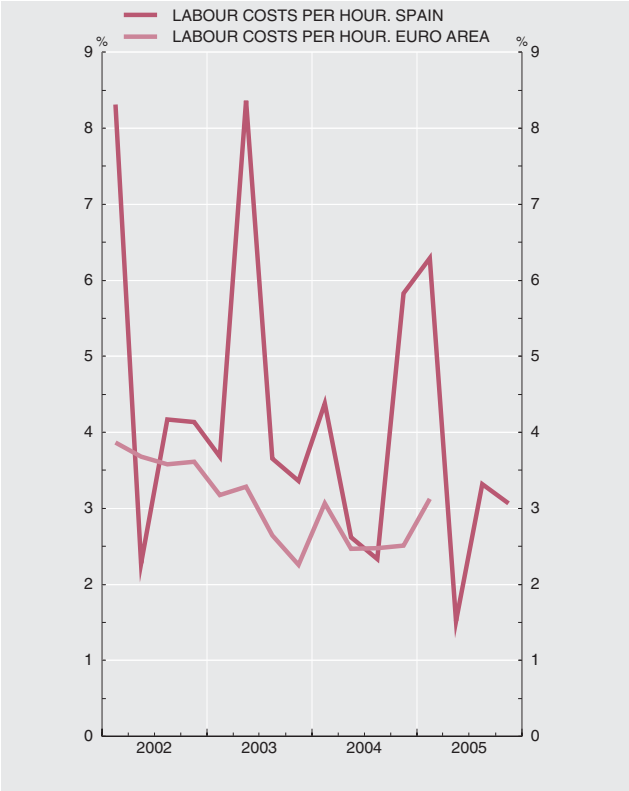
Annual percentage change

		Labour costs					Wage costs					Other costs per worker and month	memoram-dum item: euro area total hourly labour costs (a)
		Monthly earnings				Per hour worked	Monthly earnings				Per hour worked		
		Total	Industry	Construction	Services		Total	Industry	Construction	Services			
		1 ■	2	3	4	5 ■	6 ■	7	8	9	10	11	12 ■
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
05	M	2.9	3.1	2.8	3.1	3.5	2.6	2.7	2.3	2.9	3.2	3.6	...
05	*Q1-Q1* M	3.0	3.6	3.2	2.9	6.3	2.5	3.2	2.4	2.5	5.8	4.2	3.1
06	*Q1-Q1* M	3.4	4.5	4.3	3.2	0.3	3.0	3.8	3.8	3.0	-	4.4	...
03	*Q3*	3.6	4.4	6.4	2.9	3.7	3.1	3.7	5.1	2.6	3.1	5.2	2.6
	Q4	3.7	3.9	6.3	3.3	3.4	3.3	3.7	5.1	3.0	3.0	5.0	2.3
04	*Q1*	3.5	4.3	6.0	2.9	4.4	3.2	4.0	5.2	2.7	4.1	4.4	3.1
	Q2	3.2	2.7	5.5	3.2	2.6	3.1	2.9	4.1	3.2	2.5	3.5	2.5
	Q3	2.5	3.2	5.5	1.9	2.3	2.2	3.3	4.6	1.6	2.0	3.4	2.5
	Q4	2.7	3.4	4.0	2.4	5.8	2.6	3.3	3.1	2.5	5.7	3.0	2.5
05	*Q1*	3.0	3.6	3.2	2.9	6.3	2.5	3.2	2.4	2.5	5.8	4.2	3.1
	Q2	3.4	3.7	3.3	3.6	1.5	3.4	3.1	3.3	3.8	1.5	3.5	...
	Q3	2.4	2.1	2.2	2.9	3.3	1.9	1.5	1.3	2.6	2.8	3.7	...
	Q4	2.6	3.2	2.6	2.8	3.1	2.5	3.0	2.0	2.8	2.9	3.1	...
06	*Q1*	3.4	4.5	4.3	3.2	0.3	3.0	3.8	3.8	3.0	-	4.4	...

PER WORKER AND MONTH
Annual percentage change



PER HOUR WORKED
Annual percentage change



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

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

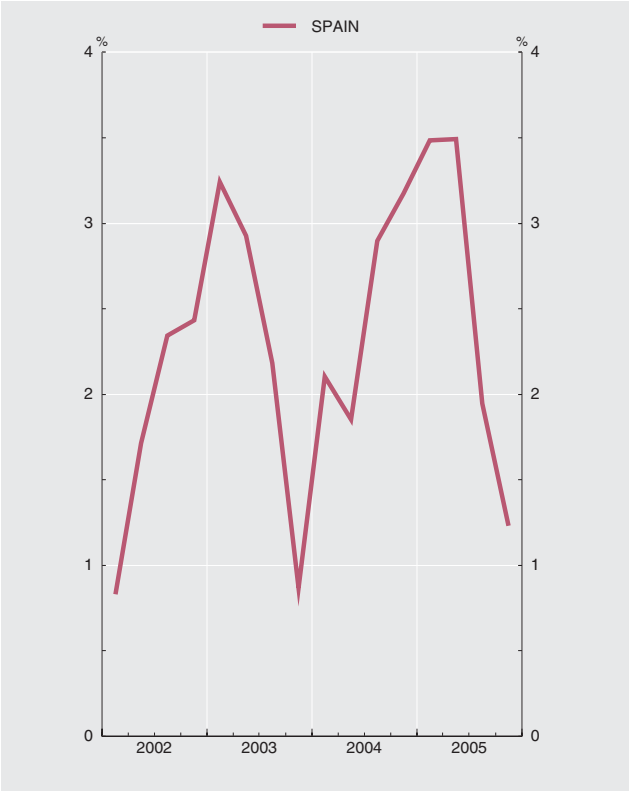
■ Series depicted in chart.

Annual percentage changes

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

UNIT LABOUR COSTS: TOTAL
Annual percentage changes

UNIT LABOUR COSTS: MANUFACTURING
Annual percentage changes



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

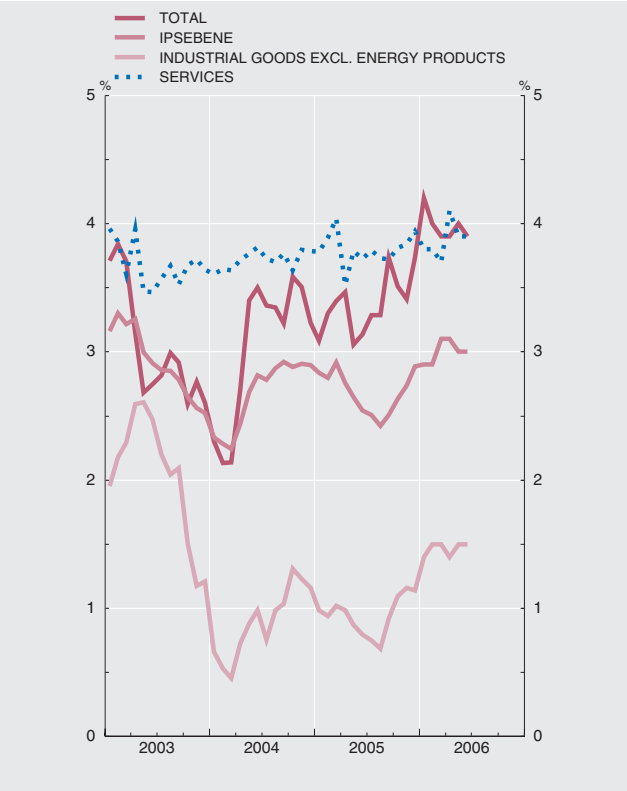
5.1. CONSUMER PRICE INDEX. SPAIN (2001=100) (a)

■ Series depicted in chart.

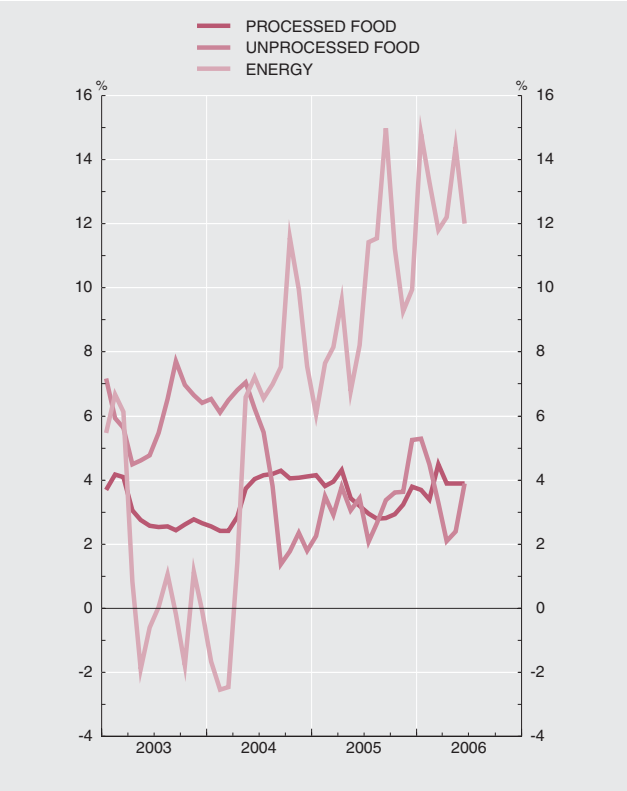
Indices and annual percentage changes

		Total (100%)				Annual percentage change (12-month % change)						Memorandum item:prices for agricultural products (2000=100)	
		Original series	Month-on-month % change	12-month % change (b)	Cumulative % change during year (c)	Unprocessed food	Processed food	Industrial goods excl. energy products (e)	Energy	Services	IPSEBENE (d)	Original series	12-month % change
		1	2	3 ■	4	5 ■	6 ■	7 ■	8 ■	9 ■	10 ■	11	12
03	M	106.7	_	3.0	2.6	6.0	3.0	2.0	1.4	3.7	2.9	105.8	5.5
04	M	109.9	_	3.0	3.2	4.6	3.6	0.9	4.9	3.7	2.7	106.8	0.9
05	M	113.6	_	3.4	3.7	3.3	3.4	0.9	9.6	3.8	2.7	109.9	2.9
05 *J-J*	M	112.5	0.3	3.2	0.7	3.1	3.8	0.9	7.7	3.8	2.8	118.7	4.5
06 *J-J*	M	117.0	0.4	4.0	1.0	3.6	3.9	1.5	13.1	3.9	3.0	...	...
05 *Mar*		111.9	0.8	3.4	0.2	2.9	4.0	1.0	8.2	4.0	2.9	126.5	13.2
Apr		113.5	1.4	3.5	1.6	3.8	4.3	1.0	9.6	3.5	2.8	122.7	6.6
May		113.7	0.2	3.1	1.8	3.0	3.4	0.9	6.8	3.8	2.6	120.1	-0.9
Jun		114.0	0.2	3.1	2.1	3.4	3.2	0.8	8.2	3.7	2.5	106.9	-11.9
Jul		113.3	-0.6	3.3	1.5	2.1	3.0	0.7	11.4	3.8	2.5	102.9	-5.1
Aug		113.8	0.4	3.3	1.9	2.7	2.8	0.7	11.5	3.7	2.4	102.3	9.2
Sep		114.5	0.6	3.7	2.5	3.4	2.8	0.9	15.0	3.7	2.5	99.5	6.7
Oct		115.4	0.8	3.5	3.4	3.6	2.9	1.1	11.2	3.8	2.6	99.6	-0.8
Nov		115.6	0.2	3.4	3.5	3.6	3.2	1.2	9.3	3.8	2.7	106.9	2.0
Dec		115.9	0.2	3.7	3.7	5.2	3.8	1.1	9.9	3.9	2.9	113.6	2.1
06 *Jan*		115.4	-0.4	4.2	-0.4	5.3	3.7	1.4	14.8	3.8	2.9	119.9	4.0
Feb		115.5	-	4.0	-0.4	4.5	3.4	1.5	13.3	3.8	2.9	121.4	0.8
Mar		116.3	0.7	3.9	0.3	3.3	4.5	1.5	11.8	3.7	3.1	113.6	-10.2
Apr		117.9	1.4	3.9	1.8	2.1	3.9	1.4	12.2	4.1	3.1	112.8	-8.1
May		118.3	0.4	4.0	2.1	2.4	3.9	1.5	14.4	3.9	3.0	...	...
Jun		118.5	0.2	3.9	2.3	3.9	3.9	1.5	12.0	3.9	3.0	...	...

CONSUMER PRICE INDEX. TOTAL AND COMPONENTS
Annual percentage changes



CONSUMER PRICE INDEX. COMPONENTS
Annual percentage changes



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

5.2. HARMONISED INDEX OF CONSUMER PRICES. SPAIN AND EURO AREA (2005=100) (a)

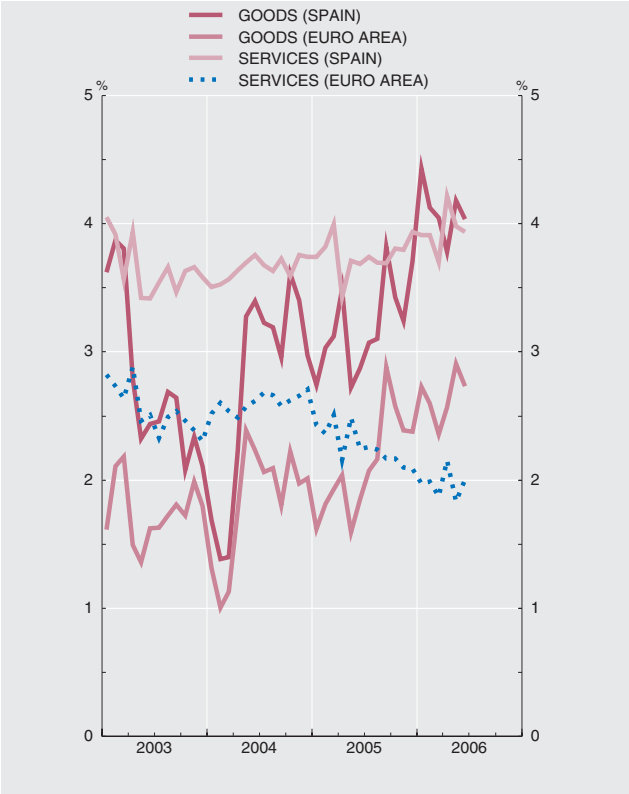
■ Series depicted in chart.

Annual percentage changes

		Total		Goods														Services	
						Food						Industrial							
						Total		Processed		Unprocessed									
		Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Non-energy Spain	Non-energy Euro area	Energy Spain	Energy Euro area	Spain	Euro area
		1 ■	2 ■	3 ■	4 ■	5	6	7	8	9	10	11	12	13	14	15	16	17 ■	18 ■
03	M	3.1	2.1	2.8	1.8	4.0	2.8	3.5	3.3	4.6	2.1	2.0	1.2	2.2	0.8	1.3	3.0	3.7	2.5
04	M	3.1	2.1	2.7	1.8	3.9	2.3	4.2	3.4	3.7	0.6	2.0	1.6	1.0	0.8	4.8	4.5	3.7	2.6
05	M	3.4	2.2	3.2	2.1	3.4	1.6	3.5	2.0	3.3	0.8	3.1	2.4	1.0	0.3	9.7	10.1	3.8	2.3
05 *J-J*	M	3.3	2.0	3.0	1.8	3.6	1.4	3.7	2.0	3.5	0.6	2.6	2.0	1.0	0.3	7.8	8.2	3.7	2.4
06 *J-J*	M P	4.0	2.4	4.1	2.6	3.8	1.9	4.3	2.1	3.3	1.5	4.3	3.0	1.5	0.5	13.1	11.9	3.9	2.0
05 *Mar*		3.4	2.1	3.1	1.9	3.6	1.5	3.9	1.6	3.3	1.3	2.8	2.1	1.2	0.4	8.2	8.8	4.0	2.5
Apr		3.5	2.1	3.5	2.0	4.1	1.3	4.3	1.7	3.9	0.8	3.1	2.4	1.1	0.3	9.6	10.1	3.4	2.2
May		3.0	2.0	2.7	1.6	3.3	1.3	3.2	1.5	3.4	1.0	2.3	1.7	1.0	0.3	6.8	6.8	3.7	2.5
Jun		3.2	2.1	2.9	1.8	3.2	1.1	3.1	1.5	3.4	0.5	2.6	2.2	0.9	0.2	8.3	9.4	3.7	2.2
Jul		3.3	2.2	3.1	2.1	2.7	1.1	2.9	1.6	2.4	0.3	3.4	2.6	0.8	-	11.5	11.7	3.7	2.3
Aug		3.3	2.2	3.1	2.2	2.7	1.4	2.8	1.7	2.7	1.0	3.4	2.5	0.8	-	11.6	11.5	3.7	2.2
Sep		3.8	2.6	3.8	2.9	3.0	1.8	2.9	2.3	3.1	1.0	4.4	3.4	1.0	0.2	15.1	15.0	3.7	2.2
Oct		3.5	2.5	3.4	2.6	3.2	1.9	3.0	2.4	3.3	1.1	3.6	2.9	1.2	0.3	11.3	12.1	3.8	2.2
Nov		3.4	2.3	3.2	2.4	3.4	2.2	3.5	2.6	3.2	1.5	3.1	2.5	1.2	0.4	9.3	10.0	3.8	2.1
Dec		3.7	2.2	3.7	2.4	4.3	1.7	4.2	1.8	4.4	1.5	3.3	2.7	1.2	0.4	10.0	11.2	3.9	2.1
06 *Jan*		4.2	2.4	4.4	2.7	4.3	1.9	4.1	1.9	4.4	2.0	4.6	3.1	1.4	0.2	14.8	13.6	3.9	2.0
Feb		4.1	2.3	4.1	2.6	3.8	1.8	3.7	1.9	3.9	1.7	4.4	3.0	1.5	0.3	13.4	12.5	3.9	2.0
Mar		3.9	2.2	4.0	2.4	4.1	1.6	5.1	2.3	3.1	0.6	4.0	2.7	1.6	0.5	11.8	10.5	3.7	1.9
Apr		3.9	2.4	3.8	2.6	3.4	1.8	4.4	2.2	2.3	1.2	4.1	2.9	1.5	0.6	12.2	11.0	4.2	2.2
May		4.1	2.5	4.2	2.9	3.5	2.0	4.3	2.2	2.6	1.5	4.6	3.4	1.6	0.6	14.3	12.9	4.0	1.8
Jun	P	4.0	2.5	4.0	2.7	3.9	2.2	4.3	2.2	3.6	2.1	4.1	3.0	1.6	0.7	12.0	11.0	3.9	2.0

HARMONISED INDEX OF CONSUMER PRICES. TOTAL
Annual percentage changes

HARMONISED INDEX OF CONSUMER PRICES. COMPONENTS
Annual percentage changes



Source: Eurostat.

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

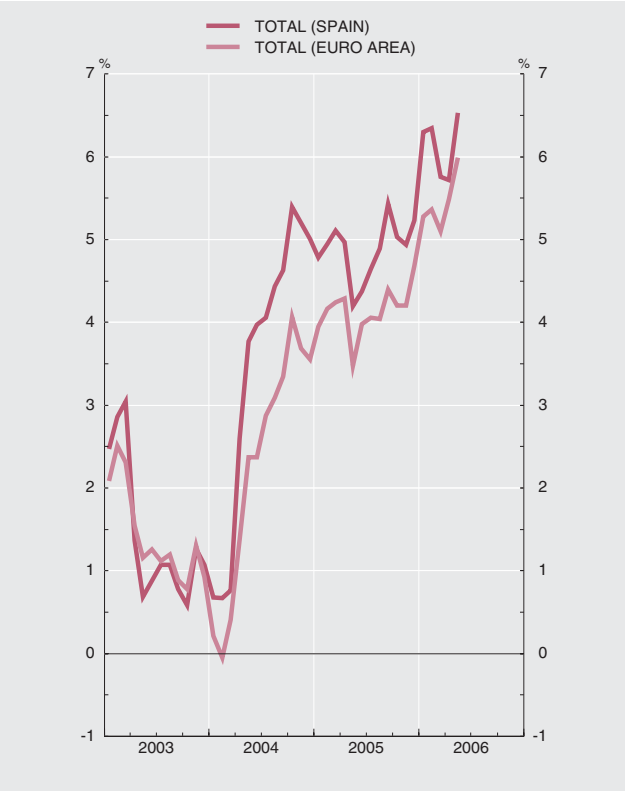
5.3. PRODUCER PRICE INDEX. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

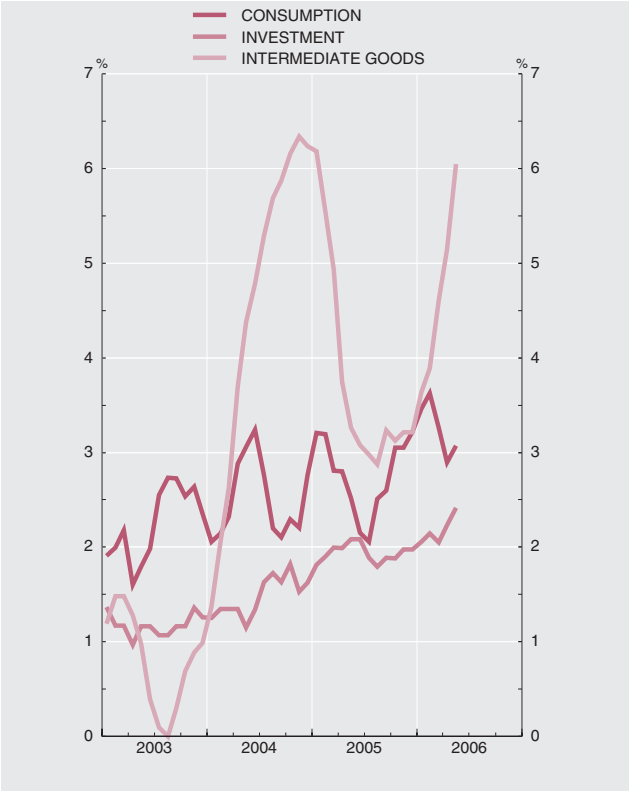
Annual percentage changes

			Total (100%)			Consumption (32.1 %)		Investment (18.3 %)		Intermediate (31.6 %)		Energy (18.0%)		Memorandum item: euro area				
			Original series	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Total	Consumption	Investment	Intermediate	Energy
														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
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
05		MP	112.7	_	4.9	_	2.8	_	1.9	_	3.8	_	14.0	4.1	1.1	1.3	2.9	13.4
05	*J-M*	MP	110.9	_	4.8	_	2.9	_	2.0	_	4.7	_	11.7	4.0	1.1	1.6	4.4	10.6
06	*J-M*	MP	117.7	_	6.1	_	3.3	_	2.2	_	4.7	_	18.0	5.4	1.6	1.1	3.0	18.6
05	*Feb*	P	110.3	0.7	4.9	0.4	3.2	0.4	1.9	0.5	5.5	1.5	11.0	4.2	1.3	1.7	5.2	10.0
	Mar	P	111.2	0.8	5.1	0.4	2.8	0.2	2.0	0.2	4.9	3.4	13.1	4.2	0.9	1.7	4.5	11.7
	Apr	P	111.9	0.6	5.0	0.4	2.8	0.1	2.0	-	3.7	2.6	14.5	4.3	0.9	1.5	3.7	13.2
	May	P	111.8	-0.1	4.2	0.1	2.5	0.1	2.1	0.1	3.3	-0.8	11.0	3.5	0.9	1.5	3.0	9.7
	Jun	P	112.1	0.3	4.4	-0.1	2.2	0.2	2.1	-0.2	3.1	1.9	13.5	4.0	0.8	1.4	2.6	13.4
	Jul	P	112.7	0.5	4.6	0.1	2.1	-	1.9	0.1	3.0	2.7	15.7	4.1	0.7	1.2	1.9	15.1
	Aug	P	113.6	0.8	4.9	0.3	2.5	-	1.8	0.2	2.9	3.3	16.4	4.0	0.9	1.1	1.7	15.2
	Sep	P	114.5	0.8	5.4	0.2	2.6	0.1	1.9	0.7	3.2	2.5	17.9	4.4	1.1	1.2	1.6	16.6
	Oct	P	114.9	0.3	5.0	0.3	3.0	0.2	1.9	0.4	3.1	0.7	15.2	4.2	1.3	1.2	1.6	15.3
	Nov	P	114.7	-0.2	4.9	-0.1	3.1	0.1	2.0	0.4	3.2	-1.3	14.7	4.2	1.4	1.0	1.8	14.7
	Dec	P	114.7	-	5.2	0.4	3.2	0.1	2.0	-	3.2	-1.3	15.6	4.7	1.3	1.0	1.9	17.0
06	*Jan*	P	116.4	1.5	6.3	1.0	3.5	0.6	2.1	1.2	3.6	3.8	20.6	5.3	1.5	1.0	2.0	19.8
	Feb	P	117.3	0.8	6.3	0.6	3.6	0.5	2.1	0.8	3.9	1.1	20.1	5.4	1.5	1.0	2.3	19.7
	Mar	P	117.6	0.3	5.8	-	3.3	0.1	2.0	0.9	4.6	0.2	16.4	5.1	1.5	1.1	2.6	17.5
	Apr	P	118.3	0.6	5.7	-	2.9	0.3	2.2	0.5	5.1	1.7	15.4	5.5	1.6	1.2	3.4	17.7
	May	P	119.1	0.7	6.5	0.3	3.1	0.3	2.4	0.9	6.0	1.3	17.8	6.0	1.7	1.1	4.5	18.6

PRODUCER PRICE INDEX. TOTAL
Annual percentage changes



PRODUCER PRICE INDEX. COMPONENTS
Annual percentage changes



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

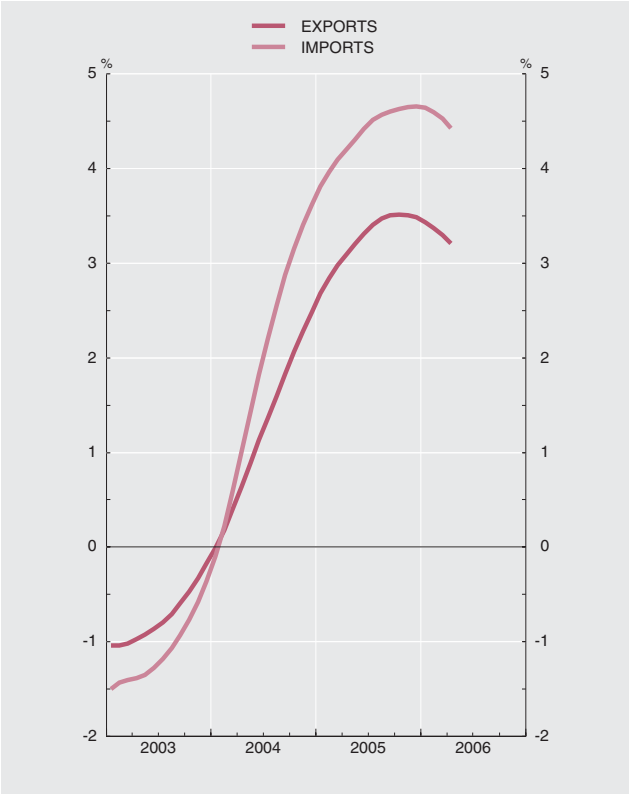
5.4. UNIT VALUE INDICES FOR SPANISH FOREIGN TRADE

■ Series depicted in chart.

