

ECONOMIC BULLETIN

07/2007

BANCO DE ESPAÑA
Eurosistema



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ABBREVIATIONS

AIAF	Association of Securities Dealers	GVA	Gross value added
BCBS	Basel Committee on Banking Supervision	HICP	Harmonised index of consumer prices
BE	Banco de España	IADB	Inter-American Development Bank
BIS	Bank for International Settlements	ICT	Information and communications technology
CBSO	Central Balance Sheet Data Office	IGAE	National Audit Office
CCR	Central Credit Register	IMF	International Monetary Fund
CEMLA	Center for Latin American Monetary Studies	INE	National Statistics Institute
CEPR	Centre for Economic Policy Research	INEM	National Public Employment Service
CNE	Spanish National Accounts	INVERCO	Association of Collective Investment Institutions and Pension Funds
CNMV	National Securities Market Commission	LIFFE	London International Financial Futures Exchange
CPI	Consumer price index	MEFF	Financial Futures and Options Market
DGS	Directorate General of Insurance and Pension Funds	MEFF RF	Fixed-income derivatives market
EAGGF	European Agricultural Guidance and Guarantee Fund	MEFF RV	Equity derivatives market
ECB	European Central Bank	MFIs	Monetary financial institutions
ECCO	ECB External Communications Committee	MiFID	Markets in Financial Instruments Directive
ECOFIN	Council of the European Communities (Economic and Financial Affairs)	MMFs	Money market funds
EDP	Excessive Deficit Procedure	MROs	Main refinancing operations
EMU	Economic and Monetary Union	MTBE	Banco de España quarterly macroeconomic model
EONIA	Euro overnight index average	NAIRU	Non-accelerating-inflation rate of unemployment
EPA	Official Spanish Labour Force Survey	NCBs	National central banks
ERDF	European Regional Development Fund	NPISHs	Non-profit institutions serving households
ESA 79	European System of Integrated Economic Accounts	OECD	Organisation for Economic Co-operation and Development
ESA 95	European System of National and Regional Accounts	OPEC	Organisation of Petroleum Exporting Countries
ESCB	European System of Central Banks	PFs	Pension Funds
EU	European Union	PPP	Purchasing power parity
EU-15	Countries making up the European Union as at 31/04/04	QNA	Quarterly National Accounts
EU-25	Countries making up the European Union as from 1/05/04	RoW	Rest of the World
EU-27	Countries making up the European Union as from 1/01/07	SCLV	Securities Clearing and Settlement Service
EUROSTAT	Statistical Office of the European Communities	SDRs	Special drawing rights
FASE	Financial Accounts of the Spanish Economy	SICAV	Open-end Investment Companies
FDI	Foreign direct investment	SMEs	Small and medium-sized enterprises
FIAMM	Money market funds	TARGET	Trans-European Automated Real-time Gross settlement Express Transfer system
FIM	Securities funds	TFP	Total factor productivity
FISIM	Financial Intermediation Services Indirectly Measured	ULCs	Unit labour costs
GDI	Gross disposable income	VAT	Value added tax
GDP	Gross domestic product	WTO	World Trade Organisation
GFCF	Gross fixed capital formation	XBRL	Extensible Business Reporting Language
GNP	Gross national product		

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.

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TESTIMONY OF THE GOVERNOR OF THE BANCO DE ESPAÑA,
MIGUEL FERNÁNDEZ ORDÓÑEZ, TO THE PARLIAMENTARY COMMITTEE
ON FINANCIAL AFFAIRS

**Testimony of the Governor of the Banco de España, Miguel Fernández Ordóñez,
to the Parliamentary Committee on Financial Affairs**

Ladies and gentlemen,

Let me first say how grateful I am for the opportunity to appear here today to share with you the view of the Spanish economic situation portrayed in the *Annual Report* of the Banco de España. The publication of this report is a long-standing landmark that allows us to reflect on and recap the opportunities and challenges facing our economy. It is a particular pleasure for me to share these reflections with the people's representatives.

As you know, our country's economic policy arrangements are heavily influenced by membership of the Economic and Monetary Union (EMU). Accordingly, for me, in my capacity as governor of the Banco de España, the ideal starting point for addressing the current juncture of and outlook for the Spanish economy is the analysis of the European Central Bank's monetary policy.

Over the last 18 months, the progressive firming of the recovery in the euro area has given rise to the emergence of risks to price stability in the medium and long term. In the face of this, the ECB has been watchful of the possible materialisation of such risks, its aim being that monetary policy should continue to be of a pre-emptive nature. That has led to a progressive change in policy stance. In December 2005, the Governing Council decided to put an end to a period of two and a half years during which official interest rates had held unchanged at 2%. This had been a historically very low level for the euro area countries, even those with a long-dated tradition of stability. The successive rises subsequently (on a total of eight occasions) placed the main rate at 4%, which has enabled progress towards the normalisation of the monetary conditions in place to be made.

In recent years, the accommodative stance of monetary policy has been assisted by an ongoing notable degree of wage moderation in the euro area (albeit with substantial differences from country to country), which has helped limit the inflationary impact of the rise in oil prices. Also contributing to the containment of inflationary pressures have been factors such as relatively low capacity utilisation until recently, the growing presence of new competitors on the international economic stage and the appreciation of the euro.

However, in recent months monetary policy has had to ensure the control of potential inflationary pressures arising as a result of the impact of more buoyant economic activity on price and wage formation mechanisms. In any event, despite the increase in interest rates, monetary conditions remain conducive to the expansion of domestic demand, the recovery in which appears to be fully and firmly under way.

Indeed, the economic growth outlook for 2007 in the euro area is clearly favourable, given that the information available for the first half of the year points to even greater dynamism than that expected back in January. The resilience of activity is being led by forceful investment which, despite the increase in borrowing costs, continues to be very encouraging thanks to the sound corporate financial position, against a background of rising capacity utilisation. Admittedly, though, the latest data on household spending continue to show that this demand component is lagging the global cycle of expansion somewhat.

In any event, improved employment expectations and the optimism of households reflected in confidence surveys augur a strengthening of consumption over the course of the coming

quarters. In turn, the dynamism of worldwide activity may be expected to continue abroad, meaning that, under the most likely scenario, the prospect of a slight easing in activity in some regions should not be an obstacle to maintaining the soundness of euro area exports.

These favourable prospects are, however, subject to certain downside – and predominantly external – risks in the medium and long term. This is due above all to the possibility that the slowdown in the US economy will prove sharper than currently expected, that there will be further rises in oil prices, that the optimism on global financial markets will wane or that there will be a disorderly correction of global imbalances.

On the prices front, inflation may benefit in the coming months from certain transitory effects. In the medium run, which is the relevant horizon for monetary policy decision-making, forecasts point to rates of around 2%, but with upside risks stemming essentially from the possibility of labour factor costs growing more than expected. It is thus important that wage settlements should hold on their current path of moderation and reflect a sufficient degree of differentiation on the basis of the specific conditions in each industry and of the productivity of each company.

Naturally, future monetary policy will be marked by the course of the factors of risk for inflation containment that I have mentioned. The ECB Governing Council will rigorously and continuously monitor the factors affecting its overriding priority, and it will act resolutely to maintain inflation expectations at levels compatible with price stability. As it has done to date, the Governing Council will attempt to ensure its decisions are foreseeable, regularly indicating the way in which new information confirms or qualifies its assessment of relevant macroeconomic prospects. At the same time, it will avoid taking on board pre-set commitments that restrict its room for manoeuvre in the light of newly available information.

I should say that, for the Spanish economy, the normalisation of monetary conditions is proving particularly appropriate. First, because it contributes to preserving stability and the sustained growth of our trading partners. Second, because it is also helping us to attain a more balanced composition of spending, to achieve a degree of moderation in the demand for financing and to contain house price rises.

Let me move on to discussing the essential features of recent developments in the Spanish economy. As the *Annual Report* indicates, the expansionary phase in train since the mid-90s continued in 2006. GDP growth rose to 3.9%, compared with 3.5% the previous year, outpacing once again the forecasts made at the beginning of the year. On the expenditure side, the counterpart of this increase in activity was a mild slowdown in domestic demand and a sharp improvement in the contribution of net external demand to output growth, thereby making for more balanced growth.

These trends continued into 2007 Q1, and the increase in GDP rose to 4.1% (a rate slightly higher than that at end-2006), as a result of a further slowdown in national demand and of a fresh improvement in the contribution of the external sector to output growth.

The expansionary dynamics of the Spanish economy continue to be underpinned by the stimuli provided by monetary and financial conditions that remain conducive to buoyant expenditure and activity. Naturally, however, such conditions are less propitious following the interest rate rises made over the past 18 months. Yet at the same time, labour supply has continued to increase as a result of the scale of migratory flows and of the rise in female participation. The

growing availability of labour resources has enabled buoyant spending to translate into increases in activity and employment, and has seen cost and price pressures remain relatively contained. Against the background of the increased flexibility of the economy's adjustment mechanisms and of macroeconomic stability, all the foregoing developments have ensued despite the intensity of oil price rises in the first half of last year.

Adding to these factors in 2006 was the sound behaviour of the world economy, and in particular the recovery in the euro area, which is boosting exports following several years of sluggishness. This is enabling the buoyancy of imports to be offset, in a setting of resilient final demand and highly competitive import prices. As a result, the contribution of net external demand to output growth is improving, although the nation's net borrowing requirement continues to widen, albeit at a lesser pace than in recent years.

Turning to household expenditure, private consumption and residential investment remained strong in 2006, underpinned by the expansion of disposable income, by high confidence levels (spurred perhaps by the favourable outlook for employment and permanent income) and by wealth gains, albeit on a lesser scale than in the preceding years owing to the gradual slowdown in house prices. The relative tightening of monetary and financial conditions had, as I indicated in my last appearance before this same Committee, a limited impact on both components of spending.

However, both consumption and residential investment slowed slightly in 2006 from the high levels reached in previous years, and this deceleration continued into the opening months of 2007. In the case of consumption, this trend would chiefly be reflecting the mild slowdown in disposable income and in wealth. In that of residential investment, it would be the changes in interest rates and expectations of lower gains that have begun to dampen the demand for housing, as apparently corroborated by the profile of slowing house prices.

Throughout this period, the household saving ratio has continued to decline. And this, combined with the dynamism of residential investment, has prompted an increase in the net borrowing and indebtedness of households. Nonetheless, the rate of increase of lending to households began to show signs of turning round in the closing months of 2006, a trend that has continued to date in 2007 and which probably reflects the impact of the rise in the cost of financing. These developments have been determined by the slowdown in loans for house purchases, while the pace of resources earmarked for consumption has stabilised at a relatively high rate.

As to the behaviour of non-financial corporations, business investment remained strong throughout 2006, and has been so in the opening months of 2007, in response to highly robust demand and corporate earnings conditions that are offsetting the effect of the rise in interest rates on investment decisions. Indeed, significant equipment investment plans were set in train in 2006, while major corporate acquisition operations were carried out aimed at diversifying business areas, in the light of the maturity of specific productive activities, and at making Spanish companies more international. Set against this, the sector's net borrowing increased and there was growing resort to borrowed funds, which has continued into the opening months of 2007, prompting an increase in corporate debt ratios.

Throughout this process, productive activity, derived from the economy's supply-side conditions, is responding quite flexibly to the expansion of spending, underpinned – as earlier stated – by the continuing robustness of employment. The strength of the industrial sector in particular should be underscored; it rose vigorously throughout last year and continues to expand at

a high rate following several years of sluggishness. The construction sector also showed a sustained expansion, and is only evidencing slight signs of slowing after such a sharp and extended rise. It is precisely this flexibility in the supply-side response, along with the economy's improved adjustment capacity, that has helped reconcile this prolonged period of buoyant demand with a phase in which wage costs have remained relatively moderate, despite the dynamism shown by collectively bargained wages last year.

Notwithstanding, the inflation rate sustained average growth of 3.5% in 2006, widening the differential with euro area inflation. And if the energy component – which was particularly dynamic last year – is stripped out, the related rate was 3.1%. The behaviour of prices in the first half of 2007 has proven more favourable, although energy prices are once again playing a central role. However, the core inflation rate is holding stable at a rate of 2.5%, and certain key items, such as services, are at 4%, meaning that once the favourable effect of the fall in energy prices has been exhausted, inflation may rise somewhat.

The Spanish economy has thus moved into 2007 with notable dynamism and with a more balanced composition of spending. The mild slowdown in domestic demand and the improvement in net external demand have continued, while business investment has begun to gather pace, taking up the baton from residential investment.

Set against this picture of continuity of dynamism in the short term, the sustainability of growth over a longer horizon is becoming very important. In this respect, and as the Banco de España has indicated on many occasions, the normalisation of Spanish household and corporate spending and debt patterns is considered a necessary condition for ensuring the stability of growth. Given the less benign financial conditions, the gradual slowdown in house prices and the mild easing of credit have provided for some headway, albeit limited, in the ongoing adaptation by Spanish households to the progressive withdrawal of the monetary stimulus.

In the corporate realm, however, the presence of other factors has meant that the tightening of interest rates has scarcely been reflected in the sector's behaviour in respect of investment and indebtedness. Foreseeably, the adjustment of financial conditions will ultimately give rise to more moderate debt and spending, thus reducing companies' financial risks and ensuring the continuity of investment in the medium term.

The Spanish economy must also be prepared to meet the challenges of phenomena such as globalisation and demographic developments. The latter have been highly dynamic owing to the intensity of migratory flows, but in the long run a process of marked ageing will unfold.

We must therefore improve our capacity to compete, through a closer alignment of our costs and prices to those of our main trading partners and a genuine improvement in the quality and functioning of our productive system, the reflection of which should be greater productivity gains. Such gains are particularly important for furthering real convergence, once the impulses arising from the increase in the rate of employment lose momentum as we draw closer to a relatively low level of unemployment.

There is a considerable onus on economic policies to adopt the most appropriate measures that enable these challenges to be addressed. The monetary policy of the European Central Bank has, through the gradual increase in its key interest rates since late 2005, allowed financial conditions to be brought closer to levels more in keeping with the requirements of the Spanish economy, although these conditions are still accommodative. In these circumstances,

it is for the policies that remain in the hands of national authorities to assume the role of mitigating the risks inherent in a boom cycle as long as that which Spain has been experiencing and to shore up, in parallel, the economy's growth potential.

The reforms needed to increase the economy's potential require time if their full impact is to be exerted. Accordingly, the current economic boom should be harnessed to define such reforms ambitiously and to implement them speedily.

Fiscal policy is an important instrument for achieving the foregoing goals. Here, and from a short-term standpoint, the strength of revenue in the early months of the year allows us to anticipate, as in previous years, higher-than-budgeted revenue growth. Given the cyclical position of the economy, there should be assurances that buoyant revenue is earmarked to improve the existing fiscal surplus. This strategy should be accompanied by an expenditure control drive, so that greater revenue does not result in additional increases in spending. The budget outturn over the rest of the year and the preparation of the budget for the coming year should be on this basis.

Naturally, the final outcome of a fiscal policy stance in a State as strongly decentralised as Spain hinges crucially on the collaboration of all tiers of government, and in particular of the Autonomous (Regional) Governments, which are responsible for many areas of spending and should, therefore, resolutely adopt the foregoing guidelines.

This budgetary strategy is also appropriate from a medium-term perspective. The dynamism of public revenue has a temporary component, linked to the strength of national demand, and in particular of the real estate sector. Consequently, a greater degree of consolidation will broaden the room for manoeuvre available in the event of any potential deviation from the high-growth scenario. Likewise, bearing in mind that the main challenge to public finances continues to be that of the impact of population ageing on pensions and health spending, an extra fiscal consolidation drive would enable this impact to be tackled from a better vantage point. In any event, though, a deeper reform of the pensions system should also be undertaken, aimed at ensuring its sustainability in the long run.

Finally, the above-mentioned strategy should be pursued in a manner compatible with the improved efficiency and quality of public finances. There is a need to generate the right economic incentives for economic agents, to eliminate the undesirable distortions of State intervention and to enhance factor endowment, in particular human and technological capital via education and research.

The role of fiscal policy in respect of long-term growth is, however, limited and should be supplemented by the application of structural policies. Such policies should be defined in such a way that they continue to enhance the degree of flexibility and responsiveness of supply to economic conditions and the economy's growth potential.

The supply-side response primarily depends on the proper functioning of the labour market. The strong dynamism generated by high migratory flows and by growing female participation has injected forceful flexibility into the labour market. But in the long run the institutional framework must be better adapted so as to provide more stable foundations for the efficient use of labour resources, increasing the possibilities of employment and of income generation for the entire population. As I stated in my address to the Governing Council of the Bank, this should be brought about without forgoing the good industrial relations achieved.

Let me conclude by saying that any boost to productivity requires an improvement in the quality of human capital and the strengthening of the competitive environment in which companies pursue their business, so that the appropriate incentives for business investment and the development and diffusion of innovation may be generated. In this connection it will be necessary to persevere with and further the liberalisation processes undertaken in recent years, and to move towards defining a simpler and more transparent regulatory framework.

Thank you.

26.6.2007.

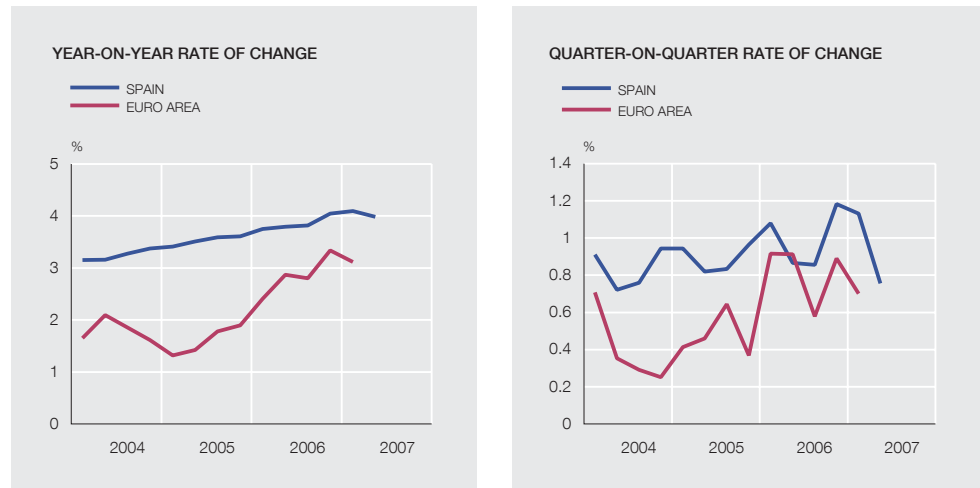
1 Overview

The Spanish economy remained notably dynamic in the first half of 2007 and made further headway in re-balancing its sources of growth. GDP continued to quicken in 2007 Q1, posting a year-on-year rate of change of 4.1%, the result of the 0.2 pp improvement (to -0.7 pp) in the contribution of net external demand to growth, given that domestic demand slowed mildly. The information for 2007 Q2 indicates that this pattern will have continued, though possibly with somewhat diminished buoyancy, since most of the indicators available suggest that domestic spending will have continued easing and that the contribution of net external demand will have held at a similar level to that of the previous quarter. Accordingly, a year-on-year rise in real GDP of 4% is estimated for Q2, 0.1 pp down on Q1. In quarter-on-quarter terms, the estimated rate of increase in GDP in this period is 0.8% (see Chart 1).

The pace of all the components of national demand, except investment in other products, eased. Notable in this broad pattern, along with the mild moderation in private consumption, was the strength of investment in capital goods, for which a rate of over 11% is estimated. The buoyancy of investment in construction showed signs of easing off, with a rate of increase of around 5%. As to net external demand, the rate of expansion of both exports and imports of goods and services quickened in 2007 Q2, although the increase in imports is proving less than that a year earlier. On the supply side, the restructuring of growth has chiefly been manifest in the ongoing momentum of industrial activity, offsetting the moderate deceleration in value added in the construction sector. Overall, employment held at a sustained rate of increase in Q2 and the improvement in apparent labour productivity seen in the previous quarter became firmer. The CPI has moved on a fairly stable path in the year to date, running at a rate of around 2.4%, although component by component its trend has been very mixed; the prices of non-energy industrial goods slowed significantly, driven in part by the appreciation of the euro, while services prices remained very dynamic. Over the quarter as a whole, the CPI excluding unprocessed food and energy slowed by 0.2 pp to 2.5%, and the inflation differential with the euro area held stable at 0.6 pp.

The external environment was marked by a fresh bout of oil price rises in Q2. The oil price hit an annual high in mid-July, standing at over \$77 per barrel and thus drawing close to the all-time high recorded in August 2006. As regards international financial developments, there was a trend towards the normalisation of financial conditions during the quarter, the key feature of which was the rise in long-term interest rates. Nonetheless, the continuing difficulties in the US mortgage markets in recent weeks partially corrected this rise and prompted a widening of credit risk spreads, although they remain at relatively low levels. On most international equity markets, the upward trend in previous quarters continued, despite which there was a moderate increase in volatility. And on the foreign exchange markets the ongoing depreciation of the dollar continued, particularly against the euro and sterling, and the yen also depreciated against the main currencies.

The world economy remained highly dynamic in Q2, driven mainly by the momentum of the emerging economies and by the sound headway of the European economies taking root. That said, in the year as a whole there has been some easing off in international trade flows compared with the exceptional figures recorded a year earlier. In the United States, the data for 2007 Q2, though somewhat more favourable than those for Q1, continue to point to a moderate growth phase. This means that it is not possible to dispel fully the doubts over the duration and scope of the current phase of lower growth. Such doubts are closely linked to the horizon



SOURCES: ECB, INE and Banco de España.

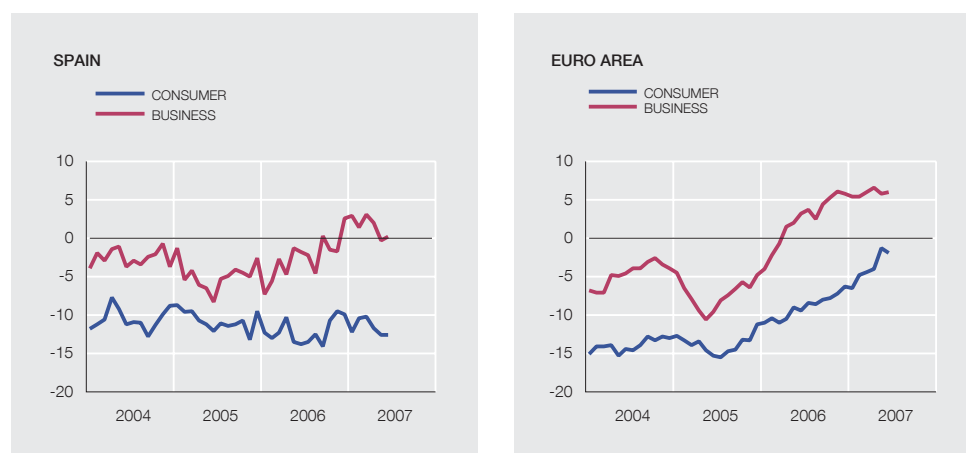
a. Seasonally adjusted series.

for the completion of the adjustment in the real estate sector, to its possible spread to other sectors and to the consequences for the subprime segment of the mortgage market. Nonetheless, the manufacturing sector has picked up notably and investment is trending somewhat more favourably, underpinned by the continuing strength of corporate earnings and by the external sector, which augur a more dynamic second half of the year.

Inflation rates in the developed economies turned slightly downwards during the quarter. That did not prevent the predominant perception among central banks being that of the presence of upside risks to inflation in the short and medium term. In the United States, where the CPI stood at 2.7% in June, the Federal Reserve held its federal funds target interest rate unchanged at 5.25%. In the United Kingdom, although the 12-month growth rate of the CPI eased significantly during the quarter, the Bank of England raised its official interest rate by 25 bp at its May and July meetings, taking it up to 5.75%. Finally, the Bank of Japan held its official interest rate unchanged at 0.50%, in a setting in which underlying inflation posted negative figures.

During the first half of 2007, the euro area economy continued to grow soundly. Largely behind this economic dynamism was the strength of investment and also of exports. However, private consumption showed some slackness in Q1 (affected in part by the VAT increase in Germany), though it might begin to pick up in the second half of the year judging by the sound behaviour of employment. The forecasts of various international agencies point to the continuity of these trends over the rest of the year whereby, according to the European Commission, GDP in the euro area might grow by 2.6% in 2007, a figure that matches the 0.5 pp range estimated by the ESCB (between 2.3% and 2.9%) in its last joint forecasting exercise.

This favourable economic situation has made itself felt in public finances, which improved significantly on 2006. This was thanks to the fiscal consolidation drive undertaken in some countries, but above all to high growth, which resulted in higher-than-expected tax revenue. Regarding fiscal results for 2007, the European Commission's Spring report envisages further reductions – albeit moderate ones in some countries – in budget deficits, that might prove insufficient to meet the commitments made under the Stability and Growth Pact. In keeping with this relative normalisation of the fiscal situation in the EU, the ECOFIN Council decided to repeal the Excessive Deficit Procedure still in force for Germany and Greece since January 2003



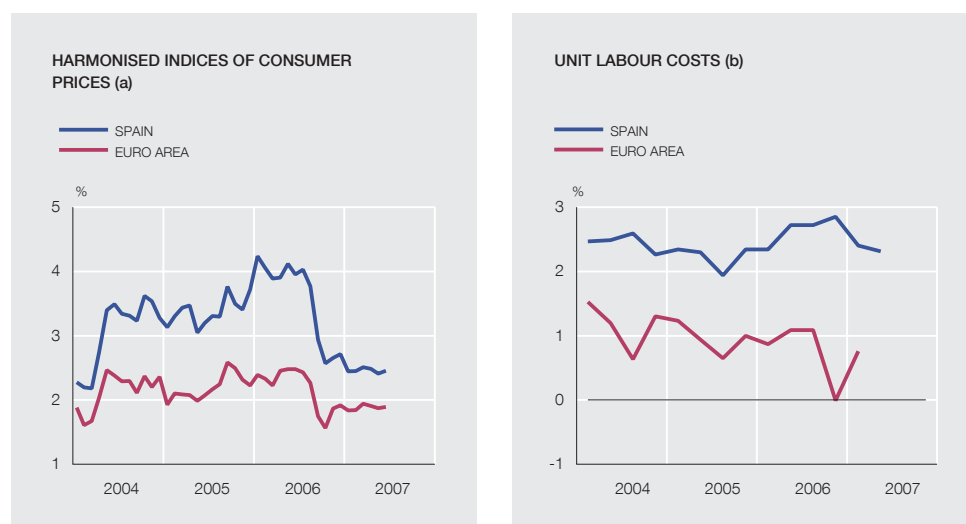
SOURCE: European Commission.

and May 2004, respectively. Further, it adopted the decision on 1 July to enlarge the euro area to 15 members, taking in Cyprus and Malta from January 2008.

Turning to inflation developments in the euro area, the year-on-year rate of change of the HICP held stable during the quarter at 1.9%, still affected by the rise in the price of the energy component in the first half of 2006 (see Chart 3). The disappearance of this base effect as from next September and the upward course oil prices have resumed will most likely entail a rise in inflation in the short run. Into the medium term, the inflation forecasts for the euro area are compatible with price stability, although the ECB considers that they remain upwardly biased. That stems not only from the uncertainty surrounding the future course of oil prices, but also from the potential effect of a more mature business cycle on wage negotiations (although the indicators available show no signs that this risk is materialising) and from the increases in business margins in certain industries.

It was precisely this assessment of risks to price stability that led the ECB to adjust the monetary conditions in the euro area once again at its June meeting, raising its official interest rates by 25 bp to 4% in the case of the main refinancing operations, to 3% in that of the deposit facility and to 5% in that of the marginal lending facility. Following this rise, the euro area monetary policy stance remains accommodative, bearing in mind the current cyclical phase of the economy. In response to these movements, interbank market yields continued to rise during the quarter and, as earlier indicated, the euro appreciated further against the dollar and the yen, taking the appreciation since the beginning of the year to somewhat over 3% vis-à-vis the dollar and to 1.7% in terms of the nominal effective exchange rate.

The external environment of the Spanish economy thus continued to be supportive of the expansion in activity, chiefly through the dynamism of Spanish export markets, although the pace was somewhat slacker than the previous year. The tightening of monetary conditions by the ECB made for a fresh increase in the cost of financing, the effect of which on agents' spending decisions continued to be limited, although it made itself felt with greater intensity in household debt decisions (see Chart 4). Property market prices held on the slowing trajectory of the previous quarters (with year-on-year growth of 5.8% in the April-June period). The stock markets, despite holding on an uptrend throughout the period, experienced bouts of instability associated with greater uncertainty over the valuation of certain real estate companies. The outcome was that household wealth slowed over the quarter as a whole, contributing to greater moderation in domestic demand.



SOURCES: Eurostat, ECB and INE.

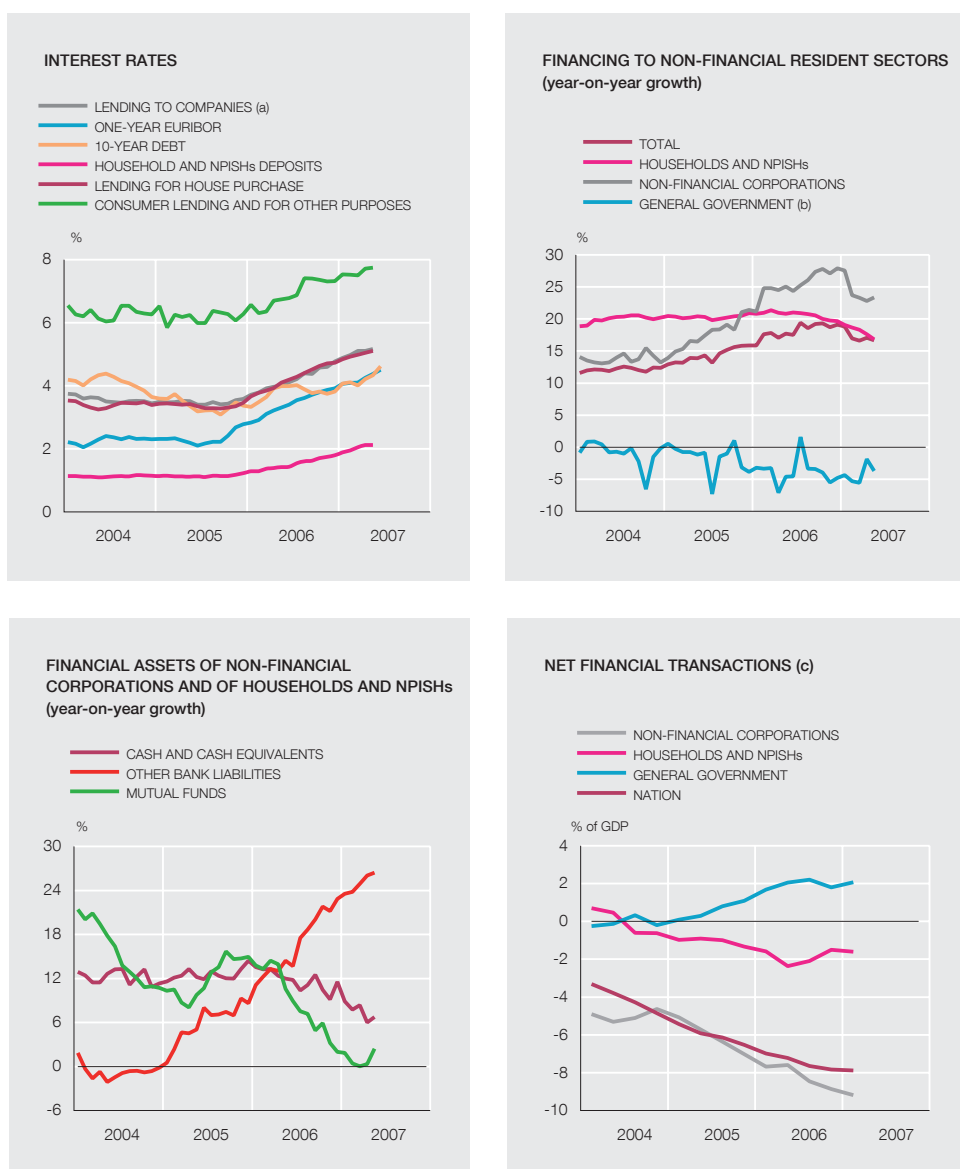
a. Year-on-year rate of change.

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

Nonetheless, household consumption remained notably buoyant (while moving on a mildly slowing path), underpinned by the strength of job creation, by the decline in inflation and by lower tax payments following the personal income tax reform, since the increase in net interest payments, as a result of the rise in interbank market rates, had a counteracting effect. The smaller increase in wealth also checked consumption, bringing it closer to the growth of real household income. Residential investment evidenced a more marked – though in any event moderate – slowdown, in response to the diminished expectations of rising house price values and to the increase in the cost of financing. From the standpoint of the household financial position, the diminished momentum of spending, along with the less benign financing conditions, led to a fresh reduction in the rate of household debt. As a result, the increase in lending to households and NPISHs stood in June at slightly below 16%, 2.5 pp down on the end of the previous quarter.

Corporate investment continued to be highly dynamic, based on a favourable international environment, high corporate earnings and a bright outlook for domestic activity. Further, no significant effects of the higher cost of financing on firms' investment and hiring plans have been discerned. The momentum of investment in capital goods has been particularly notable, and this was once again the most dynamic demand component during the quarter. In step with this, the debt of non-financial corporations continued to increase, posting a year-on-year growth rate of 23%, only slightly lower than the previous quarter. However, there are incipient signs of a change in the composition of corporate debt by end-use, with funds for financing property and construction activities slowing, and those earmarked for industrial corporations stepping up.

General government spending eased somewhat in Q2. This affected government consumption and, above all, gross capital formation. It also bore particularly on construction, following the high increases the previous quarter, largely linked to the local and regional government elections held in May. Nonetheless, general government gross capital formation is expected to hold at a sustained pace in the coming months as a result of meeting the commitments made under the PEIT (infrastructure and transport strategic plan), among other investment plans. It



SOURCE: Banco de España.

a. Weighted average of interest rates on various transactions grouped according to their volume. For loans exceeding €1 million, the interest rate is obtained by adding to the NDER (Narrowly Defined Effective Rate), which does not include commission and other expenses, a moving average of such expenses.

b. Consolidated financing: net of securities and loans that are general government assets.

c. Cumulative four-quarter data.

is against this background that the continuing strength of non-financial corporations' non-residential investment should be viewed. Tax revenue continued growing forcefully, especially in relation to direct taxes, in a setting in which the effect of the personal and corporate income tax reform introduced at the start of the year was cushioned by the dynamism of the taxation of returns on financial assets. As a result of these developments, it is foreseen that the growth rate of public revenue will, by the end of the year, be far higher than budgeted, even if direct tax revenue were to slow in the second half of the year. The resulting financial headroom should not be used to take spending off its budgeted path but to further fiscal consolidation and to increase the room for manoeuvre in less favourable circumstances than those currently prevailing. Should these forecasts hold, the fiscal balance in 2007 should result in a surplus exceeding the figure of 1% established in the last Updated Stability Programme. The budgetary

stability targets for the period 2008-2010, approved by the government at the end of May, nevertheless maintain a general government surplus target for 2008 of 0.9% of GDP (the same as that set in the last Updated Stability Programme), which is slightly lower than that programmed for the current year.

Foreign trade flows slowed significantly in 2007 Q1. The deceleration was sharper in the case of imports and, as indicated, this provided for a 0.2 pp improvement in the contribution of net external demand to output growth, to 0.7 pp of GDP. The still-incomplete information for Q2 points to a mild acceleration in both exports and imports of goods and services, which are expected to have grown at respective rates of 5% and 6% in this period.

The moderate increase in exports in the first half of the year is consistent with developments in world trade, the expansion in which was somewhat slackier in this period following its dynamism the previous year. In the case of imports, the strength of final demand (in particular the estimated dynamism for investment in equipment) and the virtually zero change in import prices, owing to the appreciation of the euro, would justify this recovery in Q2. However, the increase in the share of imports in final demand has been checked in the first half of the year, after rising notably in the three previous years. As to exports, although extra-Community sales showed – as has become habitual – comparatively greater momentum, their growth rates were once again far lower than those of the previous year, especially in the case of exports to the United States and to Japan, and that might also reflect the effect of a stronger euro. Real services exports also expanded somewhat more in Q2, despite the notable moderation in real tourism receipts. And this was broadly extensive to services imports. It is expected that the joint effect of these movements will mean that the contribution of net external demand will remain stable at the level of the previous quarter, subtracting 0.7 pp from the increase in output. Nonetheless, the external deficit has continued widening, albeit at a slowing rate. The nation's net borrowing stood at 7.9% of GDP in 2007 Q1, in cumulative four-quarter terms, 0.1 pp up on end-2006.

On the supply side, it is estimated there were minor changes in the contribution of the various productive branches to growth in Q2. These included most notably the strength of industrial activity, although perhaps with a slightly more moderate rate of increase, and the mild slow-down in activity in the construction sector. Employment began incipiently to reflect this structural change, although the construction branch remained the most dynamic in terms of jobs. Overall, employment increases remained sustained and the improvement in labour productivity dating back to the previous period firmed. The EPA (Labour Force Survey) data for Q2 confirmed the buoyancy of employment, against the backdrop of the somewhat more contained growth of the population of working age. Numbers employed increased at a year-on-year rate of 3.4% in Q2, and there was a slight fall in the ratio of temporary to total employees to 31.8%.

Turning to labour costs, the growth rate of wages is expected to have stabilised at a similar level to that of the previous quarter, when compensation per employee in the market economy stood at 3.1%. The increase in compensation would thus be close to the average wage settlements in collective bargaining agreements (2.9% in the first five months of the year), and no significant deviations from this rate are envisaged over the rest of the year. This is because, first, the effect of the activation of the indexation clauses in 2007 will be far less than was the case in 2006; and further, the tendency towards the rebalancing of activity, which is beginning to be discernible, may lessen the scale of wage drift which, as is known, has been strongly negative in recent years. The rise in actual productivity has, in turn, enabled the rate of change of unit labour costs to stabilise at comparatively lower levels and, in the case of manufacturing,

to scarcely change over the course of the quarter, checking a further deterioration in our price-competitiveness. This development, combined with what might be somewhat less expansionary margins than in previous periods and with the temporary downturn in oil prices in the opening months of the year, has contributed to shaping a more contained inflation scenario. Indeed, the inflation rate has held below 2.5% to June and the differential with the euro area is close to its all-time low. Significantly, however, core inflation is holding stable at a relatively high rate (due partly to the high increases in services prices), and oil prices have resumed an upward course, which will intensify the adverse base effect of the reductions in energy prices in late 2006. Against this background, it is highly likely that inflation will rise again in the coming months, attaining levels similar to those at the close of the previous year.

Throughout this quarter the Spanish economy has remained strongly dynamic and continuing headway has been made towards a more balanced composition of spending. At the same time, financial conditions have become progressively less benign and the property market has moved on to a more normal footing, with a very gradual slowdown in prices in the sector, which is prompting some containment in the rates of household spending and indebtedness. In the case of corporations, however, there is still no significant reaction to the new financial setting, which requires moderation in the rate of indebtedness, in line with a gradual slowdown in real estate development activities that may pave the way for other productive activities and other forms of investment to replace them. This replacement is a necessary condition not only for ensuring the continuation of an orderly rebalancing of the Spanish economy's growth sources, but also for entrenching higher increases in productivity. To see this process through, fresh momentum must be given to structural reforms. On the supply side, such reforms may allow industry and services to assume the leading role of construction, once the exceptional impulse exerted by this productive branch over the past decade progressively peters out, and employment to be reallocated without friction across sectors. The greater flexibility of the economy and the greater innovatory dynamism of corporations that may be expected from the deepening of these reforms will ultimately help improve the Spanish economy's competitiveness and see the external sector contribute to increases in GDP and in income.

2 The external environment of the euro area

In the last quarter, a key development on the international financial scene was the rise in long-term interest rates, particularly in the United States, where ten-year rates rose by 60 bp between early May and mid-June to reach levels above 5.25%. Subsequently, they fell back in July to around 4.8% on concerns about subprime lending in the US mortgage market. Credit spreads – both emerging-country sovereign spreads and, more especially, the corporate spreads of the companies with the lowest credit ratings in the United States – also increased considerably, although they still remain at relatively low levels. Developments on both emerging and developed stock markets were positive, with most indices recording gains despite a moderate increase in volatility. On the foreign exchange markets, the dominant feature was the strength of the euro against the US dollar – whose exchange rate fell to record lows of below 1.38 per euro – and, in particular, against the yen. Another notable feature in the last quarter was the rebound in oil prices, which rose by 14%, pushing the price of a barrel of Brent above \$77, slightly below its all-time high in August 2006. This increase coincided with political tensions in Nigeria and Iran, and with petrol supply problems in the United States.

In the United States, advance data on GDP for Q2 indicated a substantial acceleration in economic activity, with an annualised quarterly growth rate of 3.4%, compared with 0.6% in Q1. The composition of this growth, however, maintains the uncertainty concerning the duration and depth of the low-growth phase and its transmission to other economies (see Box 1). On the negative side, private consumption, the key driver of growth in recent quarters, slowed considerably. It grew at an annualised quarterly rate of 1.3%, 2.4 pp down on the previous quarter. Additionally, there are no clear signs of a possible stabilisation in the real estate market. The negative contribution of residential investment to growth was still very substantial (over half a percentage point). The number of house sales has continued to slide and, despite the adjustment in residential investment, the stock of new houses for sale has remained at historically high levels, contributing to the slowdown in house prices. On the positive side, it is worth mentioning developments in investment and the recovery of both the manufacturing and external sectors. Non-residential investment performed more favourably than in the previous quarter, with strong growth in infrastructure investment and an increase in expenditure on capital goods and software, albeit at still-moderate rates. The ISM manufacturing index recovered, reaching levels that would suggest a sustained expansion of industrial activity in the months to come. In the external sector, exports were more buoyant and imports fell, with the result that external demand contributed 1.2 pp to annualised quarterly growth. Turning to prices, the year-on-year rate of the personal consumption expenditure deflator remained roughly stable during the quarter at 2.3%, though underlying inflation turned downwards to 1.9% in May, from 2.4% in February 2007. In June, underlying inflation as measured by the CPI picked up slightly in monthly terms (0.2%, 0.1 pp up on May), but the year-on-year rate remained at 2.2%. In this context, the Federal Reserve held its official interest rate unchanged at 5.25%.

In Japan, the indicators for Q2 point to some moderation in activity, despite continued dynamism in private consumption and exports. The main factor behind this slowdown has been the overall sluggishness of the industrial sector, which is currently undergoing a period of inventory adjustment, following a strong expansion in the second half of 2006. Industrial production thus contracted for the third consecutive month in May and the PMI index fell in June to a four-year low. However, some recent indicators, such as the positive June figure of the Tankan confidence index for large manufacturers and the pick-up in machinery orders in May, suggest that the adjustment in the manufacturing sector will not intensify in the coming months. As for

Since mid-2006 the US economy has been undergoing a period of slow growth, weighed down mainly by a sizeable downward correction in residential investment. During this period, other economies have maintained historically high rates of growth. Despite the optimistic assessment that could be made of recent developments, the continuation of the adjustment in the US real estate sector, borne out by the indicators published during the quarter, may prolong – and even worsen – the phase of slow growth in this country. For this reason, the possible transmission to other economic areas of developments in the United States is one of the main factors of uncertainty clouding the international economic outlook.

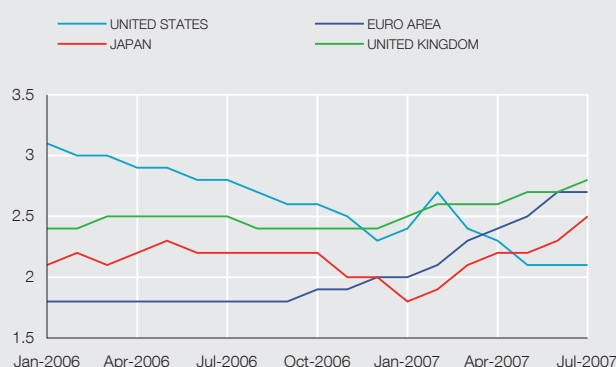
The experience of the last thirty years is corroboration that periods of recession in the United States usually coincide with phases of lower growth in the world economy. However, this is not necessarily proof of a high degree of transmission between the United States and the rest of the world: much of the synchronisation observed between the US economic cycle and that of the rest of the world is attributable to common shocks that have simultaneously affected, albeit to varying

degrees, several economies. The oil crises of the 1970s and the sharp stock market correction associated with falling technology stocks at the beginning of the millennium are prime examples of this type of shock.

The current slowdown in the US real estate sector cannot, however, be compared to this type of simultaneous shock, since it is an idiosyncratic phenomenon. Consequently, its negative impact on growth in other economic areas is expected to be less than in past episodes.

Most economists expect a moderation in US growth in 2007, compared with 2006, compatible with a recovery in the pace of activity from the low at the start of 2007. The composition of growth is also likely to reduce the extent of the transmission of this slowdown to other areas. On one hand, residential investment is forecast to remain depressed, although housing is a non-tradable sector, with a relatively low demand for imports. On the other, indicators released during the quarter point to a recovery in the manufacturing sector, which is more import-intensive. The consensus scenario also foresees an im-

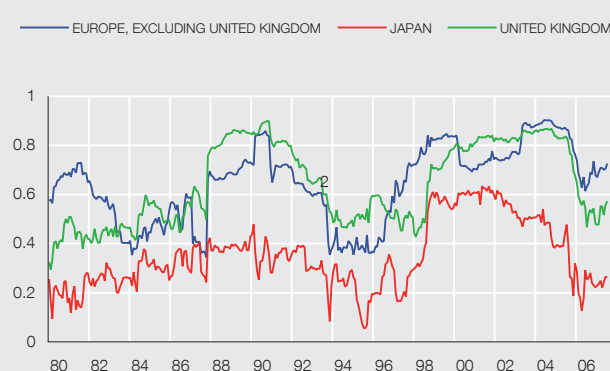
1 CONSENSUS FORECASTS FOR GROWTH IN 2007



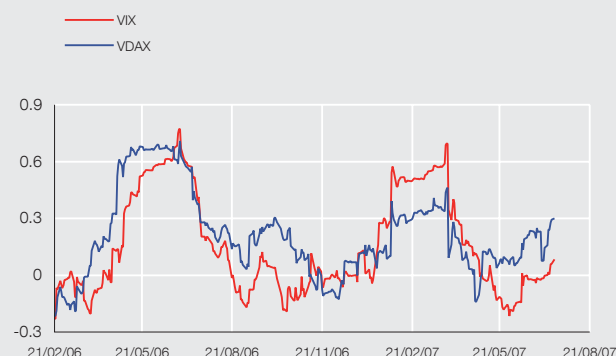
3 EQUITY MARKETS. CORRELATION WITH THE US STOCK MARKET

	Months of positive return	Months of negative return
Europe (c)	0.32	0.62
United Kingdom	0.42	0.56
Japan	0.11	0.32
Global (d)	0.41	0.60

2 EQUITY MARKETS. CORRELATION WITH THE US STOCK MARKET



4 CORRELATION IN IMPLIED VOLATILITIES OF STOCK MARKETS AND MORTGAGE-BACKED ASSETS (b)



SOURCES: Consensus Forecast, Datastream and JP Morgan.

a. Year-on-year rate of change.

b. Three-week correlation between the changes in the ABX.HE BBB- index and the changes in the VIX (United States) and VDAX (Germany) indices.

c. Excluding the United Kingdom.

d. Excluding the United States.

provement in non-residential investment, whose influence on imports from the rest of the world is greater than that of housing expenditure. The latest consensus forecasts have tended to raise growth expectations for the rest of the world, notwithstanding the progressive scaling back of prospects for the United States (see Chart 1). That suggests economic agents expect the world economy to show considerable resilience to the loss of dynamism in the United States.

It would be hasty, however, to consider that the far-reaching structural changes in a number of economies over recent decades will ensure a greater degree of autonomy between the economic cycles of the different regions. In particular, there is no evidence that the two transmission channels – trade and finance – have lost their relevance.

From a trade perspective, worldwide growth in foreign trade has been accompanied by greater external openness, which tends to provide a counterweight to the lesser relative importance of the United States as the origin or destination of these trade flows. According to recently published IMF data¹, the percentage of exports intended for the United States has been on a downward trend in most regions. However, since total exports have grown over-proportionately, exports to the United States currently account for a larger share of the GDP of most of the other countries. Taking the euro area as an example, in the period 1986-90 exports to the United States accounted for 8% of total exports and 1.5% of GDP. In the period 2001-05, although sales to the United States were equivalent to 7% of total exports, their weight in terms of GDP had practically doubled to 2.4%. Taking into account indirect exposure through exports to third countries that, in turn, have trade ties with the United States², this figure would rise about 2.5 pp more. The trend seems to suggest that the transmission, via the trade channel, of US slowdowns may have strengthened in recent decades. Nevertheless, simulations based on macroeconomic models tend to confirm the view that the attendant magnitude in the event of a correction in the US real estate sector would still be relatively limited.

Measurement of a possible transmission via the financial channel is more complicated, both conceptually and because of a lack of ac-

curate data. The financial exposure of most economies to the rest of the world has increased continuously in recent decades; consequently, in terms of GDP, the weight of their claims on and liabilities to the United States has also risen. In the case of the euro area, according to the Coordinated Portfolio Investment Survey, while US portfolio assets accounted for only 3.1% of GDP in 1997, in 2004 they amounted to 14.1%. Over the same period, euro area liabilities vis-à-vis the United States rose from 7.4% of GDP to 9.9%. This situation is repeated in most geographical areas, suggesting greater exposure to developments in US financial markets.

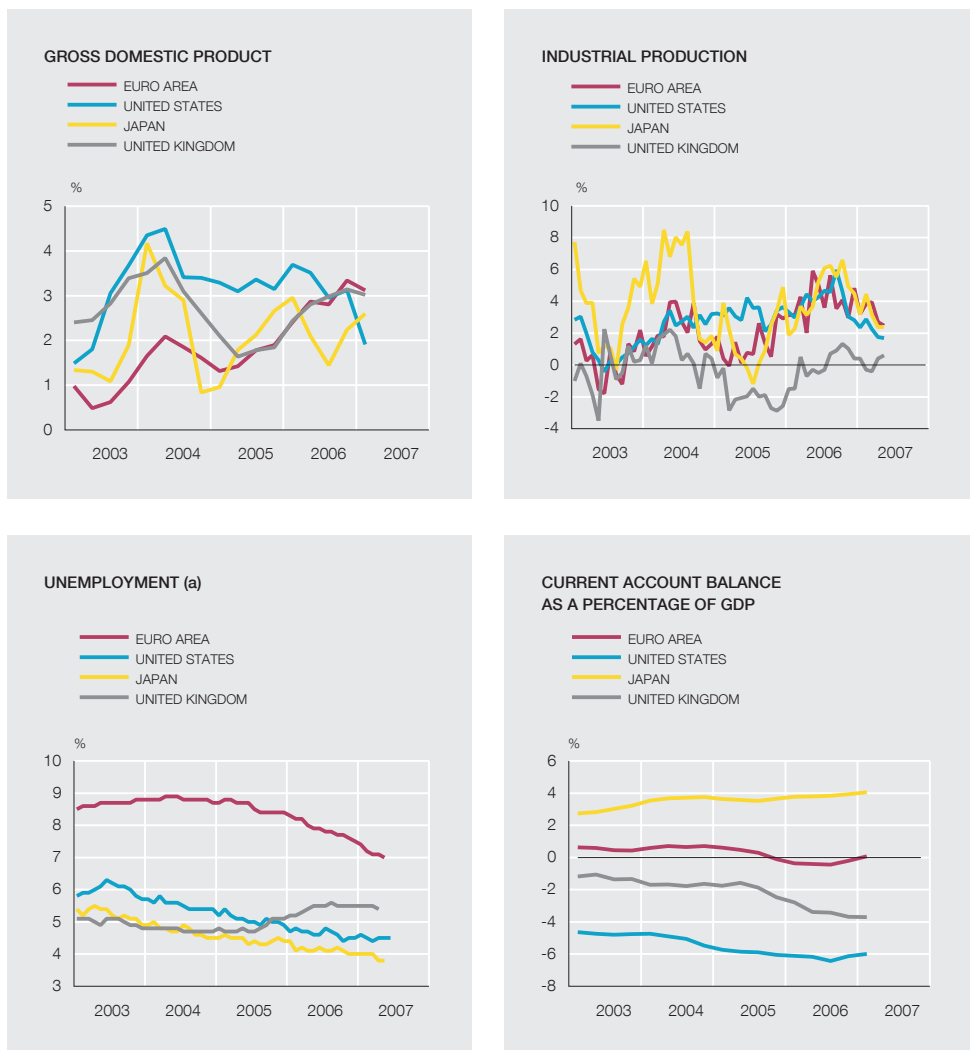
Correlations between financial markets do not point to a significant reduction in the risk of cross-regional contagion. In equity markets, the correlation became smaller during the last upturn, although it still remains significant (see Chart 2). Moreover, were the historical pattern to repeat itself, these correlations would foreseeably be stronger in the context of falls on the US stock exchange (see Table 1). However, the fact that the adverse developments have been confined to the US real estate sector does not necessarily guarantee there will be no contagion to other financial instruments and areas. The strong growth in mortgage securitisation could contribute to such contagion, since it implies that securities of this type are becoming increasingly weightier in the portfolios of a large number of investors. Accordingly, evidence from the most recent bouts of financial turbulence (May 2006 and March 2007) indicates that the implied volatilities of stock markets, both in the United States and in the euro area, have tended to increase in synchrony with the fall in value of higher-risk mortgage-backed assets (see Chart 3). This highlights the risk that the sharp increase in defaults in the subprime mortgage market may lead to a revision of risk premia in other markets and other areas, which in turn could have significant macroeconomic consequences.

In conclusion, given its magnitude and composition, the US slowdown is expected to have a limited impact on other economies, especially if it is confined to the real sector and the trade channel. Nevertheless, concerns remain that the slowdown may possibly be transmitted with greater intensity via the financial channel, giving rise to a deterioration in global financial conditions that could have more significant negative consequences for growth rates in other areas.

1. See Chapter 4 of the *World Economic Outlook*, April 2007. 2. See the *Annual Report*, 2006-07 of the Bank for International Settlements.

inflation indicators, the data for May showed a year-on-year rate for the overall index of 0%, while the underlying rate turned negative. Against this background, the Bank of Japan held the official interest rate at 0.50%, unchanged since February 2007.

In the United Kingdom, the preliminary estimate of GDP for Q2 pointed to quarterly growth of 0.8% – 0.1 pp more than in Q1 – with the year-on-year rate holding at 3%. Although the biggest contribution to growth was from services, construction and manufacturing were more dynamic than in previous quarters. With regard to inflation, the year-on-year rate of change in the CPI eased significantly during the quarter, standing at 2.5% in May, although the prospects

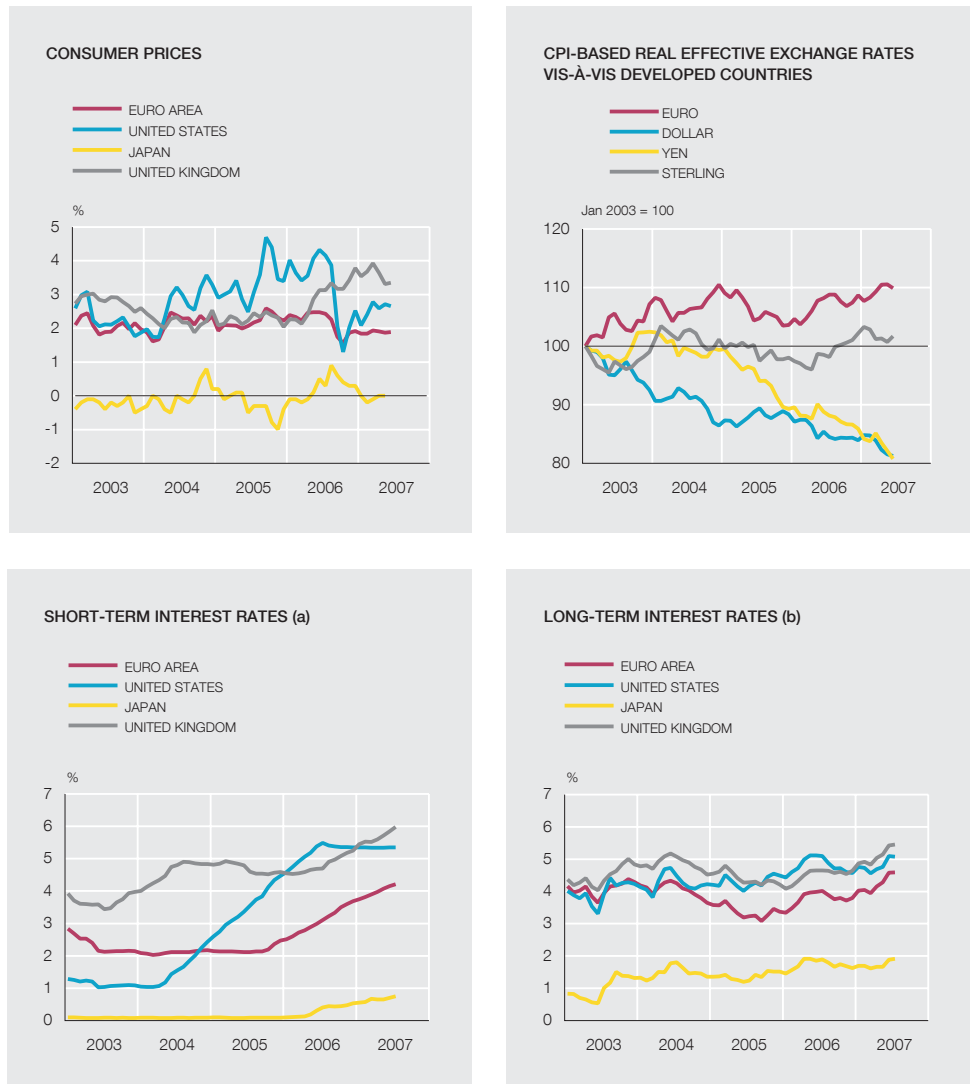


SOURCES: Banco de España, national statistics and Eurostat.

a. Percentage of labour force.

of upward pressures remain. House prices continued to rise at a rate slightly above 10% year-on-year during Q2. In this context, the Bank of England raised its official interest rate by 25 bp on two occasions (May and June), taking it to 5.75%. In the new EU Member States, the strength of domestic demand pushed GDP growth in 2007 Q1 to 6.5% year-on-year, compared with 6.6% in 2006 Q4, in spite of the expected deceleration in Hungary. Nevertheless, the most recent indicators of activity and demand show signs of a slight deceleration in Q2. Inflation in June rose across the board, although rates varied considerably from country to country. On the monetary policy front, the official interest rate in Poland rose by 25 bp to 4.5%, while in Hungary there was an unexpected cut of 25 bp, leaving the rate at 7.75%. Within ERM II, currencies remained at the central rate of their fluctuation band, with the exception of the Slovak koruna, which has resumed a gradually appreciating path since the end of June. On 10 July, ECOFIN formally approved the adoption of the euro by Cyprus and Malta on 1 January 2008.

In China, the already very dynamic growth rate increased further. GDP grew by 11.9% year-on-year in Q2, 0.8 pp up on Q1. Underpinning this was the expansion in industry and services,



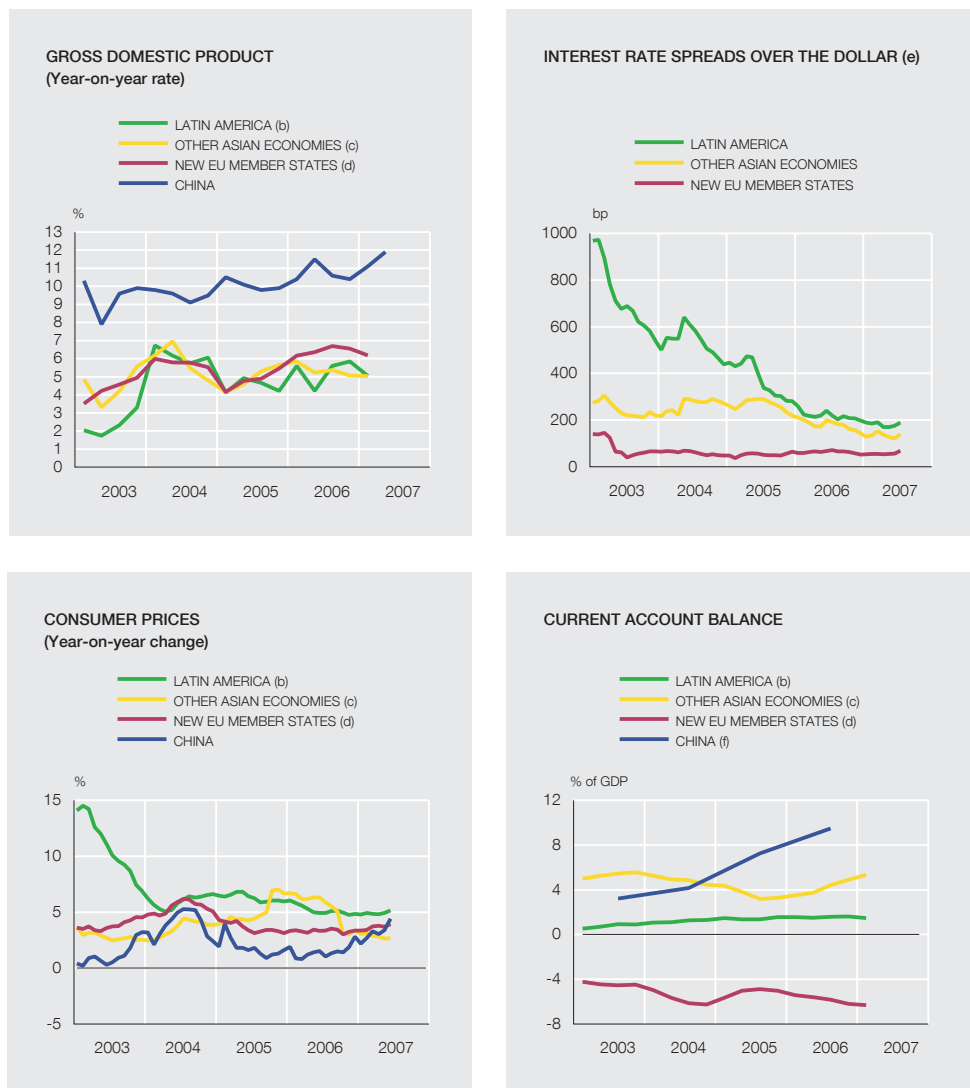
SOURCE: Banco de España.

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

leading to the likelihood of new tightening measures. Growth in industrial production was similar to that in the previous quarter and fixed asset investment quickened considerably, while retail sales continued to accelerate gradually. In the external sector, the trade surplus for Q2 grew by 43% over that of the previous quarter, reaching \$66 billion, despite the slight acceleration in the rate of appreciation of the renminbi against the dollar. With a view to easing back the growth of financial variables, the central bank has raised the reserve ratio on four occasions (and reference rates for loans and deposits on three occasions), increased the taxes on equity trading (prompting the temporary correction in equity markets at the end of May) and adopted new measures to make investment in foreign markets easier for residents. Given the ample liquidity, inflation rose considerably. It posted a year-on-year rate of 4.4% in June, its highest level September 2004, heavily influenced by the upturn in food prices. Lastly, the first steps were taken towards the creation of the institution that will be responsible for the active management of a portion of international reserves. In the other Asian countries, the Q2 indicators of activity moved in positive territory, buoyed fundamentally by growth in exports. Furthermore, inflation in most of the economies in the region fell slightly. There were few changes in

**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. Poland, Hungary, Czech Republic, Slovak Republic, Estonia, Latvia, Lithuania, 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 interest rates in the region in Q2, with the exception of Indonesia, where they were cut by 50 bp.

GDP growth in Latin America in 2007 Q1 slowed slightly, from 5.8% in 2006 Q4 to 5.1% in 2007 Q1, as a result of the behaviour of domestic demand. This deceleration was driven by a fall in the growth of the main economies in the region, particularly in Mexico, although recent indicators of activity point to an acceleration during Q2 both in this economy and in Brazil. Inflation in the region as a whole rose slightly during the quarter, reaching 5.1% in June, compared with 4.9% in May. As for monetary policy, official interest rates rose more or less across the board, with the notable exception of Brazil, where they fell by a further 100 bp

to 11.50%. Current account balances remained relatively stable in the region, except in Colombia, where it worsened considerably. Financial inflows increased significantly in Colombia and Brazil, the accumulation of reserves having gathered momentum in both countries. With regard to fiscal policy, general government balances improved, with the exception of Venezuela, where the budget deficit widened. Lastly, the sovereign debt rating of Peru, Colombia and Brazil improved, rising in the case of the latter two countries to one step below investment grade.

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

During the first half of 2007 the euro area economy continued growing soundly, as can be seen in the National Accounts figures for Q1 and in the indicators available for Q2. Economic dynamism has largely been underpinned by the strength of investment and exports. In contrast, private consumption remains somewhat slack, having been partly affected by the tax rises in Germany, although its fundamentals and the high level of household confidence auger greater momentum. That said, the economic outlook for the euro area for the current year is optimistic. According to the ESCB June forecasting exercise, GDP growth in 2007 will be in a range from 2.3%-2.9%, the mid-point of which (2.6%) is in line with the estimates provided by other international agencies. In the medium term some risks persist, stemming essentially from external factors relating to the rise in oil prices, uncertainty about the course of the US economy, the possibility of a disorderly adjustment of global imbalances and the potential change in the appetite for risk on financial markets.

Inflation in the euro area held stable at 1.9% in the period from February to June. However, the renewed upward path of oil prices may lead to a rise in the growth rate of the HICP in the short run. Into the medium term, the inflation outlook available is compatible with price stability, although there are upside risks relating essentially to the future course of commodities prices and to the maturity of the current upturn.

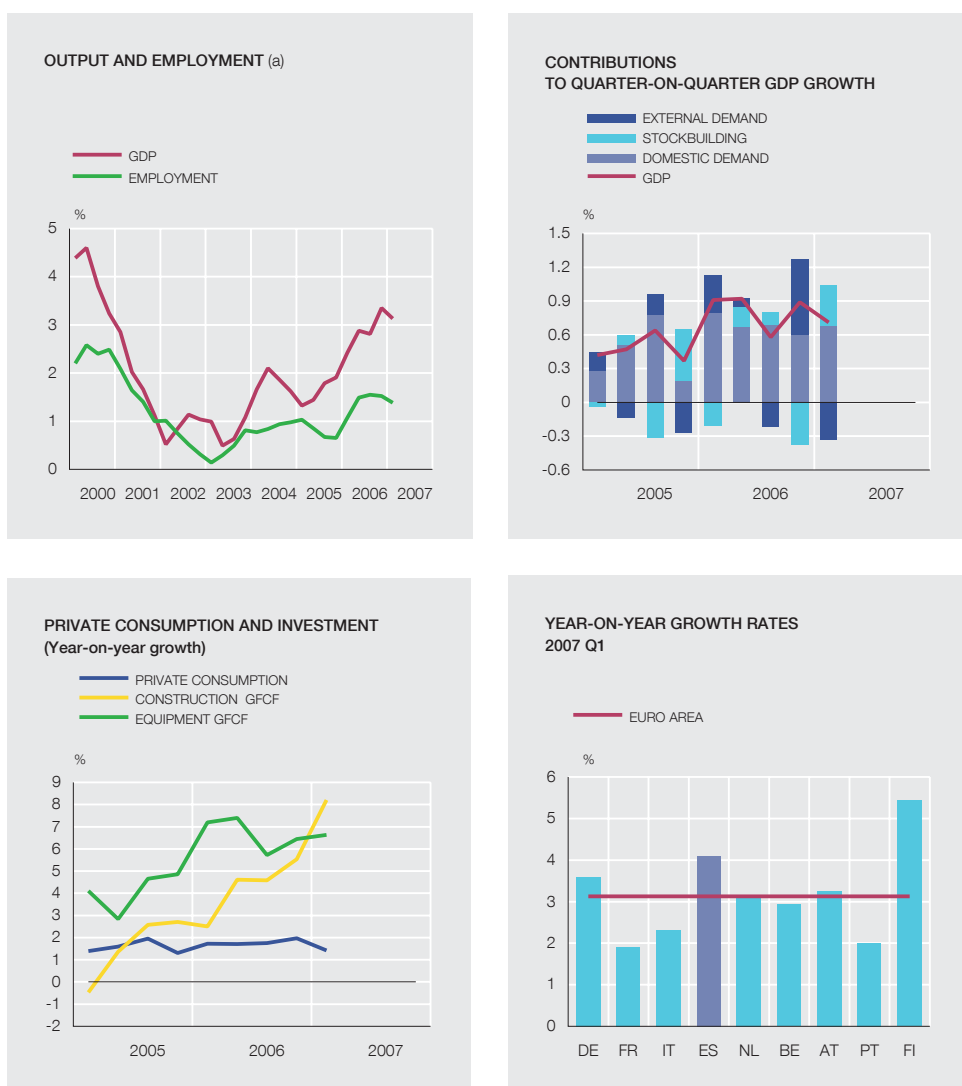
Against this background, the Governing Council of the ECB continued gradually to withdraw the monetary stimulus from the euro area and, in June, it once again raised official interest rates by 25 bp, to 4%. These conditions continue to be accommodative and propitious to the expansion of activity.

Turning to fiscal policy, public finances improved significantly in 2006 thanks to the fiscal consolidation drive, but especially to high economic growth, which resulted in higher tax revenue than expected. As regards 2007 and 2008, the European Commission, in its spring report, foresees further – albeit modest – reductions in the budget deficit. Moreover, the estimated trend of the structural deficit suggests that the adjustment in some countries will not suffice to meet the provisions of the reformed Stability Pact and the political commitment reaffirmed by the Eurogroup in April. Lastly, the Ecofin Council, in the light of progress made, decided to abrogate the Excessive Deficit Procedure in Germany and Greece.

From 1 January 2008 the euro area will be enlarged, comprising 15 members following the incorporation of Cyprus and Malta. In May, the European Commission recommended the incorporation of these countries into the euro area, after noting their high degree of convergence and compliance with the necessary requirements. In July, the Ecofin adopted the final decision, announcing the irrevocable exchange rates of the Maltese lira and the Cyprus pound.

3.1 Economic developments

According to the second National Accounts estimate, GDP in the euro area remained highly dynamic in 2007 Q1, with growth of 0.7% on 2006 Q4. Although this rate is slightly lower than the exceptional increase in GDP in late 2006, domestic demand once again played a key role, and its contribution to the quarter-on-quarter change in output increased by 0.1 pp to 0.7 pp (see Chart 8). The firmness of domestic demand was largely due to the robustness of gross fixed capital formation, both in investment in capital goods and, above all, in construction, which was driven by very favourable weather. In contrast, private consumption posted a zero rate of change, having been affected by the increase in German VAT last January. Net external



Sources: Eurostat and national statistics.

a. Year-on-year rates of change.

demand subtracted 0.3 pp from GDP growth owing to a marked slowdown in exports, after an abnormally high rise in late 2006, due to German statistics accounting factors. Lastly, the change in stockbuilding further contributed to underpinning the economic expansion and added 0.4 pp to the increase in output. In year-on-year terms, euro area GDP increased by 3.1% in Q1, 0.1 pp down on 2006 (see Table 1).

The breakdown of value added by branch of activity shows an across-the-board acceleration, except in agriculture and in retail and wholesale trade. Country by country, quarter-on-quarter GDP growth was relatively high in all the member states, in a range from 0.5% to 1.1%. The exception was Italy, where the increase was only 0.3%, following the strong expansion in late 2006. Turning to the area's four biggest countries, the momentum of domestic demand was notable in most of them. While private consumption quickened in France and Italy, the main driving force in the German economy was the momentum of investment, both in capital goods and in construction. Box 2 analyses in greater detail how temporary or permanent the pick-up in construction is, following the long period of stagnation dating back to the mid-90s.

	2005	2006				2007		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2 (a)	Q3 (b)
GDP								
Year-on-year growth	1.9	2.4	2.9	2.8	3.3	3.1		
Quarter-on-quarter growth	0.4	0.9	0.9	0.6	0.9	0.7		
European Commission forecasts (c)							(0,4 ; 0,8)	(0,4 ; 0,8)
IPI (d)	2.2	3.5	4.3	4.3	4.0	3.7	2.5	
Economic sentiment	100.1	102.6	106.8	108.2	109.9	110.0	111.6	
Industrial confidence	-5.7	-2.3	2.3	3.7	5.7	5.3	6.3	
Manufacturing PMI	53.0	54.7	57.1	56.9	56.7	55.5	55.3	54.8
Services confidence	14.0	14.7	18.7	19.0	19.7	20.7	22.3	
Services PMI	55.6	57.8	59.2	57.3	57.1	57.6	57.5	58.1
Unemployment rate	8.4	8.2	7.9	7.8	7.6	7.3	7.0	
Consumer confidence	-12.3	-10.7	-9.7	-8.3	-7.0	-5.3	-2.3	
HICP (d) (e)	2.2	2.2	2.5	1.7	1.9	1.9	1.9	
PPI (d) (e)	4.7	5.1	5.8	4.6	4.1	2.8	2.3	
Oil price in USD (e)	56.5	61.6	68.1	61.2	62.8	62.3	71.8	78.0
Loans to the private sector (d) (e)	9.2	10.8	11.0	11.4	10.8	10.5	10.3	
Euro area ten-year bond yield	3.4	3.6	4.0	4.0	3.9	4.1	4.4	4.7
US-euro area ten-year bond spread	1.12	1.06	1.08	1.00	0.82	0.67	0.47	0.45
Dollar/euro exchange rate (e)	1.180	1.210	1.271	1.266	1.317	1.332	1.351	1.382
Appreciation/ depreciation of the euro (e)	-13.4	2.6	7.8	7.3	11.6	1.1	2.5	4.9
Dow Jones EURO STOXX Broad index (e)	23.0	10.3	4.2	11.9	20.3	3.4	9.9	9.8

SOURCES: Eurostat, ECB and Banco de España.

a. The information in italics does not cover a full quarter.

b. Information available up to 26 July 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.

