ECONOMIC BULLETIN

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BANCO DE ESPAÑA
Eurosistema

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© Banco de España, Madrid, 2009
ISSN: 1130 - 4987 (print)
ISSN: 1695 - 9086 (online)
Depósito legal: M. 31904 - 1990
Printed in Spain by Artes Gráficas Coyve, S. A.

ABBREVIATIONS

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

COUNTRIES AND CURRENCIES

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

BE	Belgium	EUR (euro)
BG	Bulgaria	BGN (Bulgarian lev)
CZ	Czech Republic	CZK (Czech koruna)
DK	Denmark	DKK (Danish krone)
DE	Germany	EUR (euro)
EE	Estonia	EEK (Estonia kroon)
IE	Ireland	EUR (euro)
GR	Greece	EUR (euro)
ES	Spain	EUR (euro)
FR	France	EUR (euro)
IT	Italy	EUR (euro)
CY	Cyprus	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.

CONTENTS

Governor's testimony before the Parliamentary Budget Committee

Ladies and Gentlemen,

I appear before this Committee as part of the Parliamentary discussion of the State Budget for 2010. For the first time in the past two years, we are at a juncture where incipient signs are emerging that the global economic and financial crisis is stabilising. This can be deduced from the macroeconomic projections by various international agencies in recent weeks, which indicate that the dynamic of successive downward revisions of GDP growth has come to a halt, and that in some areas there have even been upward revisions.

Part of this improvement is in response to the aggregate demand stimulus and financial system support policies which, undoubtedly, have acted to offset the enormous contractionary impulses experienced and to stabilise the financial markets. Notwithstanding, uncertainty over economic and financial developments in the coming quarters remains high.

At times like the present, the task of economic policies becomes vitally important to ensure that the recovery has sufficiently sound foundations. In the Spanish economy this task is particularly significant, since although recent data also point to an easing in recessionary trends, both the downturn in employment and the rapid deterioration in public finances shape a situation laden with challenges and difficulties. We are at a crossroads where economic policy action may be decisive in setting us once more on a path of growth and increasing well-being.

My testimony today, as part of the Parliamentary discussions on the Budget, offers me an opportunity to analyse the role budgetary policy should play and the need for this policy to be underpinned by a series of structural reforms that remove the obstacles to a recovery in economic activity, in employment and in public finances. I shall begin with a brief reference to the international setting and to the economic outlook for the euro area. It is well known that these settings determine the behaviour of monetary policy. Regarding this latter point, allow me to remind you that the ECB Governing Council will meet later this week; accordingly, my appearance here is in what we call purdah, and my comments should not be interpreted, under any circumstances, as a prelude to or anticipation of the monetary policy discussions or decisions at this meeting.

After several quarters of continuous deterioration which led the world economy to the biggest contraction since the Second World War, the latest economic indicators are beginning to point to a pick-up in activity and in international trade, which is more evident in the emerging than in the more advanced economies, where the signs of improvement are somewhat more incipient.

These signs are not unconnected to the swift and resolute intervention by the public authorities, which has proven effective in checking the growing perception of risks on financial markets and in increasing agents' confidence, thereby playing a valuable role in containing this crisis.

But it is precisely now when the results of the measures are coming to fruition that it is most important to shun complacency and untimely and excessive optimism, which might curtail the process. The latest forecasts from the IMF and from many other supranational institutions admittedly include upward revisions of world output growth rates in 2010; but they also emphasise the persistence of a high degree of uncertainty. This applies in particular to financial market developments, where certain tension indicators still remain at high levels.

It seems reasonable under these conditions that the most immediate objectives of the economic authorities should continue to focus primarily on restoring the orderly working of financial markets and on maintaining the aggregate demand stimulus policies until economic recovery takes firm root, as was recently reiterated at the Pittsburgh G-20 Summit. Further ahead, however, the main challenge will be to identify the appropriate time for withdrawing the exceptional measures that have been adopted in the financial, fiscal and monetary realms, avoiding both a premature withdrawal that might undermine what has been achieved and an unnecessary prolongation that might ultimately generate dynamics that are difficult to reverse, and that are harmful to growth and well-being. The complexity of such a process means it is necessary to design forthwith efficient exit strategies, so that they may be implemented when the time is right.

The euro area also shares, albeit to a lesser extent than other zones, these signs of incipient improvement. The latest economic data have been less adverse than expected and the quantitative and qualitative indicators coming to light point to a stabilisation of activity in the very short term which, according to the ECB's projection exercises, will be followed by a presumably slow recovery that will not be free from difficulty.

Public finances have deteriorated considerably as a result of the operation of the automatic stabilisers, the discretionary measures to stimulate aggregate demand and action to shore up the financial system. In turn, the financial crisis and the fall-off in activity have severely affected certain European banks, which depend in part on public sector support and which remain subject to a deleveraging process whose scope is still not readily discernible.

On the prices front, the risks of deflation have diminished substantially. Although the strong easing in commodities prices until mid-year meant that inflation turned negative, there is a broad consensus, of which the ECB is part, that anticipates inflation will resume positive levels towards the end of the year. Such levels would, however, be moderate for a relatively lengthy period, against a background marked by considerable slackness in productive capacity which will help contain potential inflationary pressures.

The benchmark interest rate in the euro area, at 1% since last May, has proven appropriate in a setting in which inflation expectations have remained anchored and in which the effects on the economy have been complemented, moreover, by those of the various exceptional measures adopted by the ECB Governing Council since October 2008. Such measures included most notably the unlimited provision of liquidity to the banking system at terms extending up to one year and a programme for the outright purchase of mortgage bonds and other similar securities issued in the euro area.

Moving now to the Spanish economy, it is clear that the acute international financial crisis and recession in the main areas of the world fed through with great intensity to Spain, exacerbating the correction of the real estate market that had begun previously and prompting rapid job destruction. The fact that the powerful external contractionary trends coincided with the internal adjustment needed after a long expansionary phase has led to a decline in economic activity that is unprecedented in recent decades.

On the data available, output fell by 4.2% year-on-year in the second quarter of 2009 as a result of the marked sluggishness of national demand, particularly private spending. Only the public-sector components of demand have held at positive growth rates, and in the case of public investment this was due above all to the roll-out of the Local Investment Plan last April. The strong contractionary impact of the decline in domestic spending on economic activity has been cushioned, however, by external demand. That said, the positive effect of foreign trade has been the consequence, above all, of the substantial cut in imports, since exports - despite improving their market share - have also been affected by the sharp decline in world trade.

Fortunately, the latest figures for the Spanish economy indicate that, as in the euro area and in the rest of the world, the sharpest phase of the contraction is now behind us. The decline in activity in the second quarter was still substantial (1.1%), but more moderate than in the first quarter (1.6%). As in other areas, the main conjunctural indicators are beginning to show signs of more modest declines or of stabilisation, suggesting that the virulence of the crisis has continued to abate in the third quarter of this year.

The recession is also correcting some of the main imbalances that built up in the Spanish economy during the boom period, mainly high private-sector debt, the excessive weight of the real estate sector and a persistent inflation differential, which translated into a growing external deficit.

The growth rate of credit to the private sector has fallen substantially and will probably continue to do so in the coming quarters. Such developments in lending correspond to what might be expected - in circumstances like the present - of its usual cyclical pattern, exacerbated by the tension on international financial markets. Conceivably, household and corporate debt ratios, which increased rapidly during the expansionary phase, will continue the adjustment on which they have embarked in recent quarters, and this requires that agents' debt should grow for some time at a rate below that of income generated.

The strong concentration of resources in the real estate market is also being corrected, with a very swift decline in new housing starts, although this has not prevented the emergence of a sizeable housing overhang and downward pressure on prices as the fall in demand has also been very sharp. Nonetheless, cuts in interest rates and in house prices have placed housing affordability indicators at more moderate levels, which will help boost house purchases.

Similarly noteworthy is the reduction in the inflation rate in Spain in recent months, which is proving more marked than in the euro area. This decline is underpinned not only by the greater effects induced by the course of oil prices but also by the fall in the prices of industrial goods and in the notable easing in services prices, which are growing below 2%, after having held at a persistent rate of increase of around 4% for many years. It would be most beneficial for the economy to seize this opportunity to make the appropriate reforms to services markets, so that this pattern in moderation may be maintained when household expenditure picks up.

The strong adjustment in spending is also manifest in a rapid reduction in the external deficit, which may have halved by 2009 from its level of close to 10% of GDP in 2007. Ideally, however, the spillover effect of the weakness of national demand on imports should be reinforced by a strengthening of the export base through the improved competitiveness of our companies.

But we should not lose sight of the fact that the correction of these imbalances is coming about through a severe contraction in output that is exerting a most adverse effect on employment, as a result of the problems present in the functioning of the labour market, and on public finances.

Job destruction, which was concentrated in the second half of 2008 in construction, subsequently spread both to industry and to market services, affecting temporary contracts most especially. After the sharp drop in employment in the closing months of 2008 and early 2009, the pace of job destruction has slackened, largely due to the effects of the launch of the Local Investment Plan. And since the dynamism of the labour force has held up well into 2009, the unemployment rate has skyrocketed from 8% in 2007 to almost 18% in the second quarter of the current year. The sharp employment adjustment has prompted a rise in apparent labour productivity from a rate below 1% in 2007 and the previous years to more than 3% in the second quarter of 2009. Unfortunately, these productivity figures are not the outcome of genuine improvements in the efficiency of productive processes, meaning they will hardly be sustainable in the medium term.

The fact that labour costs are still growing at a high rate in this situation (on National Accounts figures wages increased by 4.6% in the second quarter of 2009) while employment was declining at a rate of over 7% and inflation was negative, reveals once more the persistence of serious inefficiencies in the behaviour of our labour market.

The outlook for the Spanish economy remains highly uncertain, albeit less so in recent months in light of the likely recovery in the world economy in 2010. The Spanish economy will probably continue posting declines in output in the second half of this year, in contrast to the modest pick-up in activity expected in the euro area. Bearing on this different behaviour will be the marked weakness of investment, not only in the case of housing, given the supply overhang, but also probably in that of corporate investment, since low capacity utilisation allows increases in demand to be addressed without having to undertake new investment projects. Nor will it seem feasible to increase public investment in 2010, following the intense effort made in 2009, linked largely to the above-mentioned Local Investment Fund for Employment.

How private consumption will fare is much more difficult to predict. Although the main determinants - such as the behaviour of employment - will not be favourable, the high level of the household saving rate makes it conceivable that, if the factors of uncertainty were to progressively dispel, consumption might recover significantly.

The main factor underpinning activity in 2010 should therefore be the external sector. The fact that the recovery in the Spanish economy lags that in the other European countries somewhat may provide for more expansionary behaviour of exports, whose trajectory has been reasonably positive.

Foreseeably, then, a gradual growth phase based on recovery in the external sector and on the progressive extension of its impulses to business investment and employment will begin over the course of next year, laying the bases for a demand-led expansion. However, as a result of the spillover effect of the negative 2009 rates, average growth in 2010 might post a moderate decline.

This trajectory of slow recovery in activity broadly matches the government's macroeconomic projection that acts as a basis for the State Budget for 2010. Yet as I said, there is a risk that business investment may perform somewhat worse than foreseen in this scenario.

But in my view, what is most important at present is not the exact date on which activity will begin to post a positive rate or whether its rate of increase will be greater or less than forecast in 2010; rather, it is the scale of the medium-term challenges involved in exiting the most complicated situation the Spanish economy has faced in recent decades. To entrench the recovery will necessarily require absorbing large numbers of unemployed; the reversal of unemployment's harmful effects on confidence and public finances; restoring health to the financial position of households and firms; and, in sum, the restructuring of a growth model that was not sustainable, especially under the new conditions created by the international crisis. And, as I have reiterated on many occasions, to do this it will be vital to adopt ambitious measures and reforms.

The economic policies pursued since the start of the crisis have focused, logically, on countering the contractionary forces at play, and the efforts deployed have contributed to lessening their impact. But now the slump phase has bottomed out and there are signs of a possible stabilisation, we must adopt an approach geared to absorbing the most negative effects of the crisis, such as the high level of unemployment and of the budget deficit, by addressing the structural problems of the Spanish economy so as to restore its growth potential and to prevent the risk of a scenario of prolonged economic slackness from materialising.

The demand-side policies pursued to combat the economic crisis have been very energetic. The cuts in official interest rates by the ECB have fed through to interbank markets and to credit transactions, and although borrowing conditions remain very tight, as a result of the upward revision of credit risk, the decline in interest rates is undoubtedly contributing to alleviating the financial pressure on the private sector. Moreover, these measures will continue to have significant effects in Spain in the coming quarters, given the prevalence of floating rates, which will continue alleviating the burden of debt for households and firms.

Fiscal policy has also contributed to cushioning the decline in activity by means of a most substantial budgetary drive, one greater than that in other developed countries. The effect of the numerous activity-supporting measures adopted in the past two years, along with the impact on public finances of the far-reaching cyclical downturn and with the loss of the extraordinary tax revenue from the real estate boom during the expansionary phase, have prompted a most rapid and sharp increase in the budget deficit. On the latest official figures announced by the government, the budget deficit could climb to around 10% of GDP at the end of this year, an unprecedented level in our recent history.

And the outlook for the deficit, in the absence of ambitious measures, is a complex one. True, some of the budgetary measures adopted were designed to be temporary, meaning that once the period they are in force expires, the budgetary situation ought to improve. Yet the cyclical change will take time to exert positive effects on public finances, as the path of recovery of activity in 2010 will still be weak. But what is important is to realise that the deficit generated over these two years has a significant structural component, given that current primary public spending has maintained a high growth rate and the sizeable extraordinary revenue linked to the real estate sector has been lost for good.

The deterioration in the fiscal position is manifest in a strong increase in public debt. As our own experience shows, the dynamic of rising indebtedness can prove difficult to break, especially when it is inconceivable that we can count in the future on some of the factors that significantly helped reduce debt in the past, such as interest-rate cuts and high economic growth over a very lengthy period.

Overall, all these factors increase the risk that, in the absence of corrective measures, the fiscal position will continue to worsen. Further, they lead to the conclusion that the room for budgetary policy to expand has been completely exhausted, and that it is vital that a credible strategy of budgetary consolidation be adopted for the medium term. If not, the increase in public debt and its influence on the net borrowing costs of our economy, and even on the very soundness of the financial system and its capacity to properly channel resources, may become a very heavy weight holding back our possibilities of recovery.

Given the fiscal imbalance that has built up, the scale of adjustment needed is most sizeable and will therefore require the adoption of highly ambitious measures on all budgetary fronts. It will be constantly necessary to strike a difficult balance between appropriately signalling the commitment to budgetary stability and, at the same time, not curbing the path of economic recovery. Past experience shows that the success of fiscal consolidation strategies hinges largely on their composition, so that cuts in public spending, especially non-productive spending, play an essential role in reducing the deficit. Unproductive spending, both on consumption and investment, should therefore be particularly scrutinised and monitored. In any event, when structural distortions have become considerable, certain elements of the tax structure have inevitably to be revised. Here it is vital to fully preserve efficiency in agents' saving and investment decisions, so that long-term growth prospects are not compromised. Selecting tax measures is never easy, and less so when the tax base is being eroded; consequently, tax instruments that cause least distortion should be used. In any case, we should ensure that increases in tax revenue are actually earmarked to reducing the budget deficit and not to financing potential spending slippages.

The government has announced its intention to resume deficit levels compatible with stability in 2012, in line with the horizon defined by the European authorities in the application of the rules of the Stability and Growth Pact. The State Budget for 2010, the first to be prepared under this general consolidation strategy, confirms this commitment. It is along the lines required to give credibility to the process, although to ensure that the budgetary targets are realistic, all economic agents must be convinced that, in the event of deviations occurring, all necessary measures will be taken to achieve such objectives. Lastly, and more clearly than on any other occasion, I must reiterate what I have said in all my previous Budget-related appearances: given the high degree of decentralisation of the State in Spain, it is of paramount importance that the territorial tiers of government should also commit themselves to reducing the deficit through compliance with the provisions laid down in budgetary stability legislation.

The attention I have given to budgetary policy, in step with the rationale behind this appearance, should not however obscure one particular fact. This is namely that, at present, the main instrument available to the national economic authorities to address the crisis, strengthen the chances of recovery and push through fiscal consolidation plans are supply-side and structural reform policies, geared primarily to improving employment-generation capacity, facilitating change in the weight of productive activities and increasing the economy's efficiency and productivity. The future of the Spanish economy will turn to a great extent on these policies, not just in the long run but more immediately, where the structural strengths and weaknesses of the different economies inside and outside the euro area will be highlighted.

And what has become obvious, given the present scale of public spending derived from the deterioration in employment, is that the viability of any credible budgetary consolidation strategy in the Spanish economy depends on swift and far-reaching changes to the trends currently prevailing in the labour market. Without a significant reduction in unemployment it will be very difficult to reverse the course of public spending and ensure a sustained recovery in the tax authorities' capacity to raise revenue. The downturn in employment and the rise in unemployment are the most serious problem facing the Spanish economy, and that most hampering the recovery and fiscal consolidation. Unavoidably, then, reforms to labour institutions must be promptly undertaken that draw our unemployment rate closer to that of the more developed countries, thus checking flows to unemployment and enabling workers who have lost their jobs to return as soon as possible to an active working life.

The reforms should encompass a wide range of institutions. Innovation in hiring arrangements is needed to provide for maximum job creation. We must rectify the pronounced segmentation currently characterising a labour market with a high temporary employment ratio, with most adverse consequences for job stability and for efficiency and fairness in the economy. In turn, collective bargaining needs reforming. This is so as to allow wage settlements to be tailored to a greater extent to each company and to the business cycle, but also to equip companies with the necessary flexibility to increase productivity and wages wherever possible. All these developments will help soften the impact of the crisis on employment, reallocate surplus labour towards more productive sectors and raise our economy's potential growth rate. And there are more reforms recommended by analysts: the re-directing of support policies to the unemployed, so greater importance is given to active policies such as training, improvements to the intermediation capacity of public employment services, etc.

In addition to the reform of labour institutions, there are other areas where action should not be delayed, even though the effects will be over a longer term. This is the case primarily of education, which is pivotal for ensuring a continuous increase in human capital and for reinforcing one of the main sources of improving productivity. And, of course, there is a long list of reforms outstanding to increase competition in many industries, such as services, energy, rail freight transport, etc., to which I have repeatedly referred.

Lastly, the soundness of the financial system is essential for ensuring the financial flows needed to restore economic dynamism. The Spanish financial system has weathered very well the direct and indirect effects of the international financial crisis thanks to a series of widely known factors that I shall not repeat here. However, the intensity of the adjustment the Spanish economy is undergoing in a setting of prolonged financial tension further compounds the pressure on the financial system in terms of asset impairment, increased bad debts, narrower banking margins and the gradual reduction in the buffers built up by the system. Not all institutions are equally prepared to face these factors. Accordingly, appropriate mechanisms - such as, in the current circumstances, the Fund for the Orderly Restructuring of Banks - are crucial for tackling the necessary restructuring processes, without that entailing a distortion in credit flows that may hamper the economy's path of recovery.

To conclude, the Spanish economy is at a decisive crossroads where many challenges must be addressed to prevent the situation leading to a long period of economic weakness and to be able to embark on a new growth path based on a more productive and sustainable pattern. This is not the first time in our recent history that we find ourselves in such a position. We emerged from similar situations in the past with major advances and with vigorous growth once the necessary decision-making machinery had been geared up to undertake far-reaching reforms. This time need be no different. Only through medium-term stability strategies and ambitious and well-structured reforms can we overcome these difficult circumstances, paving the way for a new phase of dynamism and job creation that will further the outstanding trajectory of the Spanish economy in recent decades.

1 Overview

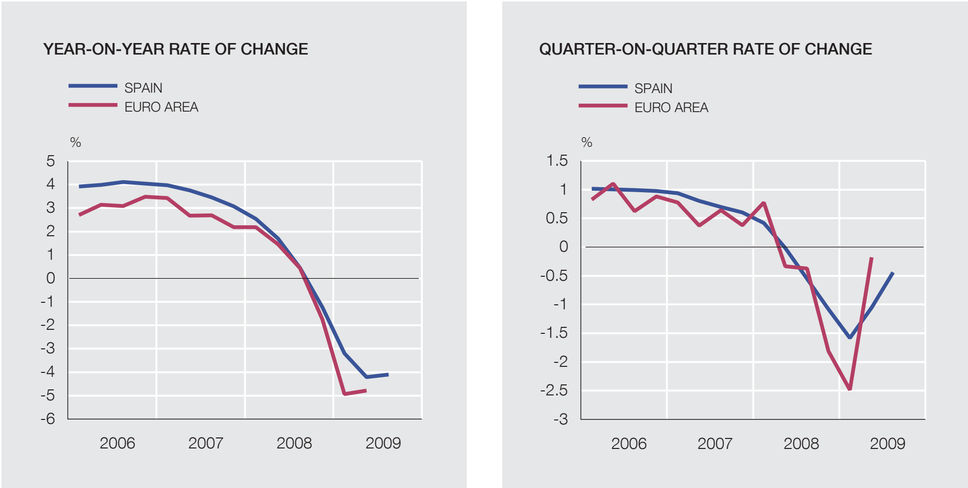
Economic activity continued to fall during 2009 Q2, albeit at a less sharp pace than in Q1, when the most acute phase of the contraction was seen. GDP posted a quarter-on-quarter decline of 1.1% (against a rate of -1.6% in the first three months of the year), while the related year-on-year rate of decline was 4.2%. The fall in output was due to the reduction (at a year-on-year rate of 6.9%) in national demand, while net external demand made a positive contribution of 3.1 pp to GDP growth.

The indicators for Q3 confirm the slowing trend of the rate of contraction in activity, in an environment in which financial market normalisation continued and in which global macroeconomic conditions showed signs of stabilising. The estimates made on the as-yet incomplete information available point to a quarter-on-quarter decline in GDP of 0.4%, the least pronounced since the recession began; that said, this more favourable performance is linked in part to public measures with temporary effects. The year-on-year rate of GDP contracted by 4.1% in Q3 (0.1 pp less than in Q2), as a result of a lesser fall-off in national demand (to 6.5%) and of a positive contribution of net external demand (of 2.7 pp). The easing in the quarter-on-quarter path of decline was extensive to the main components of domestic expenditure, although more markedly so in household consumption, where the direct aid for car purchases was influential, and in public investment, where there was headway in the roll-out of Local Investment Fund projects. In step with these developments, the fall in the gross value added of the main productive branches was less than that in the previous quarters, and the pace of deterioration in the labour market slowed. The EPA data for Q3 show a year-on-year decline in employment of -7.3%, while the unemployment rate stabilised at 17.9% of the labour force. Finally, there was a further reduction in the rate of change of the CPI in the three months from July to September to -1%, largely as a result of the sharp correction core inflation is undergoing, as reflected by the CPI excluding energy and unprocessed food prices, which stood at 0.1% at the end of the quarter, the lowest rate of the time series.

In terms of the international economic outlook, the improvement in financial markets dating back to March continued and there were signs of economic recovery in a good number of economies. This followed the notable moderation in the decline in activity in Q2, as a consequence of the aggregate demand stimulus and financial system support policies. In these circumstances, GDP may be expected to post positive quarter-on-quarter growth rates in Q3, with this trend more marked in the emerging economies, led by developments in Asia and, in particular, by China and India. Global inflation continued to fall, meaning that the growth rates of consumer prices turned negative once more in a good number of countries. On the foreign exchange markets, the dollar depreciated against the main currencies. And on the commodities markets, Brent oil prices rose in the second half of October to around $77 per barrel, and gold reached a high in dollar terms.

The improvement in the economic and financial situation in recent quarters has led to an upward revision of growth prospects for 2009 and 2010. For this latter year, the IMF forecasts an increase in world output of close to 3% (compared with the 1.1% decline estimated for this year). Nonetheless, uncertainty over the timing and intensity of the recovery remains high due principally to the doubts overshadowing the growth capacity of the main economies once the fiscal and monetary stimuli are withdrawn. The continuing adjustments in the labour market, the deterioration in public finances and the ongoing deleveraging in the banking sector are

GROSS DOMESTIC PRODUCT (a) CHART 1



SOURCES: ECB, INE and Banco de España.

a. Seasonally adjusted series.

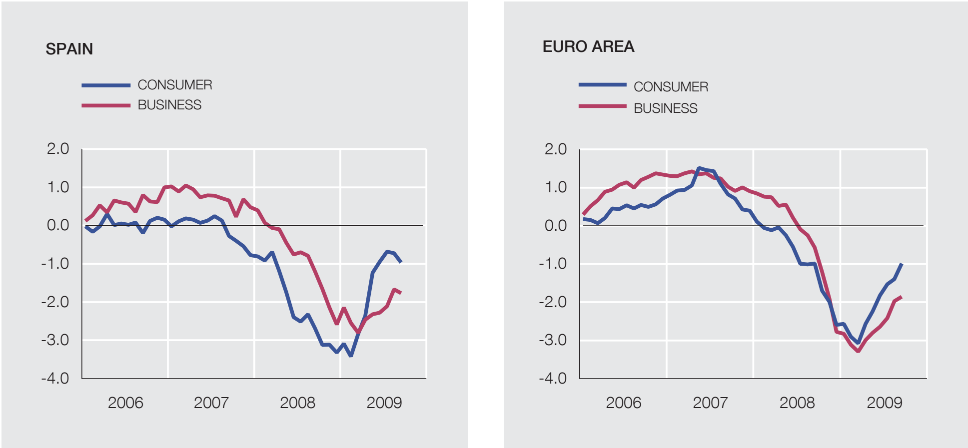
factors that may compromise the path of recovery. At the same time, there is growing concern over the long-term effects of the massive public support provided, which has focused attention on the need for potential and appropriately designed exit strategies. In this respect, while the short-term priorities – as endorsed by the recent Pittsburgh G-20 Summit – remain to restore the proper workings of financial markets and to retain the aggregate demand stimulus policies, it is necessary at the same time to identify the right moment to withdraw the extraordinary measures adopted and to design the means of doing so without undermining what has been achieved.

In the period under study, the monetary and fiscal policy stance remained very expansionary. With regard to public finances, the combination of discretionary measures to stimulate aggregate demand along with the operation of the automatic stabilisers has prompted a strong increase in budget deficits, the financing of which has required the issuance of sizeable volumes of public debt. On IMF forecasts, the budget deficit in the group of the main developed economies might stand at 10% of GDP in 2009.

Turning to monetary policy, central banks kept intervention rates at the all-time lows reached in the previous quarters and continued to offer an unlimited supply of liquidity. In the United States, the official interest rate held in a range of 0% to 0.25%, while there was some redeployment of certain liquidity and financing facilities, accommodating the lower demand by financial institutions. That said, the use of other facilities continued to be stepped up. The Bank of England kept its official rates unchanged at 0.5%, while extending its asset purchase programme in August to £175 billion.

These same broad trends prevailed in the euro area. The indicators available suggest that growth might resume positive rates in Q3, boosted by the improvement in international trade and the aggregate demand stimulus and financial system support policies that have helped stabilise markets. The latest forecasts from international organisations and private institutions have also revised upwards the projected growth for economic activity in the euro area in 2009 and 2010, although they continue to expect the foreseeable recovery to be very gradual and not free from difficulties. Inflation, which continued to be highly influenced by oil price developments, remained negative during Q3 (-0.3% in September). As the base effects associated

CONFIDENCE INDICATORS (a) CHART 2



SOURCE: European Commission.

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

with past increases in commodities prices peter out over the coming months, moderately positive inflation rates will foreseeably be resumed towards the end of the year. Moving into the medium term, the high level of slack in productive capacity makes it very unlikely that inflationary pressures will emerge.

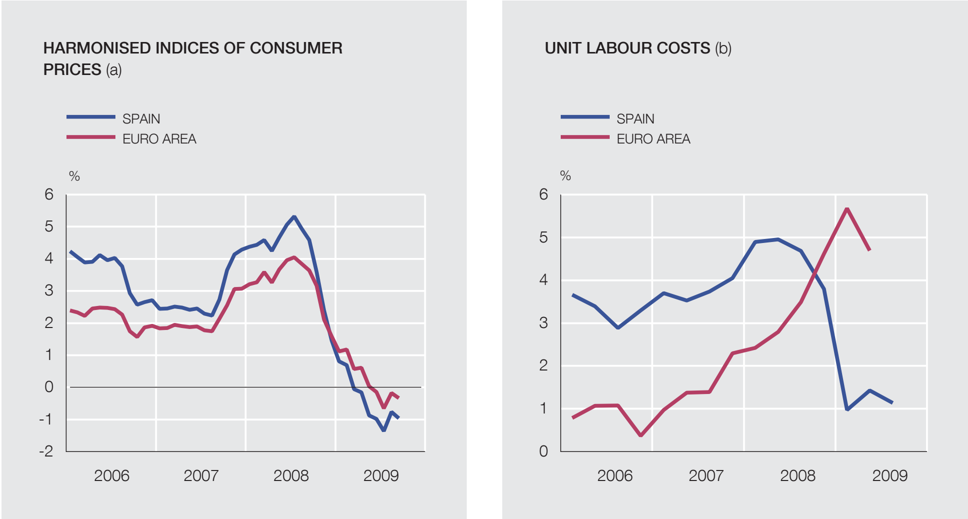
On the economic policy front, and according to the latest figures reported by the Member States under the Excessive Deficit Procedure, the general government deficit would stand at 6.1% of GDP in 2009, compared with 1.9% the previous year. At its August, September and October meetings, the ECB decided to keep its official interest rates at 1% for the main refinancing operations and at 0.25% and 1.75% for the marginal lending and deposit facilities, respectively. This decision was taken against the background of growing signs of economic stabilisation, and the prospect that in the coming months the inflation rate will once again stand at a moderately positive level and that medium- and long-term inflation expectations will be anchored at levels compatible with the monetary policy objective. Furthermore, the ECB continued to provide an ample volume of liquidity through the various instruments at its disposal, including a second one-year refinancing operation at a fixed rate of 1% in late September. The Eurosystem launched a purchase programme for guaranteed bonds and covered bonds issued in the euro area, which is exerting a most favourable impact on the working of markets.

As a result of all these measures, in Q3 and in October to date both the global and euro area financial stress indicators have continued on the improving course initiated last March. On the interbank markets, interest rates continued to decline while the spread between interbank rates and those on secured bank loans narrowed further. Risk premia on credit derivatives markets also declined and stock markets prices climbed notably, while their volatility lessened. Finally, on the government debt markets, long-term yields fell, despite the improved economic outlook and the increase in issues.

Accordingly, the external environment of the Spanish economy has begun to show signs of improvement and financing conditions are continuing to normalise. In Spain, bank lending costs for households and firms generally continued to decline, although they remain at higher levels than those existing before the last interest rate cycle began, especially in the case of higher-risk transactions. These developments reflect a more cautious lending policy on the

PRICES AND COSTS

CHART 3



SOURCES: Eurostat, ECB and INE.

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

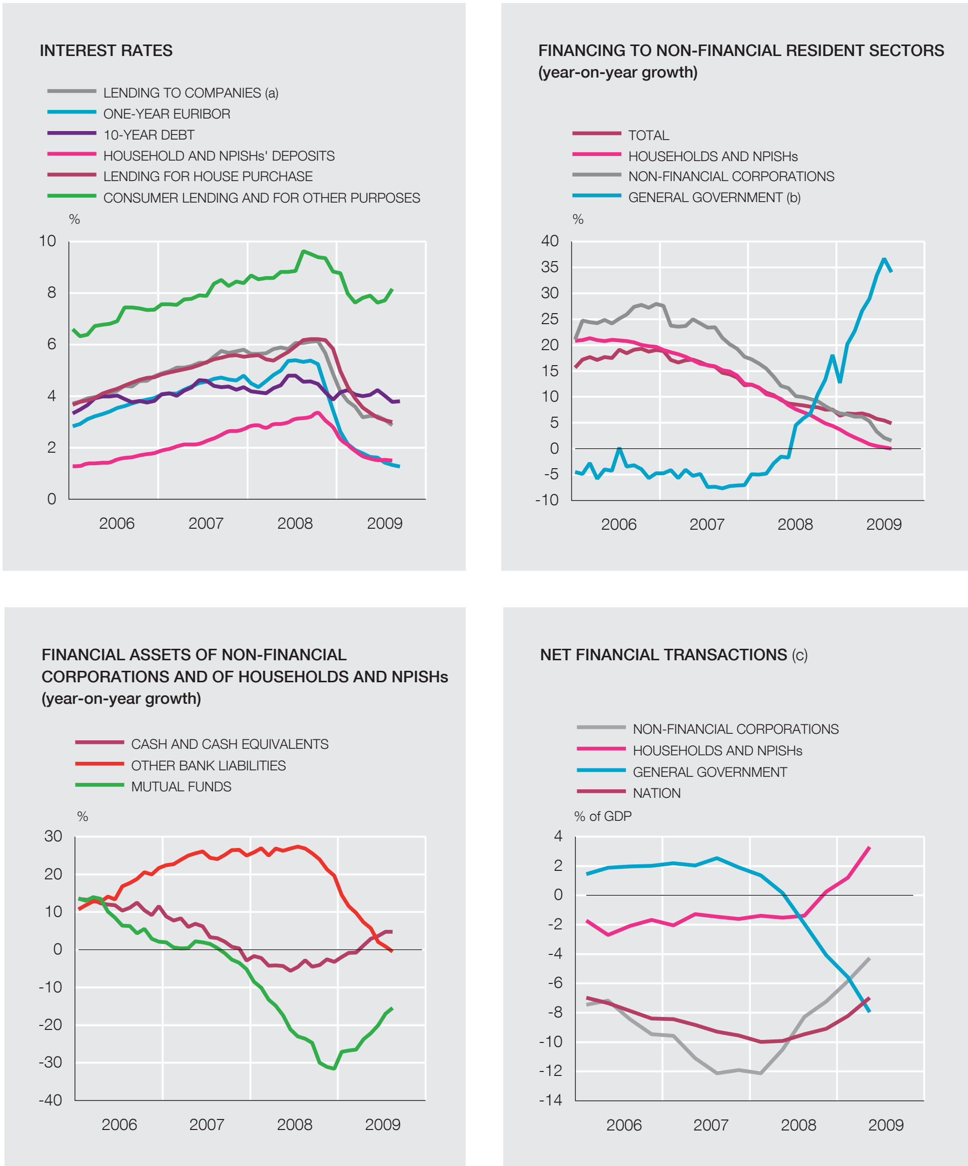
part of banks, in response to the deterioration in the macroeconomic outlook and to the rise in bad debts. And this is also mirrored in other conditions for granting loans, which are expected to have been tightened, albeit at a more moderate rate than in previous quarters. Stock market prices continued to move on the rising trajectory on which they embarked in March, driving a recovery in this component of financial wealth (the IBEX has posted a rise of 28% in 2009 to date). By contrast, real estate prices remained on a declining path, dipping 0.9% between July and September (8% year-on-year), although this was a less pronounced fall than in the three previous months.

Against this backdrop, the decline in household spending slackened in Q3 owing to the slowdown in the declining path of consumption. This was the result, above all, of the boost provided by the direct aid programme for car purchases (the so-called Plan 2000E). Conversely, residential investment remained markedly sluggish, falling at an estimated year-on-year rate of 27%, which was slightly more negative than in Q2. However, the cuts in interest rates and in house prices have placed the affordability indicators at more moderate levels, which will help boost house purchases.

Household consumption is estimated to have fallen at a year-on-year rate of 4.9%, 0.8 pp less than the rate for the previous quarter but indicative nevertheless of the considerable slackness this national demand component is showing. Indeed, despite the expansionary impact on disposable income of the sizeable transfers of income by general government, the reduction in interest payments and the fall in the inflation rate, very powerful factors remain in place that are inhibiting household spending decisions. Specific mention may be made here of the direct effect of heavy job destruction on household wage income, to which the negative wealth effects associated with the reduction of real estate asset prices should be added. In any event, the adjustment in consumption is proving greater than these main determinants (disposable income and wealth) would warrant, and the rising course of the household saving rate is intensifying. In fact, in cumulated four-quarter terms this rate stands at 17.5% of household disposable income, which marks a historical high and is 7 pp greater than the minimum rate reached in 2008 Q1. This behaviour

FINANCIAL INDICATORS OF THE SPANISH ECONOMY

CHART 4



SOURCE: Banco de España.

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

shows the reaction of households to the uncertainty of the current circumstances and, most particularly, to the increase in unemployment, which encourages precautionary saving. Nonetheless, the increase in saving is a pre-requisite for the resumption of a sustainable path of expenditure and is part of the adjustment needed to improve households' financial position.

In the setting described, household debt continued to fall, but at a lesser pace than in previous quarters, so that its year-on-year growth in August was zero. This was the case both for loans for house purchases and for those for consumption and other purposes, which showed year-on-year rates of change at 0.5% and -1.4%, respectively. However, the fall in credit was scarcely apparent in the household debt ratio, which remained at a similar level to that of the previous quarter, and in any case below the high reached in late 2008, although the interest burden continued to decline. Despite this relative improvement in the sector's financial position, deteriorating economic conditions and, in particular, rising unemployment are expected to have contributed to increasing the proportion of households facing difficulties in servicing their debt.

The start-up of investment projects by companies continued to decline, in line with the pattern in previous months. This is consistent with the weakness of demand (in both its national and external components), with expectations of losses and with the uncertainty over the start of a sustained recovery. According to information from the non-financial accounts of the institutional sectors, the fall in business investment had prompted a reduction in net borrowing in Q2, to 5.2% of GDP in cumulated four-quarter terms. Financing conditions evidenced an incipient improvement in Q3, as manifest in the reduction in the cost of financing – both bank lending and that instrumented through securities issues – and in some easing in the perception by the business sector of the degree of difficulty of raising finance, although credit accessibility conditions remained restrictive overall. Given these determinants, the growth rate of credit to companies continued to decline, falling by 1.1% in August on the same period a year earlier. Nonetheless, the corporate debt ratio is expected to have held stable in Q3, since the slowdown in borrowed funds is estimated to have been offset by the unfavourable course of business income. The decline in financing costs is expected to have checked the interest burden on companies, although their bad debt ratios continued to increase, mainly in the construction and real estate services sectors.

As regards foreign trade, the as-yet incomplete information suggests that foreign demand once again cushioned the impact of the contraction in domestic spending on economic activity in Q3, as has been the case since early 2008. Net external demand is estimated to have made a very high positive contribution of 2.7 pp, but one lower than that in Q2. The rate of decline of both goods and services exports and imports from the rest of the world eased, in a less unfavourable international setting whose reflection was the resumption of positive growth rates in some of our main trading partners.

It is in fact the contraction in domestic demand that lies at the root of the deep cut in 2009 in the trade deficit, which has narrowed by 52% in the first eight months of the year, compared with the same period in 2008. The same factor also explains the reduction in the current account deficit which, on balance of payments figures, fell by 48% to July. This augurs a further reduction in the nation's net borrowing in Q3, after this variable had stood in the previous quarter at 7% of GDP in cumulated four-quarter terms, almost 3 pp below the level a year earlier. Nonetheless, this correction in the external imbalance is based above all on the fall in imports, whereby in order for this trajectory to firm, it is necessary to strengthen the export base and promote the competitiveness of Spanish companies.

On the supply side, the rate of decline of the gross value added of the main productive branches was also lower than in Q2, a trend that is in any event more visible in terms of the quarter-on-quarter profile. Particular mention should be made of the less unfavourable trajectory of activity in the construction sector, the result of the rise in civil engineering works due to the notable volume of projects linked to the State Local Investment Fund being rolled out. Conversely, residential building is expected to have declined at a similar rate to that of the previous quarter, in a setting in which, in addition to the worsening demand outlook and the increase in financial pressure facing the sector, the volume of finished houses remains high as does overcapacity.

The slowdown in the rate of decline of gross value added was accompanied by a lesser fall-off in employment which, on the estimates made, might be expected to have fallen by 7% year-on-year (compared with a year-on-year rate of -7.1% in the three previous months). As in the preceding quarters, job destruction was more pronounced in market activities, for which a year-on-year decline in employment of over 9% is estimated. Job destruction – as in previous quarters – affected temporary contracts most especially, whereby the ratio of temporary to permanent employees stood in Q3 at 25.9%. The lesser pace of job destruction was concentrated in construction, for the above-mentioned reasons; and yet, there are estimated to have been no improvements in manufacturing industry or in market services, even though the pace of job destruction in these branches has been comparatively lower during the current cyclical phase. Productivity continued to grow sharply, in line with the previous quarter.

Labour costs eased to some extent, though possibly insufficiently so judging by the extreme weakness of the labour market and price developments. Collective bargaining agreements recorded to September included an increase in wage rates of 2.7%, almost 1 pp down on 2008, although this was mainly due to the absence of any impact from the wage indexation clauses this year, the outcome of the behaviour of prices. Nonetheless, information from other labour statistics and developments in compensation per employee in the first half of the year show higher rates of increase in labour costs, at close to 4%. While this rate might be reflecting in part the effects induced by job destruction in low-wage activities, it should be considered as very high given the situation of the economy and, most particularly, the labour market. The increase in compensation per employee in the market economy in Q3 is estimated to stand at a level similar to that of previous quarters, which would entail a significant rise in labour costs in real terms. In any event, the increase in productivity is providing for a significant containment of unit labour costs, which are posting increases far lower than those in the euro area in recent quarters.

Inflation responded forcefully to the weakness of demand. Consumer prices, the year-on-year rate of change in which reached a low of -1.4% in July, continued to post negative rates in August and September (-1% in this latter month). Much of this was due to the strong decline in energy product prices, compared with the high levels they had reached a year earlier. But it also reflects the sharp correction in core inflation, which ended the quarter with year-on-year growth of only 0.1%. Of particular note was the fall in non-energy industrial products, amplified by the reduction in car prices, and the abrupt slowdown in services prices. The latter had traditionally been relatively insensitive to the cyclical situation, but on this occasion their year-on-year rate of change was trimmed by almost 2 pp in one year, to 1.8% in September. Prices continued to trend more moderately in Spain than in the euro area, meaning that the price differential in Q3, measured by the HICP, remained negative at -0.7 pp. It would be highly desirable to maintain the current pattern marked by the absence of inflationary pressures and to harness this to entrench a comparative advantage on which to base the recovery. To do this it would be necessary to address the pertinent reforms in the market for goods and services that would help maintain the pattern of moderation in price formation once expenditure were to pick up.

The strong adjustment in activity is likewise manifest in public finances, which continued to worsen in Q3, driven additionally by the impact on tax takings of the expansionary measures adopted and by the decline in extraordinary revenue. The State Budget for 2010, recently approved by the Council of Ministers, evidences this deterioration in the projected deficit for 2009, which stands at 9.5% of GDP, while it plans to place it at 8.1% in 2010. The public debt ratio is expected to rise to 62.5% of GDP in 2009. The planned reduction of the deficit, in a less adverse cyclical environment than that in 2009, would stem mainly from the projected increase in revenue arising from the reversal of the temporary effects of some of the expansionary measures taken in recent years, and also from the increases planned for personal income tax, VAT and tax on saving, as well – albeit to a lesser extent – as from specific public spending adjustments. The State Budget for 2010 confirms the commitment to budgetary stability, in line with Community agreements. But it is not free from risks. Strict budgetary compliance will therefore require rigorous monitoring and control of the deviations in revenue and expenditure that might arise, and the contribution of the regional and local governments in reducing the deficit.

2 The external environment of the euro area

The pointers indicating growing stabilisation before the summer were followed, in 2009 Q3, by widespread signs of a pick-up in activity, led by the Asian emerging economies. At the same time, financial markets continued to move towards a certain degree of normalisation, characterised by investors' growing appetite for risk, an easing of financial conditions and growing activity in certain market segments, such as private fixed income. However, the recovery is expected to be a gradual and delicate process: on the one hand, because output gains are being driven, in the short term, by restructuring of inventories, which is a temporary factor; and on the other, because economic and financial activity is still highly dependent on the support measures introduced in most countries. Economic recovery is also conditioned by the processes of financial adjustment still under way in the developed economies, and, in particular, by the deleveraging of households and firms, the necessary restructuring of their wealth and the difficult credit climate, in a setting in which certain financing market segments, such as securitisation, have still to recover.

Thanks to the pick-up in parts of the financial markets, the big US financial institutions – with notable exceptions – reported better-than-expected results in Q3, meaning that many of them have been able to reduce the public stake in their shareholdings. Moreover, in the United States and in certain other countries, the first steps have been taken to reduce recourse to some of the financial system support measures, such as guarantees, financing and liquidity lines. Nevertheless, the situation is still far from normal.

Price indicators on most financial markets proved favourable in the quarter. Interbank and credit market spreads continued to narrow, and stock markets climbed considerably, returning to the levels seen before the collapse of Lehman Brothers in September 2008. Despite the increase in public debt issues and the growing appetite for risk, long-term interest rates declined significantly, against a backdrop of strong demand stemming from the bond purchase programmes launched by some central banks and uncertainty regarding the strength of the economic recovery. On the foreign exchange markets, the dollar, the renminbi – which remains pegged to the dollar – and sterling depreciated against virtually all currencies. The emerging markets also performed very well, in some segments even better than the developed economies. Lastly, on the commodities markets, the price of oil remained within the range set following the price rises seen in Q2, as did prices of the main industrial metals and food prices, while the price of gold rose sharply in dollar terms, but not in other currencies such as the euro or the yen.

In the United States, the final GDP estimate for 2009 Q2 showed a contraction of 0.2% in quarterly terms (-0.7% annualised), a considerable improvement on the Q1 figure (-1.7%). The higher-frequency indicators for Q3 continued to give mixed signals. Activity indicators showed positive growth: PMIs pointed to expansion in activity, and industrial production rose in September for the third consecutive month, while installed capacity utilisation returned to the level seen in March. On the demand side, consumer confidence continued to improve in the quarter, returning to January 2008 levels, and spending indicators also progressed well, albeit on the back of public schemes to encourage consumption. Housing market indicators continued to reflect the signs of growing stability noted in Q2, and there was a halt in the fall in house prices. However, the rate of job destruction remained high (although down on Q1), taking the unemployment rate from 7.2% at end-2008 to 9.8% in August. Turning to prices, the overall index fell by 1.3% year-on-year in September, while the core inflation rate rose slightly, to 1.5%.

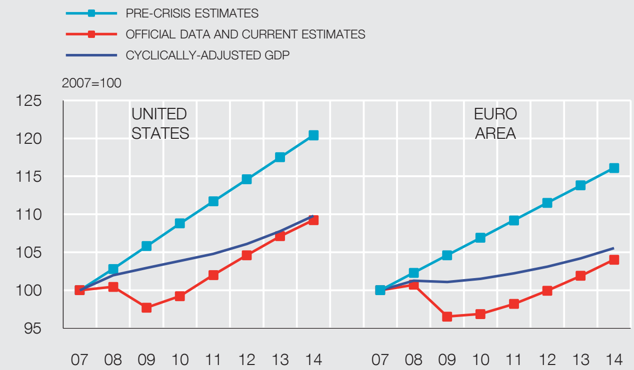
Although the decline in activity as a result of the economic crisis seems to have bottomed out, and, in recent months, growth forecasts in most economies have been revised upwards, the global economy is experiencing the deepest and most widespread recession since the Second World War.

It will be some time before it will be possible to calculate the cost of the crisis in terms of output losses. However, a simple approximation of the expected impact of the crisis may be made by comparing the medium-term GDP forecasts available before the onset of the financial turmoil with the latest forecasts, considering the economic activity data for 2008. Specifically, this exercise compares the forecasts contained in the IMF's *World Economic Outlook* as at April 2007 and September 2009. Insofar as is possible, the path of cyclically-adjusted GDP should also be considered. Given the severity of the recession, this variable permits a better assessment of the impact of the crisis on growth in the medium term, and may be interpreted, with certain reservations, as an approximation of the future growth potential forecast. Box 2 presents a more detailed analysis of the possible impact of the crisis on potential euro area GDP.

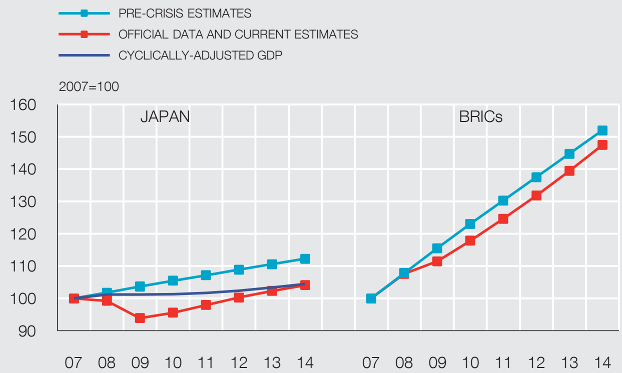
Panels 1A and 1B depict GDP in the period 2007-2014, for a selected group of countries, taking the first year as the base year (2007=100). In the case of the current forecasts, a distinction is drawn between GDP and cyclically-adjusted GDP, subtracting from the former the output gaps forecast by the IMF. This is not possible for the emerging economies, as there are no data on output gaps. The accompanying table records some of the key results of the comparative exercise for the main advanced economies.

As the panels show, the recession has given rise to very substantial output gaps in all countries. The widest gaps, recorded in most cases in 2009, range between 3 pp of GDP in the euro area and 7 pp in Japan. However, the crisis has also had a considerable impact on growth forecasts for cyclically-adjusted GDP, as shown by the decline in the slope of the attendant line in the panels. In most cases, the line depicting cyclically-adjusted GDP flattens out post-crisis, signalling potential growth rates close to zero due to the recession-induced lower stock of capital and lower employment. As the projection period progresses, the output gaps become narrower and, as employment and investment recover, cyclically-adjusted growth

1A GDP FORECAST BEFORE AND AFTER THE CRISIS



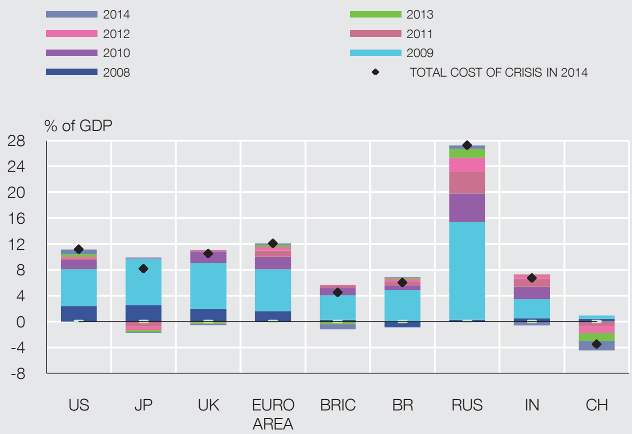
1B GDP FORECAST BEFORE AND AFTER THE CRISIS



1 RESULTS OF THE EXERCISE FOR THE ADVANCED ECONOMIES

	Maximum output gap (a)	Δ Cyclically-adjusted GDP. 2005-2007 average	Δ Cyclically-adjusted GDP. 2014	Total cumulative cost of crisis. 2007-2014 (% of GDP) (b)
United States	-4.5	2.4	2.0	11.2
Japan	-7.0	1.7	1.2	8.2
United Kingdom	-4.9	2.4	1.8	10.5
Euro area	-3.1	2.5	2.1	12.1

2 COST OF THE CRISIS IN TERMS OF ACTIVITY (2007-2014). TOTAL AND ANNUAL CONTRIBUTIONS



SOURCES: IMF (WEO April 2007, Art. IV Staff Reports 2007, and WEO October 2009) and Banco de España.

a. As a percentage of cyclically-adjusted GDP.
b. Difference between the 2014 GDP forecast before and after the crisis, vis-à-vis 2007 GDP.

begins to rebound. Panels 1A and 1B show that, towards the end of the projection period, the output gaps disappear in all countries, save in the euro area. However, in the advanced economies, growth rates do not return to their pre-crisis levels, not even when the cyclical factors cease to be significant. As the table shows, growth in 2014 is some 0.5 pp lower than the average growth of the three years previous to the crisis: the United Kingdom posts the largest downward revision, from 2.4% to 1.8%, while the United States and the euro area are both down 0.4 pp, from 2.4% to 2% and from 2.5% to 2.1%, respectively. Although there are no cyclically-adjusted GDP data for the emerging economies, the parallel performance of the pre-crisis and post-crisis estimates as from 2010-2011 suggests that the expected decrease in growth in the medium term will be insignificant.

The cost of the crisis in terms of activity in the projection period (2008-2014) is reflected by the difference between the 2014 GDP levels expected before the crisis and those expected on current forecasts. Panel 2 presents a comparison of the total cost for different countries, expressed as a percentage of 2007 GDP, indicating each year's contribution to the cumulative cost. Negative contributions mean that the current growth forecast is higher than the pre-crisis forecast. As to be expected, given the size of the output gaps and the lower forecast growth potential, the bulk of the costs arises in 2009.

According to this approximation, the cost of the crisis amounts to some 10% of GDP in the advanced economies. For the United States, the estimated cost represents more than 11 pp of GDP, compared with 12.1% for the euro area, 10.5% for the United Kingdom and 8.2% for Japan. The cost for the emerging economies is considerably lower (4% for the BRIC group of countries as a whole), but highly disparate: for Russia the cost amounts to more than 25% of GDP, while for China it is negative, as the current forecasts are better than those existing before summer 2007.

The results of this comparative exercise show that the crisis is expected to entail a high cost in terms of activity; this cost will be considerably higher in the advanced economies than in the emerging ones (4%), with just a few exceptions. Moreover, in the advanced economies, the sharp drop in growth at the end of the projection period, in comparison with the pre-crisis forecast, has implications for the longer term, as it suggests a permanent, or at least highly persistent, decrease in their growth potential.

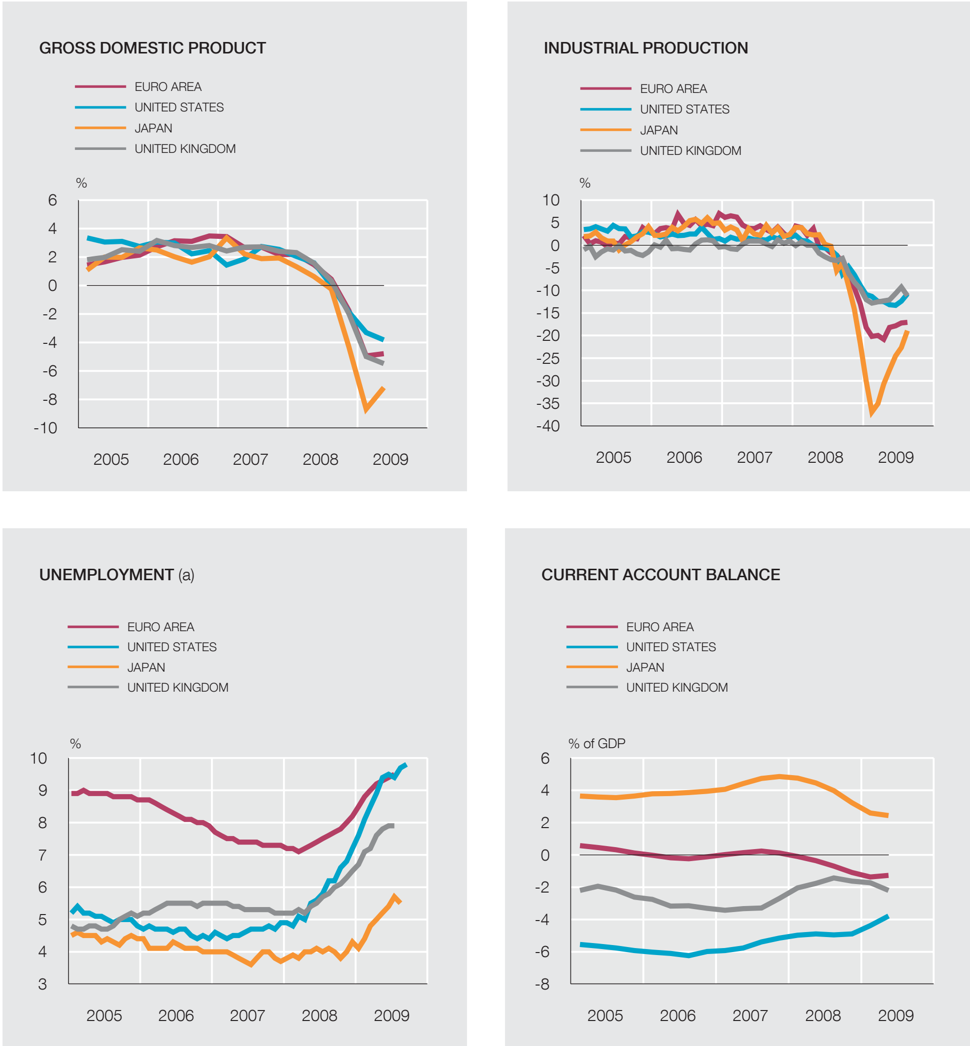
In this setting, at its September meeting, the Federal Reserve held the target federal funds rate unchanged in a range of 0% to 0.25%. Most of the support measures continue in place, but some liquidity lines and guarantees introduced post-crisis have been allowed to lapse, having been used only marginally as the financial climate has improved. Lastly, the figures for the close of fiscal year 2009 show a deficit of $1.4 trillion (10% of GDP), somewhat below the CBO's forecast in August ($1.6 trillion), and net public debt of $6.7 trillion (47.2% of GDP).

In Japan, the revised GDP figure for Q2 reflected a positive quarterly rate of growth of 0.6% (-7.2% year-on-year), in comparison with the decline of 3.3% in Q1. In Q3, the economy continued to show signs of improvement in activity, but some imbalance remained between the strength of external demand and the weakness of domestic demand. All exports-related indicators continued to climb, but private investment and consumer-related indicators have still not consolidated. Industrial production rose in August, for the fifth consecutive month, while, in September, the manufacturing PMI remained above the level associated with expansion. Despite the signs of improvement in household consumption, linked to tax relief, in August retail sales continued to shrink in comparison with a year earlier. The labour market improved in August and the unemployment rate dropped to 5.5%. As regards prices, the rate of decline of the CPI intensified in August, to -2.4% year-on-year. Against this backdrop, the Bank of Japan made no change to its official interest rate or to its asset purchase programme (although there were signs of a gradual future exit), expressing caution in its forecasts.

In the United Kingdom, GDP for Q2 contracted by 0.6% in quarterly terms (-5.5% year-on-year). The preliminary estimate for Q3 points to a decline of 0.4% in quarter-on-quarter terms (-5.2% year-on-year), even though the latest supply and demand indicators (industrial production, PMI and retail sales) showed signs of recovery. Conversely, the weakness in the labour

MAIN MACROECONOMIC INDICATORS
Year-on-year rates of change

CHART 5



SOURCES: Banco de España, national statistics and Eurostat.

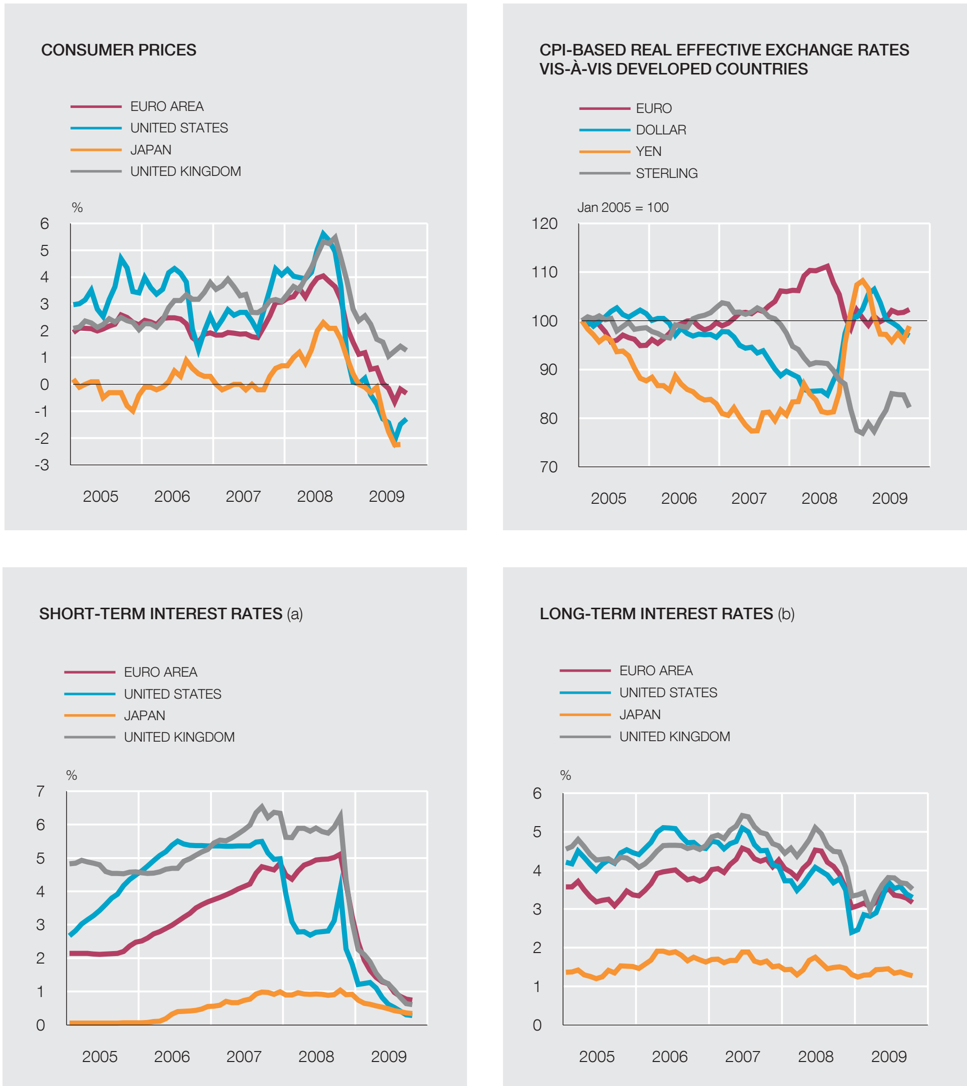
a. Percentage of labour force.

market persisted and, despite the lower level of deterioration in July, the unemployment rate remained at 7.9%. In addition, bank lending remained sluggish, particularly for SMEs and households, although there was a rebound in housing loans, reflecting, in part, the growing stability of the real estate market. The rate of inflation fell by 0.5 pp in September, to 1.1%, below the 2% target. The Bank of England kept its official interest rate unchanged and, in August, extended its asset purchase facility to £175 billion.

In the new EU Member States not belonging to the euro area, the year-on-year decline in GDP intensified across the board in 2009 Q2 (-4.6%, against -3.7% in Q1), save in Poland where the rate of growth of GDP rose from 0.8% to 1.1% year-on-year. The widespread negative performance was essentially due to the deep adjustment in domestic demand, although exports also fell considerably. However, imports fell much more sharply, so that net external demand made a positive contribution to GDP growth and, moreover, current account deficits narrowed considerably (in fact some countries even recorded a surplus in the first half of the year). The severe deterioration of economic activity is driving up budget deficits, which are expected to exceed 3% of GDP in all the new EU Member States in 2009, with the exception

PRICES, REAL EXCHANGE RATE AND INTEREST RATES

CHART 6



SOURCE: Banco de España.

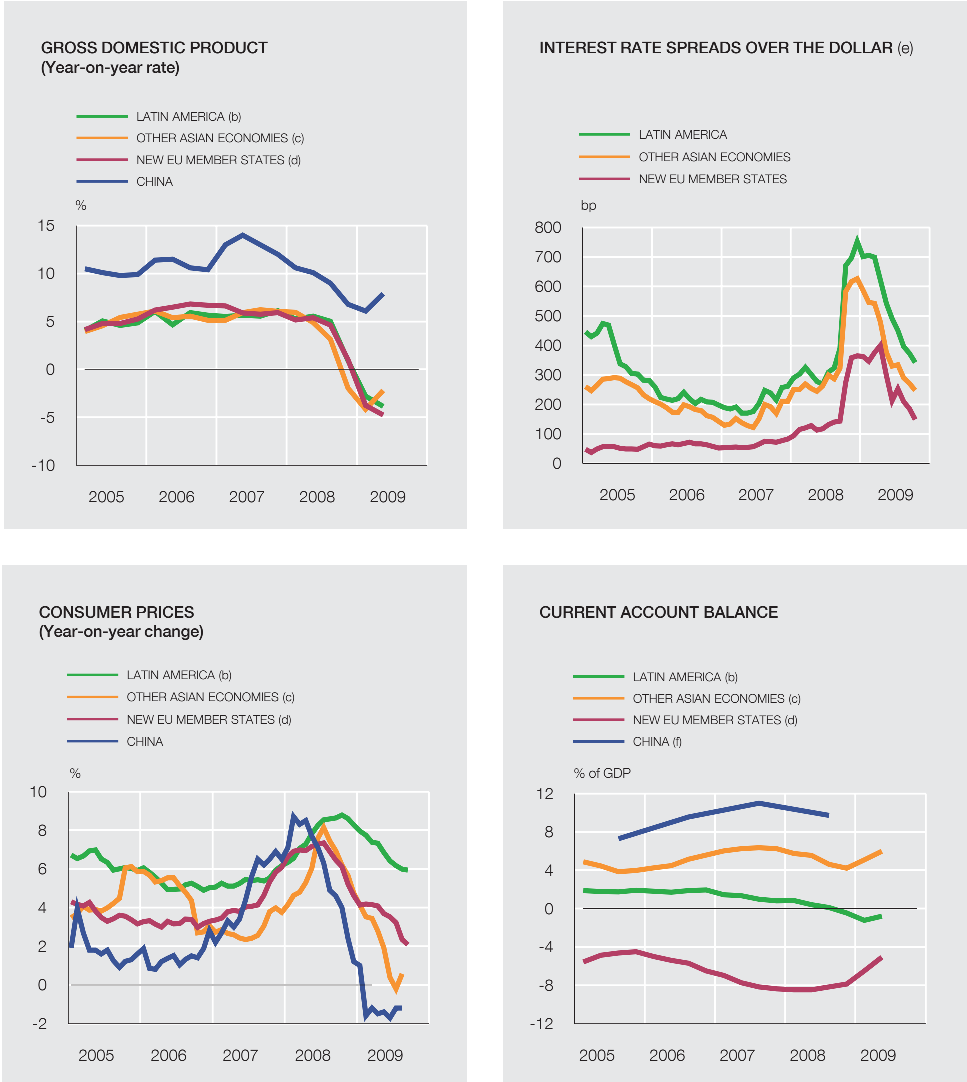
a. Three-month interbank market interest rates.
b. Ten-year government debt yields.

of Bulgaria. The higher-frequency indicators for Q3 point to some improvement, with a somewhat less pronounced fall in industrial production, retail sales and trade flows. Throughout Q3, the aggregate inflation rate continued to head slowly downwards (3.1% year-on-year in September), leading to further official interest rate cuts in Romania and Hungary.

In China, GDP accelerated to a year-on-year rate of 8.9% in Q3, 1 pp more than in Q2, essentially due to the impulse provided by economic policy. The supply-side indicators showed industrial production accelerating gradually, while business confidence continued in clearly expansionary territory. The domestic demand indicators (investment in fixed assets and retail sales) also developed favourably, while the trade surplus remained at moderate levels, although with a recovery in real imports. In turn, the strong build-up in international reserves may suggest continued short-term capital inflows. By the end of Q3, year-on-year inflation was in less negative territory (CPI: -0.8%; producer prices: -7%), due to lower base effects, against the backdrop of a sharp rebound in credit and in the money supply, leading to measures announced to contain credit growth. In the rest of Asia, GDP grew at a rate of 2% year-on-year in Q2, underlining the fact that the region is ahead in the economic cycle. Many countries of

EMERGING ECONOMIES:
MAIN MACROECONOMIC INDICATORS (a)

CHART 7



SOURCES: National statistics and JP Morgan.

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

the region saw an improvement in economic activity in Q3, reflected in higher industrial production and exports. In turn, the decline in prices tended to stabilise, and the monetary policy stance was unchanged, with scarcely any moves in official interest rates.

In Latin America, activity recovered in 2009 Q2, with GDP growing by 0.5% in quarterly terms (-3.9% year-on-year), after falling by 2.3% in Q1. This was due to the good performance of Brazil (whose GDP rose by 1.9%, on the back of higher exports), Colombia and Argentina. By contrast, Mexico's GDP fell by 1.1% in quarterly terms (-10.3% year-on-year). The slump in imports, largely due to lower private consumption, together with the price rises in certain commodities, led to an improvement in trade balances. The Q3 indicators appear to point to a slight recovery, even in the countries worst hit by the crisis, such as Mexico. The rate of inflation continued to decline, to 5.9% year-on-year in September, its lowest level since November 2007, as food and energy prices and, to a lesser extent, administered prices, all fell. Only Argentina and Venezuela saw a sharp rise in inflation. In this setting, the region's central banks made further official interest rate cuts in Q3, ranging from total cuts of 775 bp in Chile to 375 bp in Mexico. Fiscal indicators deteriorated severely throughout the region, especially in Mexico, which in Q2 posted the worst deficit in annualised terms since 1990.

The expectations of a certain degree of economic recovery in the euro area consolidated as Q3 progressed. The conjunctural indicators available show that, after five quarters of negative growth, GDP growth rates could have turned positive again, driven by the improvement in international trade and by the demand stimulus and financial system support measures that have helped stabilise the markets. In this setting, in their latest forecasts, international organisations and private institutions have raised their economic growth estimates for the euro area for 2009 and 2010, although they continue to think that the foreseeable recovery will be very gradual, with obstacles along the way. The labour market, which has proved quite resilient to date in the euro area as a whole, the notable deterioration of public finances and the deleveraging in the banking sector, which has been badly hit by the financial crisis and the economic downturn, are all fragile elements whose performance over the coming months will have to be carefully monitored. In addition, any disorderly exchange rate moves could lead to a curb on growth in world trade and in euro area exports.

The rate of inflation continued to be highly influenced by the price of oil, remaining negative throughout Q3, with year-on-year growth of –0.3% in September. However, as the base effects associated with past rises in commodities prices become exhausted in coming months, inflation rates will foreseeably turn moderately positive again towards the end of the year. Into the medium term, the high level of slack in productive capacity makes it very unlikely that inflationary pressure will emerge over the relevant horizon for monetary policy. Against this backdrop, the ECB's Governing Council held official interest rates unchanged at 1%, indicating that medium and long-term inflation expectations remain anchored at levels consistent with the monetary policy target.

Most European countries continued to implement the temporary fiscal measures that, with the backing of the European Economic Recovery Plan, have helped offset contractionary pressure. But it is precisely now, when the results of these measures start to emerge and the key conjunctural indicators start to show that the crisis is abating, that solutions should be sought for the difficult balance between allowing economic recovery to continue while, at the same time, appropriately signalling the commitment to budgetary stability in the medium term. Thus, while the short-term priorities, as recently endorsed at the G20 in Pittsburgh, remain centred on re-establishing the correct functioning of the financial markets and maintaining aggregate demand stimulus policies to support the signs of economic recovery, it is also important to identify the correct time for withdrawal of the extraordinary fiscal measures and to outline efficient exit strategies that will not undermine the goals achieved but will set the foundations for firm and credible budgetary consolidation in the medium term.

The present situation should also act as a catalyst for structural reforms in key areas, such as labour and product markets, and the banking sector, which is in need of restructuring and consolidation. These structural reforms would boost growth potential, countering the possible negative impact of the financial crisis (see Box 2), they would provide the necessary flexibility for optimum advantage to be taken of the benefits of the recovery when it comes, and they would increase economies' resilience to any obstacles that may arise along the road to recovery.

3.1 Economic developments

The National Accounts data for 2009 Q2 confirmed the lower level of contraction in activity in the euro area. Thus, after the quarter-on-quarter drop of 2.5% in Q1, activity fell back by

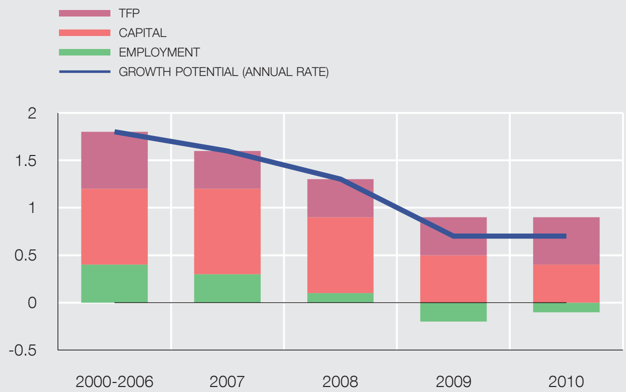
Estimating the impact that the crisis may have on growth potential is a complex task, so the results should be treated with great caution. First, due to the inherent difficulty in measuring the potential or trend output of an economy. In the literature there are various generally-accepted procedures (statistical filters, production functions, structural VAR models, etc.) that may give different quantitative results, especially at times of severe crisis, such as that experienced in recent months, which entail a structural break in relationships between the different variables and in the data series used.

The effects of financial crises on growth potential feed through various channels, affecting both the stock of physical and human capital and the efficiency with which these factors are employed, i.e. total factor productivity (TFP). Here it is essential to draw a distinction between temporary effects on output levels, temporary effects on GDP growth (which have a long-lasting adverse impact on an economy's potential GDP), and other much more persistent effects that may result in permanently lower trend growth rates than before the crisis (which have a more adverse impact on GDP levels).

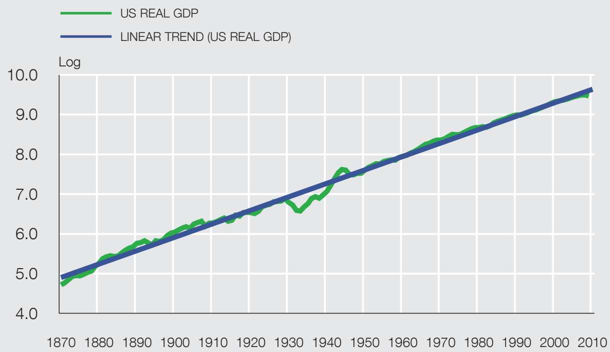
In the short and medium term, financial crises signify a dramatic reduction in an economy's productive capacity, owing to their effect on physical and human capital. Higher financing costs and tighter credit standards cut back investment considerably, while corporate bankruptcies signify accelerated depreciation of installed productive capacity. Moreover, lower activity levels may lead to higher structural unemployment in economies with less flexibility for reallocation of resources. The impact on TFP is ambiguous, as it leads to lower innovation (which is highly pro-cyclical), but it also drives out companies that, in principle, are less productive and belong to sectors that are oversized. To illustrate these effects, Panel 1 depicts the results published by the European Commission, which estimates that the crisis could more than halve growth potential in the euro area in 2008-2010, compared with the rates close to 2% recorded in 2000-2006, primarily as a result of the lower contribution of capital and of the labour factor.

The question that poses the most uncertainty, however, is whether the economy will recover its past trend growth rates, once the crisis and the necessary adjustment process are over. The clearest example in this respect is the United States, which throughout its history has recorded a quite stable trend growth rate, to which it has returned after crisis episodes. In fact, as Panel 2 shows, an estimated (log-linear) trend for the entire sample period (1870-2008) tracks the growth path of the US economy quite closely. Some of the small European economies, such as Finland and Sweden, record a similar

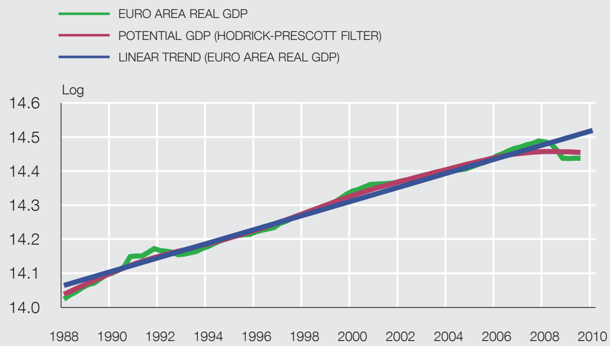
1 CONTRIBUTION IN PERCENTAGE POINTS TO GROWTH POTENTIAL IN THE EURO AREA



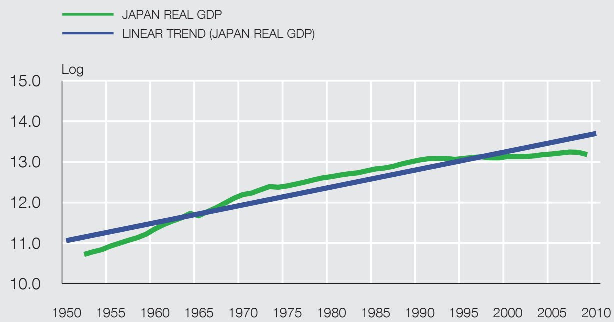
2 GDP GROWTH IN THE UNITED STATES VIS-À-VIS TREND GROWTH (1870-2009)



3 GDP GROWTH IN THE EURO AREA VIS-À-VIS TREND GROWTH (1988-2009)



4 GDP GROWTH IN JAPAN VIS-À-VIS TREND GROWTH (1952-2009)



SOURCES: European Commission and Johnston & Williamson (2008).

experience, having made notable efforts in innovation and introduced radical changes in their productive models post-crisis.

However, extrapolating these experiences to the present situation may entail risks. A crisis as severe as that seen in recent months may have long-lasting implications for agents' attitudes to risk, which would delay restructuring of the productive process, limiting capital inflows into new activities and firms, and would prompt a sharper fall in innovation, with long-term effects on total factor productivity. Furthermore, long-term unemployment leads to permanent destruction of human capital and may have a negative impact on labour market participation rates, disrupting incentives for job-seekers and migrant workers. Economic policy may also affect long-term growth if protectionist measures are raised, or fiscal measures are introduced that sow doubts as to the sustainability of public finances in the long term. Japan, where it is estimated that growth potential decreased significantly after the financial crisis of the 1990s, is a case in point.

In its latest *World Economic Outlook*, the IMF analyses the experience of numerous economies that have undergone financial and/or banking crises in the past, presenting evidence to suggest that following a long period of adjustment, trend growth rates in most of the economies analysed return to close to their pre-crisis levels. However, even so, seven years on from the end of the crisis, potential or trend GDP is 10% lower than it would have been had there been no crisis (more than 20% lower in many economies in the case of the Great Depression). Hence the need for structural reform policies that will iron out rigidities, boost knowledge and innovation and facilitate the reallocation of resources to new sectors and business opportunities that emerge post-crisis.

0.2% in Q2 (see Table 1). This lower rate of decline was essentially due to a more moderate slowdown in gross fixed capital formation and in exports, consistent with the recovery in world trade, driven by the increased dynamism of the Asian economies (see Chart 8). In turn, private consumption rose slightly, after four quarters of negative growth, thanks to notable household spending on automobiles and rising consumer confidence, while government consumption grew at a similar rate to the previous quarter. Thus, the negative contribution to GDP made by domestic demand, excluding stocks, was lower in absolute terms than in the previous quarter, while the positive contribution of the net external balance rose to 0.5 pp, as imports contracted more sharply than exports. Lastly, the change in stocks detracted from GDP growth to the tune of 0.6 pp. Turning to the breakdown by branch of activity, value added declined in industry and in construction, while services grew in comparison with the previous quarter.

The lower level of contraction in activity was a common feature of most of the euro area economies, largely due to the progressive export recovery. Some countries, such as Germany, France, Greece and Portugal, recorded positive growth rates in quarter-on-quarter terms. Specifically, both Germany and France saw their GDP rise by 0.3%, driven also by the improvement in gross fixed capital formation, while Italy recorded negative growth of 0.5%, dragged down by the negative contribution of net external demand.

Employment again posted a negative rate of growth vis-à-vis the previous quarter (–0.5%), slightly higher than the Q1 figure. However, employment patterns in the euro area as a whole are the result of very different adjustments on the different labour markets, according to each country's sectoral make-up and productive structure and to the specific effects of the employment support measures introduced. In year-on-year terms, employment fell by 1.8%. There was a further steep decline, although less than in Q1, in apparent labour productivity, as GDP contracted more sharply than employment. The lower rate of deterioration of productivity, together with the more moderate rate of growth of compensation per employee, drove unit labour costs (ULCs) up by almost 5%, an increase which, although smaller than that seen in the previous quarter, was well above the increase in final prices, meaning that margins narrowed again (see Chart 8).

EURO AREA ECONOMIC INDICATORS (a)

TABLE 1

	2008				2009			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NATIONAL ACCOUNTS (q-o-q rates of change. unless otherwise indicated):								
GDP	0.8	-0.3	-0.4	-1.8	-2.5	-0.2		
Private consumption	0.2	-0.4	0.0	-0.5	-0.5	0.1		
Public consumption	0.5	0.8	0.5	0.6	0.6	0.7		
GFCF	0.7	-1.3	-1.5	-3.5	-5.4	-1.5		
Imports	1.8	-1.1	0.3	-4.6	-7.9	-2.9		
Exports	2.0	-0.5	-1.0	-7.0	-9.2	-1.5		
Contributions to quarter-on-quarter GDP growth (pp):								
Domestic demand (excl. stocks)	*0.4*	*-0.4*	*-0.2*	*-0.9*	*-1.3*	*-0.1*		
Change in stocks	*0.3*	*-0.2*	*0.4*	*0.2*	*-0.7*	*-0.6*		
Net external demand	*0.1*	*0.3*	*-0.5*	*-1.1*	*-0.6*	*0.5*		
GDP (year-on-year rate of change)	2.2	1.5	0.4	-1.8	-4.9	-4.8		
ACTIVITY INDICATORS (quarterly average):								
IPI seasonally and working-day adjusted	1.0	-1.1	-1.6	-8.0	-8.5	-1.2	*1.7*	
Economic sentiment	101.4	97.7	89.9	75.6	65.7	70.2	79.9	
Composite PMI	52.1	50.8	47.6	40.2	37.6	43.2	49.5	53.0
Employment	0.4	0.1	-0.3	-0.3	-0.7	-0.5		
Unemployment rate	7.2	7.4	7.6	8.0	8.8	9.3	*9.5*	
PRICE INDICATORS (y-o-y change in end-period data):								
HICP	3.6	4.0	3.6	1.6	0.6	-0.1	-0.3	
PPI	5.8	7.9	7.7	1.2	-3.2	-6.5	*-7.5*	
Oil price (USD value)	104.3	132.0	98.1	40.5	46.8	68.8	67.7	*72.3*
FINANCIAL INDICATORS (end-period data):								
Euro area 10-year bond yield	4.2	4.9	4.5	3.8	4.1	4.2	3.8	*3.9*
US-euro area 10-year bond spread	-0.69	-0.88	-0.88	-1.76	-1.31	-0.63	-0.47	*-0.45*
Dollar/euro exchange rate	1.581	1.576	1.430	1.392	1.331	1.413	1.464	*1.502*
Appreciation/depreciation of the NEER-22 (b)	3.7	3.5	-0.6	2.7	-0.7	-1.1	0.1	*1.9*
Dow Jones EURO STOXX 50 index (b)	-17.5	-23.8	-30.9	-44.3	-15.5	-2.0	17.2	*17.7*

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

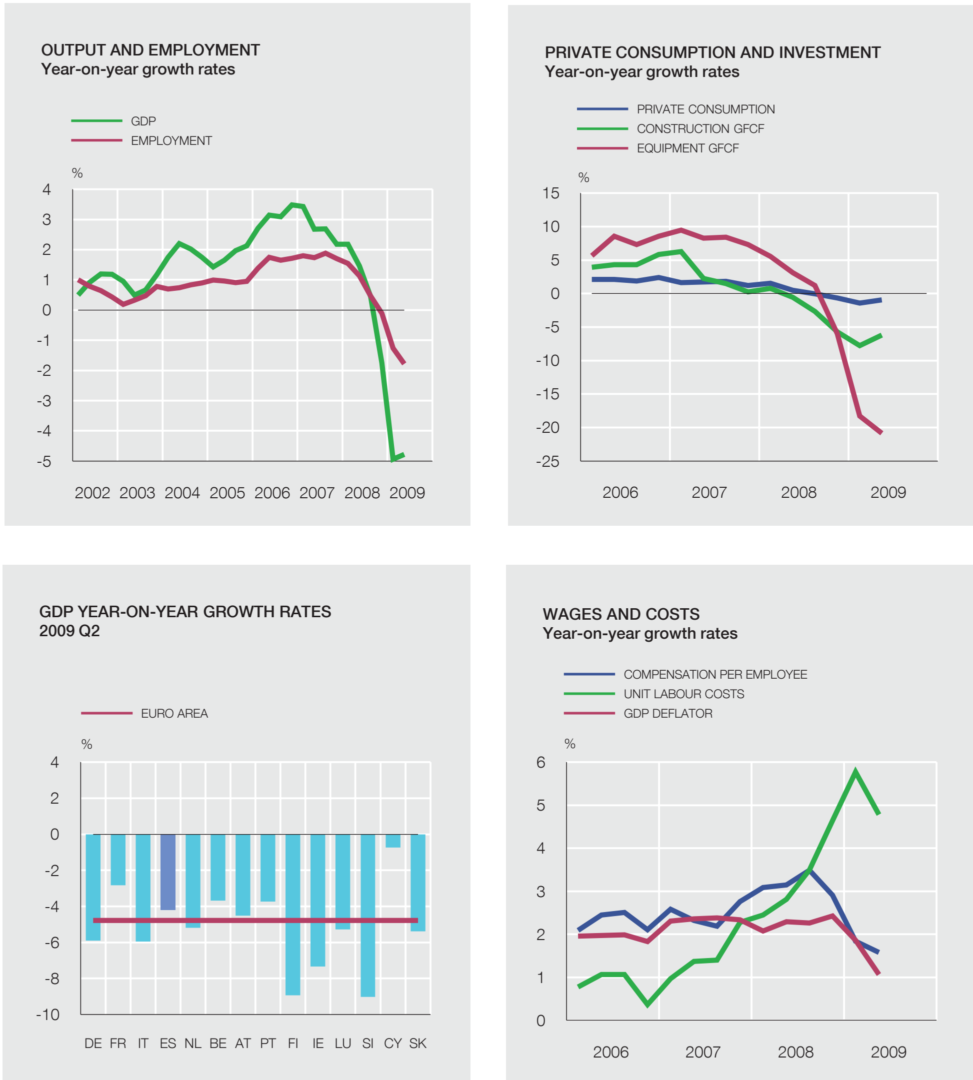
a. Information available to 23 October 2009. The information in italics does not cover the full quarter.
b. Percentage change over the year.

The latest conjunctural data suggest that the signs of stabilisation that emerged in previous months have consolidated and that the euro area economy is heading towards a certain degree of recovery, albeit possibly on a very gradual scale. Thus, on the supply side, industrial production posted positive rates of growth and new industrial orders rose significantly (see Chart 9). In turn, the European Commission's confidence indicators recorded further progress, as did industry and services PMIs, topping the 50 mark that generally indicates expansion. On the labour front, sentiment indicators improved, although they are still historically very low, and the unemployment rate rose to 9.6% of the labour force.

Demand indicators also improved, in general, throughout Q3, although somewhat less noticeably in the case of private consumption indicators. Specifically, retail sales declined in July and August, while new car registrations rose more moderately than in Q2, as the funds earmarked to stimulate demand in this sector petered out in some countries. Conversely, consumer and retail trade confidence indicators rose. As regards investment, the assessment of order books according to the European Commission's survey recovered slightly, after eight quarters of consecutive declines. Nevertheless, productive capacity utilisation remains at all-time lows. External demand figures improved considerably in Q3. Thus, the trade balance nominal data reflect higher exports, on average, while the Commission's quarterly industrial opinion survey points to strong growth in export expectations. In step with this widespread improvement in

EURO AREA NATIONAL ACCOUNTS

CHART 8



SOURCES: Eurostat and national statistics.

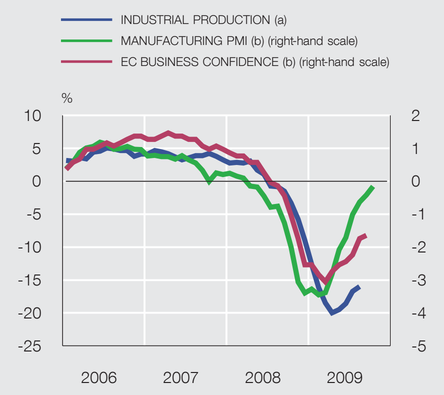
external sector data, the average assessment of order books also recorded a more moderate decline, and lastly, the Commission's stock valuation indicator suggests a slower pace of de-stocking in Q3.

In short, the latest available data point to moderate GDP growth in 2009 Q3, largely driven by external demand and by the substantial macroeconomic impulse provided by monetary and fiscal policy. Moreover, the considerable negative contribution made by the inventory cycle in the first half of the year should become positive in the second half. In this setting, most private analysts and international organisations have raised their economic growth forecasts for the euro area, which now point to a decline of some 4% in 2009 (see Table 2). In the more medium term, these same organisations picture a slow recovery scenario, as some of the factors that may drive GDP in the second half of 2009 are temporary ones. Furthermore, how and when the vulnerabilities present in the euro area economy are dealt with may determine the pace of recovery from the crisis. First, the relative resilience of the labour market and of employment, which has remained contained, backed by temporary measures designed to save jobs by cutting working hours, will be put to the test in coming months. Second, the appreciation of the

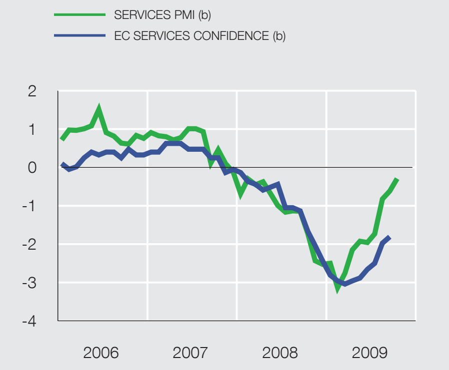
EURO AREA. ACTIVITY, DEMAND AND EMPLOYMENT INDICATORS

CHART 9

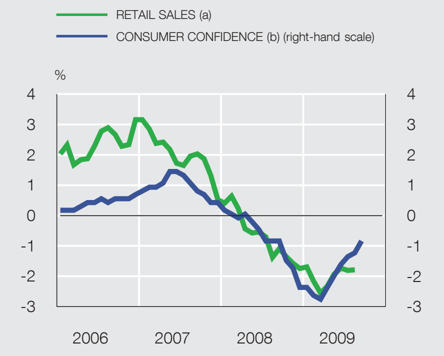
INDUSTRIAL ACTIVITY INDICATORS



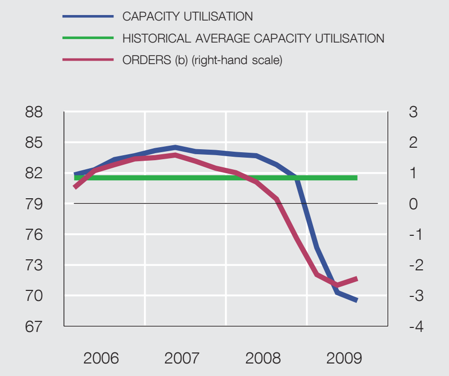
SERVICE SECTOR INDICATORS



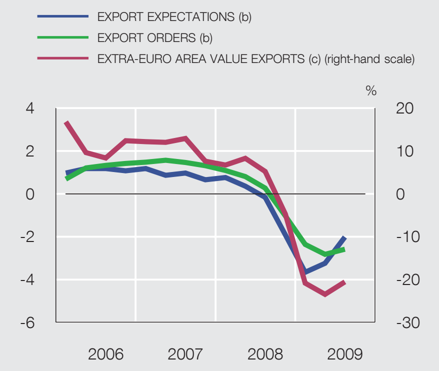
CONSUMPTION INDICATORS



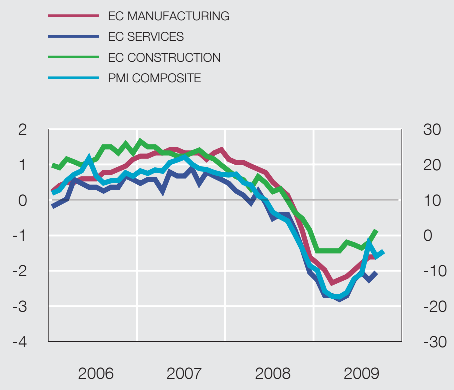
INVESTMENT INDICATORS



EXPORT INDICATORS



EMPLOYMENT EXPECTATION INDICATORS (b)



SOURCES: European Commission, Eurostat and Markit Economics.

a. Non-centred year-on-year rates, based on the quarterly moving average of the seasonally-adjusted series.
b. Normalised series.
c. Original series year-on-year rates. Quarterly average.

GDP AND HICP PROJECTIONS FOR THE EURO AREA (a)

TABLE 2

	2009		2010	
	GDP	HICP	GDP	HICP
ECB (September 2009)	-4.1	0.4	0.2	1.2
European Commission (September 2009)	-4.0	0.4		
IMF (September 2009)	-4.2	0.3	0.3	0.8
OECD (September 2009) (b)	-3.9	0.5		0.7
Consensus Forecast (October 2009)	-3.9	0.3	1.1	1.2
Eurobarometer (October 2009)	-3.9	0.3	1.2	1.1

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

a. Annual rates of change.
b. The inflation data relate to the June projection.

euro exchange rate could make it difficult for optimum advantage to be taken of the external sector momentum (see Box 3). Third, the considerable deterioration of public finances places their sustainability at risk, at least until such time as governments begin to draw up medium-term budgetary consolidation strategies that will not hamper the incipient recovery. And lastly, the international financial crisis and the economic downturn have had a major impact on the banking system, which continues to depend on public support measures and is still deleveraging, and this could limit credit supply growth.

