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ABBREVIATIONS

AIAF	Association of Securities Dealers
BCBS	Basel Committee on Banking Supervision
BE	Banco de España
BIS	Bank for International Settlements
CBSO	Central Balance Sheet Data Office
CCR	Central Credit Register
CEMLA	Center for Latin American Monetary Studies
CEPR	Centre for Economic Policy Research
CNE	Spanish National Accounts
CNMV	National Securities Market Commission
CPI	Consumer price index
DGS	Directorate General of Insurance and Pension Funds
EAGGF	European Agricultural Guidance and Guarantee Fund
ECB	European Central Bank
ECCO	ECB External Communications Committee
ECOFIN	Council of the European Communities (Economic and Financial Affairs)
EDP	Excessive Deficit Procedure
EMU	Economic and Monetary Union
EONIA	Euro overnight index average
EPA	Official Spanish Labour Force Survey
ERDF	European Regional Development Fund
ESA 79	European System of Integrated Economic Accounts
ESA 95	European System of National and Regional Accounts
ESCB	European System of Central Banks
EU	European Union
EU-15	Countries making up the European Union as at 31/04/04
EU-25	Countries making up the European Union as from 1/05/04
EU-27	Countries making up the European Union as from 1/01/07
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
INEM	National Public Employment Service
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)
BG	Bulgaria	BGN (Bulgarian lev)
CZ	Czech Republic	CZK (Czech koruna)
DK	Denmark	DKK (Danish krone)
DE	Germany	EUR (euro)
EE	Estonia	EEK (Estonia kroon)
IE	Ireland	EUR (euro)
GR	Greece	EUR (euro)
ES	Spain	EUR (euro)
FR	France	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)
RO	Romania	RON (New Romanian leu)
SI	Slovenia	EUR (euro)
SK	Slovakia	SKK (Slovakian koruna)
FI	Finland	EUR (euro)
SE	Sweden	SEK (Swedish krona)
UK	United Kingdom	GBP (Pound sterling)
JP	Japan	JPY (Japanese yen)
US	United States	USD (US dollar)

CONVENTIONS USED

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

CONTENTS

1 Overview

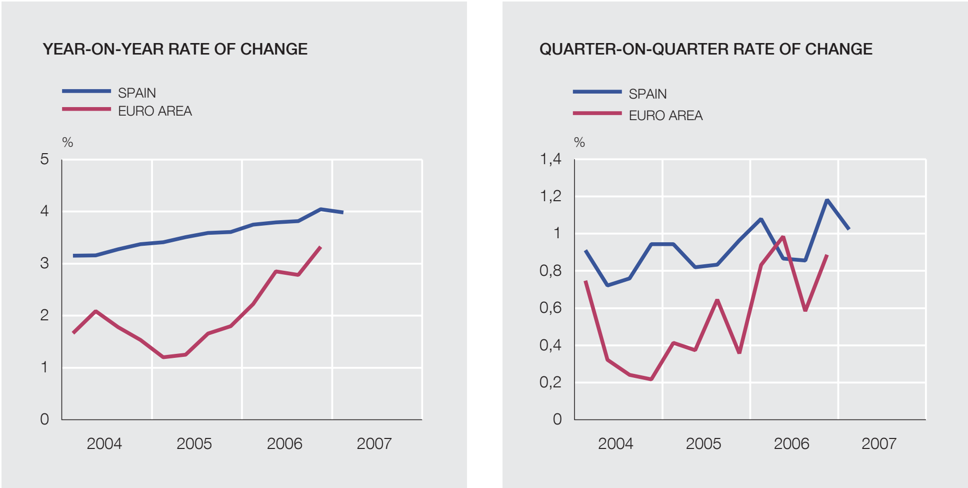
The Spanish economy ended 2006 on a very buoyant note and with slightly quicker growth. As a result, on the latest QNA estimates for Q4, GDP stood at a year-on-year rate of 4% (see Chart 1). Contributing to this performance were both the small rise in national demand, which grew at a rate of 4.7%, and the improvement by 0.1 pp of GDP of the contribution of net external demand to growth, which stood at –0.9 pp.

In the opening months of 2007 the estimates made drawing on as yet incomplete conjunctural data point to the continuing vigour of activity, without any appreciable changes being apparent in the contribution of the main components of GDP, either on the supply or the demand side. According to these estimates real GDP grew at a year-on-year rate of 4% in Q1 (1% in quarter-on-quarter terms), and the contributions of national demand and of net external demand stabilised at similar levels to those of the previous quarter. In terms of national demand, which is expected to have posted a year-on-year rate of 4.7%, household consumption was resilient and investment in equipment dynamic, while the mild slowdown in investment in construction initiated in the closing months of 2006 continued. There were no further improvements in the contribution of the external sector to growth, which is expected to have held at –0.9 pp, marking a pause in the rebalancing of the contribution of national demand and of net exports to GDP growth. Employment continued to evidence robustness and industry momentum. Finally, inflation, measured by the HICP, continued to slow in the opening months of 2007. Driven by the decline in energy prices, the HICP posted a 12-month rate of 2.5% in March, while underlying inflation, which also registered year-on-year growth in March of 2.5%, held stable at the December 2006 level. The price differential with the euro area narrowed once more in Q1 to 0.6 pp.

The world economy began the year with high growth rates, which on the latest available IMF forecasts point to a 4.9% increase in world GDP in 2007. The tendency towards more widespread world growth has continued in these early months now that Japan, but also the euro area, have moved onto more dynamic paths and that the emerging economies are maintaining a robust pace of growth. Inflation rates in the developed economies evidenced some downward stickiness. Only in the United States is a slowdown in growth perceptible, this being closely linked to the adjustment in the real estate sector, which began last year, and to the uncertainty stemming from a recent bout of defaults in the riskiest segment of the mortgage market, which has rapidly borne on the financial markets. Signs of sluggishness in corporate investment are beginning to be detected, and there is a risk that all these developments will ultimately affect employment and household spending, the dynamism of which has acted as a counterbalance during the real estate sector adjustment. Further, the easing in activity has not been accompanied by a sizeable decline in US inflation, which remains at a relatively high level. Accordingly, interest rates have held stable at 5.25%.

On the financial and foreign exchange markets, which had begun the year on a stable footing, there was a generalised reduction in late February in the valuation of high-risk assets; however, by mid-March this had been corrected. As to exchange rates, the depreciation of the dollar against the euro continued during the quarter, with the euro close in late April to its all-time high against the dollar, at around 1.36. Meanwhile the yen, which had appreciated significantly during the bout of financial turbulence, once again lost ground subsequently. Finally, there was a reversal in the downtrend in oil prices seen throughout the second half of 2006, driven by the harshness of the final winter months and by some worsening in geopolitical ten-

GROSS DOMESTIC PRODUCT (a) CHART 1



SOURCES: ECB, INE and Banco de España.

a. Seasonally adjusted series.

sions. As a result, the price of a barrel of Brent in late April was close to $68, almost 30% above its end-year value.

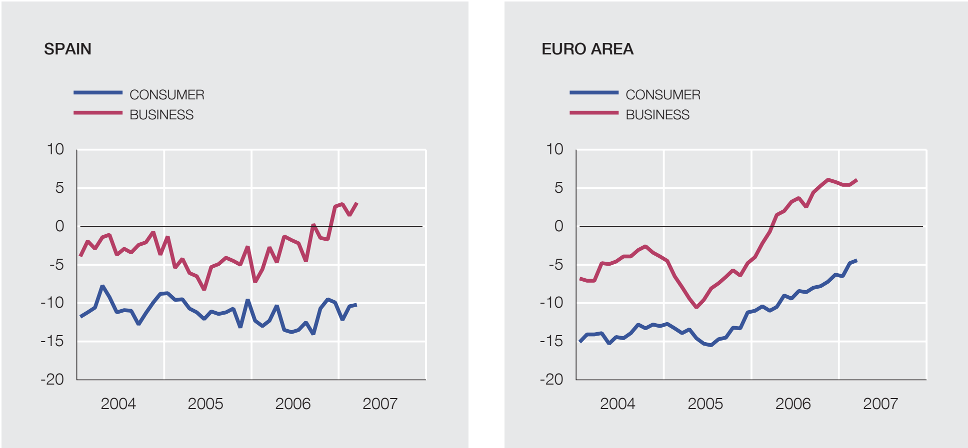
In the euro area, after the final figures for 2006 confirmed the soundness of the economic recovery, making for an average growth rate of 2.8%, the information for the opening months of 2007 points to the continuity of this scenario. GDP growth in the euro area should have remained robust in Q1, albeit slightly down on the previous quarter, owing to the mild slowdown in the German economy as a result of the effect of the VAT rise in January on German spending. Stripping out this effect, euro area dynamism has a sound base and is underpinned both by the resilience of domestic demand, driven by robust employment, and by the momentum of exports.

Inflation in the euro area, measured by the HICP, held at below 2% during Q1, posting a year-on-year rate of 1.9% in March (see Chart 3). The favourable behaviour of energy prices compared with a year earlier and the course of unprocessed food prices have offset the effect on the overall index of the VAT rise in Germany at the start of the year. This meant that the CPI excluding unprocessed food and energy moved on an accelerating path during the quarter, posting a year-on-year rate of 1.9% in March. However, as reflected in the ECB's assessment in its latest meetings, risks remain for the containment of inflation in the medium-term. These are largely related to the high probability that wage increases, set against the current strength of the labour market, will be higher than envisaged. Against this background, the ECB raised the minimum bid rate on its main refinancing operations by 25 bp at its March meeting to 3.75%. Then, at its April meeting, although it did not alter the monetary policy stance, it warned of the persistence of upside risks to price stability.

The external environment of the Spanish economy thus continued to be conducive to expanding activity, mainly through the continuing buoyancy shown by Spanish export markets. The tightening of monetary conditions by the ECB led to a moderate rise in borrowing costs (see Chart 4), although the effect on agents' spending decisions has remained limited. Finally, the gradual slowdown in house prices and the more contained increases in equity prices over the quarter as a whole, further to a bout of turbulence in late April in real estate sector prices, has entailed milder increases in wealth, prompting a more moderate demand pattern.

CONFIDENCE INDICATORS

CHART 2



SOURCE: European Commission.

Against this backdrop, household spending decelerated mildly in the opening months of 2007, reflecting the slight decline in residential investment, since household consumption showed renewed signs of momentum. The estimated rate of increase for this latter variable was 3.7%, similar to that at the end of 2006. Behind the strength of consumption lies the favourable behaviour of disposable income, further to the continuing buoyancy of employment and lower tax payments following the personal income tax reform, which would have offset the effect of the rise in interest rates on net tax payments. But consumption decisions were also taken in a setting of favourable expectations and, as indicated, of fresh – though increasingly moderate – increases in wealth. In the case of residential investment, where the impact of higher borrowing costs is in principle more forceful, the gradual slowdown that began to become apparent in late 2006 is expected to have continued. In this setting, the increase in lending extended to households continued to ease, though it still posted rates slightly higher than 18% in February, reflecting the deceleration in lending for house purchases which had begun a year earlier. The pace of lending for consumption and other purposes, which had risen significantly in 2006, began to show signs of stabilising.

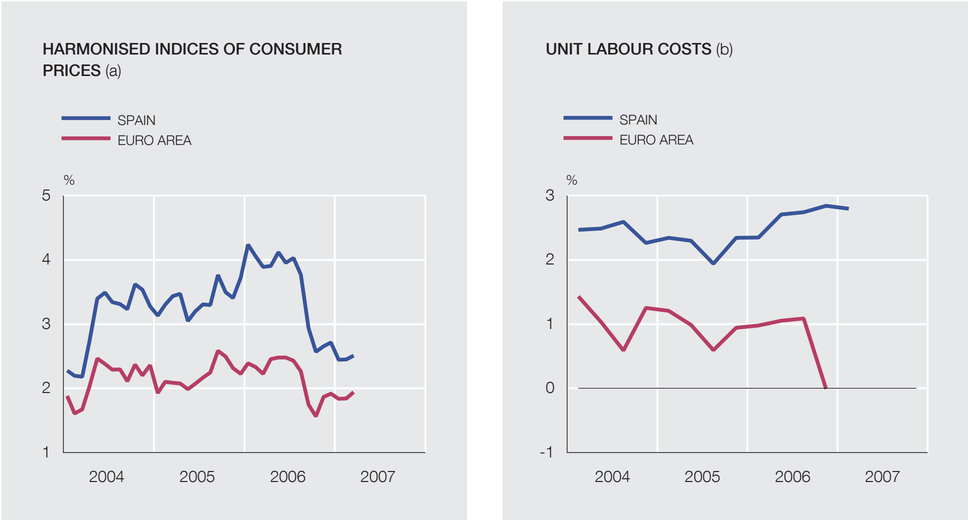
Business investment remained very expansionary in the opening months of 2007. Investment in equipment, in particular, was notably strong, holding at a similar growth rate to that of the previous quarter, at over 11%. The momentum of domestic demand and, in particular, greater export activity (which are necessitating increases in plant capacity), the favourable trend of these companies' profitability and expectations of future earnings are factors that have proven conducive to the expansion in business investment, offsetting the effect of higher borrowing costs. Investment in non-residential construction should have retained some vigour, proving less affected, in principle, by the tightening of financing conditions. All told, the rise in interest rates prompted a minor downturn in the growth rate of financing extended to non-financial corporations, interrupting the upward course that had taken shape over the previous year.

The general government sector contributed in the opening months of 2007 to sustaining expenditure, mainly through the maintenance of high rates of gross fixed capital formation, in a setting marked by the completion of numerous civil engineering projects. General government final consumption is estimated, in contrast, to have slowed somewhat, following its rise in late 2006.

In the first few months of 2007, the growth rates of exports and imports moderated, in real terms, from the high levels recorded in late 2006. Foreign sales continued to benefit from the

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.

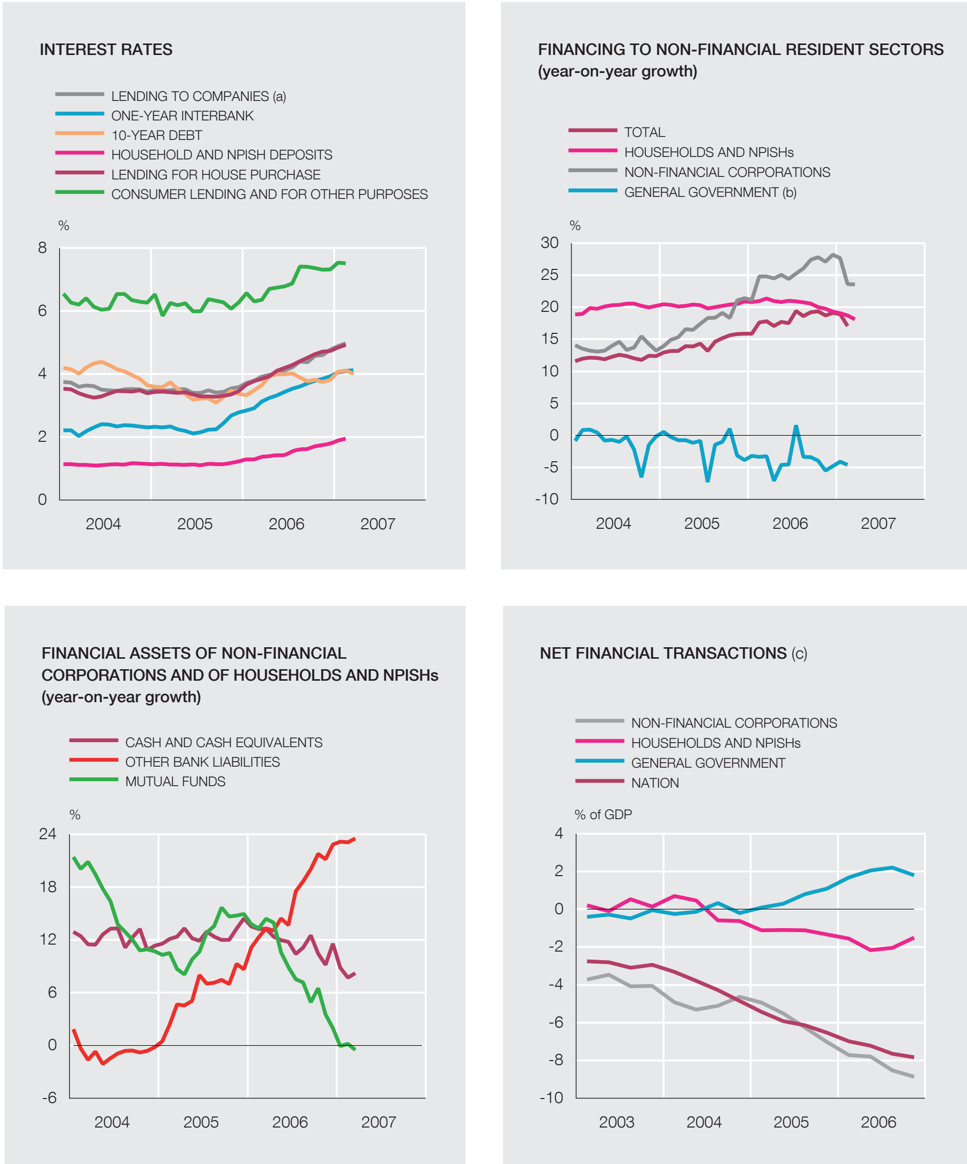
buoyancy of Spain's export markets, although the latter underwent a mild change in trend as a consequence of the smooth slowdown in the German economy during the quarter. Competitiveness and price indicators, for their part, deteriorated further, albeit only slightly, owing to the appreciation of the euro, so that the loss of competitiveness was sharper against those economies not participating in Stage Three of EMU. Despite this, the volume of sales of Spanish products outside the EU, according to the incomplete information available, was relatively high. As for goods imports, their growth was closely linked to the behaviour of final demand, although they can also be seen to have been boosted by the effect of the appreciation of the euro on import prices, which enabled further price cuts to be made, in addition to those taking place in response to ongoing transformation of the structure of world trade. Finally, the growth rate of services trade moderated, although exports and imports of tourism services improved.

From the standpoint of activity and the labour market, the trend in 2007 Q1 was a prolongation of tendencies that had been taking shape during 2006. Against the generally dynamic backdrop to activity, the strength of manufacturing and the slight moderation in construction activity were notable. The latter was concentrated exclusively in residential building, since civil engineering projects and non-residential building remained highly buoyant. With regard to employment, meanwhile, solid progress was made, with similar growth rates to those of late 2006. Labour force survey (EPA) data for 2007 Q1 confirm the strength of employment, against a background of significant rises in the population of working age. The number of persons employed increased at a year-on-year rate of 3.4% in Q1, while the ratio of temporary to total employment fell to 32%.

The collective bargaining results available for 2007 point to settlements of around 3%, a slight reduction compared to those of the last two years, under the guidelines of the Interconfederal Agreement for Collective Bargaining, which was extended at the beginning of the year. At the same time, it is estimated that the impact of the activation of indexation clauses in 2006 will also be smaller, owing to the significant slowdown in inflation in the closing months of last year. As a result it is expected that compensation per employee will have slowed in Q1 and that this

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 NEDR (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.

change in trend will be passed through to unit labour costs, especially in industry, where productivity gains continued to be comparatively large, despite the recovery in employment. This would mean the end of the upward trend in labour costs seen in the second half of 2006. As indicated in the introduction, inflation, as measured by the HICP, continued to decline in 2007 Q1, although this was largely due to the fall in oil prices from their levels a year earlier. In fact, underlying inflation has been more stable, despite the slowdown in non-energy industrial prices, owing to the downward stickiness of services prices, which have held systematically at rates of close to 4%.

In sum, the Spanish economy has performed most robustly in the opening months of 2007, with somewhat more balanced growth in spending – with investment in equipment more to the fore and residential investment playing a lesser role – and high employment generation. The relative tightening of monetary and financial conditions over the past year and the mild slowdown in house prices are factors that are prompting a gradual process of normalisation involving movement towards a more moderate and sustainable pace of spending and indebtedness. Moreover, the favourable juncture at which the world economy and, in particular, the euro area find themselves is helping increase the contribution of the external sector to GDP growth, although this process has been slowing in recent quarters. So that the rebalancing of the factors driving growth may continue, it is important that the subtraction of income generated in the external sector should continue to lessen. Accordingly, the easing in costs and prices must go beyond that witnessed in the recent episodes, linked largely to developments in energy prices.

2 The external environment of the euro area

Developments in the international financial markets went through three clearly differentiated stages during the quarter. From the beginning of the year until late February there were gains on the stock markets and in the prices of higher-risk assets. In the second stage, analysed in Box 1 and coinciding with greater pessimism as to the growth prospects of the United States, an increase in risk aversion prompted widespread falls in stock market prices and caused the spreads on emerging-country sovereign bonds and lower-rated corporate bonds to widen. At the same time, the higher demand for safer assets was manifested in the declining yields on long-term bonds, especially in the United States. The appreciation of the yen during this period was explained by the unwinding of some of the substantial short-term positions in this currency, associated with carry trade. Finally, from mid-March, investors flocked back into higher-risk assets and the earlier falls in their prices reversed. Hence, sovereign spreads as measured by the EMBI+ reached new historical lows, while in this period the appreciation that the yen had experienced during the period of market turbulence was largely reversed. The dollar tended to depreciate against the euro during the quarter, posting rates around $1.36 per euro. The price of Brent oil rose by 20% in the past quarter as a result of lower temperatures in the northern hemisphere in the second half of the quarter and of geopolitical tension in the Middle East.

In the United States, the final National Accounts figures for 2006 Q4 showed GDP growth of 2.5% in annualised quarterly terms, putting growth for the year as a whole at 3.3%, up 0.1 pp on 2005 (see Chart 5). The information published during Q1 was generally negative, prolonging the adjustment of the real estate market and the symptoms of weakness in non-residential investment. Housing starts thus stood below their end-2006 levels, while sales of new houses continued to fall and some measures of house prices showed negative year-on-year rates of change. Durable goods orders performed worse than expected, suggesting that firms were taking a cautious approach to investment spending. This caution contrasts with the marked buoyancy of job creation, which amounted to 180,000 jobs in March, and with the drop in the unemployment rate, which stood at 4.4%. The recruitment in the services sector and the downward stickiness of employment in construction (underpinned by non-residential construction) permitted this buoyancy to continue despite the job losses in manufacturing. The healthy labour market performance favoured consumption, and this was reflected in the positive retail sales figures for the quarter. Regarding the external sector, the trade balance showed a downward trend until February, although it was moderate and partly explained by the contraction of imports. Overall inflation increased throughout the quarter to 2.8% in March (see Chart 6), although core inflation moderated to 2.5% after a sharp rise in February. The Federal Reserve held the official interest rate unchanged at 5.25% and ratified the importance of inflationary pressures in its risk assessment.

In Japan the indicators at the beginning of the year pointed to ongoing buoyancy (although more subdued than in the previous quarter), underpinned by unexpectedly vigorous private consumption and by the continuing good performance of investment and exports. The indicators of consumption were generally positive, with significant advances in retail sales and in household spending, underpinned by the buoyancy of the labour market, where the unemployment rate held at 4% in February despite a further fall in wages. The supply indicators, however, suggested that industrial activity in the quarter moderated, since the Tankan confidence index for large manufacturers fell by two percentage points in

A period of financial market turbulence which began in late February 2007 and extended well into March affected both the emerging and developed markets. The prices of riskier financial assets underwent a sharp correction and there was a marked increase in volatility, against a background of flight to quality by investors. Although these movements reversed almost completely, this recent bout of volatility (after a prolonged boom in the financial markets), and how it compares with previous episodes, invite some reflection on the outlook and risks of global financial markets.

The onset of turbulence coincided with the fall of 9% in the Chinese stock market on 27 February and with the publication of certain figures suggesting that the US economic slowdown might be bigger than expected. The most noteworthy feature of the financial turbulence was its global nature and rapid onset, which reflects the finely-adjusted nature of market valuations and the increasingly sensitivity of investors to adverse events. The assets that suffered most during the turbulence were those that in previous months had recorded the largest gains. Stock markets in emerging and developed countries fell sharply and the spreads on low-rated US corporate bonds and on emerging-country sovereign bonds widened significantly (see Chart 13 for the effect of the turbulence on the European stock market). The turbulence had a lower impact on exchange rates. The currencies most affected were those linked to carry-trade transactions, such as the Japanese yen on the short side of the investor's position, and the New Zealand dollar on the long side. The increased risk aversion led to a flight to quality which was reflected in a fall in long-term interest rates in the United States and, to a lesser extent, in Europe.

The period of turbulence was notable for the sharp increase in financial market volatility. For example, the most widely followed index of implied volatility (the VIX S&P500), whose movement tends to be associated with changes in aversion to or appetite for risk in the markets, rose by 60% on 27 February (see Chart 1). Despite this, volatilities remained very low if this variable is analysed from a historical perspective.

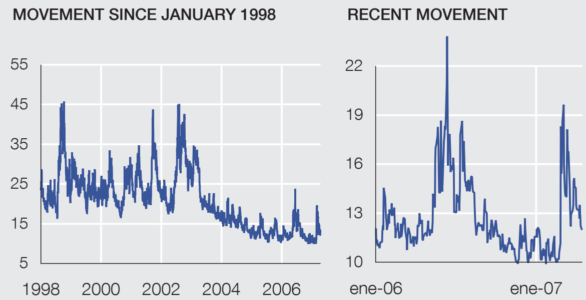
After the days of turbulence, recovery was very rapid and investor demand for riskier assets again became strong. A large portion of the stock market rebounded to the levels prior to the onset of the episode. Moreover, in certain cases sovereign spreads as measured by the EMBI+ posted new historical lows.

Comparison of this bout of market turbulence with that of May 2006 shows that both took place in periods when world liquidity expectations were downward and when US and Japanese monetary policies were in transition or highly uncertain, although this latest episode exhibited certain well-defined characteristics. First, in May 2006 the focus of attention was the inflationary pressure in the United States, while this time it has been the uncertainty about US growth – against a background in which inflation does not seem to be settling at sufficiently low levels – that has triggered the upturn in volatility. This difference in the situation can be appreciated in the comparison of forecasts in Chart 2. In addition, the deterioration in the riskier segment of the US mortgage market (subprime lending) posed the question of possible transmission to other segments of the credit market. Second, the role of China, as a possible factor triggering financial shocks at global level in the latest turbulence, is new. Finally, the settlement of carry-trade positions seems to have had a greater impact on foreign exchange markets than in previous episodes.

The fall and subsequent recovery of the financial markets confirmed that the recent turbulence was a technical correction that seems to have been more influenced by financial arguments than by a deterioration of economic fundamentals. Therefore, to the extent that these movements have corrected possible signs of excessive exposure in certain markets, these corrections should be interpreted as healthy.

Nevertheless, it is interesting to reflect on the longer-term behaviour of volatility. There are factors supporting the hypothesis that the current low market volatility will persist, while others tend to refute it. Among the arguments supporting the optimism of markets are: the greater transparency and improved communication of monetary pol-

1 VIX VOLATILITY INDEX



2 UNITED STATES: CONSENSUS FORECASTS (a)

SOURCES: Datastream and Consensus Forecasts.

a. t = 0 corresponds to May 2006 or March 2007, depending on the bout of turbulence.

icy decisions by central banks, which has diminished uncertainty; the development of the financial sector in numerous respects, e.g. improved market liquidity, financial innovation or the role of institutional investors; and the greater soundness of the corporate sector.

By contrast, other factors support the view that the observed low volatility may be a temporary phenomenon. Noteworthy in this respect is, first, the current economic slowdown in the United States, which may be affecting the volatility of financial asset prices, and second, the gradual decrease in the current financial buoyancy and the low interest rates may contribute to correcting the current risk aversion and to heightening volatility. Moreover, the increasingly finely tuned valuations by market agents and the uncertainty as to when the downturn in interest rates will commence in the United States make for greater market sensitivity to adverse economic or financial news.

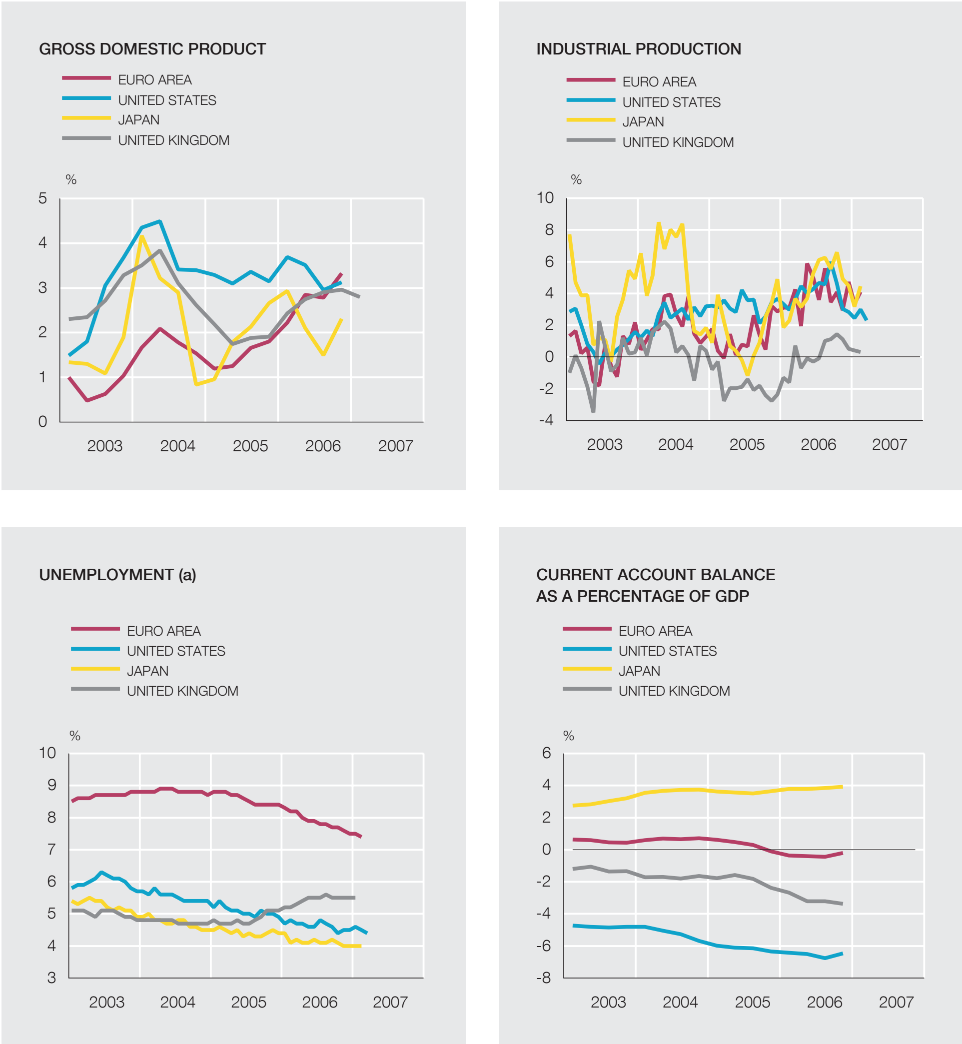
In the future, fresh bouts of volatility cannot be ruled out. They may be more frequent, intense and persistent than the recent one and may affect financial stability. For this reason, investors have to show a sufficient degree of caution while avoiding excessive complacency.

March, industrial production fell for the second month running and the purchasing managers' index (PMI) of manufacturing activity contracted in March to the lowest levels for the last two years. As regards the external sector, the strength of the surplus on the income balance did not offset the decline in the trade balance in February, and, as a result, the current account surplus decreased. Inflation turned negative again in February owing to the year-on-year drop in the price of oil and to the fall-off in mobile telephony rates. Thus the year-on-year rate of change of the overall index stood at –0.2% and that of the core index (which in Japan includes energy) at –0.1%. By contrast, wholesale prices rose in March for the first time in seven months, from 1.7% to 2% year-on-year. Against this background, the Bank of Japan held the official interest rate unchanged at 0.5% in its April meeting.

In the United Kingdom, the preliminary National Accounts figures for Q1 showed quarterly GDP growth of 0.7%, the same as in 2006 Q4. The year-on-year rate was down by 0.2 pp to 2.8%. Inflation rose significantly in March to 3.1% year-on-year. The Governor of the Bank of England, in an obligatory open letter to the Treasury explaining why the inflation target of 2% had been exceeded by more than one percentage point, attributed part of the upturn in inflation to temporary factors, although he indicated his concern for the increasing pressure on productive capacity. The unfavourable inflation figure, together with the minutes of the April meeting, heightened expectations of a rise in official rates by summer.

In the countries which joined the EU in 2004, GDP accelerated in Q4. In 2006 as a whole, GDP growth rose to 6.1%, compared with 4.9% in 2005 (see Chart 7). This expansion was driven by the strength of domestic demand (particularly investment and, to a lesser extent, private consumption) and, in some countries, also by external demand, driven by the economic recovery of the euro area. This setting of intense growth, along with the oil price rises of 2007 Q1, produced a widespread rise in inflation, although the rates differed widely from country to country. Nevertheless, official interest rates remained unchanged in most of these countries during the quarter. There was downward pressure on the exchange rate in Latvia, the currency of which came close to the lower limit of its fluctuation band of ±1% in the exchange-rate mechanism (ERM II), while in Slovakia, after intense upward pressure, the central rate of the koruna in the ERM II was revalued by 8.5%. 2006 saw a widespread decrease in fiscal deficits and public debt, underpinned by the buoyancy of revenue. The

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



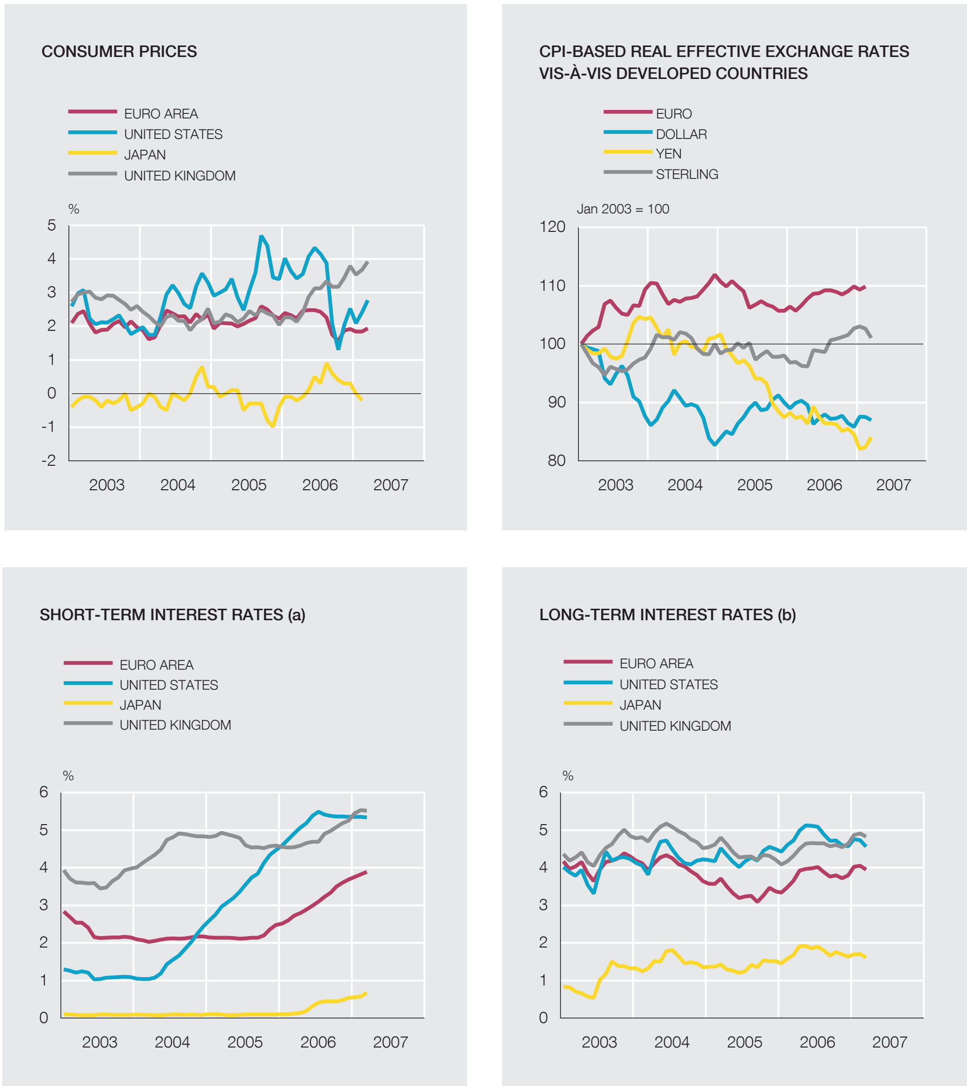
SOURCES: Banco de España, national statistics and Eurostat.

a. Percentage of labour force.

already-high current account deficits widened further, and in some countries stood above 10% of GDP.

China's economic activity rose notably in Q1, growing at 11.1% year-on-year, 0.7 pp more than in the previous quarter. Concurrently, the indicators of industrial production, investment in fixed assets and retail sales grew more quickly in the first three months of the year. The money supply and domestic credit accelerated slightly with respect to the already-high growth rates in the last two quarters of 2006, prompting the central bank to raise the reserve ratio three times (a total of 150 bp) and, in March, to increase the official interest rate by 27 bp. Furthermore, the renminbi continued to appreciate gradually against the dollar and the external reserves continued to increase rapidly, exceeding $1.2 trillion. The trade surplus reached $46.5 billion in the quarter, nearly twice that a year earlier. Against this background, the United States decided to impose punitive tariffs on certain imports of Chinese paper, the first measure of this type in the last 23 years. In regard to prices, inflation as measured by the CPI increased to 3.3% year-on-year in March, from an average of 2% in Q4, although the growth rate of producer prices fell slightly with respect to the levels at end-2006. As for the main economies in

PRICES, REAL EXCHANGE RATE AND INTEREST RATES CHART 6



SOURCE: Banco de España.

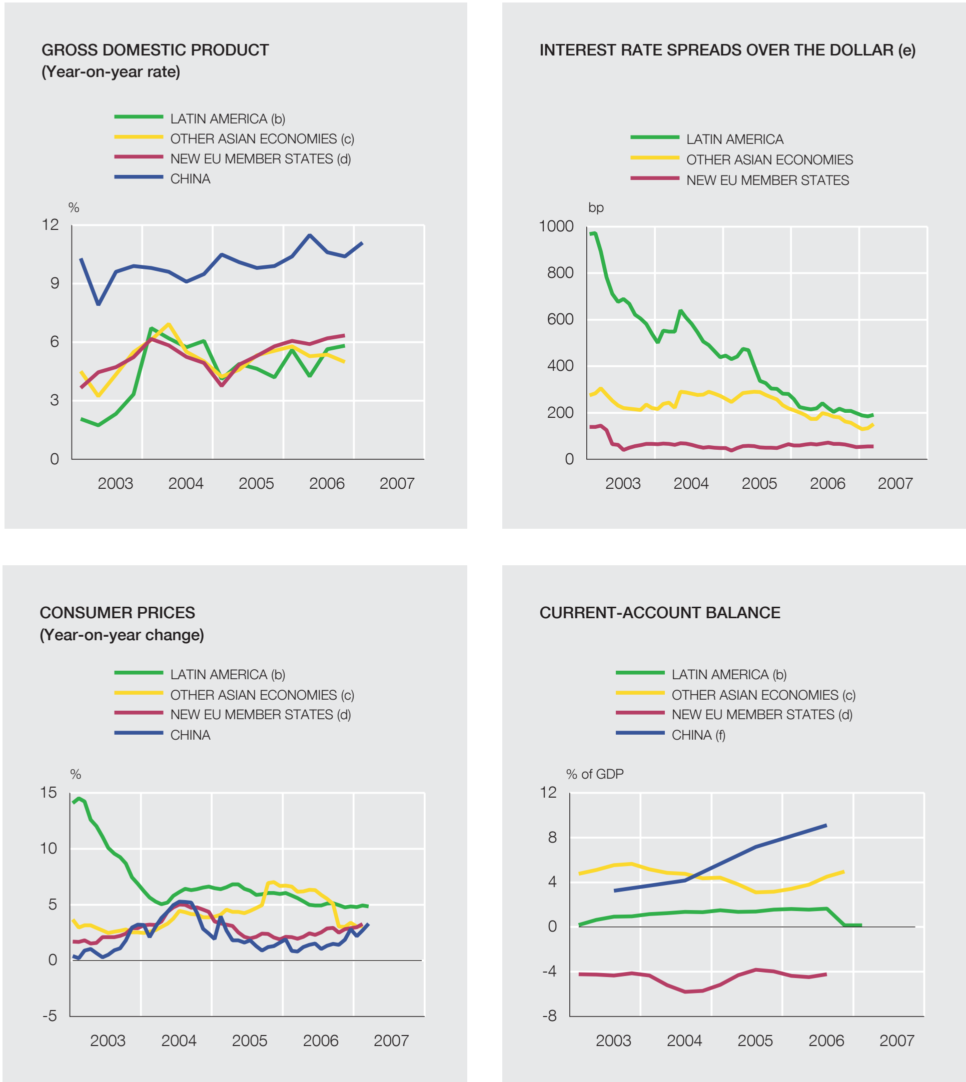
a. Three-month interbank market interest rates.
b. Ten-year government debt yields.

the rest of Asia, after robust growth in 2006 Q4, the latest indicators remained firm as inflationary pressures tended to moderate and, in certain countries (including Thailand), official interest rates fell.

In 2006 Q4, Latin America's GDP growth of 5.8% year-on-year was 0.1 pp more than in the previous quarter. For the whole of the year, the growth of this region stood at 5.3%, against 4.5% in 2005. In Brazil there was a substantial upward revision of the National Accounts figures for 2002 to 2006, including GDP and the GDP growth rate. The available indicators for 2007 Q1 point to a pick-up in activity in Brazil, Chile, Peru and Colombia, and to an additional moderation in Mexico and Argentina. Inflation in the aggregate of the region stood at 4.9% in March, down from 5% in February. The divergences between countries remained in place in March, with an increase in the inflation rate in Colombia and Mexico, while it stayed very low (3%) in Brazil and decreased in the other countries. Against this backdrop, Colombia raised its interest rates to 8.25%, while in Mexico the expectations of a forthcoming increase strengthened as the central bank adopted a harder line in its announcements. In Brazil the

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, Philippines and Taiwan.
d. Excluding Cyprus, Malta, Bulgaria and Romania.
e. JP Morgan EMBI spreads. The data on the new EU Member States relate to Hungary and Poland. The aggregate for Asia does not include China.
f. Annual data.

official rate was lowered three times to stand at 12.5%. The external sector ended the year with high current account surpluses in all countries except Mexico and Colombia. At the beginning of 2007 the trade balance worsened in Brazil, Mexico, Colombia and Peru, and improved in the other countries. On the fiscal side, good results were recorded at the beginning of the year in Brazil and Mexico, the latter country also approving a reform of the pension system of public-sector workers; however, Argentina saw a substantial increase in primary expenditure. Finally, the rating agencies raised the rating of Colombia and the outlook in Mexico improved.

The euro area National Accounts data for 2006 Q4 corroborate the firming of buoyant activity in 2006. GDP grew by 2.8%, well above the previous year's rate. The information available in the first few months of 2007 suggests that GDP retained its strength throughout the year, underpinned by dynamic world demand and the recovery in employment, against a background of low financing costs. More in the medium term, however, the economy is subject to certain downside risks, such as a sharper slowdown in the US economy and those associated with the persistence of global imbalances.

Inflation in the euro area was 1.9% in March, the same rate as in December 2006; the favourable developments in the energy component, helped by the base effects related to its behaviour a year earlier, offset the impact of the increase in VAT in Germany at the beginning of the year. This fiscal measure is also the main factor explaining the upward trend in underlying inflation since the end of last year. More in the medium term, the upside risks to inflation predominate. These arise from the possibility that the strength of the economy and the improvement in employment may drive wage demands higher than expected, but also from the uncertainty over the future behaviour of oil prices.

Against this background, the Governing Council of the ECB, at its March meeting, noted the existence of risks to the maintenance of price stability in the medium term and, in consequence, decided to raise official interest rates by a quarter of a point to 3.75%. Notwithstanding this, the monetary policy stance remains accommodative and, therefore, a stimulus to economic growth and job creation.

As regards fiscal policy, according to the latest information available in the Member States' notifications to the European Commission in spring, the budget deficit was reduced to 1.6% in 2006, from 2.5% in 2005, a more favourable result than estimated by the Commission in its autumn report. Also, it was decided in January to abrogate the excessive deficit procedure opened against France in June 2003.

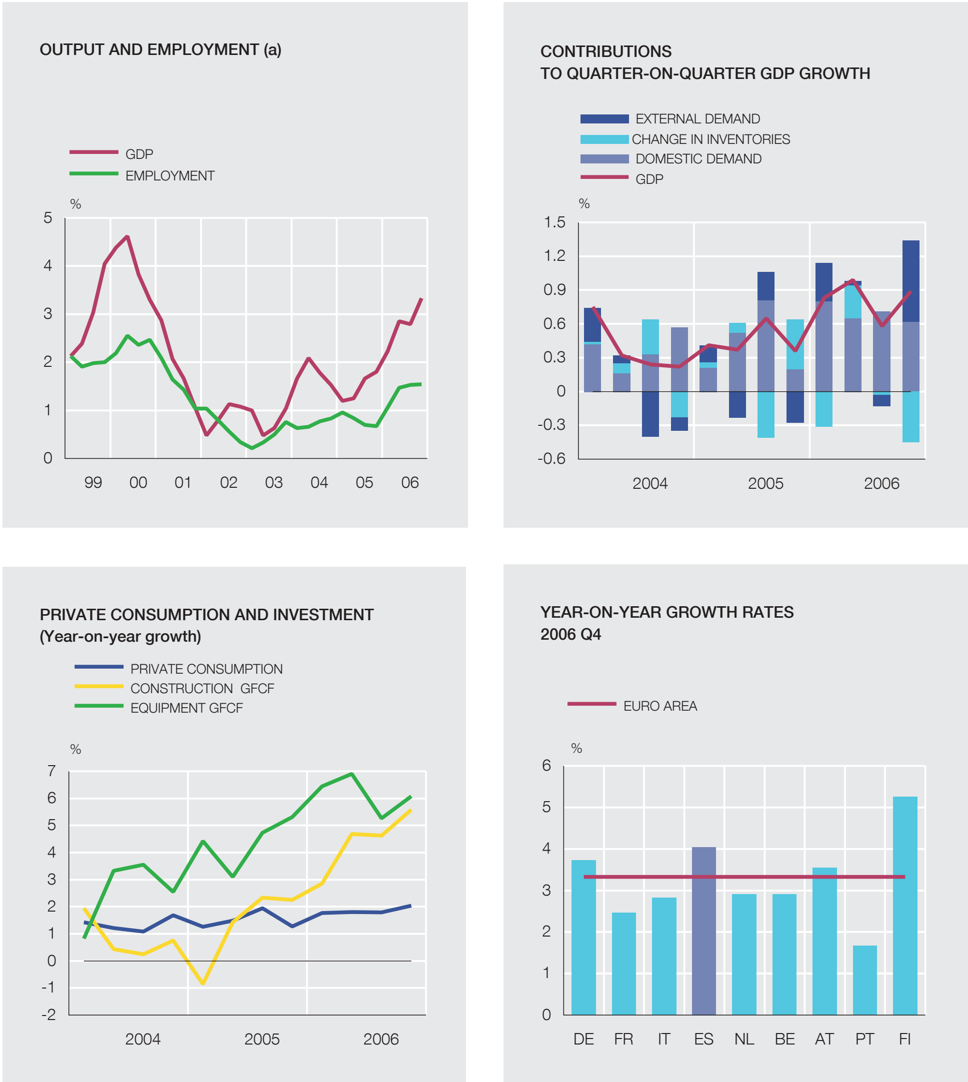
3.1 Economic developments

According to the second estimation of the National Accounts, in 2006 Q4 euro area GDP grew by 0.9% quarter-on-quarter, 0.3 percentage points more than in Q3, basically as a result of the rise in net external demand. The latter contributed 0.7 pp to the increase in GDP, offsetting the sharp decline in the contribution to growth from the change in inventories, which deducted 0.5 pp (see Chart 8). For its part, the strength displayed by domestic demand (excluding inventories) in previous months extended into Q4. This component increased by 0.6%, only 0.1 pp less than in Q3. Among its components, private consumption and government consumption slowed, while the growth of gross fixed capital formation rose. In year-on-year terms, the rate of change of GDP reached 3.3% in Q4, up from 2.8% in the previous quarter (see Table 1). Thus, in 2006 as a whole, output increased by 2.8% (1.3 pp more than in the previous year), thanks to the firming of domestic demand and net exports.

By branch of activity, all sectors, other than industry, contributed to the acceleration in gross value added. In accordance with the National Accounts country breakdown, the upturn in activity in the latter months of the year was a feature common to the major economies of the area. Thus, among the latter, the significant acceleration in GDP in France and Italy (whose growth rates reached 0.7% and 1.1% quarter-on-quarter, respectively) was notable. In line

EURO AREA NATIONAL ACCOUNTS

CHART 8



Sources: Eurostat and national statistics.

a. Year-on-year rates of change.

with the performance observed for the euro area as a whole, gross fixed capital formation drove the contribution of domestic demand (excluding inventories) in both economies, while exports, especially in the case of Italy, grew at a significantly higher rate than in the previous quarter. Germany also saw an extraordinary increase in the contribution of the net external balance to GDP growth, to 1.9 pp. However, the slowdown in consumption and the very negative contribution of inventories meant that, in Q4, GDP only accelerated by 0.1 pp to 0.9% quarter-on-quarter.

The recovery in the labour market continued to firm in late 2006. Employment increased in 2006 Q4 by 0.3% (as in the previous quarter), which meant that its year-on-year growth rate held at 1.5%. This employment behaviour, together with the greater dynamism of euro area economic activity in the final quarter of 2006, gave rise to a notable acceleration in productivity, the growth rate of which rose to 1.8% (from 1.2% in the previous quarter). At the same time, compensation per employee increased by 1.8% year-on-year, 0.5 pp less than in the preceding quarter. However, this figure was strongly influenced by the 1% fall in compensation per employee in Italy, since the growth rate of this variable was slightly higher or remained

EURO AREA ECONOMIC INDICATORS TABLE 1

	2005		2006				2007	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1 (a)	Q2 (b)
GDP								
Year-on-year growth	1.7	1.8	2.2	2.8	2.8	3.3		
Quarter-on-quarter growth	0.6	0.4	0.8	1.0	0.6	0.9		
European Commission forecasts (c)							(0,4 ; 0,8)	(0,4 ; 0,9)
IPI (d)	1.6	2.2	3.5	4.3	4.2	3.9	3.7	
Economic sentiment	97.5	100.1	102.6	106.8	108.2	109.9	110.0	
Industrial confidence	-7.3	-5.7	-2.3	2.3	3.7	5.7	5.3	
Manufacturing PMI	51.0	53.0	54.7	57.1	56.9	56.7	55.5	
Services confidence	10.7	14.0	14.7	18.7	19.0	19.7	20.7	
Services PMI	53.8	55.6	57.8	59.2	57.3	57.1	57.6	
Unemployment rate	8.4	8.4	8.2	7.9	7.8	7.6	7.4	
Consumer confidence	-15.3	-12.3	-10.7	-9.7	-8.3	-7.0	-5.3	
HICP (d) (e)	2.6	2.2	2.2	2.5	1.7	1.9	1.9	
PPI (d) (e)	4.4	4.7	5.1	5.8	4.6	4.1	2.9	
Oil price in USD (e)	62.6	56.5	61.6	68.1	61.2	62.8	62.3	68.0
Loans to the private sector (d) (e)	8.7	9.2	10.8	11.0	11.4	10.8	10.3	
Euro area ten-year bond yield	3.3	3.4	3.6	4.0	4.0	3.9	4.1	4.2
US-euro area ten-year bond spread	0.98	1.12	1.06	1.08	1.00	0.82	0.66	0.55
Dollar/euro exchange rate (e)	1.204	1.180	1.210	1.271	1.266	1.317	1.332	1.361
Appreciation/depreciation of the dollar against the euro (e)	-11.6	-13.4	2.6	7.8	7.3	11.6	1.1	3.3
Dow Jones EURO STOXX Broad index (e)	17.7	23.0	10.3	4.2	11.9	20.3	3.4	8.3

SOURCES: Eurostat, ECB and Banco de España.

a. The information in italics does not cover a full quarter.
b. Information available up to 20 April 2007.
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.

steady in the rest of the countries. The zero increase in unit labour costs (as against 1.1% in the previous quarter) entailed a sharp rise in profit margins, since the GDP deflator increased by 1.7% (see Chart 9).

The latest information for 2007 Q1 points to robust GDP growth in the euro area, albeit at more moderate rates than in the previous quarter, partly as a result of the increase in German VAT in January (see Chart 10). From the viewpoint of supply, following its decline in January, industrial production picked up again in February, the IPI recovering its end-2006 level. At the same time, comparing with 2006 Q4, the qualitative indicators provided by the European Commission's confidence surveys and the purchasing managers' surveys fell slightly on average in industry and improved in the services sector. In construction, business sentiment, according to the Commission's surveys, deteriorated significantly in the first few months of the year. With regard to employment, the signs emanating from the indicators are generally positive. Thus, both sets of surveys reflected greater optimism in the first quarter of 2007 regarding future employment levels in all sectors, with the sole exception of the Commission's services sector survey. Moreover, the rate of unemployment continued to fall in January and February (to 7.3%, its lowest level since 1993, the first year for which aggregate euro area data exist for this variable), prolonging a downward trend that began two years ago and which, according to various estimates, could stem partly from a fall in the structural rate of unemployment, prompted by some of the labour reforms undertaken in various countries of the area in recent years (see Box 2).

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

CHART 9

SOURCES: Eurostat and European Central Bank.

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

On the demand side, indicators generally anticipate a favourable trend for activity in Q1, although the consumption indicators have reflected the negative effect of the increase in German VAT. This effect was especially strong in January, but it eased as the quarter progressed. Specifically, retail sales (on data to February) and, above all, new car registrations, decelerated on average in Q1, dragged down by Germany. The qualitative information provided by the European Commission's surveys shows considerable optimism among consumers in 2007 Q1, while the confidence of retailers remained high. With respect to investment in capital goods, the indicators can be interpreted as pointing to a favourable outlook for this component of GDP, given the improvements in the degree of use of productive capacity according to the Commission's quarterly survey and in the assessment of order books. At the same time, the data published in January in the Commission's six-monthly investment survey show an acceleration in capital expenditure for 2007 as a whole. Finally, the favourable export expectations, the improvement in the assessment of external order books and the buoyancy of exports, according to foreign trade data to February, anticipate an expansion of sales to the rest of the world in Q1.

In short, output growth can be expected to have moderated in the first months of 2007, following its exceptional buoyancy in the final quarter of 2006 (partly affected by the fiscal reform in Germany), to around the mid-point of the 0.4%-0.8% interval estimated by the European Commission. Over the coming months, activity in the euro area is expected to retain its momentum, underpinned by the robust growth in world trade and the strength of domestic demand, driven in turn by job creation and favourable financing conditions. More in the medium term, a sharper than expected slowdown in the United States and a possible repetition of the turmoil that hit international financial and currency markets at the beginning of March, in a context in which global macro-financial imbalances persist, remain as downside risks to activity in the euro area.

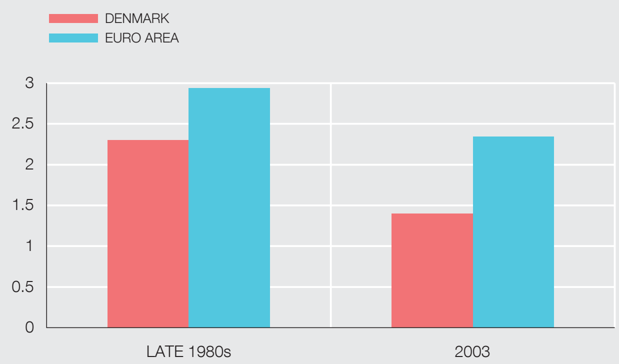
In 2007 Q1 inflation held below the 2% mark, standing in March at 1.9%, the same level as in December last year, despite the rise in German VAT in January (see Chart 11). The latter

The labour market model that traditionally prevailed in European countries in the first few decades after the second world war, in which the employees were predominantly men, was based on permanent contracts, high firing costs and standard working hours. However, the economic and social transformations that took place in the final quarter of the last century required profound adaptation of labour markets. Specifically, phenomena such as the growing globalisation of economic activity, the acceleration of technological change and the incorporation of women into the labour market called for the emergence of more flexible ways of organising work.

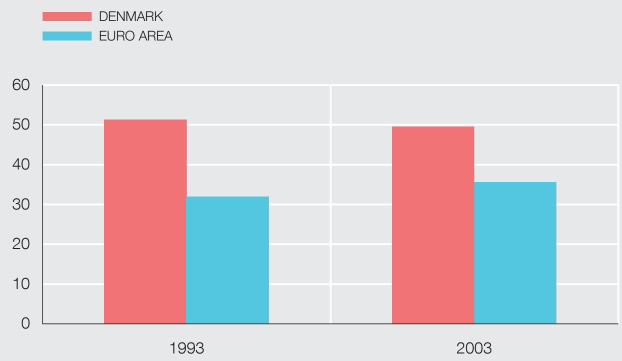
The requirement for greater flexibility in a context of resistance to change, rooted in the perception that it may result in less security, has given rise to partial reforms that have not managed to increase the degree of labour utilisation sufficiently. Against this background, European economic policy debate has tended to seek, from among the range of labour markets existing in the various countries, those that provide a valid model for the other Member States. Such an example is thought to have been found in the Nordic countries (and, in particular, in Denmark), in view of their good employment figures. The Danish market is characterised by the co-existence of a high degree of flexibility with a high level of social protection (which has been termed ”flexicurity”). The main elements of flexibility and security are, respectively, the existence of relatively low firing costs and high unemployment benefits (see Charts 1 and 2). However, receipt of benefits is conditional upon acceptance of job offers and participation in training programmes, in order to provide the appropriate incentives. In this way, it is sought to facilitate the adjustment of company workforces while guaranteeing workers who lose their jobs a certain level of income during the transition to a new job.

The third basic ingredient of the Danish labour model is the emphasis on active labour market policies, the aim of which is to keep individuals’ professional qualifications constantly up to date, so that the

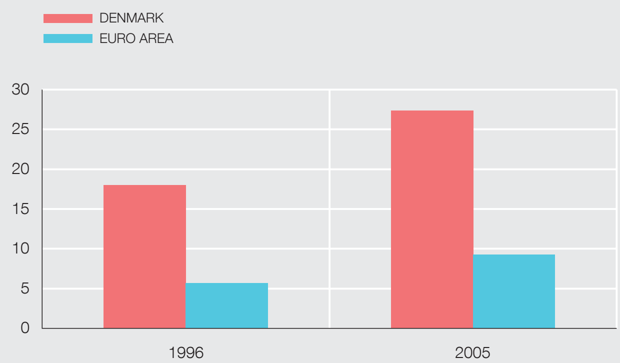
1 EMPLOYMENT PROTECTION LEGISLATION (a)



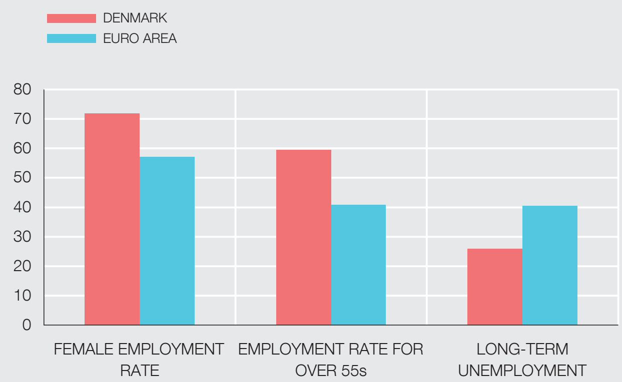
2 REPLACEMENT RATE (b)



3 LIFELONG LEARNING (c)



4 LABOUR MARKET RESULTS IN 2005 (d)



SOURCES: Eurostat and OECD.

a. Synthetic indicator that measures the costs of dismissal and takes values from 0 to 6. A higher value indicates stricter legislation.
b. This measure is calculated as the average of the gross replacement rates of unemployment benefits for two wage levels, three family situations and three unemployment durations.
c. Refers to the percentage of the population aged 25-64 years who declared that they had received training or education in the four weeks preceding the survey (European Union Labour force Survey).
d. Long-term unemployment (more than one year) is expressed as a percentage of total unemployment.

transition between jobs can be as short as possible (see Chart 3). In this model, therefore, security is not identified with having the same job throughout one's working life, but with the successive linking of different jobs, the skills accumulated being assumed to enable workers to be at least as productive as in their previous job. The correct functioning of this scheme will thus lead not only to higher rates of employment, but also to higher rates of productivity growth.

The results achieved by the Danish labour market suggest that the "flexicurity" model has been a success (see Chart 4). In particular, in 2005 the total rate of employment and the rates for females and the over 55s stood at 75.5%, 71.9% and 59.5%, respectively (i.e. 11, 15 and 19 pp higher than in the euro area as a whole), while the total unemployment rate and, above all, the long-term rate are particularly low. The signs that this healthy labour market may have something to do with its institutional arrangements have led to the inclusion of "flexicurity" in the European economic policy debate and, in particular, in the assessments of progress in implementation of the Lisbon Agenda. In addition, the employment policy guidelines approved by the European Council in July 2005 propose to "promote flexibility combined with employment security and reduce labour market segmentation".

The Danish model contains elements which the euro area countries should consider introducing, but this does not necessarily mean that the model should be fully replicated. In particular, the Danish unemployment benefit and lifelong learning systems are very costly to public finances, and so may require a high tax burden. Indeed, a severe shock to the economy as a whole could lead to an inability to absorb the resulting unemployment and a large increase in public spending. Thus, this model may not adapt well to countries with a small public sector and may be inappropriate, at least initially, for countries in an unfavourable fiscal situation, with high unemployment. Moreover, the experience of other countries (Spain and Ireland and, outside the euro area, the United Kingdom) shows that it is possible to reduce unemployment with social models very different from the Danish one. Finally, the hypothetical transfer of this model to other European countries may meet with objections from social agents, which could lead to an unbalanced application of the various components of the scheme and a consequent reduction in its effectiveness.

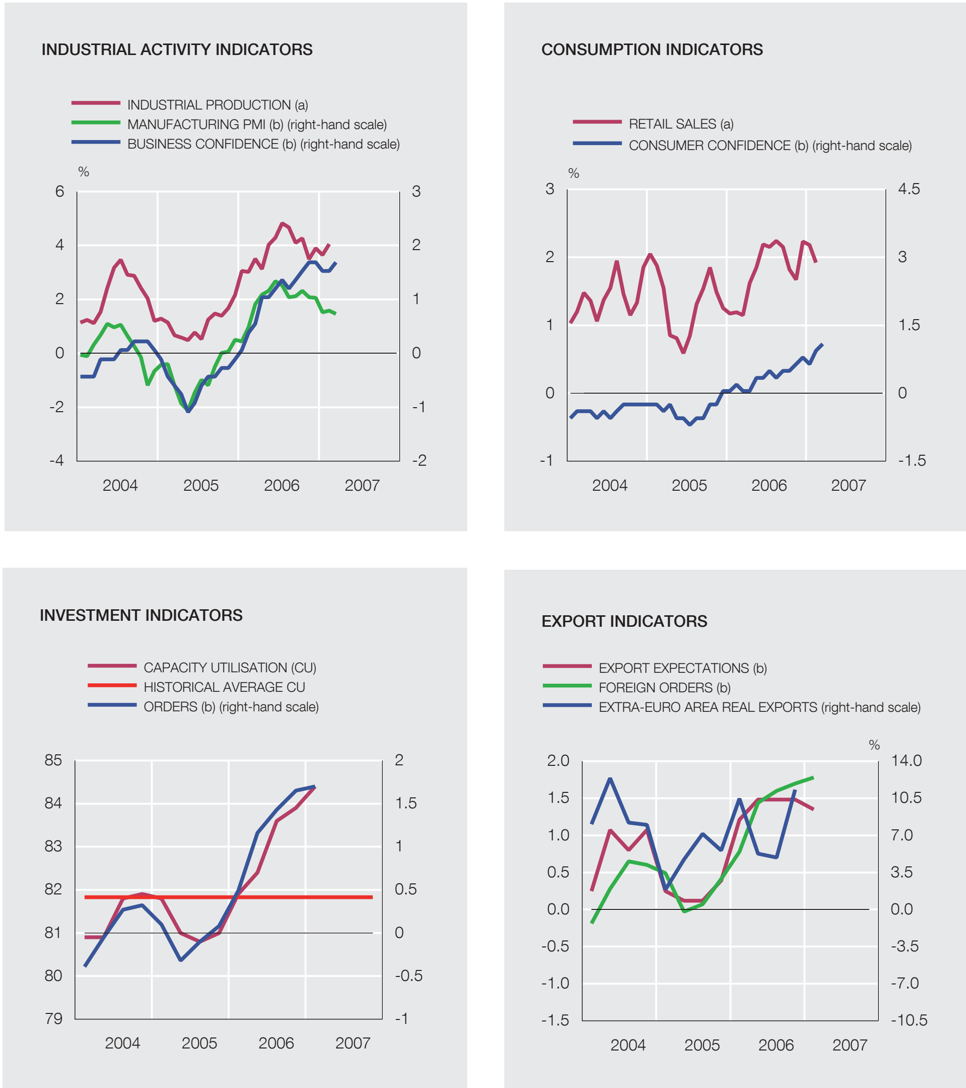
had an impact on the less volatile items of the HICP, but its effect on overall inflation was offset by the slowdown in the energy and unprocessed food components. As a result, the HICP excluding unprocessed food and energy accelerated from end-2006 and currently stands at 1.9% (up from 1.6% in December), its highest level since December 2004. The notable slowdown in energy prices was also behind the fall in the rate of growth of producer prices from November, although the prices of consumer durables and capital goods have accelerated, which may be a sign of the emergence of some indirect effects of past increases in the oil price.

Although the various forecasts available, and the indicators of inflation expectations, point to the maintenance of inflation in the short and medium-term at levels compatible with price stability, the risks are on the upside. First, the re-emergence of tensions in the oil market has led to a significant increase in the price of oil and further rises cannot be ruled out. Above all, however, there is a risk of higher-than-expected wage settlements, against a background of robust economic growth and continuous improvement in the labour market, which may also be conducive to a greater degree of pass-through of changes in the oil price to other consumer prices. The appreciation of the euro effective exchange rate in the first part of the year, if maintained, would tend to mitigate these risks.

According to estimates published by the ECB, the current account deficit amounted to €6 billion in January 2007, as against €10.1 billion in the same month of 2006. This reduction in the current account deficit was prompted by the decline in the goods deficit (thanks to higher year-on-year growth of exports than imports) and the transfers deficit. At the same time, there was a significant inflow of capital in the form of portfolio invest-

EURO AREA. REAL INDICATORS

CHART 10



SOURCES: Eurostat and European Commission.

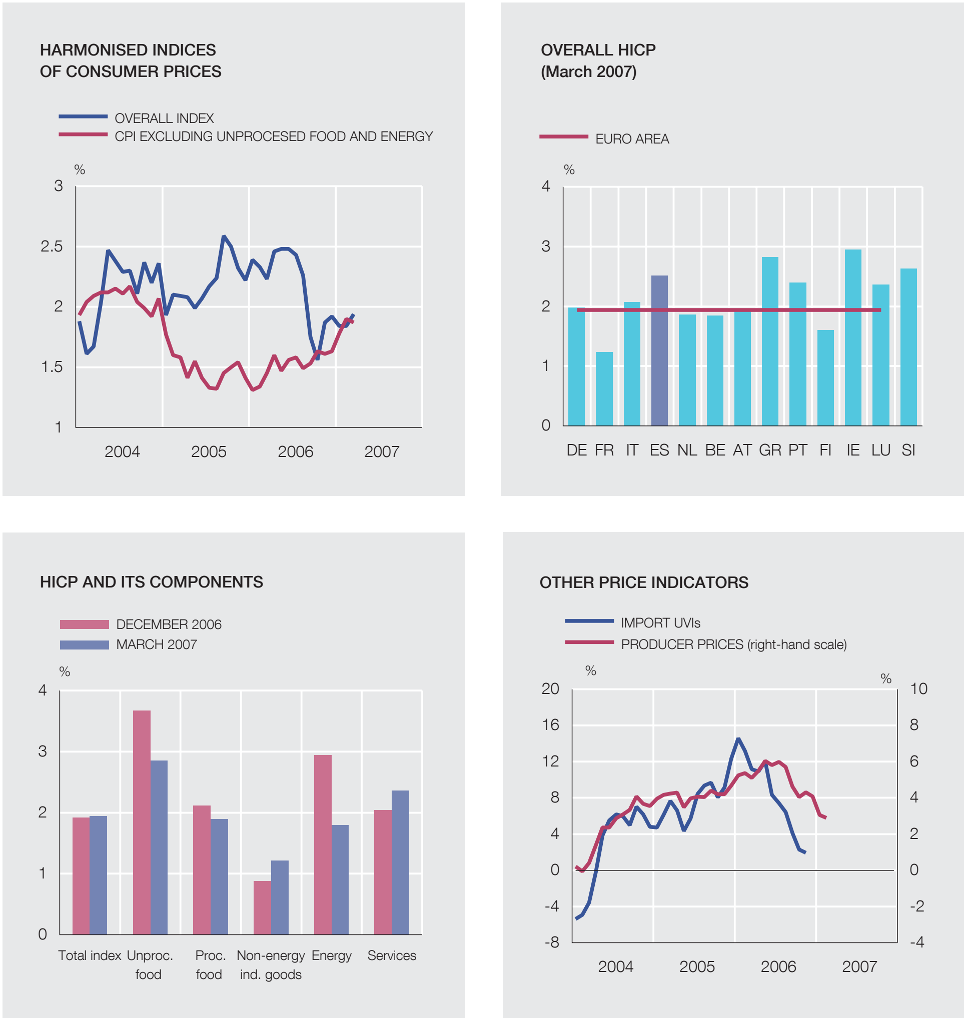
a. Non-centred annual percentage changes, based on the quarterly moving average of the seasonally adjusted series.
b. Normalised data.

ment in January, of €39 billion, which far exceeded both the net outflows of direct investment and the current account deficit, so that, in that month, there was a positive basic balance of €28 billion, in stark contrast to the cumulative deficit of €49.4 billion in January 2006.

With regard to fiscal policy, the latest notifications made by the euro area Member States to the European Commission in spring indicate that the budget deficit for the area as a whole may have been 1.6% of GDP in 2006, down 0.9 pp from 2005 (see Table 2). The reduction of the general government deficit would have been the result of higher-than-expected revenues and the strength of activity in the area. This estimate contrasts with the more pessimistic forecast published by the European Commission in its autumn report last November, which put the deficit at 2% of GDP. As regards the debt ratio, according to the most recent notifications it fell from 70.5% in 2005 to 69% in 2006.

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

CHART 11



SOURCES: Eurostat and European Central Bank.

The improvement in budget balances was seen across all the members of the euro area. Among the countries subject to an excessive deficit procedure, Italy was the only one to record a deterioration (of 0.2 pp) in its budget balance in 2006, to 4.4%, owing to certain exceptional factors. Among the rest, Germany, Greece and Portugal significantly reduced their fiscal deficits, to below 3% in the case of the first two countries (1.7% and 2.6%, respectively) and to 3.9% in the case of the latter. Finally, the budget deficit in France improved by 0.5 pp in 2006 to 2.5% and, since the balance was below 3% for the second consecutive year, the ECOFIN Council decided in January to abrogate the excessive deficit procedure for this country.

The Commission has not yet published the cyclically adjusted primary balance based on the new information provided by the notifications. Preliminary estimates anticipate that the fiscal policy stance during 2006 may have been neutral or contractionary (see Box 3). As for 2007, the Stability Programmes presented between December 2006 and January 2007 assume that the deficit will fall to about 1.4% of GDP. However, it should be noted that, since the reduction in the deficit in 2006 was sharper than foreseen in these programmes and that the growth outlook for 2007 is also favourable, one might have expected a more ambitious improvement this year.

GENERAL GOVERNMENT BUDGET BALANCES
OF EURO AREA COUNTRIES (a)

TABLE 2

% of GDP

	2004	2005	2006 (b)	2006 (c)	2007 (d)
Belgium	0.0	-2.3	-0.3	0.2	0.3
Germany	-3.7	-3.2	-2.3	-1.7	-1.5
Greece	-7.9	-5.5	-2.5	-2.6	-2.4
Spain	-0.2	1.1	1.5	1.8	1.0
France	-3.6	-3.0	-2.8	-2.5	-2.5
Ireland	1.4	1.0	1.2	2.9	1.2
Italy	-3.5	-4.2	-4.7	-4.4	-2.8
Luxembourg	-1.2	-0.3	-1.0	0.1	-0.9
Netherlands	-1.8	-0.3	0.0	0.6	0.2
Austria	-1.2	-1.6	-1.4	-1.1	-0.8
Portugal	-3.3	-6.1	-4.6	-3.9	-3.7
Slovenia	-2.3	-1.5	-1.6	-1.4	-1.5
Finland	2.3	2.7	2.8	3.9	2.8
PRO MEMORIA: Euro area (including Slovenia)					
Primary balance	0.3	0.5	0.9	1.4	
Total balance	-2.8	-2.5	-2.0	-1.6	-1.4
Public debt	69.7	70.5	69.4	69.0	68.0

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. European Commission forecasts (autumn 2006).
c. Spring 2007 EDP notification.
d. Targets of the stability programmes presented in late 2006 and early 2007.

3.2 Monetary and financial developments

In 2007 Q1, at its March meeting, the Governing Council of the ECB raised official interest rates by a further 25 bp, after identifying the existence of upside risks to the maintenance of price stability over the medium term. These were principally related to the possibility (in the current context of strong growth in activity and employment) of higher-than-initially-projected wage settlements. At its April meeting, the Governing Council of the ECB decided to keep interest rates unchanged, but confirmed the existence of the same risks and assured that it would monitor economic and monetary developments very closely in order to avoid such risks materialising. As a result of these decisions, the interest rate on its main refinancing operations stood at 3.75%, while those on its marginal deposit and lending facilities were 2.75% and 4.75%, respectively (see Chart 12). Despite the somewhat more restrictive nature of monetary policy, its stance continued to be accommodative.

Financial variables in 2007 Q1 followed the same trend as at the end of 2006, although in March it was temporarily interrupted by the bout of turbulence that hit world markets. This episode demonstrated the low level of risk aversion that seems to predominate among investors, which means that this turbulence may be repeated in future.

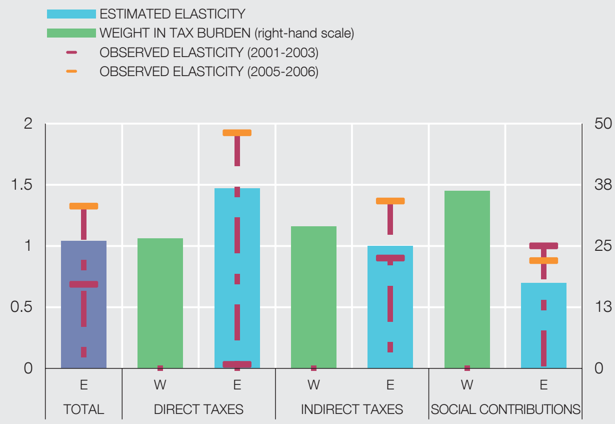
The money market yield curve shifted gradually upwards during Q1, in step with expectations of official interest rate rises. On public debt markets, long-term yields are currently slightly above the levels at which they held, subject to some fluctuation, during the first two months of the year, having recovered from their fall in the first half of March. Despite behaving very

As a percentage of GDP, the general government primary surplus of the euro area as a whole rose by 0.8 pp last year. The size of this improvement immediately raises the question of the respective contributions of the business cycle and the discretionary actions of the authorities, given the significant implications of the answer for economic policy. This is not obvious, however, since the methods used to obtain the cyclical component of budget balances are somewhat imprecise. Essentially, these measures are based on the result of multiplying the weighted elasticities of the various revenue and expenditure items with respect to the output gap (taken as a measure of the economy's cyclical position) by the output gap itself, there being two specific features of the procedures that may give rise to imperfections in the calculations.

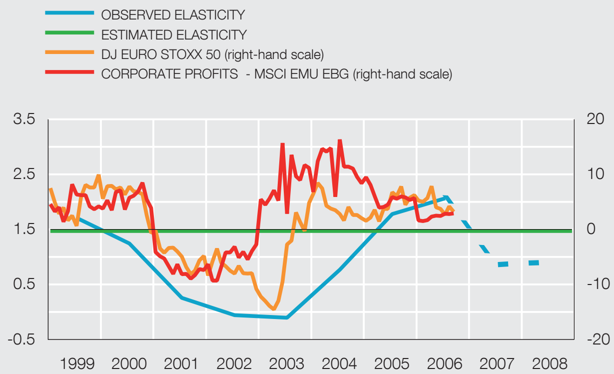
The first of these features is that the budgetary elasticities with respect to the output gap are estimated on the basis of historical data, being considered constant for the sample as a whole. However, elasticities, far from being fixed, fluctuate considerably. Thus, the aggregate elasticity of revenues as a whole (whose estimated value is approximately equal to one) stood, in practice, at around 0.7 on average over the period 2001-2003 and 1.3 between 2005 and 2006 (see Chart 1). By category of revenue, the largest fluctuations corresponded to direct taxes, whose elasticities in each of these two stages were 0 and 1.9, respectively, so that this component explains a very high proportion of the changes in total elasticity. This elasticity has a very high correlation with the business cycle itself, as measured by the changes in the output gap. Consequently, the cyclical adjustment through these procedures may be incomplete, so that the size of the cyclical component of the budget balance may be, in absolute terms, underestimated. As a result, during expansionary phases, the assessment of the underlying position of public finances, based on the usual calculations, may be more favourable than the real one, the opposite being the case in periods of reduced economic buoyancy.

To understand the reasons behind the cyclical fluctuations in the estimated elasticities, it should be borne in mind that these are, in fact, calculated as the product of the elasticities of the various budget headings with respect to their bases and of the bases themselves

1 TAX ELASTICITIES WITH RESPECT TO GDP IN THE EURO AREA

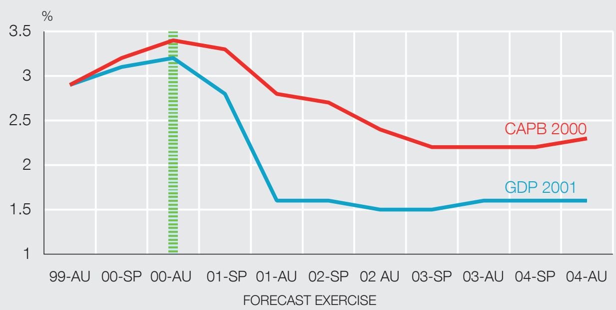


2 ELASTICITIES OF DIRECT TAXES AND CORPORATE PROFITS WITH RESPECT TO GDP



3 REVISION OF CAPB ESTIMATES (a)

4 ESTIMATES OF CAPB FOR 2000 AND OF GDP FOR 2001 (b)



SOURCES: Thomson Financial Datastream and EC spring and autumn forecasts (various numbers).

a. For each year t three forecast exercises are depicted: those of the autumn of t, the spring of t+1 and autumn of t+1. The direction of the arrows indicates the direction of the revisions.

b. SP and AU denote the spring and autumn forecast exercises respectively. The broken line centred on the autumn 2000 forecast indicates the point from which the revisions to the 2000 CAPB cannot be explained by the inclusion of discretionary measures.

with respect to the output gap. Chart 2 illustrates two possible causes that would explain the cyclical fluctuations in the elasticity estimated for direct taxes as a whole. First, when calculating the elasticity of the taxes on household and corporate income, the bases are approximated, respectively, by wage income and the gross operating surplus, without taking into account other components thereof, such as capital gains on real estate and financial assets. Since the prices of housing and shares behave cyclically (as seen in the chart in the latter case), the estimated elasticity tends to underestimate the cyclical component of the direct taxes levied on households and firms. Second, the profits of euro area companies (the corporate income tax base) grew at negative rates in 2001 and 2002, which makes it very likely that, in comparison with other phases, a larger proportion of firms recorded losses in this period. Given the possibility of deducting previous years' losses from the base, it is possible that, in the immediately following years, revenues rose less than proportionately relative to profits.

The second feature relates to the fact that, in order to obtain the output gap, the level of potential output has to be calculated. This is done using moving averages of GDP growth, including forecasts to make up for the lack of future observations. This fact influences the cyclical position estimated in the latter years of the sample; a downward revision to the forecast growth results in a lower estimate of potential output for the immediately preceding periods already elapsed and, consequently, a larger output gap and cyclical component for the budget balance and, for a given actual balance, a lower cyclically adjusted primary balance (CAPB). Chart 3 shows, for each year since the start of monetary union, the estimates of the CAPB made by the European Commission in the autumn of each year and in the spring and autumn of the following year, as well as the GDP growth forecasts for this latter period made at each of these three times. As can be seen, in the period 2000-2004 (except in 2003), the successive downward revisions to the short-term GDP growth outlook led to revisions of the same sign in the estimate of the CAPB. It is important to stress that the changes in the calculated CAPBs, which are shown in the chart, are not due to the adoption of discretionary measures, since, for each year, the first of these three assessments was made in October or November, i.e. when the budget year was practically over. In particular, the revision to the CAPB after one year was more than half a percentage point in 2000 and 2002.

The combination of these two features provides a plausible explanation for the deterioration in the euro area's public finances over the period 2001-2003. The year 2000 was one of highly buoyant economic activity and, therefore, the observed elasticity of direct tax revenues was relatively high, so that the CAPB tended to be overestimated. In this context, various governments of the area reduced taxes, probably partly as a result of their interpreting the underlying situation of public finances as being sufficiently solid to enable such measures to be adopted. However, from 2001, there was a sharp, unexpected (and, moreover, prolonged) slowdown in GDP which, given the method of calculating output gaps, led to successive downward revisions to the CAPB for 2000, the result being that the current estimate of this variable is 1.1 pp lower than the one available in the autumn of that year (see Chart 4).

In any event, the experience of 2000 is, in the current situation, particularly valuable from the point of view of economic policy. This is because there is a risk that the portion of the improvement in the actual primary balance in 2006 that is attributable to discretionary factors may be interpreted as being greater than it really was, which may lead to a relaxation of the drive to correct imbalances. The consequences of such a mistaken interpretation would be more serious should the current favourable cyclical conditions change, so the authorities need to be prudent when designing their fiscal policy for the coming year.

similarly, bond rates in the United States declined further than in the euro area causing the yield spread to narrow in April, to 50 bp. The rise in official interest rates has also continued to drive up the rates applied by credit institutions in their loan and deposit transactions (see Chart 13).

During the first three months of the year, the average euro nominal effective exchange rate stood in line with its value in December, given that the appreciation of the European currency in February and March made up for the depreciation in January, basically reflecting the behaviour of the euro against the US dollar and the pound sterling. However, in the first few weeks of April, the upward trend in the euro strengthened, with a rise (relative to the average of the previous month) of almost 1% in nominal effective terms and close to 2% with respect to the US dollar.

As regards equity markets, the favourable outlook for corporate earnings (in a context of solid economic growth) enabled stock markets to remain on the upward path they were following in

EURO AREA INTEREST RATES

CHART 12

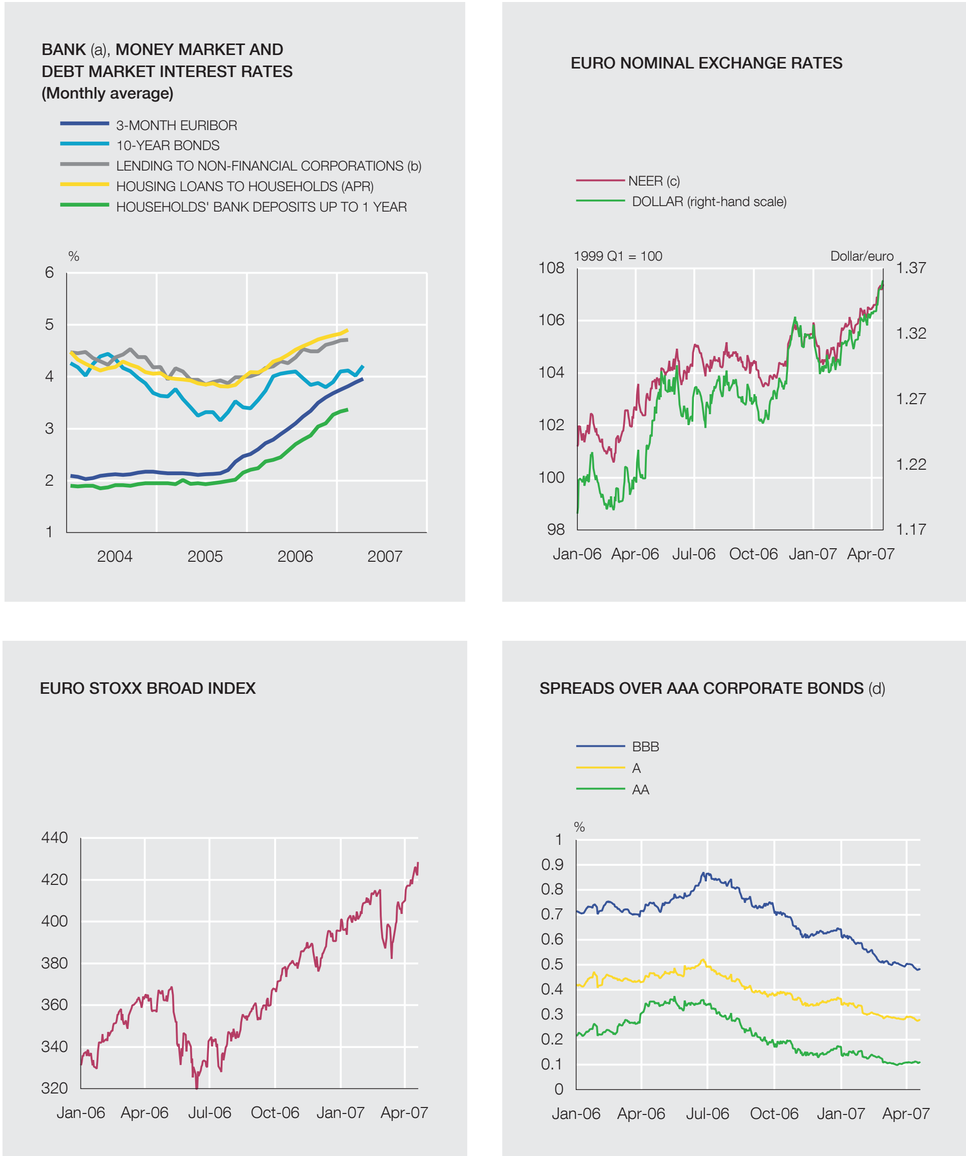
SOURCES:European Central Bank and Banco de España.

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

2006 Q4. However, dragged down by world stock markets, European markets recorded significant losses between end-February and mid-March, although they have since resumed their upward trend. Thus, in 2007 Q1 the EURO STOXX index rose by 3.4%, while in April it rose by a further 5%. However, these gains have taken place amid greater volatility and, according to some analysts, the assumption of greater risk. In any case, corporate bond spreads have narrowed gradually during the year to date, and were unaffected by the market turmoil.

With regard to monetary aggregates, M3 grew by 10% in February, prolonging the upward course displayed by this aggregate since the middle of last year (see Chart 14). This strong monetary expansion reflects the still moderate level of interest rates and the strengthening of economic activity in the euro area. The slight acceleration of M3 in February also extended to M1, owing to the higher growth in deposits, although the growth rate of this aggregate held steady with respect to its average level in 2006 Q4.

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

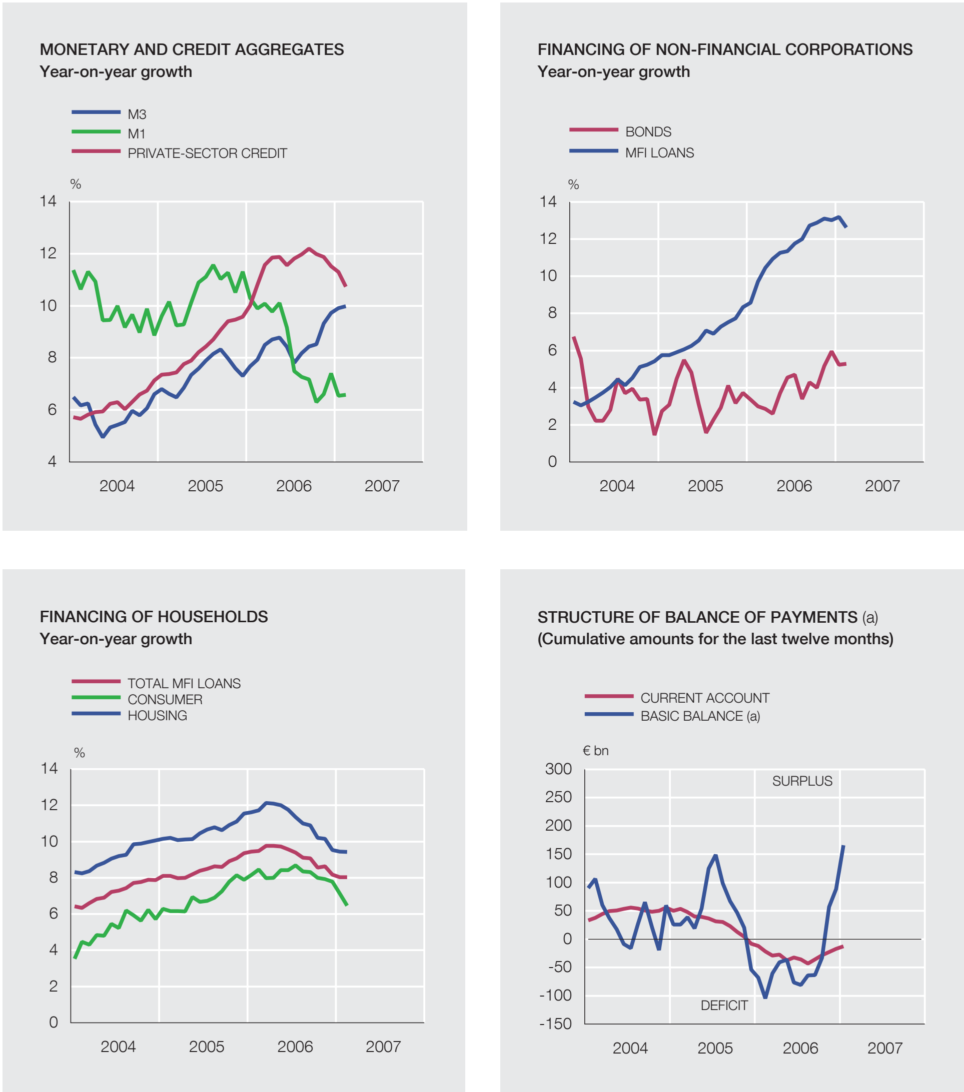


SOURCES: Banco de España and European Central Bank.

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 (EER-23) . Narrow group of currencies defined by the ECB.
d. Euro-denominated bonds issued by non-financial corporations.