Significant progress continued to be made in the labour market. The pace of job creation held stable in Q1, with an increase of 0.4% on the three previous months, entailing a rise of 1.4% in year-on-year terms. This development, along with the trend in activity, did not give rise to significant changes in productivity growth, which stood at 1.7%. The improvement in the labour market has not yet translated into wage pressures. Hence, from the exceptionally low end-2006 levels, both compensation per employee and unit labour costs regained in 2007 Q1 their previous rates of increase, standing at moderate rates of 2.5% and 0.8%, respectively (see Chart 9). Conversely, business margins once again expanded notably (1.3% year-on-year in Q1, a similar rate to that of 2006).

For Q2, the indicators available depict a favourable scenario for activity (see Chart 10). On the supply side, and although the growth of industrial production eased in the April-May period, industrial orders for April and the qualitative indicators for Q2 point to a robust increase in production. According to the European Commission's surveys, confidence improved across-the-board in all branches, and the PMI indices, compiled on the basis of purchasing managers' opinions, stood in Q2 at high levels very similar to those for January-March in average terms, and consistent with an expansion in activity. Moreover, both the Commission and PMI surveys maintained a favourable outlook for job creation in all sectors, albeit to a lesser extent in construction. In this respect, the unemployment rate continued on its downward trend in May, standing at 7% of the labour force.

Following five years of sluggish growth, German GDP rose forcefully in 2006 to its highest rate since the start of the decade (3%). As in previous years, the positive behaviour of the external sector contributed to this favourable development. What was new was the improvement in the contribution of domestic demand, which added 2 pp to GDP growth, making it more balanced. As part of this recovery in domestic demand, construction played a key role, with its contribution amounting to 0.5 pp (see panel 1). This demand component had exhibited persistent weakness in the 1995-2005 period, weighing significantly on German GDP growth throughout this phase, in marked contrast to the trajectory seen in the rest of the euro area (see panels 2 and 3). Hence the relevance of the analysis of the temporary or structural nature of the improvement seen in 2006, for the purpose of evaluating whether it might entail an exit from this lengthy contractionary phase. This box focuses specifically on the residential component, in view of its weight in total construction demand.

To better understand the reasons behind the protracted downturn in residential investment, it is necessary to go back to previous periods characterised by significant surges in activity in the sector. In the specific case of what was then West Germany, the expansionary phase originated in the mid-80s, when there was a notable wave of immigrants of German origin resident in other Eastern European countries. These flows stepped up following reunification. In the former East Germany, the loss of population did not prevent a strong expansion in housing construction from taking place. This expansion came about, first, due to the expectations of rapid convergence towards the standards of living in place in the West; and, further, to the mismatch between the types of existing dwellings (old, dilapidated city-centre flats, along with other more recent prefabricated dwellings in the industrial complexes created during the period East Germany existed) and those potentially in demand (with similar features to those in West Germany). In both parts of Germany (although especially in the East), residential construction was boosted by substantial government incentives, which included subsidies, subsidised loans and tax breaks. The result was a 28.4% increase in residential construction between 1991 and 1994. In terms of the number of finished dwellings, the respective peaks were in 1994 in the western zone, and in 1997 in the east (see panels 4 and 5).

By the late 90s, excess supply began to be evident, much more acutely so in what was East Germany. Firstly, demographic developments led to a weakening in demand. In the West, the interruption of migratory flows led to a slowdown in the pace of household formation. In the East, the number of inhabitants has not ceased to fall to date, given emigration towards the western part of the country (most particularly by young, skilled individuals, the main potential demand-

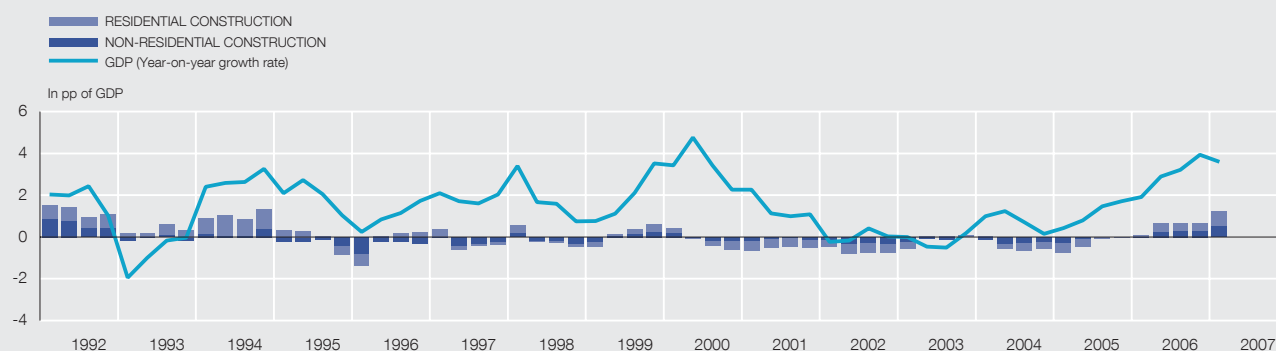
ers of housing). Further, housing construction in the first half of the decade had been excessive, propelled by the sizeable government assistance offered and by the expectations – later proven mistaken – of high returns on this asset.

In both parts of the country, excess supply was concentrated above all in rental housing. In Germany (the country with the lowest rate of house ownership in the euro area), the house rental and house ownership markets are two completely separate segments. The latter encompasses, above all, single-family dwellings promoted directly by their future owners and generally located in rural areas and in residential areas on the outskirts of cities. In contrast, housing for rent tends to be in city-centre apartment blocks. The property developers behind these latter buildings, encouraged by the generous fiscal depreciation rules, overestimated demand. This explains why the decline (19.2%) in residential investment between 1995 and 2005 was concentrated in buildings of three or more dwellings, and why the fall in the price of owner-occupied dwellings was comparatively less sharp (see panel 6).

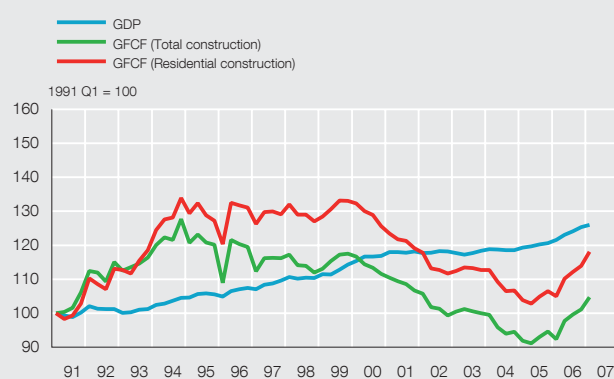
The residential market adjustment was far-reaching and slow. The structural characteristics of the problem are such that doubts have arisen over the possibility of the recovery observed in 2006 marking the end of this adjustment. Such uncertainty is heightened by the coexistence of several transitory factors. First, the increase in VAT, which came into force on 1 January 2007, might have led spending decisions to have been brought forward. Further, the elimination of the tax incentives relating to the purchase of the habitual principal dwelling from 1 January 2006 (incentives of which dwellings whose construction permits were approved prior to that date could avail themselves), even though the outlay was made later, may also have proven influential in this connection. Finally, in the opening months of 2007, the mild weather of last winter may have contributed to the favourable course of residential investment.

Beyond temporary factors, the trend of housing demand determinants appears to augur more favourable behaviour in the medium term. Pointing in this direction is housing affordability, measured as the ratio of house prices to gross disposable income, and the improvement in this latter variable. Aside from the residential component, the outlook also appears bright. For one thing, the recovery in investment in equipment also augurs an increase in investment in construction by companies. And for another, the improvement in the fiscal position might provide greater leeway for increasing public investment. In any event, the trend of the short-term indicators in 2007 to date has not been very propitious (see panel seven), although it should be pointed out that the level of confidence in construction stands above its long-term average.

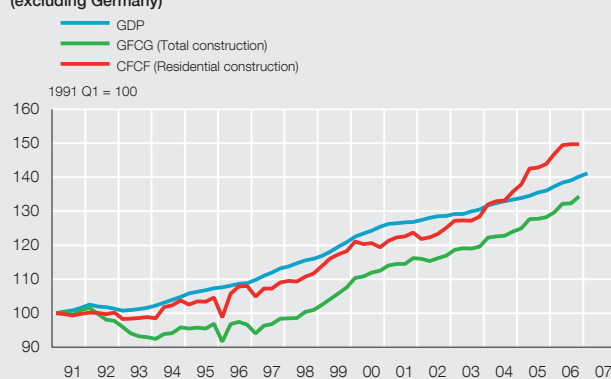
1 CONTRIBUTION OF GFCF IN CONSTRUCTION TO GDP GROWTH



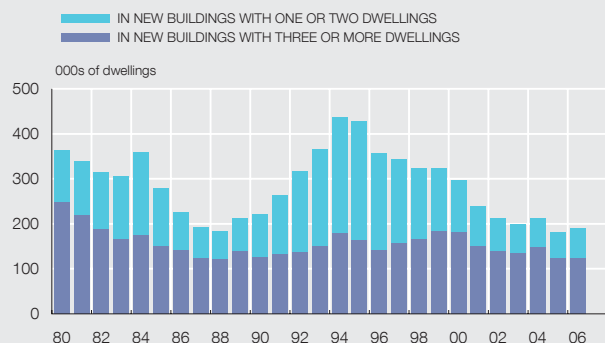
2 GDP AND GFCF IN CONSTRUCTION IN GERMANY



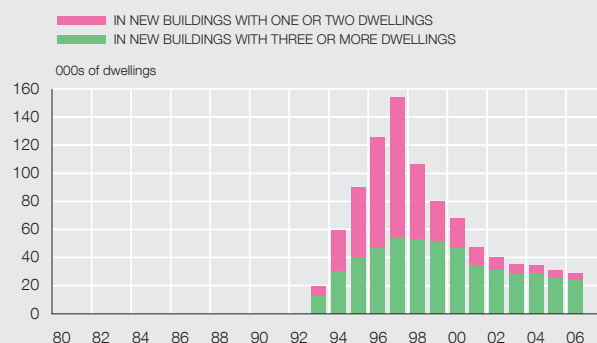
3 GDP AND GFCF IN CONSTRUCTION IN THE EURO AREA (excluding Germany)



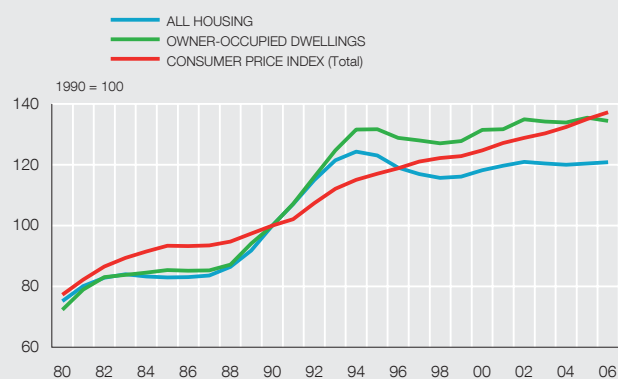
4 FINISHED HOUSING: WEST GERMANY



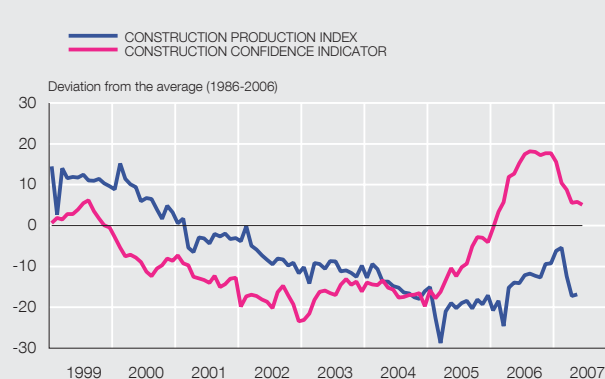
5 FINISHED HOUSING: EAST GERMANY



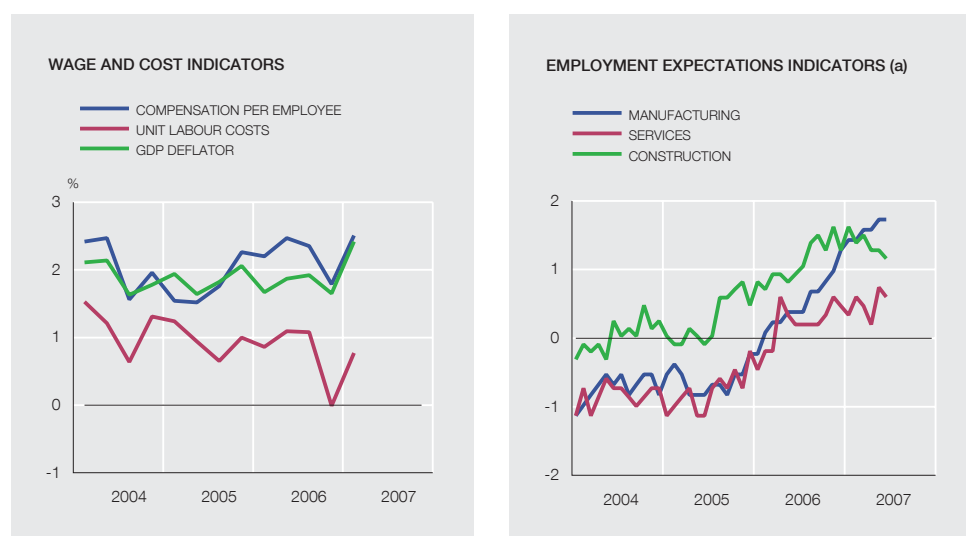
HOUSE PRICES



7 INDICATORS OF SHORT-TERM CONSTRUCTION ACTIVITY



SOURCES: European Commission, Eurostat, German Federal Statistical Office and Bulwieg AG.

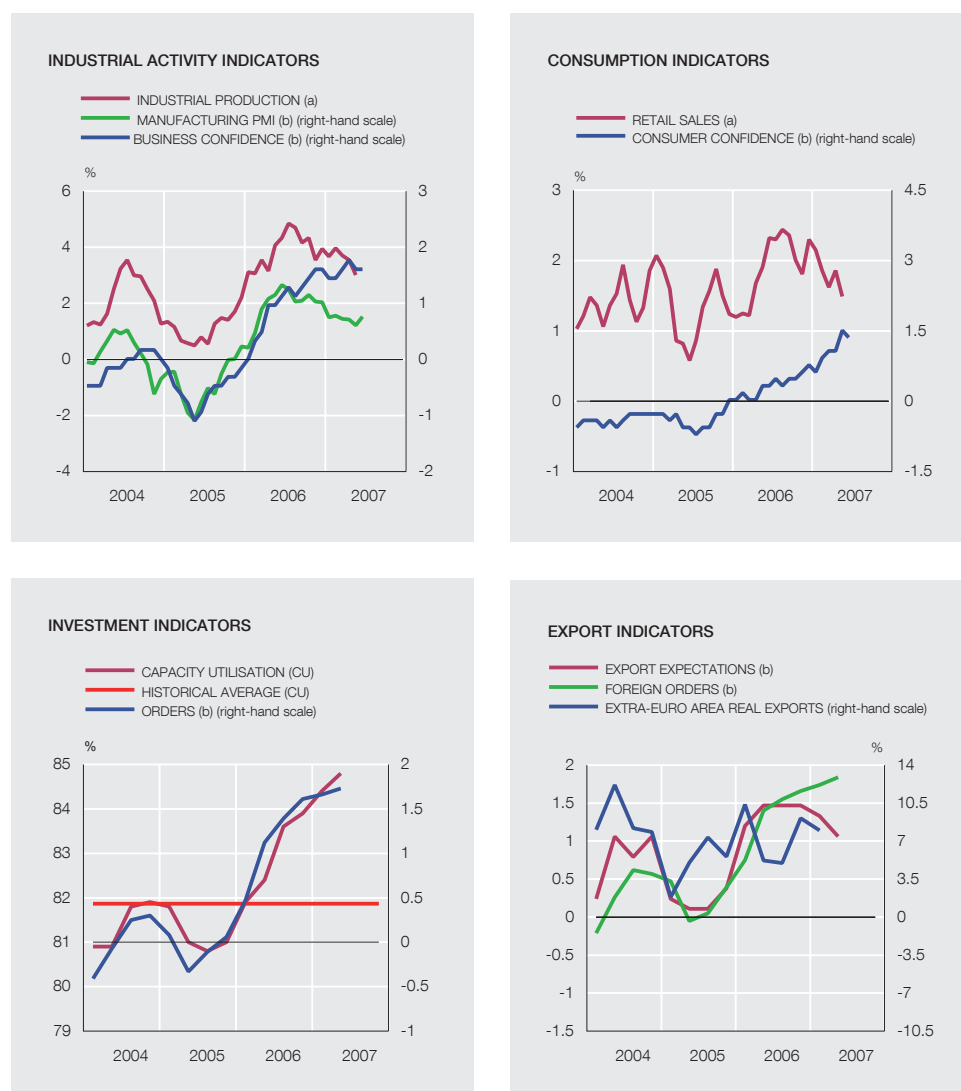


SOURCES: Eurostat and European Central Bank.

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

From the standpoint of demand, the picture is also encouraging. Regarding consumption there has not yet been a conclusive improvement in the quantitative indicators; but this nevertheless runs counter to the strength of opinion-based surveys. Both retail sales in April and May and new car registrations in Q2 were only slightly higher in volume terms than the previous quarter, when they were exposed to a fall-off due to the effect of German VAT. In contrast, consumer and business confidence in the retail trade and the readiness to buy durable goods stood, in June, at appreciably higher levels than those in March. This optimism and the favourable labour market outlook should make for a greater impulse to consumption. The investment indicators substantiate a firm increase in this aggregate for the year as a whole, although growth rates are likely to ease from the high figures recorded in Q1, especially in construction. The European Commission's half-yearly survey on industrial investment has revised the capital spending forecast for 2007 upwards. This variable should grow by 8%, 1 pp up on what was expected six months earlier. This assessment has been made in a setting in which capacity utilisation is very high, the confidence indicators are pointing to optimism and credit to non-financial corporations is quickening. Finally, as regards external demand, the growth of exports remains healthy and, although export expectations have slipped, they are holding at high levels and the assessment of foreign orders improved on average in Q2.

Accordingly, judging by the latest available information, the robustness of domestic demand will foreseeably continue against the background of propitious financial conditions, a sound corporate financial position and an improvement in the labour market. Moreover, the likely continued buoyancy of export markets will contribute to sustaining external demand. Consequently, the outlook for activity in the euro area is dynamic, as inferred from the latest European Commission forecasts which place euro area GDP growth at between 0.4% and 0.8% in the two coming quarters and at 2.6% for the year as a whole. These estimates are in line with those of other international agencies and, once adjusted for the calendar effect, are slightly above the mid-point of the range estimated in June by the ESCB, namely between 2.3% and 2.9%. In the medium term, the scenario is subject to certain risks related essentially to external factors. These include specifically the renewed upward course of commodities prices, uncertainty over the US economy, the possibility of a sharp adjust-



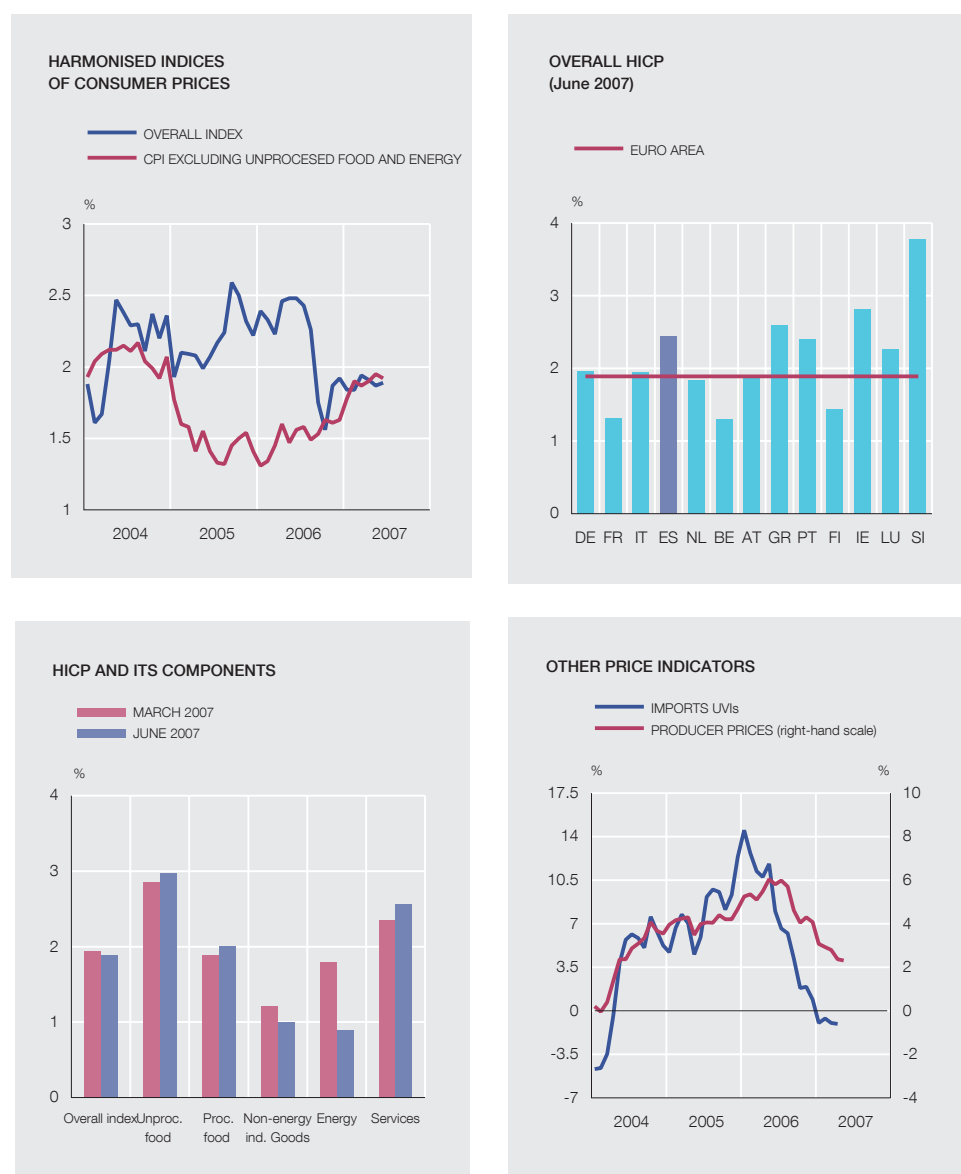
SOURCES: Eurostat and European Commission.

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

b. Normalised data.

ment in global imbalances and a potential change in financial market participants' attitude towards risk.

Inflation in the euro area held stable at 1.9% during Q2, a level below the limit set by the ECB as compatible with price stability (see Chart 11). Among the most volatile components, unprocessed food prices quickened slightly to 3% in June, while the energy component, despite the recent rise in crude oil prices, was dominated by a base effect which saw its year-on-year rate of increase dip to 0.9%, from 1.8% in March. As for the other components, services continued to be the most inflationary item, with year-on-year growth of 2.6% in June, 0.2 pp up on March. In contrast, the accelerating profile of non-energy industrial goods seen since mid-2006 was interrupted, and the related rate fell by 0.2 pp to 1%. As a result, underlying inflation in June held stable at 1.9%, its level at the beginning of the year, when the rise in VAT in Germany entailed an acceleration in this component (see Box 3). Turning to the other indicators, the year-on-year rate of expansion of producer prices eased to 2.3% in May, 0.6 pp down on the average for Q1. Although these developments were once again determined by the deceleration in energy prices, there was also some slowing in the prices of non-energy intermediate



SOURCES: Eurostat and European Central Bank.

goods and consumer durables. In May the growth of the producer price index, excluding energy, dipped by 0.2 pp to 3.2%, its lowest level since June 2006. Conversely, the prices of non-durable consumer goods have quickened in recent months.

In the coming months it is likely that the course of the energy component may lead inflation to stand temporarily above 2% after the summer. In the medium term, the forecasts available suggest that inflation will hold at relatively moderate levels, although the risks to price stability remain on the upside as a result of a sharper rise in crude oil and the maturation of the business cycle in the euro area. Regarding this latter aspect, high capacity utilisation and a tighter labour market might result in wage pressures outpacing improvements in productivity, although the latest indicators on negotiated wages do not yet provide evidence that this risk is materialising. This setting might also give rise to further increases in business margins, especially in the industries less exposed to competition. Furthermore, potential increases in administered prices and indirect taxes cannot be ruled out.

**GENERAL GOVERNMENT BUDGET BALANCES
OF EURO AREA COUNTRIES (a)**

TABLE 2

% of GDP					
	2004	2005	2006	2007 (b)	2007 (c)
Belgium	0.0	-2.3	0.2	-0.1	0.3
Germany	-3.7	-3.2	-1.7	-0.6	-1.5
Greece	-7.9	-5.5	-2.6	-2.4	-2.4
Spain	-0.2	1.1	1.8	1.4	1.0
France	-3.6	-3.0	-2.5	-2.4	-2.5
Ireland	1.4	1.0	2.9	1.5	1.2
Italy	-3.5	-4.2	-4.4	-2.1	-2.8
Luxembourg	-1.2	-0.3	0.1	0.4	-0.9
Netherlands	-1.8	-0.3	0.6	-0.7	0.2
Austria	-1.2	-1.6	-1.1	-0.9	-0.8
Portugal	-3.3	-6.1	-3.9	-3.5	-3.7
Slovenia	-2.3	-1.5	-1.4	-1.5	-1.5
Finland	2.3	2.7	3.9	3.7	2.8
MEMORANDUM ITEMS: Euro area (including Slovenia)					
Primary balance	0.3	0.5	1.3	1.9	
Total balance	-2.8	-2.5	-1.6	-1.0	-1.4
Public debt	69.7	70.5	69.0	66.9	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 (spring 2006).

c. Targets of the stability programmes presented between late 2006 and early 2007.

According to balance of payments figures, the current account posted a deficit of 0.6% of GDP in the January-May period, 0.3 pp down on the same period in 2006. This improvement is due to the bigger surplus on the merchandise balance, which stood at 0.4% of GDP, since imports slowed to a greater extent than exports, which respectively grew at year-on-year rates of 5.1% and 8.2% in the first five months of the year. As regards the financial account, net capital inflows in the form of portfolio investment, amounting to €145 billion, exceeded net outflows in the direct investment caption (€60 billion). Thus, in this period of 2007, the basic balance posted a positive balance of €63.8 billion compared with the negative figure (around €17 billion) recorded in the same period of 2006.

In the fiscal policy realm, and according to the European Commission's spring forecasts, public finances made significant and greater-than-expected progress in 2006 as a result of tax revenue proving higher than forecast and also of the fiscal consolidation drives in some countries. The budget deficit in the euro area declined by somewhat less than 1 pp (to 1.6% of GDP) and public debt also fell for the first time since 2002 (to 69.1% of GDP).

According to the estimates of the cyclically adjusted primary balance, which fell by 0.9 pp (to -1.1% of GDP), the fiscal policy stance in the euro area as a whole was contractionary in 2006. However, this improvement is not entirely a genuine one since it is due, in part, to the high elasticity of taxes to nominal GDP that is proper to expansionary phases. Indeed, and in particular, such elasticity is higher than the unit value normally assumed in calculations of the structural balance. Further, the estimation of the underlying fiscal position will still be subject to changes if, as has occurred in similar economic situations, the economy's growth potential is revised. This uncertainty therefore advises caution in the design and assessment of fiscal policy, and budgetary easing – as occurred in a similar situation at the start of the decade – should be avoided.

In the past two years, core inflation – measured by the year-on-year growth rate of the HICP, excluding energy and unprocessed food – has been very contained, with its annual average holding at close to 1.5%, significantly below the overall inflation rate. However, since 2006 Q4 it has moved on a rising trend, standing at present at 1.9%, coinciding with the overall inflation rate (see panel 1).

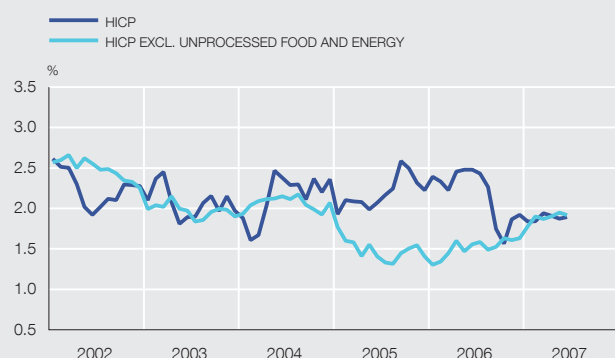
Panel 2 analyses the explanatory factors of core inflation in the period from 2002 to 2006, drawing on the estimation of a simple model for determining this variable¹. As can be seen, the change in core inflation in the most recent period is essentially due to two factors. First, the changes in the most volatile elements of the HICP – whose influence is reflected by the term that measures the difference between overall inflation and core inflation – has had a positive effect on core inflation and, moreover, one that has grown in the final part of the

period under analysis, characterised by successive rises in oil prices. Second, this effect has been partly offset by the negative contribution of the output gap since early 2005 which, nonetheless, has diminished in recent quarters as the economic recovery in the euro area has taken firmer hold. In any event, a negative though moderate residual can be seen from 2005 and, therefore, core inflation in these years has been less than what could be accounted for by its determinants. This may be linked to the presence of certain factors related to globalisation and greater worldwide competition, along with the significant wage moderation observed in recent years in the euro area. Such factors may have contributed to easing inflation and, in particular, to softening the indirect effects of past increases in the more volatile components (principally the price of energy) on final prices.

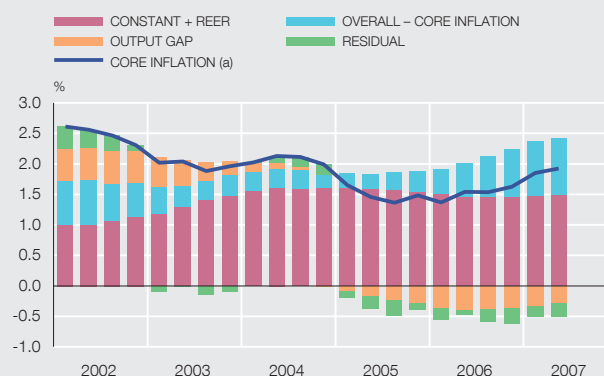
As regards the latest developments, the 3 pp rise in VAT in Germany – effective 1 January 2007 – has undoubtedly been one of the most significant factors behind the upward trend observed in core inflation, and in its main components (see panel 3). Firstly, before this tax measure came into force, tobacco prices rose significantly in Germany (standing

1. The estimated equation of core inflation determination replicates the methodology used by the OECD in box I.4 of the article entitled "Explaining Core Inflation", published in *Economic Outlook* no. 78.

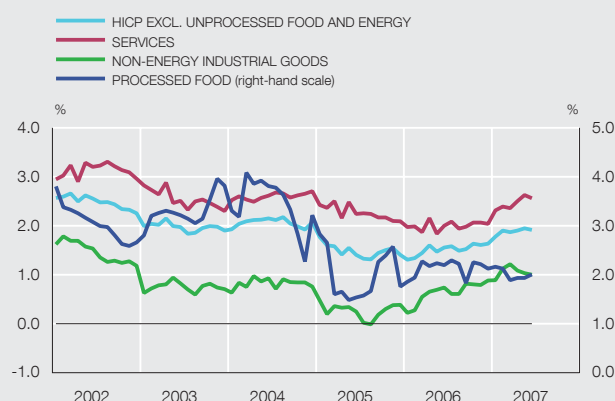
1 OVERALL INFLATION AND CORE INFLATION (a)



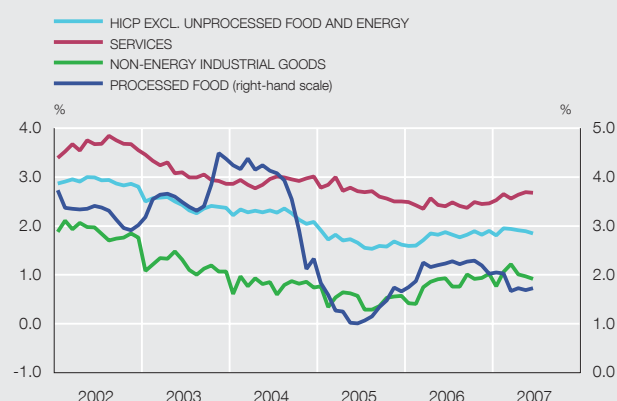
2 CONTRIBUTIONS TO CORE INFLATION (b)



3 MAIN COMPONENTS OF CORE INFLATION. EURO AREA (a)



4 MAIN COMPONENTS OF CORE INFLATION. EURO AREA EXCLUDING GERMANY (a)



SOURCES: Eurostat, European Central Bank and Banco de España.

a. Year-on-year rates of change.

b. Contributions to the year-on-year growth rate of core inflation obtained from an estimated equation for this variable using the differential between overall and core inflation, the output gap (difference between actual and potential GDP, as a percentage of potential GDP) and the real effective exchange rate as explanatory variables.

at close to 5% in October 2006) and certain items of the non-energy industrial goods component showed signs of an advance adjustment to the rise in VAT. But from January especially, the acceleration in the prices of non-energy industrial goods and of services has been clearly visible. On Bundesbank estimates², the rise in VAT may have contributed around 1 pp to the year-on-year growth rate of the German HICP in the opening months of 2007 (although part of this impact corresponds to the rises already anticipated in 2006 Q4). That entails adding approximately 0.3 pp to overall inflation in the euro area, and a significant portion of this increase to core inflation. However, the effect of the VAT rise on consumer prices, while notable, has been less than would have been the case with a full pass-through, which was estimated at 1.6 pp on top of the growth rate of the German HICP. This was largely possible thanks to the fact that the reduction in Social Security contributions paid by employers enabled the latter to absorb part of the tax effect, probably in an attempt to limit its negative impact on consumption by German households, the recovery in which is still incipient. Also, the possibility of certain lagged adjustments by consumer prices to this tax measure taking place over the rest of the year should not be ruled out. Elsewhere, the introduction of university charges in certain German regions prompted an increase in education prices of 25% last April,

raising the year-on-year growth rate of services prices in Germany by 0.3 pp, and by 0.1 pp in the euro area as a whole.

Given Germany's importance in the behaviour shown by consumer prices and, in particular, by core inflation in the euro area as a whole, it is worth analysing how this variable trends if Germany is excluded from the aggregate (see panel 4). As can be seen, the rising trend observed in core inflation in the euro area from late 2006 proves less clear when price developments in Germany are not taken into account. In terms of components, although the prices of both services and non-energy industrial goods continue to show something of an accelerating profile (albeit milder than when Germany is included), this trend is partly offset by the slowdown in processed food prices.

In sum, wage moderation and heightening world competition may have contributed in recent years to maintaining core inflation at moderate levels, restricting the emergence of indirect effects associated with the continuing rises in oil prices. The very functioning of the Eurosystem's monetary policy, which has acted pre-emptively to ensure that the risks to price stability do not materialise, is proving conducive to such containment. However, in the current setting of robust economic expansion, growing capacity utilisation and diminishing labour market slack, there are risks that the still-incipient acceleration in the less volatile components of the HICP may begin to manifest itself more sharply.

2. See "Economic Conditions in Germany", *Deutsche Bundesbank Monthly Report*, May 2007, pp. 42-56.

The Commission's forecasts for the coming two years point to further cuts in the budget deficit, greater than those outlined in the latest updates of the stability programmes. The favourable economic situation and the drive to contain spending in some countries will enable the euro area budget deficit to settle at 1% and at 0.8% of GDP in 2007 and 2008, respectively. These estimates suggest that fiscal policy will adopt a slightly restrictive stance in 2007 and a neutral stance in 2008, but the budgetary plans of some member states will not be ambitious enough to comply with the Stability Pact. During "good times" (the wording adopted in the reformed text in 2005), then, a procyclical fiscal policy should be avoided; and, if the medium term objectives set in the stability programmes are not met, the improvement of the deficit should be expedited with a reduction of, at least, 0.5% of GDP in structural terms. These commitments were reaffirmed by the Eurogroup last spring, as part of its talks on the course of budgetary policies. However, the recent initiatives by the French and Italian governments, proposing tax cuts and the expansion of spending, entail a risk to compliance with this agreement, which might impair the credibility of the Pact following its reform.

As to countries with an excessive deficit, the European Commission forecasts that Italy will manage to reduce its deficit to below 3% of GDP in 2007, while further measures will be needed in Portugal to achieve this objective on schedule (in 2008). The procedure initiated against Greece and Germany was abrogated in June by the Ecofin Council.

3.2 Monetary and financial developments

The presence of risks to price stability, in a setting in which the economic expansion was firming, prompted a fresh adjustment of monetary conditions. At its meeting in June, the ECB Governing Council decided to increase its official interest rates by 25 bp, to 4% in the case of the main refinancing operations, to 3% for the deposit facility and to 5% for the marginal lending facility (see

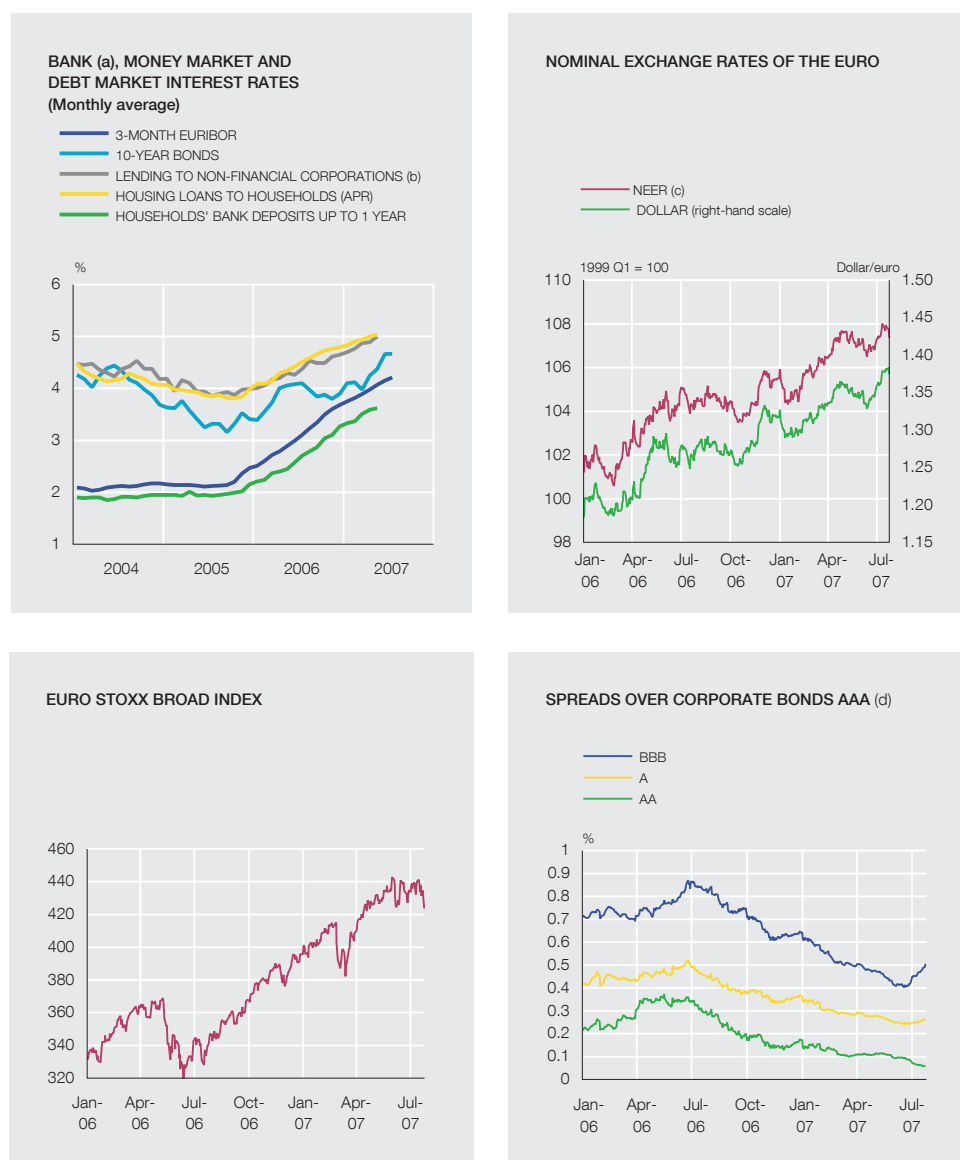


SOURCES: European Central Bank and Banco de España.

a. Estimated using Euribor data.

Chart 12). Following this increase, the second in 2007, the monetary policy stance in the euro area continues to be accommodative, bearing in mind the cyclical juncture of the economy.

The higher official rates and the expectations of further increases gave rise to an increase in interbank market yields, prompting an upward shift in the yield curve, with a slight recovery in the slope. From the end of March, the one-month and one-year Euribor rose by approximately 30 bp and 40 bp, to levels around 4.2% and 4.6%, respectively, in late July. Government bond market yields also moved on an upward path from late February, with that of the 10-year bond rising to around its current level of 4.7%. This rise was also seen in inflation-indexed bonds, suggesting that such developments are largely due to an adjustment by market participants of real rates to brighter economic prospects. The rise in the yield on 10-year bonds in the euro area, totalling more than half a percentage point, was somewhat more pronounced than that seen in the United States; accordingly, the spread has narrowed to a level around 45 bp. The developments in short- and long-term interest rates were accompanied in July by an increase in the spreads for corporate bonds at the lower end of the credit quality spectrum.



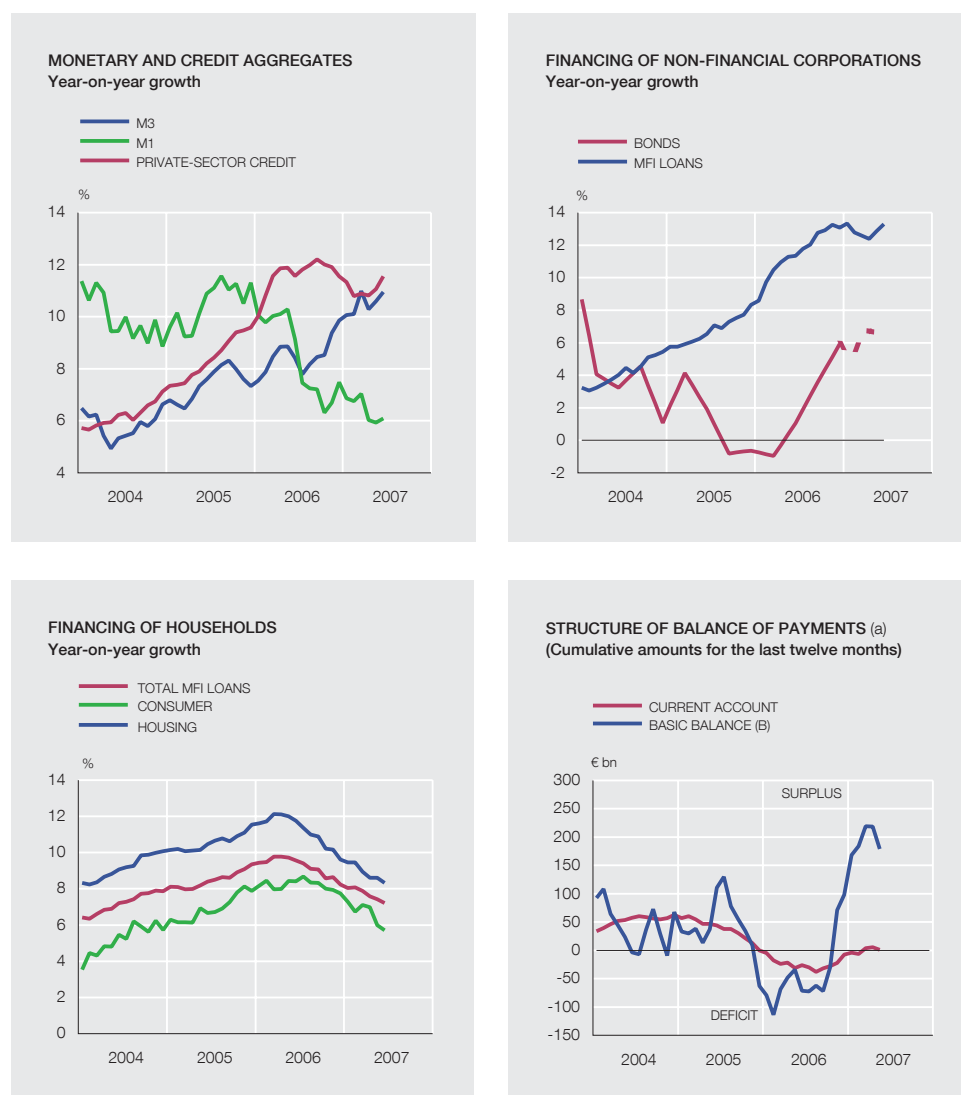
SOURCES: Banco de España and European Central Bank.

- 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.

Lastly, the interest rates set by banking institutions on their lending and deposit operations continued to be adjusted gradually upwards (see Chart 13).

As regards the exchange rate of the euro, the currency continued to appreciate during Q2, especially against the dollar and the yen; however, in nominal effective exchange rate terms the appreciation has been more moderate, totalling approximately 2% since the start of the year.

The equity markets posted rises over the course of Q2, underpinned by the growth of earnings and announcements of corporate operations. Since June, however, stock market indices have fluctuated frequently, accompanied by a rise in volatility. Further to these movements, the cumulative gains on the broad Dow Jones Euro Stoxx index are close to 7% for the year.



SOURCES: Banco de España and European Central Bank.

a. The dotted line is an estimate calculated using fixed income held by MFIs.

b. The basic balance is approximated by the sum of the balance on current account and direct and portfolio investment.

Economic strength and interest rates at moderate levels from a historical standpoint continued to make for marked dynamism in the monetary and credit aggregates. M3 showed year-on-year growth of 10.9% in June, 1.6 pp up on the end-2006 rate. That said, the most liquid components have actually slowed, consistent with the rises in interest rates. Regarding the counterparts, credit extended by the MFIs to the private sector and its most significant component – loans – sustained year-on-year growth rates of close to 11%. These developments were the result of an acceleration in loans extended to non-financial corporations, which posted growth in June of 13.3% year-on-year, 0.7 pp up on the end of Q1. In contrast, the increase in loans received by households eased slightly to a year-on-year rate of 7.2% in June, 0.7 pp down on the March figure.

4 The Spanish economy

On QNA estimates, in 2007 Q1 the growth rate of the Spanish economy continued to climb, to reach 4.1% in year-on-year terms, up from 4% in 2006 Q4 (see Chart 15). In quarter-on-quarter terms, growth was 1.1%. The restructuring of expenditure continued in that period since there was a slowdown in national demand and a further improvement in the contribution of net external demand to output against a backdrop of moderation in exports of goods and services and, to a greater extent, in imports. There were also changes in the composition of demand since the slowdown in private consumption which had begun in 2005 resumed, while investment became more buoyant, underpinned largely by its capital goods component since the pace of growth in construction slowed very slightly.

The information available for 2007 Q2 suggests that the Spanish economy remained expansive in that period and the estimate for year-on-year growth in GDP was approximately 4%, 0.1 pp lower than in Q1 (0.8%, in quarter-on-quarter terms). This result shows a slight moderation of national demand, both in terms of consumer spending and gross fixed capital formation. Investment in equipment seems to have held at around 11%, slightly lower than in 2007 Q1, whereas the slowdown in investment in construction seems to have been rather more pronounced with a real growth rate of approximately 5%. The contribution of net external demand (based on as yet incomplete data) seems to have stabilised at -0.7 pp, since both exports and imports of goods and services gained momentum following the small increases in Q1.

Highlights on the supply side include the buoyancy of the industry and services branches and the mild slowdown in activity in the construction sector. Information on the labour market indicates that employment began to reflect this change in composition. In this setting, there was sustained growth in employment and apparent labour productivity consolidated the previous quarter's improvement. Unit labour costs seem to have advanced at a similar pace as in Q1 and the year-on-year rate of change in the CPI ended 2007 Q2 at 2.4%, unchanged from the beginning of the year.

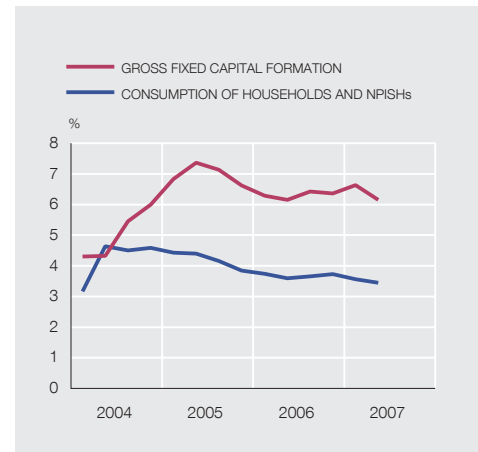
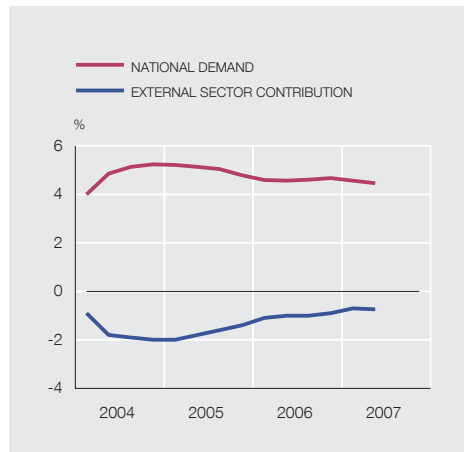
4.1 Demand

In 2007 Q1, the final consumption spending of Spanish households and NPISHs grew 3.6% year-on-year, 0.1 pp less than in the second half of 2006 (see Chart 16). The most recent conjunctural information points, in general, to a continuation of this mild slowdown in 2007 Q2. Specifically, the figures drawn from the tax authorities for large corporations' sales indicate a slight moderation in consumer goods and services in Q2. The retail sales index posted slightly lower growth in this period than in Q1, although confidence in the sector remained high. By component, the mild slowdown in consumer spending was felt more strongly in car sales, new car registrations in the April-June period fell for the second consecutive quarter. In contrast, purchases of other consumer durables retained some buoyancy.

The resilience of private consumption is increasingly underpinned by high growth in real household disposable income, driven by strong job creation, the moderation of inflation as compared with the rates posted in 2006 and lower taxes due to the personal income tax reform which came into force at the beginning of the year. Consequently, one would expect the slight drop in household confidence, against a backdrop of tighter financing conditions and slower growth in household real financial wealth, to be dampening their propensity to spend and triggering an upturn in the savings ratio, which has been on a downward track for several years. In fact, the non-financial accounts of institutional sectors available for 2007 Q1 reveal

MAIN DEMAND AGGREGATES (a)

CHART 15

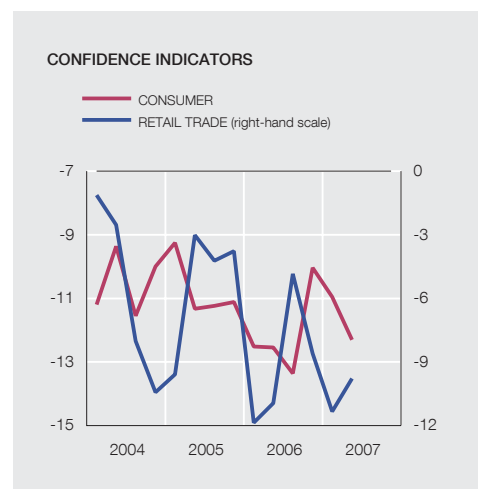
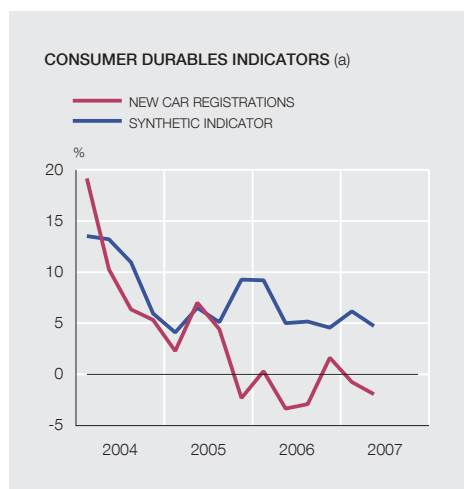
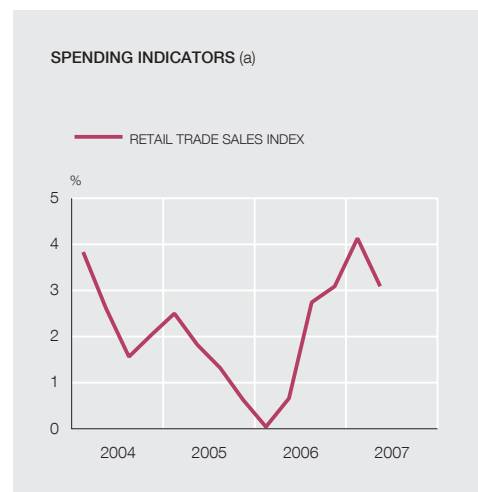
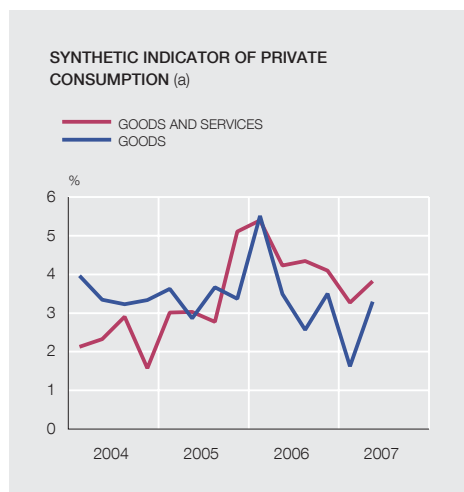


SOURCES: INE and Banco de España.

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.



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.

that the household saving ratio remained at 10.1% for the second consecutive quarter (in cumulative four quarter terms), stemming its uninterrupted slide since the beginning of 2004.

General government final consumption rose 0.3 pp in 2007 Q1 to 5.2%. This component is expected to slow in 2007 Q2 owing to a smaller increase in both employee compensation and net purchases of goods and services.

As mentioned above, gross fixed capital formation was notably buoyant in 2007 Q1 and grew 6.6% year-on-year, 0.2 pp more than at the end of 2006 (see Chart 17). This acceleration was based on higher growth in investment in capital goods and investment in other products, which climbed by 12.1% and 2.5%, respectively. Conversely, investment in construction slowed 0.1 pp, posting growth of 5.6%. The information provided by the indicators relating to the second quarter show that the rate of increase in gross fixed capital formation was high in 2007 Q2, although slightly lower than in 2007 Q1, as a result of milder growth in construction and capital goods expenditure, which, nevertheless remains the most dynamic component of domestic demand.

Indicators of investment in capital goods continue to emphasize the strength of the sector, although they are showing signs of easing slightly. Consequently, the rate of increase in the

indicator of apparent investment in capital goods, calculated with as yet incomplete data for 2007 Q2, was lower due to the moderation of domestic production of this type of goods and weaker growth of imports following the extraordinary rise in 2007 Q1. Opinion indicators for this industry worsened slightly in Q2 yet remained high. The recent trend in investment in equipment continued to be underpinned by robust final demand, which pushed up the indicators of productive capacity utilization to record highs. This, in conjunction with high growth in business profits, underscores the existence of incentives to increase installed capital. However, the gradual rise in the financing requirements of non-financial corporations and the increase in the consequent financial burden in a setting of interest rate rises could curb their investment plans.

The pace of growth in investment in construction slackened slightly in 2007 Q1, as it did in the closing months of 2006, to 5.6% in year-on-year terms, 0.1 pp lower than the previous quarter. According to the latest conjunctural information, the slowdown in this investment component from mid-2006 seems to have continued in 2007 Q2. Intermediate consumption and employment indicators in the sector eased in Q2, maybe partly explained by highly adverse weather conditions in April and May. Industrial production of construction materials was lacklustre in those two months, whereas apparent cement consumption shrank in year-on-year terms for the quarter as a whole. The rate of increase of Social Security registrations fell 0.2 pp and registered unemployment increased, albeit it slightly, in year-on-year terms, following two years of continuous decline. In contrast, the business confidence index improved slightly in the same period.

By type of work, estimated investment in housing was affected by the distortions introduced by the entry into force of the Technical Building Code with regard to work approved. However, the lack of momentum in demand which can be deduced from several indicators, such as the decrease in new home purchases, could give rise to a slowdown in the pace of completion of approved projects in line with the trend in the intermediate consumption and employment indicators for the same period. It is estimated that the rate of increase in other construction, although highly buoyant, eased due to the lower growth in civil construction following the high growth rates posted in previous quarters for projects whose target completion date was before the regional and local government elections held in May.

On the latest QNA data, the contribution of net external demand to GDP growth improved by 0.2 pp in 2007 Q1 to -0.7 pp, prolonging the correction that commenced in mid-2005 (see Chart 18). This took place in a setting of slowing exports and imports of goods and services whose year-on-year rates of change decreased by just over 3 pp (to 4.2% and 5.6%, respectively), partly due to the base effect resulting from comparison with the extraordinarily high levels posted in 2006 Q2. The as yet incomplete information for 2007 Q2 points to a mild slowdown in both exports and imports in that period, meaning that the contribution of net external demand seems to have held stable. According to estimates, exports posted real growth of nearly 5% in 2007 Q2, underpinned by the higher buoyancy of the goods component whereas tourist receipts were flat. The real growth rates of imports of goods and services seem to have remained slightly higher in the same period at above 6%, driven by the resilience of final demand and their lower prices in euro.

According to customs figures for foreign trade, after slowing in 2007 Q1, real goods exports picked up slightly in 2007 Q2, although their real rates of increase remained moderate at less than 5%. This is closely linked to the performance of world trade, which in the first half of 2007 posted growth of nearly 6%, in terms of volume, a lower rate than that recorded in the second half of 2006 (8%). By geographical area, the profile of exports to



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

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

the euro area was relatively stable with moderate real growth rates of approximately 3%. The estimated share of Spanish products in this market, calculated on the basis of nominal foreign trade figures, seems to have stabilised following the decline in the three previous years. Outside the euro area the behaviour of exports was very uneven in the first five months of the year and included, most notably, flat exports to Japan and the US and high rates of increase in exports to China and Russia. By product group, the lack of dynamism spread to all components although worth noting is the drop in capital goods exports and, in particular, exports of shipbuilding material. Sales of non-energy intermediate goods remained the most dynamic item and car sales continued the expansion which began at end-2006.

Real exports of tourist services performed favourably in 2007 Q1 and increased by 2.4%, 0.4 pp up on end-2006. However, this expansion was discontinued in the second quarter as can be seen from the sector indicators. Accordingly, both the inflows of foreign tourists and their overnight stays in Spanish hotels remained practically flat in the second quarter. The Tourism Expenditure Survey (EGATUR) shows moderate rates of increase in total nominal expenditure and average spending per tourist in 2007 Q2. These results are influenced by comparison

with the sound figures posted during the previous year's Easter holiday period and poor weather conditions in Spring 2007.

On QNA figures, real exports of non-tourist services grew 7.9% in 2007 Q1, a considerably lower rate than the 21.2% posted in the previous quarter. The scant information available for the second quarter is restricted to the nominal balance of payment figures for April. This component of external demand shows a highly expansive profile in this period with a strengthening of transport and business services.

In 2007 Q1, the year-on-year growth rate of real goods imports eased to 5.9%, down from 8.6% in 2006 Q4, thus ending the acceleration seen throughout the previous year. Customs data reveal that imports grew at higher rates in April and May, although the increase of their share in the supply of final demand seems to have fallen notably in comparison with 2006. Consequently, in the January-May period real imports grew by 7%, below the previous year's average increase of 8.6%. This essentially reflects flat consumer goods purchases in this period, influenced by the high concentration of textile imports in the early months of 2006, although car purchases also posted moderate rates of increase. Conversely, imports of capital goods and non-energy intermediate goods were notably vigorous in line with strong investment and industrial activity.

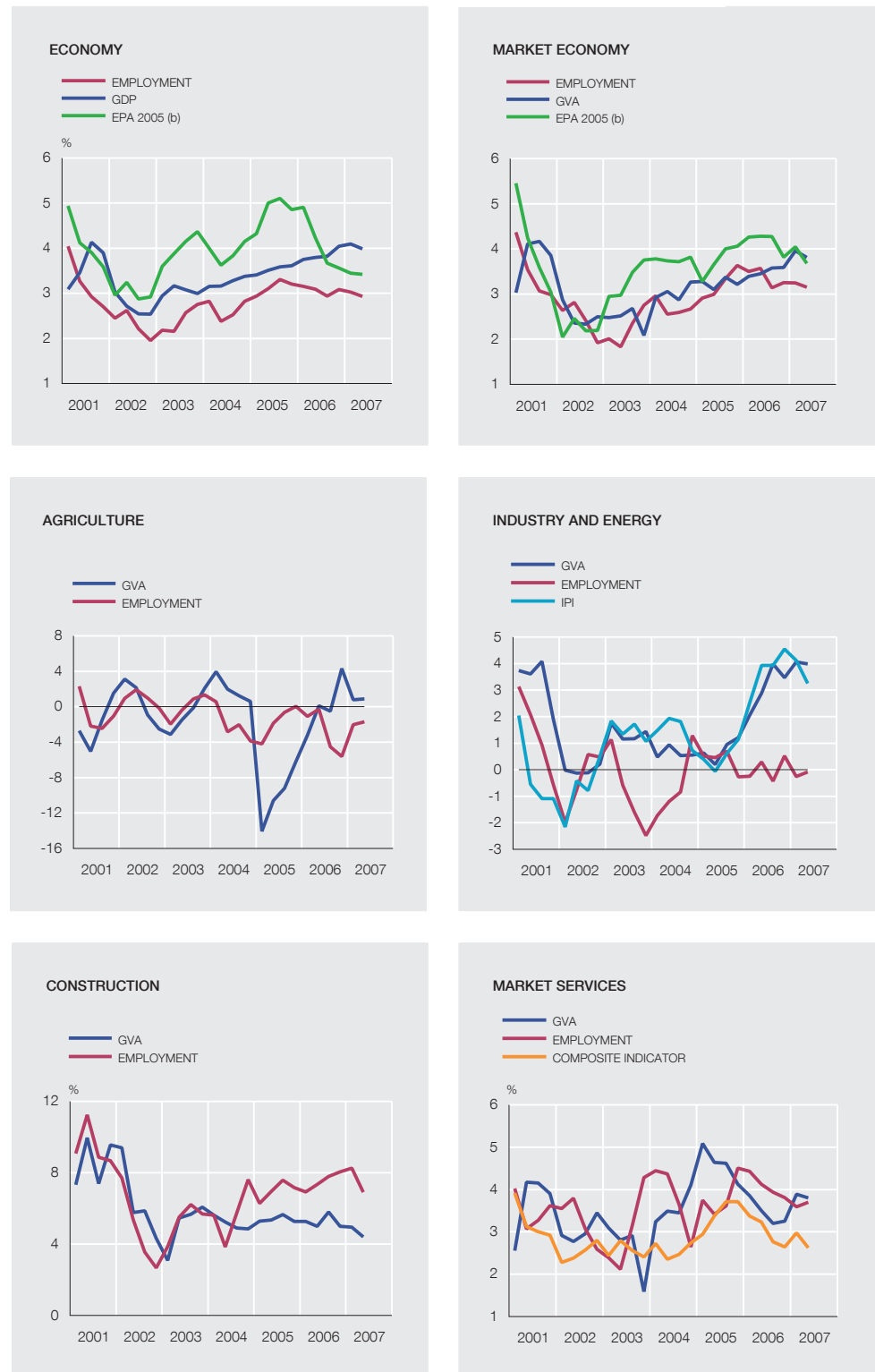
Lastly, real imports of services eased in 2007 Q1 and their year-on-year rate of increase stood at 4.4%, down from 9.8% in 2006 Q4, as a result of the slowdown in real imports of non-tourist services (to 3.5%), which, according to the latest balance of payment figures seems to have reversed in April. As for the main items of exports, there was a slight loss of momentum in transport and business services in the early months of the year whereas royalties slipped for the third consecutive quarter. Real imports of tourist services were stronger in the first quarter with a year-on-year growth rate of 9.2% in comparison with 7.3% in the previous quarter.

4.2 Output and employment

The market economy began 2007 with considerable momentum (see Chart 19). According to the QNA, its added value increased by 4% in year-on-year terms, 0.4 pp up on 2006 Q4. This rise was prompted by a stronger rate of increase in the industry, energy and market services branches, while the agriculture and fisheries branches and construction slowed down. Information available for Q2 reveals a moderation in the value added of the market branches in that period which was somewhat more pronounced in construction.

In 2007 Q1 the growth rates of value added in agriculture and fishing remained positive, albeit moderate, prompted by more favourable weather conditions for this activity. High rainfall last winter and spring pointed to a very favourable year for crops. However, these expectations were thwarted in May when flooding and other adverse weather conditions affected fruit and cereal output. Consequently, it is estimated that this branch maintained a moderate rate of increase in 2007 Q2.

The industry and energy branch quickened in 2007 Q1 and its rate of increase stood at 4.1%. The performance of the energy branch was affected by the relatively mild temperatures, as in 2006 Q4, which meant that energy requirements for heating fell with the consequent contraction in this branch's activity (-2.2% in 2007 Q1, 0.1 pp up on the previous quarter). In contrast, there was notable momentum in industrial activity which posted a growth rate of more than 5% for the first time since 2000. Contributing factors were the momentum of the production of goods destined for domestic consumption and construction, along with ongoing highly buoyant demand for domestic capital goods. Conjunctural information available for Q2 reveals slightly less expansive behaviour by industrial activity in line with other countries in the euro



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

a. Year-on-year percentage rates based on seasonally adjusted series, except 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.

b. Series linked by the Directorate General Economics Statistics and Research on the basis of the control survey conducted using the methodology applied until 2004 Q4.

area, although, in general, high growth rates prevailed. In particular, the non-energy component of the industrial production index slowed in April and May. Similarly, opinion-based indicators in the sector both in the case of the manufacturing PMI and the European Commission's industry confidence indicator show a slight decline in 2007 Q2.

The activity of the construction branch began the year with high growth rates (4.9% according to the QNA), although slightly down on previous quarters. As discussed in the previous section, according to the information available, this continued in 2007 Q2.

Services activity quickened in 2007 Q1 posting year-on-year growth of 4%, with market services, which grew 3.9%, being notably robust while non-market services slowed. As in industry, the momentum in market services in the early months of the year slackened slightly in Q2, as confirmed by several activity, employment and opinion-based indicators, although the Labour Force Survey data for 2007 Q2 showed a new rise in employment in this sector. The main factor behind this loss of momentum is the transport and communications sector which nonetheless continues to be the most expansive component of market services. The strength of the wholesale and retail trade and hotels and restaurants waned against a backdrop of slowing consumption by residents and non-residents. Finally, business services are the only sector to have grown stronger in the April-June period prompted, amongst other factors, by the sound performance of sales of services abroad.

In this expansive setting, employment was noticeably dynamic; in National Accounts terms in 2007 Q1 the rate of job creation¹ stood at 3% for the economy as a whole and at 3.2% for the market economy. In both cases, growth in employment was 0.1 pp lower than in the previous quarter, in contrast with the quickening of economic activity. This enabled apparent labour productivity to strengthen (it grew 1% in the economy as a whole and 0.7% in the market branches, slightly above the previous quarter's figures) as a result, among other factors, of the gradual refocusing of activity on industrial branches which in general have higher productivity levels. Also, in Q1, there was a mild moderation in the labour supply, since growth in the labour force stood at 2.8% which is lower than usual for recent years. As a result, the decline in unemployment increased (-4.1%), in spite of the slowdown in the pace of job creation. In any event, the rate of unemployment climbed to 8.5%, back in line with the average for 2006.

The information for 2007 Q2 shows a slight moderation in the rate of job creation in that period, albeit to levels similar to those at end-2006. In particular, year-on-year growth in Social Security registrations, both using month-end and average registrations, dropped slightly in Q2 to 3.3% in both cases. Hiring recorded by the INEM showed a slight fall of -0.1% in Q2, in comparison with the increase of 5.3% in Q1, so that the slowdown recorded at the beginning of the year, once the special period of exceptional rebates for permanent hires had ended, intensified. Finally, on EPA information for Q2, the rate of employment creation remained at 3.4%.

By productive branch, employment generating capacity continues to be concentrated in services and, in particular, construction, the already high buoyancy of this branch increasing once again in 2007 Q1. In more recent months, however, this branch has begun to show signs of a slowdown. Thus, on EPA figures, in 2007 Q2 employment in construction posted high growth of 7.7% which, nevertheless, represents a slowdown of 1.7 pp in comparison with 2007 Q1.

1. Measured by the number of full-time equivalent jobs.

Employment in the services branches quickened in this quarter and grew by 4.3%, as a result of the acceleration in the market and non-market branches. Conversely, EPA data do not confirm the recovery in industrial employment seen in Social Security registrations and employment dropped once again in year-on-year terms (by -1.3%). Lastly, in agriculture there was a sharp decline in employment of -3.8%, following the muted recovery in the preceding quarter.

As is usual in expansive phases, dependent employment was still more buoyant in the first half of the year than total employment, while growth in the self-employed segment remained notably flat. According to National Accounts data, in Q1 dependent employment increased by 3.4% in the economy as a whole and by 3.7% in the market economy, while growth in self-employment amounted to 0.9%. As a result, dependent employees as a proportion of total numbers employed stood at 82.3% in Q1, 0.4 pp up on the figure posted in the previous year. EPA information for Q2 once again shows higher growth in dependent employment (4.1%) than in total employment and very low growth in self-employment (0.4%).

Furthermore, the EPA data underscore certain changes in the structure of employment by contract duration and according to whether it is full-time or part-time. Consequently, in 2007 Q2 the number of dependent employees with a permanent contract grew by 8.2%, once again a higher rate than growth in temporary employment, which in fact decreased by 3.6% in year-on-year terms. Nevertheless, the ratio of temporary to total employees only dropped 0.2 pp from the Q1 figure, to 31.8%, although it stood at 2.6 pp below its level one year ago. This decrease in the ratio of temporary to total employment reflects the strong rise in permanent hires recorded by the INEM statistics on contracts in the closing months of 2006 given the special rebates available for converting temporary contracts into permanent ones until 31 December. In the first half of 2007, once these arrangements had ended, there was a slowdown in permanent hires which, nonetheless continued to show high rates of change in contrast to the fall in temporary contracts. Lastly, there was a high rate of change in the number of full-time employees (3.7%), while the number of part-time employees eased notably in the quarter and grew by 1.5%, pushing the ratio of part-time to total workers down to 12%, nearly 0.5 pp lower than in Q1.

Finally, the rate of increase in the labour force remained stable at 2.8% in 2007 Q2, which seems to confirm lower dynamism than in recent years. This is explained by a smaller increase of 0.6 pp in the participation rate, since the labour force quickened in the quarter and grew by 1.8% in year-on-year terms. According to the breakdown by sex, the female labour force was more buoyant than the male one, although it eased in this quarter and grew at a notably lower rate than in recent years (3.4%). The female participation rate climbed to 48.8%, 0.8 pp up on one year ago, while the male participation rate increased 0.2 pp to 69.3%. By nationality, the growth rate in the foreign labour force remained stable in the quarter (15.9%), while the Spanish labour force grew by a modest 1.2%. Box 4 evaluates the contribution of the non-resident population to geographic labour mobility.

Lastly, in Q2 the number of unemployed fell 4.2%, a rate of decline similar to the previous quarter. The unemployment rate fell to 8%, 0.5 pp lower than that posted in Q1 and an historically low level. Registered unemployment behaved less favourably, its rate of decline falling progressively, and in June the year-on-year rate of change was positive again unlike during the whole of last year.

4.3 Costs and prices

In 2007 Q1 growth in compensation per employee, which had quickened in 2006, dipped to 3.5%, 0.3 pp down on the previous quarter (see Chart 20). The behaviour by branch of activity was very uneven, the rate of increase in compensation in non-market services was

Internal population mobility may be a highly important factor for reducing differentials in employment or unemployment rates between towns or regions. In the case of Spain, the findings of various studies¹ show, however, that internal migration of the Spanish population does not seem to have contributed in the past to reducing these differentials since, in addition to being small, population movements do not seem to have been linked to regional variables of the labour market.

The phenomenon of immigration could, however, change these findings to the extent that this group might be more geographically mobile and might react more to regional labour market conditions. The immigrant population generally has a set of characteristics, at least during its initial years in Spain, which could make it more inclined to migrate internally. In these initial years, the immigrant population has, for example, fewer social or family constraints and lower employment stability which could favour greater geographic mobility. Similarly, the immigrant population's initial decision to reside in a given country might be expected to be strongly linked to the labour market situation to the extent that the initial motivation for immigration is mainly to find work. Subsequently, once settled in Spain, the immigrant population could also react more

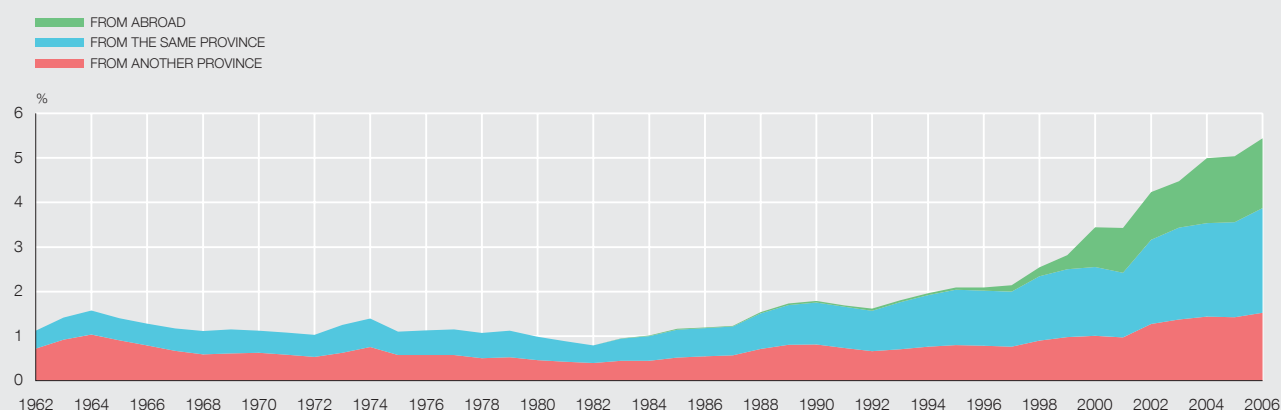
to changes in the relative labour conditions in its region of residence². A preliminary analysis of this issue has been made in this box.