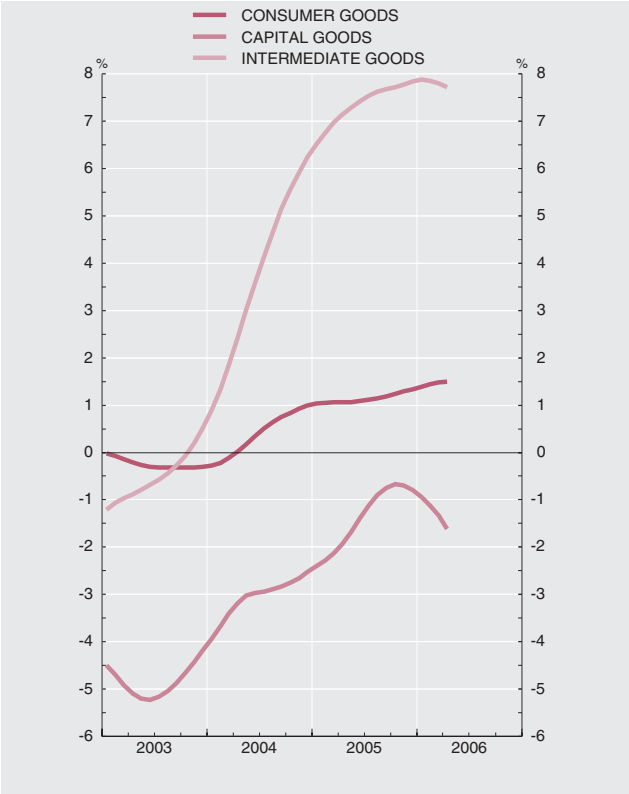
Annual percentage changes

	Exports/dispatches						Imports/arrivals					
	Total	Consumer goods	Capital goods	Intermediate goods			Total	Consumer goods	Capital goods	Intermediate goods		
				Total	Energy	Non-energy				Total	Energy	Non-energy
	1 ■	2	3	4	5	6	7 ■	8 ■	9 ■	10 ■	11	12
03	-1,5	0,0	-9,6	-1,2	-1,7	-1,1	-1,3	-0,1	-7,3	-0,7	0,7	-1,1
04	1,0	-0,0	-0,6	2,1	12,3	1,6	2,4	0,5	-2,0	4,5	11,2	3,3
05	4,7	1,9	6,3	6,6	34,1	5,0	5,1	1,1	1,0	8,1	26,2	3,5
05 *J-A*	4,5	2,5	2,5	6,4	34,3	5,0	5,1	2,0	-4,7	8,8	25,1	5,3
06 *J-A*	4,3	1,6	5,4	6,4	28,1	5,1	6,4	0,4	0,3	10,8	34,6	4,2
04 *Nov*	3,5	0,9	0,5	6,6	33,1	5,3	4,6	1,8	-3,0	7,5	27,4	3,6
Dec	2,2	-1,4	0,2	5,2	23,8	4,1	5,8	4,2	-3,7	9,4	19,9	7,1
05 *Jan*	5,1	2,7	-0,5	7,8	35,5	6,3	5,0	3,4	-1,6	7,2	16,7	4,8
Feb	5,4	4,2	6,9	6,1	40,8	4,6	5,4	1,0	-1,9	9,3	23,2	6,5
Mar	4,8	4,4	2,8	5,4	25,1	4,4	5,3	2,6	-7,6	9,7	27,8	5,6
Apr	2,7	-1,2	1,0	6,2	36,6	4,7	4,6	0,9	-7,5	9,1	32,8	4,2
May	3,3	-1,1	7,5	6,2	38,5	4,6	0,9	-3,2	-6,5	4,7	20,0	1,6
Jun	3,2	-0,3	-0,9	7,0	41,0	5,2	5,3	3,6	-1,3	7,7	26,3	3,5
Jul	5,7	2,2	15,6	6,3	32,7	4,9	8,2	0,6	10,4	11,7	38,6	5,1
Aug	6,1	3,9	3,8	8,2	48,4	5,1	6,1	-0,2	-0,4	11,0	26,8	4,5
Sep	5,4	0,6	11,5	8,4	33,8	6,9	4,3	-0,6	4,2	7,0	29,5	0,7
Oct	4,2	1,2	8,2	6,0	24,0	4,8	4,8	0,8	14,0	5,3	16,2	1,8
Nov	4,3	2,7	8,3	4,6	26,1	3,2	3,8	3,3	-0,8	5,6	22,5	0,8
Dec	6,2	3,6	11,8	6,5	27,2	5,3	7,1	0,9	10,2	8,9	33,5	3,2
06 *Jan*	4,2	1,6	9,4	5,8	24,8	4,7	5,6	-6,5	-5,1	15,2	44,0	7,3
Feb	3,3	0,7	4,7	5,1	29,3	3,5	6,6	2,5	3,2	9,2	36,9	1,9
Mar	5,0	2,1	0,6	8,1	33,2	6,7	6,0	2,7	7,5	7,2	27,2	1,9
Apr	4,8	1,9	6,9	6,5	25,0	5,5	7,4	3,2	-4,3	11,7	30,5	5,7

EXPORT AND IMPORT UNIT VALUE INDICES (a)



IMPORT UNIT VALUE INDICES BY PRODUCT GROUP (a)



Sources: ME and BE.

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

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

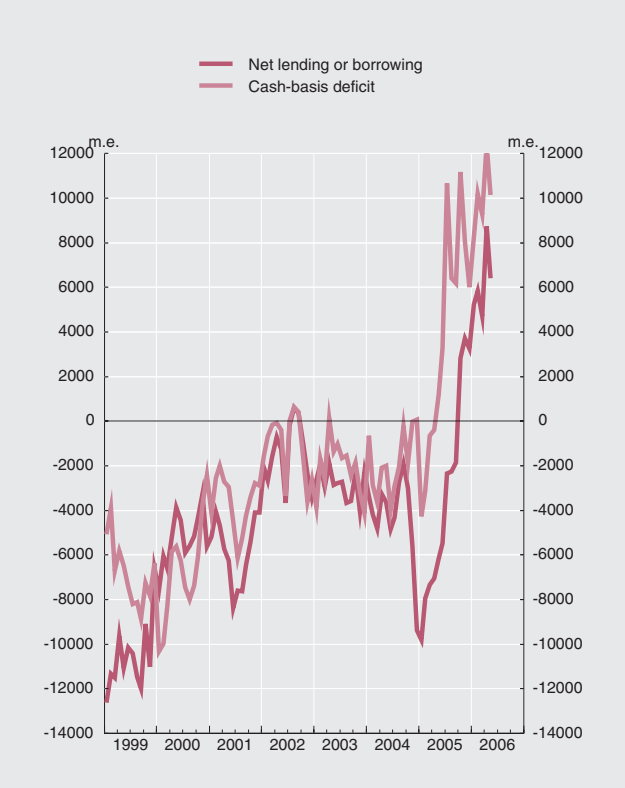
6.1. STATE RESOURCES ANS USES ACCORDING TO THE NACIONAL ACCOUNTS (A). SPAIN

■ Series depicted in chart.

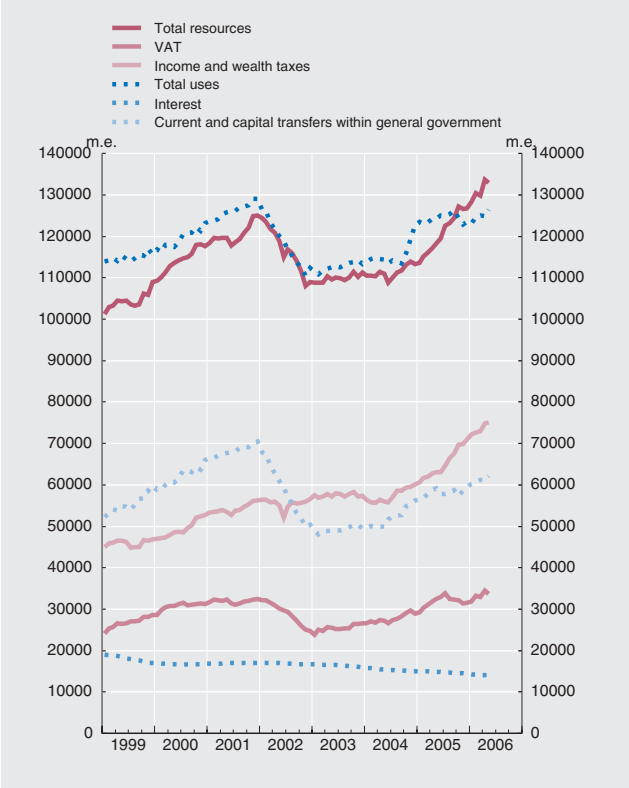
EUR millions

			Current and capital resources						Current and capital uses						Memorandum item: cash-basis deficit		
		Net lending (+) or borrowing (-)	Total	Value added tax (VAT)	Other taxes on products and imports	Interest and other income on property	Income and wealth taxes	Other	Total	Compensation of employees	Interest	Current and capital transfers within general government	Investment grants and other capital transfers	Other	Cash-basis deficit	Revenue	Expenditure
		1=2-8 ■	2=3 a 7 ■	3 ■	4	5	6 ■	7	8=9 a13 ■	9	10 ■	11 ■	12	13	14=15-16 ■	15	16
99		-6 585	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		-3 428	108 942	24 701	11 431	5 414	56 616	10 780	112 370	16 978	16 666	50 348	3 244	25 134	-2 626	108 456	111 082
03	P	-2 274	111 319	26 539	10 918	5 029	57 415	11 418	113 350	17 670	15 900	49 406	2 695	27 679	-4 132	109 655	113 787
04	A	-9 390	113 330	28 950	10 991	4 714	60 059	8 616	122 720	15 619	15 053	56 347	7 419	28 282	59	114 793	114 734
05	A	3 261	126 811	31 542	11 069	4 661	70 987	8 552	123 550	16 466	14 313	59 404	3 539	29 828	6 022	128 777	122 755
05 *J-M*	A	7 215	51 351	19 741	4 539	1 423	22 934	2 714	44 136	6 014	6 054	22 134	853	9 081	3 489	53 369	49 880
06 *J-M*	A	10 369	57 423	21 889	4 304	2 081	27 100	2 049	47 054	6 497	5 753	24 912	768	9 124	7 602	58 107	50 505
05 *Jul*	A	8 837	17 930	5 658	1 026	247	10 573	426	9 093	1 222	1 234	4 671	70	1 896	10 068	18 175	8 107
Aug	A	-9	8 297	-2 965	786	228	9 755	493	8 306	1 221	1 182	4 276	22	1 605	-4 157	9 096	13 252
Sep	A	725	9 927	2 987	1 251	182	4 480	1 027	9 202	1 303	1 145	4 726	153	1 875	1 191	9 048	7 857
Oct	A	11 907	21 828	5 697	1 070	257	13 883	921	9 921	1 234	1 197	5 746	161	1 583	10 622	21 550	10 927
Nov	A	-5 144	6 515	671	595	1 160	3 365	724	11 659	1 258	1 156	6 197	442	2 606	-3 012	6 127	9 140
Dec	A	-11 610	9 275	313	953	914	5 783	1 312	20 885	2 203	1 152	6 796	1 622	9 112	-5 187	9 006	14 194
06 *Jan*	A	2 024	9 612	-349	821	246	8 392	502	7 588	1 143	1 215	4 345	10	875	-4 557	10 255	14 812
Feb	A	8 833	18 865	13 536	922	214	3 456	737	10 032	1 232	1 053	5 059	83	2 605	8 720	18 115	9 395
Mar	A	-6 273	3 993	892	928	681	2 139	-647	10 266	1 510	1 174	5 324	367	1 891	-3 920	4 889	8 809
Apr	A	13 312	22 248	7 796	836	756	12 426	434	8 936	1 185	1 149	4 723	112	1 767	13 248	22 204	8 956
May	A	-7 527	2 705	14	797	184	687	1 023	10 232	1 427	1 162	5 461	196	1 986	-5 890	2 643	8 532

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.

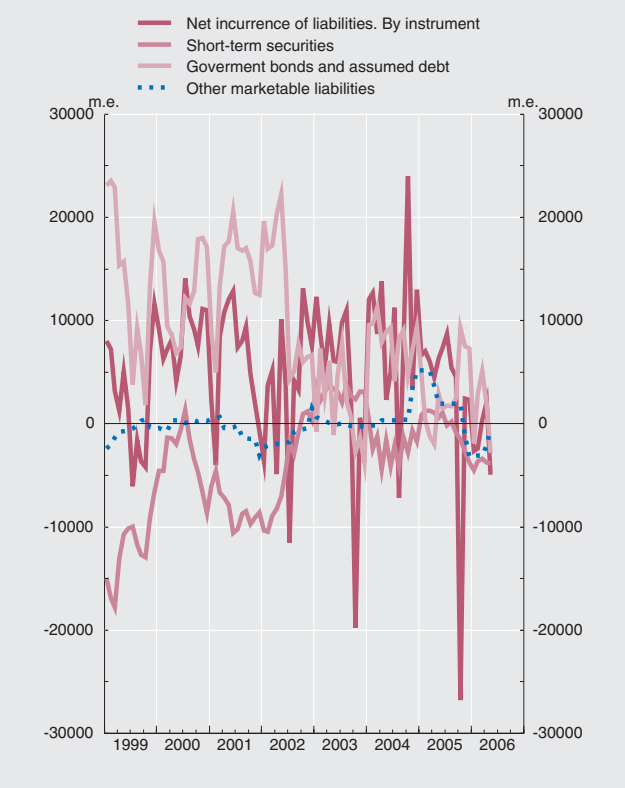
6.2. STATE FINANCIAL TRANSACTIONS (A). SPAIN

■ Series depicted in chart.

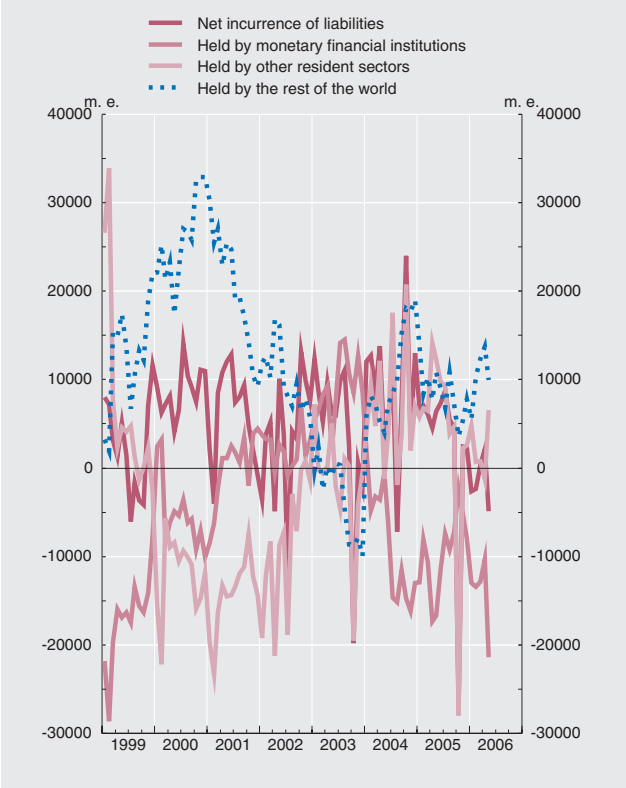
EUR millions

			Net lending (+) or net borrowing(-)	Net acquisition of financial assets		Net incurrence of liabilities											Net incurrence of liabilities (excluding other accounts payable)
						Of which		By instrument					By counterpart sector				
				Of which									Held by resident sectors			Rest of the world	
				Total	Deposits at the Banco de España	Total	In currencies other than the peseta/euro	Short-term securities	Goverment bonds and assumed debt	Banco de España loans	Other marketable liabilities (b)	Other accounts payable	Total	Monetary financial institutions	Other resident sectors		
			1	2	3	4 ■	5	6 ■	7 ■	8	9 ■	10	11	12 ■	13 ■	14 ■	15
99			-6 585	5 015	4 574	11 600	209	-6 629	19 592	-499	-446	-418	-10 426	-7 734	-2 692	22 026	12 018
00			-5 627	5 368	5 690	10 995	1 162	-8 683	17 127	-499	283	2 767	-21 929	-10 117	-11 812	32 924	8 228
01			-4 104	-4 848	-20 141	-744	803	-8 616	12 521	-499	-3 101	-1 049	-9 950	4 424	-14 374	9 206	305
02			-3 428	4 115	-95	7 543	-888	346	6 655	-486	1 488	-459	1 754	3 148	-1 394	5 790	8 002
03		P	-2 274	-4 221	0	-1 947	-135	3 146	-3 761	-486	-281	-566	8 028	8 524	-496	-9 975	-1 381
04		A	-9 390	3 633	-0	13 023	-1 600	-1 688	9 416	-486	5 204	577	-5 952	-12 978	7 026	18 975	12 446
05		A	3 261	5 604	0	2 343	-1 910	-3 771	7 276	-486	-3 180	2 504	-5 435	-8 026	2 591	7 779	-161
05	*J-M*	A	7 215	9 792	-0	2 577	-1 129	546	4 376	-	-2 973	627	-1 327	-9 920	8 593	3 904	1 950
06	*J-M*	A	10 369	5 687	-1	-4 682	-131	493	-5 758	-	-330	912	-10 725	-23 257	12 532	6 043	-5 595
05	*Jul*	A	8 837	1 373	-1	-7 464	-537	1 618	-12 680	-	14	3 584	-4 386	-3 364	-1 022	-3 078	-11 048
	Aug	A	-9	-5 859	1	-5 850	5	-2 340	1 060	-	44	-4 615	-7 217	-3 595	-3 622	1 367	-1 236
	Sep	A	725	8 605	-0	7 880	-28	1 824	5 962	-	-48	143	5 250	5 379	-129	2 630	7 737
	Oct	A	11 907	-17 217	-0	-29 124	8	-2 257	-1 014	-	2	-25 856	-28 106	-1 062	-27 044	-1 018	-3 268
	Nov	A	-5 144	21 559	-0	26 703	9	1 786	3 704	-	-9	21 223	24 953	519	24 434	1 750	5 480
	Dec	A	-11 610	-6 722	1	4 888	-254	-2 568	2 189	-486	-227	5 980	2 698	-1 630	4 327	2 190	-1 092
06	*Jan*	A	2 024	-3 900	-1	-5 924	12	1 991	-11 363	-	-4	3 452	-8 034	-9 145	1 111	2 110	-9 376
	Feb	A	8 833	6 628	1	-2 205	4	-2 436	3 695	-	-1	-3 463	-4 905	-1 552	-3 353	2 700	1 258
	Mar	A	-6 273	-756	-1	5 517	7	2 009	3 669	-	-26	-135	4 017	1 837	2 180	1 500	5 652
	Apr	A	13 312	13 594	3 250	282	-166	-2 991	-1 170	-	-140	4 583	-1 191	-3 103	1 912	1 473	-4 301
	May	A	-7 527	-9 880	-3 250	-2 353	12	1 920	-589	-	-158	-3 525	-613	-11 295	10 682	-1 740	1 172

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

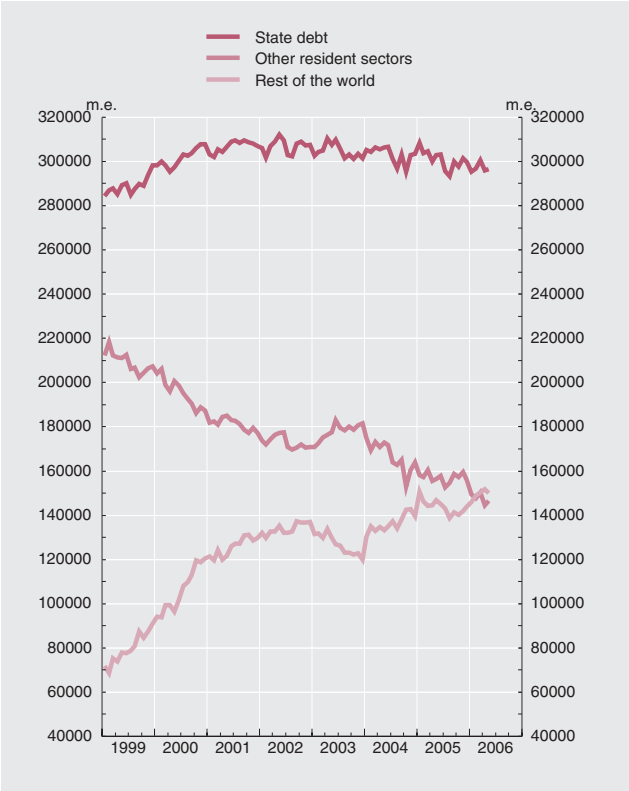
■ Series depicted in chart.

EUR millions

			Liabilities outstanding (excluding other accounts payable)										Memorandum item:	
			of which		By instrument				By counterpart sector					
			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)	Held by resident sectors			Rest of the world	Deposits at the Banco de España	Guarantees given (contingent liabilities). Outstanding level
									Total	General government	Other resident sectors			
			1 ■	2	3 ■	4 ■	5 ■	6 ■	7	8	9 ■	10 ■	11	12
95			232 754	19 362	71 070	132 463	11 050	18 171	180 408	385	180 023	52 731	9 379	6 059
96			263 972	20 434	81 084	152 302	10 814	19 772	210 497	529	209 969	54 003	15 195	8 185
97			274 176	23 270	71 730	180 566	10 578	11 303	211 538	445	211 093	63 083	9 829	7 251
98			284 161	30 048	59 939	205 189	10 341	8 691	215 207	305	214 902	69 258	10 273	6 412
99			298 384	7 189	53 142	227 157	9 843	8 243	207 465	150	207 315	91 070	14 846	5 310
00			307 726	8 197	44 575	245 255	9 344	8 552	188 488	1 187	187 301	120 424	20 536	5 430
01			306 895	7 611	35 413	257 192	8 845	5 445	179 123	2 018	177 105	129 791	395	5 460
02			307 610	5 823	35 459	258 877	8 359	4 914	177 561	6 831	170 730	136 880	300	6 819
03		P	301 476	5 105	38 702	250 337	7 873	4 564	192 399	10 952	181 447	120 029	300	6 821
04		A	303 540	3 267	35 996	250 410	7 388	9 746	182 967	19 127	163 840	139 700	300	7 186
05	*Jun*	A	303 061	3 286	33 059	255 792	7 388	6 822	179 971	22 117	157 854	145 207	300	6 949
	Jul	A	295 724	2 465	34 346	247 159	7 388	6 832	175 399	22 746	152 653	143 071	299	6 570
	Aug	A	293 464	2 457	32 111	247 091	7 388	6 874	177 374	22 717	154 657	138 807	300	6 531
	Sep	A	300 087	2 458	33 917	251 955	7 388	6 827	181 490	22 774	158 716	141 371	300	6 360
	Oct	A	297 668	2 416	31 976	251 481	7 388	6 824	179 852	22 496	157 356	140 313	300	6 348
	Nov	A	301 509	2 401	33 752	253 553	7 388	6 816	182 537	23 066	159 471	142 039	300	7 102
	Dec	A	299 730	2 154	31 614	254 627	6 902	6 588	178 398	22 658	155 740	143 990	300	6 020
06	*Jan*	A	295 468	2 114	33 602	248 385	6 902	6 579	171 045	21 656	149 389	146 079	299	5 898
	Feb	A	296 662	2 156	31 656	251 523	6 902	6 582	169 034	21 195	147 839	148 823	300	5 376
	Mar	A	300 582	2 097	33 670	253 458	6 902	6 553	172 365	22 100	150 264	150 317	300	5 902
	Apr	A	296 036	1 926	31 064	251 662	6 902	6 408	166 165	21 741	144 424	151 612	3 550	5 768
	May	A	296 463	1 920	32 988	250 324	6 902	6 250	168 304	21 741	146 563	149 900	300	5 739

STATE. LIABILITIES OUTSTANDING
By instrument

STATE. LIABILITIES OUTSTANDING
By counterpart sector



Source: BE.

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

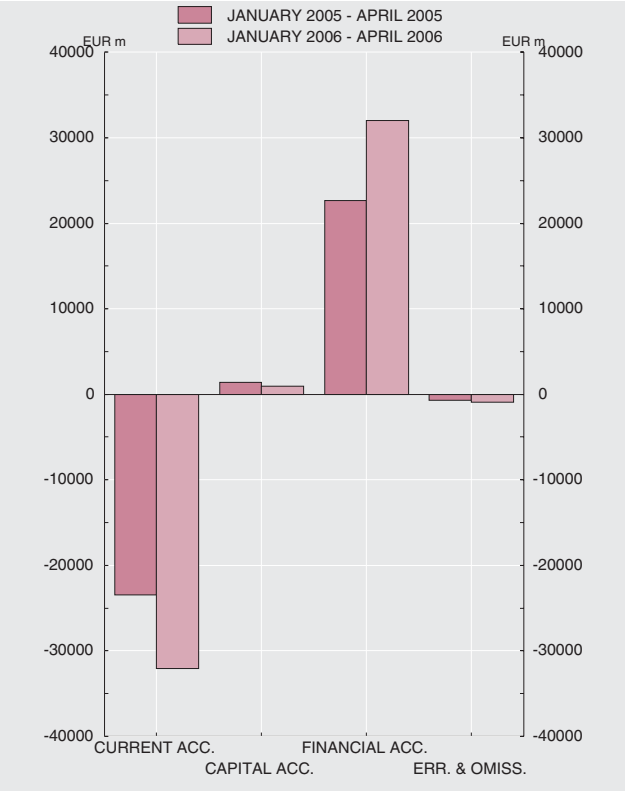
7.1. THE SPANISH BALANCE OF PAYMENTS VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. CURRENT ACCOUNT

■ Series depicted in chart.

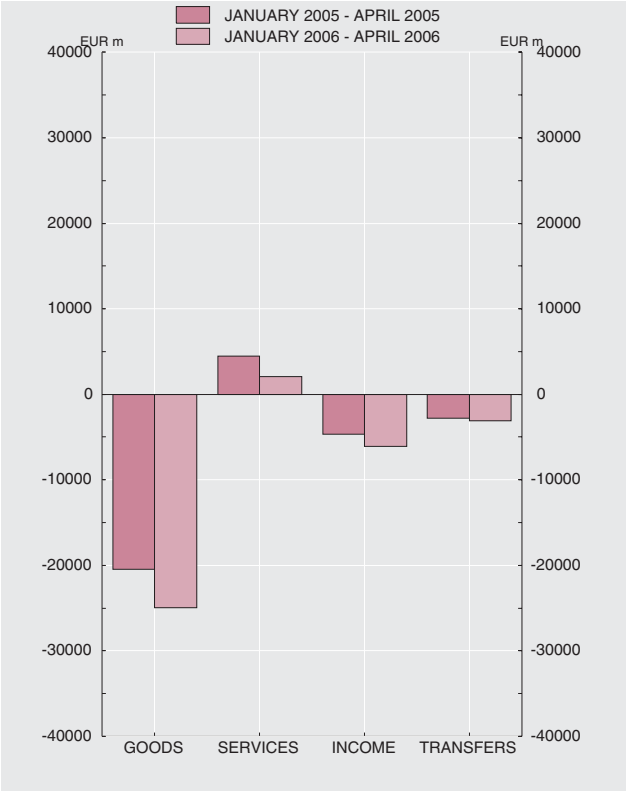
EUR millions

		Current account (a)													Capital account	Current account plus capital account	Financial account	Errors and omission
			Goods			Services					Income			Current transfers				
		Total (balance)	Balance	Receipts	Payments	Balance	Receipts		Payments		Balance	Receipts	Payments					
							Total	Of which: Tourism and travel	Total	Of which: Tourism and travel								
		1=2+5+10+13 ■	2=3-4 ■	3	4	5=6-8 ■	6	7	8	9	10=11-12 ■	11	12	13 ■	14 ■	15=1+14	16 ■	17=-(15+16) ■
03		-27 476	-39 839	139 754	179 593	23 301	65 689	35 047	42 388	8 010	-10 396	24 061	34 456	-543	8 165	-19 311	17 826	1 486
04		-44 164	-53 660	148 967	202 627	21 753	69 355	36 376	47 602	9 772	-12 139	27 299	39 439	-117	8 428	-35 736	34 851	885
05	P	-66 627	-68 969	156 375	225 344	22 635	75 410	38 495	52 776	12 125	-17 208	31 312	48 520	-3 084	7 972	-58 655	59 551	-897
05 *J-A*	P	-23 442	-20 456	50 274	70 730	4 467	20 377	9 178	15 911	3 370	-4 687	9 108	13 795	-2 767	1 422	-22 020	22 694	-674
06 *J-A*	P	-32 095	-24 988	56 118	81 106	2 050	21 793	8 790	19 744	3 893	-6 054	9 927	15 981	-3 103	979	-31 116	32 008	-892
05 *Jan*	P	-6 853	-4 636	11 114	15 749	1 338	5 186	2 446	3 848	860	-1 495	1 934	3 429	-2 061	492	-6 361	6 940	-578
Feb	P	-5 114	-4 433	12 371	16 803	1 000	4 766	2 055	3 767	832	-1 237	1 738	2 975	-444	80	-5 034	5 826	-792
Mar	P	-6 039	-5 611	13 133	18 744	1 179	5 421	2 570	4 242	958	-1 500	2 144	3 643	-108	543	-5 496	4 690	805
Apr	P	-5 437	-5 777	13 657	19 434	950	5 004	2 106	4 054	719	-455	3 292	3 748	-155	308	-5 128	5 238	-110
May	P	-5 398	-5 632	13 565	19 197	2 121	6 072	2 997	3 951	793	-1 697	2 166	3 863	-190	974	-4 424	4 223	201
Jun	P	-6 241	-5 833	13 824	19 657	1 972	6 501	3 228	4 528	1 159	-2 184	2 176	4 360	-196	1 383	-4 858	4 234	623
Jul	P	-4 602	-5 429	13 022	18 451	3 192	8 227	4 802	5 034	1 174	-2 015	2 418	4 433	-350	497	-4 106	3 737	369
Aug	P	-4 651	-6 522	10 090	16 612	3 614	8 174	5 096	4 560	1 302	-1 370	4 073	5 443	-372	726	-3 925	3 977	-52
Sep	P	-5 830	-6 222	13 772	19 995	2 981	7 769	4 767	4 787	1 172	-1 828	2 671	4 499	-761	460	-5 370	7 672	-2 301
Oct	P	-4 764	-5 931	13 448	19 379	2 563	7 120	4 017	4 557	1 163	-1 150	2 362	3 512	-246	279	-4 485	5 333	-848
Nov	P	-4 643	-6 491	14 860	21 350	1 364	5 984	2 709	4 620	1 050	-890	2 923	3 814	1 374	359	-4 283	3 735	549
Dec	P	-7 056	-6 454	13 519	19 973	360	5 187	1 701	4 827	942	-1 386	3 415	4 801	424	1 871	-5 185	3 947	1 238
06 *Jan*	P	-6 774	-5 916	12 923	18 839	123	5 147	2 111	5 023	1 109	-387	3 374	3 760	-595	330	-6 444	6 755	-311
Feb	P	-8 378	-5 759	14 202	19 961	193	5 087	2 003	4 894	939	-1 443	1 809	3 252	-1 369	320	-8 058	9 156	-1 098
Mar	P	-9 348	-7 107	15 658	22 765	773	6 180	2 418	5 407	1 087	-2 424	2 402	4 826	-590	121	-9 227	10 051	-824
Apr	P	-7 595	-6 207	13 335	19 542	961	5 380	2 258	4 419	759	-1 800	2 342	4 142	-549	208	-7 387	6 046	1 341

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).