As expected, inflation in the euro area as a whole was negative throughout Q3, as a result of the base effects stemming from last year's high commodities prices (see Chart 10). By component, the growth rate of processed food prices continued to head down, as did that of unprocessed food prices, which turned negative. By contrast, inflation in non-energy industrial goods was stable throughout the quarter. Thus, core inflation, as measured by the overall index that excludes unprocessed food and energy, was more subdued, falling by just 0.1 pp, to 1.1%, between July and September. Towards the end of the year, as the base effects gradually disappear, the rate of inflation will foreseeably return to positive values, but these will remain moderate for some time, in view of relative demand weakness and excess installed capacity. Producer prices continued to contract sharply, declining by 7.5% in August, despite showing signs of an incipient turnaround.

According to information published by the ECB, the euro area current account deficit totalled €54.1 billion (1% of GDP) in the period January-July 2009, slightly more than the €48.7 billion deficit (0.9% of GDP) recorded in the same period of 2008. This increase in the deficit was essentially due to the deterioration of the positive services balance, which was only partially offset by the improvement in the positive balance on trade in goods, while the income and transfers deficits remained unchanged. By contrast, in respect of the financial account, net capital outflows in the form of direct investment amounted to €42.1 billion in the period January-July (down on the €131 billion recorded in the same period a year earlier), while portfolio investment gave rise to net inflows totalling €250.4 billion, €100 billion more than a year earlier. Accordingly, the basic balance, which aggregates the current account balance and these two types of investment, was positive to the tune of €154.2 billion, in contrast to the deficit of €36 billion recorded in the period January-July 2008 (see Chart 11).

The available data on the budget outturn point to a marked deterioration of fiscal balances in 2009, in excess of that estimated by the European Commission in its spring forecasts. Thus, according to the latest figures reported by the different countries under the Excessive Deficit

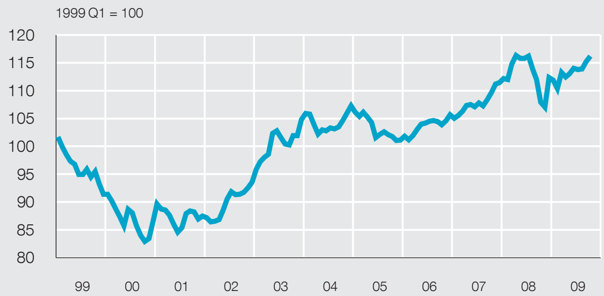
In October, the nominal effective exchange rate (NEER) of the euro returned to the all-time highs seen in mid-2008. As Panel 1 shows, since end-2008 the effective exchange rate has turned upwards again, in line with the path tracked since 2006 and that was interrupted in mid-2008, coinciding with the episode of severe instability on the global financial markets when some international investors came to view dollar-denominated government assets as safe-haven assets. Since bottoming most recently in November 2008, the NEER of the euro has appreciated by more than 8%, as extreme risk aversion has gradually diminished. The European currency has been generally strong vis-à-vis the currencies of the euro area's main trading partners since then, though most especially against the dollar, the renminbi and sterling (see Panel 2).

There is some empirical evidence to suggest that, at present levels, the NEER of the euro is above equilibrium, although there is much uncertainty regarding the extent of this possible overvaluation, so these calculations should be treated with great caution. Specifically, using three different approaches – macroeconomic balance, equilibrium real exchange rate and external sustainability – the International Monetary Fund[1] estimates that the euro exchange rate may have deviated from its estimated equilibrium level, on data to March 2009, by between 0% and 15%. Given the latest NEER moves, the present deviation would be greater.

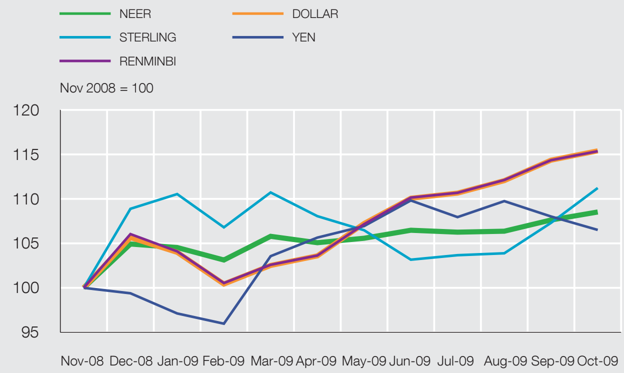
Various macroeconomic models may be used to assess the effects of fluctuations in the euro exchange rate on activity and prices in the euro area. In these models, the exchange rate transmission mechanism runs essentially via the repercussions on foreign trade. Euro exchange rate appreciation, for example, signifies lower extra-euro area import prices (measured in euro) and, therefore, a lower rate of

1. IMF, *Euro Area Policies: 2009 Article IV Consultation-Staff Report*, July 2009.

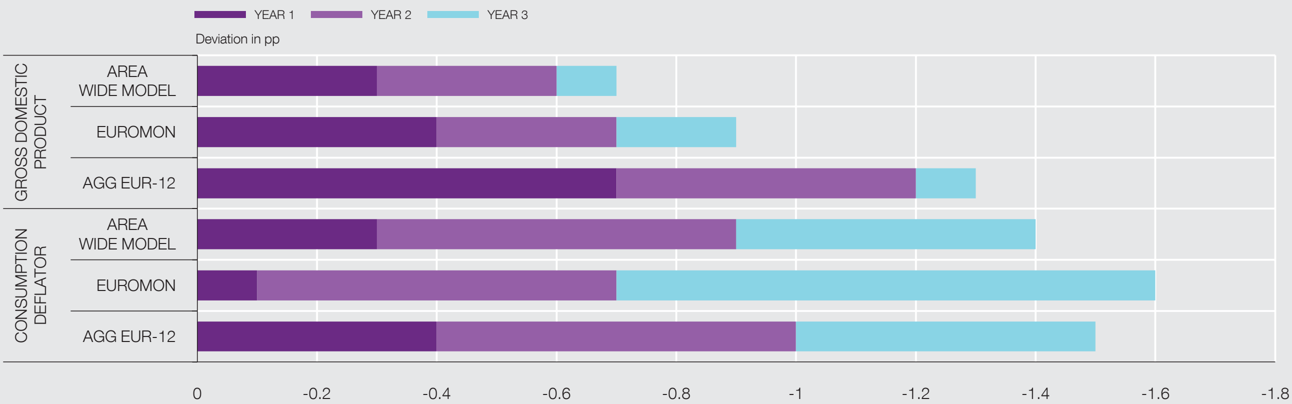
1 NOMINAL EFFECTIVE EXCHANGE RATE (NEER) OF THE EURO



2 NEER OF THE EURO AND BILATERAL EXCHANGE RATES



3 OUTCOME OF A 10% APPRECIATION OF THE NEER OF THE EURO (a)



SOURCES: ECB and G. Fagan & J. Morgan (2005), *Econometric Models of the Euro-area Central Banks.*

a. Estimates obtained using ECB and Eurosystem national central bank models: the Area Wide Model (AWM) is the ECB model that aims to proxy the behaviour of the euro area as a single economy; the EUROMON is a multi-country model of De Nederlandsche Bank (the central bank of the Netherlands); and AGG EUR-12 is the result of aggregation of the elasticities of the macroeconomic models of the national central banks of the euro area.

change of consumer prices and of the GDP deflator. Moreover, the loss of price-competitiveness stemming from NEER moves will prompt changes in net external demand, due to the impact on export and import volumes. Secondarily, lower momentum in final demand – linked to lower exports – gives rise to lower productive investment by firms and lower employment and, consequently, to lower disposable household income and expenditure. In turn, wage demands will react to changes in the economic situation, prompting a slowdown in production costs that will tend to offset the effects on activity, at least in part, and to strengthen the effects on prices.

Drawing on the results of these models, a permanent 10% increase in the NEER of the euro may signify a decline in the rate of growth of activity of 0.3 pp to 0.7 pp of GDP after one year, along with a drop in inflation, in terms of the consumption deflator, of 0.1 pp to 0.4 pp (see Panel 3). Moreover, it is estimated that the total pass-through to the euro area economy would be completed approximately by the third year, giving rise, vis-à-vis the central scenario, to a cumulative decline of 0.7 pp to 1.3 pp in terms of GDP and of 1.3 pp to 1.6 pp in terms of the consumption deflator.

Procedure (EDP), the general government budget deficit of the euro area is expected to amount to 6.1% of GDP in 2009, compared with 1.9% in 2008 (see Table 3), and to 6.6% of GDP in 2010. This worsening is due to temporary factors connected with the impact the economic cycle is having on public finances and the gradual implementation of discretionary fiscal stimulus measures (estimated as verging on 1.1% in 2009 as a whole and on 0.8% in 2010), and to more permanent factors, mainly connected with the disappearance of the extraordinary revenue recorded in the economic boom years, and especially the revenue linked to real estate and financial expansion.

At a disaggregated level, in 2009 the budget deficits of most euro area countries will exceed the reference value of 3% of GDP set in the Stability and Growth Pact. Thus, on 7 October, the European Commission resolved to launch the excessive deficit procedure for Austria, Belgium, Germany, Italy, the Netherlands, Portugal, Slovenia and Slovakia (and for the Czech Republic), so that, at present, Cyprus, Luxembourg and Finland are the only euro area countries not subject to this procedure.

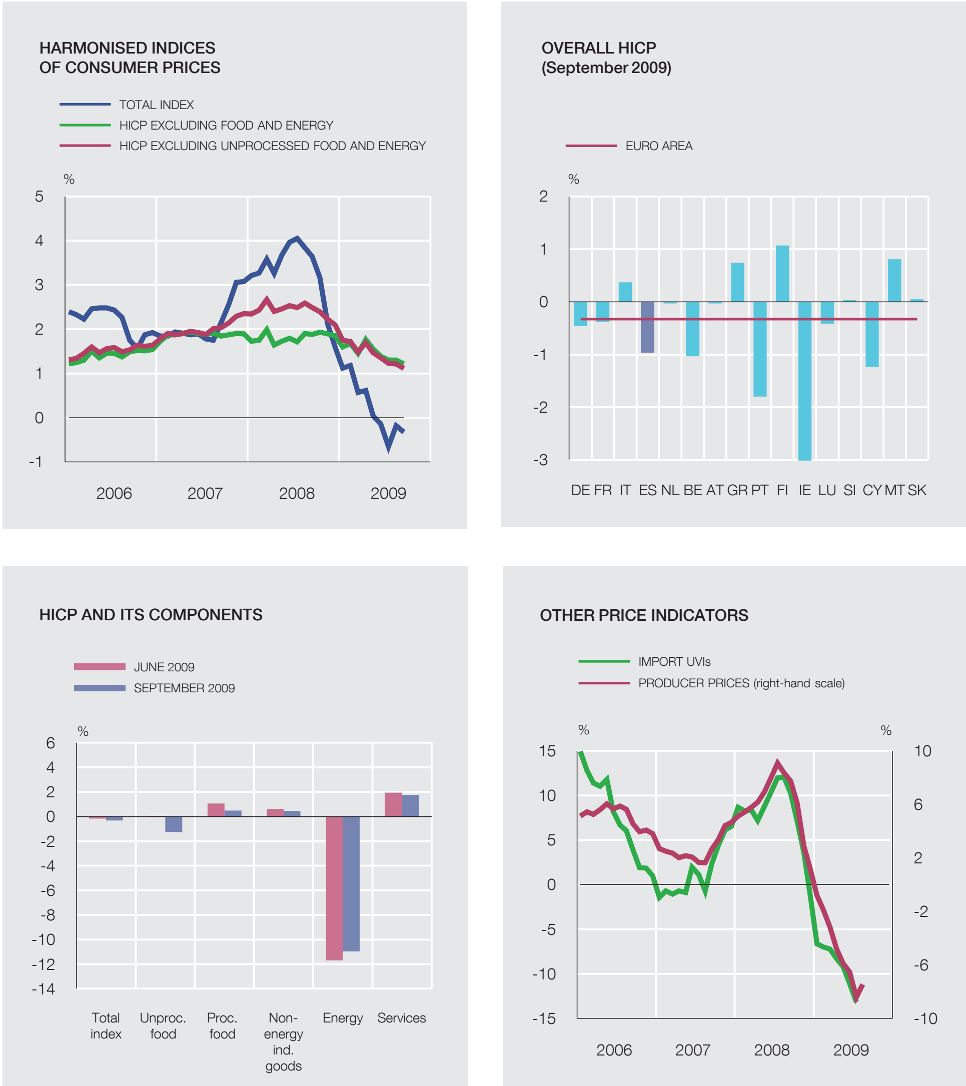
In this setting, public debt is rising substantially and is expected to reach 84% of GDP in 2010, against 69.4% in 2008. The marked deterioration of public finances, along with the risks connected with the contingent liabilities acquired by general government under the banking sector bail-outs and ageing-related costs, reflect the difficult balance required of fiscal policy, which must continue to contribute to the growing stabilisation of activity in the short term, and at the same time prepare a medium-term structural consolidation strategy that will rule out any doubts regarding the future sustainability of the debt position. In this respect, at the ECOFIN meeting of 1-2 October, governments agreed that the stability programmes to be presented in early 2010 would include exit strategies envisaging withdrawal of the demand stimulus measures when economic recovery becomes consolidated. In light of the marked decline in budget balances, it was also agreed that fiscal consolidation efforts should exceed the 0.5% of GDP per year established in the Stability and Growth Pact, especially in the countries with the highest deficits and public debt levels.

3.2 Monetary and financial developments

As the global financial situation continued to improve in Q3, likewise in the euro area: risk premia narrowed further, stock markets rose substantially and volatility declined on these markets and on the foreign exchange markets. The momentum on the primary markets and the lower recourse had by banks to State guarantees also reflected this progressive normalisation. The quarter also saw the first announcements of repayment of the public funds received at the peak of the crisis.

EURO AREA. PRICE INDICATORS
Year-on-year rates of change

CHART 10



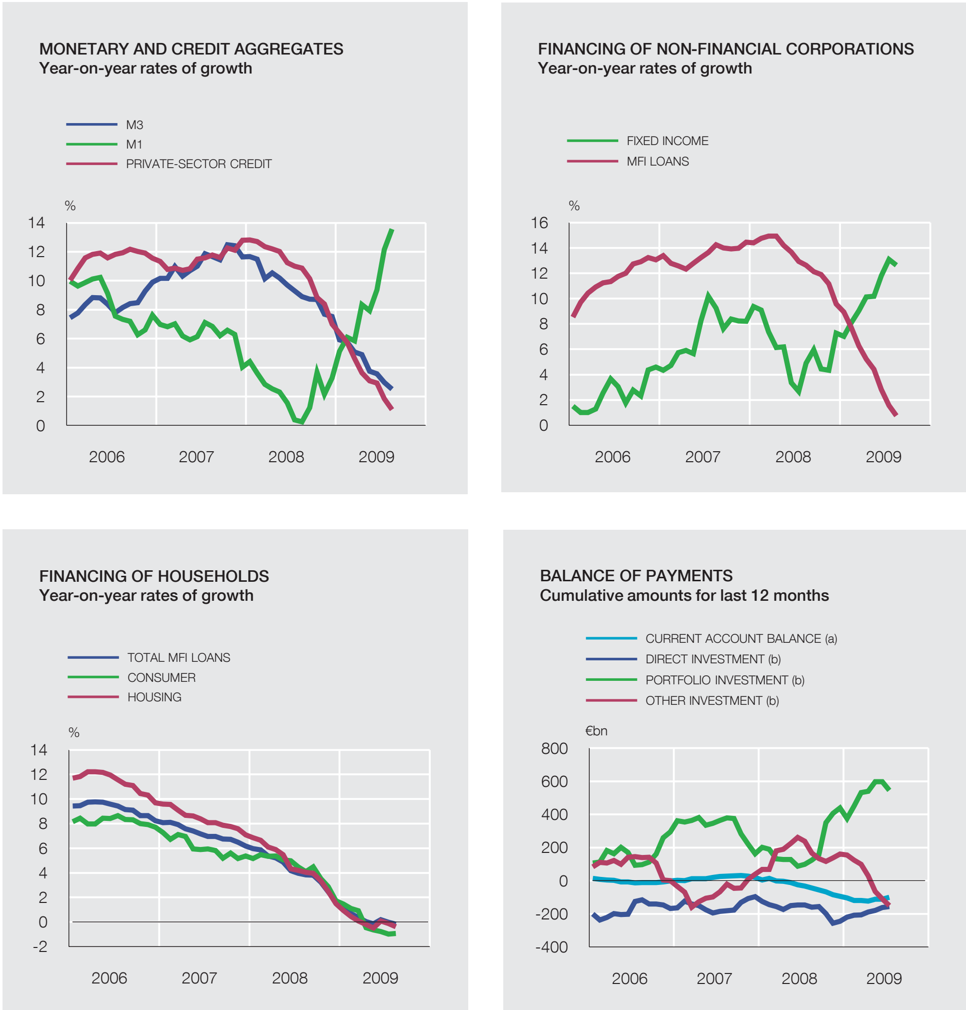
SOURCES: Eurostat and ECB.

Important progress was made towards establishing a new supervisory architecture in Europe, with the European Commission's legislative proposal for the creation of two supervisory bodies: the European Systemic Risk Board (ESRB), which will be responsible for macro-prudential supervision; and the European System of Financial Supervisors (ESFS), which will strengthen micro-prudential supervision.

The financial market recovery that began in March was backed by signs of an incipient turnaround in the global macroeconomic situation, and by the extraordinary measures taken by governments and monetary authorities in the last year. However, in addition to being dependent on these public measures, the financial situation also continues to be marked by great uncertainty and persistent fragility. Thus, the banking system remains subject to a process of restructuring and deleveraging and, as revealed by the latest ECB and IMF estimates, is still exposed to high potential losses stemming from credit risk. Furthermore, bank lending conditions remained tight and this, together with sluggish demand, meant that private sector financing continued to decelerate over the summer.

MONETARY AND CREDIT AGGREGATES AND BALANCE OF PAYMENTS

CHART 11



SOURCES: ECB and Banco de España.

a. A positive (negative) sign denotes a current account surplus (deficit).
b. Capital inflows less capital outflows. A positive (negative) sign denotes a net capital inflow (outflow).

The ECB's Governing Council kept its main refinancing operations rate at 1%, and its marginal deposit and lending facilities rates at 0.25% and 1.75%, respectively, throughout Q3 (see Chart 12). This decision was taken against the backdrop of growing signs of economic stabilisation, prospects of the rate of inflation returning to moderately positive levels in coming months, and signs that inflation expectations for the medium and long term are firmly anchored at levels compatible with the monetary policy target (inflation rates below – but close to – 2%).

Moreover, the ECB maintained its ample liquidity supply policy, meeting all requests for funds at its weekly and longer-term refinancing operations, including the second tender for funds with a maturity of 12 months, made at a fixed rate of 1% at end-September. In turn, by mid-October, the Eurosystem's covered bond purchase programme launched in July had reached more than 30% of its target volume (€60 billion up to mid-2010). This initiative had a considerable impact on the covered bond market, as the premia traded decreased and the issue volume rose. Lastly, in agreement with the Federal Reserve, the ECB extended its dollar liquidity operations (at 7 days) to January 2010 and stopped its operations at 84 days due to low demand.

GENERAL GOVERNMENT BUDGET BALANCES
OF EURO AREA COUNTRIES

TABLE 3

% of GDP

	BUDGET BALANCES (a)					
	2007	2008	2009		2010	
		EDP (c)	EC (b)	EDP (c)	EC (b)	IMF (d)
Belgium	-0.2	-1.2	-4.5	-5.9	-6.1	-6.3
Germany	0.2	0.0	-3.9	-3.7	-5.9	-4.6
Greece	-3.7	-7.7	-5.1	-12.5	-5.7	-7.1
Spain	1.9	-4.1	-8.6	-9.5	-9.8	-12.5
France	-2.7	-3.4	-6.6	-8.2	-7.0	-7.1
Ireland	0.3	-7.2	-12.0	-11.9	-15.6	-13.3
Italy	-1.5	-2.7	-4.5	-5.3	-4.8	-5.6
Luxembourg	3.7	2.5	-1.5	-2.2	-2.8	-4.4
Netherlands	0.2	0.7	-3.4	-4.8	-6.1	-5.7
Austria	-0.6	-0.4	-4.2	-3.9	-5.3	-5.6
Portugal	-2.6	-2.7	-6.5	-5.9	-6.7	-7.3
Slovenia	0.0	-1.8	-5.5	-5.9	-6.5	-5.6
Finland	5.2	4.5	-0.8	-2.7	-2.9	-4.2
Malta	-2.2	-4.7	-3.6	-3.8	-3.2	-4.4
Cyprus	3.4	0.9	-1.9	-2.9	-2.6	-6.3
Slovakia	-1.9	-2.3	-4.7	-6.3	-5.4	-4.4
MEMORANDUM ITEMS: Euro area (including Cyprus, Slovakia and Malta):						
Primary balance	2.3	1.1	-2.3		-3.3	
Total balance	-0.7	-1.9	-5.3	-6.0	-6.5	-6.6
Public debt	66.0	69.3	77.7	78.4	83.8	

SOURCES: European Commission, Eurostat and IMF.

a. Deficit (–) / surplus (+). Cells in which the deficit exceeds 3% of GDP have been shaded.
b. European Commission April 2009 forecasts.
c. Notification of Excessive Deficit Procedure, autumn 2009.
d. IMF October 2009 forecasts.

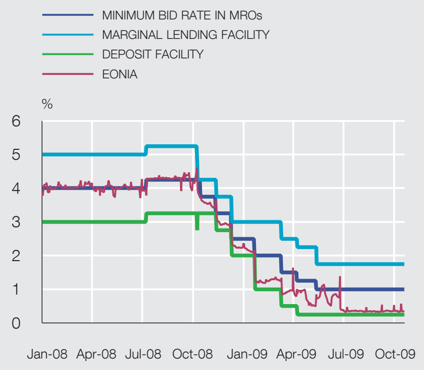
Interest rates on interbank deposits continued to decline in the quarter. Reflecting the ample liquidity position, the overnight market rate (EONIA) slipped well below the main refinancing operations rate, averaging close to 0.35% since July. Risk premia – proxied as the spread between the EURIBOR and repo rates at the same maturity – continued to decline, to less than 40 bp in 3-month operations, and in October the EURIBOR fell to lows verging on 0.75% and 1.25% for deposits at three and 12 months, respectively (see Chart 13). The cumulative decline in interest rates continued to feed through to the cost of loans, albeit unevenly, largely reflecting the differences in risk and in the interest rate fixation period. Thus, while the cost of consumer loans remained high (above 7% in August), the cost of large business loans (more than €1 million) fell below 2.5%, signifying a cumulative decrease of almost 320 bp on a year earlier.

Private sector financing continued to lose momentum, on the back of lower demand, as economic activity and investment remained weak and credit conditions tightened. According to the October Bank Lending Survey (BLS), there was no significant change in Q3 in credit standards, which remained tight. In turn, the first half-yearly survey on access to financing for SMEs shows that access to bank lending became more difficult in 2009 H1. Some 17% of the companies surveyed said they had difficulties accessing financing, although the majority – some 77% – said they had received all or part of any funds requested, while 12% of applications for funds were rejected.

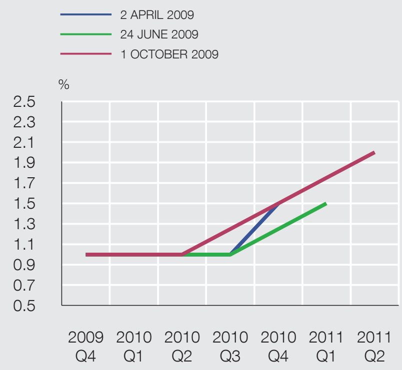
EURO AREA INTEREST RATES

CHART 12

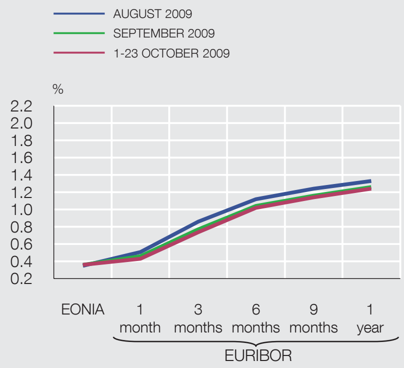
EONIA AND ECB INTEREST RATES



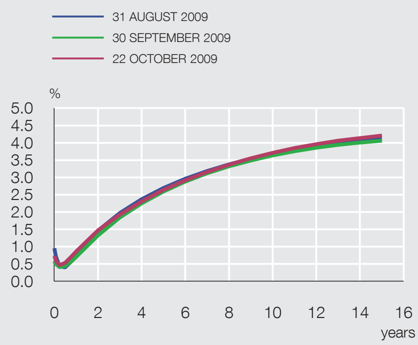
EXPECTED ECB RATE AT END OF QUARTER. REUTERS SURVEYS



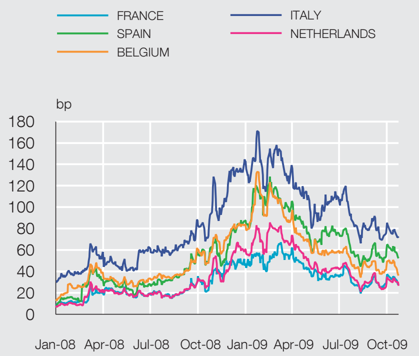
INTERBANK MARKET
Monthly average



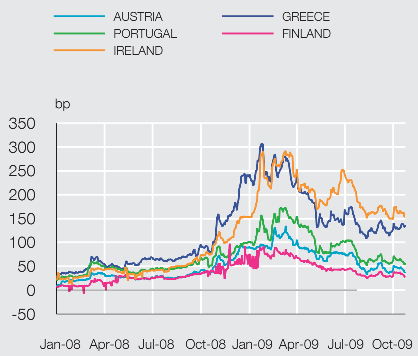
ZERO COUPON CURVE (a)



SOVEREIGN SPREADS WITH RESPECT TO GERMANY



SOVEREIGN SPREADS WITH RESPECT TO GERMANY

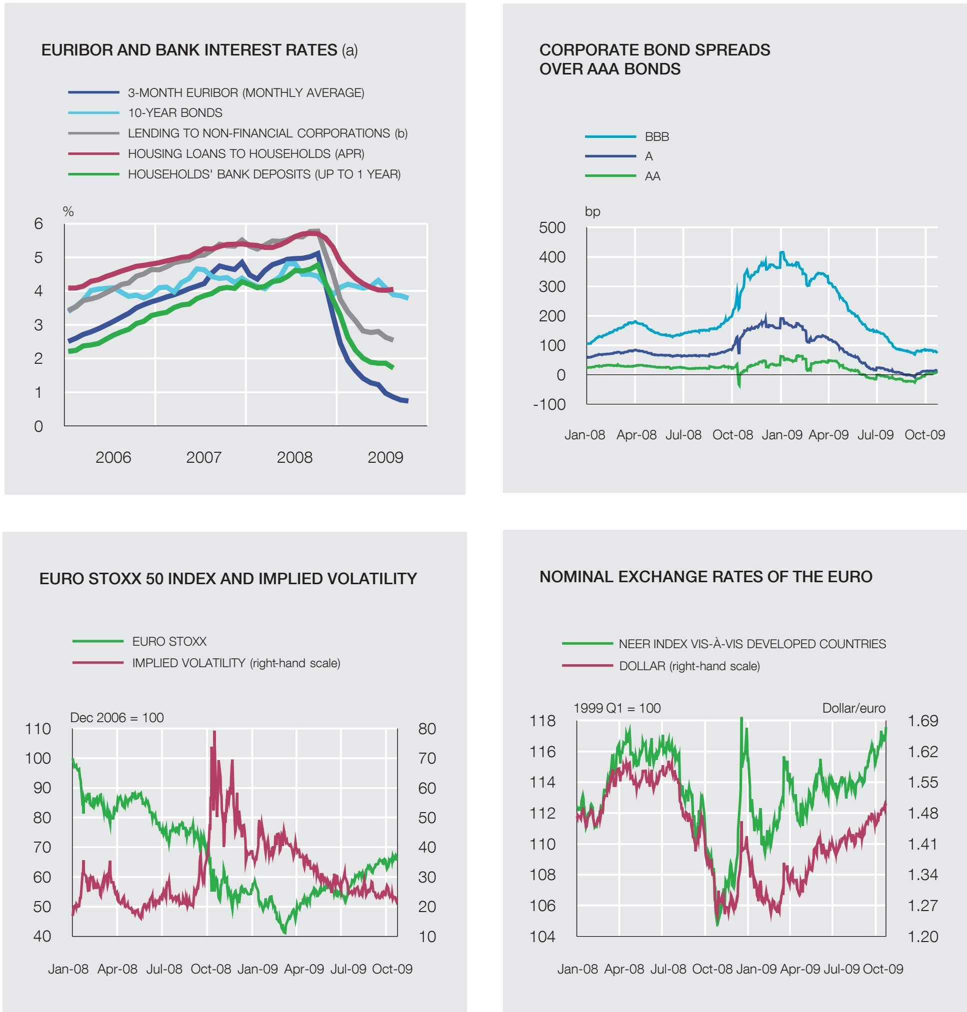


SOURCES: ECB and Banco de España.

a. ECB estimate using swap market data.

EURO AREA INTEREST RATES, STOCK MARKET INDEX AND EXCHANGE RATE

CHART 13



SOURCES: ECB and Banco de España.

a. On new operations.
b. Floating interest rates and up to 1-year initial rate fixation.

Against this backdrop, the rate of growth of bank lending for non-financial corporations fell to 0.7% year-on-year in August, while for households it remained close to zero. A breakdown of lending by purpose shows that housing and consumer loans fell slightly year-on-year. In business loans there was a widespread slowdown in all maturities, although the rates of growth differ substantially, falling by almost 9% year-on-year in the case of loans for up to 12 months, but climbing by some 4% year-on-year in the case of loans with longer maturities. Moreover, the notable slowdown in the rate of growth of business overdrafts – comparable to credit lines in most euro area countries – reflects companies' increased use of this source of financing at the start of the crisis, to adjust to lower cash flow levels and the extremely tight conditions on new loans. However, the slowdown in business loans continued to be partially offset by an increase in long-term fixed-income issues, whose outstanding volume grew by more than 20% year-on-year to August.

Despite the increased financial stability and the investment flows in recent months towards higher-risk assets, government bond yields in the euro area have tended to decline, to a monthly average of 3.8% at the date of this report going to press, compared with 4.3% in June. This is a similar move to that seen in the United States, where 10-year sovereign bond yields were some 40 bp lower than in the euro area in October. Spreads on the different sovereign bonds within the euro area also narrowed to August, remaining relatively stable thereafter.

The gain in confidence was also apparent in the lower risk premia on the private fixed-income markets, both for financial and non-financial corporations. Moreover, risk spreads on the covered bond market continued to narrow, backed by the ECB's covered bond purchase programme.

The recovery was once again most keenly reflected on the world equity markets, as the climb in stock prices that began in March continued, resulting, in the case of the EURO STOXX 50 index, in a gain of 18% in the year at the date of this report going to press. Furthermore, as the uncertainties diminished, market volatility continued to decline (see Chart 13).

Volatility also continued to fall on the foreign exchange markets and, as from July, the euro appreciated notably against both the dollar and sterling (by 3.6% and 6.7%, respectively, in Q3) (see Chart 13). In October, the nominal effective exchange rate of the euro returned to the all-time highs recorded in mid-2008 (see Box 3).

Lastly, the broad monetary aggregate M3 continued to lose momentum to August, growing by 2.5% year-on-year. The lower short-term interest rates and the positive slope of the yield curve meant that investment continued to switch out of M3, a move reflected in the redemptions of fixed-term deposits and marketable securities. At the same time, the fall in the opportunity cost also supported a shift in assets within M3 in favour of M1 (cash and deposits), which grew by more than 13% year-on-year in August.

On Quarterly National Accounts (QNA) estimates, the rate of deterioration of the Spanish economy eased off in 2009 Q2 as real GNP fell quarter-on-quarter by 1.1% (compared with -1.6% in the first quarter of the year). By contrast, in year-on-year terms, the drop in GDP sharpened by 1 pp to -4.2% as a result of the strong fall-off in national demand. The contribution of net exports, however, improved by 0.2 pp to 3.1 pp. On the supply side, all branches of activity except those in the primary sector recorded steeper falls than in Q1, including most notably the year-on-year decline of 16.8% in the value added of manufacturing industry. Job destruction quickened to a rate of -7.1%, so the year-on-year growth rate of apparent productivity remained high (3.2%).

According to the available economic information, the fall-off in activity in quarter-on-quarter terms again moderated in Q3. Specifically, it is estimated that the quarter-on-quarter change in GDP was -0.4% (against -1.1% in Q2), while in year-on-year terms GDP fell by 4.1%, which was 0.1 pp less than in the previous period (see Chart 14). This improvement in GDP is partly linked to the effects of certain government measures with a temporary impact (such as the Plan 2000E, to encourage new car purchases, and the State Fund for Local Investment). These measures were reflected in a less marked fall-off in national demand to 6.5% in year-on-year terms. The positive contribution of the external sector continued to be high, although lower than in the preceding quarter, standing at 2.7 pp.

Also on the supply side, the most recent indicators suggest that GDP declined somewhat more slowly in Q3 and that there was a smaller fall-off in employment, which, according to estimates, decreased by 7% in year-on-year terms. Apparent productivity again grew strongly, in line with the previous quarter. This allowed the rate of expansion of unit labour costs to remain relatively moderate, despite the fact that compensation per employee again grew vigorously at a rate well above that of inflation. Thus in Q3 the adjustment of the Spanish labour market again fell exclusively on employment, instead of on wages, unlike in other European countries. Lastly, the CPI again showed negative year-on-year rates of change in Q3, reaching a value of -1% in September. Mention should be made of the notable response of inflation to the weak demand, which led the growth of the CPI excluding unprocessed food and energy to stand at 0.1% at the end of the quarter, the lowest rate in its time series.

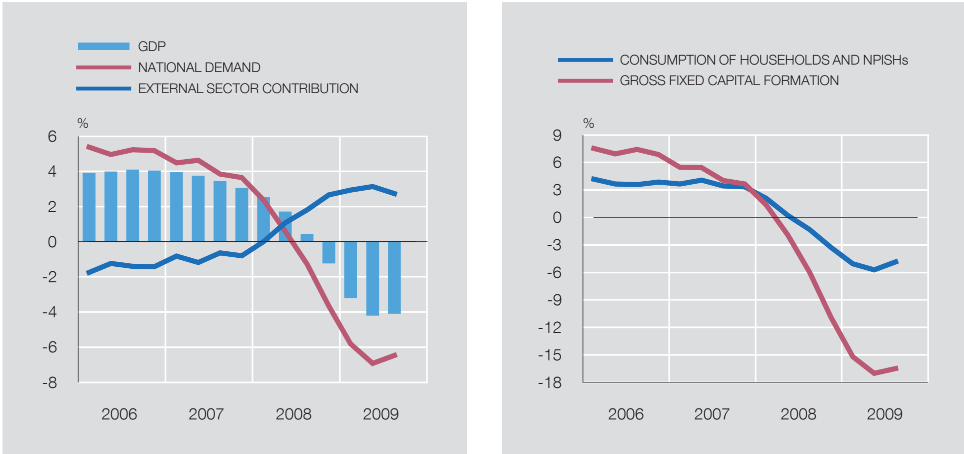
4.1 Demand

2009 Q3 saw the prolongation of the weak final consumption spending by households and NPISHs seen in previous quarters, although the indicators point unequivocally to a lower rate of decline (see Chart 15). Among the survey-based indicators, both consumer and retail trader confidence improved on average in Q3 with respect to Q2 although the latest developments point in both cases to a certain stagnation at low levels, still far below the historical average. As regards quantitative indicators, the retail trade index and the domestic sales of consumer goods and services by large firms provided by the tax authorities showed smaller year-on-year decreases in the average for July and August. Finally, in summer car registrations rose by 18% year-on-year in September, this development being closely tied to the stimulus provided by the Plan 2000E.

The persistent weakness of household consumption is explained above all by the uncertainty derived from the marked deterioration in the labour market, by the negative impact of job destruction on wage income and, to a lesser extent, by the tight credit terms and by the negative effects of the downward trend in house prices on household real estate wealth. These factors

MAIN DEMAND AGGREGATES (a)

CHART 14

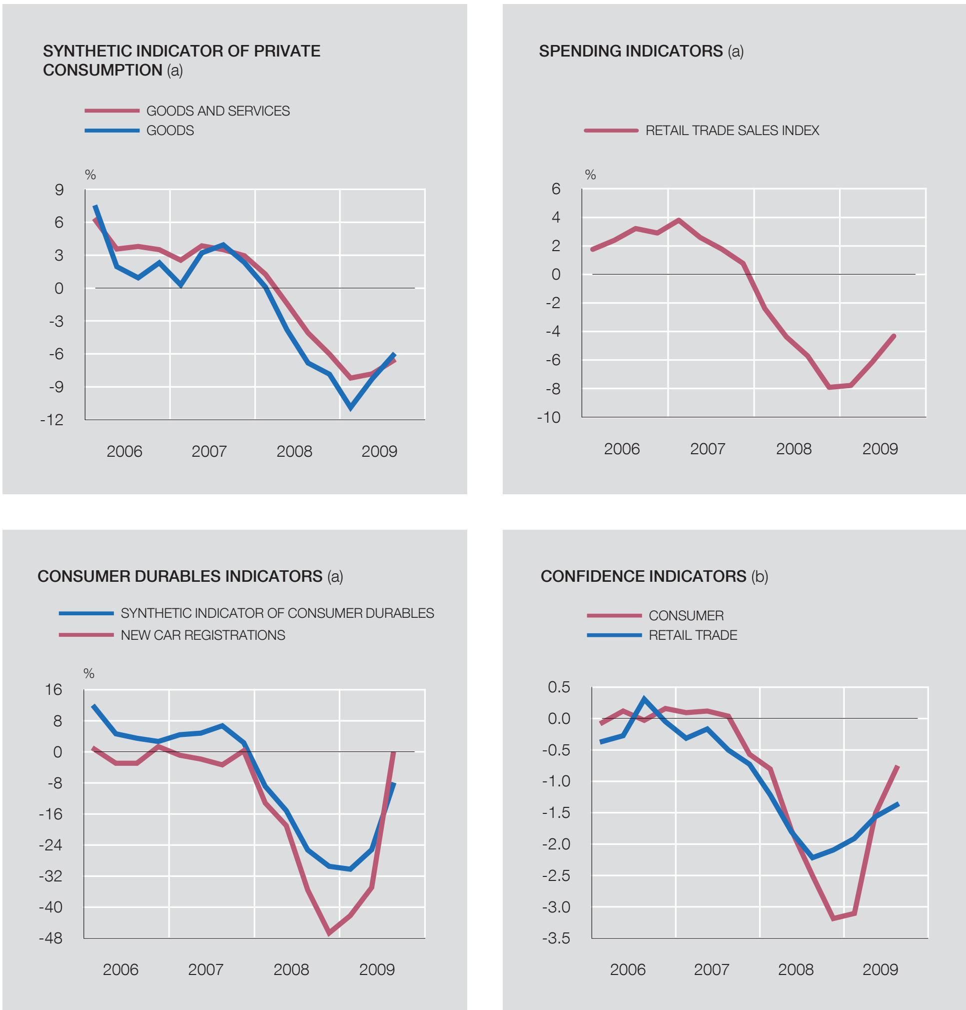


SOURCES: INE and Banco de España.

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.

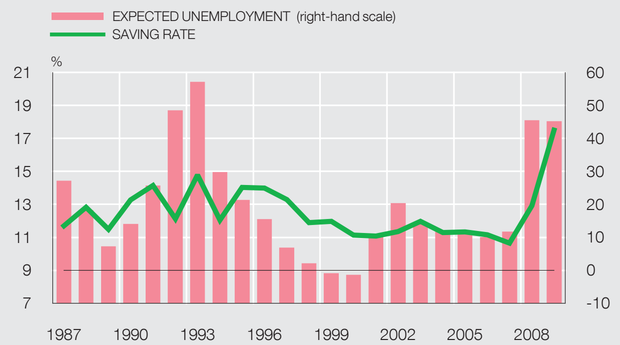
a. Year-on-year percentage change based on the seasonally adjusted series.
b. Normalised indicators (deviation from the mean, divided by the standard deviation).

The current recession of the Spanish economy has brought a sharp decline in household consumption. Since this decline in consumption exceeds the adjustment in household disposable income, the saving rate has increased notably. In terms of moving four-quarter periods, the saving rate stood at 17.5% in 2009 Q2, nearly 7 pp more than in 2007 and also above the values seen in the crisis of the early 1990s (see Chart 1). Although the household saving rate usually increases in times of weak economic activity, the current increase is much more substantial than that of other periods, such as 1991-1993 and 2002-2003.

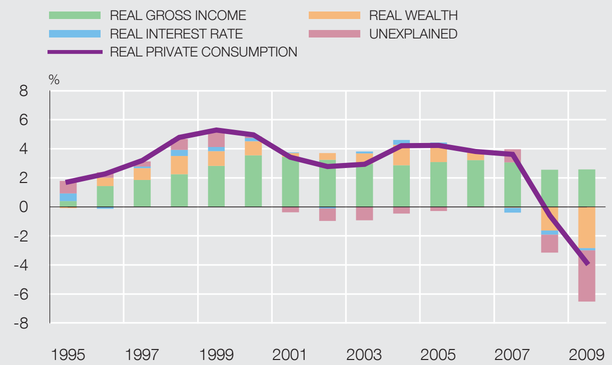
The factors potentially determining the behaviour of the saving rate are diverse. To the extent that households try to smooth their level of consumption over their lifetime, changes in their current income perceived as temporary may not be reflected in spending and thus not lead to changes in saving, with increases in this variable in the periods of higher current income, and vice versa. However, if these changes in income are judged to be permanent, households are likely to adjust consumption to a greater extent. This same response may occur when they are uncertain about their future income, giving rise to increased saving for precautionary reasons when the economic outlook worsens. Also, changes in household real or financial wealth will affect the resources held by them in the medium or long term, and may thus induce an adjustment in consumption and changes in the saving rate (wealth effect). Other variables, such as real interest rates, also affect consumption, since higher rates make future consumption cheaper in relative terms (intertemporal substitution effect), which will increase the saving rate. Additionally, when financial institutions tighten the conditions under which they grant credit to households, some households cannot finance their present consumption by borrowing (or, in other words, by a negative lending ratio) and are forced to increase their saving rate.

These arguments help us to understand the increase in saving observed in Spain in the current recession, although it is difficult to assess the relative importance of each of them. The macroeconomic model of the Banco de España (MTBE) shows that the fall-off in consumption in 2008 and, in particular, in 2009 seems to have gone beyond what would be expected from the recent behaviour of current income and the real interest rate, and from the decrease in Spanish household wealth (see Charts 2 and 3). Specifically, these factors only explain around half of the increase in the saving rate from 2007 to 2009 Q2. Among the factors which may explain this surge in saving are the prospects of household income growth (negatively af-

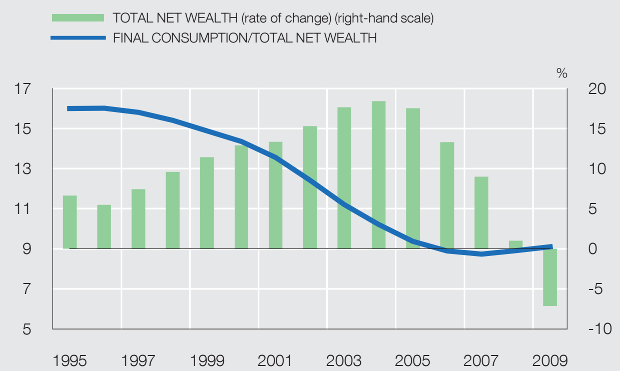
1 SAVING RATE



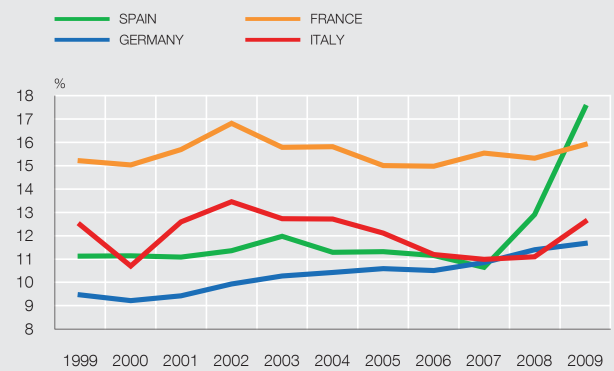
2 PRIVATE CONSUMPTION. CONTRIBUTIONS TO REAL GROWTH (a)



3 CONSUMPTION AND WEALTH



4 SAVING RATE (b)



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

a. Quarterly Macroeconomic Model of the Banco de España (MTBE). In 2009, contributions to cumulative annual growth up to Q2.
b. In 2009, in the case of Spain the chart plots the saving rate for a moving four-quarter period ending in Q2 of each year. For other countries, the 2009 Q1 figure is used.

fected by the sharp deterioration in the labour market), the situation of heightened uncertainty in which consumers have to make decisions (aggravated ostensibly by the financial and economic crisis), the tightening of bank lending conditions through mechanisms other than price and the possible partially Ricardian behaviour of agents as public finances worsen.

These factors, and particularly the weak labour market, may be playing a major role in explaining the recent path of the saving rate in Spain. The fact that Spain is the country where the unemployment rate and saving rate have increased the most in the euro area underscores the importance of employment prospects and their impact on the uncertainties surrounding consumer decisions as factors explaining the behaviour of that variable(see Chart 4).

In the medium term precautionary saving will foreseeably decrease to more moderate levels, although possibly in the coming years, unlike what happened in expansionary phase, the saving rate will remain at levels above its historical average. Nevertheless, looking forward to 2010, the interpretation of the behaviour of the saving rate may be complicated by the rise in VAT in July of that year, since it cannot be ruled out that this tax rise may induce people to bring forward in time a certain volume of spending on durable goods in the first half of the year and, accordingly, to reduce their saving rate. However, this effect would be countered by another of opposite sign in the second half.

have predominated over others which are trending more favourably, such as the low rate of inflation, the moderating credit interest rates, the positive effect on disposable income of net transfers from general government and the increase in financial wealth, which expanded in Q3 due to the ongoing strong recovery of stock market prices first seen in the preceding quarter. According to the latest data on the non-financial accounts of the institutional sectors, which relate to 2009 Q2, the uncertainty of households about their future income (impacted by the extensive job destruction) and about the value of their net wealth led to a jump in the household saving rate which, in cumulative four-quarter terms, reached 17.5% of disposable income. This marks a historical high and is 2.8 pp higher than the rate recorded in 2009 Q1. Box 4 analyses in more detail the determinants of this sharp increase in the saving rate.

Based on the information on personnel costs and net procurements in the State budget outturn, it is estimated that general government final consumption decelerated notably year-on-year in Q3.

In 2009 Q3 investment in capital goods again fell steeply, although there was probably not any additional deterioration in year-on-year terms. Of the conjunctural information available, that on apparent investment in capital goods, with as yet still largely incomplete data, and on industrial/commercial vehicle registrations (available up to September) continued to show strong contraction, although the rate of fall of the latter variable lessened substantially with respect to prior quarters (see Chart 16). Business confidence, both in industry as a whole and, in particular, in the branch producing capital goods, performed more favourably in this period, while the perception of the order book did not change substantially. The sharp decrease in national demand and the still weak external demand, along with the ongoing tight bank lending conditions and the uncertainty over the commencement of a sustained recovery, continued to hold back the start-up of investment projects by non-financial corporations, and these factors were outweighed by the fall in credit interest rates. According to the information on the non-financial accounts of the institutional sectors, the fall in business investment gave rise in Q2 to a decrease in the sector's net borrowing to 5.2% of GDP in cumulative four-quarter terms, down 1.5 pp on Q1. Also contributing to this result, although to a lesser extent, was the increase in business saving due to the decrease in interest and tax payments, which amply offset the lower growth in operating surplus.

The available information suggests that in Q3 the rate of decline of investment in construction steadied in year-on-year terms, albeit at very negative levels (see Chart 16). The overall sector

GROSS FIXED CAPITAL FORMATION

CHART 16

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

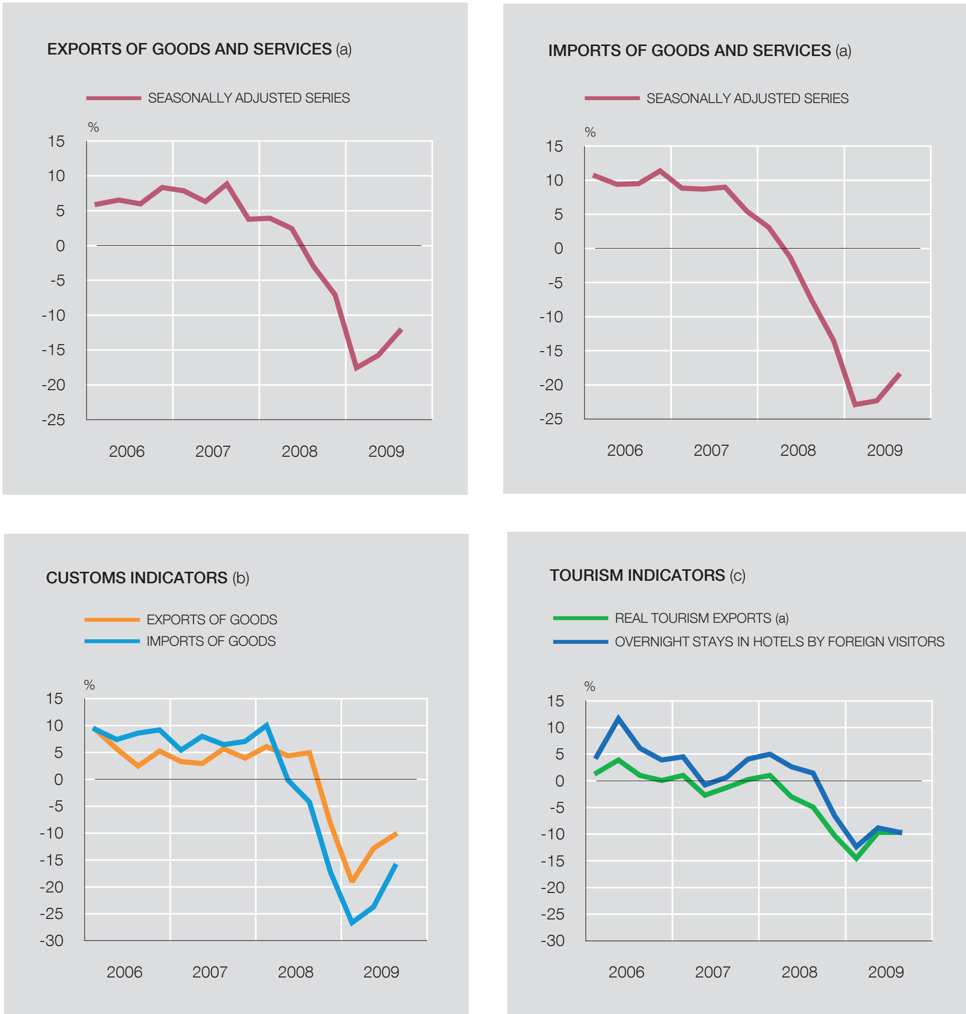
a. Year-on-year percentage change based on the seasonally adjusted series.
b. Normalised indicator (deviation from the mean, divided by the standard deviation).
c. Construction Industry Production Index (Eurostat). Year-on-year percentage change based on the seasonally adjusted series.

indicators relating to inputs (such as apparent consumption of cement and the industrial production index of construction materials), available up to August, and to employment (social security registrations and unemployment), with information up to September, showed more moderate year-on-year falls than in previous quarters. Additionally, the construction business confidence survey showed that construction firms' perceptions of the sector's performance and outlook improved in Q3.

The less unfavourable path of the sector as a whole is explained by the rise in non-residential construction, particularly civil engineering works revitalised through projects linked to the State Fund for Local Investment. This factor seems to have been offseting the additional deterioration of investment in residential building, estimated to have declined more quickly than in the previous quarter as a result of the decrease in the number of houses under construction, as the number of completed units has continued to exceed housing starts (measured by the number of new project approvals). On the housing demand side, the last few months have seen a moderation in the rate of decline of purchases and sales, as shown by proprietary rights transfer statistics and by the number of new mortgages. This somewhat more favourable performance seems to be linked to the improvement in credit accessibility indicators (measured through the

FOREIGN TRADE
Year-on-year percentage change

CHART 17



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

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

level of the instalments that have to be paid in the year following the purchase), which, in turn, is explained by the decreases in interest rates and in house prices. However, as in previous quarters, there are significant factors acting to curb housing demand, such as the uncertainty over household labour income stemming from the increase in the unemployment rate. Finally, non-residential building project approvals showed an appreciable loss of momentum in Q3.

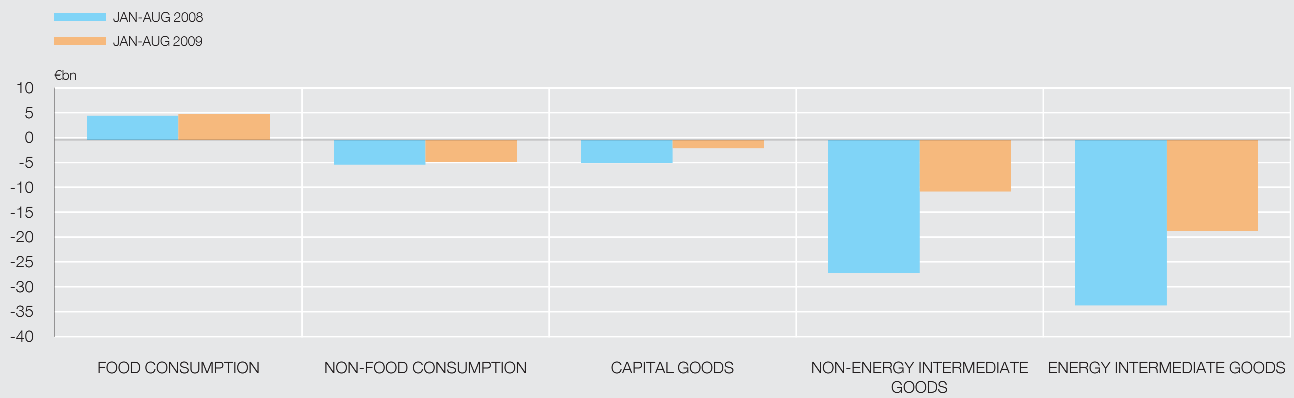
Turning to foreign trade, the latest available information indicates that in 2009 Q3 the positive contribution of net external demand to GDP growth continued to be high, although lower than in Q2. This behaviour took place against a background in which both exports and, above all, imports continued to fall off notably year-on-year (see Chart 17). However, the rate of year-on-year decline of both flows moderated, so that, in quarter-on-quarter terms, exports posted, as in the previous quarter, a positive rate, and imports steadied following the sharp falls of the previous quarters. This recovery in cross-border trade is in line with the less unfavourable international setting, which is reflected in a return to positive growth rates of some of Spain's main trade partners, and with a less negative performance of national demand and industrial production in Spain. As analysed in detail in Box 5, the adjustment of imports has been much

Since the end of 2008 the high trade deficit built up by the Spanish economy in recent years has been undergoing a rapid and significant correction. On Customs data, in the first eight months of 2009 the cumulative deficit was 52% less than in the same period of the previous year. This decrease initially reflected the significant fall in Spanish imports of goods and subsequently became more pronounced due to the improvement in the terms of trade, specifically owing to oil price falls and to the appreciation of the euro. To these two effects should be added the improved performance of exports in recent months, particularly those to the euro area. A disaggregated analysis of the behaviour of the trade balance may help to identify what type of goods or which counterparty countries account for the decrease in the deficit. This may also give an idea as to whether the correction will be of a lasting nature.

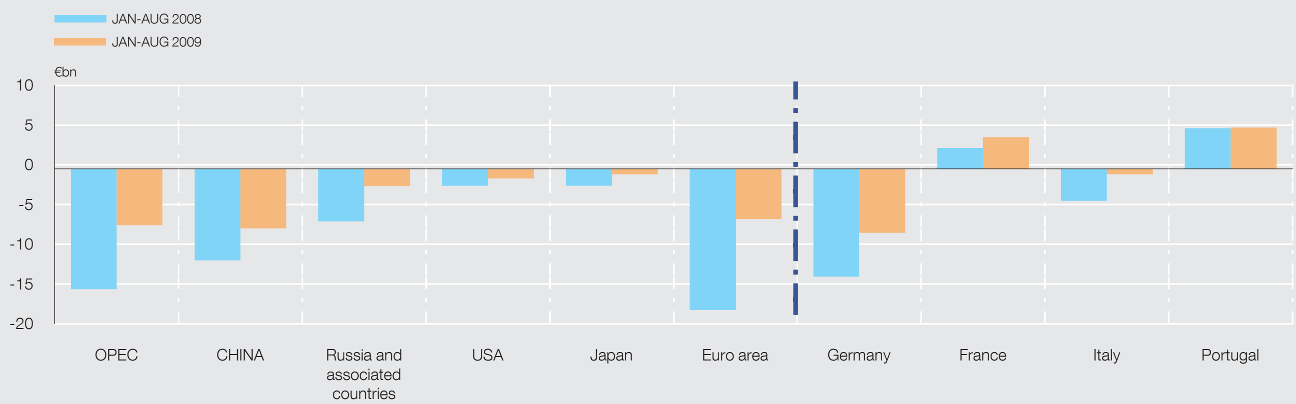
Among the major product groups, the Spanish economy has traditionally only run a surplus in food and automobile trade, while it has posted a deficit in other consumer goods, capital goods and, above all, in intermediate goods, the balance of which represented nearly 90% of the trade deficit in 2008. The trade data for the period January-August 2009 indicate that the decrease in the trade deficit is concentrated precisely in these intermediate goods. The energy deficit decreased to nearly half in that period and the deficit in non-energy intermediate goods fell by 60%. In other goods the variations have been favourable, but less sizeable: the surplus on food (the demand for which is less dependent on the cyclical position of the economy) widened slightly, while the deficit in non-food consumer goods was corrected slightly, as was, to a somewhat greater extent, that in capital goods (see Chart 1). These results reflect the decrease in imports of inputs, against a background of strong contraction in investment and industrial activity and of weakness in private consumption in Spain, as well as the impact of cheaper oil and other commodity prices. Specifically, according to the industrial production index, the manufacture of machinery and mechanical equipment, manufacture of electrical and electronic material and equipment and manufacture of transport equipment sectors, all highly dependent on imports, posted declines of around 30% year-on-year in Spain in the first eight months of 2009. In the case of non-food consumer goods trade, it should be emphasised that the cumulative figure for the year masks the reduction in the negative balance of the durable goods component in recent months, due, above all, to the recovery of automobile exports to the euro area, closely linked to the direct aid for vehicle purchases approved by various European governments.

In the disaggregation by geographical area, Spain has also traditionally shown a negative balance vis-à-vis most other countries, with

1 TRADE BALANCE BY PRODUCT TYPE: LEVELS IN €bn



2 TRADE BALANCE BY GEOGRAPHICAL AREA: LEVELS IN €bn



SOURCE: Ministerio de Economía y Hacienda.

IMPROVEMENT OF THE SPANISH TRADE DEFICIT: ANALYSIS BY PRODUCT TYPE AND GEOGRAPHICAL AREA (cont'd)

BOX 5

Portugal, the United Kingdom and, in recent years, France being the main exceptions. Given the above-mentioned developments in the trade balance by type of goods, it is not surprising that the decrease in the trade imbalance has been particularly significant in the oil exporting countries, such as Russia (our main supplier) and the OPEC countries (see Chart 2). These countries account for around 35% of the total correction to the trade deficit. Second, in line with the notable decrease in capital goods investment and industrial activity, the trade deficit with China decreased substantially (explaining 11% of the total adjustment). Also significant was the decrease in the negative balance with Latin America.

Notable among the more industrialised countries was the decrease in the deficit with the euro area, which represented nearly one-third of the correction in the first eight months of 2009, and, to a lesser extent, the decrease in Spain's deficit with Japan and the United States. In the case of trade with euro area countries, the larger relative decrease in imports (particularly of industrial intermediate goods and capital goods) than in exports in that period explains the observed decline in the trade deficit. Contributing most notably to this correction were the goods transactions with Germany, Italy and France, while the surplus with Portugal remained practically unchanged.

So far the correction to the trade balance has derived mainly from the weakness of imports, against a background of marked sluggishness in demand, and from cheaper commodity prices. Therefore, to permanently lock in a more moderate trade balance, exports will have to play a larger role. In this respect, the growth forecasts published by most international organisations point to a more rapid recovery in world trade than in that predicted for Spain. Hence the improvement in the international markets represents an opportunity for Spanish exports to strengthen and improve their positions, which would allow the trade deficit to be further reduced and would raise the contribution of exports to the growth of activity.

more significant than that of exports, and this has enabled the trade deficit to be reduced substantially. As to the performance of competitiveness indicators, the information to August shows that both the depreciation of the euro (measured in year-on-year terms) and the decrease in relative prices allowed the price-competitiveness indices of Spain vis-à-vis the developed countries to perform favourably in comparison with those at the same dates a year earlier.

The Customs data show that real goods exports decreased year-on-year by 8.1% on average in July and August, a significantly slower rate of fall than that of Q2 (-14.7%). In the first eight months of the year as a whole, however, exports fell off notably by -14.4%, with widespread decreases in the main product groups, particularly marked in exports of consumer durables, intermediate products and capital goods. In the last few months, the steep rate of deterioration of car exports at the beginning of the year lessened thanks to the recovery in European demand for automobiles as a result of the direct aid for car purchases implemented by some of the main European countries. In addition, food exports showed more moderate falls to August (of -1.9%), while certain manufactured consumer products, such as textiles, quickened their positive rates during the period. By geographical area, in recent months Community exports showed notably slower rates of decline, in step with the incipient recovery of the main euro area economies. The more disaggregated information, for which only nominal data are available, revealed that the first eight months of 2009 as a whole saw particularly sharp fall-offs in sales to Russia and the United Kingdom, while exports to the OPEC countries stagnated.

As regards exports of tourism services, the balance of payments information available to July points to a slight easing in their rate of fall in nominal terms. By contrast, the tourism expenditure survey (EGATUR) shows that the nominal spending of foreign visitors decreased by 7% in July and August as a whole, against -5.3% in Q2. In Q3, which is the peak tourism quarter, the fall in inflows of foreign tourists moderated by around 0.4 pp to -7.8%, thanks to the more favourable trend in those from France, while inflows from the other main providers of tourists continued to weaken. In particular, the disaggregation by country of origin shows an especially sharp fall in the case of the United Kingdom (our main provider of tourists), due to the recession in that country and to the depreciation of the pound sterling against the euro. The drop in the number of overnight stays at hotels by foreign travellers steepened in this quarter to -9.5%, 1.6 pp more than the fall in Q2. In the first nine months of the year as a whole, both inflows of tourists and overnight stays in hotels decreased by around 10%. Lastly, the balance of payments data relating to July point to a continued high rate of fall of real exports of non-tourism services in Q3, despite the less unfavourable behaviour at world level of goods trade and passenger traffic.

On the import side, it is estimated from the latest information that the fall in real goods imports slowed in 2009 Q3. In this respect, Customs data show that goods imports fell by 15.8% on average in July and August, clearly below the average decline of 25.7% in Q2. In the period from January to August, real goods imports decreased by 23.4% year-on-year, reflecting the negative performance of national demand and of exports. By product group, the largest adjustments were in imports of capital goods, non-energy intermediate goods and consumer durables. However, the July and August data show a clear decrease in the rate of deterioration of durable goods purchases and of imports of inputs for the manufacture of chemicals, transport equipment and textiles.

Lastly, on balance of payments data for July, the rate of decline of real imports of services lessened somewhat in Q3 due to the tourism payments component, while non-tourism services payments showed a similar fall to that of Q2.

4.2 Production and employment

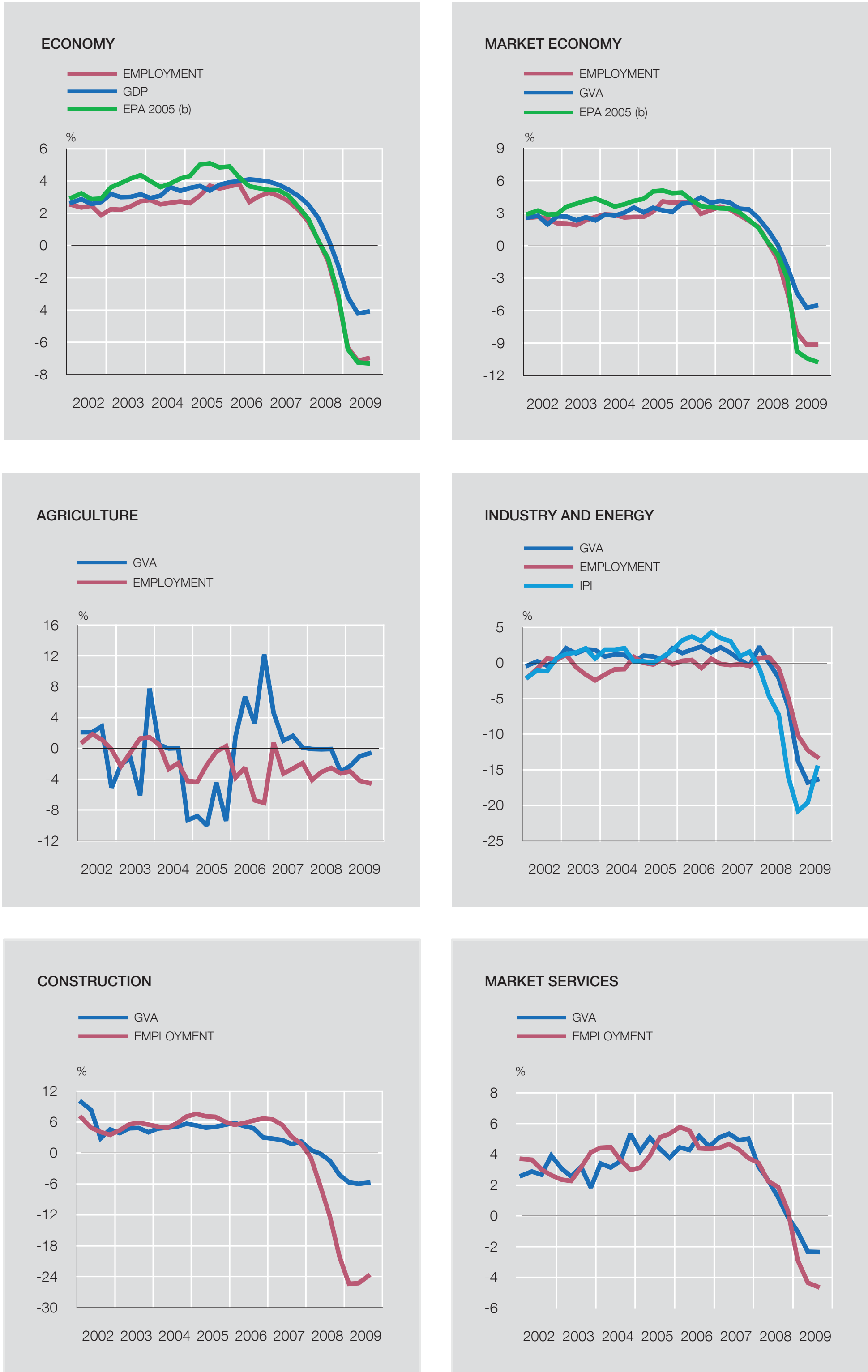
In Q3 the gross value added of the market economy as a whole continued to fall rapidly year-on-year, although probably less sharply than in the previous quarter. In quarter-on-quarter terms, the fall-off was less marked for the second quarter running, following the low reached in Q1. This behaviour was roughly the same across the main productive sectors (see Chart 18).

Specifically, on the conjunctural information available, in Q3 the fall in the value added of industry is expected to continue in year-on-year terms, although at a somewhat slower pace than in Q2. Thus, the industrial production index (IPI) contracted in the months of July and August as a whole at a lower rate than in the period April-June. This slight improvement was seen in all types of products, except non-food consumer goods, which, however, were those in which the fall was smallest. Among the labour market indicators, the number of social security contributors showed a similar decrease to that in the previous period. The main survey-based indicators of the sector, such as the purchasing managers' index and the industrial confidence index, continued to show signs of improvement, departing progressively from the lows reached at the beginning of the year.

As regards the market services sector, the latest conjunctural information available points to a year-on-year fall in 2009 Q3 of a size similar to that in Q2. Among the quantitative indicators, the rate of decline of business turnover continued to moderate in July, while the sales of services to large corporations, measured in real terms and seasonally adjusted, posted a decrease of 11.4% on average for July-August, down 2 pp on the previous quarter. Turning to the survey-based indicators, services confidence improved in the quarter as a whole, as did, albeit more timidly, retail trade confidence and the PMI indicator, which still remains at a recessionary level. The employment indicators continued to show notable weakness, with year-on-year falls in average social security registrations in the sector similar to those in Q2.

As for the labour market, the information available to September suggests that the rate of deterioration of employment has slowed. Thus social security registrations decreased by 6% in Q3 as a whole (6.7% in Q2), which represents, for the first time since the current process of

GROSS VALUE ADDED AND EMPLOYMENT BY BRANCH OF ACTIVITY (a) CHART 18



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

a. Year-on-year rates based on seasonally-adjusted series, except for the EPA which is based on crude series. 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 Banco de España's DG Economics, Statistics and Research on the basis of the control survey conducted using the methodology applied up to 2004 Q4.

job destruction began, a slowdown in the fall in employment. In terms of seasonally-corrected series, the monthly falls seen in recent months have also been smaller than those at the beginning of the year. The lower year-on-year rate of job destruction in Q3 was concentrated in construction (where declines in social security registrations moderated, probably reflecting the activities relating to the State Plan for Local Investment) and in agriculture (which showed positive growth). By contrast, the rate of decline of average social security registrations in industry and in market services stabilised. Finally, the year-on-year decrease in INEM-registered hires was also less sharp in the period July-September than in the previous quarter.

Lastly, the Spanish Labour Force Survey for Q3 shows a year-on-year fall in employment of -7.3%, practically steady following the -7.2% of the previous quarter. The decrease in employment seems to have affected all branches of the market economy, with the highest year-on-year falls in employment in this quarter in industry (-14.9%) and market services (-6.2%) and a slight moderation of the steep year-on-year rate of decline of employment in construction to -23.3%.

On Spanish Labour Force Survey figures, the fall in employment affected both wage-earners, who decreased by 6.5%, and non-wage-earners (-10.5%). The job destruction was, as in recent quarters, more marked among foreign nationals (-10%), although employment among Spanish nationals also fell sharply (-6.8%). As regards contract duration, the year-on-year rate of decline in temporary employment moderated slightly (-18.2%), although again accounting for nearly all the adjustment in employment, while permanent employment showed a negative year-on-year change (-1.7%). As a result, the temporary employment ratio stood at 25.9%, down 3.6 pp on a year earlier. Lastly, part-time hires decreased slightly in contrast to the sharp fall in full-time employees. Thus, as in the last few quarters, the part-time employment ratio rose again, this time to 12.3%, against 11.4% a year earlier.

The labour force fell by nearly 100,000 people in Q3 as the slowdown of recent quarters steepened to a year-on-year growth rate of 0.2%, 1 pp less than a quarter earlier. This moderation was a result of the deceleration of the population above age 16, which increased by 0.4% (0.3 pp less than in the previous quarter), and, above all, of the year-on-year fall in the participation rate (-0.2 pp), negative for the first time in this quarter in the current recession. The moderation was apparent in both the male and the female labour forces, although the female labour force showed growth of 2.6%, while the male labour force shrank by 1.6%. By nationality, the growth in the number of foreign members of the labour force slowed to 2.5%, mainly as a result of smaller inflows of immigrants (2.1%, against 4.6% in the previous quarter). Spanish nationals in the labour force decreased by 0.2% year-on-year, following a slight increase in the previous quarter (0.5%).

Lastly, unemployment decreased slightly (by around 14,000 people) in Q3 as a result of the decline in the labour force. Nevertheless, the year-on-year increase in unemployment remained high at around 1.5 million people, with a year-on-year rate of change of 58.7%, down from 73.7% in Q2. The unemployment rate held steady at the 17.9% reached in the previous quarter, albeit more than 6 pp above that a year earlier. The INEM-registered unemployment coincided in showing a slower rise in the number of unemployed in Q3, with a year-on-year increase of 43.5%, following a rate of 52.9% in Q2.

4.3 Costs and prices

The data available on collective bargaining agreements registered up to September show an increase in wage settlements of 2.6%, as opposed to 3.6% in 2008 (see Chart 19). These agreements affect somewhat more than seven and a half million workers (nearly 70% of the wage-earners covered in 2008). Although scarcely representative because of the low number

WAGE INDICATORS AND LABOUR COSTS

CHART 19

SOURCES: INE and Ministerio de Trabajo e Inmigración.

a. The last year, with information of collective bargaining agreements until September 2009.
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 signed and with economic effects in the year, this being the first or only year they are in force.

of workers affected (somewhat fewer than half a million), the increase set in the newly signed agreements was also 2.6%, clearly higher than the observed inflation rates.

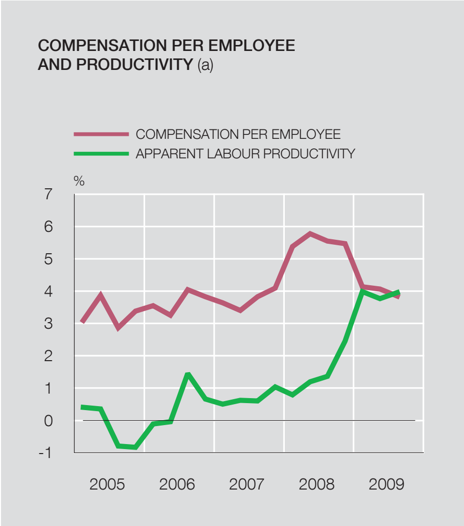
The QNA figures for 2009 Q2 showed a rise in the compensation per employee in the total economy, since the rise of 4.6% year-on-year was 0.3 pp higher than in Q1. In the market economy, the growth of this variable held steady at 4.1%. This reflects notable slippage with respect to the wage increase pacted in the collective bargaining. For this purpose, it should be recalled that the impact of indexation clauses was zero in 2009, so the observed behaviour must relate to a high positive drift explained by the composition effects normally observed in periods of strong job destruction (since comparatively more jobs with lower-than-average compensation were eliminated). In Q3 the growth rate of compensation per employee is expected to slow slightly, although it continued to expand at a substantially higher rate than prices (see Chart 20).

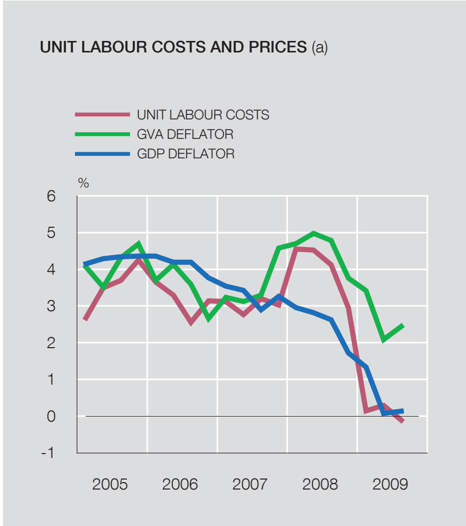
In Q3 the final demand deflator is estimated to have kept falling at the same rate, since both the domestic component of inflation (measured by the GDP deflator) and the import deflator showed similar rates to those of the previous quarter. By final demand component, the decrease in the national demand deflator moderated slightly, unlike the behaviour of the export deflator, which seems to have fallen more sharply. Mention should be made of the expected fall-off in the residential investment deflator (in line with the house price trend) and the ongoing negative rates of change in the private consumption deflator.

In this respect, the various consumer price indicators continued to slow in Q3. Thus in September the CPI decreased by 1%, after reaching a low of -1.4% in July (see Chart 21). In average terms, the fall in Q3 was 1.1%, against -0.7% in the previous period. By component, in the period July-September, energy goods prices continued to show the highest negative rates

PRICES AND LABOUR COSTS IN THE MARKET ECONOMY

CHART 20





SOURCES: INE and Banco de España.

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

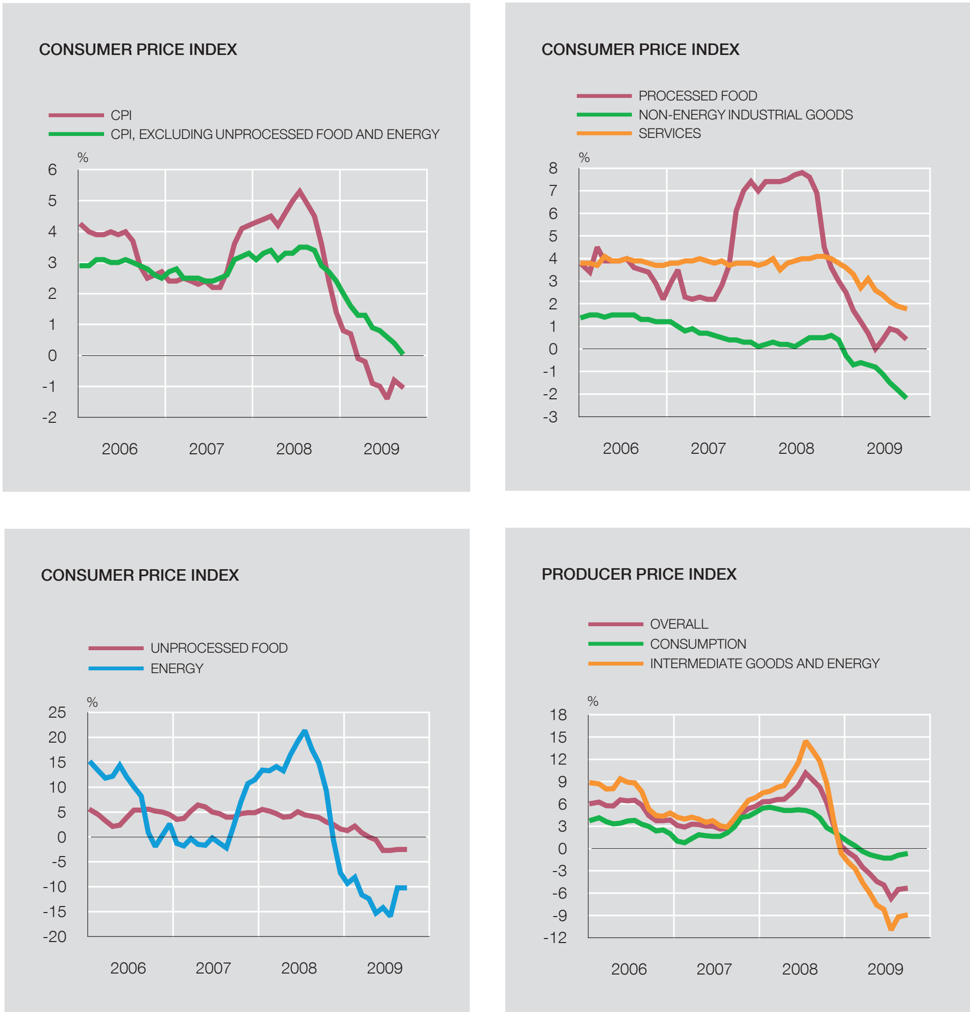
of change (-12.1%), basically due to a comparison effect with the same quarter of 2008, derived from the sharp rise in oil prices until July last year. In addition, dollar-denominated oil prices grew less in Q3 than in Q2, the deceleration being greater when measured in euro because of this currency's appreciation against the dollar. Lastly, this component reflected the drop in natural gas and butane prices. By contrast, the prices of this component were driven upward by the rise in electricity rates and oil taxes. Meanwhile, in Q3 non-energy industrial goods prices decreased by 1.8% amidst a decline in automobile prices, partly related to the incentives introduced to encourage new car purchases. The prices of services, which historically have been insensitive to the cyclical situation, continued to slow notably to an average quarterly rate of 1.9%. The fall in unprocessed food prices accelerated to -2.6%, while processed food prices rose slightly to 0.7%, partly influenced by the rise in tobacco prices in June and July. As a result of the behaviour of its various components, the CPI excluding energy and unprocessed food prices continued the downward path initiated at the end of 2008 and posted a year-on-year rate of 0.4% on average in Q3.

The behaviour of prices in Spain continued to be more moderate than in the euro area, so that the Q3 inflation differential, measured by the harmonised index of consumer prices (HICP) was again negative (-0.7 pp) (see Chart 22). The lesser growth of prices in Spain extended to most components. Specifically, in Q3 on average, the differential was zero in the case of processed food and energy and negative in the other groups, including most notably services, where the differential had been continuously positive (and high) since inception of the euro area until last August.

The industrial price index continued to exhibit negative rates of change in August, although at 5.5% the fall was less than in July. The non-energy component fell by 4% (-4.3% in July). Once again, the easing was particularly marked in energy and intermediate goods prices. In terms of differentials relative to the euro area, the most strongly contrasting behaviour was concentrated in energy and non-durable goods prices. Lastly, the import and export price indices of industrial products held on their markedly declining trend, and in August posted rates of -9.8% and -4.6%, respectively, somewhat less than in July. In both cases, this behaviour resulted from the moderation of the substantial rates of fall of energy prices,

PRICE INDICATORS (a)
Spain

CHART 21



SOURCE: INE.

a. Year-on-year percentage change based on the original series.

partially offset by an additional reduction of the inflationary pressure on other components.

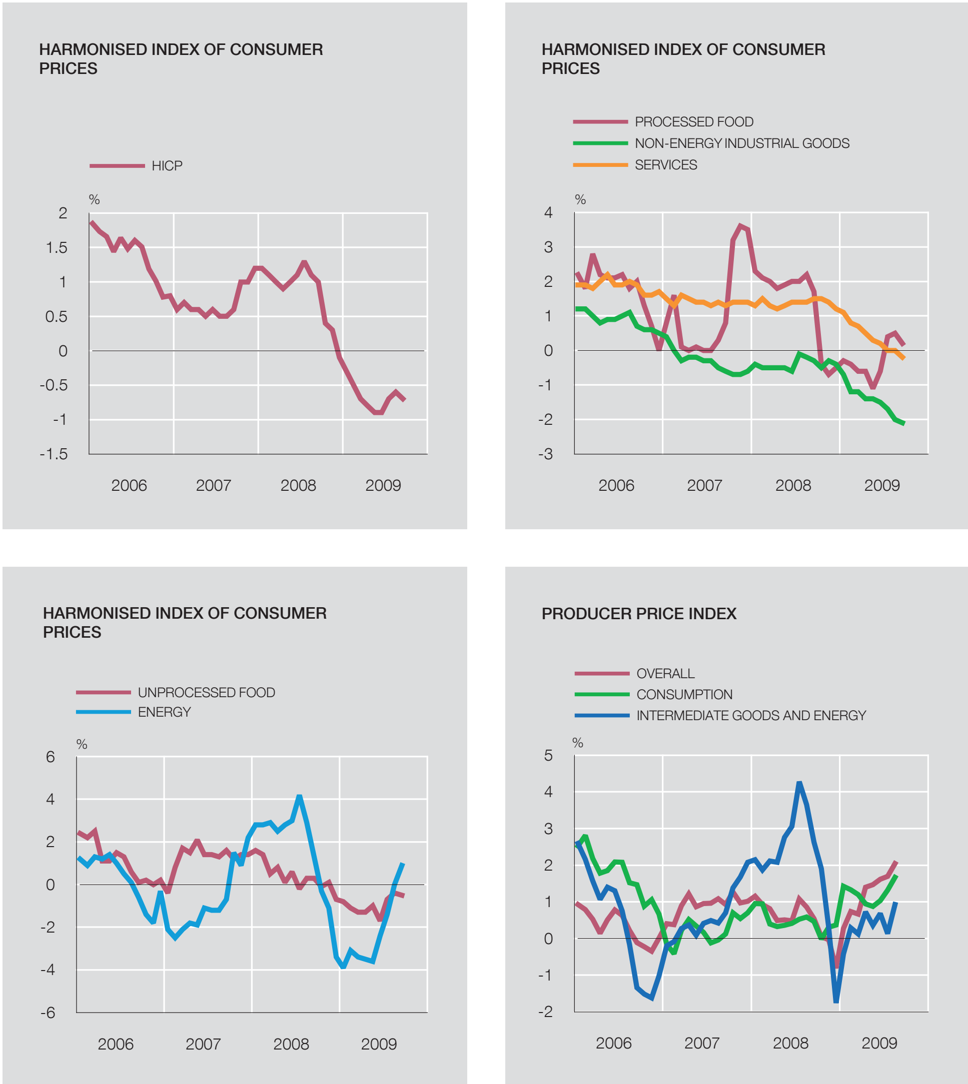
4.4 The State budget

On 26 September the government, acting through the Council of Ministers, approved the draft State budget for 2010, in which the target set was a general government deficit of 8.1% of GDP. This projection represents a slight worsening with respect to the budgetary stability target of 7.9% of GDP approved last June. Also, the State budget projection is that the end-2009 balance of the National Accounts of the general government sector will be a deficit of 9.5% of GDP, which significantly deviates from the initial projection included in the State budget for 2009, in which the deficit was estimated at 1.9% of GDP. The breakdown by sub-sector envisages a central government deficit this year of 8.1% of GDP, while it is estimated that the autonomous (regional) governments and the local governments will end the year with deficits of 1.5% of GDP and 0.3% of GDP, respectively. The social security system will foreseeably post a surplus of 0.4% of GDP.

According to the budget outturn included in the State budget, the State will post a deficit in cash terms of €83.3 billion in 2009, significantly higher than envisaged in the initial budget,

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

CHART 22



SOURCES: Eurostat and Banco de España.

a. Year-on-year percentage change based on the original series.

which put the deficit at €16.8 billion. This difference results from the projected deterioration in revenue (particularly marked in VAT) and from the expenditure overrun, mainly due to the extraordinary transfer to the National Public Employment Service and the State Fund for Local Investment.

The State budget outturn to September resulted in a deficit of €62.8 billion, as compared with the deficit of €13 billion recorded in the same period of the previous year. In Q3 the deterioration of revenue eased up slightly, with a cumulative fall of 24.4%, against the decline of 29.4% up to June, while the already high growth rate of payments rose further to 25.3%, against 22.9% in the first half of the year.

To analyse revenue, information is available on the receipts from the main taxes, including both the portion assigned to the State and that corresponding to the regional governments under the ordinary regime (see memorandum items in Table 3). The aggregate information is more instructive for assessing the receipts from the main taxes and confirms the loss, albeit more subdued,

STATE BUDGET OUTTURN

TABLE 4

€m and %	Outturn 2008	Percentage change 2008/2007	Outturn projection 2009	Percentage change 2009/2008	Outturn JAN-JUN Percentage change 2009/2008	Outturn 2008 JAN-SEP	Outturn 2009 JAN-SEP	Outturn Percentage change
	1	2	3	4 = 3/1	5	6	7	8 = 7/6
1 REVENUE	129,335	-19.1	100,682	-22.2	-29.4	93,566	70,701	-24.4
Direct taxes	74,096	-23.6	57,979	-21.8	-34.3	53,912	37.833	-29.8
Personal income tax	*43,413*	*-10.7*	*32,309*	*-25.6*	*-40.0*	*30,582*	*20,739*	*-32.2*
Corporate income tax	*27,301*	*-39.1*	*22,300*	*-18.3*	*-24.7*	*20,703*	*14,404*	*-30.4*
Other (a)	*3,382*	*-4.2*	*3,370*	*-0.4*	*7.0*	*2,627*	*2,690*	*2.4*
Indirect taxes	39,229	-19.0	25,471	-35.1	-39.1	29,258	20,159	-31.1
VAT	*24,923*	*-26.2*	*11,491*	*-53.9*	*-49.4*	*18,380*	*10,742*	*-41.6*
Excise duties	*11,220*	*-2.2*	*11,242*	*0.2*	*-11.2*	*8,520*	*7,349*	*-13.7*
Other (b)	*3,086*	*-4.3*	*2,738*	*-11.3*	*-12.4*	*2,358*	*2,068*	*-12.3*
Other net revenue	16,010	11.1	17,232	7.6	*27.0*	10,395	12,709	22.3
2 EXPENDITURE	148,082	6.0	184,012	24.3	22.9	106,575	133,501	25.3
Wages and salaries	25,266	6.7	26,873	6.4	4.7	18,049	18,918	4.8
Goods and services	4,553	2.2	4,803	5.5	-1.3	2,847	2,894	1.7
Interest payments	15,929	9,6	17,434	9.4	-1.4	13,914	15,317	10.1
Current transfers	82,755	6.5	106,067	28.2	21.5	60,188	77,089	28.1
Investment	10,656	5.4	11,172	4.8	10.3	6,732	6,918	2.8
Capital transfers	8,923	-3.5	17,663	98.0	—	4,846	12,365	155.2
3 CASH-BASIS BALANCE (3 = 1 – 2)	-18,747	—	-83,330	—	—	-13,009	-62,800	—
MEMORANDUM ITEM: TOTAL TAXES (State plus share of regional and local governments)								
Personal income tax	71,341	-1.8	65,734	-7.9	-19.2	52,569	46,839	-10.9
VAT	48,015	-14.0	29,281	-39.0	-35.8	36,045	23,816	-33.9
Excise duties	19,570	-1.1	20,450	4.5	-4.9	14,679	14,316	-2.5

SOURCE: Ministerio de Economía y Hacienda.

a. Includes revenue from the tax on the income of non-residents.
b. Includes taxes on insurance premiums and tariffs.

of receipts seen in the State. Overall, receipts are being affected both by the weak behaviour of tax bases, attributable to the impact of the economic crisis, and by the impact of some discretionary measures. In the case of personal income tax, the amount of withholdings decreased by 3.7% due to the 2 pp cut in the mortgage expense withholding rate for incomes below €30,000 introduced this year and to the residual impact of the tax credit of up to €400 since 2008 H2, which will not be fully offset until the end of the year, while the withholdings on investment fund gains decreased by 47.5%. As for corporate income tax, the final settlements submitted in Q3 showed a sharp fall in receipts. According to the figures in the budget outturn projection, a certain pick-up in overall receipts from direct taxes can be expected in the last part of the year.

According to the cumulative data to Q3 on indirect taxes, VAT again showed the sharpest declines (33.9%), although they were somewhat less marked than in the first half of the year. Along with the fall in consumption and in real estate transactions, VAT receipts are also being affected by two other factors: first, by the negative effect on receipts derived from the somewhat earlier refunds with respect to the normal schedule (which will foreseeably be offset in the last part of the year), and, second, by the new system of monthly refunds due to the regulations introduced this year. In any event, according to the budget outturn projection, the moderation of the falls in Q3 might be temporary, the projected rate of change being approxi-

SOCIAL SECURITY BUDGET OUTTURN

The Social Security system posted a non-financial surplus of €7,578 million to July 2009, down 33.2% on the same period of 2008. This represented a worsening of the outturn figures with respect to May. The fall in non-financial revenue moderated to a cumulative rate of -0.3%, while expenditure gained momentum and showed a rise of 6%. Thus, non-financial revenue continued below the figures budgeted for the year as a whole (by 8.4% with respect to the 2008 budget), while expenditure was slightly below the budgeted rise of 7.9%.

Revenue from Social Security contributions contracted by 2.2% to July, reflecting the impact of the adverse employment trend on the average number of Social Security registrations, which, on the most recent information, fell by 5.7% to September 2009. As regards expenditure, that earmarked for contributory pensions rose by 6.7%, in line with the growth shown in previous months, although below the 8.5% budgeted for 2009 as a whole. The number of contributory pensions stabilised at a growth rate of around 1.7%, which was higher than the average for the previous year as a whole (1.4%). Expenditure on sickness benefits fell sharply by 26.2%, meaning that it was well below the budgeted increase.

As regards the National Public Employment Service (SPEE, by its Spanish abbreviation), the data for which are not included in the adjoining table, the contributions received fell by 9.7% to May, while rebates on contributions in respect of employment-promoting contracts decreased by 12.3% to April. Expenditure earmarked for unemployment benefits continued to grow significantly (65.7%) year-on-year to August 2009, although this figure represents a certain deceleration compared with previous months. On data to August, the number of beneficiaries rose by 50.9% on the same month a year earlier, while registered unemployment grew by 48% year-on-year in the same period. As a result, the coverage rate in that same month stood at 77.7%, 1.5 pp higher than in August 2008. The latest available information, to September, indicates that the rise in unemployment growth moderated somewhat to 45.7%.

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

€m and %

	Budget 2008	Budget 2009	% change	Outturn JAN-JUL 2008	Outturn JAN-JUL 2009	Outturn JAN-JUL % change
	1	2	3 = 2/1	5	6	7 = 6/5
1 REVENUE	114,113	123,726	8.4	70,415	70,189	-0.3
1.1 Social security contributions	105,107	113,324	7.8	63,668	62,267	-2.2
1.2 Current transfers	6,796	7,439	9.5	4,865	5,387	10.7
1.3 Other	2,209	2,963	34.1	1,882	2,535	34.7
2 EXPEDITURE	106,080	114,476	7.9	59,066	62,611	6.0
2.1 Wages and salaries	2,390	2,453	2.7	1,337	1,399	4.6
2.2 Goods and services	1,996	1,995	-0.1	1,062	945	-11.0
2.3 Current transfers	101,095	109,465	8.3	56,504	59,356	5.0
Contributory pensions	*86,041*	*93,339*	*8.5*	*47,852*	*51,040*	*6.7*
Sickness benefits	*7,716*	*8,144*	*5.6*	*4,327*	*3,196*	*-26.2*
Other	*7,339*	*7,982*	*8.8*	*4,325*	*5,121*	*18.4*
2.4 Other	599	563	-6.0	163	910	—
3 BALANCE	8,033	9,250	15.2	11,349	7,578	-33.2

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 2009.
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.