The Spanish population has traditionally been characterised by low levels of geographical mobility, which seem to have increased in recent years. Population movements between towns remained at slightly above 1% of the population between 1960 and 1985, posting a slight upward trend from the mid-eighties to reach 2% in 1996. This trend has quickened since then, the level reaching almost 4% in 2006 (see accompanying chart). The increase seen in internal population movements in the last decade has coincided with a large rise in the number of immigrants from abroad which could suggest that these phenomena are linked. The available data seem to confirm this hypothesis: whereas the internal mobility of the Spanish population does not exceed 3%, when both interprovincial and intraprovincial movements are included, that of the foreign population is nearly four times higher and stands at 11% (see lower right panel of accompanying chart), which implies that this group has contributed nearly 1 pp to the above-mentioned rise in internal mobility in Spain. The analysis of the breakdown of population movements, be they interprovincial or intraprovincial shows,

1. Bover and Velilla (1999), *Migrations in Spain: Historical background and current trends*, Working Document No. 9909, Banco de España or in Bentolla (2001), *Las migraciones interiores en España*, Documento de Trabajo 2001-07 FEDEA.

2. As a result, for example, of their lower employment stability, mentioned above, or the lower likelihood of them having access to the social benefit system due to their shorter working life.

NET MIGRATORY BALANCE BY ORIGIN
% of population

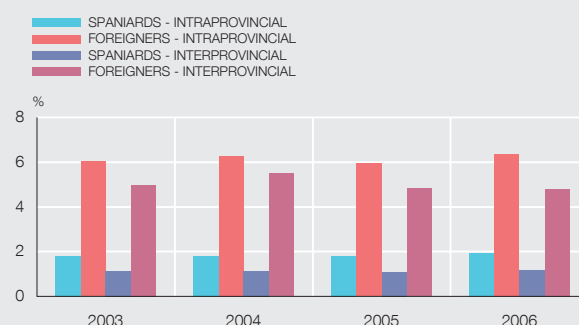


THE RELATIONSHIP BETWEEN MIGRATION IN 2006 AND THE LABOUR MARKET IN 2005

	DISTRIBUTION BY PROVINCE OF INFLOWS OF			RATE BY PROVINCE OF OUTFLOWS OF	
	Foreigners		Spaniards	Foreigners	Spaniards
	From abroad	From other provinces	From other provinces	To other provinces	To other provinces
Participation rate	0.46	0.52	0.45	-0.68	-0.07
Employment rate	0.46	0.52	0.40	-0.61	-0.09
Unemployment rate	-0.19	-0.22	-0.06	0.14	0.06
Distribution of stock of foreigners in 1998	0.92	0.88		-0.51	

SOURCE: Banco de España.

AVERAGE PROPENSITY TO MIGRATE WITHIN SPAIN BY NATIONALITY
As a percentage of the related population group



however, that both for the Spanish and foreign population, the highest number of movements takes place within the same province.

As regards the relationship between these movements and the labour market situation, the accompanying table includes correlations of interprovincial inflows and outflows by nationality with certain labour variables at provincial level. There is a positive correlation between the participation rate and employment rate of a province and the amount of immigrants it attracts from abroad. This relationship is negative for the rate of unemployment, as expected, although the figure is considerably lower. As shown by the last row of the table, the factor which seems most important when choosing the initial province of residence is the number of immigrants already residing there³. Once immigrants reside in Spain, this factor is less important when explaining their internal migrations and employment variables tend to become more important. This is particularly true in the case of outflows of population at provincial level, which in the case of the foreign population are nega-

tively correlated with the participation and employment rates of the province⁴, whereas for the Spanish population this relationship is practically nil. The correlation of inflows of foreign population with employment variables is also higher, although the differences in behaviour in comparison with the national population are low.

In short, the internal mobility of the foreign population is almost four times higher than that of the Spanish population which has made a decisive contribution to explaining the rise in internal population mobility in Spain in the last 10 years. As for the relationship between this internal mobility and the differences observed in labour markets at provincial level, foreign workers seem to respond to a greater extent to the employment conditions of provincial markets, at least in the first few years they are in Spain, which could contribute to the reduction of the marked differentials in existing employment and unemployment rates. In any event, the results presented in this box are a preliminary analysis and in order to confirm them it would be necessary to undertake a more detailed empirical study of the determining factors of internal migrations and the impact of foreign immigration.

3. 1998 was the year chosen to calculate the initial stock of immigrants being the year prior to Spain's migratory boom. The high correlation still exists when different nationalities are taken into account.

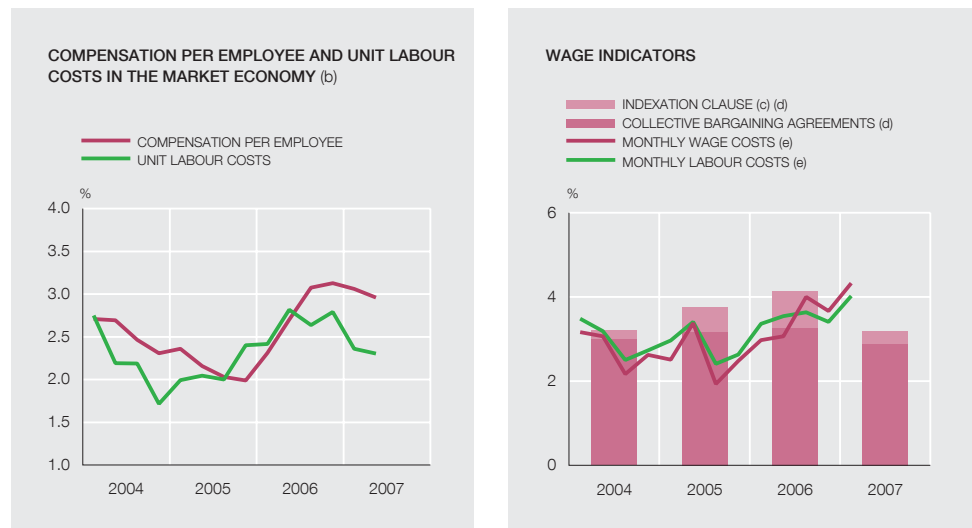
4. The same result is found in more detailed articles such as De la Rica y Amuedo Dorantes (2005), *Immigrants' Responsiveness to Labour Market Conditions and Its Implications on Regional Disparities: Evidence from Spain*, IZA Discussion Paper 1557.

contained, while growth in compensation in the market economy held steady at above 3%, for the third consecutive quarter. Within the market economy the growth in compensation per employee eased in agriculture and industry to rates of 2.6% and 2.8%, respectively, while in construction and sales-related services the year-on-year rate of change rose to 4.1% and 3%.

The information available for Q2 points to stable growth in compensation per employee in that period of approximately 3.5%, down on that posted in the second half of 2006. The collective bargaining agreements registered in the first five months of 2007 show high stability in the wage settlements which remained at approximately 2.9%. This is lower than in previous years but in line with the guidelines on wages of the Interconfederal Agreement for Collective Bargaining which was extended at the beginning of the year by the main social agents. This slowdown in wage settlements was common to all branches, except for construction. In addition there is the estimated effect of the 2006 indexation clause amounting to 0.3 pp, which is considerably lower than that of the previous year (0.9pp), mainly due to the lower inflation at end-2006 (2.7% in December, one point down on 2005)². The incidence of these clauses continues to be significant in the current year; they affect 65.8% of employees with a collective bargaining agreement registered between January and May.

Lower growth in compensation per employee and the recovery of apparent productivity made it possible for unit labour costs in the first half of the year to abandon the upward path they had

2. It should be noted that the impact of these clauses will be reflected in other wage statistics in the year in which said payments are made, namely in 2007.



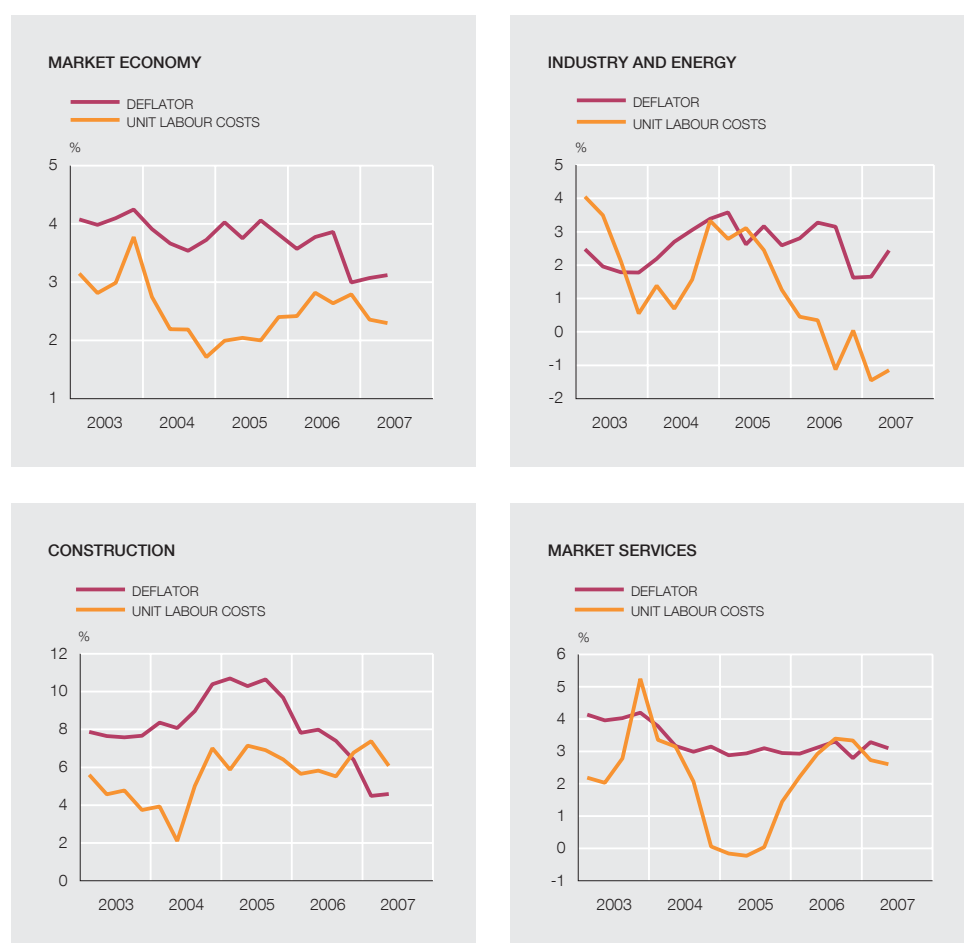
SOURCES: INE, Ministerio de Trabajo y Asuntos Sociales and Banco de España.

- a. Percentage change on same period a year earlier.
- b. Rates based on QNA seasonally adjusted series.
- c. Information from collective bargaining agreements to May 2007.
- d. Previous year's indexation clause.
- e. ETCL (quarterly labour costs survey).

followed in the previous two years. Growth in unit labour costs stood at approximately 2.5% (see Chart 21). This easing of unit labour costs fed through to prices, although further widening of operating margins can also be seen. Growth in margins has only slowed down in construction against a backdrop of easing demand.

It is estimated that in 2007 Q2 almost all the components of the final demand deflator continued to move along the slowing path which had begun in the second half of 2006, although the decline in their year-on-year rates of change was more moderate than in Q1. For the first six months of the year the slowdown in inflation was sharper in the case of imports, influenced by the appreciation of the euro and base effects arising from lower oil prices posted throughout 2007 in comparison with a year earlier. Finally, the rate of increase in the GDP deflator slowed 0.3 pp in Q1 and subsequently held steady with year-on-year growth of approximately 3.3%.

In general, in Q2 all the price indicators tended to moderate the downward profile they have shown since the second half of 2006 (see Chart 22). Specifically, the year-on-year growth rate in the CPI fell 0.2 pp in Q1 to 2.4% and no additional improvements were seen in Q2 due to the rise in oil prices on international markets and the increase in unprocessed food price inflation (see Box 5). By component, energy products became more expensive in Q2, although their growth rate remained negative in year-on-year terms (-1.1%), similar to 2007 Q1. This is a result of the behaviour of oil prices on international markets, which began the year on a downward tack but climbed subsequently to approximately \$73 per barrel in June and pushed even higher in July. This occurred even though the appreciation of the euro against the dollar partially offset growth in the energy bill. The upward trend in energy prices coincided with the quickening of unprocessed food prices, which in 2007 were the most inflationary component of the CPI, with an average year-on-year growth rate of 5.8% in Q2 in comparison with 4.1% in Q1. Services prices remained anchored at rates of slightly less than 4%, reflecting the continued high growth in the prices of services linked to tourism and hotels and restaurants and,



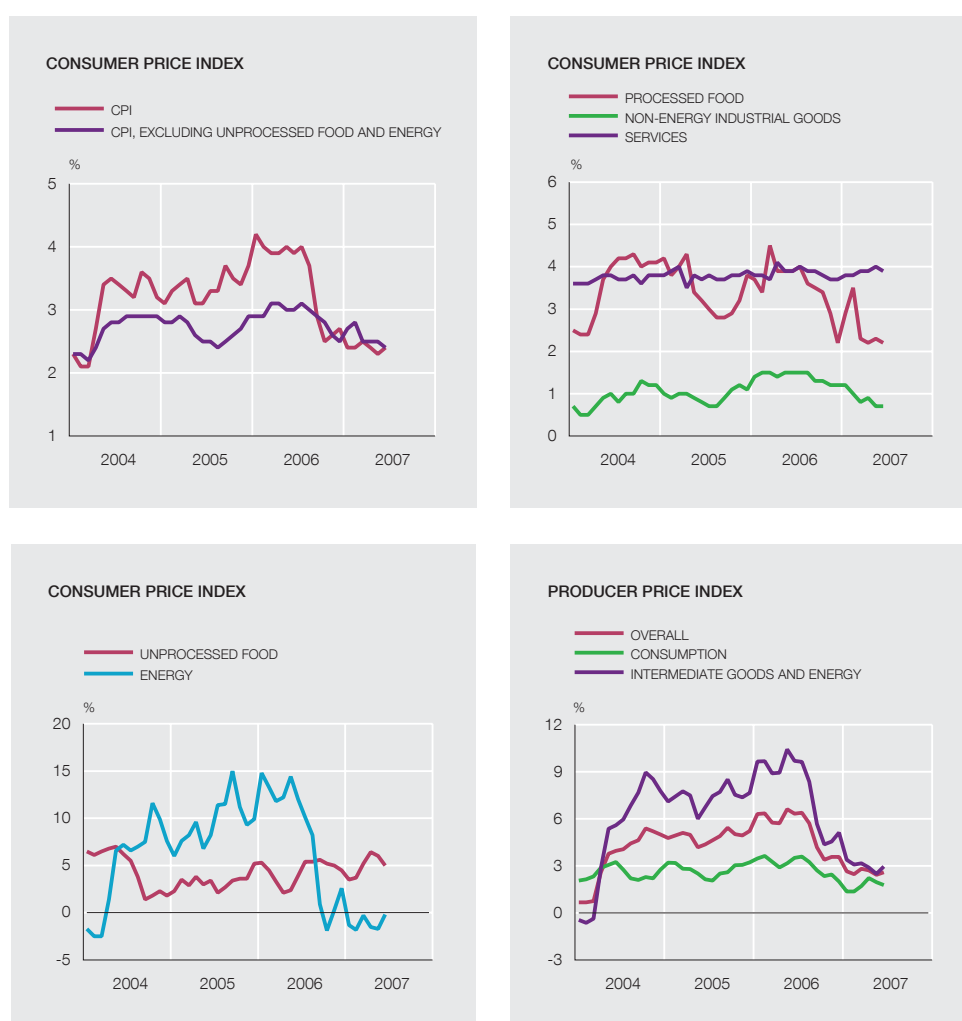
SOURCES: INE and Banco de España.

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

in recent months, the rise in the prices of telephone services, which abandoned the negative year-on-year growth rates of recent years. Conversely, other components performed more favourably: processed food prices slowed 0.7 pp in Q2 to a year-on-year average rate of 2.2%, while the year-on-year growth rate of non-energy industrial goods once again dipped by 0.2 pp in Q2 to 0.8% and there was a significant drop in the prices of electronic and computer goods.

Measured by the HICP, inflation in Spain remained stable at 2.5% in 2007 Q2, while for the euro area as a whole it held steady at 1.9% (see Chart 23). Consequently, the differential was unchanged at 0.6 pp, the lowest level of the last three years (see Chart 23). The stability of the inflation differential in the first half of the year is the result of an upturn in the energy price differential, although it remains negative, which was offset by the improvement of the relative prices of non-energy industrial goods, whose differential has been negative since March. Conversely, the services differential remains high, although slightly more moderate than the average for last year.

Lastly, the producer price index (PPI) slowed in Q2 and its year-on-year growth rate stood at 2.4% in June, in comparison with 2.8% at the end of Q1. The declining path followed by this indicator in the last twelve months is due largely to lower dynamism in energy production prices. Even so, the most notable feature of producer prices in recent months is the high



SOURCE: INE.

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

growth rates of nearly 6% in intermediate goods prices. This phenomenon is common to other developed countries and arises from the upward path in industrial raw materials prices on international markets in a setting of high growth in worldwide industrial activity. The increase in industrial export prices, albeit smaller than in 2006, remained at approximately 2% and is also underpinned by high growth in non-energy intermediate product prices since the growth rates of the other components of exports remained very moderate or even negative. By contrast, industrial imports prices seemed to maintain a very moderate rate of increase until May, with practically flat rates as a result of the appreciation of the euro and, in particular, the decrease posted by imported energy prices in that period.

4.4 The State budget

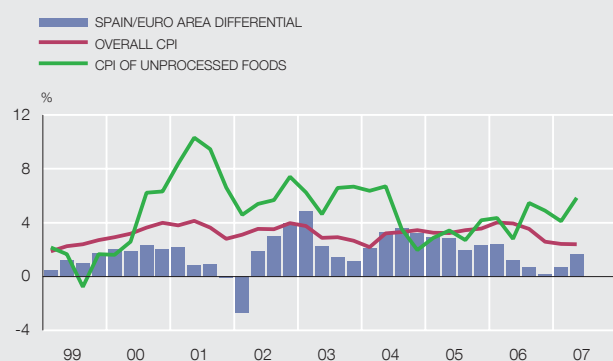
The figures published, in accordance with the methodology of the Excessive Deficit Procedure, on the State budget outturn to June 2007 show a surplus of €6,075 million (0.6% of GDP), notably higher than the €2,569 million surplus (0.3% of GDP) obtained in the first half of 2006. This was due to strong direct taxes which drove growth in revenue to 12.4%, while expenditure climbed 7% in line with GDP. The State's cash-basis balance improved notably in comparison with the same period in 2006 and posted a surplus of €4,168 million as against the surplus of €1,153 million to June 2006. Strong revenues, in comparison with budgeted

Since the beginning of monetary union, unprocessed food prices in Spain have tended to post substantially higher rates of change than the overall Consumer Price Index (CPI) which makes it difficult to reduce the latter. Average CPI growth of unprocessed food for the 1999-2007 period was 4.8%, 1.7 pp above the overall inflation rate and also above the other principal components of the CPI (see Chart 1). Similarly, increases in unprocessed food prices in the Spanish economy have persistently been higher than in the euro area as a whole contributing to the maintenance of a positive inflation differential in terms of the harmonised consumer price index (HICPI). In the common currency period, the average price differential for these products was 1.7 pp in comparison with 1.1 pp for the overall index. Logically, as a result of this greater increase in prices, Spanish prices levels are catching up with those of other EU countries (a process also seen across Europe), although prices in Spain continue to be lower. According to the results of the harmonised survey of prices levels conducted by National Statistics Institutes in 2006, food and non-alcoholic beverage prices were 8% lower in Spain than in the EU 27 and 13% lower than in the EU 15; in 2003 prices in Spain were 22% lower than in the EU 15 (see Table 1).

In the most recent period, the trend in unprocessed food prices was particularly unfavourable. While the overall CPI eased from 2006 Q2, when it increased by 3.9%, to 2.4% in 2007 Q2, unprocessed food prices climbed from 2.8% to 5.8%. Furthermore, this rise was higher than that posted against the euro area with the result that the differential of this component increased to 1.7 pp.

This cannot be explained by an acceleration in distribution margins in view of the latest indicator of the trend in commercial margins of fresh food products prepared by the Ministerio de Industria, Turismo y Comercio. This indicator approximates the trend in the gross retail margin obtained as the difference between the producer price and the retail sale price. In 2007 Q2 this index stood at 100.4, practically the same level as in 2006 Q2 (100.8).

1 CONSUMER PRICES AND DIFFERENTIAL WITH THE EURO AREA



1 PRICE LEVELS

	EU15 = 100 (a)			EU27 = 100
	2001	2003	2006	2006
FOOD AND NON-ALCOHOLIC BEVERAGES	81	78	87	92
MEAT	69	67	76	81
FISH	90	70	84	89
FRUIT AND VEGETABLES (b)	83	82	90	95

SOURCES: Eurostat and Banco de España.

a. The indexes based on EU15 for 2001 and 2003 are in-house estimates.

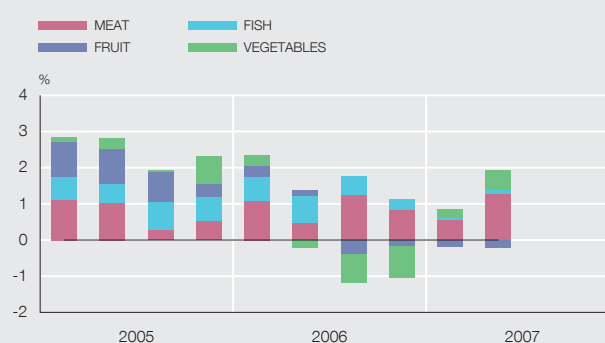
b. The figure for fruit and vegetables for 2001 and 2003 was obtained as an average.

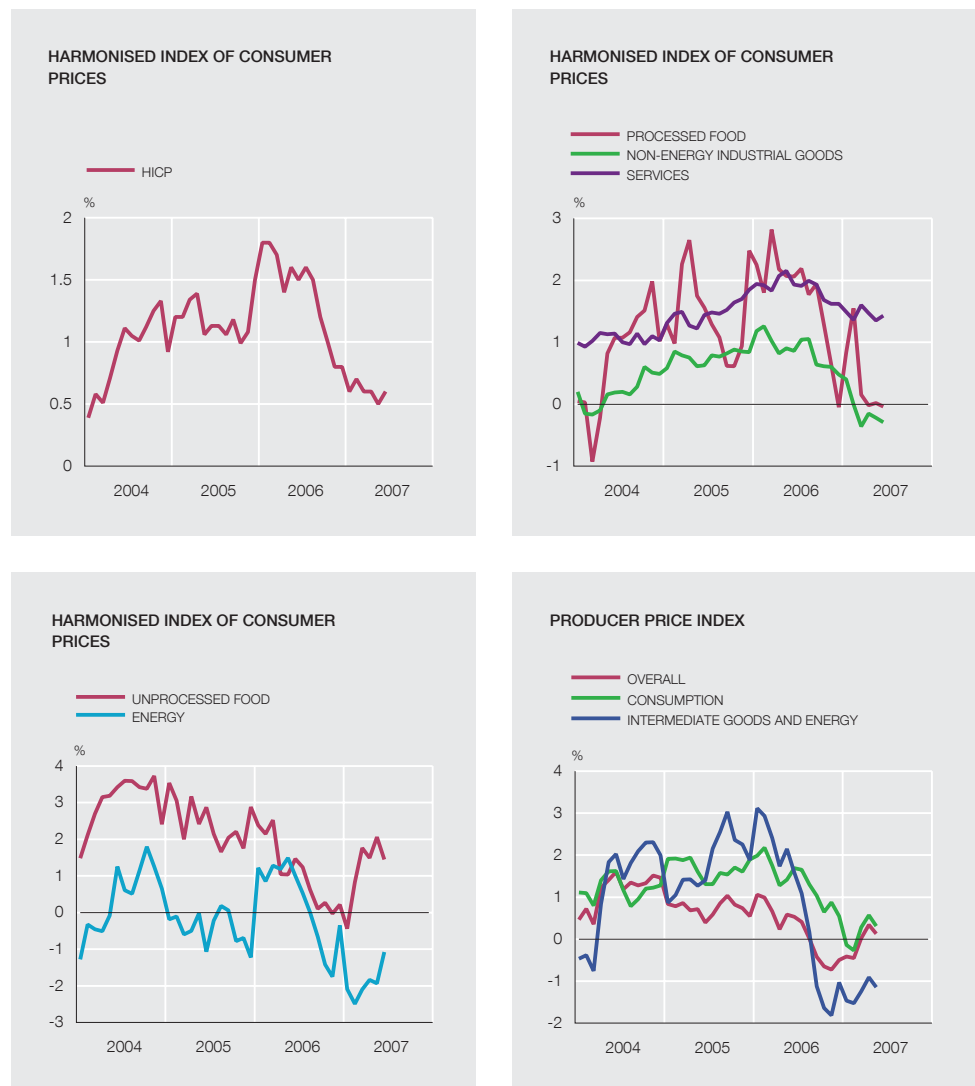
The recent upward trend in unprocessed food prices does not seem to reflect higher salary increases in the agricultural branches since Quarterly Spanish National Accounts estimates show a slight slowdown in compensation per employee in recent quarters. Conversely, some pressure can be seen in certain non-wage costs such as livestock inputs. Consequently, food raw material indexes on international markets have shown notable growth as have domestic feed prices.

The price rises in cereal, feed and, indirectly, livestock products can be expected to be increasingly important in the future. The worldwide upward trend in bio-fuel production means greater demand for certain agricultural products such as cereals, sugar, oleaginous seeds and vegetable oils. Over the next few years, efforts to reduce greenhouse gases under the Kyoto Protocol will lead to the further replacement of fossil fuels by bio-fuels. According to estimates of the recently approved Action Plan of the Saving and Energy Efficiency Strategy for 2008-2012, penetration of bio-fuels may reach 8% of the total in 2012, as against current penetration of 1%.

Within unprocessed food, uneven price growth and trends can be seen in the recent period. Meat prices have tended to post increases of over 5% and represent the main factor which determines the unprocessed food price differential with the euro area (see Chart 2). Particularly notable is the rise in the price of chicken, which surged by nearly 20% in March 2007 and currently stands at 8% in year-on-year terms. Supply of this product seems to remain limited since certain producers delayed the start-up of production following the avian flu crisis and rising feed prices. Vegetable prices quickened markedly, which worsened the differential with the euro area as a whole, and the increase in potato prices was particularly noticeable and even exceeded 20%. Low European production due to the hot, dry climate last summer in central Europe seems to be the main reason for this. Likewise fruit prices have continued to follow an upward track, as in other euro area countries. Lastly, fish prices eased in the most recent period, to an even greater extent than in the euro area.

2 CONTRIBUTIONS TO THE DIFFERENTIAL





SOURCES: Eurostat and Banco de España.

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

rates, indicates a better-than-forecast outcome for the year as a whole, despite the probable slowdown in personal income tax and corporate income tax over the next few months due to the reform of both taxes introduced at the beginning of the year. In any event, the buoyancy of withholdings on investment income and leases (partly due to higher rates) in the case of both taxes is notably softening the impact of the lower rates on other withholdings and prepayments. There has also been a notable improvement in the Social Security budget outcome as shown in Box 6.

In cash-basis terms, State revenue climbed by 12.7% to June as a result of the dynamism of the main taxes, marking a clear difference from the budgeted increase of 3.3% for the year as a whole. Direct taxes in particular posted considerably higher-than-budgeted growth while indirect taxes were slightly more in keeping with budget projections, although their performance was also better than forecast. Personal income tax quickened slightly in Q2 to 15.3%, due to the acceleration posted in withholdings on investment income and leases which amply offset the slowdown in withholdings on income from work. Average growth in withholdings on

EUR m and %

	Outturn 2006	Percentage change 2006/2005	Initial Budget 2007	Percentage change 2007/2006	Outturn JAN-MAR Percentage change 2007/2006	Outturn		
						2006 JAN-JUN	2007 JAN-JUN	Percentage change
	1	2	3	4 = 3/1	5	6	7	8 = 7/6
1 REVENUE	141,846	10.1	146,547	3.3	13.6	61,315	69,126	12.7
Direct taxes	81,130	14.8	83,925	3.4	16.5	27,130	32,003	18.0
<i>Personal income tax</i>	41,451	15.3	39,474	-4.8	14.4	18,593	21,445	15.3
<i>Corporate income tax</i>	37,207	14.5	41,641	11.9	40.3	7,293	8,937	22.5
<i>Other (a)</i>	2,472	11.5	2,810	13.7	21.9	1,244	1,621	30.3
Indirect taxes	48,328	8.3	50,740	5.0	10.1	28,542	30,515	6.9
VAT	35,424	10.7	36,538	3.1	10.0	22,334	23,567	5.5
<i>Excise duties</i>	9,895	1.0	10,961	10.8	11.9	4,710	5,386	14.4
<i>Other (b)</i>	3,009	7.0	3,241	7.7	6.0	1,498	1,561	4.2
Other net revenue	12,388	-8.2	11,882	-4.1	21.6	5,643	6,608	17.1
2 EXPENDITURE	130,375	6.2	142,927	9.6	7.4	60,162	64,958	8.0
Wages and salaries	22,209	7.4	23,686	6.7	5.3	10,999	11,722	6.6
Goods and services	3,799	12.1	3,431	-9.7	12.3	1,640	1,956	19.3
Interest payments	15,619	-12.4	15,946	2.1	-9.4	7,484	6,521	-12.9
Current transfers	72,225	11.9	77,338	7.1	9.8	33,207	36,467	9.8
Contingency fund and other unforeseen expenses	—	—	3,028	—	—	—	—	—
Investment	9,037	0.7	9,956	10.2	19.6	3,889	4,601	18.3
Capital transfers	7,487	2.0	9,541	27.4	37.9	2,944	3,692	25.4
3 CASH-BASIS BALANCE (3 = 1 - 2)	11,471	—	3,620	—	—	1,153	4,168	—
MEMORANDUM ITEM: NATIONAL ACCOUNTS								
Resources	147,205	13.1	146,328	-0.6	13.3	62,595	70,332	12.4
Uses	140,135	10.6	144,152	2.9	7.6	60,026	64,257	7.0
NET LENDING (+) OR BORROWING (-)								
	7,070	—	2,176	—	—	2,569	6,075	—
(as a percentage of GDP)	0.8	—	0.2	—	—	0.3	0.6	—

SOURCE: Ministerio de Economía y Hacienda.

a. Includes revenue from the tax on the income of non-residents.

b. Includes taxes on insurance premiums and tariffs.

income from work between February and June, applying the new personal income tax rates, stood at 8.5% in comparison with the same period last year, whereas they grew by 11.3% in 2006. Corporate income tax slowed following the first prepayment in April to growth of 22.5%. Indirect taxes posted slightly more restrained growth and slowed with respect to Q1, due in particular to the behaviour of VAT. Nevertheless, the recovery in excise duties should be noted; they grew by 14.4% in contrast to the weak growth of recent years (of approximately 3%). As regards the items under the *Other revenue* heading, the strong increase in interest payments (of more than 80%) and capital transfers from ERDF funds are worth noting.

Cash-basis expenditure quickened slightly in Q2 although the rate of change was lower than budgeted. This acceleration was determined by operating costs (wages and salaries and goods and services), partly linked to election costs. In particular, the deviation in goods and services from the budgeted decline is worth noting. Conversely, the *Interest payments* heading posted a fall of 12.9% as against a budgeted increase of 2.1%, since the recording of cash

The Social Security System posted a surplus of €9,676 million to April 2007, 14.8% up on the same period a year earlier. Revenue increased by 8.5% to April with respect to the same month in 2006, while the increase in expenditure amounted to 6.4% (see accompanying table).

Revenue from social security contributions increased by 7.5% to April, below the rate budgeted for 2007 as a whole. The number of Social Security registrations grew by 3.8% in the first half of the year, once the effects of the immigrant regularisation process had petered out, underscoring the high buoyancy of the labour market.

Turning to expenditure, that on contributory pensions grew by 6.7% to April, significantly lower than the rate budgeted for the year as a whole. The rate of increase in the number of contributory pensions in the first six months of the year (1.3%) was more moderate than in the previous year (2.3% for 2006 as a whole). This is partly due to the effect on the figures for 2006 of the former Elderly and Disability Insurance Pensions (SOVI) being recognised as compatible with wid-

owhood pensions¹. Although the growth rate of expenditure on sickness was notably high at 8.7% to April, this was also lower than the budget projection for 2007.

As regards the SPEE (State Employment Public Service), the information on revenue for 2007 is not yet available. Cumulative growth in expenditure on unemployment benefits to April 2007 stood at 5.7% in year-on-year terms. The eligibility rate in March was 67.4%, seven points higher than the figure posted in March 2006. The number of beneficiaries increased, on data to March, by 6.9% in comparison with the same month of the preceding year, whereas registered unemployment fell by 4.3% in year-on-year terms in the same period. However, the latest information available on registered unemployment show a cumulative contraction of 0.1% in the first half of the year which underlines the significant slowdown in the rate of decline in Q1.

1. Law 9/2005 of 6 June 2005.

SOCIAL SECURITY SYSTEM (a)

Transfers to regional governments allocated (b)

Current and capital transactions, in terms of recognised entitlements and obligations

EUR m and %

	Budget			Outturn JAN-APR		
	2006	2007	% change	2006	2007	% change
	1	2	3=2/1	5	6	7=6/5
1 REVENUE	97,547	106,142	8.8	33,739	36,592	8.5
1.1 Social security contributions (c)	90,625	97,942	8.1	31,317	33,680	7.5
1.2 Current transfers	5,295	5,963	12.6	1,794	2,041	13.8
Other (d)	1,628	2,237	37.5	628	870	38.6
2 EXPENDITURE	90,562	98,390	8.6	25,307	26,915	6.4
2.1 Wages and salaries	2,165	2,253	4.1	676	658	-2.7
2.2 Goods and services	1,733	1,807	4.2	487	487	0.0
2.3 Current transfers	86,133	93,743	8.8	24,115	25,721	6.7
Benefits	86,131	93,742	8.8	24,115	25,721	6.7
Contributory pensions	73,832	80,099	8.5	20,720	22,098	6.7
Sickness	6,656	7,313	9.9	1,790	1,947	8.7
Other	5,644	6,330	12.2	1,605	1,677	4.5
2.4 Other (e)	530	588	10.8	29	49	68.2
3 BALANCE	6,986	7,752	11.0	8,432	9,676	14.8

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

a. Only data relating to the system, not to the entire Social Security Funds sector are given. This is because the figures for other Social Security funds are not available until April 2007.

b. Transfers from the ISM to the regional governments to finance transferred health-care and social services have been distributed among the various expenditure captions on the basis of the percentages obtained from the general government accounts for 1997.

c. Including surcharges and fines.

d. Excluding surcharges and fines.

e. Reduced by the disposal of investments.

EUR m		JANUARY-APRIL	
		2006	2007
CREDITS	Current account	94,975	106,258
	<i>Goods</i>	56,225	60,473
	<i>Services</i>	23,652	25,681
	— Tourism	10,013	10,494
	— Other services	13,639	15,187
	<i>Income</i>	10,862	14,254
	<i>Current transfers</i>	4,236	5,849
	Capital account	1,628	2,259
	Current + capital accounts	96,602	108,517
DEBITS	Current account	124,483	140,597
	<i>Goods</i>	81,072	86,664
	<i>Services</i>	19,477	21,641
	— Tourism	3,784	4,096
	— Other services	15,692	17,546
	<i>Income</i>	16,448	22,490
	<i>Current transfers</i>	7,487	9,802
	Capital account	538	449
	Current + capital accounts	125,021	141,046
BALANCES	Current account	-29,509	-34,339
	<i>Goods</i>	-24,847	-26,191
	<i>Services</i>	4,176	4,040
	— Tourism	6,229	6,399
	— Other services	-2,053	-2,358
	<i>Income</i>	-5,586	-8,235
	<i>Current transfers</i>	-3,251	-3,952
	Capital account	1,090	1,810
	Current + capital accounts	-28,419	-32,529

SOURCE: Banco de España.

a. Provisional data.

was affected by the maturity schedule of government debt. Similarly, the *Investment* heading continued to record notably higher-than-budgeted growth.

4.5 The balance of payments and capital account

In the first four months of 2007 the overall balance on current and capital account was a deficit of €32,529 million, 14.5% up on the same period in 2006 (see Table 4). The current account deficit widened by 16.4% in this period to €34,339 million, while the surplus on capital transactions improved notably to €1,810 million. The balances of the main current account items worsened in the first four months except for the tourist surplus which improved slightly. All the same, these data show a noticeable moderation in the pace at which the Spanish economy's external deficit is widening, following the strong increases in recent years, which is largely due to the slowdown in the trade deficit. By contrast, the income and current transfers balances deteriorated markedly in the first four months of 2007.

In the January-April period, the pace at which the trade deficit was widening eased to 5.4%, in contrast to the trend of strong deterioration in recent years. This improvement occurred against a backdrop of a slowdown in Spain's foreign trade, which was more intense in the case of imports although they continued to show higher increases in real terms than exports. How-

ever, the increase in the real terms of trade enabled exports to grow at a slightly higher rate than imports in nominal terms (7.6% and 6.9%, respectively). The energy bill fell in this period in step with the moderation shown in crude oil prices on international markets in the early months of the year and with the appreciation of the euro against the dollar, while the non-energy trade deficit continued to widen.

The surplus in the services balance dropped in the first four months of the year in relation to the levels seen in the same period a year ago due to the increase in the non-tourist services deficit which could not be fully offset by the improvement in the tourist surplus. Tourist revenue began the year on an expansive note, easing notably in April and growing by a total of 4.8% the first four months of the year, slightly down on the increase seen on average in 2006. Tourist expenditure increased by 8.2% in the first four months of 2007, down on the average increase in 2006, in keeping with the gradual slowdown in other components of household consumer spending. The revenue and expenditure of other services remained highly positive in this period (with growth rates of 11.4% and 11.8%, respectively).

The deficit on the income balance widened notably over the first four months of 2007 to €8,235 million, which represents a deterioration of €2,649 million in comparison with the same period in 2006. Both revenue and expenditure were highly expansive in Q1 with growth rates of more than 30% in both cases. By institutional sector, the deficits of financial institutions and other resident sectors widened notably while the general government deficit was corrected slightly. All instruments contributed to the widening of the deficit and in particular expenditure on portfolio investment income and other investments (essentially loans, deposits and repos).

The deficit of the current transfers balance rose to €3,952 million in January-April 2007, up €702 million on the deficit posted in the same period in 2007. Revenue increased by 38%, owing to the increase in the flows of EU funds under EAGGF-Guarantee and the European Social Fund, at the same time as there was a notable rise in other transfers received by the private sector. Expenditure also grew at a very high rate (30.9%), as a result of the notable buoyancy in public sector expenditure and that of other resident sectors which included most notably the high rise shown by immigrants' remittances (32.7%).

Finally, the capital account surplus stood at €1,810 million in the first four months of 2007, up €720 million on the same period 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 Financial developments

5.1 Overview

Private-sector financing conditions continued to tighten between April and June. Consequently, the cost of loans for households and firms increased in parallel with the rise in money market interest rates (the 1-year Euribor climbed 40 bp in this period to 4.51%). Corporate funding through the issuance of fixed-income securities also became more expensive and only in equity financing was there a slight decline in cost (see Chart 24).

In Q2 the upward trend on most international equity markets continued, although there were once more some bouts of instability which, in any event, were not on the same scale as those recorded at the end of February. The rise in volatility was sharper for Spanish stock prices due to greater uncertainty concerning the valuation of certain real estate firms. The Madrid Stock Exchange General Index (IGBM) appreciated 1.1% between April and June, which was less than the euro area EURO STOXX index (6.3%) and the US S&P 500 (5.8%). The cumulative gain of the IGBM for the year to date stood at 5%, which was also lower than that of the other two international indices (10% and 6%, respectively).

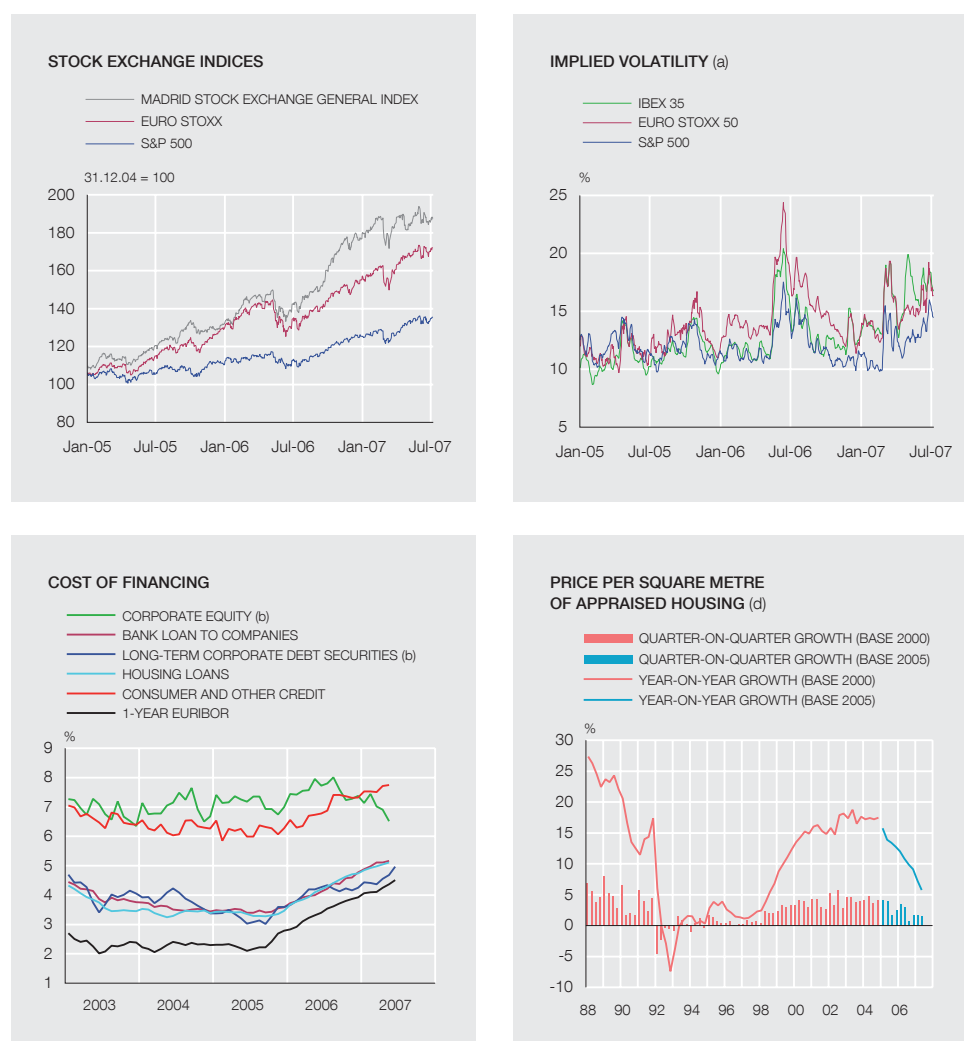
According to Spanish Ministry of Housing data for Q2, the year-on-year growth rate in appraised open-market housing stood at 5.8%, practically 1.5 pp lower than at the beginning of the year and 5 pp lower than twelve months ago. Thus, the orderly normalisation of property market prices continues.

In this setting private-sector financing slowed once again in the first three months of 2007, essentially as a result of the diminished dynamism in household liabilities, including hereunder house-purchase loans. Provisional information for Q2 indicates that moderation might also have begun to extend to funds earmarked for financing consumption and for other purposes.

The external funding of non-financial corporations was also less expansive, although it maintained a growth rate of approximately 23% which, on provisional data, could have continued during Q2. The breakdown by activity of credit, the principal component of firms' borrowing, shows that fewer funds were earmarked for real estate services and construction in 2007 Q1, that there was a slight rise in those allocated to industry and that those employed in other productive activities held practically stable.

The increase in household borrowing exceeded their incomes, triggering a fresh rise in the household debt ratio (Box 7 analyses the contribution of the number of borrowers and their average debt to the recent increase in this ratio). Similarly, additional lengthening of new-loan terms was not enough to offset the combined effect of larger liabilities and higher rates and, consequently, the debt interest burden also rose, but it should be taken into account that this indicator incorporates the effects of money market interest rate rises gradually. Saving not earmarked for debt service, which also gradually includes these effects, improved slightly thanks to the growing trend of the gross saving ratio; however, as a result of buoyant household investment, as illustrated by the financial accounts, household net borrowing increased slightly in relation to GDP in Q1. Their net wealth grew at a similar rate to GDP, due particularly to the behaviour of residential property prices (see Chart 25).

The corporate debt and debt burden ratios rose, although there were no significant changes in returns on capital, which remained high at approximately 10%. The quarterly Central Balance Sheet Data Office (CBQ) data show, however, greater moderation in the debt and debt



SOURCES: Bloomberg, Credit Trade, 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 calculated 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.

burden ratios in 2007 Q1 among reporting firms (which, as previously indicated, are predominantly large firms). As a result of this trend, together with stable returns, the synthetic indicators of financial pressure on investment and employment in this sub-group of the sector remained at similar levels to previous quarters (see Chart 26).

The increase in net borrowing by the non-financial private sector in Q1 outpaced the recovery in general government saving. Thus, the nation's net borrowing increased in cumulative twelve-month terms to 7.9% of GDP (see Table 5). Sizable funds from the rest of the world continued to be raised through credit institutions, although the volume of funds channelled through other financial institutions continued to rise and accounted for more than half of the new liabilities accumulated, in gross terms, by the nation in the last year.

In short, households' resort to debt continued to slow gradually, as could be expected against a background of tightening monetary conditions. However, the aggregate data for non-financial corporations do not yet display similar moderation, although there seem to be signs of a

Data from the Banco de España Central Credit Register (CCR) are used in this box to analyse the role of average debt levels and the number of borrowers in the growth of Spanish household liabilities in recent years.

The CCR contains itemised information on the loans extended by resident credit institutions exceeding a certain threshold (more details are available in the Spanish-language publication *Memoria de la Central de Información de Riesgos*). However, the unit of reference is not households, as in the financial and non-financial accounts of the economy, but the individual who receives the funds. Likewise, the CCR does not allow a distinction to be drawn between liabilities on the basis of the purpose for which the funds are used (housing, consumption and other), though it is possible to ascertain, alternatively, whether the transactions have any specific type of guarantee.

The charts in the upper panels show, firstly, that the growth rates of secured and unsecured loans provide an acceptable approximation of household house-purchase, consumer and other-purpose loans, respectively. On the basis of this approximation, it is possible to break down growth in both aggregates into the effects associated first, with the increase in the number of individuals with some type of debt, and further, with changes in the average debt per individual.

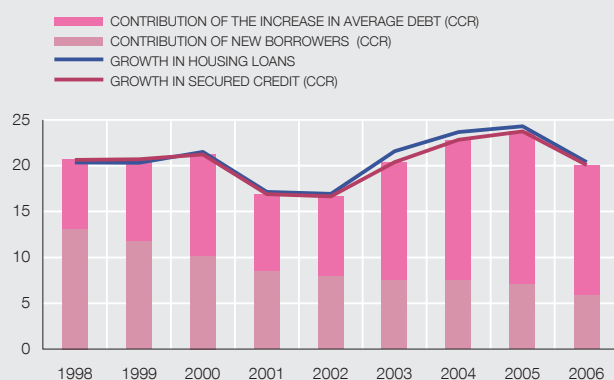
Accordingly, in the case of secured lending (which is used in this box as an approximation of housing loans), the increase in the number of borrowers accounted for a substantial share of growth in the early

years of the sample, but its relative weight has gradually decreased. In 2006, it only accounted for 6 pp of the approximately 20 pp total rise recorded. Conversely, in the case of consumer and other-purpose loans (whose behaviour is approximated using that of unsecured credit), the expansion in total debt mainly corresponded to greater numbers of borrowers, which in 2006 accounted for two-thirds of the change in this type of credit.

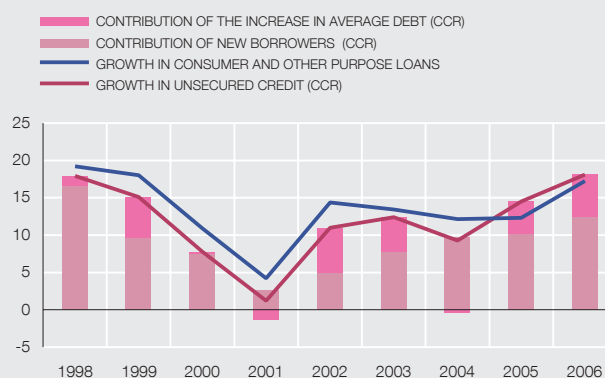
The two charts in the lower panels compare the trend in the number of borrowers and the average debt with a key reference variable. The first shows the changes in the ratio between the number of individuals in debt and the number of inhabitants over 18 years old. As can be seen, the ratio increased by 14 pp between 1998 and 2006. Growth is similar (15 pp) if numbers employed are used as an approximation of the population able to apply for a loan, since employment is practically a prerequisite for obtaining a loan. Furthermore, the behaviour is quite similar for secured and unsecured loans.

The bottom-right panel shows a clear increase in average debt relative to gross disposable income per inhabitant aged over 18, which has multiplied by slightly less than 1.5 between 1998 and 2006 (in terms of average gross wages the rise would be slightly greater at about 80%). This behaviour of the ratio is a result both of the increase in the average amount of housing loans and growth in the percentage of individuals with secured and unsecured loans at the same time, which rose from 4% to 10% of the adult population in the period considered.

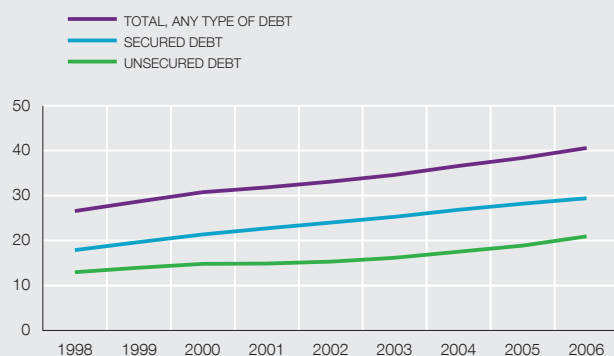
SECURED CREDIT AND FACTORS CONTRIBUTING TO ITS GROWTH



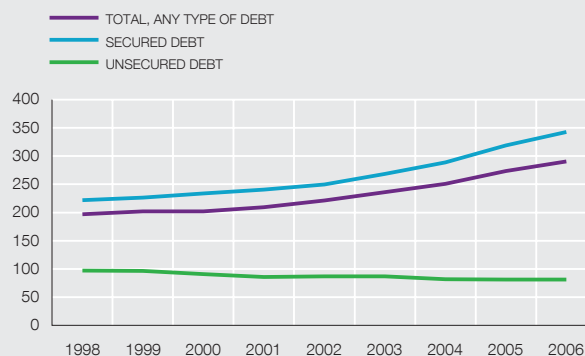
UNSECURED CREDIT AND FACTORS CONTRIBUTING TO ITS GROWTH



PERCENTAGE OF INDIVIDUALS IN DEBT WITH RESPECT TO POPULATION OVER AGE OF 18



AVERAGE DEBT PER PERSON WITH RESPECT TO GDI PER PERSON OVER AGE OF 18



SOURCES: Banco de España and INE.



SOURCE: Banco de España.

- From 1999, the sectoral National Accounts data correspond to the CNE base 2000. For prior periods, an estimate consistent with this base is used.
- Includes bank credit and off-balance-sheet securitised loans.
- Assets 1 = Total financial assets – "other".
- Assets 2 = Assets 1 - shares (excluding mutual fund shares) - shares in FIM.
- Estimated interest payments plus debt repayments.
- Balance of households' use of disposable income account.
- Gross saving less estimated debt repayments.
- 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 for 2005.
- CNE, base 2000.

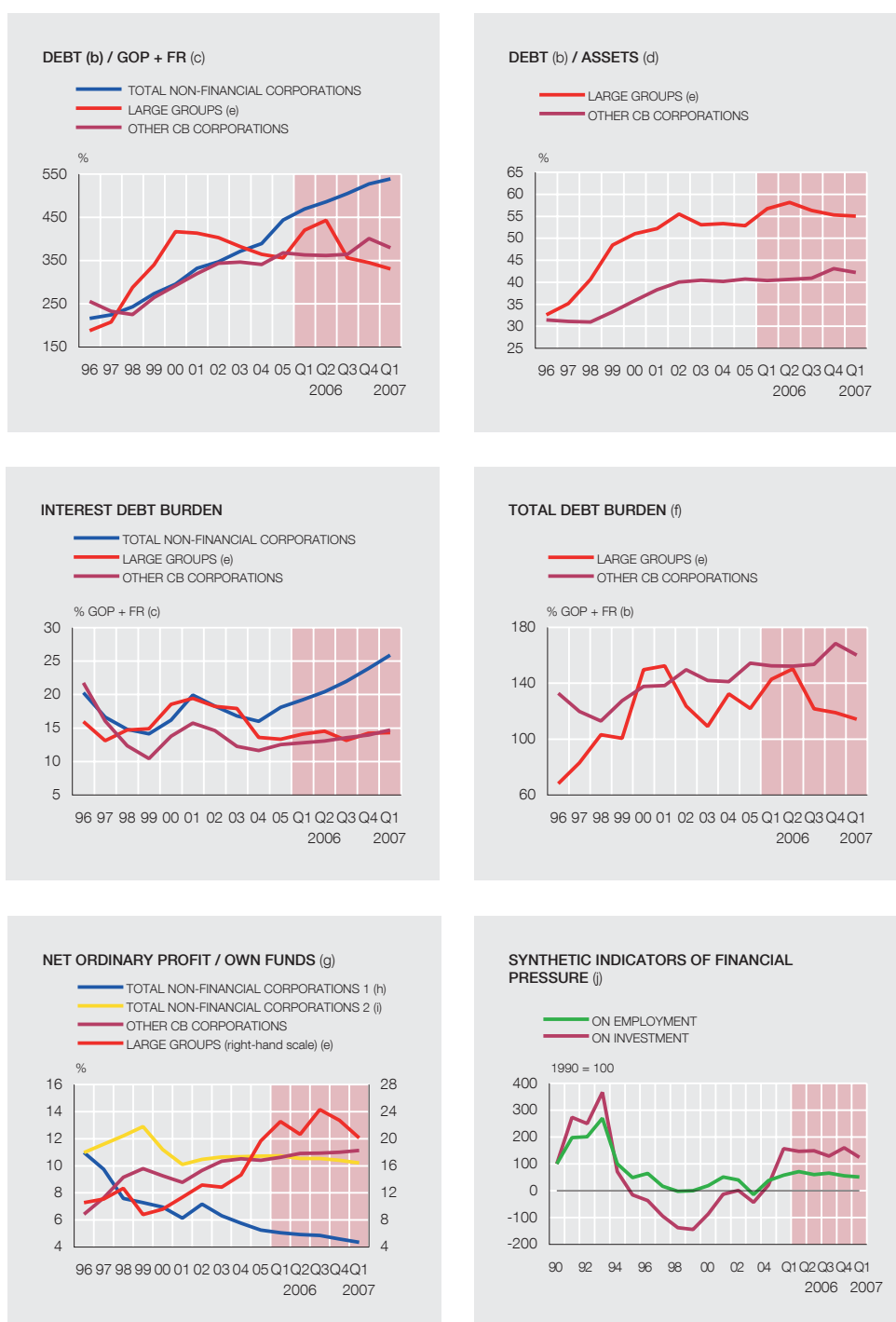
slight slowdown in the rise in debt at large firms. The ongoing buoyancy shown by private-sector liabilities and some of their characteristics such as the lengthening of repayment terms and the continuing prevalence of variable-rate loans have raised the sector's exposure to possible unexpected adverse changes in its revenue, net worth or financial costs. Although the progressive nature of the normalisation of monetary conditions and property markets reduces the likelihood that such disturbances may become significant, the leeway it provides must be used by firms and households to continue re-balancing the relative roles of their current revenue and borrowing to finance spending decisions.

5.2 Households

In Q2 financing conditions for households tightened again. The interest rates applied by credit institutions to new business rose 13 bp between March and May for housing loans and 24 bp for consumer and other purpose loans. The cumulative rises in the cost of these funds in

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 Spanish 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 Telefónica groups. Adjusted for intra-group financing to avoid double counting.

f. Includes interest plus interest-bearing short-term debt.

g. For total non-financial corporations, $NOP = GOS + \text{interest and dividends received} - \text{interest paid} - \text{fixed capital consumption}$.

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.

NET FINANCIAL TRANSACTIONS
Four-quarter data

TABLE 5

% GDP									
	2002	2003	2004	2005	2006				2007
					Q1	Q2	Q3	Q4	Q1
National economy	-2.7	-2.9	-4.8	-6.5	-7.0	-7.2	-7.6	-7.8	-7.9
Non-financial corporations and households and NPISHs	-3.5	-3.9	-5.3	-8.4	-9.3	-10.0	-10.6	-10.4	-10.8
<i>Non-financial corporations</i>	-4.2	-4.1	-4.6	-7.0	-7.7	-7.6	-8.5	-8.9	-9.2
<i>Households and NPISHs</i>	0.7	0.1	-0.6	-1.3	-1.6	-2.4	-2.1	-1.5	-1.6
Financial institutions	1.2	1.0	0.6	0.7	0.6	0.7	0.7	0.7	0.8
General government	-0.3	0.0	-0.2	1.1	1.7	2.1	2.2	1.8	2.1
MEMORANDUM ITEM:									
Financing gap of non-financial corporations (a)	-8.6	-8.3	-8.9	-10.9	-14.0	-14.4	-15.7	-15.8	-13.6

SOURCE: Banco de España.

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

comparison with the low recorded in October 2005 are 180 bp and 147 pb, respectively. Also, according to the latest Bank Lending Survey, institutions anticipated more restrictive credit-extension terms for both types of loan between April and June.

Against this backdrop, the growth rate of household debt continued to decline and fell by approximately 1.5 pp between January and March. The breakdown by component of this variable shows that growth in loans for house purchases was clearly more moderate whereas the rate of expansion of consumer and other purpose loans was more stable. The provisional information for Q2 indicates that the slowdown in housing loans will continue and the novelty is that it will begin to spread to other types of loans.

Household investment in financial assets also eased slightly and, according to information on 2007 Q1, it reached 11.2% of GDP in cumulative annual terms, 0.7 pp less than the end-2006 figure (see Table 6). The breakdown by instrument reveals that households continued to prefer lower-risk instruments (cash and deposits). In particular, there was a striking rise in time deposits, which are included under the heading other deposits and fixed-income securities, at the expense of shares in mutual funds, where negative net subscriptions were posted amounting to 0.5% of GDP. Households also continued selling shares in net terms, albeit for a small amount and, at the same time, the share of new saving in the form of insurance technical reserves held steady (1.6% of GDP).

The rate of increase of household borrowing remained higher than household income growth and, consequently, according to data available for Q1, the debt ratio increased to more than 125% of household GDI (see Chart 25). Until the end of 2005, the effects of the expansion of liabilities on the financial burden had been partially cushioned by lower interest rates and longer terms. Whereas in the case of this latter factor there remains little room for further lengthening, the cost of funds has embarked on an upward path, whose effect on the debt burden ratio will gradually pass through in full. The percentage of income earmarked for debt service rose in the early months of 2007 to slightly above 16% of GDI and, according to the provisional information available between April and June, growth in this and the debt ratio continued.

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

TABLE 6

% GDP						
	2003	2004	2005	2006		2007
				Q3	Q4	Q1
HOUSEHOLDS AND NPISHs						
Financial transactions (assets)	8.6	9.4	10.3	10.9	11.9	11.2
Cash and cash equivalents	4.1	3.9	-13.1	3.2	3.2	2.3
Other deposits and fixed-income securities (a)	-0.3	1.2	18.9	4.7	5.9	6.6
Shares and other equity (b)	0.5	0.3	0.2	-0.5	-0.8	-0.1
Mutual funds	2.3	1.5	1.9	0.8	0.2	-0.5
Insurance technical reserves	1.8	1.8	1.9	1.5	1.6	1.6
<i>Of which:</i>						
<i>Life assurance</i>	0.7	0.7	0.8	0.6	0.6	0.6
<i>Retirement</i>	0.9	0.8	1.0	0.7	0.8	0.8
Other	0.1	0.6	0.5	1.1	1.8	1.4
Financial transactions (liabilities)	8.5	10.1	11.6	13.0	13.4	12.8
Credit from resident financial institutions (c)	9.2	10.8	12.3	13.2	13.1	12.5
<i>House-purchase credit (c)</i>	7.0	8.7	10.3	10.2	9.9	9.3
<i>Consumer and other credit (c)</i>	2.2	2.1	2.2	3.0	3.2	3.2
Other	-0.7	-0.8	-0.7	-0.2	0.3	0.2
NON-FINANCIAL CORPORATIONS						
Financial transactions (assets)	12.1	12.3	17.2	22.1	22.8	19.6
Cash and cash equivalents	0.9	1.0	2.0	2.5	2.2	1.7
Other deposits and fixed-income securities (a)	1.2	0.3	1.5	2.3	2.4	2.8
Shares and other equity	7.4	6.4	7.1	10.9	10.4	7.9
<i>Of which:</i>						
<i>Vis-à-vis the rest of the world</i>	4.5	3.8	3.9	7.3	6.8	4.2
Other	2.6	4.7	6.6	6.4	7.8	7.2
Financial transactions (liabilities)	16.2	16.9	24.2	30.6	31.7	28.8
Credit from resident financial institutions (c)	6.1	8.3	12.9	16.5	17.8	17.8
Foreign loans	2.6	0.7	2.1	3.5	3.3	1.2
Fixed-income securities (d)	-0.2	0.0	0.3	1.6	1.8	1.2
Shares and other equity	5.1	4.4	3.6	3.3	2.3	2.4
Other	2.5	3.5	5.3	5.6	6.5	6.2
MEMORANDUM ITEM: YEAR-ON-YEAR GROWTH RATES (%):						
Financing (e)	15.8	16.3	21.2	24.3	24.2	21.1
Households and NPISHs	19.1	20.2	20.9	20.6	19.6	18.3
Non-financial corporations	13.4	13.2	21.4	27.4	27.9	23.3

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 securitisation special purpose entities.

The recovery in the gross savings ratio in 2007 Q1 resulted, despite the expansion of the financial burden, in a slight rise in the sector's ability to save after discounting payments linked to liabilities. The increase in household net wealth was similar to that in GDP, meaning that the ratio between both aggregates remained stable, comfortably above 600%.

5.3 Non-financial corporations

Financing conditions also tightened for corporations in 2007 Q2. Consequently, the synthetic indicator of the marginal cost of new funds received by firms stood at 5.2% in May, 12 bp higher than the March figure. This increase stemmed fundamentally from the rise in the interest rate (which rose by more than 30 pb) on short and, particularly, long-term fixed-in-

come securities, since bank interest rates climbed moderately and the cost of own funds fell slightly.

In this setting, firms cut the rate of expansion of their debt, which in March posted a year-on-year growth rate of 23%, 4 pp lower than at 2006 year-end. However, this decrease is largely due to a base effect and, in fact, according to provisional information for Q2, corporate financing grew at a similar rate as in March thanks mainly to buoyant bank credit and foreign loans.

By productive activity, the latest information (for 2007 Q1) shows the first clear signs of a slow-down in funds earmarked for the property and construction sectors notwithstanding their still-high growth rates (46% and 30%, as against 51% and 33% in December 2006). In the other sectors, bank financing increased moderately, although in some cases, like industry, the year-on-year growth rate climbed slightly.

The volume of corporations' asset-side transactions clearly slipped and accounted in March for 20% of GDP in cumulative four-quarter terms (3 pp less than in the previous quarter). Although this drop was across the board (with the exception of other deposits and fixed-income securities), it was acquisitions of equity and, within this item, foreign acquisitions which fell most significantly. However, like financing, this trend is influenced by the effect of a specific corporate operation at the beginning of 2006.

The Financial Accounts information for 2007 Q1 shows a further increase in firms' financing needs, which pushed above 9% of GDP in cumulative twelve-month terms. The financing gap, which approximates the funds needed to undertake real investment and permanent foreign financial investment, showed a significant decline linked to changes in investment abroad (see Table 5).

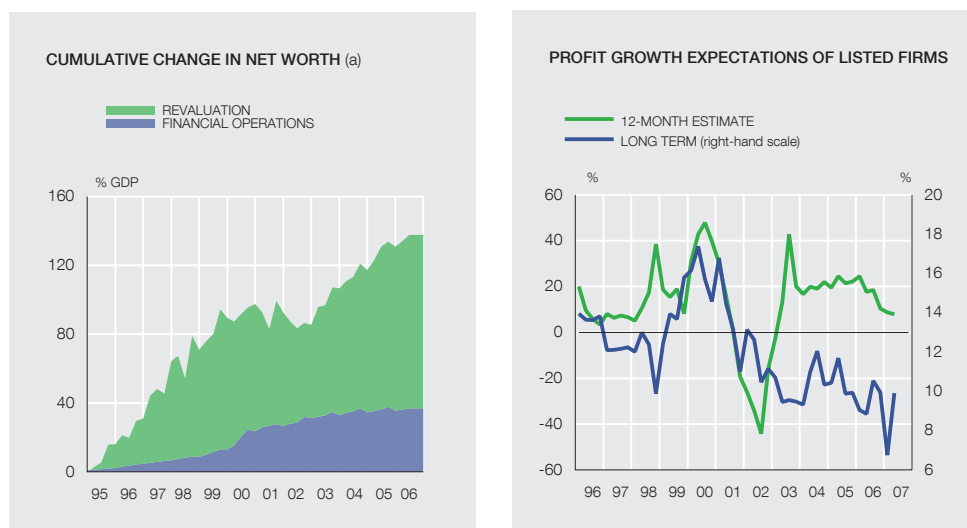
The increase in firms' recourse to external funds coupled with the rise in the average cost of the outstanding amount of such funds, triggered a further climb in the sector's debt and debt burden ratios, which seems to have continued in Q2. As for their income, the latest data for Q1 show that the rate of return on capital held steady.

For the companies reporting to the CBQ, the latest available information for 2007 Q1 indicates a moderate rise in the proportion of revenue allocated to debt service. Also in this sample, which is dominated by large companies, there was a slight drop in the debt ratio, which was sharper for large business groups. The aggregate return on equity fell somewhat but remained high (around 14%), which was in line with a fresh improvement in the industrial sector. As a result of the combined effect of these variables, the synthetic indicators of financial pressure on investment and employment were relatively unchanged on end-2006.

Lastly, there were no significant changes in analysts' long and short-term projections on the increase in listed non-financial corporations' earnings, although the former showed some improvement on the previous quarter (see Chart 27).

5.4 General government

In the first three months of the year, general government net lending improved so that in March it accounted for 2.1% of GDP in cumulative twelve-month terms, up 0.3 pp on the end-2006 figure (see Chart 28). By instrument, the sector made a net redemption of short-term securities, whereas the net issuance of long-term securities was positive. At the same time, there was an increase in investments in deposits and a contraction of the volume of loans, with the result that the heading that reflects changes in the net balance of these two items remained positive and equivalent to 2.3% of GDP. Lastly, despite the higher cost of financing, interest payments as a percentage of GDP continued on a downward path, thanks to the decline in the debt ratio.



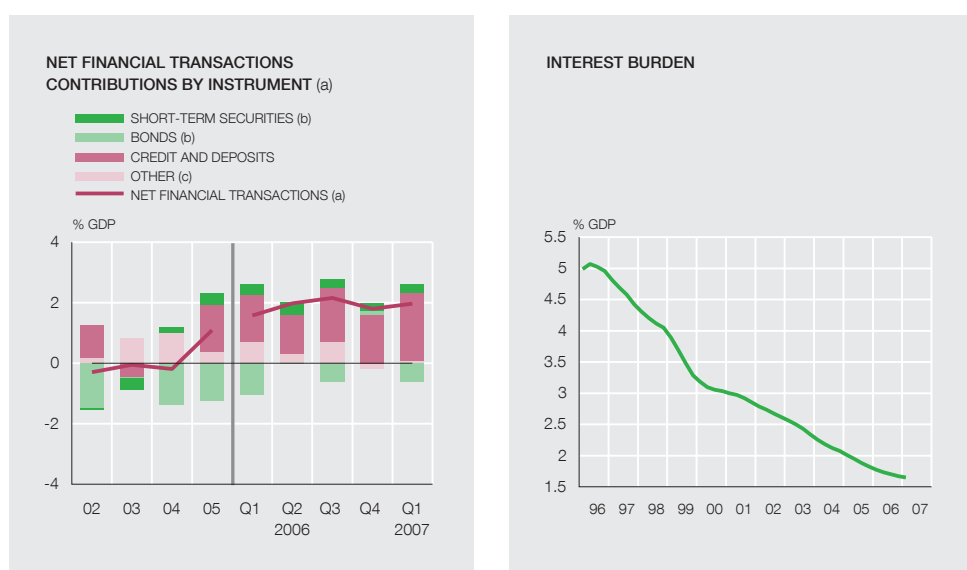
SOURCES: I/B/E/S and Banco de España.

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

GENERAL GOVERNMENT

Four-quarter data

CHART 28



SOURCE: Banco de España.

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

FINANCIAL TRANSACTIONS OF THE NATION
Four-quarter data

TABLE 7

% GDP						
	2003	2004	2005	2006		2007
				Q3	Q4	Q1
NET FINANCIAL TRANSACTIONS	-2.9	-4.8	-6.5	-7.6	-7.8	-7.9
FINANCIAL TRANSACTIONS (ASSETS)	13.1	13.3	18.4	19.0	16.8	14.1
Gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	0.7	3.2	2.2	4.8	5.5	7.5
<i>Of which:</i>						
<i>Interbank (a)</i>	0.5	0.7	3.2	3.5	3.4	6.2
Securities other than shares	6.5	1.8	8.8	0.8	-1.2	-1.0
<i>Of which:</i>						
<i>Credit institutions</i>	3.5	1.0	6.6	-0.3	-2.0	-1.5
<i>Institutional investors (b)</i>	3.5	0.3	2.2	0.8	0.7	0.5
Shares and other equity	4.7	6.8	5.2	10.1	9.3	5.9
<i>Of which:</i>						
<i>Non-financial corporations</i>	4.5	3.8	3.9	7.3	6.8	4.2
<i>Institutional investors (b)</i>	1.1	0.8	0.9	1.7	1.2	0.2
Loans	0.3	0.8	1.1	1.7	2.1	0.8
FINANCIAL TRANSACTIONS (LIABILITIES)	16.0	18.2	25.0	26.6	24.6	22.0
Deposits	6.9	1.7	5.7	0.8	0.3	0.4
<i>Of which:</i>						
<i>Interbank (a)</i>	5.3	5.0	7.2	1.3	0.6	0.4
Securities other than shares	5.3	12.4	15.8	21.6	21.4	20.5
<i>Of which:</i>						
<i>General government</i>	-1.0	2.7	0.2	1.6	1.3	1.0
<i>Credit institutions</i>	3.5	4.6	6.3	8.1	7.8	6.8
<i>Other non-monetary financial institutions</i>	2.8	5.1	9.3	11.9	12.3	12.7
Shares and other equity	1.1	2.7	0.9	0.3	-0.8	-0.4
<i>Of which:</i>						
<i>Non-financial corporations</i>	1.3	1.7	1.0	0.4	-1.1	-0.3
Loans	2.8	1.3	2.3	3.7	3.5	1.4
Other, net (c)	-0.9	-0.6	-0.9	-1.4	-0.9	-0.7
MEMORANDUM ITEMS						
Spanish direct investment abroad	3.3	5.8	3.7	7.5	7.3	4.8
Foreign direct investment in Spain	2.9	2.4	2.2	2.6	1.6	1.7

SOURCE: Banco de España.

a. Correspond only to credit institutions and include repos.

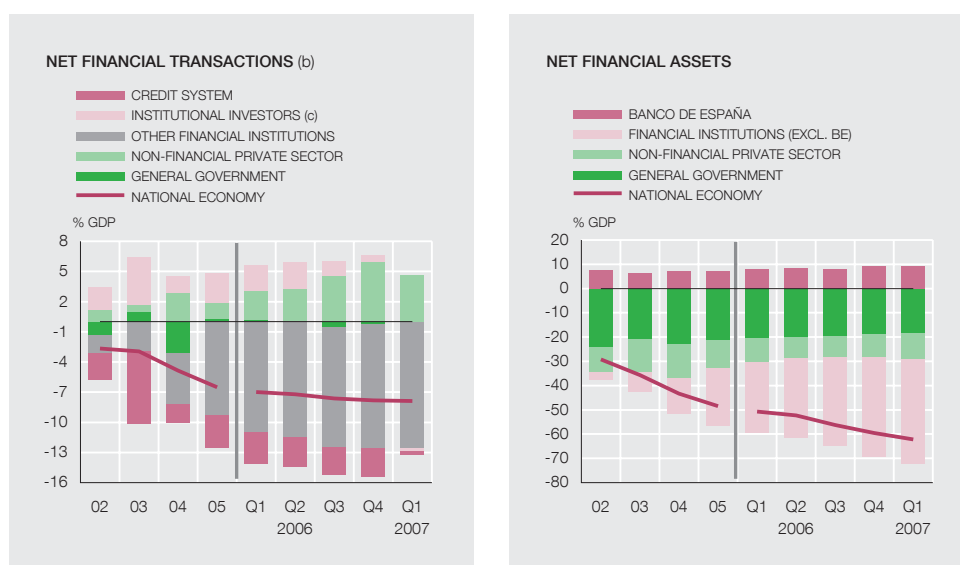
b. Insurance corporations and portfolio investment institutions.

c. Includes, in addition to other items, the asset-side caption reflecting insurance technical reserves and the net flow of trade credit.

