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Eurosistema



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ABBREVIATIONS

ABCP	Asset-backed commercial paper	GDP	Gross domestic product
AIAF	Association of Securities Dealers	GFCF	Gross fixed capital formation
BCBS	Basel Committee on Banking Supervision	GNP	Gross national product
BE	Banco de España	GVA	Gross value added
BIS	Bank for International Settlements	HICP	Harmonised index of consumer prices
CBSO	Central Balance Sheet Data Office	IADB	Inter-American Development Bank
CCR	Central Credit Register	IGAE	National Audit Office
CEBS	Committee of European Banking Supervisors	IMF	International Monetary Fund
CEIPOs	Committee of European Insurance and Occupational Pensions Supervisors	INE	National Statistics Institute
CEMLA	Center for Latin American Monetary Studies	INEM	National Public Employment Service
CEPR	Centre for Economic Policy Research	MBSs	Mortgage-backed securities
CNE	Spanish National Accounts	MEFF	Financial Futures and Options Market
CNMV	National Securities Market Commission	MEW	Mortgage equity withdrawal
CPI	Consumer price index	MFIs	Monetary financial institutions
DGS	Directorate General of Insurance and Pension Funds	MiFID	Markets in Financial Instruments Directive
EAGGF	European Agricultural Guidance and Guarantee Fund	MMFs	Money market funds
ECB	European Central Bank	MROs	Main refinancing operations
ECOFIN	Council of the European Communities (Economic and Financial Affairs)	NAIRU	Non-accelerating-inflation rate of unemployment
EDP	Excessive Deficit Procedure	NCBs	National central banks
EMU	Economic and Monetary Union	NPISHs	Non-profit institutions serving households
EONIA	Euro overnight index average	NRPs	National Reforms Programmes
EPA	Official Spanish Labour Force Survey	OECD	Organisation for Economic Co-operation and Development
ERDF	European Regional Development Fund	OPEC	Organisation of Petroleum Exporting Countries
ESA 79	European System of Integrated Economic Accounts	PPP	Purchasing power parity
ESA 95	European System of National and Regional Accounts	QNA	Quarterly National Accounts
ESCB	European System of Central Banks	RoW	Rest of the World
EU	European Union	SCLV	Securities Clearing and Settlement Service
EU-15	Countries making up the European Union as at 31/04/04	SDRs	Special drawing rights
EU-25	Countries making up the European Union as from 1/05/04	SEPA	Single European Payments Area
EU-27	Countries making up the European Union as from 1/01/07	SGP	Stability and Growth Pact
EURIBOR	Euro Interbank Offered Rate	SICAV	Open-end Investment Companies
EUROSTAT	Statistical Office of the European Communities	SIVs	Structured investment vehicles
FASE	Financial Accounts of the Spanish Economy	SMEs	Small and medium-sized enterprises
FDI	Foreign direct investment	TARGET	Trans-European Automated Real-time Gross settlement Express Transfer system
FIAMM	Money market funds	TFP	Total factor productivity
FIM	Securities funds	ULCs	Unit labour costs
FSAP	Financial Services Action Plan	VAT	Value added tax
GDI	Gross disposable income	XBRL	Extensible Business Reporting Language

COUNTRIES AND CURRENCIES

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

BE	Belgium	EUR (euro)
BG	Bulgaria	BGN (Bulgarian lev)
CZ	Czech Republic	CZK (Czech koruna)
DK	Denmark	DKK (Danish krone)
DE	Germany	EUR (euro)
EE	Estonia	EEK (Estonia kroon)
IE	Ireland	EUR (euro)
GR	Greece	EUR (euro)
ES	Spain	EUR (euro)
FR	France	EUR (euro)
IT	Italy	EUR (euro)
CY	Cyprus	EUR (euro)
LV	Latvia	LVL (Latvian lats)
LT	Lithuania	LTL (Lithuanian litas)
LU	Luxembourg	EUR (euro)
HU	Hungary	HUF (Hungarian forint)
MT	Malta	EUR (euro)
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	EUR (euro)
FI	Finland	EUR (euro)
SE	Sweden	SEK (Swedish krona)
UK	United Kingdom	GBP (Pound sterling)
JP	Japan	JPY (Japanese yen)
US	United States	USD (US dollar)

CONVENTIONS USED

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

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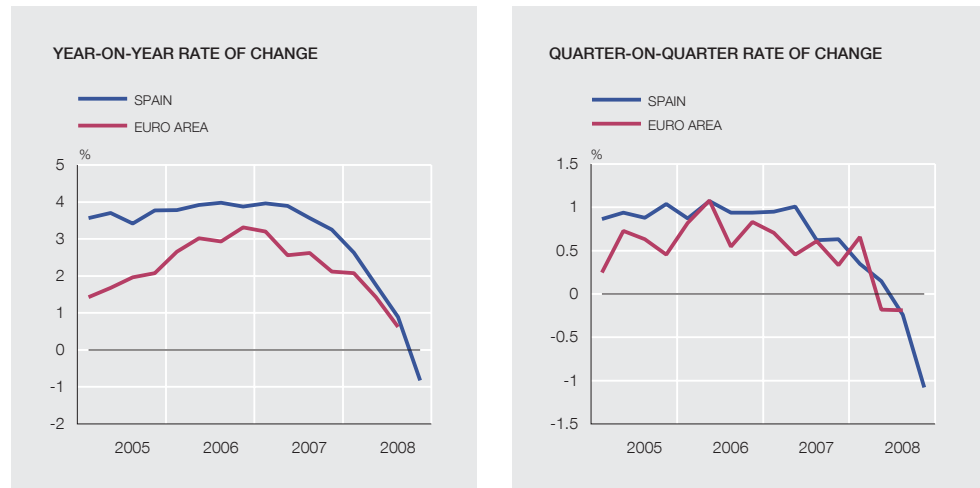
1 Overview

During the first three quarters of 2008, there was a continual loss of momentum in the Spanish economy. This was the result of the dynamic of the internal adjustment that had begun the previous year and of the impact of the prolonged episode of financial instability. On the information available this pattern is expected to have stepped up in Q4, following the worsening of the international financial crisis, which considerably dented agents' confidence and further tightened financing conditions. The annual rate of GDP is estimated to have declined by 0.8% (–1.1% in quarter-on-quarter terms). Behind these developments lies a reduction in national demand of 2.4%, in terms of its year-on-year rate, which was not offset by net external demand, whose positive contribution to GDP growth increased by 0.9 pp to 1.7 pp.

On these estimates, the growth rate of GDP for 2008 as a whole is expected to stand at 1.1%, a substantial slowdown on the previous year's rate (3.7%). The pronounced decline in the pace of growth during 2008 came about as a result of the sharp slowdown in national demand, which posted an average rate of increase of 0.4%, compared with 4.2% in 2007. This stemmed from the general weakening across all its components, except government consumption, which held at a similar rate to that of 2007. There was, however, a notably strong correction in residential investment, whose rate declined over the course of the year as a whole to close to 10%, and a rapid adjustment of consumption, which posted practically zero or even negative growth in the second half of the year. The contribution of net external demand to GDP growth was positive for the first time since 1997, at 0.7 pp, compared with a negative contribution of 0.8 pp in 2007. Underpinning this, in particular, was the swift loss of steam by imports, which slowed more sharply than exports.

On the supply side, the sudden halt in spending impacted all the productive branches, especially industry and construction. It also bore on the rate of employment generation, which worsened markedly to the point of moving into a phase of net job losses in Q3, which intensified in the closing months of the year. As a result, employment fell by 0.5% in 2008 (compared with an increase of 3.1% in 2007) and the unemployment rate climbed substantially to 11.3% for the year on average (13.9% in Q4), on EPA (Labour Force Survey) figures, against a background in which labour supply remained strongly dynamic. Turning to inflation, the growth rate of the CPI stood at 4.1% for the year on average, above the related figure for the previous year (2.8%), although in the second half of the year it moved on a rapidly slowing path, to reach an annual rate of change of 1.4% in December, the lowest figure since 1998. Accordingly, the inflation differential with the euro area, in terms of the HICP, narrowed in December and ended the year negative – for the first time since the start of EMU – at –0.1 pp.

The international economic outlook in Q4 was marked by the episode of exceptional instability of the global financial system in September and October, and by the forceful response of governments and central banks. The latter, given the seriousness of the situation, urgently adopted fiscal and financial support plans, proceeded to extend liquidity-providing mechanisms and made unprecedented cuts to their key interest rates. Notwithstanding, the tensions on international financial markets persisted and financing conditions remained restrictive. These circumstances saw a further and substantial worsening across the board in world economic activity in the final months of 2008, and a deterioration in the growth outlook for the coming quarters. At the same time, the declining course on which oil prices had embarked in the summer intensified and there were fresh falls in other commodities prices, prompting widespread falls in inflation rates and a further improvement in the inflation outlook.



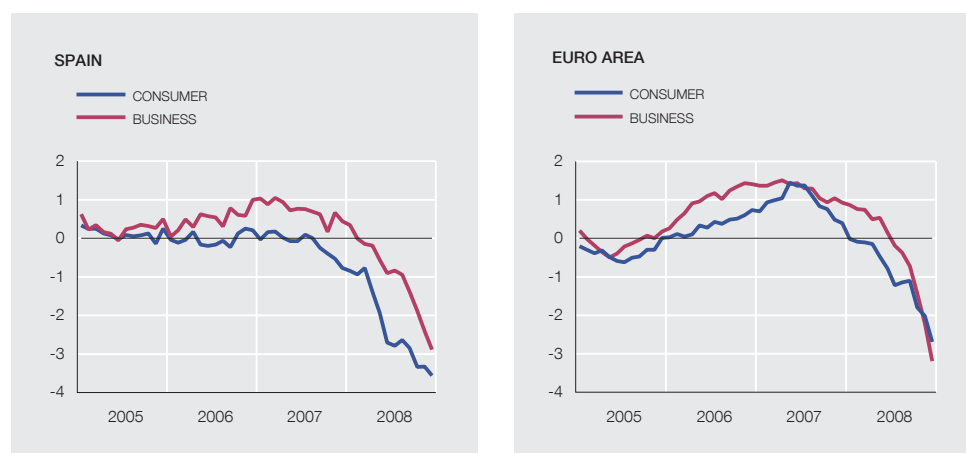
SOURCES: ECB, INE and Banco de España.

a. Seasonally adjusted series.

As indicated in the preceding “Quarterly Report on the Spanish Economy”, the economic authorities reacted to the severe deterioration in financial markets in September and October with a wide range of measures geared to restoring confidence, stabilising the financial markets and preventing potential systemic risks. These measures included raising the amounts covered by national deposit guarantee schemes, the adoption of measures aimed at preventing the interruption of credit flows and, finally, the possibility for banks to improve their capital ratios through re-capitalisation. Against this background, the Spanish government increased the deposit guarantee limit to €100,000, created the Treasury-funded FAAF (a fund for the acquisition of high-quality Spanish assets) and approved the granting of State guarantees for new lending by credit institutions in Spain. It also authorised the purchasing of securities to shore up credit institutions’ capital (for more details of these measures, see Box 2 in the above-mentioned Report).

The efforts to achieve a coordinated solution for the international situation during the quarter culminated in the meeting of Heads of State and of Government of the main developed and emerging economies in Washington in November. The meeting concluded with an agreement to support the financial system, basic guiding principles for its reform and a commitment not to succumb to protectionist pressures. In this setting, on 12 December the European Council approved the plan for European economic recovery, the immediate aim of which is to allocate an amount equivalent to 1.5% of EU GDP to boost public investment and corporate spending (see Box 3 of this Report). Along the same lines is the Spanish government’s initiative, approved in late November, to set up a State fund for local investment (endowed with €8 billion), dedicated to funding employment-generating investment at the municipal level, and the creation of a special State fund to reinvigorate the economy and employment (endowed with €3 billion) for sectors considered strategic to be able to pursue projects that also have an impact on employment.

Central banks, in turn, cut intervention rates considerably and continued to offer unlimited liquidity, under the procedures introduced in previous months. The Federal Reserve reduced its official rates in October, November and December, when the federal funds rate stood in a target range of 0% to 0.25%, while formalising a change in strategy in its monetary policy, which is now geared to safeguarding financial stability (see Box 2); and the Bank of England, which followed a similar sequence, lowered its official rate to 1.5% in January. The ECB Gov-



SOURCE: European Commission.

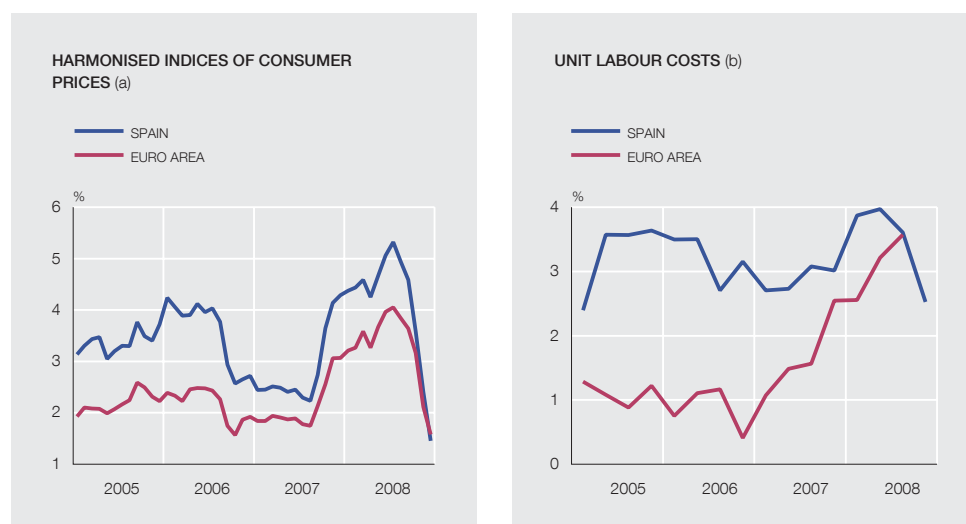
a. Normalised confidence indicators (difference between the indicator and its mean value, divided by the standard deviation).

erning Council decided to make four consecutive cuts to interest rates between October and January, which took the main refinancing operations rate to 2%, 225 bp below the level observed in September, while it continued to provide all the liquidity applied for by financial institutions at maturities ranging from one week to six months, having undertaken to maintain this stance as long as it remains necessary.

The adoption of this raft of measures contributed to checking the deterioration in the main financial stress indicators. However, the great fragility that continues to prevail has not been overcome, and the setting is still dominated by uncertainty, market volatility and high risk aversion, which are keeping financing conditions tight. Since mid-October, interest rates on inter-bank deposits have fallen considerably, and this has continued into January to date. But levels are still above those of guaranteed bank transactions, denoting the persistence of pressures on money markets. Government debt yields also fell, especially at shorter dates, with discrepancies of some significance within the euro area in the extent of the decline, so that most countries' spreads over the German bund widened. In the case of Spanish ten-year government bonds, the spread over the German bund was 120 bp in the third week of January (having been virtually zero until the start of the financial turmoil). On 19 January Standard & Poor's downgraded Spanish debt by a notch (from AAA to AA+). Non-financial corporations' credit risk premiums widened once again in Q4, although they narrowed to some extent in January, and there were heavy falls in prices on equity markets, against a backdrop of high volatility, which have continued in January.

In this environment of instability, world economic activity continued to worsen in Q4 after negative growth was posted in Q3 in the United States, the United Kingdom, Japan and the euro area. In the emerging economies, which had remained resilient until the second half of the year, there was a strong slowdown in activity in Q4. This was very marked in the Central and Eastern European countries which are, to date, proving the most vulnerable to the international financial crisis.

Following a decline in GDP in Q3, for the second consecutive quarter, the conjunctural indicators available in the euro area for 2008 Q4 point to a further deterioration in activity, which was affected by the impact of the financial crisis, the climate of heightened uncertainty and the decline in foreign demand. At the same time, inflation eased considerably in Q4, placing the



SOURCES: Eurostat, ECB and INE.

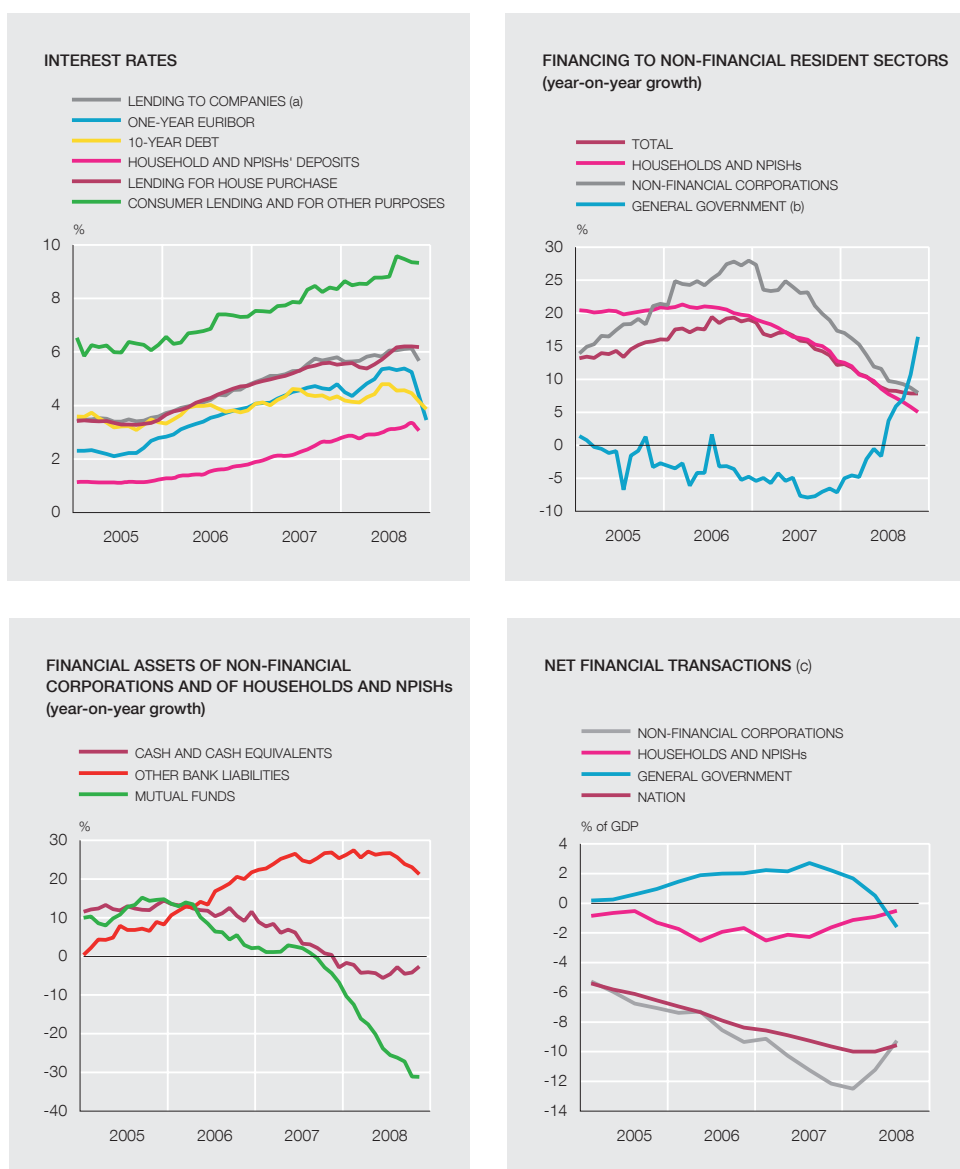
a. Year-on-year rate of change.

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

annual growth rate of the HICP at 1.6% in December. This outturn, as in other geographical areas, was closely linked to energy price developments, since the rate of increase of the other components scarcely eased. The substantial abatement of inflationary pressures, set against the marked deterioration in the economic outlook, lay at the basis of the above-mentioned substantial change in monetary policy stance.

Under these circumstances, the external environment of the Spanish economy continued to weaken and financing conditions for households and firms remained restrictive, despite the fact that the cost of bank funding has begun to fall in response to the developments described on money markets. The sizeable declines in money market yields observed since November will foreseeably tend to lessen the cost of private-sector financing and the interest burden borne by indebted households and firms in the coming months. Further, the initiatives adopted by the national and international economic authorities to restore the normal workings of financial markets might help soften the credit standards applied to the private sector. Moreover, private-sector wealth was adversely affected first, by the significant decline in stock markets in Q4, which raised cumulative losses in 2008 to close to 40% on the various securities markets; and further, by the fall in property prices, which according to the Spanish Ministry of Housing was of the order of 3.2% in Q3 compared with the same period a year earlier, meaning the year-end figure was of average growth of 0.7% (down from 5.8% in 2007).

Against this background, household expenditure contracted more sharply than in the previous quarter. In particular, household consumption fell at a year-on-year rate of somewhat over 1.5% in 2008 Q4, meaning that for the year as a whole it was the domestic demand component which most contributed to the slowdown in GDP, even exceeding residential investment. Consumption was affected by the climate of mistrust brought on by the financial market convulsions during the quarter and by the deterioration in the general macroeconomic outlook. But job destruction and the tightening of financing conditions also contributed to the scaling back by consumers of their spending decisions, dampening the expansionary effects on disposable income stemming from the rise in wages, lower inflation and the fiscal impulse linked to the personal income tax deduction applied in June. All these factors, along with the reduc-



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. Four-quarter cumulated data.

tion in the real value of household wealth, are prompting a rapid recovery in the household saving ratio, which rose in Q3 to 11.9% of disposable income in cumulative four-quarter terms, compared with 10.2% on average in 2007.

Residential investment was particularly influenced by the contractionary effect exerted by the tightening of financing conditions and the climate of uncertainty surrounding the economic outlook. And compounding this in particular is the declining course on which house prices have embarked. Real estate supply progressively adjusted during the year to the decline in residential demand, while the ongoing restructuring of the sector continued, which made for a further contraction in residential construction activity. It is estimated that residential investment may have fallen at a year-on-year rate of 20% in Q4.

Naturally, faced with the downward revision in household spending plans, the demand for financing posted lower growth. And this, combined with the tightening of credit supply conditions, meant that the slowing trajectory of household debt continued in the closing months of the year, to reach a year-on-year growth rate of 5% in November, almost 8 pp down on the December 2007 figure. The mildly declining path of the debt ratio, which started during Q3, when it stood at 128% of GDI, also continued.

The slide in corporate investment also steepened in Q4, as a result of the worsening economic outlook, the sluggishness of demand and the heightening of uncertainty, against the backdrop of financing conditions not conducive to new business projects. Investment in equipment fell off markedly, by more than 7% year-on-year, and investment in other construction began to show equally negative signs. Non-financial corporations' external borrowing also continued to slow, reaching a year-on-year growth rate of close to 8% in November, compared with 17% in December 2007. That made for a slight reduction in the sector's debt ratio during the closing months of the year.

The general government sector contributed in 2008 to sustaining spending, mainly by means of government consumption, which increased at a rate of 5% over the year as a whole, since investment increased only moderately, at a far slower pace than in the two previous years. In addition, however, the deterioration in activity activated the automatic stabilisers in 2008 in the form of increases in unemployment benefits and declines in tax revenue, softening the impact of the cyclical change on household disposable income. Lastly, the government adopted a series of measures that reduced the tax burden on households and firms by an estimated amount of almost 2 pp of GDP. As a result of these factors, and of the forgone revenue entailed by the disappearance of the extraordinary proceeds linked to the real estate boom, public finances deteriorated rapidly in 2008: from a surplus of 2.2% of GDP in 2007, they are running a deficit that might rise to 3.4% of GDP in 2008, according to the latest Stability Programme update. The public debt ratio departed from the declining course of the last 11 years, rising by 3.3 pp in 2008 to 39.5% of GDP. For 2009, the government envisages a further increase in the deficit, which might stand close to 6% of GDP, although a portion of this deterioration can be explained by the launching of the above-mentioned funds for municipal investment and for reinvigorating the economy.

The progressive weakening of domestic spending was tempered by the greater buoyancy of net external demand, which is estimated to have made a positive contribution to GDP growth of 1.7pp in Q4. This was primarily a result of the weakness of imports, which are rapidly reflecting the downward adjustment in final consumption demand and equipment investment. As for exports, their growth rate declined significantly, against the background of a steeper slowdown in world trade, although both the depreciation of the euro and the performance of relative prices in Q4 saw price competitiveness indices behave more favourably, helping reduce the losses accumulated in the first half of the year. With regard to tourism services, the available indicators point to a step-up in their decline in Q4, a pattern that appears also to have been followed by imports of non-tourism services, although not by the exports of such goods, which picked up slightly.

The correction of the contribution of net external demand to GDP growth has begun to be passed through to the nation's net borrowing, which stood at 9.6% of GDP in Q3, in cumulative four-quarter terms, as against 10% in the first two quarters of the year. According to balance of payments data this correction continued in October, with the additional support of the lower energy bill during the final quarter.

On the supply side, value added declined in Q4 in all the productive branches of the market economy, except market services (although growth rates still fell significantly in this sector), with particularly sizeable declines in industry and in construction. Against this backdrop, the adjustment in employment seen in previous quarters intensified, with an estimated decline of around 3%. By productive branch, there was once more a very heavy fall in employment in construction, but high negative rates were also recorded in industry and, for the first time in this adjustment phase, employment also fell in market services, a sector that had been creating employment until Q3, albeit more moderately as the year elapsed. Meanwhile, the temporary employment ratio fell to 27.9% in Q4, reflecting the greater impact of workforce restructuring on temporary employment. Overall, employment fell at a higher rate than value added, so that productivity growth increased in the market economy from 0.9% in 2007 to 1.7% in 2008.

Despite the deterioration in the labour market during 2008, there was a significant increase in labour costs (which appear to have eased slightly only in the final quarter). This was a result of somewhat higher average wage settlements than in the previous year and, in particular, of the impact of indexation clauses, which added an additional percentage point to wage settlements. Compensation per employee is estimated to have grown on average during the year at a rate of 4.7% in the market economy (and 5% in the economy as a whole), up more than 1.5 pp on the previous year. In terms of unit labour costs, the increase would have been smaller, owing to the productivity gains being observed, although it would still have been larger than those of our competitors.

As a result of the declines in commodity and oil prices in the second half of 2008, CPI inflation fell from a high for the year of 5.3% in July to 1.4% in December. This gave rise – for the first time since the start of EMU – to a negative price differential vis-à-vis the euro area, in terms of the HICP, of 0.1 pp. Inflation excluding energy and unprocessed food prices was more stable, but fell in December to an annual rate of 2.6%. The inflation outlook for the coming months is one of more moderate growth until mid-2009, when the base effects of the oil price rises in the first half of 2008 drop out of the index, as part of a general trend towards price containment, based on slack demand.

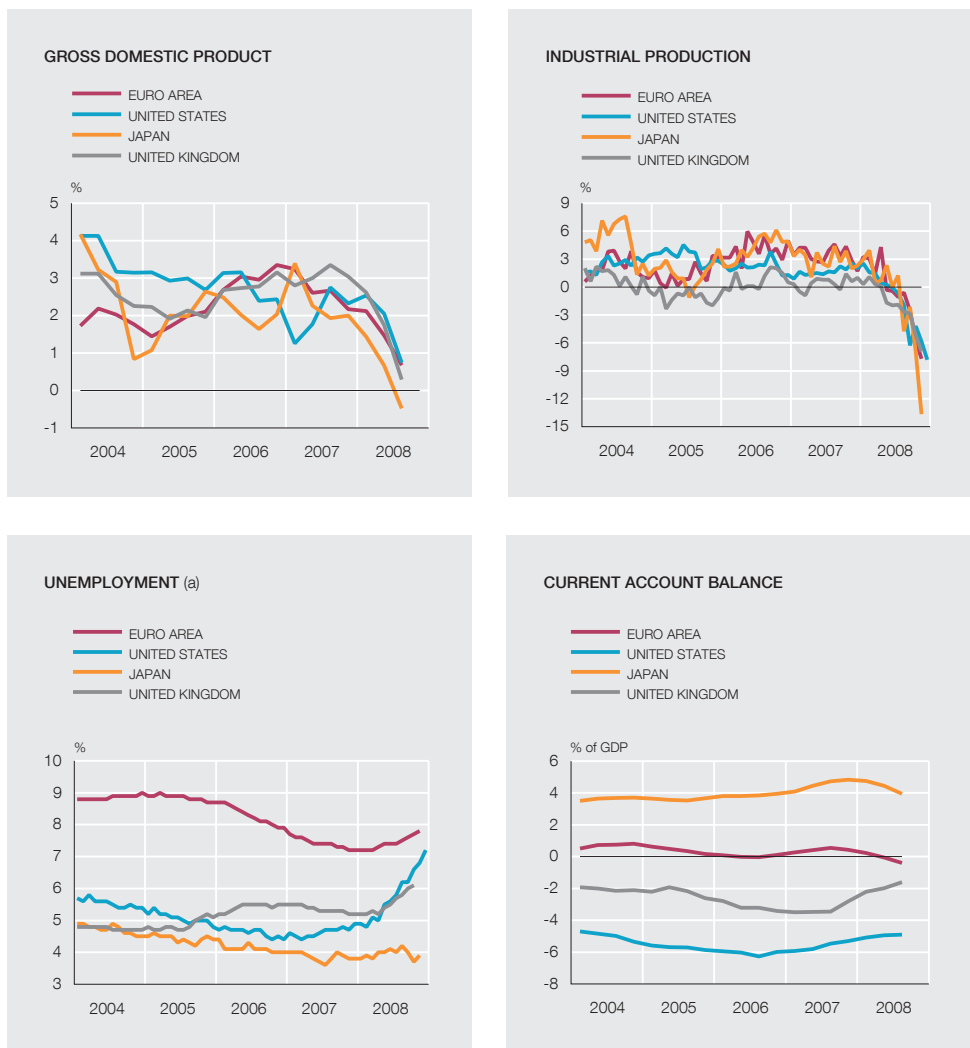
The Spanish economy has over the past year undergone a very severe adjustment, exacerbated by the prolonged instability on international financial markets, which is giving rise to a severe weakening of world economic activity, a marked loss of confidence and a tightening of private-sector financing conditions. A large part of the deterioration in activity is rapidly being passed through to employment, and this is one of the main channels through which the adjustment is being spread to the rest of the economy, magnifying its effects on spending plans. The pass-through of interest rate reductions, cheaper oil, the decline in inflation, the effect of the expansionary measures taken and a possible end to the financial turmoil may help to alleviate the contractionary tendencies. However, given the recessionary climate in the world economy, it is hard to believe that the external sector can significantly reduce the scale of the adjustment of domestic demand. Since the fiscal policy leeway available is limited following the rapid deterioration in public finances over the past year, it is particularly important that progress be made in implementing the appropriate measures and economic reforms so as to improve the labour market situation, to foster the necessary shifting of resources among productive branches, to increase long-term productivity and to resume growth in potential output.

2 The external environment of the Spanish economy

In the last two months, the situation on international financial markets has stabilised slightly following the acute strains in the weeks after the bankruptcy of Lehman Brothers, an investment bank. This stabilisation has been seen in a moderate reduction of volatility on the major markets from the highs posted in November. Thus, although the situation is far from back on a normal footing, certain segments of the financial system have been reactivated, thanks to the effect of the support measures implemented by the authorities. Worth noting among these measures are: the increase in the provision of liquidity and financing to the banking system by central banks, together with lower borrowing costs arising from further very sharp drops in official interest rates; capital injections and guarantees given to bank debt by many governments to strengthen entities' solvency, and specific rescue plans for certain ailing institutions such as Citigroup and, more recently, Bank of America in the US. Additionally, the aid has been extended to other sectors, in particular the automobile industry in the US. However, the effect of these measures has been lessened by the strong deterioration of most macroeconomic indicators and unfavourable corporate earnings, along with the uncertain knock-on effect on the market of the Madoff hedge fund financial fraud in December. Against this background, the authorities' economic policy response through support for the financial sector and fiscal plans of increasing amounts, is key for restoring agents' confidence, safeguarding financial stability and supporting economic activity. On the monetary front, in particular, the loosening of monetary policy, which has been unprecedented in terms of its breadth and scope, has been facilitated by the substantial across-the-board reduction in inflation rates and short and medium-term expectations.

In the last three months, advanced economies' stock markets tended to moderate their losses. On foreign exchange markets the dollar reached a low against the euro mid-December (just before official rates were cut by the Federal Reserve) and, since then, it has continued to appreciate. The yen appreciated strongly, while the depreciation of sterling against the major currencies intensified. Long-term interest rates on government debt dropped significantly, due to weak activity, lower inflation expectations and reduced appetite for risk, in spite of expectations of a substantial rise in government debt issues worldwide aimed at financing rescue and fiscal plans. Trends in emerging markets have continued in parallel to those in developed markets and international investor sentiment has improved. Dollar-denominated liquidity assistance to certain emerging countries provided by the Federal Reserve and the announcement of a new emergency facility by the IMF at the end of October had a positive effect. Against a backdrop of weak global economic activity the price of Brent oil fell more than 40% over the last quarter (in spite of the cut in output announced by OPEC and geopolitical tension in certain producing regions) and currently stands at around \$45/barrel, although futures are factoring in a rise. Similarly, commodities prices dropped notably, with the exception of gold, which once more acted as a safe haven in times of turmoil.

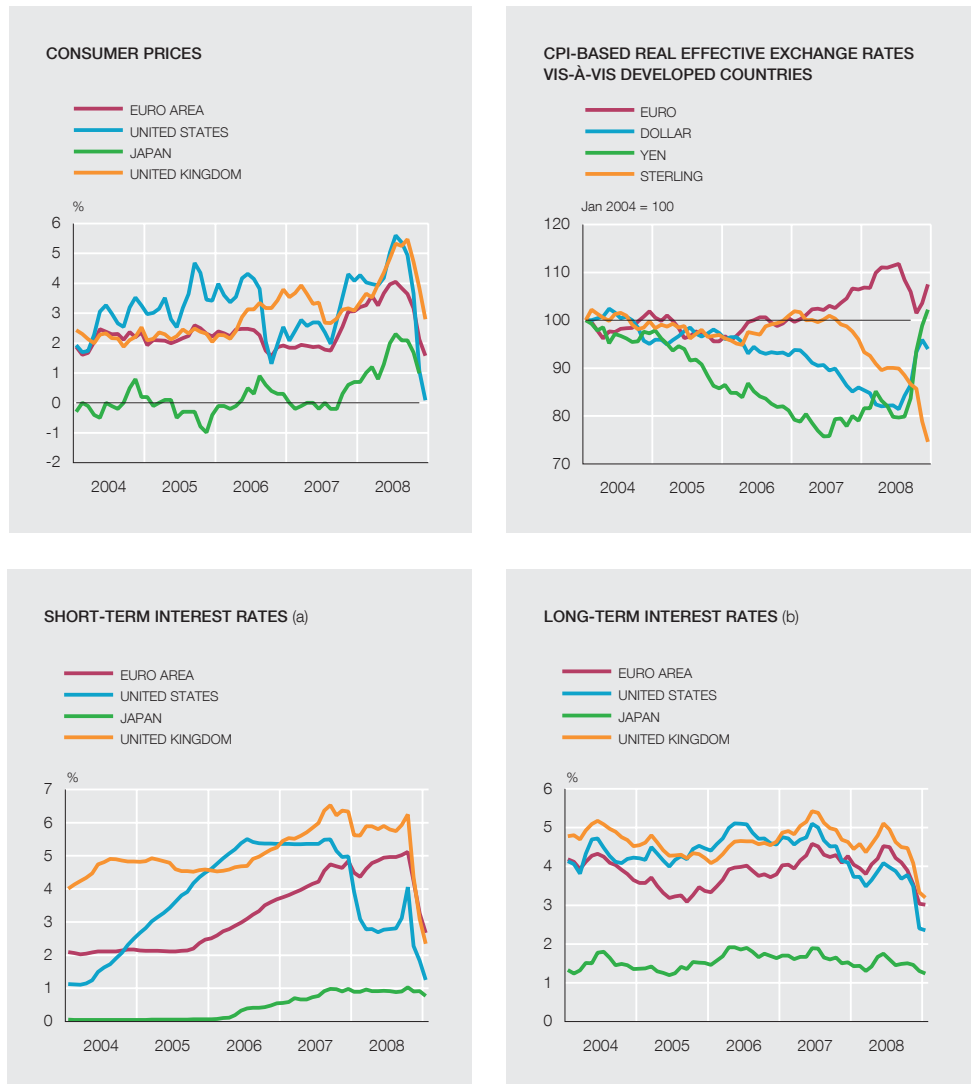
In the US, GDP in 2008 Q3 contracted at an annualised quarterly rate of 0.5%, due to the fall in consumption and fixed investment, and the lower contribution from external demand. Q4 indicators are pointing to greater weakness of activity, indicating a sharper rate of decline, and of the labour market. Consumer confidence indices stood at record lows and, likewise, retail sales and real consumer spending point to a strong contraction of private consumption in Q4. The deep adjustment in the residential sector continued, as shown by the fall in the number of housing starts, construction permits and house sales during the quarter. House prices also underwent a strong downward adjustment in November. The worsening of activ-



SOURCES: Banco de España, national statistics and Eurostat.

a. Percentage of labour force.

ity was confirmed by the declines in the ISM Purchasing Managers' indices to levels indicating a strong contraction and the reduction in industrial production in Q4. In the labour market, net job destruction affected 1.5 million people in Q4, raising the number of jobs destroyed in 2008 to nearly 2,600,000 (1.8% of the total), while the unemployment rate rose to 7.2% in December. CPI inflation plummeted in Q4 to an annualised rate of 0.1% in December, nearly 5 pp less than in September due to the fall in oil prices, while core inflation stood at an annualised rate of 1.8%. The worsening of the outlook for activity and the abatement in inflationary pressure led the Federal Reserve to cut the federal funds interest rate further and to determine for the first time ever a target range of 0% – 0.25% in mid-December. This target is commensurate with the low values reached by the effective interest rate on federal funds in the first half of that month. Also, the Federal Reserve's balance sheet has increased 150% since October and there has been an important change of strategy in its monetary policy (see Box 1). In terms of fiscal and financial policy, the Treasury substantially increased the funds committed to guarantees, financing, bank recapitalisation and fiscal aid, which will mean a drastic increase in the deficit and public debt over the next few years. Also noteworthy was the change in tack of TARP (the Troubled Assets Relief Program) from the purchase of toxic



SOURCE: Banco de España.

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

assets to earmarking its funds (of \$350 bn, extendable to \$700 bn) to the recapitalisation of ailing banks.

In 2008 Q3 Japan's economy contracted at an annualised quarterly rate of 1.8%, and Q4 indicators point to a sharp recession. Industrial production and the manufacturing PMI posted abrupt falls in November and December. On the demand side, private consumption is expected to deteriorate more due to the decline in disposable income and the flagging labour market. As for the business sector, it is expected that the fall in external and internal demand, the strong reduction in earnings and tighter credit conditions will have a negative effect on investment and recruitment plans over the coming months. The sharp fall in exports in December triggered a trade deficit for the third consecutive month, with the result that the surplus in 2008 narrowed by 80% on the previous year. Headline and core inflation in November fell to 1%, from 1.7% and 1.9%, respectively, in October. The Bank of Japan cut the official interest rate to 0.1% in December (and left it unchanged in January) and adopted measures to smooth business financing and the expansion of its balance sheet. As part of these measures it increased its purchases of government debt and approved the direct purchase of commercial

The loosening of monetary policy by the Federal Reserve since mid-2007 has reduced the official interest rate from 5.25% to very close to 0%. At its meeting in December 2008 the Federal Open Market Committee decided to set a target range for the federal funds interest rate of between 0 and 25 bp, instead of setting a specific figure. The proximity of official interest rates to 0% has revived the debate on whether monetary policy can continue to be effective in the easing of monetary and financial conditions. The monetary policy options available, when the possibility of reducing official interest rates has been exhausted, are analysed in this box. Furthermore, the box shows how some of these options have been used in the United States since early 2008, in conjunction with interest rate cuts, in order to mitigate the effects of the financial and credit crisis.

One initial alternative (and, in certain cases, complementary) measure to reducing official interest rates is changing the composition of the assets in a central bank's balance sheet, without altering its size. As can be seen in Panel 1, since early 2008 the Federal Reserve has been shedding its highly liquid, low-risk assets (in particular, US Treasury bonds) to include an increasing amount of other higher-risk, less liquid private, public or government-backed assets. This type of intervention was aimed at improving liquidity and helping restructure private entities' balance sheets through the transfer of part of their risk to the Federal Reserve, at the same time as it supported the price of certain assets. The corresponding reduction – until September – in US Treasury bond holdings was essential for maintaining the size of the Federal Reserve's balance sheet constant in this first stage and, in this way, avoiding compromising the target set for the federal funds interest rate.

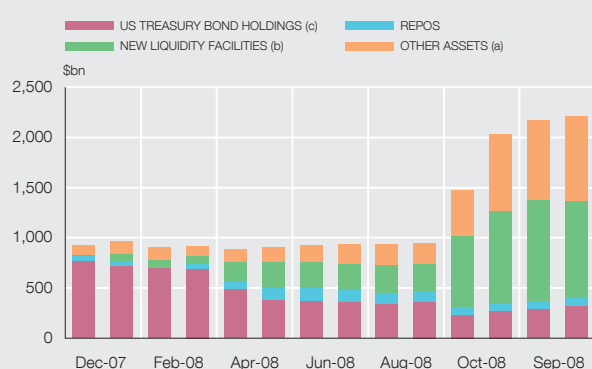
As an alternative to changing the composition of its balance sheet, a central bank may choose to increase its size. In the Fed's case, the fact that the reserves (deposits) of depository institutions (which are

part of the Fed's liabilities) were not remunerated limited the use of this possibility insofar as the Fed wanted to maintain the federal funds interest rate close to its target. The new authority granted to the Federal Reserve to remunerate bank reserves from October 2008 has enabled it to almost triple its balance sheet (Panels 1 and 2), without compromising the target for the federal funds interest rate. This policy has been compared with that of the Bank of Japan at the beginning of the decade, which was known as "quantitative easing".

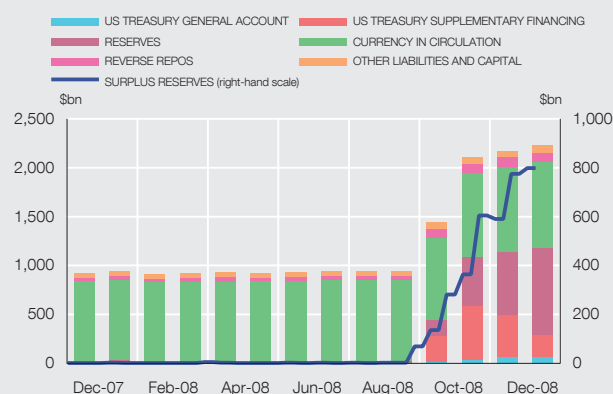
In Japan, from 2001 to 2006, official interest rates reached the limit of 0% and the economy faced sluggish activity and deflationary pressures. In that period, the Bank of Japan set a specific operating target of increasing banks' excess reserves above those required to hold the official interest rate at zero. At the same time it committed itself to continuing this policy until core inflation turned positive again. The main counterpoint to this increase in reserves was, on the asset side, the rise in purchases of Treasury bonds. The ultimate aim of this type of policy was to stimulate economic activity and take the country out of deflation through three inter-related mechanisms: (i) reducing long-term interest rates; (ii) stimulating credit to the private sector, and (iii) resolving the banks' liquidity problem. Although the evidence is not conclusive, purportedly this type of policy should have marginally reduced long-term interest rates. But it does not seem to have been as successful as the authorities expected in terms of the increase in credit to the private sector. Admittedly, this policy contributed to the stabilisation of the financial system by providing ample liquidity to banks, but it also helped the weakest banks in particular and may therefore have delayed the necessary reform of the banking system in Japan.

However, there are important differences between the Federal Reserve's recent actions and those of the Bank of Japan at the beginning of this decade. Firstly, the Federal Reserve still formally maintains

1 ASSETS



2 LIABILITIES



SOURCE: Banco de España.

- a. Other assets include credit lines for Bear Stearns and AIG, Treasury bonds loaned through SOMA and dollar swaps with other central banks.
- b. The new liquidity facilities include the TAF, PDCF, TSFL, Commercial Paper Funding Facility programmes and measures to support money markets.
- c. Excluding bonds loaned through TSFL.

the official interest rate target – within a range – and there is no explicit objective of increasing bank reserves. Secondly, and more importantly, the Federal Reserve has focused on the asset side of its balance sheet by expanding it to support the price and liquidity of certain assets in order: to facilitate the restructuring of private-sector balance sheets; to attempt to reduce the yield spreads on these assets over low-risk assets, such as Treasury bonds; and, in short, to keep credit flowing in the economy and maintain financial stability. In a recent speech, the Chairman of the Federal Reserve defined this strategy as “credit easing”, emphasising the differences with the case of Japan.¹ As an example of direct price support for certain assets, the Federal Reserve has begun to buy mortgage-backed securities directly, which had an immediate effect reducing mortgage market interest rates. Similarly, the Federal Reserve has announced the purchase of securities backed by consumer and small-business loans. Although the Bank of Japan also supported certain specific assets, its main objective was to expand the monetary base in order to help lift the economy out of deflation and to reduce long-term interest rates.

1. “The crisis and the policy response” speech given by Ben S. Bernanke at the London School of Economics on 13 January.

In the case of the United States, the expansion of excess reserves and of the Federal Reserve's liabilities (see Panel 2) is more a knock-on effect of its policy to support certain types of financial assets and not an objective in itself.

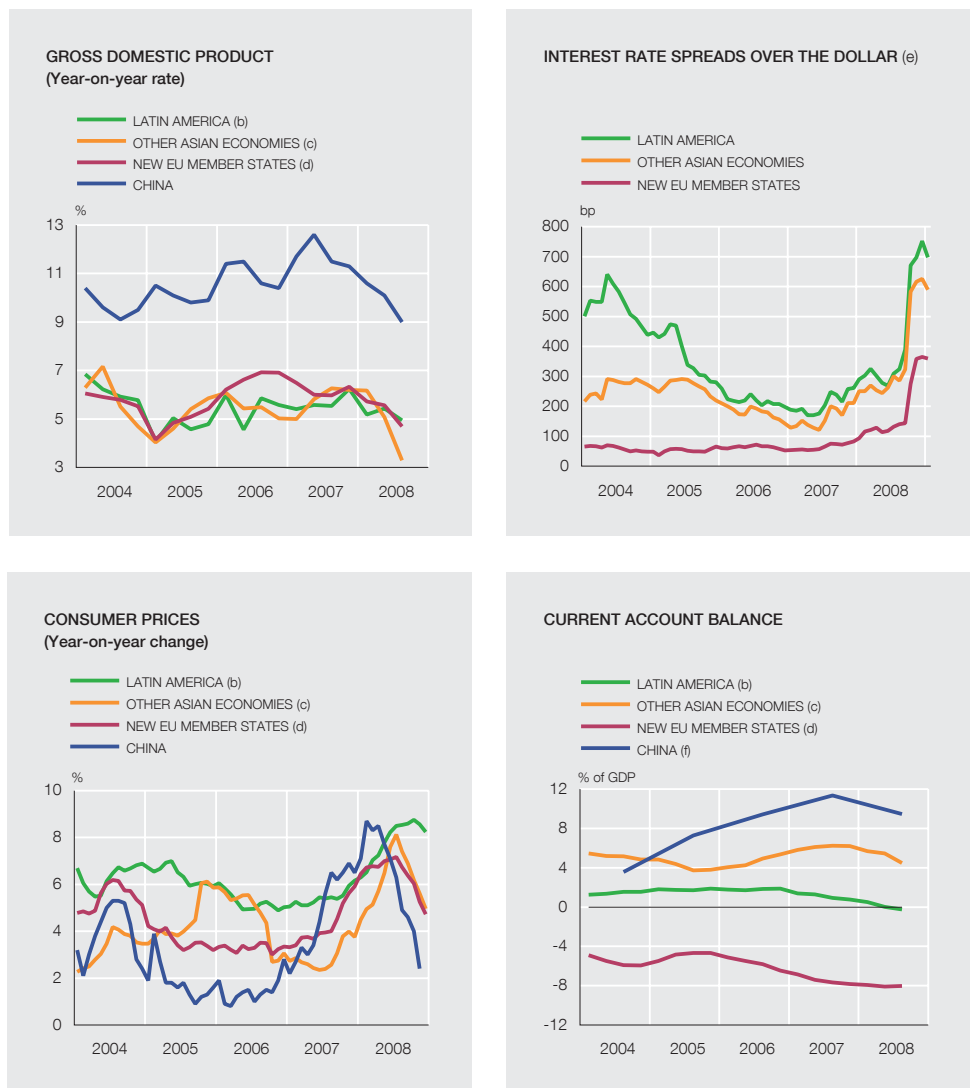
In short, even if official interest rates approach the lower bound of 0%, central banks can modify the composition and size of their balance sheets to exert their influence on interest rates other than short-term ones (for example, the interest rate on long-term bonds or the yield on other private or government assets). In fact, the Federal Reserve has already used the first of these options since the beginning of 2008 to provide greater liquidity to certain financial markets. Furthermore, since October it has strongly expanded its balance sheet, while the leeway for further reducing official interest rates has practically been exhausted. Significantly, however, in addition to the shortcomings seen in the case of Japan – for example, the delay in the necessary restructuring of the banking system – and the greater credit risk being assumed by the Federal Reserve, the formal maintenance of a target interest rate, while using the composition and size of its balance sheet as an instrument, may give rise to problems in clearly and effectively communicating the course of its monetary policy.

paper and accepted corporate debt as eligible assets in its open market operations. The Government announced two new economic stimulus plans which, together with the plan at the end of August, amounted to 75 billion yen (approximately 14.5% of GDP). These plans essentially include financial measures (12.5% of GDP) to support SMEs and financial institutions, and are supplemented by fiscal measures such as tax cuts, aid for households and employment promotion. Lastly, the budget for fiscal year 2009 includes a 9% rise in current expenses together with a 14% drop in tax receipts.

In the United Kingdom, GDP in Q3 contracted at an annualised quarterly rate of 2.6% due to the falls in private consumption and in investment. According to the advance estimate, GDP in Q4 declined at an annualised quarterly rate of 5.9%, in line with the indicators. The PMI indices in December fell to historically low levels. The growth in credit extended to households and non-financial corporations continued to slow in the quarter. Similarly, the adjustment in the property market continued: house prices fell at an annualised rate of more than 15% in December. Inflation dropped 1 pp in December to an annualised rate of 3.1%, in line with expectations expressed in the letter sent by the Governor of the Bank of England to the Exchequer in December and in the Bank of England news release in January, which reflected expectations of a steep decline in inflation – even below 1% – in 2009. The sharp weakening of activity and poor economic outlook prompted the Bank of England to drastically cut the official interest rate from 4.5% at the beginning of October to 1.5% – an all-time low – at its meeting on January 8. The Government implemented a fiscal stimulus plan of approximately 1.5% of GDP which includes, among other measures, a reduction in VAT, aid for refinancing mortgages and finance for SMEs, and extending unemployment benefits. The financial rescue plan announced in October, which is based on bank recapitalisation and guarantees for new debt issues, was strengthened mid-January to include guarantees for losses and purchases of troubled assets.

**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, Slovakia, Estonia, Latvia, Lithuania, 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.

In Q3, GDP slowed in all new EU Member States not belonging to the euro area, and on average grew at an annualised rate of 4.7%, down on the growth rate of 5.6% posted in Q2. There was a pronounced decline in Latvia and Estonia, where GDP fell at an annualised rate of 4.6% and 3.5%, respectively, due to the profound slowdown in domestic demand, against a background of high external financing requirements and credit restrictions. In the rest of the region the moderation in activity was more gradual. However, Q4 indicators show signs of a greater weakness in activity and demand – in particular, consumption – and exports, because of weak demand in euro area countries. Inflation followed a downward path and in December the average annualised rate stood at 4.4%. Against this backdrop, official interest rates were cut in nearly all countries and Romania and Poland announced fiscal plans to stimulate employment and investment. The worsening of financial strains and external vulnerability led to the down-

grading of ratings in all countries with a negative outlook. Hungary and Latvia received financial aid from the IMF, the World Bank and the EU, totalling €20 bn and €7.5 bn, respectively, and the ECB arranged a repo loan facility with Poland for €10 bn. On the institutional front, Slovakia joined the euro area on 1 January 2009.

In China, GDP slowed from 9% to 6.8% year-on-year in Q4, making for annual growth of 9% in 2008 (13% in 2007). This deceleration is essentially due to the abrupt adjustment in the property sector and the marked deterioration in exports. Q4 production and demand indicators confirm the prevailing weakness. In short, industrial production decreased significantly and, to a lesser extent, fixed-asset investment and retail sales. The trade surplus widened in Q4 in year-on-year terms since the fall in exports was accompanied by an even greater slump in imports. In 2008, the trade surplus amounted to \$295 bn and widened 12% on the previous year. Inflation fell to 1.2% in December, while the money supply and credit grew at slightly higher annualised rates than those of the previous quarter. In this setting, the Chinese authorities adopted numerous measures to support economic growth. These comprised further reductions in interest rates and in the reserve requirement, and a fiscal stimulus plan, whose impact is estimated at between 2% and 4% of GDP, and includes aid for certain sectors, among others the property sector. In the rest of Asia, GDP slowed across the board in Q3 – though differing from country to country – and, on average, fell from an annualised rate of 6.6% to 6%. There was a strong deceleration in industrial production and exports in Q4, presaging the poor performance of activity at year-end. Inflation rates decreased as a result of the ongoing decline in energy and commodity prices. In this setting, there was a widespread easing of monetary policies through increasingly deep cuts in official interest rates and in the reserve requirement, and several countries adopted supplementary measures to stimulate credit. Likewise, fiscal policies adopted a clearly expansive stance in many countries through plans to increase public spending.

In Latin America, GDP grew at an annualised rate of 4.9%, in comparison with 5.4% in the previous quarter. This deceleration essentially stemmed from a lower contribution from domestic demand – especially in Argentina and Venezuela, and to a lesser degree in Peru – together with a more negative contribution from external demand in all countries. Q4 indicators point to a greater slowdown of activity for the region and a widespread deterioration of the growth outlook for this year. At the same time, inflation rates began to ease, albeit at a lower rate than in other emerging areas. Thus, after the annualised rate for the region peaked at 8.7% in October, it decreased to 8.2% in December, although the inflation targets for the year were only met in Brazil. On the monetary policy front, Colombia was the first country in the region to cut the official interest rate in December (by 50 bp), followed in January by Chile (100 bp to 7.25%), Mexico (50 bp to 7.75%) and Brazil (100 bp to 12.75%). Other countries such as Peru confined themselves to reducing reserve requirements. As for fiscal policy, several countries adopted various stimulus measures and two new plans were announced in Mexico and Chile, for a higher amount than the earlier ones. Mexico, in December, and Brazil and Colombia, at the beginning of January, were able under the difficult circumstances to issue dollar-denominated sovereign debt on international markets on favourable terms. Lastly, Fitch downgraded the sovereign debt ratings of Venezuela, from BB– to B+, and for Argentina, from B to B–, while Moody's upgraded Uruguay's rating from Baa1 to Ba3.

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

The information available on economic developments in the euro area in 2008 Q4 points to a very notable deterioration in activity, which had already been showing signs of sluggishness from Q2. On top of the contractionary effects arising from the global financial crisis and from the low levels of business and consumer confidence, world trade was extremely weak during these months, presaging a deeper and longer-lasting recession in the euro area than anticipated. This is reflected in surveys of private analysts, who have revised their growth predictions for 2009 and 2010 substantially downwards, and put back the outlook of a recovery until the end of this year or the beginning of next. Also, the main international organisations have revised (or are in the process of revising) their predictions, in some cases outside the normal publication timetable for these exercises.

In the area of prices, the outlook also changed significantly in 2008 Q4, when inflation slowed sharply to reach very moderate levels in December. This process was largely the result of commodity price developments, especially those of energy, which are expected to continue to rein in inflation during the coming months. This may stand at rates of close to zero at around mid-2009, before increasing in 2009 H2. More in the medium term, the inflation outlook is determined by the effects of the fall in demand which will tend to moderate the growth of mark-ups and wages. Therefore, everything seems to indicate that the inflationary pressures that were being discerned until summer have disappeared from the immediate horizon. Against this backdrop, the Governing Council of the ECB decided to make four consecutive cuts in rates between October and January, reducing them by a total of 225 bp from their September level to 2%. The Council also reiterated the importance of inflation expectations remaining anchored around rates of below, but close to, 2% in the medium term.

The urgent action of European governments following the bout of exceptional instability that took the global financial system to the brink of collapse in September and October 2008 has helped, along with the Eurosystem's policy of supplying generous liquidity, to stemming the deterioration in the main indicators of financial tension. Nevertheless, the situation continues to be characterised by great uncertainty and great market volatility, and risk aversion remains high, with the result that financing conditions are still restrictive (see Box 2). More recently, EU governments have focused their efforts on developing economic recovery plans to counteract the risks of a negative feedback loop between the real economy and the financial strains (see Box 3). The effectiveness of these plans, beyond their capacity to stimulate short-term demand, will largely depend on the authorities – when using the room for manoeuvre in some countries and the flexibility provided by the Stability and Growth Pact – not losing sight of the fact that it remains essential to guarantee the sustainability of public finances over the medium term.

On 1 January 2009 Slovakia joined the Monetary Union. The adoption of the euro, to replace the Slovak koruna, was successfully completed in January.

3.1 *Economic developments*

According to the second National Accounts estimate, in Q3 euro area GDP contracted, for the second consecutive quarter, by 0.2% quarter-on-quarter (see Table 1 and Chart 8). This fall confirms the negative impact of the financial turmoil on the international environment and euro area activity. In year-on-year terms, euro area GDP grew by 0.6%, down 0.8 pp from the previous quarter.

In 2008, the prolongation and worsening of the financial crisis triggered a substantial drop in activity on credit markets and a strong increase in the risk premia demanded by investors. That resulted in notably tighter financial conditions than those official rates would suggest, which contributed to aggravating the economic downturn in the euro area and other regions of the world (see Chart 1). Thus, although the central bank has the ability to control very short-term interest rates, it is the financial markets which pass on the impulses of monetary policy and determine the borrowing costs of firms and households, conditioning, through this channel, the spending decisions in an economy. Within the monetary policy transmission mechanism, the interbank market is an essential link in EMU, since banks channel the bulk of financing. In this way, the EURIBOR (which includes the yield on unsecured interbank transactions) approximates the marginal cost of bank liabilities and is used as an anchor for the price of new loans and for the interest burden of a high number of borrowers.

In the case of non-financial corporations (NFCs), it is estimated that the nominal cost of financing approximated by an aggregate indicator—which weights the importance of various components in corporate liabilities—reached levels of approximately 8% in November (see Chart 2). During 2008, deteriorating prices on capital markets caused financing via securities (fixed-income and equity) to become more expensive in comparison with bank loans. However, the upward trend was discontinued in November when the ECB began to aggressively loosen monetary policy, which was immediately reflected in the EURIBOR. The interest rate on NFCs' new loan transactions dropped in November to 4.9% for contracts of more than one million euro and to 6% for contracts of less than one million euro, down from 5.5% and 6.4%, respectively, in October. For large transactions, whose volume represents more than 75% of the total granted to corporations, the cost was below that recorded in July 2007. Conversely, the price of loans for a smaller amount was still approximately 50 bp higher, although on the recent trend in the EURIBOR it is estimated that euro area bank rates were substantially lower in December and January. It should also be noted that contractually, interest rate revisions are usually on an annual or more frequent basis and, consequently, the

financial burden on outstanding debt in corporate balance sheets can also be expected to fall (see Chart 3).

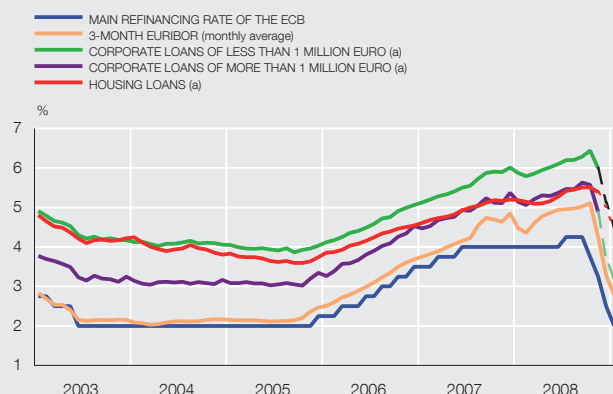
The cost of household loans also moved on an upward trend in 2008. In spite of the monetary easing which began in October, the cost of consumer credit continued to rise until November, when one-year contracts required remuneration of 9%, 1 pp higher than in July 2007 (see Chart 4). In contrast, the trend in the cost of housing loans changed in November, falling slightly to 5.4% in the euro area as a whole (see Chart 5). Floating rate contracts were the most sensitive to market conditions and are currently the most sensitive to the change in monetary policy stance, although their cost remains higher than in mid-2007. Also, there has been a trend towards less floating-rate housing credit and its volume represents less than 35% of new transactions in the euro area, in comparison with 55% at end-2005. This trend is not common to all countries in the area (it has only been observed in Greece, Italy, the Netherlands, Belgium and France) and the differences in the predominant type of contract are still very pronounced. Germany, Belgium, France and the Netherlands use contracts with fixed rates for more than five years, while Spain, Portugal and Finland are at the other extreme.

As inferred by the Bank Lending Survey, financing conditions were also tightened through aspects not linked to price (see Chart 6). The supply of bank credit became more restrictive as a consequence of the worsening economic situation and the impact of the financial turmoil, with fewer funds available and higher collateral requirements.

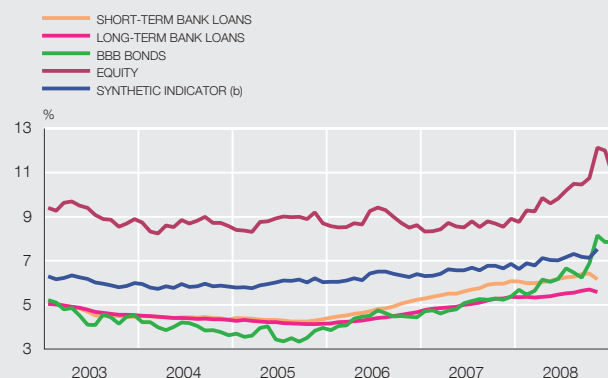
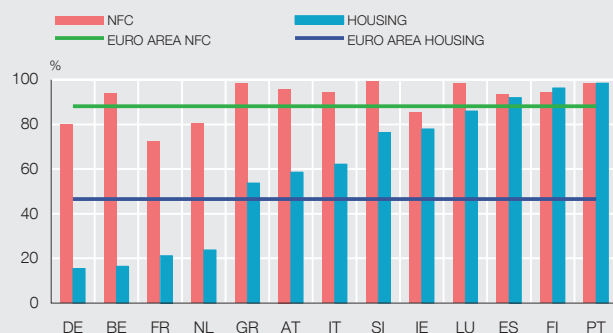
Therefore, the premiums required on credit markets in the last year and the procyclicality of credit supply prompted an increase in the cost of financing in 2008, which also affects non-price related aspects. The change in monetary policy stance since October has begun to be manifest in a gradual easing of financial conditions, although this has not been reflected in all instruments to the same degree. Nevertheless, there is still room for recent monetary policy impulses to be transmitted to financing costs and that the lack of confidence prevailing on credit markets can be overcome.

The breakdown of GDP by branch of activity reveals the unfavourable situation of industry and construction, which posted negative growth rates for the second consecutive quarter, while market services grew very moderately. Notable by spending components was the zero contribution of domestic demand, excluding inventories, as a result of highly disparate behaviour across its main items. Private consumption was unchanged, following the decline of the previous quarter, possibly as a consequence of the tightening of financial conditions and the deterioration in confidence against a backdrop of lower employment creation. Gross fixed capital formation (GFCF) declined again as did construction. The equipment component of GFCF was severely affected by the poor economic outlook and fell especially sharply. Lastly, government consumption retained its relative strength. The contribution of net external demand to GDP was very negative, as exports stagnated (for the second consecutive quarter) and imports increased by over 1%, and was partly offset by the positive contribution of the change in inventories.

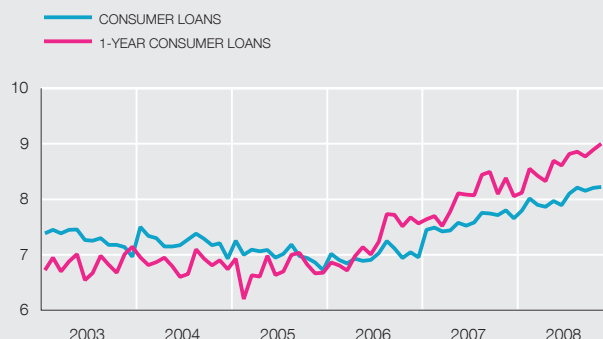
1 INTEREST RATES IN THE EURO AREA



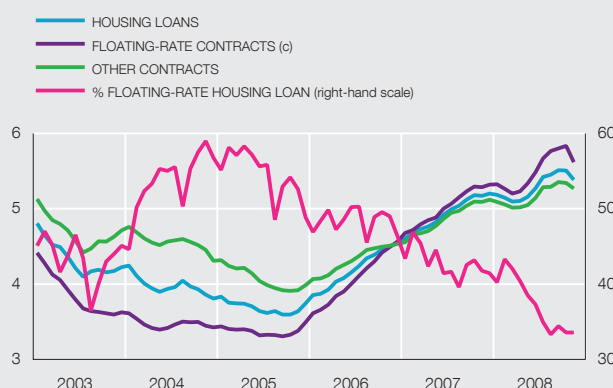
2 NOMINAL FINANCING COSTS FOR NON-FINANCIAL CORPORATIONS

3 PERCENTAGE OF FLOATING-RATE LOAN OPERATIONS (c)
Average since 2005

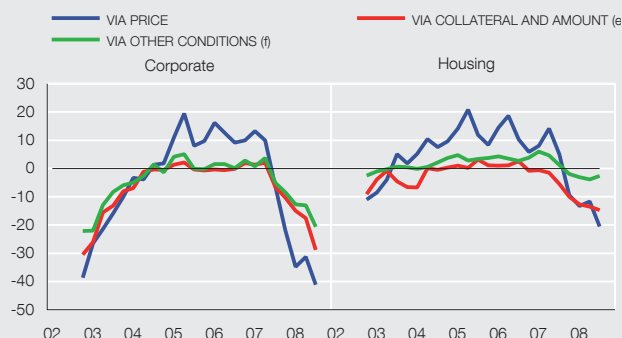
4 COST OF CONSUMER LOANS



5 COST OF HOUSEHOLD FINANCING TO ACQUIRE HOUSING



6 CHANGES IN LOAN SUPPLY CONDITIONS (d)



SOURCES: European Central Bank and Banco de España.

a. Weighted average by volume of new transactions. Data observed to November. In December and January a projection was used based on the trend of the EURIBOR.

b. Weighted average of the interest rate on loans (linked to the loan stock), the yield of fixed-income securities for BBB-rated firms and the cost of equity approximated by a dividend discount model. Weights are the relative significance of each source of financing in terms of stocks.

c. New loan transactions with a fixed-interest rate for one year or less.

d. Indicator = % of institutions which considerably loosen credit standards + % of institutions which show a slight loosening of credit standards $\times 1/2$ - % of institutions which show a slight tightening of credit standards $\times 1/2$ - % of institutions which considerably tighten credit standards. Data to 2008 Q3.

e. For corporations it includes the collateral required and the amount of the loan or credit line. In terms of housing loans, it refers to the collateral required and the ratio between the principal and the value of the collateral.

f. Refers to term and expenses, excluding interest. For corporations it also includes the commitments associated with loan contracts.

The serious deterioration in economic activity in recent months has led international authorities to adopt, in coordination, exceptional fiscal measures as part of a broader economic policy response, which was initially directed at stabilising financial markets and is currently attempting to prevent a negative feedback loop between the real economy and financial strains. In the European arena, on 12 December 2008, the European Council (comprising the Heads of Government of EU Member States) adopted the European Economic Recovery Plan, whose immediate objective is to earmark approximately €200 billion, equivalent to 1.5% of EU GDP, to boost public investment and short-term corporate and household spending. The Plan also contains a set of recommendations for structural reform grounded in the Lisbon Strategy.

This Plan is conceived as a joint framework of action, specifying the steps that will be taken by European institutions and the basic principles which should be satisfied by the measures adopted by the different Member States.

Specifically, EU action amounts to €30 billion (0.3% of EU GDP), which will be targeted at increasing the financial capacity of the European Investment Bank in 2009 and 2010, to finance (in partnership with private enterprise) investment projects in energy, transport and telecommunications infrastructures in EU Member States.

As for national measures, the European Council agreed that the national plans as a whole should amount to approximately €170 billion, equivalent to 1.2% of EU GDP. Aside from this overall aggregate, the plan points out that it is appropriate for each country's fiscal impulse to take into consideration the situation of its public finances. Also, measures must be designed which are timely, temporary and targeted at the sectors and segments of the population which are affected most by the crisis, where fiscal multipliers are higher. The objective is to attempt to ensure that the fiscal impulse is swiftly and sharply passed through to agents' spending decisions without compromising the sustainability of public finances.

At present, most Member States have approved or announced a fiscal stimulus plan. These plans are varied in nature on the basis of

their magnitude and the instruments they use. The plans envisage a wide range of measures targeted at stimulating household expenditure such as VAT cuts, lower social contributions, a reduction in taxes for families with mortgages and lower-income households, and direct aid. The measures for companies are principally geared at SMEs and the automobile and construction sectors. As for public investment, projects aimed at the development of transport infrastructures and the use of environmentally-friendly energies are prioritised.

Lastly, the plans envisage another type of measures with no direct budgetary impact. Among them is an instrument included in most plans, which is the provision of funds to guarantee loans granted to SMEs or companies in strategic sectors which, in the current climate have seen their access to credit restricted. They also generally include initiatives aimed at easing the transition of the unemployed to new jobs and to improve the functioning of the labour market.

The accompanying table attempts to summarise the most important characteristics of the plans approved in the major EU countries between September and 19 January using the information from the stability programmes submitted by countries to the European Commission and other national sources. This assessment has only taken into account those measures with a direct impact on budget balances in 2009 (consequently, the German plan, which earmarks most of the impulse for 2010, appears to be so small in comparison with the news published in the press). Projects financed with European funds are also excluded.

In short, it is estimated that the amount of the measures adopted to date is close to 1% of GDP in the area as a whole. These funds are distributed among households, companies and the public investment impulse, although by country there are notable differences as regards the intensity of the impulse and its breakdown. Thus, in the United Kingdom, Germany and Italy, the core of the measures is directed at stimulating household spending (although Germany's January plan places greater emphasis on public investment). In contrast, other Member States such as Spain, France and the Netherlands have had to focus the fiscal response on stimulating business activity and public investment.

MAIN CHARACTERISTICS OF MEASURES TO SUPPORT THE REAL ECONOMY ADOPTED IN EURO AREA COUNTRIES (a)

	TOTAL AMOUNT		DISTRIBUTION OF FUNDS (%)			OTHER MEASURES	
	€	% of GDP	Households	Companies and sectors	Public investment	Credit facilities and/or guarantees for companies	Employment Policies
EURO AREA	97 €	1.0	35	33	32	Yes	Yes
Germany	35 €	1.4	56	15	29	Yes	Yes
France	26 €	1.3	8	52	40	—	Yes
Italy (b)	6 €	0.3	63	25	12	—	—
Spain	20 €	1.9	17	44	39	Yes	Yes
Netherlands	1 €	0.2	18	82	0	Yes	Yes
United Kingdom	£20	1.0	80	4%	16	Yes	Yes

SOURCE: Banco de España.

a. The estimated amount shows the budget impact of the measures announced for 2009. Only measures announced until 19 January 2009, for which an amount based on official sources is available, are included.

b. Including measures approved in the Decree Law of 29 November 2008, although their impact on the budget will be limited since they are financed with increases in taxes or improvements in collection.

	2007				2008			2009
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
NATIONAL ACCOUNTS (Quarter-on-quarter growth, except as indicated)								
GDP	0.5	0.6	0.3	0.7	-0.2	-0.2		
Private consumption	0.7	0.4	0.2	0.0	-0.2	0.0		
Public consumption	0.2	0.5	0.3	0.3	0.8	0.7		
GFCF	0.2	1.0	1.0	1.4	-0.9	-0.6		
Imports	0.8	2.2	-0.3	1.5	-0.4	1.4		
Exports	1.2	1.9	0.4	1.6	-0.1	0.0		
Contributions to quarter-on-quarter GDP growth (pp)								
<i>Domestic demand (excl. inventories)</i>	<i>0.5</i>	<i>0.6</i>	<i>0.4</i>	<i>0.4</i>	<i>-0.1</i>	<i>0.0</i>		
<i>Changes in inventories</i>	<i>-0.2</i>	<i>0.1</i>	<i>-0.3</i>	<i>0.2</i>	<i>-0.2</i>	<i>0.4</i>		
<i>Net foreign demand</i>	<i>0.2</i>	<i>-0.1</i>	<i>0.3</i>	<i>0.1</i>	<i>0.1</i>	<i>-0.6</i>		
GDP (annual growth)	2.6	2.6	2.1	2.1	1.4	0.6		
ACTIVITY INDICATORS (quarterly average)								
IPI seasonally and working-day adjusted	0.4	1.3	1.1	-0.2	-1.1	-1.5	-3.3	
Economic sentiment	111.0	108.7	104.3	100.5	96.5	88.5	74.0	
Composite PMI	57.2	56.5	54.0	52.1	50.8	47.6	40.2	38.5
Employment	0.5	0.4	0.3	0.3	0.2	-0.1		
Unemployment rate	7.4	7.4	7.2	7.2	7.4	7.5	7.7	
PRICE INDICATORS (annual growth of end-period data)								
HICP	1.9	2.1	3.1	3.6	4.0	3.6	1.6	
PPI	2.3	2.7	4.4	5.8	8.0	7.9	3.3	
Oil price (USD value)	71.8	78.2	91.5	104.3	132.0	98.1	40.5	42.4
FINANCIAL INDICATORS (end-period data)								
Euro area ten-year government bond yield	4.7	4.4	4.4	4.2	4.9	4.5	3.9	4.1
US-euro area ten-year government bond spread	0.46	0.15	-0.36	-0.69	-0.88	-0.88	-1.80	-1.67
Dollar/euro exchange rate	1.351	1.418	1.472	1.581	1.576	1.430	1.392	1.298
Appreciation/ depreciation of the EER-22 (b)	1.5	3.7	6.3	3.7	3.5	-0.6	2.7	-3.3
Dow Jones EURO STOXX 50 index (b)	9.0	6.4	6.8	-17.5	-23.8	-30.9	-44.3	-11.9

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

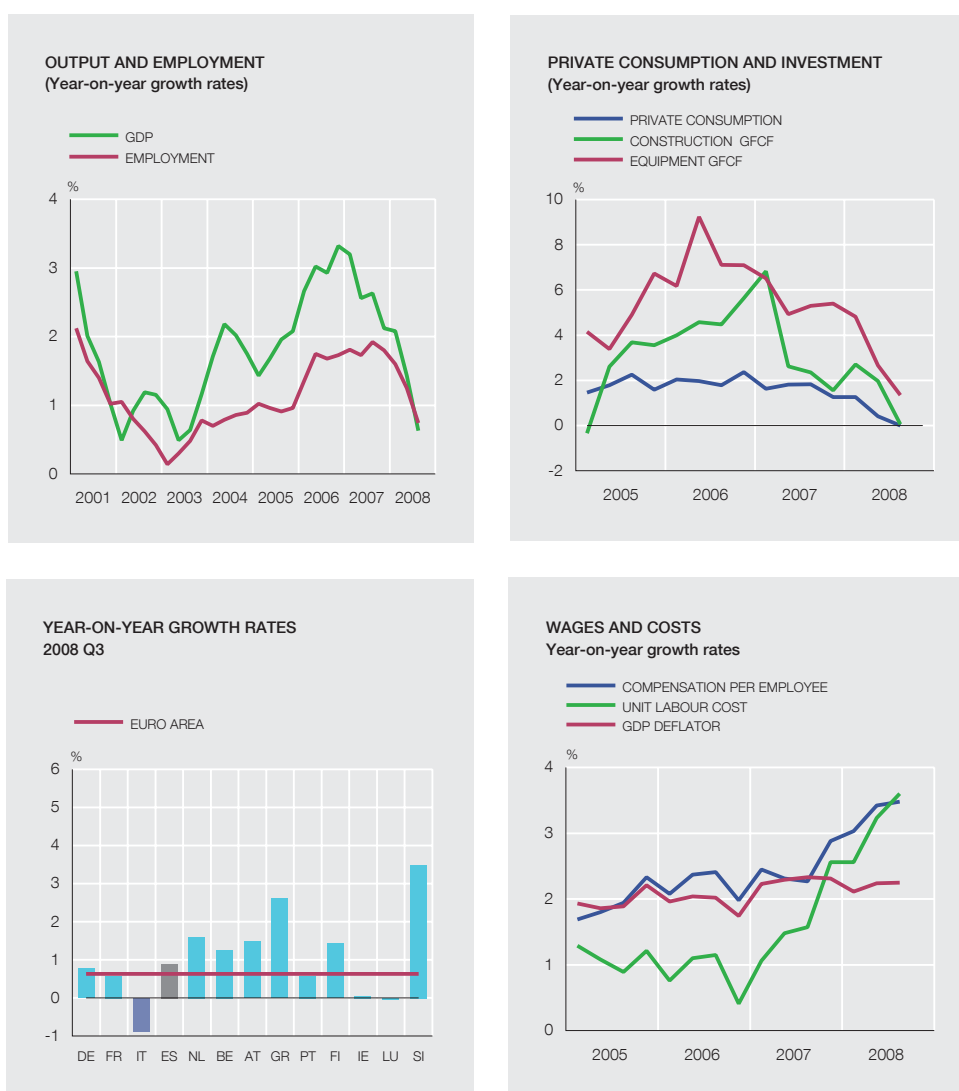
a. Information available up to 22 January 2009. The information in italics does not cover a full quarter.

b. Percentage change over the year.

The feebleness of GDP in Q3 spread to the largest economies of the euro area, except France. In Germany and Italy, the quarter-on-quarter GDP increase was -0.5%, following the fall of 0.4% in the preceding period, and was attributable, in both cases, to the poor performance of the external sector, owing to the strong contraction in exports and equipment investment. Private consumption and investment in construction remained weak. In France, GDP grew 0.1%, buoyed by higher exports and, to a lesser degree, consumption, since investment declined.

Employment grew in 2008 Q3 at a negative rate of -0.1%, the lowest rate recorded since 1995. As this decline was smaller than that in GDP, labour productivity decreased, as is usual at the beginning of cyclical downturns. The combination of the behaviour of productivity with a slight acceleration in compensation per employee caused the unit labour cost to grow at high rates of over 3.6%, although its effect on final prices was partly offset by a further contraction in operating margins.

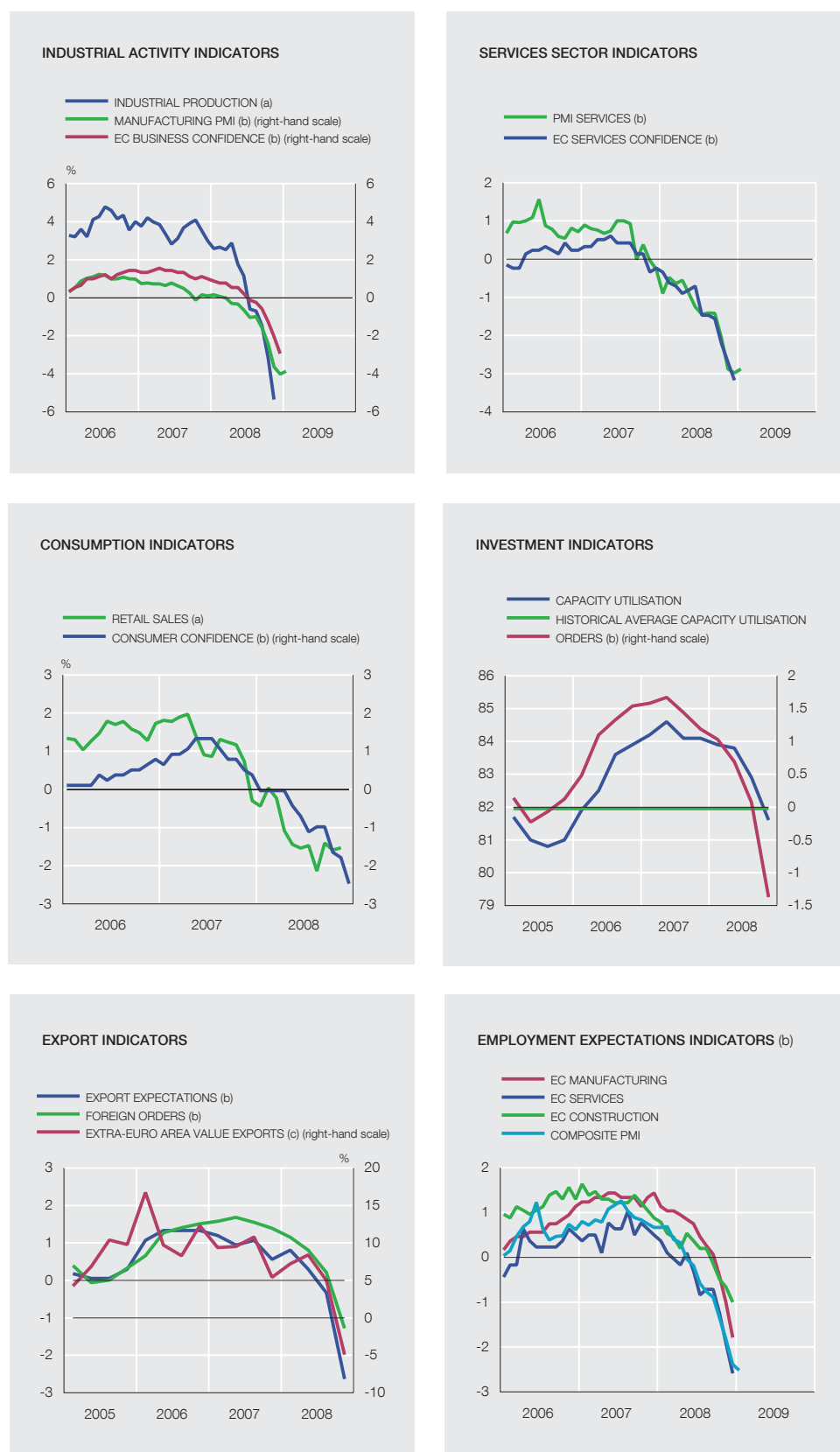
The latest conjunctural information shows a substantial deterioration in activity in 2008 Q4 and points to clearly negative output growth in that period (see Table 1 and Chart 9). On the supply side, the industrial production index and industrial orders (on data to November) slowed with respect to the preceding quarter. Confidence survey indicators also fell in Q4, more sharply so



Sources: Eurostat and national statistics.

in the industrial than in the services sector. In fact, these indices currently stand at historical lows, indicating the gravity of the current situation. Lastly, the decline in the indicators of employment creation expectations steepened in Q4, while the unemployment rate continued to rise slowly to stand at 7.8% in November.

The short-term spending indicators also worsened notably in 2008 Q4. On data to November, average growth of retail sales and, especially, new car registrations declined with respect to Q3. Likewise, consumer and retail confidence indicators published by the European Commission fell significantly in Q4 and the former is at its lowest level since the start of the series in 1985. The downward path of investment indicators such as the assessment of order books and, to a lesser extent, capacity utilisation, steepened in 2008 Q4. If the difficulties involved in gaining access to external financing are considered, the outlook for corporate spending is very bleak. Finally, according to trade balance data, extra-euro area goods exports and imports fell in the period October-November relative to Q3. The qualitative export indicators point in the same direction, since the external order books and export expectations of the quarterly European Commission survey declined in 2008 Q4.



SOURCES: European Commission, Eurostat and Markit Economics.

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

b. Normalised data.

c. Year-on-year rates of the original series. Quarterly average.

	2008		2009	
	GDP	HICP	GDP	HICP
Eurosystem (December 2008)	0,8-1,2	3,4-3,5	-1,0-0,0	1,4-2,2
European Commission (January 2009)	0.9	3.3	-1.9	1.0
IMF (November 2008)	1.2	3.5	-0.5	1.9
OECD (November 2008)	1.1	3.4	-0.6	1.4
Consensus Forecast (January 2009)	1.0	3.3	-1.4	1.0
Eurobarometer (January 2009)	0.9	3.3	-1.5	1.0

SOURCES: European Commission, Consensus Forecast, Eurosystem, IMF, MJ Economics and OECD.

a. Annual growth rate.

The decline in activity indicators in 2008 Q4 reflects the impact of financial turbulence on real activity through the tightening of financial conditions and low confidence levels and, indirectly, lower external demand due to the effects of the crisis on other areas of the world. The growth outlook for 2009 has been revised downwards further and, as indicated by the most recent projections of private analysts, the IMF and the European Commission, GDP may post a negative growth rate of approximately -2% (see Table 2). However, these estimates are subject to very high uncertainty and the recovery of the European economy will hinge on the duration of the financial instability, the degree of feedback between the latter and spending, and the effectiveness of the economic plans adopted in order to recover confidence and stimulate activity.

Euro area inflation slowed more sharply in Q4 and stood at 1.6% in December, 2 pp down on the rate for September. This behaviour is essentially tied to the trend in energy and (to a lesser degree) food prices since the growth rate of the price of other components hardly moderated (see Table 1 and Chart 10). In fact, if food and energy prices are stripped out of the overall index, the resulting aggregate grew 1.8% in December, 0.1 pp less than in September.

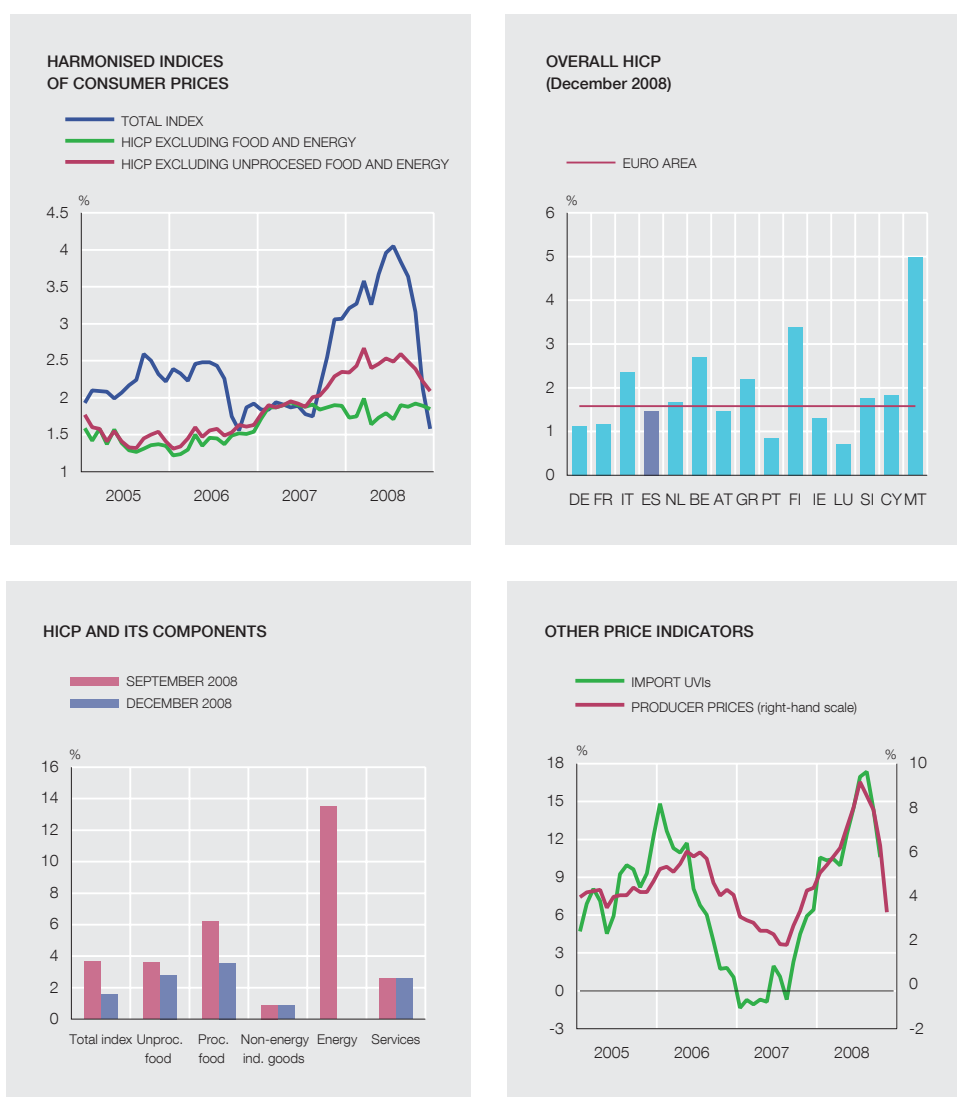
Inflation will foreseeably continue to decline over the coming months due to a large extent to the slowdown of its most volatile components, if these prices behave as anticipated by the futures markets. This is being factored in by short-term price indicators, such as the consumer component of industrial prices, which dropped sharply in October and November, and the selling price indicators based on confidence surveys in the closing months of 2008, which indicate a further weakening of the inflation outlook. In the medium term, the prices of the more stable components are expected to also be contained as they adjust to worsening demand. Although wages will continue to post high levels over the coming quarters, since they are mostly the result of agreements adopted in previous months, they should begin to subsequently show a slight moderation due to the effects of the weakening of demand and of employment creation on wage bargaining.

On ECB estimates, the current account deficit in the January-October period stood at €46.9 bn (0.6% of GDP), in comparison with the surplus of €32 bn in the same period in 2007. This deterioration was the consequence of the poor performance of all components except for the balance of services, whose surplus widened slightly. Thus, the merchandise goods surplus has practically disappeared, the income account recorded a clear deficit and the transfers deficit widened. The basic balance, which aggregates the current account balance and net direct and portfolio investment posted a deficit of €10.5 bn in the first ten months of 2008, in contrast to the surplus of €112 bn in the same period of the previous year. This poorer result was due to the strong contraction of direct investment from -€83.7 bn in 2007 to -€210.9 bn

EURO AREA. PRICE INDICATORS

Year-on-year percentage changes

CHART 10



SOURCES: Eurostat and European Central Bank.

to October 2008. Conversely, net portfolio investment expanded with respect to the same period of the previous year by €83.6 bn to €247.3 bn.

The stability programmes submitted by governments to the European Commission and the latter's estimates published in January 2009 show a strong deterioration in the euro area budget balance in 2008, which interrupts the ongoing containment of the deficit since 2004. The euro area's budget deficit stood at 1.7% of GDP in 2008, as against -0.6% in 2007, and was much worse than projected in the stability programmes prepared that year (see Table 3). This result was due, on the one hand, to the worsening of the economic situation and, in particular, to forgone tax receipts now that real financial asset prices and corporate earnings are declining. On the other hand, the introduction of discretionary measures to lower taxes and social contributions also contributed to this decline.

Most euro area countries posted a drop in their fiscal balances in 2008, which was more pronounced in Spain and Ireland due to the effects of the property market crisis on tax receipts. Specifically, it is estimated that in 2008 five countries (Spain, France, Ireland, Greece and

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

TABLE 3

% of GDP						
	BUDGET BALANCES (a)					
	2007	2008		2009		2010
		Stab.Prog.(b)	EC (c)	Stab.Prog.(b)	EC (c)	EC (c)
Belgium	-0.3		-0.9		-3.0	-4.3
Germany	-0.2	0.0	-0.1	-0.5	-2.9	-4.2
Greece	-3.5		-3.4		-3.7	-4.2
Spain	2.2	-3.4	-3.4	-5.8	-6.2	-5.7
France	-2.7	-2.9	-3.2	-3.9	-5.4	-5.0
Ireland	0.2	-5.5	-6.3	-6.5	-11.0	-13.0
Italy	-1.6		-2.8		-3.8	-3.7
Luxembourg	3.2	2.3	3.0	1.1	0.4	-1.4
Netherlands	0.3	1.2	1.1	1.2	-1.4	-2.7
Austria	-0.4		-0.6		-3.0	-3.6
Portugal	-2.6		-2.2		-4.6	-4.4
Slovenia	0.5		-0.9		-3.2	-2.8
Finland	5.3	4.4	4.5	2.1	2.0	0.5
Malta	-1.8	-3.3	-3.5	-1.5	-2.6	-2.5
Cyprus	3.5		1.0		-0.6	-1.0
Slovakia	-1.9		-2.2		-2.8	-3.6
PRO MEMORIA: Euro area (including Malta and Cyprus)						
Primary balance	2.3		1.3		-1.0	-1.3
Total balance	-0.6		-1.7		-3.9	-4.3
Public debt	66.1		68.7		72.7	75.8

SOURCES: European Commission and national stability programmes.