BALANCE OF PAYMENTS: MAIN COMPONENTS (a) TABLE 5

€m		JANUARY-JULY 2008	JANUARY-JULY 2009	RATE OF CHANGE 2009/2008 (b)
CREDITS	Current account	219,932	185,477	-15.7
	Goods	*118,171*	*94,379*	*-20.1*
	Services	*55,497*	*50,409*	*-9.2*
	— Tourism	23,576	21,165	-10.2
	— Other services	31,920	29,245	-8.4
	Income	*37,663*	*32,034*	*-14.9*
	Current transfers	*8,600*	*8,655*	*0.6*
	Capital account	4,803	3,604	-25.0
	Current + capital accounts	224,734	189,080	-15.9
DEBITS	Current account	286,255	220,271	-23.1
	Goods	*173,700*	*119,001*	*-31.5*
	Services	*40,835*	*36,281*	*-11.2*
	— Tourism	7,807	6,630	-15.1
	— Other services	33,028	29,650	-10.2
	Income	*56,320*	*50,704*	*-10.0*
	Current transfers	*15,400*	*14,285*	*-7.2*
	Capital account	762	1,261	65.5
	Current + capital accounts	287,017	221,532	-22.8
BALANCES	Current account	-66,323	-34,795	31,528
	Goods	*-55,528*	*-24,622*	*30,906*
	Services	*14,662*	*14,129*	*-533*
	— Tourism	15,769	14,534	-1,235
	— Other services	-1,107	-406	701
	Income	*-18,657*	*-18,670*	*-13*
	Current transfers	*-6,800*	*-5,631*	*1,169*
	Capital account	4,041	2,343	-1,698
	Current + capital accounts	-62,282	-32,452	29,830

SOURCE: Banco de España.

a. Provisional data.
b. Absolute changes for balances.

mately -40% at the end of the year. For their part, excise taxes showed growth of 2.5%, partly due to the increases in taxes on oil and tobacco approved at mid-year. Lastly, the items aggregated under the heading “Other revenue” showed relatively high growth to September, partly explained by the fees earned by the State for guarantees on financing transactions entered into by credit institutions within the framework of Royal Decree-Law 7/2008 of 13 October 2008 (on urgent economic and financial measures relating to the concerted action plan of euro area countries) and by the issue premia on public debt issued at a discount.

State cash-basis expenditure increased by 25.3% in cumulative terms to September, accelerating slightly with respect to the first half of the year. This high growth is essentially due to transfers from the State to other general government sectors. Thus, the current transfers include that made to the National Public Employment Service to finance unemployment benefits, and the capital transfers include those to local government by the State Fund for Local Investment. Meanwhile, interest payments also accelerated sharply in Q3, in line with the behaviour of public debt. The budget outturn projection does not foresee significant changes in payments in the last part of the year with respect to the September outturn.

4.5 *Balance of payments*

In the first seven months of 2009, the combined current and capital account balance was a deficit of €32.5 billion, down 48% on the same period of the previous year. The percentage decrease in the negative current account balance was of a similar size, amounting, in nominal terms, to €34.8 billion, which represented a sharpening of the correction trend initiated in the previous year. This decrease is explained basically by the correction of the trade deficit and, to a much lesser extent, by the improvement in the current transfers balance, which offset the decrease in the services surplus. The income deficit remained practically unchanged in year-on-year terms.

In the first seven months of 2009, the trade deficit decreased by 56% in year-on-year terms to €24.6 billion. This rate of decrease is appreciably more pronounced than that in the same period of the previous year. Between January and July 2009, both goods exports and particularly goods imports fell off significantly in real terms, to which must be added the effect of the improvement in the terms of trade. The energy bill decreased in the first seven months of the current year, against a background of decline in net imports of energy products in real terms and of marked decline in oil prices on international markets with respect to the same period of the previous year. The non-energy trade imbalance also decreased, falling even more sharply than the energy deficit.

The services balance showed a surplus of €14.1 billion in the first seven months of 2009, down 4% on the same period of 2008. This decrease is explained by the fall of 8% in the positive tourism balance, which could not be countered by the notable correction in the non-tourism services deficit. Nominal tourism receipts fell by 10% between January and July, while tourism payments fell off by 15%. As regards other services, the first seven months of 2009 saw decreases in both receipts and payments (8% and 10%, respectively).

The negative income balance held practically steady in year-on-year terms in the period January-July 2009. This movement was a result of a fall-off in both payments and, more especially, receipts (10% and 15%, respectively). The current transfers deficit decreased by 17% in year-on-year terms in the first seven months of the year. This development took place against a background of stable receipts, which only grew by 1%, and of declining payments, down by 7%. Finally, the current account surplus decreased by 42% between January and July with respect to the same period of the previous year. This decline was fairly general across the various capital account headings, reflecting mainly the decrease in general government receipts from the various Community funds.

5.1 Overview

During 2009 Q3 the normalisation of domestic and international financial markets continued and the confidence of market agents recovered further. Against this backdrop, prices on Spanish stock markets rose and volatility decreased and, at the cut-off date of this article, the IBEX 35 stood 19.9% above its end-June level, a similar rise to that of the EUROSTOXX 50 index of European companies (20.2%) and somewhat higher than that of the S&P 500 for US companies (17.4%). Consequently, in 2009 to date the indices have gained 27.7%, 17.7% and 19.5%, respectively (see Chart 23).

On the interbank markets, interest rates continued to decline, and on 23 October the twelve-month EURIBOR stood at 25 bp below its end-Q2 level. This development was accompanied by a further decrease of 23 bp in the spread between the twelve-month EURIBOR and the twelve-month Eurepo (for secured transactions), which points to the gradual easing of strains on these markets, although this indicator still remained at historically high levels (of around 45 bp).

Interest rates on long-term government debt also fell. Thus, on 23 October the yield on ten-year bonds stood at 3.71% (34 bp below its end-June level). In line with market normalisation, the yield spreads between securities issued by euro area Member States narrowed; in the case of Spanish ten-year bonds the spread over German debt was slightly above 50 bp, 23 bp less than at the close of Q2. Likewise, the credit risk premia of the main Spanish non-financial corporations traded on derivatives markets declined by 25 bp on average to 85 bp.

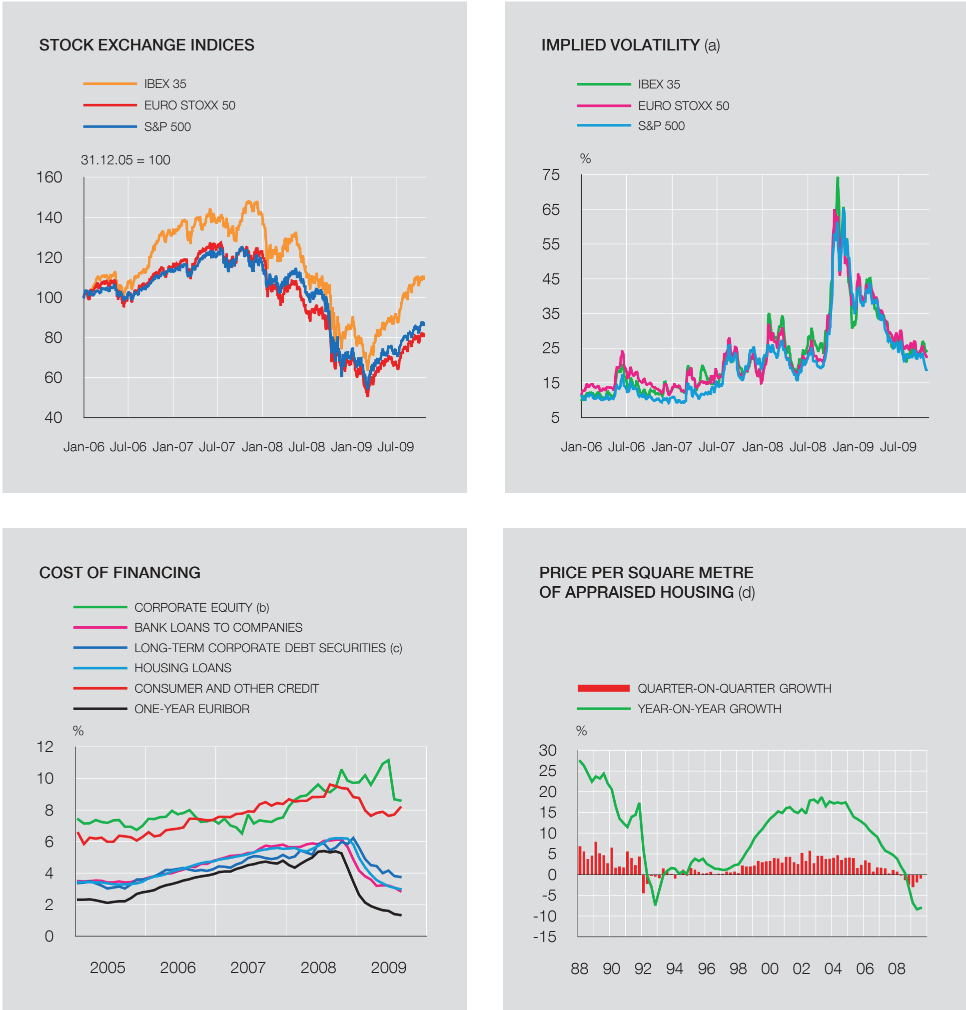
On the real estate market, according to the latest data from the Ministry of Housing, the price of unsubsidised housing continued to fall during 2009 Q3, albeit at a lower pace than during the preceding months. Thus the quarter-on-quarter and year-on-year rates of decline stood in September at 0.9% and 8%, respectively, in comparison with the declines of 1.9% and 8.3% in June (see Chart 23).

The cost of bank credit for households and companies generally continued to decrease in line with market yields (see Chart 23). The spreads over the latter remained relatively stable during Q3, albeit at high levels in comparison with those before the beginning of the last cycle of interest rate declines, especially in the case of higher-risk transactions. These data seem to confirm, therefore, that this rise is a result not only of the usual lag in the pass-through of interest rates, but it also includes a re-assessment of risk by institutions (for more details, see Box 7). Further, the cost of issuance of corporate fixed-income securities at both short and long term and, more significantly, that of issuing equity, moved downward. However, according to the October Bank Lending Survey (BLS), other lending conditions (term, security required) seem to have tightened again, although at a more moderate rate than in previous months.[1] The same survey shows that banks' approval criteria were relatively stable between July and September. The forecasts for 2009 Q4 indicate that lending criteria will remain approximately unchanged and that corporate and household demand for credit will fall moderately, although, as a result of the previous months' tightening, credit conditions during this period will foreseeably be stricter for borrowers than those prior to the financial crisis.

1. For more details, see the article "Encuesta sobre Préstamos Bancarios en España: octubre 2009" by Jorge Martínez Pagés in the *Boletín Económico* of October 2009.

FINANCING CONDITIONS AND ASSET PRICES

CHART 23



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 long-term debt is calculated as the sum of the average 5-year CDS spread for Spanish non-financial corporations and the 5-year euro swap rate.
d. Base 2001 until December 2004; base 2005 from that date.

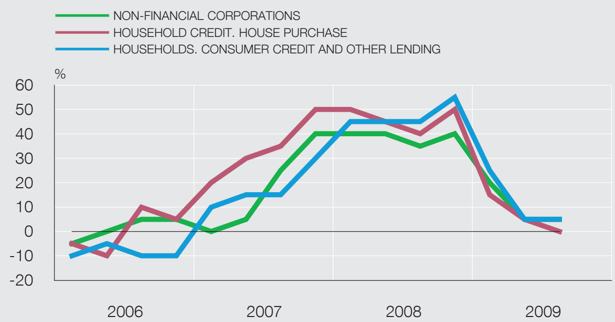
The latest available data on credit to the private sector continue to show further declines in the year-on-year growth rates, sharper for corporations (down by nearly 2 pp to approximately 1.5% between June and August) than for households (down 0.5 pp to zero). Seasonally-adjusted quarter-on-quarter rates remained negative yet, while the pace of decline of household liabilities slackened, that of corporate debt quickened, especially for credit extended by resident institutions (whose growth rate is also negative in year-on-year terms).

As a result of the scant changes in household liabilities and income in 2009 Q2, it is estimated that this sector's ratio of debt to gross disposable income (GDI) remained in June at approximately the same levels as in March (see Chart 24). This development, together with the interest rate cuts, seems to have been reflected in a fall in the debt burden. Also, the path of recovery, initiated at the beginning of 2008 by household saving after debt servicing, apparently continued due to the rise in gross saving. The sector's net wealth in relation to GDI slipped once again between April and June as a result of the drop in the price of real estate, the main asset owned by households. The preliminary estimates available for Q3 indicate that all these trends will continue.

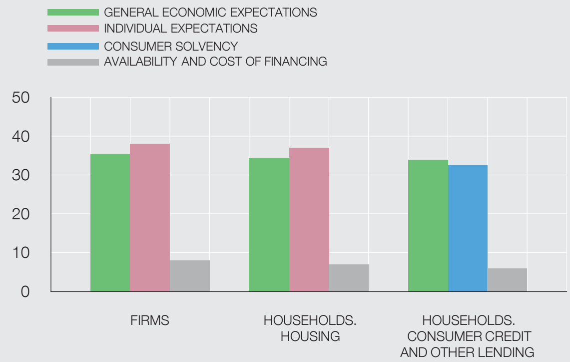
The supply of credit in bank lending is determined by the criteria applied by institutions to decide whether or not they grant financing (credit standards) and by the conditions under which the funds are provided in the first place. These latter conditions include most notably the margins applied to the reference interest rates, the term and the collateral requirements.

The Bank Lending Survey (BLS) provides qualitative information on credit standards. According to the responses of the banks surveyed,

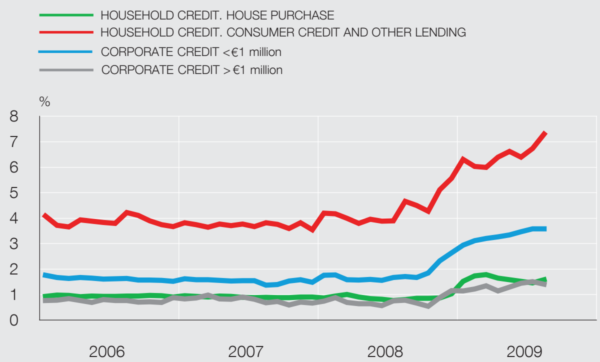
1 TIGHTENING OF CREDIT STANDARDS (a)



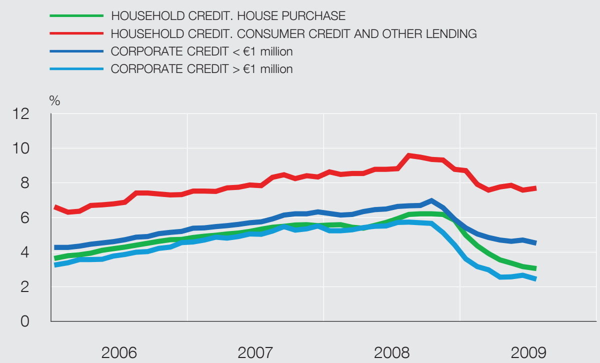
2 FACTORS EXPLAINING THE TIGHTENING OF CREDIT STANDARDS. BLS JUNE 2007 - SEPTEMBER 2009 (b)



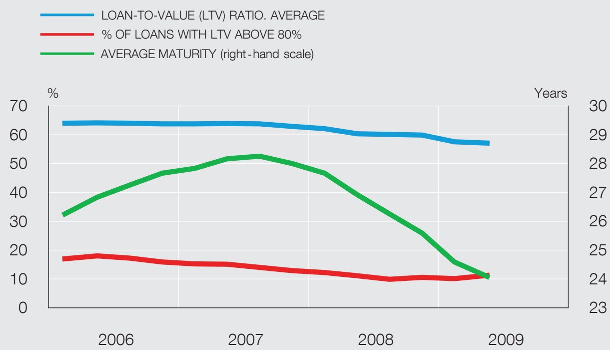
3 INTEREST RATE SPREADS (c)



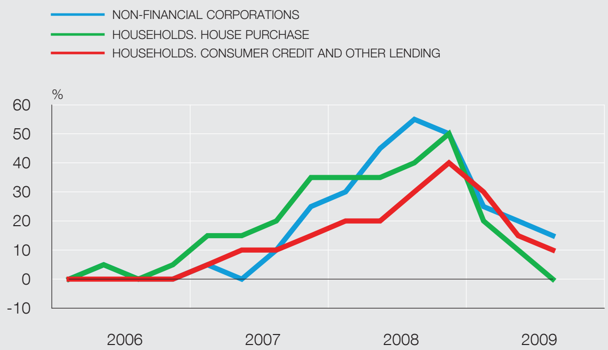
4 INTEREST RATES



5 MORTGAGE LOAN MATURITY AND COLLATERAL



6 COLLATERAL REQUIREMENTS. BLS (a)



SOURCES: Colegio de Registradores (panel 5) and Banco de España (other panels).

a. Bank Lending Survey (BLS). Indicator = % of institutions reporting a considerable increase x 1 + % of institutions reporting some increase x 1/2 - % of institutions reporting some decrease x 1/2 - % of institutions reporting a considerable decrease x 1.
b. Average of institutions' responses in the period analysed. Indicator prepared analogously to that explained in a).
c. The reference rate used is the 3-month EURIBOR in the case of corporate loans and of consumer credit and other lending, and the 1-year EURIBOR averaged over the preceding two months (to 2008) and over the previous month (from 2009) in the case of household loans for house purchase.

after notably tightening standards in 2008, during 2009 banks have tended to moderate this tightening, leaving standards practically unchanged in 2009 Q3 (see panel 1).[1] Panel 2 shows how, according to this same source, the main factors explaining these developments relate to the perception of higher borrower credit risk, against a backdrop of progressive and pronounced macroeconomic deterioration and of considerable increases in doubtful loans ratios. Contrastingly, the potential problems of liquidity or fund-raising associated with the impact on wholesale markets of the international financial crisis seem to have had a much more limited role in explaining these developments.

With regard to the conditions applied in the loans granted, there has recently been a rise in margins, which has been substantially more pronounced in higher-risk loans, a trend also identified by the BLS (see panel 3). Thus, in loans to households, margins have increased more in consumer credit and other lending – where doubtful loan ratios are highest and have been rising faster in recent quarters – than in house purchase loans. Moreover, a part of the increase for housing loans has been corrected since April 2009. Similarly, in corporate loans, those of less than €1 million, which have a higher proportion of SME borrowers (generally associated with higher risk), have shown the largest change in margins. This evidence therefore suggests that factors linked to the perception of higher probability of default are responsible for the recent changes in spreads between the lending interest rates applied by institutions and the market rates. In any event, thanks to the significant decrease in market rates, this development has been compatible with a decrease in the cost of bank financing in all segments in this period (see panel 4).

The more cautious attitude of institutions when it comes to approving loans is also apparent in the higher collateral required, which enables banks to reduce losses in the event of default. Thus, in mortgage lending, the average loan-to-value ratio of new lending has been falling since mid-2007, and in 2009 Q2 it stood at around 57%, compared with a value near to 64% before the outbreak of the crisis in summer 2007. Similarly, the percentage of loans in which this ratio exceeds 80% has decreased to 11%, down 7 pp from the figure at mid-2006. According to the BLS, the increase in the collateral requirements has also affected lending to firms and households for purposes other than house purchase (see panel 6). Thus the heightened concern about credit risk has been reflected in shorter terms, which for mortgages stood at around 24 years in mid-2009, compared with 28 years in June 2007 (see panel 5).

In short, the evidence presented in this box suggests that the changes in the credit supply conditions since the onset of the financial crisis have been determined basically by the heightened concern of institutions about credit risk, against a background of marked macroeconomic deterioration and of significantly higher doubtful loans ratios.

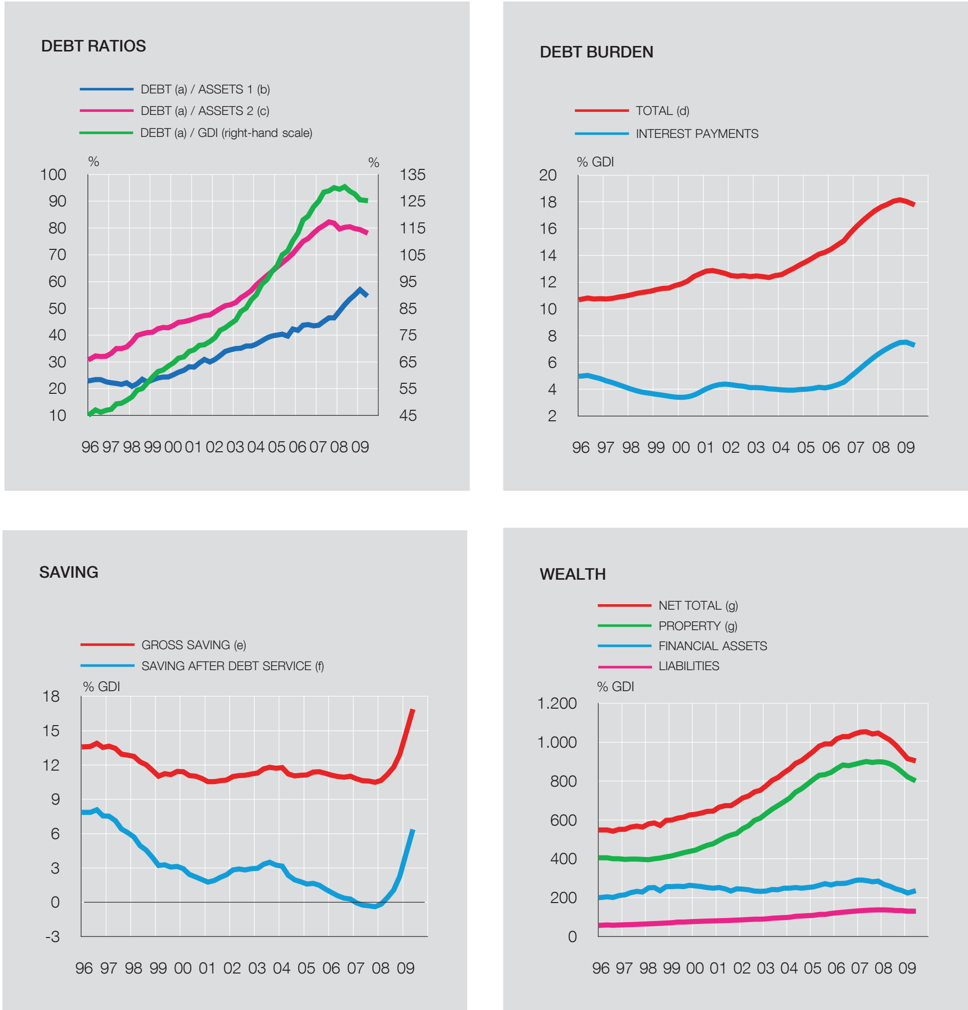
1. For more details about recent developments in credit supply and demand in Spain and their conditioning factors see "Encuesta sobre Préstamos Bancarios: octubre de 2009", by Jorge Martínez Pagés, in the October 2009 edition of the *Boletín Económico.*

Turning to firms, the National Accounts show an unfavourable course of income in Q2. It is estimated to have begun to fall off, resulting in a drop in return on equity (see Chart 25). In spite of this, the sector's debt burden ratio fell in relation to income generated as a result of the decrease in the cost of borrowing, while the debt ratio remained steady. The available preliminary estimates indicate that these trends will continue during the summer months. The most recent information, i.e. that relating to Q2, on corporations contributing to the Central Balance Sheet Data Office Quarterly Survey (CBQ), which are predominantly larger firms, continues to show a sharper deterioration of results in comparison with the National Accounts. That led to a sizeable fall-off in the return on capital, a rise in the debt ratio and to the debt burden remaining at a similar level to three months earlier, despite the drop in financial cost. As a combined effect of these developments, the synthetic indicators of financial pressure on investment and, to a greater extent, on employment continued to rise. Similarly, analysts continue to factor-in falls in the profits of listed companies over the next twelve months, although recently they have revised these expectations slightly upwards.

As a result of the deteriorating macroeconomic situation, the financial pressure borne by certain segments of the non-financial private sector seems to have continued to increase in recent months. This was reflected in further increases in the aggregate ratio of doubtful assets of other resident sectors (which include households, non-financial corporations and non-monetary financial institutions), albeit more slowly than in the preceding months. This indicator thus

INDICATORS OF THE FINANCIAL POSITION OF HOUSEHOLDS AND NPISHs

CHART 24



SOURCE: Ministerio de Vivienda, Instituto Nacional de Estadística and Banco de España.

a. Includes bank credit and off-balance-sheet securitised loans.
b. Assets 1 = total financial assets less "Other".
c. Assets 2 = assets 1 less shares less holdings in mutual funds.
d. Estimated interest payments plus debt repayments.
e. Balance of households' use of disposable income account.
f. Gross saving less estimated debt repayments.
g. 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.

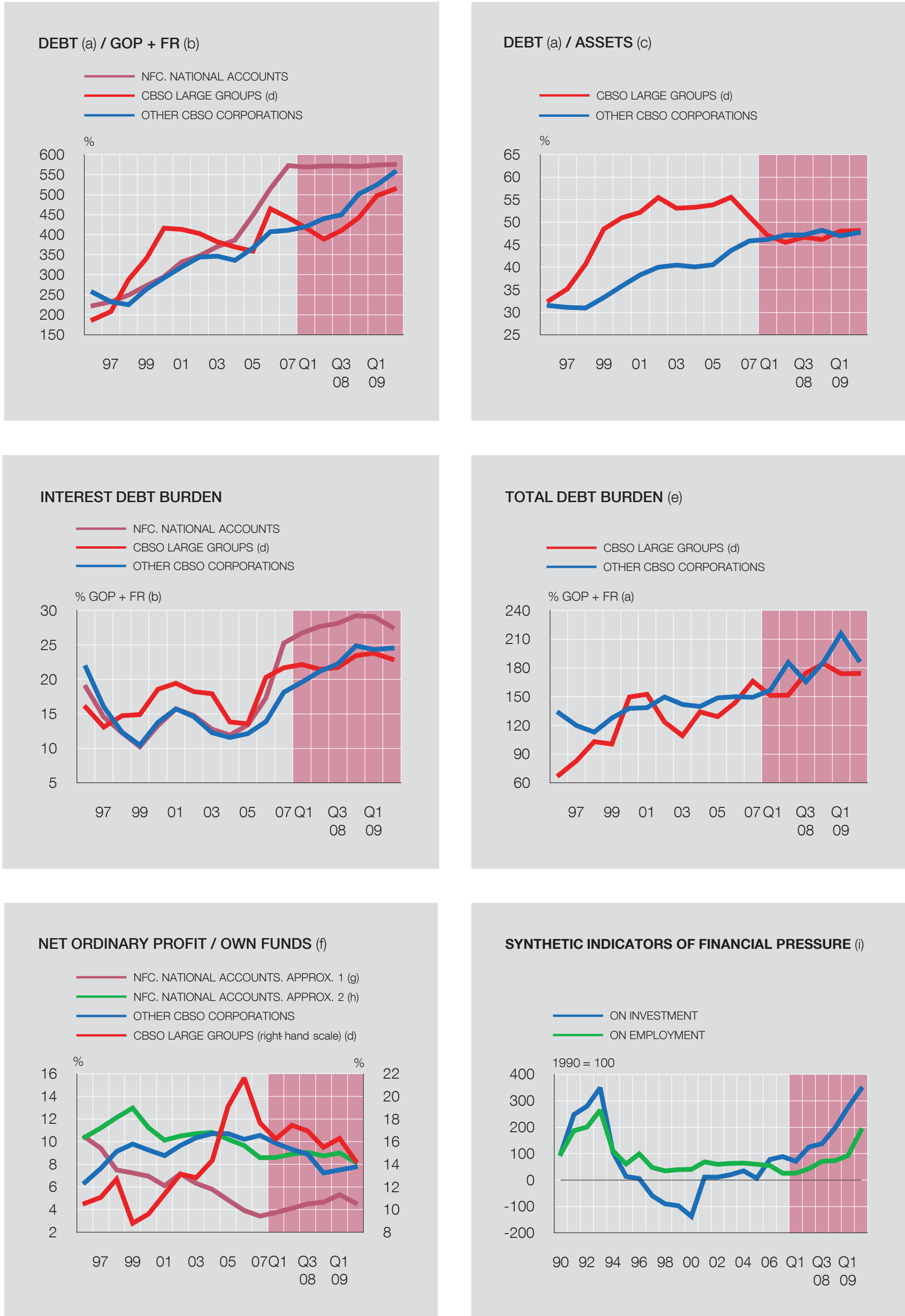
stood at 4.9% in August, 0.7 pp above its level in March, as compared with the rise of 1.3 pp during the previous five months.

The most recent Financial Accounts data continue to show a decrease in the nation's net borrowing (see Table 6). In cumulative twelve-month terms, the latter stood at 7% of GDP in 2009 Q2 (in comparison with 8.2% in March) as a result of the increase in the general government deficit (to 8% of GDP), which was amply compensated for by the decrease in households' and firms' net borrowing (1% of GDP, compared with 4.6% three months earlier). In line with the rise in the government deficit, the bulk of this borrowing was financed through debt issued by general government (4.2% of GDP in cumulative one-year terms).

In short, the most recent information continues to show declines in the cost of borrowing for households and corporations, a development which seems to have helped reduce the debt burden of indebted agents. However, the macroeconomic downturn and the drop in the value

INDICATORS OF THE FINANCIAL POSITION OF NON-FINANCIAL CORPORATIONS

CHART 25



SOURCES: INE and Banco de España.

a. Interest-bearing borrowed funds.
b. Gross operating profit plus financial revenue.
c. Defined as total inflation-adjusted assets less non-interest-bearing liabilities.
d. Aggregate of all corporations reporting to the CBSO that belong to the Endesa, Iberdrola, Repsol and Telefonica groups. Adjusted for intra-group financing to avoid double counting.
e. Includes interest plus interest-bearing short-term debt.
f. NOP, using National Accounts data, is defined as GOS plus interest and dividends received less interest paid less fixed capital consumption.
g. Own funds at market price.
h. Own funds calculated by accumulating flows from the 1996 stock onwards.
i. Indicators estimated drawing on the CBA and CBQ surveys. A value above (below) 100 denotes more

NET FINANCIAL TRANSACTIONS
Four-quarter data

TABLE 6

% GDP	2004	2005	2006	2007	2008			2009	
					Q2	Q3	Q4	Q1	Q2
National economy	-4.8	-6.5	-8.4	-9.6	-9.9	-9.5	-9.1	-8.2	-7.0
Non-financial corporations and households and NPISHs	-5.1	-8.4	-11.1	-13.5	-12.0	-9.7	-7.0	-4.6	-1.0
Non-financial corporations	*-4.5*	*-7.1*	*-9.5*	*-11.9*	*-10.5*	*-8.3*	*-7.2*	*-5.8*	*-4.3*
Households and NPISHs	*-0.6*	*-1.3*	*-1.7*	*-1.6*	*-1.5*	*-1.4*	*0.3*	*1.2*	*3.3*
Financial institutions	0.6	0.9	0.7	2.1	1.9	2.1	2.0	2.0	2.0
General government	-0.4	1.0	2.0	1.9	0.2	-1.9	-4.1	-5.6	-8.0
MEMORANDUM ITEM:									
Financing gap of non-financial corporations (a)	-8.7	-11.4	-17.3	-15.5	-16.3	-14.2	-10.9	-8.8	-6.4

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.

of real estate assets (the main component of household wealth) seemingly continued to have an unfavourable effect on the private sector's aggregate financial position, once again raising the financial pressure borne by certain segments.

5.2 Households

During July and August the cost of new housing loans dropped 18 bp to 3%, while that of consumer and other loans, which tends to rise in the summer months, increased by 53 bp to 8.2%. However, according to the October BLS, conditions other than interest rates seemingly tightened, although at a lower rate than during previous quarters. In any event, this survey shows relatively stable credit standards, unchanged for housing loans and only slightly more severe for other loans. The institutions surveyed did not anticipate significant changes in the credit supply for 2009 Q4.

The year-on-year growth rate of household debt continued to decrease, but to a lesser degree than in previous quarters, and reached zero in August compared with 0.5% in June. By purpose, falls in the year-on-year rate of expansion of liabilities were observed both in housing credit and in consumer and other credit, with rates dipping to 0.5% and -1.4%, respectively. The quarter-on-quarter growth rate of this sector's borrowing remained negative, although it seemingly recovered slightly in comparison with preceding months (-0.2% in annualised terms, as against -1.5% in June).

According to the latest Financial Accounts data (for 2009 Q2), between April and June household investment in financial assets recovered in cumulative annual terms to 2.6% of GDP, 0.7 pp above its March level (see Table 7). Behaviour was very uneven from one instrument to another. Thus, flows of cash and cash equivalents (cash and sight deposits) rose to 2.5% of GDP (in comparison with 0.3% in March), net redemptions of investment funds continued -albeit for a smaller amount than three months earlier (-1.7% of GDP compared with -2.7% in March)- and there was a fall in the momentum of time deposits, which showed net outflows although in cumulative twelve-month terms investment in this type of asset remained positive (1.8% of GDP compared with 4.1% in the previous quarter).

As a result of the scant variations in household liabilities and income in 2009 Q2, the household debt ratio (measured by debt as a percentage of the sector's GDI) remained steady. This,

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

TABLE 7

% GDP	2005	2006	2007	2008	2009	
				Q4	Q1	Q2
HOUSEHOLDS AND NPISHs						
Financial transactions (assets)	10.4	11.0	7.2	3.4	1.9	2.6
Cash and cash equivalents	4.0	3.1	-1.0	-0.5	0.3	2.5
Other deposits and fixed-income securities (a)	1.6	5.8	7.5	7.1	4.1	1.8
Shares and other equity (b)	0.2	-1.1	0.5	0.0	0.1	0.0
Mutual funds	1.9	0.2	-1.1	-3.4	-2.7	-1.7
Insurance technical reserves	1.9	1.8	0.9	0.4	0.5	0.5
Of which:						
Life assurance	*0.7*	*0.6*	*0.2*	*-0.1*	*0.0*	*0.1*
Retirement	*0.8*	*1.0*	*0.4*	*0.5*	*0.4*	*0.4*
Other	0.7	1.1	0.4	-0.2	-0.3	-0.5
Financial transactions (liabilities)	11.7	12.7	8.8	3.2	0.7	-0.7
Credit from resident financial institutions (c)	12.3	13.0	9.4	3.4	1.6	0.1
House purchase credit (c)	*10.5*	*10.0*	*7.1*	*2.7*	*1.6*	*0.6*
Consumer and other credit (c)	*1.9*	*3.0*	*2.1*	*0.8*	*0.2*	*-0.2*
Other	-0.6	-0.3	-0.5	-0.2	-0.9	-0.8
NON-FINANCIAL CORPORATIONS						
Financial transactions (assets)	18.1	23.3	13.9	3.8	3.1	-2.0
Cash and cash equivalents	2.0	2.3	-0.4	-1.1	-0.7	-0.8
Other deposits and fixed-income securities (a)	1.2	1.9	2.0	1.9	1.0	0.5
Shares and other equity	7.2	11.3	8.0	2.4	2.3	1.6
Of which:						
Vis-à-vis the rest of the world	*3.9*	*8.0*	*6.4*	*3.2*	*2.6*	*1.7*
Other	7.6	7.7	4.3	0.6	0.4	-3.3
Financial transactions (liabilities)	25.1	32.8	25.8	11.1	8.9	2.3
Credit from resident financial institutions (c)	12.9	17.6	13.9	5.5	3.7	1.2
Foreign loans	2.1	3.3	2.8	2.3	2.4	2.4
Fixed-income securities (d)	0.3	1.8	0.5	0.3	0.7	0.3
Shares and other equity	3.7	2.9	5.3	2.3	1.9	1.4
Other	6.1	7.2	3.4	0.6	0.1	-3.0
MEMORANDUM ITEM: YEAR-ON-YEAR GROWTH RATES (%):						
Financing (e)	21.2	24.2	15.5	6.1	4.5	2.1
Households and NPISHs	20.9	19.6	12.5	4.4	2.2	0.5
Non-financial corporations	21.4	27.9	17.7	7.4	6.2	3.3

SOURCE: Banco de España.

a. Not including unpaid accrued interest, which is included under "other".
b. Excluding mutual funds.
c. Including off-balance-sheet 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.

along with the decrease in interest rates, was reflected in a slight fall in the debt burden as a percentage of GDI, which stood at slightly below 18% (0.2 pp less than in March). These developments, combined with lower household consumption, were conducive to a further increase in household saving net of the expenses associated with liabilities, which increased by almost 2 pp to 6.2% of GDI. In line with this, according to the Financial Accounts, the sector's net lending rose to 3.3% of GDP, in cumulative twelve-month terms. Net wealth relative to GDI decreased once again between April and June as a consequence of the fall in the price of real estate, which is the main component of these agents' assets. The decline, however, was more moderate than in previous quarters due to the developments in financial assets which, bolstered by greater investment in them and by stock market price rises, saw their value increase for the first time since the end of 2007. The available provisional information indicates that all of these trends will continue in 2009 Q3.

In spite of the moderation of the debt burden, the worsening macroeconomic conditions and, in particular, the rise in unemployment seem to have contributed to a further increase in the proportion of households encountering difficulties in servicing their debt. As a result, in Q2 the doubtful asset ratio for households reached 3.8%, up 0.2 pp on the previous quarter, which, nonetheless, represents a slower rate than in previous months. A more detailed analysis by type of loan reveals that the ratio continues to be higher for consumer and other loans than for house purchase and refurbishment loans, although in Q2 it seems to have increased less (6.7%, practically the same level as in March, in the case of the former, as compared with a 0.2 pp rise to 3% in the case of the latter).

5.3 Non-financial corporations

Corporate financing costs also decreased in 2009 Q3. Thus, the interest rate on bank loans under €1 million dropped in July and August by 25 bp (to 4.4%), while that on bank loans for a higher amount fell 41 bp (to 2.3%). This confirms the trend that began a year ago of a sharper drop in the cost of larger loans (which has fallen 340 bp since October 2008) than in the cost of smaller loans (more common among SMEs), which decreased by 250 bp in the same period. Similarly, on data to September, the issuance cost of short-term and long-term securities dropped by 45 bp and 50 bp, respectively, and the returns demanded by shareholders fell more sharply (250 bp), in line with the notable rise in stock market prices.

According to the October BLS, institutions tightened loan approval criteria very slightly in Q3, and expected them to remain the same over the next three months. In the same vein, the information provided by the Chambers of Commerce Survey on SME access to financing for this period includes moderate variations in the percentage of these firms that considers they have difficulty in accessing borrowed funds.

Although financing conditions have improved, the growth rate of corporate debt continued to decline in both year-on-year and quarter-on-quarter terms. The year-on-year growth rate stood in August at approximately 1.5%, almost 2 pp below the figure for June. The slowdown was particularly sharp for credit extended by resident institutions, which represents the main source of borrowing for the sector, and slipped by slightly more than 1% in comparison with the same period last year. The seasonally adjusted quarter-on-quarter and annualised growth rate of the balance of loans amounted in August to -6% (-3.4% in June). Conversely, other borrowed funds (non-resident loans and funds raised with fixed-income securities), which are mainly used by larger companies, continued to show positive growth.

The latest information on credit breakdown by productive activity, relating to June 2009, shows a widespread slowdown in all sectors. The year-on-year negative rates continued for construction (-13.4%) and agriculture and fishing (-7.8%), at the same time as there was a considerable deceleration in funds raised by industry (7.1%) and, to a greater degree, by non-real estate service companies (5%), which saw their debt increase at double-digit year-on-year growth rates three months earlier. Conversely, the balance of loans extended to real estate service firms grew at a similar rate to that of in March.

Against this backdrop, and according to the Financial Accounts for 2009 Q2, the sector's net borrowing fell by 1.5 pp to slightly more than 4% of GDP. The *financing gap*, the indicator that approximates the funds required to bridge the difference between gross corporate saving and gross capital formation plus permanent foreign investment, fell by more than 2 pp to 6.4% of GDP.

The National Accounts show the unfavourable course of income which has seemingly begun to decline. Thus, during 2009 Q1 firms' gross operating profit contracted by 1.9% in relation to the same period in 2008. Ordinary net profit, which includes net interest income, dividends and fixed capital consumption, performed more unfavourably, contracting by 7.8% between January and June with respect to the first six months of 2008 and prompting a fall in return on equity. Nevertheless, the financial burden ratio decreased due to the lower borrowing costs, while the debt ratio remained steady . The most recent preliminary estimates indicate that these trends will continue during Q3.

The Central Balance Sheet Data Office Quarterly Survey (CBQ) information for 2009 Q2, based on a sample in which large corporations predominate, shows a marked deterioration in corporate results, sharper than that inferred from the National Accounts. This negative development affected all sectors, although within those branches best represented in the CBQ, its impact on industry was particularly severe. The decline in profit for the year was also confirmed by analysing the percentage of firms that reported profits in 2009 H1, which stood at 58%, ten percentage points less than a year earlier. Similarly, the proportion of firms with a high financial burden[2] rose further to 21% in June, as compared with 19% in March. The unfavourable course of profits brought a reduction in return on capital, pushed the debt ratio higher (in spite of the scant buoyancy of debt) and scarcely changed the associated debt burden (even though interest rates fell). As a consequence of all these developments, the synthetic indicators of financial pressure on investment and, to a greater extent, on employment rose once again.

The negative profit performance was also reflected once again in a rise, albeit lower than in previous months, in the non-financial corporations' doubtful loans ratio, which stood at 5.3% in June, 0.5 pp higher than in March 2009. Companies in the construction and real estate service sectors continued to experience the greatest difficulties in servicing their debts. The combined doubtful loans ratio for these companies increased from 7.5% to 8.1% between March and June, while in all other branches of activity it rose slightly less from 2.5% to 2.9% during the same period.

Analysts' projections continue to envisage that the profits of listed companies will keep sliding significantly over the next twelve months. Although these projections have been revised slightly upwards, they are, nevertheless, in line with a decline in the longer tem (see Chart 26).

5.4 General government

As a result of the increase in public spending and the decline in revenue, general government net borrowing increased substantially in Q2 to 8% of GDP in June, in cumulative twelve-month terms, 2.4 pp more than in March (see Table 6 and Chart 27).

The breakdown of financial flows shows that the government deficit was financed essentially through the issuance of short-, and particularly medium- and long-term, fixed-income securities. These operations represent a net inflow of funds between mid-2008 and June 2009 equivalent to 11.1% of GDP. General government acquired securities (mainly as a consequence of the investments of the Social Security Reserve Fund and the Fund for the Acquisition of Financial Assets) during the same period for an amount equal to 2% of GDP, while at the same time the deposit balance increased by more than the amount of net credit received by this sector, resulting in an increase in net assets through this channel of 1.2% of GDP.

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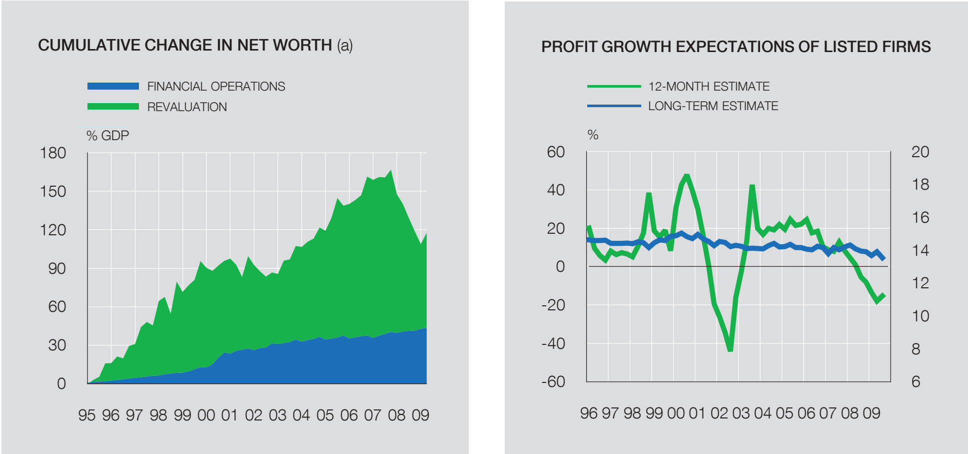
2. Firms whose interest burden exceeds the 90th percentile of the distribution of this variable in the period 1985-2001, the level above which, according to the available estimates, it has an impact on business investment levels.

OTHER FINANCIAL INDICATORS OF NON-FINANCIAL CORPORATIONS

CHART 26

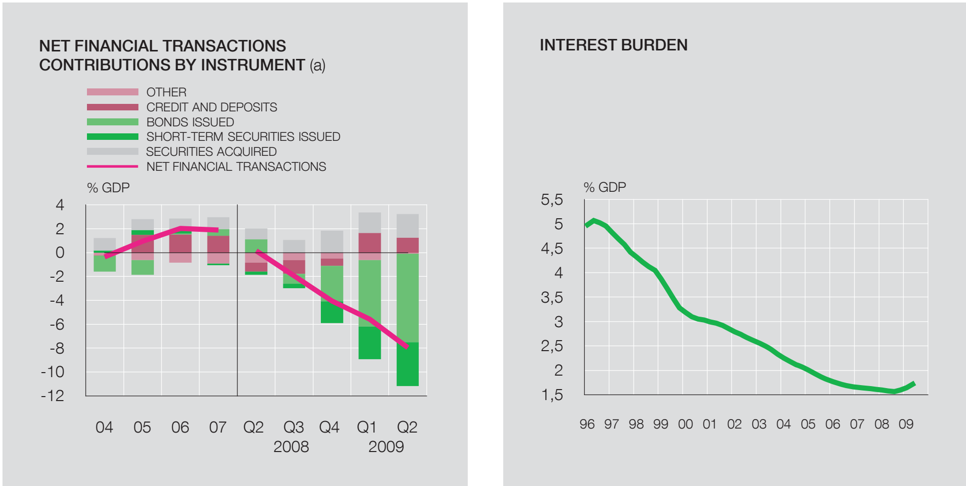


SOURCES: I/B/E/S and Banco de España.

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

GENERAL GOVERNMENT
Four-quarter data

CHART 27



SOURCE: Banco de España.

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

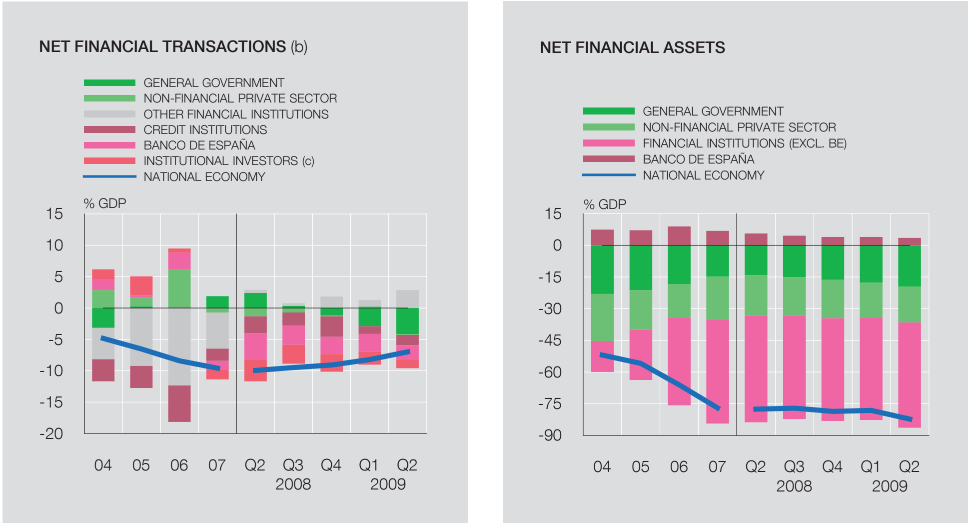
The increase in liabilities over the last twelve months, together with the decline of GDP, brought a rapid rise in the debt/GDP ratio from 35.8% in mid-2008 to 47% in June 2009. The drop in interest rates softened the impact of the debt growth on the related debt burden, which climbed marginally to 1.7% of GDP (1.6% a year earlier). In the medium-term, however, the normalisation of monetary policy stance will foreseeably involve an increase in the cost of debt. In this setting, with the target of ensuring long-term sustainability of debt, it is important that public finances quickly resume the path of fiscal consolidation.

5.5 The rest of the world

In 2009 Q2, the debit balance of the nation’s net financial transactions fell to 7% of GDP, in cumulative twelve-month terms, compared with 8.2% in March. By sector, this was due to lower corporate borrowing and an increase in the credit balance of households, which offset the rise in the general government deficit (see Table 6).

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.

The breakdown of financial transactions vis-à-vis the rest of the world by sector shows that, in line with the rise in the government deficit, the bulk of the nation's net borrowing was covered by general government debt issuance (4.2% of GDP, in cumulative twelve month terms) (see Chart 28). Institutional investors continued to unwind positions in the rest of the world between June 2008 and mid-2009, although to a lesser degree than three months earlier. Similarly, the net funds raised abroad through assets issued by credit institutions increased to 1.7% of GDP, although net capital outflows in the form of instruments issued by other financial institutions (apart from institutional investors and the Banco de España) increased. Lastly, the net flow of the Banco de España vis-à-vis non-residents turned negative again, albeit in a lower amount than in March (-2.3% of GDP, against -2.8%).

Financial flows vis-à-vis the rest of the world declined further in cumulative twelve-month terms. However, the quarterly breakdown shows that they recovered slightly between March and June, although they did not reach their levels prior to the bankruptcy of Lehman Brothers in September 2008. The volume of capital inflows decreased to slightly more than 4% of GDP in cumulative four-quarter terms, 4.3 pp below the amount recorded in March (see Table 8). This decrease affected most instruments; the highest declines were seen in deposits and securities other than shares issued by other non-monetary financial institutions, which include securitisation special purpose entities (the flows received by general government through the net issuance of this type of securities increased by 1 pp). Foreign direct investment in Spain dropped by 0.4 pp to 2.4% of GDP.

Capital outflows between mid-2008 and June 2009 were negative (-2.7% of GDP, compared with 0.4% in March) (see Table 8), although they were positive in quarterly terms. By instrument, interbank deposits recorded the highest decline, with the result that, in net terms, the balance of funds raised through this channel increased in one year by an amount equivalent to 6.5% of GDP. By contrast, net purchases of securities other than shares increased, turning positive and reaching a volume equivalent to 0.5% of GDP, in comparison with -0.2% in the

FINANCIAL TRANSACTIONS OF THE NATION
Four-quarter data

TABLE 8

% GDP

	2005	2006	2007	2008 Q4	2009 Q1	2009 Q2
NET FINANCIAL TRANSACTIONS	-6.5	-8.4	-9.6	-9.1	-8.2	-7.0
FINANCIAL TRANSACTIONS (ASSETS)	18.5	17.6	14.0	3.0	0.4	-2.7
Gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	2.2	5.2	2.1	-0.3	-2.1	-5.8
Of which:						
Interbank (a)	*3.1*	*3.4*	*4.2*	*-0.5*	*-2.3*	*-5.6*
Securities other than shares	8.7	-1.2	1.6	1.3	-0.2	0.5
Of which:						
Credit institutions	*6.6*	*-2.0*	*1.8*	*1.5*	*0.7*	*1.5*
Institutional investors (b)	*2.3*	*0.6*	*0.2*	*-0.9*	*-1.5*	*-1.5*
Shares and other equity	5.1	10.4	8.6	1.9	2.5	2.2
Of which:						
Non-financial corporations	*3.9*	*8.0*	*6.4*	*3.2*	*2.6*	*1.7*
Institutional investors (b)	*0.9*	*1.2*	*-1.1*	*-1.6*	*-0.8*	*-0.5*
Loans	1.1	2.1	1.2	0.9	1.0	1.1
FINANCIAL TRANSACTIONS (LIABILITIES)	25.0	26.0	23.5	12.1	8.6	4.3
Deposits	5.6	0.3	7.3	9.0	4.3	1.9
Of which:						
Interbank (a)	*7.2*	*0.6*	*6.7*	*6.2*	*1.9*	*0.9*
Securities other than shares	15.8	21.3	8.1	-2.4	0.3	-0.7
Of which:						
General government	*0.2*	*1.0*	*-1.4*	*1.3*	*2.5*	*3.4*
Credit institutions	*6.3*	*8.0*	*3.6*	*-1.9*	*-1.1*	*-1.2*
Other non-monetary financial institutions	*9.3*	*12.3*	*5.8*	*-1.8*	*-1.0*	*-2.9*
Shares and other equity	0.9	0.2	4.5	3.4	1.9	1.4
Of which:						
Non-financial corporations	*1.0*	*-0.2*	*4.7*	*2.5*	*1.2*	*0.6*
Loans	2.3	3.5	3.1	2.2	2.5	2.6
Other, net (c)	-0.9	-0.5	0.1	0.7	0.4	0.0
MEMORAMDUM ITEMS						
Spanish direct investment abroad	3.7	8.4	9.6	5.0	4.9	4.0
Foreign direct investment in Spain	2.2	2.5	4.8	4.4	2.8	2.4

SOURCE: Banco de España.

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

previous quarter. Net purchases of shares and other equity fell and Spanish foreign direct investment decreased even more sharply to 4% of GDP, almost 1 pp less than in March.

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 rose to 82% of GDP, 4.2 pp above the figure for March (see Chart 28). By sector, this was essentially due to the increase in the debit positions of financial institutions and general government. Also, non-financial private sector debt vis-à-vis the rest of the world increased, albeit to a lesser degree, while the credit balance of the Banco de España decreased.

23.10.2009.

Overview [1]

Productive activity at the non-financial corporations reporting their data to the Central Balance Sheet Data Office Quarterly Survey (CBQ) continued to contract in the first two quarters of 2009 (2009 H1), in which gross value added (GVA) fell at a rate of –15.7%, in contrast to the growth seen in this variable a year earlier (2.1%). As in 2009 Q1, this negative performance affected all sectors of activity, although most especially the industrial firms, directly hit by the decline in investment in capital goods. By contrast, external activity continued to make a positive contribution to GDP, as the sharp drop in imports (–36% to June 2009) offset the decline in exports (–20.9%), against the backdrop of continuing fall-off in international trade.

Personnel costs fell slightly (–0.7%) in 2009 H1, in sharp contrast to the increase recorded in 2008 H1 (4.6%). The decline in these costs is due to job losses (the average number of employees fell by 2.5%) and to the lower rate of growth of average compensation (1.8%, practically half the 2008 H1 figure). However, this reduction in staffing levels affected only temporary contracts (–17%), as permanent employment grew by 0.2%, although this is lower than the rate of growth recorded a year earlier (0.8%). The workforce reductions affected all sectors of activity, with the exception of energy and water, which continued to post marginally positive growth (0.9%). By contrast, employment fell most notably in industry and in the wholesale and retail trade, where the average number of employees fell by –6.3% and –4.4%, respectively). Average compensation was contained in all sectors of activity, without exception, as a result of the lower wage rises negotiated, against the backdrop of uncertainty due to the economic crisis and of low inflation. As in 2009 Q1, the rate of change of average compensation in industry was negative (–1.3%) in 2009 H1, due to the sharp drop in performance-related variable compensation.

The decrease in personnel costs offset only a minimum part of the impact of the decline in activity on earnings at Spanish non-financial corporations, so that gross operating profit (GOP) fell by –27% in 2009 H1, having risen, albeit marginally (0.3%), a year earlier. In turn, both financial revenue and financial costs decreased, as interest rates declined. Financial revenue fell by –4.4%, due exclusively to the decline in revenue from interest received, as dividends received rose slightly (1.8%). Financial costs recorded a sharper fall (–20.6% in 2009 to date), but also primarily due to the notable decline in interest rates. The overall effect of the change in financial revenue and financial costs and of the decrease in depreciation and provisions (–4.5%) on ordinary net profit (ONP) was marginal, so that the fall in ONP in the period (–28%) was similar to that seen in GOP, signifying a deterioration vis-à-vis the 2008 figure when it grew by 0.5%.

As a result of the contraction in productive activity, and the consequent deterioration in the main corporate surpluses, the ordinary returns of the non-financial corporations also headed down. Thus, return on investment (R.1) and return on equity (R.3) both declined, standing at 5.6% and 7.4%, respectively, in 2009 H1, well below the levels seen a year earlier (7.2% and 9.3%, respectively). The decline in interest rates was also reflected in a drop in the ratio that measures the cost of debt (R.2), which stood at 3.6%, more than 1 pp below the 2008 H1 level (4.8%). These lower financial costs partially offset the decrease in return on investment,

1. The information which serves as a basis for this article is that sent by the 712 corporations that have reported data, on average, to the Central Balance Sheet Data Office to 15 September. The GVA generated by this aggregate accounts for 11.9% of the total GVA of non-financial corporations.

so that the ratio that measures the difference between the two remained positive, although slightly lower than a year earlier (2.0 as opposed to 2.4). This indicator deteriorated across all areas of activity, but most notably in industry and in wholesale and retail trade where the difference was negative (–2.9% and –0.8%, respectively).

Lastly, most extraordinary items declined significantly in 2009 H1. The drop in the gains (losses) from disposals and impairment heading (–51%), which had the most impact on profit for the period, was due to the extraordinary capital gains recorded in 2008 as a consequence of the sale of the European business of a large electric utility. This decrease in extraordinary gains, when added to the decline in ordinary profit, heightened the fall in profit for the period, which amounted to –37.4% in 2009 H1, in contrast to the growth recorded in 2008 H1 (43.6%). Despite the sharp fall in the half-year, the surplus remains clearly positive in absolute terms, representing 34.2% expressed as a percentage of GVA, demonstrating that, as a whole, the corporations reporting to the CBQ still have considerable profit-generating capacity. However, the proportion of corporations reporting profit (58.2%) has declined by 10 pp from the figure a year earlier (68.3%).

To sum up, the contraction in productive activity in 2009 H1 at the non-financial corporations reporting to the CBQ was reflected in a severe deterioration of surpluses and of employment (especially temporary employment) figures. Neither the slowdown in the rate of growth of wage costs nor the notable decrease in financial costs were sufficient to prevent a decline in returns, prompting a further reduction in the difference between the ratio that measures return on investment and financial costs.

Activity

In 2009 H1, activity at the non-financial corporations reporting to the CBQ contracted sharply, leading to a decline of –15.7% in their gross value added (GVA) (see Table 1 and Chart 1), as opposed to growth of 2.1% in this surplus a year earlier, reflecting the severity of the change. This contraction is seen in the decline in value both of production (–25.2%) and inputs (–30%). In turn, external activity continued to make a positive contribution to GDP, as in 2009 Q1, as net external demand (exports net of imports) rose. However, this growth was due to the fact that imports declined by more than exports, in a setting in which international trade continued to show no sign of resurgence.

A more detailed breakdown by sector shows, first, that GVA contracted in all sectors of activity in 2009 H1 (see Table 2.A). This decline was most striking in industry (–38.4%), due to the impact of the decline in investment in capital goods and to the poor performance of the industrial sub-sectors most closely connected to construction. Non-financial corporations in the wholesale and retail trade sector also saw their GVA fall significantly (by –14.2%), a drop that was more than triple that recorded a year earlier (–4.4%), confirming the impact on this sector of the growing weakness of private consumption. Likewise in the transport and communications sector, where GVA fell by –8% in 2009 H1, in comparison with growth of 0.8% a year earlier. Within this aggregate, telecoms and air travel were most affected by the downturn. And lastly, energy also saw a notable contraction in its GVA (–16.5%), in sharp contract to the growth of 11.8% recorded on 2008 H1. This about-face was due to the oil refining sub-sector, whose GVA fell by –52.2% in 2009 H1, after growing by 28.7% in 2008 H1, influenced, to a great extent, by the decrease in the price of oil on the international markets (see Chart 2). The other main energy sub-sector – electricity, gas and water utilities – posted a more moderate decline in its GVA (–6.3%), but one that is still a keen contrast to the growth of 8.5% recorded a year earlier and is primarily due to the fall-off in demand for electricity (down 6.8% in 2009 H1, on data from Red Eléctrica).

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

	CBA STRUCTURE	CBA		CBQ		
DATABASES	2007	2006	2007	08 Q1-Q4/ 07 Q1-Q4 (a)	08 Q1-Q2/ 07 Q1-Q2	09 Q1-Q2/ 08 Q1-Q2
Number of corporations		9,280	8,947	794	838	712
Total national coverage		33.6%	33.0%	12.4%	13.7%	11.9%
PROFIT AND LOSS ACCOUNT						
1. VALUE OF OUTPUT (including subsidies)	100.0	9.5	7.5	3.1	8.8	-25.2
Of which:						
— Net amount of turnover and other operating income	139.0	9.7	5.8	0.7	5.6	-19.6
2. INPUTS (including taxes)	68.9	10.2	8.0	6.1	12.2	-30.0
Of which:						
— Net purchases	39.9	12.3	6.9	5.1	18.7	-42.4
— Other operating costs	29.4	7.8	8.5	6.0	5.4	-3.0
S.1. GROSS VALUE ADDED AT FACTOR COST [1 – 2]	31.1	8.1	6.4	-3.3	2.1	-15.7
3. Personnel costs	16.4	6.9	6.9	3.5	4.6	-0.7
S.2. GROSS OPERATING PROFIT [S.1 – 3]	14.8	9.5	5.9	-8.3	0.3	-27.0
4. Financial revenue	4.0	17.0	23.2	2.2	17.5	-4.4
5. Financial costs	4.0	34.3	39.0	15.8	21.2	-20.6
6. Net depreciation, impairment and operating provisions	5.2	9.9	0.0	-0.1	-2.7	-4.5
S.3. ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	9.5	5.1	4.8	-17.3	0.5	-28.0
7. Gains (losses) from disposals and impairment (c)	-1.0	82.0	(b)	(b)	(b)	-51.0
7' As a percentage of GVA (7 / S.1)		5.6	-3.1	-3.5	11.3	8.0
8 Changes in fair value and other gains (c)	1.2	54.9	(b)	57.4	84.7	-76.9
8' As a percentage of GVA (8 / S.1)		-2.9	4.0	-3.9	-0.8	-2.7
9. Corporate income tax	1.9	36.9	-14.9	-68.5	2.2	-30.0
S.4. NET PROFIT [S.3 + 7 + 8 - 9]	7.8	28.3	8.6	-29.1	43.6	-37.4
S. 4' As a percentage of GVA (S.4 / S.1)		24.3	25.1	25.9	43.6	34.2
PROFIT RATIOS						
R.1 Ordinary return on investment (before taxes)	(S.3 + 5.1) / NA	9.1	8.9	7.9	7.2	5.6
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1 / IBB	4.1	4.8	4.9	4.8	3.6
R.3 Ordinary return on equity (before taxes)	S.3 / E	13.5	12.5	10.4	9.3	7.4
R.4 ROI - cost of debt (R.1 - R.2)	R.1 – R.2	5.1	4.1	2.9	2.4	2.0

SOURCE: Banco de España.

a. All the data in these columns have been calculated as the weighted average of the quarterly data.
b. Rate not significant or not calculable because the relevant figures are of opposite sign.
c. New P&L headings resulting from application of the new general chart of accounts (PGC 2007).
d. 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 the portion of financial costs that is interest on borrowed funds (5.1) and not other financial costs (5.2).
NB: In calculating rates, internal accounting movements have been edited out of items 4, 5 and 7.

Finally, as shown in Chart 3, in 2009 H1 the proportion of companies reporting a decline in GVA increased significantly to 64.9% from 45.4% in 2008 H1, a jump of almost 20 pp. Moreover, the segment with the sharpest adjustments in activity (GVA falls in excess of 20%) contains the highest percentage of corporations (38.8%, as opposed to 21.6% in 2008).

Employment and personnel costs

In 2009 H1, personnel costs fell marginally (–0.7%), representing a significant turnaround vis-à-vis the same period a year earlier when they rose by 4.6%, as a result of the combination of falling employment and more moderate average compensation growth.

Employment figures for 2009 H1 show that average employment decreased by –2.5%, in comparison with an increase of 1% in 2008 H1. Temporary employment bore the brunt of the

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

CHART 1

REPORTING NON-FINANCIAL CORPORATIONS		2004	2005	2006	2007	2008	2009
Number of corporations	CBA	9,065	9,137	9,280	8,947	—	—
	CBQ	830	811	829	847	794	712
% of GDP of the sector non-financial corporations	CBA	32.3	32.5	33.6	33.0	—	—
	CBQ	14.9	14.6	14.5	14.3	12.4	11.9

SOURCE: Banco de España.

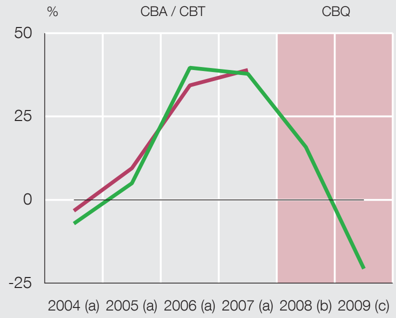
a. 2004, 2005, 2006 and 2007 data drawn from corporations reporting to the annual survey (CBA), and average data of the four quarters of each year in relation to the previous year (CBQ).
b. Average of the four quarters of 2008 relative to the same period of 2007.
c. Average of the first two quarters of 2009 relative to the same period of 2008.

job losses, falling at a rate of –17%, while permanent employment was virtually unchanged, with growth of 0.2% (although this is a deterioration on a year earlier when it grew by 0.8%). The sectoral breakdown shows that negative rates of growth predominated throughout, save in energy, the only area recording growth in employment (albeit only 0.9%, as opposed to 2.1% in 2008 H1). Employment declined in all other sectors, in step with the slowdown in productive activity, although particularly in wholesale and retail trade and in industry where the workforce restructuring was most severe. Thus, in industry, the average number of employees fell by –6.3%, as opposed to –0.4% in 2008, while in the wholesale and retail trade it fell by –4.4% in 2009 H1, in sharp contrast to the growth of 2.5% recorded a year earlier. Employment

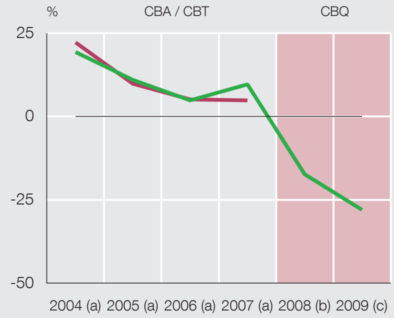
NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE (cont'd)

CHART 1

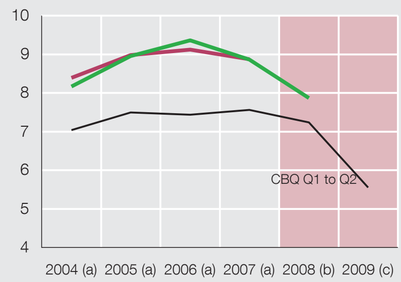
FINANCIAL COSTS
Rate of change



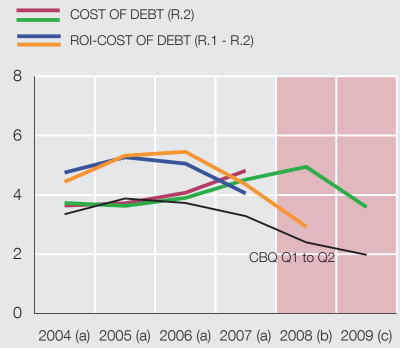
ORDINARY NET PROFIT
Rate of change



RETURN ON INVESTMENT (R.1)
Ratios



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



REPORTING NON-FINANCIAL CORPORATIONS		2004	2005	2006	2007	2008	2009
Number of corporations	CBA	9,065	9,137	9,280	8,947	—	—
	CBQ	830	811	829	847	794	712
% of GDP of the sector non-financial corporations	CBA	32.3	32.5	33.6	33.0	—	—
	CBQ	14.9	14.6	14.5	14.3	12.4	11.9

SOURCE: Banco de España.

a. 2004, 2005, 2006 and 2007 data drawn from corporations reporting to the annual survey (CBA), and average data of the four quarters of each year in relation to the previous year (CBQ).
b. Average of the four quarters of 2008 relative to the same period of 2007.
c. Average of the first two quarters of 2009 relative to the same period of 2008.

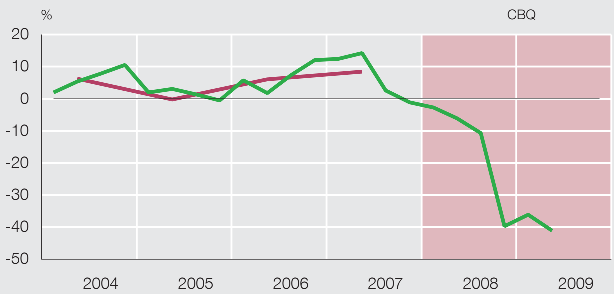
also fell in the transport and communications sector in 2009 H1, down –1.2% as opposed to the net decrease of –0.9% in 2008. Lastly, Table 4 confirms the increasingly widespread nature of the workforce reductions, which in 2009 H1 affected 61.7% of the sample corporations, nearly 20 pp more than in the previous year.

Average compensation continued the pattern first seen in 2009 Q1, as its growth moderated to 1.8% in 2009 H1, almost 2 pp below the 2008 H1 figure. This containment was seen in all sectors of activity and in firms of all sizes and is a result of the lower wage rises negotiated, against the backdrop of crisis and uncertainty. Wholesale and retail trade and

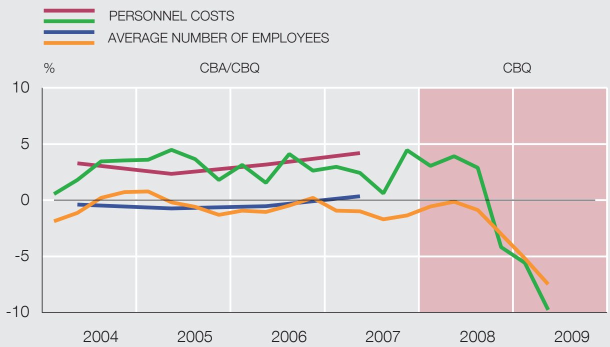
The productive activity of industrial firms contracted sharply in 2009 H1, with a decrease in GVA of –38.4%, accentuating the fall seen in 2009 Q1. This deterioration in industrial activity was set against a background in which the fall-off of investment in capital goods steepened and in which the industrial sub-sectors most closely connected with the construction sector continued to perform negatively. Thus, although all sub-sectors recorded GVA falls in 2009 H1, the drop in activity was sharpest in glass, ceramic and metal products, in chemicals and in electrical, electronic and optical equipment, recording rate of change of –62.3%, –44.9% and –38.2%, respectively. Worthy of comment as regards external activity was the significant fall-off in both exports and imports, although the sharper fall in imports meant that net external demand (exports minus imports) made a larger contribution to GDP (see Table 3). Meanwhile, personnel costs decreased significantly, by –7.5%, in 2009 H1. The behaviour of this item reflected both the drop in employment, which, in line with the decline in industrial activity, took place in this sector (the average number of employees decreased by –6.3%), and the fall in average compensation, which showed a rate of change of –1.3%. The decrease in wage costs in 2009 is explained by the impact on some large industrial firms of the drop in variable compensation linked to profits, against a background of greater moderation in negotiated wages. In any event, the decrease in personnel costs did not prevent gross operating profit (GOP) from falling sharply (by –75.2%) as a direct consequence of the deterioration of industrial activity. The positive trend of financial costs and revenue, with a reduction in the former and an increase in the latter, was insufficient to prevent ONP from also falling notably. The result of all this was that the levels of return declined significantly. Thus the return on investment was down from 6.6% in 2008 H1 to 0.9% in 2009; and return on equity posted negative values (–1.9%) far from the 8.1% recorded a year earlier. The ratio which measures the cost of debt decreased appreciably in 2009 (from 5.1% to 3.8%) due to the successive interest rate cuts, thereby relieving the interest burden of firms. This did not, however, prevent the difference between return on investment and interest burden from decreasing sharply in 2009 to a negative value of –2.9 for 2009 H1. This figure summarises the difficult situation facing the industrial sector, where the sharp deterioration in activity has affected its capacity to generate surpluses, caused a significant drop in employment and significantly impaired its levels of return, as a result of the particularly strong impact which the economic crisis is having on the firms of this sector.

PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO

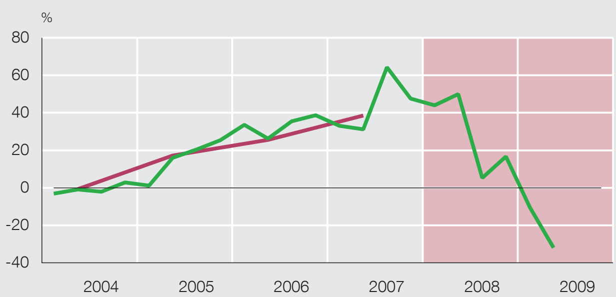
GROSS VALUE ADDED AT FACTOR COST
Rate of change



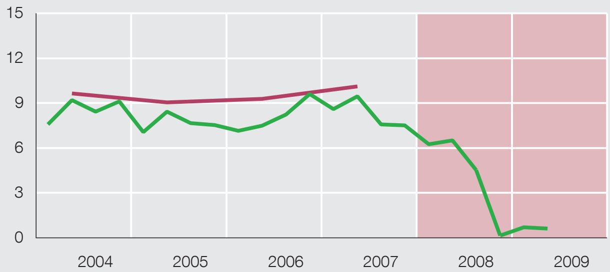
EMPLOYMENT AND WAGES
Rate of change



FINANCIAL COSTS



RETURN ON INVESTMENT
Ratios



REPORTING INDUSTRIAL CORPORATIONS		2004				2005				2006				2007				2008				2009			
Number of corporations	CBA	2,538				2,476				2,471				2,345				—				—			
	CBQ	355	345	338	336	327	315	308	300	322	306	293	284	316	306	291	286	289	277	261	246	232	203	—	—
% of GDP of the sub-sector industrial corporations	CBA	29.4				28.8				31.5				33.0				—				—			
	CBQ	20.0	20.3	18.3	19.7	19.5	20.2	17.2	17.7	18.9	18.0	16.5	17.6	19.6	19.9	16.8	17.2	16.4	16.4	12.7	8.4	9.8	8.1	—	—

SOURCE: Banco de España.

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

TABLE 2.A

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

	GROSS VALUE ADDED AT FACTOR COST				EMPLOYEES (AVERAGE FOR PERIOD)				PERSONNEL COSTS				COMPENSATION PER EMPLOYEE			
	CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)		
	2007	08 Q1 -Q4	08 Q1 -Q2	09 Q1 -Q2	2007	08 Q1 -Q4	08 Q1 -Q2	09 Q1 -Q2	2007	08 Q1 -Q4	08 Q1 -Q2	09 Q1 -Q2	2007	08 Q1 -Q4	08 Q1 -Q2	09 Q1 -Q2
Total	6.4	-3.3	2.1	-15.7	3.1	0.4	1.0	-2.5	6.9	3.5	4.6	-0.7	3.7	3.1	3.6	1.8
SIZE																
Small	3.4	—	—	—	-0.4	—	—	—	4.8	—	—	—	5.2	—	—	—
Medium	5.6	-1.0	0.4	-14.9	1.7	-2.1	-1.2	-6.0	6.6	2.3	4.0	-5.2	4.8	4.5	5.3	0.8
Large	6.6	-3.4	2.2	-15.7	3.4	0.5	1.2	-2.3	7.0	3.5	4.7	-0.5	3.4	3.0	3.5	1.8
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	1.4	1.5	11.8	-16.5	0.2	1.8	2.1	0.9	5.0	4.4	5.1	2.5	4.8	2.6	2.9	1.7
Industry	8.4	-13.3	-4.4	-38.4	0.3	-1.1	-0.4	-6.3	4.2	1.5	3.5	-7.5	3.8	2.7	3.9	-1.3
Wholesale and retail trade	7.1	-6.3	-4.4	-14.2	3.5	1.2	2.5	-4.4	7.0	4.1	4.7	-3.8	3.4	2.9	2.1	0.6
Transport and communication	6.9	-1.7	0.8	-8.0	1.8	-0.9	-0.9	-1.2	5.6	1.8	2.8	1.6	3.7	2.7	3.7	2.9

SOURCE: Banco de España.

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

EMPLOYMENT AND PERSONNEL COSTS

TABLE 2.B

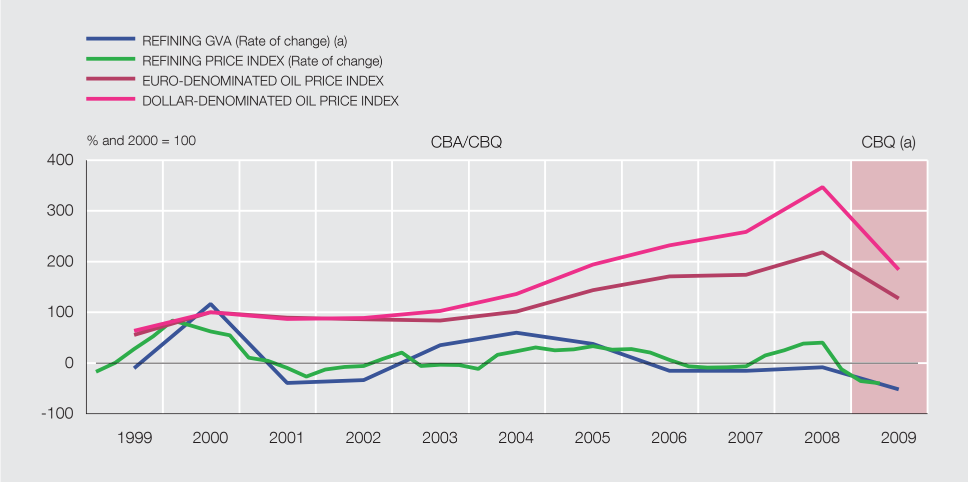
Details based on changes in staff levels

		TOTAL CBQ CORPORATIONS 09 Q1 - Q2	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations		712	290	422
PERSONNEL COSTS				
Initial situation 08 Q1-Q2 (€m)		14,242.4	5,390.9	8,851.5
Rate 09 Q1-Q2/ 08 Q1-Q2		-0.7	6.1	-4.9
AVERAGE COMPENSATION:				
Initial situation 08 Q1-Q2 (€)		22,245.8	23,420.7	21,586.9
Rate 09 Q1-Q2/ 08 Q1-Q2		1.8	0.3	2.4
NUMBER OF EMPLOYEES:				
Initial situation 08 Q1-Q2 (000s)		640	230	410
Rate 09 Q1-Q2/ 08 Q1-Q2		-2.5	5.8	-7.1
Permanent	Initial situation 08 Q1-Q2 (000s)	540	192	348
	Rate 09 Q1-Q2/ 08 Q1-Q2	0.2	4.9	-2.4
Non-permanent	Initial situation 08 Q1-Q2 (000s)	100	38	62
	Rate 09 Q1-Q2/ 08 Q1-Q2	-17.0	10.2	-33.9

SOURCE: Banco de España.

IMPACT OF OIL PRICES ON THE REFINING SECTOR

CHART 2



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

a. 2004 and 2005 data relate to the CBQ.

PURCHASES AND TURNOVER OF CORPORATIONS REPORTING DATA ON PURCHASING SOURCES AND SALES DESTINATIONS
Structure

TABLE 3

		CBA	CBQ (a)	
		2007	08 Q1-Q2	09 Q2-Q1
Total corporations		8,947	712	712
Corporations reporting source/destination		8,947	670	670
Percentage of net purchases according to source	Spain	67.1	75.4	79.9
	Total abroad	32.9	24.6	20.1
	EU countries	*19.2*	*16.6*	*13.9*
	Third countries	*13.8*	*8.0*	*6.2*
Percentage of net turnover according to destination	Spain	84.8	90.1	90.9
	Total abroad	15.2	9.9	9.1
	EU countries	*10.5*	*7.4*	*6.3*
	Third countries	*4.7*	*2.5*	*2.7*
Change in net external demand (exports less imports), rate of change	Industry	-10.5	96.7	40.2
	Other corporations	-6.3	8.6	53.6

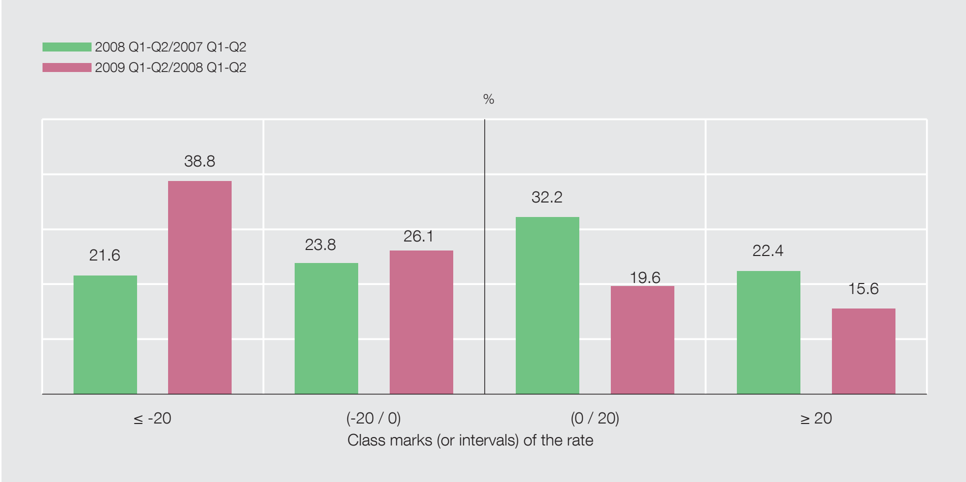
SOURCE: Banco de España.

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

industry were the sectors that showed most wage cost containment; in fact in industry, the rate of change was even negative (–1.3%), due to the impact on average compensation of the sharp drop in performance-related variable compensation in large corporations, which is tied to business activity and earnings. Lastly Table 2.B, which distinguishes between corporations that maintained or raised their average number of employees and those that destroyed jobs in 2009 H1, shows that although wage increases generally moderated, the highest increases in average wages (2.4%) were seen at firms that cut jobs, whereas in

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

CHART 3



SOURCE: Banco de España.

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

TABLE 4

	CBA		CBQ (a)			
	2006	2007	07 Q1 - Q4	08 Q1 - Q4	08 Q1 - Q2	09 Q1 - Q2
Number of corporations	9,280	8,947	847	794	838	712
PERSONNEL COSTS	100	100	100	100	100	100
Falling	25.4	26.1	28.7	33.4	28.1	57.6
Constant or rising	74.6	73.9	71.3	66.6	71.9	42.4
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	30.9	31.4	38.7	46.2	42.7	61.7
Constant or rising	69.1	68.6	61.3	53.8	57.3	38.3

SOURCE: Banco de España.

a. Weighted average of the relevant quarters for each column.

those that maintained or raised their average number of employees, wage costs were practically flat (0.3%).

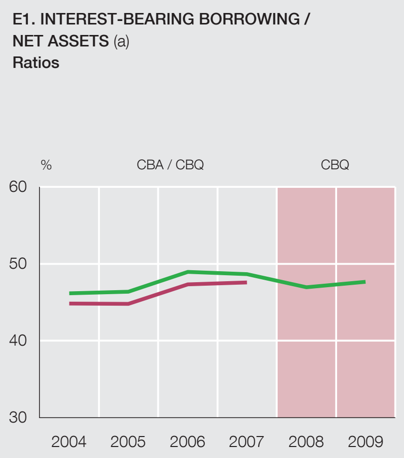
Profits, rates of return and debt

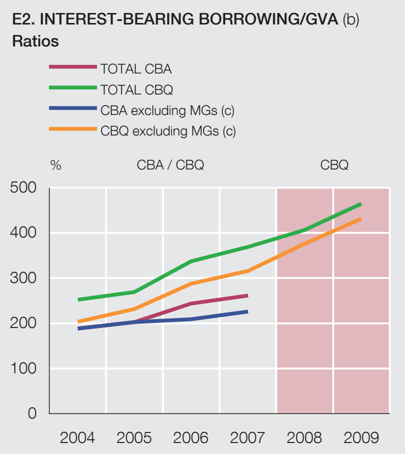
Despite the fall in personnel costs, the decline in productive activity passed through to gross operating profit (GOP), which fell by –27% in 2009 H1, in comparison with the growth of 0.3% recorded a year earlier. Financial revenue fell by –4.4%, reflecting the impact of lower interest rates received on credit granted, while the dividends received remained practically stable. Financial costs also fell in 2009 H1, by –20.6%, more sharply than financial revenue. The table below presents a breakdown of the main components of this heading:

	09 Q1-Q2 / 08 Q1-Q2
Change in financial costs	**-20.6%**
A. Interest on borrowed funds (1 + 2)	*-21.2%*
1 Due to the cost (interest rate)	-27.6%
2 Due to the amount of interest-bearing debt	6.4%
B. Commissions and cash discounts	*0.6%*

DEBT RATIOS

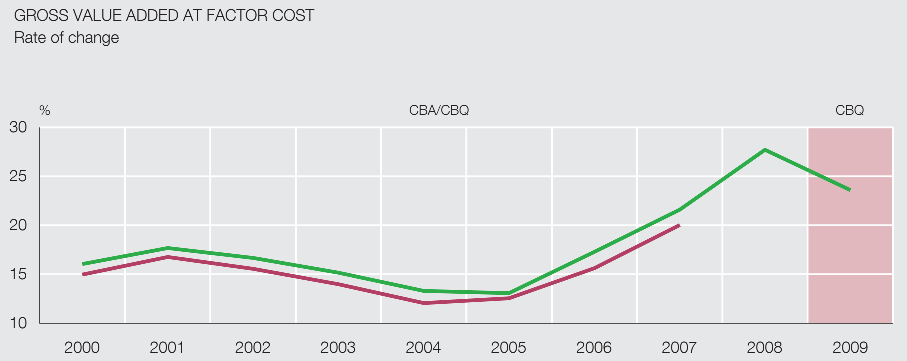
CHART 4





	2004	2005	2006	2007	2008	2009
CBA	44.8	44.8	47.3	47.6		
CBQ	46.2	46.4	49.0	48.7	47.0	47.7

	2004	2005	2006	2007	2008	2009
CBA	188.6	202.3	243.4	261.2		
CBQ	251.9	269.2	337.0	368.9	406.3	464.5
CBA excl. MGs	188.6	202.3	209.0	226.0		
CBQ excl. MGs	203.2	231.7	287.5	316.1	375.8	431.6



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CBA	15.0	16.8	15.6	14.0	12.1	12.5	15.6	20.0		
CBQ	16.0	17.7	16.7	15.2	13.3	13.1	17.3	21.6	27.7	23.6

SOURCE: Banco de España.

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

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

TABLE 5

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

	GROSS OPERATING PROFIT				ORDINARY NET PROFIT				RETURN ON INVESTMENT (R.1)				ROI-COST OF DEBT (R.1-R.2)			
	CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)		
	2007	08 Q1 - Q4	08 Q1 - Q2	09 Q1 - Q2	2007	08 Q1 - Q4	08 Q1 - Q2	09 Q1 - Q2	2007	08 Q1 - Q4	08 Q1 - Q2	09 Q1 - Q2	2007	08 Q1 - Q4	08 Q1 - Q2	09 Q1 - Q2
Total	5.9	-8.3	0.3	-27.0	4.8	-17.3	0.5	-28.0	8.9	7.9	7.2	5.6	4.1	2.9	2.4	2.0
SIZE																
Small	1.1	—	—	—	-1.5	—	—	—	7.4	—	—	—	2.5	—	—	—
Medium	4.4	-5.1	-4.1	-27.4	-3.9	-6.0	-2.8	-44.5	8.0	7.3	7.1	4.0	3.2	1.1	2.5	0.3
Large	6.1	-8.4	0.4	-26.9	5.8	-17.7	0.6	-27.6	9.0	7.9	7.2	5.6	4.1	3.0	2.4	2.0
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	0.4	0.8	13.6	-20.8	1.1	-5.3	17.3	-14.1	8.9	8.3	8.5	6.3	4.6	3.6	4.0	2.7
Industry	14.0	-30.4	-12.7	-75.2	13.6	-54.7	-39.7	(b)	10.1	5.3	6.6	0.9	5.0	0.2	1.5	-2.9
Wholesale and retail trade	7.3	-22.2	-16.6	-34.8	4.0	-22.8	-16.0	-59.3	10.9	4.9	5.7	2.9	6.0	0.5	1.6	-0.8
Transport and communications	7.8	-4.1	-0.6	-14.8	23.7	-3.5	1.0	-24.9	10.3	10.6	10.7	8.2	5.8	5.9	6.0	4.8

SOURCE: Banco de España.

a. All the data in these columns have been calculated as the weighted average of the quarterly data.
b. Rate not significant or not calculable because the relevant figures are of different sign.

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)	
		08 Q2-Q1	09 Q2-Q1	08 Q2-Q1	09 Q2 - Q1
Number of corporations		838	712	838	712
Percentage of corporations by profitability bracket	R <= 0%	23.3	34.9	31.1	39.7
	0% < R <= 5%	22.8	24.0	14.6	17.5
	5% < R <= 10%	16.8	14.5	12.6	10.2
	10% < R <= 15%	10.4	6.7	8.6	6.2
	15% < R	26.7	20.0	33.1	26.4
MEMORANDUM ITEM: Average return		7.2	5.6	9.3	7.4

SOURCE: Banco de España.

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

As the table shows, the decrease in financial costs in 2009 H1 was due to the effect of interest rate reductions, as the amount of debt grew in the period, albeit only very moderately and at a clearly slower pace than in previous years, against a backdrop of falling interest rates and sluggish investment. The CBQ data that proxy investment in property, plant and equipment confirm this investment sluggishness, with a decline of –7.9% in 2009 H1. This decrease was seen in all sectors except energy and was particularly sharp in industry and in wholesale and retail trade.

To complete the study of the financial position of the reporting firms, Chart 4 sets out an analysis of the ratios. The ratio E1 (interest-bearing borrowing to total net assets) confirms that in 2009 corporate debt levels increased slightly with respect to the previous year. By contrast, there was a deterioration in ratio E2 (interest-bearing borrowing to GVA), which continued rising in 2009 H1, basically due to the decrease in GVA in this period. Lastly, the improvement in the ratio which measures the interest burden was noteworthy. This improvement came about as a result of extraordinary financial cost-cutting, which reached five percentage points in 2008 and 2009 H1 and offset the sharp fall in gross operating profit and financial revenue (the denominator of the ratio).

The fall in GOP due to the contraction of productive activity also fed through to ordinary net profit (ONP), as the overall effect of the decrease in financial costs borne by firms and in depreciation and provisions (–4.5%) was practically offset by the fall in financial revenue. Hence the change in ONP was similar to that in GOP, falling by –28% in 2009 H1. In any event, the negative performance of ONP and of financial costs gave rise to diminished levels of return, which affected all sectors of activity. Thus the ratios which measure return on investment (R.1) and return on equity (R.3) stood at 5.6% and 7.4%, respectively, in 2009 H1, in both cases somewhat more than one and half percentage points below their values a year earlier (7.2% for R.1 and 9.3% for R.3). Meanwhile, the ratio which approximates the cost of debt also decreased (by somewhat more than one percentage point) from 4.8% in 2008 H1 to 3.6% in 2009 H1. As a result, the difference between the return on investment and this ratio remained at positive values similar to those in 2008, its level of 2.0 being 0.4 pp less than a year earlier. However, sectoral analysis of this variable indicates that, for the first time in the CBQ series, two sectors posted negative values: wholesale and retail trade (with –0.8); and industry (–2.9), which had already posted a negative value in 2009 Q1.

Lastly, analysis of extraordinary gains shows that all the items composing them underwent major decreases in 2009 H1, although the most significant, because of its amount and its impact on profit for the period, was that of gains (losses) from disposals and impairment. In 2008 Q1 this item posted a significant gain from the sale of shares of a large electric utility; the absence of similar significant transactions in the reporting period meant that comparison of the 2008 and 2009 values produced a result of –51%. This accentuated the fall in profit for the period, the rate of change of which was –37.4%. This negative development did not prevent the level of profit for the sample firms as a whole from remaining high: profit for the period as a percentage of GVA remained at 34.2% for 2009 H1, although this is 10 percentage points lower than in 2008 H1. The deterioration in profit for the period is also confirmed by analysis of the percentage of firms recording profit in 2009 H1, which was 58.2%, 10 percentage points less than a year earlier, when 68.3% of firms showed a profit.

18.9.2009.

Report on the Latin American economy. Second half of 2009

Introduction

During the first half of 2009, economic developments in Latin America followed a very similar pattern to that of the world economy. As a result of the impact of the international financial crisis and the abrupt fall in world demand, there was a sharp decline in Q1, on a similar scale to that in 2008 Q4, and a slight quarter-on-quarter recovery in Q2. In year-on-year terms, GDP for the region as a whole contracted by 2.8% in Q1, followed by a fall of 3.9% in Q2 (see Table 1).

Seen in perspective, it has been the most marked contraction in activity in the region in the past three decades, exceeding that recorded in 2002 Q1, and similar to the fall in 1983, with the external debt crisis. Indeed, only in 1932, during the Great Depression, can a more pronounced decline in GDP (-4.7%) than that observed in the first half of 2009 be found (see Chart 1). Yet despite its intensity, the real adjustment in Latin America has not had particularly severe and lasting consequences in terms of financial instability as were seen on other occasions, which attests to the reduction in vulnerabilities in recent years and the soundness of the starting position of these economies. This relative solidity in the face of the current crisis distinguishes Latin America from other emerging regions - in particular from some Eastern European countries - and augurs a brighter outlook about the region's capacity for recovery. In this respect, although the signs of recovery are less generalised than those observed in emerging Asia, the higher-frequency indicators have shown signs of stabilisation that would suggest that the trough of the cycle was reached in Q2.