By contrast, credit to the private sector, and its main component, loans, recorded falls in their rates of growth in February, for the fifth consecutive month (in the latter case to 10.3%, from 10.8% last December). By agent, the loans granted to non-financial corporations remained highly buoyant and only slowed in February, to a rate of 12.6%. According to the Bank Lending Survey corresponding to 2006 Q4, this buoyancy was a result of the large financing needs linked to investment in fixed capital and inventories and to working capital, as well as, once again, to mergers and acquisitions. In the first two months of 2007, loans granted to households continued the slowdown initiated in 2006 Q2, thanks to the notable deceleration of consumer loans (partly offset by the acceleration in those for other purposes) and, to a lesser extent, in loans for house purchase, which still grew at very high rates however (9.4% in February). Finally, developments in credit to the private sector con-

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.

tinued to vary greatly across countries. That said, moderation in the growth rate of credit to the private sector is a characteristic common to the main countries of the euro area, except Italy.

On QNA estimates, year-on-year GDP growth in 2006 Q4 was 4%, 0.2 pp up on the previous quarter. This was due to the 0.1 pp acceleration in national demand to 4.7%, and to an improvement by the same proportion in the contribution of net external demand to output, to –0.9 pp. In quarter-on-quarter terms, GDP increased by 1.2%, the highest rate for the year. The information available suggests the GDP growth rate will hold at 4% in 2007 Q1 (1% in quarter-on-quarter terms), the result of the stability of both national demand and of the contribution of the external sector (see Chart 15). National demand is expected to have been underpinned this quarter, as in the last, by the dynamism of investment in equipment and by the resilience of private consumption, while investment in construction is estimated to have eased off slightly. A slowdown in both exports and imports of goods and services is projected for this period compared with the end-2006 rates, leaving the contribution of net external demand unchanged.

From the standpoint of value added, the stability in the rate of expansion of output in the opening months of 2007 was broadly reflected in all branches of activity, with the firming of the pick-up in the industrial branch to the fore. Turning to employment, it is estimated that numbers employed continued to grow at a high rate of around 3% in 2007 Q1, meaning there will have been no further advances in apparent labour productivity. Unit labour costs are forecast to have slowed slightly as a result of the moderation of compensation per employee, which evidences a limited impact of the activation of the indexation clauses in 2006 collective bargaining agreements, thanks to the lower rate of inflation at which that year ended. The slowdown in inflation continued in the opening months of 2007, albeit with less intensity than in the previous quarter. The 12-month growth rate of the CPI dipped by 0.2 pp to 2.5% in March, owing to the fall in energy prices on a year earlier, while underlying inflation stood in March at the same level as in December 2006 (2.5%).

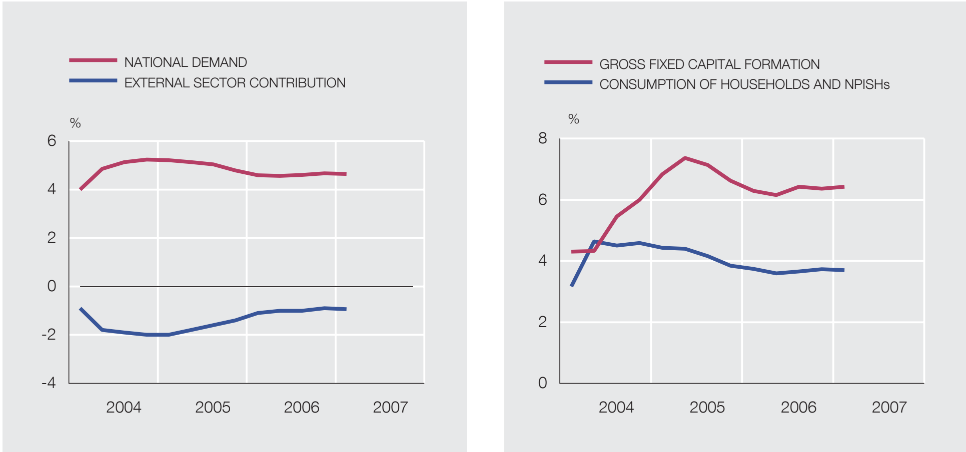
4.1 Demand

In 2006 Q4, Spanish household final consumption spending held at 3.7% in year-on-year terms, prolonging the path of relative strength observed practically throughout the year. The latest conjunctural information suggests that private consumption will have grown at a similar rate in 2007 Q1. The synthetic indicator of private consumption of goods and services offers a distorted profile in the opening months of 2007 as it is affected by a base effect, linked to the exceptional volume of imports recorded in early 2006; however, its underlying trend is one of stability. Along these same lines are the January and February figures drawn from the tax authorities for large corporations' sales, which point to a mild acceleration in consumer services, and in the retail sales index, which showed a significant increase in the same period. Consumer confidence held virtually stable in 2007 Q1, following the improvement in late 2006. New car registrations fell in the first three months of the year (see Chart 16).

Drawing on figures for 2006 Q4 from the non-financial accounts of the institutional sectors, private consumption in 2006 outpaced the related disposable income, meaning that the saving ratio fell once again, to 10.1%. For the current year, an acceleration in real household disposable income is expected, based on the moderation of inflation and on lower tax payments (the result of the personal income tax reform which came into force at the beginning of the year), which would offset the income-reducing effect exerted by net interest payments. Foreseeably, however, consumption will not grow by the same proportion as income in 2007 and the saving ratio will recover, against a background of interest rate increases. Household wealth has continued slowing, with stock market prices showing less momentum and real estate

MAIN DEMAND AGGREGATES (a)

CHART 15

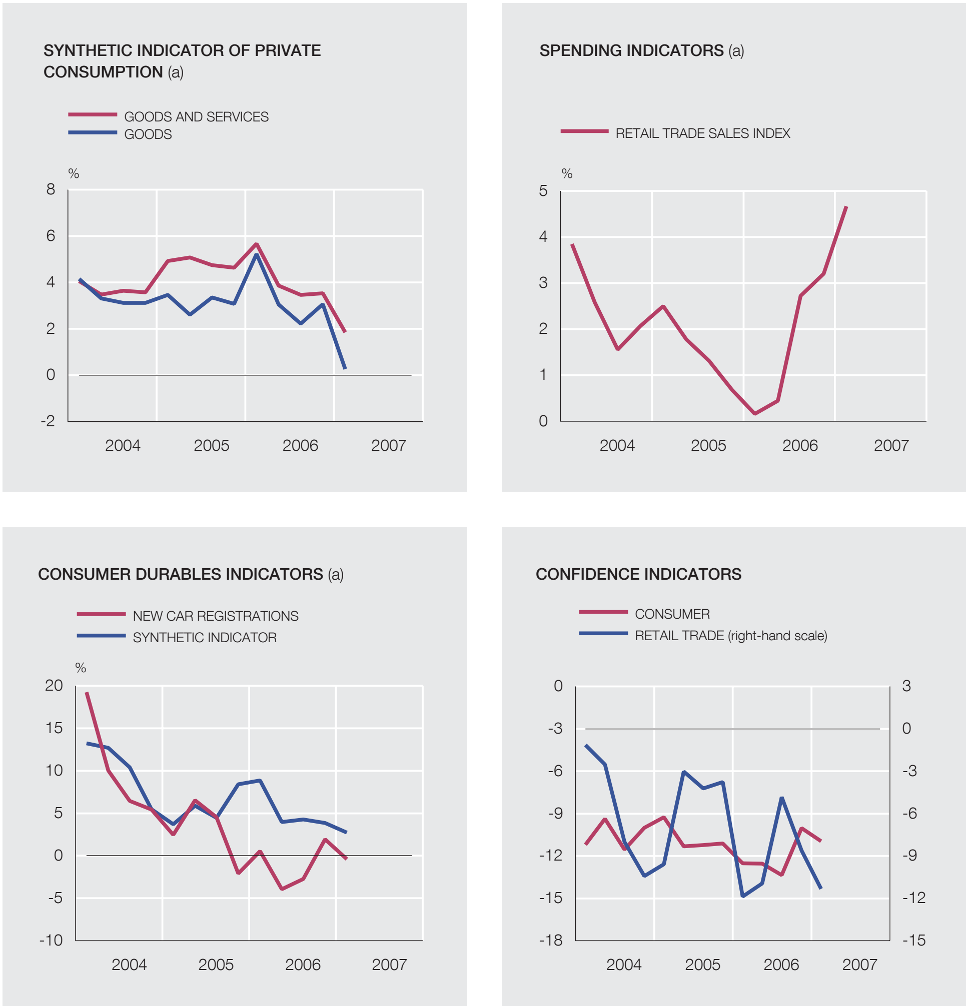


SOURCES: INE and Banco de España.

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

PRIVATE CONSUMPTION INDICATORS

CHART 16



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

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

wealth posting a more modest growth rate, in view of the moderation in house prices, which increased at a year-on-year rate of 7.2% in 2007 Q1 compared with 9% in 2006 Q4.

General government final consumption rose by 0.7 pp in 2006 Q4 to 4.9%. This component is forecast to slow in 2007 Q1 on the basis of a smaller increase both in compensation per employee and in net purchases of goods and services.

Gross fixed capital formation held in 2006 Q4 at the notable pace recorded the previous period (6.4% year-on-year). This was the outcome of a 1.8 pp acceleration in investment in capital goods, to 11.4%, and of a smaller expansion in investment in construction and other products, which posted rates of 5.7% and 1.7%, respectively. The information available for Q1 points to the continuing strength of fixed capital investment, with growth by component relatively similar to that recorded at end-2006.

In fact, the indicators relating to investment in capital goods reveal the continuing dynamism of this component. The indicator of apparent investment in capital goods, calculated with incomplete data for 2007 Q1, is holding at a notable growth rate, based on the robustness of the domestic output of these goods. Further, the business confidence indicator for the industry improved in Q1, accompanied by the favourable trend of orders, specifically those relating to the capital goods industry (see Chart 17).

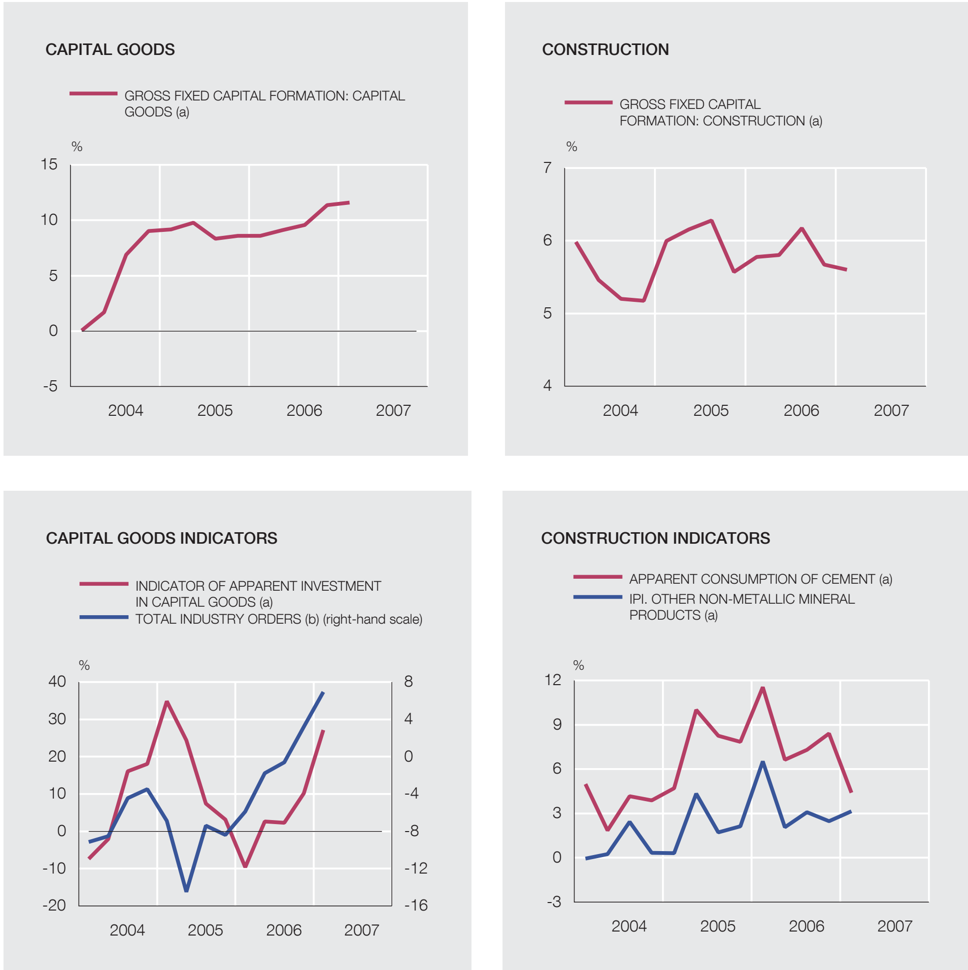
The recent trend of investment in equipment has been underpinned by the buoyancy of business activity, favoured by the strength of domestic demand and by the recovery in exports. This has countered the adverse effect of tighter financing conditions. Drawing on figures from the quarterly non-financial accounts of the institutional sectors for 2006 Q4, non-financial corporations' profits were quite favourable, with the gross operating surplus quickening to 7.5%. However, there was also a significant increase in the financial burden and in the debt ratio, the reflection of which was a worsening in the indicator of financial pressure on investment in 2006.

Investment in construction climbed by 5.7% in 2006 Q4, down on the growth rate the previous quarter. The latest conjunctural information points to a slight easing in 2007 Q1. The production of construction materials posted a similar rate of increase in January and February as a whole as in the closing months of 2006, while the apparent consumption of cement slowed mildly during this period (see Chart 17). The rate of increase in Social Security registrations in this sector dipped slightly in Q1, though it remained on a high scale, and registered unemployment fell at a similar rate to that of the previous quarter. Finally, confidence among construction companies eased off in the opening months of the year, as a result of a decline in expected demand for the coming months.

By type of work, housing increased by 5% in 2006 Q4, clearly down on the previous quarters, while other construction rose to 6.4%. According to the information provided by the Ministerio de Fomento's work approvals statistic, allocated in time according to a project execution schedule, residential construction in 2007 Q1 might maintain the growth rate in line with 2006 Q4, although there is uncertainty about the pace at which work projects approved in 2006 may be executed, as such projects increased significantly before the entry into force of the Spanish Technical Building Code. As regards non-residential building and civil engineering works, the admittedly scant and uncertain conjunctural information suggests the vigour of the previous quarter will be maintained in the first three months of 2007. Specifically, government procurement figures point to some stability in the growth of this type of work, consistent with the completion of certain public investment projects before the elections next May.

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.

On the latest QNA data, the contribution of net external demand to GDP growth improved by 0.1 pp in 2006 Q4 to -0.9 pp, prolonging the path of correction in place since mid-2005. This slight recovery in net external demand was due to a pick-up in exports of goods and services to a year-on-year rate of 7.3%, and to an acceleration in total imports to 8.8%. In 2006 as a whole, the external sector subtracted 1 pp from GDP growth (0.7 pp less than in the previous year), in a year in which foreign trade flows gained momentum, reflecting a sizeable recovery in goods and services exports (to 6.2%), which was accompanied in turn by a rise in imports (to 8.4%). The as yet incomplete information for 2007 Q1 points to a mild slowdown in both exports and imports, meaning that the contribution of net external demand should have held stable (see Chart 18).

In 2006 Q4, the year-on-year rate of increase in real goods exports rose to 5.7%, up from 3.4% the previous quarter, though it failed to attain the rates posted at the beginning of the year. The latest Customs information shows lower growth in real exports in the first two months of the year, with a rate of change of 3.8%, compared with 4.7% in 2006 Q4. By geographical area, real goods sales to the euro area grew by 3.5% in the January-February period, slightly down on the end-2006 figure, when they climbed by 4%. Real non-euro area sales were more robust in the first two months of the year, posting a rate of expansion of 7.5%, similar to that in 2006 Q4. In terms of goods, the most dynamic components in the January-February period

FOREIGN TRADE
Percentage change on year ago

CHART 18

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

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

were sales of food and non-energy intermediate goods, whose real growth rates were 8.2% and 6.8%, respectively.

On QNA figures, real exports of tourist services grew by 2% year-on-year in 2006 Q4, thereby prolonging the slightly slowing profile initiated from 2006 Q2. The latest available data point to some improvement. In Q1, the rate of increase in overnight stays by foreign visitors rose to 6.2%, compared with 2.8% at end-2006, while the number of foreign tourists increased by 5.3%, up on the figure of 2.5% the previous quarter. The nominal indicators of tourist expenditure were also more positive in the first two months of the year, with total tourist expenditure rising by 3.6%, though this was accompanied by a decline of 0.6% in average spending per tourist. In terms of national markets, there was a decline in the number of British tourists in Q1 (-1.9%) which ran counter to the favourable figures for tourists from Germany and France (increases of 6.1% and 8.2%, respectively), while the numbers of other European tourists were generally on an expanding course.

Real exports of non-tourist services rose in 2006 Q4 to 21.2%, according to QNA figures, discontinuing the slowing profile evident in Q2 and Q3. In 2006 as a whole, they grew by

13.7%, virtually doubling the rise recorded the previous year. This was thanks to the buoyancy of some of their main items, such as freight and passenger transport and business services. Other lesser items, such as construction and financial services, audiovisual services and royalties, showed most sizeable growth.

In keeping with QNA figures, real goods imports quickened in 2006 Q4 to a year-on-year rate of 8.6%, up from 7% the previous quarter. Customs data for January and February show moderation in the related growth rate to 8%. In terms of products, exports of capital goods (23% in real terms) were notably buoyant, this figure being partly affected by an exceptional shipbuilding order. The resilience of real imports of non-energy intermediate goods (13.3%) continued in this period, owing to the vigour shown by intermediate products aimed at the metalworking, transport equipment, electrical and chemical industries. In contrast, consumer goods imports fell off in the first two months of the year (-3.3% in real terms) due to a base effect, since the first two months of 2006 saw abnormally high volumes of imports of these goods, especially textiles.

Finally, in QNA terms, the performance of real services imports resumed a very favourable course in 2006 Q4, posting a year-on-year growth rate of 9.8%. This was the outcome of the momentum of non-tourist services imports (10.4%), especially those relating to business services and to transport, and of imports of tourist services, which grew by 7.3%, driven probably by the strength of the euro in this period.

4.2 Output and employment

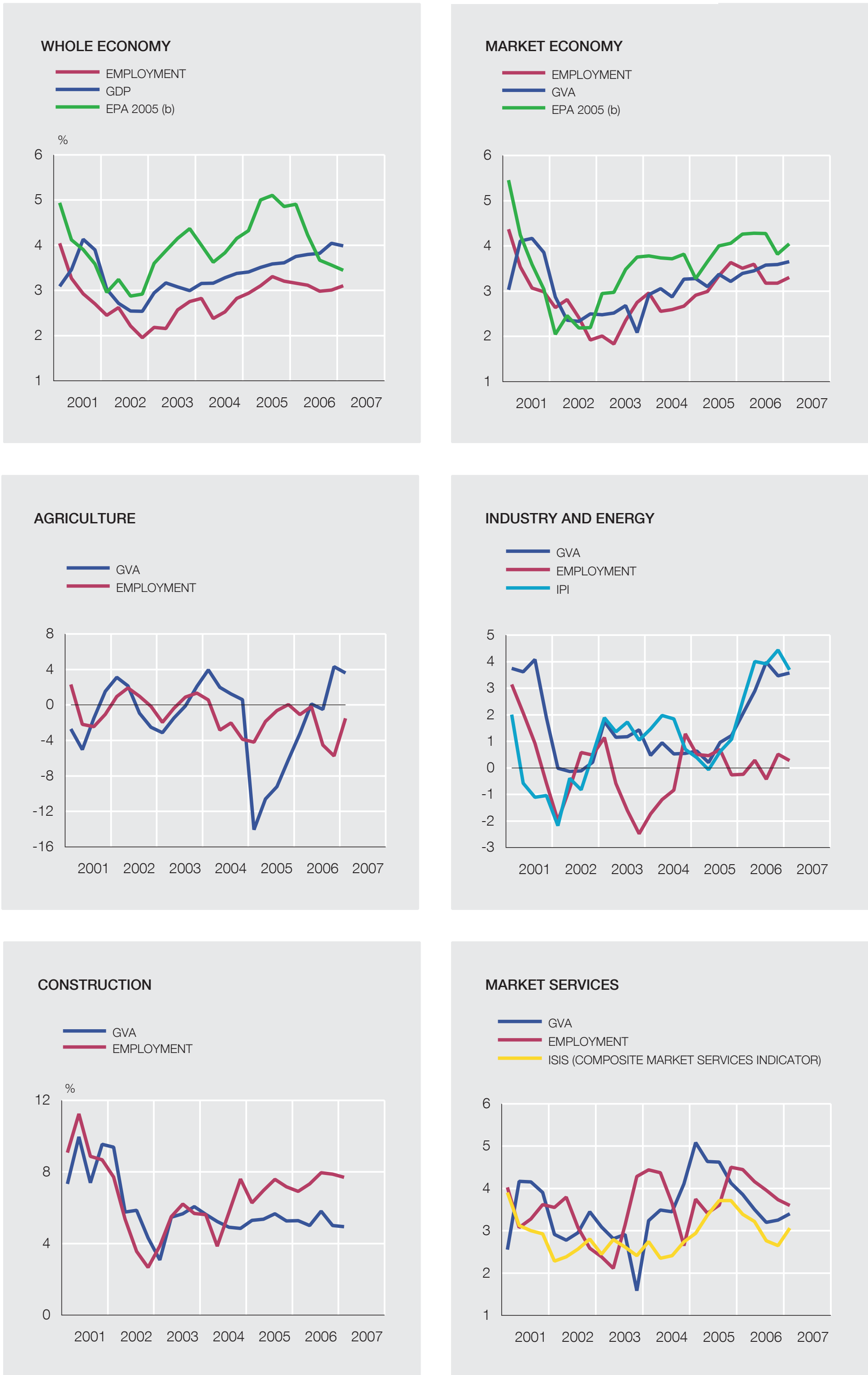
The market economy ended 2006 showing dynamism similar to that in Q3. As a result, growth in the related gross value added held stable at 3.6%, according to QNA figures. In terms of the productive branches, the strength of the manufacturing sector and the recovery in the agriculture and fisheries branches were salient, while the rate of increase in construction declined. The indicators available for 2007 Q1 suggests these patterns will continue, whereby value added is expected to post a similar annual rate of change to that of the previous quarter (see Chart 19).

Activity in the agricultural and fisheries branches increased appreciably in late 2006, following several quarters of practically nil or negative growth. On QNA data, GVA in this branch grew by 4.3%, compared with the contraction of 0.5 pp in Q3. This recovery was due to favourable weather which boosted vegetable output. In contrast, livestock production contracted in 2006 as a whole following its recovery in 2005. The outlook for 2007 points to a mild slowdown, insofar as the rainfall observed during the winter has not been abundant, although the final outcome will depend on the pattern of rainfall during the spring.

The energy and industrial branches slowed in 2006 Q4, with growth per QNA figures of 3.5%, compared with 4% three months earlier. However, this loss of momentum was prompted by activity in the energy branch which, given the lower consumption of energy caused by mild November and December temperatures, contracted by 2.1%. In contrast, industrial activity continued to quicken, reaching a growth rate of 4.4%, 0.4 pp up on Q3. This was thanks to the force of the demand for intermediate goods in the market services branch, exports and investment in capital goods. On the information available, the robustness of industry has been sustained in 2007 Q1. The non-energy component of the industrial production index grew at a year-on-year rate of 5.7% in the January-February period (in calendar-adjusted terms) and turnover indices remained highly dynamic in the same period. The employment indicators confirm the robustness of this branch, with Social Security registrations accelerating and registered unemployment diminishing. Regarding the opinion-based indicators, the European Commission's confidence indicator improved in Q1 and the manufacturing PMI continued to show the sector to be expanding in this period, albeit less sharply than in the previous months.

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

CHART 19



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

a. Year-on-year percentage rates based on seasonally adjusted series, except in the case of EPA, when they are based on gross series. 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.

Following a rise in 2006 Q3, construction activity slowed in the final quarter to a similar rate of change as that in the first half of the year (5%). As discussed in the previous section, this loss of steam was centred on residential building, while the other components of construction, namely civil engineering works and non-residential building, remained very strong. On the information available, activity in this branch is expected to have eased slightly in 2007 Q1.

Services activities gathered momentum in 2006 Q4, with a 0.2 pp rise in the related year-on-year rate of growth to 3.5%. This increase was more sharply seen in non-market services, which quickened by 0.7 pp to 4.5%. In the case of market services, there was a much more moderate increase of 0.1 pp to 3.3%. On the conjunctural information available, it is believed this greater momentum might have continued in 2007 Q1. The respective growth rates of sales by large corporations, with information to February, and Social Security registrations in this branch, with figures to March, have increased on 2006 Q4. However, the European Commission's confidence indicator for the sector and the related PMI fell off in 2007 Q1 as a whole.

In 2006 Q4, on QNA figures, the pace of employment creation economy-wide remained highly dynamic, with a year-on-year rate of increase holding stable at around 3%. Given the greater vigour of the economy in this final quarter, there was a recovery in apparent labour productivity for the whole economy, which stood at 1%, 0.2 pp up on the Q3 figure. The main employment indicators paint a favourable picture for the opening months of 2007, in which the level of employment might be expected to expand at a slightly higher rate than that at the end of the previous year. Social Security registrations were more dynamic in 2007 Q1, with growth of 3.5%, 0.3 pp up on Q4. New hires, following the rise posted in late 2006, resumed the mildly slowing path seen in the rest of the year, with growth in the period January-March 2007 of 5.3%, 2 pp down on 2006 Q4. Finally, the EPA (Labour Force Survey) data for Q1 pointed to a continuing high rate of job creation, with year-on-year growth of 3.4%, 0.2 pp below the rate observed a quarter earlier.

In terms of the productive branches, the last quarter of the year was marked by greater dynamism in job creation in industry and in non-market services, which offset the loss of momentum in the remaining branches. As a result, employment in 2006 Q4 in the market economy branches grew at the same rate as in the previous period, at 3.2%. Consequently, in the market economy there was no additional gain in apparent labour productivity, which stabilised at 0.4% following the significant pick-up in Q3. According to the EPA, employment in 2007 Q1 is expected to recover notably in agriculture, although it posted a negative rate of change in the industrial branches following the muted pick-up the previous quarter. In construction, the pace of job creation once again rose, to 9.4%, while in the services branches in slowed to 3.5%, compared with 4.3% in 2006 Q4.

The buoyancy of dependent employment in Q4 was somewhat greater than that in total employment, according to National Accounts figures, with a slight acceleration both in the whole economy (by 0.2 pp to 3.2%) and in the market economy (by 0.1 pp to 3.4%). The EPA figures for 2007 Q1 indicate stability in the growth of dependent employees (3.9%). The information drawn from Social Security registrations points to the strong dynamism of dependent employment, with a growth rate of 4.5% in Q1, while registrations in the self-employed segment remained as slack as in previous quarters.

On EPA data, the number of foreign employees increased in annual terms by 15.4%, somewhat down on the related rise in the previous period (18.7%). The number of national employees grew by 1.8%, 0.2 pp up on 2006 Q4. With regard to contract duration, the year-on-year growth in numbers of dependent employees with a temporary contract rose notably in 2007 Q1 to a rate of 6%, more than 0.2 pp up on the previous quarter. The year-on-year growth rate of employees with a temporary contract turned negative (-0.4%), following the strong increases in the preceding quarters. This entailed a quarterly decline in the ratio of temporary to total employees of almost 2 pp to 32%, which would reflect the sharp rise in the conversion of temporary contracts into permanent ones in late 2006, under the exceptional rebates process for such conversion which ended on 31 December. According to INEM hiring statistics, once this process had concluded, permanent hires slowed, although they moved at a higher rate than that of temporary hires. In February and March the volume of permanent contracts grew by 9.5%, following what was still high growth of close to 60% in January. Meanwhile, temporary contracts increased by 2.6% in Q1.

The labour force continued to be notably dynamic in Q1, although there was a slight slowdown in its growth to 2.8% year-on-year, 0.3 pp less than in the previous quarter. This slowdown in labour supply is attributable to a somewhat lower increase than in previous quarters in the participation rate, which stood at 58.6%, 0.6 pp higher than in the same quarter of the previous year, as the growth rate of the labour force held at a similar rate to the previous quarters (1.7%). If the participation rate is calculated with regard to the working population aged 16-64, as is usually the case in international comparisons, it rises to 72.2%. Finally, the number of unemployed increased in 2007 Q1 by around 45,000 in relation to 2006 Q4, although compared with the same period a year earlier it fell by 4.1%, a higher figure than in 2006 Q4. The INEM registered unemployment figures also show a sharper year-on-year rate of decline in unemployment, with a fall of 4.2% in 2007 Q1, compared with 3.4% in 2006 Q4. In Q1 the unemployment rate stood at 8.5%, 0.2 pp up on the previous quarter, but 0.6 pp down on a year earlier.

4.3 Costs and prices

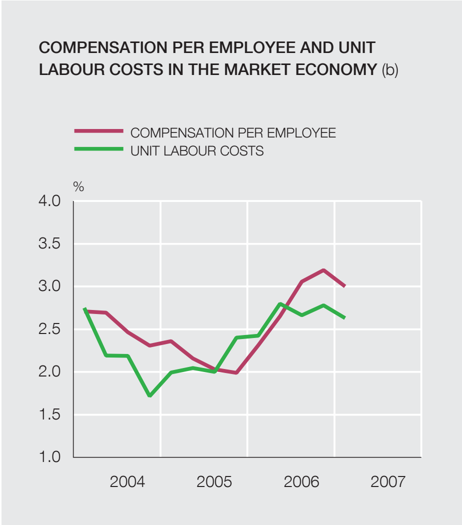
On QNA estimates, compensation per employee continued to move in 2006 Q4 on the accelerating path seen throughout 2006. Its rate of increase economy-wide rose by 0.3 pp to 3.9%. This rise was across the board, with the exception of industry, and was particularly sharp in non-market services. Indeed, compensation per employee in the market economy quickened by only 0.1 pp to 3.2%. This upward trend in wages is expected to be checked in 2007 Q1, partly because the estimated effect of the application of the 2006 indexation clause (0.3 pp) is far less than that of the previous year (0.9 pp), as a result of the lower inflation at the end of that year (2.7% in December 2006, 1 pp below that of the previous year) (see Chart 20).

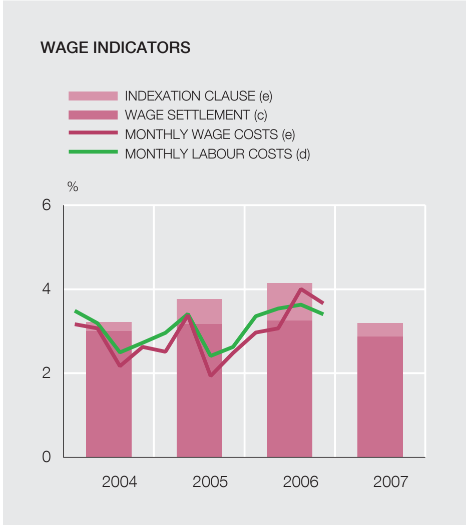
The start of bargaining in 2007 remains within the framework set under the Interconfederal Agreement for Collective Bargaining (IANC), the extension of which for 2007 was signed in early February. The information on collective bargaining agreements registered in 2007 Q1 reflects a slight fall in the rate of increase of wage rates to 2.9%, a figure consistent in principle with the IANC wage guidelines. Across the different branches, the biggest increases in wage rates were signed in construction (close to 4%) and in agriculture, while in industry and in services they slowed to 2.8%.

The acceleration in compensation per employee in 2006 Q4 was not fully offset by the slight improvement in apparent labour productivity. As a result, unit labour costs rose by 0.3 pp to a year-on-year growth rate of 3.2%. In contrast, the growth rate of the value added deflator declined by 0.7 pp to 3.1% year-on-year, reflecting some stability in unit margins. This same behaviour could be seen in the market economy, albeit with less intensity (see Chart 21). The indicators available for 2007 Q1 point to a more moderate expansion in unit labour costs economy-wide, which might be reflected not in a fresh slowdown in the deflator but in a recovery in the growth of margins.

WAGES AND LABOUR COSTS (a)

CHART 20





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

a. Percentage change on same period a year earlier.
b. Rates based on QNA seasonally adjusted series.
c. Information from collective bargaining agreements to March 2007
d. Settlement in the year to date.
e. ETCL (quarterly labour costs survey).

The year-on-year rate of increase in the final demand deflator fell by 0.3 pp in 2006 Q4 to 3.5%. This was the result of the slowdown both in the imports deflator, which posted a year-on-year rate of 3.2%, and in the GDP deflator, whose rate of increase declined by 0.2 pp to 3.6%. From the expenditure standpoint, the year-on-year growth rate of the private consumption deflator dipped by 0.5 pp to 3%, while the CPI slowed more sharply.

In fact, in 12-month terms the CPI fell by 0.9 pp in 2006 Q4 to a growth rate of 2.6%. The slowdown has continued in 2007 Q1, albeit less markedly. Average year-on-year growth has dipped by 0.2 pp to 2.4% in the January-March period. Component by component, the growth rates of energy, manufacturing and unprocessed food prices have eased, while processed food and services showed a slight rise. Accordingly, the CPI excluding unprocessed food and energy posted average year-on-year growth of 2.7% in the first three months of the year, 0.1 pp up on the figure the previous quarter (see Chart 22).

Oil prices continued falling at the start of the year, subsequently rising sharply in March; however, the average price of a barrel of oil in 2007 Q1 has stood slightly below the end-2006 price. Moreover, the appreciation of the euro against the dollar has contributed to tempering the growth of the energy bill. The year-on-year growth rate of unprocessed food prices dipped by 0.8 pp to 4.1% in the January-March period, entailing a similar slowdown to that in the previous quarter. The growth of prices of non-energy industrial goods fell once more by 0.2 pp in Q1 compared with the same period a year earlier to 1%, while services prices quickened by 0.1 pp in Q1 to 3.8% as a result of the increase in hotel and restaurant prices. Finally, processed food prices rose by 0.2 pp in Q1 to an average year-on-year rate of 3%.

Inflation in Spain, measured by the HICP, stood at 2.5% in Q1, 0.1 pp down on the previous quarter, while in the euro area as a whole inflation increased by 0.1 pp to 1.9%. As a result the differential narrowed once more, standing at 0.6 pp, a figure not reached since 2004 Q1 (see Chart 23). The improvement in the differential was extensive to all components, with the ex-

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

SOURCES: INE and Banco de España.

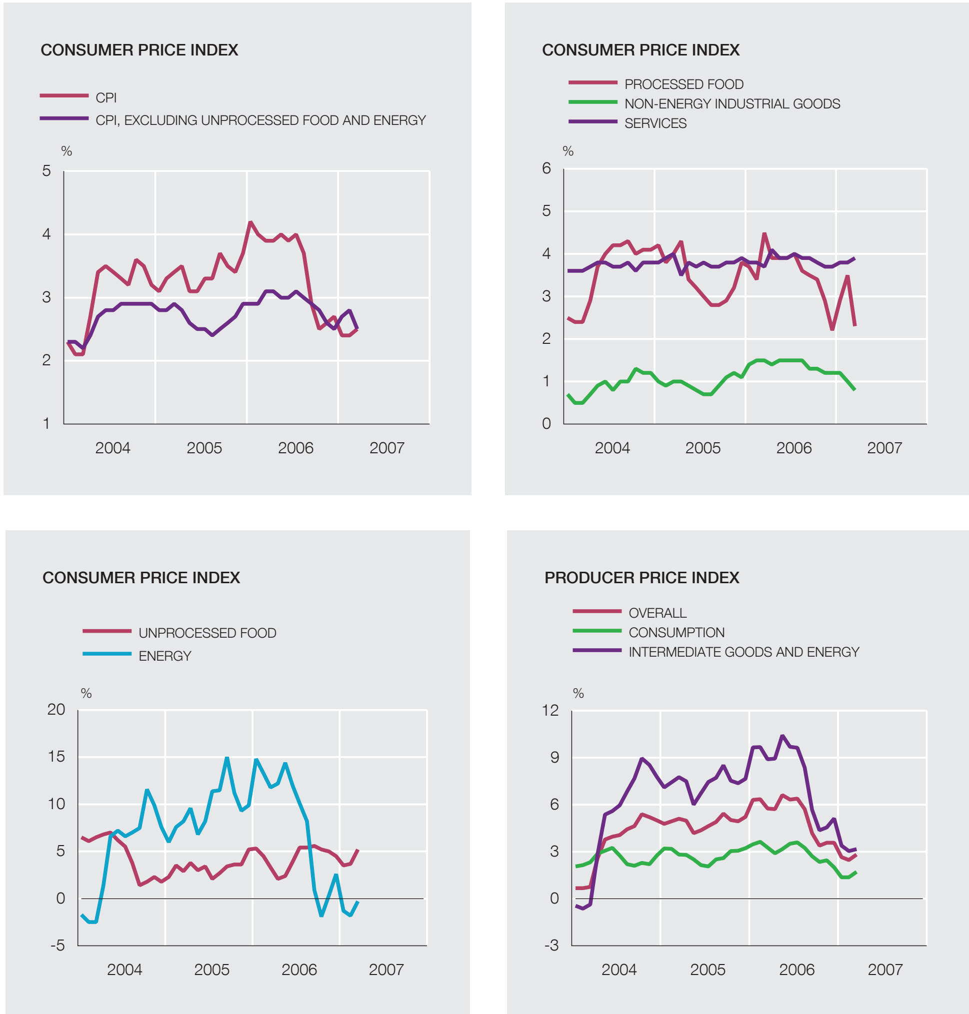
a. Percentage change on a year ago based on QNA seasonally adjusted series.

ception of food, and was particularly sharp in energy prices. In services, the differential narrowed by 0.1 pp owing to the 0.3 pp rise in the euro area, while in the case of Spain's non-energy industrial goods prices, the differential with the euro area has disappeared in 2007 Q1. However, it should be borne in mind that the reduction in the differential is partly linked to the effect of the VAT rise in Germany, which has increased German consumer prices, with an appreciable effect on the area as a whole.

Finally, the producer price index slowed once more in Q1, furthering the declining path on which it has moved since the second half of last year. The year-on-year growth rate in 2007 Q1 was 2.7%, compared with the end-2006 rate of 3.6%. In the euro area as a whole, producer prices increased by 2.9% in February compared with a year earlier, 1.2 pp less than in December. The slowdown in the producer price index in Spain is due to the lesser dynamism of energy production prices, the year-on-year rate of change in which declined by 4 pp between December and March, turning negative. The growth rate of the producer prices of consumer goods and intermediate goods lessened by 0.3 pp and 0.6 pp, reaching respective growth rates in March of 1.7% and 6.2%. Lastly, the producer prices of capital goods rose at the start of the year to a growth rate of 3.3% in March. Prices received by farmers continued to slow in the closing months of 2006 and hotel prices held at a very moderate year-on-year growth rate in the first two months of 2007, at around 2%.

PRICE INDICATORS (a)
Spain

CHART 22



SOURCE: INE.

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

4.4 The State budget

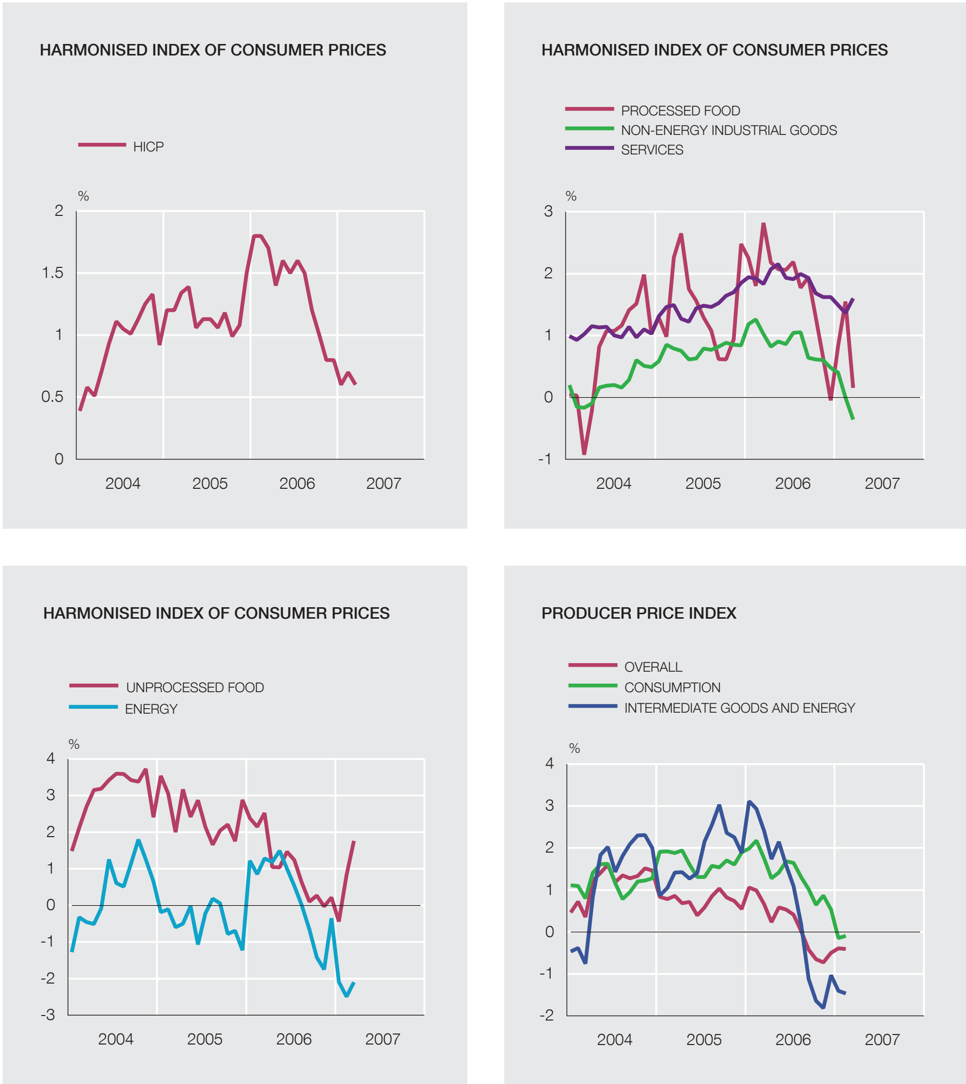
According to National Accounts methodology, the State budget outturn in Q1 showed a notable improvement in the surplus, which rose from €4,621 million (0.5% of GDP) in March 2006 to €6,857 million (0.7% of GDP) a year later in 2007. This result was due to a 13.3% increase in revenue compared with a 7.6% rise in expenditure.

In cash-basis terms, the State posted a surplus of €2,316 million in the three months to end-March 2007, compared with a surplus of €244 million in the same period in 2006 (see Table 3). The differences with the National Accounts figures are largely due to the adjustments for the different interest imputation criterion. It should be recalled, however, that the figures for the opening months of the year are highly erratic and hardly representative of State budget developments in the rest of the year. This is particularly the case in 2007, as the personal and corporate income tax reforms will have the gradual effect over the course of the year of moderating revenue.

In cash-basis terms, State revenue increased by 13.6% in Q1 compared with the same period a year earlier owing to the strength of the main tax items (personal income tax and VAT). This

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.

result is in contrast to the budgetary forecasts of sluggish revenue growth[1] for 2007 as a whole (a rate of change of 3.3%), suggesting that this forecast might be exceeded at the end of the year. The buoyancy of direct tax revenue in the opening months of the year is partly due to the high growth of withholdings on movable capital and gains on mutual funds, which amounted to 39.7%. Conversely, as regards withholdings on income from work, the personal income tax reform has already begun to be reflected, with takings dipping from year-on-year growth of 14.5% in January to 5.7% in March, compared with the same month a year earlier. Under indirect taxes, VAT posted similar growth to 2006, with an increase of 10%. Excise duties picked up owing to the course of takings on tobacco products. As regards the items under the *Other revenue* heading, these posted high growth, despite the fact that charges and other revenue showed negative rates of change owing to the increase in interest revenue, to Banco de Es-

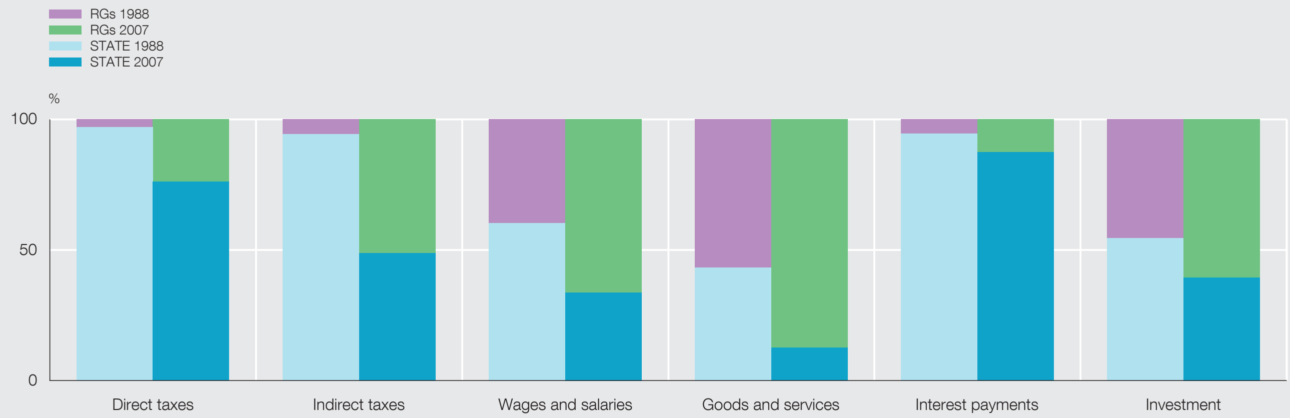
1. This comment refers to the comparison of budgetary figures with the 2006 outturn. In contrast, the figures for the State presented in Box 4 ("Regional (Autonomous) Government budgets for 2007") arise from the comparison of the initial budgetary figures in 2007 and 2006.

Spain's government structure has entailed the ongoing decentralisation of budgetary powers towards the Regional (Autonomous) Governments (RGs). As a result, the regional tier of government has progressively increased its share in tax revenue and in expenditure (see accompanying chart[1]). On the revenue side, the weight of the RGs now slightly exceeds that of the State in indirect tax revenue. Regarding expenditure, the share of the State is only greatest in interest payments, while in the remaining items the weight of the RGs now largely exceeds 50%, rising to 88% in the case of current expenditure on goods and services.

These changes underscore the need to pay attention to RGs' activity in order to analyse fiscal variables and, in particular, the importance of these governments for ensuring the aim of maintaining sound public finances. In this respect, on 27 June 2006 the Fiscal and Financial Policy Council approved the itemised distribution of the budgetary stability objective for the RGs for the three-year period 2007-2009. The latest update of the Stability Programme reflected this agree-

1. By way of illustration, the chart shows the change in relative State/RG weights in certain revenue and expenditure captions from 1988 to 2007. Indexed at 100 is the sum total of items budgeted by both government tiers.

STATE AND REGIONAL GOVERNMENT BUDGETS



REGIONAL (AUTONOMOUS) GOVERNMENT BUDGETS FOR 2007

	Regional (Autonomous) governments							State
	€ m				Rate of change			
	2004	2005	2006	2007	05/04	06/05	07/06	07/06
REVENUE	115,590	126,475	140,662	154,770	9.4	11.2	10.0	14.0
Current revenue	107,358	118,147	132,093	145,978	10.0	11.8	10.5	14.0
— Direct taxes	19,589	21,590	24,396	27,215	10.2	13.0	11.6	16.5
— Indirect taxes	38,060	42,753	47,765	54,692	12.3	11.7	14.5	12.0
— Rates, prices and other revenue	3,637	3,723	3,852	4,220	2.4	3.5	9.6	8.2
— Current transfers	45,629	49,655	55,671	59,454	8.8	12.1	6.8	2.7
— Interest received	444	425	409	396	-4.3	-3.7	-3.1	5.2
Capital revenue	8,232	8,328	8,569	8,792	1.2	2.9	2.6	12.8
— Disposal of investments	705	651	678	717	-7.7	4.2	5.7	10.9
— Capital transfers	7,527	7,677	7,891	8,075	2.0	2.8	2.3	13.0
EXPENDITURE	116,040	127,882	141,540	154,891	10.2	10.7	9.4	6.7
Current expenditure	94,711	103,301	113,951	124,830	9.1	10.3	9.5	6.2
— Wages and salaries	36,761	40,300	43,576	47,442	9.6	8.1	8.9	7.1
— Goods and services	17,452	19,490	22,047	24,834	11.7	13.1	12.6	11.8
— Interest payments	2,073	2,171	2,269	2,376	4.7	4.5	4.7	-8.6
— Current transfers	38,387	41,289	45,910	50,021	7.6	11.2	9.0	8.8
— Contingency fund and other unforeseen expenses	38	51	150	157	34.4	194.4	4.6	18.0
Capital expenditure	21,329	24,582	27,589	30,061	15.2	12.2	9.0	10.2
— Investment	10,742	12,563	13,787	15,337	16.9	9.7	11.2	7.0
— Capital transfers	10,587	12,019	13,802	14,724	13.5	14.8	6.7	13.8
CASH-BASIS BALANCE	-451	-1,408	-879	-120	...	...	...	...

ment, taking the specific form of a forecast deficit of 0.1% of GDP for the RGs as a whole both for the close of 2006 and of 2007. However, according to the initial end-2006 estimate, the RGs would have posted a slight surplus. The five RGs that submitted restructuring plans will be able to post deficits[2] in 2007. In budgetary terms, all of them expect to improve their balances in 2007 compared with 2006.

The main figures arising from the RGs' budgets for 2007 show that RGs as a whole[3] budget an improvement in the aggregate balance when compared with the initial 2006 budget (see accompanying table), the result of a higher growth forecast for revenue than for expenditure. In any event, and as in recent years, both items show high rates of changes, outpacing actual or forecast nominal GDP growth.

The RGs' budgets forecast the continuing buoyancy of tax (direct and indirect) revenue. Nonetheless, it should be borne in mind that the comparison is made between initial budgets and that the forecasts for 2007 have already taken into account the revenue increases recorded in 2006. In the case of indirect tax, for instance, the growth rate budgeted by the RGs is above that of the State, which might be due to the fact that transfer tax, the revenue-raising powers for which have been fully assigned to the RGs, has a most considerable weight in the RG tier and takings grew by 21% in 2006. Of note regarding other revenue, due to the volume accounted for, is the budgeted slowdown in current transfer revenue, which is in line with that forecast for the so-called "Sufficiency Fund" (a fund-levelling mechanism), made up of State funds. This is partly due to the increase from 98% to 100% in prepayments to the RGs in 2006, which overstates the growth rate for that year.

As regards the various expenditure items, the budgeted growth rate for wages and salaries is higher than that of the State. That confirms the pattern observed in recent years, which would be warranted only in part by the successive assignments of powers. In the case of expenditure on goods and services and current transfers, which are closely linked to RG health-care and education responsibilities, high growth has been budgeted. Conversely, interest payments are forecast to grow moderately, although their positive rate of change contrasts with the decline budgeted for the related State item. In this respect, it should be borne in mind that most of the reduction in public debt seen in recent years has been centred on the State tier. Finally, capital expenditure shows a strong increase, albeit below that budgeted by the State. Further, in the RGs, the biggest rise in this item is under real investment (with growth of 11.2%, against 6.7% for capital transfers), while in the State, the biggest increase is routed through capital transfers.

2. Remember that the objective is evaluated in National Accounts terms. The five RGs in question are: Balearic Islands, Canary Islands, Catalonia, Castile-La Mancha and the Valencian Community. **3.** The city-enclaves of Ceuta and Melilla are not taken into consideration.

paña profits and to the strong increase in capital transfers from the European Union, especially under the ERDF.

Cash-basis expenditure increased by 7.4%, somewhat below the budgetary forecast (9.6% for the year as a whole). With the exceptions of wages and salaries and interest payments, the remaining headings showed above-budget growth rates. Of particular note were the strong increases in capital expenditure. Current transfers posted above-budget growth, due in part to the growth of payments to sectors other than general government and payments abroad.

As regards the Social Security budget outturn, only those variables for which information relating to the opening months of the year is available are discussed. The number of Social Security registrations increased by 3.6% in 2007 Q1, a figure below that for 2006 as a whole, which was marked by the regularisation process. The number of contributory pensions rose by 1.5% in 2007 Q1, down on the growth of 2.3% for 2006, which was affected by the former Elderly and Disability Insurance Pensions (SOVI) being recognised as compatible with widowhood pensions[2]. Expenditure earmarked for unemployment benefits, according to SPEE (National Public Employment Service) data, increased by 7% to February (a growth rate up on the 6.7% increase recorded in 2006 as a whole), and the number of beneficiaries grew by 2.6% in the same period (compared with 2.7% in 2006). These developments came about owing to the acceleration in the eligibility rate, which climbed to 67.8% to February 2007 (far above the

2. Law 9/2005 of 6 June 2005.

STATE BUDGET OUTTURN TABLE 3

EUR m and %

	Outturn 2006	Percentage change 2006/2005	Outturn Projection 2007	Percentage change 2007/2006	Outturn 2006 JAN-MAR	Outturn 2007 JAN-MAR	Outturn Percentage change
	1	2	3	4 = 3/1	5	6	7 = 6/5
1 REVENUE	141,846	10.1	146,547	3.3	33,260	37,782	13.6
Direct taxes	81,130	14.8	83,925	3.4	13,717	15,980	16.5
Personal income tax	*41,451*	*15.3*	*39,474*	*-4.8*	*12,144*	*13,896*	*14.4*
Corporate income tax	*37,207*	*14.5*	*41,641*	*11.9*	*896*	*1,258*	*40.3*
Other (a)	*2,472*	*11.5*	*2,810*	*13.7*	*678*	*826*	*21.9*
Indirect taxes	48,328	8.3	50,740	5.0	17,012	18,725	10.1
VAT	*35,424*	*10.7*	*36,538*	*3.1*	*13,997*	*15,393*	*10.0*
Excise duties	*9,895*	*1.0*	*10,961*	*10.8*	*2,286*	*2,559*	*11.9*
Other (b)	*3,009*	*7.0*	*3,241*	*7.7*	*729*	*773*	*6.0*
Other net revenue	12,388	-8.2	11,882	-4.1	2,531	3,077	21.6
2 EXPENDITURE	130,375	6.2	142,927	9.6	33,017	35,467	7.4
Wages and salaries	22,209	7.4	23,686	6.7	4,962	5,223	5.3
Goods and services	3,799	12.1	3,431	-9.7	861	967	12.3
Interest payments	15,619	-12.4	15,946	2.1	6,290	5,701	-9.4
Current transfers	72,225	11.9	77,338	7.1	17,287	18,981	9.8
Contingency fund and other unforeseen expenses	…	…	3,028	…	…	…	…
Investment	9,037	0.7	9,956	10.2	2,155	2,579	19.6
Capital transfers	7,487	2.0	9,541	27.4	1,462	2,016	37.9
3 CASH-BASIS BALANCE (3 = 1–2)	11,471	…	3,620	…	244	2,316	…
MEMORANDUM ITEM: NATIONAL ACCOUNTS							
Resources	147,205	13.1	146,328	-0.6	33,336	37,755	13.3
Uses	140,135	10.6	144,152	2.9	28,715	30,898	7.6
NET LENDING (+) OR BORROWING (–)							
	7,070	…	2,176	…	4,621	6,857	…
(as a percentage of GDP)	0.8		0.2		0.5	0.7	

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.

level of 63.6% at end-2006), and despite the fall in registered unemployment, which declined by 4.4% in February (set against the 1.9% decline in 2006 as a whole).

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

In January 2007, the overall balance on current and capital account was a deficit of €7,320 million, 24% up on the same month in 2006 (see Table 4). During this month the current account deficit widened by 37% to €8,622 million, while the surplus on capital transactions improved notably to €1,301 million. The balances of the main current account items worsened in January, with the exception of the deficit on non-tourist services, which was significantly corrected.

The trade balance deficit increased by €572 million in January 2007 compared with the same month a year earlier, up to a figure of €6,452 million. In year-on-year terms, the deficit increased by 9.7%, prolonging the deterioration in recent years. The energy bill continued to slow in January, in step with the easing of crude oil prices on international markets and the appreciation of the euro against the dollar; however, the pace at which the non-energy trade deficit is widening increased.

BALANCE OF PAYMENTS: SUMMARY (a) TABLE 4

EUR m

		JANUARY	
		2005	2006
CREDITS	Current account	23,230	25,436
	Goods	*12,957*	*14,205*
	Services	*5,628*	*6,434*
	— Tourism	2,539	2,673
	— Other services	3,089	3,761
	Income	*3,786*	*3,808*
	Current transfers	*858*	*988*
	Capital account	490	1,444
	Current + capital accounts	23,720	26,880
DEBITS	Current account	29,516	34,058
	Goods	*18,837*	*20,657*
	Services	*4,853*	*5,483*
	— Tourism	967	1,114
	— Other services	3,887	4,369
	Income	*4,350*	*5,757*
	Current transfers	*1,477*	*2,160*
	Capital account	124	143
	Current + capital accounts	29,640	34,201
BALANCES	Current account	-6,286	-8,622
	Goods	*-5,879*	*-6,452*
	Services	*775*	*952*
	— Tourism	1,573	1,560
	— Other services	-798	-608
	Income	*-563*	*-1,949*
	Current transfers	*-618*	*-1,172*
	Capital account	366	1,301
	Current + capital accounts	-5,920	-7,320

SOURCE: Banco de España.

a. Provisional data.

The services balance posted a surplus of €952 million in January 2007, €177 million up on the same month a year earlier. The improvement was due to the decline in the non-tourist services deficit, while the tourist surplus showed a slight deterioration, standing at €1,560 million. Tourist revenue increased by 5.3% in January, in nominal terms, slightly above the increase observed in the closing months of the previous year. Tourist expenditure rose by 15.2% in the first month of 2007, exceeding the average increase seen in 2006. Both the revenue and, to a lesser extent, the expenditure relating to other services remained very buoyant in January (with respective growth rates of 22% and 12%). The deficit on the income balance widened notably in January to €~1,949 million, while the current transfers deficit was €1,172 million in January 2007, double that recorded in the same month a year earlier. Finally, the capital account surplus stood at €1,301 million in January, far higher than the same month in 2006. This improvement was essentially due to the expansionary behaviour of structural funds from the ERDF which, however, are usually very erratic in the opening months of the year.

5.1 Overview

Financing conditions for households and firms tightened somewhat further in the early months of 2007. The cost of bank credit increased, reflecting the interest rate rises in the money markets (1-year Euribor stood at 4.11% in March, up 18 bp on December 2006). Also more expensive (up 16 bp) was the cost of financing through the issuance of corporate fixed-income securities. By contrast, the cost of equity financing for firms remained relatively steady (see Chart 24).

Developments in the Spanish and international stock markets were marked by a bout of instability which began in late February and interrupted the hitherto upward path of market prices in the previous months. This period brought sharp falls in market prices accompanied by rising volatility. These developments mainly seemed to reflect heightened uncertainty as to the macroeconomic outlook of the United States, against a background characterised in that country by increased delinquency of the higher-risk mortgage loans. Hence the Madrid Stock Exchange General Index lost 9% in just a few days, but it subsequently recovered and, at the cut-off date for this report, was 6.8% higher than at end-2006. This performance was similar to that of the euro area EURO STOXX index (7.7%) and somewhat better than that of the US S&P 500, which in the same period gained 3.8%. Subsequently, a further bout of turbulence in the Spanish stock market in April was associated with the market price movements of certain firms linked to the property sector.

According to the latest data published by the Ministry of Housing, the slowdown in house prices continued in 2007 Q1. Year-on-year growth stood at 7.2%, down nearly 2 pp on December 2006. The process of gradual normalisation of the situation in this market is thus still underway.

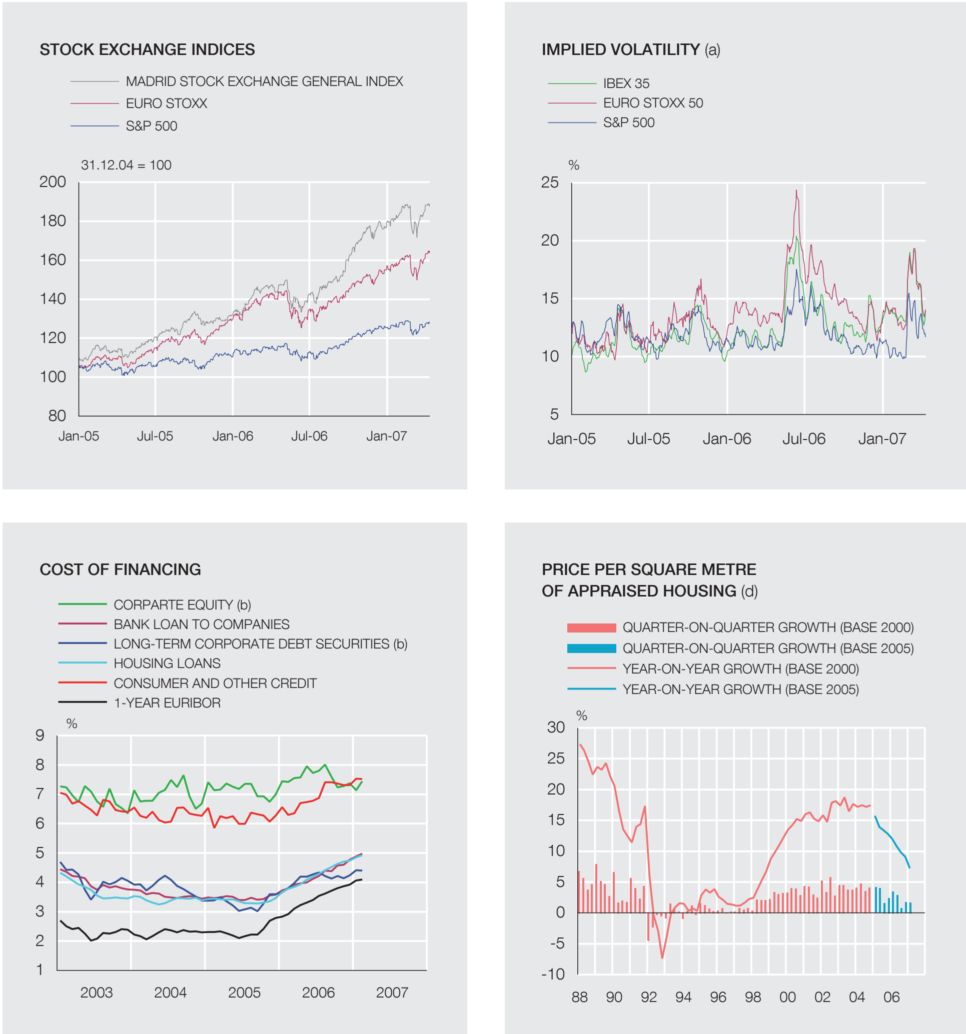
The slowdown in house prices and the rise in financing costs helped to moderate the increase in household debt, although it continues to grow at a high rate. Hence in 2006 Q4 the rate of expansion of liabilities fell by somewhat more than 1 pp to around 19%, and, according to the provisional information available, this trend has continued in 2007 to date. The breakdown by component shows that the slowdown in house purchase lending has continued in recent months, whereas the growth rate of funds for consumption and other purposes has not varied significantly. Box 5 analyses the contribution of the foreign resident population to the behaviour of household debt in recent years, which, although growing, has done so less vigorously than the relative weight of this segment in the total population.

Corporate debt, by contrast, continued to accelerate in 2006 Q4, the growth rate exceeding 28% in year-on-year terms. The provisional data for the opening months of 2007 point to a significant decrease in this rate. This mainly reflects a base effect, although the funding granted by financial institutions, which is not affected by this phenomenon, also showed signs of moderation. The latest information on the breakdown of bank lending by productive activity, which relates to December 2006, indicates that lending to property services and construction companies continued to lead the expansion of corporate debt, although greater buoyancy was shown by the funds borrowed by industry and by other services.

The still-high rate of expansion of lending to households led to further increases in that debt and financial burden ratios in late 2006 and early 2007, while saving after debt service remained negative. Nevertheless, on Financial Accounts data, in 2006 Q4 their net borrowing

FINANCING CONDITIONS AND ASSET PRICES

CHART 24



SOURCES: Bloomberg, Credit Trade, MSCI Blue Book, Datastream, Ministerio de la Vivienda and Banco de España.

a. Five-day moving averages.
b. The cost of equity is based on the three-stage Gordon dividend discount model.
c. The cost of market-based long-term debt is aproximated as the sum of the average 5-year CDS premium for Spanish non-financial corporations and the 5-year euro swap rate.
d. New statistic from 2005.

decreased with respect to GDP in cumulative annual terms. In addition, the growth in household net wealth continued to help lessen the impact that the changes in the aforementioned indicators had on the sector's financial position, although the latest data, relating to December 2006, showed more moderate growth of this variable in line with the slowing house prices.

The aggregate debt and financial burden ratios of non-financial corporations also held on an upward path in 2006 Q4 and 2007 Q1. Furthermore, the upward march of interest payments is detracting from the buoyancy of corporate earnings, and this is reflected in a certain fall-off in return on equity. The quarterly Central Balance Sheet Data Office (CBQ) data also show that between September and December 2006 the proportion of profits used to meet financial expenses increased. However, the debt ratio for this sample decreased slightly, a development that was due to the behaviour of the large groups, since other corporations recorded an increase in this variable. This behaviour, along with the profitability of these corporations, which remained high, resulted in a slight decrease in the synthetic indicators of financial pressure on investment and employment.

In the last 10 years the immigrant flow into Spain has grown rapidly. According to the Spanish Labour Force Survey, the number of foreign residents aged 16 or above increased tenfold in this period, and by the end of 2006 immigrants made up 10.3% of the population of Spain in this age range. This Box analyses the role of this phenomenon in lending by financial institutions to individuals. The data are drawn from the central credit register (CCR) of the Banco de España, a register containing information at individual level on all outstanding loans exceeding €6,000[1].

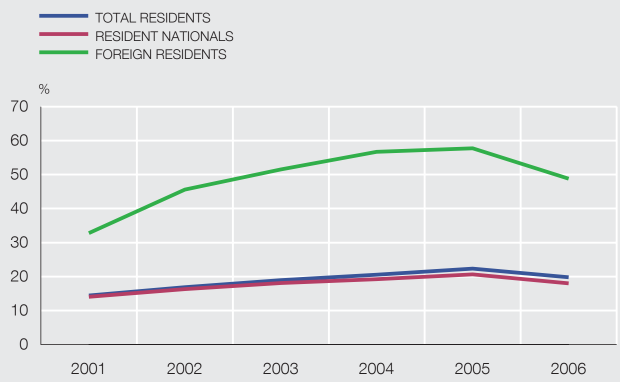
Chart 1 shows that the debt of foreign residents has grown rapidly in recent years (at more than 40% since 2002), in line with the notable growth of this population group. It also shows that the path of this rate over time is similar to that for Spanish-born residents. Thus between 2001 and 2005 there was an accelerating trend, while in 2006 the rate of expansion of these liabilities decreased. This notable buoyancy of the funds received led to a sustained rise in their contribution to lending growth (see Chart 2), which was nearly 3 pp last year.

1. Given this characteristic, the credit data in this box do not coincide exactly with the regular information published by Banco de España, although the discrepancy between the two sources is small.

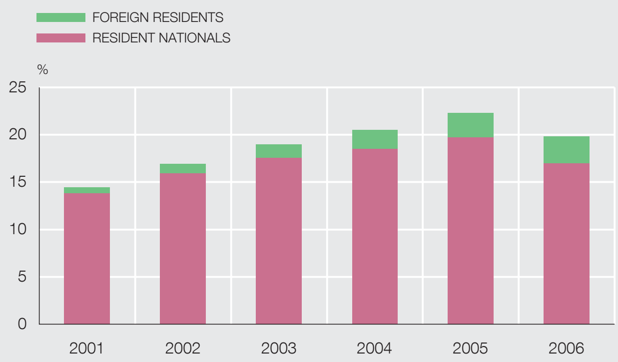
Nevertheless, the proportion of foreign residents who resort to borrowing, although it has increased in recent years, is still much lower than that of Spanish nationals (see Chart 3). The average balance of their outstanding debt, however, is somewhat higher, which undoubtedly reflects the fact that mortgage loans have a greater relative importance among the population of foreign origen.

In terms of outstanding debt, in December 2006 foreign residents accounted for 7.1% of the total debt of the Spanish population and 7.4% of that backed by mortgage collateral. In any event, it should be taken into account that these figures include the liabilities associated with two separate types of loans with different features: they include not only the loans requested by immigrant workers, but also those used to acquire houses on the coast, linked to the residential tourism of basically Northern European citizens. Although, on the available information, these two types of loans cannot be separated, the geographical distribution of the proportion of outstanding loans held by foreign individuals may be useful in approximating the relative importance of each. In this respect, Chart 4 illustrates how the highest percentages of this indicator are obtained on the Mediterranean coast and the islands, suggesting that

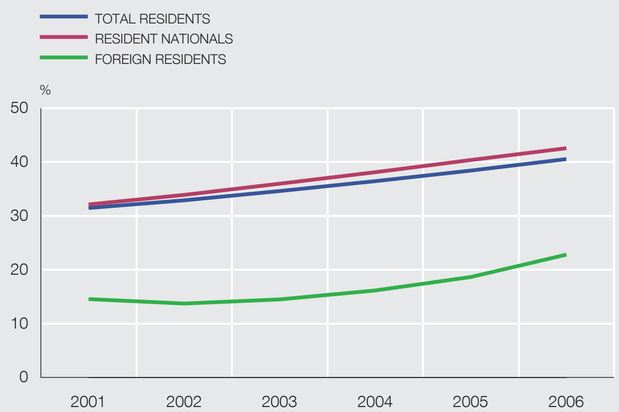
1 ANNUAL GROWTH OF LOANS TO INDIVIDUALS



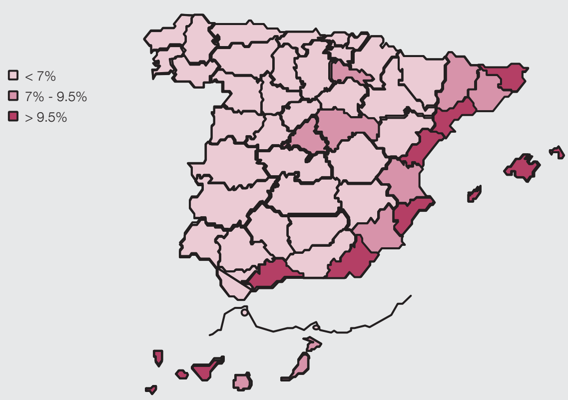
2 CONTRIBUTION TO GROWTH OF LOANS TO INDIVIDUALS



3 PROPORTION OF INDIVIDUALS WITH DEBT (a)



4 LOANS TO FOREIGN RESIDENTS AS A PROPORTION OF LOANS TO INDIVIDUALS (2006)



SOURCES: Banco de España (Central Credit Register) and INE (Spanish Labour Force Survey).

a. Population aged 16 or above.

the second type of loan has a not insignificant impact on the aggregate data.

In short, foreign residents are playing a growing role in the buoyancy of household lending, as might be expected from the ongoing expansion of this population group. Its propensity to take on debt, however, is lower than that of Spanish households, its liabilities are, comparatively, more fully backed by collateral, and a significant part of them are linked to the acquisition of property, foreseeably associated with residential tourism, in coastal provinces.

On Financial Accounts data, the nation's net borrowing increased further in 2006 Q4 to stand at 7.8% of GDP in cumulative twelve-month terms. This resulted in a fresh rise in the shortfall of funds of corporations and a decrease in the general government financial surplus, which were not offset by the recovery of household saving (see Table 5). Financial institutions continued to channel the bulk of funds received from the rest of the world, basically through the issuance of fixed-income securities. These funds were used to cover both the difference between the expenditure and receipts of the Spanish economy and the investment abroad of other resident sectors.

In short, the still-high buoyancy of debt and the increase in interest rates are tending to moderate the rise in income, particularly in the case of firms, and have continued to heighten the private sector's exposure to adverse changes in the macroeconomic environment or in the cost of borrowing. Therefore, although neither firms nor households are in a situation of financial weakness, the past quarter has not seen significant progress in containing the financial risks mentioned in previous reports that threaten the outlook for medium-term economic growth.

5.2 Households

In 2007 Q1 financing conditions for households continued to become less generous. Thus between December and February the interest rates applied by institutions in new transactions increased by 18 bp in the case of housing loans and by 20 bp in the case of consumer and other loans, the cumulative rise from the low levels of October 2005 being 161 pp and 124 bp, respectively. Further, according to the latest bank lending survey (BLS), the institutions anticipated for the opening months of the current year a slight tightening of the general conditions offered by lenders.

These changes, together with the slowdown in house prices, are tending to rein in the increase in the growth rate of household debt, which fell back by more than one percentage point between September and December 2006. According to the provisional information available, this pattern continued during the early months of 2007. However, the pace at which these liabilities are expanding continues to be elevated (above 18%). The breakdown by loan purpose shows that during this period the growth rate of house purchase loans continued to decline, standing at 19% in February, while that of consumer and other loans showed a certain tendency to stabilise, after having followed an upward path until the end of summer.

In 2006 Q4 purchases of financial assets reached the equivalent of 11.4% of GDP in cumulative twelve-month terms, up 0.7 pp on September (see Table 6). The main components of financial investment were again the less risky instruments (cash and deposits). Of these, the most noteworthy were time deposits (included under the heading other deposits and fixed-income securities), which accelerated further, boosting the flows associated with them to 5.2%

NET FINANCIAL TRANSACTIONS
Four-quarter data

TABLE 5

% GDP	2001	2002	2003	2004	2005	2006			
					Q4	Q1	Q2	Q3	Q4
National economy	-3.5	-2.7	-2.9	-4.8	-6.5	-7.0	-7.2	-7.6	-7.8
Non-financial corporations and households and NPISHs	-4.2	-3.5	-3.9	-5.3	-8.4	-9.3	-10.0	-10.6	-10.4
Non-financial corporations	-5.2	-4.2	-4.1	-4.6	-7.0	-7.7	-7.8	-8.5	-8.9
Households and NPISHs	1.1	0.7	0.1	-0.6	-1.3	-1.6	-2.2	-2.0	-1.5
Financial institutions	1.2	1.2	1.0	0.6	0.7	0.6	0.7	0.7	0.7
General government	-0.5	-0.3	0.0	-0.2	1.1	1.7	2.1	2.2	1.8
MEMORANDUM ITEM:									
Financing gap of non-financial corporations (a)	-9.9	-8.6	-8.3	-8.9	-11.3	-14.0	-14.7	-15.8	-15.9

SOURCE: Banco de España.

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

of GDP. Once again, this development seems to reflect a greater preference for these products, at the expense of mutual funds, the net subscriptions of which continued to decline, and in 2006 amounted to only 0.2% of GDP. Meanwhile, households continued to record net sales of shares, while saving in the form of insurance technical reserves was at levels similar to those three months earlier.

The high buoyancy of credit, along with the rise in financing costs, continued to spur the upward course of households' debt and financial burden ratios, which at end-2006 stood at around 125% and 16% of the sector's GDI, respectively (see Chart 25). According to the provisional information available, this trend was prolonged to the beginning of 2007. However, the recovery of gross saving in 2006 Q4 meant that, despite the expansion of liabilities, the sector's saving capacity net of financial obligations remained unchanged. Also, on Financial Accounts data, in the same period net borrowing by households decreased to 1.5% of GDP in cumulative annual terms. Furthermore, the increase in net wealth continued to contribute to the solidness of their financial position, although the gains of this variable are moderating in line with the slowdown in house prices.

5.3 Non-financial corporations

The financing conditions of corporations also tightened somewhat in 2007 Q1. Thus the synthetic indicator proxying the marginal cost of new funds received[1] increased by 25 bp up to February (latest available figure). This increase basically resulted from a rise in bank interest rates of 21 bp (156 bp above the lows of September 2005). This increase probably reflects not only the course of market returns, but also a certain widening of margins, as evidenced by the BLS. In the case of fixed-income securities, there was also an increase at both long and short maturities (around 16 bp), while the cost of own funds grew more moderately (6 bp).

The increase in the cost of borrowing did not prevent a notable buoyancy of debt, which between September and December accelerated further to a growth rate above 28%. The provi-

1. For the method used to calculate this synthetic indicator, see the article "*Un indicador del coste de financiación de las sociedades no financieras*" (An indicator of the financing cost of Spanish non-financial corporations) in the December 2006 *Boletín Económico.*

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

TABLE 6

% GDP

	2003	2004	2005	2006 Q2	2006 Q3	2006 Q4
HOUSEHOLDS AND NPISHs						
Financial transactions (assets)	8.7	9.6	10.2	10.2	10.7	11.4
Cash and cash equivalents	4.1	3.9	4.0	3.4	3.2	3.2
Other deposits and fixed-income securities (a)	-0.3	1.2	1.9	3.4	4.7	6.0
Shares and other equity (b)	0.6	0.5	0.0	-0.3	-0.4	-0.8
Mutual funds	2.3	1.5	1.9	1.7	0.8	0.2
Insurance technical reserves	1.8	1.8	1.9	1.5	1.5	1.6
Of which:						
Life assurance	0.7	0.7	0.8	0.6	0.6	0.6
Retirement	0.9	0.8	1.0	0.8	0.7	0.8
Other	0.2	0.6	0.4	0.4	0.8	1.1
Financial transactions (liabilities)	8.5	10.2	11.6	12.3	12.7	12.9
Credit from resident financial institutions (c)	9.2	10.8	12.3	13.3	13.2	12.9
House purchase credit (c)	7.0	8.7	10.3	10.5	10.2	9.7
Consumer and other credit (c)	2.2	2.1	2.2	2.8	3.0	3.2
Other	-0.7	-0.7	-0.8	-0.9	-0.5	0.0
NON-FINANCIAL CORPORATIONS						
Financial transactions (assets)	12.1	12.3	17.0	18.4	21.8	22.9
Cash and cash equivalents	0.9	1.0	2.3	2.1	2.5	2.2
Other deposits and fixed-income securities (a)	1.2	0.3	1.0	1.1	2.6	3.3
Shares and other equity	7.4	6.4	7.1	10.3	10.7	10.2
Of which:						
Vis-à-vis the rest of the world	4.5	3.8	3.9	6.8	7.4	6.9
Other	2.6	4.6	6.6	5.0	6.0	7.2
Financial transactions (liabilities)	16.2	16.9	24.0	26.2	30.4	31.8
Credit from resident financial institutions (c)	6.1	8.3	12.9	14.4	16.5	18.0
Foreign loans	2.6	0.7	2.1	3.2	3.5	3.3
Fixed-income securities (d)	-0.2	0.0	0.3	1.3	1.6	1.8
Shares and other equity	5.1	4.6	3.2	3.2	3.3	2.3
Other	2.5	3.3	5.5	4.1	5.5	6.3
MEMORANDUM ITEM: YEAR-ON-YEAR GROWTH RATES (%):						
Financing (e)	15.8	16.3	21.2	22.9	24.3	24.2
Households and NPISHs	19.1	20.2	20.9	21.0	20.6	19.3
Non-financial corporations	13.4	13.2	21.4	24.4	27.4	28.2

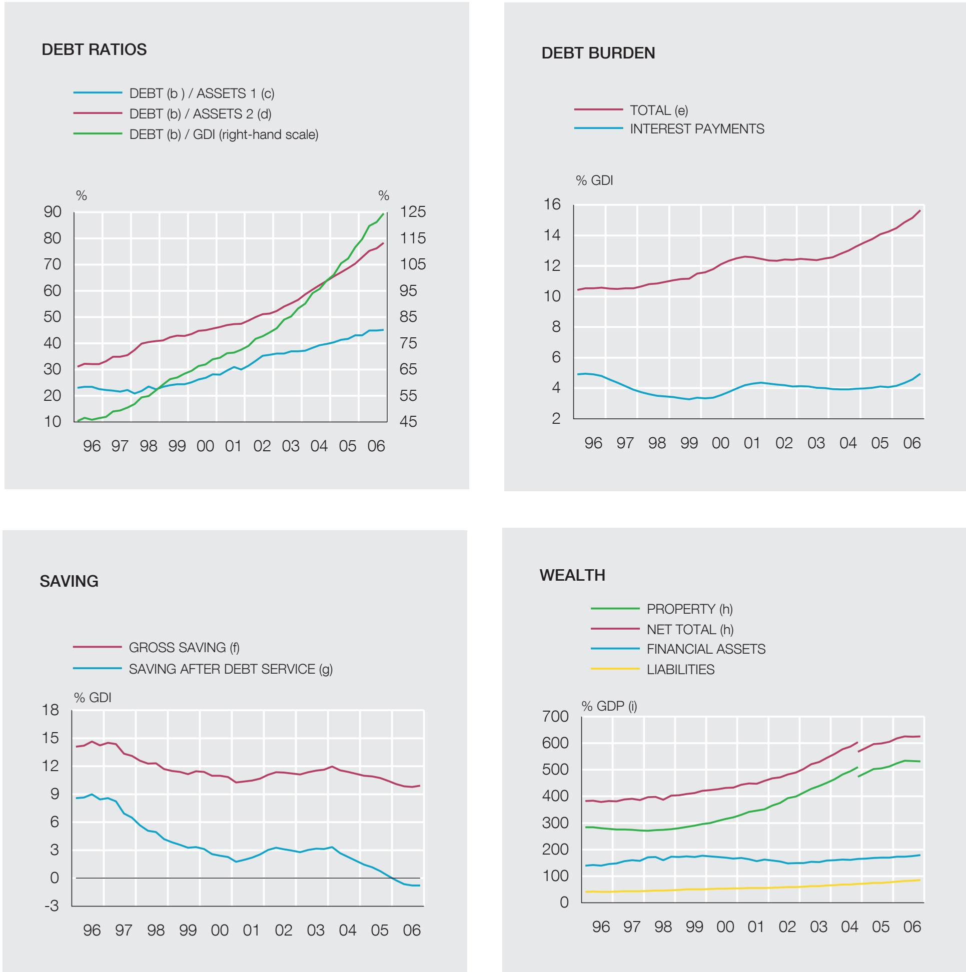
SOURCE: Banco de España.

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

sional data for the early months of 2007 point to a decrease of more than 4 bp in this rate, basically reflecting a base effect linked to an exceptionally high flow in the same period of the preceding year (associated with the financing of a large corporate acquisition). In any event, the credit granted by financial institutions, which is not affected by this phenomenon, also showed signs of a slight moderation.

The most recent information on the breakdown of credit by productive activity, relating to December 2006, shows that the most expansionary sectors in the demand for funds were again real estate services and construction, with growth rates of 50% and 33%, respectively. The

INDICATORS OF THE FINANCIAL POSITION OF HOUSEHOLDS AND NPISHs CHART 25



SOURCE: Banco de España.

a. From 1999, the sectoral National Accounts data corrrespond to the CNE base 2000. For prior periods, an estimate consistent with this base is used.
b. Includes bank credit and off-balance-sheet securitised loans.
c. Assets 1 = Total financial assets - "other".
d. Assets 2 = Assets 1 - shares (excluding mutual fund shares) - shares in FIM.
e. Estimated interest payments plus debt repayments.
f. Balance of households' 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. This is a new house price statistic from 2005.
i. CNE, base 2000.

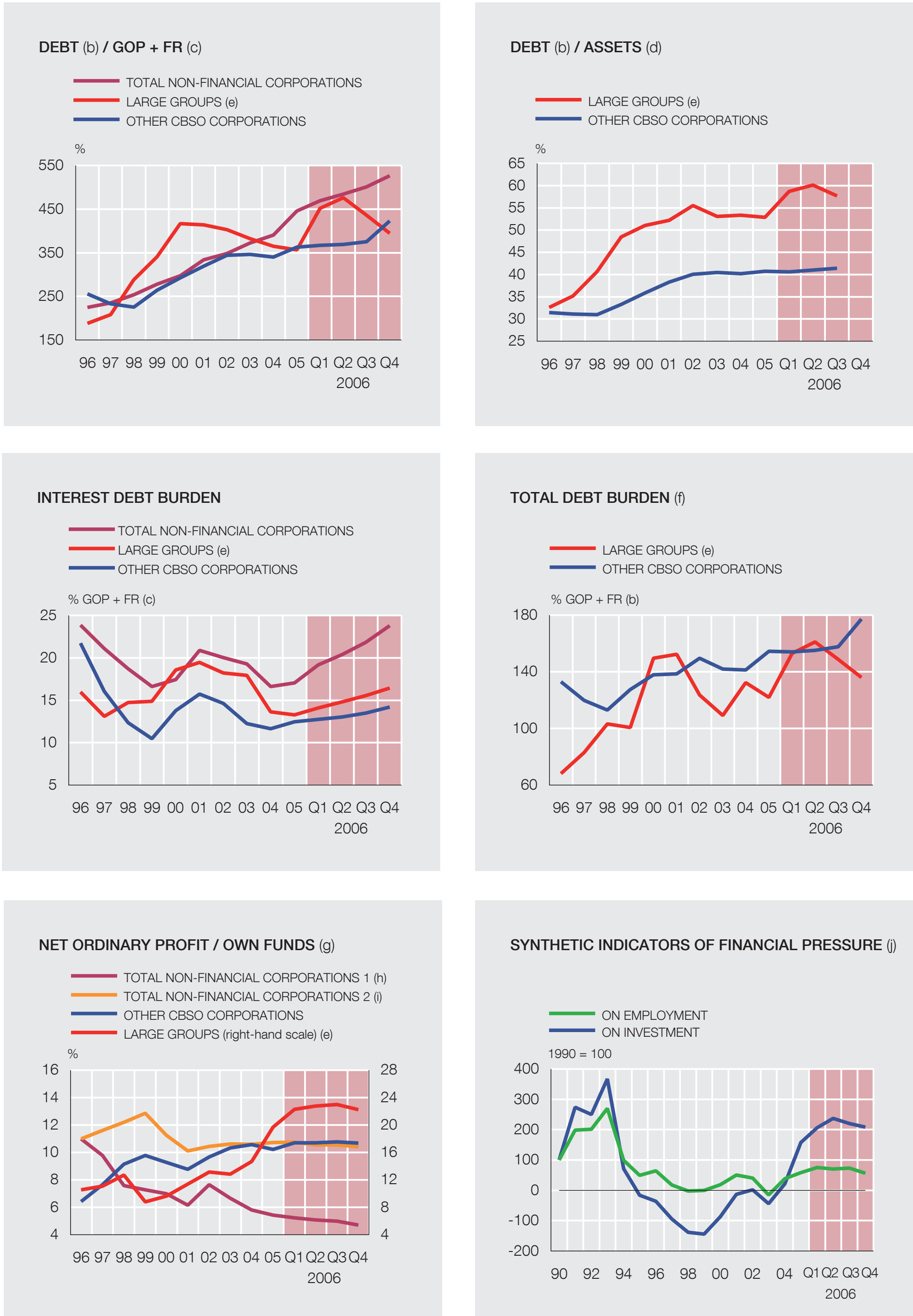
funds raised by industry and by other services companies picked up to a growth rate of 14% and 21%, respectively.

In contrast with the expansion of external funds, corporations reduced the issuance of shares and other equity, so that in December they represented 2.3% of GDP in cumulative annual terms, down 1 pp from the preceding quarter.

The volume of company assets-side transactions again grew, amounting in December 2006 to nearly 23% of GDP (1 pp more than in the preceding quarter). Analysis by instrument shows that equity securities continued to account for the bulk of acquisitions, although the relative importance of net investments held in the form of cash and debt continued to rise.

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

CHART 26

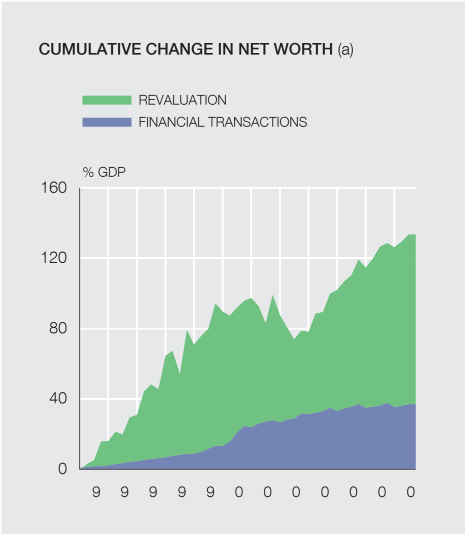


SOURCE: Banco de España.

a. Based on CBSO annual and quarterly survey data, except in the case of the "total non-financial corporations" series, which is based on the National Accounts (CNE and FASE). From 1999, the income of the sector corresponds to the CNE base 2000. For prior periods, an estimate consistent with this base is used.
b. Interest-bearing borrowed funds.
c. Gross operating profit plus financial revenue.
d. Defined as total inflation-adjusted assets less non-interest-bearing liabilities.
e. Aggregate of all corporations reporting to the CBSO that belong to the Endesa, Iberdrola, Repsol and Telefonica 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.

The most recent Financial Accounts information, relating to 2006 Q4, shows a fresh increase in corporations' net borrowing to nearly 9% of GDP in cumulative twelve-month terms. Meanwhile, the financing gap, which approximates the funds needed to undertake real investment and permanent foreign financial investment, also increased, albeit to a lesser extent, practically reaching 16% of GDP (see Table 5).

The increase in recourse to external funds and their higher cost further raised the debt-to-profit and financial-burden-to-profit ratios, and this trend seems to have extended into early 2007 (see Chart 26). The higher interest payments constrained the growth of ordinary net profit, which in fact remained in 2006 at the same level as in the previous year, resulting in a slight decrease in return on equity.

For the companies reporting to the CBQ, among which large corporations have a considerable weight, the latest available information, relating to 2006 Q4, also shows an increase in the proportion of income used for interest payments. By contrast, the debt ratio for this set of corporations decreased as a result of the behaviour of large groups, because for other companies this variable increased appreciably. Return on equity remained high (14%). The industrial sector recorded the largest increase in profits, which helped to reduce its debt ratio. The overall result of all these changes was a slight decrease in the synthetic indicators of financial pressure on investment and employment.

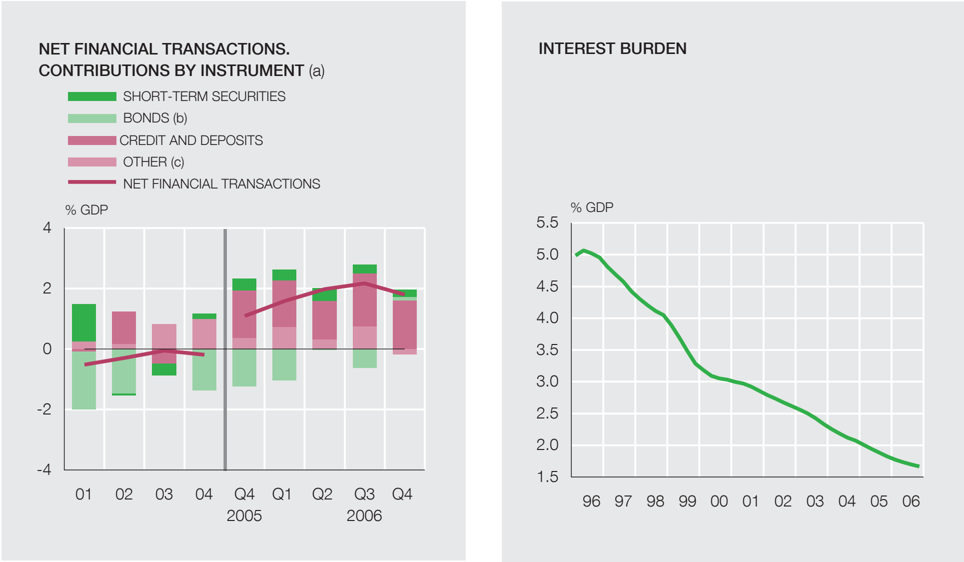
Finally, analysts' forecasts for long-term growth of the profits of quoted non-financial corporations decreased to 8% in 2007 Q1 (10% at the end of 2006), while the expectations of short-term growth underwent little change and stood around 10% (see Chart 27).

