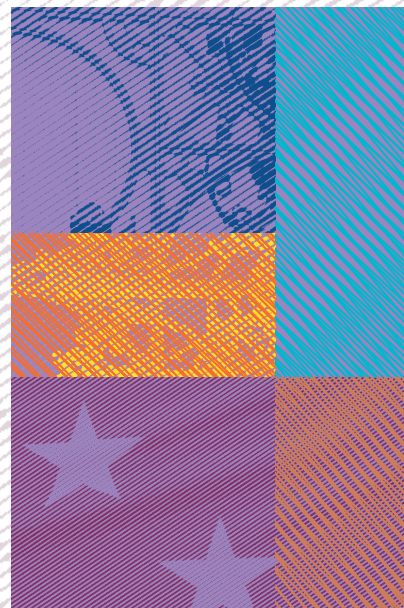


ECONOMIC BULLETIN

01/2011

BANCO DE ESPAÑA
Eurosistema



ECONOMIC BULLETIN JANUARY 2011

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© Banco de España, Madrid, 2011
ISSN: 1130 - 4987 (print)
ISSN: 1695 - 9086 (online)
Depósito legal: M. 31904 - 1990
Printed in Spain by Artes Gráficas Coyve, S. A.

ABBREVIATIONS

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

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	EUR (euro)
IE	Ireland	EUR (euro)
GR	Greece	EUR (euro)
ES	Spain	EUR (euro)
FR	France	EUR (euro)
IT	Italy	EUR (euro)
CY	Cyprus	EUR (euro)
LV	Latvia	LVL (Latvian lats)
LT	Lithuania	LTL (Lithuanian litas)
LU	Luxembourg	EUR (euro)
HU	Hungary	HUF (Hungarian forint)
MT	Malta	EUR (euro)
NL	Netherlands	EUR (euro)
AT	Austria	EUR (euro)
PL	Poland	PLN (Polish zloty)
PT	Portugal	EUR (euro)
RO	Romania	RON (new Romanian leu)
SI	Slovenia	EUR (euro)
SK	Slovakia	EUR (euro)
FI	Finland	EUR (euro)
SE	Sweden	SEK (Swedish krona)
UK	United Kingdom	GBP (Pound sterling)
JP	Japan	JPY (Japanese yen)
US	United States	USD (US dollar)

CONVENTIONS USED

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

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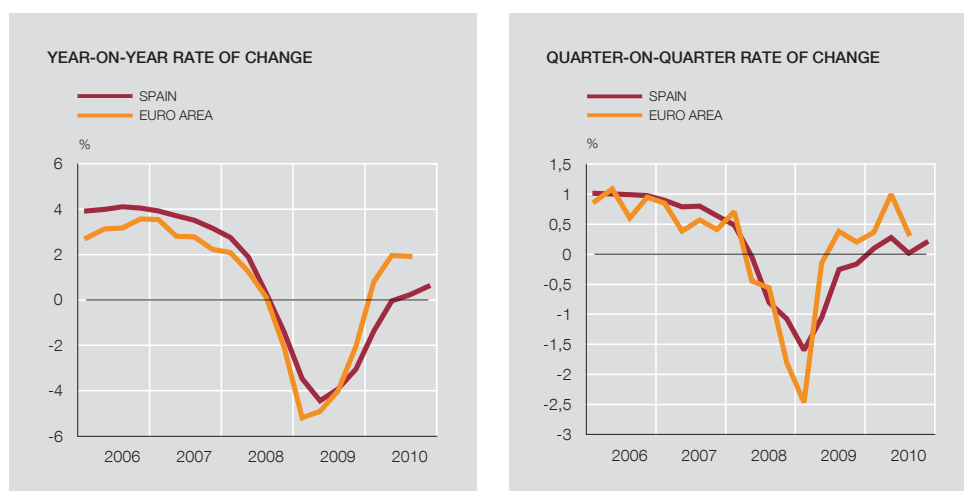
1 Overview

During 2010 the Spanish economy moved onto a mildly recovering path subject to some fluctuations as a result of the effect that certain temporary measures had on the course of domestic spending. Estimates based on the conjunctural information available suggest that the recovery continued in Q4, posting a quarter-on-quarter increase in GDP of 0.2%, entailing a rise of 0.6% in the year-on-year rate (see Chart 1). On the expenditure side, national demand fell off slightly (0.7% year-on-year) while the contribution of net external demand to GDP increased by 0.3 pp to 1.3 pp.

Despite this gradually improving pattern, GDP fell by 0.1% over the whole of 2010 owing to the effect of the significant fall-off in output in 2009 (-3.7%). The sluggishness of economic activity throughout the year is in contrast to the higher rates recorded in other euro area countries, which highlights the sharper effect of the crisis in Spain and the impact that the adjustment is exerting on growth rates in the short run. The decline in output in 2010 was the result of the fall in national demand (-1.2%), although this was far lower than the rate observed in 2009 (-6%) owing to the more favourable behaviour both of household consumption and of business investment, which posted positive growth rates for the year on average. Conversely, the public components of domestic demand fell back as a result of the budgetary consolidation measures, while the rate of decline of residential investment eased. Net external demand softened the impact of the contraction in domestic spending on activity, for the third year running, with an export-led, positive contribution of 1 pp, down on that of the previous year (2.7 pp).

On the supply side, services were more sustained. Adding to this was the slight rise in manufactures in the closing months, while the contraction in the value added of construction intensified owing to the more unfavourable behaviour of the non-residential construction segment. Overall, the subdued increase in output did not suffice to generate net employment, which continued to contract for the tenth consecutive quarter with a fall of 2.3%, weighed down by the unfavourable performance of non-residential construction but also by the difficulties in generating jobs in other activities. The labour supply rose somewhat during 2010, which also contributed to the increase in the unemployment rate, up to 20.3% in Q4 according to EPA figures. In this sluggish labour market setting, the increase in labour costs adjusted downwards in 2010, following a pattern of moderation which intensified in the second half of the year in the wake of the cut in public-sector wages. Lastly, inflation quickened during the year, up to a rate of change of 3% in December and placing the average increase in the CPI at 1.8% (compared with a decline of 0.3% in 2009) (see Chart 3). This was due to dearer oil prices in the final stretch of the year and to the effect of the tax rises under the set of fiscal consolidation measures adopted. In these circumstances, the increase in core inflation was somewhat less, standing at 1.6% year-on-year in December, while the inflation differential with the euro area widened to 0.7 pp that same month. According to the leading indicator for the CPI, the increase in consumer prices is expected to stand at 3.3% in January.

On the international economic front, tensions on European public debt markets worsened in the closing months of 2010 and the opening weeks of 2011. The epicentre of this episode was in Ireland, in light of the growing concerns over the consequences for Irish public finances of the prevailing extreme weakness of its financial system. But the effects spread rapidly to other euro area countries and interfered in the behaviour of the area's financial markets, widening sovereign spreads, raising volatility on equity markets and prompting a fresh depreciation of the euro, which has been partially reversed in recent weeks. At the end of November, the



SOURCES: ECB, INE and Banco de España.

a. Seasonally adjusted series.