Inflation eased significantly in all the countries, resuming a year-on-year rate of 5.9% in September for the region as a whole. That means the highs reached in late 2008 have been contained, albeit to a lesser extent than seen in other advanced and emerging economies. Against this background, the region's financial markets have behaved favourably since March, which might be attributed not only to positive developments on international markets, but also to the lesser impact of the crisis on Latin American financial systems. Growth projections for 2010 have begun to be revised upwards, following an entire year of downward revisions.

It is worth asking to what extent the recovery that is beginning to be discernible in Latin America may be self-sustained, or whether it depends on improvements in the external environment or on economic policies applied to shore up domestic demand. In the first two quarters of the year, external demand alone contributed positively to growth, as a result of the fact that the decline in imports exceeded that in exports. In terms of its year-on-year rate, the contribution of domestic demand was very negative, although in quarter-on-quarter terms it behaved relatively better in past months in certain countries (Brazil). In this setting, the recovery is likely to continue depending on the economic policies applied (whereby the withdrawal of the stimuli should be gradual), but, to a greater extent, on the external environment improving. In this respect, the recent pick-up in trade and financial flows, the rise in commodities prices and the start of the stockbuilding cycle at the global level should provide some support to the recovery. As to economic policies, monetary policy in Latin America has arguably played a predominant role in responding to the crisis, although it has not been necessary to resort to the non-conventional instruments deployed in the industrialised countries, as analysed in Box 1. Conversely, fiscal policy has played a more limited role (with the exception of Chile), because the starting conditions offered little room for manoeuvre and, also, because a lesser or slower degree of implementation than that foreseen in the initially announced plans was apparent in several countries.

LATIN AMERICA: MAIN ECONOMIC INDICATORS

TABLE 1

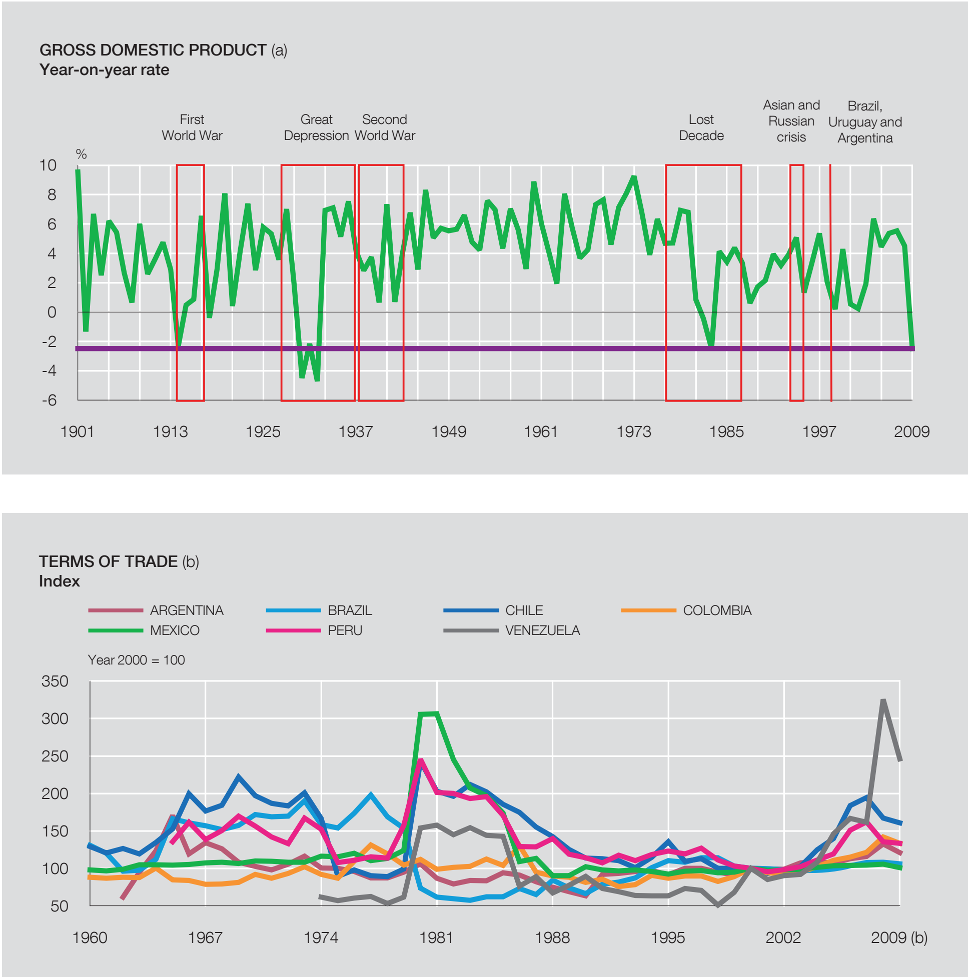
	2006	2007	2008	2007		2008				2009		
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
GDP (year-on-year rate)												
Latin America (a)	5.6	5.7	4.1	5.7	6.3	5.2	5.6	5.1	0.9	-2.8	-3.9	
Argentina	8.5	8.7	7.0	8.8	9.1	8.5	7.8	6.9	4.1	2.0	-0.8	
Brazil	3.7	5.4	5.1	5.6	6.2	6.1	6.2	6.8	1.3	-1.8	-1.2	
Mexico	4.9	3.2	1.3	3.4	4.2	2.6	2.9	1.7	-1.6	-8.0	-10.3	
Chile	4.6	4.7	3.2	3.6	3.8	3.4	4.6	4.6	0.2	-2.3	-4.5	
Colombia	6.9	7.5	2.5	6.5	8.0	4.2	3.7	3.3	-1.0	-0.4	-0.5	
Venezuela	10.3	8.4	4.8	8.6	8.5	5.0	7.3	4.1	3.2	0.3	-2.4	
Peru	7.6	9.0	9.8	8.9	9.8	10.3	11.8	10.9	6.5	1.8	-1.1	
Uruguay	7.0	7.8	12.1	9.6	9.5	9.8	16.0	13.2	9.5	2.3	0.2	
CPI (year-on-year rate)												
Latin America (a)	5.2	5.4	7.9	5.4	5.9	6.6	7.7	8.5	8.5	7.7	6.8	5.9
Argentina	10.9	8.8	8.6	8.6	8.5	8.5	9.1	8.9	7.8	6.6	5.5	6.2
Brazil	4.2	3.6	5.7	4.0	4.3	4.6	5.6	6.3	6.2	5.8	5.2	4.3
Mexico	3.6	4.0	5.1	4.0	3.8	3.9	4.9	5.5	6.2	6.2	6.0	4.9
Chile	3.4	4.4	8.7	4.8	7.2	8.0	8.9	9.3	8.6	5.6	3.1	-1.1
Colombia	4.3	5.5	7.0	5.3	5.4	6.1	6.4	7.7	7.8	6.6	4.8	3.2
Venezuela	13.6	18.8	31.4	16.2	20.0	26.3	31.0	34.6	33.4	29.5	28.2	28.9
Peru	2.0	1.8	5.8	2.4	3.5	4.8	5.5	6.1	6.6	5.6	4.0	1.2
Uruguay	6.4	8.1	7.9	8.7	8.6	7.7	7.6	7.6	8.6	8.2	6.7	6.9
BUDGET BALANCE (% of GDP)												
Latin America (a) (c)	-0.7	-0.5	-0.3	-0.2	-0.2	0.0	-0.3	-0.2	-0.5	-1.6	-2.1	
Argentina	1.8	1.1	1.4	1.7	1.1	1.5	1.6	1.9	1.4	1.0	0.0	
Brazil	-2.9	-2.2	-1.6	-2.2	-2.2	-1.6	-2.2	-1.8	-2.1	-2.9	-3.3	
Mexico	0.1	0.0	-0.1	0.1	0.0	0.0	-0.3	0.0	-0.1	-1.4	-1.7	
Chile	8.0	8.7	5.0	8.7	8.7	9.2	7.2	6.1	5.0	1.4	-1.4	
Colombia	-3.7	-3.3	-1.7	-2.4	-2.8	-2.2	-2.5	-2.3	-1.8	-2.7	-3.0	
Venezuela	0.0	3.0	-1.2	0.9	3.0	3.4	1.7	0.9	-1.2	-2.2	—	
Peru	1.4	1.1	2.2	1.7	1.8	2.3	3.1	2.1	2.2	1.3	-0.1	
Uruguay	-0.6	-0.3	-1.5	1.0	0.0	1.1	0.0	0.9	-0.3	—	—	
PUBLIC DEBT (% of GDP)												
Latin America (a) (c)	39.1	33.7	29.9	33.9	33.7	31.7	31.6	30.4	31.0	32.1	34.8	
Argentina	64.2	55.5	44.6	55.8	55.5	52.4	50.4	45.8	44.7	41.9	44.2	
Brazil	44.7	42.7	35.8	43.2	42.7	40.8	41.8	40.0	38.8	40.6	43.2	
Mexico	23.2	21.1	24.5	21.2	21.1	21.0	20.7	20.8	24.5	25.5	26.8	
Chile	5.3	4.1	5.2	4.4	4.1	3.6	3.9	4.5	5.2	5.1	5.0	
Colombia	44.8	32.9	33.4	35.6	32.9	32.6	32.6	32.8	33.4	36.9	35.3	
Venezuela	41.9	22.7	13.5	21.2	22.7	20.9	13.6	12.6	13.2	11.5	—	
Peru	32.7	29.7	24.1	31.4	29.7	27.6	25.3	23.9	24.1	24.5	26.1	
Uruguay	68.4	67.2	51.2	68.7	67.1	65.4	62.2	56.2	51.0	52.8	53.4	
CURRENT ACCOUNT BALANCE (% of GDP)												
Latin America (a) (b)	2.0	0.8	-0.4	1.1	0.9	0.7	0.5	0.4	-0.4	-0.7	-0.7	
Argentina	3.6	2.7	2.3	2.8	2.7	2.8	2.2	2.8	2.2	2.1	3.3	
Brazil	1.3	0.1	-1.8	0.6	0.1	-0.6	-1.1	-1.5	-1.8	-1.5	-1.2	
Mexico	-0.2	-0.6	-1.4	-0.7	-0.6	-0.5	-0.6	-0.9	-1.4	-1.6	-1.5	
Chile	4.7	4.4	-2.0	5.0	4.4	3.1	1.9	0.0	-2.0	-2.9	-2.4	
Colombia	-1.8	-2.8	-2.8	-3.0	-2.9	-2.2	-2.0	-2.1	-2.7	-2.7	-2.6	
Venezuela	14.7	8.8	14.3	8.8	8.8	11.5	13.4	16.4	12.3	7.6	3.4	
Peru	3.0	1.4	-3.3	2.1	1.4	0.3	-1.2	-2.2	-3.3	-3.0	-1.7	
Uruguay	-2.0	-0.3	-3.9	-1.1	-1.0	-0.3	-3.2	-3.3	-3.8	-3.0	-0.9	
EXTERNAL DEBT (% of GDP)												
Latin America (a) (b)	22.1	20.1	17.8	22.4	21.6	19.9	19.0	18.2	17.8	19.2	20.0	
Argentina	51.1	47.8	38.2	49.2	47.6	46.6	44.6	40.6	39.2	39.1	38.7	
Brazil	15.8	14.5	12.6	15.9	14.7	14.1	13.3	12.8	12.4	12.7	18.2	
Mexico	12.3	12.1	11.5	11.5	11.0	12.1	11.6	11.3	11.4	14.8	15.8	
Chile	32.4	34.0	38.3	33.9	34.0	33.4	35.1	37.5	37.6	40.8	42.7	
Colombia	29.5	21.6	19.1	25.3	25.9	18.9	19.0	19.0	18.8	19.1	21.1	
Venezuela	33.7	24.4	18.2	24.1	24.4	22.7	20.2	18.5	19.6	17.4	17.4	
Peru	31.0	26.4	27.1	29.7	29.8	30.1	28.2	27.1	27.2	27.3	27.8	
Uruguay	52.6	50.3	37.2	55.2	52.8	47.7	43.6	39.4	37.0	37.4	38.3	

SOURCE: National statistics.

a. Aggregate of eight represented countries, except Uruguay.
b. Four-quarter moving average.
c. Excluding Venezuela.

GDP AND TERMS OF TRADE
Year-on-year rate and index

CHART 1

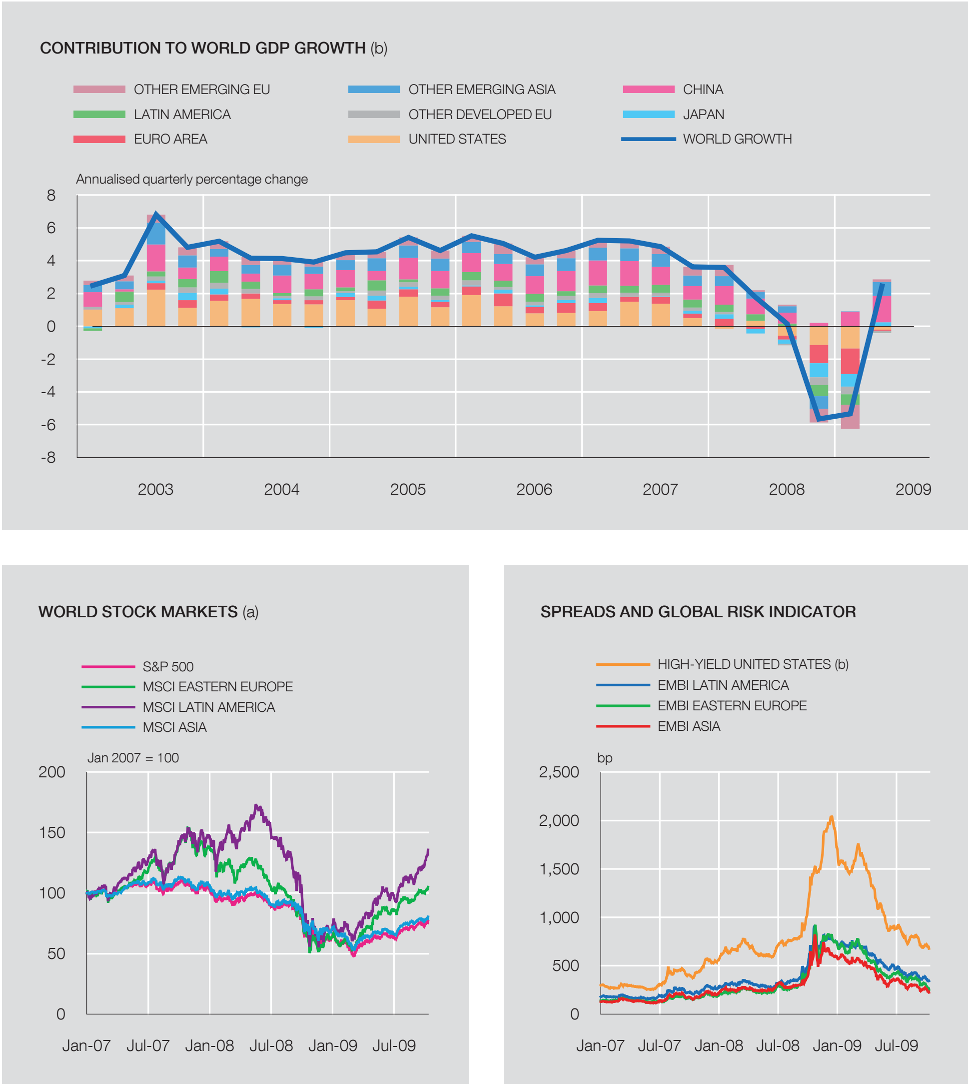


SOURCES: Oxford Latin American Economic History Database, Consensus Forecast, Datastream, World Bank and Economist Intelligence Unit.

a. Aggregate of the seven main economies.
b. Economist Intelligence Unit forecasts.

In these circumstances, the outlook for the Latin American economies is less negative than six months ago, when the previous half-yearly report was published. However, as for the rest of the world economy, the outlook remains shrouded in notable uncertainty looking ahead. In particular, the possible entrenchment of lower potential growth rates in the United States, a key trade and financial partner, is a factor of concern for the region given the consequences this would have on developments in some countries - especially the Central American economies - in the coming years. The crisis may also have left its mark on the formerly sound fundamentals of some economies. In particular, there has been a weakening in public finances and a particularly marked deterioration in the labour market in some countries, and lagged effects of the crisis on financial systems should not be ruled out in a setting of foreseeable rises in default rates. There has also been a rise in poverty, after nine years of uninterrupted declines. On the contrary, expectations that world growth may be led by countries such as China, whose demand for commodities is most sizeable, would be an important source of support to the countries in the region that are exporters of these products. Finally, the risk of a prolonged contraction in capital flows towards Latin America has fallen most significantly, and financing conditions and confidence are recovering more quickly than envisaged, which might give some momentum to growth.

GLOBAL MACROECONOMIC AND FINANCIAL INDICATORS CHART 2
Basis points and indices



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

a. Indices in dollars.

Economic and financial developments: external environment

Following the global recession that characterised 2008 Q4 and 2009 Q1, the world economy began to show signs of picking up in Q2 this year. The signs were initially evident in certain Asian economies, in confidence indicators and in the behaviour of the financial markets, but in recent months the positive symptoms have gradually spread towards the indicators of economic activity, such as industrial production, stockbuilding and demand (exports and retail sales), and towards other geographical areas (Japan, the United States and the euro area). In sum, almost one year after the financial collapse triggered by the bankruptcy of Lehman Brothers, the global economy appears to be heading towards a slow exit from recession (see Chart 2).

In the United States, GDP picked up from a negative annualised quarter-on-quarter rate of -6.4% in 2009 Q1 to -0.7% in Q2. Using comparable rates, growth in Europe moved from -9.7% to -0.5%, and in Japan the economy grew by 2.3% in Q2, following the strong fall in Q1. In the case of emerging Asia, the rebound has proven particularly sharp owing to the impulse provided by China, the impact of the various fiscal stimulus plans, stockbuilding in these economies and the resumption of capital flows. By contrast, in Eastern Europe the ongoing adjustment of macroeconomic imbalances continued to bear negatively on growth. Overall, the brighter outlook for the world economy drove an appreciable recovery in commodities prices, a factor that particularly favours Latin America in its capacity as an exporting region.

The improvement on international financial markets came about against the background of a resumed appetite for risk, as the risk of financial collapse and of a prolonged depression in the world economy faded in light of the effectiveness of the numerous public measures to support the financial system and activity in general. As a result, prices in some segments of the financial markets have regained their levels prior to the collapse of Lehman Brothers. The Federal Reserve has kept its official interest rate in the range of 0%-0.25%, although it has withdrawn some of the facilities launched during the crisis as these have progressively become unnecessary. The European Central Bank cut its official rate on two occasions, in April and May, to 1%, while the Bank of Japan held its rate of 0.1%. Against this backdrop there have been signs of a return to relative normality, such as the slight rise in US 10-year interest rates, to around 3.5%, and the reversal of the previous appreciation of the dollar against the main currencies of the emerging and developed countries, insofar as US government paper and the dollar have ceased to have the safe-haven status they assumed in the period of greatest financial stress.

The emerging markets benefited particularly from these developments and have maintained the upward trend initiated in March (see Chart 2). Drawing on the EMBI+, sovereign spreads can thus be seen to have narrowed to around 340 bp, a similar level to that prior to September 2008. By region, the EMBIs for Latin America, Eastern Europe and Asia have trended very similarly (see Chart 2). This same favourable behaviour can be seen for stock markets, drawing on the MSCI indices in dollars, which have held at highs since late summer 2008.

Activity and demand

The aggregate national accounts data[1] for the region as a whole confirm Latin America was in recession between 2008 Q4 (-2.5% quarter-on-quarter) and 2009 Q1 (-2.3% quarter-on-quarter), following the definition of two consecutive quarters of decline (see Chart 3). In 2009 Q2 there was a slight recovery (0.5% quarter-on-quarter), although this was not across the board since only Brazil (1.9%) and, with less intensity, Argentina (0.5%) and Colombia (0.7%) posted positive quarterly growth, while the other countries making up the aggregate recorded negative quarter-on-quarter rates (some of which high, as was the case with Mexico, at -1.1%). In year-on-year terms, activity continued to contract in Q2, to a rate of 3.9%, 2.9 pp of which are accounted for solely by the decline in GDP in Mexico.

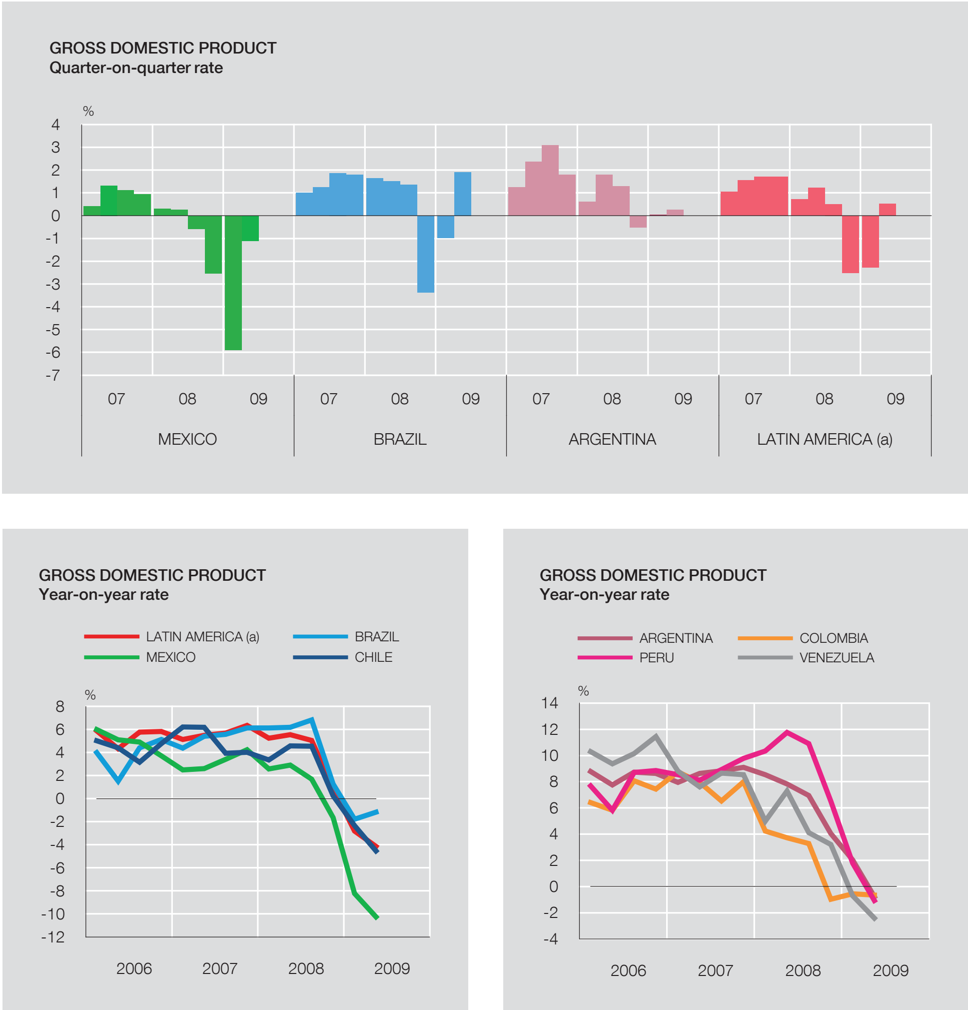
The contraction in the region's economic activity continued essentially to be reflected in the decline in domestic demand, the year-on-year rate of which dipped from -3.4% in 2009 Q1 to -5.6% in Q2. Among the domestic demand components, the biggest adjustment was in gross capital formation (-14.1% year-on-year, against -9.1% in Q1; see Chart 4), which is the most volatile component and that which is habitually most affected directly by confidence effects, in addition to changes in the availability and cost of financing. The fall in investment was across the board, with no significant differences observable between those economies that have proven most resilient to the crisis and those least. In particular, in Brazil, where the recession has been shorter and relatively shallow, the year-on-year decline in gross capital formation in Q2 was 17%. Meantime, in Mexico, where the adjustment is proving sharper and more protracted, it fell by 15.2%, against a background of weak foreign direct investment and despite the increase in public investment (almost 30%). Private consumption also fell appreciably, albeit less markedly so than investment, as evidenced by the year-on-year growth rates of

1. Argentina, Brazil, Mexico, Chile, Colombia, Venezuela and Peru.

LATIN AMERICAN GDP

Year-on-year and quarter-on-quarter rates

CHART 3



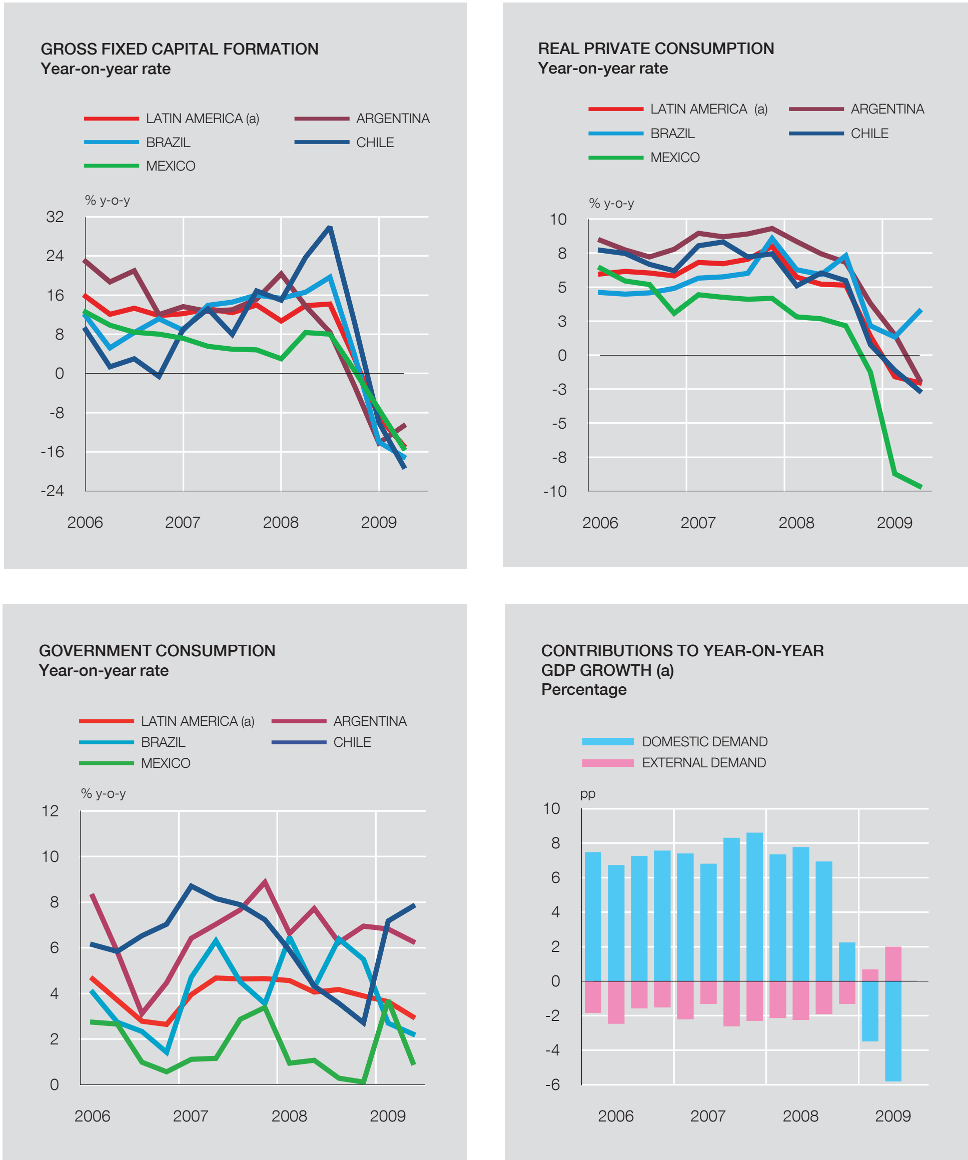
SOURCE: National statistics.

a. Aggregate of the seven main economies.

-1.6% and -1.9% in Q1 and Q2, respectively (see Chart 4). Indeed, this is the domestic demand component where the biggest differences across countries are seen: in Brazil, consumption sustained positive growth rates throughout the period (1.3% and 3.2% year-on-year in Q1 and Q2), while in Mexico the contraction was -8.7% and -9.6% year-on-year, respectively. Contributing to explaining this greater resilience of private consumption are three factors: the relatively sound behaviour of the labour market in Brazil, where the unemployment rate has fallen in recent months to around 8%, from 9% in March; the application of temporary measures offering tax incentives for car purchases; and, generally, the authorities' success in easing the credit tightness derived from the international financial crisis. Conversely, in Mexico, the series of shocks impacting the country (including the decline in remittances and swine flu), its greater exposure to the United States, the sharp deterioration in its labour market and the relative stickiness of inflation would help explain the collapse of this demand component. Government consumption was the only component to show positive growth rates in the two quarters (3.7% and 2.8% year-on-year; see Chart 4), although here too there are cross-country differences. In Chile, Peru and Argentina, government consumption grew at a rate of over 6% year-on-year, while in Brazil and, above all, Mexico and Colombia, it did so at much lower rates.

PRIVATE CONSUMPTION, GOVERNMENT CONSUMPTION AND INVESTMENT
Year-on-year rates and percentage points

CHART 4



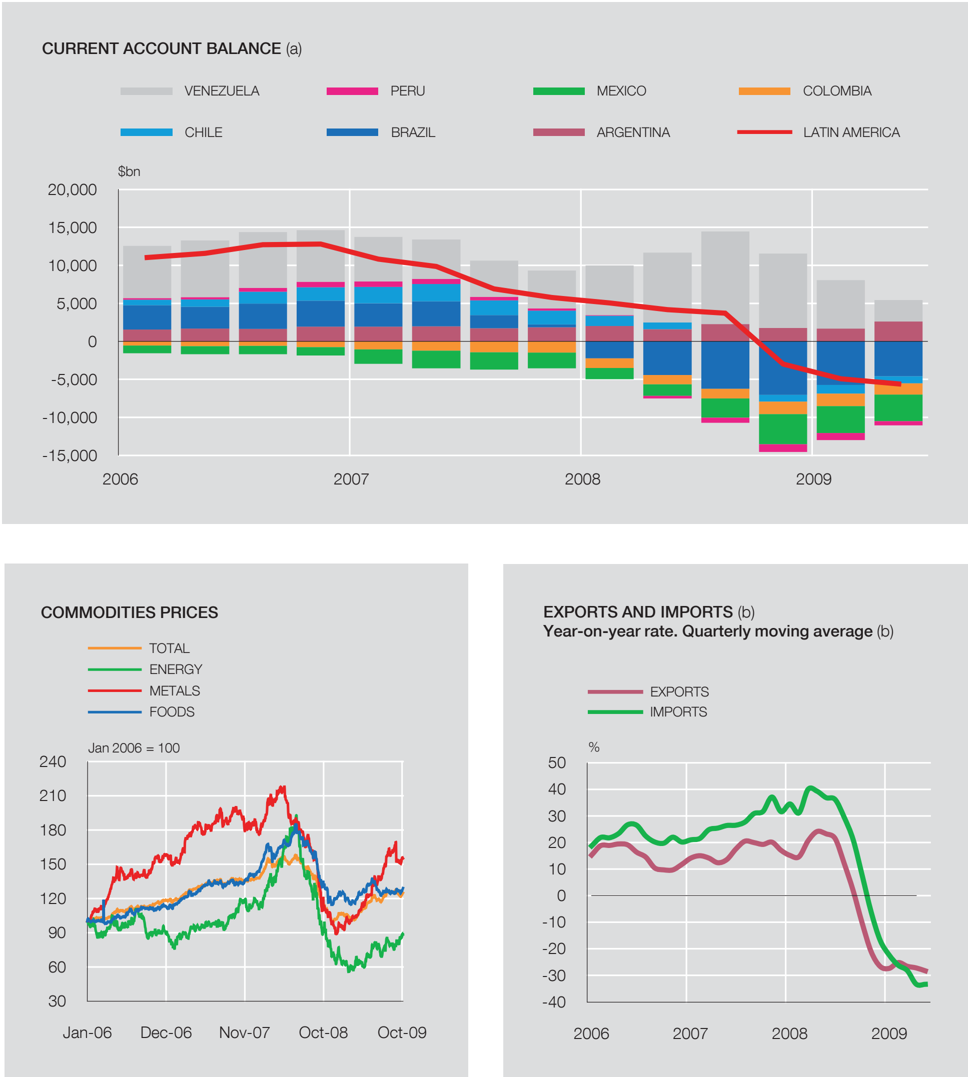
SOURCE: National statistics.

a. Seven biggest economies.

In the first half of 2009 there was, moreover, a notable shift in the composition of growth compared with the pattern of the last five years; there was a positive contribution of up to 2 pp to the year-on-year change in GDP in Q2 by external demand, as a result of the collapse in imports, and a strongly negative contribution by domestic demand (see Chart 4). Since real exports continued falling at double-figures rates in the first two quarters of the year (-14.2% and -12.3% year-on-year), the positive contribution of external demand simply reflects the intensity of the domestic adjustment and its impact on imports, in real terms (-16% and -20% year-on-year, respectively). The current account balance, which had continued on a worsening trend since early 2007 and had moved into deficit in late 2008, has begun to correct itself. Indeed, some re-balancing of current-account balances is taking place at the regional level, with a decline in the current surplus in some of the net creditor countries (Venezuela) and a reduction in the current deficits of Brazil and Mexico (see Chart 5). As regards the trade balance, the pick-up in commodities prices has at least helped contain the decline in export in value terms since the end of last year. However, the signs of recovery are still tenuous.

EXTERNAL ACCOUNTS AND DETERMINANTS
Year-on-year rates of change, indices and billions of US dollars

CHART 5



SOURCES: National statistics and Banco de España.

a. Four-quarter moving average.
b. Customs data in dollars, aggregate of the seven biggest economies.

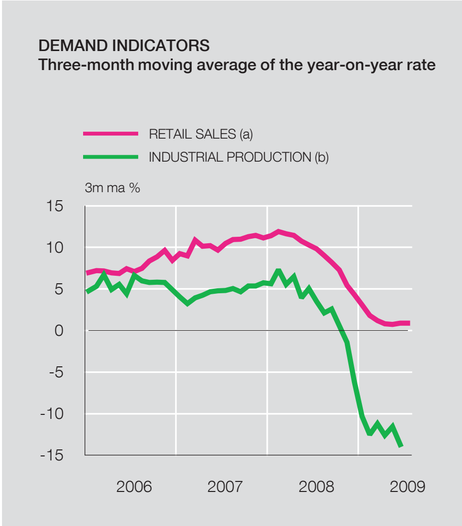
The higher-frequency supply and demand indicators, which provide more updated information, appeared to give credence to the idea that the turning point was reached towards Q2, followed by some recovery in activity in recent months. Thus, for example, retail sales have stabilised at moderately positive growth rates (see Chart 6). The collapse in industrial production has been checked and several months of positive growth recorded, although in year-on-year terms it remains very weak. Conversely, the labour market indicators, which habitually lag the cycle, have worsened considerably. The unemployment rate for the region as a whole drew close to 8% of the labour force, an increase of more than 1.5 pp on the end-2008 level. Of note, too, is the heterogeneity across countries, since in Chile and Mexico the unemployment rate continued to rise in Q2, to 10.8% and 6.1% of the labour force, respectively, while in Brazil, Argentina and Peru, the performance was more favourable.

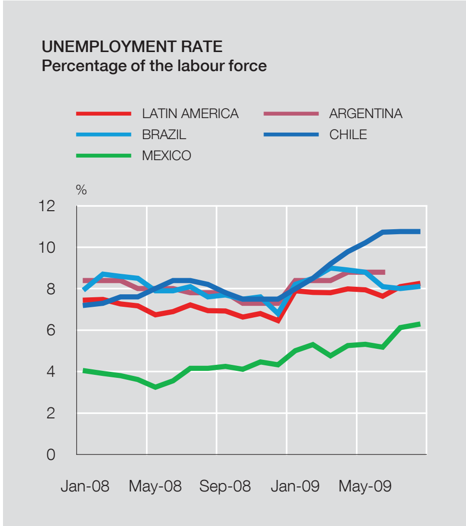
Financial markets and external financing

Although the macroeconomic indicators for Latin America were generally negative for much of the last six months, financial markets trended most favourably from March as a result of global factors and, possibly, of the resilience the banking sector has shown in Latin America in the

DEMAND, CREDIT AND EMPLOYMENT INDICATORS
Year-on-year rate and its three-month moving average, and percentages

CHART 6





SOURCE: National statistics.

a. Argentina, Brazil, Mexico, Chile, Colombia and Venezuela.
b. Eight biggest economies.

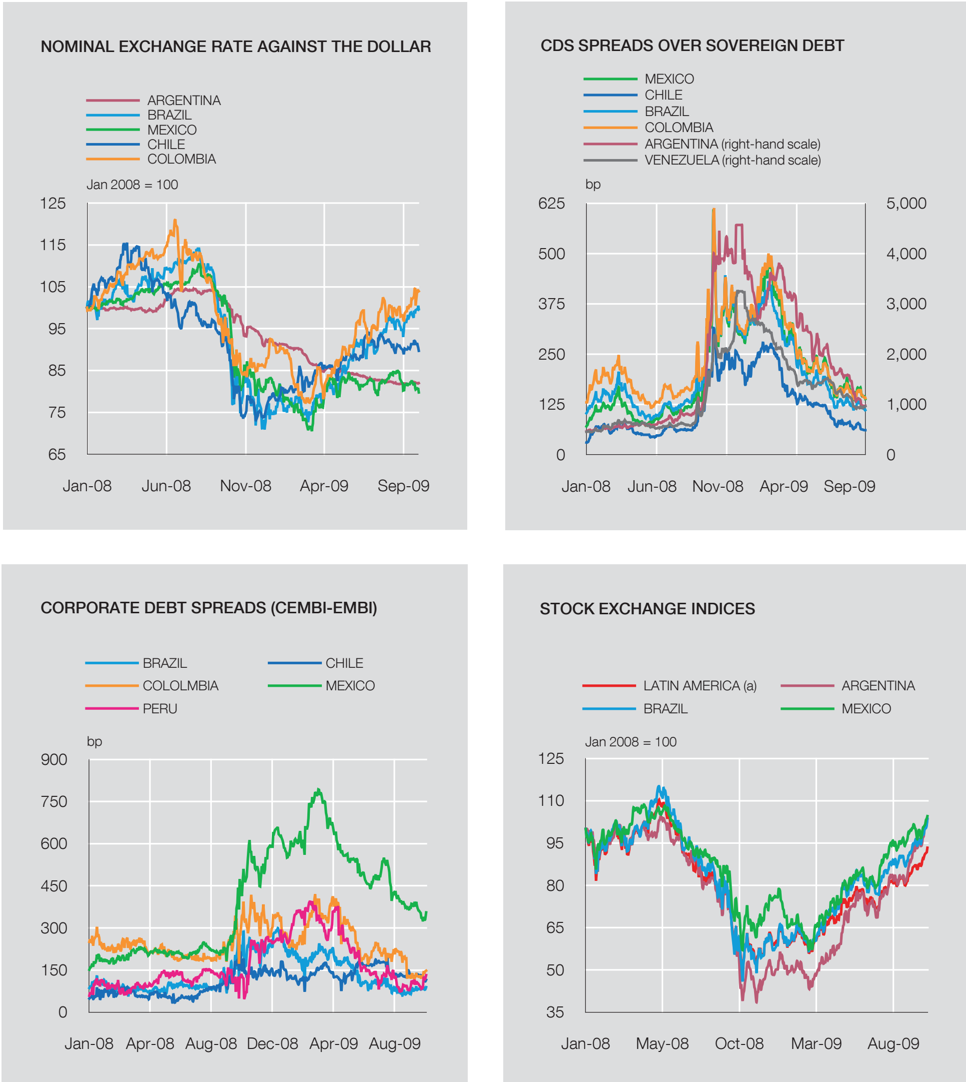
face of the financial crisis. These developments have translated into an uptrend in asset prices, which has been virtually uninterrupted and indeed more accentuated than that of international markets, against a background of rising commodities prices. This trend, which suggests a resumption of capital flows, has been generalised across countries and markets (stock, debt and foreign exchange markets alike). This has allowed for a substantial replenishment of foreign currency reserves, which had fallen during the worst months of the crisis, though it has also aroused some concern over the potential volatility of reserves and the emergence of signs of overvaluation.

Against this backdrop, most exchange rates moved on an appreciating trend (see Chart 7), which in the case of the Brazilian real and the Colombian peso was close to 30% from April. In Brazil, the appreciation was the result of the improved economic outlook (the country was accorded investment grade status by Moody's), although the resumption of carry-trade operations, given the interest rate spread in place, may also have played a significant role. The appreciation of the Chilean and Peruvian currencies against the dollar was more moderate, at around 6%, but sufficient so that reserves could be replenished in the case of Peru. In contrast, the Mexican peso has shown high volatility against the dollar, although its level at present is similar to that at the start of the half-year period, and the Argentine peso has tended to depreciate, albeit more moderately than during the six previous months, and has stabilised. The trend of exchange rates in general was sufficiently favourable so that the authorities could unwind (Mexico, Peru) or that the market could cease to use (Brazil, Colombia, Chile) some of the dollar-denominated liquidity-provision mechanisms set in train with the crisis.

As regards the debt markets, there was a notably strong narrowing in sovereign spreads and in CDS, most acutely so in those countries considered as posing a higher risk in the crisis (Ecuador, Venezuela, Argentina; see Chart 7). The sovereign spread for the region measured by the EMBI+ index diminished from mid-March (more than 300 bp), standing in early October at the levels prior to the bankruptcy of Lehman Brothers (365 bp). The reduction was generalised across the region's countries, although the sovereign spread that most contributed to the reduction in the EMBI+ was that of Ecuador (chiefly for technical reasons, most

CDS SPREADS OVER SOVEREIGN DEBT, STOCK MARKETS, DOLLAR EXCHANGE RATE AND CORPORATE DEBT SPREADS
Basis points, indices and level

CHART 7



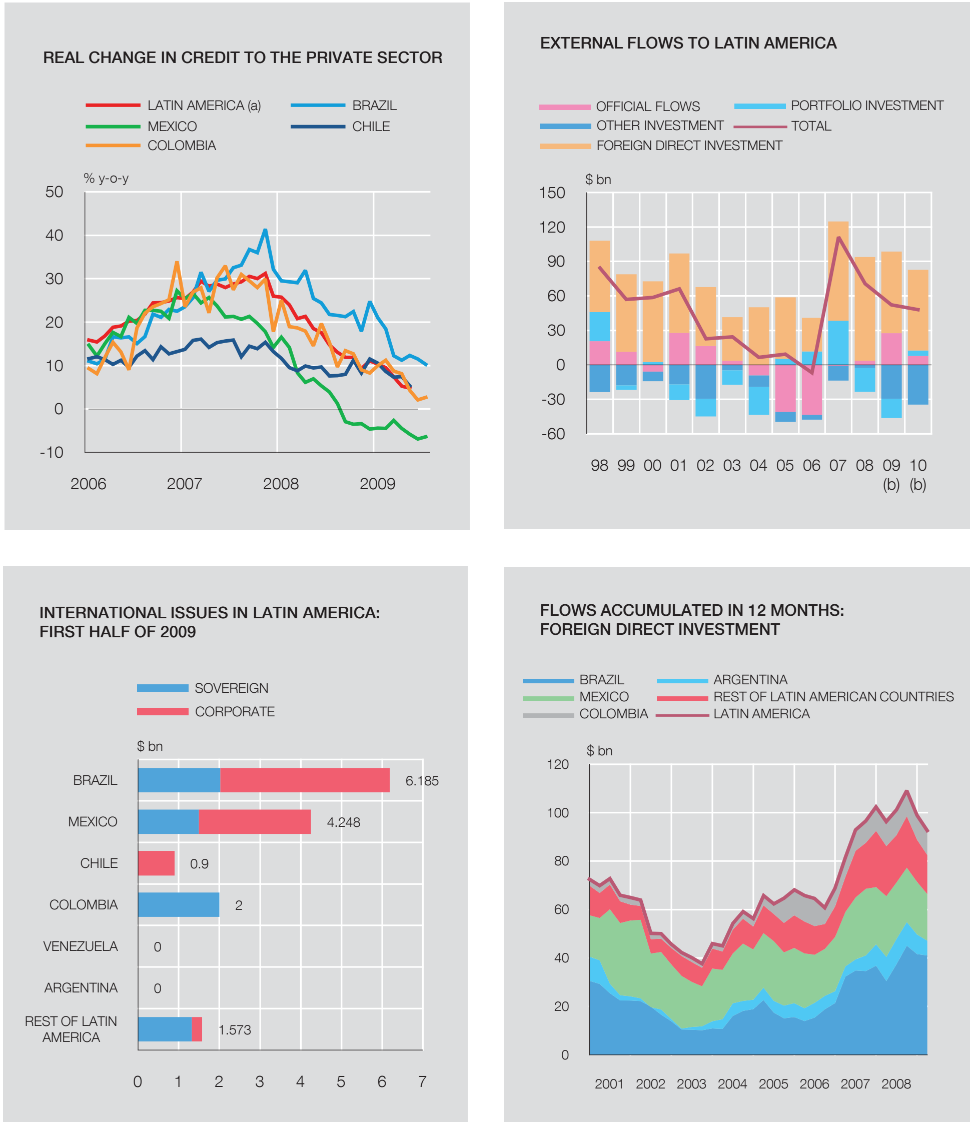
SOURCES: Datastream and JP Morgan.

a. MSCI Latin America Index in local currency.

specifically the stripping out from the index of the unpaid debt of the Global 2012 and Global 2030 bonds). The sovereign spreads of Argentina and Venezuela narrowed by around 1000 bp and 450 bp, respectively. In the former case, the narrowing was underpinned by the perception of a change in attitude by the government towards the IMF, partly as a result of the general elections in late June, but also by the resolving of the issue of holdouts and the Paris Club. In Mexico the spread narrowed only by around 120 bp, despite the extension of the swap agreements with the Federal Reserve to February 2010 and the expenditure-containment measures taken by the government in the 2010 budget. Finally, the remaining countries (Brazil, Chile, Colombia and Peru) showed reductions in their sovereign spreads of between 150 bp and 200 bp. One notable aspect is the rather unfavourable behaviour of corporate debt spreads, as evidenced by the region's CEMBI indices, which are currently at levels not too far below those at the start of the crisis in some countries (see Chart 7). That highlights the continuity of problems related to the refinancing of the corporate private sector.

EXTERNAL CAPITAL FLOWS AND FINANCING
$ bn and percentage

CHART 8



SOURCES: JP Morgan, IMF and national statistics.

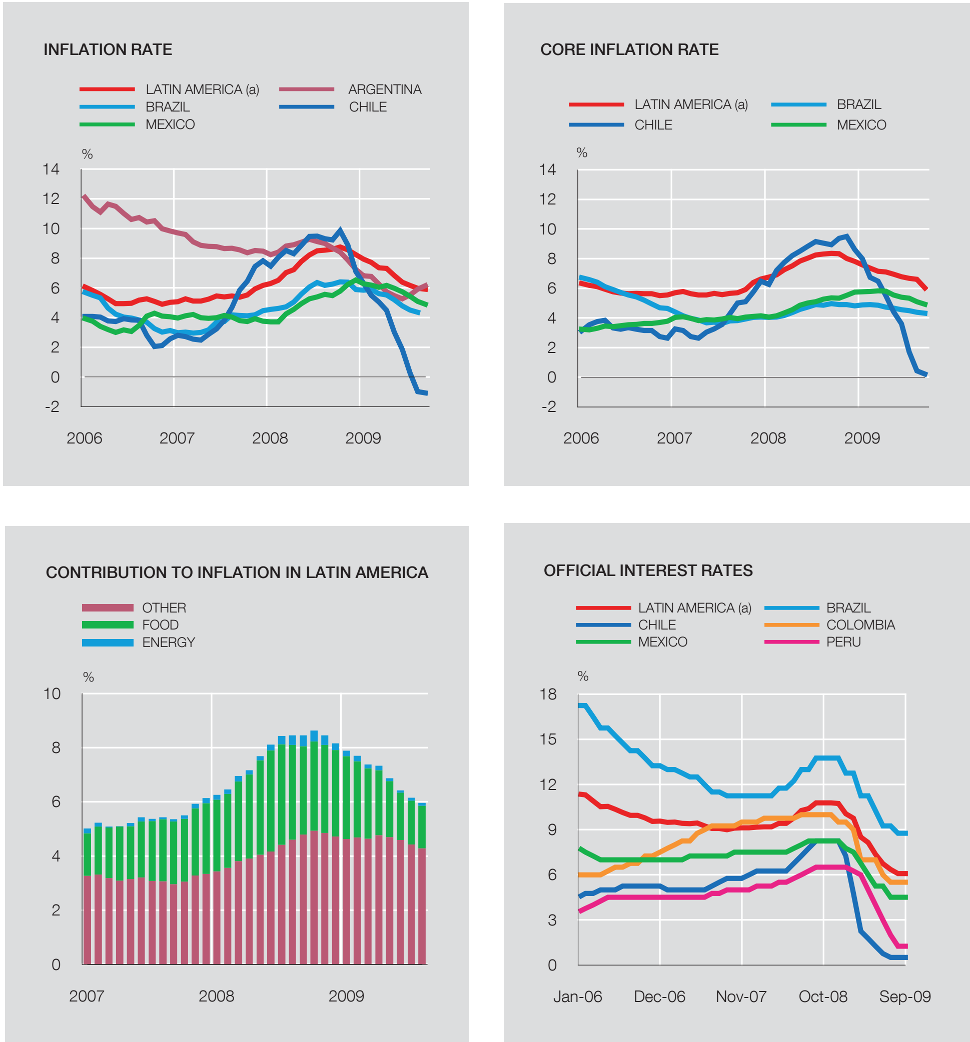
a. Seven biggest economies.
b. Years 2009 and 2010: IMF estimate (October 2009).

Turning to stock markets, the local currency-denominated regional index (MSCI) for Latin America ended the period with gains exceeding 35%, a similar movement to that for other emerging regions and higher than for most developed countries. Across the Latin American countries, the main regional stock markets ended the last six months with gains. The biggest increases were in Argentina, with a rise of over 85%, followed by the Lima stock exchange (see Chart 7). In the other economies in the region, stock market indices have increased by between 30% and 40%.

Against this backdrop, domestic credit to the private sector continued to slow, in line with the trend followed since late 2007. But it held at a positive year-on-year growth rate, even in real terms, in most countries (at around 5% on average for the region). The main exception to this trend was Mexico, where credit to the private sector fell moderately in real terms, although the rate of decline appears to have stabilised in recent months (see Chart 8).

INFLATION AND OFFICIAL INTEREST RATES
Year-on-year rates of change

CHART 9



SOURCES: National statistics and Banco de España.

a. Aggregate of the seven main economies.
b. Weighted average of the official rates of the five countries with inflation targets.

The latest forecasts on capital flows show something of an upward revision, but in any event they will continue to be very moderate in 2009. Foreign direct investment is expected to continue to be the main capital flow towards the region ($60 billion), and there will foreseeably be a capital outflow of portfolio and banking flows, in net terms, for 2009 as a whole, despite their recent recovery. It is estimated that the shortage of private flows will be offset, in part, by the increase in official financing, which would resume its levels at the beginning of the decade (see Chart 8). Overall, there should be a continuing net moderate flow towards the region in 2009. In this setting, issues on international markets picked up notably in the first half of 2009, continuing into Q3 and the start of Q4 (with various sovereign debt issues such as those of Brazil, Mexico, Colombia, Peru and Uruguay under very favourable conditions). In the first half of the year, corporate issues slightly exceeded sovereign ones, although they were concentrated solely in the most liquid markets, namely Brazil, Chile and Mexico.

Prices and macroeconomic policies

The incipient moderating trend of inflation rates observed in Latin America in late 2008 has stepped up over the course of the following months, placing the overall index at a year-on-year rate of 5.9% in September, i.e. 1.5 pp below the level at the beginning of the year and 2.8 pp below the highs reached in October 2008 (see Chart 9). Core inflation has also trended down-

INFLATION
Year-on-year rates of change

TABLE 2

Country	2008	2009		2010	
	Fulfillment	Target	December (a)	Target	Expectations (a)
Brazil	Yes	4.5 ± 2	4.3	4.5 ± 2	4.4
Mexico	No	3 ± 1	4.2	3 ± 1	4.4
Chile	No	3 ± 1	-0.7	3 ± 1	2.6
Colombia	No	5 ± 0.5	3.5	3 ± 1	4.2
Peru	No	2 ± 1	1.3	2 ± 1	2.3

SOURCES: National statistics and Consensus.

a. Latinfocus, October 2009.

wards, although initially it showed greater stickiness (6% year-on-year, 2.3 pp below its high). However, this moderation was less than in other emerging regions.

The decline in inflation was marked in most of the Latin American countries, though Chile was a particular case in point; in August it posted a negative year-on-year rate, for the first time since April 2004, and in September it stood at -1.1%, a low since the series began. In Peru and Colombia, too, the inflation rate eased appreciably, to 1.2% and 3.2%, respectively. Accordingly, in recent months inflation in the countries with explicit inflation targets has stood within the tolerance band or, in the cases of Chile and Colombia, below the established floor. The only exception is Mexico. There, although inflation has fallen by 1.4 pp since January (4.9% in September), it remains almost 1 pp above the target range ceiling. Generally, inflation expectations in the five countries with inflation targets have firmed at rates in keeping with the targets set for 2009 and 2010 (see Table 2), which would denote a high degree of credibility of these targets and of the functioning of the monetary policy framework in these countries, against the background of a strong financial and real shock. Elsewhere, prices showed downward stickiness in Venezuela, standing at a year-on-year rate of 28.9% in September, while in Argentina official inflation, after having reached its lowest level since August 2004 in June, rose in September to 6.2%.

From a broader perspective, recent inflation developments in Latin America help better understand the relative significance of two opposing factors: the pass-through effect arising from the sharp depreciation exchange rates underwent from September 2008 to March 2009, and the price-moderating impulse stemming from the opening up of output gaps in all the countries, as a result of the crisis. In this respect, it would seem that in most cases the first factor has not materialised, probably owing to the fact that the depreciation has largely proved to be temporary, although the second effect would not have managed to significantly reduce the core inflation rate at the regional level (see Chart 9). Among the countries with inflation targets, Mexico would be the most significant case since, although its inflation has eased, it has not done so to the extent expected, given the widening of the output gap (the biggest in the region; see the section "Economic developments by country").

In terms of components, the main factor behind the easing in consumer prices has been the price of food and, to a lesser extent, of energy. As Chart 9 shows, the fall in food prices accounts for around 80% of the decline in overall inflation rates. This decline reflects the base effects of the strong rise in commodities prices the previous year, and also the fact that the recovery seen in these prices since March has coincided with an appreciation of exchange rates. The contribution of the remaining CPI components diminished moderately, despite the strong slowdown in domestic demand and the moderation in administered prices.[2]

All the central banks with inflation targets have cut their official interest rates in the past six months, and some introduced additional interbank liquidity support measures (see Box 1). The biggest cut in interest rates was in Chile (775 pp to 0.5%), followed by Colombia (600 bp to 4%), Peru (525 bp to 1.25%), Brazil (500 bp to 8.75%) and Mexico (375 bp to 4.5%) (see Chart 9). From the summer onwards, and with some degree of synchronisation, there was a change in the tone of the central banks' communication, which pointed to the end of the cycle of rate cuts. In most of the countries, the reduction in nominal rates has entailed a significant reduction in real interest rates (with the odd exception such as Chile). The cuts in official rates have tended to pass through - with less intensity - to the long-term interest rates on local currency-denominated government debt, which have fallen by between 50 bp and 200 bp, depending on the country. As a result, the long-term yield curves have maintained a strongly positive slope in general, which has been highlighted as worrying by some central banks (Chile, Brazil). In Mexico, long-term interest rates have proven notably reluctant to fall and are holding virtually at the same levels as six months ago.

The weakness of the recovery expected for the coming months and the appreciating trend of exchange rates should prevent renewed upward pressures on prices; however, the rise in commodities prices will also restrict the leeway for inflation to fall. Accordingly, as the signs of recovery in the economy firm, central banks will foreseeably begin to withdraw the monetary stimulus. In most countries, the market is discounting official rate increases as from 2010 Q1, increases that will be relatively significant in some cases. Yet as there is a risk that in emerging economies such as the Latin American countries a rise in interest rates may increase financial inflows in the short term, it is possible that the tightening of monetary conditions may be underpinned initially by other measures such as, for instance, the withdrawal of some of the extraordinary liquidity-provision measures applied during the crisis (ratios, reserve requirements). Indeed, Brazil appears to have begun to act along these lines. In this respect, the appreciation of exchange rates is causing growing concern in some countries. Brazil has reintroduced its 2% tax on cross-border transactions, while Colombia has announced the purchase of reserves and has suspended the repatriation of State-owned companies' dollars.

In the fiscal policy realm, the key development was the sharp deterioration in public finances in the first half of the year, which was across the board and which in most countries was due principally to the abrupt decline in primary revenue (-10% year-on-year in the region as a whole), more than to the expansion in expenditure, although this did continue to increase (see Chart 10). Government revenue was reduced owing to the weakness of activity, to lower commodities prices (see Box 2) and, in some countries, to specific tax cuts. In Brazil and, above all, in Argentina, revenue increased, but the expansion of spending was greater, giving rise to a reduction in the primary surplus. In the region as a whole, this translated into the emergence of a total deficit of 2% (from a position of a balanced budget one year earlier) and an increase in public debt/GDP ratios (although this increase is comparatively lower than the increases in public debt occurring in the industrialised countries, as a result of the response to the crisis. A special case is that of the countercyclical fiscal policy pursued by Chile, harnessing the funds built up in previous years, which have enabled it to increase public spending in real terms by

2. In Brazil, government-regulated prices dipped from a year-on-year rate of increase of 4.1% in April to 3.9% in August; in Mexico, administered prices were growing at a year-on-year rate of 6.3% in January and are now doing so at 0.8%; in Chile, the items that have most contributed to the slowdown in inflation have been financial charges and urban transport; in Colombia, the year-on-year rate of regulated prices fell from 8.5% in January to 2.5% in September.

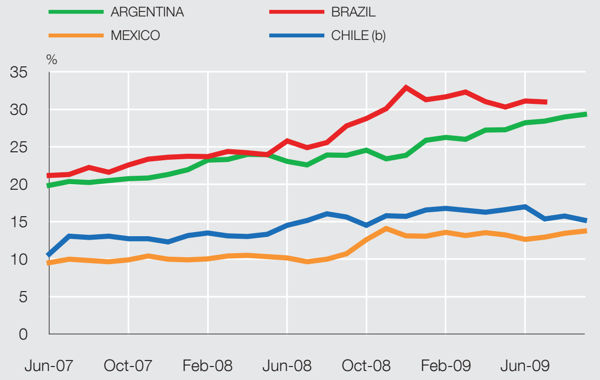
The monetary policy response to the crisis at global level has been extraordinary and unprecedented. Not only have official interest rates been reduced to historical lows in the vast majority of countries, but also this easing has been supplemented in many advanced economies by unconventional monetary policy measures, such as the provision of unlimited long-term liquidity, lending to sectors in difficulty and the purchase or swap of private and public assets. These unconventional measures were taken against a background of near-zero official interest rates, i.e. when the leeway for using the traditional monetary policy instrument had been exhausted.

As can be seen in the panel, these measures brought a spectacular increase, and change in the composition, of the balance sheets of the main central banks, which, in the particular case of the Federal Reserve and the Bank of England, more than doubled and tripled their size measured in terms of GDP, respectively. In the case of the emerging countries, and of Latin America in particular, there has also been an expansion of balance sheets (which, measured in terms of GDP, was larger than in the industrialised economies), although in a lesser proportion.

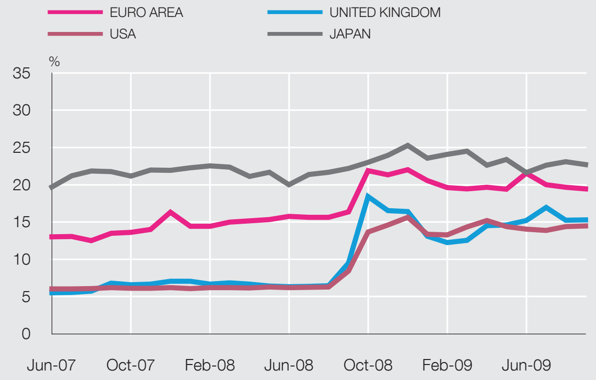
This Box analyses the increase in the balance sheets of the central banks of Mexico, Brazil, Chile and Argentina, and the extent to which it was due to unconventional measures analogous or comparable to those taken in the advanced economies, or whether, on the contrary, this increase is explained by other factors specific to these countries, although also related to the impact of the crisis. The conclusions of the analysis support the second hypothesis.

In Mexico, the assets of the central bank increased by 9% to 13% of GDP between mid-2007 and mid-2009, particularly from Sep-

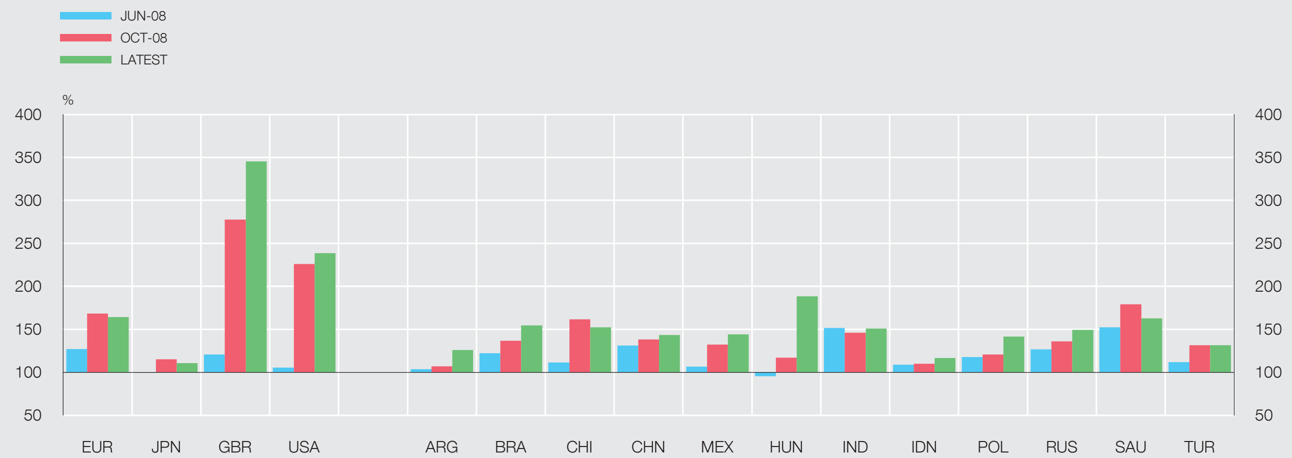
1 CENTRAL BANK ASSETS / GDP (a)
Percentage



2 CENTRAL BANK ASSETS / GDP (a)
Percentage



3 CENTRAL BANK BALANCE SHEETS



SOURCE: Central bank balance sheets.

a. As a percentage of 2008 GDP.
b. For Chile, approximated by international reserves.

tember 2008. This change is only partly explained by the measures taken by the Bank of Mexico to provide liquidity to the financial markets as a result of the impact of the crisis. Among the measures taken, mention may be made, on the assets side, of the exchange market interventions to sell US dollars, the creation of new peso-denominated liquidity facilities and the repurchase, from October 2007, of "savings protection bonds" by the Bank of Mexico (20% of the outstanding balance of these bonds). However, a very significant part of the balance sheet increase (around 50%) can be explained by the rise in the equivalent peso value of the foreign exchange reserves, despite the fact that, being denominated in dollars, they were reduced by the exchange market interventions.

In the case of Brazil, the numerous central bank initiatives to provide liquidity in local currency and in US dollars from October 2008 did not have a substantial impact on the size of the central bank's balance sheet, which remained around 30% of GDP (although, as a result of the accumulation of reserves, this had expanded strongly in the previous year). In addition, as in other countries, the balance sheet was affected by the reserve valuation adjustments derived from exchange rate fluctuations. The measures taken by Brazil altered, however, the composition of the central bank's balance sheet on the liabilities side, through the reduction and flexibilisation of bank reserves. This led to a significant reduction in the volume of funds compulsorily deposited at the central bank, both in cash and in securities, and to a simultaneous release of liquidity.

In the case of Chile, the central bank's decision to strengthen its foreign currency position from April 2008 (months before the failure of Lehman Brothers) interrupted the downward trend in its balance sheet since the adoption of the floating exchange rate in 1999. Thus foreign exchange reserves were accumulated (from 9.8% to 15.8% of GDP) from April to September 2008, although the associated money issue was largely sterilised through the placement of central bank notes. From September 2008 measures were adopted to ensure the dollar and peso liquidity of the local financial system from the assets side. These measures included the sale of dollars under repurchase agreement (swaps), the expansion of peso-denominated credit lines and the establishment of a term liquidity facility for granting 90-and 180-day fixed-rate loans. In addition, the central bank suspended the issuance of debt securities with maturities of one year or more in the second half of 2009 and repurchased its own debt securities (in total, around 9% of the outstanding balance), in order to mitigate the upward pressure on interest rates at those maturities, as a result of the increase in long-term Treasury issues. Notable on the liabilities side was the sharp increase in commercial bank deposits with the central bank as a result of the climate of financial instability.

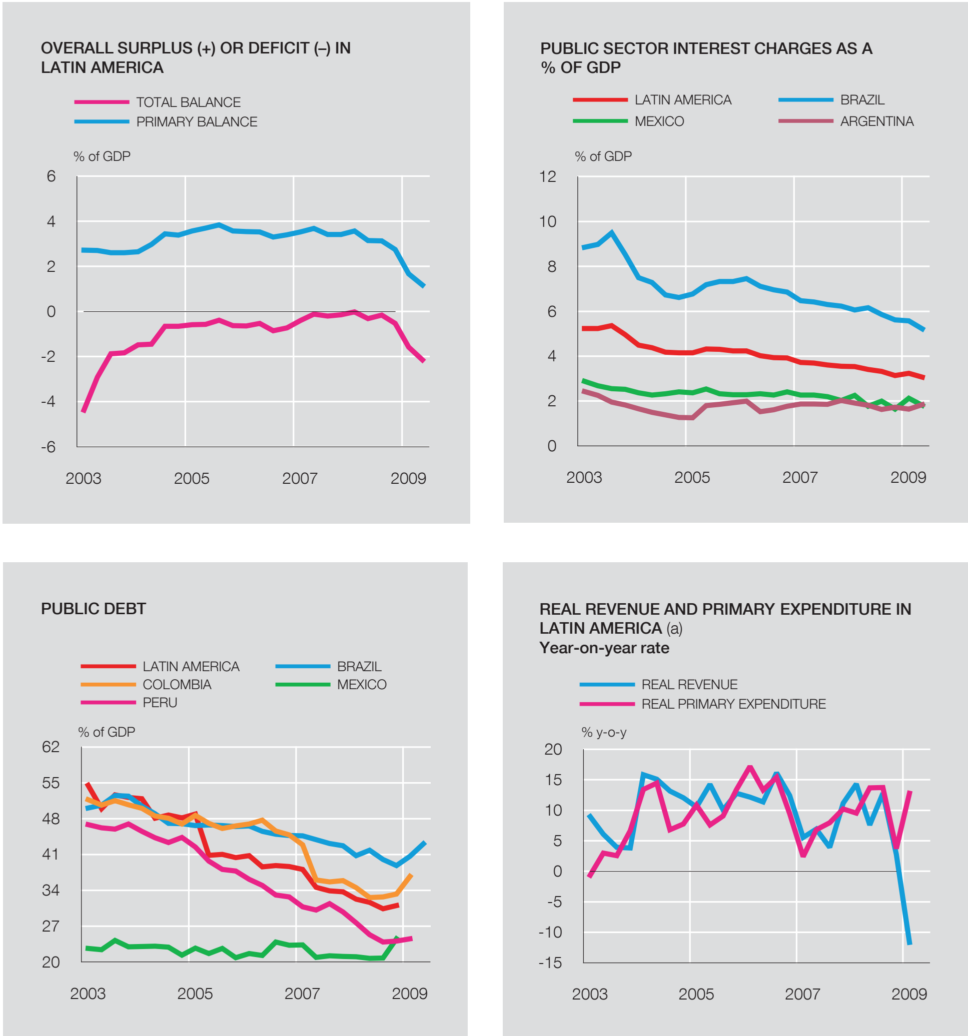
Lastly, the balance sheet of the central bank of Argentina increased considerably to around 27% of GDP. Half of this increase is explained by reserve valuation effects derived from the exchange rate depreciation (since dollar-denominated reserves decreased slightly). The other half basically reflects the increase in temporary advances to the Government and the increase in public-sector securities held by the central bank of Argentina, in order to help provide liquidity. In this respect, although the central bank of Argentina's intervention in the exchange market to support the peso was of a lesser amount than those of other central banks in the region, it took a series of measures in response to the worsening of the crisis in September 2008. Those measures aimed to ensure the provision of liquidity to the markets both from the assets side and from the liabilities side. They included the lowering of foreign reserve ratios, the increased availability of liquidity at a fixed interest rate and more flexible periods for complying with reserve requirements.

This review of changes in balance sheet volumes and composition suggests that, although the measures taken by some central banks were extraordinary (such as the abundant provision of liquidity in dollars and local currency), few can be described as " unconventional" as this term is understood in the advanced economies. The measures that can be considered unconventional include the asset purchases by the Banco de México (of a relatively small amount for the size of the debt market) and the securities repurchases by the central bank of Chile, although some of these measures are associated with fairly routine operations between central banks and Treasuries in Latin America. Furthermore, a significant part of the increase in balance sheet size was an automatic result of valuation affects (derived from the increase in the local currency equivalent of foreign exchange reserves) resulting from exchange rate depreciation, despite the fact that the dollar-amount of reserves decreased during the crisis due to the interventions.

The difference in cause and size of the increases in the balance sheets of the Latin American monetary authorities compared with those of developed economy monetary authorities has a twofold explanation. First, the size and characteristics of the financial crisis were very different from country to country; the main problems in Latin America relate to a blockage of foreign currency liquidity and the instruments were designed to counteract this situation. Second, the leeway for more conventional policies had not been exhausted: on one hand, only in Chile had interest rates approached the zero limit; on the other, unlike in the industrialised countries, most of the central banks had used other available instruments (particularly bank reserves) to boost the flow of liquidity in the economy. Given these circumstances, the reversal of the measures taken in this period will foreseeably be more automatic and less complex than in the industrialised economies.

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

CHART 10



SOURCE: National statistics.

a. Deflated by the CPI.

over 20%, despite the decline in revenue of close to 35% in the first half of the year. In this respect, it should be mentioned how the countercyclical capacity arising from the application of fiscal rules has renewed interest in this instrument, not only in the region but also globally. In several countries, however, the implementation of fiscal stimulus plans has run behind schedule. Mexico has set out a new fiscal reform, which is still pending parliamentary approval, after its fiscal deficit climbed to 1.7% of GDP, the worst figure since 1990 (see the section "Economic developments by country").

Other economic policies

In recent months, trade integration processes in Latin America have continued to be "two-speed" in the sense that, on one hand, in the Pacific basin, new bilateral trade agreements have proliferated, mainly with Asia, while on the other hand, MERCOSUR and the Andean Community have continued to come up against serious obstacles. Contrary to expectations, the change of administration in the United States has not entailed any amendment to the North American Free Trade Agreement, and the discussion of new environmental and labour clauses has been deferred until after the crisis. The initiative to use local currency in trade between Argentina and Brazil, launched in October, covers very few transactions; despite this, it

The region's latest growth cycle was largely driven by the prices of commodities, and, among them, oil, the main export of some Latin American countries. This boom also significantly improved the fiscal and external position of some countries, to the extent that, in the absence of fiscal and export revenue from oil, Mexico, Ecuador, Venezuela, Colombia and Peru would have marked external and fiscal imbalances.[1]

Despite this price rise, oil production and export in Latin America has been declining in recent years, with a few exceptions, particularly Brazil. The following chart shows the supply and demand for four large Latin American oil producers. It can be seen that, whereas the net exports of Venezuela, Mexico and Ecuador have been falling sharply, the amount of oil that Brazil has to import has tended to decrease. This suggests that the oil reserves of some countries in the region are gradually being exhausted and points to the risk that some countries, such as Mexico, may become net importers of oil in the near future, while others, such as Brazil, may become exporters due to the discovery of new reserves in the past year.

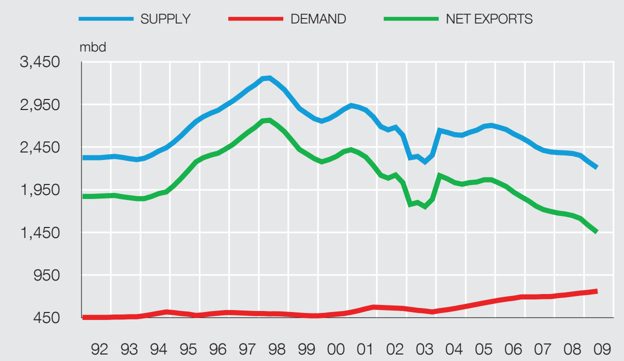
Whether a country or region is a net exporter of oil is determined by the difference between the production and the domestic consumption of this fuel. The supply and demand depend on the existence of and capacity to exploit reserves, the oil extraction technology and the effort made to undertake oil exploration and extraction projects. These variables can be used to determine the course of future production and, in particular, the point of peak production, after which extraction decreases at a rate dependent on the age of the deposits, their physical characteristics and their exploitation profile.[2] The behaviour of demand is another factor to be taken into account, and one which has generally not received sufficient attention when examining a country's export potential. When oil prices are high, producing countries tend to raise their production and thus their exports. Simultaneously, however, the increase in domestic revenue significantly stimulates economic growth and energy demand in the producers themselves. If, moreover, the domestic energy price is subsidised, as is customary in producing countries, domestic demand increases all the more.

In a situation of this type, in which the production growth rate is expected to be low or even negative, while internal demand is liable to grow at a notable place, net exports tend to decrease and, what is more, more sharply than production. Thus a country which is cur-

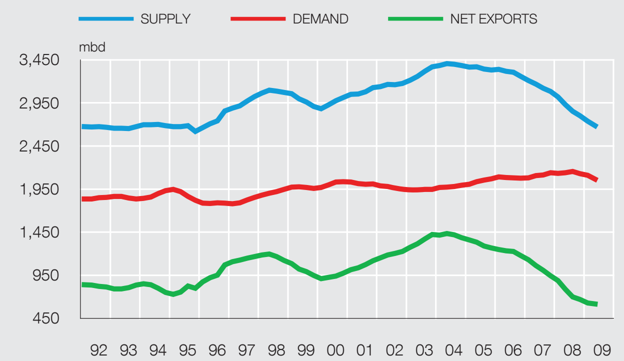
1. Without oil revenue, Mexico's balance of trade would be -4.8% of GDP, as compared with -1.1%, and its public sector balance would be -7.8%, instead of -0.4%, on average between 2003 and 2009. The figures for Venezuela would be a trade balance of -12% without oil, against 15.5%, and a non-oil government deficit of 12.8%, against -1%.

2. The first studies of oil extraction limits and production peaks were by K. Hubbert (1956), "Energy from Fossil Fuels", *Science*, who predicted that the oil peak would be reached in the US in 1970, as exactly occurred. The world's largest oilfields are currently in the aforementioned stage of decline, after peaking in the 1970s and 1980s (Middle East) and in 2003 (Cantarell, in Mexico). Only the large fields in the ex-Soviet union reached their peak production in the last three years.

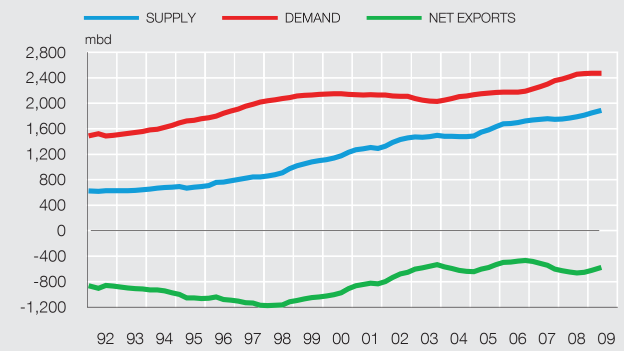
1 VENEZUELA (a)



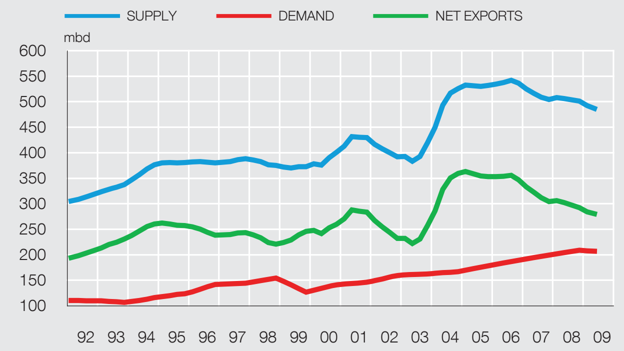
2 MEXICO (a)



3 BRAZIL (a)



4 ECUADOR (a)



SOURCES: IEA and BE calculations.

rently a net oil exporter will eventually become a net importer if supply decreases or if it increases more slowly than demand does.[3] By contrast, countries where production is expected to rise much faster than demand may, sooner or later, become oil exporters. The production and demand data published monthly by the IEA (International Energy Agency), updated until 2009, can be used to carry out an illustrative exercise. It consists of projecting future exports and estimating when countries will cease or start to be exporters.[4]

The exercise has obvious limitations, such as the automatic extrapolation of production and demand growth rates from when the production peak is reached, without taking into account possible changes in oil prices stimulating or discouraging new investment, changes in domestic consumption subsidies, variations in global demand due to large new customers like China entering or leaving the market or the discovery of new reserves. Nor does it take into consideration changes in energy efficiency in importers or in the producers themselves which reduce world or domestic demand, respectively, regulatory changes in exporters, improvements in extraction efficiency in declining oil fields or other factors.[5] It should therefore be regarded merely as illustrative of the matter at hand, i.e. the possible exhaustion of the source of external funds for these Latin American countries.

The accompanying table lists the oil-producing countries in Latin America, divided into exporters and importers, and shows, from the production peak, the growth rates of production and demand. As can be seen, since the production peak was reached, all net exporters have seen a decrease in production and growth in demand, except Colombia, where, however, demand is decreasing more slowly than supply. It can be inferred from these data that all the Latin American countries that are currently net exporters will become net importers in the coming decades,[6] while Brazil seems clearly set to take over from them as a net exporter (see panel 1 of the chart below.[7]

Panel 2 compares the Latin American countries with the other large oil exporters. The y-axis sets out the rate of change of demand from

3. One of the clearest examples of this is Indonesia. This country reached its peak production in 1996 Q2, after which output fell off at an average rate of 2.2% per year. With an increase in domestic demand of 4.6% on average, Indonesia became a net importer in 2002 Q3, since exports were decreasing at an average rate of 29.3%, much higher than the compound sum of the rates of change of supply and demand. A similar result would be obtained if production fell at a higher rate than demand, as in the United Kingdom, the production of which peaked in 1999 Q4 and which became a net importer five years later, with demand stagnant (-0.02%) but an extremely sharp fall of -7.1% in production, which resulted in an average decrease in exports of 44.5%. **4.** The exercise does not take into account the IEA's short-term (2010) or medium-term (2014) forecasts, but the qualitative conclusions are the same. For example, in the case of Mexico, the gap between the supply and demand forecast for 2010 by the IEA is narrower than that estimated using the extrapolation, i.e. Mexico would be a net importer before the date suggested by the exercise.

5. In the case of Colombia, for example, improved security in the country made it possible to exploit the potential of the oilfields when production seemed to have gone into decline. **6.** For example, the IMF predicts that Mexico will become a net oil importer around 2012 [see *Mexico: 2008 Article IV Consultation, Staff Report; Staff Supplement, and Public Information Notice on the Executive Board Discussion, FMI (2009)*, and *Mexico: Arrangement Under the Flexible Credit Line - Staff Report; Staff Supplement; and Press Release on the Executive Board Discussion, IMF (2009)*]. **7.** Taken as a whole, Latin America is estimated to put on the market 1,621 million barrels in 2009 and will become a net importer with a highly significant change in composition; Brazil will become the largest exporter of the region, with 8% of total net sales, followed by Colombia, while Venezuela, Mexico and Chile will be the region's largest importers. Having said that, the cases of Peru, Cuba and Guatemala illustrate the simplicity of the model since, based on the average rates from 1992 to 2009 or from 1997 to 2009, they would also become net exporters. In Peru, the discoveries in Camisea have pushed the growth rate of supply from 1997 to 2009 up to 12.7%.

	Net exports (a) (m bpd)	From production peak to 2009			
		Peak date	Net exports	Change in supply	Change in demand
NET EXPORTERS					
Venezuela	1,529	98 Q1	2,884	-3.5	4.6
Mexico	646	05 Q2	1,326	-5.5	0.4
Colombia	345	98 Q4	527	-1.4	-1.2
Ecuador	288	06 Q1	362	-2.8	4.2
Trinidad and Tobago	79	06Q1	118	-7.5	4.9
Argentina	15	98 Q3	322	-2.6	1.8
NET IMPORTERS					
Bolivia	-24	05 Q3	-2	-6.0	6.2
Guatemala	-61	03 Q2	-40	-9.2	2.3
Peru	-77	93 Q4	-1	-0.6	2.4
Cuba	-110	03 Q1	-100	-3.6	-0.4
Chile	-351	92 Q1	-139	-7.7	5.1
Brazil	-600	09 Q2	-515	7.7	0.3
MEMORANDUM ITEM:					
Latin America	1,678	05 Q2	3,231	-2.1	2.6

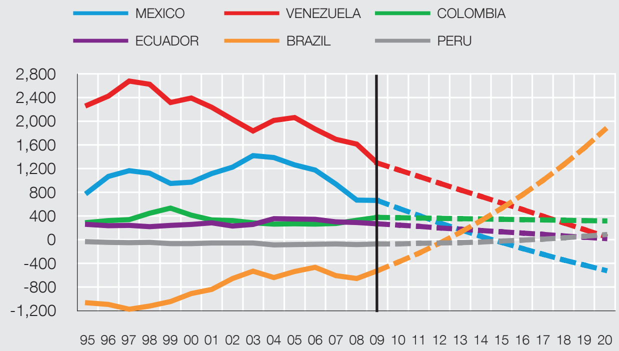
SOURCES: International Energy Agency and BE calculations.

a. Mid-2007 to 2009 Q2

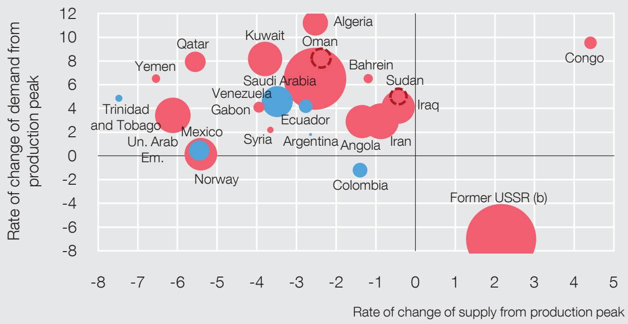
the production peak and the x-axis gives the rate of change of supply from that time, while the size of the circles represents the current net exports of each country. Thus the higher and the further to the left a country appears on the chart and the smaller its circle, the more unfavourable is its situation. It can be seen at Latin American countries are in a relatively unfavourable position with respect to other exporters, since they will become net importers in the near future.

Despite the limitations of the exercise, it shows that the fiscal and external revenue from oil exports may decrease significantly over time for many Latin American countries. Against this background, measures taken to raise exploration and extraction efficiency and to contain the rise in demand (for example, by reducing price subsidies) may be vital in prolonging the period during which this revenue will be received.

1 LATIN AMERICA: NET EXPORTS, MILLION BPD



2 MAJOR OIL PRODUCERS (a)



SOURCES: IEA and BE calculations.

a. The size of the circles represents the net exports from 2007-2009; the x-axis sets out the average rate of change of supply from the production peak and the y-axis gives the rate of change of demand in the same period.
b. Russia, Azerbaijan, Kazakhstan and Turkmenistan.

is wished to re-launch the initiative in 2010. The constituent agreement for the Single Regional Clearing System (SUCRE) was announced following the summit meeting of the ALBA (Bolivarian Alternative for the Americas) heads of State. Lastly, Venezuela has restricted its trade with Colombia owing to a diplomatic conflict (Colombian exports to Venezuela fell in July 2009 by more than 28%), seeking to divert its purchases to Argentina.

As regards structural reforms, there were no substantial advances in a setting in which economic policy decisions continued to be conditioned by the crisis. In Brazil, proposals were made to change the arrangements for the exploitation of the new oil wells in order to grant greater resources to the State-owned company, Petrobras, and in Venezuela state control of the oil sector was reinforced with the nationalisation of related activities, and headway was made in the nationalisation of the steel sector. On the financial integration front, Chile, Colombia and Peru reached an agreement in September to integrate their equity markets in late 2010, in an attempt to increase the volume of investment in each market and their liquidity. Meanwhile, Argentina, Brazil, Venezuela, Paraguay, Bolivia, Ecuador and Uruguay signed the constituent act of the Banco del Sur, with capital of $20 billion, although to date only $7 billion have been subscribed.

Turning to measures adopted internationally, mention may be made of the allocation of Special Drawing Rights (SDRs) which was concluded in late August and in early September, in compliance with the G-20 decisions taken in April ($283 billion in total, $16 billion of which related to

SDR ALLOCATION
$m

TABLE 3

	General allocation SDRs	Special allocation SDRs	% allocation of tax revenues	% allocation of international foreign exchange reserves
Argentina	2,454	207	3.1%	5.8%
Brazil	3,520	434	1.0%	1.9%
Colombia	897	79	1.5%	4.0%
Chile	992	94	2.4%	4.6%
Ecuador	350	49	2.9%	12.7%
Mexico	3,655	350	1.6%	5.5%
Peru	740	71	3.5%	2.5%
Uruguay	355	25	4.6%	5.1%
Venezuela	3,083	399	4.5%	11.5%
Latin America	16,046	1,708	1.8%	4.0%

SOURCES: Datastream and IMF.

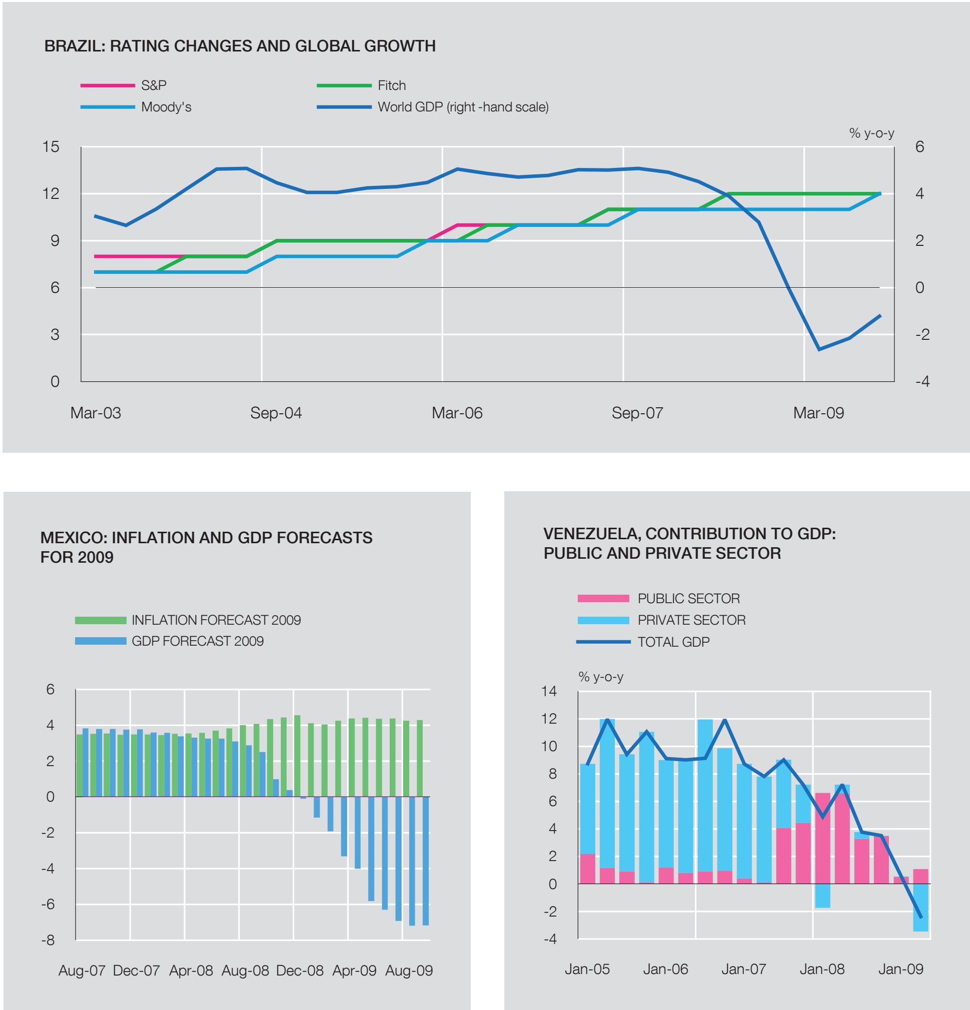
the nine main Latin American economies; see Table 3). This allocation involves a reinforcement of international reserves (between 2% and 10% of the current stock, depending on the country) and, insofar as they are freely exchangeable for other international currencies (dollar, yen, sterling, euro), through voluntary agreements between governments, they entail a greater availability of funds for each country (between 1% and 5% of tax revenue). However, to date only Ecuador and Argentina have shown their readiness to exchange SDRs for other currencies (Argentina, in principle, with the aim of repaying maturing short-term debt).

Economic developments by country

The contraction in economic activity that began in *Brazil* in 2008 Q4 ran into 2009 Q1, although the scale of the quarter-on-quarter decline eased, moving from -3.4% to -1%. The year-on-year fall in the economy in Q1 was 1.8%, the result of a decline in domestic demand (which subtracted 1.9 pp from growth), in particular in investment. In Q2, GDP expanded by 1.9% compared with the previous quarter (falling by 1.2% year-on-year), although the fall in domestic demand was similar to that of the previous quarter in year-on-year terms (-1.7%, against -1.9% in Q1) and private consumption quickened notably (from 1.3% to 3.2%). The positive contribution of external demand to growth was 0.3 pp in the first half of the year, the lowest among the economies in the region. The indicators for 2009 Q3 suggest that growth in the economy has continued during this period. This pick-up in activity has been underpinned by a countercyclical monetary policy, through official interest-rate cuts (a total of 500 bp since January, to a 8.75%, the lowest level under the current monetary framework) and through promoting the activity of public commercial banking and of development banking. Monetary easing has progressively fed through to market interest rates and this, combined with the reductions in bank reserve requirements to ease banks' liquidity tensions during 2008 Q4, has contributed to making bank credit notably cheaper. The easing of monetary policy was possible due to the ongoing moderation in inflation, against the background of the weakening of the economy, so that the inflation rate stood at 4.3% in September, 0.1 pp below the central bank target for this year (although the base effects stemming from the high increases in food prices in the first half of 2008 also contributed to this result). On the fiscal front, public finances worsened notably as a result of the reduction in revenue and the increase in spending, meaning that the primary surplus in the twelve months to August accounted for 1.6% of GDP, far below the 2008 figure of 3.7% and the revised target for 2009, namely 2.5%. The deterioration in public finances, combined with the appreciation of the real and with the contraction in GDP, contributed to the increase in (net) public debt, which stood at 44.1% in August (against 38.8% in December 2008). As regards the external sector, there was a slight reduc-

BRAZIL, MEXICO AND VENEZUELA

CHART 11



SOURCES: Central Bank of Mexico, Central Bank of Venezuela.

tion in the current account deficits, owing to the slight rise in the balance on trade and to the lower deficit on the income and services balance. The rapid recovery in the economy is one of the main factors behind Moody's upgrading Brazilian sovereign debt to investment grade (see Chart 11).

In the first two quarters of 2009, economic activity in *Mexico* contracted significantly, with year-on-year declines of -8% and -10.3%, respectively, although in quarter-on-quarter rates the fall in Q1 was much greater (-5.8%, against -1.1% in Q2). Activity was further affected in Q2 by swine flu, which is expected to have subtracted 1 pp from growth. The weight of the adjustment fell on domestic demand, which contracted by -8.9% and -11.7% year-on-year in Q1 and Q2, respectively, with a notable decline in private consumption exceeding -9%. The contribution of external demand was positive, albeit in a setting where both imports and exports fell substantially. The higher-frequency data for Q3 would point to positive quarterly growth rates of economic activity being resumed. The inflation rate has fallen, albeit to a lesser extent than in other countries in the region, especially if regard is had to the size of the output gap that has arisen in recent quarters. Inflation in September stood at 4.9%, 0.9 pp above the central bank's maximum range. Inflation expectations continue to exceed the targets set for 2009 and 2010, and wage settlements are expected to be running at over 4%. Among the explanatory factors of this downward stickiness are the sharp depreciation of the peso (20%

since October), which has proved more persistent than in other countries and which has been reflected in a rise in merchandise prices[3]; the high degree of hysteresis in inflation when it stems from an exchange rate shock[4]; and the lack of competition in certain markets. Furthermore, the foreseeable rise in taxes may entail a further rise in the inflation rate in the coming months. Despite these relatively unfavourable developments (see Chart 11), the central bank continued on the path of official interest-rate cuts until the July monetary policy meeting, when it signalled the end of the cycle of cuts, which have totalled 375 bp since January 2009. Turning to the external sector, the current account balance in the first half of 2009 posted a deficit 40% lower than the related period in 2008. The trade balance moved into surplus in 2009 Q2 owing to the increase in the value of oil exports. Public finances worsened substantially in the first half of the year, moving from a virtually balanced budget in 2008 (-0.1% of GDP) to a deficit of -1.7%, the worst figure since 1990. However, one of the challenges facing the country is fiscal consolidation; the government has unveiled two government expenditure-cutting plans for 2009 equivalent to 0.7% of GDP, and the 2010 budget provides for further spending cuts and tax changes which, following Parliamentary discussion, will probably involve rises in excise duties, in VAT and in the top rates of personal income tax.