5.5 The rest of the world

In 2007 Q1 the net debit balance of the nation's financial transactions rose to 7.9% of GDP in cumulative four-quarter terms, 0.1 pp higher than at the end of 2006. This was due to the greater need for funds of households and, especially, of companies, which was not offset by the improvement in general government saving.

The acquisition of foreign assets fell to 14.1% of GDP in cumulative four-quarter terms. By instrument, the most important changes were the increase in investment in liquid assets included under the cash and deposits heading and, especially, the decrease in flows linked to acquisitions of shares and other equity. Accordingly, Spanish foreign direct investment fell in Q1 to 4.8% of GDP (in cumulative twelve-month terms), 2.5 pp down on the end-2006 figure.



SOURCE: Banco de España.

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

Net capital inflows required to finance both the gap between national savings and investment and the acquisition of financial assets abroad climbed to 22% of GDP in Q1 (in cumulative twelve-month terms), 2.6 pp down on the figure at the end of the previous year (see Table 7). Most of these funds were invested in securities other than shares. The flow of acquisitions of shares and other equities by non-residents was once again negative, although lower in terms of GDP than in the previous quarter, thanks to a slight rise in foreign direct investment in Spain. Lastly, the financing raised through bank loans contracted again.

The analysis of these flows in net terms and by agent show that the bulk of the funds raised from the rest of the world was channelled once more through Financial Vehicle Corporations (FVCs) created to hold securitised assets and the subsidiaries of financial and non-financial corporations specialising in securities issuance (see Chart 29). The credit system also contributed to this channelling of funds from abroad, although the new liabilities accumulated in net terms were 2.5 pp of GDP lower than the previous quarter. Lastly, contrary to their usual behaviour, institutional investors offloaded, in net terms, assets vis-à-vis non-residents.

As a result of the trend in cross-border financial flows and of the changes in asset prices and the exchange rate, there was a further rise in the balance of net liabilities accumulated vis-à-vis the external sector (see Chart 29). This increase mainly stems from the rise in the net debit position of financial institutions among which, as discussed above, FVCs and the subsidiaries of financial and non-financial corporations specialising in securities issuance continue to play a pivotal role in the channelling of savings from the rest of the world to the Spanish economy.

27.7.2007.

RESULTS OF NON-FINANCIAL CORPORATIONS IN 2007 Q1

Overview¹

The data compiled by the Central Balance Sheet Data Office Quarterly Survey (CBQ) for 2007 Q1 show that the nominal growth in the GVA of the reporting non-financial corporations was 8.4%, compared with 6.2% in the same period a year earlier (see Table 1 and Chart 1). This rise, consistent with that shown by alternative indicators, means that the buoyancy of reporting companies in the most recent period continued and spread to practically all sectors of activity. Notable among these was the industrial sector, whose recovery firmed, highly favoured by the ongoing strong investment in capital goods and by the reporting corporations' net positive contribution in respect of the foreign sector against a backdrop of continued momentum in exports and a slight slowdown in imports. Other sectors such as wholesale and retail trade, and transport and communications also recorded substantial growth in 2007 Q1, mainly thanks to the sound performance of private consumption. Conversely, oil refining GVA dropped 31.6% due both to the fall in oil prices, which began in the second half of 2006 (after reaching a high mid-2006), and to the lower prices applied by these industries to their customers, which is favourably impacting the intermediate consumption of most of the productive sectors and, consequently, their GVA (see Chart 2).

The 4.7% increase in personnel costs in 2007 Q1 was 0.7 pp lower than the previous year. This slowdown arose due to the moderation in average compensation (3.2%, in comparison with 3.6% in 2006) and to employment growing at a slightly lower pace than a year ago (1.4%, as opposed to 1.7% in 2006 Q1). The analysis by sector confirmed, once again, that the wholesale and retail firms and other services firms boosted aggregate employment growth. Staff levels decreased in other sectors of activity mainly due to structural changes affecting the sectors under reorganisation (most particularly electricity) and due to the special labour force adjustments at certain large transport, communications and automotive firms. If the two largest cases affected by the above-mentioned processes were stripped out, the rate of change in employment in 2007 Q1 would increase to 2.1% of the sample total, which is practically the same as the 2.2% rate for 2006 Q1 calculated on a like-for-like basis.

As a result of the behaviour of activity and personnel costs, gross operating profit climbed to 11.2% in the first three months of 2007 in comparison with 6.8% in the same period of the previous year. Financial costs increased by 37%, the joint result of the higher cost of debt (interest rate) and firms having greater recourse to external financing. As for the cost of debt, in 2007 Q1 interest rate rises accounted for up to almost 22 pp of the increase in financial costs. Also, the ratio of interest on borrowed funds to interest-bearing borrowing was 4.3% (0.6 pp up on 2006 Q1), meaning it resumed its 2001 level. The increased resort to external sources of financing accounts for the remaining 15 pp of growth in financial costs arising from the financing received by companies over the previous year, mainly at year-end. These funds were earmarked to finance sizeable buyouts and takeovers. There was also considerable growth in financial revenue in 2007 Q1 (at a rate of 85.1%) as a result of the strong inflow of dividends from certain foreign subsidiaries which were distributed earlier than in previous years. Despite the expansion in financial costs, the strong growth in the gross surplus and in financial revenue led ordinary net profit (ONP) to be clearly expansive (25.1%) and it amply exceeded the rise recorded a year earlier (2.6%). The

1. The information used as the basis for this article is from the 703 corporations which to 14 June collaborated with the Central Balance Sheet Data Office by sending in their quarterly data. The GVA of these corporations represents 13.4% of the GVA of the total for the non-financial corporations sector.

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

TABLE 1

	CBA STRUCTURE	CBA		CBQ (a)		
	2005	2004	2005	04 Q1-Q4/ 03 Q1-Q4	04 Q1/ 03 Q1	05 Q1/ 04 Q1
DATABASES						
Number of corporations		8.984	7.877	801	868	703
Total national coverage		32,4%	28,7%	14,1%	15,2%	13,4%
PROFIT AND LOSS ACCOUNT						
1. VALUE OF OUTPUT	100.0	8.3	10.7	10.9	16.6	3.8
<i>Of which:</i>						
<i>Net amount of turnover and other operating income</i>	137.2	8.8	12.0	9.8	17.9	0.9
2. INPUTS (including taxes)	68.4	8.6	13.7	12.9	22.1	1.6
<i>Of which:</i>						
<i>Net purchases</i>	40.8	11.9	15.4	13.5	22.7	-1.6
<i>Other operating costs</i>	27.6	4.9	12.3	6.6	11.1	6.0
S.1. GROSS VALUE ADDED AT FACTOR COST [1 – 2]	31.6	7.5	4.7	7.0	6.2	8.4
3. Personnel costs	16.5	4.7	5.7	4.9	5.4	4.7
S.2. GROSS OPERATING PROFIT [S.1 – 3]	15.1	10.8	3.6	8.6	6.8	11.2
4. Financial revenue	3.4	14.5	26.4	48.0	0.9	85.1
5. Financial costs	2.6	-3.7	9.4	36.5	22.4	37.3
6. Depreciation and operating provisions	6.0	2.7	-0.1	2.1	4.1	-0.8
S.3. ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	9.9	23.0	11.2	19.0	2.6	25.1
7. Capital gains and extraordinary revenue	4.4	-31.1	32.7	54.1	69.6	-35.1
8. Capital losses and extraordinary expenses	3.9	-2.3	32.9	-21.0	8.7	-40.7
9. Other (net provisioning and income tax)	3.1	-16.3	-6.9	67.2	43.4	46.8
S.4. NET PROFIT [S.3 + 7 – 8 – 9]	7.3	18.9	22.8	34.7	13.3	9.5
NET PROFIT/GVA (S.4/S.1)		19.8	23.0	42.3	30.3	31.8
PROFIT RATIOS	Formulas (b)					
R.1 Return on investment (before taxes)	(S.3+5.1)/AN	8.2	8.7	9.5	6.6	6.6
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1/RAC	3.6	3.7	4.0	3.7	4.3
R.3 Ordinary return on equity (before taxes)	S.3/RP	11.9	12.7	14.8	9.2	8.8
R.4 ROI - cost of debt (R.1 - R.2)	R.1-R.2	4.5	4.9	5.5	2.9	2.3

SOURCE: Banco de España.

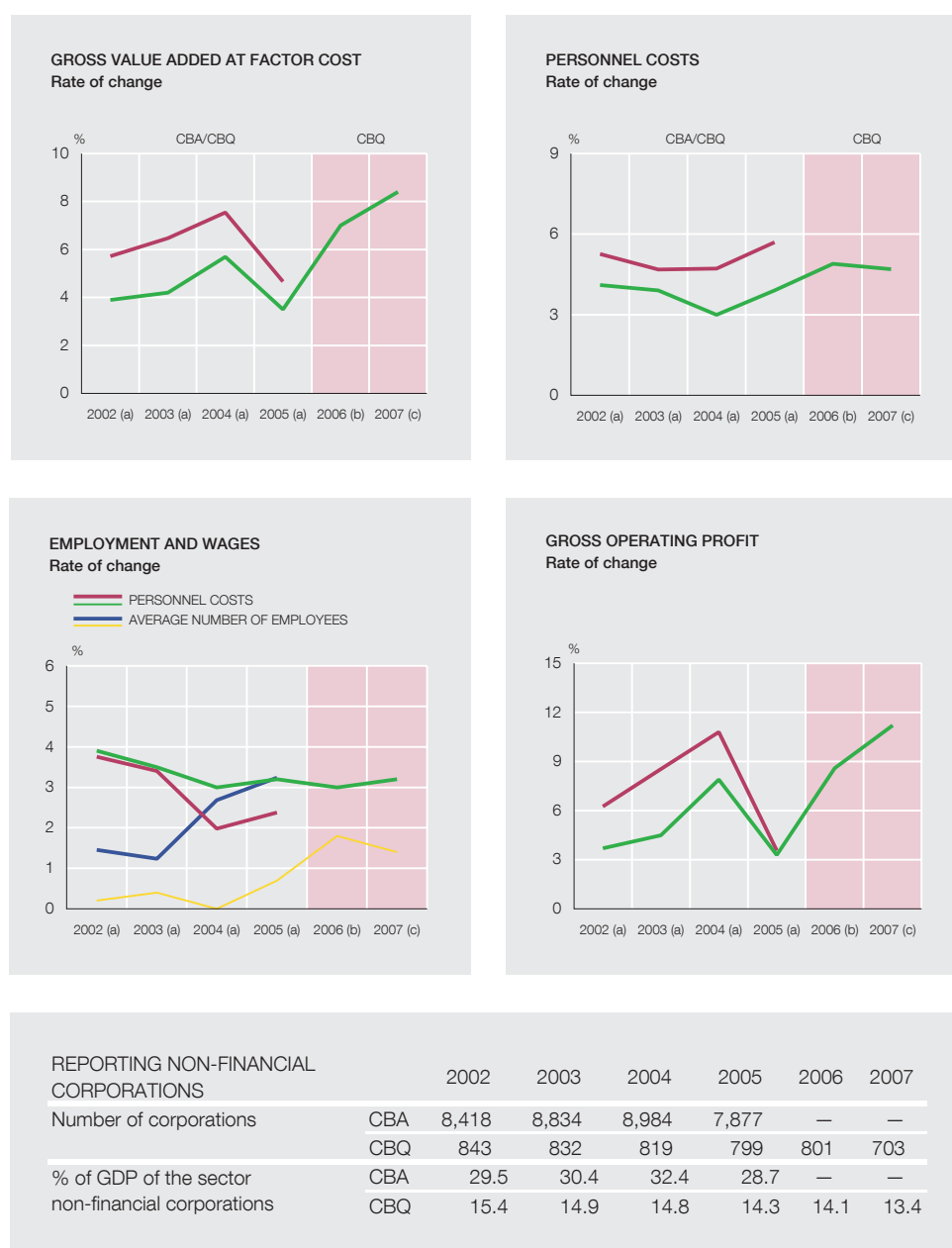
a. All the data in these columns have been calculated as the weighted average of the quarterly data.

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.

combined trend in ONP and financial costs (the numerator used to calculate ROI) underpinned continued high profit ratios since these flows grew in parallel with the assets in which the increase in borrowed funds (the denominator of the above-mentioned ratio) was invested. The increase in the cost of debt in 2007 Q1 narrowed slightly the ROI-cost of debt spread, but did not prevent it from showing clearly positive values for the period analysed (2.3), and it continues to be a good indicator of the current strength of the firms represented in the sample.

As for final net profit which is determined on the basis of ONP and extraordinary results, capital gains and losses fell considerably since there were many such transactions in 2006 Q1. However, the "Other" caption in Table 1 increased substantially due to the extraordinary portfolio provisions recorded by certain large companies to reflect the decline in market value of their investments abroad. This diminished the strength of growth in final net profit, but did not curtail its ongoing positive trend of 9.5% (although lower than the figure of 13.3% for the same



SOURCE: Banco de España.

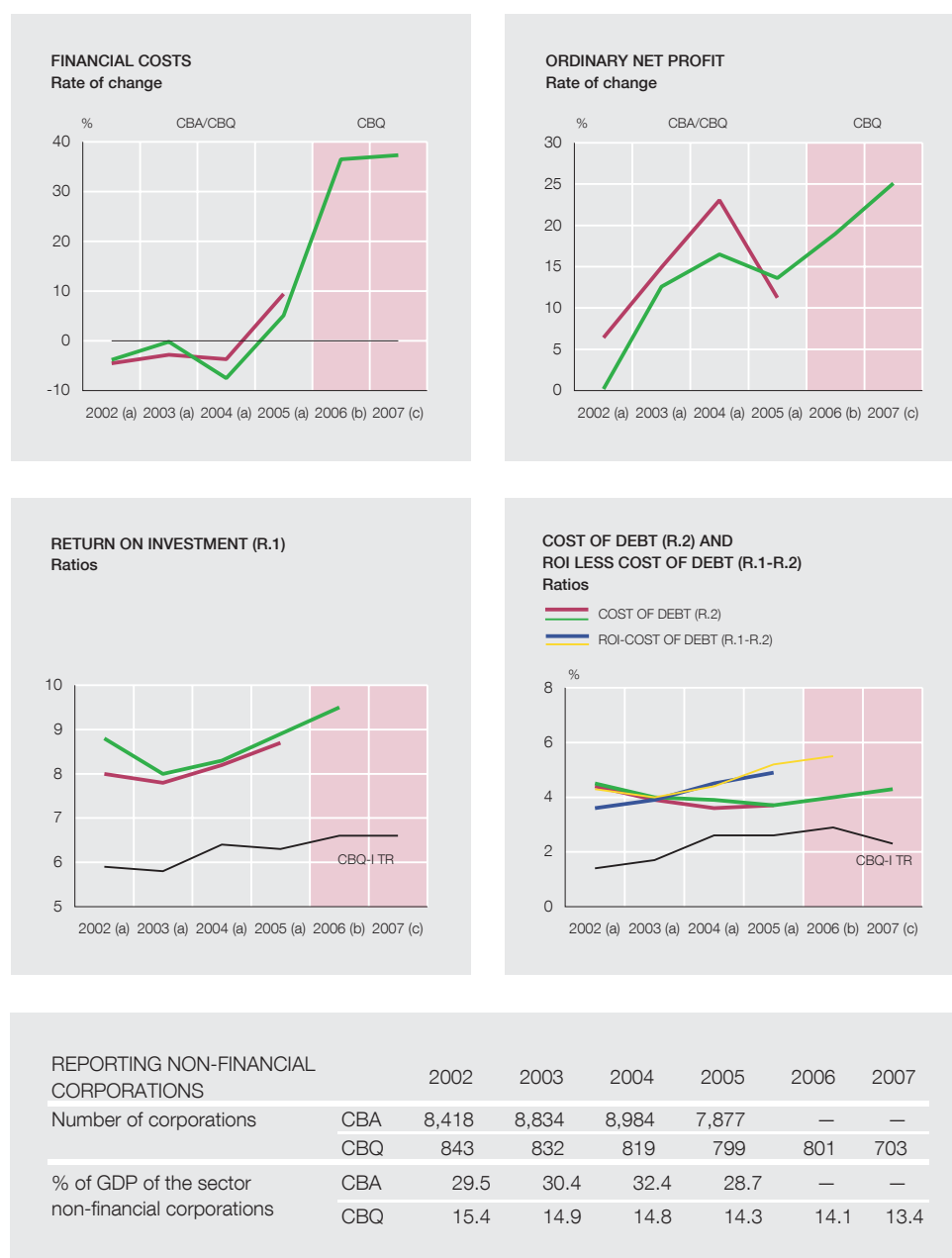
a. The 2002, 2003, 2004 and 2005 data are the average data of the four quarters of each year (CBQ) in relation to the previous year for the corporations reporting to the annual survey (CBA).

b. Average of the four quarters of 2006 relative to the same period in 2005.

c. Data for 2007 Q1 relative to the same period in 2006.

period a year earlier) and this growth peaked, as a percentage of GVA, in comparison with earlier quarters of the quarterly series.

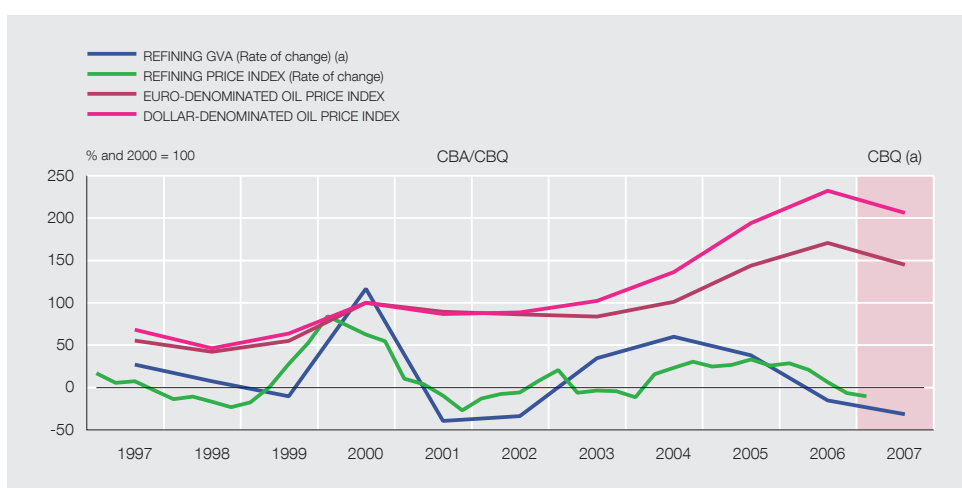
In short, the CBSO data show that in the first three months of 2007 non-financial corporations continued to expand as they had done at the end of 2006, thanks to the strength both of private consumption and, in particular, of investment in capital goods, which entrenched the recovery in industrial activity. Employment continued to grow, although some staffing adjustments at big companies demonstrated that this increase was less strong than in 2006, in a



SOURCE: Banco de España.

- a. The 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.
c. Data for 2007 Q1 relative to the same period in 2006.

scenario of continued moderate wage growth. Sizeable dividends offset the strong increase in financial costs, which were essentially driven by higher interest rates and higher debt levels at the end of 2006. From the aggregate information available on the CBQ companies, it can be confirmed that Spanish firms generated surpluses at a pace sufficient for the rate of return on their assets to exceed rising financial costs. This occurred against a backdrop of a considerable increase in the volume of assets as result of sizeable financial investments made in 2006. The sound progress in the ROI-cost of debt ratio is the best indication of the favourable position of the non-financial corporations in the sample.



SOURCES: Banco de España and Ministerio de Industria, Turismo y Comercio (monthly price report).

a. The 2005 data relate to the CBQ.

Activity

The expansion of non-financial corporations at 2006 year-end continued in 2007 Q1. Gross value added (GVA) grew 8.4% in 2007 Q1, compared with 6.2% in the same period the previous year (see Table 1 and Chart 1). This coincided with lower rates of change in production and inputs due to the drop in sales and purchases of the refining sector. If energy utilities (which include refining companies) were excluded, the value of the production of the other CBQ firms in 2007 Q1 would increase by 11.2% (3.8% including the energy sector) and inputs would increase by 11.9% (1.6% including the energy sector). Underpinning more buoyant activity were ongoing strong private consumption, which provided for continued high growth in the wholesale and retail trade and transport and communications sectors, and considerably higher investment in capital equipment, which gave a particular boost to the industrial sector. External activity also held on an expansionary trend in a setting of stable exports and a slight slowdown in imports, especially those of industrial firms and, consequently, in 2007 Q1 the contribution of net external demand to this sector was positive (exports net of imports grew by 7.1%).

By sector, growth in activity affected practically all the principal aggregates, except for energy utilities where growth in GVA in 2007 Q1 was weaker than a year earlier (4%, in comparison with 9.4% in 2006) due to a 31.6% decline in the GVA of refining companies resulting from falling oil prices after their all-time high mid-2006 (see Chart 2). Conversely, electric utilities (which make up the other large energy sub-sector) continued to grow at high rates (their GVA was up 10.4% in 2007 Q1) similar to those in 2006 Q1 thanks to the favourable performance of electricity demand (which, according to data from Red Eléctrica Española, rose by just under 2%) and higher rainfall, which significantly cut hydroelectric generation costs.² Noteworthy among the other sectors is the industrial sector, which posted a 12.1% increase in GVA in 2007 Q1, more than double the increase in the same period the previous year (5.6%). This is mainly explained by the strong increase in investment in capital goods, in a setting in which external activity also made a positive contribution thanks, in particular, to the slowdown in

2. In 2007 Q1, 55.3% more electricity was produced than the previous year using lower-cost hydroelectric power stations.

**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		CBA		CBQ		CBA		CBQ		CBA		CBQ	
	2005	04 Q1-Q4 (a)	04 Q1	05 Q1	2005	04 Q1-Q4 (a)	04 Q1	05 Q1	2005	04 Q1-Q4 (a)	04 Q1	05 Q1	2005	04 Q1-Q4 (a)	04 Q1	05 Q1
Total	4.7	7.0	6.2	8.4	3.2	1.8	1.7	1.4	5.7	4.9	5.4	4.7	2.4	3.0	3.6	3.2
SIZE																
Small	4.3	—	—	—	-0.6	—	—	—	4.1	—	—	—	4.7	—	—	—
Medium	4.5	6.6	10.8	7.6	2.2	1.4	1.6	2.4	6.1	5.4	6.1	5.9	3.8	3.9	4.4	3.4
Large	4.7	7.0	6.0	8.5	3.5	1.8	1.7	1.4	5.7	4.9	5.4	4.6	2.1	3.0	3.6	3.2
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	13.0	8.9	9.4	4.0	-0.7	-1.5	-1.4	-1.6	4.5	3.2	3.8	2.6	5.2	4.8	5.2	4.3
Industry	0.6	8.6	5.6	12.1	-0.6	-0.6	-0.9	-0.5	2.7	2.3	3.1	2.8	3.3	2.9	4.0	3.4
Wholesale and retail trade	5.3	6.0	7.4	7.4	5.4	3.6	4.5	1.2	7.0	7.0	7.9	2.8	1.5	3.3	3.2	1.6
Transport and communications	0.7	4.5	4.3	6.7	0.5	-0.2	-0.2	0.0	4.0	3.9	3.6	3.9	3.5	4.1	3.8	4.0

SOURCE: Banco de España.

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

EMPLOYMENT AND PERSONNEL COSTS
Details based on changes in staff levels

TABLE 2.B

	TOTAL CBQ CORPORATIONS 05 Q1-Q2	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations	703	458	245
PERSONNEL COSTS			
Initial situation 04 Q1 (€m)	6,053.9	3,371.7	2,682.2
Rate 05 Q1 / 04 Q1	4.7	9.1	-0.9
AVERAGE COMPENSATION			
Initial situation 04 Q1 (€)	10,747.3	9,848.4	12,140.1
Rate 05 Q1 / 04 Q1	3.2	3.5	4.0
NUMBER OF EMPLOYEES			
Initial situation 04 Q1 (000s)	563	342	221
Rate 05 Q1 / 04 Q1	1.4	5.4	-4.7
Permanent			
Initial situation 04 Q1 (000s)	472	271	201
Rate 05 Q1 / 04 Q1	1.9	6.1	-3.8
Non-permanent			
Initial situation 04 Q1 (000s)	91	71	20
Rate 05 Q1 / 04 Q1	-0.8	2.7	-13.6

SOURCE: Banco de España.

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

TABLE 3

		CBA	CBQ		
		2005	04 Q1-Q4	04 Q1	05 Q1
Total corporations		7,877	801	703	703
Corporations reporting source/destination		7,877	767	674	674
Percentage of net purchases according to source	Spain	69.5	79.3	85.2	82.8
	Total abroad	30.5	20.7	14.8	17.2
	<i>EU countries</i>	15.3	13.5	10.7	12.4
	<i>Third countries</i>	15.2	7.2	4.2	4.8
Percentage of net turnover according to destination	Spain	86.3	89.1	92.9	92.1
	Total abroad	13.7	10.9	7.1	7.9
	<i>EU countries</i>	10.0	8.1	5.0	5.3
	<i>Third countries</i>	3.7	2.8	2.1	2.6
Change in net external demand (exports less imports), rate of change	Industry	-16.3	-22.2	-10.7	7.1
	Other corporations	-37.3	-5.5	-16.8	-1.5

SOURCE: Banco de España.

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

imports. This is confirmed by Table 3, which shows the positive trend of 7.1% recorded in the net external demand of industrial companies (calculated as exports less imports).

Lastly, the GVA of both the wholesale and retail trade sector and the transport and communications sector continued to rise substantially in 2007 Q1 by 7.4% and 6.7%, respectively. These increases were similar or slightly higher than those in 2006 Q1 (7.4% for wholesale and retail trade, and 4.3% for transport and communications) and highlighted the fact that private consumption has continued to underpin a large share of economic growth.

Finally, Chart 3 shows the distribution of firms according to the rate of change in their GVA, irrespective of their size and sector of activity. Although there are no significant changes across the various segments, a slight shift can be seen in the percentage of companies with GVA increases of between 0% and 20% towards segments with falls in this surplus. This information shows that the higher growth recorded by GVA in 2007 Q1 was supported by the improved performance of large firms, which is also illustrated in the breakdown of GVA growth by size of corporations as shown in Table 2.a.

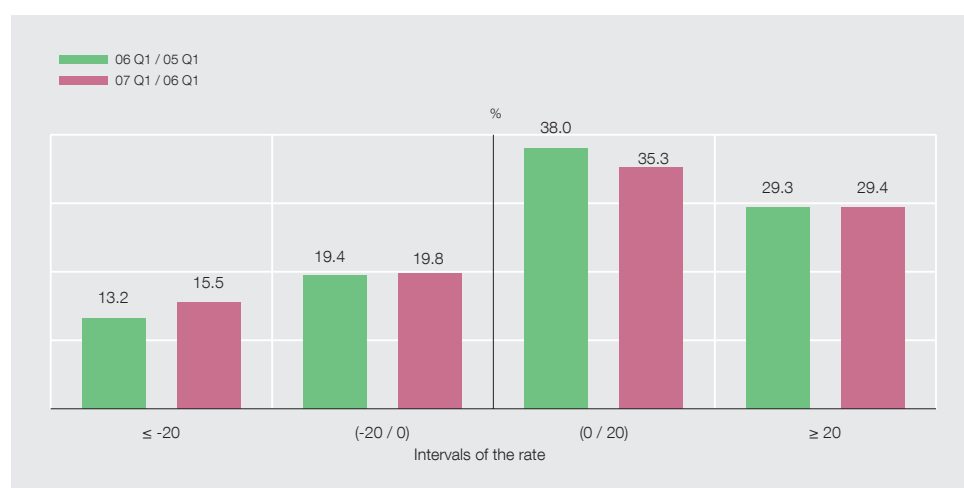
Employment and personnel costs

In 2007 Q1 personnel costs rose 4.7%, 0.7 pp down on 2006 Q1. This decrease was due both to more moderate growth in average compensation (3.2% in 2007, against 3.6% in 2006 Q1) and lower employment growth. Although employment continued to rise, it slowed slightly in comparison with 2006 Q1 as a result of specific staff restructuring processes.

The opening months of 2007 saw an apparent slowdown in the pace of growth in the average number of employees to 1.4%, slightly down on 1.7% a year earlier. This arose from staff restructuring at large car assembly firms, electric utilities, and transport and communications

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

CHART 3



SOURCE: Banco de España.

firms. Just by excluding the impact of the two major transport and communications firms, the rate of change grew substantially to 2.1% in 2007 Q1, practically unchanged on the previous year (2.2%). By type of employment (see Table 2.b), the conversion of non-permanent jobs into permanent ones explains why the increase in staff levels focused on permanent employment (which grew 1.9% in 2007 Q1 and 0.4% in 2006), at the expense of non-permanent employment which dropped 0.8% in the first three months of 2007. The trend in employment by sector confirms uneven behaviour across the various aggregates. As usual, the most positive trend was in wholesale and retail firms, the only ones to record net increases in employment during the period (+1.2%). There was no increase in employment in the other sectors included in Table 2.a due to different reasons in each case. The energy and water sector continued to record negative rates of change (−1.6%) for 2007 Q1, similar to previous quarters, resulting from the reorganisation and adaptation of electric utilities for operating in a deregulated market. Finally, the rates of change in employment of transport and communications firms and industrial companies were practically flat or slightly negative, despite the expansion of their productive activity. This is accounted for by the strong influence on employment of the above-mentioned workforce restructuring processes currently under way at certain large corporations in these sectors, which have pulled the aggregate total down. Nevertheless, in both sectors the trend in employment is less negative than a year earlier and would be more obvious without the aforementioned cases. Lastly, the data in Table 4 show that while 61.4% of firms recorded an increase in the average number of employees in 2006 Q1, this percentage rose to just over 65% in the first few months of 2007.

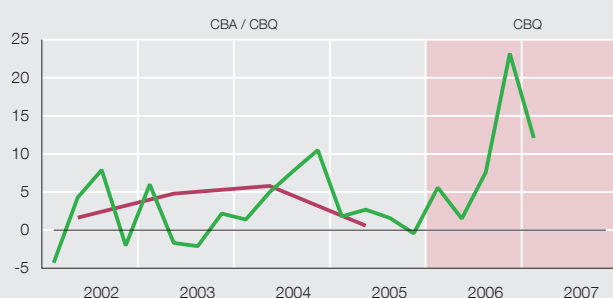
Average compensation remained moderate as in previous periods and grew 3.2% in 2007 Q1, which is even marginally down on the rate for 2006 (3.6%). Greater restraint shown by inflation to date in 2007, assisted by lower oil prices, contributed to this positive trend. By sector, industry performed similarly to the sample total with a 3.4% rate of change in line with the above-mentioned moderation. The rates of change of the energy and the transport and communications sectors in 2007 Q1 were slightly higher (4.3% and 4%, respectively) due, among other reasons, to the increase in variable compensation and to the wage costs associated with workforce restructuring. Conversely, compensation at wholesale and retail firms showed a very slight, below-average increase (1.6%), typical for this type of aggregate, which usually shows stronger increases in employment. Table 2.B, which distinguishes between those firms creat-

The GVA of CBQ industrial firms grew by 12.1% in 2007 Q1, as against 5.6% in 2006 Q1. The firming of this trend, which began the previous year, was based on the excellent performance of certain sub-sectors, including most notably the manufacture of glass, ceramics and metals (+29.1%) and of chemicals (6%). These sub-sectors benefited from the upturn in investment in capital goods. Firms manufacturing glass, ceramics and metals also contributed to the rise in net external demand (exports less imports). Conversely, in other sub-sectors, such as manufacture of electrical and optical equipment or other manufacturing industries, it was not possible to maintain a similar pace of growth in productive activity as in 2006. The GVA of both of these sub-sectors posted very moderate increases in 2007 Q1 (2.8% and 1.1%, respectively) which were clearly lower than in 2006 Q1. The rise in the GVA of the manufacture of transport equipment sector was also more restrained (3.7% in 2007 Q1 in comparison with 6.1% in 2006), as a result of production cut-

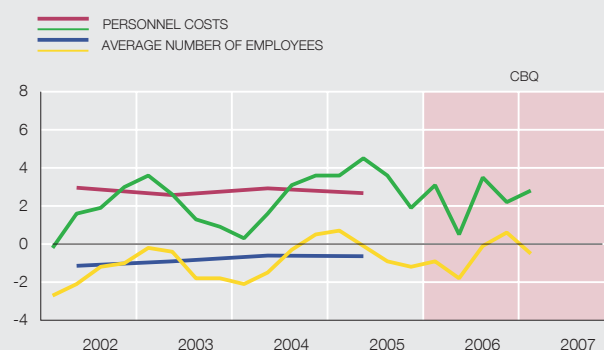
backs affecting certain large firms in this aggregate faced with strong market competition. Personnel costs climbed 2.8% in 2007 Q1, 3 pp down on the same period the previous year, due to more moderate growth in average compensation, which stood at 3.4% compared with 4% in 2006, against the backdrop of the continued absence of net increases in employment at the firms in this sector as a whole. Accordingly, there was a slightly negative trend of -0.5% in the data on the average number of employees in 2007 Q1 (see accompanying chart), which is largely explained by certain workforce reductions, mainly focused on large firms in the chemical industries or tobacco sub-sectors and, especially, manufacture of transport equipment, in which employment fell by 2.4%. This figure, however, is a slight improvement on that of -0.9% recorded a year earlier, although it highlights the fragile job creation in this aggregate of industrial firms. The favourable trend in activity together with moderate personnel costs explains the 24.2% growth rate in gross operating profit in 2007 Q1.

PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO

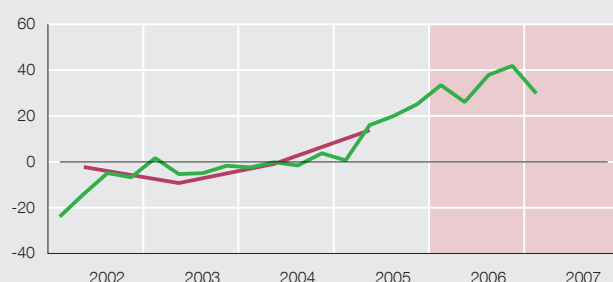
GROSS VALUE ADDED AT FACTOR COST
Rate of change



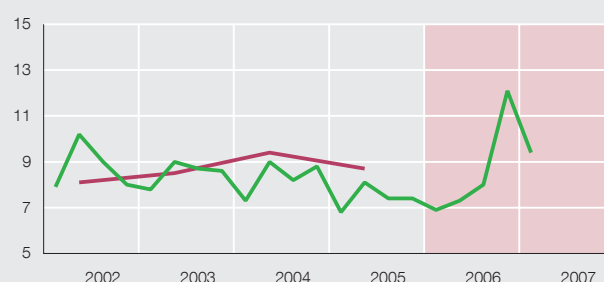
EMPLOYMENT AND WAGES
Rate of change



FINANCIAL COSTS
Rate of change



RETURN ON INVESTMENT
Ratios



REPORTING INDUSTRIAL
CORPORATIONS

		2002				2003				2004				2005				2006				2007			
Number of corporations	CBA	2,715				2,624				2,517				2,153				—				—			
	CBQ	391	376	366	354	366	361	353	345	351	341	334	332	319	307	299	291	324	309	290	251	251	—	—	—
% of GDP of the sub-sector industrial corporations	CBA	27.9				28.5				28.6				24.5				—				—			
	CBQ	19.7	20.6	18.7	18.5	18.8	19.1	17.1	17.8	19.5	19.7	17.8	19.1	18.9	19.5	16.6	17.6	18.8	18.1	16.1	16.0	14.3	—	—	—

SOURCE: Banco de España.

The notable growth in financial costs and revenue was similar to that in the total sample and was also for identical reasons (the pass-through of interest rates rises and higher debt, in the case of costs, and a large inflow of dividends, in the case of revenue). This prompted a clear and continued increase in ordinary net profit, reflected in a rate of change of 43.3% for the first three months of 2007 which, together with the notable rise in financial costs, had as a direct consequence an increase of more than 2 pp in return on investment,

which stood at 9.4% for 2007 Q1. The ratio that approximates the cost of debt remained at low levels (3.8%) and was practically unchanged on the previous year, as a result of which the spread between ROI and the cost of debt was clearly positive (5.6) and higher than a year earlier (3.1). The outlook for Spanish industry is very positive, as manifest in the growing dynamism in productive activity, which has resulted in strong generation of surpluses and high returns against a backdrop of wage moderation.

ing employment and those destroying it, confirms the findings of the sectoral analysis and, therefore, the firms that destroyed jobs in 2007 Q1 were those that increased average compensation most (4%), whereas at those firms which left their average staff levels unchanged or increased them, average compensation rose by 3.5%.

Profits, rates of return and debt

The expansion of productive activity in 2007 Q1 enabled firms to withstand higher personnel costs and, at the same time, to increase gross operating profit, which grew 11.2%, more than 4 pp up on 2006 Q1 (6.8%). As in the case of productive activity discussed above, this rise affected most sectors in the sample. Financial revenue and financial costs rose considerably in the first three months of 2007 with rates of change of 85.1% and 37.3%, respectively. Growth in financial revenue is explained by the inflow of dividends generated abroad by some of the large Spanish groups. The rise in financial costs prolongs a trend which began the previous year, although during 2007 Q1 it was, for the first time, the cost of borrowing that was principally responsible for this development. Strong growth in financial costs in the first three months of 2007 boosted their relative share in total expenses and revenue in the profit and loss accounts of CBQ non-financial corporations from 3.7% of total production in 2006 Q1 to 4.9% in 2007 Q1.³ The reasons for this change are set out in the following table:

	<u>07 Q1/06 Q1-Q4</u>
Change in financial costs	37.3%
A. <i>Interest on borrowed funds (1 + 2)</i>	37.0%
1. Due to the cost (interest rate)	21.9%
2. Due to the amount of interest-bearing debt	15.1%
B. <i>Commissions and cash discounts</i>	0.3%

The above data highlight the fact that, unlike 2006, the effect of interest rates accounts for more than half of the growth in this caption in the profit and loss account. The increase in indebtedness is largely due to the impact of sizable acquisitions by certain large companies (mainly holding companies in the construction sector) in the last few months of 2006, but which affect the financial expenses incurred in 2007.⁴ The contribution of the increase in borrowed funds between 2006 Q1 and 2007 Q2 to the rate of change in financial costs is in keeping with the stabilisation of the relative levels of indebtedness in 2007 Q1 in relation to the period immediately preceding it (December 2006). This is confirmed by ratio E1 (of

3. These expenses represented 2.6% of total production in 2005 according to the latest CBQ data (see column 1 of Table 1). 4. In effect, the increase in financial costs between 2006 Q1 and 2007 Q1 arose from the trend in the cost of borrowing and the increase in debt during the intervening year.

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

TABLE 4

	CBA		CBQ			
	2004	2005	03 Q1-Q4 (a)	04 Q1-Q4 (a)	04 Q1	05 Q1
Number of corporations	8,984	7,877	799	801	868	703
PERSONNEL COSTS	100	100	100	100	100	100
Falling	28.0	26.4	28.9	27.4	23.0	26.8
Constant or rising	72.0	73.6	71.1	72.6	77.0	73.2
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	31.5	30.5	40.7	38.9	38.6	34.9
Constant or rising	68.5	69.5	59.3	61.1	61.4	65.1
AVERAGE COMPENSATION RELATIVE TO INFLATION	100	100	100	100	100	100
Lower growth (b)	44.1	43.0	49.4	48.5	48.6	41.4
Higher or same growth (b)	55.9	57.0	50.6	51.5	51.4	58.6

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

interest-bearing borrowing to net assets) in Chart 4. The ratio E2 is an indicator of the financial position of corporations which analyses their repayment ability and relates their consolidated debt to the value added they generate. In 2006 this ratio increased considerably and in Q1 2007 it remained at similar, and even slightly lower, values than at 2006 year-end.

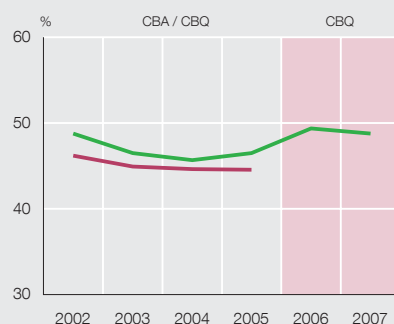
The increase in financial costs in 2007 Q1 was cancelled out by exceptional growth in financial revenue with a rate of change of 85.1% as against 0.9% in 2006 Q1. This increase is explained by the inflow of dividends from foreign subsidiaries which have been distributed earlier than in the previous year. As a result of higher financial costs and revenue in 2007 Q1, ONP grew 25.1%, clearly exceeding the rate for 2006 (2.6%) and demonstrating the profit-generating ability of CBQ corporations (see Table 5). The rise in ONP and financial costs enabled the firms to maintain high rates of return both on investment (6.6%) and on equity (up to 8.8%) which were similar in both cases to the previous year's figures.⁵ Table 6 details the distribution of corporations by return on investment and return on equity. In this quarter a slight shift can be seen from the return on investment towards the higher return segments. Lastly, an analysis of ratio R2 (which approximates the cost of borrowing) confirms how interest rate rises are gradually passing through to corporate costs, since this ratio reached 4.3% in 2007 Q1 in comparison with 3.7% in 2006. Continued high rates of return explain why, despite higher financial costs, the difference between both ratios only fell half a percentage point with respect to 2006 Q1. However, this difference remained at positive high levels (2.3%), underscoring the fact that the firms have managed to maintain high rates of return as part of investment strategies focusing on high investment growth (mainly buyouts and takeovers in 2006) with the consequent increase in debt levels and financial costs.

5. The strong increase in the numerator of the return on investment ratio (ONP plus financial costs), was offset by the increase in the investments included in the denominator such as those in non-financial corporations acquired in 2006. The last two panels of Chart 1 show the trend in the ratios which include return on investment (R.1), the cost of debt (R.2) and the difference between both, referring to the aggregate data of the CBA and the CBQ. Both panels also show the trend in R.1 and R1 – R2 of the linked series of the first quarters of the CBQ. As shown, the returns in the first quarters are considerably lower than those recorded as the year elapsed.

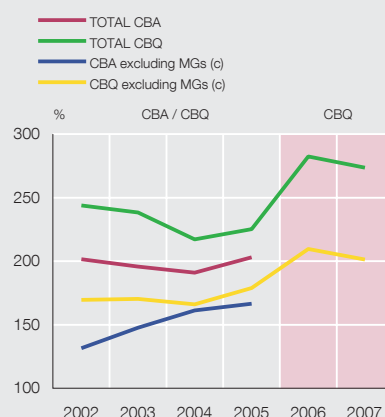
DEBT RATIOS

CHART 4

E1. INTEREST-BEARING BORROWING / NET ASSETS (a)
Ratios



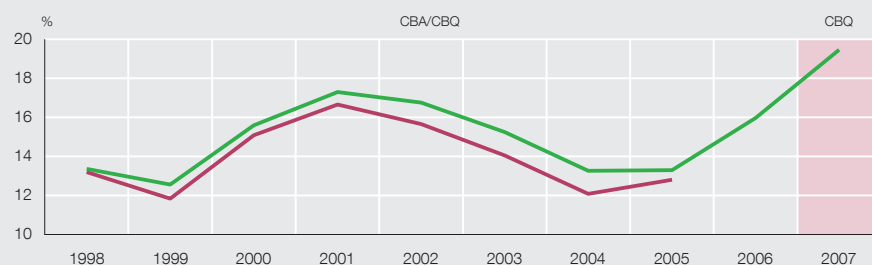
E2. INTEREST-BEARING BORROWING/GVA (b)
Ratios



	2002	2003	2004	2005	2006	2007
CBA	46.2	44.9	44.6	44.5		
CBQ	48.8	46.5	45.7	46.5	49.4	48.8

	2002	2003	2004	2005	2006	2007
CBA	201.5	195.8	190.8	203.1		
CBQ	243.8	238.4	217.1	225.1	282.3	273.6
CBA excl. MGs	131.5	147.6	161.1	166.5		
CBQ excl. MGs	169.6	170.2	166.1	178.8	209.5	201.2

INTEREST BURDEN
(Interest on borrowed funds / GOP + financial revenue)



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
CBA	13.2	11.8	15.1	16.7	15.6	14.0	12.1	12.8		
CBQ	13.4	12.6	15.6	17.3	16.8	15.2	13.3	13.3	16.0	19.5

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

TABLE 5

	GROSS OPERATING PROFIT				ORDINARY NET PROFIT				RETURN ON INVESTMENT (R.1)				ROI – COST OF DEBT (R.1 – R.2)			
	CBA		CBQ		CBA		CBQ		CBA		CBQ		CBA		CBQ	
	2005	04 Q1-Q4 (a)	04 Q1	05 Q1	2005	04 Q1-Q4 (a)	04 Q1	05 Q1	2005	04 Q1-Q4 (a)	04 Q1	05 Q1	2005	04 Q1-Q4 (a)	04 Q1	05 Q1
Total	3.6	8.6	6.8	11.2	11.2	19.0	2.6	25.1	8.7	9.5	6.6	6.6	4.9	5.5	2.9	2.3
SIZE																
Small	4.6	—	—	—	9.1	—	—	—	6.9	—	—	—	3.2	—	—	—
Medium	2.4	8.0	17.3	9.7	1.0	17.0	44.2	6.7	7.5	7.7	7.8	7.3	4.0	4.1	4.7	3.5
Large	3.6	8.6	6.4	11.2	12.3	19.1	1.4	25.7	8.8	9.6	6.6	6.5	5.1	5.6	2.9	2.2
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	15.8	10.4	10.8	4.4	41.6	7.7	-2.6	5.8	9.8	10.7	8.4	9.0	6.4	7.1	5.0	5.0
Industry	-2.1	17.0	8.9	24.2	2.4	36.7	41.5	43.3	8.7	9.3	6.9	9.4	5.1	5.3	3.1	5.6
Wholesale and retail trade	2.9	4.7	6.7	13.4	4.1	10.2	7.5	13.8	10.8	8.0	9.7	9.4	7.4	4.2	6.2	4.4
Transport and communications	-1.6	4.9	4.8	8.6	0.0	8.4	6.2	14.6	8.5	12.2	10.8	11.6	4.5	8.0	6.8	7.3

SOURCE: Banco de España.

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

In 2007 Q1 capital gains and losses fell considerably because, unlike in 2006, there were few significant transactions of this kind. There was a sizeable increase in the “Other” caption, as a result of extraordinary provisioning of the share portfolio, which certain large holding companies had to record to show the decrease in market value of their investments abroad. These provisions pushed growth in final net profit lower which, nonetheless, rose 9.5%, slightly below the figure for 2006 Q1. This final result accounts for 31.8% of GVA for the period, representing a new all-time high in comparison with the values obtained in Q1 throughout the series.

Caution is warranted when estimating a variable as volatile as investment in tangible assets based on the CBQ data, and, in particular, on this occasion when the data refer to just one quarter. Notwithstanding these remarks, the information available points to a slackening of investment by CBQ firms as a whole. Consequently, from the approximation to gross fixed capital formation in tangible assets made drawing on the accounting data in 2007 Q1, it can be concluded that this aggregate grew 1.3% in nominal terms, below the figure of 2.7% in 2006 Q1. By sector, this trend is explained by the lower investment reported by electric utilities in the first three months of 2007. The other sectoral aggregates analysed are showing higher growth in investment than in 2006.

In short, Spanish firms began 2007 in a similar way to how they had ended the previous year, consolidating and even building on a clearly expansive trend in productive activity. Underpinning this development, which covers practically all sectors of activity, were highly buoyant investment in capital goods and the ongoing strength of private consumption, in a setting in which the net external demand of industrial companies (exports less imports) also contributed to growth in activity. Employment continued to increase in line with the favourable course of activity, and was not affected by the wage moderation of recent years. The upward trend in financial costs, due to interest rate rises and the debt

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

TABLE 6

		CBQ			
		RETURN ON INVESTMENT (R.1)		ORDINARY RETURN ON EQUITY (R.3)	
		04 Q1	05 Q1	04 Q1	05 Q1
Number of corporations		868	703	868	703
Percentage of corporations by R ≤ 0%		23.4	24.4	26.7	29.3
profitability bracket	0% < R ≤ 5%	22.5	19.8	15.4	14.0
	5% < R ≤ 10%	15.1	17.4	13.0	10.8
	10% < R ≤ 15%	12.4	12.4	8.5	10.7
	15% < R	26.6	26.1	36.4	35.2
MEMORANDUM ITEM: Average return		6.6	6.6	9.2	8.8

SOURCE: Banco de España.

levels in place since the end of 2006, has become a factor to be monitored, given its weight in the profit and loss account. Nevertheless, the high pace of profit generation and high returns have offset the upward trend in financial costs and, in sum, have boosted corporate earnings and, consequently, fostered a climate of relative optimism with a view to future quarters.

14.6.2007.

LABOUR SHARE DEVELOPMENTS IN THE EURO AREA

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Introduction

The declining trend displayed by the share of wages in total income in a large number of countries (in particular, in most of the euro area countries) has been the subject of numerous studies [for example, Giammarioli et al. (2002) and Bentolila and Saint-Paul (2003)], in an attempt to determine the factors that may explain its evolution, as well as the possible consequences for economic growth. The trend in this variable seems to stem from structural causes, in addition to other factors, such as labour supply and demand shocks, which certainly affect its cyclical behaviour. In the presence of nominal rigidities in the economy, cyclical changes in this variable are potentially an indicator of the degree of labour market slack and of underlying inflationary pressures [see Bridgen and Thomas (2003)], and are consequently of interest for monetary policy. It is therefore of great importance to identify the structural factors that may have influenced changes in the labour share, so as to be able to better isolate its movements of a cyclical nature.

Although there are no clear theoretical grounds to justify the existence of an equilibrium value for the share of wages in income, empirically, it has been observed that, from a historical perspective, this variable seems to be relatively stable [see Prados de la Escosura and Rosés (2003)]. In this respect some analysts argue that factors such as the gradual deregulation of European labour markets may explain the temporary fall in the labour share observed in the recent period, which will eventually recover its previous level once the effects of these processes come to an end [see Blanchard (1997 and 2005)]. However, others point out that the decline in this variable may be a more persistent phenomenon, reflecting not only widespread wage moderation, but also a gradual and permanent shift in the sectoral composition of the economy towards less labour intensive sectors, such as the financial and business services sector [see De Serres et al. (2001)].

The purpose of this article is thus to analyse the behaviour of the labour share in income in the euro area and to indicate some possible causes, mainly of a structural nature. To do this, sectoral data from the EU KLEMS database¹, for the period 1970 to 2004, and aggregate National Accounts data, up to 2006, have been used.

The rest of the article is organised as follows. The next section describes the main problems associated with the computation of the labour share in income. The third section analyses the observed behaviour of this variable in the euro area economy since 1970, at the aggregate, country and sector levels. It also studies the impact that the change in the economy's sectoral composition may have had on wage share developments. The fourth section reviews some of the possible long-run determinants of the labour share in income and presents empirical evidence, based on a simple econometric analysis, of the role of some of these explanatory factors in the euro area. Finally, the conclusions are set out in the last section.

1. The EU KLEMS database (<http://www.euklems.net>), published in March 2007, has been compiled (with European Commission financing) by researchers from a consortium of 16 European institutions led by the Groningen Growth and Development Centre (GGDC) and the National Institute of Economic and Social Research (NIESR), with the aim of facilitating the measurement of economic growth and its sources at the industry level for EU member countries.

Measuring the labour share

Before analysing labour share developments, certain measurement issues need to be clarified [see Krueger (1999)]. The most frequent way of measuring the wage share is by calculating the percentage of total income that corresponds to total compensation of employees (i.e. wages and salaries, employers' social security contributions and other benefits), where total income is considered equivalent, from a firm's viewpoint, to value added (i.e. total production less intermediate consumption). In this case, the labour share (LS) is thus defined as:

$$LS = \frac{REMUN}{VA}$$

However, for various reasons, this measure may be considered incomplete or inexact. The most important relates to the fact that the numerator does not include the compensation of self-employed workers. There is little information available for the euro area countries, however, on the income received by the self-employed (which is known as mixed income) and even less on how such income is distributed between labour and capital². The only way of including this income in the calculation of the wage share is to impute a notional wage to the self-employed equal to the average compensation per employee. This gives the following measure of an adjusted labour share (ALS):

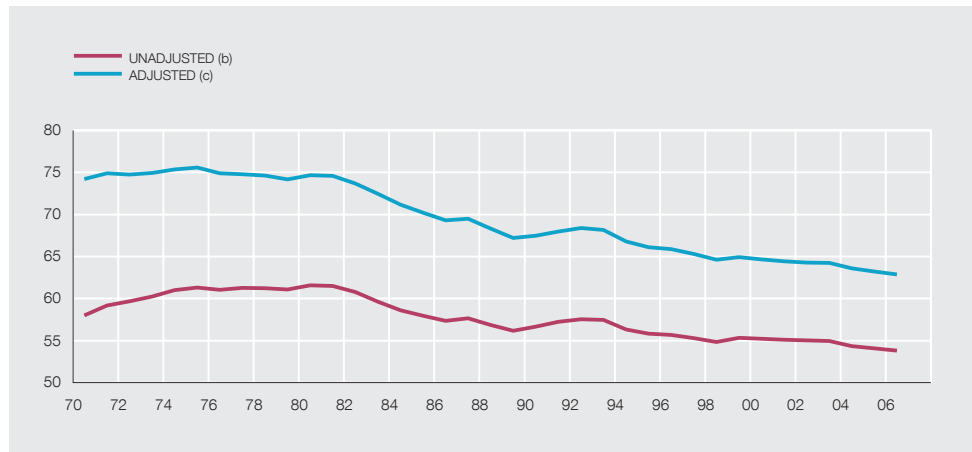
$$ALS = \frac{COMP * \frac{EMP_{total}}{EMP_{employee}}}{VA}$$

The assumption made is certainly a restrictive one, since it involves assuming that the population of the self-employed is similar to that of employees in terms of its aggregate characteristics (age, skills, etc.) and, moreover, that both groups receive the same compensation. Thus, while the wage share without adjusting for self-employment tends to underestimate the true measure, this adjusted variable would have the opposite effect, to which would be added the fact that its slope may differ from the true one if the growth of the wage income of the self-employed has been different from that of employees. In this article, we will analyse the changes over time in both variables, although we shall devote most of the study to the unadjusted variable, which introduces less uncertainty. However, it should be pointed out that, in the case of the empirical analysis in the fourth section, the results are robust to this choice.

There are other factors that may affect the computation of the labour share and, thus, its observed behaviour, such as, for example, the difficulty of measuring the value of output. For instance, in the general government services sector, value added is calculated from the cost side, i.e. as the sum of compensation of employees (which depends on budgetary policy decisions regarding public-sector employment and wages) and the gross operating surplus (which is equal, in this case, to the consumption of fixed capital), which reduces the significance of the labour share variable. On the other hand, in the real estate services sector, a significant part of output is measured as the imputed value of owner-occupied housing rental services, which, besides being an estimate (of the rental that a tenant would pay for the same accommodation), does not represent the revenue of any firm and cannot be distributed as compensation to employees [see Timmer et al. (2007)]. As a result, the wage share of this industry has a very low value, of no more than 5% in the case of the euro area as a whole.

Also, indirect taxes influence the behaviour of this variable. Batini, Jackson and Nickell (2000) argue that, to calculate the share of wages in income, a measure of value added net of indirect

2. In the United States, following a study by Johnson (1954), 2/3 of the compensation of self-employed persons is generally assigned to labour earnings, while the rest is considered to be capital income.



SOURCES: EU KLEMS database (March 2007), Eurostat and Banco de España.

a. The euro area aggregate is based on the data of eight countries (Germany, Austria, Belgium, Spain, Finland, France, the Netherlands and Italy), which account for more than 90% of total euro area GDP.

b. Compensation of employees as a percentage of value added at basic prices.

c. Including the labour income imputed to the self-employed.

taxes should be used, so that all the taxes paid to the government are deducted from the income that it is considered is going to be shared by capital and labour. However, this reasoning involves assuming that the burden of indirect taxes is borne entirely by the capital factor, which is debatable. In any event, the closest measure available in the database used in this article is value added at basic prices, which includes only some taxes on production (net of subsidies) and, therefore, excludes most indirect taxes.

A final consideration relates to the fact that the concept of labour compensation used here does not include certain forms of non-wage remuneration, such as, for example, the distribution of stock options, for which there is evidence of an upward trend in recent years [see Genre et al. (2004)]. In fact, the growing importance of non-wage compensation may partly explain the recent decline in the labour income share, but data restrictions prevent this aspect from being taken into account in this analysis.

Labour share developments at the aggregate, country and sector levels

Chart 1 shows the evolution of the labour share in income for the euro area as a whole³ from 1970 to 2006. As can be seen, the inclusion of the compensation imputed to the self-employed increases the average level of this variable. However, these two series are highly correlated over time, both displaying a gradual fall since the early 1980s, that was only interrupted between 1989 and 1993. At the same time, the gap between the two series has tended to narrow over time, which is explained by the fall in self-employment (as a percentage of total employment) over the period analysed. In any event, irrespective of the measure used, what is most striking is that the reduction in the euro area labour share seems to be more than just a temporary correction. Moreover, this phenomenon has also been observed, to a greater or lesser extent, in a larger number of EMU countries, as can be seen in Table 1. From the early 1980s to the end of the period analysed, the wage share fell in the eight countries considered, although the fall recorded (in terms of the measure that is not adjusted for the income of the self-employed) ranges from 2 percentage points (pp) in Spain to more than 9 pp in Germany

3. The variables for the euro area as a whole have been constructed on the basis of data for eight countries (Germany, Austria, Belgium, Spain, Finland, France, the Netherlands and Italy), which account for more than 90% of total euro area GDP.

COMPENSATION OF EMPLOYEES AS A PERCENTAGE OF VALUE ADDED AT BASIC PRICES (1980 = 100)					
	1970	1980	1990	2000	2006
Germany	91.41	100	93.62	92.41	85.79
Austria	98.62	100	95.07	90.88	86.62
Belgium	83.69	100	90.67	93.28	92.44
Spain	96.41	100	98.76	101.63	97.15
Finland	96.31	100	104.22	90.15	92.21
France	94.33	100	91.96	92.18	92.56
Netherlands	94.75	100	89.20	91.37	88.54
Italy	98.74	100	95.35	85.37	89.71
Euro area	94.22	100	92.01	89.70	87.38

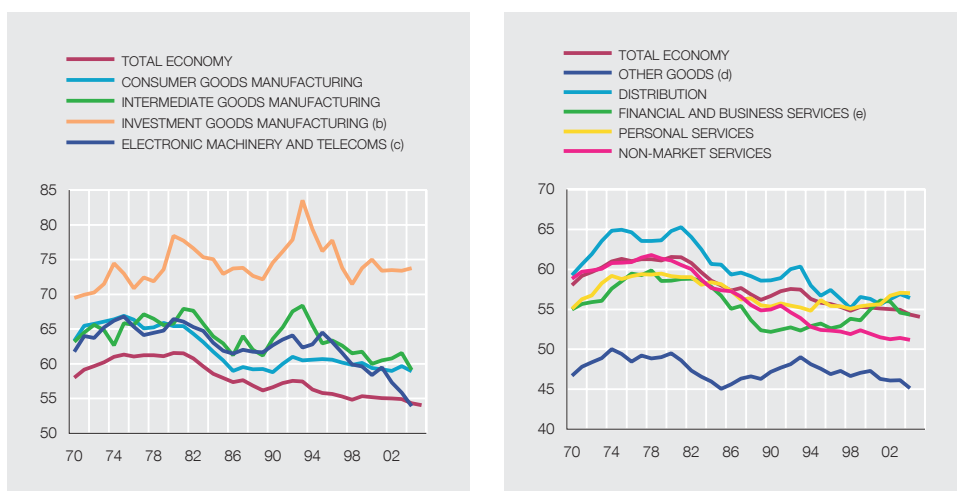
SOURCES: EU KLEMS database (March 2007) and Banco de España.

and Austria, and 7 pp in the Netherlands. During this period, there was a constant decline in the wage share in Germany, Italy and Austria (except in the last two years in the case of Italy), which was largely responsible for the change observed in the euro area as a whole. In France, Belgium and the Netherlands there was a significant drop in this variable in the 1980s, while in Finland this fall occurred in the 1990s, and thereafter it remained relatively stable or displayed a mild upward trend (in Belgium and Finland). Only in Spain did the wage share not display any clear trend over the whole period analysed, although in the last six years a certain decline is discernible.

As regards developments across sectors⁴, Chart 2 shows that the fall in the wage share was more pronounced in those industries that are most open to competition, and especially in those in which the new economies that have emerged in international trade display greatest comparative advantage. In particular, there was a notable downward trend in the labour share in the electrical machinery industry (which includes the manufacture of office equipment and computers, electrical and electronic equipment and medical and optical equipment and instruments), as well as in the intermediate goods manufacturing sector, where the degree of capitalisation has also increased significantly. At the same time, the wage income share in the value added of some services industries is below the average level in the aggregate economy and, therefore, below that observed in other sectors. Given the growing importance of the services sector in European countries in recent decades, this would partly explain (through a composition effect) the decline in the aggregate euro area labour share. In addition, a downward trend is also appreciated in the labour share in the personal services sector (which includes hotels and restaurants, private households with employed persons and other personal and social services) and, more clearly, in the distribution sector (trade and transport) and in non-market services.

As mentioned above, during the period analysed there was a significant change in the sectoral structure of European economies. In 1970, manufacturing sectors accounted, on average, for 30% of employment and total value added in what is today the euro area. More than 30 years

4. Although the EU KLEMS database has highly disaggregated sectoral data (up to 71 industries for some countries and variables), in Chart 3, and in the econometric analysis in section four, a nine-industry disaggregation (which is supplied by the database itself) is used.



SOURCES: EU KLEMS database (March 2007) and Banco de España.

- Compensation of employees as a percentage of value added at basic prices by sector for the euro area as a whole, aggregating the data for eight countries (Germany, Austria, Belgium, Spain, Finland, France, the Netherlands and Italy), which account for more than 90% of total euro area GDP.
- Excluding those with a high technological content (electrical machinery).
- Sectors producing information and communication technologies.
- Includes agriculture and fishing, mining and quarrying, energy and construction.
- Excluding the real-estate activities sector (included in non-market services), since its value added depends heavily on the owner-occupied housing services imputed to households (see section two of the article).

on, this weight has fallen to less than 20%, services having become the predominant sector in the economy, both in terms of employment and value added. In order to measure the possible effect that these sectoral composition changes may have had on the aggregate euro area labour share, the variation in this aggregate share may be broken down as follows:

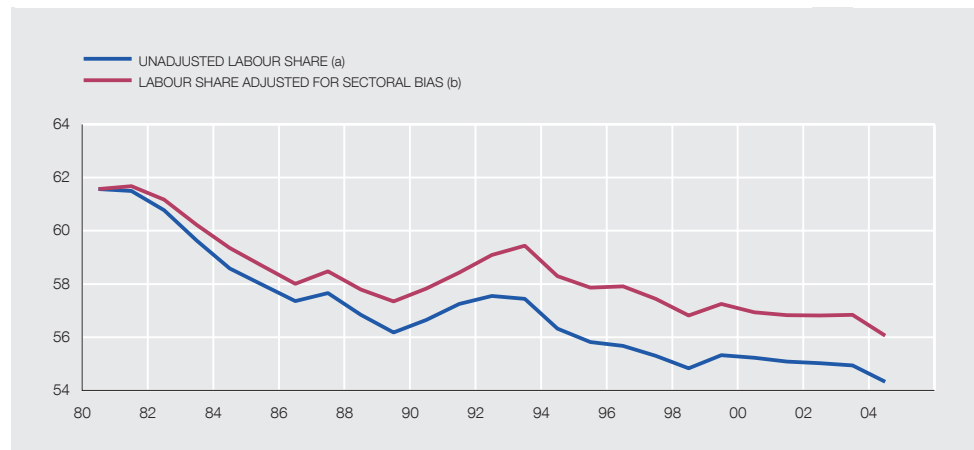
$$\Delta LS = LS^{t+n} - LS^t = \sum_i \alpha_i^{t+n} LS_i^{t+n} - \sum_i \alpha_i^t LS_i^t$$

where α_i represents the weight of each sector i in the value added of the whole economy, while LS_i is the specific labour share of sector i , both in period t and $t+n$. Manipulating this equation algebraically, it can be rewritten as follows:

$$\Delta LS = \sum_i \frac{1}{2} ((LS_i^t - LS^t) + (LS_i^{t+n} - LS^{t+n})) (\alpha_i^{t+n} - \alpha_i^t) + \sum_i \frac{1}{2} (\alpha_i^t + \alpha_i^{t+n}) (LS_i^{t+n} -$$

The first sum in this expression computes the contribution of the changes in the economy's sectoral structure to the variation in the aggregate labour income share, while the second sum captures the contribution to such variation of the specific wage share developments in each sector.

This breakdown has been calculated using disaggregated data at a 31 industry level for the period between 1980 (the year the variable being studied began to display a downward trend in the area as a whole) and 2004 (the last year for which this disaggregation is available), but also for the period between 1992 and 2004, during which the fall in the wage share was practically continuous. According to such calculations, a quarter of the decline between 1980 and 2004 in the percentage that wage income represents of total income (more than 7 pp) can be



SOURCES: EU KLEMS database (March 2007) and Banco de España.

a. Compensation of employees as a percentage of value added at basic prices.

b. Obtained on the assumption that the sectoral structure of the economy remains unchanged from that which existed in 1980 over the whole period of analysis.

explained by the structural change observed in the sectoral composition of value added, while that proportion rises to somewhat more than 30% when the more recent period is analysed. Another way of appreciating the effect of the sectoral composition changes is to compare the behaviour of the euro area labour share with the measure that would result from aggregating the industry labour shares while keeping the weights of each of the industries constant at their 1980 levels. As seen in Chart 3, this comparison shows that the downward trend in the aggregate labour share would have been less pronounced if the economy's sectoral structure had remained unchanged. However, it should be taken into account that the calculations of the sectoral redistribution component are markedly influenced by the gain in weight of the non-market services industries which, as indicated in the previous section, have certain measurement problems. Accordingly, in the following section these sectors have been excluded from the empirical analysis.

The long-run determinants of the labour share

As seen in the previous section, the change in the sectoral composition of the euro area economy has contributed to the fall in the aggregate labour share. However, the fact that this fall has also been observed at the sectoral level (in numerous industries) means that other factors must also be responsible for this phenomenon. Various empirical studies have suggested a number of factors that may have affected the wage share, three of which particularly stand out.

First, globalisation may have had a significant effect on the variable being studied⁵. According to the traditional Heckscher-Ohlin model, countries that participate in international trade tend to specialise in those products in which they have a comparative advantage and, at the same time, the development of trade tends to equalise factor returns across countries. Consequently, this model predicts that capital-abundant countries will tend to specialise in capital-intensive products and returns to capital will rise gradually, while the corresponding labour income share will decline as this specialisation progresses. However, a large part of the increase in the euro area countries' international trade has been of an intra-industrial type, i.e. there has been a rise in the imports and exports of goods produced in the same industry. One possible

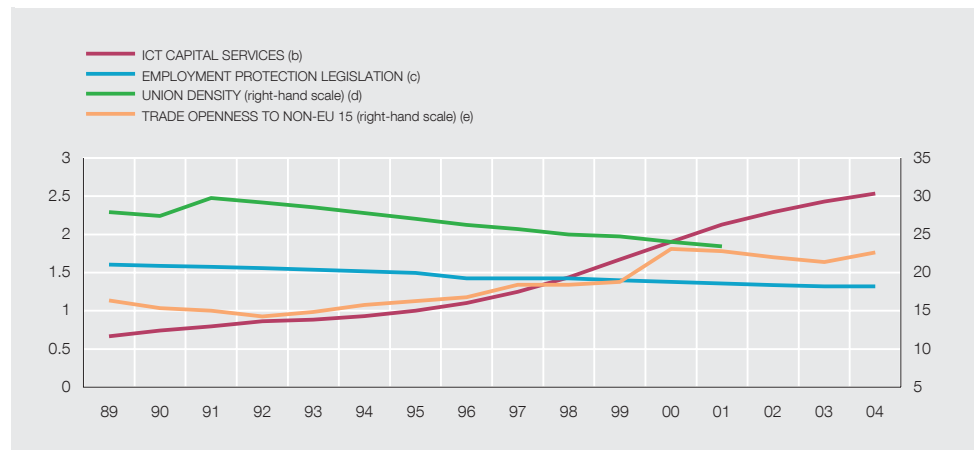
5. For a more detailed analysis, see Chapter 5 of the April 2007 edition of the IMF's *World Economic Outlook*. The effect of globalisation on the wage share is also examined in Harrison (2002).

explanation for this would be that the European countries, in the face of strong competition from countries such as China in the production of manufactured goods with low costs of production, have specialised in varieties of products characterised by higher quality and greater differentiation, with a lower price elasticity of demand. In the context of a simple model, this would entail a lower labour share in the corresponding industry. Another phenomenon associated with the globalisation process which may have been relevant for wage share developments is known as outsourcing (or, more specifically, offshoring, in the case that concerns us). This phenomenon involves some firms in developed countries shifting part of their productive processes to emerging countries with low labour costs and subsequently importing either the intermediate goods and services produced in those countries, so as to complete the productive process in their home country, or occasionally the final product. This delocalisation of production may therefore have contributed to a reduction in the labour costs incurred by firms, while the threat it entails for workers in developed countries must have increased their perception of vulnerability, helping to restrain their wage demands. According to these ideas, the greater degree of openness to international trade and increasing globalisation would help to explain the decline in the labour share in euro area countries.

Second, technological progress may be another important factor explaining the behaviour of the labour share [see Blanchard (1998) and Bentolila and Saint-Paul (2003)]. In particular, a technological change biased towards a specific factor of production may affect the elasticities of each factor and, therefore, alter their relative shares of income. For example, if the elasticity of technical substitution between labour and capital were constant and different from 1 and both factors substitutes, a capital-intensive technological change (such as the introduction of computers and other forms of information and communication technology (ICT) in the workplace) would tend to increase the relative productivity of capital and therefore reduce the share of labour in income.

Third, labour market institutions may also have a notable influence on the percentage of total income appropriated by workers [see Giammarioli et al. (2002)]. In European countries, the high degree of employment protection and the predominance of wage-bargaining focused union strategies, given the high percentage of employees covered by collective bargaining in these countries (not less than 70% in any case, and over 90% in countries such as France and Austria), led in the mid-1990s to a situation that was hardly sustainable, both from the public finance and social viewpoints. In particular, while a part of the labour force (employed persons) enjoyed significant security, those left outside the labour market had great difficulty gaining access to it (the unemployed) or excluded themselves from it (inactive persons). This situation made it necessary to introduce reforms in euro area labour markets, to make them more flexible, and employment policies that cut social security contributions and established subsidies for the recruitment of certain types of worker, in order to facilitate labour market entry and reduce the high rates of unemployment. Thus, greater labour market flexibility, along with the increasing internationalisation of production, may have contributed to a change in the strategy of European unions, with a progressive reduction in their focus on wage bargaining and an increasing concern with employment creation and job preservation, in a context of greater competition. In any event, liberalising labour market reforms can be expected to be conducive to more intensive use of this factor of production in the short and medium term, which may help to moderate the share of wages in income, albeit temporarily.

Finally, other possible explanatory factors have also been analysed in this literature. First, insofar as raw materials are considered to be an additional factor of production, an increase in their cost (for example, a rise in energy prices) may affect the share in income of the other factors (capital and labour). Second, the recent increase in immigration has given rise to the entry into



SOURCES: EU KLEMS database (March 2007), Eurostat, Nickell and Nunziata (2003), OECD World Bank and Banco de España.

a. The sample period begins in 1989, because this is the first year for which data are available for all the variables used in the econometric analysis of the fourth section.

b. ICT capital services (computers, communication equipment, software) for the whole economy, expressed in unit volume indices (1995=1).

c. Indicator of the degree of restrictiveness of employment protection legislation, the value of which ranges from 0 to 2 (the higher the value, the higher the degree of restrictiveness). The euro area aggregate (for the eight countries considered) was obtained by weighting the value of this index for each country by the weight of the employment of such country in aggregate employment.

d. Percentage of employees belonging to a trade union.

e. Sum of exports to and imports from non-EU 15 countries, as a percentage of GDP.

European labour markets of workers who usually perform low-skilled jobs (and who sometimes receive lower wages than national workers, especially in cases of illegal immigration), which may also explain the fall in the wage share in numerous sectors (for example, in the construction and in the hotels and restaurants sectors). Third, other public policies may also have had an impact on this variable. For example, financial market deregulation policies have modified the share between interest and dividends and the behaviour of firms with regard to debt and investment financing, probably favouring an increase in the capital share relative to the labour share. Also, privatisations of public corporations (that have been frequent in European countries over the last twenty years, in the context of the European integration process) may have helped to reduce the labour share, insofar as private firms tend to display greater productive efficiency than state-owned ones, which usually leads to a lower level of employment and, in general, a reduction in their labour costs [see Azmat et al. (2007)].

For the case of the euro area, a simple empirical exercise was performed, to try to assess the relative importance of the explanatory factors mentioned above in the developments in the labour income share in different economic sectors⁶. Using the sectoral data corresponding to eight euro area countries (in general, from 1989 to 2004, owing to the availability of the variables used), the labour share was regressed on a set of explanatory variables used as proxies for the first three factors described above (see Chart 4). In particular, technological progress was approximated by means of three different variables: the use of ICT capital services in each sector, R&D investment in each country (as a percentage of GDP) and the number of patent applications to the European Patents Office per million inhabitants (at the aggregate level, by country). Moreover, in order to capture the influence of globalisation, the degree of openness

6. The analysis uses a similar methodology to that used in Guscina (2005) for a sample of 18 OECD countries between 1961 and 2000.