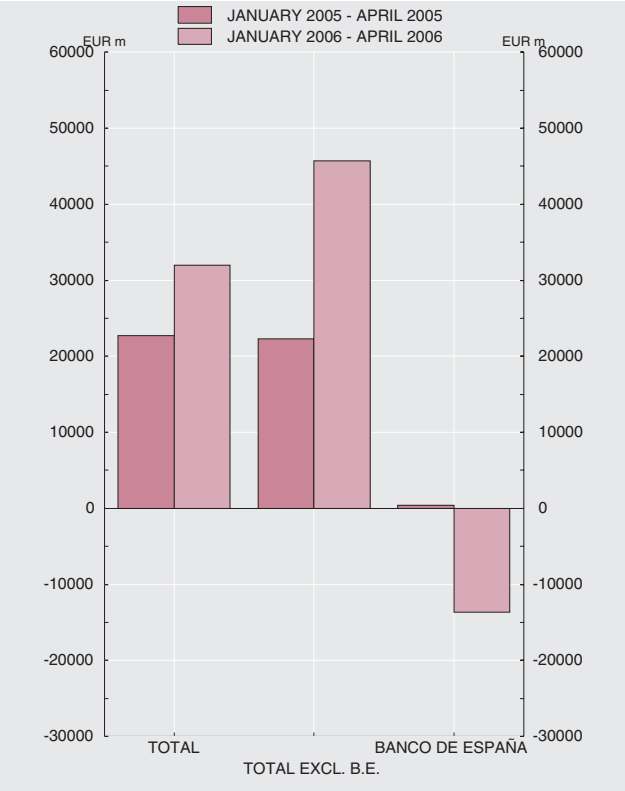
7.2. THE SPANISH BALANCE OF PAYMENTS VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. FINANCIAL ACCOUNT (a)

■ Series depicted in chart.

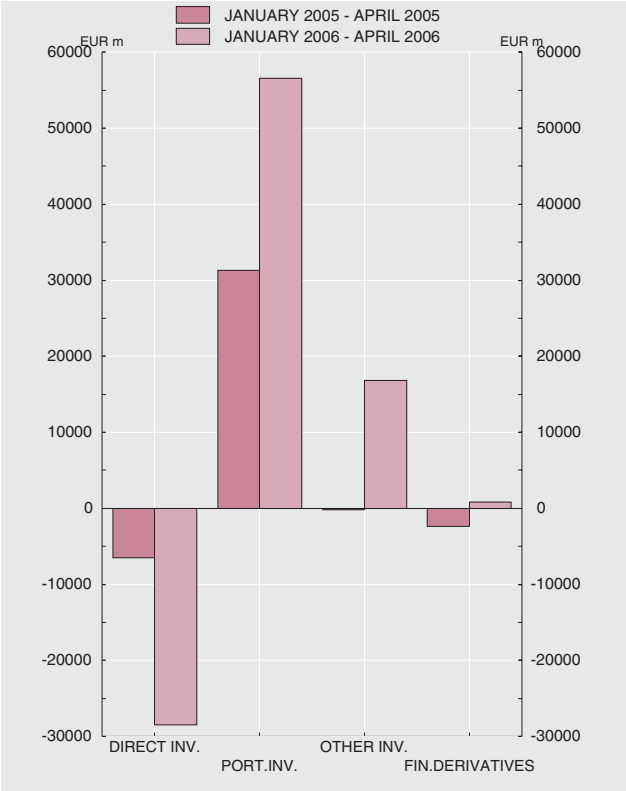
EUR millions

		Financial account (NCL-NCA) 1=2+13 ■	Total, excluding Banco de España											Banco de España			
			Total (NCL-NCA) 2=3+6+9+12 ■	Direct investment			Portfolio investment			Other investment (d)			Net financial derivatives (NCL-NCA) 12 ■	Balance (NCL-NCA) 13=14+15+16 ■	Reserves (e) 14	Claims with the Eurosystem (e) 15	Other net assets (NCL-NCA) 16
				Balance (NCL-NCA) 3=5-4 ■	Spanish investment abroad (NCA) 4	Foreign investment in Spain (NCL) (b) 5	Balance (NCL-NCA) 6=8-7 ■	Spanish investment abroad (NCA) 7	Foreign investment in Spain (NCL) (c) 8	Balance (NCL-NCA) 9=11-10 ■	Spanish investment abroad (NCA) 10	Foreign investment in Spain (NCL) 11					
03		17 826	16 251	-2 568	25 445	22 877	-26 592	65 634	39 042	48 845	15 876	64 722	-3 435	1 575	13 626	4 382	-16 433
04		34 851	48 861	-28 809	48 750	19 941	85 808	26 946	112 754	-8 212	28 419	20 207	74	-14 010	5 147	-13 760	-5 397
05	P	59 551	61 812	-12 693	31 177	18 484	57 890	78 714	136 605	16 599	46 258	62 857	16	-2 261	1 439	14 855	-18 555
05 *J-A*	P	22 694	22 267	-6 512	12 093	5 582	31 339	10 098	41 436	-179	22 090	21 912	-2 381	427	1 738	7 749	-9 060
06 *J-A*	P	32 008	45 683	-28 526	33 017	4 491	56 587	20 070	76 657	16 812	24 730	41 542	809	-13 675	227	-13 253	-649
05 *Jan*	P	6 940	4 557	-2 072	4 166	2 094	8 699	-1 370	7 329	-1 568	5 755	4 187	-502	2 383	94	2 351	-62
Feb	P	5 826	13 698	1 575	1 518	3 093	11 052	3 846	14 898	986	2 855	3 841	85	-7 872	112	-5 202	-2 782
Mar	P	4 690	-2 012	-4 817	4 677	-139	7 771	5 561	13 332	-3 917	8 709	4 792	-1 049	6 702	1 343	9 579	-4 220
Apr	P	5 238	6 024	-1 198	1 732	534	3 817	2 061	5 878	4 321	4 771	9 092	-915	-786	189	1 021	-1 996
May	P	4 223	-734	-334	1 339	1 005	8 593	1 123	9 715	-8 873	5 221	-3 652	-119	4 956	-39	6 595	-1 600
Jun	P	4 234	10 613	-4 291	3 291	-1 001	14 020	12 127	26 147	-445	2 853	2 408	1 330	-6 379	8	-4 430	-1 956
Jul	P	3 737	-851	110	1 185	1 295	-12 894	14 717	1 823	11 533	2 494	14 027	399	4 588	109	6 086	-1 606
Aug	P	3 977	492	304	625	929	-13 296	8 479	-4 817	13 995	-14 251	-257	-510	3 486	3	4 913	-1 431
Sep	P	7 672	18 950	-331	2 860	2 529	25 795	-1 808	23 988	-6 433	13 261	6 827	-82	-11 278	-100	-10 184	-994
Oct	P	5 333	6 522	987	1 252	2 239	3 078	6 285	9 363	1 562	6 572	8 134	896	-1 190	-71	-986	-133
Nov	P	3 735	-103	4 548	2 622	7 170	-8 569	23 580	15 011	3 088	6 465	9 553	830	3 838	-463	4 286	15
Dec	P	3 947	4 657	-7 173	5 908	-1 265	9 824	4 113	13 938	2 352	1 554	3 905	-346	-710	253	826	-1 789
06 *Jan*	P	6 755	17 245	-334	2 107	1 773	15 477	6 077	21 554	2 908	1 501	4 409	-806	-10 490	45	-9 761	-773
Feb	P	9 156	8 135	-24 546	26 092	1 546	19 632	5 407	25 039	12 695	12 877	25 572	355	1 021	-24	962	83
Mar	P	10 051	11 063	-2 366	2 154	-212	10 017	10 777	20 795	2 416	2 853	5 269	995	-1 012	-233	-952	173
Apr	P	6 046	9 239	-1 281	2 664	1 384	11 461	-2 192	9 270	-1 206	7 499	6 292	265	-3 193	440	-3 502	-131

FINANCIAL ACCOUNT (NCL-NCA)



FINANCIAL ACCOUNT, EXCLUDING BANCO DE ESPAÑA. Breakdown. (NCL-NCA)



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

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

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

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

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

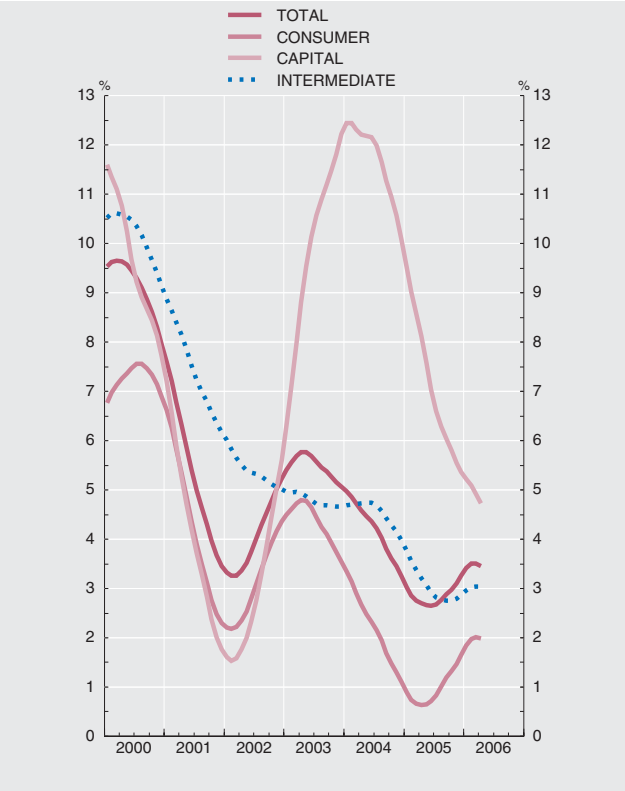
7.3. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD
EXPORT AND DISPATCHES

■ Series depicted in chart.

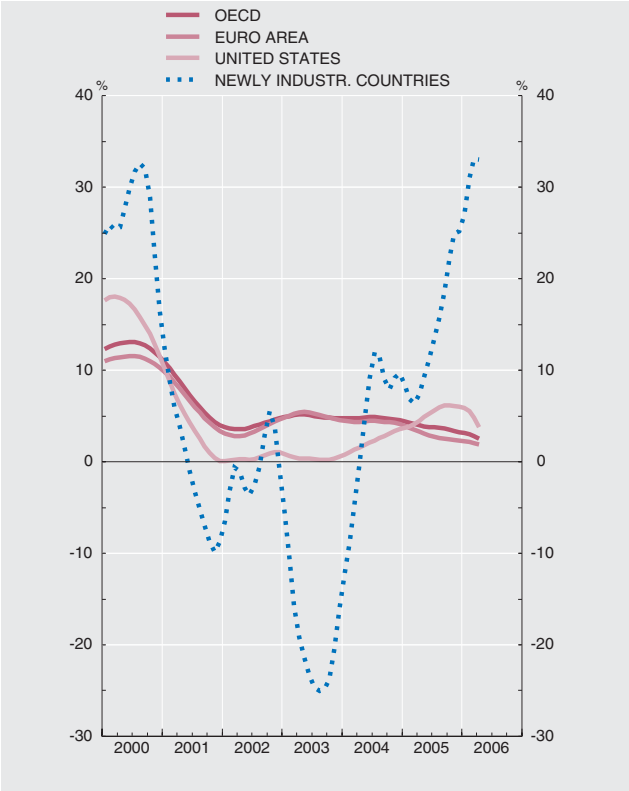
Eur millions and annual percentage changes

		Total			By product (deflated data) (a)					By geographical area (nominal data)							
							Intermediate			EU 25			OECD				
		EUR millions	Nominal	Deflated (a)	Consumer	Capital	Total	Energy	Non-energy	Total	of which: EU 15	of which: Euro area	Total	of which: United States	OPEC	Other American countries	Newly industrialised countries
		1	2	3 ■	4 ■	5 ■	6 ■	7	8	9	10	11 ■	12 ■	13 ■	14	15	16 ■
01		129 771	4.5	4.2	3.7	-1.4	5.7	-22.8	7.5	6.3	6.0	5.1	4.5	-6.6	8.3	-6.1	-6.6
02		133 268	2.7	3.7	3.9	-3.5	4.8	4.7	4.7	2.6	2.1	1.2	3.3	2.4	10.1	-19.8	5.7
03		138 119	3.6	5.2	4.2	11.9	4.8	24.7	3.9	4.4	4.5	5.2	3.8	-1.7	-5.4	2.2	-23.4
04		146 925	6.4	5.3	2.2	13.1	6.6	10.2	6.4	4.9	5.1	5.2	5.9	2.0	12.2	3.3	4.7
05	P	153 559	5.0	0.2	-2.0	6.2	0.9	-8.7	1.5	2.5	2.3	1.9	3.2	6.1	14.8	12.3	14.1
05	*Mar*	12 885	-1.5	-6.0	-12.3	-3.8	-1.0	-5.4	-0.8	-0.5	-0.4	-0.2	-2.3	-14.3	7.6	8.8	-1.0
	Apr	13 405	8.4	5.6	6.5	13.6	3.6	-4.8	4.1	4.8	5.3	6.5	5.2	10.7	47.6	21.3	1.7
	May	13 307	4.8	1.4	-3.0	5.4	4.7	-18.5	6.1	1.6	1.2	3.0	2.8	5.4	71.9	-19.3	15.2
	Jun	13 581	3.8	0.5	-3.3	15.6	0.4	-3.5	0.6	-0.3	-1.1	-1.2	4.6	7.3	1.1	-0.8	3.2
	Jul	12 800	-0.6	-6.0	-8.0	-2.8	-5.0	-12.6	-4.6	-5.3	-5.9	-7.7	-3.0	4.4	11.6	-3.9	19.6
	Aug	9 920	11.6	5.2	6.1	22.1	2.2	-0.3	2.4	7.3	6.8	3.2	9.1	17.8	11.1	20.9	12.1
	Sep	13 516	11.7	5.9	6.1	16.1	4.2	-0.1	4.5	7.8	7.0	5.3	9.7	27.1	25.9	21.9	12.0
	Oct	13 216	1.6	-2.4	0.6	-11.2	-3.4	-4.1	-3.4	0.4	-0.1	-0.5	2.4	11.3	-14.7	-11.1	24.0
	Nov	14 593	5.9	1.5	-1.9	25.0	0.1	-1.8	0.2	-1.2	-1.4	-1.6	-1.3	6.1	25.7	82.5	53.5
	Dec	13 291	7.6	1.3	-2.5	19.9	0.4	-12.1	1.1	5.1	5.3	3.9	3.1	-4.0	-33.0	62.9	13.3
06	*Jan*	12 753	17.0	12.2	8.7	56.4	8.3	-1.6	8.9	7.6	7.3	5.0	9.7	52.6	6.6	102.4	4.0
	Feb	13 992	15.2	11.6	14.1	31.8	6.5	29.9	5.6	9.2	8.6	8.8	7.9	32.8	58.6	45.9	60.6
	Mar	15 450	19.9	14.2	15.3	37.4	9.6	12.2	9.5	12.0	11.7	10.5	12.7	46.0	20.5	63.5	41.8
	Apr	13 161	-1.8	-6.3	-10.1	0.2	-4.6	-4.5	-4.6	-5.7	-6.3	-6.9	-4.3	11.7	-35.5	26.2	27.3

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



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



Sources: ME y BE.
Note: The underlying series for this indicator are in Tables 17.4 and 17.5 of the Boletín estadístico.
The monthly series are provisional data, while the annual series are the final foreign trade data.
a. Series deflated by unit value indices.

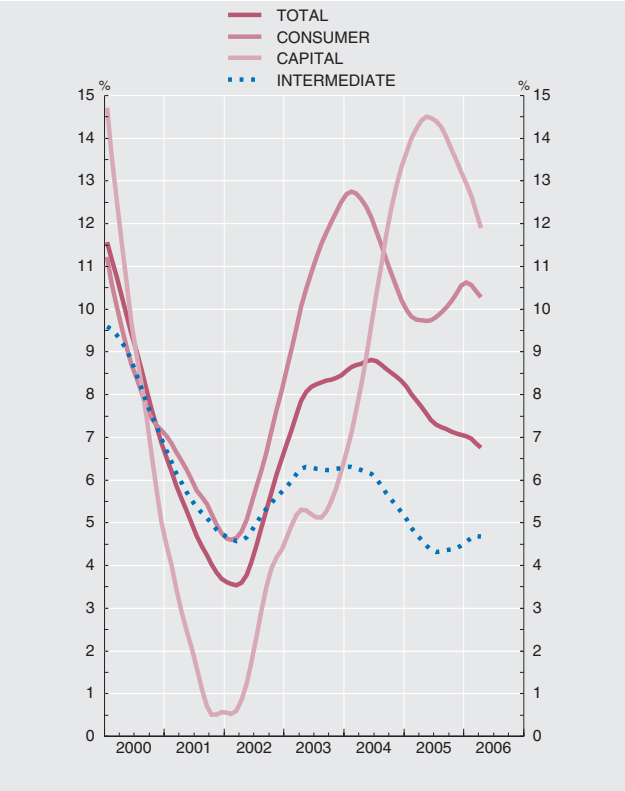
7.4. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD IMPORTS AND ARRIVALS

■ Series depicted in chart.

Eur millions and annual percentage changes

		Total			By product (deflated data) (a)					By geographical area (nominal data)							
		EUR millions	Nominal	Deflated (a)	Consumer	Capital	Intermediate			EU 25			OECD		OPEC	Other American countries	Newly industrialised countries
							Total	Energy	Non-energy	Total	of which: EU 15	of which: Euro area	Total	of which: United States			
		1	2	3 ■	4 ■	5 ■	6 ■	7	8	9	10	11 ■	12 ■	13 ■	14	15	16 ■
01		173 210	2.2	3.4	6.4	-2.0	3.2	-1.0	4.3	3.5	3.0	3.8	2.6	-10.1	-8.1	3.7	-2.2
02		175 268	1.2	4.3	5.0	-5.4	5.9	5.6	5.9	1.6	1.3	1.9	0.9	-8.5	-11.0	5.7	2.4
03		185 114	5.6	7.1	9.6	12.9	4.8	1.0	5.7	5.9	5.4	5.3	5.8	-4.8	1.9	12.9	1.1
04		208 411	12.6	9.9	13.5	14.4	7.3	10.6	6.5	9.8	9.5	10.1	11.3	9.3	12.8	7.9	14.6
05	P	231 372	11.9	6.4	7.9	20.3	3.0	9.8	1.8	5.5	5.3	5.5	5.8	5.1	36.1	32.3	12.4
05	*Mar*	19 315	10.8	5.1	4.3	43.0	-0.6	18.2	-4.4	6.1	7.4	7.0	5.7	-8.7	41.9	12.4	14.2
	Apr	19 929	15.8	10.7	6.8	50.5	5.8	3.3	6.4	8.3	8.6	8.4	11.7	33.1	60.6	19.8	24.1
	May	19 681	12.9	11.9	15.5	28.4	7.1	-0.1	8.7	4.4	4.1	4.3	6.5	34.6	16.4	36.2	14.5
	Jun	20 152	8.5	3.0	3.5	29.8	-1.9	5.9	-3.5	3.5	3.2	4.4	5.8	18.8	28.3	9.1	6.8
	Jul	18 927	5.4	-2.6	4.4	-8.0	-4.8	-1.5	-5.6	-2.8	-3.3	-3.8	-1.3	7.7	25.8	12.9	17.8
	Aug	17 112	20.0	13.1	10.5	44.3	9.5	27.6	4.3	10.6	10.0	11.7	11.2	7.6	48.5	32.1	0.2
	Sep	20 622	12.1	7.6	9.0	17.0	5.1	9.4	4.1	6.5	6.0	6.7	6.8	-4.7	59.1	-15.4	22.3
	Oct	19 855	7.9	3.0	6.8	-4.0	2.4	17.2	-0.7	0.8	-0.6	-0.2	1.9	-8.5	30.5	45.1	13.4
	Nov	21 886	12.4	8.3	7.7	47.9	1.1	12.8	-1.4	3.6	2.9	3.0	0.3	-18.2	39.9	149.1	35.5
	Dec	20 472	10.4	3.1	11.5	-11.9	3.7	-4.9	5.9	6.0	4.8	2.8	2.6	5.9	43.7	49.7	-15.3
06	*Jan*	19 337	19.5	13.1	40.4	20.8	-0.2	1.8	-0.8	13.8	13.2	13.8	9.9	18.2	44.3	50.1	49.5
	Feb	20 497	18.9	11.6	9.3	10.0	12.8	13.5	12.6	10.7	8.0	8.9	7.9	16.9	54.1	38.5	43.3
	Mar	23 477	21.5	14.7	14.4	2.8	17.3	13.2	18.4	14.7	12.5	13.4	12.6	39.8	47.3	57.0	26.6
	Apr	20 045	0.6	-6.3	-4.6	-12.5	-5.8	2.3	-7.6	-2.6	-3.6	-3.0	-7.5	-5.8	26.2	-13.9	5.9

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



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

Sources: ME y BE.
Note: The underlying series for this indicator are in Tables 17.2 and 17.3 of the Boletín estadístico.
The monthly series are provisional data, while the annual series are the final foreign trade data.
a. Series deflated by unit value indices .

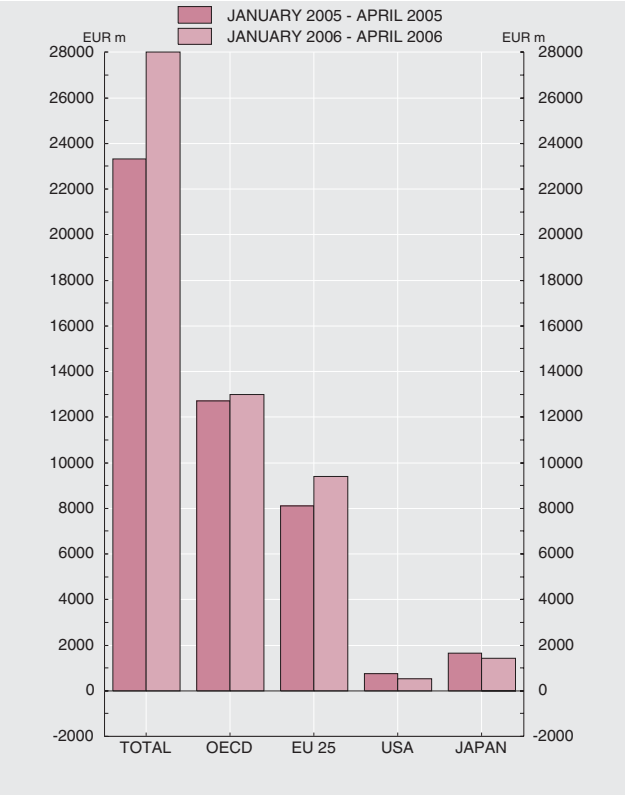
7.5. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD. TRADE BALANCE. GEOGRAPHICAL DISTRIBUTION

■ Series depicted in chart.