In *Argentina*, GDP in 2009 Q2 grew at a quarter-on-quarter rate of 0.3%, compared with 0.1% in Q1. According to these figures, the Argentine economy would only have posted a decline in quarterly terms in 2008 Q4 (-0.5%), thus avoiding the situation of technical recession. In year-on-year terms, the economy recorded a decline of -0.8% in Q2, the first since 2002, following growth of 2% in Q1. The key feature was the fall-off in domestic demand, which declined by -4.8% year-on-year in Q2. In terms of components, the fall in investment totalled 10.7%, and that in private consumption -1.8%. The external sector made a positive contribution to growth of close to 4.1 pp, compared with 2 pp in 2009 Q1 as the contraction in imports deepened and exports picked up, partly because they benefited from a positive base effect. The current account surplus increased notably in the first half of 2009 thanks to the bigger trade surplus. As a result of this, reserves did not fall significantly despite the fact that the financial account posted a much bigger deficit, linked to foreign asset formation. Capital outflows were higher than $8.6 billion in the first half of 2009 and have topped $43 billion since mid-2007, although the latest data would suggest they have been checked. Inflation (officially 6.2% in September) fell in line with economic activity, although it remains high.[5] Set against the greater demand for pesos in the last two months, the central bank cut its seven-day repo interest rate by 150 bp between July and October to 9.5%, which has translated into a significant decline in market rates, and it began to repurchase reserves. With regard to public finances, the primary surplus fell notably in the first nine months of the year, since spending grew to a much greater extent than revenue. There has also been a deterioration in the finances of the provinces. This public finances situation and the financing difficulties of the Argentine government have meant that only a small part of the fiscal stimulus plan announced at the end of 2008 has been implemented. Likewise on the fiscal front, the government conducted another debt exchange which

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3. According to the Bank of Mexico survey, 87% of companies said that their costs had increased due to the exchange rate movement, owing to the fact that a large proportion of the imports they use are either directly imported (39%) or are tradeable goods whose domestic prices are also affected by the exchange rate. The same survey indicates that 28% of the companies affected opted to raise prices in light of the depreciation of the peso, and, of these, more than 50% did so in the first half of 2009. **4.** Past evidence suggests that the resumption of low inflation rates following an episode of strong exchange-rate depreciation in the country is slow. Following the 35% devaluation of the peso against the dollar in December 1994, inflation did not return to levels comparable with previous rates until May 1998, some 40 months later, while the 37% September 1976 devaluation gave rise to higher-than-previous inflation rates for over 27 months. Nonetheless, some recent papers demonstrate that the pass-through has tended to lessen (see Devereaux and Yetman (2003) and, for Mexico, Sidaoui and Ramos Francia (2008). **5.** After more than two and a half years during which the measurement of inflation has been questioned, the government is seeking to take measures to improve the credibility of the Argentine Statistics Institute, including the creation of two advisory boards that will assess the agency's figures and methodologies.

had a level of acceptance of 76% and which involved exchanging inflation-indexed debt for debt indexed to a market interest rate. According to government figures, the exchange entails a saving of almost $2 billion to 2012 in debt service, at the cost of a longer repayment period. In recent months there has been a perceptible change in the government's attitude towards the IMF, in particular regarding the revision of article 4, the first since 2006, the resolution of holdouts - where the reopening of the debt exchange has already been announced - and the Paris Club.

In *Chile*, GDP contracted by 2.3% and 4.5% year-on-year, respectively, in the first two quarters of 2009. However, although 2009 Q2 is the fourth consecutive quarter to post a negative quarter-on-quarter figure, there has been an easing in this rate to -0.4%. The decline in domestic demand was due chiefly to investment in machinery and equipment, although private consumption also contracted. Conversely, the positive contribution of external demand amounted to 6.6 pp in the first half of 2009, the biggest among the region's economies, as a result of a much greater fall in imports than in exports. The higher-frequency data for Q3 would suggest that Chile has emerged from the technical recession, and is expected to post positive growth in quarter-on-quarter terms. As regards the external sector, the current account balance moved into surplus in 2009 Q1, widening in Q2 to 2.9% of GDP. The income balance showed a smaller deficit, as the reduction in the prices of mining products affected the profits accruing to foreign investment in this sector. Foreign direct investment in the first half of the year amounted to $6.23 billion, a year-on-year decline of 20%, although it was at a peak in 2008. In the first half of 2009, the central government balance showed a deficit equivalent to 2.6% of total GDP for 2009. This resulted from the fact that real revenue fell by 34.6% year-on-year (revenue relating to the copper prices fell by almost 90%) and real expenditure grew by 18.1%. On official figures, 58.4% of the fiscal stimulus plan envisaged for 2009 is estimated to have been implemented in this first half of the year. To finance this plan, the government decided to withdraw $4.38 billion from the sovereign fund and announced that the Treasury would issue bonds on the local market for the equivalent of $1.7 billion in the second half of 2009. Inflation continued to fall sharply, meaning that the CPI in September stood at a year-on-year rate of -1.1%. Behind this development lie the abrupt decline in domestic demand since late 2008, the high basis for comparison of the previous year, the swift pass-through of lower international prices and the change in the CPI measurement methodology which the Chilean statistical agency implemented in early 2009. The central bank continued cutting its official interest rate (775 bp were shaved off from January to July), taking it to 0.5%, and it announced certain measures intended to influence the level of long-term interest rates (see Box 1).

There was a slight recovery in the *Colombian* economy, which expanded at a quarter-on-quarter rate of 0.3% and 0.7% in Q1 and Q2, respectively, although compared with the same period a year earlier, the growth rate was slightly negative in the two quarters (-0.4% and -0.5%, respectively). The slight pick-up in GDP in the first half of the year arose partly from the improvement in net external demand, owing to the decline in imports, with domestic demand remaining generally weak, particularly private consumption. The indicators of activity that have been released would suggest a persistence at the start of Q3 of the weakness dating back to before the global financial crisis. Against this background, inflation fell strongly from 8% at end-2008 to 3.2% in September, below the central bank's target range (5% + 0.5%) for the fourth month running. The inflation target for 2010 has been revised downwards to 3% with an interval of + 1%. The central bank, which was the first in the region to initiate cuts in official interest rates in December 2008, continued to lower them, placing them at 4.5% in June (a cumulative cut of 550 bp). It kept these rates unchanged at the subsequent meetings until September, when it unexpectedly announced a fresh cut of 50 bp to 4%. The current account deficit eased in the first half of the year as a result of the narrowing of the income and services deficit, and it was amply covered by long-term financial inflows. Tense relations with Venezuela pose the risk of reduced exports and probably contributed to the strong decline in August. On the fiscal front, revenue was lower than expected. In these circumstances the government has opted to maintain expenditure and revise the deficit objective for 2009 upwards to 4% (from 3.7% previously); the consolidated public sector objective rises from 2.4% to 2.6% of GDP.

In *Peru*, the economy was in recession in the first half of the year, as indicated by the quarter-on-quarter declines of 1.1% and 0.9% in the first two quarters of the year. In year-on-year terms, there was a negative rate of change (of -1.1%, the first since 2001 Q2) only in Q2, due to the collapse of domestic demand (-5.5%), whose source is the fall in private investment. The contribution of the external sector was positive (3.7 pp in the first half of the year). There was a current account surplus of 0.1% of GDP in 2009 Q2, following the deficit recorded in the five previous quarters, in light of the higher trade surplus and the lower income deficit attributable to the lower amounts of mining companies' profits transferred abroad. The ongoing reduction in inflation has become more accentuated in recent months, and in the first nine months of 2009 inflation for the year stood at -0.08%. Although core inflation has fallen, the main explanatory factor here is food prices. In this setting, the central bank continued cutting its official interest rate, shaving off a total of 525 bp from February to August to take it to 1.25%. Nonetheless, the monetary authority has indicated that it does not envisage further cuts. In the fiscal arena, the non-financial public sector posted a primary surplus of 1.8% of GDP (5.4% in the same period in 2008) in the first seven months of the year. Further, there has been a delay in the implementation of the fiscal plan announced at the end of 2008, because the regional governments are not making public investments at the rates envisaged. In September, Moody's upgraded Peru's rating to investment grade.

There was a year-on-year contraction of 2.4% in economic activity in *Venezuela* in 2009 Q2, due especially to the contraction in private consumption and investment. As can be seen in Chart 11, the public sector has been the driving force of growth over the last eight quarters. The current account balance was once again in surplus in Q2, thanks to the increased value of exports (where oil-related products accounted for 94% of the total) and the reduction in imports. Inflation remains very high (28.9% in September), partly as a result of the effects of the rise in VAT (3 pp in April). In more structural terms, the difficulty in obtaining foreign currency on the regulated market explains part of the inflationary tensions, and government policy continues seeking to focus on closing the gap between the official and parallel exchange rates. There was an easing in monetary policy, with successive cuts in the top interest rates for credit and the minimum rates for deposits, and in legal reserve requirements in domestic currency, but this did not translate into increases in lending. On the fiscal front some tightening is discernible, since public spending in real terms contracted to a greater extent than revenue. Finally, in the policy field, the government reactivated its nationalisations plan and issued a series of laws reinforcing its control over the oil, petrochemical and steel industries, in addition to finalising the acquisition of the Banco de Santander subsidiary.

23.10.2009.

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Do institutional changes affect business cycles?

The author of this article is Eva Ortega of the Directorate General Economics, Statistics and Research.[1]

Introduction

The literature contains abundant evidence, supported by various methodologies, that economic activity shows some synchrony across the developed countries [see Del Negro and Otrok (2003), Giannone and Reichlin (2006) and Canova, Ciccarelli and Ortega (2007), among others]. There is also increasing evidence that the cyclical characteristics of real economic variables have been changing over time. Several factors lie behind these developments. Firstly, structural changes may have taken place that have altered shock transmission mechanisms, both within and across borders. For example, the Great Inflation of the 1970s and the greater subsequent macroeconomic stability in United States and in other developed countries are usually explained by changes in the priorities or preferences of the monetary authorities. Secondly, the shocks that affect economies have progressively changed, in terms both of their characteristics and their frequency. For instance, Helbing and Bayoumi (2003) find evidence that common shocks across countries have been more usual in recent years than previously.[2] Finally, a third cause that may alter the nature of cyclical fluctuations are institutional changes. Despite the major institutional transformations witnessed over recent decades, particularly in Europe, the literature on this area is very scant.

This article summarises a more extensive paper that researches the effects that institutional changes may have on business cycle dynamics. It uses in this connection the recent European experience and, specifically, it analyses the impact in Europe of three developments related to the Economic and Monetary Union (EMU): the entry into force of the Maastricht Treaty in 1993, the creation of the European Central Bank in 1998 and the launch of euro-denominated banknotes and coins in 2002. To have a broad time perspective, the period analysed runs from 1970 Q1 to 2007 Q3. As to geographical scope, the cycle of ten European countries is analysed, seven of them part of the euro area (Germany, France, Italy, Spain, Belgium, the Netherlands and Finland) and three outside it (the United Kingdom, Denmark and Sweden).

To this end, and drawing on the estimation of an empirical model, a study is made of the changes over time of indicators of the common European cycle and of the specific national cycles, and also of their characteristics in different sub-samples. Further, forecasting exercises are performed taking as a starting point the date of the entry into force of each of the institutional changes envisaged and, finally, the dynamics of the variables in response to shocks are assessed.

The empirical model

The estimated empirical model consists of a panel VAR, along the lines of that proposed in Canova and Ciccarelli (2004). This econometric framework is particularly suited to responding to the questions raised, since it can be applied to large-scale databases and it allows for the specification of different dynamics for each series, interdependencies among countries and variables, and changes over time in these interdependencies.

Essentially, the model expresses the quarter-on-quarter growth rate of the variable *y* of country *i* as a function of the past of that variable, of all the other variables of that country deemed

1. This article is a summary of Banco de España Working Paper 0921, by Fabio Canova, Matteo Ciccarelli and Eva Ortega: *Do institutional changes affect business cycles? Evidence from Europe.* **2.** Other authors identify a reduction in their volatility, which they attribute to the decline in inflation volatility and the greater persistence of cycles in the United States [Canova and Gambetti (2009)] or to a greater correlation between the business cycles of different countries [Stock and Watson (2003)].

relevant and of the other countries (all represented by Yt–1), and also of the present and past of a limited set of exogenous variables (Wt)[3] and of an error term. The variables analysed for each of these countries are GDP, total employment, industrial production, private consumption and productive investment. For each of these an equation is estimated as follows:

$$y_{it} = D_{it}(L)\, Y_{t-1} + F_{it}(L)\, W_t + e_{it}$$

This model is useful for studying the effects of institutional changes on European business cycles for three main reasons. First, because the coefficients of each equation may vary over time, which allows the structural changes (linked to changes in the institutional framework) to be isolated and separated from the gradual transformations that may occur. Further, the fact that specific coefficients are estimated for each variable obviates the biases that might arise due to not considering sufficiently the possibility of such variables behaving heterogeneously. Finally, by allowing the dynamic interaction of each series with other variables and countries, the model envisages a great variety of possible interdependencies, which is optimal for capturing appropriately the effect of institutional changes that go beyond the national arena.

To resolve the problem of the wide range of parameters that must be estimated,[4] the technique described in Canova, Ciccarelli and Ortega (2007) was used. This technique decomposes the vector of coefficients into four mutually orthogonal components, which allows for isolation of: a) the cyclical movements common to all the variables and countries; b) those of a national nature; c) those specific to a single variable in the different countries; and d) those due to world variables, exogenous to Europe. In this way, the change in each variable in a specific country can be expressed as a sum of four indicators: that of the common European cycle, that of the national cycle, that specific to the variable considered and that determined by exogenous variables. The cycle indicators thus obtained are observable and follow a more subdued course than the source variables, so the medium-term movements associated with the business cycle can be better captured.[5]

Changes over time in the indicators of the common European cycle and the national cycles

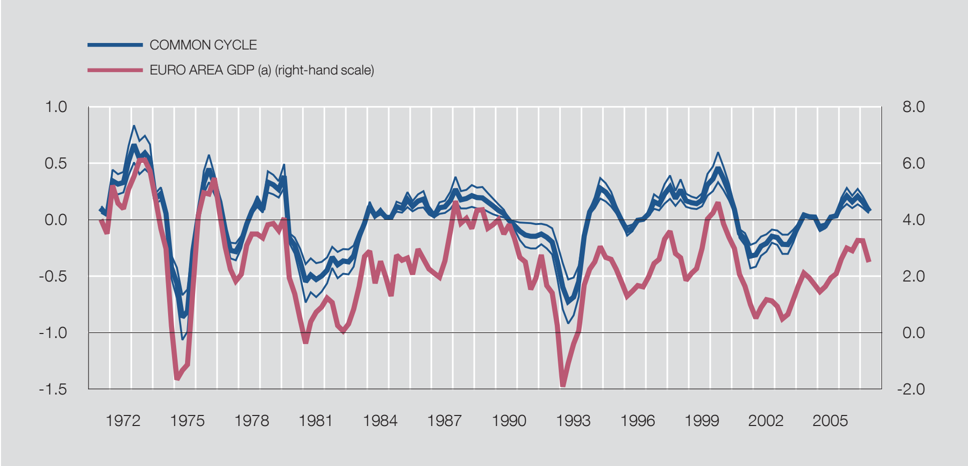
The common European cycle, estimated with the above methodology for the aggregate of the ten European countries analysed, follows a similar pattern to that of euro area GDP (see Chart 1).[6] Chart 2 depicts the median of the estimated values for the national cycles of the main countries analysed. As can be seen, although they are heterogeneous in the time profile, the amplitude of the cycles and the duration of the fluctuations become similar over time.

These impressions are confirmed when various statistics summarising some of the cycle characteristics estimated for the sample period and for several sub-samples are calculated. In

3. The exogenous variables considered are: non-energy commodities prices, oil prices, world trade and GDP, US interest rates and the New York Stock Exchange index. The details on the quarterly data used may be consulted in the paper by Canova, Ciccarelli and Ortega (2009) that acts as a basis for this article. **4.** Taking a sole lag for each endogenous variable and for the exogenous ones, each of the 50 equations of the system (five variables per country, ten countries) has 56 coefficients in each of the 151 quarters of the sample period 1970 Q1-2007 Q3. That makes for a total of 50 x 56 x 151 coefficients that have to be estimated. **5.** The estimation technique used is the Bayesian method, which requires the definition of a priori general distributions for the parameters, combining them with the sample likelihood function. For simplicity's sake, we assume that the time-variant parameters to be estimated follow a random walk. This model specification has been shown to be that offering the best estimation properties. Specifically, these are better than in a similar model which does not allow specific cycles for each country, for each variable or for the exogenous variables. It is also preferable to a model where, instead of a single common cycle, two differentiated common indicators are estimated, one for the euro area countries and the other for the United Kingdom, Denmark and Sweden. **6.** Chart 1 shows the median of the values estimated and the limits of the 68% confidence interval. If the a posteriori distributions were normal, that interval would correspond to the mean plus/minus one standard deviation.

COMMON EUROPEAN CYCLE INDICATOR AND EURO AREA GDP GROWTH

CHART 1



SOURCES: ECB and Banco de España.

a. Deviation of the annualised quarter-on-quarter growth rate from its average in the period from 1970 Q1 to 2007 Q3. This same transformation was also applied in the series used to estimate the common and national cycles.

particular, Table 1 offers information on volatility, persistence and degree of synchrony with the common cycle, respectively approximated using standard deviation, the autocorrelation coefficient and the correlation coefficient. As the first two columns of the table show, euro area GDP and the common cycle are highly correlated and have similar persistence. Note, however, that the area's GDP is more volatile than the common European cycle. It can also be shown that the correlation between the cycle estimated for each country and the common cycle increases over time in most cases. Further, the volatility of the various estimated indicators declines significantly in the mid-1990s and, more markedly, in the final years of the sample (with the exception of Germany). In some cases, this diminished volatility is accompanied by an increase in the persistence of fluctuations.

These changes in cyclical characteristics square reasonably well with the results in the literature. In accordance with Canova, Ciccarelli and Ortega (2007), the reinforcement of common aspects in the cyclical fluctuations in Europe should be chiefly attributed to the fact that there has been an intensification of overall oscillations across countries over time. On the other hand, it should not be interpreted that national cycles are disappearing or that they were less synchronised in past decades, with those of some countries lagging those of others (indeed, as Table 1 shows, the largest correlation between the indicators of national cycles and the indicator of the common European cycle is the coincident correlation in virtually all cases and sub-samples, but this correlation has been increasing throughout the period analysed).

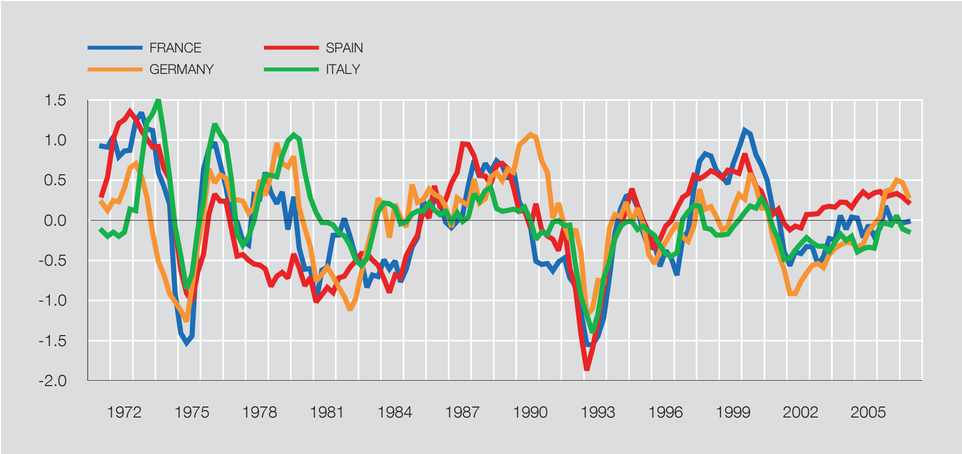
Institutional changes and real fluctuations

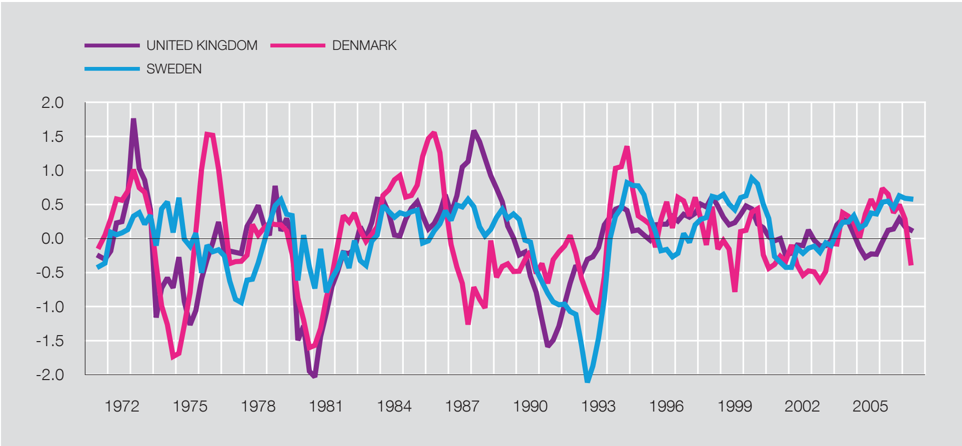
As noted above, the estimated model can be used to assess the impact on European cycles of the institutional changes linked to the creation of the euro area. To do this, we compared the characteristics of the indicators of the common European cycle and of the specific national cycles in the defined sub-samples, taking as the cut-off point the entry into force of the three aforementioned institutional changes.[7] Subsequently, we conduct-

7. 1993 Q4 is used as the cut-off for assessing the impact of the Maastricht Treaty, which, although signed on February 1992, did not come into effect until November 1993. The European Central Bank was created on 1 June 1998, so the cut-off is 1998 Q3. Lastly, the cut-off taken for the introduction of euro banknotes and coins is 2002 Q1, since they were introduced on 1 January of that year.

CYCLE INDICATORS BY COUNTRY

CHART 2





SOURCE: Banco de España.

ed exercises to check whether the institutional changes caused structural changes which invalidate the macroeconomic forecasts made with the information available up to the starting point of the changes or whether they altered the shock transmission mechanisms.

Table 1 shows that from 1993 the standard deviations decreased and the maximum correlations increased for the various European countries considered. However, an examination of the results for the period from 1985 Q3 to 2007 Q3 shows that the bulk of these changes had occurred previously, in the mid-1980s. Moreover, there does not seem to be evidence of changes in the properties of the cycle indicators in the post-Maastricht, post-ECB or post-euro changeover samples, or of changes in the dynamics of the national business cycles of the future euro area members and of the other countries. Although volatilities progressively decreased over the course of this period, the correlations with the common cycle scarcely changed or changed only moderately.

Another way of identifying the possible impact of institutional changes on cycles in Europe is to assess whether the behaviour of the variables studied for European countries was very different, in each of the stages analysed, from that which would have been predicted under the estimated model using only the information available at each point in time. The results of this exercise indicate that the five-year predictions under models estimated in this way largely contain the values subsequently observed in the three

BASIC STATISTICS OF THE CYCLE INDICATORS

TABLE 1

	COMMON CYCLE	EURO AREA GDP	DE	FR	IT	ES	UK	DK	SE
FULL SAMPLE: 1971 Q1 to 2007 Q3									
Volatility (a)	2.8	15.7	5.2	6.3	4.6	6.1	6.3	6.4	5.4
Autocorrelation (b)	0.89	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Correlation with common cycle (c)		0.90 (-1)	0.73 (0)	0.84 (0)	0.66 (1)	0.74 (0)	0.60 (0)	0.63 (-1)	0.64 (0)
1985 Q3 to 2007 Q3									
Volatility (a)	2.2	12.3	4.7	5.7	3.2	5.1	5.4	6.0	6.0
Autocorrelation (b)	0.91	0.9	0.9	0.9	0.9	0.9	0.9	0.8	0.9
Correlation with common cycle (c)		0.86 (-1)	0.69 (0)	0.88 (0)	0.84 (0)	0.82 (-1)	0.59 (-2)	0.45 (-1)	0.86 (0)
Pre-Maastricht: 1971 Q1 to 1993 Q3									
Volatility (a)	3.2	18.2	5.8	6.9	5.3	7.1	7.8	7.7	5.6
Autocorrelation (b)	0.88	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Correlation with common cycle (c)		0.92 (-1)	0.73 (0)	0.84 (0)	0.70 (1)	0.74 (0)	0.60 (0)	0.61 (-1)	0.64 (0)
Post-Maastricht:1993 Q4 to 2007 Q3									
Volatility (a)	2.2	9.9	3.8	5.3	2.4	3.6	2.2	4.9	4.5
Autocorrelation (b)	0.89	0.9	0.9	0.9	0.8	0.9	0.8	0.7	0.9
Correlation with common cycle (c)		0.93 (-1)	0.86 (0)	0.85 (0)	0.86 (0)	0.80 (0)	0.68 (-1)	0.62 (-1)	0.89 (0)
Post-ECB creation: 1998 Q3 to 2007 Q3									
Volatility (a)	2.0	10.7	4.1	4.8	1.9	2.3	2.3	4.0	3.6
Autocorrelation (b)	0.91	0.9	0.9	0.9	0.8	0.9	0.8	0.7	0.9
Correlation with common cycle (c)		0.93 (-1)	0.91 (0)	0.86 (0)	0.85 (1)	0.90 (-1)	0.75 (0)	0.52 (0)	0.95 (0)
Post-euro changeover: 2002 Q1 to 2007 Q3									
Volatility (a)	1.7	8.6	4.3	2.1	1.4	1.5	1.8	4.3	3.3
Autocorrelation (b)	0.93	0.9	1.0	0.7	0.7	0.9	0.7	0.8	0.9
Correlation with common cycle (c)		0.96 (-1)	0.95 (1)	0.88 (0)	0.85 (0)	0.91 (-1)	0.58 (0)	0.87 (-1)	0.97 (0)

SOURCE: Banco de España.

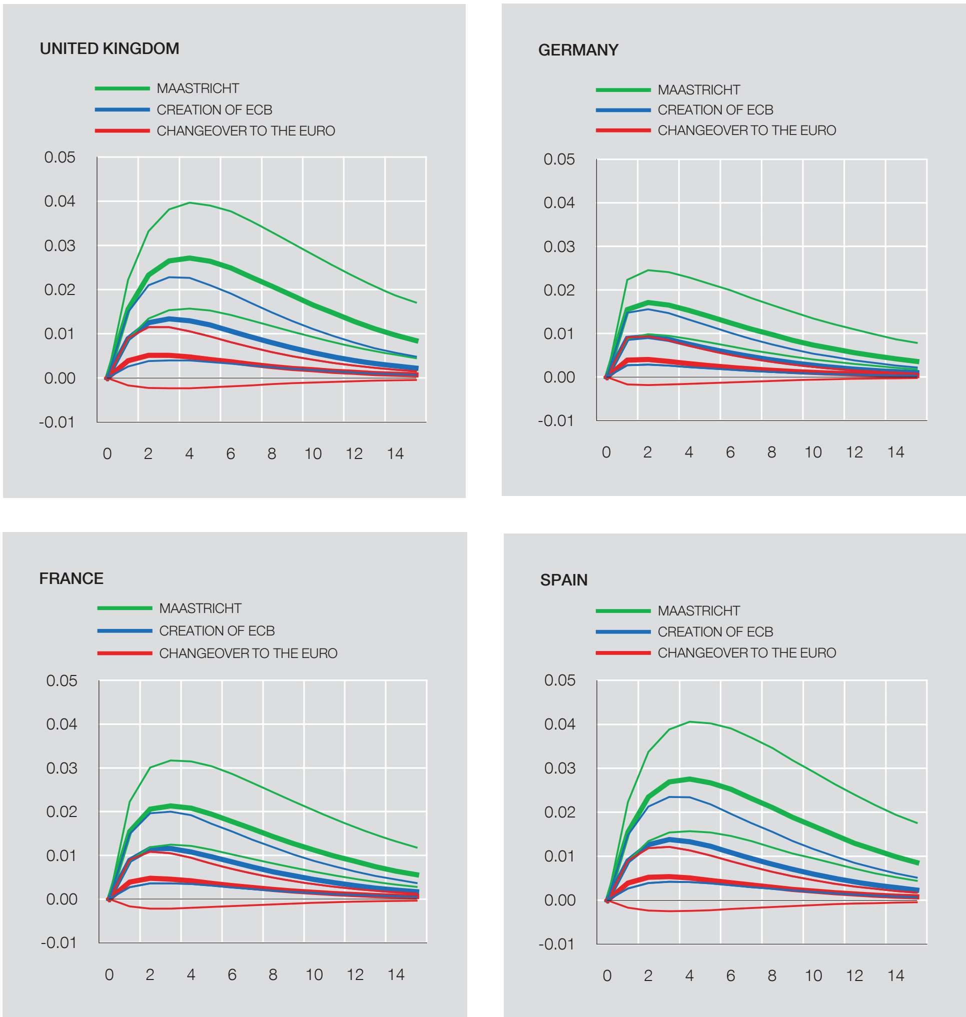
a. Measured as standard deviation.
b. Measured as first-order autoregressive coefficient.
c. Measured as the largest correlation with the common cycle; the lag is given in brackets [e.g. (-1) denotes a lead of one quarter relative to the common cycle].

cases, for most of the variables, countries and prediction horizons.[8] It should be noted that the capacity of the estimated model to predict the future behaviour of the non-euro area countries increases with time. This can be interpreted as meaning that developments in the euro area are becoming increasingly important when it comes to predicting the behaviour of the other European countries and that it is therefore most appropriate to use a model which includes interaction across countries, such as that employed here.

The above results seem to indicate that there have been no identifiable structural changes in the characteristics of cycles in Europe as a result of changes in institutional arrangements. It is, however, of interest to analyse to what extent there may have been changes in the transmission of some shocks. Chart 3 shows the effect of a rise in US interest rates[9] on the GDP of various countries, using the estimated model with information up to 1993 Q4, 1998 Q3 and 2002 Q1. The thick lines are the average responses and the thin lines are the 90% confidence intervals of the a posteriori distribution of these responses. To summarise the data, only some representative countries are shown.

8. See Canova, Ciccarelli and Ortega (2009) for further details on these results. **9.** The size of the interest rate increase is that equivalent to one standard deviation in this series for the whole of the period from 1970 Q1 to 2007 Q3.

RESPONSE OF GDP GROWTH TO A RISE IN US INTEREST RATES CHART 3



SOURCE: Banco de España.

The responses are qualitatively similar in the different stages considered and across the different countries. When interest rates rise in the United States, the dollar appreciates and the consequent greater price competitiveness in Europe stimulates a mild increase in the GDP growth rate for a few quarters. However, according to these estimates, the size of this response has been decreasing over time, with some convergence between countries being observed. The same occurs for other shocks, so it seems that the transmission of shocks has been becoming increasingly similar for the countries now forming the euro area and also, albeit with a somewhat greater lag, for the other European countries.

To conclude, the exercises conducted show that the characteristics of the common European cycle and the national cycles have been changing over time, and there is now less volatility and greater uniformity between national cycles and the European cycle. The evidence found is consistent with the argument that, since the mid-1980s, there has been a cyclical convergence in Europe, probably due to a greater synchrony of the shocks to European economies. This process of convergence began prior to the inception of the euro area, which seems reasonable, since numerous European countries shared a system of quasi-fixed exchange rates prior to 1999, and there was growing economic policy coordination in the convergence stage of the run-up to the euro area. Also, as would be expected, the institutional changes associated with the creation of the euro area have had a gradual effect on the fluctuations of real variables, although it is not possible to identify a precise moment of structural change. Lastly, national idiosyncrasies are less important than some decades ago, although they continue to be present, and business cycles are more similar between countries than in the past.

17.9.2009.

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Financial regulation: 2009 Q3

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Introduction

In comparison with previous quarters, relatively little new financial legislation was published in 2009 Q3.

Moreover, most of it was EU legislation. Thus, several clarifications were made in the technical provisions concerning risk management for credit institutions, with a view to facilitating their transposition in the EU countries; the legislation on the Eurosystem's provision of reserve management services was updated; the protocol on the procedure applicable to the EU countries that record excessive deficits was reviewed; and changes were approved in accounting, in financial data and in the regulations on the government finance statistics of the European System of Central Banks (ESCB).

In the case of the equity markets, new features were included in the legislation on pension schemes, private insurance schemes and social welfare mutual societies.

Credit institutions: amendment of technical provisions concerning risk management in the EU

Commission Directive 2009/83/EC of 27 July 2009 (OJEU of 28 July 2009) amends certain Annexes to Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006[1] relating to the taking up and pursuit of the business of credit institutions, as regards technical provisions concerning risk management.

The Directive makes several clarifications to the technical provisions contained in certain Annexes[2] to Directive 2006/48/EC, aiming to ensure coherent transposition and application throughout the EU.

Particularly noteworthy, inter alia, are the amendments to Annex IX, "Securitisation", which specify the cases in which credit institutions are understood to have transferred significant credit risk in both traditional and synthetic securitisations.[3] These are cases in which:

a) The risk-weighted exposure amounts of the mezzanine[4] securitisation positions held by the originator credit institution do not exceed 50% of the risk-weighted exposure amounts of all mezzanine securitisation positions existing in the securitisation.

b) There are no mezzanine securitisation positions and the originator credit institution does not hold more than 20% of the exposure values of the securitisation positions that would be subject to deduction from own funds or to a 1,250% risk weight.

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1. See "Financial regulation: 2006 Q2", *Economic Bulletin,* July 2006, Banco de España, pp. 142-145. **2.** Annexes V, VI, VII, VIII, IX, X and XII of Directive 2006/48/EC. **3.** Traditional securitisation entails transfer of assets to a mortgage or asset securitisation fund (securitisation SPE) that issues securities that do not represent payment obligations of the originator institution. In contrast, synthetic securitisation involves no transfer of assets, as these remain on the institution's balance sheet; in this case, it is the inherent risk that is transferred, generally hedged by means of credit derivatives, collateral or personal guarantees. **4.** Mezzanine securitisation positions shall be understood to mean all securitisation positions to which a risk weight lower than 1,250% applies and that are more junior than the most senior position in this securitisation and more junior than any securitisation position to which a credit quality step 1 or 2 is assigned, as defined in the Annexes to the Directive.

In addition to the cases described, significant credit risk may also be understood to have been transferred if the competent authority (the supervisory authority) is satisfied that the credit institution has policies and methodologies in place ensuring that the possible reduction of capital requirements is justified by a commensurate transfer of credit risk to third parties.[5]

The Directive also raises the credit conversion factor for liquidity facilities, which is now set, for all cases, at 50% of the nominal amount.[6]

Lastly, the specific rules on certain liquidity facilities that could be drawn upon in the event of widespread market disruption are eliminated.[7]

The Member States shall adopt and publish, by 31 October 2010 at the latest, the laws, regulations and administrative provisions necessary to comply with this Directive, and shall apply these provisions as from 31 December 2010.

European Central Bank: Eurosystem reserve management services

Guideline ECB/2009/11 of 28 May 2009 (OJEU of 5 June 2009) amends Guideline ECB/2006/4 of 7 April 2006 on the Eurosystem's provision of reserve management services in euro to central banks and countries located outside the euro area and to international organisations.

The Guideline updates the definition of *reserves,* owing to the replacement of the two-tier system with the single framework for eligible collateral common to all Eurosystem credit operations.[8] Thus, reserves shall mean cash and all securities included in the single list (formerly "tier one assets") of the Eurosystem eligible assets database. This database contains the eligible assets for Eurosystem credit operations, which is published and updated daily on the ECB's website, save for certain assets.[9]

Lastly, a number of specific Eurosystem reserve management services are introduced under the cash or investment services heading; specifically, "fixed-term deposit services on a principal basis".

The Guideline came into force on 1 July 2009.

Amendment of the Protocol on the excessive deficit procedure in the EU

Council Regulation 479/2009 of 25 May 2009 (OJEU of 10 June 2009) codifies Council Regulation (EC) No 3605/93 of 22 November 1993 on application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community, in the interests of clarity, considering that said Regulation has been amended several times.

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5. The competent authorities shall only be satisfied if the originator credit institution can demonstrate that such transfer of credit risk to third parties is also recognised for purposes of the credit institution's internal risk management and internal capital allocation. **6.** Previously a conversion factor of 20% of the nominal amount could be applied in a liquidity facility with an original maturity of up to one year, and a conversion factor of 50% if the original maturity was for more than one year. **7.** Widespread disruption was understood to exist if several institutions participating in different transactions were unable to renew commercial paper at maturity, provided in all cases that this was not due to a reduction for special purposes in the institution's credit rating, or in the credit rating of the securitised exposures. To determine the exposure value, a conversion factor of 0% of the nominal amount could be applied in a liquidity facility that could only be drawn upon in the event of widespread market disruption. **8.** Guideline ECB/2006/12 of 31 August 2006, which amended Guideline ECB/2000/7 on monetary policy instruments and procedures of the Eurosystem, introduced the "single list" system, which came into force on 1 January 2007, replacing the two-tier system that had been in place since the start of the third phase of Economic and Monetary Union. **9.** The exceptions are: 1) securities falling under "issuer group 3" (i.e. corporate and other issuers) and, for the remaining issuer groups, securities falling under "liquidity category V" (asset-backed securities); 2) assets held solely for the purpose of meeting the customer's pension and related obligations vis-à-vis its former or existing staff; (3) dedicated accounts opened with a Eurosystem member by a customer for purposes of rescheduling public debt within the framework of international agreements; and 4) such other categories of euro-denominated assets as decided by the Governing Council.

The key aspects of the reform are as follows.

The definitions of the terms "government", "deficit", "investment", "government debt" and "gross domestic product" remain unchanged, by reference to the European system of national and regional accounts in the Community (ESA 95), adopted by Council Regulation (EC) No 2223/96 of 25 June 1996.

Member States shall continue to report their planned and actual government deficits and levels of government debt to the Commission (via Eurostat) twice a year, but a month later than under the previous schedule (i.e. before 1 April and before 1 October of the current year).

Member States shall inform the Commission (via Eurostat), as soon as it becomes available, of any major revision in their actual and planned government deficit or debt figures already reported. Major revisions shall be properly documented, especially those which result in the reference values as specified in the Protocol on the excessive deficit procedure being exceeded, or those which mean that a Member State's data no longer exceed the reference values.

The Commission (Eurostat) shall regularly assess the quality of the actual data reported by Member States and of the underlying public accounts compiled according to ESA 95. In addition, Member States shall provide the Commission (Eurostat), as promptly as possible, with the statistical information[10] required for the needs of the data quality assessment. They shall also provide a detailed inventory of the methods, procedures and sources used to compile actual deficit and debt data and the underlying public accounts.

In turn, the Commission (Eurostat) shall ensure a permanent dialogue with Member States' statistical authorities, including regular dialogue visits and, where necessary, methodological visits. Lastly, the Regulation establishes the procedure for publication by the Commission (Eurostat) of the Member States' actual deficit and debt data.

The Regulation came into force on 30 June 2009.

European System of Central Banks: amendment of the legal framework for accounting and financial reporting

Guideline ECB/2009/18 of 17 July 2009 (OJEU of 4 August 2009) amends Guideline ECB/2006/16 of 10 November 2006 on the legal framework for accounting and financial reporting in the European System of Central Banks (ESCB), to reflect the policy developments contained in Guideline ECB/2009/10 of 7 May 2009[11] which updated Guideline ECB/2000/7 of 31 August 2000 on monetary policy instruments and procedures of the Eurosystem.[12]

In addition, the opportunity was taken to include, in the Eurosystem's financial statements, contained at Annex to Guideline ECB/2006/16, the provisions of Decision ECB/2009/16 of 2 July 2009 (OJEU of 4 July 2009) on implementation of the covered bond purchase programme.[13]

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10. This statistical information includes, inter alia, national accounts data, excessive deficit procedure notification tables and additional questionnaires and clarification related to the notifications. **11.** See "Financial regulation: 2009 Q2", *Economic Bulletin,* July 2009, Banco de España, pp. 181-182. **12.** Guideline ECB/2009/10 updated the general selection criteria for counterparties to allow access to certain solvent institutions (specifically, the European Investment Bank) to monetary policy operations (Eurosystem standing facilities and open market operations), in view of their special institutional nature under Community law. These entities, while not strictly credit institutions under Community law, are subject to scrutiny of a standard comparable to supervision by competent national authorities. **13.** In view of the extraordinary market circumstances, on 7 May and 4 June 2009 the ECB Governing Council decided to implement a covered bond purchase programme whereby the NCBs and, exceptionally, the ECB, in direct contact with the counterparties, could, in accordance with their assigned quota, directly purchase eligible covered bonds up to a foreseen nominal amount of €60 billion, the aim being, inter alia, to help ease financing conditions for credit institutions and firms, and to enhance liquidity in large segments of the corporate debt market.

The Guideline came into force on 1 July 2009.

European System of Central Banks: amendment of the rules on government finance statistics

Guideline ECB/2009/20 of 31 July 2009 (OJEU of 1 September 2009) on government finance statistics (recast) not only amends Guideline ECB/2005/5 of 17 February 2005 on the statistical reporting requirements and procedures for exchanging statistical information within the ESCB, in the field of government finance statistics, but also recasts it, in the interests of clarity and transparency, in a single legal text.

National central banks (NCBs) shall continue to report, to the European Central Bank (ECB), on an annual basis, the government finance statistics (GFS) specified at Annex to the Guideline. The NCBs shall report complete data sets twice a year, the first before 15 April and the second before 15 October.[14] On the basis of the data reported by the NCBs, the ECB shall manage the GFS database, which shall include both euro area and EU aggregates. It shall subsequently disseminate this database to the NCBs.

Where the sources of some or all of the data are competent national authorities other than the NCBs, the latter shall establish with said authorities the appropriate modalities of cooperation to ensure a permanent structure of data transmission to fulfil the standards and requirements of the ESCB. Moreover, the temporary exemptions granted by the ECB to NCBs that were unable to comply with the data requirements are eliminated.

For electronic transmission of the statistical information, the NCBs and the ECB shall use the EXDI facility (formerly the *ESCB-Net* data communications network), without prejudice to the use of other agreed back-up means of statistical data transmission to the ECB.

Lastly, the simplified amendment procedure is maintained. This enables the Executive Board of the ECB to make technical amendments to the annexes to this Guideline, provided that such amendments neither change the underlying conceptual framework nor affect the reporting burden.

The Guideline came into force on 2 August 2009.

Pension funds and schemes: amendment of regulations

Royal Decree 1299/2009 of 31 July 2009 (BOE of 1 August 2009) amends the Regulations on pension funds and schemes, approved by Royal Decree 304/2004 of 20 February 2004,[15] the aim being: (i) to make it easier for the long-term unemployed to surrender their pensions; and (ii) to simplify the procedure whereby pension funds may operate as open funds,[16] channelling investments from other pension funds.

Regarding the conditions for surrender of pensions by the unemployed, the requirement whereby persons wishing to surrender their pensions must have been unemployed for a continuous 12-month period is eliminated. Thus, pension-holders may now access the full amount of their savings, once they cease to receive unemployment benefit or, if they are not entitled to unemployment benefit, in order to meet their financial needs. A similar system applies to self-employed persons who have ceased in their activities and who are registered job-seekers.

Turning to the second aim, pension funds no longer need to apply for prior administrative authorisation to operate as open pension funds, but must simply give prior notice thereof to the

14. In the second case, a month later than the date established previously. **15.** See “Financial regulation: 2004 Q1”, *Economic Bulletin,* April 2004, Banco de España, p. 97. **16.** The key feature of open pension funds is that they are open to investments by other similar funds, while closed pension funds are exclusively for investments in the schemes themselves or in related schemes.

Directorate General of Insurance and Pension Funds (DGSFP). This is a simpler and more flexible process that should reduce the attendant costs for pension funds and, ultimately, for pension-holders.

Lastly, the authorisation to issue specific rules on communications and procedures for authorisation and registration of changes to pension funds is transferred from the DGSFP to the Ministry of Economy and Finance.

The Royal Decree came into force on 2 August 2009.

Private insurance and social welfare mutual societies: amendment of regulations

Royal Decree 1298/2009 of 31 July 2009 (BOE of 1 August 2009) amends the Regulations on private insurance, approved by Royal Decree 2486/1998 of 20 November 1998,[17] and the Regulations on social welfare mutual societies, approved by Royal Decree 1430/2002 of 27 December 2002.

In the case of private insurance, a specific regime is introduced on prior information to be given to persons purchasing pre-paid funeral plans. Regarding social welfare mutual societies, the Royal Decree simplifies the regime for communications to the DGSFP relating to changes in the documentation supplied for granting of the administrative authorisation for commencement of the activity.

The Royal Decree came into force on 2 August 2009.

Insurance companies: statistical-accounting data formats

Ministerial Order EHA/1928/2009 of 10 July 2009 (BOE of 20 July 2009) approves the annual, quarterly and consolidated statistical-accounting data formats that insurance companies must submit to the DGSFP. It also amends Ministerial Order EHA/339/2007 of 16 February 2007, which implements certain precepts of the regulations on private insurance, and it abolishes the previous regulatory framework, envisaged in Ministerial Order EHA/855/2006 of 7 February 2006, which approved the existing annual, quarterly and consolidated statistical-accounting data formats.

The new financial reporting formats are a result of the chart of accounts of insurance companies approved, by means of Royal Decree 1317/2008 of 24 July 2008,[18] to bring the insurance companies' accounting framework in line with International Financial Reporting Standards as from 31 December 2008. The obligation to submit quarterly statistical-accounting data formats does not extend to companies operating exclusively as reinsurers.

The data required of insurance companies are simplified: certain formats are eliminated and the data on financial investments are enhanced.

Regarding the data on packaging of pension commitments into insurance policies, the annual reporting format is simplified and the obligation is introduced to have insurance companies submit the corresponding format each quarter, as part of the quarterly statistical-accounting data. The obligation to submit this annual and quarterly information extends to all insurance companies (including social welfare mutual societies) authorised to operate in Spain that insure pension commitments, as this is deemed to be of general interest.

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17. See "Financial regulation: 1998 Q4", *Economic Bulletin,* January 1999, Banco de España, pp. 102-105. **18.** See "Financial regulation: 2008 Q3", *Economic Bulletin,* October 2008, Banco de España, pp. 137 -139.

Lastly, the time-scale established means the above-mentioned companies must submit their annual statistical-accounting data formats for 2008 to the DGSFP along with the quarterly formats for 2009.

The Ministerial Order came into force on 21 July 2009.

6.10.2009.

CONTENTS

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

1. IMF Special Data Dissemination Standard (SDDS).

INTEREST RATES
AND EXCHANGE RATES

1. IMF Special Data Dissemination Standard (SDDS).

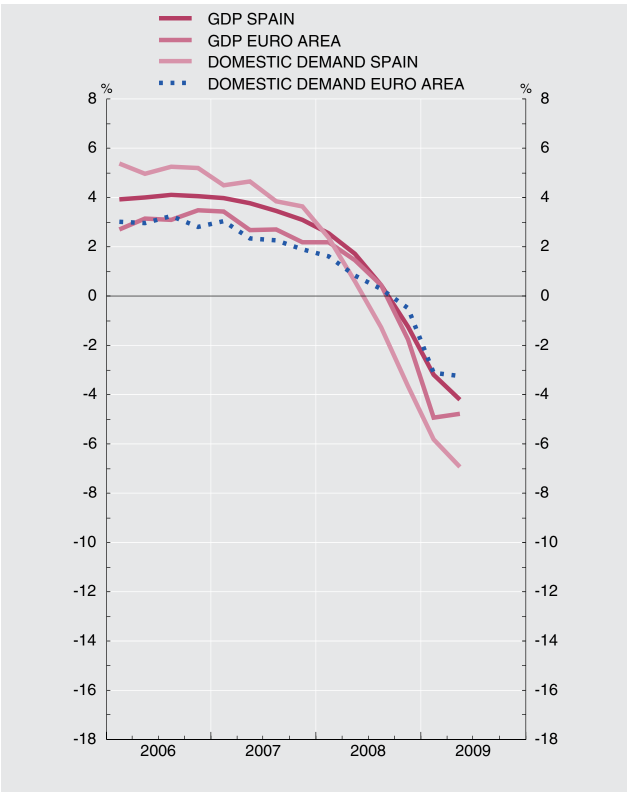
1.1. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES, REFERENCE YEAR 2000=100. DEMAND COMPONENTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

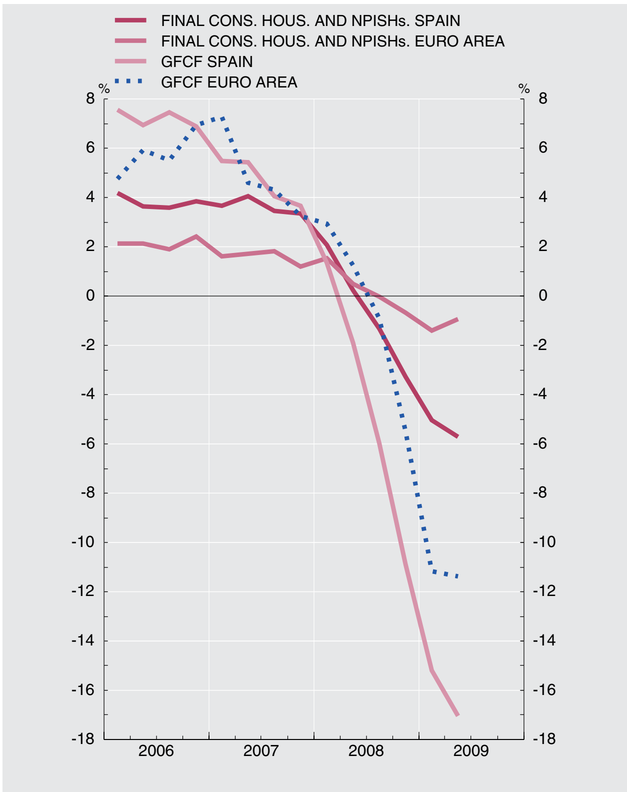
Annual percentage changes

		GDP		Final consumption of households and NPISHs		General government final consumption		Gross fixed capital formation		Domestic demand		Exports of goods and services		Imports of goods and services		Memorandum item: GDPmp (current prices) (g)	
		Spain	Euro area	Spain (b)	Euro area (c)	Spain	Euro area (d)	Spain	Euro area	Spain (e)	Euro area	Spain	Euro area (f)	Spain	Euro area (f)	Spain	Euro area
		1 ■	2 ■	3 ■	4 ■	5	6	7 ■	8 ■	9 ■	10 ■	11	12	13	14	15	16
06	P	4.0	3.1	3.8	2.1	4.6	2.0	7.2	5.8	5.2	3.0	6.7	8.5	10.2	8.5	984	8 557
07	P	3.6	2.7	3.6	1.6	5.5	2.2	4.6	4.9	4.2	2.4	6.6	6.1	8.0	5.2	1 053	9 002
08	P	0.9	0.6	-0.6	0.3	5.4	2.1	-4.4	-0.6	-0.5	0.6	-1.0	1.1	-4.9	1.0	1 089	9 263
06 *Q3*	P	4.1	3.1	3.6	1.9	4.5	1.7	7.4	5.5	5.2	3.1	6.0	7.1	9.5	7.6	249	2 152
Q4	P	4.0	3.5	3.9	2.4	4.7	2.5	6.9	6.9	5.2	3.5	8.3	9.5	11.4	8.0	253	2 181
07 *Q1*	P	4.0	3.4	3.7	1.6	5.4	2.2	5.5	7.3	4.5	3.4	7.8	7.1	8.8	6.2	257	2 218
Q2	P	3.8	2.7	4.1	1.7	5.9	2.2	5.4	4.6	4.6	2.7	6.3	6.1	8.7	5.4	262	2 239
Q3	P	3.5	2.7	3.5	1.8	5.7	2.3	4.0	4.3	3.8	2.7	8.8	7.0	9.0	6.0	265	2 264
Q4	P	3.1	2.2	3.3	1.2	5.1	2.0	3.7	3.2	3.6	2.2	3.8	4.1	5.5	3.4	269	2 281
08 *Q1*	P	2.5	2.2	2.1	1.5	4.6	1.5	1.3	2.9	2.4	2.2	3.9	5.6	3.1	4.3	272	2 314
Q2	P	1.7	1.5	0.2	0.5	5.1	2.1	-1.9	1.2	0.6	1.5	2.4	4.0	-1.3	2.5	274	2 325
Q3	P	0.4	0.4	-1.3	-0.0	5.8	2.2	-6.0	-0.9	-1.3	0.4	-2.9	1.3	-7.6	1.0	273	2 327
Q4	P	-1.2	-1.8	-3.3	-0.7	6.3	2.4	-10.9	-5.5	-3.7	-1.8	-7.1	-6.6	-13.5	-3.7	270	2 297
09 *Q1*	P	-3.2	-4.9	-5.0	-1.4	6.4	2.6	-15.2	-11.2	-5.8	-4.9	-17.6	-16.8	-22.9	-12.8	267	2 242
Q2	P	-4.2	-4.8	-5.7	-0.9	5.1	2.5	-17.0	-11.4	-6.9	-4.8	-15.7	-17.7	-22.3	-14.4	262	2 238

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



DEMAND COMPONENTS. SPAIN AND EURO AREA
Annual percentage changes



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

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

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

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

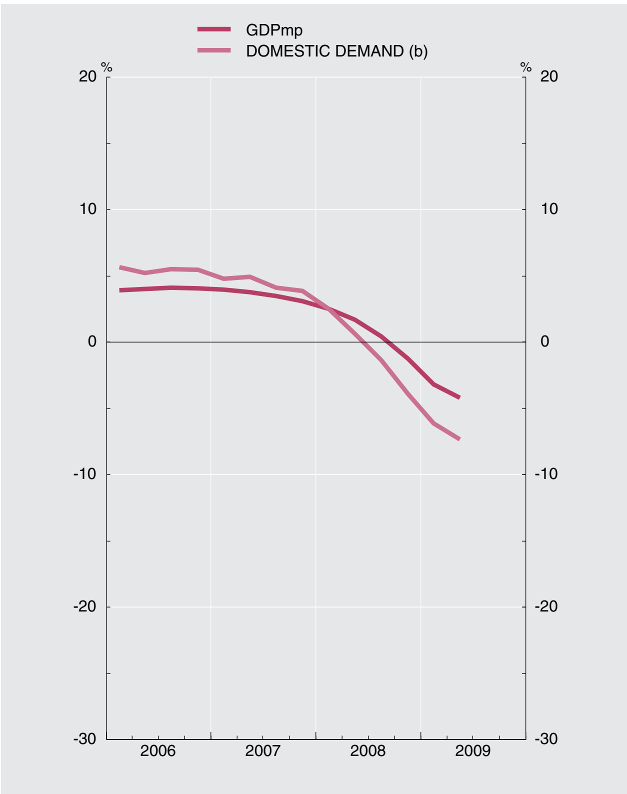
1.2. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. DEMAND COMPONENTS. SPAIN: BREAKDOWN (a)

■ Series depicted in chart.

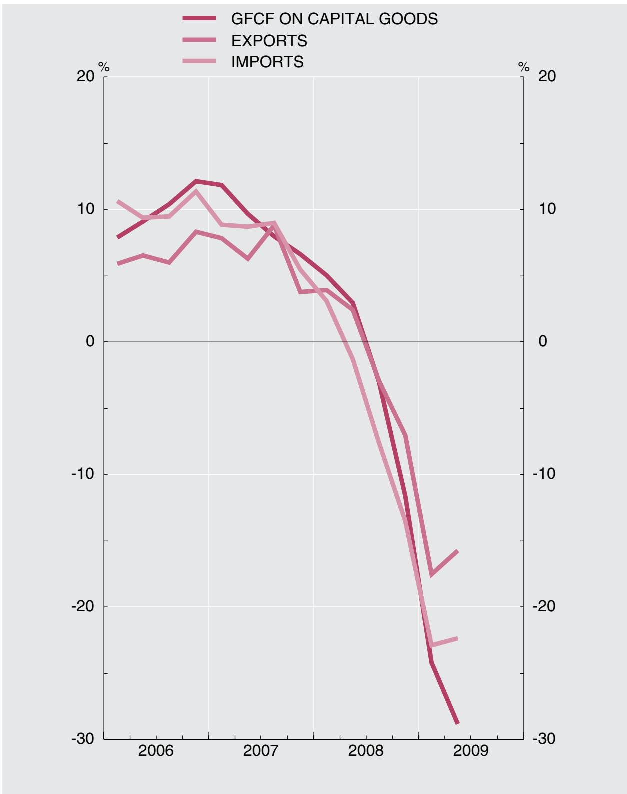
Annual percentage changes

		Gross fixed capital formation					Exports of goods and services				Imports of goods and services				Memorandum items:	
		Total 1	Capital goods 2 ■	Construction 3	Other products 4	Change in Stocks (b) 5 ■	Total 6	Goods 7	Final consumption of non-residents in economic territory 8	Services 9	Total 10 ■	Goods 11	Final consumption of residents in the rest of the world 12	Services 13	Domestic demand (b) (c) 14 ■	GDP 15 ■
06	P	7.2	9.9	6.0	7.5	0.4	6.7	6.6	1.6	12.3	10.2	10.2	5.9	11.5	5.5	4.0
07	P	4.6	9.0	3.2	3.6	-0.1	6.6	7.4	-0.7	10.7	8.0	7.7	7.2	9.5	4.4	3.6
08	P	-4.4	-1.8	-5.5	-4.3	0.1	-1.0	-1.7	-4.3	4.8	-4.9	-5.6	-6.3	-1.3	-0.5	0.9
06 *Q3*	P	7.4	10.4	6.1	8.0	0.8	6.0	6.6	1.0	8.9	9.5	10.5	8.6	4.8	5.5	4.1
Q4	P	6.9	12.1	5.1	5.6	0.4	8.3	7.3	0.1	21.3	11.4	10.7	7.0	15.7	5.5	4.0
07 *Q1*	P	5.5	11.8	3.7	2.6	0.0	7.8	9.0	1.0	9.9	8.8	9.0	11.4	7.7	4.8	4.0
Q2	P	5.4	9.7	4.1	4.0	-0.1	6.3	7.9	-2.7	8.4	8.7	8.7	8.0	8.7	4.9	3.8
Q3	P	4.0	8.0	2.8	2.9	-0.1	8.8	8.1	-1.2	21.9	9.0	8.0	6.6	14.6	4.1	3.5
Q4	P	3.7	6.6	2.1	5.0	-0.1	3.8	4.7	0.2	3.4	5.5	5.2	3.1	7.3	3.9	3.1
08 *Q1*	P	1.3	5.0	-0.5	2.4	0.1	3.9	3.3	1.0	9.0	3.1	2.7	2.8	5.1	2.5	2.5
Q2	P	-1.9	2.9	-4.2	-1.2	0.2	2.4	1.5	-3.0	11.1	-1.3	-1.2	-3.2	-1.2	0.6	1.7
Q3	P	-6.0	-3.0	-7.2	-6.1	0.2	-2.9	-2.0	-4.9	-4.7	-7.6	-8.6	-11.4	-2.6	-1.4	0.4
Q4	P	-10.9	-11.6	-10.3	-11.8	0.1	-7.1	-9.4	-10.3	4.9	-13.5	-15.1	-13.1	-6.2	-3.9	-1.2
09 *Q1*	P	-15.2	-24.2	-11.5	-14.0	0.1	-17.6	-20.9	-14.5	-7.2	-22.9	-24.9	-19.7	-14.1	-6.1	-3.2
Q2	P	-17.0	-28.9	-12.0	-15.9	-0.1	-15.7	-17.0	-9.7	-15.7	-22.3	-24.0	-12.9	-16.1	-7.3	-4.2

GDP. DOMESTIC DEMAND
Annual percentage changes



GDP. DEMAND COMPONENTS
Annual percentage changes



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

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

b. Contribution to GDPmp growth rate.

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

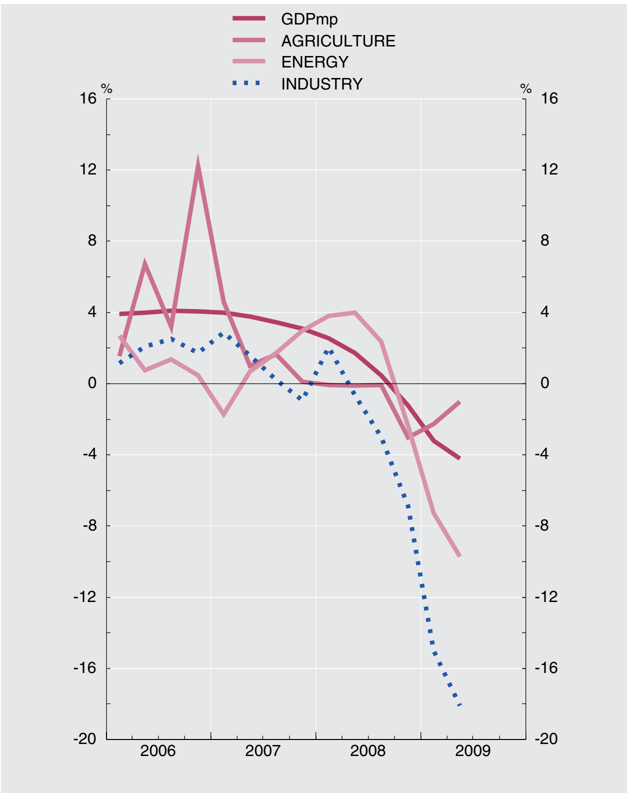
1.3. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. BRANCHES OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

Annual percentage changes

		Gross domestic product at market prices	Agriculture and fisheries	Energy	Industry	Construction	Services			VAT on products	Net taxes linked to imports	Other net taxes on products
							Total	Market services	Non-market services			
		1 ■	2 ■	3	4 ■	5 ■	6 ■	7	8	9	10	11
06	P	4.0	5.8	1.3	1.9	4.7	4.5	4.6	4.0	4.2	6.9	2.8
07	P	3.6	1.8	0.9	0.9	2.3	5.0	5.1	4.8	2.8	3.3	-1.6
08	P	0.9	-0.8	1.9	-2.1	-1.3	2.2	1.6	4.4	-1.4	-1.0	-0.5
06 *Q3*	P	4.1	3.2	1.4	2.5	4.8	4.8	5.2	3.6	3.7	6.3	-0.2
Q4	P	4.0	12.2	0.5	1.7	3.0	4.5	4.5	4.3	3.8	5.5	5.2
07 *Q1*	P	4.0	4.6	-1.7	2.9	2.8	5.0	5.1	4.6	3.5	2.2	-0.2
Q2	P	3.8	1.0	0.7	1.6	2.5	5.2	5.3	4.7	2.9	2.7	-1.4
Q3	P	3.5	1.6	1.7	0.2	1.7	4.9	4.9	4.7	2.9	4.3	1.4
Q4	P	3.1	0.1	3.0	-1.0	2.2	5.0	5.0	5.1	1.9	3.9	-6.0
08 *Q1*	P	2.5	-0.1	3.8	2.1	0.5	3.5	3.2	4.5	0.5	4.6	-0.6
Q2	P	1.7	-0.1	4.0	-0.7	-0.2	2.9	2.3	5.1	-0.4	1.6	-0.5
Q3	P	0.4	-0.1	2.4	-3.0	-1.5	1.8	1.2	4.3	-2.0	-3.9	-1.4
Q4	P	-1.2	-3.0	-2.4	-6.9	-4.3	0.7	-0.1	3.6	-3.5	-6.2	0.4
09 *Q1*	P	-3.2	-2.3	-7.3	-15.0	-5.7	-0.2	-1.0	2.6	-4.0	-9.4	2.1
Q2	P	-4.2	-1.0	-9.7	-18.1	-6.0	-1.1	-2.3	3.2	-5.1	-10.1	2.7

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 consump-tion of households and NPISHs (b)	General government final consump-tion	Gross fixed capital formation			Exports of goods and services	Imports of goods and services		Agricul-ture and fisheries	Energy	Industry	Construc-tion	Of which	
				Capital goods	Construc-tion	Other products								Services	Market services
		1 ■	2 ■	3	4 ■	5	6 ■	7 ■	8 ■	9 ■	10 ■	11 ■	12 ■	13	14
06	P	3.6	3.7	2.0	6.7	4.7	4.1	3.8	4.1	-11.1	0.6	4.1	7.7	3.5	3.4
07	P	3.2	3.3	1.6	3.0	3.0	2.5	2.0	3.3	3.7	6.2	3.7	3.2	3.6	3.5
08	P	3.7	3.5	1.8	1.4	1.4	3.0	4.7	2.5	0.1	4.3	5.1	3.1	4.7	4.9
06 *Q3*	P	3.6	3.8	2.1	5.6	5.0	3.7	3.0	4.2	-9.2	-0.5	4.7	7.3	3.5	3.5
Q4	P	3.2	3.2	1.5	5.0	4.0	3.8	2.6	3.8	-14.2	-4.1	3.9	4.7	3.3	3.3
07 *Q1*	P	3.3	2.8	1.2	3.5	3.6	3.2	1.9	3.5	-5.5	4.9	3.7	3.5	3.5	3.5
Q2	P	3.2	2.9	1.4	2.8	3.1	2.9	1.5	3.4	0.6	5.0	3.4	2.7	3.3	3.2
Q3	P	2.9	3.3	1.9	2.5	2.8	1.7	1.8	2.9	6.2	5.2	3.4	2.8	3.4	3.2
Q4	P	3.6	3.9	1.9	3.3	2.6	2.1	2.8	3.3	14.0	9.6	4.5	3.8	4.1	4.0
08 *Q1*	P	4.1	4.7	2.5	2.4	1.3	2.3	4.7	3.0	6.8	5.0	5.1	3.6	4.6	4.7
Q2	P	4.1	4.3	2.0	2.5	1.7	3.0	5.4	2.8	7.8	3.5	5.9	3.2	4.8	5.0
Q3	P	4.0	3.0	1.6	1.5	1.8	4.1	5.6	2.6	-5.4	4.1	5.4	4.5	4.9	5.2
Q4	P	2.8	2.0	1.1	-0.7	0.9	2.9	3.4	1.7	-7.5	4.7	4.1	1.2	4.5	4.7
09 *Q1*	P	0.3	1.4	0.2	-4.0	0.1	-0.0	-5.4	1.3	-0.5	4.4	2.7	0.6	3.9	4.3
Q2	P	-1.3	1.9	-1.3	-7.1	-2.3	-1.6	-7.5	0.1	-4.1	2.8	0.2	-0.8	3.3	3.4

GDP. IMPLICIT DEFLATORS
Annual percentage changes

GDP. IMPLICIT DEFLATORS
Annual percentage changes

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

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

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

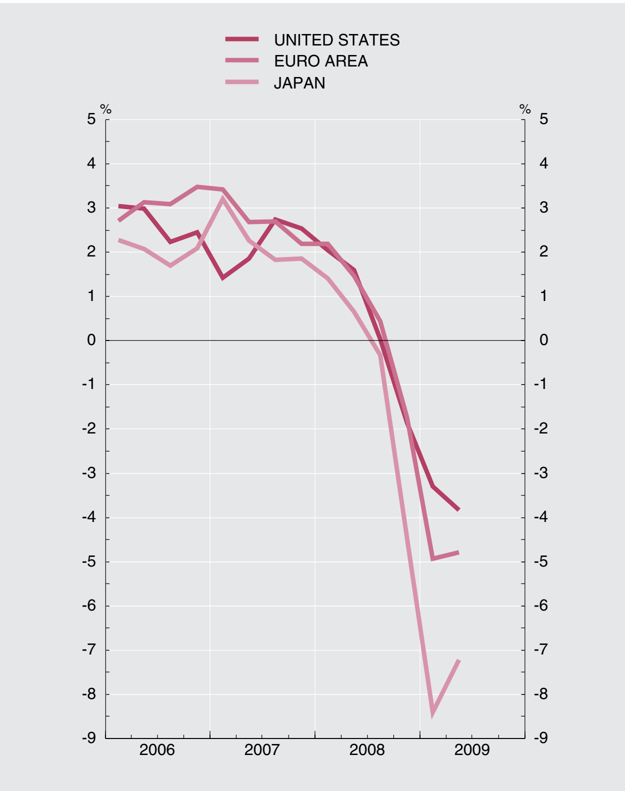
2.1. INTERNATIONAL COMPARISON. GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

■ Series depicted in chart.

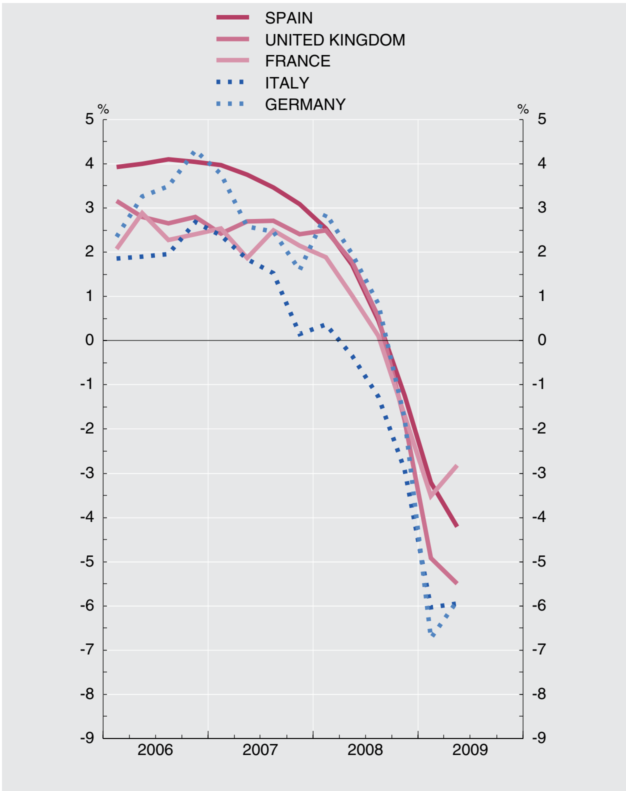
Annual percentage changes

	OECD 1	EU-27 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
06	3.1	3.3	3.1	3.4	4.0	2.7	2.4	2.1	2.0	2.9
07	2.7	2.9	2.7	2.6	3.6	2.1	2.3	1.5	2.3	2.6
08	0.6	0.7	0.6	1.0	0.9	0.4	0.3	-1.0	-0.7	0.7
06 *Q2*	3.3	3.3	3.1	3.3	4.0	3.0	2.9	1.9	2.1	2.8
Q3	2.9	3.2	3.1	3.5	4.1	2.2	2.3	2.0	1.7	2.7
Q4	3.0	3.5	3.5	4.3	4.0	2.4	2.4	2.7	2.1	2.8
07 *Q1*	2.8	3.4	3.4	3.8	4.0	1.4	2.5	2.4	3.2	2.4
Q2	2.6	2.8	2.7	2.6	3.8	1.9	1.9	1.8	2.3	2.7
Q3	2.8	2.8	2.7	2.5	3.5	2.7	2.5	1.5	1.8	2.7
Q4	2.7	2.4	2.2	1.6	3.1	2.5	2.1	0.1	1.9	2.4
08 *Q1*	2.4	2.4	2.2	2.9	2.5	2.0	1.9	0.4	1.4	2.5
Q2	1.7	1.7	1.5	2.0	1.7	1.6	1.0	-0.3	0.7	1.8
Q3	0.5	0.6	0.4	0.8	0.4	0.0	0.1	-1.3	-0.3	0.5
Q4	-2.1	-1.7	-1.8	-1.8	-1.2	-1.9	-1.7	-2.9	-4.5	-1.8
09 *Q1*	-4.7	-4.8	-4.9	-6.7	-3.2	-3.3	-3.5	-6.0	-8.4	-4.9
Q2	...	-4.9	-4.8	-5.9	-4.2	-3.8	-2.8	-6.0	-7.2	-5.5

GROSS DOMESTIC PRODUCT
Annual percentage changes



GROSS DOMESTIC PRODUCT
Annual percentage changes



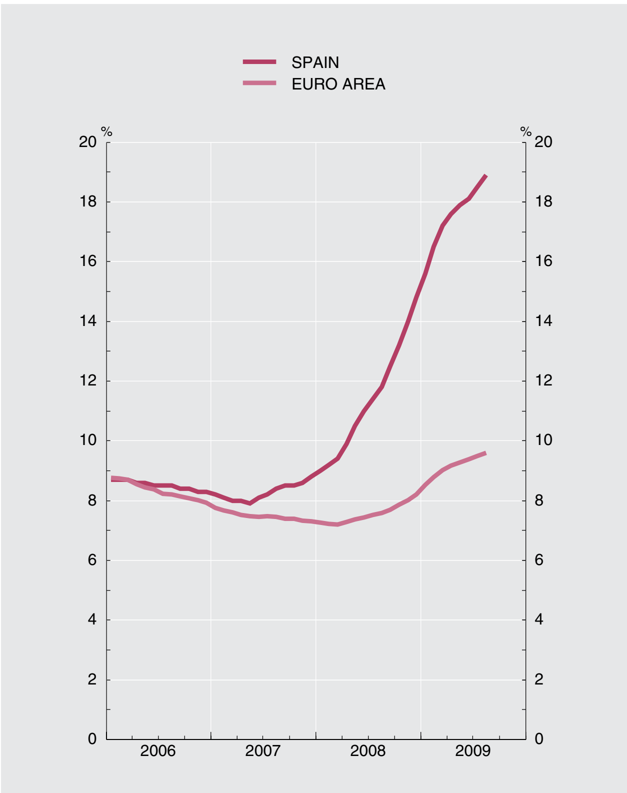
Sources: ECB, INE and OECD.
Note: The underlying series for this indicator are in Table 26.2 of the BE Boletín Estadístico.

2.2. INTERNATIONAL COMPARISON. UNEMPLOYMENT RATES

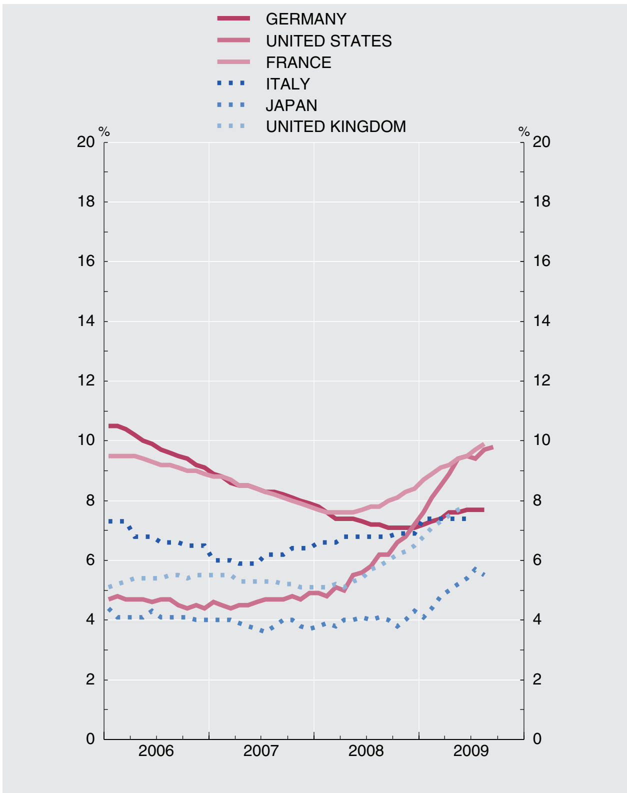
■ Series depicted in chart. *Percentages*

	OECD	EU-27	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3 ■	4 ■	5 ■	6 ■	7 ■	8 ■	9 ■	10 ■
06	6.2	8.2	8.3	9.8	8.5	4.6	9.3	6.8	4.1	5.4
07	5.7	7.1	7.5	8.4	8.3	4.6	8.3	6.1	3.9	5.3
08	6.1	7.0	7.6	7.3	11.4	5.8	7.9	6.8	4.0	5.6
08 *Mar*	5.7	6.7	7.2	7.4	9.4	5.1	7.6	6.6	3.8	5.2
Apr	5.7	6.7	7.3	7.4	9.9	5.0	7.6	6.8	4.0	5.1
May	5.9	6.8	7.4	7.4	10.5	5.5	7.6	6.8	4.0	5.3
Jun	6.0	6.9	7.4	7.3	11.0	5.6	7.7	6.8	4.1	5.4
Jul	6.1	7.0	7.5	7.2	11.4	5.8	7.8	6.8	4.0	5.7
Aug	6.3	7.0	7.6	7.2	11.8	6.2	7.8	6.8	4.1	5.8
Sep	6.3	7.1	7.7	7.1	12.5	6.2	8.0	6.8	4.0	6.0
Oct	6.5	7.3	7.9	7.1	13.2	6.6	8.1	6.9	3.8	6.2
Nov	6.7	7.4	8.0	7.1	14.0	6.8	8.3	6.9	4.0	6.3
Dec	6.9	7.6	8.2	7.1	14.8	7.2	8.4	6.9	4.3	6.5
09 *Jan*	7.2	8.0	8.5	7.2	15.6	7.6	8.7	7.4	4.1	6.8
Feb	7.6	8.2	8.8	7.3	16.5	8.1	8.9	7.4	4.4	7.1
Mar	7.9	8.5	9.0	7.4	17.2	8.5	9.1	7.4	4.8	7.3
Apr	8.1	8.7	9.2	7.6	17.6	8.9	9.2	7.4	5.0	7.5
May	8.4	8.8	9.3	7.6	17.9	9.4	9.4	7.4	5.2	7.7
Jun	8.5	8.9	9.4	7.7	18.1	9.5	9.5	7.4	5.4	7.8
Jul	8.5	9.0	9.5	7.7	18.5	9.4	9.7	...	5.7	...
Aug	8.6	9.1	9.6	7.7	18.9	9.7	9.9	...	5.5	...

UNEMPLOYMENT RATES



UNEMPLOYMENT RATES



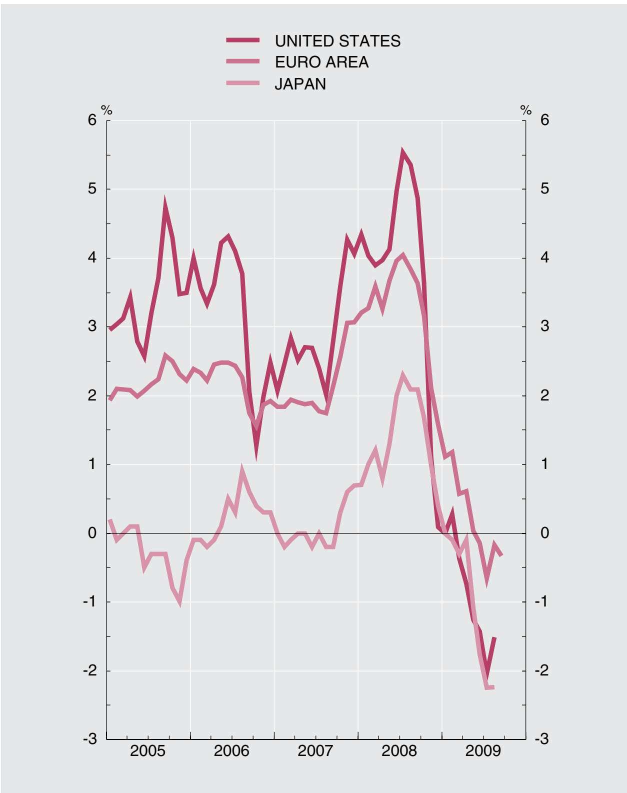
Sources: ECB and OECD.

2.3. INTERNATIONAL COMPARISON. CONSUMER PRICES (a)

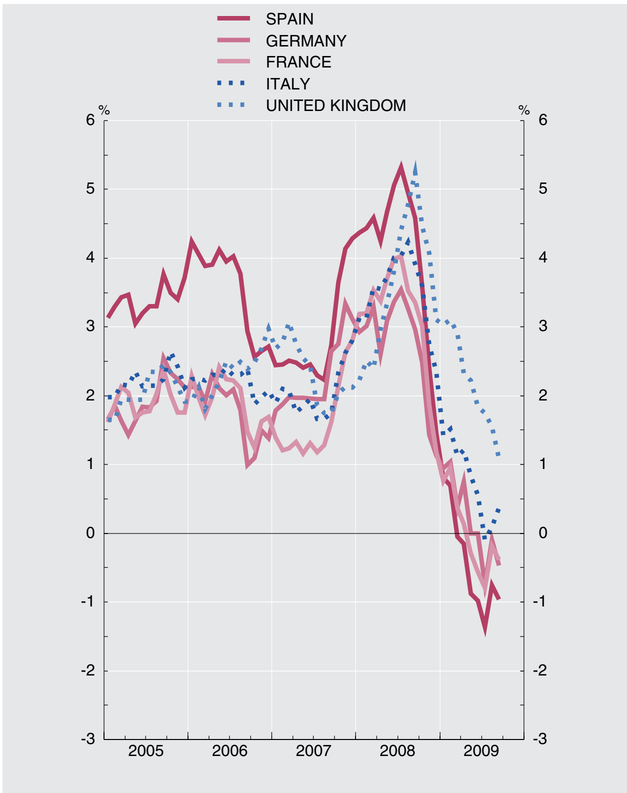
■ Series depicted in chart. *Annual percentage changes*

	OECD	EU-27	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3 ■	4 ■	5 ■	6 ■	7 ■	8 ■	9 ■	10 ■
05	2.6	2.3	2.2	1.9	3.4	3.4	1.9	2.2	-0.3	2.1
06	2.6	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
08	3.7	3.7	3.3	2.8	4.1	3.8	3.2	3.5	1.4	3.6
08 *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	4.5	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	4.6	4.3	3.8	3.3	4.9	5.4	3.5	4.2	2.1	4.8
Sep	4.4	4.2	3.6	3.0	4.6	4.9	3.4	3.9	2.1	5.2
Oct	3.8	3.7	3.2	2.5	3.6	3.6	3.0	3.6	1.7	4.5
Nov	2.2	2.8	2.1	1.4	2.4	1.1	1.9	2.7	1.0	4.1
Dec	1.6	2.2	1.6	1.1	1.5	0.1	1.2	2.4	0.4	3.1
09 *Jan*	1.2	1.7	1.1	0.9	0.8	-	0.8	1.4	-	3.0
Feb	1.3	1.8	1.2	1.0	0.7	0.3	1.0	1.5	-0.1	3.1
Mar	0.8	1.4	0.6	0.4	-0.1	-0.4	0.4	1.1	-0.3	2.9
Apr	0.6	1.3	0.6	0.8	-0.2	-0.7	0.1	1.2	-0.1	2.3
May	0.1	0.8	0.0	-	-0.9	-1.3	-0.3	0.8	-1.1	2.2
Jun	-0.2	0.6	-0.1	-	-1.0	-1.4	-0.6	0.6	-1.8	1.8
Jul	-0.6	0.2	-0.7	-0.7	-1.4	-2.0	-0.8	-0.1	-2.2	1.7
Aug	-0.3	0.6	-0.2	-0.1	-0.8	-1.5	-0.2	0.1	-2.2	1.5
Sep	...	0.3	-0.3	-0.5	-1.0	...	-0.4	0.4	...	1.1

CONSUMER PRICES
Annual percentage changes



CONSUMER PRICES
Annual percentage changes



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

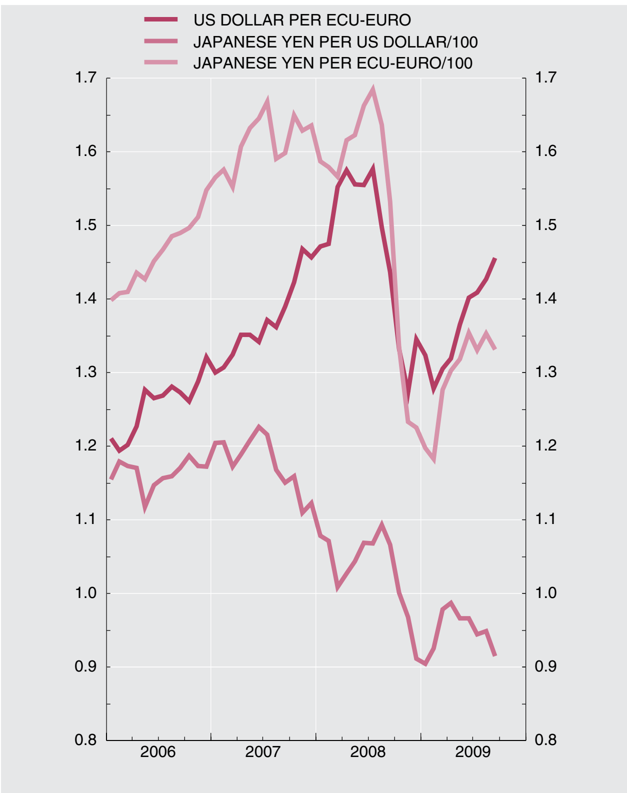
2.4. BILATERAL EXCHANGE RATES AND NOMINAL AND REAL EFFECTIVE EXCHANGE RATE INDICES FOR THE EURO, US DOLLAR AND JAPANESE YEN

■ Series depicted in chart.

Average of daily data

	Exchange rates			Indices of the nominal effective exchange rate vis-à-vis the (a) developed countries 1999 QI=100			Indices of the real effective exchange rate vis-à-vis the developed countries (b) 1999 QI=100					
							Based on consumer prices			Based on producer prices		
	US dollar per ECU/euro	Japanese yen per ECU/euro	Japanese yen per US dollar	Euro	US dollar	Japanese yen	Euro	US dollar	Japanese yen	Euro	US dollar	Japanese yen
	1 ■	2 ■	3 ■	4	5	6	7 ■	8 ■	9 ■	10	11	12
06	1.2561	146.09	116.32	103.7	86.7	93.6	105.0	94.8	76.5	103.3	97.5	74.4
07	1.3710	161.26	117.74	107.9	82.2	88.7	109.0	90.9	70.8	107.2	93.9	69.1
08	1.4707	152.31	103.36	113.0	78.2	99.5	113.6	87.5	77.7	110.3	91.8	75.7
08 *J-S*	1.5222	160.99	105.82	114.4	76.0	94.7	114.9	85.5	73.9	111.9	90.1	71.5
09 *J-S*	1.3656	129.50	94.85	113.1	82.4	113.2	113.1	93.0	88.0	108.1	96.1	87.4
08 *Jul*	1.5770	168.45	106.83	116.2	74.9	92.2	116.7	85.0	71.6	112.8	90.5	69.0
Aug	1.4975	163.63	109.28	113.9	78.1	92.6	114.1	88.2	72.2	110.5	92.9	70.3
Sep	1.4370	153.20	106.62	112.0	79.3	96.9	112.1	89.3	75.5	108.4	95.1	73.3
Oct	1.3322	133.52	100.11	107.9	83.6	107.8	108.2	93.5	84.4	104.7	97.8	82.3
Nov	1.2732	123.28	96.82	107.1	86.0	114.2	107.5	94.9	89.6	103.8	98.4	88.6
Dec	1.3449	122.51	91.16	112.4	83.9	119.3	112.9	92.0	93.9	108.7	94.7	93.9
09 *Jan*	1.3239	119.73	90.42	111.9	84.1	121.1	112.3	93.1	94.9	107.5	96.1	93.6
Feb	1.2785	118.30	92.54	110.4	86.2	120.1	110.7	95.5	93.3	105.7	98.0	92.8
Mar	1.3050	127.65	97.84	113.3	87.1	112.9	113.4	96.5	87.7	108.2	98.6	87.5
Apr	1.3190	130.25	98.74	112.5	85.8	110.8	112.8	95.2	85.9	107.3	97.8	85.5
May	1.3650	131.85	96.61	113.0	82.3	110.8	113.3	91.3	85.6	107.8	95.1	84.9
Jun	1.4016	135.39	96.60	114.0	80.5	109.1	114.3	89.9	83.7	108.8	94.3	82.6
Jul	1.4088	133.09	94.47	113.8	79.9	111.4	113.8	89.5	85.4	109.3	92.9	84.9
Aug	1.4268	135.31	94.84	113.9	78.6	109.9	113.7	...	...	109.7	...	...
Sep	1.4562	133.14	91.44	115.2	77.3	113.1	...	...	...	...	...	...

EXCHANGE RATES



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

Sources: ECB and BE.

a. Geometric mean -calculated using a double weighting system based on 1995-97 (until 1999) and 1999-2001 (since 1999) manufacturing trade of changes in the spot price of each currency against the currencies of the other developed countries. A fall in the index denotes a depreciation of the currency against those of the other developed countries.

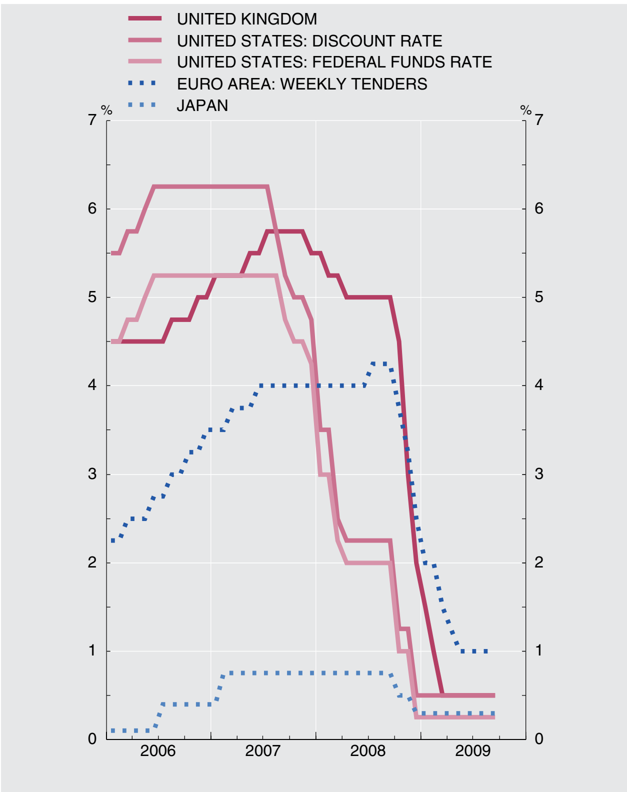
b. Obtained by multiplying the relative prices of each area/country (relation betwen its price index and the price index of the group) by the nominal effective exchange rate. A decline in the index denotes a depreciation of the real effective exchange rate and, may be interpreted as an improvement in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

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

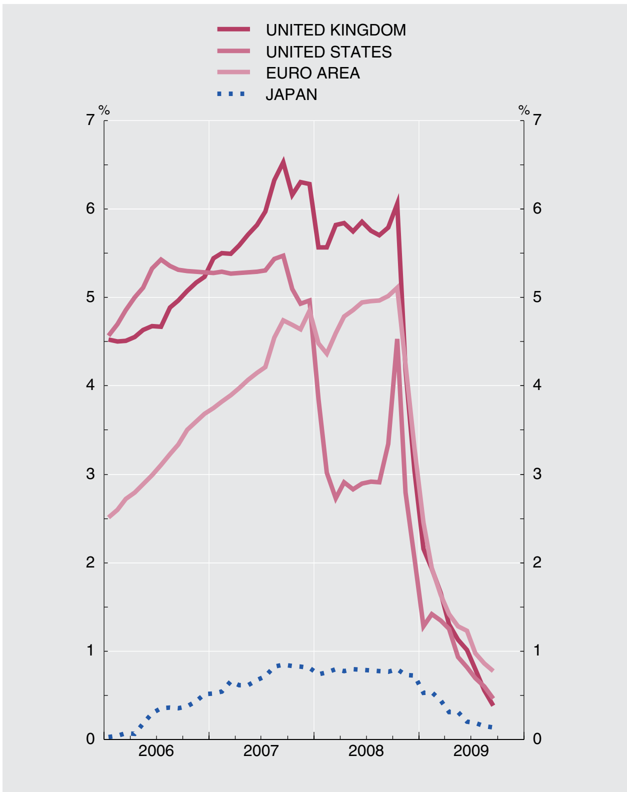
■ Series depicted in chart. *Percentages*

	Official intervention interest rates					3-month interbank rates									
	Euro area (a)	United States: Discount rate (b)	United States: Federal funds rate	Japan (c)	United Kingdom (d)	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1 ■	2 ■	3 ■	4 ■	5 ■	6	7	8 ■	9	10	11 ■	12	13	14 ■	15 ■
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
08	2.50	0.50	1.87	0.30	2.00	3.45	4.75	4.63	-	-	3.07	-	-	0.77	5.41
08 *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
09 *Jan*	2.00	0.50	0.25	0.30	1.50	1.66	2.41	2.46	-	-	1.28	-	-	0.53	2.15
Feb	2.00	0.50	0.25	0.30	1.00	1.53	1.95	1.94	-	-	1.42	-	-	0.54	1.94
Mar	1.50	0.50	0.25	0.30	0.50	1.35	1.63	1.64	-	-	1.34	-	-	0.44	1.65
Apr	1.25	0.50	0.25	0.30	0.50	1.19	1.40	1.42	-	-	1.25	-	-	0.31	1.30
May	1.00	0.50	0.25	0.30	0.50	0.99	1.26	1.28	-	-	0.94	-	-	0.31	1.13
Jun	1.00	0.50	0.25	0.30	0.50	0.90	1.19	1.23	-	-	0.82	-	-	0.21	1.01
Jul	1.00	0.50	0.25	0.30	0.50	0.75	0.94	0.98	-	-	0.70	-	-	0.18	0.80
Aug	1.00	0.50	0.25	0.30	0.50	0.66	0.81	0.86	-	-	0.60	-	-	0.15	0.55
Sep	1.00	0.50	0.25	0.30	0.50	0.56	0.71	0.77	-	-	0.46	-	-	0.14	0.39

OFFICIAL INTERVENTION INTEREST RATES



3-MONTH INTERBANK RATES



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

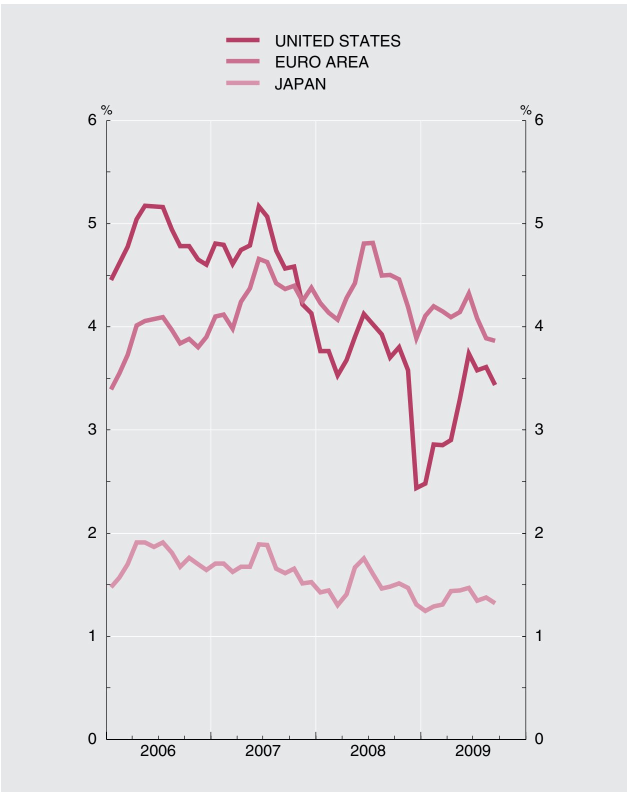
2.6. 10-YEAR GOVERNMENT BOND YIELDS ON DOMESTIC MARKETS

■ Series depicted in chart.