5.4 General government

At the end of 2006 general government net lending stood at 1.8% of GDP in cumulative twelve-month terms, a figure which, however, is below the 2.2% recorded in 2006 Q3 (see Chart 28). By instrument, the sector made net redemptions of both short-term securities and, unlike in the first half of the year, long-term ones, although for a low amount, so the stock of deposits, net of loans, continued to increase. The decrease in the debt ratio meant that,

GENERAL GOVERNMENT
Four-quarter data

CHART 28

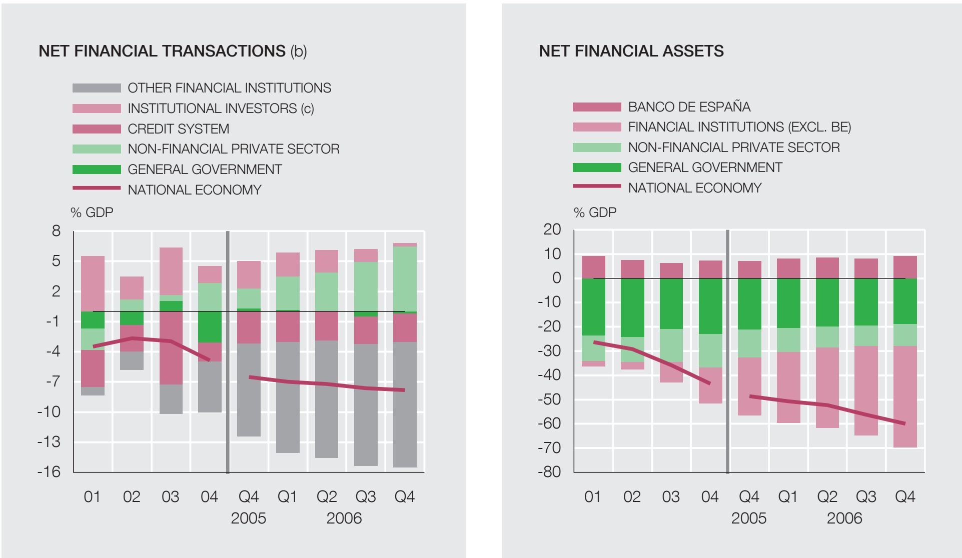


SOURCE: Banco de España.

a. A postive (negative) sign denotes an increase (decrease) in assets or a decrease (increase) in liabilites.
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.

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 collective investment institutions.

FINANCIAL TRANSACTIONS OF THE NATION
Four-quarter data

TABLE 7

% GDP

	2003	2004	2005	2006 Q2	2006 Q3	2006 Q4
NET FINANCIAL TRANSACTIONS	-2.9	-4.8	-6.5	-7.2	-7.6	-7.8
FINANCIAL TRANSACTIONS (ASSETS)	13.1	13.3	18.2	20.2	19.0	16.8
Gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	0.7	3.2	2.2	4.3	4.8	5.6
Of which:						
Interbank (a)	0.5	0.7	3.2	2.6	3.5	3.4
Securities other than shares	6.5	1.8	8.8	3.5	0.8	-1.2
Of which:						
Credit institutions	3.5	1.0	6.6	1.9	-0.3	-2.0
Institutional investors (b)	3.5	0.3	2.0	1.3	0.7	0.4
Shares and other equity	4.7	6.8	5.2	9.7	10.2	9.4
Of which:						
Non-financial corporations	4.5	3.8	3.9	6.8	7.4	6.9
Institutional investors (b)	1.1	0.8	0.9	1.8	1.7	1.2
Loans	0.3	0.8	1.1	1.6	1.7	2.1
FINANCIAL TRANSACTIONS (LIABILITIES)	16.0	18.2	24.8	27.4	26.6	24.6
Deposits	6.9	1.7	5.7	2.6	0.8	0.3
Of which:						
Interbank (a)	5.3	5.0	7.2	2.8	1.3	0.6
Securities other than shares	5.3	12.4	15.8	20.0	21.7	21.5
Of which:						
General government	-1.0	2.7	0.2	0.8	1.6	1.3
Credit institutions	3.5	4.6	6.3	7.5	8.1	7.8
Other non-monetary financial institutions	2.8	5.1	9.3	11.7	12.0	12.4
Shares and other equity	1.1	2.7	0.7	1.2	0.2	-0.9
Of which:						
Non-financial corporations	1.3	1.7	0.8	1.0	0.2	-1.3
Loans	2.8	1.3	2.3	3.4	3.7	3.5
Other, net (c)	-0.9	-0.6	-0.7	-1.0	-1.3	-0.8
MEMORANDUM ITEMS:						
Spanish direct investment abroad	3.3	5.8	3.4	5.9	6.3	6.3
Foreign direct investment in Spain	2.9	2.4	2.0	1.9	1.8	1.4

SOURCE: Banco de España.

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

against a background of rises in the cost of funds, interest payments as a proportion of GDP decreased further to 1.7%.

5.5 The rest of the world

In the closing months of 2006, the net debit balance of the nation's financial transactions increased again to stand, in cumulative four-quarter terms, at 7.8% of GDP, compared with 7.6% in September. By sector, the greater need for funds stemmed from the increase in the shortfall of firms and from the decrease in the financial surplus of general government, which were not offset by the recovery of household spending.

Financial institutions (excluding institutional investors), particularly those other than credit institutions (FVCs and the subsidiaries of financial and non-financial firms specialised in securities issuance) continued to channel most funds received from abroad. In all, the fresh net liabilities attracted by this sector amounted to 17% of GDP, up 2.1 pp on September 2006 (see Chart 29).

Despite this, capital inflows decreased for the second quarter running, and at end-2006 stood at 24.6% of GDP (in cumulative twelve-month terms, see Table 7). The bulk of these funds continued to be invested in securities other than shares, so these securities and, more specifically, those issued by financial institutions, remained the principal vehicle channelling the foreign saving needed to cover the Spanish economy's borrowing requirements. The most notable change was the fall in acquisitions of shares and other equity by non-residents, the flow of which turned slightly negative, partly as a result of the decrease in foreign direct investment in Spain. Furthermore, the financing raised through the interbank market contracted, so a net credit balance was sustained.

The acquisition of foreign assets also decreased, albeit to a lesser extent, accounting for 16.8% of GDP in cumulative twelve-month terms. By instrument, the most significant changes were the declines in the amounts associated with the net purchases of fixed-income securities, the flow of which was negative, and of shares and other equity. This development did not, however, prevent the volume of funds held in the form of foreign direct investment in the rest of the world from remaining at the same level as in the previous quarter.

As a result of the developments in financial inflows and outflows and of the changes in asset prices and the exchange rate, the economy continued to accumulate net liabilities vis-à-vis the external sector (see Chart 29). By sector, this was basically a result of the increase in the debit balance of financial institutions (excluding institutional investors), which in the past year went from 24% to 42% of GDP, thereby confirming the growing importance of this sector in the channelling of saving from the rest of the world to the Spanish economy.

27.4.2007.

RESULTS OF NON-FINANCIAL CORPORATIONS TO 2006 Q4
AND SUMMARY YEAR-END DATA

Overview[1]

The results obtained by the Central Balance Sheet Data Office Quarterly Survey (CBQ) for 2006 Q4, along with those already discussed in previous articles on the first three quarters, provide preliminary results for the year, which will be finalised when the results of the Central Balance Sheet Data Office Annual Survey (CBA) are disseminated in November. There is evidence (see Chart 1) to show that the CBQ anticipates the trends later reflected in the CBA, but equally the approximately 800 large firms of the CBQ are clearly less representative than the some 9,000 firms that make up the CBA (the main CBQ biases being the over-representation of large firms and certain sectors). The information available for 2006 shows that the productive activity of the firms continued to grow at a high rate, with the result that GVA rose by 6.3%, a significantly larger increase than in 2005 (3.5%), confirming what was anticipated in previous articles. This greater buoyancy is consistent with the trend in alternative indicators. All the sample sectors grew by more than in the same period of the previous year, except energy, although this sector still grew by 8.1%. The dynamism of industrial firms was notable; during 2006 they had the benefit of both the positive trend in investment in capital goods and of the pick-up in external activity, principally the recovery in the main euro area economies, although the growth in industrial firms' exports was accompanied by even higher growth in their imports. Firms also performed very positively in wholesale and retail trade and in transport and communications, in line with private consumption.

The personnel costs of the firms in the quarterly sample increased by 4.6% in 2006, as against 3.9% in 2005, basically owing to the growth of employment against a background of wage moderation. Thus, during 2006, the average number of employees grew by 1.8%, over one percentage point more than in 2005, the highest growth being recorded by the firms in the wholesale and retail trade sector, in line with the buoyancy of their productive activity. In other sectors employment continues to grow at negative rates, largely due to the one-off regularisation operations mentioned below, which especially affect transport and communications and industrial firms. If these regularisations are excluded, both these sectors would have recorded net increases in employment more in line with the positive performance of their activity. Average compensation followed a smooth growth path (2.8%) throughout 2006, slightly below the rate recorded in the two previous years in the quarterly database but in line with the trend in this variable in the most recent period.

As a result of the behaviour of GVA and personnel costs, gross operating profit grew by 7.5% in 2006, as against 3.3% in 2005. Financial revenue also increased in 2006 (10.7%), although by less than a year earlier (34.2%), the latter rate being affected by the exceptional growth in dividends from foreign subsidiaries in 2005. Financial costs increased by 34.5% in 2006, mainly on account of the rise in levels of indebtedness due to a greater recourse to additional funds to finance investment operations (specifically for the acquisition of capital goods and other tangible fixed assets, which grew at a rate of 12.6%) and the acquisition of subsidiaries owing to the share purchases undertaken in 2006 by large energy, telecommunications and construction firms, basically in Spain, but also in the rest of the world. This increase in the level of debt is reflected in the ratios both of the level of debt and of the ability to repay (principal and interest). The combined effect of the growth

1. This article is based on the information obtained by the Central Balance Sheet Data Office from the 741 corporations that, on average, reported their data to 15 March 2007. The GVA of this aggregate accounts for 13% of the total GVA of the sector non-financial corporations (according to CNE data).

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

CHART 1

REPORTING NON-FINANCIAL CORPORATIONS		2001	2002	2003	2004	2005	2006
Number of corporations	CBA	8,414	8,418	8,834	8,984	7,877	—
	CBQ	853	842	825	810	793	741
% of GDP of the sector non-financial corporations	CBA	29.6	29.5	30.4	32.4	28.7	—
	CBQ	15.4	15.4	14.9	14.8	14.3	13.0

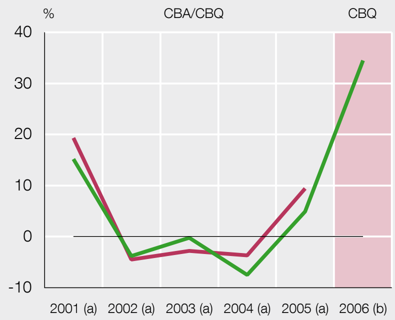
SOURCE: Banco de España.

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

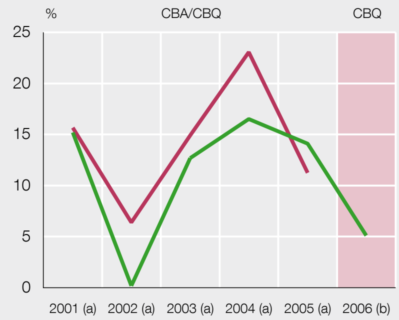
in financial revenues and financial costs enabled ordinary net profit (ONP) to grow by 5.1% in 2006, as against 14.1% the year before. The growth of ONP and financial costs (the two addends in the numerator of the return on investment ratio), enabled the firms to maintain high levels of profitability in 2006, which actually slightly exceeded those in previous periods. Meanwhile, the ratio that approximates the cost of external financing still did not reflect in 2006 the transmission of the rate rises to business costs (owing to the low relative weight of loans taken out following the latest rises), and these continued to remain at low levels (3.8%, as against 3.7% in 2005). This scenario meant that in 2006 the spread between the ROI and the cost of debt remained clearly positive (5.5), even exceeding the

NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE (cont'd) CHART 1

FINANCIAL COSTS
Rate of change

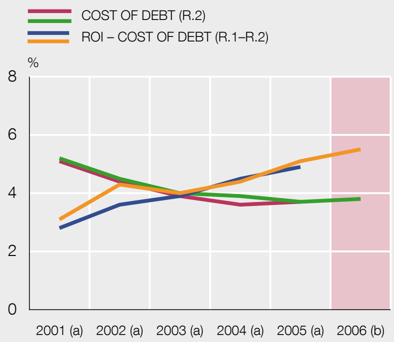


ORDINARY NET PROFIT
Rate of change



RETURN ON INVESTMENT (R.1)
Ratios

COST OF DEBT (R.2) AND ROI LESS COST OF DEBT (R.1–R.2)
Ratios



REPORTING NON-FINANCIAL CORPORATIONS		2001	2002	2003	2004	2005	2006
Number of corporations	CBA	8,414	8,418	8,834	8,984	7,877	—
	CBQ	853	842	825	810	793	741
% of GDP of the sector non-financial corporations	CBA	29.6	29.5	30.4	32.4	28.7	—
	CBQ	15.4	15.4	14.9	14.8	14.3	13.0

SOURCE: Banco de España.

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

2005 level (5.1), from which it may be concluded that the firms continued to generate surpluses and high returns.

Finally, an analysis of the items that make up the extraordinary results in 2006 reveals increases in revenues and reductions in expenses that explain why final net profit grew by more than ONP. On the revenue side, significant capital gains were obtained during the year on various share disposals. At the same time, on the expenses side, extraordinary expenses fell significantly, after the large negative exchange differences recorded by certain firms in 2005. Also, during 2006, certain Spanish holding companies made significant extraordinary provisions on their share portfolios, in order to reflect the lower market value of their foreign subsidiaries. As anticipated, the growth in these revenues and expenses meant that final net profit grew by 31.7% in 2006, which was well above the growth rate of ONP (5.1%) and even exceeded the high rate recorded in 2005 (29.7%)[2]. With the increase recorded in this period, the level of profits attained by the CBQ firms, expressed as a percentage of GVA, stood at 31.7%, a new all-time high for the quarterly series.

In short, the productive activity of the non-financial firms that report to the CBQ was highly buoyant in 2006, helped by the growth of investment in capital goods and by foreign activity. Both these factors were behind the positive performance of industrial firms, which have seen their imported inputs increase notably as well. The strength of private consumption also contributed positively to these general developments, which were likewise accompanied by an acceleration in employment creation, against a background of continued moderate wage growth and falling inflation rates, the latter being partly due to the positive oil price developments in the final quarter of the year. At the same time, firms invested heavily, especially in acquisitions, leading to an increase in their average levels of debt and, consequently, in the weight of financial costs in their income statements. However, continued low interest rates and the solidity of corporate surpluses enabled Spanish firms to confront this new situation without any decline in their profitability which, for a further quarter, remained high and well above the costs associated with external financing, a fact that sums up their favourable current situation. Thus, the outlook for business activity is encouraging, the main uncertainties being the continuity of industrial growth, the path of debt and continuation of the recent oil price moderation.

Activity

The CBQ data available for 2006 show that the GVA of non-financial firms grew by 6.3% in 2006, as against 3.5% the previous year (see Table 1 and Chart 1). This greater buoyancy of activity was based on the performance of industrial firms, on the one hand, and on that of firms in the wholesale and retail trade and transport and communications, on the other.

The expansion of productive activity recorded in 2006 was reflected in all the sample sectors (see Table 2.A). Among them, the performance of industry should be noted: its GVA grew by 7.1% last year, significantly above the 1.5% rate recorded in 2005. The reason for this recovery in industrial activity is to be found in the growth recorded in 2006 in investment in capital goods and also in the sector's exports, which were highly buoyant throughout the year. Table 3 shows the increase in industrial exports in 2006 (14.6%), but this was well below that of the imports which appear among this sector's inputs (24.6%), so that the sector's net external demand can be assumed to have deteriorated. Meanwhile, the GVA of energy and water firms increased by 8.1%, with mixed behaviour across their component aggregates. On one hand, the GVA of the firms in the "oil refining" sub-sector (see Chart 2) fell by 15.3% in 2006, owing to the narrowing of margins following their sharp widening in previous years (in 2004 and 2005 the GVA of these firms grew by 55.6% and 34.4% respectively). On the other hand, "electricity, gas and water" utilities recorded GVA growth in 2006 of 14.6%, as a result of lower production costs for electricity utilities (in 2006 hydroelectric power plants, which have the lowest production costs, produced 34% more electricity than in 2005) and the rise in electricity charges (5.9%). The expansion in the productive activity of gas utilities was in line with the behaviour described. Finally, the "wholesale and retail trade" and "transport and communications" firms,

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2. The growth in the final net profit obtained by the CBQ firms tallies with the rate obtained from alternative sources (such as that published by the CNMV for listed companies), when the comparison is on a homogeneous basis. In this respect, it should be taken into account that the CNMV publishes information on consolidated groups of financial and non-financial listed corporations (including non-resident firms that form part of groups), while the analysis of the Central Balance Sheet Data Office refers to an aggregate made up of individual listed and unlisted non-financial corporations resident in the Spanish economic territory.

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

	CBA STRUCTURE	CBA		CBQ (a)		
DATABASES	2005	2004	2005	04 Q1-Q4/ 03 Q1-Q4	05 Q1-Q4/ 04 Q1-Q4	06 Q1-Q4/ 05 Q1-Q4
Number of corporations		8.984	7.877	810	793	741
Total national coverage		32,4%	28,7%	14,8%	14,3%	13,0%
PROFIT AND LOSS ACCOUNT						
1. VALUE OF OUTPUT (including subsidies)	100.0	8.3	10.7	8.0	13.1	11.0
Of which:						
— Net amount of turnover and other operating income	*137.2*	*8.8*	*12.0*	*8.1*	*16.1*	*9.9*
2. INPUTS (including taxes)	68.4	8.6	13.7	9.3	18.5	13.3
Of which:						
— Net purchases	*40.8*	*11.9*	*15.4*	*10.5*	*21.3*	*13.5*
— Other operating costs	*27.6*	*4.9*	*12.3*	*7.1*	*12.6*	*7.0*
S.1. GROSS VALUE ADDED AT FACTOR COST [1 – 2]	31.6	7.5	4.7	5.7	3.5	6.3
3. Personnel costs	16.5	4.7	5.7	3.0	3.9	4.6
S.2. GROSS OPERATING PROFIT [S.1 – 3]	15.1	10.8	3.6	7.9	3.3	7.5
4. Financial revenue	3.4	14.5	26.4	0.1	34.2	10.7
5. Financial costs	2.6	-3.7	9.4	-7.5	4.9	34.5
6. Depreciation and operating provisions	6.0	2.7	-0.1	-0.8	-0.1	1.2
S.3. ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	9.9	23.0	11.2	16.5	14.1	5.1
7. Capital gains and extraordinary revenue	4.4	-31.1	32.7	-39.4	32.2	36.4
8. Capital losses and extraordinary expenses	3.9	-2.3	32.9	-27.3	71.4	-25.2
9. Other (provisions and taxes)	3.1	-16.3	-6.9	-5.9	-24.1	57.7
S.4. NET PROFIT [S.3 + 7 – 8 – 9]	7.3	18.9	22.8	6.5	27.6	13.4
NET PROFIT/GVA (S.4/S.1)		19.8	23.0	24.1	29.7	31.7
PROFIT RATIOS	Formulas (b)					
R.1 Return on investment (before taxes)	(S.3 + 5.1)/AN	8.2	8.7	8.3	8.8	9.3
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1/RAC	3.6	3.7	3.9	3.7	3.8
R.3 Ordinary return on equity (before taxes)	S.3/RP	11.9	12.7	12.0	13.3	14.8
R.4 ROI – cost of debt (R.1 – R.2)	R.1 – R.2	4.5	4.9	4.4	5.1	5.5

SOURCE: Banco de España.

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

assisted by the strength of private consumption, also recorded positive GVA growth in 2006, of 6% and 4.2% respectively, exceeding their rates in 2005. As regards the transport and communications sector, activity expanded in both sub-sectors in the period considered, especially in transport. The favourable performance of transport in 2006 (the reporting firms in the sector recording GVA growth of 6.3%) enabled the impact of the rise in fuel prices during 2005 (when GVA fell by 2.7%) to be reversed. In the case of communications firms, their performance was boosted by the strategy of fixed telephony firms, which expanded the additional services offered to their customers, and by the growth in the use of ADSL lines.

Finally, Chart 3 shows the distribution of firms according to the rate of change in their GVA, irrespective of their size and the sector of activity in which they operate. It can be seen that the percentage of firms that obtained increases in GVA of more than 20% in 2006 rose to 28.1%, almost four percentage points higher than in 2005. These data confirm the generalised nature of the growth in business activity in 2006.

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

TABLE 2.A

	GROSS VALUE ADDED AT FACTOR COST				EMPLOYEES (AVERAGE FOR PERIOD)				PERSONNEL COSTS				COMPENSATION PER EMPLOYEE			
	CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)	
	2004	2005	05 Q1-Q4	06 Q1-Q4	2004	2005	05 Q1-Q4	06 Q1-Q4	2004	2005	05 Q1-Q4	06 Q1-Q4	2004	2005	05 Q1-Q4	06 Q1-Q4
Total	7.5	4.7	3.5	6.3	2.7	3.2	0.7	1.8	4.7	5.7	3.9	4.6	2.0	2.4	3.2	2.8
SIZE																
Small	8.4	4.3	—	—	0.8	-0.6	—	—	4.4	4.1	—	—	3.5	4.7	—	—
Medium	7.6	4.5	3.5	7.4	2.0	2.2	0.5	1.5	5.2	6.1	4.3	5.5	3.1	3.8	3.8	3.9
Large	7.5	4.7	3.5	6.3	2.9	3.5	0.7	1.8	4.7	5.7	3.8	4.6	1.7	2.1	3.1	2.8
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	6.5	13.0	10.5	8.1	-1.2	-0.7	-0.7	-0.8	2.2	4.5	3.5	3.4	3.4	5.2	4.2	4.2
Industry	5.8	0.6	1.5	7.1	-0.6	-0.6	-0.3	-0.9	2.9	2.7	3.4	2.0	3.5	3.3	3.7	2.9
Wholesale and retail trade	10.0	5.3	3.3	6.0	5.5	5.4	2.7	3.7	7.7	7.0	4.3	7.0	2.0	1.5	1.6	3.2
Transport and communications	5.8	0.7	0.4	4.2	-0.8	0.5	-0.6	-0.4	1.9	4.0	2.8	3.0	2.7	3.5	3.4	3.4

SOURCE: Banco de España.

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

EMPLOYMENT AND PERSONNEL COSTS
Details based on changes in staff levels

TABLE 2.B

		TOTAL CBQ CORPORATIONS 2006 Q1 - Q4	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations		741	451	290
PERSONNEL COSTS				
Initial situation 05 Q1-Q4 (€m)		23,455.9	13,248.3	10,207.6
Rate 06 Q1-Q4/ 05 Q1-Q4		4.6	9.2	-1.2
AVERAGE COMPENSATION				
Initial situation 05 Q1-Q4 (€m)		41,404.6	37,273.0	48,362.3
Rate 06 Q1-Q4/ 05 Q1-Q4		2.8	3.1	4.0
NUMBER OF EMPLOYEES				
Initial situation 05 Q1-Q4 (000s)		567	355	212
Rate 06 Q1-Q4/ 05 Q1-Q4		1.8	5.9	-5.0
Permanent	Initial situation 05 Q1-Q4 (000s)	478	286	192
	Rate 06 Q1-Q4/ 05 Q1-Q4	0.4	3.3	-3.9
Non-permanent	Initial situation 05 Q1-Q4 (000s)	89	69	20
	Rate 06 Q1-Q4/ 05 Q1-Q4	9.2	16.3	-16.3

SOURCE: Banco de España.

Employment and personnel costs

Personnel costs rose by 4.6% in 2006, 0.7 percentage points more than a year earlier. This growth was a consequence of the increase in employment, which grew more strongly than in 2005, while the rate of change of average compensation remained moderate, actually falling slightly from the previous year.

In 2006, the average number of persons employed by the CBQ firms increased by 1.8%. This was a significant acceleration in job creation from the 0.7% growth recorded by this group of

NET EXTERNAL DEMAND OF THE INDUSTRIAL FIRMS THAT REPORT TO THE CENTRAL BALANCE SHEET DATA OFFICE

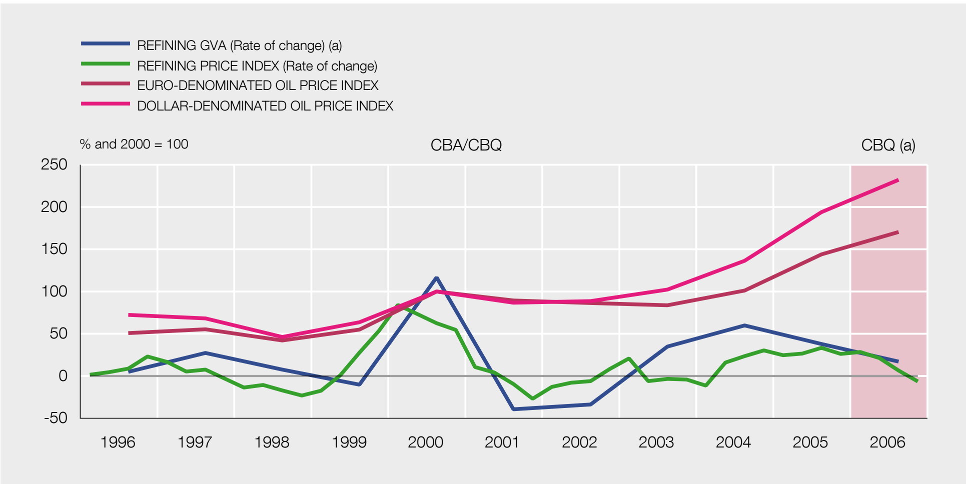
TABLE 3

		2006 Q1 - Q4		Rates of change
		2005 Q1 - Q4	2006 Q1 -Q4	2006 Q1 - Q4 / 2005 Q1 - Q4
Number of industrial firms		272	272	272
1. Sales		43,934	48,563	10.5
	1. Exports	13,257	15,196	14.6
	2. In Spain	30,677	33,367	8.8
2. Purchases		27,247	30,859	13.3
	1. Imports	10,069	12,547	24.6
	2. In Spain	17,178	18,312	6.6
3. Other net costs		6,847	7,163	4.6
Gross value added (1 – 2 – 3)		9,841	10,540	7.1
Net external demand (1.1 – 2.1)		3,188	2,649	-16.9
MEMO ITEM: All firms				
	1. Exports	19,907	24,036	20.7
	2. Imports	24,856	28,335	14.0
	Net external demand (1 – 2)	-4,950	-4,299	13.1

SOURCE: Banco de España.

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).

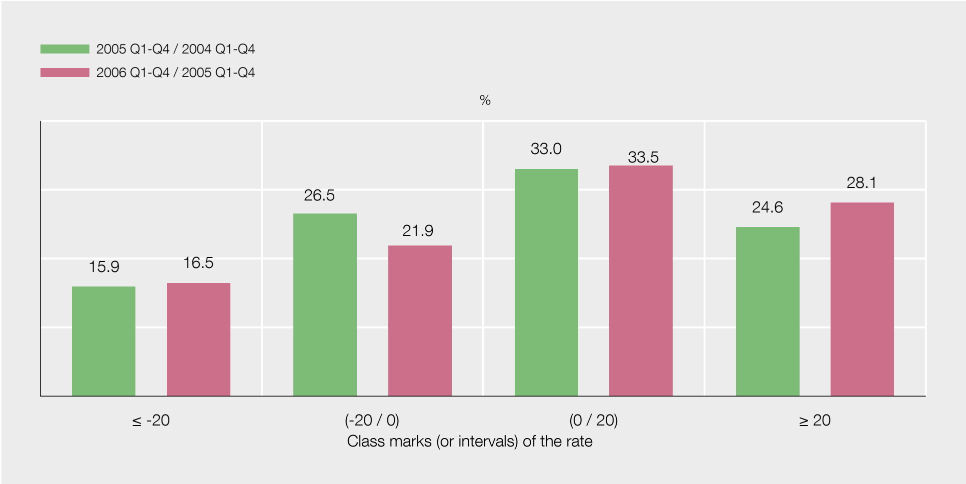
a. The 2006 data relate to the CBQ.

firms in 2005. However, the firms in question are not representative in relation to this variable, owing to the high concentration of large firms and sectors affected by staff restructuring. In terms of the type of employment, non-permanent was more dynamic than permanent (with a rate of change of 9.2%, as against 0.4% in the case of permanent), although it should be pointed out that, as the year elapsed, the rate of growth of non-permanent employment fell, a development that must have been influenced by the provisions of Royal Decree-Law 5/2006[3].

3. Royal Decree-Law 5/2006 of 9 June 2006 to improve growth and employment was designed to reduce Social Security contributions for contracts converted from temporary to permanent by 31.12.2006.

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

CHART 3



SOURCE: Banco de España.

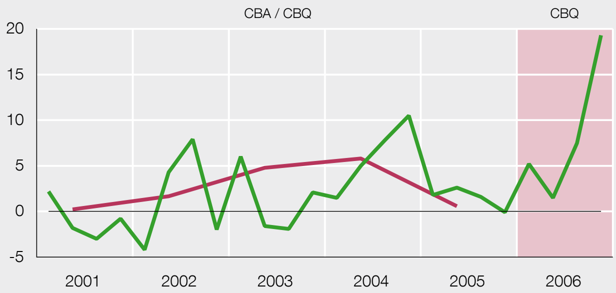
Turning to a sectoral analysis, a trend of no change or slight improvement can be discerned in the main sectors of the sample, with the exception of industry, which recorded a larger fall in average employment than in 2005. This was a consequence of restructuring and temporary adjustment in the sub-sectors "food products, beverages and tobacco", and "manufacture of transport equipment", which prevented the total employment figure for this aggregate from reflecting the positive behaviour among the rest of the firms that make it up. If the firms affected by the processes referred to are excluded, industry would have recorded growth in average workforces of 0.7%, an improvement on the rate of –0.1% obtained by the same firms in 2005. For its part, the "wholesale and retail trade" was, once again, the sector to record the strongest growth in average staff levels, recording a rate of change of 3.7% in 2006, one percentage point more than in 2005. Transport and communications firms reduced their workforces slightly, both in 2005 and in 2006, although this trend continues to be affected by the staff reductions being made at a large communications concern to which reference has been made in recent editions of this article (affecting 15,000 staff between 2003 and 2007). Excluding this effect, employment in this sector would have grown by 0.8% in 2006 and 0.3% in 2005, rates that better reflect the actual trend experienced by most of the firms in this sector. For their part, energy and water utilities continued to record slight staff reductions, similar to those recorded in previous periods, which are closely linked to the restructuring and reorganisation being carried out by the electricity utilities as part of their progressive adaptation to the workings of a deregulated market. Finally, the data in Table 4 confirm that the positive trend in employment extends to most of the firms of the sample since, in 2006, 61.3% of them increased their staff levels or held them unchanged, two percentage points more than in the same period of the previous year.

The data for the average compensation of all the reporting firms show a slight reduction in 2006 in the rate of change of average personnel costs, which fell from 3.2% in 2005 to 2.8%, appearing to extend its recent trend. Behaviour across sectors was very uniform, with only the energy utilities standing out, having increased their average compensation by more than in the other sectors. Table 2.B, which distinguishes between those firms creating employment and those destroying it, shows that, as usual, the firms that destroyed jobs were also those that increased the average compensation of their employees most (by 4% in 2006), as against those that increased their staff levels or left them unchanged, whose average wage costs increased by 3.1%.

According to the available CBSO data on the industrial sector, the productive activity of the firms of the sector expanded strongly in 2006, their GVA increasing by 7.1% in this period, as against 1.5% in 2005. This growth was underpinned by the recovery in exports and by buoyant investment in capital goods throughout the year. However, the improvement did not affect all industrial sub-sectors equally. Some, such as manufacture of electrical and optical equipment and glass, ceramics and metals, recorded significant rises in GVA (22.8% and 23.6%, respectively), while others, such as food products, beverages and tobacco, affected by the impact on demand of the entry into force of the law restricting tobacco consumption, and manufacture of chemicals, which saw a significant contraction in its margins, suffered falls in GVA (of 10.5% and 3.1%, respectively). Manufacture of transport equipment, which had recorded negative GVA rates in Q2 and Q3, recovered notably in Q4, although that did not avoid a negative rate of change for the year as a whole (–1.4%), similar to that in 2005 (–1.5%). As for employment in industrial firms, the 2006 data show that there was still no return to net increases, with a negative rate of –0.9%, which was worse than a year earlier (–0.3%). However, as in the case of activity, this figure is strongly affected by the growth of certain sub-sectors in which there have been heavy workforce reductions, these being some of those that recorded falls in their gross value added (food products, beverages and tobacco and manufacture of transport equipment). In the rest of the sub-sectors employment displayed a favourable trend on balance. Electrical and optical equipment stood out, with growth of 4.9% in the average number of jobs in 2006, this being the sub-sector that made the largest contribution to GVA growth in the period considered. Moreover, the quarterly profile shows a more positive trend in employment in the second half of the year, with a positive rate of change of 0.5% in the final quarter, as against –1.2%, –2.1% and –0.4% in Q1, Q2 and Q3. Average compensation in industry grew by 2.9% in 2006, displaying the same moderation already mentioned for the sample as a whole. The combined performance of compensation and employment resulted in a 2% increase in personnel costs, enabling ONP to grow by 13.8%. Meanwhile, the large inflow of dividends recorded by this aggregate in 2006 caused the growth of ONP to rise to 35.6%, which explains why the profitability

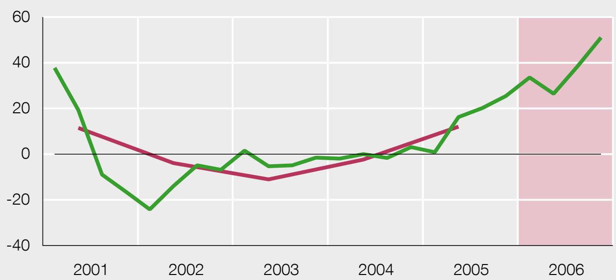
PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO

GROSS VALUE ADDED AT FACTOR COST
Rate of change

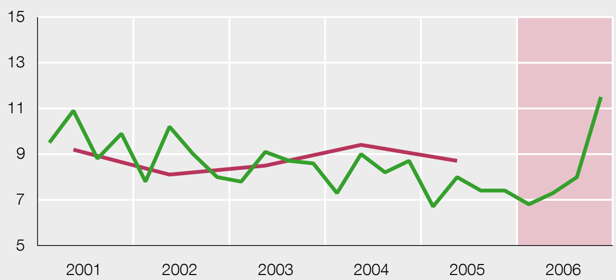


EMPLOYMENT AND WAGES
Rate of change

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				2,624				2,517				2,153				—			
	CBQ	400	390	378	361	388	375	365	353	364	359	350	342	348	338	331	329	319	307	299	290	322	305	280	179
% of GDP of the sub-sector industrial corporations	CBA	28.2				27.9				28.5				28.6				24.5							
	CBQ	21.5	21.2	18.7	20.1	19.6	20.6	18.7	18.5	18.8	19.0	17.1	17.7	19.4	19.7	17.7	19.1	18.9	19.5	16.7	17.6	18.7	18.0	15.9	12.2

SOURCE: Banco de España.

ratios recovered an upward trend in 2006, following the fall of the previous year. Thus, the return on investment stood at 9% in 2006, up 0.7 percentage points from the same period a year earlier, while the return on equity rose to 12.6%, exceeding the level reached in 2004. As the ratio that approximates the cost of debt remained at low levels (3.9%), similar to those of the previous year (3.8%), the spread between ROI and the cost of debt was, for another year, positive, displaying an upward trend with respect to the preceding year. In short, Spanish industry picked up notably in 2006, driven by investment in capital goods and the improvement in exports (14.6%), although the imports of products included among its inputs increased by even more (24.6%), leading to a fall in the sector's net external demand. This positive performance has still not resulted in net increases in employment, but the progressive improvement in this aspect as the year elapsed means that the expansionary trend displayed by Spanish industry in 2006 can be expected to continue in 2007.

Profits, rates of return and debt

The growth of productive activity in 2006, having deducted personnel costs, generated a gross operating profit which grew by 7.5% in 2006, as against 3.3% in 2005. Both financial revenue and financial costs increased in 2006, with rates of change of 10.7% and 34.5%, respectively. In the case of financial costs this is the highest rate of growth since 2000, so it is worth noting the reasons for this change, which are set out in the following table:

	06 Q1-Q4/05 Q1-Q4
Change in financial costs	**34.5%**
A. Interest on borrowed funds (1+2)	*36.2%*
1. Due to the cost (interest rate)	2.7%
2. Due to the amount of interest-bearing debt	33.5%
B. Commissions and cash discounts	*–1.7%*

It is clear that the increase in financial costs in 2006 is almost entirely explained by the flow of new financing, against a background in which the rises in benchmark interest rates have had a very limited impact on non-financial firms, given the low weight of loans taken out under the new conditions, as reflected in the ratio R.2 (interest on borrowed funds / interest-bearing borrowing). The notable growth in indebtedness recorded in 2006 is explained by the existence of some important acquisitions, both in Spain and abroad, by certain large firms (basically holding companies in the telecommunications and construction sectors). The ultimate aim of these operations was to take control of other companies, as part of a strategy of seeking extra returns and diversifying risk. The ratio E1 (see Chart 4) of interest-bearing borrowing to net assets, confirms the upward trend in debt relative to net assets, rising sharply in 2006, reflecting the operations mentioned above. On the other hand, the ratio E2, which can be used to analyse the ability to repay the principal of the debt contracted, shows (consolidated) debt relative to value added generated. It can be seen that the acceleration in this ratio in 2006, owing to the growth of debt, affected both firms belonging to what are referred to as multinational groups (MGs), which include only those in the energy and telecommunications sectors (not construction groups), and other large firms of the sample[4]. Chart 4 also depicts the interest burden, showing interest on borrowed funds relative to the firm's income. It can be seen that, although there has been notable growth in this

4. It has been decided, for the time being, not to include construction firms in the group of MGs, in order to facilitate the separate monitoring of these groups. That said, if construction firms continue their new strategy of acquiring firms to diversify their risks, they will be included in MGs.

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

	CBA			CBQ (a)		
	2003	2004	2005	03 Q1-Q4	05 Q1-Q4	06 Q1-Q4
Number of corporations	8,834	8,984	7,877	810	793	741
PERSONNEL COSTS	100	100	100	100	100	100
Falling	25.5	28.0	26.4	32.5	28.8	27.3
Constant or rising	74.5	72.0	73.6	67.5	71.2	72.7
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	31.7	31.5	30.5	44.8	40.7	38.7
Constant or rising	68.3	68.5	69.5	55.2	59.3	61.3
AVERAGE COMPENSATION RELATIVE TO INFLATION	100	100	100	100	100	100
Lower growth (b)	38.9	44.1	43.0	46.3	49.7	48.9
Higher or same growth (b)	61.1	55.9	57.0	53.7	50.3	51.1

SOURCE: Banco de España.

a. Weighted average of the relevant quarters for each column.
b. Twelve-month percentage change in the CPI for the CBA and quarter-on-quarter percentage change in the CPI for the CBQ.

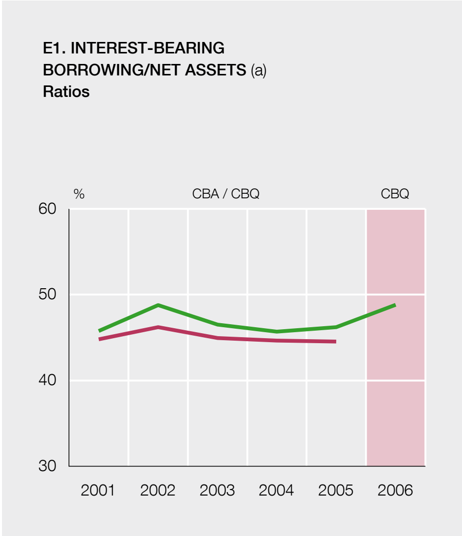
ratio since 2005, which has taken it close to the levels reached in 2001, such levels were not exceeded in 2006.

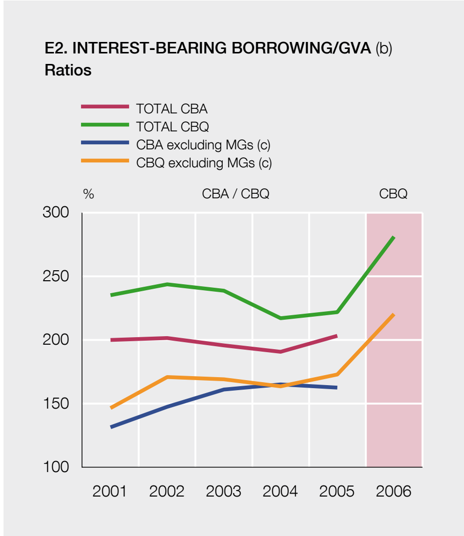
The growth in financial revenue in 2006 (10.7%), albeit very positive, was significantly lower than in 2005 (34.2%), when there was an exceptional inflow of dividends from foreign subsidiaries. This growth (see Table 5) was still sufficient to enable ONP to grow by 5.1%, and although this was a smaller increase than in 2005 (14.1%), it shows a notable rate of profit generation. This performance of ONP, together with the funds assigned to financial costs (the numerator used to calculate the return on investment), enabled the firms to continue to earn high returns, which even exceeded those of the immediately preceding periods. Specifically, the return on investment (R1) was 9.3% in 2006 (8.8% in 2005), while that on equity reached 14.8% (13.3% in 2005). Finally, in Table 6, which shows the distribution of firms according to their returns (on both investment and equity), a slight shift can be seen towards the higher return segments. At the same time, the ratio that approximates the cost of borrowing (R.2) remained at low levels (3.8%) in 2006 (although it rose by 0.1 percentage points during the year), as the transmission of rate rises to business costs only affects new loans and the weight of loans taken out under the new conditions is still low. The combined performance of the profit ratios and the cost of debt explains why the spread between them remains positive and large, standing at 5.5 in 2006, higher even than in the previous year (5.1).

Extraordinary results had a positive impact on final net profit, primarily because, compared to the previous year when large negative exchange differences were recorded, there were significant capital gains generated by share sales and significant reductions in the extraordinary expenses of reporting firms. There was also a sharp increase in extraordinary provisioning of the share portfolio, in this case by certain holding companies to compensate for the lower market value of some of their foreign investments. All this led to an increase in final net profit of 13.4%, smaller than that recorded a year earlier (27.6%), but involving a notable increase in the level of corporate profits; expressed as a percentage of GVA, they were 31.7% in 2006, a new historic high in the CBQ series. Finally, for the sample as a whole, the rate of change of investment in tangible fixed assets reached 12.6% in 2006, up slightly from 9.9% in 2005. The

DEBT RATIOS

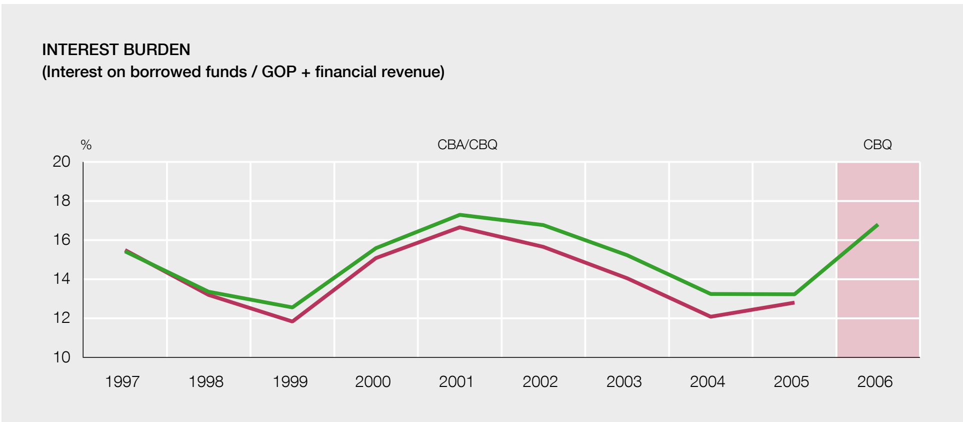
CHART 4





	2001	2002	2003	2004	2005	2006
CBA	44.8	46.2	44.9	44.6	44.5	
CBQ	45.8	48.8	46.5	45.7	46.2	48.8

	2001	2002	2003	2004	2005	2006
CBA	200.1	201.5	195.8	190.8	203.1	
CBQ	235.2	243.8	238.7	217.2	221.8	281.2
CBA excl. MGs	131.5	147.6	161.1	165.0	162.5	
CBQ excl. MGs	146.5	171.0	169.0	163.7	172.9	220.3



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
CBA	15.5	13.2	11.8	15.1	16.7	15.6	14.0	12.1	12.8	
CBQ	15.4	13.4	12.6	15.6	17.3	16.8	15.2	13.3	13.2	16.8

SOURCE: Banco de España.

a. Ratio calculated from final balance sheet figures. Own funds include an adjustment to current prices.
b. Ratio calculated from final balance sheet figures. Interest-bearing borrowing includes an adjustment to eliminate intragroup debt (approximation of consolidated debt).
c. MGs: sample corporations belonging to the main reporting multinational groups. Large construction sector corporations are not included.

GROSS OPERATING PROFIT, ORDINARY NET PROFIT, RETURN ON INVESTMENT AND ROI-COST OF DEBT (R.1 – R.2). BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS

TABLE 5

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

	GROSS OPERATING PROFIT				ORDINARY NET PROFIT				RETURN ON INVESTMENT (R.1)				ROI-COST OF DEBT (R.1-R.2)			
	CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)	
	2004	2005	05 Q1-Q4	06 Q1-Q4	2004	2005	05 Q1-Q4	06 Q1-Q4	2004	2005	05 Q1-Q4	06 Q1-Q4	2004	2005	05 Q1-Q4	06 Q1-Q4
Total	10.8	3.6	3.3	7.5	23.0	11.2	14.1	5.1	8.2	8.7	8.8	9.3	4.5	4.9	5.1	5.5
SIZE																
Small	15.2	4.6	—	—	23.2	9.1	—	—	7.1	6.9	—	—	3.3	3.2	—	—
Medium	11.1	2.4	2.4	10.0	13.2	1.0	-0.4	20.3	8.3	7.5	7.6	7.7	4.9	4.0	4.5	4.3
Large	10.7	3.6	3.3	7.5	24.2	12.3	14.6	4.7	8.2	8.8	8.9	9.3	4.5	5.1	5.2	5.5
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	8.1	15.8	12.5	9.4	11.3	41.6	33.7	6.0	8.1	9.8	10.3	10.7	4.8	6.4	6.9	7.0
Industry	10.0	-2.1	-0.7	13.8	16.5	2.4	-3.5	35.6	9.4	8.7	8.3	9.0	5.9	5.1	4.5	5.1
Wholesale and retail trade	13.3	2.9	1.9	4.6	23.3	4.1	2.5	8.4	12.1	10.8	8.7	7.6	8.6	7.4	5.1	3.9
Transport and communications	8.5	-1.6	-1.0	5.0	23.9	0.0	0.3	8.2	10.0	8.5	10.6	12.9	5.8	4.5	7.0	8.8

SOURCE: Banco de España.

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

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

TABLE 6

		CBQ (a)			
		RETURN ON INVESTMENT (R.1)		ORDINARY RETURN ON EQUITY (R.3)	
		05 Q1-Q4	06 Q1-Q4	05 Q1-Q4	06 Q1-Q4
Number of corporations		793	741	793	741
Percentage of corporations by profitability bracket	$R \leq 0\%$	24.0	23.3	26.8	27.0
	$0\% < R \leq 5\%$	21.3	21.8	16.5	16.1
	$5\% < R \leq 10\%$	17.6	15.8	12.8	11.8
	$10\% < R \leq 15\%$	10.2	11.4	10.1	8.8
	$15\% < R$	26.8	27.8	33.7	36.3
MEMORANDUM ITEM: Average return		8.8	9.3	13.3	14.8

SOURCE: Banco de España.

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

investment efforts of CBQ firms were concentrated in the energy sector and, especially, in transport and communications, in the latter case almost exclusively on account of the plans being executed by land, and water and air, transport firms.

In conclusion, Spanish firms saw their productive activity expand significantly in 2006, with strong broad-based growth in practically all sectors of activity. The performance of the industrial sector merits special mention, assisted by the greater dynamism of investment in capital goods and by the pick-up in external activity, although industry's net external demand (exports less imports) actually grew at negative rates. At the same time, an ever larger number of firms has been creating jobs, encouraged by the climate of prosperity and wage moderation. This favourable scenario, and the need to diversify risks, encouraged some large firms to undertake significant investment, financed by borrowing, capitalising on the fact that the cost of debt, albeit rising slightly during the year, remained at low levels. This caused an increase in debt levels, although, on the information currently available, there is no sign of any risk factors that might endanger the financial position of the aggregate of firms. In fact, profitability levels remained high, actually exceeding those of previous years, and corporate profits (final net profit), relative to added value, were again at all time highs.

19.3.2007.

Introduction

Over the past six months the Latin American economies continued to benefit from a clearly favourable external environment, both in terms of the growth of the world economy, and of financing and market-access conditions. Against the background of the ongoing firming of domestic demand and further improvements in the terms of trade, activity in the region quickened in 2006 to an annual average growth rate of 5.3%, compared with 4.5% in 2005. This was the third year running in which the expansion exceeded 4%.

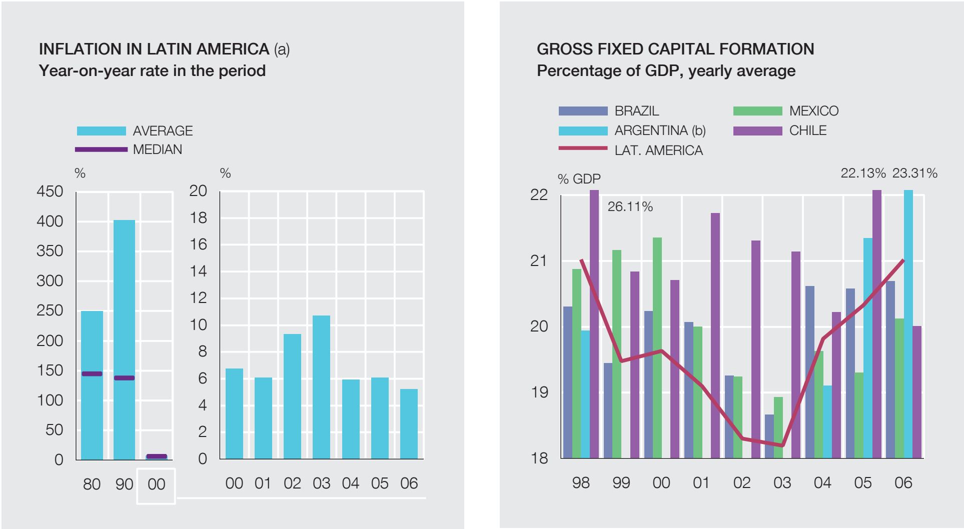
During the second half of the year the pick-up in growth was more generalised than in the first six months. With the sole exceptions of Mexico and Chile, whose growth rates tended to ease, the region's economies accelerated appreciably, in contrast to the mild slowing trend of the world economy. In terms of components, there was a step-up in the trends observed in 2005: first, there was an additional boost from domestic demand, which contributed more than 7.5 pp to growth in 2006; and further, the negative contribution of external demand increased considerably to -2.2 pp. Notwithstanding, the current account balance was positive (1.9% of GDP), thanks to the fact that the terms of trade notably provided for a sizeable additional boost higher even than that recorded in the previous four years.

A key difference in relation to the first half of the year was the behaviour of investment, which underwent a relatively generalised recovery in the second half of the year, enabling the highest investment/GDP ratios for recent years to be attained, similar to those of the late 90s (see Chart 1). The recovery in investment, if it takes root, may prove pivotal for prolonging the current upturn in the economy and making it more sustainable. In this respect, it is worth highlighting the role that the improved terms of trade have played in recent years in respect of public-sector and corporate saving when explaining some of the most significant recoveries in investment in the region. Overall, the recent strengthening of domestic demand entrenches a "classical" economic cycle for the Latin American economies in which, following an initial impulse from the external sector in 2002-2003, there has been a pick-up in domestic demand. Taking a longer view, the mere existence of a prolonged cycle with few imbalances in most of the countries is a major achievement for a traditionally volatile region. Moreover, the ongoing expansion is unfolding against a backdrop of inflation that continued to ease in 2006, especially in the first half of the year, dipping to an annual average rate of 5.2%, the lowest posted in Latin America as a whole since reliable records first began (see Chart 1). In this setting, monetary policy developments followed diverging courses in the second half of the year, as in some countries the upward cycle of official rates continued while in others the downward cycle continued or resumed.

The behaviour of the financial markets was clearly favourable throughout the six-month period, this being interrupted only in the last month and a half by the emergence of fresh turbulence on international markets. Perhaps the key financial development in Latin America has been its ability to uncouple itself from some of the traditional determinants of its sovereign risk premia. These include, for example, expectations about the course of official interest rates in the United States (which fluctuated considerably during this period) or about long-term interest rates on the dollar. But mention should also be made of the scant impact not only of external turbulence but also of certain events originating in the region, such as the uncertainty arising from the possibility of debt restructuring in Ecuador, or the start of a process of re-nationalisation of strategic industries in Venezuela. These favourable developments translated into a narrowing of sovereign spreads, which reached minimums, strong stock market gains and currency ap-

INFLATION AND GROSS FIXED CAPITAL FORMATION
Year-on-year rate and percentage of GDP

CHART 1



SOURCE: National statistics.

a. Aggregate of the eight largest economies.
b. Below 18% from 2000 to 2003 (18% in 1999), with an average of 14.32%.

preciations (practically across the board but with varying intensity from country to country) until late February. The appreciating trend was checked with relative success, giving rise to a significant build-up in reserves by some central banks, which poses growing economic policy dilemmas in certain countries.

In the last month there was a strong correction in risk-bearing financial asset prices. Nonetheless, the resilience shown by emerging financial markets subsequently proved notable, despite the relative intensity of the episode and its global nature, against a background of sound macroeconomic fundamentals. In this respect, from the standpoint of market discipline the strong decline in sovereign spreads in Argentina is striking. Indeed, Argentina has been able to finance itself in dollars only four years after its debt default (although issues are admittedly being confined to the domestic market), paying a spread of less than 200 bp over risk-free assets.

Against this backdrop, the outlook remains favourable for maintaining relatively dynamic growth rates in the region as a whole, even if the negative contribution of external demand continues, as seems likely, to intensify. However, the gradual slowdown in world demand and the persistence of very high growth rates in some countries in recent years may herald some easing in the pace of growth in the area over the next two years. And a factor of uncertainty compounding this is the recent increase in volatility on financial markets. Indeed, taking a medium-term view, it should be questioned to what extent growth rates in the region such as those at present would be sustainable if the external environment were different and, also, were there to be no move away from the traditional dependence on the US business cycle towards that of other large-scale commodity-consuming economies such as China and India, exposing the region to other types of vulnerabilities. Further, the high external exposure to inherently volatile commodities prices, in a setting in which the increase in volume exports has been scant, may, as so often in the past, prove a factor of vulnerability for public finances, the external balance and, indirectly, the growth of some of these economies in the future.

Economic and financial developments

EXTERNAL ENVIRONMENT

The international economic environment continues to underpin clearly favourable developments in the emerging economies as a whole and, in particular, in Latin America (see Chart 2). In the United States, once the fears of a significant slowdown in the economy owing to the effect of an adjustment in the real estate sector abated in the final months of the period under study, most indicators tended to signal the continuing and notable robustness of the other sectors. This contributed decisively to firming expectations about a gradual and orderly easing in growth in 2007. Inflation tended to decline, largely as a result of the strong fall in oil prices. Economic activity rose in Japan in Q4 following a slump in Q3 as a result of the sluggishness of private consumption, while in the euro area economy the signs of dynamism tended to take root. In China, the high growth rate seen in recent quarters continued, as did the risk of the economy overheating, with no clear signs of it cooling despite the economic policy measures adopted in this connection in recent months.

Against this background, the Federal Reserve held its official interest rate unchanged at 5.25% from June. The Bank of Japan raised its benchmark rate by 25 bp to 0.50% in February, while the European Central Bank also raised its key interest rate on three occasions from October, taking it to 3.75% in March. Despite the stability of US official interest rates, long-term interest rates oscillated in a relatively wide range by recent standards between 4.3% in December and 5% in February. A possible influence here was the greater difficulty in forming expectations about growth and inflation, at the juncture of a change in cycle, and the consequently greater uncertainty when anticipating the monetary policy reaction. All told, the yield curve, measured as the difference between the ten-year and three-month interest rates, remained throughout the period in negative territory, which suggests that the market anticipates a scenario of moderating growth in the medium term for the US economy.

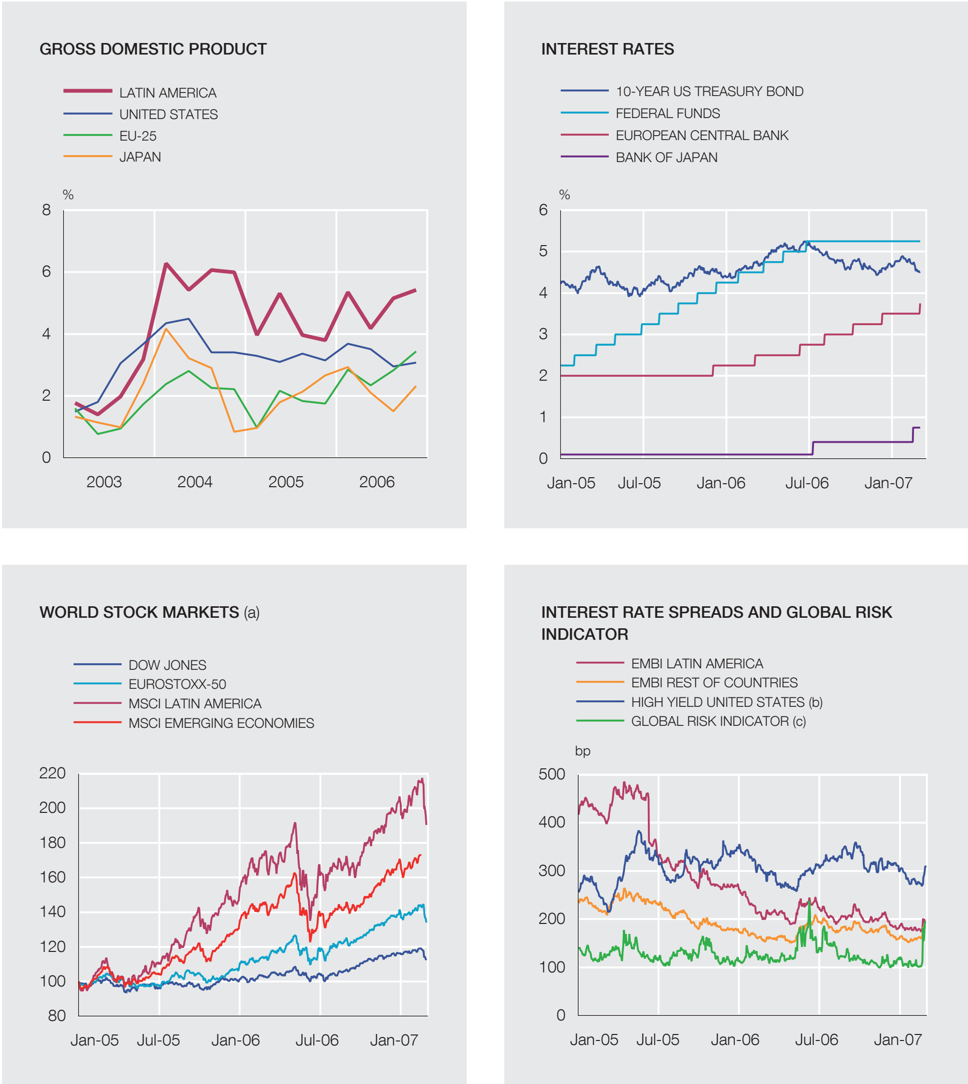
Between late February and early March there was a sudden change in market expectations towards greater risk aversion, triggered mainly by the sharp correction on the Chinese stock exchange and heightened uncertainty over the scale of the slowdown in the United States, linked to the deterioration in certain mortgage market segments. Investor disquiet particularly affected higher-risk assets, with stock market losses across the board, a marked increase in implied volatility and a significant widening of the lowest-grade corporate bond spreads. Sovereign debt spreads also widened and the main currencies depreciated, while instruments traditionally considered to be a safe haven - such as the industrialised countries' treasury bonds and also the yen - benefited.

On the foreign exchange markets, the dollar depreciated by around 3% against the euro in relation to September. Of most interest when interpreting some of the recent trends on emerging markets was the depreciating course of the yen against the dollar and the euro. This depreciation intensified in the closing months of the year and early 2007, with a loss of around 5% against the dollar since September. The lower level of interest rates in Japan and the continuing environment of low volatility on financial markets may have borne on the proliferation of the so-called carry trade (borrowing in yen and on-lending in high-yielding currencies), especially against the background of the widespread improvement in the emerging economies' fundamentals. Here the sudden appreciation of the yen by almost 5% between February and March, associated with financial turbulence, and the simultaneous widening of emerging-economy sovereign spreads are a sign of the high interrelatedness of markets and also of the degree of sensitivity of current valuations to potential future increases in volatility.

The main international stock markets moved on a strong rising trend over the period as a whole, and this was even more significant in the case of the emerging markets, coinciding with the release of sound corporate earnings results (Chart 2). The US Dow Jones index, the Euro-

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

CHART 2



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

a. Indices in dollars.
b. B1 rated bonds.
c. Implied volatility of CBOE options.

pean bourses and the Nikkei index increased by around 15% from September to February. However, the turbulence in the February-March period prompted corrections of close to 10%.

A crucial factor affecting financial markets in this period was the decline in oil prices by around 3%. Certain metal commodities followed suit, after having posted considerable rises in the previous months. Oil prices dropped to a level below $52 per barrel in mid-January, the lowest since June 2005, picking up once more in early February to a price of over $60.

Against this backdrop, the emerging markets continued to perform very favourably, exhibiting notable resilience to certain bouts of turbulence. The Asian and Eastern European MCSI indices climbed by around 20% to February, with an even higher figure for the Latin American index, although it was subsequently corrected significantly. Sovereign spreads also behaved soundly, narrowing in all regions to historical lows. In Asia, the EMBI Global spread narrowed

LATIN AMERICAN GDP
Year-on-year change, unless otherwise indicated

CHART 3

SOURCE: National statistics.

by around 50 bp from September 2006 to March 2007, while the related Eastern European and Latin American spreads did so to a lesser extent, and the US junk bond spread tended to be squeezed (Chart 2). With the correction in recent days, sovereign spreads have tended to resume their September levels, with the exception of those in Asia, which are still slightly lower.

ACTIVITY AND DEMAND

Latin American economic activity quickened notably during the second half of 2006. Over the year as a whole the annual average growth rate stood at around 5.3%, compared with 4.5% in 2005, making for the third consecutive year of growth of over 4% (see Chart 3 and Table 1). Activity would have accelerated significantly in year-on-year terms in the second half of the year, partly as a result of growth in Brazil, but also in Argentina and the main Andean economies (Venezuela, Colombia and Peru). Compared with the same period a year earlier, growth in Q4 was 5.8%. In quarter-on-quarter terms, growth was also more robust in Argentina and Brazil, but not in Chile and Mexico. In the region as a whole, quarterly growth rates were simi-

LATIN AMERICA: MAIN ECONOMIC INDICATORS

TABLE 1

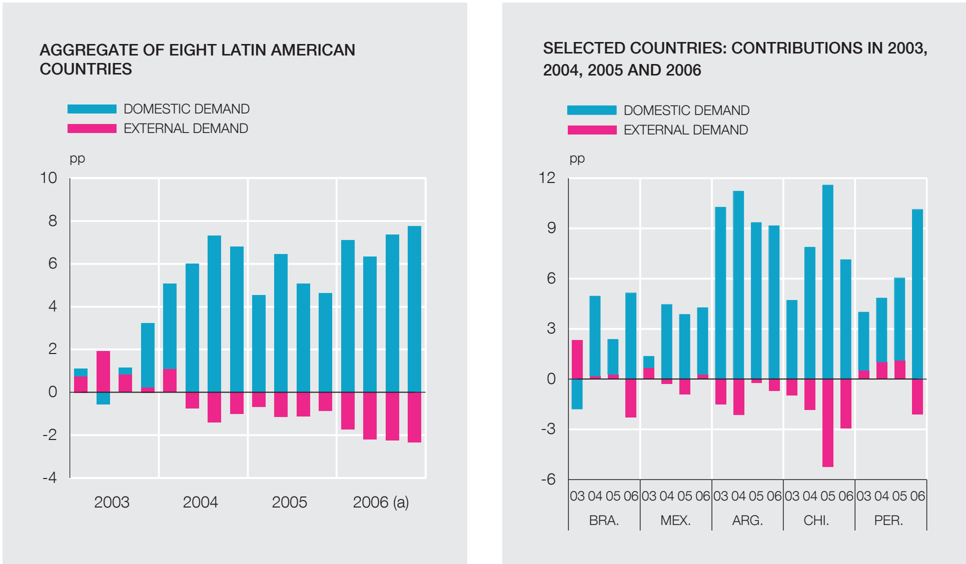
	2003	2004	2005	2006	2005				2006			
					Q1	Q2	Q3	Q4	Q2	Q2	Q3	Q4
GDP (y-on-y change) (b)												
Latin America (a)	2.3	6.3	4.5	5.3	4.2	5.0	4.7	4.2	5.6	4.3	5.7	5.8
Argentina	8.8	9.0	9.2	8.5	8.0	10.4	9.2	9.0	8.8	7.7	8.7	8.6
Brazil	0.5	5.7	2.9	3.7	2.8	2.8	3.1	3.1	4.1	1.5	4.5	4.8
Mexico	1.4	4.2	2.8	4.8	2.4	3.2	3.1	2.5	5.5	4.9	4.5	4.3
Chile	3.9	6.0	5.7	4.0	6.3	7.3	5.2	4.2	5.0	4.0	2.6	4.3
Colombia	4.0	4.9	4.7	6.8	5.0	6.9	5.9	1.5	5.5	6.5	7.6	6.8
Venezuela	-7.7	18.3	10.3	10.3	8.4	11.7	10.2	10.9	9.8	9.4	10.1	11.8
Peru	3.8	5.2	6.4	8.1	5.9	5.9	6.3	7.7	8.0	6.5	9.2	8.5
Uruguay	2.5	12.0	6.6	7.1	6.6	7.3	5.6	6.9	7.1	7.8	7.2	6.1
CPI (y-on-y change)												
Latin America (a)	10.9	6.0	6.3	5.2	6.5	6.7	6.0	6.0	5.8	5.1	5.1	4.9
Argentina	14.9	4.4	9.6	10.9	8.2	8.8	9.8	11.7	11.6	11.4	10.6	10.1
Brazil	14.8	6.6	6.9	4.2	7.4	7.8	6.2	6.1	5.5	4.3	3.8	3.1
Mexico	4.6	4.7	4.0	3.6	4.4	4.5	4.0	3.1	3.7	3.1	3.5	4.1
Chile	2.8	1.1	3.1	3.4	2.3	2.8	3.3	3.8	4.1	3.8	3.5	2.2
Colombia	7.1	5.9	5.1	4.3	5.2	5.0	4.9	5.1	4.2	4.0	4.6	4.3
Venezuela	31.4	21.7	16.0	13.7	17.0	16.3	15.4	15.2	12.6	11.2	14.6	16.1
Peru	2.3	3.7	1.6	2.0	2.2	1.8	1.2	1.3	2.4	2.3	1.8	1.5
Uruguay	19.4	9.2	4.7	6.4	5.6	4.5	3.9	4.8	6.4	6.4	6.6	6.2
PUBLIC-SECTOR BALANCE (% GDP)												
Latin America (a) (c)	-2.0	-0.8	-0.8	-0.7	-0.7	-0.5	-0.5	-0.8	-0.8	-0.7	-0.7	-0.7
Argentina	0.4	2.6	1.8	1.8	2.6	1.5	1.5	1.6	1.6	1.7	1.8	1.7
Brazil	-3.6	-2.5	-3.1	-3.2	-2.6	-2.8	-2.9	-3.3	-3.9	-3.4	-3.5	-3.4
Mexico	-0.7	-0.3	-0.1	0.1	-0.5	-0.5	0.0	-0.1	0.1	0.4	0.3	0.1
Chile	-1.4	2.4	4.7	8.0	3.2	4.0	4.4	4.7	6.3	6.6	7.9	8.0
Colombia (c)	-2.6	-0.6	-0.5	-0.9	-0.6	-0.7	-1.7	-0.5	-0.1	0.3	…	…
Venezuela (c)	-4.3	-2.7	2.6	-3.6	-0.1	3.2	5.2	2.0	0.3	-3.0	-1.6	…
Peru	-1.8	-1.3	-0.7	1.3	-2.2	-2.5	-2.6	-2.8	-2.8	-3.0	-3.1	-3.0
Uruguay	-4.6	-0.9	-0.5	-0.8	-0.8	-0.8	-1.0	-0.5	-0.2	-0.8	-0.7	-0.8
PUBLIC DEBT (% GDP)												
Latin America (a) (c)	54.4	49.6	42.1	41.1	50.6	42.4	42.7	42.1	42.5	40.3	40.7	41.1
Argentina	141.0	125.7	70.7	…	121.6	66.2	66.6	66.8	69.0	59.1	59.9	…
Brazil	57.2	51.7	51.5	50.0	51.3	51.4	51.5	51.5	51.6	50.4	49.8	50.0
Mexico	24.7	23.0	22.4	23.3	22.7	21.6	22.6	20.8	21.7	21.3	23.9	22.7
Chile	13.3	10.7	7.2	5.3	9.8	8.5	7.6	6.8	6.2	5.5	5.4	5.2
Colombia	50.9	46.4	46.5	…	49.7	45.2	42.4	42.7	49.0	46.4	41.3	…
Venezuela	56.9	53.3	48.2	…	47.1	48.7	50.1	48.2	36.1	38.2	43.1	…
Peru	47.7	44.3	37.7	32.7	42.0	35.0	38.0	36.9	36.0	30.4	31.2	30.4
Uruguay	108.3	100.7	83.8	…	78.9	81.2	82.5	83.8	73.6	75.4	76.1	…
CURRENT ACCOUNT BALANCE (% GDP)												
Latin America (a) (c)	0.8	1.4	1.8	1.9	1.4	1.4	1.5	1.8	1.9	1.9	1.9	…
Argentina	6.1	2.3	3.1	3.8	2.0	1.6	2.4	3.1	3.5	3.7	3.4	3.8
Brazil	0.8	1.7	1.6	1.3	2.0	1.8	1.8	1.8	1.5	1.2	1.3	1.3
Mexico	-1.5	-1.0	-0.6	-0.2	-1.1	-1.1	-0.9	-0.6	-0.2	-0.1	-0.2	-0.2
Chile	-1.5	2.2	1.1	3.6	1.9	1.5	0.9	1.1	1.7	2.8	3.9	3.6
Colombia (c)	-1.7	-0.9	-1.5	-1.7	-0.7	-0.7	-1.4	-1.5	-1.6	-1.9	-1.7	…
Venezuela	13.4	15.3	22.3	19.5	15.5	17.5	20.7	22.3	23.6	24.2	22.5	19.5
Peru	-1.7	0.0	1.4	2.6	0.3	0.7	0.9	1.4	0.9	1.2	2.2	2.6
Uruguay (c)	0.5	0.3	0.2	0.0	-0.2	0.0	0.0	0.2	0.2	-0.3	-1.1	…
EXTERNAL DEBT (% GDP)												
Latin America (a) (c)	46.7	39.9	27.5	24.2	40.3	31.6	29.9	27.5	26.0	23.6	23.6	24.2
Argentina	119.8	112.5	62.5	51.4	107.5	61.9	61.4	59.1	56.0	48.3	49.8	47.8
Brazil	40.1	28.9	19.2	…	32.0	28.1	24.8	21.3	18.9	16.5	15.8	…
Mexico	22.1	20.4	16.8	…	19.8	17.6	17.2	15.4	15.3	15.6	16.0	…
Chile	54.8	45.9	37.8	32.9	40.8	38.6	37.2	33.5	32.8	31.5	33.1	32.2
Colombia	44.9	40.2	31.3	…	36.2	31.2	28.8	28.3	30.6	29.4	28.1	…
Venezuela	48.3	43.1	39.8	31.7	35.8	38.9	38.6	39.3	31.3	28.9	29.2	29.6
Peru	48.3	44.8	36.1	30.4	42.6	35.4	36.4	35.3	34.4	28.9	29.3	28.3
Uruguay	98.0	87.6	68.6	…	67.1	67.4	67.3	68.6	59.0	59.7	59.5	…

SOURCE: National statistics.

a. Aggregate of the eight countries included in the table.
b. The GDP data for Chile and Brazil have been revised further to the methodological change in March 2007 in both countries. The public-sector balance, public debt and external debt ratios do not yet include the revision of the GDP series.

CONTRIBUTIONS TO GDP GROWTH
Percentage points

CHART 4



SOURCE: National statistics.

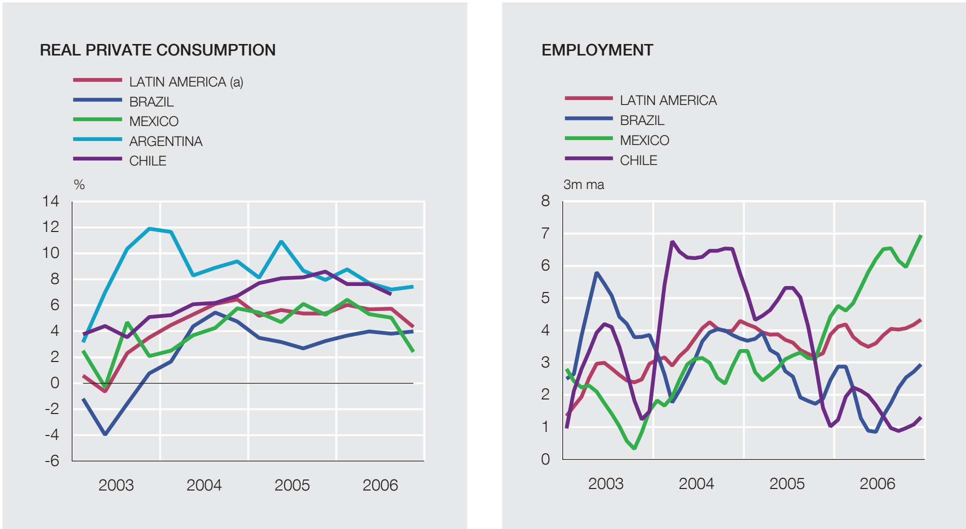
lar to those in the first half of the year. In terms of the contribution to the region's aggregate growth in 2006 as a whole, Brazil contributed 1.4 pp followed by Mexico (1.3 pp) and Argentina (1.1 pp).

The composition of growth tended to accentuate the trends observed in the first half of the year, namely the firming of domestic demand as the driving force of the expansion, with a contribution of 8.2 pp in the second half, and the accentuation of the negative contribution of external demand, both features being characteristic of a relatively mature phase of the cycle (see Chart 4). Private consumption maintained a growth rate of 6% on average, similar to the first half of the year (see Chart 5). This favourable trend in consumption is set against a generalised improvement in employment, the growth of which stood slightly above 4% on average in the area in 2006, similar to 2005, and a progressive rise in real wages, the average growth of which in 2006 was 5%. The unemployment rate dipped by 0.4 pp in relation to 2005, standing at around 8.5% of the labour force. Yet under this generally favourable labour market setting, the differences from one country to another were appreciable: there were strong increases in the growth rate of employment in countries such as Argentina and Mexico (where it quickened to 7%, albeit with a strong temporary-employment component), and more moderate growth in Brazil and Venezuela. The rise in real wages continued to be particularly significant in Argentina and Venezuela, running at around 8% and 20%, respectively. In Brazil and Mexico, real wages held stable and in Chile they rose very moderately. The rise in consumer confidence indices and the strong expansion of private-sector credit, which sustained growth rates of around 20% in the area as a whole, shaped a very favourable environment for a continuing and robust pace of private consumption growth.

Nonetheless, the main distinguishing feature of economic developments in the period was the firming of investment and, in particular, of investment in capital goods, the performance of which had, up to the first half of the year, been volatile and divergent across the region's countries. The favourable growth expectations for the area, the saving capacity generated by the persistent improvement in the terms of trade and low real interest rates – with the notable

PRIVATE CONSUMPTION AND LABOUR MARKET CHART 5

Year-on-year change and 3-month moving average

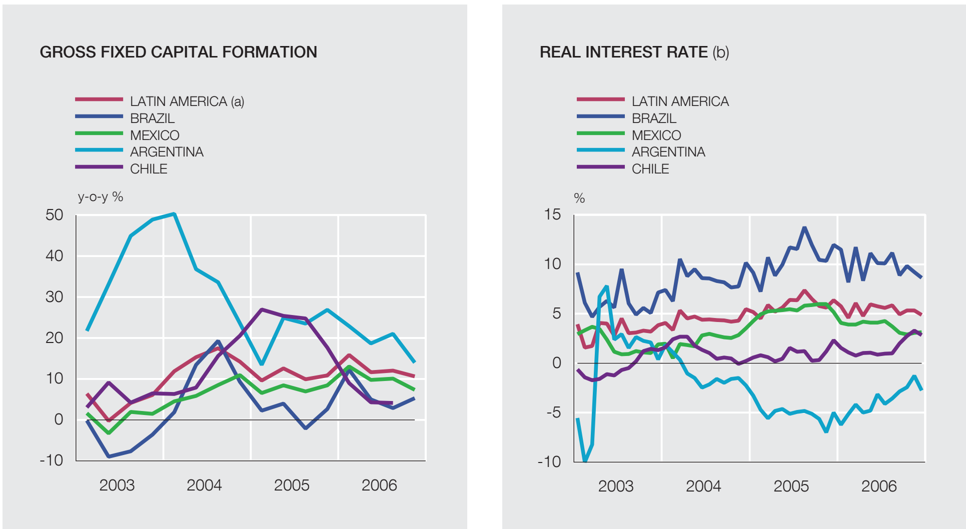


SOURCE: National statistics.

a. 2006 Q4: estimated.

GROSS FIXED CAPITAL FORMATION AND REAL INTEREST RATE CHART 6

Year-on-year rate and annual percentage



SOURCE: National statistics and IMF.

a. Eight largest economies. 2006 Q4 estimated.
b. Short-term interest rate minus inflation rate.

exception of Brazil (see Box 1) – have ultimately boosted investment to levels higher as a percentage of GDP than those prior to the crisis in the late 90s. As a result, despite the advanced stage of the cycle, investment has held at a relatively high year-on-year rate of over 10%, one higher than in 2005 in the region as a whole (see Chart 6 and Chart 1). This trend was across the board, except in Chile, where investment tended to be sluggish throughout the second half of the year, against the background of a decelerating economy. The trend in investment, should it take root, would be particularly beneficial insofar as it would be conducive to a lengthening of the upturn beyond the five years it has already been in train.

Despite the favourable external environment, the significant reduction in financial vulnerability and clear macroeconomic discipline, Brazil's growth of 3.7% in 2006 was notably lower than that of the other Latin American economies (excluding Brazil, the estimated growth exceeded 6%) and of the other emerging economies (average growth in South-East Asia was around 9%). Against this background, it is of particular interest to analyse the possible structural constraints on the growth of the Brazilian economy. The most notable of these has traditionally been the high cost of financing, which significantly limits capital accumulation and economic activity. This box analyses the possible reasons for that high cost of funds and reviews some recent measures that may have played a part in the decreased cost noted in recent years.

The variable used to measure the cost of financing is the interest rate of credit extended at market prices. Credit continues to be the main source of financing and, although in recent years the cost of funds in the financial markets has decreased considerably, it still remains very high. Indeed, although some of the larger companies have been able to borrow in the domestic and external financial markets at progressively lower interest rates, and although a portion of bank credit in Brazil is administered and subsidised (see Chart 1) at below those rates, the market cost of credit is the basic benchmark for proxying the cost of financing in Brazil as in other countries.

The interest rate of credit depends, from a theoretical standpoint, both on the central bank's official interest rate and on the net interest margin (measured as the difference between the deposit rate and the lending rate).

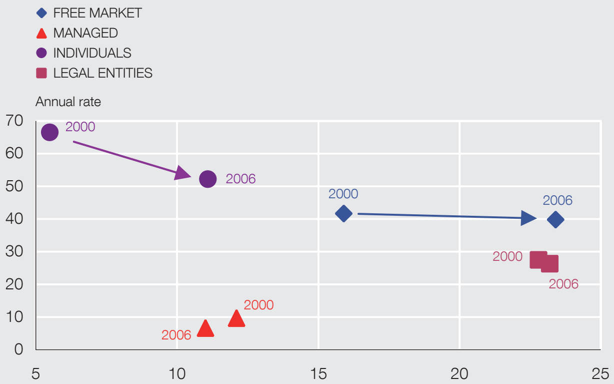
The traditionally high levels of the policy interest rate and their direct impact on short-term interest rates are one of the main factors explaining the high cost of funds[1]. Indeed, despite the fact that the cumulative decrease of 700 basis points in the current downturn has taken the policy interest rate to the lowest levels of the last 10 years, it continues to be high by international standards. The prospects for additional falls depend on the firming of the inflation expectations associated with the central bank's targets (this year, 4.5%, with a tolerance range of ± 2%) and the further reduction of risk premiums on the international financial markets.

However as shown in Chart 2, the net interest rate influences the interest rate of credit more than the policy interest rate does, and for this reason its determinants have been extensively and systematically analysed[2]. The high credit risk has been identified as the key factor in explaining the wide net interest margin. In turn, a series of institutional features have exacerbated this credit risk, including particularly the credit reporting systems and the legal and judicial systems. In this respect, it is considered that the deficiencies of the Brazilian default register system, given that it does not provide information on the credit record of the potential borrower and thus on the associated risk, may have contributed to generating high risk premiums. This may have caused problems of adverse selection, since the implicit quality of credit applicants is reduced. Along with these problems, the slowness of the legal system and its pro-debtor bias may have tended to prejudice creditors by reducing the chances of recovering the full value of the debt. All these circumstances may have contributed to laxer behaviour by debtors after the contract has been signed (moral hazard) and thus to higher risk premiums. These deficiencies have also helped to generate a captive market for each bank among its customers, which lessens competitive pressure and leads to wider net interest margins.

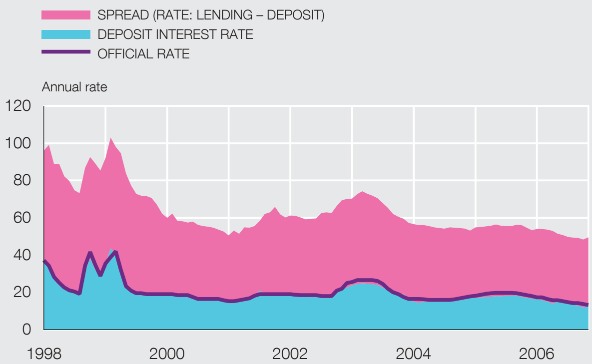
Other significant factors in explaining the wide net interest margins are the high reserve ratios, the distorting taxes on financial activity,

1. In Brazil the net interest margin is shared asymmetrically, since it falls almost solely on borrowers. This may be due to its asymmetrical origin (e.g. credit risk attributable to the borrower), either due to the absence of alternative financing opportunities for borrowers or to the existence of investment opportunities that are alternatives to deposits (perhaps derived from the high interest rates on public debt). **2**. The annual report issued since 1999 by the central bank of Brazil entitled *Economia Bancária e Crédito* (Banking Economics and Credit) contains detailed information on this topic.

1 CREDIT VOLUME AND INTEREST RATES



2 BANK NET INTEREST MARGIN



SOURCE: Central Bank of Brazil.

the requirement to allocate a certain portion of credit resources to certain sectors at below-market prices and the high administrative costs, which reflect a degree of inefficiency in the banking system.

Since 1999 the central bank of Brazil has been working on reforms to reduce credit risk. Noteworthy among these is the improvement in the central default register, the dissemination of the information in it and the creation of new financial instruments such as the payroll loan (in which the collateral is the borrower's future pay). The main purpose of disseminating credit records among banks is to encourage them to compete more intensely, which would diminish market power over solvent borrowers and reduce the premiums associated with adverse selection. Also, in 2003 a new bankruptcy law was enacted which ostensibly improves the creditor's position when a company goes bankrupt. In addition, efforts have been made to promote a legal culture that is less prejudicial for creditors, and various legal improvements have been made to expedite the formalities of litigation. Improvements in other areas (tax system, reserve ratios) have been limited and are constrained by monetary and fiscal policy or by the credit management policy in strategic segments.

Despite these measures and the time elapsed, both the cost of financial intermediation and the net interest margin continue to be high, as illustrated by Chart 2, and constitute one of the main constraints on economic growth. However, credit has expanded strongly in recent years (23.6% and 27% in 2006 and 2005, respectively), and there are reasons for a certain optimism. Indeed, part of the apparent inefficiency of the measures taken to date might be attributed to the possibility of the frequent episodes of macroeconomic volatility in the period 1999-2004 having outweighed the beneficial effects of these reforms. Moreover, it seems plausible that certain measures (particularly the changes to the legal system, the introduction of new instruments and improved information) may have delayed effects that will be more perceptible in the medium term. In addition, the achievement of greater macroeconomic stability, the gradual reduction in the level of public debt and the improved composition of that debt seem to be allowing more leeway for reducing the policy interest rate. In short, despite some uncertainties, both the advances in macroeconomic stabilisation and the implementation of reforms with a possibly crucial role in reducing credit risk, make it reasonable to consider that an opportunity is at hand to overcome the obstacle that the extraordinarily high financing costs represent for the expansion of credit and long-term economic growth in Brazil.

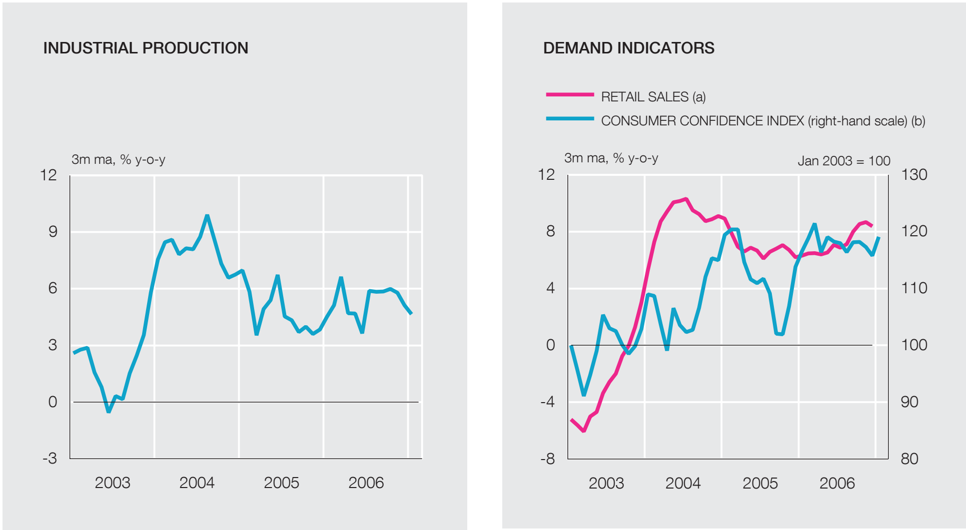
Overall, the recent strengthening in domestic demand entrenches a classical economic cycle for the Latin American economies in which, following an initial impulse from the external sector in the years 2002-2003, there has been a pick-up in domestic demand characterised, moreover, by the relatively balanced composition of its main components. In this respect, the recently released higher frequency indicators would point to the continuity of the expansionary impulse, as can be seen in Chart 7. Industrial production has tended to stabilise in recent months at a growth rate of around 5% and the main demand indicators available, such as retail sales and confidence indices, are along these same lines.

The negative contribution of external demand to growth in the region as a whole stepped up from –2% in the first half of the year to –2.5% (see Chart 4). Not only did the growth rates of volume exports in most of the countries continue to ease during 2006 (see Chart 8), but imports were also more buoyant. These developments reflect, on one hand, the considerable strengthening of domestic demand; but in some countries, moreover, this trend may have been magnified by the appreciation of exchange rates. Set against this, the region's terms of trade trended particularly favourably in 2006, increasing on average by 8%, far up on the figures of 3.5% and 4.6% for 2005 and 2004, respectively, which were at the time considerable positive shocks. This sharp improvement is due to the rise in price of metal commodities (100%) and, to a lesser extent, of foodstuffs (20%) (see Chart 8). The changes in the terms of trade allowed for a further widening of the trade balance to 4.4% of GDP, up on the average for the past two years (4%), despite the relatively advanced stage of the cycle. As can be seen in Chart 9, the countries that most benefited from commodities price developments were Chile, Peru and Venezuela, whose trade surpluses stood at record levels of between 10% and 22% of GDP.

SUPPLY AND DEMAND

3-month moving average of year-on-year rate and levels

CHART 7



SOURCE: National statistics.

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

The current account surplus continued to increase, widening to close to 2% of GDP as a result of sound trade figures. Argentina and Brazil sustained high current account balances in 2006, similar to 2005, while Mexico managed virtually to eliminate its current account deficit during the year, although it underwent a marked deterioration in the second half of the year. In Chile, Peru and also Venezuela, the gap between the current account and trade surpluses widened forcefully, owing to the strongly adverse behaviour of their income balances. Remittance revenues rose to a very significant scale in some countries (2.8% of GDP in Mexico, 3.1% in Colombia and 2% in Peru). Finally, Colombia and Uruguay were the only countries to post a current account deficit.