- a. Deficit (-) / surplus (+). The deficits that exceed 3% of GDP have been shaded.
b. Stability Programmes' objectives submitted between late 2008 and early 2009.
c. European Commission forecasts (January 2009).

Malta) will exceed the deficit threshold of 3% of GDP, and Italy will come very close to that figure (see Table 3). Only Germany's public finances improved in 2008 and were practically in balance, a development not seen since 1989.

On European Commission projections, in 2009 the deterioration of the fiscal balance will be even sharper, at over 2 pp, with the result that the deficit could reach 4% of GDP in the area as a whole, the worst figure since the mid-nineties. This outcome is justified by the negative impact of the cyclical position of the euro area countries (estimated at approximately 1.4 pp) and the fiscal stimulus plans undertaken within the framework of the European Union's Economic Recovery Plan — approximately 1% of GDP — (see Box 3). In 2009, it is estimated that Italy, Portugal and Slovenia will join the group of countries with deficits exceeding 3% of GDP and Germany, Austria, Belgium and Malta will move closer to that reference value.

It is projected that the level of public debt will once again be above 70% of GDP in 2009, following the reduction in recent years, reflecting the worsening of budgetary positions and the effect of plans comprising measures to support the financial system.

Under these circumstances, the European Council has reaffirmed that the revised Stability and Growth Pact (SGP) continues to be the appropriate regulatory framework for coordinating EU Member States' budgetary policies and is sufficiently flexible to meet the size-

able challenges facing fiscal policy, without the need for a temporary suspension of the procedures it includes. The European Commission has clarified such flexibility in the context of the current exceptional economic circumstances. Thus, under the SGP, in situations where there is a serious deterioration in economic growth, deficits of more than 3% of GDP can be reached without them being considered “excessive”, provided that they are temporary and remain close to the 3% threshold. If these requirements are not met, the Commission must implement the excessive deficit procedures established in the Treaty, although it is possible to extend the deadline for correcting the deficit by another year. Finally, if the excessive deficit were to last until the end of that deadline, the Commission may establish new recommendations to contain it, without applying the sanctions envisaged in the Treaty.

3.2 Monetary and financial developments

The urgent adoption and implementation of support plans by governments and policies involving the generous supply of liquidity by central banks have contributed to easing the strains following the bout of exceptional instability in the global financial system in September and October. However, against a background characterised by great uncertainty and extreme volatility, risk aversion remained at very high levels as reflected by the premiums demanded by investors on interbank, government debt and corporate bond markets. This resulted in financing conditions remaining tight in the quarter as a whole (see Box 2).

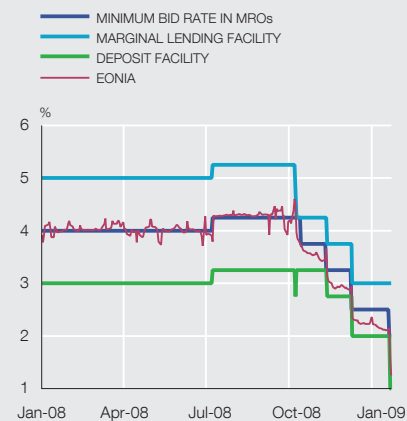
In this setting, the ECB continued to satisfy financial institutions’ large demand for liquidity through weekly auctions, which will continue to be conducted at a fixed rate with full allotment until at least March, and through longer-term operations and auctions in dollars and Swiss francs. The lack of activity on the interbank market continued to prompt high usage of the deposit facility and, consequently, the ECB decided from 21 January to restore the width of the corridor of the standing facilities to 200 bp around the interest rate on the main refinancing operations.

As a result of the substantial downward revision of the inflation outlook, against a setting of a pronounced slowdown of activity, the monetary policy stance had to adapt to the new circumstances. Thus, in October the ECB Governing Council lowered interest rates by 50 bp in concerted action with other central banks. Furthermore, at its regular meetings in November, December and January, it agreed to three rate cuts of 50 bp, 75 bp and 50 bp, respectively, bringing the rate on the main refinancing operations to 2% in January, an overall reduction of 225 bp in the last four months.

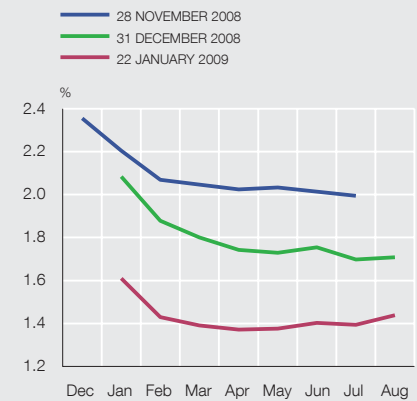
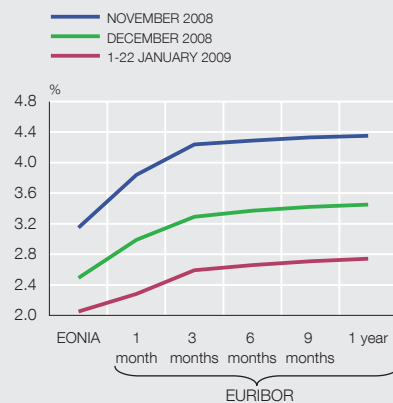
The loosening of monetary policy and the prospect of further rate cuts in the coming months have fed through to money-market interest rates. The yield curve on interbank markets (for unsecured transactions) has moved downwards by approximately 2.5 pp from end-September to 22 January, when the one-year EURIBOR stood at 2.4%, while the one-year EUREPO rate reached 1.1% (see Chart 11). The spread between the two rates attests to the prevailing very high premium in the interbank market.

The revised economic outlook coupled with investment flows to high quality assets put downward pressure on long-term rates in 2008 Q4. This trend was cut short early in 2009 and euro area ten-year government debt yields fluctuated around 4% in January, against a backdrop of investor expectations of a notable increase in the supply of government securities to finance substantial economic support plans. The preference for liquidity and greater risk aversion spurred demand for German government securities; their interest rate stood at approximately 3% in January. Thus, the yield spreads between euro-area Member States’ government debt and the German bond increased, especially after the possible downgrading of certain issuers’

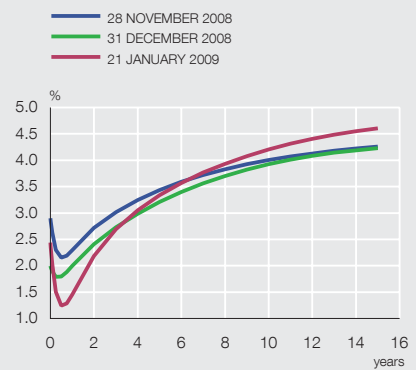
EONIA AND ECB INTEREST RATES



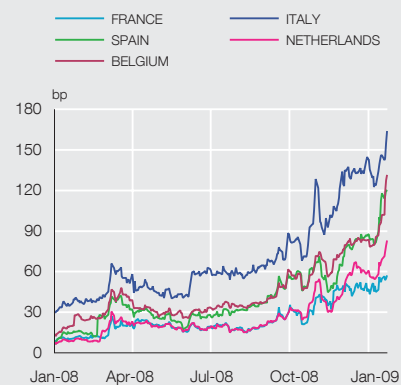
EXPECTED RATE FOR THE NEXT EIGHT ECB MEETINGS. FORWARD-EONIA

INTERBANK MARKET
(monthly average)

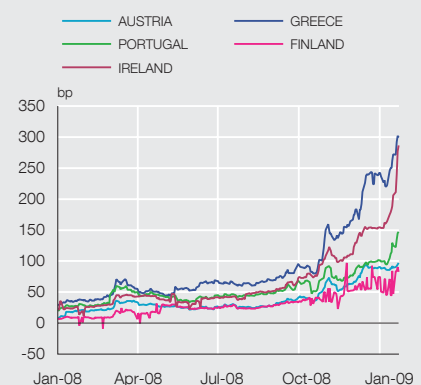
ZERO COUPON CURVE



SOVEREIGN SPREADS WITH RESPECT TO GERMANY

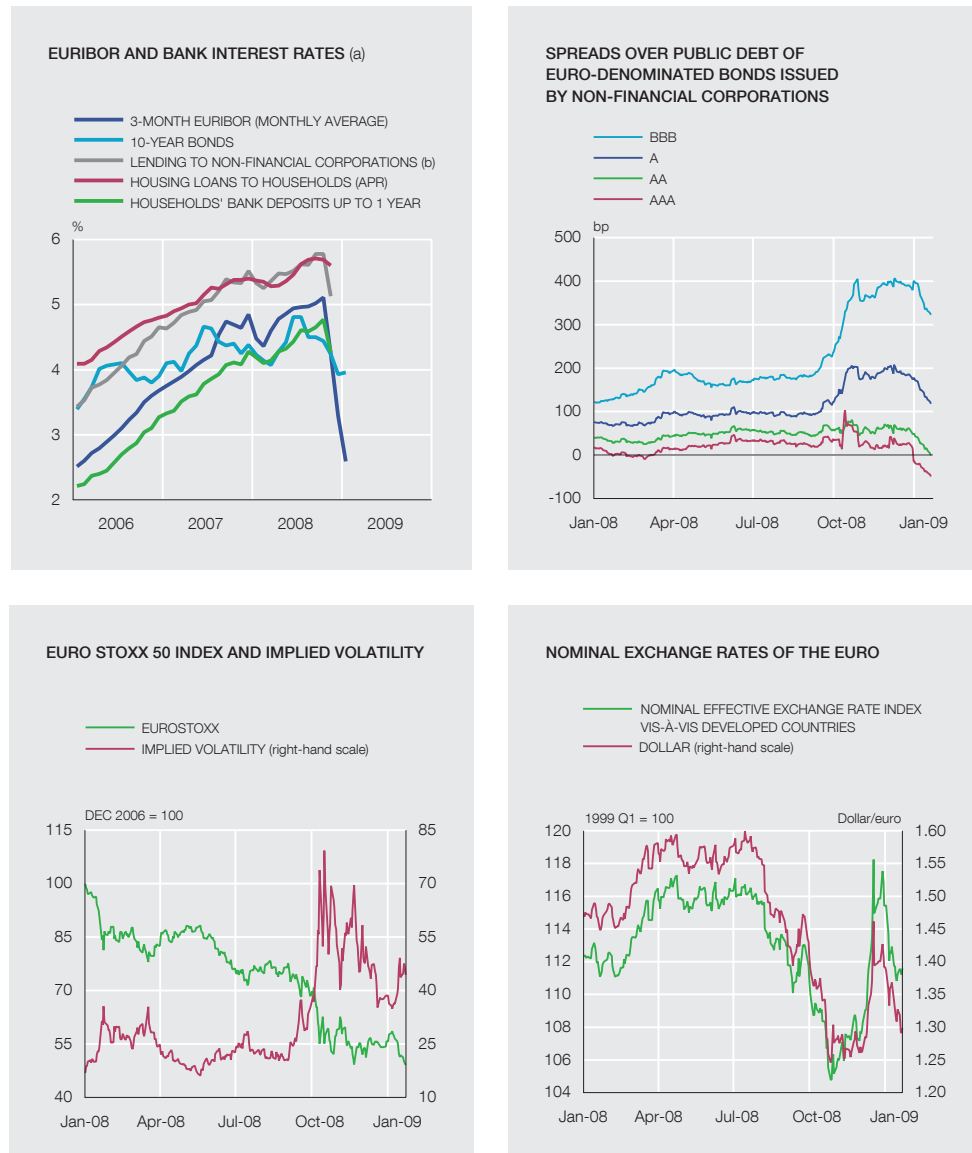


SOVEREIGN SPREADS WITH RESPECT TO GERMANY



SOURCES: European Central Bank and Banco de España.

a. Estimated by the ECB using swaps market data.



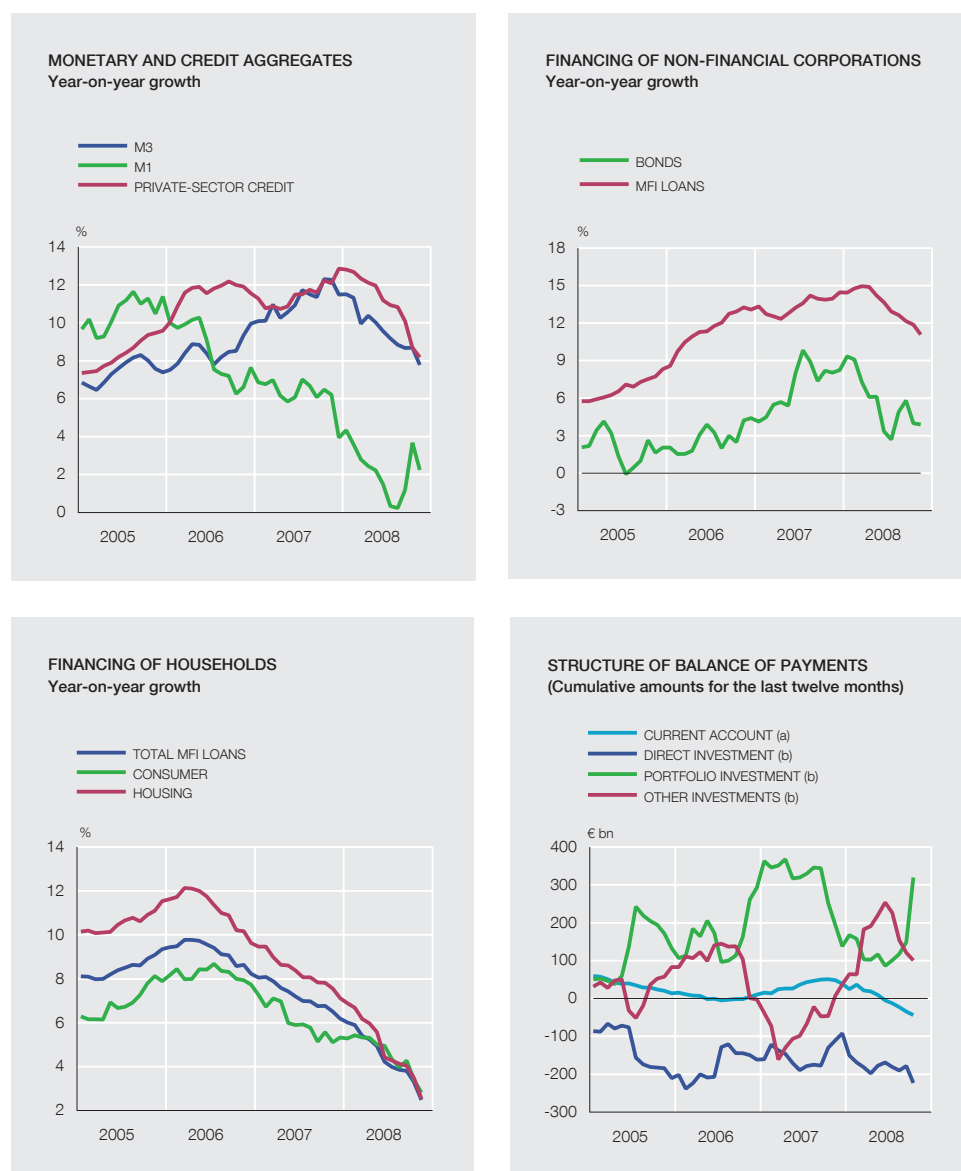
SOURCES: European Central Bank and Banco de España.

a. For new operations.

b. Floating interest rates and up to 1 year initial rate fixation.

credit ratings was announced (see Chart 11). The substantial reduction of rates in the US increased the negative spread between US government debt and that of the euro area to levels above 150 bp. Lastly, the spread between corporate private debt and risk-free assets widened sharply in mid-September —and was even wider for bonds with the worst credit ratings— following the heightened financial tensions which had hardly been offset at the end of December and at the beginning of 2009.

On stock markets, the bleaker economic outlook and greater uncertainty were reflected in extremely high volatility during 2008 Q4, in significant falls in valuations during October and November, which were partly corrected in December and early January, and in elevated risk premia (see Chart 12). That said, the decline in the Eurostoxx 50 amounted to 19% in Q4 and 44% in the year as a whole. In the first three weeks of January, stock markets slipped further and stock prices fell by more than 10%.



SOURCES: European Central Bank and Banco de España.

a. A positive (negative) sign indicates a current account surplus (deficit).

b. Capital inflows less capital outflows. A positive (negative) sign indicates a net capital inflow (outflow).

Volatility was also the main feature on foreign exchange markets. The euro ended the year moving sharply upwards, mainly against sterling but also against the dollar and the yen, although at the beginning of January these trends were inverted (see Chart 12). In 2008 as a whole, the euro appreciated 2.5% in nominal effective terms (NEER), while it depreciated 5.5% against the dollar. In the first half of January, the NEER depreciated 3.3%.

The M3 monetary aggregate slowed significantly in November, following the stability it showed in October. Although financial strains and the widening of the coverage of deposit guarantee systems gave rise to high demand for cash and demand deposits (M1 monetary aggregate) in September and October, this was partially offset in November (see Chart 13). The other monetary assets held on the slowing trend seen since end-2007. The slowdown in credit granted by monetary financial institutions (MFIs) intensified in Q4 largely due to net sales of securities

by credit institutions in an attempt to deleverage. The deceleration of loans to the non-financial private sector became more pronounced in line with higher borrowing costs and tighter supply conditions and the deteriorating outlook for the economy and, in some countries, for the property sector (see Box 2). In any event, the slowdown of loans is less sharp in the case of non-financial corporations which held at its year-on-year rate of increase of approximately 11% in November. In contrast, MFIs' loans to households grew at a much lower rate of 2.5% in November, the year-on-year growth rate for housing and consumer loans stood at 2.5% and 2.8%, respectively.

4 The Spanish economy

On Quarterly National Accounts (QNA) estimates, GDP decelerated sharply in 2008 Q3, showing year-on-year growth of 0.9%, 0.9 pp below the rate estimated for the previous quarter. In quarter-on-quarter terms, output was down by 0.2%, posting a negative rate for the first time since the early 1990s. This deterioration in activity reflected the rapid weakening of domestic demand, particularly that of households (private consumption and residential investment). By contrast, the contribution of exports to output growth improved by 0.5 pp to 0.8 pp, since imports slowed by more than exports. On the supply side, all branches of activity showed more moderate growth, particularly construction and industry, where value added fell. The worsening of activity was reflected in employment, which on QNA figures shrank in year-on-year terms by 0.8% in 2008 Q3, compared with an increase of 0.4 pp in the previous quarter. As a result, given the rate of expansion of output, the growth rate of productivity rose by 0.4 pp to 1.7%.

The available information indicates that the weakening of the Spanish economy quickened in 2008 Q4. The instability of the international financial markets increased in late summer and the impact on the global economic environment and on agents' confidence, which has fallen to historical lows in some cases, have added to the correction initiated in previous quarters, leading to a fall in activity. Against this background, it is estimated that the year-on-year change in GDP was -0.8% in Q4, 1.7 pp less than in the previous quarter. In quarter-on-quarter terms, output is estimated to have slid by -1.1%. This was probably attributable to the marked adjustment in domestic demand, estimated to have fallen by 2.4% year-on-year, while the positive contribution from exports seems to have continued improving to stand at 1.7 pp (see Chart 14).

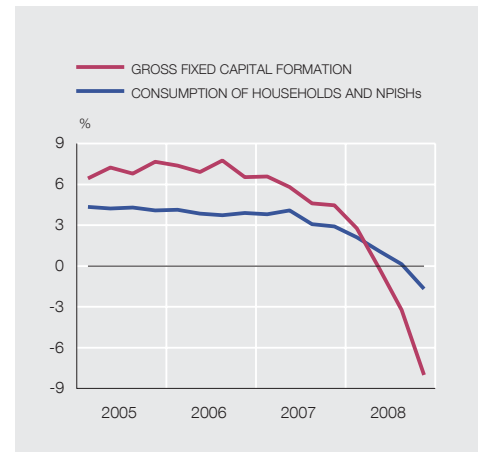
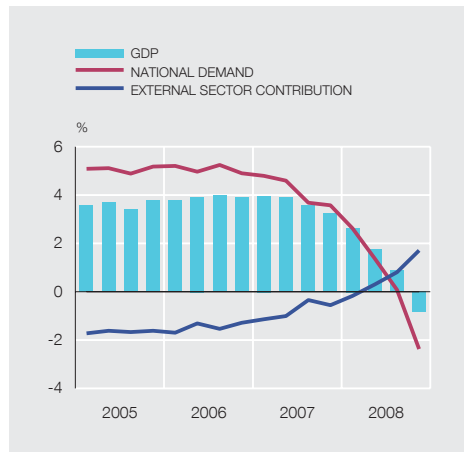
On the supply side, value added in the market economy is estimated to have decreased in nearly all sectors in 2008 Q4, except for services. As to the labour market, the indicators available suggest that the process of job destruction has become more pronounced, with a fall of around 3% in employment. Compensation per employee seems to have continued growing at a high rate, although somewhat lower than in previous quarters, so, along with the higher rate of productivity growth, it is anticipated that the growth of unit labour costs slowed in Q4. As regards consumer prices, the year-on-year rate of change of the CPI decreased rapidly in Q4 to an average of 2.5%, nearly half the figure in the previous quarter, with a value of 1.4% in December, the lowest since December 1998. This trajectory was largely shaped by the path of oil prices, which peaked in July and then fell heavily. However, for the quarter on average, core inflation also decreased (by 0.8 pp) to stand at 2.7%.

4.1 Demand

The marked slowdown of final consumption spending of households and NPISHs since the beginning of the year continued in 2008 Q4, and, according to the most recent conjunctural information, this demand component fell in year-on-year terms (see Chart 15). Consumer confidence slipped further, although that of retail traders was, on average, slightly higher than in the previous quarter, worsening at the close of the year. Among the quantitative indicators, the tax authorities' data on large corporations for October and November showed a sharper year-on-year decrease in domestic sales of consumer goods and services than in Q3. The real retail trade index also continued to slow in the October-November period at a faster year-on-year rate than in previous quarters. Lastly, purchases of consumer durables continued to deteriorate strongly, particularly so in the case of cars, the new registrations of which posted a year-on-year fall of more than 45% in Q4. Overall, the synthetic indicator of goods and services consumption is estimated to have slowed sharply in this period.

MAIN DEMAND AGGREGATES (a)

CHART 14

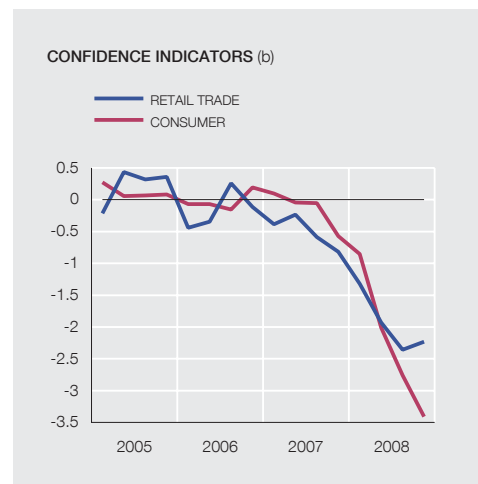
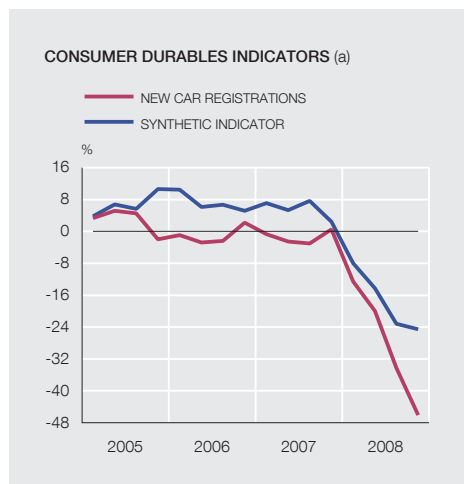
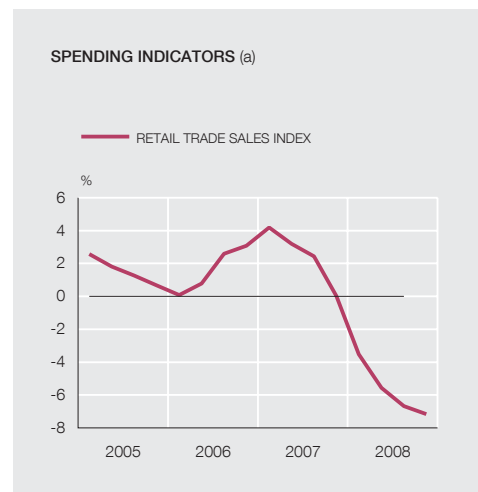
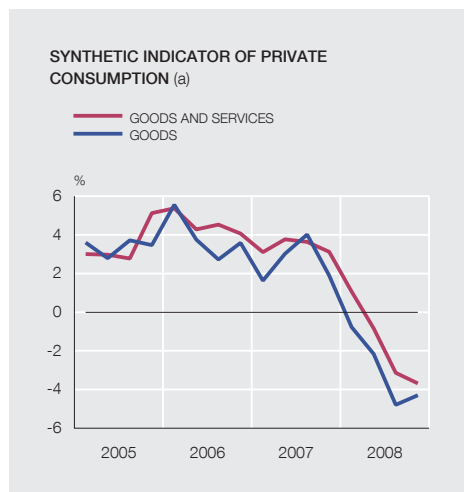


SOURCES: INE and Banco de España.

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

PRIVATE CONSUMPTION INDICATORS

CHART 15



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

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

b. Normalised indicators (deviation from the mean, divided by the standard deviation).

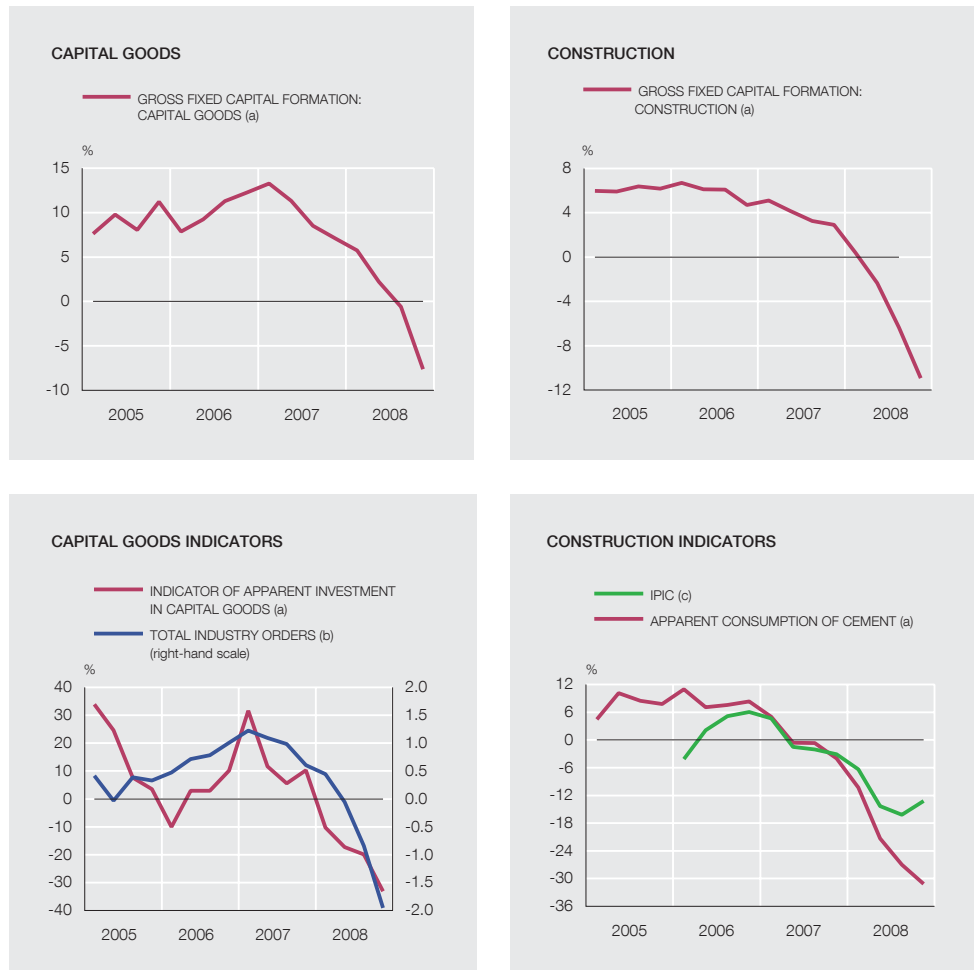
The weakness of household consumption in the latter months of the year reflects the aforementioned loss of confidence, generated by the delicate situation of international financial markets and by the gloomier macroeconomic outlook, and the more unfavourable trend of its determinants. Hence job destruction and a high rate of inflation in the first three quarters of 2008 eased the real rate of increase of household gross disposable income, despite high wage growth. However, from summer household income was boosted by the reduction of €400 in tax withholdings, which, along with the slowdown in consumer prices, led to a notable recovery of real income in the second half of the year. Furthermore, the sharp fall in stock market prices in 2008 and the slowdown in house prices have reduced real household wealth, in a setting of tighter credit conditions. All these factors are leading to a pick-up in the household saving ratio which, on the latest data from the non-financial accounts of the institutional sectors, increased to 11.9% of disposable income in the four-quarter period to 2008 Q3, 1.7 pp more than at end-2007.

General government final consumption, which grew by 5.9% year-on-year in Q3, is estimated to have continued growing in the last quarter of the year at a very rapid but slightly lower pace, according to available figures for net goods and services purchases provided by the State budget outturn.

Gross fixed capital formation continued to fall in 2008 Q4, according to the available conjunctural information (see Chart 16). In the case of capital goods, the related indicators of apparent investment for that quarter, although incomplete, point to a notably sharper contraction than in the previous quarter. Business survey results worsened markedly in Q4, as reflected by indicators of industry confidence, of business climate in the capital goods sector and of capital goods orders. Also, the tightening of bank financing conditions (although costs moderated slightly at the end of the quarter) and the greater difficulties in raising financing from banks and through other channels are discouraging the investment projects of non-financial corporations. According to the non-financial accounts of the institutional sectors, this set of factors brought a decline in the sector's net borrowing, which, in the period from October 2007 to September 2008, stood at 9% of GDP, 2.1 pp lower than at end-2007. Also contributing to this decrease in net borrowing was the higher saving by corporations, boosted by earlier-than-usual VAT refunds and the lower corporate income tax charge.

The contractionary behaviour of investment in construction became more acute in Q4. The indicators of inputs (such as the domestic production of construction materials and the apparent consumption of cement) saw their rate of decline quicken over the October-November period. The labour market indicators also followed this course, with a year-on-year decline of 20% in the average number of Social Security registrations in this sector in 2008 Q4. The related confidence indicator for construction entrepreneurs for Q4 worsened even more than in the June-August period. With regard to the different types of works, investment in residential building is expected to have fallen at a higher rate than in the preceding quarter, owing to the significant decline in housing starts, which are being affected by the drop in sales and the weakness of the real estate market. Uncertainty over the economic outlook and over the outlook for house prices has affected residential demand by households, and this in turn has tended to discourage new projects from being launched. However, subsidised housing starts surged notably, reaching a growth rate of 70.8% in September and a share of 37% in total housing starts. Non-residential building also contracted according to information on new project approvals. Finally, as in previous quarters, civil engineering works continued to be held back by the low pace of tendering.

The available information indicates that the contribution of net external demand to GDP growth is expected to have continued increasing in Q4 to 1.7 pp, as a result of imports losing momen-



SOURCES: INE, European Commission, Ministerio de Fomento, OFICEMEN and Banco de España.

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

b. Normalised indicator (deviation from the mean, divided by the standard deviation).

c. Construction Industry Production Index. Year-on-year percentage change based on the original series.

turn at a greater rate than exports (see Chart 17). This slowdown in imports is in line with the trajectory described for final consumption demand and investment in equipment. Exports are estimated to have lost the momentum of previous quarters, in a setting of slowing world trade. This loss is essentially concentrated in the developed economies, and in particular in some of our main European partners. The information available suggests that in Q4 both the depreciation of the euro and the behaviour of relative prices allowed a more favourable performance of the price-competitiveness indicators, although over the course of the year to date these indicators have shown some deterioration.

On Customs data, real goods exports fell sharply in October and November, posting a year-on-year decrease of 8.4%, which contrasted with the increase of 7.8% in Q3. In the period to November, real goods exports grew by 2.8%, a rate 1.4 pp lower than that in 2007 as a whole. By product group, in October and November the sharpest fall-off was in capital and non-energy intermediate goods (with rates of -11.5% and -11.8%, respectively), while, by contrast, energy goods and food held up to a greater extent. By geographical area, the decrease was slightly more marked in non-EU sales than in those to the EU. Most notable in the more disaggregated information, for which only nominal data are



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

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

available, was the size of the particularly sharp declines in sales to the United Kingdom and China.

Turning to real exports of tourist services, based on the balance of payments figures available to October, their rate of decline steepened in Q4. Further, in 2008 Q4 numbers of inbound tourists into Spain and overnight stays in hotels fell by 9.5% and 6.3%, respectively, compared with the same period of the previous year. According to the Tourism Expenditure Survey (EG-ATUR), nominal spending by foreign visitors declined by 6.7% in October and November due to the decline in tourist numbers, since average spending per tourist rose. The breakdown by country of origin shows that the decline in incoming tourists in Q4 affected the main markets from which tourists to Spain are drawn, especially the United Kingdom. Meanwhile, the balance of payments figures for October suggest that in Q4 there will have been a certain improvement in real exports of non-tourism services with respect to the previous quarter, attributable to transport and other business services.

On the information available, it is estimated that real goods imports fell off at a notably quicker pace in 2008 Q4. Customs figures show that purchases of goods abroad in real terms de-

clined by 16.8% in October and November, following a 1.9% decrease in Q3. In the first eleven months of the year, real imports fell off by 1.5%. By product group, most noteworthy in October and November were the sharp decreases in imports of capital goods and non-food consumer goods (of 30.3% and 21.5%, respectively), although there was also a very sharp drop in imports of non-energy intermediate goods.

Finally, real imports of services are estimated to have slowed in Q4, owing both to the behaviour of expenditure on non-tourism services and to the trend of tourism imports. In the first instance, with disaggregated data from the October balance of payments, there were notable declines in nominal payments linked to royalties, income from intangible assets and other business services, which were partially offset by financial services.

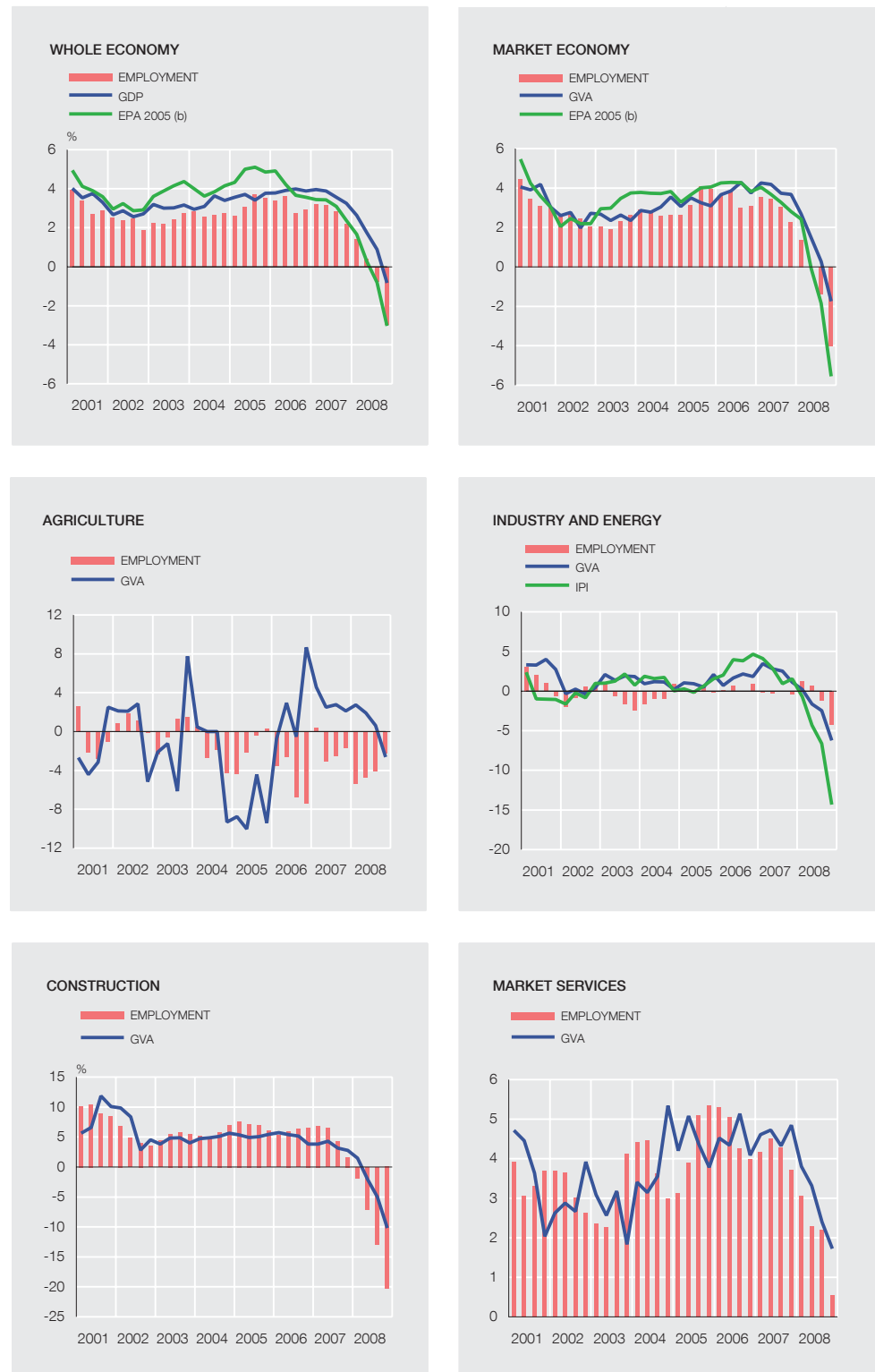
4.2 Output and employment

On the supply side, the loss of momentum of activity in all market-economy productive branches continued in Q4, with declines in value-added in industry, construction and agriculture, and more moderate growth than in the earlier quarters of 2008 in market services (see Chart 18). Production in the industrial and energy sectors is estimated to have fallen in Q4 even more sharply than in the preceding quarter, as a result of the slowdown in energy and the sharp contraction in industry. In line with the performance of large corporations' goods sales, the rate of decline of the non-energy component of the industrial production index quickened in October and November. Although this fall was across the board in nearly all products, it was steepest in domestic consumption goods and capital investment. Labour market-based indicators, such as the average number of Social Security registrations, confirm this ongoing deterioration. Moreover, surveys also point to a further deterioration in industrial activity in Q4. Hence both the European Commission's industrial confidence indicator and the PMI for the manufacturing sector fell in the October-December period in relation to the previous quarter, with a significant decline in the assessment of order books and of future production expectations.

The contraction in construction is also expected to have intensified in Q4 judging by the fall which, as earlier indicated on describing the outlook for investment in construction, has been seen in the related main indicators. Activity in the agricultural and fisheries sectors also decreased in Q4, due to the negative results obtained by most crops.

On the conjunctural information available, the weakening of market services in 2008 Q4 seems to have been more widespread than in Q3. Indeed, large corporations' sales, in real terms and adjusted for calendar effects, fell considerably once again in October and November, as did the turnover according to the services sector activity indicators. The indicators of employment in this sector, such as the average number of Social Security registrations, also point to considerable weakness, with a small year-on-year decrease for the first time in recent years. Finally, the European Commission's confidence indicators for services and retail trade and the activity index of the PMI for the services sector deteriorated further in 2008 Q4, reaching historically low levels in some cases. Of the various services branches, transport worsened most in Q4 and wholesale and retail trade showed the largest decreases in activity. Communications and information technology services showed the least signs of weakness.

As regards labour market developments, the indicators available coincide in that the process of job destruction initiated in 2008 Q3 became more acute in Q4. Specifically, the number of Social Security registrations, calculated using average daily data, fell by 3.4%, compared with a 0.9% decrease in Q3. Likewise, the year-on-year decline in INEM (National Public Employment Service) registered hires was more marked in Q4 than in Q3 (-18.9% against -9.9%, respectively). Finally, the recently published EPA (Spanish Labour Force Survey) figures estimated a year-on-year decline in employment of 3%; the decline in employment seen in Q3 (-0.8%) also gathered pace.



SOURCES: INE, Ministerio de Fomento and Banco de España.

a. Year-on-year percentage rates based on seasonally adjusted series, except gross series in the EPA. Employment in terms of full-time equivalent jobs. For incomplete quarters, the year-on-year rate for the period available within the quarter is taken.

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

As for the productive branches, the EPA information for Q4 indicates that employment fell in all market economy sectors, especially construction. In the market economy as a whole, employment decreased by 5.5%, compared with -1.8% in Q3. In the closing months of the year, job destruction quickened in construction (-20.7%, against -13% in Q3) and in industry (-6.7%, against -1% in the previous quarter). Employment in agriculture continued to decline at a similar rate to that of the previous quarter (-4.7%). Finally, the rate of change of employment in market services turned negative (-0.3%) for the first time in this phase of employment adjustment.

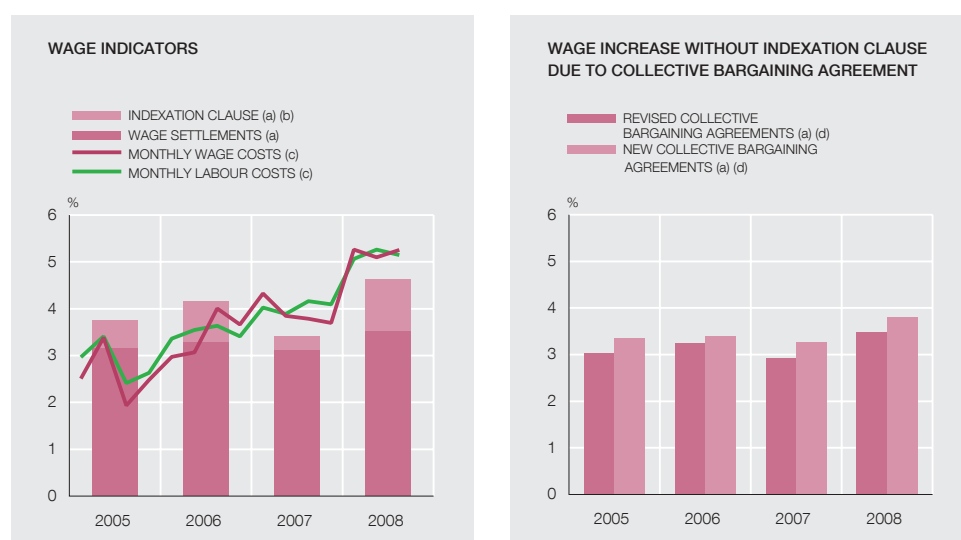
On EPA figures, the decline in employment affected both dependent employees, with a fall of 3.4%, and the self-employed (-1.6%). Overall, dependent employees as a proportion of total numbers employed eased slightly to 82.1%, down 0.3 pp on the ratio a year earlier. Job destruction was concentrated among Spanish nationals (-3.5%), while employment among foreign nationals swung for the first time to a slightly negative rate. As regards contract duration, the year-on-year rate of decline in temporary wage-earners increased to -12.7%, at the forefront of the adjustment in employment, although permanent employment slowed sharply (0.8%, against 2.8% in the previous quarter). As a result, the temporary employment ratio stood at 27.9%, down 3 pp on a year earlier. Lastly, part-time hires showed positive growth (4%), raising the part-time employment ratio to 12.5%, compared with 11.6% a year earlier.

The labour force again grew by 2.9% in 2008 Q4, despite the continuing slowdown in the population aged over 16, which increased by 1.2% (0.2 pp less than in the previous quarter). Further to these figures, the participation rate reached 60.1%, which maintains the year-on-year increase at 1 pp, and therefore the rapid job destruction has not had an observable discouraging effect on decisions to join the workforce, at least for the time being. In terms of the breakdown by gender, the increase in the labour force was due mainly to women (5.3%), since in the case of men the rise was more moderate (1.2%). Specifically, the female participation rate rose by 2 pp in year-on-year terms to 51.4%, while the male rate held steady at 69.2%. By nationality, the dynamism of foreign nationals in the workforce remained high (11.3%), even somewhat stronger than in Q3 (10.7%), despite the slower population growth (8.4%, against 10.4% in the previous quarter), so their participation rate showed a greater increase. In the case of Spanish nationals in the workforce, growth of 1.5% was recorded (1.6% in Q1).

Finally, the sharp fall in employment, combined with the continuing high dynamism of the labour force, resulted in marked growth in unemployment in 2008 Q4 of the order of 600,000 people compared with Q3 and 1,280,000 with respect to end-2007, to take the total to 3,200,000 unemployed. This made for a year-on-year increase in unemployment of 66.4%, and for a rise in the unemployment rate to 13.9%, more than 2.5 pp higher than in the previous quarter.

4.3 Costs and prices

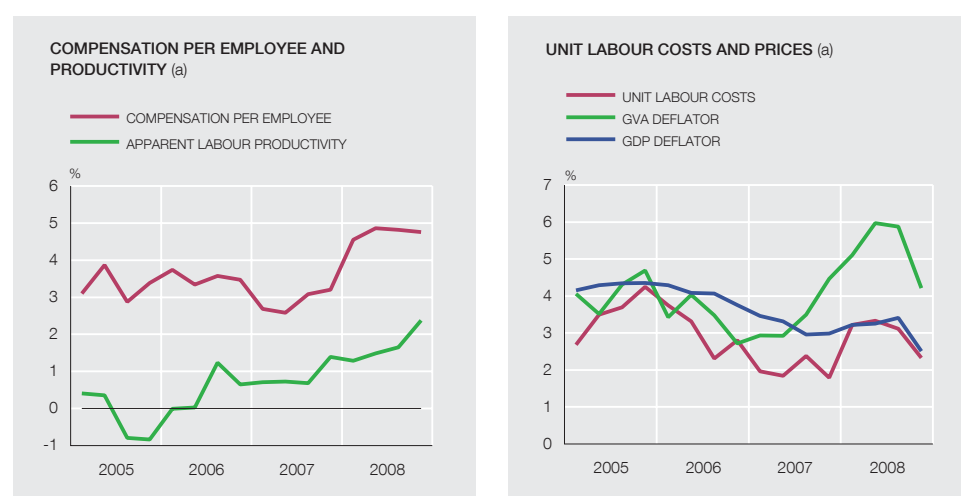
The collective bargaining agreements entered into in the period to December 2008, which affect close to 9 million workers, provide for an average increase in wage rates of over 3.5% (see Chart 19). This figure is more than 0.4 pp up on the agreed increase in 2007 (without considering the impact of the activation of the indexation clauses) and lies above the guidelines agreed in the Interconfederal Agreement for Collective Bargaining for 2008. As is habitual in situations of rising inflation (such as that in the run-up to summer 2008), wage settlements in newly signed agreements have been higher than those in revised agreements spanning several years (3.8% and 3.5%, respectively), although the proportion of employees covered by the latter is far higher, approaching 80% of the total. The estimated impact of the indexation clauses for 2007 (which affect around 74% of workers with an agreement that year) on wage increases for 2008 is 1.1 pp, as a result of the high inflation rate in December 2007.



SOURCES: INE and Ministerio de Trabajo e Inmigración.

- a. The last year with information of collective bargaining agreements until December.
 b. Previous year's indexation clause.
 c. ETCL (quarterly labour costs survey). Year-on-year rates of change.
 d. Revised: collective bargaining agreements with economic effects in the year but which were signed in previous years and are in force for more than one year. New: collective bargaining agreements with economic effects in the year, this being the first or only year they are in force.

PRICES AND LABOUR COSTS IN THE MARKET ECONOMY

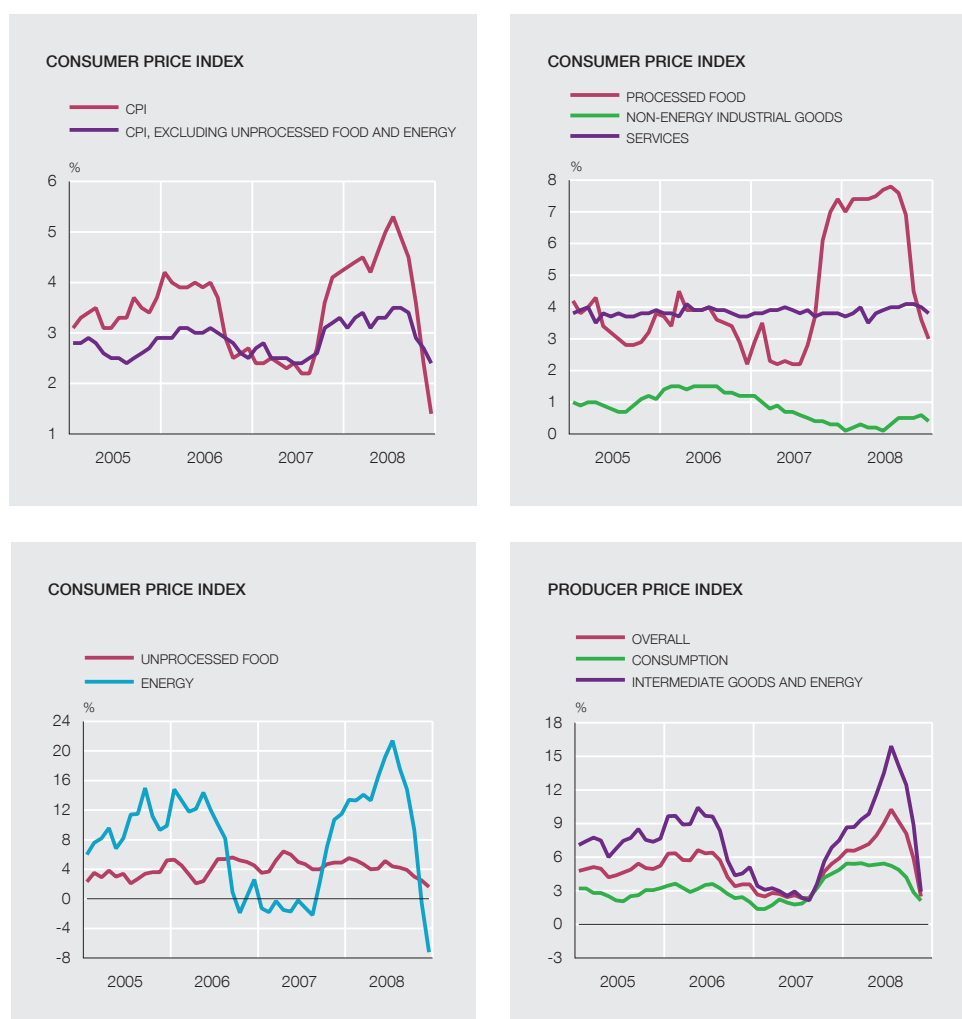


SOURCES: INE and Banco de España.

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

The latest information on total wage costs relates to 2008 Q3. According to the quarterly labour costs survey, the rate of change of average monthly wage costs in the non-farm market economy increased by 0.2 pp to 5.3% in Q3. In this same period, the latest QNA figures are that the year-on-year growth of compensation per employee for the economy as a whole was also 5.3%, and a somewhat lower figure in the case of the market economy (see Chart 20). The rate of increase of compensation per employee is expected to fall off somewhat in 2008 Q4, and this, combined with the rise in productivity, should lead to some slowing in unit labour costs.

On the latest QNA estimates, the gross value added deflator has been gathering pace since the second half of 2007, although its growth rate decreased somewhat in 2008 Q3 (see Chart 20). This



SOURCE: INE.

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

headway continued to outpace unit labour costs, so the profit per unit of output continued to expand rapidly. This partly reflects the marked decline in VAT payments in 2008 due to the fact that VAT refunds had been made earlier. The rate of change of the GDP deflator, which is not affected by these temporary distortions, showed smaller growth in this period than the value added deflator.

The rise in the domestic component of inflation in the first three quarters of 2008 and the high growth of the import deflator helped to push up the growth rates of the final demand deflator and of the producer prices of goods for the domestic market, as reflected by the domestic demand deflator, which posted year-on-year growth of 3.8% in Q3. However, the inflation of most components of domestic demand is expected to decrease in 2008 Q4.

In Q4 the consumer price indicators left the upward trend initiated a year earlier and their growth rate eased substantially. Year-on-year CPI growth moderated to 2.5% in the October-December period, down 2.4 pp on the previous quarter, standing at 1.4% in the last month of the year (see Chart 21). These developments were basically due to the behaviour of energy prices and to the reversal of the impact exerted by the sharp rise in milk and other processed food prices at end-2007. The growth of 0.4% in energy prices on average for the

quarter was more than 17 pp below the rate in Q3. The drop in oil prices on international markets from summer was the determining factor in this, although the euro's depreciation against the dollar eased its impact on domestic prices. The growth rate of unprocessed food prices fell by 1.8 pp to 2.4%, thanks to the sound behaviour of the prices of fish and some types of meat.

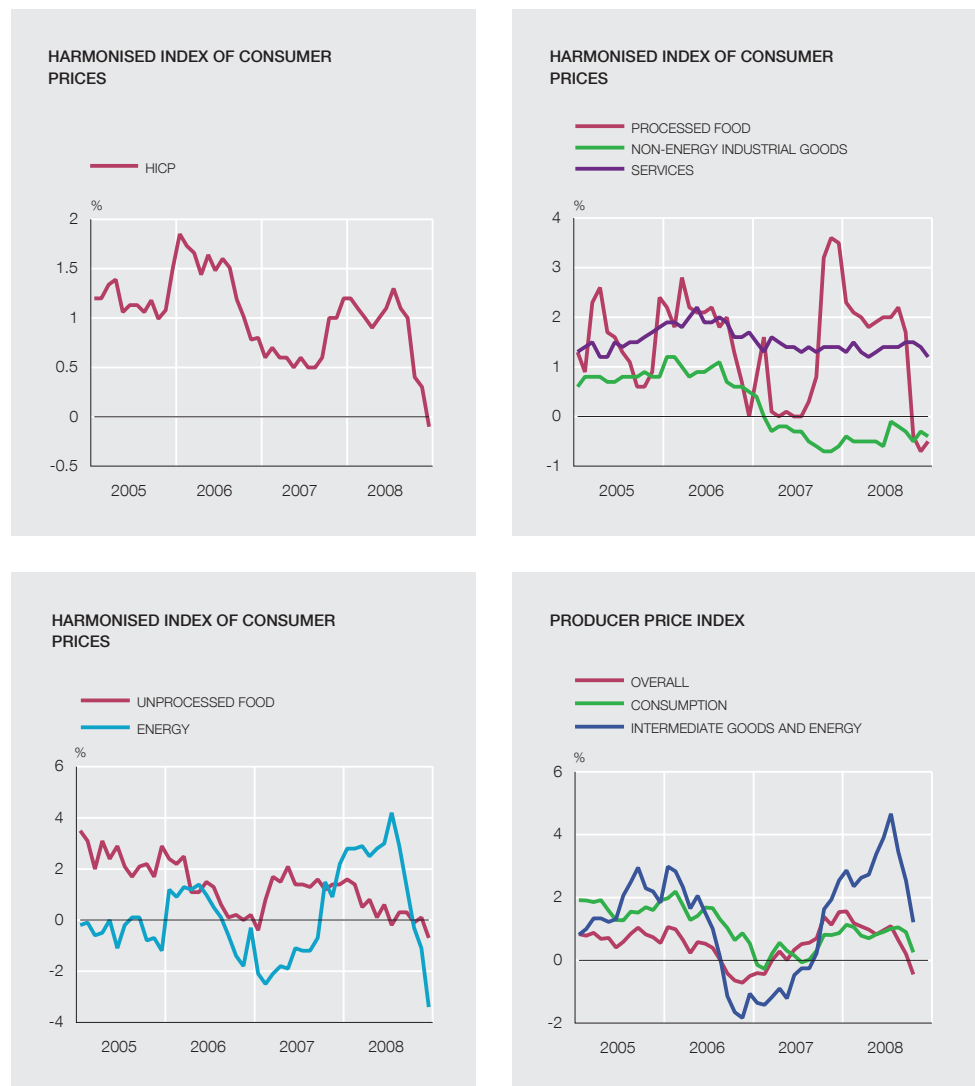
As regards the components of the CPI excluding energy and unprocessed food prices, the greatest moderating influence on average inflation in Q4 came from processed food prices. The growth of the prices of this component slowed drastically to 3.7% (half of the rate in Q3) once the price rises in milk, cereals and related products seen a year earlier had ceased to have an impact. Also, the year-on-year average growth of services prices was 3.9%, down 0.2 pp on the previous quarter; most notable in this respect was the lower growth rate of prices in hotels and restaurants, tourism and recreational services. In contrast, the prices of non-energy industrial goods rose slightly, although within very narrow bounds, by 0.5%, possibly influenced by the depreciation of the euro exchange rate against the dollar. As a result of the performance of its various components, the year-on-year rate of change of the CPI excluding energy and unprocessed food prices decreased by 0.8 pp to 2.7% in Q4.

Similarly to the CPI, the inflation measured by the HICP decreased by 2.5 pp in 2008 Q3 to 2.5% on average. In the euro area as a whole, the decrease of 1.5 pp in average quarterly inflation left the rate at 2.3%; accordingly, Spain's inflation differential with the euro area decreased to 0.2 pp in the October-December period, which is a historical low (see Chart 22). The differential of all components was favourable to Spain, except that of unprocessed food and, to a greater extent, that of services, which, however, decreased somewhat. The downward trend of the differential steepened during the quarter ending December, when it reached a negative value (−0.1 pp) for the first time since inception of the euro area.

Oil price fluctuations also affected the producer price index, the year-on-year rate of which progressively decreased from the high reached in July (10.3%) to −0.2% in December. As in the upturn, this downward trend was affected by the prices of energy and intermediate goods, which slowed markedly, although there was also a moderation in the growth rate of other components. In the euro area as a whole, the growth rate of producer prices slowed less sharply than in Spain, so the growth rate of these prices continued to be lower in Spain and the differential between the two geographical regions broadened in November to 0.8 pp. The import and export prices of industrial products decelerated further in recent months from the highs recorded in Q3, and in November showed growth rates of 0.7% and 1.8%, respectively. The main reason for this moderation is the downward path of energy prices, which fell by nearly 10% in November. The performance of other components was similar in both imports and exports. Thus in October and November intermediate goods prices eased, while those of consumer goods and equipment rose with respect to the previous months.

4.4 The State budget

The government presented the tenth stability program update (SPU) on 16 January 2009, with macroeconomic and fiscal estimates and projections for the 2008-2011 period. The SPU reduced its forecast for real GDP growth in 2008 and 2009 to 1.2% and −1.6%, respectively. Also, general government balances have been revised significantly downwards and general government as a whole is now expected to post a deficit of 3.4% of GDP in 2008, which will foreseeably increase to 5.8% of GDP in 2009, due to the fiscal stimulus measures taken and the unfavourable macroeconomic scenario. In the coming years, against a background of progressive recovery of the economy, the budget deficit is pro-



SOURCES: Eurostat and Banco de España.

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

jected to decrease progressively to 3.9% in 2011. By sub-sector, the 2008 budget balance will be determined chiefly by that of central government, for which a deficit of 2.7% of GDP is expected. Moreover, the regional (autonomous) and local governments will end the year with deficits of 1% and 0.5% of GDP, respectively. In contrast, the Social Security system will estimatedly post a surplus of 0.8% of GDP. The increase in the general government deficit projected for 2009 is due to central government, the deficit of which is expected to rise to 4.7% of GDP, and to the Social Security system, whose surplus will fall to 0.2% of GDP, while the regional and local governments will foreseeably slightly reduce the deficits recorded in 2008.

Turning to the budget outturn, on National Accounts methodology and the information available to November 2008, State finances posted a deficit of 1.3% of GDP, which contrasts with the surplus of 2.4% of GDP a year earlier (see Table 4). It should be taken into account that the State balance is highly seasonal and that December is a month which traditionally sees a substantial reduction in the balance recorded up to the previous month.

The regional (autonomous) governments have reached a significant weight in general government in regard to revenue and, above all, expenditure. The latest figures published, which relate to 2007, showed that regional governments received 32% of tax revenue and managed 38% of total expenditure. Notable in regard to this expenditure was that regional governments accounted for 91% of total government spending on health and education.

These figures highlight the need to give attention to the activity of regional governments in any analysis of fiscal policy. In this respect, within the framework of the budgetary stability legislation, on 26 June 2008 Parliament approved the budgetary stability targets¹ for all regional government as a whole for 2009-2011; the targets were set at equilibrium in 2009 and 2010 and a surplus of 0.1% of GDP in 2011. However, owing to the sharp slowdown now besetting the Spanish economy, reflected in a downward revision of the official GDP growth forecasts for this period, on 8 October 2008 the Fiscal and Financial Policy Council decided that the regional governments which approve their budgets for 2009 with deficits lying within the limits set in stability legislation should be exempted from submitting economic and financial re-balancing plans. Under these limits, for GDP growth rates below 2%, the maximum deficit that regional governments can run is 0.75% of

GDP, to which another 0.25% of GDP for productive investment must be added.²

Against this backdrop, the regional governments have presented their draft budgets³ for 2009, the main items of which are given in the accompanying table.⁴ The budget projections point to a sharp deterioration in the balance, when compared with the initial budget for 2008, to a deficit of 0.9% of GDP, near the limit set in stability legislation. This decline is attributable to a slowdown in revenue (to the point of posting a negative rate of change, caused by indirect taxes) which outweighs that in expenditure. It should be noted that, as in previous years, expenditure shows substantially higher rates of change than nominal GDP.

Notable on the revenue side is the high growth of direct taxes expected in the case of regional government (particularly personal income tax), in contrast to the fall budgeted for the State, despite the abolition of wealth tax in the autonomous regions. In this respect, it should be kept in mind that personal income tax revenue in the autonomous regions is associated with the advance payments of the regional share by the State (up by

1. Note that these targets are set in National Accounts terms.

2. The Stability Programme Update, which has been published this January, includes the lower GDP growth rates and confirms that regional governments shall not exceed the deficit limit set in stability legislation. 3. Not including the budgets of the autonomous city enclaves of Ceuta and Melilla. 4. The table compares the initial budgets of the regional governments and, in the last column, of the State.

INITIAL BUDGETS OF THE REGIONAL GOVERNMENTS

	Regional Governments							State
	€m				Rate of change			
	2006	2007	2008	2009	07/06	08/07	09/08	09/08
REVENUE	140,879	154,945	167,993	165,124	10.0	8.4	-1.7	-11.1
Current revenue	132,849	146,836	159,173	155,556	10.5	8.4	-2.3	-10.4
— Direct taxes	24,396	27,215	32,060	38,174	11.6	17.8	19.1	-15.1
— Indirect taxes	47,673	54,631	56,093	44,741	14.6	2.7	-20.2	-5.9
— Charges, prices and other revenue	4,134	4,304	4,546	4,908	4.1	5.6	8.0	34.3
— Current transfers	56,235	60,289	65,917	67,154	7.2	9.3	1.9	-3.4
— Interest and dividends	411	396	557	579	-3.6	40.4	4.0	-3.4
Capital	8,030	8,109	8,820	9,567	1.0	8.8	8.5	-55.1
— Disposal of investments	678	644	703	633	-5.1	9.2	-10.0	-4.8
— Capital transfers	7,352	7,465	8,117	8,935	1.5	8.7	10.1	-57.7
EXPENDITURE	141,758	155,065	168,327	175,295	9.4	8.6	4.1	3.7
Current expenditure	114,707	125,475	136,135	143,320	9.4	8.5	5.3	3.6
— Wages and salaries	44,076	47,835	52,194	55,309	8.5	9.1	6.0	5.8
— Goods and services	22,481	25,261	28,023	29,186	12.4	10.9	4.2	-1.7
— Interest payments	2,274	2,379	2,489	2,717	4.6	4.6	9.1	4.8
— Current transfers	45,726	49,842	53,254	55,900	9.0	6.8	5.0	2.9
— Contingency fund	150	157	175	209	4.6	11.7	19.2	4.9
Capital	27,050	29,591	32,191	31,975	9.4	8.8	-0.7	4.1
— Investment	13,859	15,378	16,429	16,005	11.0	6.8	-2.6	-1.7
— Current transfers	13,192	14,213	15,762	15,970	7.7	10.9	1.3	10.5
BALANCE	-879	-121	-333	-10,171	...	...	...	...

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

25% in comparison with the budget for the previous year⁵ and that the regional government budgets therefore reflect this higher revenue.⁶

By contrast, indirect taxes are expected to fall sharply (by 20.2%) because of the foreseeable fall-off in VAT and, above all, in transfer and stamp duty taxes, for which the falls budgeted by some regional governments exceed 40%. The high weight of these property transfer and stamp duty taxes in regional government and its practical lack of importance in State government explain the differences between the changes in indirect taxes projected by regional and State governments. In addition, since the comparisons are between initial budgets, the fall in 2009 partly reflects the fact that 2008 revenue was lower than initially envisaged.

The main revenue item for regional governments is current transfers, more than 50% of which come from the State.⁷ Under the system

5. Also, this calculation of personal income tax payments to regional governments in 2009 does not include the new labour income tax rebate of up to €400 introduced in 2008, the cost of which is borne solely by the State. 6. The remainder of the personal income tax revenue of regional government consists of the final settlement of 2007, which was a year in which personal income tax revenue was still high. On the other hand, corporate income tax has little importance in the autonomous regions, since the only one receiving revenue from this source is Navarre. Therefore, the sharp fall in this tax in 2008 only slightly affects aggregate regional government revenue. 7. Via the *fondo de suficiencia* (sufficiency fund), the final settlement of 2007 and other transfers. Notable among these for 2009 are the transfers from the State to regional governments to compensate them for the loss of revenue owing to the abolition of wealth tax.

of regional government financing in force, the volume of these transfers depends mainly on how much revenue is received by the State and, accordingly, a significant slowdown is expected in 2009.

Expenditure is budgeted to grow less than in the previous year, although the rate remains above the projection for nominal GDP. As regards wages, the State budget determines wage growth for general government. However, the budgeted increases in personnel costs have traditionally been larger in regional than in State government, partly because of new transfers of areas of competence to regional governments and certain wage adjustments in the latter. This same trend seems set to continue in 2009, since an increase of 6% is budgeted for the personnel costs of regional government, compared with 5.7% for State government. Meanwhile, expenditure on purchases and current transfers is closely linked to the functions of health care and education in the case of regional government. In both items a slowdown is budgeted for 2009, although their projected growth rates remain above that of nominal GDP. The interest burden is expected to rise by 9.1% in 2009, in line with the increase in regional government debt.

Lastly, the behaviour of current expenditure contrasts with the sharp adjustment of capital expenditure in regional government budgets, which project slowdowns in the growth of real investment (to -2.6%) and capital transfers (to 1.3%), both below the projected increases in State government.

This suggests that the deficit recorded by central government up to November will have increased by year-end. Pointing in the same direction is the cash-basis information on the State accounts, which posted a deficit of €11,038 million to November, compared with a surplus of €24,104 million the previous year. The discrepancies between these two balances (National Accounts and cash-basis) are chiefly due, as is habitual, to adjustments for the different interest allocation criterion and for the change in outstanding rights and obligations.

Likewise on a cash basis, State revenue decreased more than forecast in the Budget Outturn Projection, partially reflecting the sharp deterioration in the second half of the year. In particular, receipts of both direct and indirect tax revenue fell by around 20%.

To analyse revenue, information is also available on total receipts from the main taxes, including both the portion assigned to the State and that corresponding to the ordinary-regime regional governments, although only the State figures are included in Table 4. According to this information, the deterioration in revenue quickened across the board in the past few months. Most noteworthy was the contraction in direct taxes and, in particular, in personal income tax, the revenue from which fell by 2%. The reasons for this included the impact of the new deduction of up to €400, the effect of the 2007 personal income tax reform on the final net tax payable and the refunds under the CUNA Programme. Corporate income tax receipts fell significantly in the January-November 2008 period, posting a rate of -36%. This tax has been

The Social Security system posted a surplus of €16,312 million in the period January-October 2008, down 6.7% on the same period a year earlier, which was a less favourable outturn than in the period to July. Revenue growth slowed between August and October to 7%, while expenditure gained momentum, rising by 10.2%.

The growth of revenue from social security contributions slowed to 5.5% from the rate of 6.6% recorded to July, partly reflecting the loss of dynamism of Social Security registrations.

Turning to expenditure, that ear-marked for contributory pensions held at a growth rate near 8.1% to October, which was above the 7.4% budgeted for the year as a whole. The number of contributory pensions rose by 1.4% on average for the year, slightly higher than in the previous year (1.3%). The growth rate of expenditure on sickness benefits slowed notably between August and October to

7.1% in October, albeit standing well above the budgeted increase.

As regards the National Public Employment Service (hereafter "SPEE", by its Spanish abbreviation), the data for which are not shown in the adjoining table, the contributions received were up by 5.2% to August, the latest month for which accurate information is available, while rebates on contributions in respect of employment-promoting contracts decreased by 9.1% in the same period.

The growth of expenditure earmarked for unemployment benefits accelerated sharply to November, increasing by 31.1% year-on-year, while registered unemployment grew by 49.7% year-on-year to December. On data to August, the number of beneficiaries increased by 28% compared with the same month a year earlier, leaving the coverage ratio at 74.2%, slightly less than one percentage point above that recorded in the same month of 2007.

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		Outturn JAN-OCT	
	Budget	Budget	% change	JAN-JUL	% change	JAN-OCT	% change
	2007	2008		2007	2008	2007	2008
	1	2	3=2/1	4	5	6	7=6/5
1 REVENUE	106,142	114,081	7.5	8.3	93,003	99,507	7.0
1.1 Social security contributions	97,942	105,107	7.3	6.6	85,898	90,650	5.5
1.2 Current transfers	5,963	6,796	14.0	35.6	5,042	6,033	19.7
Other	2,237	2,177	-2.7	11.0	2,063	2,825	36.9
2 EXPENDITURE	98,390	106,048	7.8	9.7	75,522	83,195	10.2
2.1 Wages and salaries	2,253	2,412	7.1	7.5	1,738	1,890	8.7
2.2 Goods and services	1,807	1,978	9.5	7.7	1,408	1,462	3.9
2.3 Current transfers	93,743	101,056	7.8	9.6	71,726	78,053	8.8
Contributory pensions	80,099	86,041	7.4	8.0	61,221	66,184	8.1
Sickness	7,313	7,716	5.5	15.7	5,628	6,025	7.1
Other	6,330	7,298	15.3	22.9	4,876	5,842	19.8
2.4 Other	588	601	2.2	40.2	650	1,791	175.5
3 BALANCE	7,752	8,033	3.6	1.1	17,482	16,312	-6.7

SOURCES: Ministerio de Hacienda, Ministerio de Trabajo e Inmigración 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 October 2008.

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.

EUR m and %								
	Outturn 2007	Percentage change 2007/2006	Budget outturn projection 2008	Percentage change 2008/2007	Outturn JAN-SEP Percentage change 2008/2007	Outturn		
						2007 JAN-NOV	2008 JAN-NOV	Percentage change
	1	2	3	4 = 3/1	5	6	7	8 = 7/6
1 REVENUE	159,840	12.7	142,247	-11.0	-16.1	148,407	120,150	-19.0
Direct taxes	96,980	19.5	83,624	-13.8	-18.3	89,798	70,128	-21.9
<i>Personal income tax</i>	48,626	17.3	44,645	-8.2	-10.0	46,237	41,155	-11.0
<i>Corporate income tax</i>	44,823	20.5	35,445	-20.9	-29.5	40,540	25,958	-36.0
<i>Other (a)</i>	3,531	42.8	3,534	0.1	0.8	3,020	3,015	-0.2
Indirect taxes	48,445	0.2	42,423	-12.4	-18.6	46,396	37,925	-18.3
VAT	33,752	-4.7	27,791	-17.7	-26.3	32,924	24,676	-25.1
<i>Excise duties</i>	11,468	15.9	11,458	-0.1	-0.8	10,518	10,398	-1.1
<i>Other (b)</i>	3,224	7.2	3,174	-1.6	-2.7	2,954	2,850	-3.5
<i>Other net revenue</i>	14,415	16.4	16,200	12.4	8.1	12,214	12,097	-1.0
2 EXPENDITURE	139,704	7.2	150,289	7.6	5.2	124,304	131,188	5.5
Wages and salaries	23,678	6.6	25,425	7.4	6.7	20,455	21,831	6.7
Goods and services	4,454	17.2	4,212	-5.4	2.5	3,511	3,580	2.0
Interest payments	14,539	-6.9	16,094	10.7	14.2	14,326	15,708	9.6
Current transfers	77,680	7.6	83,661	7.7	4.5	70,681	74,388	5.2
Investment	10,106	11.8	10,575	4.6	6.7	7,937	8,646	8.9
Capital transfers	9,248	23.5	10,321	11.6	-12.9	7,394	7,035	-4.9
3 CASH-BASIS BALANCE (3 = 1 - 2)	20,135	—	-8,042	—	—	24,104	-11,038	—
MEMORANDUM ITEM: NATIONAL ACCOUNTS								
Resources	165,179	12.2	146,640	-11.2	-15.3	152,395	124,902	-18.0
Uses	151,683	6.7	164,280	8.3	8.3	127,032	138,962	9.4
NET LENDING (+) OR BORROWING (-)								
	13,496	—	-17,640	—	—	25,363	-14,060	—
As a percentage of GDP	1.3	—	-1.6	—	—	2.4	-1.3	—

SOURCE: Ministerio de Economía y Hacienda.

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

b. Includes taxes on insurance premiums and tariffs.

affected by the worsening of corporate profits and by legislative changes with a negative impact on revenue: the effect of the 2007 reform on the final net tax payable, the change in the method of calculating advance payments and the second tax rate cut. As far as indirect taxes are concerned, VAT revenue to November fell by 13.7% and excise tax revenue by 0.6%. Lastly, the items grouped under other revenue fell by 1%.

With regard to State outlays, except for goods and services purchases and real investment, the other sources of expenditure were contained to some extent, compared with the figures forecast in the Outturn Projection. Against this background, the growth of personnel costs held steady at 6.7%, while interest payments slowed notably. Most notable in regard to capital spending was the pick-up in real investment, which grew at a rate of 8.9% to November.

4.5 The balance of payments and capital account

The Spanish economy's net borrowing (i.e. the overall deficit on current and capital account) stood at €84,713 million in the first ten months of 2008, representing a year-on-year increase of 5%, a significantly lower rate than in 2007 (see Table 5). This reflected a 4.3% increase in the current account deficit, which was the outcome of the rise in the energy

EUR m		JANUARY-OCTOBER		RATE OF CHANGE 08/07 (b)
		2007	2008	
CREDITS	Current account	291,131	308,870	6.1
	<i>Goods</i>	155,620	166,119	6.7
	<i>Services</i>	79,790	83,317	4.4
	— Tourism	36,968	37,264	0.8
	— Other services	42,822	46,054	7.5
	<i>Income</i>	43,048	47,539	10.4
	<i>Current transfers</i>	12,673	11,895	-6.1
	Capital account	4,732	6,187	30.8
	Current + capital accounts	295,863	315,057	6.5
DEBITS	Current account	377,164	398,620	5.7
	<i>Goods</i>	228,139	239,380	4.9
	<i>Services</i>	59,244	61,794	4.3
	— Tourism	12,055	12,132	0.6
	— Other services	47,189	49,662	5.2
	<i>Income</i>	68,741	76,404	11.1
	<i>Current transfers</i>	21,040	21,042	0.0
	Capital account	1,667	1,151	-30.9
	Current + capital accounts	378,831	399,771	5.5
BALANCES	Current account	-86,033	-89,750	-3,717
	<i>Goods</i>	-72,519	-73,261	-742
	<i>Services</i>	20,546	21,524	978
	— Tourism	24,913	25,131	219
	— Other services	-4,367	-3,608	759
	<i>Income</i>	-25,693	-28,865	-3,172
	<i>Current transfers</i>	-8,367	-9,147	-781
	Capital account	3,065	5,036	1,971
	Current + capital accounts	-82,968	-84,713	-1,746

SOURCE: Banco de España.

a. Provisional data.

b. Absolute changes for balances.

deficit and, to a lesser extent, of the respective deficits on the income and current transfers balances, which the improved surplus on the services balance and the correction of the deficit on non-energy goods were unable to offset. The surplus on the capital account rose notably to €5,036 million.

In the first ten months of 2008, the deficit on the trade balance increased by only 1% to €73,261 million. This rate of increase, appreciably lower than that seen in 2007 as a whole, is the result of higher growth in nominal exports (6.7%) than imports (4.9%). According to Customs data, the gap between exports and imports in real terms was even wider, albeit partially cushioned by the deterioration in the terms of trade brought about by oil prices. The energy bill, which increased appreciably between January and October 2008, was the determining factor behind the rise in the nominal trade deficit, since the non-energy deficit was significantly corrected.

The services balance posted a surplus of €21,524 million in the first ten months of 2008, up 4.8% on the same period in 2007. This increase in the surplus was due to the slight improve-

ment in the surplus on tourism to €25,131 million, and, more importantly, to the correction to the deficit on other services, which took it to €3,608 million. Nominal tourist receipts and expenditure both grew weakly in the first ten months of 2008 (0.8% and 0.6%, respectively). As to other services, in the first ten months of the year receipts were more dynamic than expenditure (growth rates of 7.5% and 5.2%, respectively), which appreciably reduced the deficit on this item.

The deficit on the income balance grew by 12.3% in the first ten months of 2008, with similar growth in receipts and expenditure (10.4% and 11.1%, respectively). The notable increase in the surplus on foreign direct investment income was offset by the rise in the deficits on portfolio investment income and on other investment income. The deficit on current transfers in the first ten months of the year rose by 9.3% due to a 6.1% reduction in receipts while expenditure held unchanged. The decline in receipts was centred on those from the EU, particularly those relating to the agricultural funds and the European Social Fund. Payments to the EU were driven by those relating to the GNI resource, the growth of which was dampened by remittances sent abroad, which fell by 6.1% in the first ten months of 2008, in contrast to their buoyancy during the recent expansionary phase of the Spanish economy.

5 Financial developments

5.1 Overview

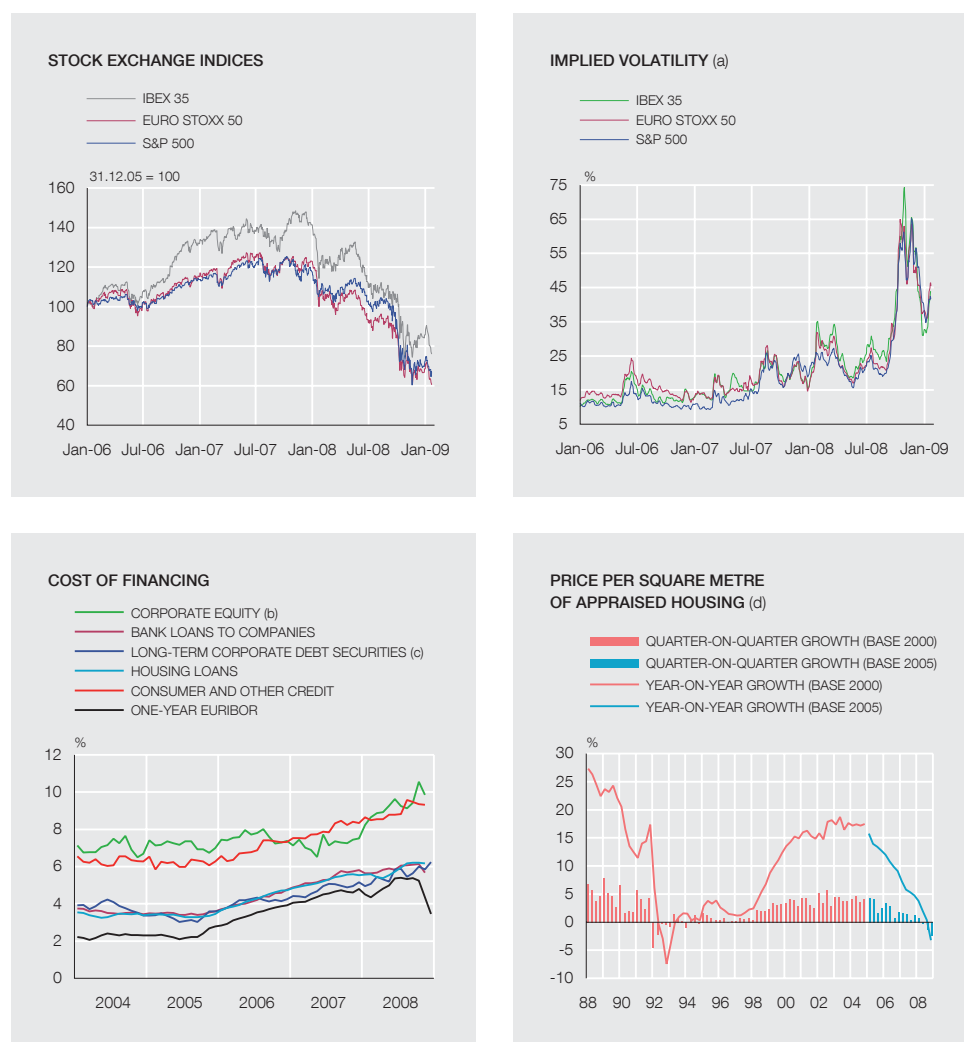
Developments on domestic and international financial markets in 2008 Q4 were influenced by the worsening of the financial crisis from the end of the summer and the deterioration in economic growth prospects. Against this background, the stock market price falls seen in previous months continued, while volatility increased notably, reaching historically very high levels, although it fell substantially in the final weeks of the year (see Chart 23). Accordingly, at year-end, the IBEX 35 was down 16.3% from its end-September level, which was a smaller decline than those recorded by the Eurostoxx 50 index of European companies (19.3%) and the S&P 500 for US companies (22.6%). During 2008, as a whole, the Spanish index fell by 39.4%, a similar decline to that in the US reference (38.5%) and less than that in the European one (44.3%).

One-year EURIBOR dropped from 5.5% at end-September, to 3% at year-end, basically as a result of the downward revision to expectations of official rates and also, albeit to a smaller extent, because of the decline in the risk premium it incorporates. However, the spread between this benchmark and the cost of secured financing operations (repos) remained very wide (140 bp), showing that the strains in the interbank market persist. Public debt yields also fell, both at long and especially at short term, as a consequence of the lower observed and forecast official rates and the deterioration in the economic growth prospects in the euro area. Thus, as at end-2008 the return on Spanish twelve-month Treasury bills stood at 2.1%, some 2.1 pp less than three months earlier, while that on ten-year bonds fell from 4.6% to 3.9%. This decline was, as in the case of most euro area sovereign debt, smaller than that in the German bund, so that the spread between them widened to a mean of 90 bp in December. Meanwhile, the average credit risk premia for Spanish non-financial corporations traded on the derivatives markets reached 280 bp in the same period, an increase of more than 180 bp from end-Q3.

During 2009 to date, stock markets have continued to slide. On 22 January, the IBEX 35 was 11.2% lower than at end-2008, a similar decline to that in the Eurostoxx 50 (11.9%), and greater than that in the S&P 500 (8.4%). At the same time, one-year EURIBOR remained on a downward path, reaching 2.4%, while the return on long-term debt issued by the Spanish Treasury rose by 40 bp, widening the spread over the German bund to 120 bp. On 19 January, Standard & Poor's downgraded Spanish government debt by one notch (from AAA to AA+). By contrast, the credit risk premia for non-financial corporations fell somewhat during this period.

In the property market, according to data published by the Ministry of Housing, the price of unsubsidised housing fell by 2.4% in 2008 Q4, which led to a reduction in the year-on-year growth rate from 0.4% in September to -3.2% in December.

The latest data available, relating to November, on the interest rates applied by banks to new loans to households show little change on the September levels. Yet, given the significant falls in market yields during the last two months of the year and during 2009 to date, there will foreseeably be a reduction in the price of credit to households shortly. In the case of the cost of bank financing for corporations, to which these changes are generally passed through more rapidly, declines have already begun to be seen. Likewise, the cost of issuance of short-term debt also fell. By contrast, that of long-term debt and of equity increased, relative to the end-Q3 figures. However, according to the October Bank Lending Survey (BLS), financial institutions expected the credit standards for households and firms



SOURCES: Bloomberg, Credit Trade, Datastream, MSCI Blue Book, Ministerio de 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 weighted average 5-year CDS premium for Spanish non-financial corporations and the 5-year euro swap rate.

d. New statistic from 2005.

to continue to tighten during Q4. Also, the latest information on other lending conditions apart from the interest rate (term, security required) suggests that they have tended to become more demanding.

In line with the tightening of the credit supply and lower demand, in 2008 Q4 the deceleration of private-sector debt continued. The year-on-year growth of household financing stood at 5% in November, around 1.5 pp less than two months earlier. This decline occurred in housing loans and consumer and other credit. Corporate borrowing expanded by slightly more than 8% relative to the same period in 2007, 1.2 pp down on September. However, this higher buoyancy in comparison with household borrowing could be partly explained by companies' growing recourse to previously approved credit lines (see Box 6). The latest information on lending by purpose in Q3 shows that it slowed in all sectors, albeit more sharply in non-real estate services. Even so, the loans raised by this sector, as in the case of industry, continued to expand by more than 10% in year-on-year terms.

The credit lines customarily arranged by firms for a particular amount and term allow them to make use of this financing at different points in time. Typically, a portion of the agreed amount remains drawable (undrawn) for subsequent use and is not included in banks' assets. The greater or lesser recourse to these open credit lines, along with the net flow from new loans and repayments, determines the behaviour of total credit in lenders' balance sheets.

In particular, in periods like the present, in which credit institutions tend to tighten the financing offered by them, firms could partly counter the lower availability of funds by stepping up their use of previously agreed credit lines, which, moreover, will tend to offer better cost and other conditions than new facilities. There is some empirical evidence that this phenomenon is usual in periods in which credit conditions are less accommodating (see Jiménez et al, 2008).¹

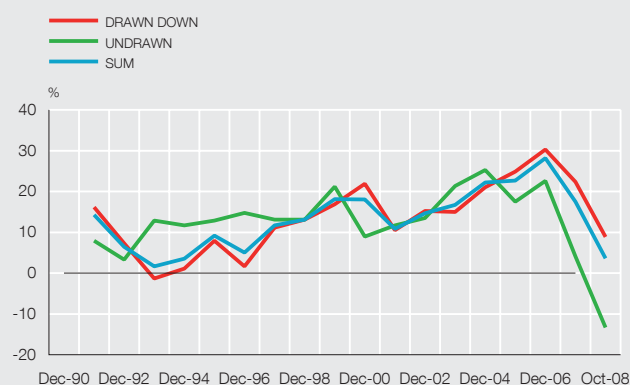
Against this background, this box uses the information at the Banco de España on credit granted but not drawn down to study this phe-

nomenon in Spain.² The analysis centres on the non-financial corporations segment, since this form of financing is much less usual for individuals and the amount undrawn by them is little more than 5% of the volume drawn down. This ratio has remained relatively unchanged in the last few months.

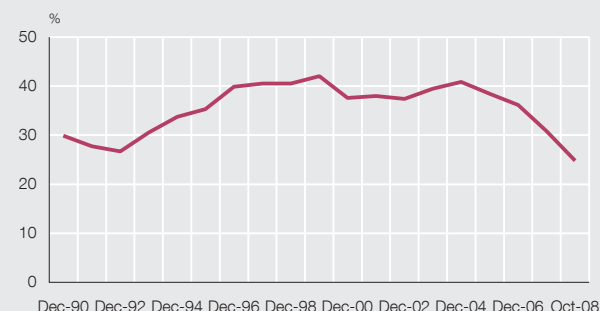
Panel 1 shows the growth of lending by all Spanish banks to resident non-financial corporations, distinguishing between the amount drawn down, that undrawn and the sum of the two.³ As can be seen, the amount undrawn has negative year-on-year growth rates since the beginning of 2008, indicating either that firms have recently made greater use of credit lines arranged in the past or that

2. Specifically, the amount undrawn by other resident sectors as a whole is included in the confidential balance sheet of credit institutions under off-balance-sheet items. Also, more disaggregated, albeit not exhaustive, information can be obtained from the Banco de España's Central Credit Register (CCR). 3. The input data for the panel are drawn from the CCR, so low-amount credits (less than €6,000) are not included. However, the resulting rates of change differ very little from those derived from the analysis of bank balance sheets because this minimum threshold is low and, therefore, the volume of credits below it is scanty significant.

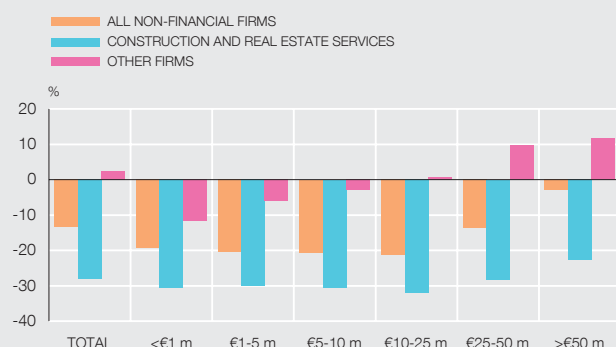
1 BEHAVIOUR OF CREDIT (a)



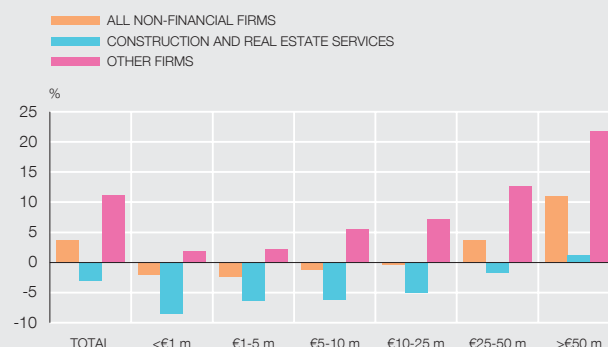
2 UNDRAWN/DRAWN RATIO (b)



3 CHANGES IN THE AMOUNT OF UNDRAWN CREDIT BY SECTOR AND TOTAL BANK DEBT (c) (d)



4 CHANGES IN THE AMOUNT OF DRAWN PLUS UNDRAWN CREDIT BY SECTOR AND TOTAL BANK DEBT (c) (d)



SOURCE: Banco de España

a. All non-financial firms. Year-on-year rates of change.

b. All non-financial firms.

c. Year-on-year rates of change as at October 2008.

d. Firms are classified by the total volume of their debt included in the CCR. Although this is an imperfect measure of firm size, it is the only one available in this database.

the volume of new credit lines opened in that period has been below that of the facilities reaching maturity. Whatever the case may be, these results indicate that recently the supply of financing has been less expansionary than suggested by the behaviour of on-balance-sheet credit. In this respect, the sum of credit drawn down and that undrawn is an indicator that better reflects the changes in the supply of financing. In the last two years this variable has slowed somewhat more sharply than on-balance-sheet lending and its growth rate has been lower (3.6% in October 2008, somewhat more than 5 percentage points below that of loans recorded on books).

As a result, the ratio of undrawn to drawn credit, which as shown by Panel 2 follows a cyclical pattern, fell below the minimum reached in the previous cycle (1992), thereby reducing the scope for firms to keep using this type of financing to cope with the tighter credit conditions.

Panel 3 shows the growth rate of undrawn credit in October 2008 (latest available figures), disaggregated by sector and by volume of firms' bank debt, the latter variable being intended as a proxy of firm size. The breakdown by economic sector reveals significant differences in the performance of this indicator between the real estate sector (construction and real estate services), which shows a fall of 28% compared with the same period of the previous year, and the

aggregate of other productive activities, which exhibits positive, albeit low, growth (2%).