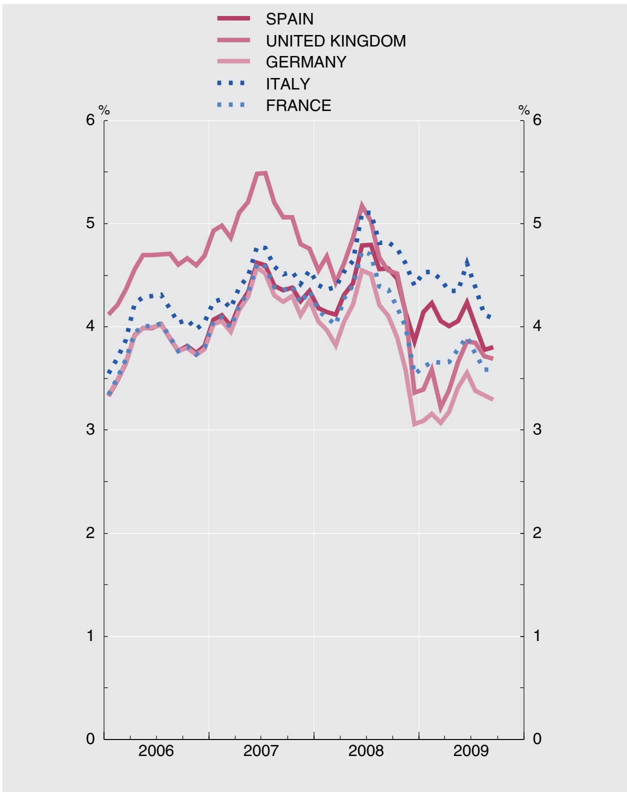
Percentages

	OECD 1	EU-15 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
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
08	3.63	4.33	4.36	4.00	4.36	3.69	4.24	4.66	1.49	4.55
08 *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
09 *Jan*	2.81	3.72	4.11	3.09	4.15	2.48	3.61	4.53	1.25	3.39
Feb	3.01	3.81	4.20	3.16	4.23	2.86	3.66	4.53	1.29	3.59
Mar	2.97	3.70	4.15	3.07	4.06	2.85	3.65	4.46	1.31	3.22
Apr	3.03	3.72	4.09	3.18	4.01	2.90	3.66	4.35	1.44	3.38
May	3.26	3.85	4.14	3.41	4.05	3.30	3.79	4.35	1.45	3.66
Jun	3.52	4.02	4.32	3.56	4.24	3.74	3.90	4.62	1.47	3.86
Jul	3.36	3.85	4.09	3.38	4.01	3.58	3.74	4.38	1.35	3.85
Aug	3.32	3.69	3.89	3.34	3.78	3.61	3.59	4.12	1.38	3.72
Sep	3.23	3.67	3.86	3.30	3.80	3.44	3.59	4.08	1.32	3.69

10-YEAR GOVERNMENT BOND YIELDS



10-YEAR GOVERNMENT BOND YIELDS



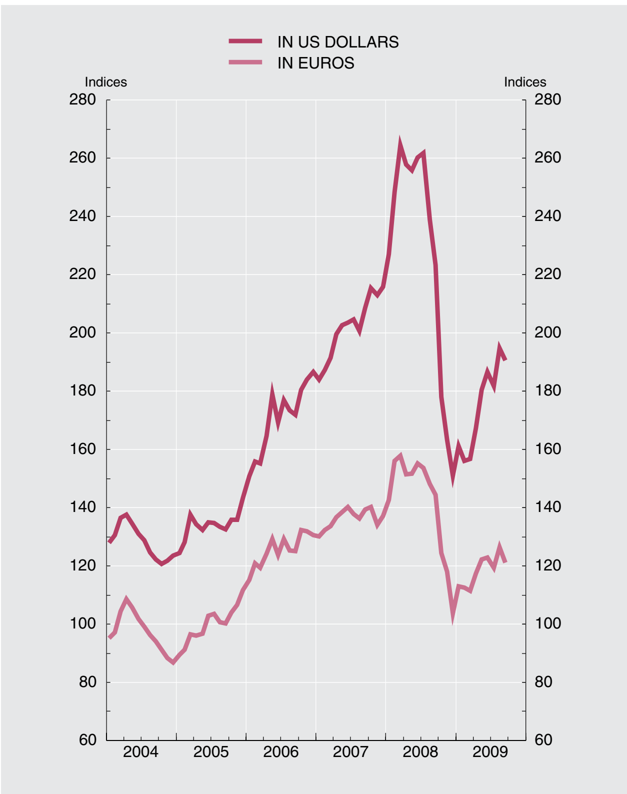
Sources: ECB, Reuters and BE.

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

■ Series depicted in chart. *Base 2000 = 100*

	Non-energy commodity price index (a)						Oil		Gold		
	Euro index	US dollar index					Index (b)	Brent North sea	Index (c)	US dollars per troy ounce	Euro per gram
	General	General	Food	Industrial products				US dollars per barrel			
				Total	Non-food agricul-tural products	Metals					
	1 ■	2 ■	3 ■	4 ■	5	6	7 ■	8	9 ■	10	11
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
08	142.2	227.4	232.4	221.0	176.0	245.5	343.7	97.2	312.5	871.7	19.07
08 *J-S*	151.2	248.7	250.0	247.0	192.9	276.7	392.4	111.4	321.7	897.5	18.96
09 *J-S*	118.5	175.2	195.4	149.1	126.1	161.6	...	57.3	333.3	929.8	21.91
08 *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	191.4	52.7	272.7	760.9	19.20
Dec	103.6	151.0	176.1	118.6	108.7	124.0	147.1	40.5	292.5	816.1	19.54
09 *Jan*	113.0	161.1	190.0	123.8	114.9	128.0	155.5	42.9	307.8	858.7	20.85
Feb	112.6	156.2	184.8	119.2	111.2	123.2	147.9	43.3	338.1	943.2	23.72
Mar	111.3	156.8	182.7	123.3	108.2	131.5	166.3	46.8	331.3	924.3	22.78
Apr	117.4	167.3	189.9	138.0	120.0	147.8	178.1	50.2	319.1	890.2	21.70
May	122.3	180.5	206.4	147.1	128.7	157.1	205.8	57.5	332.9	928.6	21.87
Jun	122.9	186.7	210.4	155.9	128.4	170.9	244.8	68.8	339.0	945.7	21.71
Jul	119.3	181.8	196.6	162.6	132.5	179.0	229.0	64.7	334.9	934.2	21.33
Aug	126.4	194.7	202.0	185.1	144.0	207.6	253.7	73.0	340.3	949.4	21.41
Sep	121.2	190.7	195.0	185.0	145.8	206.5	...	67.7	357.3	996.6	22.01

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.

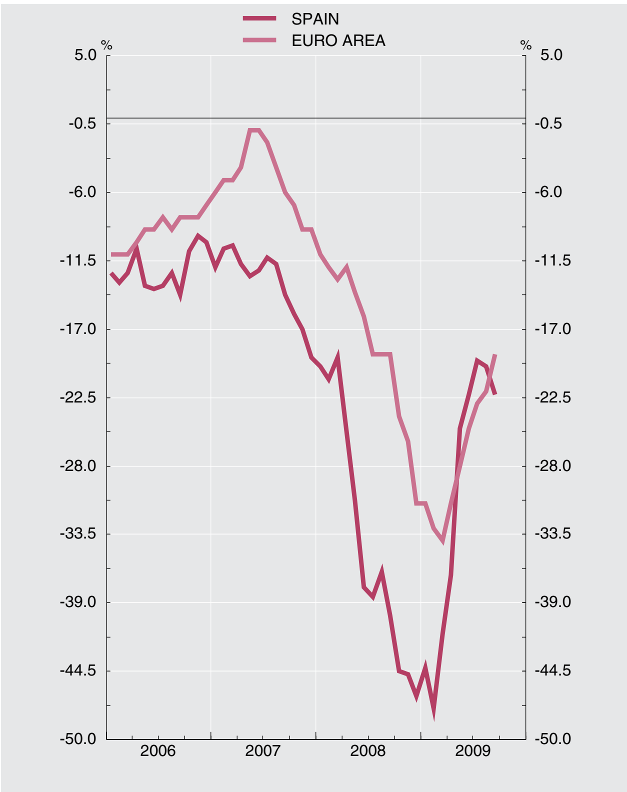
3.1 INDICATORS OF PRIVATE CONSUMPTION. SPAIN AND EURO AREA

■ Series depicted in chart.

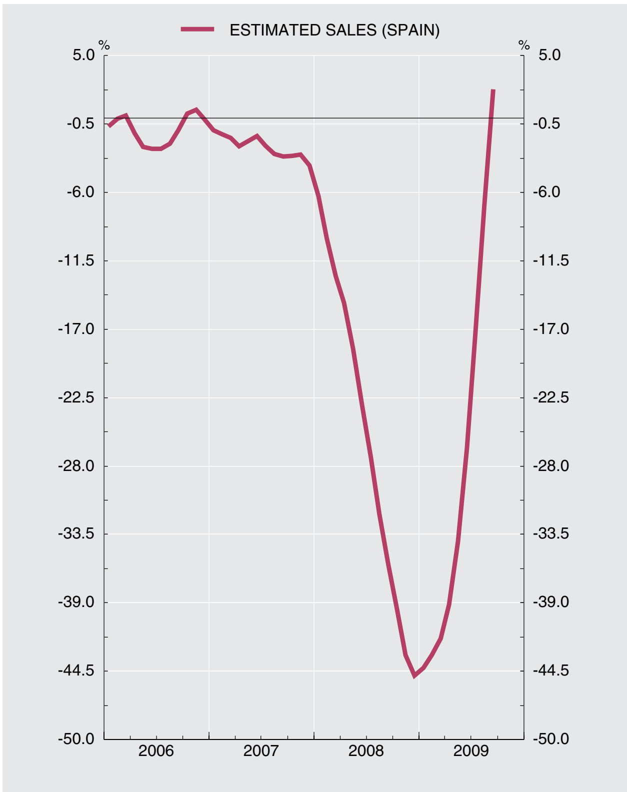
Annual percentage changes

		Opinion surveys (net percentages)						New car registrations and sales				Retail trade indices. (2005=100). (Deflated indices)							
		Consumers			Retail trade confidence index	Memorandum item: euro area		of which		Estimated sales	Memorandum item: euro area	General retail trade index	General index without petrol stations						
		Confidence index	General economic situation: anticipated trend	Household economic situation: anticipated trend		Consumer confidence index	Retail trade confidence index	Registrations	Private use		Registrations		Total	of which Food	Large retail outlets	Large chain stores	Small chain stores	Single-outlet retailers	Memorandum item: euro area (a)
		1 ■	2	3	4	5 ■	6	7	8	9 ■	10	11	12	13	14	15	16	17	18
06		-12	-12	-3	-9	-9	1	-1.0	-0.8	-0.9	3.6	1.6	1.8	0.9	...	...	1.2	-0.8	2.4
07		-13	-12	-4	-13	-5	1	-1.6	-2.2	-1.2	-0.8	3.2	2.5	1.3	1.9	6.4	3.4	0.7	1.7
08	P	-34	-33	-21	-27	-18	-7	-27.4	-30.0	-28.1	-8.1	-5.2	-6.1	-2.3	-5.6	0.7	-9.0	-8.4	-0.8
08 *J-S*	P	-30	-29	-18	-26	-15	-4	-21.9	-25.1	-22.0	-4.5	-4.3	-5.4	-1.7	-4.7	1.3	-7.7	-8.1	-0.5
09 *J-S*	P	-31	-30	-16	-25	-27	-17	-28.8	-21.8	-28.6	...	...	...	...	...	...	...	...	...
08 *Oct*	P	-45	-44	-30	-30	-24	-13	-38.9	-38.5	-40.0	-14.4	-6.9	-7.4	-2.9	-6.9	-0.2	-11.7	-9.7	-2.0
Nov	P	-45	-42	-26	-26	-26	-13	-48.7	-47.9	-49.6	-18.3	-10.0	-10.2	-5.4	-8.1	-3.0	-16.0	-12.1	-2.0
Dec	P	-47	-44	-26	-34	-31	-20	-47.3	-45.6	-49.9	-23.2	-7.5	-6.4	-3.8	-9.3	-0.1	-10.2	-6.6	-1.3
09 *Jan*	P	-44	-43	-25	-29	-31	-20	-42.2	-39.2	-41.6	-20.5	-6.3	-5.0	-2.1	0.4	2.7	-10.4	-9.0	-1.8
Feb	P	-48	-48	-30	-29	-33	-19	-49.3	-41.2	-48.8	-12.7	-11.7	-10.8	-8.9	-11.8	-7.2	-12.5	-10.9	-3.7
Mar	P	-42	-47	-22	-27	-34	-17	-39.0	-30.3	-38.7	-5.8	-7.6	-6.1	-6.0	-10.7	-3.6	-6.3	-4.5	-2.2
Apr	P	-37	-42	-18	-29	-31	-20	-46.0	-42.5	-45.6	-3.7	-8.6	-6.8	-3.1	-5.1	-0.2	-10.0	-8.7	-1.2
May	P	-25	-23	-12	-22	-28	-14	-38.8	-33.0	-38.7	5.7	-8.2	-6.6	-6.4	-7.7	-2.6	-8.0	-6.3	-2.4
Jun	P	-22	-23	-10	-22	-25	-17	-15.7	-7.9	-15.9	10.0	-2.6	-0.8	-1.2	1.4	4.8	-1.7	-4.2	-1.6
Jul	P	-20	-16	-8	-22	-23	-13	-10.7	-1.3	-10.9	6.9	-4.3	-2.5	-2.9	-3.1	2.2	-5.1	-4.2	-1.3
Aug	P	-20	-15	-8	-23	-22	-14	-0.6	1.7	-0.0	5.9	-4.0	-3.0	-4.5	-4.4	-0.4	-4.9	-6.3	-2.4
Sep	P	-22	-16	-8	-22	-19	-15	17.7	20.6	18.0	...	...	...	...	...	...	...	...	...

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. Data adjusted by working days.

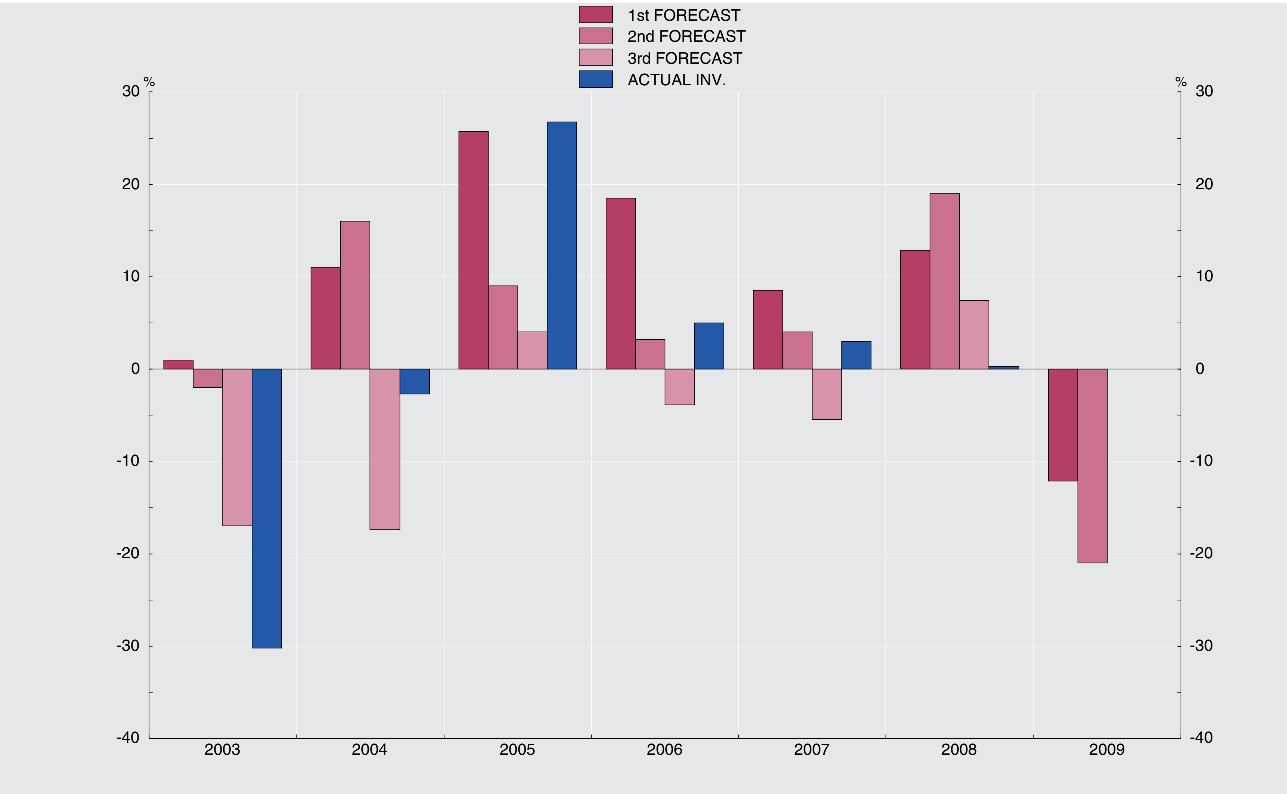
3.2. INVESTMENT IN INDUSTRY (EXCLUDING CONSTRUCTION): OPINION SURVEYS. SPAIN

■ Series depicted in chart.

Annual percentage changes at current prices

	ACTUAL INV. 1 ■	1st FORECAST 2 ■	2nd FORECAST 3 ■	3rd FORECAST 4 ■
03	-30	1	-2	-17
04	-3	11	16	-17
05	27	26	9	4
06	5	19	3	-4
07	3	9	4	-6
08	0	13	19	7
09	...	-12	-21	...

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.

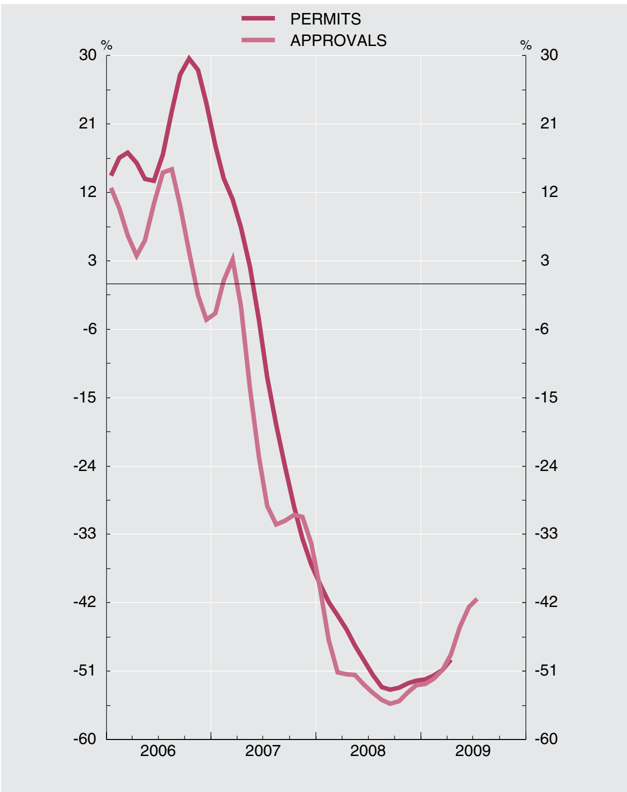
3.3. CONSTRUCTION. INDICATORS OF BUILDING STARTS AND CONSUMPTION OF CEMENT. SPAIN

■ Series depicted in chart.

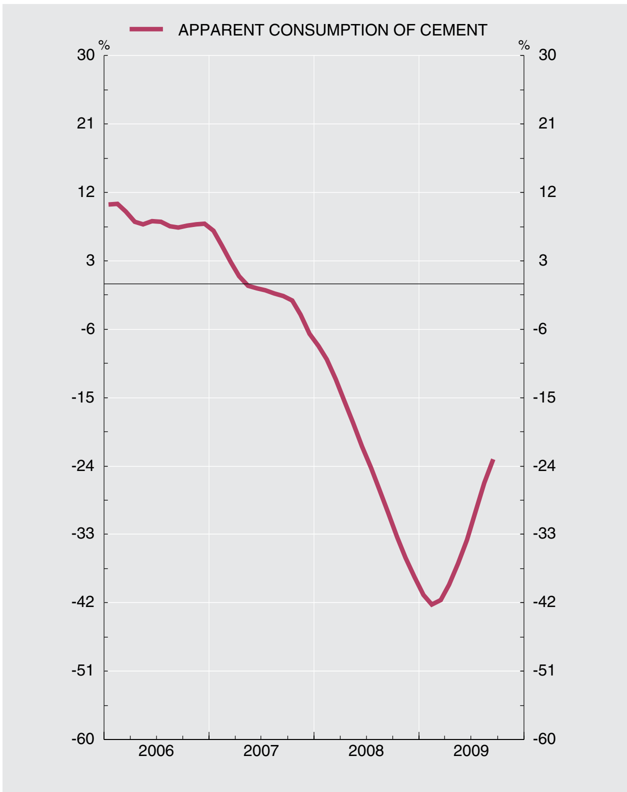
Annual percentage changes

		Permits: buildable floorage				Approvals: buildable floorage		Government tenders (budget)							Apparent consumption of cement
		Total	Residential	of which: Housing	Non-residential	Total	of which: Housing	Total: For the month	Total: Year to date	Building: Total	Building: Residential	Building: of which: Housing	Building: Non-residential	Civil engineering	
		1 ■	2	3	4	5 ■	6	7 ■	8	9	10	11	12	13	14 ■
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		-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
08	P	-48.5	-53.1	-53.8	-29.8	-52.1	-56.6	3.0	3.0	-7.5	8.5	13.4	-11.5	7.3	-23.8
08 *J-S*	P	-47.6	-52.4	-53.1	-26.8	-51.7	-56.1	0.0	0.0	-8.4	2.0	2.7	-10.9	3.6	-19.3
09 *J-S*	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-36.8
08 *Jun*		-45.5	-51.8	-51.0	-12.5	-52.3	-59.2	-66.9	-2.3	-58.8	43.8	-47.3	-69.7	-70.3	-33.1
Jul		-49.4	-55.6	-56.2	-20.5	-52.0	-54.5	-10.5	-3.5	5.2	-37.9	27.6	15.7	-13.9	-21.3
Aug	P	-62.3	-69.6	-69.7	-27.0	-60.3	-64.5	10.5	-2.4	67.2	250.5	484.0	33.7	-9.6	-30.5
Sep	P	-49.4	-50.3	-50.0	-47.4	-50.7	-57.5	41.3	0.0	17.5	30.7	230.2	13.9	50.9	-24.6
Oct	P	-53.5	-59.2	-59.9	-28.2	-56.8	-62.1	-12.4	-1.2	-35.4	-53.2	29.0	-29.8	-3.7	-34.1
Nov	P	-58.0	-61.7	-62.7	-44.9	-57.9	-63.6	29.5	1.0	45.7	227.9	377.2	4.7	22.8	-41.1
Dec	P	-41.3	-41.8	-42.4	-40.4	-44.5	-46.3	22.0	3.0	-14.8	-18.2	-44.3	-13.8	33.8	-39.6
09 *Jan*	P	-61.6	-63.1	-63.4	-56.9	-55.9	-63.5	-20.9	-20.9	-30.2	21.7	-60.9	-41.0	-15.1	-55.4
Feb	P	-44.7	-54.1	-52.3	-16.4	-56.2	-65.3	57.3	13.7	87.1	28.1	30.0	100.8	47.4	-46.9
Mar	P	-56.7	-63.1	-62.0	-35.4	-42.0	-57.4	-27.0	-5.3	49.4	7.5	8.5	59.7	-40.4	-35.3
Apr	P	-45.8	-48.5	-46.8	-37.3	-59.1	-66.8	-49.1	-17.5	-55.8	-39.2	-21.7	-60.2	-45.4	-45.2
May	P	...	...	...	...	-37.4	-55.6	46.3	-13.0	148.9	139.5	-6.0	152.6	25.3	-39.1
Jun	P	...	...	...	...	-41.4	-57.5	92.3	-6.4	87.1	-14.0	49.0	138.0	95.4	-20.6
Jul	P	...	...	...	...	-40.1	-50.4	3.2	-5.0	55.7	366.0	263.5	14.8	-11.1	-32.3
Aug	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-21.2
Sep	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-23.7

CONSTRUCTION
Trend obtained with TRAMO-SEATS



CONSTRUCTION
Trend obtained with TRAMO-SEATS



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

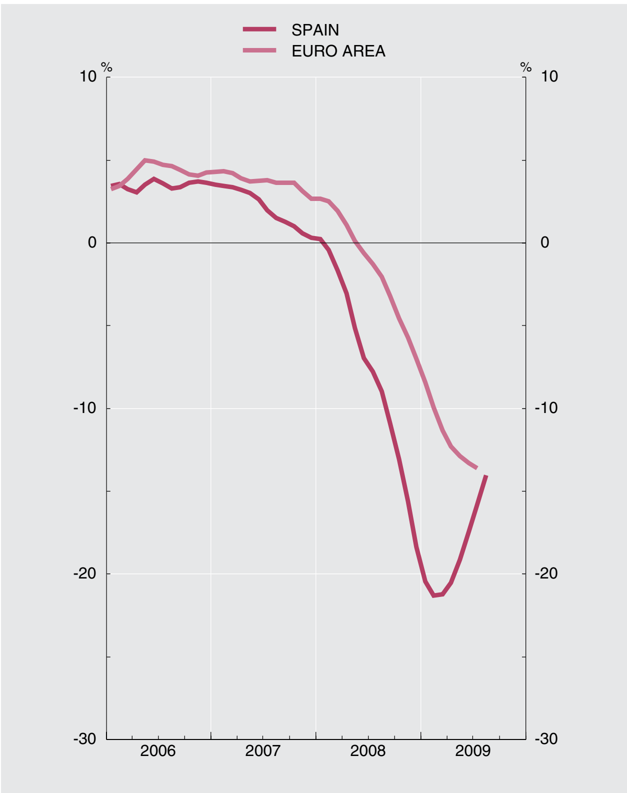
3.4. INDUSTRIAL PRODUCTION INDEX. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

Annual percentage changes

		Overall Index		By end-use of goods				By branch of activity (NACE 2009)			Memorandum item: euro area				
		Total		Consumer goods	Capital goods	Inter-mediate goods	Energy	Mining and quarrying	Manufac-turing	Electrity and gas supply		of which	By end-use of goods		
		Original series	12-month %change 12								Total	Manufac-turing	Consumer goods	Capital goods	Inter-mediate goods
		1	2 ■	3 ■	4 ■	5 ■	6	7	8	9	10 ■	11	12	13	14
06	M P	103.7	3.7	2.1	7.7	3.6	0.9	2.9	4.0	0.6	4.2	4.4	2.9	6.0	4.9
07	M P	106.2	2.4	2.2	5.0	1.6	0.8	0.9	2.5	2.0	3.7	4.1	2.4	6.7	3.7
08	M P	98.6	-7.1	-4.6	-8.7	-11.0	1.6	-13.7	-7.8	1.1	-1.7	-2.0	-2.0	-0.2	-3.4
08 *J-A*	M P	101.4	-4.2	-3.3	-4.8	-7.1	3.1	-10.2	-4.9	3.3	1.2	1.0	-0.9	3.4	0.5
09 *J-A*	M P	81.2	-20.0	-11.5	-27.0	-26.6	-8.7	-28.2	-21.1	-8.0	-17.9	...	-6.3	-23.9	-23.5
08 *May*	P	105.4	-8.4	-8.7	-9.6	-9.9	-0.9	-20.1	-9.0	0.2	-0.7	-0.7	-3.2	1.9	-1.4
Jun	P	100.6	-10.9	-10.3	-13.2	-13.6	1.8	-22.1	-11.8	1.3	-0.5	-0.3	-0.9	1.0	-1.2
Jul	P	110.5	-1.9	0.6	-1.9	-5.5	3.9	-10.2	-2.1	3.1	-1.0	-1.0	-1.5	-0.5	-1.2
Aug	P	69.1	-11.5	-11.4	-17.9	-14.3	0.9	-24.5	-13.3	4.3	-0.9	-0.9	-2.8	0.5	-0.7
Sep	P	99.8	-4.7	-1.6	-5.7	-8.0	-0.1	-16.7	-4.8	-1.1	-2.4	-2.5	-2.3	-1.4	-4.3
Oct	P	100.9	-12.2	-7.1	-18.0	-16.2	-0.1	-18.6	-12.9	-3.4	-5.9	-5.9	-4.5	-5.7	-7.5
Nov	P	90.9	-18.3	-12.5	-22.3	-25.0	-3.4	-29.0	-19.4	-5.1	-9.0	-9.2	-4.9	-8.8	-12.7
Dec	P	80.3	-16.0	-6.7	-18.7	-28.3	-1.6	-18.0	-17.8	-2.3	-12.4	-13.2	-4.7	-11.6	-21.4
09 *Jan*	P	80.7	-24.5	-17.8	-33.9	-32.7	-3.5	-32.7	-26.8	-3.4	-16.6	-19.0	-6.2	-22.8	-24.0
Feb	P	82.4	-24.3	-14.1	-33.0	-31.8	-9.7	-35.8	-25.5	-10.9	-19.2	-21.2	-8.4	-25.6	-25.7
Mar	P	85.4	-13.5	-0.9	-16.8	-21.6	-12.1	-24.3	-13.6	-11.7	-19.4	-20.4	-7.6	-23.3	-26.1
Apr	P	79.8	-28.4	-20.8	-33.6	-36.4	-11.2	-38.3	-29.5	-13.2	-21.3	-22.0	-7.5	-27.4	-27.0
May	P	81.9	-22.3	-12.8	-28.7	-28.4	-12.5	-27.7	-23.2	-11.0	-17.6	-18.7	-5.3	-23.1	-23.1
Jun	P	86.2	-14.3	-4.1	-23.0	-18.8	-7.8	-15.4	-15.2	-5.4	-16.7	-17.9	-5.3	-22.4	-22.1
Jul	P	91.4	-17.3	-11.0	-25.7	-20.7	-6.8	-28.6	-18.3	-5.1	-15.9	-17.0	-4.1	-23.7	-19.9
Aug	P	61.5	-11.0	-6.6	-10.9	-17.4	-6.1	-17.4	-12.0	-3.4	-15.4	-16.6	-6.0	-22.3	-19.5

INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS



INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS

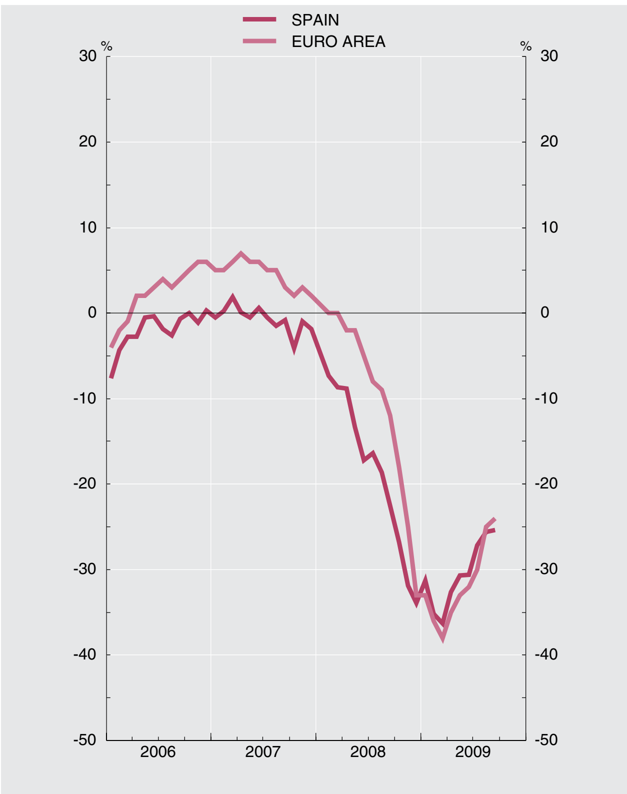
Sources: INE and BCE.
Note: The underlying series for this indicator are in Table 23.1 of the BE Boletín estadístico.
a. Spain 2005 = 100; euro area 2000 = 100.

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

■ Series depicted in chart. *Percentage balances*

	Industry, excluding construction: Business climate indicator (a) 1 ■	Industry: Production over the last three months 2	Industry: Trend in production (a) 3	Industry: Total orders (a) 4	Industry: Foreign orders 5	Industry: Stocks of finished products (a) 6	Business climate indicator: Consumption (a) 7	Business climate indicator: Investment (a) 8	Business climate indicator: Intermediate goods (a) 9	Business climate indicator: Other sectors (a) 10	Construction: Business climate indicator 11 ■	Construction: Production 12	Construction: Orders 13	Construction, Trend: Production 14	Construction, Trend: Orders 15	Memorandum item: euro area, Industry, excluding construction: Business climate indicator 16 ■	Memorandum item: euro area, Industry, excluding construction: Order Book 17	Memorandum item: euro area: Construction climate indicator 18 ■
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	-0
08 M	-18	-16	-8	-24	-21	20	-11	-8	-28	-6	-22	-0	-19	-16	-16	-9	-15	-14
08 *J-S* M	-13	-9	-4	-18	-15	17	-9	-1	-22	-5	-17	1	-14	-9	-17	-4	-8	-10
09 *J-S* M	-31	-38	-13	-54	-53	24	-20	-29	-40	-34	-30	-21	-29	-9	-20	-32	-58	-32
08 *Jun*	-17	-10	-9	-20	-19	23	-13	-2	-28	-3	-11	13	-15	-4	-27	-5	-9	-11
Jul	-16	-16	-7	-28	-19	14	-10	-9	-26	-7	-25	-8	-21	-26	-26	-8	-13	-14
Aug	-19	-10	-9	-26	-20	21	-14	-8	-26	-7	-17	-6	-15	-3	-6	-9	-13	-12
Sep	-23	-20	-12	-34	-27	21	-16	-6	-36	-4	-24	-9	-8	-1	-38	-12	-20	-15
Oct	-27	-20	-17	-37	-32	27	-16	-27	-38	0	-44	-37	-38	-11	-27	-18	-26	-20
Nov	-32	-40	-21	-44	-38	31	-18	-26	-49	-19	-30	4	-27	-50	-8	-25	-36	-23
Dec	-34	-47	-23	-49	-48	29	-20	-34	-49	-3	-34	20	-31	-43	-4	-33	-47	-27
09 *Jan*	-31	-41	-21	-47	-44	26	-17	-27	-46	-4	-40	19	-27	-29	-2	-33	-49	-30
Feb	-35	-54	-23	-54	-57	29	-22	-31	-52	-3	-39	-38	-26	-24	-36	-36	-57	-32
Mar	-36	-55	-26	-55	-60	28	-21	-38	-51	-32	-36	-37	-35	-11	-26	-38	-61	-32
Apr	-33	-42	-15	-56	-58	27	-22	-33	-43	-48	-37	-17	-38	-3	-15	-35	-60	-34
May	-31	-41	-12	-55	-57	25	-22	-31	-38	-50	-25	-26	-37	2	-18	-33	-61	-34
Jun	-31	-32	-10	-56	-54	26	-19	-25	-42	-58	-26	-24	-35	-3	-34	-32	-63	-33
Jul	-27	-25	-7	-56	-56	19	-18	-32	-33	-28	-25	-20	-22	-15	-21	-30	-61	-33
Aug	-26	-27	-2	-56	-49	19	-18	-22	-31	-37	-24	-26	-21	-7	-3	-25	-56	-32
Sep	-25	-25	-5	-54	-45	17	-21	-25	-26	-46	-18	-20	-24	9	-23	-24	-56	-31

INDUSTRIAL BUSINESS CLIMATE
Percentage balances



CONSTRUCTION BUSINESS CLIMATE
Percentage balances

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

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

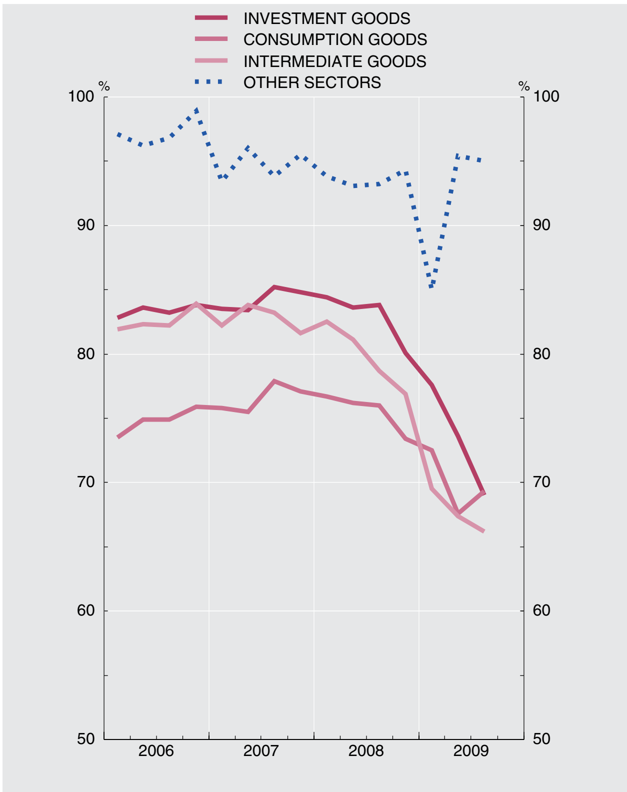
■ Series depicted in chart.

Percentages and percentage balances

	Total industry			Consumer goods			Investment goods			Intermediate goods			Other sectors			Memo-ramdum item: euro area capacity utilisa-tion
	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	
	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	(%)
	1 ■	2	3	4 ■	5	6	7 ■	8	9	10 ■	11	12	13 ■	14	15	16 ■
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	-	82.8
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
08	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
08 *Q1-Q3*	80.3	81.0	6	76.3	77.6	9	83.9	84.3	4	80.8	81.3	5	93.4	93.8	-	83.4
09 *Q1-Q3*	70.3	70.5	26	69.8	70.4	15	73.4	72.7	24	67.7	68.0	36	91.8	92.7	1	71.5
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	-	84.5
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	-	83.8
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	-	83.7
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	81.5
09 *Q1*	72.8	72.4	20	72.5	71.9	9	77.6	75.6	16	69.5	69.9	32	85.0	86.1	-	74.7
Q2	69.5	69.7	27	67.6	68.6	18	73.6	73.2	23	67.4	67.3	39	95.4	96.0	-	70.3
Q3	68.5	69.4	30	69.3	70.7	18	69.0	69.3	34	66.2	66.9	38	95.0	96.0	2	69.5

CAPACITY UTILISATION. TOTAL INDUSTRY
Percentages

CAPACITY UTILISATION. BY TYPE OF GOOD
Percentages



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

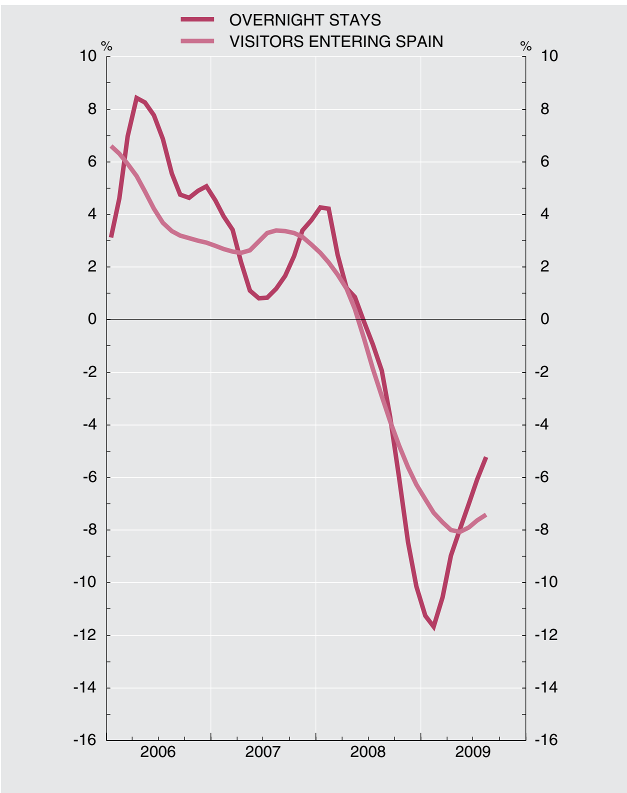
3.7. TOURISM AND TRANSPORT STATISTICS. SPAIN

■ Series depicted in chart.

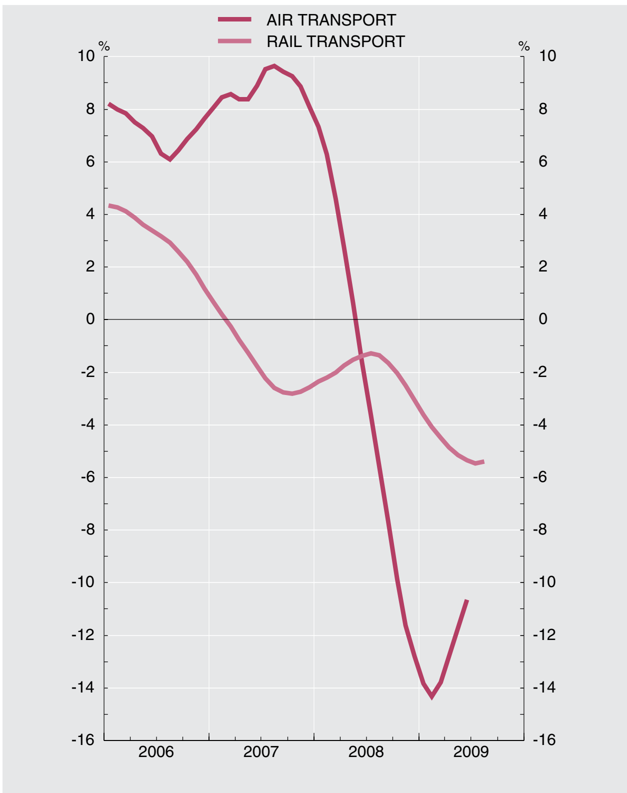
Annual percentage changes

		Hotel stays (a)		Overnight stays		Visitors entering Spain			Air transport				Maritime transport		Rail transport	
									Passengers							
		Total	Foreig- ners	Total	Foreig- ners	Total	Tourists	Day-trip- pers	Total	Domestic flights	Interna- tional flights	Freight	Passen- gers	Freight	Passen- gers	Freight
		1	2	3 ■	4	5 ■	6	7	8 ■	9	10	11	12	13	14 ■	15
06		5.8	6.1	6.2	6.5	3.9	3.7	4.1	6.7	6.7	6.8	-4.5	10.2	4.9	2.0	-3.1
07		3.1	4.0	1.7	2.1	2.9	1.1	5.5	9.1	9.0	9.2	4.2	5.2	4.7	-1.7	-1.5
08	P	-1.7	-0.1	-1.2	0.2	-1.2	-2.5	0.7	-3.0	-7.5	0.3	0.0	-1.5	-2.1	-0.7	-10.3
08 *J-A*	P	0.8	2.5	1.0	2.3	1.4	-0.2	3.8	1.2	-2.6	3.9	3.4	0.0	2.2	-0.6	-6.9
09 *J-A*	P	-8.4	-11.7	-7.8	-10.2	-7.3	-9.9	-3.6	...	...	...	...	...	...	-6.7	...
08 *May*		6.2	7.2	6.7	6.3	9.7	4.7	18.5	2.3	-5.3	7.9	-0.3	7.3	-1.1	-4.5	-13.8
Jun		-3.2	-1.6	-2.5	-1.8	1.5	0.6	3.1	-1.6	-6.2	1.5	8.9	0.3	1.7	1.1	-9.7
Jul		0.5	1.6	0.7	2.7	-4.4	-7.4	0.8	-3.5	-9.0	0.0	3.5	-5.0	0.0	0.3	-2.9
Aug	P	-0.7	-0.0	-0.5	1.1	-0.4	-3.0	2.9	-2.4	-9.7	2.3	5.6	-1.5	-5.1	4.1	-16.9
Sep	P	-3.0	-2.1	-2.8	-2.2	-5.8	-5.4	-6.5	-8.8	-15.9	-4.3	-1.4	-8.2	-6.1	-2.6	-2.5
Oct	P	-6.7	-3.6	-5.2	-2.9	-5.8	-4.9	-7.2	-10.9	-18.3	-5.8	-2.7	-1.1	-5.7	0.5	-14.2
Nov	P	-12.0	-11.5	-10.5	-8.6	-7.9	-11.5	-3.5	-14.3	-19.5	-9.6	-6.5	-4.6	-15.0	0.3	-26.8
Dec	P	-9.3	-12.3	-10.6	-11.0	-10.3	-12.9	-7.6	-13.7	-16.2	-11.4	-13.3	-5.4	-14.1	-2.9	-27.8
09 *Jan*	P	-13.3	-14.8	-12.0	-11.6	-5.2	-9.8	-0.0	-17.1	-23.1	-11.9	-15.0	-5.1	-23.1	-6.5	-38.7
Feb	P	-14.7	-18.1	-15.5	-17.2	-8.4	-15.9	1.1	-18.5	-20.8	-16.4	-19.8	5.5	-13.6	-10.8	-32.9
Mar	P	-19.4	-19.6	-18.9	-15.1	-17.3	-20.8	-12.5	-19.0	-18.2	-19.5	-13.0	-27.2	-14.0	-4.2	-12.6
Apr	P	-1.2	-8.3	2.0	-5.9	-2.6	-1.7	-3.9	-5.0	-9.3	-1.6	-23.0	23.5	-19.6	-6.1	-40.5
May	P	-8.2	-10.4	-8.9	-10.2	-11.1	-11.7	-10.3	-11.9	-13.0	-11.2	-19.9	-5.1	-18.0	-3.8	-31.7
Jun	P	-7.2	-9.5	-6.4	-7.1	-9.4	-10.0	-8.4	-8.7	-9.2	-8.4	-21.4	...	...	-7.7	-27.5
Jul	P	-5.2	-9.0	-5.5	-9.0	-3.2	-6.1	1.5	...	...	...	...	...	...	-6.3	...
Aug	P	-4.9	-10.9	-5.0	-10.6	-4.3	-8.1	0.2	...	...	...	...	...	...	-8.4	...

TOURISM
Trend obtained with TRAMO-SEATS



TRANSPORT
Trend obtained with TRAMO-SEATS



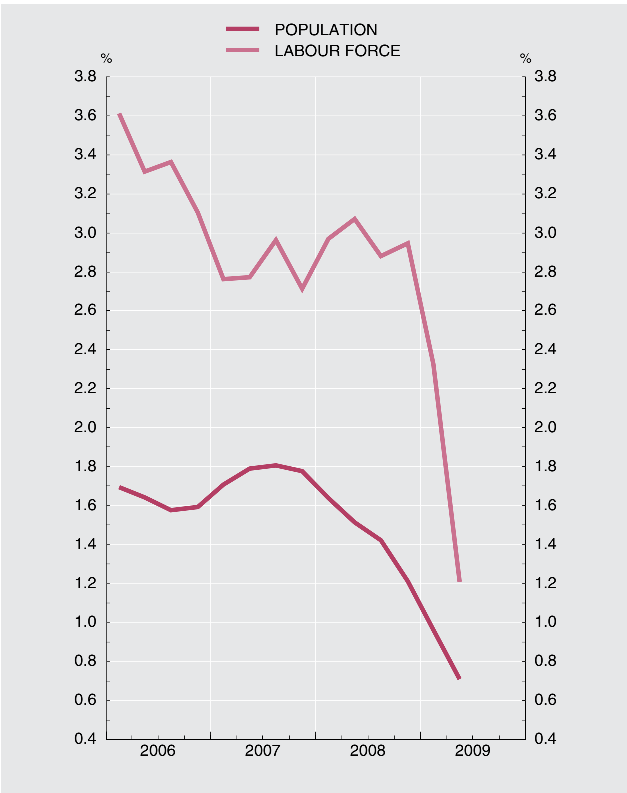
Sources: INE and Instituto de Estudios Turísticos, Estadística de Movimientos Turísticos en Frontera.
Note: The underlying series for this indecator are in Table 23.15 of the BE Boletín estadístico .
a. From January 2003, the information for Galicia is based on total figures for hotel stays and overnight stays for the month. The directory of hotels has been reviewed thoroughly. Since January 2006, the directories have been updated and the information-collection period extended to every day of the month. In June 2009 the directory of hotel establishments in Canarias has been updated.

4.1. LABOUR FORCE. SPAIN

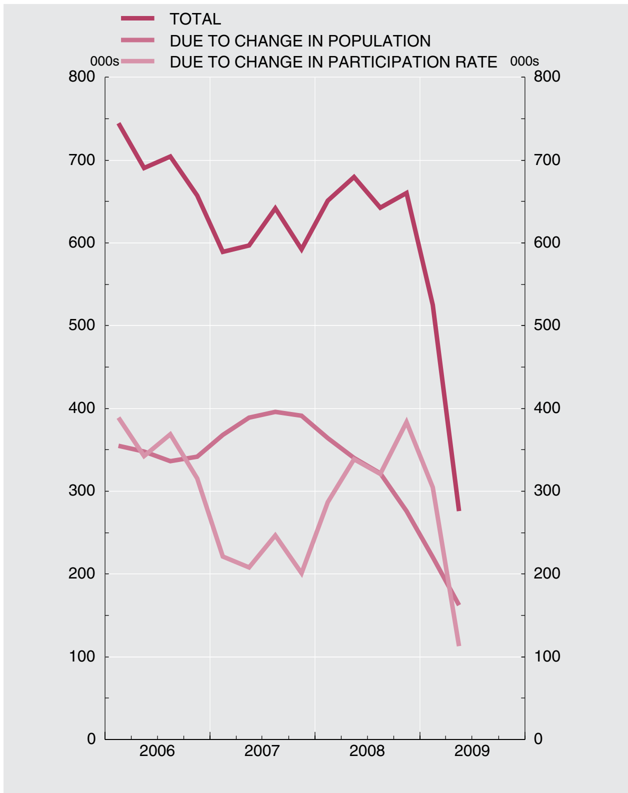
■ Series depicted in chart. *Thousands and annual percentage changes*

	Population over 16 years of age			Participation rate (%) (a)	Labour force				
						Annual change (b)			
	Thousands	Annual change	4-quarter % change		Thousands (a)	Total	Due to change in population over 16 years of age	Due to change in partici-pation rate	4-quarter % change
	1	2	3 ■	4	5	6 ■	7 ■	8 ■	9 ■
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
08 M	38 208	545	1.4	59.80	22 848	658	326	333	3.0
08 *Q1-Q2* M	38 102	592	1.6	59.56	22 692	1 331	705	626	3.0
09 *Q1-Q2* M	38 420	318	0.8	60.11	23 092	801	383	418	1.8
06 *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
Q4	38 357	460	1.2	60.13	23 065	660	276	384	2.9
09 *Q1*	38 409	366	1.0	60.15	23 102	525	220	305	2.3
Q2	38 432	271	0.7	60.06	23 082	276	162	113	1.2

LABOUR FORCE SURVEY
Annual percentage change



LABOUR FORCE
Annual changes



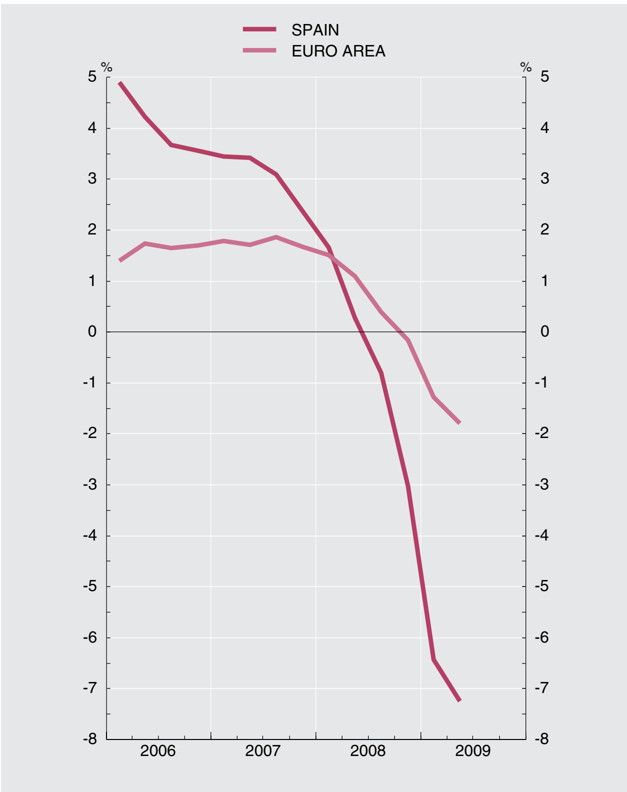
Source: INE (Labour Force Survey: 2005 methodology).
a. the new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See www.ine.es).
b. Col.7 = (col.5/col.1)x annual change in col.1. Col. 8 = (annual change in col.4/100) x col.1(t-4).
General note to the tables: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

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

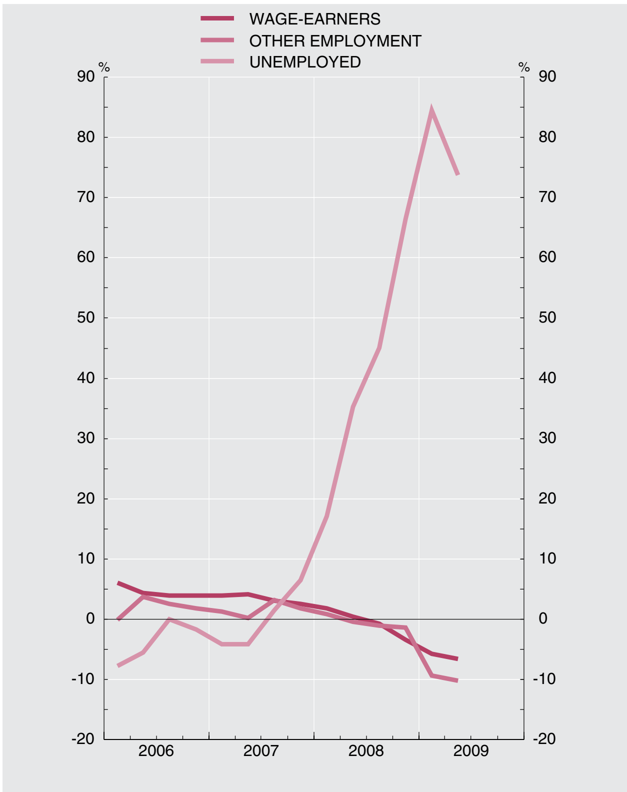
■ Series depicted in chart. *Thousands and annual percentage changes*

	Employment									Unemployment				Memorandum item: euro area	
	Total			Wage-earners			Other								
	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands (a)	Annual change	4-quarter % change	Unem-ployment rate (a)	Employ-ment 4-quarter % change	Unem-ployment rate
	1	2	3 ■	4	5	6 ■	7	8	9 ■	10	11	12 ■	13	14	15
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	8.35
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	7.49
08 M	20 258	-98	-0.5	16 681	-79	-0.5	3 576	-20	-0.5	2 591	757	41.3	11.33	0.7	7.56
08 *Q1-Q2* M	20 414	195	1.0	16 835	188	1.1	3 578	7	0.2	2 278	470	26.0	10.04	1.3	7.30
09 *Q1-Q2* M	19 018	-1 396	-6.8	15 790	-1 045	-6.2	3 228	-351	-9.8	4 074	1 796	78.9	17.64	-1.5	9.03
06 *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	8.01
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	7.68
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	7.49
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	7.45
Q4	20 477	475	2.4	16 877	410	2.5	3 600	65	1.8	1 928	117	6.5	8.60	1.7	7.34
08 *Q1*	20 402	333	1.7	16 817	303	1.8	3 585	30	0.8	2 174	318	17.1	9.63	1.5	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	1.1	7.37
Q3	20 346	-164	-0.8	16 746	-124	-0.7	3 600	-41	-1.1	2 599	807	45.0	11.33	0.4	7.60
Q4	19 857	-620	-3.0	16 308	-568	-3.4	3 549	-52	-1.4	3 208	1 280	66.4	13.91	-0.2	8.02
09 *Q1*	19 091	-1 312	-6.4	15 843	-974	-5.8	3 248	-337	-9.4	4 011	1 837	84.5	17.36	-1.3	8.78
Q2	18 945	-1 480	-7.2	15 737	-1 116	-6.6	3 208	-364	-10.2	4 138	1 756	73.7	17.92	-1.8	9.28

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).
General note to the tables: 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:
	Employ-ment	Wage-earners	Propor-tion of tempora ry em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of tempora ry em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of tempora ry em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of tempora ry em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of tempora-ry em-ployment	Employment in branches other than agriculture
	1	2	3 ■	4	5	6	7 ■	8	9 ■	10 ■	11	12 ■	13 ■	14	15 ■	16
06 M	4.1	4.6	34.0	-5.6	-1.2	59.0	0.4	0.5	24.5	8.0	8.2	56.3	5.0	5.3	31.3	4.6
07 M	3.1	3.4	31.7	-2.0	2.0	58.6	-0.9	-0.5	22.8	6.0	6.7	54.3	3.8	3.8	28.4	3.3
08 M	-0.5	-0.5	29.2	-5.1	-8.0	58.0	-1.3	-1.3	20.7	-10.4	-12.2	48.9	2.0	2.3	27.0	-0.3
08 *Q1-Q2* M	1.0	1.1	29.8	-5.4	-9.5	58.9	1.5	2.1	21.7	-4.5	-5.4	50.6	2.4	2.6	26.9	0.5
09 *Q1-Q2* M	-6.8	-6.2	25.3	-3.6	2.1	60.0	-13.1	-13.0	16.1	-25.3	-28.2	41.7	-2.0	-0.8	23.9	-7.4
06 *Q4*	3.6	3.9	33.8	-8.4	-7.1	59.0	0.8	0.9	24.2	8.2	8.0	56.1	4.3	4.7	31.0	4.2
07 *Q1*	3.4	3.9	32.0	0.5	7.2	63.1	-0.4	-0.3	22.7	9.4	10.0	54.7	3.5	3.8	28.4	3.6
Q2	3.4	4.1	31.8	-3.8	0.3	58.6	-1.3	-0.8	22.8	7.5	8.9	55.2	4.3	4.7	28.4	3.8
Q3	3.1	3.1	31.9	-3.1	0.3	55.6	-0.9	-0.7	23.2	4.8	5.4	54.4	4.1	3.7	28.9	3.4
Q4	2.4	2.5	30.9	-1.8	0.0	57.1	-1.0	-0.4	22.7	2.6	2.8	52.7	3.5	3.1	27.8	2.6
08 *Q1*	1.7	1.8	30.1	-6.4	-10.2	61.3	2.3	3.1	21.9	-1.4	-2.0	51.3	2.7	2.8	27.0	2.0
Q2	0.3	0.4	29.4	-4.4	-8.7	56.6	0.8	1.1	21.4	-7.5	-8.8	49.8	2.0	2.5	26.8	0.5
Q3	-0.8	-0.7	29.5	-4.6	-9.5	54.2	-1.4	-1.6	20.8	-12.6	-14.1	48.7	2.0	2.4	27.7	-0.6
Q4	-3.0	-3.4	27.9	-4.8	-3.4	59.8	-6.7	-7.7	18.7	-20.2	-23.8	45.7	1.4	1.7	26.3	-3.0
09 *Q1*	-6.4	-5.8	25.4	-3.0	3.3	63.0	-12.5	-12.0	16.6	-25.9	-29.9	40.5	-1.3	0.0	23.9	-6.6
Q2	-7.2	-6.6	25.2	-4.2	0.8	57.1	-13.7	-14.0	15.6	-24.6	-26.4	42.8	-2.7	-1.6	23.9	-7.4

EMPLOYMENT
Annual percentage changes

TEMPORARY EMPLOYMENT
Percentages

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

a. Series re-calculated drawing on the transition matrix to NACE 2009 published by INE. The underlying series of this indicator are in Tables 24.4 and 24.6 of the BE Boletín Estadístico.

General note to the tables: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)

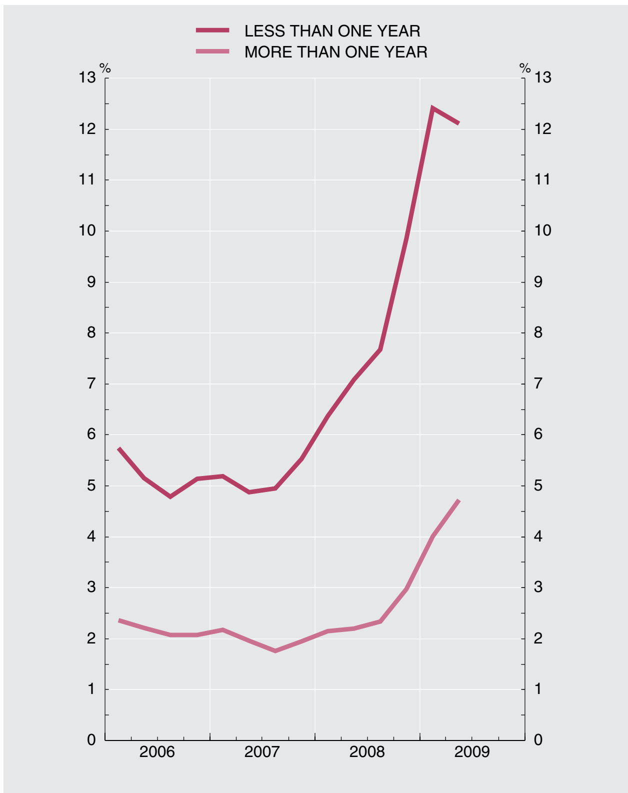
■ Series depicted in chart.

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 Thousands	4-quarter % change	Annual change Thousands	4-quarter % change	Proportion of temporary employment	Annual change Thousands	4-quarter % change	Annual change Thousands	4-quarter % change	As % for wage earners	Unemployment rate (a)	4-quarter % change	Unemployment rate (a)	4-quarter % change
	1	2 ■	3	4 ■	5	6	7	8	9 ■	10	11 ■	12	13 ■	14
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
08 M	348	3.0	-426	-8.0	29.25	-112	-0.8	33	1.6	12.33	7.75	55.5	2.41	27.0
08 *Q1-Q2* M	487	4.3	-299	-5.6	29.77	62	0.4	-4	-0.2	12.34	6.73	37.8	2.17	8.6
09 *Q1-Q2* M	-33	-0.3	-1 013	-20.2	25.32	-1 155	-7.8	30	1.5	13.35	12.26	85.5	4.37	104.3
06 *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
Q4	96	0.8	-664	-12.7	27.93	-656	-4.4	88	4.3	12.92	9.86	83.6	2.97	56.8
09 *Q1*	70	0.6	-1 045	-20.6	25.41	-996	-6.8	22	1.1	13.22	12.42	99.7	4.01	91.0
Q2	-135	-1.1	-981	-19.8	25.24	-1 155	-7.8	39	1.9	13.48	12.11	72.9	4.72	117.2

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).
General note to the tables: 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.

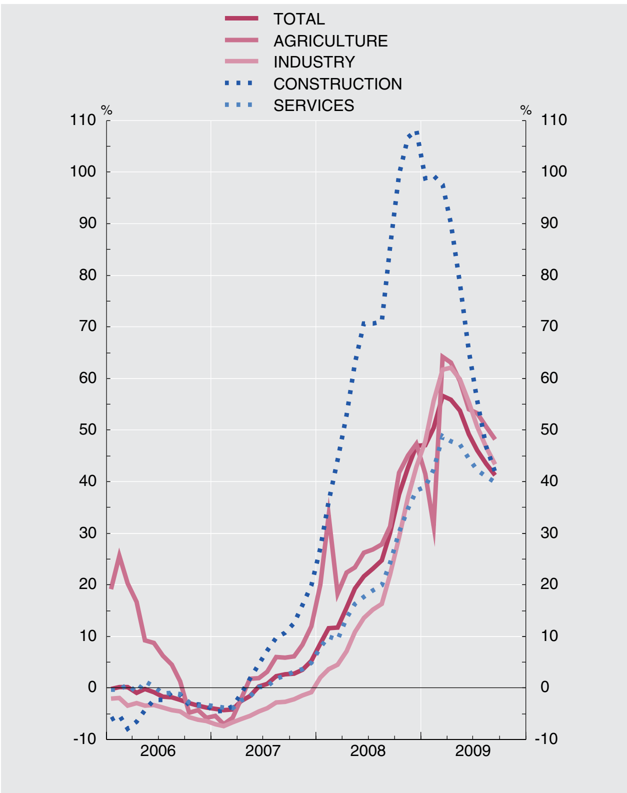
4.5. REGISTERED UNEMPLOYMENT BY BRANCH OF ACTIVITY. CONTRACTS AND PLACEMENTS. SPAIN

■ Series depicted in chart.

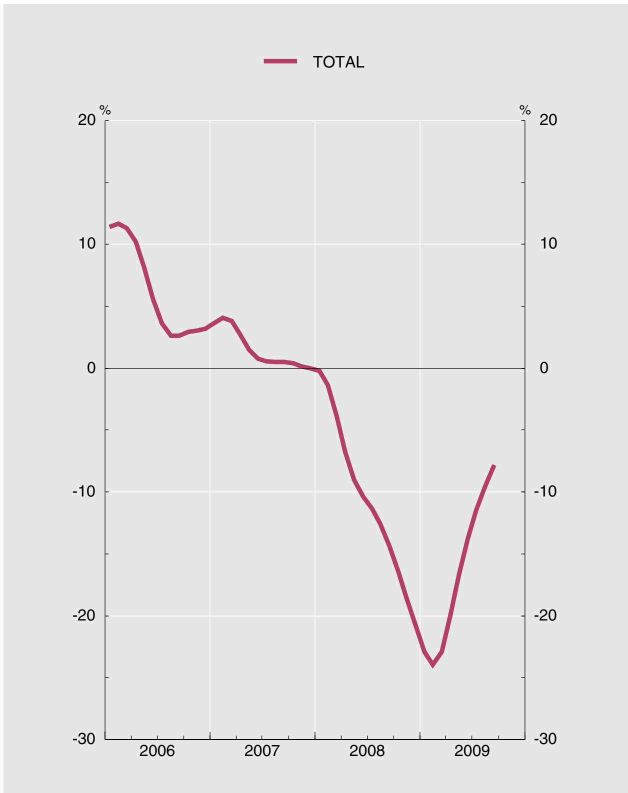
Thousands, annual percentage changes and %

		Registered unemployment										Contracts					Placements	
		Total			First time job-seekers(a)	Previously employed (a)						Total		Percentage of total			Total	
						12-month % change												
								Branches other than agriculture										
		Thousands	Annual change Thousands	12 month % change	12 month % change	Total	Agriculture	Total	Industry	Construction	Services	Thousands	12 month % change	Permanent	Part time	Temporary	Thousands	12 month % change
		1	2	3 ■	4	5	6 ■	7	8 ■	9 ■	10 ■	11	12	13	14	15	16	17 ■
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
08	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
08 *J-S*	M	2 394	372	18.4	3.4	20.3	25.6	20.1	10.5	58.2	15.2	1 415	-8.1	11.66	24.57	88.34	1 389	-6.9
09 *J-S*	M	3 570	1 176	49.1	32.2	50.7	51.8	50.7	53.7	74.9	43.6	1 147	-19.0	9.68	27.18	90.32	1 145	-17.6
08 *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
09 *Jan*		3 328	1 066	47.1	10.6	50.1	41.5	50.4	47.8	98.9	39.0	1 126	-28.8	10.59	23.69	89.41	1 112	-27.6
Feb		3 482	1 167	50.4	14.5	53.4	31.4	54.1	55.7	99.3	42.4	1 017	-28.8	11.38	25.22	88.62	999	-30.3
Mar		3 605	1 304	56.7	23.9	59.5	64.2	59.4	61.7	97.6	48.8	1 061	-17.5	11.42	26.47	88.58	1 047	-16.8
Apr		3 645	1 306	55.9	33.3	57.7	63.1	57.6	62.1	90.0	47.8	1 031	-29.3	10.81	27.08	89.19	1 031	-27.2
May		3 620	1 267	53.8	38.4	55.1	59.5	55.0	59.8	78.5	47.2	1 110	-19.8	9.83	26.62	90.17	1 110	-18.2
Jun		3 565	1 174	49.1	35.7	50.3	54.0	50.3	55.3	65.3	44.5	1 275	-10.2	8.45	27.70	91.55	1 260	-8.8
Jul		3 544	1 117	46.0	41.7	46.4	53.3	46.2	50.7	55.8	42.2	1 403	-13.7	7.92	29.98	92.08	1 383	-12.5
Aug		3 629	1 099	43.4	46.2	43.2	50.7	43.0	46.7	46.9	40.9	945	-10.0	7.27	26.95	92.73	963	-6.5
Sep		3 709	1 084	41.3	45.3	41.0	48.2	40.8	43.3	41.8	39.9	1 355	-9.8	9.48	30.88	90.52	1 398	-7.3

REGISTERED UNEMPLOYMENT
Annual percentage changes



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



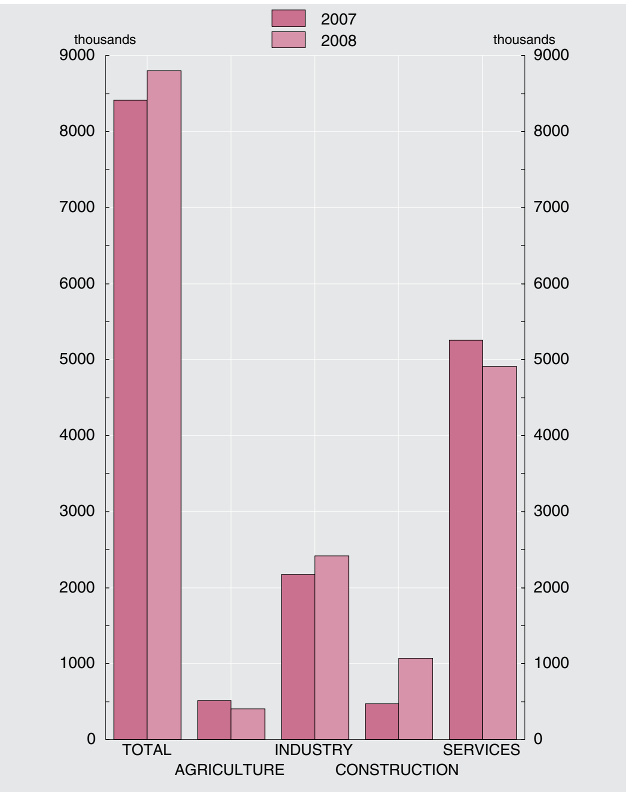
Source: Instituto de Empleo Servicio Público de Empleo Estatal (INEM).
Note: The underlying series for this indicator are in Tables 24.16 and 24.17 of the BE Boletín estadístico.
a. To December 2008, NACE 1993; from January 2009, NACE 2009.

4.6. COLLECTIVE BARGAINING AGREEMENTS

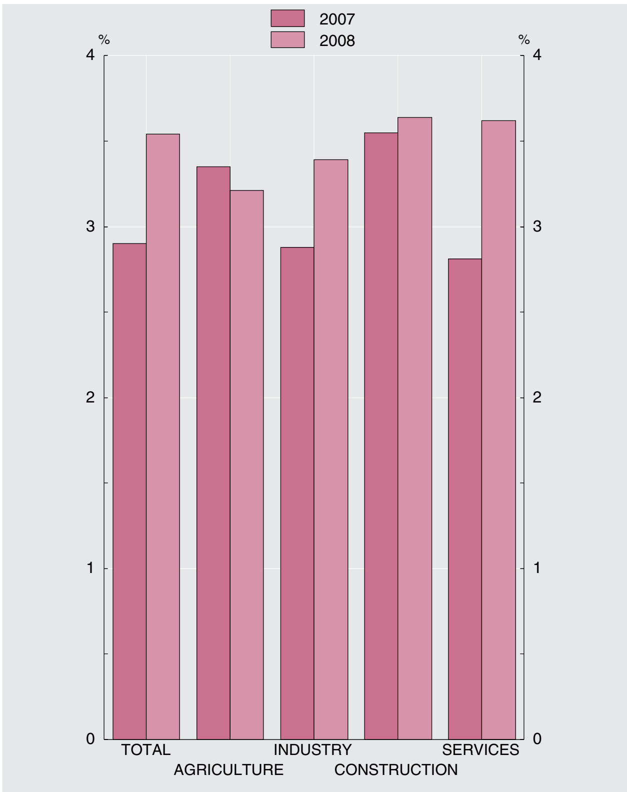
■ Series depicted in chart. *Thousands and %*

	As per month economic effects come into force(a)		As per month recorded														
			Employees affected (a)								Average wage settlement (%)						
	Em-ployees affec-ted	Average wage settle-ment (b)	Automa-tic adjust-ment	Newly-signed agree-ments	Total	Annual change	Agricul-ture (c)	Indus-try (c)	Construc-tion (c)	Services (c)	Auto-matic adjust-ment	Newly signed agree-ments	Total	Agricul-ture (c)	Indus-try (c)	Construc-tion (c)	Services (c)
	1	2	3	4	5 ■	6	7 ■	8 ■	9 ■	10 ■	11	12	13 ■	14 ■	15 ■	16 ■	17 ■
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	11 606	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	11 346	3.62	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
08 *Apr*	11 118	3.59	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	11 125	3.59	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	11 174	3.59	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	11 182	3.59	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	11 182	3.59	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	11 305	3.61	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	11 344	3.61	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	11 345	3.61	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	11 346	3.62	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
09 *Jan*	7 636	2.65	3 494	0	3 494	-1 014	115	1 104	813	1 462	2.93	4.50	2.93	2.93	2.70	3.54	2.77
Feb	7 642	2.65	5 977	6	5 983	689	189	1 827	841	3 125	2.68	1.86	2.68	2.81	2.52	3.59	2.53
Mar	7 643	2.65	6 215	19	6 234	610	193	1 862	939	3 240	2.70	2.73	2.70	2.85	2.52	3.58	2.55
Apr	7 820	2.63	6 711	63	6 774	181	208	1 883	994	3 689	2.68	2.05	2.67	2.77	2.51	3.57	2.50
May	7 821	2.63	6 836	162	6 998	23	278	1 893	995	3 832	2.67	3.10	2.68	2.70	2.51	3.57	2.53
Jun	7 823	2.63	7 042	343	7 385	135	440	1 913	1 114	3 918	2.66	2.99	2.67	2.45	2.51	3.56	2.52
Jul	7 825	2.63	7 069	367	7 436	-30	445	1 939	1 114	3 939	2.66	2.92	2.67	2.44	2.51	3.58	2.52
Aug	7 827	2.63	7 070	376	7 446	-207	447	1 942	1 114	3 944	2.66	2.90	2.67	2.45	2.51	3.58	2.52
Sep	7 827	2.63	7 350	478	7 828	-162	455	1 973	1 114	4 287	2.64	2.65	2.64	2.44	2.50	3.58	2.48

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 2009.
c. To December 2008, NACE 1993; from January 2009, NACE 2009.

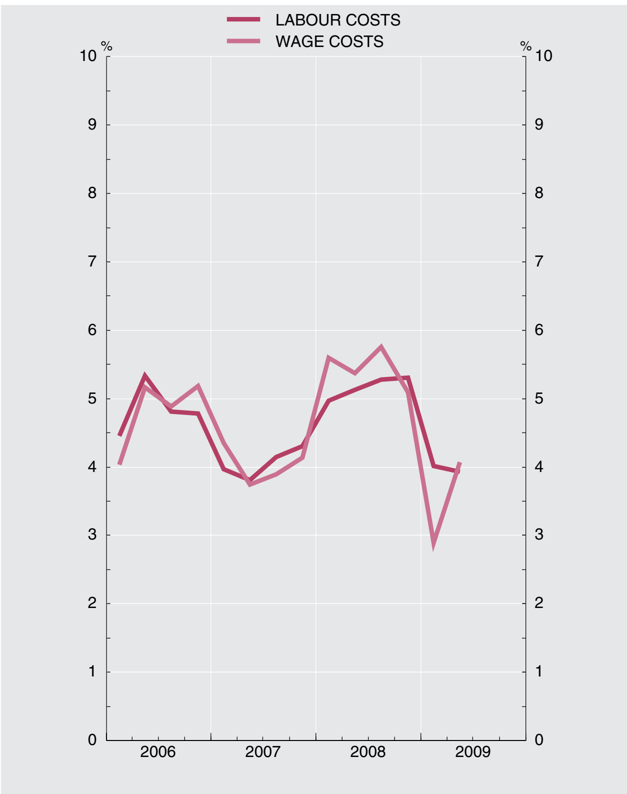
4.7. QUARTERLY LABOUR COSTS SURVEY

■ Series depicted in chart.

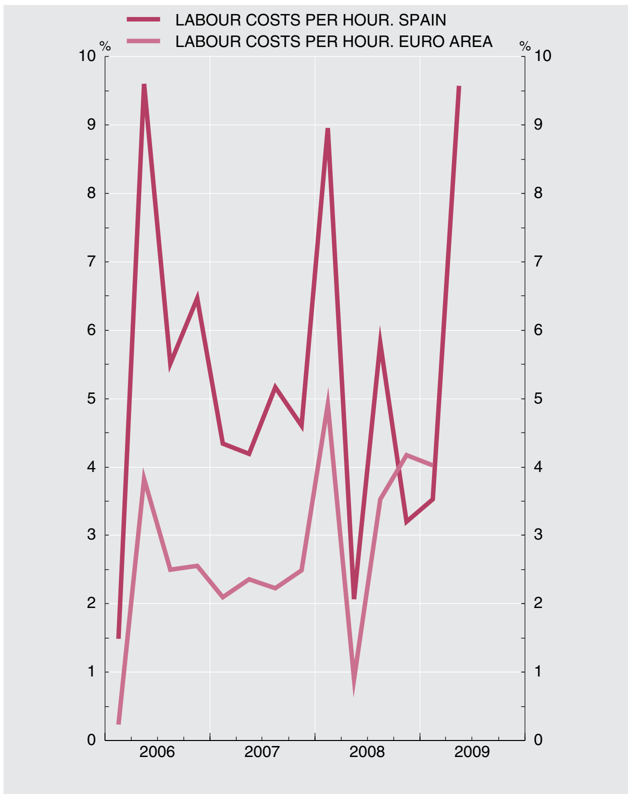
Annual percentage change

	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 ■
06 M P	4.8	3.8	3.1	6.3	5.8	4.8	3.5	2.5	6.3	5.8	4.9	2.3
07 M P	4.1	3.6	4.8	4.1	4.6	4.0	3.4	4.5	4.2	4.6	4.1	2.3
08 M P	5.2	5.1	6.5	5.0	4.9	5.4	5.6	6.5	5.1	5.1	4.4	3.3
08 *Q1-Q2* M P	5.1	5.2	6.0	4.9	5.4	5.5	5.9	6.5	5.0	5.8	3.9	2.8
09 *Q1-Q2* M P	4.0	3.4	6.3	3.9	6.6	3.5	1.7	5.0	3.7	6.1	5.3	...
06 *Q4* P	4.8	3.4	2.5	6.5	6.5	5.2	3.4	2.0	7.0	6.8	3.6	2.6
07 *Q1* P	4.0	4.2	4.7	3.9	4.3	4.4	4.0	4.9	4.5	4.7	2.9	2.1
Q2 P	3.8	2.6	4.2	4.1	4.2	3.7	3.5	3.6	3.9	4.2	4.0	2.4
Q3 P	4.1	3.7	4.9	4.2	5.2	3.9	2.9	4.0	4.2	5.0	4.8	2.2
Q4 P	4.3	3.9	5.3	4.3	4.6	4.1	3.3	5.4	4.1	4.4	4.8	2.5
08 *Q1* P	5.0	4.3	5.7	5.0	9.0	5.6	6.1	5.8	5.2	9.6	3.3	4.9
Q2 P	5.1	6.2	6.2	4.7	2.1	5.4	5.6	7.2	4.9	2.3	4.4	0.9
Q3 P	5.3	4.5	6.0	5.5	5.8	5.8	5.3	6.3	5.7	6.3	4.0	3.5
Q4 P	5.3	5.2	7.9	5.0	3.2	5.1	5.3	6.7	4.7	3.0	6.0	4.2
09 *Q1* P	4.0	3.9	6.5	3.8	3.5	2.9	1.1	4.5	3.0	2.4	7.1	4.0
Q2 P	3.9	3.0	6.1	4.1	9.6	4.1	2.3	5.5	4.3	9.7	3.5	...

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

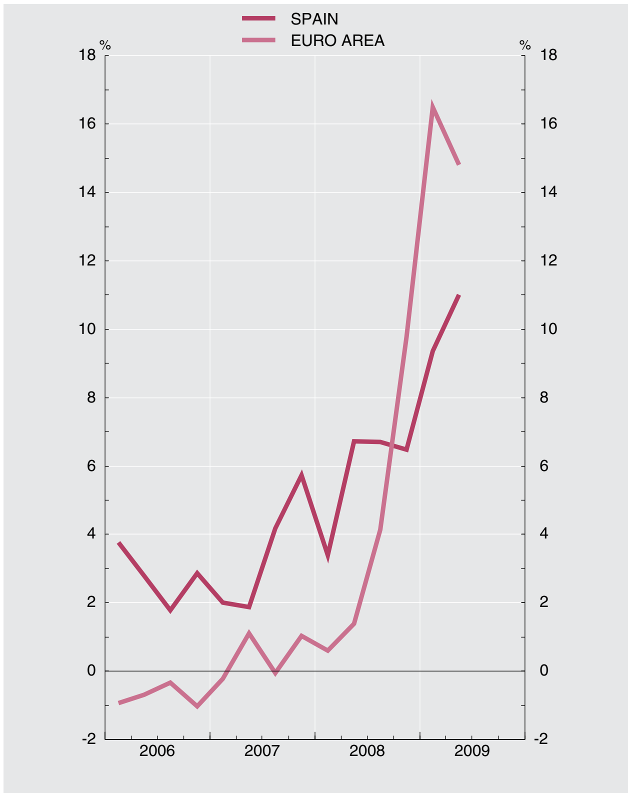
4.8. UNIT LABOUR COSTS. SPAIN AND EURO AREA (a)

■ 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 ■
06	P	3.3	0.8	4.0	2.3	0.7	1.5	4.0	3.1	3.3	1.6	2.8	-0.7
07	P	3.8	1.5	4.5	2.5	0.7	0.9	3.6	2.7	2.8	1.8	3.4	0.5
08	P	4.6	3.4	6.1	3.2	1.5	-0.2	0.9	0.6	-0.6	0.7	5.7	4.0
06 *Q3*	P	2.9	1.1	4.3	2.5	1.4	1.4	4.1	3.1	2.7	1.6	1.8	-0.3
Q4	P	3.3	0.4	4.3	2.1	1.0	1.7	4.0	3.5	3.1	1.7	2.9	-1.0
07 *Q1*	P	3.7	1.0	4.4	2.6	0.7	1.6	4.0	3.4	3.3	1.8	2.0	-0.2
Q2	P	3.5	1.4	4.2	2.3	0.7	0.9	3.8	2.7	3.1	1.7	1.9	1.1
Q3	P	3.7	1.4	4.5	2.2	0.7	0.8	3.5	2.7	2.8	1.9	4.2	-0.0
Q4	P	4.0	2.3	4.9	2.8	0.9	0.5	3.1	2.2	2.2	1.7	5.7	1.0
08 *Q1*	P	4.9	2.4	6.0	3.1	1.0	0.6	2.5	2.2	1.5	1.5	3.4	0.6
Q2	P	5.0	2.8	6.4	3.2	1.4	0.3	1.7	1.5	0.3	1.1	6.7	1.4
Q3	P	4.7	3.5	6.2	3.5	1.4	-0.0	0.4	0.4	-1.0	0.4	6.7	4.1
Q4	P	3.8	4.6	6.0	2.9	2.1	-1.6	-1.2	-1.8	-3.2	-0.2	6.5	9.8
09 *Q1*	P	1.0	5.8	4.3	1.8	3.3	-3.7	-3.2	-4.9	-6.3	-1.3	9.4	16.5
Q2	P	1.4	4.8	4.6	1.6	3.2	-3.1	-4.2	-4.8	-7.1	-1.8	11.0	14.8

UNIT LABOUR COSTS: TOTAL
Annual percentage changes

UNIT LABOUR COSTS: MANUFACTURING
Annual percentage changes



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

a. Spain: prepared in accordance with ESA95. SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see economic bulletin April 2002).

b. Full-time equivalent employment.

c. Industry.

d. Industry and energy.

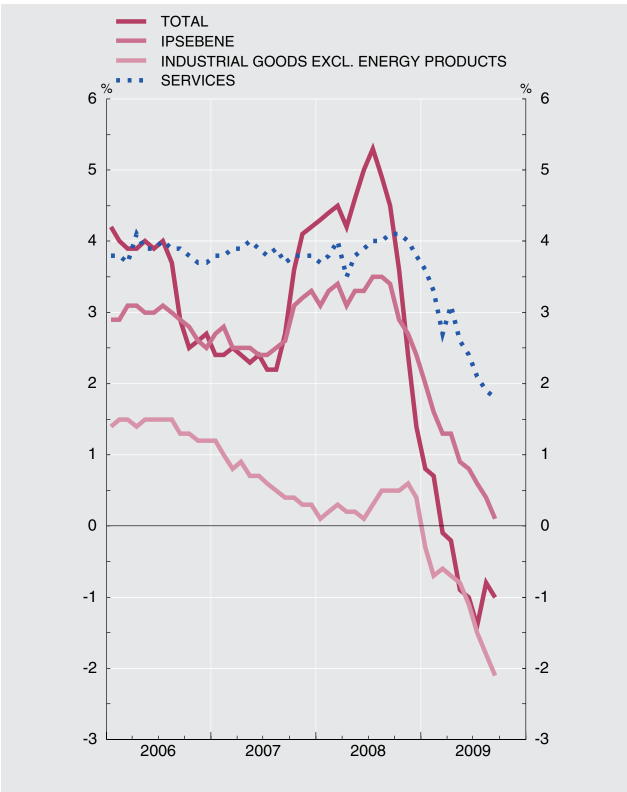
5.1. CONSUMER PRICE INDEX. SPAIN (2006=100)

■ Series depicted in chart.

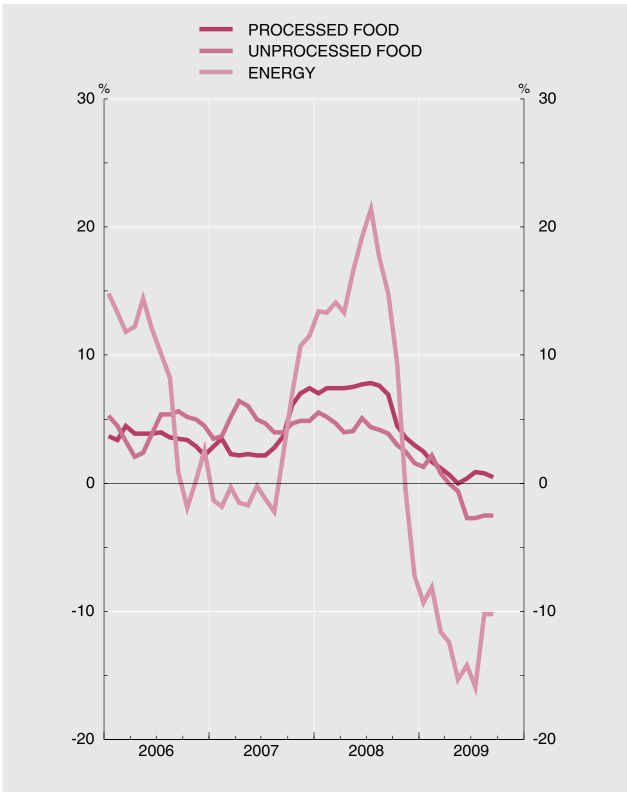
Indices and annual percentage changes

		Total (100%)				Annual percentage change (12-month % change)						Memorandum item:prices for agricultural products (2005=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
06	M	100.0	_	3.5	2.7	4.4	3.6	1.4	8.2	3.9	2.9	98.3	-1.7
07	M	102.8	_	2.8	4.2	4.8	3.7	0.7	1.8	3.8	2.7	103.8	5.7
08	M	107.0	_	4.1	1.4	4.0	6.5	0.3	12.1	3.9	3.2	107.0	3.1
08 *J-S*	M	106.8	0.2	4.6	1.4	4.6	7.4	0.3	16.0	3.9	3.3	109.6	8.8
09 *J-S*	M	106.4	-0.0	-0.4	-0.5	-0.8	1.0	-1.1	-11.9	2.6	1.0	...	...
08 *Jun*		108.3	0.6	5.0	2.8	5.1	7.7	0.1	19.2	3.9	3.3	113.2	9.2
Jul		107.8	-0.5	5.3	2.3	4.4	7.8	0.3	21.4	4.0	3.5	101.4	12.6
Aug		107.6	-0.2	4.9	2.1	4.2	7.6	0.5	17.6	4.0	3.5	98.8	6.0
Sep		107.5	-	4.5	2.0	3.9	6.9	0.5	14.8	4.1	3.4	105.1	-0.8
Oct		107.9	0.3	3.6	2.4	3.0	4.5	0.5	9.3	4.1	2.9	104.1	-7.6
Nov		107.5	-0.4	2.4	2.0	2.5	3.6	0.6	-0.5	4.0	2.7	101.7	-10.5
Dec		106.9	-0.5	1.4	1.4	1.6	3.0	0.4	-7.2	3.8	2.4	100.5	-10.3
09 *Jan*		105.6	-1.2	0.8	-1.2	1.3	2.5	-0.3	-9.3	3.6	2.0	101.0	-7.2
Feb		105.6	-	0.7	-1.2	2.2	1.7	-0.7	-8.1	3.3	1.6	102.9	-5.4
Mar		105.8	0.2	-0.1	-1.1	0.8	1.2	-0.6	-11.6	2.7	1.3	105.4	-7.1
Apr		106.8	1.0	-0.2	-0.1	-	0.7	-0.7	-12.4	3.1	1.3	107.8	-7.7
May		106.8	-	-0.9	-0.1	-0.6	-	-0.8	-15.3	2.6	0.9	101.8	-15.1
Jun		107.2	0.4	-1.0	0.3	-2.7	0.4	-1.1	-14.2	2.4	0.8	93.7	-17.2
Jul		106.3	-0.9	-1.4	-0.5	-2.7	0.9	-1.5	-15.9	2.1	0.6	83.3	-17.9
Aug		106.7	0.3	-0.8	-0.2	-2.5	0.8	-1.8	-10.2	1.9	0.4	...	...
Sep		106.4	-0.2	-1.0	-0.4	-2.5	0.5	-2.1	-10.2	1.8	0.1	...	...