Dependent variable: LABOUR SHARE (a)					
Explanatory variables	(1)	(2)	(3)	(4)	(5)
ICT capital services (b)	-0.011 *** (0.003)	-0.011 *** (0.003)			-0.013 *** (0.003)
R&D investment (% GDP)			-0.027 *** (0.008)		
Number of patents (c)				-0.147 ** (0.065)	
Trade openness to non-EU 15	0.015 (0.078)	-0.026 (0.106)	-0.132 ** (0.054)	-0.040 (0.083)	
Employment protection legislation	0.046 *** (0.015)	0.046 *** (0.017)	0.045 *** (0.015)	0.041 *** (0.016)	0.028 ** (0.013)
Union density					0.099 ** (0.046)
GDP growth (%)	-0.006 *** (0.001)		-0.005 *** (0.001)	-0.005 *** (0.001)	-0.006 *** (0.001)
Country dummies	Yes	Yes	Yes	Yes	Yes
Sector dummies	Yes	Yes	Yes	Yes	Yes
Time dummies	No	Yes	No	No	No
Period	89-04	89-04	89-04	89-03	80-02
Number of observations	1,024	1,024	1,024	960	1,432
R ²	0.66	0.65	0.66	0.66	0.65

SOURCES: EU KLEMS database (March 2007), Eurostat, Nickell and Nunziata (2003), OECD World Bank and Banco de España.

The standard errors are shown in brackets. The asterisks beside the coefficients (one, two or three) indicate that these are significant at the 10%, 5% and 1% levels, respectively)

a. Compensation of employees divided by value added at basic prices.

b. The ICT capital services (computers, communication equipment, software) data used in the estimation are sectoral.

c. Number of patent applications (in thousands) to the European Patent Office per million inhabitants (the distribution by country is based on the inventor's country of residence).

to trade of euro area countries with respect to non-EU15⁷ countries was used, since this variable may better approximate the increase in trade with the emerging economies, which is more closely related to the phenomena described above in this section. Finally, the institutional changes in European labour markets, which are very difficult to quantify, were approximated by two types of relatively simple variables, namely the degree of restrictiveness of the employment protection legislation and the union density, contained in the database of Nickell and Nunziata, updated, where possible, with OECD and World Bank data. Also, country and sector dummies were introduced and, additionally, the influence of the business cycle on the labour share was captured (so as to help identify its long-run determinants) by introducing either the corresponding country's real GDP growth or time dummies.

The results of this empirical analysis are set out in Table 2. As can be seen, the different specifications shown seem to indicate robustly that the highly significant variables are those

7. EU15 refers to the EU before the enlargement to Central and Eastern Europe.

that are used to proxy technological progress and those that represent the labour market institutions. In particular, the negative coefficient in the first case suggests that the type of technological progress that has, on average, taken place during the period analysed has partly caused the observed fall in the labour income share. For its part, the coefficient on the degree of employment protection legislation (and, in specification (5), on union density too) is significant and has the expected positive sign. These results are in line with those obtained in Giammarioli et al. (2002) and Bentolila and Saint-Paul (2003), and also in Guscina (2005) and IMF (2007), although, unlike in these latter two studies, it was not possible to find a clear effect of the variable that proxies the globalisation process. In particular, the coefficient on the degree of trade openness is only statistically significant in specification (3), in which it has the negative effect on the dependent variable that we would have expected a priori. However, it should be recalled that the measurement of the influence of globalisation is imperfect, which means that the results should be treated with due caution.

Conclusions

Over the last three decades, there has been a significant fall in the share of labour income in total euro area value added, which seems to stem from more than just temporary or cyclical factors. This downward trend may be appreciated irrespective of the type of measure used, although the debate surrounding the measurement of the labour share highlights the need to treat results concerning this variable with due caution.

The decline in the labour share is common to most countries of the euro area, although Germany, Italy and Austria seem to be primarily responsible for the decline in this variable in the euro area as a whole. Various factors have had a bearing on this trend. First, part of the fall stems from the changes, during the period analysed, in the sectoral composition of the economy. Particularly relevant was the growing importance of some services industries, which are characterised by having a smaller wage share than on average in the economy. Second, technological progress characterised by the increasing use of capital intensive technologies played a notable role. Third, the changes in labour market institutions, which have tended to make European labour markets more flexible and, in the short and medium term, to boost labour utilisation, have also influenced the recent trend in this variable, although this effect may be expected to be temporary. The impact of globalisation, by contrast, does not appear so clear in our estimates, possibly partly on account of the difficulty of finding a variable to approximate this process adequately.

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Introduction

In 2007 Q2 the number of new financial provisions was small relative to preceding periods.

First, a guideline of the European Central Bank (ECB) was published to update and readjust the level of breakdown of the statistics on the balance of payments, international investment position and international reserves that have to be reported by national central banks (NCBs) to the ECB.

Second, the regimes governing takeover bids and issuer transparency were changed to write partially into Spanish law the most recent Community legislation and to change certain aspects of the regime now in place to ensure that takeover bids take place in a complete legal framework and with full legal certainty.

Finally, a procedure has been set in place for electronic transmission of statistical and accounting documentation that insurance companies, pension fund management companies and insurance and reinsurance brokers must, under the specific legislation applicable to them, provide to the Directorate General of Insurance and Pension Funds.

Guideline of the European Central Bank on the balance of payments

Guideline ECB/2007/3 of 31 May 2007 (OJ of 20 June) amending Guideline ECB/2004/15 of 16 July 2004 on the statistical reporting requirements of the European Central Bank in the field of balance of payments and international investment position statistics, and the international reserves template, was published in order to update the data requirements in these areas and readjust the level of breakdown required in the latter guideline.

Regarding the collection of portfolio investment data, the Guideline continues the aim of establishing common criteria for the compilation of this information in the whole of the euro area. In this respect, it stipulates that, from March 2008, portfolio investment collection systems shall conform to one of the models set out in Annex VI of Guideline ECB/2004/15, and adds that the chosen model may be phased in to enable the NCB to reach the target coverage¹ at the latest by March 2009, in relation to December 2008 stocks.

Also, certain changes were made to Guideline ECB/2004/15 to provide for future enlargement of the euro area in relation to the compilation and presentation of back data of the aggregate euro area in its new composition on the balance of payments (including the seasonally adjusted balance of payments current account) and international investment position. In respect of any Member State that adopts the euro on or after 1 January 2007, both the NCB of that Member State and the NCBs of all other participating Member States at the time such Member State adopts the euro shall provide the ECB with back data corresponding to the data required under the annexes of this Guideline, to enable the compilation of aggregates covering the euro area in its new composition. The earliest reference period to be reported

1. The coverage sought is as follows: the stocks of securities submitted to the entity entrusted with compiling aggregate national data, i.e. without using standard codes (ISIN or similar) should not exceed 15% of the total stock of investment portfolio assets and liabilities. This threshold should be used as a guide in assessing the coverage of the systems of the Member States.

shall depend on the date the Member State in question joined the European Union (EU), as follows:

- a) If the Member State that adopts the euro joined the EU before May 2004, the back data shall cover, as a minimum, the period from 1999;
- b) If the Member State that adopts the euro joined the EU in May 2004, the back data shall cover, as a minimum, the period from 2004;
- c) If the Member State that adopts the euro joined the EU after May 2004, the back data shall cover, as a minimum, the period from the date on which that Member State joined the EU.

Reform of the regime governing takeover bids and issuer transparency

Law 24/1988 of 28 July 1988² on the securities market originally contained the legal regime applicable to takeover bids and to the information and transparency obligations of quoted companies. These information and transparency obligations were subsequently broadened by Law 37/1998 of 16 November 1998 reforming Law 24/1988 on the securities market and by Law 44/2002 of 22 November 2002³ on financial system reform measures.

The implementing provisions of the law on takeover bids are contained in Royal Decree 1197/1991 of 26 July 1991⁴ on the regime governing takeover bids, later amended by Royal Decree 432/2003 of 11 April 2003⁵, for the purpose of improving the protection of minority shareholders when there are changes of control of quoted companies.

Subsequently, Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids (known as the Takeover Directive)⁶ and Directive 2004/109/EC of the European Parliament and of the Council 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 (known as the Transparency Directive)⁷ were published.

Recently, Law 6/2007 of 12 April 2007 (BOE of 13 April) reformed Law 24/1988 of 28 July 1988 on the securities market to modify the regime governing takeover bids and issuer transparency. It made certain amendments to the latter law in order to transpose partially into Spanish law the two aforementioned directives and to change certain aspects of the current regime so as to ensure that takeover bids are conducted in a complete legal framework and with full legal certainty.

**REFORM OF THE LEGAL REGIME
GOVERNING TAKEOVER BIDS**

Law 6/2007 amends the securities market law to set out the cases in which it is mandatory to make an offer for all the capital of a company (mandatory bid), introduces the right of squeeze-out and regulates the obligations of the board of directors of a company subject to a takeover

2. See "Regulación Financiera: tercer trimestre de 1988", Boletín económica, Banco de España, October 1988, pp. 61-62. 3. See "Financial Regulation: 2002 Q4", Economic Bulletin, January 2003, Banco de España, pp. 101-113. 4. See "Regulación Financiera: tercer trimestre de 1991", Boletín económica, Banco de España, October 1988, pp. 57-58. 5. See "Financial Regulation: 2003 Q2", Economic Bulletin, July 2003, Banco de España, pp. 82-84. 6. Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids (known as the Takeover Directive) established a common minimum framework in the Member States for the regulation of takeover bids for companies whose shares are at least partially admitted to trading on a regulated market, with a view to protecting the holders of securities admitted to trading on a regulated market in a Member State, in particular those with minority holdings, when there has been a takeover bid for or a change of control of the company. 7. Directive 2004/109/EC of the European Parliament and of the Council 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 (known as the Transparency Directive) enhanced the transparency of financial markets by establishing rules to improve the information disclosed to the market by issuers whose securities are traded on regulated markets.

bid and the possibility of taking defensive measures. Also, the partial offers (for 10% of capital) envisaged in Royal Decree 432/2003 have been derogated.

The main new developments (see Table 1 for a comparison with the previous law) are as follows:

Mandatory bid

Law 6/2007 establishes that an entity that has acquired control of a quoted company must make an offer to all the holders of that company's shares or other securities directly or indirectly carrying the right to subscribe or purchase said shares, for the purchase of all their holdings at an equitable price⁸. This same obligation applies, in certain cases, to companies whose registered office is not in Spain and whose securities are not traded on a regulated market in the EU Member State in which the company's registered office is located, and to companies whose registered office is in Spain and whose securities are not traded on an official Spanish secondary market in the terms stipulated by regulation.

Law 6/2007 presumes that a natural or legal person, acting individually or in concert with others, has control of a company if he/she directly or indirectly holds 30% or more of voting rights, or if he/she holds a lower percentage and appoints, in the terms established by regulation, a number of directors which, together with any that may have already been appointed, represents more than 50% of the members of the company's board. In both cases, the Law requires an offer to be made for 100% of the shares⁹.

The CNMV may dispense with the obligation to make a bid when an equivalent procedure ensures protection of the legitimate interests of the holders of the shares affected by the suspension of trading and of all the convertible bonds and other securities carrying rights to subscribe to those shares.

Similarly, the CNMV shall, subject to certain conditions and in the terms established by regulation, dispense with the obligation to make a mandatory bid when another person or entity directly or indirectly holds a percentage of voting rights equal to or greater than that held by the party obliged to make the offer.

The mandatory bid will not be required when control has been acquired following a voluntary bid to all the holders of a company's securities for all their holdings that complies with all the requirements set out in the Law.

In the case of a bid prior to suspension of trading, the upper limit on the acquisition of treasury stock shall be 10% of the capital stock. If, as a result of the bid, the treasury stock exceeds this limit, it must be redeemed or sold within a year.

Voluntary bid

The Law envisages what is known as a voluntary bid, which is an offer to acquire shares or other securities directly or indirectly carrying voting rights in a quoted company, made volun-

⁸. Under the Law, a price shall be deemed to be equitable when it is at least equal to the highest price paid for the same securities by the offeror, or by persons acting in concert with him/her, over a period of time prior to the offer to be determined by regulation and in such terms as may be established. However, the CNMV may change it in the circumstances and according to the criteria that may be established by regulation. These circumstances may include, among others, the following: the highest price was set by agreement between the purchaser and a seller; the market prices of the securities in question have been manipulated; market prices in general or certain market prices in particular have been affected by exceptional occurrences; or in order to enable a firm in difficulty to be rescued. The aforementioned criteria may include, among others, the following: the average market value over a particular period, the break-up value of the company or other objective valuation criteria generally used in financial analysis. ⁹. Under the previous law it was only required to make a bid for all of the capital when it was sought to acquire 50% or more of the capital of the offeree company or when it was sought to acquire less than 50% but certain circumstances applied. Also, the new Law discontinues the provisions for the case of a bid for 10% of capital.

RD 432/2003 OF 11 APRIL 2003	LAW 6/2007 OF 12 APRIL 2007
SITUATIONS REQUIRING MANDATORY BIDS	
BID FOR 10%	BID FOR 30%
<p>— When it is sought to acquire a holding of 25% or more of the capital of the company.</p> <p>— When it is sought to increase, by at least 6% with a 12-month period, an existing holding that is equal to or more than 25% but less than 50%.</p> <p>— When it is sought to acquire a holding of less than 25% of the capital of the offeree company, and the following circumstances also apply:</p> <p>a) It is sought to acquire a holding of 5% or more of the capital of the offeree company or a smaller holding that enables a number of directors to be appointed which, together with any that may have already been appointed, represent more than one-third and less than one-half of the members of the board of the offeree company.</p> <p>b) It is intended to appoint the number of directors indicated in the previous paragraph or they are actually appointed within two years of the acquisition.</p>	<p>The threshold of 10% is derogated, but Law 6/2007 imposes a limit of 30% of voting rights or a lower holding that allows more than 50% of the members of the company's board of directors to be appointed (as mentioned below).</p>
BID FOR 100%	BID FOR 100% (MANDATORY BID)
<p>- When it is sought to acquire a holding of 50% or more of the capital of the offeree company.</p> <p>- When it is sought to acquire a holding of less than 50% of the capital of the offeree company, and the following circumstances also apply:</p> <p>a) It is sought to acquire a holding of 5% or more of the capital of the offeree company or a smaller holding that enables a number of directors to be appointed which, together with any that may have already been appointed, represent more than one-half of the members of the board of the offeree company.</p> <p>b) It is intended to appoint the number of directors indicated in the previous paragraph or they are actually appointed within two years of the acquisition.</p>	<p>When control of a quoted company is achieved. It is presumed that a company is controlled when:</p> <p>a) 30% or more of the voting rights are held directly or indirectly, or</p> <p>b) A smaller holding is achieved which, in the terms established by regulation, enables a number of directors to be appointed that, together with any that may have already been appointed, represents more than 50% of the members of the company's board of directors.</p>
VOLUNTARY BID	VOLUNTARY BID
Not envisaged	<p>This is a bid made voluntarily, which must be made to all holders of securities, shall be subject to the same rules of procedure as the bids envisaged in this Law and can be made for less than the total number of securities.</p>
RIGHT OF SQUEEZE-OUT	RIGHT OF SQUEEZE-OUT
Not envisaged	<p>As a result of a bid for all the securities, the offeror holds at least 90% of the capital. In this case, the offeror can require all the holders of the remaining securities to sell him/her those securities at a fair price and, similarly, a holder of remaining securities can require the offeror to buy his/her securities from him/her at a fair price.</p>
SITUATIONS NOT REQUIRING MANDATORY BIDS	
<p>Acquisitions by deposit guarantee funds in banks, savings banks or credit co-operatives, the insurance corporation liquidation board (Comisión Liquidadora de Entidades Aseguradoras) or similar entities.</p> <p>Acquisitions made in accordance with the Compulsory Expropriation Law and any others resulting from the exercise by competent authorities of public law powers under current law.</p> <p>When all the shareholders of the offeree company agree unanimously to sell or exchange all the shares representing the company's share capital or decide not to sell or exchange their shares in a takeover bid.</p> <p>Acquisitions in which the competition authority has deemed there exists a situation of joint control of the company by the acquirer pursuant to Law 16/1989 of 17 July 1989 on Competition and, in addition, certain conditions apply.</p>	<p>The CNMV may dispense with the obligation to make a bid when an equivalent procedure ensures protection of the legitimate interests of the holders of the shares affected by the exclusion and of all the convertible bonds and other securities carrying rights to subscribe to those shares.</p> <p>The CNMV may also, subject to certain conditions and in the terms established by regulation, dispense with the obligation to make a mandatory bid when another person or entity directly or indirectly holds a percentage of voting rights equal to or greater than that held by the party obliged to make the offer.</p>

tarily to all the holders of those securities and subject to the same rules of procedure as the bids envisaged in this Law. They may be made under the conditions established by regulation for a smaller number of shares than the total.

Right of squeeze-out

This new development in Spanish law refers to cases in which, following a bid for all of a company's securities, the bidder holds at least 90% of the capital and the bid has been accepted by the holders of securities representing at least 90% of voting rights. In this case the offeror can require the holders of the remaining securities to sell him/her those securities at a fair price and, similarly, a holder of remaining securities of the offeree company can require the offeror to buy his/her securities from him/her at a fair price.

Obligations of the offeree company's board and management

The offeree company's board and management shall obtain the prior authorisation of the general meeting of shareholders before taking any action, other than seeking alternative bids, which may result in the frustration of the bid and in particular before issuing any shares which may result in a lasting impediment to the offeror's acquiring control of the offeree company. This shall not apply if the bid is made by an entity whose registered office is not in Spain and that is not subject to these rules or other equivalent ones, including those relating to the required procedure for decision-making by the general meeting of shareholders.

The Law leaves each company free to decide whether it will or will not apply breakthrough measures, in respect of which the decision must be taken by the general meeting of shareholders. Further, the company may decide not to apply any breakthrough measures that may have been agreed upon should the offeror not be subject to equivalent measures.

The Law, which will come into force on 13 August 2007, establishes a transitional regime for certain takeover bids. Thus, for example, whoever has a percentage of voting rights in a quoted company that is 30% or more but less than 50% when this Law comes into force shall be required to make a bid should certain circumstances apply. Also required to make a bid is anyone who, prior to the entry into force of the Law, acquired a holding in a company and subsequently appointed a number of directors which, together with any that may have already been appointed, represents more than 50% of the members of the company's board.

CHANGES IN TRANSPARENCY REQUIREMENTS IN RELATION TO INFORMATION ABOUT QUOTED COMPANIES

The requirement to make public and disseminate significant information is adapted by this Law to the provisions of the Transparency Directive. In this respect, the Law sets out the obligations of securities issuers to make public and disseminate immediately to the market and to the CNMV all significant information as soon as the event becomes known. However, when this information may upset the normal course of transactions in securities of the issuer or compromise the protection of investors, the issuer shall communicate such information, before making it public, to the CNMV, which shall disseminate it immediately. Similarly, an issuer may, under its own responsibility, postpone the release to the public and dissemination of significant information when it considers that the information prejudices its legitimate interests, provided that such omission is not liable to confuse the public and that the issuer can guarantee the confidentiality of that information. The issuer shall inform the CNMV of all this immediately.

The Law confirms the CNMV's power to require the auditors of the issuer to provide it with any information needed to carry out its supervisory tasks and to require issuers to make public any additions or corrections to periodic information.

Also, the regime governing periodic information established in the Transparency Directive is set in place. The Law thus specifies the annual, half-yearly and quarterly reports that the issuer

must prepare, make public, disseminate and send to the CNMV for inclusion in the related official register, with certain exceptions.

Further, the requirements are changed for notifying the issuer and the CNMV of the acquisition or disposal of major holdings of shares carrying voting rights in the capital stock of the issuer, or of financial instruments carrying the right to acquire such shares. However, until the implementing provisions of the Law are enacted, the current regime governing notification of major holdings will remain in force.

Finally, obligations relating to treasury stock are established, whereby issuers must notify to the CNMV, make public and disseminate the transactions in their treasury stock, in the terms established by regulation, whenever the proportion reaches, exceeds or decreases by the specified percentages.

OTHER ASPECTS OF THE LAW

The set of public registers of the CNMV is reorganised and the regulated information register required by the Directive is clearly established as the central storage mechanism; infringements are categorised so as to enable application of the related sanctions for non-compliance with the requirements of this Law; and, finally, a summary is given of the new information that companies will have to publish in their management report, including most notably the major agreements entered into by the company in the event of change of control of the company due to a takeover bid, along with the effects of such agreements, except when making them public would seriously prejudice the company.

Reporting by insurance companies, pension fund management companies and insurance and reinsurance brokers

Law 62/2003 of 30 December 2003¹⁰ on fiscal, administrative and social measures permits the Ministry of Economy and Finance to determine the cases and conditions in which insurance companies, pension fund management companies, insurance brokers and insurance brokerage companies are to submit electronically to the Directorate General of Insurance and Pension Funds (DGSFP) the information required of them under their specific legislation.

Given that all these entities, pursuant to the regulations governing them, are required to provide certain information to the DGSFP, Order EHA/1805/2007 of 28 May 2007 (BOE of 20 June) was published obliging them all to send electronically statistical and accounting documentation to this directorate general. To do so, they will have to comply with the technical requirements for accessing and using the electronic registers established by Order EHA/3636/2005 of 11 November 2005 creating the electronic register of the Ministry of Economy and Finance.

Finally, the Order takes the opportunity to amend certain parts of the aforementioned Order EHA/3636/2005. First, it abolishes the electronic procedure relating to the application for appraisal of real estate by the GDSFP, doing away with the possibility of requesting appraisal of real estate by its technical service, and second, in relation to insurance intermediaries, it adopts a new electronic procedure for the submission of statistical and accounting documentation by insurance and reinsurance brokers.

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10. See "Financial Regulation: 2003 Q4", Economic Bulletin, January 2004, Banco de España, pp. 87-91.

ECONOMIC INDICATORS

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1. IMF Special Data Dissemination Standard (SDDS).

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1. IMF Special Data Dissemination Standard (SDDS).

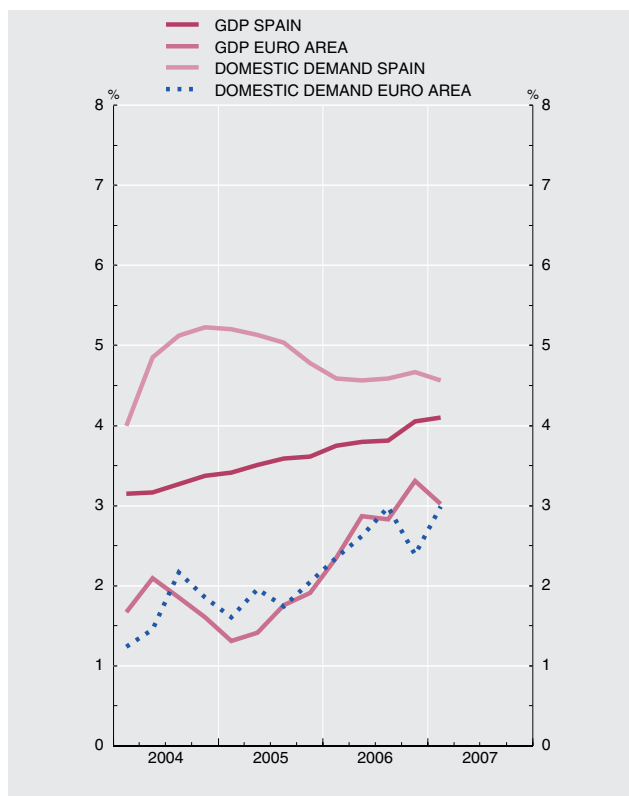
1.1. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES, REFERENCE YEAR 2000=100.DEMAND COMPONENTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

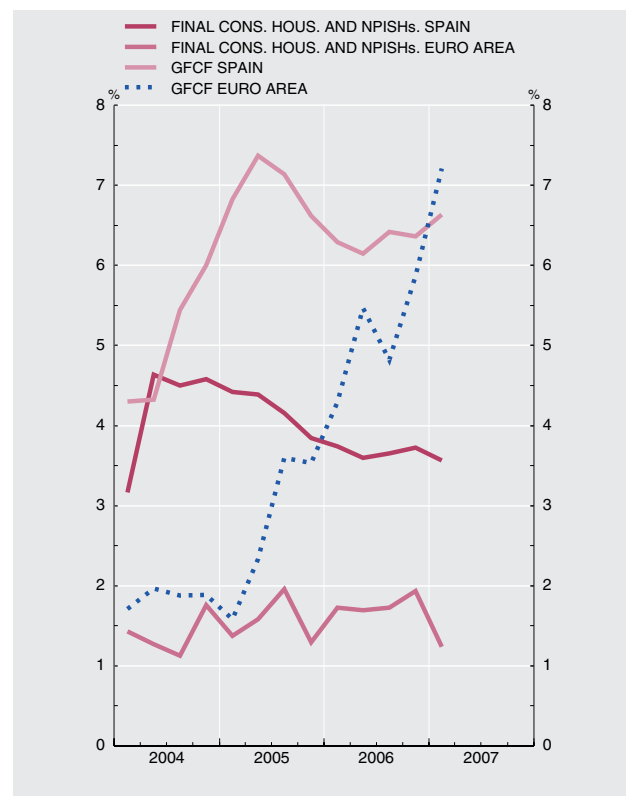
Annual percentage changes

		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	
04	P	3.2	1.8	4.2	1.4	6.3	1.4	5.0	1.9	4.8	1.7	4.1	6.4	9.6	6.3	840	7 740	
05	P	3.5	1.6	4.2	1.6	4.8	1.4	7.0	2.8	5.0	1.8	1.5	4.4	7.0	5.2	905	8 010	
06	P	3.9	2.8	3.7	1.8	4.4	2.0	6.3	5.1	4.6	2.6	6.2	8.5	8.4	8.0	976	8 383	
04	Q2	P	3.2	2.1	4.6	1.3	6.3	1.6	4.3	2.0	4.9	2.1	3.8	8.1	9.9	6.6	208	1 931
	Q3	P	3.3	1.9	4.5	1.1	6.8	1.3	5.4	1.9	5.1	1.9	4.5	6.6	10.9	7.9	212	1 942
	Q4	P	3.4	1.6	4.6	1.8	6.2	0.8	6.0	1.9	5.2	1.6	3.5	6.3	10.0	7.3	216	1 956
05	Q1	P	3.4	1.3	4.4	1.4	5.5	1.2	6.8	1.6	5.2	1.3	-0.8	4.0	5.9	5.1	220	1 973
	Q2	P	3.5	1.4	4.4	1.6	4.3	1.5	7.4	2.3	5.1	1.4	1.8	3.4	7.7	5.1	224	1 990
	Q3	P	3.6	1.8	4.2	2.0	4.5	1.5	7.1	3.6	5.0	1.8	2.5	5.3	7.7	5.4	229	2 013
	Q4	P	3.6	1.9	3.8	1.3	4.9	1.5	6.6	3.5	4.8	1.9	2.3	4.8	6.6	5.3	233	2 034
06	Q1	P	3.7	2.4	3.7	1.7	4.3	2.2	6.3	4.3	4.6	2.4	9.5	9.0	11.6	9.4	237	2 054
	Q2	P	3.8	2.9	3.6	1.7	4.4	1.7	6.1	5.5	4.6	2.9	4.9	8.1	7.3	7.6	241	2 084
	Q3	P	3.8	2.8	3.7	1.7	4.2	1.9	6.4	4.8	4.6	2.8	3.4	6.9	6.0	7.5	247	2 108
	Q4	P	4.0	3.3	3.7	1.9	4.9	2.2	6.4	5.9	4.7	3.3	7.3	9.8	8.8	7.5	251	2 136
07	Q1	P	4.1	3.0	3.6	1.2	5.2	1.9	6.6	7.2	4.6	3.0	4.2	6.3	5.6	6.3	255	2 177

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.

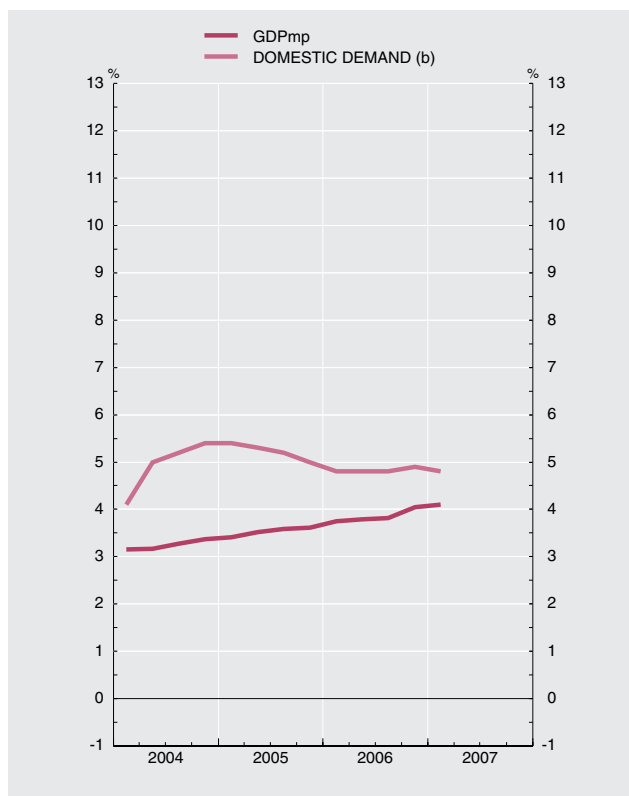
1.2. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. DEMAND COMPONENTS. SPAIN: BREAKDOWN (a)

■ Series depicted in chart.

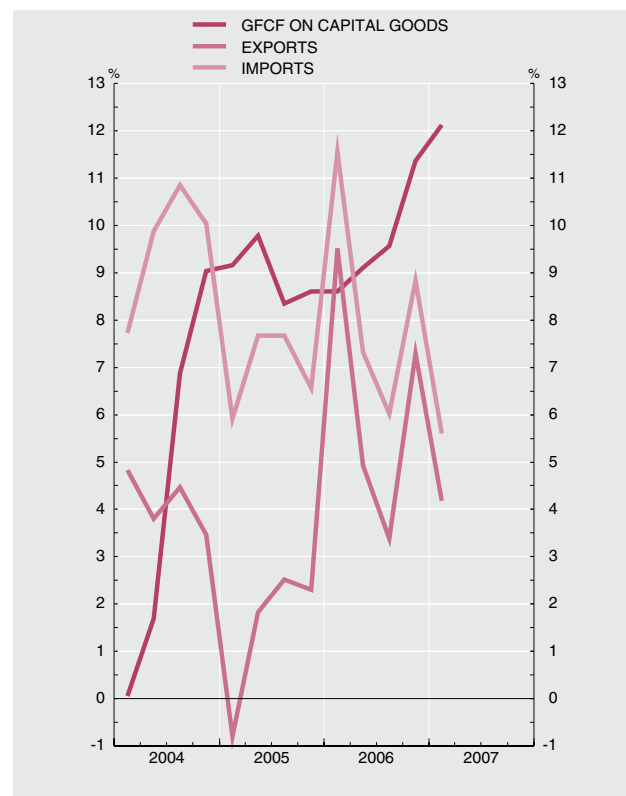
Annual percentage changes

		Gross fixed capital formation				Change in Stocks (b)	Exports of goods and services				Imports of goods and services				Memorandum items:		
		Total	Capital goods	Construction	Other products		Total	Goods	Final consumption of non-residents in economic territory	Services	Total	Goods	Final consumption of residents in the rest of the world	Services	Domestic demand (b) (c)	GDP	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
04	P	5.0	4.4	5.4	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	
06	P	6.3	9.7	5.9	3.2	0.1	6.2	5.6	1.7	13.7	8.4	8.0	6.9	10.6	4.8	3.9	
04	Q2	P	4.3	1.7	5.5	4.3	0.0	3.8	5.9	-4.5	3.8	9.9	10.0	19.7	7.9	5.0	3.2
	Q3	P	5.4	6.9	5.2	4.2	-	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	-	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	6.3	-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	6.1	9.1	5.8	3.3	0.2	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
07	Q1	P	6.6	12.1	5.6	2.4	-0.1	4.2	3.7	2.4	7.9	5.6	5.9	9.2	3.5	4.8	4.1

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.

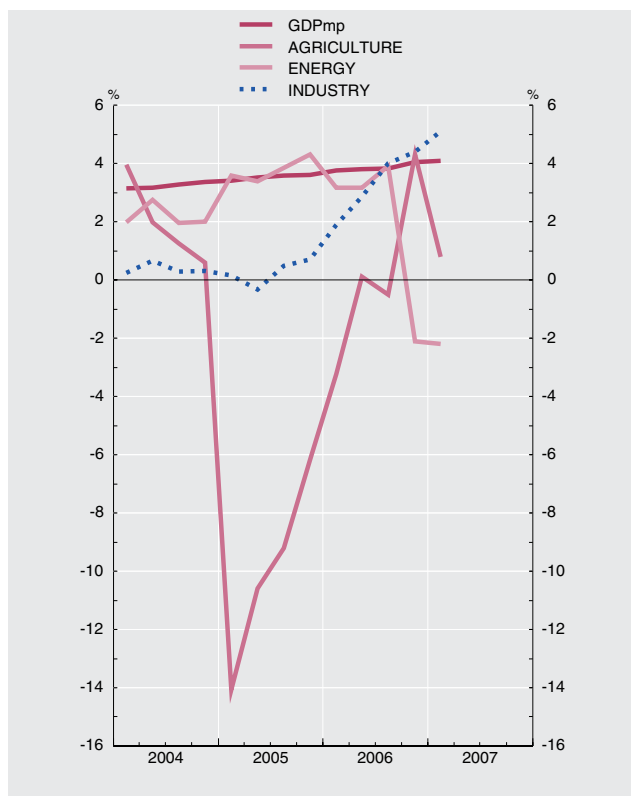
1.3. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. BRANCHES OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

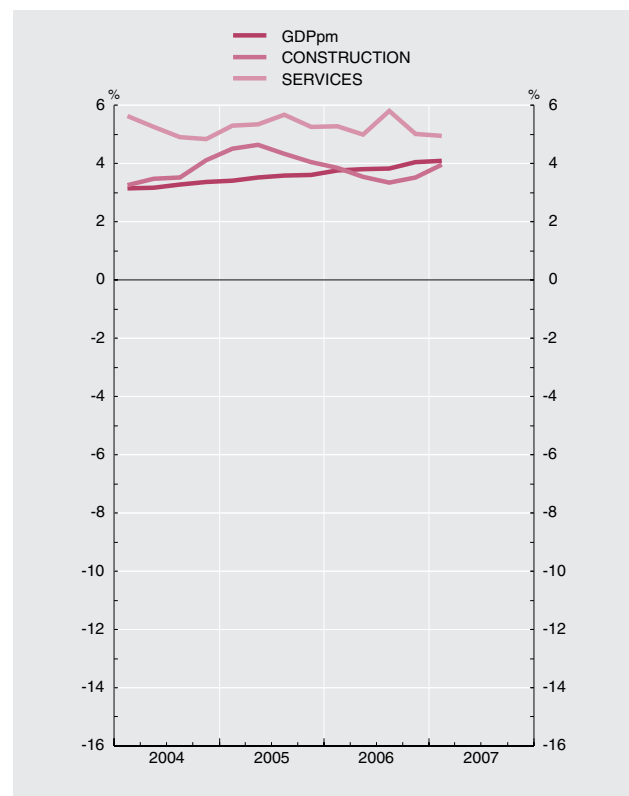
Annual percentage changes

			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
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
06	P		3.9	0.3	2.0	3.3	5.3	3.6	3.5	4.0	4.5	3.0	9.4
04	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	1.3	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	0.2	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	4.6	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	2.9	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
07	Q1	P	4.1	0.8	-2.2	5.1	5.0	4.0	3.9	4.2	4.1	1.6	6.2

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).

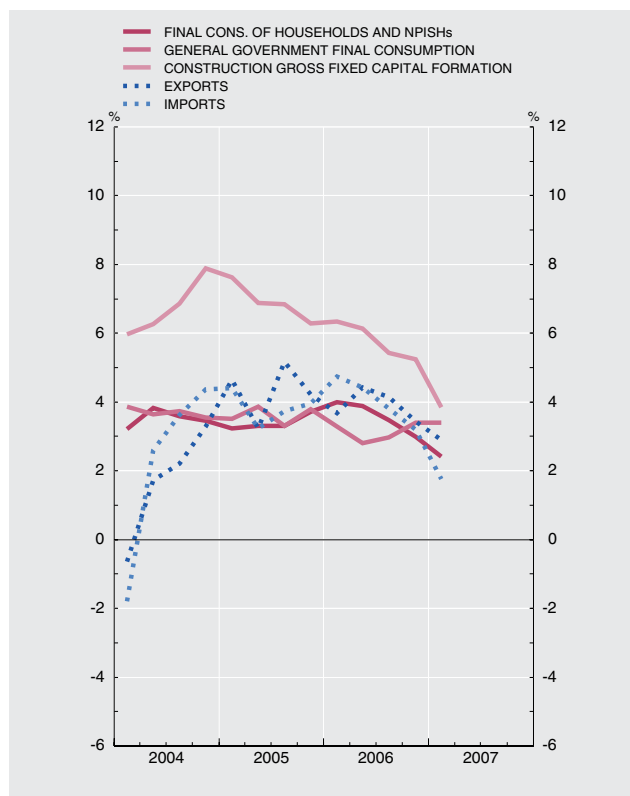
1.4. GROSS DOMESTIC PRODUCT. IMPLICIT DEFLATORS. SPAIN (a)

■ 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			Exports of goods and services	Imports of goods and services		Agriculture and fisheries	Energy	Industry	Construction	Of which		
				Capital goods	Construction	Other products								Services	Market services	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	
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	3.3	
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	3.0	
06	P	3.6	3.1	2.6	5.8	4.5	3.9	4.0	3.8	2.5	1.6	2.9	7.4	3.1	3.0	
04	Q2	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	3.2	
	Q3	3.6	3.7	2.4	6.9	6.3	2.2	3.6	3.8	-1.1	1.3	3.3	9.0	3.2	3.0	
	Q4	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	3.1	
05	Q1	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	2.9	
	Q2	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	2.9	
	Q3	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	3.1	
	Q4	3.7	3.8	2.2	6.3	4.4	4.2	4.0	4.1	4.2	2.7	2.6	9.7	3.1	2.9	
06	Q1	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	2.9	
	Q2	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	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	3.3	
	Q4	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	2.8	
07	Q1	2.4	3.4	2.9	3.9	3.7	2.9	1.8	3.3	1.8	-4.1	2.6	4.5	3.4	3.3	

GDP. IMPLICIT DEFLATORS
Annual percentage changes



GDP. IMPLICIT DEFLATORS
Annual percentage changes



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

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

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

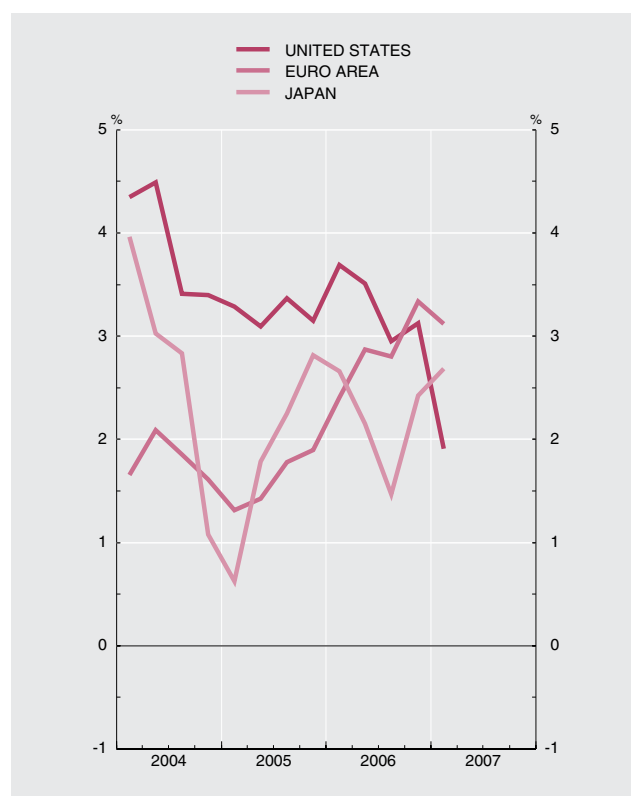
2.1. INTERNATIONAL COMPARISON. GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

■ Series depicted in chart.

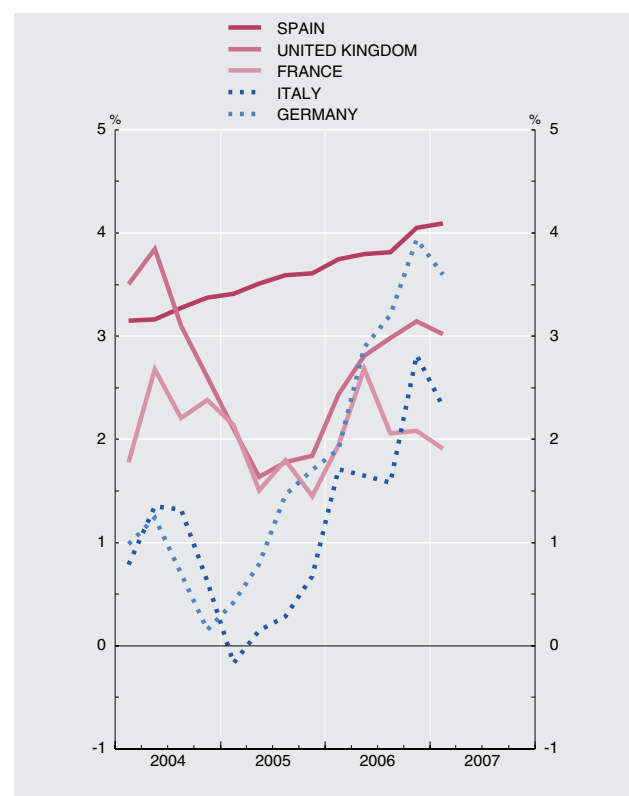
Annual percentage changes

	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
04	3.3	2.1	1.8	0.8	3.2	3.9	2.3	1.0	2.7	3.3
05	2.6	1.7	1.6	1.1	3.5	3.2	1.7	0.2	1.9	1.8
06	3.2	2.9	2.9	3.0	3.9	3.3	2.2	1.9	2.2	2.8
04 Q1	3.6	2.0	1.7	1.0	3.2	4.3	1.8	0.8	4.0	3.5
Q2	3.8	2.5	2.1	1.2	3.2	4.5	2.7	1.3	3.0	3.8
Q3	3.1	2.1	1.9	0.7	3.3	3.4	2.2	1.3	2.8	3.1
Q4	2.6	1.8	1.6	0.2	3.4	3.4	2.4	0.6	1.1	2.6
05 Q1	2.4	1.5	1.3	0.4	3.4	3.3	2.1	-0.2	0.6	2.1
Q2	2.4	1.5	1.4	0.8	3.5	3.1	1.5	0.1	1.8	1.6
Q3	2.8	1.9	1.8	1.5	3.6	3.4	1.8	0.3	2.3	1.8
Q4	2.9	1.9	1.9	1.7	3.6	3.1	1.4	0.7	2.8	1.8
06 Q1	3.3	2.5	2.4	1.9	3.7	3.7	1.9	1.7	2.7	2.4
Q2	3.3	2.9	2.9	2.9	3.8	3.5	2.7	1.6	2.2	2.8
Q3	3.0	2.9	2.8	3.2	3.8	3.0	2.1	1.6	1.5	3.0
Q4	3.3	3.3	3.3	3.9	4.0	3.1	2.1	2.8	2.4	3.1
07 Q1	...	3.1	3.1	3.6	4.1	1.9	1.9	2.3	2.7	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.

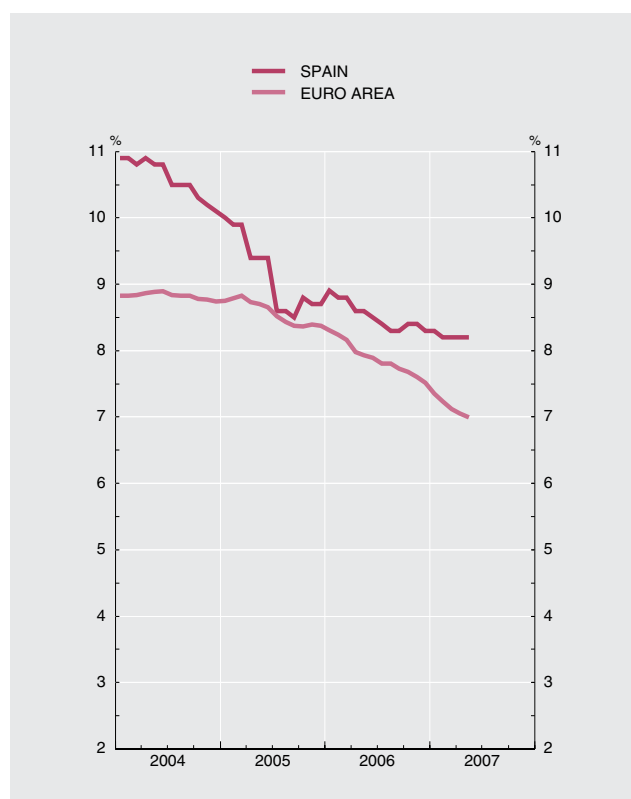
2.2. INTERNATIONAL COMPARISON. UNEMPLOYMENT RATES

■ Series depicted in chart.

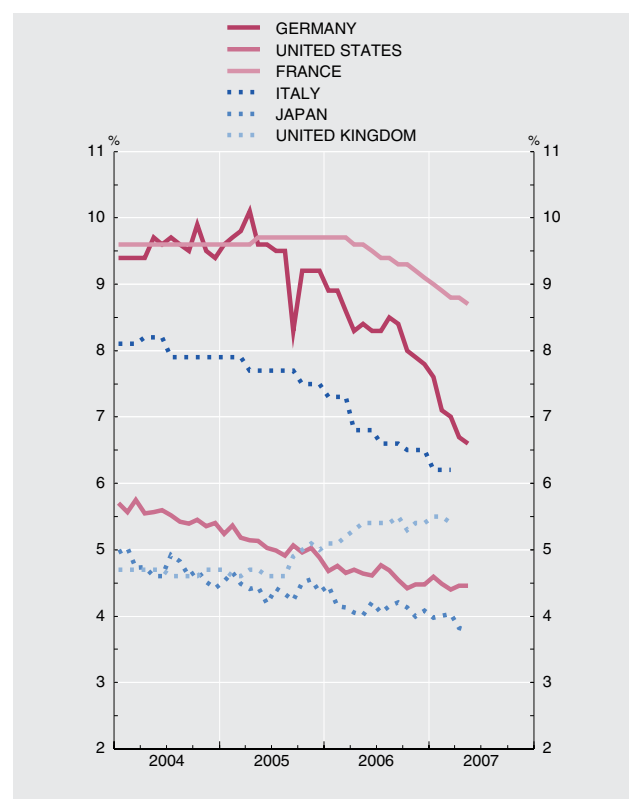
Percentages

	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	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	9.4	9.2	5.1	9.7	7.7	4.4	4.8
06	6.0	7.4	7.9	8.4	8.5	4.6	9.5	6.8	4.1	5.3
05 Dec	6.4	7.8	8.4	9.2	8.7	4.9	9.7	7.5	4.4	5.0
06 Jan	6.3	7.7	8.3	8.9	8.9	4.7	9.7	7.3	4.5	5.1
<i>Feb</i>	6.2	7.7	8.2	8.9	8.8	4.8	9.7	7.3	4.2	5.1
<i>Mar</i>	6.2	7.6	8.2	8.6	8.8	4.7	9.7	7.3	4.1	5.2
<i>Apr</i>	6.1	7.5	8.0	8.3	8.6	4.7	9.6	6.8	4.1	5.3
<i>May</i>	6.0	7.4	7.9	8.4	8.6	4.6	9.6	6.8	4.0	5.4
<i>Jun</i>	6.0	7.4	7.9	8.3	8.5	4.6	9.5	6.8	4.2	5.4
<i>Jul</i>	6.0	7.3	7.8	8.3	8.4	4.8	9.4	6.6	4.1	5.4
<i>Aug</i>	6.0	7.3	7.8	8.5	8.3	4.7	9.4	6.6	4.2	5.4
<i>Sep</i>	5.9	7.3	7.7	8.4	8.3	4.6	9.3	6.6	4.2	5.5
<i>Oct</i>	5.8	7.2	7.7	8.0	8.4	4.4	9.3	6.5	4.1	5.3
<i>Nov</i>	5.8	7.1	7.6	7.9	8.4	4.5	9.2	6.5	4.0	5.4
<i>Dec</i>	5.7	7.1	7.5	7.8	8.3	4.5	9.1	6.5	4.1	5.4
07 Jan	5.7	7.0	7.4	7.6	8.3	4.6	9.0	6.2	4.0	5.5
<i>Feb</i>	5.6	6.9	7.2	7.1	8.2	4.5	8.9	6.2	4.0	5.5
<i>Mar</i>	5.5	6.8	7.1	7.0	8.2	4.4	8.8	6.2	4.0	5.4
<i>Apr</i>	5.5	6.7	7.1	6.7	8.2	4.5	8.8	...	3.8	...
<i>May</i>	5.5	6.7	7.0	6.6	8.2	4.5	8.7	...	3.8	...

UNEMPLOYMENT RATES



UNEMPLOYMENT RATES



Sources: ECB and OECD.

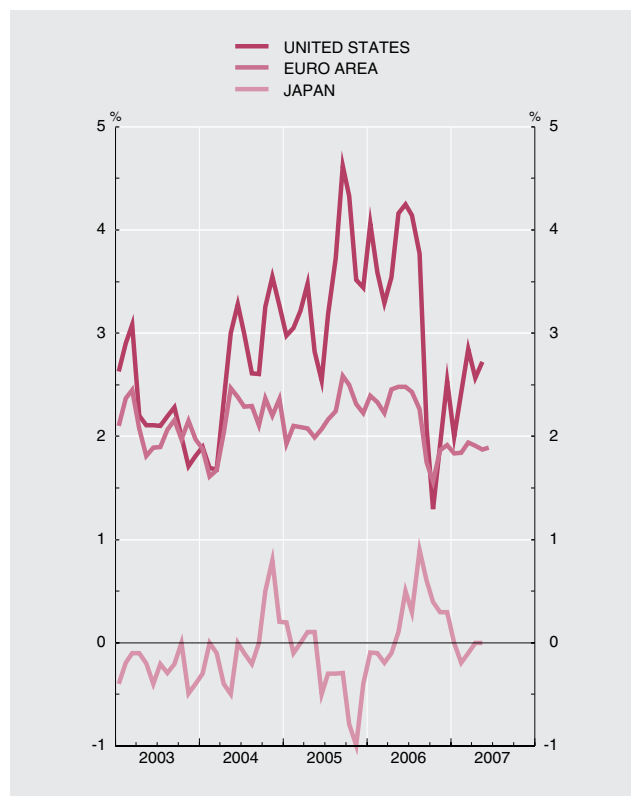
2.3. INTERNATIONAL COMPARISON. CONSUMER PRICES (a)

■ Series depicted in chart.

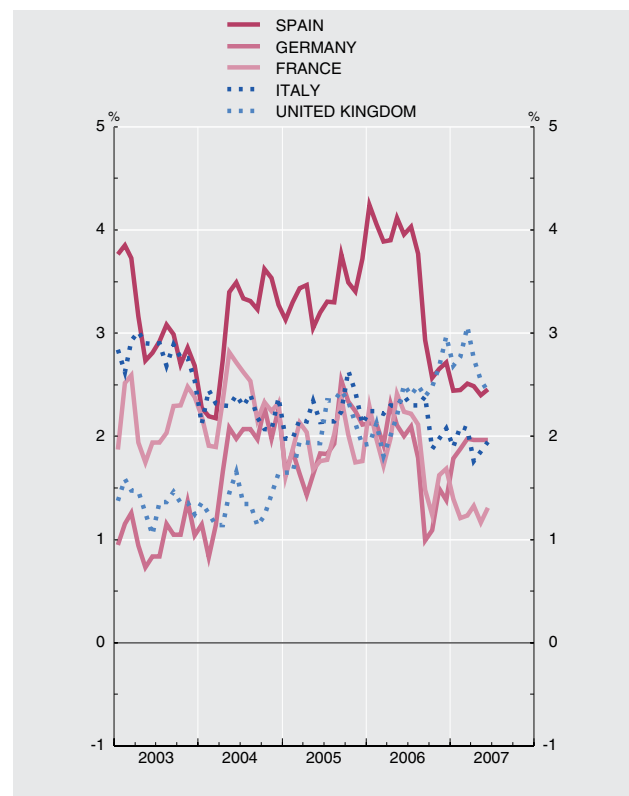
Annual percentage changes

	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
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
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	2.4	...	1.9	2.0	2.5	2.8	1.2	2.1	-0.1	3.1
Apr	2.2	...	1.9	2.0	2.5	2.6	1.3	1.8	-	2.8
May	2.2	...	1.9	2.0	2.4	2.7	1.2	1.9	-	2.5
Jun	...	...	1.9	2.0	2.5	...	1.3	1.9	...	2.4

CONSUMER PRICES
Annual percentage changes



CONSUMER PRICES
Annual percentage changes



Sources: OECD, INE and Eurostat.

Note: The underlying series for this indicator are in Tables 26.11 and 26.15 of the BE Boletín Estadístico.

a. Harmonised Index of Consumer Prices for the EU countries.

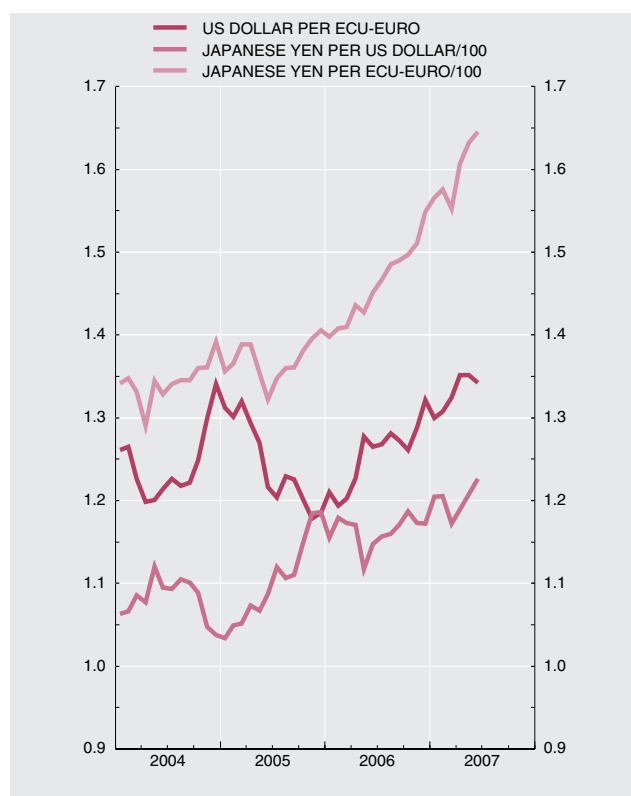
2.4. BILATERAL EXCHANGE RATES AND NOMINAL AND REAL EFFECTIVE EXCHANGE RATE INDICES FOR THE EURO, US DOLLAR AND JAPANESE YEN

■ Series depicted in chart.

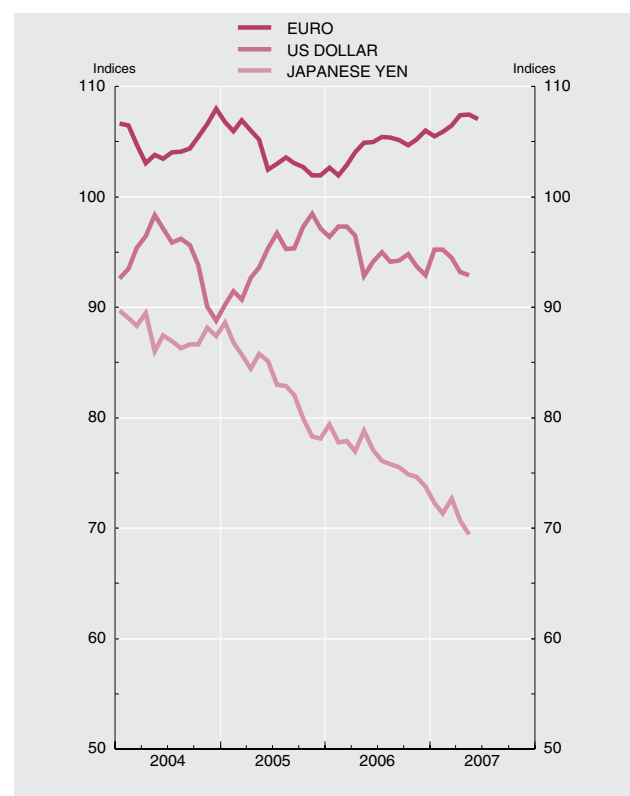
Average of daily data

	Exchange rates			Indices of the nominal effective exchange rate vis-à-vis the (a) developed countries 1999 Q1=100			Indices of the real effective exchange rate vis-à-vis the developed countries (b) 1999 Q1=100					
	US dollar per ECU/euro	Japanese yen per ECU/euro	Japanese yen per US dollar	Euro	US dollar	Japanese yen	Based on consumer prices			Based on producer prices		
							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-J	1.2296	142.16	115.66	102.7	87.7	95.2	103.6	95.7	78.0	102.0	97.5	79.0
07 J-J	1.3295	159.64	120.08	106.3	85.2	88.4	106.6	94.2	71.3	105.4	94.9	73.4
06 Apr	1.2271	143.59	117.03	103.0	88.3	94.3	104.0	96.5	76.9	102.4	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	105.0	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	77.6
Aug	1.2811	148.53	115.94	104.6	85.6	93.1	105.4	94.1	75.8	103.7	95.4	77.1
Sep	1.2727	148.99	117.07	104.4	86.0	92.4	105.2	94.2	75.5	103.4	94.7	77.7
Oct	1.2611	149.65	118.67	103.9	86.9	91.6	104.7	94.8	74.9	103.4	95.3	77.0
Nov	1.2881	151.11	117.31	104.5	86.0	91.8	105.2	93.7	74.7	103.9	94.6	76.9
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	104.4	95.2	74.3
Feb	1.3074	157.60	120.55	105.4	86.7	88.8	105.9	95.2	71.3	104.8	95.4	73.6
Mar	1.3242	155.24	117.23	106.1	85.7	90.9	106.5	94.5	72.7	105.2	95.0	74.8
Apr	1.3516	160.68	118.88	107.1	84.4	88.6	107.4	93.2	70.7	106.2	94.2	72.8
May	1.3511	163.22	120.80	107.3	83.9	87.1	107.4	92.9	69.4	106.0	94.6	71.5
Jun	1.3419	164.55	122.63	106.9	83.6	85.9	107.1	...	...	105.5	...	...

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 between its price index and the price index of the group) by the nominal effective exchange rate.

A decline in the index denotes a depreciation of the real effective exchange rate and, may be interpreted as an improvement in that area/country's competitiveness.

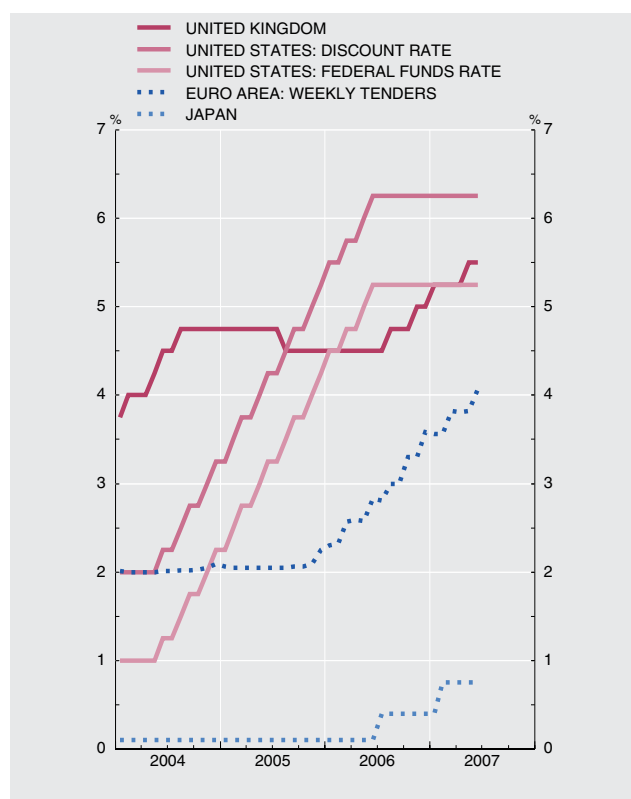
2.5. OFFICIAL INTERVENTION INTEREST RATES AND SHORT-TERM INTEREST RATES

■ Series depicted in chart.

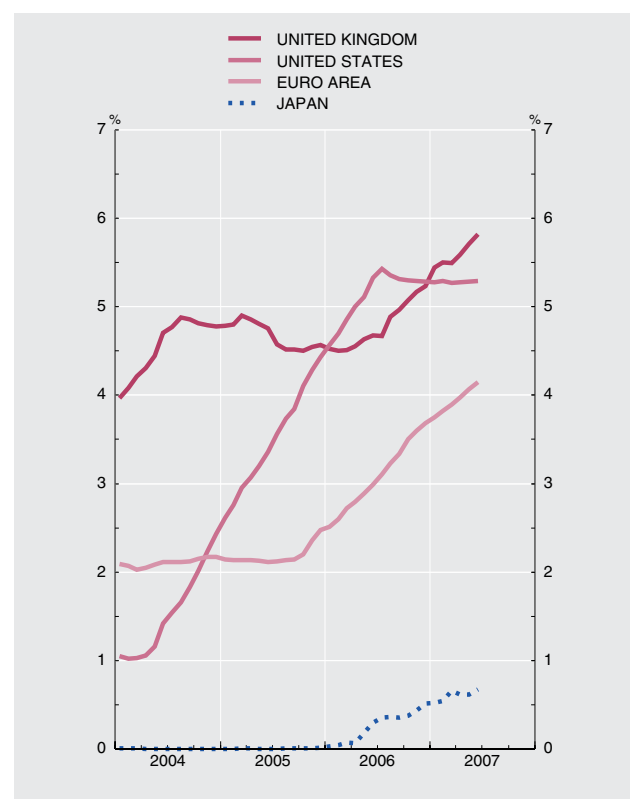
Percentages

	Official intervention interest rates					3-month interbank rates									
	Euro area	United States		Japan	United Kingdom	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	(a)	Discount rate (b)	Federal funds rate	(c)	(d)	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
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
Apr	3.75	6.25	5.25	0.75	5.25	4.09	4.21	3.98	-	-	5.28	-	-	0.62	5.59
May	3.75	6.25	5.25	0.75	5.50	4.13	4.30	4.07	-	-	5.28	-	-	0.62	5.71
Jun	4.00	6.25	5.25	0.75	5.50	4.18	4.39	4.15	-	-	5.29	-	-	0.67	5.82

OFFICIAL INTERVENTION INTEREST RATES



3-MONTH INTERBANK RATES



Sources: ECB, Reuters and BE.

- a. Main refinancing operations.
- b. As from January 2003, the Primary Credit Rate.
- c. Discount rate.
- d. Retail bank base rate.

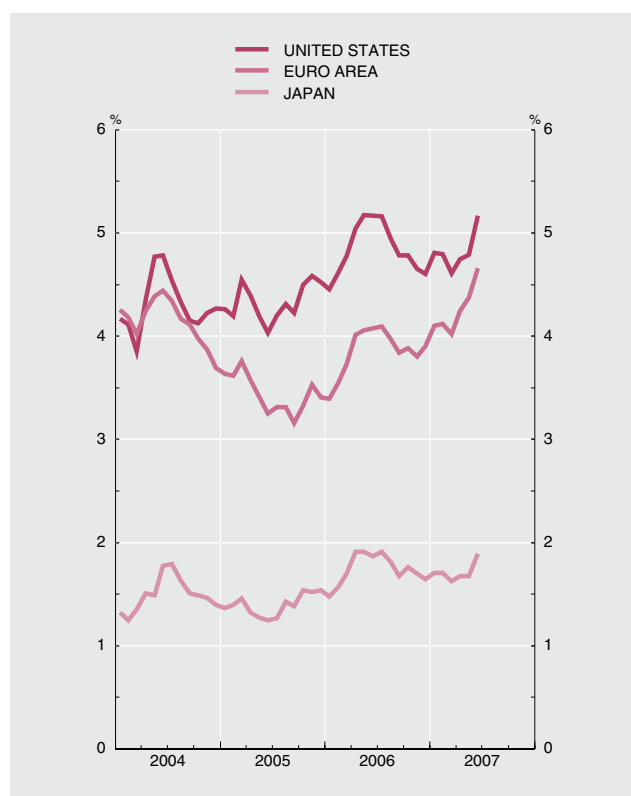
2.6. 10-YEAR GOVERNMENT BOND YIELDS ON DOMESTIC MARKETS

■ Series depicted in chart.

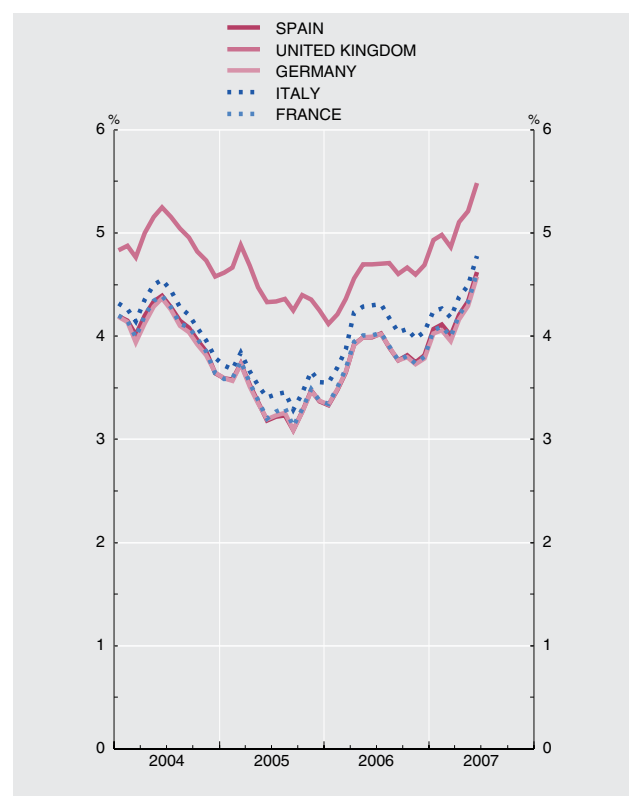
Percentages

	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
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
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
Apr	4.11	4.36	4.25	4.16	4.21	4.75	4.21	4.38	1.68	5.10
May	4.18	4.48	4.37	4.29	4.34	4.79	4.33	4.49	1.68	5.21
Jun	4.49	4.77	4.66	4.58	4.62	5.17	4.62	4.78	1.89	5.49

10-YEAR GOVERNMENT BOND YIELDS



10-YEAR GOVERNMENT BOND YIELDS



Sources: ECB, Reuters and BE.

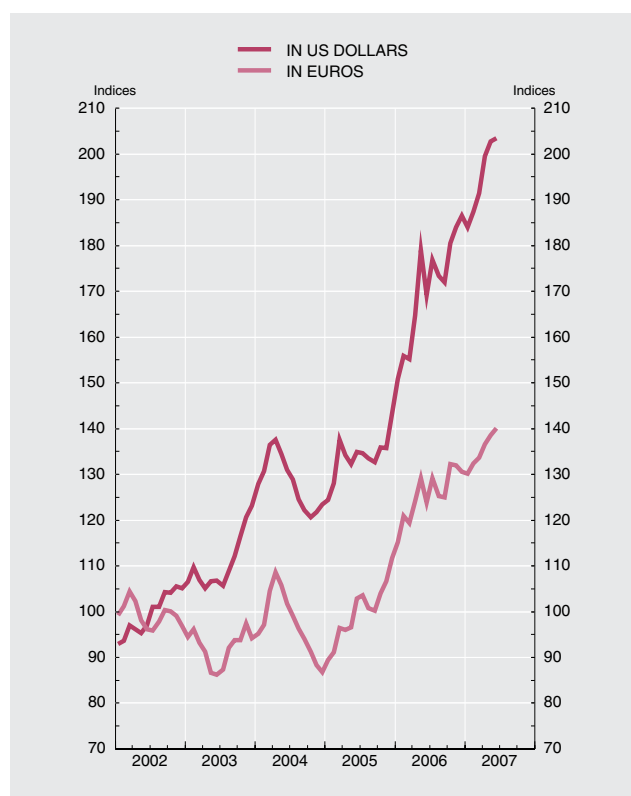
2.7 INTERNATIONAL MARKETS. NON-ENERGY COMMODITIES PRICE INDEX. CRUDE OIL AND GOLD PRICE.

■ Series depicted in chart.

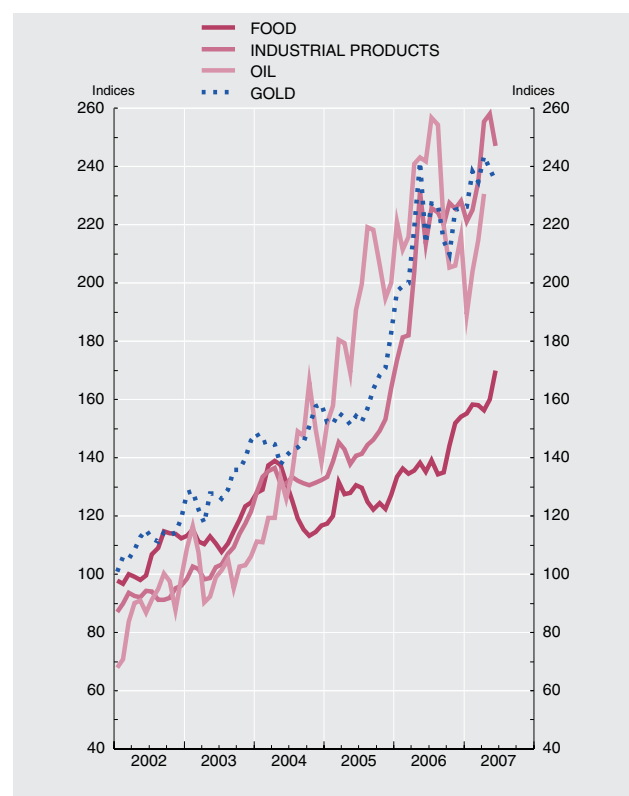
Base 2000 = 100

	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 agricultural 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-J	122.1	162.5	135.5	197.7	151.4	222.7	229.1	65.4	211.8	590.9	15.41
07 J-J	135.2	194.8	159.6	240.3	157.3	285.7	...	63.4	236.1	658.6	15.80
06 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	203.9	57.6	238.3	664.7	16.34
Mar	133.7	191.5	158.0	234.7	154.3	278.6	214.6	62.3	234.8	654.9	15.90
Apr	136.6	199.5	156.4	255.3	158.6	308.0	230.6	67.8	243.5	679.4	16.15
May	138.5	202.7	159.9	258.0	160.0	311.4	...	67.4	239.0	666.9	15.87
Jun	140.1	203.5	169.8	247.0	163.7	292.4	...	71.8	235.1	655.7	14.97

NON-ENERGY COMMODITY PRICE INDEX



PRICE INDICES FOR NON-ENERGY COMMODITIES, OIL AND GOLD



Sources: The Economist, IMF, ECB and BE.

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

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

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

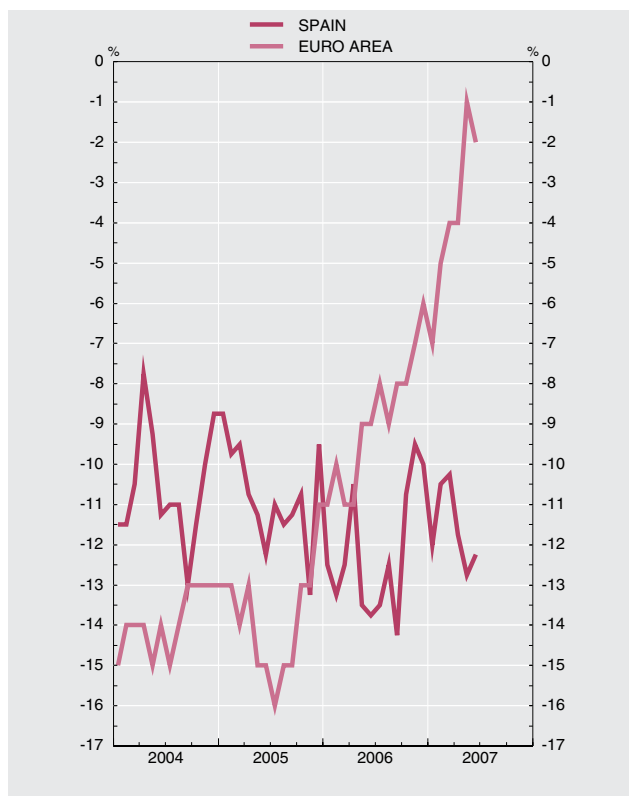
3.1. INDICATORS OF PRIVATE CONSUMPTION. SPAIN AND EURO AREA

■ Series depicted in chart.