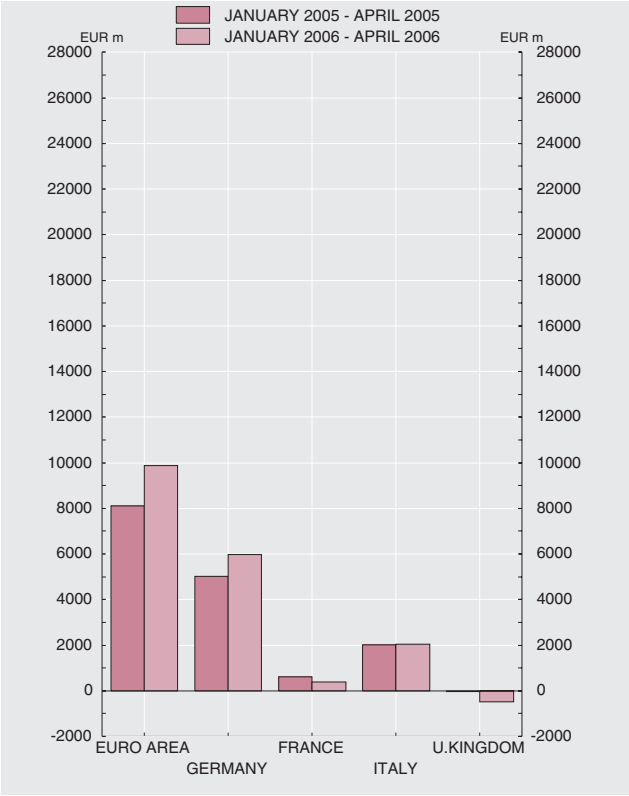
EUR millions

		World total	European Union (EU 25)								OECD					
			Total	European Union (EU 15)							of which:					
				Total	Euro area				United Kingdom	Other EU 15 members	Total	United States of América	Japan	OPEC	Other American countries	Newly industrialised countries
					Total	of which: Germany	France	Italy								
		1 ■	2 ■	3	4 ■	5 ■	6 ■	7 ■	8 ■	9	10 ■	11 ■	12 ■	13	14	15
00		-45 291	-19 173	-20 065	-17 816	-9 828	-4 873	-4 272	-1 861	-388	-27 681	-2 707	-3 616	-10 879	936	-2 151
01		-43 439	-17 290	-17 987	-17 474	-11 539	-3 683	-4 283	-462	-51	-26 363	-2 219	-3 159	-9 501	420	-2 176
02		-42 000	-16 612	-17 543	-18 385	-12 970	-3 436	-3 312	1 430	-587	-24 004	-1 416	-3 224	-7 771	-897	-2 176
03		-46 995	-19 048	-19 322	-19 450	-13 731	-3 239	-3 517	1 035	-907	-27 616	-1 170	-3 855	-8 187	-1 467	-2 600
04		-61 486	-25 907	-25 478	-25 473	-16 282	-3 353	-5 671	472	-476	-36 990	-1 692	-4 583	-9 253	-1 784	-3 104
05	P	-77 813	-30 022	-29 422	-29 320	-16 278	-3 187	-6 995	-170	67	-41 662	-1 722	-4 716	-13 288	-3 080	-3 427
05	*J-A*	-23 328	-8 096	-8 111	-8 108	-5 032	-614	-2 011	39	-42	-12 718	-754	-1 653	-3 752	-917	-1 062
06	*J-A*	-28 000	-9 995	-9 408	-9 887	-5 984	-392	-2 031	497	-18	-12 997	-528	-1 415	-5 794	-814	-1 366
05	*Apr*	-6 524	-2 494	-2 406	-2 257	-1 459	-37	-530	-132	-17	-3 878	-286	-385	-957	-358	-293
	May	-6 374	-2 423	-2 341	-2 367	-1 445	-94	-644	59	-32	-3 473	-376	-397	-910	-344	-291
	Jun	-6 571	-2 898	-2 842	-2 855	-1 573	-321	-466	78	-65	-3 842	-279	-373	-973	-284	-301
	Jul	-6 128	-2 442	-2 424	-2 585	-1 379	-157	-704	129	32	-3 190	-64	-368	-1 057	-227	-257
	Aug	-7 192	-2 645	-2 604	-2 613	-1 253	-530	-574	-52	61	-3 543	-141	-291	-1 358	-255	-212
	Sep	-7 106	-2 365	-2 349	-2 469	-1 404	-376	-494	70	50	-3 296	-55	-394	-1 609	-226	-307
	Oct	-6 639	-2 673	-2 494	-2 472	-1 378	-239	-586	-54	33	-3 516	29	-373	-1 060	-395	-302
	Nov	-7 293	-2 780	-2 707	-2 567	-1 363	-267	-674	-193	53	-3 649	-93	-443	-1 294	-528	-386
	Dec	-7 182	-3 700	-3 551	-3 282	-1 451	-589	-841	-246	-23	-4 436	11	-424	-1 275	96	-311
06	*Jan*	-6 584	-2 113	-2 057	-2 336	-1 197	-189	-363	252	28	-2 909	-63	-330	-1 386	-170	-432
	Feb	-6 504	-2 087	-1 904	-2 097	-1 593	195	-583	251	-59	-2 857	-140	-365	-1 288	-179	-310
	Mar	-8 027	-3 066	-2 876	-2 958	-1 800	-220	-623	132	-50	-3 999	-146	-413	-1 641	-302	-339
	Apr	-6 884	-2 729	-2 571	-2 495	-1 394	-177	-461	-138	62	-3 232	-179	-307	-1 479	-162	-286

CUMULATIVE TRADE DEFICIT



CUMULATIVE TRADE DEFICIT



Source: ME.

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

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

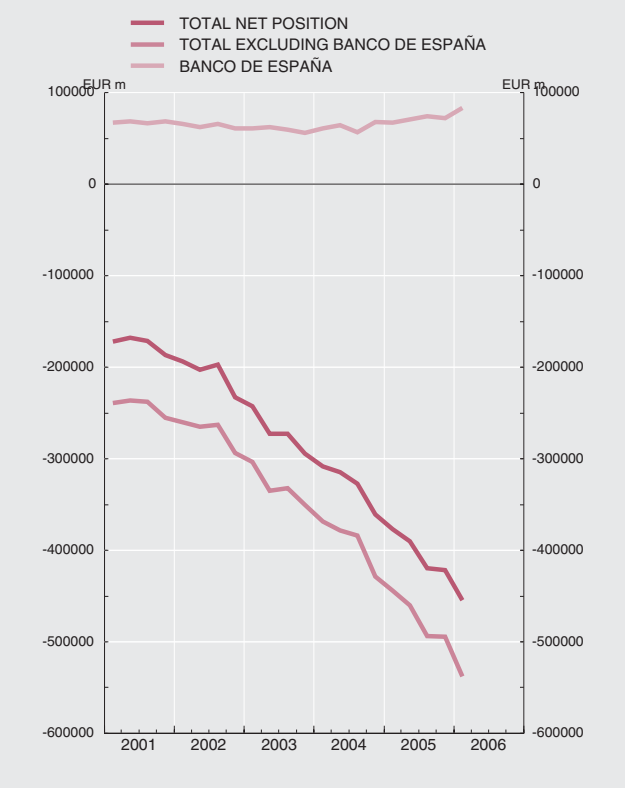
7.6. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD SUMMARY

■ Series depicted in chart.

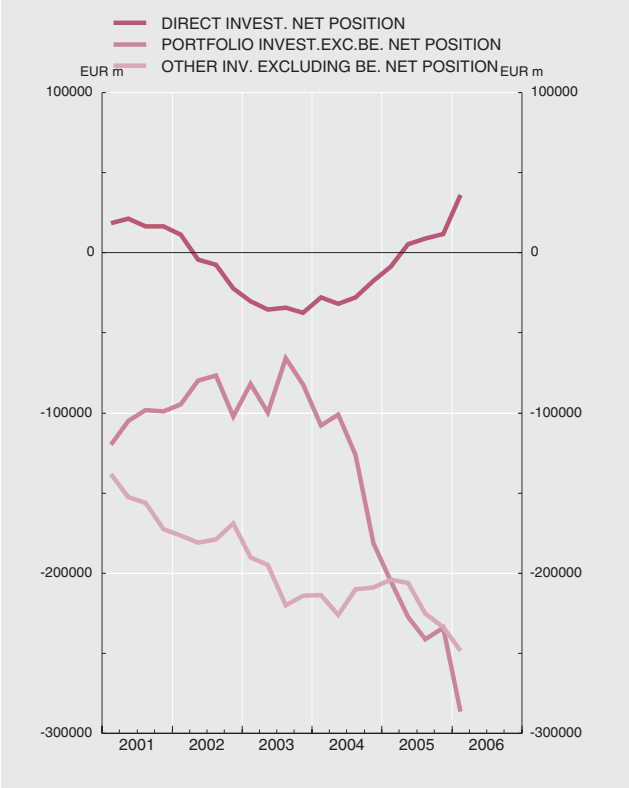
End-of-period stocks in EUR billions

		Net international investment position (assets-liabil.)	Total excluding Banco de España										Banco de España			
			Net position excluding Banco de España (assets - liabil.)	Direct investment			Portfolio investment			Other investment			Banco de España net position (assets-liabil.)	Reserves	Assets vis-à-vis the Eurosystem	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
98		-160.5	-213.1	-44.5	63.5	108.0	-136.4	73.1	209.5	-32.2	161.5	193.7	52.5	52.1	-	0.4
99		-165.2	-239.0	-7.3	117.5	124.8	-141.0	127.4	268.4	-90.7	152.8	243.5	73.7	37.3	36.0	0.4
00		-158.7	-242.6	12.2	180.2	168.0	-115.5	193.7	309.2	-139.3	166.4	305.8	84.0	38.2	45.3	0.4
01		-186.5	-255.0	16.3	217.5	201.1	-99.0	232.6	331.6	-172.3	172.5	344.8	68.5	38.9	29.2	0.4
02	R	-232.9	-293.6	-22.1	223.1	245.2	-102.6	256.8	359.4	-168.9	197.4	366.3	60.6	38.4	22.7	-0.4
03	*Q1*	-242.6	-303.7	-30.4	223.9	254.3	-83.2	278.3	361.6	-190.0	194.7	384.7	61.0	35.4	24.3	1.3
	Q2	-272.6	-335.1	-35.5	222.9	258.4	-104.6	287.3	391.9	-195.1	194.7	389.8	62.4	31.3	26.8	4.3
	Q3	-272.6	-332.4	-34.3	229.5	263.8	-77.9	309.6	387.4	-220.2	193.2	413.4	59.8	25.4	22.2	12.1
	Q4	-294.1	-350.2	-37.4	231.6	268.9	-98.6	319.8	418.4	-214.2	204.0	418.1	56.1	21.2	18.3	16.6
04	*Q1*	-308.3	-368.8	-27.7	242.0	269.8	-127.4	332.8	460.2	-213.6	210.9	424.5	60.5	17.6	23.1	19.9
	Q2	-314.3	-378.6	-32.0	247.6	279.7	-120.5	347.9	468.4	-226.1	222.1	448.2	64.2	16.2	27.9	20.0
	Q3	-327.3	-384.1	-28.0	254.4	282.4	-146.2	344.4	490.5	-209.9	229.7	439.7	56.8	15.9	20.5	20.4
	Q4	-360.6	-428.7	-17.6	272.5	290.1	-202.1	359.3	561.4	-208.9	222.4	431.3	68.1	14.5	31.9	21.7
05	*Q1*	-376.6	-443.9	-8.6	287.2	295.8	-231.1	366.5	597.7	-204.2	240.7	444.9	67.3	13.3	25.2	28.8
	Q2	-389.9	-460.3	5.3	303.8	298.5	-259.5	390.8	650.3	-206.1	256.8	462.9	70.4	13.7	22.0	34.7
	Q3	-419.8	-493.8	8.7	311.7	302.9	-277.3	417.7	695.0	-225.2	256.6	481.8	74.0	14.0	21.2	38.7
	Q4	-421.9	-494.1	11.6	323.2	311.7	-272.0	454.7	726.7	-233.7	270.3	504.0	72.2	14.6	17.1	40.5
06	*Q1*	-454.7	-537.7	35.9	353.0	317.1	-325.2	477.0	802.1	-248.4	286.8	535.3	83.0	15.4	26.8	40.8

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.

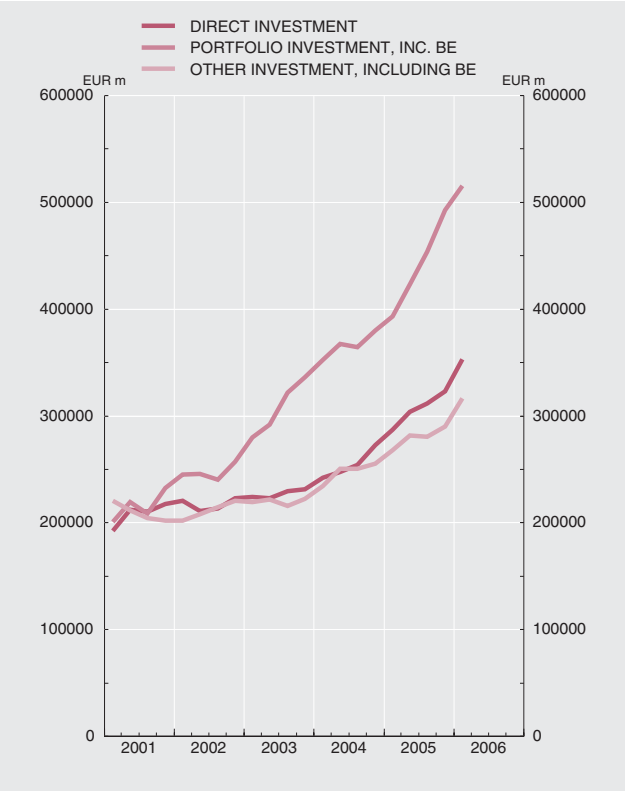
7.7. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-à-VIS OTHER EURO AREA RESIDENTES AND THE REST OF THE WORLD BREAKDOWN BY INVESTMENT

■ Series depicted in chart.

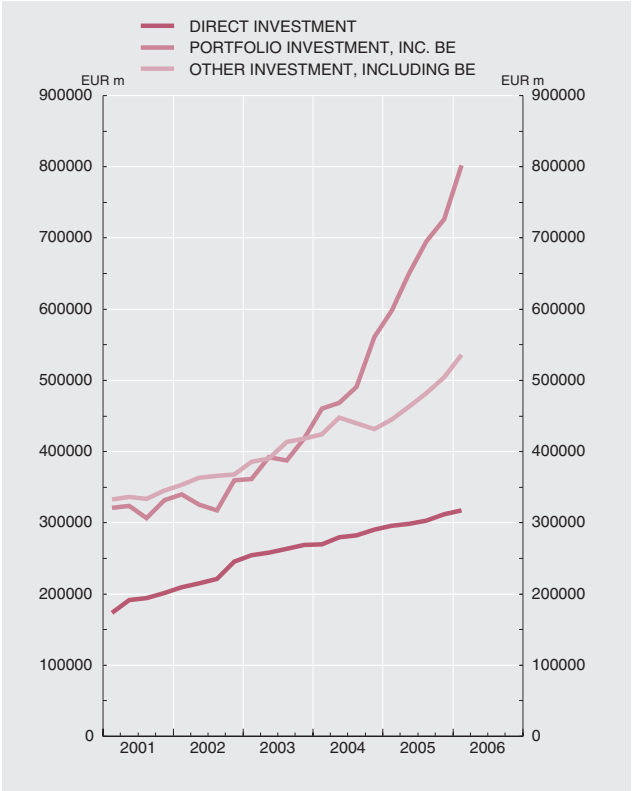
End-of-period stocks in EUR millions

		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			
		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	Spanish investment abroad ■	Foreign investment in Spain ■
		1	2	3	4	5	6	7	8	9	10
98		57 849	5 690	90 760	17 284	20 250	52 876	116 698	92 841	162 001	193 708
99		110 031	7 469	106 535	18 251	42 282	85 105	145 948	122 443	189 266	243 489
00		167 151	13 095	142 844	25 182	83 918	109 764	147 521	161 672	212 159	305 778
01		197 233	20 231	164 360	36 768	74 596	158 052	144 151	187 459	202 099	344 845
02	R	206 268	16 815	194 711	50 456	50 712	206 581	116 967	242 432	220 483	367 646
03 *Q1*		206 602	17 300	203 995	50 338	47 089	232 844	116 359	245 201	219 438	385 462
Q2		205 551	17 399	207 551	50 851	51 400	240 717	133 812	258 086	221 881	390 621
Q3		213 679	15 798	210 597	53 203	56 847	264 746	130 593	256 851	215 885	413 722
Q4		217 086	14 477	207 096	61 828	62 677	273 344	147 878	270 550	222 670	418 202
04 *Q1*		225 194	16 833	208 256	61 519	70 575	281 731	153 501	306 722	234 377	424 549
Q2		230 136	17 510	214 813	64 839	75 270	292 225	149 108	319 292	250 473	448 152
Q3		234 813	19 624	218 183	64 231	71 014	293 161	150 702	339 837	250 827	439 658
Q4		254 696	17 791	223 215	66 917	78 053	302 067	183 210	378 218	255 181	431 348
05 *Q1*		267 094	20 127	225 510	70 304	79 829	313 129	184 792	412 862	268 200	444 867
Q2		283 979	19 833	229 405	69 112	83 676	339 216	178 505	471 746	281 431	462 938
Q3		290 978	20 680	230 683	72 258	93 654	360 151	204 333	490 672	280 483	481 856
Q4		301 984	21 250	239 784	71 868	104 154	388 447	197 346	529 316	290 091	504 122
06 *Q1*		331 569	21 472	241 058	76 055	119 536	396 090	214 643	587 496	316 265	535 740

SPANISH INVESTMENT ABROAD



FOREIGN INVESTMENT IN SPAIN



Source: BE.
Note: See footnote to Indicator 7.6

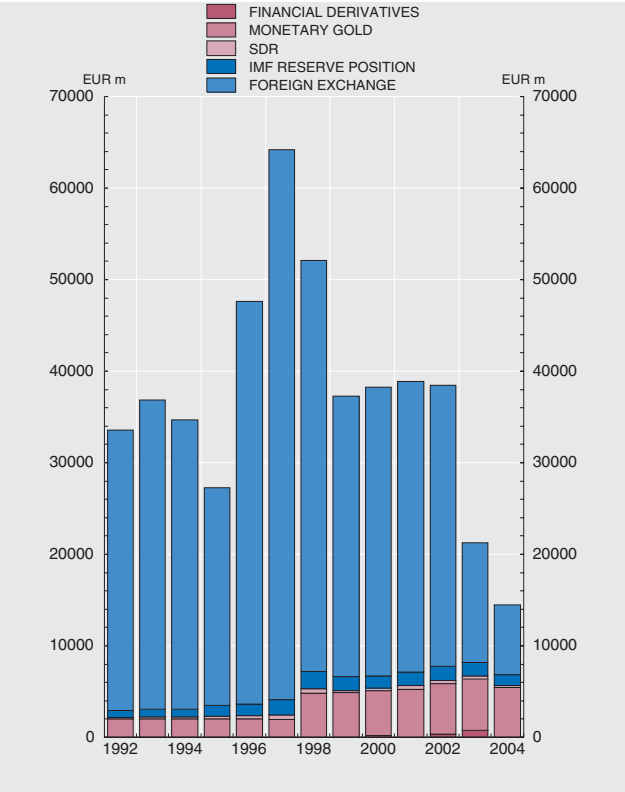
7.8. SPANISH RESERVE ASSETS

■ Series depicted in chart.

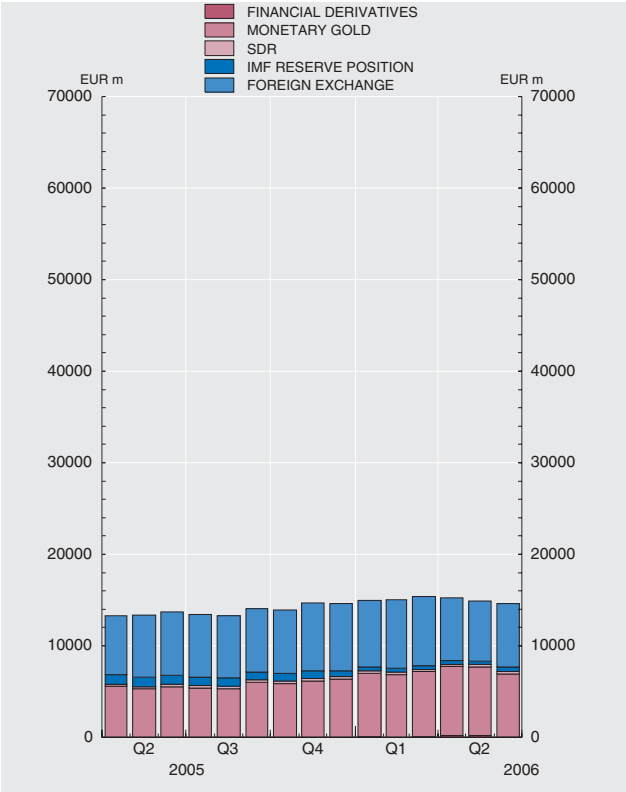
End-of-period stocks in EUR millions

	Reserve assets						Memorandum item: gold
	Total	Foreign exchange ■	Reserve position in the IMF ■	SDRs ■	Monetary gold ■	Financial derivatives	Millions of troy ounces
	1	2	3	4	5	6	7
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	14 505	7 680	1 156	244	5 411	15	16.8
05 *Jan*	14 712	7 962	1 142	250	5 453	-94	16.8
Feb	14 576	7 719	1 107	253	5 531	-35	16.8
Mar	13 321	6 490	1 117	255	5 549	-90	16.8
Apr	13 276	6 439	1 000	256	5 667	-87	16.8
May	13 356	6 782	1 022	262	5 577	-286	16.6
Jun	13 672	6 895	989	269	5 846	-327	16.2
Jul	13 409	6 827	918	270	5 726	-332	16.2
Aug	13 260	6 784	882	274	5 610	-290	15.9
Sep	14 032	6 896	839	275	6 236	-214	15.9
Oct	13 893	6 894	820	275	5 959	-55	15.2
Nov	14 694	7 423	825	281	6 238	-72	14.8
Dec	14 601	7 306	636	281	6 400	-21	14.7
06 *Jan*	14 970	7 254	432	279	6 904	102	14.7
Feb	15 005	7 443	437	261	6 878	-15	14.7
Mar	15 377	7 544	405	258	7 101	69	14.7
Apr	15 255	6 851	399	254	7 537	214	14.7
May	14 910	6 575	395	253	7 472	217	14.7
Jun	14 605	6 925	474	253	6 950	3	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 instruments	Loans	Bonds and notes	Loans	Trade credits		Money market instruments	Deposits	Bonds and notes	Deposits
	1	2	3	4	5	6	7	8	9	10	11	12
02 *Q4*	672 115	194 649	1 461	1 072	179 644	12 473	-	307 780	346	154 007	34 190	119 237
03 *Q1*	694 062	183 831	2 196	710	168 451	12 474	-	328 247	315	165 842	39 596	122 493
Q2	714 542	188 667	3 069	267	173 146	12 185	-	339 679	323	170 814	44 803	123 739
Q3	742 230	180 683	3 560	1 780	163 164	12 179	-	362 703	353	183 340	49 208	129 801
Q4	772 151	176 501	4 386	335	159 152	12 628	-	374 134	326	187 752	56 363	129 693
04 *Q1*	815 215	192 147	3 676	489	174 928	13 055	-	392 792	361	186 529	72 417	133 485
Q2	856 271	189 040	3 270	428	172 191	13 151	-	425 717	353	207 118	79 569	138 676
Q3	868 750	195 531	3 136	1 755	177 265	13 374	-	423 118	362	198 299	88 484	135 974
Q4	904 325	205 323	2 956	705	184 800	16 863	-	427 328	301	194 245	100 711	132 071
05 *Q1*	954 641	206 611	2 600	1 024	185 261	17 726	-	456 631	467	202 197	121 665	132 301
Q2	1 034 314	215 489	2 268	437	196 053	16 731	-	486 308	577	232 191	135 730	117 810
Q3	1 075 270	214 956	3 168	1 424	193 837	16 527	-	514 123	340	264 976	147 031	101 776
Q4	1 137 322	215 091	2 547	65	195 014	17 465	-	544 853	705	276 510	160 788	106 850
06 *Q1*	1 231 453	216 457	4 699	11	194 300	17 446	-	584 951	905	240 898	189 132	154 016

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

End-of-period positions — *EUR millions*

	Monetary authority		Other residents sectors								Direct investment		
	Total	Short-term	Total	Short-term			Long-term				Total	Vis-à-vis	
		Deposits		Money market instruments	Loans	Other liabilities	Bonds and notes	Loans	Trade credits	Other liabilities		Direct investors	Subsidiaries
	13	14	15	16	17	18	19	20	21	22	23	24	25
02 *Q4*	1 371	1 371	106 278	3 001	19 895	78	23 790	58 757	450	307	62 036	32 569	29 468
03 *Q1*	798	798	117 787	2 678	19 084	123	31 964	62 955	446	537	63 399	32 831	30 568
Q2	870	870	119 491	2 497	17 701	167	34 248	63 864	437	576	65 836	33 091	32 745
Q3	313	313	126 874	2 418	20 273	168	38 148	64 957	419	491	71 657	33 529	38 128
Q4	92	92	138 025	2 297	19 198	-	48 027	67 707	404	393	83 400	39 453	43 947
04 *Q1*	62	62	146 270	2 321	20 105	359	53 019	69 393	405	669	83 944	36 235	47 710
Q2	1	1	152 686	2 561	18 327	229	61 346	69 195	402	625	88 826	37 125	51 702
Q3	0	0	160 845	3 312	18 685	634	67 278	70 008	392	537	89 255	37 445	51 810
Q4	16	16	176 899	4 043	18 952	1 175	85 408	66 403	413	505	94 759	38 513	56 246
05 *Q1*	0	0	194 487	4 274	20 580	787	98 595	69 030	405	817	96 912	39 800	57 112
Q2	71	71	232 818	3 839	19 958	1 569	133 280	72 974	397	801	99 630	41 705	57 925
Q3	42	42	243 407	3 401	19 386	1 636	142 895	74 943	392	753	102 742	42 823	59 918
Q4	126	126	273 367	3 313	19 321	996	166 949	81 647	388	753	103 885	43 218	60 666
06 *Q1*	462	462	321 366	2 900	19 462	408	195 559	102 265	358	413	108 217	44 402	63 815

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
05 *Jan*	345 223	269 024	75 714	381	0	203	99	204 736	490 694	8 798	280 795	-13 960	1 852	138 635	-
Feb	358 741	277 826	80 749	125	-1	121	78	217 765	488 278	26 949	280 344	-17 118	825	140 152	-
Mar	363 955	278 761	85 217	-152	-0	218	87	220 986	495 751	27 381	279 511	-22 636	373	142 597	-
Apr	366 616	276 523	90 002	-	-1	200	108	223 659	502 026	26 012	287 206	-17 174	-98	143 054	-
May	361 885	271 865	90 000	-	8	93	81	214 859	511 289	10 493	286 876	-20 047	611	146 415	-
Jun	379 967	290 273	90 002	-169	20	145	305	232 941	518 749	24 141	286 606	-23 343	818	146 207	-
Jul	396 451	307 025	90 000	-457	1	67	185	246 362	529 715	27 514	306 173	-4 694	523	149 566	-
Aug	398 523	308 783	89 998	-22	11	18	266	246 736	532 886	24 501	304 931	-5 720	771	151 016	-
Sep	379 522	289 091	89 999	432	9	76	85	226 489	530 079	9 620	304 733	-8 476	1 556	151 477	-
Oct	380 847	291 327	89 999	-405	-7	61	128	227 409	534 411	7 149	315 263	1 112	2 194	151 245	-
Nov	389 195	299 224	90 002	-	1	80	113	234 860	538 109	11 412	313 526	-1 135	2 625	151 709	-
Dec	406 048	317 137	89 211	-341	5	145	109	248 369	558 128	5 237	312 391	-2 605	3 092	154 588	-
06 *Jan*	408 320	316 136	91 835	318	2	109	81	250 562	552 874	12 261	325 172	10 599	3 581	154 177	-
Feb	398 591	296 300	102 017	325	0	62	114	239 384	549 393	9 701	324 915	5 204	2 797	156 410	-
Mar	405 993	295 305	110 886	-113	-0	42	126	244 219	554 137	12 476	324 109	1 715	2 014	159 760	-
Apr	409 990	289 025	120 000	1 300	-18	230	547	246 408	565 593	11 289	336 927	6 453	1 710	161 872	-
May	406 539	286 957	120 002	-500	-0	217	136	241 231	569 873	5 142	336 937	3 153	1 645	163 663	-
Jun	419 914	300 523	120 001	-223	-7	115	495	253 565	575 813	14 272	337 603	1 083	1 476	164 873	-

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
05 *Jan*	25 136	22 414	2 721	-	1	-	0	37 359	69 878	5 213	18 833	-18 899	-26 045	-24 869	-1 176	13 821	-
Feb	24 353	21 467	2 882	-	1	2	-	37 045	69 247	6 501	18 821	-19 883	-26 880	-25 629	-1 250	14 187	-
Mar	26 496	23 987	2 540	-30	-2	0	-	35 977	70 599	7 890	18 811	-23 701	-24 017	-22 653	-1 364	14 536	-
Apr	29 675	26 863	2 809	-	3	-	0	33 212	71 134	6 329	19 220	-25 030	-18 113	-16 452	-1 662	14 576	-
May	29 050	26 029	3 020	-	2	0	1	33 933	71 959	7 008	19 178	-25 856	-19 224	-16 640	-2 584	14 341	-
Jun	28 526	25 508	3 017	-	6	-	5	35 021	73 124	8 845	18 997	-27 950	-21 561	-18 951	-2 610	15 065	-
Jul	30 823	28 108	2 725	-11	1	-	0	31 762	75 194	5 883	20 121	-29 194	-16 150	-13 372	-2 778	15 211	-
Aug	31 232	28 332	2 902	-	1	-	4	28 673	74 978	3 781	19 996	-30 091	-13 211	-10 398	-2 813	15 770	-
Sep	29 186	26 296	2 890	-	2	-	1	25 857	74 026	4 375	19 927	-32 617	-12 528	-10 124	-2 404	15 857	-
Oct	27 830	25 082	2 762	-8	-5	-	1	28 243	74 576	7 007	20 359	-32 981	-16 551	-14 554	-1 997	16 138	-
Nov	30 344	27 660	2 690	-	-1	0	5	29 321	74 987	8 288	20 102	-33 852	-14 259	-12 459	-1 800	15 282	-
Dec	30 285	27 714	2 599	-28	1	0	1	28 287	78 418	4 987	20 091	-35 027	-14 642	-12 803	-1 839	16 640	-
06 *Jan*	29 043	26 427	2 614	5	-0	-	3	28 602	78 458	5 881	20 570	-35 167	-14 818	-13 117	-1 701	15 259	-
Feb	28 631	25 724	2 906	-	1	3	2	30 723	77 841	8 807	20 573	-35 352	-18 684	-17 199	-1 485	16 591	-
Mar	26 841	23 879	2 967	-	-2	-	4	30 439	78 742	7 948	20 571	-35 680	-20 262	-18 756	-1 506	16 664	-
Apr	24 830	21 809	2 944	95	-17	-	1	31 754	80 819	7 398	20 927	-35 537	-23 536	-21 553	-1 983	16 612	-
May	25 257	22 251	3 022	-20	0	4	1	35 691	80 484	10 052	20 777	-34 068	-27 409	-24 561	-2 848	16 975	-
Jun	23 300	19 898	3 440	-32	-7	-	-	39 354	81 230	11 760	20 839	-32 797	-32 777	-29 058	-3 719	16 722	-

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

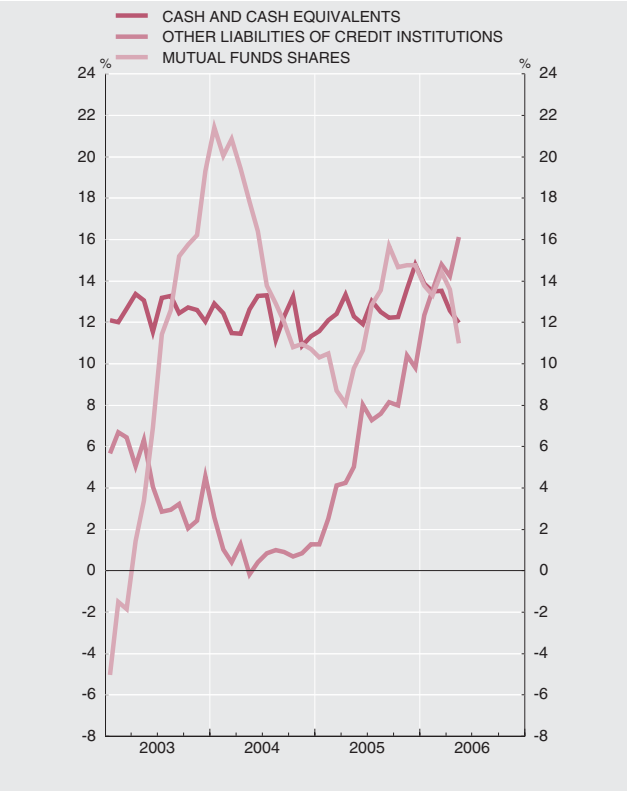
8.2 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES (a) OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN

■ Series depicted in chart.