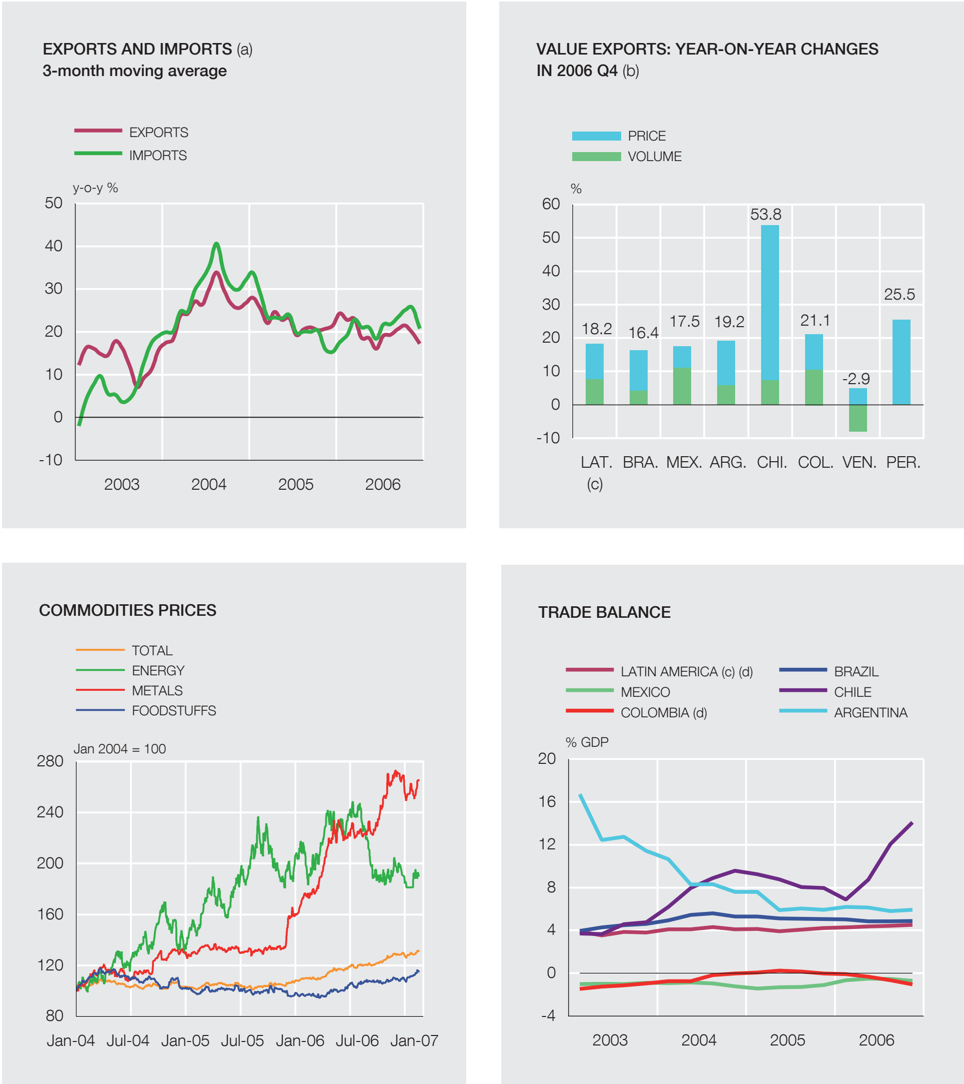
FINANCIAL MARKETS AND EXTERNAL FINANCING

The behaviour of Latin American financial markets was clearly favourable throughout the period and was only interrupted in late February by the turbulence on international markets originating in Asia and the United States. As in the April-May period in 2006, this bout of turbulence prompted an abrupt increase in volatility and a notable decline in financial asset prices (see Chart 10). This turbulence aside, the favourable market performance continued to be underpinned by the soundness of fundamentals, diminished vulnerability and the perception of ample global liquidity, against the background of widespread expectations of a soft landing for the US economy.

Stock markets rose across the board (see Chart 10). The regional MSCI index climbed by more than 25% between September and February, although the bout of instability in February resulted in losses of over 8%. The biggest stock market gains were in Chile, Mexico and Venezuela, which posted highs in mid-February between 30% and 50% above their September levels. The sovereign spread for the region, measured by the EMBI index, moved on a declining trend in a setting of very low volatility (lower even than that of the US Treasury bond; see Chart 11) which was interrupted only by the above-mentioned turbulence at the end of the period. The sovereign spread reached a historical low of around 170 bp, down from the 225 bp in September or the 280 bp in early 2006. The achievement of these lows may additionally have been due to some imbalance between the supply of and demand for these assets, as

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

CHART 8



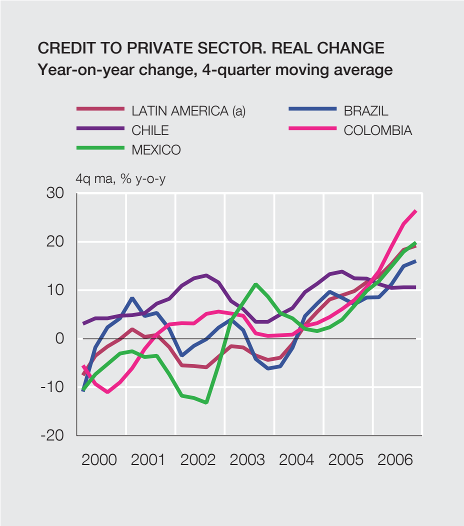
SOURCES: National statistics and Banco de España.

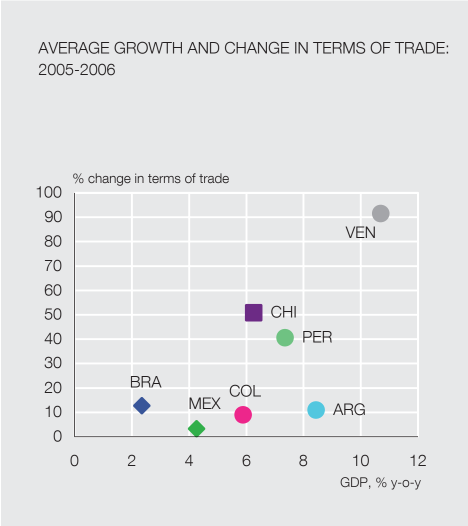
a. Customs data in US dollars.
b. National Accounts data in local currency. Argentina, Mexico, Chile and Colombia: 2006 Q3.
c. Aggregate of nine largest economies.
d. 2006 Q4 estimated.

countries pursued further the strategy of restructuring external debt and replacing it with domestic debt, and substantially reducing the volumes of sovereign debt issued in dollars. Sovereign spreads narrowed across the board in all Latin American countries (see Chart 10), with the exception of Ecuador, which practically doubled its level in September. There the spread widened to over 1000 bp at the start of the year as a result of the perception of an increase in external debt restructuring risk (although it subsequently narrowed to around 700 bp). This rise in risk prompted a downgrading of Ecuador's sovereign rating by the three main agencies. In the opposite direction, the decline in the Argentine sovereign spread proved particularly marked (from 300 bp in September to 185 bp). This was the biggest reduction among all the emerging countries, and the level was even below that of the Brazilian spread in late January, scarcely five years after Argentina's debt default. The Brazilian spread also narrowed by around 35 bp to 180 bp, assisted early in the year by the widespread expectations of an upgrade. However, further to the turbulence in February and March, the spread widened once more

CREDIT TO PRIVATE SECTOR, GROWTH AND TERMS OF TRADE

CHART 9





SOURCE: National statistics and IFS.

a. Average of the seven largest Latin American economies weighted by PPP.

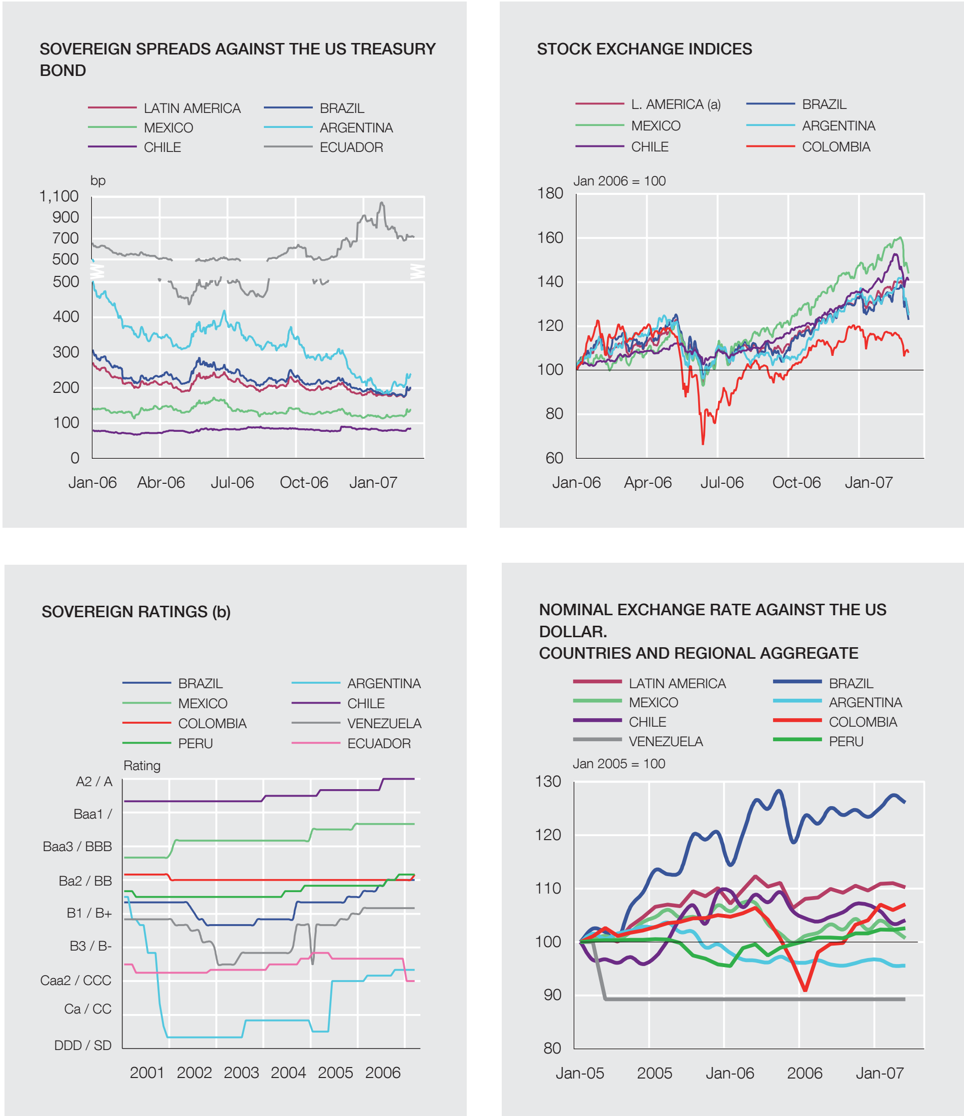
towards 200 bp, although Argentina and Ecuador were the countries most affected in this episode. Argentina, Uruguay and, more recently, Columbia saw their credit rating rise (see Chart 10), while Brazil and Peru witnessed an improvement in the outlook for their rating in the last six months.

On the foreign exchange markets, the Colombian peso and the Brazilian real were the currencies that most appreciated in the period, by 6% and 3% against the dollar, respectively, despite central bank intervention (see Chart 12). The Venezuelan bolivar depreciated by around 40% in the parallel market, especially from January further to the announcement of possible nationalisations, while the Argentine and Mexican peso held relatively stable over the past six months. It should be stressed that, in Argentina's case, the build-up in reserves by the monetary authorities was pivotal to such stability (see Chart 11). However, the turbulence in recent weeks has meant that the currencies which had been tending to rise against the dollar saw this appreciation corrected, resuming their September levels.

Total net capital flows in 2006 were virtually in balance (see Chart 12). Total net private flows stood at around $10 billion (a very small fraction of private flows to emerging economies, of below 5%, when a decade back the related figure was over 50%), a capital inflow that would have been offset by the decline in official flows. The evidence available indicates that, once again, direct investment was the main source of financing of flows, standing at around $30 billion, while the remaining components were negative. These developments reflect in part the growth of local financial markets and the reduction in dependence on external financing. During 2006 Brazil was a net exporter of foreign direct investment for the first time in its history, a noteworthy aspect and one which, along with the accumulation of reserves, illustrates the recent trend whereby certain emerging economies have become net creditors vis-à-vis the rest of the world. Finally, corporate issues on international markets remained buoyant, rising to almost $7 billion in the second half of 2006, a figure close to the total volume of sovereign issues, which remained relatively low in comparison with the past and with other geographical areas, to the extent that neither Chile nor Mexico (nor Argentina, for different reasons) made issues on international markets.

SOVEREIGN SPREADS, STOCK MARKETS, RATINGS AND NOMINAL EXCHANGE RATE AGAINST THE DOLLAR
Basis points and indices

CHART 10



SOURCE: JP Morgan, Bloomberg, Moody's, Standard and Poor's and Fitch.

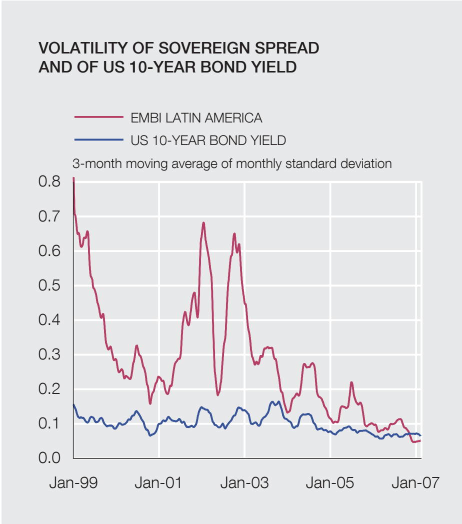
a. MSCI Latin America index in local currency.
b. Simple average of ratings from Moody's, Standard and Poor's and Fitch IBCA.

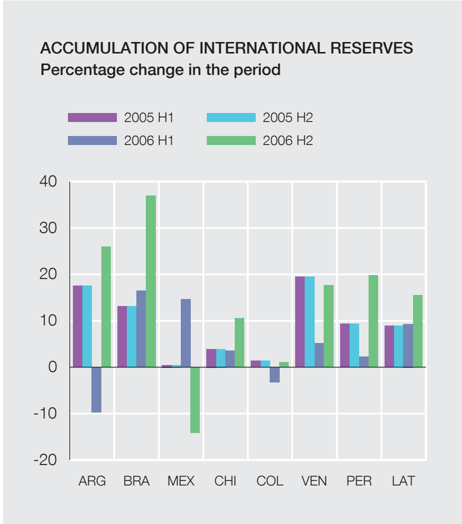
Bank lending to the private sector continued to quicken during the period, standing at a year-on-year growth rate of over 20% for the area as a whole (see Chart 9), albeit with notable differences from one country to another. This sustained growth is allowing the credit/GDP ratio to rise; however, the ratio remains very small relative to the area's level of per capita income. While improved fundamentals and the reduction in vulnerabilities account for the observed acceleration in credit, past experience advises caution, since previous episodes of uninhibited credit growth were a prelude, in many cases, to subsequent financial and banking crises[1].

1. For a detailed analysis, see the article (in Spanish) "La recuperación del crédito bancario en América Latina", by JC Berganza and E. Alberola, Boletín Económico, Banco de España, February 2007.

VOLATILITY AND ACCUMULATION OF RESERVES

CHART 11

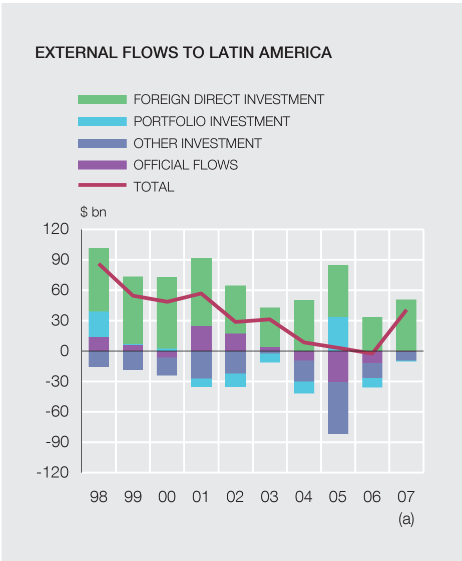


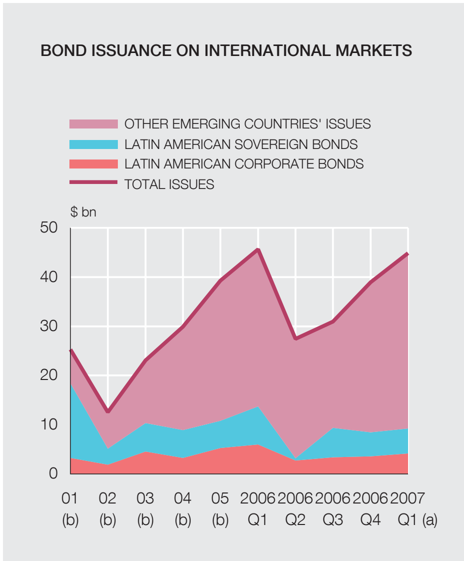


SOURCES: JP Morgan and Datastream.

EXTERNAL CAPITAL FLOWS
USD bn

CHART 12





SOURCES: JP Morgan, IMF and national statistics.

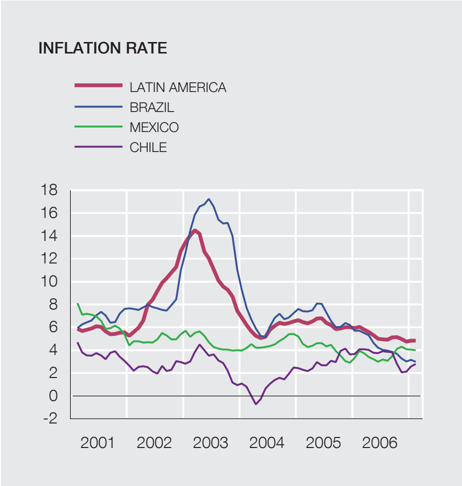
a. 2007: estimate.
b. Quarterly average.

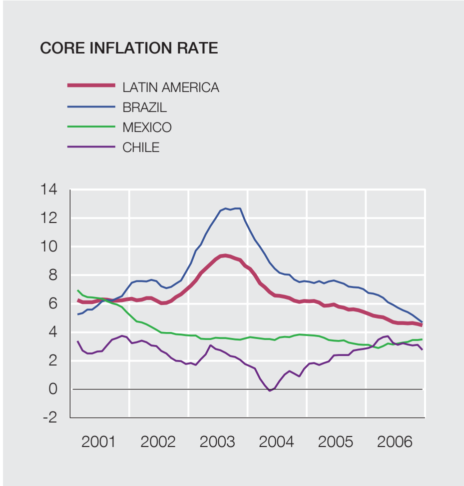
PRICES AND MACROECONOMIC POLICIES

During the year inflation eased significantly in the area as a whole, dipping to an annual average rate of 5.2%, compared with 6.2% in 2005 (see Chart 13). However, most of this containment in price growth was during the first half of the year, since in the second half inflation rates tended to stabilise, admittedly at very moderate levels by the region's standards. Inflation thus declined from a year-on-year rate of 5.1% in September to 4.8% in January 2007, after posting a low in November of 4.7%. In parallel, underlying inflation continued to moderate, falling to 4.6% year-on-year in January from 5.8% on average in 2005. Broadly speaking, the relative strength of exchange rates, prudent macroeconomic management and the moderation of oil

INFLATION
Year-on-year rate of change

CHART 13





Country	2005	2006			2007
	Fulfilment	Target	Fulfilment	December	Target
Brazil	Yes	4.5 ± 2.5	Yes	3.1%	4.5 ± 2.5
Mexico	Yes	3 ± 1	No	4.1%	3 ± 1
Chile	Yes	3 ± 1	Yes	2.6%	3 ± 1
Colombia	Yes	4.5 ± 0.5	Yes	4.5%	4 ± 0.5
Peru	Yes	2.5 ± 1	No (below)	1.1%	2 ± 1

SOURCE: National statistics.

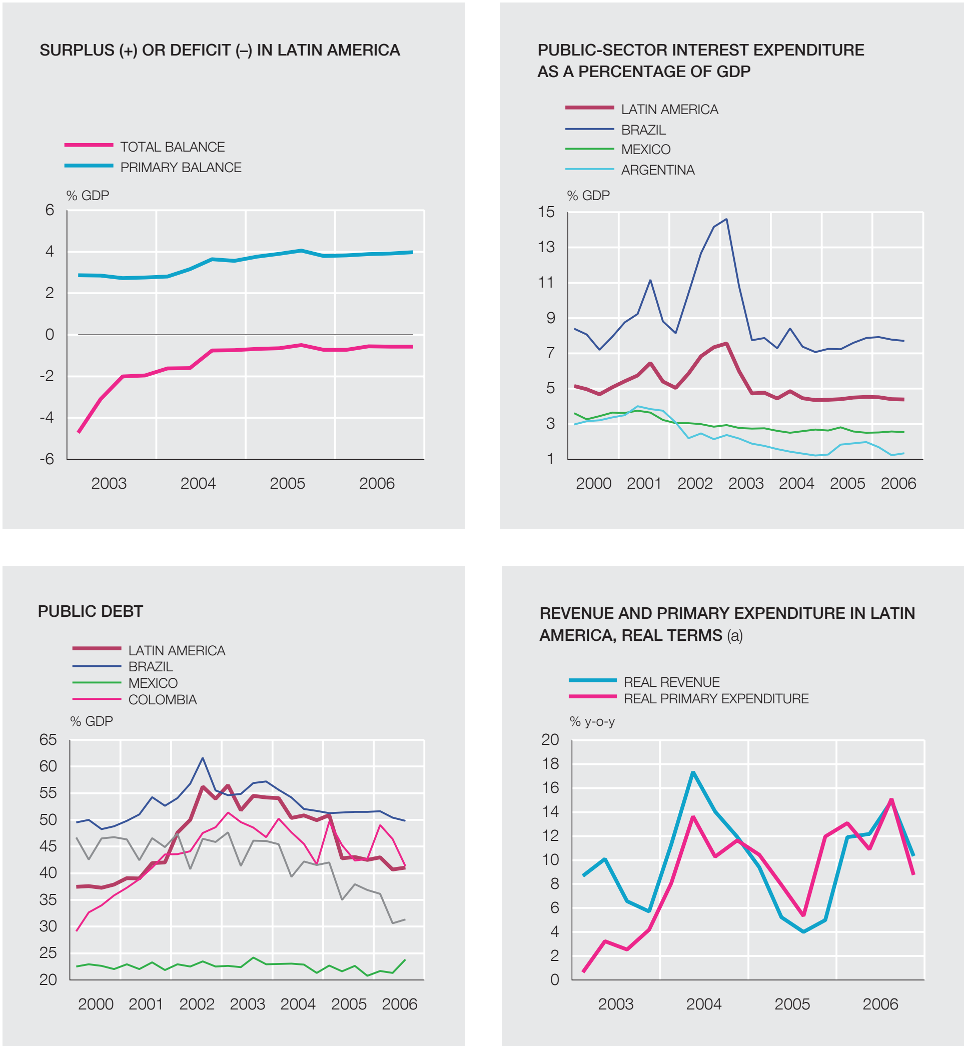
prices, against a background marked by the absence of adverse disturbances, all contributed decisively to the sound behaviour of inflation in the second half of the year.

In Brazil, the year-on-year growth rate of prices fell to 3%, down 0.5 pp since September, in parallel with a significant containment of underlying inflation. That allowed for comfortable compliance with the targets set by the Brazilian central bank (see the table in Chart 13). Generally, there was greater dispersion in respect of price developments than in the first half of the year. In Argentina, where prices had increased at double-digit rates in the first half of the year, there was some easing to a rate of below 10% at year-end, the result of the decline in underlying inflation. It should be clarified, however, that much of this containment was a result of the application of price controls and moral suasion, the effectiveness of which over the medium term is debatable. The trends witnessed in Venezuela in the first half of the year intensified, taking the year-on-year inflation rate in early 2007 to over 20%, far off the central bank's 10% target. And in Mexico, where inflation had eased substantially in the first half of the year, there was a rise of almost 1 pp to a rate of slightly over 4% in the second half, exceeding the central bank target. Finally, in Chile and the other Andean countries, a deflationary trend became more entrenched, with inflation rates in some countries that were lower than the related central bank targets (see Chart 13).

Against this background, the divergences in respect of monetary policy developments in the region tended to grow relative to the first half of the year. Thus, set against the upward cycle prevailing in the first half of the year (with the exception of Brazil), in the second half only Argentina and Colombia continued raising their benchmark rates, while Mexico and Peru held their interest rates unchanged. Chile raised its official interest rate by 25 bp to 5.25% in July,

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

CHART 14



SOURCE: National statistics.

a. Deflated by CPI.

but reversed this movement six months later, against the backdrop of sluggish activity and the lack of inflationary pressures. Finally, Brazil continued trimming its official interest rates, taking them to 12.75% in March. That entailed a slowing in the pace of reduction, from 50 bp to 25 bp in the last two movements, possibly as a sign of caution due to the potential lagged effect of the cumulative decline in interest rates in recent years (7 pp).

Turning to fiscal policies, the average budget deficit in the area as a whole held at around 0.7% of GDP, unchanged on the first half of the year, and the primary balance stabilised at around 4%, a similar figure to 2005 (see Chart 14). With the exception of Brazil, whose budget deficit remained at 3.5%, the other countries posted a surplus or were at least very close to a balanced budget. Even so, Brazil retained the marked fiscal discipline of recent years, achieving a primary surplus of 4.33% of GDP, higher than the target of 4.25%. Also of note was the trend of the surplus in Chile, which doubled that of 2005 and stood at almost 8% of GDP. This was the result of a more than 80% increase in copper prices, which came to account for over one-third of total public revenue. Interest payments generally held stable, while debt/GDP ratios stabilised or turned slightly downwards, except in Peru, where the reduction was more marked owing to strong output growth. In the area as a whole, the public debt/GDP ratio stood at close to 40% (2 pp less than in 2005), making for a sizeable reduction of 15 pp of GDP in the last four years.

Developments in public finances were therefore favourable, with some exceptions. However, it should be clarified that, given a favourable cyclical position and strong growth in revenue owing to the rise in commodities prices, fiscal policy might have been somewhat more countercyclical and ambitious, especially in certain countries, so as to contribute to stabilising growth and making further headway in reducing vulnerabilities. In any event, and in line with events in recent years, the course of spending was largely subordinate to the leeway allowed by revenue growth.

TRADE INTEGRATION AND STRUCTURAL POLICIES

During the closing months of 2006 there were no essential changes in trade integration processes in the region following Venezuela's formal accession to MERCOSUR, after abandoning the Andean Community, and Bolivia's official application to join. However, there was a series of initiatives which, taken together, reinforce the perception of a clear divide between the two trading blocs in the region. In December, the United States extended its preference arrangements with Colombia, Peru, Ecuador and Bolivia by six months, offering a further extension of another six months should progress be made in achieving and applying free trade treaties. In Peru, the free trade treaty was approved by Parliament, while in Colombia it will foreseeably be approved in the near future, meaning they will be pending ratification by the US Congress. Nonetheless, the change in the US Congress majority might hamper this ratification. In contrast, in Ecuador, the new government has been reluctant to sign a free trade treaty with the United States (a matter which, in any event, had been blocked for several months owing to the conflict with a US oil company). Chile and Peru signed their free trade treaty in August, while Chile's free trade agreement with China and its economic association agreement with other Asian countries came into force at the end of the year. Finally, the Free Trade Agreement between the United States, Central America and the Dominican Republic was pending ratification by Costa Rica.

In terms of structural reforms, results were relatively limited in the region as a whole, a fact to which the holding of various elections between 2005 and 2006 may have contributed. It is in any event notable that, despite the boom, due progress is not being made in outstanding structural reforms. However, further to the changes brought about by elections, there appears to be greater political readiness in some governments to undertake certain reforms. Such is the case of Mexico, where momentum is gathering behind the reform of pensions, the energy sector and also the tax system. In Chile and Colombia, too, there has been some headway on tax and capital markets matters. Finally, Brazil approved plans to accelerate growth, which are not strictly a structural reform but do show greater initiative on the part of the government in respect of stimulating growth in the economy.

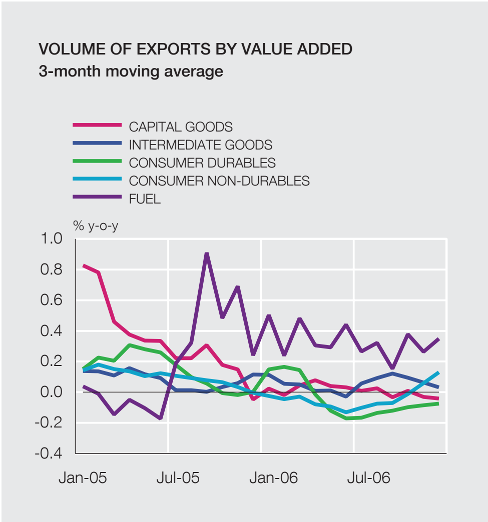
Admittedly, all these planned reforms are a step in the right direction and show that the initiative has been regained following several years in which a favourable economic situation had induced a degree of complacency. However, it is to be questioned whether the reforms under discussion are on a sufficient scale to succeed in increasing competitiveness and boosting long-term growth in these economies.

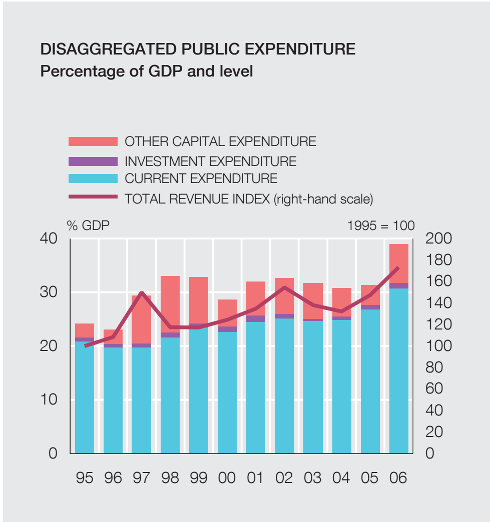
Developments in the main countries

In *Brazil* the year-on-year growth rate in the second half of the year picked up significantly to 4.5% in Q3 and 4.8% in Q4, following the notable slowdown in Q2 (1.5%). The resulting growth rate of 3.7% in 2006 was higher than that of 2.9% recorded in 2005[2]. Growth was

2. In Brazil a methodological change in the National Accounts series entailed a change in the base year and closer observance of the national accounting guidelines of the United Nations. This revision left the growth rates for 2000 and 2001 practically unchanged, but there was a significant upward revision for the period 2002-2006.

BRAZIL CHART 15



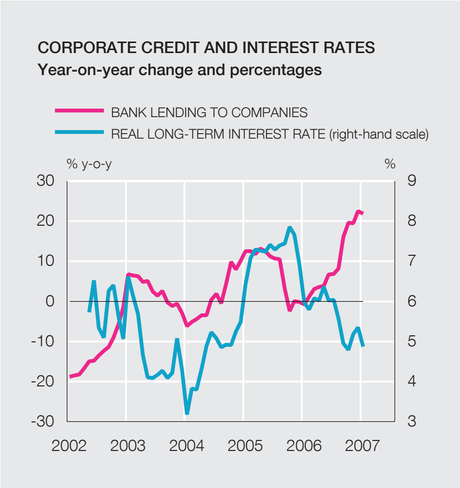


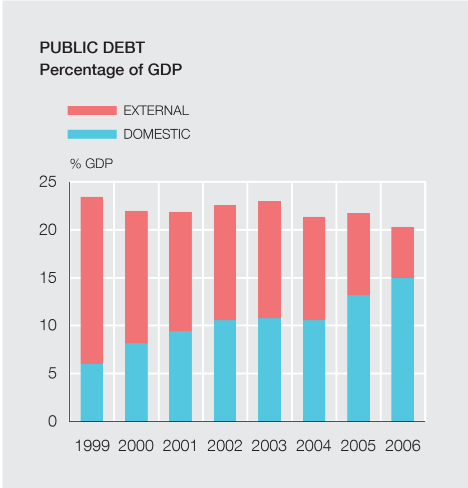
SOURCE: Central Bank of Brazil and Finance Ministry of Brazil.

driven by domestic demand, both by private consumption, which remained strong throughout 2006 (with a growth rate of 4.3%), and by investment (8.8%), which was the most buoyant component. The negative contribution of external demand, already recorded in the first half of the year, sharpened in the second half, reversing the positive contribution of previous years as a result of the scant growth of exports (4.6% during the year) compared with that of imports (17.9%). This slowdown of exports in value terms was due to the behaviour of sales with greater value added (capital goods and durable goods), in contrast to the strong growth of fuel exports (see Chart 15). In the year as a whole, the current surplus in GDP terms stood only at around 1.3%. The inflows of foreign direct investment in the second half amounted to $11,400 million, which took the total for the year to more than $18,700. Despite these strong inflows of foreign direct investment, in 2006 Brazil was a net exporter of foreign direct investment for the first time in its history. Its fiscal policy in the second half managed to achieve the objective of a primary surplus amounting to 4.25% of GDP. However, the interest burden generated a deficit of 3.4% of GDP and this prevented a greater reduction the net public debt as a percentage of GDP in the half, which held at nearly 50% of GDP.

Inflation continued to fall and stood at 3% in January, practically 4 pp below the average growth rate in 2005, as a result of factors such as the abundant agricultural production, the effect of exchange rate appreciation, the absence of significant increases in administered prices and the favourable behaviour of energy prices. The fall in inflation came against a background of cuts in official interest rates (50 bp in each of the September and November meetings, and 25 bp in each of the two subsequent meetings), and left the official interest rate at 12.75%. Notable in regard to the exchange rate was the continuing significant upward pressure on the real (after weathering the financial volatility of May-June 2006) because of the persistent large trade surplus and the inflow of short-term capital against a background of low exchange rate volatility and comparatively high interest rates in Brazil. The central bank's intervention to partially counteract this upward pressure was relatively successful in the half, although unable to prevent an appreciation of 10% in 2006 and of 25% since 2005. This intervention resulted in a substantial accumulation of international reserves (over $23 billion in the second half of the year and about $14.8 billion more in January and February 2007), which raised the reserve level above $105 billion. As in the last few years, once again in 2006 external debt as a proportion of GDP tended to decrease relative to domestic debt. In view of the relatively disappointing growth of the Brazilian economy in recent years, the government made

MEXICO CHART 16





SOURCES: INEGI and Banco de México.

it a priority in its second mandate to address a problem which, along with the high cost of capital, is one of the main constraints on Brazil's growth: infrastructure deficiencies. To this end, it developed the Growth Acceleration Plan 2007-2010, basically aimed at raising growth to rates of 4.5-5% through higher spending on infrastructure and a selective policy of tax incentives. This plan will step up the low level of spending on infrastructure in the last decade despite the increase in total public expenditure and revenue in this period (see Chart 15). Central government will only partially finance this expenditure, which will also be financed by local government and diverse joint public-private initiatives. Overall, the public investment will effectively reduce the primary surplus by 0.5% of GDP to 3.75% GDP.

In *Mexico* activity slowed in the second half of the year to a year-on-year growth rate of 4.3% in Q4, against 5.2% in the first half. Nevertheless, growth amounted to 4.8% in 2006, up 1.8 pp on 2005 and the highest figure since 2000. Domestic demand tended to slow, its growth being down somewhat on the figure of 4% year-on-year recorded in Q4. Private consumption slowed to a rate of 3% in Q4 from 5% in previous quarters, while investment eased. Even so, investment growth remained relatively buoyant in Q4 with growth exceeding 7%. This was partly explained by the highly favourable financing conditions: the growth of bank credit to companies picked up and real interest rates decreased further in the second half of the year, as shown by Chart 16. The negative contribution of external demand expanded in Q3 but turned positive in Q4. However, the trade balance deteriorated notably in the second half of the year after a surplus in the first half. This deterioration, which was sharper in Q4, left the trade deficit at 0.7% of GDP for the year as a whole (1% in 2005). Both oil and non-oil exports slowed, the latter linked to the lesser buoyancy of the US economy, despite the fact that a part of the share of Mexican manufactures in this market was recouped. Imports also slowed, although to a lesser extent. The current account balance showed a deficit in the second half after a surplus in the first half. Nevertheless, for 2006 as a whole the current account deficit was small (–0.2% of GDP), thanks to the surplus on the oil trade balance (2.4% GDP) and the funds received in the form of household remittances (2.8% of GDP), although both these items tapered off during the year. Foreign direct investment flows amounted to nearly $19 billion, down 3% on 2005. In the fiscal realm, a budget surplus of 0.2% of GDP (–0.1% 2005) was achieved, an unheard-of situation during the last 10 years, although developments turned more unfavourable in the second half of the year, under the affect of the expenditure derived from the organisation of the presidential and parliamentary elections in July. Revenue progressed very favourably, and, in particular, the relative weight of that from oil increased to 38% of total revenue in 2006. In addition, the government made various early repayments of external debt and replaced external debt with domestic debt, thereby reducing net external public debt to 5.3% of GDP at end-2006, 2.5 pp less than 2005, as shown in Chart 15. Furthermore, the first tender of peso-denominated 30-year domestic debt took place in October.

Inflation rose from 3.1% in mid-2006 to 4.1% in December, thus slightly exceeding the upper limit of the central bank's target range. In the first three months of 2007 it has remained around 4.1%. This price behaviour was initially attributed to seasonal factors (mainly food). However, the rise in underlying inflation to 4% in February and a certain increase in short-term inflation expectations led to fears that this inflation rate might become entrenched, prompting harsher language from the central bank, which has not yet been reflected in official interest rate movements. This worsening also fed through to the yield curve, the slope of which has steepened in recent weeks. The exchange rate of the peso against the dollar, following an appreciation once the financial volatility of May-June had passed, held steady in the range 10.8-11.1 pesos per dollar, although it depreciated during the turbulence of the last few weeks. The stock market rose by 35% from September and then lost some ground in the recent turbulence, which has also caused sovereign spreads to increase to around 100 bp, slightly above the historical low. The risk of social and political confrontation which followed the investiture of the new president dissipated during the second half of 2006, and the prospects for undertaking certain reforms can be regarded, with the due cautions, as more promising than in the last few years. In this respect, Parliament may begin to debate in April a reform of public-sector pensions aimed at completing the transition from the current pay-as-you-go pension system for public-sector workers to a funded, defined-contribution pension system, similar to that established a decade ago for private-sector workers. The main objective of this reform will be to reduce the pressure on public finances.

Following three years in which economic activity in *Argentina* grew at an average rate of 9%, this buoyancy was seen again in 2006, with a growth rate of 8.5% year-on-year. Indeed, the second half of the year saw a slight pick-up in activity to growth of 8.7%. Consumption remained buoyant, although somewhat more subdued than in the previous year, driven by the rise in real wages (8% in real terms), pensions, employment and lending (28% in real terms) and by the high confidence of households. The growth rate of investment was twice that of the economy despite a certain slowdown – particularly in construction – in Q4. The contribution of investment in capital goods had the effect that, despite the ongoing buoyancy of industrial production, capacity utilisation rose by scarcely one percentage point (see Chart 16). This dissipated some extent possible fears of bottlenecks in the coming quarters. The unemployment rate ended the year below 10% (specifically, 8.7%) for the first time in the last 13 years. The negative contribution of external demand expanded in 2006 as a whole (to 0.7 pp from 0.2 pp in 2005), since real exports slowed somewhat more than imports. In 2006 the trade surplus was down slightly in terms of GDP (5.8%) with respect to 2005, but the current account surplus widened to 3.8%, given the decrease in the income issued in the form of interest. The public finances continue to trend favourably, and in 2006 ran a primary surplus of 3.5% of GDP, similar to that of the previous two years. This performance reflected the strong increase in tax revenue, particularly in the second half of the year, against a background of slightly slower growth in primary expenditure than in tax revenue. By contrast, the deterioration of the fiscal results of the provinces seen in previous years continued.

Inflation underwent a sustained fall during the year to stand at 9.8% in December, i.e. within the range stipulated in the 2006 Monetary Program (8-11%), and then further decreased to 9.6% by February 2007. The slowdown in inflation is basically due to the underlying component (see Chart 16), which in December stood at 10.2% year-on-year, after having ended 2005 at 14.2%, al-

THE ARGENTINE SUPREME COURT RULING ON THE PESIFICATION OF DEPOSITS: THE LAST STEP IN THE RESOLUTION OF THE BANKING CRISIS

BOX 2

On 27 December 2006 the Argentine Supreme Court ruled that the bank deposit pesification carried out at the beginning of 2002 was not unconstitutional. The legal grounds for this decision were that the pesification of savings did not constitute an impairment of the property rights of the depositors (constitutionally protected), but rather the exercise of monetary sovereignty, since in the final instance the depositors had the power to recover their assets, notwithstanding the unavailability during a period of time or the elapsed term. Generally speaking, the ruling will allow depositors with appeals for relief pending to recover the value in pesos of their original dollar-denominated deposits at the current exchange rate. This ruling is particularly significant because, although it imposes certain hard-to-quantify costs on banks and certain issues have yet to be clarified, it ends a five-year period of uncertainty for the Argentine financial system and definitively rules out the possibility of a decision favourable to the redollarisation of the economy. This box sets the Supreme Court ruling within the general framework of the strategy adopted to resolve the Argentine financial crisis and assesses its main implications and uncertainties.

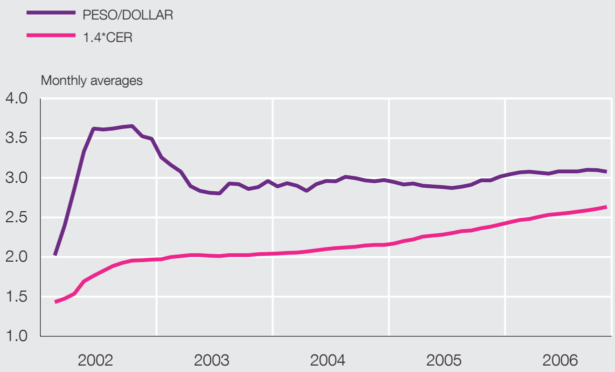
Since mid-2001 the Argentine economy was caught up in a financial crisis which had a profound impact on the country. In December of that year, to contain the outflow of deposits, the government decreed withdrawal restrictions (except for very small amounts) on current accounts, savings accounts and time deposits (*corralito*). Subsequently, in January 2002 the withdrawal restrictions on time deposits were ratified and a timetable was set for returning those deposits (*corralón*). Also in January 2002, the government revoked convertibility, and in February it decreed the asymmetrical pesification of deposits (at 1.40 pesos/dollar) and loans (at a 1:1 rate), which further prejudiced banks. The government decreed that deposits in frozen (unwithdrawable) pesified dollars would be revalued using an inflation-linked index (CER) and that depositors would receive an annual interest rate (set at 2% by the central bank) until the scheduled refund date.

These measures pushed bank balance sheets into a bankruptcy situation and collapsed the financial system. The situation was aggravated because, following the freezing of deposits, certain depositors began to file appeals alleging unconstitutionality in order to recover their funds in full, either in dollars or the equivalent amount in pesos at the market exchange rate. These allegations were upheld by some courts, which set as a precautionary measure the payment on account of part or all of the deposit since, under their interpretation, the pesification and the imposition of restrictions (*corralito* and *corralón*) were unconstitutional. The accompanying table lists the "amount of appeals for relief" from 2002 to 2006 and the amounts that banks were obliged to pay in each of those years.

To cope with the bank liquidity problems caused by these circumstances, the central bank made a series of advances to the financial system and, as the liquidity problems became less pressing, gradually lifted the *corralito* withdrawal restrictions. The balance of the deposits trapped in the *corralón* withdrawal restrictions was able to be reduced more rapidly than initially expected. Some depositors, however, did not take up the successive exchange offers made by the government or agree to the payment of their rescheduled deposits, partly because the Supreme Court had not established case law as to the constitutionality of the pesification of dollar-denominated deposits and of the withdrawal restrictions imposed. This made for considerable legal uncertainty and even, at certain times, expectations of the redollarisation of the economy.

The Supreme Court finally ruled on 27 December 2006 that the pesification at the beginning of 2002 was not unconstitutional. As courts throughout the country fall into line with this ruling, the depositors with

1 PESO/DOLLAR EXCHANGE RATE AND RATE APPLICABLE TO PESIFIED DEPOSITS



2 RELIEF PAID

Period	Number of cases	Total paid (a)
2002	174,119	13,615
2003	87,413	5,032
2004	42,429	2,626
2005	19,525	1,177
2006	13,691	773
TOTAL	337,177	23,224

SOURCE: BCRA and INDEC.

a. In millions of pesos.

THE ARGENTINE SUPREME COURT RULING ON THE PESIFICATION OF DEPOSITS: THE LAST STEP IN THE RESOLUTION OF THE BANKING CRISIS (cont'd) BOX 2

relief appeals pending will receive the equivalent in pesos of the value of their dollar-denominated deposits at the peso/dollar exchange rate prevailing at that date of the court decision[5]. However, the Supreme Court expressly indicates that if this rule differs from the dollar exchange rate on the execution date, the amount payable in pesos shall be the minimum between the peso/dollar exchange rate and the result of applying the rule set in the court decision. Additionally, the ruling stipulates that the funds paid by financial institutions under the precautionary measures shall be considered as payment on account.

The ruling does not affect those who accepted exchange options for their rescheduled deposits and all those who failed to take court action before the deposit refund deadline expired. This accounts for the significance of legal decision adopted on 27 December, since a ruling in favour of the unconstitutionality of pesification could have entailed the refund of the dollar-denominated deposits for which relief appeals were not filed, i.e. those released through the scheme for refunding the rescheduled deposits or any of the voluntary options established in these years, which would have had a very high cost for banks. In short, the ruling marks the end of the uncertainty for the financial system associated with the appeals for relief.

The wide range of grounds alleged in the appeals for relief makes it complicated to calculate the economic impact on banks deriving from the Supreme Court measure. The main reason is that in most of the appeals for relief there was part or full payment on account of the value of the deposit at different exchange rates ranging from 2 to 3.80 pesos per dollar (see accompanying Chart). However, since most of the relief was paid between 2002 and 2003 at a lower exchange rate than that currently prevailing, it is reasonable to think that the effect of the ruling will not be very unfavourable for banks. Moreover, the central bank allowed the banking system to amortise in 60 equal and consecutive monthly charges any loss arising from compliance with the legal measures relating to the refund of deposits.

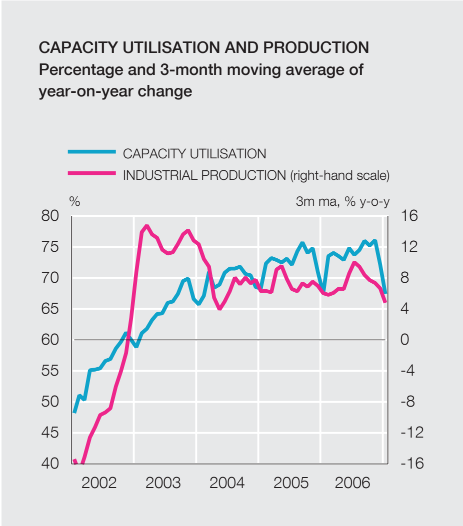
In conclusion, the good general situation of the Argentine financial system, the consideration that the ruling will not entail a significant additional cost for banks and the fact that the central bank has allowed banks to provision over five years any possible losses, suggest that the ruling will not, in principle, pose a serious concern for banks. At the same time, the ruling clears up a significant uncertainty as to the possibility of a decision favourable to the redollarisation of the financial system. However, certain matters have yet to be clarified which will determine the final cost for banks of winding up this process. Particularly notable among these is the payment of the legal costs of the proceedings which will probably have to be met by banks in the majority of cases, the possibility that the banks may make claims on the depositors that received amounts on account exceeding those specified under the precautionary measures and the possibility that depositors may file suit for damages arising from loss of profit due to delay in the refund of money.

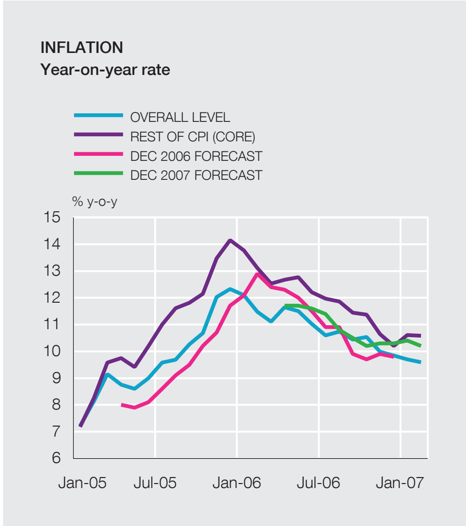
5. Specifically, the ruling upheld the refund to a depositor whose dollar-denominated deposit was trapped in the corralón, at a rate of 1.40 pesos/dollar adjusted by the CER plus annual interest of 4% (uncompounded) until the refund date, for each dollar deposited.

though in 2007 it rose again. This downward path of inflation was reflected in the progressive reduction of inflation expectations, which, however, have not broken through the floor of 10%. The central bank continued to gradually raise its official interest rates (a total of 150 bp between September and March), although real interest rates continue to be negative. At the same time, the central bank continued its policy of holding the exchange rate steady at around 3.05-3.10 pesos per dollar, for which it had to accumulate significant international reserves. Total reserves amounted to $35 billion. This accumulation enabled the country to regain and exceed the levels that existed before total payment of the debt to the IMF at the beginning of 2006. In January the Argentine and Spanish governments reached agreement for payment of the Argentine government's debt of $982.5 million, and also Argentina made the initial contacts with the Paris Club to renegotiate past-due debt. The purchase of foreign currency was sterilised with the envisaged early settlement of rediscounts granted during the 2001-2002 crisis, the issuance of central bank bills and notes and the raising of bank reserve requirements. Notable in the institutional sphere was the Supreme Court ruling which declared the "pesification" of deposits during the 2001-02 financial crisis (see Box 2) not to be unconstitutional and approved a pension system reform enabling contributors to the funded system to switch to the pay-as-you-go system and set limits on pension fund fees.

Economic activity in *Chile* slowed notably in Q3 to year-on-year growth of 2.6%, down from 4.5% in the first half of the year. There was, however, a certain recovery in Q4, since year-on-

ARGENTINA CHART 17





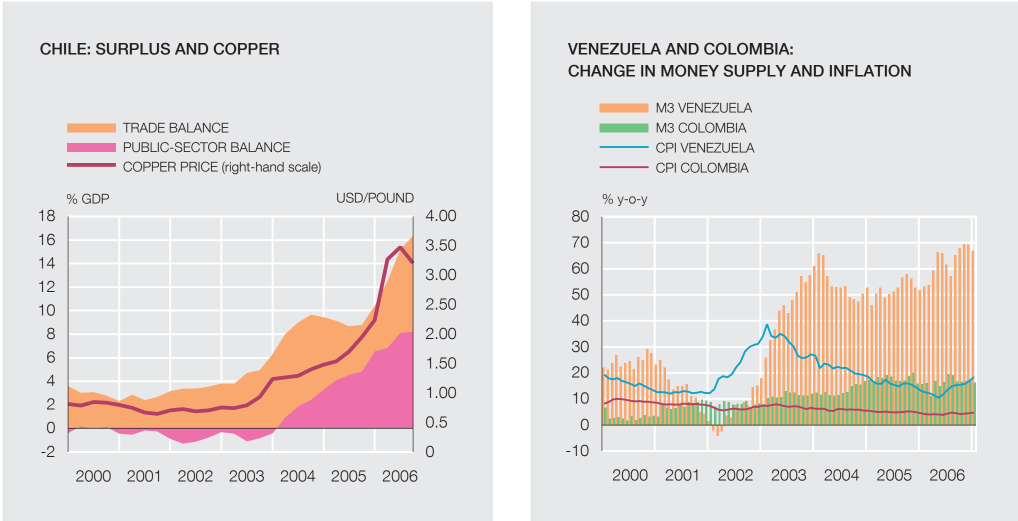
SOURCE: National statistics.

year growth was 4.3%. Thus growth in 2006 stood at 4% (5.7% in 2005, after downward revision of this growth with the change of methodology and the new base year). The slowdown in Q3 was caused by lower growth in domestic demand, since the negative contribution of external demand was smaller than in previous quarters. The subsequent recovery in Q4 was linked to the pick-up in investment in construction, since investment in capital goods remained weak. Private consumption remained strong throughout the year, partly because the labour market showed sustained growth of dependent employment and the unemployment rate held on its downward trend of the last two years, aided by the zero increase in the working population. Headline and core inflation decreased, particularly in Q4, due to the fall in oil prices and the moderation of economic activity, a trend broken in January. The central bank made the first interest rate cut (to 5%) in January, six months after the first rise, given the weakness of activity and the downward revision of inflation forecasts. The high price of copper and the structural surplus rule were reflected in another spectacular fiscal surplus in 2006, amounting to 7.9% of GDP (4.7% 2005). As seen in Chart 17, the price of copper, which increased by 83% on average in 2006, is also the main factor explaining why the 2006 trade surplus exceeded 16% of GDP, a sharp increase with respect to 2005, already a record high, and also why the current account showed a surplus of 3.6% of GDP despite the significant growth in net outflows of investment income in the copper mining sector. With regard to the structural reforms, it should be noted that, within the framework of the *Plan Chile Compite* (Chilean competitiveness plan) announced in July, the government promulgated a fiscal responsibility law (to complete and institutionalise the country's fiscal policy rules and enhance transparency in the management of countercyclical funds) and a law to foster investment by small and medium-sized enterprises. Also, Parliament is currently debating reforms to modernise the functioning of the capital markets and the social welfare system.

Economic activity in *Colombia* continued to pick up in the second half of the year. The year-on-year growth rate during this period was 7.9%, taking the average growth rate for the year as a whole to 6.8%. The main factor behind the higher growth in the second half was the smaller negative contribution of external demand, which was associated with the pick-up in exports, since domestic demand slowed slightly due to the investment component. Private consumption remained strong, and even quickened further under the influence of the sharp increase in lending and the higher real wages. The current account deficit widened slightly,

CHILE, VENEZUELA AND COLOMBIA

CHART 18



SOURCE: National statistics.

moving in parallel with the trade balance, due to the sharp increase in imports in the last few months of the year. From the fiscal standpoint, the central government deficit continued to decrease, but the total balance of public sector deteriorated, ending the year with a deficit of 0.9% of GDP, against –0.5% in 2005. Inflation in the second half of 2006 remained around 4.5% (within the central bank's target range), although it accelerated in the first two months of the year. Against this background, the central bank raised its official rate to 8% in February. Additionally, the strong inflow of capital, partly linked to privatisation transactions, led the central bank to intervene in the foreign-exchange market to slow the appreciation of the currency and pursue a strategy of sterilisation to control the growth of the money supply, as shown in Chart 17. On the fiscal side, a limited reform was approved that fell short of the government's original proposal. One of the principal agencies raised the credit rating of Colombia's sovereign debt.

In *Peru*, economic activity picked up in the second half of the year, and the average annual rate reached 8.1% in 2006 (6.4% in 2005), the highest in the last 11 years. The buoyancy derives from the strength of domestic demand, especially in Q4, when it grew by 12.5%. In the second half, consumption grew at a rate of 7% and investment was up by 30%, the growth of the construction sector being particularly significant. In this respect, despite the fact that external demand in Q4 trimmed four percentage points from growth, the trade balance showed a surplus of 9.4% in 2006, since exports grew by 37% and imports by 23.6% as a result of the sharp increase in metal commodities. The current account showed a surplus of 2.6%, despite the fact that factor income, which is associated with foreign investment, showed a deficit of 8% of GDP. The fiscal accounts improved significantly in the year and, overall, they showed a surplus for the first time in the last eight years. The strong growth rates were not reflected in inflationary pressures, since inflation held below the central bank's target range (1.5-3.5%) and expectations remained firmly anchored. Against this backdrop, the central bank held its official interest rate at 4.5% despite the high buoyancy of domestic demand. The economic programme agreement with the IMF was renewed.

In *Venezuela*, economic activity picked up in the second half and the average annual growth rate for 2006 stood at 10.3%, the same as in 2005. The high growth resulted from the pick-up in domestic demand, the growth rate of which was as high as 25.1% in Q4, due to the acceleration of both consumption (to a rate of 20%) and investment (to a rate of 40%). By contrast, the negative contribution of the external sector became increasingly marked and stood at more than 12 pp in Q4, with growth in real imports of 43% and a fall in real exports of 7%, the latter associated with the oil industry. Nevertheless, oil exports, which in dollar terms increased by 21.6% year-on-year in 2006 thanks to oil prices, accounted for 89.6% of total goods exports in the year and were the sole cause of the growth of the current account surplus in 2006 (by 6.4% with respect to 2005). Fiscal policy continued to be expansionary. Inflation continued to gather pace to rates of 20.4% year-on-year in February. In response to this, new price controls were put in place, the VAT rate was cut from 14% to 11% and the last three digits of the national currency were removed. However, these measures did not address the main cause of the quickening inflation, namely the growth of the money supply, as can be seen in Chart 17, and the vigorous expansion of spending. After the presidential elections in December, the government seems more inclined to intervene in the economy, as shown, inter alia, by the announcement of nationalisation of a number of companies in what are considered to be key sectors of the economy.

In *Uruguay*, GDP growth in the year as a whole stood at 7.1%, after slowing slightly in Q4. Inflation tended to abate up to October and subsequently rose to 6.8%, slightly above the target range (4.5-6.5%). The government paid early the amount ($1,079 million) of its stand-by programme with the IMF. In *Ecuador*, with growth of 4.6% in Q3 and positive external and fiscal balances, the most notable development was the marked widening of the sovereign spread in the face of a possible restructuring of external debt by the new government, and the downgrading of the country's credit rating by the major agencies. In *Bolivia*, new oil exploitation contracts were signed in late October between the government and the oil multinationals operating in the country. These contracts represent a further step towards the nationalisation decreed in May, although a number of vicissitudes have so far prevented them from entering into force.

21.3.2007

Overnight interest rate volatility and its transmission along the euro area money market yield curve

The authors of this article are Francisco Alonso and Roberto Blanco of the Directorate General Economics, Statistics and Research

Introduction

Stabilising very short-term interest rates is one of the goals that inspires the design of the operational framework of the monetary policy applied by most central banks. The reason is that high volatility can obstruct the signalling of monetary policy stance, hinder the liquidity management of financial institutions and have adverse macroeconomic effects if the volatility is transmitted to the longer-term rates relevant to agents' spending decisions.

To achieve the aim of stabilising very short-term interest rates, there are basically two alternative procedures: more or less continuous intervention in the markets and setting minimum reserve requirements that oblige credit institutions to maintain a certain average amount of reserves on deposit with the central bank over a certain period. These reserves act as a buffer that helps to neutralise the impact that unforeseen shocks to the system's liquidity have on market interest rates. Thus when liquidity is scarce and its price tends to rise, the institutions have an incentive to reduce deposits temporarily below the required average level and lend funds on the inter-bank market, thereby moderating the upward pressure. Abundant liquidity triggers an equivalent mechanism in the opposite direction.

Both these alternative procedures have their advantages and drawbacks. The main problem with continuous intervention is that it discourages activity in the money markets, while the weakness of minimum reserve requirements is that their stabilising property vanishes during the last few days of the reserve maintenance period.

The Eurosystem has opted for the second procedure. Hence, in the last few days of each maintenance period there is usually an increase in overnight interest rate volatility in the interbank market. Nevertheless, this greater variability would only be of concern if it impaired the signalling of monetary policy stance and, in particular, if it were transmitted to longer terms. In any event, there are instruments available to stabilise very short-term rates on specific occasions.

Against this background, the present article focuses on the variability of the euro area overnight interbank interest rate. The article is organised as follows. After this introduction, we briefly describe the operational framework of the Eurosystem monetary policy; the third section reviews the volatility of this rate; the fourth analyses to what extent it is transmitted to longer maturities; and the fifth sets out the main conclusions.

Operational framework of Eurosystem monetary policy

One of the factors determining the behaviour of overnight interbank interest rates is the operational framework of monetary policy. In the Eurosystem this basically consists of three instruments: reserve requirements, open market operations and standing facilities. Reserve requirements oblige institutions to hold a minimum average volume of funds with their national central bank (NCB) during each maintenance period of approximately one month. As noted in the introduction, this mechanism helps to stabilise the yield of very short-term interbank deposits.

Open market operations are transactions between NCBs and counterparty institutions in which the NCBs inject funds into or drain them from the system. There are four types, the most important being the so-called main refinancing operations (MROs). These transactions, which are executed weekly, consist of tenders in which bidding takes place for loans with a maturity of seven days (fourteen days till March 2004) used by the participating institutions to meet the bulk of their liquidity needs. Since June 2000 MROs have been conducted through variable-rate (previously fixed-rate) tenders with a preset minimum bid rate. This minimum bid rate plays a central role in signalling the stance of monetary policy.

The other open market operations are longer-term refinancing operations, structural operations and fine-tuning operations[1]. The latter are executed on an ad hoc basis to manage the liquidity situation in the market and, in particular, smooth the effects on interest rates caused by unexpected liquidity fluctuations in the market.

Finally, standing facilities are a mechanism to enable liquidity to be injected or drained at very short term at the initiative of the institutions. There are two types: the marginal lending facility and the deposit facility. Banks can use the former to obtain overnight funds from the NCBs against eligible assets at a preset cost. The latter enable counterparties to make overnight deposits with their NCBs, the remuneration of which is also preset. The interest rates on these transactions provide a ceiling (in the marginal lending facility) and a floor (in the case of the deposit facility) for the overnight interest rate in the interbank market, thereby helping to stabilise it. Since April 1999 the price of the marginal lending facility and the deposit facility has stood 100 basis points (bp) above and below, respectively, the minimum rate on MROs.

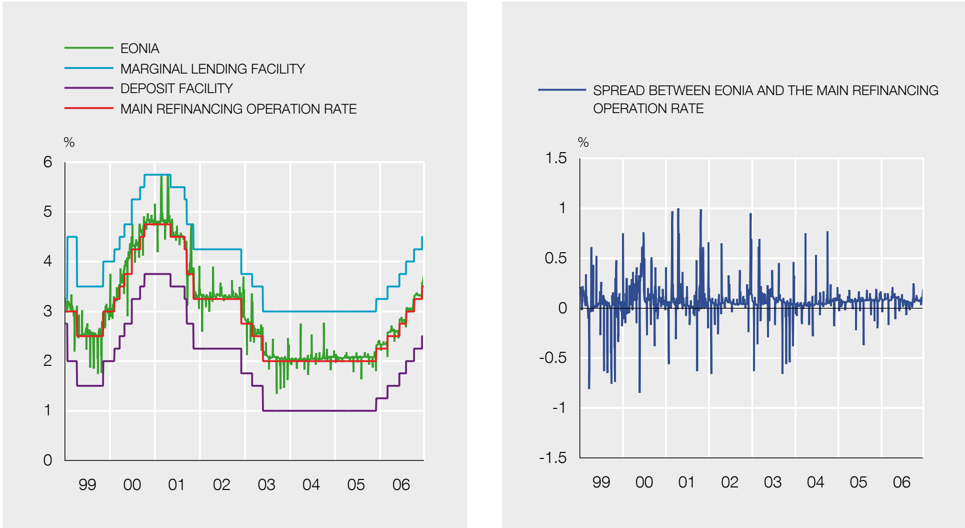
Until November 2001, the ECB Governing Council could change the key policy rates in either of its two monthly meetings. This meant that very short-term money market conditions were heavily influenced by expectations of movements in these rates. To reduce the importance of these factors in the behaviour of overnight interest rates, it was decided that from that date the Governing Council would only assess the stance of monetary policy once a month. This reduced the length of time in each reserve maintenance period during which these prices could change.

Despite this change, very short-term monetary conditions continued to be influenced, albeit to a lesser extent, by expectations about interest rate movements. For this reason, a reform of the operational framework of Eurosystem monetary policy came into force in March 2004 to eliminate this source of variability of very short-term yields. The following changes were made. Firstly, reserve maintenance periods were rescheduled to begin on the settlement date of the first MRO after the ECB Governing Council's monthly meeting at which the monetary policy stance is assessed. Previously, these periods always started on the 24th of each month and ended on the 23rd of the following month. Also, the term of MROs was reduced from two weeks to one week. The first change means that at the beginning of each maintenance period the institutions know the policy rates that will prevail during that maintenance period, while the second prevents the demand for funds in MROs from being influenced by expectations about the ECB Governing Council's decision. Thus, for example, if the term of MROs had been held unchanged at fourteen days, the volume of bids in the last tender would tend to increase in scenarios in which the prices of monetary policy instruments were expected to increase, because the funds obtained could, during the first week of the following reserve maintenance period, earn a yield exceeding their cost. Hence the two measures ensure that neither the management of reserves by credit institutions, nor, consequently, overnight interest rate movements will be affected by expectations of changes in interest rates.

1. For more details of these operations and of the operational framework of the Eurosystem, see ECB (2006a).

EONIA AND EUROSYSTEM POLICY RATES

CHART 1



SOURCE: European Central Bank.

Overnight interest rate volatility in the interbank market

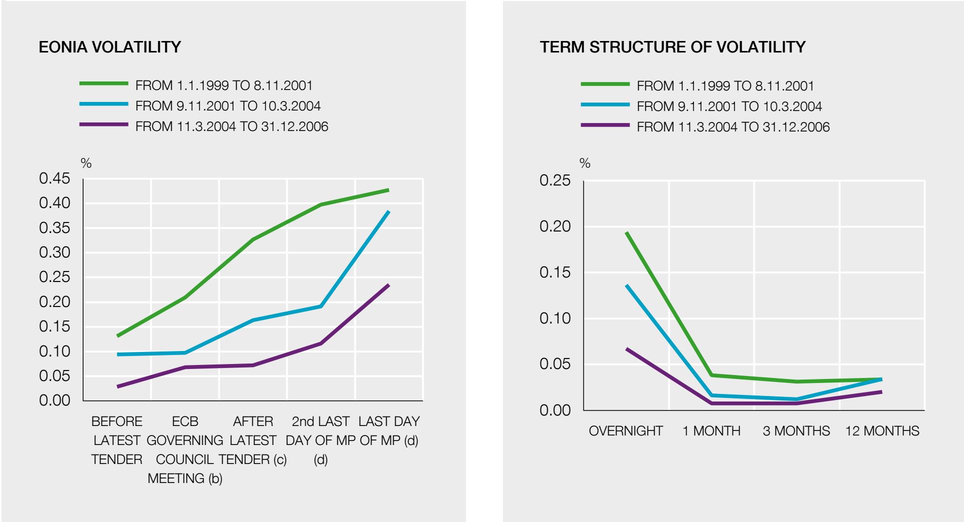
Chart 1 shows overnight interest rates in the euro area interbank market as measured by the EONIA (Euro OverNight Index Average), which is an index calculated daily by the ECB on the basis of overnight lending transactions by a selected group of institutions in the interbank market. This indicator has fluctuated around the minimum bid rate of MROs (the fixed rate till May 2000). Naturally, this rate has moved within the range determined by the prices of the marginal lending and deposit facilities. The right-hand panel of this chart, which plots the spread over the MRO minimum bid rate, shows more clearly how the EONIA has varied. In particular, it discloses a lower volatility during the last two years of the sample.

The left-hand panel of Chart 2 illustrates how the volatility of the EONIA, proxied by the standard deviation of the spread between this rate and the MRO minimum bid rate, is influenced by the operational framework of monetary policy. Thus EONIA volatility is greatest in the period from the last tender until the end of the maintenance period and, in particular, in the last two sessions. Specifically, the variability of the price of overnight deposits on these days is three times higher than in the other sessions. This is because, following the last MRO, the stabilising properties of the minimum reserve requirement disappear. In particular, if an unexpected shock before that tender causes system liquidity to contract, the institutions can offset that scarcity by temporarily reducing their deposit with the central bank below the required level, because they know the Eurosystem will re-establish the situation in the following MRO. After that operation, however, this can no longer be done, and the EONIA rate will move in response to unexpected variations in liquidity.

It can also be seen that the volatility of the EONIA tends to increase on the dates when the ECB Governing Council assesses the monetary policy stance, which reflects the effect of announcements made in the introductory statement and in the ECB President's press conference.

The left-hand panel of Chart 2 also enables the impact of the changes to the monetary policy operational framework to be assessed. In particular, it shows that the volatility of the EONIA decreased during the whole of the maintenance period, both after the decision to reduce the frequency with which the ECB Governing Council assesses the policy stance (this measure

VOLATILITY OF EURO AREA INTERBANK INTEREST RATES (a) CHART 2



SOURCES: European Cental Bank and European Banking Federation.

a. EONIA volatility is calculated as the standard deviation of the spread between this yield and the MRO minimum bid rate.
The volatility of longer-term rates is calculated as the standard deviation of the daily changes in these yields.
b. Only those in which the monetary policy stance is assessed.
c. Excluding the last two days of the reserve maintenance period.
d. MP: Reserve maintenance period.

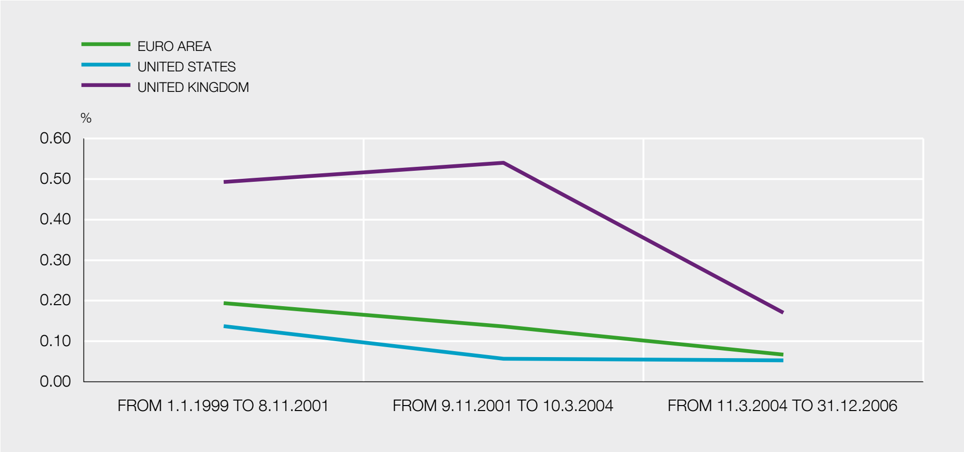
came into force in November 2001) and after the reform in March 2004 aimed also at limiting the extent to which very short-term money market conditions are affected by policy rate expectations. Although it cannot be ruled out that other factors may also have played a part in reducing the variability of the EONIA, these reforms have foreseeably contributed to it. Thus, as seen in the right-hand panel of Chart 2, the volatility of longer-term interest rates also decreased during these sub-periods, but to a lesser extent[2]. In any event, the decrease at the end of the maintenance period in the latest sub-sample is also due to greater use of fine-tuning operations by the Eurosystem[3].

Another interesting feature illustrated by the right-hand panel of Chart 2 is the U-shaped term structure of the volatility of interbank yields, which is also seen in other countries[4]. This term structure exhibits high values at the short-term end of the curve (overnight), which tend to decrease as the time horizon increases and are lowest between one and three months, after which they subsequently rise.

Comparison with other countries shows that the volatility of overnight interest rates in the euro area is clearly lower than in the United Kingdom, and higher than, although very close to, that of the United States, particularly in recent times (see Chart 3). In addition, it can be seen that in the US market the variability of deposit yields has been decreasing, although less so than in the euro area. In the United Kingdom, the notable decrease seen in the latest sub-sample is probably related to the changes in the operational framework of monetary policy that came into force in March 2005 and in May 2006[5].

2. The volatility of interest rates at longer than overnight terms has been approximated by the standard deviation of the daily movements. **3.** For more details of these operations, see, for example, ECB (2006b). **4.** See, for example, Ayuso, Haldane and Restoy (1997). **5.** Following the entry into force of the latest of these reforms, the estimated volatility in the United Kingdom is close to, although higher than, that in the euro area.

OVERNIGHT INTEREST RATE VOLATILITY. INTERNATIONAL COMPARISON (a) CHART 3



SOURCES: ECB, Bank of England, Federal Reserve Bank of New York and Reuters.

a. Volatility is calculated as the standard deviation of the spread between the overnight interest rate and the central bank reference rate.

Transmission of volatility along the yield curve

As noted in the introduction, one of the reasons for designing a monetary policy operational framework aimed at keeping very short-term interest rate volatility at a low level is to guard against the possibility of volatility spreading to the longer-term yields relevant to private-sector spending decisions. A study of EONIA volatility in the period from January 1999 to November 2003 by Alonso and Blanco (2005) found evidence that in the last few days of the reserve maintenance period there was no transmission along the curve, but that, in contrast, it did occur in the other sessions. In particular, the price of 1-month and 3-month deposits was affected, although not that of 1-year deposits.

The update of the estimates by Alonso and Blanco (2005) for the sub-period prior to the reform of the monetary policy operational framework (January 1999 to March 2004) confirms the results of this study[6]. In particular, as Table 1 shows, the coefficient measuring the proportion of EONIA volatility transmitted to longer terms in the last two days of the maintenance period is not statistically significant. In contrast, the tests used do not allow the hypothesis that this parameter takes on a positive value during the other sessions to be rejected in the case of 1-month and 3-month yields. Specifically, the estimated figure, which is less than one, indicates that the transmission is incomplete. Nor is there evidence of transmission from the EONIA for the 1-year term.

When the same exercise is carried out using data for the period from the March 2004 reform of the monetary policy operational framework to the end of the sample (end-2006), it is found that the parameters associated with the transmission of volatility from the EONIA to longer maturities are in no case statistically significant. This suggests that in the most recent period the behaviour of the overnight money market interest rate does not seem to affect the variability of longer-term yields.

Taken as a whole, this evidence seems to suggest that the transmission of volatility from the EONIA to longer maturities that was taking place before the March 2004 reform of the monetary policy operational framework might have been because the overnight interest rate contained information on policy rate expectations. Thus the contagion was located precisely in that part of the maintenance period where the EONIA's behaviour could be expected to be

6. The methodology used is described in Alonso and Blanco (2005).

TRANSMISSION OF EONIA VOLATILITY (a) TABLE 1

Term	1.1.1999 to 10.3.2004		11.3.2004 to 31.12.2006	
	End of maintenance period (b)	Other days	End of maintenance period (b)	Other days
One month	ns	0.1	ns	ns
Two months	ns	0.1	ns	ns
Three months	ns	ns	ns	ns

a. Proportion of EONIA volatility transmitted to longer terms. "ns" denotes a coefficient that is not statistically significant.
b. Last two days of the reserve maintenance period.

relatively more influenced by changes in those expectations. This is also supported by the fact that these effects disappeared once the reforms had been introduced and the EONIA ceased to be influenced by interest rate expectations and only reflected factors related to system liquidity. In any event, the results of the latest sub-sample should be interpreted with caution, since the time period is relatively short.

Conclusions

As in other economic areas, the Eurosystem's operational framework for monetary policy is designed, inter alia, to limit the volatility of very short-term interest rates so as not to obstruct the signalling of monetary policy stance, hinder liquidity management by institutions or generate negative macroeconomic effects associated with the possible transmission of interest rate volatility to the longer maturities relevant to agents' spending decisions.

The evidence presented in this article shows that the volatility of the EONIA has been relatively low, close to but somewhat above that observed for the overnight interbank interest rate in the United States and below that in the United Kingdom. Moreover, after the two reforms of the Eurosystem's operational framework for monetary policy in November 2001 and March 2004, the variability of this indicator decreased. This is consistent with the goal pursued in these reforms, i.e. that very short-term monetary conditions, and thus the behaviour of the EONIA within each reserve maintenance period, should not be influenced by changes in policy rate expectations.

Furthermore, the volatility of the EONIA shows a marked pattern in each reserve maintenance period. In particular, the highest values occur in the last two days of each maintenance period. However, according to the estimates made, the variability is not transmitted to longer maturities. By contrast, until the reform of the operational framework for monetary policy that came into force in March 2004, there was evidence of transmission to 1-month and 3-month interest rates, which does not seem to have continued after the reform. Again, this latter finding may be explained by the changes made in that reform, although this evidence must be interpreted with some caution because the period of time elapsed since then is still short.

15.2.2007.

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Current accounts in the euro area: an intertemporal approach

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Introduction

In recent years sizeable differences have been observed in the euro area countries' current account balances. For instance, while this balance has worsened almost continuously since the late 90s in Greece, Portugal and Spain, it has improved significantly in Austria and in Germany. These differences may be explained, at least in part, as a natural consequence of the greater degree of integration of international markets and, in particular, of the creation of the euro area. Greater economic and financial integration is conducive to the flow of capital from relatively rich countries with scant growth potential towards relatively poorer countries undergoing real convergence. Accordingly, it gives rise to a greater dispersion of current account balances across countries.

In fact, a country's current account balance depends, according to intertemporal models, as much on expectations of future income (relative to that of its trading partners) as on the cost in real terms of lending or borrowing internationally (i.e. on the relative price of future consumption as opposed to current consumption). In order to smooth intertemporally their consumption, countries with high future income expectations (in relative terms) will borrow today and run current account deficits, while countries not expecting such high future income will lend today and have current account surpluses. Likewise, those countries expecting improvements in the relative price of future consumption will reduce their consumption today to increase their future capacity to consume and they will experience improvements in their current account balance.

Nonetheless, in some countries foreign debt has reached historically high levels in recent years. Even bearing in mind the consequences of greater integration, this prompts some uncertainty about the means of correcting these imbalances and their macroeconomic impact[1].

This article summarises a recent paper[2] that estimates an intertemporal model for current accounts in the euro area over the past three decades. The paper sets out to analyse the extent to which a country's current account fluctuations can be explained by smoothing consumption over time and, therefore, how they are affected by income, interest rate and exchange rate expectations. The rest of the article reports the changes in euro area current account balances against the background of the greater integration of international markets, describes the essential features of the intertemporal current account model and presents the main results obtained on estimating this model.

Economic and financial integration, and the current account balance

The greater degree of economic and financial integration of markets affects the current account via two mechanisms. Firstly, it reduces the costs and risks of international loans. Secondly, it promotes competition between countries, the elimination of domestic inefficiencies and economic growth. Insofar as convergence is expected between countries' per capita income as a result of integration, capital flows will tend to be directed towards those countries with lower per capita income and higher growth expectations. Consequently, greater market integration will tend to produce a greater dispersion of current account balances across coun-

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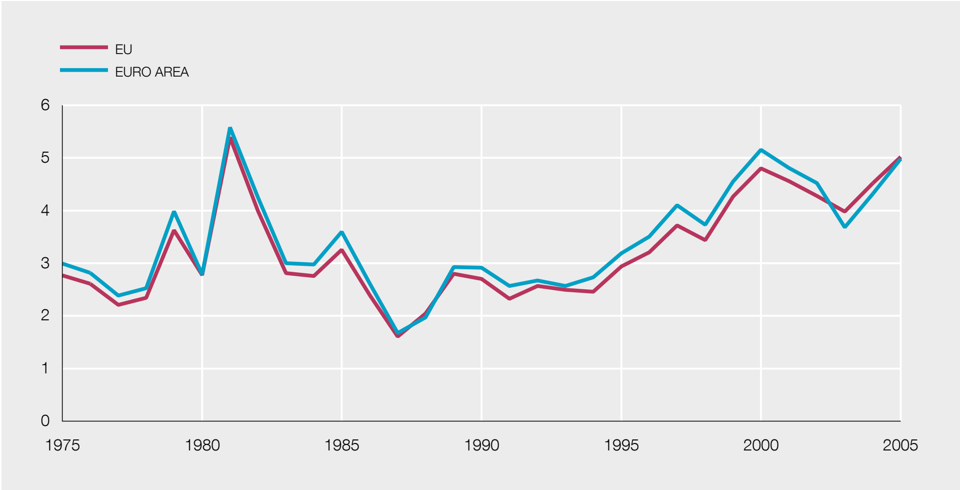
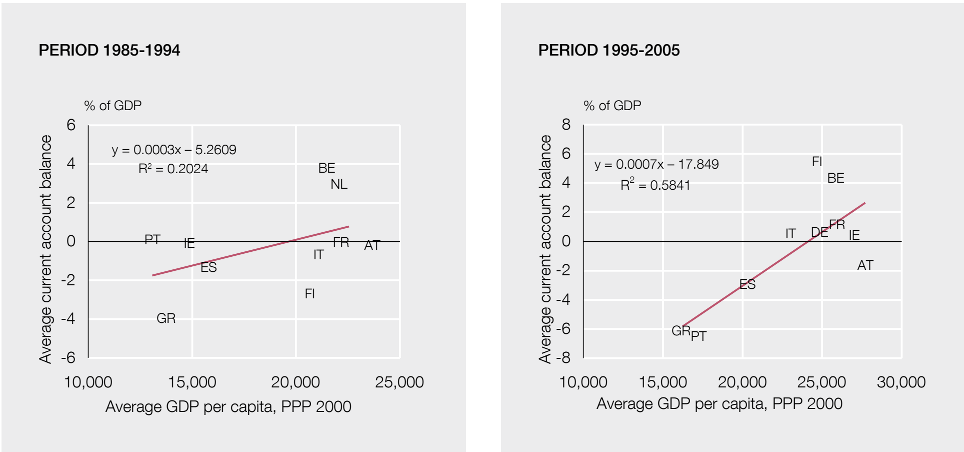
1. See Gourinchas (2002). **2.** See Campa and Gavilán (2006).

STANDARD DEVIATION OF CURRENT ACCOUNT BALANCES (AS % OF GDP), 1975-2005 CHART 1



SOURCE: Banco de España, drawing on the *OECD Economic Outlook.*

CURRENT ACCOUNT BALANCES AND GDP PER CAPITA IN THE EURO AREA CHART 2



SOURCE: Banco de España, drawing on the *OECD Economic Outlook*.

tries and a closer relationship between the income and current account balances of the countries that integrate.

As Charts 1 and 2 show, these assumptions appear to be met in the case of the euro area. Chart 1 reveals that in both the EU and the euro area the dispersion in current account balances increased almost continuously during the 1975-2005 period, precisely when international integration was progressing markedly[3]. Chart 2 illustrates that there is a positive relationship, for the euro area countries, between a country's current account balance and its income. This positive relationship became more intense in the 1995-2004 period compared with the 1985-1994 period, as would be expected in view of the greater integration of markets in the recent period[4].

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3. Dispersion is measured as the standard deviation of the current account balances as a percentage of GDP. **4.** A similar result (not shown here) is obtained if broader country samples such as the EU or the OECD are used [see Blanchard and Giavazzi (2002)].

An intertemporal current account model

In addition to understanding the main trends behind recent developments in the euro area countries' current account balances, it is also important to study these developments from a quantitative standpoint. In this respect, and as indicated in Gourinchas (2002), if the scale of the fluctuations observed in the current account of any of these countries deviates excessively from what corresponds to an appropriate adjustment to the new scenario, this country may possibly have to face in the future a current account balance adjustment, based on a reduction in expenditure, with adverse consequences for economic activity.

In order to conduct this quantitative analysis, what is first needed is a model of the current account balance with which to analyse the fluctuations observed. Among those most used in the economic literature in this connection are intertemporal current account models, which consider a small country that may gain access to the international capital market unrestrictedly. The country's level of income, after discounting investment and public spending, the interest rate on the capital market and the exchange rate are exogenous and time-variant. The country's consumers seek to smooth their flow of consumption over time and, to do so, they resort to foreign debt[5].

The essential implication of the model is as follows. At each point in time, a country's current account balance depends both on its expectations of future income and on expectations about future relative prices. As a result, expressed in terms of the trade balance as a percentage of consumption, it behaves in accordance with the following relationship[6]:

$$CA_t^* = -E_t \sum_{i=1}^{\infty} \beta^i \left[\Delta no_{t+i} - \gamma r_{t+i}^* \right] \qquad [1]$$

where Δno_{t+i} is the increase between period t+i and t+i-1 in income, net of investment and public expenditure, of the country (no); r^*_{t+i} is defined as a weighted average of the model's two relative prices (the interest rate and the exchange rate), which therefore reflects the joint effect of both; and β and γ are parameters of the model representing the discount rate and the elasticity of intertemporal substitution, respectively. This relationship indicates that the consumers of the country, who seek to restrict the oscillations in consumption over time, should consume more today, resorting to foreign debt, if, other things being equal, they expect increases in income or declines in future relative prices, caused either by a fall in real interest rates or by a depreciation of the real exchange rate.

Results

There are several methods to evaluate empirically the intertemporal current account model[7]. One of the most commonly used methods is based on comparison of the current account balance values resulting from the model with those observed in reality. To obtain the former, the habitual practice in the literature has been to consider that individuals form their expectations about income and future relative prices on the basis of the patterns followed in the past by these variables. More specifically, at each point in time t, expectations are obtained about the future income flow ($\{no_{t+i}\}_{i=0,\,1,\,2,\,\dots}$) and about the flow of future relative prices ($\{r^*_{t+i}\}_{i=0,\,1,\,2,\,\dots}$) in accordance with a vector autoregressive model (VAR) that includes the three variables of equation [1]: CA*, Δno, and r*. Once these expectations have been generated, equation [1]

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5. See, for instance, Bergin and Sheffrin (2000). This model is similar to the permanent income models but, instead of being applied to an individual, it is applied to a country. **6.** Generally, the empirical behaviour of the current account balance defined in this way and that of the balance defined in accordance with the more conventional definition are qualitatively very similar. **7.** Generally, these methods are based on those developed by Campbell (1987) and Campbell and Shiller (1987) for the empirical study of permanent income models. One important characteristic they all share is that they focus on the dynamic predictions of the model, whereby all the variables used in the analysis are expressed as deviations in relation to the sample mean.

provides the current account balance that would be consistent with the model at each point in time.

When this method is applied to evaluate the empirical behaviour of the model from the late 70s to the end of 2005 in 10 euro area countries, it is found that the current account balances of Austria, Finland, Germany and Ireland do not appear to behave according to equation [1], while in the cases of Belgium, France, Italy, the Netherlands, Portugal and Spain, this equation provides a reasonable approximation to the performance of these balances, especially when elasticities of substitution of less than 0.75 are considered[8].

Chart 3 compares the model-produced (MODEL) and actual (ACTUAL) current account balances in the six countries in which the intertemporal model cannot be statistically rejected. In the case of France and Italy, both series proved to be very similar. In contrast, in the Netherlands, Portugal and Spain the current account balance resulting from the model is less volatile than the actual balance, the average ratios between the two respectively standing at 77%, 60% and 80%. Finally, the model overestimates the volatility of the current account in the case of Belgium.

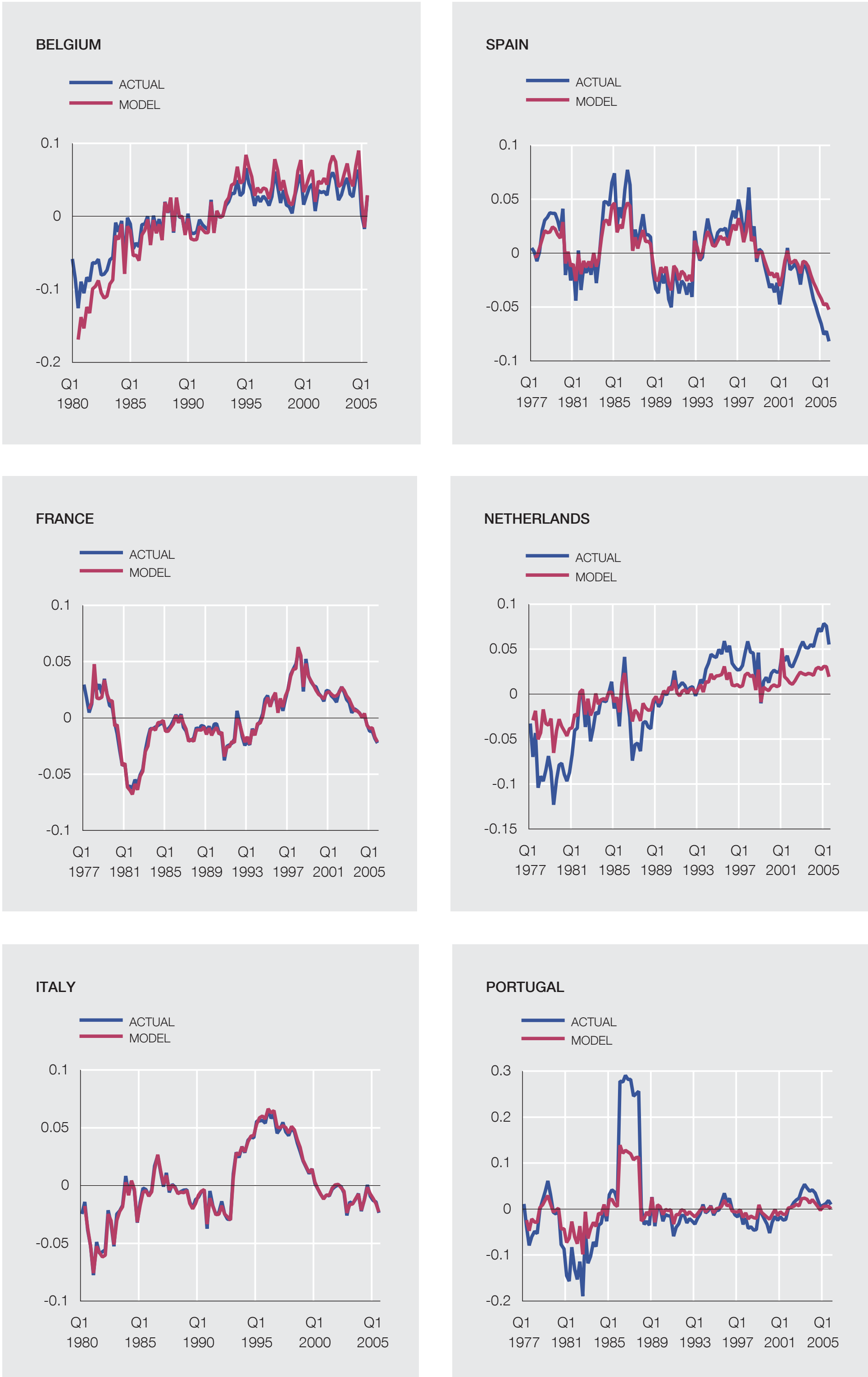
It is particularly worthwhile analysing what the main determinant of fluctuations is in the current account balance in each country. To do this, and as established in equation [1], it is simply necessary to determine which portion of the fluctuations in the current account captured by the model is due to changes in expectations about future income (i.e. the first term of the right-hand side of the equation) or to changes in expectations about future relative prices (i.e. the second term of the right-hand side of the equation). The result of this exercise shows that the relative contribution of these two components varies substantially from country to country. Thus, while in Belgium, Portugal and Spain the first component (income expectations) has more weight, in France, Italy and the Netherlands the second component (expectations about relative prices) prevails.

As previously described, in the empirical analysis of the intertemporal model, individuals' expectations about the flow of future income, $\{no_{t+i}\}_{i=0,\,1,\,2,\,\ldots}$, are derived for each moment in time t, using a VAR model with three variables (income, relative prices and current account)[9]. The analysis of these expectations makes for notable results. Specifically, on the basis of the estimated expectations about the flow $\{no_{t+i}\}_{i=0,\,1,\,2,\,\ldots}$ it is possible to derive, for each moment in time t, the level of permanent income that individuals expect, no_t^*, according to the model. This value is defined as the level of income such that the current discounted value of an infinite flow of constant income at that level has the same current discounted value as the flow of future income that individuals expect. In this respect, if at a specific moment in time the ratio between the expected permanent income and the actual income of a country is more (less) than 1, then we may conclude that this country expects to grow (decrease) in general terms in the future. Likewise, the higher the ratio is, the greater the country's future growth expectations.