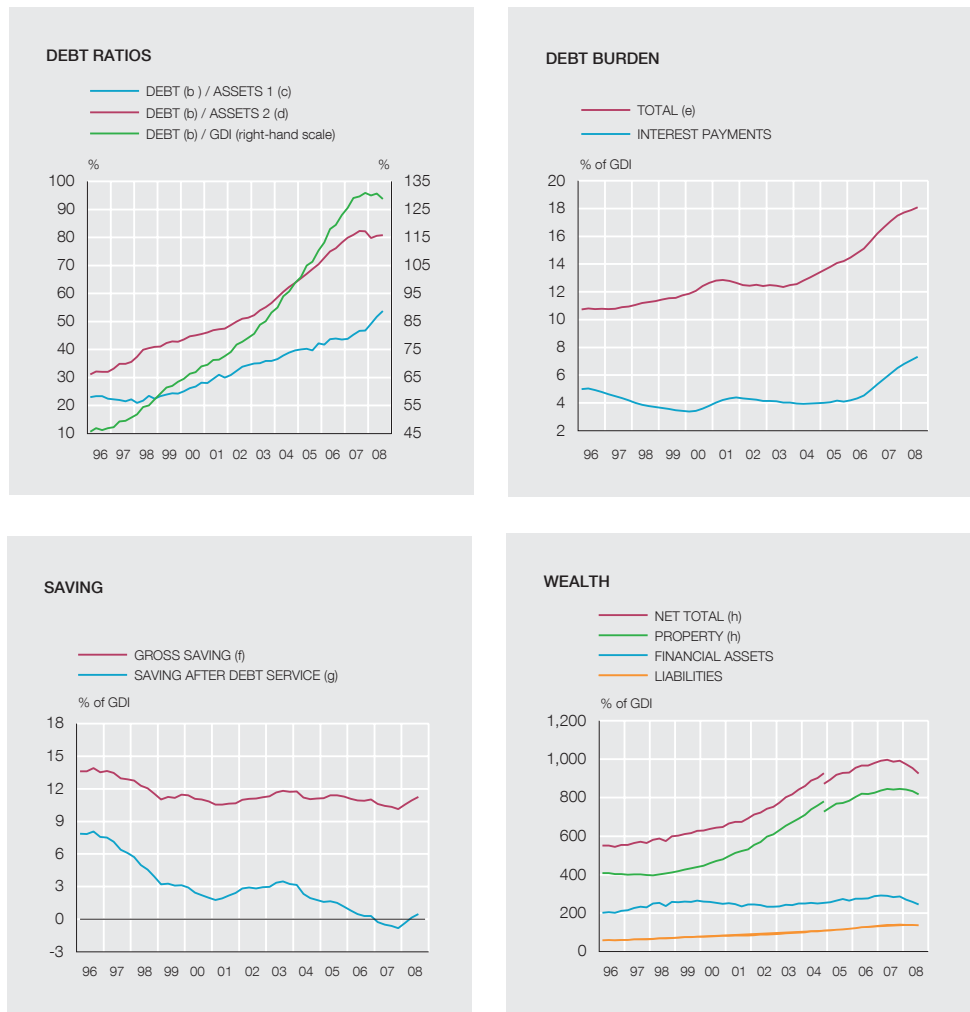
Panel 3 shows that for the two sectoral categories there is a clear and direct relationship between the size of firms' outstanding loans and the pace of undrawn lines of credit. In particular, this variable has negative year-on-year growth for companies with bank debt below €10 billion. This may reflect stricter credit conditions for small and medium-sized firms than for larger ones, although it cannot be ruled out that demand factors also play a part.

Lastly, in Panel 4 it can be seen that the two patterns noted above are also detected by the financing indicator obtained by taking the sum of undrawn and drawn credit. In particular, last October the year-on-year growth rate of this variable was negative for the real estate sector and positive, albeit very low (below 3%) for firms in other productive activities with outstanding loans below €5 billion.

In short, the results of this box indicate, first, that the greater use of previously arranged credit lines has helped somewhat to ease the deceleration of corporate debt in recent months. Additionally, the evidence shows significant differences in the growth rates of (undrawn and drawn) financing by economic sector and by firm size. In particular, lower buoyancy of credit is detected in real estate sector companies and in SMEs.

It is estimated that the moderation in the rise of household credit contributed to a slight decrease in the ratio of debt to gross disposable income (GDI) in 2008 Q3, while the debt burden continued to grow as a result of the increase in the average cost of outstanding loans (see Chart 24). However, the increase in the sector's gross savings ratio resulted in a new recovery of its ability to save, after debt service. The latest advance data indicate that the same pattern continued in 2008 Q4. In line with these developments, the financial accounts show that the sector's net borrowing fell slightly between June and September. In parallel, during the same period household net wealth dropped as a percentage of GDI, a trend which, judging by price developments in financial and real estate assets, likely continued until the end of 2008.

During the summer months firms' aggregate debt ratio and debt burden continued to grow (see Chart 25). However, the most recent data point to a slight drop in the former during 2008 Q4. According to the Financial Accounts, this sector's net borrowing decreased between June and September to slightly above 9% of GDP, in cumulative twelve-month terms, almost 2 pp less than in June. Gross operating profit remained considerably buoyant to Q3 according to the National Accounts, with cumulative annual growth to that date of 7.8%. However, the sample of firms reporting to the quarterly survey of the Central Balance Sheet Data Office (CBQ), in which large firms predominate, attests to a significant slowdown in profit during the same period, coupled with higher debt ratios and interest payments relative to income generated. The combined effect of these developments was the rise in the indicators of financial pressure on investment and employment, especially for the group of companies which is in a less favourable financial situation.



SOURCE: Banco de España.

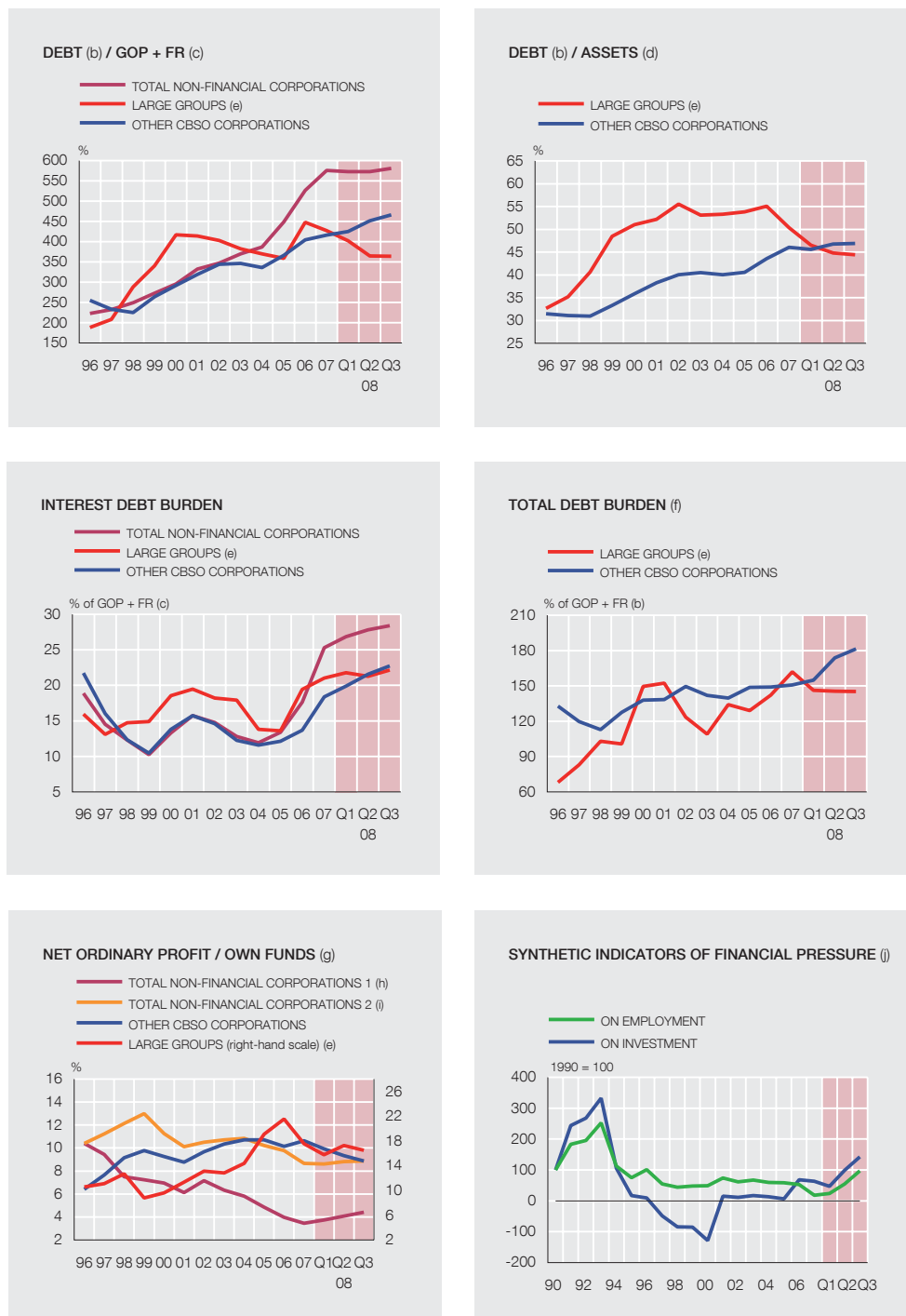
- a. From 1999, the sectoral National Accounts data correspond to the CNE base 2000. For prior periods, an estimate consistent with this base is used.
- b. Includes bank credit and off-balance-sheet securitised loans.
- c. Assets 1 = total financial assets – "other".
- d. Assets 2 = assets 1 – shares (excluding mutual fund shares) – shares in FIM.
- e. Estimated interest payments plus debt repayments.
- f. Balance of households' use of disposable income account.
- g. Gross saving less estimated debt repayments.
- h. Calculated on the basis of the estimated changes in the stock of housing, in the average area per house and in the price per square metre. There is a new house price statistic from 2005.

The growing level of financial pressure experienced by certain private-sector segments continued to be reflected in notable increases in doubtful asset ratios, which for the other resident sectors (including, in addition to households and corporations, financial intermediaries other than credit institutions) stood at 3.2% in November, 1.5 pp higher than the data for June.

The most recent Financial Accounts data show a slight reduction in the nation's net borrowing during 2008 Q3 (9.6% of GDP in cumulative twelve-month terms, as against 10% in June). It is estimated that these developments were the result of the deficit posted by general government, which largely offset the drop in households' and firms' negative net transactions and the increase in financial institutions' surplus (see Table 6). The funds required to cover the external deficit were not raised in full by sectors other than the Banco de España, with the result that, once again, the Banco de España's net external assets were negative (for an amount equiva-

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

CHART 25



SOURCE: Banco de España.

a. Based on CBSO annual and quarterly survey data, except in the case of the "total non-financial corporations" series, which is based on the National Accounts (CNE and FASE). From 1999, the income of the sector corresponds to the CNE base 2000. For prior periods, an estimate consistent with this base is used.

b. Interest-bearing borrowed funds.

c. Gross operating profit plus financial revenue.

d. Defined as total inflation-adjusted assets less non-interest-bearing liabilities.

e. Aggregate of all corporations reporting to the CBSO that belong to the Endesa, Iberdrola, Repsol and Telefónica groups.

Adjusted for intra-group financing to avoid double counting.

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

g. For total non-financial corporations, NOP=GOS + interest and dividends received – interest paid – fixed capital consumption.

h. Own funds valued at market prices.

i. Own funds calculated by accumulating flows from the 1996 stock onwards.

j. Indicators estimated drawing on the CBA and CBQ surveys. A value above (below) 100 denotes more (less) financial pressure than in the base year.

% GDP									
	2003	2004	2005	2006	2007		2008		
					Q3	Q4	Q1	Q2	Q3
National economy	-2.9	-4.8	-6.5	-8.4	-9.3	-9.7	-10.0	-10.0	-9.6
Non-financial corporations and households and NPISHs	-3.8	-5.1	-8.4	-11.0	-13.5	-13.8	-13.6	-12.1	-9.8
<i>Non-financial corporations</i>	-3.9	-4.5	-7.1	-9.4	-11.2	-12.2	-12.5	-11.2	-9.3
<i>Households and NPISHs</i>	0.1	-0.6	-1.3	-1.7	-2.3	-1.6	-1.1	-0.9	-0.5
Financial institutions	1.0	0.6	0.9	0.6	1.6	1.9	2.0	1.6	1.8
General government	-0.2	-0.4	1.0	2.0	2.7	2.2	1.7	0.5	-1.6
MEMORANDUM ITEM:									
Financing gap of non-financial corporations (a)	-8.2	-8.7	-11.4	-17.0	-16.4	-18.1	-18.8	-16.0	-14.3

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.

lent to 3.1% of GDP, in cumulative annual terms), albeit lower in absolute value than the figure posted half-way through the year (4.2%).

In short, the most recent information continues to point to a tightening of the credit supply and an increase in the proportion of agents subject to a high degree of financial pressure. The sizeable drop in the EURIBOR in recent months will foreseeably tend to reduce the cost of new private-sector borrowing and the debt burden borne by indebted corporations and households. The ongoing strains in international financial markets continue to be an unfavourable factor for the financing possibilities of economies which, like the Spanish economy, have a high external deficit. However, the initiatives adopted by national and international economic authorities to restore the normal functioning of markets will contribute to moderating the scope of this risk. In the case of Spain, on the cut-off date of this report the Fund for the Acquisition of Financial Assets (which was created to inject liquidity into the financial system to prevent the interruption of credit flows) had already held three auctions and placed more than €13 bn of funds. Similarly, State guarantees were given to 53 credit institutions for new debt issues which can be undertaken until 15 December 2009 for a combined maximum amount of €100 bn, although no operations of this type have been performed yet.

5.2 Households

The most recent information (relating to November) on the interest rates of new loans shows that, relative to September, they have remained the same for housing and dropped by 15 bp for consumer credit and other lending. The notable reduction in interbank yields in recent months points to a considerable reduction in the cost of bank borrowing for households, given the close relationship between the two interest rates. Nevertheless, the latest data available on credit conditions indicates that they are tighter as regards the security required (which has increased) and maturities (which are shorter). Accordingly, respondents to the October BLS anticipated that they would apply stricter credit standards in 2008 Q4.

In 2008 Q4 household debt continued to move on a slowing path and its year-on-year growth rate stood at 5% in November, 1.5 pp down on September. The breakdown by purpose shows a moderation in the rise of liabilities in terms of housing and of consumer and other purpose loans (their growth rate fell to around 5%).

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

TABLE 7

% of GDP						
	2005	2006	2007	2008		
				Q1	Q2	Q3
HOUSEHOLDS AND NPISHs						
Financial transactions (assets)	10.4	11.0	7.7	7.0	5.5	4.1
Cash and cash equivalents	4.0	3.1	-1.0	-1.0	-1.7	-1.6
Other deposits and fixed-income securities (a)	1.6	5.8	7.8	7.8	8.1	7.7
Shares and other equity (b)	0.2	-1.1	0.7	0.6	0.9	0.8
Mutual funds	1.9	0.2	-1.2	-1.4	-2.8	-3.5
Insurance technical reserves	2.0	1.8	1.0	0.9	0.9	0.8
<i>Of which:</i>						
<i>Life assurance</i>	0.7	0.6	0.3	0.2	0.2	0.2
<i>Retirement</i>	1.0	0.9	0.6	0.5	0.5	0.5
Other	0.7	1.2	0.4	0.1	0.0	-0.1
Financial transactions (liabilities)	11.7	12.6	9.3	8.1	6.4	4.6
Credit from resident financial institutions (c)	12.3	13.0	9.4	8.0	6.6	5.0
<i>House purchase credit (c)</i>	10.2	9.9	7.2	6.2	4.7	3.7
<i>Consumer and other credit (c)</i>	2.2	3.1	2.2	1.8	1.8	1.3
Other	-0.6	-0.4	0.0	0.1	-0.2	-0.5
NON-FINANCIAL CORPORATIONS						
Financial transactions (assets)	18.2	22.4	12.9	10.1	5.8	3.6
Cash and cash equivalents	2.0	2.3	-0.4	-1.1	-1.1	-0.5
Other deposits and fixed-income securities (a)	1.2	1.6	2.4	2.8	2.6	1.8
Shares and other equity	7.2	10.9	6.7	5.2	2.4	1.8
<i>Of which:</i>						
<i>Vis-à-vis the rest of the world</i>	3.9	7.7	5.5	5.6	3.6	4.1
Other	7.7	7.7	4.2	3.2	2.0	0.5
Financial transactions (liabilities)	25.2	31.8	25.0	22.6	17.1	12.9
Credit from resident financial institutions (c)	12.9	17.6	13.9	12.4	9.3	7.2
Foreign loans	2.1	3.4	2.6	2.7	2.4	2.5
Fixed-income securities (d)	0.3	1.8	0.5	0.3	0.5	0.1
Shares and other equity	3.7	2.5	5.0	5.0	4.4	3.6
Other	6.2	6.6	3.0	2.2	0.5	-0.5
MEMORANDUM ITEM: YEAR-ON-YEAR GROWTH RATES (%):						
Financing (e)	21.2	24.2	15.4	13.3	10.3	8.1
Households and NPISHs	20.9	19.6	12.7	10.7	8.6	6.6
Non-financial corporations	21.4	28.0	17.4	15.3	11.6	9.2

SOURCE: Banco de España.

a. Not including unpaid accrued interest, which is included under "other".

b. Excluding mutual funds.

c. Including derecognised securitised loans.

d. Includes the issues of resident financial subsidiaries.

e. Defined as the sum of bank credit extended by resident credit institutions, foreign loans, fixed-income securities and financing through securitisation special purpose entities.

According to the most recent Financial Accounts data for 2008 Q3, financial asset flows continued to fall (see Table 7) and, in cumulative annual terms, amounted to approximately 4% of GDP, almost 1.5 pp below their level in June. These developments were mainly as a result of the more pronounced net outflows from mutual funds (-3.5% of GDP) and the moderation of investment in time deposits which, while the most buoyant component, saw their net volumes fall to 7.7% of GDP (down from 8.1% posted three months earlier).

In 2008 Q3, the household debt ratio dropped slightly, in line with the lower growth rates of borrowing, to approximately 128% of GDI. In contrast, the debt burden ratio continued

to climb, as a consequence of the rise in interest rates in the preceding months and, in 2008 Q3, slightly exceeded 18% of GDI. However, it is estimated that households' saving, net of the expenses associated with their liabilities, continued along the path of recovery on which it embarked at the beginning of the year. The latest information on the sector's net wealth, relating to September 2008, shows it declined as a percentage of GDI, which was attributable to less buoyant real estate values and the unfavourable trend in financial asset prices.

The higher debt burden and rising unemployment rate contributed to an increase in the proportion of households encountering difficulties in servicing their debts. Thus, in September 2008 the doubtful asset ratio for households stood at 2.5%, in comparison with 2% posted in the previous quarter. This rise was similar for all types of loans. Specifically, the doubtful asset ratio for housing loans climbed from 1.3% to 1.9%, while that for other loans increased from 3.6% to 4.3%.

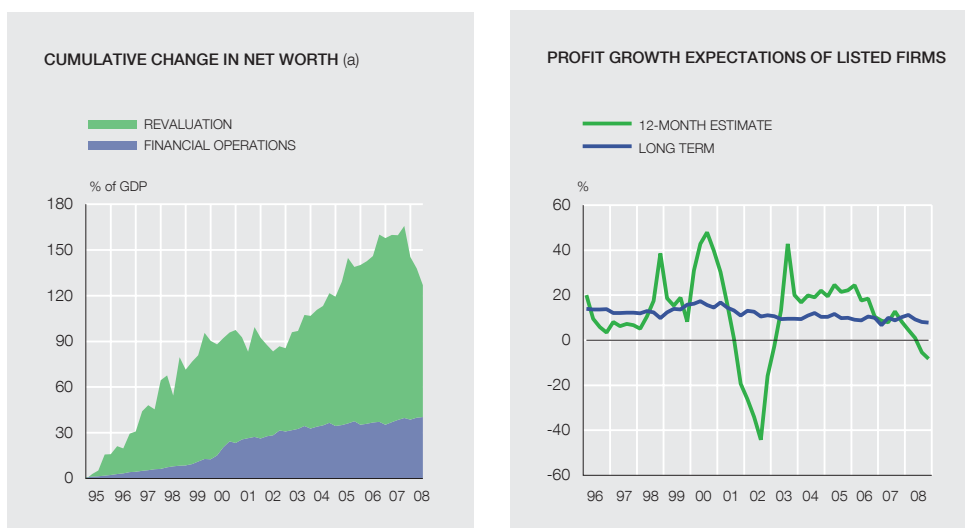
5.3 Non-financial corporations

The interest rate on new loans to corporations of less than €1 million and of over €1 million fell between September and November (latest available data) by 58 bp and 14 bp, respectively. Like households, the drop in recent months in interbank market yields will foreseeably continue to pass through to the price of bank financing, although recent developments show a widening of the margin applied to smaller amounts, which are more frequent among SMEs. However, the October BLS showed that entities expected that credit standards were going to continue to tighten during 2008 Q4. Lastly, in line with the drop in market interest rates, the cost of issuing short-term debt fell (by 67 bp), whereas that of issuing equity and long-term debt rose (by 43 pb and 58 bp, respectively) since the drop in government debt yields was amply offset by the increase in risk premia.

In this setting, the buoyancy of corporate debt continued to moderate to a growth rate of approximately 8% in November in year-on-year terms, more than 1 pp below the figure for September 2008. Lending by resident institutions, which represents the main source of corporate financing, performed in a similar way. The breakdown of this heading by productive activity (the latest data refer to 2008 Q3) shows a widespread slowdown, which was sharper in non-property services (the year-on-year growth rate dropped by 5 pp in relation to June to 17%) and more moderate in industry (down by slightly more than 1 pp, to 11%). The growth of borrowing by construction and the real estate sector (4% and 8%, respectively) was lower than that of non-financial corporations as a whole.

According to the Financial Accounts for 2008 Q3, the sector's borrowing fell by almost 2 pp, to slightly above 9% of GDP, in cumulative twelve-month terms. The *financing gap*, the indicator which approximates the funds required to bridge the difference between gross corporate saving and gross capital formation plus permanent foreign investment, also fell (by 1.5 pp), although it remained above 14% of GDP.

The performance of liabilities and income led to slight growth in Q3 in the corporate debt-to-earnings ratio with respect to the June figure. This, coupled with the increase in the average cost of balance-sheet funds, resulted in a further rise in interest payments to approximately 28% of gross operating profit plus financial revenue. The profits generated between January and September grew 7.8%, which enabled the return on capital to hold at similar values to those of previous months. However, the sector's doubtful asset ratio continued to climb, reaching 2.8% in September, 1.2 pp more than halfway through the year. This indicator's rise was especially steep in construction and real estate services, up from 2% to 4.2% during the same period.



SOURCES: I/B/E/S and Banco de España.

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

The Central Balance Sheet Data Office Quarterly Survey (CBQ) information for 2008 Q3, based on a sample in which large corporations predominate, shows a slight increase in the debt ratio and the debt burden. Higher debt-related expenses and the slowdown of activity triggered a drop in net ordinary profit between January and September in relation to the same period in the previous year, which was reflected in lower return on equity. By sector, industry experienced a particularly pronounced drop in profits, while energy and services performed less unfavourably. As a consequence of all these developments, the synthetic indicators of financial pressure on investment and employment rose, especially for the group of corporations in a worse financial position.

Lastly, analysts once again revised downwards profit growth expectations for listed non-financial corporations for the next 12 months, which remain negative and, to a lesser extent, those relating to a longer time frame (see Chart 26).

5.4 General government

In September 2008 general government had a net borrowing position which, in cumulative four-quarter terms, stood at 1.6% of GDP, in comparison with a surplus of 0.5% in June (see Chart 27). The detail by instrument shows that the deficit was covered through the issuance of securities at short and, especially, medium and long term and the decline in the balance of deposits net of lending. As a result of the decrease in the average cost of funds, in spite of higher debt, interest payments held steady as a proportion of GDP at 1.6%.

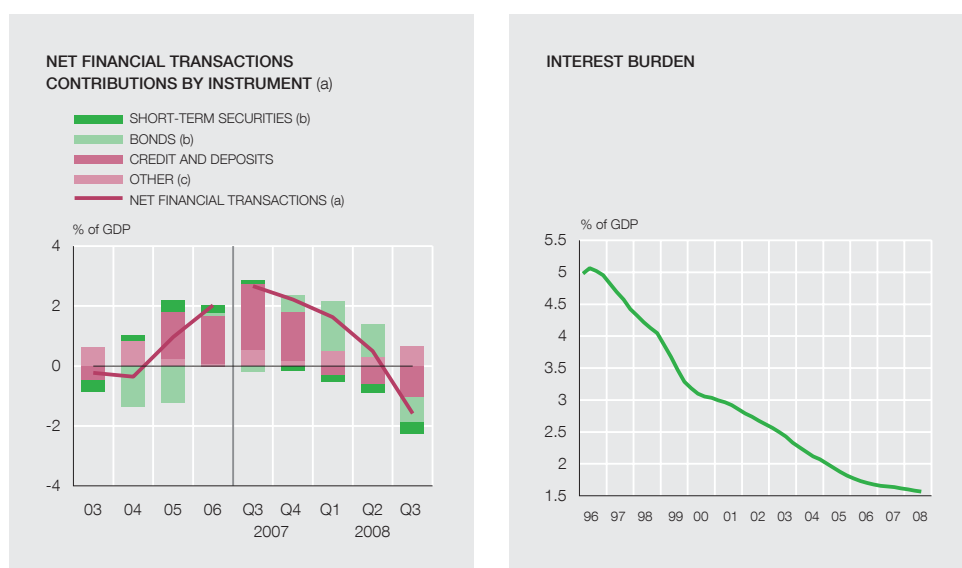
5.5 The rest of the world

In 2008 Q3, the debit balance of the nation's financial transactions fell slightly, in cumulative twelve-month terms, to 9.6% of GDP (10% in June), representing a change in the upward trend in this variable which had been seen since the end of 2003. By sector, this result was the consequence of a pronounced decline in households' and corporations' borrowing and, to a lesser degree, of the moderate increase in the surplus of financial institutions which was not totally offset by lower general government net lending, which posted a deficit (see Table 6).

The detail by sector of the financial transactions vis-à-vis the rest of the world shows that during 2008 Q3 there was a net inflow of capital, channelled through the non-financial private

GENERAL GOVERNMENT Four-quarter data

CHART 27

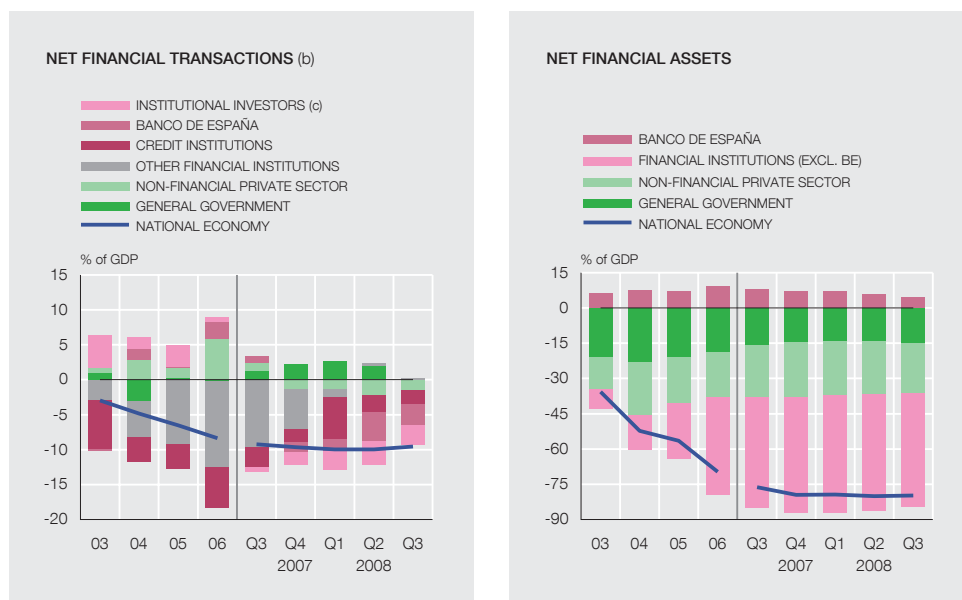


SOURCE: Banco de España.

- 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.

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

CHART 28



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.

FINANCIAL TRANSACTIONS OF THE NATION
Four-quarter data

TABLE 8

% of GDP						
	2005	2006	2007	2008		
				Q1	Q2	Q3
NET FINANCIAL TRANSACTIONS	-6.5	-8.4	-9.7	-10.0	-10.0	-9.6
FINANCIAL TRANSACTIONS (ASSETS)	18.7	17.6	13.0	9.0	7.2	7.2
Gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	2.2	5.2	2.1	-0.7	1.6	1.3
<i>Of which:</i>						
<i>Interbank (a)</i>	3.1	3.4	4.2	1.7	4.6	2.1
Securities other than shares	8.7	-1.2	1.6	1.5	0.9	0.9
<i>Of which:</i>						
<i>Credit institutions</i>	6.6	-2.1	1.8	2.1	1.7	1.6
<i>Institutional investors (b)</i>	2.3	0.6	-0.1	-0.5	-0.5	-0.6
Shares and other equity	5.1	10.2	7.8	6.3	3.2	3.6
<i>Of which:</i>						
<i>Non-financial corporations</i>	3.9	7.7	5.5	5.6	3.6	4.1
<i>Institutional investors (b)</i>	0.9	1.2	-1.0	-1.9	-2.6	-2.1
Loans	1.1	2.1	1.2	1.3	1.7	1.8
FINANCIAL TRANSACTIONS (LIABILITIES)	25.2	26.0	22.7	19.0	17.2	16.8
Deposits	5.6	0.3	7.3	11.2	13.0	11.3
<i>Of which:</i>						
<i>Interbank (a)</i>	7.2	0.6	6.7	10.9	10.7	8.6
Securities other than shares	15.8	21.7	7.9	-0.2	-3.2	-1.5
<i>Of which:</i>						
<i>General government</i>	0.2	1.3	-1.5	-2.3	-1.7	0.3
<i>Credit institutions</i>	6.3	8.0	3.5	0.8	-1.1	-1.6
<i>Other non-monetary financial institutions</i>	9.3	12.4	5.9	1.2	-0.4	-0.2
Shares and other equity	0.9	-0.1	4.3	4.7	4.8	4.5
<i>Of which:</i>						
<i>Non-financial corporations</i>	1.0	-0.5	4.5	4.7	4.4	4.0
Loans	2.3	3.6	2.8	3.0	2.4	2.5
Other, net (c)	-0.8	-0.8	0.0	-0.2	0.4	0.5
MEMORANDUM ITEMS						
Spanish direct investment abroad	3.7	8.1	8.7	8.9	7.2	6.9
Foreign direct investment in Spain	2.2	2.2	4.0	5.6	6.2	6.4

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.

sector, institutional investors (which continued to unwind positions in the rest of the world) and general government. However, these funds were insufficient to cover the nation's overspending relative to the revenue and financing granted by other financial corporations. In this way, the Banco de España's net assets vis-à-vis non-residents fell again, although by a smaller amount than that posted between March and June, and the net flows during the last twelve months stood at 3.1% of GDP, in comparison with 4.2% in 2008 H1 (see Chart 28).

Capital inflows fell slightly in 2008 Q3 to 16.8% of GDP, in cumulative twelve-month terms, 0.4 pp lower than in June (see Table 8). By instrument, there was less recourse (in gross terms) to the interbank market (although, in net terms, the amount of these flows increased slightly) and

the volume of purchases of shares and other equity by non-residents declined (4.5% of GDP), as a result of the drop in portfolio acquisitions since foreign direct investment in Spain recovered slightly (6.4% of GDP). Net financing obtained through securities other than shares, albeit still negative, was less so than three months earlier (–1.5% of GDP, as opposed to –3.2%), due to the increase in funds raised and channelled through securities issued by general government.

Capital outflows held at 7.2% of GDP in cumulative twelve-month terms, the same level seen three months earlier. By instrument, net purchases of shares and other equity were more buoyant, in spite of the fall in Spain's direct investment abroad (6.9% of GDP, 0.3 pp down on Q2). This was offset by the decline in the cash and deposits heading (including operations on the interbank market, which contracted from 4.6% of PIB to 2.1% between June and September). Conversely, investment in fixed-income securities showed no considerable changes.

As a result of changes in cross-border financial flows, asset prices and the exchange rate, the Spanish economy's accumulated net debt vis-à-vis the rest of the world remained at approximately 80% of GDP (see Chart 28). By sector, this was essentially the result of the improvement in the debit positions of financial institutions and the non-financial private sector, which was offset by the reduction in the credit balance of the Banco de España and the increase in general government liabilities.

23.1.2009.

RESULTS OF NON-FINANCIAL CORPORATIONS IN 2007 AND IN THE FIRST THREE
QUARTERS OF 2008

Overview¹

Following the practice of previous years, the January edition of the *Economic Bulletin* gives the results for 2007 of the non-financial corporations contributing to the Central Balance Sheet Data Office Annual Survey (CBA) and those for 2008 Q1-Q3 of the corporations contributing to the Central Balance Sheet Data Office Quarterly Survey (CBQ). The latter are a preliminary indicator of the results for the full year, which the CBQ will release in March 2009, and that will subsequently be completed with the presentation of the CBA results in November of that year. It is worth bearing in mind that the CBQ is a sample which mainly includes the results of large Spanish non-financial corporations. In contrast, sectors in which activity is highly fragmented are covered better by CBA samples. For this reason, the two databases may provide different but complementary results, especially at certain times. Specifically, the lower coverage of construction and real estate corporations in the quarterly survey accounts for why in some of its variables —for example, productive activity and employment— CBQ data show less sharply than other sources the slowdown in certain sectors recorded in 2008 Q1-Q3.

The CBA data for 2007 (see Table 1 and Chart 1) generally confirm the data previously anticipated by the CBQ for 2007. Thus, the slowdown in productive activity in 2007 as a whole resulted in a decline of just under 3 pp in the rate of change of gross value added (GVA), which grew by 5.1% in comparison with 8% in 2006. These developments did not have the same impact on the various production sectors; in practice, those whose activity fell with respect to 2006 are linked to private consumption (the wholesale and retail sector) and construction (real estate firms, construction supply industries and construction firms themselves). The performance of these sectors contrasts with the positive performance of other industries and of transport and communications corporations in a setting of stable oil prices for 2007 as a whole.

The data provided by the CBQ for 2008 Q1-Q3 underline the sharp slowdown in productive activity, which has affected a growing number of corporations and sectors of activity: in 2008 Q1-Q3, GVA grew 1% in nominal terms, considerably lower than the rate for the same period in 2007 (4.6%). Further, the quarterly profile of the series shows the gradual worsening of this variable, which has pushed the sample aggregate into negative figures in 2008 Q3. Noteworthy in this context is the decline posted in wholesale and retail and industrial sectors (see Box 1), which have been highly affected by less buoyant private consumption and investment and also, in the case of industry, by the hike in energy costs which resulted in strong declines in the GVA of the aggregates for the two sectors (–4.4% and –6%, respectively). Conversely, the GVA of the energy sector rose in 2008 Q1-Q3.

The performance of personnel costs was mixed in 2007 and in 2008 Q1-Q3. In 2007 personnel costs slowed slightly (their rate of change decreased from 6.9% in 2006 to 6.1% in 2007), due to the slowdown in job creation and average compensation. However, in 2008 Q1-Q3, the higher growth in personnel costs (up from 4.4% in 2007 to 5% to September 2008) is

1. This article provides information on the results obtained by the non-financial corporations reporting to the annual database (CBA) to 2007 and the quarterly database to 2008 Q3. The annual information used is a summary of that included in the Banco de España publication *Central de Balances. Resultados anuales de las empresas no financieras, 2007*, which was released to the press on 28 November 2008. The annual survey, to which 6,766 corporations reported in 2007, represents 27.4% of the total activity of the non-financial corporations sector, while the quarterly survey, which contains information on the 720 corporations that, on average, have reported their data to 2008 Q3, account in terms of GVA for 12.8% of the sectoral total.

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)		
DATABASES	2007	2006	2007	07 Q1-Q4/ 06 Q1-Q4	74 Q1-Q3/ 06 Q1-Q3	08 Q1-Q3/ 07 Q1-Q3
Number of corporations		9,217	6,766	834	850	720
Total national coverage		33.5%	27.4%	14.3%	14.6%	12.8%
PROFIT AND LOSS ACCOUNT						
1. VALUE OF OUTPUT (including subsidies)	100.0	9.6	7.3	5.9	4.2	9.7
Of which:						
— Net amount of turnover and other operating income	138.6	9.7	5.3	4.1	1.7	8.7
2. INPUTS (including taxes)	69.2	10.3	8.3	6.1	4.0	14.3
Of which:						
— Net purchases	41.0	12.5	7.9	3.5	2.6	19.7
— Other operating costs	28.0	8.0	5.1	8.1	8.5	6.5
S.1. GROSS VALUE ADDED AT FACTOR COST [1 – 2]	30.8	8.0	5.1	5.4	4.6	1.0
3. Personnel costs	15.6	6.9	6.1	4.7	4.4	5.0
S.2. GROSS OPERATING PROFIT [S.1 – 3]	15.2	9.3	4.2	5.9	4.7	-1.8
4. Financial revenue	4.4	17.5	31.5	32.4	13.6	26.9
5. Financial costs	4.2	34.9	38.7	35.1	37.4	28.7
6. Depreciation and operating provisions	5.6	9.5	-1.0	-1.2	-0.4	-1.4
S.3. ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	9.8	5.2	5.9	10.5	0.2	-3.6
7. Extraordinary revenue and expenses	4.8	-23.7	75.9	77.4	-24.5	107.1
8. Other (net provisioning and income tax)	6.1	46.5	43.8	58.6	-11.4	-11.9
S.4. NET PROFIT [S.3 + 7-8]	8.4	18.5	9.8	13.4	-2.8	25.7
NET PROFIT/GVA (S.4/S.1)		24.9	27.5	38.5	34.5	43.1
PROFIT RATIOS						
	Formulas (b)					
R.1 Return on investment (before taxes)	(S.3+5.1)/NA	9.0	8.9	8.9	7.8	7.6
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1/IBB	4.0	4.8	4.5	4.4	5.1
R.3 Ordinary return on equity (before taxes)	S.3/E	13.2	12.5	13.2	11.0	9.7
R.4 ROI - cost of debt (R.1 – R.2)	R.1–R.2	5.0	4.1	4.4	3.4	2.5

SOURCE: Banco de España.

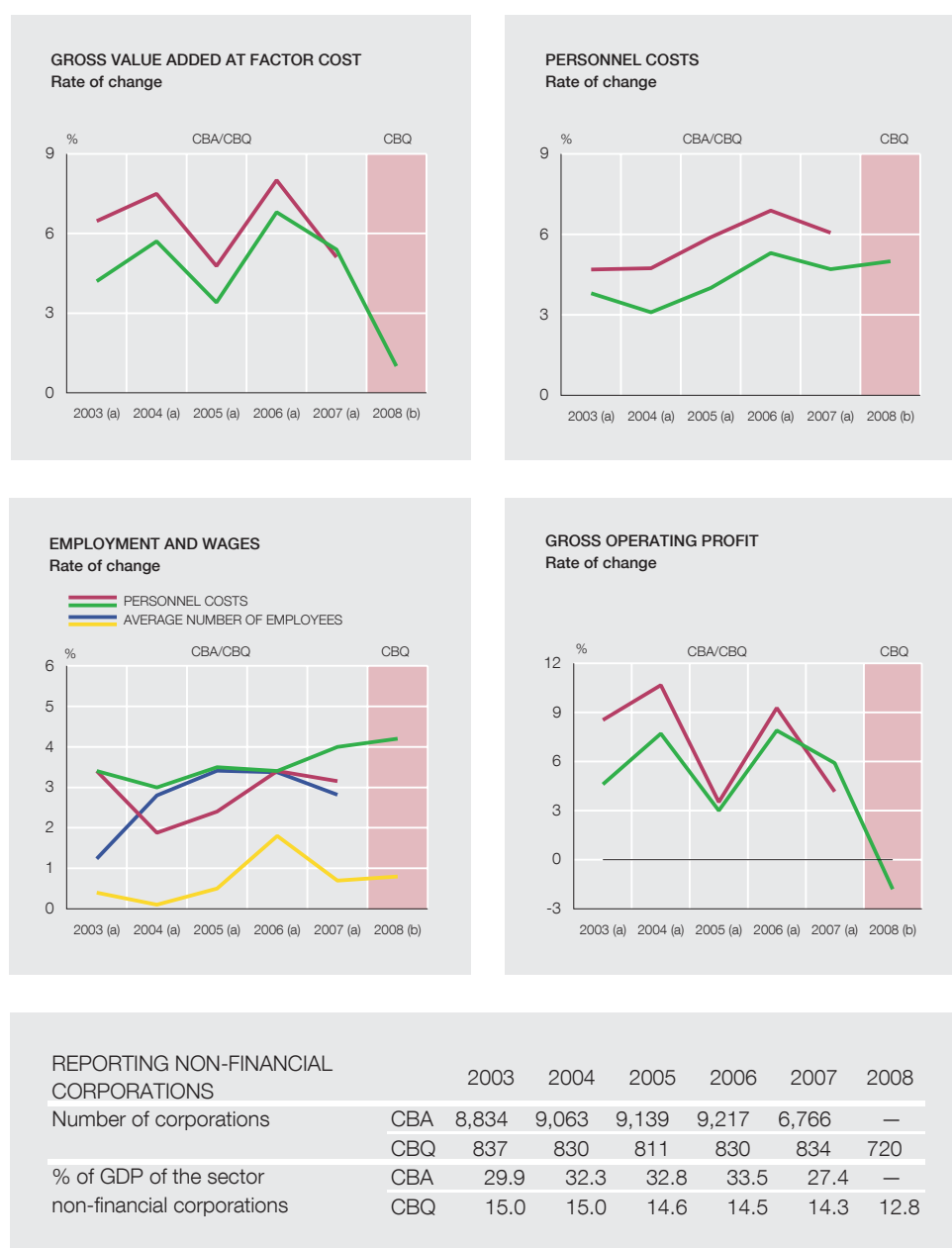
a. All the data in these columns have been calculated as the weighted average of the quarterly data.

b. The items 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 (which is not specified in the table and is numbered as 5.1) and not commissions or cash discounts.

Note: in calculating rates, internal accounting movements have been edited out of items 4, 5 and 8.

almost exclusively due to the gradual rise in average compensation. Thus, while average compensation grew 3.2% in 2007, a very similar rate to that for 2006, the CBQ data to September 2008 indicate that this variable has increased 0.6 pp to 4.2% with respect to the same period in 2007. The quickening of wage costs in 2008 can be seen in practically all sectors of activity, which could be due to the application of indexation clauses, against a backdrop of rising prices. Employment data provided by reporting firms show a slight slow-down in 2007 (when CBA workforces grew 2.8%, 0.5 pp less than in the previous year) and tended to flag in 2008 Q1-Q3 (0.8%). These developments in employment in the CBQ during 2008 do not reflect the decline included in other statistical sources, since the CBQ provides lower coverage of medium and small corporations and sectors which, like construction and real estate, have been recording a poorer performance for this variable in recent quarters.²

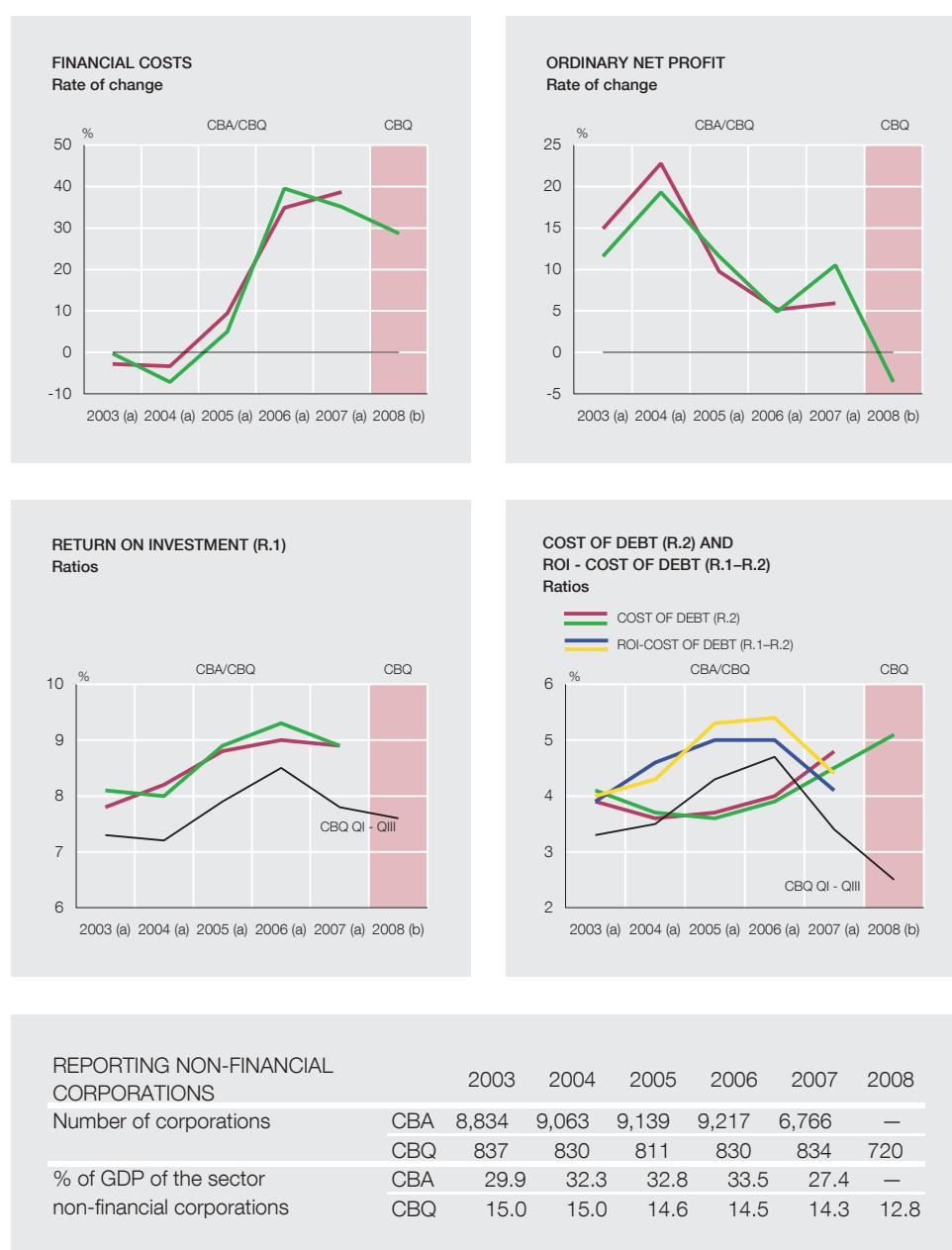
2. The completion of restructuring processes undertaken during 2007 by certain large CBQ corporations also contributes to the developments in employment in this database.



SOURCE: Banco de España.

a. 2003, 2004, 2005, 2006 and 2007 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 first three quarters of 2008 relative to the same period in 2007.

As a result of the slowdown in activity, which was only partially offset by that in personnel costs, gross operating profit (GOP) decelerated sharply in 2007 and grew by 4.2%, as against 9.3% in 2006. This trend intensified in 2008 Q1-Q3, when the rate of change of GOP turned negative and stood at -1.8%. Financial revenue and costs continued to grow in a setting of higher interest rates, greater borrowing by companies and strong dividends received by large Spanish multinational groups from their foreign subsidiaries. This growth was sharper in 2007 (38.7% and 31.5%, respectively, in the CBA) than in 2008 (28.7% and 26.9%). In 2007, due to the trend in financial revenue and costs, together with lower depreciation and operating provisions, ordinary net profit improved notably and grew 5.9% (0.7 pp up on the previous year). In contrast, in



SOURCE: Banco de España.

a. 2003, 2004, 2005, 2006 and 2007 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 for the first three quarters of 2008 in relation to the same period in 2007.

2008 Q1-Q3 the pace of growth of financial revenue was lower than that of financial costs and did not offset the slowdown in productive activity, whereby ONP posted a decline of -3.6%.

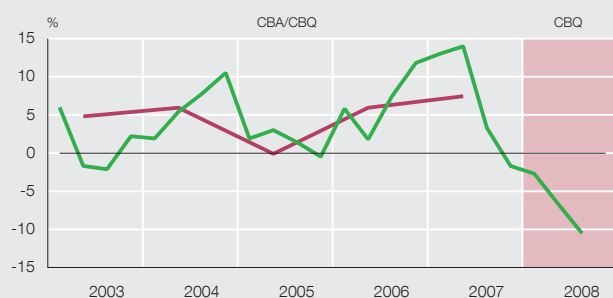
Return on investment and return on equity were high in 2007, although they showed a slight slowing profile with respect to 2006 (8.9% in comparison with 9%, and 12.5% in comparison with 13.2%, respectively). This trend continued and stepped up in 2008: return on investment stood at 7.6%, 0.2 pp lower than in 2007, and return on equity deteriorated to a greater extent, dropping from 11% in 2007 to 9.7% in 2008, due to the 0.7 pp rise in the cost of borrowing. This trend in profit ratios, coupled with higher financial costs, is reflected in a gradual re-

There was a sharp change of trend in the productive activity of industrial firms in the two periods analysed in this article. Following 2007, a clearly expansionary year, in which GVA increased by 7.5%, the first three quarters of 2008 saw a fall in industrial activity, with GVA down 6%. This far-reaching adjustment was reflected in practically all the sub-sectors that make up the aggregate, affected by the reduced buoyancy of investment in capital goods, the increase in energy costs and the impact of the crisis in construction on related industrial sub-sectors, such as glass, ceramic and metal products, whose GVA fell by 17.8%. At the other extreme, the electrical, electronic and optical equipment sector is the only one that managed to achieve high GVA growth during 2008 Q1-Q3 (16.6%) and higher growth than in the previous year. As regards the aggregate as a whole, net external demand (exports less imports) had a positive impact in 2008 (see Table 3), mainly as a consequence of the sharp deceleration in imports in this period. For their part, the personnel costs of industrial firms increased by 3.4% in 2007, a rate that remained unchanged in the first three quarters of 2008, mainly on account of the acceleration in average compensation, to 3.8%, up half a percentage point from 2007, against a background of falling employment in both the periods analysed. The behaviour of productive activity described above was passed through to the ordinary surpluses, so that

these displayed a positive trend in 2007 and a contractionary one in 2008. In the first nine months of 2008 significant declines were recorded in both gross operating profit (-16.1%) and ordinary net profit (-40.7%), the latter also being affected by the strong growth in the net financial burden (financial costs less financial revenue) in 2008. The trend in ordinary net profit combined with that in financial costs resulted in an increase in the return on investment in 2007, to 9.8%, almost one percentage point higher than in the previous year. On the other hand, during the first three quarters of 2008, this ratio fell significantly, to 5.9%, well below the 9% level recorded in the same period of the previous year. Meanwhile, financial costs, as measured by the ratio that approximates the cost of borrowing, continued to grow without interruption during the two periods in question, to stand at 5% in 2008 Q3. The spread between the return on investment and financial costs summarises the situation of the industrial sector: while it held steady in 2007, thanks to the positive performance of activity (4.8 in 2007, as against 4.7 the previous year), during the first nine months of 2008, in parallel with the slowdown in industrial activity, the spread fell to 0.9, a value not recorded since 1996. The outlook for industrial firms is thus marked by a loss of momentum in investment and a slowdown, that is affecting the world economy as a whole, with a significant reduction in surpluses and profitability in 2008 Q1-Q3.

PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO

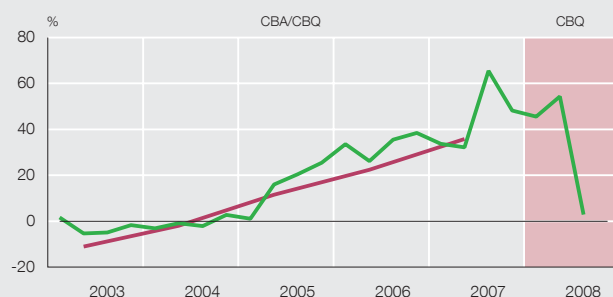
GROSS VALUE ADDED AT FACTOR COST
Rate of change



EMPLOYMENT AND WAGES
Rate of change



FINANCIAL COSTS
Rate of change



RETURN ON INVESTMENT
Ratios



REPORTING INDUSTRIAL CORPORATIONS

		2003				2004				2005				2006				2007				2008			
Number of corporations	CBA	2,624				2,530				2,475				2,458				1,835				—			
	CBQ	367	362	354	346	353	343	336	334	325	313	306	298	321	305	292	283	315	302	285	277	280	257	195	—
% of GDP of the sub-sector industrial corporations	CBA	28.5				29.9				30.8				29.8				24.2				—			
	CBQ	18.8	19.1	17.1	17.8	20.0	20.3	18.3	19.7	19.5	20.2	17.2	17.7	18.9	17.9	16.4	17.6	19.7	19.7	15.7	16.3	16.4	15.3	8.8	—

SOURCE: Banco de España.

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

TABLE 2.A

	GROSS VALUE ADDED AT FACTOR COST				EMPLOYEES (AVERAGE FOR PERIOD)					PERSONNEL COSTS				COMPENSATION PER EMPLOYEE			
	CBA	CBQ (a)			CBA	CBQ (a)				CBA	CBQ (a)			CBA	CBQ (a)		
	2007	07 Q1-07 Q4	07 Q1-07 Q3	07 Q1-07 Q3	2007	07 Q1-07 Q4	07 Q1-07 Q3	07 Q1-07 Q3	07 Q1-07 Q3	2007	07 Q1-07 Q4	07 Q1-07 Q3	07 Q1-07 Q3	2007	07 Q1-07 Q4	07 Q1-07 Q3	07 Q1-07 Q3
Total	5.1	5.4	4.6	1.0	2.8	0.7	0.8	0.8		6.1	4.7	4.4	5.0	3.2	4.0	3.6	4.2
SIZE																	
Small	3.9	—	—	—	-1.1	—	—	—		4.8	—	—	—	6.0	—	—	—
Medium	7.1	6.6	5.0	2.5	2.0	1.6	1.4	-0.6		7.2	5.3	4.8	4.9	5.1	3.6	3.4	5.5
Large	5.0	5.3	4.6	0.9	3.1	0.7	0.7	0.9		6.0	4.7	4.4	5.0	2.8	4.0	3.7	4.1
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																	
Energy	1.3	2.4	-0.9	10.1	0.6	-0.3	-0.5	1.7		5.1	4.1	2.7	5.5	4.5	4.4	3.2	3.7
Industry	7.5	7.3	10.3	-6.0	0.1	-1.0	-0.9	-0.4		3.4	2.8	2.3	3.4	3.3	3.8	3.2	3.8
Wholesale and retail trade	5.9	2.8	1.6	-4.4	2.9	0.4	0.4	2.1		6.5	1.3	1.7	5.5	3.6	0.9	1.3	3.3
Transport and communications	7.0	5.8	5.6	-0.1	1.2	-0.2	-0.1	-0.9		5.4	5.4	5.1	3.6	4.1	5.6	5.2	4.5

SOURCE: Banco de España.

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

duction of the differential between the two ratios which fell from 5 in 2006 to 4.1 in 2007 and to 2.5 in 2008 Q1-Q3.

Lastly, the items making up extraordinary results had a positive influence on corporations' final result in the two periods under analysis in this article. As for 2007, growth of extraordinary revenue, mainly due to the gains generated on disposals of essentially financial assets, triggered a 9.8% rise in net profit which reached a high of 27.5% of GVA. In 2008 Q1-Q3, extraordinary transactions, as indicated in the article on Q2 data, continued and even had a greater effect, although they are highly influenced by the transactions of certain large Spanish multinational groups which cannot be extrapolated to the sample as a whole. These exceptionally high results have offset the negative trend in ordinary activity (reflected in the deceleration of GVA and the drop in ONP) and spurred 25.7% growth in net profit, with the result that its weight in GVA stood at 43.1%. If gains on extraordinary transactions were stripped out, net profit in 2008 Q1-Q3 would have tended to stagnate, which is more representative of the current business climate.

In short, the CBQ data to September 2008 confirm a sharp deceleration in productive activity which began to emerge over the course of the previous year and which has spread, affecting various sectors of activity. These developments, which are more pronounced in 2008, have been accompanied by a rise in average compensation and have resulted in a worsening of ordinary profit and lower job creation. Nevertheless, as a result of sizable gains from asset disposals, final profit increased in 2007 and remained at very high positive levels in 2008 Q1-Q3.

Activity

The data compiled by the CBSO show the gradual deceleration of corporate productive activity since 2006 which has stepped up in recent quarters. Consequently, growth in GVA, the main measurement of business activity, dropped from 8% in 2006 to 5.1% in 2007 and only 1% in 2008 Q1-Q3 (see Table 1 and Chart 1).

EMPLOYMENT AND PERSONNEL COSTS
Details based on changes in staff levels

TABLE 2.B

	TOTAL CBQ CORPORATIONS 2008 Q1 - Q3	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations	720	412	308
PERSONNEL COSTS			
Initial situation 07 Q1-Q3 (€m)	19,420.0	10,220.7	9,199.2
Rate 08 Q1-Q3/ 07 Q1-Q3	5.0	9.2	0.4
AVERAGE COMPENSATION			
Initial situation 07 Q1-Q3 (€)	33,481.7	33,406.2	33,566.1
Rate 08 Q1-Q3/ 07 Q1-Q3	4.2	3.8	4.6
NUMBER OF EMPLOYEES			
Initial situation 07 Q1-Q3 (000s)	580	306	274
Rate 08 Q1-Q3/ 07 Q1-Q3	0.8	5.2	-4.1
Permanent			
Initial situation 07 Q1-Q3 (000s)	484	250	234
Rate 08 Q1-Q3/ 07 Q1-Q3	0.8	4.1	-2.7
Non-permanent			
Initial situation 07 Q1-Q3 (000s)	96	56	40
Rate 08 Q1-Q3/ 07 Q1-Q3	1.1	10.5	-12.0

SOURCE: Banco de España.

The strong deterioration in activity has spread to a growing number of firms, affecting nearly all sectors in 2008 (see Table 2.A), although it has been particularly sharp in the retail and whole-sale trade and industry, sectors which have been particularly hit by weaker consumption and investment. This trend was evident in the wholesale and retail sector as early as 2007, with the slowdown in the growth of its GVA to 5.9%, 2 pp less than in 2006. A steeper decline was then evident in 2008 Q1-Q3, with GVA falling at a rate of -4.4%. As a result of the contraction of activity in the industrial sector in 2008 Q1-Q3, its GVA posted a rate of -6%, in contrast with 2007, when it expanded by 7.5%. These developments were mainly due to the diminished buoyancy of investment in capital goods, the adverse impact of the crisis in the construction sector on the industrial sectors most closely related to it, and the effect on profit of higher oil and oil derivative prices in 2008. The foregoing occurred despite net external activity (exports net of imports, see Table 3) improving in 2008, due to the deceleration in imports which had a positive impact on GDP growth. The transport and communications sector, which also recorded positive growth in 2007 (up 7% in comparison with 3.8% in 2006), saw its GVA turn negative with a decline of -0.1% for 2008 Q1-Q3. The reasons for these developments include, in addition to the above-mentioned deterioration of private consumption, the negative impact of high fuel prices on transport corporations' costs. Lastly, in the two periods under consideration the performance of the energy sector was contrary to that of the other productive sectors; its GVA grew more moderately in 2007 (1.3%) and then expanded sharply in 2008 Q1-Q3 (by 10.1%), which is mainly accounted for by the behaviour of prices in its various constituent subsectors. Thus, the GVA of oil refining companies has shown exceptional growth in 2008 (24.4%), due especially to the strong impact of the upward trend in oil prices on its activity (see Chart 2). Also, electricity, gas and water utilities made a positive contribution to the growth of the energy sector in 2008, with increases in GVA of nearly 8%, which were not as sharp as for refining companies but were considerably higher than the 3.4% rise recorded in the same period of 2007 and the increase of 5% for 2007 as a whole. These developments were the result of the positive trend experienced by firms in the gas subsector and in the electricity sector, bolstered by lower production costs in recent quarters and the moderate growth in demand for electricity (2%, according to data from Red Eléctrica).

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

TABLE 3

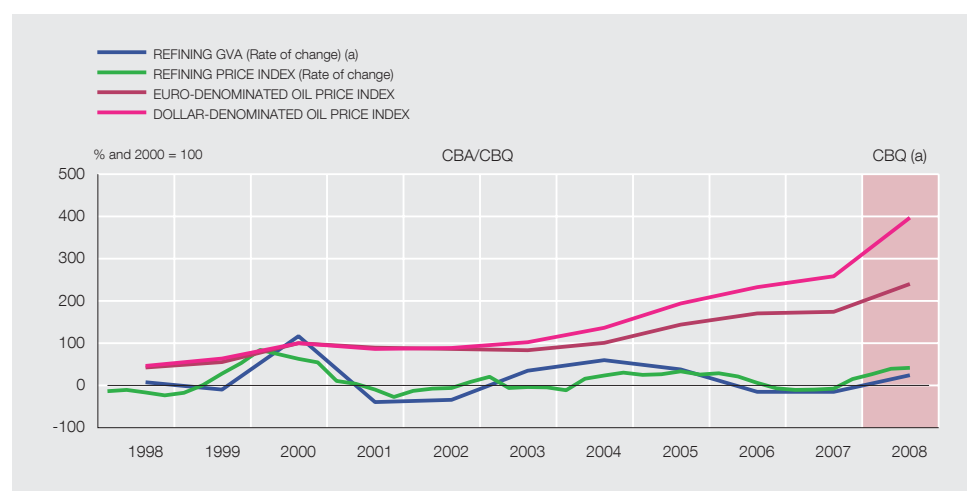
		CBA		CBQ (a)	
		2006	2007	07 Q1-Q3	08 Q1-Q3
Total corporations		6,766	6,766	720	720
Corporations reporting source/destination		6,766	6,766	674	674
Percentage of net purchases according to source	Spain	68.1	67.4	78.4	79.3
	Total abroad	31.9	32.6	21.6	20.7
	EU countries	17.1	18.1	15.4	14.9
	Third countries	14.7	14.6	6.2	5.8
Percentage of net turnover according to destination	Spain	84.6	85.0	91.3	90.9
	Total abroad	15.4	15.0	8.7	9.1
	EU countries	10.1	10.0	6.4	6.8
	Third countries	5.3	5.0	2.3	2.3
Change in net external demand (exports less imports), rate of change	Industry	-9.8	-17.0	-18.8	58.4
	Other corporations	-4.2	-6.7	-2.9	9.3

SOURCE: Banco de España.

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

IMPACT OF OIL PRICES ON THE REFINING SECTOR

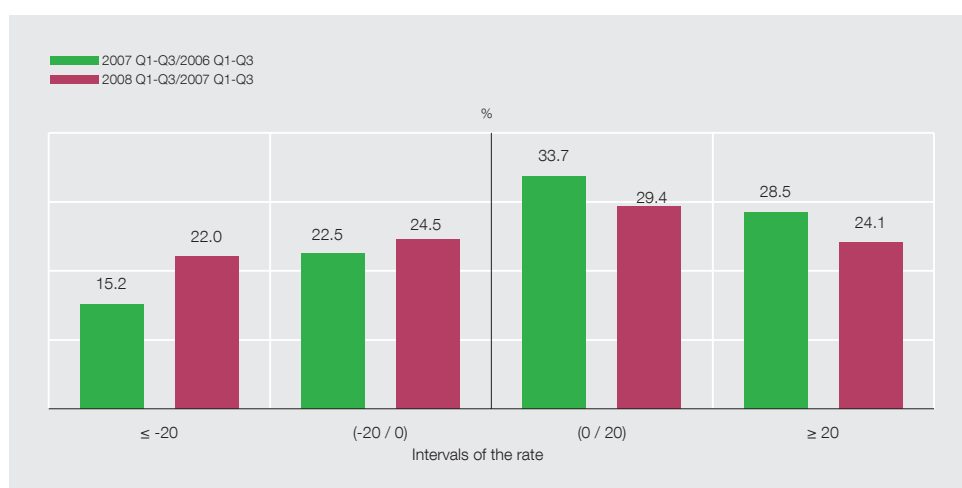
CHART 2



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

a. 2008 data relate to the CBQ.

Finally, Chart 3 shows the distribution of corporations according to the rate of change of GVA, irrespective of their size or economic sector. The main conclusion to emerge is a sharp reduction in the percentage of corporations posting growth in this variable. Thus, while 62.2% of corporations recorded GVA growth in the first three quarters of 2007, the percentage fell to 53.5% in the same period in 2008. Furthermore, the segment which experienced the largest change was that including corporations with a decline of more than 20% in their GVA; this group comprised 22% of the corporations in 2008 Q1-Q3 in comparison with 15.2% in the same period of 2007. The foregoing confirms the deterioration of productive activity affecting most corporations in 2008.



SOURCE: Banco de España.

Employment and personnel costs

In 2007 the rate of change in personnel costs was slightly lower than in the previous year (6.1%, in comparison with 6.9% in 2006) due to the slowdown in job creation and average compensation. In fact, employment at CBA sample firms grew by 2.8% in 2007, as opposed to 3.4% in 2006, and average compensation rose by 3.2%, slightly down on 3.4% in 2006. Conversely, personnel costs in the CBQ data to September 2008 have quickened by 0.6 pp to 5% with respect to the first three quarters of 2007. This increase is due to the rise in average compensation, against a backdrop of less buoyant staff levels at the corporations making up the CBQ sample, which grew 0.8% in 2008 Q1-Q3, as occurred in the same period of the previous year. As discussed in the section on productive activity, it should be pointed out that the sectoral breakdown of the sample of CBQ firms is different to that of the total population. In fact, the lower representation of construction and real estate activities in the CBQ sample, because they are more fragmented sectors, is reflected in a less negative trend in employment than that in other statistics (see Box 2 on developments at small corporations). Table 2.A, which provides a breakdown of variables by size, type and sector of activity, shows a fall in employment at small CBA sample firms in 2007 and in medium firms in 2008. However, this decline was not reflected in the data of Q1-Q3 of large CBQ firms.³ Average compensation began to quicken during 2008, posting a 4.2% increase after the first three quarters and was 0.6 pp up on the same period in 2007.

At the level of sectoral analysis, it should be pointed out that in both years the wholesale and retail sector, despite the greater slowdown in job creation, remained more dynamic, due essentially to the positive impact of new store openings by large retail outlets. As a result, employment grew 2.9% in this aggregate in 2007, and 2.1% in 2008 Q1-Q3. The energy sector has also shown positive job creation since 2007, reflected in rates of increase of 0.6% in 2007 and 1.7% in 2008. That was mainly due to the change in trend experienced by electricity, gas and water utilities, which seem to have completed or notably eased off the staff restructuring of previous years due to the reorganisation and deregulation of this sector. Conversely, the industry and transport and communications sectors performed worse as regards job creation. Industry cut its workforce in 2008 Q1-Q3 by -0.4%; the transport and

3. Applications by some of these corporations for sizeable staffing adjustments help explain this result.

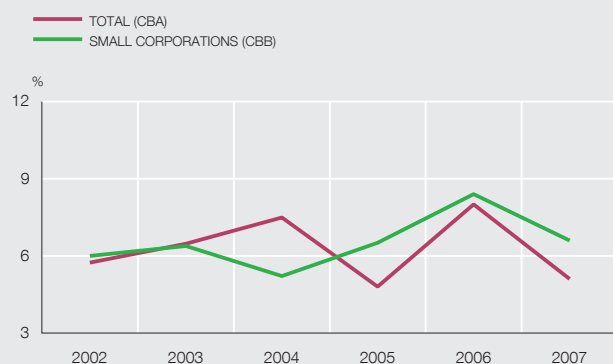
Large Spanish non-financial corporations are readily studied using the CBA and CBQ databases, since they are a segment of the population that is well represented in their samples. In order to make it easier to study small corporations (fewer than 50 employees) and the most disaggregated sectors of activity in which this size segment is predominant (services and construction for instance), the Central Balance Sheet Data Office has an agreement with the mercantile registries that enables it to maintain a database (CBBE/RM or CBB) using the accounts lodged with them. This box provides a summary of the annex to the annual report of the Central Balance Sheet Data Office (published at the same time as this article), which addresses the scope of this agreement and the overall results of Spanish SMEs. The information on this aggregate refers to a large number of corporations (see adjoining chart; almost 560,000 in 2006 and somewhat

more than 100,000 in 2007, with data still being received for the latter period), which helps make up for the lag with which this information is obtained. The two annual databases (CBA and CBB) complement one another, since they relate to different segments of the population, giving rise to good coverage of the population as a whole. In 2006 they covered more than 52% of total GVA (33.5% in the case of the CBA and 19.4% in that of the CBB).

According to the results of the CBB, there was a clear slowdown in the activity of small Spanish corporations in 2007, since their GVA growth fell to 6.6%, almost two percentage points down from 2006 (8.4%). This loss of momentum, similar to that recorded by the CBA for the same period, was apparent across all sectors of activity, although the greatest losses were seen in construction, real estate and

RESULTS OF SMALL CORPORATIONS

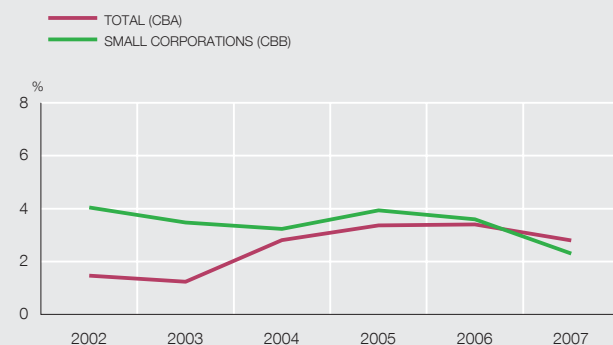
GROSS VALUE ADDED AT FACTOR COST
(Rate of change)



FINANCIAL COSTS
(Rate of change)



EMPLOYMENT
(Rate of change)



PERSONNEL COSTS PER EMPLOYEE
(Rate of change)



		2002	2003	2004	2005	2006	2007
Number of corporations	CBA	8,420	8,834	9,063	9,139	9,217	6,766
	CBB (a)	319,881	375,055	441,851	522,143	558,770	102,444
% of GDP of the sector non-financial corporations	CBA	29.0	29.9	32.3	32.8	33.5	27.4
	CBB (a)	13.8	14.8	16.4	18.8	19.4	3.6

SOURCE: Banco de España.

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

hotels and restaurants. For their part, personnel costs rose by 6.5%, a significantly lower rate than in 2006 (8.3%), basically on account of the slowdown in the employment data, from 3.6% to 2.3% in 2007, against a background of moderate growth in average compensation (3.8%), which was slightly lower than in the previous year. By sector, construction, real estate and hotels and restaurants recorded the sharpest slowdowns in employment creation in 2007, in line with the trend in activity in these sectors. As a consequence of the deceleration of productive activity, gross operating profit also posted smaller increases in 2007 than in the previous year (6.9%, as against 8.7%). Meanwhile, the financial costs of small corporations surged in 2007, by 33.1%, partly as result of interest rate rises being passed through to them. This, along with the increase in depreciation and operating provisions, which grew by 8.6% primarily as a consequence of the sharp increase in variations in operating provisions, explains why net

ordinary profit posted a negative rate of -2.6% in 2007, in contrast to the rise of 10% the previous year. The ordinary return on equity (the only ratio that can be calculated using CBB information) stood at 8.1%, only 0.1 pp less than in 2006. In most sectors the trend was similar, with returns holding steady or even rising slightly, except in construction and real estate, the only ones in which this ratio was lower in 2007, as a consequence of the worsening that began to be displayed by activity in these productive sectors during that year.

In short, there was a slowdown in 2007 in the productive activity of the aggregate of small corporations that make up the CBB, which reduced their capacity to generate surpluses and create new jobs, in comparison with 2006. This negative performance, which occurred in most sectors, was especially marked in construction and real estate.

communications sector destroyed employment in 2008 (-0.9%), mainly due to the sizeable staff reductions which certain large firms in this sector have been forced to make in recent years.

The analysis of average compensation for the various sectors of activity in 2007 indicates that the behaviour of practically all sectors remained uniform, with moderate growth similar to that recorded the previous year. The transport and communications sector, however, was an exception since in 2007 its wage costs increased by 4.1%, exceeding the 3.6% growth of the previous year, owing to the impact of variable compensation on certain large corporations in the industry. The CBQ data for 2008 Q1-Q3 show a quickening of personnel costs per employee in nearly all sectors of activity, which is probably related to the existence of wage indexation clauses, against a backdrop of rising prices. Table 2.B, which provides a breakdown of corporations creating and destroying employment, confirms once again that at corporations reducing staff levels, wage costs have grown more sharply, by 4.6%, in comparison with the 3.8% rise in the aggregate of corporations increasing (or not changing) staff levels in 2008.

Profits, rates of return and debt

The deceleration of productive activity, together with the increase posted by personnel costs, led to slower growth in gross operating profit in 2007 and to its turning negative in 2008, compared with the immediately preceding periods (it fell from 9.3% in 2006 to 4.2% in 2007, and to -1.8% in 2008 Q1-Q3). In this setting, financial items continued to be significant in corporations' income statements, although in the most recent quarters analysed they have grown more moderately. Thus, financial costs and revenue rose in 2007 by 38.7% and 31.5%, respectively, while in 2008 Q1-Q3 their rates of change stood at 28.7% and 26.9%. The explanation for these developments is, firstly, the upward trend in interest rates, which has been passed through in the form of higher interest paid and received. An additional contributing factor, in the case of revenue, has been the dividends received from mainly foreign subsidiaries, which account for approximately half of the rise in financial revenue in the two periods analysed. Lastly, additional borrowing also influenced financial costs to a greater extent than in 2007, which is evident in the following table showing the impact of each of the causes mentioned on the growth of financial costs:

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

TABLE 4

	CBA		CBQ (a)			
	2006	2007	06 Q1 - Q4	07 Q1 - Q4	07 Q1 - Q3	08 Q1 - Q3
Number of corporations	9,217	6,766	830	834	850	720
PERSONNEL COSTS	100	100	100	100	100	100
Falling	25.5	26.2	27.0	27.6	27.4	27.7
Constant or rising	74.5	73.8	73.0	72.4	72.6	72.3
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	30.9	31.6	39.4	37.2	37.0	42.6
Constant or rising	69.1	68.4	60.6	62.8	63.0	57.4
AVERAGE COMPENSATION RELATIVE TO INFLATION	100	100	100	100	100	100
Lower growth (b)	42.6	39.2	48.0	46.0	44.4	50.5
Higher or same growth (b)	57.4	60.8	52.0	54.0	55.6	49.5

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 change in the CPI for the CBQ.

	2007/2006	08 Q1-Q3/07 Q1-Q3
Change in financial costs	38.7%	28.7%
<i>A. Interest on borrowed funds</i>	41.9%	28.0%
1. Due to the cost (interest rate)	+18.3%	+16.9%
2. Due to the amount of interest-bearing debt	+23.6%	+11.1%
<i>B. Commissions and cash discounts</i>	-3.2%	-0.7%

The above table confirms that growth of financial costs was due to the impact on financial costs of interest rate rises and additional borrowing. However, in the case of the latter, its importance has decreased since, while in 2007 this factor accounted for practically half of the increase, in 2008 Q1-Q3 its weight has fallen due to smaller inflows of borrowing at sample firms.

To supplement this analysis, Chart 4 provides the debt ratios. E1 (the ratio of interest-bearing borrowing to net assets) shows a very stable performance for 2007 and a slight decline in 2008 Q1-Q3. Furthermore, larger-scale financing transactions in 2007, linked to the taking of equity interests in other resident and non-resident non-financial corporations, were funded without upsetting the balance between borrowed funds and equity, which contributed to the debt level of corporations holding at very similar values throughout the period analysed. E2 (interest-bearing borrowing/GVA) shows a clear upward trend which is more obvious in recent quarters in 2008 and is accounted for to a greater extent by the decrease in GVA (the denominator of this ratio) than by growth in borrowing.

As a result of sharp growth in financial revenue in 2007 (31.5%), which was considerably higher than that of the previous year, and a decrease of depreciation and operating provisions, ordinary net profit (ONP) performed more positively in the period than gross operating profit (GOP) and grew by 5.9%, up 0.7 pp on 2006. In 2008, however, the increase in financial revenue moderated (26.9%) and was lower than that in financial costs, which accentuated the fall of GOP, causing ONP to contract by -3.6%.

The change in ONP and financial costs (which make up the numerator of the return on investment ratio) has meant a reduction in profitability levels both in 2007 and in 2008 Q1-Q3. Spe-

The Central Balance Sheet Data Office Quarterly Survey (CBQ) is a leading indicator of the main trends in train in the non-financial corporations sector, offering conjunctural information that enables developments in the activity, costs, surpluses and profitability of these corporations to be analysed. The Central Balance Sheet Data Office Annual Survey (CBA) offers more detailed information, providing for more in-depth and diverse analyses, but the drawback here is the greater lag with which its information is available compared with the CBQ. In any event, the two surveys pursue different but complementary ends, and they share a common basis. Indeed, it is possible to link the two databases constructing a uniform profit and loss account that is compatible with the two approaches (specifically, the format used in Table 1 of the present

article). Evidently, this link requires that the details in the CBA be reduced to draw the sample closer to the details in the CBQ. However, not having these details does not entail any significant reduction in the conclusions that may be drawn from the key headings, and affects solely the items of a residual nature. This is confirmed by the adjoining table, which gives the structure of the profit and loss account for 2007, obtained drawing on all the items existing in the CBA. Those headings not available in the quarterly survey have been emphasised with a letter placed in front of them. As evidenced, all these headings are of rather insignificant quantitative importance compared with the other revenue and expenses items, which can be obtained both in the CBA and in the CBQ.

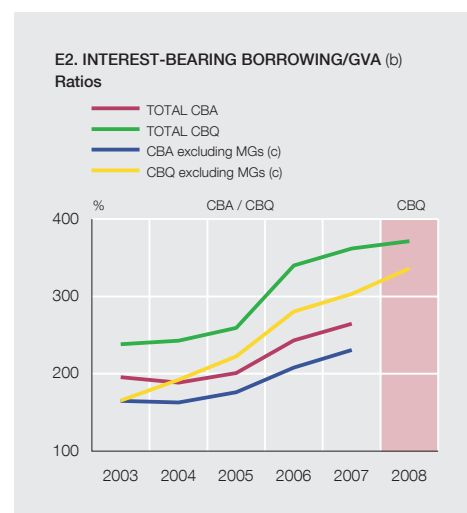
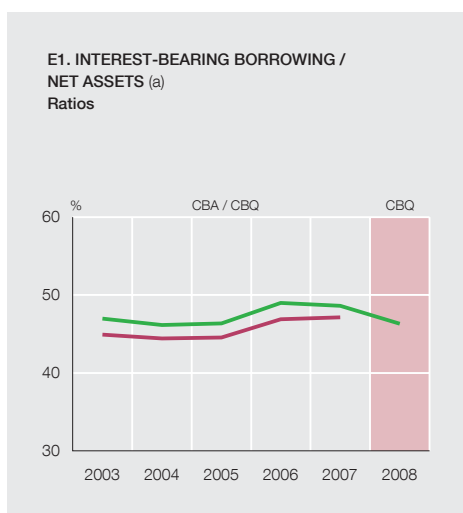
DATABASES	CBA 2007
Number of corporations	6,766
Total national coverage	27.4%
PROFIT AND LOSS ACCOUNT	
1. VALUE OF OUTPUT (including subsidies)	100.0
Of which:	
1.1 Net amount of turnover and other operating income	138.6
1.2 (-) Consumption (wholesale and retail trade and real estate sectors)	41.2
1.a Other items (not available in CBQ)	2.5
2. INPUTS (including taxes)	69.2
Of which:	
2.1 Net purchases	41.0
2.2 Other operating costs	27.4
2.b Other items (not available in CBQ)	0.8
S.1. GROSS VALUE ADDED AT FACTOR COST (1 – 2)	30.8
3. Personnel costs	15.6
S.2. GROSS OPERATING PROFIT (S.1– 3)	15.2
4. Financial revenue	4.4
5. Financial costs	4.2
6. Depreciation and provisions	5.6
S.3. ORDINARY NET PROFIT (S.2 + 4 – 5 – 6)	9.8
7. Extraordinary revenue and expenses	4.8
8. Other (provisions and taxes)	6.1
S.4. NET PROFIT (S.3 + 7 – 8)	8.4

SOURCE: Banco de España.

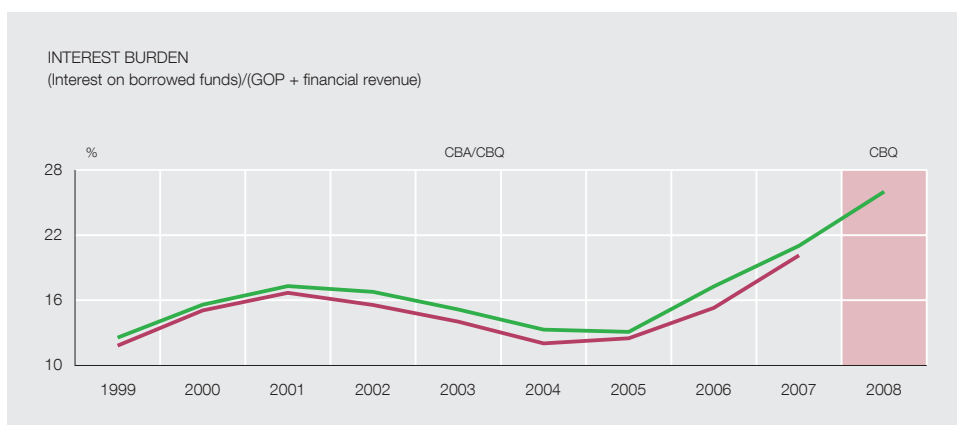
cifically, return on investment (R.1) stood at 8.9% in 2007 (down 0.1 pp on the previous year) and at 7.6% in 2008 Q1-Q3, a 0.2 pp decline in comparison with its level a year earlier. Since, at the same time, the cost of borrowing (approximated by the ratio of interest on borrowed funds to interest-bearing borrowing) rose in 2007 and in 2008, the ordinary return on equity (R.3) showed a decrease, which was slightly milder in 2007 (down from 13.2% to 12.5%) and clearer and more pronounced in 2008, when it fell from 11% to 9.7%. By sector, for 2008 only the energy sector increased its rates of return, for the reasons mentioned above on analysing productive activity, while in all other aggregates the same downward trend can be seen as in the sample total. The ratio that measures the cost of external financing (R.2) held on the same

DEBT RATIOS

CHART 4



	2003	2004	2005	2006	2007	2008
CBA	195.8	188.4	200.9	243.3	264.8	
CBQ	238.2	242.9	259.5	339.8	362.0	371.6
CBA excl. MGs	165.0	163.0	176.0	208.0	230.7	
CBQ excl. MGs	165.3	192.2	222.3	280.4	303.0	336.1



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
CBA	11.8	15.1	16.7	15.6	14.0	12.0	12.5	15.3	20.1	
CBQ	12.6	15.6	17.3	16.8	15.2	13.3	13.1	17.3	21.0	26.0

SOURCE: Banco de España.

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

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

TABLE 5

	GROSS OPERATING PROFIT				ORDINARY NET PROFIT				RETURN ON INVESTMENT (R.1)				ROI-COST OF DEBT (R.1-R.2)			
	CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)		
	2007	07 Q1 - Q4	07 Q1 - Q3	08 Q1 - Q3	2007	07 Q1 - Q4	07 Q1 - Q3	08 Q1 - Q3	2007	07 Q1 - Q4	07 Q1 - Q3	08 Q1 - Q3	2007	07 Q1 - Q4	07 Q1 - Q3	08 Q1 - Q3
Total	4.2	5.9	4.7	-1.8	5.9	10.5	0.2	-3.6	8.9	8.9	7.8	7.6	4.1	4.4	3.4	2.5
SIZE																
Small	2.2	—	—	—	0.5	—	—	—	6.8	—	—	—	2.0	—	—	—
Medium	7.0	8.2	5.2	-0.3	0.5	2.6	-0.8	4.2	8.2	7.8	7.7	7.4	3.4	3.4	3.6	2.5
Large	4.0	5.8	4.7	-1.8	6.5	10.7	0.2	-3.8	8.9	8.9	7.8	7.6	4.1	4.4	3.4	2.5
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	0.3	1.9	-1.8	11.3	-0.9	1.4	-5.0	10.3	8.7	9.0	8.4	8.5	4.4	4.8	4.3	4.0
Industry	12.7	12.5	19.8	-16.1	11.0	7.0	28.8	-40.7	9.8	8.8	9.0	5.9	4.8	4.3	4.5	0.9
Wholesale and retail trade	5.1	4.9	1.4	-18.2	1.9	0.1	-1.5	-6.7	10.7	7.2	7.0	5.9	5.9	2.5	2.5	1.7
Transport and communications	8.0	6.1	5.9	-2.6	28.1	12.5	10.6	-1.2	10.0	12.1	12.4	11.7	5.5	7.8	8.1	7.1

SOURCE: Banco de España.

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

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

TABLE 6

		CBQ (a)			
		RETURN ON INVESTMENT (R.1)		ORDINARY RETURN ON EQUITY (R.3)	
		07 Q1 - Q3	08 Q1 - Q3	07 Q1 - Q3	08 Q1 - Q3
Number of corporations		850	720	850	720
Percentage of corporations by range of returns	R ≤ 0%	22.3	25.2	27.4	33.0
	0% < R ≤ 5%	20.2	22.6	13.9	14.5
	5% < R ≤ 10%	17.8	16.7	13.3	12.0
	10% < R ≤ 15%	10.9	9.7	9.3	8.4
	15% < R	28.8	25.7	36.1	32.1
MEMORANDUM ITEM: Average return		7.8	7.6	11.0	9.7

SOURCE: Banco de España.

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

path of continuous growth since 2004, as a result of the pass-through to corporations of the successive interest rate hikes. This led R.2 to rise to 5.1% in 2008 Q3, more than 0.5 pp higher than a year earlier, reaching pre-2002 levels. Consequently, the differential between the return on investment and financial costs narrowed by nearly 1 pp in 2007 to 4.1 and by nearly a further percentage point in the CBQ data for January-September 2008, when it fell from 3.4 in 2007 to 2.5. By sector of activity, the highest contraction in this profitability margin was centred in 2008 on industrial corporations (0.9) and on wholesale and retail corporations (1.7), which is indicative of how sharply the differential has deteriorated (see Table 5).

Finally, the performance of extraordinary results has helped improve that of net profit, thanks essentially to the positive contribution of certain sizable capital gains generated on (chiefly financial) asset sale transactions and to the favourable impact that lower extraordinary portfolio provisions has had on the final surplus. In 2007, the effect of the various extraordinary revenue and expenditure items allow profit to grow by 9.8%, outpacing ONP (5.9%), but below the increase in net final profit in 2006 (18.5%). In 2008, the existence of sizable capital gains on financial asset sales, generated above all in Q2, prompted an exceptional increase in net final profit, leading it to grow by almost 25.7%, which is in contrast to the performance of ordinary activity, measured by ONP, and once again confirms the high volatility of this surplus. If the two main operations transacted by Spanish multinational groups bearing on the period were stripped out, the rate of change of net profit would stand at 3.7%. If the final profit is expressed as a percentage of GVA, a similar trend can be seen, since the overall performance of both items (the increase in net profit and the slowdown in GVA) lead this ratio to stand in 2008 at 43.1%, the highest value recorded in the entire quarterly series but one which cannot be considered representative, since it is affected by the above-mentioned operations by some of the major multinational corporations in the sample.

15.11.2008.

CHANGES IN THE LOAN-DEPOSIT GAP AND IN ITS FUNDING IN THE CURRENT DECADE

The author of this article is Ignacio Fuentes Egusquiza of the Directorate General Economics, Statistics and Research.

Introduction

In recent years various factors have influenced the difference between the loans extended by credit institutions and the funds received by them in deposits. Some have assisted the strong growth of the funding received (such as the marked buoyancy of economic activity, the notable momentum of the real estate sector and the low cost of borrowing), while others have limited the expansion of funds from customers (such as the increased competition from other alternative financial products and the decline in national saving). Spanish financial institutions had been covering this gap mainly by issuing fixed-income securities on the international markets, taking advantage of the conditions created by Spain's membership of the euro area. This situation has, however, been altered recently by the serious international financial tensions of the last year-and-a-half.

This article describes the recent behaviour of the gap between loans and deposits and of its funding, and discusses some implications for financial intermediaries and for the Spanish economy. The article consists of this introduction and three other sections. The following section addresses the factors which have led to this behaviour, the third section summarises the changes in the liability structure of institutions and the fourth sets out the main conclusions.

Changes in the funding gap

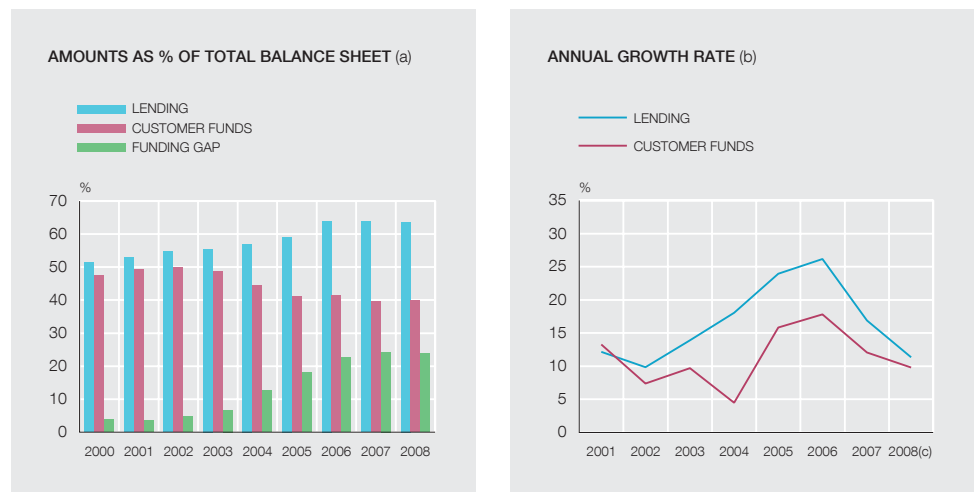
As shown in Chart 1 (which depicts the developments in lending and in funds obtained via customer deposits¹ for all credit institutions according to their individual balance sheets), during a large part of this decade lending by these intermediaries was enormously vigorous, with average annual growth of 18% and rates exceeding 20% in 2005 and 2006. This extraordinary expansion was driven, on the demand side, by the increase in expectations of future income and of returns on assets, partly associated with Spain's membership of the euro area, against a background of highly favourable financing conditions. On the supply side, the readier access to international markets, aided, among other factors, by the introduction of the euro, enabled institutions to meet their customers' requests for loans on favourable terms. This meant that, in addition to low interest rates, credit standards continued to be easy.² As a result of these developments, lending went from 51% of the balance sheet in 2000 to 64% in 2008 Q2.

Meanwhile, deposits, although they showed appreciable growth rates (12% on average in the period considered), always expanded more slowly than lending (except in 2001) and the total balance sheet, so their relative weight in the latter decreased from 48% in 2000 to 40% in 2008 Q2. Other factors, apart from the fall in net financial saving of the non-financial private sector of the national economy, may have contributed to this, such as the competition from other alterna-

1. Comprising deposits from the public sector, other resident sectors and non-residents, excluding repurchase agreements and funds received in securitisations reflected in institutions' liabilities, which in the individual financial statements are accounted for as deposits. Asset-backed securities are not issued directly by credit institutions, but by securitisation special purpose entities which acquire the loans and other assets as consideration for those instruments. For this reason, the funds received by institutions in this way are not included in institutions' liabilities as securities issued, but rather as deposits provided that the loans are not removed from the balance sheet (which, since the entry into force of Circular 4/2004, occurs when the associated risks are not substantially all transferred to third parties) and that the transaction entails the receipt of funds. The latter does not occur in the case of securitisations retained by the originators of the transaction. 2. For more details on the factors which stimulated lending in this period, see Marqués, Nieto and del Río (2005) and Nieto (2007).

THE FUNDING GAP AND ITS COMPONENTS. INDIVIDUAL BALANCE SHEETS

CHART 1



SOURCE: Banco de España.

- a. For 2000-2003 the balance sheet data used are those resulting from application of CBE 4/1991; for the rest of the period, those calculated according to CBE 4/2004 are used.
- b. In the period 2001-2004 the growth rates are calculated using the balances resulting from application of CBE 4/1991; from 2004 to June 2008 the data used are those obtained in accordance with CBE 4/2004. This is done to correct the effect of breaks in the growth rate time series.
- c. Data as at June.

tive products, some of which enjoyed advantageous tax treatment during most of this stage.³

As a result of these developments, the difference between lending to customers and deposits from them, hereafter referred to as “the funding gap”, widened significantly from around 4% of the balance sheet in 2000 to roughly 25% in 2007.