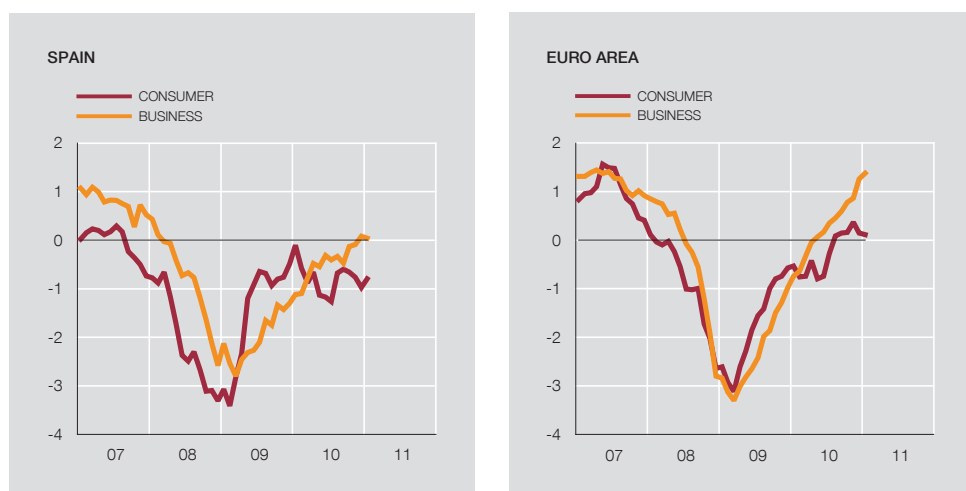
granting by the European authorities, in conjunction with the IMF, of the financial assistance requested by the Irish government (see Box 2) failed to dispel the uncertainty. As a result tensions have continued, though there has been some relief in recent weeks. The repercussion of these tensions on financial markets in the rest of the world was nevertheless limited, in contrast to the episode witnessed last spring.

The rising course of commodity prices steepened in late 2010 and the opening weeks of 2011. Oil prices at the end of January reached a two-year high (\$100 per barrel), as was the case with metal and food prices. In these circumstances, there has over recent quarters been a relatively widespread increase in inflation globally and a worsening outlook for the future course of prices in those countries most ahead in the cycle.

Global economic activity continued to recover, led by the strength of the emerging countries. Although the economic situation in the developed countries improved, doubts remain about the medium-term robustness of the recovery in numerous economies. In the euro area the pick-up proceeded at a moderate and uneven pace, in terms both of components (since it remained export-based) and of countries (where the momentum of the German economy contrasted with the slackness of the countries most affected by the sovereign debt crisis). Inflation rose significantly in the closing months of 2010, climbing to a year-on-year rate of 2.2% in December, the result of the increase in food and energy prices, meaning the core inflation rate held stable at a rate of close to 1%. Foreseeably, the temporary factors contained in the rise in inflation in recent months will not translate into underlying inflationary pressures given the substantial slack still existing in the economy and the moderation of wage increases.

The absence of inflationary pressures over the horizon relevant for economic policy led the ECB to maintain an accommodative monetary policy stance: official interest rates held at low levels and the non-conventional credit-support measures remained in place. The rise in debt market tensions meant that purchases of public debt on secondary markets were stepped up, through the Securities Market Programme.

As regards improving governance, the European Summit on 16-17 December agreed on the general principles of the future European Stability Mechanism, the permanent crisis-manage-



SOURCE: European Commission.

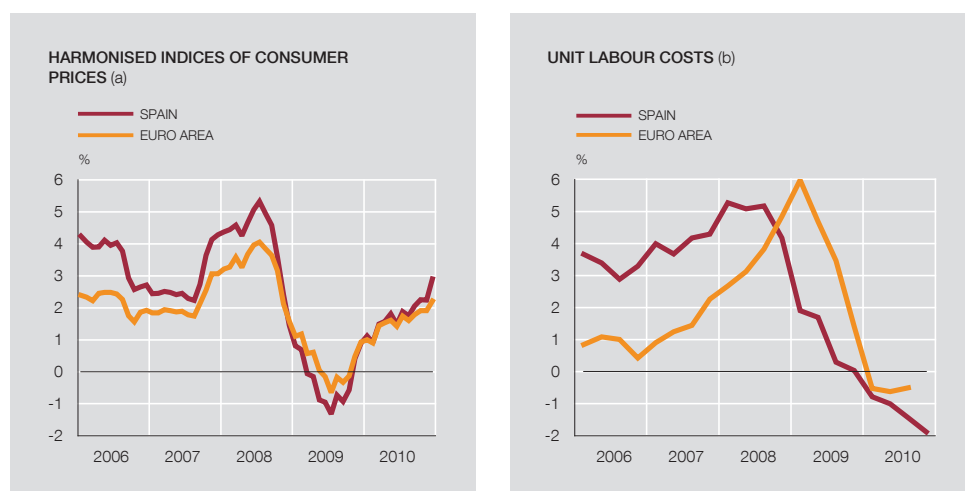
a. Normalised confidence indicators (difference between the indicator and its mean value, divided by the standard deviation).

ment instrument that will come into force from 2013. It will function in a similar fashion to the current European Financial Stability Facility, which it will replace, and its ultimate goal will be to safeguard financial stability in the euro area, granting assistance to member countries facing difficulties raising financing on the market. Such assistance will be subject to strict conditionality, as stipulated in the reformed article 136 of the Treaty approved at this same Summit (see the article on the reform of governance included in the January edition of the *Boletín Económico*).

In Spain, financial instability was manifest in sharp falls in equity prices in 2010 Q4 (taking losses on the IBEX 35 over the whole of 2010 to 17.4%), increases in the risk premia on public debt, which raised the spread over German public debt to 250 bp at certain times, and increases in the risk premia on bonds issued by the private sector, especially by financial firms. On the real estate market the rate of decline of house prices slackened, with the related year-on-year rate falling by 3.5% in 2010 Q4 (-6.3% a year earlier). This places the cumulative correction from the peak reached in March 2008 at 13% in nominal terms.

In recent weeks some of these tensions have abated in part, with the IBEX 35 rising and the public debt spread narrowing to a level somewhat below 200 bp. But uncertainty and volatility continue to be considerable, and risk premia remain at very high values. The prolongation of this situation might ultimately affect the cost of credit to the private sector, and its access to it.

In these circumstances, and once the contractionary effects bearing on consumption in the previous quarter (the end of the car purchase incentive scheme and the rise in indirect tax) were overcome, household spending plans resumed the mildly recovering path on which they had embarked in the first half of the year. Consumption is estimated to have increased at a rate of 1.2% in 2010, a figure that contrasts favourably with its marked decline in 2009 (-4.2%). This pick-up came about against the background of diminished household disposable income, as a result of the increasingly smaller contribution of the income components that had upheld it during the most acute phase of the recession (that arising from general government measures and the decline in the interest burden), and of lost purchasing power owing to the rise in inflation. Wealth also diminished, albeit less sharply than in 2009, in both its financial and



SOURCES: Eurostat, ECB and INE.

a. Year-on-year rate of change.