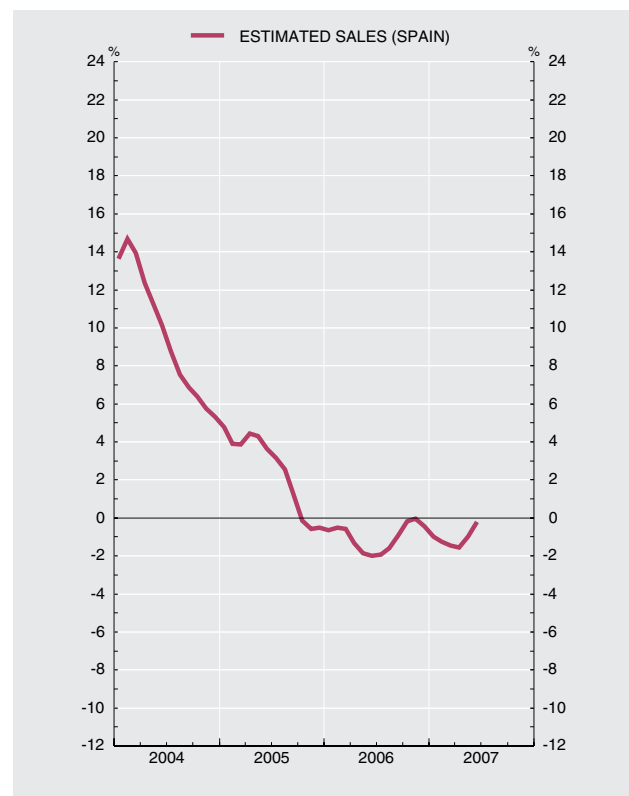
Annual percentage changes

	Opinion surveys (net percentages)						New car registrations and sales				Retail trade: sales index						
	Consumers			Retail trade confidence index	Memorandum item: euro area		of which		Estimated sales	Memorandum item: euro area	General index			By type of product (deflated indices)		Memorandum item: euro area deflated index	
	Confidence index	General economic situation: anticipated trend	Household economic situation: anticipated trend		Consumer confidence index	Retail trade confidence index	Registrations	Private use			Registrations	Nominal	Deflated (a)	of which	Food (b)		Other (c)
	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	1.0	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	1.6	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	2.8	5.0	1.6	2.6	0.7	2.2	2.1
06 J-J	P	-13	-12	-3	-11	-10	-1	-0.4	0.4	-0.7	3.7	4.5	0.4	2.0	-0.0	0.6	1.8
07 J-J	P	-12	-10	-3	-10	-4	0	...	...	-1.6	-2.0	...	...	...	...	...	...
06 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	2.6
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	2.6
Sep	P	-14	-13	-4	-5	-8	3	-6.4	-6.4	-6.1	0.7	5.4	3.0	6.3	1.5	4.0	1.7
Oct	P	-11	-10	-2	-7	-8	4	7.1	8.1	8.0	-0.2	4.2	2.3	-1.2	-1.2	4.6	1.6
Nov	P	-10	-9	-1	-11	-7	3	1.9	2.1	2.3	4.7	5.8	3.6	3.7	3.2	3.9	2.2
Dec	P	-10	-11	-2	-8	-6	-	-4.7	-6.3	-3.8	12.5	5.5	3.3	2.8	3.0	3.5	2.9
07 Jan	P	-12	-11	-2	-12	-7	-1	9.1	...	2.7	-2.8	6.2	4.6	1.7	3.2	5.5	0.9
Feb	P	-11	-10	-3	-10	-5	-1	-4.3	...	-4.4	-3.7	5.3	3.6	2.9	1.8	4.8	1.3
Mar	P	-10	-8	-	-12	-4	-	-0.4	...	-0.2	0.6	7.1	5.4	7.8	4.6	5.9	2.7
Apr	P	-12	-12	-3	-11	-4	-	-5.9	...	-6.0	-5.6	3.1	1.5	-1.7	-0.4	2.8	1.6
May	P	-13	-10	-4	-8	-1	2	-0.3	...	-0.2	-1.0	5.0	3.5	2.8	2.8	3.9	0.7
Jun	P	-12	-9	-3	-9	-2	1	...	...	-1.8	0.5	...	...	...	...	...	...

CONSUMER CONFIDENCE INDEX



CAR SALES Trend obtained with TRAMO-SEATS



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

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

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

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

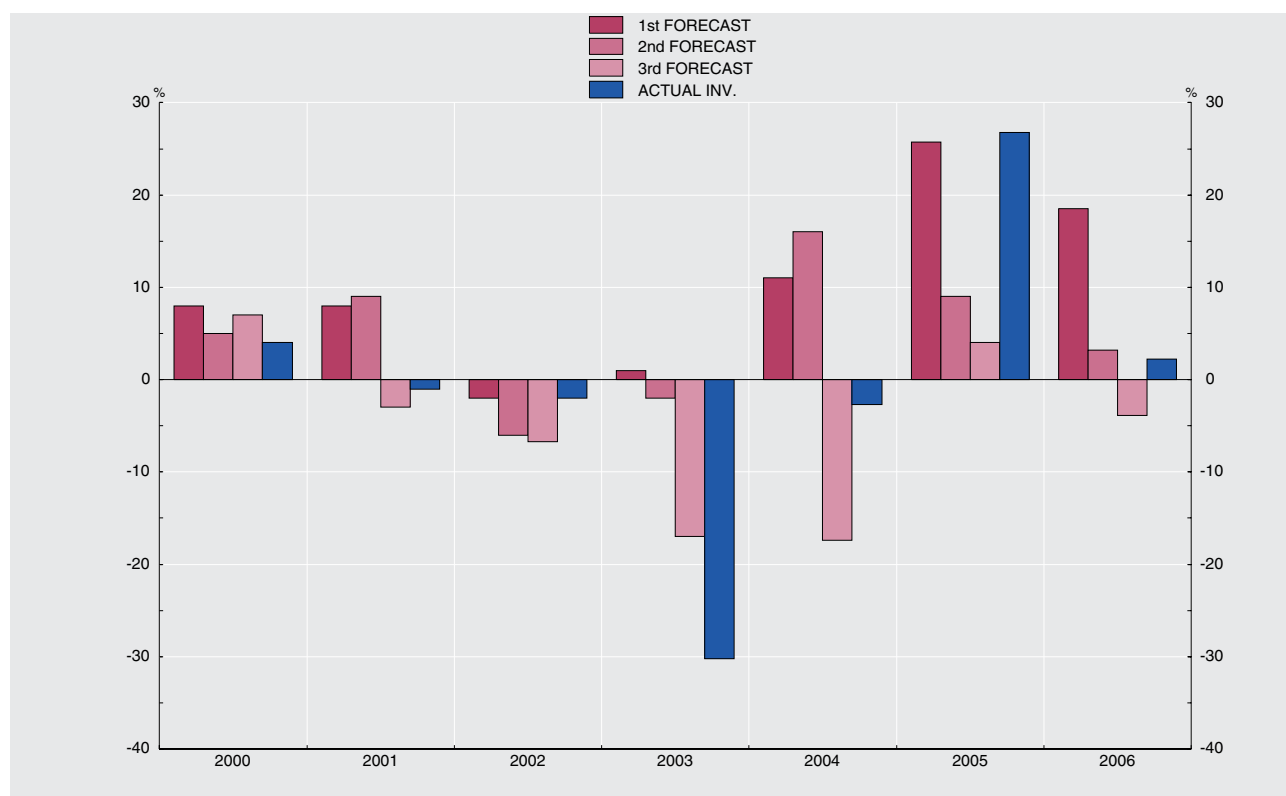
3.2. INVESTMENT IN INDUSTRY (EXCLUDING CONSTRUCTION): OPINION SURVEYS. SPAIN

■ Series depicted in chart.

Annual percentage changes at current prices

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

INVESTMENT IN INDUSTRY Annual rates of change



Source: Ministerio de Industria, Turismo y Comercio.

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

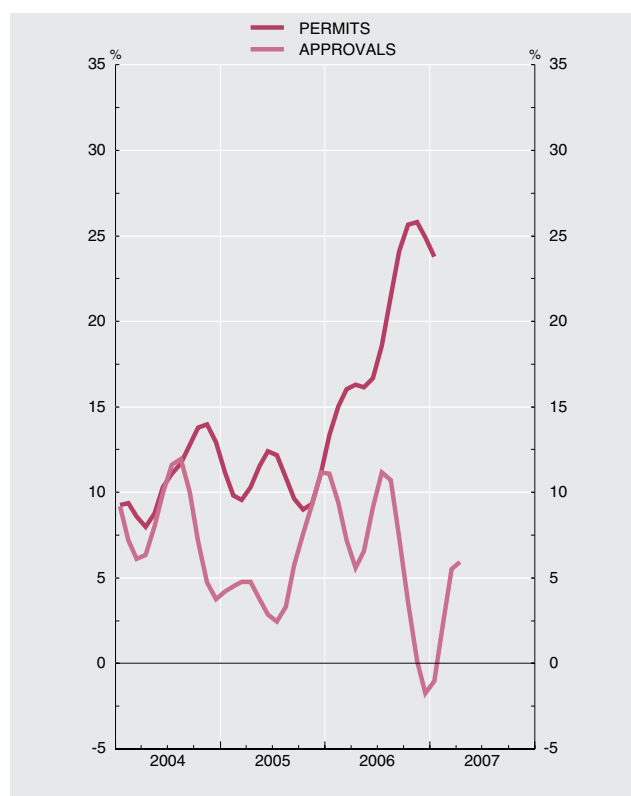
3.3. CONSTRUCTION. INDICATORS OF BUILDING STARTS AND CONSUMPTION OF CEMENT. SPAIN

■ Series depicted in chart.

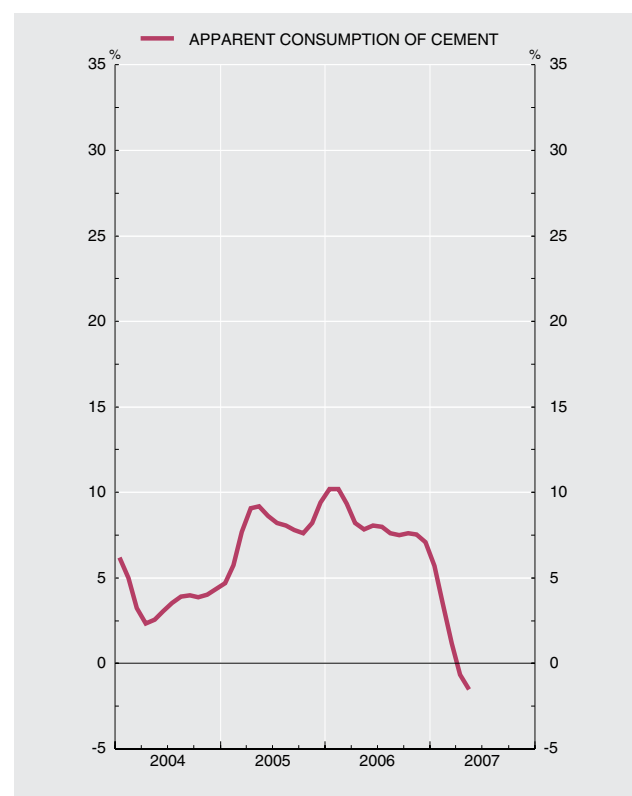
Annual percentage changes

		Permits: buildable floorage			Approvals: buildable floorage		Government tenders (budget)							Apparent consumption of cement		
		Total	of which		Non-residential	of which		Total		Building					Civil engineering	
			Residential	Housing		Total	Housing	For the month	Year to date	Total	Residential	of which				Non-residential
												Housing				
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		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	P	22.0	20.1	20.4	31.9	14.2	16.5	31.3	31.3	26.9	61.8	57.3	15.9	33.3	8.5	
06 J-M	P	19.1	14.9	15.1	41.8	7.3	8.3	28.6	28.6	47.8	110.4	149.7	28.7	21.0	9.7	
07 J-M	P	...	...	...	...	...	...	...	...	...	...	...	...	...	1.7
06 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	15.0	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	25.3	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	P	46.3	42.5	42.7	67.5	18.3	20.1	58.0	26.7	37.2	164.2	32.5	10.1	66.7	13.1	
Nov	P	36.1	31.4	32.0	63.0	-7.6	-8.5	45.1	28.3	-12.3	-19.5	-27.1	-10.4	100.2	7.1	
Dec	P	20.6	23.0	23.7	9.9	-14.6	-16.4	61.3	31.3	26.0	120.4	21.3	-5.3	76.2	4.9	
07 Jan	P	24.7	27.9	26.4	8.5	-1.4	-2.7	5.0	5.0	-17.0	-68.4	-16.2	33.2	15.8	13.4	
Feb	P	...	...	...	...	-5.4	-5.3	56.5	21.3	95.4	2.6	22.5	139.1	32.3	2.3
Mar	P	...	...	...	...	23.8	27.8	3.1	14.1	10.0	-20.1	-23.9	27.9	-0.8	-2.1
Apr	P	...	...	...	...	8.4	5.7	-11.0	7.3	-20.6	100.5	44.5	-36.8	-6.1	0.0
May	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-2.6

CONSTRUCTION
Trend obtained with TRAMO-SEATS



CONSTRUCTION
Trend obtained with TRAMO-SEATS



Sources: Ministerio de Fomento and Asociación de Fabricantes de Cemento de España.

Note: The underlying series for this indicator are in Tables 23.7, 23.8, and 23.9 of the BE Boletín estadístico.

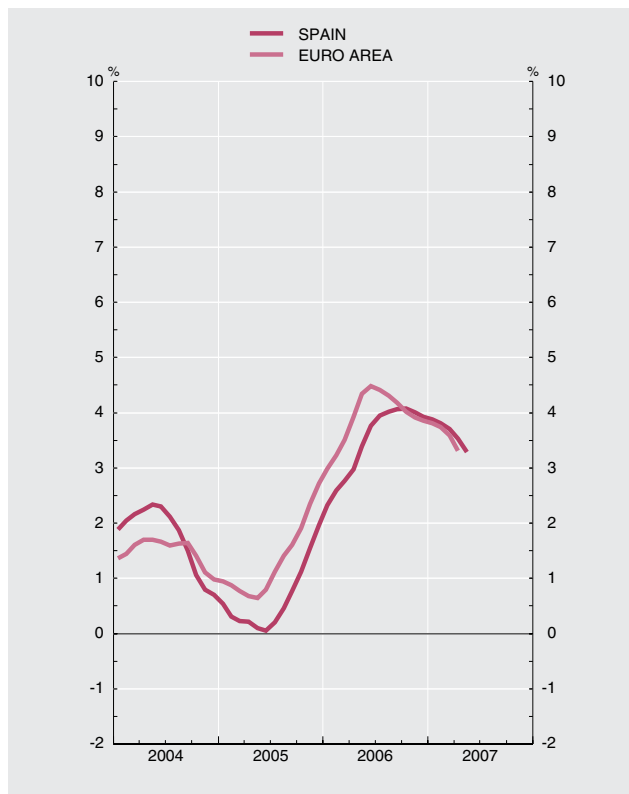
3.4. INDUSTRIAL PRODUCTION INDEX. SPAIN AND EURO AREA

■ Series depicted in chart.

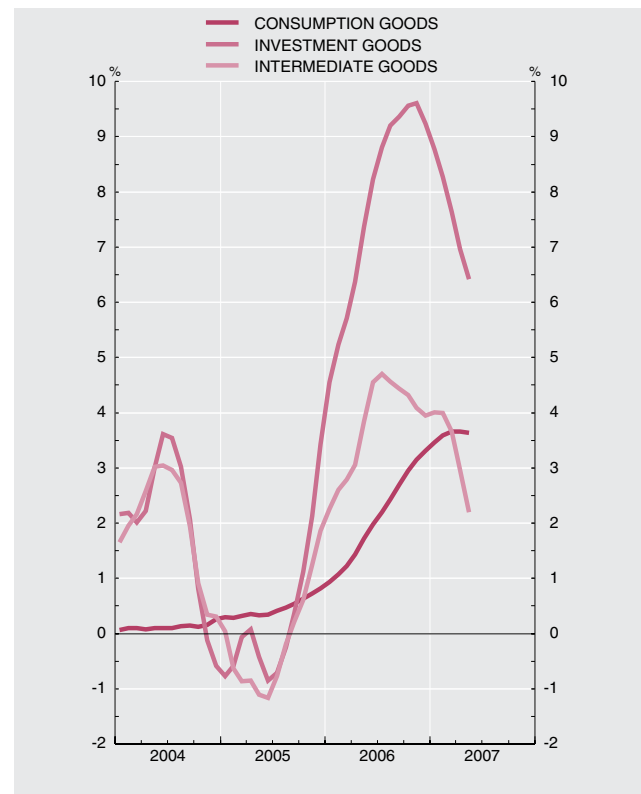
Annual percentage changes

		Overall Index		By end-use of goods				By branch of activity			Memorandum item: euro area				
		Total		Consumption	Investment	Intermediate goods	Energy	Mining and quarrying	Manufacturing	Production and distribution of electricity, gas and water	of which		By end-use of goods		
		Original series	12-month %change 12								Total	Manufacturing	Consumption	Investment	Intermediate goods
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
04	MP	102.3	1.8	0.0	1.9	1.9	4.9	-4.8	1.2	7.0	2.1	2.2	0.5	3.4	2.4
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	4.0	4.3	2.4	5.9	4.9
06 J-M	MP	106.7	3.4	1.7	7.3	3.3	2.1	4.9	3.6	1.2	3.7	3.7	2.3	5.5	3.8
07 J-M	MP	111.3	4.3	4.7	7.7	4.1	-0.7	-3.7	4.9	0.1	3.2	4.6	2.7	6.1	5.0
06 Feb	P	102.8	2.7	1.7	4.6	2.6	2.9	7.3	2.9	1.4	3.1	3.2	2.8	5.9	1.8
Mar	P	116.5	11.0	9.0	18.1	11.7	3.6	16.7	12.1	0.8	4.3	5.2	2.9	5.7	4.7
Apr	P	96.7	-9.8	-12.5	-10.0	-9.8	-3.6	-4.8	-10.5	-5.1	2.0	1.1	0.2	2.9	2.7
May	P	115.6	8.1	7.6	13.2	7.4	3.2	4.5	8.7	3.7	5.9	6.7	4.8	8.6	7.1
Jun	P	115.8	5.2	2.6	8.7	6.2	3.0	1.2	5.6	2.7	5.0	5.4	3.0	5.7	7.3
Jul	P	110.8	4.2	1.2	7.1	5.1	4.1	-7.3	3.9	7.2	3.6	3.9	1.5	4.4	5.2
Aug	P	79.8	5.0	2.0	14.0	5.2	3.3	-1.5	5.4	3.8	5.6	6.1	2.3	7.8	7.9
Sep	P	109.1	1.1	-0.5	3.4	1.5	0.1	-2.8	1.0	2.6	3.5	3.8	1.5	5.4	4.6
Oct	P	112.3	7.3	7.5	12.2	7.1	0.4	11.6	7.8	2.0	4.1	4.7	3.1	6.0	5.4
Nov	P	115.1	4.1	4.0	12.6	3.9	-6.8	1.0	5.5	-6.7	3.0	3.9	2.5	6.4	3.4
Dec	P	97.4	0.6	-0.8	6.6	0.5	-3.1	3.8	1.2	-3.0	4.8	6.0	3.8	7.8	7.2
07 Jan	P	109.6	7.5	8.4	13.6	7.9	-2.4	0.6	8.8	-1.7	3.2	5.4	3.7	7.2	5.4
Feb	P	106.5	3.6	3.6	10.3	4.1	-6.6	-9.4	5.1	-5.9	3.8	5.8	2.5	7.5	7.1
Mar	P	119.0	2.1	2.9	4.1	3.0	-4.2	-8.4	2.9	-2.0	4.0	5.6	3.8	6.8	6.4
Apr	P	102.8	6.3	6.1	8.4	5.0	7.8	0.5	6.1	9.0	2.7	3.7	2.3	5.4	3.6
May	P	118.4	2.4	3.0	3.9	0.9	3.8	-1.2	2.4	3.0	2.2	2.5	1.2	4.0	2.5

INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS



INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS



Sources: INE and BCE.

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

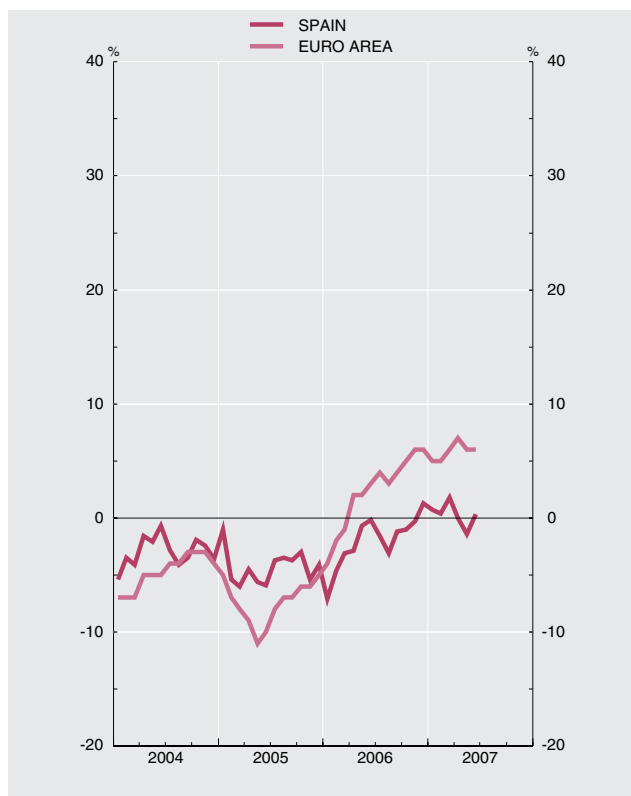
3.5. MONTHLY BUSINESS SURVEY: INDUSTRY AND CONSTRUCTION. SPAIN AND EURO AREA

■ Series depicted in chart.

Percentage balances

		Industry, excluding construction										Construction					Memorandum item: euro area		
		Business climate indicator	Production over the last three months	Trend in production	Total orders	Foreign orders	Stocks of finished products	Business climate indicator				Business climate indicator	Production	Orders	Trend		Industry, excluding construction		Construction climate indicator
		(a)		(a)	(a)		(a)	Consumption (a)	Investment (a)	Intermediate goods (a)	Other sectors (a)				Production	Orders	Business climate indicator	Order Book	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
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-J	M	-3	3	6	-3	-13	12	-4	-0	-4	-1	16	28	25	35	15	-	-5	-2
07 J-J	M	0	8	7	4	-7	10	-2	5	-0	-1	16	23	17	33	22	6	8	1
06 Mar		-3	2	6	-2	-13	14	-3	-1	-5	-1	20	15	31	19	21	-1	-6	-2
Apr		-3	7	4	-3	-12	10	-4	1	-4	-2	15	49	19	41	-1	2	-1	-2
May		-1	2	9	1	-8	12	-5	5	-1	-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	-	-9	12	-5	-6	-0	0	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	0	-1	10	19	9	28	8	5	6	1
Feb		0	5	8	4	-7	11	-1	4	0	-1	12	15	14	18	24	5	7	-
Mar		2	7	8	5	-8	8	-3	8	2	-4	13	6	9	52	44	6	8	-
Apr		-	9	4	5	-5	9	-3	3	1	-2	21	27	24	27	20	7	9	1
May		-1	9	6	1	-7	11	-3	5	-3	-0	17	39	19	26	17	6	8	-
Jun		0	14	9	1	-3	9	-2	7	-2	2	22	34	28	48	16	6	7	1

INDUSTRIAL BUSINESS CLIMATE
Percentage balances



CONSTRUCTION BUSINESS CLIMATE
Percentage balances



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

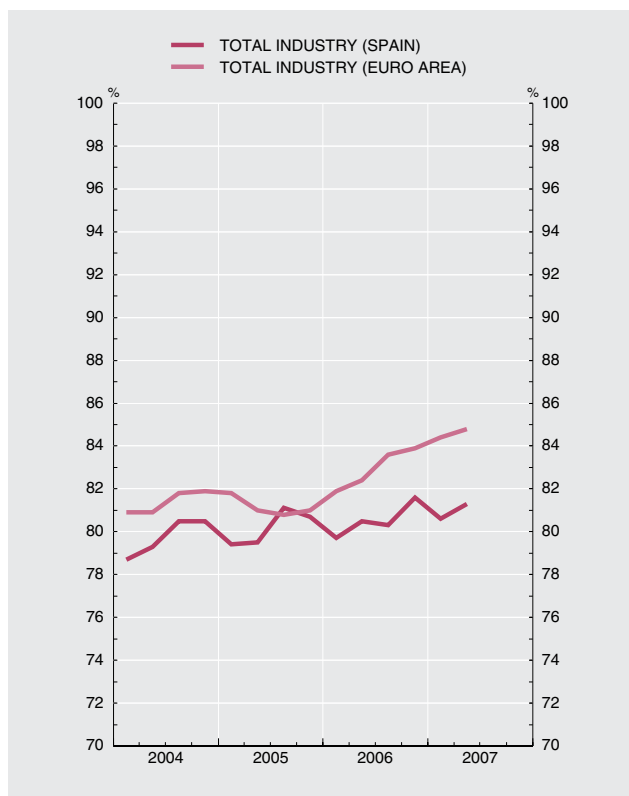
3.6. BUSINESS SURVEY: CAPACITY UTILISATION. SPAIN AND EURO AREA

■ Series depicted in chart.

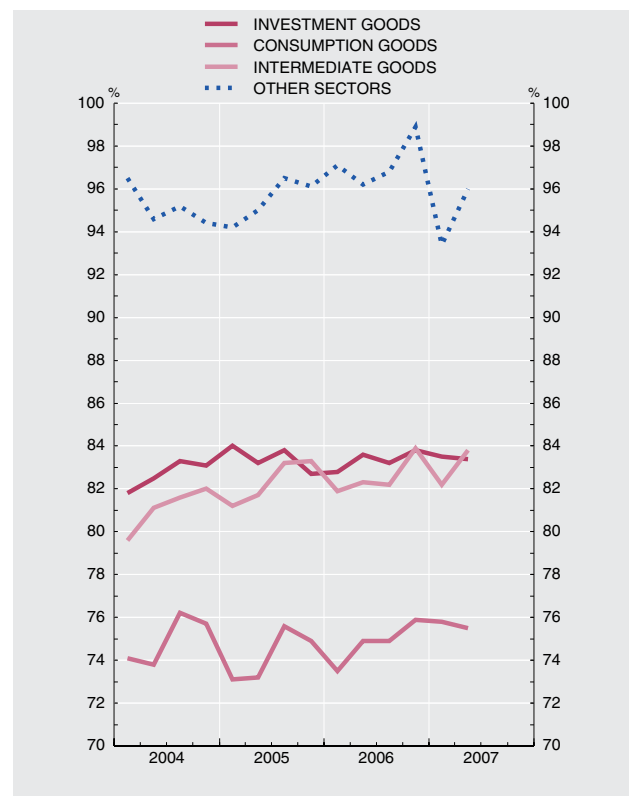
Percentages and percentage balances

	Total industry			Consumer goods			Investment goods			Intermediate goods			Other sectors			Memo- randum 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		Over last three months	Forecast		Over last three months	Forecast		Over last three months	Forecast		Over last three months	Forecast		
	(%)	(%)	(Per- centage balan- ces)	(%)	(%)	(Per- centage balan- ces)	(%)	(%)	(Per- centage balan- ces)	(%)	(%)	(Per- centage balan- ces)	(%)	(%)	(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
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
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	-
06 Q1-Q2	80.1	81.4		7	74.2	76.7	6	83.2	83.4	10	82.1	83.2	7	96.7	97.0	-
07 Q1-Q2	81.0	82.3		3	75.7	77.7	5	83.5	83.9	1	83.0	84.3	2	94.7	95.6	-
04 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
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	-
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	-
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	-
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
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	-
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	-
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	-
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	-
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	-
Q2	81.3	82.8		3	75.5	78.1	6	83.4	84.0	2	83.8	85.2	2	96.0	95.3	-

CAPACITY UTILISATION. TOTAL INDUSTRY
Percentages



CAPACITY UTILISATION. BY TYPE OF GOOD
Percentages



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

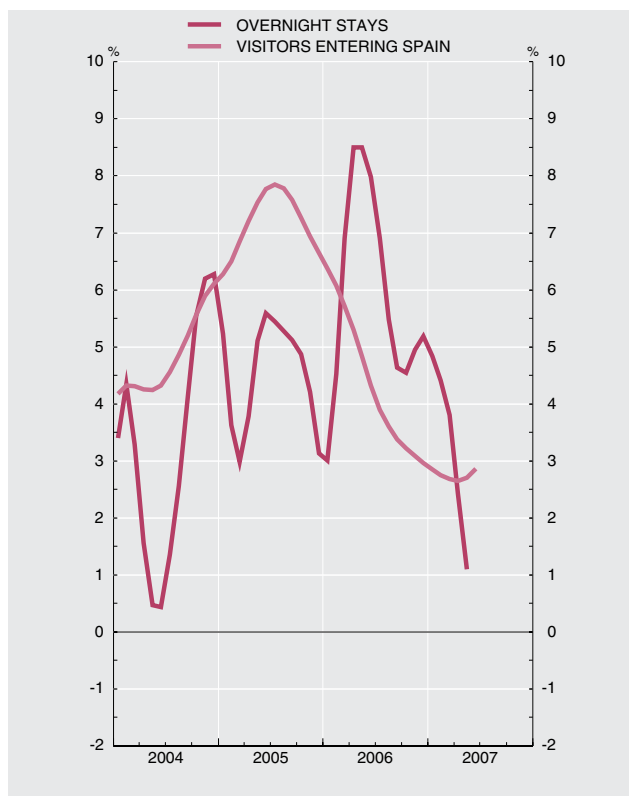
3.7. TOURISM AND TRANSPORT STATISTICS. SPAIN

■ Series depicted in chart.

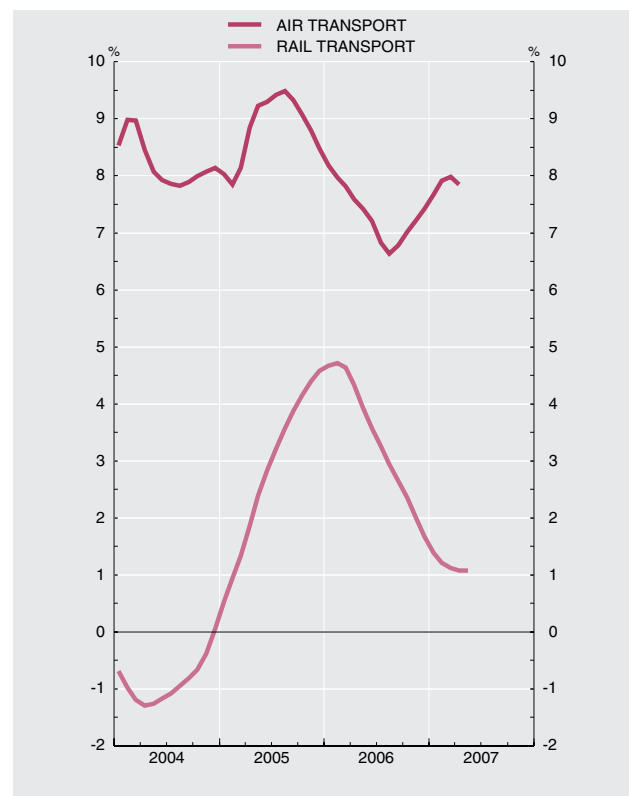
Annual percentage changes

		Hotel stays (a)		Overnight stays		Visitors entering Spain			Air transport				Maritime transport		Rail transport	
		Total	Foreigners	Total	Foreigners	Total	Tourists	Day-trippers	Passengers			Freight	Passengers	Freight	Passengers	Freight
									Total	Domestic flights	International flights					
		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	-2.5
06	P	5.8	6.0	6.2	6.5	3.9	4.5	3.0	6.7	6.7	6.8	-4.5	10.2	1.3	2.0	-3.1
06 J-J	P	7.5	9.1	7.7	9.2	6.0	6.2	5.6	8.0	8.0	8.0	-7.9	6.3	4.3	1.5	0.5
07 J-J	P	...	...	...	...	2.4	2.1	3.0	...	...	...	...	...	...	...	...
06 Mar	P	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	8.2
Apr	P	21.5	19.4	24.6	18.1	16.0	18.4	12.6	15.1	9.5	19.6	-16.2	37.8	4.3	-6.5	-22.1
May	P	4.5	8.4	5.7	8.9	7.3	7.2	7.5	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	0.7	5.3	-7.7	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	7.7	-40.0	1.9	-7.5
Dec	P	5.4	1.7	7.0	4.6	4.1	1.8	6.7	9.2	10.2	8.3	3.2	29.8	8.1	-0.1	-10.0
07 Jan	P	5.1	8.3	3.4	4.9	3.9	4.0	3.8	6.7	6.2	7.2	5.6	5.3	0.3	-0.0	-2.0
Feb	P	3.8	7.4	3.2	5.4	1.3	4.4	-2.6	9.1	8.9	9.4	6.5	5.6	6.9	-2.0	-3.7
Mar	P	7.5	8.6	6.9	7.9	6.6	6.9	6.1	12.0	10.7	13.2	1.3	17.3	1.7	5.6	4.0
Apr	P	1.8	1.7	2.9	2.0	-0.8	-3.5	3.5	6.1	7.6	5.0	4.2	-0.8	4.3	0.9	8.5
May	P	0.7	-0.6	-0.7	-1.0	-3.0	-1.4	-6.0	...	...	...	...	...	...	-0.7	...
Jun	P	...	...	...	...	7.9	4.8	14.3	...	...	...	...	...	...	...	...

TOURISM
Trend obtained with TRAMO-SEATS



TRANSPORT
Trend obtained with TRAMO-SEATS



Sources: INE and Instituto de Estudios Turísticos, Estadística de Movimientos Turísticos en Frontera.

Note: The underlying series for this indicator are in Table 23.15 of the BE Boletín estadístico.

a. From January 2003, the information for Galicia is based on total figures for hotel stays and overnight stays for the month. The directory of hotels has been reviewed thoroughly. Since January 2006, the directories have been update and the information-collection period extended to every day of the month

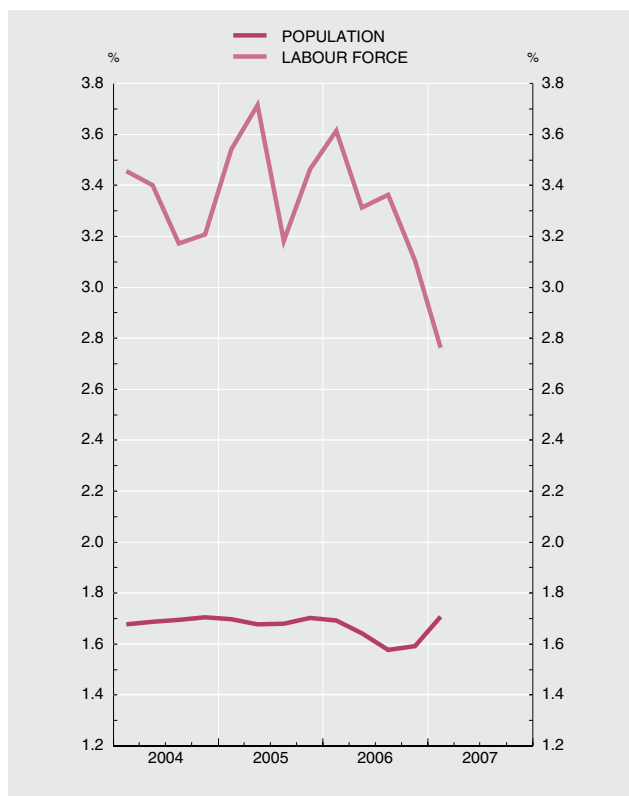
4.1. LABOUR FORCE. SPAIN

■ Series depicted in chart.

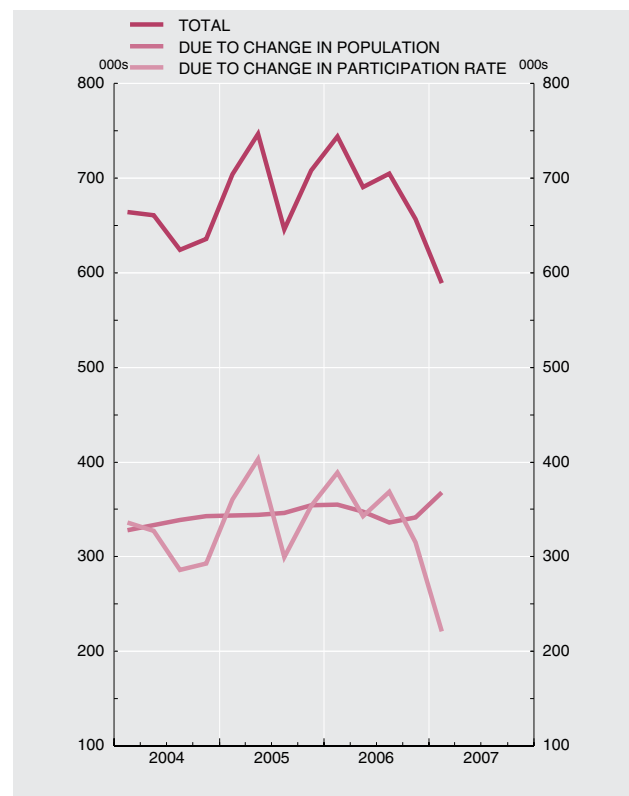
Thousands and annual percentage changes

Population over 16 years of age					Labour force					
		Thousands	Annual change	4-quarter % change	Participation rate (%) (a)	Thousands (a)	Annual change (b)			4-quarter % change
							Total	Due to change in population over 16 years of age	Due to change in participation rate	
		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-Q1M	36 800	613	1.7	57.98	21 336	744	355	389	3.6
07	Q1-Q1M	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.

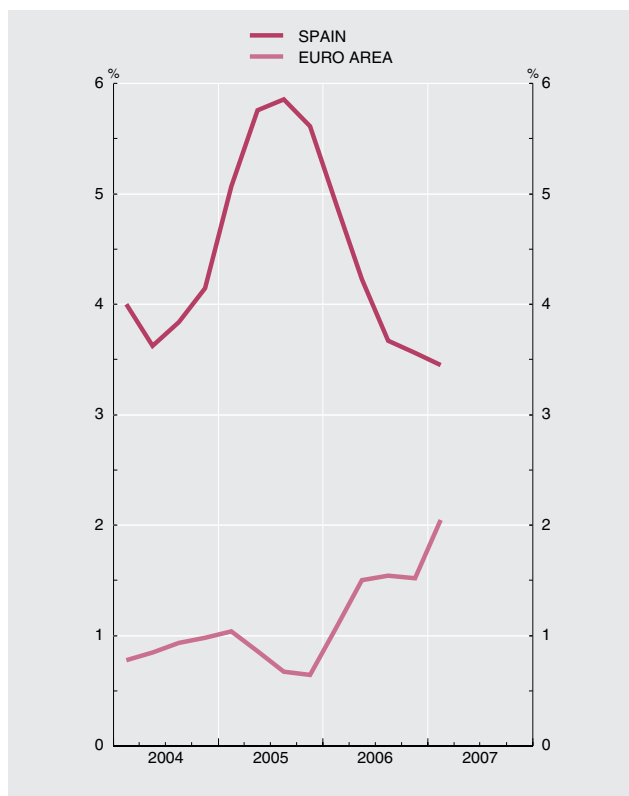
4.2. EMPLOYMENT AND WAGE-EARNERS. SPAIN AND EURO AREA

■ Series depicted in chart.

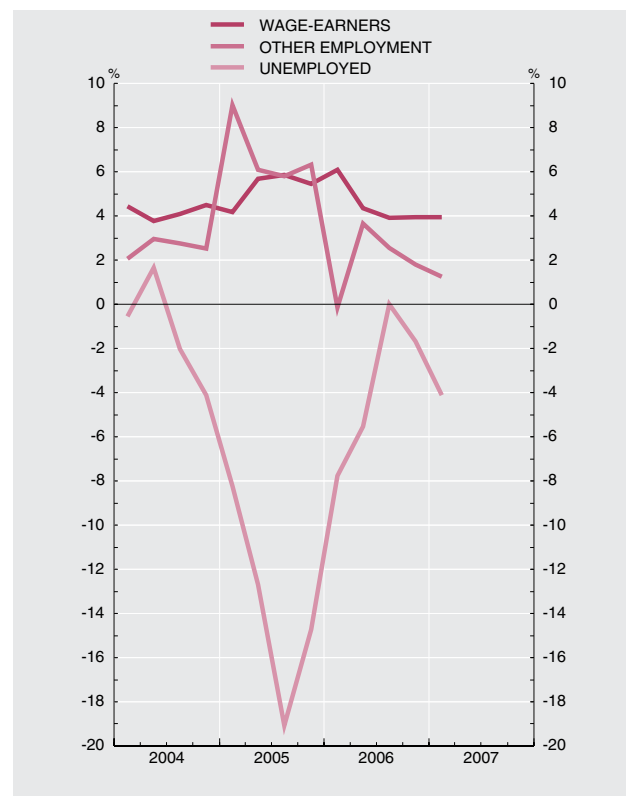
Thousands and annual percentage changes

		Employment									Unemployment			Memorandum item: euro area		
		Total			Wage-earners			Other			Thousands	Annual change	4-quarter % change	Unemployment rate	Employment 4-quarter % change	Unemployment rate
		Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change						
		1	2	3	4	5	6	7	8	9	(a)	11	12	(a)	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	0.9	8.83
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	7.88
06	Q1-Q1M	19 400	907	4.9	15 889	912	6.1	3 511	-5	-0.1	1 936	-163	-7.8	9.07	1.1	8.23
07	Q1-Q1M	20 069	669	3.4	16 515	626	3.9	3 555	44	1.2	1 856	-80	-4.1	8.47	2.0	7.27
04	Q3	18 129	670	3.8	14 876	583	4.1	3 253	87	2.7	2 181	-45	-2.0	10.74	0.9	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	1.0	8.76
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	0.9	8.70
	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	8.44
	Q4	19 314	1 026	5.6	15 842	819	5.5	3 473	207	6.3	1 841	-318	-14.7	8.70	0.6	8.38
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	8.23
	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	7.92
	Q3	19 896	705	3.7	16 366	616	3.9	3 530	88	2.6	1 765	-	-	8.15	1.5	7.77
	Q4	20 002	688	3.6	16 466	625	3.9	3 536	63	1.8	1 811	-31	-1.7	8.30	1.5	7.59
07	Q1	20 069	669	3.4	16 515	626	3.9	3 555	44	1.2	1 856	-80	-4.1	8.47	2.0	7.27

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.

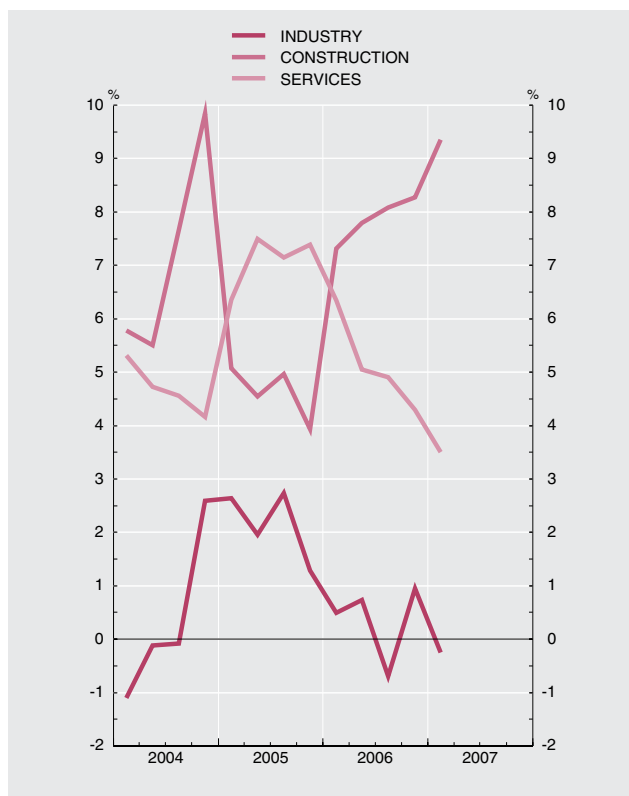
4.3. EMPLOYMENT BY BRANCH OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

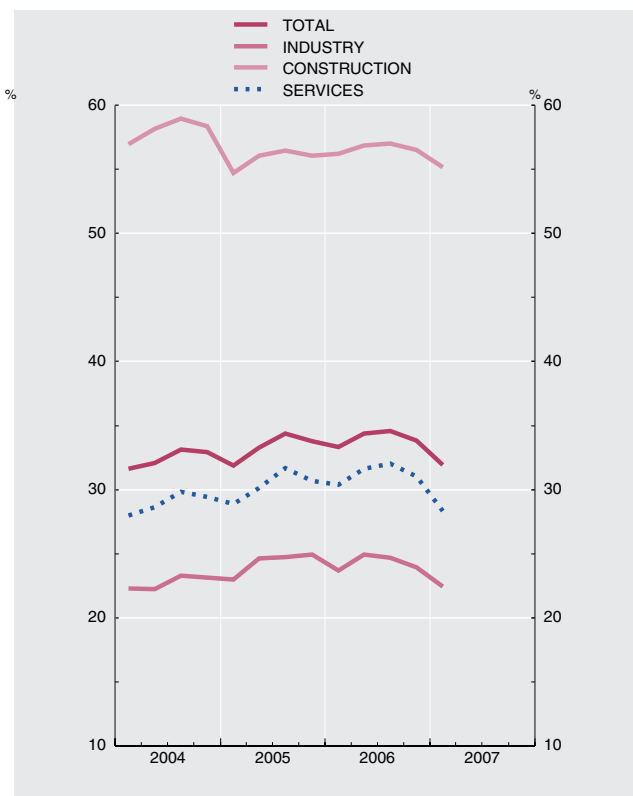
Annual percentage changes

		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-Q1M	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-Q1M	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.

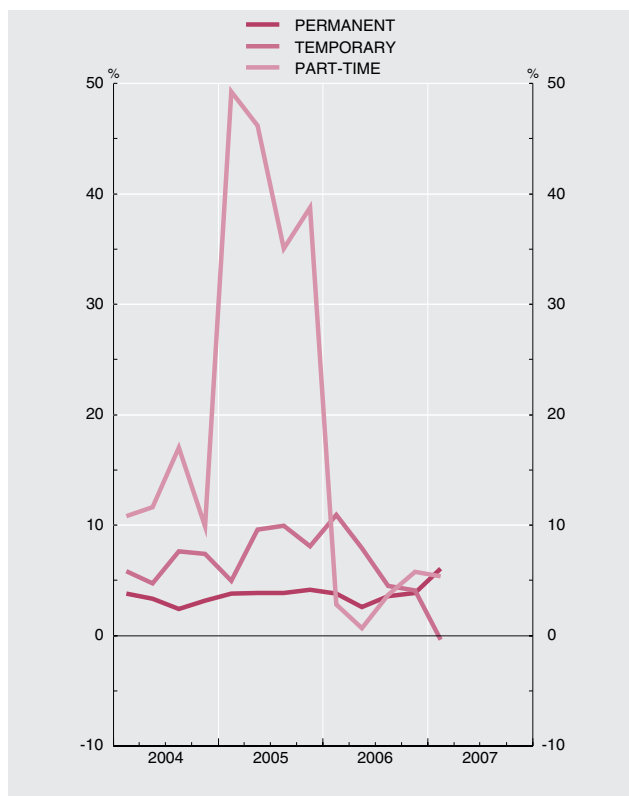
4.4. WAGE-EARNERS BY TYPE OF CONTRACT AND UNEMPLOYMENT BY DURATION. SPAIN. (a)

■ Series depicted in chart.

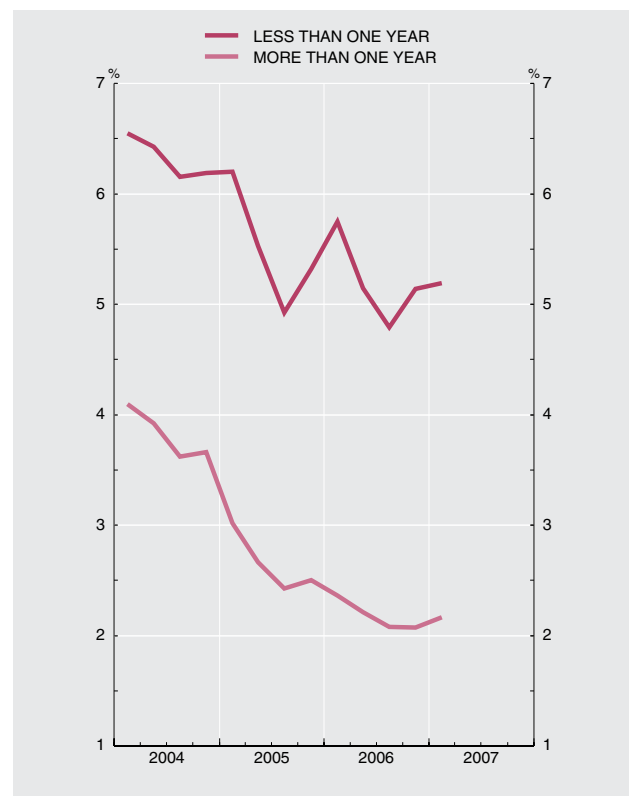
Thousands, annual percentage changes and %

		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	4-quarter % change	Annual change	4-quarter % change	Proportion of temporary employment	Annual change	4-quarter % change	Annual change	4-quarter % change	As % for wage earners	Unemployment rate	4-quarter % change	Unemployment rate	4-quarter % change	Entailing a change of residence	With a lower wage	Requiring fewer skills
		Thousands		Thousands			Thousands		Thousands			(a)		(a)				
		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-Q1M	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-Q1M	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.

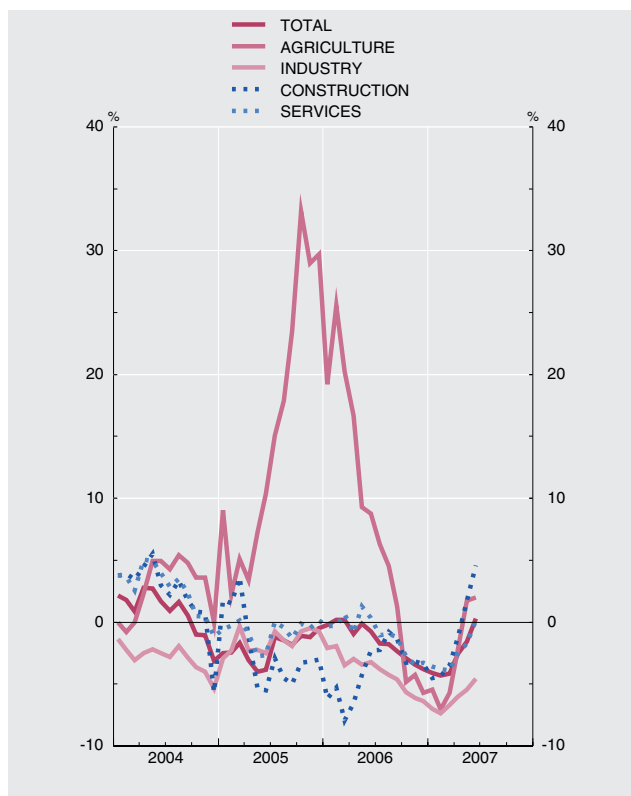
4.5. REGISTERED UNEMPLOYMENT BY BRANCH OF ACTIVITY. CONTRACTS AND PLACEMENTS. SPAIN

■ Series depicted in chart.

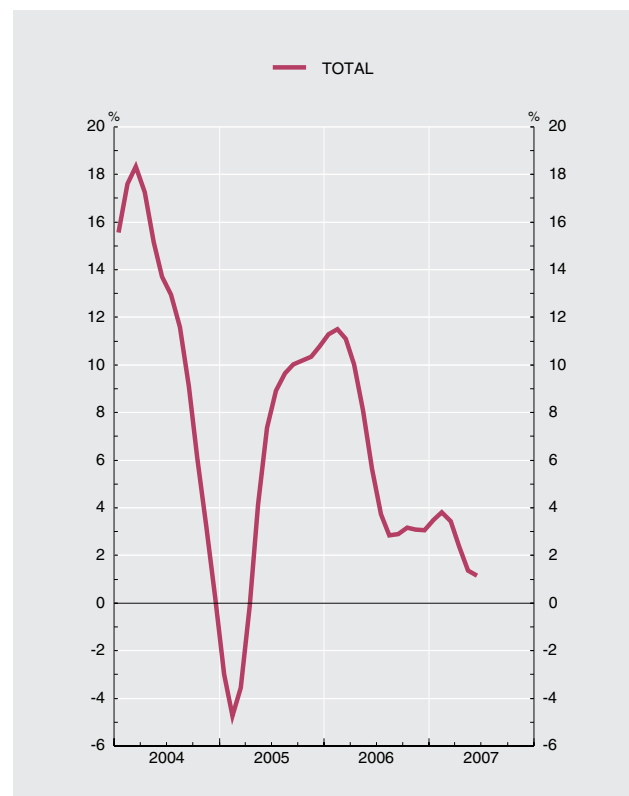
Thousands, annual percentage changes and %

		Registered unemployment										Contracts					Placements		
		Total			First time job-seekers	Previously employed					Total		Percentage of total			Total			
		Thousands	Annual change Thousands	12 month % change	12 month % change	12-month % change						Thousands	12 month % change	Perma- nent	Part time	Tempo- rary	Thousands	12 month % change	
						Branches other than agriculture													
		1	2	3	4	Total	Agri- culture	Total	Industry	Construc- tion	Services	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-J	M	2 088	-6	-0.3	2.2	-0.6	16.5	-1.1	-2.8	-5.5	0.1	1 499	10.4	10.75	22.27	89.25	1 447	10.0
07	J-J	M	2 030	-58	-2.8	-0.7	-3.1	-2.9	-3.1	-6.2	-1.4	-2.6	1 537	2.5	12.58	22.55	87.42	1 483	2.5
06	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	1 653	12.3	15.45	20.97	84.55	1 540	8.6
	Feb		2 075	-94	-4.3	-2.6	-4.5	-7.1	-4.4	-7.4	-4.4	-3.8	1 408	3.0	12.49	22.28	87.51	1 365	4.0
	Mar		2 059	-89	-4.1	-2.4	-4.4	-5.7	-4.3	-6.7	-3.5	-3.9	1 564	0.6	12.35	22.91	87.65	1 519	1.6
	Apr		2 023	-53	-2.5	0.3	-2.9	-2.2	-2.9	-6.0	-1.2	-2.5	1 386	6.3	12.19	22.84	87.81	1 360	7.1
	May		1 973	-31	-1.6	0.3	-1.8	1.8	-1.9	-5.4	1.8	-1.7	1 625	-0.7	11.71	22.90	88.29	1 587	-0.5
	Jun		1 966	6	0.3	3.0	-0.0	2.0	-0.1	-4.6	4.6	0.1	1 582	-4.4	11.27	23.39	88.73	1 529	-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.

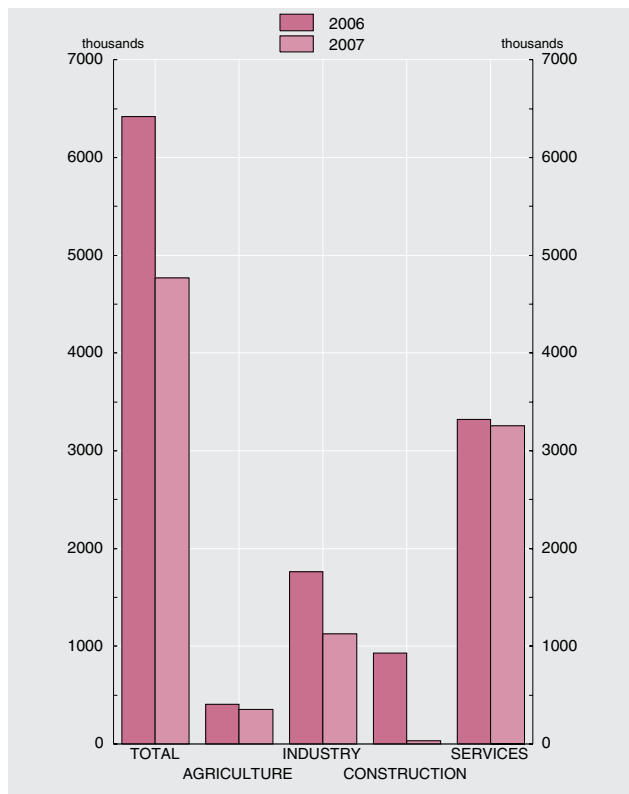
4.6. COLLECTIVE BARGAINING AGREEMENTS

■ Series depicted in chart.

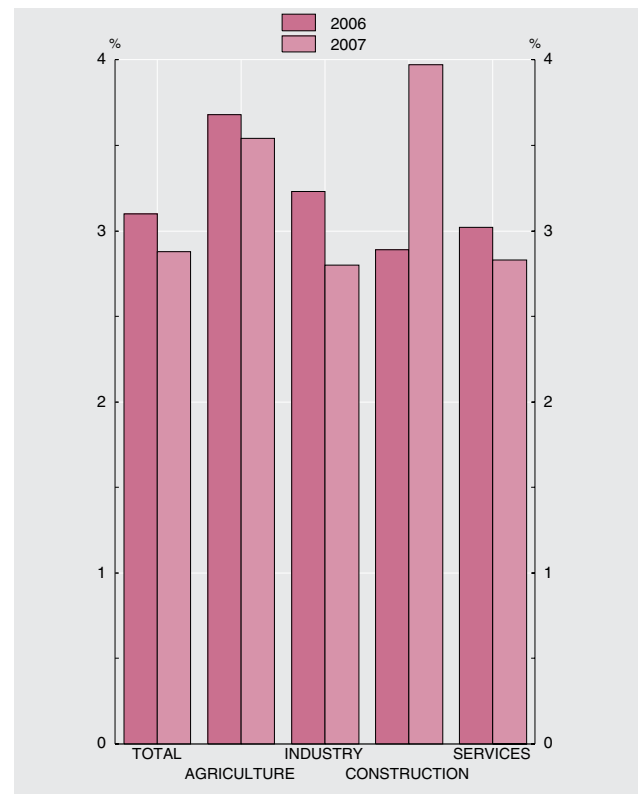
Thousands and %

	As per month economic effects come into force(a)		As per month recorded														
			Employees affected (a)								Average wage settlement (%)						
	Em- ployees affected	Average wage settle- ment	Auto- matic 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	10 756	3.17	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	10 008	3.26	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 Dec	10 756	3.17	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	9 332	3.22	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	9 364	3.22	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	9 416	3.22	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	9 719	3.24	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	9 859	3.25	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	9 877	3.25	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	9 883	3.25	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	9 883	3.25	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	9 998	3.27	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	10 004	3.27	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	10 004	3.27	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	10 008	3.26	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	4 647	2.88	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	4 650	2.88	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
Mar	4 651	2.88	4 723	13	4 736	-491	352	1 108	34	3 242	2.88	2.89	2.88	3.54	2.80	3.97	2.82
Apr	4 754	2.88	4 723	19	4 742	-1 630	354	1 108	34	3 245	2.88	3.11	2.88	3.54	2.80	3.97	2.83
May	4 755	2.88	4 723	45	4 767	-1 650	354	1 126	34	3 254	2.88	2.93	2.88	3.54	2.80	3.97	2.83

EMPLOYEES AFFECTED
January-may



AVERAGE WAGE SETTLEMENT
January-may



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

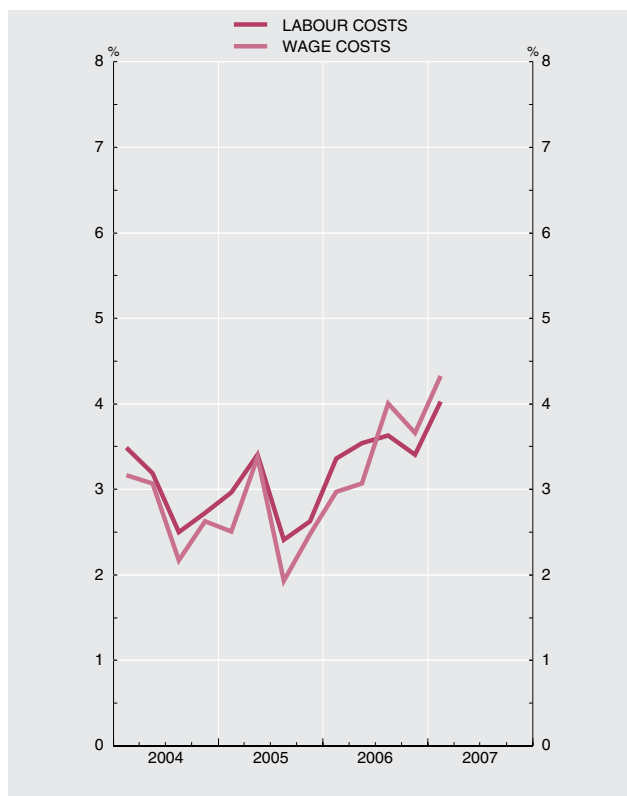
4.7. QUARTERLY LABOUR COSTS SURVEY

■ Series depicted in chart.

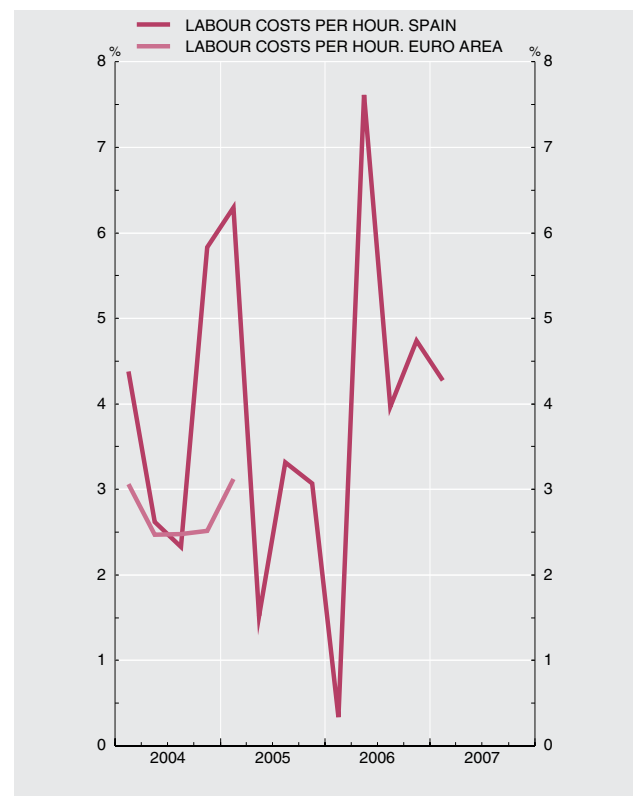
Annual percentage change

		Labour costs					Wage costs					Other costs per worker and month	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
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	...
06	M	3.5	3.7	4.0	3.6	4.2	3.4	3.6	3.7	3.7	4.2	3.6	...
06	Q1-Q1M	3.4	4.5	4.3	3.2	0.3	3.0	3.8	3.8	3.0	-	4.4	...
07	Q1-Q1M	4.0	4.2	5.0	4.0	4.3	4.3	3.7	5.5	4.5	4.6	3.2	...
04	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	...
07	Q1	4.0	4.2	5.0	4.0	4.3	4.3	3.7	5.5	4.5	4.6	3.2	...

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

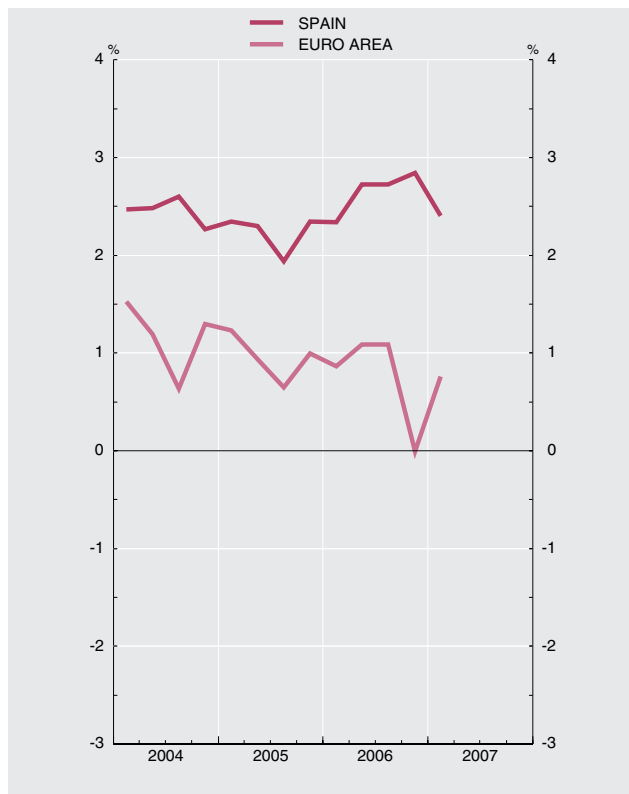
4.8. UNIT LABOUR COSTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

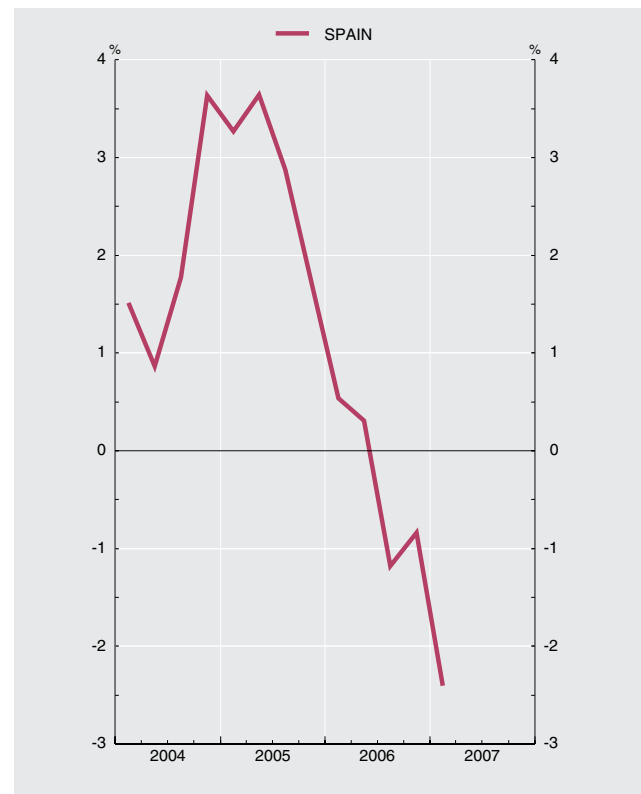
Annual percentage changes

	Whole-economy unit labour costs		Compensation per employee		Productivity						Memorandum item: unit labour costs in manufacturing	
	Spain	Euro area	Spain (b)	Euro area	Spain	Euro area	Output		Employment		Spain (c)	Euro area
							Spain	Euro area	Spain (b)	Euro area		
	1	2	3	4	5	6	7	8	9	10	11	12
04	2.5	1.2	3.1	2.1	0.6	0.9	3.2	1.8	2.6	0.9	1.9	...
05	2.2	1.0	2.6	1.8	0.4	0.8	3.5	1.6	3.1	0.8	2.9	...
06	2.7	0.8	3.4	2.2	0.8	1.4	3.9	2.9	3.1	1.4	-0.3	...
04 Q2	2.5	1.2	3.3	2.5	0.8	1.2	3.2	2.1	2.4	0.8	0.9	...
Q3	2.6	0.6	3.3	1.5	0.7	0.9	3.3	1.9	2.5	0.9	1.8	...
Q4	2.3	1.3	2.8	1.9	0.5	0.6	3.4	1.6	2.8	1.0	3.6	...
05 Q1	2.3	1.2	2.8	1.5	0.5	0.3	3.4	1.3	2.9	1.0	3.3	...
Q2	2.3	0.9	2.7	1.5	0.4	0.6	3.5	1.4	3.1	0.9	3.6	...
Q3	1.9	0.6	2.2	1.7	0.3	1.1	3.6	1.8	3.3	0.7	2.9	...
Q4	2.3	1.0	2.7	2.2	0.4	1.2	3.6	1.9	3.2	0.6	1.7	...
06 Q1	2.3	0.9	2.9	2.2	0.6	1.3	3.7	2.4	3.2	1.1	0.5	...
Q2	2.7	1.1	3.4	2.5	0.7	1.4	3.8	2.9	3.1	1.5	0.3	...
Q3	2.7	1.1	3.6	2.3	0.8	1.2	3.8	2.8	2.9	1.5	-1.2	...
Q4	2.8	-0.0	3.8	1.8	0.9	1.8	4.0	3.3	3.1	1.5	-0.8	...
07 Q1	2.4	0.8	3.5	2.5	1.0	1.7	4.1	3.1	3.0	2.0	-2.4	...

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.

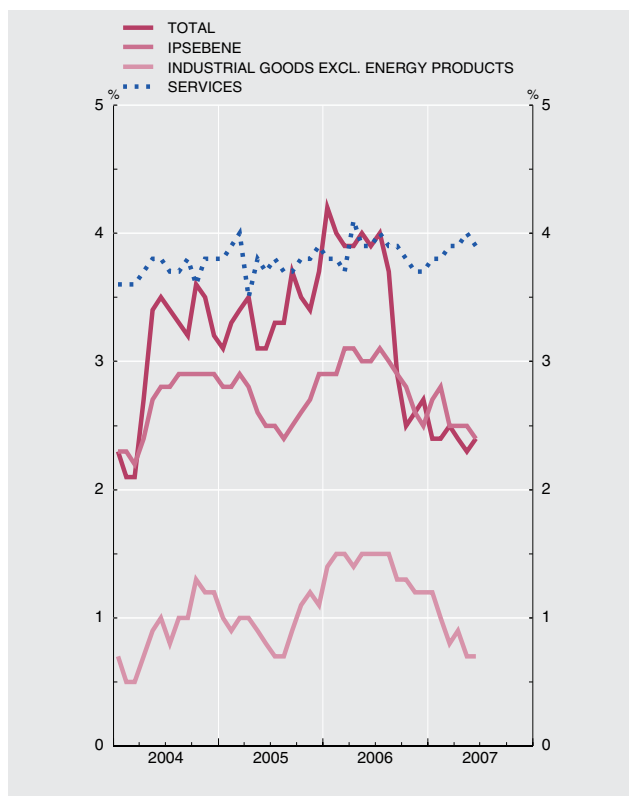
5.1. CONSUMER PRICE INDEX. SPAIN (2006=100)

■ Series depicted in chart.

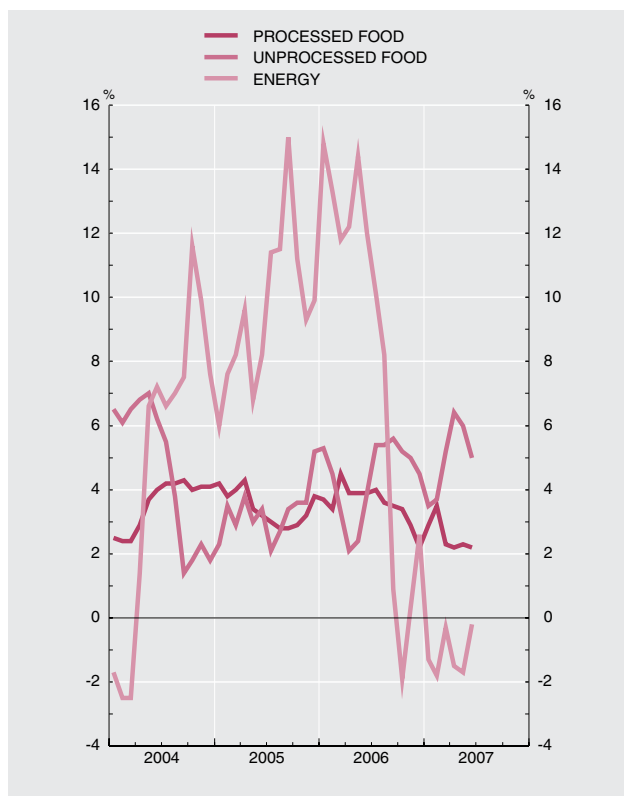
Indices and annual percentage changes

		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-J	M	99.5	0.4	4.0	1.0	3.6	3.9	1.5	13.1	3.9	3.0	116.1	-1.9
07 J-J	M	101.9	0.3	2.4	0.7	5.0	2.6	0.9	-1.1	3.9	2.6	115.3	-1.1
06 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	113.8	-6.3
Mar		101.3	0.8	2.5	0.1	5.2	2.3	0.8	-0.3	3.9	2.5	115.3	1.5
Apr		102.7	1.4	2.4	1.5	6.4	2.2	0.9	-1.5	3.9	2.5	120.3	6.6
May		103.0	0.3	2.3	1.8	6.0	2.3	0.7	-1.7	4.0	2.5	...	...
Jun		103.2	0.2	2.4	2.0	5.0	2.2	0.7	-0.2	3.9	2.4	...	...

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.

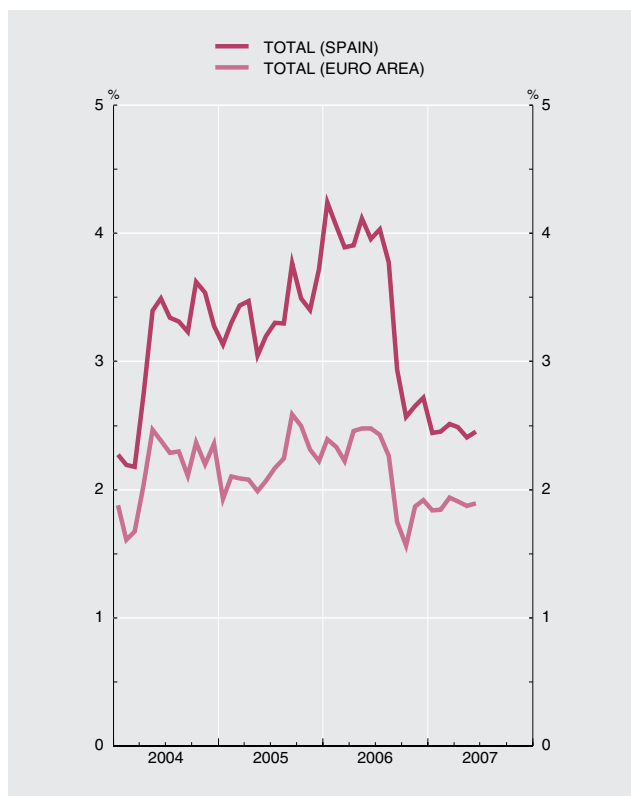
5.2. HARMONISED INDEX OF CONSUMER PRICES. SPAIN AND EURO AREA (2005=100) (a)

■ Series depicted in chart.