Recent quarters have seen a significant change in these trends. Thus the downward revision of expectations of future income and asset price appreciation associated with the change in the cyclical position of the economy, along with the rising cost of funds, have prompted a fall in the demand for funding and thus curtailed the expansion of lending. According to the latest bank lending surveys, the supply of credit has also diminished, mainly as a result of the worsening economic outlook (which has prompted a rise in risk levels) and also, albeit to a lesser extent, because of the greater difficulty in raising funds on the international markets due to the financial tensions first seen in summer 2007.⁴

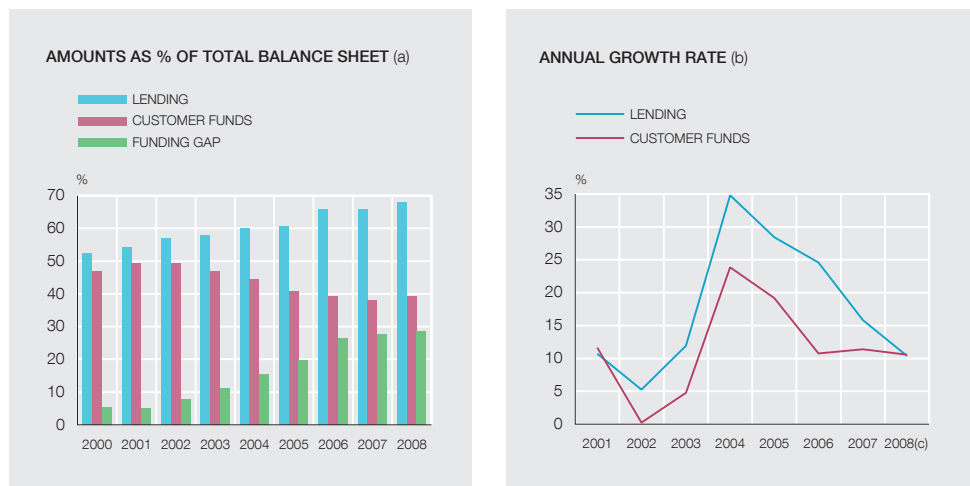
This has meant that in recent months the funding gap has tended to stabilise. Thus analysis of recent flows shows that the ratio between the increase in liabilities other than customer deposits and the change in lending is getting smaller (24% in 2008 Q1, compared with 49% in the same period of 2007).

From the standpoint of the implications of these developments for credit institutions, it is undoubtedly more relevant to analyse the funding gap using consolidated financial statements, since these reflect the overall activity of groups, including resident and non-resident subsidiar-

3. The latest personal income tax reform (Law 35/2006 of 28 November 2006 on personal income tax and partially amending the corporate income tax, non-resident income tax and wealth tax law), which came into force in 2007, eliminated many of the differences in tax treatment between investment instruments. 4. See Martínez Pagés (2008).

THE FUNDING GAP AND ITS COMPONENTS. CONSOLIDATED BALANCE SHEETS

CHART 2



SOURCE: Banco de España.

- a. For 2000-2003 the balance sheet data used are those resulting from application of CBE 4/1991; for the rest of the period, those calculated according to CBE 4/2004 are used.
b. In the period 2001-2004 the growth rates are calculated using the balances resulting from application of CBE 4/1991; from 2004 to June 2008 the data used are those obtained in accordance with CBE 4/2004. This is done to correct the effect of breaks in the growth rate time series.
c. Data as at June.

ies. This level of aggregation also enables more insight into how this gap is financed, since, for example, some intermediaries use subsidiaries to issue securities the proceeds of which revert to the parent, instead of direct issuance by the parent. For this reason, the rest of this article focuses mainly on such information.

Chart 2 shows the behaviour of lending to and deposits from customers and the difference between these variables, which are calculated from the consolidated financial statements of credit institutions. The picture is similar to that noted above for individual data, although in this case the increase in the gap is slightly larger, from 5% to 28% in the stage in question.

Changes in the funding structure of credit institutions

BEHAVIOUR UP TO JUNE 2007

The sharp credit expansion outpaced the growth of funds taken from customers and gave rise to major changes in the funding structure of credit institutions. To get an idea of the scale of these changes, Table 1 shows the changes in the composition of banking system liabilities, considering the main instruments used. There is a decrease in the relative weight of deposits and repo transactions with customers, which declined overall by nearly 19 percentage points (pp) between 2000 and 2007 Q2. This decline was approximately offset by the increase in the relative size of the amounts associated with fixed-income securities issuance, including securitisations not recorded in consolidated balance sheets as securities⁵ and subordinated debt, which rose by around 24 pp in the period analysed. The other items underwent smaller movements. Thus, the percentage shares of net interbank loans and own funds decreased by 1.4 pp and 2.1 pp, respectively, while the net funding from central banks⁶ increased by 0.3 pp. To assess the possible consequences of this loss of weight of the more traditional sources (such as deposits and repo transactions), where the funds come directly from customers, relative to

5. Included under this heading in Table 1 are securitisations reflected in asset and liability accounts in institutions' balance sheets but not consolidated and securitisations of covered bonds. It therefore excludes those in which the loans have been removed from the balance sheet and the asset securitisations retained by institutions. However, it does include retained securitisations which are backed by multi-issuer covered bonds. 6. Excluding balances held in cash.

**CREDIT INSTITUTION FUNDING STRUCTURE.
CONSOLIDATED BALANCE SHEETS (a)**

TABLE 1

	DEC 2000		DEC 2001		DEC 2002		DEC 2003		DEC 2004		DEC 2005		DEC 2006		JUN 2007		JUN 2008	
Funding structure (b)	bn	%	bn	%	bn	%	bn	%	bn	%	bn	%	bn	%	bn	%	bn	%
Payables (c)	590	62.0	658	64.1	660	63.4	691	59.5	868	56.8	1,035	52.0	1,146	49.4	1,211	48.6	1,336	49.0
Private-sector repos, net	80	8.4	98	9.5	96	9.3	87	7.5	101	6.6	71	3.6	80	3.5	74	3.0	83	3.1
CIs, net	67	7.0	52	5.1	44	4.3	72	6.2	52	3.4	158	7.9	143	6.1	139	5.6	151	5.5
Central banks (d)	-5	-0.6	-19	-1.9	-4	-0.4	5	0.5	13	0.9	22	1.1	7	0.3	-6	-0.3	21	0.8
Securities issued	102	10.8	103	10.0	106	10.2	149	12.8	250	16.4	387	19.4	555	23.9	643	25.8	668	24.5
Securitisations not recorded in securities (e)	0	0	5	0.4	8	0.8	21	1.8	50	3.3	93	4.6	129	5.6	155	6.2	177	6.5
Subordinated debt	22	2.4	30	2.9	30	2.9	33	2.8	58	3.8	64	3.2	73	3.1	78	3.1	85	3.1
Equity	95	10.0	101	9.8	100	9.6	105	9.0	133	8.7	162	8.1	187	8.0	196	7.9	207	7.6
TOTAL	951	100.0	1,027	100.0	1,041	100.0	1,162	100.0	1,497	100.0	1,932	100.0	2,223	100.0	2,371	100.0	2,619	100.0
MEMORANDUM ITEM:																		
Total issuance of fixed-income securities (f)	125	13.1	137	13.4	145	13.9	202	17.4	358	24.0	543	28.1	757	34.1	875	36.9	930	35.5

SOURCE: Banco de España.

a. For 2000-2003 the data used are those resulting from application of CBE 4/1991; for the rest of the period, those calculated according to CBE 4/2004 are used.

b. Expressed as a percentage of total funding.

c. Excluding the "funds received under financial asset transfers" account and securitisations of multi-issuer covered bonds.

d. Net balance, not including balances held in cash.

e. Including non-consolidated asset securitisations and covered bond securitisations, which in balance sheets are recorded as payables. The latter figure is obtained from market data contained in financial market statistics, since it cannot be obtained from consolidated balance sheets. It does not include retained securitisations except for those backed by multi-issuer covered bonds.

f. Including all issued securities recorded in the consolidated balance sheet plus securitisations not recorded in securities.

others based on the placement of securities on financial markets, it is important to have a more detailed knowledge of the composition by instrument of these issues, their term structure and the distribution across securityholders.

Table 2 is a breakdown by instrument of the fixed-income securities issued by credit institutions and their subsidiaries and by securitisation special purpose entities, for which detailed information is available from the securities markets.⁷ Analysis of the changes between December 2004 and June 2007 shows, first, how asset-backed securities became the main fund-raising vehicle, their total outstanding balance rising by €148 billion to approximately €217 billion, considering only those reflected in the liabilities of financial institutions. Also notable is that most issues related to assets with medium- and long-term maturities, which, in addition to asset-backed securities, included non-convertible bonds and debentures, mortgage and territorial covered bonds, subordinated bonds and preference shares. Thus, in mid-2007 the weight of these products in terms of outstanding balance, exceeded 88%. Moreover, as seen in Table 3, the average residual maturity of most of these instruments was relatively high.⁸

Lastly, Table 4 shows the distribution by securityholder of the fixed-income securities issued by resident financial institutions, which include, apart from credit institutions, other financial

7. In June 2007 these amounts accounted for more than 90% of direct and indirect funding (via securitisations) received from fixed-income security issuance. The rest of the funds are mainly issues by subsidiaries abroad, on which a breakdown by instrument is not available. 8. The average residual maturity of asset-backed securities is calculated on the basis of the final maturity date. It therefore does not take into account the partial repayments during the term of these instruments, which tends to cause upward bias in the average maturity data.

FIXED-INCOME SECURITIES ISSUED BY CREDIT INSTITUTIONS: BALANCES AND STRUCTURE (a)

TABLE 2

	DEC 2004		JUN 2007		JUN 2008	
	Balance	%	Balance	%	Balance	%
ISSUES BY PARENTS	180,170	55.2	412,278	51.7	442,688	49.8
Commercial paper	43,200	13.2	83,667	10.5	104,803	11.8
Medium- and long-term bonds	52,864	16.2	131,379	16.5	128,087	14.4
Mortgage covered bonds	56,084	17.2	152,938	19.2	164,061	18.5
Territorial covered bonds	7,720	2.4	15,495	1.9	17,239	1.9
Subordinated bonds and preference shares	20,302	6.2	28,799	3.6	28,498	3.2
ISSUES BY SUBSIDIARIES	76,999	23.6	167,719	21.0	202,224	22.8
Short-term	2,407	0.7	5,301	0.7	39,973	4.5
Long-term	74,592	22.9	162,418	20.4	162,251	18.3
SECURITISATIONS (b)	69,181	21.2	217,235	27.2	243,292	27.4
Total	326,350	100.0	797,232	100.0	888,204	100.0

SOURCE: Banco de España and AIAF.

a. Balances in millions of euro; structure as % of total.

b. Only those securitisations reflected on the liability side of individual balance sheets. Specifically, asset securitisations recognised in full on the balance sheet, except those retained, and all covered bond securitisations.

MATURITIES OF FIXED-INCOME SECURITIES ISSUES OF CREDIT INSTITUTIONS (a)

TABLE 3

Data as at 30.6.2008	JUN 2007		JUN 2008	
	Outstanding balance (millions of euro)	Average term (years)	Outstanding balance (millions of euro)	Average term (years)
SECURITIES WITH DEFINED MATURITY				
Asset-backed securities	298.341	23,4	394.343	24,5
Mortgage covered bonds	152.938	7,8	164.061	6,8
Medium-term, long-term and territorial covered bonds	146.874	3,2	145.326	2,7
Preference shares and securities governed by Law 19/2003	103.880	3,5	112.847	3,3
Subordinated bonds	24.987	7,6	24.622	6,9
SECURITIES WITH UNDEFINED MATURITY				
Preference shares and securities governed by Law 19/2003	19.087		21.276	
Subordinated bonds	3.811		3.875	
Total	749.918		866.350	

SOURCES: Banco de España and AIAF.

firms consisting of the ICO, insurance companies and securitisation special purpose entities.⁹ As can be seen, between December 2000 and June 2007 the securities held by the rest of the world rose from 30% of the total balance to 73%, as a result of the fact that nearly 77% of the net flows in that period (approximately €634 billion) was purchased by non-residents. This information illustrates how funding on the debt markets was one of the main channels by which the Spanish economy raised the necessary funds abroad.

9. The issues attributed to credit institutions, including securitisation issues and those of their resident subsidiaries, account for nearly 95% of the total.

DISTRIBUTION BY SECURITYHOLDER OF FIXED-INCOME SECURITIES ISSUED BY RESIDENT FINANCIAL INSTITUTIONS

TABLE 4

€m	DEC 2000		JUN 2007		JUN 2008	
	Balance	%	Balance	%	Balance	%
TOTAL	73,465	100.0	898,569	100.0	1,034,592	100.0
Non-financial corporations	4,937	6.7	15,268	1.7	16,261	1.6
Financial institutions	33,492	45.6	201,475	22.4	344,177	33.3
General government	335	0.5	726	0.1	868	0.1
Households	12,367	16.8	25,110	2.8	33,496	3.2
Rest of the world	22,334	30.4	655,990	73.0	639,788	61.8

SOURCE: Banco de España.

NET FIXED-INCOME ISSUES OF CREDIT INSTITUTIONS (a)

TABLE 5

€m	AVERAGE 2004 - 2006	2007				2008	
		Q1	Q2	Q3	Q4	Q1	Q2
ISSUES BY PARENTS	21,907	27,021	29,835	22,611	-3,765	-11,628	23,192
Commercial paper	3,335	8,250	5,539	19,461	381	-6,370	7,664
Medium- and long-term bonds	7,282	9,274	10,982	3,937	-6,480	-5,301	4,552
Mortgage covered bonds	9,614	7,593	12,352	-2,549	2,060	490	11,122
Territorial covered bonds	566	1,450	1,800	1,805	384	-447	2
Subordinated bonds and preference shares	1,110	454	-838	-43	-110	0	-148
ISSUES BY SUBSIDIARIES	8,321	17,410	6,741	5,039	9,191	10,712	9,563
Short-term	249	1,084	-181	7,059	3,409	20,600	3,604
Long-term	8,072	16,326	6,922	-2,020	5,782	-9,888	5,959
SECURITISATION ISSUES	15,523	28,470	27,666	7,101	43,736	15,544	27,247

SOURCES: Banco de España and AIAF.

a. Quarterly change in outstanding balance, in nominal terms. For the period 2004-2006 the average of this quarterly change has been calculated.

RECENT DEVELOPMENTS

The bout of turmoil initiated in summer 2007 altered the normal functioning of some of the international markets to which Spanish institutions had assiduously resorted in the past, to the point that some of them became completely paralysed, as in the case of securitisations. However, the fact that the debt structure of Spanish intermediaries was slanted towards longer maturities and that the slowdown in lending had begun some months earlier meant that Spanish institutions had considerable leeway to adjust to the new situation.

Against this background, Spanish intermediaries opted to change their funding strategies, using various mechanisms for this purpose. First, they intensified their efforts to attract deposits, using the potential offered by their extensive distribution networks. This has been reflected in a slight increase in the weight of customer funds (see Table 1). Further, they stepped up their use of shorter-term issues, which were less affected by the turmoil. Thus, as shown by Table 2, short-term securities went from 11% of the total balance of securities issued in June 2007 to 16% a year later, as a result of the fact that 61% of the increase in the securities balance in that period related to commercial paper placements. Additionally, as shown by Table 1, a greater role was played by Eurosystem funding, such that in net terms its weight in the total funding on consolidated balance sheets increased by 1.1 pp between mid-2000 and June 2008. However, it should be noted that at the last-mentioned date this volume of funds accounted, in gross terms, for barely 1.2% of the total balance sheet. This was in line with Spain's relative

weight in the euro area as measured by the ratio between the reserve requirements of Spanish banks and those for the euro area as a whole. Also, Table 5, which sets out quarterly changes in the balances of securities issued, shows that Spanish institutions have taken advantage of certain periods of greater stability to launch longer-term issues. Thus, for example, in 2008 Q2, before the turmoil worsened in September, the volume of net long-term issues¹⁰ (excluding securitisations) amounted to €19 billion, thereby partially offsetting the reduction of the preceding months.

The securitisation market continued to record issues of large amount, but the securities were partly retained by the originators in order to raise the volume of collateral available and thus raise their chances of obtaining liquidity in the future.

Final comments

As seen above, in the latest upswing of the Spanish economy, the growth of lending outpaced that of deposits. Credit institutions covered this funding gap by resorting to alternative sources, particularly the issuance of relatively long-term fixed-income securities, which limited refinancing risk.

The turmoil which broke out in summer 2007 has intensified to become a global financial crisis with a significant impact on a large number of markets and institutions. At the outset Spanish institutions were in an extremely sound financial position and unexposed to the negative effects associated with the direct impact of the turmoil (they did not have exposures to toxic assets or commitments to structured vehicles which invested in those assets), but they have been affected by the paralysis of the international markets on which they were raising funds. The favourable maturity structure of their debt (predominantly long-term), which has limited the volume of refinancings, and the slowdown in lending activity, which has curbed the growth of the funding gap, have given institutions some leeway in adjusting to the new situation. In their adaptation they have developed alternative strategies, such as deposit expansion, shorter-term security issues and, occasionally, as the opportunity arises, longer-term issues, albeit with larger interest-rate spreads.

These adaptive efforts enabled Spanish institutions to meet their funding needs during the past year without significant tensions. However, considerable uncertainty persists about access to the necessary sources of funding. On one hand, the worsening of the financial market tensions since mid-September has made it even more difficult to issue securities. But, on the other, the exceptional measures taken by the economic authorities of the major developed countries to support the financial system in view of the seriousness of the crisis have opened the door to new approaches and opportunities. In Spain these measures have consisted of raising the threshold of deposit guarantees to €100,000, setting up the Financial Asset Acquisition Fund, which makes outright and repo purchases of high-quality securities held by these intermediaries with an initial outlay of €30 billion, extendable to €50 billion, and the granting of public guarantees of new debt issues amounting to €100 billion. This set of measures will make for readier access to funds and reduce the risks in place.

11.12.2008.

¹⁰ Net issues are approximated as changes in the outstanding balance in nominal terms. This procedure is subject to error because some of the changes in the outstanding balance are due to changes in exchange rates in the case of securities denominated in foreign currencies. However, the error would not be expected to be very significant if it is taken into account that the weight of issues in currencies other than the euro is fairly small (in June 2008 it was less than 10% of the outstanding balance, including issues by parents, subsidiaries and securitisation special purpose entities).

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This article was written by Esther Moral and Carlos Vacas during their assignment to the Directorate General Economics, Statistics and Research.

Introduction

The last decade saw a sizeable increase in the employment rate in the euro area, especially in specific population segments such as women and the over-54s.¹ Largely, these favourable results were the consequence of the reforms strategy promoted by the so-called Lisbon Agenda, which was set in train in 2000 and whose main aim – to increase the degree of competitiveness and dynamism in the European economy – required, among other elements, greater flexibility in labour markets and an increase in labour utilisation.

On this basis, this article seeks to identify the characteristics of the labour market reforms that have taken place in the euro area countries² in recent years, along with their potential effects. To do this it draws on the data in the European Commission's LABREF (labour market reforms) database.

The LABREF database includes qualitative information on all the legislative measures relating to labour markets adopted by the EU-27 Member States between 2000 and 2006. The measures span eight different areas: active labour market policies, employment protection legislation, welfare-related benefits, labour taxation, pensions, immigration/mobility, wage bargaining and working time. Each measure may be broadly targeted at the entire population or specifically at a particular socio-economic group. Moreover, the main expected impact of such measures may be on labour supply or demand, on wages or on potential mismatches between the unemployed and existing job vacancies.

With this information, the article studies the thrust of the reforms in each field, identifying the areas where the reforming emphasis has been greatest for the euro area countries.

Labour market reforms in the euro area

The LABREF database allows for analysis of the fields on which the adopted labour market reform measures focused, along with their general characteristics. While the adoption of a larger number of measures in a specific area does not necessarily mean that reform has been more intense, it may be indicative of the priorities established. As Chart 1 shows, the areas in which most of the reforms have been undertaken in the euro area in the period 2000-2006 are active labour market policies, pensions, labour taxation and welfare benefits. The legislative measures relating to working time and to wage bargaining are in an intermediate position, while the number of reforms made in respect of employment protection legislation and immigration/mobility is substantially lower. If the measures are classified in accordance with the variable they seek to impact, most of them (56.7% in the euro area as a whole) have been aimed at increasing labour supply, which is due to the emphasis placed on modifying pension, benefit and tax systems. Labour demand (19.6%), the better matching of the skills of the unemployed to job vacancy requirements (15.1%) and, especially, wages (8.6%) have been less present among the objectives pursued by the reforms.

The countries departing from a lower employment rate in 1999 appear to have adopted a greater number of measures over the period, although this relationship is not very significant

1. See Moral and Vacas (2008). 2. Throughout the article, the analysis is of the 12-member euro area.



SOURCES: LABREF database (European Commission) and Banco de España.

- a. Number of reforms in each category as a percentage of all reforms in the euro area.
 b. Number of reforms in a particular country during the period as a whole, expressed as a percentage of all reforms in the euro area.



SOURCES: LABREF database (European Commission) and Banco de España.

a. Number of reforms in each category as a percentage of all the reforms in the country.

b. In the LABREF database there is no reform measure in Italy assigned to the EPL area. That said, initiatives have been implemented that may have reduced the level of job security (e.g. the introduction of new forms of more flexible hiring), but these have been assigned to the ALMP and working time areas.

and, above all, it does not necessarily mean that the resulting changes have been more profound. Comprehensive reforms have been few and far between, since each country has tended to focus its measures on specific areas (see Chart 2), which might have curtailed progress in making European labour markets adaptable to accelerating processes of change in productive and technological structures. Indeed, a broad labour market reform strategy enables the interaction between different labour institutions to be harnessed and, through laying down a long-term agenda with goals that are shared by the social agents and the government, it promotes a climate of confidence that helps raise the scope of the reforms and their viability.³

3. See Arpaia and Mourre (2005).

Furthermore, of the 805 legislative measures adopted in the euro area countries, more than half (454, i.e. 56.4%) were aimed at specific socio-economic groups among which the most common were older workers, low-income earners, women, youths and the long-term unemployed. Measures were, however, also geared to other groups such as the unskilled, immigrants, temporary workers, the self-employed or families with dependent children. This shows that, in general, European countries have opted to concentrate legislative actions on certain groups particularly affected by high unemployment rates rather than significantly altering the regulations that affect the core of the labour market.

In recent years, European countries have progressively increased the emphasis on *active labour market policies* (ALMPs), whereby the weight of such policies relative to the legislative measures undertaken has grown notably. While passive labour market policies consist of cash transfers that protect workers from situations entailing risk (benefits and early retirement pensions), active labour market policies include those social spending programmes whose aim is to raise the employment possibilities and to improve the earning potential of their beneficiaries. The European Commission⁴ distinguishes between seven types of ALMP: public employment services, training, job sharing and job rotation⁵, employment incentives (wage subsidies), supported employment and rehabilitation measures for persons with reduced working capacity, direct job creation (mainly in the public or non-profit sector) and start-up incentives.⁶ The strategy followed by many European countries has been to promote a closer relationship between ALMPs and unemployment benefit systems, in order to encourage active job search. The commonest reforms have entailed public employment services stepping up job placement efforts, with a tendency towards attending to the specific needs of each jobseeker; increased activation of the unemployed through compulsory participation in ALMP programmes (at an ever earlier stage), this being a pre-requisite, in some cases, for retaining benefits; a tightening of the job-search requirements for the unemployed and closer monitoring of their search efforts; and the more efficient administration of public employment services. By increasing the skills of the unemployed and encouraging an active job search to retain unemployment benefits, active policies may increase labour supply and improve its match with labour demand. Table 1 shows that average spending on ALMPs has grown in recent years, although their proportion relative to passive employment policies diminished between 1998 and 2006, apparently denoting a trend towards the selection of more useful ALMPs.⁷

In the area of *welfare-related benefits*, the biggest number of measures has centred on reducing the coverage or duration of unemployment subsidies, since sizeable cuts in such subsidies have been relatively rare. Accordingly, replacement rates (the ratio of benefits to previous earnings in work) have fallen in recent years. Also contributing to this has been the adoption of other measures that have established benefits at work or tax credits to strengthen the position of workers at a greater risk of labour market exclusion (especially the low-income earners and the low-skilled).⁸ As can be seen in Table 1, although in the initial stage of unemployment (first year) the average net replacement rate has increased slightly across the euro area between 2001 and 2005 (except for workers with higher earnings), the replacement rate has generally fallen over this period, especially for the highest earning groups. The intensity of the incentive effects of these measures de-

4. See European Commission (2006). 5. Measures that facilitate the insertion of an unemployed person or a person from another target group into a job by replacing some or all of the hours worked by an existing employee, who will reduce working hours or will be given full leave to receive training or for other reasons (e.g. maternity leave). 6. There are other classifications, such as that of the OECD, which includes five measures: expenditure on administration and public employment services, training geared to the labour market, special programmes for youths in transition from the education system to the labour market, employment-promoting programmes for the unemployed (subsidised employment) and special programmes for the disabled. 7. This reduction may also be due to the fact that the data do not include spending on public employment services, on which many measures have focused. 8. By increasing the wage received by the worker, these benefits or tax credits bring down the level of net replacement rates.

	Euro area		Germany		France		Italy		Spain	
ACTIVE LABOUR MARKET POLICIES (ALMPs)	1998	2006	1998	2006	1998	2006	1998	2006	1998	2006
Spending on ALMPs per unemployed person (a)	3.74	4.16	5.35	3.29	4.81	4.93	2.21	3.87	1.04	3.25
Ratio of spending on active/passive measures (b)	0.47	0.40	0.42	0.29	0.64	0.49	0.65	0.56	0.31	0.44
Continuous training participation (c)	5.4	8.2	5.3	7.5	2.7	7.6	4.8	6.1	4.2	10.4
WELFARE-RELATED BENEFITS	2001	2005	2001	2005	2001	2005	2001	2005	2001	2005
Net replacement rates (d)										
<i>Initial phase of unemployment (e)</i>	69.0	69.5	73.8	73.3	74.3	71.5	62.8	72.3	74.3	73.5
<i>Long-term unemployment (f)</i>	45.6	44.7	62.8	52.0	44.5	43.7	16.3	16.2	35.7	35.3
<i>Average over 60 months of unemployment (g)</i>	56.2	55.5	65.7	61.9	63.8	60.6	5.5	6.5	49.7	49.2
Gross replacement rates (h)	34.3	32.3	29.4	24.2	43.5	39.0	34.1	32.5	36.5	36.0
Maximum duration of unemployment benefits (i)	24.2	16.3	12	12	60	23	6	7	24	24
EMPLOYMENT PROTECTION LEGISLATION (EPL)	1998	2003	1998	2003	1998	2003	1998	2003	1998	2003
Total	2.5	2.4	2.5	2.2	3.0	3.0	2.7	1.9	2.9	3.1
<i>Permanent contracts</i>	2.5	2.5	2.7	2.7	2.3	2.5	1.8	1.8	2.6	2.6
<i>Temporary contracts</i>	2.5	2.3	2.3	1.8	3.6	3.6	3.6	2.1	3.3	3.5
Temporary employment ratio (j)	14.3	16.7	12.3	14.6	13.8	14.4	8.5	13.2	32.9	31.7
LABOUR TAXATION (k)	2000	2007	2000	2007	2000	2007	2000	2007	2000	2007
Income tax	13.0	12.3	15.3	14.0	12.0	11.3	15.5	14.1	9.2	9.8
Social security contributions: employees	12.8	12.6	19.9	20.1	13.2	13.6	9.2	9.5	6.3	6.3
Social security contributions: employers	7.0	8.6	8.6	9.5	12.4	14.5	7.9	9.0	6.1	7.6
Tax wedge	38.0	36.4	46.0	44.7	44.9	43.9	41.1	39.2	35.1	35.6
PENSIONS	1999	2005	1999	2005	1999	2005	1999	2005	1999	2005
Public spending on pensions (% of GDP)	12.8	12.7	12.8	13.1	13.4	13.3	14.9	14.8	9.6	8.9
Average relative income ratio (l)	0.9	0.86	0.97	0.93	0.90	0.90	0.96	0.85	0.91	0.75

SOURCES: Eurostat, OECD and Banco de España.

a. Thousands of euro per unemployed person, at constant 2005 prices. Spending on public employment services is not included.

b. Spending on public employment services is not included.

c. Percentage of the population aged 25-64 that has participated in some training programme during the four weeks prior to conduct of the Labour Force Survey.

d. Ratio of net income when in an unemployment situation to previous earnings in work, calculated as a percentage of the wage of an average worker in the non-agricultural market economy (AW).

e. Average of net replacement rates in the initial phase of unemployment (first month of receipt of benefit) for six family types with previous in-work earnings equal to 100% of AW level.

f. Average of net replacement rates in the 60th month of unemployment (including social assistance, family and housing benefits) for six family types with previous in-work earnings equal to 100% of AW level.

g. Average net replacement rates over a five-year period of unemployment for six family types and two earnings levels (67% of AW level and 100% of AW level), including social assistance benefits.

h. Average gross replacement rates over a five-year period of unemployment for three family types and two earnings levels [67% of the wage of an average production worker (APW) and 100% of APW level].

i. Number of months. The initial data correspond to 1999.

j. Percentage of temporary workers with respect to the total number of employees. The final data correspond to 2007.

k. Average of eight family types, as a percentage of the gross annual wage.

l. Ratio of the income of persons aged 65 and over to the income of persons aged under 65.

depends, however, on the maximum duration of unemployment benefits, on their level and on the benefit eligibility conditions. The trend observed in most countries has been to tighten unemployment benefit requirements: greater work availability, restricting the possibilities of rejecting job offers for reasons of geographical distance, salary or incompatibility with the previous job; bigger sanctions if suitable job offers are rejected, the definition of which, moreover, has become looser; and stricter eligibility conditions, usually increasing the minimum period of work before qualifying for unemployment benefits. Finally, under this area of reform, other initiatives undertaken have involved establishing means-tested benefits, aimed at people with specific needs, and which have largely been linked to the family, especially for child-care support.

An example of this type of reform can be seen in the measures undertaken in Germany as part of the *Hartz* reform packages, between 2003 and 2005. The first pillar of these reforms focused

on improving public employment services by introducing market mechanisms such as, for example, the functioning of local employment agencies based on the calculation of their results, the potential outsourcing of some of their services (especially placement services) and the development of individual action plans to better assign the unemployed to the different programmes, depending on their particular profile. The measures further attempted to encourage greater involvement by the unemployed in job search and in enhancing their employability, tying the access to and maintenance of unemployment benefits (the level and duration of which, moreover, were cut) to their availability both to work and to participate in the job search activities and programmes assigned to them in their individual action plan. And, at the same time, monitoring by the public employment services was stepped up and sanctions tightened.

In the *immigration/mobility* area, there has been little action. Certain measures were undertaken with the aim of better incorporating immigrants into the labour market and of selecting them on the basis of their skills and of the needs of the recipient country. Frequently, however, initiatives have centred on border control and on other legal aspects regulating entry.

Employment protection legislation (EPL), which regulates hiring and firing rules, has been a very important tool in European countries' employment policies in recent years. Several studies suggest that greater flexibility in employment conditions may exert a clear and positive influence on the job prospects for those groups facing the biggest difficulties in joining the labour market. Conversely, stricter EPL, even though it were to favour the core of the labour market (by increasing job security), might adversely affect groups whose employment possibilities are lower when the market is less dynamic, such as women, youths or older workers.⁹ Few measures have been adopted in this area in the period 2000-2006, which is partly due to the fact that many of the initiatives were already adopted earlier, when the strategy followed by many countries – for instance Italy and Spain – was to increase labour market flexibility through the resort to temporary employment (for which the EPL, moreover, has favoured this growing flexibility), while regulations for more standard contracts were left practically unchanged. The resulting segmentation may have had an adverse effect on productivity, by having restricted access to training for workers with more flexible contracts in low-skilled jobs. For this reason, the European Commission is seeking to enhance *flexicurity* strategies to help bring about more inclusive labour markets where the barriers between the different groups are lower, by establishing, among other instruments, more balanced EPL between the different types of contract and appropriate access to continuous training for all workers.¹⁰

Among the measures undertaken in this field during the period under analysis, it is worth mentioning the lifting of the restrictions on the use of temporary contracts in specific industries in Germany; the introduction of a new form of temporary contract (with a maximum duration of 18 months, renewable once) aimed at the unemployed aged 57 or more who have been so for more than three months, and the progressive phasing out of the so-called “Delalande contribution” (a tax that companies had to pay in the event of dismissing workers aged 50 or more) in France; and the measures implemented through the Biagi legislation in Italy, aimed at adding flexibility to specific contracts already in use (such as part-time and apprenticeship contracts) while establishing new forms of employment for temporary workers.

As regards *labour taxes*, these have moved fairly uniformly across the euro area countries, tending to diminish as a means of increasing employment levels. Income tax has fallen slightly

9. Several studies highlight the fact that strict EPL might have a positive impact on productivity, since more stable industrial relations increase the readiness of employers to invest in training for their workforce. 10. For a detailed analysis of *flexicurity* strategies, see González Mínguez and Vacas (2007).

over the period 2000-2007 in most countries, and has done so more for low-income earners, for example, in countries such as France or Italy. Employees' social security contributions have held virtually stable for the euro area on average, although there has been significant disparity from country to country. Conversely, employers' social security contributions have increased in all countries, despite the fact that measures focusing on reducing the contributions paid by those who hire individuals belonging to specific groups with a lower probability of joining the labour market (women, youths, the over-54s and the long-term unemployed) have been commonplace, aimed at increasing their job prospects. Consequently, the tax wedge¹¹ has fallen over the period in most euro area countries and the biggest reductions have come about amongst the weakest groups. This is mainly due to an attempt to increase the demand for these groups of workers, as well as their supply; by reducing the difference between gross wages and wages actually received, employees will have greater incentives to accept a job offer or to increase their working hours. This is particularly relevant in the case of low-skilled or low-wage workers, such as youths and women who, faced with high tax wedges, will have fewer incentives to exit, respectively, the education system or housework.

Pension systems have been subject to major reforms in most euro area countries as a result of the pressure exerted by an increasingly ageing population with a greater life expectancy together with still-low employment and participation rates, especially among the over-54s (a group to which greater emphasis was given under the Lisbon strategy). Although there are Member States where changes in this field have been non-existent or few and far between, in some the reforms have been far-reaching, while other countries have adopted a series of measures of a lesser scope, but which, taken as a whole, have an impact on future pension entitlements.¹² In these cases the reforms point to an increase in the incentives to retire later and to a reduction in the pensions expected by workers (compared with previous generations), with the aim of ensuring financial sustainability in the long run. The measures adopted reflect the particularities of the different public pension systems, but generally they have involved increases in the number of years of contributions needed to qualify for a full pension, reductions in pensions when early retirement is taken or increases in pensions if employees continue working after the normal retirement age (as established, for example, by the *Fillon* law in France in 2003); changes in the way in which earnings are measured to calculate the level of pensions, extending the earning period considered, without restricting it to the final or best years of contributions; increases in the legal retirement age; a better tailoring of pensions to greater life expectancy; and changes in the way pensions are updated, linking their annual rises increasingly to inflation, instead of to wage growth.¹³ As a result of these reforms, there have been reductions in gross replacement rates (i.e. the ratio of pension level to the wage received before retirement) and in promised future pensions, more contained real increases in pensions than in the past and, generally, lesser incentives for early retirement.

Labour cost *flexibility*, which measures the responsiveness of wages to labour market conditions and to individual productivity, is related among other factors to the degree of centralisation and coordination in collective wage bargaining and to union density, insofar as these variables influence the level of minimum wages or the presence of wage indexation. Since the creation of the euro area, the growth of labour costs has moderated, contributing to containing inflation and to macroeconomic stability. And that may have had a bearing on the positive trend of the labour market in recent years. However, this moderation has, in some cases, been

11. The difference between gross labour costs for employers and disposable income for employees, which is the sum of personal income taxes and both employers' and employees' social security contributions, minus cash benefits, expressed as a percentage of gross labour costs. **12.** Among the former are Spain, Greece, Belgium and Luxembourg. The euro area countries where the biggest reforms were made are Austria, Finland, France, Germany, Italy and Portugal. **13.** See OECD (2007).

the outcome of particular deviations from State-wide collective bargaining agreements rather than of changes in national incomes policies. That is to say, although in practice wage bargaining has been decentralised to some extent in several countries, there have been few broad reforms to collective bargaining systems so that wages respond more directly to changes in productivity at local and firm level.

Another dimension of labour flexibility relates to the organisation of working time, by allowing firms to adjust employees' working hours to conjunctural needs and workers to reconcile their working life with other social activities, such as family or training. This flexibility has come progressively more to the fore in recent years in almost all euro area countries, thanks to various measures that have sought to increase it: more flexible management of the maximum permitted working hours and of their distribution over a longer period, and also of overtime; an increase in entitlements relating to voluntary part-time work; more flexible business hours; maternity leave; sabbatical years; paid leave, etc.

This review of measures adopted shows that, in general, the reforms aimed at increasing active labour market policies, improving the sustainability of public pension systems, reducing the labour tax burden (especially for lower wages) and liberalising temporary employment have been more profound than those undertaken in respect of the generosity and duration of unemployment benefits or in the area of permanent employment contracts.¹⁴ Overall, the reforms appear to have had a positive impact on the euro area, since the aggregate employment rate increased by 5.6 pp between 1999 and 2007 (see Table 2). Further, these developments in employment can largely be explained by the bigger increase in women and the over-54s (not so much youths, partly because they remain longer in the education system), which would mean that the European strategy of reforms aimed at promoting the active participation and hiring of the weakest socio-economic groups in the labour markets has been successful.¹⁵

Conclusions

The Lisbon European Council summit in 2000 set the strategic objective of making the EU "the most competitive and dynamic knowledge-based economy in the world". To achieve this objective, it was considered essential to increase the degree of labour utilisation, which had been identified as one of the key elements in explaining per capita income growth differences between the United States and the European economy in the 1990s. In this respect, targets were set in terms of the employment rate (both for total population and for different population groups), as part of the overall strategy known as the Lisbon Agenda. Compliance with these targets required the introduction of major labour market reforms by most European countries.

This article has drawn on the European Commission's LABREF database, which contains qualitative information on all the labour market legislative measures adopted by the EU-27 Member States in the period from 2000 to 2006, in order to identify what the main areas of labour market reform in the euro area were in this period. Broadly, although many legislative measures were introduced (which does not necessarily attest to their scope and depth), most countries tended to focus their efforts on specific labour market institutions. The areas in which the largest number of reform initiatives were taken were active labour market policies, pension systems, labour taxation and welfare benefits, while few measures were introduced in areas such as employment protection legislation, working time and wage bargaining. The absence

¹⁴. On the intensity of reforms in the different areas, see also Brandt, Burniaux and Duval (2005). ¹⁵. The European Commission (2008) performs a simple analytical exercise in an attempt to quantify the impact of these reforms targeting specific groups of workers.

% levels	1999	2000	2001	2002	2003	2004	2005	2006	2007	Target 2010 (d)	Change 1999-2007
TOTAL (a)	70.0										
EURO AREA	60.1	61.3	62.0	62.4	62.7	62.8	63.8	64.8	65.7		5.6
Germany	64.8	65.3	65.7	65.4	64.9	64.3	66.0	67.5	69.4		4.6
France	60.4	61.7	62.7	62.9	64.0	63.4	63.9	63.8	64.6		4.2
Italy	52.5	53.4	54.5	55.4	56.1	57.7	57.6	58.4	58.7		6.2
Spain	53.7	56.1	57.7	58.6	59.7	60.9	63.3	64.8	65.6		11.9
WOMEN (a)	60.0										
EURO AREA	49.8	51.2	52.2	52.9	53.8	54.3	55.7	56.8	58.0		8.2
Germany	57.1	57.8	58.7	58.8	58.9	58.5	60.6	62.2	64.0		6.9
France	53.5	54.8	55.7	56.4	58.4	57.7	58.5	58.8	60.0		6.5
Italy	38.1	39.3	40.9	41.9	42.8	45.2	45.3	46.3	46.6		8.5
Spain	38.2	41.2	42.8	44.3	46.1	47.9	51.2	53.2	54.7		16.5
OLDER PERSONS (b)	50.0										
EURO AREA	33.7	34.1	34.7	36.1	37.5	38.3	40.6	41.8	43.4		9.7
Germany	37.8	37.4	37.7	38.4	39.4	41.4	45.4	48.4	51.5		13.7
France	28.4	29.4	30.7	33.8	36.1	37.3	38.7	38.1	38.3		9.9
Italy	27.5	27.3	26.9	28.6	30.0	30.2	31.4	32.5	33.8		6.3
Spain	34.9	36.8	39.1	39.7	40.8	41.0	43.1	44.1	44.6		9.7
YOUNG (c)											
EURO AREA	35.3	36.6	37.2	37.1	36.8	36.2	36.8	37.3	38.0		2.7
Germany	46.2	46.1	46.5	45.4	44.0	41.3	42.2	43.4	45.3		-0.9
France	26.4	28.2	29.3	29.9	31.4	29.9	30.7	30.2	31.5		5.1
Italy	25.5	26.1	26.2	25.7	25.4	27.6	25.7	25.5	24.7		-0.8
Spain	29.8	32.2	33.6	33.8	34.2	34.7	38.3	39.5	39.1		9.3

SOURCE: Eurostat.

- a. Population aged 15-64.
- b. Population aged 55-64
- c. Population aged 15-24.
- d. Lisbon Agenda employment targets.

of comprehensive reform packages has restricted headway in making euro area labour markets more flexible, as this means the complementarities between different labour market institutions cannot be harnessed and that the necessary cooperation between social agents to agree on deeper reforms is not enhanced.

The European countries have tended to direct most of their initiatives at increasing labour supply (and, to a lesser extent, also labour demand) in respect of specific groups such as youths, women or the over-54s, who evidence the lowest labour market participation. Conversely, the legal regulations affecting the core of the market have remained relatively intact.

This European strategy of labour market reform has obtained favourable results, as reflected in the substantial job creation and the increase in employment rates in the period under analysis, especially for certain population groups. However, many countries remain far off meeting the targets set in the Lisbon Agenda, which highlights the importance of furthering labour market reforms, particularly to overcome the current, difficult economic setting, characterised by the strong contraction in growth. In such circumstances, greater labour market flexibility is an essential ingredient for increasing the adjustment capacity of the European economies in the face of the serious shocks affecting them. And this is all the more necessary within the context of membership of a monetary union.

9.1.2009.

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Introduction

In 2008 Q4, numerous financial provisions were enacted. In the credit institutions area, accounting regulations were amended to adapt them to the changes in Spanish mercantile legislation and in international financial reporting standards (IFRSs). Further, the arrangements for payment of Banco de España profits into the Treasury were amended following the end of the transitional period in 2007.

In the field of government debt, the regulations governing market makers were updated to take into account new developments in the securities market. Also, the cooperation agreements regarding State debt investment funds were modified so as to make the investment criteria equal for all the Fondtesoro categories concerned.

The European Central Bank (ECB) promulgated four new legal provisions. First, the rules on eligibility of collateral were temporarily altered to improve the liquidity of credit institutions. Second, the criteria for exempting certain credit institutions from the obligation to hold minimum reserves were revised. Third, the reporting requirements in the field of government finance statistics were updated. And finally, certain quality criteria for the compilation of balance of payments statistics were established.

Some details entrusted to the Banco de España of the rules on the own funds of mutual guarantee companies, particularly in regard to credit and operational risk, were written into legal provisions.

In the securities markets, the accounting regulations governing investment firms, collective investment institution (CII) management companies and venture capital entity management companies were amended to adapt them to the Spanish general chart of accounts. Also, the formats which have to be followed in the announcements and applications for authorisation of takeover bids were approved.

Some changes were also made to the legislation governing collective investment institutions (CIIs). First, the rules for determining net asset value and for certain operational matters were updated. Second, the statistical asset and liability reporting requirements were broadened to encompass all EU CIIs, rather than just those of a monetary nature, as has been the case so far. Third, the format and content of the reports to be sent periodically to shareholders and unit-holders were approved. Lastly, the Spanish National Securities Market Commission (CNMV) has been empowered to issue rules on certain accounting matters relating to institutions of this type.

Private insurance legislation has been adapted to the new chart of accounts for insurance companies.

A number of urgent measures on economic, financial and fiscal matters designed to foster financing to households and firms and boost economic activity have been approved.

Finally, the new features (mainly of a monetary, financial and fiscal nature) in the State budget for 2009 are analysed.

**Credit institutions:
amendment of public and
confidential financial
reporting rules and
formats**

Banco de España Circular CBE 4/2004 of 22 December 2004¹ on public and confidential financial reporting rules and formats (hereafter, “the accounting circular”) amended the accounting regime of Spanish credit institutions to adapt it to the new accounting framework derived from the adoption of international financial reporting standards (IFRSs) by the European Union.

The recently released *Banco de España Circular CBE 6/2008 of 26 November 2008* (BOE of 10 December 2008) amends CBE 4/2004 to take account of the changes in Spanish and EU corporate legislation and in the IFRSs that affect accounting legislation,² basically in regard to the following: definition of a group of credit institutions; public financial statement formats; treatment of financial instruments (including guarantees), of pension commitments, of capital instrument-based payments and of income tax; and certain disclosures to be made in the notes to financial statements. Also introduced are minor modifications to take account of changes in the law regulating the determination and control of own funds, the reporting requirements of the European Central Bank, the mortgage market and the Spanish national classification of economic activities (*clasificación nacional de actividades económicas*).

The definition of a group of credit institutions, which was previously based on a decision-making unit existing among various entities, now hinges on an entity having control over one or more others. Thus an entity is deemed to control another if it has the power to govern its financial and operating policies so as to obtain economic benefits from its activities.³

Under the current accounting rules, the previous classification of groups of credit institutions⁴ no longer applies for the purpose of preparing public consolidated financial statements, having now been reduced to a single type of group formed by a parent and one or more subsidiaries.

In individual and consolidated annual accounts, the financial statement formats were adapted to reflect the changes in the Commercial Code, and, in addition, the statement of changes in equity was split into a statement of recognised income and expense and a statement of all changes in equity.

In regard to income tax and other related items, the references to the previous chart of accounts⁵ have been replaced by ones to the current chart of accounts approved by Royal Decree 1514/2007 of 16 November 2007.⁶

Other changes introduced by the new Circular include improvements in disclosures on capital management and on risk associated with financial instruments, as well as fuller treatment of the various types of credit derivatives and collateral or guarantees.

1. See “Financial Regulation: 2004 Q4”, *Economic Bulletin*, January 2005, Banco de España, pp. 127-131. 2. One of the purposes of these changes is to adapt the accounting circular to the EU legislation enacted since 2005 and to the new Spanish business and accounting framework resulting from amendments of the Commercial Code, the Public Limited Companies Law and the new general chart of accounts. 3. In particular, control shall be presumed to exist when an entity is in any of the following situations in relation to another entity: a) it holds the majority of the voting rights of the other entity; b) it has the power to appoint or remove the majority of the members of the board of directors or equivalent governing body of the other entity; c) through agreements with other shareholders, it can exercise the majority of the voting rights of the other entity; and d) it has appointed with its votes the majority of the members of the board of directors or equivalent governing body of the other entity in office at the time the consolidated accounts have to be prepared and during the two immediately preceding accounting periods. 4. Previously, Circular CBE 4/2004 distinguished, for the purpose of public and confidential financial reporting, between subordination groups and coordination groups. This distinction currently applies only for the confidential returns of consolidable groups of credit institutions which serve as a basis for calculating own funds. 5. Approved by Royal Decree 1643/1990 of 20 December 1990. 6. See “Financial Regulation: 2007 Q4”, *Economic Bulletin*, January 2008, Banco de España, pp. 196-199.

Also, the general provisioning mechanism is changed to make it more flexible so that credit institutions can adapt the lower limit of this caption depending on their credit risk provisioning policy and on the characteristics of their credit portfolio.

Lastly, the information on mortgage lending activity that institutions must have in their accounting registers is systematised and a new confidential accounting return, to be submitted half-yearly and entitled "Information on the mortgage market", is introduced. Also, certain confidential accounting returns are modified to adjust them to the latest accounting developments and other new ones are added.⁷

The Circular came into force on 11 December 2008, except that the provisions for special accounting registers of mortgage activity came into force on 31 December 2008.

Amendment of the arrangements for payment of Banco de España profits into the Treasury

Royal Decree 2059/2008 of 12 December 2008 (BOE of 17 December 2008) on the arrangements for payment of Banco de España profits into the Treasury partially amended the arrangements established in the previous legislation,⁸ which was in force until 2007.

There are basically two new developments: first, for operational reasons, the date of the first payment of 70% of the profits accrued and recorded to 30 September of each year was changed. From now on, that payment will have to be made on the first working day of December, instead of the first working day of November.

Second, given that the transitional regime set in place by ECB legal provisions has ended,⁹ there is no longer any reason for limiting the period during which the arrangements will be in force. Hence, unlike in previous legislation, the arrangements are not limited as to the length of time they will be in force, as has been customary since 1999. This endows the payment arrangements with greater legal certainty and permanence.

Thus the percentages of and deadlines for payment into the Treasury of profits accrued and recorded by the Banco de España are as follows:

- a) On the first working day of December each year, 70% of the profits accrued and recorded to 30 September of such year. The payment resolution shall take into account profit forecasts to the end of the year.
- b) On the first working day of the following March, 90% of the profits accrued and recorded to 31 December of the previous year, having deducted the payment referred to above.

These payments shall be agreed by the Governing Council of the Banco de España after approval of the relevant income statements, taking into account the possible obligations of the Banco de España to the ESBC.

7. The new individual and consolidated confidential returns added are: "T.15/C.13 Financial asset transfers", "T.16/C.14 Fair value of financial instruments", "S.4/C.15 Financial assets. Transfers between portfolios" and "S.5/C.16 Fair value hierarchy. Transfers of level in the period". 8. Royal Decree 1198/2005 of 10 October 2005 established arrangements for payment of Banco de España profits into the Treasury which were in force from 2005 to 2007. See "Financial Regulation: 2005 Q4", *Economic Bulletin*, January 2006, Banco de España, pp. 109 and 110. 9. The Statute of the European System of Central Banks and of the ECB laid down the basic principles governing the system of allocation of monetary income earned by the national central banks. These principles have been successively adjusted by a series of decisions of the ECB Governing Council, the latest of which on 6 December 2001 established a transitional allocation period which lasted until 2007.

- c) Finally, when the annual accounts and proposed distribution of profits formulated by the Banco de España have been approved by the Council of Ministers, the Banco de España shall pay to the Treasury the rest of the profit for the year, except that part whose exclusion has been authorised by the Council of Ministers.¹⁰

The Royal Decree came into force on 18 December 2008.

New regulation of State debt market makers

Treasury Resolution of 18 November 2008 (BOE of 21 November 2008) adapts the operating conditions of market makers to the new legal framework and repeals the Treasury Resolution of 20 July 2005.¹¹ Its purpose is to adapt the regime governing market makers to Law 24/1988 of 28 July 1988¹² on the securities market, amended by Law 47/2007 of 19 December 2007,¹³ specifically in regard to multilateral trading facilities (MTFs),¹⁴ systematic internalisers and official secondary markets.

The main changes are briefly described below.

The eligibility requirements for market makers are updated. In addition to holding a securities account in their own name in the public debt book-entry market and meeting the technical and human resources requirements that may be established, they must meet certain financial and legal conditions that are necessary to be considered a member with full powers of at least one of the regulated markets or MTFs determined by the Treasury. Such eligibility shall be assessed by the Treasury on the following basis: a) the regulated markets or MTFs must be recognised as such by at least one EU country and b) a sufficient number of market makers must undertake to quote and trade State debt securities in these regulated markets or MTFs, so as to promote the liquidity of the debt.

For their part, regulated markets or MTFs have to provide the Treasury with any information needed to assess market makers. Otherwise, the Treasury may declare that such markets or facilities are unsuitable settings for market makers to fulfil their commitment to provide liquidity to State debt.

The rights and obligations of State bond market makers are similar to those stipulated in the previous Resolution, albeit with certain differences when it comes to the activity of regulated markets or MTFs. One change, regarding the obligation to ensure secondary market liquidity, is that minimum volumes and maximum bid-ask spreads are no longer expressly mentioned, and it is left to the Treasury, upon consultation with market makers, to set them as and when necessary to adapt them to prevailing market conditions.

Also, similar changes were made to the rights and obligations of Treasury bill market makers. Thus minimum volumes and maximum bid-ask spreads are no longer expressly mentioned, and the Treasury, upon consultation with market makers, will define the bills considered to be market benchmarks and will establish the maximum spreads and minimum trading volumes.

¹⁰. The Royal Decree empowers the Council of Ministers to authorise, at the proposal of the Banco de España, the exclusion of certain profits from payment into the Treasury. ¹¹. See "Financial Regulation: 2005 Q3", *Economic Bulletin*, October 2005, Banco de España, pp. 119-122. ¹². See "Regulación financiera: tercer trimestre de 1988", *Boletín Económico*, October 1988, Banco de España, pp. 61 and 62. ¹³. See "Financial Regulation: 2007 Q4", *Economic Bulletin*, January 2008, Banco de España, pp. 182-189. ¹⁴. MTFs were first regulated in Law 47/2007. They are defined as systems operated by an investment firm or by an operator of an official secondary market that has the sole corporate purpose of managing the system and is fully owned by one or more market operators. These systems bring together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with its non-discretionary rules – in a way that results in a contract.

Lastly, the assessment of market makers and the grounds for loss of market-maker status remain much the same as before.

The Resolution will come into force on 1 February 2009.

Updating of legislation on cooperation agreements relating to State debt investment funds

Ministerial Order EHA/2688/2006 of 28 July 2006 on cooperation agreements relating to State debt investment funds established certain requirements to be met by the investment funds set up under the agreements that may be entered into by the Ministry of Economy and Finance through the Treasury and the collective investment institution (CII) management companies to foster the optimum placement of State debt. These included, for all the Fondtesoro categories referred to in the Ministerial Order, the requirement that 70% of the assets of the fund or, where applicable, the sub-fund must be invested in State debt in any of its forms, including, for the purpose of this Ministerial Order, bonds issued by FTPymes backed by State guarantee up to a limit of 20% of the assets of the fund or, where applicable, sub-fund.

The Instituto de Crédito Oficial (ICO) recently decided to foster the financing of government-subsidised housing through the grant of guarantees to securitisation special purpose entities (SSPEs) known as government-subsidised housing SSPEs (hereafter “FTVPO” by their Spanish abbreviation) whose underlying assets are mortgage loans at least 80% of which are to individuals for the purchase of government-subsidised housing and the rest has to be mortgage loans to individuals for the purchase of open-market housing.¹⁵

Given that the nature and credit quality of the asset-backed securities issued by FTVPO and by the FTPymes eligible to receive guarantees from the ICO and from the State, respectively, are similar, *Ministerial Order EHA/3465/2008 of 26 November 2008* (BOE of 3 December 2008) amended Ministerial Order EHA/2688/2006 of 28 July 2006 to put the two of them on an equal footing for the purpose of definition of the investment criteria of all the Fondtesoro categories concerned. This broadens the operational scope of the fund management companies and makes these products more readily available to investors, without detracting from their safety.

The agreements entered into by the Treasury and CII management companies prior to the entry into force of the Ministerial Order on 4 December 2008 have to be adapted to the new legal provisions by 31 March 2009. Otherwise, the Treasury will terminate the agreements in a written notification with immediate effect.

Subsequently the management companies must update the content of the prospectuses issued by the Fondtesoros under their management in the three months following signature of the agreement. In addition, they have to communicate this to the unit-holders in the investment fund's next regular report.

European Central Bank: temporary changes to the rules relating to eligibility of collateral

Guideline ECB/2000/7 of 31 August 2000 on monetary policy instruments and procedures of the Eurosystem established, inter alia, the eligibility criteria for collateral provided by a counterparty to obtain liquidity from the Eurosystem.

¹⁵ The ICO-FTVPO line of guarantees has been assigned €3 billion of funding. This initiative is managed by Spanish credit institutions and by the branches in Spain of foreign credit institutions. They have given an undertaking that all funds obtained through the sale of the guaranteed tranche in the financing of new government-subsidised housing, will be re-invested by them in the extension of new loans to individuals and to developers and construction companies. The securitisation SPEs holding government-subsidised housing loans (ICO-FTVPO) set up with backing from this line of guarantees must be closed-end funds and the guaranteed triple A tranche must amount to at least €100 million. Also, the guaranteed bonds must be traded on the organised secondary market. FTVPO must be set up entirely by the entities to which the ICO guarantee has previously been granted, which they must contribute to the securitisation SPE. The time period for setting them up will end on 30 June 2009.

In view of the international financial strain and to enhance on a temporary basis the provision of liquidity to counterparties in Eurosystem monetary policy operations, *Guideline ECB/2008/18 of the European Central Bank of 21 November 2008* (OJ of 25 November 2008) on temporary changes to the rules relating to eligibility of collateral¹⁶ was adopted.

Accordingly, in the period from 1 December 2008 to 31 December 2009, the following assets will also be accepted as collateral in Eurosystem monetary policy operations:

- a) Marketable debt instruments if denominated in US dollars, pounds sterling or Japanese yen, provided that they are issued and held/settled in the euro area and the issuer is established in the European Economic Area. An additional haircut of 8% shall be imposed by the Eurosystem on all such marketable debt instruments.
- b) Syndicated loans if they fulfil certain conditions established in Guideline ECB/2000/7.
- c) Debt instruments issued by credit institutions, which are traded on certain non-regulated markets as specified by the ECB, shall constitute eligible collateral for the purposes of Eurosystem monetary policy operations. An additional haircut of 5% shall be imposed by the Eurosystem on all such marketable debt instruments.
- d) Subordinated assets with acceptable guarantees will be accepted as collateral in Eurosystem monetary policy operations provided that a financially sound guarantor provides an unconditional and irrevocable guarantee payable on first demand on these assets. An additional haircut of 10% shall be imposed by the Eurosystem on all such assets, with a further 5% valuation markdown in the event of a theoretical valuation.
- e) Fixed-term remunerated deposits from eligible counterparties in the national central bank of the Member State in which the counterparty is established.

Also, the Eurosystem's new minimum requirement for the assessment of the credit standard of assets eligible as collateral shall be a "BBB-" equivalent credit assessment by a specialised credit rating agency. This change to the credit assessment requirement shall apply to both marketable and non-marketable assets, with the exception of asset-backed securities, for which the requirement for high credit standards (above "A-") shall remain unchanged. An additional haircut of 5% shall be imposed by the Eurosystem on all eligible assets with a credit assessment below "A-".

The Guideline came into force on 25 November 2008.

**European Central Bank:
amendment of rules on
minimum reserves**

Regulation 1052/2008 of the ECB of 22 October 2008 (OJ of 25 October 2008), amending Regulation 1745/2003 of the ECB of 12 September 2003, on the application of minimum reserves was adopted in order to revise the criteria for granting exemptions from reserve requirements and refine the definition of the components of the reserve base, among other things.

¹⁶ See Guideline ECB/2000/7 of 31 August 2000 (OJ of 11 December 2000) on monetary policy instruments and procedures of the Eurosystem, which established, inter alia, the eligibility criteria for collateral provided by a counterparty to obtain liquidity from the Eurosystem.

First, a new exemption criterion is added for those institutions subject to the freezing of funds and/or other measures imposed by the Community or a Member State restricting the use of their funds or a decision of the ECB's Governing Council suspending or excluding their access to open market operations or the Eurosystem's standing facilities.

Second, the definition of the components of the reserve base in respect of which minimum reserves are calculated is reworded. Also modified are the provisions on granting an exemption from the requirements of separate reporting for institutions holding minimum reserves through an intermediary.

Lastly, general criteria governing transitional maintenance periods are established for institutions which become subject to the ECB's reserve requirements on account of the adoption of the euro by the Member State in which they are located. The new provisions specify, inter alia, the dates of the transitional maintenance period, the manner of calculation of the reserve base and the time limit by which the calculation and verification of the minimum reserves is to be carried out by these institutions and their national central bank.

The Regulation came into force on 26 October 2008.

***European Central Bank:
amendment of statistical
reporting requirements in
the field of government
finance statistics***

Guideline ECB/2008/7 of The European Central Bank of 5 September 2008 (OJ of 17 October 2008), amending Guideline ECB/2005/5 of 17 February 2005, on the statistical reporting requirements of the ECB and the procedures for exchanging statistical information within the ESCB in the field of government finance statistics was adopted for the purpose of eliminating certain information on government debt held by non-residents of a Member State.¹⁷ This information is no longer needed as a result of the implementation in March 2008 of security-by-security data collection systems combined with the use of the Centralised Securities Database (CSDB).¹⁸ These systems provide information on the total euro area government debt held by non-euro area residents as part of the euro area international investment position. Moreover, their future development should in due time allow additional details to be compiled on the holdings of government securities by country and institutional sector.

The Guideline came into force on 1 October 2008.

***European Central Bank:
quality criteria for balance
of payments statistics***

Regulation 184/2005 of the European Parliament and of the Council of 12 January 2005 on Community statistics concerning balance of payments, international trade in services and foreign direct investment established a common framework for the systematic production of Community statistics in these fields. Among other things, it stipulated that Member States shall take all reasonable measures they consider necessary to ensure the quality of the data transmitted.

Recently, *Commission Regulation 1055/2008 of 27 October 2008* implementing Regulation 184/2005 as regards quality criteria and quality reporting for balance of payments statistics was adopted. Under the new Regulation, Member States shall send annually a quality report to the European Commission by 30 November of each year. This report shall be drawn up in accordance with the rules laid down in the Annex to the Regulation and subject to the follow-

¹⁷ Guideline ECB/2005/5 required data to be collected on the government debt held by non-residents of a Member State, broken down into debt held by non-residents within and outside the euro area. ¹⁸ Recommendation of the European Central Bank 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, amended by the Recommendation of the European Central Bank of 31 May 2007.

ing quality criteria: timeliness and coverage of data, methodological soundness, stability, plausibility, consistency and accuracy.

The Regulation came into force on 17 November 2008.

**Mutual guarantee
companies: minimum own
funds and other obligatory
reporting**

Royal Decree 2345/1996 of 8 November 1996¹⁹ on the administrative authorisation rules and solvency requirements for mutual guarantee companies (MGCs), amended by Royal Decree 216/2008 of 15 February 2008²⁰ on the own funds of financial institutions, laid down, inter alia, the basic criteria on which MGCs' minimum capital requirements have to be based. However, the specific definition of these requirements, in particular those applying to the coverage of credit and operational risk deriving from non-habitual commitments or investments, was entrusted to the Banco de España.

For this purpose, *Banco de España Circular CBE 5/2008 of 31 October 2008* (BOE of 21 November 2008) on minimum own funds and other obligatory reporting of MGCs, which implements the aforementioned Royal Decree and repeals the previous legal provisions of the same rank still in force,²¹ was issued.

The Circular adopts a model of capital requirements for credit risk which is equivalent to those set for credit institutions in CBE 3/2008 of 22 May 2008, although, given the lesser complexity of MGCs, it is appreciably simpler. Moreover, it is acknowledged that, under certain conditions, reguarantees reduce credit risk and therefore help to reduce capital requirements for commitments to government agencies or corporations. The Banco de España will specify the extent of the reduction after individual analysis of the general reguarantee contracts.

MGCs must at all times hold regulatory capital²² amounting to not less than the sum of the following requirements:

- a) For credit risk on ordinary activities: 8% of the outstanding risk exposures of credit guarantees²³ and 4% of that of other commitments, guarantees or indemnities granted, without prejudice to possible reduction of the requirements if the transactions are reguaranteed.
- b) For operational risk on ordinary activities: 15% of their annual net interest income.
- c) That needed to cover credit or operational risk derived from commitments or investments not habitual in MGC's activities; for this purpose, the MGC shall apply the criteria set for credit institutions, albeit with certain differences.

Further, MGCs must establish internal procedures, proportionate to the nature, scale and complexity of their activities, to control and manage the risks in their activity, ensuring that the risks assumed, the nature of the transactions arranged and the sectoral or other type of

19. See "Regulación financiera: cuarto trimestre de 1996", *Boletín Económico*, January 1997, Banco de España, pp. 109 and 110. 20. See "Financial Regulation: 2008 Q1", *Economic Bulletin*, April 2008, Banco de España, pp. 159-163. 21. CBE 10/1998 of 27 November 1998 on minimum own funds reporting and other obligatory reporting of MGCs. 22. Regulatory capital consists of: subscribed, paid-up capital; effective, express reserves; reserves for the regularisation, update or revaluation of assets following verification by the Banco de España; and any technical provisions not used to cover specific credit risk exposures, at book value. From these, the following shall be deducted: negative results of prior periods and of the current period, intangible assets included in net worth, and other exposures and assets that the company may decide to deduct. 23. Those having the nature of financial guarantee contracts and those in which the MGCs indirectly assume a credit risk equivalent to that of the financial guarantees.

concentration will not detract from the adequate coverage of their risks. If the Banco de España perceives significant deficiencies, it may, after consulting the interested party, require a remediation plan to be set in place and, until that plan has been effectively implemented, require additional capital to be held, up to a maximum of 25% of the minimum capital requirement.

MGCs are obliged to notify to the Banco de España, as soon as they are incurred, gross losses under operational risk exceeding either €100,000 or, if less than this amount, 1% of own funds, and identify, inter alia, the type of event in question. They must keep an internal historical register of the events which have given rise to losses above these limits and of any other significant factors allowing the amount and seriousness of those events to be assessed. MGCs shall keep this register, along with the supporting documentation of the entries made in it, at the disposal of the Banco de España.

MGCs shall continue to comply with the limits on large exposures,²⁴ the limit on property, plant and equipment and on shares and other equity²⁵ and the limits on investment of own funds.²⁶

Lastly, MGCs must submit quarterly to the Banco de España the returns included in the annex to the Circular and they continue to be obliged to send their current articles of association to the Banco de España for registration.

The Circular came into force on 22 November 2008 and applies to returns relating to 31 December 2008.

Amendment of accounting rules for investment companies, management companies of collective investment institutions and management companies of venture capital entities

CNMV Circular CBE 7/2008 of 26 November 2008 (BOE of 29 December 2008) on accounting rules, annual accounts and confidential returns of investment firms, management companies of collective investment institutions and management companies of venture capital entities was issued in order to adapt their accounting regime to the new accounting framework established in the general chart of accounts approved by Royal Decree 1514/2007 of 16 November 2007, the previous legal framework being repealed.²⁷

The Circular establishes accounting rules and criteria which, although set in the framework of the principles and broad lines of the new general chart of accounts, adapt the latter to the specific characteristics of these entities.²⁸ In certain matters, material has been drawn from international financial reporting standards and from CBE 4/2004 of 22 December 2004, recently amended by CBE 6/2008 of 26 November 2008.²⁹

²⁴. The value of the total exposures of an MGC to any one person or economic group may not exceed 20% of its own funds. ²⁵. The sum of the two may not exceed 25% of regulatory capital. ²⁶. At least 75% of regulatory capital shall be invested in government debt securities issued by the State or regional (autonomous) governments, in fixed-income securities quoted on organised secondary markets or in deposits with credit institutions. ²⁷. The Circular repeals the following CNMV circulars: Circular 5/1990 of 28 November 1990 on accounting rules of securities dealers and brokers; Circular 1/1993 of 3 March 1993 on consolidation accounting rules applicable to groups and sub-groups of securities dealers and brokers; Circular 5/1992 of 28 October 1992 on CII management companies and portfolio management companies; Circular 6/1990 of 28 November 1990 on solvency ratios and liquidity of securities dealers and brokers; Circular 1/1995 of 14 June 1995 on accounting rules and additional recording and reporting obligations for trading losses of certain securities brokers; and all provisions relating to venture capital management companies. ²⁸. In this respect, the basic pivot of the process of adaptation is the priority consideration of the specificity of these entities. The existence of special accounting rules for the financial sector is recognised in the introduction to the new general chart of accounts, in Law 24/1988 of 28 July 1988 on the securities market, in Law 35/2003 of 4 November 2003 on CIIs and in Law 25/2005 of 24 November 2005 on venture capital management companies, which provide for powers to approve special accounting rules for investment firms, CII management companies and venture capital management companies, developed as implementing provisions of general accounting legislation. ²⁹. See the second heading of this article.

One of the new developments in the Circular is the formulation of more exhaustive and comprehensive definitions, especially in regard to the accounting treatment of financial instruments. In particular, the definition of fair value³⁰ is extended to financial instruments which have no active market, in order to include the treatment of certain financial assets which are illiquid and have a very wide range of bid-ask spread quotations .

Specifically, fair value is used when it facilitates proper risk management by entities and its application is limited when a deep market is lacking and the estimate of fair value is not sufficiently reliable. Also, various considerations concerning fair value are set forth which depend on whether or not the assets are of a financial nature. Further, the definitions of other concepts such as effective interest rate³¹ and asset impairment are extended.

The Circular establishes strict conditions for the reclassification of assets among the various categories of instruments defined. Exhaustive definitions are given of the factors that determine whether a financial asset is classified as held-to-maturity,³² such as *intention* and *financial ability*. Also, the Circular incorporates the EU doctrine whereby, in exceptional circumstances, a non-derivative financial asset may be reclassified out of the trading book, provided that certain requirements are met and due disclosure is made in the notes to financial statements.

Highly rigorous criteria are established for the derecognition of financial assets, which generally arises when the financial claims associated with carried by the asset have been transferred or have expired. Hedge accounting is treated exhaustively and it is specified that, except in hedges of foreign currency risk, only derivatives can be used as hedging instruments. Also, certain criteria are set to determine when the gains derived from equity adjustments due to valuation of available-for-sale financial assets can be considered to be own funds.

Another new development regarding the general chart of accounts is the possibility of using methods based on default schedules when calculating losses in value due to financial asset impairment, provided that the amount of the impairment so calculated is consistent with the requirements set out in the Circular.

Also noteworthy is the reference to investments in group entities, jointly controlled entities and associates, which the Circular, in line with international accounting standards, does not consider to be financial instruments and to which it applies the rules for business combinations and consolidation in any valuations after the acquisition date.

In regard to intangible assets, the capitalisation of software developed in-house is only permitted when, in addition to compliance with certain requirements, the development phase has been reached and, therefore, the expenses incurred in the research phase are recognised directly in the income statement.

30. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, without any deduction for transaction costs that may be incurred. Fair value is not, therefore, that resulting from a forced transaction, involuntary liquidation or distress sale. **31.** The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. **32.** Held-to-maturity investments consist of debt securities with fixed maturity and fixed or determinable cash flows, which are quoted on an active market for which the entity has, from inception and at any subsequent date, both the positive intention and the demonstrated financial ability to hold to maturity.

The Circular regulates precisely the conditions for classifying certain instruments as non-current assets held for sale, since discontinuing their depreciation or amortisation has consequences for the determination of the own funds of supervised entities.

Property, plant and equipment is recorded at carrying amount or book value, following the provisions in the general chart of accounts. However, exceptionally, for the first-time application of the Circular, it has been envisaged that unrestricted tangible assets may be measured at fair value, recording any change in reserves.

Another notable feature of the Circular is the inclusion of a specific rule on revenue from the provision of services and, where applicable, on interest expenses and trading losses, which includes the criteria for taking them to the income statement. The fees and commissions collected or paid are recognised as income when the service is rendered or the cost incurred, while fees and commissions constituting additional remuneration to the interest rate on the transaction are apportioned over the life of the transaction.

In addition, the Circular sets out the obligation to submit individual and consolidated confidential information to the CNMV and stipulates the frequency and submission deadlines. It includes specific confidential returns for investment firms, which differ from those to be submitted by CII management companies and venture capital management companies on the basis of their operations. Financial advice firms are exempted from submitting the confidential returns required of investment firms and instead have to submit a confidential return on activity.

Lastly, the notes to financial statements and the management report have to include a description of the financial risks assumed and of the policies for managing and hedging them.

The Circular came into force on 31 December 2008.

**Takeover bids:
announcement and
application for
authorisation**

CNMV Circular 8/2008 of 10 December 2008 (BOE of 29 December 2008) approved the formats to be observed by announcements and applications for authorisation of takeover bids.³³

Both the application for authorisation and the announcement of a takeover bid must observe the formats specified in the Circular. The content of the announcement must be true, clear, complete and, when so required by the nature of the information, quantified, such that it does not confuse or mislead the reader, and shall be drafted so that it can be readily analysed and understood. Both shall include any other additional information which, in the judgement of the offeror, may be needed.

The application for authorisation must be accompanied by a prospectus containing the information that the people to whom the takeover bid is directed need to form a reasoned judgement on it, and by the documentation evidencing the resolution or decision to launch the takeover bid.

Lastly, the Circular deals with the cases in which the announcement and the application for authorisation of the takeover bid take place simultaneously or successively, and clarifies the particular features of each.

³³. In application of the powers granted by Royal Decree 1066/2007 of 27 July 2007 on the regime governing takeover bids. See "Financial Regulation: 2007 Q3", *Economic Bulletin*, October 2008, Banco de España, pp. 145-149.

**Collective investment
institutions: determination
of net asset value and
operational matters**

CNMV Circular 6/2008 of 26 November 2008 (BOE of 2 December 2008) on the determination of net asset value and operational aspects of CILs, which simultaneously repeals the legal provisions of the same rank³⁴ and updates their content pursuant to the powers granted under current law.³⁵

The content of the Circular is as follows. First, it sets out the provisions for calculating the assets and liabilities and the net assets of CILs, in particular those of CILs with classes of units or series of shares hitherto unregulated.

Second, it contains the general criteria governing the systems by which unit-holders are individually charged the performance-based management fee, in those cases in which the management company has established this fee in the fund under management, subject always to the limits set in the CIL internal rules.

Third, the Circular details precisely the calculation of CIL operating ratios of a financial nature, including both risk diversification ratios and the ratio of obligations to third parties. In both cases, provision is made for the existence of sub-funds, in which case the ratios will be measured at sub-fund level.

Fourth, the provisions necessary to develop and control compliance with real estate CIL operating ratios and limits are set in place. The concept of real estate assets and the additional rules for the distribution of real estate assets in the appraisal schedule referred to in the CIL internal rules are set forth.

Lastly, for CILs which replicate or reproduce an index, a maximum deviation or tracking error with respect to the index is set, while for CILs whose investment policy takes a certain index as a benchmark, a maximum deviation with respect to that index is required which must be measured using a correlation coefficient.

The Circular came into force on 31 December 2008.

**Collective investment
institutions: statistical
information on assets and
liabilities**

Regulation 958/2007 of the European Central Bank of 27 July 2007 concerning statistics on the assets and liabilities of investment funds broadened the statistical information required of CILs not classed as monetary financial institutions (MFIs) in order to provide the ECB with a comprehensive statistical picture of the CIL sector in the participating Member States, although it established certain exemptions for smaller CILs.

These requirements are incorporated into Spanish legislation by *CNMV Circular 5/2008 of 5 November 2008* (BOE of 19 November 2008) on requirements concerning statistical information on assets and liabilities of European Union CILs, the scope of application of which covers all CILs and, where applicable, all CIL sub-funds, rather than just

³⁴. CNMV Circular 8/1990 of 27 November 1990 on determination of the net asset value of securities funds and CIL operating ratios and investment limits, and Section 4 of CNMV Circular 4/1994 of 14 December 1994 on accounting rules, reporting obligations, determination of net asset value and investment and operating ratios and operations in the appraisal of real estate held by real estate investment funds and companies. ³⁵. See the implementing regulations of Law 35/2003 of 4 November 2003 on CILs approved by Royal Decree 1309/2005 of 4 November 2005, which empowered the CNMV to approve specific rules for calculating the net asset value of CILs. Also, they empowered the Minister of the Economy and Finance and, with the latter's express authorisation, the CNMV to formulate precise rules on the composition of CILs' assets and liabilities. This empowerment was set forth in Ministerial Order EHA/35/2008 of 14 January 2008, for securities CILs, and in the Order of the Ministry of Economy and Finance of 24 September 1993, amended by Ministerial Order EHA/3064/2008 of 28 October 2008, for real estate CILs.

those whose investment policy or vocation is monetary, as has previously been the case.³⁶

The Circular details the confidential returns which these institutions have to send to the CNMV, the formats of which are included in the annex to the Circular. It should be noted that the Circular distinguishes the information to be sent by CIIIs or sub-funds exempted for size reasons, the authorisation of which is the responsibility of the Banco de España at the proposal of the CNMV.

Confidential returns shall be submitted by the CIFRADO/CNMV or by a similar system which may be set up in the future, in accordance with the technical requirements established by the CNMV.

The Circular came into force on 9 December 2008 and the first information to be submitted shall be that relating to the operations of December 2008 and balances as at 31 December 2008.

Collective investment institutions: amendment of accounting rules, annual accounts and confidential returns

Collective Investment Institutions (CIIIs) Law 35/2003 of 4 November 2003,³⁷ implemented by Royal Decree 1309/2005 of 4 November 2005,³⁸ laid down the reporting documents to be prepared by management companies of CIIIs or, if appropriate, by investment firms, in relation to each CIII that they administer. Further, it empowers the CNMV to approve standard formats of these documents.

Making use of this prerogative, CNMV *Circular 4/2008 of 11 September 2008* (BOE of 7 October 2005), was published on the content of quarterly, half-yearly and annual reports of CIIIs, and of the statement of position. Similarly, in view of the dispersion of regulations relating to these reports, the choice was made to bring together all references to them under this Circular, with the necessary adaptations. The existing provisions of the same rank were repealed.³⁹

The Circular shortens the full quarterly report hitherto prescribed, and distinguishes it from the simplified report, because the full report will include the details of the investment portfolio, while the simplified report will offer this information at the level of subtotals or totals. Similarly, the Circular stipulates that the half-yearly report which must be provided prior to subscription will be the simplified report for the first half of the year or the first part of the annual report, as appropriate.

The structure of the annual report comprises two parts: the first part is the half-yearly report for the second half of the year and the second part contains the annual accounts, management report and audit report.

The reports must include, among other things, the total expenses of the CIIIs stated as a percentage of their average assets, significant events regarding the institution which occurred

³⁶. Up until now, on instructions also from the ECB, CNMV Circular 2/1998 of 27 July 1998, amended by CNMV Circular 1/2002 of 16 September 2002 and by CNMV Circular 1/2007 of 11 July 2007, set forth statistical reporting requirements for CIIIs classed as MFIs, i.e. those whose investment policy or vocation is monetary, which are those with an average portfolio duration of less than one year and assets meeting certain conditions. This information could be used by the ECB to monitor monetary policy in the EU. ³⁷. See "Financial regulation: 2003 Q4", in *Economic Bulletin*, January 2004, Banco de España, pp. 84-87. ³⁸. See "Financial regulation: 2005 Q4" in *Economic Bulletin*, Banco de España, January 2006, pp. 112-116. ³⁹. The Circular repeals CNMV Circular 1/1991 of 23 January 1991 on the content of quarterly reports of CIIIs to their shareholders and unit-holders, and several paragraphs of CNMV Circulars 4/1993 of 29 December 1993, 4/1994 of 14 December 1994 and 3/1997 of 29 July 1997.

during the reporting period and transactions with related parties.⁴⁰ Furthermore, the CILs or, where appropriate, sub-funds whose investment policy consists of investing more than 10% of their assets in other CILs will also calculate an indirect expenses ratio⁴¹ and, should it be impossible to calculate this ratio, they will estimate it.

Also regulated by the Circular are: the means of evidencing fulfilment of the obligation to deliver periodic reports prior to the subscription of units or shares of CILs; the way to accredit the express waiver (which will be revocable) by the unit-holder or shareholder of receipt of these reports (such waiver can only be made in a separate document once the first periodic information has been received); and the request to receive quarterly reports and, if appropriate, the sending thereof electronically.

Furthermore, the CNMV may require the inclusion in the above-mentioned documents of any general or specific information and warnings which it considers appropriate for investor protection and market transparency.

Also, the obligation is included for CIL management companies and investment companies to send to the CNMV the quarterly and half-yearly reports and the first part of the annual report via the CIFRADO/CNMV system, approved by the CNMV board of directors on 15 September 2006, or by any other similar means. The second part of the annual report and the audit report will be submitted to the CNMV within the first four months of each year.

Lastly, the content of the new statements of position has been changed. These must be sent by the CIL management company, or the CIL custodian, when the latter is the marketer, to the address indicated by the unit-holders and shareholders, although this may also be done by any other electronic means. The content of these statements is detailed in the Annex to the Circular.

The Circular will come into force on 31 March 2009.

**Collective investment
institutions: update of the
CNMV's powers**

Order EHA/3064/2008 of 28 October 2008 (BOE of 30 October 2008) amended the Order of the Ministry of Economic Affairs and Finance of 26 July 1989 implementing Article 86 of the Securities Market Law, and the Order of the Ministry of Economic Affairs and Finance of 24 September 1993⁴² on real estate investment funds and companies, in order to update the CNMV's powers.

The purpose of the amendment to the Order of 26 July 1989 is to adapt these powers as a result of the change in the CNMV's area of action, as established by Law 47/2007 of 19 December 2007, which substantially amended Securities Market Law 24/1988 of 28 July 1988.

The amendment of the Order of 24 September 1993 extends the CNMV's powers to specify certain accounting matters relating to this type of institutions, in particular the value of real

40. Transactions with related parties include, inter alia, transactions involving the acquisition or sale of securities or financial instruments in which the custodian acts as seller or buyer, respectively; the acquisition of securities or financial instruments issued or guaranteed by a group entity; the acquisition of securities or financial instruments, the counterparty of which is a group entity of the management company, custodian or open-end investment company; and the amounts received by group entities of the management company arising from commissions or expenses paid by the CILs they manage. 41. This ratio will be calculated on the basis of the ratio of total expenses of the CILs in which the investment is being made, weighted by the percentage of assets invested in each of these CILs and including the subscription and redemption fees arising from said investment which have been borne by the CIL making the investment. 42. See «Regulación financiera: tercer trimestre de 1993», *Boletín Económico*, October 1993, Banco de España, pp. 77-79.

estate, of other assets and the items which must be used to calculate the established ratios and limits, especially the conditions to be met by the limits on obligations to third parties.

Lastly, in addition to laying down the specific accounting rules of real estate CIIIs, the CNMV may determine the items in the accounting statements which will count for calculating net assets and establish the specific features required if there are sub-funds, classes of units or series of shares.

Amendment of the regulations for insurance companies

Order EHA/3598/2008 of 18 November 2008 (BOE of 12 December 2008) was published, amending *Order EHA/339/2007 of 16 February 2007*, which implements certain precepts of the regulations for private insurance in order to adapt them to the new chart of accounts of insurance companies, approved by Royal Decree 1317/2008 of 24 July 2008,⁴³ and to include amendments to the Regulation on the Ordering and Supervision of Private Insurance approved by Royal Decree 2486/1998 of 20 November 1998, which were introduced by Royal Decree 1318/2008 of 24 July 2008.⁴⁴

As for the new chart of accounts, the suitability of the investments assigned to certain insurance transactions is updated on the basis of the relationship between the present value of investments and the obligations arising from insurance contracts, and the treatment of the risks associated with transactions is revised. The Directorate General of Insurance and Pension Funds is empowered to establish the operational aspects and the disclosure obligations for transactions of this type.

The Order came into force on 31 December 2008.

Urgent economic, financial and fiscal measures

The euro area countries have adopted a set of exceptional measures to counter the effects of the international financial crisis. Specifically, the EU Council of Economic and Finance Ministers (the ECOFIN Council), at its meeting of 7 October 2008, undertook to take all such actions as may be necessary to preserve the stability of the financial system, and agreed general principles for coordinated action by the Member States, according to which intervention should be opportune and temporary, taxpayers' interests should be protected and the rules of the European internal market respected. Subsequently, the Heads of State and Government of the euro area decided, at their meeting of 12 October 2008, in line with the ECOFIN Council's conclusions, to take coordinated action to ensure that liquidity conditions are appropriate for the functioning of financial institutions. For this purpose, it has been agreed that governments should provide for a limited period of time (until 31 December 2009), on market conditions, bank guarantees, insurance and similar instruments to secure new issues of medium-term bank debt. They also agreed to guarantee the liquidity of financial institutions, to facilitate medium-term financing of the financial system and, if necessary, to strengthen its capital structure.

Against this background, Spain has implemented a number of measures to stimulate lending to households and firms by credit institutions and to enhance the protection of depositors and investors. These measures may be grouped into the following lines of action.

FUND FOR THE ACQUISITION OF FINANCIAL ASSETS

Royal Decree Law 6/2008 of 10 October 2008 (BOE of 14 October 2008) creates the Fund for the Acquisition of Financial Assets (FAAF), in order to support the supply of credit to households and firms through the acquisition of financial assets. This Royal Decree Law has been

⁴³. See "Financial Regulation: 2008 Q3", *Economic Bulletin*, October 2008, Banco de España, pp. 137 - 139. ⁴⁴. See footnote above.

implemented and developed by *Order EHA/3118/2008 of 31 October 2008* (BOE of 3 November 2008) and the *Resolution of 31 October 2008* of the Directorate General of the Treasury and Financial Policy (BOE of 3 November 2008).

The FAAF, assigned to the Ministry of Economy and Finance, through the State Secretariat for Economic Affairs, is financed out of the State Budget, with a provision of €30 billion, that may be increased up to a maximum amount of €50 billion. For 2008, it is envisaged that €10 billion of extraordinary credit will be granted, which may be increased up to a maximum amount of €30 billion, to be financed with public debt. For 2009, the credit required for the FAAF to reach its maximum amount has been approved in the State Budget Law.

Administration and organisation of the FAAF

The FAAF shall be administered, managed and steered by the Ministry of Economy and Finance through a *Steering Council* and an *Executive Committee*.

The Steering Council consists of the Minister for Economic Affairs and Finance as Chair, the State Secretary for Economic Affairs, the State Secretary for Finance and the Budget, the President of the Instituto de Crédito Oficial (ICO), the Attorney General and the Auditor General. The Director General of the Treasury and Financial Policy shall act as Secretary, with the right to speak but not to vote.

The Steering Council shall have, inter alia, the following functions: establishing the investment policy of the FAAF, deciding how to apply the returns on assets and the proceeds of their redemption or sale, and approving the four-monthly report on the management of the FAAF.

The Executive Committee, which shall report to the Steering Council, consists of the State Secretary for Economic Affairs as Chair, the Director General of the Treasury and Financial Policy, the Director General of Insurance and Pension Funds, a representative of the ICO and a representative of the National Audit Office, with the right to speak but not to vote. A Treasury sub-director general shall act as secretary of the Committee, with the right to speak but not to vote. Its functions are: to carry out operations for the acquisition, transfer, disposal and management of the financial assets of the FAAF, in accordance with the guidelines laid down by the Steering Council, to prepare the proposed operating and capital budgets and to prepare the four-monthly report on the management of the FAAF.

The Executive Committee shall be advised by a *technical committee* consisting of the Director General of the Treasury and Financial Policy as Chair; three representatives appointed by the Banco de España; two representatives appointed by the CNMV; two Treasury sub-directors general, one of whom shall act as secretary of the Committee, and a representative appointed by the ICO.

The Banco de España, as agent and depository of the FAAF, shall conduct the Fund's operations, and shall record, manage and hold the security for repurchase agreements. It shall also be responsible for the accounts of the FAAF and the preparation of annual accounts, which shall be approved by the Executive Committee and subsequently sent to the Steering Council.

Assets of the FAAF and asset selection procedures

The FAAF shall invest in financial instruments issued by credit institutions and by securitisation special purpose entities, backed by loans granted to individuals, companies and non-financial institutions. To carry out its operations, the FAAF shall announce auctions, in which credit institutions domiciled in Spain and the Spanish branches of foreign credit institutions who have previously expressed an interest in participating may participate.

Prior to the announcement of each auction, the Steering Council shall determine the assets and the maximum volume that may be acquired at the auction, and the characteristics of the purchase transactions. In accordance with these criteria, the Executive Committee shall specify other aspects such as the maximum number of bids per institution and their minimum value. In this respect, Order EHA/3118/2008 of 31 October 2008 has set the minimum amount of bids at €3 million and requires higher bids to be for whole multiples of €1 million, although these amounts may be modified in the announcements if the maturity of the asset or any other circumstance makes this desirable.

Competitive⁴⁵ and non-competitive bids⁴⁶ may be auctioned. In order to promote the granting of new credit, up to 25% of the amount of each auction may be reserved for non-competitive bids. This amount shall be divided among the institutions in proportion to their contribution to credit growth after 15 October, the date of entry into force of Royal Decree Law 6/2008. In no event may auctions be held after 31 December 2009.

The financial instruments in which the FAAF invests shall be of the highest quality (as detailed below), and shall be determined in accordance with the criteria set by the Steering Council, which shall in any event reflect principles of objectivity, security, transparency, efficiency, profitability and diversification. Specifically, at the meeting of 27 October, the Steering Council decided which assets were eligible for FAAF investment and the acquisition procedure, which may be as follows:

- a) By means of outright purchase of covered bonds and securities backed by covered bonds, provided that they comply with certain requirements, including, that they have been issued after 15 October and that they have a triple-A or similar rating. Their maturity, or estimated average life, in the case of asset backed securities, shall be no longer than that determined in each auction announcement.
- b) By means of repurchase agreements in covered bonds, asset-backed securities and mortgage-backed securities, backed by loans granted to individuals, companies or non-financial institutions, provided that certain requirements are met, such as, that they have been issued since 1 August 2007, that they have at least a double-A or similar rating, and that the maturity does not exceed that specified in the announcement for each auction or, in any event, 12 months.

The FAAF's investments shall comply with certain diversification criteria. Two portfolios shall be maintained: one with assets acquired outright, and the other with securities acquired under repurchase agreements. To ensure adequate diversification of the assets acquired outright, the securities of any one issuer shall not exceed 10% of the portfolio. Likewise, no more than 10% of the portfolio of securities acquired under repurchase agreements may be acquired from any one institution.

For each homogeneous group of assets in each auction, the maximum effective amount that may be allotted to a single entity shall be the minimum of the following two amounts: 10% of the maximum volume that is to be acquired by the FAAF in the auction and the percentage resulting from multiplying by 2.5 the entity's share under the heading "Loans. Other resident

⁴⁵. Those which indicate the volume and the interest rate at which the bidder is prepared to offer the assets to the Fund, in the manner specified in each announcement. Those that fail to specify the interest rate shall not be taken into consideration. ⁴⁶. Those that do not indicate the interest rate.

Characteristics	1st AUCTION	2nd AUCTION
Auction date	20-nov-08	11-dic-08
Amount	Maximum effective amount: €5 billion. However, if the whole of the maximum amount is not allotted, the unallotted amount shall be added to the amount of the second auction.	Maximum effective amount: €5 billion. To this shall be added that part of the maximum amount not allotted in the first auction.
Procedure	FAAF acquisitions shall be made by means of repurchase agreements, with a maturity of two years and annual interest payments.	FAAF acquisitions shall be made by means of outright purchases, with a maturity or estimated average life of three years.
Assets	Covered bonds, securities backed by covered bonds, asset-backed securities and mortgage backed securities, backed by loans to individuals, companies and non-financial institutions, issued after 1 August 2007, shall be acquired.	Newly issued covered bonds and securities backed by assets backed by covered bonds may be acquired. The issues shall have a nominal value of €100,000, with a fixed 4% annual coupon.
Asset requirement	1) Assets must be admitted to listing on a regulated market or the issuer shall apply for listing within three business days of the auction allotment date, and 2) They shall comply with the conditions for being on the ECB's list of eligible assets.	1) The assets must have been issued after 15 October 2008, and 2) They must be listed on a regulated market or the issuer shall, at least, request listing within three business days of the auction allotment date.
Rating	The assets shall have at least a double A or similar rating.	The assets shall have at least a triple A or similar rating.
Formulation of bids	Each credit institution may present a maximum of three bids, the minimum amount of each being €3 million. Bids for larger amounts shall be whole multiples of €1 million. Apart from the amount, they shall specify the interest rate.	The same as in the first auction.
Asset purchase price	The effective amount of the assets to be delivered by the institutions shall be calculated using the prices published by the ECB and the valuation haircuts in force on 20 November 2008.	The purchase price shall be calculated using the return on each bid accepted.
Auction allotment conditions	The effectiveness of the allotments resulting from the auction is conditional upon the admission to listing of the instruments acquired on a regulated market. Otherwise, they shall be replaced by other equivalent instruments that are listed.	The effectiveness of the allotments resulting from the auction is conditional upon the admission to listing of the instruments on a regulated market before 11 March 2009. Otherwise the instruments shall be returned to the institution, which shall repay the cash obtained from the auction plus interest at the rate specified in its bid plus 200 basis points for the period from the payment date until 11 March 2009.
Auction results	Amount requested: €4,562 million. Amount allotted: €2,115 million. Marginal rate of 3.15%.	Amount requested: €9,479 million. Amount allotted: €7,224 million. Marginal rate of 3.75%.

SOURCE: BOE and Banco de España

sectors" (in which households and companies are included) corresponding to the latest balance sheet available before the announcement of the auction, for the maximum volume that the FAAF may acquire at the auction.

The *Resolution of 7 November 2008* (BOE of 8 November 2008) of the Directorate General of the Treasury and Financial Policy published the decisions adopted by the Executive Committee of the FAAF regarding the announcement of the first two auctions, for a maximum amount of €5 billion in each case, to be held on 20 November and 11 December 2008, respectively.

The *Resolution of 20 November 2008* (BOE of 22 November 2008) of the Directorate General of the Treasury and Financial Policy publishes the results of the first of the Fund's auctions and the *Resolution of 11 December 2008* (BOE of 13 December 2008) publishes those of the second one.

The characteristics, conditions and results of the auctions are summarised in Table 1.

Finally, the *Resolution of 23 December 2008* (BOE of 27 December 2008) of the Directorate General of the Treasury and Financial Policy published the decisions adopted by the Executive Committee of the FAAF regarding the announcement of the third and fourth auctions of the Fund. The characteristics and conditions of these are summarised in Table 2.