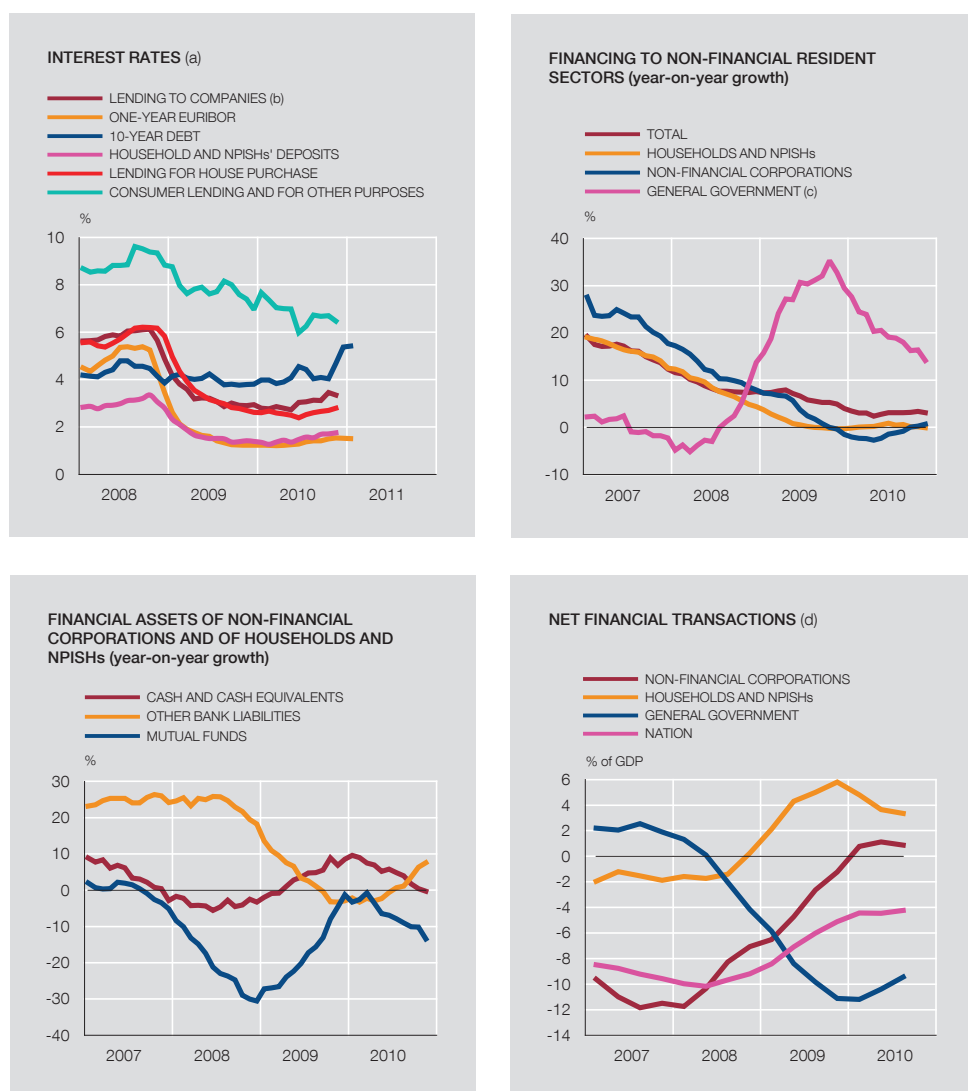
b. Per unit of output. Year-on-year rate of change calculated on the basis of seasonally adjusted series.

real estate components. Against this backdrop, the household saving ratio fell sharply during the year to stand at 14.4% of disposable income in Q3, 3.6 pp below the peak (18%) reached at the close of 2009.

In the closing months of 2010, residential investment underwent a further decline although, as has been habitual over the past year, this was on a lesser scale than in the preceding quarters. Residential investment in 2010 is estimated to have declined at a rate of close to 18%, which would place the cumulative fall in residential investment from its peak, which was reached in 2007, at 45%, and its weight in GDP at 4%, below the low recorded in the previous real estate cycle. This information is compatible with some stabilisation in the stock of unsold housing over the course of 2010, following a long period of stockbuilding, which paints a somewhat more encouraging picture for the recovery in residential investment.

In this environment of sluggish spending and tense financial conditions, household debt tended to slow in the closing months of the year. Its year-on-year rate of change stood at a slightly negative level in November (-0.1%, against 0.3% in September) (see Chart 4). This development, along with the expected course of income in the final months of 2010, suggests the debt ratio will have stabilised in Q4 at levels similar to those of the past two years. Drawing on data from the non-financial accounts for Q3, the household sector is expected to have had a net lending capacity equivalent to 4.8% of GDP in four-quarter cumulated terms, confirming the mildly declining trajectory it has shown since 2009 Q4.

Business investment projects also picked up in the closing months of the year, centred especially on the capital goods component. Driving this was the strength of external demand and the improvement in the financial position of companies during the year. Investment in equipment is estimated to have posted a year-on-year rate of change of 2.4% in Q4, which would place its average growth in 2010 at around 2% (compared with a decline of almost 25% in 2009). Conversely, investment in other construction shrank owing to the intensification of the fiscal consolidation process in the public works arena, naturally affecting those projects involving partnership with private enterprise.



SOURCE: Banco de España.

a. In June 2010 the statistical requirements relating to interest rates applied by credit institutions to their customers were amended, potentially causing breaks in the attendant series. Of particular significance was the change in the interest rates on consumer credit and other loans, as a result of which, from that month, operations transacted using credit cards have not been included. APR for loans (includes commissions and other expenses) and NDER for deposits.

b. 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.

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

d. Four-quarter cumulated data.

Overall, the non-financial corporations sector quickened its recourse to debt – albeit very moderately – in the final stretch of the year, posting a year-on-year rate of change of 0.7% in November. On information to Q3, the branches not linked to the real estate market showed greater dynamism, which was extensive to smaller companies, whose access to external borrowing had become considerably tougher at the height of the crisis. Both the debt ratio and, to a greater extent, the debt burden ratio had fallen during Q4. This relative improvement in the financial position of companies is also apparent in their financing requirements, which changed sign in the closing months of the year, to the extent they showed net lending equivalent to 0.2% of GDP on four-quarter cumulated figures, an unprecedented development in the attendant time series.

General government conduct in the final months of 2010 was once again marked by the effect of the consolidation measures under way, meaning that the contribution of both government consumption and public investment to activity declined. Information on the budget outturn as at the date of this article going to press suggests that the general government deficit target envisaged for 2010 (9.3% of GDP) is achievable, especially in light of the headroom provided by the favourable State outturn, which ended the year showing a deficit of 5.1% of GDP, 0.8 pp better than budgeted. Turning to the regional governments, uniform data relating to their budget outturn to September 2010 were published for the first time in December. These figures showed that the deficit at the end of Q3 stood at 1.2% of GDP (compared with a forecast of 2.4% for the year as a whole). Previously, the Fiscal and Financial Policy Council had reached an agreement to enhance both the transparency of the economic and financial information presented by the regional governments and the criteria under which authorisation for debt transactions is processed.

As regards trade with the rest of the world, the as yet incomplete information available indicates that net external demand in the closing months of 2010 once again cushioned the impact of the contraction in domestic spending on activity, with a positive contribution of 1.3 pp, and one more expansionary than in the two previous quarters, against the background of a marked recovery in goods exports. The external sector once again played a key role in softening the decline in domestic activity but, unlike the pattern of the past two years, in which this improvement came about essentially due to the collapse in imports, in 2010 this effect was dominated by the thrust of exports, which were able to benefit from the recovery in global trade with an adjustment in export prices and the design of more ambitious strategies regarding the diversification of our markets. Perseverance in furthering this strategy is required in order to make the sector a source of stronger and more stable growth.

In this setting, the nation's net borrowing is expected to have continued falling in the closing months of the year, after having stood at 4.2% of GDP in Q3 (5.1% in 2009). However, the process is slowing to some degree owing to the adverse impact of the energy bill on the merchandise trade balance. From the standpoint of the contribution of the institutional sectors, this fresh reduction in net borrowing would be a reflection of the trimmed general government deficit and the improved position of non-financial corporations.

On the supply side, there were increases during Q4 in the value added of industry and market services, while declines were posted in agriculture and, above all, in construction. Over the year as a whole, the recovery turned on manufacturing activities (1.4%) and market services (0.6%), set against an intensifying decline in the value added of construction (-6.9%) which entails, compared with the past two years, a fall in the non-residential construction component. The pace of job destruction rose to 2.3%, as a result of the reduction in employment in the market economy, of approximately 3% (-8.4% the previous year), and of a subdued rise in non-market services (0.8%). Given the estimated trend of output and of employment, apparent labour productivity growth remained relatively sharp (2.2%), albeit down on 2009.