8. Greece and Luxembourg are not included in the analysis. In the case of Greece, quarterly data are not available. As to Luxembourg, given its special characteristics, the model considered in this article will not, it is thought, be appropriate for studying its current account. Moreover, in Germany the analysis only begins in 1991, owing to reunification, and in Ireland data are only available from 1997. The rejection of the model for Germany and Ireland can be understood in the light of the very small size of their samples. In the case of Finland, this can be explained partly by its special economic relationship to the countries of the extinct Soviet Union. The rejection in the case of Austria is more difficult to interpret. Campa and Gavilán (2006) describe and apply other analytical methods for the empirical evaluation of this model. The results obtained with these methods are similar to those presented in this section. **9.** Expectations about the course of relative prices in the future are also obtained.

CURRENT ACCOUNT - FIT OF THE MODEL

CHART 3



RATIO OF EXPECTED PERMANENT INCOME TO ACTUAL INCOME CHART 4

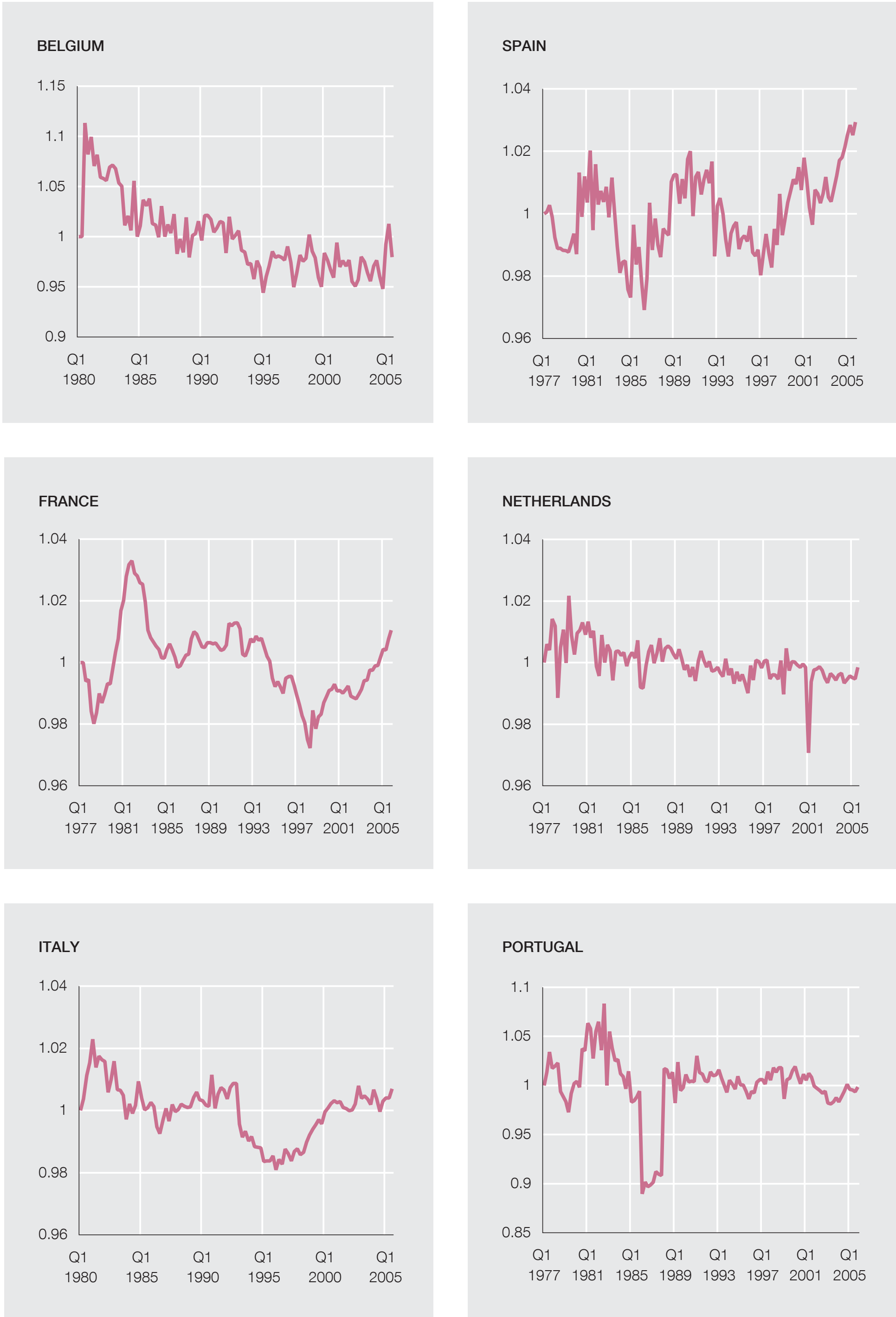


Chart 4 shows this ratio of expected *permanent income* to actual income in the estimation period for each of the six foregoing countries. As can be seen, the southern euro area countries (France, Italy, Portugal and Spain) shared during the second half of the 90s increases in their expectations of future income growth, motivated perhaps by the creation of the euro area. Around 2001, these expectations were revised downwards. Since then, the ratio has held stable at around its 2001 values in Italy, it has fallen in Portugal and it has increased once again in Spain and in France. In this respect, it should be highlighted that Spain's growth expectations reached a historical high in 2005 Q4. Nonetheless, even with these expectations, the current account balance that would result from the intertemporal model is substantially lower than that observed in this period.

Conclusions

The fundamental implication of an intertemporal current account model is that countries smooth their consumption flow over time and that changes in their current account balance thus depend on expectations of income and future relative prices. When applied to the euro area countries in the recent period, this implication is rejected for Austria, Finland, Germany and Ireland, but has empirical support in Belgium, France, Italy, the Netherlands, Portugal and Spain. The current account resulting from the model, however, shows less volatility than that observed for the Netherlands, Portugal and Spain, and greater volatility for Belgium.

The analysis of the expectations of future income that prove consistent in each country with the actual current account balance highlights, according to the intertemporal model, a synchronised increase in such expectations in France, Italy, Portugal and Spain in the late 90s. These implicit expectations fell around 2001 and, since then, their behaviour has been uneven across these countries. Broadly, they have remained stable in Italy, decreased in Portugal and increased once again in France and in Spain. In Spain's case, growth expectations consistent with the country's current account balance reached higher levels in 2005 than those previously observed.

It should be qualified that the intertemporal model considered, while in general consistent with the fluctuations observed in the current account of the six above-mentioned countries, is highly stylised and lacking certain elements that could help better understand these fluctuations. In particular, this model considers that there is no imperfection in the international capital market, that investment is exogenous and does not contribute to the capacity to increase future income of the countries that make such investment, and that there has been no structural change associated with the creation of the euro area. The inclusion in future analyses of credit restrictions that are eased over time, the endogenous determination of the level of investment in the country or the existence of a structural change in the process of determining the current account further to the creation of the euro area might help contribute to a better explanation of the behaviour of the current account balances of some of the countries considered in this article.

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Financial regulation: 2007 Q1

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Introduction

New financial legislation was relatively abundant in 2007 Q1, in comparison with the same period of last year.

First, the basic rules of operation of *Sociedad Española de Sistemas de Pago, Sociedad Anónima* (SEPA), the operator of the National Electronic Clearing System (SNCE), have been published.

In relation to public debt, two laws were published. The first updates and systematises the provisions governing market dealing in book-entry public debt, and the second establishes the terms of issuance of State debt for 2007 and for January 2008.

With regard to financial institutions, and especially the securities market, new legislation was very profuse in this period. Amendments were made to the regulation of the capital of financial institutions, to the legal regime for investment companies, to certain aspects of the regulation of the mortgage market and to the legislation on market abuse. Also, a royal decree was passed that implements the provisions for the companies that manage secondary securities markets and companies that administer securities registration, clearing and settlement systems, and another that amends the legal regime for the regulatory companies of official secondary markets, for *Sociedad de Bolsas* and for *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.* (whose trade name is IBERCLEAR). Amendments were also seen in the area of collective investment institutions (CIIs), and securitisation special purpose entities (SPEs).

At the Community level, a directive was published regulating the information transparency requirements for issuers of securities admitted to trading on a regulated market.

Finally, new personal income tax regulations were enacted, implementing the latest law to reform this tax. Also, the regulations for pension schemes and funds were adapted to the amendments introduced by these regulations.

Implementation of the legislation on securities payment and settlement systems

Law 2/2004 of 27 December 2004[1] on the State budget for 2005 amended Law 41/1999 of 12 November 1999[2] on payment and securities settlement systems. Specifically, it regulated SEPA, which replaced *Servicio de Pagos Interbancarios, Sociedad Anónima,* making it responsible for managing the SNCE. Further, it established that the supervision of SEPA would be carried out by the Banco de España, which would be responsible for authorising its articles of association and amendments thereto, as well as the basic rules of operation of the systems and services that it manages. Also, the sanctioning regime established in Law 26/1988 of 28 July 1988 on Discipline and Intervention of Credit Institutions would apply to this company, subject to the specific exceptions determined by law.

In this context, *CBE 1/2007 of 26 January 2007* (BOE of 6 February 2007) on the information that must be produced by SEPA and the approval of its regulations has been published.

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1. See “Financial regulation: 2004 Q4”, *Economic Bulletin,* January 2005, Banco de España, pp. 133-135. **2.** See “Financial regulation: fourth quarter of 1999”, *Boletín Económico,* January 2000, Banco de España, pp. 103-104.

Thus, SEPA shall submit to authorisation by the Banco de España, prior to their adoption, both the amendment of its articles of association and the basic rules of operation of the systems and services that it manages. Also, it shall notify thereto how it regulates supplementary and ancillary services and operating instructions for the systems and services it manages. Likewise, it shall send to the Banco de España the annual accounts and management report, as well as the report of the external auditors, within a month of their approval.

The Banco de España may require SEPA to provide relevant information on the systems and services it manages, as well as regular statistical information for monitoring their operation and, where applicable, shall set, by means of *technical applications* that shall be notified to SEPA, the limits on the amount of fund transfer orders that can be processed by the systems that it manages. This shall be done taking into account the risks involved in the processing and settlement of the payments, establishing, where applicable, the appropriate channels therefor.

Modification of the legislation on the book-entry public debt market

Royal Decree 505/1987 of 3 April 1987, provided for the establishment of book-entry arrangements for State debt and, as part thereof, the organisation of a book-entry system managed by the Banco de España. Subsequently, Law 24/1988 of 28 July 1988[3] on the Securities Market, as amended by Law 44/2002 of 22 November 2002[4] on Reform of the Financial System, conferred the responsibility for keeping accounting records, and the clearing and settlement of the securities admitted to dealing on the public debt market upon IBERCLEAR[5].

Now that this company has effectively assumed the functions conferred upon it (in particular, the management of the system for the recording and settlement of securities admitted to dealing on the public debt market), the legislation in force has been amended by *CBE 2/2007 of 26 January 2007* (BOE of 14 February 2007), so as to integrate and systematise those aspects relating to trading and dealing on the debt market.

The Circular updates and systematises the rules governing trading on the public debt market, repealing eleven circulars completely and another one partially. Thus, it regulates the reporting obligations of account holders and registered dealers, which shall keep information available for the Banco de España on their financial situation and the resources required by their professional status. Likewise, it defines and clarifies market transactions, all of which were included in the previous legislation.

First, a distinction is drawn between outright spot and outright forward transactions, the former being those executed within five days, and the latter those executed after more than five days. Second, it details the various forms of repo-type transactions: repurchase agreements (repos) and sell and buy-back agreements[6]. The former are in turn divided into *fixed-maturity repos*[7] and *open repos*[8].

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3. See “Regulación financiera: tercer trimestre de 1988”, *Boletín Económico,* October 1988, Banco de España, pp. 61-62. **4.** See “Financial regulation: 2002 Q4”, *Economic Bulletin,* January 2003, Banco de España, pp. 101-113. **5.** IBERCLEAR was created from the merger of the Securities Clearing and Settlement System (SCLV) and the Public Debt Book-Entry System (CADE) to enhance the competitiveness of the Spanish financial system. Other systems already existing in Spain may be incorporated into this company, such as the one for financial derivatives or those managed by the Barcelona, Bilbao and Valencia stock exchanges, and it can manage interconnections and alliances with those of other countries. **6.** Sell and buy-back agreements involve a sale and a purchase, agreed simultaneously, of securities with identical characteristics and the same face value, but with different execution dates. The sale and purchase may both be spot with different settlement dates, or both forward, or the sale may be spot and the purchase forward. **7.** Fixed-maturity repos are those in which the holder of the securities sells them until the maturity date, agreeing simultaneously to repurchase securities with identical characteristics and with the same face value on a specific date, between that of sale and the earliest maturity date, even if the latter is partial or voluntary. **8.** Open repos are those in which, at the time the agreement is entered into, the price and transfer date of the initial sale is stipulated and the period during which the purchaser/seller has the option to require repurchase on the terms that must be established in the same agreement is fixed.

The Circular prohibits repos between account holders, only permitting outright (spot or forward) transactions and sell and buy-back agreements, since, in practice, there was scant trading volume in the former. However, account holders may enter into all the transactions mentioned with third parties, subject to the following conditions.

In forward transactions in book-entry public debt (outright forward transactions or sell and buy-back transactions), the nominal amount of the transaction shall be no less than €100,000 (previously €60,000). These operations may be protected by agreements entered into by the market member and third party that participate in the trading. However, transactions may be for a lower amount, provided that they are executed in the form of the standard agreements contained in the Ministerial Order of 25 October 1995, which partially implements Royal Decree 629/1993 of 3 May 1993 on securities market rules and regulations and compulsory records. The Circular then sets out the transactions that registered dealers may carry out on the joint orders of the contracting parties, as well as the law on strip and reconstitution transactions in relation to public-debt securities.

With regard to transparency and publicity in transactions with third parties, when the dealer is contracting in its own name, all the terms of the operation shall be specified and determined at the time the agreement is entered into, and it shall be obliged to quote publicly, in terms of the annual percentage rate, the securities in which it is prepared to deal, including any commissions that may have been set for each type of transaction. When the dealer is acting as an agent, the terms of the transaction shall be stipulated with the principal in terms of a reference price or interest rate, which may refer to the value date of the transaction, and the commission agreed. In this respect, since the entry into force of the Circular, that is to say 1 March 2007, dealers shall deliver to the principal a copy of the document in which the terms of the order to invest in public debt are specified. In addition, cash settlement shall coincide with the value date of the securities transfer.

State debt: terms of issuance for 2007 and January 2008

Law 42/2006 of 28 December 2006 on the State Budget for 2007[9] authorised the Minister of Economy and Finance to increase State debt during 2007, with the limitation that the outstanding balance thereof as at 31 December 2007 should not exceed the related balance as at 1 January 2007 by more than €10,675 million.

As usual at this time of year, *Order EHA/19/2007 of 11 January 2007* (BOE of 16 January 2007), providing for the creation of State debt during 2007 and January 2008, and two *Resolutions of 17 January 2007* (BOE of 23 January and 26 January 2007) of the Directorate General of the Treasury and Financial Policy, providing for specific issues of Treasury bills and of medium- and long-term government bonds and announcing the schedule of tenders for 2007 and January 2008, have been published.

Broadly, the issuance conditions of previous years have been maintained. Thus, the Ministry of Economy may provide for the creation of debt through issues of securities or credit operations, in euro or in other currencies. The arrangements of previous years have been retained, in particular the following issuance procedures: tenders (competitive and non-competitive bids), and any technique whatsoever that does not involve inequality of opportunity for the potential purchasers of these securities. Public debt will continue to be in the form of Treasury bills and medium- and long-term debt, in all cases exclusively in book-entry form.

TREASURY BILLS

The issuance criteria and procedures prevailing in previous years are basically maintained, as is the obligation to prepare an annual schedule of tenders. The changes that should be noted are,

9. See "Financial regulation: 2006 Q4", *Economic Bulletin,* January 2007, Banco de España, p. 116.

first, the suspension of tenders of 18-month bills, while those for 12-month bills are maintained, and, second, the recommencement from August of the issuance of six-month bills (suspended in 2006), which will take place monthly, the maturity dates being in the uneven months of the first half of 2008, the aim being to strengthen the liquidity of the benchmark bills with maturity in those months. However, for reasons of demand or issuance policy, the Treasury may hold additional tenders to those announced, at which shorter-dated bills could be offered.

The tenders shall take place on the third Wednesday of each month and the original maturities indicated may differ by the number of days necessary to facilitate the grouping of maturities, which are also monthly, coinciding with the issuance dates to facilitate reinvestment by holders. In this way, the grouping together of Treasury bill issues is maintained, so as to guarantee the liquidity of this instrument and to consolidate its market.

As regards the manner of submitting bids at tenders, it has been considered appropriate that they should continue to be expressed in terms of the interest rate, in the same way as bills are quoted on the secondary markets, so that this makes submission easier. Competitive bids will thus indicate the interest rate bid for and successful bids shall be allotted, in each case, at a price equivalent to the interest rate bid for or at the weighted average, whichever is appropriate given the outcome of the tender.

The tenders shall continue as at present, and both competitive and non-competitive bids may be formulated. The minimum nominal amount of competitive bids will continue to be €1,000 and higher bids shall be multiples of this amount. As for non-competitive bids, their minimum nominal amount is also still €1,000 and higher bids shall be whole multiples of this amount, the overall nominal amount of non-competitive bids submitted by the same bidder in one tender not exceeding €1 million. However, this limit will continue to be €100 million for certain institutions, namely the Wage Guarantee Fund, the Deposit Guarantee Fund for Banking Establishments, the Deposit Guarantee Fund for Savings Banks, the Deposit Guarantee Fund for Credit Co-operatives the Social Security Reserve Fund, the Investment Guarantee Fund and any public entity or State-owned company stipulated by the Treasury.

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

MEDIUM AND LONG-TERM GOVERNMENT BONDS

The issuance criteria and procedures established for medium- and long-term government bonds are essentially those prevailing in 2006, and, as in the case of bills, the obligation is maintained to prepare the annual schedule of tenders, indicating the dates of the tenders and specifying the term of the bonds that will be auctioned quarterly, depending on market conditions and on issuance developments during the year. However, if market conditions or financing requirements make it advisable, the Treasury may, in the monthly resolution providing for issues of bonds for the following month, decide not to issue at any of the terms which, for information purposes, have been set in the aforementioned quarterly schedule.

The maturities for both types of bond will be unchanged, i.e. 3 and 5 years for medium-term bonds, and 10 and 30 years for long-term bonds, although without ruling out the option of resuming the 15-year issue, whose benchmark would alternate with the 30-year bond to square the reduction in the total volume that has to be issued with the increase in the liquidity of the benchmarks being issued. It will also still to be possible to offer issues that are extensions of other previous issues, in order to make up the necessary volume to ensure their liquidity on the secondary markets.

Tender arrangements remain as at present. Competitive and non-competitive bids may be submitted, with the same characteristics as in the previous section. As in the case of bills, there will be a second round reserved for those financial institutions that have acquired market-maker status in respect of medium and long-term government bonds.

Amendments to the regulation of the capital of financial institutions, to the legal arrangements for investment companies, to the mortgage market and in relation to market abuse

Royal Decree 364/2007 of 16 March 2007 (BOE of 17 March 2007), which amends four royal decrees relating to financial matters, has been published.

First, and in relation to Royal Decree 1343/1992 of 6 November 1992[10] implementing Law 13/1992 of 1 June 1992 on capital and supervision on a consolidated basis of financial institutions, Royal Decree 364/2007 once more formally includes in credit institutions' capital, that part of the profit for the year that is planned to be applied to reserves, until the final application of the reserves takes place, on the same conditions as established originally[11].

Also, the solvency regime for portfolio management companies is amended, in order to bring it into line with that for other investment services firms (securities-dealer companies and securities agencies). For portfolio management companies to be able to adapt to these new requirements, these amendments take effect two months later than the rest of the Royal Decree, which came into force on 18 March.

Second, in relation to Royal Decree 867/2001 of 20 July 2001[12] on the legal arrangements for investment services firms, the capital needs of investment services firms that carry out, in accordance with their programmes of operations, discretionary portfolio management services are clarified and specified.

Third, in relation to Royal Decree 685/1982 of 17 March 1982 implementing certain aspects of Law 2/1981 of 25 March 1981 on the mortgage market, and specifically the issue conditions for variable-rate mortgage covered bonds, the upper limit to the change in the interest rate that depended on the foreseeable return on the hedging loans that they have established is abolished, as this limit lost its rationale when the credits hedging this type of bond changed from fixed-rate to variable-rate.

Finally, Royal Decree 1333/2005 of 11 November 2005[13] implementing Law 24/1988 of 28 July 1988 on the securities market, in relation to market abuse, has been published, in order to broaden the scope of persons related to directors and senior managers of an issuer who are obliged to notify the transactions they carry out in the securities of such issuer. The aim is to incorporate a more accurate reflection of the Community market abuse regime into Spanish law.

Companies that manage secondary securities markets and companies that administer securities registration, clearing and settlement systems

Law 12/2006 of 16 May 2006 amending the consolidated text of the memorandum and articles of association of the *Consorcio de Compensación de Seguros* (insurance compensation consortium), approved by Legislative Royal Decree 7/2004 of 29 October 2004, and Law 24/1988 of 28 July 1988 on the securities market, among other aspects, transposed to Spanish law certain provisions of Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003[14] on insider dealing and market manipulation, and of Commission Directive

10. See "Regulación financiera: cuarto trimestre de 1992", *Boletín Económico,* January 1993, Banco de España, pp. 65-71. **11.** Note that the disappearance of this element of capital was attributable to a mere transcription error in the last legal amendment of the article in question. **12.** See "Financial regulation: 2001 Q3", *Economic Bulletin,* October 2001, Banco de España, pp. 98-101. **13.** See "Financial regulation: 2005 Q4", *Economic Bulletin,* January 2006, Banco de España, pp. 116-119. **14.** See "Financial regulation: 2003 Q2", *Economic Bulletin* July 2003, Banco de España, pp. 85-87.

2004/72/EC of 29 April 2004[15], which partially implemented Directive 2003/6/EC. Law 12/2006 amended certain articles of Law 24/1988 on the securities market to make more flexible and clarify the legal arrangements for entities with an interest in the capital of companies that manage secondary securities markets and those that administer securities registration, clearing and settlement systems.

Recently, *Royal Decree 361/2007 of 16 March 2007* (BOE of 17 March 2007) implementing Law 24/1988 of 28 July 1988 on the securities market, as regards the holding of the capital of companies that manage secondary securities markets and companies that administer securities registration, clearing and settlement systems has been published.

The main changes can be divided into two groups. Notable in the first group is the establishment of special rules for those persons who hold a significant or controlling interest in companies that administer secondary markets and securities, registration, clearing and settlement systems. In accordance with Law 24/1988, the government must authorise the acquisition or disposal of a controlling interest in such companies, this Royal Decree being the one that specifies what information shall be provided in the course of authorisation. Among other aspects, information shall be provided on any other holdings the purchaser may have in similar companies, its activities in the financial markets and its strategy for the market in question. In addition, a report is required from the entity or entities that currently hold the controlling interest. The aim of these provisions is to ensure that the government has sufficient information on which to base its decision regarding the suitability of the person or entity seeking to acquire the controlling interest.

Holdings in the capital of companies of this type shall be subject to the rules on significant holdings for investment services companies in Law 24/1988, with the special features determined by this Royal Decree. Thus, the minister of economy and finance may object to the acquisition of a significant holding when the degree or type of influence of the purchaser compromises the smooth operation of the markets, to avoid distortions in the markets or on the grounds that Spanish entities are not given an equivalent treatment in the home country of the purchaser or of whoever directly or indirectly controls the latter.

The CNMV shall be deemed not to object to the acquisition of a significant holding of 1% or more (but less than 5%) of the capital of the company, if it fails to pronounce within ten business days[16] from that on which it was informed of the acquisition or from the time at which the additional information that the CNMV may have requested has been completed. Also, the latter body is empowered to request such information as it may consider necessary on the shareholders of these companies, and of the companies that have a controlling interest in all or any of the foregoing.

In the second group of changes, the Royal Decree lays down certain rules for entities holding controlling interests in these companies. Thus, such entities shall respect certain conditions for the introduction of limitations on the rights arising from the holding in its capital. Also, when applicable to them, they shall comply with the rules contained in Law 24/1988 on takeover bids and the notification of significant holdings in quoted companies, without prejudice to the obligations contained in this Decree.

15. See "Financial regulation: 2004 Q2", *Economic Bulletin,* July 2004, Banco de España, pp. 114-115. **16.** The deadline established in Law 24/1988 for the CNMV to object to the acquisition of a significant holding (i.e. the direct or indirect acquisition of at least 5% of the capital or voting rights of a company) is two months.

Amendment to the legal arrangements for the regulatory companies of official secondary markets, the Sociedad de Bolsas and IBERCLEAR

In order to eliminate obsolete references and update certain aspects of the legal arrangements for stock exchange regulatory companies, *Sociedad de Bolsas* and IBERCLEAR, *Royal Decree 363/2007 of 16 March 2007* (BOE of 17 March 2007) has been published. This Decree amends Royal Decree 726/1989 of 23 June 1989[17] on regulatory companies and members of stock exchanges, *Sociedad de Bolsas* and collective bonds, Royal Decree 1814/1991 of 20 December 1991[18] that regulates the official futures and options markets and Royal Decree 116/1992 of 14 February 1992[19] on representation of securities by means of book entries and clearing and settlement of stock market transactions.

First, the grounds for objecting to the appointment of the members of the board of directors of a stock exchange regulatory company, Sociedad de Bolsas or the regulatory companies of futures and options markets are clarified, namely failure to meet the requirements for professional integrity and knowledge and experience that apply to members of the board of directors of an investment services company in Law 24/1988 of 28 July 1988 on the securities market.

Second, the financial arrangements for stock exchange regulatory companies, the Sociedad de Bolsas, the regulatory companies of futures and options markets and IBERCLEAR are made more flexible, as they will not have to submit their annual budget to the approval of the CNMV or, where applicable, the relevant regional autonomous government, nor may the regulatory body require modifications thereto. However, the CNMV or, where applicable, the relevant regional autonomous government still has the power to approve the rates of these entities and may establish exceptions to or limits on the maximum prices charged for their services when they may affect the financial solvency of the regulatory companies, have consequences that are disruptive to the development of the securities market or contrary to the principles by which it is governed or introduce unwarranted discrimination between stock market members.

As regards Royal Decree 116/1992 of 14 February 1992 on representation of securities by means of book entries and clearing and settlement of stock market transactions, modifications are made to the mechanisms for ensuring security delivery and, specifically, to the arrangements for IBERCLEAR's related securities loans, to avoid the effect of a temporary increase in securities that may arise in certain cases of settlement of securities sale and purchase transactions.

At the same time, IBERCLEAR shall establish procedures to prevent delay in the delivery of those securities whose features, number and type of transactions, incidents arising and other relevant circumstances make this advisable. These procedures may include special deadlines and requirements for the processing and settlement of transactions in these securities, different registration of the securities whose delivery has been agreed and, if necessary, the systems for resolving any discrepancies that may arise in the settlement of transactions, including substitute consideration for obligations that have not been fulfilled and the compensation to be paid to the damaged entities out of the cash of the transactions in question and the penalties that may be imposed on defaulting entities. Also, it may establish different systems to ensure the delivery of the securities that appear in the accounts of entities participating in the Central Register and of those others noted in the accounts with details of third parties.

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17. See "Regulación financiera: segundo trimestre de 1989", *Boletín Económico,* July-August 1989, Banco de España, pp. 120-122. **18.** See "Regulación financiera: cuarto trimestre de 1991", *Boletín Económico,* January 1992, Banco de España, pp. 63-64. **19.** See "Regulación financiera: primer trimestre de 1992", *Boletín Económico,* April 1992, Banco de España, pp. 68-69.

Finally, the financial and legal arrangements for entities belonging to IBERCLEAR, and the requirements for joining the system, which shall be determined by the minister of economy and finance or, with the latter's express authority, by the CNMV are updated.

Modification of the regulations for collective investment institutions (CIIs)

Royal Decree 1309/2005 of 4 November 2005[20] approved the regulations implementing Law 35/2003 of 4 November 2003[21] on CIIs, whose basic aims are to make the framework for CIIs' activities more flexible, to increase investor protection and to improve the arrangements for administrative intervention.

Royal Decree 362/2007 of 16 March 2007 (BOE of 17 March 2007) amending Royal Decree 1309/2005 of 4 November 2005 in relation to hedge funds and funds of hedge funds has recently been published.

The basic aim of this reform is to make the arrangements for these CIIs more flexible, especially as regards redemptions, in order to promote their growth and market presence. These CIIs are thus permitted to place a limit on the amount they have to redeem on a particular date. When redemption applications exceed this limit shares shall be redeemed on a pro rata basis. These institutions may also establish minimum lock-up periods for shareholders, and a more flexible notice system for subscriptions and redemptions, of whatever amount, than the general one. These circumstances should be included, where applicable, in the institution's prospectus.

These institutions also need not make redemptions on all the dates on which the net asset value is calculated, although this flexibility is offset by a requirement for more information in the prospectus.

Hedge funds are not allowed to market themselves to investors who are not deemed qualified (such as retail investors), although such investors are not prohibited from acquiring hedge fund shares.

With regard to funds of hedge funds, use of the options to establish minimum lock-ups periods, to have a more flexible notice system and not to make redemptions on all the dates on which the net asset value is calculated are conditional upon this being required by the CIIs in which they invest and, moreover, the marketing policy of these institutions must be taken into account.

Securitisation special purpose entities: promotion agreements (FTPymes)

In its additional provisions, Royal Decree Law 3/1993 of 26 February 1993 on urgent budgetary, tax, financial and employment measures and Law 3/1994 of 14 April 1994[22], which adapted Spanish law to the Second Banking Co-ordination Directive, regulated *fondos de titulización hipotecaria* [mortgage securitisation special purpose entities (SPEs)] and the appropriate adaptations for securitising other loans and creditors' rights, including those arising from leasing transactions, and those relating to the activities of small and medium-sized businesses, which would be carried out through so-called *fondos de titulización de activos* (asset securitisation SPEs). Royal Decree 926/1998 of 14 May 1998[23] regulated asset securitisation SPEs and their management companies, establishing the reference framework for asset securitisation in Spain. For its part, the Ministerial Order of 28 May 1999 established the status and

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20. See "Financial regulation: 2005 Q4", *Economic Bulletin,* January 2006, Banco de España, pp. 112-116. **21.** See "Financial regulation: 2003 Q4", *Economic Bulletin,* January 2004, Banco de España, pp. 84-87. **22.** See "Regulación financiera: segundo trimestre de 1994", *Boletín Económico,* July-August 1994, Banco de España, pp. 92 a 96. **23.** See "Financial regulation: second quarter of 1998", *Economic Bulletin,* July 1998, Banco de España, pp. 86-88.

content of the promotion agreements that the ministry of economy and finance could enter into (through the Treasury) with the management companies of asset securitisation SPEs, in order to promote the creation of asset securitisation SPEs which, under the trade name "FT-Pymes", may have the benefit of a State guarantee for the fixed-income securities they issue in order to promote business financing.

The experience gained in this area over several years warrants making certain changes to the administrative procedure for granting guarantees and adding some new requirements within the scope of the establishment of asset securitisation SPEs. All this has been carried out by means of *Order Pre/3/2007 of 10 January 2007* (BOE of 12 January 2007), on asset securitisation SPE promotion agreements to encourage business financing.

Specifically, the period for submitting agreement applications has been changed (from 15 days to one month) and the director general of small and medium-sized business policy is authorised to modify it when market issuance conditions make it advisable to do so. Also, it is now possible for the CNMV to include in its proposal to grant a guarantee a commission payable to the State, the amount of which would be set in accordance with the nominal value of the fixed-income securities guaranteed and their credit rating, and which would have to be paid by the management company of the asset securitisation SPE. Finally, certain technical improvements have been made to the procedure.

Transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market

Directive 2004/109/EC of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, established the general principles for the harmonisation of transparency requirements in respect of the holding of voting rights or financial instruments that result in an entitlement to acquire existing shares with voting rights.

Recently, *Commission Directive 2007/14/EC of 8 March 2007* (OJEU), has lain down detailed rules for the implementation of certain provisions of Directive 2004/109/EC.

The aim of the Directive is to ensure that, through the disclosure of accurate, comprehensive and timely information about securities issuers, investor confidence is built up and sustained. By the same token, issuers are required to be informed of movements affecting major holdings in companies and, in turn, to keep the public informed. The rules for the implementation of the rules governing transparency requirements should be designed to ensure a high level of investor protection, to enhance market efficiency, and to be applied in a uniform manner.

The minimum content of the condensed set of half-yearly financial statements, where that set is not prepared in accordance with international accounting standards, should avoid giving a misleading view of the assets, liabilities, financial position and profit or loss of the issuer. The content of half-yearly reports should ensure appropriate transparency for investors through a regular flow of information about the performance of the issuer, and that information should be presented in such a way that it is easy to compare it with the information provided in the annual report of the preceding year. Specifically, the following comparative information shall be included: balance sheet as at the end of the first six months of the current financial year, comparative balance sheet as at the end of the immediate preceding financial year and profit and loss account for the first six months of the current financial year with comparative information for the comparable period of the preceding financial year[24].

24. The latter, from two years after the date of entry into force of this Directive (29 March 2007).

With regard to major related parties' transactions, issuers shall disclose, as a minimum, the following: related parties' transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the enterprise during that period, and any changes in the related parties' transactions described in the last annual report that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year.

In relation to control mechanisms by competent authorities as regards market makers, the Directive specifies how such an authority may verify whether the conditions for the exemption granted to market makers in relation to the notification of information on major holdings are met. In addition, market making activities shall be conducted in full transparency, so that market makers should be capable upon request from the relevant competent authority of identifying the activities conducted in relation to the issuer in question, and in particular the shares or financial instruments held for market making activities purposes.

Other parts of the Directive address the requirements for disclosure of information by issuers to the media, so that it reaches investors uniformly and transparently, and to ensure that those situated in a Member State other than that of the issuer have equal access to such information. All this is without prejudice to the right of the Member State to request issuers to publish all or part of the regulated information through the media, on their own or other websites accessible to investors.

New personal income tax regulations and amendment of the regulations for pension schemes and funds

Law 35/2006 of 28 November 2006[25] on the personal income tax and partially amending the corporate income tax, non-residents' income tax and wealth tax laws, undertook reform of the personal income tax, basically seeking to reduce the tax burden on earned income, to restore equality to the tax treatment of personal and family circumstances, to establish a neutral tax treatment for the various forms of financial saving and to restructure the tax incentives for social insurance for situations of aging and, for the first time, situations of dependency.

Royal Decree 439/2007 of 30 March 2007 (BOE of 31 March 2007), which approves the personal income tax regulations approved by Law 35/2006 and amends the Regulations for pension schemes and funds approved by Royal Decree 304/2004 of 20 February 2004[26], has recently been enacted. The personal income tax regulations reflect the structure and provisions of Law 35/2006, while repealing the personal income tax regulations approved by Royal Decree 1775/2004 of 30 July 2004. The main changes introduced, especially those in the financial area, are set out below.

As regards investment income, the regulations are adapted as a consequence of the non-applicability of the reduction for income arising over a period of more than two years or obtained over time in a notably irregular manner to income that forms part of the tax base for savings.

With respect to capital gains and losses, for the purposes of application of the exemption for the transfer of a habitual dwelling by persons aged over 75 or persons in a situation of severe or great dependency, and of the exemption for reinvestment in a habitual dwelling, the latter may include any dwelling that is the habitual dwelling at the time of sale or that has been such a dwelling at any time during the two years prior to the transfer date. In this way, the taxpayer will have a period after ceasing to actually live at the dwelling in which to sell it, without forfeiting the relevant exemption.

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25. See "Financial regulation: 2006 Q4", *Economic Bulletin,* January 2007, Banco de España, pp. 111-114. **26.** See "Financial regulation: 2004 Q1", *Economic Bulletin,* April 2004, Banco de España, pp. 97-98.

New formal reporting obligations have been incorporated for insurance undertakings that sell dependency insurance, insured social insurance schemes or individual systematic saving schemes, and the reporting obligation has been developed for taxpayers who have protected funds. Also important is the new additional provision permitting the holders of individual systematic saving schemes to transfer their mathematical provision to another systematic saving scheme of which they are the holder.

Among the transitional provisions, inter alia, the arrangements for the reinvestment of extraordinary profits are retained, operating in the same way as currently, and the provisions of the current regulations for *sociedades transparentes* (transparent companies) are extended to *sociedades patrimoniales* (asset-holding companies).

Finally, the relevant modifications are made to the regulations for pension schemes and funds, approved by Royal Decree 304/2004 of 20 February 2004, to adapt them to the modifications introduced by Law 35/2006 in the consolidated text of the law on regulation of pension schemes and funds, approved by Legislative Royal Decree 1/2002 of 29 November 2002[27]. A transitional period is established for adaptation of the specifications of pension schemes to the changes introduced in the regulations applicable to them, which shall be twelve months from the entry into force of this Decree.

The Royal Decree entered into force on 1 April 2007, except for the modifications introduced in the personal income tax regulations and in the regulations for pension schemes and funds relating to the transferability of the mathematical provision to other social insurance schemes or pension schemes, which will enter into force on 1 January 2008.

27. See “Financial regulation: 2002 Q4”, *Economic Bulletin,* January 2003, Banco de España, pp. 113-114.

Additions

Indicator 7.6

Spanish international investment position vis-à-vis other residents in the euro area and the rest of the world. Summary.

A new column has been added to show, from December 2006, the net position in financial derivatives. The data include the stocks of financial derivatives relating to the sectors Monetary financial institutions and General government (in this latter case Central government).

Indicator 7.7

Spanish international investment position vis-à-vis other residents in the euro area and the rest of the world. Breakdown by investment

Two columns have been added to show, from December 2006, financial derivatives (assets and liabilities). The data include the stocks of financial derivatives relating to the sectors Monetary financial institutions and General government (in this latter case Central government).

CONTENTS

These economic indicators are permanently updated on the Banco de España website (http://www.bde.es/homee.htm). The date on which the indicators whose source is the Banco de España [those indicated with (BE) in this table of contents] are updated is published in a calendar that is disseminated on the Internet (http://www.bde.es/estadis/cdoe/ceroe.htm).

1. IMF Special Data Dissemination Standard (SDDS).

INTEREST RATES AND EXCHANGE RATES

1. IMF Special Data Dissemination Standard (SDDS).

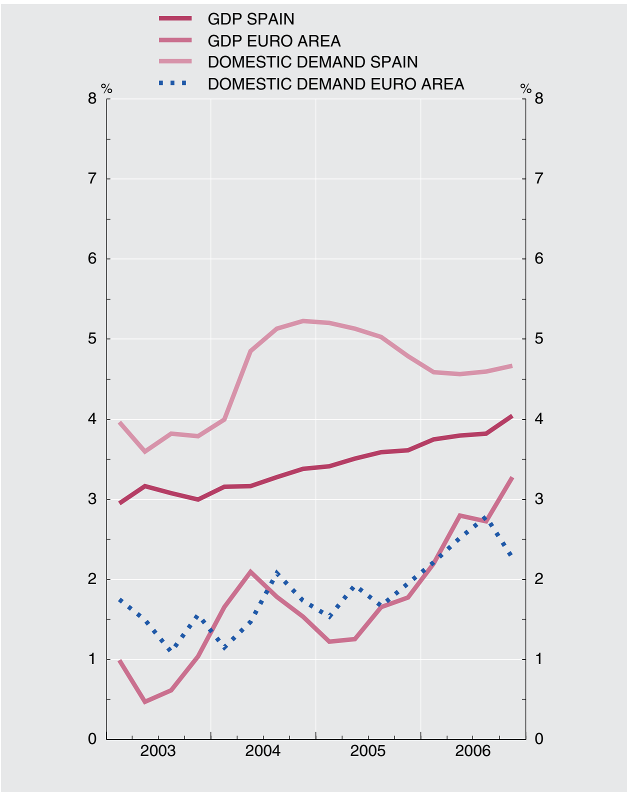
1.1. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES, REFERENCE YEAR 2000=100.DEMAND COMPONENTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

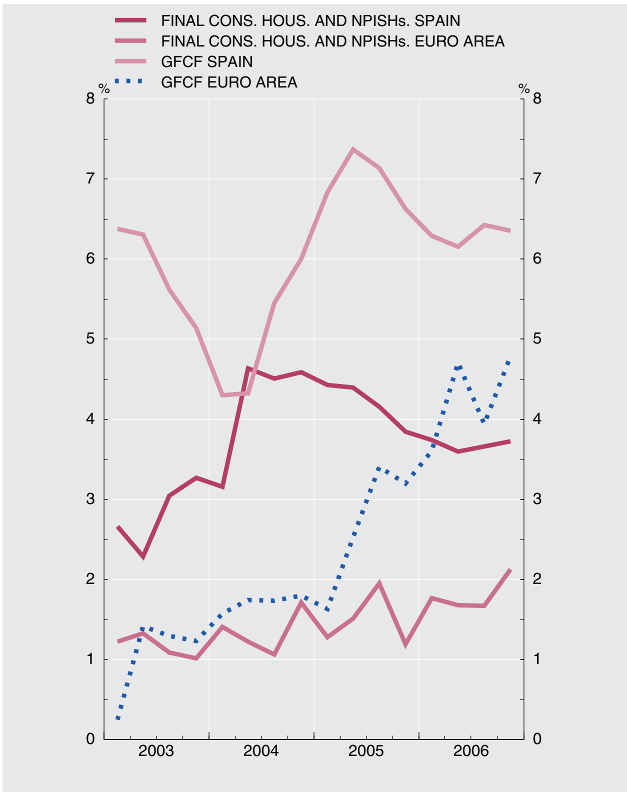
Annual percentage changes

		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	2.8	1.2	4.8	1.8	5.9	1.0	3.8	1.5	3.7	1.1	6.2	3.1	783	7 461
04	P	3.2	1.8	4.2	1.4	6.3	1.4	5.0	1.7	4.8	1.6	4.1	6.4	9.6	6.2	840	7 738
05	P	3.5	1.5	4.2	1.5	4.8	1.4	7.0	2.7	5.0	1.8	1.5	4.4	7.0	5.4	905	8 000
04 *Q1*	P	3.2	1.7	3.2	1.4	5.7	1.8	4.3	1.6	4.0	1.7	4.8	4.6	7.7	3.3	204	1 911
Q2	P	3.2	2.1	4.6	1.2	6.3	1.5	4.3	1.7	4.9	2.1	3.8	8.0	9.9	6.5	208	1 930
Q3	P	3.3	1.8	4.5	1.1	6.8	1.3	5.4	1.7	5.1	1.8	4.5	6.7	10.9	7.8	212	1 941
Q4	P	3.4	1.5	4.6	1.7	6.2	0.8	6.0	1.8	5.2	1.5	3.5	6.4	10.0	7.3	216	1 956
05 *Q1*	P	3.4	1.2	4.4	1.3	5.5	1.2	6.8	1.6	5.2	1.2	-0.8	4.2	5.9	5.3	220	1 973
Q2	P	3.5	1.3	4.4	1.5	4.3	1.4	7.4	2.5	5.1	1.3	1.8	3.5	7.7	5.6	224	1 987
Q3	P	3.6	1.7	4.2	2.0	4.5	1.5	7.1	3.4	5.0	1.7	2.5	5.3	7.7	5.6	229	2 010
Q4	P	3.6	1.8	3.8	1.2	4.9	1.6	6.6	3.2	4.8	1.8	2.3	4.7	6.6	5.3	233	2 031
06 *Q1*	P	3.7	2.2	3.7	1.8	4.3	2.5	6.3	3.6	4.6	2.2	9.5	8.4	11.6	8.7	237	2 049
Q2	P	3.8	2.8	3.6	1.7	4.4	2.0	6.2	4.7	4.6	2.8	4.9	7.4	7.3	6.8	241	2 079
Q3	P	3.8	2.7	3.7	1.7	4.2	2.1	6.4	3.9	4.6	2.7	3.4	6.7	6.0	7.0	247	2 101
Q4	P	4.0	3.3	3.7	2.1	4.9	2.5	6.4	4.8	4.7	3.3	7.3	9.8	8.8	7.3	251	2 128

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.

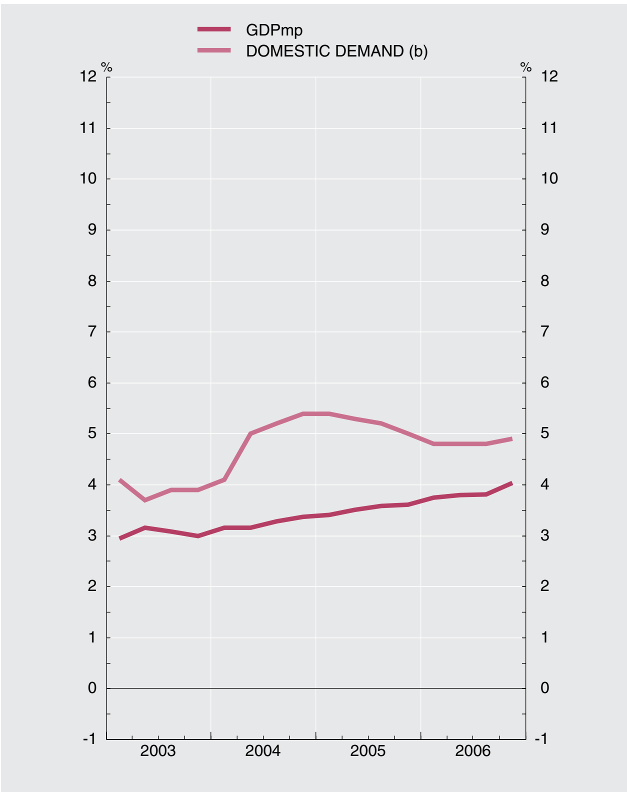
1.2. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. DEMAND COMPONENTS. SPAIN: BREAKDOWN (a)

■ Series depicted in chart.

Annual percentage changes

		Gross fixed capital formation				Change in Stocks (b)	Exports of goods and services				Imports of goods and services				Memorandum items:	
		Total	Capital goods	Construc- tión	Other products		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	5.9	4.1	6.2	7.2	-0.1	3.7	5.2	0.1	1.2	6.2	6.7	3.2	4.6	3.9	3.0
04	P	5.0	4.4	5.5	4.5	0.0	4.1	5.1	0.0	4.4	9.6	9.7	20.1	7.4	4.9	3.2
05	P	7.0	9.0	6.0	7.5	-0.0	1.5	0.0	2.0	7.3	7.0	6.6	21.4	6.1	5.2	3.5
04 *Q1*	P	4.3	0.1	6.0	5.3	0.1	4.8	6.1	1.1	3.3	7.7	7.3	16.8	8.0	4.1	3.2
Q2	P	4.3	1.7	5.5	4.3	0.0	3.8	5.9	-4.5	3.8	9.9	9.9	19.7	7.9	5.0	3.2
Q3	P	5.4	6.9	5.2	4.2	-0.0	4.5	5.5	0.7	4.3	10.9	11.3	20.1	7.3	5.2	3.3
Q4	P	6.0	9.0	5.2	4.3	-0.0	3.5	3.1	2.9	6.1	10.0	10.3	23.6	6.4	5.4	3.4
05 *Q1*	P	6.8	9.2	6.0	6.4	-0.0	-0.8	-2.1	1.0	3.1	5.9	6.9	20.1	-1.2	5.4	3.4
Q2	P	7.4	9.8	6.2	8.0	-0.0	1.8	2.4	-4.9	6.3	7.7	7.8	22.9	4.0	5.3	3.5
Q3	P	7.1	8.3	6.3	8.4	0.0	2.5	0.1	7.5	8.0	7.7	6.6	23.2	9.9	5.2	3.6
Q4	P	6.6	8.6	5.6	7.4	0.0	2.3	-0.3	4.2	11.9	6.6	5.0	19.4	11.9	5.0	3.6
06 *Q1*	P	6.3	8.6	5.8	4.8	0.1	9.5	11.5	-2.7	14.2	11.6	9.8	13.8	20.0	4.8	3.7
Q2	P	6.2	9.1	5.8	3.3	0.1	4.9	3.4	4.7	12.0	7.3	6.7	3.6	11.4	4.8	3.8
Q3	P	6.4	9.6	6.2	3.0	0.1	3.4	2.7	2.9	7.0	6.0	7.0	3.7	1.6	4.8	3.8
Q4	P	6.4	11.4	5.7	1.7	0.0	7.3	5.3	2.0	21.2	8.8	8.6	7.3	10.4	4.9	4.0

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)

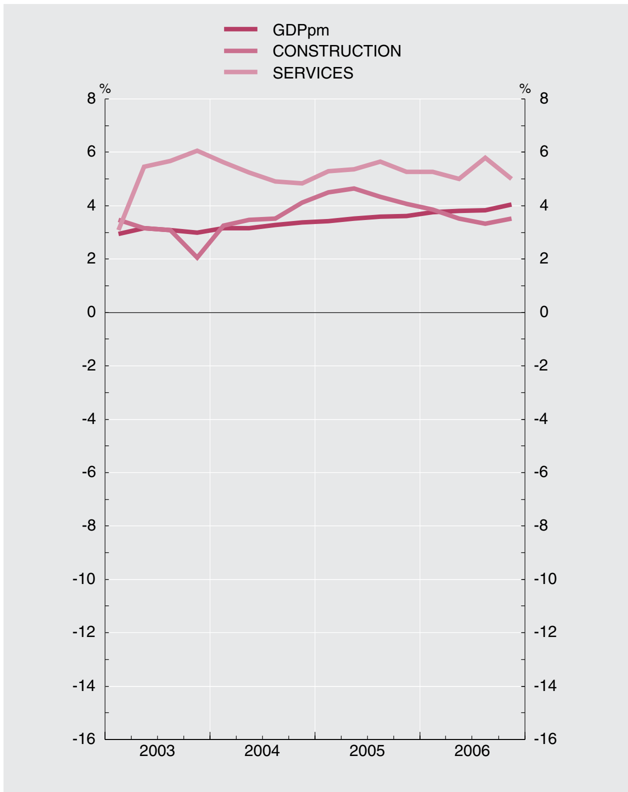
■ Series depicted in chart.

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	-0.7	4.5	0.9	5.1	2.9	2.6	4.2	5.1	6.6	9.0
04	P	3.2	1.9	2.2	0.4	5.1	3.6	3.6	3.7	2.6	12.4	7.0
05	P	3.5	-10.0	3.8	0.3	5.4	4.4	4.6	3.5	5.6	4.9	6.0
04 *Q1*	P	3.2	4.0	2.0	0.2	5.6	3.3	3.2	3.4	0.5	12.8	11.8
Q2	P	3.2	2.0	2.7	0.7	5.2	3.5	3.5	3.4	-0.2	13.2	10.0
Q3	P	3.3	1.2	2.0	0.3	4.9	3.5	3.4	3.8	5.8	11.1	5.8
Q4	P	3.4	0.6	2.0	0.3	4.8	4.1	4.1	4.1	4.5	12.4	0.8
05 *Q1*	P	3.4	-14.1	3.6	0.1	5.3	4.5	5.1	2.4	6.2	11.1	5.0
Q2	P	3.5	-10.6	3.4	-0.3	5.4	4.7	4.6	4.7	8.0	4.6	0.7
Q3	P	3.6	-9.2	3.9	0.5	5.7	4.3	4.6	3.3	4.6	1.8	7.4
Q4	P	3.6	-6.2	4.3	0.7	5.3	4.1	4.1	3.8	3.6	2.2	11.1
06 *Q1*	P	3.7	-3.2	3.2	1.9	5.3	3.9	3.9	3.9	4.2	5.0	9.4
Q2	P	3.8	0.1	3.2	2.8	5.0	3.5	3.5	3.6	5.5	3.9	8.8
Q3	P	3.8	-0.5	3.9	4.0	5.8	3.3	3.2	3.8	4.0	1.7	8.2
Q4	P	4.0	4.3	-2.1	4.4	5.0	3.5	3.3	4.5	4.2	1.2	10.9

GDP. BRANCHES OF ACTIVITY
Annual percentage changes

GDP. BRANCHES OF ACTIVITY
Annual percentage changes



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

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

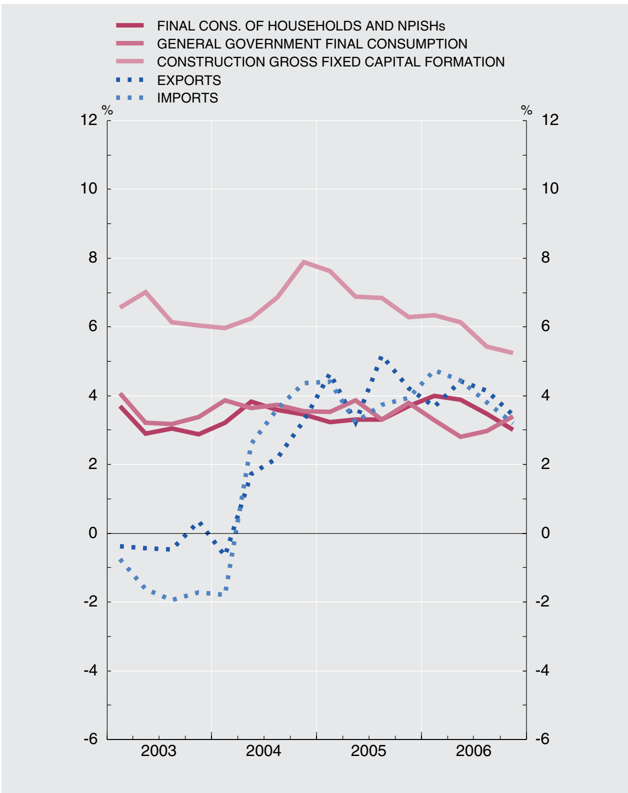
1.4. GROSS DOMESTIC PRODUCT. IMPLICIT DEFLATORS. SPAIN (a)

■ Series depicted in chart.

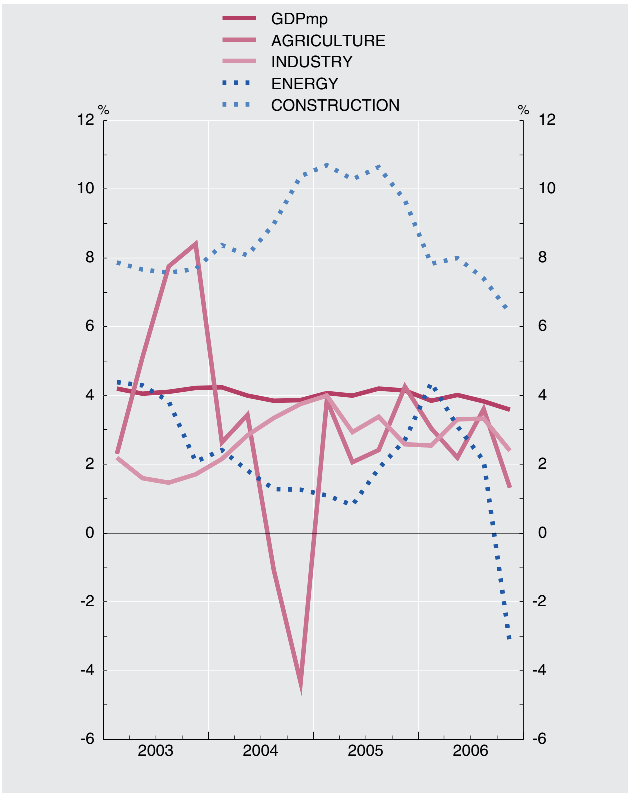
Annual percentage changes

		Demand components							Gross domestic product at market prices	Branches of activity					
		Final consumption of households and NPISHs (b)	General government final consumption	Gross fixed capital formation: Capital goods	Gross fixed capital formation: Construction	Gross fixed capital formation: Other products	Exports of goods and services	Imports of goods and services		Agriculture and fisheries	Energy	Industry	Construction	Services	Of which: Market services
		1 ■	2 ■	3	4 ■	5	6 ■	7 ■	8 ■	9 ■	10 ■	11 ■	12 ■	13	14
03	P	3.1	3.4	1.5	6.4	5.1	-0.2	-1.5	4.1	5.9	3.6	1.7	7.7	3.9	3.5
04	P	3.5	3.7	2.2	6.8	5.9	1.6	2.2	4.0	0.1	1.7	3.0	9.0	3.4	3.8
05	P	3.4	3.6	2.0	6.9	4.4	4.3	3.8	4.1	3.1	1.6	3.2	10.3	3.1	3.7
04 *Q1*	P	3.2	3.9	2.2	6.0	5.5	-0.7	-1.8	4.2	2.6	2.4	2.2	8.4	3.8	4.0
Q2	P	3.8	3.6	2.6	6.3	6.5	1.7	2.6	4.0	3.4	1.8	2.8	8.1	3.3	3.6
Q3	P	3.6	3.7	2.3	6.9	6.3	2.2	3.6	3.8	-1.1	1.3	3.3	9.0	3.2	4.2
Q4	P	3.5	3.5	1.9	7.9	5.2	3.3	4.4	3.9	-4.3	1.3	3.7	10.4	3.2	3.5
05 *Q1*	P	3.3	3.5	2.3	7.6	4.8	4.6	4.4	4.1	3.9	1.1	4.0	10.7	3.1	3.7
Q2	P	3.4	3.9	1.8	6.9	4.4	3.2	3.2	4.0	2.1	0.8	2.9	10.3	3.1	3.6
Q3	P	3.4	3.3	1.7	6.8	4.2	5.2	3.7	4.2	2.4	1.9	3.4	10.6	3.2	3.6
Q4	P	3.7	3.8	2.2	6.3	4.4	4.2	3.9	4.1	4.2	2.7	2.6	9.7	3.1	3.7
06 *Q1*	P	4.0	3.3	2.4	6.3	4.5	3.7	4.7	3.9	3.0	4.4	2.5	7.8	3.0	3.0
Q2	P	3.9	2.8	2.5	6.1	4.6	4.4	4.4	4.0	2.2	3.1	3.3	8.0	3.1	3.1
Q3	P	3.5	3.0	2.6	5.4	4.6	4.1	3.8	3.8	3.6	2.1	3.3	7.4	3.3	3.1
Q4	P	3.0	3.4	2.8	5.2	4.5	3.4	3.2	3.6	1.3	-3.2	2.4	6.4	2.9	3.5

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.

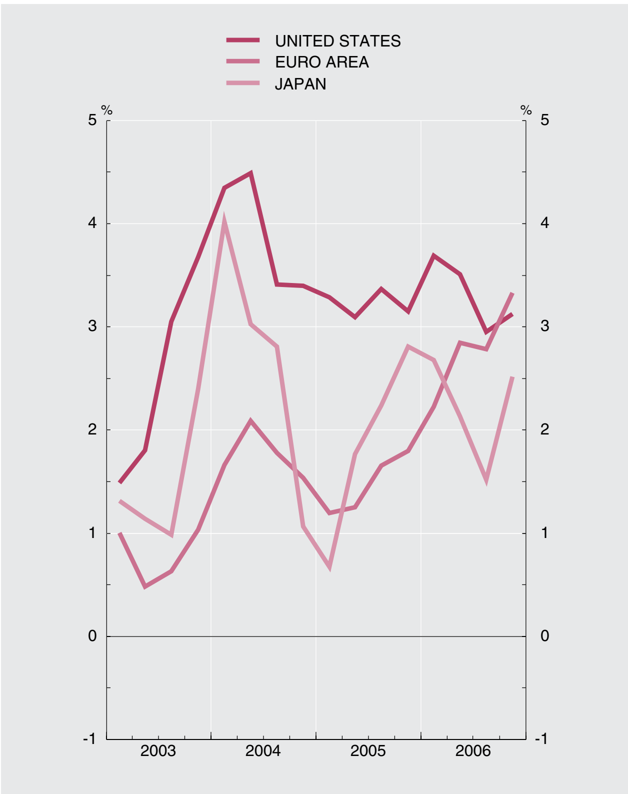
2.1. INTERNATIONAL COMPARISON. GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

■ Series depicted in chart.

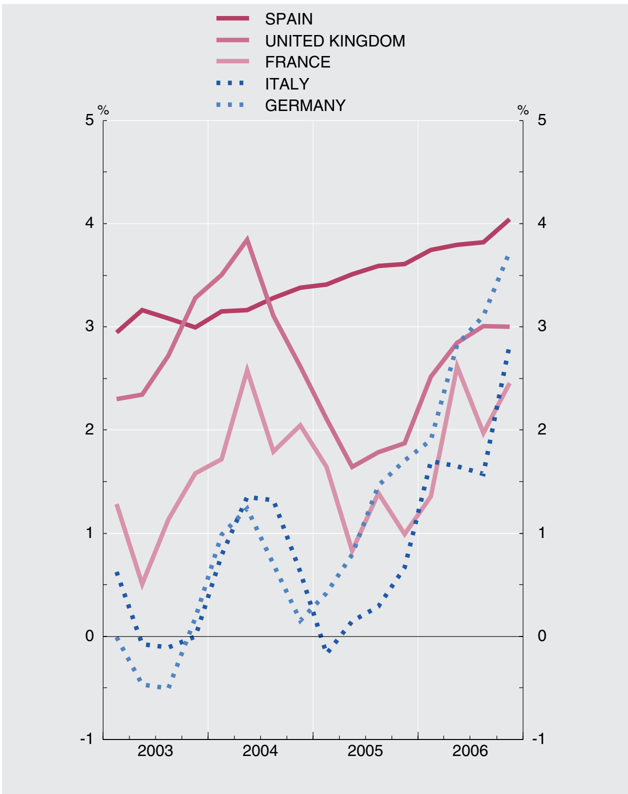
Annual percentage changes

	OECD 1	EU-15 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
04	3.2	2.1	1.8	0.8	3.2	3.9	2.0	1.0	2.7	3.3
05	2.6	1.6	1.5	1.1	3.5	3.2	1.2	0.2	1.9	1.9
06	...	2.9	2.8	2.9	3.9	3.3	2.1	1.9	2.2	2.8
03 *Q4*	2.7	1.5	1.0	0.2	3.0	3.7	1.6	-0.0	2.4	3.3
04 *Q1*	3.6	2.0	1.7	1.0	3.2	4.3	1.7	0.8	4.0	3.5
Q2	3.7	2.5	2.1	1.2	3.2	4.5	2.6	1.3	3.0	3.8
Q3	3.1	2.1	1.8	0.7	3.3	3.4	1.8	1.3	2.8	3.1
Q4	2.6	1.8	1.5	0.2	3.4	3.4	2.0	0.6	1.1	2.6
05 *Q1*	2.3	1.4	1.2	0.4	3.4	3.3	1.6	-0.2	0.7	2.1
Q2	2.4	1.4	1.2	0.8	3.5	3.1	0.8	0.1	1.8	1.6
Q3	2.8	1.8	1.7	1.5	3.6	3.4	1.4	0.3	2.2	1.8
Q4	2.9	1.9	1.8	1.7	3.6	3.1	1.0	0.7	2.8	1.9
06 *Q1*	3.3	2.4	2.2	1.9	3.7	3.7	1.4	1.7	2.7	2.5
Q2	3.3	2.9	2.8	2.8	3.8	3.5	2.6	1.7	2.1	2.8
Q3	2.9	2.9	2.8	3.1	3.8	3.0	2.0	1.6	1.5	3.0
Q4	...	3.3	3.3	3.7	4.0	3.1	2.5	2.8	2.5	3.0

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.

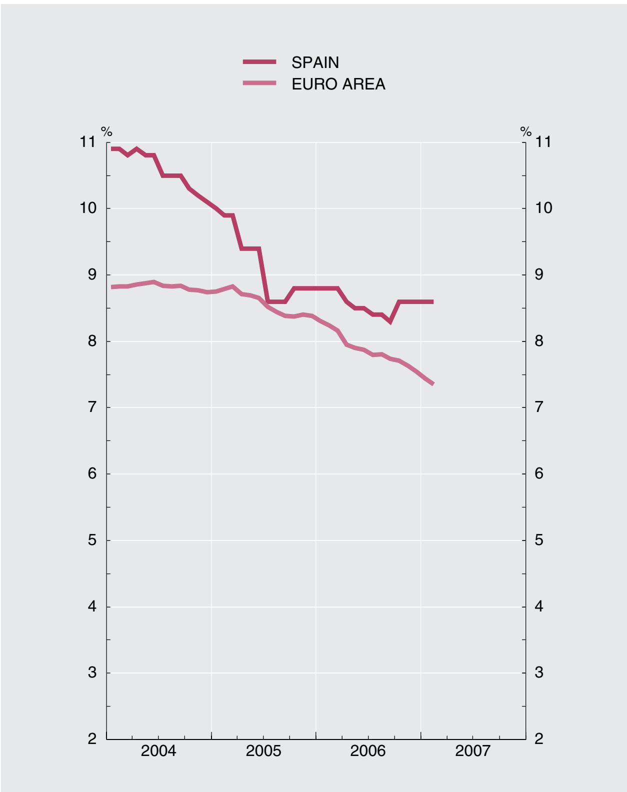
2.2. INTERNATIONAL COMPARISON. UNEMPLOYMENT RATES

■ Series depicted in chart.

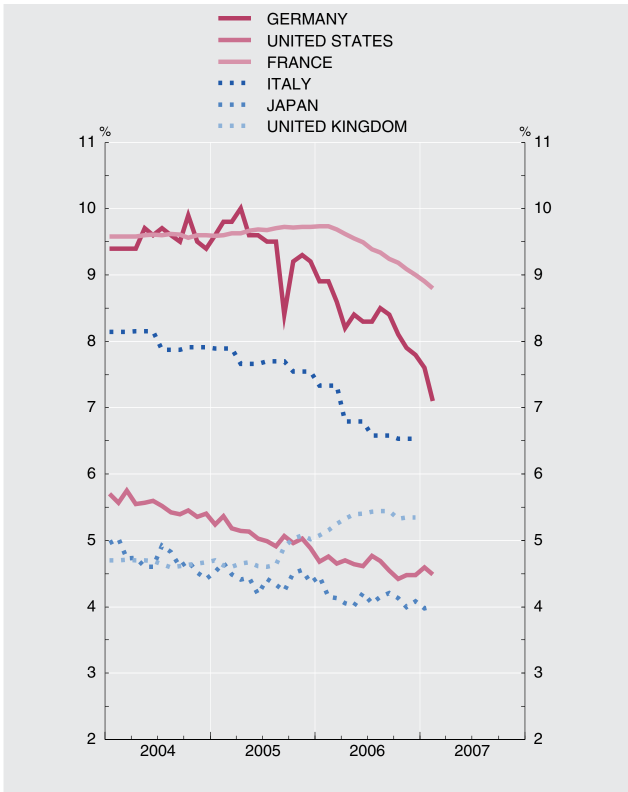
Percentages

	OECD 1	EU-15 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
04	6.9	8.0	8.8	9.5	10.6	5.5	9.6	8.0	4.7	4.7
05	6.6	7.9	8.6	9.5	9.2	5.1	9.7	7.7	4.4	4.8
06	6.0	7.4	7.9	8.4	8.6	4.6	9.4	6.8	4.1	5.3
05 *Sep*	6.5	7.7	8.4	8.4	8.6	5.1	9.7	7.7	4.2	4.9
Oct	6.5	7.8	8.4	9.2	8.8	5.0	9.7	7.5	4.5	5.0
Nov	6.5	7.8	8.4	9.3	8.8	5.0	9.7	7.5	4.6	5.1
Dec	6.4	7.8	8.4	9.2	8.8	4.9	9.7	7.5	4.4	5.0
06 *Jan*	6.3	7.7	8.3	8.9	8.8	4.7	9.7	7.3	4.5	5.1
Feb	6.2	7.7	8.2	8.9	8.8	4.8	9.7	7.3	4.2	5.2
Mar	6.2	7.6	8.2	8.6	8.8	4.7	9.7	7.3	4.1	5.3
Apr	6.1	7.5	8.0	8.2	8.6	4.7	9.6	6.8	4.1	5.3
May	6.0	7.4	7.9	8.4	8.5	4.6	9.6	6.8	4.0	5.4
Jun	6.0	7.4	7.9	8.3	8.5	4.6	9.5	6.8	4.2	5.4
Jul	6.0	7.3	7.8	8.3	8.4	4.8	9.4	6.6	4.1	5.4
Aug	6.0	7.3	7.8	8.5	8.4	4.7	9.3	6.6	4.2	5.4
Sep	5.9	7.3	7.7	8.4	8.3	4.6	9.2	6.6	4.2	5.4
Oct	5.8	7.2	7.7	8.1	8.6	4.4	9.2	6.5	4.1	5.3
Nov	5.8	7.2	7.6	7.9	8.6	4.5	9.1	6.5	4.0	5.4
Dec	5.8	7.1	7.5	7.8	8.6	4.5	9.0	6.5	4.1	5.4
07 *Jan*	5.7	7.0	7.4	7.6	8.6	4.6	8.9	...	4.0	...
Feb	5.7	7.0	7.3	7.1	8.6	4.5	8.8	...	4.0	...

UNEMPLOYMENT RATES



UNEMPLOYMENT RATES



Sources: ECB and OECD.

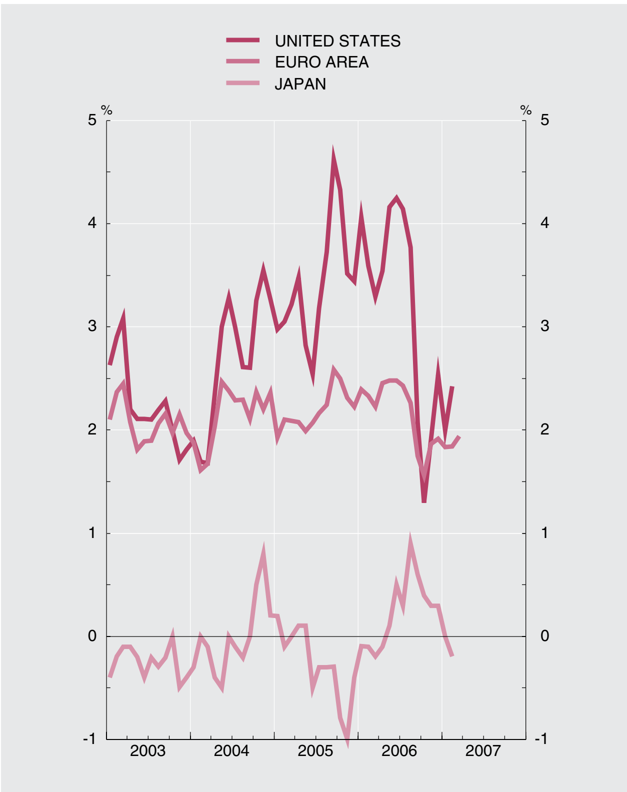
2.3. INTERNATIONAL COMPARISON. CONSUMER PRICES (a)

■ Series depicted in chart.

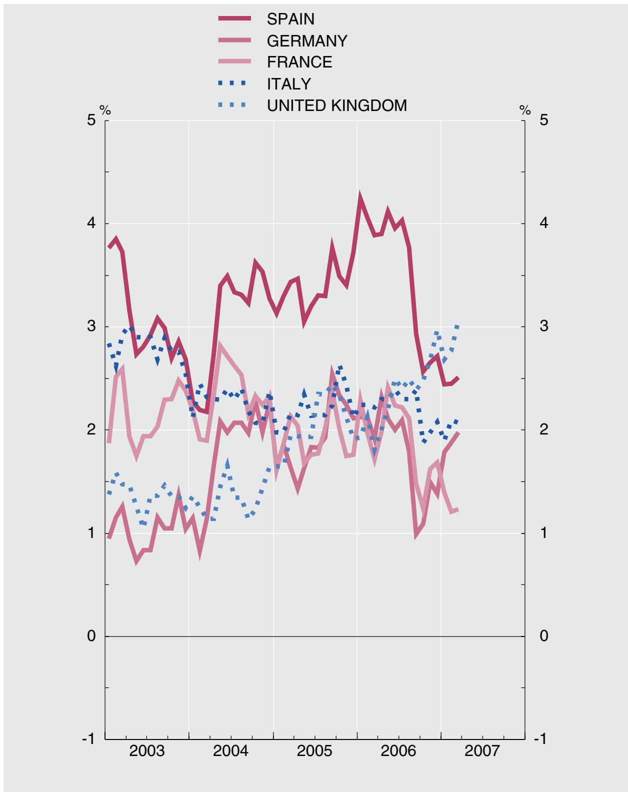
Annual percentage changes

	OECD 1	EU-15 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
03	2.3	2.0	2.1	1.0	3.1	2.3	2.2	2.8	-0.2	1.4
04	2.3	2.0	2.1	1.8	3.1	2.7	2.3	2.3	-0.0	1.3
05	2.5	2.1	2.2	1.9	3.4	3.4	1.9	2.2	-0.3	2.1
06	2.6	2.2	2.2	1.8	3.6	3.2	1.9	2.2	0.2	2.3
05 *Oct*	2.9	2.4	2.5	2.3	3.5	4.3	2.0	2.6	-0.8	2.3
Nov	2.5	2.3	2.3	2.2	3.4	3.5	1.8	2.4	-1.0	2.1
Dec	2.6	2.2	2.2	2.1	3.7	3.4	1.8	2.1	-0.4	1.9
06 *Jan*	2.9	2.3	2.4	2.1	4.2	4.1	2.3	2.2	-0.1	1.9
Feb	2.7	2.2	2.3	2.1	4.1	3.6	2.0	2.2	-0.1	2.1
Mar	2.5	2.1	2.2	1.9	3.9	3.3	1.7	2.2	-0.2	1.8
Apr	2.6	2.4	2.5	2.3	3.9	3.5	2.0	2.3	-0.1	2.0
May	3.0	2.4	2.5	2.1	4.1	4.2	2.4	2.3	0.1	2.2
Jun	3.2	2.5	2.5	2.0	4.0	4.2	2.2	2.4	0.5	2.5
Jul	3.0	2.4	2.4	2.1	4.0	4.1	2.2	2.3	0.3	2.4
Aug	2.9	2.3	2.3	1.8	3.8	3.8	2.1	2.3	0.9	2.5
Sep	2.1	1.8	1.7	1.0	2.9	2.1	1.5	2.4	0.6	2.4
Oct	1.7	1.7	1.6	1.1	2.6	1.3	1.2	1.9	0.4	2.5
Nov	2.0	2.0	1.9	1.5	2.7	1.9	1.6	2.0	0.3	2.7
Dec	2.2	2.1	1.9	1.4	2.7	2.5	1.7	2.1	0.3	3.0
07 *Jan*	1.9	...	1.8	1.8	2.4	2.0	1.4	1.9	-	2.7
Feb	2.1	...	1.8	1.9	2.5	2.4	1.2	2.1	-0.2	2.8
Mar	...	...	1.9	2.0	2.5	...	1.2	2.1	...	3.1

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.

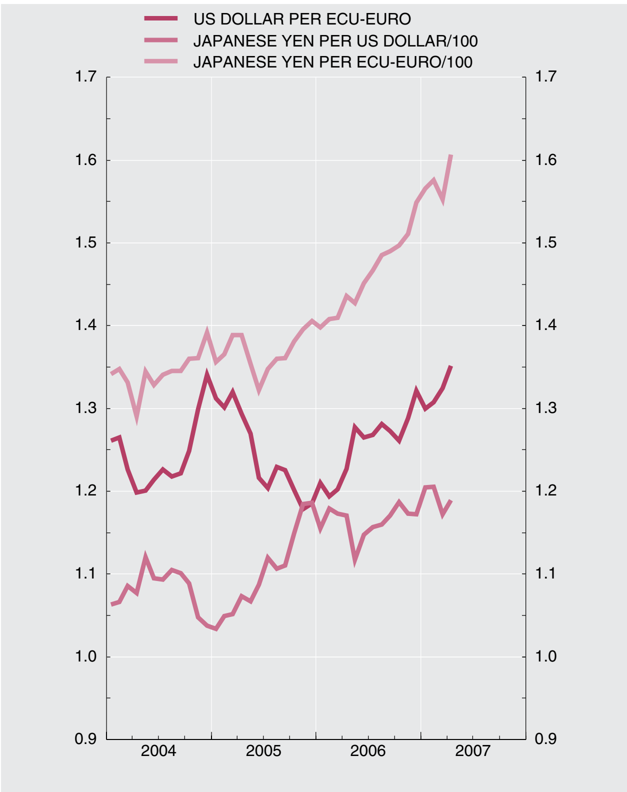
2.4. BILATERAL EXCHANGE RATES AND NOMINAL AND REAL EFFECTIVE EXCHANGE RATE INDICES FOR THE EURO, US DOLLAR AND JAPANESE YEN

■ Series depicted in chart.

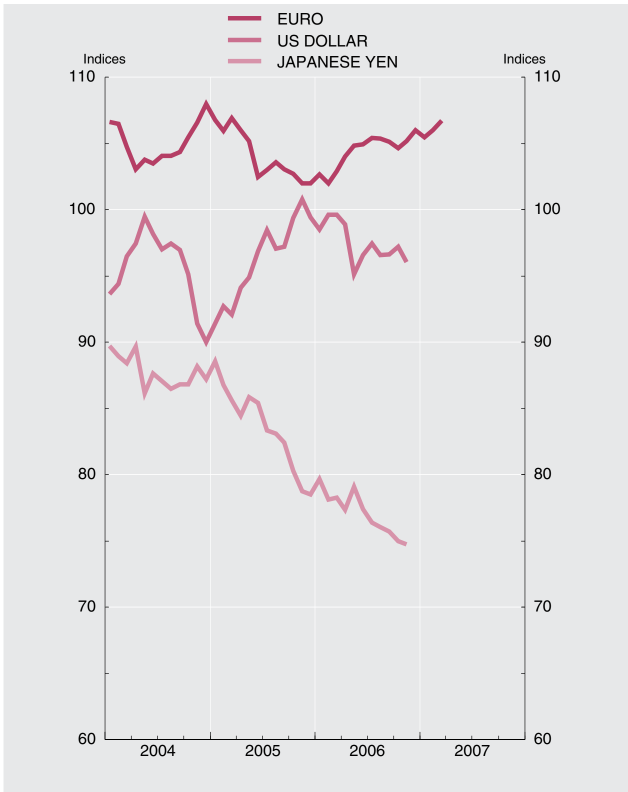
Average of daily data

	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
04	1.2433	134.41	108.18	104.3	89.5	101.8	105.1	94.5	87.7	104.2	95.2	87.2
05	1.2445	136.88	110.17	103.3	87.8	99.7	104.1	94.5	83.4	102.5	96.3	83.5
06	1.2561	146.09	116.32	103.6	86.9	93.7	104.4	94.9	76.5	102.9	96.2	78.0
06 *J-A*	1.2085	141.28	116.91	102.0	89.0	95.0	102.9	96.9	78.0	101.3	98.4	79.1
07 *J-A*	1.3208	157.49	119.25	105.9	86.0	89.3	106.1	95.1	72.0	104.8	95.1	74.2
06 *Feb*	1.1938	140.77	117.91	101.2	89.5	94.6	102.0	97.3	77.8	100.6	98.5	79.2
Mar	1.2020	140.96	117.27	101.9	89.4	95.0	102.9	97.3	77.9	101.4	98.9	79.0
Apr	1.2271	143.59	117.03	103.0	88.3	94.3	104.0	96.5	76.9	102.5	98.2	78.0
May	1.2770	142.70	111.76	104.0	84.8	96.7	104.9	92.8	78.8	103.3	94.7	80.0
Jun	1.2650	145.11	114.72	104.2	85.8	94.7	104.9	94.1	77.1	103.3	96.5	77.9
Jul	1.2684	146.70	115.66	104.5	86.2	93.9	105.4	95.0	76.1	103.8	95.9	77.5
Aug	1.2811	148.53	115.94	104.6	85.6	93.1	105.4	94.1	75.8	103.8	95.5	77.0
Sep	1.2727	148.99	117.07	104.4	86.0	92.4	105.1	94.2	75.5	103.4	94.7	77.6
Oct	1.2611	149.65	118.67	103.9	86.9	91.6	104.7	94.8	74.9	103.4	95.2	77.1
Nov	1.2881	151.11	117.31	104.5	86.0	91.8	105.2	93.7	74.7	103.9	94.7	77.0
Dec	1.3213	154.82	117.18	105.5	85.3	90.8	106.0	92.9	73.8	104.9	93.8	75.9
07 *Jan*	1.2999	156.56	120.45	104.9	87.0	89.0	105.5	95.2	72.3	104.2	95.4	74.3
Feb	1.3074	157.60	120.55	105.4	86.7	88.8	106.0	95.0	71.6	104.7	94.9	74.0
Mar	1.3242	155.24	117.23	106.1	85.7	90.9	106.7	...	...	105.4	...	...
Apr	1.3516	160.68	118.88	107.1	84.4	88.6	...	...	...	...	...	...

EXCHANGE RATES



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



Sources: ECB and BE.

a. Geometric mean -calculated using a double weighting system based on 1995-97 (until 1999) and 1999-2001 (since 1999) 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.

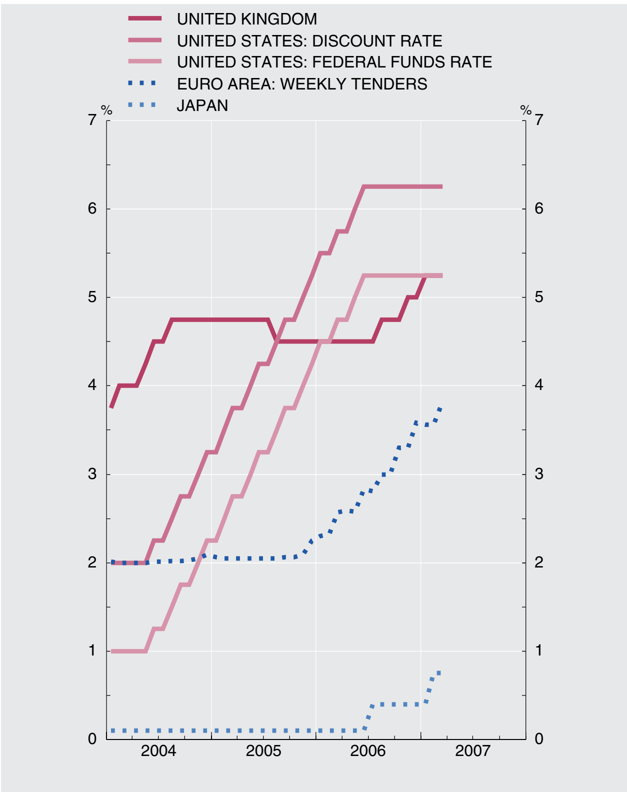
b. Obtained by multiplying the relative prices of each area/country (relation betwen its price index and the price index of the group) by the nominal effective exchange rate.
A decline in the index denotes a depreciation of the real effective exchange rate and, may be interpreted as an improvement in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

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

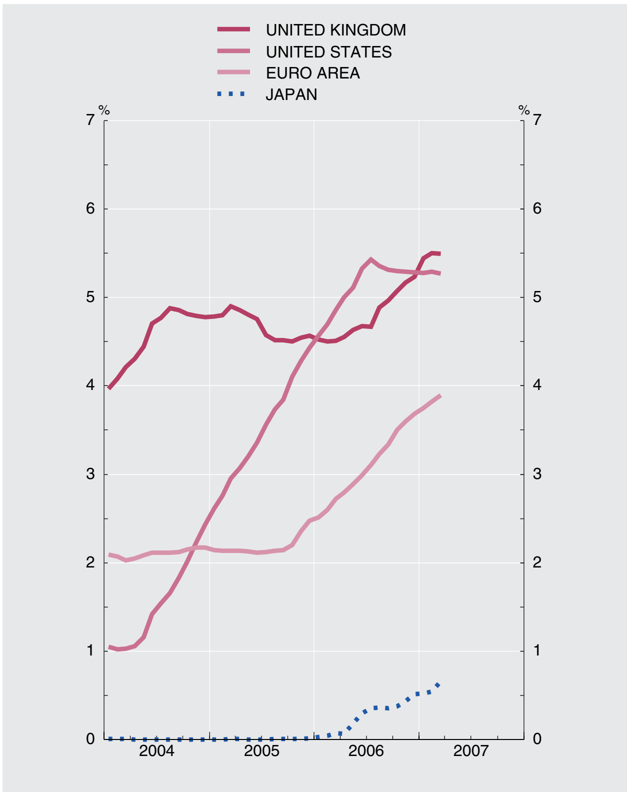
■ Series depicted in chart. *Percentages*

	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
		Discount rate (b)	Federal funds rate												
	(a)			(c)	(d)										
	1 ■	2 ■	3 ■	4 ■	5 ■	6	7	8 ■	9	10	11 ■	12	13	14 ■	15 ■
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
06	3.50	6.25	5.02	0.40	5.00	3.61	3.32	3.08	-	-	5.13	-	-	0.26	4.78
05 *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
Jul	2.75	6.25	5.25	0.40	4.50	3.75	3.32	3.10	-	-	5.43	-	-	0.36	4.67
Aug	3.00	6.25	5.25	0.40	4.75	3.78	3.46	3.23	-	-	5.36	-	-	0.36	4.89
Sep	3.00	6.25	5.25	0.40	4.75	3.81	3.57	3.34	-	-	5.31	-	-	0.36	4.97
Oct	3.25	6.25	5.25	0.40	4.75	3.87	3.72	3.50	-	-	5.30	-	-	0.37	5.08
Nov	3.25	6.25	5.25	0.40	5.00	3.91	3.82	3.60	-	-	5.29	-	-	0.44	5.16
Dec	3.50	6.25	5.25	0.40	5.00	3.95	3.90	3.68	-	-	5.28	-	-	0.51	5.23
07 *Jan*	3.50	6.25	5.25	0.40	5.25	3.99	4.00	3.75	-	-	5.28	-	-	0.52	5.44
Feb	3.50	6.25	5.25	0.75	5.25	4.03	4.06	3.82	-	-	5.29	-	-	0.54	5.50
Mar	3.75	6.25	5.25	0.75	5.25	4.06	4.12	3.89	-	-	5.27	-	-	0.66	5.49

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

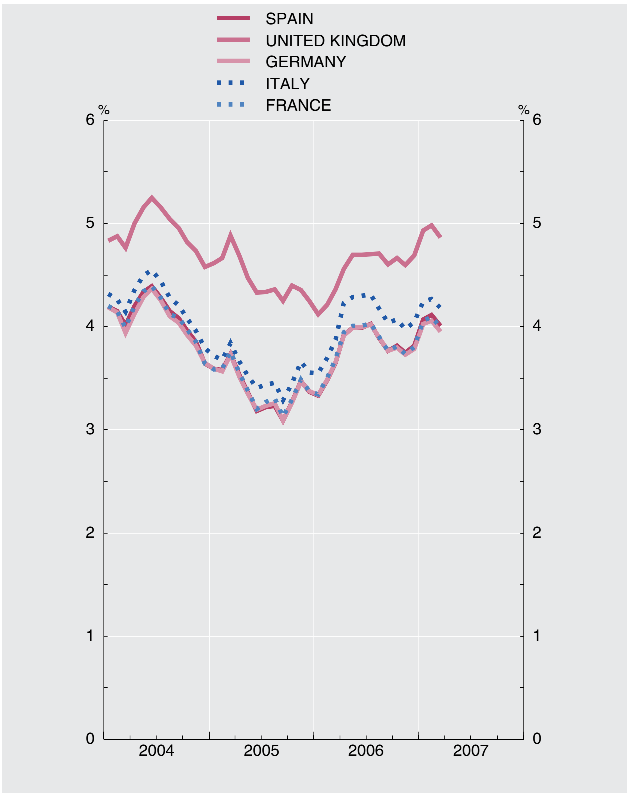
■ Series depicted in chart.

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 ■
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
06	3.99	3.95	3.86	3.78	3.79	4.85	3.80	4.05	1.75	4.55
05 *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
Jul	4.25	4.18	4.10	4.02	4.02	5.16	4.03	4.31	1.91	4.70
Aug	4.10	4.08	3.97	3.90	3.89	4.95	3.90	4.18	1.81	4.71
Sep	3.95	3.95	3.84	3.76	3.76	4.78	3.77	4.04	1.68	4.60
Oct	3.98	3.99	3.88	3.80	3.81	4.78	3.81	4.07	1.76	4.67
Nov	3.89	3.91	3.80	3.73	3.75	4.66	3.74	3.97	1.70	4.60
Dec	3.88	3.98	3.90	3.79	3.82	4.60	3.80	4.04	1.64	4.69
07 *Jan*	4.08	4.22	4.10	4.03	4.07	4.81	4.06	4.24	1.71	4.93
Feb	4.08	4.25	4.12	4.05	4.11	4.79	4.10	4.27	1.71	4.98
Mar	3.96	4.15	4.02	3.95	4.01	4.61	3.99	4.18	1.62	4.86

10-YEAR GOVERNMENT BOND YIELDS

10-YEAR GOVERNMENT BOND YIELDS



Sources: ECB, Reuters and BE.

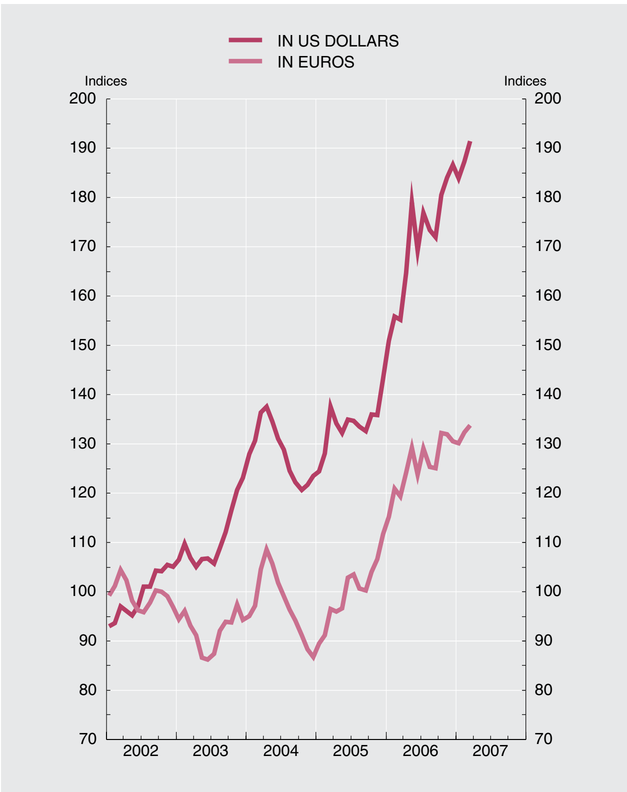
2.7 INTERNATIONAL MARKETS. NON-ENERGY COMMODITIES PRICE INDEX. CRUDE OIL AND GOLD PRICE.

■ Series depicted in chart.