Characteristics	3rd AUCTION	4th AUCTION
Auction date	No later than 21 January 2009.	No later than 30 January 2009
Amount	Maximum effective amount: €5 billion. However, if the whole of the maximum amount is not allotted, the unallotted amount shall be added to the amount of the fourth auction.	Maximum effective amount: €5 billion. To this shall be added that part of the maximum amount not allotted in the second auction.
Procedure	Fund acquisitions shall be made by means of repurchase agreements, with a maturity of two years and annual interest payments.	FAAF acquisitions shall be made by means of outright purchases.
Assets	Covered bonds, securities backed by covered bonds, asset-backed securities and mortgage backed securities, backed by loans to individuals, companies and non-financial institutions, issued after 1 August 2007, shall be acquired.	Newly issued covered bonds and securities backed by assets backed by covered bonds, with a maturity or estimated average life of three years may be acquired. The issues shall have a nominal value of €100,000, with a fixed 3.5% annual coupon. All issues shall have a standard structure and shall only contain the usual market clauses.
Asset requirement	1) Assets must be admitted to listing on a regulated market or the issuer shall apply for listing within three business days of the auction allotment date, and 2) They shall comply with the conditions for being on the ECB's list of eligible assets.	1) The assets must have been issued after 15 October 2008, and 2) They must be listed on a regulated market or the issuer shall, at least, request listing within three business days of the auction allotment date.
Rating	The assets shall have at least a double A or similar rating.	The assets shall have at least a triple A or similar rating.
Formulation of bids	Each institution may present a maximum of three competitive and one non-competitive bids, the minimum amount of each being €3 million. Bids for larger amounts shall be whole multiples of €1 million. Each bid shall specify the amount and, if it is a competitive bid, the interest rate also.	The same as in the first auction.
Asset purchase price	The effective amount of the assets to be delivered shall be calculated using the prices published by the ECB and the valuation haircuts in force on 21 January 2008.	The purchase price shall be calculated using the return on each bid accepted.
Auction allotment conditions	The effectiveness of the allotments resulting from the auction is conditional upon the admission to listing of the instruments acquired on a regulated market. Otherwise, they shall be replaced by other equivalent instruments that are listed.	The effectiveness of the allotments resulting from the auction is conditional upon the admission to listing of the instruments on a regulated market before 30 April 2009. Otherwise the instruments shall be returned to the institution, which shall pay the amount specified in the cell immediately above plus interest at the rate specified in its bid plus 200 basis points for the period from the payment date until 30 April 2009.

SOURCES: BOE and Banco de España

Control of the FAAF

The FAAF shall be subject to supervision by the National Audit Office, by means of public auditing, in the terms provided in the General Budget Law. It shall also be subject to parliamentary supervision, through the relevant four-monthly reports on the management of the FAAF, which shall be sent by the Ministry of Economy and Finance to the Parliamentary Committee on Economic Affairs.

For its part, the Banco de España shall submit to the Executive Committee, every two months, detailed information on the FAAF's operations, and every fourth months, an analysis of the general financial conditions in which the FAAF's activity is taking place, as well as developments in bank lending. Both documents shall be sent to Parliament along with the four-monthly report.

GRANTING OF GUARANTEES FOR FINANCING OPERATIONS

Royal Decree Law 7/2008 of 10 October 2008 (BOE of 14 October 2008) on urgent economic and financial measures in relation to the concerted European action plan of the euro area countries,⁴⁷ implemented by *Order EHA/3364/2008 of 21 November 2008* (BOE of 24 November 2008), amended, in turn, by *Order EHA/3748/2008 of 23 December 2008* (BOE of

⁴⁷ The Parliamentary Resolution of 20 October 2008 (BOE of 25 October 2008) orders publication of the decision to validate Royal Decree Law 6/2008 of 10 October 2008, and Royal Decree Law 7/2008 of 10 October 2008.

24 December 2008), authorises State guarantees of new financing operations⁴⁸ by credit institutions resident in Spain. Also, the *Resolution of 24 November 2008* (BOE of 25 November 2008) of the Directorate General of the Treasury and Financial Policy publishes the standard form for applying for a State guarantee. The time limit for the granting of such guarantees is 31 December 2009.

Characteristics of the guarantees

State guarantees shall be granted on an irrevocable and unconditional basis, with waiver of the benefit of discussion.⁴⁹ Likewise, they shall only guarantee the principal of the loan and the ordinary interest. In the case of issues denominated in foreign currencies, guarantee mechanisms shall be established to minimise the exchange rate risk assumed by the State.

Guarantees may be applied for by credit institutions, consolidable groups of credit institutions or groupings of credit institutions, provided that they have a significant level of activity, meaning that they must account for a significant share of lending to firms and consumers in Spain.⁵⁰

Requirements for guaranteed operations

The operations that may be guaranteed comprise issues in Spain of commercial paper and bonds that fulfil the following requirements:

- a) They may be individual operations or issuance facilities.
- b) The securities issued shall be unsubordinated and shall not have any other type of guarantee. Interbank deposits shall not be guaranteed.
- c) The maturity shall be three months to three years from issuance. Exceptionally, the Ministry for Economic Affairs and Finance may guarantee operations with maturity of up to five years, following a report from the Banco de España.
- d) The interest rate may be fixed or variable. The effective interest rate shall be within the range of market returns on issues of issuers with similar characteristics and consistent with previous operations of the same issuer. Moreover, in the case of a variable interest rate, the reference rate shall be widely disseminated and used on the financial markets.
- e) Repayment shall be made by a single payment. Also, guaranteed issues shall not incorporate options, or any other derivative financial instruments, or any other element that makes it difficult to assess the risk assumed by the guarantor.
- f) The face value of each issue may not be less than €10 million and the securities shall be admitted to listing on official Spanish secondary markets.

⁴⁸ These are deemed to be the issuance of commercial paper and bonds listed on official Spanish secondary markets, although they may also include other banking instruments, such as interbank deposits, within the framework of concerted and coordinated arrangements between the euro area governments. ⁴⁹ The benefit of discussion is the right of a surety (in this case the guarantor) not to pay the guarantee until the creditor has exhausted all the property of the debtor, i.e. the creditor must first proceed against the property of the principal debtor before having recourse to the guarantor. ⁵⁰ Specifically, they must account for at least 1% of total "Loans. Other residents" in Spain, as per the *Boletín Estadístico* of the Banco de España, and they must have issued during the immediately preceding five years securities similar to those that may now be subject to this guarantee.

- g) A commission, calculated in accordance with the annex to Order EHA/3364/2008, shall be payable to the State on each operation at the time of issuance.

Applications for guarantees and the criteria for granting them

In accordance with Order EHA/3364/2008, applications for guarantees under the 2008 State budget had to be submitted before 3 December 2008, although Order EHA/3748/2008 extended the deadline to 29 December 2008 for institutions interested in obtaining a State guarantee, the provisions of this second Order being applicable to the initial applications.⁵¹

The application shall specify the exact amount of the guarantee applied for. Those whose total amount by institution, consolidable group of credit institutions or groupings of credit institutions is less than €100 million shall not be considered. The guarantee shall be granted to each institution, group or grouping in direct proportion to its market share in total "Loans. Other residents" in Spain, as per the *Boletín Estadístico* of the Banco de España, and its amount shall be at most the result of applying such share to the maximum amount of the guarantees granted each year.

The guarantee may cover one or more issues, and shall be conditional upon the performance of certain formalities. The issues guaranteed in 2008 shall be made before 15 December 2009.⁵²

Finally, in the event of execution of the guarantee, the Treasury is obliged to notify the Banco de España of such circumstance, in case it is appropriate to adopt any of the measures contained in, among other provisions, Law 26/1988 of 29 July 1988 on discipline and intervention of credit institutions.

PURCHASE OF SECURITIES TO STRENGTHEN OWN FUNDS

The aforementioned Royal Decree-Law 7/2008 of 10 October 2008 authorises the Minister for Economic Affairs and Finance, on an exceptional basis until 31 December 2009, to purchase securities issued by credit institutions resident in Spain that need to bolster their own funds, including preference shares and non-voting equity units (*cuotas participativas*). The purchase decisions will be taken following a report from the Banco de España.

The securities which are purchased by the State will not be subject to the limitations imposed by law on the eligibility of own funds for capital adequacy purposes.⁵³

NEW AMOUNTS GUARANTEED BY DEPOSITOR AND INVESTOR GUARANTEE SYSTEMS

Royal Decree 1642/2008 of 10 October 2008 (BOE of 11 October 2008) increased the guaranteed amounts of depositors and investors, previously set by Royal Decree 2606/1996 of 20 December 1996 for the credit institution deposit guarantee fund and by Royal Decree 948/2001 of 3 August 2001 for investor compensation schemes.

The amount of deposits guaranteed by the deposit guarantee fund will have an upper limit of €100,000 (previously €20,000). The amount guaranteed to investors who have entrusted securities or financial instruments to a credit institution will be independent of the foregoing amount and have a ceiling of €100,000 (previously €20,000). It should be noted that these guarantees will apply per depositor or investor, whether a natural or legal person, and whatever the number and type of deposits of cash or of securities and financial instruments held by

⁵¹ The deadline for the submission of applications for guarantees under the 2009 State budget shall be established in due course by a Treasury resolution. ⁵² The deadline for making issues guaranteed under the 2009 State budget shall be established in due course by a Treasury resolution. ⁵³ See Law 13/1985 of 25 May 1985 on the investment ratios, own funds and reporting obligations of financial intermediaries and other financial system rules, amended by Law 36/2007 of 16 November 2007, Royal Decree 216/2008 of 15 February 2008 on the own funds of financial institutions and CBE 3/2008 of 22 May 2008.

the customer with the same institution. This limit will also apply to depositors or investors holding deposits or securities or financial instruments whose amount exceeds the guaranteed maximum.

As to investor compensation schemes, the guaranteed amount for investors that entrust holdings to investment firms will be subject to a quantitative limit of €100,000 (previously €20,000).

STATE FUND FOR LOCAL
INVESTMENT AND SPECIAL STATE
FUND TO INVIGORATE THE
ECONOMY AND EMPLOYMENT

Royal Decree-Law 9/2008 of 28 November 2008 (BOE of 2 December 2008) approved the creation of the State Fund for Local Investment and the Special State Fund to Invigorate the Economy and Employment, which entailed the approval of extraordinary loans totalling €11 billion out of the 2008 budget, of which €8 billion were earmarked for the first fund and the other €3 billion for the second. Both funds will be financed with public debt.

The State Fund for Local Investment aims to increase government investment in the municipal area through the financing of newly planned construction works⁵⁴ for immediate execution⁵⁵ from 2009. Responsibility for these works lies with the local municipalities. Specifically, the financing will be directed towards projects to improve municipal infrastructure, whether it be of a productive or social nature.

The amount that municipal governments can draw from the Fund is subject to a maximum determined objectively on the basis of the population registered in municipal censuses.⁵⁶ The application period runs from 10 December 2008 to 24 January 2009.

The Fund will be subject to strict control by both the Directorate General for Local Cooperation and the National Audit Office. The Fund will be administered, operated and managed by the Ministry of Public Administration, acting through its Directorate General for Local Cooperation.

The objective of the Special State Fund to Invigorate the Economy and Employment is to finance works intended for immediate execution in certain strategic productive sectors, as a way of undertaking projects with a high impact on job preservation and creation. To this end, *Ministerial Order EHA/3566/2008 of 9 December 2008* (BOE of 10 December 2008) made public the resolution of the Council of Ministers of 5 December 2008 approving the stated purpose of the Fund and its distribution to ministerial departments. In particular, it was earmarked for such uses as: R+D+I; automobile sector activities; environmental activities; the construction, conditioning, refurbishing and improvement of public-sector buildings; and the refurbishment of housing and of urban spaces.

Lastly, the *Resolution of 9 December 2008* (BOE of 10 December 2008) of the State Secretariat for Regional Cooperation approving the application form to be submitted, the conditions applying to the process and the supporting documentation for financing via the State Fund for Local Investment was issued, and extraordinary loans for financing were approved.

OTHER COMPLEMENTARY
ECONOMIC AND FINANCIAL
MEASURES

The slowdown in economic activity and the rise in unemployment in recent months have seen the enactment of *Royal Decree 1975/2008 of 28 November 2008* (BOE of 10 December 2008), addressing the urgent adoption of economic, fiscal, employment and housing-access

⁵⁴. Newly planned works are defined as those whose execution is not envisaged in the municipal budget for 2009. ⁵⁵. Works for immediate execution are defined as those for which tendering begins less than one month from the date on which the resolution to authorise their financing via the Fund is published on the Ministry for Public Administration's website. ⁵⁶. The Ministry for Public Administration will immediately make public the list of municipalities, stating their respective numbers of inhabitants and the maximum investment to be made with a charge to the Fund.

measures, and Royal Decree 10/2008 of 12 December 2008 (BOE of 13 December 2008), whereunder financial measures to improve the liquidity of small and medium-sized companies and other additional measures have been adopted.

From the economic and financial standpoint, the most relevant measures are categorised below.

Moratorium on the payment of mortgage loans

Royal Decree 1975/2008 regulates the conditions under which certain groups may qualify for a temporary and partial moratorium on their mortgage payments. Specifically, this regulation is applicable to mortgage loan debtors purchasing their habitual residence who took out a mortgage prior to 1 September 2008, for an amount less than €170,000, and who are, prior to 1 January 2010, in one of the following situations, inter alia:

- a) Dependent employees who are unemployed and have been so for at least three months immediately prior to the application, while having entitlement to unemployment benefits.
- b) The self-employed who have been obliged to discontinue their business activity, and have been in this situation for a minimum period of three months.

The mortgage payment moratorium will cover a maximum of 50% of the monthly instalments accruing in relation to the mortgage loan between 1 January 2009 and 31 December 2010, with a ceiling of €500 per month. The deferred amounts will be made up for from 1 January 2011 by means of their distribution on a pro-rata basis over the monthly instalments remaining until the mortgage loan is fully repaid, with a maximum limit of ten years. The application of this measure will require prior agreement between the borrower and the creditor bank.

Fiscal measures

The above-mentioned Royal Decree 1975/2008 contains a package of tax measures designed to improve, exceptionally and temporarily, the tax benefits enjoyed by holders of home-purchase savings accounts and home-owners with mortgage loans or who have decided to sell their house to purchase a new habitual residence.

Firstly, the term for selling the habitual residence for the purposes of exemption due to reinvestment is extended, in those cases in which a new dwelling has been purchased in the 2006-2008 period, prior to the sale of the habitual residence, so that the formerly established period of two years is extended to 31 December 2010.

Secondly, home-purchase savings accounts which have been held as at 2008 for a period of four years and which, therefore, should be used to purchase or renovate the habitual residence so as not to forgo the tax benefits, may now be used to this end until 31 December 2010, without this entailing forfeiture of the entitlement to the tax deduction for investment in the habitual residence.

However, the new amounts deposited in the home-purchase savings account, once the four years since the account was opened have elapsed, will not qualify for a tax deduction for investment in the habitual residence.

Financing facilities for the working capital of small and medium-sized enterprises

Royal Decree Law 10/2008 approves the granting of a State credit to the ICO (Official Credit Institute) for a maximum amount of €5 billion, whose aim will be the creation and setting up of a new mediation facility to meet the working capital financing needs of small and medium-sized enterprises which, while solvent and viable, are subject to a temporary situation of credit constraints. These funds will be funded by public debt.

To cover the envisaged new financing facilities, the debt ceiling foreseen for the ICO in the State budget legislation for 2009 shall be raised by an additional €15 billion.

Further, the Royal Decree addresses other complementary measures affecting Spanish mercantile regulations. For a period of two years from 13 December 2008 (the date it came into force), the Royal Decree Law suspends the current corporate regime applicable for mandatory capital reductions of public limited companies, and for the winding up of public limited and of limited liability companies⁵⁷ arising as a result of losses derived solely from tangible fixed assets, from real estate investment and from inventories.

A further amendment under mercantile regulations relates to the consideration of net worth for the purposes of profit distribution, of the mandatory reduction in capital stock and of obligatory winding up owing to losses. In this respect, excluded from among the net worth items shall be adjustments for changes in value arising from cash flow hedging operations still to be charged to the profit and loss account.

State budget for 2009

Following the usual practice in December, Law 2/2008 of 23 December 2008 on the State budget for 2009 (BOE of 24 December 2008) was published.

From the standpoint of financial regulation, the following monetary, financial and fiscal sections call for comment.

As regards State debt, the government is authorised to increase the outstanding State debt in 2009, subject to the condition that it shall not exceed the level at the beginning of the year by more than €29,930 million (the limit for last year's budget was €7,924 million). This limit may be exceeded during the course of the year with prior authorisation of the Ministry of Economy and Finance, and those cases in which it shall be automatically revised are laid down.

In relation to State guarantees, mention should be made of the authorisation of public guarantees to back fixed-income securities issued by securitisation special purpose vehicles, aimed at improving the financing of corporate productive activity, for which an amount of €3 billion (€800 million in the previous budget) has been established.

Turning to personal income tax, an adjustment for inflation of the tax schedule, as in previous years, is not envisaged. The rules applicable to joint tax returns have been amended so that the minimum taxable income amount (set at €5,151 per annum per taxpayer) is the same for individual and joint returns, effective 1 January 2008.

The obligatory reporting ceiling applicable to gross earned income is raised from €10,000 to €11,200 when such income is received from several payers. This is as a result of the inclusion of the new rebate on income from work or from business activities.⁵⁸

⁵⁷. Under mercantile doctrine, the reduction in capital is mandatory for public limited companies if losses have reduced their net worth to below two-thirds of capital stock, and if a financial year has elapsed without net worth having been restored. A further cause for the winding up of public limited and limited liability companies is the existence of losses that leave the net worth at an amount below half the capital stock. See the Consolidated Text of the Law on Public Limited Companies, approved by Royal Legislative Decree 1564/1989 of 22 December 1989, and Law 2/1995 of 23 March 1995 on Limited Liability Companies. ⁵⁸. Regulated in article 80 bis of the Law on Personal Income Tax and which was incorporated by Royal Decree Law 2/2008 of 21 April 2008, which stated that taxpayers obtaining income from work or from business activities shall qualify for an annual rebate of €400.

The provisions to compensate for the loss of tax benefits affecting certain taxpayers have been maintained in the current personal income tax legislation, regulated by Law 35/2006 of 28 November 2006. The first provision establishes for 2008 a tax deduction for purchase of principal residence for taxpayers who purchased their principal residence before 20 January 2006. The amount is equal to the difference between the deduction resulting from the application of the previous personal income tax legislation (in Royal Legislative Decree 3/2004 of 5 March 2004⁵⁹), in force until end-2006, and that obtained under the new law.⁶⁰

The second provision for tax compensation will affect those receiving certain income from capital with a generation period exceeding two years in 2008. On one hand, income from capital obtained in relation to the transfer of capital to third persons from financial instruments taken out prior to 20 January 2006 shall qualify for a reduction of 40%, as was the case under the previous personal income tax law. On the other, income received in the form of deferred capital arising from life and invalidity insurance policies taken out prior to 20 January 2006 shall qualify for a 40% or 75% reduction, as envisaged under the previous personal income tax law.

For transfers of real estate not used in business activities, a rise of 2% in the acquisition cost adjustment coefficient is included.

Concerning corporate income tax, the coefficients applicable to real assets to enable an adjustment to be made for monetary depreciation upon their transfer are updated. Also, the manner of determining the advance payments of the tax in 2009 is laid down.

In relation to local taxes, the rateable values of properties are updated by 2%.

Other financial measures relate to the legal interest rate and the default interest rate, which are respectively held at 5.5% and 7%.

⁵⁹. See "Financial regulation: 2004 Q1", *Economic Bulletin*, April 2004, pp.99-100. ⁶⁰. During 2008 a deduction may be taken, in general, for 15% of the amounts paid for the purchase or renovation of the habitual residence, with a maximum of €9,015.18 per annum. In 2006, meanwhile, although the same deduction was available, in general, when the purchase was made using borrowed funds, in the two years following the purchase the deduction was for 25% of the first €4,507.59 and for 15% of the remainder up to €9,015.18. Subsequently, the foregoing percentages were 20% and 15%, respectively.

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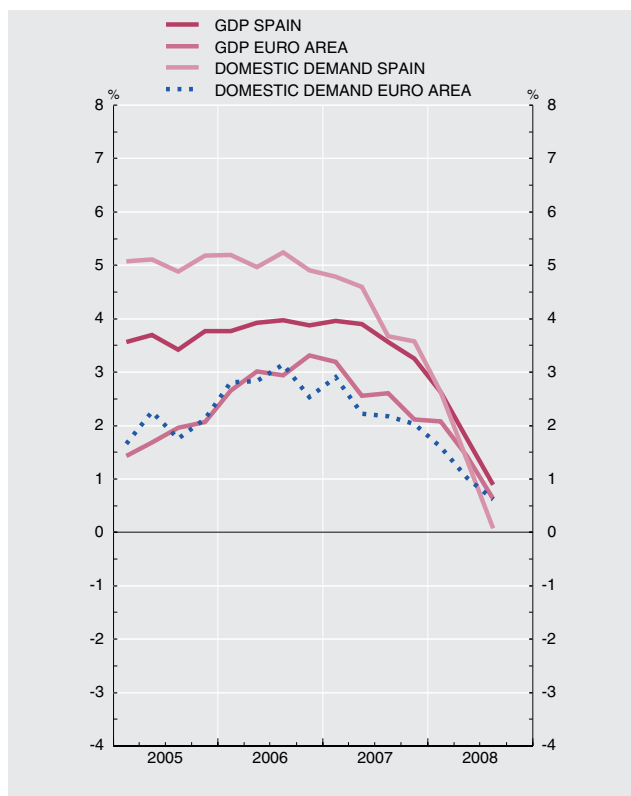
1.1. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES, REFERENCE YEAR 2000=100. DEMAND COMPONENTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

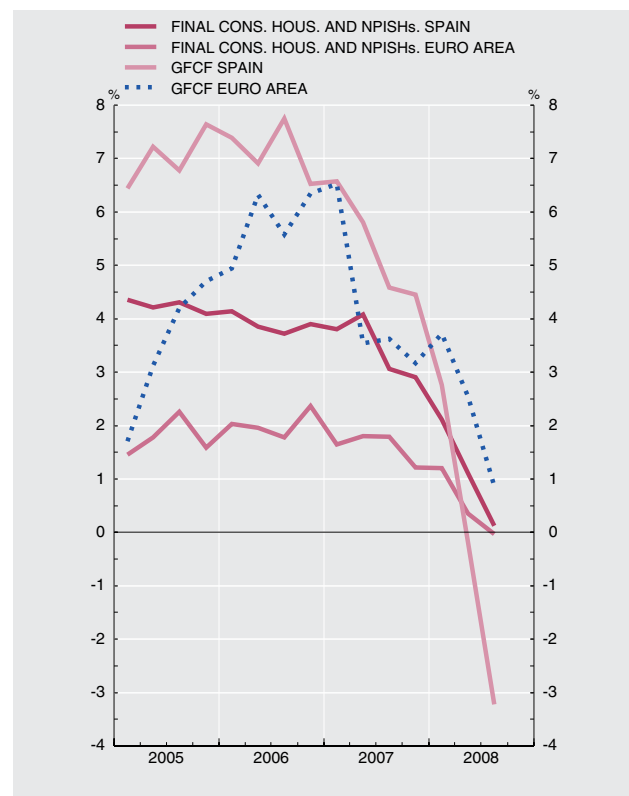
Annual percentage changes

		GDP		Final consumption of households and NPISHs		General government final consumption		Gross fixed capital formation		Domestic demand		Exports of goods and services		Imports of goods and services		Memorandum item: GDPmp (current prices) (g)	
		Spain	Euro area	Spain (b)	Euro area (c)	Spain	Euro area (d)	Spain	Euro area	Spain (e)	Euro area	Spain	Euro area (f)	Spain	Euro area (f)	Spain	Euro area
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
05	P	3.6	1.8	4.2	1.8	5.5	1.5	7.0	3.4	5.1	1.9	2.5	5.2	7.7	5.8	909	8 057
06	P	3.9	3.0	3.9	2.0	4.6	1.9	7.1	5.8	5.1	2.8	6.7	8.5	10.3	8.4	982	8 458
07	P	3.7	2.6	3.5	1.6	4.9	2.3	5.3	4.2	4.2	2.3	4.9	5.9	6.2	5.4	1 051	8 910
05 Q4	P	3.8	2.1	4.1	1.6	5.7	1.6	7.6	4.7	5.2	2.1	3.7	6.0	8.7	6.4	234	2 048
06 Q1	P	3.8	2.7	4.1	2.0	4.9	2.2	7.4	4.9	5.2	2.7	6.7	9.1	11.2	9.8	239	2 072
Q2	P	3.9	3.0	3.9	2.0	4.3	1.5	6.9	6.3	5.0	3.0	7.4	8.6	10.4	8.3	243	2 106
Q3	P	4.0	2.9	3.7	1.8	4.6	1.6	7.8	5.6	5.2	2.9	5.6	6.9	9.6	7.6	248	2 127
Q4	P	3.9	3.3	3.9	2.4	4.5	2.3	6.5	6.3	4.9	3.3	7.2	9.4	10.0	7.6	252	2 153
07 Q1	P	4.0	3.2	3.8	1.6	5.3	2.3	6.6	6.5	4.8	3.2	3.3	6.7	6.1	6.1	257	2 194
Q2	P	3.9	2.6	4.1	1.8	5.0	2.3	5.8	3.5	4.6	2.6	3.9	6.0	6.2	5.3	261	2 218
Q3	P	3.6	2.6	3.1	1.8	4.8	2.4	4.6	3.6	3.7	2.6	8.2	7.2	7.6	6.3	264	2 241
Q4	P	3.2	2.1	2.9	1.2	4.4	2.1	4.5	3.2	3.6	2.1	4.0	3.9	4.9	3.8	268	2 257
08 Q1	P	2.6	2.1	2.1	1.2	3.6	1.4	2.8	3.7	2.6	2.1	4.4	5.3	4.0	4.2	272	2 292
Q2	P	1.8	1.4	1.1	0.4	4.9	2.0	-0.2	2.5	1.4	1.4	4.2	3.9	2.4	3.0	274	2 306
Q3	P	0.9	0.6	0.1	-0.0	5.9	2.3	-3.2	0.9	0.1	0.6	1.5	2.4	-1.1	2.5	276	2 312

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



DEMAND COMPONENTS. SPAIN AND EURO AREA
Annual percentage changes



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

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

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

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

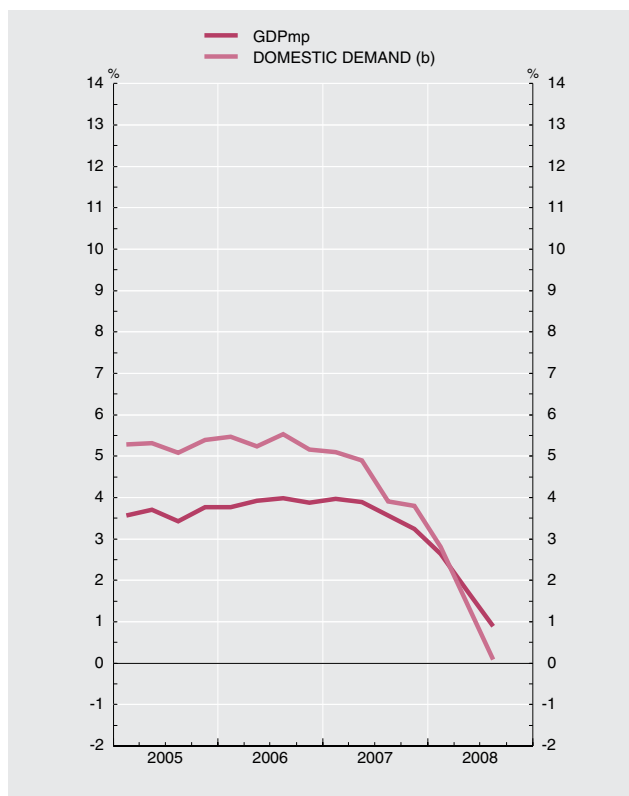
1.2. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. DEMAND COMPONENTS. SPAIN: BREAKDOWN (a)

■ Series depicted in chart.

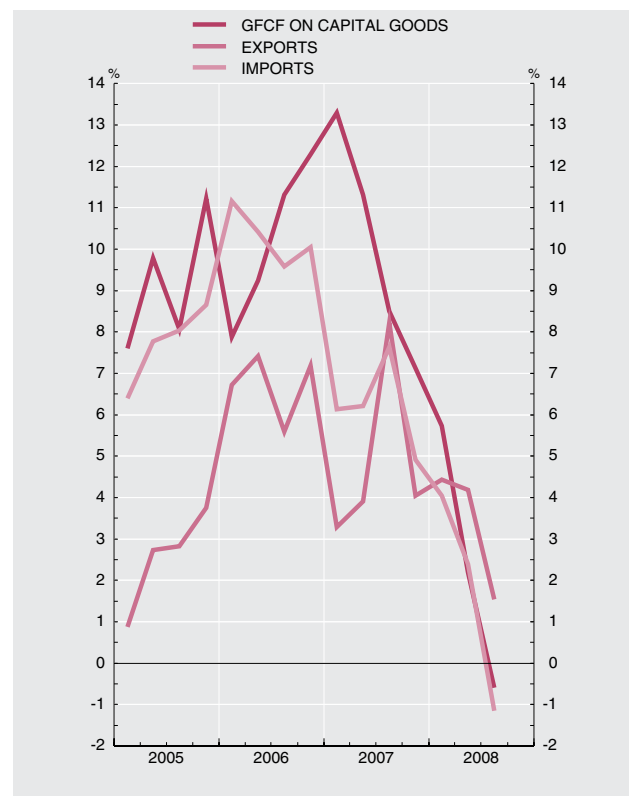
Annual percentage changes

		Gross fixed capital formation					Exports of goods and services				Imports of goods and services				Memorandum items:	
		Total	Capital goods	Construction	Other products	Change in Stocks (b)	Total	Goods	Final consumption of non-residents in economic territory	Services	Total	Goods	Final consumption of residents in the rest of the world	Services	Domestic demand (b) (c)	GDP
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
05	P	7.0	9.2	6.1	7.1	-0.1	2.5	1.1	2.3	9.5	7.7	7.3	20.6	7.2	5.3	3.6
06	P	7.1	10.2	5.9	7.1	0.2	6.7	6.7	1.6	12.2	10.3	10.3	5.9	11.2	5.3	3.9
07	P	5.3	10.0	3.8	3.9	-0.1	4.9	4.3	0.1	11.9	6.2	4.8	7.2	12.8	4.4	3.7
05 Q4	P	7.6	11.2	6.2	7.5	-0.1	3.7	3.7	2.0	5.6	8.7	9.0	15.5	5.8	5.4	3.8
06 Q1	P	7.4	7.9	6.7	9.0	0.0	6.7	7.3	2.7	8.7	11.2	11.1	3.5	12.9	5.5	3.8
Q2	P	6.9	9.2	6.1	6.4	0.2	7.4	7.7	2.8	10.9	10.4	10.0	6.9	13.3	5.2	3.9
Q3	P	7.8	11.3	6.1	8.4	0.5	5.6	6.2	1.0	7.6	9.6	10.6	7.6	5.3	5.5	4.0
Q4	P	6.5	12.3	4.7	4.6	0.2	7.2	5.6	0.0	21.6	10.0	9.5	5.6	13.7	5.2	3.9
07 Q1	P	6.6	13.3	5.1	2.4	-0.1	3.3	2.5	0.3	9.6	6.1	5.3	10.0	9.2	5.1	4.0
Q2	P	5.8	11.3	4.2	3.7	-0.1	3.9	4.0	-0.4	7.7	6.2	4.9	8.2	12.0	4.9	3.9
Q3	P	4.6	8.5	3.3	3.6	-0.1	8.2	6.0	-0.1	26.2	7.6	5.7	6.1	17.8	3.9	3.6
Q4	P	4.5	7.1	2.9	6.0	-0.0	4.0	4.6	0.4	5.2	4.9	3.5	4.5	12.1	3.8	3.2
08 Q1	P	2.8	5.7	0.4	6.6	0.1	4.4	4.1	-0.2	9.8	4.0	4.7	2.7	1.2	2.8	2.6
Q2	P	-0.2	2.2	-2.3	3.7	-0.0	4.2	4.7	-1.0	6.7	2.4	2.9	-4.6	1.6	1.5	1.8
Q3	P	-3.2	-0.6	-6.4	3.5	-0.1	1.5	3.0	-3.9	0.4	-1.1	-1.0	-1.6	-1.6	0.1	0.9

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.

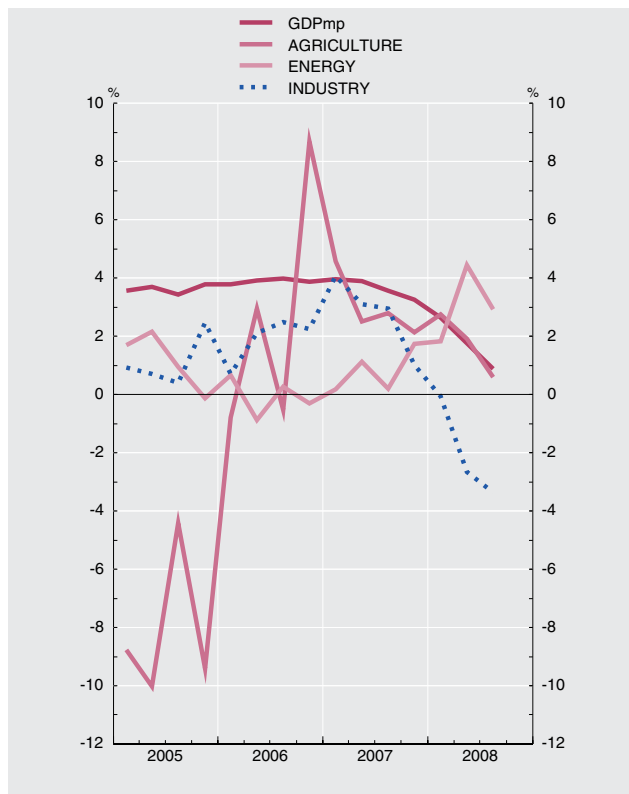
1.3. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. BRANCHES OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

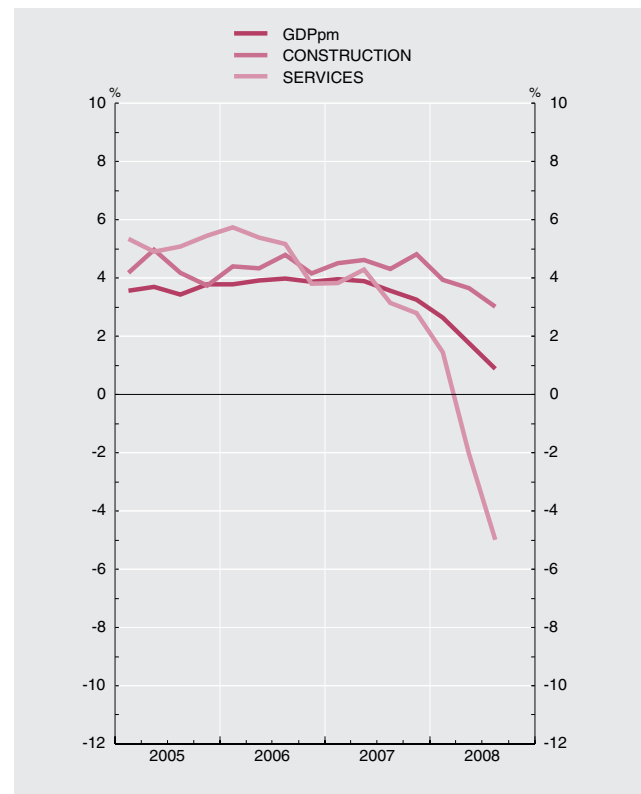
Annual percentage changes

			1	2	3	4	5	Services			9	10	11
								Total	Market services	Non-market services			
			Gross domestic product at market prices	Agriculture and fisheries	Energy	Industry	Construction				VAT on products	Net taxes linked to imports	Other net taxes on products
05	P		3.6	-8.2	1.2	1.1	5.2	4.3	4.3	3.9	5.5	4.9	7.3
06	P		3.9	2.5	-0.1	1.9	5.0	4.4	4.5	4.0	4.2	6.9	2.8
07	P		3.7	3.0	0.8	2.8	3.5	4.6	4.6	4.4	2.8	3.3	-2.3
05 Q4	P		3.8	-9.4	-0.1	2.5	5.5	3.7	3.8	3.6	5.4	8.1	16.1
06 Q1	P		3.8	-0.8	0.7	0.7	5.7	4.4	4.5	3.9	5.2	11.3	3.2
Q2	P		3.9	2.9	-0.9	2.1	5.4	4.3	4.3	4.3	4.2	7.1	3.4
Q3	P		4.0	-0.5	0.3	2.5	5.2	4.8	5.1	3.6	3.9	4.7	-0.4
Q4	P		3.9	8.7	-0.3	2.2	3.8	4.2	4.1	4.4	3.7	4.8	4.9
07 Q1	P		4.0	4.6	0.2	4.1	3.8	4.5	4.6	4.2	3.3	2.7	-0.9
Q2	P		3.9	2.5	1.1	3.1	4.3	4.6	4.7	4.3	3.3	2.8	-1.4
Q3	P		3.6	2.8	0.2	2.9	3.1	4.3	4.3	4.3	2.6	5.4	-0.1
Q4	P		3.2	2.1	1.7	1.0	2.8	4.8	4.8	4.7	1.9	2.2	-6.6
08 Q1	P		2.6	2.7	1.8	-0.1	1.5	3.9	3.8	4.4	1.3	-1.3	-1.8
Q2	P		1.8	1.9	4.4	-2.7	-2.1	3.6	3.3	4.8	0.9	-5.1	-1.2
Q3	P		0.9	0.6	2.9	-3.4	-5.0	3.0	2.4	5.3	-0.1	-14.2	0.2

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).

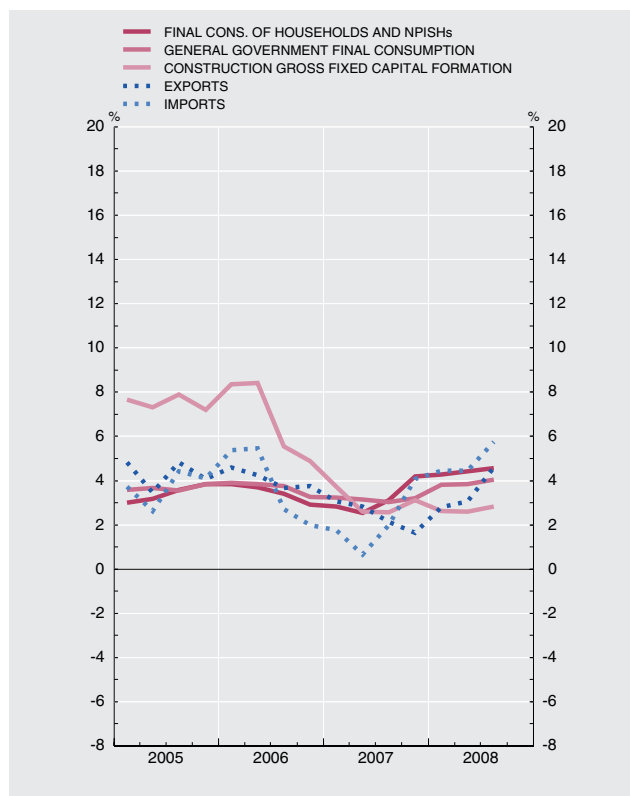
1.4. GROSS DOMESTIC PRODUCT. IMPLICIT DEFLATORS. SPAIN (a)

■ Series depicted in chart.

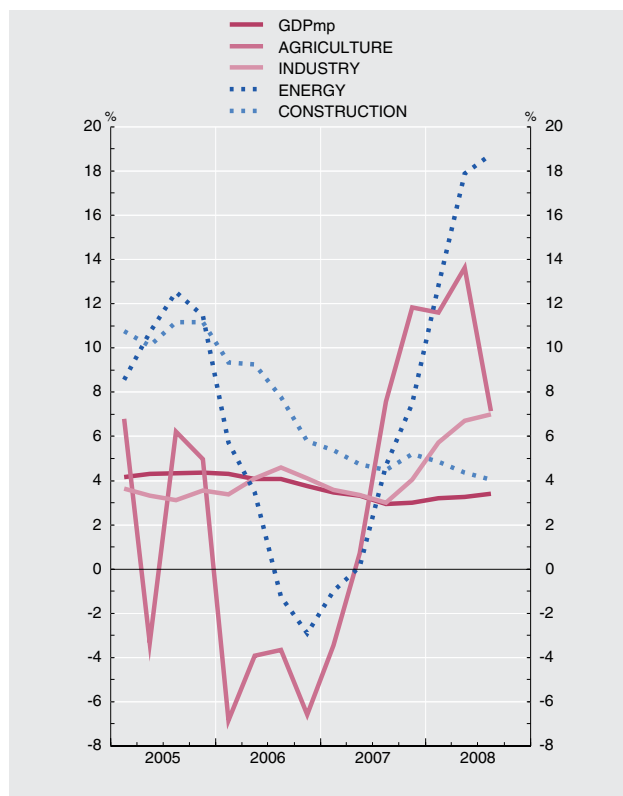
Annual percentage changes

		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	
05	P	3.4	3.7	2.7	7.5	4.7	4.3	3.7	4.3	3.5	10.8	3.4	10.8	2.9	2.7	
06	P	3.4	3.7	2.0	6.7	4.9	4.0	3.8	4.0	-5.3	1.2	4.1	8.0	3.1	2.8	
07	P	3.2	3.2	1.7	3.0	3.2	2.4	2.1	3.2	4.2	2.8	3.5	4.9	3.3	3.1	
05 Q4	P	3.9	3.8	2.9	7.2	4.5	4.1	4.1	4.4	5.0	11.4	3.6	11.2	3.4	3.3	
06 Q1	P	3.8	3.9	2.7	8.3	5.2	4.6	5.4	4.3	-6.8	5.7	3.4	9.3	2.9	2.7	
Q2	P	3.7	3.9	2.4	8.4	5.5	4.2	5.5	4.1	-3.9	3.5	4.1	9.3	3.5	3.4	
Q3	P	3.4	3.8	1.7	5.6	5.0	3.7	2.7	4.1	-3.7	-1.2	4.6	7.8	3.1	2.9	
Q4	P	2.9	3.3	1.4	4.9	4.1	3.7	2.0	3.8	-6.6	-2.9	4.1	5.8	2.8	2.5	
07 Q1	P	2.9	3.2	1.9	3.7	3.7	3.0	1.7	3.5	-3.5	-1.0	3.6	5.4	3.0	2.8	
Q2	P	2.6	3.1	1.7	2.6	2.7	2.8	0.7	3.3	0.7	0.1	3.3	4.7	2.9	2.7	
Q3	P	3.1	3.0	1.3	2.6	2.7	2.1	2.0	3.0	7.6	4.7	3.0	4.5	3.3	3.1	
Q4	P	4.2	3.2	2.1	3.1	3.5	1.7	4.1	3.0	11.8	7.5	4.0	5.2	3.9	3.9	
08 Q1	P	4.3	3.8	2.4	2.6	2.9	2.8	4.4	3.2	11.6	12.8	5.7	4.8	4.2	4.3	
Q2	P	4.4	3.8	1.8	2.6	1.6	3.0	4.5	3.3	13.6	17.9	6.7	4.4	4.9	5.2	
Q3	P	4.6	4.0	2.1	2.8	1.2	4.6	5.8	3.4	7.1	18.8	7.0	4.0	5.0	5.3	

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.

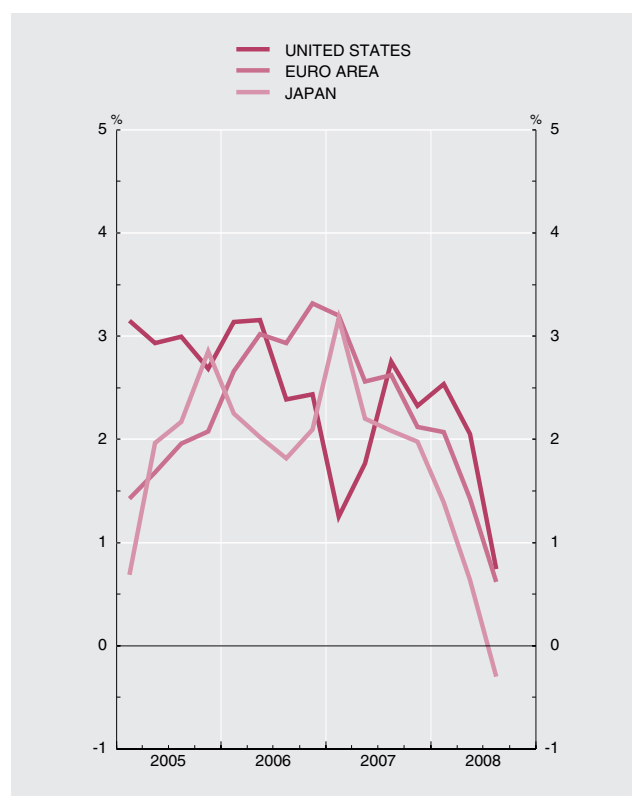
2.1. INTERNATIONAL COMPARISON. GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

■ Series depicted in chart.

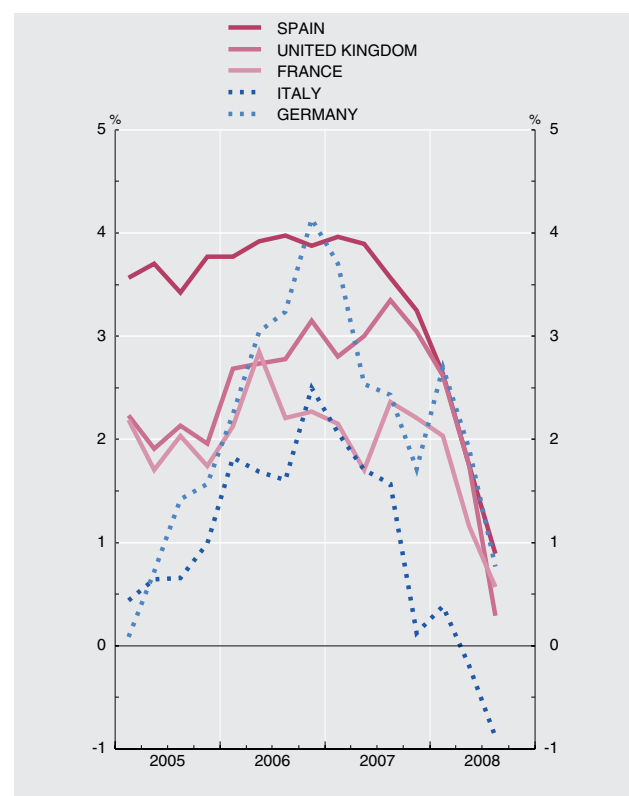
Annual percentage changes

	OECD	EU-27	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
05	2.7	2.0	1.8	0.9	3.6	2.9	1.9	0.7	1.9	2.1
06	3.2	3.2	3.0	3.2	3.9	2.8	2.4	1.9	2.0	2.8
07	2.7	2.9	2.6	2.6	3.7	2.0	2.1	1.4	2.4	3.0
05 Q3	2.8	2.2	2.0	1.4	3.4	3.0	2.0	0.7	2.2	2.1
Q4	2.9	2.3	2.1	1.6	3.8	2.7	1.7	1.0	2.9	2.0
06 Q1	3.3	2.9	2.7	2.2	3.8	3.1	2.1	1.8	2.2	2.7
Q2	3.4	3.2	3.0	3.0	3.9	3.2	2.8	1.7	2.0	2.7
Q3	3.0	3.2	2.9	3.2	4.0	2.4	2.2	1.6	1.8	2.8
Q4	3.0	3.5	3.3	4.1	3.9	2.4	2.3	2.5	2.1	3.2
07 Q1	2.6	3.3	3.2	3.7	4.0	1.3	2.1	2.1	3.2	2.8
Q2	2.5	2.8	2.6	2.5	3.9	1.8	1.7	1.7	2.2	3.0
Q3	2.9	2.9	2.6	2.4	3.6	2.8	2.4	1.6	2.1	3.3
Q4	2.6	2.5	2.1	1.7	3.2	2.3	2.2	0.1	2.0	3.0
08 Q1	2.5	2.3	2.1	2.7	2.6	2.5	2.0	0.4	1.4	2.6
Q2	1.9	1.7	1.4	1.9	1.8	2.1	1.2	-0.2	0.6	1.7
Q3	...	0.8	0.6	0.8	0.9	0.7	0.6	-0.9	-0.3	0.3

GROSS DOMESTIC PRODUCT
Annual percentage changes



GROSS DOMESTIC PRODUCT
Annual percentage changes



Sources: ECB, INE and OECD.

Note: The underlying series for this indicator are in Table 26.2 of the BE Boletín Estadístico.

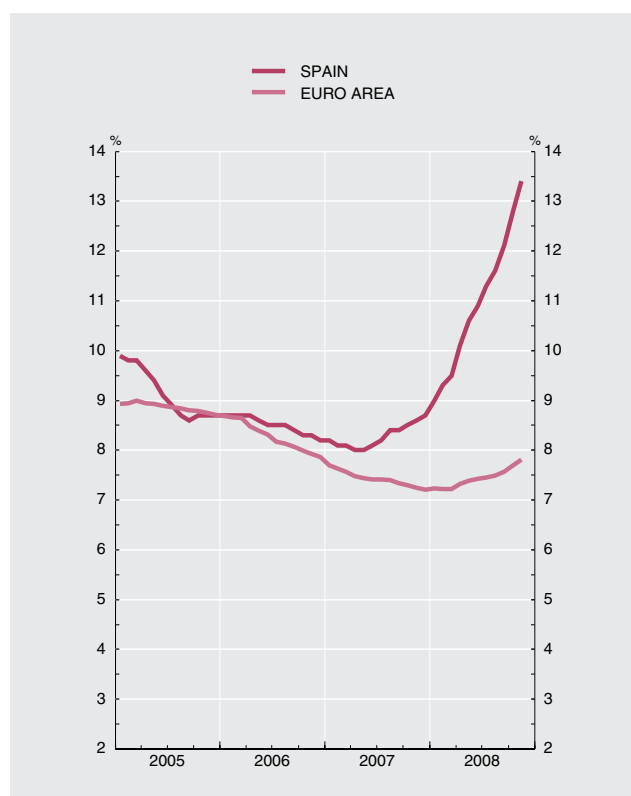
2.2. INTERNATIONAL COMPARISON. UNEMPLOYMENT RATES

■ Series depicted in chart.

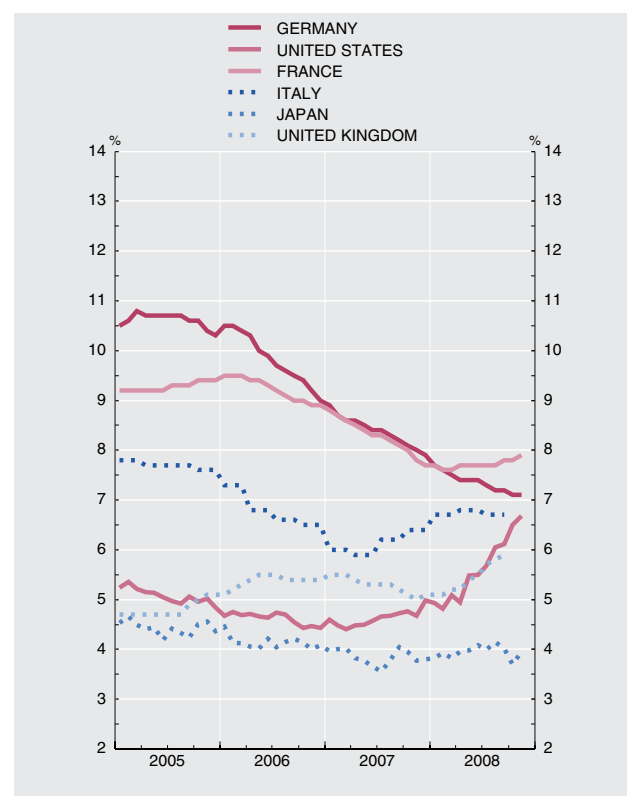
Percentages

	OECD	EU-27	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
05	6.8	8.9	8.9	10.6	9.2	5.1	9.3	7.7	4.4	4.8
06	6.3	8.2	8.3	9.8	8.5	4.6	9.2	6.8	4.1	5.4
07	5.8	7.1	7.4	8.4	8.3	4.6	8.3	6.1	3.8	5.3
07 Jun	5.8	7.1	7.4	8.4	8.1	4.6	8.3	5.9	3.7	5.3
Jul	5.8	7.1	7.4	8.4	8.2	4.7	8.3	6.2	3.6	5.3
Aug	5.8	7.1	7.4	8.3	8.4	4.7	8.2	6.2	3.8	5.3
Sep	5.8	7.0	7.3	8.2	8.4	4.7	8.1	6.2	4.1	5.2
Oct	5.8	6.9	7.3	8.1	8.5	4.8	8.0	6.4	4.0	5.1
Nov	5.7	6.9	7.2	8.0	8.6	4.7	7.8	6.4	3.8	5.0
Dec	5.8	6.8	7.2	7.9	8.7	5.0	7.7	6.4	3.8	5.1
08 Jan	5.7	6.8	7.2	7.7	9.0	4.9	7.7	6.7	3.8	5.1
Feb	5.7	6.8	7.2	7.6	9.3	4.8	7.6	6.7	3.9	5.1
Mar	5.8	6.8	7.2	7.5	9.5	5.1	7.6	6.7	3.8	5.2
Apr	5.8	6.8	7.3	7.4	10.1	5.0	7.7	6.8	4.0	5.2
May	6.0	6.9	7.4	7.4	10.6	5.5	7.7	6.8	4.0	5.4
Jun	6.0	6.9	7.4	7.4	10.9	5.5	7.7	6.8	4.1	5.5
Jul	6.1	6.9	7.4	7.3	11.3	5.7	7.7	6.7	4.0	5.7
Aug	6.2	7.0	7.5	7.2	11.6	6.1	7.7	6.7	4.2	5.8
Sep	6.3	7.0	7.6	7.2	12.1	6.1	7.8	6.7	4.0	5.9
Oct	6.4	7.1	7.7	7.1	12.8	6.5	7.8	...	3.7	...
Nov	6.5	7.2	7.8	7.1	13.4	6.7	7.9	...	4.0	...

UNEMPLOYMENT RATES



UNEMPLOYMENT RATES



Sources: ECB and OECD.

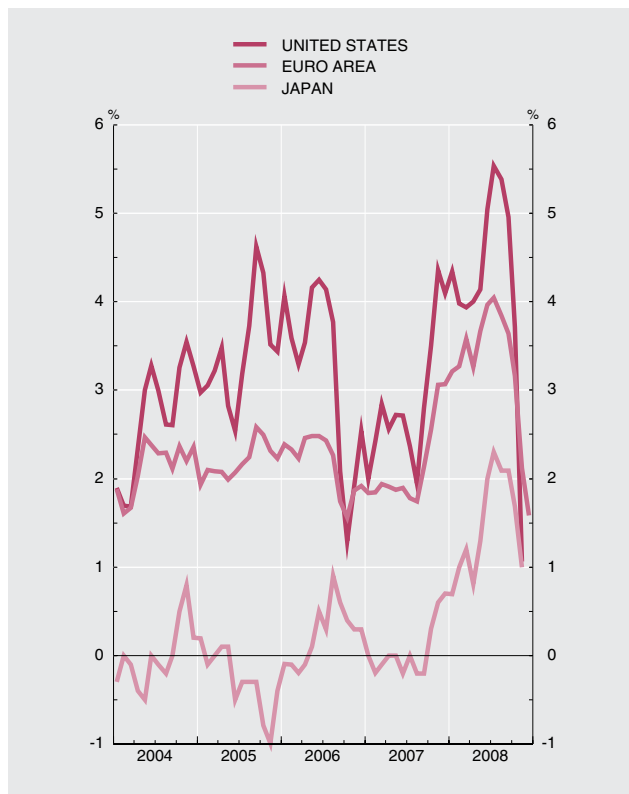
2.3. INTERNATIONAL COMPARISON. CONSUMER PRICES (a)

■ Series depicted in chart.

Annual percentage changes

	OECD	EU-27	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
04	2.4	2.3	2.1	1.8	3.1	2.7	2.3	2.3	-0.0	1.3
05	2.6	2.3	2.2	1.9	3.4	3.4	1.9	2.2	-0.3	2.1
06	2.7	2.3	2.2	1.8	3.6	3.2	1.9	2.2	0.2	2.3
07	2.5	2.4	2.1	2.3	2.8	2.9	1.6	2.0	0.1	2.3
07 Jul	2.1	2.0	1.8	2.0	2.3	2.4	1.2	1.7	-	1.9
Aug	1.9	1.9	1.7	2.0	2.2	1.9	1.3	1.7	-0.2	1.7
Sep	2.4	2.3	2.1	2.7	2.7	2.8	1.6	1.7	-0.2	1.7
Oct	2.9	2.7	2.6	2.7	3.6	3.5	2.1	2.3	0.3	2.0
Nov	3.5	3.1	3.1	3.3	4.1	4.4	2.6	2.6	0.6	2.1
Dec	3.4	3.2	3.1	3.1	4.3	4.1	2.8	2.8	0.7	2.1
08 Jan	3.5	3.4	3.2	2.9	4.4	4.3	3.2	3.1	0.7	2.2
Feb	3.4	3.5	3.3	3.0	4.4	4.0	3.2	3.1	1.0	2.5
Mar	3.6	3.7	3.6	3.3	4.6	3.9	3.5	3.6	1.2	2.4
Apr	3.5	3.6	3.3	2.6	4.2	4.0	3.4	3.6	0.8	3.0
May	3.9	4.0	3.7	3.1	4.7	4.1	3.7	3.7	1.3	3.3
Jun	4.4	4.2	4.0	3.4	5.1	5.0	4.0	4.0	2.0	3.8
Jul	4.9	4.4	4.0	3.5	5.3	5.5	4.0	4.0	2.3	4.4
Aug	4.7	4.3	3.8	3.3	4.9	5.4	3.5	4.2	2.1	4.8
Sep	4.5	4.2	3.6	3.0	4.6	5.0	3.3	3.9	2.1	5.2
Oct	3.8	3.7	3.2	2.5	3.6	3.7	3.0	3.6	1.7	4.5
Nov	2.3	2.8	2.1	1.4	2.4	1.1	1.9	2.7	1.0	4.1
Dec	...	2.2	1.6	1.1	1.5	...	1.2	2.4	...	...

CONSUMER PRICES
Annual percentage changes



CONSUMER PRICES
Annual percentage changes



Sources: OECD, INE and Eurostat.

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

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

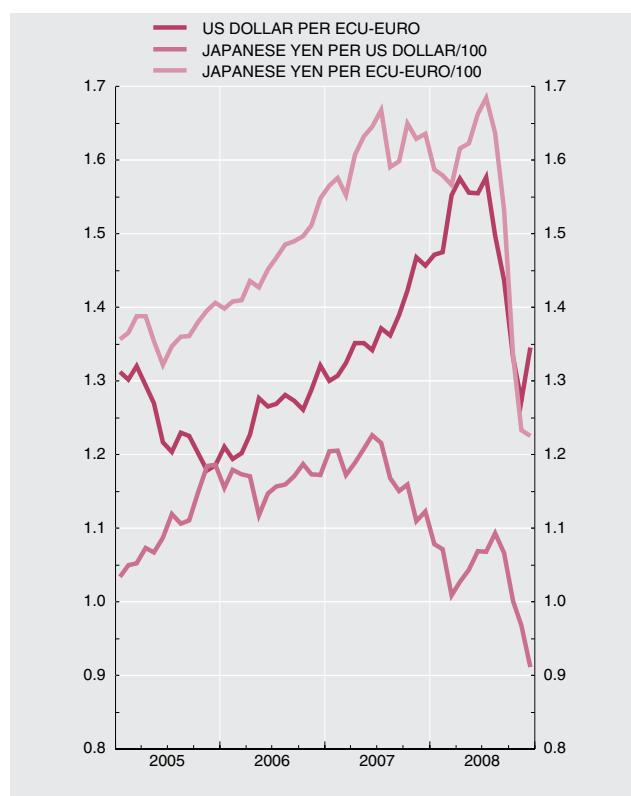
2.4. BILATERAL EXCHANGE RATES AND NOMINAL AND REAL EFFECTIVE EXCHANGE RATE INDICES FOR THE EURO, US DOLLAR AND JAPANESE YEN

■ Series depicted in chart.

Average of daily data

	Exchange rates			Indices of the nominal effective exchange rate vis-à-vis the (a) developed countries 1999 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
06	1.2561	146.09	116.32	103.7	86.8	93.9	104.6	94.8	76.5	103.3	96.4	77.3
07	1.3710	161.26	117.74	107.7	82.3	89.0	108.3	91.0	70.8	107.2	92.7	72.0
08	1.4707	152.31	103.36	112.7	78.2	99.8	112.7	87.1	76.3	110.0	90.3	77.4
07 J-D	1.3710	161.26	117.74	107.7	82.3	89.0	108.3	91.0	70.8	107.2	92.7	72.0
08 J-D	1.4707	152.31	103.36	112.7	78.2	99.8	112.7	87.1	76.3	110.0	90.3	77.4
07 Oct	1.4227	164.95	115.94	109.4	78.3	88.4	110.1	86.8	70.2	109.0	89.2	71.4
Nov	1.4684	162.89	110.95	111.0	76.3	91.2	111.8	84.9	71.9	110.2	88.1	72.9
Dec	1.4570	163.55	112.26	111.2	77.9	90.8	111.8	86.4	71.6	110.3	88.9	72.8
08 Jan	1.4718	158.68	107.81	112.0	77.1	94.3	112.4	86.2	74.2	110.7	88.3	75.3
Feb	1.4748	157.97	107.12	111.8	76.7	94.7	112.0	85.6	74.1	110.7	88.0	75.3
Mar	1.5527	156.59	100.88	114.6	74.0	98.5	115.0	82.9	76.8	113.1	85.9	77.5
Apr	1.5751	161.56	102.66	116.0	74.4	96.5	116.1	83.5	74.8	114.1	86.3	75.6
May	1.5557	162.31	104.34	115.5	74.7	95.3	115.5	83.9	73.9	113.1	87.6	74.2
Jun	1.5553	166.26	106.91	115.4	75.5	93.1	115.3	85.3	72.0	112.5	88.9	72.4
Jul	1.5770	168.45	106.83	115.8	75.0	92.6	115.3	85.0	71.6	112.4	89.1	72.4
Aug	1.4975	163.63	109.28	113.5	78.2	92.9	113.1	88.2	72.2	110.2	91.7	73.6
Sep	1.4370	153.20	106.62	111.6	79.4	97.3	111.2	89.4	75.5	108.0	93.8	76.8
Oct	1.3322	133.52	100.11	107.6	83.7	108.2	107.6	93.6	84.4	104.2	96.4	86.3
Nov	1.2732	123.28	96.82	106.8	86.1	114.6	107.0	95.0	89.7	103.2	97.0	92.6
Dec	1.3449	122.51	91.16	112.0	84.0	119.8	112.3	...	...	107.5	...	...

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.

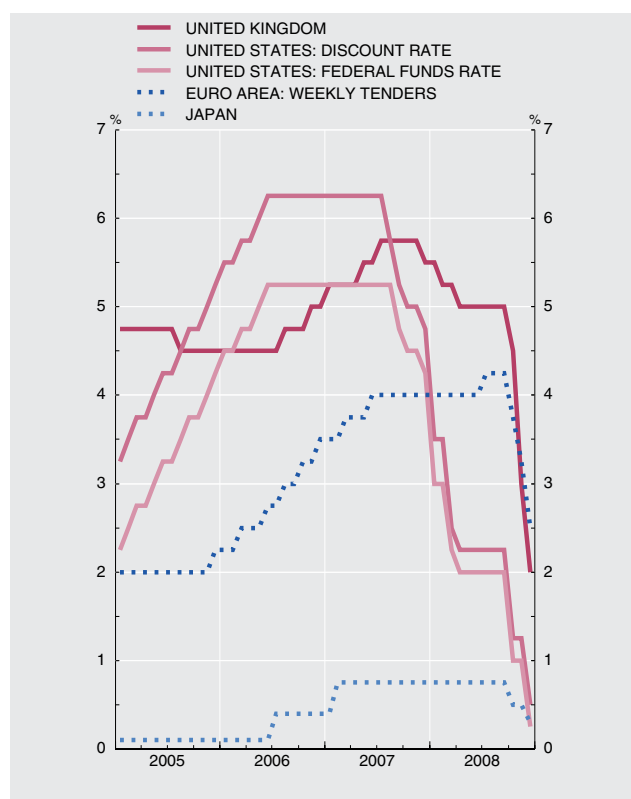
2.5. OFFICIAL INTERVENTION INTEREST RATES AND SHORT-TERM INTEREST RATES

■ Series depicted in chart.

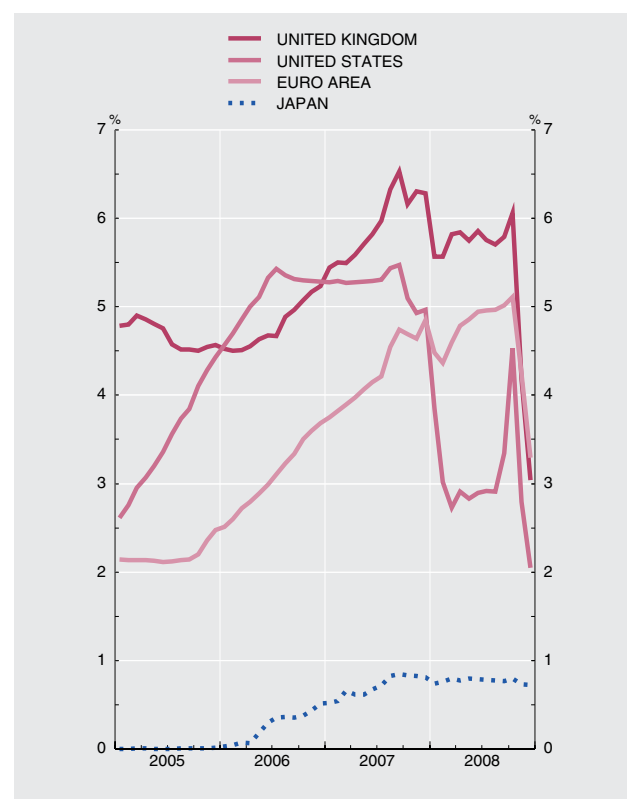
Percentages

	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
		Discount rate (b)	Federal funds rate	(c)	(d)										
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
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
07	4.00	4.75	5.00	0.75	5.50	4.23	4.51	4.28	-	-	5.24	-	-	0.71	5.93
07 Jul	4.00	6.25	5.25	0.75	5.75	4.24	4.47	4.22	-	-	5.31	-	-	0.72	5.97
Aug	4.00	5.75	5.25	0.75	5.75	4.45	4.79	4.54	-	-	5.44	-	-	0.82	6.33
Sep	4.00	5.25	4.75	0.75	5.75	4.55	4.99	4.74	-	-	5.47	-	-	0.85	6.53
Oct	4.00	5.00	4.50	0.75	5.75	4.36	4.89	4.69	-	-	5.09	-	-	0.84	6.16
Nov	4.00	5.00	4.50	0.75	5.75	4.29	4.88	4.64	-	-	4.93	-	-	0.83	6.31
Dec	4.00	4.75	4.25	0.75	5.50	4.37	5.05	4.85	-	-	4.97	-	-	0.81	6.28
08 Jan	4.00	3.50	3.00	0.75	5.50	3.74	4.64	4.48	-	-	3.85	-	-	0.74	5.56
Feb	4.00	3.50	3.00	0.75	5.25	3.38	4.54	4.36	-	-	3.02	-	-	0.76	5.57
Mar	4.00	2.50	2.25	0.75	5.25	3.36	4.78	4.60	-	-	2.73	-	-	0.80	5.82
Apr	4.00	2.25	2.00	0.75	5.00	3.49	4.93	4.78	-	-	2.91	-	-	0.77	5.84
May	4.00	2.25	2.00	0.75	5.00	3.46	4.98	4.86	-	-	2.83	-	-	0.79	5.75
Jun	4.00	2.25	2.00	0.75	5.00	3.53	5.07	4.94	-	-	2.90	-	-	0.79	5.85
Jul	4.25	2.25	2.00	0.75	5.00	3.53	5.08	4.96	-	-	2.92	-	-	0.78	5.76
Aug	4.25	2.25	2.00	0.75	5.00	3.52	5.07	4.97	-	-	2.91	-	-	0.77	5.70
Sep	4.25	2.25	2.00	0.75	5.00	3.72	5.13	5.02	-	-	3.35	-	-	0.77	5.79
Oct	3.75	1.25	1.00	0.50	4.50	4.23	5.25	5.11	-	-	4.53	-	-	0.80	6.06
Nov	3.25	1.25	1.00	0.50	3.00	3.08	4.23	4.24	-	-	2.80	-	-	0.73	4.18
Dec	2.50	0.50	0.25	0.30	2.00	2.35	3.26	3.29	-	-	2.05	-	-	0.72	3.04

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.

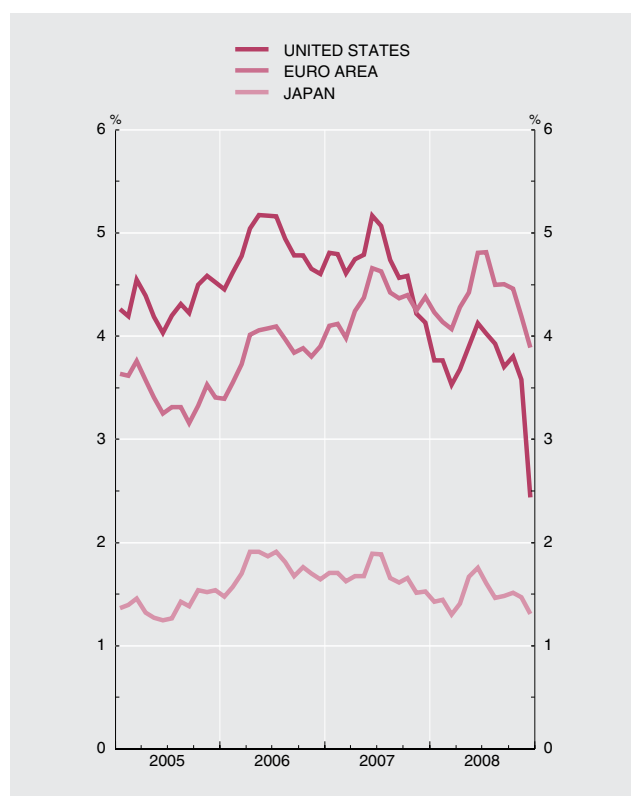
2.6. 10-YEAR GOVERNMENT BOND YIELDS ON DOMESTIC MARKETS

■ Series depicted in chart.

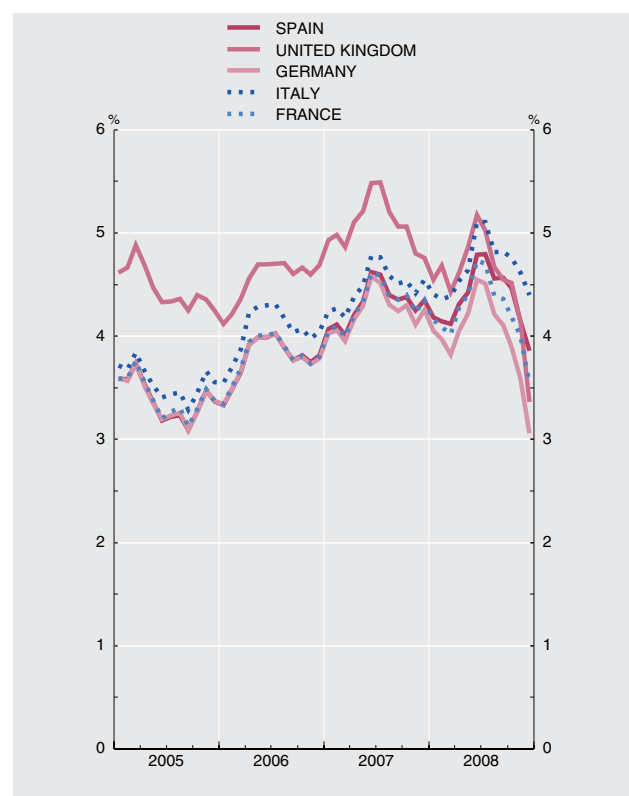
Percentages

	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
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
07	4.12	4.44	4.33	4.23	4.31	4.68	4.30	4.48	1.68	5.08
07 Jul	4.44	4.74	4.63	4.52	4.60	5.07	4.58	4.76	1.89	5.49
Aug	4.18	4.53	4.43	4.31	4.40	4.74	4.39	4.58	1.65	5.20
Sep	4.08	4.46	4.37	4.24	4.35	4.56	4.36	4.51	1.61	5.06
Oct	4.11	4.50	4.40	4.30	4.38	4.58	4.40	4.53	1.66	5.06
Nov	3.87	4.33	4.25	4.11	4.25	4.22	4.23	4.42	1.51	4.80
Dec	3.87	4.43	4.38	4.25	4.35	4.13	4.35	4.55	1.53	4.76
08 Jan	3.63	4.24	4.23	4.05	4.18	3.76	4.16	4.41	1.43	4.55
Feb	3.63	4.21	4.14	3.97	4.14	3.76	4.09	4.36	1.45	4.68
Mar	3.46	4.13	4.07	3.82	4.12	3.53	4.02	4.39	1.31	4.43
Apr	3.63	4.33	4.28	4.05	4.31	3.68	4.27	4.54	1.41	4.62
May	3.82	4.48	4.42	4.22	4.42	3.90	4.40	4.64	1.67	4.86
Jun	4.07	4.83	4.81	4.55	4.79	4.13	4.73	5.11	1.75	5.17
Jul	3.98	4.79	4.81	4.51	4.80	4.03	4.70	5.10	1.61	5.02
Aug	3.79	4.49	4.50	4.22	4.56	3.92	4.39	4.82	1.46	4.67
Sep	3.67	4.43	4.50	4.11	4.57	3.71	4.36	4.82	1.49	4.54
Oct	3.66	4.31	4.46	3.90	4.47	3.80	4.19	4.76	1.51	4.52
Nov	3.46	4.06	4.20	3.59	4.15	3.58	4.00	4.61	1.47	4.14
Dec	2.77	3.61	3.89	3.06	3.86	2.44	3.54	4.40	1.31	3.36

10-YEAR GOVERNMENT BOND YIELDS



10-YEAR GOVERNMENT BOND YIELDS



Sources: ECB, Reuters and BE.

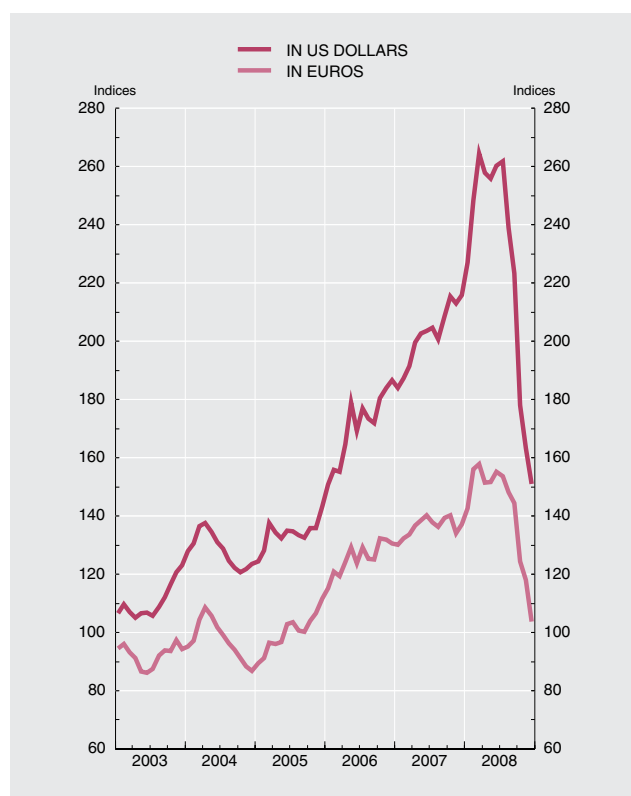
2.7 INTERNATIONAL MARKETS. NON-ENERGY COMMODITIES PRICE INDEX. CRUDE OIL AND GOLD PRICE.

■ Series depicted in chart.

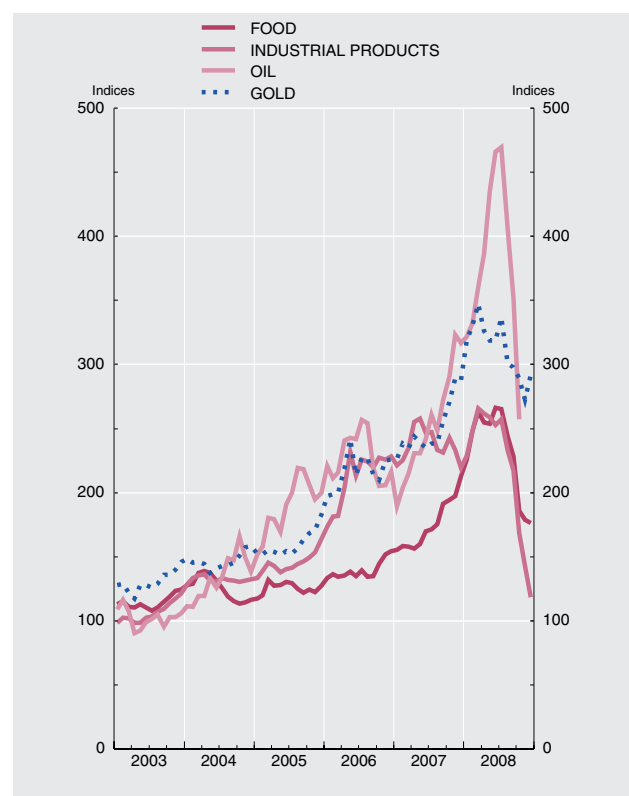
Base 2000 = 100

	Non-energy commodity price index (a)						Oil		Gold		
	Euro index	US dollar index					Index (b)	Brent North sea	Index (c)	US dollars per troy ounce	Euro per gram
	General	General	Food	Industrial products				US dollars per barrel			
				Total	Non-food agricultural products	Metals					
	1	2	3	4	5	6	7	8	9	10	11
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
07	136.4	202.3	175.1	237.4	162.4	278.4	252.1	73.0	249.8	696.7	16.32
07 J-D	136.4	202.3	175.1	237.4	162.4	278.4	252.1	73.0	249.8	696.7	16.32
08 J-D	142.2	227.4	232.4	221.0	176.0	245.5	...	97.2	312.4	871.4	19.07
07 Nov	134.1	213.1	197.5	233.3	175.7	264.7	323.3	93.1	289.0	806.2	17.65
Dec	137.1	215.7	212.8	219.5	176.1	243.2	316.7	91.5	287.9	803.2	17.77
08 Jan	142.7	227.1	225.7	228.8	181.9	254.6	321.7	92.4	318.9	889.6	19.42
Feb	156.1	248.4	248.4	248.5	190.4	280.3	332.0	95.8	330.6	922.3	20.11
Mar	157.9	264.3	263.4	265.5	193.7	304.9	360.7	104.3	347.1	968.4	20.06
Apr	151.5	257.9	254.8	261.9	191.4	300.4	386.2	108.7	326.1	909.7	18.57
May	151.7	255.9	253.7	258.7	199.3	291.2	434.8	123.0	318.6	888.7	18.39
Jun	155.2	260.3	266.2	252.6	204.1	279.2	465.8	132.0	318.8	889.5	18.39
Jul	153.6	261.8	265.3	257.2	203.4	286.7	469.5	133.0	336.9	939.8	19.17
Aug	148.0	239.0	243.8	232.9	190.6	256.0	405.8	114.2	300.8	839.0	18.00
Sep	144.3	223.4	228.3	217.0	181.0	236.7	351.7	98.1	297.5	829.9	18.56
Oct	124.4	178.1	185.7	168.2	141.3	183.0	257.5	72.0	289.1	806.6	19.48
Nov	118.1	163.2	178.9	143.0	127.5	151.4	...	52.7	272.7	760.9	19.20
Dec	103.6	151.0	176.1	118.6	108.7	124.0	...	40.5	291.5	813.1	19.52

NON-ENERGY COMMODITY PRICE INDEX



PRICE INDICES FOR NON-ENERGY COMMODITIES, OIL AND GOLD



Sources: The Economist, IMF, ECB and BE.

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

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

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

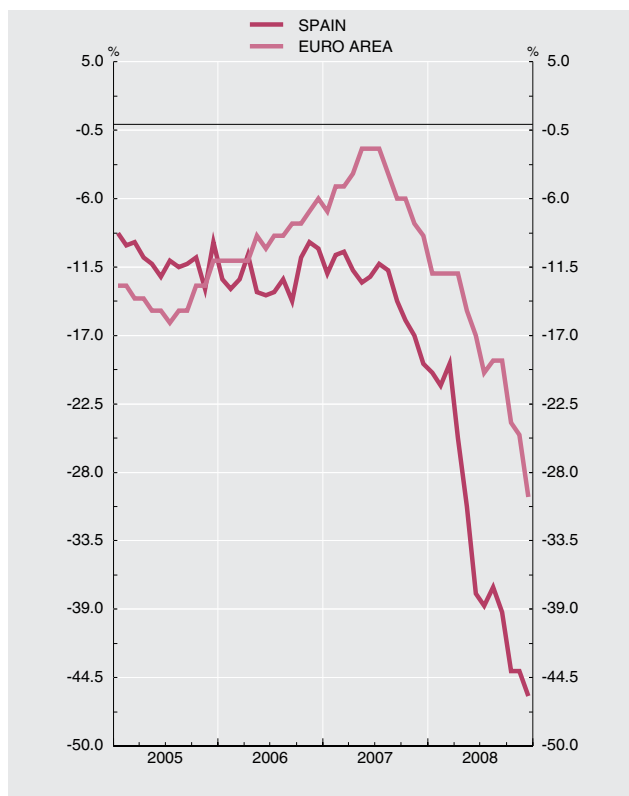
3.1 INDICATORS OF PRIVATE CONSUMPTION. SPAIN AND EURO AREA

■ Series depicted in chart.

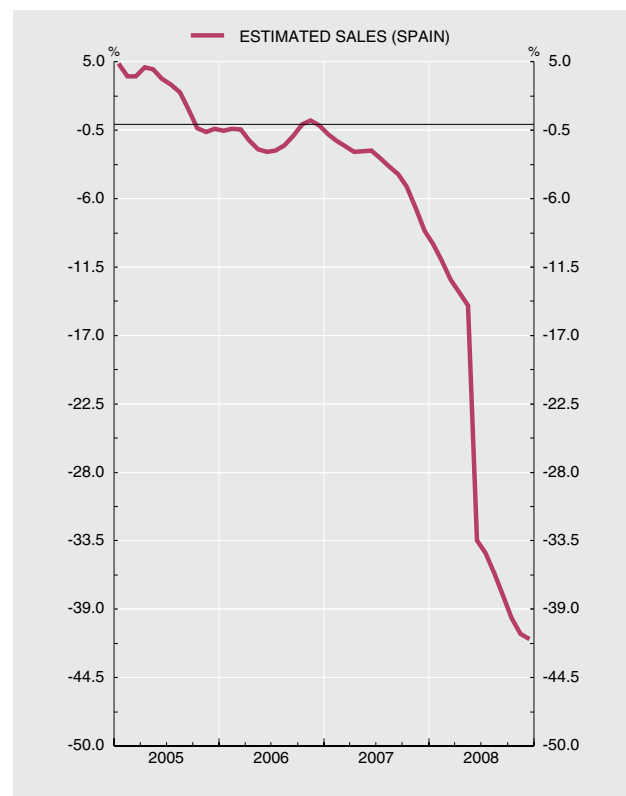
Annual percentage changes

	Opinion surveys (net percentages)						New car registrations and sales				Retail trade: sales index						
	Consumers			Retail trade confidence index	Memorandum item: euro area		of which			Memorandum item: euro area	General index			By type of product (deflated indices)		Memorandum item: euro area deflated index	
	Confidence index	General economic situation: anticipated trend	Household economic situation: anticipated trend		Consumer confidence index	Retail trade confidence index	Registrations	Private use	Estimated sales		Registrations	Nominal	of which		Food (b)		Other (c)
													Deflated (a)	Large retail outlets (a)			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
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	1.5
06		-12	-12	-3	-9	-9	1	-1.0	-0.8	-0.9	3.6	5.0	1.6	2.6	0.7	2.2	1.6
07	P	-13	-12	-4	-13	-5	1	-1.6	-2.2	-1.2	-0.9	4.8	2.6	1.9	1.3	3.5	0.9
07 J-D	P	-13	-12	-4	-13	-5	1	-1.6	-2.2	-1.2	-0.9	4.8	2.6	1.9	1.3	3.5	0.9
08 J-D	A	-34	-33	-21	-27	-18	-7	-27.5	-30.0	-28.1	...	...	...	...	...	...	...
08 Jan	P	-20	-20	-8	-13	-12	-3	-16.7	-22.1	-12.7	-1.3	2.8	-1.7	-1.7	-0.3	-2.4	0.6
Feb	P	-21	-21	-12	-23	-12	1	1.2	-9.0	0.7	4.7	5.3	0.6	1.3	3.1	-1.1	-0.1
Mar	P	-19	-17	-10	-26	-12	1	-27.9	-29.4	-28.2	-6.5	-4.5	-8.8	-7.8	-5.2	-11.3	-2.1
Apr	P	-25	-23	-15	-34	-12	-5	1.4	-1.4	1.5	1.5	4.3	-0.3	-2.4	1.2	-1.2	-2.1
May	P	-31	-31	-17	-23	-15	-1	-24.0	-28.1	-24.3	-6.8	-0.5	-5.3	-2.5	-	-8.6	-0.3
Jun	P	-38	-38	-25	-25	-17	-4	-30.5	-33.5	-30.8	-9.0	-4.8	-9.9	-11.6	-6.7	-12.0	-2.1
Jul	P	-39	-38	-28	-26	-20	-9	-26.5	-28.6	-27.4	-8.8	0.8	-4.9	-4.7	-1.2	-7.1	-1.9
Aug	P	-37	-39	-24	-35	-19	-10	-39.7	-40.0	-41.3	-6.1	-2.8	-7.7	-7.5	-3.9	-10.7	-1.8
Sep	A	-39	-36	-25	-33	-19	-8	-31.7	-31.8	-32.2	-11.6	-1.1	-5.5	-5.7	-3.1	-7.2	-1.7
Oct	A	-44	-44	-30	-30	-24	-13	-39.0	-38.6	-40.0	-14.7	-3.9	-6.9	-6.9	-3.0	-9.4	-2.4
Nov	A	-44	-42	-26	-26	-25	-13	-48.7	-47.9	-49.6	-18.4	-8.3	-9.6	-8.1	-5.6	-12.2	...
Dec	A	-46	-44	-26	-34	-30	-19	-47.3	-45.6	-49.9	...	...	...	...	...	...	...

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.

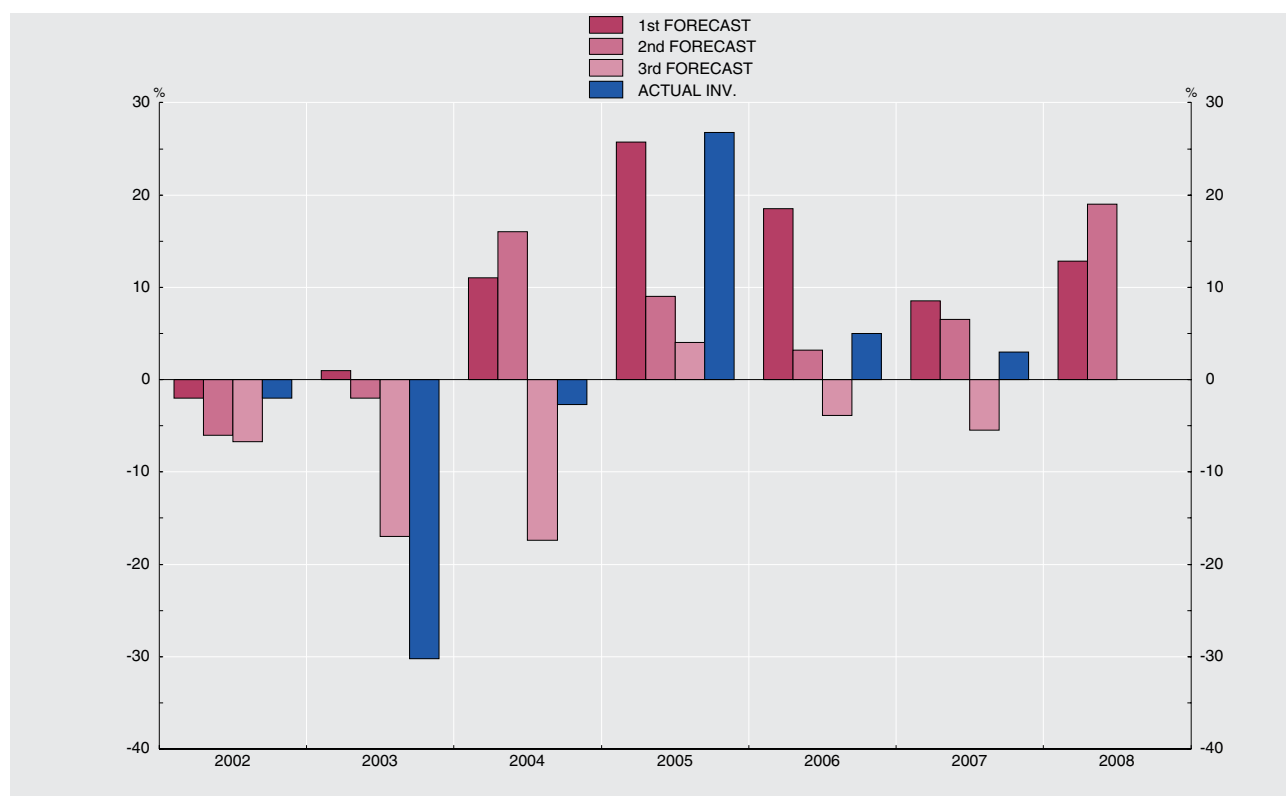
3.2. INVESTMENT IN INDUSTRY (EXCLUDING CONSTRUCTION): OPINION SURVEYS. SPAIN

■ Series depicted in chart.

Annual percentage changes at current prices

	1	2	3	4	
	ACTUAL INV.	1st FORECAST	2nd FORECAST	3rd FORECAST	
02					
03		-2	-2	-6	-7
04		-30	1	-2	-17
05		-3	11	16	-17
06		27	26	9	4
07		5	19	3	-4
08		3	9	7	-6
		...	13	19	...

INVESTMENT IN INDUSTRY
Annual rates of change



Source: Ministerio de Industria, Turismo y Comercio.

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

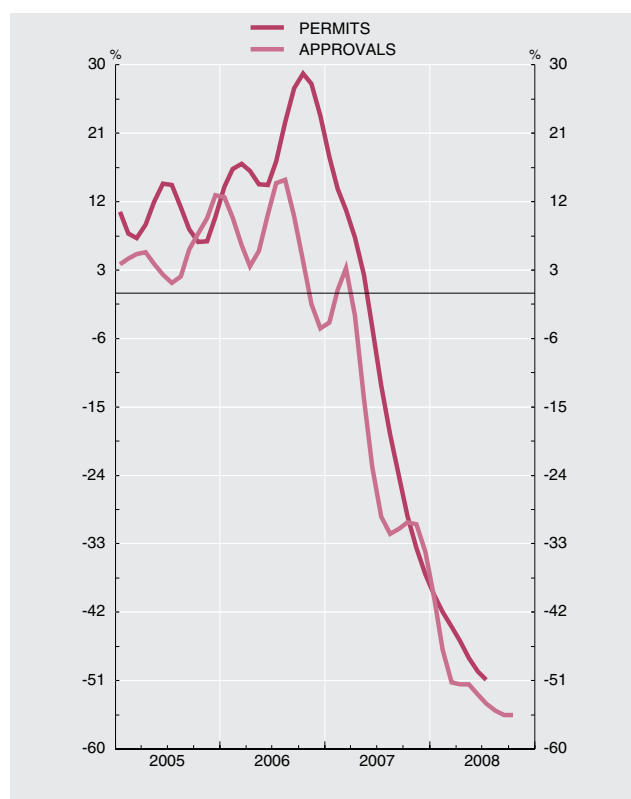
3.3. CONSTRUCTION. INDICATORS OF BUILDING STARTS AND CONSUMPTION OF CEMENT. SPAIN

■ Series depicted in chart.