Labour costs continued on the path of moderation on which they embarked at the start of 2010, driven in the second half of the year by the cut in public-sector wages. For 2010 as a whole, an increase in employee compensation of close to 1% is estimated, a figure that compares very favourably with the 4% rise in labour costs in 2009. A significant portion of this slowdown is due to the turnaround in public-sector wages, which are expected to have fallen by around 2% compared with the average increase of 6% in the three previous years. The rest is due to the slowdown in compensation per employee in the market economy, for which a rate of increase of 1.8% is estimated, almost 2 pp down on 2009 (3.7%) and 4 pp on 2008

(5.9%). The smaller increase in wage rates under collective bargaining agreements, which stood at 1.3% for the year on average, influenced by the recommendations of the multi-year agreement signed in February and by the absence of inflationary pressures, lay behind this result which has allowed for a decline in unit labour costs in the market economy for the second year running.

It is vital that such wage restraint should continue in the coming quarters. In this respect, the upcoming process of collective bargaining should consider the temporary nature which, in the absence of additional shocks, will characterise the rise in inflation in the coming months. A highly significant portion of the increase in the growth rate of the CPI between December 2009 and December 2010 is attributable to tax changes and regulated prices (VAT, excise duties on tobacco products, electricity and gas prices) and to the upward course of commodity prices. All these factors have a direct and significant effect on the level of prices and on the inflation rate but, in the absence of a pass-through to other prices, the effect drops out of the annual inflation rate after 12 months. A recent example of the temporary nature of the rise in inflation in the face of a significant hike in oil prices was between 2008 and 2009 (see the article in the January edition of the *Boletín Económico* for more details). But for this to occur, specific circumstances must prevail; in particular, the indirect effects on companies' costs must be limited and the changes in prices must not give rise to a widespread revision of inflation expectations that feed through to final prices through the prices set by producers or through wage bargaining.

The outlook for 2011 in Spain, but also in the euro area, is for a slow recovery highly dependent on the external sector, and one conditioned by the fiscal adjustment and the restructuring process facing the private sector. This scenario is, moreover, subject to great uncertainty and to the risks associated with the tensions on sovereign debt markets which, should they continue, might prompt further tightening of financing conditions and a deterioration in economic agents' confidence.

During the month of January, additional measures have been announced on reforms to key areas in the economy, aimed at dispelling uncertainty and reaffirming the commitment by the economic policy authorities to the adjustments needed. On 28 January the Council of Ministers addressed the Draft Social Security Reform Bill, which envisages far-reaching measures to ensure the sustainability of the pensions system. In the face of the tightening of the conditions of access by Spanish financial institutions to external markets as a result of the worsening of the sovereign debt crisis, new steps were announced to accelerate and deepen the bank restructuring process, by means of a raft of measures geared to boosting the increase in banks' capitalisation levels to a degree that ensures that market confidence is regained.

2 The external environment of the euro area

In 2010 Q4, the economy and the international financial markets trended favourably. The introduction of new expansionary measures in the United States gave further support to the global recovery, despite the worsening sovereign tensions in the euro area. Against this background, the latest indicators point to the continuity of the recovery, with a dichotomy persisting between the relative sluggishness of growth in some advanced economies and the robustness of many emerging countries which, in some cases, show signs of overheating. The additional US monetary and fiscal expansionary measures, which entail a widening of the divergences in policy stance across the advanced economies, have given rise to a brighter short-term outlook in this economy and have bolstered the optimism prevailing in the financial markets in this period. Nonetheless, doubts about the medium-term sustainability of private demand in the United States, once the public stimuli are withdrawn, have not been dispelled. Furthermore, the strong increase in commodity prices during the quarter has been conducive to a generalised rise in inflation (see Box 1). Although inflation rates are holding at moderate levels in most advanced economies, in many emerging countries and in some developed ones too – such as the United Kingdom – the greater intensity of inflationary pressures has raised the risk of inflation expectations becoming disanchored. Against this backdrop, the main emerging economies have tightened their monetary policies, resuming the cycle of interest rate rises that had been interrupted as capital inflows stepped up, and they have continued building up reserves. Depending on the countries involved, such developments have been accompanied by macro-prudential measures and by capital controls.

In this setting, *international financial markets* were little affected by the worsening of the European sovereign crisis. The positive sentiment on markets was reflected in across-the-board stock market gains, in developed and emerging countries alike, and in improved financing conditions outside the euro area. Another factor worth highlighting is the increase in US long-term bond yields during the quarter, although the US 10-year bond yield has held stable at around 3.5% since mid-December. This trend, witnessed also – albeit to a lesser extent – in other economies, would be the outcome of the ongoing normalisation of interest rates, from their lower levels in previous months, in keeping with the improved economic outlook and the change in the fiscal policy stance in the United States; in any event, the trend is not in response to any substantial revision of inflation risks. On the foreign exchange markets, the strong movements in the previous quarter were corrected to some extent, and the dollar appreciated against the main currencies. Moreover, in the case of the emerging economies, the favourable behaviour of the financial markets translated into reductions in their sovereign spreads. The rising course of commodity prices initiated the previous quarter continued, or even stepped up, meaning that the year-on-year growth rates of food and metal prices stood in January at around 40% and 25%, respectively. The price of a barrel of Brent oil moved above \$100, entailing a rise of 29% since the start of 2010. These increases are mainly in response to the rise in demand by the emerging economies.

In the *United States*, the flash estimate for GDP in Q4 shows annualised quarterly growth of 3.2% (0.8% quarter-on-quarter, 2.8% year-on-year), compared with 2.6% in Q3, the results of the positive contributions of private consumption and external demand (due mainly to the contraction in imports), which more than offset the strong negative contribution of stockbuilding. The latest indicators have offered some positive signs, although the doubts over the strength of the recovery in the medium run have not yet been dispelled. On the supply side, despite the slowdown in industrial production, business confidence – measured by the ISM indices – and

Over the course of the past quarter there has been a strong rise in commodity prices, driven essentially by the growth in demand by the main emerging economies. This increase has been across the board, although the intensity differs from product to product, and it has prompted a rise in inflation in many countries, especially in the emerging economies themselves. Set against the current sizable capital inflows in these countries, this development contributes to accentuating the monetary policy dilemmas present in many of them. This box reviews commodity price developments in 2010 and their influence on inflation in the emerging economies.

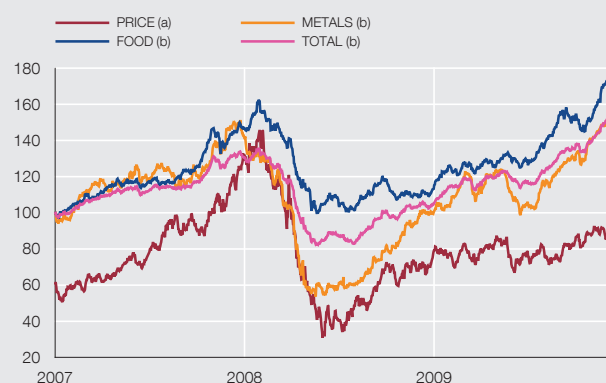
Over the course of 2010 commodity prices rose most markedly. The prices of food, industrial metals and crude oil grew, in year-on-year terms, by around 30%, 20% and 25%, respectively (see Panel 1).¹ Behind the rises is a substantial upward revision of demand projec-

tions, especially for the emerging countries, in the second half of the year. Thus, in the case of oil, at the end of 2009 the International Energy Agency expected an increase in global demand in 2010 of 1.4 million barrels per day (mbd); the actual increase was finally 2.7 mbd (of which China accounted for one-third). This rise in total demand was greater than that in the supply of non-OPEC producers (1.1 mbd), whereby OPEC's market share has increased.² In the case of food, demand factors have been complemented by supply factors (which have affected specific products), such as poor harvests, due above all to bad weather, or grain export restrictions in certain countries. As a result, corn prices doubled from June to December 2010, while wheat prices rose by more than 60% over the same period.³ In

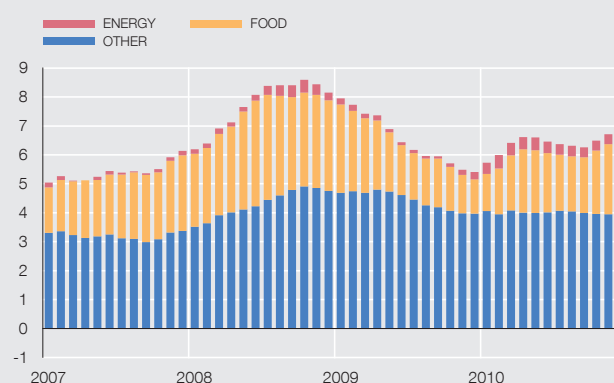
1. For the aggregate prices of metals, food and commodities, the CRB commodity index has been considered. For crude oil prices, the barrel of Brent is used. The US dollar is used as the currency for calculation.