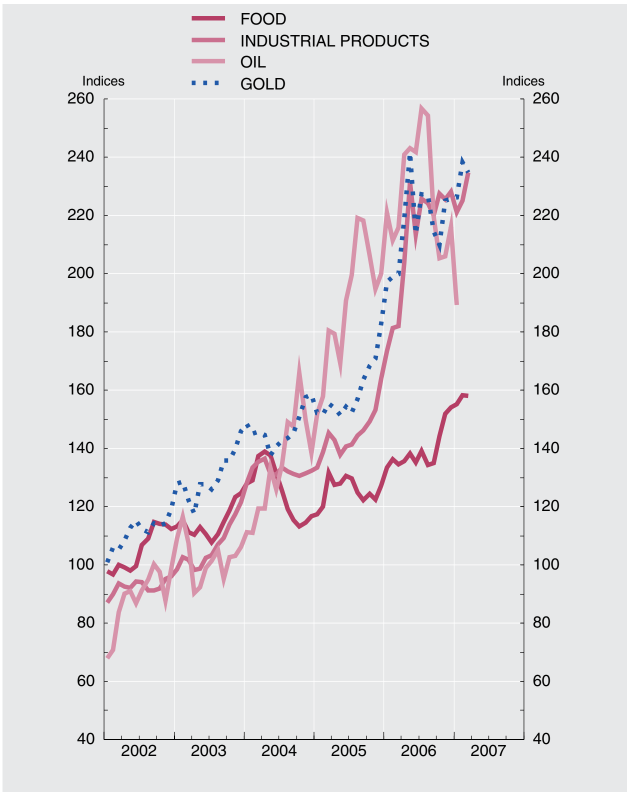
Base 2000 = 100

	Non-energy commodity price index (a)						Oil		Gold		
	Euro index	US dollar index					Index (b)	Brent North sea	Index (c)	US dollars per troy ounce	Euro per gram
	General	General	Food	Industrial products				US dollars per barrel			
				Total	Non-food agricul-tural products	Metals					
	1 ■	2 ■	3 ■	4 ■	5	6	7 ■	8	9 ■	10	11
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
06	125.6	170.8	139.3	211.6	147.3	246.4	227.8	64.9	216.7	604.6	15.45
06 *J-M*	118.4	153.9	134.6	178.8	146.8	196.1	216.2	61.4	198.6	554.0	14.78
07 *J-M*	132.1	187.6	157.1	227.1	153.7	267.1	...	57.8	232.9	649.7	15.69
06 *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	70.3	218.9	610.7	15.99
May	129.2	178.9	138.2	231.5	156.3	272.5	243.0	69.4	241.6	673.9	16.96
Jun	123.8	169.2	135.1	213.4	162.1	241.3	241.9	68.1	213.7	596.1	15.12
Jul	129.2	176.9	139.1	225.7	158.0	262.6	256.8	73.5	227.2	633.7	16.06
Aug	125.3	173.4	134.3	224.1	150.4	264.0	254.3	72.9	226.8	632.6	15.85
Sep	125.0	172.0	134.9	219.9	139.1	264.0	219.5	61.2	214.4	598.2	15.12
Oct	132.2	180.5	144.2	227.5	137.4	276.6	205.2	57.3	210.0	585.8	14.93
Nov	132.0	184.1	152.0	225.6	135.0	274.9	205.9	58.5	225.1	627.8	15.66
Dec	130.6	186.6	154.1	228.2	139.9	276.9	216.1	62.8	225.8	629.9	15.32
07 *Jan*	130.2	183.9	155.2	221.2	150.9	259.7	189.1	53.6	226.2	631.2	15.62
Feb	132.3	187.3	158.2	225.1	156.2	262.6	...	57.6	238.3	664.7	16.34
Mar	133.7	191.5	158.0	234.7	154.4	278.6	...	62.3	234.6	654.6	15.17

NON-ENERGY COMMODITY PRICE INDEX



PRICE INDICES FOR NON-ENERGY COMMODITIES, OIL AND GOLD



Sources: The Economist, IMF, ECB and BE.

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

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

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

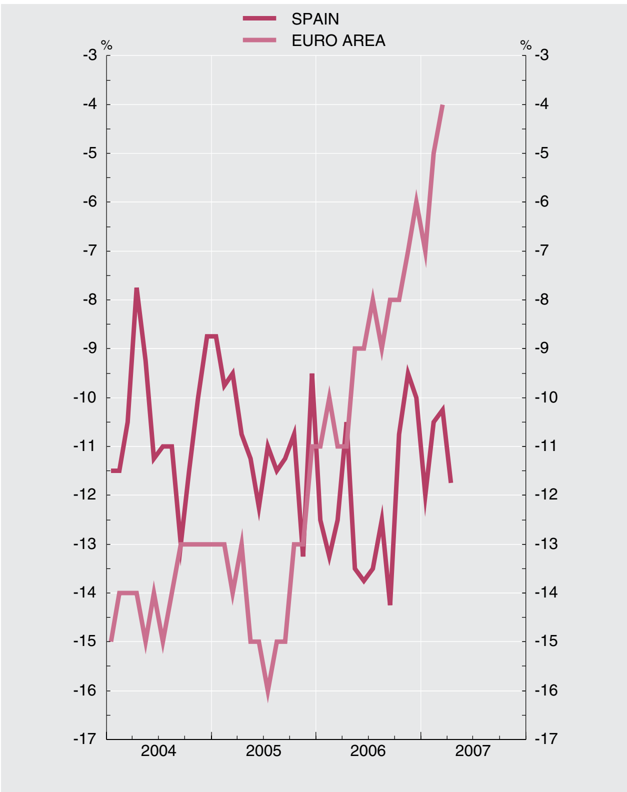
3.1. INDICATORS OF PRIVATE CONSUMPTION. SPAIN AND EURO AREA

■ Series depicted in chart.

Annual percentage changes

		Opinion surveys (net percentages): Consumers: Confidence index ■	Opinion surveys: Consumers: General economic situation: anticipated trend	Opinion surveys: Consumers: Household economic situation: anticipated trend	Opinion surveys: Retail trade confidence index	Opinion surveys: Memorandum item: euro area: Consumer confidence index ■	Opinion surveys: Memorandum item: euro area: Retail trade confidence index	New car registrations and sales: Registrations	New car registrations and sales: of which: Private use	New car registrations and sales: Estimated sales ■	New car registrations and sales: Memorandum item: euro area: Registrations	Retail trade: sales index: General index: Nominal	Retail trade: sales index: General index: of which: Deflated (a)	Retail trade: sales index: General index: of which: Large retail outlets (a)	Retail trade: sales index: By type of product (deflated indices): Food (b)	Retail trade: sales index: By type of product (deflated indices): Other (c)	Retail trade: sales index: Memorandum item: euro area deflated index
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
04		-11	-4	-1	-6	-14	-8	10.8	12.2	10.3	0.9	5.5	2.8	4.4	0.4	4.5	1.5
05		-11	-7	-1	-5	-14	-8	1.4	1.9	2.1	1.7	4.4	1.3	3.2	0.1	2.1	1.3
06	P	-12	-12	-3	-9	-9	1	-1.0	-0.8	-0.9	2.5	5.0	1.6	2.6	0.7	2.2	1.9
06 *J-A*	P	-12	-11	-2	-10	-11	-2	-0.6	-0.8	-0.8	2.9	3.9	-0.2	1.4	-0.8	0.3	1.6
07 *J-A*	P	-11	-10	-2	-11	-5	-1	-23.1	...	-24.4	-2.0	6.1	4.6	4.1	3.2	5.6	1.1
06 *May*	P	-14	-14	-4	-11	-9	-1	1.5	5.5	1.7	8.8	6.7	2.4	5.6	1.5	3.0	2.1
Jun	P	-14	-13	-4	-19	-9	2	-1.5	0.1	-2.3	-2.4	4.5	0.4	0.8	1.6	-0.2	1.8
Jul	P	-14	-15	-3	-9	-8	-	-3.9	-6.5	-3.6	-4.7	5.4	1.3	3.2	0.6	1.8	2.4
Aug	P	-13	-11	-2	-1	-9	3	-2.4	-1.8	-2.5	-1.2	7.1	3.4	4.3	1.8	4.8	2.3
Sep	P	-14	-13	-4	-5	-8	3	-6.4	-6.4	-6.1	1.0	5.4	3.0	6.3	1.5	4.0	1.5
Oct	P	-11	-10	-2	-7	-8	4	7.1	8.1	8.0	-0.5	4.2	2.3	-1.2	-1.2	4.6	1.5
Nov	P	-10	-9	-1	-11	-7	3	1.9	2.1	2.3	4.4	5.8	3.6	3.7	3.2	3.9	2.1
Dec	P	-10	-11	-2	-8	-6	-	-4.7	-6.3	-3.8	13.2	5.5	3.3	2.8	3.0	3.5	2.8
07 *Jan*	P	-12	-11	-2	-12	-7	-1	9.1	...	2.7	-2.9	6.2	4.6	1.7	3.2	5.5	1.1
Feb	P	-11	-10	-3	-10	-5	-1	-4.3	...	-4.4	-3.7	5.3	3.6	2.9	1.8	4.8	1.2
Mar	P	-10	-8	-	-12	-4	-	-0.4	...	-0.4	0.7	7.4	5.7	7.7	4.5	6.4	...
Apr	P	-12	-12	-3	-11	...	...	...	...	...	...	...	...	...	...	...	...

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.

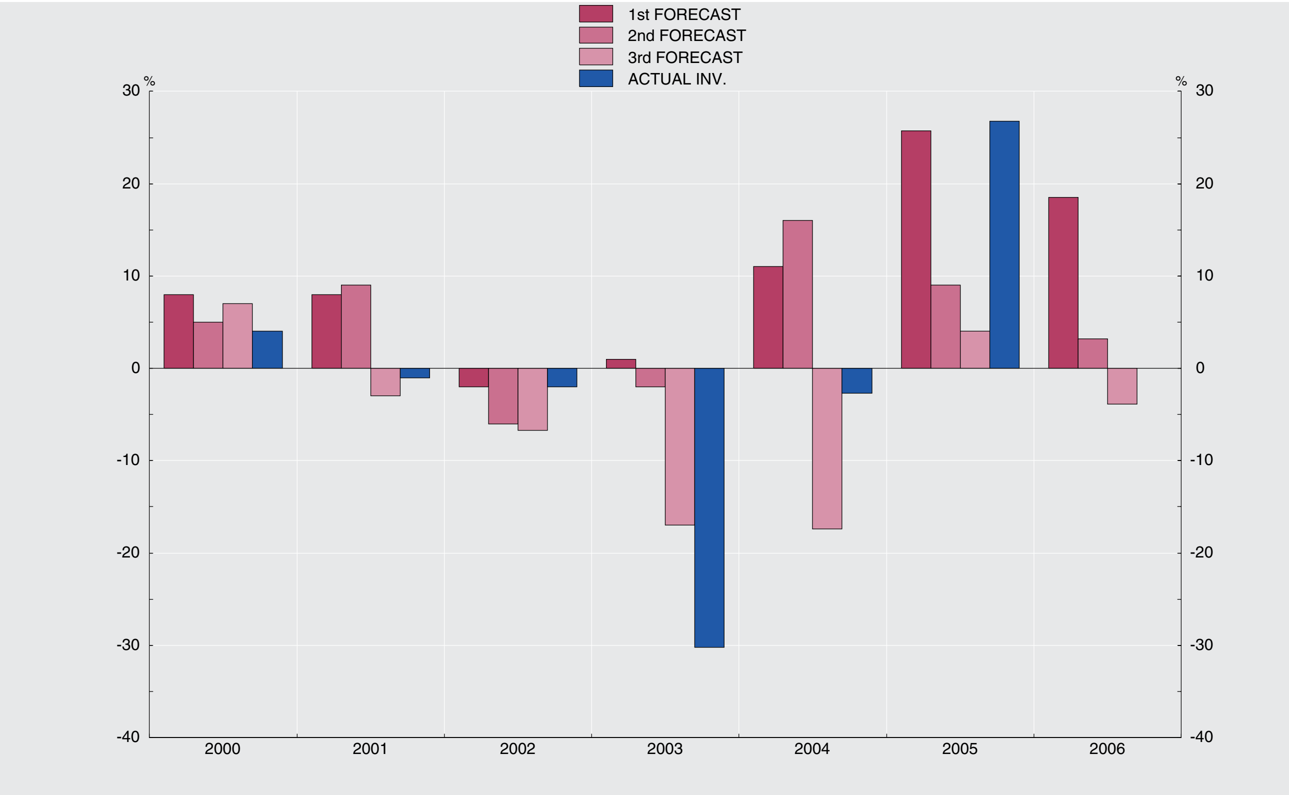
3.2. INVESTMENT IN INDUSTRY (EXCLUDING CONSTRUCTION): OPINION SURVEYS. SPAIN

■ Series depicted in chart.

Annual percentage changes at current prices

	ACTUAL INV. 1 ■	1st FORECAST 2 ■	2nd FORECAST 3 ■	3rd FORECAST 4 ■
01	-1	8	9	-3
02	-2	-2	-6	-7
03	-30	1	-2	-17
04	-3	11	16	-17
05	27	26	9	4
06	...	19	3	-4
07	...	9	...	...

INVESTMENT IN INDUSTRY
Annual rates of change



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

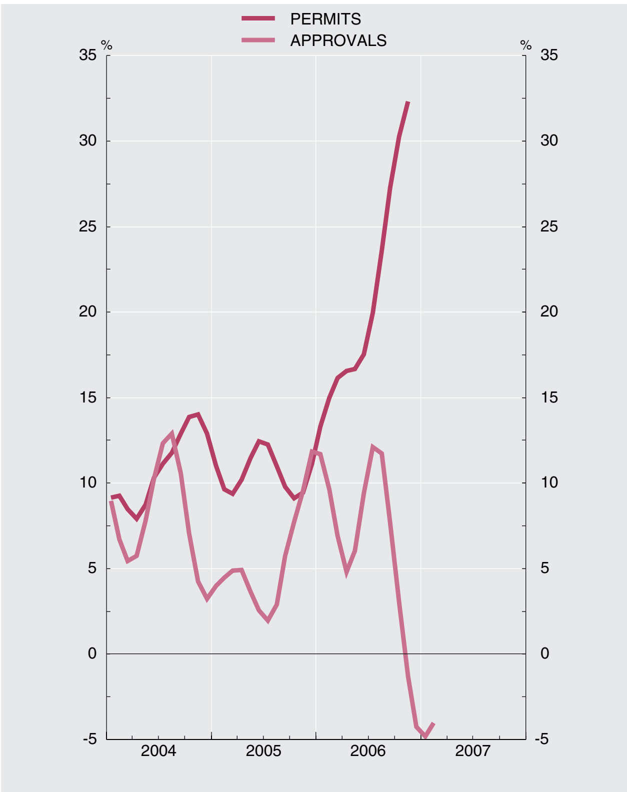
3.3. CONSTRUCTION. INDICATORS OF BUILDING STARTS AND CONSUMPTION OF CEMENT. SPAIN

■ Series depicted in chart.

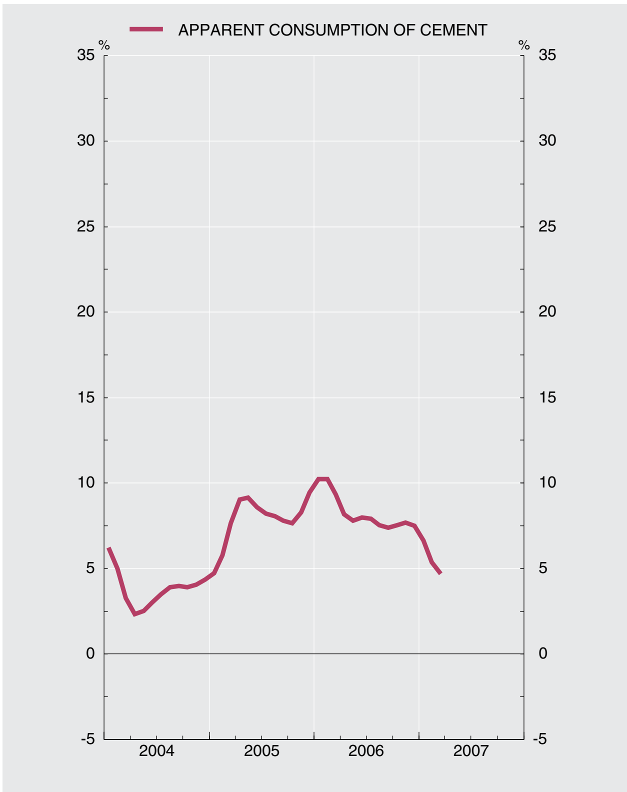
Annual percentage changes

		Permits: buildable floorage				Approvals: buildable floorage		Government tenders (budget)							Apparent consumption of cement
		Total	of which: Residential	of which: Housing	Non-residential	Total	of which: Housing	Total: For the month	Total: Year to date	Building: Total	Building, of which: Residential	Building, of which: Housing	Building: Non-residential	Civil engineering	
		1 ■	2	3	4	5 ■	6	7 ■	8	9	10	11	12	13	14 ■
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	14.7	30.2	51.1	10.7	7.3
06	A	...	...	...	...	14.2	16.5	31.4	31.4	27.0	61.8	57.3	16.0	33.3	8.5
06 *J-M*	P	22.4	21.4	21.3	27.6	14.6	13.9	15.1	15.1	52.0	134.7	223.2	22.3	1.7	17.1
07 *J-M*	A	...	...	...	...	...	...	...	...	...	...	...	...	...	3.8
05 *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	24.2	19.2	18.1	18.1	142.2	259.8	192.9	83.9	-5.7	15.5
Feb	P	14.4	16.6	15.9	3.6	5.7	4.6	8.6	14.9	16.9	132.3	156.4	-5.3	4.1	12.9
Mar	P	26.8	21.3	21.5	58.4	15.5	18.3	15.2	15.1	26.2	62.8	279.8	11.3	9.9	22.0
Apr	P	12.6	2.8	5.1	61.8	-16.0	-13.8	25.9	17.8	38.7	-28.8	6.2	58.9	20.2	-8.9
May	P	16.1	8.1	7.3	63.0	11.2	15.3	68.9	28.6	46.5	203.4	144.8	15.9	78.7	9.9
Jun	P	1.6	4.6	3.9	-11.9	12.3	15.2	11.0	25.4	4.8	54.5	5.8	-3.4	14.8	10.8
Jul	P	9.9	10.2	10.3	8.7	13.5	20.6	0.7	21.3	-13.2	-47.7	4.5	7.3	8.7	9.4
Aug	P	28.3	22.5	24.4	65.7	34.1	36.8	31.1	22.9	44.2	18.5	44.5	58.2	26.9	6.3
Sep	P	28.7	30.4	31.0	19.5	83.9	93.7	25.3	23.1	70.1	184.8	179.7	41.0	10.9	1.7
Oct	A	46.3	42.5	42.7	67.5	18.3	20.1	58.0	26.7	37.4	164.2	32.5	10.3	66.7	12.3
Nov	A	36.1	31.4	32.0	63.0	-7.6	-8.5	45.0	28.4	-12.3	-19.5	-27.1	-10.4	100.0	7.0
Dec	A	...	...	...	...	-14.6	-16.4	61.5	31.4	26.1	120.4	21.3	-5.2	76.3	6.4
07 *Jan*	A	...	...	...	...	-1.4	-2.7	4.9	4.9	-17.0	-68.4	-16.2	32.9	15.7	13.4
Feb	A	...	...	...	...	-5.4	-5.3	56.5	21.3	95.5	2.6	22.5	139.2	32.3	2.3
Mar	A	...	...	...	...	...	...	...	...	...	...	...	...	...	-2.1

CONSTRUCTION
Trend obtained with TRAMO-SEATS



CONSTRUCTION
Trend obtained with TRAMO-SEATS



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

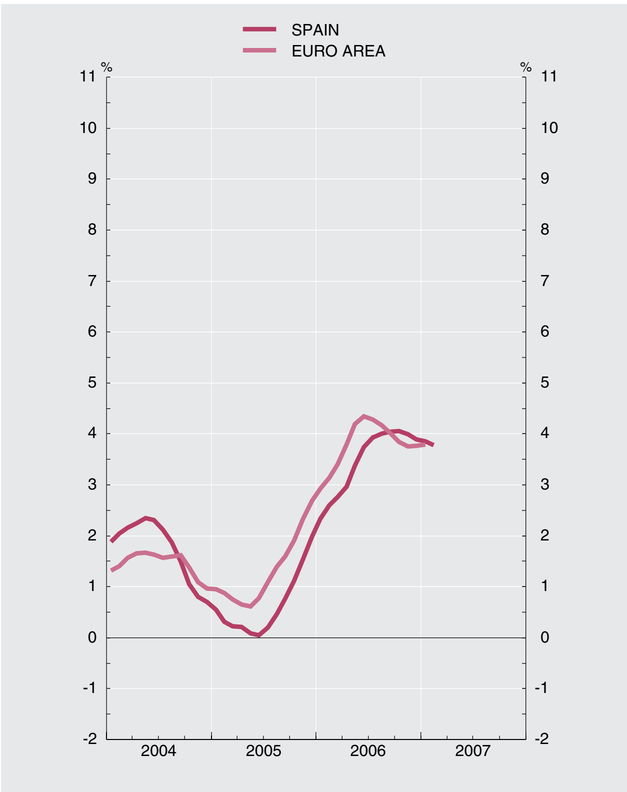
3.4. INDUSTRIAL PRODUCTION INDEX. SPAIN AND EURO AREA

■ Series depicted in chart.

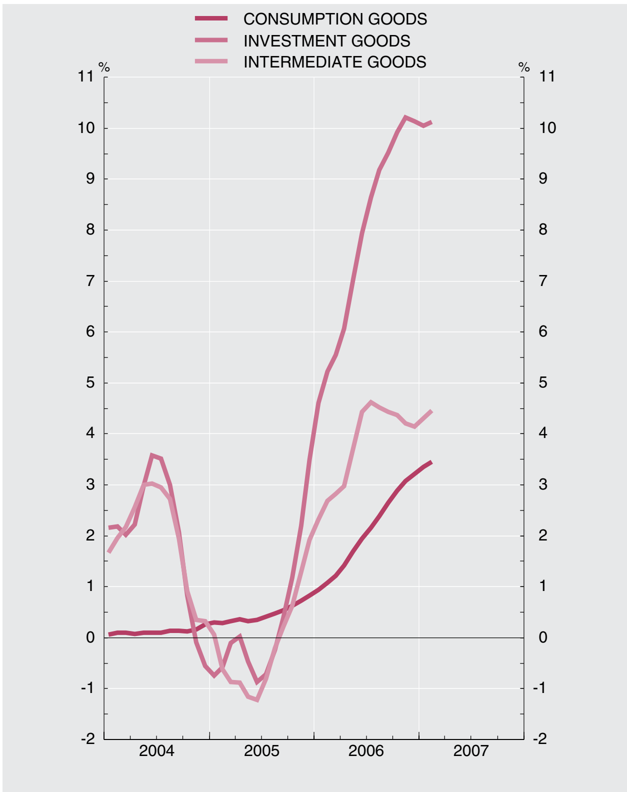
Annual percentage changes

		Overall Index: Total: Original series 1	Overall Index: Total: 12-month %change 12 2 ■	By end-use of goods: Consumption 3 ■	By end-use of goods: Investment 4 ■	By end-use of goods: Intermediate goods 5 ■	By end-use of goods: Energy 6	By branch of activity: Mining and quarrying 7	By branch of activity: Manufacturing 8	By branch of activity: Production and distribution of electricity, gas and water 9	Memorandum item: euro area: Total 10 ■	Memorandum item: euro area: of wich: Manufacturing 11	Memorandum item: euro area: By end-use of goods: Consumption 12	Memorandum item: euro area: By end-use of goods: Investment 13	Memorandum item: euro area: By end-use of goods: Intermediate goods 14
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	1.3	1.3	0.5	2.8	0.9
06	MP	106.2	3.7	2.1	8.2	3.8	0.9	2.4	4.0	1.1	3.8	4.2	2.3	5.5	4.9
06 *J-F*	MP	102.4	4.0	2.3	8.1	3.7	3.4	4.1	4.2	3.0	3.0	2.7	1.9	4.7	2.0
07 *J-F*	MP	108.0	5.4	6.0	11.5	6.1	-4.4	-4.4	6.9	-3.7	...	...	...	...	...
05 *Nov*	P	110.6	0.9	0.2	-1.3	1.1	5.5	-2.1	0.4	6.3	3.2	3.6	1.3	4.9	3.8
Dec	P	96.8	1.4	-1.1	2.4	1.0	5.4	-8.6	0.8	6.7	2.9	2.6	1.4	4.2	2.5
06 *Jan*	P	102.0	5.4	3.0	12.0	4.9	3.8	0.8	5.6	4.5	3.0	2.2	1.0	3.9	2.2
Feb	P	102.8	2.7	1.7	4.6	2.6	2.9	7.3	2.9	1.4	3.0	3.1	2.8	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	2.8	5.4	4.7
Apr	P	96.7	-9.8	-12.5	-10.0	-9.8	-3.6	-4.8	-10.5	-5.1	1.9	1.0	0.2	2.6	2.8
May	P	115.6	8.1	7.6	13.2	7.4	3.2	4.5	8.7	3.7	5.9	6.6	4.8	8.2	7.2
Jun	P	115.8	5.2	2.6	8.7	6.2	3.0	1.2	5.6	2.7	4.9	5.2	3.0	5.3	7.3
Jul	P	110.8	4.2	1.2	7.1	5.1	4.1	-7.3	3.9	7.2	3.5	3.8	1.4	4.2	5.3
Aug	P	79.8	5.0	2.0	14.0	5.2	3.3	-1.5	5.4	3.8	5.5	6.0	2.3	7.5	7.9
Sep	P	109.1	1.1	-0.5	3.4	1.5	0.1	-2.8	1.0	2.6	3.4	3.7	1.3	5.2	4.6
Oct	P	112.3	7.3	7.5	12.2	7.1	0.4	11.6	7.8	2.0	3.7	4.3	2.5	5.4	5.3
Nov	P	115.1	4.1	4.0	12.6	3.9	-6.8	1.0	5.5	-6.7	2.7	3.7	1.9	6.0	3.4
Dec	P	97.4	0.6	-0.8	6.6	0.5	-3.1	3.8	1.2	-3.0	4.4	5.5	3.1	7.2	7.1
07 *Jan*	P	109.5	7.4	8.4	13.6	7.9	-2.4	0.6	8.8	-1.7	3.6	5.6	3.7	7.3	5.7
Feb	P	106.4	3.5	3.7	9.5	4.3	-6.6	-9.0	5.0	-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.

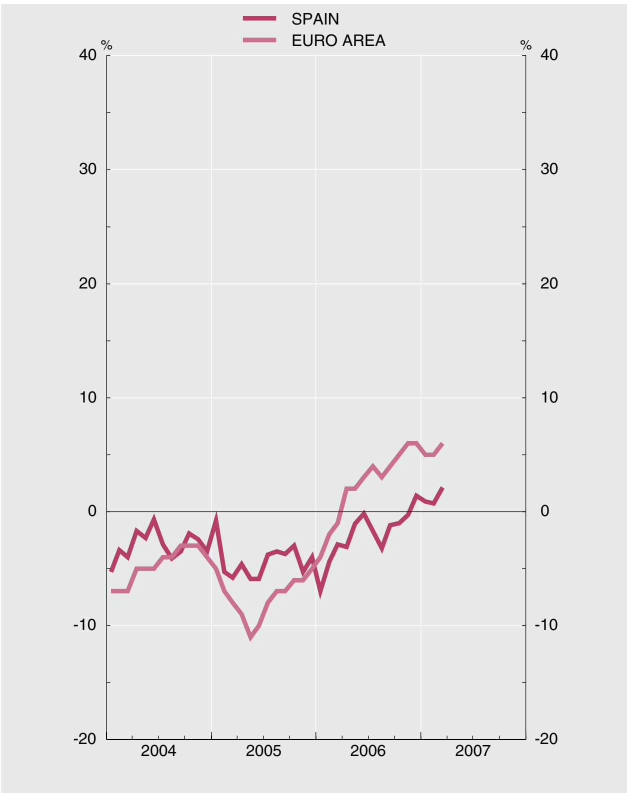
3.5. MONTHLY BUSINESS SURVEY: INDUSTRY AND CONSTRUCTION. SPAIN AND EURO AREA

■ Series depicted in chart.

Percentage balances

	Industry, excluding construction: Business climate indicator (a) 1 ■	Industry: Production over the last three months 2	Industry: Trend in production (a) 3	Industry: Total orders (a) 4	Industry: Foreign orders 5	Industry: Stocks of finished products (a) 6	Industry: Business climate indicator: Consumption (a) 7	Industry: Business climate indicator: Investment (a) 8	Industry: Business climate indicator: Intermediate goods (a) 9	Industry: Business climate indicator: Other sectors (a) 10	Construction: Business climate indicator 11 ■	Construction: Production 12	Construction: Orders 13	Construction: Trend: Production 14	Construction: Trend: Orders 15	Memorandum item: euro area: Industry, excluding construction: Business climate indicator 16 ■	Memorandum item: euro area: Industry, excluding construction: Order Book 17	Memorandum item: euro area: Construction climate indicator 18 ■
04 M	-3	4	10	-8	-17	11	-4	1	-5	-0	14	7	21	30	26	-5	-16	-12
05 M	-4	0	7	-9	-18	12	-1	-5	-6	1	22	31	35	30	22	-7	-17	-7
06 M	-2	7	6	-1	-11	12	-3	1	-3	-1	15	27	22	23	15	2	-	0
06 *J-M* M	-5	0	4	-5	-16	13	-4	-3	-7	-0	16	13	30	28	18	-2	-9	-3
07 *J-M* M	1	5	9	5	-8	10	-1	4	1	-2	12	13	11	33	25	5	7	0
05 *Dec*	-4	-2	6	-5	-16	14	-1	-5	-5	-2	21	39	31	7	19	-5	-13	-4
06 *Jan*	-7	-3	3	-9	-19	15	-5	-7	-8	1	21	25	37	39	32	-4	-12	-2
Feb	-4	1	4	-6	-16	11	-4	0	-7	-2	7	-2	21	27	2	-2	-10	-4
Mar	-3	2	6	-2	-13	14	-3	-1	-4	-1	20	15	31	19	21	-1	-6	-2
Apr	-3	7	3	-3	-12	10	-4	0	-4	-2	15	49	19	41	-1	2	-1	-2
May	-1	2	8	-	-8	12	-5	5	-2	-2	14	31	18	47	25	2	-2	-2
Jun	-0	10	9	1	-7	11	-2	1	-0	-2	19	51	22	34	9	3	2	-1
Jul	-2	11	8	-2	-9	11	-2	-1	-1	-2	26	39	37	22	16	4	3	2
Aug	-3	12	3	-0	-9	12	-5	-6	-0	1	3	38	-1	7	3	3	3	2
Sep	-1	9	10	-1	-11	13	-1	3	-3	-1	15	51	21	21	5	4	4	4
Oct	-1	10	7	1	-9	11	-5	6	-2	-3	7	10	13	12	3	5	5	3
Nov	-0	10	8	3	-10	12	-0	2	-1	-1	14	13	18	2	30	6	6	3
Dec	1	12	7	6	-9	9	-1	6	1	-2	17	9	32	7	38	6	8	2
07 *Jan*	1	3	8	6	-10	12	2	2	1	-1	10	19	9	28	8	5	6	1
Feb	1	5	9	4	-7	11	-1	4	1	-2	12	15	14	18	24	5	7	-
Mar	2	7	9	6	-8	8	-2	8	2	-4	13	6	9	52	44	6	8	-

INDUSTRIAL BUSINESS CLIMATE
Percentage balances



CONSTRUCTION BUSINESS CLIMATE
Percentage balances

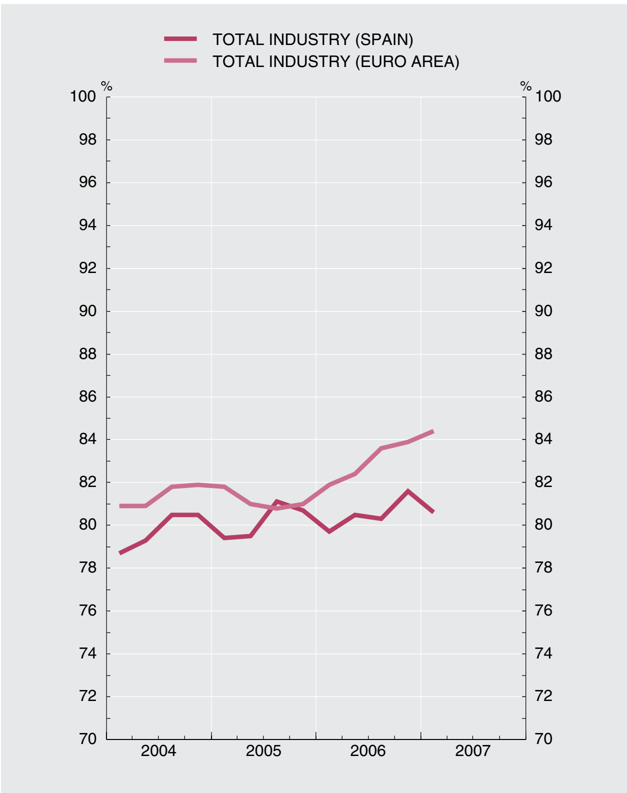
Sources: Ministerio de Industria, Turismo y Comercio and ECB.
a. Seasonally adjusted.

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

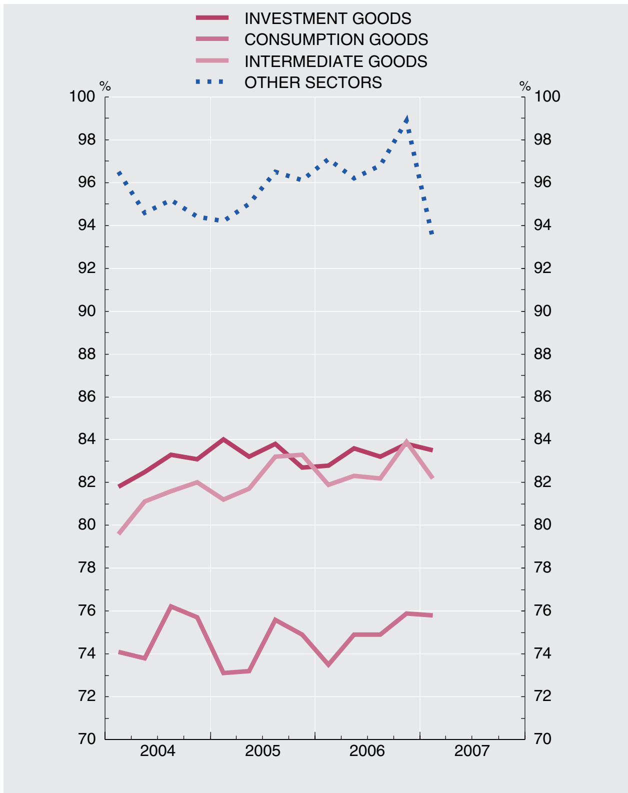
■ Series depicted in chart. *Percentages and percentage balances*

	Total industry			Consumer goods			Investment goods			Intermediate goods			Other sectors			Memo-ramdum item: euro area capacity utilisa-tion
	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	
	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	(%)
	1 ■	2	3	4 ■	5	6	7 ■	8	9	10 ■	11	12	13 ■	14	15	16 ■
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	81.4
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	81.2
06	80.5	81.6	4	74.8	76.5	4	83.4	83.8	7	82.6	83.5	4	97.3	97.5	-	83.0
06 *Q1-Q1*	79.7	80.5	9	73.5	75.5	6	82.8	82.6	14	81.9	82.5	9	97.1	97.4	-	81.9
07 *Q1-Q1*	80.6	81.7	2	75.8	77.2	4	83.5	83.8	1	82.2	83.4	1	93.4	95.9	-	84.4
04 *Q3*	80.5	81.2	6	76.2	77.5	9	83.3	83.5	4	81.6	82.0	5	95.2	95.5	-	81.8
Q4	80.5	81.3	2	75.7	76.8	2	83.1	84.0	2	82.0	82.6	1	94.4	94.1	6	81.9
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	-	81.8
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	-	81.0
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	-	80.8
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	81.0
06 *Q1*	79.7	80.5	9	73.5	75.5	6	82.8	82.6	14	81.9	82.5	9	97.1	97.4	-	81.9
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
Q3	80.3	81.1	2	74.9	75.9	1	83.2	83.4	4	82.2	83.0	1	96.8	97.8	-	83.6
Q4	81.6	82.4	2	75.9	76.5	3	83.8	84.8	5	83.9	84.8	-0	98.9	98.4	-	83.9
07 *Q1*	80.6	81.7	2	75.8	77.2	4	83.5	83.8	1	82.2	83.4	1	93.4	95.9	-	84.4

CAPACITY UTILISATION. TOTAL INDUSTRY
Percentages



CAPACITY UTILISATION. BY TYPE OF GOOD
Percentages



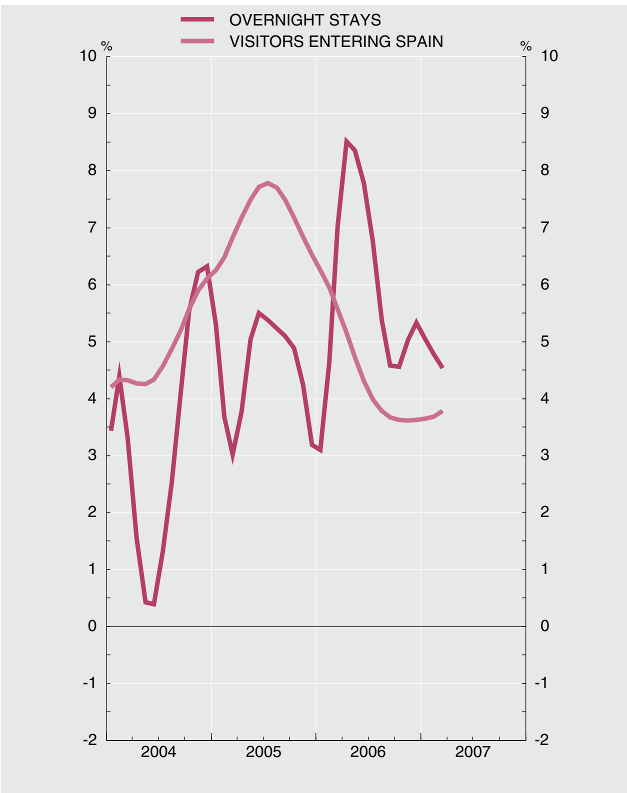
Sources: Ministerio de Industria, Turismo y Comercio and ECB.

3.7. TOURISM AND TRANSPORT STATISTICS. SPAIN

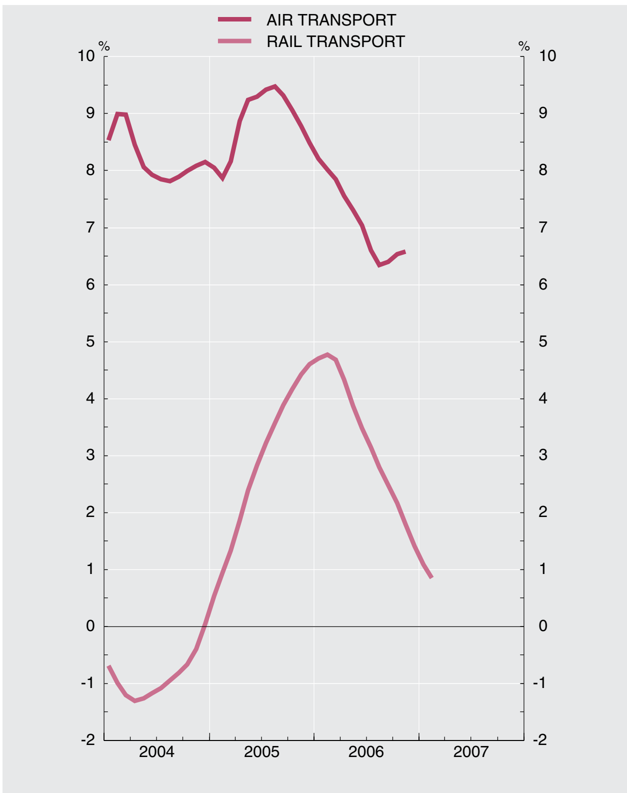
■ Series depicted in chart. *Annual percentage changes*

		Hotel stays (a)		Overnight stays		Visitors entering Spain			Air transport				Maritime transport		Rail transport	
									Passengers			Freight				
		Total	Foreig-ners	Total	Foreig-ners	Total	Tourists	Day-trip-pers	Total	Domestic flights	Interna-tional flights	Freight	Passen-gers	Freight	Passen-gers	Freight
		1	2	3 ■	4	5 ■	6	7	8 ■	9	10	11	12	13	14 ■	15
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		5.7	5.1	4.7	3.1	7.7	6.6	9.2	9.2	13.6	6.2	-3.0	-1.1	9.0	4.3	-2.2
06	P	5.9	6.1	6.2	6.6	3.8	4.5	2.8	...	...	...	...	...	...	2.0	...
06 *J-M*		3.0	3.2	0.2	2.4	3.7	0.9	7.4	5.2	8.7	2.3	-5.7	-5.8	5.6	4.6	5.5
07 *J-M*	P	5.7	8.1	4.7	6.2	4.1	5.3	2.5	...	...	...	...	...	...	...	...
05 *Dec*		3.9	8.5	1.6	3.5	5.8	3.9	8.0	9.0	10.4	7.8	-10.5	0.5	7.1	6.4	8.8
06 *Jan*		2.7	0.7	-0.8	1.1	4.1	0.3	8.7	7.7	12.5	3.8	-1.5	-2.7	3.6	3.0	5.5
Feb		5.9	2.0	2.6	-0.7	6.9	2.6	12.5	5.4	7.5	3.7	-10.1	14.8	5.4	6.3	5.5
Mar		1.0	6.0	-0.9	6.0	0.9	0.1	2.0	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	15.4	18.1	11.4	15.1	9.5	19.6	-16.2	37.8	4.3	-6.5	-22.1
May	P	5.2	9.3	6.3	9.8	6.9	6.9	6.8	6.9	5.4	8.0	-6.3	-2.4	5.2	1.7	7.9
Jun	P	7.4	11.3	10.3	13.5	0.6	5.5	-8.3	9.0	7.3	10.1	-6.8	14.1	-0.4	0.4	-0.2
Jul	P	4.5	4.9	7.9	9.3	-0.4	3.0	-6.7	4.0	1.7	5.5	-2.8	11.9	3.9	5.0	1.9
Aug	P	4.5	4.8	4.4	4.7	2.9	3.3	2.3	3.9	2.5	4.8	-2.5	9.5	3.5	2.0	6.2
Sep	P	3.4	2.6	2.8	2.6	3.2	4.9	0.1	6.0	4.3	7.2	-3.3	10.6	4.4	0.5	-12.3
Oct	P	4.8	2.8	3.9	1.3	2.9	3.6	1.6	6.4	8.7	4.8	-3.9	15.0	10.5	5.8	-13.6
Nov	P	4.8	2.7	5.5	4.0	3.4	1.4	6.0	6.6	8.3	5.0	2.4	...	...	1.9	...
Dec	P	5.4	1.7	7.0	4.6	4.1	1.8	6.7	...	...	...	...	...	...	-0.1	...
07 *Jan*	P	5.1	8.3	3.4	4.9	3.9	4.0	3.8	...	...	...	...	...	...	-0.0	...
Feb	P	3.8	7.4	3.2	5.4	1.3	4.4	-2.6	...	...	...	...	...	...	-2.0	...
Mar	P	7.5	8.6	6.9	7.9	6.6	6.9	6.1	...	...	...	...	...	...	...	...

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			Participation rate (%) (a)	Labour force				
						Annual change (b)			
	Thousands	Annual change	4-quarter % change		Thousands (a)	Total	Due to change in population over 16 years of age	Due to change in partici-pation rate	4-quarter % change
	1	2	3 ■	4	5	6 ■	7 ■	8 ■	9 ■
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
06 M	37 008	592	1.6	58.33	21 585	699	345	354	3.3
06 *Q1-Q1* M	36 800	613	1.7	57.98	21 336	744	355	389	3.6
07 *Q1-Q1* M	37 429	629	1.7	58.58	21 925	589	368	221	2.8
04 *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
Q2	36 931	597	1.6	58.30	21 530	691	348	343	3.3
Q3	37 065	575	1.6	58.44	21 661	705	336	368	3.4
Q4	37 236	583	1.6	58.58	21 812	657	342	315	3.1
07 *Q1*	37 429	629	1.7	58.58	21 925	589	368	221	2.8

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.

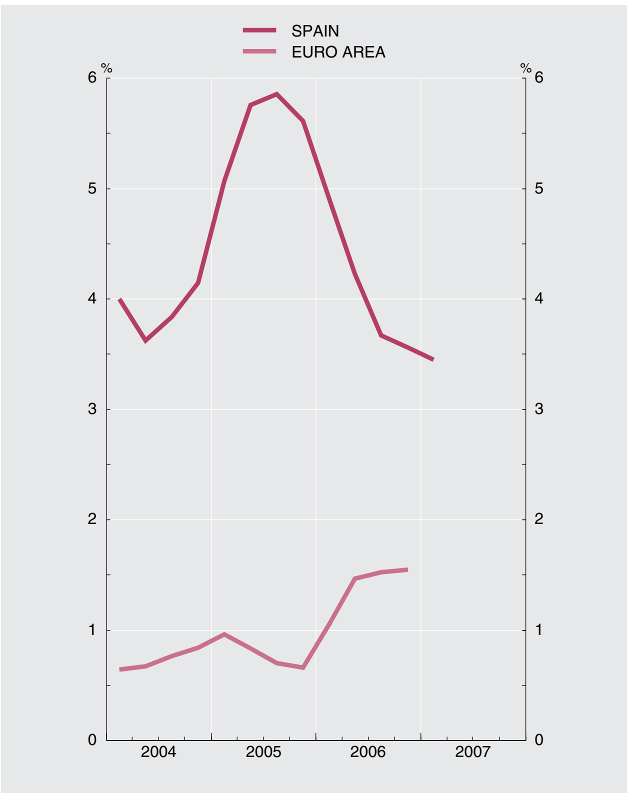
4.2. EMPLOYMENT AND WAGE-EARNERS. SPAIN AND EURO AREA

■ Series depicted in chart.

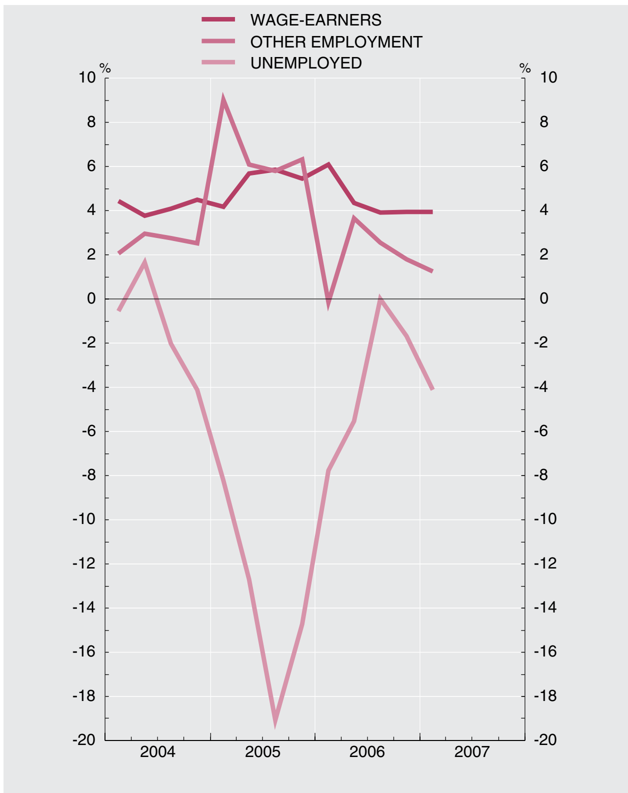
Thousands and annual percentage changes

	Employment: Total: Thousands	Employment: Total: Annual change	Employment: Total: 4-quarter % change ■	Employment: Wage-earners: Thousands	Employment: Wage-earners: Annual change	Employment: Wage-earners: 4-quarter % change ■	Employment: Other: Thousands	Employment: Other: Annual change	Employment: Other: 4-quarter % change ■	Unemployment: Thousands (a)	Unemployment: Annual change	Unemployment: 4-quarter % change ■	Unem-ployment rate (a)	Memorandum item: euro area: Employ-ment 4-quarter % change	Memorandum item: euro area: Unem-ployment rate
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
04 M	17 971	675	3.9	14 721	593	4.2	3 250	82	2.6	2 214	-29	-1.3	10.97	0.7	8.82
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	0.8	8.58
06 M	19 748	774	4.1	16 208	706	4.6	3 540	68	2.0	1 837	-75	-3.9	8.51	1.4	7.89
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	1.1	8.24
07 *Q1-Q1* M	20 069	669	3.4	16 515	626	3.9	3 555	44	1.2	1 856	-80	-4.1	8.47	...	...
04 *Q3*	18 129	670	3.8	14 876	583	4.1	3 253	87	2.7	2 181	-45	-2.0	10.74	0.8	8.83
Q4	18 288	728	4.1	15 022	648	4.5	3 266	81	2.5	2 159	-93	-4.1	10.56	0.8	8.77
05 *Q1*	18 493	892	5.1	14 977	602	4.2	3 516	291	9.0	2 099	-188	-8.2	10.19	1.0	8.79
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	8.69
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	8.45
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	8.39
06 *Q1*	19 400	907	4.9	15 889	912	6.1	3 511	-5	-0.1	1 936	-163	-7.8	9.07	1.1	8.24
Q2	19 693	798	4.2	16 112	671	4.3	3 582	127	3.7	1 837	-108	-5.5	8.53	1.5	7.91
Q3	19 896	705	3.7	16 366	616	3.9	3 530	88	2.6	1 765	-	-	8.15	1.5	7.78
Q4	20 002	688	3.6	16 466	625	3.9	3 536	63	1.8	1 811	-31	-1.7	8.30	1.6	7.63
07 *Q1*	20 069	669	3.4	16 515	626	3.9	3 555	44	1.2	1 856	-80	-4.1	8.47	...	...

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.

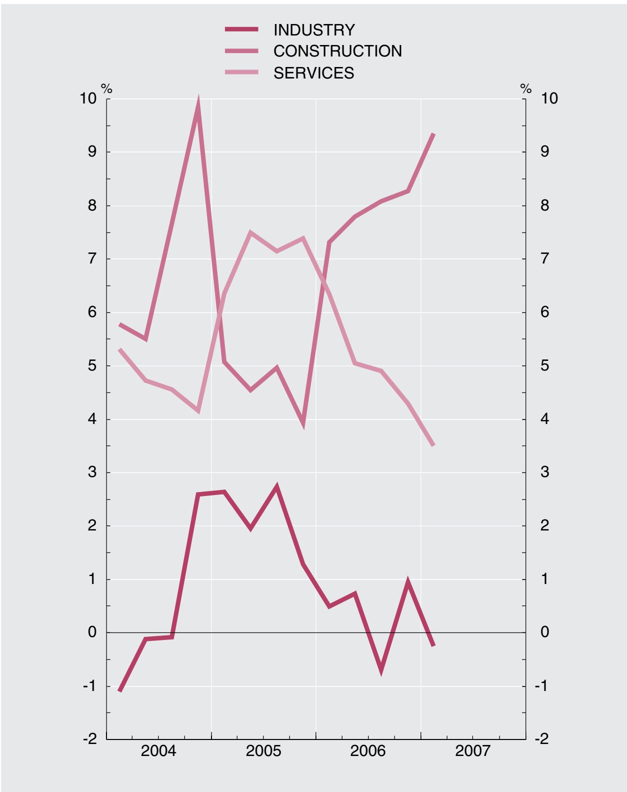
4.3. EMPLOYMENT BY BRANCH OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

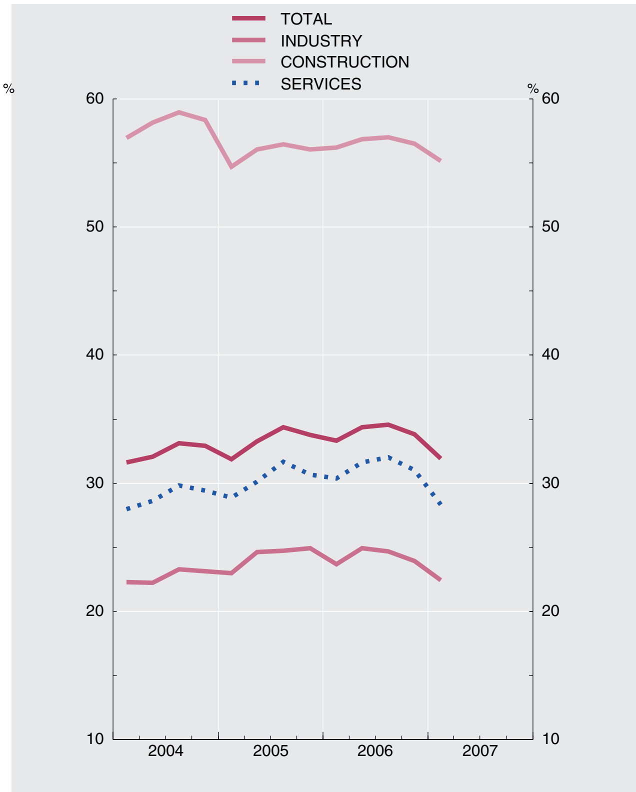
Annual percentage changes

	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
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	...	...
06 M	4.1	4.6	34.0	-5.6	-1.4	59.3	0.4	0.5	24.3	7.9	8.1	56.6	5.1	5.3	31.3	4.6	...	...
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	...	...
07 *Q1-Q1* M	3.4	3.9	-4.1	0.5	7.3	3.2	-0.3	-0.3	-5.3	9.4	10.0	-1.9	3.5	3.8	-6.7	3.6	...	...
04 *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	...	...
Q2	4.2	4.3	34.4	-3.0	0.4	59.1	0.7	1.0	24.9	7.8	7.6	56.8	5.0	4.9	31.6	4.6	...	...
Q3	3.7	3.9	34.6	-8.0	-6.1	57.4	-0.7	-0.6	24.7	8.1	8.3	57.0	4.9	4.8	32.0	4.3	...	...
Q4	3.6	3.9	33.8	-8.4	-7.2	59.2	1.0	0.9	24.0	8.3	8.2	56.5	4.3	4.5	31.0	4.2	...	...
07 *Q1*	3.4	3.9	32.0	0.5	7.3	63.3	-0.3	-0.3	22.4	9.4	10.0	55.1	3.5	3.8	28.4	3.6	...	...

EMPLOYMENT
Annual percentage changes



TEMPORARY EMPLOYMENT
Percentages



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

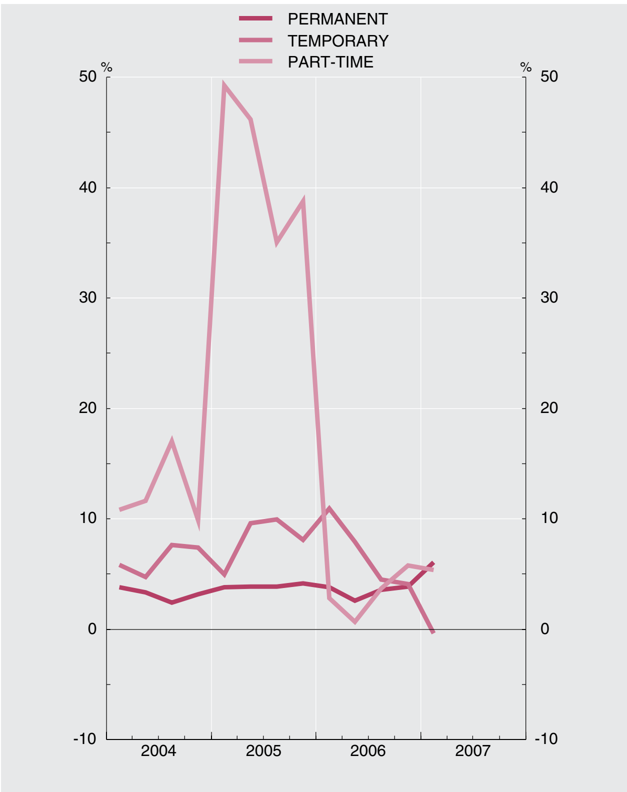
4.4. WAGE-EARNERS BY TYPE OF CONTRACT AND UNEMPLOYMENT BY DURATION. SPAIN. (a)

■ Series depicted in chart.

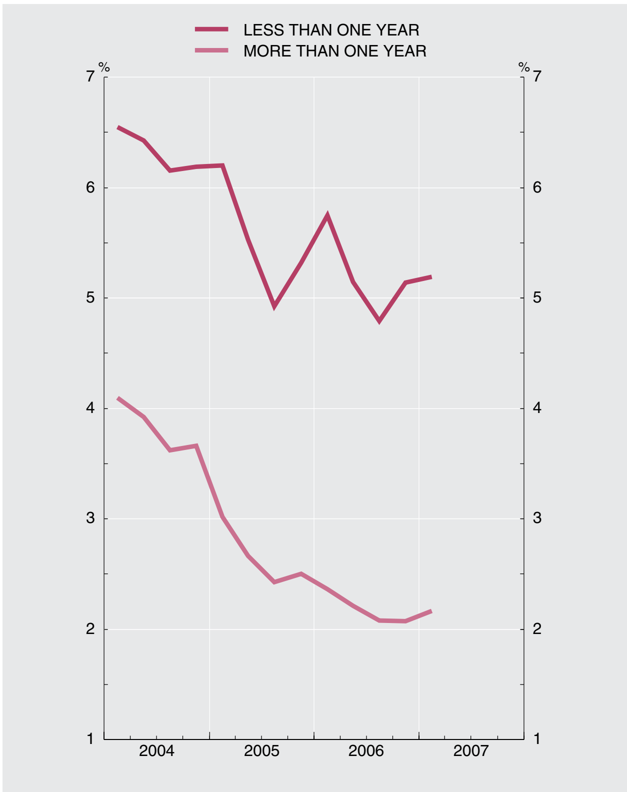
Thousands, annual percentage changes and %

	Wage-earners										Unemployment						
	By type of contract					By duration of working day					By duration				% of unemployed that would accept a job (a)		
	Permanent		Temporary			Full-time		Part-time			Less than one year		More than one year				
	Annual change Thousands	4-quarter % change	Annual change Thousands	4-quarter % change	Proportion of temporary employment	Annual change Thousands	4-quarter % change	Annual change Thousands	4-quarter % change	As % for wage earners	Unemployment rate (a)	4-quarter % change	Unemployment rate (a)	4-quarter % change	Entailing a change of residence	Whith a lower wage	Requiring fever skills
	1	2 ■	3	4 ■	5	6	7	8	9 ■	10	11 ■	12	13 ■	14	15	16	17
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	...	...	...
06 M	358	3.5	348	6.7	34.03	645	4.7	61	3.2	12.13	5.20	-2.0	2.18	-14.9	...	...	...
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	...	...	...
07 *Q1-Q1* M	645	6.1	-19	-0.4	31.95	519	3.7	107	5.4	12.66	5.19	-7.2	2.17	-5.8	...	...	...
04 *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	...	...	...
Q2	265	2.6	406	7.9	34.39	659	4.9	13	0.6	12.35	5.14	-3.8	2.21	-14.2	...	...	...
Q3	371	3.6	245	4.5	34.59	549	3.9	67	3.7	11.49	4.79	0.6	2.08	-11.5	...	...	...
Q4	406	3.9	218	4.1	33.82	515	3.7	109	5.8	12.19	5.14	-0.5	2.07	-14.5	...	...	...
07 *Q1*	645	6.1	-19	-0.4	31.95	519	3.7	107	5.4	12.66	5.19	-7.2	2.17	-5.8	...	...	...

WAGE-EARNERS
Annual percentage changes



UNEMPLOYMENT
Unemployment rate



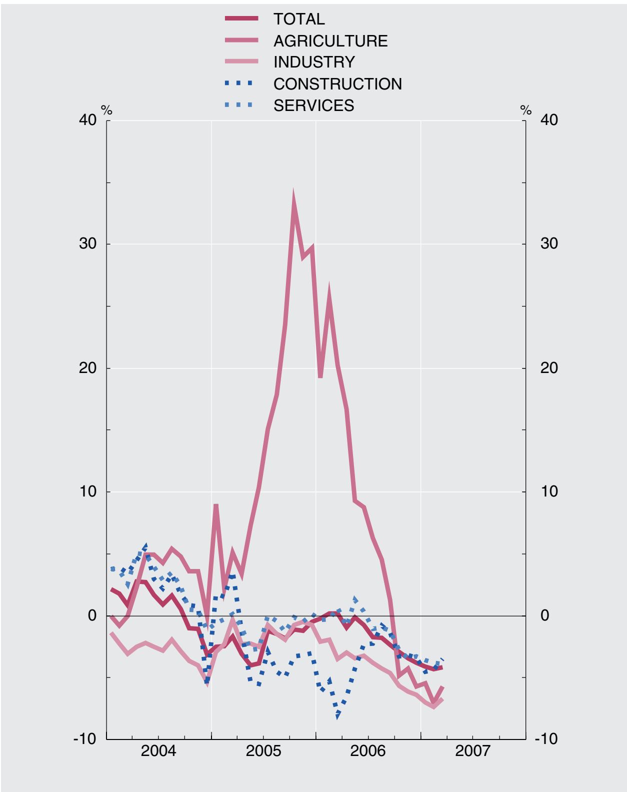
Source: INE (Labour Force Survey: 2005 methodology).
a. the new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See www.ine.es).
Note: As a result of the change in the population base (2001 Census), all the series in this table have been revised as from 1996. 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												
								Branches other than agriculture										
		Thousands	Annual change Thousands	12 month % change	12 month % change	Total	Agriculture	Total	Industry	Construction	Services	Thousands	12 month % change	Permanent	Part time	Temporary	Thousands	12 month % change
		1	2	3 ■	4	5	6 ■	7	8 ■	9 ■	10 ■	11	12	13	14	15	16	17 ■
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	1 391	4.1
06	M	2 039	-30	-1.5	-0.6	-1.6	7.4	-1.9	-4.0	-4.0	-1.0	1 544	7.9	11.77	23.39	88.23	1 475	6.0
06 *J-M*	M	2 163	1	0.0	5.8	-0.6	21.6	-1.3	-2.5	-6.5	0.0	1 465	15.0	11.31	21.83	88.69	1 408	14.9
07 *J-M*	M	2 072	-91	-4.2	-2.5	-4.4	-6.1	-4.3	-7.0	-4.1	-3.8	...	...	...	...	...	...	...
06 *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	1 313	11.7
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	1 495	19.8
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	1 269	-0.6
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	1 595	16.0
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	1 591	2.0
Jul		1 955	-34	-1.7	-4.4	-1.4	6.3	-1.7	-3.8	-2.3	-1.0	1 671	6.4	10.07	24.30	89.93	1 595	5.4
Aug		1 984	-35	-1.8	-5.5	-1.3	4.5	-1.5	-4.3	-0.8	-0.9	1 323	1.9	10.58	22.17	89.42	1 252	-1.5
Sep		1 966	-47	-2.3	-7.2	-1.7	1.3	-1.8	-4.6	-1.4	-1.2	1 675	3.5	11.98	24.92	88.02	1 629	1.0
Oct		1 993	-60	-2.9	0.6	-3.4	-4.8	-3.3	-5.7	-3.3	-2.8	1 819	11.1	13.17	26.95	86.83	1 740	8.0
Nov		2 023	-72	-3.5	-0.1	-3.9	-4.3	-3.9	-6.1	-3.2	-3.5	1 660	5.8	13.97	24.83	86.03	1 559	3.7
Dec		2 023	-80	-3.8	-3.3	-3.9	-5.7	-3.8	-6.4	-3.4	-3.3	1 386	4.3	16.96	23.90	83.04	1 244	-4.0
07 *Jan*		2 083	-89	-4.1	-2.4	-4.3	-5.4	-4.3	-7.0	-4.5	-3.6	...	...	...	...	...	1 540	8.6
Feb		2 075	-94	-4.3	-2.6	-4.5	-7.1	-4.4	-7.4	-4.4	-3.8	...	...	...	...	...	1 365	4.0
Mar		2 059	-89	-4.1	-2.4	-4.4	-5.7	-4.3	-6.7	-3.5	-3.9	...	...	...	...	...	...	...

REGISTERED UNEMPLOYMENT
Annual percentage changes



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

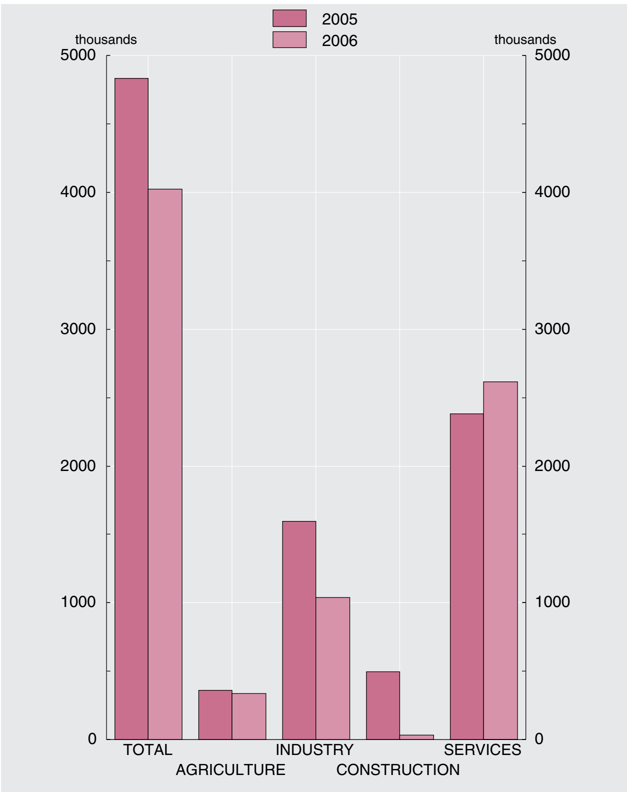
Source: Instituto de Empleo Servicio Público de Empleo Estatal (INEM).
Note: The underlying series for this indicator are in Tables 24.16 and 24.17 of the BE Boletín estadístico.

4.6. COLLECTIVE BARGAINING AGREEMENTS

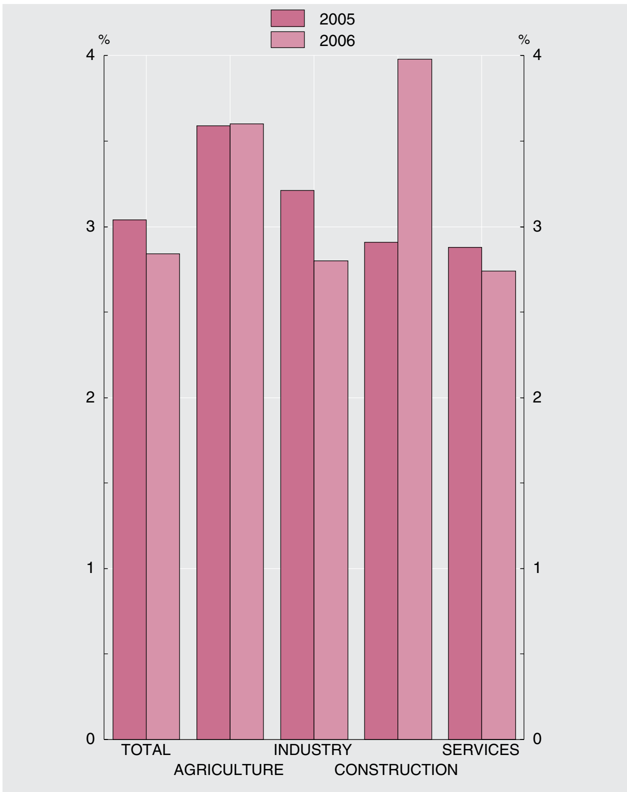
■ Series depicted in chart. *Thousands and %*

	As per month economic effects come into force(a)		As per month recorded														
			Employees affected (a)								Average wage settlement (%)						
	Em-ployees affec-ted	Average wage settle-ment	Automa-tic adjust-ment	Newly-signed agree-ments	Total	Annual change	Agricul-ture	Indus-try	Construc-tion	Services	Auto-matic adjust-ment	Newly signed agree-ments	Total	Agricul-ture	Indus-try	Construc-tion	Services
	1	2	3	4	5 ■	6	7 ■	8 ■	9 ■	10 ■	11	12	13 ■	14 ■	15 ■	16 ■	17 ■
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	10 583	4.05	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	9 595	3.56	6 765	2 156	8 921	540	656	2 445	1 072	4 748	3.21	3.35	3.24	3.94	3.26	2.97	3.20
05 *Sep*	10 468	4.04	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	10 581	4.05	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	10 582	4.05	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	10 583	4.05	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*	8 952	3.53	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	8 984	3.53	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	9 036	3.53	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	9 334	3.54	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	9 452	3.54	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
Jun	9 470	3.55	6 296	751	7 047	1 407	406	1 853	948	3 840	3.16	3.01	3.15	3.68	3.21	2.93	3.11
Jul	9 475	3.54	6 305	1 019	7 325	1 406	408	1 942	969	4 006	3.16	3.24	3.18	3.68	3.23	2.98	3.14
Aug	9 475	3.54	6 309	1 058	7 367	1 033	411	1 952	969	4 035	3.16	3.27	3.18	3.69	3.24	2.98	3.15
Sep	9 590	3.56	6 424	1 342	7 766	1 060	432	2 113	1 011	4 210	3.16	3.38	3.19	3.66	3.31	2.97	3.14
Oct	9 591	3.56	6 594	1 477	8 071	752	469	2 150	1 072	4 380	3.16	3.42	3.21	3.73	3.31	2.97	3.16
Nov	9 592	3.56	6 651	1 797	8 448	525	579	2 187	1 072	4 611	3.18	3.43	3.23	3.80	3.32	2.97	3.18
Dec	9 595	3.56	6 765	2 156	8 921	540	656	2 445	1 072	4 748	3.21	3.35	3.24	3.94	3.26	2.97	3.20
07 *Jan*	4 001	2.84	3 245	1	3 245	-464	311	938	3	1 993	2.84	2.37	2.84	3.61	2.74	2.77	2.77
Feb	4 004	2.84	4 019	4	4 022	-809	336	1 038	33	2 614	2.84	2.97	2.84	3.60	2.80	3.98	2.74

EMPLOYEES AFFECTED
January-February



AVERAGE WAGE SETTLEMENT
January-February



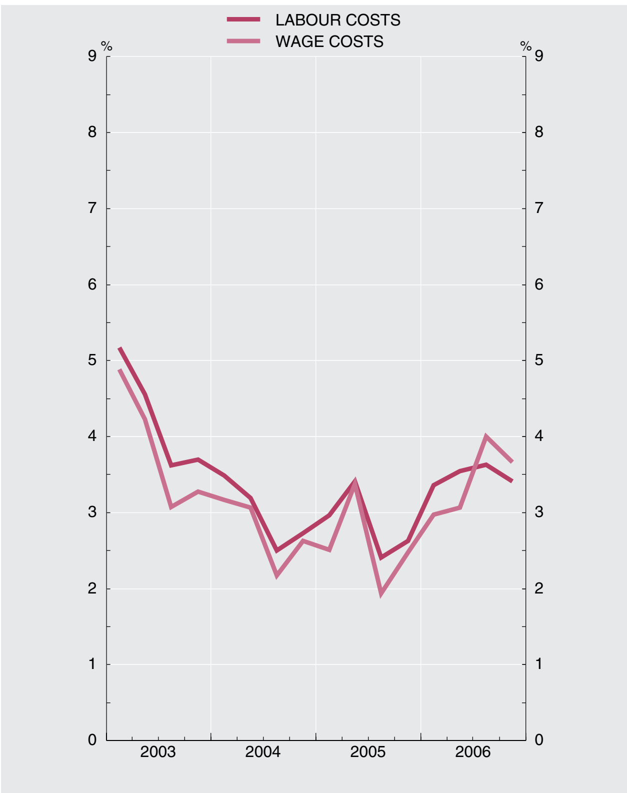
Source: Ministerio de Trabajo y Asuntos Sociales (MTAS), Estadística de Convenios Colectivos de Trabajo. Avance mensual.
a. Cumulative data.

4.7. QUARTERLY LABOUR COSTS SURVEY

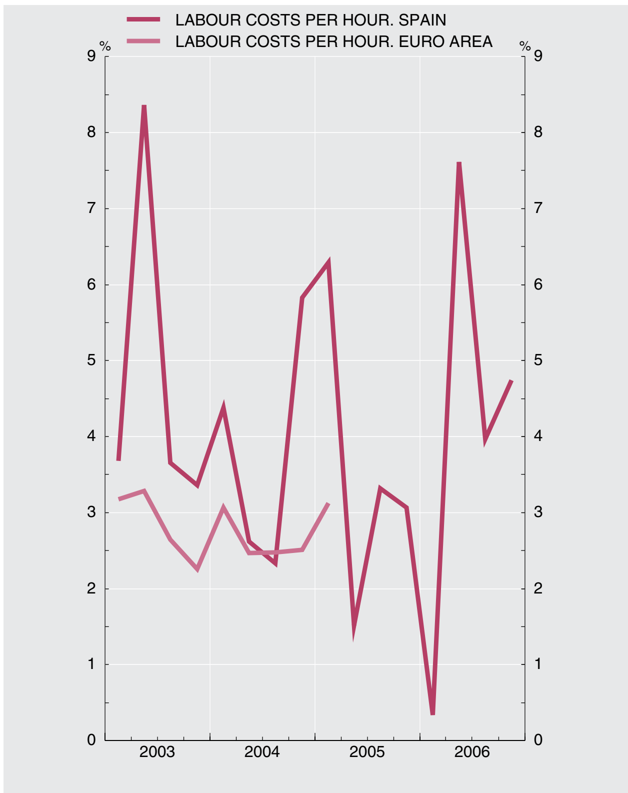
■ Series depicted in chart. *Annual percentage change*

	Labour costs					Wage costs					Other costs per worker and month	memorandum item: euro area total hourly labour costs (a)
	Monthly earnings				Per hour worked	Monthly earnings				Per hour worked		
	Total	Industry	Construction	Services		Total	Industry	Construction	Services			
	1 ■	2	3	4	5 ■	6 ■	7	8	9	10	11	12 ■
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-Q4* M	2.9	3.1	2.8	3.1	3.5	2.6	2.7	2.3	2.9	3.2	3.6	...
06 *Q1-Q4* M	3.5	3.7	4.0	3.6	4.2	3.4	3.6	3.7	3.7	4.2	3.6	...
04 *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	...
Q2	3.5	3.5	3.9	3.8	7.6	3.1	3.1	3.1	3.4	7.1	4.9	...
Q3	3.6	3.6	4.1	3.8	4.0	4.0	4.1	4.2	4.3	4.4	2.6	...
Q4	3.4	3.4	3.7	3.7	4.7	3.7	3.6	3.9	4.0	5.0	2.6	...

PER WORKER AND MONTH
Annual percentage change



PER HOUR WORKED
Annual percentage change



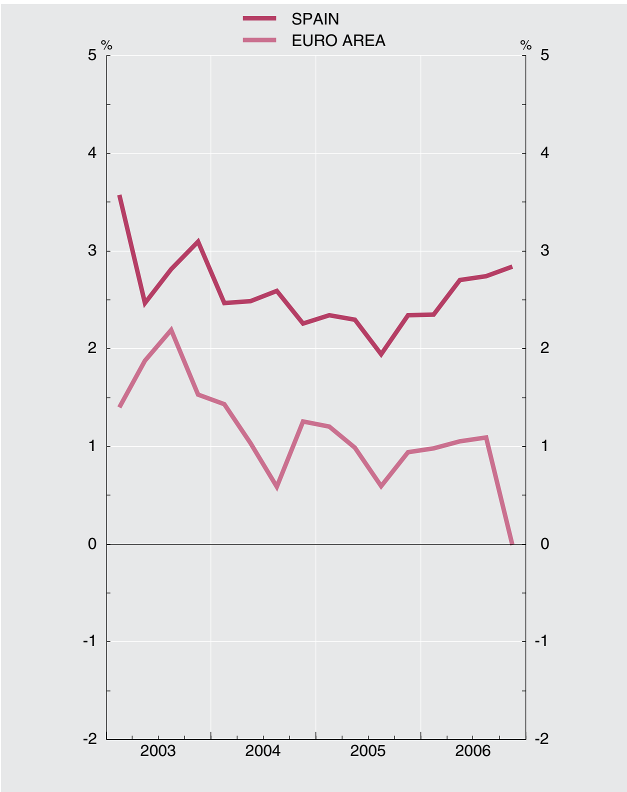
Sources: INE (Quarterly labour costs survey) and Eurostat.
Note: The underlying series for this indicator are in Tables 24.25, 24.26 and 24.27 of de BE Boletín estadístico.
a. Whole economy, excluding the agriculture, public administration, education and health sectors

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	3.0	1.8	3.6	2.1	0.6	0.3	3.0	0.8	2.4	0.4	3.0	...
04	P	2.5	1.1	3.1	2.1	0.6	1.0	3.2	1.8	2.6	0.7	1.9	...
05	P	2.2	0.9	2.6	1.6	0.4	0.7	3.5	1.5	3.1	0.8	2.9	...
04 *Q1*	P	2.5	1.4	2.8	2.5	0.3	1.0	3.2	1.7	2.8	0.6	1.5	...
Q2	P	2.5	1.0	3.3	2.5	0.8	1.4	3.2	2.1	2.4	0.7	0.9	...
Q3	P	2.6	0.6	3.3	1.6	0.7	1.0	3.3	1.8	2.5	0.8	1.8	...
Q4	P	2.3	1.3	2.8	1.9	0.5	0.7	3.4	1.5	2.8	0.8	3.6	...
05 *Q1*	P	2.3	1.2	2.8	1.4	0.5	0.2	3.4	1.2	2.9	1.0	3.3	...
Q2	P	2.3	1.0	2.7	1.4	0.4	0.4	3.5	1.2	3.1	0.8	3.6	...
Q3	P	1.9	0.6	2.2	1.5	0.3	1.0	3.6	1.7	3.3	0.7	2.9	...
Q4	P	2.3	0.9	2.7	2.1	0.4	1.1	3.6	1.8	3.2	0.7	1.7	...
06 *Q1*	P	2.3	1.0	2.9	2.2	0.6	1.2	3.7	2.2	3.2	1.1	0.5	...
Q2	P	2.7	1.1	3.4	2.4	0.7	1.4	3.8	2.8	3.1	1.5	0.3	...
Q3	P	2.7	1.1	3.6	2.3	0.8	1.2	3.8	2.8	3.0	1.5	-1.2	...
Q4	P	2.8	-0.0	3.9	1.8	1.0	1.8	4.0	3.3	3.0	1.6	-0.8	...

UNIT LABOUR COSTS: TOTAL
Annual percentage changes



UNIT LABOUR COSTS: MANUFACTURING
Annual percentage changes

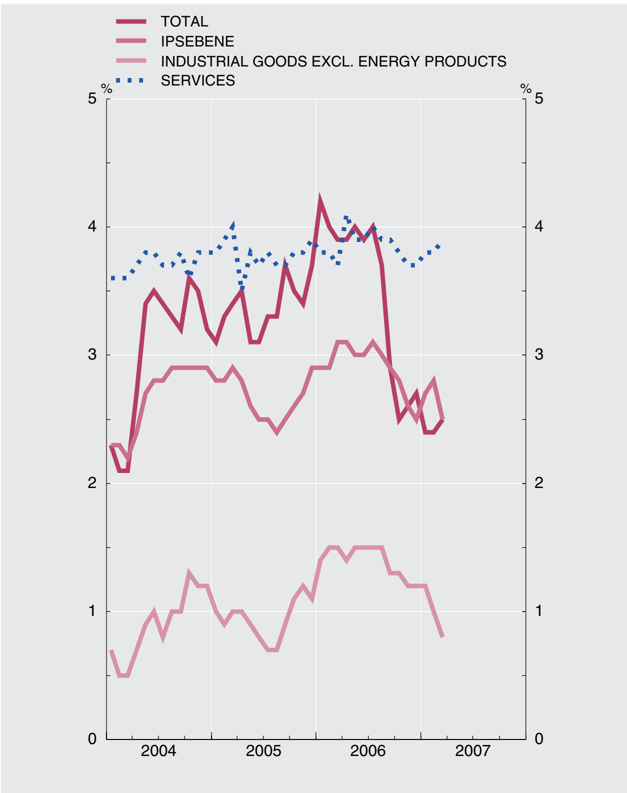
Sources: INE (Quarterly National Accounts of Spain. Base year 2000) and ECB.
a. Spain: prepared in accordance with ESA95. SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see economic bulletin April 2002).
b. Full-time equivalent employment.
c. Industry.

5.1. CONSUMER PRICE INDEX. SPAIN (2006=100)

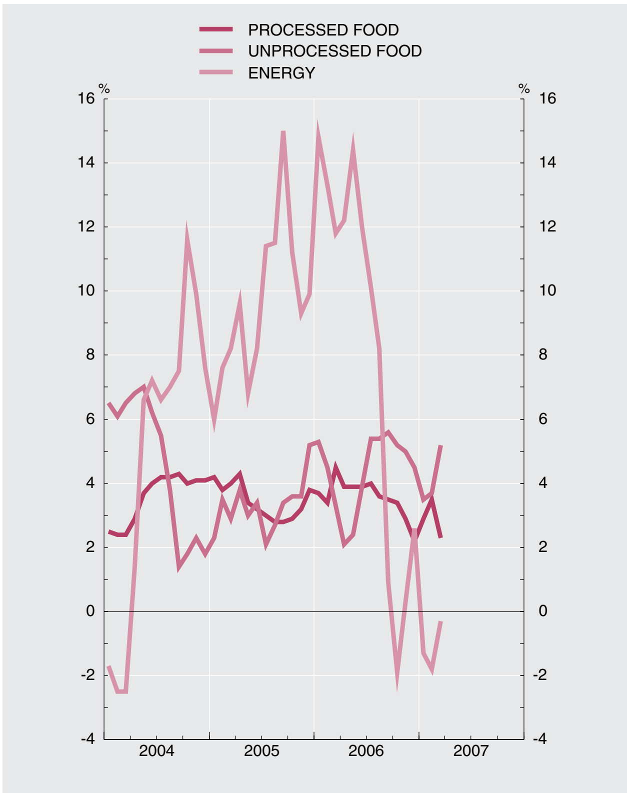
■ Series depicted in chart. *Indices and annual percentage changes*

		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 (a)	Cumulative % change during year (b)	Unprocessed food	Processed food	Industrial goods excl. energy products	Energy	Services	IPSEBENE (c)	Original series	12-month % change
		1	2	3 ■	4	5 ■	6 ■	7 ■	8 ■	9 ■	10 ■	11	12
04	M	93.5	_	3.0	3.2	4.6	3.6	0.9	4.9	3.7	2.7	106.8	0.9
05	M	96.6	_	3.4	3.7	3.3	3.5	0.9	9.6	3.8	2.7	109.9	2.9
06	M	100.0	_	3.5	2.7	4.4	3.6	1.4	8.2	3.9	2.9	108.9	-0.9
06 *J-M*	M	98.4	0.1	4.0	-0.2	4.4	3.9	1.5	13.3	3.8	3.0	118.2	-1.9
07 *J-M*	M	100.8	0.1	2.4	-0.4	4.1	2.9	1.0	-1.1	3.8	2.7	...	...
05 *Dec*		98.5	0.2	3.7	3.7	5.2	3.8	1.1	9.9	3.9	2.9	113.6	2.1
06 *Jan*		98.1	-0.4	4.2	-0.4	5.3	3.7	1.4	14.8	3.8	2.9	119.9	4.0
Feb		98.2	-	4.0	-0.4	4.5	3.4	1.5	13.3	3.8	2.9	121.4	0.8
Mar		98.8	0.7	3.9	0.3	3.3	4.5	1.5	11.8	3.7	3.1	113.6	-10.2
Apr		100.2	1.4	3.9	1.8	2.1	3.9	1.4	12.2	4.1	3.1	112.8	-8.1
May		100.6	0.4	4.0	2.1	2.4	3.9	1.5	14.4	3.9	3.0	115.8	-3.6
Jun		100.8	0.2	3.9	2.3	3.9	3.9	1.5	12.0	3.9	3.0	113.3	6.0
Jul		100.2	-0.6	4.0	1.7	5.4	4.0	1.5	10.1	4.0	3.1	103.6	0.7
Aug		100.4	0.2	3.7	1.9	5.4	3.6	1.5	8.2	3.9	3.0	102.8	0.4
Sep		100.2	-0.2	2.9	1.7	5.6	3.5	1.3	0.9	3.9	2.9	100.6	1.1
Oct		100.6	0.4	2.5	2.1	5.2	3.4	1.3	-1.9	3.8	2.8	101.9	2.3
Nov		100.9	0.2	2.6	2.4	5.0	2.9	1.2	0.3	3.7	2.6	107.7	0.7
Dec		101.1	0.3	2.7	2.7	4.5	2.2	1.2	2.6	3.7	2.5	107.0	-5.8
07 *Jan*		100.5	-0.7	2.4	-0.7	3.5	2.9	1.2	-1.3	3.8	2.7	111.8	-6.7
Feb		100.5	0.1	2.4	-0.6	3.7	3.5	1.0	-1.8	3.8	2.8	...	...
Mar		101.3	0.8	2.5	0.1	5.2	2.3	0.8	-0.3	3.9	2.5	...	...

CONSUMER PRICE INDEX. TOTAL AND COMPONENTS
Annual percentage changes



CONSUMER PRICE INDEX. COMPONENTS
Annual percentage changes



Sources: INE, Ministerio de Agricultura, Pesca y Alimentación and BE.
Note: The underlying series for this indicator are in Tables 25.2 and 25.8 of the BE Boletín estadístico.
a. For annual periods: average growth for each year on the previous year.
b. For annual periods: December-on-December growth rate.
c. Index of non-energy processed goods and service prices.

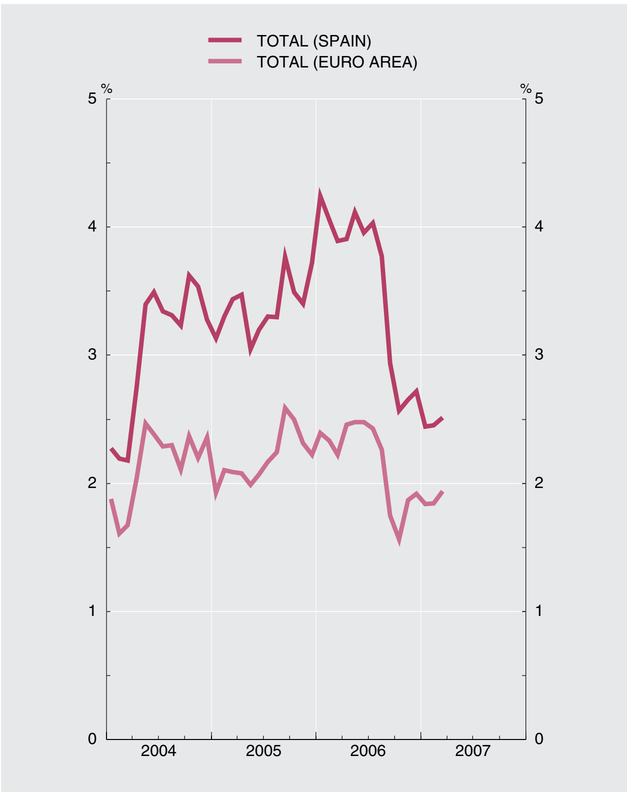
5.2. HARMONISED INDEX OF CONSUMER PRICES. SPAIN AND EURO AREA (2005=100) (a)

■ Series depicted in chart.