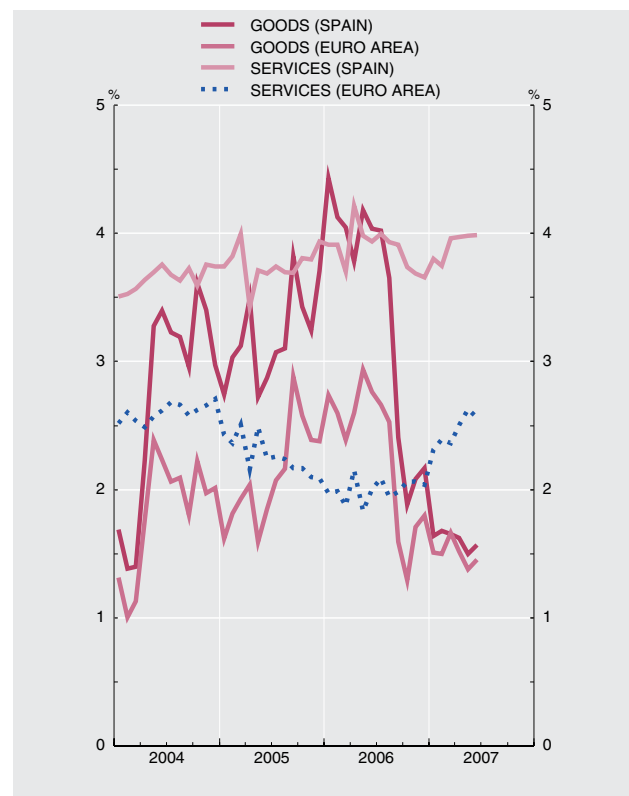
Annual percentage changes

		Total		Goods														Services			
		Spain	Euro area	Spain	Euro area	Food						Industrial								Spain	Euro area
						Total		Processed		Unprocessed		Spain	Euro area	Non-energy		Energy					
						Spain	Euro area	Spain	Euro area	Spain	Euro area			Spain	Euro area						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18				
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-J	M	4.0	2.4	4.1	2.7	3.8	1.9	4.3	2.1	3.3	1.5	4.3	3.1	1.5	0.5	13.1	11.9	3.9	2.0	
07	J-J	MP	2.5	1.9	1.6	1.5	3.4	2.5	2.4	2.0	4.4	3.2	0.5	1.0	1.0	1.1	-1.1	0.8	3.9	2.5	
06	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		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	
	Apr		2.5	1.9	1.6	1.5	3.6	2.7	1.9	1.9	5.4	3.9	0.4	1.0	0.9	1.1	-1.4	0.4	4.0	2.5	
	May		2.4	1.9	1.5	1.4	3.5	2.4	2.0	1.9	5.2	3.1	0.2	0.9	0.8	1.0	-1.6	0.3	4.0	2.6	
	Jun	P	2.5	1.9	1.6	1.5	3.2	2.4	2.0	2.0	4.4	3.0	0.5	1.0	0.7	1.0	-0.2	0.9	4.0	2.6	

HARMONISED INDEX OF CONSUMER PRICES. TOTAL
Annual percentage changes



HARMONISED INDEX OF CONSUMER PRICES. COMPONENTS
Annual percentage changes



Source: Eurostat.

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

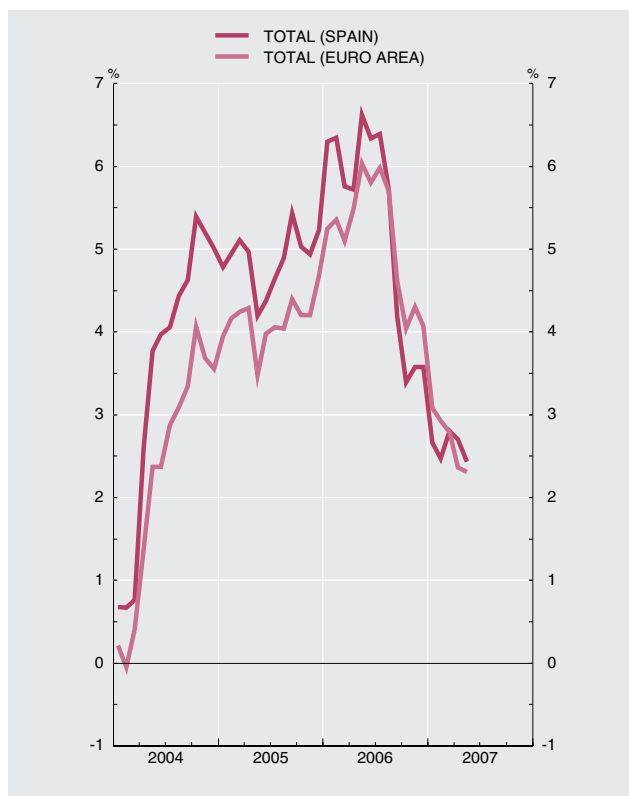
5.3. PRODUCER PRICE INDEX. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

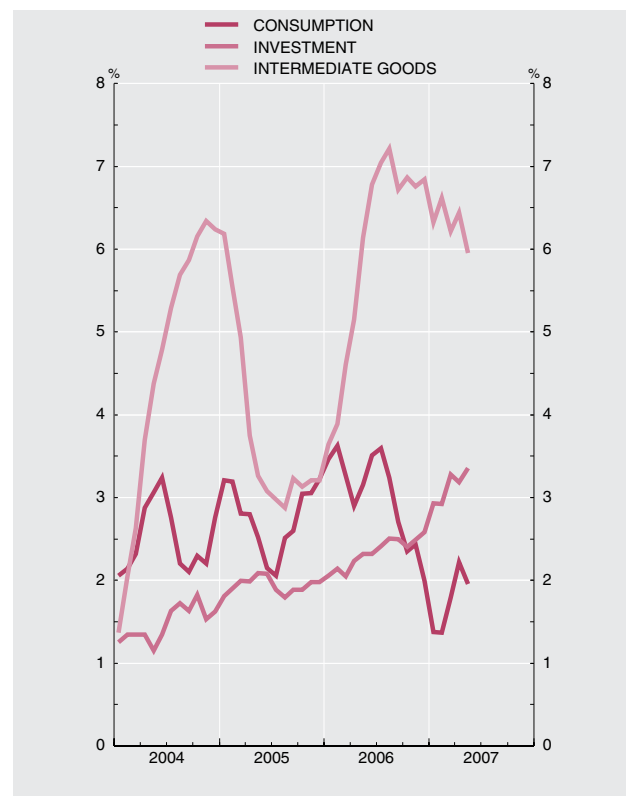
Annual percentage changes

		Total (100%)			Consumption (32.1 %)		Investment (18.3 %)		Intermediate (31.6 %)		Energy (18.0%)		Memorandum item: euro area				
		Original series	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Total	Consumption	Investment	Intermediate	Energy
		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	117.8	—	6.1	—	3.3	—	2.2	—	4.7	—	18.0	5.4	1.6	1.1	2.9	18.6
07 J-M	MP	120.8	—	2.6	—	1.7	—	3.1	—	6.3	—	-2.2	2.7	1.6	2.0	5.8	0.5
06 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	1.9	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	1.4	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	6.2	1.7
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	6.0	1.1
Mar	P	120.9	0.6	2.8	0.4	1.8	0.4	3.3	0.5	6.2	1.2	-1.6	2.8	1.5	2.0	5.9	0.9
Apr	P	121.5	0.5	2.7	0.4	2.2	0.2	3.2	0.7	6.4	0.7	-2.6	2.4	1.6	2.0	5.8	-0.9
May	P	122.1	0.5	2.4	0.1	2.0	0.4	3.4	0.6	6.0	1.0	-2.8	2.3	1.6	2.0	5.4	-0.5

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.

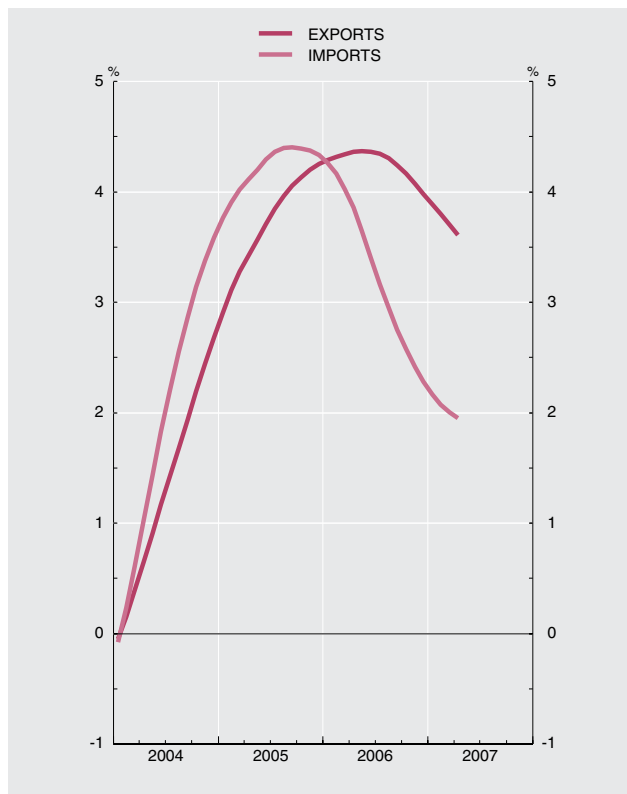
5.4. UNIT VALUE INDICES FOR SPANISH FOREIGN TRADE

■ Series depicted in chart.

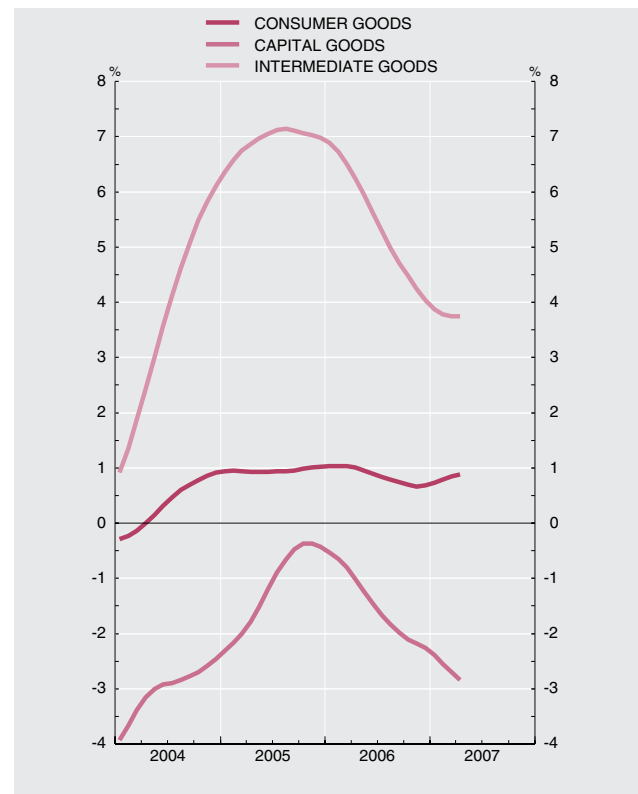
Annual percentage changes

	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-A	4,3	1,6	5,4	6,4	28,1	5,1	6,4	0,4	0,3	10,9	34,6	4,3
07 J-A	3,5	3,5	0,0	4,2	-10,7	5,6	0,3	3,4	-3,3	-0,5	-7,5	2,7
05 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	5,5	-13,7	7,0	0,5	1,9	-4,0	1,0	-10,2	5,1
Mar	3,9	3,6	4,2	4,0	-12,3	5,5	1,9	1,8	-4,1	3,2	-6,6	7,1
Apr	2,5	4,4	-5,4	2,9	-12,4	4,3	-2,0	1,1	-5,9	-2,6	-7,6	0,0

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).

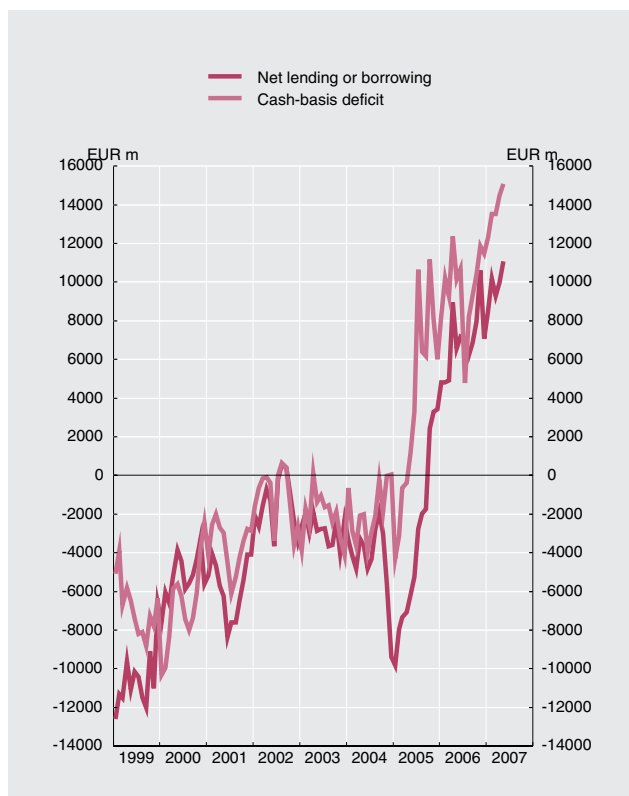
6.1. STATE RESOURCES AND USES ACCORDING TO THE NATIONAL ACCOUNTS (A). SPAIN

■ Series depicted in chart.

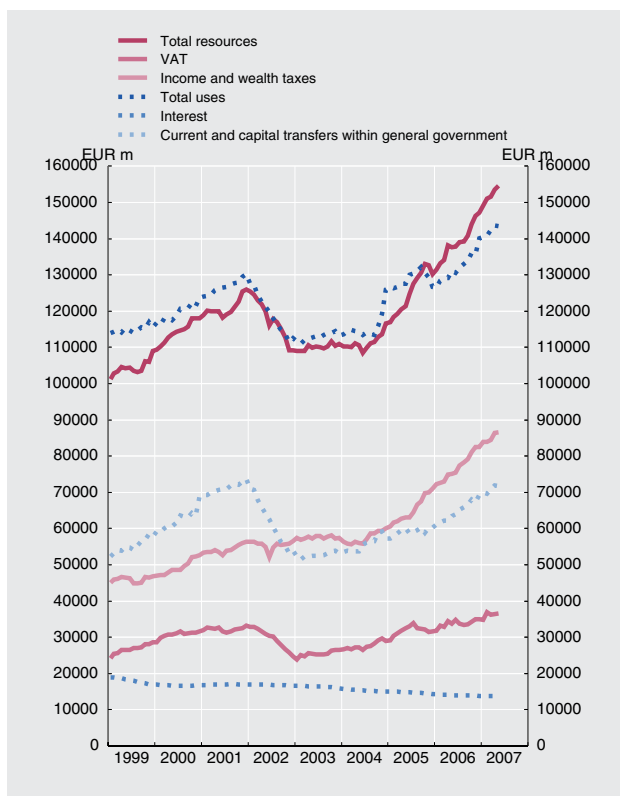
EUR millions

		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	Inter- est and other income on pro- perty	Income and wealth taxes	Other	Total	Compensation of employees	Interest	Current and ca- pital trans- fers within general government	Invest- ment grants and other capital trans- fers	Other	Cash- basis deficit	Revenue	Expendi- ture
		1=2-8	2=3+7	3	4	5	6	7	8=9+13	9	10	11	12	13	14=15-16	15	16
99		-6 585	109 009	28 574	16 408	5 877	46 886	11 264	115 594	17 363	16 959	57 721	3 034	20 517	-6 354	110 370	116 724
00		-5 627	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	P	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	10 349	58 768	21 889	4 304	2 031	27 100	3 444	48 419	6 164	5 745	25 250	743	10 517	7 602	58 107	50 505
07 J-M	A	14 367	66 170	23 493	5 015	2 458	31 131	4 073	51 803	6 562	5 753	27 858	734	10 896	11 220	65 523	54 303
06 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
06 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
06 Oct	P	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
06 Nov	P	-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
06 Dec	P	-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
07 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
07 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
07 Apr	A	13 987	24 496	7 923	1 102	347	14 360	764	10 509	1 326	1 141	5 847	156	2 039	14 190	24 317	10 127
07 May	A	-6 481	3 919	161	995	539	851	1 373	10 400	1 328	1 184	5 495	186	2 207	-5 286	3 423	8 709

STATE. NET LENDING OR BORROWING AND CASH-BASIS DEFICIT
(Latest 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 is 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

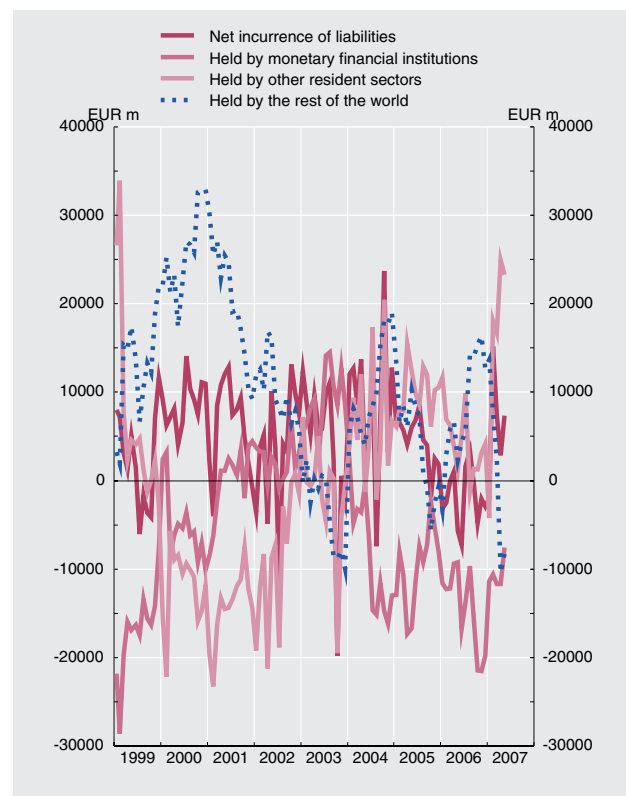
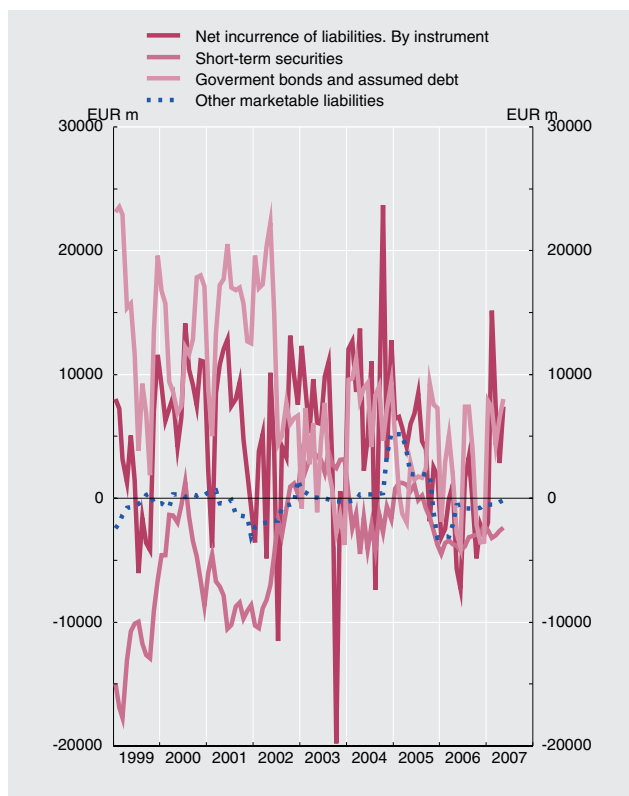
■ Series depicted in chart.

EUR millions

	Net lending (+) or net borrowing(-)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Net incurrence of liabilities (excluding other accounts payable)													
																		Net acquisition of financial assets	Net incurrence of liabilities											
																			Of which	By instrument							By counterpart sector			
																				Of which	In currencies other than the peseta/ euro	Short-term securities	Government bonds and assumed debt	Banco de España loans	Other marketable liabilities (b)	Other accounts payable	Held by resident sectors			Rest of the world
																											Total	Monetary financial institutions	Other resident sectors	
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	P 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 10 349	5 173	-1	-5 176	-131	493	-5 758	-	-330	418	-11 532	-11 130	-402	6 356		-5 595														
07 J-M	A 14 367	19 496	6 900	5 129	18	308	5 760	-583	59	-416	19 809	1 138	18 671	-14 680		5 544														
06 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	P 12 515	4 353	1	-8 162	5	-2 161	-7 024	-	20	1 003	-7 212	-6 861	-351	-950		-9 165														
Nov	P -2 561	2 023	-1	4 584	6	1 764	2 221	-	12	586	616	426	191	3 967		3 997														
Dec	P -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	653	-7 712	2 103		1 606														
Feb	A 9 918	24 978	0	15 060	8	-3 064	3 148	-	-1	14 977	18 114	-1 045	19 158	-3 054		83														
Mar	A -5 951	-8 471	20	-2 520	4	2 220	686	-	7	-5 434	442	286	156	-2 962		2 913														
Apr	A 13 987	9 034	6 773	-4 953	-11	-2 623	970	-583	21	-2 737	6 774	-2 818	9 592	-11 727		-2 215														
May	A -6 481	-3 983	107	2 498	9	2 148	985	-	24	-659	1 538	4 062	-2 524	960		3 157														

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

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

6.3. STATE: LIABILITIES OUTSTANDING. SPAIN

■ Series depicted in chart.

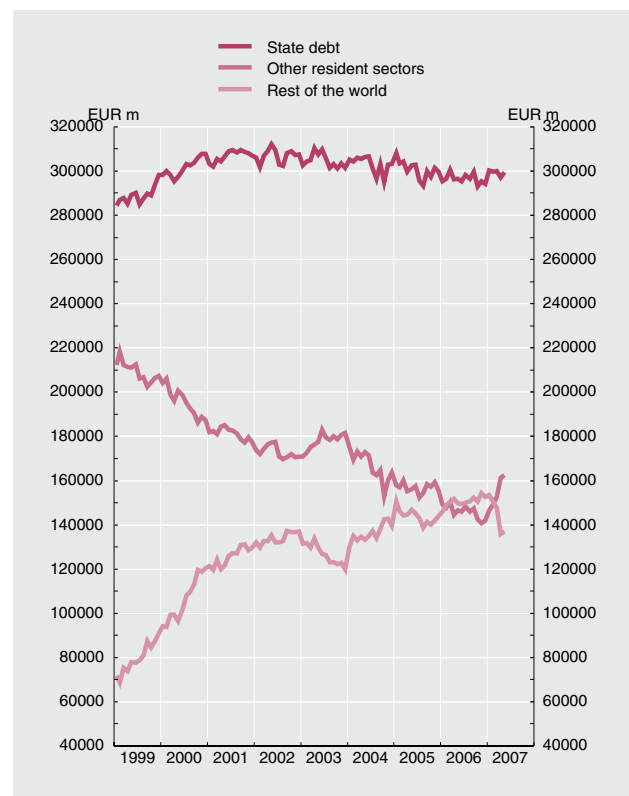
EUR millions

	Liabilities outstanding (excluding other accounts payable)										Memorandum item:			
	of which		By instrument				By counterpart sector				Deposits at the Banco de España	Guarantees given (contingent liabilities). Outstanding level		
	State debt according to the methodology of the excessive deficit procedure	In currencies other than the peseta/ euro	Short-term securities	Government bonds and assumed debt	Banco de España loans	Other marketable liabilities (a)	Held by resident sectors			Rest of the world				
							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	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	299 642	518	33 130	253 610	6 902	6 000	169 754	22 464	147 290	152 351	100	5 649
	Oct	P	293 134	523	31 106	249 106	6 902	6 020	163 622	21 017	142 605	150 529	100	5 645
	Nov	P	295 340	516	32 762	249 643	6 902	6 033	162 670	21 792	140 878	154 462	100	5 960
	Dec	P	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	176 083	23 590	152 492	147 563	120	5 681
	Apr	A	297 192	381	29 191	256 087	5 832	6 081	184 612	23 246	161 366	135 826	6 893	5 718
	May	A	299 366	382	31 340	256 089	5 832	6 105	185 768	23 246	162 521	136 845	7 000	...

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

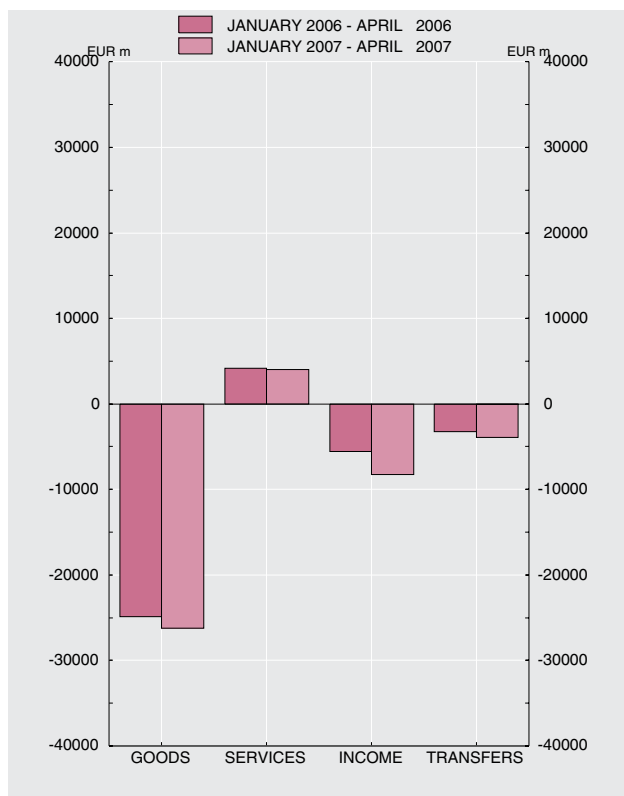
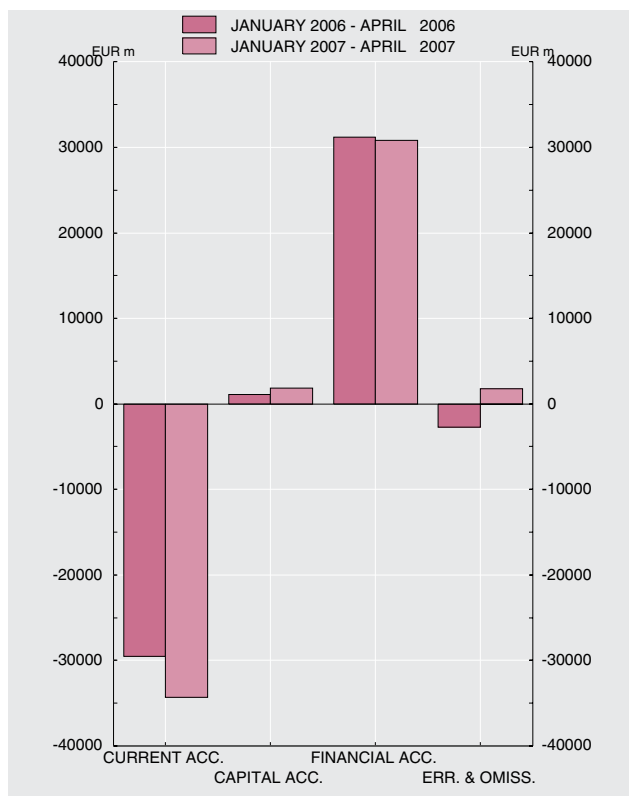
■ Series depicted in chart.

EUR millions

		Current account (a)												Capital account (balance)	Current account plus capital account	Financial account (balance) (b)	Errors and omis- sion
Total (balance)	Goods			Services				Income			Current trans- fers (bal- ance)						
	Balance	Receipts	Payments	Balance	Receipts		Payments		Balance	Receipts		Pay- ments					
					Of which		Of which										
					Total	Travel	Total	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-A	P -29 509	-24 847	56 225	81 072	4 176	23 652	10 013	19 477	3 784	-5 586	10 862	16 448	-3 251	1 090	-28 419	31 159	-2 740
07 J-A	P -34 339	-26 191	60 473	86 664	4 040	25 681	10 494	21 641	4 096	-8 235	14 254	22 490	-3 952	1 810	-32 529	30 786	1 743
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
Feb	P -8 981	-6 021	15 130	21 151	819	5 849	2 290	5 030	910	-1 939	2 790	4 729	-1 839	131	-8 850	9 376	-526
Mar	P -7 885	-6 774	16 599	23 373	1 130	6 856	2 814	5 726	1 076	-2 226	3 823	6 049	-14	102	-7 783	7 292	491
Apr	P -8 851	-6 944	14 539	21 483	1 140	6 542	2 717	5 402	996	-2 120	3 834	5 954	-927	276	-8 575	6 468	2 107

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).

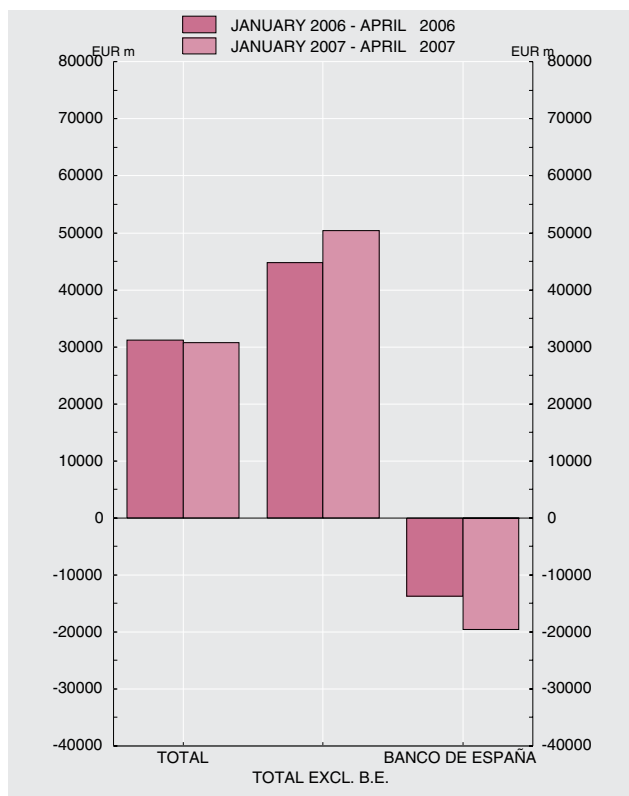
7.2. THE SPANISH BALANCE OF PAYMENTS VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. FINANCIAL ACCOUNT (a)

■ Series depicted in chart.

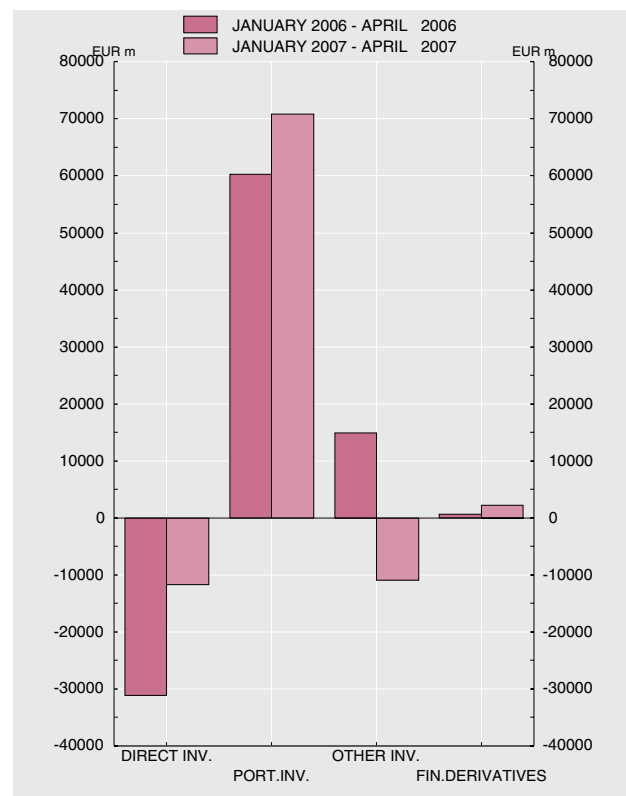
EUR millions

		Total, excluding Banco de España												Banco de España			
	Financial account	Total (NCL-NCA) 1= 2+13	Direct investment			Portfolio investment			Other investment (d)			Net financial derivatives (NCL-NCA) 12	Balance (NCL-NCA) 13=14+ 15+16	Re-serves (e) 14	Claims with the Euro-system (e) 15	Other net assets (NCL-NCA) 16	
			Balance (NCL-NCA)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL) (b)	Balance (NCL-NCA)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL) (c)	Balance (NCL-NCA)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL)						
			3=5-4	4	5	6=8-7	7	8	9=11-10	10	11						
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-A	P	31 159	44 834	-31 101	37 709	6 608	60 284	18 406	78 690	14 946	27 017	41 964	705	-13 675	227	-13 253	-649
07 J-A	P	30 786	50 365	-11 703	20 285	8 581	70 847	11 593	82 440	-10 973	22 815	11 841	2 194	-19 579	26	-15 282	-4 323
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
Feb	P	9 376	16 999	1 403	474	1 877	17 715	5 409	23 124	-2 190	10 289	8 098	71	-7 623	32	-6 077	-1 578
Mar	P	7 292	6 518	-4 662	2 483	-2 179	18 410	5 597	24 007	-7 622	19 297	11 675	392	774	-33	2 645	-1 838
Apr	P	6 468	20 239	-6 340	12 778	6 438	18 014	932	18 946	7 472	-13 089	-5 617	1 093	-13 771	-17	-12 813	-941

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

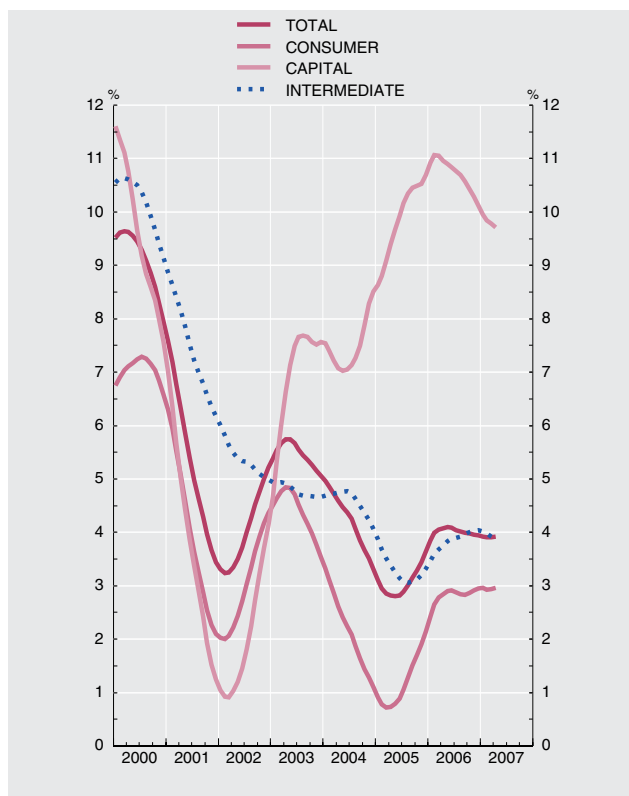
■ Series depicted in chart.

Eur millions and annual percentage changes

	Total			By product (deflated data) (a)					By geographical area (nominal data)							
	EUR millions	Nominal	De- flated (a)	Con- sumer	Capital	Intermediate			EU 25			OECD		OPEC	Other American countries	Newly industrial- ised countries
						Total	Energy	Non- energy	Total	of which:		of which:				
										EU 15	Euro area	Total	United States			
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 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	7.4	3.8	-3.4	4.1	3.0	2.5	4.4	4.5	20.8	-16.6	58.2	-23.2
Mar	16 302	5.5	1.6	0.3	-6.4	4.0	-19.7	5.2	8.4	7.4	9.2	5.9	-2.8	15.7	-24.0	-8.1
Apr	14 399	9.4	6.7	6.7	18.6	4.5	-6.7	5.0	9.0	8.1	10.1	4.8	-12.0	45.0	42.2	-4.6

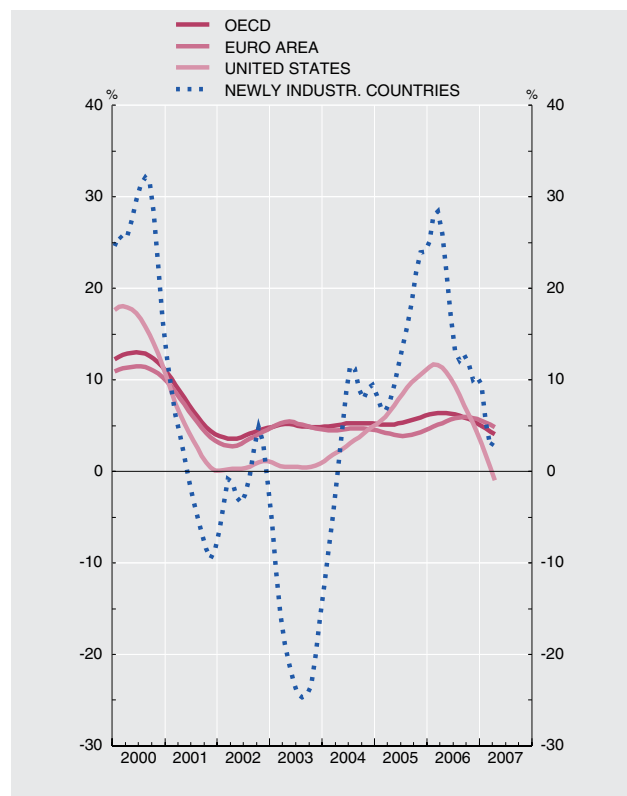
BY PRODUCT

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



BY GEOGRAPHICAL AREA

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



Sources: ME y BE.

Note: The underlying series for this indicator are in Tables 17.4 and 17.5 of the Boletín estadístico.

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

a. Series deflated by unit value indices.

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

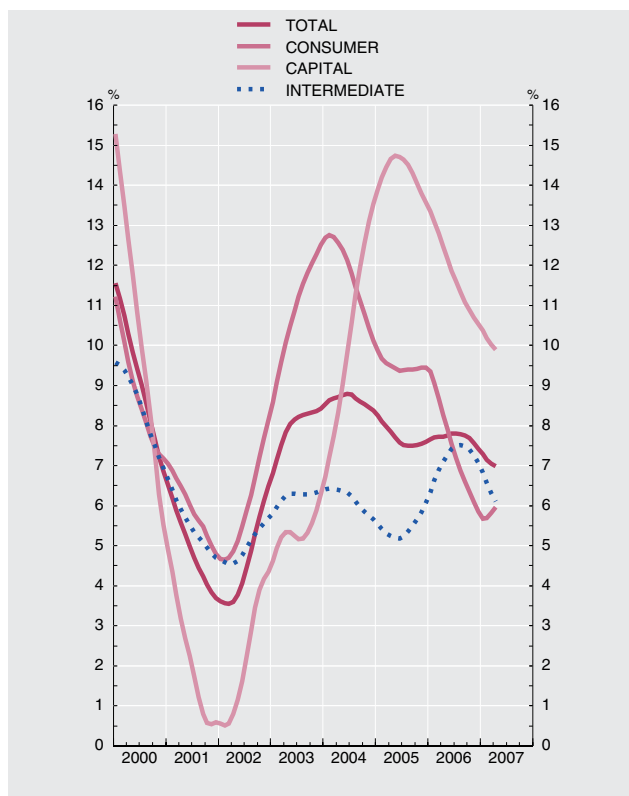
■ Series depicted in chart.

Eur millions and annual percentage changes

	Total			By product (deflated data) (a)					By geographical area (nominal data)							
	EUR millions	Nom- inal	De- flat- ed (a)	Con- sumer	Capital	Intermediate			EU 25			OECD		OPEC	Other Amer- ican coun- tries	Newly indus- trial- ised coun- tries
						Total	Energy	Non- energy	Total	of which:		of which:				
										EU 15	Euro area	Total	United States			
	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 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	3.2	6.1	4.8	5.6	6.2	5.1	7.5	-8.9	41.2	-1.8
Mar	24 106	2.7	0.8	3.1	14.8	-2.7	-12.0	-0.5	4.9	5.2	5.7	2.7	-3.6	-19.6	-1.7	0.6
Apr	22 059	10.0	12.3	10.6	9.3	13.5	1.9	16.4	12.1	12.3	13.3	11.8	11.6	-11.3	5.5	-1.9

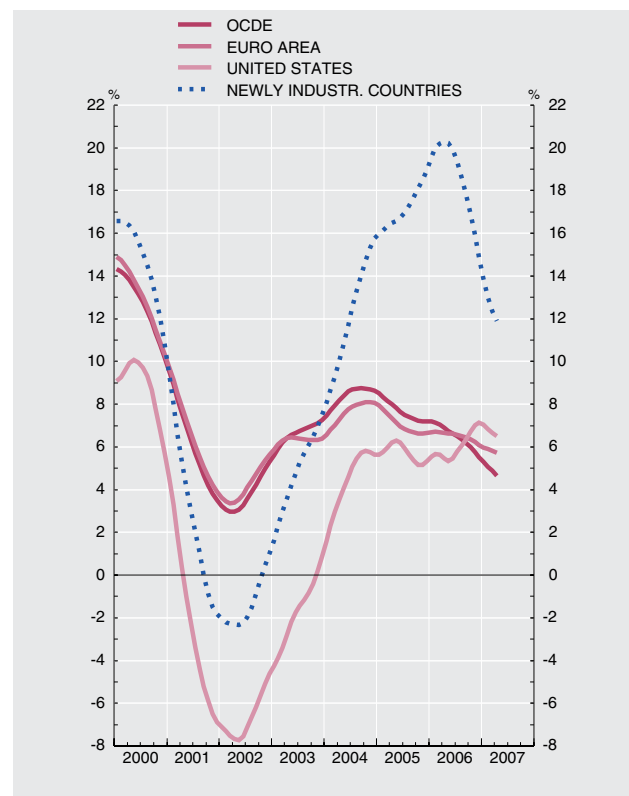
BY PRODUCTS

Annual percentage changes (trend obtained with TRAMO SEATS method)



BY GEOGRAPHICAL AREA

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



Sources: ME y BE.

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

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

a. Series deflated by unit value indices.

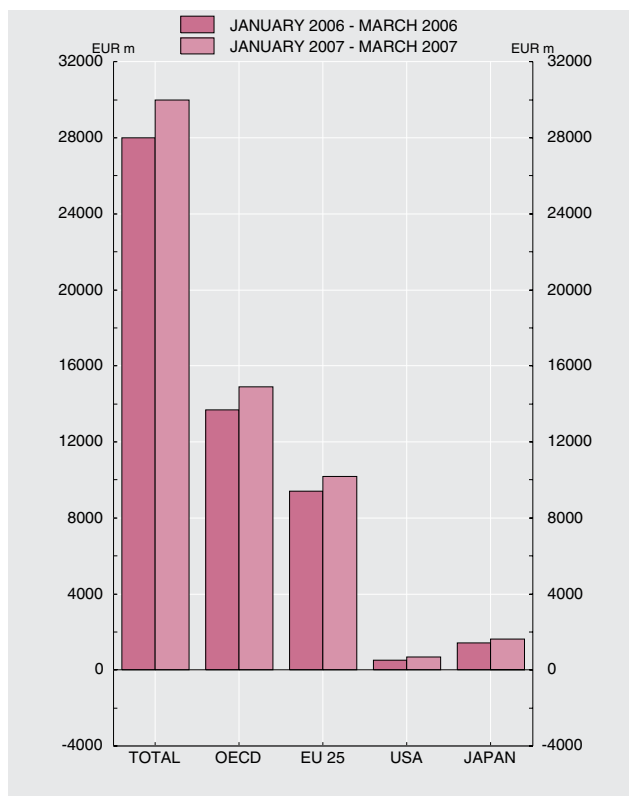
7.5. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD. TRADE BALANCE. GEOGRAPHICAL DISTRIBUTION

■ Series depicted in chart.

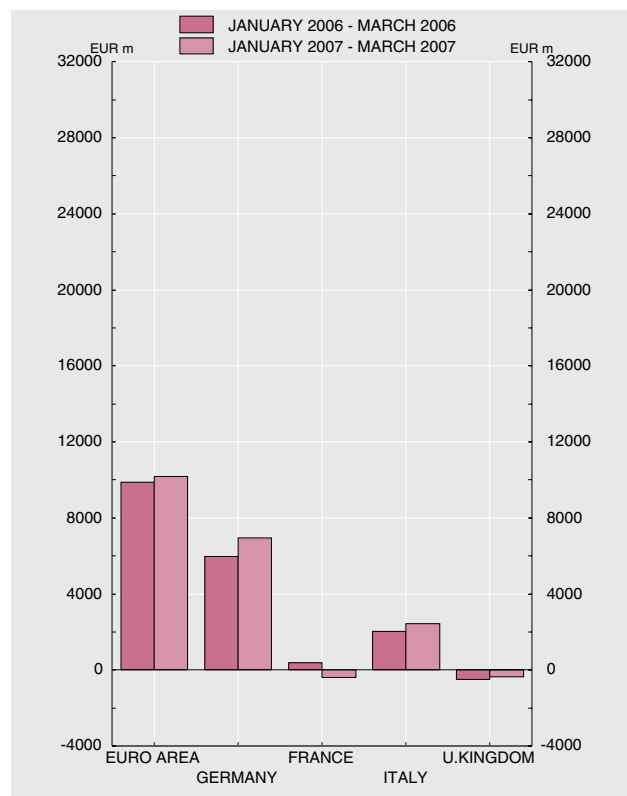
EUR millions

	World total	European Union (EU 25)								OECD			OPEC	Other American countries	Newly indus- trialised countries	
		Total	European Union (EU 15)							of which:						
			Total	Euro area				United Kingdom	Other EU 15 members	Total	United States of America	Japan				
				of which:												
				Total	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-A		-28 000	-9 995	-9 408	-9 887	-5 984	-392	-2 031	497	-18	-13 701	-528	-1 415	-5 794	-814	-1 366
07 J-A		-29 977	-10 769	-10 197	-10 179	-6 961	381	-2 434	364	-381	-14 892	-691	-1 641	-4 872	-990	-1 335
06 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
Mar		-7 804	-2 837	-2 799	-2 826	-1 840	170	-642	183	-156	-3 907	-136	-475	-1 183	-425	-355
Apr		-7 660	-3 344	-3 257	-3 061	-1 908	-68	-749	-113	-83	-4 559	-337	-389	-1 153	-3	-285

CUMULATIVE TRADE DEFICIT



CUMULATIVE TRADE DEFICIT



Source: ME.

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

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

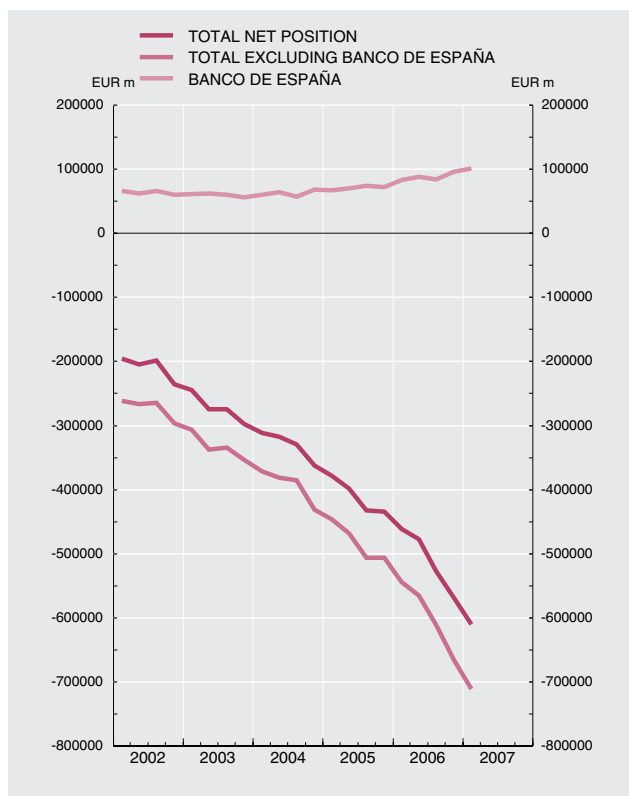
7.6. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD SUMMARY

■ Series depicted in chart.

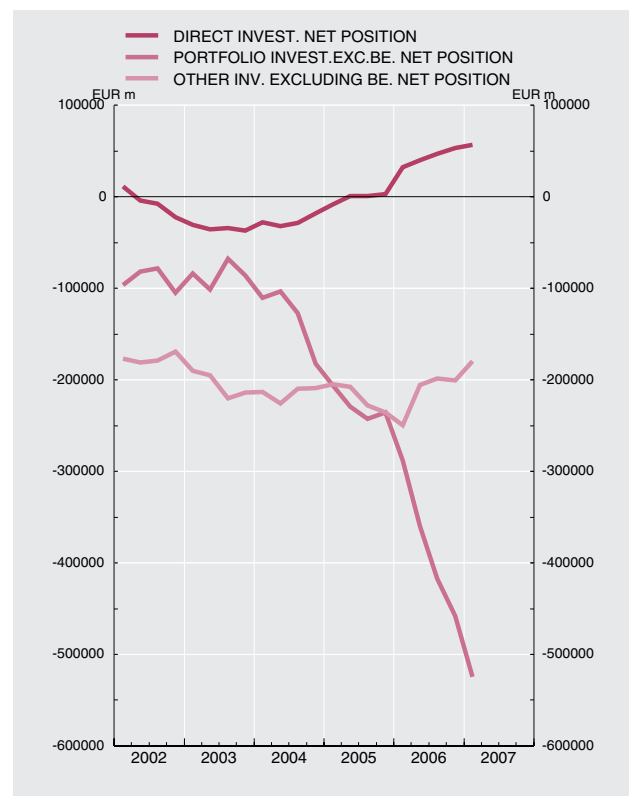
End-of-period stocks in EUR billions

	Net international investment position (assets-liabil.)	Total excluding Banco de España											Banco de España				
		Net position excluding Banco de España (assets - liabil.)	Direct investment			Portfolio investment			Other investment			Financial derivatives 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 investment abroad (assets)	Foreign investment in Spain (liabil.)	Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)	Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)						
	1=2+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	
99	R	-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		-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		-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		-378.6	-445.9	-8.1	287.3	295.4	-232.7	366.5	599.2	-205.1	240.3	445.4	-	67.3	13.3	25.2	28.8
Q2		-398.2	-468.6	0.5	298.8	298.3	-261.4	390.8	652.2	-207.6	255.7	463.3	-	70.4	13.7	22.0	34.7
Q3		-432.3	-506.3	0.4	302.8	302.4	-278.9	417.7	696.6	-227.9	255.5	483.4	-	74.0	14.0	21.2	38.7
Q4		-434.3	-506.5	2.6	317.0	314.4	-273.6	454.7	728.4	-235.5	269.1	504.6	-	72.2	14.6	17.1	40.5
06																	
Q1		-461.5	-544.5	32.2	348.6	316.4	-327.1	476.7	803.8	-249.6	286.2	535.8	-	83.0	15.4	26.8	40.8
Q2		-477.2	-565.0	40.0	360.7	320.7	-399.2	444.3	843.5	-205.8	301.4	507.2	-	87.8	14.6	32.2	41.0
Q3		-527.4	-611.2	46.7	375.6	328.9	-459.1	447.7	906.8	-198.8	316.5	515.3	-	83.8	15.0	25.4	43.4
Q4		-569.7	-665.7	53.0	386.6	333.6	-508.9	455.7	964.6	-201.0	328.4	529.4	-8.8	96.0	14.7	29.4	52.0
07																	
Q1		-610.5	-711.2	56.4	392.9	336.5	-577.5	463.5	1 041.0	-179.9	363.8	543.7	-10.2	100.8	14.0	31.9	54.5

INTERNATIONAL INVESTMENT POSITION



COMPONENTS OF THE POSITION



Source: BE.

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

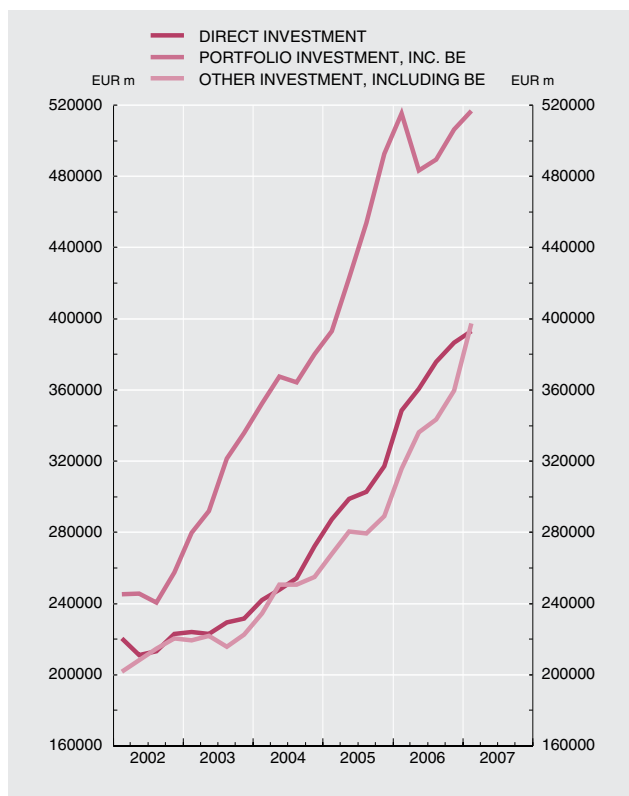
7.7. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD BREAKDOWN BY INVESTMENT

■ Series depicted in chart.

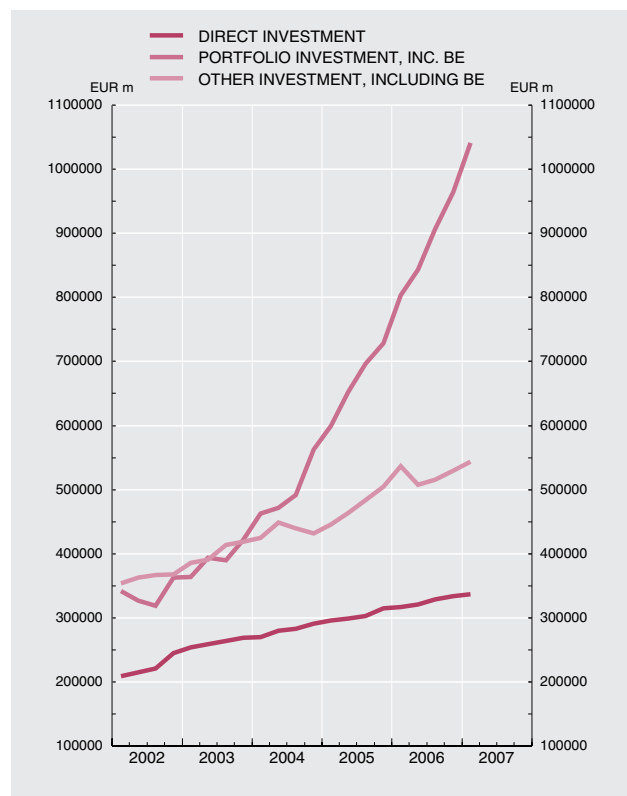
End-of-period stocks in EUR millions

	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
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	206 268	16 815	194 711	50 456	50 712	206 581	116 967	245 492	220 483	367 646	-	-
03	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	19 899	225 155	70 251	79 829	313 130	184 793	414 446	267 805	445 412	-	-
Q2	278 521	20 277	229 158	69 182	83 676	339 219	178 505	473 699	280 369	463 417	-	-
Q3	281 577	21 250	229 623	72 755	93 654	360 155	204 334	492 267	279 438	483 469	-	-
Q4	295 784	21 238	239 162	75 255	104 157	388 472	197 347	531 035	288 966	504 744	-	-
06												
Q1	328 771	19 795	239 309	77 049	119 452	395 944	214 645	589 149	315 648	536 298	-	-
Q2	339 580	21 159	244 864	75 873	122 047	361 127	206 547	636 951	336 048	507 508	-	-
Q3	355 781	19 859	247 646	81 278	126 170	363 383	232 494	674 271	343 575	515 493	-	-
Q4	364 995	21 621	252 974	80 647	133 193	373 002	245 683	718 897	359 431	529 597	32 423	41 210
07												
Q1	372 017	20 911	254 398	82 091	141 306	375 458	256 533	784 483	397 435	543 895	33 968	44 212

SPANISH INVESTMENT ABROAD



FOREIGN INVESTMENT IN SPAIN



Source: BE.

Note: See footnote to Indicator 7.6

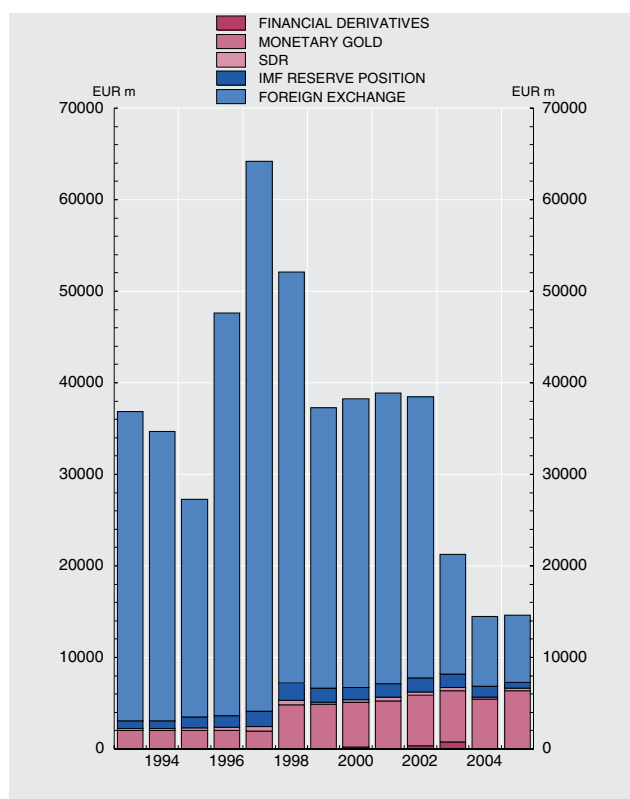
7.8. SPANISH RESERVE ASSETS

■ Series depicted in chart.

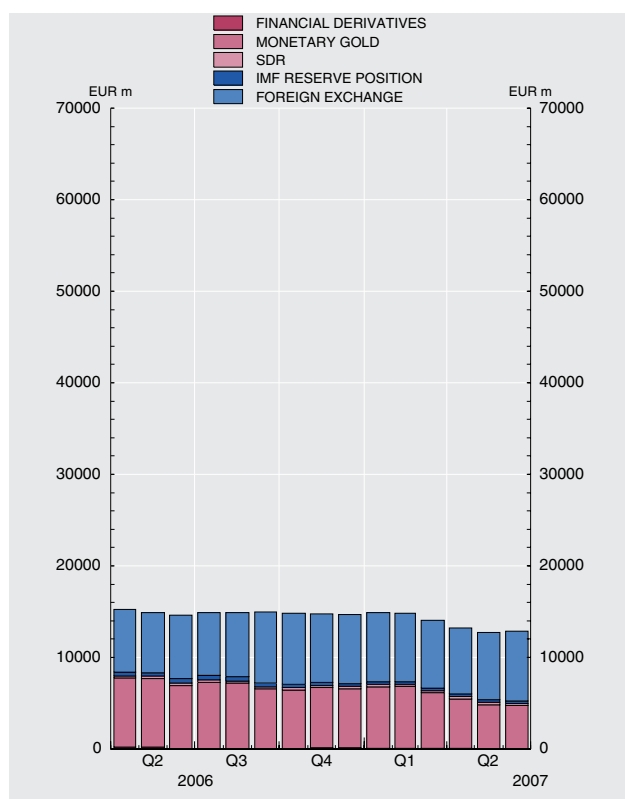
End-of-period stocks in EUR millions

	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
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
Apr	13 232	7 252	252	249	5 379	100	10.8
May	12 696	7 332	281	243	4 829	11	9.9
Jun	12 873	7 616	281	244	4 732	0	9.9

RESERVE ASSETS
END-OF-YEAR POSITIONS



RESERVE ASSETS
END-OF-MONTH POSITIONS



Source: BE.

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

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

End-of-period positions

EUR millions

	Total	General government						Other monetary financial institutions				
		Total	Short-term		Long-term			Total	Short-term		Long-term	
			Money market instruments	Loans	Bonds and notes	Loans	Trade credits		Money market instruments	Deposits	Bonds and notes	Deposits
1	2	3	4	5	6	7	8	9	10	11	12	
03 Q2	716 455	185 291	2 963	267	169 875	12 185	-	344 968	323	170 814	50 093	123 739
	744 144	177 307	3 290	1 780	160 058	12 179	-	367 992	353	183 340	54 498	129 801
	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
	859 825	186 801	3 200	428	170 051	13 121	-	430 763	353	207 118	84 615	138 676
	870 725	192 431	2 873	1 755	174 457	13 346	-	427 166	362	198 299	92 532	135 974
	906 924	202 222	2 776	705	181 878	16 864	-	431 337	301	194 245	104 720	132 071
05 Q1	958 111	204 861	2 513	1 024	183 038	18 286	-	460 500	467	202 197	125 535	132 301
	1 038 147	213 963	2 110	437	194 059	17 358	-	490 258	587	232 191	139 670	117 810
	1 080 413	213 393	3 088	1 424	191 719	17 162	-	517 879	400	264 976	150 727	101 776
	1 144 535	213 435	2 465	65	192 798	18 107	-	548 891	981	276 566	164 457	106 887
06 Q1	1 238 023	214 097	4 628	11	191 300	18 157	-	589 522	1 003	295 771	193 633	99 115
	1 258 059	213 360	3 620	345	191 381	18 015	-	580 901	2 186	268 475	208 797	101 443
	1 307 363	214 193	6 070	1 469	188 569	18 085	-	602 346	5 274	267 202	225 647	104 224
	1 368 862	215 528	4 836	662	191 871	18 158	-	622 806	6 252	277 169	236 038	103 346
07 Q1	1 455 327	219 189	4 901	37	195 616	18 635	-	657 580	11 371	295 436	251 674	99 100

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

End-of-period positions

EUR millions

	Monetary authority		Other residents sectors								Direct investment		
	Total	Short-term	Total	Short-term			Long-term				Total	Vis-à-vis	
		Deposits		Money market instruments	Loans	Other liabilities	Bonds and notes	Loans	Trade credits	Other liabilities		Direct investors	Subsidiaries
	13	14	15	16	17	18	19	20	21	22	23	24	25
03 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	194 496	4 274	20 639	787	98 620	68 984	405	788	98 253	39 204	59 049
Q2	71	71	232 825	3 839	19 978	1 569	133 435	72 819	397	788	101 030	41 203	59 828
Q3	42	42	244 422	3 401	19 351	1 636	142 932	76 091	365	646	104 677	42 309	62 368
Q4	126	126	273 327	3 380	18 006	996	166 955	83 100	363	527	108 756	43 282	65 474
06 Q1	462	462	321 366	2 905	19 095	408	195 679	102 410	359	510	112 577	46 838	65 739
Q2	291	291	349 907	4 283	17 934	330	226 684	99 819	352	506	113 600	48 123	65 477
Q3	158	158	373 067	4 641	21 586	830	244 071	101 091	349	499	117 599	51 360	66 239
Q4	154	154	410 007	4 786	21 803	694	275 114	106 781	340	489	120 368	51 595	68 773
07 Q1	154	154	451 455	5 303	20 426	541	315 618	108 754	325	489	126 949	51 413	75 536

Source: BE.

8.1.a CONSOLIDATED BALANCE SHEET OF THE EUROSISTEM. 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	Bank-notes	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	
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	-
Apr	434 240	285 048	150 001	-1 180	-1	667	295	247 831	619 122	14 826	326 080	-60 037	3 924	182 485	-
May	433 181	283 588	149 999	-107	-3	257	553	244 184	622 961	12 149	326 288	-64 638	4 944	184 053	-
Jun	437 662	288 001	150 003	-300	-10	223	254	245 845	628 079	13 369	326 082	-69 521	4 464	187 353	-

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	Bank-notes	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	
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	-
Apr	19 143	15 571	3 876	-232	-0	-	72	25 505	85 050	10 537	14 604	-55 479	-26 784	-26 289	-495	20 423	-
May	20 278	16 315	3 997	-	-2	0	32	34 020	84 242	20 763	14 040	-56 944	-33 112	-32 805	-307	19 370	-
Jun	18 243	15 824	2 419	-	-0	-	0	33 209	84 836	21 333	13 529	-59 432	-35 156	-34 802	-354	20 191	-

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

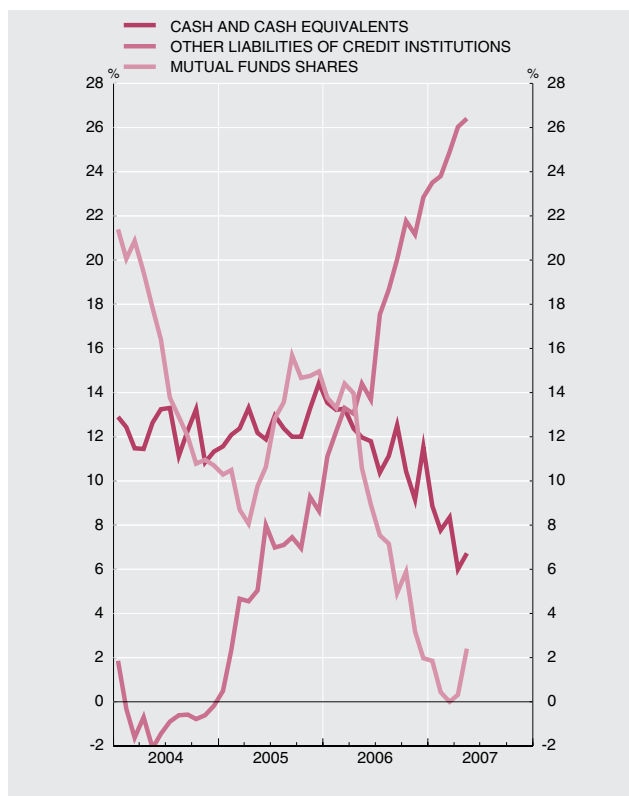
8.2 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES (a) OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN

■ Series depicted in chart.

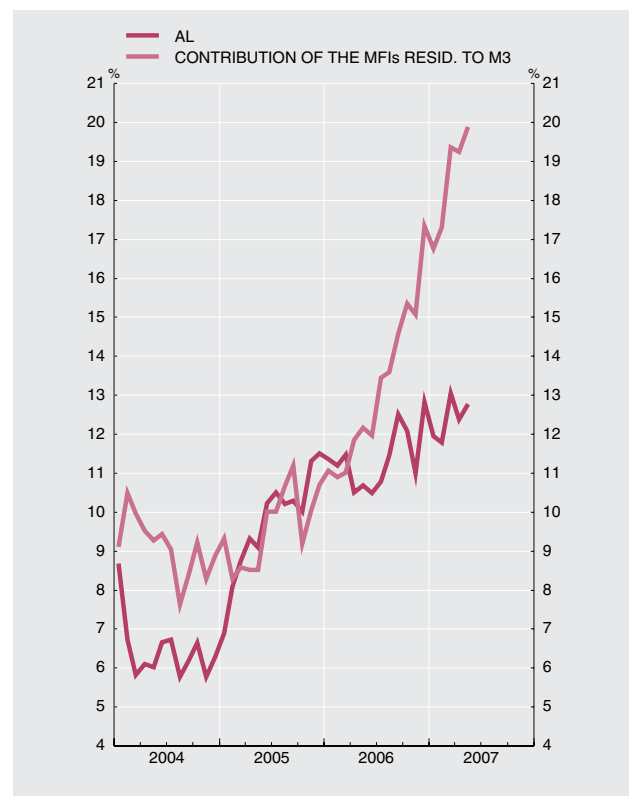
EUR millions and %

	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	301 891	8.6	10.5	-0.6	5.3	221 306	14.9	7.7	22.6	11.5	10.7
06	512 581	11.5	9.9	11.9	370 825	22.8	22.8	29.6	0.9	225 687	2.0	-10.1	13.1	12.8	17.3
06 Feb	455 677	13.2	15.9	12.6	311 272	12.3	11.1	20.3	8.9	224 802	13.3	0.1	26.8	11.2	10.9
Mar	463 123	13.3	16.4	12.6	317 975	13.3	12.9	21.9	-7.9	228 057	14.4	-1.0	29.9	11.5	11.0
Apr	463 170	12.4	15.6	11.6	317 806	13.0	12.8	17.5	1.1	228 294	14.0	-4.1	32.5	10.5	11.9
May	466 598	12.0	14.9	11.3	322 027	14.4	13.5	23.8	0.3	225 687	10.6	-4.8	26.3	10.7	12.2
Jun	486 718	11.8	14.4	11.2	327 512	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	334 929	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	343 181	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	346 311	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	351 180	21.8	20.5	36.6	1.2	229 123	5.9	-7.3	18.9	12.1	15.3
Nov	486 157	9.1	10.6	8.8	358 562	21.2	21.4	27.2	-3.5	226 128	3.2	-9.5	15.3	11.0	15.1
Dec	512 581	11.5	9.9	11.9	370 825	22.8	22.8	29.6	0.9	225 687	2.0	-10.1	13.1	12.8	17.3
07 Jan	490 546	8.9	9.2	8.8	378 739	23.5	26.0	17.6	-4.0	225 798	1.9	-9.0	11.3	12.0	16.8
Feb	491 056	7.8	8.6	7.6	385 352	23.8	26.6	15.7	-4.1	225 755	0.4	-7.1	6.5	11.8	17.3
Mar	501 750	8.3	8.3	8.4	397 180	24.9	27.7	14.3	8.9	228 073	0.0	-3.1	2.4	13.0	19.4
Apr	491 022	6.0	7.0	5.8	400 521	26.0	28.5	17.1	7.1	229 024	0.3	-1.9	2.0	12.4	19.2
May	497 955	6.7	6.7	6.7	407 119	26.4	28.0	19.6	17.9	231 139	2.4	-3.3	6.8	12.8	19.9

NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change



NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change



Source: BE.

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

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

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

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

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

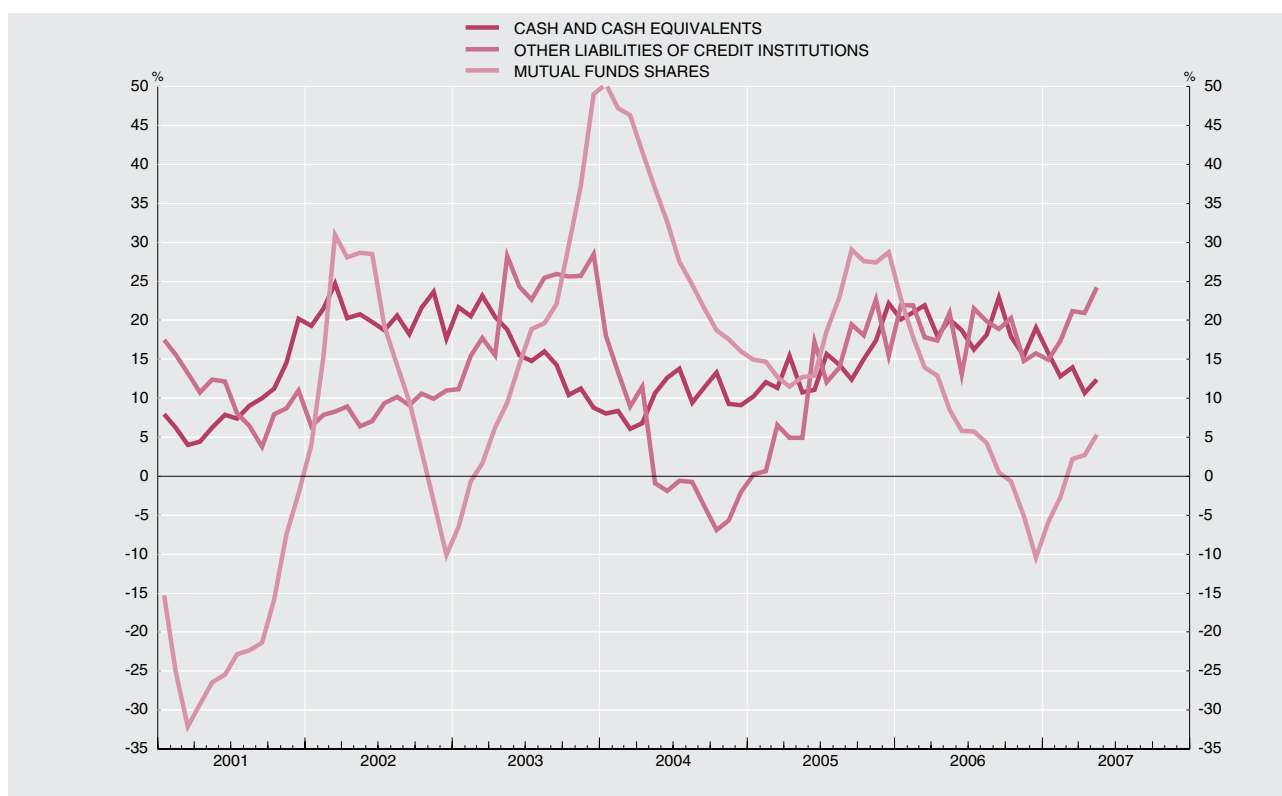
8.3 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

EUR millions and %

	Cash and cash equivalents (b)		Other liabilities of credit institutions				Mutual funds shares			
	Stocks	Annual growth rate	Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate	
					Other deposits (c)	Repos + credit instit. securit.+ dep. in branches abroad			Fixed income in EUR (d)	Other
1	2	3	4	5	6	7	8	9	10	
04	93 249	9.1	62 387	-2.1	24.6	-19.7	23 738	16.0	18.5	13.5
05	113 928	22.2	71 999	15.4	30.5	-0.1	30 552	28.7	14.8	42.8
06	135 637	19.1	83 363	15.8	17.4	13.6	27 359	-10.5	-15.5	-6.4
06 Feb	113 575	21.0	71 281	21.9	25.7	17.5	29 547	17.8	4.5	30.3
Mar	116 620	21.9	72 429	17.9	23.9	11.0	29 133	13.9	1.0	25.5
Apr	114 918	18.0	71 314	17.4	24.4	8.9	29 114	12.9	-3.6	28.3
May	117 318	20.1	72 221	21.0	19.1	23.6	28 628	8.6	-6.0	22.3
Jun	123 650	18.7	73 235	13.1	12.7	13.6	28 369	5.8	-7.5	18.6
Jul	122 855	16.2	74 568	21.5	21.1	22.1	29 187	5.8	-6.7	17.5
Aug	119 085	18.1	77 833	19.9	21.8	17.2	29 404	4.3	-8.0	15.7
Sep	126 645	22.9	78 556	18.9	24.3	11.9	29 075	0.5	-10.0	9.8
Oct	121 704	17.9	78 135	20.3	22.0	17.9	28 899	-0.7	-9.6	7.2
Nov	124 657	15.4	79 346	14.8	19.5	8.4	28 178	-5.1	-11.5	0.3
Dec	135 637	19.1	83 363	15.8	17.4	13.6	27 359	-10.5	-15.5	-6.4
07 Jan	127 160	15.9	82 405	14.9	24.5	3.0	28 093	-5.9	-12.0	-1.1
Feb	128 151	12.8	83 636	17.3	28.2	3.6	28 740	-2.7	-6.2	-0.1
Mar	132 866	13.9	87 776	21.2	30.7	8.9	29 765	2.2	2.4	2.0
Apr	P 127 169	10.7	86 261	21.0	28.8	10.2	29 889	2.7	3.8	1.9
May	P 131 854	12.4	89 737	24.3	29.8	16.5	30 165	5.4	2.8	7.2

NON-FINANCIAL CORPORATIONS Annual percentage change



Source: BE.