2. This situation – increases in prices and amounts in parallel with a rise in the cartel's share – corresponds to what economic theory predicts in the case of an upward surprise in expected demand. See Anton Nakov and Galo Nuno (2009), *Oligopoly: A General Equilibrium Model of the Oil-Macroeconomy Nexus*, Documentos de Trabajo, no. 0932, Banco de España. 3. See the World Bank report *Global Economic Prospects*, January 2011, p. 61.

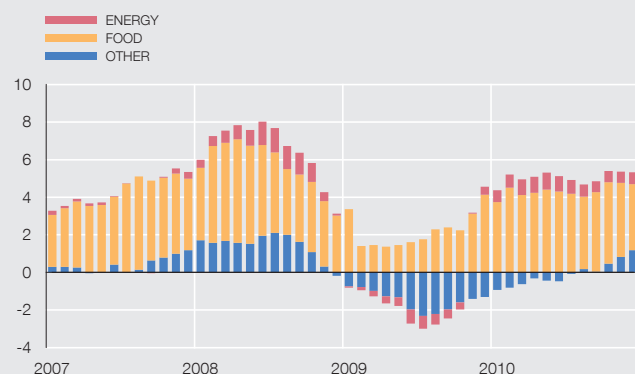
1 PRICE OF OIL AND OTHER COMMODITIES



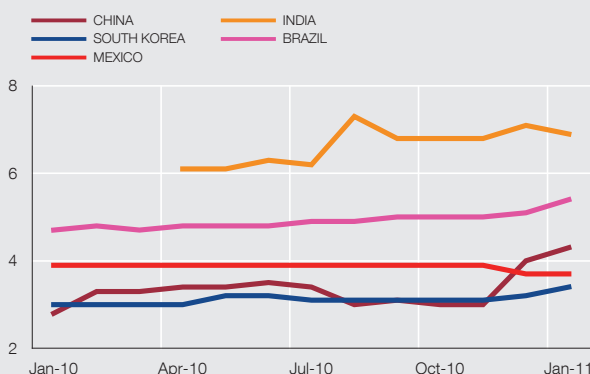
2 CONTRIBUTION TO INFLATION IN LATIN AMERICA (c) (d) (e)



3 CONTRIBUTION TO INFLATION IN EMERGING ASIA (c) (d) (e)



4 INFLATION FORECASTS FOR 2011 (f)



SOURCES: Datastream and Banco de España.

a. Price/barrel in dollars.

b. January 2007 = 100.

c. As a percentage.

d. Authors' estimate stripping out the food and energy indices from the overall index.

e. LATIN AMERICA: Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela. EMERGING ASIA: China, India, Thailand, Philippines, South Korea and Singapore.

f. % y-o-y.

addition, it cannot be ruled out that the upward trend in prices has been amplified by an increase in the financial flows routed towards the commodity markets, against a backdrop of abundant global liquidity and international investors' interest in this type of asset.

The rise in international energy and food prices is passing through in differing degrees to domestic prices, depending on the oscillations in the various exchange rates against the dollar (the currency to which most commodity prices are referenced), on existing tariffs and taxes, and on national transport and distribution costs.⁴ The changes in domestic commodity prices may affect aggregate inflation through various channels. Firstly, there are the direct effects of the increase in commodity prices on the overall price index, which will be all the greater the higher the weight of energy and food in the country's representative consumption basket. In the emerging economies, food and energy account for between 30% and 40% of the consumption basket, while in the developed countries they represent less than 25%. Secondly, there are indirect effects in the form of the increase in production and distribution costs, which are more significant in the case of energy. Finally, there are the so-called "second-round effects", which reflect the incorporation of the initial rise in prices into price- and wage-setting processes whereby the initial shock ultimately passes through to core inflation and to inflation expectations. This is why these effects are of particular relevance for monetary policy.

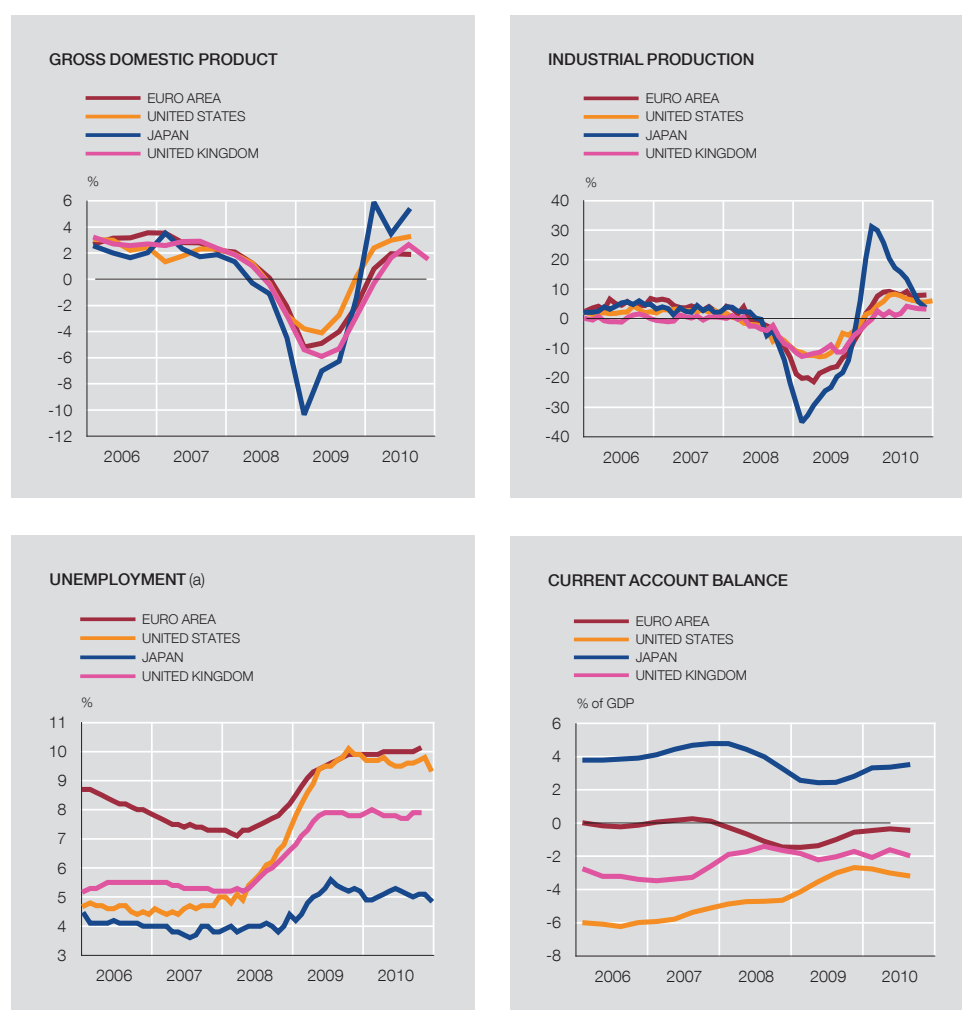
The rise in overall inflation since mid-2010 in the emerging Latin American economies has mainly been driven by the increase in the food component (see Panel 2). Core inflation has held fairly stable today, unlike the case in early 2008, when the marked rise in food prices was accompanied by a strong hike in core inflation. This ap-

pears to indicate that, so far, the impact via second-round effects has been limited. Nonetheless, in the case of the emerging Asian economies, the rise in inflation rate is not attributable solely to the contribution of food, but to the progressive increase in core inflation over the course of 2010, which may be reflecting second-round effects and a narrowing of the output gap in these economies (see Panel 3). Mention should also be made of the lesser impact, compared with food, of the rise in the price of energy commodities in the rate of inflation, especially in Latin America. This is not only due to their lower weight in the consumption basket, but also because this is probably in response to the extended presence of subsidies and administered prices in this sector.