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.
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)

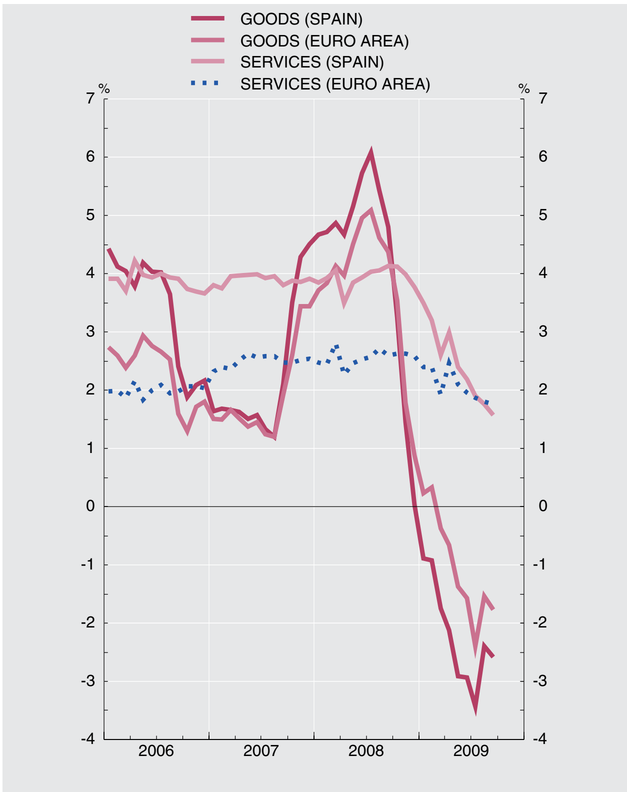
■ Series depicted in chart.

Annual percentage changes

		Total		Goods														Services	
						Food						Industrial							
						Total		Processed		Unprocessed				Non-energy		Energy			
		Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area
		1 ■	2 ■	3 ■	4 ■	5	6	7	8	9	10	11	12	13	14	15	16	17 ■	18 ■
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
08	M	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
08 *J-S*	M	4.7	3.6	5.1	4.4	6.5	5.5	8.7	6.7	4.3	3.7	4.3	3.8	0.4	0.8	16.0	13.2	3.9	2.5
09 *J-S*	M P	-0.4	0.2	-2.2	-1.0	0.4	1.1	1.0	1.3	-0.2	0.8	-3.7	-2.1	-0.8	0.6	-11.9	-9.6	2.4	2.1
08 *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		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
09 *Jan*		0.8	1.1	-0.9	0.2	2.1	2.7	2.4	2.7	1.8	2.6	-2.5	-1.0	-0.2	0.5	-9.2	-5.3	3.5	2.4
Feb		0.7	1.2	-0.9	0.3	1.9	2.5	1.6	2.0	2.2	3.3	-2.4	-0.7	-0.5	0.7	-8.0	-4.9	3.2	2.4
Mar		-0.1	0.6	-1.7	-0.4	1.0	1.9	1.0	1.6	1.1	2.4	-3.3	-1.5	-0.4	0.8	-11.5	-8.1	2.6	1.9
Apr		-0.2	0.6	-2.1	-0.7	0.5	1.4	0.6	1.2	0.3	1.6	-3.6	-1.7	-0.6	0.8	-12.3	-8.8	3.0	2.5
May		-0.9	-	-2.9	-1.4	-0.2	0.9	-0.1	1.0	-0.3	0.7	-4.5	-2.5	-0.6	0.8	-15.2	-11.6	2.4	2.1
Jun		-1.0	-0.1	-2.9	-1.6	-0.6	0.7	0.5	1.1	-1.7	-	-4.4	-2.7	-0.9	0.6	-14.1	-11.7	2.2	2.0
Jul		-1.4	-0.7	-3.4	-2.4	-0.3	-	1.2	0.8	-1.8	-1.1	-5.2	-3.6	-1.2	0.5	-15.8	-14.4	1.9	1.9
Aug		-0.8	-0.2	-2.4	-1.5	-0.2	-0.1	1.1	0.6	-1.6	-1.2	-3.6	-2.3	-1.4	0.6	-10.2	-10.2	1.8	1.8
Sep	P	-1.0	-0.3	-2.6	-1.8	-0.5	-0.2	0.7	0.5	-1.8	-1.3	-3.8	-2.6	-1.6	0.5	-10.1	-11.0	1.6	1.8

HARMONISED INDEX OF CONSUMER PRICES. TOTAL
Annual percentage changes

HARMONISED INDEX OF CONSUMER PRICES. COMPONENTS
Annual percentage changes



Source: Eurostat.

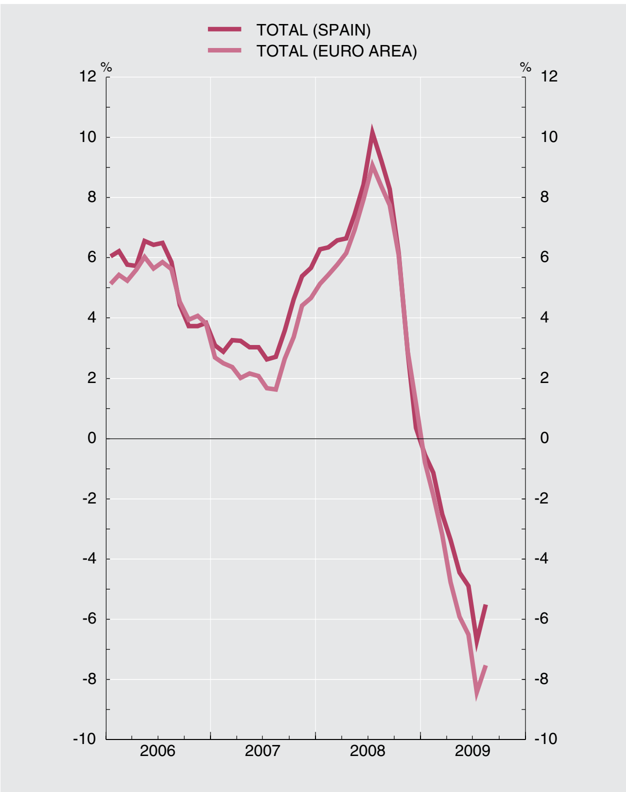
a. Compliance with the Regulation on the treatment of price reductions is now complete with the inclusion of sales prices in the Italian and Spanish HICP. The Spanish HICP has included a new basket of goods and services since January 2001. In accordance with the related regulations,the series for the 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 (2005 = 100)

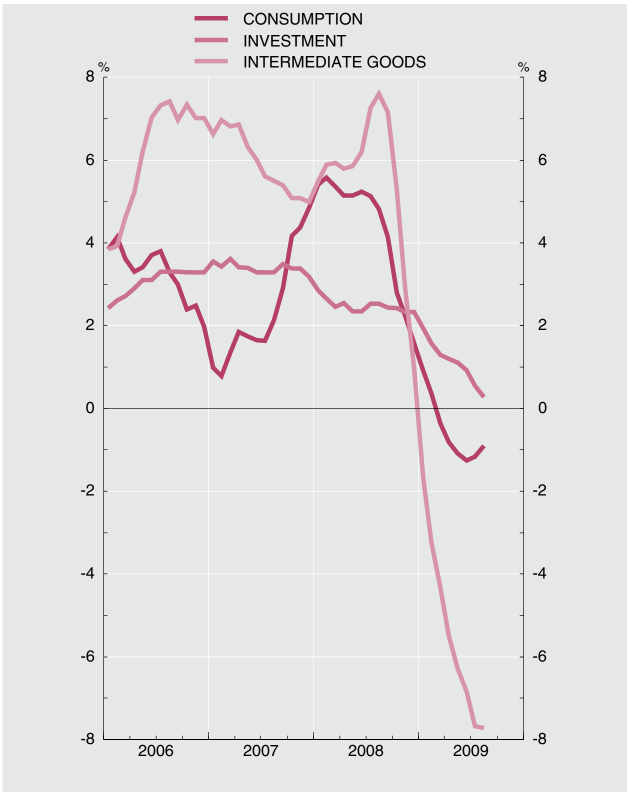
■ Series depicted in chart. *Annual percentage changes*

		Total			Consumer goods		Capital goods		Intermediate goods		Energy		Memorandum item: euro area				
													Total	Consumer goods	Capital goods	Intermediate goods	Energy
		Original series	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	12-month % change	12-month % change	12-month % change	12-month % change	12-month % change
		1	2	3 ■	4	5 ■	6	7 ■	8	9 ■	10	11	12 ■	13	14	15	16
06	M P	105.4	_	5.4	_	3.2	_	3.1	_	6.2	_	9.1	5.1	1.5	1.6	4.6	13.6
07	M P	109.2	_	3.6	_	2.4	_	3.4	_	5.9	_	1.6	2.7	2.1	2.2	4.6	1.3
08	M P	116.3	_	6.5	_	4.4	_	2.5	_	5.5	_	14.3	6.1	3.9	2.1	4.0	14.2
08 *J-A*	M P	116.6	_	7.7	_	5.2	_	2.5	_	6.3	_	17.2	6.9	4.7	1.9	4.3	16.3
09 *J-A*	M P	112.3	_	-3.7	_	-0.5	_	1.1	_	-5.4	_	-8.2	-4.9	-1.8	0.9	-5.0	-11.1
08 *May*	P	117.0	1.2	7.4	0.1	5.1	0.1	2.3	0.6	5.9	4.5	17.4	6.9	4.8	2.0	3.8	17.1
Jun	P	118.3	1.1	8.4	0.2	5.2	0.1	2.3	0.5	6.2	3.6	21.1	7.9	4.8	2.2	4.3	20.4
Jul	P	120.4	1.8	10.2	0.1	5.1	0.3	2.5	1.1	7.3	5.9	27.4	9.1	4.6	2.3	5.4	23.9
Aug	P	119.6	-0.7	9.2	0.1	4.8	0.1	2.5	0.4	7.6	-3.5	23.2	8.4	4.2	2.4	5.4	21.4
Sep	P	118.9	-0.6	8.3	-0.1	4.1	0.1	2.4	-0.2	7.1	-2.2	19.9	7.7	3.7	2.2	5.5	19.4
Oct	P	117.4	-1.3	6.1	-0.4	2.8	0.1	2.4	-1.4	5.3	-2.8	14.9	6.1	2.8	2.8	4.1	14.5
Nov	P	114.5	-2.5	2.9	-0.4	2.2	-	2.3	-2.2	2.9	-6.9	4.3	2.9	1.9	2.7	2.5	4.9
Dec	P	112.1	-2.1	0.4	-0.2	1.6	-	2.3	-1.9	1.0	-6.5	-3.4	1.2	1.2	2.1	1.2	1.0
09 *Jan*	P	112.6	0.4	-0.5	0.3	0.9	0.5	1.9	-1.2	-1.6	3.2	-2.2	-0.8	-0.5	1.9	-1.2	-1.9
Feb	P	112.6	-	-1.1	0.1	0.4	-0.1	1.6	-0.2	-3.2	-	-1.9	-1.9	-1.0	1.8	-2.9	-3.6
Mar	P	112.0	-0.5	-2.5	-0.5	-0.4	-0.1	1.3	-0.4	-4.3	-0.9	-5.0	-3.2	-1.6	1.5	-3.9	-6.9
Apr	P	111.7	-0.3	-3.4	-0.2	-0.8	0.1	1.2	-0.6	-5.5	-0.3	-6.8	-4.8	-1.8	1.1	-5.0	-11.1
May	P	111.8	0.1	-4.4	-0.2	-1.1	-	1.1	-0.3	-6.3	1.1	-9.8	-5.9	-2.0	0.5	-5.7	-13.7
Jun	P	112.5	0.6	-4.9	-	-1.3	-0.1	0.9	-0.1	-6.8	3.2	-10.1	-6.5	-2.3	0.3	-6.4	-14.7
Jul	P	112.3	-0.2	-6.7	0.2	-1.2	-0.1	0.5	0.2	-7.7	-1.0	-16.0	-8.4	-2.5	-	-7.5	-19.9
Aug	P	113.0	0.6	-5.5	0.4	-0.9	-0.2	0.3	0.4	-7.7	1.5	-11.6	-7.5	-2.6	-0.2	-7.4	-16.9

PRODUCER PRICE INDEX. TOTAL
Annual percentage changes



PRODUCER PRICE INDEX. COMPONENTS
Annual percentage changes

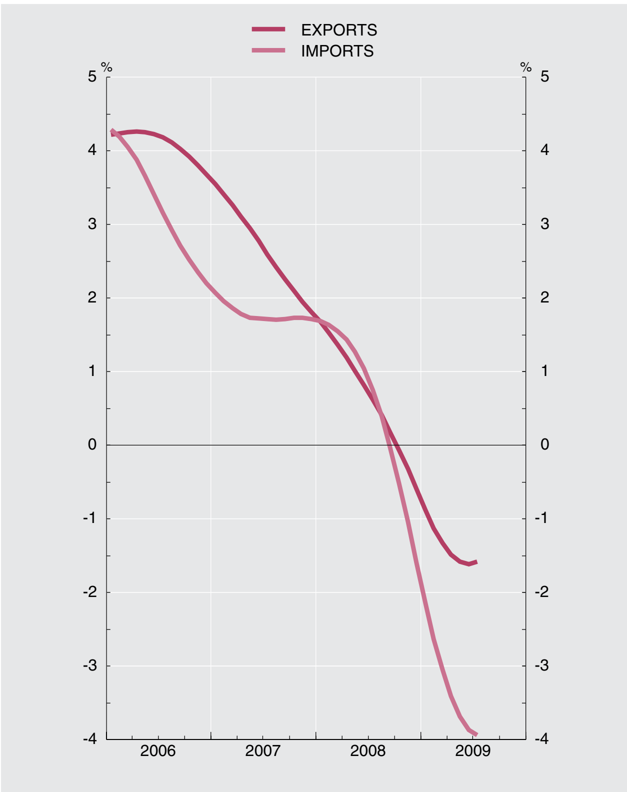


5.4. UNIT VALUE INDICES FOR SPANISH FOREIGN TRADE

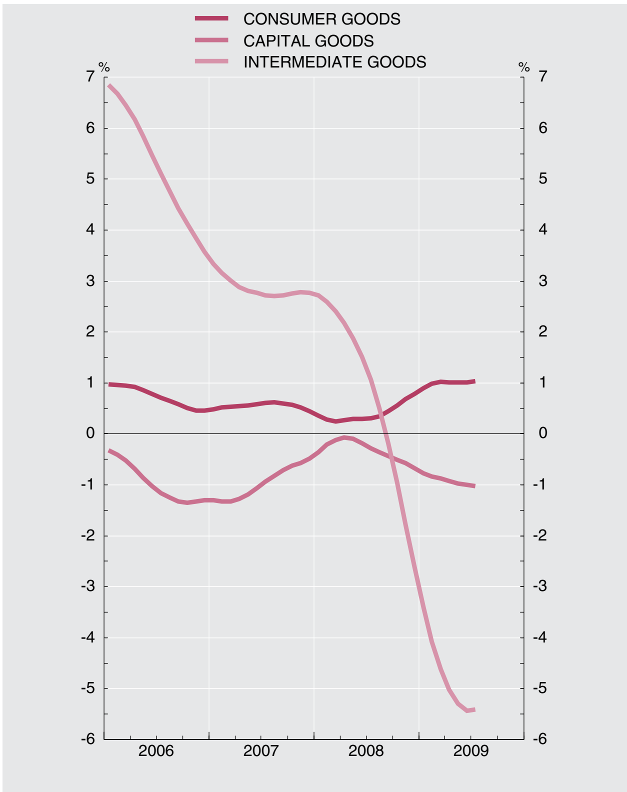
■ Series depicted in chart. *Annual percentage changes*

	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
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
08	1,9	0,7	1,7	2,7	30,9	0,1	3,8	0,1	1,9	5,7	21,3	-0,7
08 *J-J*	2,0	1,1	2,1	2,6	39,3	-0,4	4,0	-1,4	2,8	6,3	29,0	-2,0
09 *J-J*	-5,6	-1,8	-6,1	-8,3	-24,9	-6,5	-9,3	1,2	-1,4	-14,5	-32,3	-7,6
08 *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
Nov	3,2	1,7	9,2	3,3	20,3	1,0	0,6	2,3	0,6	-0,0	-3,2	-1,5
Dec	1,2	-3,1	7,2	2,9	11,6	1,7	1,9	12,8	4,0	-2,9	-15,6	0,9
09 *Jan*	-2,8	-0,5	-6,9	-4,0	-7,0	-4,1	-7,4	2,9	-7,7	-11,9	-27,4	-4,9
Feb	-5,9	-4,8	-5,9	-6,7	-18,5	-6,2	-7,1	7,7	-3,7	-14,3	-29,6	-11,6
Mar	-4,6	-4,4	-5,9	-4,7	-20,7	-2,6	-7,6	4,9	2,0	-14,3	-31,0	-5,4
Apr	-5,1	-0,4	-9,6	-7,9	-23,2	-6,0	-8,6	-0,7	0,3	-13,0	-32,1	-6,2
May	-8,3	-3,5	0,2	-12,9	-34,4	-11,2	-10,1	1,4	-6,4	-15,2	-36,6	-8,6
Jun	-5,7	1,9	-8,2	-10,3	-30,2	-7,7	-10,7	-1,8	0,1	-15,2	-35,2	-6,5
Jul	-7,2	-1,0	-6,2	-11,7	-39,8	-7,5	-13,2	-5,5	5,2	-17,8	-33,6	-10,2

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).

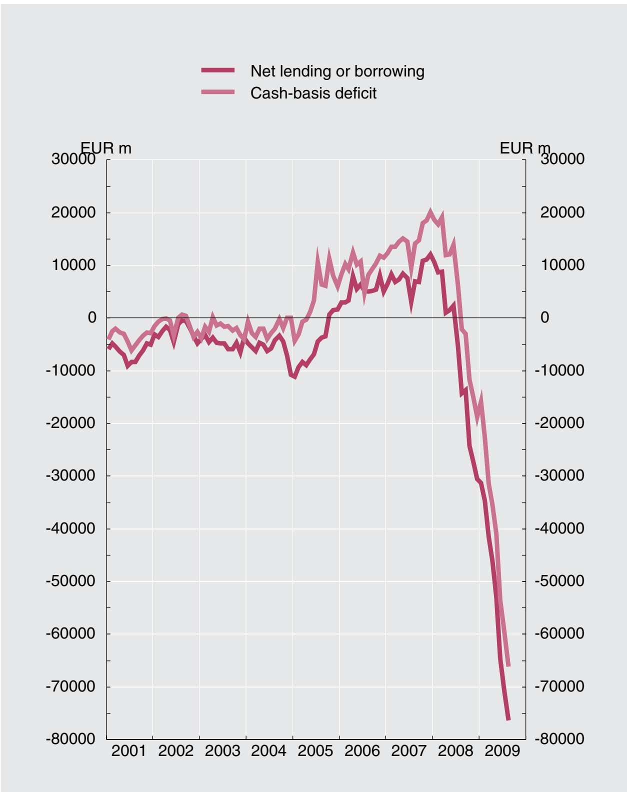
6.1. STATE RESOURCES ANS USES ACCORDING TO THE NACIONAL ACCOUNTS. SPAIN

■ Series depicted in chart.

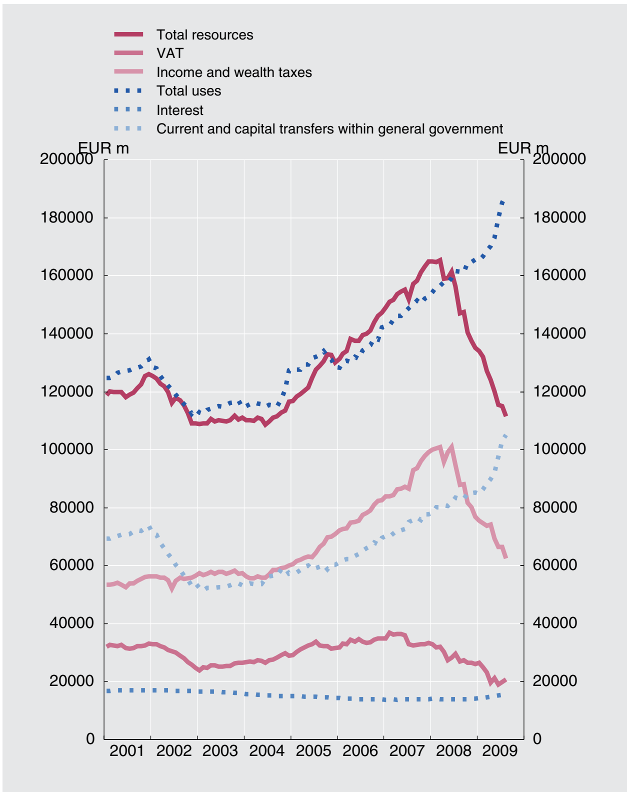
EUR millions

	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	Interest and other income on property	Income and wealth taxes	Other	Total	Compensation of employees	Interest	Current and capital transfers within general government	Investment grants and other capital transfers	Other	Cash-basis deficit	Revenue	Expenditure
	1=2-8 ■	2=3 a 7 ■	3 ■	4	5	6 ■	7	8=9 a13 ■	9	10 ■	11 ■	12	13	14=15-16 ■	15	16
99	-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	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 12 098	165 010	33 332	12 938	6 645	99 240	12 855	152 912	18 006	14 024	77 833	6 092	36 957	20 135	159 840	139 704
08	P -30 527	135 145	26 065	12 715	6 904	76 930	12 531	165 672	19 244	14 145	85 348	5 857	41 078	-18 747	129 336	148 082
08 *J-A*	P -14 530	83 985	15 064	8 499	3 483	49 772	7 167	98 515	12 325	9 196	53 513	2 397	21 084	-15 037	81 588	96 625
09 *J-A*	A -60 361	60 416	9 826	7 308	3 924	35 368	3 990	120 777	12 936	10 769	73 396	1 467	22 209	-62 452	59 181	121 633
08 *Dec*	P -16 513	10 243	290	915	2 125	4 009	2 904	26 756	2 620	1 314	9 860	2 291	10 671	-7 708	9 186	16 894
09 *Jan*	A 722	10 009	-585	1 164	383	9 303	-256	9 287	1 377	1 335	4 865	75	1 635	-2 358	10 377	12 735
Feb	A 4 591	18 340	13 248	848	260	2 761	1 223	13 749	1 372	1 200	8 208	111	2 858	2 288	18 279	15 991
Mar	A -12 907	2 039	-1 328	687	1 020	2 205	-545	14 946	1 516	1 335	8 835	168	3 092	-11 275	2 614	13 888
Apr	A 1 034	14 788	2 532	938	580	10 014	724	13 754	1 555	1 325	7 972	221	2 681	2 878	14 613	11 735
May	A -12 992	182	-1 181	927	243	-830	1 023	13 174	1 499	1 388	7 525	342	2 420	-10 635	-202	10 433
Jun	A -19 066	1 875	-1 377	833	441	-52	2 030	20 941	2 734	1 378	12 339	112	4 378	-17 716	673	18 389
Jul	A -11 083	10 719	3 945	845	587	5 886	-544	21 802	1 442	1 434	16 025	253	2 648	-14 127	11 405	25 532
Aug	A -10 660	2 464	-5 428	1 066	410	6 081	335	13 124	1 441	1 374	7 627	185	2 497	-11 506	1 424	12 930

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



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



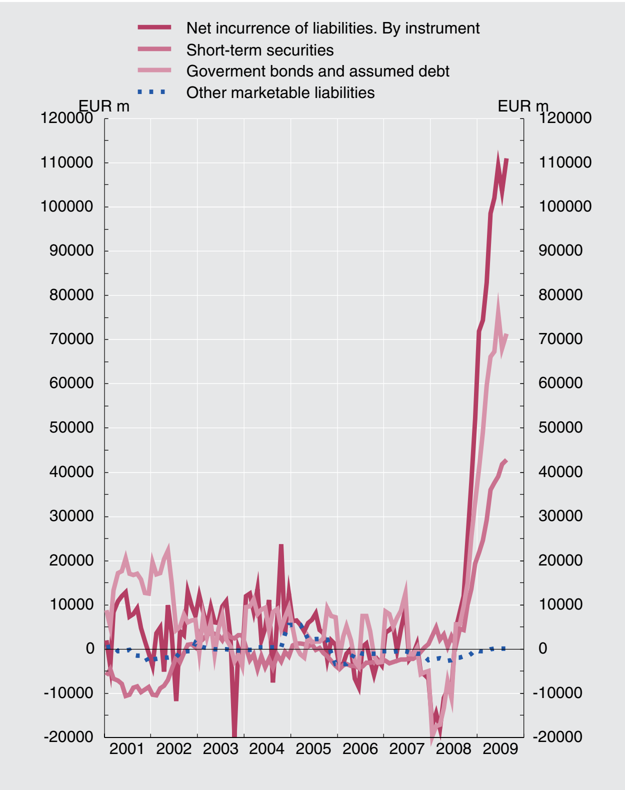
Source: Ministerio de Economía y Hacienda (IGAE).

6.2. STATE FINANCIAL TRANSACTIONS. SPAIN

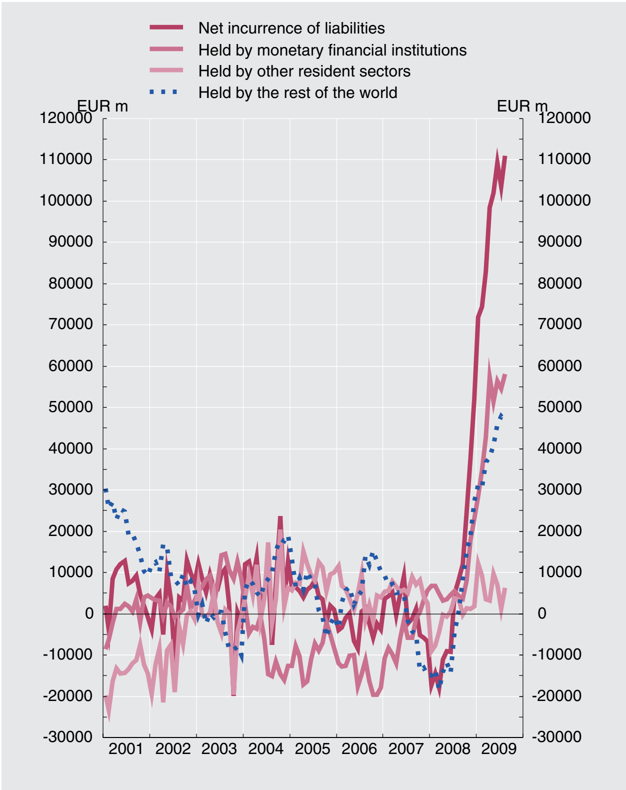
■ Series depicted in chart. *EUR millions*

		Net lending (+) or net borrowing(-)	Net acquisition of financial assets: Total	Net acquisition of financial assets: Of which: Deposits at the Banco de España	Net incurrence of liabilities: Total ■	Of which: In currencies other than the peseta/euro	By instrument: Short-term securities ■	By instrument: Goverment bonds and assumed debt ■	By instrument: Banco de España loans	By instrument: Other marketable liabilities (a) ■	By instrument: Other accounts payable	By counterpart sector: Held by resident sectors: Total	By counterpart sector: Held by resident sectors: Monetary financial institutions ■	By counterpart sector: Held by resident sectors: Other resident sectors ■	By counterpart sector: Rest of the world ■	Net incurrence of liabilities (excluding other accounts payable)
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
99		-7 303	4 212	4 574	11 515	209	-6 629	19 592	-499	-446	-503	-10 511	-7 605	-2 905	22 026	12 018
00		-6 330	4 584	5 690	10 914	1 162	-8 683	17 127	-499	283	2 686	-22 009	-10 117	-11 892	32 924	8 228
01		-5 076	-5 973	-20 141	-897	803	-8 616	12 521	-499	-3 101	-1 202	-10 103	4 424	-14 527	9 206	305
02		-4 780	2 783	-95	7 563	-888	346	6 655	-486	1 488	-439	1 773	3 148	-1 374	5 790	8 002
03		-3 692	-5 850	0	-2 158	-135	3 146	-3 761	-486	-254	-803	7 817	8 551	-734	-9 975	-1 354
04		-10 762	1 866	-0	12 628	-1 600	-1 688	9 416	-486	5 486	-100	-6 347	-12 696	6 349	18 975	12 728
05		1 590	2 607	0	1 017	-1 910	-3 771	7 276	-486	-3 411	1 409	1 775	-8 257	10 032	-758	-392
06		5 005	1 293	-200	-3 712	175	-2 198	-2 976	-486	-418	2 365	-14 069	-17 968	3 899	10 357	-6 077
07	P	12 098	5 344	65	-6 754	-120	1 206	-4 916	-519	-2 495	-30	8 273	5 698	2 574	-15 026	-6 724
08	P	-30 527	21 492	4 337	52 019	2 243	19 355	33 275	-520	-102	11	24 818	23 013	1 805	27 201	52 008
08 *J-A*	P	-14 530	-5 474	-65	9 056	2 659	1 427	9 001	-520	-285	-567	617	-3 559	4 176	8 439	9 622
09 *J-A*	A	-60 361	7 733	-4 401	68 094	781	24 957	47 036	-535	-11	-3 352	40 134	31 484	8 651	27 960	71 447
08 *Dec*	P	-16 513	-430	-12 503	16 083	2	4 714	10 602	-	203	564	10 188	7 484	2 704	5 895	15 519
09 *Jan*	A	722	11 613	3 998	10 891	3	5 821	-7 170	-	-24	12 263	6 676	5 737	939	4 215	-1 373
Feb	A	4 591	8 317	1 500	3 726	2	1 714	13 701	-	-11	-11 679	2 437	6 817	-4 380	1 289	15 404
Mar	A	-12 907	-1 846	-3 498	11 061	780	3 916	11 559	-	-56	-4 359	7 338	6 110	1 228	3 723	15 420
Apr	A	1 034	17 507	13 478	16 473	-14	5 475	11 321	-535	-6	220	11 728	7 492	4 236	4 745	16 254
May	A	-12 992	-4 662	-6 980	8 330	2	940	8 248	-	13	-871	4 372	389	3 983	3 958	9 201
Jun	A	-19 066	-6 912	-8 999	12 154	3	1 141	11 477	-	31	-495	8 097	8 433	-336	4 057	12 649
Jul	A	-11 083	-12 376	-3 906	-1 293	2	2 862	-6 468	-	27	2 286	-6 006	-5 437	-569	4 713	-3 579
Aug	A	-10 660	-3 907	6	6 753	2	3 089	4 366	-	16	-718	5 493	1 943	3 550	1 260	7 471

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).

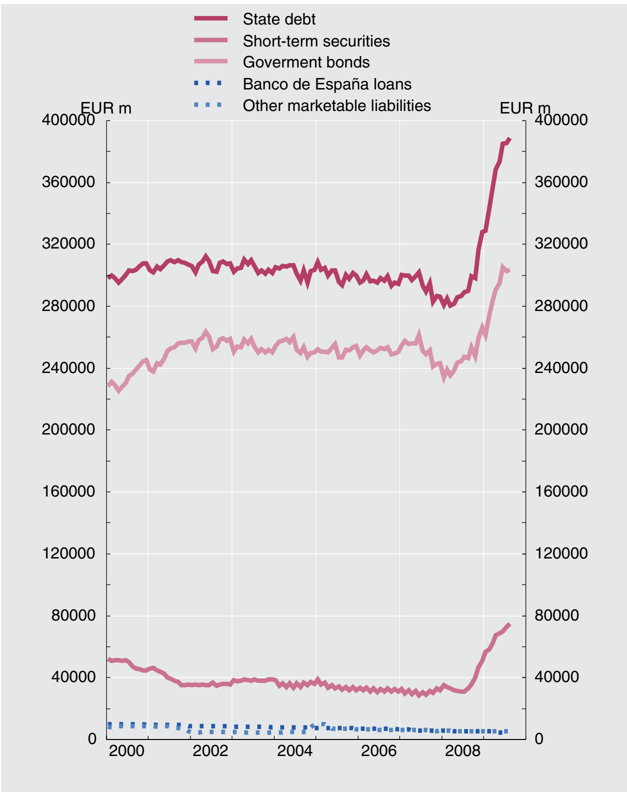
6.3. STATE: LIABILITIES OUTSTANDING. SPAIN

■ Series depicted in chart.

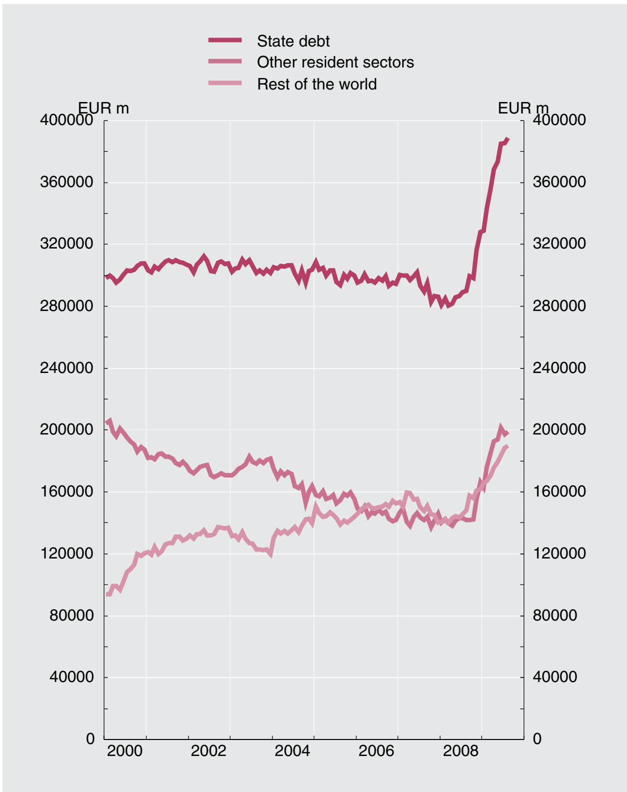
EUR millions

	Liabilities outstanding (excluding other accounts payable): State debt according to the metodolofy of the excessive deficit procedure (1 ■)	of which: In currencies other than the peseta/euro (2)	By instrument: Short-term securities (3 ■)	By instrument: Government bonds and assumed debt (4 ■)	By instrument: Banco de España loans (5 ■)	By instrument: Other marketable liabilities (a) (6 ■)	By counterpart sector: Held by resident sectors: Total (7)	By counterpart sector: Held by resident sectors: General government (8)	By counterpart sector: Held by resident sectors: Other resident sectors (9 ■)	By counterpart sector: Rest of the world (10 ■)	Memorandum item: Deposits at the Banco de España (11)	Memorandum item: Guarantees given (contingent liabilities). Outstanding level (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	301 503	5 105	38 702	250 337	7 873	4 591	192 426	10 952	181 474	120 029	300	6 821
04	303 563	3 267	35 996	250 125	7 388	10 055	183 276	19 412	163 863	139 700	300	7 186
05	299 656	2 154	31 647	254 442	6 902	6 666	178 476	22 810	155 666	143 990	300	6 020
06	294 419	515	31 060	250 702	6 416	6 242	163 799	21 897	141 902	152 517	100	5 794
07 P	286 349	355	31 644	243 246	5 832	5 626	171 657	25 551	146 106	140 243	165	6 162
08 *Dec* P	327 929	63	50 790	266 385	5 249	5 505	200 608	34 458	166 150	161 779	4 502	8 152
09 *Jan* A	328 874	67	56 556	261 588	5 249	5 481	198 435	35 558	162 877	165 997	8 500	8 051
Feb A	343 342	67	58 211	274 413	5 249	5 470	211 289	35 226	176 063	167 280	10 000	15 106
Mar A	356 238	64	62 154	283 421	5 249	5 414	221 499	36 178	185 320	170 918	6 502	22 453
Apr A	368 574	67	67 566	290 935	4 665	5 407	232 472	39 564	192 908	175 666	19 980	34 048
May A	373 511	69	68 521	294 904	4 665	5 421	235 942	42 059	193 883	179 628	13 000	39 874
Jun A	385 249	70	70 007	305 125	4 665	5 451	243 295	41 734	201 562	183 687	4 001	46 398
Jul A	385 526	70	72 719	302 663	4 665	5 478	239 859	42 732	197 127	188 400	95	46 949
Aug A	388 588	68	75 053	303 376	4 665	5 494	244 508	45 621	198 887	189 701	101	47 191

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).

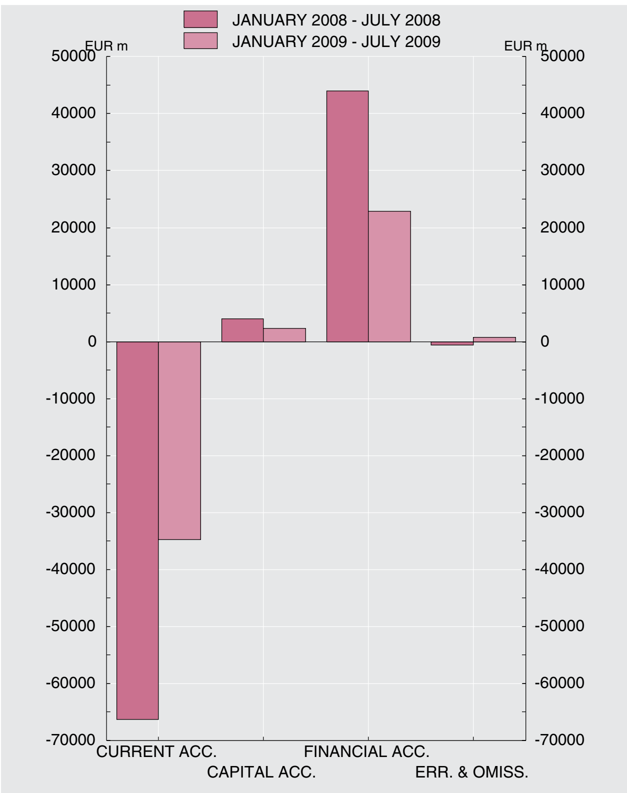
7.1. SPANISH BALANCE OF PAYMENTS VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. CURRENT ACCOUNT

■ Series depicted in chart.

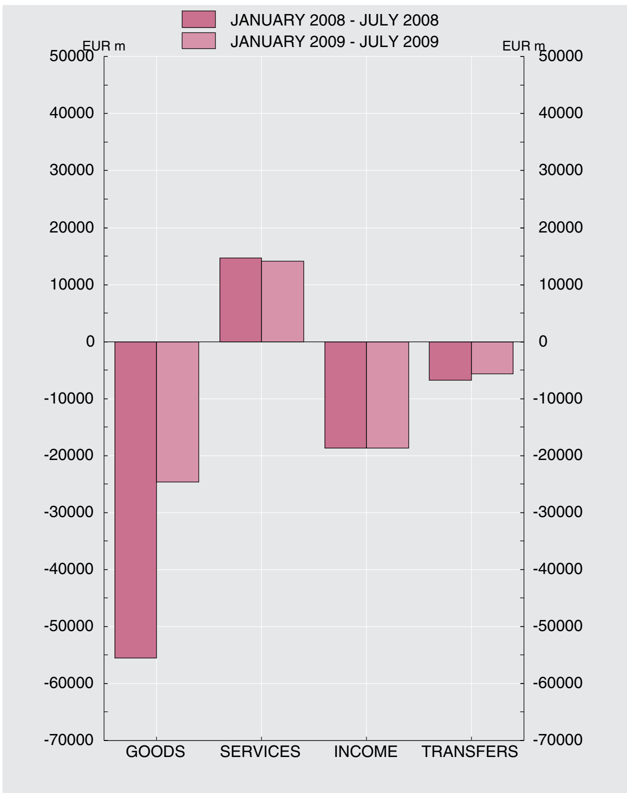
EUR millions

		Current account (a): Total (balance)	Current account (a): Goods: Balance	Current account (a): Goods: Receipts	Current account (a): Goods: Payments	Current account (a): Services: Balance	Current account (a): Services: Receipts: Total	Current account (a): Services: Receipts: Of which: Travel	Current account (a): Services: Payments: Total	Current account (a): Services: Payments: Of which: Travel	Current account (a): Income: Balance	Current account (a): Income: Receipts	Current account (a): Income: Payments	Current account (a): Current transfers (balance)	Capital account (balance)	Current account plus capital account	Financial account (balance) (b)	Errors and omission
		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) ■
06		-88 313	-83 246	175 808	259 054	22 235	84 761	40 715	62 525	13 266	-20 799	47 701	68 500	-6 503	6 194	-82 118	85 624	-3 506
07	P	-105 378	-91 246	192 613	283 859	23 076	93 234	42 061	70 158	14 360	-30 142	56 827	86 969	-7 067	4 578	-100 800	101 066	-265
08	P	-104 412	-87 660	193 899	281 559	26 265	97 513	41 901	71 248	13 834	-33 782	60 991	94 773	-9 235	5 506	-98 906	95 471	3 435
08 *J-J*	P	-66 323	-55 528	118 171	173 700	14 662	55 497	23 576	40 835	7 807	-18 657	37 663	56 320	-6 800	4 041	-62 282	62 844	-562
09 *J-J*	P	-34 795	-24 622	94 379	119 001	14 129	50 409	21 165	36 281	6 630	-18 670	32 034	50 704	-5 631	2 343	-32 452	31 695	756
08 *Apr*	P	-9 143	-7 433	18 528	25 961	1 315	7 181	2 613	5 866	1 025	-2 069	4 768	6 837	-955	264	-8 879	8 355	524
May	P	-9 201	-7 428	17 130	24 558	2 577	7 745	3 533	5 169	820	-3 617	5 669	9 286	-733	976	-8 225	9 148	-922
Jun	P	-7 918	-8 101	15 929	24 030	3 024	9 115	4 115	6 090	1 299	-2 604	5 466	8 070	-237	250	-7 669	9 130	-1 462
Jul	P	-7 752	-7 419	17 689	25 108	3 942	10 562	5 143	6 619	1 320	-3 784	6 549	10 333	-492	318	-7 434	7 523	-89
Aug	P	-7 118	-7 214	12 464	19 679	3 986	9 691	5 398	5 706	1 454	-3 107	3 245	6 352	-782	414	-6 703	7 267	-564
Sep	P	-8 083	-6 719	17 825	24 543	2 585	9 027	4 461	6 443	1 313	-3 061	4 241	7 302	-888	379	-7 704	7 353	351
Oct	P	-7 707	-6 093	17 194	23 286	2 503	8 964	3 852	6 461	1 298	-3 042	5 267	8 310	-1 075	212	-7 495	7 160	335
Nov	P	-8 555	-5 523	14 738	20 261	1 687	6 986	2 512	5 298	1 038	-3 547	4 265	7 812	-1 173	251	-8 304	7 933	372
Dec	P	-6 626	-6 583	13 506	20 090	843	7 349	2 102	6 506	924	-2 368	6 309	8 677	1 482	209	-6 417	2 914	3 503
09 *Jan*	P	-5 917	-4 115	11 444	15 558	1 377	6 581	2 486	5 204	948	-2 765	4 650	7 415	-415	340	-5 577	6 242	-665
Feb	P	-9 064	-5 492	12 782	18 275	1 196	6 326	2 077	5 130	890	-2 826	3 260	6 087	-1 941	238	-8 826	5 182	3 644
Mar	P	-6 213	-3 227	14 138	17 365	1 255	6 508	2 441	5 253	829	-3 319	4 706	8 025	-922	374	-5 839	7 258	-1 419
Apr	P	-4 402	-3 229	13 611	16 840	1 412	6 625	2 520	5 213	946	-1 522	5 114	6 636	-1 063	911	-3 491	1 686	1 805
May	P	-4 200	-2 911	13 259	16 171	2 527	7 044	3 177	4 517	689	-3 363	4 535	7 899	-452	119	-4 081	4 909	-828
Jun	P	-2 952	-2 849	14 248	17 097	2 743	7 920	3 749	5 178	1 147	-2 396	4 418	6 814	-450	126	-2 826	3 339	-513
Jul	P	-2 046	-2 799	14 897	17 696	3 619	9 405	4 716	5 786	1 181	-2 479	5 350	7 829	-387	235	-1 811	3 080	-1 268

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).

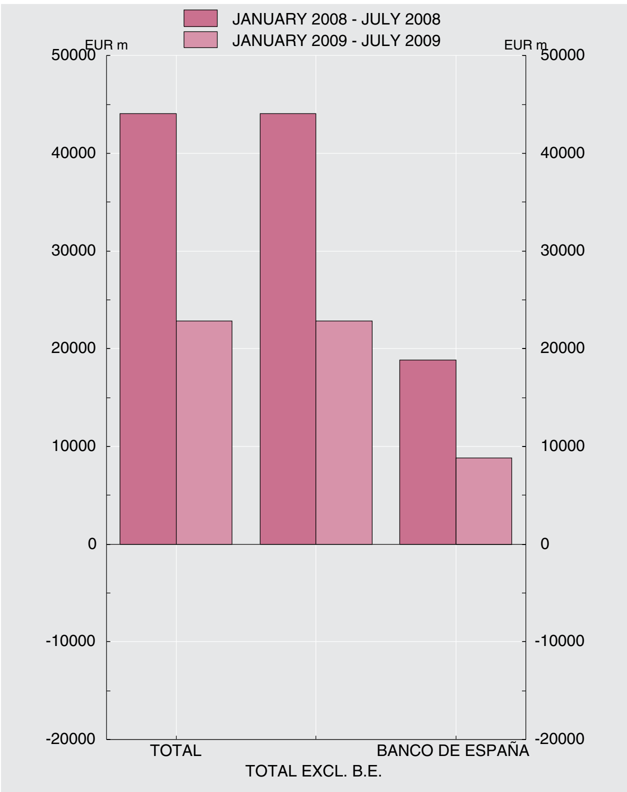
7.2. SPANISH BALANCE OF PAYMENTS VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. FINANCIAL ACCOUNT (a)

■ Series depicted in chart.

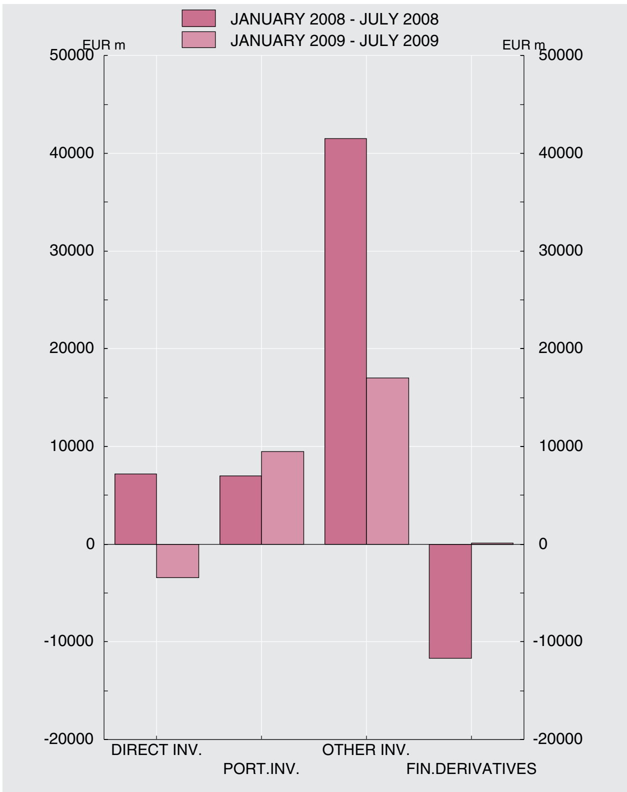
EUR millions

		Financial account (NCL-NCA)	Total, excluding Banco de España: Total (NCL-NCA)	Direct investment: Balance (NCL-NCA)	Direct investment: Spanish investment abroad (NCA)	Direct investment: Foreign investment in Spain (NCL) (b)	Portfolio investment: Balance (NCL-NCA)	Portfolio investment: Spanish investment abroad (NCA)	Portfolio investment: Foreign investment in Spain (NCL) (c)	Other investment (d): Balance (NCL-NCA)	Other investment (d): Spanish investment abroad (NCA)	Other investment (d): Foreign investment in Spain (NCL)	Net financial derivatives (NCL-NCA)	Banco de España: Balance (NCL-NCA)	Banco de España: Reserves (e)	Banco de España: Net claims with the Eurosystem (e)	Banco de España: Other net assets (NCL-NCA)
		1=2+13 ■	2=3+6+9+12 ■	3=5-4 ■	4	5	6=8-7 ■	7	8	9=11-10 ■	10	11	12 ■	13=14+15+16 ■	14	15	16
06		85 624	111 425	-58 547	83 100	24 554	199 615	-3 928	195 687	-31 647	66 093	34 446	2 003	-25 800	-480	-12 327	-12 993
07	P	101 066	86 743	-50 902	101 191	50 289	104 779	-8 601	96 178	37 025	57 196	94 221	-4 159	14 322	-164	28 329	-13 843
08	P	95 471	65 334	-6 913	54 662	47 749	3 763	-21 869	-18 106	76 284	14 822	91 106	-7 800	30 137	-645	31 713	-931
08 *J-J*	P	62 844	44 030	7 152	29 745	36 898	7 006	-7 480	-474	41 521	49 080	90 601	-11 649	18 815	119	16 641	2 054
09 *J-J*	P	31 695	22 849	-3 439	15 744	12 305	9 455	818	10 273	17 018	-19 480	-2 462	-186	8 847	-939	4 286	5 499
08 *Apr*	P	8 355	-7 698	-95	3 140	3 044	1 329	-2 789	-1 460	-7 175	16 631	9 456	-1 757	16 053	47	15 869	137
May	P	9 148	11 635	-2 900	4 320	1 420	17 178	-2 114	15 064	1 258	9 897	11 155	-3 901	-2 487	61	-3 443	894
Jun	P	9 130	10 419	5 772	6 140	11 913	9 456	-2 081	7 375	-3 912	14 538	10 626	-898	-1 289	87	-2 056	681
Jul	P	7 523	-327	-648	4 146	3 498	8 547	-745	7 802	-6 245	1 828	-4 417	-1 980	7 850	-184	8 024	10
Aug	P	7 267	1 785	-3 966	3 406	-561	8 855	-107	8 748	-3 724	9 980	6 256	620	5 482	-146	5 621	7
Sep	P	7 353	9 465	-1 494	5 004	3 511	4 132	-4 325	-193	6 660	-11 901	-5 240	167	-2 112	-100	-1 569	-444
Oct	P	7 160	15 217	-4 593	6 993	2 400	-11 047	-10 171	-21 218	30 865	-12 481	18 384	-8	-8 057	-28	-5 640	-2 389
Nov	P	7 933	289	-1 696	4 006	2 310	-2 881	-458	-3 339	1 629	-6 558	-4 928	3 236	7 643	-318	8 131	-171
Dec	P	2 914	-5 452	-2 316	5 508	3 192	-2 302	673	-1 629	-669	-13 298	-13 967	-165	8 366	-172	8 528	10
09 *Jan*	P	6 242	9 263	-5 387	5 632	245	10 458	-7 057	3 402	3 841	7 521	11 362	350	-3 021	-16	-2 439	-566
Feb	P	5 182	-9	-338	1 728	1 390	-4 163	-1 476	-5 639	4 895	-11 385	-6 490	-403	5 191	-84	4 972	303
Mar	P	7 258	9 945	-5 306	3 483	-1 823	2 014	1 379	3 393	13 868	-9 169	4 699	-630	-2 687	-165	-5 382	2 859
Apr	P	1 686	6 999	596	2 555	3 152	768	-103	665	2 713	-2 322	391	2 922	-5 313	-19	-6 379	1 085
May	P	4 909	2 511	-70	491	421	-2 664	5 148	2 484	5 739	-5 092	646	-494	2 398	-120	1 177	1 340
Jun	P	3 339	-5 812	8 419	13	8 432	-6 223	6 721	498	-6 694	8 438	1 744	-1 314	9 151	-187	8 321	1 017
Jul	P	3 080	-48	-1 354	1 842	488	9 265	-3 795	5 470	-7 344	-7 471	-14 815	-615	3 128	-348	4 015	-540

FINANCIAL ACCOUNT (NCL-NCA)



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



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

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

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

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

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

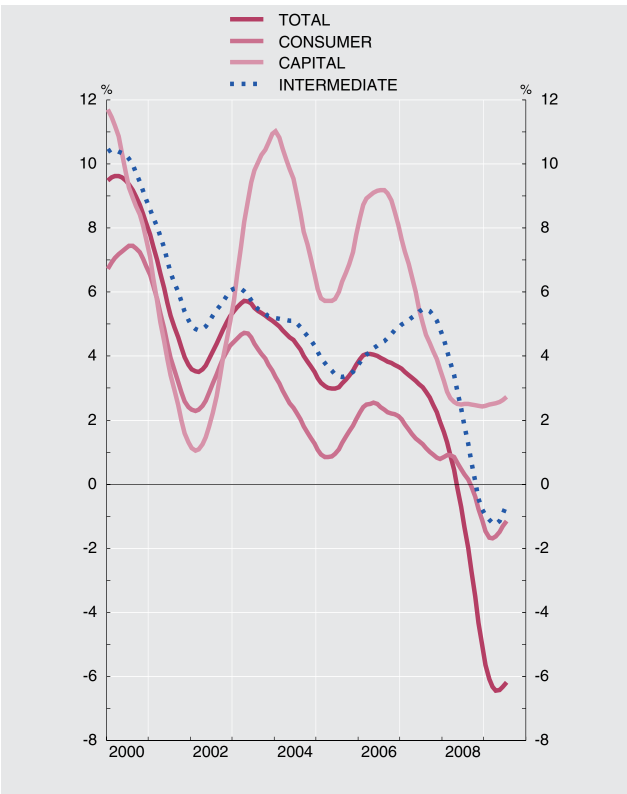
7.3. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD EXPORT AND DISPATCHES

■ Series depicted in chart.

Eur millions and annual percentage changes

		Total			By product (deflated data) (a)					By geographical area (nominal data)							
							Intermediate			EU 27		OECD					
		EUR millions	Nom-inal	De-flated (a)	Con-sumer	Capital	Total	Energy	Non-energy	Total	Euro Area	Total	of which: United States	OPEC	Other Amer-ican coun-tries	China	Newly industri-alised coun-tries
		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	-4.9	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	5.0	5.9	2.0	11.0	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	2.3	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	7.8	8.4	17.7	4.2	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	22.4	-12.5	23.5	-0.8
08	P	188 184	3.9	1.8	4.0	-2.7	1.1	22.3	0.5	1.9	1.4	1.8	3.0	31.3	-2.1	8.0	2.7
08 *Jun*	P	15 464	-4.0	-4.8	-7.6	-12.2	-1.8	38.8	-3.3	-4.0	-2.9	-6.2	-25.4	11.9	-32.5	20.8	0.6
Jul	P	17 189	12.2	9.5	6.0	19.7	10.2	48.0	8.5	3.5	3.1	5.1	16.6	74.3	37.3	16.2	23.9
Aug	P	12 122	-0.0	-2.7	-6.1	-4.9	-0.7	4.8	-1.1	-3.3	-6.7	-2.3	-1.8	24.8	7.1	-0.4	18.8
Sep	P	17 290	16.0	14.8	29.4	-1.1	8.0	38.5	6.6	18.7	17.6	16.1	0.1	42.9	39.8	-10.5	18.8
Oct	P	16 672	-0.2	-0.3	-1.3	10.5	-1.5	9.7	-2.0	-2.8	-3.0	-2.4	-4.3	53.0	-8.7	-24.8	6.2
Nov	P	14 289	-13.8	-16.5	-5.3	-30.9	-21.1	-7.0	-21.8	-15.5	-14.2	-14.2	13.9	-15.0	-10.6	-28.5	-14.1
Dec	P	13 142	-7.4	-8.6	3.9	-0.3	-17.8	-10.1	-18.2	-13.1	-10.7	-11.6	19.1	56.4	20.8	-0.2	-9.8
09 *Jan*	P	11 092	-25.7	-23.6	-16.4	-31.5	-27.3	-16.5	-27.8	-25.5	-22.6	-25.7	-21.1	-2.3	-30.2	-46.1	-19.9
Feb	P	12 401	-25.4	-20.7	-17.8	1.9	-26.3	-15.0	-26.7	-29.5	-27.0	-28.0	-22.1	27.3	-19.6	-27.0	2.9
Mar	P	13 714	-13.6	-9.5	2.1	-16.3	-16.7	-35.9	-15.6	-17.5	-16.1	-15.0	-4.4	18.9	8.1	-7.4	36.8
Apr	P	13 192	-26.6	-22.6	-13.8	-28.5	-27.6	-45.2	-26.7	-23.8	-21.1	-25.7	-34.3	-6.3	-26.7	-26.5	-3.6
May	P	12 893	-22.4	-15.4	-9.6	-34.1	-16.2	-1.7	-16.9	-23.7	-22.6	-22.4	-19.4	-2.8	-22.2	-12.6	-5.1
Jun	P	13 896	-10.1	-4.7	5.9	-12.5	-10.2	-20.8	-9.6	-11.7	-9.6	-10.8	-17.5	25.8	-15.8	0.1	-1.8
Jul	P	14 475	-15.8	-9.3	-0.1	-10.0	-15.2	-36.2	-13.9	-13.0	-12.2	-12.6	-11.4	-21.1	-20.3	-15.6	-19.7

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

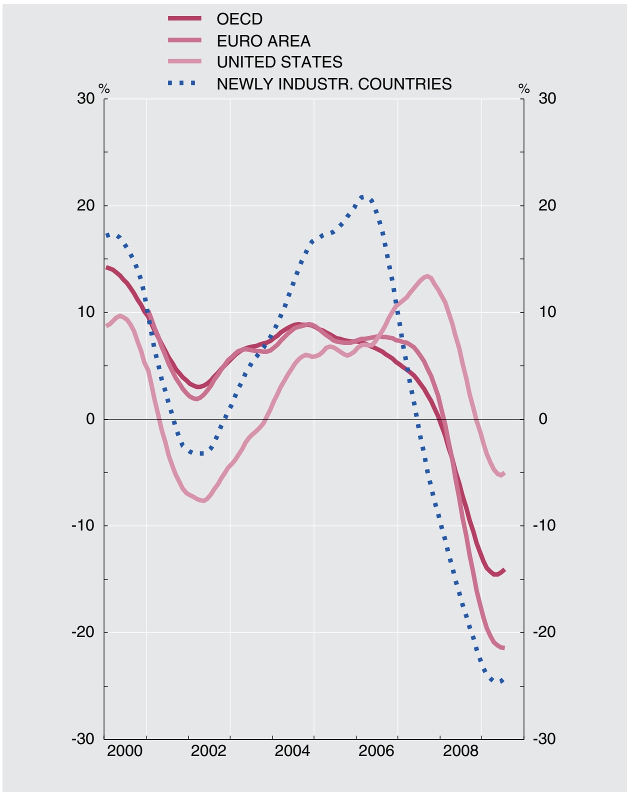
■ Series depicted in chart.

Eur millions and annual percentage changes

	Total			By product (deflated data) (a)					By geographical area (nominal data)							
						Intermediate			EU 27		OECD					
	EUR millions	Nom- inal	De- flated (a)	Con- sumer	Capital	Total	Energy	Non- energy	Total	Euro Area	Total	of which: United States	OPEC	Other Amer- ican coun- tries	China	Newly industri- alised coun- tries
	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	-0.5	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	13.4	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	39.2	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	8.0	8.5	14.7	24.9	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	-4.8	-6.8	28.7	-3.7
08 *Jun* P	24 126	-1.2	-4.2	-16.2	-19.5	3.7	17.0	1.0	-13.2	-14.3	-11.1	24.2	56.9	24.6	13.5	-24.3
Jul P	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 P	19 719	-1.1	-8.1	-12.6	-28.1	-3.4	5.0	-5.8	-10.4	-10.9	-10.2	-1.4	47.2	3.2	-0.7	-7.9
Sep P	24 723	6.0	1.5	3.1	-14.0	3.1	18.3	-0.0	0.4	-1.4	-1.7	2.5	40.9	5.8	17.8	-11.1
Oct P	23 317	-10.4	-13.5	-19.6	-20.9	-9.3	-1.0	-11.2	-15.1	-15.6	-15.1	-18.3	30.1	-20.3	-7.6	-10.6
Nov P	20 237	-19.9	-20.4	-17.9	-39.1	-17.9	0.4	-21.6	-22.8	-23.7	-22.3	-12.0	13.3	-9.4	-26.3	-21.3
Dec P	20 072	-16.5	-18.0	-14.0	-25.7	-18.4	-4.3	-22.1	-24.1	-27.4	-19.2	24.4	-4.3	-4.0	9.3	-29.4
09 *Jan* P	15 591	-35.3	-30.1	-16.4	-32.3	-34.8	-32.9	-35.3	-32.5	-31.1	-33.8	-28.9	-50.0	-31.6	-28.0	-34.8
Feb P	18 268	-26.0	-20.3	-3.5	-35.4	-24.9	10.6	-32.3	-26.0	-25.4	-26.1	-3.4	-7.5	-22.4	-26.2	-34.0
Mar P	17 372	-31.8	-26.2	-9.0	-26.3	-32.3	-35.6	-31.3	-28.0	-28.1	-26.8	-21.5	-36.9	-7.8	-22.4	-22.5
Apr P	16 828	-35.3	-29.2	-17.1	-37.6	-32.5	-21.3	-35.1	-31.8	-32.0	-32.1	-22.9	-38.6	-29.6	-35.2	-33.6
May P	16 160	-34.3	-26.9	-19.8	-32.3	-29.0	-7.3	-33.4	-29.9	-30.6	-31.7	-31.1	-42.8	-45.1	-39.9	-31.3
Jun P	17 131	-29.0	-20.5	-7.4	-35.2	-23.5	-19.7	-24.5	-19.8	-21.3	-22.5	-19.8	-52.5	-36.7	-35.1	-51.2
Jul P	17 706	-29.7	-19.1	-9.1	-37.2	-20.8	-19.2	-21.2	-24.3	-26.1	-25.1	-43.6	-37.0	-42.9	-36.9	-13.9

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

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



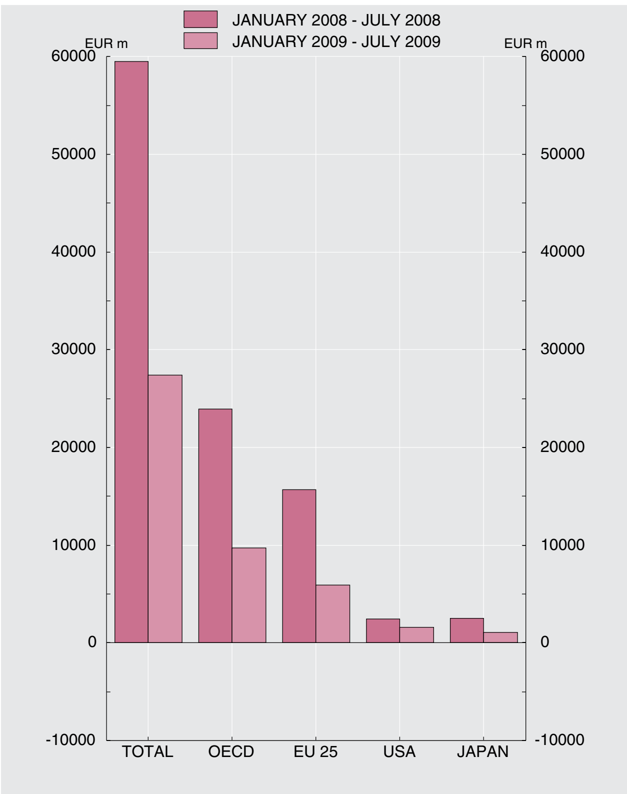
Sources: ME y BE.
Note: The underlying series for this indicator are in Tables 18.2 and 18.3 of the Boletín estadístico.
The monthly series are provisional data, while the annual series are the final foreign trade data.
a. Series deflated by unit value indices .

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

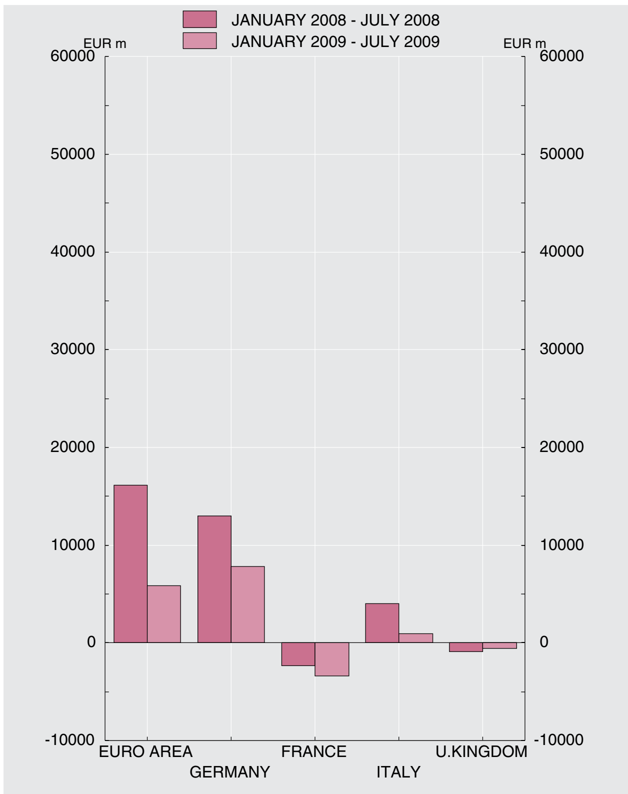
EUR millions

		World total	European Union (EU 27)								OECD			OPEC	Other American coun-tries	China	Newly indus-trialised countries
			Total	Euro area				Other EU 27			Of which:						
				Total	Of which: Germany	Of which: France	Of which: Italy	Total	Of which: United Kingdom	Total	United States	Japan					
		1	2=3+7	3	4	5	6	7	8	9	10	11	12	13	14	15
03		-46 995	-19 057	-19 120	-13 731	-3 239	-3 517	63	1 035	-27 616	-1 170	-3 855	-8 146	-1 467	-5 629	-2 600
04		-61 486	-25 991	-25 267	-16 282	-3 353	-5 671	-724	472	-36 990	-1 692	-4 583	-9 321	-1 784	-7 369	-3 104
05		-77 950	-30 703	-29 422	-16 749	-3 112	-6 938	-1 281	-210	-41 592	-1 092	-4 769	-14 136	-3 089	-10 182	-3 411
06		-92 249	-33 547	-32 172	-18 689	-1 625	-7 184	-1 375	294	-45 357	-1 062	-4 652	-18 576	-3 316	-12 647	-4 564
07		-100 015	-40 176	-38 176	-23 752	-214	-8 375	-2 000	133	-53 745	-2 555	-4 779	-16 423	-3 477	-16 366	-4 347
08	P	-94 067	-25 314	-25 188	-20 054	3 865	-6 350	-125	418	-38 121	-3 479	-3 626	-22 158	-5 061	-17 903	-3 321
08 *Jun*	P	-8 662	-2 064	-2 052	-1 726	366	-417	-12	-40	-3 386	-310	-378	-2 558	-523	-1 467	-373
Jul	P	-8 012	-2 061	-2 044	-1 736	477	-769	-17	-5	-2 895	-266	-179	-1 769	-488	-1 783	-234
Aug	P	-7 597	-2 121	-2 093	-1 091	-199	-472	-28	-6	-2 933	-195	-150	-2 174	-379	-1 578	-196
Sep	P	-7 433	-1 262	-1 349	-1 489	604	-446	86	93	-2 222	-262	-250	-1 972	-590	-1 861	-279
Oct	P	-6 645	-1 780	-1 800	-1 622	492	-408	20	9	-2 633	-185	-242	-1 910	-336	-1 454	-278
Nov	P	-5 948	-1 939	-1 780	-1 372	441	-541	-159	-145	-2 682	-126	-200	-1 285	-406	-1 291	-293
Dec	P	-6 930	-2 559	-2 015	-1 508	210	-434	-544	-404	-3 724	-269	-282	-1 347	-208	-1 288	-241
09 *Jan*	P	-4 498	-511	-531	-1 034	662	-154	20	33	-1 235	-265	-166	-917	-343	-1 265	-199
Feb	P	-5 868	-2 335	-2 316	-1 289	-718	-271	-18	10	-3 071	-475	-125	-1 124	-199	-1 119	-130
Mar	P	-3 657	-395	-571	-1 242	773	-109	175	188	-1 110	-274	-169	-919	-344	-870	-124
Apr	P	-3 636	-832	-725	-1 236	659	-63	-107	20	-1 424	-293	-133	-831	-256	-884	-155
May	P	-3 266	-785	-849	-1 343	675	-134	63	163	-1 142	-132	-156	-887	-168	-793	-139
Jun	P	-3 235	-780	-591	-850	662	3	-190	31	-1 191	-235	-140	-829	-236	-885	-111
Jul	P	-3 231	-298	-270	-799	670	-200	-29	116	-550	110	-161	-990	-139	-1 080	-212

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.

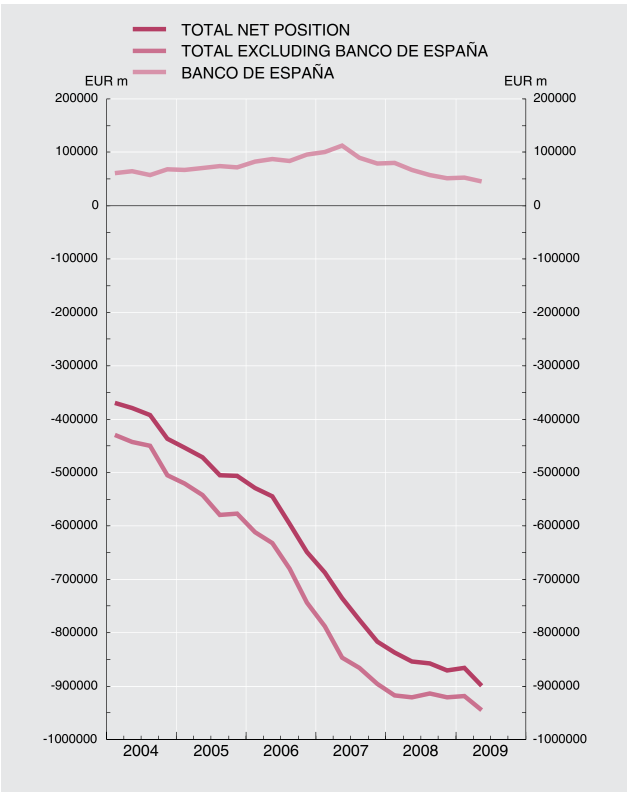
7.6. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD SUMMARY

■ Series depicted in chart.

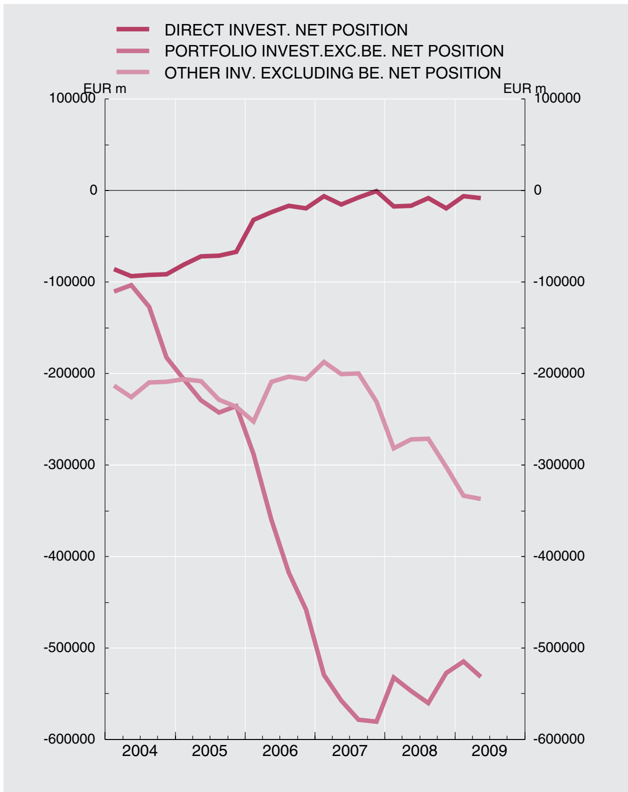
End-of-period stocks in EUR billions

	Net interna-tional invest-ment position (assets-liabil.)	Total excluding Banco de España											Banco de España			
		Net position excluding Banco de España (assets - liabil.)	Direct investment			Portfolio investment			Other investment			Financial derivat-ives Net position (assets-liabil.)	Banco de España Net position (assets-liabil.)	Reserves	Net assets vis-à-vis the Euro-system	Other net assets (assets-liabil.)
			Net position (assets-liabil.)	Spanish invest-ment abroad (assets)	Foreign invest-ment in Spain (liabil.)	Net position (assets-liabil.)	Spanish invest-ment abroad (assets)	Foreign invest-ment in Spain (liabil.)	Net position (assets-liabil.)	Spanish invest-ment abroad (assets)	Foreign invest-ment in Spain (liabil.)					
	1=2+13 ■	2=3+6+9+12 ■	3=4-5 ■	4	5	6=7-8 ■	7	8	9=10-11 ■	10	11		13=14 to 16 ■	14	14	15
01	-242.5	-311.0	-38.2	162.9	201.1	-100.4	232.6	333.1	-172.3	172.5	344.8	...	68.5	38.9	29.2	0.4
02 R	-303.1	-363.7	-89.2	156.0	245.2	-105.7	256.8	362.5	-168.9	197.4	366.3	...	60.6	38.4	22.7	-0.4
03	-354.3	-410.3	-93.9	175.0	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	-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 *Q2*	-544.7	-632.0	-23.8	308.9	332.7	-399.2	444.3	843.5	-209.0	299.5	508.5	-	87.3	14.6	32.2	40.5
Q3	-596.1	-679.5	-17.1	326.4	343.5	-459.1	447.7	906.8	-203.3	313.1	516.4	-	83.4	15.0	25.4	43.0
Q4	-648.2	-743.9	-19.3	331.1	350.4	-508.9	455.7	964.6	-206.1	324.9	530.9	-9.6	95.7	14.7	29.4	51.6
07 *Q1*	-686.9	-787.3	-6.0	342.5	348.5	-582.4	461.0	1 043.3	-187.6	358.4	546.1	-11.3	100.4	14.0	31.9	54.5
Q2	-734.7	-846.8	-15.0	355.2	370.2	-614.9	471.0	1 085.9	-200.9	361.7	562.6	-15.9	112.1	12.9	40.7	58.5
Q3	-776.0	-865.6	-7.4	364.4	371.8	-640.2	455.2	1 095.4	-200.2	383.6	583.8	-17.9	89.6	12.5	14.8	62.4
Q4	-816.5	-895.4	-0.7	398.6	399.3	-645.0	443.3	1 088.3	-230.9	378.4	609.3	-18.8	78.9	12.9	1.1	64.9
08 *Q1*	-836.4	-917.1	-17.6	399.2	416.8	-596.7	420.7	1 017.4	-282.0	380.0	662.1	-20.7	80.6	13.0	2.8	64.8
Q2	-853.4	-920.6	-16.6	417.2	433.8	-608.6	401.2	1 009.8	-272.0	416.3	688.3	-23.4	67.2	12.7	-7.5	62.0
Q3	-857.3	-914.3	-8.6	432.8	441.4	-622.9	387.7	1 010.5	-271.1	422.2	693.4	-11.7	57.0	13.8	-19.6	62.8
Q4	-870.2	-921.1	-19.5	432.1	451.6	-593.1	361.6	954.7	-302.1	385.7	687.8	-6.4	50.9	14.5	-30.6	66.9
09 *Q1*	-865.8	-918.1	-6.6	446.9	453.5	-578.2	353.6	931.8	-333.4	374.0	707.3	0.0	52.2	15.7	-27.4	63.9
Q2	-899.6	-944.9	-8.7	455.2	463.9	-592.1	377.2	969.2	-336.9	369.8	706.8	-7.3	45.3	15.1	-30.5	60.7

INTERNATIONAL INVESTMENT POSITION



COMPONENTS OF THE POSITION



Source: BE.

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

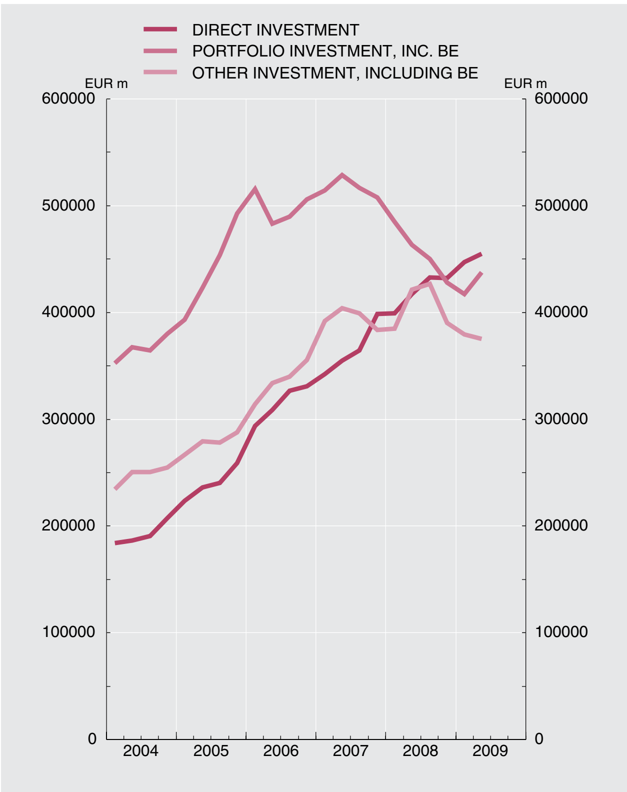
7.7. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-à-VIS OTHER EURO AREA RESIDENTES AND THE REST OF THE WORLD BREAKDOWN BY INVESTMENT

■ Series depicted in chart.

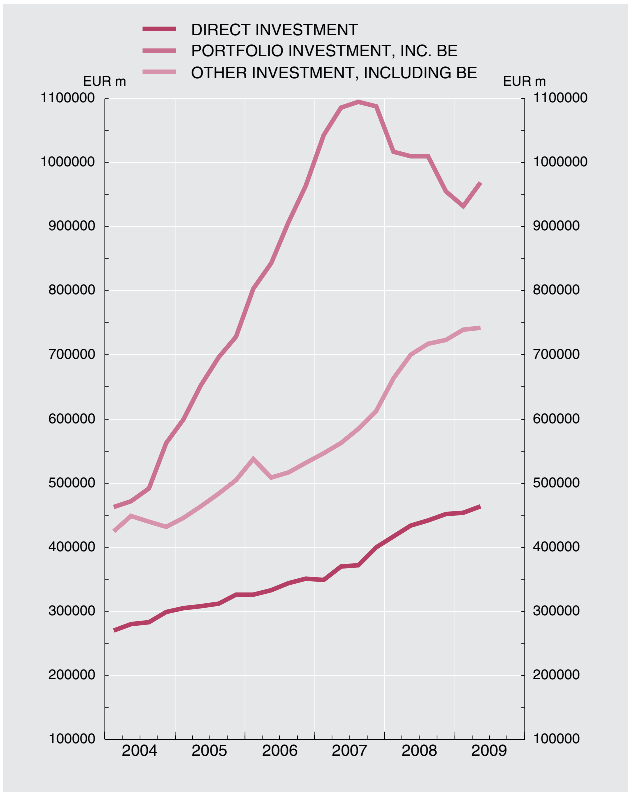
End-of-period stocks in EUR millions

	Direct investment				Portfolio investment, including Banco de España				Other investment, including Banco de España		Financial derivatives including BE	
	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
01	142 688	20 231	164 360	36 768	74 596	158 052	144 151	188 925	202 099	344 845	...	...
02 R	139 178	16 815	194 711	50 456	50 712	206 581	116 967	245 492	220 483	367 646	-	-
03	160 519	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	236 769	22 133	250 641	75 322	104 157	388 472	197 347	531 035	287 551	504 831	-	-
06 *Q2*	286 382	22 501	259 517	73 179	122 047	361 127	206 547	636 951	333 653	508 828	-	-
Q3	304 826	21 608	264 483	79 063	126 170	363 383	232 494	674 271	339 974	516 719	-	-
Q4	307 902	23 206	271 313	79 125	133 193	373 001	245 683	718 897	355 621	531 211	32 973	42 569
07 *Q1*	321 408	21 139	269 769	78 768	140 704	373 512	256 533	786 784	391 843	546 395	33 197	44 487
Q2	339 487	15 665	284 521	85 654	153 729	374 852	267 241	818 657	403 748	563 001	39 921	55 856
Q3	342 770	21 633	289 484	82 274	142 095	374 617	271 300	824 065	399 488	584 056	44 181	62 069
Q4	371 734	26 861	308 503	90 777	134 762	372 789	283 669	804 609	383 640	612 824	44 642	63 487
08 *Q1*	371 619	27 544	329 670	87 104	105 912	379 311	237 465	779 900	384 953	663 911	53 297	74 001
Q2	388 495	28 682	343 280	90 494	98 479	364 805	218 475	791 341	421 097	700 611	58 579	82 016
Q3	401 803	31 000	344 661	96 763	84 523	365 861	202 106	808 424	427 024	717 627	70 066	81 757
Q4	400 982	31 117	348 355	103 202	64 880	362 907	172 711	782 022	390 481	723 071	108 228	114 023
09 *Q1*	414 678	32 270	349 993	103 520	57 805	359 353	145 300	786 514	379 406	739 810	111 633	111 519
Q2	422 999	32 217	354 623	109 267	65 971	371 480	178 871	790 372	375 299	742 361	92 809	100 032

SPANISH INVESTMENT ABROAD



FOREIGN INVESTMENT IN SPAIN



Source: BE.
Note: See footnote to Indicator 7.6

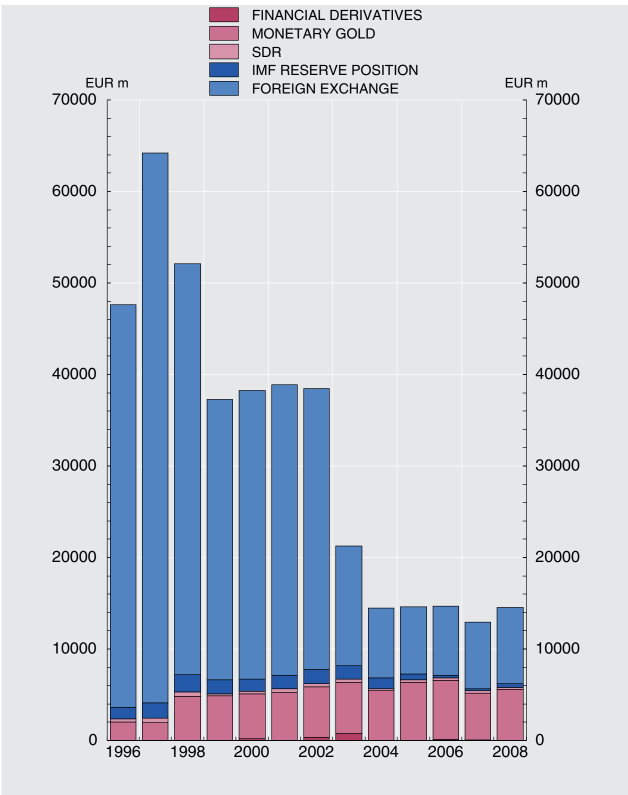
7.8. SPANISH RESERVE ASSETS

■ Series depicted in chart.

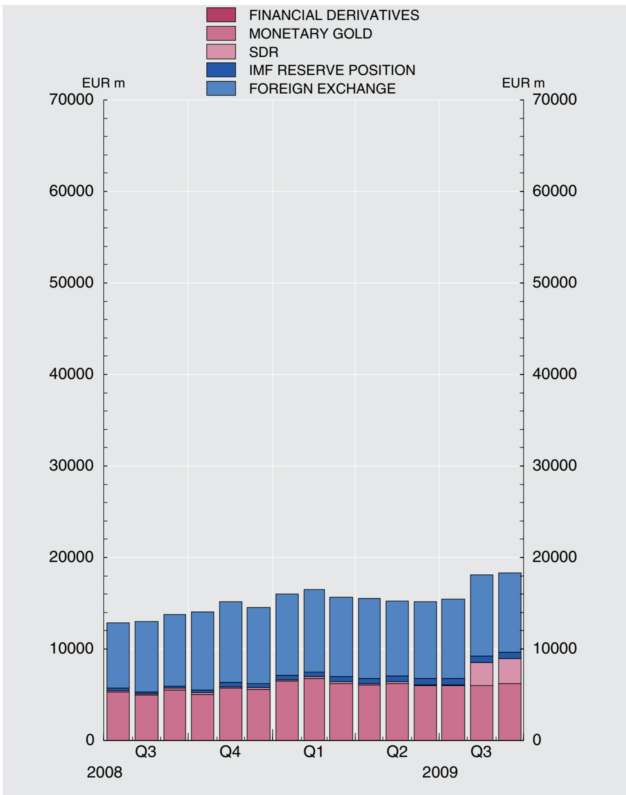
End-of-period stocks in EUR millions

	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
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	12 946	7 285	218	252	5 145	46	9.1
08 *Apr*	12 568	7 045	204	190	5 070	59	9.1
May	12 598	7 029	245	176	5 166	-18	9.1
Jun	12 709	6 921	233	175	5 357	23	9.1
Jul	12 887	7 169	234	172	5 314	-1	9.1
Aug	12 987	7 638	233	155	5 128	-168	9.1
Sep	13 806	7 857	238	159	5 678	-126	9.1
Oct	14 037	8 546	256	170	5 201	-135	9.1
Nov	15 150	8 796	449	168	5 797	-60	9.1
Dec	14 546	8 292	467	160	5 627	-	9.1
09 *Jan*	16 033	8 889	492	173	6 479	-	9.1
Feb	16 519	9 040	490	173	6 816	-	9.1
Mar	15 663	8 691	556	167	6 249	-	9.1
Apr	15 490	8 713	560	168	6 050	-	9.1
May	15 225	8 180	632	156	6 257	-	9.1
Jun	15 142	8 372	693	48	6 028	-	9.1
Jul	15 454	8 693	693	51	6 017	-	9.1
Aug	18 106	8 860	692	2 531	6 023	-	9.1
Sep	18 301	8 644	682	2 785	6 191	-	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 ammount 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
05 *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*	1 238 533	214 081	4 628	14	191 300	18 137	-	589 544	1 003	295 793	193 633	99 115
Q2	1 258 491	213 347	3 620	348	191 381	17 998	-	580 931	2 186	268 495	208 797	101 453
Q3	1 308 130	214 181	6 070	1 472	188 569	18 070	-	602 379	5 274	267 227	225 647	104 232
Q4	1 370 277	215 585	4 836	665	191 871	18 213	-	622 836	6 252	277 193	236 038	103 352
07 *Q1*	1 461 842	219 413	4 901	40	195 781	18 692	-	658 096	11 331	295 528	252 211	99 027
Q2	1 523 013	215 158	5 446	443	190 503	18 766	-	684 742	11 316	294 402	269 682	109 341
Q3	1 541 184	207 169	4 820	1 329	182 455	18 566	-	707 016	15 079	308 889	273 907	109 140
Q4	1 561 865	197 861	4 653	878	173 266	19 064	-	724 116	21 248	327 391	261 177	114 300
08 *Q1*	1 587 835	194 230	6 329	558	167 692	19 651	-	768 529	20 424	380 522	256 302	111 281
Q2	1 642 035	196 219	5 594	161	170 922	19 542	-	794 086	22 729	399 932	258 374	113 051
Q3	1 680 791	212 336	9 722	493	182 155	19 966	-	792 491	21 269	400 051	258 393	112 778
Q4	1 664 543	227 258	12 330	2 098	191 968	20 863	-	766 316	12 214	400 693	249 210	104 200
09 *Q1*	1 687 372	235 680	15 801	479	198 390	21 009	-	783 719	15 198	411 446	248 380	108 694
Q2	1 704 766	249 884	22 119	978	205 113	21 674	-	784 285	14 310	410 017	250 955	109 003

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
05 *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	322 731	2 905	19 500	417	195 679	102 731	360	1 139	111 642	46 426	65 216
Q2	328	328	351 173	4 283	18 432	338	226 684	100 123	352	961	112 712	47 702	65 010
Q3	316	316	374 113	4 641	22 224	838	244 071	101 073	348	918	117 140	51 141	65 999
Q4	281	281	411 407	4 786	22 967	702	275 114	106 946	338	555	120 168	49 588	70 581
07 *Q1*	322	322	455 347	5 303	21 641	550	317 258	109 329	334	931	128 663	50 034	78 629
Q2	423	423	481 336	5 418	26 985	1 066	336 291	110 223	331	1 021	141 355	50 486	90 868
Q3	277	277	493 659	2 553	21 864	854	345 252	121 804	339	992	133 063	52 229	80 834
Q4	3 550	3 550	491 906	701	20 050	314	343 564	126 136	331	810	144 433	55 142	89 291
08 *Q1*	1 855	1 855	479 197	927	19 569	431	328 226	128 317	320	1 407	144 025	56 315	87 709
Q2	12 326	12 326	489 321	6 217	20 854	1 369	327 505	131 811	317	1 248	150 083	61 376	88 706
Q3	24 276	24 276	496 947	18 093	22 958	1 213	318 792	134 540	323	1 028	154 740	62 286	92 455
Q4	35 233	35 233	476 285	12 955	20 839	2 457	303 346	135 343	322	1 023	159 451	67 058	92 393
09 *Q1*	32 491	32 491	474 435	19 446	17 376	2 989	289 298	143 471	356	1 498	161 048	68 639	92 410
Q2	35 596	35 596	462 968	18 172	16 262	2 141	279 702	144 843	349	1 498	172 033	79 676	92 357

Source: BE.