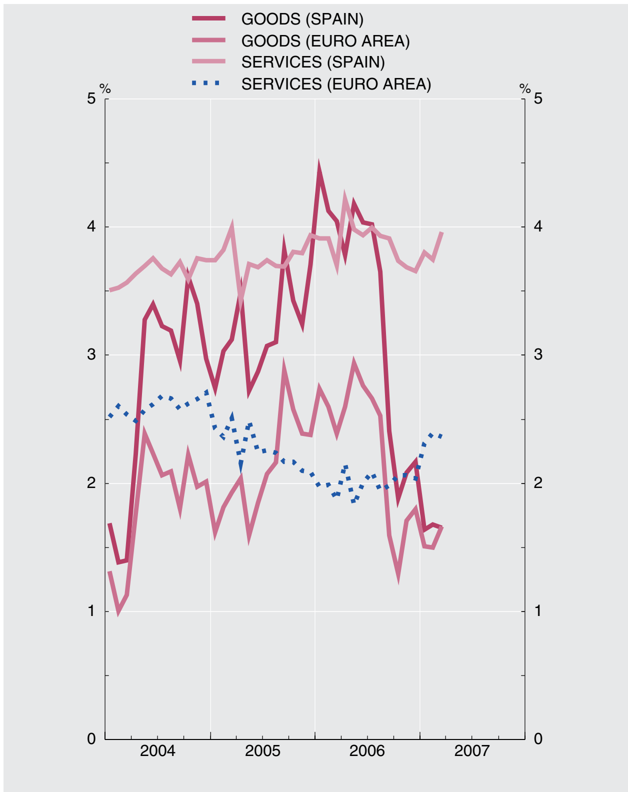
Annual percentage changes

	Total: Spain ■	Total: Euro area ■	Goods: Spain ■	Goods: Euro area ■	Food Total: Spain	Food Total: Euro area	Processed: Spain	Processed: Euro area	Unprocessed: Spain	Unprocessed: Euro area	Industrial: Spain	Industrial: Euro area	Non-energy: Spain	Non-energy: Euro area	Energy: Spain	Energy: Euro area	Services: Spain ■	Services: Euro area ■
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
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
06 M	3.6	2.2	3.4	2.3	3.9	2.4	3.9	2.1	3.9	2.8	3.1	2.3	1.5	0.6	8.0	7.7	3.9	2.0
06 *J-M* M	4.1	2.3	4.2	2.6	4.1	1.8	4.3	2.0	3.8	1.4	4.3	3.0	1.5	0.3	13.3	12.2	3.8	1.9
07 *J-M* MP	2.5	1.9	1.7	1.6	3.3	2.5	2.9	2.1	3.8	3.1	0.6	1.1	1.1	1.1	-1.1	1.1	3.8	2.4
05 *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	2.8	1.6	0.6	11.8	10.5	3.7	1.9
Apr	3.9	2.5	3.8	2.6	3.4	1.8	4.4	2.2	2.3	1.2	4.1	3.0	1.5	0.7	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	0.7	14.3	12.9	4.0	1.8
Jun	4.0	2.5	4.0	2.8	3.9	2.2	4.3	2.2	3.6	2.1	4.1	3.1	1.6	0.7	12.0	11.0	3.9	2.0
Jul	4.0	2.4	4.0	2.7	4.5	2.7	4.5	2.3	4.5	3.2	3.7	2.7	1.6	0.6	10.0	9.5	4.0	2.1
Aug	3.8	2.3	3.7	2.5	4.2	2.9	4.0	2.2	4.5	3.9	3.3	2.4	1.7	0.6	8.2	8.1	3.9	1.9
Sep	2.9	1.7	2.4	1.6	4.2	2.9	3.8	1.8	4.7	4.6	1.2	1.0	1.5	0.8	0.9	1.5	3.9	2.0
Oct	2.6	1.6	1.9	1.3	4.0	3.0	3.6	2.3	4.4	4.2	0.5	0.5	1.4	0.8	-1.9	-0.5	3.7	2.1
Nov	2.7	1.9	2.1	1.7	3.6	3.0	2.9	2.2	4.4	4.4	1.1	1.1	1.4	0.8	0.3	2.1	3.7	2.1
Dec	2.7	1.9	2.2	1.8	3.0	2.7	2.1	2.1	3.9	3.7	1.7	1.4	1.4	0.9	2.6	2.9	3.7	2.0
07 *Jan*	2.4	1.8	1.6	1.5	3.1	2.8	3.0	2.2	3.3	3.7	0.7	0.9	1.3	0.9	-1.2	0.9	3.8	2.3
Feb	2.5	1.8	1.7	1.5	3.6	2.4	3.7	2.1	3.6	2.8	0.4	1.1	1.1	1.1	-1.7	0.8	3.7	2.4
Mar P	2.5	1.9	1.7	1.7	3.3	2.3	2.0	1.9	4.6	2.9	0.6	1.4	0.9	1.2	-0.3	1.8	4.0	2.4

HARMONISED INDEX OF CONSUMER PRICES. TOTAL
Annual percentage changes



HARMONISED INDEX OF CONSUMER PRICES. COMPONENTS
Annual percentage changes



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

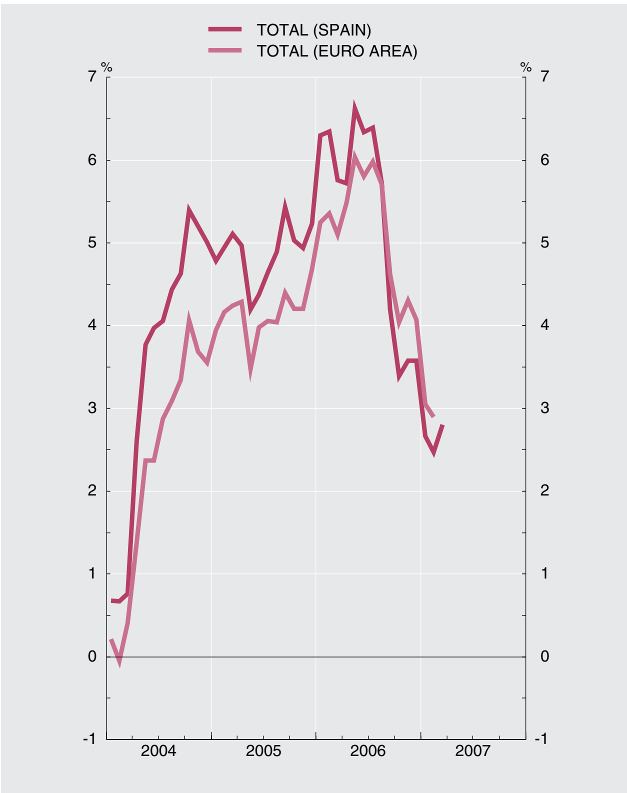
5.3. PRODUCER PRICE INDEX. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

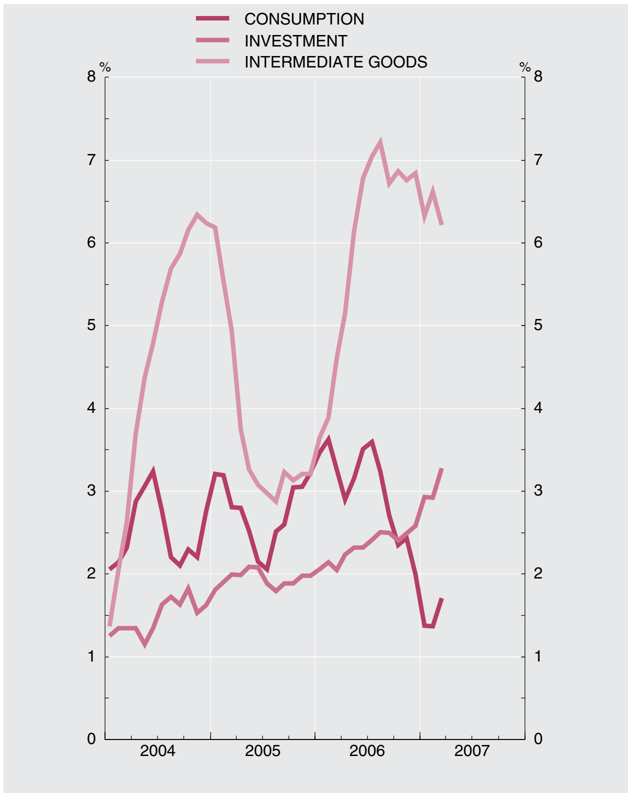
Annual percentage changes

		Total (100%)			Consumption (32.1 %)		Investment (18.3 %)		Intermediate (31.6 %)		Energy (18.0%)		Memorandum item: euro area				
													Total	Consumption	Investment	Intermediate	Energy
		Original series	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	12-month % change	12-month % change	12-month % change	12-month % change	12-month % change
		1	2	3 ■	4	5 ■	6	7 ■	8	9 ■	10	11	12 ■	13	14	15	16
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
06	MP	118.6	_	5.3	_	3.0	_	2.3	_	6.0	_	11.0	5.1	1.7	1.4	4.8	13.5
06 *J-M*	MP	117.1	_	6.1	_	3.4	_	2.1	_	4.0	_	19.0	5.2	1.5	1.0	2.2	18.9
07 *J-M*	MP	120.2	_	2.6	_	1.5	_	3.0	_	6.4	_	-1.8	...	...	...	...	...
05 *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	5.2	1.5	1.0	1.9	19.7
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	1.4	1.0	2.2	19.6
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	2.5	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	17.6
May	P	119.2	0.8	6.6	0.3	3.2	0.2	2.3	1.0	6.1	1.3	17.8	6.0	1.7	1.2	4.5	18.6
Jun	P	119.2	-	6.3	0.3	3.5	0.2	2.3	0.4	6.8	-0.8	14.6	5.8	1.8	1.3	5.2	15.9
Jul	P	119.9	0.6	6.4	0.2	3.6	0.1	2.4	0.3	7.0	2.0	13.9	6.0	2.0	1.6	6.1	14.9
Aug	P	120.1	0.2	5.7	-0.1	3.2	0.1	2.5	0.3	7.2	-0.1	10.2	5.7	1.9	1.6	6.4	12.6
Sep	P	119.3	-0.7	4.2	-0.3	2.7	0.1	2.5	0.3	6.7	-3.2	4.1	4.6	1.7	1.7	6.4	7.8
Oct	P	118.8	-0.4	3.4	-	2.3	0.1	2.4	0.5	6.9	-2.7	0.5	4.0	1.7	1.8	6.3	5.2
Nov	P	118.8	-	3.6	-	2.4	0.2	2.5	0.3	6.8	-0.8	1.0	4.3	1.6	1.9	6.2	6.9
Dec	P	118.8	-	3.6	-	2.0	0.2	2.6	0.1	6.8	-	2.3	4.1	1.5	1.8	6.1	6.2
07 *Jan*	P	119.5	0.6	2.7	0.4	1.4	1.0	2.9	0.7	6.3	0.2	-1.2	3.1	1.5	2.0	6.1	1.5
Feb	P	120.2	0.6	2.5	0.6	1.4	0.4	2.9	1.1	6.6	-0.3	-2.5	2.9	1.6	2.1	5.9	1.0
Mar	P	120.9	0.6	2.8	0.3	1.7	0.4	3.3	0.5	6.2	1.2	-1.6	...	...	...	...	...

PRODUCER PRICE INDEX. TOTAL
Annual percentage changes



PRODUCER PRICE INDEX. COMPONENTS
Annual percentage changes



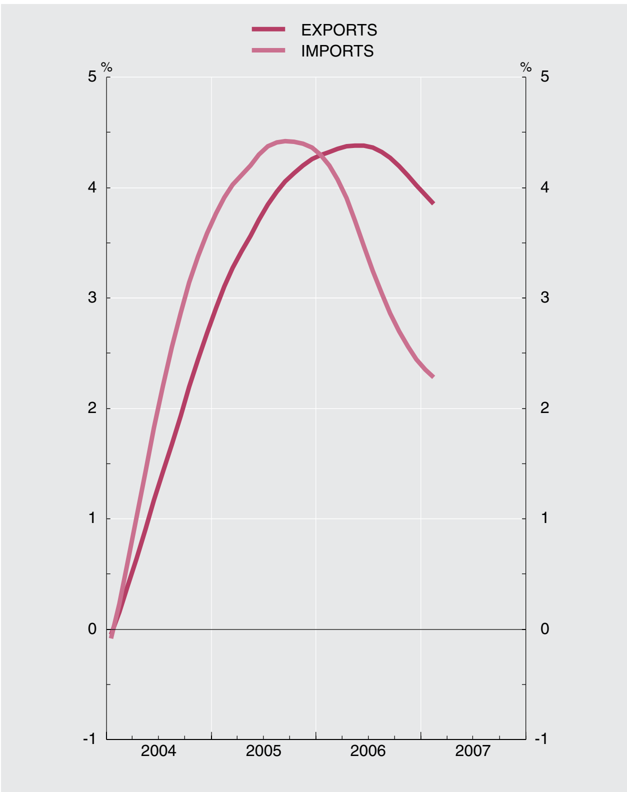
Sources: INE and ECB.
Note: The underlying series for this indicator, for Spain, are in Table 25.3 of the BE Boletín estadístico.
a. Spain: 2000=100; euro area: 2000=100.

5.4. UNIT VALUE INDICES FOR SPANISH FOREIGN TRADE

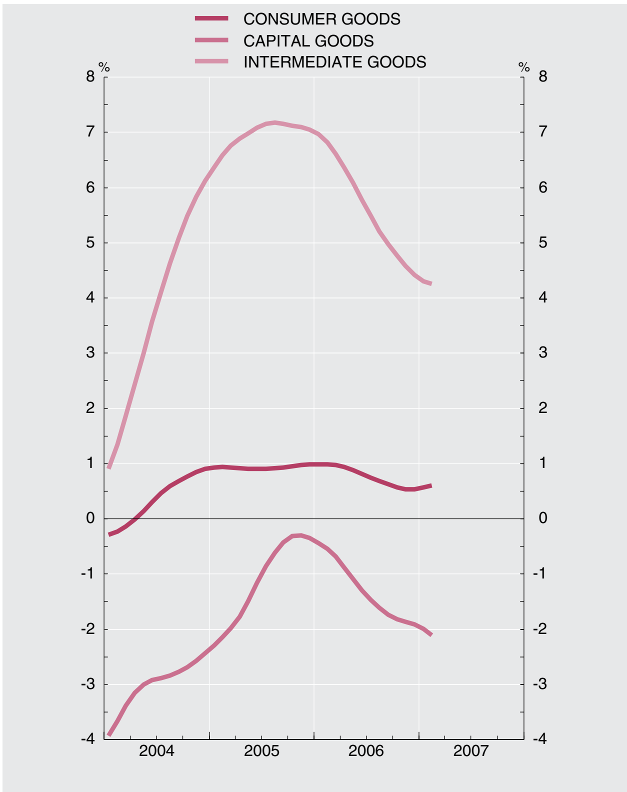
■ Series depicted in chart. *Annual percentage changes*

	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
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
06	4,8	3,7	3,0	6,1	18,0	5,6	3,4	-0,1	-1,7	6,1	21,5	2,1
06 *J-F*	3,8	1,1	7,2	5,5	26,9	4,1	6,1	-2,2	-1,2	12,4	40,6	4,7
07 *J-F*	3,8	3,1	0,6	4,6	-9,0	6,3	0,7	5,5	-1,5	-1,3	-7,9	1,7
05 *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	6,8	6,6	25,0	5,4	7,4	3,2	-4,2	11,7	30,5	5,8
May	4,5	5,0	1,0	4,9	16,0	4,3	6,1	4,2	-0,6	8,2	35,1	1,0
Jun	5,3	3,3	10,3	5,6	15,3	5,5	1,7	-1,5	-3,2	4,2	24,7	-0,3
Jul	6,1	8,2	-0,3	6,2	22,4	5,5	1,1	0,5	-7,3	3,1	16,3	-0,5
Aug	5,7	4,2	8,6	6,5	17,7	6,1	2,3	-0,6	-0,5	4,0	18,1	-0,3
Sep	5,4	5,6	-4,6	7,1	14,9	7,0	0,8	2,4	-5,0	1,0	8,0	0,4
Oct	5,7	5,9	-4,0	7,2	14,6	7,5	1,7	0,1	-8,2	4,5	8,9	3,2
Nov	3,4	3,2	-4,7	5,3	6,0	6,3	0,2	-5,4	-0,7	2,8	1,6	4,0
Dec	3,9	2,1	8,3	4,7	-2,8	4,7	1,2	-2,2	4,1	2,1	7,7	0,5
07 *Jan*	3,3	1,4	3,2	4,6	-4,8	5,6	0,8	8,6	0,8	-3,2	-5,9	-1,2
Feb	4,5	4,9	-2,3	4,6	-13,7	7,1	0,5	1,9	-4,0	0,9	-10,2	5,0

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).

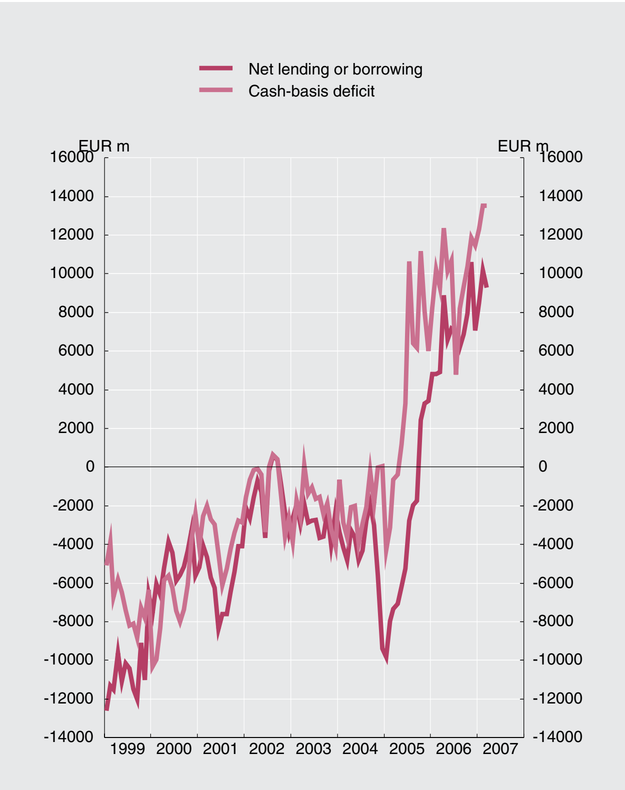
6.1. STATE RESOURCES ANS USES ACCORDING TO THE NACIONAL ACCOUNTS (A). SPAIN

■ Series depicted in chart.

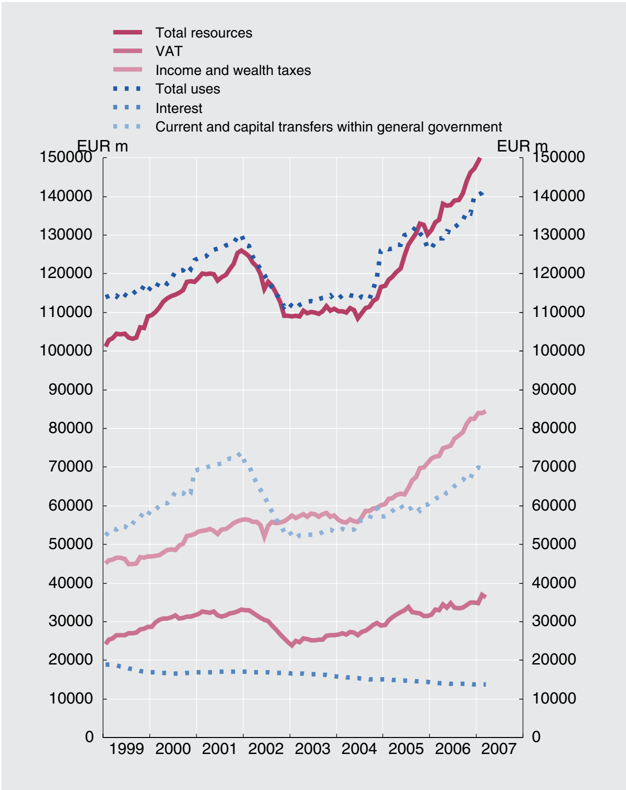
EUR millions

			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	118 005	31 566	17 171	5 419	52 671	11 178	123 632	12 881	16 817	68 917	3 633	21 384	-2 431	118 693	121 124
01		-4 104	126 032	33 160	17 838	7 335	56 312	11 387	130 136	12 890	17 031	73 716	3 297	23 202	-2 884	125 193	128 077
02		-3 428	109 142	24 701	11 431	5 614	56 616	10 780	112 570	13 526	16 652	53 800	3 244	25 348	-2 626	108 456	111 082
03		-2 274	111 008	26 542	10 918	5 089	57 398	11 061	113 282	13 966	15 890	53 259	2 591	27 576	-4 132	109 655	113 787
04		-9 410	116 577	28 950	10 988	4 730	60 054	11 855	125 987	14 831	15 060	57 177	7 408	31 511	59	114 793	114 734
05	P	3 422	130 171	31 542	11 069	4 406	70 985	12 169	126 749	15 679	14 344	60 291	3 272	33 163	6 022	128 777	122 755
06	A	7 057	147 205	34 946	11 330	5 263	82 541	13 125	140 148	16 798	13 819	69 200	3 620	36 711	11 471	141 847	130 375
06 *J-M*	P	4 618	33 336	14 079	2 671	1 062	13 987	1 537	28 718	3 687	3 441	14 931	455	6 204	244	33 260	33 017
07 *J-M*	A	6 861	37 755	15 409	2 918	1 572	15 920	1 936	30 894	3 908	3 428	16 516	392	6 650	2 316	37 782	35 467
06 *Jun*	P	-7 845	3 814	476	1 097	259	510	1 472	11 659	2 126	1 132	5 426	200	2 775	-6 449	3 209	9 657
Jul	P	8 003	18 946	4 628	948	248	12 537	585	10 943	1 313	1 162	6 316	179	1 973	4 171	19 184	15 013
Aug	P	-99	9 420	-3 204	877	287	10 575	885	9 519	1 148	1 179	5 134	87	1 971	-746	8 380	9 127
Sep	P	1 230	11 594	3 075	1 091	293	5 316	1 819	10 364	1 262	1 133	5 496	95	2 378	2 335	10 804	8 469
Oct	A	12 515	24 830	6 504	974	235	15 928	1 189	12 315	1 276	1 191	7 145	105	2 598	11 674	24 166	12 492
Nov	A	-2 561	9 059	1 291	1 060	1 018	4 706	984	11 620	1 318	1 137	5 600	132	3 433	-1 517	8 512	10 030
Dec	A	-14 594	10 761	287	979	893	5 869	2 733	25 355	2 196	1 133	8 863	2 054	11 109	-5 598	9 485	15 083
07 *Jan*	A	2 894	11 116	-477	1 097	313	9 803	380	8 222	1 226	1 179	5 020	-	797	-3 742	12 189	15 932
Feb	A	9 918	20 572	15 637	945	244	3 444	302	10 654	1 332	1 059	4 827	113	3 323	9 973	19 855	9 882
Mar	A	-5 951	6 067	249	876	1 015	2 673	1 254	12 018	1 350	1 190	6 669	279	2 530	-3 915	5 738	9 653

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.

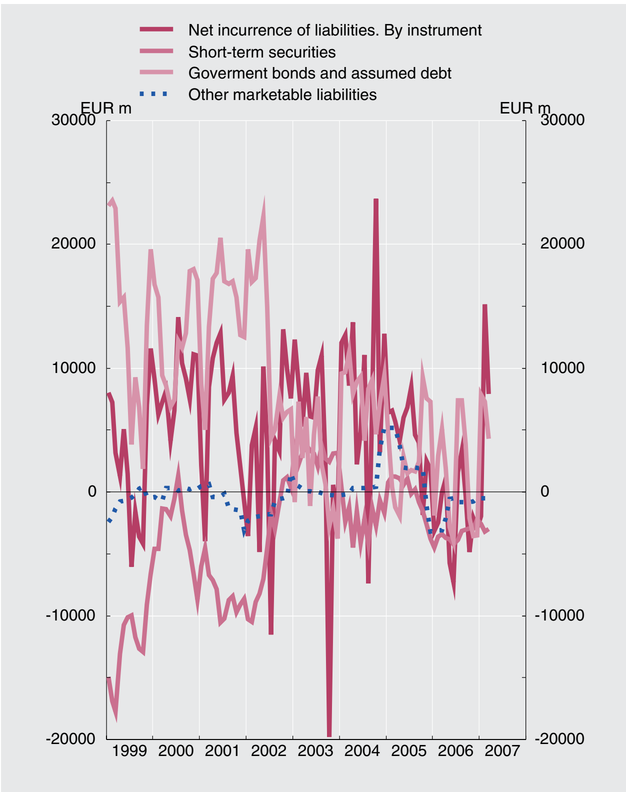
6.2. STATE FINANCIAL TRANSACTIONS (A). SPAIN

■ Series depicted in chart.

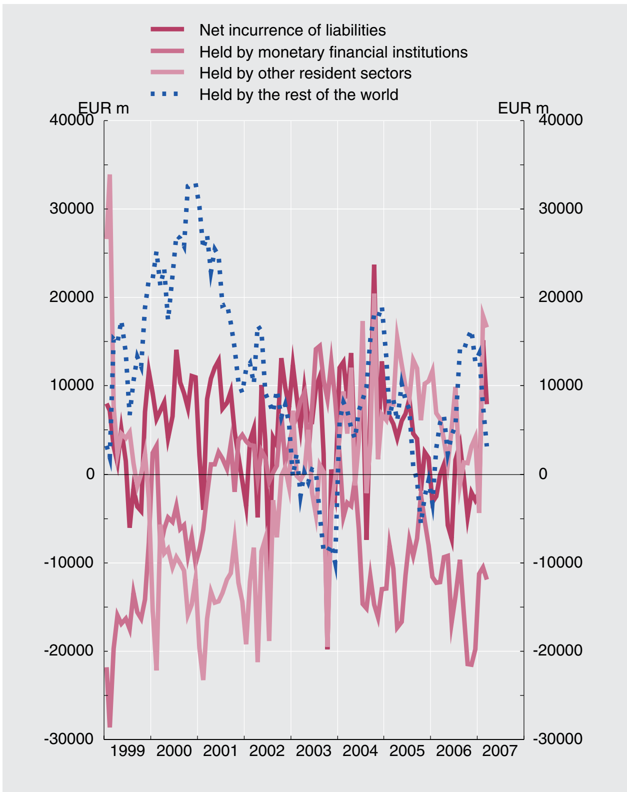
EUR millions

		Net lending (+) or net borrowing(-)	Net acquisition of financial assets: Of which: Total	Net acquisition of financial assets: Of which: Deposits at the Banco de España	Net incurrence of liabilities: Total ■	Net incurrence of liabilities: Of which: In currencies other than the peseta/euro	By instrument: Short-term securities ■	By instrument: Goverment bonds and assumed debt ■	By instrument: Banco de España loans	By instrument: Other marketable liabilities (b) ■	By instrument: Other accounts payable	By counterpart sector: Held by resident sectors: Total	By counterpart sector: Held by resident sectors: Monetary financial institutions ■	By counterpart sector: Held by resident sectors: Other resident sectors ■	By counterpart sector: Rest of the world ■	Net incurrence of liabilities (excluding other accounts payable)
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
99		-6 585	5 015	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		-2 274	-4 229	0	-1 955	-135	3 146	-3 761	-486	-281	-574	8 020	8 524	-504	-9 975	-1 381
04		-9 410	3 385	-0	12 795	-1 600	-1 688	9 416	-486	5 204	349	-6 180	-12 978	6 798	18 975	12 446
05	P	3 422	5 264	0	1 842	-1 910	-3 771	7 276	-486	-3 180	2 003	2 512	-8 026	10 538	-670	-161
06	A	7 057	4 131	-200	-2 926	175	-2 198	-3 488	-486	-533	3 778	-15 646	-19 808	4 162	12 720	-6 704
06 *J-M*	P	4 618	1 929	-1	-2 689	23	1 564	-3 999	-	-31	-223	-9 132	-8 205	-927	6 443	-2 466
07 *J-M*	A	6 861	14 992	20	8 131	20	783	3 805	-	14	3 528	11 255	-276	11 531	-3 124	4 602
06 *Jun*	P	-7 845	-6 922	-200	923	12	-2 790	2 591	-	45	1 076	-1 093	-1 896	803	2 016	-153
Jul	P	8 003	9 720	-0	1 717	1 298	1 976	-1 310	-	-288	1 339	2 528	-379	2 907	-811	378
Aug	P	-99	-4 811	1	-4 712	11	-1 591	1 039	-	27	-4 187	-4 325	551	-4 877	-386	-525
Sep	P	1 230	5 613	-1	4 383	-1 033	1 917	2 467	-	-33	33	-79	-638	559	4 462	4 350
Oct	A	12 515	4 353	1	-8 162	5	-2 161	-7 024	-	20	1 003	-7 212	-6 861	-351	-950	-9 165
Nov	A	-2 561	2 023	-1	4 584	6	1 764	2 221	-	12	586	616	426	191	3 967	3 997
Dec	A	-14 594	-11 017	-0	3 577	9	-1 805	2 286	-486	13	3 568	5 511	120	5 391	-1 934	9
07 *Jan*	A	2 894	-2 062	-0	-4 956	9	1 628	-29	-	8	-6 562	-7 059	802	-7 861	2 103	1 606
Feb	A	9 918	24 978	0	15 060	8	-3 064	3 148	-	-1	14 977	18 114	-1 089	19 203	-3 054	83
Mar	A	-5 951	-7 924	20	-1 973	4	2 220	686	-	7	-4 886	200	11	189	-2 173	2 913

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



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



Source: BE.

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

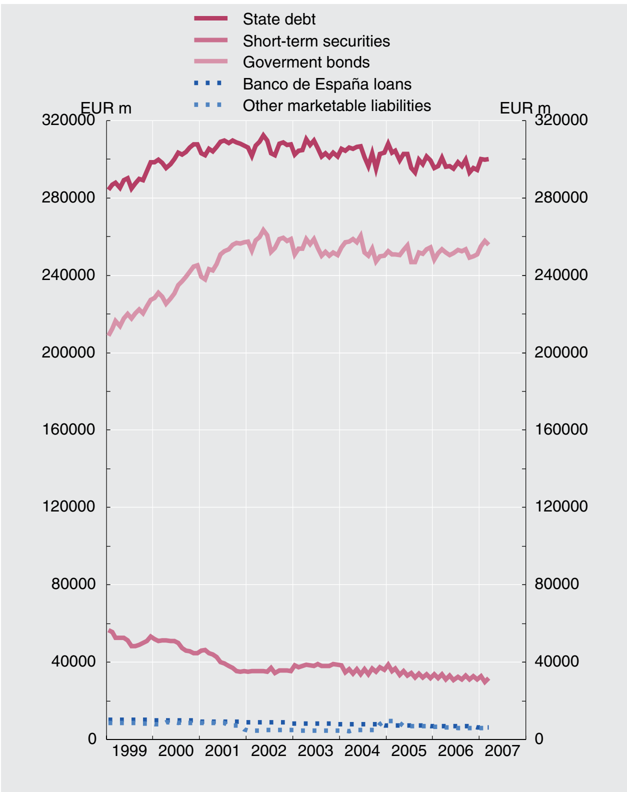
b.Includes other loans, non-negotiable securities, coined money and Caja General de Depósitos (General Deposit Fund).

6.3. STATE: LIABILITIES OUTSTANDING. SPAIN

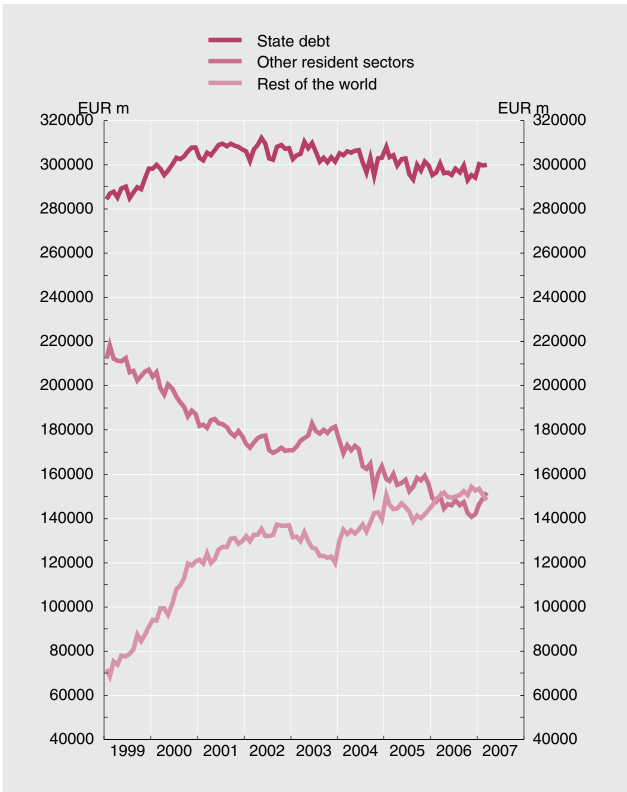
■ Series depicted in chart. *EUR millions*

		Liabilities outstanding (excluding other accounts payable)										Memorandum item:	
		State debt according to the methodology of the excessive deficit procedure	of which	By instrument				By counterpart sector				Deposits at the Banco de España	Guarantees given (contingent liabilities). Outstanding level
			In currencies other than the peseta/ euro	Short-term securities	Government bonds and assumed debt	Banco de España loans	Other marketable liabilities (a)	Held by resident sectors			Rest of the world		
								Total	General government	Other resident sectors			
		1 ■	2	3 ■	4 ■	5 ■	6 ■	7	8	9 ■	10 ■	11	12
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		301 476	5 105	38 702	250 337	7 873	4 564	192 399	10 952	181 447	120 029	300	6 821
04	P	303 254	3 267	35 996	250 125	7 388	9 746	182 967	19 412	163 554	139 700	300	7 186
05	P	299 578	2 154	31 647	254 442	6 902	6 588	178 398	22 810	155 588	143 990	300	6 020
06 *May*	P	296 502	1 920	33 021	250 330	6 902	6 250	168 353	21 702	146 651	149 851	300	5 739
Jun	P	295 289	1 696	30 622	251 471	6 902	6 294	167 585	21 720	145 865	149 424	100	5 743
Jul	P	298 372	1 683	32 502	252 962	6 902	6 006	170 287	21 977	148 310	150 061	100	5 675
Aug	P	296 511	1 648	31 208	252 368	6 902	6 034	168 335	22 278	146 058	150 454	100	5 658
Sep	P	299 641	518	33 130	253 610	6 902	6 000	169 754	22 464	147 290	152 351	100	5 649
Oct	A	293 134	523	31 106	249 106	6 902	6 020	163 622	21 017	142 605	150 529	100	5 645
Nov	A	295 340	516	32 762	249 643	6 902	6 033	162 670	21 792	140 878	154 462	100	5 960
Dec	A	294 332	515	31 087	250 784	6 416	6 046	163 603	21 788	141 815	152 517	100	5 794
07 *Jan*	A	300 173	519	32 703	255 001	6 416	6 054	168 342	21 788	146 553	153 620	100	5 772
Feb	A	299 752	386	29 614	257 670	6 416	6 052	170 980	21 788	149 192	150 560	100	5 777
Mar	A	300 055	382	31 834	255 745	6 416	6 060	175 244	23 590	151 653	148 402	120	5 681

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).

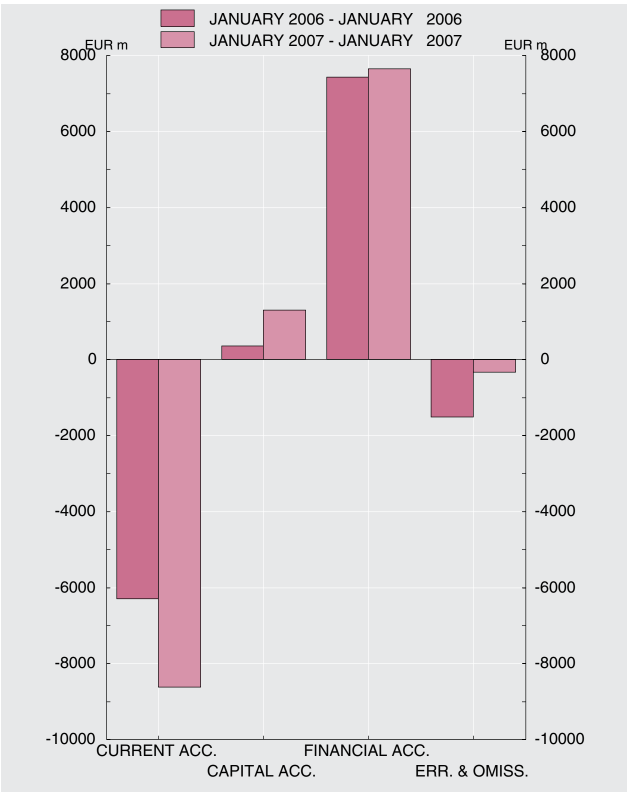
7.1. THE SPANISH BALANCE OF PAYMENTS VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. CURRENT ACCOUNT

■ Series depicted in chart.

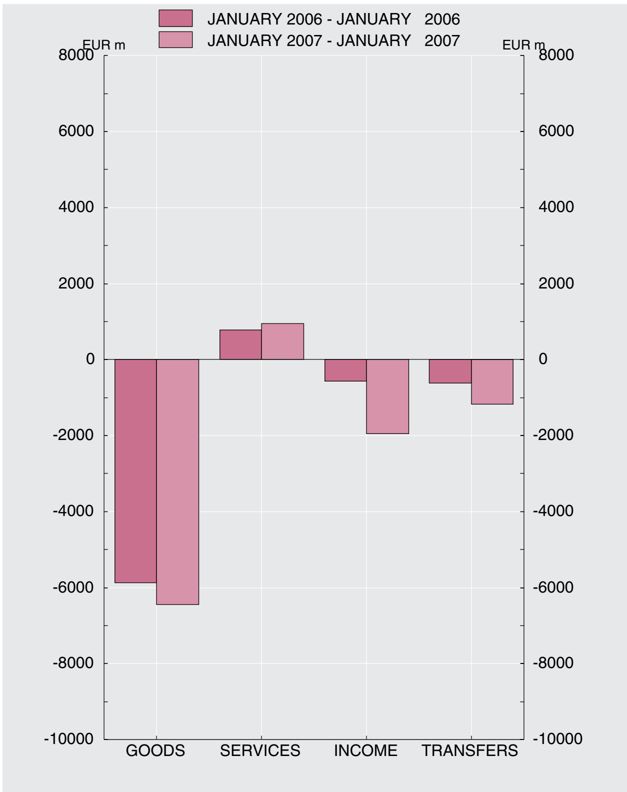
EUR millions

		Current account (a)													Capital account	Current account plus capital account	Financial account	Errors and omission
		Total (balance)	Goods			Services					Income			Current transfers (balance)	(balance)		(balance) (b)	
			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) ■
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		-66 860	-68 603	157 978	226 581	22 240	76 247	38 558	54 008	12 125	-17 103	31 870	48 974	-3 393	8 180	-58 679	60 818	-2 139
06	P	-84 736	-80 142	172 421	252 563	22 143	84 461	40 710	62 319	13 266	-20 983	39 031	60 014	-5 754	6 175	-78 562	81 471	-2 909
06 *J-J*	P	-6 286	-5 879	12 957	18 837	775	5 628	2 539	4 853	967	-563	3 786	4 350	-618	366	-5 920	7 433	-1 513
07 *J-J*	P	-8 622	-6 452	14 205	20 657	952	6 434	2 673	5 483	1 114	-1 949	3 808	5 757	-1 172	1 301	-7 320	7 650	-329
05 *Oct*		-4 946	-5 895	13 369	19 264	2 327	6 902	3 839	4 575	1 163	-1 112	2 444	3 556	-266	279	-4 666	5 149	-482
Nov		-4 879	-6 316	15 117	21 433	1 161	5 800	2 549	4 639	1 050	-1 068	2 994	4 062	1 344	359	-4 520	4 667	-147
Dec		-7 127	-6 339	13 338	19 677	862	5 641	2 170	4 779	942	-2 031	3 654	5 685	381	2 017	-5 110	4 747	362
06 *Jan*	P	-6 286	-5 879	12 957	18 837	775	5 628	2 539	4 853	967	-563	3 786	4 350	-618	366	-5 920	7 433	-1 513
Feb	P	-7 875	-5 723	14 234	19 958	798	5 452	2 175	4 655	850	-1 546	1 885	3 431	-1 404	324	-7 552	8 546	-994
Mar	P	-7 955	-7 079	15 680	22 759	1 422	6 685	2 635	5 263	1 026	-1 663	2 618	4 280	-635	174	-7 781	8 351	-570
Apr	P	-7 392	-6 166	13 353	19 519	1 181	5 887	2 663	4 706	942	-1 814	2 573	4 387	-593	227	-7 166	6 830	336
May	P	-5 675	-6 710	15 703	22 413	2 310	7 081	3 352	4 771	702	-901	4 361	5 262	-374	645	-5 031	5 670	-639
Jun	P	-6 083	-6 802	15 422	22 223	2 125	7 651	3 988	5 526	1 207	-1 678	3 168	4 846	272	201	-5 882	5 588	294
Jul	P	-8 445	-6 453	13 789	20 242	3 116	8 658	4 936	5 542	1 334	-4 200	2 957	7 156	-908	572	-7 873	8 039	-167
Aug	P	-6 438	-7 441	11 419	18 860	3 386	8 748	5 149	5 362	1 588	-1 666	2 395	4 060	-718	731	-5 708	7 049	-1 341
Sep	P	-7 452	-6 790	14 319	21 109	2 493	7 725	4 447	5 232	1 289	-2 310	2 687	4 998	-844	3	-7 449	7 125	324
Oct	P	-7 540	-7 560	15 491	23 052	2 559	7 955	3 924	5 397	1 192	-2 248	2 671	4 920	-290	363	-7 178	7 293	-115
Nov	P	-10 269	-7 910	15 329	23 239	1 120	6 452	2 630	5 332	1 168	-2 288	2 772	5 060	-1 191	583	-9 686	7 849	1 837
Dec	P	-3 326	-5 629	14 725	20 354	857	6 539	2 269	5 681	1 002	-105	7 159	7 264	1 551	1 989	-1 337	1 699	-362
07 *Jan*	P	-8 622	-6 452	14 205	20 657	952	6 434	2 673	5 483	1 114	-1 949	3 808	5 757	-1 172	1 301	-7 320	7 650	-329

SUMMARY



CURRENT ACCOUNT



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

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

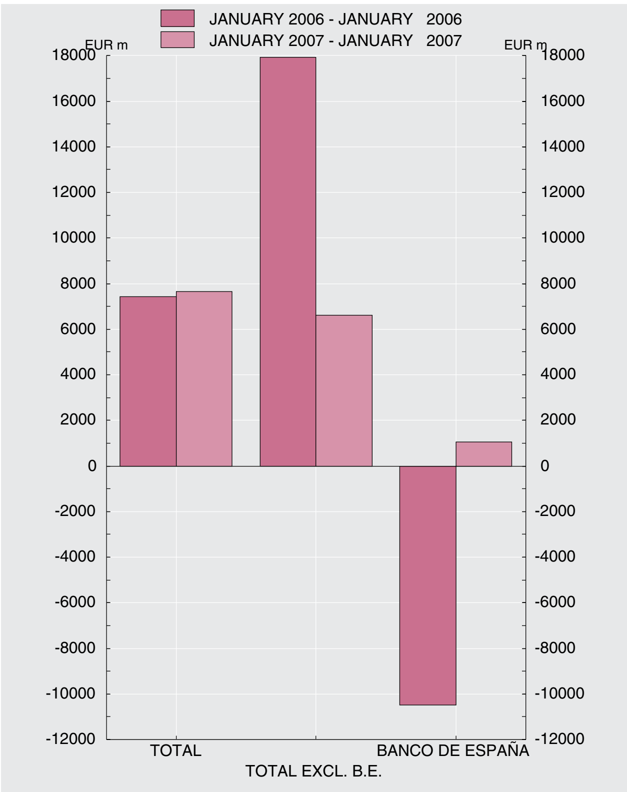
b. A positive sign for the financial account balance (the net change in liabilities exceeds the net change in financial assets) means a net credit inflow, i.e. a net foreign loan to Spain (increase in the debtor position or decrease in the creditor position).

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

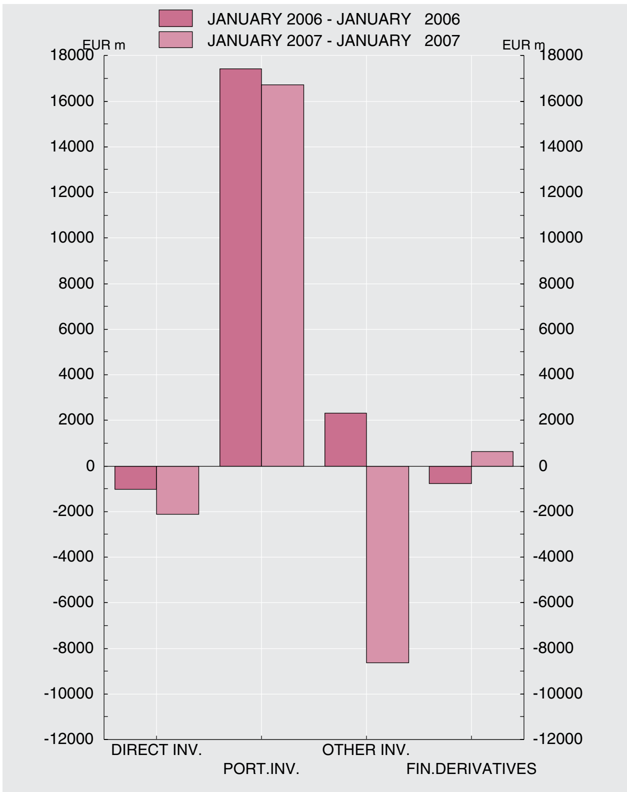
■ Series depicted in chart. *EUR millions*

		Financial account (NCL-NCA)	Total, excluding Banco de España: Total (NCL-NCA)	Direct investment: Balance (NCL-NCA)	Direct investment: Spanish investment abroad (NCA)	Direct investment: Foreign investment in Spain (NCL) (b)	Portfolio investment: Balance (NCL-NCA)	Portfolio investment: Spanish investment abroad (NCA)	Portfolio investment: Foreign investment in Spain (NCL) (c)	Other investment (d): Balance (NCL-NCA)	Other investment (d): Spanish investment abroad (NCA)	Other investment (d): Foreign investment in Spain (NCL)	Net financial derivatives (NCL-NCA)	Banco de España: Balance (NCL-NCA)	Banco de España: Reserves (e)	Banco de España: Claims with the Eurosystem (e)	Banco de España: Other net assets (NCL-NCA)
		1=2+13 ■	2=3+6+9+12 ■	3=5-4 ■	4	5	6=8-7 ■	7	8	9=11-10 ■	10	11	12 ■	13=14+15+16 ■	14	15	16
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		60 818	62 932	-13 517	33 636	20 119	58 734	79 741	138 475	17 349	47 253	64 601	366	-2 114	1 439	14 855	-18 409
06	P	81 471	107 271	-55 531	71 486	15 955	198 314	-5 103	193 210	-37 556	70 361	32 806	2 044	-25 800	-480	-12 327	-12 993
06 *J-J*	P	7 433	17 923	-1 022	3 307	2 285	17 412	5 035	22 447	2 312	2 729	5 041	-779	-10 490	45	-9 761	-773
07 *J-J*	P	7 650	6 609	-2 105	4 550	2 445	16 709	-346	16 363	-8 633	6 318	-2 315	638	1 041	45	963	33
05 *Oct*		5 149	6 329	618	1 743	2 361	3 440	6 427	9 867	1 381	6 869	8 250	890	-1 181	-71	-986	-124
Nov		4 667	818	5 642	3 073	8 715	-8 564	23 618	15 055	2 904	5 953	8 857	836	3 848	-463	4 286	25
Dec		4 747	5 466	-6 276	6 616	340	10 072	4 182	14 254	2 031	1 642	3 672	-361	-719	253	826	-1 798
06 *Jan*	P	7 433	17 923	-1 022	3 307	2 285	17 412	5 035	22 447	2 312	2 729	5 041	-779	-10 490	45	-9 761	-773
Feb	P	8 546	7 525	-24 898	26 600	1 701	20 452	5 739	26 191	11 658	13 913	25 571	313	1 021	-24	962	83
Mar	P	8 351	9 363	-3 446	1 095	-2 352	9 618	10 715	20 333	2 280	3 211	5 491	911	-1 012	-233	-952	173
Apr	P	6 830	10 023	-1 734	6 708	4 973	12 801	-3 083	9 719	-1 304	7 163	5 860	259	-3 193	440	-3 502	-131
May	P	5 670	3 688	-3 588	3 854	266	39 269	-16 669	22 601	-31 039	7 426	-23 613	-955	1 982	171	2 240	-429
Jun	P	5 588	9 873	-5 467	4 995	-472	27 088	-2 903	24 185	-12 747	4 409	-8 338	1 000	-4 285	-270	-4 148	134
Jul	P	8 039	10 470	-1 349	6 753	5 405	21 176	-1 722	19 454	-9 432	5 854	-3 578	74	-2 430	113	-1 897	-646
Aug	P	7 049	-1 972	-2 874	2 770	-104	2 192	2 103	4 295	-1 453	1 954	500	163	9 021	-150	10 682	-1 511
Sep	P	7 125	10 138	-3 248	4 679	1 431	15 316	-7 069	8 247	-1 759	11 038	9 279	-171	-3 013	-482	-1 975	-557
Oct	P	7 293	17 408	1 358	1 316	2 674	15 675	-3 055	12 621	-1 119	11 615	10 497	1 493	-10 114	4	-5 821	-4 297
Nov	P	7 849	7 235	-4 313	4 412	98	14 458	4 662	19 120	-2 231	5 081	2 849	-679	614	-20	3 750	-3 116
Dec	P	1 699	5 600	-4 950	4 999	49	2 856	1 143	3 999	7 279	-4 033	3 246	415	-3 901	-73	-1 905	-1 923
07 *Jan*	P	7 650	6 609	-2 105	4 550	2 445	16 709	-346	16 363	-8 633	6 318	-2 315	638	1 041	45	963	33

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.

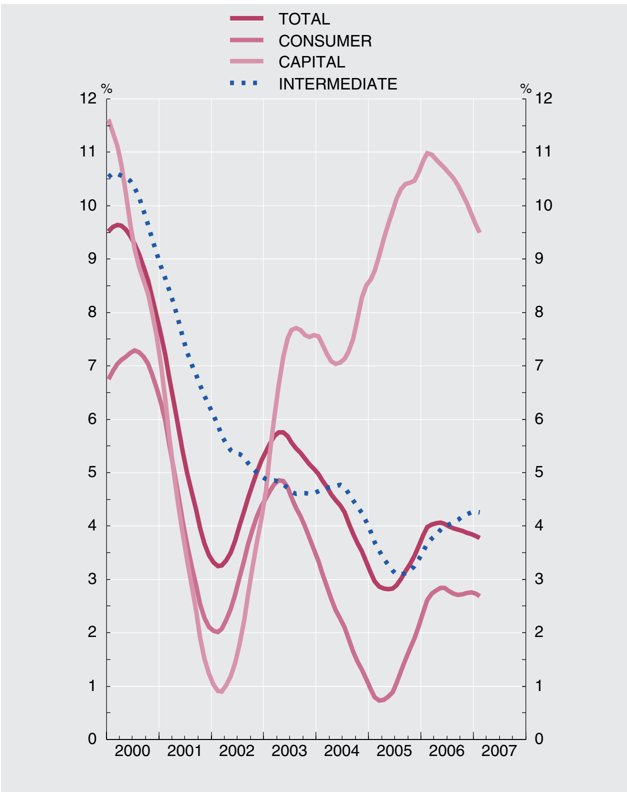
7.3. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD EXPORT AND DISPATCHES

■ Series depicted in chart.

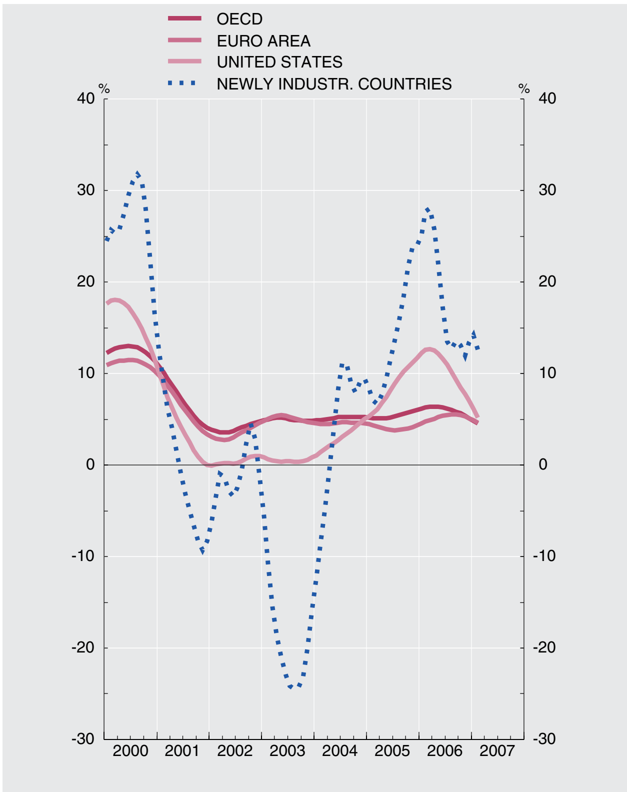
Eur millions and annual percentage changes

	Total			By product (deflated data) (a)					By geographical area (nominal data)							
						Intermediate			EU 25			OECD				
	EUR millions	Nom-inal	De-flated (a)	Con-sumer	Capital	Total	Energy	Non-energy	Total	of which: EU 15	of which: Euro area	Total	of which: United States	OPEC	Other Amer-ican coun-tries	Newly industri-alised coun-tries
	1	2	3 ■	4 ■	5 ■	6 ■	7	8	9	10	11 ■	12 ■	13 ■	14	15	16 ■
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	155 005	5.5	0.8	-0.9	5.3	1.4	-8.9	2.0	2.5	2.3	2.1	4.2	10.2	10.4	11.8	14.5
06 P	169 872	10.9	5.7	4.8	12.2	5.0	-3.6	5.6	8.0	7.6	7.9	9.1	24.2	6.3	46.7	18.8
06 *Jan*	12 753	17.0	12.2	8.7	56.4	8.3	-1.6	8.9	7.6	7.3	5.0	13.1	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	11.1	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	16.3	46.0	20.5	63.5	41.8
Apr	13 161	-1.8	-6.3	-10.1	0.3	-4.6	-4.5	-4.6	-5.7	-6.3	-6.9	-1.3	11.7	-35.5	26.2	27.3
May	15 472	16.3	11.2	11.3	20.6	9.5	4.6	9.7	12.7	12.2	11.0	14.4	41.6	-2.0	103.0	36.0
Jun	15 192	11.9	6.2	9.2	-14.3	9.0	-10.7	10.0	13.1	12.9	12.2	9.7	24.0	24.7	39.7	14.6
Jul	13 597	6.2	0.1	-2.8	8.3	0.4	-13.8	1.1	7.2	6.6	9.1	6.5	15.6	-14.4	32.4	-9.0
Aug	11 264	13.5	7.5	6.5	26.1	5.1	-12.6	6.4	9.3	8.7	10.6	10.3	26.3	25.2	79.4	4.1
Sep	14 092	4.3	-1.0	-5.3	18.9	-1.1	-16.2	-0.2	3.8	3.6	4.9	3.1	-1.2	-0.6	11.1	23.5
Oct	15 264	15.5	9.3	5.0	27.0	9.9	-21.1	11.6	17.6	17.3	18.2	14.5	-4.1	-1.5	57.0	31.3
Nov	15 097	3.5	0.1	-0.5	-8.6	2.8	-39.6	5.0	7.5	6.9	8.3	5.9	3.5	-16.8	-28.7	-15.3
Dec	14 538	9.4	5.2	8.5	-7.0	5.8	31.8	4.4	1.6	0.9	2.8	4.9	40.5	14.2	23.6	9.9
07 *Jan*	13 969	9.5	6.0	9.7	-18.6	8.5	-15.1	9.7	11.4	10.5	13.6	9.0	4.7	31.0	-16.4	76.6
Feb	14 860	6.2	1.7	-2.4	7.3	4.7	-3.3	4.1	3.0	2.5	4.4	4.5	20.8	-16.6	58.2	-23.2

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



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



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

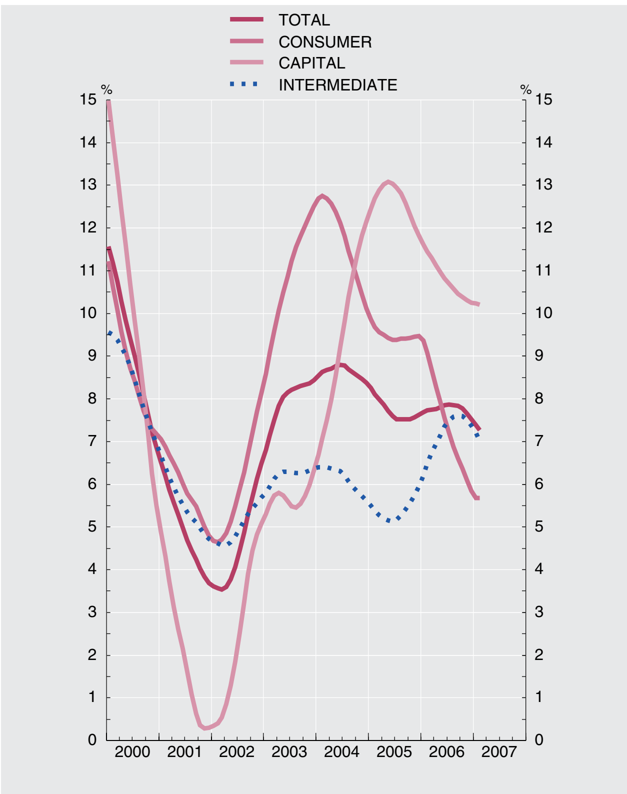
7.4. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD IMPORTS AND ARRIVALS

■ Series depicted in chart.

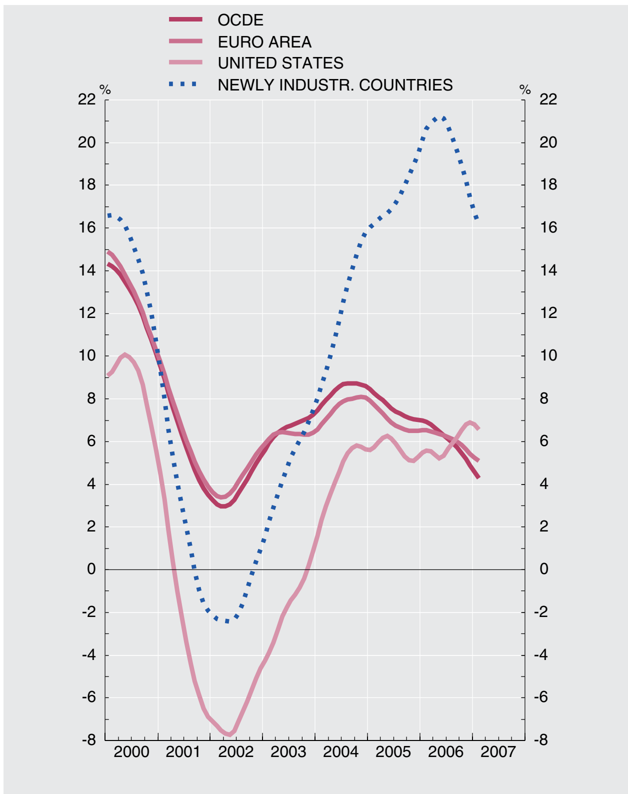
Eur millions and annual percentage changes

		Total			By product (deflated data) (a)					By geographical area (nominal data)							
							Intermediate			EU 25			OECD				
		EUR millions	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 ■
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		232 954	11.8	6.4	8.4	17.6	3.4	10.9	1.5	5.5	5.2	5.3	6.1	-0.1	36.9	29.3	11.2
06	P	259 559	12.5	8.7	8.9	3.3	9.6	5.8	10.7	8.0	6.9	7.6	8.0	11.0	29.8	27.9	29.6
06 *Jan*		19 337	19.5	13.1	40.4	20.8	-0.2	1.8	-0.8	13.8	13.2	13.8	13.3	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	12.4	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	16.7	39.8	47.3	57.0	26.6
Apr		20 045	0.6	-6.4	-4.6	-12.6	-5.9	2.3	-7.7	-2.6	-3.6	-3.0	-4.2	-5.8	26.2	-13.9	5.9
May		23 000	16.9	10.1	11.1	1.2	11.4	17.7	10.0	11.5	9.9	8.5	10.8	-20.0	36.2	55.5	47.1
Jun		22 877	13.5	11.6	10.9	-2.8	14.9	4.7	17.2	11.4	10.5	11.6	8.4	-22.6	52.3	11.8	46.7
Jul		20 774	9.8	8.5	3.4	12.3	10.3	4.8	11.6	7.7	7.4	8.0	7.5	37.8	30.3	4.8	21.7
Aug		19 342	13.0	10.5	4.9	5.2	14.4	1.3	19.0	8.9	8.0	8.2	9.0	-4.6	26.1	24.6	28.8
Sep		21 740	5.4	4.6	-0.5	2.3	7.6	-8.5	11.7	3.0	2.1	1.6	3.4	-3.2	-7.1	39.8	9.8
Oct		23 665	19.2	17.2	13.6	31.5	16.5	15.1	16.9	13.3	13.5	14.8	13.9	18.1	38.1	51.8	41.5
Nov		23 871	9.1	8.8	8.9	-4.6	12.5	1.3	15.2	8.2	6.9	8.9	8.5	19.4	-2.0	-16.0	9.8
Dec		20 934	2.3	1.1	0.3	-8.1	3.8	2.6	4.1	-4.7	-5.4	-3.5	-3.3	36.8	12.2	29.1	24.3
07 *Jan*		21 592	11.7	10.8	-7.9	32.2	17.9	4.0	21.6	10.1	6.4	5.8	7.7	15.4	1.6	17.2	0.3
Feb		21 749	6.1	5.5	1.8	14.7	5.5	3.1	6.2	4.8	5.6	6.2	5.1	7.5	-8.9	41.2	-1.8

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



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



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

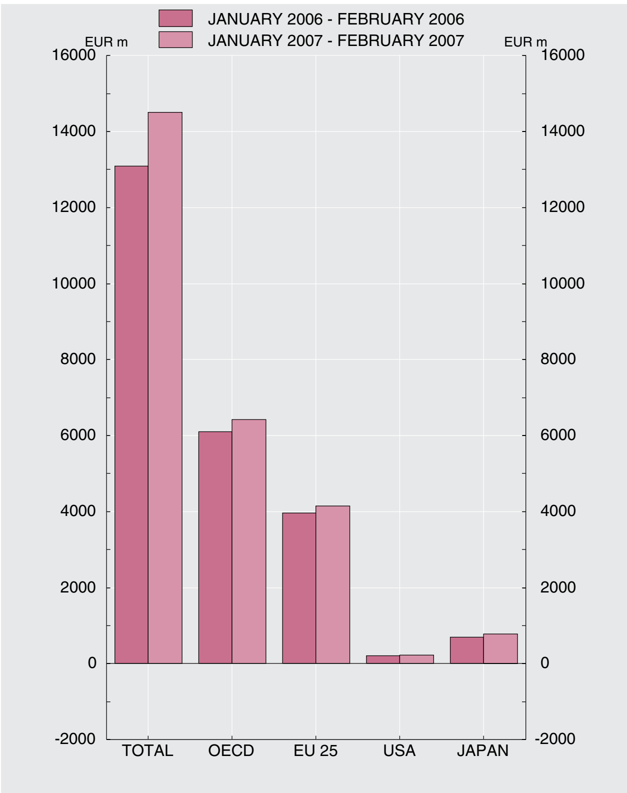
7.5. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD. TRADE BALANCE. GEOGRAPHICAL DISTRIBUTION

■ Series depicted in chart.

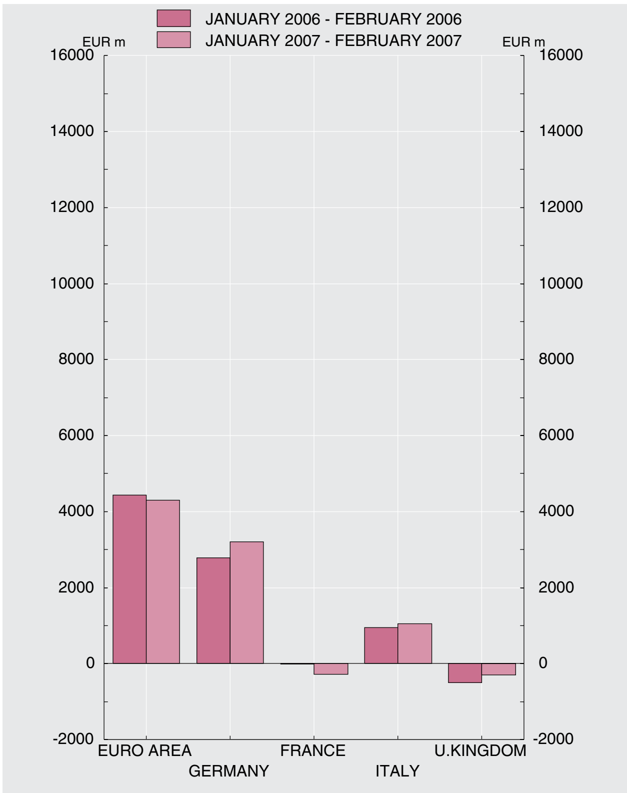
EUR millions

	World total	European Union (EU 25)								OECD				Other American countries	Newly industrialised countries
		Total	European Union (EU 15)							Total	of which:		OPEC		
			Total	Euro area				United Kingdom	Other EU 15 members		United States of América	Japan			
				Total	of which:										
					Germany	France	Italy								
	1 ■	2 ■	3	4 ■	5 ■	6 ■	7 ■	8 ■	9	10 ■	11 ■	12 ■	13	14	15
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	-77 950	-30 553	-29 889	-29 596	-16 749	-3 112	-6 938	-210	-82	-41 592	-1 092	-4 769	-13 683	-3 089	-3 411
06 P	-89 687	-32 186	-30 570	-31 216	-18 442	-1 409	-6 722	661	-15	-43 791	-978	-4 494	-17 857	-3 092	-4 585
06 *J-F*	-13 088	-4 200	-3 961	-4 434	-2 790	6	-946	503	-31	-6 107	-202	-695	-2 674	-350	-742
07 *J-F*	-14 513	-4 588	-4 141	-4 293	-3 212	279	-1 043	294	-143	-6 427	-218	-777	-2 536	-563	-696
06 *Feb*	-6 504	-2 087	-1 904	-2 097	-1 593	195	-583	251	-59	-3 106	-140	-365	-1 288	-179	-310
Mar	-8 027	-3 066	-2 876	-2 958	-1 800	-220	-623	132	-50	-4 208	-146	-413	-1 641	-302	-339
Apr	-6 884	-2 729	-2 571	-2 495	-1 394	-177	-461	-138	62	-3 386	-179	-307	-1 479	-162	-286
May	-7 528	-2 591	-2 356	-2 382	-1 692	-21	-417	-46	71	-3 450	32	-432	-1 404	-372	-441
Jun	-7 685	-3 060	-2 923	-3 136	-1 594	-597	-475	194	19	-4 015	28	-421	-1 560	-207	-476
Jul	-7 177	-2 676	-2 675	-2 716	-1 563	-101	-680	-19	60	-3 540	-209	-336	-1 549	-118	-359
Aug	-8 078	-2 856	-2 773	-2 708	-1 491	-165	-483	-68	3	-3 752	2	-326	-1 716	-123	-301
Sep	-7 647	-2 359	-2 256	-2 251	-1 396	-83	-460	-5	-0	-3 437	-43	-372	-1 476	-429	-322
Oct	-8 402	-2 612	-2 481	-2 582	-1 597	93	-672	97	4	-3 939	-95	-455	-1 601	-582	-439
Nov	-8 775	-3 075	-2 890	-2 844	-1 642	65	-898	87	-134	-4 392	-202	-375	-1 336	-531	-476
Dec	-6 396	-2 961	-2 807	-2 709	-1 483	-209	-606	-78	-20	-3 565	37	-361	-1 422	84	-405
07 *Jan*	-7 624	-2 214	-1 825	-1 918	-1 456	112	-438	150	-57	-3 089	-138	-375	-1 330	-383	-354
Feb	-6 889	-2 374	-2 316	-2 375	-1 756	167	-605	145	-86	-3 338	-80	-401	-1 206	-180	-341

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.

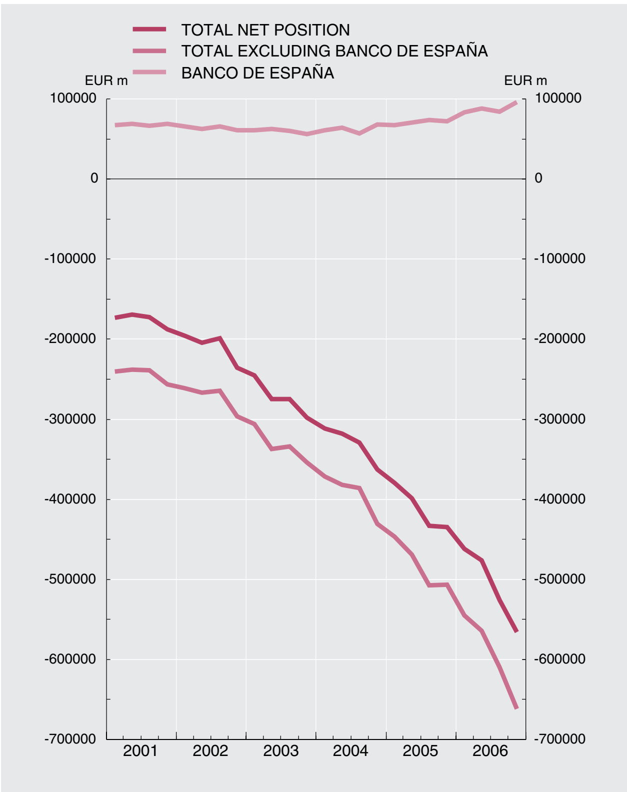
7.6. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD SUMMARY

■ Series depicted in chart.

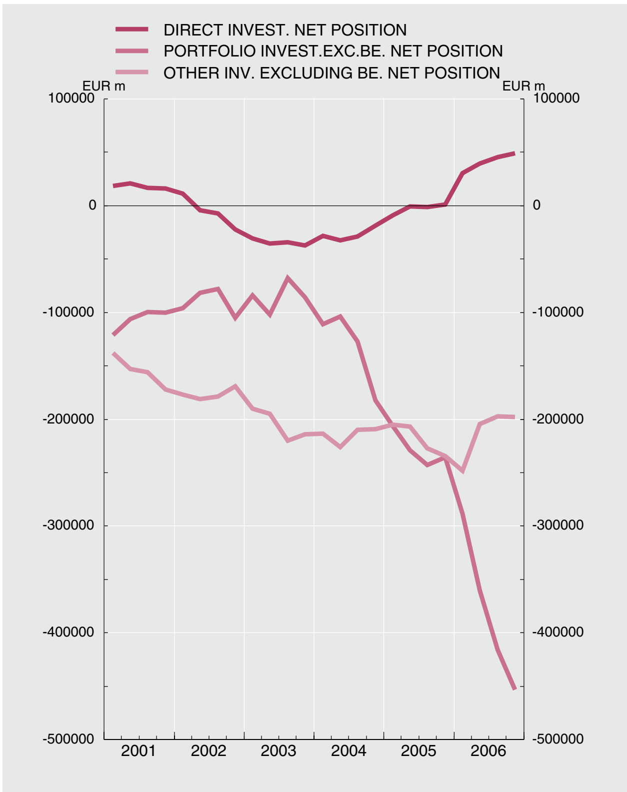
End-of-period stocks in EUR billions

	Net interna-tional invest-ment 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			Financial derivat-ives Net position (assets-liabil.)	Banco de España Net position (assets-liabil.)	Reserves	Assets vis-à-vis the Euro-system	Other net assets (assets-liabil.)
			Net position (assets-liabil.)	Spanish invest-ment abroad (assets)	Foreign invest-ment in Spain (liabil.)	Net position (assets-liabil.)	Spanish invest-ment abroad (assets)	Foreign invest-ment in Spain (liabil.)	Net position (assets-liabil.)	Spanish invest-ment abroad (assets)	Foreign invest-ment in Spain (liabil.)					
	1=2+13 ■	2=3+6+ 9+12 ■	3=4-5 ■	4	5	6=7-8 ■	7	8	9=10-11 ■	10	11		13= 14to16 ■	14	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	-160.1	-244.1	12.2	180.2	168.0	-117.0	193.7	310.7	-139.3	166.4	305.8	...	84.0	38.2	45.3	0.4
01	-188.0	-256.4	16.3	217.5	201.1	-100.4	232.6	333.1	-172.3	172.5	344.8	...	68.5	38.9	29.2	0.4
02 R	-236.0	-296.6	-22.1	223.1	245.2	-105.7	256.8	362.5	-168.9	197.4	366.3	...	60.6	38.4	22.7	-0.4
03 *Q4*	-297.7	-353.8	-37.4	231.6	268.9	-102.3	319.8	422.0	-214.2	204.0	418.1	...	56.1	21.2	18.3	16.6
04 *Q1*	-311.3	-371.9	-28.1	242.1	270.2	-130.2	332.8	463.0	-213.6	210.9	424.4	...	60.5	17.6	23.1	19.9
Q2	-317.7	-381.9	-32.4	247.6	280.0	-123.4	347.9	471.3	-226.1	222.1	448.2	...	64.2	16.2	27.9	20.0
Q3	-329.0	-385.8	-28.6	254.2	282.9	-147.2	344.4	491.5	-210.0	229.7	439.7	...	56.8	15.9	20.5	20.4
Q4	-362.9	-431.0	-18.4	272.3	290.7	-203.2	359.3	562.5	-209.4	222.2	431.6	...	68.1	14.5	31.9	21.7
05 *Q1*	-379.4	-446.7	-8.9	287.1	296.0	-232.7	366.5	599.2	-205.0	240.3	445.3	...	67.3	13.3	25.2	28.8
Q2	-398.5	-468.9	-0.7	298.0	298.7	-261.4	390.8	652.2	-206.8	256.5	463.2	...	70.4	13.7	22.0	34.7
Q3	-433.4	-507.3	-1.0	302.0	303.0	-278.9	417.7	696.6	-227.4	255.9	483.3	...	74.0	14.0	21.2	38.7
Q4	-434.6	-506.8	1.3	316.1	314.9	-273.6	454.7	728.4	-234.4	270.1	504.5	...	72.2	14.6	17.1	40.5
06 *Q1*	-461.8	-544.8	30.3	349.6	319.4	-327.1	476.7	803.8	-248.0	286.4	534.5	...	83.0	15.4	26.8	40.8
Q2	-476.6	-564.4	39.5	362.8	323.3	-399.1	444.4	843.5	-204.7	301.6	506.3	...	87.8	14.6	32.2	41.0
Q3	-525.6	-609.4	45.8	377.8	332.0	-458.0	448.8	906.8	-197.2	316.6	513.8	...	83.8	15.0	25.4	43.4
Q4	-565.4	-661.4	49.1	385.7	336.6	-504.0	460.5	964.5	-197.8	330.0	527.8	-8.8	96.0	14.7	29.4	52.0

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.

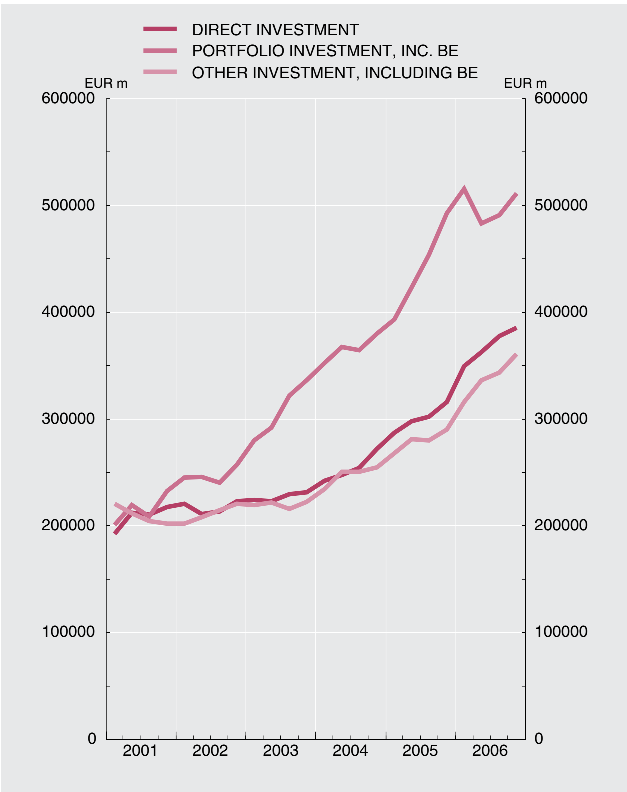
7.7. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-à-VIS OTHER EURO AREA RESIDENTES AND THE REST OF THE WORLD BREAKDOWN BY INVESTMENT

■ Series depicted in chart.

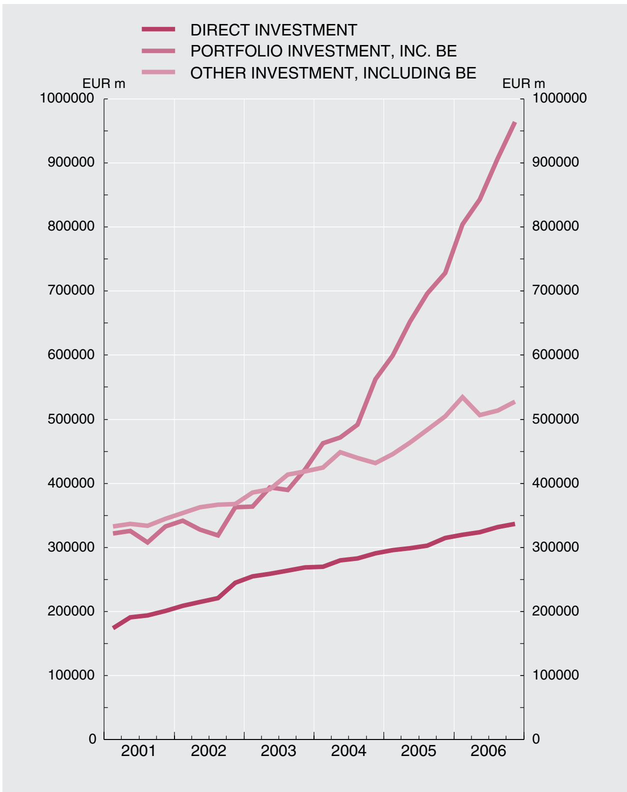
End-of-period stocks in EUR millions

	Direct investment				Portfolio investment, including Banco de España				Other investment, including Banco de España		Financial derivatives	
	Spanish investment abroad		Foreign investment in Spain		Spanish investment abroad		Foreign investment in Spain		Spanish investment abroad	Foreign investment in Spain	Spanish investment abroad	Foreign investment in Spain
	Shares and other equities	Intercompany debt transactions	Shares and other equities	Intercompany debt transactions	Shares and mutual funds	Debt securities	Shares and mutual funds	Debt securities				
	1	2	3	4	5	6	7	8	9 ■	10 ■	11	12
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	163 138	212 159	305 778	...	...
01	197 233	20 231	164 360	36 768	74 596	158 052	144 151	188 925	202 099	344 845	...	...
02 R	206 268	16 815	194 711	50 456	50 712	206 581	116 967	245 492	220 483	367 646	...	...
03 *Q4*	217 086	14 477	207 096	61 828	62 677	273 344	147 878	274 166	222 670	418 202	...	...
04 *Q1*	225 194	16 878	208 256	61 931	70 575	281 731	153 501	309 500	234 370	424 483	...	...
Q2	230 136	17 465	214 813	65 228	75 271	292 225	149 108	322 159	250 458	448 162	...	...
Q3	234 813	19 406	218 183	64 681	71 014	293 161	150 702	340 847	250 801	439 721	...	...
Q4	254 696	17 627	223 215	67 501	78 053	302 067	183 211	379 279	254 992	431 651	...	...
05 *Q1*	267 443	19 623	225 155	70 858	79 829	313 130	184 793	414 446	267 818	445 298	...	...
Q2	278 521	19 467	229 158	69 524	83 676	339 219	178 505	473 689	281 118	463 313	...	...
Q3	281 575	20 399	229 623	73 393	93 654	360 155	204 334	492 258	279 750	483 331	...	...
Q4	295 784	20 350	239 162	75 708	104 157	388 472	197 347	531 022	289 875	504 603	...	...
06 *Q1*	328 670	20 964	239 208	80 169	119 446	395 944	214 645	589 132	315 860	534 939	...	...
Q2	339 413	23 360	244 813	78 492	122 057	361 144	206 547	636 929	336 205	506 560	...	...
Q3	355 680	22 080	247 851	84 156	127 331	363 400	232 506	674 323	343 671	513 930	...	...
Q4	362 254	23 448	250 908	85 671	137 941	373 083	245 678	718 840	361 030	527 972	32 423	41 204

SPANISH INVESTMENT ABROAD



FOREIGN INVESTMENT IN SPAIN



Source: BE.
Note: See footnote to Indicator 7.6

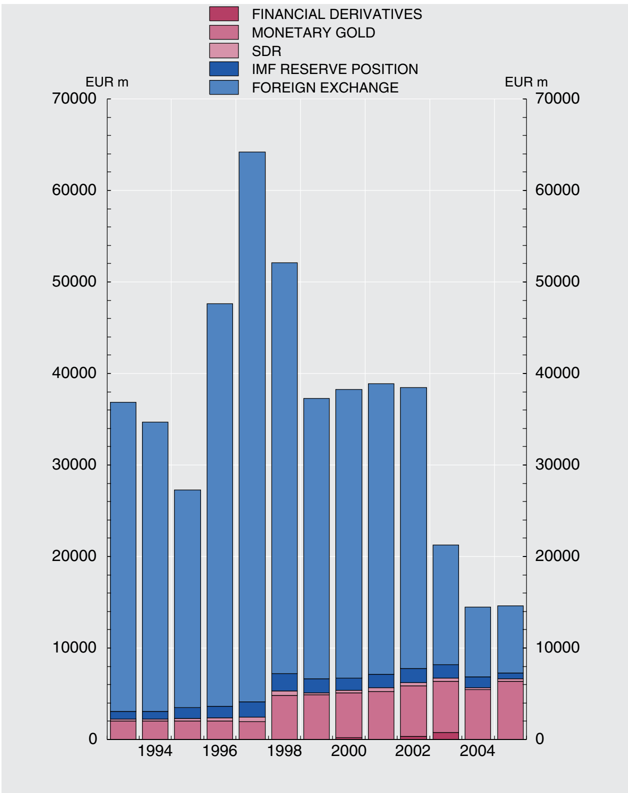
7.8. SPANISH RESERVE ASSETS

■ Series depicted in chart.

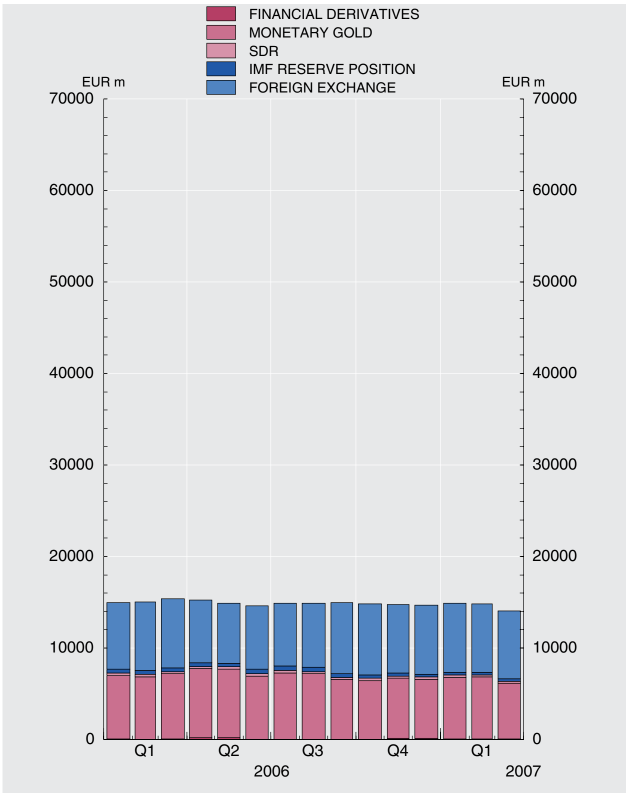
End-of-period stocks in EUR millions

	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 *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
Jul	14 918	6 896	469	255	7 295	3	14.7
Aug	14 915	7 018	468	256	7 155	18	14.7
Sep	14 972	7 746	410	258	6 586	-27	13.9
Oct	14 809	7 723	361	258	6 470	-3	13.7
Nov	14 750	7 489	322	254	6 544	141	13.4
Dec	14 685	7 533	303	254	6 467	127	13.4
07 *Jan*	14 893	7 557	307	261	6 716	52	13.4
Feb	14 800	7 459	261	251	6 735	94	13.4
Mar	14 045	7 410	255	251	6 037	91	12.1

RESERVE ASSETS
END-OF-YEAR POSITIONS



RESERVE ASSETS
END-OF-MONTH POSITIONS



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

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

End-of-period positions *EUR millions*

	Total	General government						Other monetary financial institutions				
		Total	Short-term		Long-term			Total	Short-term		Long-term	
			Money market instru-ments	Loans	Bonds and notes	Loans	Trade credits		Money market instru-ments	Deposits	Bonds and notes	Deposits
	1	2	3	4	5	6	7	8	9	10	11	12
03 *Q1*	696 382	182 122	2 075	710	166 863	12 474	-	332 276	315	165 842	43 626	122 493
Q2	716 455	185 291	2 963	267	169 875	12 185	-	344 968	323	170 814	50 093	123 739
Q3	744 144	177 307	3 290	1 780	160 058	12 179	-	367 992	353	183 340	54 498	129 801
Q4	775 767	174 827	4 312	335	157 552	12 628	-	379 423	326	187 752	61 652	129 693
04 *Q1*	818 597	189 370	3 592	489	172 254	13 035	-	398 303	361	186 529	77 928	133 485
Q2	859 825	186 801	3 200	428	170 051	13 121	-	430 763	353	207 118	84 615	138 676
Q3	870 725	192 431	2 873	1 755	174 457	13 346	-	427 166	362	198 299	92 532	135 974
Q4	906 924	202 222	2 776	705	181 878	16 864	-	431 337	301	194 245	104 720	132 071
05 *Q1*	957 990	204 752	2 513	1 024	183 038	18 177	-	460 500	467	202 197	125 535	132 301
Q2	1 038 003	213 855	2 110	437	194 059	17 249	-	490 258	587	232 191	139 670	117 810
Q3	1 080 276	213 285	3 088	1 424	191 719	17 054	-	517 879	400	264 976	150 727	101 776
Q4	1 144 330	213 328	2 465	65	192 798	18 001	-	548 891	981	276 566	164 457	106 887
06 *Q1*	1 237 217	213 993	4 628	11	191 300	18 053	-	589 522	1 003	295 771	193 633	99 115
Q2	1 257 151	213 254	3 620	345	191 381	17 908	-	582 635	2 186	268 475	210 530	101 443
Q3	1 305 844	214 087	6 130	1 469	188 509	17 979	-	602 348	5 274	267 202	225 648	104 224
Q4	1 368 209	215 444	4 836	662	191 871	18 074	-	622 714	6 252	275 234	235 989	105 238

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

End-of-period positions *EUR millions*

	Monetary authority		Other residents sectors								Direct investment		
	Total	Short-term	Total	Short-term			Long-term				Total	Vis-à-vis	
		Deposits		Money market instru-ments	Loans	Other liabilities	Bonds and notes	Loans	Trade credits	Other liabilities		Direct investors	Subsidia-ries
	13	14	15	16	17	18	19	20	21	22	23	24	25
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	146 248	2 321	20 013	359	53 044	69 437	405	669	84 614	36 527	48 088
Q2	1	1	152 757	2 561	18 246	229	61 378	69 314	403	625	89 504	37 429	52 075
Q3	0	0	160 970	3 312	18 630	634	67 310	70 153	393	537	90 157	37 826	52 331
Q4	16	16	177 355	4 043	19 005	1 175	85 561	66 675	414	482	95 994	38 687	57 307
05 *Q1*	0	0	194 492	4 274	20 617	787	98 620	69 001	406	788	98 246	39 381	58 865
Q2	71	71	232 819	3 839	19 952	1 569	133 425	72 848	398	788	101 001	41 375	59 626
Q3	42	42	244 383	3 401	19 325	1 636	142 923	76 086	365	646	104 688	42 508	62 180
Q4	126	126	273 280	3 380	17 976	996	166 941	83 095	364	527	108 705	43 490	65 215
06 *Q1*	462	462	320 094	2 905	19 066	408	195 663	101 185	360	508	113 146	46 809	66 337
Q2	291	291	347 310	4 283	17 909	330	224 929	99 010	352	497	113 662	48 078	65 584
Q3	158	158	371 659	4 641	21 660	830	244 120	99 573	350	484	117 592	51 286	66 306
Q4	154	154	408 499	4 786	22 354	694	275 105	104 736	341	484	121 397	52 815	68 582

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 *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	-
Jul	449 416	329 739	120 000	-405	-1	359	276	280 132	585 320	34 646	327 983	-11 851	1 783	167 501	-
Aug	436 866	317 587	120 002	-783	4	108	53	267 906	589 612	23 289	327 310	-17 685	3 046	165 915	-
Sep	427 171	307 761	120 002	-548	-2	120	162	254 585	587 088	17 667	326 287	-23 883	4 915	167 670	-
Oct	433 484	313 068	120 001	432	-9	84	92	261 353	591 532	22 866	327 789	-25 256	5 562	166 570	-
Nov	428 935	308 796	120 002	-	5	175	43	252 396	594 677	15 133	327 060	-30 353	5 361	171 178	-
Dec	442 027	321 852	119 999	119	-1	151	93	261 057	616 005	4 996	326 659	-33 285	5 152	175 819	-
07 *Jan*	435 688	317 755	120 000	-1 996	-1	101	171	257 241	610 602	13 826	323 822	-43 365	3 374	175 024	49
Feb	418 118	289 075	130 001	-902	2	61	119	236 075	604 440	4 649	321 665	-51 350	3 203	178 840	-
Mar	420 564	280 636	140 909	-480	1	95	597	234 586	608 664	5 280	321 550	-57 808	2 903	183 075	-

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 *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	-
Jul	22 582	19 066	3 622	-67	-2	2	37	38 610	82 952	9 370	19 420	-34 292	-33 138	-29 195	-3 943	17 110	-
Aug	21 380	17 921	3 501	-45	3	-	-	35 048	82 545	7 925	18 369	-37 053	-31 044	-28 013	-3 032	17 376	-
Sep	21 261	17 621	3 677	-38	1	-	-	30 389	81 441	6 162	17 189	-40 025	-27 023	-24 750	-2 273	17 895	-
Oct	21 333	17 413	3 908	23	-9	-	0	30 132	81 689	8 621	16 037	-44 142	-26 775	-25 416	-1 359	17 977	-
Nov	21 334	17 392	3 939	-	2	0	0	29 670	81 557	11 191	15 636	-47 443	-26 688	-25 443	-1 245	18 352	-
Dec	21 181	17 497	3 671	10	-2	5	0	26 202	84 859	7 042	15 432	-50 267	-24 501	-23 640	-861	19 480	-
07 *Jan*	21 704	18 536	3 170	-	-1	-	0	25 995	84 423	8 554	15 350	-51 631	-22 709	-22 011	-698	18 418	-
Feb	22 588	19 883	2 692	12	1	-	0	25 658	83 187	10 180	15 269	-52 440	-22 025	-21 757	-268	18 954	-
Mar	20 302	16 637	3 939	-	-0	-	274	22 613	83 729	8 474	15 065	-54 525	-21 554	-21 032	-521	19 243	-

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

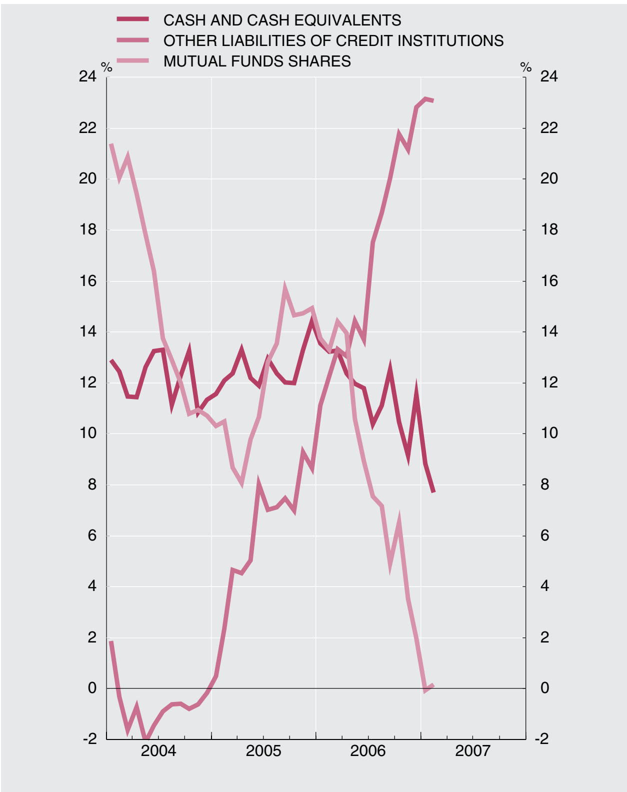
8.2 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES (a) OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN

■ Series depicted in chart.