Central banks' monetary policy response to the rise in commodity prices will depend on the extent to which it can be passed through to agents' inflation expectations and to their price- and wage-setting decisions (second-round effects). If there are risks that inflation expectations may become disanchored or that second-round effects may occur, the central bank should tighten the monetary policy stance. Currently, with the odd exception (such as Mexico), inflation prospects are on the rise in several emerging countries (see Panel 4), due not only to the increase in commodity prices, but also to their growth dynamics, which pose a significant risk to these economies of inflation expectations becoming disanchored. Moreover, many of them face an additional monetary policy dilemma arising from the strong capital inflows they are currently experiencing, which might increase with a rise in interest rates. Faced with this dilemma, the emerging economies have opted for pragmatic solutions based on a broad range of measures: the raising of official interest rates when circumstances allow; progressive though controlled exchange rate appreciations via intervention and the build-up of reserves; and, in other cases or as a complement, the adoption of macroprudential measures or, indeed, the introduction of capital controls.

4. The commodity component in inflation also groups together unprocessed foods such as energy.

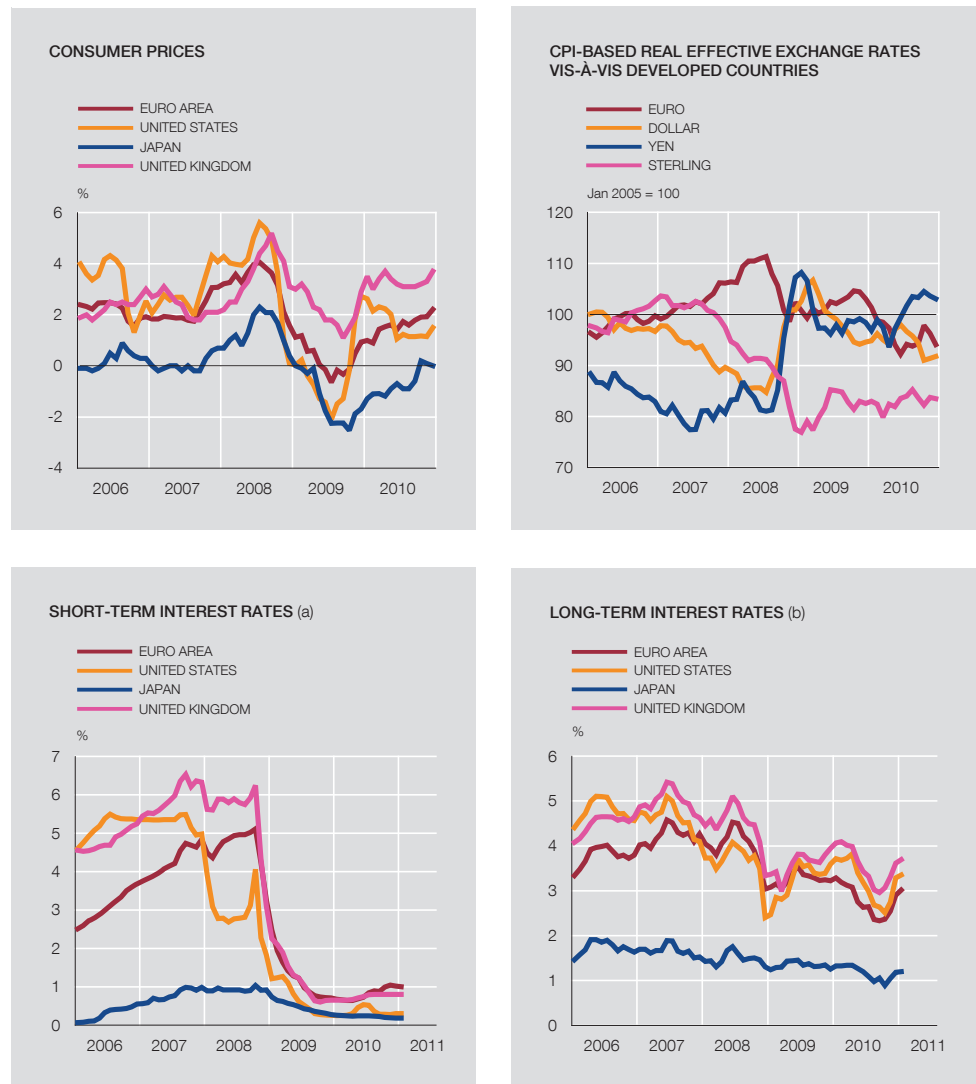
capacity utilisation advanced slightly. On the demand side, both retail sales and consumer sentiment proved supportive of an increase in consumption. The housing market evidences signs of stabilising, although its recovery remains very uncertain, given the weakness of the labour market. In particular, net job creation in the private sector remains very modest, while the 0.4 pp decline in the unemployment rate to 9.4% masks exits from the labour force due to the discouragement effect in job search. The strong increase in energy prices pushed the CPI up 0.4 pp to 1.5% year-on-year in December, although core inflation stabilised at 0.8%. Against this background, the Federal Reserve held its official interest rate in the 0%-0.25% range, reiterating that it would remain at a low level for some time. At its November meeting, it also announced staggered Treasury bond purchases to June 2011 for an amount totalling \$600 billion, and it retained its commitment to plough the funds redeemed from its MBS holdings back into government bonds. In the fiscal arena, a series of measures was approved in December, including the extension of certain tax exemptions. These measures will increase the budget deficit by \$858 billion to 2020 and entail a strong stimulus to activity in the short run, estimated at between 0.6 and 2 pp in 2011, and between 0.5 and 1.9 pp in 2012.



SOURCES: Banco de España, national statistics and Eurostat.

a. Percentage of labour force.