8.1.a CONSOLIDATED BALANCE SHEET OF THE EUROSYSTEM. NET LENDING TO CREDIT INSTITUTIONS AND ITS COUNTERPARTS

Average of daily data, EUR millions

	Net lending 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	Banknotes	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
08 *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
09 *Jan*	580 046	224 907	598 376	-8 568	-638	2 646	236 676	365 644	746 945	98 051	571 542	-92 189	214 402
Feb	592 161	212 759	498 364	-6 449	-	2 227	114 740	370 902	739 970	96 499	526 691	-61 125	221 259
Mar	607 356	232 617	451 005	-5 038	-	1 146	72 373	388 329	745 155	133 214	498 652	-8 613	219 027
Apr	629 124	241 479	430 873	-4 722	-	876	39 381	401 450	755 635	142 817	519 780	-22 778	227 674
May	602 531	235 969	406 653	-5 146	-	229	35 175	394 929	758 300	139 329	497 607	5 093	207 602
Jun	615 980	254 069	416 844	-2 632	-	2 197	54 498	391 872	761 763	145 461	468 695	46 656	224 107
Jul	603 864	99 510	705 934	-11 999	-	359	189 939	379 226	768 836	133 472	435 791	87 291	224 638
Aug	568 759	78 661	660 858	-11 350	-	313	159 724	359 004	770 627	121 583	428 744	104 462	209 755
Sep	583 939	83 418	607 221	-8 868	-	453	98 285	366 742	767 611	138 331	423 839	115 361	217 196

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	Banknotes	Deposits to general government	Gold and net assets in foreign currency	Other assets (net)	
	14=15+16 +17+18 +19-20	15	16	t 17	18	19	20	21	22	23=24+25 -26-27	24	25	26	27	28
08 *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
09 *Jan*	57 488	22 338	63 324	-1 721	-	19	26 472	29 076	-5 265	8 734	80 105	19 644	20 871	70 144	24 942
Feb	74 090	20 781	57 578	-614	-	60	3 716	38 001	-5 265	14 731	78 492	23 060	16 857	69 964	26 622
Mar	72 709	19 233	55 363	-600	-	21	1 308	38 496	-5 406	13 986	78 839	24 844	17 455	72 242	25 633
Apr	67 434	20 482	48 530	-314	-	-	1 264	29 462	-5 447	16 532	80 098	27 400	19 354	71 611	26 887
May	67 668	23 171	46 028	-509	-	-	1 022	26 575	-5 447	21 139	79 163	31 162	18 427	70 759	25 400
Jun	70 703	29 661	46 695	-118	-	-	5 535	29 962	-5 447	19 221	79 275	27 795	16 672	71 177	26 966
Jul	73 283	14 765	78 806	-940	-	-	19 347	31 501	-5 447	21 655	80 103	27 471	15 336	70 583	25 574
Aug	74 820	10 000	78 007	-845	-	2	12 345	42 474	-5 447	11 760	79 228	18 251	15 110	70 609	26 033
Sep	79 591	11 743	72 170	-722	-	4	3 604	48 155	-5 447	10 457	77 716	18 261	15 040	70 481	26 427

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

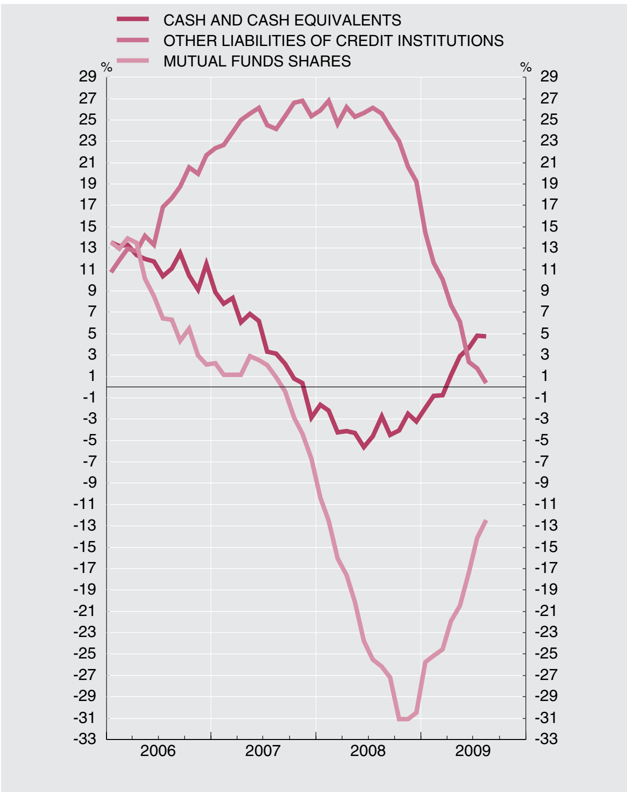
8.2 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

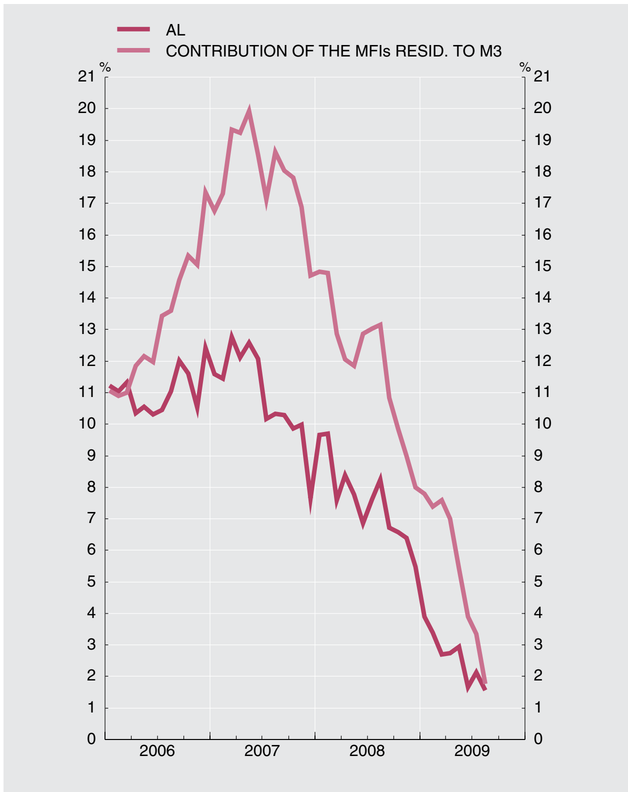
EUR millions and %

	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	Depo-sits (b)			Other depo-sits (c)	Repos + credit insti-tutions' securi-ties	Depo-sits in bran-ches abroad			Fixed income in EUR (d)	Other	AL (e)	Contri-bution of the MFIs resid. to M3
	1	2 ■	3	4	5	6 ■	7	8	9	10	11 ■	12	13	14 ■	15 ■
06	512 581	11.5	9.9	11.9	366 182	21.7	22.8	21.6	0.9	224 851	2.1	-10.1	13.5	12.4	17.3
07	497 887	-2.9	2.3	-4.1	459 064	25.4	29.8	7.3	-10.7	209 767	-6.7	-3.9	-8.8	7.6	14.7
08	481 725	-3.2	0.6	-4.2	547 396	19.2	24.3	-12.7	-8.9	145 876	-30.5	-16.2	-41.6	5.5	8.0
08 *May*	477 157	-4.3	-1.3	-5.0	505 643	25.3	31.5	-3.3	-19.6	184 113	-20.1	-3.3	-31.9	7.8	11.9
Jun	487 821	-5.6	-2.5	-6.3	518 654	25.6	30.7	-0.7	2.5	175 162	-23.7	-6.9	-35.6	6.9	12.9
Jul	479 771	-4.6	-2.8	-5.0	524 170	26.1	31.7	-1.2	-9.5	169 786	-25.5	-8.9	-37.3	7.6	13.0
Aug	478 080	-2.8	-3.2	-2.7	531 918	25.6	31.8	-6.0	-7.3	167 975	-26.2	-11.6	-37.1	8.2	13.2
Sep	478 656	-4.5	-3.7	-4.7	535 006	24.3	29.6	-2.1	-11.7	162 715	-27.2	-13.4	-37.8	6.7	10.8
Oct	465 576	-4.1	1.2	-5.4	541 560	23.0	27.5	1.2	-18.8	151 857	-31.1	-15.4	-42.7	6.6	9.9
Nov	475 795	-2.5	0.9	-3.4	542 323	20.6	25.8	-6.4	-24.5	147 925	-31.1	-15.8	-42.7	6.4	9.0
Dec	481 725	-3.2	0.6	-4.2	547 396	19.2	24.3	-12.7	-8.9	145 876	-30.5	-16.2	-41.6	5.5	8.0
09 *Jan*	473 030	-1.9	1.3	-2.8	538 781	14.4	19.9	-19.7	-23.7	150 181	-25.7	-18.2	-32.7	3.9	7.8
Feb	476 275	-0.8	1.4	-1.4	538 605	11.7	16.8	-22.4	-22.3	148 043	-25.1	-16.9	-32.9	3.4	7.4
Mar	477 051	-0.8	2.0	-1.4	538 079	10.1	15.5	-26.8	-21.3	144 862	-24.6	-17.6	-31.5	2.7	7.6
Apr P	476 246	1.1	3.1	0.6	538 353	7.7	11.8	-20.4	-26.4	147 367	-21.9	-15.4	-28.5	2.7	7.0
May P	490 903	2.9	3.6	2.7	536 746	6.2	9.7	-18.1	-25.5	146 355	-20.5	-14.4	-26.5	2.9	5.4
Jun P	505 785	3.7	3.7	3.7	530 826	2.3	7.2	-25.7	-48.7	144 758	-17.4	-13.6	-21.2	1.7	3.9
Jul P	502 730	4.8	4.0	5.0	533 273	1.7	5.8	-24.0	-41.4	145 806	-14.1	-10.3	-18.1	2.1	3.4
Aug P	500 840	4.8	3.8	5.0	534 043	0.4	4.2	-23.7	-42.0	147 034	-12.5	-8.9	-16.2	1.6	1.8

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.

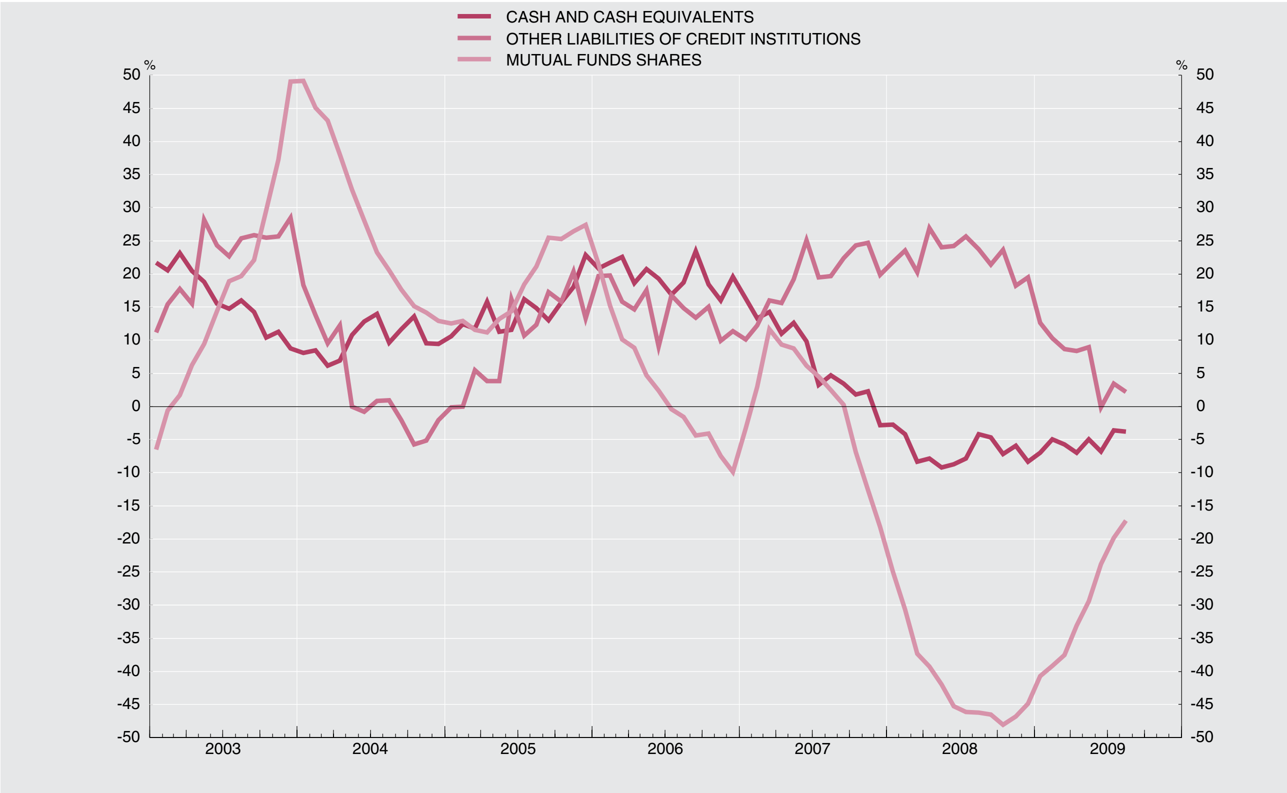
8.3 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ 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
06		137 357	19.6	78 695	11.3	17.4	2.8	26 523	-9.9	-15.9	-5.0
07		133 469	-2.8	94 347	19.9	37.4	-8.2	21 692	-18.2	-15.7	-20.0
08		122 377	-8.3	112 726	19.5	25.1	6.0	11 959	-44.9	-33.3	-53.8
08 *May*		121 193	-9.2	103 490	24.0	43.1	-12.0	16 996	-41.9	-25.7	-53.3
Jun		125 284	-8.7	109 979	24.2	35.7	1.0	15 587	-45.3	-28.0	-57.4
Jul		118 279	-7.8	107 622	25.6	38.1	1.1	14 913	-46.2	-29.7	-57.9
Aug		120 854	-4.2	110 364	23.7	38.2	-3.2	14 573	-46.2	-31.9	-56.9
Sep		126 336	-4.6	111 241	21.5	30.6	3.6	13 946	-46.6	-33.4	-56.6
Oct		116 473	-7.2	113 887	23.6	28.9	12.0	12 858	-48.0	-34.1	-58.3
Nov		121 399	-6.0	110 577	18.2	23.1	6.8	12 333	-46.8	-33.8	-56.6
Dec		122 377	-8.3	112 726	19.5	25.1	6.0	11 959	-44.9	-33.3	-53.8
09 *Jan*		116 487	-7.0	106 216	12.6	20.1	-6.3	12 351	-40.7	-35.5	-45.8
Feb		118 191	-4.9	106 707	10.3	16.8	-7.5	12 176	-39.2	-33.4	-44.9
Mar		116 255	-5.8	107 259	8.6	16.7	-13.3	11 915	-37.6	-32.8	-42.5
Apr	P	110 400	-7.0	110 363	8.4	11.7	-1.8	12 121	-33.1	-29.7	-36.7
May	P	115 209	-4.9	112 740	8.9	11.8	0.1	12 002	-29.4	-27.9	-31.0
Jun	P	116 810	-6.8	109 879	-0.1	8.2	-22.5	11 868	-23.9	-25.8	-21.5
Jul	P	114 047	-3.6	111 324	3.4	12.6	-21.3	11 954	-19.8	-21.3	-18.1
Aug	P	116 246	-3.8	112 813	2.2	12.2	-24.2	12 055	-17.3	-18.3	-16.0

NON-FINANCIAL CORPORATIONS
Annual percentage change



Source: BE.

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

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

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

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

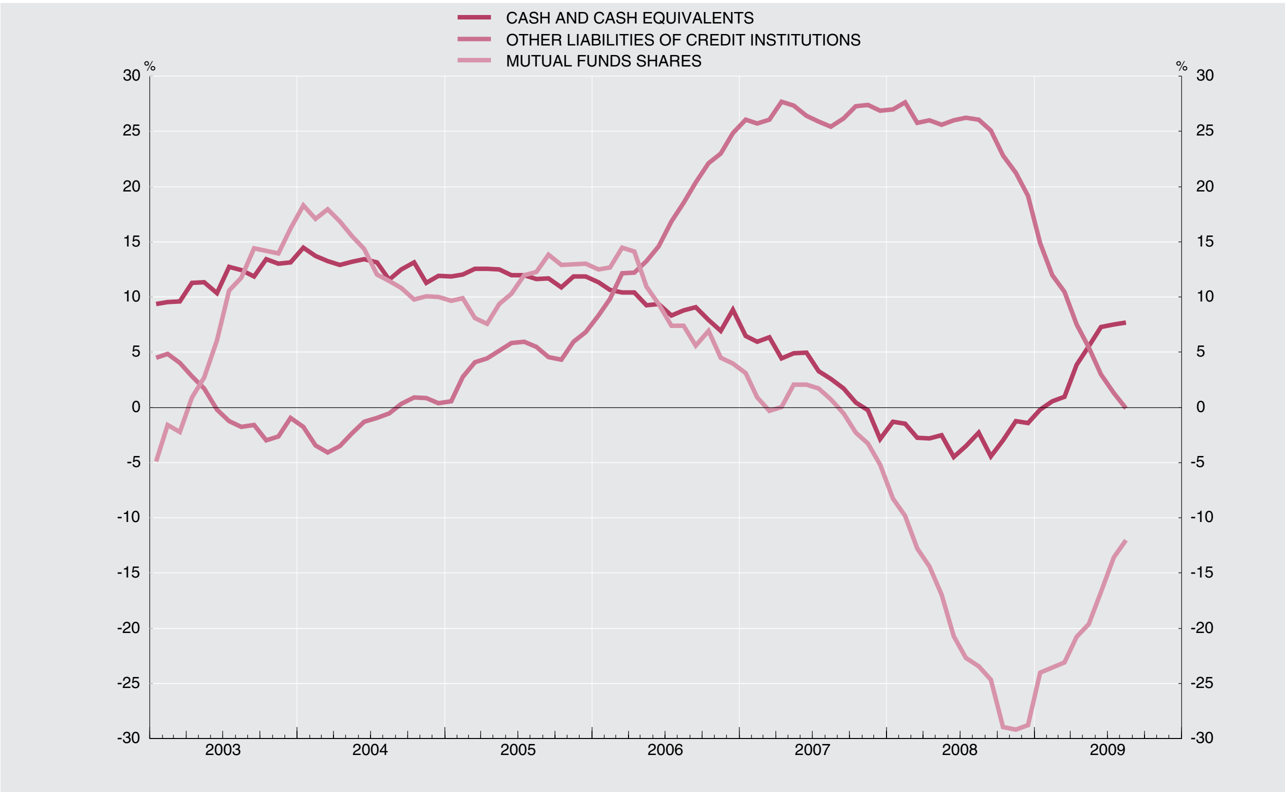
8.4 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

EUR millions and %

		Cash and cash equivalents				Other liabilities of credit institutions				Mutual funds shares			
		Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate	
				Cash	Deposits (b)			Other deposits (c)	Repos + credit instit.' securit.+ dep. in branches abroad			Fixed income in EUR (d)	Other
		1	2 ■	3	4	5	6 ■	7	8	9	10 ■	11	12
06		375 224	8.9	9.2	8.8	287 487	24.9	23.8	33.7	198 328	4.0	-9.3	16.5
07		364 418	-2.9	2.9	-4.6	364 718	26.9	28.4	14.8	188 075	-5.2	-2.3	-7.3
08		359 348	-1.4	2.7	-2.7	434 670	19.2	24.2	-25.7	133 917	-28.8	-14.2	-40.1
08 *May*		355 965	-2.5	0.1	-3.3	402 153	25.6	29.3	-2.4	167 116	-17.0	-0.1	-28.8
Jun		362 537	-4.5	-1.0	-5.6	408 675	26.0	29.6	-1.0	159 574	-20.7	-4.0	-32.5
Jul		361 492	-3.5	-1.2	-4.2	416 548	26.3	30.4	-5.8	154 873	-22.7	-6.1	-34.5
Aug		357 226	-2.3	-1.5	-2.5	421 554	26.1	30.5	-8.7	153 402	-23.5	-8.8	-34.4
Sep		352 319	-4.4	-1.8	-5.3	423 765	25.1	29.4	-10.6	148 769	-24.7	-10.7	-35.3
Oct		349 103	-3.0	3.1	-5.0	427 674	22.8	27.2	-14.5	138 999	-28.9	-13.0	-40.8
Nov		354 396	-1.3	3.0	-2.6	431 746	21.3	26.3	-22.6	135 593	-29.2	-13.7	-41.0
Dec		359 348	-1.4	2.7	-2.7	434 670	19.2	24.2	-25.7	133 917	-28.8	-14.2	-40.1
09 *Jan*		356 543	-0.2	3.3	-1.3	432 565	14.9	19.8	-30.7	137 830	-24.0	-16.2	-31.3
Feb		358 084	0.6	3.3	-0.3	431 898	12.0	16.7	-33.0	135 867	-23.5	-15.0	-31.6
Mar		360 796	1.0	3.6	0.1	430 820	10.5	15.2	-34.9	132 947	-23.1	-15.9	-30.3
Apr	P	365 846	3.8	4.6	3.6	427 991	7.5	11.8	-34.8	135 246	-20.8	-13.8	-27.7
May	P	375 694	5.5	4.9	5.7	424 006	5.4	9.3	-33.0	134 353	-19.6	-13.0	-26.1
Jun	P	388 976	7.3	4.9	8.0	420 947	3.0	7.0	-36.2	132 890	-16.7	-12.3	-21.2
Jul	P	388 683	7.5	4.9	8.4	421 949	1.3	4.4	-32.2	133 852	-13.6	-9.2	-18.1
Aug	P	384 594	7.7	4.5	8.7	421 230	-0.1	2.6	-30.1	134 979	-12.0	-7.9	-16.3

HOUSEHOLDS AND NPISH
Annual percentage change



Source: BE.

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

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

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

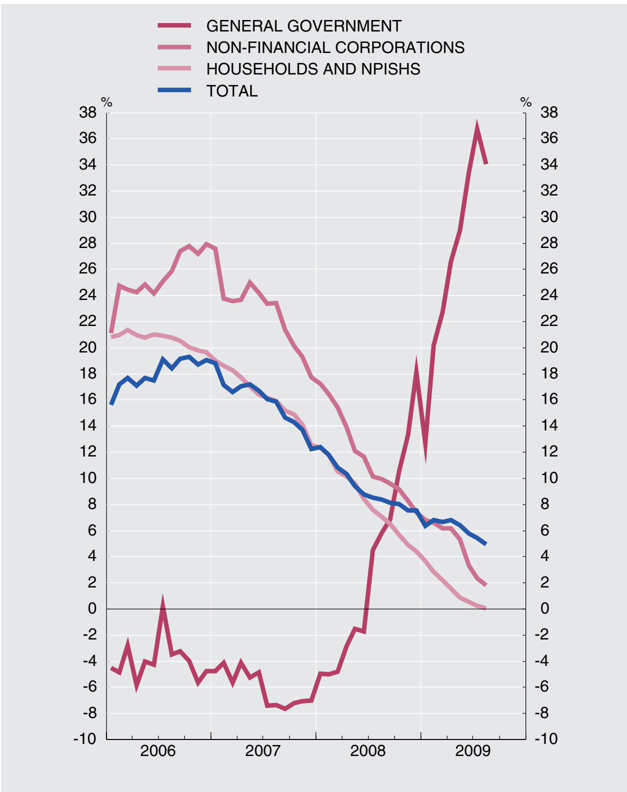
d. The series includes the old categories of Money market funds and Fixed income mutual funds in euros.

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

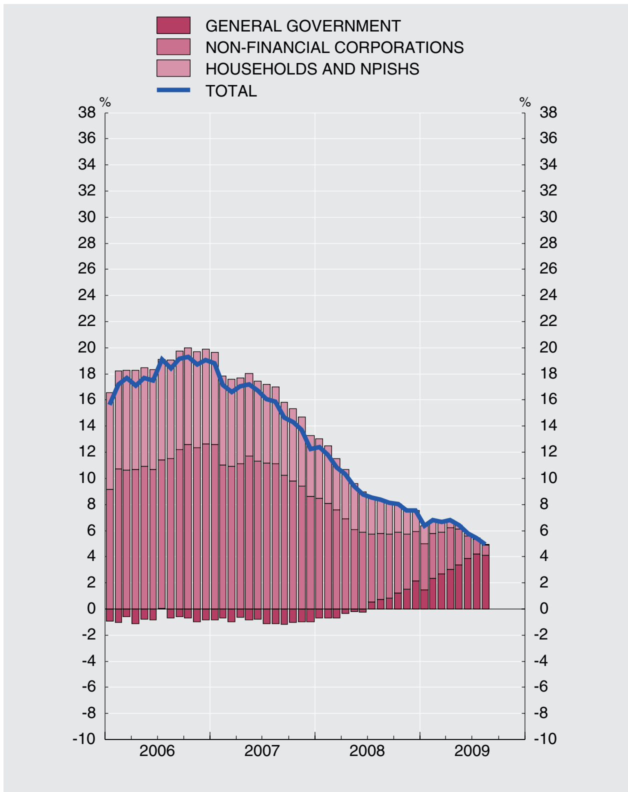
■ Series depicted in chart. *EUR millions and %*

	Total: Stocks	Total: Effective flow	Total: Annual growth rate	Annual growth rate: General government (b)	Annual growth rate: Non-financial corp. and households and NPISHs	By sectors: Non-financial corporations	By sectors: Households and NPISHs	By instruments: Credit institutions' loans & securit. funds	By instruments: Securities other than shares	By instruments: External loans	Contribution to col. 3: General government (b)	Contribution to col. 3: Non-financial corp. and households and NPISHs	By sectors: Non-financial corporations	By sectors: Households and NPISHs	By instrumentss: Credit institutions' loans & securit. funds	By instrumentss: Securities other than shares	By instrumentss: External loans
	1	2	3 ■	4 ■	5	6 ■	7 ■	8	9	10	11 ■	12	13 ■	14 ■	15	16	17
06	2 103 444	335 860	19.0	-4.7	24.2	27.9	19.6	24.4	134.2	15.9	-0.8	19.9	12.6	7.2	17.0	1.0	1.9
07	2 369 050	258 015	12.3	-7.0	15.5	17.7	12.5	15.9	18.4	12.3	-1.0	13.3	8.6	4.6	11.6	0.3	1.4
08	2 547 314	179 119	7.6	18.2	6.1	7.4	4.4	5.6	12.1	8.8	2.1	5.4	3.8	1.6	4.2	0.2	1.1
08 *May*	2 433 716	19 736	9.4	-1.5	11.0	12.1	9.6	11.6	17.4	6.6	-0.2	9.6	6.1	3.5	8.6	0.3	0.8
Jun	2 461 069	27 964	8.8	-1.7	10.3	11.7	8.4	10.2	18.0	9.9	-0.2	9.0	5.9	3.1	7.5	0.3	1.2
Jul	2 470 307	14 532	8.5	4.5	9.1	10.1	7.6	8.9	10.1	9.8	0.5	8.0	5.2	2.8	6.7	0.2	1.2
Aug	2 485 857	14 392	8.4	5.8	8.7	9.9	7.0	8.4	10.0	10.3	0.7	7.6	5.0	2.6	6.3	0.2	1.2
Sep	2 499 554	11 262	8.1	6.8	8.3	9.6	6.5	7.8	6.9	11.8	0.8	7.3	4.9	2.4	5.8	0.1	1.4
Oct	2 502 734	1 705	8.0	10.5	7.7	9.2	5.7	7.4	6.7	9.6	1.2	6.8	4.7	2.1	5.6	0.1	1.1
Nov	2 517 470	15 018	7.6	13.3	6.8	8.3	4.9	6.4	12.4	8.8	1.5	6.1	4.2	1.8	4.8	0.2	1.0
Dec	2 547 314	32 147	7.6	18.2	6.1	7.4	4.4	5.6	12.1	8.8	2.1	5.4	3.8	1.6	4.2	0.2	1.1
09 *Jan*	2 530 472	-19 668	6.3	12.7	5.5	6.8	3.7	4.9	17.9	7.8	1.5	4.9	3.5	1.4	3.7	0.3	0.9
Feb	2 554 460	24 285	6.8	20.2	5.1	6.6	2.8	4.2	22.0	8.4	2.4	4.5	3.4	1.1	3.1	0.3	1.0
Mar	2 567 763	13 864	6.7	22.7	4.5	6.2	2.2	3.3	26.5	9.3	2.7	4.0	3.2	0.8	2.5	0.4	1.1
Apr P	2 576 009	8 826	6.8	26.6	4.3	6.2	1.6	2.9	24.4	10.2	3.0	3.8	3.2	0.6	2.2	0.4	1.2
May P	2 587 575	12 175	6.4	28.9	3.5	5.3	0.9	2.2	18.0	9.7	3.4	3.1	2.8	0.3	1.6	0.3	1.2
Jun P	2 603 811	13 748	5.8	33.4	2.1	3.3	0.5	0.8	12.9	8.7	3.9	1.9	1.7	0.2	0.6	0.2	1.1
Jul P	2 609 151	6 241	5.4	36.7	1.5	2.4	0.2	-0.0	26.2	7.4	4.2	1.2	1.1	0.1	-0.0	0.4	0.8
Aug P	2 611 603	2 847	4.9	34.1	1.1	1.8	0.0	-0.5	24.2	8.0	4.1	0.8	0.8	0.0	-0.4	0.4	0.8

FINANCING OF NON-FINANCIAL SECTORS
Annual percentage change



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



Source: BE.

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

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

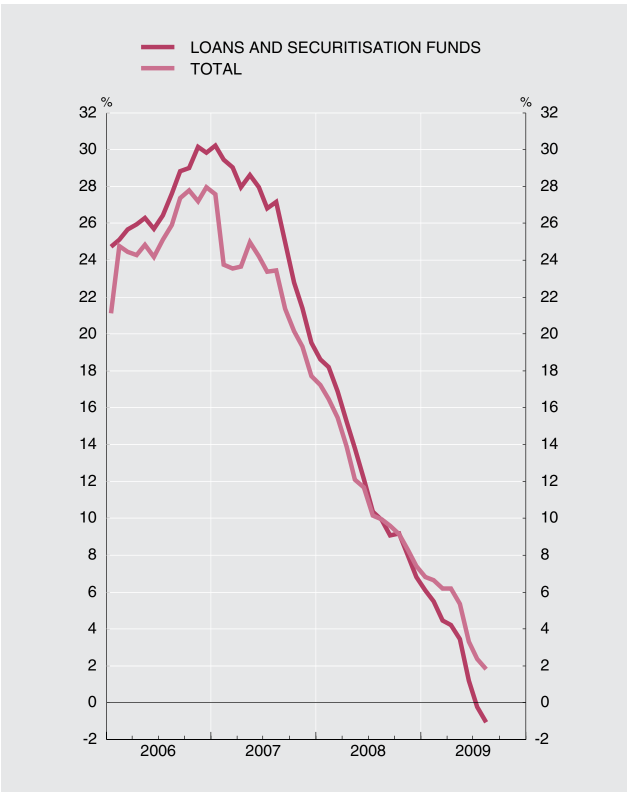
8.6. FINANCING OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

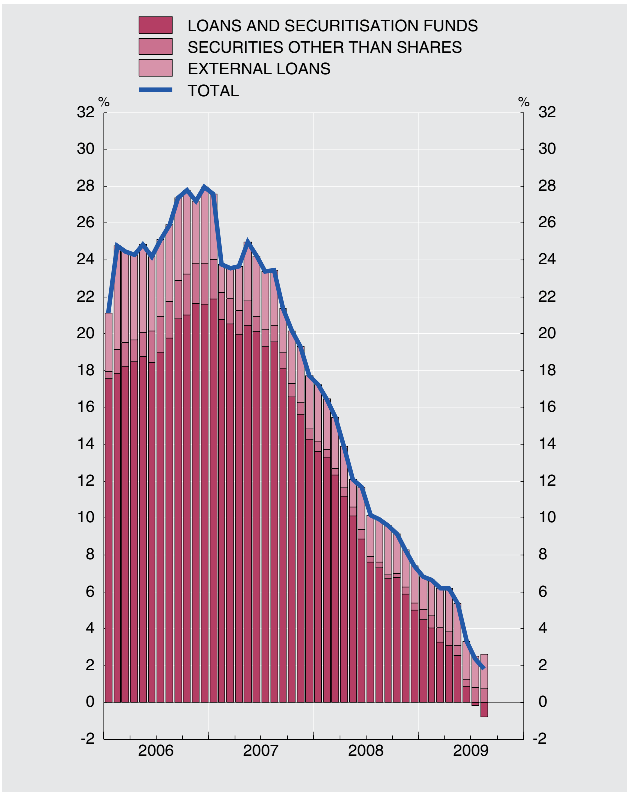
EUR millions and %

	Total			Resident credit institutions' loans and off-balance-sheet securitised loans			Securities other than shares (b)				External loans			Memorandum items: off-balance-sheet securitised loans
	Stocks	Effective flow	Annual growth rate	Stocks	Annual growth rate	Contribution to col.3	Stocks	of which: Issues by resident financ. subsid.	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	
	1	2	3 ■	4	5 ■	6 ■	7	8	9	10 ■	11	12	13 ■	14
06	1 024 589	222 911	27.9	750 137	29.8	21.6	30 934	19 370	134.2	2.2	243 518	15.9	4.1	3 230
07	1 215 217	181 572	17.7	895 668	19.5	14.3	36 636	23 056	18.4	0.6	282 913	12.1	2.9	2 678
08	1 306 632	90 017	7.4	954 134	6.8	5.0	41 076	25 648	12.1	0.4	311 421	8.7	2.0	2 060
08 *May*	1 253 321	6 933	12.1	924 039	13.8	10.1	38 228	24 195	17.4	0.5	291 054	6.2	1.5	2 500
Jun	1 268 186	15 127	11.7	931 984	12.1	8.9	39 409	25 408	18.0	0.5	296 793	9.6	2.3	2 422
Jul	1 278 441	15 505	10.1	941 095	10.4	7.6	39 536	25 433	10.1	0.3	297 810	9.5	2.2	2 351
Aug	1 278 297	-1 383	9.9	939 387	9.9	7.3	39 486	25 439	10.0	0.3	299 424	10.0	2.3	2 205
Sep	1 291 287	10 230	9.6	946 651	9.1	6.7	38 937	24 751	6.9	0.2	305 699	11.6	2.7	2 187
Oct	1 300 876	7 952	9.2	952 803	9.2	6.8	39 275	25 132	6.7	0.2	308 797	9.4	2.2	2 103
Nov	1 303 717	2 979	8.3	952 583	8.0	5.9	41 199	26 580	12.4	0.4	309 935	8.6	2.0	2 075
Dec	1 306 632	4 741	7.4	954 134	6.8	5.0	41 076	25 648	12.1	0.4	311 421	8.7	2.0	2 060
09 *Jan*	1 311 396	1 800	6.8	954 548	6.1	4.5	43 266	27 882	17.9	0.5	313 582	7.7	1.8	1 944
Feb	1 313 259	1 971	6.6	953 408	5.5	4.0	44 684	30 002	22.0	0.7	315 167	8.3	1.9	1 900
Mar	1 315 944	2 540	6.2	952 533	4.4	3.3	45 428	30 788	26.5	0.8	317 982	9.2	2.1	1 788
Apr	P 1 323 919	8 528	6.2	955 133	4.2	3.1	45 778	31 893	24.4	0.7	323 008	10.1	2.3	2 798
May	P 1 320 583	-2 974	5.3	953 241	3.5	2.5	45 105	31 520	18.0	0.5	322 237	9.7	2.2	2 498
Jun	P 1 313 734	-9 937	3.3	940 241	1.2	0.9	44 479	31 731	12.9	0.4	329 014	8.7	2.0	1 560
Jul	P 1 317 163	3 826	2.4	936 112	-0.2	-0.2	49 908	35 958	26.2	0.8	331 143	7.4	1.7	1 476
Aug	P 1 308 725	-8 302	1.8	926 399	-1.1	-0.8	49 055	35 415	24.2	0.7	333 272	7.9	1.9	1 431

FINANCING OF NON-FINANCIAL CORPORATIONS
Annual percentage change



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



Source: BE.

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

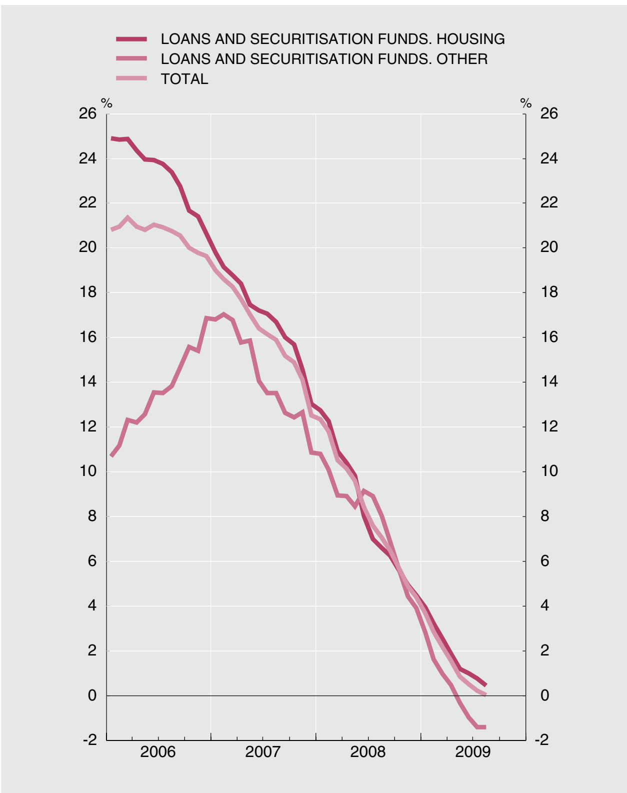
b. Includes issues of resident financial subsidiaries of non-financial corporations, insofar as the funds raised in these issues are routed to the parent company as loans. The issuing institutions of these financial instruments are classified as Other financial intermediaries in the Boletín Estadístico and in the Financial Accounts of the Spanish Economy.

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

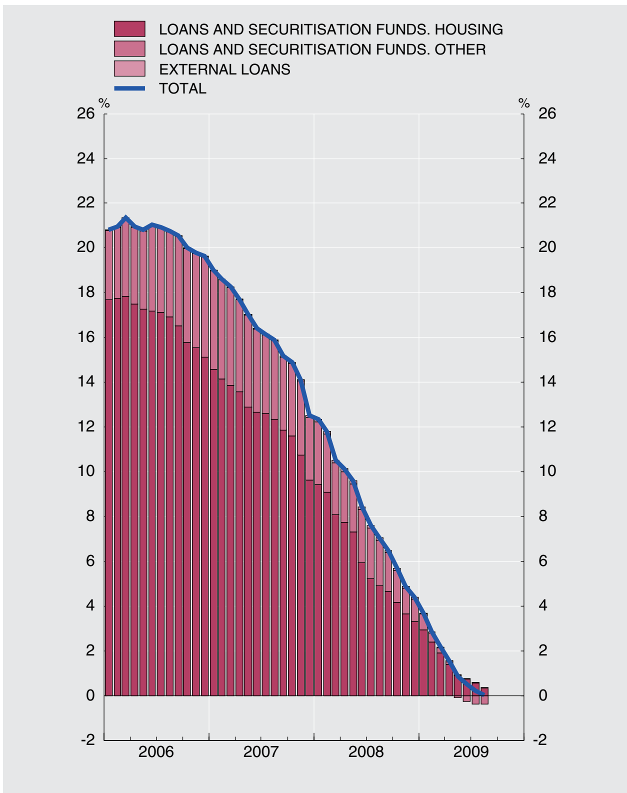
■ Series depicted in chart. *EUR millions and %*

	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
06	778 372	127 886	19.6	575 676	20.6	15.1	201 522	16.9	4.5	1 175	26.7	0.0	26 937	3 421
07	874 405	97 497	12.5	650 116	13.0	9.6	222 510	10.9	2.8	1 778	51.4	0.1	26 576	5 625
08	910 536	38 385	4.4	678 448	4.5	3.3	229 712	3.9	1.0	2 375	33.6	0.1	23 304	4 436
08 *May*	897 841	5 328	9.6	668 514	9.8	7.3	227 046	8.5	2.2	2 281	77.5	0.1	25 026	5 325
Jun	906 874	9 382	8.4	670 109	8.0	6.0	234 471	9.1	2.4	2 294	76.3	0.1	24 823	5 298
Jul	907 208	378	7.6	672 880	7.0	5.2	232 020	8.9	2.3	2 308	68.0	0.1	24 407	5 685
Aug	906 863	-264	7.0	674 196	6.6	4.9	230 359	8.0	2.0	2 309	57.2	0.1	23 942	5 444
Sep	907 457	920	6.5	675 999	6.3	4.7	229 140	6.9	1.7	2 318	52.6	0.1	24 041	4 830
Oct	909 428	2 133	5.7	677 415	5.6	4.2	229 666	5.6	1.4	2 347	46.7	0.1	23 427	4 617
Nov	915 349	6 065	4.9	678 952	4.9	3.7	234 039	4.4	1.1	2 358	41.7	0.1	23 515	4 540
Dec	910 536	-4 336	4.4	678 448	4.5	3.3	229 712	3.9	1.0	2 375	33.6	0.1	23 304	4 436
09 *Jan*	907 814	-2 584	3.7	678 335	4.0	2.9	226 980	2.8	0.7	2 499	14.5	0.0	23 179	4 319
Feb	904 845	-2 779	2.8	677 745	3.2	2.4	224 579	1.6	0.4	2 521	15.2	0.0	23 054	4 217
Mar	902 735	-1 404	2.2	676 851	2.6	1.9	223 327	1.0	0.2	2 557	14.6	0.0	25 356	4 497
Apr P	903 797	1 087	1.6	676 964	1.9	1.4	224 264	0.5	0.1	2 569	14.3	0.0	25 015	4 798
May P	902 673	-877	0.9	675 846	1.2	0.9	224 247	-0.3	-0.1	2 580	13.1	0.0	24 000	4 480
Jun P	908 464	6 391	0.5	675 955	1.0	0.7	229 919	-1.0	-0.2	2 590	12.9	0.0	24 392	4 369
Jul P	905 753	-2 206	0.2	677 005	0.8	0.6	226 133	-1.4	-0.4	2 614	13.3	0.0	24 218	4 224
Aug P	903 356	-2 138	0.0	676 324	0.5	0.4	224 394	-1.4	-0.4	2 639	14.3	0.0	24 029	4 097

FINANCING OF HOUSEHOLDS AND NPISHs
Annual percentage change



FINANCING OF HOUSEHOLDS AND NPISHs
Contributions to the annual percentage change



Source: BE.

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

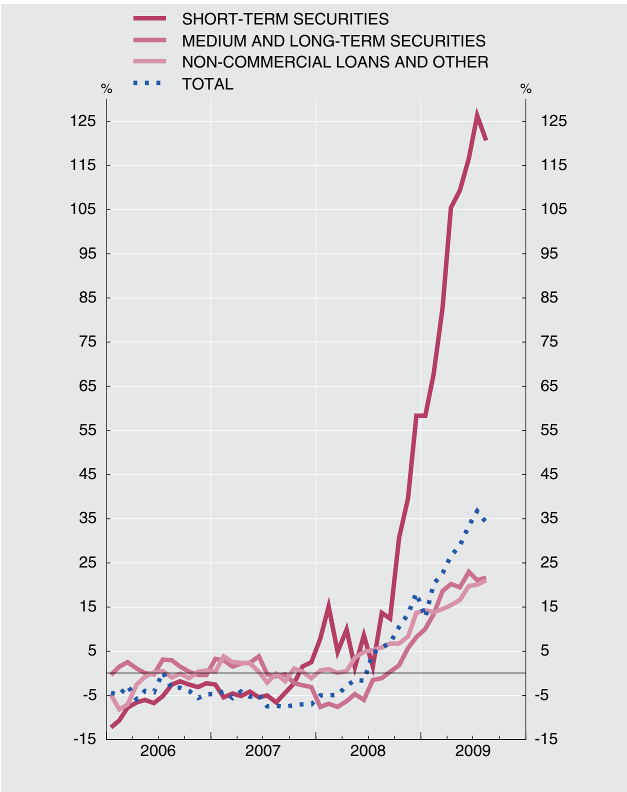
8.8. NET FINANCING OF SPAIN'S GENERAL GOVERNMENT

■ Series depicted in chart.

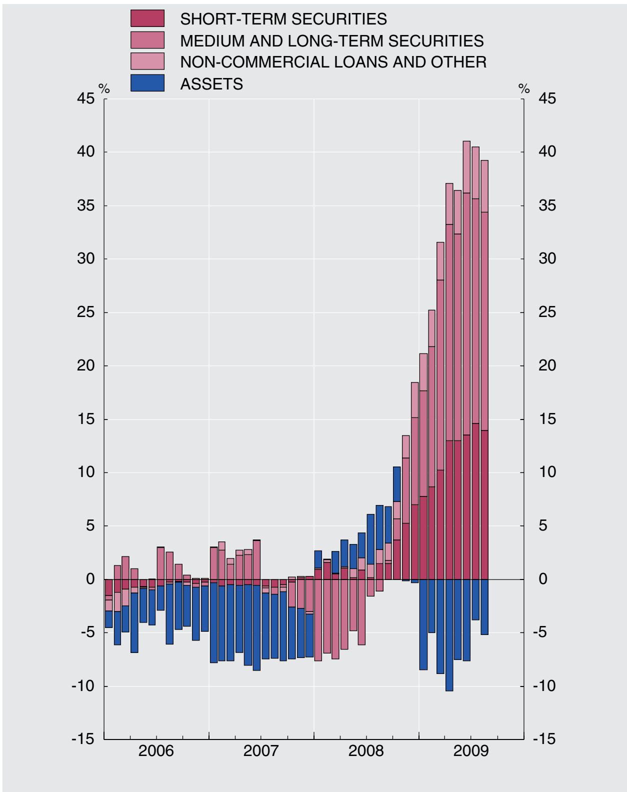
EUR millions and %

	Net financing			Monthly change in stocks						12-month % change in stocks					Contribution to 12-month % change in net stocks of liabilities			
				Liabilities (a)				Assets		Liabilities				Assets	Liabilities			Assets
	Net stock of liabilities	Monthly change (columns 4-8-9)	12-month % change of col. 1	Total	Securities: Short-term	Securities: Medium and long-term	Non-commercial loans and other (b)	Deposits at the Banco de Espana	Other deposits	Total	Securities: Short-term	Securities: Medium and long-term	Non-commercial loans and other (a)		Securities: Short-term	Securities: Medium and long-term	Non-commercial loans and other (a)	
	1	2	3 ■	4	5	6	7	8	9	10	11 ■	12 ■	13 ■	14	15 ■	16 ■	17 ■	18 ■
05	315 420	-9 053	-2.8	2 327	-4 042	7 366	-997	-695	12 075	0.6	-10.8	2.6	-1.5	17.7	-1.2	2.3	-0.3	-3.5
06	P 300 484	-14 936	-4.7	-1 596	-770	-1 217	391	1 780	11 560	-0.4	-2.3	-0.4	0.6	17.6	-0.2	-0.4	0.1	-4.2
07	P 279 429	-21 055	-7.0	-8 887	823	-9 001	-708	2 973	9 195	-2.3	2.5	-3.1	-1.0	13.7	0.3	-3.0	-0.2	-4.0
08	A 330 146	50 717	18.2	51 536	19 481	22 835	9 221	740	79	13.5	58.3	8.2	13.7	0.8	7.0	8.2	3.3	-0.3
08 *Mar*	A 284 466	4 614	-4.8	-4 058	-708	-3 606	257	-3 368	-5 304	-5.2	4.9	-7.6	0.1	-6.3	0.6	-7.4	0.0	2.0
Apr	A 275 079	-9 387	-2.8	2 210	-1 286	3 632	-137	2 833	8 764	-3.9	9.9	-6.3	0.4	-6.5	1.1	-6.5	0.1	2.5
May	A 282 553	7 474	-1.5	5 432	-321	4 808	945	1 913	-3 955	-2.8	1.4	-4.7	3.5	-6.2	0.2	-4.8	0.8	2.3
Jun	A 286 009	3 456	-1.7	2 145	-476	1 571	1 049	-355	-957	-3.0	8.6	-6.0	4.8	-6.5	0.9	-6.1	1.1	2.4
Jul	A 284 658	-1 351	4.5	1 729	-241	3 126	-1 156	-6 785	9 865	-0.1	1.5	-1.5	5.3	-11.0	0.2	-1.6	1.3	4.6
Aug	A 300 697	16 039	5.8	637	1 873	-899	-337	-2 929	-12 473	1.3	13.6	-1.1	5.8	-11.9	1.5	-1.1	1.3	4.1
Sep	A 300 810	113	6.8	10 367	2 531	6 856	980	2 646	7 608	2.4	12.4	0.3	6.8	-9.1	1.5	0.3	1.6	3.5
Oct	A 292 430	-8 380	10.5	-727	4 530	-5 917	660	19 739	-12 086	5.1	30.7	1.8	6.7	-7.5	3.7	1.9	1.7	3.2
Nov	A 298 404	5 974	13.3	19 540	6 851	11 820	869	4 542	9 024	9.3	39.6	5.7	8.3	0.3	5.2	6.1	2.1	-0.1
Dec	A 330 146	31 742	18.2	15 201	4 179	5 950	5 072	21 588	5 047	13.5	58.3	8.2	13.7	0.8	7.0	8.2	3.3	-0.3
09 *Jan*	A 311 261	-18 885	12.7	1 031	5 540	-4 659	150	6 810	13 105	15.6	58.3	10.1	14.3	23.7	7.8	9.9	3.5	-8.5
Feb	A 336 355	25 094	20.2	17 022	1 871	14 068	1 083	3 922	-11 994	18.6	67.7	13.3	13.8	14.1	8.7	13.1	3.4	-5.0
Mar	A 349 084	12 728	22.7	15 189	4 118	10 244	827	-2 259	4 720	23.9	82.8	18.6	14.6	27.6	10.3	17.8	3.5	-8.8
Apr	A 348 294	-789	26.6	14 406	5 335	8 687	384	11 305	3 890	27.0	105.4	20.2	15.4	28.0	13.0	20.2	3.8	-10.5
May	A 364 319	16 025	28.9	6 427	621	3 871	1 935	-9 383	-216	26.9	109.2	19.5	16.6	21.1	13.0	19.4	4.1	-7.5
Jun	A 381 614	17 294	33.4	16 636	1 446	11 699	3 491	-3 898	3 239	30.5	116.6	23.0	19.8	22.0	13.5	22.7	4.9	-7.6
Jul	A 389 239	7 625	36.7	-380	2 632	-1 790	-1 223	-7 638	-367	29.8	126.2	21.0	20.1	10.5	14.6	21.1	4.9	-3.8
Aug	A 403 103	13 864	34.1	3 257	2 300	641	316	3 873	-14 480	30.4	120.6	21.6	21.1	17.9	14.0	20.4	4.8	-5.2

NET FINANCING OF GENERAL GOVERNMENT
Annual percentage changes



NET FINANCING OF GENERAL GOVERNMENT
Contributions to the annual percentage change



Source: BE.
a.Consolidated: deducted securities and loans held by other General Government units.
b.Including coined money and Caja General de Depositos.

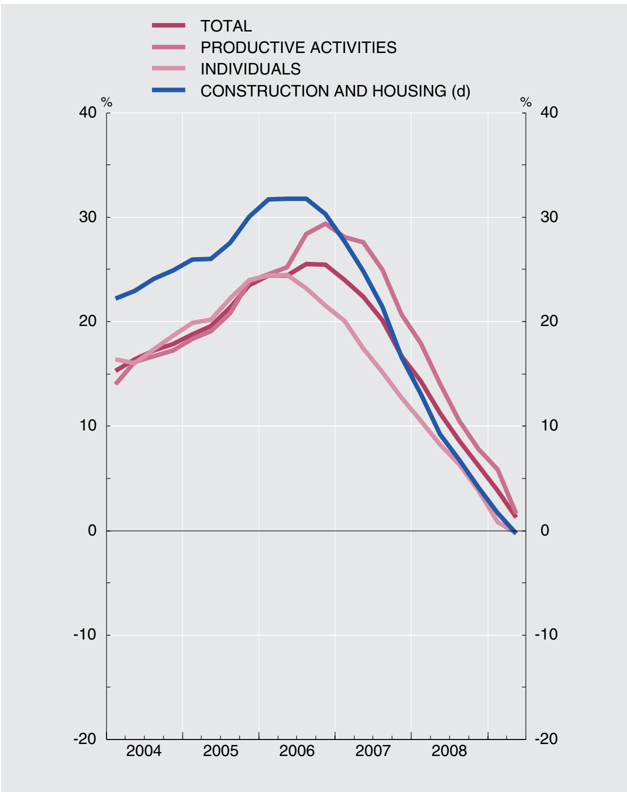
8.9 LENDING BY CREDIT INSTITUTIONS TO OTHER RESIDENT SECTORS. BREAKDOWN BY END-USE.

■ Series depicted in chart.

EUR millions and percentages

	Total (a)	Financing of productive activities: Total	Agricul-ture and fish-eries	Industry excluding construc-tion	Cons-truc-tion	Services: Total	Services: Of which Real estate activities	Financing of individuals: Total	Home purchases and improvements: Total	Home purchases and improvements: Of which Purchases	Pur-chases of consumer durables	Other (b)	Finan-cing of private non-profit institu-tions	Unclas-sified	Memo-randum item: cons-truction and housing (d)
	1 ■	2 ■	3	4	5	6	7	8 ■	9	10 ■	11 ■	12	13	14	15 ■
06	1 508 626	781 644	23 014	119 488	134 317	504 825	244 050	700 294	548 740	523 595	51 461	100 094	5 704	20 983	927 107
07	1 760 213	943 086	25 245	141 571	153 453	622 818	303 514	789 250	623 540	595 929	56 576	109 133	6 089	21 788	1 080 507
08	1 869 882	1 016 948	26 244	156 141	151 848	682 716	318 032	819 412	655 145	626 620	54 176	110 092	6 091	27 431	1 125 024
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	448 688	426 954	45 928	81 638	4 666	17 648	711 535
06 *Q1*	1 265 755	637 277	21 213	105 687	106 183	404 195	181 491	604 878	475 038	452 318	46 320	83 520	4 788	18 813	762 711
Q2	1 350 190	681 307	21 946	109 856	116 195	433 311	198 998	642 697	502 002	478 158	49 161	91 535	5 109	21 077	817 195
Q3	1 419 973	728 058	22 460	115 266	127 420	462 911	216 642	666 972	523 184	498 793	50 552	93 236	5 359	19 584	867 247
Q4	1 508 626	781 644	23 014	119 488	134 317	504 825	244 050	700 294	548 740	523 595	51 461	100 094	5 704	20 983	927 107
07 *Q1*	1 569 169	816 098	23 436	121 148	137 836	533 678	264 653	726 179	570 989	545 190	52 713	102 477	5 743	21 149	973 479
Q2	1 652 352	869 174	24 294	132 145	144 552	568 184	282 081	754 726	593 655	567 062	53 898	107 174	5 955	22 497	1 020 287
Q3	1 706 126	910 001	25 085	140 332	150 341	594 243	292 599	768 197	609 791	582 505	54 035	104 371	6 106	21 822	1 052 731
Q4	1 760 213	943 086	25 245	141 571	153 453	622 818	303 514	789 250	623 540	595 929	56 576	109 133	6 089	21 788	1 080 507
08 *Q1*	1 793 356	962 331	25 003	143 816	154 237	639 275	311 272	802 258	635 010	606 807	57 357	109 891	5 804	22 962	1 100 519
Q2	1 838 174	991 307	25 727	148 218	155 600	661 762	313 176	817 074	645 286	616 487	57 726	114 062	5 952	23 840	1 114 062
Q3	1 852 563	1 005 670	26 593	155 481	156 363	667 233	315 444	816 755	651 958	623 101	55 859	108 938	6 063	24 075	1 123 765
Q4	1 869 882	1 016 948	26 244	156 141	151 848	682 716	318 032	819 412	655 145	626 620	54 176	110 092	6 091	27 431	1 125 024
09 *Q1*	1 861 734	1 018 902	24 472	158 905	143 515	692 011	324 222	808 715	651 495	621 811	50 560	106 660	5 125	28 991	1 119 231
Q2	1 861 005	1 007 492	23 732	158 800	134 690	690 271	324 664	815 068	651 564	620 920	49 583	113 922	5 382	33 063	1 110 917

CREDIT BY END-USE
Annual percentage changes (c)



CREDIT TO INDIVIDUALS BY END-USE
Annual percentage changes (c)

SOURCE: BE.

a. Series obtained from information in the accounting statement established for the supervision of resident institutions. See the changes introduced in the October 2001 edition of the Boletín estadístico and Tables 4.13, 4.18 and 4.23 of the Boletin estadístico, which are published at www.bde.es.

b. Includes loans and credit to households for the purchase of land and rural property, the purchase of securities, the purchase of current goods and services not considered to be consumer durables (e.g. loans to finance travel expenses) and for various end-uses not included in the foregoing.

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

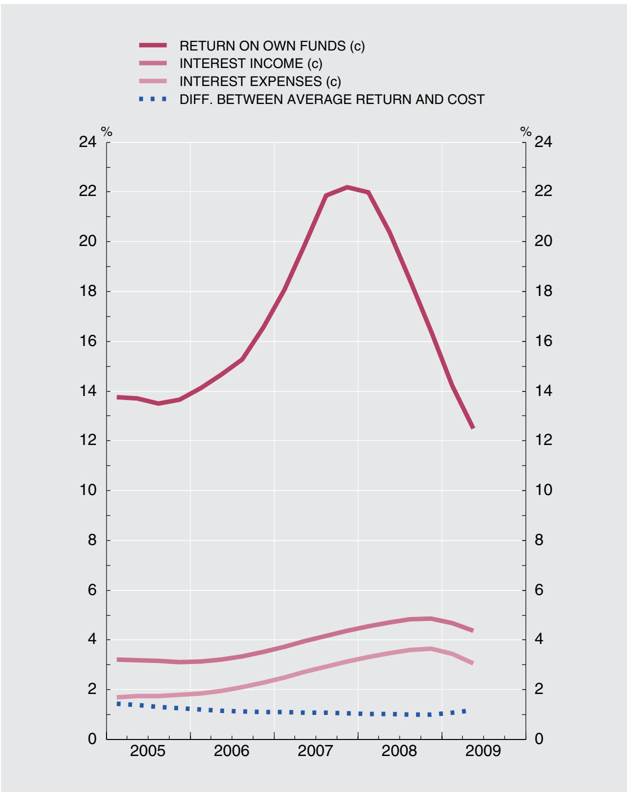
d. Including: construction, real estate activities and home purchases and improvements

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

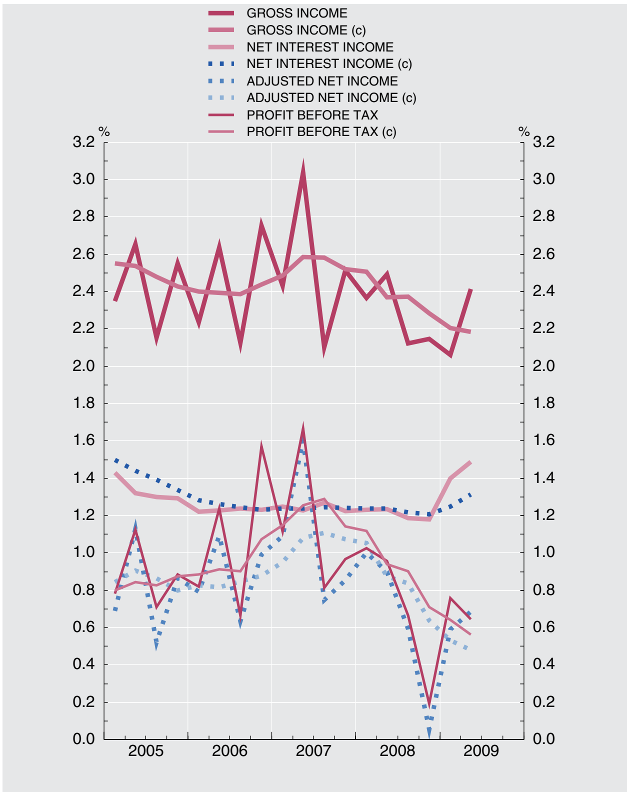
■ Series depicted in chart.

	As a percentage of the adjusted average balance sheet											Percentages			
	Interest income	Interest expenses	Net interest income	Return on equity instruments and non interest income	Gross income	Operating expenses:	Of which: Staff costs	Other operating income	Adjusted net income	Other net income	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	15 ■
06	3.8	2.6	1.2	1.5	2.8	1.2	0.7	0.6	1.0	0.6	1.6	19.5	3.7	2.6	1.1
07	4.7	3.5	1.2	1.3	2.5	1.1	0.7	0.6	0.9	0.4	1.0	20.8	4.6	3.6	1.0
08	4.8	3.6	1.2	1.0	2.1	1.0	0.6	1.1	0.1	0.3	0.2	12.5	5.1	4.2	1.0
06 *Q2*	3.4	2.2	1.2	1.4	2.6	1.2	0.7	0.4	1.1	0.2	1.2	16.0	3.4	2.2	1.2
Q3	3.6	2.4	1.2	0.9	2.1	1.1	0.7	0.4	0.6	0.0	0.7	15.9	3.5	2.4	1.1
Q4	3.8	2.6	1.2	1.5	2.8	1.2	0.7	0.6	1.0	0.6	1.6	19.5	3.7	2.6	1.1
07 *Q1*	4.1	2.8	1.2	1.2	2.4	1.1	0.7	0.2	1.1	0.0	1.1	20.9	3.9	2.8	1.1
Q2	4.3	3.0	1.2	1.8	3.0	1.1	0.7	0.4	1.6	0.1	1.7	23.3	4.2	3.1	1.1
Q3	4.5	3.2	1.3	0.8	2.1	1.1	0.6	0.3	0.7	0.1	0.8	23.7	4.4	3.3	1.1
Q4	4.7	3.5	1.2	1.3	2.5	1.1	0.7	0.6	0.9	0.4	1.0	20.8	4.6	3.6	1.0
08 *Q1*	4.8	3.5	1.2	1.1	2.4	1.0	0.6	0.3	1.0	0.0	1.0	20.1	4.8	3.8	1.0
Q2	4.9	3.6	1.2	1.3	2.5	1.0	0.6	0.6	0.9	0.1	1.0	16.9	5.0	3.9	1.0
Q3	5.0	3.8	1.2	0.9	2.1	1.0	0.6	0.5	0.6	0.1	0.7	16.1	5.1	4.1	1.0
Q4	4.8	3.6	1.2	1.0	2.1	1.0	0.6	1.1	0.1	0.3	0.2	12.5	5.1	4.2	1.0
09 *Q1*	4.1	2.7	1.4	0.7	2.1	0.9	0.6	0.5	0.6	0.3	0.8	11.4	5.0	3.9	1.1
Q2	3.5	2.1	1.5	0.9	2.4	0.9	0.6	0.8	0.7	0.2	0.6	10.0	4.7	3.5	1.2

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 averge return and cost.
c. Average of the last four quarters.

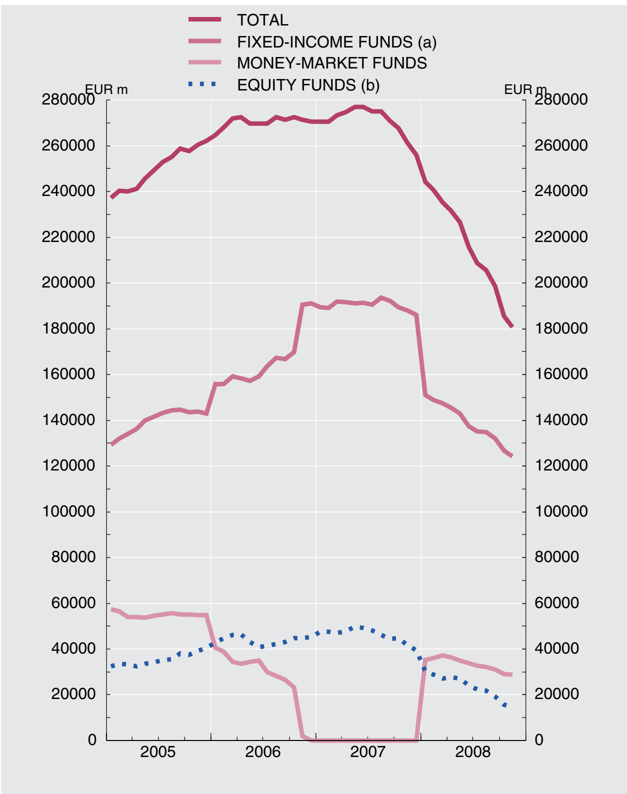
8.11. MUTUAL FUNDS RESIDENT IN SPAIN

■ Series depicted in chart.

EUR millions

	Total				Money-market funds				Fixed-income funds (a)				Equity funds (b)				Others funds (c)
	Net asset value	Of which		Return over last 12 months	Net asset value	Of which		Return over last 12 months	Net asset value	Of which		Return over last 12 months	Net asset value	Of which		Return over last 12 months	Net asset value
		Monthly change	Net funds invested			Monthly change	Net funds invested			Monthly change	Net funds invested			Monthly change	Net funds invested		
	1 ■	2	3	4 ■	5 ■	6	7	8 ■	9 ■	10	11	12 ■	13 ■	14	15	16 ■	17
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 *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
Nov	180 835	-4 593	-4 363	-4.6	28 810	-355	-427	...	124 111	-2 479	-2 854	0.1	14 708	-1 048	-496	-36.5	13 207

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

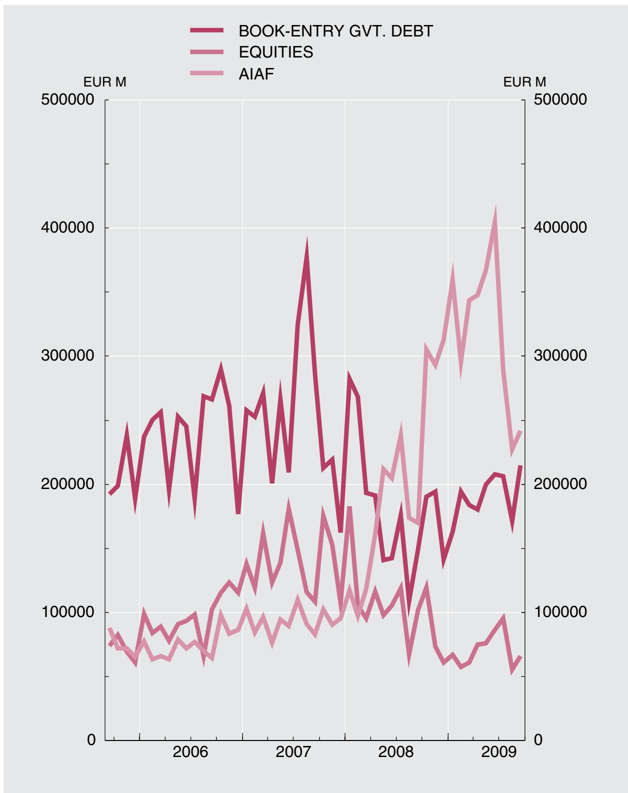
■ Series depicted in chart.

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
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		1 262.61	11 738.25	309.67	3 277.70	1 245 129	79 578	2 178 310	2 403 160	-	19 146	-	7 605
09	A	1 001.32	9 582.60	225.27	2 425.55	638 935	56 921	1 720 642	2 877 119	-	25 116	-	4 359
08 *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		975.97	9 195.80	222.81	2 451.48	61 062	5 536	141 215	312 823	...	2 854	...	455
09 *Jan*		898.03	8 450.40	207.09	2 236.98	66 689	6 020	162 791	359 649	...	2 541	...	437
Feb		803.92	7 620.90	184.27	1 976.23	57 487	7 863	194 144	295 515	...	1 817	...	443
Mar		820.67	7 815.00	191.62	2 071.13	60 788	5 780	183 641	343 513	...	3 820	...	522
Apr		935.85	9 038.00	220.27	2 375.34	74 828	7 017	180 362	347 866	...	2 310	...	563
May		975.73	9 424.30	227.48	2 451.24	75 889	7 271	199 822	367 038	...	1 754	...	457
Jun		1 016.66	9 787.80	223.02	2 401.69	86 272	5 753	207 861	404 790	...	3 984	...	531
Jul		1 131.04	10 855.10	243.92	2 638.13	95 572	5 654	206 118	289 376	...	2 363	...	516
Aug		1 187.30	11 365.10	257.84	2 775.17	55 638	4 336	171 127	227 500	...	2 090	...	423
Sep	P	1 229.35	11 756.10	269.14	2 872.63	65 772	7 226	214 777	241 874	...	4 438	...	469

SHARE PRICE INDICES
JAN 1994 = 100

TURNOVER ON SECURITIES MARKETS



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

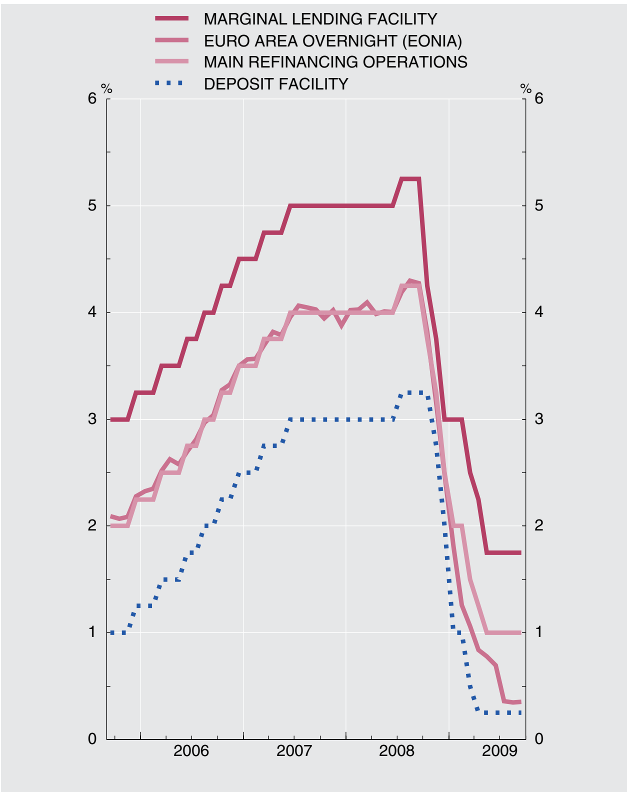
9.1. INTEREST RATES. EUROSYSTEM AND MONEY MARKET. EURO AREA AND SPAIN

■ Series depicted in chart.

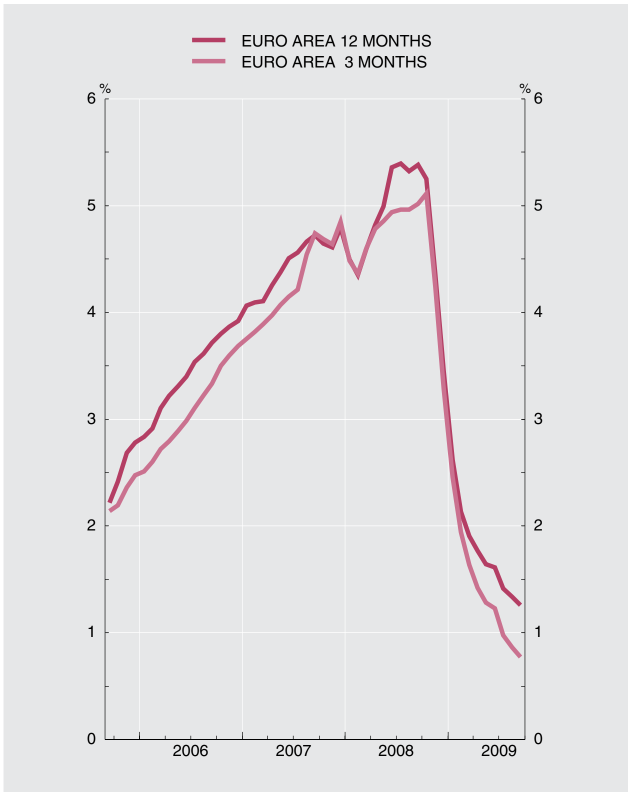
Averages of daily data. Percentages per annum

	Eurosystem monetary policy operations				Money market													
	Main refinancing operations: weekly tenders	Longer term refinancing operations: monthly tenders	Standing facilities		Euro area: deposits (Euribor) (a)					Spain								
			Marginal lending	Deposit						Non-transferable deposits					Government-securities repos			
					Overnight (EONIA)	1-month	3-month	6-month	1-year	Overnight	1-month	3-month	6-month	1-year	Overnight	1-month	3-month	1-year
	1 ■	2	3 ■	4 ■	5 ■	6	7 ■	8	9 ■	10	11	12	13	14	15	16	17	18
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
09 A	1.00	1.00	1.75	0.25	0.832	1.04	1.39	1.58	1.74	0.79	1.10	1.40	1.55	1.71	0.73	0.73	0.76	0.89
08 *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	-
09 *Jan*	2.00	2.00	3.00	1.00	1.812	2.14	2.46	2.54	2.62	1.75	2.25	2.37	2.27	2.38	1.60	1.50	1.37	-
Feb	2.00	2.00	3.00	1.00	1.257	1.63	1.94	2.03	2.14	1.27	1.76	1.98	2.05	2.18	1.16	1.13	1.04	1.18
Mar	1.50	1.50	2.50	0.50	1.062	1.27	1.64	1.78	1.91	1.03	1.33	1.62	1.77	1.89	0.93	0.86	0.91	1.13
Apr	1.25	1.25	2.25	0.25	0.842	1.01	1.42	1.61	1.77	0.82	1.12	1.47	1.61	1.76	0.73	0.79	0.81	-
May	1.00	1.00	1.75	0.25	0.782	0.88	1.28	1.48	1.64	0.71	0.96	1.30	1.49	-	0.67	0.70	0.73	-
Jun	1.00	1.00	1.75	0.25	0.698	0.91	1.23	1.44	1.61	0.66	0.91	1.26	1.45	1.51	0.66	0.70	0.72	-
Jul	1.00	1.00	1.75	0.25	0.358	0.61	0.97	1.21	1.41	0.30	0.59	0.95	1.18	1.41	0.26	0.36	0.45	0.55
Aug	1.00	1.00	1.75	0.25	0.347	0.51	0.86	1.12	1.33	0.30	0.52	0.86	1.10	1.34	0.26	0.29	0.41	-
Sep	1.00	1.00	1.75	0.25	0.355	0.46	0.77	1.04	1.26	0.32	0.51	0.80	1.08	1.26	0.29	0.30	0.38	0.74

EUROSYSTEM: MONETARY POLICY OPERATIONS AND EURO AREA OVERNIGHT DEPOSITS



INTERBANK MARKET: EURO AREA 3-MONTH AND 1-YEAR RATES



Source: ECB (columns 1 to 8).

a. To December 1998, synthetic euro area rates have been calculated on the basis of national rates weighted by GDP

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

■ Series depicted in chart. *Percentages per annum*

	Short-term securities: One-year Treasury bills: Marginal rate at issue (1 ■)	Short-term securities: One-year Treasury bills: Secondary market: outright spot purchases between market members (2)	Short-term securities: One-year commercial paper: Rate at issue (3 ■)	Short-term securities: One-year commercial paper: Secondary market: outright spot purchases (4)	Long-term securities: Central Government debt: Marginal rate at issue: 3-year bonds (5)	Long-term securities: Central Government debt: Marginal rate at issue: 5-year bonds (6)	Long-term securities: Central Government debt: Marginal rate at issue: 10-year bonds (7)	Long-term securities: Central Government debt: Marginal rate at issue: 15-year bonds (8)	Long-term securities: Central Government debt: Marginal rate at issue: 30-year bonds (9)	Long-term securities: Central Government debt: Secondary market. Book-entry debt. Outright spot purchases between market members: At 3-years (10 ■)	Long-term securities: Central Government debt: Secondary market. Book-entry debt. Outright spot purchases between market members: At 10-years (11 ■)	Long-term securities: Private bonds with a maturity of over two years traded on the AIAF (12 ■)
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
09 A	1.08	1.04	1.77	1.82	2.31	3.02	4.03	4.51	4.86	2.32	4.03	3.53
08 *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
09 *Jan*	1.45	1.46	2.67	2.78	3.10	3.44	-	4.50	4.85	2.87	4.15	5.00
Feb	1.30	1.25	2.14	2.24	2.45	3.50	3.84	-	4.96	2.67	4.23	3.30
Mar	1.30	1.23	1.99	1.99	2.52	3.01	4.22	-	4.96	2.49	4.06	3.37
Apr	1.27	1.11	1.77	1.82	2.52	3.05	4.08	4.53	-	2.29	4.01	3.20
May	0.95	0.95	1.74	1.73	2.05	2.88	3.72	-	4.80	2.19	4.05	3.24
Jun	1.07	0.96	1.65	1.65	-	3.06	4.42	-	4.92	2.34	4.24	3.35
Jul	0.84	0.83	1.37	1.48	-	3.11	-	4.51	-	2.04	4.01	3.25
Aug	0.85	0.79	1.42	1.38	2.06	2.39	-	-	-	2.12	3.78	3.82
Sep	0.73	0.78	1.24	1.32	1.53	2.80	3.88	-	4.70	1.90	3.80	3.26

PRIMARY MARKET

SECONDARY MARKET

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

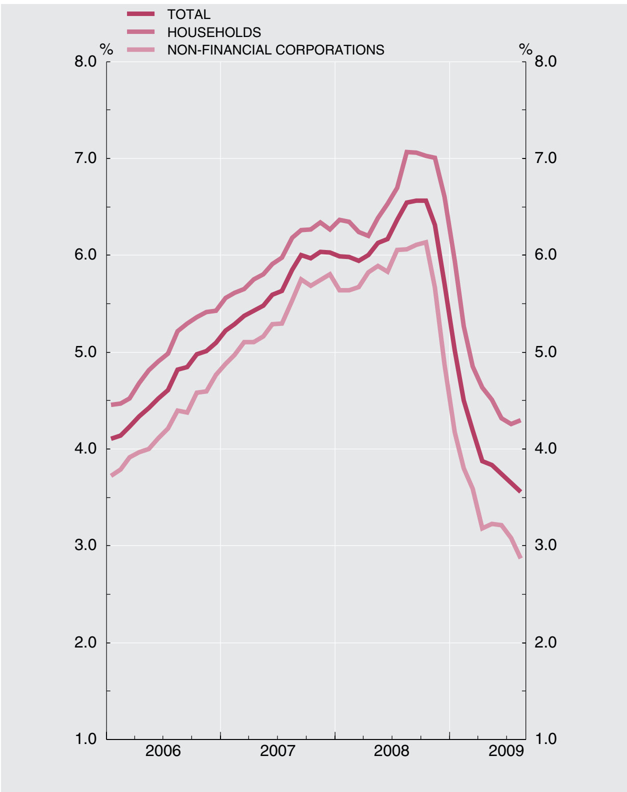
9.3. INTEREST RATES ON NEW BUSINESS. CREDIT INSTITUTIONS. (CBE 4/2002) SDDS (a)

■ Series depicted in chart.

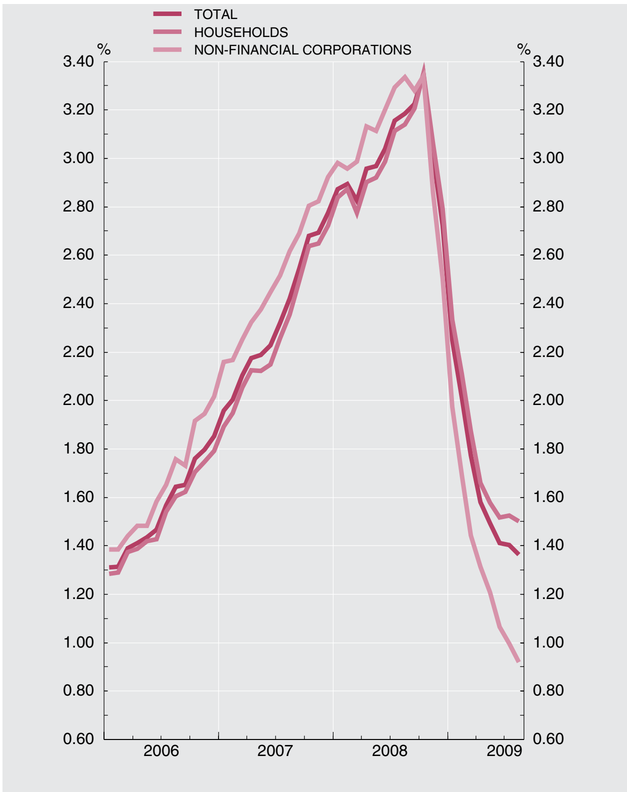
Percentages

		Loans (APRC) (b)							Deposits (NDER) (b)								
		Synthetic rate (d)	Households and NPISH			Non-financial corporations			Synthetic rate (d)	Households and NPISH				Non-financial corporations			
			Synthetic rate	House purchase	Consumption and other	Synthetic rate	Up to EUR 1 million	Over EUR 1 million (c)		Synthetic rate	Overnight and redeemable at notice	Time	Repos	Synthetic rate	Overnight	Time	Repos
		1 ■	2 ■	3	4	5 ■	6	7	8 ■	9 ■	10	11	12	13 ■	14	15	16
07		6.03	6.27	5.53	8.38	5.80	6.32	5.50	2.77	2.72	0.70	4.41	3.72	2.92	1.94	4.42	3.92
08		5.70	6.61	5.83	8.83	4.87	5.91	4.42	2.72	2.79	0.69	4.18	2.20	2.50	1.77	3.47	2.29
09	A	3.56	4.30	2.99	8.16	2.87	4.44	2.26	1.37	1.50	0.42	2.31	0.35	0.92	0.65	1.31	0.28
08 *Jan*		5.99	6.37	5.56	8.68	5.64	6.24	5.23	2.87	2.84	0.72	4.52	3.77	2.98	1.96	4.43	3.94
Feb		5.98	6.35	5.59	8.53	5.64	6.13	5.23	2.89	2.87	0.74	4.51	3.81	2.96	1.97	4.27	4.02
Mar		5.94	6.24	5.43	8.59	5.67	6.17	5.28	2.83	2.78	0.76	4.31	3.84	2.99	1.92	4.36	4.04
Apr		6.00	6.20	5.38	8.58	5.82	6.35	5.42	2.96	2.90	0.77	4.47	3.82	3.13	1.97	4.55	4.02
May		6.13	6.39	5.55	8.82	5.89	6.45	5.50	2.97	2.92	0.78	4.50	3.84	3.11	1.97	4.51	4.06
Jun		6.17	6.53	5.72	8.82	5.83	6.50	5.50	3.04	2.99	0.75	4.64	3.88	3.20	2.04	4.59	4.07
Jul		6.36	6.70	5.94	8.85	6.06	6.64	5.71	3.16	3.11	0.78	4.79	4.04	3.29	2.09	4.71	4.24
Aug		6.55	7.07	6.18	9.62	6.06	6.67	5.74	3.19	3.14	0.79	4.78	4.08	3.34	2.20	4.65	4.34
Sep		6.56	7.06	6.21	9.52	6.11	6.70	5.70	3.22	3.21	0.80	4.84	4.07	3.28	2.13	4.71	4.21
Oct		6.56	7.02	6.21	9.39	6.14	6.97	5.66	3.35	3.35	0.77	5.04	3.34	3.34	2.25	4.67	3.42
Nov		6.31	7.01	6.18	9.35	5.66	6.56	5.11	3.01	3.06	0.73	4.60	2.72	2.86	2.00	3.98	2.88
Dec		5.70	6.61	5.83	8.83	4.87	5.91	4.42	2.72	2.79	0.69	4.18	2.20	2.50	1.77	3.47	2.29
09 *Jan*		5.02	5.94	4.97	8.77	4.17	5.40	3.60	2.25	2.33	0.61	3.47	1.56	1.97	1.39	2.75	1.59
Feb		4.50	5.27	4.35	7.97	3.80	5.06	3.15	2.01	2.11	0.60	3.12	1.14	1.69	1.27	2.30	1.18
Mar		4.19	4.85	3.91	7.63	3.59	4.84	2.97	1.77	1.87	0.55	2.76	0.89	1.44	1.01	2.03	0.94
Apr		3.87	4.63	3.55	7.82	3.18	4.69	2.56	1.58	1.66	0.49	2.46	0.74	1.31	0.87	1.90	0.76
May		3.84	4.51	3.36	7.90	3.23	4.62	2.57	1.49	1.58	0.46	2.38	0.64	1.21	0.79	1.77	0.70
Jun		3.74	4.32	3.16	7.62	3.22	4.69	2.67	1.41	1.52	0.42	2.34	0.67	1.06	0.65	1.60	0.70
Jul		3.65	4.26	3.07	7.72	3.08	4.56	2.48	1.40	1.52	0.41	2.37	0.35	1.00	0.62	1.50	0.33
Aug	P	3.56	4.30	2.99	8.16	2.87	4.44	2.26	1.37	1.50	0.42	2.31	0.35	0.92	0.65	1.31	0.28

LOANS
SYNTHETIC RATES



DEPOSITS
SYNTHETIC RATES



Source: BE.

a. This table is included among the IMF's requirements to meet the Special Data Dissemination Standards (SDDS)

b. APRC: annual percentage rate of charge. NEDR: narrowly defined effective rate, which is the same as the APRC without including commissions.

c. Calculated by adding to the NDER rate, which does not include commissions and other expenses, a moving average of such expenses.

d. 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.

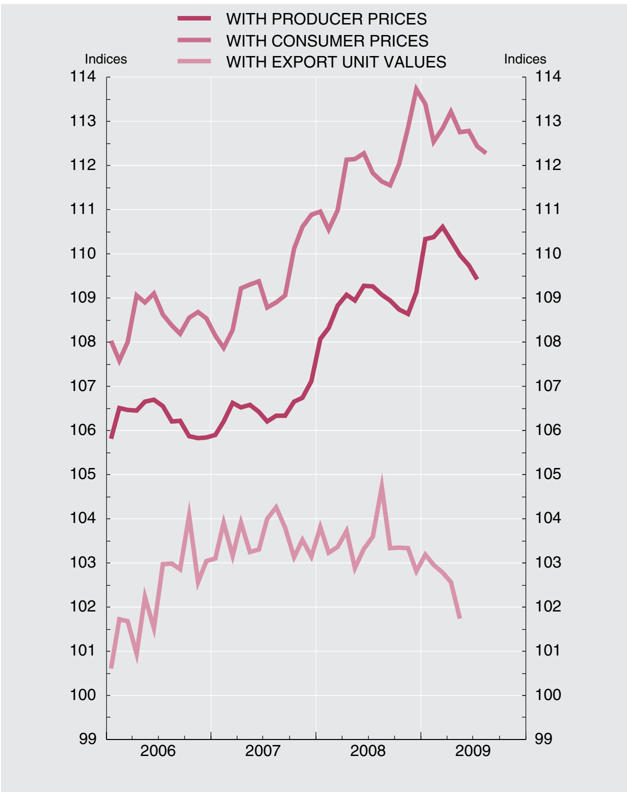
9.4 INDICES OF SPANISH COMPETITIVENESS VIS-à-VIS THE EU-27 AND THE EURO AREA

■ Series depicted in chart.

Base 1999 QI = 100

	Vis-à-vis the EU-27									Vis-à-vis the euro area				
	Total (a)				Nominal component (b)	Price component (c)				Based on producer prices	Based on consumer prices	Based on total unit labour costs	Based on manufacturing unit labour costs (d)	Based on export unit values
	Based on producer prices	Based on consumer prices	Based on total unit labour costs	Based on export unit values		Based on producer prices	Based on consumer prices	Based on total unit labour costs	Based on export unit values					
	1 ■	2 ■	3	4 ■	5	6	7	8	9	10 ■	11 ■	12	13	14 ■
06	106.3	108.5	109.2	102.3	100.0	106.3	108.5	109.3	102.3	106.3	108.6	110.2	118.4	103.9
07	106.5	109.2	111.1	103.5	99.9	106.6	109.3	111.2	103.6	106.6	109.5	112.7	123.2	104.9
08	108.9	111.9	114.3	103.5	101.5	107.2	110.2	112.6	101.9	107.7	110.6	114.1	125.3	104.7
07 *Q3*	106.3	108.9	111.1	104.0	99.8	106.4	109.1	111.2	104.2	106.5	109.3	112.8	123.9	105.4
Q4	106.8	110.5	112.1	103.3	100.3	106.6	110.3	111.8	103.0	106.7	110.5	113.4	126.0	104.7
08 *Q1*	108.4	110.8	114.5	103.5	101.0	107.4	109.8	113.4	102.5	107.6	110.0	115.0	124.2	104.8
Q2	109.1	112.2	114.9	103.3	101.4	107.6	110.7	113.3	101.9	108.1	111.0	114.9	127.1	104.7
Q3	109.1	111.7	114.1	103.9	101.3	107.7	110.2	112.6	102.5	108.2	110.6	114.2	127.4	105.3
Q4	108.8	112.9	113.7	103.2	102.3	106.4	110.3	111.1	100.8	107.1	110.8	112.5	122.6	103.8
09 *Q1*	110.4	112.9	112.5	103.0	103.7	106.5	108.9	108.5	99.3	107.6	109.5	109.7	116.0	103.5
Q2	110.0	112.9	112.9	...	103.2	106.6	109.4	109.4	...	107.8	110.0	110.6	119.3	...
08 *Dec*	109.1	113.7	...	102.8	103.3	105.6	110.0	...	99.5	106.4	110.5	...	...	103.0
09 *Jan*	110.3	113.4	...	103.2	103.7	106.4	109.4	...	99.5	107.4	109.9	...	...	103.6
Feb	110.4	112.5	...	103.0	103.5	106.7	108.8	...	99.5	107.8	109.3	...	...	103.6
Mar	110.6	112.8	...	102.8	103.9	106.4	108.6	...	98.9	107.7	109.1	...	...	103.4
Apr	110.3	113.2	...	102.6	103.5	106.6	109.4	...	99.1	107.8	110.0	...	...	103.4
May	110.0	112.8	...	101.7	103.2	106.5	109.2	...	98.5	107.8	109.9	...	...	102.7
Jun	109.7	112.8	...	...	103.0	106.6	109.5	...	...	107.8	110.2	...	...	...
Jul	109.4	112.4	...	...	102.9	106.3	109.2	...	...	107.6	110.0	...	...	...
Aug	...	112.3	...	...	102.8	...	109.3	...	...	...	110.0	...	...	...
Sep	...	...	...	...	103.1	...	...	...	...	...	...	...	...	...

INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EU-27



INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EURO AREA

Source: BE.

a. Outcome of multiplying nominal and cost/price components. A decline in the index denotes an improvement in the competitiveness of Spanish products.

b. Geometric mean calculated using a double weighting system based on 1995-1997 (until 1999) and 1999-2001 (since 1999) manufacturing foreign trade figures.

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

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

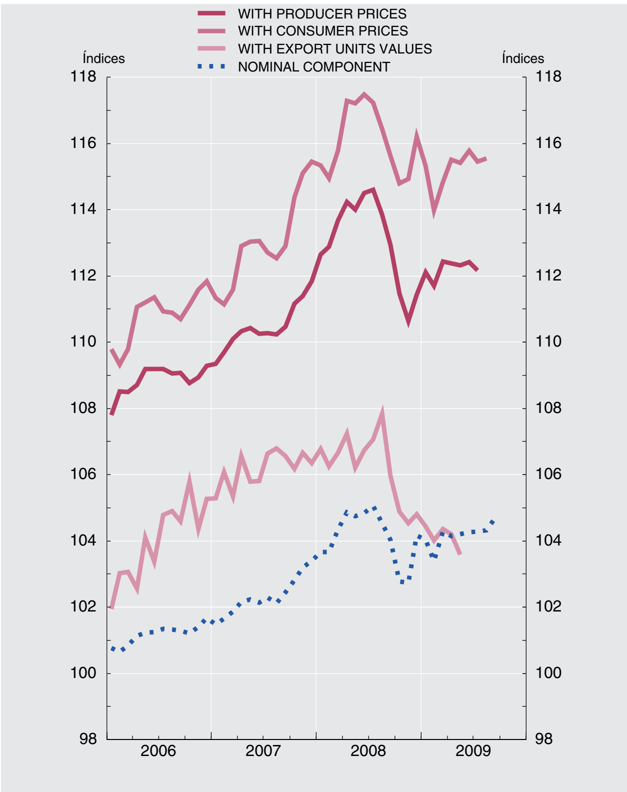
9.5 INDICES OF SPANISH COMPETITIVENESS VIS-à-VIS THE DEVELOPED COUNTRIES AND INDUSTRIALISED COUNTRIES

■ Series depicted in chart.

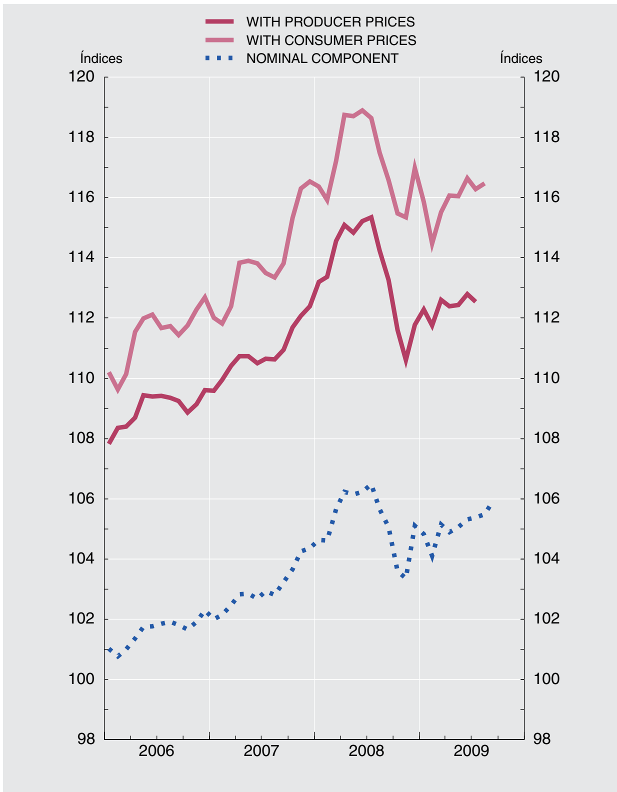
Base 1999 QI = 100

	Vis-à-vis developed countries									Vis-à-vis industrialised countries				
	Total (a)				Nominal 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 ■	5 ■	6	7	8	9	10 ■	11 ■	12 ■	13	14
06	108.9	110.8	120.9	104.0	101.2	107.6	109.5	119.5	102.8	109.0	111.4	101.6	107.3	109.7
07	110.5	113.0	126.7	106.2	102.3	108.0	110.5	123.8	103.8	110.9	113.9	103.0	107.6	110.6
08	113.1	116.1	131.5	106.2	104.1	108.6	111.5	126.3	102.0	113.6	117.2	105.2	107.9	111.4
07 *Q3*	110.3	112.7	127.1	106.7	102.3	107.9	110.2	124.3	104.3	110.7	113.6	103.0	107.5	110.3
Q4	111.5	115.0	130.5	106.4	103.1	108.1	111.5	126.5	103.2	112.0	116.1	104.1	107.7	111.5
08 *Q1*	113.1	115.4	129.5	106.6	103.9	108.8	111.0	124.7	102.6	113.7	116.5	105.0	108.3	111.0
Q2	114.2	117.3	134.0	106.7	104.8	109.0	111.9	127.8	101.8	115.0	118.8	106.2	108.3	111.9
Q3	113.8	116.4	134.3	107.0	104.5	108.9	111.4	128.4	102.3	114.3	117.6	105.7	108.1	111.2
Q4	111.2	115.3	128.4	104.7	103.2	107.7	111.7	124.4	101.5	111.3	115.9	104.0	107.0	111.5
09 *Q1*	112.1	114.7	123.0	104.3	103.9	107.9	110.4	118.3	100.3	112.2	115.3	104.7	107.2	110.1
Q2	112.4	115.6	127.0	...	104.2	107.8	110.9	121.9	...	112.5	116.3	105.1	107.1	110.6
08 *Dec*	111.4	116.2	...	104.8	104.2	107.0	111.6	...	100.6	111.8	117.0	105.1	106.4	111.3
09 *Jan*	112.1	115.3	...	104.4	104.0	107.8	110.8	...	100.4	112.3	115.9	104.8	107.1	110.5
Feb	111.7	114.0	...	104.0	103.4	108.0	110.2	...	100.6	111.7	114.5	104.1	107.3	110.0
Mar	112.4	114.8	...	104.4	104.3	107.8	110.1	...	100.1	112.6	115.5	105.2	107.1	109.8
Apr	112.4	115.5	...	104.2	104.1	107.9	110.9	...	100.1	112.4	116.1	104.9	107.1	110.6
May	112.3	115.4	...	103.6	104.2	107.8	110.8	...	99.4	112.4	116.1	105.1	107.0	110.5
Jun	112.4	115.8	...	...	104.3	107.8	111.0	...	...	112.8	116.7	105.3	107.1	110.8
Jul	112.2	115.5	...	...	104.3	107.6	110.7	...	...	112.5	116.3	105.4	106.8	110.3
Aug	...	115.6	...	...	104.3	...	110.8	...	...	...	116.5	105.5	...	110.4
Sep	...	...	...	...	104.7	...	...	...	...	...	...	106.0	...	...

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



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



Source: BE.

a. Outcome of multiplying nominal and cost/price components. A decline in the index denotes an improvement in the competitiveness of Spanish products.

b. Geometric mean calculated using a double weighting system based on 1995-1997 (until 1999) and 1999-2001 (since 1999) manufacturing foreign trade figures.

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

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

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