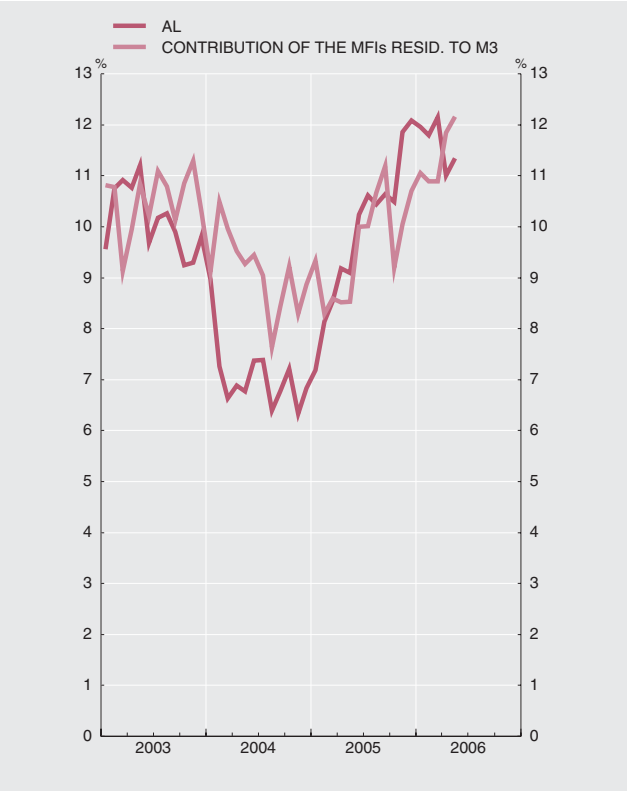
EUR millions and %

	Cash and cash equivalents				Other liabilities of credit institutions					Mutual funds shares				Memorandum items	
	Stocks	12-month % change	12-m. % change: Cash	12-m. % change: Deposits (b)	Stocks	12 month % change	12-month % change: Other deposits (c)	12-month % change: Repos + credit institutions' securities	12-month % change: Deposits in branches abroad	Stocks	12-month % change	12-month % change: Fixed income in EUR (d)	12-month % change: Other	12-month % change: AL (e)	12-month % change: Contribution of the MFIs resid. to M3
	1	2 ■	3	4	5	6 ■	7	8	9	10	11 ■	12	13	14 ■	15 ■
03	360 691	12.0	20.9	10.3	278 433	4.5	2.2	15.0	-0.7	173 917	19.3	18.5	20.2	9.8	10.3
04	401 569	11.3	19.7	9.5	281 968	1.3	8.4	-21.6	-8.3	192 531	10.7	6.1	16.1	6.8	8.9
05	460 998	14.8	18.0	14.0	309 608	9.8	10.5	8.0	2.8	220 928	14.7	7.6	22.3	12.1	10.7
05 *Feb*	402 476	12.1	19.2	10.6	281 508	2.5	9.3	-17.8	-22.5	198 404	10.5	9.4	11.6	8.1	8.3
Mar	408 970	12.4	19.0	11.0	284 964	4.1	8.8	-11.4	-9.3	199 346	8.7	6.4	11.1	8.5	8.6
Apr	412 266	13.3	18.2	12.2	285 987	4.2	9.5	-10.1	-21.7	200 328	8.1	7.6	8.6	9.2	8.5
May	417 032	12.3	17.8	11.1	286 854	5.0	10.0	-8.5	-23.5	204 088	9.8	8.4	11.3	9.1	8.5
Jun	435 526	11.9	17.8	10.7	293 632	8.0	11.5	-4.0	-4.8	207 056	10.7	9.7	11.7	10.2	10.0
Jul	441 353	13.0	17.4	12.1	290 815	7.3	10.4	-4.8	-2.7	210 831	12.8	10.3	15.6	10.6	10.0
Aug	429 624	12.5	17.6	11.4	295 257	7.6	10.9	-4.3	-4.9	213 414	13.6	10.4	17.0	10.4	10.7
Sep	436 819	12.2	18.7	10.8	294 807	8.1	10.3	2.7	-8.5	216 931	15.7	11.3	20.4	10.6	11.2
Oct	436 967	12.3	17.8	11.0	295 504	8.0	9.7	3.6	-6.9	216 371	14.7	10.5	19.1	10.5	9.2
Nov	446 669	13.6	18.4	12.5	303 464	10.4	10.4	12.0	5.0	219 119	14.7	9.0	20.8	11.9	10.1
Dec	460 998	14.8	18.0	14.0	309 608	9.8	10.5	8.0	2.8	220 928	14.7	7.6	22.3	12.1	10.7
06 *Jan*	451 854	13.9	17.3	13.0	314 665	12.3	10.6	24.2	1.6	221 664	13.8	3.4	24.6	12.0	11.1
Feb	456 730	13.5	17.2	12.6	319 632	13.5	11.1	28.7	5.7	224 802	13.3	0.1	26.8	11.8	10.9
Mar	464 247	13.5	17.6	12.6	327 096	14.8	13.1	30.5	-10.8	228 120	14.4	-1.0	29.9	12.1	10.9
Apr P	464 105	12.6	16.7	11.6	326 656	14.2	12.9	25.2	-2.1	227 533	13.6	-4.5	32.1	11.0	11.8
May P	467 025	12.0	15.2	11.2	333 128	16.1	13.5	34.8	-2.8	226 483	11.0	-4.5	26.8	11.3	12.2

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

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

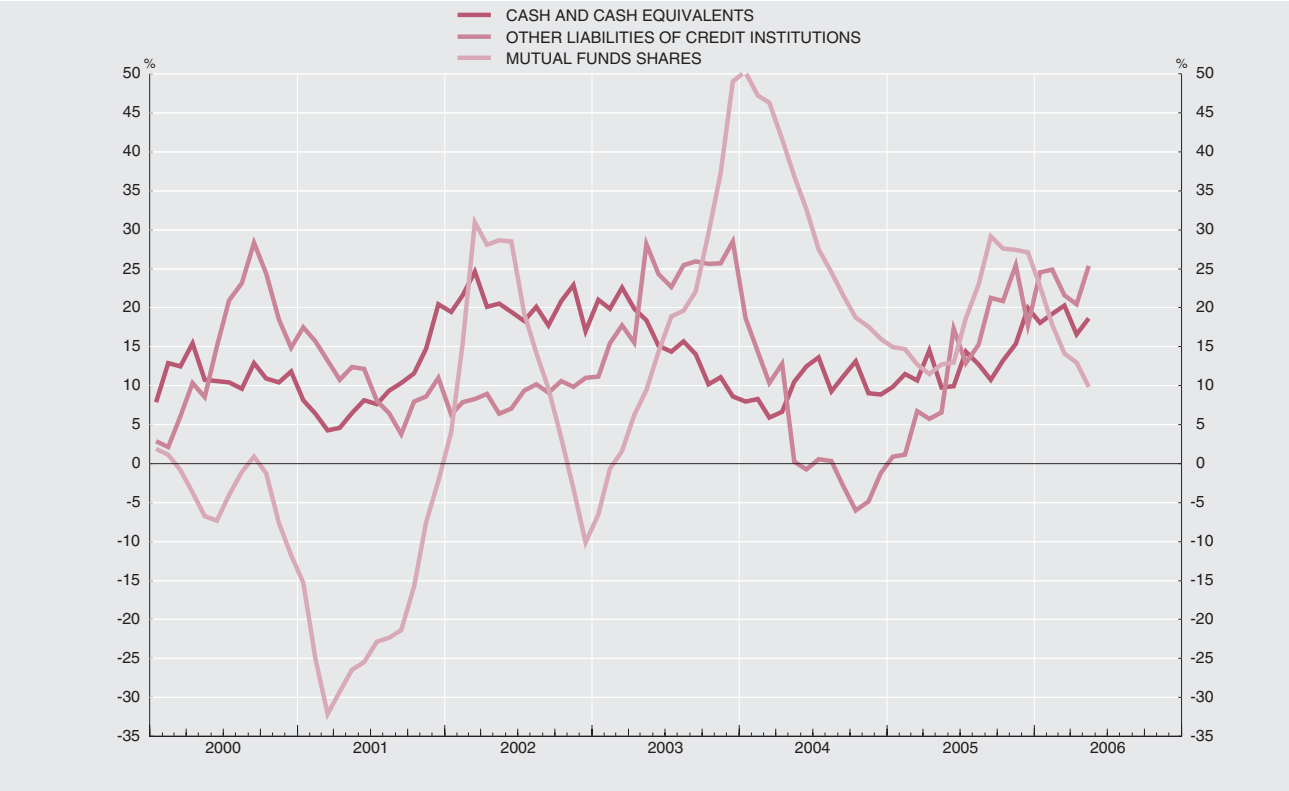
8.3 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

EUR millions and %

		Cash and cash equivalents (b)		Other liabilities of credit institutions				Mutual funds shares			
		Stocks	Annual growth rate	Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate	
						Other deposits (c)	Repos + credit instit.' securit.+ dep. in branches abroad			Fixed income in EUR (d)	Other
		1	2 ■	3	4 ■	5	6	7	8 ■	9	10
03		85 186	8.6	63 714	28.5	39.2	22.3	20 465	49.0	37.8	61.9
04		92 764	8.9	62 915	-1.3	24.6	-18.3	23 738	16.0	18.5	13.5
05		111 274	20.0	74 059	17.7	30.5	4.8	30 175	27.1	13.8	40.6
05	*Feb*	93 081	11.5	59 187	1.1	29.4	-19.2	25 087	14.7	14.8	14.5
	Mar	94 706	10.6	62 298	6.7	30.2	-11.3	25 578	12.7	8.6	16.7
	Apr	96 277	14.5	62 001	5.8	29.7	-12.8	25 785	11.5	8.6	14.3
	May	96 414	9.8	61 380	6.6	31.2	-14.9	26 373	12.7	8.2	17.4
	Jun	102 686	9.9	65 621	17.3	45.1	-7.6	26 829	13.0	8.2	18.0
	Jul	104 033	14.3	62 523	12.9	34.0	-7.0	27 592	18.6	10.9	27.0
	Aug	98 989	12.8	66 346	15.3	36.1	-3.7	28 197	23.0	13.2	33.7
	Sep	101 033	10.7	67 725	21.2	32.4	9.9	28 960	29.1	16.5	42.9
	Oct	101 086	13.2	67 119	20.9	33.7	7.1	29 090	27.6	16.0	39.8
	Nov	105 622	15.4	71 320	25.4	33.6	16.3	29 697	27.4	14.9	40.4
	Dec	111 274	20.0	74 059	17.7	30.5	4.8	30 175	27.1	13.8	40.6
06	*Jan*	107 166	18.1	74 045	24.5	27.4	21.4	29 864	22.7	10.1	35.1
	Feb	110 960	19.2	73 919	24.9	25.7	23.9	29 547	17.8	4.5	30.3
	Mar	113 927	20.3	75 762	21.6	25.0	17.9	29 196	14.1	1.2	25.8
	Apr P	112 222	16.6	74 669	20.4	24.4	15.8	29 137	13.0	-3.6	28.5
	May P	114 379	18.6	76 942	25.4	19.1	33.8	28 979	9.9	-5.0	24.0

NON-FINANCIAL CORPORATIONS
Annual percentage change



Source: BE.

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

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

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

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

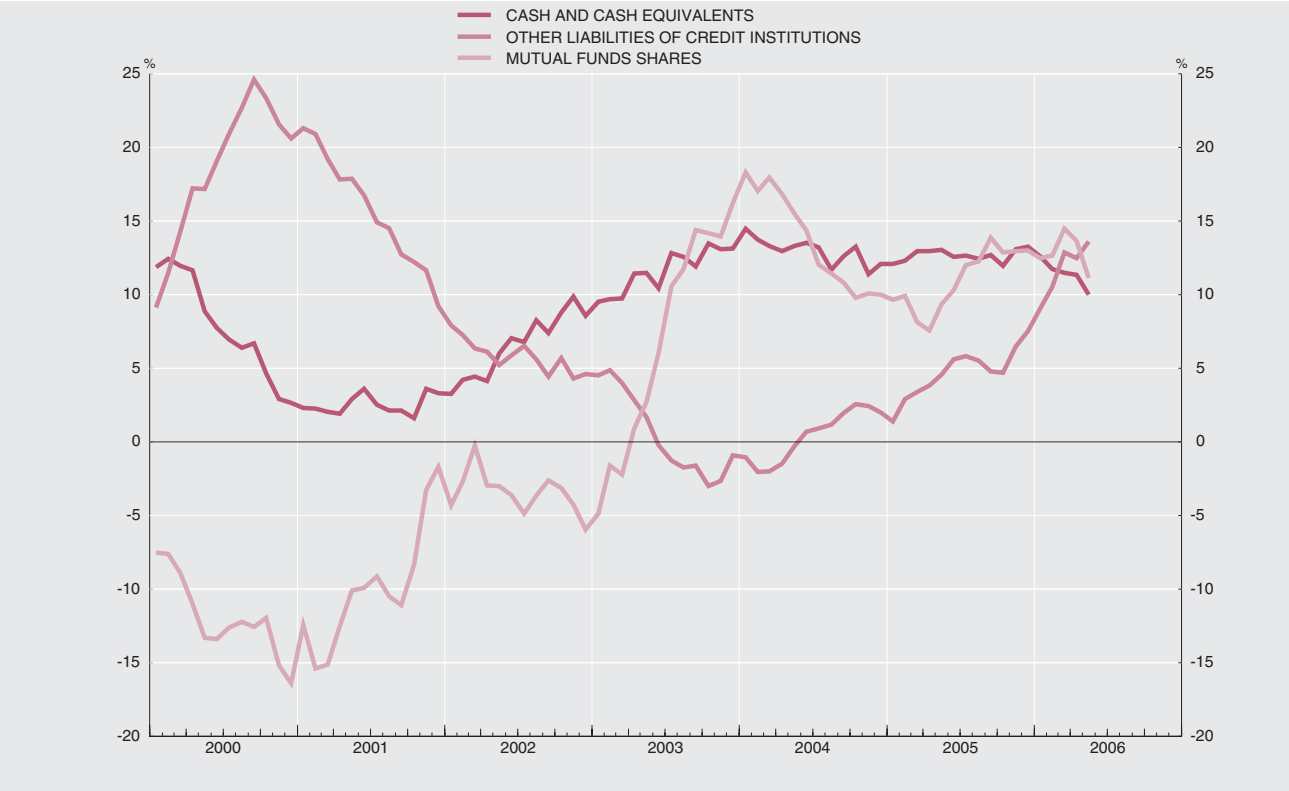
8.4 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

EUR millions and %

		Cash and cash equivalents				Other liabilities of credit institutions				Mutual funds shares			
		Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate	
				Cash	Deposits (b)			Other deposits (c)	Repos + credit instit.' securit.+ dep. in branches abroad			Fixed income in EUR (d)	Other
		1	2 ■	3	4	5	6 ■	7	8	9	10 ■	11	12
03		275 505	13.1	20.7	11.3	214 720	-0.9	-1.4	1.9	153 452	16.2	16.6	15.8
04		308 805	12.1	20.6	9.8	219 053	2.0	6.1	-20.2	168 793	10.0	4.5	16.4
05		349 724	13.3	20.3	11.2	235 550	7.5	7.3	9.5	190 753	13.0	6.7	19.6
05	*Feb*	309 395	12.3	20.3	10.2	222 321	2.9	6.7	-18.4	173 317	9.9	8.7	11.2
	Mar	314 264	13.0	20.2	11.0	222 666	3.4	5.8	-10.6	173 768	8.1	6.1	10.2
	Apr	315 989	13.0	19.5	11.2	223 986	3.8	6.7	-12.7	174 542	7.6	7.4	7.8
	May	320 618	13.1	19.2	11.4	225 474	4.6	6.9	-9.0	177 716	9.4	8.4	10.4
	Jun	332 840	12.6	19.3	10.7	228 011	5.6	6.7	-1.0	180 227	10.3	9.9	10.7
	Jul	337 320	12.6	19.1	10.9	228 292	5.8	7.0	-1.7	183 238	12.0	10.2	14.0
	Aug	330 636	12.4	19.4	10.5	228 911	5.5	7.2	-5.1	185 218	12.2	10.0	14.7
	Sep	335 786	12.7	20.6	10.5	227 082	4.8	6.9	-9.2	187 971	13.9	10.6	17.3
	Oct	335 881	12.0	19.8	9.8	228 385	4.7	6.0	-4.4	187 281	12.9	9.7	16.2
	Nov	341 047	13.1	20.5	11.0	232 144	6.5	6.7	4.7	189 422	13.0	8.2	18.1
	Dec	349 724	13.3	20.3	11.2	235 550	7.5	7.3	9.5	190 753	13.0	6.7	19.6
06	*Jan*	344 688	12.6	19.4	10.6	240 620	9.0	7.9	17.2	191 800	12.5	2.4	23.1
	Feb	345 770	11.8	19.1	9.6	245 713	10.5	8.7	24.1	195 255	12.7	-0.4	26.3
	Mar	350 320	11.5	19.3	9.2	251 335	12.9	11.1	25.0	198 924	14.5	-1.3	30.6
	Apr P	351 883	11.4	18.2	9.3	251 987	12.5	10.9	23.8	198 396	13.7	-4.6	32.7
	May P	352 645	10.0	16.5	8.1	256 186	13.6	12.5	21.4	197 504	11.1	-4.5	27.3

HOUSEHOLDS AND NPISH
Annual percentage change



Source: BE.

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

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

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

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

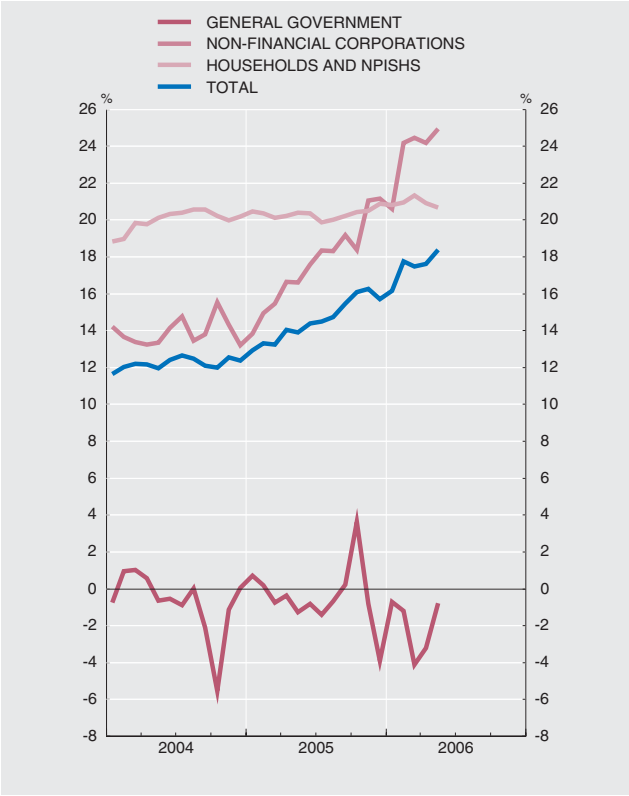
8.5. FINANCING OF NON-FINANCIAL SECTORS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

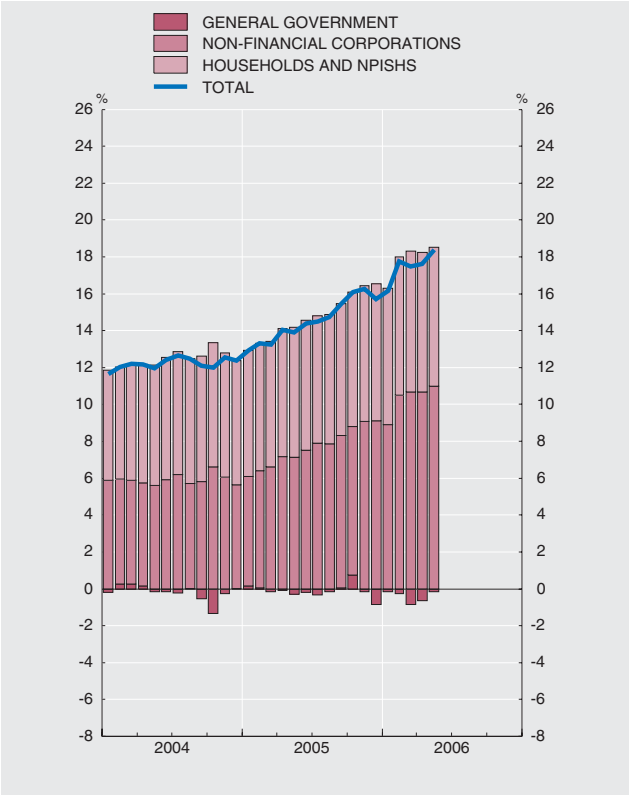
EUR millions and %

		Total			Annual growth rate							Contribution to col. 3						
		Stocks	Effective flow	Annual growth rate	General government (b)	Non-financial corp. and households and NPISHs						General government (b)	Non-financial corp. and households and NPISHs					
							By sectors		By instruments					By sectors		By instrumentss		
							Non-financial corporations	Households and NPISHs	Credit institutions' loans & securit. funds	Securities other than shares	External loans			Non-financial corporations	Households and NPISHs	Credit institutions' loans & securit. funds	Securities other than shares	External loans
		1	2	3 ■	4 ■	5	6 ■	7 ■	8	9	10	11 ■	12	13 ■	14 ■	15	16	17
03		1 344 260	141 725	11.9	0.7	15.9	13.5	19.1	16.4	-7.8	15.3	0.2	11.7	5.6	6.0	9.9	-0.1	1.8
04		1 514 137	166 482	12.4	0.0	16.3	13.2	20.2	19.1	0.2	3.5	0.0	12.4	5.6	6.7	11.9	0.0	0.4
05		1 758 076	238 103	15.7	-3.9	21.0	21.2	20.9	23.0	23.9	10.0	-0.8	16.6	9.1	7.4	15.2	0.2	1.2
05	*Feb*	1 540 428	9 661	13.3	0.2	17.3	14.9	20.4	20.0	0.6	5.2	0.0	13.3	6.4	6.9	12.6	0.0	0.7
	Mar	1 565 087	22 711	13.2	-0.7	17.5	15.5	20.1	20.1	0.7	6.0	-0.2	13.4	6.6	6.8	12.6	0.0	0.8
	Apr	1 580 207	13 609	14.0	-0.4	18.2	16.7	20.2	20.7	4.5	6.8	-0.1	14.1	7.2	7.0	13.2	0.0	0.9
	May	1 597 659	16 772	13.9	-1.3	18.3	16.6	20.4	20.7	3.0	7.0	-0.3	14.2	7.1	7.0	13.3	0.0	0.9
	Jun	1 641 153	41 189	14.4	-0.8	18.8	17.6	20.4	21.3	14.4	6.2	-0.2	14.6	7.5	7.1	13.7	0.1	0.8
	Jul	1 662 903	20 986	14.5	-1.4	19.0	18.3	19.9	21.3	15.3	7.4	-0.3	14.8	7.9	6.9	13.8	0.1	0.9
	Aug	1 661 644	-862	14.7	-0.7	19.1	18.3	20.0	21.3	17.0	7.5	-0.1	14.9	7.9	7.0	13.8	0.1	0.9
	Sep	1 682 131	21 195	15.5	0.2	19.6	19.2	20.2	22.0	11.1	7.9	0.0	15.4	8.3	7.1	14.3	0.1	1.0
	Oct	1 697 621	16 847	16.1	3.6	19.3	18.4	20.4	21.9	13.7	5.9	0.7	15.4	8.1	7.3	14.5	0.1	0.7
	Nov	1 731 105	31 924	16.3	-0.8	20.8	21.0	20.5	22.4	19.8	12.4	-0.2	16.4	9.1	7.4	14.8	0.1	1.5
	Dec	1 758 076	25 229	15.7	-3.9	21.0	21.2	20.9	23.0	23.9	10.0	-0.8	16.6	9.1	7.4	15.2	0.2	1.2
06	*Jan*	1 787 623	28 292	16.2	-0.7	20.7	20.6	20.8	22.6	23.0	9.9	-0.2	16.3	8.9	7.4	15.0	0.2	1.2
	Feb	1 823 402	35 485	17.7	-1.2	22.7	24.2	21.0	22.9	73.8	18.6	-0.3	18.0	10.5	7.5	15.2	0.6	2.2
	Mar	1 846 550	22 792	17.5	-4.1	23.1	24.5	21.3	23.4	71.8	18.2	-0.8	18.3	10.7	7.6	15.6	0.6	2.2
	Apr P	1 864 949	18 446	17.6	-3.2	22.7	24.2	20.9	23.3	68.4	16.5	-0.6	18.2	10.7	7.6	15.7	0.5	2.0
	May P	1 896 905	31 992	18.4	-0.8	23.0	25.0	20.7	23.3	73.3	18.3	-0.2	18.5	11.0	7.5	15.8	0.6	2.2

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 deducted.