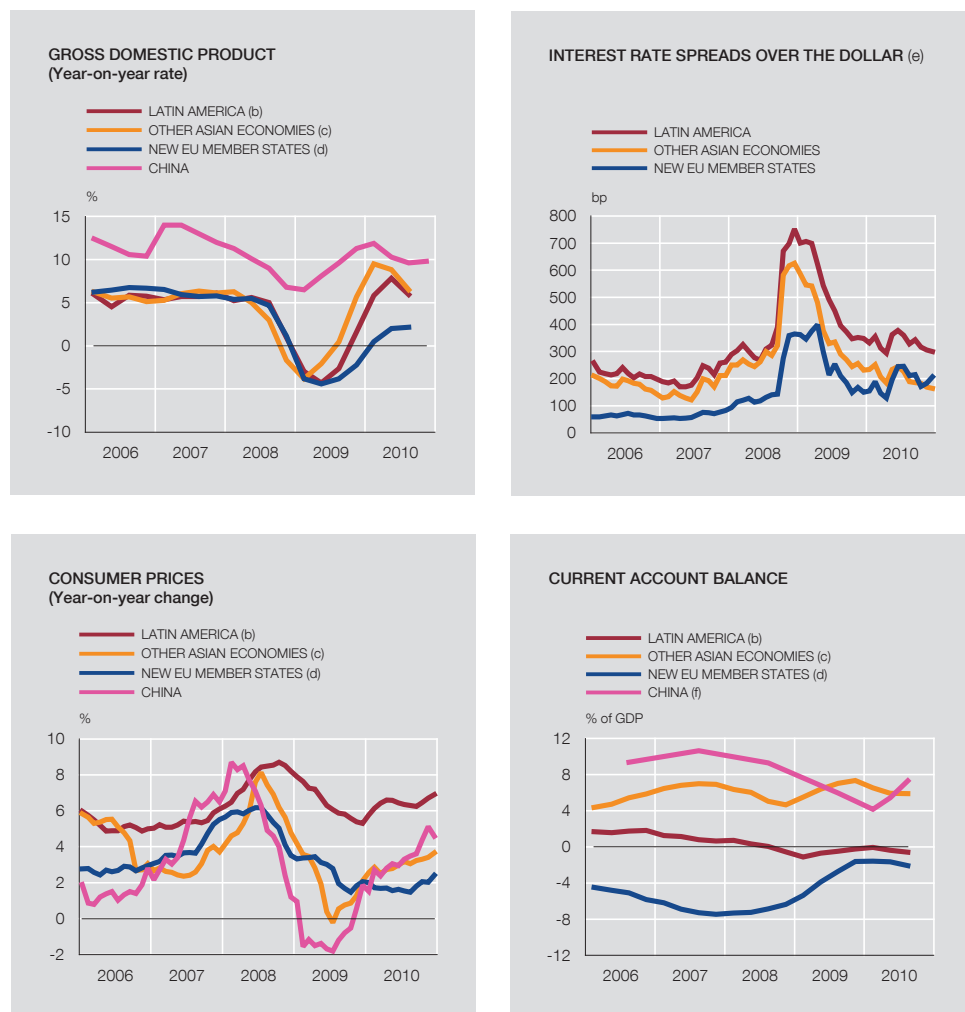
GDP in *Japan* grew at a quarterly rate of 1.1% in Q3, far exceeding the figure of 0.4% posted the previous quarter. This raised year-on-year growth to 5.3%. Underpinning this acceleration was the bringing forward of car purchases prior to the related public stimulus programme expiring and, to a lesser extent, the bigger contribution of inventories and private investment. However, the latest indicators point to a contraction in activity in Q4 (more marked in the manufacturing sector), owing to the deterioration in exports and the progressive phasing out of the fiscal stimuli, although a progressive recovery is expected during 2011. Turning to the external sector, the current account surplus narrowed in November as a result of the momentum of imports and the sluggishness of exports, against a background of lower global demand. The unemployment rate fell by 0.1 pp during the quarter to 4.9%, and other labour indicators have offered positive signs. CPI inflation posted zero growth in December, owing to the rise in food prices and the higher taxes on tobacco, while core inflation remains in deflationary territory. Against this backdrop, the Bank of Japan has not altered the range of its official interest rate, from 0-0.1%. Lastly, the government approved a new fiscal stimulus package (of the order of 0.9% of GDP), aimed at promoting employment and supporting SMEs, and published the draft budget for fiscal year 2011, with a 5 pp cut in the corporate tax rate, to 35%, so as to raise the international competitiveness of Japanese companies.



SOURCE: Banco de España.

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

In the *United Kingdom*, the preliminary estimate of GDP for Q4 indicates a quarter-on-quarter decline of 0.5% (+1.7% year-on-year), compared with growth of 0.7% the previous quarter. This contraction was largely caused by the effect of the bad weather in December on activity in the construction and services sectors. Recent coincident indicators already suggested an easing of growth during the quarter, albeit not so sharp, with differences from sector to sector: business surveys pointed to a significant increase in manufacturing activity, spurred by external demand, set against the poor behaviour of construction and services. Retail sales were slack, amid diminished confidence. The labour market worsened slightly during the quarter – the unemployment rate rose by 0.2 pp to 7.9% in November – as private-sector job creation was incapable of making up for job losses in the public sector resulting from the fiscal adjustment. The real estate market also weakened in the closing months of the year and a further downward adjustment in house prices has begun. The CPI quickened by 0.4 pp in December to a year-on-year rate of 3.7% (the core inflation rate rose to 2.9%) and this, combined with the tax rises applied at the start of the year, will lead to a notable increase in the rate of inflation in the coming months. Nonetheless, the Bank of England considers that this rise is due to temporary factors and has kept bank rate at 0.5%, without reactivating its asset purchase programme.



SOURCES: National statistics and JP Morgan.

- a. The aggregate of the different areas has been calculated using the weight of the countries that make up these areas in the world economy, drawing on World Bank information.
- b. Argentina, Brazil, Chile, Mexico, Colombia, Venezuela and Peru.
- c. Malaysia, Korea, Indonesia, Thailand, Hong Kong, Singapore, Philippines and Taiwan.
- d. Poland, Hungary, Czech Republic, Slovak Republic, Estonia, Latvia, Lithuania, Bulgaria and Romania.
- e. JP Morgan EMBI spreads. The data on the new EU Member States relate to Hungary and Poland. The aggregate for Asia does not include China.
- f. Annual data until 2009

In the *new EU member states not belonging to the euro area*, GDP grew in Q3 on average at a year-on-year rate of 2.2%, compared with 1.9% in Q2, continuing on a gradual path of recovery. There are notable differences from country to country, with the recovery in Poland proving most robust set against the deepening of the recession in Romania. The favourable performance continues to be external demand-led (except in Poland, where private consumption is also proving notably dynamic) thanks to the momentum of the German economy. The Q4 indicators show continuity in the improvement in industrial production and a pick-up in private consumption in some countries, although the current instability in the euro area adds a high degree of uncertainty. During the quarter, inflation followed a rising course, linked to the increase in fuel and food prices, climbing to a year-on-year rate of 4% on average for the region. The growing concern over inflation has prompted the start of official interest rate rises in Hungary (to 6%) and in Poland (to 3.75%).

In *China*, economic activity remained very buoyant in 2010 Q4, with real GDP growing at a year-on-year rate of 9.8% (10.3% for the year as a whole). Moreover, the rate of expansion has quickened owing to the robustness of domestic demand, although external demand has also picked up. The main risk to the Chinese economy is the possibility of overheating: inflation increased by 1 pp in the final quarter to 4.6% in December. Against this background, the authorities have raised benchmark interest rates and the bank reserves ratio (two and four times, respectively, during the quarter) and have made changes to their monetary and financial strategy so as to facilitate more effective control of new credit. In the rest of Asia, activity remained notably dynamic, though somewhat less so than in the first half of the year. The exception here was India, where growth continued to quicken, led by the strength of domestic demand. Inflation increased during the quarter across the board, albeit gradually, owing to higher food prices, and the countries in the region facing the biggest inflationary pressures (South Korea, Thailand and India) have resumed official interest rate rises, which they had postponed in previous months amid fears that that would generate bigger capital inflows. In a setting of abundant global liquidity, these rises have been complemented by foreign exchange market intervention, macroprudential measures and, in Thailand and South Korea, capital controls.