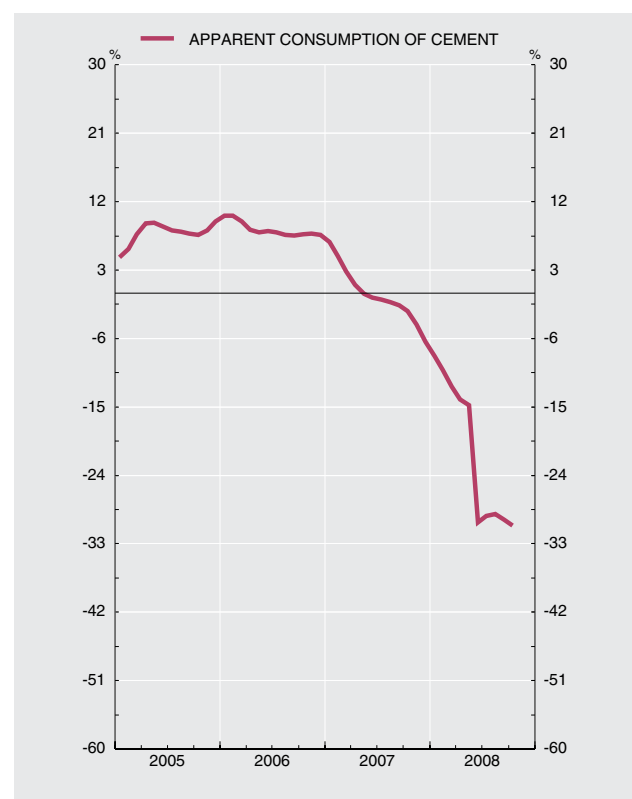
Annual percentage changes

		Permits: buildable floorage			Approvals: buildable floorage		Government tenders (budget)							Apparent consumption of cement		
		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			
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		22.0	20.1	20.4	31.9	14.2	16.5	31.3	31.3	26.8	61.7	57.0	15.8	33.3	8.5	
07	P	-10.9	-13.1	-13.3	-0.5	-22.3	-25.2	-15.0	-15.0	-17.7	-46.5	-33.3	-5.0	-13.9	0.2	
07 J-O	P	-4.7	-5.8	-6.0	0.3	-21.8	-24.3	-10.5	-10.5	-14.7	-44.8	-35.0	-1.4	-8.7	1.2	
08 J-O	P	...	...	...	...	-52.2	-56.6	-1.2	-1.2	-10.8	-3.8	4.4	-12.5	2.9	-21.1
07 Jul	P	-18.0	-15.9	-15.1	-26.6	-33.9	-38.1	20.6	7.2	-30.2	-38.8	-52.4	-27.7	44.0	3.9	
Aug	P	-16.5	-16.2	-16.7	-17.9	-36.5	-40.3	-55.8	-3.7	-56.5	-76.8	-79.2	-48.3	-55.6	-2.2	
Sep	P	-26.8	-39.9	-40.6	49.5	-64.2	-66.4	-42.3	-7.2	-50.0	-68.4	-89.5	-40.5	-38.5	-5.2	
Oct	P	-28.5	-29.3	-30.1	-24.9	-27.7	-31.4	-33.3	-10.5	-29.1	-50.3	-54.4	-18.2	-34.8	4.3	
Nov	P	-34.9	-38.1	-38.7	-20.3	-24.6	-25.8	-38.8	-13.4	-39.6	-41.1	-55.7	-39.3	-38.5	-0.5	
Dec	P	-38.2	-48.9	-48.8	15.7	-26.4	-36.2	-28.2	-15.0	-24.5	-60.3	-2.0	2.9	-29.3	-11.4	
08 Jan	P	-42.5	-48.8	-47.9	-5.4	-43.8	-47.4	-2.4	-2.4	46.8	35.4	71.2	49.4	-19.1	-7.8	
Feb	P	-39.3	-46.4	-48.4	0.4	-39.3	-46.9	15.0	4.6	-39.9	-32.9	-40.5	-41.3	65.3	-5.1	
Mar	P	-50.6	-51.3	-53.9	-48.3	-67.3	-70.5	70.7	27.8	-33.3	-52.0	-64.0	-26.4	135.8	-25.2	
Apr	P	-33.5	-38.7	-40.1	-10.0	-38.6	-40.6	71.9	37.6	109.1	61.0	3.4	126.9	56.5	-2.2	
May	P	-54.8	-59.6	-60.2	-35.3	-55.5	-58.7	-66.8	12.4	-80.3	-70.7	-68.0	-82.5	-61.4	-21.1	
Jun	P	-50.8	-57.6	-56.9	-14.5	-52.3	-59.2	-67.2	-2.3	-59.7	43.8	-47.3	-70.6	-70.5	-33.1	
Jul	P	-50.5	-57.0	-57.5	-20.4	-52.0	-54.5	-10.5	-3.5	5.2	-37.9	27.6	15.7	-13.9	-23.8	
Aug	P	...	...	...	...	-60.3	-64.5	10.7	-2.4	67.7	253.4	484.0	33.7	-9.6	-30.2
Sep	P	...	...	...	...	-50.7	-57.5	42.0	0.0	19.0	30.9	231.7	15.8	51.3	-24.8
Oct	P	...	...	...	...	-56.8	-62.1	-12.6	-1.2	-36.0	-53.2	29.0	-30.7	-3.8	-34.4

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.

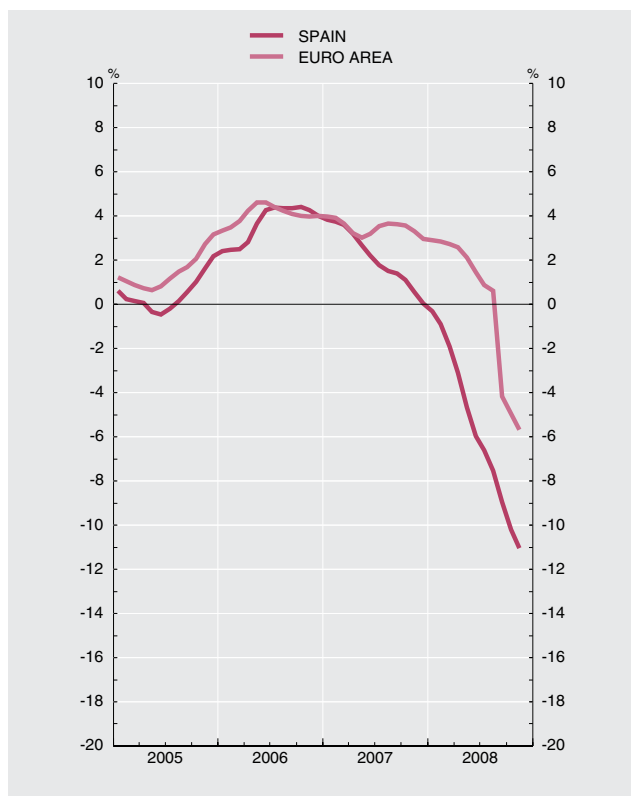
3.4. INDUSTRIAL PRODUCTION INDEX. SPAIN AND EURO AREA

■ Series depicted in chart.

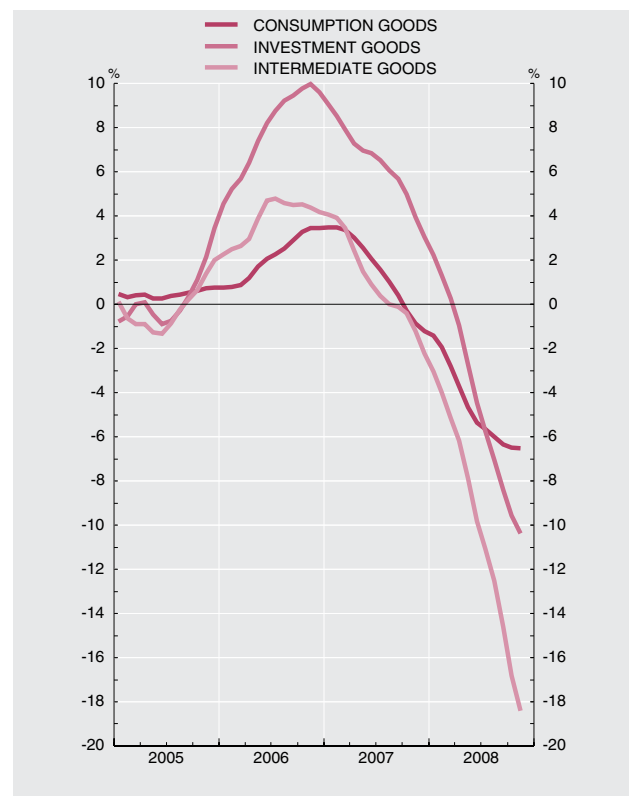
Annual percentage changes

		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
05	MP	102.4	0.1	0.2	-0.7	-0.6	2.9	-4.0	-0.3	4.1	1.4	1.5	0.6	3.0	0.9
06	MP	106.2	3.7	2.1	8.2	3.8	0.9	2.4	4.0	1.1	4.0	4.4	2.6	5.9	4.9
07	MP	108.6	2.3	1.8	6.3	1.3	0.7	-1.2	2.5	1.4	3.5	4.0	2.3	6.1	3.9
07 J-N	MP	109.7	2.5	2.1	6.5	1.7	0.3	-0.4	2.8	1.0	3.6	4.3	2.6	6.4	4.1
08 J-N	MP	103.3	-5.8	-4.9	-4.2	-10.0	1.8	-12.3	-6.5	1.6	-0.7	-0.9	-1.7	1.1	-1.7
07 Aug	P	81.1	1.6	2.0	5.4	0.3	0.2	3.9	1.8	-0.6	4.6	5.0	4.9	7.6	3.7
Sep	P	107.7	-1.3	-3.1	3.2	-2.8	0.8	0.9	-1.5	-	3.4	3.2	1.4	5.5	3.0
Oct	P	117.6	4.7	2.6	10.8	3.5	4.1	2.3	4.5	6.6	4.4	4.1	2.1	7.4	3.3
Nov	P	113.9	-1.0	-3.2	-0.5	-2.9	8.8	-4.7	-2.4	12.3	2.9	2.3	0.2	5.3	1.7
Dec	P	97.2	-0.2	-2.5	4.3	-2.8	4.3	-12.1	-1.0	5.7	1.7	1.5	-0.5	3.4	0.5
08 Jan	P	108.8	-0.7	0.7	1.9	-3.8	1.5	-3.1	-0.9	1.5	3.2	3.2	1.4	6.6	2.3
Feb	P	110.8	4.0	4.5	7.2	0.1	9.9	4.3	3.5	8.8	3.1	2.9	0.8	6.4	2.1
Mar	P	102.6	-13.8	-16.8	-14.4	-17.0	3.0	-12.8	-15.6	2.3	1.4	-0.1	-2.0	2.8	0.6
Apr	P	114.9	11.8	13.0	20.6	8.6	5.9	10.9	12.4	6.6	4.3	4.7	1.6	8.0	3.0
May	P	109.0	-7.6	-9.7	-5.4	-9.4	-0.5	-19.2	-8.3	0.7	-0.3	-0.3	-3.5	2.6	-0.4
Jun	P	104.0	-9.7	-9.7	-10.8	-12.8	1.5	-21.2	-10.7	1.6	-0.4	-0.3	-1.4	1.7	-0.9
Jul	P	113.3	-1.4	-0.2	3.3	-6.6	2.9	-10.3	-1.8	2.6	-1.1	-1.2	-1.1	-0.1	-1.7
Aug	P	72.2	-11.0	-11.1	-15.0	-15.4	1.6	-26.3	-13.2	4.5	-0.6	-0.9	-4.2	0.8	0.1
Sep	P	102.6	-4.7	-3.2	-1.4	-9.4	-0.6	-16.2	-5.0	-1.2	-2.5	-2.6	-2.8	-0.7	-3.9
Oct	P	104.3	-11.3	-6.4	-12.4	-17.9	-1.4	-16.7	-12.1	-3.7	-5.7	-5.9	-3.8	-5.4	-7.9
Nov	P	94.3	-17.2	-12.1	-18.1	-25.9	-3.3	-19.7	-18.7	-4.8	-7.7	-7.9	-4.1	-8.0	-11.2

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.

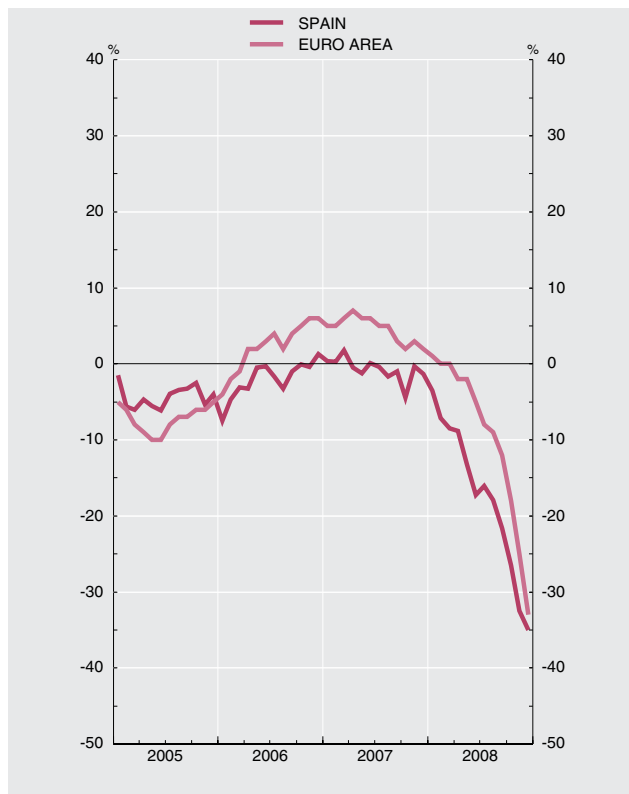
3.5. MONTHLY BUSINESS SURVEY: INDUSTRY AND CONSTRUCTION. SPAIN AND EURO AREA

■ 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	Investment	Intermediate goods (a)	Other sectors				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
05	M	-4	0	7	-9	-18	12	-2	-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	1
07	M	-1	7	6	2	-5	10	-2	6	-3	-3	9	21	12	18	21	5	5	-1
07 J-D	M	-1	7	6	2	-5	10	-2	6	-3	-3	9	21	12	18	21	5	5	-1
08 J-D	M	-17	-16	-8	-24	-21	20	-11	-8	-28	-6	-22	-0	-19	-16	-16	-9	-15	-14
07 Sep		-1	6	5	0	-4	8	-4	7	-2	-6	14	17	21	-4	21	3	3	-
Oct		-4	5	3	-5	-3	11	-6	7	-10	-6	1	-10	2	11	14	2	1	-2
Nov		-0	4	8	2	-2	11	-2	9	-5	-1	-10	3	-2	-15	-2	3	2	-4
Dec		-1	-1	7	-2	-5	10	-3	11	-7	-1	-7	10	-1	-10	13	2	-	-5
08 Jan		-4	-2	5	-2	-8	13	-3	8	-12	-4	-9	4	-2	-2	3	1	-1	-6
Feb		-7	-10	1	-6	-7	15	-6	3	-15	-5	-22	-3	-18	-5	1	-	-2	-7
Mar		-9	-6	-2	-7	-10	16	-6	4	-17	-11	-20	-6	-21	-9	-17	-	-1	-9
Apr		-9	-4	-0	-11	-10	15	-6	2	-17	-4	-18	4	-18	-23	-13	-2	-5	-12
May		-13	-6	-7	-16	-13	17	-7	-3	-24	-5	-11	23	-10	-9	-26	-2	-5	-9
Jun		-17	-10	-9	-20	-19	23	-12	-2	-29	-3	-11	13	-15	-4	-27	-5	-9	-11
Jul		-16	-16	-5	-29	-19	14	-10	-7	-25	-7	-25	-8	-21	-26	-26	-8	-13	-14
Aug		-18	-10	-8	-25	-20	21	-13	-8	-25	-7	-17	-6	-15	-3	-6	-9	-13	-13
Sep		-22	-20	-11	-33	-27	21	-16	-7	-35	-3	-24	-9	-8	-1	-38	-12	-20	-16
Oct		-27	-20	-16	-37	-32	27	-16	-25	-38	0	-44	-37	-38	-11	-27	-18	-26	-20
Nov		-33	-40	-20	-47	-38	31	-19	-23	-49	-19	-30	4	-27	-50	-8	-25	-36	-24
Dec		-35	-47	-23	-53	-48	29	-21	-33	-50	-3	-34	20	-31	-43	-4	-33	-47	-27

INDUSTRIAL BUSINESS CLIMATE
Percentage balances



CONSTRUCTION BUSINESS CLIMATE
Percentage balances



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

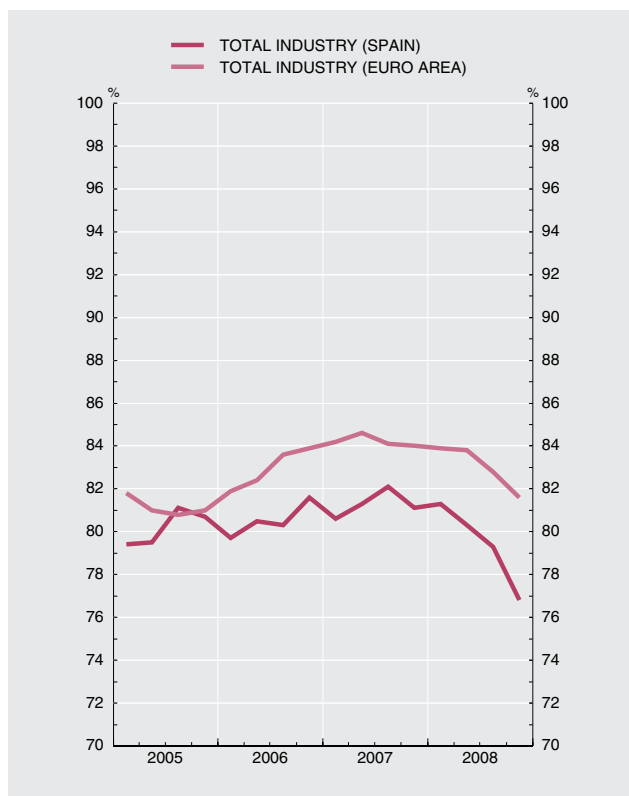
3.6. BUSINESS SURVEY: CAPACITY UTILISATION. SPAIN AND EURO AREA

■ Series depicted in chart.

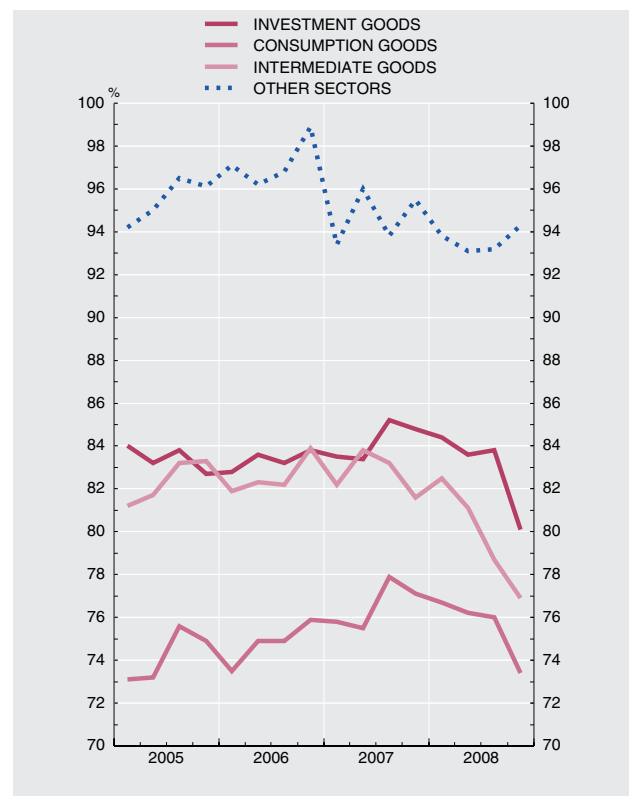
Percentages and percentage balances

	Total industry			Consumer goods			Investment goods			Intermediate goods			Other sectors			Memo- randum item: euro area capacity utilisa- tion (%)
	Capacity utilisation		Installed capacity (Per- centage balan- ces)	Capacity utilisation		Installed capacity (Per- centage balan- ces)	Capacity utilisation		Installed capacity (Per- centage balan- ces)	Capacity utilisation		Installed capacity (Per- centage balan- ces)	Capacity utilisation		Installed capacity (Per- centage balan- ces)	
	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 (%)		
	(%)			(%)		(%)		(%)		(%)		(%)		(%)		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
05	80.2	81.5	5	74.2	76.3	6	83.4	84.3	5	82.4	83.3	4	95.5	95.1	0	81.2
06	80.5	81.6	4	74.8	76.5	4	83.4	83.8	7	82.6	83.5	4	97.3	97.5	-	83.0
07	81.3	82.6	3	76.6	78.2	5	84.2	85.0	-0	82.7	84.2	2	94.7	95.5	-	84.2
07 Q1-Q4	81.3	82.6	3	76.6	78.2	5	84.2	85.0	-0	82.7	84.2	2	94.7	95.5	-	84.2
08 Q1-Q4	79.4	79.8	8	75.6	76.7	9	83.0	82.8	4	79.8	79.8	9	93.6	94.1	-0	83.0
06 Q2	80.5	82.2	5	74.9	77.9	5	83.6	84.2	7	82.3	83.8	5	96.2	96.5	-	82.4
Q3	80.3	81.1	2	74.9	75.9	1	83.2	83.4	4	82.2	83.0	1	96.8	97.8	-	83.6
Q4	81.6	82.4	2	75.9	76.5	3	83.8	84.8	5	83.9	84.8	-0	98.9	98.4	-	83.9
07 Q1	80.6	81.7	2	75.8	77.2	4	83.5	83.8	1	82.2	83.4	1	93.4	95.9	-	84.2
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	-	84.6
Q3	82.1	83.3	1	77.9	79.4	5	85.2	86.5	-7	83.2	84.2	1	93.8	94.6	-	84.1
Q4	81.1	82.5	5	77.1	77.9	6	84.8	85.6	4	81.6	83.9	6	95.5	96.2	-	84.0
08 Q1	81.3	82.1	5	76.7	77.8	9	84.4	85.8	5	82.5	82.9	3	93.8	94.9	-	83.9
Q2	80.3	81.5	5	76.2	78.5	9	83.6	83.5	3	81.1	82.1	4	93.1	93.5	-	83.8
Q3	79.3	79.5	7	76.0	76.5	11	83.8	83.6	4	78.7	79.0	7	93.2	93.0	-	82.8
Q4	76.8	75.9	14	73.4	73.9	10	80.1	78.3	6	76.9	75.0	23	94.3	94.8	-0	81.6

CAPACITY UTILISATION. TOTAL INDUSTRY
Percentages



CAPACITY UTILISATION. BY TYPE OF GOOD
Percentages



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

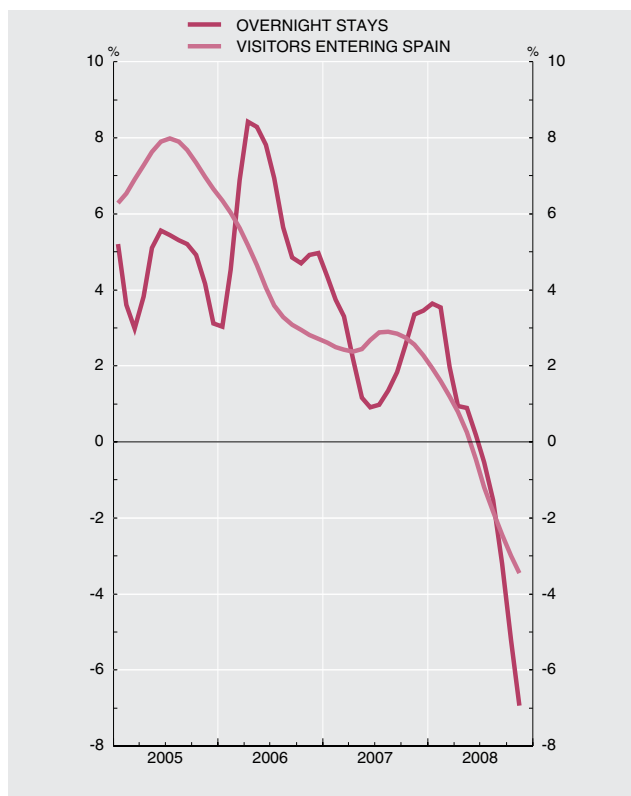
3.7. TOURISM AND TRANSPORT STATISTICS. SPAIN

■ Series depicted in chart.

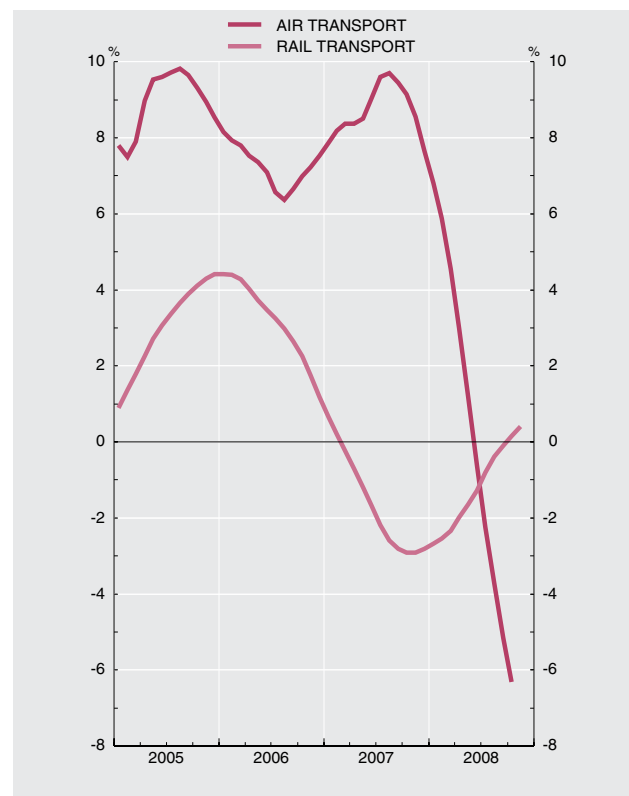
Annual percentage changes

		Hotel stays (a)		Overnight stays		Visitors entering Spain			Air transport				Maritime transport		Rail transport	
		Total	Foreigners	Total	Foreigners	Total	Tourists	Day-trip-ers	Passengers			Freight	Passen- gers	Freight	Passen- gers	Freight
									Total	Domestic flights	Internat- ional flights					
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
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		5.8	6.1	6.2	6.5	3.6	4.1	3.0	6.7	6.7	6.8	-4.5	10.2	4.9	2.0	-3.1
07	P	3.1	4.0	1.7	2.1	2.6	1.3	4.6	9.1	9.0	9.2	4.2	5.2	4.7	-1.7	-1.5
07 J-N		3.2	3.7	1.8	1.9	2.8	1.4	5.2	9.2	9.3	9.1	4.6	5.6	5.2	-1.5	-1.2
08 J-N	P	-1.3	0.6	-0.7	0.7	-0.7	-2.0	1.3	...	...	...	...	...	...	-0.8	...
07 Aug		3.2	5.1	1.3	3.0	4.4	0.8	9.4	10.5	10.0	10.9	6.7	0.0	8.3	-7.9	-6.6
Sep		2.4	4.2	0.7	1.3	2.8	0.4	7.3	9.7	8.9	10.3	5.5	0.7	7.5	-4.7	-0.9
Oct		2.5	3.3	0.4	1.6	0.8	-0.3	2.6	8.4	8.5	8.4	4.9	8.3	4.5	-3.3	2.6
Nov		8.2	9.3	7.1	6.1	4.8	4.8	4.8	10.4	8.0	12.6	-2.0	13.8	9.1	-3.0	-6.2
Dec	P	2.1	10.3	1.6	7.1	-0.4	0.7	-1.6	7.6	4.9	10.0	-0.5	-1.4	-0.2	-4.5	-5.9
08 Jan	P	3.4	4.7	2.3	3.6	0.2	0.9	-0.7	6.9	6.8	7.1	-1.9	4.8	13.2	-0.0	-4.1
Feb	P	7.8	8.4	9.3	9.4	5.5	6.5	4.3	10.2	9.9	10.5	4.2	2.9	1.0	1.5	3.6
Mar	P	7.4	5.5	10.0	4.1	6.5	7.4	5.2	6.8	2.4	10.6	-2.4	27.2	0.3	-6.6	-18.4
Apr	P	-10.4	-1.9	-11.5	-2.2	-2.9	-1.0	-5.7	-2.4	-2.0	-2.7	9.9	-19.2	9.6	4.1	7.7
May	P	6.0	7.6	6.6	6.3	9.2	4.2	18.6	2.3	-5.3	7.9	-0.3	7.3	-1.1	-4.5	-13.8
Jun	P	-2.6	-0.7	-2.3	-1.4	0.9	-0.7	3.9	-1.6	-6.2	1.5	8.9	0.3	1.7	-4.4	-9.7
Jul	P	0.6	2.0	0.9	2.9	-4.4	-8.0	2.2	-3.5	-9.0	0.0	3.5	-5.0	0.0	1.3	-2.9
Aug	P	-0.7	0.1	-0.6	1.1	-0.2	-1.8	1.8	-2.4	-9.7	2.3	5.6	-1.5	-5.1	4.1	-16.9
Sep	P	-3.3	-2.3	-2.8	-2.3	-5.5	-5.9	-4.7	-8.8	-15.9	-4.3	-1.4	-8.2	-6.1	-2.6	-2.5
Oct	P	-6.6	-3.3	-5.1	-2.8	-5.6	-5.4	-6.0	-10.9	-18.3	-5.8	-2.7	...	...	0.5	-14.2
Nov	P	-11.8	-11.3	-10.6	-8.7	-8.0	-11.6	-3.3	...	...	...	...	...	...	0.3	...

TOURISM
Trend obtained with TRAMO-SEATS



TRANSPORT
Trend obtained with TRAMO-SEATS



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

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

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

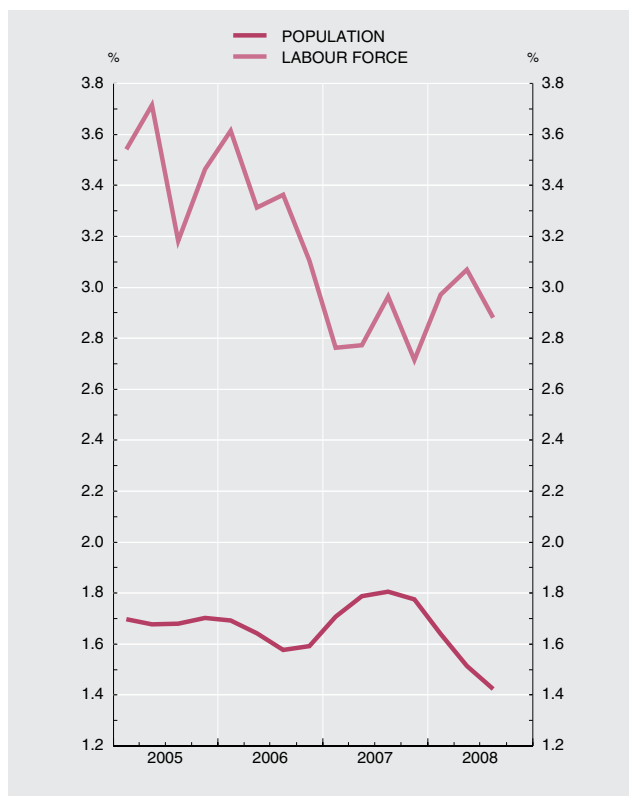
4.1. LABOUR FORCE. SPAIN

■ Series depicted in chart.

Thousands and annual percentage changes

Population over 16 years of age					Labour force					
		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
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
07	M	37 663	655	1.8	58.92	22 190	605	386	219	2.8
07	Q1-Q3M	37 585	653	1.8	58.85	22 118	1 828	1 153	676	2.8
08	Q1-Q3M	38 158	573	1.5	59.69	22 776	1 973	1 027	947	3.0
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
	Q2	37 592	661	1.8	58.86	22 127	597	389	208	2.8
	Q3	37 734	669	1.8	59.10	22 303	642	395	246	3.0
	Q4	37 897	661	1.8	59.12	22 405	592	391	201	2.7
08	Q1	38 043	614	1.6	59.35	22 577	651	364	287	3.0
	Q2	38 162	570	1.5	59.76	22 807	679	340	339	3.1
	Q3	38 271	537	1.4	59.95	22 945	643	322	321	2.9

LABOUR FORCE SURVEY
Annual percentage change



LABOUR FORCE
Annual changes



Source: INE (Labour Force Survey: 2005 methodology).

a. the new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See www.ine.es).

b. Col.7 = (col.5/col.1)x annual change in col.1. Col. 8 = (annual change in col.4/100) x col.1(t-4).

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

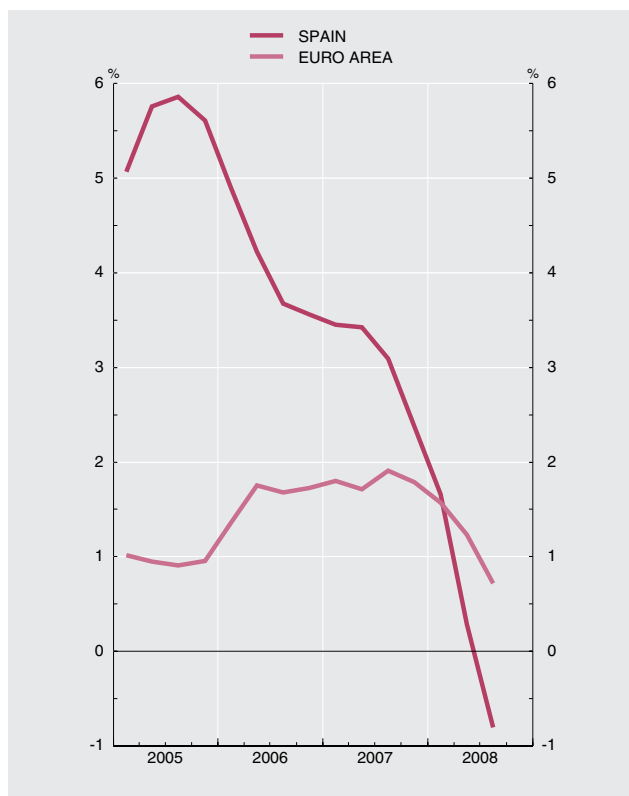
4.2. EMPLOYMENT AND WAGE-EARNERS. SPAIN AND EURO AREA

■ Series depicted in chart.

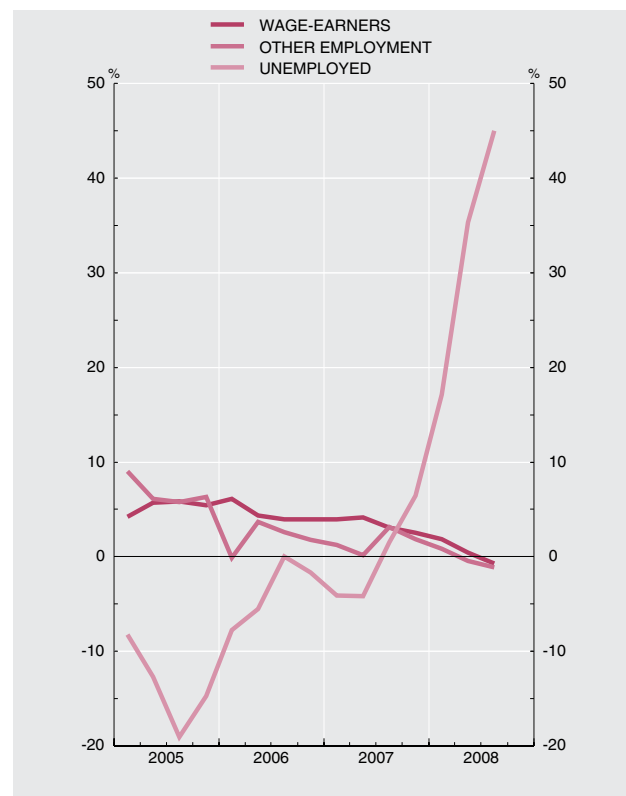
Thousands and annual percentage changes

		Employment									Unemployment			Memorandum item: euro area		
		Total			Wage-earners			Other								
		Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Unemployment rate	Employment 4-quarter % change	Unemployment rate
		1	2	3	4	5	6	7	8	9	(a)	11	12	(a)	14	15
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	1.0	8.87
06	M	19 748	774	4.1	16 208	706	4.6	3 540	68	2.0	1 837	-75	-3.9	8.51	1.6	8.28
07	M	20 356	608	3.1	16 760	552	3.4	3 596	56	1.6	1 834	-3	-0.2	8.26	1.8	7.43
07	Q1-Q3M	20 316	653	3.3	16 721	599	3.7	3 595	54	1.5	1 803	-43	-2.3	8.15	1.8	7.48
08	Q1-Q3M	20 391	76	0.4	16 806	84	0.5	3 586	-9	-0.2	2 385	582	32.3	10.47	1.2	7.37
06	Q1	19 400	907	4.9	15 889	912	6.1	3 511	-5	-0.1	1 936	-163	-7.8	9.07	1.4	8.66
	Q2	19 693	798	4.2	16 112	671	4.3	3 582	127	3.7	1 837	-108	-5.5	8.53	1.8	8.40
	Q3	19 896	705	3.7	16 366	616	3.9	3 530	88	2.6	1 765	-	-	8.15	1.7	8.12
	Q4	20 002	688	3.6	16 466	625	3.9	3 536	63	1.8	1 811	-31	-1.7	8.30	1.7	7.93
07	Q1	20 069	669	3.4	16 515	626	3.9	3 555	44	1.2	1 856	-80	-4.1	8.47	1.8	7.63
	Q2	20 367	674	3.4	16 779	668	4.1	3 588	6	0.2	1 760	-77	-4.2	7.95	1.7	7.44
	Q3	20 511	615	3.1	16 870	504	3.1	3 641	111	3.1	1 792	27	1.5	8.03	1.9	7.38
	Q4	20 477	475	2.4	16 877	410	2.5	3 600	65	1.8	1 928	117	6.5	8.60	1.8	7.25
08	Q1	20 402	333	1.7	16 817	303	1.8	3 585	30	0.8	2 174	318	17.1	9.63	1.6	7.23
	Q2	20 425	58	0.3	16 853	74	0.4	3 572	-16	-0.4	2 382	622	35.3	10.44	1.2	7.38
	Q3	20 346	-164	-0.8	16 746	-124	-0.7	3 600	-41	-1.1	2 599	807	45.0	11.33	0.7	7.50

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.

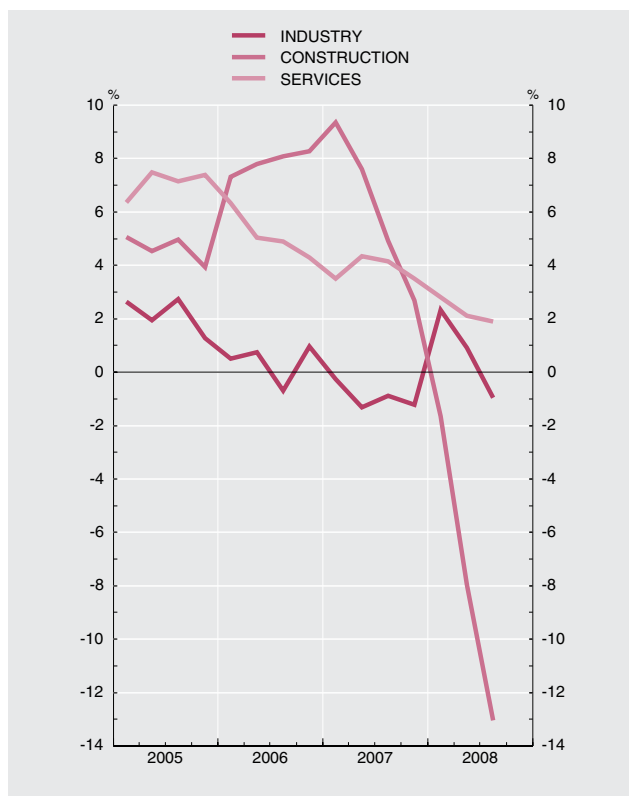
4.3. EMPLOYMENT BY BRANCH OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

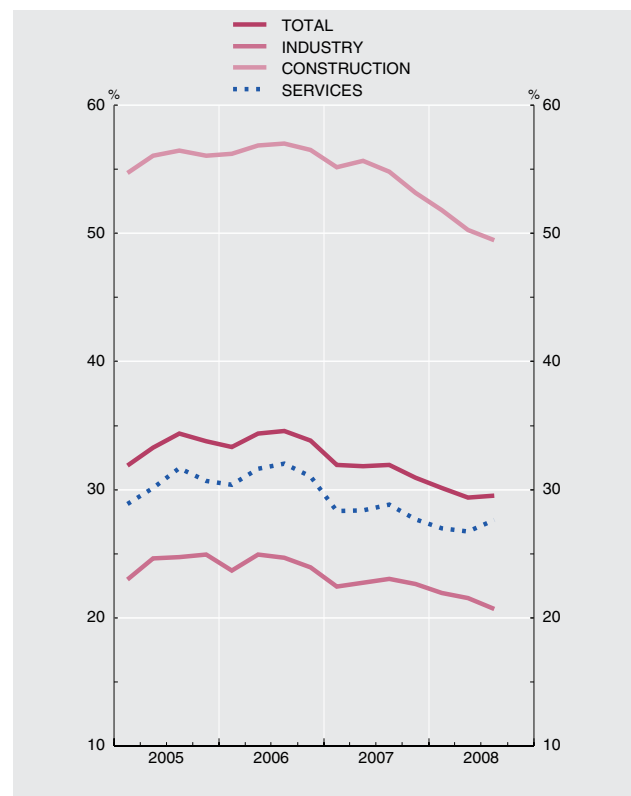
Annual percentage changes

		Total			Agriculture			Industry			Construction			Services			Memorandum item:
		Employment	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	Employment in branches other than agriculture
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
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
07	M	3.1	3.4	31.7	-2.0	2.3	58.8	-0.9	-0.7	22.7	6.1	6.8	54.7	3.9	3.9	28.3	3.3
07	Q1-Q3M	3.3	3.7	-6.4	-2.1	2.9	0.1	-0.8	-0.7	-7.0	7.3	8.2	-2.6	4.0	4.1	-9.0	3.4
08	Q1-Q3M	0.4	0.5	-7.0	-5.1	-5.9	-6.6	0.8	1.0	-5.8	-7.6	-8.7	-8.5	2.3	2.5	-4.9	-0.7
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
	Q2	3.4	4.1	31.8	-3.8	0.5	58.7	-1.3	-1.0	22.7	7.6	9.2	55.6	4.3	4.8	28.4	3.8
	Q3	3.1	3.1	31.9	-3.0	0.6	55.8	-0.9	-0.7	23.0	4.9	5.5	54.8	4.2	3.7	28.8	3.4
	Q4	2.4	2.5	30.9	-1.7	0.3	57.4	-1.2	-0.7	22.7	2.7	2.9	53.2	3.5	3.4	27.7	2.6
08	Q1	1.7	1.8	30.1	-6.8	-7.9	58.7	2.3	3.1	22.0	-1.7	-2.1	51.8	2.8	2.7	27.0	2.1
	Q2	0.3	0.4	29.4	-4.4	-5.0	54.4	0.9	1.0	21.6	-7.9	-9.3	50.3	2.1	2.4	26.7	0.5
	Q3	-0.8	-0.7	29.5	-4.1	-4.5	52.9	-1.0	-1.1	20.7	-13.0	-14.7	49.4	1.9	2.2	27.6	-0.7

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.

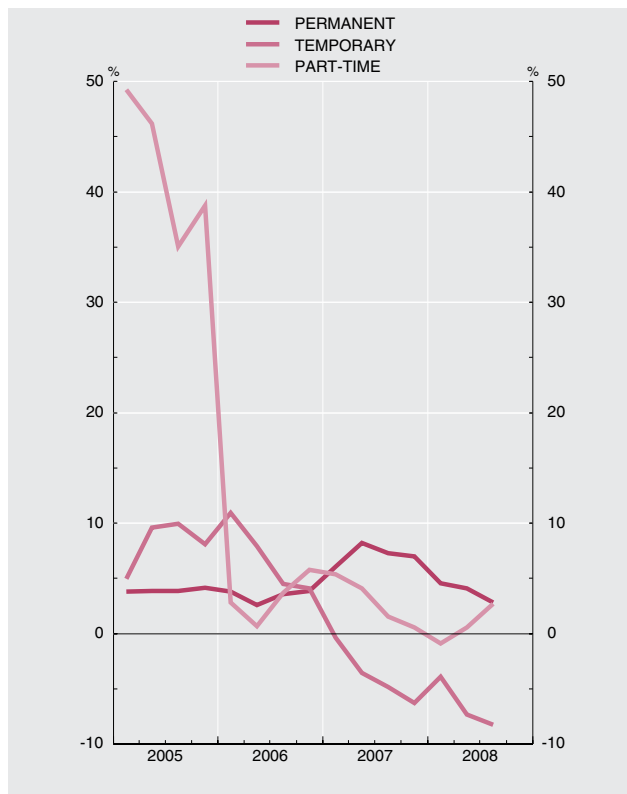
4.4. WAGE-EARNERS BY TYPE OF CONTRACT AND UNEMPLOYMENT BY DURATION. SPAIN. (a)

■ Series depicted in chart.

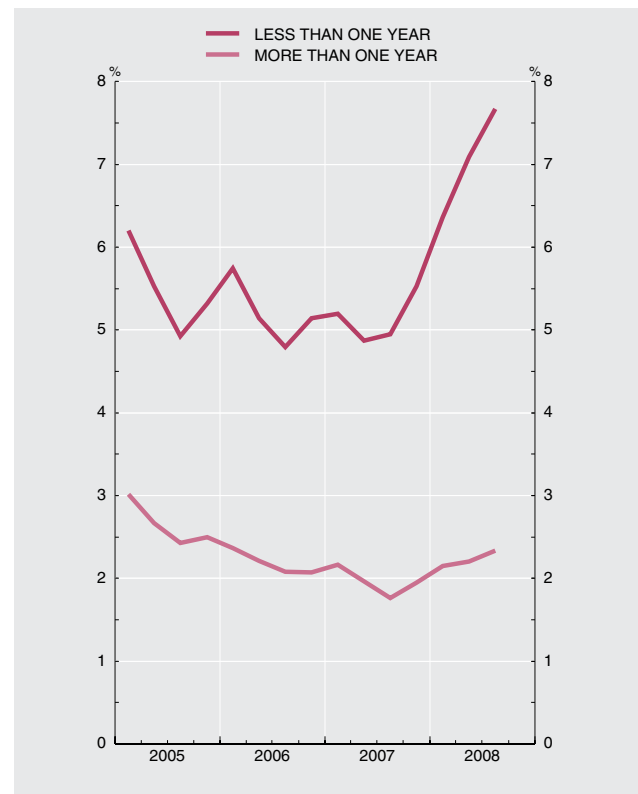
Thousands, annual percentage changes and %

		Wage-earners										Unemployment			
		By type of contract					By duration of working day					By duration			
		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		
Thousands		Thousands			Thousands		Thousands			(a)		(a)			
1		2		3	4	5	6	7	8	9	10	11	12	13	14
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
07	M	762	7.1	-210	-3.8	31.67	495	3.5	57	2.9	12.07	5.14	1.5	1.96	-7.6
07	Q1-Q3M	762	7.2	-163	-3.0	31.91	475	3.3	72	3.7	12.11	5.00	-1.5	1.96	-9.0
08	Q1-Q3M	431	3.8	-347	-6.5	29.69	-175	-1.2	15	0.7	12.13	7.04	45.0	2.23	16.9
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
	Q2	865	8.2	-197	-3.6	31.85	587	4.2	81	4.1	12.34	4.87	-2.6	1.96	-8.9
	Q3	777	7.3	-273	-4.8	31.94	475	3.3	29	1.6	11.32	4.95	6.4	1.76	-12.6
	Q4	761	7.0	-350	-6.3	30.92	399	2.8	11	0.6	11.96	5.53	10.5	1.95	-3.3
08	Q1	509	4.5	-207	-3.9	30.15	321	2.2	-18	-0.9	12.33	6.36	26.2	2.15	2.1
	Q2	465	4.1	-391	-7.3	29.39	62	0.4	11	0.5	12.36	7.09	50.0	2.20	15.7
	Q3	320	2.8	-444	-8.2	29.53	-175	-1.2	52	2.7	11.72	7.67	59.5	2.34	36.3

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.

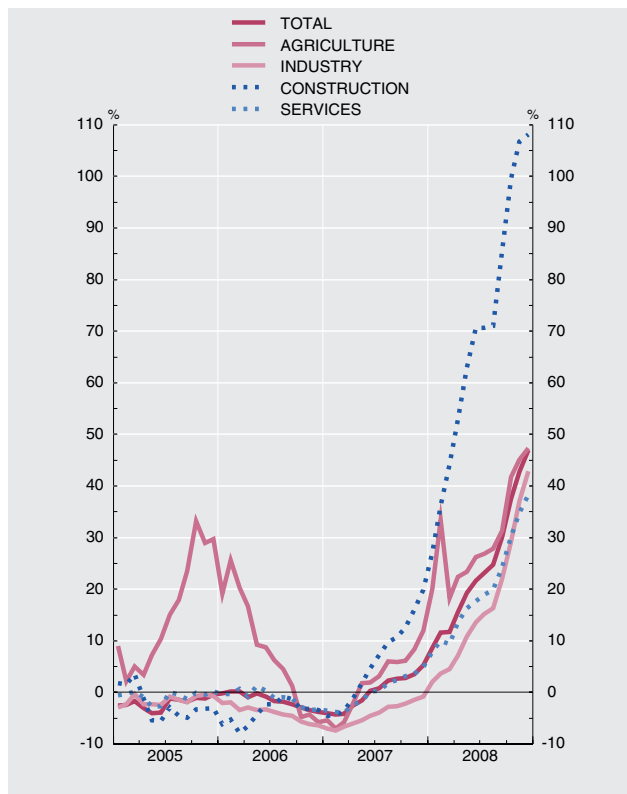
4.5. REGISTERED UNEMPLOYMENT BY BRANCH OF ACTIVITY. CONTRACTS AND PLACEMENTS. SPAIN

■ Series depicted in chart.

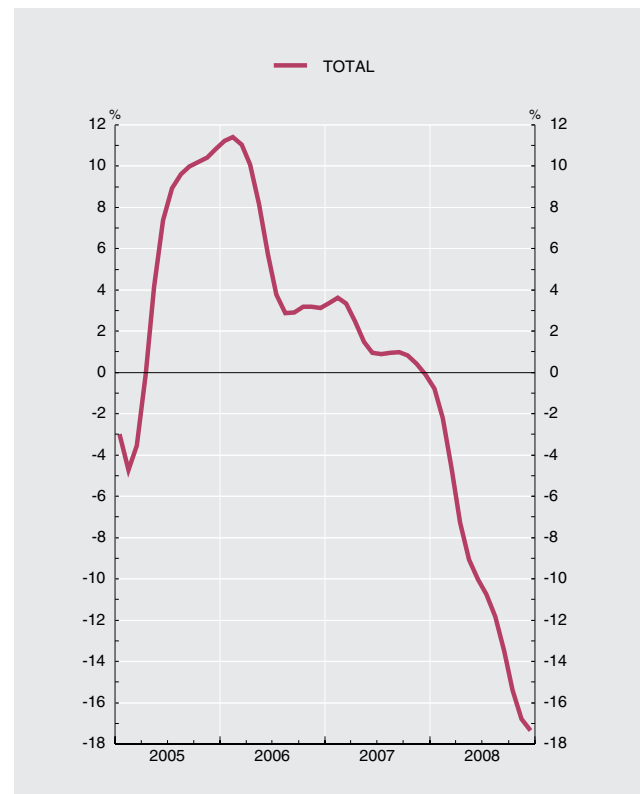
Thousands, annual percentage changes and %

		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	Permanent	Part time	Temporary	Thousands	12 month % change	
Total	Agri-culture					Branches other than agriculture													
						Total	Industry	Construc-tion	Services										
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
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	
07	M	2 039	-0	-0.0	-0.7	0.1	1.9	-0.0	-4.3	5.7	-0.0	1 552	0.5	11.88	23.90	88.12	1 505	2.0	
07	J-D	M	2 039	-0	-0.0	-0.7	0.1	1.9	-0.0	-4.3	5.7	-0.0	1 552	0.5	11.88	23.90	88.12	1 505	2.0
08	J-D	M	2 540	501	24.6	7.9	26.6	30.6	26.5	17.0	71.1	20.1	1 383	-10.9	11.39	25.61	88.61	1 358	-9.8
07	Nov		2 094	71	3.5	-4.4	4.5	8.3	4.4	-1.4	16.1	3.7	1 592	-4.1	11.94	25.61	88.06	1 540	-1.2
	Dec		2 130	107	5.3	-2.3	6.2	11.9	6.0	-0.8	19.9	4.8	1 261	-9.0	10.66	25.29	89.34	1 223	-1.7
08	Jan		2 262	179	8.6	-1.0	9.8	20.0	9.4	2.1	27.1	7.9	1 581	-4.3	12.44	21.61	87.56	1 535	-0.3
	Feb		2 315	240	11.6	0.4	12.9	33.5	12.2	3.6	36.1	9.9	1 427	1.3	13.04	22.79	86.96	1 434	5.0
	Mar		2 301	242	11.7	0.4	13.2	18.3	13.0	4.5	44.2	9.4	1 286	-17.8	13.08	23.63	86.92	1 258	-17.2
	Apr		2 339	315	15.6	-0.5	17.7	22.4	17.5	7.1	52.9	13.6	1 460	5.3	12.97	24.29	87.03	1 416	4.1
	May		2 354	380	19.3	2.3	21.5	23.4	21.4	10.9	63.0	16.3	1 385	-14.8	11.88	24.30	88.12	1 358	-14.4
	Jun		2 390	425	21.6	3.2	24.0	26.2	23.9	13.5	70.7	17.7	1 419	-10.3	10.85	25.09	89.15	1 381	-9.7
	Jul		2 427	457	23.2	5.6	25.4	26.8	25.3	15.2	70.7	18.9	1 626	-7.3	9.86	26.45	90.14	1 580	-6.8
	Aug		2 530	502	24.7	8.1	26.7	27.8	26.7	16.3	71.0	19.9	1 050	-18.4	9.29	24.35	90.71	1 030	-17.5
	Sep		2 625	608	30.1	12.2	32.4	31.4	32.4	22.0	85.6	24.3	1 502	-5.9	11.55	28.59	88.45	1 508	-4.8
	Oct		2 818	769	37.6	20.9	39.5	41.7	39.4	29.2	99.5	30.2	1 585	-17.1	11.37	30.44	88.63	1 570	-16.0
	Nov		2 989	895	42.7	22.3	45.1	45.1	45.1	37.1	106.7	34.7	1 163	-27.0	11.11	28.35	88.89	1 135	-26.3
	Dec		3 129	999	46.9	22.7	49.6	47.3	49.7	42.8	108.1	38.3	1 118	-11.4	9.22	27.44	90.78	1 093	-10.6

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.

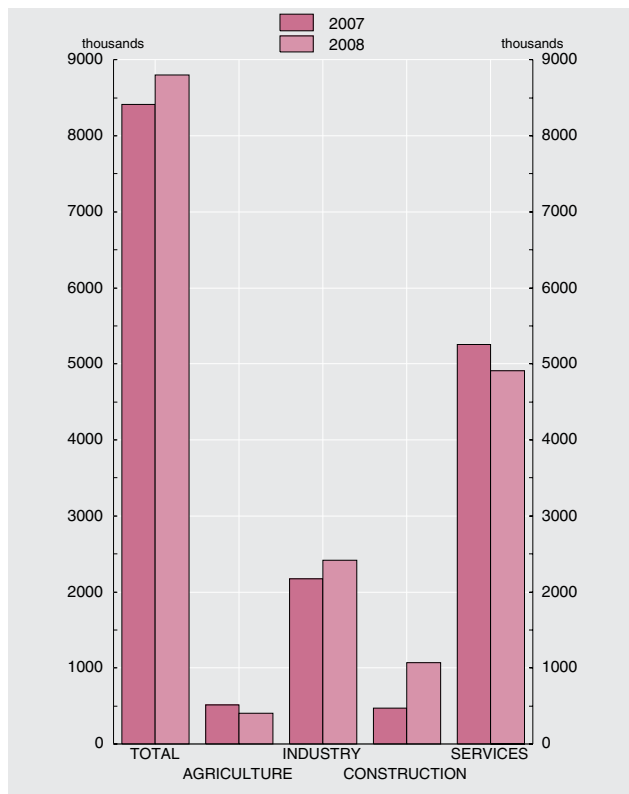
4.6. COLLECTIVE BARGAINING AGREEMENTS

■ Series depicted in chart.

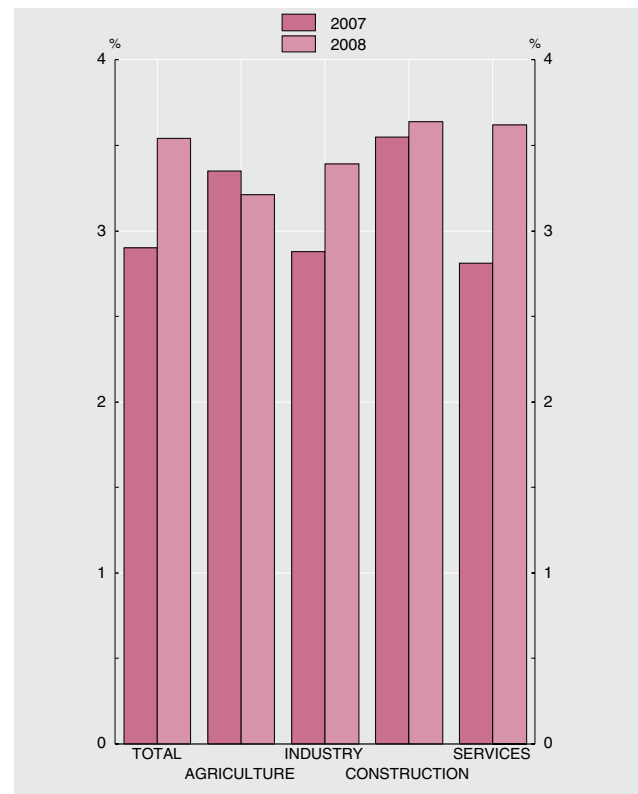
Thousands and %

	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 (b)	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
05	10 756	4.04	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	11 119	3.59	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	11 286	4.21	5 778	2 634	8 412	-509	510	2 172	475	5 254	2.87	2.96	2.90	3.35	2.88	3.55	2.81
07 Jul	11 030	4.19	5 454	499	5 953	-1 372	400	1 485	34	4 033	2.88	2.90	2.88	3.48	2.85	3.97	2.82
Aug	11 031	4.19	5 573	809	6 382	-985	403	1 631	34	4 315	2.87	2.86	2.87	3.47	2.85	3.95	2.81
Sep	11 155	4.19	5 582	1 459	7 041	-725	468	1 958	64	4 552	2.87	2.93	2.89	3.40	2.85	3.74	2.83
Oct	11 268	4.20	5 607	1 959	7 566	-505	478	2 043	247	4 798	2.87	2.91	2.88	3.39	2.85	3.56	2.81
Nov	11 283	4.21	5 753	2 456	8 210	-239	478	2 139	385	5 208	2.87	2.93	2.89	3.39	2.87	3.56	2.80
Dec	11 286	4.21	5 778	2 634	8 412	-509	510	2 172	475	5 254	2.87	2.96	2.90	3.35	2.88	3.55	2.81
08 Jan	8 363	3.48	4 503	5	4 508	1 263	270	1 331	161	2 746	3.27	4.59	3.27	2.91	3.32	3.61	3.27
Feb	8 370	3.48	5 281	12	5 293	1 271	293	1 462	487	3 052	3.36	3.77	3.36	2.92	3.32	3.83	3.35
Mar	8 410	3.49	5 601	24	5 624	889	298	1 612	530	3 184	3.38	4.20	3.39	2.94	3.41	3.77	3.35
Apr	8 692	3.53	6 352	241	6 593	1 851	299	1 954	690	3 650	3.39	4.47	3.43	2.94	3.39	3.72	3.43
May	8 696	3.53	6 568	408	6 975	2 208	339	1 975	830	3 831	3.43	4.09	3.47	3.10	3.40	3.68	3.49
Jun	8 736	3.53	6 790	459	7 250	1 662	381	2 028	875	3 966	3.43	4.07	3.47	3.11	3.40	3.67	3.49
Jul	8 741	3.53	6 825	641	7 466	1 513	381	2 061	895	4 130	3.43	3.88	3.47	3.11	3.40	3.67	3.49
Aug	8 741	3.53	6 844	809	7 653	1 271	393	2 082	964	4 214	3.43	3.96	3.49	3.17	3.41	3.65	3.52
Sep	8 801	3.55	6 911	1 079	7 990	949	405	2 133	1 013	4 439	3.43	4.01	3.51	3.20	3.40	3.65	3.56
Oct	8 801	3.55	6 951	1 416	8 367	801	408	2 317	1 022	4 620	3.47	3.80	3.52	3.21	3.37	3.64	3.60
Nov	8 801	3.55	7 028	1 557	8 585	375	405	2 367	1 056	4 757	3.47	3.82	3.53	3.21	3.37	3.64	3.61
Dec	8 802	3.55	7 069	1 733	8 802	390	406	2 419	1 070	4 907	3.48	3.80	3.54	3.21	3.39	3.64	3.62

EMPLOYEES AFFECTED
January-December



AVERAGE WAGE SETTLEMENT
January-December



Source: Ministerio de Trabajo e Inmigración (MTIN), Estadística de Convenios Colectivos de Trabajo. Avance mensual.

a. Cumulative data.

b. Includes revisions arising from indexation clauses, except in 2008.

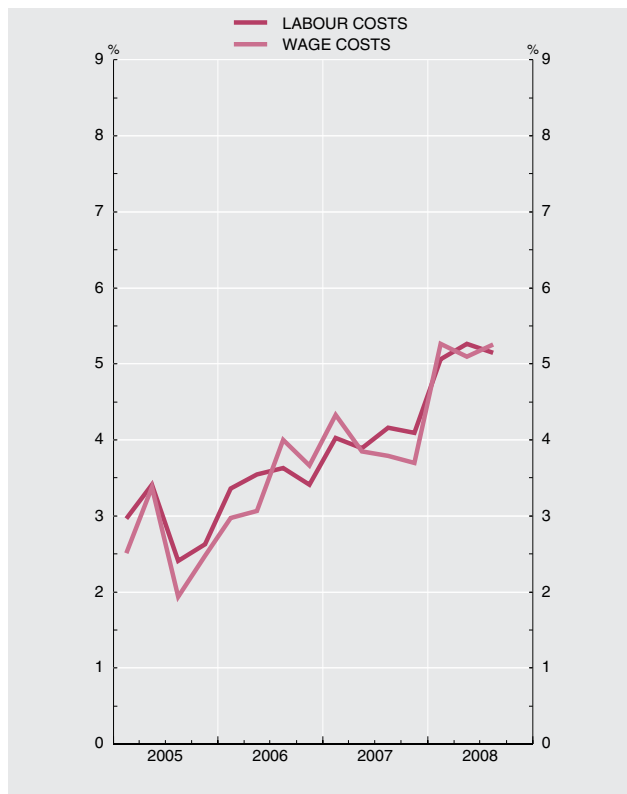
4.7. QUARTERLY LABOUR COSTS SURVEY

■ Series depicted in chart.

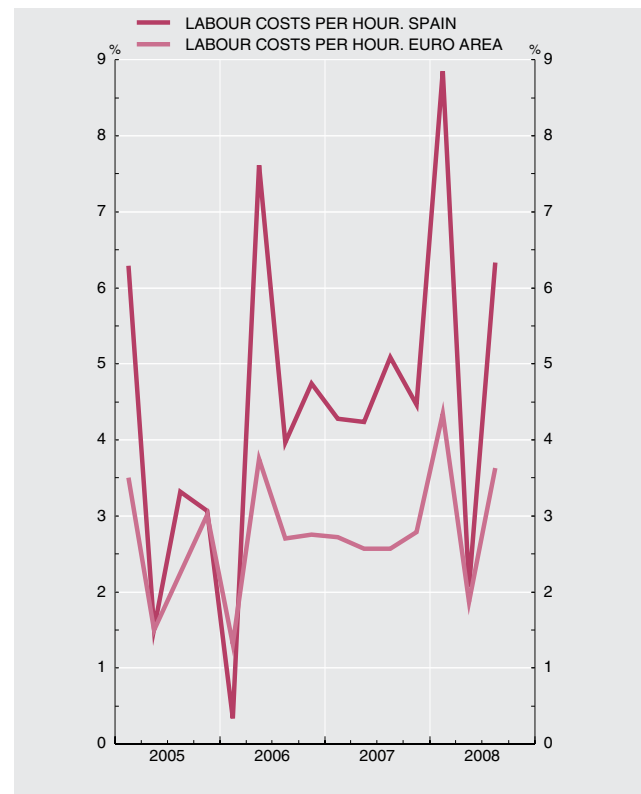
Annual percentage change

		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
05	M	2.9	3.1	2.8	3.1	3.5	2.6	2.7	2.3	2.9	3.2	3.6	2.6
06	M	3.5	3.7	4.0	3.6	4.2	3.4	3.6	3.7	3.7	4.2	3.6	2.7
07	M	4.0	3.3	5.0	4.3	4.5	3.9	3.0	4.8	4.2	4.4	4.4	2.7
07	Q1-Q3M	4.0	3.3	4.9	4.3	4.5	4.0	3.0	4.7	4.3	4.5	4.1	2.6
08	Q1-Q3M	5.2	5.0	6.0	5.1	5.7	5.2	5.2	5.7	5.0	5.7	5.0	3.2
06	Q1	3.4	4.5	4.3	3.2	0.3	3.0	3.8	3.8	3.0	-	4.4	1.3
	Q2	3.5	3.5	3.9	3.8	7.6	3.1	3.1	3.1	3.4	7.1	4.9	3.7
	Q3	3.6	3.6	4.1	3.8	4.0	4.0	4.1	4.2	4.3	4.4	2.6	2.7
	Q4	3.4	3.4	3.7	3.7	4.7	3.7	3.6	3.9	4.0	5.0	2.6	2.8
07	Q1	4.0	4.2	5.0	4.0	4.3	4.3	3.7	5.5	4.5	4.6	3.2	2.7
	Q2	3.9	2.7	4.4	4.4	4.2	3.8	3.1	3.9	4.3	4.2	4.0	2.6
	Q3	4.2	3.0	5.4	4.5	5.1	3.8	2.3	4.8	4.2	4.6	5.2	2.6
	Q4	4.1	3.4	5.3	4.2	4.5	3.7	2.8	5.1	3.8	4.1	5.3	2.8
08	Q1	5.1	4.1	5.8	5.2	8.8	5.3	5.8	4.8	5.1	9.0	4.5	4.3
	Q2	5.3	5.9	6.1	5.0	2.1	5.1	5.1	6.5	4.8	1.9	5.7	1.9
	Q3	5.1	4.8	6.0	5.1	6.3	5.3	4.8	5.8	5.3	6.5	4.9	3.6

PER WORKER AND MONTH
Annual percentage change



PER HOUR WORKED
Annual percentage change



Sources: INE (Quarterly labour costs survey) and Eurostat.

Note: The underlying series for this indicator are in Tables 24.25, 24.26 and 24.27 of de BE Boletín estadístico.

a. Whole economy, excluding the agriculture, public administration, education and health sectors

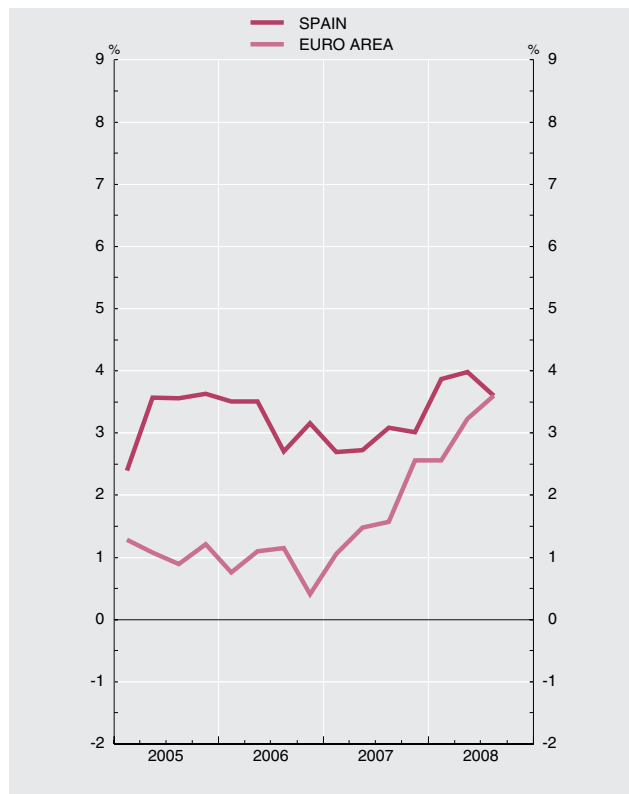
4.8. UNIT LABOUR COSTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

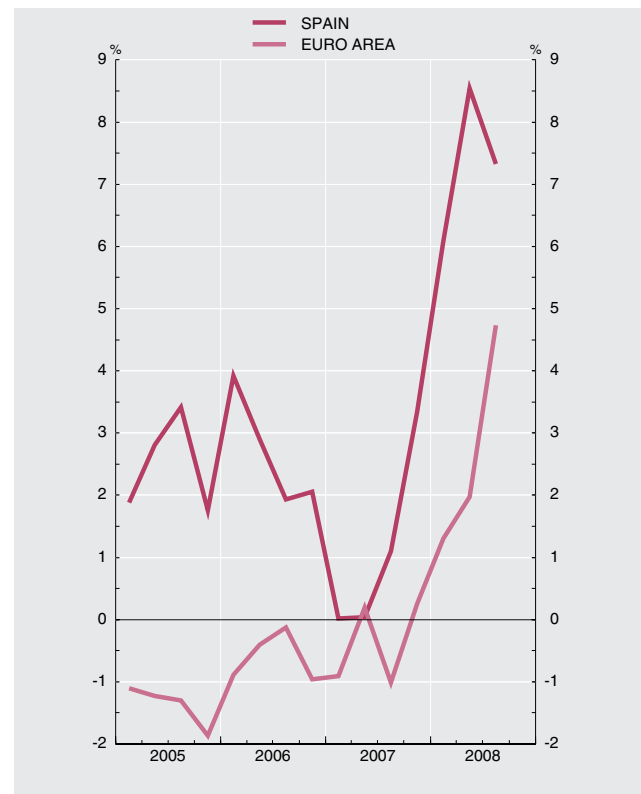
Annual percentage changes

		Whole-economy unit labour costs		Compensation per employee		Productivity						Memorandum item: unit labour costs in manufacturing	
		Spain	Euro area	Spain (b)	Euro area	Spain	Euro area	Output		Employment		Spain (c)	Euro area (d)
								Spain	Euro area	Spain (b)	Euro area		
		1	2	3	4	5	6	7	8	9	10	11	12
05	P	3.3	1.1	3.7	1.9	0.4	0.8	3.6	1.8	3.2	1.0	2.5	-1.4
06	P	3.2	0.9	3.9	2.2	0.7	1.3	3.9	3.0	3.2	1.6	2.7	-0.6
07	P	2.9	1.7	3.7	2.5	0.8	0.8	3.7	2.6	2.9	1.8	1.1	-0.4
05 Q4	P	3.6	1.2	3.9	2.3	0.2	1.1	3.8	2.1	3.5	1.0	1.8	-1.9
06 Q1	P	3.5	0.8	3.9	2.1	0.3	1.3	3.8	2.7	3.4	1.4	3.9	-0.9
Q2	P	3.5	1.1	3.8	2.4	0.3	1.3	3.9	3.0	3.6	1.8	2.9	-0.4
Q3	P	2.7	1.1	3.9	2.4	1.2	1.2	4.0	2.9	2.8	1.7	1.9	-0.1
Q4	P	3.2	0.4	4.1	2.0	0.9	1.6	3.9	3.3	2.9	1.7	2.1	-1.0
07 Q1	P	2.7	1.1	3.4	2.4	0.7	1.4	4.0	3.2	3.2	1.8	0.0	-0.9
Q2	P	2.7	1.5	3.5	2.3	0.7	0.8	3.9	2.6	3.2	1.7	0.0	0.2
Q3	P	3.1	1.6	3.8	2.3	0.7	0.7	3.6	2.6	2.9	1.9	1.1	-1.0
Q4	P	3.0	2.6	4.1	2.9	1.0	0.3	3.2	2.1	2.2	1.8	3.3	0.3
08 Q1	P	3.9	2.6	5.1	3.0	1.2	0.5	2.6	2.1	1.4	1.6	6.1	1.3
Q2	P	4.0	3.2	5.4	3.4	1.3	0.2	1.8	1.4	0.4	1.2	8.5	2.0
Q3	P	3.6	3.6	5.3	3.5	1.7	-0.1	0.9	0.6	-0.8	0.7	7.3	4.7

UNIT LABOUR COSTS: TOTAL
Annual percentage changes



UNIT LABOUR COSTS: MANUFACTURING
Annual percentage changes



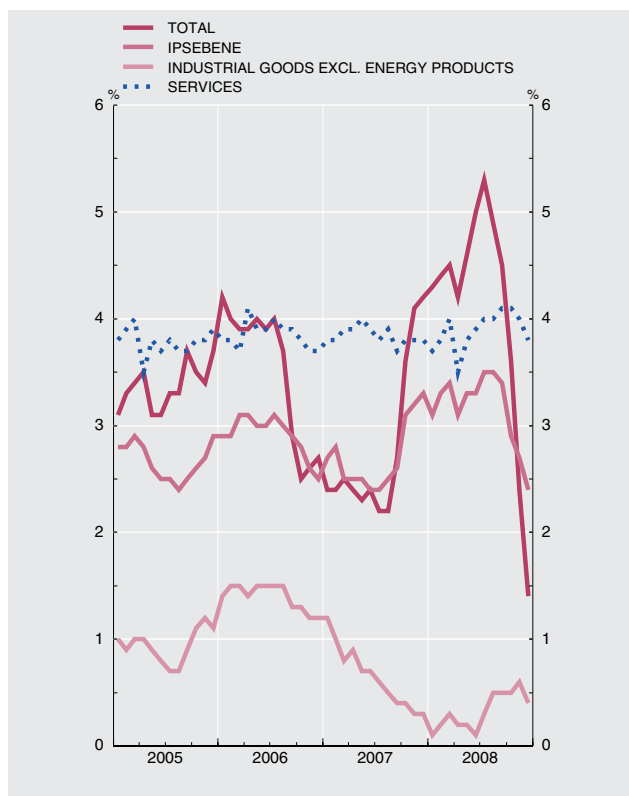
5.1. CONSUMER PRICE INDEX. SPAIN (2006=100)

■ Series depicted in chart.

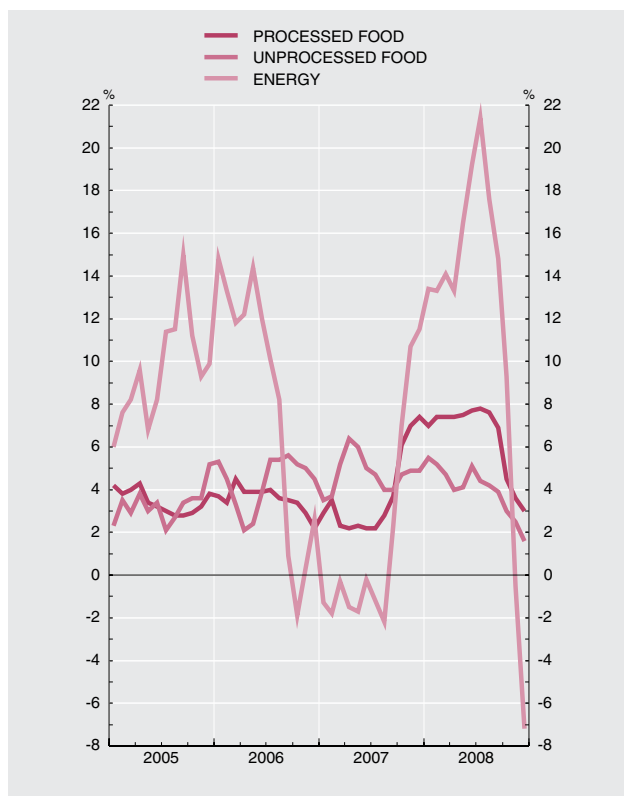
Indices and annual percentage changes

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
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
07 M	102.8	—	2.8	4.2	4.8	3.7	0.7	1.8	3.8	2.7	115.5	6.0
07 J-D	M	102.8	0.3	2.8	1.6	4.8	0.6	1.8	3.8	2.7	115.6	5.5
08 J-D	M	107.0	0.1	4.1	1.5	4.0	0.3	12.1	3.9	3.2	...	...
07 Sep		102.9	0.3	2.7	1.7	4.0	0.4	2.3	3.7	2.6	112.7	12.1
Oct		104.2	1.3	3.6	3.0	4.7	0.4	7.0	3.8	3.1	116.0	13.8
Nov		105.0	0.7	4.1	3.8	4.9	0.3	10.7	3.8	3.2	124.6	15.7
Dec		105.4	0.4	4.2	4.2	4.9	0.3	11.5	3.8	3.3	125.8	17.6
08 Jan		104.7	-0.6	4.3	-0.6	5.5	0.1	13.4	3.7	3.1	124.2	11.1
Feb		104.9	0.2	4.4	-0.5	5.2	0.2	13.3	3.8	3.3	122.1	7.3
Mar		105.8	0.9	4.5	0.4	4.7	0.3	14.1	4.0	3.4	127.4	10.5
Apr		107.0	1.1	4.2	1.5	4.0	0.2	13.3	3.5	3.1	130.6	8.5
May		107.7	0.7	4.6	2.2	4.1	0.2	16.5	3.8	3.3	133.9	15.2
Jun		108.3	0.6	5.0	2.8	5.1	0.1	19.2	3.9	3.3	126.3	8.6
Jul		107.8	-0.5	5.3	2.3	4.4	0.3	21.4	4.0	3.5	121.0	14.1
Aug		107.6	-0.2	4.9	2.1	4.2	0.5	17.6	4.0	3.5	115.4	6.9
Sep		107.5	-	4.5	2.0	3.9	0.5	14.8	4.1	3.4	110.1	-2.3
Oct		107.9	0.3	3.6	2.4	3.0	0.5	9.3	4.1	2.9	106.4	-8.2
Nov		107.5	-0.4	2.4	2.0	2.5	0.6	-0.5	4.0	2.7	...	...
Dec		106.9	-0.5	1.4	1.4	1.6	0.4	-7.2	3.8	2.4	...	...

CONSUMER PRICE INDEX. TOTAL AND COMPONENTS
Annual percentage changes



CONSUMER PRICE INDEX. COMPONENTS
Annual percentage changes



Sources: INE, Ministerio de Medio Ambiente y Medio Rural y Marino, 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.

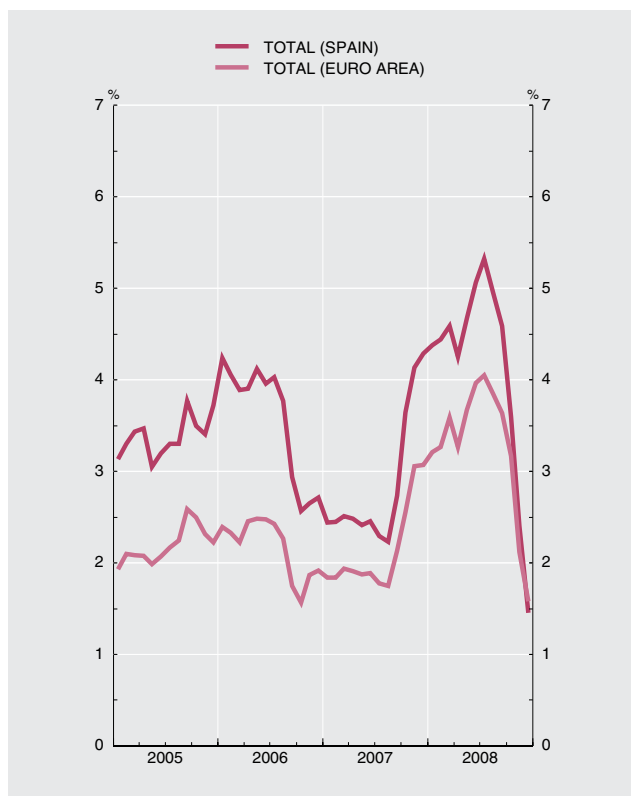
5.2. HARMONISED INDEX OF CONSUMER PRICES. SPAIN AND EURO AREA (2005=100) (a)

■ Series depicted in chart.

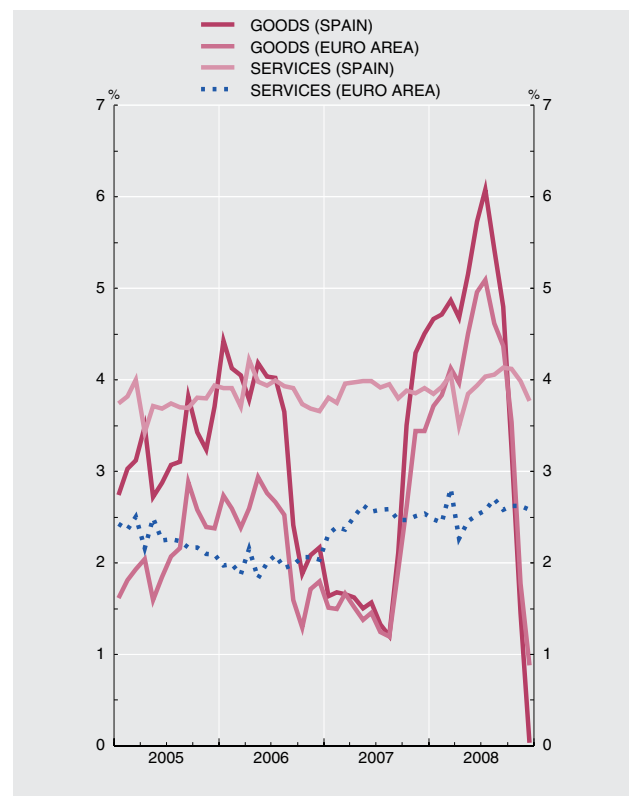
Annual percentage changes

		Total				Goods										Services			
		Spain		Euro area		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	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
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
07	M	2.8	2.1	2.2	1.9	4.1	2.8	3.9	2.8	4.3	3.0	1.0	1.4	0.7	1.0	1.7	2.6	3.9	2.5
07 J-D	M	2.8	2.1	2.2	1.9	4.1	2.8	3.9	2.8	4.3	3.0	1.0	1.4	0.7	1.0	1.7	2.6	3.9	2.5
08 J-D	MP	4.1	3.3	4.2	3.8	5.7	5.1	7.4	6.1	3.9	3.5	3.3	3.1	0.4	0.8	11.9	10.3	3.9	2.6
07 Sep		2.7	2.1	2.1	1.9	3.8	2.7	3.9	3.1	3.7	2.1	1.0	1.5	0.4	1.0	2.3	3.0	3.8	2.5
Oct		3.6	2.6	3.5	2.6	5.6	3.5	7.0	3.8	4.3	3.1	2.1	2.1	0.4	1.1	7.0	5.5	3.9	2.5
Nov		4.1	3.1	4.3	3.4	6.3	4.0	8.2	4.6	4.4	3.0	3.0	3.2	0.4	1.1	10.6	9.7	3.9	2.5
Dec		4.3	3.1	4.5	3.4	6.6	4.3	8.6	5.1	4.5	3.1	3.2	3.0	0.4	1.0	11.4	9.2	3.9	2.5
08 Jan		4.4	3.2	4.7	3.7	6.5	4.9	8.2	5.9	4.9	3.3	3.6	3.1	0.3	0.7	13.4	10.6	3.8	2.5
Feb		4.4	3.3	4.7	3.8	6.7	5.2	8.6	6.5	4.7	3.3	3.6	3.1	0.3	0.8	13.2	10.4	3.9	2.4
Mar		4.6	3.6	4.9	4.1	6.6	5.6	8.8	6.8	4.3	3.8	3.9	3.4	0.4	0.9	14.1	11.2	4.1	2.8
Apr		4.2	3.3	4.7	4.0	6.3	5.4	8.8	7.0	3.9	3.1	3.6	3.2	0.3	0.8	13.3	10.8	3.5	2.3
May		4.7	3.7	5.2	4.5	6.4	5.8	8.8	6.9	4.0	3.9	4.3	3.9	0.2	0.7	16.5	13.7	3.8	2.5
Jun		5.1	4.0	5.7	5.0	6.8	5.8	9.0	7.0	4.6	4.0	5.0	4.5	0.2	0.8	19.1	16.1	3.9	2.5
Jul		5.3	4.0	6.1	5.1	6.7	6.1	9.2	7.2	4.2	4.4	5.7	4.6	0.4	0.5	21.3	17.1	4.0	2.6
Aug		4.9	3.8	5.4	4.6	6.5	5.6	9.0	6.8	4.0	3.7	4.8	4.2	0.5	0.7	17.5	14.6	4.1	2.7
Sep		4.6	3.6	4.8	4.4	5.9	5.2	7.9	6.2	3.9	3.6	4.2	4.0	0.6	0.9	14.8	13.5	4.1	2.6
Oct		3.6	3.2	3.2	3.5	4.0	4.4	4.7	5.1	3.3	3.4	2.8	3.1	0.5	1.0	9.3	9.6	4.1	2.6
Nov		2.4	2.1	1.5	1.8	3.2	3.7	3.5	4.2	2.9	2.8	0.4	0.8	0.6	0.9	-0.4	0.7	4.0	2.6
Dec	P	1.5	1.6	-	0.9	2.6	3.3	3.0	3.5	2.1	2.8	-1.5	-0.3	0.4	0.8	-7.1	-3.7	3.8	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).

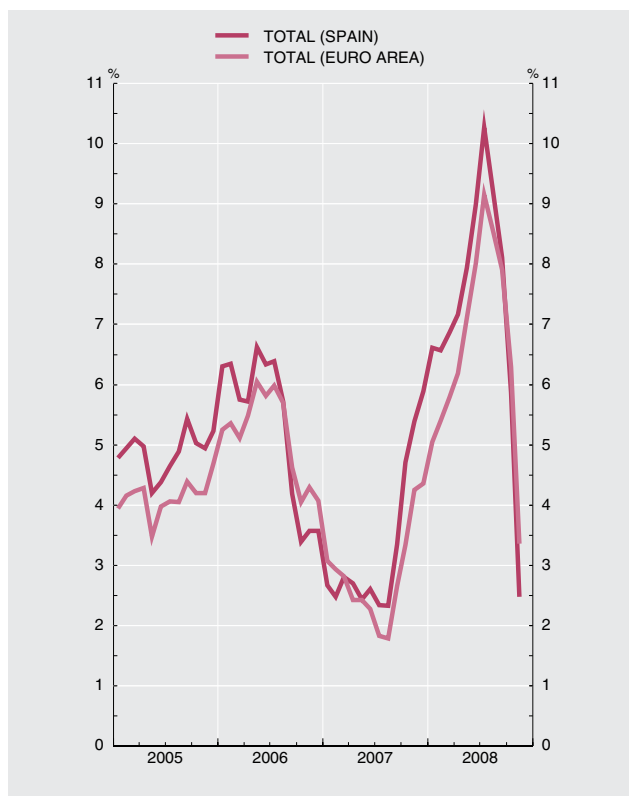
5.3. PRODUCER PRICE INDEX. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

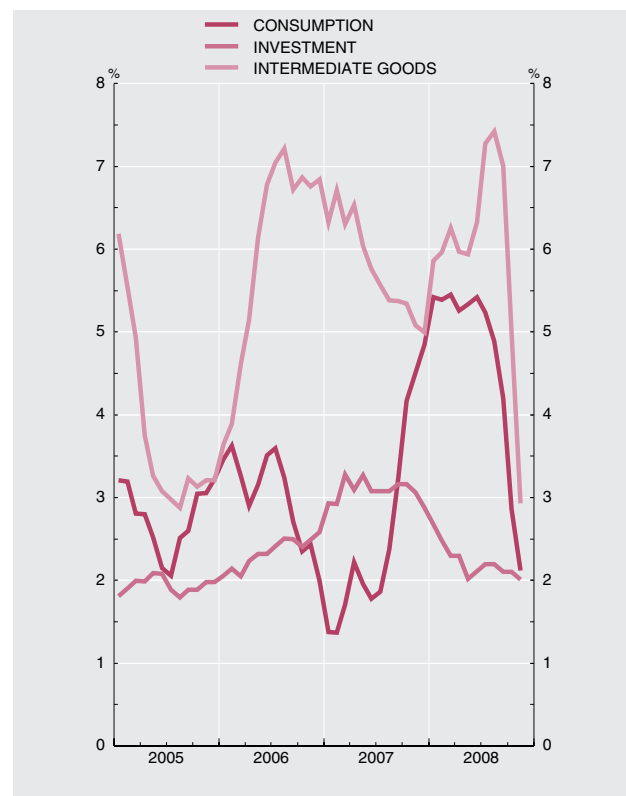
Annual percentage changes

		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
05	MP	112.7	—	4.9	—	2.8	—	1.9	—	3.8	—	14.0	4.1	1.1	1.4	2.9	13.5
06	MP	118.6	—	5.3	—	3.0	—	2.3	—	6.0	—	11.0	5.1	1.7	1.4	4.8	13.6
07	MP	122.6	—	3.3	—	2.6	—	3.1	—	5.8	—	0.8	2.8	2.3	1.8	4.8	1.8
07 J-N	MP	122.3	—	3.1	—	2.4	—	3.1	—	5.8	—	-0.1	2.7	2.2	1.8	4.9	1.2
08 J-N	MP	131.2	—	7.3	—	4.7	—	2.2	—	6.0	—	18.1	6.6	3.9	1.9	4.6	16.3
07 Aug	P	122.9	0.2	2.3	0.4	2.4	0.1	3.1	0.2	5.4	-0.4	-2.9	1.8	2.4	1.7	4.2	-1.9
Sep	P	123.3	0.3	3.4	0.5	3.2	0.2	3.2	0.2	5.4	0.5	0.8	2.7	2.9	1.6	4.1	1.7
Oct	P	124.4	0.9	4.7	0.9	4.2	0.1	3.2	0.5	5.3	2.4	6.1	3.3	3.4	1.5	3.9	4.3
Nov	P	125.2	0.6	5.4	0.3	4.5	0.1	3.1	-	5.1	2.7	9.8	4.3	3.7	1.5	3.6	8.1
Dec	P	125.8	0.5	5.9	0.3	4.8	-	2.9	-	5.0	1.7	11.6	4.4	4.0	1.5	3.5	8.5
08 Jan	P	127.4	1.3	6.6	1.0	5.4	0.8	2.7	1.6	5.9	1.8	13.3	5.0	4.3	1.4	3.8	10.8
Feb	P	128.1	0.5	6.6	0.6	5.4	0.3	2.5	1.2	6.0	-0.4	13.3	5.4	4.3	1.5	4.2	11.6
Mar	P	129.2	0.9	6.9	0.4	5.5	0.3	2.3	0.8	6.3	2.4	14.6	5.8	4.7	1.5	4.4	12.6
Apr	P	130.2	0.8	7.2	0.3	5.3	0.1	2.3	0.5	6.0	2.3	16.5	6.2	4.6	1.7	4.3	14.4
May	P	131.8	1.2	7.9	0.2	5.3	0.1	2.0	0.5	5.9	5.1	21.2	7.1	4.5	1.8	4.3	18.1
Jun	P	133.3	1.1	9.0	0.2	5.4	0.1	2.1	0.5	6.3	4.2	25.5	8.0	4.5	2.0	4.9	21.4
Jul	P	135.3	1.5	10.3	0.1	5.2	0.2	2.2	1.1	7.3	4.7	30.3	9.2	4.2	2.1	5.8	24.9
Aug	P	134.2	-0.8	9.2	0.1	4.9	0.1	2.2	0.3	7.4	-4.1	25.5	8.5	3.8	2.2	6.0	22.7
Sep	P	133.3	-0.7	8.1	-0.2	4.2	0.1	2.1	-0.1	7.0	-2.7	21.6	7.9	3.3	2.2	5.8	20.3
Oct	P	131.7	-1.2	5.9	-0.4	2.9	0.1	2.1	-1.4	5.0	-2.9	15.2	6.3	2.6	2.2	4.3	15.9
Nov	P	128.3	-2.6	2.5	-0.4	2.1	-	2.0	-2.0	2.9	-8.3	2.9	3.4	2.0	2.2	2.7	6.3

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.