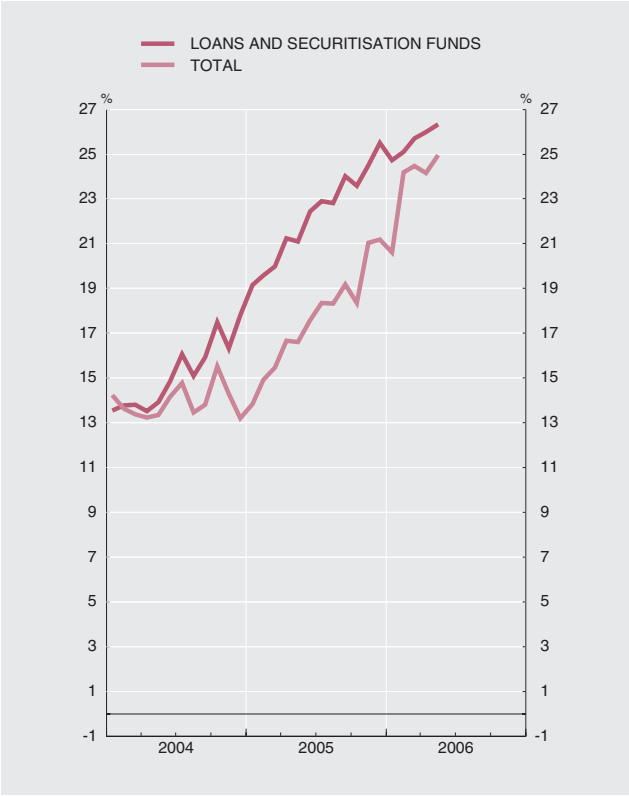
8.6. FINANCING OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

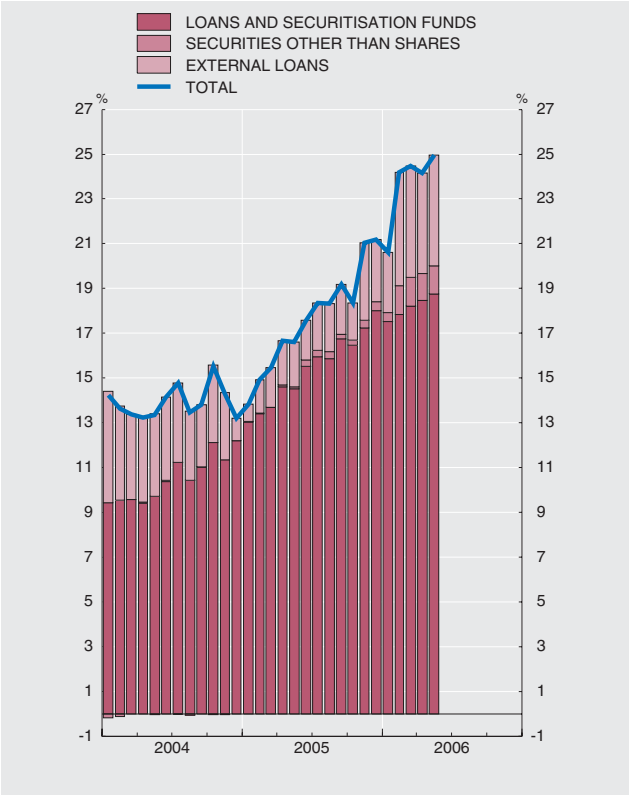
EUR millions and %

		Total			Resident credit institutions' loans and off-balance-sheet securitised loans			Securities other than shares (b)				External loans			Memorandum items: off-balance-sheet securitised loans
		Stocks	Effective flow	Annual growth rate	Stocks	Annual growth rate	Contribution to col.3	of which: Stocks	of which: Issues by resident financ. subsid.	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	14
03		572 771	67 452	13.5	391 916	13.6	9.4	10 971	-	-7.8	-0.2	169 884	15.3	4.3	13 647
04		652 333	75 679	13.2	461 109	17.8	12.2	10 992	-	0.2	0.0	180 232	3.4	1.0	15 538
05		796 677	138 126	21.2	578 229	25.5	18.0	13 624	2 634	23.9	0.4	204 823	10.0	2.8	5 581
05	*Feb*	668 441	7 890	14.9	474 586	19.6	13.4	11 706	-	0.6	0.0	182 149	5.1	1.5	13 047
	Mar	682 534	12 090	15.5	483 926	20.0	13.7	12 075	-	0.7	0.0	186 533	6.0	1.8	12 813
	Apr	698 901	14 851	16.7	496 178	21.2	14.6	12 383	223	4.5	0.1	190 341	6.7	2.0	12 236
	May	704 077	4 484	16.6	501 394	21.1	14.5	12 035	223	3.0	0.1	190 647	7.0	2.0	11 848
	Jun	725 046	18 581	17.6	518 568	22.4	15.5	13 610	1 596	14.4	0.3	192 867	6.2	1.8	6 567
	Jul	744 045	18 209	18.3	533 830	22.9	16.0	13 380	1 595	15.3	0.3	196 835	7.4	2.1	5 946
	Aug	738 672	-4 969	18.3	528 531	22.8	15.9	13 324	1 595	17.0	0.3	196 818	7.5	2.1	5 817
	Sep	751 509	13 484	19.2	541 093	24.0	16.7	13 099	1 845	11.1	0.2	197 317	7.8	2.2	6 143
	Oct	763 679	13 508	18.4	553 270	23.6	16.5	13 122	1 894	13.7	0.2	197 287	5.8	1.7	6 279
	Nov	781 380	16 109	21.0	560 676	24.5	17.2	13 397	1 894	19.8	0.3	207 307	12.4	3.5	6 041
	Dec	796 677	13 504	21.2	578 229	25.5	18.0	13 624	2 634	23.9	0.4	204 823	10.0	2.8	5 581
06	*Jan*	806 712	8 766	20.6	585 101	24.7	17.5	13 805	2 633	23.0	0.4	207 806	9.8	2.7	5 398
	Feb	840 059	33 047	24.2	593 320	25.1	17.8	20 347	8 824	73.8	1.3	226 393	18.6	5.1	5 331
	Mar	857 908	17 454	24.5	607 823	25.7	18.2	20 748	9 153	71.8	1.3	229 338	18.2	5.0	5 243
	Apr P	874 583	16 702	24.2	624 662	26.0	18.5	20 855	9 159	68.4	1.2	229 066	16.5	4.5	4 992
	May P	885 878	11 312	25.0	632 872	26.3	18.7	20 856	9 776	73.3	1.3	232 150	18.3	5.0	4 810

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.

b. Includes issues of resident financial subsidiaries of non-financial corporations, insofar as the funds raised in these issues are routed to the parent company as loans. The issuing institutions of these financial instruments are classified as Other financial intermediaries in the Boletín Estadístico and in the Financial Accounts of the Spanish Economy.

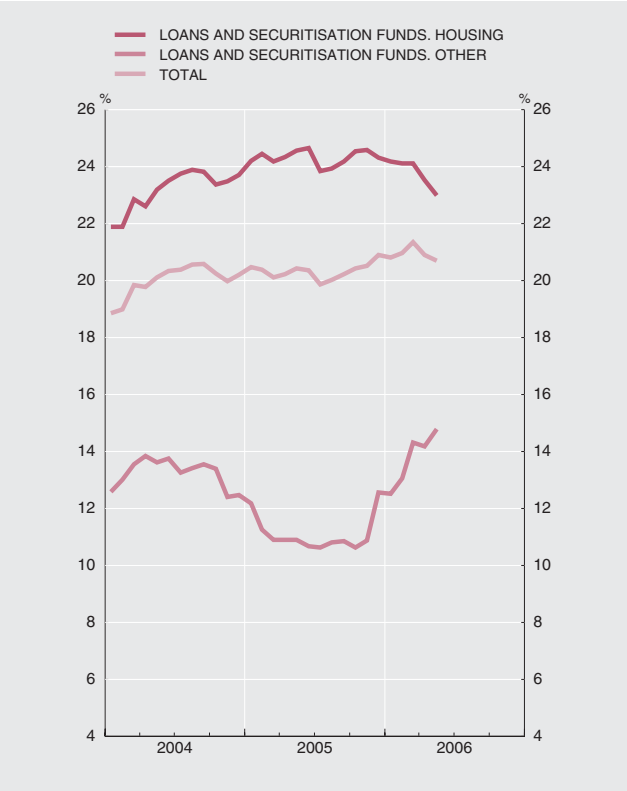
8.7. FINANCING OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

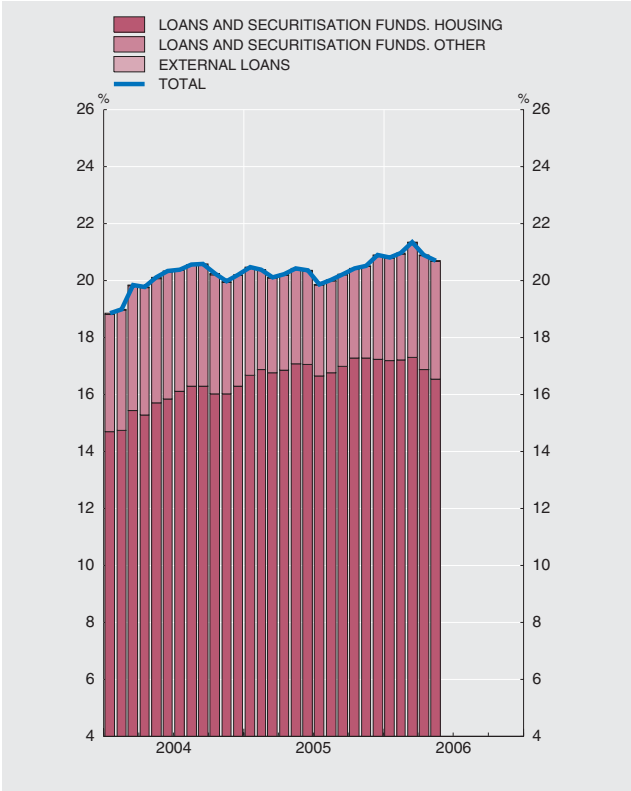
EUR millions and %

		Total			Resident credit institutions' loans and off-balance-sheet securitised loans. Housing			Resident credit institutions' loans and off-balance-sheet securitised loans. Other			External loans			Memorandum items: off-balance-sheet securitised loans	
		Stocks	Effective flow	Annual growth rate	Stocks	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	Housing	Other
		1	2	3 ■	4	5 ■	6 ■	7	8 ■	9 ■	10	11 ■	12 ■	13	14
03		448 723	71 917	19.1	308 597	21.6	14.5	139 405	13.9	4.5	722	17.7	0.0	32 639	6 679
04		538 880	90 646	20.2	381 698	23.7	16.3	156 322	12.5	3.9	861	19.2	0.0	47 873	9 802
05		651 070	112 572	20.9	474 499	24.3	17.2	175 571	12.5	3.6	1 001	16.3	0.0	28 527	3 030
05	*Feb*	551 595	6 653	20.4	393 962	24.4	16.9	156 747	11.3	3.5	886	18.3	0.0	47 391	9 099
	Mar	560 596	9 055	20.1	402 162	24.2	16.8	157 542	10.9	3.3	892	17.5	0.0	50 406	9 003
	Apr	571 176	10 585	20.2	409 774	24.3	16.9	160 500	10.9	3.3	902	17.8	0.0	51 776	8 884
	May	581 446	10 281	20.4	418 602	24.6	17.1	161 928	10.9	3.3	916	17.4	0.0	54 915	8 631
	Jun	596 121	14 759	20.4	427 828	24.6	17.1	167 365	10.7	3.3	928	16.3	0.0	32 840	3 923
	Jul	602 731	6 635	19.9	434 963	23.8	16.6	166 825	10.6	3.2	943	16.4	0.0	29 449	4 151
	Aug	607 602	4 865	20.0	440 042	23.9	16.8	166 607	10.8	3.2	953	16.2	0.0	29 391	4 051
	Sep	616 285	8 744	20.2	447 550	24.2	17.0	167 768	10.8	3.2	967	16.5	0.0	28 518	3 743
	Oct	626 730	10 463	20.4	456 610	24.5	17.3	169 148	10.6	3.1	972	15.7	0.0	28 642	3 334
	Nov	641 261	14 563	20.5	466 014	24.6	17.3	174 270	10.9	3.2	977	14.3	0.0	28 976	3 174
	Dec	651 070	9 861	20.9	474 499	24.3	17.2	175 571	12.5	3.6	1 001	16.3	0.0	28 527	3 030
06	*Jan*	657 997	6 939	20.8	481 272	24.2	17.2	175 666	12.5	3.6	1 059	20.8	0.0	28 012	2 911
	Feb	666 822	8 833	21.0	488 902	24.1	17.2	176 855	13.0	3.7	1 065	20.1	0.0	27 554	2 694
	Mar	679 939	13 155	21.3	499 125	24.1	17.3	179 739	14.3	4.0	1 075	20.4	0.0	27 159	2 581
	Apr P	690 202	10 283	20.9	506 172	23.5	16.9	182 913	14.2	4.0	1 117	23.8	0.0	27 037	2 422
	May P	701 348	11 164	20.7	514 742	23.0	16.5	185 472	14.8	4.1	1 134	23.8	0.0	26 680	2 246

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.

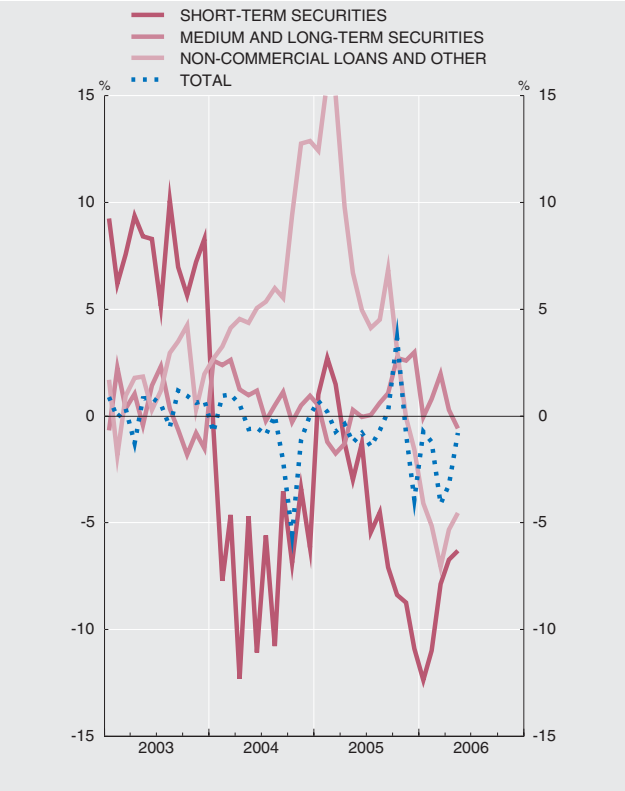
8.8. NET FINANCING OF SPAIN'S GENERAL GOVERNMENT

■ Series depicted in chart.

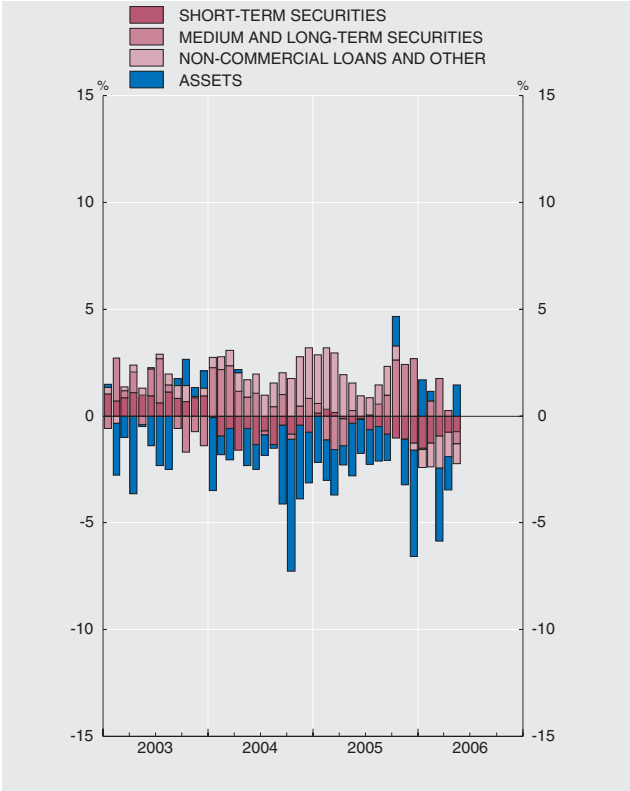
EUR millions and %

		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					Liabilities			
		Net stock of liabilities	Monthly change (columns 4-8-9)	12-month % change of col. 1	Total	Securities		Non-commercial loans and other (b)	Deposits at the Banco de Espana	Other deposits (c)	Total	Securities		Non-commercial loans and other (a)	Assets	Securities		Non-commercial loans and other (a)	Assets
						Short-term	Medium and long-term					Short-term	Medium and long-term			Short-term	Medium and long-term		
		1	2	3 ■	4	5	6	7	8	9	10	11 ■	12 ■	13 ■	14	15 ■	16 ■	17 ■	18 ■
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
05		P 310 328	-12 595	-3.9	3 515	-4 075	8 649	-1 059	-695	16 806	0.9	-10.9	3.0	-1.6	22.6	-1.3	2.7	-0.3	-5.0
04	*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	P 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	P 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
	Dec	P 310 328	1 864	-3.9	807	-2 014	1 375	1 447	9 179	-10 236	0.9	-10.9	3.0	-1.6	22.6	-1.3	2.7	-0.3	-5.0
06	*Jan*	A 322 915	12 586	-0.7	-5 810	1 742	-6 375	-1 177	-9 835	-8 561	-2.0	-12.4	-0.1	-4.1	-7.4	-1.5	-0.0	-0.8	1.7
	Feb	A 316 520	-6 394	-1.2	-921	-2 166	395	850	277	5 196	-1.3	-11.0	0.8	-5.1	-1.9	-1.3	0.7	-1.1	0.5
	Mar	A 308 702	-7 818	-4.1	3 719	2 270	2 418	-969	10 094	1 443	-0.6	-7.9	1.9	-7.0	14.7	-0.9	1.8	-1.5	-3.4
	Apr	A 300 163	-8 539	-3.2	-5 440	-2 665	-2 151	-625	-6 280	9 378	-1.3	-6.7	0.3	-5.3	5.8	-0.8	0.3	-1.2	-1.6
	May	A 309 680	9 516	-0.8	943	1 986	480	-1 523	-3 084	-5 489	-1.8	-6.3	-0.6	-4.5	-5.3	-0.7	-0.5	-0.9	1.5

NET FINANCING OF GENERAL GOVERNMENT
Annual percentage changes



NET FINANCING OF GENERAL GOVERNMENT
Contributions to the annual percentage change



Source: BE.

a.Consolidated: deducted securities and loans held by other General Government units.

b.Including coined money and Caja General de Depositos.

c.Tax collection accounts are not included.

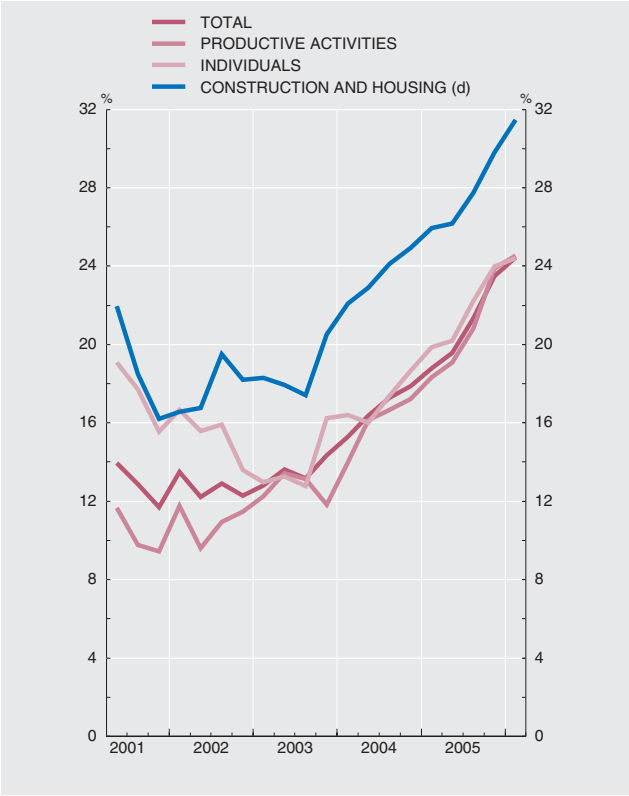
8.9 LENDING BY CREDIT INSTITUTIONS TO OTHER RESIDENT SECTORS. BREAKDOWN BY END-USE.

■ Series depicted in chart.

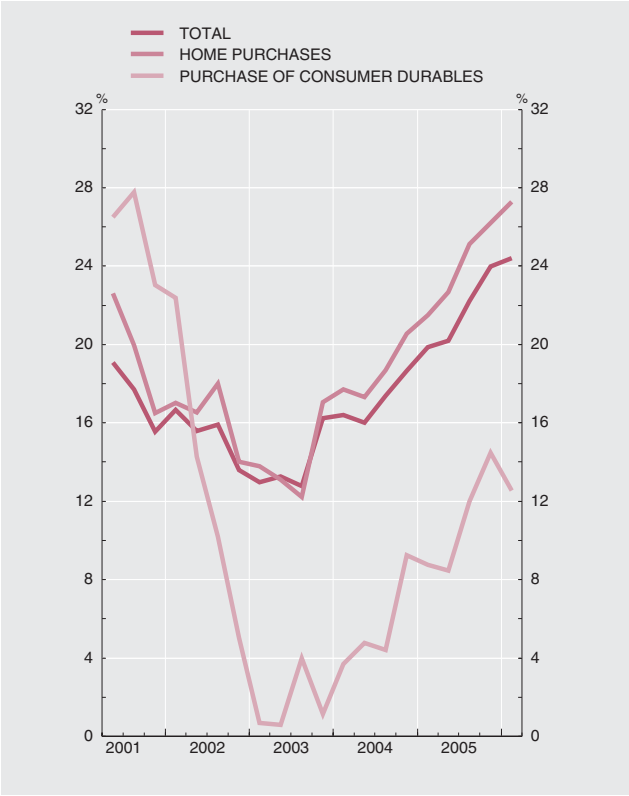
EUR millions and percentages

		Total (a)	Financing of productive activities						Financing of individuals					Financing of private non-profit institutions	Unclassified	Memorandum item: construction and housing (d)
			Total	Agriculture and fisheries	Industry excluding construction	Construction	Services		Total	Home purchases and improvements		Purchases of consumer durables	Other (b)			
							Total	Of which: Real estate activities		Total	Of which: Purchases					
		1 ■	2 ■	3	4	5	6	7	8 ■	9	10 ■	11 ■	12	13	14	15 ■
03		802 212	411 986	16 402	85 829	65 784	243 972	79 792	372 013	275 958	263 192	35 136	60 919	3 002	15 212	421 534
04		945 697	482 984	18 104	90 487	78 372	296 020	114 410	441 443	333 826	317 268	38 379	69 238	3 677	17 594	526 608
05		R1 202 628	604 061	20 738	104 695	100 761	377 867	166 334	576 253	445 972	424 238	45 928	84 354	4 666	17 648	713 067
01	*Q4*	624 854	330 591	13 320	82 959	46 412	187 901	43 697	281 789	205 790	197 192	33 076	42 922	2 394	10 079	295 899
02	*Q1*	640 193	334 865	13 420	82 689	47 487	191 269	45 605	293 673	214 354	205 404	34 671	44 648	2 382	9 273	307 446
	Q2	664 446	343 191	13 980	81 235	50 770	197 207	48 576	308 555	225 521	216 080	35 466	47 568	2 287	10 413	324 867
	Q3	680 806	351 950	14 281	82 834	53 777	201 057	51 298	316 697	234 668	224 849	35 072	46 957	2 339	9 820	339 744
	Q4	701 663	368 466	15 122	85 762	57 376	210 206	57 295	320 053	235 086	224 830	34 741	50 227	2 324	10 819	349 757
03	*Q1*	722 204	375 901	15 138	86 559	56 975	217 229	62 226	331 747	244 498	233 729	34 910	52 339	2 285	12 271	363 698
	Q2	754 872	389 249	15 712	87 015	59 431	227 091	67 740	349 500	256 010	244 414	35 676	57 814	2 512	13 608	383 181
	Q3	770 523	398 206	16 462	87 240	61 902	232 601	72 545	357 146	264 453	252 316	36 468	56 225	2 651	12 520	398 900
	Q4	802 212	411 986	16 402	85 829	65 784	243 972	79 792	372 013	275 958	263 192	35 136	60 919	3 002	15 212	421 534
04	*Q1*	832 734	428 517	16 973	85 326	68 171	258 047	87 073	386 179	288 736	275 107	36 201	61 242	3 108	14 930	443 980
	Q2	878 477	452 030	17 102	86 636	72 362	275 930	97 040	405 486	301 537	286 744	37 374	66 575	3 183	17 777	470 939
	Q3	903 590	464 578	17 655	88 360	75 494	283 069	104 592	419 230	315 021	299 447	38 075	66 134	3 426	16 355	495 107
	Q4	945 697	482 984	18 104	90 487	78 372	296 020	114 410	441 443	333 826	317 268	38 379	69 238	3 677	17 594	526 608
05	*Q1*	989 196	507 089	18 188	93 815	83 421	311 665	123 982	462 910	351 757	334 224	39 375	71 778	3 548	15 649	559 160
	Q2	R1 085 320	544 048	19 501	99 393	89 806	335 349	139 010	516 384	394 989	375 523	42 531	78 864	4 200	20 687	623 805
	Q3	1 131 240	567 022	20 182	101 716	94 411	350 714	148 623	541 346	419 032	398 498	44 644	77 670	4 355	18 518	662 066
	Q4	1 202 628	604 061	20 738	104 695	100 761	377 867	166 334	576 253	445 972	424 238	45 928	84 354	4 666	17 648	713 067
06	*Q1*	1 265 755	637 277	21 213	105 687	106 183	404 195	186 475	604 878	471 966	449 246	46 320	86 592	4 788	18 813	764 623

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 4.13, 4.18 and 4.23 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.