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

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

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

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

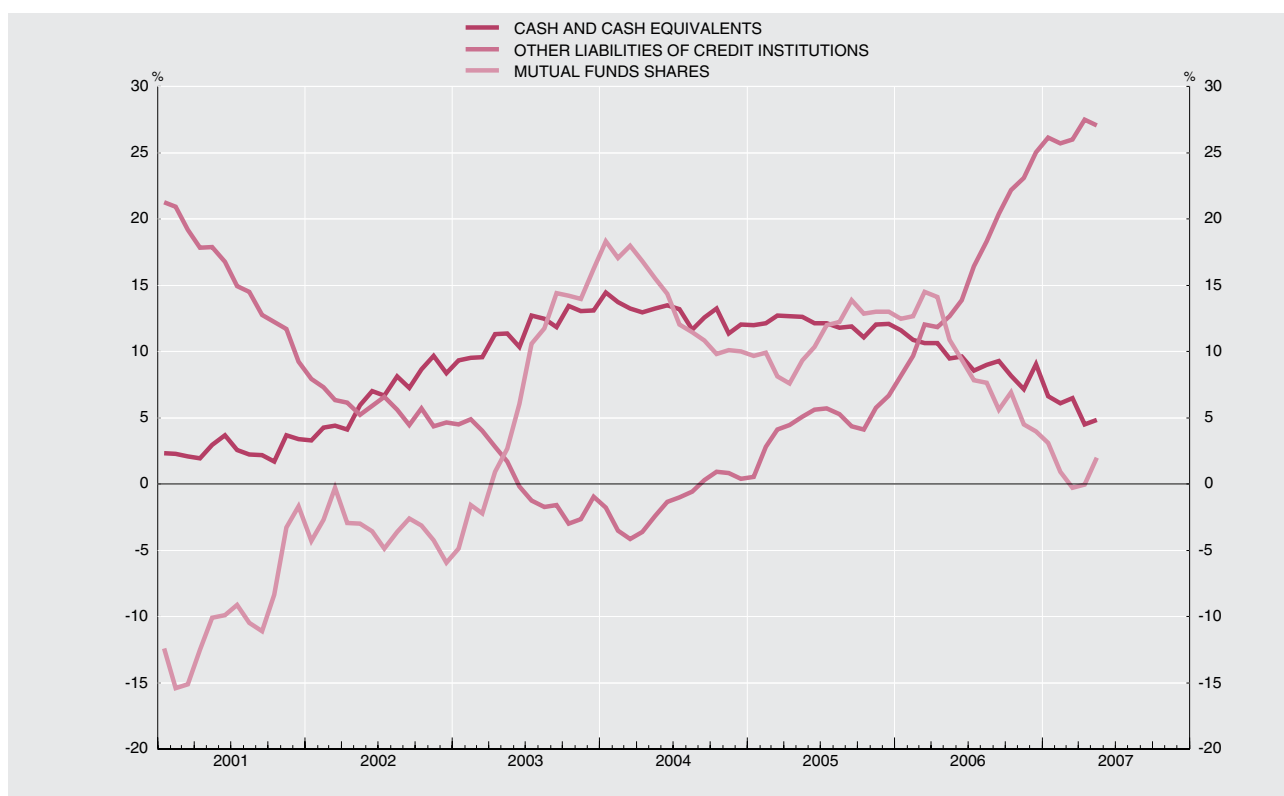
8.4 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ 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	308 320	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	229 892	6.7	7.3	1.8	190 753	13.0	6.7	19.6
06	376 944	9.1	10.1	8.8	287 462	25.0	23.8	35.6	198 328	4.0	-9.3	16.5
06 Feb	342 102	10.9	15.2	9.6	239 991	9.7	8.7	18.1	195 255	12.7	-0.4	26.3
Mar	346 503	10.6	15.8	9.2	245 546	12.0	11.1	19.4	198 924	14.5	-1.3	30.6
Apr	348 252	10.6	15.1	9.3	246 492	11.8	10.9	19.7	199 181	14.1	-4.2	33.2
May	349 279	9.5	14.5	8.0	249 807	12.7	12.5	13.8	197 059	10.9	-4.6	26.9
Jun	363 068	9.6	14.1	8.3	254 278	13.9	14.2	11.7	197 152	9.4	-3.3	22.5
Jul	363 997	8.5	12.4	7.4	260 362	16.4	16.0	20.3	197 549	7.8	-5.4	21.4
Aug	357 772	9.0	12.2	8.0	265 348	18.3	17.0	30.0	199 321	7.6	-6.3	22.1
Sep	363 922	9.3	11.3	8.7	267 755	20.4	18.3	39.3	198 501	5.6	-7.4	18.7
Oct	359 836	8.1	10.4	7.5	273 045	22.2	20.2	40.6	200 224	6.9	-7.0	20.9
Nov	361 500	7.1	10.7	6.1	279 216	23.1	21.8	34.5	197 950	4.5	-9.2	17.8
Dec	376 944	9.1	10.1	8.8	287 462	25.0	23.8	35.6	198 328	4.0	-9.3	16.5
07 Jan	363 387	6.6	9.4	5.8	296 334	26.1	26.2	25.4	197 705	3.1	-8.5	13.3
Feb	362 905	6.1	8.8	5.3	301 716	25.7	26.3	20.9	197 014	0.9	-7.2	7.6
Mar	368 884	6.5	8.5	5.9	309 404	26.0	27.1	17.9	198 308	-0.3	-3.8	2.4
Apr	363 853	4.5	7.2	3.6	314 260	27.5	28.4	20.4	199 135	-0.0	-2.7	2.0
May	366 101	4.8	6.9	4.2	317 382	27.1	27.7	22.2	200 974	2.0	-4.1	6.7

HOUSEHOLDS AND NPISH Annual percentage change



Source: BE.

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

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

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

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

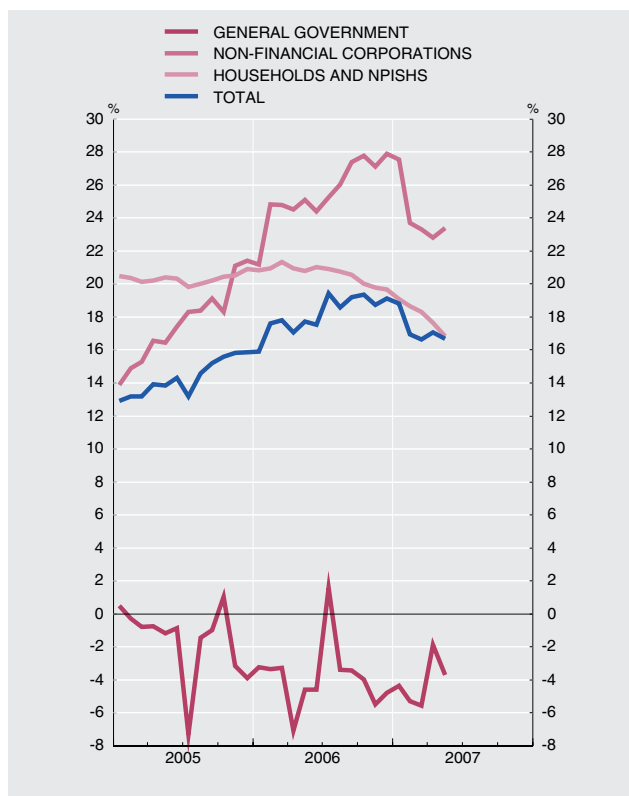
8.5. FINANCING OF NON-FINANCIAL SECTORS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

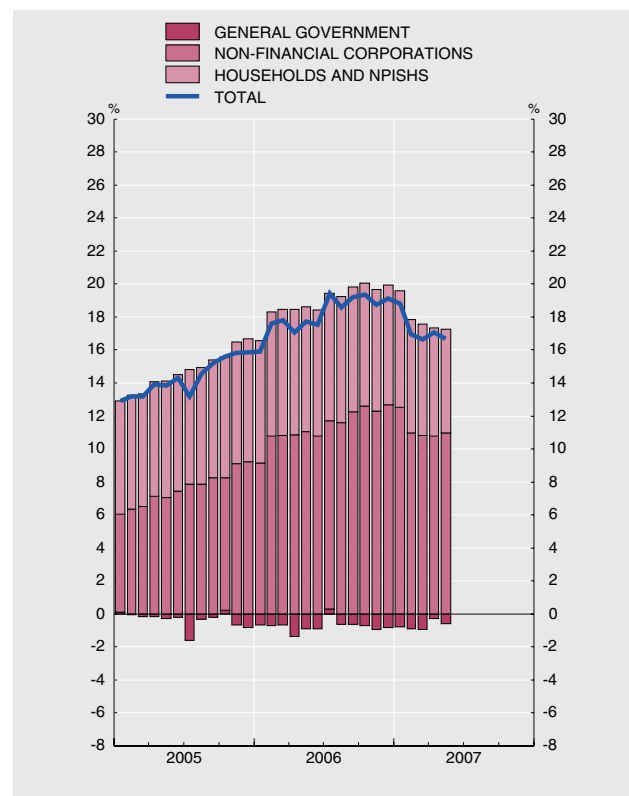
EUR millions and %

	Total			Annual growth rate							Contribution to col. 3						
	Stocks	Effective flow	Annual growth rate	General government (b)	Non-financial corp. and households and NPISHs					General government (b)	Non-financial corp. and households and NPISHs						
					By sectors		By instruments				By sectors		By instruments				
					Non-financial corporations	Households and NPISHs	Credit institutions' loans & securit. funds	Securities other than shares	External loans		Non-financial corporations	Households and NPISHs	Credit institutions' loans & securit. funds	Securities other than shares	External loans		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
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	1 756 769	239 370	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	2 095 156	335 677	19.1	-4.8	24.2	27.9	19.6	24.4	135.1	15.6	-0.8	19.9	12.7	7.3	17.1	1.0	1.8
06 Feb	1 814 379	36 278	17.6	-3.3	23.1	24.8	21.0	22.9	74.9	20.8	-0.7	18.3	10.8	7.5	15.3	0.6	2.5
Mar	1 847 667	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	1 850 722	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	1 883 042	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	1 929 224	44 666	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	1 964 182	34 689	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	1 969 186	5 475	18.6	-3.4	23.7	26.0	20.8	24.0	112.6	16.1	-0.6	19.2	11.6	7.6	16.4	0.9	1.9
Sep	1 999 709	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	2 014 047	14 317	19.3	-4.0	24.3	27.8	20.0	24.2	132.5	17.6	-0.7	20.0	12.6	7.4	17.0	1.0	2.1
Nov	2 047 277	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	2 095 156	47 564	19.1	-4.8	24.2	27.9	19.6	24.4	135.1	15.6	-0.8	19.9	12.7	7.3	17.1	1.0	1.8
07 Jan	2 119 952	21 133	18.8	-4.4	23.7	27.6	19.1	24.3	132.0	13.5	-0.8	19.6	12.5	7.1	17.0	1.0	1.6
Feb	2 129 632	9 318	16.9	-5.3	21.5	23.7	18.7	23.7	61.5	5.5	-0.9	17.8	11.0	6.9	16.5	0.7	0.7
Mar	2 163 857	30 569	16.6	-5.5	21.1	23.3	18.3	23.4	58.9	5.2	-0.9	17.6	10.8	6.7	16.3	0.7	0.7
Apr	P 2 175 492	11 789	17.1	-1.9	20.5	22.8	17.6	22.5	56.6	5.9	-0.3	17.4	10.8	6.6	16.0	0.6	0.7
May	P 2 205 385	29 943	16.7	-3.7	20.5	23.4	16.8	22.4	55.8	6.3	-0.6	17.3	11.0	6.3	15.9	0.6	0.8

FINANCING OF NON-FINANCIAL SECTORS
Annual percentage change



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



Source: BE.

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

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

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

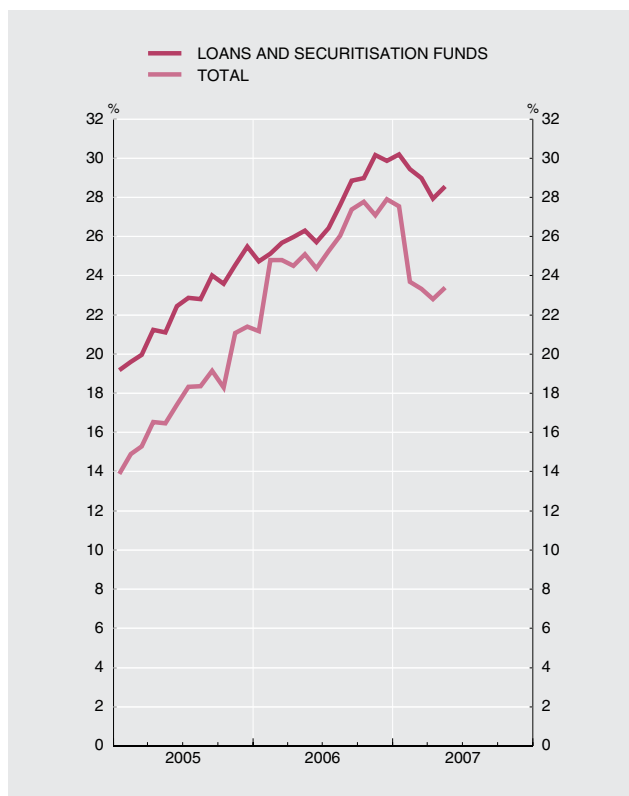
8.6. FINANCING OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

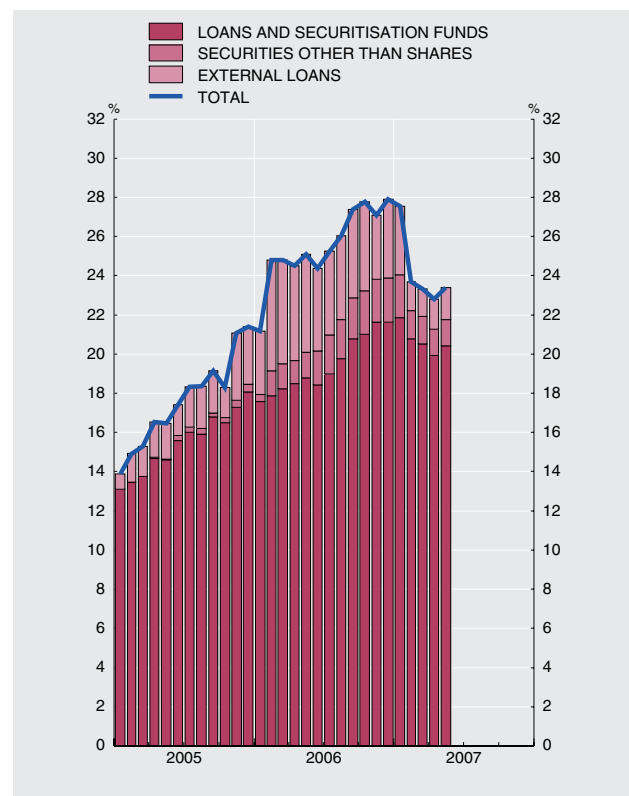
EUR millions and %

	Total			Resident credit institu- tions' loans and off-balance-sheet securitised loans			Securities other than shares (b)				External loans			Memoran- dum items: off- balance- sheet securi- tised loans
	Stocks	Effective flow	Annual growth rate	Stocks	Annual growth rate	Contribution to col.3	of which		Annual growth rate	Contri- bution to col.3	Stocks	Annual growth rate	Contribution to col.3	
							Stocks	Issues by resident financ. subsid.						
	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	797 562	139 236	21.4	578 229	25.5	18.1	13 207	2 634	23.7	0.4	206 126	10.7	2.9	5 581
06	1 023 350	222 568	27.9	750 337	29.9	21.6	31 045	18 844	135.1	2.2	241 968	15.6	4.0	3 430
06 Feb	840 892	33 319	24.8	593 351	25.1	17.9	19 929	8 824	74.9	1.3	227 612	20.9	5.7	5 362
Mar	858 066	14 429	24.8	607 648	25.7	18.2	20 428	9 153	73.7	1.3	229 991	19.4	5.3	5 041
Apr	874 845	17 095	24.5	624 493	26.0	18.5	20 416	9 159	69.2	1.2	229 935	17.9	4.8	4 807
May	884 853	9 500	25.1	632 774	26.3	18.8	20 958	9 776	78.9	1.3	231 121	18.5	5.0	4 640
Jun	904 926	18 489	24.4	651 356	25.7	18.4	25 737	14 185	94.3	1.7	227 834	15.9	4.2	4 569
Jul	935 847	30 626	25.3	674 374	26.4	19.0	27 634	15 591	112.3	2.0	233 840	16.3	4.3	4 434
Aug	935 492	76	26.0	674 023	27.6	19.8	27 551	15 792	112.6	2.0	233 918	16.1	4.3	4 345
Sep	959 183	26 253	27.4	696 660	28.8	20.8	28 436	16 693	123.3	2.1	234 088	17.1	4.5	4 245
Oct	979 264	20 035	27.8	713 145	29.0	21.0	29 674	17 561	132.5	2.2	236 445	17.6	4.6	3 844
Nov	997 545	16 316	27.1	729 232	30.1	21.6	30 112	17 681	131.0	2.2	238 202	12.3	3.3	3 824
Dec	1 023 350	25 347	27.9	750 337	29.9	21.6	31 045	18 844	135.1	2.2	241 968	15.6	4.0	3 430
07 Jan	1 038 138	11 068	27.6	761 273	30.2	21.9	31 056	19 026	132.0	2.2	245 810	13.5	3.5	3 362
Feb	1 048 608	10 066	23.7	767 544	29.4	20.8	32 191	20 552	61.5	1.5	248 873	5.4	1.5	3 290
Mar	1 067 531	15 169	23.3	783 327	29.0	20.5	32 467	20 843	58.9	1.4	251 737	5.1	1.4	3 208
Apr	P 1 083 903	16 426	22.8	798 472	27.9	19.9	31 975	20 743	56.6	1.3	253 456	5.8	1.5	3 156
May	P 1 100 848	16 983	23.4	813 030	28.6	20.4	32 643	20 798	55.8	1.3	255 175	6.2	1.6	2 759

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.

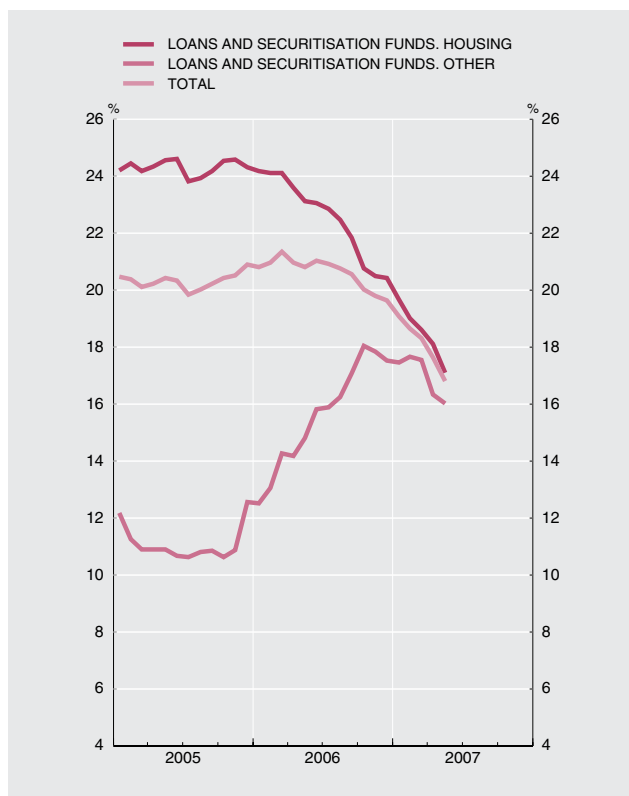
8.7. FINANCING OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

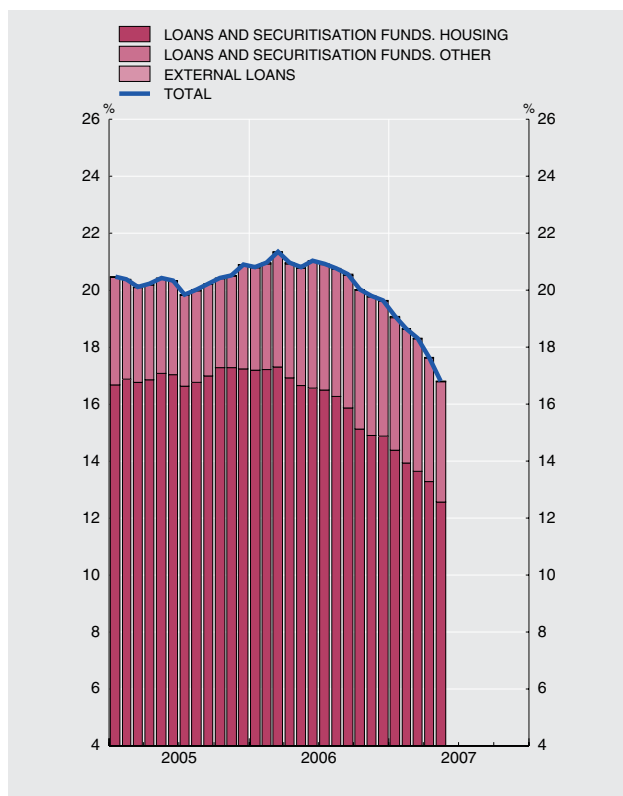
EUR millions and %

	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	112 572	20.9	474 499	24.3	17.2	175 571	12.5	3.6	1 002	16.3	0.0	28 527	3 030
06	778 454	127 893	19.6	571 325	20.4	14.9	205 872	17.5	4.7	1 257	25.5	0.0	26 937	3 421
06 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	20.6	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	25.4	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	24.8	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	23.3	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	778 454	10 915	19.6	571 325	20.4	14.9	205 872	17.5	4.7	1 257	25.5	0.0	26 937	3 421
07 Jan	782 874	4 477	19.1	575 791	19.6	14.4	205 814	17.5	4.7	1 269	19.8	0.0	26 423	3 416
Feb	790 600	7 767	18.7	581 809	19.0	13.9	207 527	17.7	4.7	1 263	18.6	0.0	25 735	3 638
Mar	803 777	13 276	18.3	591 862	18.6	13.6	210 609	17.5	4.6	1 306	21.4	0.0	25 708	3 196
Apr	P 811 491	7 815	17.6	598 009	18.1	13.3	212 157	16.3	4.3	1 326	18.9	0.0	25 345	3 236
May	P 819 333	7 853	16.8	603 339	17.1	12.6	214 648	16.0	4.2	1 346	18.6	0.0	23 818	4 804

FINANCING OF HOUSEHOLDS AND NPISHS
Annual percentage change



FINANCING OF HOUSEHOLDS AND NPISHS
Contributions to the annual percentage change



Source: BE.

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

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

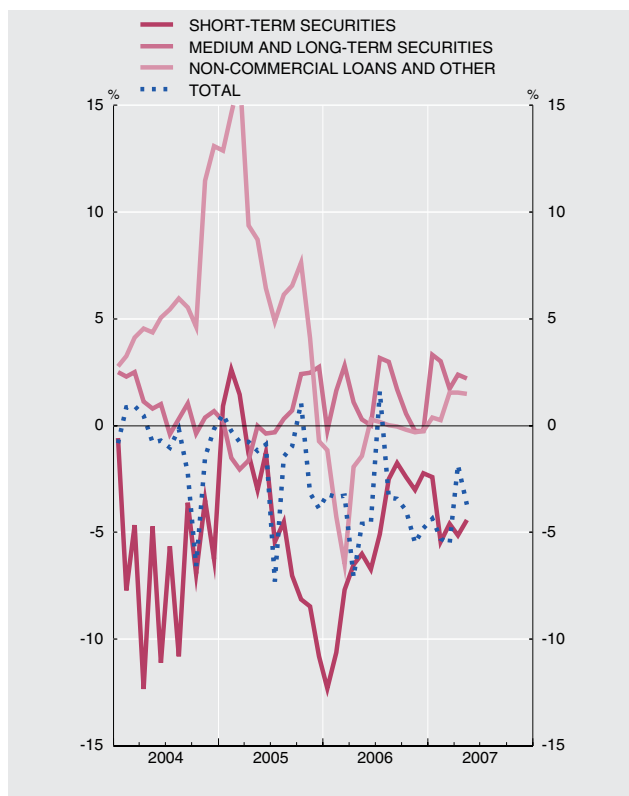
8.8. NET FINANCING OF SPAIN'S GENERAL GOVERNMENT

■ Series depicted in chart.

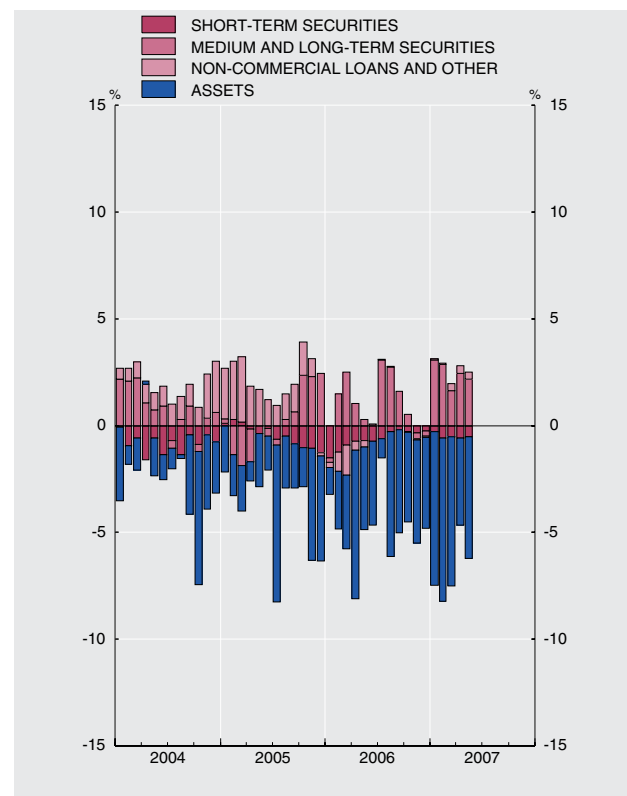
EUR millions and %

	Net financing			Monthly change in stocks						12-month % change in stocks				Contribution to 12-month % change in net stocks of liabilities				
				Liabilities (a)			Assets			Liabilities			Assets	Liabilities		Assets		
	Net stock of liabilities	Monthly change (columns 4-8-9)	12-month % change of col. 1	Total	Securities		Non-commercial loans and other (b)	Deposits at the Banco de Espana	Other deposits (c)	Total	Securities			Non-commercial loans and other (a)	Securities		Non-commercial loans and other (a)	
					Short-term	Medium and long-term					Short-term	Medium and long-term	Short-term		Medium and long-term			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
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 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 298 940	5 588	-4.4	6 569	1 638	4 151	780	926	54	2.3	-2.4	3.3	0.4	28.8	-0.3	3.1	0.1	-7.2
Feb	P 290 425	-8 515	-5.3	-1 801	-3 007	2 607	-1 400	71	6 643	1.8	-5.4	3.0	0.3	27.8	-0.6	2.9	0.1	-7.6
Mar	P 292 549	2 124	-5.5	1 920	2 379	-1 439	979	422	-626	1.1	-4.6	1.7	1.5	25.2	-0.5	1.6	0.3	-7.0
Apr	A 280 097	-12 451	-1.9	-2 836	-2 722	-323	210	7 192	2 424	1.6	-5.1	2.4	1.5	11.0	-0.6	2.4	0.4	-4.1
May	A 285 204	5 107	-3.7	1 804	2 187	-37	-346	131	-3 434	1.5	-4.4	2.2	1.5	17.4	-0.5	2.2	0.3	-5.7

NET FINANCING OF GENERAL GOVERNMENT
Annual percentage changes



NET FINANCING OF GENERAL GOVERNMENT
Contributions to the annual percentage change



Source: BE.

a. Consolidated: deducted securities and loans held by other General Government units.

b. Including coined money and Caja General de Depósitos.

c. Tax collection accounts are not included.

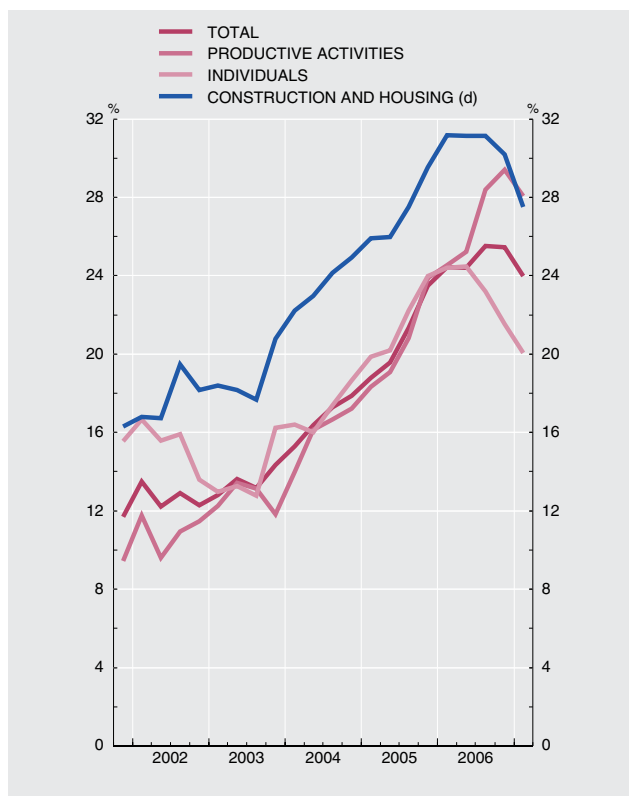
8.9 LENDING BY CREDIT INSTITUTIONS TO OTHER RESIDENT SECTORS. BREAKDOWN BY END-USE.

■ Series depicted in chart.

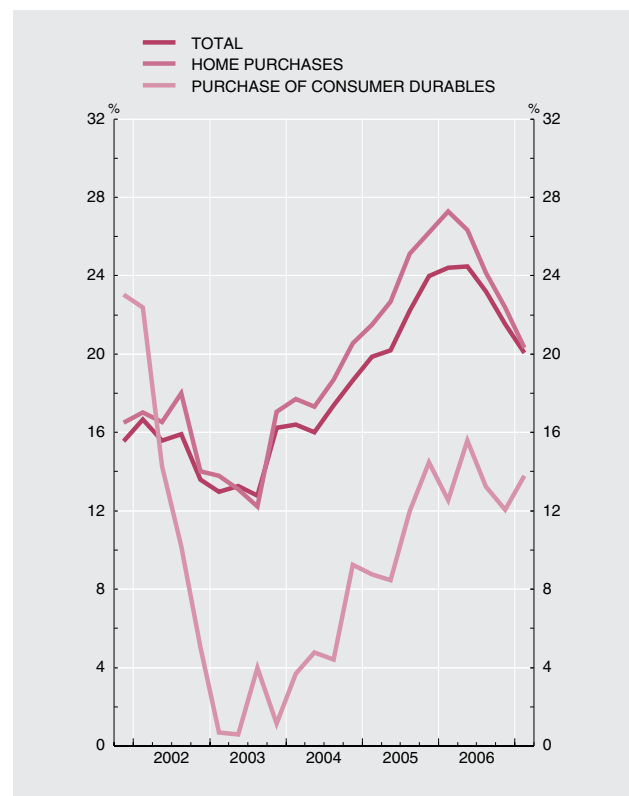
EUR millions and percentages

	Total (a)	Financing of productive activities						Financing of individuals				Financing of private non-profit institutions	Unclassified	Memorandum item: construction and housing (d)	
		Total	Agriculture and fisheries	Industry excluding construction	Construction	Services		Total	Home purchases and improvements	Purchases of consumer durables	Other (b)				
						Total	Of which								
															Real estate activities
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
04	945 697	482 984	18 104	90 487	78 372	296 020	112 165	441 443	333 826	317 268	38 379	69 238	3 677	17 594	524 363
05	R1 202 628	604 061	20 738	104 695	100 761	377 867	162 087	576 253	445 972	424 238	45 928	84 354	4 666	17 648	708 819
06	1 508 625	781 644	23 014	119 488	134 317	504 825	244 050	700 294	544 389	519 244	51 461	104 445	5 704	20 983	922 756
02 Q4	701 663	368 466	15 122	85 762	57 376	210 206	55 031	320 053	235 086	224 830	34 741	50 227	2 324	10 819	347 493
03 Q1	722 204	375 901	15 138	86 559	56 975	217 229	60 178	331 747	244 498	233 729	34 910	52 339	2 285	12 271	361 650
Q2	754 872	389 249	15 712	87 015	59 431	227 091	65 837	349 500	256 010	244 414	35 676	57 814	2 512	13 608	381 278
Q3	770 523	398 206	16 462	87 240	61 902	232 601	70 782	357 146	264 453	252 316	36 468	56 225	2 651	12 520	397 137
Q4	802 212	411 986	16 402	85 829	65 784	243 972	77 980	372 013	275 958	263 192	35 136	60 919	3 002	15 212	419 722
04 Q1	832 734	428 517	16 973	85 326	68 171	258 047	85 136	386 179	288 736	275 107	36 201	61 242	3 108	14 930	442 044
Q2	878 477	452 030	17 102	86 636	72 362	275 930	94 970	405 486	301 537	286 744	37 374	66 575	3 183	17 777	468 869
Q3	903 590	464 578	17 655	88 360	75 494	283 069	102 455	419 230	315 021	299 447	38 075	66 134	3 426	16 355	492 970
Q4	945 697	482 984	18 104	90 487	78 372	296 020	112 165	441 443	333 826	317 268	38 379	69 238	3 677	17 594	524 363
05 Q1	989 196	507 089	18 188	93 815	83 421	311 665	121 444	462 910	351 757	334 224	39 375	71 778	3 548	15 649	556 622
Q2	R1 085 320	544 048	19 501	99 393	89 806	335 349	135 483	516 384	394 989	375 523	42 531	78 864	4 200	20 687	620 277
Q3	1 131 240	567 022	20 182	101 716	94 411	350 714	144 811	541 346	419 032	398 498	44 644	77 670	4 355	18 518	658 253
Q4	1 202 628	604 061	20 738	104 695	100 761	377 867	162 087	576 253	445 972	424 238	45 928	84 354	4 666	17 648	708 819
06 Q1	1 265 755	637 277	21 213	105 687	106 183	404 195	181 491	604 878	471 966	449 246	46 320	86 592	4 788	18 813	759 639
Q2	1 350 191	681 307	21 946	109 856	116 195	433 311	198 998	642 698	498 248	474 404	49 161	95 289	5 109	21 077	813 441
Q3	1 419 973	728 058	22 460	115 266	127 420	462 911	216 642	666 972	519 130	494 739	50 552	97 291	5 359	19 584	863 192
Q4	1 508 625	781 644	23 014	119 488	134 317	504 825	244 050	700 294	544 389	519 244	51 461	104 445	5 704	20 983	922 756
07 Q1	1 569 169	816 144	23 435	121 153	137 627	533 929	264 591	726 126	566 341	540 541	52 713	107 073	5 743	21 156	968 559

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 Boletín 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.

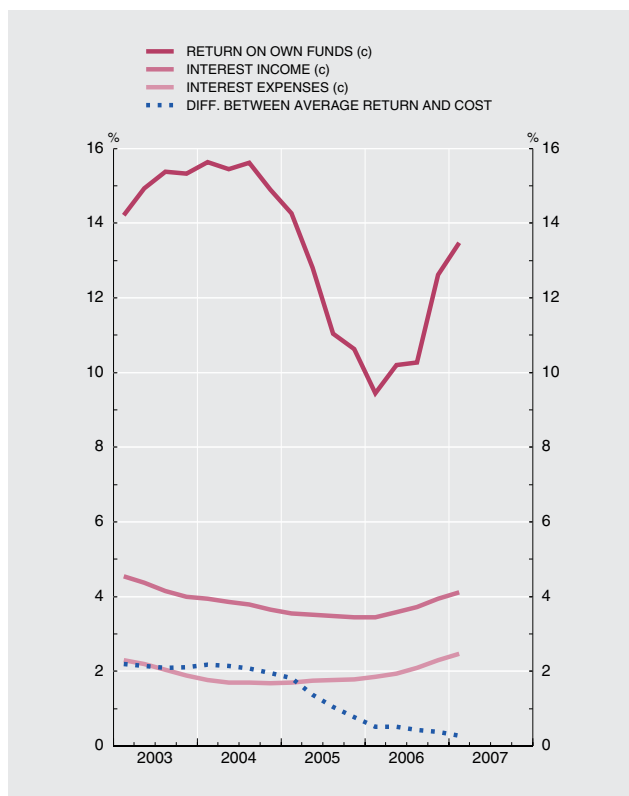
d. Including: construction, real estate activities and home purchases and improvements

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	Interest expenses	Net interest income	Non interest income and expenses	Gross income	Operating expenses:	Of which: Staff costs	Net income	Provisions and other income and expenses	Profit before tax		Return on own funds (a)	Average return on lending operations (b)	Average cost of borrowing operations (b)	Difference (12-13)
	1	2	3	4	5	6	7	8	9	10		11	12	13	14
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
06		4.5	2.6	1.9	0.8	2.7	1.1	0.7	1.6	-0.4	1.6	19.4	2.9	2.5	0.4
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
04 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
04 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
04 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
05 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
05 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
05 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
06 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
06 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
06 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
07 Q1		4.3	2.8	1.5	0.9	2.4	1.1	0.7	1.3	-0.2	1.1	12.1	3.0	2.7	0.3

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 average return and cost.

c. Average of the last four quarters.

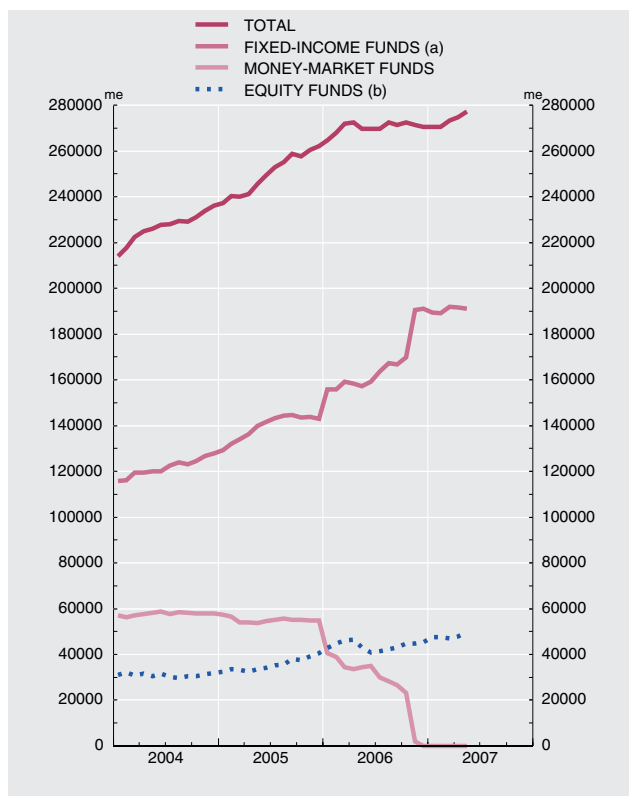
8.11. MUTUAL FUNDS RESIDENT IN SPAIN

■ Series depicted in chart.

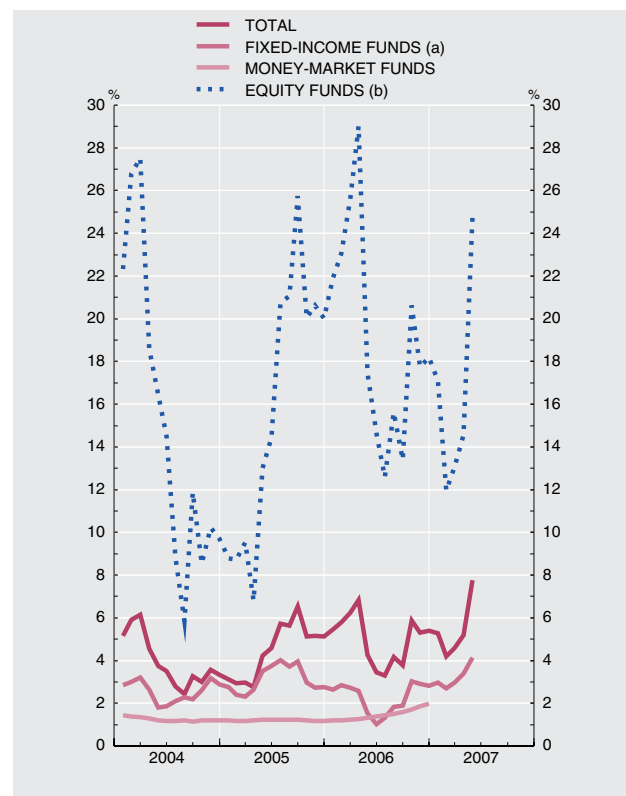
EUR millions

	Total				Money-market funds				Fixed-income funds (a)				Equity funds (b)				Others funds (c)
	Net asset value	Monthly change	Net funds invested	Return over last 12 months	Net asset value	Monthly change	Net funds invested	Return over last 12 months	Net asset value	Monthly change	Net funds invested	Return over last 12 months	Net asset value	Monthly change	Net funds invested	Return over last 12 months	Net asset value
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
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
06 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	270 607	200	-1 500	5.3	-	-106	-106	...	189 293	-1 708	-2 277	3.0	47 473	2 108	1 088	17.1	33 841
Feb	270 597	-11	730	4.2	-	-	-	...	189 012	-281	-354	2.7	47 433	-40	721	12.0	34 151
Mar	273 422	2 825	898	4.6	-	-	-	...	191 896	2 883	2 302	3.0	47 088	-345	-1 194	13.1	34 438
Apr	274 562	1 140	-591	5.2	-	-	-	...	191 508	-387	-582	3.4	47 907	819	31	14.6	35 147
May	277 098	2 536	...	7.8	-	-	...	...	191 102	-406	...	4.1	49 812	1 905	...	24.8	36 184

NET ASSET VALUE



RETURN OVER LAST 12 MONTHS



SOURCES: CNMV and Inverco.

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

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

c. Global funds.

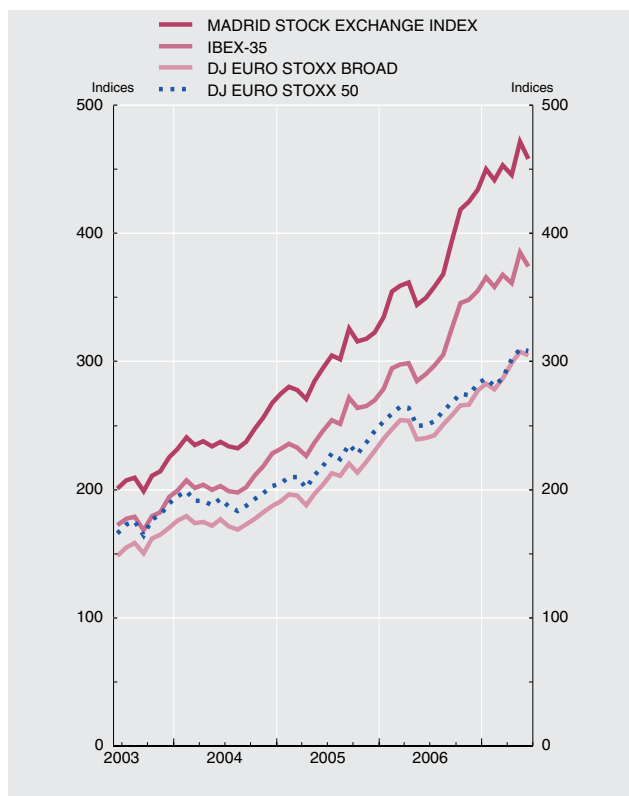
8.12. SHARE PRICE INDICES AND TURNOVER ON SECURITIES MARKETS. SPAIN AND EURO AREA

■ Series depicted in chart.

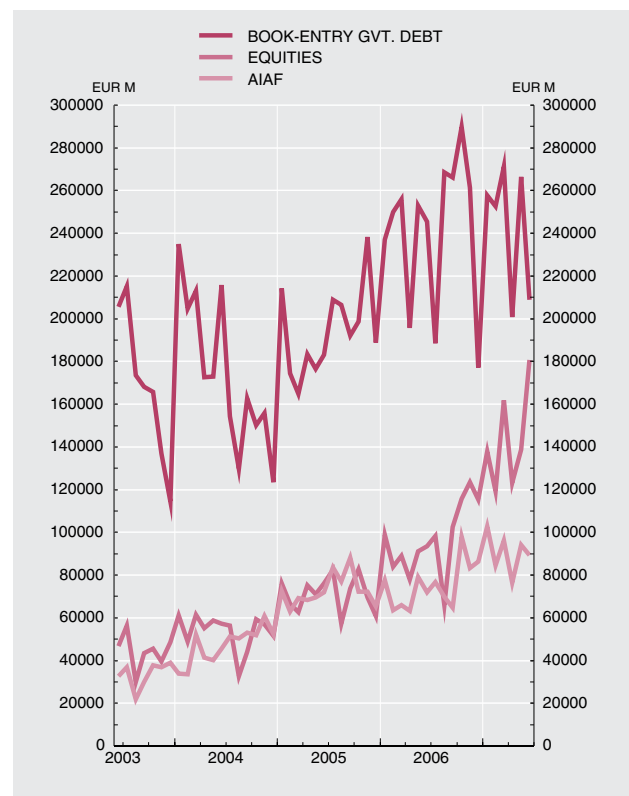
Indices, EUR millions and thousands of contracts

	Share price indices				Turnover on securities markets								
	General Madrid Stock Exchange	IBEX 35	Dow Jones EURO STOXX indices		Stock market		Book-entry government debt	AIAF fixed-income market	Financial options (thousands of contracts)		Financial futures (thousands of contracts)		
			Broad	50	Equities	Bonds			Fixed-income	Shares and other equities	Fixed-income	Shares and other equities	
	1	2	3	4	5	6	7	8	9	10	11	12	
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 1 624.58	14 680.70	418.60	4 309.07	861 691	44 909	1 457 743	543 326	-	6 447	-	4 425	
06 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	1 622.49	14 641.70	408.97	4 181.03	161 924	9 882	271 139	96 198	...	1 470	...	833	
Apr	1 595.92	14 374.60	426.32	4 392.34	123 156	6 930	200 727	76 317	...	888	...	733	
May	1 690.28	15 329.40	439.24	4 512.65	138 715	8 206	266 433	94 244	...	854	...	731	
Jun	P 1 640.40	14 892.00	434.76	4 489.77	180 794	7 209	208 975	89 256	...	1 441	...	842	

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 and 4); AIAF (column 8) and Spanish Financial Futures Market (MEFFSA) (columns 9 to 12)

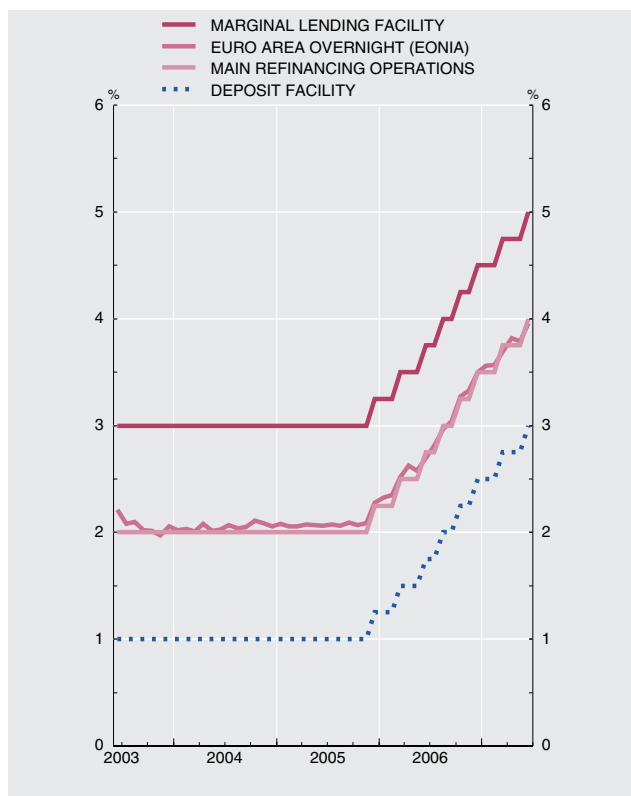
9.1. INTEREST RATES. EUROSISTEM AND MONEY MARKET. EURO AREA AND SPAIN

■ Series depicted in chart.

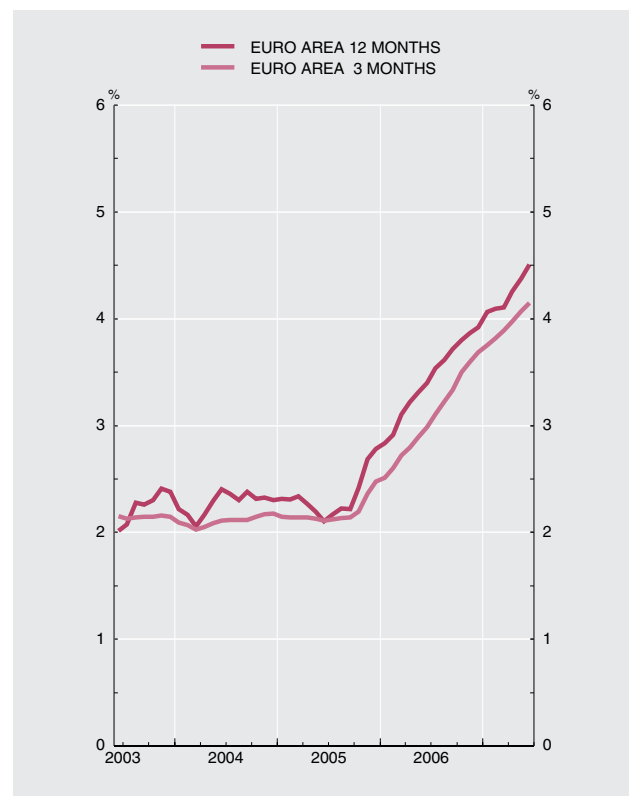
Averages of daily data. Percentages per annum

	Eurosistem 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	Over-night (EONIA)	1-month	3-month	6-month	1-year	Non-transferable deposits				Government-securities repos			
										Over-night	1-month	3-month	1-year	Over-night	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	-	4.11	5.00	3.00	3.73	3.83	3.94	4.07	4.23	3.72	3.82	3.94	4.23	3.66	3.72	3.80	3.94
06 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	-
Apr	3.75	3.96	4.75	2.75	3.82	3.86	3.98	4.10	4.25	3.80	3.85	3.97	4.25	3.71	3.75	3.84	-
May	3.75	4.06	4.75	2.75	3.79	3.92	4.07	4.20	4.37	3.79	3.90	4.07	4.39	3.73	3.81	3.94	-
Jun	4.00	4.11	5.00	3.00	3.96	4.10	4.15	4.28	4.51	3.95	4.08	4.14	4.48	3.88	3.99	4.00	-

EUROSISTEM: 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

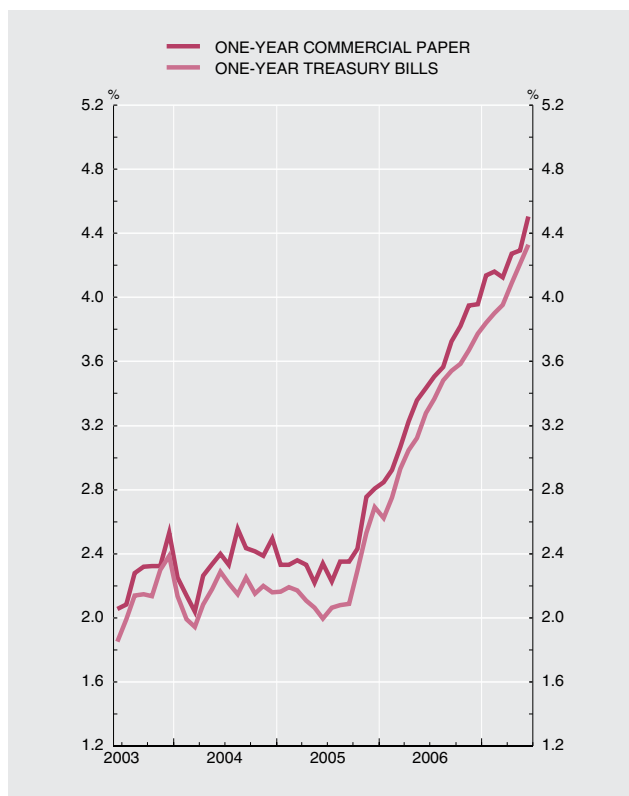
9.2. INTEREST RATES: SPANISH SHORT-TERM AND LONG-TERM SECURITIES MARKETS

■ Series depicted in chart.

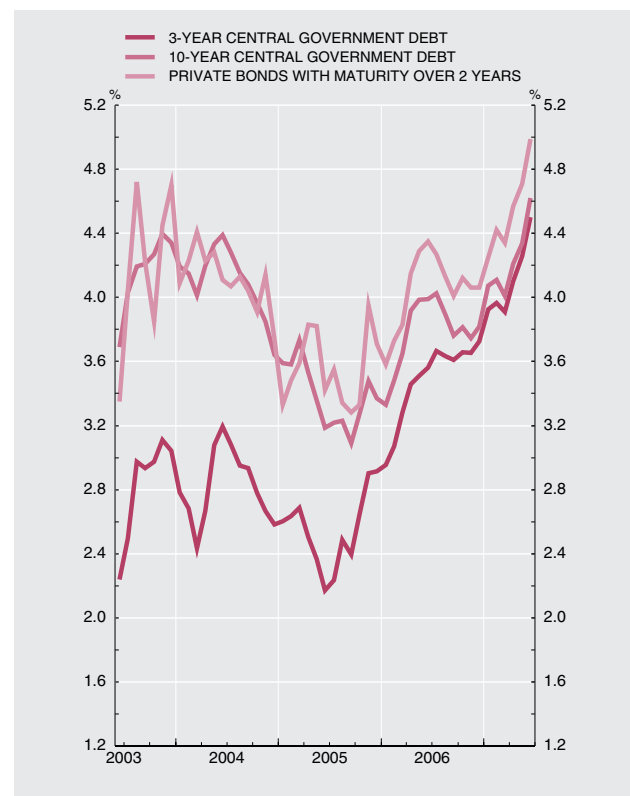
Percentages per annum

	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	4.05	4.03	4.25	4.24	3.95	4.14	4.03	-	4.25	4.11	4.23	4.54
06 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	4.12	4.12	-	3.95	3.96	-	-	3.91	4.01	4.34
Apr		4.09	4.08	4.27	4.25	-	-	-	-	-	4.10	4.21	4.57
May		4.21	4.22	4.29	4.37	-	-	-	-	-	4.26	4.34	4.71
Jun		4.33	4.32	4.51	4.51	-	4.49	-	-	-	4.50	4.62	4.99

PRIMARY MARKET



SECONDARY MARKET



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

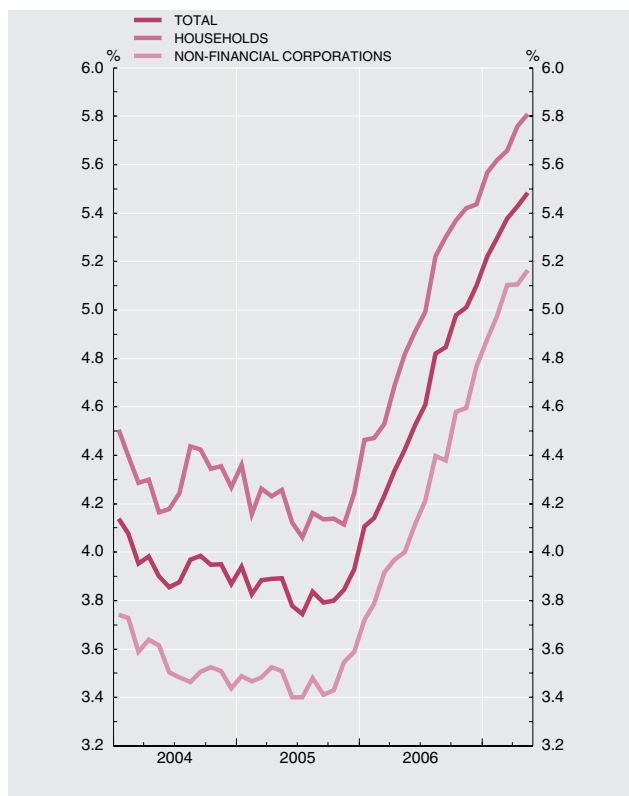
9.3. INTEREST RATES ON NEW BUSINESS. CREDIT INSTITUTIONS. (CBE 4/2002)

■ Series depicted in chart.

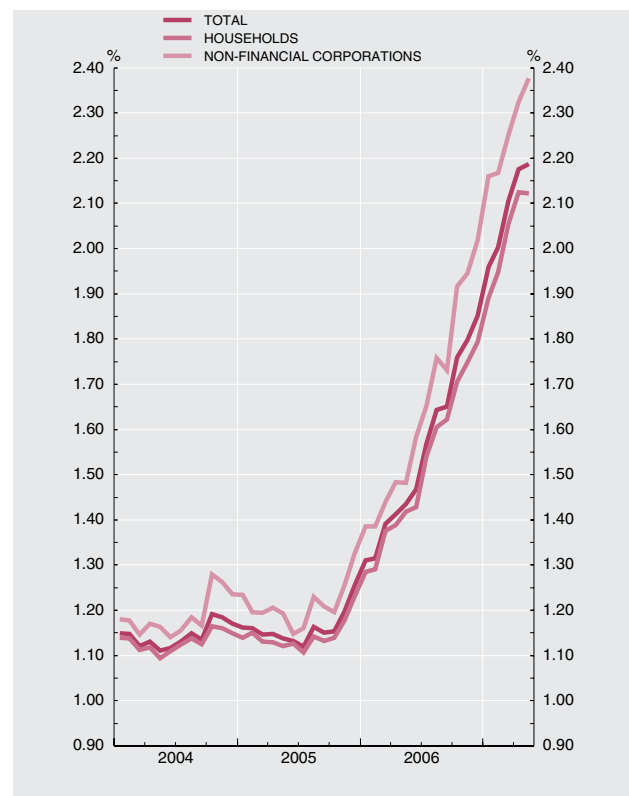
Percentages

	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	Over-night and re-deemable at notice	Time	Repos	Synthetic rate	Over-night	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	5.43	4.74	7.32	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	5.48	5.81	5.11	7.74	5.16	5.60	4.89	2.19	2.12	0.61	3.59	3.68	2.38	1.56	3.73	3.78
05 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	5.43	4.74	7.32	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		5.38	5.66	4.98	7.50	5.10	5.47	4.87	2.10	2.05	0.60	3.51	3.60	2.25	1.47	3.56	3.70
Apr		5.43	5.76	5.05	7.71	5.11	5.53	4.81	2.18	2.13	0.60	3.60	3.62	2.32	1.51	3.66	3.78
May	P	5.48	5.81	5.11	7.74	5.16	5.60	4.89	2.19	2.12	0.61	3.59	3.68	2.38	1.56	3.73	3.78

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.

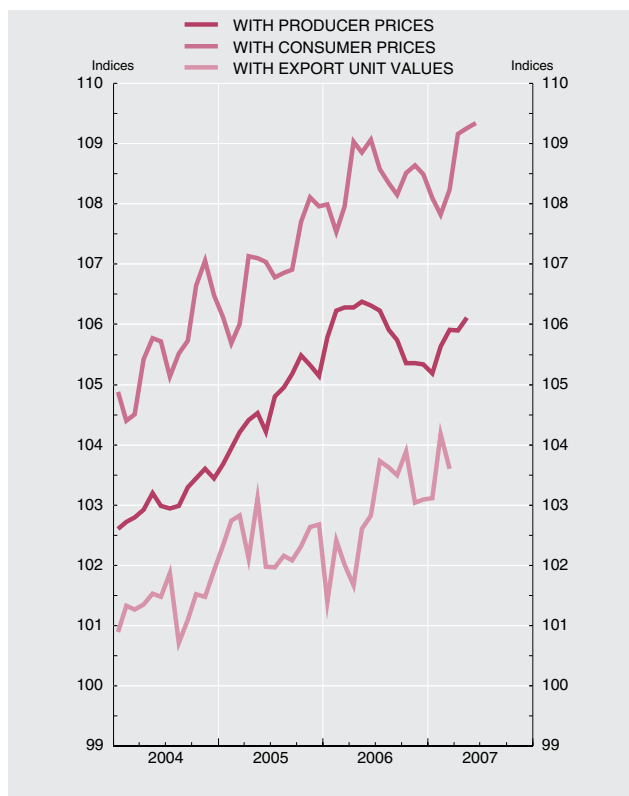
9.4 INDICES OF SPANISH COMPETITIVENES VIS-À-VIS THE EU 27 AND THE EURO AREA

■ Series depicted in chart.

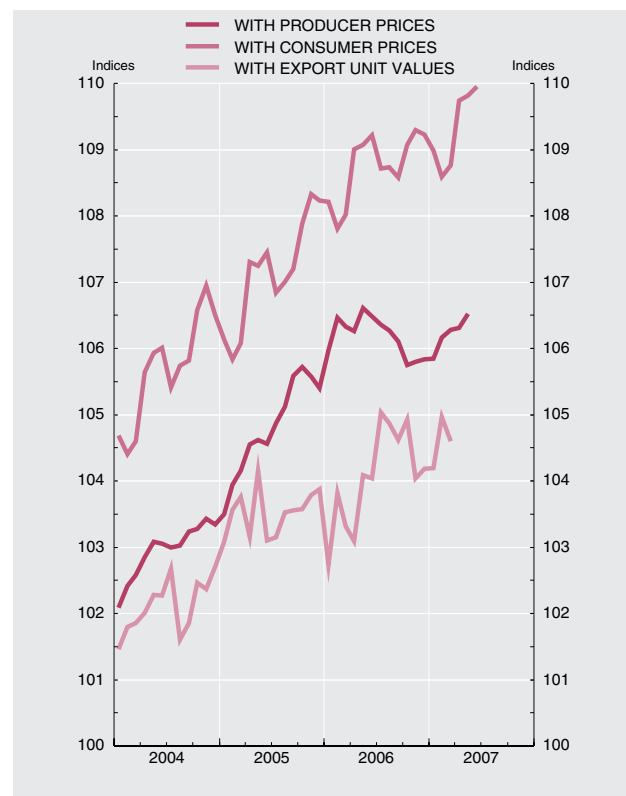
Base 1999 Q1 = 100

	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	104.2	101.4	100.1	102.9	105.5	104.0	101.2	102.9	105.7	105.0	107.5	102.1
05	104.7	107.0	105.2	102.4	100.1	104.6	106.9	105.1	102.3	104.8	107.1	106.3	111.0	103.5
06	105.9	108.4	106.9	102.8	100.0	105.9	108.5	107.0	102.8	106.2	108.8	108.4	110.7	104.1
05 Q2	104.4	107.1	105.0	102.4	100.0	104.4	107.1	105.0	102.4	104.6	107.3	106.2	110.7	103.5
Q3	105.0	106.8	105.6	102.1	100.1	104.9	106.8	105.5	102.0	105.2	107.0	106.8	110.9	103.4
Q4	105.3	107.9	105.4	102.5	100.0	105.3	107.9	105.4	102.5	105.6	108.1	106.6	111.7	103.7
06 Q1	106.1	107.8	106.3	101.9	100.1	106.0	107.8	106.2	101.9	106.2	108.0	107.5	111.2	103.3
Q2	106.3	109.0	106.6	102.4	100.1	106.2	108.9	106.4	102.2	106.5	109.1	107.8	111.2	103.7
Q3	106.0	108.4	107.1	103.6	100.0	106.0	108.4	107.1	103.6	106.2	108.7	108.5	109.7	104.8
Q4	105.4	108.5	107.8	103.3	99.8	105.6	108.8	108.1	103.6	105.8	109.2	109.7	110.8	104.4
07 Q1	105.6	108.1	107.7	103.6	99.7	105.9	108.4	108.0	103.9	106.1	108.8	109.7	108.8	104.6
06 Sep	105.7	108.1	...	103.5	99.9	105.8	108.2	...	103.6	106.1	108.6	...	...	104.6
Oct	105.4	108.5	...	103.9	99.8	105.5	108.7	...	104.1	105.8	109.1	...	...	104.9
Nov	105.4	108.6	...	103.0	99.8	105.6	108.9	...	103.3	105.8	109.3	...	...	104.0
Dec	105.3	108.5	...	103.1	99.7	105.6	108.8	...	103.4	105.8	109.2	...	...	104.2
07 Jan	105.2	108.1	...	103.1	99.6	105.6	108.6	...	103.5	105.8	109.0	...	...	104.2
Feb	105.6	107.8	...	104.2	99.7	106.0	108.2	...	104.5	106.2	108.6	...	...	105.0
Mar	105.9	108.2	...	103.6	99.9	106.0	108.4	...	103.7	106.3	108.8	...	...	104.6
Apr	105.9	109.2	...	...	99.8	106.1	109.3	...	...	106.3	109.7	...	...	...
May	106.1	109.3	...	...	99.9	106.3	109.4	...	...	106.5	109.8	...	...	...
Jun	...	109.3	...	...	99.8	...	109.5	...	...	...	110.0	...	...	...

INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EU 27



INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EURO AREA



Source: BE.

- Outcome of multiplying nominal and cost/price components. A decline in the index denotes an improvement in the competitiveness of Spanish products.
- Geometric mean calculated using a double weighting system based on 1995-1997 (until 1999) and 1999-2001 (since 1999) manufacturing foreign trade figures.
- Relationship between the price indices of Spain and of the group.
- The index obtained drawing on Manufacturing Labour Costs has been compiled using base year 2000 National Accounts data.

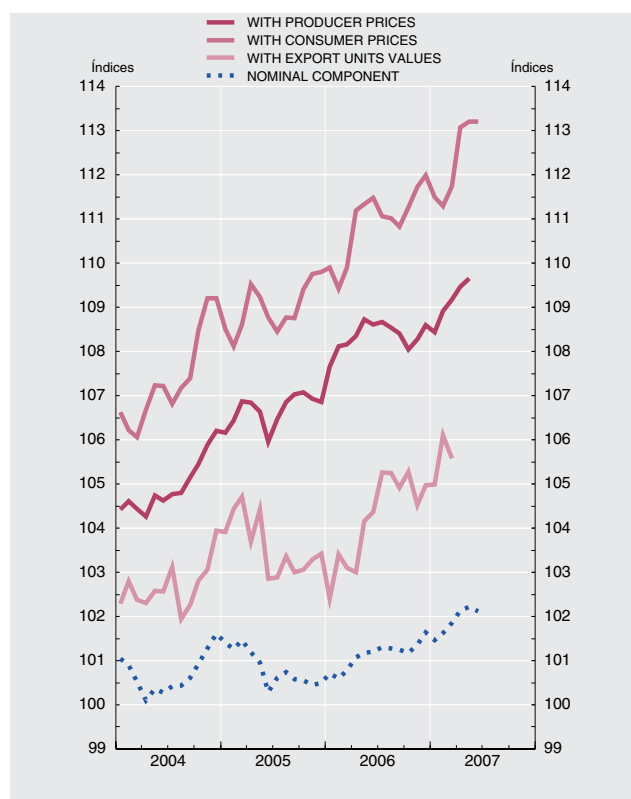
9.5 INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE DEVELOPED COUNTRIES AND INDUSTRIALISED COUNTRIES

■ Series depicted in chart.

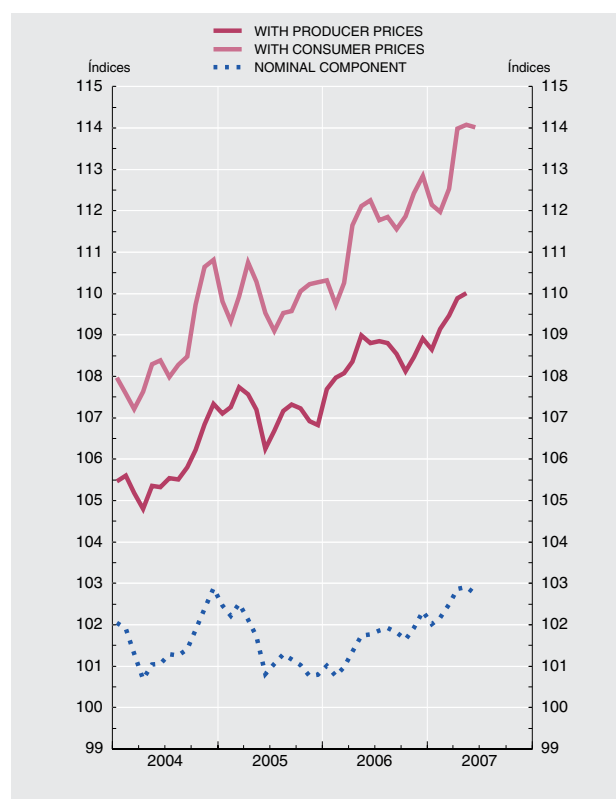
Base 1999 Q1 = 100

	Vis-à-vis developed countries									Vis-à-vis industrialised countries				
	Total (a)				Nominal component (b)	Prices component (c)				Total (a)		Nominal component (b)	Prices component (c)	
	Based on producer prices	Based on consumer prices	Based on manufacturing unit labour costs (d)	Based on export unit values		Based on producer prices	Based on consumer prices	Based on manufacturing unit labour costs (d)	Based on export unit values	Based on producer prices	Based on consumer prices		Based on producer prices	Based on consumer prices
	1	2	3	4		6	7	8	9	10	11		13	14
04	104.9	107.4	109.6	102.7	100.7	104.2	106.6	108.8	102.0	105.7	108.6	101.6	104.1	106.9
05	106.7	109.0	113.0	103.6	100.8	105.8	108.1	112.1	102.7	107.1	109.9	101.5	105.5	108.3
06	108.3	110.9	112.8	104.2	101.1	107.1	109.7	111.5	103.1	108.5	111.6	101.6	106.8	109.8
05 Q2	106.5	109.2	112.8	103.7	100.8	105.6	108.3	111.9	102.8	107.0	110.2	101.6	105.4	108.5
Q3	106.8	108.7	112.7	103.1	100.6	106.1	108.0	112.0	102.4	107.1	109.4	101.2	105.8	108.1
Q4	107.0	109.7	113.2	103.3	100.5	106.4	109.1	112.7	102.7	107.0	110.2	100.9	106.1	109.2
06 Q1	108.0	109.8	112.9	103.0	100.7	107.2	109.0	112.2	102.2	107.9	110.1	100.9	106.9	109.1
Q2	108.6	111.3	113.3	103.8	101.2	107.3	110.1	112.0	102.7	108.7	112.0	101.6	107.0	110.2
Q3	108.5	111.0	111.9	105.1	101.3	107.2	109.6	110.5	103.8	108.7	111.7	101.9	106.7	109.7
Q4	108.3	111.7	113.0	104.9	101.4	106.8	110.1	111.5	103.5	108.5	112.4	102.0	106.4	110.2
07 Q1	108.8	111.5	111.2	105.5	101.6	107.1	109.7	109.4	103.8	109.1	112.2	102.2	106.7	109.8
06 Sep	108.4	110.8	...	104.9	101.2	107.1	109.5	...	103.6	108.5	111.6	101.8	106.6	109.6
Oct	108.0	111.3	...	105.3	101.2	106.8	110.0	...	104.1	108.1	111.9	101.6	106.4	110.1
Nov	108.3	111.7	...	104.5	101.4	106.8	110.2	...	103.1	108.5	112.4	101.9	106.4	110.3
Dec	108.6	112.0	...	105.0	101.6	106.8	110.2	...	103.3	108.9	112.8	102.3	106.4	110.3
07 Jan	108.4	111.5	...	105.0	101.5	106.9	109.9	...	103.5	108.6	112.1	102.0	106.5	109.9
Feb	108.9	111.3	...	106.1	101.6	107.2	109.5	...	104.4	109.1	112.0	102.2	106.8	109.6
Mar	109.2	111.7	...	105.6	101.9	107.2	109.7	...	103.7	109.5	112.5	102.5	106.8	109.8
Apr	109.5	113.1	...	...	102.1	107.2	110.7	...	...	109.9	114.0	102.9	106.8	110.8
May	109.7	113.2	...	...	102.2	107.3	110.7	...	...	110.0	114.1	102.9	106.9	110.9
Jun	...	113.2	...	...	102.1	...	110.9	...	...	...	114.0	102.7	...	111.0

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



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



Source: BE.

- Outcome of multiplying nominal and cost/price components. A decline in the index denotes an improvement in the competitiveness of Spanish products.
- Geometric mean calculated using a double weighting system based on 1995-1997 (until 1999) and 1999-2001 (since 1999) manufacturing foreign trade figures.
- Relationship between the price indices of Spain and of the group.
- The index obtained drawing on Manufacturing Labour Costs has been compiled using base year 2000 National Accounts data.

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