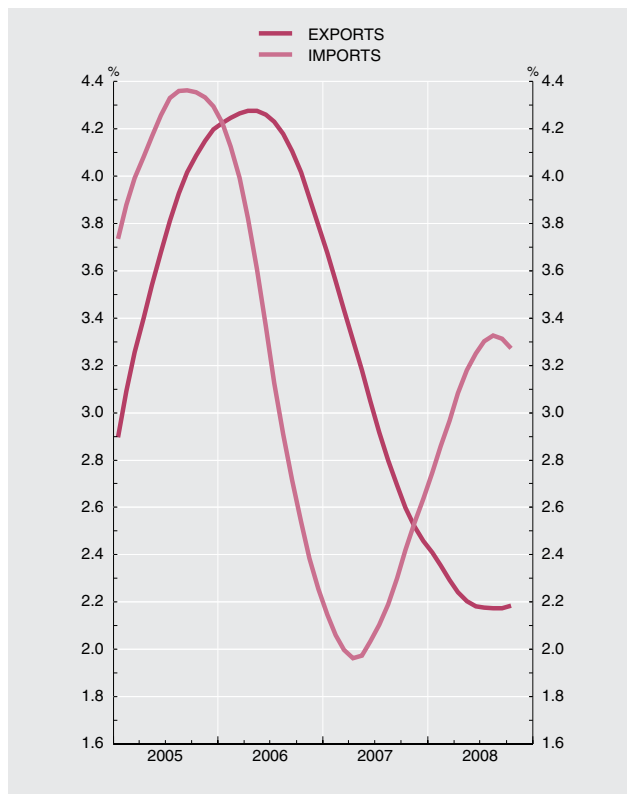
5.4. UNIT VALUE INDICES FOR SPANISH FOREIGN TRADE

■ Series depicted in chart.

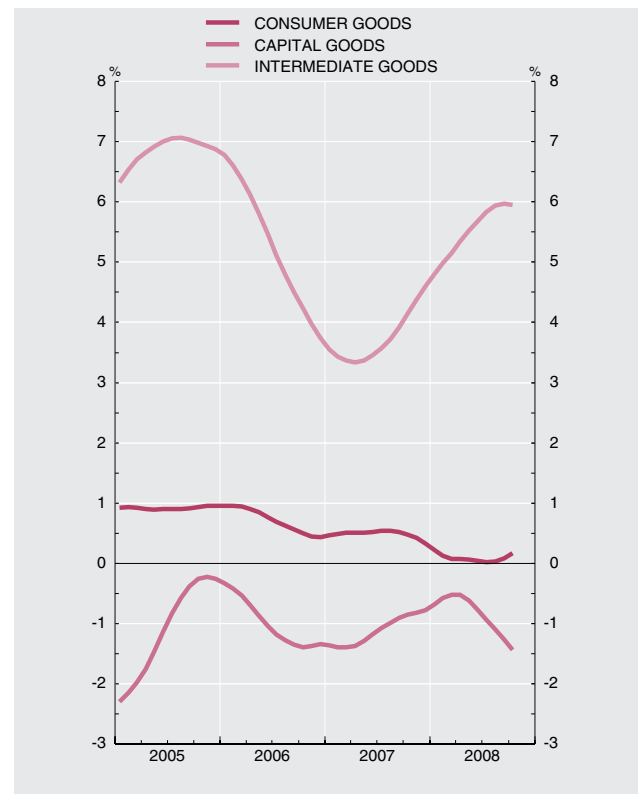
Annual percentage changes

	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		
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	
07	2,5	2,4	-0,8	3,3	2,0	3,3	1,0	1,2	-2,3	1,6	-1,0	2,9	
07 J-O	2,8	2,3	0,1	3,7	-2,0	4,1	0,8	2,0	-1,8	0,8	-4,8	3,2	
08 J-O	1,8	1,0	0,5	2,6	33,9	-0,2	4,4	-1,4	1,8	7,2	27,4	-0,7	
07 May	3,4	2,3	-2,9	5,4	-6,9	6,4	-2,5	-2,5	-4,1	-2,2	-13,1	1,7	
Jun	4,0	5,1	1,9	3,6	-2,7	4,2	3,1	1,6	-2,5	4,9	-1,8	7,0	
Jul	1,9	0,5	0,3	3,2	-8,9	4,0	1,8	0,3	2,7	2,3	-3,8	4,9	
Aug	1,6	1,1	-0,4	2,3	15,8	0,2	-0,6	5,5	-3,2	-2,7	-8,1	0,4	
Sep	2,2	0,7	2,7	3,3	13,3	2,5	2,8	0,5	3,4	4,0	2,2	4,8	
Oct	1,1	-0,6	-0,5	2,8	11,5	1,7	2,1	0,8	-1,1	3,2	6,5	2,6	
Nov	1,5	1,0	-4,4	3,0	17,0	1,0	6,5	5,3	5,0	7,3	23,0	3,5	
Dec	0,4	4,8	-6,3	-0,7	27,2	-2,1	-2,1	-10,9	-14,3	4,5	13,3	-0,1	
08 Jan	3,8	7,0	2,5	1,7	21,3	0,2	5,4	-0,4	3,4	8,0	25,5	0,1	
Feb	4,2	3,9	0,7	5,0	46,2	2,9	2,7	-4,6	4,8	5,5	28,8	0,1	
Mar	0,6	1,5	-0,1	0,2	37,2	-2,9	0,9	-4,6	0,2	3,0	25,0	-7,4	
Apr	1,7	-1,0	2,4	3,2	38,5	0,6	4,4	-0,0	12,3	4,9	23,7	-1,7	
May	0,5	-1,4	3,4	1,3	43,8	-1,6	6,4	4,0	3,5	7,8	38,5	-0,3	
Jun	0,9	-2,4	3,8	2,5	42,1	-1,4	3,1	-0,5	-0,8	4,9	31,3	-4,8	
Jul	2,4	-0,1	2,3	4,2	46,6	-0,3	4,9	-3,8	-3,6	9,8	29,9	0,1	
Aug	2,7	1,9	2,4	3,4	18,4	1,0	7,6	-2,5	2,2	13,1	32,0	3,3	
Sep	1,1	-1,0	3,9	2,3	23,7	-0,9	4,5	-4,2	-3,3	9,7	24,9	3,0	
Oct	0,1	1,1	-16,4	2,6	21,7	0,5	3,6	2,3	-0,1	4,8	14,5	0,2	

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 18.6 and 18.7 of the Boletín Estadístico.

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

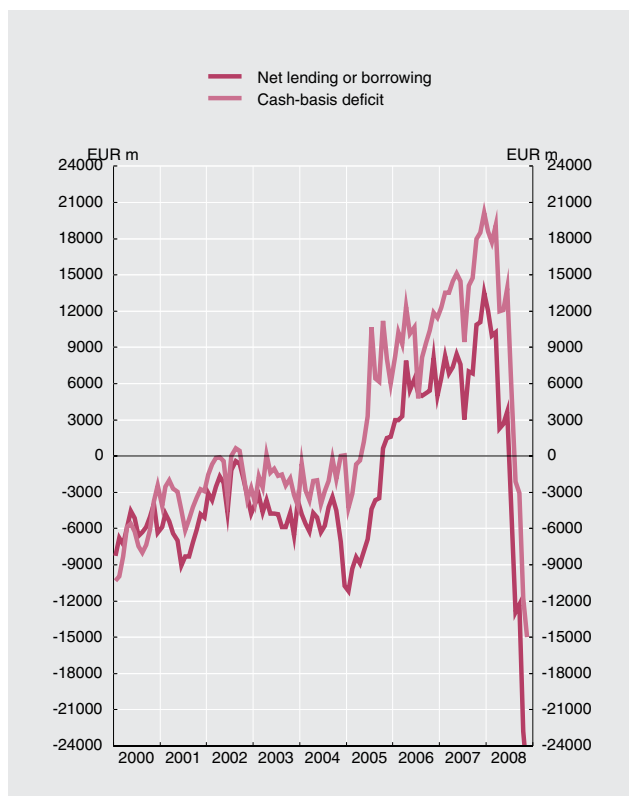
6.1. STATE RESOURCES AND USES ACCORDING TO THE NATIONAL ACCOUNTS. SPAIN

■ Series depicted in chart.

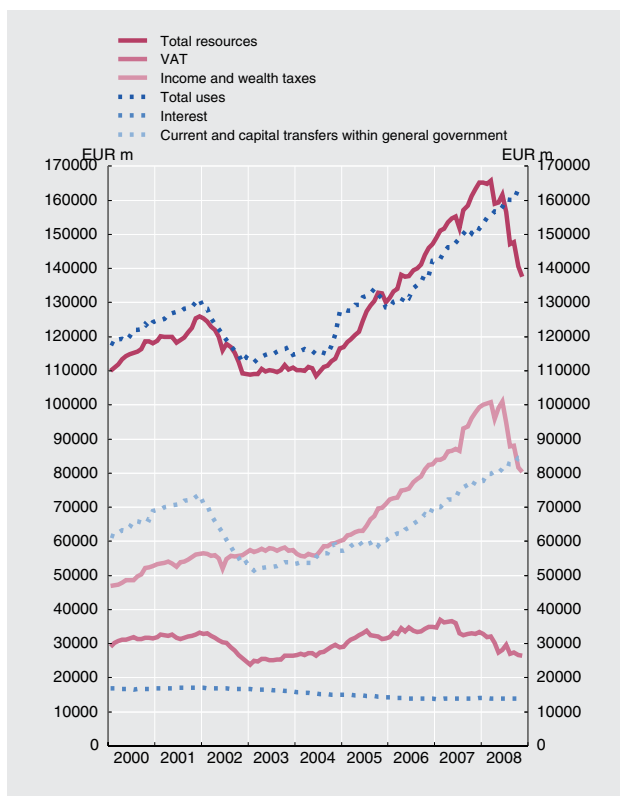
EUR millions

	Net lending (+) or borrowing (-)	Current and capital resources						Current and capital uses						Memorandum item: cash-basis deficit		
		Total	Value added tax (VAT)	Other taxes on products and imports	Inter- est and other income on pro- perty	Income and wealth taxes	Other	Total	Compensation of employees	Inter- est	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	-7 303	109 643	29 002	16 408	6 059	46 909	11 265	116 946	15 013	16 958	60 249	3 750	20 976	-6 354	110 370	116 724
00	-6 330	118 005	31 566	17 171	5 419	52 671	11 178	124 335	12 881	16 817	68 917	4 336	21 384	-2 431	118 693	121 124
01	-5 076	126 032	33 160	17 838	7 335	56 312	11 387	131 108	12 890	17 031	73 716	4 269	23 202	-2 884	125 193	128 077
02	-4 780	109 142	24 701	11 431	5 614	56 616	10 780	113 922	13 526	16 652	53 800	4 596	25 348	-2 626	108 456	111 082
03	-3 692	111 008	26 542	10 918	5 089	57 398	11 061	114 700	13 966	15 890	53 259	4 009	27 576	-4 132	109 655	113 787
04	-10 762	116 577	28 947	10 991	4 730	60 054	11 855	127 339	14 831	15 060	57 177	8 760	31 511	59	114 793	114 734
05	1 590	130 171	31 542	11 068	4 401	70 986	12 174	128 581	15 665	14 343	60 311	5 122	33 140	6 022	128 777	122 755
06	P 5 005	147 220	34 929	11 331	5 328	82 528	13 104	142 215	16 839	13 820	69 588	5 808	36 160	11 471	141 847	130 375
07	P 13 525	165 179	33 332	12 938	6 857	99 257	12 795	151 654	18 109	14 002	77 436	5 338	36 769	20 135	159 840	139 704
07 J-N	P 25 388	152 395	32 653	11 888	5 774	91 929	10 151	127 007	15 627	12 803	68 377	3 108	27 092	24 104	148 407	124 304
08 J-N	A -14 014	124 902	25 775	11 800	4 779	72 921	9 627	138 916	16 624	12 831	75 488	3 566	30 407	-11 038	120 150	131 188
08 Mar	A -5 988	6 982	499	872	1 092	3 085	1 434	12 970	1 574	1 140	6 733	533	2 990	-2 559	6 546	9 105
Apr	A 5 525	17 805	5 961	953	802	9 437	652	12 280	1 401	1 111	6 408	630	2 730	7 104	18 065	10 961
May	A -6 179	4 226	-2 603	1 066	163	4 098	1 502	10 405	1 412	1 164	5 317	195	2 317	-5 191	3 678	8 868
Jun	A -7 316	6 606	816	990	297	2 832	1 671	13 922	2 495	1 134	6 926	54	3 313	-5 250	5 701	10 951
Jul	A -5 358	11 008	3 014	1 382	323	5 781	508	16 366	1 425	1 193	10 458	612	2 678	-8 488	11 139	19 628
Aug	A -4 667	5 873	-6 329	1 098	413	10 126	565	10 540	1 385	1 190	5 506	255	2 204	-4 484	4 824	9 308
Sep	A 1 068	12 892	3 662	1 168	604	6 240	1 218	11 824	1 426	1 176	6 228	158	2 836	2 027	11 978	9 950
Oct	A 4 995	20 009	5 997	1 045	251	12 024	692	15 014	1 447	1 263	8 270	757	3 277	6 191	19 074	12 883
Nov	A -5 483	8 163	1 052	1 088	290	4 885	848	13 646	1 425	1 200	7 477	212	3 332	-4 220	7 510	11 730

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).

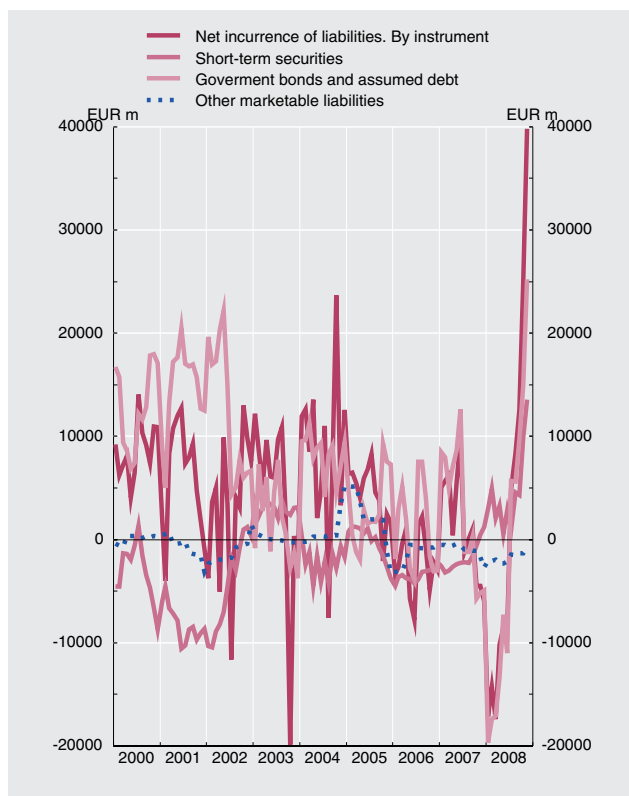
6.2. STATE FINANCIAL TRANSACTIONS. SPAIN

■ Series depicted in chart.

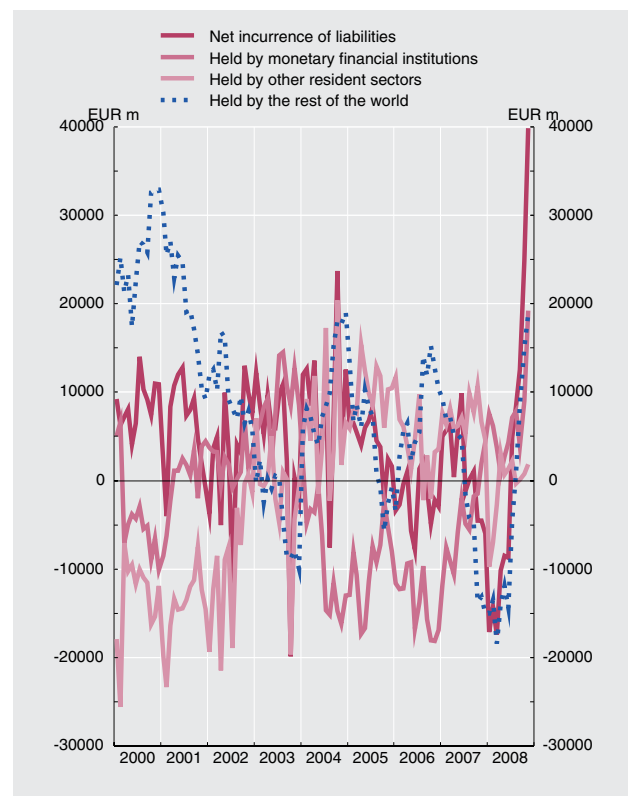
EUR millions

	Net lending (+) or net borrowing(-)	Net acquisition of financial assets		Net incurrence of liabilities										Net incurrence of liabilities (excluding other accounts payable)	
				Of which		By instrument					By counterpart sector				
		Total	In currencies other than the peseta/ euro			Short-term securities	Government bonds and assumed debt	Banco de España loans	Other marketable liabilities (a)	Other accounts payable	Held by resident sectors				Rest of the world
				Total	Monetary financial institutions						Other resident sectors				
		1	2	3	4	5	6	7	8	9	10	11	12		13	14	15
99	-7 303	4 217	4 574	11 520	209	-6 629	19 592	-499	-446	-498	-10 505	-7 605	-2 900	22 026	12 018
00	-6 330	4 542	5 690	10 872	1 162	-8 683	17 127	-499	283	2 644	-22 051	-10 117	-11 934	32 924	8 228
01	-5 076	-5 942	-20 141	-866	803	-8 616	12 521	-499	-3 101	-1 171	-10 072	4 424	-14 496	9 206	305
02	-4 780	2 826	-95	7 606	-888	346	6 655	-486	1 488	-396	1 816	3 148	-1 331	5 790	8 002
03	-3 692	-5 832	0	-2 140	-135	3 146	-3 761	-486	-281	-758	7 835	8 524	-689	-9 975	-1 381
04	-10 762	1 804	-0	12 566	-1 600	-1 688	9 416	-486	5 204	120	-6 409	-12 978	6 569	18 975	12 446
05	1 590	3 241	0	1 651	-1 910	-3 771	7 276	-486	-3 180	1 812	2 409	-8 026	10 435	-758	-161
06	P 5 005	2 076	-200	-2 929	175	-2 198	-2 976	-486	-536	3 266	-13 286	-16 867	3 582	10 357	-6 195
07	P 13 525	7 525	65	-6 000	-120	1 206	-4 916	-519	-2 701	929	9 026	4 393	4 633	-15 026	-6 930
07 J-N	P 25 388	17 508	-13	-7 880	-128	2 268	-7 497	-519	-1 740	-392	4 636	2 396	2 240	-12 517	-7 489
08 J-N	A -14 014	23 925	16 840	37 939	2 240	14 641	22 673	-583	263	945	16 633	17 187	-555	21 306	36 994
08 Mar	A -5 988	-3 488	0	2 500	3	-617	1 008	-	-96	2 205	4 834	-2 594	7 427	-2 334	295
Apr	A 5 525	6 824	2	1 299	-10	-1 462	4 706	-583	-311	-1 050	-2 080	-7 248	5 168	3 379	2 349
May	A -6 179	-1 357	-99	4 822	2 365	-528	7 119	-	-4	-1 766	3 759	6 653	-2 895	1 063	6 587
Jun	A -7 316	-2 765	98	4 551	7	-426	2 792	-	43	2 143	5 429	3 477	1 952	-878	2 409
Jul	A -5 358	-926	-0	4 432	275	126	1 562	-	22	2 721	1 692	-390	2 082	2 740	1 711
Aug	A -4 667	-5 404	-100	-737	3	2 061	1 022	-	20	-3 840	-3 077	565	-3 642	2 340	3 103
Sep	A 1 068	11 018	82	9 950	-2	2 330	8 060	-	-17	-424	548	-812	1 360	9 402	10 373
Oct	A 4 995	4 176	14 815	-819	-260	4 371	-7 440	-	0	2 250	351	1 929	-1 578	-1 170	-3 068
Nov	A -5 483	14 122	2 008	19 605	-156	6 513	13 052	-	-0	40	14 970	14 136	833	4 635	19 565

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



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



Source: BE.

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

6.3. STATE: LIABILITIES OUTSTANDING. SPAIN

■ Series depicted in chart.

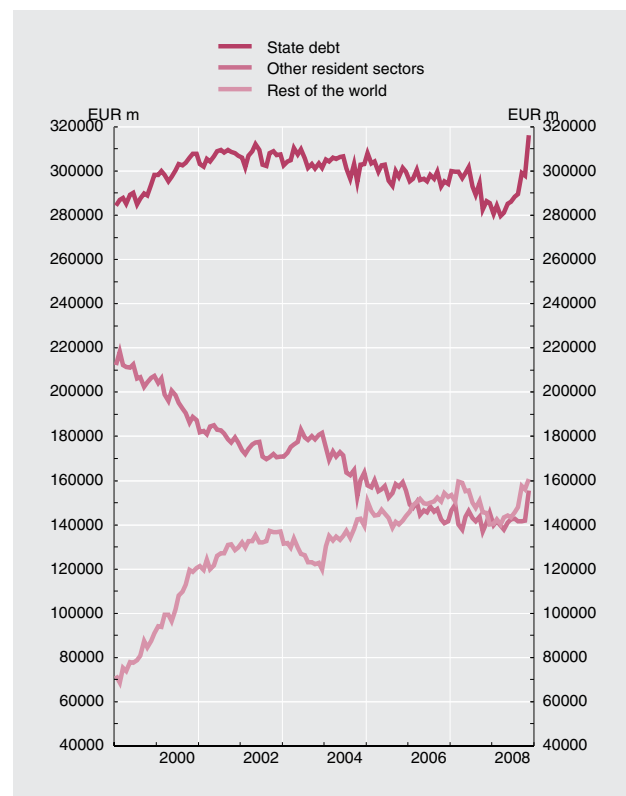
EUR millions

	Liabilities outstanding (excluding other accounts payable)										Memorandum item:		
	State debt according to the methodology of the excessive deficit procedure	of which	By instrument				By counterpart sector				Deposits at the Banco de España	Guarantees given (contingent liabilities). Outstanding level	
		In currencies other than the peseta/ euro	Short-term securities	Government bonds and assumed debt	Banco de España loans	Other marketable liabilities (a)	Held by resident sectors			Rest of the world			
							Total	General government	Other resident sectors				
	1	2	3	4	5	6	7	8	9	10	11	12	
95		232 754	19 362	71 070	132 463	11 050	18 171	180 408	385	180 023	52 731	9 379	6 059
96		263 972	20 434	81 084	152 302	10 814	19 772	210 497	529	209 969	54 003	15 195	8 185
97		274 176	23 270	71 730	180 566	10 578	11 303	211 538	445	211 093	63 083	9 829	7 251
98		284 161	30 048	59 939	205 189	10 341	8 691	215 207	305	214 902	69 258	10 273	6 412
99		298 384	7 189	53 142	227 157	9 843	8 243	207 465	150	207 315	91 070	14 846	5 310
00		307 726	8 197	44 575	245 255	9 344	8 552	188 488	1 187	187 301	120 424	20 536	5 430
01		306 895	7 611	35 413	257 192	8 845	5 445	179 123	2 018	177 105	129 791	395	5 460
02		307 610	5 823	35 459	258 877	8 359	4 914	177 561	6 831	170 730	136 880	300	6 819
03		301 476	5 105	38 702	250 337	7 873	4 564	192 399	10 952	181 447	120 029	300	6 821
04		303 254	3 267	35 996	250 125	7 388	9 746	182 967	19 412	163 554	139 700	300	7 186
05		299 578	2 154	31 647	254 442	6 902	6 588	178 398	22 810	155 588	143 990	300	6 020
06	P	294 223	515	31 060	250 702	6 416	6 046	163 603	21 897	141 706	152 517	100	5 794
07	P	285 570	355	31 614	243 159	5 832	4 965	170 996	25 669	145 327	140 243	165	6 162
08 Feb	A	284 292	340	33 878	239 010	5 832	5 571	166 325	24 609	141 715	142 576	199	6 121
Mar	A	279 742	327	33 244	235 191	5 832	5 475	167 944	28 416	139 528	140 214	199	6 072
Apr	A	281 023	76	31 880	238 730	5 249	5 164	166 099	28 314	137 785	143 238	202	5 939
May	A	285 292	76	31 360	243 522	5 249	5 160	169 508	28 507	141 001	144 291	102	5 940
Jun	A	285 979	76	31 092	244 434	5 249	5 203	171 927	29 361	142 566	143 413	200	5 918
Jul	A	288 499	76	30 897	247 128	5 249	5 225	175 272	32 513	142 760	145 739	200	6 332
Aug	A	289 593	75	32 879	246 220	5 249	5 245	175 075	33 575	141 501	148 093	99	6 613
Sep	A	299 201	76	35 485	253 239	5 249	5 228	175 206	33 460	141 746	157 455	182	7 614
Oct	A	298 049	76	39 994	247 578	5 249	5 228	174 001	32 033	141 968	156 080	14 997	7 790
Nov	A	316 226	72	46 632	259 116	5 249	5 228	187 589	32 089	155 500	160 726	17 005	8 416

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

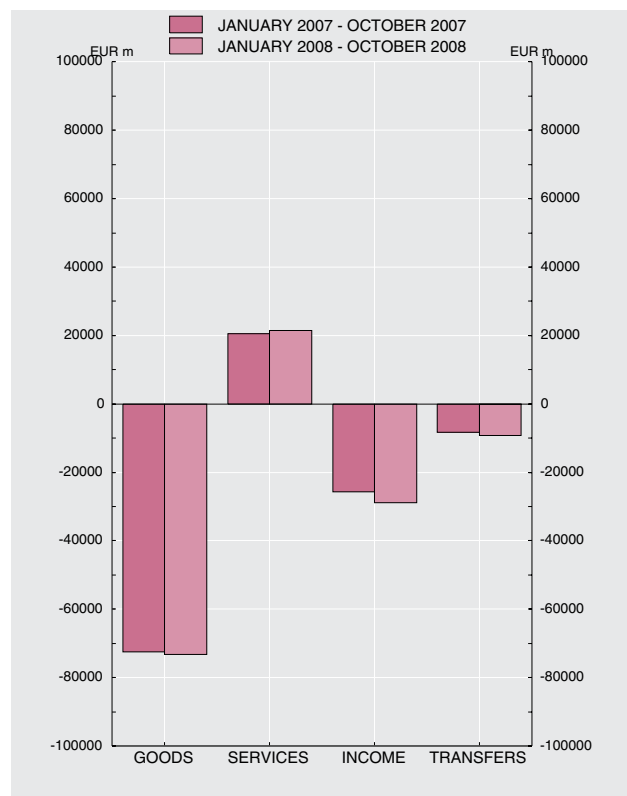
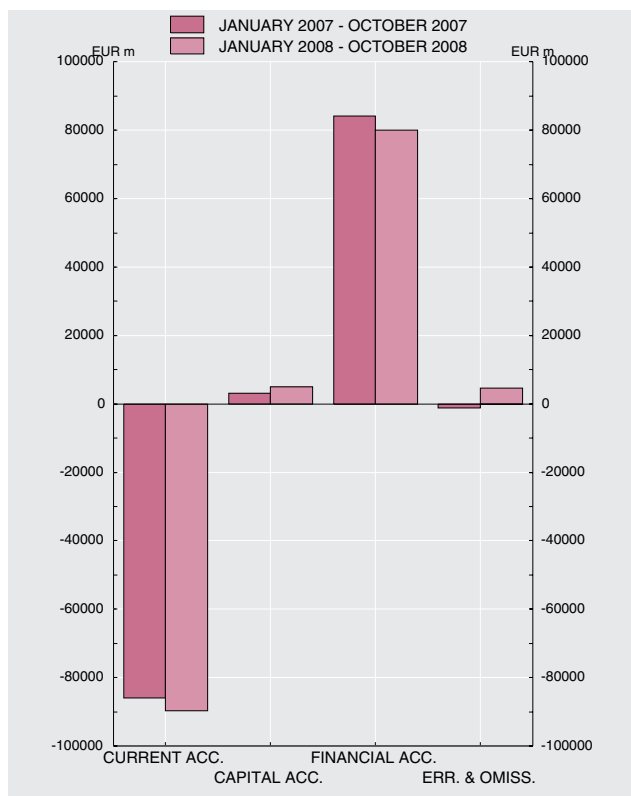
■ Series depicted in chart.

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)	
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	-87 715	-83 272	175 883	259 154	22 335	84 732	40 715	62 397	13 266	-20 581	44 382	64 963	-6 198	6 196	-81 519	83 276	-1 757
07	-105 893	-89 805	187 194	276 999	22 152	94 151	42 171	71 999	14 360	-31 507	52 913	84 420	-6 733	4 516	-101 378	97 633	3 744
07 J-O	P -86 033	-72 519	155 620	228 139	20 546	79 790	36 968	59 244	12 055	-25 693	43 048	68 741	-8 367	3 065	-82 968	84 081	-1 113
08 J-O	P -89 750	-73 261	166 119	239 380	21 524	83 317	37 264	61 794	12 132	-28 865	47 539	76 404	-9 147	5 036	-84 713	80 103	4 611
07 Jul	P -10 027	-7 911	15 796	23 707	3 481	10 274	5 070	6 793	1 381	-4 672	4 276	8 948	-925	258	-9 769	8 834	935
Aug	P -7 515	-7 082	12 530	19 612	3 525	9 679	5 357	6 154	1 584	-3 124	3 178	6 302	-834	101	-7 414	9 778	-2 363
Sep	P -8 467	-7 615	15 358	22 973	2 809	8 931	4 578	6 122	1 375	-2 540	3 747	6 287	-1 122	148	-8 320	9 464	-1 145
Oct	P -9 023	-8 445	17 248	25 693	2 317	8 919	4 020	6 602	1 350	-1 766	5 005	6 771	-1 129	838	-8 185	9 282	-1 097
Nov	P -10 803	-7 904	17 094	24 999	972	7 177	2 799	6 205	1 230	-3 004	3 697	6 701	-867	289	-10 515	9 257	1 258
Dec	P -9 057	-9 382	14 479	23 861	635	7 185	2 404	6 550	1 076	-2 810	6 168	8 978	2 500	1 162	-7 895	4 295	3 600
08 Jan	P -11 901	-8 379	15 428	23 808	1 255	7 393	2 771	6 138	1 140	-3 528	4 745	8 273	-1 249	1 234	-10 667	10 145	522
Feb	P -8 799	-7 317	17 208	24 526	997	8 868	2 452	5 871	1 202	-837	5 144	5 981	-1 642	621	-8 178	9 687	-1 509
Mar	P -11 415	-8 731	16 432	25 162	1 109	6 825	2 975	5 715	1 062	-2 432	4 651	7 083	-1 361	371	-11 043	10 603	440
Apr	P -9 123	-7 196	18 577	25 773	1 147	7 216	2 621	6 069	1 005	-2 145	4 417	6 562	-929	268	-8 855	4 426	4 429
May	P -9 266	-7 200	17 175	24 376	2 290	7 777	3 516	5 487	801	-3 655	5 428	9 084	-700	964	-8 303	9 010	-707
Jun	P -8 328	-7 878	15 972	23 849	2 799	9 115	4 114	6 316	1 248	-3 049	4 660	7 708	-200	238	-8 090	8 657	-567
Jul	P -7 714	-7 191	17 721	24 912	3 596	10 533	5 126	6 938	1 341	-3 672	6 301	9 973	-447	318	-7 396	6 670	726
Aug	P -7 233	-7 023	12 496	19 519	3 642	9 695	5 375	6 053	1 539	-3 110	3 022	6 132	-741	407	-6 826	6 864	-38
Sep	P -8 110	-6 481	17 870	24 351	2 106	8 932	4 463	6 827	1 491	-2 901	3 956	6 857	-833	417	-7 692	7 152	541
Oct	P -7 861	-5 864	17 239	23 104	2 583	8 964	3 851	6 381	1 301	-3 536	5 215	8 752	-1 044	198	-7 664	6 890	774

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).

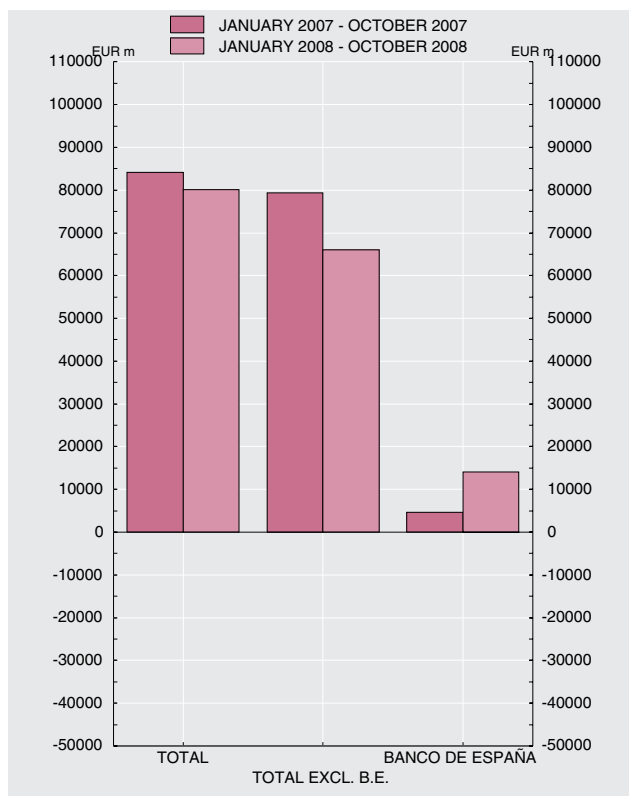
7.2. SPANISH BALANCE OF PAYMENTS VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. FINANCIAL ACCOUNT (a)

■ Series depicted in chart.

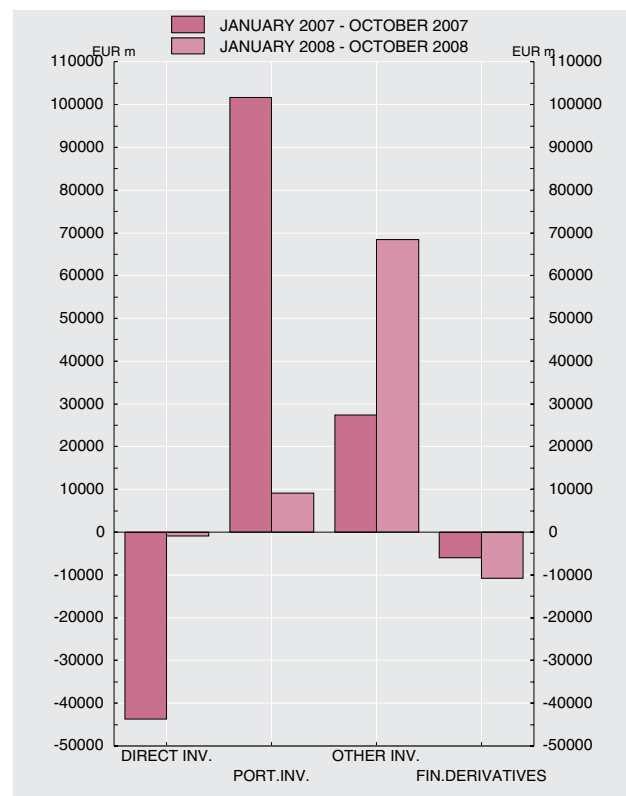
EUR millions

	Financial account (NCL- NCA)	Total, excluding Banco de España												Banco de España			
		Total (NCL- NCA)	Direct investment			Portfolio investment			Other investment (d)			Net financial derivatives (NCL- NCA)	Balance (NCL- NCA)	Re-serves (e)	Net claims with the Euro-system (e)	Other net assets (NCL- NCA)	
			Balance (NCL- NCA)	Spanish invest- ment abroad (NCA)	Foreign invest- ment in Spain (NCL) (b)	Balance (NCL- NCA)	Spanish invest- ment abroad (NCA)	Foreign invest- ment in Spain (NCL) (c)	Balance (NCL- NCA)	Spanish invest- ment abroad (NCA)	Foreign invest- ment in Spain (NCL)						
		1= 2+13	2=3+6+ 9+12	3=5-4	4	5	6=8-7	7	8	9=11-10	10	11	12	13=14+ 15+16	14	15	16
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		83 276	109 076	-58 479	79 913	21 434	200 030	-4 092	195 938	-34 393	68 601	34 208	1 919	-25 800	-480	-12 327	-12 993
07	P	97 633	83 311	-49 518	91 722	42 205	103 804	-8 250	95 554	35 718	58 566	94 284	-6 693	14 322	-164	28 329	-13 843
07 J-O	P	84 081	79 418	-43 745	78 402	34 656	101 711	-1 785	99 925	27 476	61 782	89 258	-6 023	4 663	-128	18 304	-13 513
08 J-O	P	80 103	65 975	-854	41 228	40 374	9 196	-21 982	-12 786	68 398	43 077	111 476	-10 764	14 127	-700	15 053	-226
07 Jul	P	8 834	10 943	-4 307	8 931	4 624	14 457	-2 630	11 827	2 734	8 430	11 164	-1 942	-2 109	-35	949	-3 023
Aug	P	9 778	-5 943	-759	-2 363	-3 123	-815	-3 505	-4 320	-4 445	7 060	2 615	76	15 721	-6	15 663	64
Sep	P	9 464	468	-7 926	8 301	376	7 039	-7 875	-837	2 673	10 239	12 912	-1 318	8 996	336	9 339	-679
Oct	P	9 282	7 834	-2 938	26 519	23 581	-14 957	-4 825	-19 782	29 085	-2 417	26 669	-3 357	1 448	-111	3 692	-2 132
Nov	P	9 257	2 062	-1 768	3 085	1 317	5 113	-4 795	318	-3 317	20 727	17 411	2 033	7 195	35	7 757	-596
Dec	P	4 295	1 831	-4 004	10 236	6 231	-3 020	-1 669	-4 690	11 559	-23 943	-12 385	-2 703	2 464	-71	2 268	266
08 Jan	P	10 145	4 642	10 407	4 609	15 016	-1 025	-13 006	-14 031	-3 319	34 044	30 725	-1 421	5 502	123	5 483	-104
Feb	P	9 687	9 485	-509	3 362	2 854	-12 466	10 504	-1 962	23 646	12 038	35 684	-1 186	201	-36	61	177
Mar	P	10 603	17 619	-4 178	3 245	-933	-15 047	1 409	-13 638	36 866	-40 633	-3 767	-22	-7 016	22	-7 297	259
Apr	P	4 426	-11 627	889	1 956	2 845	-176	-1 606	-1 782	-9 891	19 798	9 907	-2 449	16 053	47	15 869	137
May	P	9 010	11 497	-2 269	4 104	1 836	16 407	-1 516	14 891	1 254	10 137	11 391	-3 895	-2 487	61	-3 443	894
Jun	P	8 657	9 945	6 585	5 513	12 097	8 143	-955	7 188	-3 885	16 438	12 553	-897	-1 289	87	-2 056	681
Jul	P	6 670	-1 180	-1 026	3 756	2 729	8 233	-489	7 743	-6 408	2 465	-3 943	-1 978	7 850	-184	8 024	10
Aug	P	6 864	1 382	-4 161	3 559	-602	8 731	44	8 775	-3 691	9 594	5 903	503	5 482	-146	5 621	7
Sep	P	7 152	9 264	-2 199	5 105	2 906	6 530	-6 193	336	4 408	-9 882	-5 474	525	-2 112	-100	-1 569	-444
Oct	P	6 890	14 947	-4 394	6 020	1 626	-10 133	-10 174	-20 307	29 418	-10 921	18 497	56	-8 057	-573	-5 640	-1 844

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

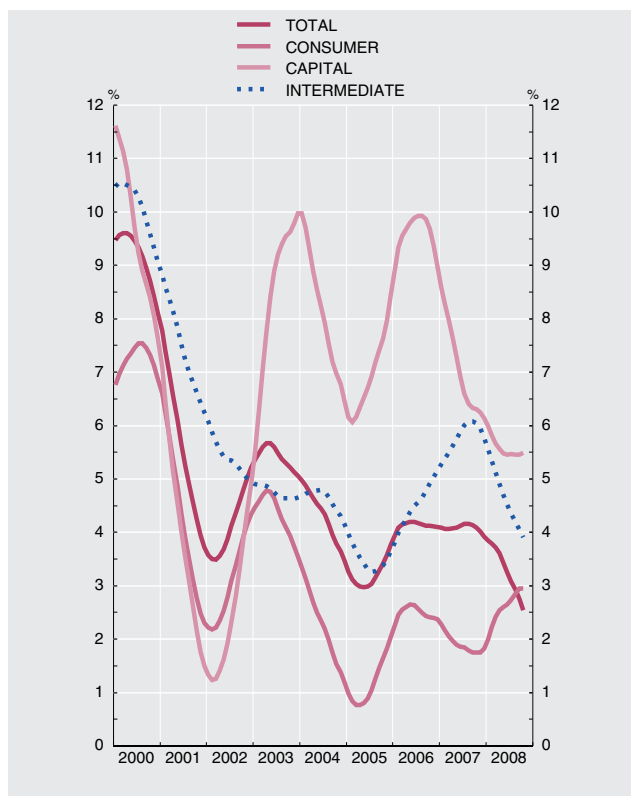
■ Series depicted in chart.

Eur millions and annual percentage changes

	Total			By product (deflated data) (a)					By geographical area (nominal data)							
	EUR millions	Nom- inal	De- flated (a)	Con- sumer	Capital	Intermediate			EU 27		OECD		OPEC	Other American countries	China	Newly indus- trialised coun- tries
						Total	Energy	Non- energy	Total	Euro Area	Total	of which: United States				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
03	138 119	3.6	5.2	4.2	11.9	4.8	24.7	3.9	4.5	5.1	3.8	-1.7	-5.4	2.2	38.2	-23.4
04	146 925	6.4	5.3	2.2	13.1	6.6	10.2	6.4	5.0	5.2	5.9	2.0	12.2	3.3	5.6	4.7
05	155 005	5.5	0.8	-0.9	5.3	1.4	-8.9	2.0	2.6	2.2	4.2	10.2	10.4	11.8	31.4	14.5
06	170 439	10.0	5.0	3.0	12.5	5.1	-5.0	5.6	8.1	7.7	8.4	17.7	1.2	34.5	12.8	16.5
07	185 023	8.6	5.9	3.3	5.2	7.8	8.6	7.7	8.0	8.4	7.0	-1.1	24.6	-12.5	23.5	-0.8
07 Sep	14 903	5.8	3.4	-0.8	-1.2	7.1	8.6	7.1	0.0	-0.7	0.9	13.7	31.2	-17.4	67.3	-0.7
Oct	16 707	9.5	8.2	2.9	12.7	11.2	31.9	10.4	1.6	2.6	3.7	26.2	44.2	16.6	97.3	-1.5
Nov	16 568	9.7	8.2	-1.8	13.0	15.0	85.3	12.9	4.2	2.0	3.9	-2.4	95.7	7.1	33.5	-8.0
Dec	14 196	-2.4	-2.8	-11.6	-16.8	7.2	-15.8	8.7	4.6	2.5	1.1	-29.1	-6.4	-49.7	-10.0	7.1
08 Jan	14 928	6.9	3.0	-2.6	7.3	6.5	30.3	5.6	5.6	5.4	5.7	-7.4	8.3	-13.5	58.3	-17.5
Feb	16 621	11.9	7.3	9.7	-9.9	8.7	1.7	9.1	14.0	11.4	12.5	-5.7	25.1	-31.9	20.8	11.6
Mar	15 882	-2.6	-3.2	-1.8	-10.3	-3.1	44.6	-4.8	-2.2	-3.9	-4.6	-15.5	6.4	-3.7	1.7	-18.5
Apr	17 964	24.8	22.7	21.2	4.5	27.2	49.5	26.3	21.2	19.9	23.8	33.7	27.6	-16.6	45.2	8.8
May	16 621	3.8	3.2	4.9	1.3	2.4	18.8	1.8	2.3	1.8	1.0	12.0	51.2	-15.4	-1.5	4.2
Jun	15 464	-4.0	-4.8	-7.6	-12.2	-1.8	38.8	-3.3	-4.0	-2.9	-6.2	-25.4	10.7	-32.5	20.8	0.6
Jul	17 189	12.2	9.5	6.0	19.7	10.2	48.0	8.5	3.5	3.2	5.1	16.6	68.7	37.3	16.2	23.9
Aug	12 122	-0.0	-2.7	-6.1	-4.9	-0.7	4.8	-1.1	-3.3	-6.0	-2.3	-1.8	12.7	7.1	-0.4	18.8
Sep	17 290	16.0	14.8	29.4	-1.1	8.0	38.5	6.6	18.7	17.6	16.1	0.1	30.8	39.8	-10.5	18.8
Oct	16 672	-0.2	-0.3	-1.3	10.5	-1.5	9.7	-2.0	-2.8	-2.9	-2.4	-4.3	51.9	-8.7	-24.8	6.2

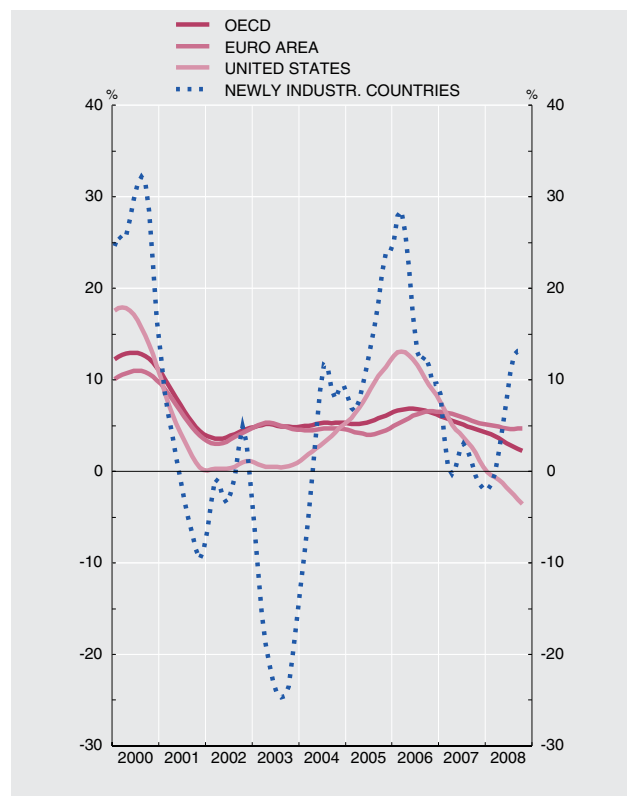
BY PRODUCT

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



BY GEOGRAPHICAL AREA

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



Sources: ME y BE.

Note: The underlying series for this indicator are in Tables 18.4 and 18.5 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

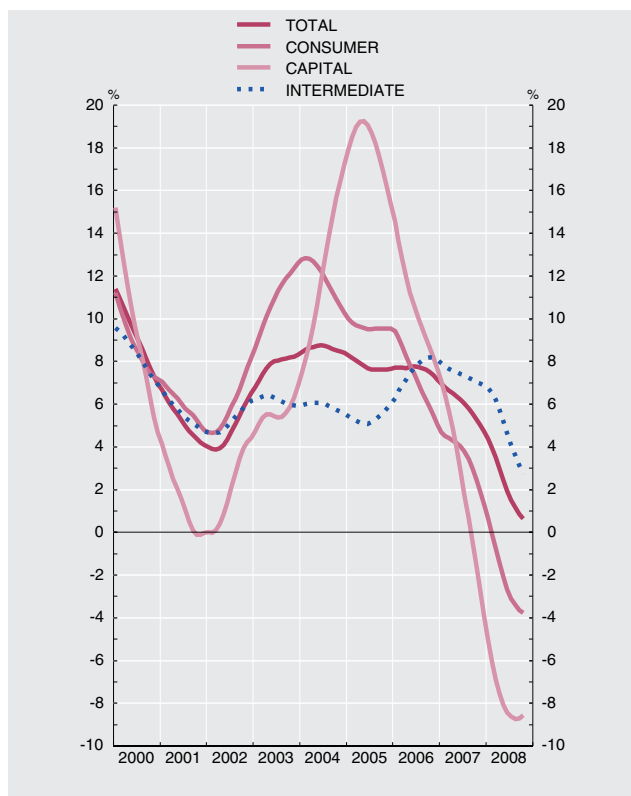
■ Series depicted in chart.

Eur millions and annual percentage changes

	Total			By product (deflated data) (a)					By geographical area (nominal data)							
	EUR millions	Nom- inal	De- flated (a)	Con- sumer	Capital	Intermediate			EU 27		OECD		OPEC	Other Amer- ican coun- tries	China	Newly indus- trialised coun- tries
						Total	Energy	Non- energy	Total	Euro Area	of which:					
											Total	United States				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
03	185 114	5.6	7.1	9.6	12.9	4.8	1.0	5.7	5.8	5.3	5.8	-4.8	1.9	12.9	16.6	1.1
04	208 411	12.6	9.9	13.5	14.4	7.3	10.6	6.5	9.9	10.0	11.3	9.3	12.8	7.9	26.8	14.6
05	232 954	11.8	6.4	8.4	17.6	3.4	10.9	1.5	5.6	5.3	6.1	-0.1	36.9	29.3	37.3	11.2
06	262 687	12.8	9.2	7.4	5.9	10.6	4.8	12.2	8.4	7.9	8.5	14.7	26.5	24.1	22.7	28.6
07	285 038	8.5	7.4	6.8	7.5	7.5	4.1	8.3	10.5	11.0	9.8	16.4	-5.7	-6.8	28.7	-3.7
07 Sep	23 313	7.2	4.3	4.6	3.0	4.2	1.9	4.7	6.4	6.5	7.0	47.8	-2.1	19.3	24.5	7.4
Oct	26 017	9.9	7.7	9.2	6.8	7.2	2.6	8.3	9.6	10.3	9.6	61.0	3.2	1.4	27.8	-16.9
Nov	25 267	5.8	-0.6	-1.3	-1.8	-0.0	-4.4	0.9	6.9	7.0	5.3	12.2	-2.8	-5.4	29.8	-15.9
Dec	24 030	14.8	17.3	16.3	24.9	16.5	32.0	13.0	18.5	19.8	15.1	-2.3	11.5	-4.3	4.8	-1.6
08 Jan	24 080	11.5	5.8	-2.6	-18.3	14.1	33.7	9.6	1.7	3.8	6.4	32.5	51.4	7.7	24.3	-8.8
Feb	24 695	13.5	10.6	8.8	-4.1	13.6	1.5	16.5	13.3	13.7	12.9	36.2	13.6	-14.5	23.7	-9.9
Mar	25 484	5.7	4.8	-8.8	-23.4	16.7	57.2	8.2	-5.5	-6.6	-5.5	29.7	45.3	0.7	-2.8	-26.1
Apr	26 012	17.9	13.0	3.2	-6.6	20.5	29.3	18.6	11.3	10.9	10.0	13.5	35.6	42.0	34.7	6.9
May	24 585	2.7	-3.5	-6.5	-22.4	0.9	-4.0	2.0	-3.0	-1.5	-3.5	12.3	42.3	29.5	6.7	-24.6
Jun	24 126	-1.2	-4.2	-16.2	-19.5	3.7	17.0	1.0	-13.2	-14.4	-11.1	24.2	54.3	24.6	13.5	-24.3
Jul	25 201	5.1	0.1	-4.0	-7.8	3.0	22.2	-1.2	-5.4	-7.4	-5.6	22.5	35.5	31.6	15.8	-17.9
Aug	19 719	-1.1	-8.1	-12.6	-28.1	-3.4	5.0	-5.8	-10.4	-11.0	-10.2	-1.4	50.1	3.2	-0.7	-7.9
Sep	24 723	6.0	1.5	3.1	-14.0	3.1	18.3	-0.0	0.4	-1.7	-1.7	2.5	35.6	5.8	17.8	-11.1
Oct	23 317	-10.4	-13.5	-19.6	-20.9	-9.3	-1.0	-11.2	-15.1	-16.2	-15.1	-18.3	26.7	-20.3	-7.6	-10.6

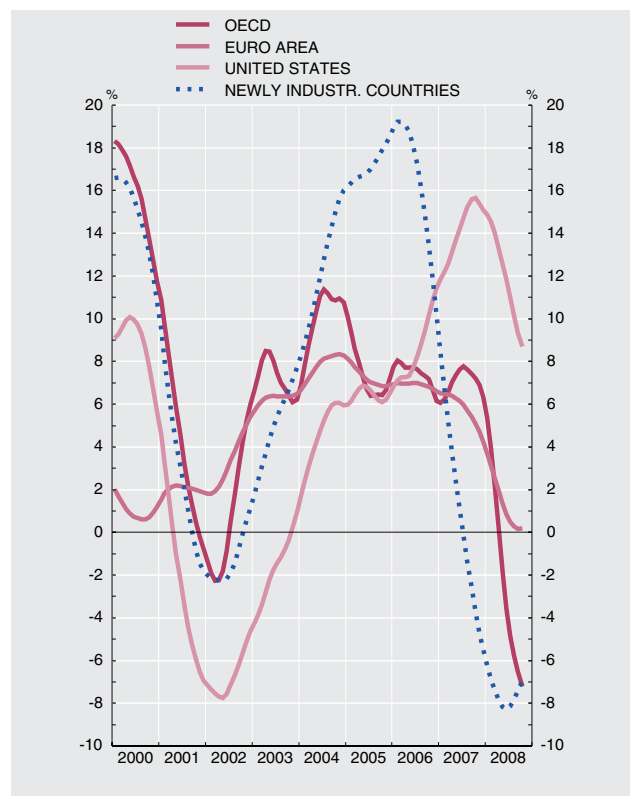
BY PRODUCTS

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 18.2 and 18.3 of the Boletín estadístico.

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

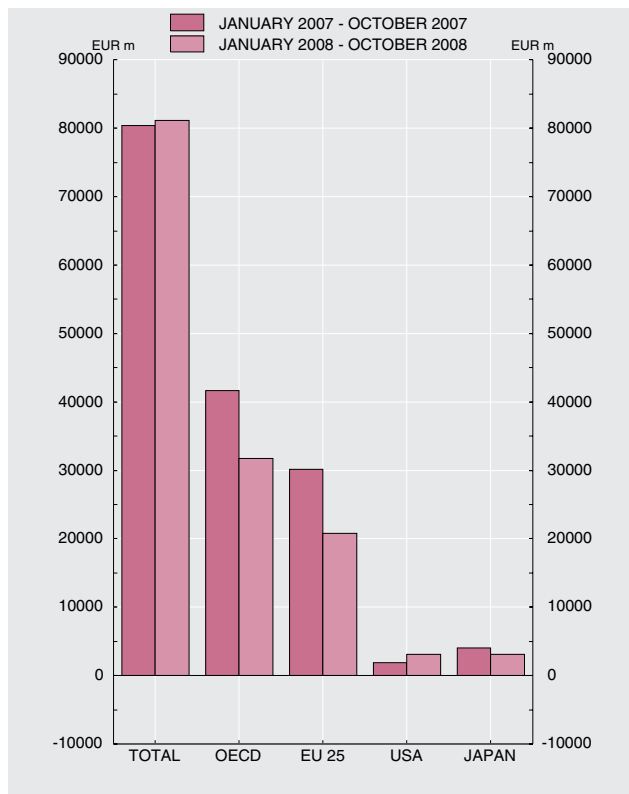
a. Series deflated by unit value indices.

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

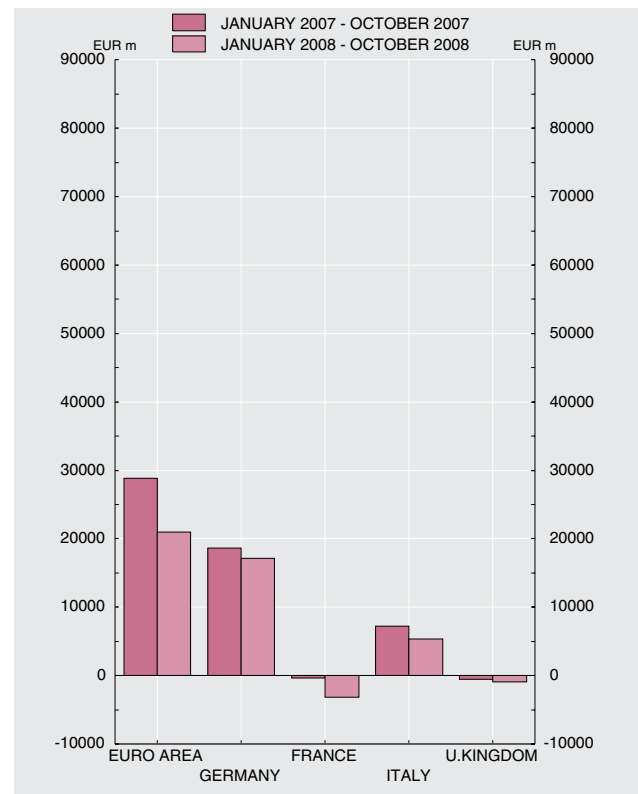
EUR millions

	World total	European Union (EU 27)							OECD				OPEC	Other American countries	China	Newly industrialised countries
		Total	Euro area					Other EU 27	Of which:							
			Of which:					Total	United States	Japan						
			Total	Germany	France	Italy	Total				United Kingdom					
1	2=3+7	3	4	5	6	7	8	9	10	11	12	13	14	15		
03	-46 995	-19 057	-19 307	-13 731	-3 239	-3 517	250	1 035	-27 616	-1 170	-3 855	-8 187	-1 467	-5 629	-2 600	
04	-61 486	-25 991	-25 298	-16 282	-3 353	-5 671	-693	472	-36 990	-1 692	-4 583	-9 253	-1 784	-7 369	-3 104	
05	-77 950	-30 703	-29 334	-16 749	-3 112	-6 938	-1 369	-210	-41 592	-1 092	-4 769	-13 683	-3 089	-10 182	-3 411	
06	-92 249	-33 547	-31 868	-18 689	-1 625	-7 184	-1 679	294	-45 357	-1 062	-4 652	-18 384	-3 316	-12 647	-4 564	
07	-100 015	-40 176	-37 845	-23 752	-214	-8 375	-2 331	133	-53 745	-2 555	-4 779	-16 044	-3 477	-16 366	-4 347	
07 J-O	-80 419	-30 188	-28 806	-18 606	381	-7 234	-1 382	533	-41 608	-1 855	-3 995	-13 226	-3 249	-13 674	-3 577	
08 J-O	-81 190	-20 816	-20 954	-17 174	3 214	-5 375	138	968	-31 715	-3 085	-3 144	-18 795	-4 447	-15 323	-2 787	
07 Sep	-8 410	-3 159	-2 950	-1 934	-45	-728	-209	5	-4 396	-242	-341	-1 343	-674	-1 536	-357	
Oct	-9 310	-3 758	-3 485	-2 132	17	-849	-273	-94	-5 072	-346	-476	-1 513	-510	-1 529	-340	
Nov	-8 699	-3 595	-3 434	-2 130	-102	-807	-160	-11	-4 801	-313	-396	-921	-441	-1 747	-386	
Dec	-9 835	-4 800	-4 523	-2 212	-720	-878	-277	-66	-5 665	-190	-317	-1 669	-335	-1 163	-386	
08 Jan	-9 152	-1 863	-1 823	-1 546	367	-542	-40	73	-3 358	-438	-406	-2 163	-509	-1 711	-339	
Feb	-8 074	-2 587	-2 856	-2 110	46	-608	269	335	-3 824	-376	-361	-1 329	-273	-1 513	-279	
Mar	-9 602	-2 251	-2 328	-1 716	174	-574	76	220	-3 579	-468	-437	-1 891	-447	-1 156	-251	
Apr	-8 048	-2 673	-2 620	-2 022	335	-650	-52	130	-3 427	-279	-378	-1 597	-387	-1 396	-302	
May	-7 963	-2 153	-2 291	-2 116	553	-490	139	160	-3 458	-304	-365	-1 771	-516	-1 405	-257	
Jun	-8 662	-2 064	-2 021	-1 726	366	-417	-43	-40	-3 386	-310	-378	-2 434	-523	-1 467	-373	
Jul	-8 012	-2 061	-2 011	-1 736	477	-769	-50	-5	-2 895	-266	-179	-1 808	-488	-1 783	-234	
Aug	-7 597	-2 121	-2 031	-1 091	-199	-472	-90	-6	-2 933	-195	-150	-2 169	-379	-1 578	-196	
Sep	-7 433	-1 262	-1 289	-1 489	604	-446	27	93	-2 222	-262	-250	-1 841	-590	-1 861	-279	
Oct	-6 645	-1 780	-1 683	-1 622	492	-408	-98	9	-2 633	-185	-242	-1 793	-336	-1 454	-278	

CUMULATIVE TRADE DEFICIT



CUMULATIVE TRADE DEFICIT



Source: ME.

Note: The underlying series for this indicator are in Tables 18.3 and 18.5 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

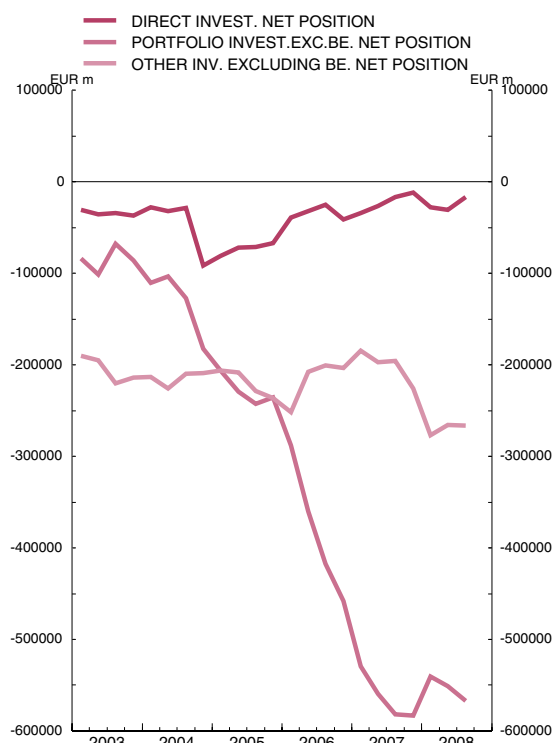
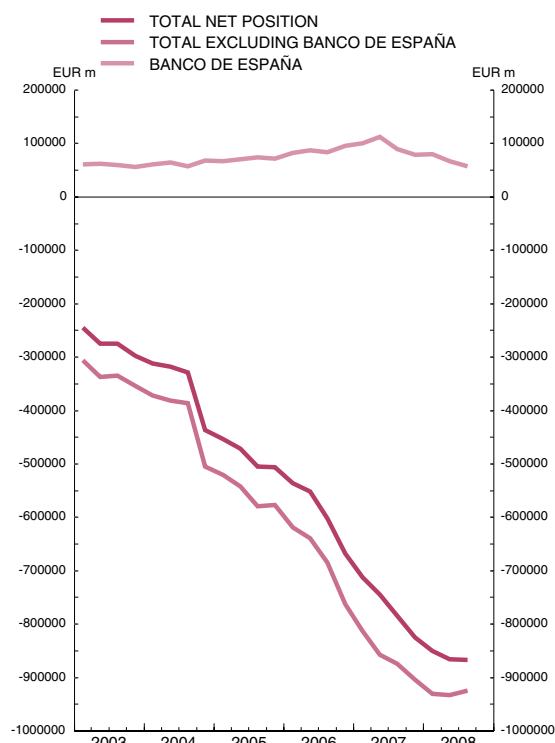
■ Series depicted in chart.

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	Net 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	
00		-160.1	-244.1	12.2	180.2	168.0	-117.0	193.7	310.7	-139.3	166.4	305.8	...	84.0	38.2	45.3	0.4
01		-188.0	-256.4	16.3	217.5	201.1	-100.4	232.6	333.1	-172.3	172.5	344.8	...	68.5	38.9	29.2	0.4
02	R	-236.0	-296.6	-22.1	223.1	245.2	-105.7	256.8	362.5	-168.9	197.4	366.3	-	60.6	38.4	22.7	-0.4
03		-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		-436.4	-504.5	-91.9	207.2	299.1	-203.2	359.3	562.5	-209.4	222.2	431.6	-	68.1	14.5	31.9	21.7
05	Q3	-505.3	-578.9	-71.1	240.4	311.5	-278.9	417.7	696.6	-228.9	254.7	483.6	-	73.6	14.0	21.2	38.4
	Q4	-505.5	-577.2	-67.1	258.9	326.0	-273.6	454.7	728.4	-236.5	268.2	504.7	-	71.7	14.6	17.1	40.1
06	Q1	-535.8	-618.2	-39.4	287.9	327.3	-327.1	476.7	803.8	-251.7	285.2	536.9	-	82.4	15.4	26.8	40.3
	Q2	-551.4	-638.7	-31.8	301.5	333.3	-399.2	444.3	843.5	-207.6	300.6	508.3	-	87.3	14.6	32.2	40.5
	Q3	-601.9	-685.2	-25.4	317.7	343.0	-459.1	447.7	906.8	-200.8	315.4	516.2	-	83.4	15.0	25.4	43.0
	Q4	-667.5	-763.2	-41.5	309.7	351.2	-508.9	455.7	964.6	-203.2	327.4	530.6	-9.6	95.7	14.7	29.4	51.6
07	Q1	-712.1	-812.5	-34.1	315.7	349.7	-582.4	461.0	1 043.3	-184.7	361.1	545.9	-11.3	100.4	14.0	31.9	54.5
	Q2	-744.6	-856.8	-26.2	345.2	371.5	-617.2	471.0	1 088.2	-197.4	365.1	562.5	-15.9	112.1	12.9	40.7	58.5
	Q3	-784.1	-873.7	-16.5	356.3	372.8	-643.4	455.2	1 098.6	-195.9	387.6	583.6	-17.9	89.6	12.5	14.8	62.4
	Q4	-825.5	-904.4	-12.1	395.1	407.2	-647.6	443.3	1 090.8	-225.9	383.0	608.9	-18.8	78.9	12.9	1.1	64.9
08	Q1	-849.9	-930.5	-28.0	395.8	423.8	-604.9	413.9	1 018.8	-276.8	384.1	660.9	-20.7	80.6	13.0	2.8	64.8
	Q2	-865.5	-932.7	-30.6	409.8	440.4	-613.2	403.4	1 016.6	-265.5	421.2	686.6	-23.4	67.2	12.7	-7.5	62.0
	Q3	-867.5	-924.5	-16.5	428.6	445.2	-629.9	389.1	1 019.1	-266.3	426.6	693.0	-11.7	57.0	13.8	-19.6	62.8

INTERNATIONAL INVESTMENT POSITION

COMPONENTS OF THE POSITION



Source: BE.

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

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

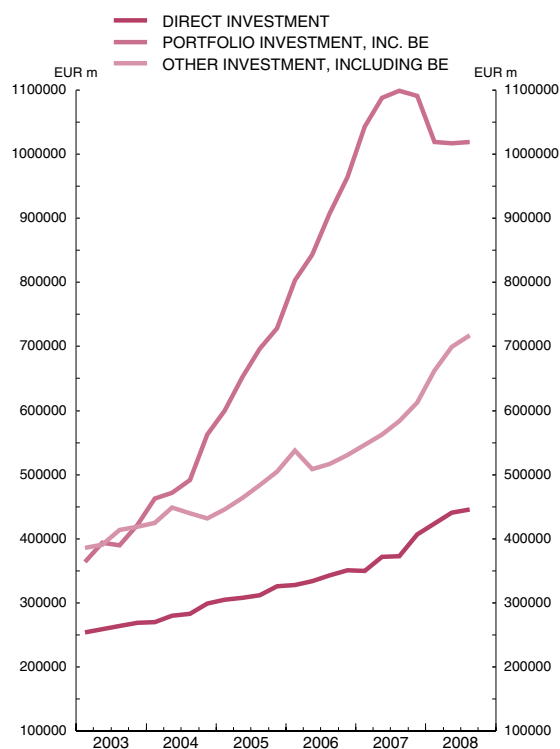
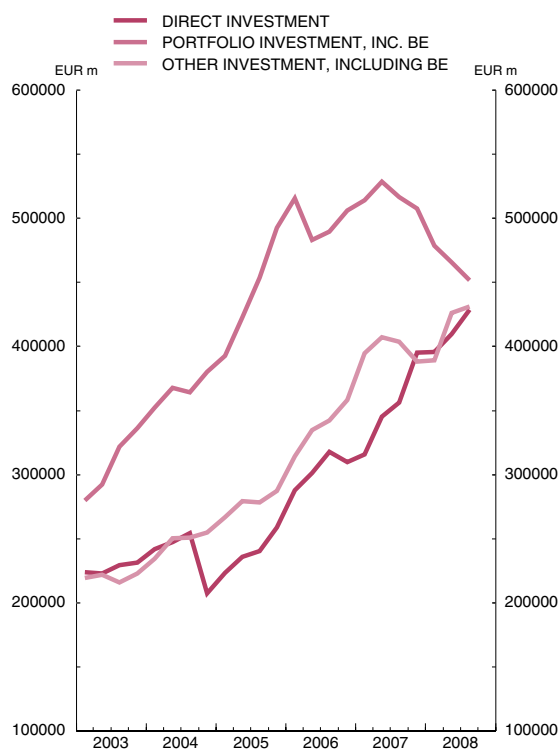
■ Series depicted in chart.

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
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	189 622	17 627	231 649	67 501	78 053	302 067	183 211	379 279	254 992	431 651	-	-
05												
Q3	218 375	22 071	238 869	72 671	93 654	360 155	204 334	492 267	278 226	483 662	-	-
Q4	236 769	22 133	250 641	75 322	104 157	388 472	197 347	531 035	287 551	504 831	-	-
06												
Q1	269 390	18 489	252 911	74 391	119 452	395 944	214 645	589 149	314 147	537 453	-	-
Q2	279 487	22 009	259 513	73 829	122 047	361 127	206 547	636 951	334 801	508 589	-	-
Q3	296 551	21 121	263 163	79 872	126 170	363 383	232 494	674 271	342 224	516 474	-	-
Q4	287 478	22 203	270 468	80 691	133 193	373 001	245 683	718 897	358 117	530 846	32 973	42 569
07												
Q1	294 793	20 885	271 539	78 210	140 704	373 512	256 533	786 784	394 519	546 187	33 197	44 487
Q2	329 686	15 561	286 530	84 940	153 730	374 852	269 506	818 657	407 160	562 909	39 921	55 856
Q3	334 932	21 389	290 725	82 058	142 095	374 617	273 560	825 065	403 531	583 854	44 181	62 069
Q4	369 262	25 819	317 120	90 069	134 762	372 789	286 207	804 620	388 199	612 421	44 642	63 487
08												
Q1	369 383	26 416	337 354	86 479	100 981	377 430	238 020	780 731	389 003	662 759	53 297	74 001
Q2	382 452	27 356	350 146	90 294	98 102	367 350	221 084	795 531	425 962	698 973	58 579	82 016
Q3	398 058	30 587	352 697	92 491	85 381	366 458	204 457	814 606	431 418	717 241	70 066	81 757

SPANISH INVESTMENT ABROAD

FOREIGN INVESTMENT IN SPAIN



Source: BE.

Note: See footnote to Indicator 7.6

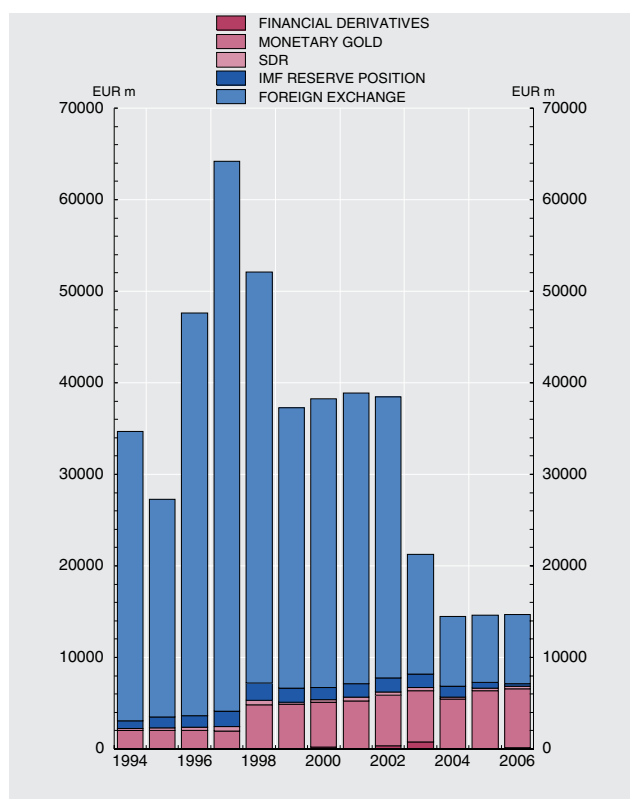
7.8. SPANISH RESERVE ASSETS

■ Series depicted in chart.

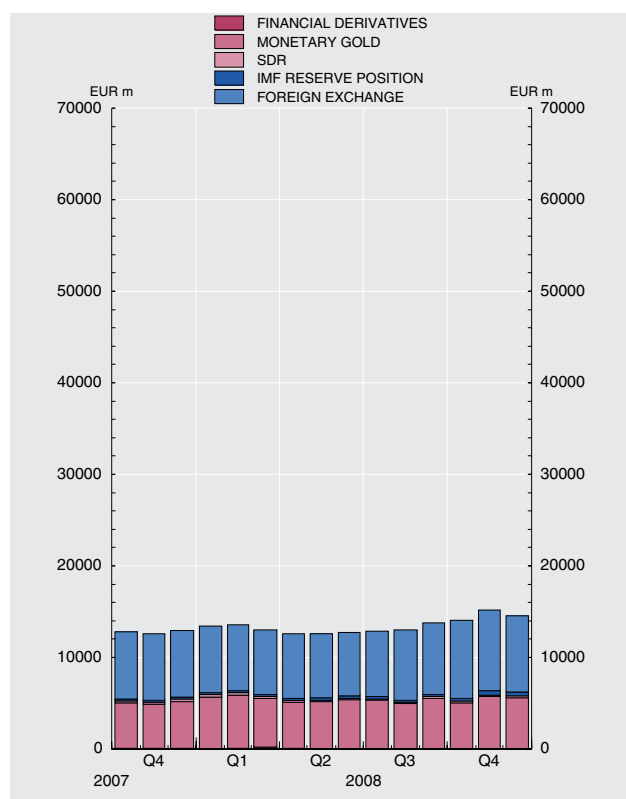
End-of-period stocks in EUR millions

	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
02	38 431	30 695	1 518	337	5 500	382	16.8
03	21 229	13 073	1 476	328	5 559	793	16.8
04	14 505	7 680	1 156	244	5 411	15	16.8
05	14 601	7 306	636	281	6 400	-21	14.7
06	14 685	7 533	303	254	6 467	127	13.4
07 Jul	12 572	7 647	261	246	4 397	20	9.1
<i>Aug</i>	12 734	7 764	249	245	4 460	16	9.1
<i>Sep</i>	12 493	7 227	245	241	4 711	69	9.1
<i>Oct</i>	12 791	7 314	230	240	4 948	60	9.1
<i>Nov</i>	12 559	7 221	225	236	4 809	68	9.1
<i>Dec</i>	12 946	7 285	218	252	5 145	46	9.1
08 Jan	13 450	7 316	218	255	5 630	31	9.1
<i>Feb</i>	13 586	7 222	216	253	5 795	101	9.1
<i>Mar</i>	12 976	7 021	211	189	5 367	189	9.1
<i>Apr</i>	12 568	7 045	204	190	5 070	59	9.1
<i>May</i>	12 598	7 029	245	176	5 166	-18	9.1
<i>Jun</i>	12 709	6 921	233	175	5 357	23	9.1
<i>Jul</i>	12 887	7 169	234	172	5 314	-1	9.1
<i>Aug</i>	12 987	7 638	233	155	5 128	-168	9.1
<i>Sep</i>	13 806	7 857	238	159	5 678	-126	9.1
<i>Oct</i>	14 037	8 546	256	170	5 201	-135	9.1
<i>Nov</i>	15 150	8 796	449	168	5 797	-60	9.1
<i>Dec</i>	14 546	8 292	467	160	5 627	-	9.1

RESERVE ASSETS
END-OF-YEAR POSITIONS



RESERVE ASSETS
END-OF-MONTH POSITIONS



Source: BE.

Note: From January 1999 the assets denominated in euro and other currencies vis-à-vis residents of other euro area countries are not considered reserve assets. To December 1998, data in pesetas have been converted to euro using the irrevocable euro conversion rate. Since January 1999, all reserve assets are valued at market prices. As of January 2000 reserve assets data have been compiled in accordance with the IMF's new methodological guidelines published in the document 'International Reserves and Foreign Currency Liquidity Guidelines for a Data Template', October 2001 (<http://dsbb.imf.org/Applications/web/sddsguide>). 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. SPANISH 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	
04 Q3	870 725	192 431	2 873	1 755	174 457	13 346	-	427 166	362	198 299	92 532	135 974
Q4	906 924	202 222	2 776	705	181 878	16 864	-	431 337	301	194 245	104 720	132 071
05 Q1	958 055	204 834	2 513	1 024	183 038	18 259	-	460 500	467	202 197	125 535	132 301
Q2	1 038 214	213 939	2 110	437	194 059	17 333	-	490 258	587	232 191	139 670	117 810
Q3	1 080 328	213 370	3 088	1 424	191 719	17 139	-	517 879	400	264 976	150 727	101 776
Q4	1 144 447	213 412	2 465	65	192 798	18 085	-	548 891	981	276 566	164 457	106 887
06 Q1	1 238 547	214 078	4 628	14	191 300	18 135	-	589 522	1 003	295 771	193 633	99 115
Q2	1 258 074	213 343	3 620	348	191 381	17 995	-	580 901	2 186	268 475	208 797	101 443
Q3	1 307 710	214 178	6 070	1 472	188 569	18 066	-	602 346	5 274	267 202	225 647	104 224
Q4	1 369 928	215 583	4 836	665	191 871	18 211	-	622 836	6 252	277 193	236 038	103 352
07 Q1	1 461 148	219 412	4 901	40	195 781	18 690	-	658 096	11 331	295 528	252 211	99 027
Q2	1 522 143	215 158	5 446	444	190 503	18 765	-	684 742	11 316	294 402	269 682	109 341
Q3	1 541 579	207 165	4 820	1 326	182 455	18 564	-	707 016	15 079	308 889	273 907	109 140
Q4	1 561 065	197 854	4 505	875	173 414	19 060	-	723 951	16 802	327 391	265 459	114 300
08 Q1	1 586 780	194 438	6 451	553	167 692	19 742	-	767 440	19 368	380 522	256 256	111 294
Q2	1 643 666	197 289	5 709	156	170 922	20 503	-	794 992	23 181	399 932	258 814	113 065
Q3	1 685 627	213 814	9 828	488	182 543	20 954	-	793 949	21 713	400 051	259 407	112 778

7.9. (CONT.) SPANISH 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	
04 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	194 559	4 274	20 471	787	98 620	69 232	387	788	98 161	39 449	58 712	
Q2	71	71	232 928	3 839	19 803	1 569	133 435	73 111	384	788	101 020	41 447	59 573	
Q3	42	42	244 638	3 401	19 164	1 636	142 932	76 503	356	646	104 399	42 506	61 893	
Q4	126	126	273 437	3 380	17 817	996	166 955	83 404	358	527	108 581	43 547	65 034	
06 Q1	535	535	322 467	2 905	19 460	408	195 679	102 516	360	1 139	111 945	46 934	65 011	
Q2	328	328	350 967	4 283	18 444	330	226 684	99 913	352	961	112 534	47 590	64 944	
Q3	316	316	373 904	4 641	22 235	830	244 071	100 861	348	918	116 965	51 034	65 932	
Q4	281	281	411 044	4 786	22 882	694	275 114	106 674	339	555	120 185	49 590	70 595	
07 Q1	322	322	455 141	5 303	21 555	541	317 258	109 217	334	932	128 177	49 954	78 223	
Q2	423	423	481 244	5 418	26 932	1 054	336 291	110 195	331	1 022	140 577	50 346	90 231	
Q3	277	277	494 462	2 153	22 081	837	346 652	121 405	339	994	132 660	51 999	80 660	
Q4	3 550	3 550	491 686	201	20 212	277	344 239	125 734	331	692	144 024	54 846	89 177	
08 Q1	1 855	1 855	479 757	827	19 751	401	330 137	127 023	320	1 299	143 290	55 965	87 325	
Q2	12 326	12 326	489 896	6 397	21 176	1 254	330 509	129 121	317	1 122	149 162	61 056	88 106	
Q3	24 276	24 276	499 808	18 093	24 054	1 058	323 021	132 136	323	1 122	153 780	62 000	91 780	

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 in euro							Counterparts					
Total	Open market operations					Standing facilities		Autonomous factors					Actual reserves of credit institutions
	Main refinancing operations	Longer-term refinancing operations	Fine-tuning reverse operations (net)	Structural reverse operations (net)	Marginal lending facility	Deposit facility	Total	Bank-notes	Deposits to general government	Gold and net assets in foreign currency	Other assets (net)		
1=2+3+4 +5+6-7	2	3	4	5	6	7	8=9+10 -11-12	9	10	11	12	13	
07 Jul	452 764	302 818	150 003	114	-	138	308	259 984	637 586	54 551	316 884	115 269	192 780
Aug	452 514	282 934	160 437	9 185	-	238	280	253 724	640 337	47 773	317 108	117 278	198 790
Sep	453 016	219 501	235 000	-888	-	321	918	262 862	636 467	63 672	317 895	119 383	190 154
Oct	442 998	183 479	265 003	-4 978	-	152	658	252 295	639 176	60 888	327 814	119 954	190 703
Nov	439 982	171 319	270 460	-1 261	-	108	645	242 541	640 840	55 191	327 447	126 042	197 440
Dec	467 813	259 094	274 422	-65 014	-	314	1 003	260 023	663 813	51 566	331 310	124 047	207 790
08 Jan	438 306	191 905	268 486	-21 373	-	199	911	245 582	658 002	52 664	354 557	110 527	192 724
Feb	443 028	175 548	268 494	-762	-	158	410	238 533	651 786	52 814	348 531	117 537	204 496
Mar	470 375	198 667	268 696	3 286	-	196	470	254 680	659 638	68 872	341 404	132 425	215 695
Apr	458 583	166 978	292 729	-676	-	111	558	258 599	662 688	74 650	360 191	118 549	199 984
May	462 508	171 819	291 841	-1 068	-	172	256	255 055	670 599	65 643	370 568	110 619	207 453
Jun	460 645	182 477	278 839	-667	-	304	308	245 546	674 406	64 832	376 972	116 720	215 099
Jul	458 121	166 956	292 400	-634	-	56	657	250 649	683 700	63 596	374 744	121 903	207 473
Aug	462 440	163 524	300 014	-1 000	-	90	188	247 021	686 797	58 194	376 096	121 875	215 420
Sep	471 362	166 660	305 321	6 584	-	2 284	9 487	241 752	682 161	55 504	392 028	103 885	229 611
Oct	534 868	272 768	444 976	-34 226	-	15 549	164 198	308 820	713 519	80 454	524 301	-39 148	226 049
Nov	579 941	329 562	457 732	-3 978	-	4 612	207 988	365 023	727 623	95 385	572 539	-114 554	214 918
Dec	613 857	256 810	565 508	-5 976	-	2 644	205 129	379 866	749 344	110 732	587 525	-107 316	233 990

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 in euro							Counterparts							
Total	Open market operations				Standing facilities		Intra-ESCB		Autonomous factors					Actual reserves of credit institutions	
	Main refinancing operations	Longer-term refinancing operations	Fine-tuning reserve operations (net)	Structural reserve operations (net)	Marginal lending facility	Deposit facility	Target	Rest	Total	Bank-notes	Deposits to general government	Gold and net assets in foreign currency	Other assets (net)		
	14=15+16+17+18+19-20	15	16	17	18	19	20	21	22	23=24+25-26-27	24	25	26		27	28
07 Jul	18 325	15 804	2 520	2	-	-	2	-27 106	-4 787	29 122	85 999	20 438	8 477	68 837	21 095
Aug	18 180	15 657	2 341	183	-	-	1	-24 045	-4 787	25 767	85 141	18 069	8 312	69 131	21 245
Sep	20 942	12 319	8 673	-49	-	-	1	-17 669	-4 787	23 288	83 558	17 363	8 210	69 423	20 111
Oct	35 401	18 311	17 821	-734	-	3	0	-5 873	-4 787	24 122	82 899	20 605	8 430	70 952	21 938
Nov	40 374	19 314	21 172	-90	-	-	21	291	-4 787	24 657	81 859	23 257	8 463	71 996	20 214
Dec	44 088	33 527	18 781	-8 202	-	-	17	4 278	-4 787	20 766	84 039	17 913	9 107	72 079	23 831
08 Jan	39 645	28 261	14 356	-2 957	-	22	37	4 993	-4 787	18 104	82 646	18 048	11 174	71 416	21 336
Feb	44 170	24 201	20 086	-115	-	1	3	7 985	-4 787	18 829	80 774	19 962	9 836	72 071	22 143
Mar	44 173	21 534	22 480	161	-	-	2	6 549	-4 787	18 842	81 638	19 314	9 313	72 798	23 569
Apr	47 940	18 749	29 240	-27	-	-	23	12 728	-4 787	17 878	80 339	20 191	9 608	73 045	22 121
May	47 981	20 386	27 966	-373	-	3	0	9 119	-4 787	19 386	79 609	22 623	10 697	72 149	24 263
Jun	47 077	19 627	27 534	-59	-	27	51	8 300	-4 787	19 006	79 207	23 987	11 228	72 960	24 559
Jul	49 384	15 745	33 727	-77	-	0	11	18 770	-4 787	11 374	79 782	16 554	12 134	72 828	24 027
Aug	46 741	12 338	34 467	-62	-	0	1	20 634	-4 787	6 400	78 759	13 276	12 171	73 465	24 495
Sep	49 144	10 689	38 695	204	-	50	493	21 118	-4 787	5 006	76 660	14 077	11 885	73 846	27 807
Oct	52 692	21 520	56 729	-6 008	-	379	19 929	11 844	-4 787	20 175	79 383	29 728	15 099	73 837	25 459
Nov	58 218	33 238	58 454	-764	-	210	32 921	15 379	-4 787	21 135	79 783	34 089	18 251	74 485	26 490
Dec	63 598	25 688	67 106	-1 780	-	56	27 471	28 274	-4 787	13 156	81 432	23 611	17 972	73 916	26 955

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

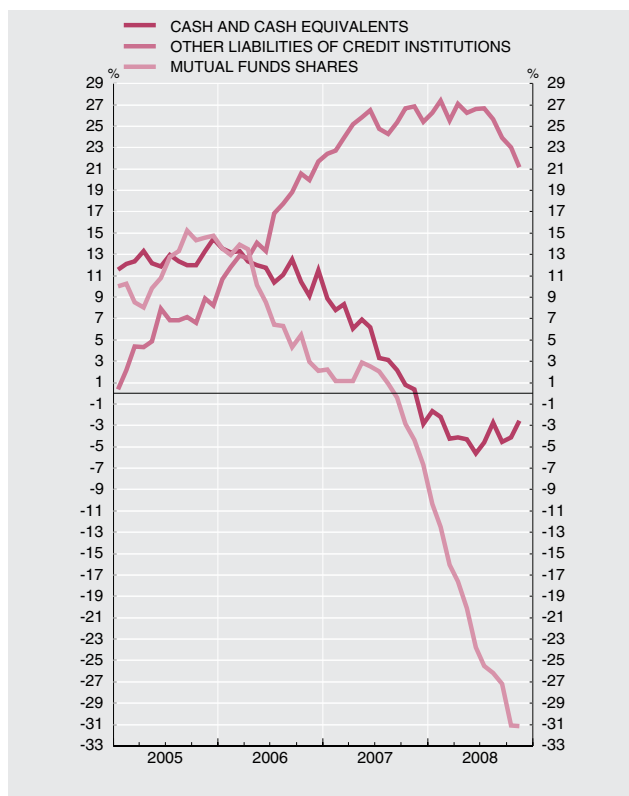
8.2 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

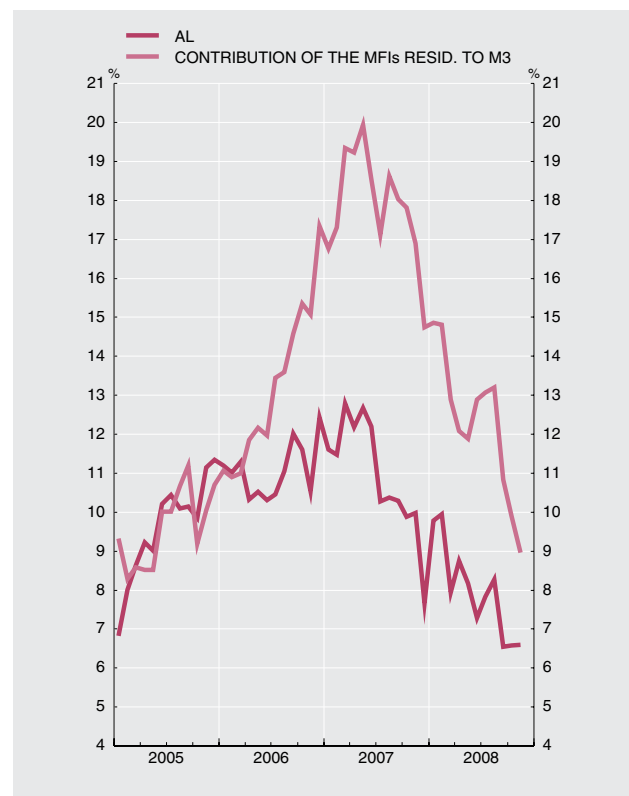
EUR millions and %

	Cash and cash equivalents				Other liabilities of credit institutions					Mutual funds shares				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
05	459 550	14.4	16.1	14.0	300 710	8.2	10.5	-3.8	7.0	220 195	14.7	7.6	22.3	11.3	10.7
06	512 581	11.5	9.9	11.9	365 973	21.7	22.8	21.6	0.9	224 851	2.1	-10.1	13.5	12.4	17.3
07	497 913	-2.9	2.3	-4.1	458 911	25.4	29.8	7.4	-10.7	209 767	-6.7	-3.9	-8.8	7.7	14.7
07 Aug	491 707	3.1	6.7	2.3	423 760	24.3	26.3	16.1	10.5	227 517	0.9	-2.4	3.6	10.4	18.6
Sep	501 220	2.2	5.6	1.4	430 223	25.4	27.9	13.5	12.1	223 556	-0.4	-1.7	0.6	10.3	18.0
Oct	485 437	0.8	4.9	-0.2	440 140	26.7	29.8	12.5	5.6	220 368	-2.8	-5.0	-1.2	9.9	17.8
Nov	488 042	0.4	3.9	-0.4	449 362	26.8	30.0	13.4	1.1	214 662	-4.4	-3.6	-5.0	10.0	16.9
Dec	497 913	-2.9	2.3	-4.1	458 911	25.4	29.8	7.4	-10.7	209 767	-6.7	-3.9	-8.8	7.7	14.7
08 Jan	482 419	-1.7	1.8	-2.5	471 888	26.2	30.0	10.3	-6.7	202 202	-10.3	4.1	-20.6	9.8	14.9
Feb	480 366	-2.2	1.5	-3.1	484 629	27.4	31.2	10.9	-7.4	197 714	-12.5	2.6	-23.1	9.9	14.8
Mar	480 679	-4.2	-0.3	-5.2	492 178	25.5	29.7	9.2	-15.4	192 015	-16.1	-0.1	-27.6	7.9	12.9
Apr	471 052	-4.1	-0.6	-5.0	503 956	27.1	31.6	7.0	-10.7	188 789	-17.6	-1.2	-29.3	8.7	12.1
May	477 181	-4.3	-1.3	-5.0	510 387	26.2	31.5	4.3	-19.6	184 113	-20.1	-3.3	-31.9	8.2	11.9
Jun	487 867	-5.6	-2.5	-6.3	523 990	26.6	30.7	7.1	2.5	175 162	-23.7	-6.9	-35.6	7.3	12.9
Jul	479 799	-4.6	-2.8	-5.0	527 085	26.7	31.7	3.1	-9.5	169 786	-25.5	-8.9	-37.3	7.8	13.1
Aug	478 077	-2.8	-3.2	-2.7	532 379	25.6	31.8	-5.5	-7.3	167 975	-26.2	-11.6	-37.1	8.3	13.2
Sep	478 569	-4.5	-3.8	-4.7	533 117	23.9	29.6	-5.4	-11.7	162 715	-27.2	-13.4	-37.8	6.5	10.8
Oct	465 355	-4.1	1.0	-5.4	541 523	23.0	27.5	1.4	-18.8	151 861	-31.1	-15.3	-42.8	6.6	9.9
Nov	475 466	-2.6	0.6	-3.4	544 592	21.2	25.8	-1.6	-24.5	147 805	-31.1	-15.9	-42.7	6.6	9.0

NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS
Annual percentage change



NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS
Annual percentage change



Source: BE.