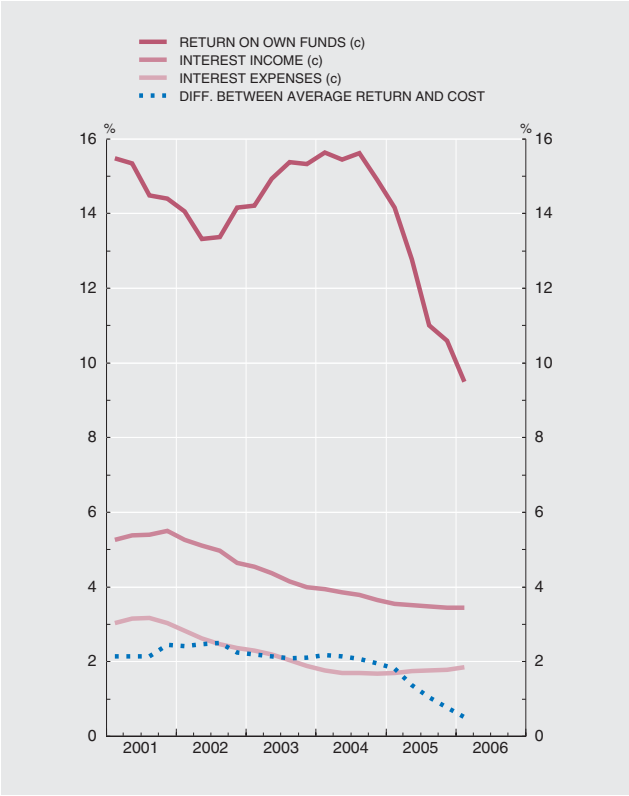
d. Including: construction, real estate activities and home purchases and improvements

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

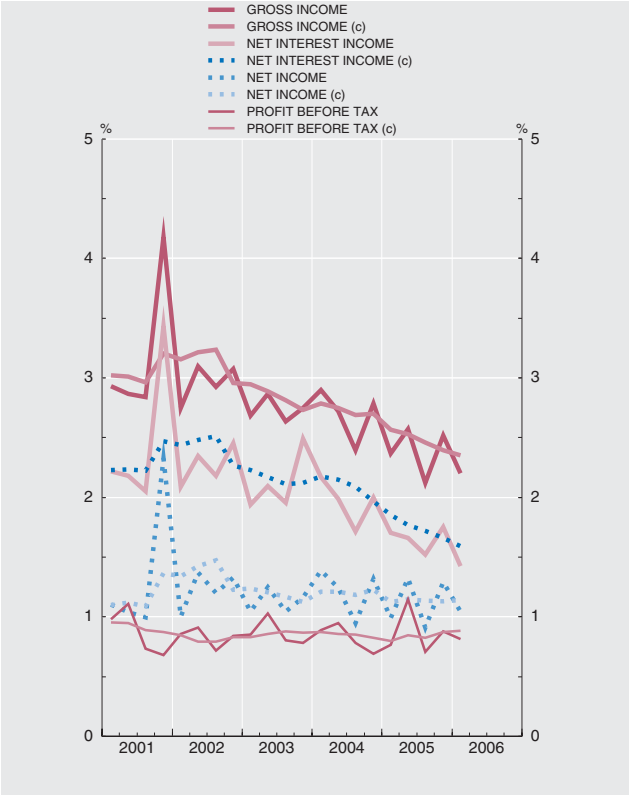
■ Series depicted in chart.

		As a percentage of the adjusted average balance sheet										Percentages			
		Interest income 1 ■	Interest expenses 2 ■	Net interest income 3 ■	Non interest income and expenses 4	Gross income 5 ■	Operating expenses: 6	Of which: Staff costs 7	Net income 8 ■	Provisions and other income and expenses 9	Profit before tax 10 ■	Return on own funds (a) 11 ■	Average return on lending operations (b) 12	Average cost of borrowing operations (b) 13	Difference (12-13) 14 ■
03		4.2	1.8	2.5	0.3	2.7	1.6	0.9	1.2	-1.0	0.8	14.5	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
05	R	3.6	1.8	1.8	0.8	2.5	1.2	0.8	1.3	-0.7	0.9	10.0	2.8	2.0	0.8
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	14.1	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	14.5	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	16.0	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	17.2	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	14.8	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	13.1	3.8	1.9	1.8
Q2	R	3.5	1.8	1.7	0.9	2.6	1.2	0.8	1.3	-0.1	1.1	11.6	3.3	2.0	1.4
Q3		3.3	1.8	1.5	0.6	2.1	1.2	0.8	0.9	-0.2	0.7	7.7	3.0	2.0	1.0
Q4		3.6	1.8	1.8	0.8	2.5	1.2	0.8	1.3	-0.2	0.9	10.0	2.8	2.0	0.8
06 *Q1*		3.4	2.0	1.4	0.8	2.2	1.2	0.7	1.0	-0.2	0.8	8.7	2.6	2.1	0.5

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 4.36 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.

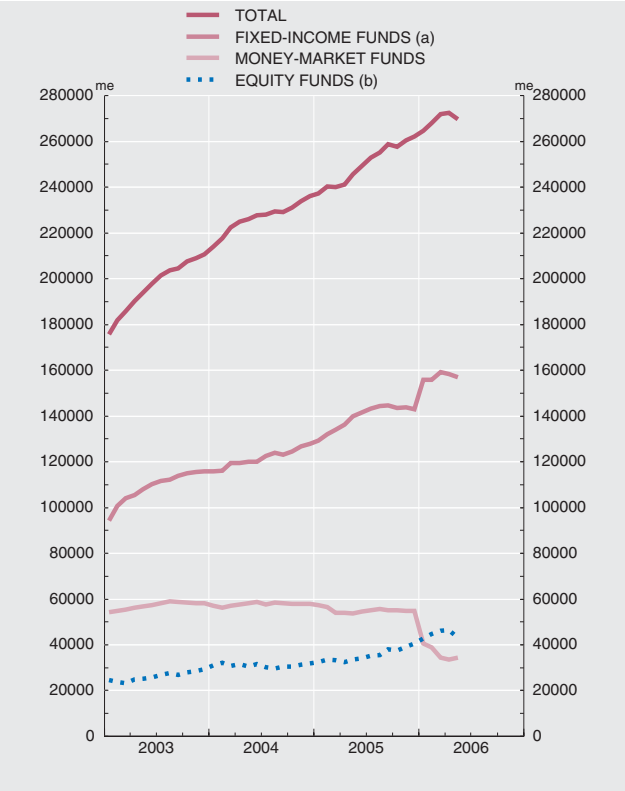
8.11. MUTUAL FUNDS RESIDENT IN SPAIN

■ Series depicted in chart.

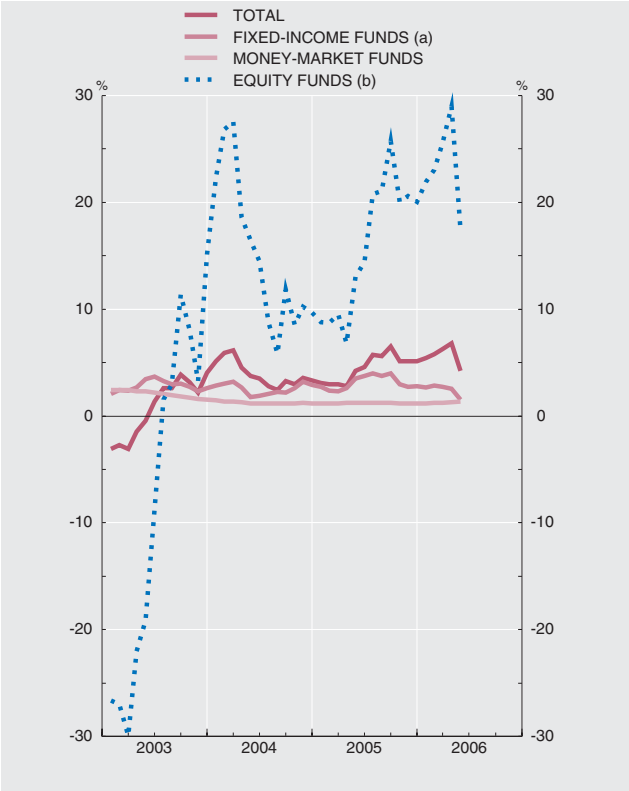
EUR millions

		Total				Money-market funds				Fixed-income funds (a)				Equity funds (b)				Others funds (c)
			Of which				Of which				Of which				Of which			
		Net asset value	Monthly change	Net funds invested	Return over last 12 months	Net asset value	Monthly change	Net funds invested	Return over last 12 months	Net asset value	Monthly change	Net funds invested	Return over last 12 months	Net asset value	Monthly change	Net funds invested	Return over last 12 months	Net asset value
		1 ■	2	3	4 ■	5 ■	6	7	8 ■	9 ■	10	11	12 ■	13 ■	14	15	16 ■	17
03		210 627	35 894	28 077	4.0	58 054	4 688	3 830	1.5	115 819	23 077	20 129	2.6	29 401	3 334	-202	15.1	7 353
04		236 088	25 461	18 250	3.3	57 989	-66	-744	1.2	127 735	11 917	10 445	2.9	32 023	2 622	480	9.7	18 341
05		262 201	26 113	14 270	5.1	54 751	-3 237	-3 881	1.2	143 047	15 312	12 061	2.8	40 672	8 649	2 303	20.0	23 730
05	*Feb*	240 300	2 991	1 933	2.9	56 366	-1 002	-1 057	1.2	132 155	2 993	2 760	2.4	33 574	1 084	465	8.7	18 205
	Mar	240 060	-240	30	3.0	54 000	-2 366	-2 419	1.2	133 898	1 743	1 741	2.3	33 335	-238	143	9.5	18 827
	Apr	241 150	1 091	1 674	2.8	54 063	63	7	1.2	136 126	2 228	1 977	2.6	32 334	-1 001	-310	6.8	18 628
	May	245 737	4 586	1 908	4.2	53 820	-243	-296	1.2	139 748	3 622	2 676	3.5	33 512	1 179	-338	13.0	18 657
	Jun	249 193	3 456	1 493	4.6	54 626	806	751	1.2	141 550	1 803	1 137	3.7	34 116	603	-341	14.4	18 901
	Jul	252 926	3 733	2 021	5.7	54 983	357	305	1.2	143 341	1 791	1 331	4.0	35 341	1 225	87	20.7	19 260
	Aug	255 127	2 201	2 256	5.6	55 571	588	531	1.2	144 425	1 083	1 008	3.7	35 532	191	358	21.1	19 599
	Sep	258 684	3 557	823	6.5	55 015	-556	-607	1.2	144 713	288	125	4.0	38 163	2 631	749	25.7	20 793
	Oct	257 516	-1 168	774	5.1	55 136	121	75	1.2	143 442	-1 271	-348	3.0	37 353	-810	169	20.0	21 585
	Nov	260 502	2 986	1 188	5.1	54 861	-275	-318	1.2	143 658	216	-208	2.7	39 218	1 865	860	20.6	22 766
	Dec	262 201	1 698	-1	5.1	54 751	-110	-171	1.2	143 047	-611	-1 167	2.8	40 672	1 454	538	20.0	23 730
06	*Jan*	264 634	2 433	1 900	5.4	40 547	-14 204	-14 252	1.2	155 770	12 723	13 794	2.6	42 740	2 067	687	21.9	25 577
	Feb	267 936	3 302	1 256	5.8	38 864	-1 683	-1 728	1.2	155 851	81	-568	2.9	44 789	2 049	822	23.0	28 432
	Mar	271 765	3 829	-1 774	6.2	34 355	-4 509	-4 549	1.2	159 303	3 452	-1 424	2.7	46 155	1 366	925	25.6	31 952
	Apr	272 560	795	197	6.8	33 513	-842	-890	1.3	158 228	-1 075	-1 505	2.6	46 507	352	274	29.0	34 312
	May P	269 693	-2 868	...	4.2	34 452	939	...	1.3	157 042	-1 186	...	1.5	42 938	-3 570	...	17.4	35 261

NET ASSET VALUE



RETURN OVER LAST 12 MONTHS



SOURCES: CNMV and Inverco.

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

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

c. Global funds.

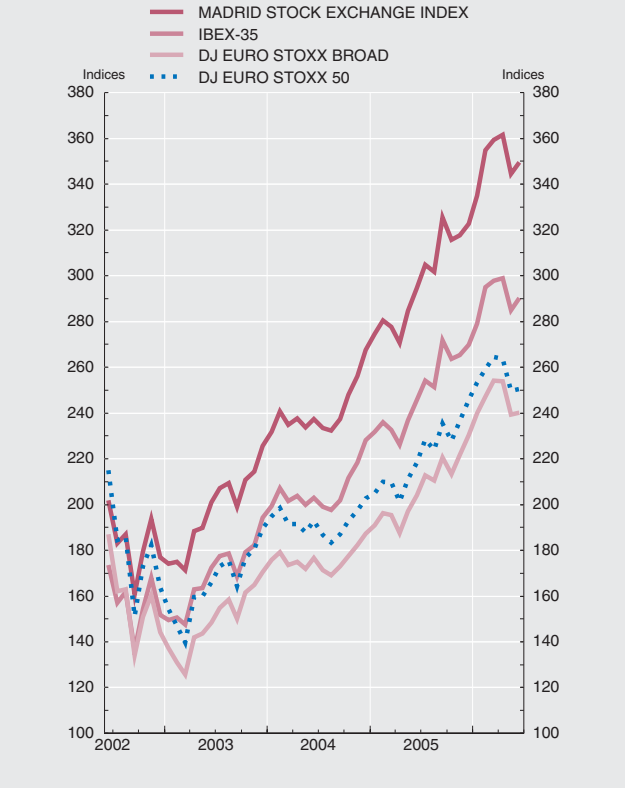
8.12. SHARE PRICE INDICES AND TURNOVER ON SECURITIES MARKETS. SPAIN AND EURO AREA

■ Series depicted in chart.

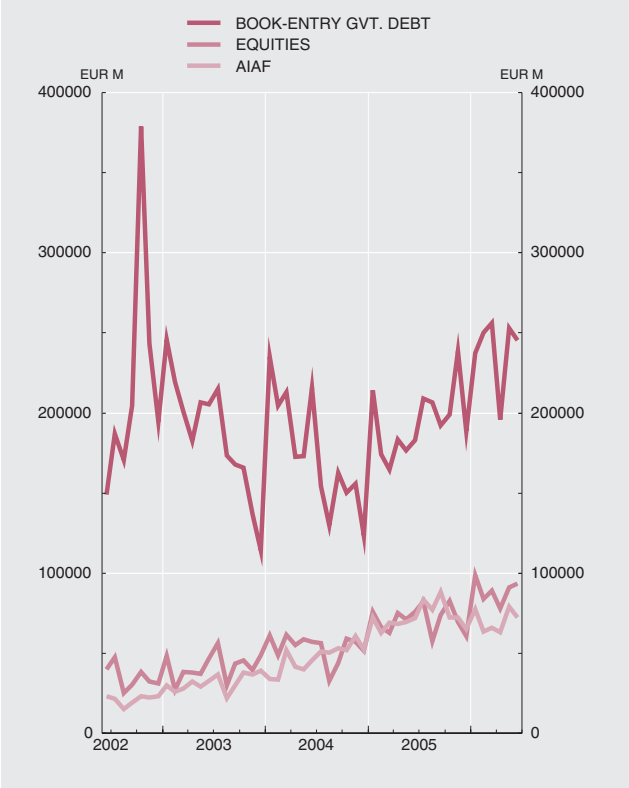
Indices, EUR millions and thousands of contracts

		Share price indices				Turnover on securities markets							
		General Madrid Stock Exchange	IBEX 35	Dow Jones EURO STOXX indices		Stock market		Book-entry government debt	AIAF fixed-income market	Financial options (thousands of contracts)		Financial futures (thousands of contracts)	
				Broad	50	Equities	Bonds			Fixed-income	Shares and other equities	Fixed-income	Shares and other equities
		1 ■	2 ■	3 ■	4 ■	5 ■	6	7 ■	8 ■	9	10	11	12
04		863.25	8 195.58	251.25	2 800.48	643 542	82 790	2 090 447	566 600	-	8 495	0	4 473
05		1 066.43	9 903.47	295.18	3 222.05	853 971	93 191	2 330 021	872 299	-	11 356	-	5 050
06	A	1 256.28	11 575.85	350.72	3 740.35	534 426	47 852	1 437 042	421 844	-	7 113	-	3 187
05 *Mar*		994.40	9 258.80	278.89	3 055.73	62 722	7 491	164 770	69 095	...	916	...	422
Apr		970.02	9 001.60	267.92	2 930.10	75 282	8 902	183 502	68 311	...	542	...	462
May		1 020.21	9 427.10	281.26	3 076.70	71 094	8 654	176 431	69 387	...	499	...	376
Jun		1 055.65	9 783.20	291.17	3 181.54	76 059	7 417	183 058	71 904	...	910	...	414
Jul		1 092.02	10 115.60	303.84	3 326.51	82 379	7 739	209 001	83 492	...	779	...	412
Aug		1 080.50	10 008.90	300.62	3 263.78	57 371	7 787	206 603	76 957	...	840	...	396
Sep		1 166.48	10 813.90	314.81	3 428.51	73 796	7 603	192 091	88 115	...	1 914	...	433
Oct		1 130.60	10 493.80	304.53	3 320.15	82 639	6 764	198 843	72 176	...	935	...	463
Nov		1 138.53	10 557.80	316.42	3 447.07	69 451	9 853	238 405	72 176	...	972	...	441
Dec		1 156.21	10 733.90	328.92	3 578.93	60 709	8 885	188 813	65 300	...	1 313	...	408
06 *Jan*		1 199.80	11 104.30	342.50	3 691.41	98 821	6 993	237 197	77 566	...	1 223	...	475
Feb		1 271.16	11 740.70	352.80	3 774.51	84 021	7 818	250 052	63 474	...	917	...	466
Mar		1 287.25	11 854.30	362.83	3 853.74	89 034	9 233	256 046	66 038	...	1 694	...	521
Apr		1 295.56	11 892.50	362.34	3 839.90	77 956	6 631	195 661	63 194	...	1 048	...	477
May		1 233.86	11 340.50	341.54	3 637.17	91 045	8 961	252 818	79 070	...	1 057	...	663
Jun	P	1 252.61	11 548.10	342.65	3 648.92	93 550	8 216	245 268	72 501	...	1 174	...	586

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)

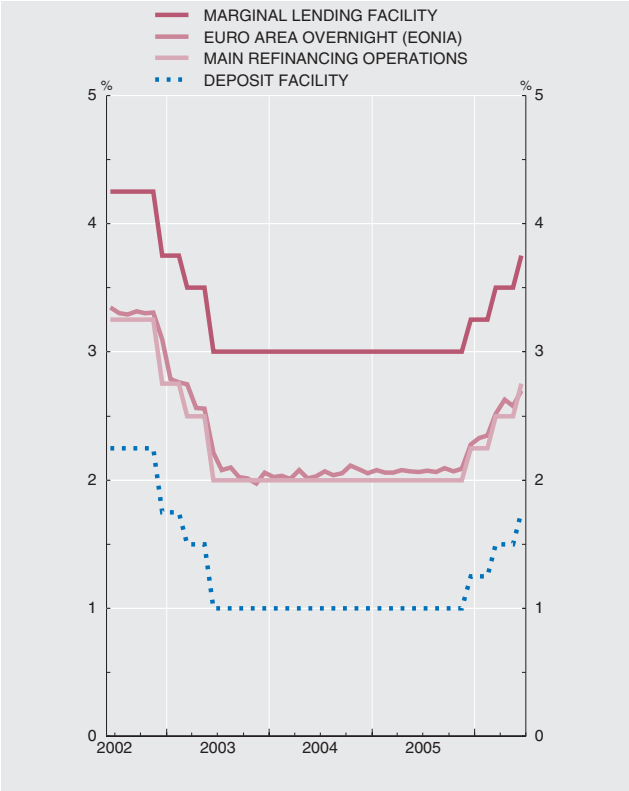
9.1. INTEREST RATES. EUROSYSTEM AND MONEY MARKET. EURO AREA AND SPAIN

■ Series depicted in chart.

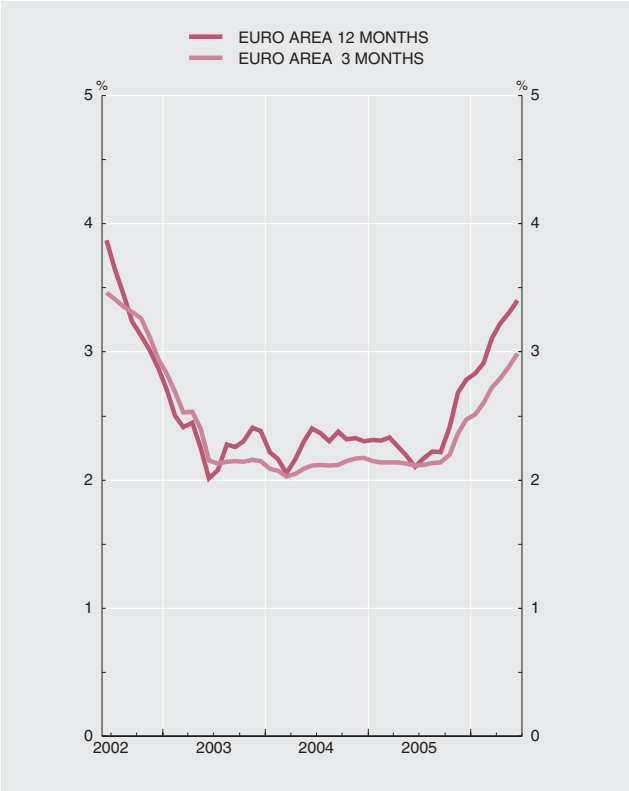
Averages of daily data. Percentages per annum

		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							
				Marginal lending	Deposit	Overnight (EONIA)	1-month	3-month	6-month	1-year	Non-transferable deposits				Government-securities repos			
											Overnight	1-month	3-month	1-year	Overnight	1-month	3-month	1-year
		1 ■	2	3 ■	4 ■	5 ■	6	7 ■	8	9 ■	10	11	12	13	14	15	16	17
04		2.00	2.12	3.00	1.00	2.05	2.08	2.11	2.15	2.27	2.04	2.06	2.10	2.29	1.99	1.99	1.99	2.14
05		2.25	2.45	3.25	1.25	2.09	2.14	2.19	2.24	2.33	2.09	2.13	2.18	2.34	2.04	2.05	2.07	2.23
06	A	-	3.00	3.75	1.75	2.52	2.62	2.75	2.90	3.13	2.51	2.60	2.74	3.15	2.43	2.50	2.62	2.96
05	*Mar*	2.00	2.09	3.00	1.00	2.06	2.10	2.14	2.19	2.34	2.05	2.09	2.13	2.33	1.98	2.03	2.03	2.22
	Apr	2.00	2.08	3.00	1.00	2.08	2.10	2.14	2.17	2.27	2.07	2.09	2.13	2.24	2.01	2.00	2.03	2.18
	May	2.00	2.08	3.00	1.00	2.07	2.10	2.13	2.14	2.19	2.07	2.08	2.12	2.19	2.02	2.02	2.02	-
	Jun	2.00	2.06	3.00	1.00	2.06	2.10	2.11	2.11	2.10	2.06	2.08	2.10	2.11	2.02	2.01	2.01	2.01
	Jul	2.00	2.07	3.00	1.00	2.07	2.11	2.12	2.14	2.17	2.06	2.09	2.11	2.15	2.03	2.00	2.01	2.04
	Aug	2.00	-	3.00	1.00	2.06	2.11	2.13	2.16	2.22	2.07	2.09	2.13	2.23	2.04	2.03	2.04	2.12
	Sep	2.00	2.09	3.00	1.00	2.09	2.12	2.14	2.17	2.22	2.09	2.09	2.13	2.25	2.09	2.04	2.04	2.13
	Oct	2.00	2.17	3.00	1.00	2.07	2.12	2.20	2.27	2.41	2.07	2.11	2.19	2.44	2.02	2.04	2.08	-
	Nov	2.00	-	3.00	1.00	2.09	2.22	2.36	2.50	2.68	2.09	2.21	2.36	2.68	1.95	2.11	2.23	2.62
	Dec	2.25	2.45	3.25	1.25	2.28	2.41	2.47	2.60	2.78	2.28	2.40	2.47	2.78	2.22	2.28	2.32	2.69
06	*Jan*	2.25	2.47	3.25	1.25	2.33	2.39	2.51	2.65	2.83	2.32	2.37	2.50	2.84	2.27	2.27	2.40	2.73
	Feb	2.25	2.57	3.25	1.25	2.35	2.46	2.60	2.73	2.91	2.34	2.44	2.60	2.92	2.25	2.36	2.47	2.78
	Mar	2.50	2.73	3.50	1.50	2.52	2.63	2.72	2.87	3.11	2.52	2.61	2.72	3.12	2.46	2.51	2.60	2.96
	Apr	2.50	2.76	3.50	1.50	2.63	2.65	2.79	2.96	3.22	2.62	2.63	2.78	3.24	2.55	2.53	2.63	3.14
	May	2.50	-	3.50	1.50	2.58	2.69	2.89	3.06	3.31	2.58	2.67	2.88	3.32	2.44	2.55	2.75	3.17
	Jun	2.75	3.00	3.75	1.75	2.70	2.87	2.99	3.16	3.40	2.69	2.85	2.98	3.43	2.61	2.76	2.84	-

EUROSYSTEM: MONETARY POLICY OPERATIONS AND EURO AREA OVERNIGHT DEPOSITS



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



Source: ECB (columns 1 to 8).

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

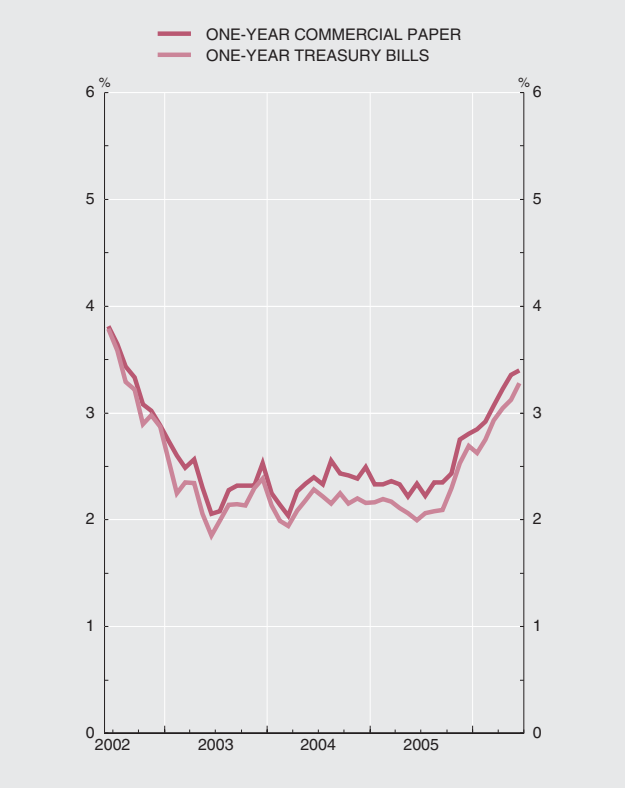
9.2. INTEREST RATES: SPANISH SHORT-TERM AND LONG-TERM SECURITIES MARKETS

■ Series depicted in chart.