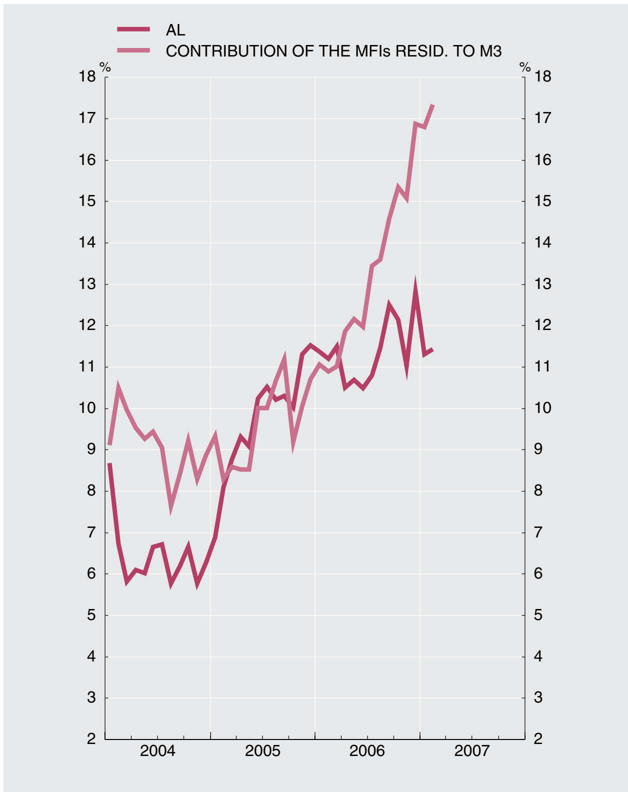
EUR millions and %

	Cash and cash equivalents				Other liabilities of credit institutions					Mutual funds shares				Memorandum items	
	Stocks	12-month % change	12-m. % change		Stocks	12 month % change	12-month % change			Stocks	12-month % change	12-month % change		12-month % change	
			Cash	Deposits (b)			Other deposits (c)	Repos + credit institutions' securities	Deposits in branches abroad			Fixed income in EUR (d)	Other	AL (e)	Contribution of the MFIs resid. to M3
	1	2 ■	3	4	5	6 ■	7	8	9	10	11 ■	12	13	14 ■	15 ■
04	401 569	11.3	19.7	9.5	277 903	-0.2	8.4	-28.4	-8.3	192 531	10.7	6.1	16.1	6.3	8.9
05	459 550	14.4	16.1	14.0	301 935	8.6	10.5	-0.6	5.7	221 306	14.9	7.7	22.6	11.5	10.7
06	512 617	11.5	9.9	11.9	370 849	22.8	22.8	29.5	0.9	225 687	2.0	-10.1	13.1	12.8	16.9
05 *Nov*	445 414	13.3	16.7	12.5	295 972	9.3	10.2	4.2	8.0	219 119	14.7	9.0	20.8	11.3	10.1
Dec	459 550	14.4	16.1	14.0	301 935	8.6	10.5	-0.6	5.7	221 306	14.9	7.7	22.6	11.5	10.7
06 *Jan*	450 575	13.5	15.7	13.0	306 659	11.1	10.6	15.9	4.7	221 664	13.8	3.4	24.6	11.4	11.1
Feb	455 677	13.2	15.9	12.6	311 315	12.3	11.1	20.3	9.3	224 802	13.3	0.1	26.8	11.2	10.9
Mar	463 123	13.3	16.4	12.6	318 017	13.3	12.9	21.9	-7.6	228 057	14.4	-1.0	29.9	11.5	11.0
Apr	463 170	12.4	15.6	11.6	317 847	13.1	12.8	17.5	1.4	228 294	14.0	-4.1	32.5	10.5	11.9
May	466 598	12.0	14.9	11.3	322 067	14.4	13.5	23.8	0.7	225 687	10.6	-4.8	26.3	10.7	12.2
Jun	486 718	11.8	14.4	11.2	327 555	13.7	13.9	20.5	-10.3	225 521	8.9	-3.8	22.0	10.5	12.0
Jul	486 852	10.4	12.7	9.9	334 972	17.5	16.7	29.6	-4.1	226 736	7.5	-5.6	20.9	10.8	13.4
Aug	476 857	11.1	12.4	10.8	343 224	18.7	17.7	31.6	-3.3	228 725	7.2	-6.5	21.2	11.5	13.6
Sep	490 567	12.5	11.4	12.8	346 353	20.0	19.3	33.2	-5.5	227 577	4.9	-7.7	17.4	12.5	14.6
Oct	481 540	10.5	10.5	10.4	351 223	21.8	20.5	36.6	1.2	230 452	6.5	-6.9	19.7	12.1	15.3
Nov	486 157	9.1	10.6	8.8	358 606	21.2	21.4	27.2	-3.5	226 858	3.5	-9.2	15.7	11.0	15.1
Dec	512 617	11.5	9.9	11.9	370 849	22.8	22.8	29.5	0.9	225 687	2.0	-10.1	13.1	12.8	16.9
07 *Jan* P	490 377	8.8	9.0	8.8	377 670	23.2	26.0	15.1	-4.0	221 538	-0.1	-13.1	11.3	11.3	16.8
Feb P	490 767	7.7	8.2	7.6	383 139	23.1	26.6	10.9	-4.1	225 171	0.2	-7.7	6.6	11.4	17.3

NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change



NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change



Source: BE.

a. This concept refers to the instruments included in the headings of the table, issued by resident credit institutions and mutual funds. The exception is column 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.

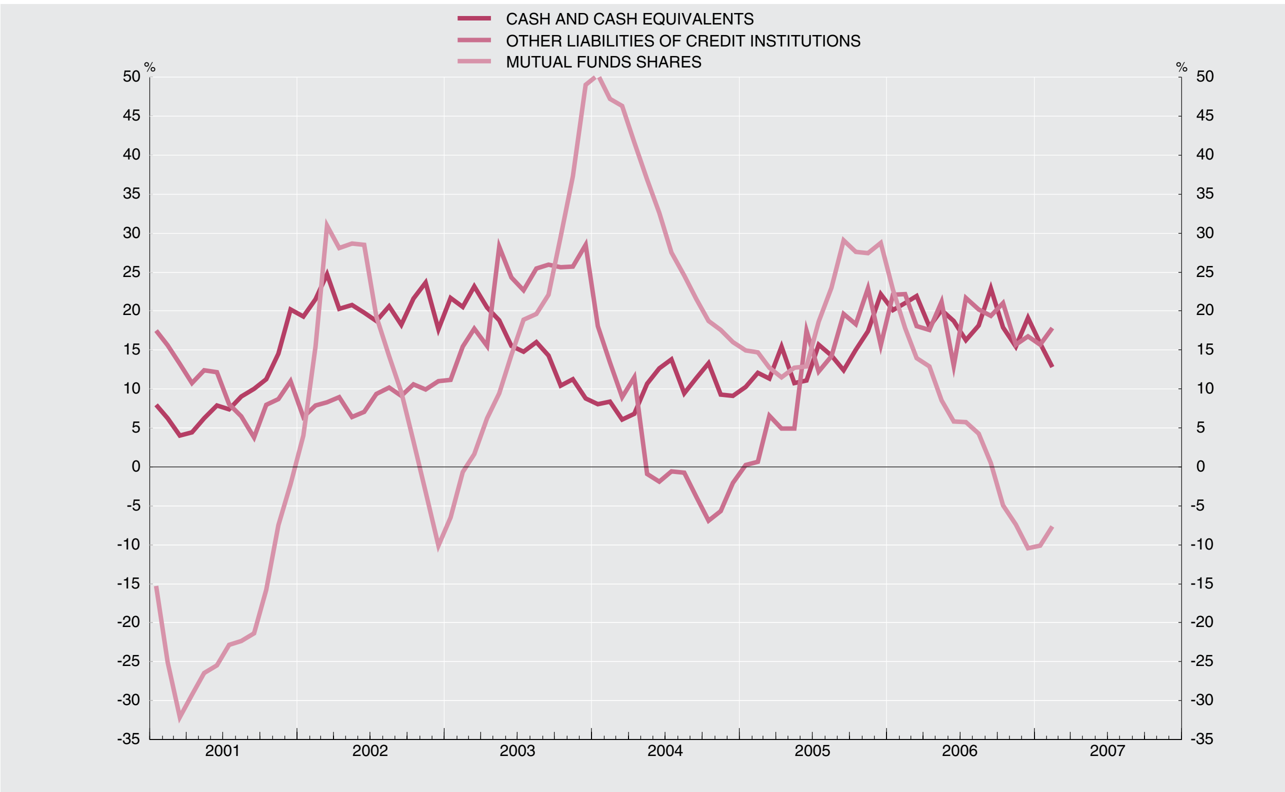
8.3 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ 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 depo-sits (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
04	93 247	9.1	62 387	-2.1	24.6	-19.7	23 738	16.0	18.5	13.5
05	113 928	22.2	72 124	15.6	30.5	0.3	30 552	28.7	14.8	42.8
06	135 676	19.1	84 188	16.7	17.4	15.8	27 359	-10.5	-15.5	-6.4
05 *Nov*	107 982	17.4	69 236	22.9	32.6	11.8	29 697	27.4	14.9	40.4
Dec	113 928	22.2	72 124	15.6	30.5	0.3	30 552	28.7	14.8	42.8
06 *Jan*	109 754	20.1	71 821	22.1	27.4	16.1	29 864	22.7	10.1	35.1
Feb	113 575	21.0	71 402	22.2	25.7	17.9	29 547	17.8	4.5	30.3
Mar	116 620	21.9	72 547	18.0	23.9	11.4	29 133	13.9	1.0	25.5
Apr	114 918	18.0	71 429	17.6	24.4	9.4	29 114	12.9	-3.6	28.3
May	117 318	20.1	72 331	21.1	19.1	24.1	28 628	8.6	-6.0	22.3
Jun	123 650	18.7	73 355	13.0	12.7	13.5	28 369	5.8	-7.5	18.6
Jul	122 855	16.2	74 812	21.7	21.1	22.5	29 187	5.8	-6.7	17.5
Aug	119 085	18.1	78 203	20.2	21.8	18.0	29 404	4.3	-8.0	15.7
Sep	126 645	22.9	79 044	19.4	24.3	13.1	29 075	0.5	-10.0	9.8
Oct	121 704	17.9	78 751	21.0	22.0	19.7	27 657	-4.9	-13.0	2.2
Nov	124 657	15.4	80 087	15.7	19.5	10.4	27 496	-7.4	-13.6	-2.1
Dec	135 676	19.1	84 188	16.7	17.4	15.8	27 359	-10.5	-15.5	-6.4
07 *Jan* P	127 148	15.8	83 113	15.7	24.5	4.7	26 855	-10.1	-18.2	-3.6
Feb P	128 152	12.8	84 119	17.8	28.2	4.7	27 295	-7.6	-11.3	-4.9

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.

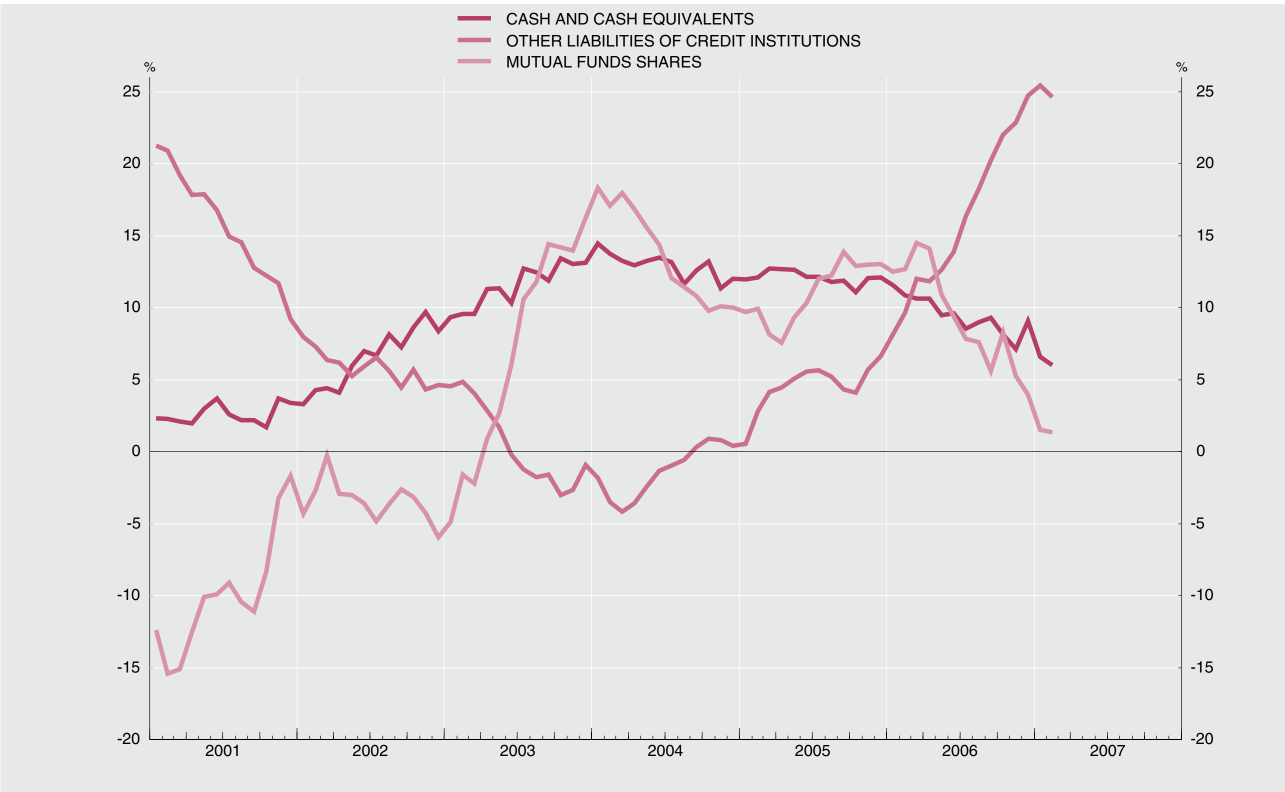
8.4 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ 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
04		308 322	12.0	20.4	9.8	215 516	0.4	6.1	-30.7	168 793	10.0	4.5	16.4
05		345 622	12.1	15.2	11.2	229 811	6.6	7.3	1.4	190 753	13.0	6.7	19.6
06		376 941	9.1	10.1	8.8	286 661	24.7	23.8	32.6	198 328	4.0	-9.3	16.5
05 *Nov*		337 432	12.0	15.9	11.0	226 735	5.7	6.7	-2.5	189 422	13.0	8.2	18.1
Dec		345 622	12.1	15.2	11.2	229 811	6.6	7.3	1.4	190 753	13.0	6.7	19.6
06 *Jan*		340 821	11.6	14.9	10.6	234 838	8.1	7.9	10.1	191 800	12.5	2.4	23.1
Feb		342 102	10.9	15.2	9.6	239 913	9.6	8.7	17.7	195 255	12.7	-0.4	26.3
Mar		346 503	10.6	15.8	9.2	245 470	12.0	11.1	19.1	198 924	14.5	-1.3	30.6
Apr		348 252	10.6	15.1	9.3	246 418	11.8	10.9	19.4	199 181	14.1	-4.2	33.2
May		349 279	9.5	14.5	8.0	249 735	12.6	12.5	13.5	197 059	10.9	-4.6	26.9
Jun		363 068	9.6	14.1	8.3	254 200	13.9	14.2	11.8	197 152	9.4	-3.3	22.5
Jul		363 997	8.5	12.4	7.4	260 160	16.4	16.0	19.8	197 549	7.8	-5.4	21.4
Aug		357 772	9.0	12.2	8.0	265 021	18.2	17.0	29.0	199 321	7.6	-6.3	22.1
Sep		363 922	9.3	11.3	8.7	267 310	20.2	18.3	37.7	198 501	5.6	-7.4	18.7
Oct		359 836	8.1	10.4	7.5	272 472	22.0	20.2	38.4	202 795	8.3	-6.0	22.6
Nov		361 500	7.1	10.7	6.1	278 519	22.8	21.8	31.9	199 363	5.2	-8.6	18.6
Dec		376 941	9.1	10.1	8.8	286 661	24.7	23.8	32.6	198 328	4.0	-9.3	16.5
07 *Jan*	P	363 230	6.6	9.2	5.8	294 557	25.4	26.2	18.9	194 683	1.5	-12.4	13.7
Feb	P	362 615	6.0	8.4	5.3	299 020	24.6	26.3	11.5	197 876	1.3	-7.2	8.4

HOUSEHOLDS AND NPISH
Annual percentage change



Source: BE.

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

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

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

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

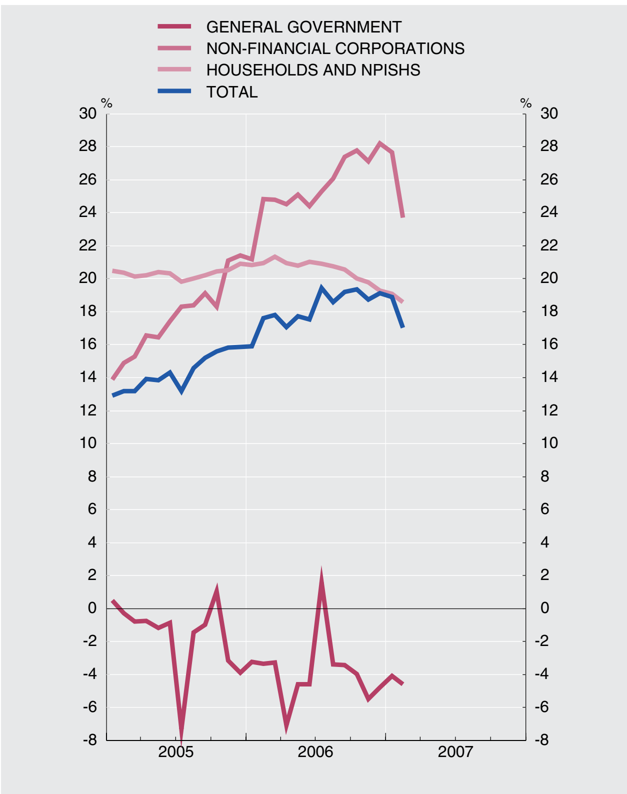
8.5. FINANCING OF NON-FINANCIAL SECTORS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

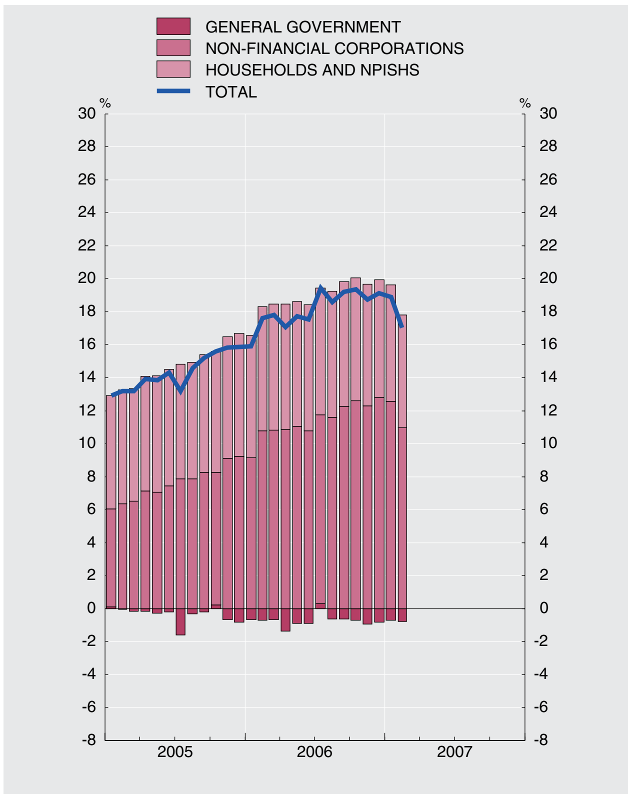
EUR millions and %

	Total			Annual growth rate							Contribution to col. 3						
					Non-financial corp. and households and NPISHs							Non-financial corp. and households and NPISHs					
						By sectors		By instruments					By sectors		By instrumentss		
	Stocks	Effective flow	Annual growth rate	General government (b)		Non-financial corporations	Households and NPISHs	Credit institutions' loans & securit. funds	Securities other than shares	External loans	General government (b)		Non-financial corporations	Households and NPISHs	Credit institutions' loans & securit. funds	Securities other than shares	External loans
	1	2	3 ■	4 ■	5	6 ■	7 ■	8	9	10	11 ■	12	13 ■	14 ■	15	16	17
04	1 510 072	165 523	12.4	-0.2	16.3	13.2	20.2	19.1	-1.2	3.5	-0.0	12.4	5.6	6.8	12.0	-0.0	0.4
05	1 756 681	239 368	15.9	-3.9	21.2	21.4	20.9	23.0	23.7	10.7	-0.8	16.7	9.2	7.5	15.2	0.2	1.3
06	2 094 737	335 733	19.1	-4.8	24.2	28.2	19.3	24.4	135.1	15.7	-0.8	20.0	12.8	7.2	17.1	1.0	1.8
05 *Nov*	1 720 893	34 949	15.8	-3.2	20.8	21.1	20.5	22.4	19.9	12.4	-0.7	16.5	9.1	7.4	14.8	0.1	1.5
Dec	1 756 681	34 006	15.9	-3.9	21.2	21.4	20.9	23.0	23.7	10.7	-0.8	16.7	9.2	7.5	15.2	0.2	1.3
06 *Jan*	1 777 540	22 425	15.9	-3.2	21.0	21.2	20.8	22.6	22.7	11.8	-0.7	16.6	9.1	7.4	15.0	0.2	1.4
Feb	1 813 712	36 278	17.6	-3.3	23.1	24.8	21.0	22.9	74.9	20.9	-0.7	18.3	10.8	7.5	15.3	0.6	2.5
Mar	1 846 983	30 578	17.8	-3.3	23.2	24.8	21.3	23.3	73.7	19.4	-0.7	18.5	10.8	7.7	15.6	0.6	2.3
Apr	1 850 026	3 391	17.1	-7.1	22.9	24.5	20.9	23.3	69.2	17.9	-1.4	18.4	10.8	7.6	15.8	0.5	2.2
May	1 882 337	31 830	17.7	-4.6	23.1	25.1	20.8	23.3	78.9	18.5	-0.9	18.6	11.0	7.6	15.8	0.6	2.2
Jun	1 928 516	44 730	17.5	-4.6	22.9	24.4	21.0	23.2	94.3	16.0	-0.9	18.4	10.8	7.7	15.8	0.8	1.9
Jul	1 963 412	34 663	19.4	1.6	23.3	25.3	20.9	23.5	112.3	16.4	0.3	19.1	11.4	7.7	16.3	0.9	2.0
Aug	1 968 264	5 475	18.6	-3.4	23.7	26.0	20.8	24.0	112.6	16.2	-0.6	19.2	11.6	7.6	16.4	0.9	1.9
Sep	1 998 296	33 161	19.2	-3.4	24.3	27.4	20.6	24.4	123.3	17.2	-0.6	19.8	12.3	7.6	16.9	0.9	2.0
Oct	2 012 635	14 317	19.3	-4.0	24.3	27.8	20.0	24.2	132.5	17.7	-0.7	20.0	12.6	7.4	17.0	1.0	2.1
Nov	2 045 763	31 304	18.7	-5.5	23.8	27.1	19.8	24.6	131.0	12.4	-1.0	19.7	12.3	7.4	17.2	1.0	1.5
Dec	2 094 737	47 581	19.1	-4.8	24.2	28.2	19.3	24.4	135.1	15.7	-0.8	20.0	12.8	7.2	17.1	1.0	1.8
07 *Jan* P	2 117 862	22 613	18.9	-4.1	23.8	27.6	19.1	24.3	132.0	13.8	-0.7	19.6	12.6	7.1	17.0	1.0	1.6
Feb P	2 127 069	9 249	17.0	-4.6	21.4	23.7	18.6	23.7	61.5	5.2	-0.8	17.8	11.0	6.8	16.5	0.7	0.6

FINANCING OF NON-FINANCIAL SECTORS
Annual percentage change



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



Source: BE.
GENERAL NOTE: Tables 8.2 to 8.7 were revised in September 2000, to take into account the criteria used to compile the Financial Accounts of the Spanish economy in accordance with ESA 95 (see the box appearing in the article "Evolución reciente de la economía española" in the September 2000 edition of the Boletín Económico).
a. The annual percentage changes are calculated as the effective flow of the period / the stock at the beginning of the period.
b. Total liabilities (consolidated) less deposits. Inter-general government liabilities are deduced.

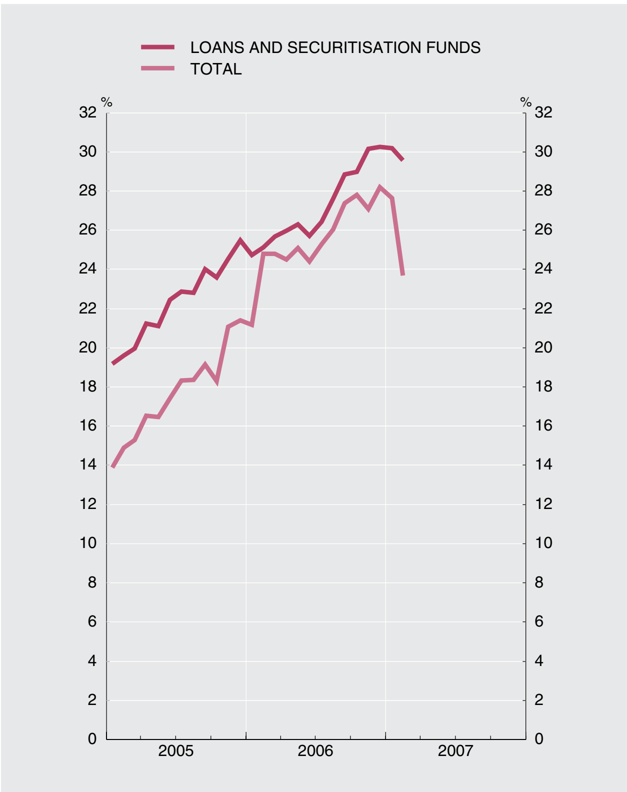
8.6. FINANCING OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

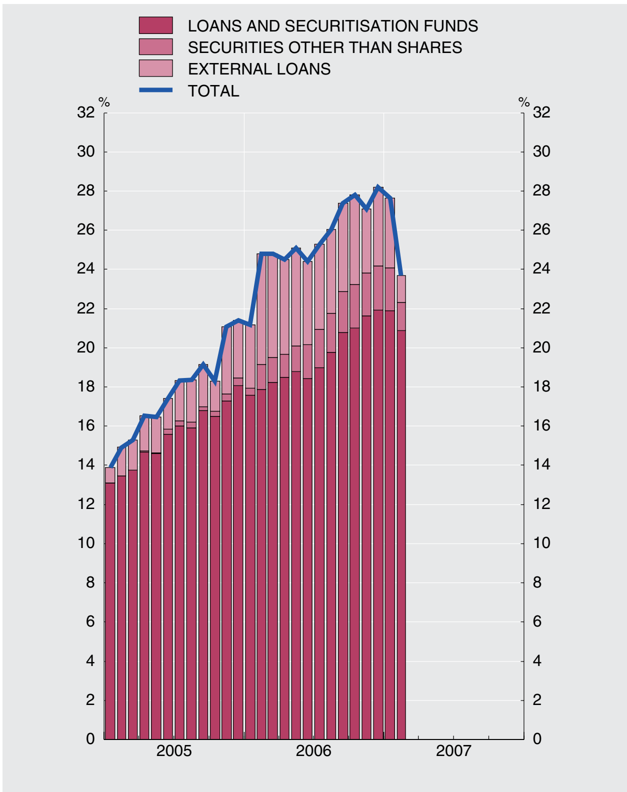
EUR millions and %

	Total			Resident credit institutions' loans and off-balance-sheet securitised loans			Securities other than shares (b)				External loans			Memorandum items: off-balance-sheet securitised loans
	Stocks	Effective flow	Annual growth rate	Stocks	Annual growth rate	Contribution to col.3	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
04	650 617	75 420	13.2	461 109	17.8	12.2	10 678	-	-1.2	-0.0	178 830	3.4	1.0	15 538
05	797 475	139 234	21.4	578 229	25.5	18.1	13 207	2 634	23.7	0.4	206 038	10.7	2.9	5 581
06	1 025 234	224 912	28.2	752 624	30.2	21.9	31 045	18 844	135.1	2.2	241 565	15.6	4.0	3 412
05 *Nov*	781 194	16 683	21.1	560 707	24.5	17.3	13 036	1 894	19.9	0.3	207 451	12.4	3.5	6 072
Dec	797 475	14 446	21.4	578 229	25.5	18.1	13 207	2 634	23.7	0.4	206 038	10.7	2.9	5 581
06 *Jan*	807 006	11 085	21.2	585 117	24.7	17.6	13 387	2 633	22.7	0.4	208 502	11.8	3.2	5 414
Feb	840 225	33 319	24.8	593 351	25.1	17.9	19 929	8 824	74.9	1.3	226 946	20.9	5.7	5 362
Mar	857 382	14 429	24.8	607 648	25.7	18.2	20 428	9 153	73.7	1.3	229 307	19.4	5.3	5 041
Apr	874 149	17 095	24.5	624 493	26.0	18.5	20 416	9 159	69.2	1.2	229 240	17.9	4.8	4 807
May	884 148	9 500	25.1	632 774	26.3	18.8	20 958	9 776	78.9	1.3	230 416	18.5	5.0	4 640
Jun	904 219	18 552	24.4	651 356	25.7	18.4	25 737	14 185	94.3	1.7	227 126	16.0	4.2	4 569
Jul	935 078	30 600	25.3	674 356	26.4	19.0	27 634	15 591	112.3	2.0	233 088	16.4	4.3	4 416
Aug	934 571	76	26.0	674 005	27.6	19.8	27 551	15 792	112.6	2.0	233 015	16.1	4.3	4 327
Sep	957 771	26 253	27.4	696 642	28.8	20.8	28 436	16 693	123.3	2.1	232 693	17.1	4.5	4 228
Oct	977 852	20 035	27.8	713 127	29.0	21.0	29 674	17 561	132.5	2.2	235 051	17.6	4.6	3 826
Nov	996 031	16 316	27.1	729 214	30.1	21.6	30 112	17 681	131.0	2.2	236 706	12.3	3.3	3 806
Dec	1 025 234	27 652	28.2	752 624	30.2	21.9	31 045	18 844	135.1	2.2	241 565	15.6	4.0	3 412
07 *Jan*	P 1 035 104	9 304	27.6	761 247	30.2	21.9	31 056	19 026	132.0	2.2	242 801	13.8	3.6	3 334
Feb	P 1 044 439	9 335	23.7	768 211	29.6	20.9	32 191	20 552	61.5	1.5	244 038	5.1	1.4	3 272

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.

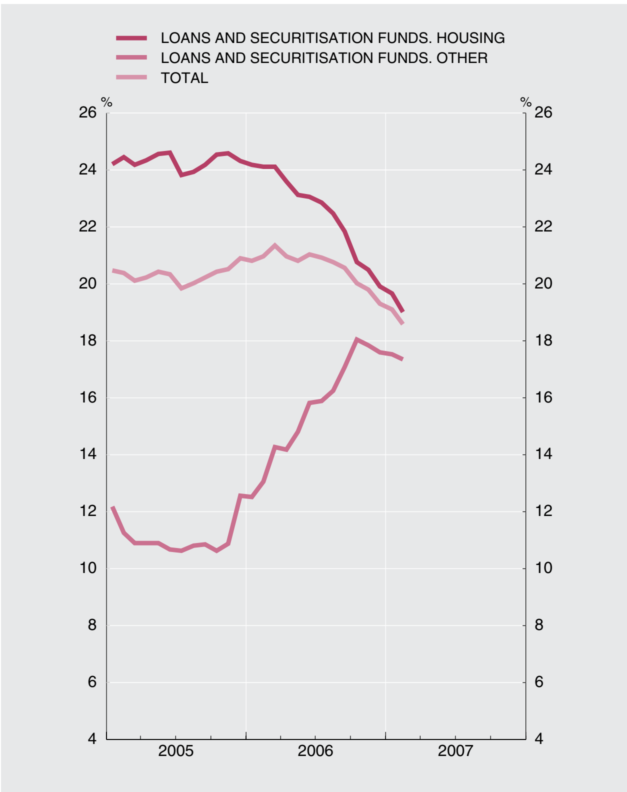
8.7. FINANCING OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

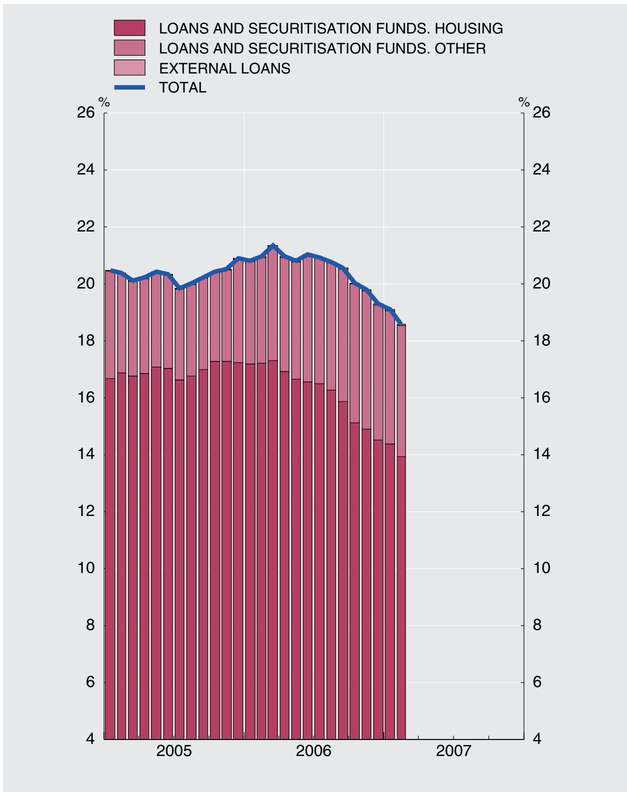
EUR millions and %

	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
04	538 881	90 646	20.2	381 698	23.7	16.3	156 322	12.5	3.9	861	19.3	0.0	47 873	9 802
05	651 071	112 573	20.9	474 499	24.3	17.2	175 571	12.5	3.6	1 002	16.4	0.0	28 527	3 030
06	776 152	125 606	19.3	568 924	19.9	14.5	205 971	17.6	4.7	1 257	25.4	0.0	26 937	3 421
05 *Nov*	641 262	14 563	20.5	466 014	24.6	17.3	174 270	10.9	3.2	978	14.4	0.0	28 976	3 174
Dec	651 071	9 861	20.9	474 499	24.3	17.2	175 571	12.5	3.6	1 002	16.4	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	20.9	0.0	28 012	2 911
Feb	666 823	8 833	21.0	488 902	24.1	17.2	176 855	13.0	3.7	1 065	20.2	0.0	27 554	2 694
Mar	679 899	13 112	21.3	499 125	24.1	17.3	179 699	14.3	4.0	1 075	20.5	0.0	27 159	2 581
Apr	690 480	10 599	20.9	506 443	23.6	16.9	182 922	14.2	4.0	1 115	23.6	0.0	27 307	2 446
May	702 020	11 558	20.8	515 316	23.1	16.6	185 569	14.8	4.1	1 135	23.9	0.0	27 234	2 292
Jun	720 946	18 995	21.0	526 310	23.1	16.5	193 473	15.8	4.4	1 163	25.3	0.0	28 062	2 256
Jul	728 301	7 381	20.9	534 172	22.8	16.5	192 955	15.9	4.4	1 174	24.4	0.0	26 888	2 173
Aug	733 376	5 116	20.8	538 912	22.5	16.3	193 274	16.2	4.5	1 190	24.7	0.0	26 625	2 091
Sep	742 532	9 232	20.6	545 322	21.8	15.9	196 009	17.1	4.6	1 202	24.1	0.0	26 192	2 216
Oct	751 781	9 274	20.0	551 352	20.7	15.1	199 231	18.0	4.9	1 199	23.2	0.0	25 903	3 431
Nov	767 682	15 940	19.8	561 518	20.5	14.9	204 953	17.8	4.8	1 212	23.9	0.0	26 587	3 250
Dec	776 152	8 628	19.3	568 924	19.9	14.5	205 971	17.6	4.7	1 257	25.4	0.0	26 937	3 421
07 *Jan* P	783 027	6 931	19.1	575 825	19.7	14.4	205 926	17.5	4.7	1 276	20.5	0.0	26 553	3 433
Feb P	790 038	7 052	18.6	581 770	19.0	13.9	206 972	17.4	4.6	1 295	21.6	0.0	25 964	3 670

FINANCING OF HOUSEHOLDS AND NPISHs
Annual percentage change



FINANCING OF HOUSEHOLDS AND NPISHs
Contributions to the annual percentage change



Source: BE.
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a. The annual percentage changes are calculated as the effective flow of the period / the stock at the beginning of the period.

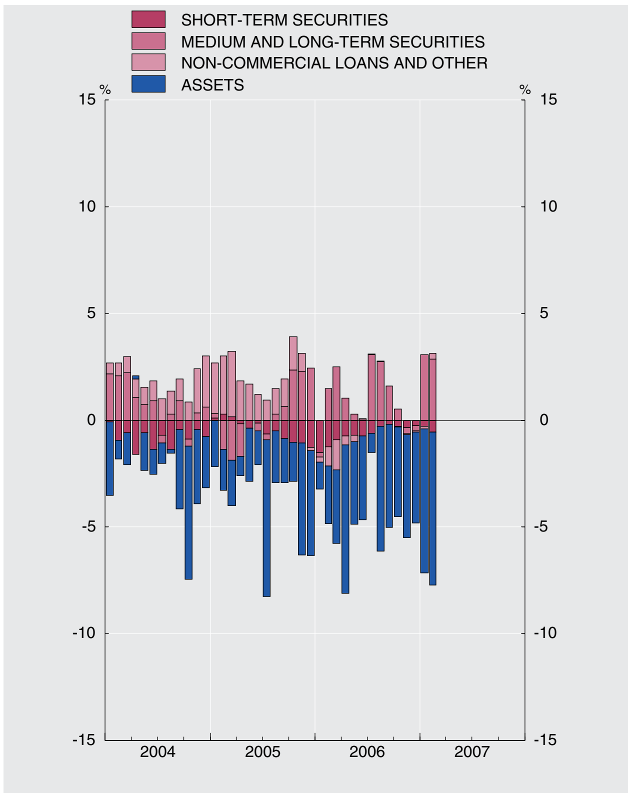
8.8. NET FINANCING OF SPAIN'S GENERAL GOVERNMENT

■ 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: Short-term	Securities: Medium and long-term	Non-commercial loans and other (b)	Deposits at the Banco de Espana	Other deposits (c)	Total	Securities: Short-term	Securities: Medium and long-term	Non-commercial loans and other (a)	Assets	Securities: Short-term	Securities: Medium and long-term	Non-commercial loans and other (a)	Assets
		1	2	3 ■	4	5	6	7	8	9	10	11 ■	12 ■	13 ■	14	15 ■	16 ■	17 ■	18 ■
03		321 117	2 030	0.6	-567	3 047	-4 738	1 124	1 767	-4 363	-0.1	8.3	-1.6	1.9	-3.9	1.0	-1.5	0.4	0.8
04		320 574	-543	-0.2	7 148	-2 491	1 947	7 693	-1 817	9 508	1.9	-6.2	0.7	13.1	12.1	-0.8	0.6	2.4	-2.4
05	P	308 136	-12 438	-3.9	3 337	-4 042	7 866	-487	-695	16 470	0.9	-10.8	2.7	-0.7	22.2	-1.3	2.5	-0.2	-4.9
06	P	293 351	-14 784	-4.8	-1 703	-744	-786	-173	1 780	11 301	-0.4	-2.2	-0.3	-0.3	15.0	-0.2	-0.3	-0.1	-4.2
05 *Sep*	P	308 540	-2 257	-1.0	6 821	1 756	5 105	-40	117	8 960	0.9	-7.0	0.7	6.5	8.3	-0.9	0.7	1.3	-2.1
Oct	P	294 734	-13 806	1.1	-2 350	-1 796	-824	269	-529	11 985	2.2	-8.1	2.4	7.6	6.0	-1.0	2.3	1.6	-1.8
Nov	P	298 437	3 703	-3.2	6 607	1 839	4 168	599	-102	3 006	1.6	-8.5	2.5	4.1	19.7	-1.1	2.3	0.8	-5.2
Dec	P	308 136	9 698	-3.9	-1 217	-2 097	650	230	-342	10 573	0.9	-10.8	2.7	-0.7	22.2	-1.3	2.5	-0.2	-4.9
06 *Jan*	P	312 537	4 401	-3.2	-4 102	1 742	-6 206	363	86	-8 589	-1.6	-12.3	-0.2	-1.1	5.4	-1.5	-0.2	-0.2	-1.3
Feb	P	306 664	-5 873	-3.3	-23	-2 063	3 368	-1 329	277	5 572	-0.5	-10.6	1.6	-4.3	11.2	-1.2	1.5	-0.9	-2.7
Mar	P	309 701	3 037	-3.3	4 640	2 204	2 296	141	172	1 430	0.1	-7.7	2.8	-6.5	14.7	-0.9	2.5	-1.4	-3.4
Apr	P	285 398	-24 303	-7.1	-4 675	-2 665	-2 226	216	10 249	9 378	-0.1	-6.5	1.1	-1.9	25.4	-0.7	1.0	-0.4	-7.0
May	P	296 169	10 771	-4.6	2 207	2 038	480	-311	-3 084	-5 480	-0.6	-6.0	0.3	-1.4	14.1	-0.7	0.3	-0.3	-3.9
Jun	P	303 352	7 183	-4.6	-568	-2 278	1 643	67	-314	-7 437	-0.5	-6.7	0.0	0.3	16.3	-0.7	0.0	0.1	-3.9
Jul	P	300 034	-3 318	1.6	2 466	1 846	703	-82	-5 223	11 007	1.9	-5.1	3.2	0.2	2.9	-0.6	3.1	0.0	-0.9
Aug	P	300 318	284	-3.4	-2 073	-1 368	-596	-109	-121	-2 237	2.0	-2.5	3.0	0.0	24.5	-0.3	2.8	0.0	-5.9
Sep	P	297 994	-2 324	-3.4	3 372	1 974	1 471	-73	-101	5 797	1.1	-1.8	1.7	-0.0	17.8	-0.2	1.6	-0.0	-4.8
Oct	P	283 002	-14 992	-4.0	-5 992	-1 988	-4 174	170	-5	9 005	0.2	-2.4	0.5	-0.2	13.0	-0.3	0.5	-0.0	-4.2
Nov	P	282 050	-952	-5.5	3 914	1 588	1 817	509	-190	5 057	-0.5	-3.0	-0.3	-0.3	14.6	-0.4	-0.3	-0.1	-4.8
Dec	P	293 351	11 302	-4.8	-869	-1 774	639	266	32	12 203	-0.4	-2.2	-0.3	-0.3	15.0	-0.2	-0.3	-0.1	-4.2
07 *Jan*	P	299 730	6 379	-4.1	5 885	1 638	4 151	97	-548	54	2.1	-2.4	3.3	-0.7	26.9	-0.3	3.1	-0.1	-6.7
Feb	A	292 592	-7 138	-4.6	-431	-2 952	2 606	-85	71	6 636	2.0	-5.3	3.0	1.2	26.0	-0.6	2.9	0.3	-7.2

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.

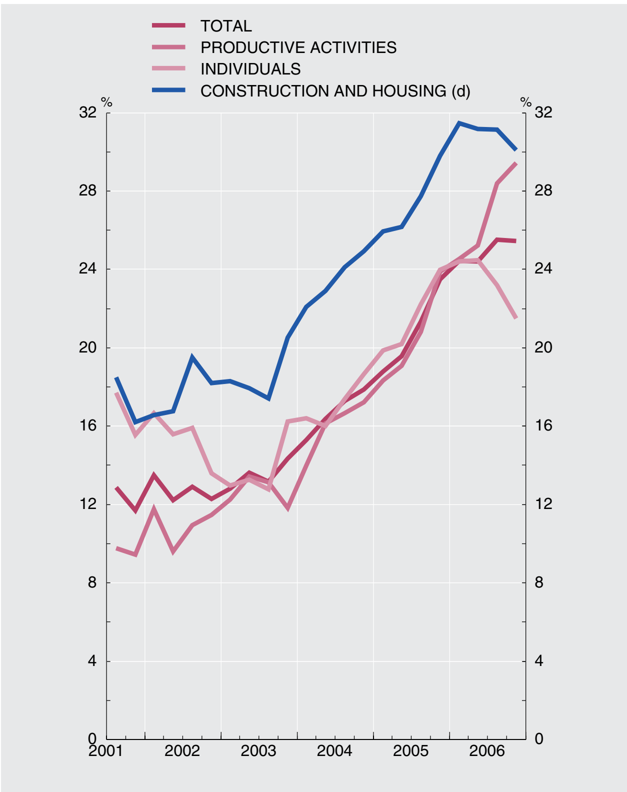
8.9 LENDING BY CREDIT INSTITUTIONS TO OTHER RESIDENT SECTORS. BREAKDOWN BY END-USE.

■ Series depicted in chart.

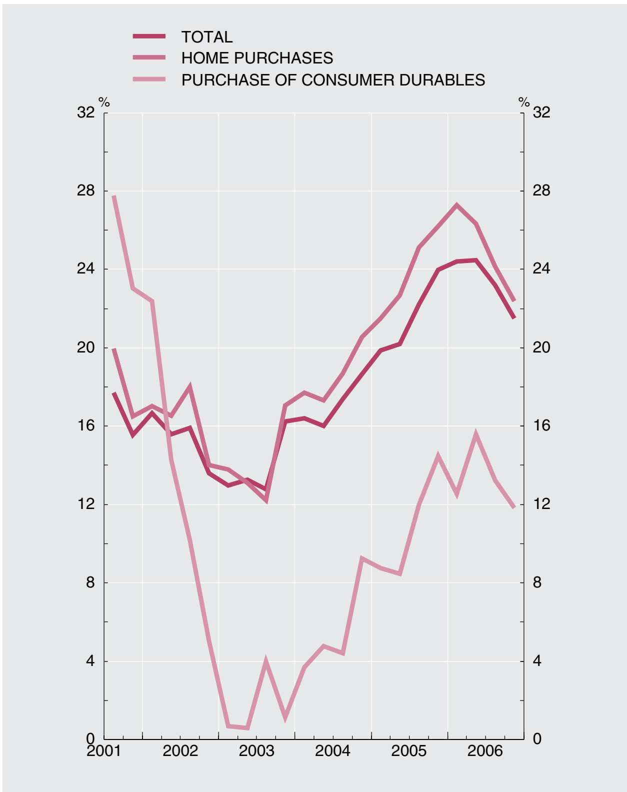
EUR millions and percentages

	Total (a)	Financing of productive activities: Total	Financing of productive activities: Agriculture and fisheries	Financing of productive activities: Industry excluding construction	Financing of productive activities: Construction	Financing of productive activities: Services: Total	Financing of productive activities: Services: Of which: Real estate activities	Financing of individuals: Total	Financing of individuals: Home purchases and improvements: Total	Financing of individuals: Home purchases and improvements: Of which: Purchases	Financing of individuals: Purchases of consumer durables	Financing of individuals: Other (b)	Financing of private non-profit institutions	Unclassified	Memorandum item: construction and housing (d)
	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
02 *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
Q2	1 350 191	681 307	21 946	109 856	116 195	433 311	203 879	642 698	498 248	474 404	49 161	95 289	5 109	21 077	818 322
Q3	1 419 973	728 058	22 460	115 266	127 420	462 911	221 593	666 972	519 130	494 739	50 552	97 291	5 359	19 584	868 144
Q4	1 508 618	781 812	23 014	119 487	134 314	504 998	249 058	700 085	544 292	519 145	51 357	104 436	5 704	21 016	927 664

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.

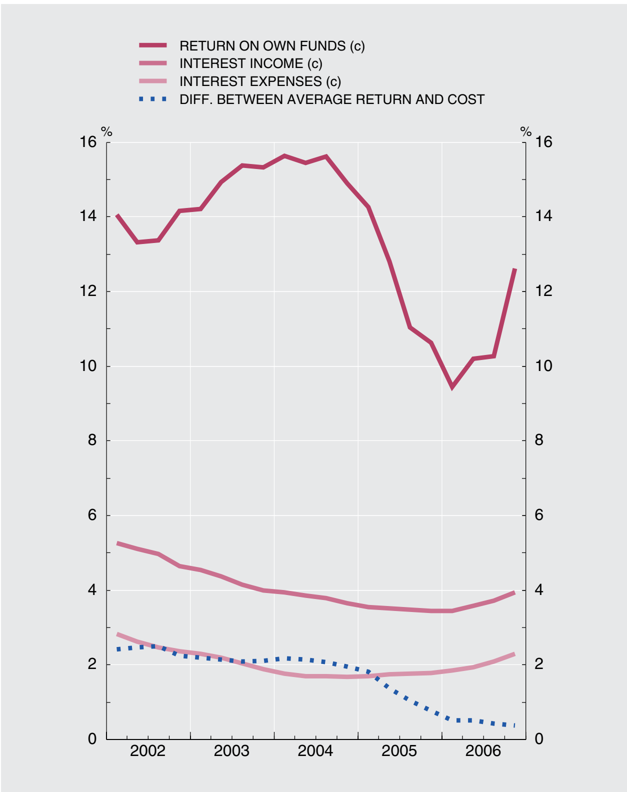
c. Asset-backed securities brought back onto the balance sheet as a result of the entry into force of Banco de España Circular BE 4/2004 have caused a break in the series in June 2005. The rates depicted in the chart have been adjusted to eliminate this effect. d. Including: construction, real estate activities and home purchases and improvements

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

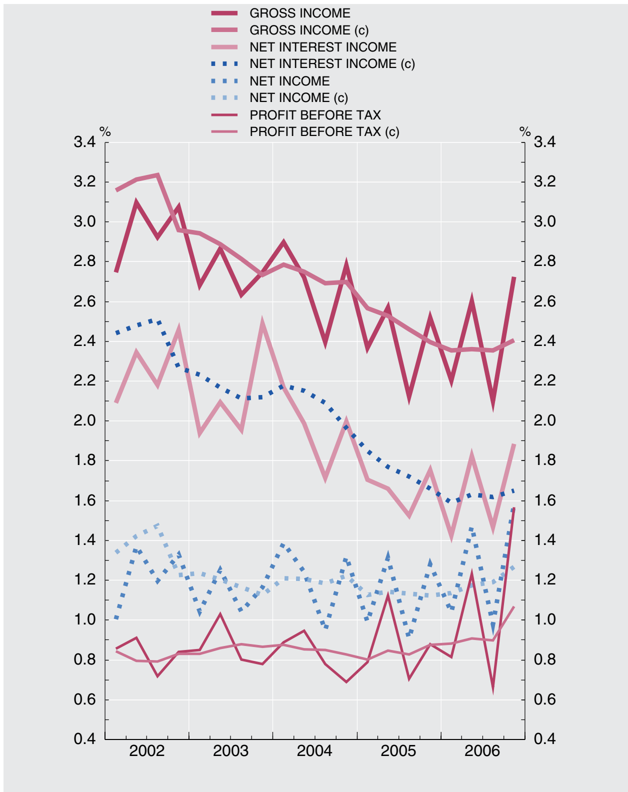
■ Series depicted in chart.

		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	-0.8	0.9	10.0	2.8	2.0	0.8
03 *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	13.5	3.8	1.9	1.8
Q2	R	3.5	1.8	1.7	0.9	2.6	1.3	0.8	1.3	-0.2	1.1	11.4	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
Q2		4.0	2.2	1.8	0.8	2.6	1.1	0.7	1.5	-0.2	1.2	14.4	2.7	2.2	0.5
Q3		3.9	2.4	1.5	0.6	2.1	1.1	0.7	1.0	-0.3	0.7	8.0	2.8	2.3	0.4
Q4		4.5	2.6	1.9	0.8	2.7	1.1	0.7	1.6	0.3	1.6	19.4	2.9	2.5	0.4

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.

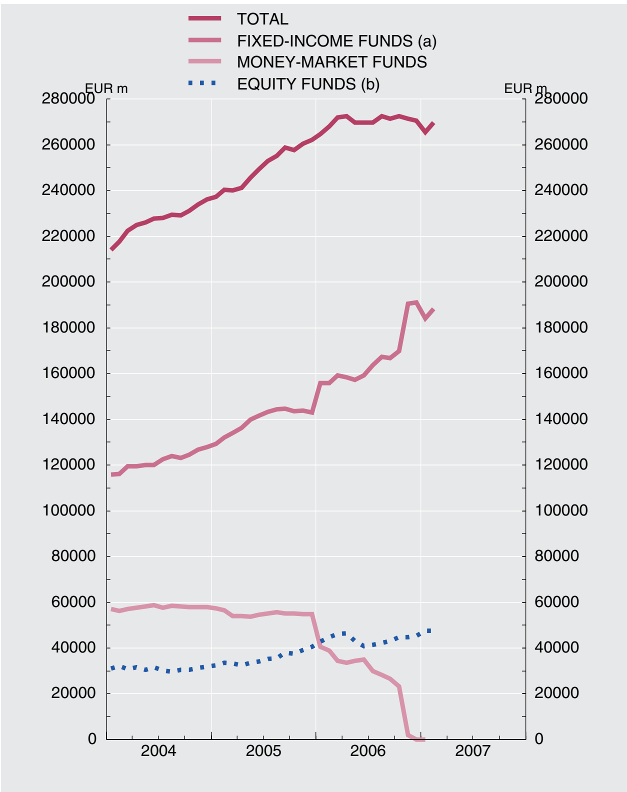
8.11. MUTUAL FUNDS RESIDENT IN SPAIN

■ Series depicted in chart.

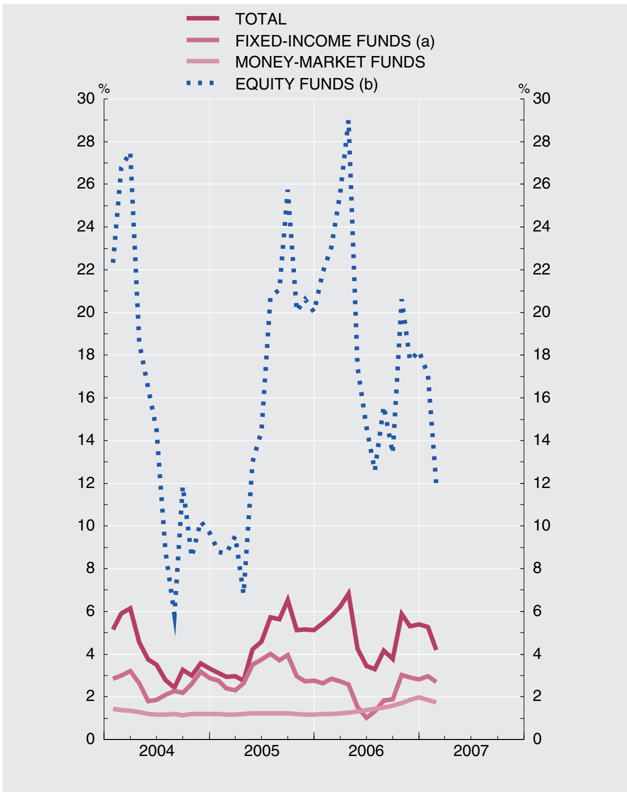
EUR millions

	Total				Money-market funds				Fixed-income funds (a)				Equity funds (b)				Others funds (c)
	Net asset value	Of which		Return over last 12 months	Net asset value	Of which		Return over last 12 months	Net asset value	Of which		Return over last 12 months	Net asset value	Of which		Return over last 12 months	Net asset value
		Monthly change	Net funds invested			Monthly change	Net funds invested			Monthly change	Net funds invested			Monthly change	Net funds invested		
	1 ■	2	3	4 ■	5 ■	6	7	8 ■	9 ■	10	11	12 ■	13 ■	14	15	16 ■	17
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
06	270 407	8 206	-10 861	5.4	106	-54 645	-55 113	2.0	191 002	47 954	39 212	2.8	45 365	4 693	-2 189	18.2	33 934
05 *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	269 710	-2 850	307	4.2	34 423	910	869	1.3	157 089	-1 139	-492	1.5	42 938	-3 570	-1 602	17.4	35 261
Jun	269 778	68	-360	3.5	34 899	476	427	1.4	159 209	2 120	1 945	1.0	40 727	-2 211	-2 223	14.6	34 943
Jul	269 647	-131	-1 722	3.3	30 010	-4 889	-4 939	1.4	163 570	4 362	3 662	1.3	41 501	774	99	12.6	34 566
Aug	272 323	2 676	-1 173	4.2	28 196	-1 814	-1 863	1.5	167 363	3 792	972	1.8	42 273	772	-118	15.6	34 491
Sep	271 361	-962	-3 298	3.8	26 628	-1 568	-1 616	1.6	166 752	-611	-169	1.9	43 016	743	-520	13.4	34 966
Oct	272 448	1 087	-1 801	5.9	23 336	-3 291	-3 337	1.7	169 680	2 928	2 016	3.0	44 690	1 673	124	20.6	34 742
Nov	271 467	-981	-1 292	5.3	2 059	-21 277	-21 281	1.9	190 536	20 856	20 667	2.9	44 885	195	66	17.7	33 988
Dec	270 407	-1 060	-3 100	5.4	106	-1 953	-1 953	2.0	191 002	466	314	2.8	45 365	480	-723	18.2	33 934
07 *Jan*	265 423	-4 984	...	5.3	-	-106	...	1.9	184 110	-6 892	...	3.0	47 473	2 108	...	17.1	33 840
Feb P	269 775	4 352	...	4.2	...	-	...	1.7	188 191	4 081	...	2.7	47 433	-40	...	12.0	34 151

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.

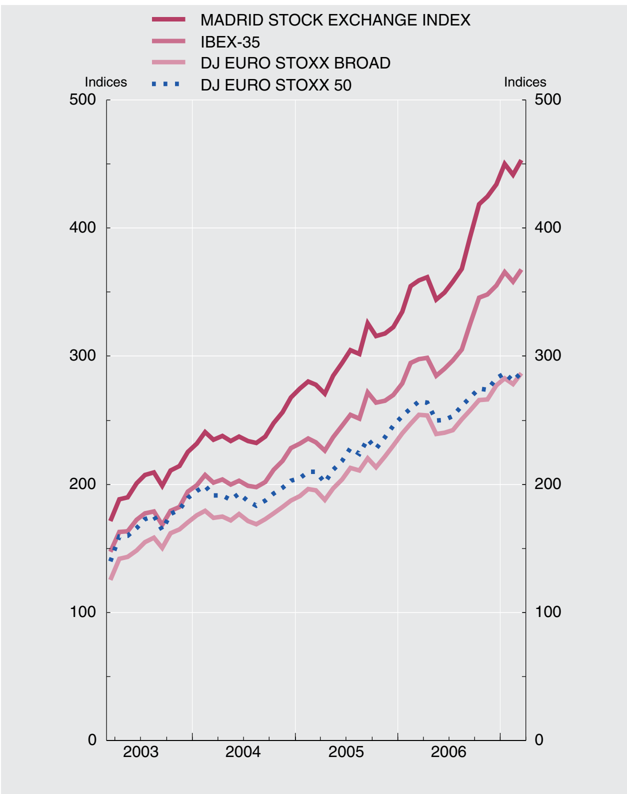
8.12. SHARE PRICE INDICES AND TURNOVER ON SECURITIES MARKETS. SPAIN AND EURO AREA

■ Series depicted in chart.

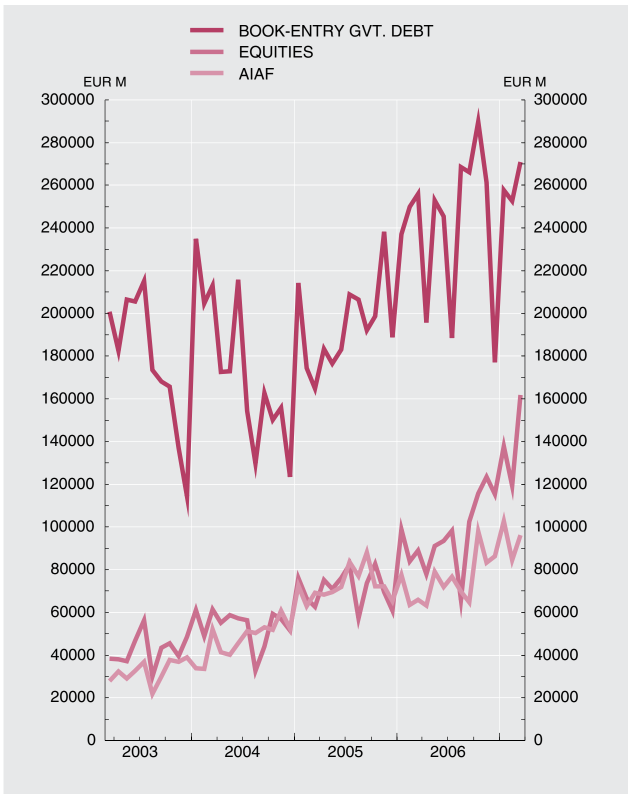
Indices, EUR millions and thousands of contracts

	Share price indices: General Madrid Stock Exchange 1 ■	Share price indices: IBEX 35 2 ■	Share price indices: Dow Jones EURO STOXX indices: Broad 3 ■	Share price indices: Dow Jones EURO STOXX indices: 50 4 ■	Turnover on securities markets: Stock market: Equities 5 ■	Turnover on securities markets: Stock market: Bonds 6	Turnover on securities markets: Book-entry government debt 7 ■	Turnover on securities markets: AIAF fixed-income market 8 ■	Turnover on securities markets: Financial options (thousands of contracts): Fixed-income 9	Turnover on securities markets: Financial options (thousands of contracts): Shares and other equities 10	Turnover on securities markets: Financial futures (thousands of contracts): Fixed-income 11	Turnover on securities markets: Financial futures (thousands of contracts): Shares and other equities 12
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	1 344.36	12 346.51	361.00	3 830.10	1 155 682	93 449	2 888 728	900 202	-	12 977	-	6 569
07 A	1 606.23	14 488.86	403.52	4 150.96	419 026	22 565	781 363	283 509	-	3 265	-	2 120
05 *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	1 252.61	11 548.10	342.65	3 648.92	93 550	8 216	245 355	72 002	...	1 174	...	586
Jul	1 283.05	11 818.00	346.10	3 691.87	98 318	10 674	188 658	76 778	...	704	...	497
Aug	1 319.76	12 144.70	357.92	3 808.70	65 891	7 157	268 624	69 876	...	556	...	488
Sep	1 409.08	12 934.70	367.92	3 899.41	102 479	6 814	266 185	64 676	...	898	...	595
Oct	1 500.12	13 753.00	379.26	4 004.80	115 556	8 785	289 772	97 968	...	1 359	...	609
Nov	1 521.28	13 849.30	379.98	3 987.23	123 561	6 551	261 362	83 252	...	1 092	...	632
Dec	1 554.93	14 146.50	395.63	4 119.94	115 451	5 616	176 997	86 306	...	1 255	...	561
07 *Jan*	1 612.11	14 553.20	403.74	4 178.54	137 777	6 527	257 796	102 927	...	810	...	647
Feb	1 581.73	14 248.40	397.25	4 087.12	119 325	6 155	252 674	84 385	...	985	...	639
Mar P	1 622.49	14 641.70	408.97	4 181.03	161 924	9 882	270 893	96 198	...	1 470	...	833

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)

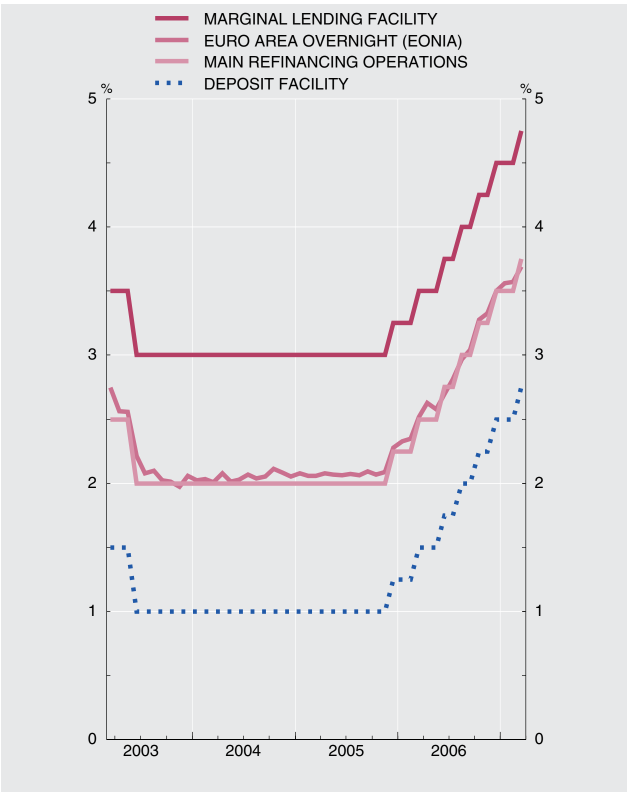
9.1. INTEREST RATES. EUROSYSTEM AND MONEY MARKET. EURO AREA AND SPAIN

■ Series depicted in chart.

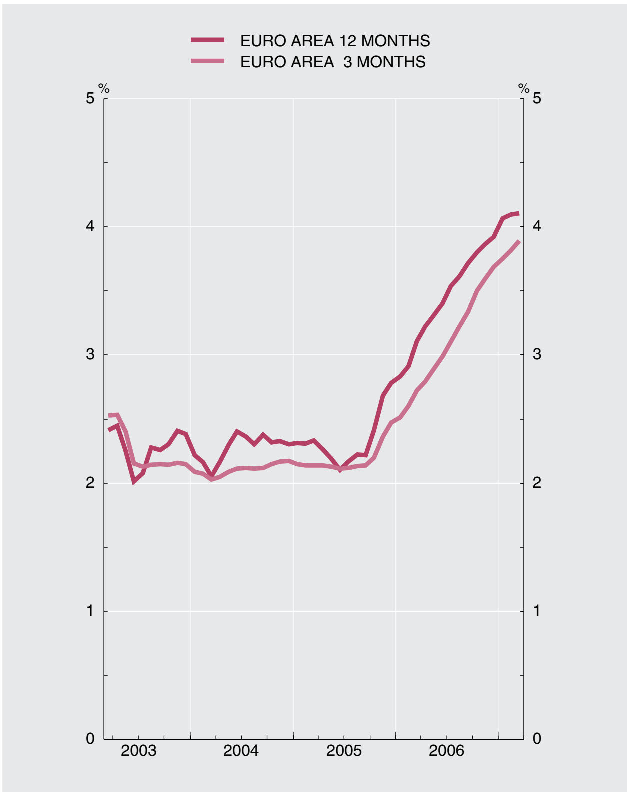
Averages of daily data. Percentages per annum

	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						Non-transferable deposits				Government-securities repos			
					Overnight (EONIA)	1-month	3-month	6-month	1-year	Overnight	1-month	3-month	1-year	Overnight	1-month	3-month	1-year
	1 ■	2	3 ■	4 ■	5 ■	6	7 ■	8	9 ■	10	11	12	13	14	15	16	17
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	3.50	3.66	4.50	2.50	2.84	2.94	3.08	3.24	3.44	2.83	2.93	3.08	3.44	2.75	2.82	2.93	3.28
07 A	-	3.87	4.75	2.75	3.61	3.71	3.82	3.94	4.09	3.60	3.69	3.81	4.09	3.55	3.59	3.68	3.94
05 *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	-
Jul	2.75	3.08	3.75	1.75	2.81	2.94	3.10	3.29	3.54	2.81	2.92	3.09	3.53	2.74	2.82	2.95	-
Aug	3.00	3.20	4.00	2.00	2.97	3.09	3.23	3.41	3.62	2.96	3.08	3.22	3.61	2.85	2.99	3.07	-
Sep	3.00	3.30	4.00	2.00	3.04	3.16	3.34	3.53	3.72	3.03	3.14	3.33	3.70	2.96	3.03	3.18	3.55
Oct	3.25	3.48	4.25	2.25	3.28	3.35	3.50	3.65	3.80	3.26	3.34	3.51	3.79	3.18	3.23	3.34	3.66
Nov	3.25	3.58	4.25	2.25	3.33	3.42	3.60	3.73	3.86	3.32	3.41	3.59	3.85	3.25	3.31	3.43	3.69
Dec	3.50	3.66	4.50	2.50	3.50	3.64	3.68	3.79	3.92	3.48	3.63	3.69	3.92	3.34	3.49	3.52	3.80
07 *Jan*	3.50	-	4.50	2.50	3.56	3.62	3.75	3.89	4.06	3.55	3.60	3.75	4.05	3.51	3.50	3.61	3.95
Feb	3.50	3.72	4.50	2.50	3.57	3.65	3.82	3.94	4.09	3.55	3.62	3.81	4.09	3.50	3.54	3.67	3.93
Mar	3.75	3.87	4.75	2.75	3.69	3.84	3.89	4.00	4.11	3.70	3.83	3.89	4.12	3.64	3.73	3.75	-

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

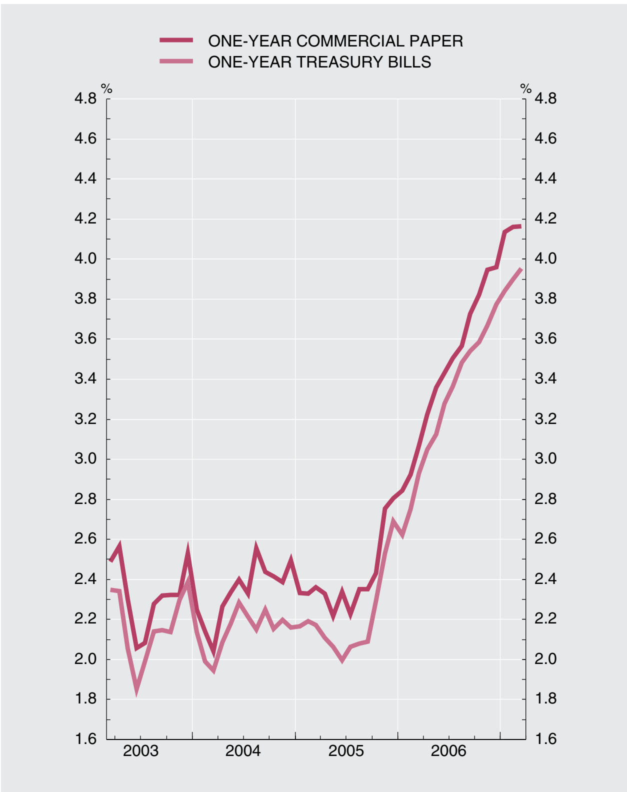
9.2. INTEREST RATES: SPANISH SHORT-TERM AND LONG-TERM SECURITIES MARKETS

■ Series depicted in chart.

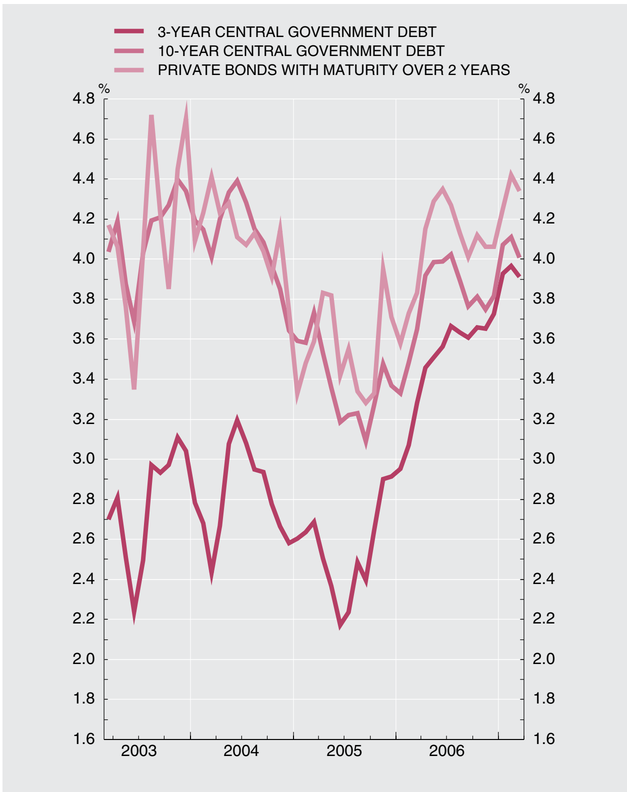
Percentages per annum

	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 ■
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	3.27	3.26	3.45	3.44	3.36	3.57	3.76	-	4.04	3.48	3.79	4.05
07 A	3.90	3.86	4.15	4.11	3.95	3.98	4.03	-	4.25	3.93	4.06	4.33
05 *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	3.43	3.33	-	3.69	-	-	-	3.56	3.99	4.35
Jul	3.37	3.34	3.50	3.55	3.68	-	3.99	-	-	3.66	4.02	4.27
Aug	3.48	3.43	3.57	3.59	-	-	-	-	-	3.63	3.89	4.13
Sep	3.54	3.43	3.73	3.76	-	3.68	-	-	4.03	3.61	3.76	4.01
Oct	3.59	3.59	3.82	3.81	-	-	-	-	-	3.66	3.81	4.12
Nov	3.67	3.67	3.95	3.89	-	3.66	-	-	-	3.65	3.75	4.06
Dec	3.78	3.75	3.96	3.96	3.65	-	-	-	-	3.73	3.82	4.06
07 *Jan*	3.84	3.81	4.14	4.08	-	4.01	4.11	-	-	3.93	4.07	4.25
Feb	3.90	3.88	4.16	4.13	3.95	-	-	-	4.25	3.97	4.11	4.42
Mar	3.95	3.89	4.16	4.12	-	3.95	3.96	-	-	3.91	4.01	4.34

PRIMARY MARKET



SECONDARY MARKET



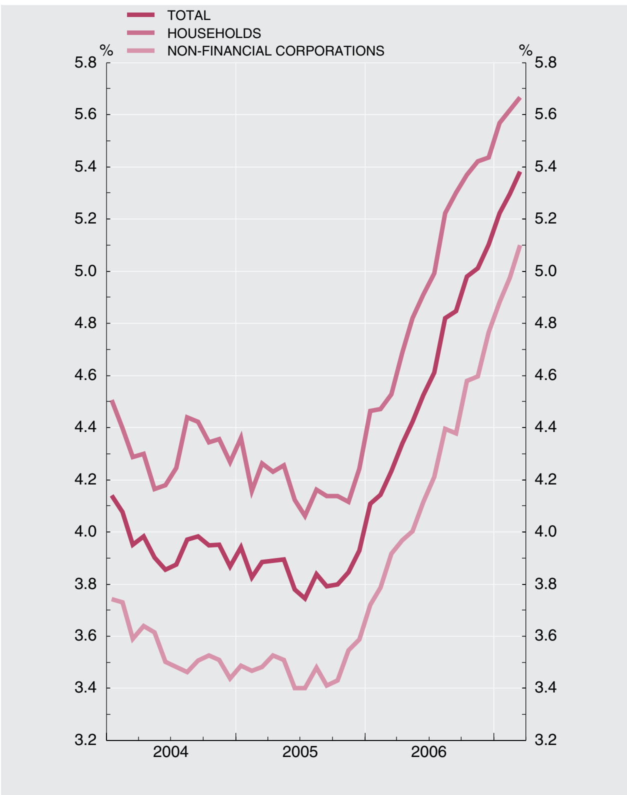
Sources: Main issuers (column 3); AIAF (columns 4 and 12).

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

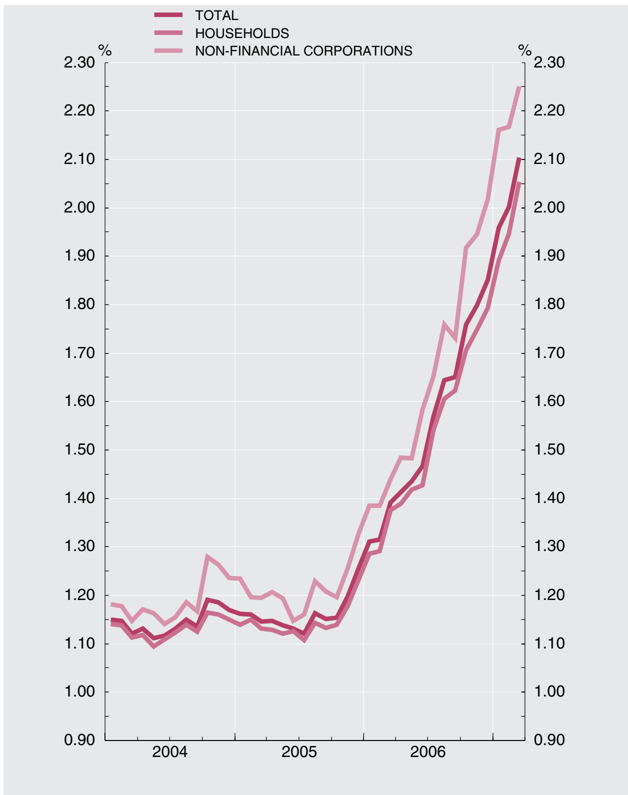
■ Series depicted in chart. *Percentages*

	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
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	5.10	5.44	4.74	7.31	4.77	5.20	4.56	1.85	1.79	0.52	3.20	3.28	2.02	1.27	3.37	3.48
07 A	5.38	5.67	5.00	7.49	5.10	5.47	4.87	2.10	2.05	0.60	3.51	3.60	2.25	1.47	3.56	3.70
05 *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	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
Jun	4.52	4.91	4.19	6.78	4.11	4.59	3.78	1.47	1.43	0.43	2.63	2.61	1.58	0.95	2.81	2.65
Jul	4.61	4.99	4.29	6.87	4.21	4.72	3.87	1.57	1.54	0.45	2.83	2.70	1.65	1.03	2.81	2.78
Aug	4.82	5.22	4.41	7.41	4.40	4.86	3.99	1.64	1.61	0.47	2.90	2.85	1.76	1.10	2.88	2.89
Sep	4.85	5.30	4.52	7.41	4.38	4.91	4.03	1.65	1.62	0.49	2.93	2.87	1.73	1.07	2.91	2.98
Oct	4.98	5.37	4.63	7.37	4.58	5.07	4.22	1.76	1.71	0.51	3.04	3.07	1.92	1.19	3.18	3.19
Nov	5.01	5.42	4.71	7.31	4.60	5.15	4.28	1.80	1.75	0.51	3.10	3.15	1.95	1.22	3.22	3.27
Dec	5.10	5.44	4.74	7.31	4.77	5.20	4.56	1.85	1.79	0.52	3.20	3.28	2.02	1.27	3.37	3.48
07 *Jan*	5.22	5.57	4.85	7.53	4.88	5.38	4.58	1.96	1.89	0.57	3.25	3.39	2.16	1.41	3.46	3.54
Feb	5.29	5.62	4.92	7.52	4.97	5.40	4.69	2.00	1.95	0.58	3.32	3.41	2.17	1.43	3.43	3.53
Mar P	5.38	5.67	5.00	7.49	5.10	5.47	4.87	2.10	2.05	0.60	3.51	3.60	2.25	1.47	3.56	3.70

LOANS
SYNTHETIC RATES



DEPOSITS
SYNTHETIC RATES



Source: BE.

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.

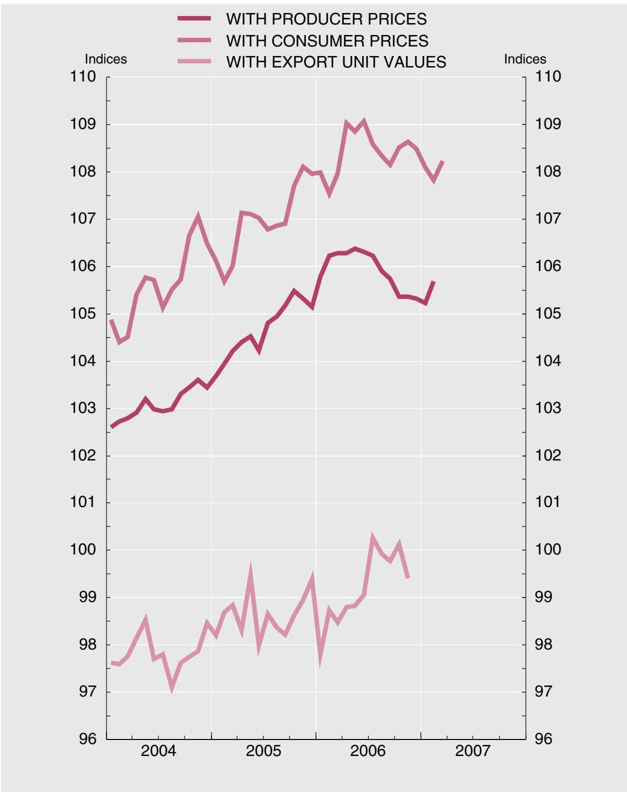
9.4 INDICES OF SPANISH COMPETITIVENES VIS-à-VIS THE EU 27 AND THE EURO AREA

■ Series depicted in chart.

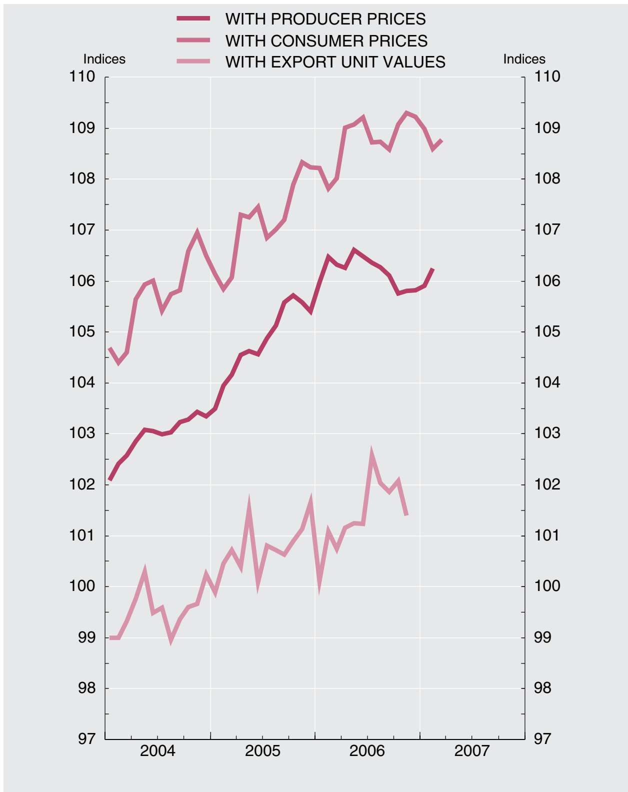
Base 1999 QI = 100

	Vis-à-vis the EU 27									Vis-à-vis the euro area				
	Total (a)				Nominal component (b)	Price component (c)				Based on producer prices	Based on consumer prices	Based on total unit labour costs	Based on manufacturing unit labour costs (d)	Based on export unit values
	Based on producer prices	Based on consumer prices	Based on total unit labour costs	Based on export unit values		Based on producer prices	Based on consumer prices	Based on total unit labour costs	Based on export unit values					
	1 ■	2 ■	3	4 ■	5	6	7	8	9	10 ■	11 ■	12	13 ■	14 ■
04	103.1	105.6	104.1	97.8	100.1	102.9	105.5	104.0	97.7	102.9	105.7	105.0	107.5	99.5
05	104.7	107.0	105.1	98.6	100.1	104.6	106.9	105.0	98.6	104.8	107.1	106.2	111.0	100.7
06	105.9	108.4	106.7	...	100.0	105.9	108.5	106.7	...	106.2	108.8	108.2	111.0	...
05 *Q2*	104.4	107.1	104.8	98.6	100.0	104.4	107.1	104.8	98.6	104.6	107.3	106.1	110.8	100.7
Q3	105.0	106.8	105.5	98.4	100.1	104.9	106.8	105.4	98.4	105.2	107.0	106.7	111.0	100.7
Q4	105.3	107.9	105.2	99.0	100.0	105.3	107.9	105.2	99.0	105.6	108.1	106.5	111.7	101.2
06 *Q1*	106.1	107.8	106.0	98.3	100.1	106.0	107.8	106.0	98.3	106.2	108.0	107.3	111.4	100.6
Q2	106.3	109.0	106.3	98.9	100.1	106.2	108.9	106.1	98.8	106.5	109.1	107.5	111.4	101.2
Q3	106.0	108.4	106.8	100.0	100.0	106.0	108.4	106.8	100.0	106.2	108.7	108.3	110.0	102.2
Q4	105.3	108.5	107.6	...	99.8	105.6	108.8	107.9	...	105.8	109.2	109.5	111.1	...
07 *Q1*	...	108.1	...	...	99.7	...	108.4	...	...	...	108.8	...	...	...
06 *Jul*	106.2	108.6	...	100.3	100.1	106.1	108.4	...	100.1	106.4	108.7	...	...	102.6
Aug	105.9	108.3	...	99.9	99.9	106.0	108.4	...	100.0	106.3	108.7	...	...	102.0
Sep	105.7	108.1	...	99.8	99.9	105.8	108.2	...	99.9	106.1	108.6	...	...	101.9
Oct	105.4	108.5	...	100.1	99.8	105.5	108.7	...	100.3	105.8	109.1	...	...	102.1
Nov	105.4	108.6	...	99.4	99.8	105.6	108.9	...	99.6	105.8	109.3	...	...	101.4
Dec	105.3	108.5	...	...	99.7	105.6	108.8	...	...	105.8	109.2	...	...	...
07 *Jan*	105.2	108.1	...	...	99.6	105.7	108.6	...	...	105.9	109.0	...	...	...
Feb	105.7	107.8	...	...	99.7	106.0	108.2	...	...	106.2	108.6	...	...	...
Mar	...	108.2	...	...	99.9	...	108.4	...	...	...	108.8	...	...	...
Apr	...	...	...	...	99.8	...	...	...	...	...	...	...	...	...

INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EU 27



INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EURO AREA



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 (until 1999) and 1999-2001 (since 1999) 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.

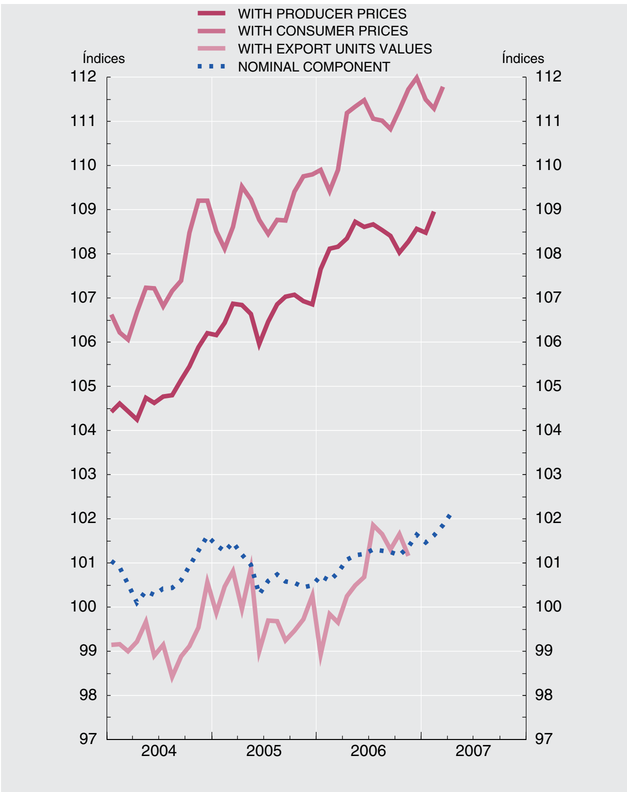
9.5 INDICES OF SPANISH COMPETITIVENESS VIS-à-VIS THE DEVELOPED COUNTRIES AND INDUSTRIALISED COUNTRIES

■ Series depicted in chart.

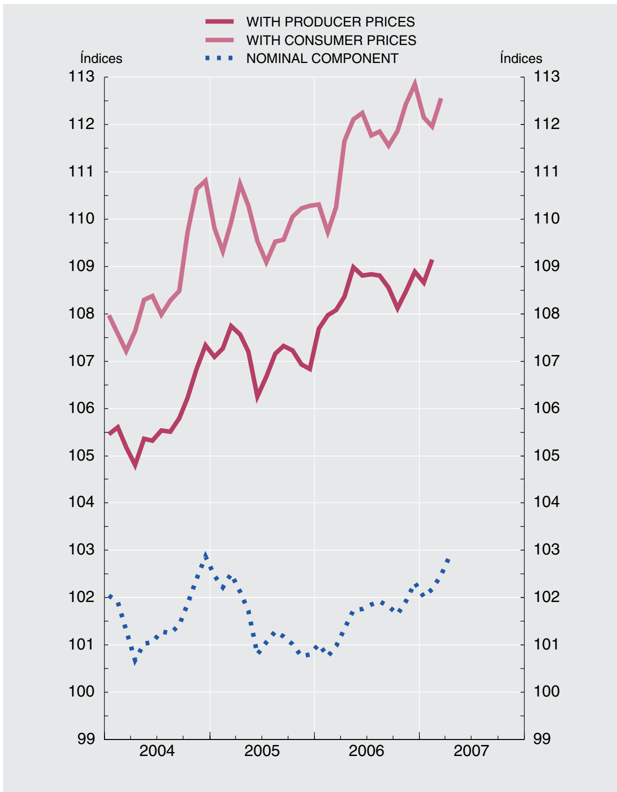
Base 1999 QI = 100

	Vis-à-vis developed countries									Vis-à-vis industrialised countries				
	Total (a)				Nominal compon-ent (b)	Prices component (c)				Total (a)		Nominal compon-ent (b)	Prices component(c)	
	Based on producer prices	Based on consumer prices	Based on manufac - turing unit labour costs (d)	Based on export unit values		Based on producer prices	Based on consumer prices	Based on manufac - turing unit labour costs (d)	Based on export unit values	Based on producer prices	Based on consumer prices		Based on producer prices	Based on consumer prices
	1 ■	2 ■	3	4 ■	5	6	7	8	9	10	11	12	13	14
04	104.9	107.4	109.5	99.2	100.7	104.2	106.6	108.7	98.5	105.7	108.6	101.6	104.1	106.9
05	106.7	109.0	112.9	99.9	100.8	105.8	108.1	111.9	99.1	107.1	109.9	101.5	105.5	108.3
06	108.3	110.9	112.8	...	101.1	107.1	109.7	111.5	...	108.5	111.6	101.6	106.8	109.8
05 *Q2*	106.5	109.2	112.7	100.0	100.8	105.6	108.3	111.8	99.1	107.0	110.2	101.6	105.4	108.5
Q3	106.8	108.7	112.6	99.5	100.6	106.1	108.0	111.8	98.9	107.0	109.4	101.2	105.8	108.1
Q4	107.0	109.7	113.1	99.8	100.5	106.4	109.1	112.5	99.3	107.0	110.2	100.9	106.1	109.2
06 *Q1*	108.0	109.8	112.9	99.5	100.7	107.2	109.0	112.1	98.8	107.9	110.1	100.9	106.9	109.1
Q2	108.6	111.3	113.4	100.5	101.2	107.3	110.1	112.1	99.3	108.7	112.0	101.6	107.0	110.2
Q3	108.5	111.0	111.9	101.6	101.3	107.2	109.6	110.5	100.3	108.7	111.7	101.9	106.7	109.7
Q4	108.3	111.7	113.1	...	101.4	106.8	110.1	111.5	...	108.5	112.4	102.0	106.4	110.2
07 *Q1*	...	111.5	...	...	101.6	...	109.7	...	...	...	112.2	102.2	...	109.8
06 *Jul*	108.7	111.1	...	101.9	101.3	107.3	109.6	...	100.5	108.8	111.8	101.9	106.9	109.7
Aug	108.5	111.0	...	101.7	101.3	107.2	109.6	...	100.4	108.8	111.9	101.9	106.8	109.7
Sep	108.4	110.8	...	101.3	101.2	107.1	109.5	...	100.1	108.5	111.6	101.8	106.6	109.6
Oct	108.0	111.3	...	101.7	101.2	106.8	110.0	...	100.5	108.1	111.9	101.6	106.4	110.1
Nov	108.3	111.7	...	101.2	101.4	106.8	110.2	...	99.8	108.5	112.4	101.9	106.4	110.3
Dec	108.6	112.0	...	...	101.6	106.8	110.2	...	...	108.9	112.8	102.3	106.4	110.3
07 *Jan*	108.5	111.5	...	...	101.5	106.9	109.9	...	...	108.7	112.2	102.0	106.5	109.9
Feb	109.0	111.3	...	...	101.6	107.2	109.5	...	...	109.1	112.0	102.2	106.8	109.6
Mar	...	111.8	...	...	101.9	...	109.7	...	...	...	112.6	102.5	...	109.9
Apr	...	...	...	...	102.1	...	...	...	...	...	...	102.9	...	...

INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE DEVELOPED COUNTRIES



INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE INDUSTRIALISED 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 (until 1999) and 1999-2001 (since 1999) manufacturing foreign trade figures.

c. Relationship between the price indices of Spain and of the group.

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

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