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

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

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

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

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

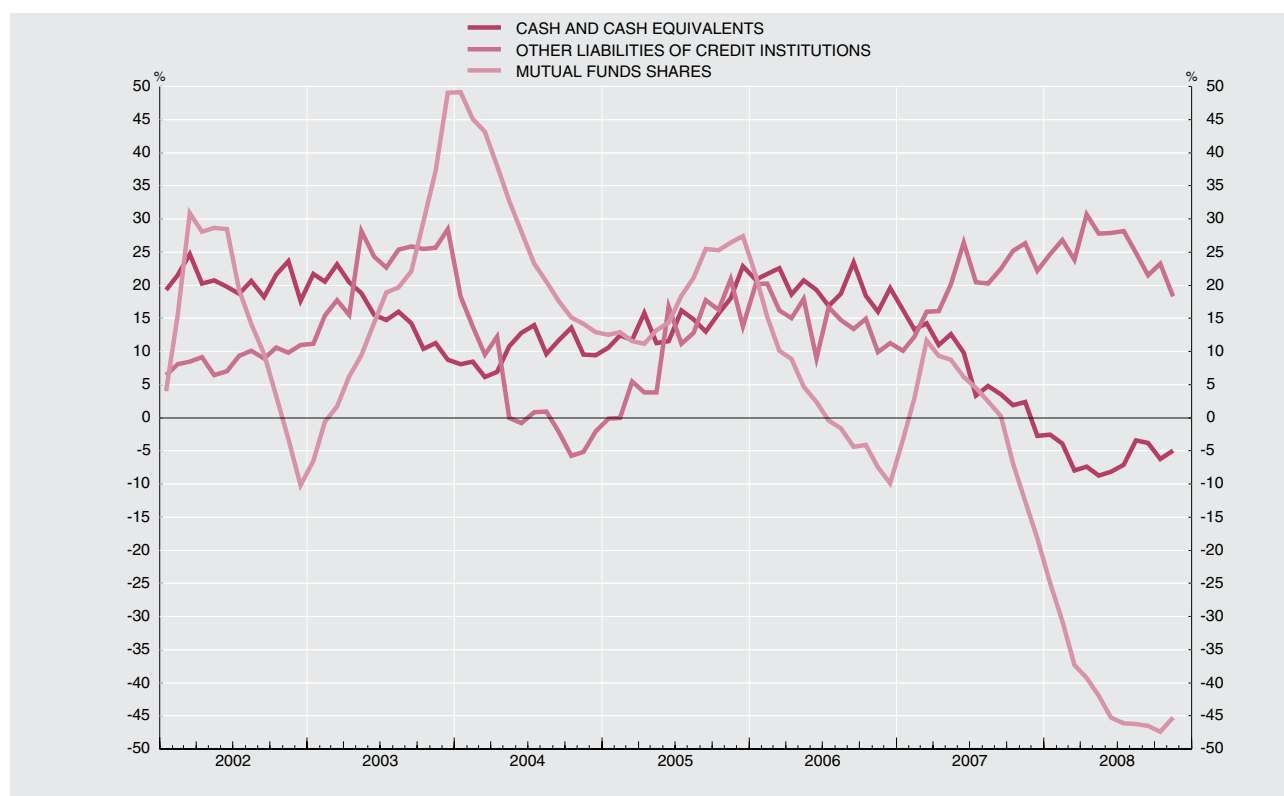
8.3 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

EUR millions and %

	Cash and cash equivalents (b)		Other liabilities of credit institutions				Mutual funds shares			
	Stocks	Annual growth rate	Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate	
					Other deposits (c)	Repos + credit instit.+ securit.+ dep. in branches abroad			Fixed income in EUR (d)	Other
1	2	3	4	5	6	7	8	9	10	
05	114 876	22.9	70 952	13.7	30.5	-3.5	29 442	27.4	13.9	41.4
06	137 357	19.6	78 973	11.3	17.4	2.8	26 523	-9.9	-15.9	-5.0
07	133 623	-2.7	96 457	22.1	37.4	-2.1	21 692	-18.2	-15.7	-20.0
07 Aug	126 227	4.8	89 941	20.2	27.4	9.1	27 100	2.5	1.7	3.1
Sep	132 591	3.5	92 009	22.5	30.7	9.3	26 101	0.3	1.5	-0.7
Oct	125 602	1.9	93 133	25.2	35.8	7.6	24 743	-6.9	-8.1	-6.1
Nov	129 238	2.4	95 077	26.3	37.4	7.1	23 169	-12.6	-11.8	-13.1
Dec	133 623	-2.7	96 457	22.1	37.4	-2.1	21 692	-18.2	-15.7	-20.0
08 Jan	125 515	-2.6	96 830	24.7	36.2	4.2	20 835	-25.0	-11.4	-34.6
Feb	124 705	-3.9	99 669	26.8	38.6	5.1	20 024	-30.7	-17.2	-40.2
Mar	123 864	-8.0	102 074	23.8	35.6	2.3	19 083	-37.3	-23.9	-47.1
Apr	119 348	-7.4	105 681	30.7	44.4	4.4	18 113	-39.3	-24.4	-49.9
May	121 938	-8.7	107 871	27.7	43.1	-0.3	16 996	-41.9	-25.7	-53.3
Jun	126 150	-8.1	114 936	27.9	35.7	12.8	15 587	-45.3	-28.0	-57.4
Jul	119 261	-7.1	111 071	28.1	38.1	9.2	14 913	-46.2	-29.7	-57.9
Aug	121 928	-3.4	112 348	24.9	38.2	0.8	14 573	-46.2	-31.9	-56.9
Sep	127 508	-3.8	111 774	21.5	30.6	3.9	13 946	-46.6	-33.4	-56.6
Oct	P 117 833	-6.2	114 830	23.3	28.9	11.4	13 022	-47.4	-32.3	-58.6
Nov	P 122 811	-5.0	112 469	18.3	23.3	7.2	12 676	-45.3	-30.1	-56.8

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.

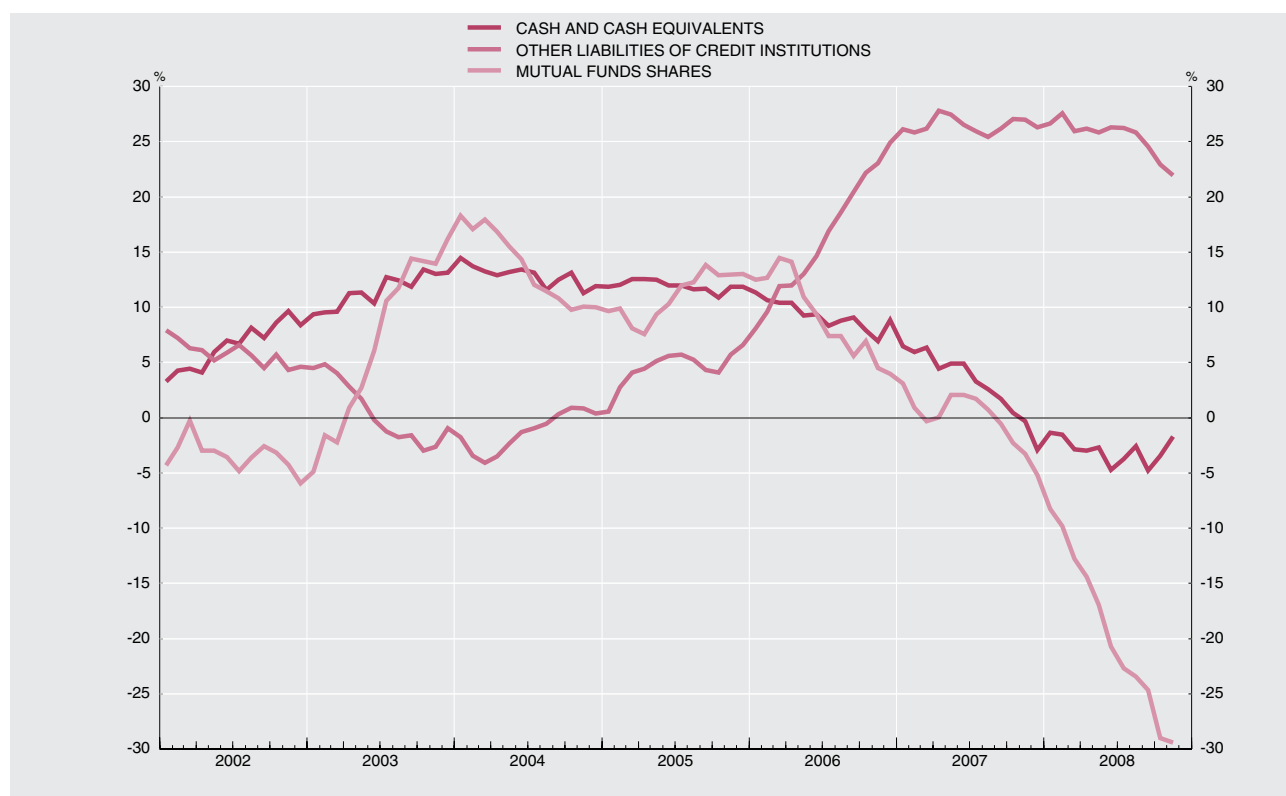
8.4 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ 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
05	344 674	11.9	14.3	11.2	229 758	6.6	7.3	1.2	190 753	13.0	6.7	19.6
06	375 224	8.9	9.2	8.8	286 999	24.9	23.8	34.4	198 328	4.0	-9.3	16.5
07	364 290	-2.9	2.8	-4.6	362 454	26.3	28.4	9.4	188 075	-5.2	-2.3	-7.3
07 Aug	365 480	2.6	6.8	1.3	333 820	25.4	26.1	20.5	200 417	0.7	-3.0	3.7
Sep	368 629	1.7	5.8	0.5	338 213	26.2	27.4	16.8	197 455	-0.5	-2.2	0.8
Oct	359 835	0.4	5.2	-1.0	347 007	27.1	28.7	14.3	195 625	-2.3	-4.6	-0.5
Nov	358 804	-0.3	4.3	-1.7	354 285	27.0	28.6	14.1	191 494	-3.3	-2.5	-3.9
Dec	364 290	-2.9	2.8	-4.6	362 454	26.3	28.4	9.4	188 075	-5.2	-2.3	-7.3
08 Jan	356 904	-1.4	2.3	-2.5	375 058	26.6	28.8	9.3	181 366	-8.3	6.3	-18.6
Feb	355 661	-1.6	2.0	-2.6	384 960	27.6	29.8	9.3	177 690	-9.8	5.5	-20.6
Mar	356 815	-2.9	0.2	-3.8	390 105	26.0	28.5	5.9	172 932	-12.8	3.5	-24.6
Apr	351 704	-3.0	-0.1	-3.9	398 275	26.2	29.2	2.9	170 675	-14.4	2.2	-26.3
May	355 242	-2.7	-0.7	-3.3	402 516	25.8	29.3	-0.5	167 116	-17.0	-0.1	-28.8
Jun	361 717	-4.7	-1.9	-5.6	409 054	26.3	29.6	0.9	159 574	-20.7	-4.0	-32.5
Jul	360 538	-3.7	-2.2	-4.2	416 014	26.3	30.4	-6.1	154 873	-22.7	-6.1	-34.5
Aug	356 149	-2.6	-2.6	-2.5	420 031	25.8	30.5	-11.5	153 402	-23.5	-8.8	-34.4
Sep	351 061	-4.8	-3.2	-5.3	421 343	24.6	29.4	-15.8	148 769	-24.7	-10.7	-35.3
Oct	347 522	-3.4	1.4	-5.0	426 693	23.0	27.2	-14.5	138 840	-29.0	-13.1	-40.8
Nov	352 656	-1.7	1.1	-2.6	432 123	22.0	26.3	-17.2	135 129	-29.4	-14.2	-41.0

HOUSEHOLDS AND NPISH Annual percentage change



Source: BE.

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

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

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

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

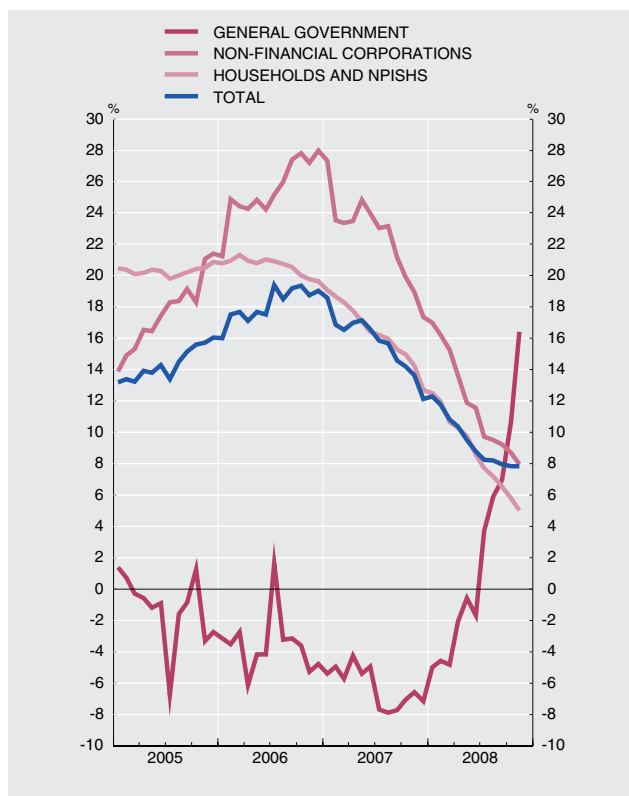
8.5. FINANCING OF NON-FINANCIAL SECTORS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

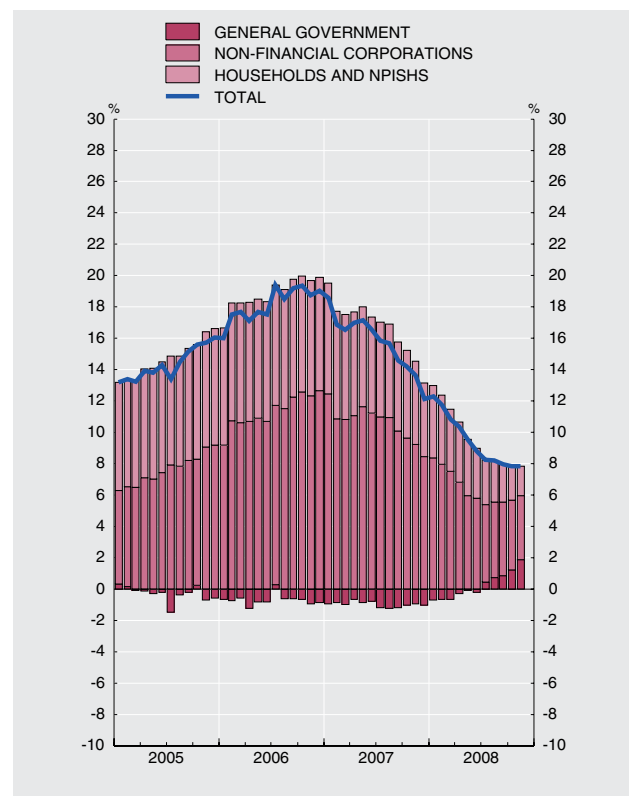
EUR millions and %

	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
05	1 763 901	242 997	16.1	-2.7	21.2	21.4	20.9	23.0	23.7	10.7	-0.6	16.6	9.2	7.4	15.2	0.2	1.3
06	2 102 844	335 896	19.0	-4.8	24.2	28.0	19.6	24.4	134.2	16.0	-0.9	19.9	12.6	7.3	17.0	1.0	1.9
07	2 367 557	255 395	12.1	-7.1	15.4	17.4	12.7	15.9	18.4	11.4	-1.0	13.2	8.5	4.7	11.6	0.3	1.3
07 Aug	2 293 175	12 263	15.7	-7.9	20.0	23.1	16.0	21.3	30.3	11.1	-1.2	16.9	11.0	5.9	15.2	0.4	1.3
Sep	2 310 817	18 459	14.6	-7.7	18.6	21.1	15.3	19.9	28.1	9.3	-1.2	15.8	10.1	5.6	14.3	0.4	1.1
Oct	2 315 713	8 171	14.2	-7.1	17.8	19.9	15.0	18.7	24.0	11.3	-1.0	15.2	9.7	5.6	13.6	0.4	1.3
Nov	2 339 859	23 516	13.6	-6.6	16.9	19.0	14.2	17.6	21.7	11.8	-0.9	14.5	9.2	5.3	12.9	0.3	1.4
Dec	2 367 557	24 574	12.1	-7.1	15.4	17.4	12.7	15.9	18.4	11.4	-1.0	13.2	8.5	4.7	11.6	0.3	1.3
08 Jan	2 375 545	9 542	12.3	-5.0	15.1	17.0	12.5	15.4	18.6	12.7	-0.7	13.0	8.4	4.6	11.2	0.3	1.5
Feb	2 390 642	14 334	11.8	-4.6	14.4	16.2	12.0	14.9	14.2	11.2	-0.6	12.4	8.0	4.4	10.9	0.2	1.3
Mar	2 404 172	13 337	10.8	-4.8	13.3	15.3	10.7	13.6	11.0	11.7	-0.7	11.5	7.5	4.0	9.9	0.2	1.4
Apr	2 408 006	3 380	10.4	-2.1	12.2	13.7	10.3	12.6	15.4	9.3	-0.3	10.7	6.8	3.8	9.3	0.2	1.1
May	2 432 050	22 719	9.5	-0.6	11.0	11.9	9.8	11.6	17.4	6.2	-0.1	9.6	6.0	3.6	8.6	0.3	0.7
Jun	2 449 280	28 058	8.8	-1.7	10.3	11.6	8.6	10.2	18.0	9.9	-0.2	9.0	5.8	3.2	7.5	0.3	1.2
Jul	2 467 680	10 070	8.3	3.7	8.9	9.7	7.7	8.9	10.1	8.3	0.4	7.8	4.9	2.9	6.7	0.2	1.0
Aug	2 480 800	12 195	8.2	5.9	8.5	9.5	7.2	8.4	10.0	8.9	0.7	7.5	4.8	2.7	6.3	0.2	1.1
Sep	2 501 695	14 311	8.0	7.0	8.1	9.2	6.6	7.8	6.9	10.5	0.9	7.1	4.7	2.4	5.8	0.1	1.2
Oct	P 2 507 166	5 726	7.8	10.7	7.5	8.7	5.8	7.4	6.7	7.9	1.2	6.6	4.4	2.2	5.6	0.1	0.9
Nov	P 2 531 929	25 008	7.8	16.4	6.7	8.0	5.0	6.4	12.3	7.8	1.9	5.9	4.1	1.9	4.8	0.2	0.9

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.

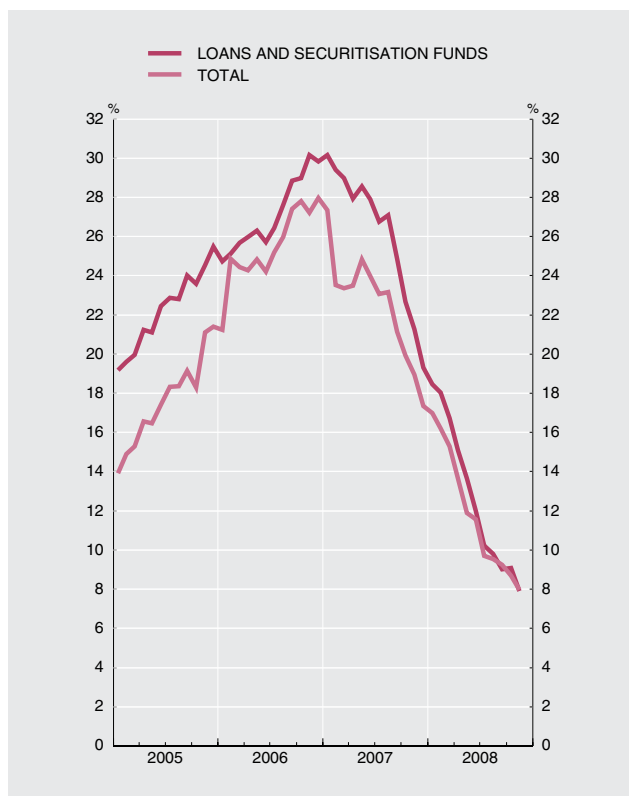
8.6. FINANCING OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

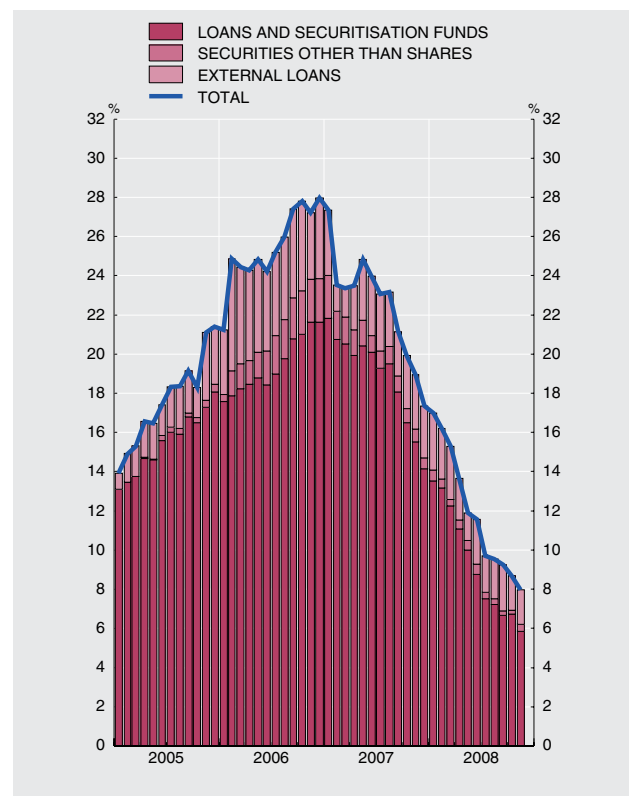
EUR millions and %

	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	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	
							Stocks	Issues by re- sident financ. subsid.						
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
05	797 568	139 281	21.4	578 229	25.5	18.1	13 206	2 634	23.7	0.4	206 133	10.7	3.0	5 581
06	1 024 233	223 107	28.0	750 137	29.8	21.6	30 934	19 370	134.2	2.2	243 161	16.0	4.1	3 230
07	1 212 806	177 791	17.4	894 156	19.3	14.1	36 636	23 056	18.4	0.6	282 013	11.2	2.7	1 166
07 Aug	1 162 102	1 041	23.1	856 056	27.1	19.5	35 898	23 304	30.3	0.9	270 148	11.0	2.7	2 665
Sep	1 174 841	13 289	21.1	869 184	24.9	18.1	36 429	23 023	28.1	0.8	269 228	9.2	2.3	2 300
Oct	1 183 925	12 301	19.9	874 064	22.7	16.5	36 804	23 338	24.0	0.7	273 058	11.1	2.7	2 142
Nov	1 195 754	11 119	19.0	883 525	21.3	15.5	36 654	23 234	21.7	0.7	275 574	11.6	2.8	1 880
Dec	1 212 806	13 390	17.4	894 156	19.3	14.1	36 636	23 056	18.4	0.6	282 013	11.2	2.7	1 166
08 Jan	1 219 582	8 361	17.0	900 611	18.5	13.5	36 709	22 872	18.6	0.6	282 262	12.3	2.9	1 097
Feb	1 224 147	3 732	16.2	904 882	18.0	13.2	36 632	22 667	14.2	0.4	282 632	10.8	2.6	988
Mar	1 232 120	7 356	15.3	912 921	16.7	12.2	35 920	22 587	11.0	0.3	283 280	11.4	2.7	915
Apr	1 240 645	8 028	13.7	917 568	15.1	11.1	36 787	22 573	15.4	0.5	286 289	9.0	2.1	860
May	1 249 712	7 579	11.9	922 444	13.6	10.0	38 228	24 195	17.4	0.5	289 040	5.9	1.4	905
Jun	1 254 906	15 672	11.6	930 390	12.0	8.8	39 409	25 408	18.0	0.5	285 107	9.6	2.3	829
Jul	1 274 237	10 957	9.7	939 505	10.2	7.5	39 536	25 433	10.1	0.3	295 196	8.0	1.9	761
Aug	1 274 263	-981	9.5	937 779	9.8	7.2	39 486	25 439	10.0	0.3	296 997	8.7	2.0	597
Sep	1 292 166	11 005	9.2	945 412	9.0	6.7	38 937	24 751	6.9	0.2	307 817	10.2	2.3	586
Oct	P 1 298 865	6 802	8.7	951 186	9.1	6.7	39 275	25 132	6.7	0.2	308 404	7.7	1.8	504
Nov	P 1 302 069	3 313	8.0	950 935	7.9	5.8	41 164	26 580	12.3	0.4	309 971	7.6	1.7	474

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.

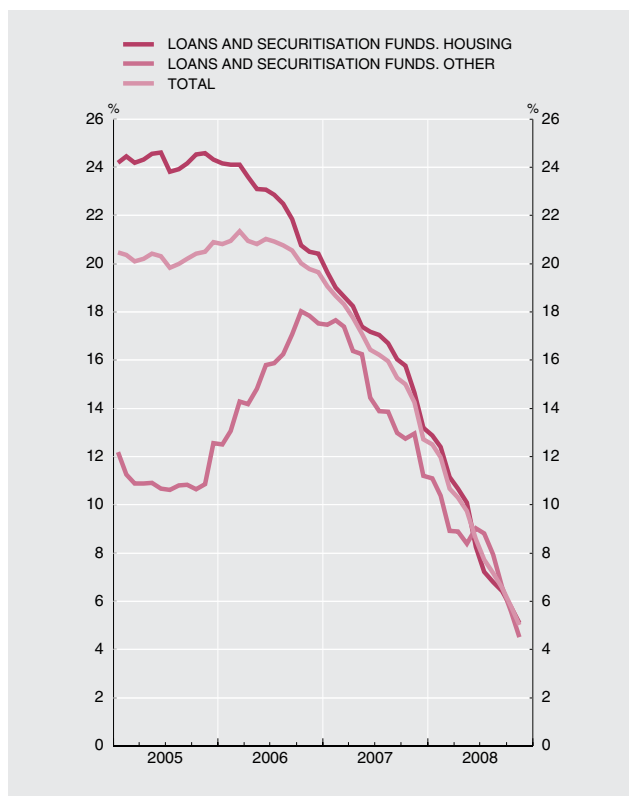
8.7. FINANCING OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

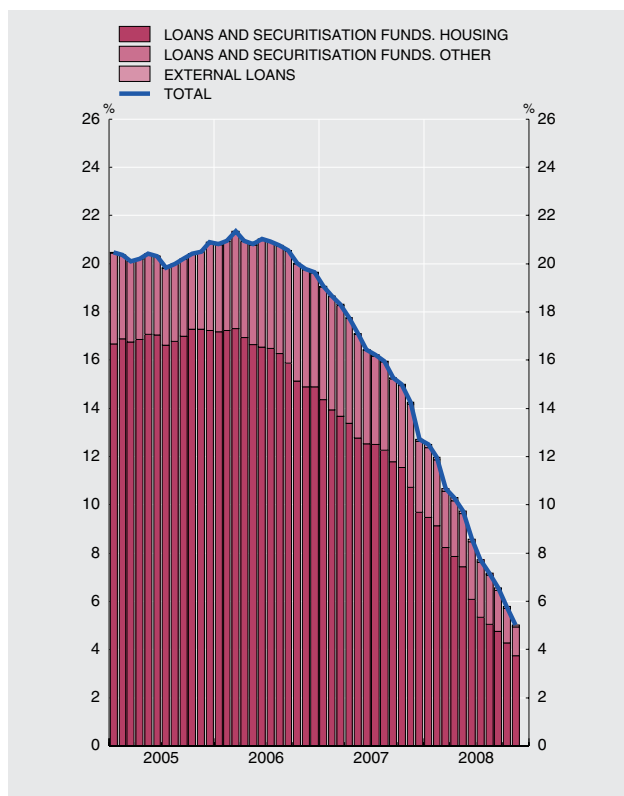
EUR millions and %

	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
05	650 997	112 525	20.9	474 499	24.3	17.2	175 571	12.5	3.6	927	10.8	0.0	28 527	3 030
06	778 372	127 886	19.6	571 325	20.4	14.9	205 872	17.5	4.7	1 175	26.7	0.0	26 937	3 421
07	875 916	99 008	12.7	646 121	13.2	9.7	228 017	11.2	3.0	1 778	51.4	0.1	27 909	5 802
07 Aug	849 569	4 101	16.0	628 701	16.7	12.3	219 399	13.9	3.7	1 469	31.9	0.0	28 675	5 120
Sep	854 765	5 463	15.3	632 594	16.0	11.8	220 652	13.0	3.4	1 519	35.1	0.1	27 971	6 211
Oct	863 442	8 736	15.0	638 006	15.8	11.6	223 838	12.7	3.4	1 599	42.7	0.1	27 708	6 170
Nov	875 893	12 530	14.2	643 572	14.7	10.7	230 657	13.0	3.5	1 665	47.0	0.1	27 565	6 049
Dec	875 916	561	12.7	646 121	13.2	9.7	228 017	11.2	3.0	1 778	51.4	0.1	27 909	5 802
08 Jan	879 331	3 384	12.5	649 120	12.9	9.5	228 029	11.1	2.9	2 183	86.0	0.1	27 540	5 728
Feb	883 815	4 554	12.0	653 229	12.4	9.1	228 398	10.4	2.7	2 188	85.4	0.1	27 265	5 676
Mar	887 757	4 364	10.7	657 145	11.2	8.2	228 380	8.9	2.3	2 231	80.6	0.1	26 983	5 681
Apr	894 278	6 565	10.3	661 677	10.7	7.9	230 353	8.9	2.3	2 248	80.0	0.1	26 721	5 683
May	899 436	5 322	9.8	664 943	10.1	7.4	232 213	8.4	2.2	2 280	77.4	0.1	26 434	5 512
Jun	908 467	9 380	8.6	666 476	8.3	6.1	239 698	9.0	2.4	2 293	76.3	0.1	26 229	5 486
Jul	908 798	375	7.7	669 171	7.2	5.3	237 319	8.8	2.3	2 308	68.0	0.1	25 810	5 872
Aug	908 470	-246	7.2	670 460	6.8	5.0	235 702	7.9	2.0	2 308	57.1	0.1	25 360	5 633
Sep	908 616	462	6.6	672 218	6.4	4.8	234 081	6.6	1.7	2 317	52.5	0.1	25 457	5 019
Oct	P 911 236	2 772	5.8	673 736	5.8	4.3	235 116	5.6	1.4	2 384	49.1	0.1	24 963	4 834
Nov	P 917 571	6 471	5.0	675 288	5.1	3.7	239 832	4.5	1.2	2 450	47.2	0.1	25 165	4 783

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.

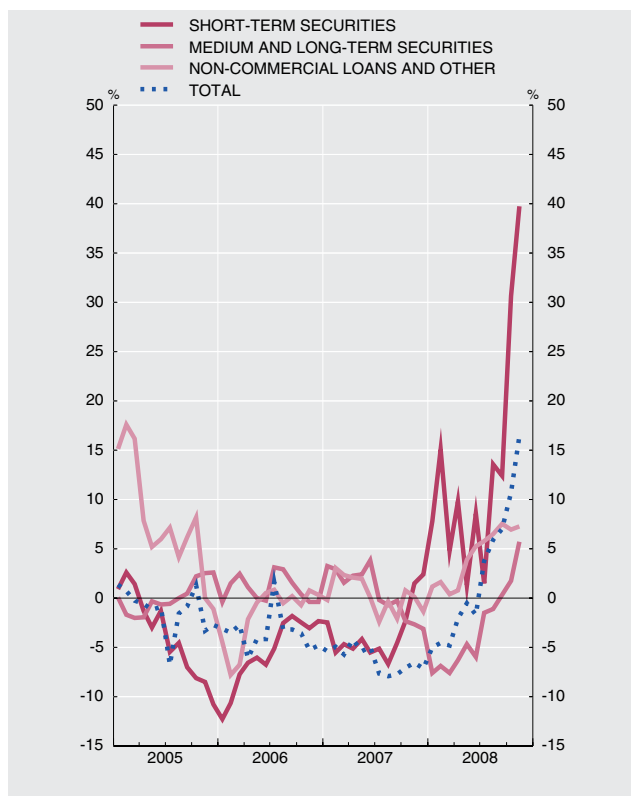
8.8. NET FINANCING OF SPAIN'S GENERAL GOVERNMENT

■ Series depicted in chart.

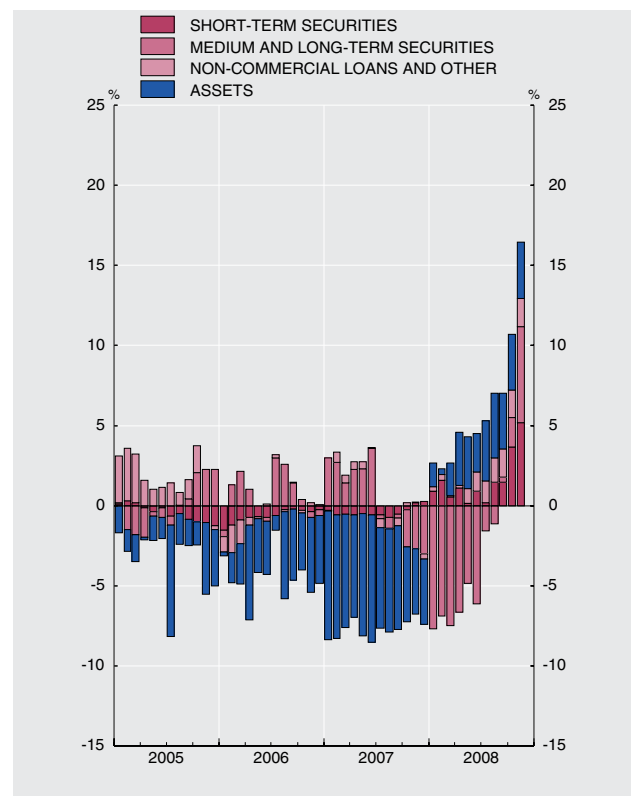
EUR millions and %

	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		
	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
04	324 145	680	0.2	6 813	-2 491	1 510	7 794	-1 817	7 949	1.8	-6.2	0.5	12.9	10.6	-0.8	0.5	2.4	-1.9
05	315 336	-8 809	-2.7	2 573	-4 042	7 366	-751	-695	12 077	0.7	-10.8	2.6	-1.1	17.7	-1.2	2.3	-0.2	-3.5
06	P 300 239	-15 097	-4.8	-1 754	-770	-1 218	234	1 780	11 562	-0.4	-2.3	-0.4	0.3	17.6	-0.2	-0.4	0.1	-4.2
07	P 278 835	-21 404	-7.1	-9 243	792	-9 090	-945	2 973	9 189	-2.4	2.4	-3.1	-1.4	13.7	0.3	-3.0	-0.3	-4.1
07 Jun	P 290 752	6 284	-4.9	3 138	-2 643	5 646	136	-4 295	1 150	2.4	-5.5	3.8	0.1	29.7	-0.6	3.6	0.0	-7.9
Jul	P 274 383	-16 369	-7.7	-9 925	1 892	-10 458	-1 359	-6 321	12 765	-1.0	-5.1	-0.2	-2.4	19.9	-0.6	-0.2	-0.5	-6.3
Aug	P 281 504	7 121	-7.9	-4 510	-1 808	-2 043	-660	-158	-11 473	-1.2	-6.7	-0.7	-0.3	24.1	-0.7	-0.7	-0.1	-6.4
Sep	P 281 211	-293	-7.7	5 674	2 582	2 769	323	-72	6 038	-1.0	-4.5	-0.3	-2.1	22.7	-0.5	-0.3	-0.5	-6.5
Oct	P 268 345	-12 866	-7.1	-10 573	-1 178	-10 088	693	1 512	781	-1.8	-2.3	-2.3	0.8	14.0	-0.3	-2.3	0.2	-4.6
Nov	P 268 212	-133	-6.6	3 500	2 868	842	-210	-2 152	5 785	-1.8	1.5	-2.7	0.1	11.6	0.2	-2.7	0.0	-4.1
Dec	P 278 835	10 623	-7.1	-1 194	-1 505	-800	1 111	-468	-11 349	-2.4	2.4	-3.1	-1.4	13.7	0.3	-3.0	-0.3	-4.1
08 Jan	A 276 632	-2 203	-5.0	-5 436	3 506	-9 093	151	7	-3 240	-4.8	7.8	-7.6	1.2	-4.3	0.9	-7.7	0.3	1.5
Feb	A 282 680	6 048	-4.6	4 880	-956	4 589	1 248	1 046	-2 213	-3.7	15.1	-6.9	1.6	-1.0	1.6	-6.9	0.4	0.3
Mar	A 284 296	1 616	-4.8	-4 017	-708	-3 606	298	-328	-5 304	-5.2	4.8	-7.6	0.4	-6.3	0.5	-7.5	0.1	2.1
Apr	A 273 082	-11 214	-2.1	2 232	-1 286	3 631	-113	4 682	8 764	-3.8	9.8	-6.3	0.8	-8.1	1.1	-6.7	0.2	3.3
May	A 282 901	9 819	-0.6	5 453	-321	4 808	967	-411	-3 955	-2.7	1.3	-4.7	3.9	-8.4	0.2	-4.9	0.9	3.2
Jun	A 285 907	3 006	-1.7	2 169	-476	1 572	1 073	120	-956	-3.0	8.5	-6.0	5.3	-6.5	0.9	-6.1	1.2	2.4
Jul	A 284 645	-1 262	3.7	1 810	-241	3 125	-1 074	-6 793	9 865	-0.0	1.5	-1.5	5.8	-9.1	0.2	-1.6	1.4	3.7
Aug	A 298 068	13 423	5.9	719	1 873	-898	-255	-230	-12 473	1.4	13.6	-1.1	6.5	-11.2	1.5	-1.1	1.5	4.0
Sep	A 300 913	2 845	7.0	10 408	2 531	6 857	1 020	-45	7 608	2.6	12.4	0.3	7.5	-9.1	1.5	0.3	1.7	3.5
Oct	A 297 065	-3 848	10.7	-1 192	4 530	-6 080	358	14 742	-12 086	5.1	30.7	1.8	6.9	-8.6	3.7	1.8	1.7	3.5
Nov	A 312 289	15 224	16.4	18 870	6 901	11 984	-15	2 126	1 520	9.1	39.7	5.7	7.3	-8.3	5.2	6.0	1.8	3.5

NET FINANCING OF GENERAL GOVERNMENT
Annual percentage changes



NET FINANCING OF GENERAL GOVERNMENT
Contributions to the annual percentage change



Source: BE.

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

b. Including coined money and Caja General de Depósitos.

c. Tax collection accounts are not included.

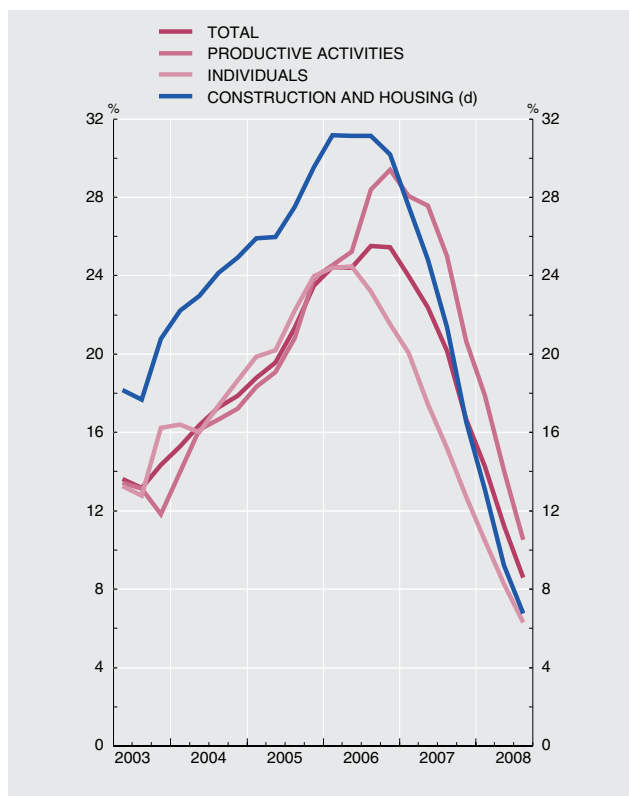
8.9 LENDING BY CREDIT INSTITUTIONS TO OTHER RESIDENT SECTORS. BREAKDOWN BY END-USE.

■ Series depicted in chart.

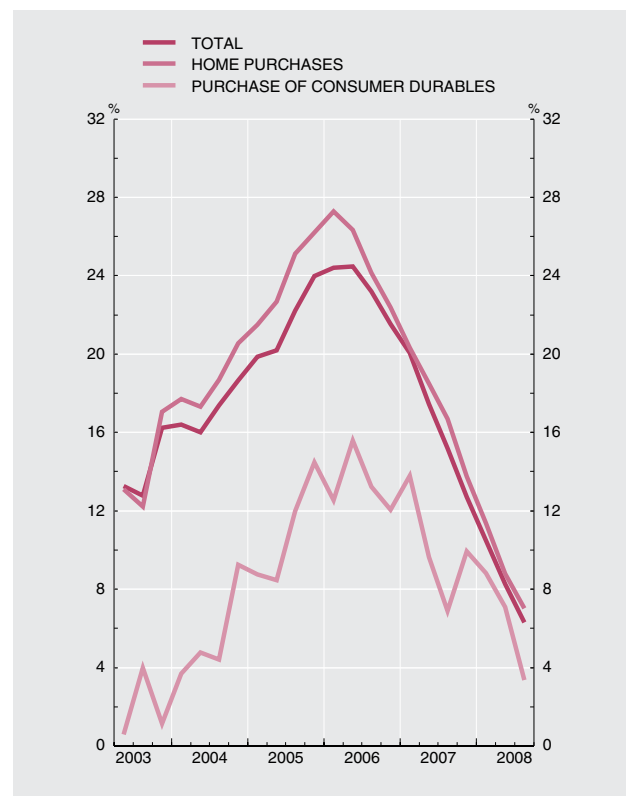
EUR millions and percentages

	Total (a)	Financing of productive activities							Financing of individuals				Financing of private non-profit institutions	Unclassified	Memo-randum 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		
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
07		1 760 213	943 086	25 245	141 571	153 453	622 818	303 514	789 250	618 212	590 600	56 576	114 462	6 089	21 788	1 075 179
04	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	1 131 241	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	816 098	23 436	121 148	137 836	533 678	264 653	726 179	566 341	540 541	52 713	107 125	5 743	21 149	968 830
	Q2	1 652 352	869 174	24 294	132 145	144 552	568 184	282 081	754 726	588 694	562 101	53 898	112 135	5 955	22 497	1 015 326
	Q3	1 706 126	910 001	25 085	140 332	150 341	594 243	292 599	768 197	604 623	577 337	54 035	109 539	6 106	21 822	1 047 563
	Q4	1 760 213	943 086	25 245	141 571	153 453	622 818	303 514	789 250	618 212	590 600	56 576	114 462	6 089	21 788	1 075 179
08	Q1	1 793 356	962 331	25 003	143 816	154 237	639 275	311 272	802 258	630 161	601 958	57 357	114 740	5 804	22 962	1 095 670
	Q2	1 838 174	991 307	25 727	148 218	155 600	661 762	313 176	817 074	640 247	611 447	57 726	119 101	5 952	23 840	1 109 023
	Q3	1 852 560	1 005 670	26 593	155 481	156 363	667 233	315 444	816 752	646 761	617 904	55 859	114 132	6 063	24 075	1 118 568

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.

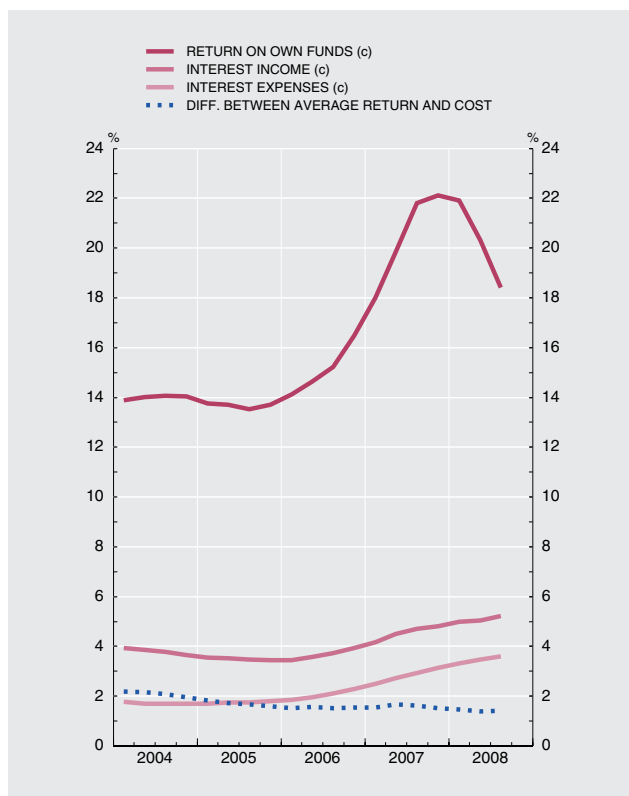
d. Including: construction, real estate activities and home purchases and improvements

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

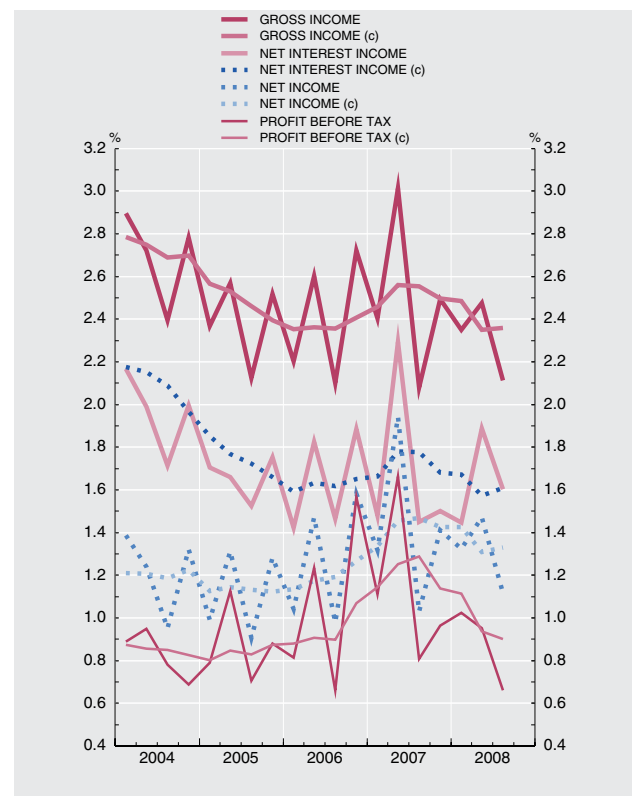
■ Series depicted in chart.

		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	Average 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
05	R	3.6	1.8	1.8	0.8	2.5	1.2	0.8	1.3	-0.8	0.9	14.4	3.7	2.1	1.6
06		4.5	2.6	1.9	0.8	2.7	1.1	0.7	1.6	-0.4	1.6	19.4	4.2	2.6	1.6
07		5.0	3.5	1.5	1.0	2.5	1.1	0.7	1.4	-1.0	1.0	20.7	5.1	3.6	1.5
05	Q3	3.3	1.8	1.5	0.6	2.1	1.2	0.8	0.9	-0.2	0.7	13.4	3.7	2.0	1.7
	Q4	3.6	1.8	1.8	0.8	2.5	1.2	0.8	1.3	-0.2	0.9	14.4	3.7	2.1	1.6
06	Q1	3.4	2.0	1.4	0.8	2.2	1.2	0.7	1.0	-0.2	0.8	14.8	3.6	2.1	1.5
	Q2	4.0	2.2	1.8	0.8	2.6	1.1	0.7	1.5	-0.2	1.2	15.9	3.8	2.2	1.6
	Q3	3.9	2.4	1.5	0.6	2.1	1.1	0.7	1.0	-0.3	0.7	15.8	3.9	2.4	1.5
	Q4	4.5	2.6	1.9	0.8	2.7	1.1	0.7	1.6	0.3	1.6	19.4	4.2	2.6	1.6
07	Q1	4.3	2.8	1.5	0.9	2.4	1.1	0.7	1.3	-0.2	1.1	20.9	4.4	2.8	1.5
	Q2	5.3	3.0	2.3	0.7	3.0	1.1	0.7	1.9	-0.3	1.7	23.3	4.8	3.1	1.7
	Q3	4.7	3.2	1.5	0.6	2.1	1.0	0.6	1.0	-0.2	0.8	23.6	5.0	3.3	1.6
	Q4	5.0	3.5	1.5	1.0	2.5	1.1	0.7	1.4	-0.3	1.0	20.7	5.1	3.6	1.5
08	Q1	5.0	3.5	1.4	0.9	2.4	1.0	0.6	1.3	-0.3	1.0	20.1	5.3	3.8	1.5
	Q2	5.5	3.6	1.9	0.6	2.5	1.0	0.6	1.5	-0.4	1.0	16.9	5.3	3.9	1.4
	Q3	5.4	3.8	1.6	0.5	2.1	1.0	0.6	1.1	-0.4	0.7	16.0	5.5	4.1	1.4

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



PROFIT AND LOSS ACCOUNT
Percentages of the adjusted average balance sheet



Source: BE.

Note: The underlying series for this indicator are in Table 4.36 of the BE Boletín estadístico.

a. Profit before tax divided by own funds.

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.

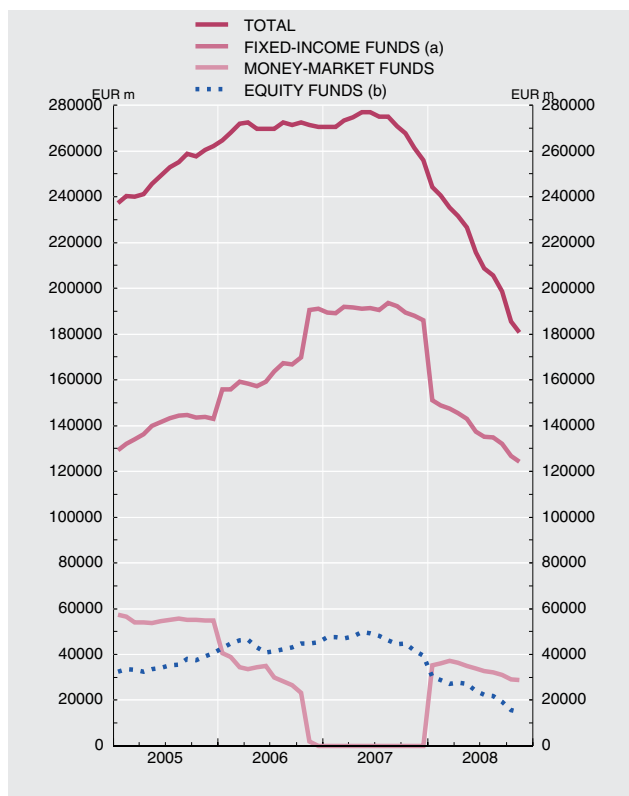
8.11. MUTUAL FUNDS RESIDENT IN SPAIN

■ Series depicted in chart.

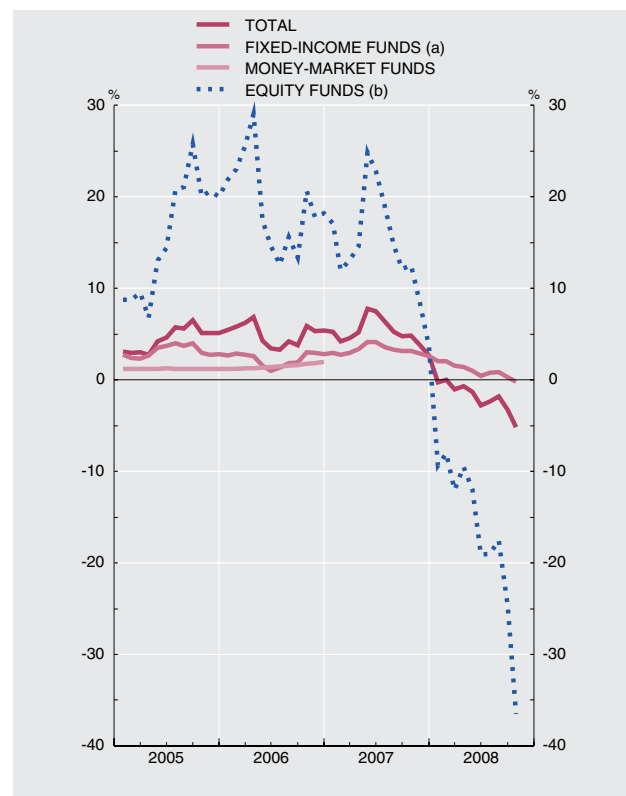
EUR millions

	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
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
07	256 055	-14 352	-22 008	2.6	-	-106	-106	...	185 963	-5 039	-8 287	2.6	39 449	-5 916	-7 179	3.6	30 643
07 Jul	275 034	-1 971	-1 101	6.3	-	-	-	...	190 493	-943	-950	3.6	48 196	-1 038	-190	19.0	36 346
Aug	275 016	-19	-242	5.3	-	-	-	...	193 565	3 073	2 697	3.3	46 136	-2 060	-1 421	14.7	35 314
Sep	270 736	-4 279	-5 439	4.8	-	-	-	...	192 289	-1 277	-1 624	3.1	44 560	-1 576	-1 877	12.1	33 887
Oct	267 586	-3 151	-6 069	4.8	-	-	-	...	189 387	-2 902	-3 907	3.1	44 816	255	-1 196	12.5	33 383
Nov	261 331	-6 255	-4 310	3.8	-	-	-	...	188 057	-1 330	-1 536	2.9	41 620	-3 196	-1 640	8.3	31 654
Dec	256 055	-5 276	-4 537	2.6	-	-	-	...	185 963	-2 094	-1 919	2.6	39 449	-2 171	-1 417	3.6	30 643
08 Jan	244 286	-11 769	-6 863	-0.3	35 111	35 111	1 027	...	151 093	-34 870	531	2.0	30 184	-9 265	-5 341	-9.4	27 898
Feb	240 462	-3 824	-4 123	0.0	36 169	1 058	-10	...	148 946	-2 147	-1 376	2.0	28 813	-1 371	-1 319	-8.0	26 534
Mar	235 174	-5 288	-3 933	-1.1	37 340	1 171	-369	...	147 530	-1 415	-1 658	1.5	27 214	-1 599	-906	-12.0	23 090
Apr	231 723	-3 451	-5 458	-0.7	36 428	-912	-909	...	145 511	-2 019	-2 512	1.4	27 622	409	-839	-9.5	22 161
May	226 535	-5 187	-5 542	-1.3	35 029	-1 400	-1 590	...	142 921	-2 590	-2 562	1.0	27 159	-464	-627	-12.0	21 427
Jun	215 574	-10 961	-7 355	-2.8	33 849	-1 180	-1 569	...	137 444	-5 476	-3 950	0.4	24 008	-3 150	-753	-19.1	20 273
Jul	208 593	-6 982	-7 186	-2.4	32 589	-1 260	-1 628	...	135 012	-2 433	-2 798	0.7	22 309	-1 699	-1 354	-19.0	18 683
Aug	205 707	-2 886	-7 138	-1.8	32 125	-464	-549	...	134 723	-289	-711	0.8	21 922	-388	-5 444	-17.6	16 938
Sep	198 665	-7 042	-5 892	-3.3	30 927	-1 198	-1 176	...	131 932	-2 791	-2 863	0.3	19 242	-2 680	-972	-24.7	16 564
Oct	185 428	-13 237	-11 680	-5.2	29 165	-1 762	-1 796	...	126 590	-5 342	-7 323	-0.2	15 756	-3 486	-959	-36.5	13 917

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.

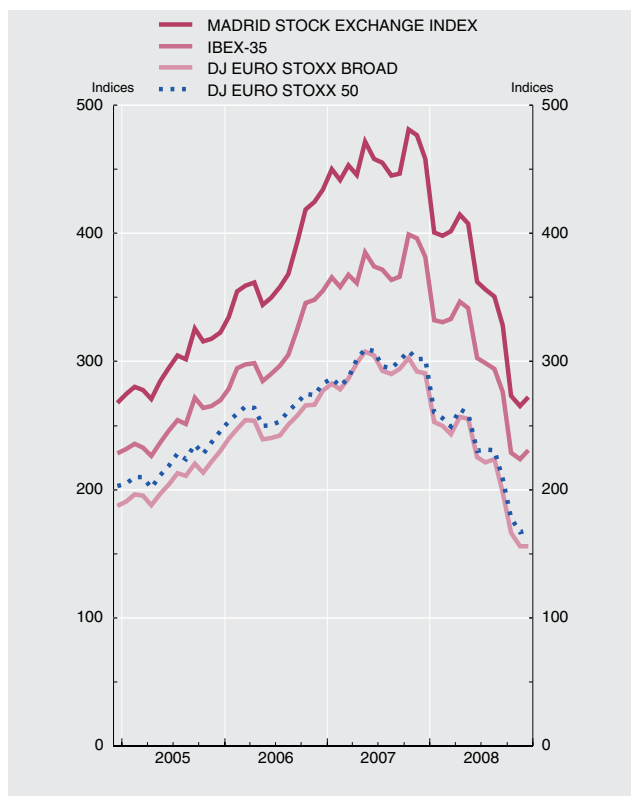
8.12. SHARE PRICE INDICES AND TURNOVER ON SECURITIES MARKETS. SPAIN AND EURO AREA

■ Series depicted in chart.

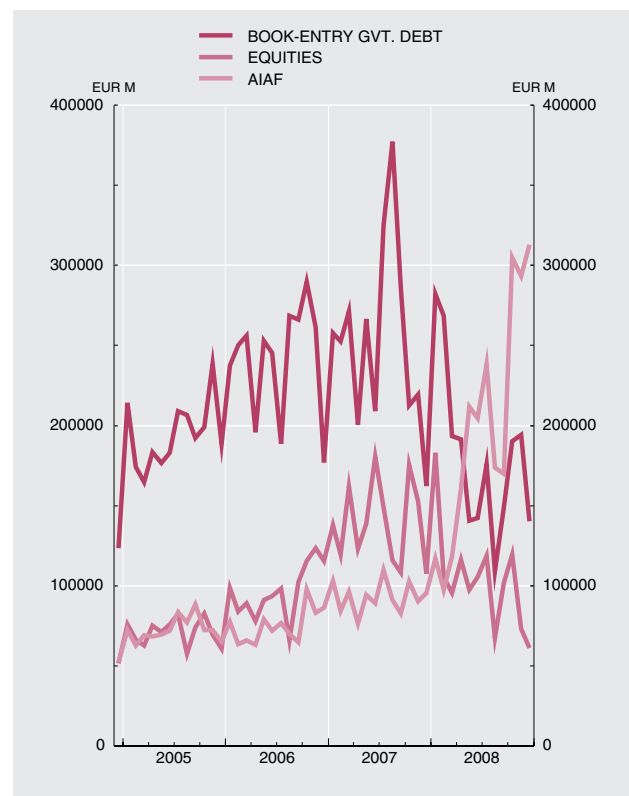
Indices, EUR millions and thousands of contracts

	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
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	1 637.50	14 899.46	419.02	4 344.48	1 670 178	89 600	3 040 244	1 115 708	-	14 161	-	8 722
08	P 1 262.61	11 738.25	309.67	3 277.70	1 245 129	79 473	2 177 326	2 403 160	-	19 146	-	7 605
07 Sep	1 600.90	14 576.50	419.92	4 381.71	108 347	6 150	286 110	82 760	...	1 334	...	740
Oct	1 724.44	15 890.50	432.10	4 489.79	175 472	8 313	212 587	102 545	...	1 139	...	724
Nov	1 708.19	15 759.90	417.26	4 394.95	152 642	8 272	219 320	90 490	...	1 685	...	734
Dec	1 642.01	15 182.30	414.90	4 399.72	107 346	6 163	162 213	95 535	...	1 719	...	549
08 Jan	1 435.24	13 229.00	360.56	3 792.80	183 005	6 080	282 093	117 244	...	1 274	...	844
Feb	1 425.98	13 170.40	356.76	3 724.50	105 424	7 551	268 415	97 445	...	1 260	...	650
Mar	1 439.06	13 269.00	346.99	3 628.06	95 384	5 646	193 445	118 222	...	1 466	...	633
Apr	1 485.01	13 798.30	366.23	3 825.02	116 192	7 223	191 286	160 603	...	1 544	...	563
May	1 460.74	13 600.90	364.68	3 777.85	97 678	5 904	140 822	211 806	...	799	...	515
Jun	1 297.87	12 046.20	321.61	3 352.81	105 483	6 745	142 121	204 624	...	2 196	...	649
Jul	1 276.51	11 881.30	315.84	3 367.82	118 682	7 359	175 967	238 332	...	1 361	...	691
Aug	1 256.93	11 707.30	319.45	3 365.63	67 466	7 081	109 103	173 832	...	728	...	557
Sep	1 175.14	10 987.50	282.61	3 038.20	102 011	6 220	149 233	169 860	...	1 953	...	771
Oct	978.13	9 116.00	237.67	2 591.76	119 483	7 707	190 268	305 089	...	1 732	...	765
Nov	950.75	8 910.60	222.34	2 430.31	73 259	6 525	194 344	293 279	...	1 979	...	512
Dec	P 975.97	9 195.80	222.81	2 451.48	61 062	5 432	140 230	312 823	...	2 854	...	455

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)

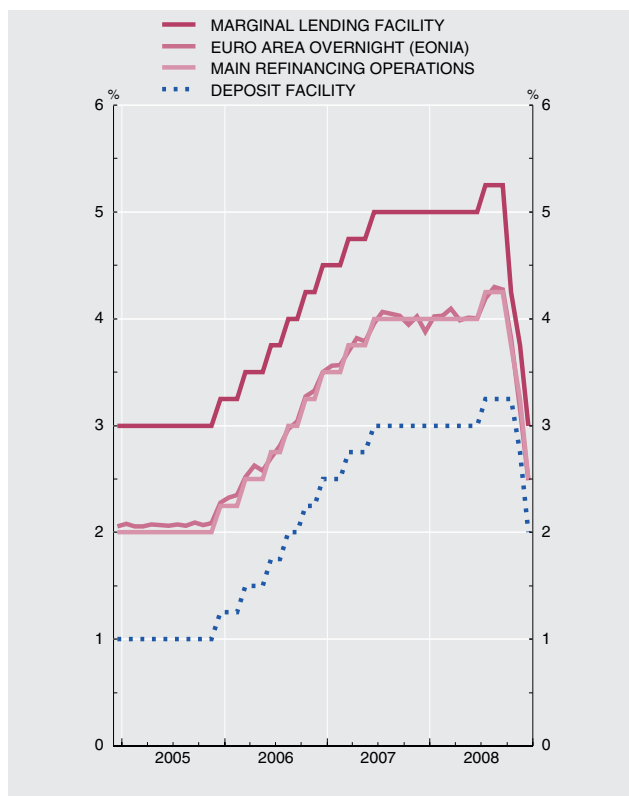
9.1. INTEREST RATES. EUROSISTEM AND MONEY MARKET. EURO AREA AND SPAIN

■ Series depicted in chart.

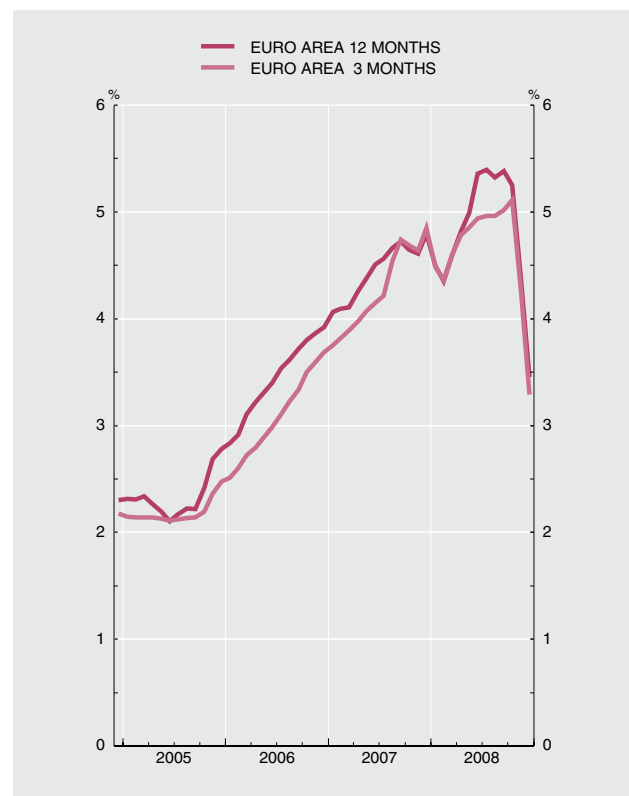
Averages of daily data. Percentages per annum

	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	6-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	18
06	3.50	3.66	4.50	2.50	2.839	2.94	3.08	3.24	3.44	2.83	2.93	3.08	3.23	3.44	2.75	2.82	2.93	3.28
07	4.00	4.00	5.00	3.00	3.866	4.09	4.28	4.35	4.45	3.85	4.08	4.27	4.33	4.44	3.78	3.85	3.90	4.11
08	2.50	2.50	3.00	2.00	3.863	4.27	4.63	4.72	4.81	3.85	4.26	4.62	4.66	4.78	3.71	3.74	3.71	3.47
07 Sep	4.00	4.50	5.00	3.00	4.029	4.43	4.74	4.75	4.73	3.99	4.38	4.72	4.70	4.72	3.94	4.00	4.00	-
Oct	4.00	-	5.00	3.00	3.941	4.24	4.69	4.66	4.65	3.90	4.24	4.65	4.69	4.64	3.88	3.96	3.98	4.04
Nov	4.00	4.65	5.00	3.00	4.022	4.22	4.64	4.63	4.61	4.01	4.25	4.64	4.57	4.59	3.96	3.97	3.99	4.00
Dec	4.00	4.00	5.00	3.00	3.879	4.71	4.85	4.82	4.79	3.85	4.74	4.82	4.79	4.78	3.80	3.94	3.92	-
08 Jan	4.00	4.21	5.00	3.00	4.022	4.20	4.48	4.50	4.50	3.98	4.17	4.46	4.44	4.42	3.90	3.94	3.93	3.60
Feb	4.00	4.16	5.00	3.00	4.028	4.18	4.36	4.36	4.35	4.00	4.17	4.34	4.30	4.33	3.99	3.97	3.93	3.58
Mar	4.00	4.44	5.00	3.00	4.091	4.30	4.60	4.59	4.59	4.07	4.28	4.58	4.57	4.58	4.01	3.99	3.94	-
Apr	4.00	4.55	5.00	3.00	3.987	4.37	4.78	4.80	4.82	3.99	4.33	4.76	4.77	4.76	3.97	3.98	3.98	-
May	4.00	4.51	5.00	3.00	4.010	4.39	4.86	4.90	4.99	4.00	4.36	4.82	4.85	4.95	3.99	3.98	4.00	-
Jun	4.00	4.50	5.00	3.00	4.007	4.47	4.94	5.09	5.36	3.99	4.43	4.94	5.02	5.29	3.98	4.08	4.18	-
Jul	4.25	4.70	5.25	3.25	4.191	4.47	4.96	5.15	5.39	4.17	4.45	4.95	5.05	5.34	4.12	4.25	4.30	-
Aug	4.25	4.60	5.25	3.25	4.299	4.49	4.97	5.16	5.32	4.27	4.47	4.94	5.09	5.26	4.28	4.31	4.34	4.46
Sep	4.25	4.36	5.25	3.25	4.273	4.66	5.02	5.22	5.38	4.27	4.60	4.99	5.15	5.30	4.13	4.24	4.25	-
Oct	3.75	3.75	4.25	3.25	3.820	4.83	5.11	5.18	5.25	3.88	4.82	5.13	5.23	5.28	3.22	3.34	3.29	-
Nov	3.25	3.25	3.75	2.75	3.150	3.84	4.24	4.30	4.35	3.17	3.93	4.18	4.19	4.42	2.74	2.69	2.49	2.21
Dec	2.50	2.50	3.00	2.00	2.486	2.99	3.29	3.37	3.45	2.41	3.08	3.33	3.32	3.46	2.22	2.12	1.92	-

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

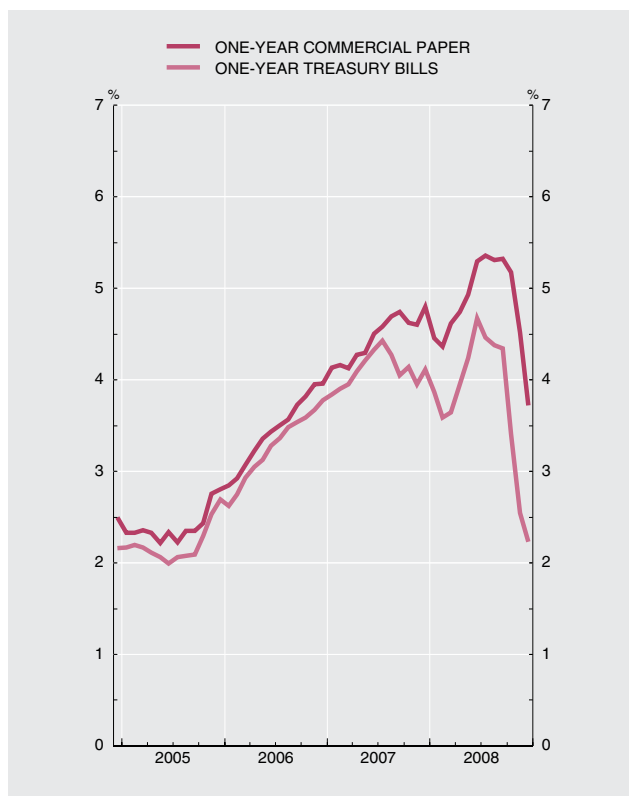
9.2. INTEREST RATES: SPANISH SHORT-TERM AND LONG-TERM SECURITIES MARKETS

■ Series depicted in chart.

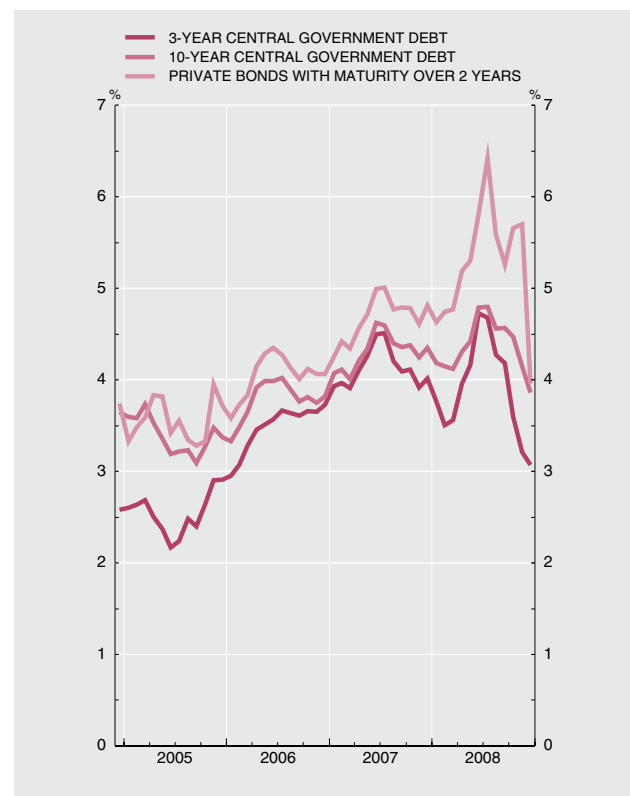
Percentages per annum

	Short-term securities				Long-term securities								Private bonds with a maturity of over two years traded on the AIAF
	One-year Treasury bills		One-year commercial paper		Central Government debt								
	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	
06	3.27	3.26	3.45	3.44	3.36	3.57	3.76	-	4.04	3.48	3.79	4.05	
07	4.11	4.07	4.46	4.49	4.00	4.16	4.24	-	4.49	4.13	4.31	4.67	
08	3.78	3.71	4.82	4.89	3.93	4.10	4.48	4.92	4.76	3.89	4.36	5.25	
07 Sep	4.05	4.03	4.74	4.82	-	4.20	-	-	4.70	4.09	4.35	4.79	
Oct	4.14	4.02	4.62	4.75	-	-	-	-	-	4.11	4.38	4.78	
Nov	3.95	4.02	4.60	4.67	-	-	4.26	-	-	3.91	4.25	4.61	
Dec	4.11	4.03	4.80	4.88	4.05	-	-	-	-	4.01	4.35	4.81	
08 Jan	3.87	3.76	4.46	4.58	3.97	4.00	-	-	-	3.76	4.18	4.63	
Feb	3.59	3.61	4.36	4.43	-	-	4.20	-	-	3.50	4.14	4.74	
Mar	3.64	3.71	4.62	4.62	-	-	-	-	-	3.56	4.12	4.77	
Apr	3.95	3.98	4.74	4.84	3.90	3.96	-	-	4.79	3.96	4.31	5.19	
May	4.24	4.18	4.93	5.02	3.99	4.07	-	-	4.92	4.16	4.42	5.30	
Jun	4.67	4.55	5.30	5.36	-	-	4.84	-	-	4.73	4.79	5.81	
Jul	4.46	4.49	5.36	5.33	4.96	4.86	4.76	-	-	4.68	4.80	6.42	
Aug	4.38	4.37	5.31	5.31	-	-	-	-	-	4.27	4.56	5.59	
Sep	4.34	4.23	5.32	5.44	4.35	-	4.62	4.92	-	4.18	4.57	5.26	
Oct	3.40	3.18	5.17	5.35	-	4.42	-	-	5.12	3.60	4.47	5.66	
Nov	2.54	2.40	4.52	4.63	3.41	4.07	3.96	-	-	3.21	4.15	5.70	
Dec	2.23	2.09	3.72	3.73	2.96	3.35	-	-	4.20	3.07	3.86	3.96	

PRIMARY MARKET



SECONDARY MARKET



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

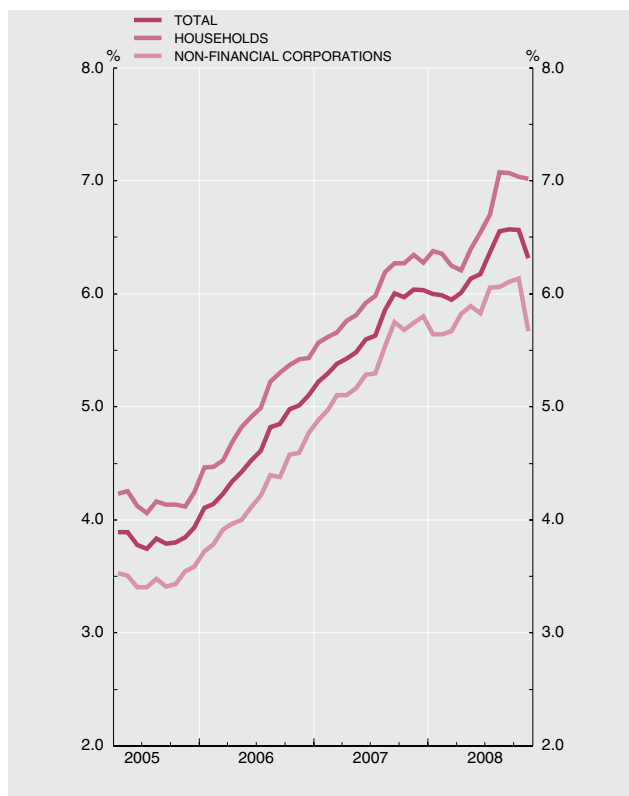
9.3. INTEREST RATES ON NEW BUSINESS. CREDIT INSTITUTIONS. (CBE 4/2002)

■ Series depicted in chart.

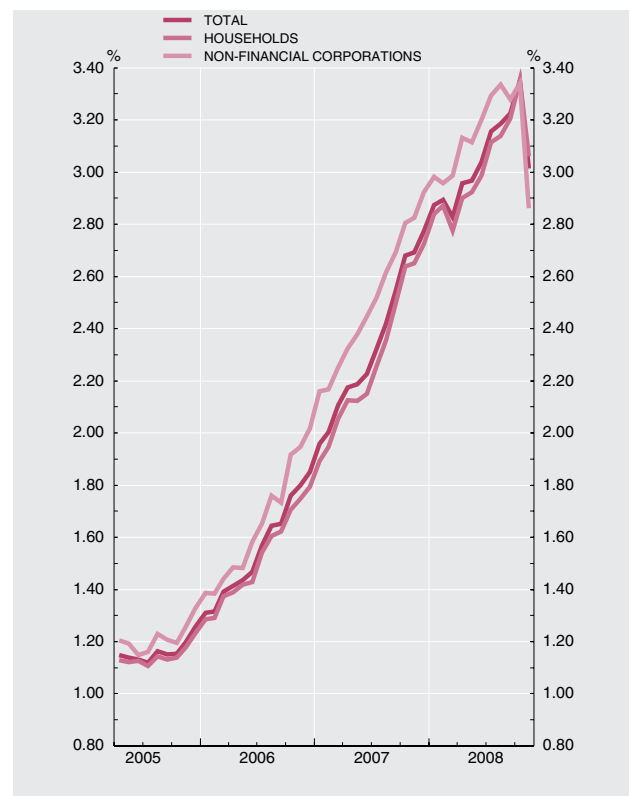
Percentages

	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
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
07		6.03	6.28	5.53	8.34	5.80	6.32	5.50	2.77	2.72	0.70	4.41	3.72	2.92	1.94	4.42
08	A	6.32	7.02	6.18	9.32	5.67	6.56	5.12	3.01	3.06	0.73	4.60	2.73	2.86	2.00	3.99
07 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
May		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
Jun		5.60	5.92	5.20	7.88	5.29	5.69	5.05	2.23	2.15	0.60	3.70	3.81	2.45	1.48	3.99
Jul		5.63	5.98	5.32	7.85	5.30	5.76	5.03	2.32	2.26	0.63	3.82	3.80	2.52	1.56	4.02
Aug		5.86	6.19	5.43	8.32	5.53	5.92	5.22	2.42	2.36	0.67	3.91	3.76	2.62	1.65	4.08
Sep		6.00	6.27	5.49	8.47	5.75	6.14	5.47	2.54	2.50	0.69	4.15	3.83	2.69	1.67	4.33
Oct		5.97	6.27	5.57	8.24	5.68	6.21	5.27	2.68	2.64	0.71	4.31	3.81	2.80	1.82	4.24
Nov		6.04	6.35	5.59	8.41	5.74	6.22	5.33	2.69	2.65	0.71	4.29	3.81	2.82	1.87	4.22
Dec		6.03	6.28	5.53	8.34	5.80	6.32	5.50	2.77	2.72	0.70	4.41	3.72	2.92	1.94	4.42
08 Jan		6.00	6.38	5.56	8.64	5.64	6.24	5.23	2.87	2.84	0.72	4.52	3.77	2.98	1.96	4.43
Feb		5.98	6.35	5.59	8.49	5.64	6.13	5.23	2.89	2.87	0.74	4.51	3.81	2.96	1.97	4.27
Mar		5.95	6.25	5.43	8.55	5.67	6.17	5.28	2.83	2.78	0.76	4.31	3.84	2.99	1.92	4.36
Apr		6.01	6.21	5.38	8.54	5.82	6.35	5.42	2.96	2.90	0.77	4.47	3.82	3.13	1.97	4.55
May		6.13	6.39	5.54	8.78	5.89	6.45	5.50	2.97	2.92	0.78	4.50	3.84	3.11	1.97	4.51
Jun		6.17	6.54	5.72	8.78	5.83	6.50	5.50	3.04	2.99	0.75	4.64	3.88	3.20	2.04	4.59
Jul		6.37	6.70	5.94	8.82	6.06	6.64	5.71	3.16	3.11	0.78	4.79	4.04	3.29	2.09	4.71
Aug		6.55	7.07	6.18	9.58	6.06	6.67	5.74	3.19	3.14	0.79	4.78	4.08	3.34	2.20	4.65
Sep		6.57	7.07	6.21	9.48	6.11	6.70	5.70	3.22	3.21	0.80	4.84	4.07	3.28	2.13	4.71
Oct		6.57	7.03	6.21	9.35	6.14	6.97	5.66	3.35	3.35	0.77	5.04	3.34	3.34	2.25	4.67
Nov	P	6.32	7.02	6.18	9.32	5.67	6.56	5.12	3.01	3.06	0.73	4.60	2.73	2.86	2.00	3.99

**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.

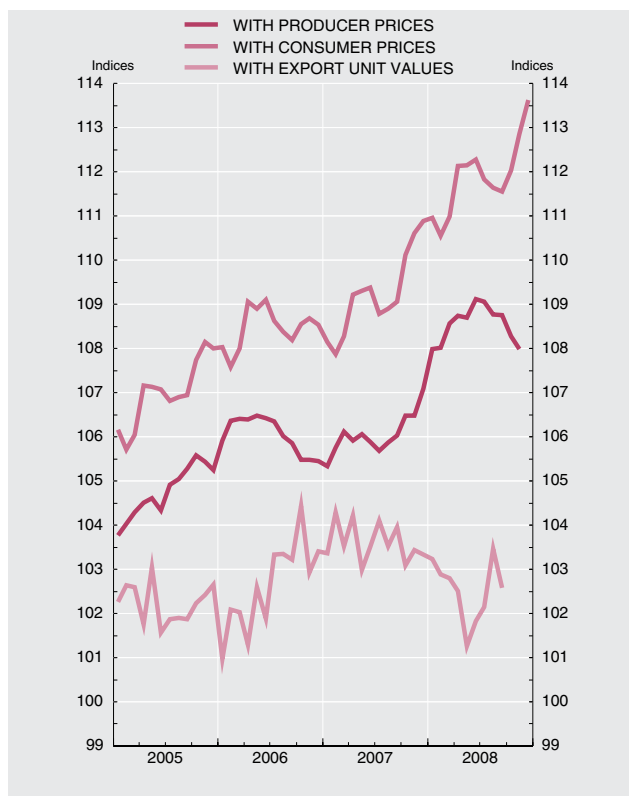
9.4 INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE EU-27 AND THE EURO AREA

■ Series depicted in chart.

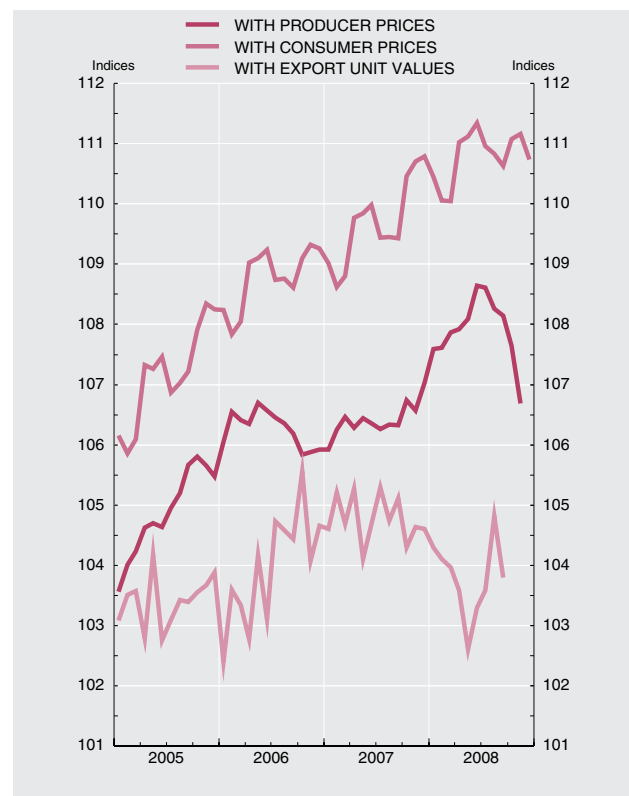
Base 1999 Q1 = 100

	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
06	106.0	108.5	108.9	102.6	100.0	106.1	108.5	108.9	102.7	106.3	108.8	110.2	117.1	104.0
07	106.1	109.2	109.9	103.6	99.9	106.1	109.3	110.0	103.7	106.4	109.7	111.5	119.0	104.8
08	...	111.9	112.6	...	101.5	...	110.2	111.0	...	...	110.8	112.6	125.7	...
06 Q4	105.5	108.6	109.8	103.6	99.8	105.7	108.8	110.0	103.8	105.9	109.2	111.4	117.8	104.8
07 Q1	105.7	108.1	109.1	103.7	99.7	106.0	108.4	109.4	104.0	106.2	108.8	110.9	118.5	104.8
Q2	106.0	109.3	109.7	103.6	99.8	106.1	109.5	109.9	103.7	106.4	109.9	111.3	117.6	104.7
Q3	105.9	108.9	110.1	103.9	99.8	106.0	109.1	110.3	104.0	106.3	109.4	111.8	118.9	105.0
Q4	106.7	110.5	110.8	103.3	100.3	106.4	110.3	110.5	103.0	106.8	110.7	112.1	120.8	104.5
08 Q1	108.2	110.8	111.9	103.0	101.0	107.1	109.8	110.8	102.0	107.7	110.2	112.5	123.6	104.1
Q2	108.8	112.2	112.8	101.9	101.4	107.4	110.7	111.3	100.5	108.2	111.2	112.9	126.3	103.2
Q3	108.9	111.7	112.0	102.7	101.3	107.4	110.2	110.6	101.4	108.3	110.8	112.2	126.2	104.1
08 Mar	108.6	111.0	...	102.8	101.2	107.3	109.7	...	101.6	107.9	110.0	...	...	104.0
Apr	108.7	112.1	...	102.5	101.4	107.2	110.6	...	101.1	107.9	111.0	...	...	103.6
May	108.7	112.1	...	101.3	101.3	107.2	110.6	...	99.9	108.1	111.1	...	...	102.6
Jun	109.1	112.3	...	101.8	101.3	107.7	110.8	...	100.5	108.6	111.3	...	...	103.3
Jul	109.1	111.8	...	102.1	101.3	107.7	110.4	...	100.9	108.6	111.0	...	...	103.6
Aug	108.8	111.6	...	103.5	101.3	107.4	110.2	...	102.2	108.3	110.8	...	...	104.8
Sep	108.8	111.6	...	102.6	101.5	107.2	110.0	...	101.1	108.1	110.6	...	...	103.8
Oct	108.3	112.0	...	...	101.5	106.7	110.4	...	...	107.6	111.1	...	...	...
Nov	108.0	112.9	...	...	102.2	105.7	110.4	...	...	106.7	111.2	...	...	...
Dec	...	113.6	...	...	103.3	...	109.9	...	...	...	110.7	...	...	...

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.

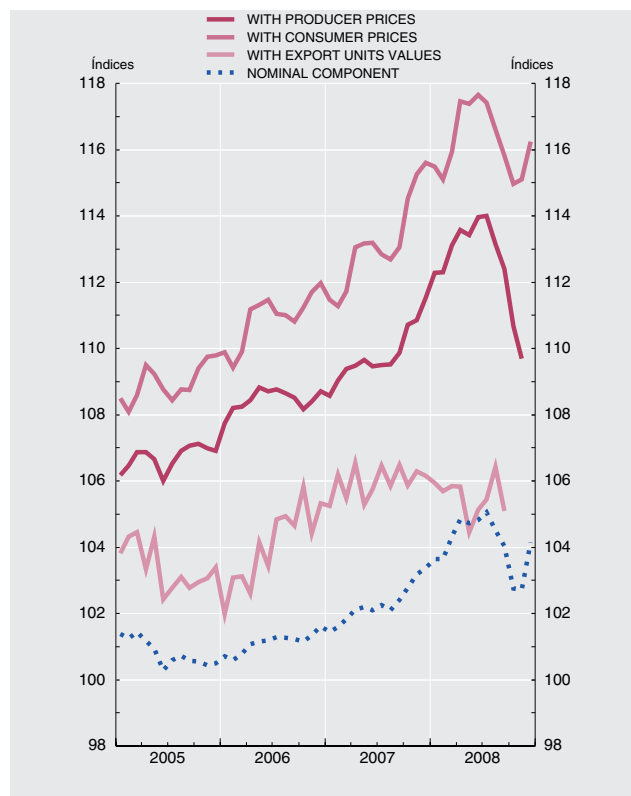
9.5 INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE DEVELOPED COUNTRIES AND INDUSTRIALISED COUNTRIES

■ Series depicted in chart.

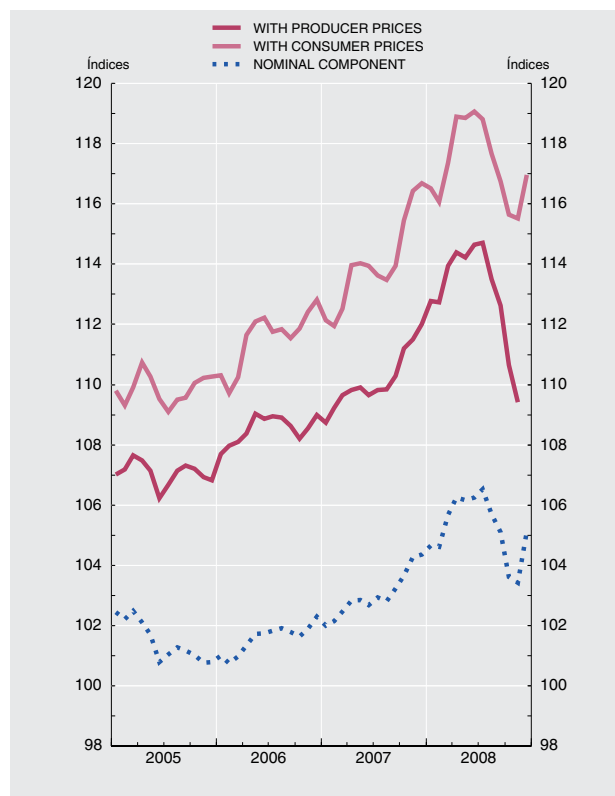
Base 1999 Q1 = 100

	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
06	108.4	110.9	119.6	104.0	101.1	107.2	109.7	118.2	102.9	108.5	111.5	101.6	106.8	109.8
07	109.8	113.2	122.6	106.0	102.3	107.4	110.6	119.8	103.6	110.1	114.0	103.0	106.9	110.7
08	...	116.3	131.9	...	104.1	...	111.7	126.7	...	...	117.4	105.3	...	111.5
06 Q4	108.4	111.6	120.3	105.2	101.4	106.9	110.1	118.7	103.8	108.6	112.4	101.9	106.5	110.2
07 Q1	109.0	111.5	120.9	105.6	101.6	107.2	109.7	118.9	103.9	109.2	112.2	102.2	106.8	109.8
Q2	109.5	113.1	121.1	105.9	102.1	107.2	110.8	118.6	103.6	109.8	114.0	102.8	106.8	110.9
Q3	109.6	112.9	122.5	106.3	102.2	107.2	110.4	119.8	103.9	110.0	113.7	103.0	106.8	110.4
Q4	111.0	115.1	125.7	106.1	103.1	107.7	111.7	121.9	102.9	111.6	116.2	104.1	107.2	111.6
08 Q1	112.6	115.5	129.5	105.8	103.9	108.4	111.2	124.7	101.9	113.2	116.7	105.0	107.8	111.1
Q2	113.7	117.5	133.5	105.1	104.8	108.4	112.1	127.3	100.3	114.4	118.9	106.2	107.7	112.0
Q3	113.2	116.6	133.0	105.7	104.5	108.3	111.6	127.2	101.1	113.6	117.8	105.8	107.4	111.3
08 Mar	113.1	115.9	...	105.8	104.3	108.4	111.2	...	101.5	113.9	117.4	105.7	107.8	111.1
Apr	113.6	117.5	...	105.8	104.8	108.3	112.0	...	100.9	114.4	118.9	106.3	107.7	111.9
May	113.4	117.4	...	104.5	104.7	108.3	112.1	...	99.8	114.2	118.9	106.2	107.6	112.0
Jun	114.0	117.7	...	105.1	104.8	108.7	112.2	...	100.3	114.6	119.1	106.3	107.9	112.1
Jul	114.0	117.4	...	105.4	105.0	108.5	111.8	...	100.4	114.7	118.8	106.5	107.7	111.5
Aug	113.2	116.6	...	106.4	104.5	108.3	111.6	...	101.8	113.5	117.7	105.7	107.4	111.3
Sep	112.4	115.8	...	105.1	104.0	108.0	111.3	...	101.0	112.6	116.8	105.1	107.2	111.1
Oct	110.7	115.0	...	...	102.8	107.7	111.9	...	...	110.6	115.6	103.6	106.8	111.6
Nov	109.7	115.1	...	...	102.7	106.8	112.1	...	...	109.4	115.5	103.4	105.8	111.7
Dec	...	116.2	...	...	104.1	...	111.6	...	...	...	117.0	105.1	...	111.3

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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