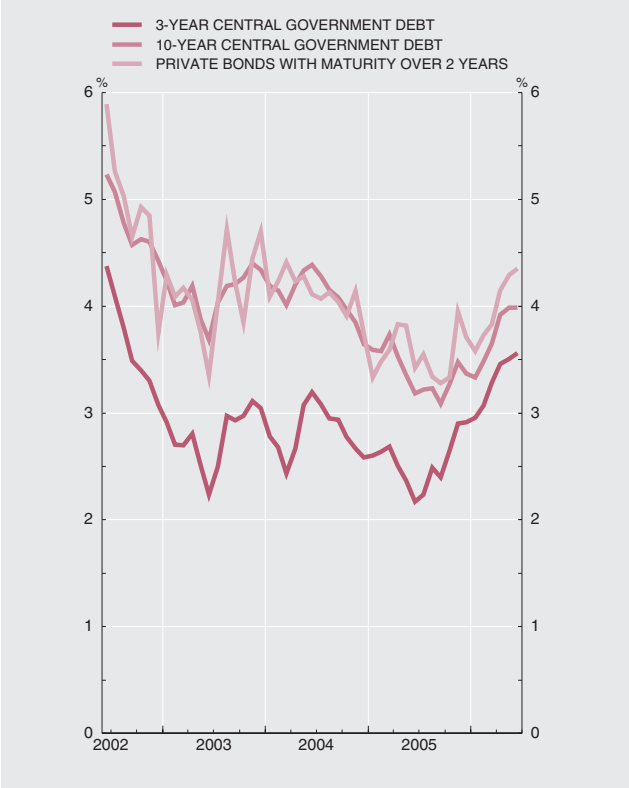
Percentages per annum

		Short-term securities				Long-term securities							
		One-year Treasury bills		One-year commercial paper		Central Government debt							Private bonds with a maturity of over two years traded on the AIAF
		Marginal rate at issue	Secondary market: outright spot purchases between market members	Rate at issue	Secondary market: outright spot purchases	Marginal rate at issue					Secondary market. Book-entry debt. Outright spot purchases between market members		
						3-year bonds	5-year bonds	10-year bonds	15-year bonds	30-year bonds	At 3-years	At 10-years	
		1 ■	2	3 ■	4	5	6	7	8	9	10 ■	11 ■	12 ■
04		2.15	2.17	2.34	2.25	2.79	3.22	4.02	4.27	4.73	2.82	4.10	4.11
05		2.20	2.19	2.40	2.36	2.38	2.89	3.44	3.70	3.84	2.55	3.39	3.55
06	A	2.96	2.98	3.14	3.11	3.28	3.48	3.69	-	4.05	3.31	3.73	3.99
05	*Mar*	2.17	2.19	2.36	2.35	-	-	3.68	-	-	2.69	3.73	3.59
	Apr	2.11	2.12	2.33	2.30	-	3.07	-	-	-	2.50	3.53	3.83
	May	2.06	2.07	2.22	2.22	-	2.84	3.32	-	-	2.37	3.36	3.82
	Jun	2.00	1.98	2.34	2.17	2.14	-	-	-	3.92	2.17	3.19	3.42
	Jul	2.06	2.03	2.23	2.18	-	2.64	-	-	-	2.24	3.22	3.55
	Aug	2.08	2.10	2.35	2.25	-	-	-	-	-	2.49	3.23	3.34
	Sep	2.09	2.05	2.35	2.27	2.18	-	3.17	-	-	2.40	3.09	3.28
	Oct	2.29	2.30	2.43	2.44	-	-	-	-	3.77	2.65	3.27	3.33
	Nov	2.53	2.42	2.75	2.66	2.62	-	3.48	-	-	2.90	3.48	3.95
	Dec	2.69	2.63	2.81	2.84	-	3.03	-	-	-	2.91	3.37	3.71
06	*Jan*	2.62	2.66	2.85	2.87	2.93	-	3.31	-	-	2.95	3.33	3.58
	Feb	2.75	2.77	2.92	2.93	3.09	-	-	-	3.81	3.07	3.48	3.73
	Mar	2.93	2.87	3.07	3.07	-	3.27	3.70	-	-	3.28	3.65	3.83
	Apr	3.05	3.06	3.23	3.20	3.43	-	-	-	4.27	3.46	3.92	4.15
	May	3.12	3.28	3.36	3.28	-	-	4.05	-	-	3.51	3.99	4.29
	Jun	3.28	3.25	3.40	3.33	-	3.69	-	-	-	3.56	3.99	4.35

PRIMARY MARKET



SECONDARY MARKET



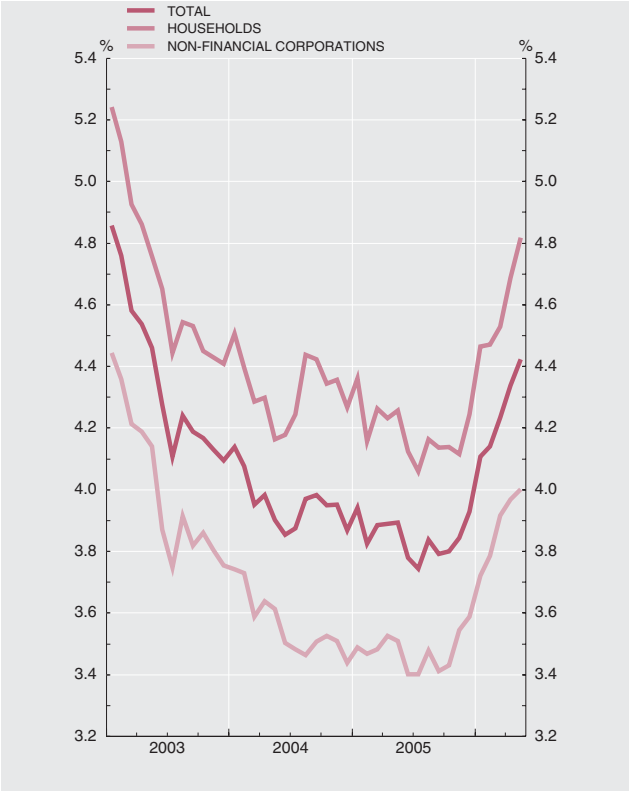
Sources: Main issuers (column 3); AIAF (columns 4 and 12).

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

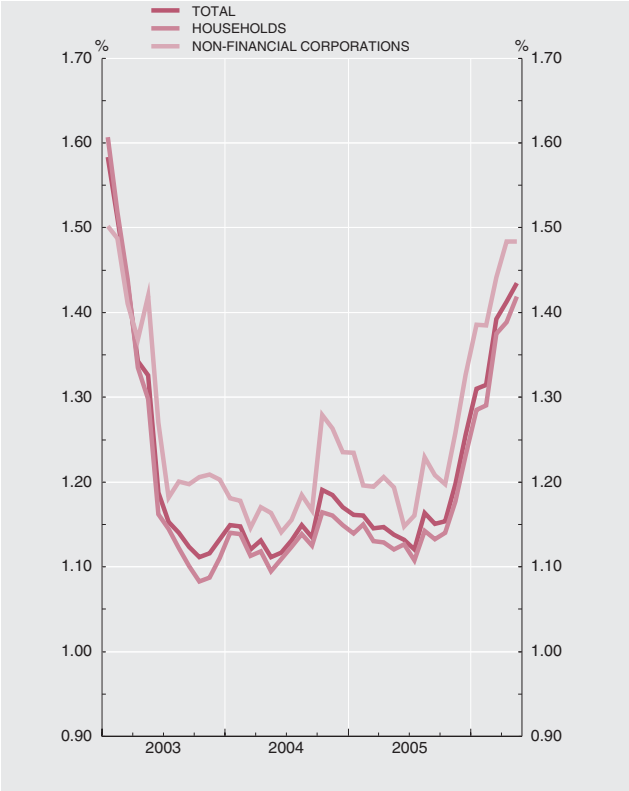
Percentages

		Loans (APRC) (a)							Deposits (NDER) (a)								
		Synthetic rate (c)	Households and NPISH			Non-financial corporations			Synthetic rate (c)	Households and NPISH				Non-financial corporations			
			Synthetic rate	House purchase	Consumption and other	Synthetic rate	Up to EUR 1 million	Over EUR 1 million (b)		Synthetic rate	Overnight and redeemable at notice	Time	Repos	Synthetic rate	Overnight	Time	Repos
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
04		3.87	4.27	3.39	6.27	3.44	4.12	3.01	1.17	1.15	0.39	2.06	2.11	1.24	0.68	2.06	2.03
05		3.93	4.24	3.46	6.27	3.59	4.04	3.26	1.26	1.23	0.41	2.27	2.25	1.33	0.82	2.22	2.22
06	A	4.42	4.82	4.10	6.74	4.00	4.54	3.58	1.43	1.42	0.44	2.58	2.45	1.48	0.92	2.51	2.48
04	*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	4.12	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	3.74	4.06	3.29	5.99	3.40	3.95	2.99	1.12	1.11	0.40	2.00	2.07	1.16	0.71	2.02	2.01
	Aug	3.84	4.16	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	3.84	4.12	3.35	6.07	3.55	3.93	3.16	1.20	1.18	0.40	2.16	1.98	1.26	0.76	2.16	2.01
	Dec	3.93	4.24	3.46	6.27	3.59	4.04	3.26	1.26	1.23	0.41	2.27	2.25	1.33	0.82	2.22	2.22
06	*Jan*	4.11	4.46	3.67	6.56	3.72	4.27	3.27	1.31	1.29	0.42	2.34	2.22	1.39	0.88	2.25	2.27
	Feb	4.14	4.47	3.78	6.30	3.79	4.28	3.37	1.31	1.29	0.44	2.32	2.24	1.39	0.87	2.33	2.27
	Mar	4.23	4.53	3.84	6.36	3.92	4.35	3.56	1.39	1.38	0.45	2.49	2.49	1.44	0.89	2.46	2.47
	Apr	4.34	4.69	3.93	6.70	3.97	4.46	3.56	1.41	1.39	0.45	2.51	2.51	1.48	0.91	2.52	2.52
	May	P 4.42	4.82	4.10	6.74	4.00	4.54	3.58	1.43	1.42	0.44	2.58	2.45	1.48	0.92	2.51	2.48

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.

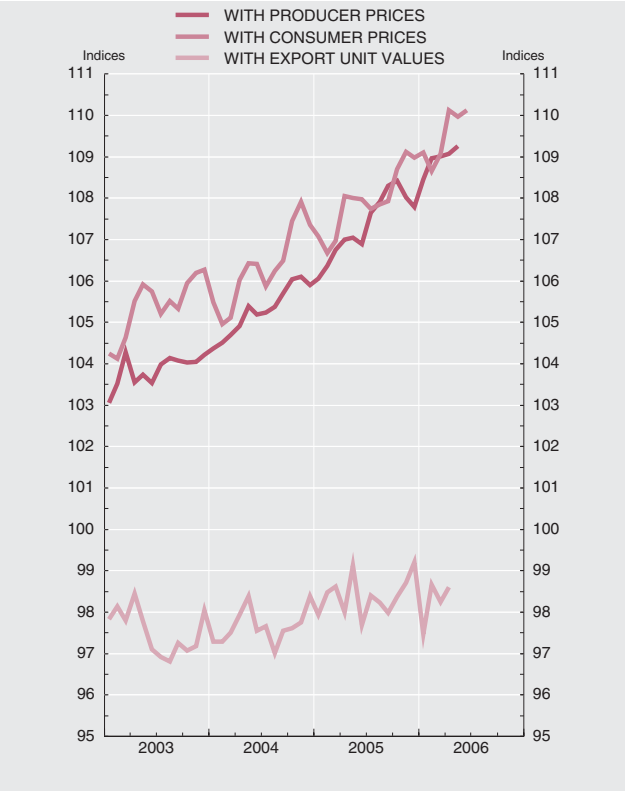
9.4 INDICES OF SPANISH COMPETITIVENES VIS-à-VIS THE EU-15 AND THE EURO AREA

■ Series depicted in chart.

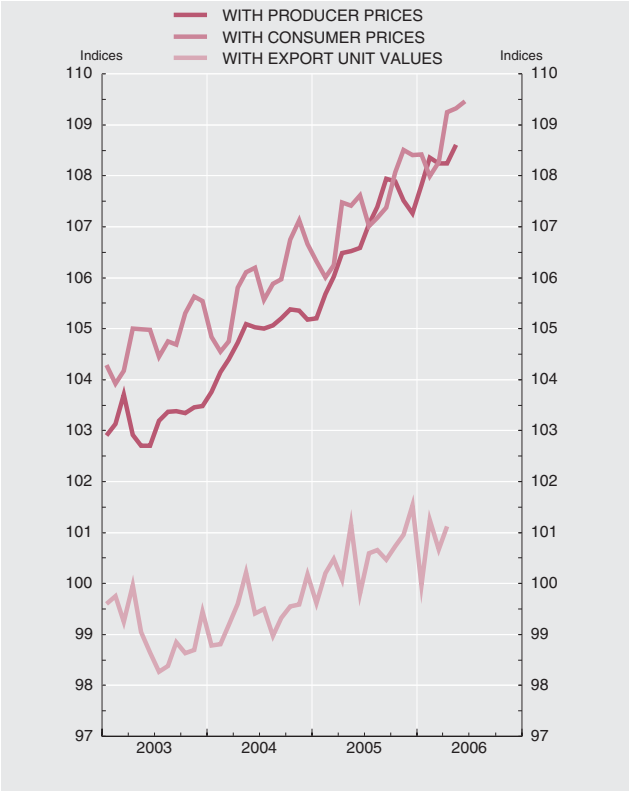
Base 1999 QI = 100

	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	103.9	105.4	102.8	97.5	100.1	103.7	105.2	102.7	97.4	103.2	104.8	102.1	99.0
04	105.3	106.3	106.5	97.7	99.9	105.4	106.4	106.6	97.7	104.9	105.9	105.8	99.4
05	107.4	107.9	110.5	98.4	100.1	107.3	107.9	110.5	98.3	106.8	107.3	110.1	100.5
04 *Q2*	105.2	106.3	105.4	98.0	99.7	105.4	106.6	105.7	98.2	104.9	106.0	104.9	99.7
Q3	105.4	106.2	106.9	97.4	99.8	105.6	106.4	107.1	97.6	105.1	105.8	106.4	99.3
Q4	106.0	107.6	108.5	97.9	100.2	105.8	107.4	108.3	97.8	105.3	106.8	107.5	99.8
05 *Q1*	106.4	106.9	110.5	98.3	100.2	106.2	106.7	110.4	98.2	105.6	106.2	109.8	100.1
Q2	107.0	108.0	110.8	98.3	100.0	107.0	108.1	110.8	98.3	106.5	107.5	110.3	100.4
Q3	107.9	107.8	110.5	98.2	100.1	107.9	107.8	110.4	98.1	107.5	107.2	110.0	100.6
Q4	108.1	108.9	110.3	98.8	100.0	108.0	108.9	110.3	98.7	107.6	108.3	110.2	101.1
06 *Q1*	108.8	108.9	111.4	98.1	100.1	108.7	108.8	111.3	98.0	108.1	108.2	111.2	100.6
05 *Sep*	108.3	107.9	...	98.0	100.0	108.3	108.0	...	98.0	107.9	107.4	...	100.5
Oct	108.4	108.7	...	98.4	100.1	108.4	108.6	...	98.3	107.9	108.1	...	100.7
Nov	108.0	109.1	...	98.7	100.1	108.0	109.1	...	98.7	107.5	108.5	...	101.0
Dec	107.8	109.0	...	99.2	100.0	107.8	109.0	...	99.2	107.3	108.4	...	101.5
06 *Jan*	108.5	109.1	...	97.5	100.1	108.3	109.0	...	97.4	107.8	108.4	...	100.0
Feb	109.0	108.7	...	98.7	100.1	108.9	108.6	...	98.6	108.4	108.0	...	101.2
Mar	109.0	109.1	...	98.3	100.2	108.8	108.9	...	98.1	108.2	108.3	...	100.7
Apr	109.1	110.1	...	98.6	100.3	108.8	109.9	...	98.4	108.2	109.3	...	101.1
May	109.3	110.0	...	...	100.1	109.2	109.9	...	...	108.6	109.3	...	...
Jun	...	110.1	...	...	100.1	...	110.0	...	...	...	109.5	...	...

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.

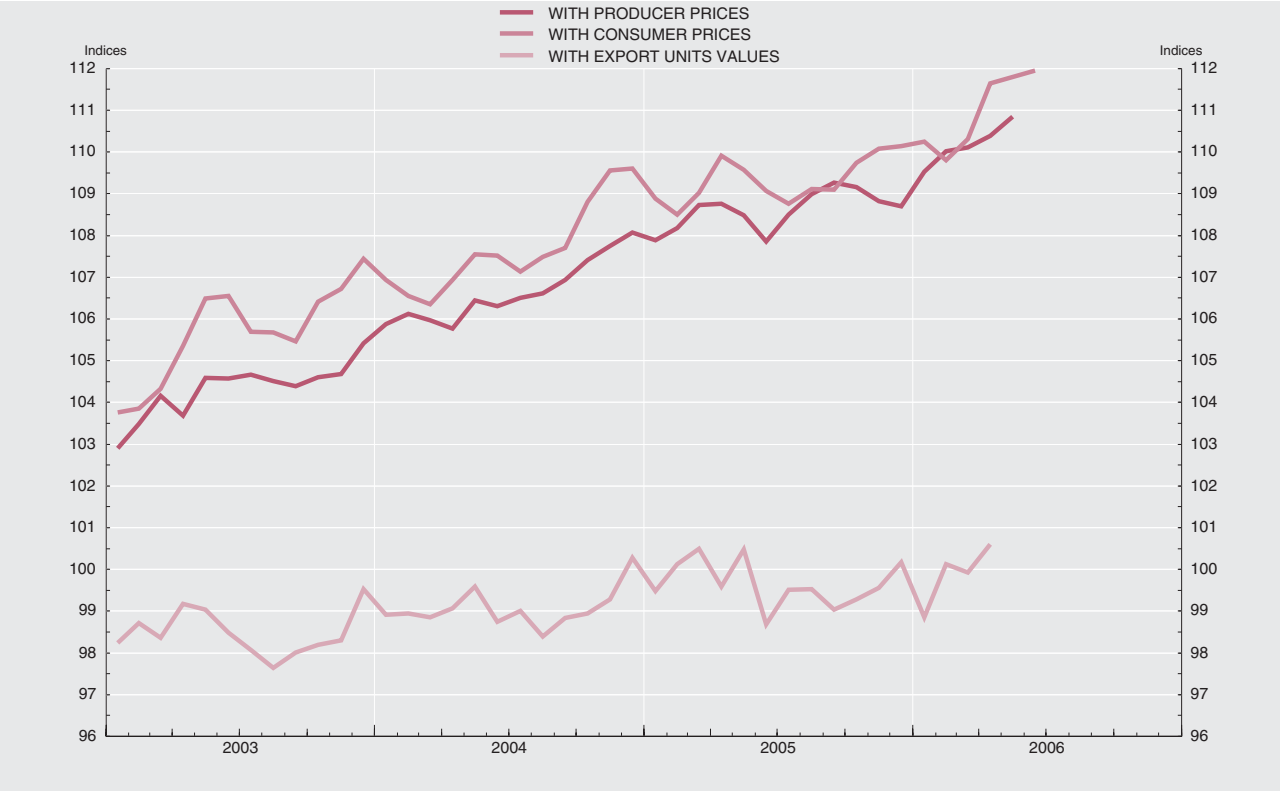
9.5 INDICES OF SPANISH COMPETITIVENESS VIS-à-VIS THE DEVELOPED COUNTRIES

■ 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	104.3	105.7	104.2	98.5	100.0	104.3	105.6	104.2	98.5
04	106.6	107.7	109.1	99.1	100.8	105.8	106.9	108.3	98.3
05	108.6	109.3	112.8	99.7	100.9	107.7	108.4	111.8	98.8
04 *Q2*	106.2	107.3	107.8	99.1	100.3	105.9	107.0	107.5	98.9
Q3	106.7	107.4	109.5	98.7	100.5	106.1	106.9	108.9	98.2
Q4	107.7	109.3	111.4	99.5	101.4	106.3	107.8	109.9	98.2
05 *Q1*	108.3	108.8	113.6	100.0	101.5	106.7	107.2	111.9	98.6
Q2	108.4	109.5	113.2	99.6	100.9	107.4	108.6	112.2	98.7
Q3	108.9	109.0	112.5	99.4	100.7	108.2	108.2	111.7	98.7
Q4	108.9	110.0	112.2	99.7	100.6	108.3	109.4	111.5	99.1
06 *Q1*	109.9	110.1	113.4	99.6	100.8	109.0	109.3	112.5	98.8
05 *Sep*	109.3	109.1	...	99.0	100.6	108.6	108.4	...	98.4
Oct	109.2	109.7	...	99.3	100.6	108.5	109.1	...	98.7
Nov	108.8	110.1	...	99.6	100.5	108.3	109.5	...	99.1
Dec	108.7	110.1	...	100.2	100.6	108.1	109.5	...	99.6
06 *Jan*	109.5	110.2	...	98.8	100.8	108.7	109.4	...	98.1
Feb	110.0	109.8	...	100.1	100.7	109.3	109.1	...	99.5
Mar	110.1	110.3	...	99.9	100.9	109.2	109.4	...	99.1
Apr	110.4	111.6	...	100.6	101.2	109.1	110.3	...	99.4
May	110.8	111.8	...	...	101.3	109.4	110.3	...	...
Jun	...	111.9	...	...	101.4	...	110.4	...	...

INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE DEVELOPED COUNTRIES



Source: BE.

a. Outcome of multiplying nominal and cost/price components. A decline in the index denotes an improvement in the competitiveness of Spanish products.

b. Geometric mean calculated using a double weighting system based on 1995-1997 manufacturing foreign trade figures.

c. Relationship between the price indices of Spain and of the group.

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

ARTICLES PUBLISHED IN THE ECONOMIC BULLETIN

ARTICLES PUBLISHED IN THE ECONOMIC BULLETIN

BANCO DE ESPAÑA PUBLICATIONS

Studies and reports

REGULAR

Annual Report (in Spanish and English)
Economic Bulletin (quarterly) (the Spanish version is monthly)
Financial Stability Report (in Spanish and English) (half-yearly)
Memoria del Servicio de Reclamaciones (annual)
Mercado de Deuda Pública (annual)
Report on Banking Supervision in Spain (in Spanish and English) (annual)
Research Memorandum (in Spanish and English) (annual)
The Spanish Balance of Payments and International Investment Position (in Spanish and English) (annual)

NON-PERIODICAL

Central Balance Sheet Data Office: commissioned studies
Notas de Estabilidad Financiera

ECONOMIC STUDIES

75 PABLO HERNÁNDEZ DE COS: Empresa pública, privatización y eficiencia (2004).
76 FRANCISCO DE CASTRO FERNÁNDEZ: Una evaluación macroeconométrica de la política fiscal en España (2005).

ECONOMIC HISTORY STUDIES

47 MARÍA CONCEPCIÓN GARCÍA-IGLESIAS SOTO: Ventajas y riesgos del patrón oro para la economía española (1850-1913) (2005).
48 JAVIER PUEYO SÁNCHEZ: El comportamiento de la gran banca en España, 1921-1974 (2006).

WORKING PAPERS

0617 JAVIER DÍAZ-CASSOU, ALICIA GARCÍA-HERRERO AND LUIS MOLINA: What kind of capital flows does the IMF catalyze and when?
0618 SERGIO PUENTE: Dynamic stability in repeated games.
0619 FEDERICO RAVENNA: Vector autoregressions and reduced form representations of DSGE models.
0620 AITOR LACUESTA: Emigration and human capital: who leaves, who comes back and what difference does it make?
0621 ENRIQUE ALBEROLA AND RODRIGO CÉSAR SALVADO: Banks, remittances and financial deepening in receiving countries. A model.
0622 SONIA RUANO AND VICENTE SALAS: Morosidad de la deuda empresarial bancaria en España, 1992-2003.
0623 JUAN AYUSO AND JORGE MARTÍNEZ: Assessing banking competition: an application to the Spanish market for (quality-changing) deposits.
0624 IGNACIO HERNANDO AND MARÍA J. NIETO: Is the Internet delivery channel changing banks' performance? The case of Spanish banks.
0625 JUAN F. JIMENO, ESTHER MORAL AND LORENA SAIZ: Structural breaks in labor productivity growth: the United States vs. the European Union.
0626 CRISTINA BARCELÓ: A Q-model of labour demand.
0627 JOSEP M. VILARRUBIA: Neighborhood effects in economic growth.
0628 NUNO MARTINS AND ERNESTO VILLANUEVA: Does limited access to mortgage debt explain why young adults live with their parents?
0629 LUIS J. ÁLVAREZ AND IGNACIO HERNANDO: Competition and price adjustment in the euro area.

OCCASIONAL PAPERS

0606 ALICIA GARCÍA-HERRERO AND SERGIO GAVILÁ: Posible impacto de Basilea II en los países emergentes.
0607 ESTHER GORDO, JAVIER JAREÑO AND ALBERTO URTASUN: Radiografía del sector de servicios en España.

Note: The full list of each series is given in the Publications Catalogue.
All publications are available in electronic format, with the exception of statistical and miscellaneous publications and texts of the Human Resources Development Division.

MISCELLANEOUS PUBLICATIONS[1]

JUAN LUIS SÁNCHEZ-MORENO GÓMEZ: Circular 8/1990, de 7 de septiembre. Concordancias legales (1996). € 6.25.
RAMÓN SANTILLÁN: Memorias (1808-1856) (1996) (**).
BANCO DE ESPAÑA. SERVICIO DE ESTUDIOS (Ed.): La política monetaria y la inflación en España (1997) (*).
BANCO DE ESPAÑA: La Unión Monetaria Europea: cuestiones fundamentales (1997). € 3.01.
TERESA TORTELLA: Los primeros billetes españoles: las «Cédulas» del Banco de San Carlos (1782-1829) (1997). € 28.13.
JOSÉ LUIS MALO DE MOLINA, JOSÉ VIÑALS AND FERNANDO GUTIÉRREZ (Ed.): Monetary policy and inflation in Spain (1998) (***).
VICTORIA PATXOT: Medio siglo del Registro de Bancos y Banqueros (1947-1997) (1999). Book and disquette: € 5.31.
PEDRO TEDDE DE LORCA: El Banco de San Fernando (1829-1856) (1999) (*).
BANCO DE ESPAÑA (Ed.): Arquitectura y pintura del Consejo de la Reserva Federal (2000). € 12.02.
PABLO MARTÍN ACEÑA: El Servicio de Estudios del Banco de España (1930-2000) (2000). € 9.02.
TERESA TORTELLA: Una guía de fuentes sobre inversiones extranjeras en España (1780-1914) (2000). € 9.38.
VICTORIA PATXOT AND ENRIQUE GIMÉNEZ-ARNAU: Banqueros y bancos durante la vigencia de la Ley Cambó (1922-1946) (2001). € 5.31.
BANCO DE ESPAÑA: El camino hacia el euro. El real, el escudo y la peseta (2001). € 45.
BANCO DE ESPAÑA: El Banco de España y la introducción del euro (2002). Free copy.
BANCO DE ESPAÑA: Spanish banknotes 1940-2001 (2004). 30 €. (In Spanish and English.)
NIGEL GLENDINNING AND JOSÉ MIGUEL MEDRANO: Goya y el Banco Nacional de San Carlos (2005). Bound edition: € 30; paperback edition: € 22.
BANCO DE ESPAÑA. SERVICIO DE ESTUDIOS (Ed.): The analysis of the Spanish economy (2006) (*). (In Spanish and English.)
BANCO DE ESPAÑA: Billetes españoles 1874-1939 (2005). € 30 €.
JOSÉ MARÍA VIÑUELA, PEDRO NAVASCUÉS Y RAFAEL MONEO: El Edificio del Banco de España (2006). 25 €.
BANCO DE ESPAÑA: 150 years in the history of the Bank of Spain, 1856-2006 (2006). 30 €. (In Spanish and English.)
BANCO DE ESPAÑA: Secretaría General. Legislación de Entidades de Crédito. 5.ª ed. (2006) (****).

Statistics

Boletín de Operaciones (daily) (available only in electronic format on the website)
Boletín del Mercado de Deuda Pública (daily) (available only in electronic format on the website)
Boletín estadístico (monthly)
Central de Balances. Resultados anuales de las empresas no financieras (annual monograph)
Financial accounts of the Spanish economy (bilingual Spanish/English edition) (annual)

Financial legislation and official registers

Circulares a entidades de crédito[2]
Circulares del Banco de España. Recopilación (four-monthly)
Registros de Entidades (annual) (available only in electronic format on the website)

Training

BANCO DE ESPAÑA: Cálculo mercantil (con ejercicios resueltos).
PEDRO PEDRAJA GARCÍA: Contabilidad y análisis de balances en la banca (tomo I) (1999).
PEDRO PEDRAJA GARCÍA: Contabilidad y análisis de balances en la banca (tomo II) (1998).
JESÚS MARÍA RUIZ AMESTOY: Matemática financiera (2001).
JESÚS MARÍA RUIZ AMESTOY: Matemática financiera (ejercicios resueltos) (1994).
UBALDO NIETO DE ALBA: Matemática financiera y cálculo bancario.
LUIS A. HERNANDO ARENAS: Tesorería en moneda extranjera.

EUROPEAN CENTRAL BANK PUBLICATIONS

Spanish editions of:
- Annual Report
- Monthly Bulletin
- Other publications

---

1. All publications are distributed by the Banco de España, except those indicated with (*), (**), (***) or (****), which are respectively distributed by Alianza Editorial, Editorial Tecnos, Macmillan (London) and Thomson-Aranzadi. Prices include 4 % VAT. **2.** Available only on the Banco de España website until it is included in the publication *Circulares del Banco de España. Recopilación.*

BANCO DE **ESPAÑA**	Unidad de Publicaciones Alcalá, 522; 28027 Madrid Telephone +34 91 338 6363. Fax +34 91 338 6488 e-mail: publicaciones@bde.es www.bde.es