In *Latin America*, year-on-year GDP growth stood at 6% in Q3, against 7.9% in Q2. The slowdown is much more evident when considering the quarter-on-quarter rate, which was 0.6%, compared with 2.1% the previous quarter. The lower growth in the region's year-on-year rate is in response to both a lesser contribution of domestic demand (which even so stood at 9.2 pp) and to an increase in the negative contribution of external demand. The economic indicators for Q4 offer mixed signals, since industrial production continues to slow, while the demand and labour market indicators remain robust. The rise in commodity prices has slackened the effect of the buoyancy of imports on trade balances, which in some cases (Chile and Peru) has seen surpluses widen. Inflation continued climbing during the quarter across the region, up from 6.3% in September to 6.9% in December, set against the upward trend of commodity prices. In some countries there was some worsening of shorter-dated inflation expectations, but long-term expectations remain anchored. In this macroeconomic setting, the Brazilian and Peruvian central banks resumed in January the cycle of official rate rises, after having interrupted it in Q3. Meantime, the Chilean central bank raised its official rates at each of its meetings in Q4, (though not at the January meeting). In both Brazil and Peru, new measures were adopted aimed at containing credit growth, and measures were introduced in Brazil and Chile to ease upward pressure on their currencies (with a cap on short positions in dollars in respect of Brazil's financial system, and a currency purchase programme in Chile's case).

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

Strains on sovereign debt markets worsened during the closing months of 2010 and at the beginning of 2011, mainly triggered by growing concern about the implications for Ireland's public finances of the extremely weak situation of its banking system. The strains rapidly spread to Portugal, in the face of uncertainty about the fulfilment of its budget consolidation commitments, to Spain and, to a lesser degree, to Italy and Belgium. The turmoil on sovereign debt markets had a mixed effect on other financial markets, in terms of sector and country, and on the euro exchange rate, which depreciated markedly. At the end of November, the European authorities decided unanimously to respond positively to the Irish government's request and to grant, in conjunction with the IMF, financial assistance tied to the extensive restructuring of its banking system and compliance with a very demanding programme of macroeconomic adjustment and structural reforms (see Box 2). As in the case of Greece, the intervention has not dispelled uncertainty and interest rates on the secondary debt market have remained at very high levels, although in recent weeks they have eased somewhat.

Despite these fresh bouts of financial instability, economic activity in the euro area as a whole continued to pick up in the closing months of 2010, albeit at a moderate and uneven pace both in terms of components and countries (see Box 3). The expansion remains export-driven, while domestic spending – and, in particular, private consumption – has not yet managed to recover. The strength of the German economy contrasts with the rest of the euro area and particularly with certain economies hit by the debt crisis whose growth is much more moderate or which are still mired in recession.

Although the outlook of analysts and international organisations for 2011 has been revised slightly upwards, it portrays a slow recovery which is highly reliant on the external sector, since in many economies, households and corporations remain immersed in a deleveraging process which is constraining their consumption and investment decisions. Furthermore, this scenario is subject to considerable uncertainty and downside risks linked to a large degree with strains on sovereign debt markets which, if they continue, could prompt a further tightening of private-sector financing conditions and a deterioration of economic agents' confidence. Under these circumstances, it would be more difficult, with a view to consolidating the recovery, for private-sector demand to take over the role played to date by economic policy stimulus. In addition to this, is the slight worsening of the short-term inflation outlook, which to a large degree is linked to the rise in energy prices on international markets, and whose impact has been increased by the depreciation of the euro exchange rate. However, these temporary factors are not projected to result in underlying inflationary pressures given the existing high economic slack and wage moderation.

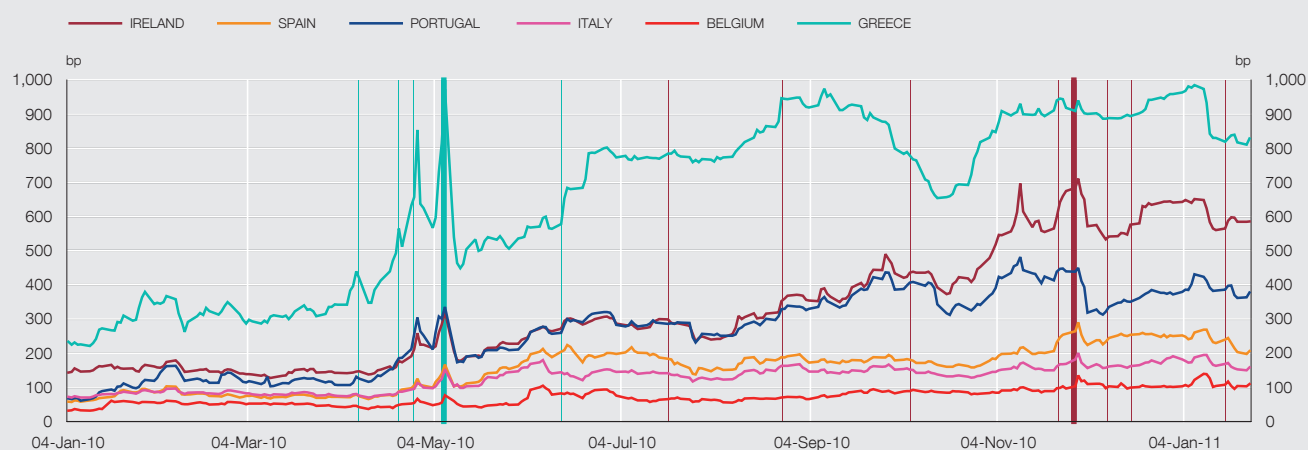
The absence of inflationary pressures over the horizon relevant for monetary policy led the ECB to maintain an accommodative stance in this connection: official interest rates held at low levels and the non-conventional credit-support measures remained in place. In response to the rise in debt market tensions and their negative effects on the monetary policy transmission mechanism, the ECB stepped up purchases of public debt on secondary markets, through the Securities Market Programme.

The European Summit on 16-17 December agreed on the general principles of the future European Stability Mechanism, the permanent crisis-management instrument that will come into force from 2013. Its functioning will draw on the arrangements used for the current European

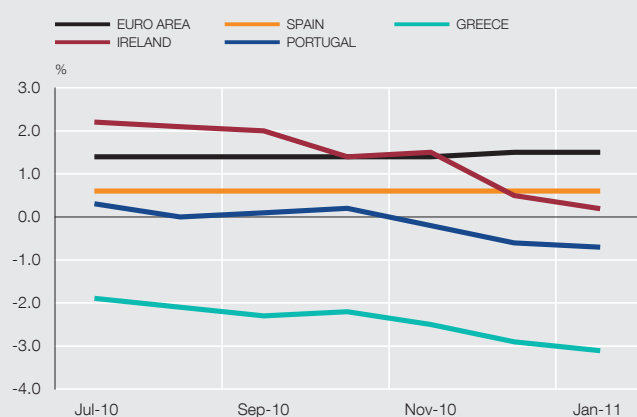
In 2010 Q4, Irish public debt tensions heightened and the instability spread to other peripheral countries in the euro area (see accompanying panel). The factors fuelling this process included primarily and most notably the critical excessive size of the Irish banking sector and the risks this entails for the public sector. Thus, despite being strongly propped up by public aid since September 2008, the massive losses incurred in the purchase of assets by the public agency NAMA, with an aggregate discount of 58% on book value, have led to the virtual nationalisation of the bailed out institutions. This has had an impact on the budget deficit of 20% of GDP in 2010, yet without dispelling the lack of confidence in the sector. The interaction between the problems of Ireland's national banks and State solvency formed a two-way feedback loop and choked off the access of both to the markets, making Irish banks absolutely dependent on Eurosystem financing and on their central bank. Early in the autumn, the Irish authorities revealed that the budget deficit would be close to 32% of GDP in 2010, owing to the combined effect of the economic crisis and the recapitalisation of the banking sector. Consequently, the debt ratio could rise to close to 100% of GDP.

Also contributing to these tensions were the difficulties the Greek and Portuguese authorities faced in meeting their fiscal adjustment commitments, the speculation over the availability of funds to withstand contagion to other bigger countries and the ongoing debate on the design of the permanent crisis-resolution mechanism intended to replace, as from mid-2013, the instruments currently in place. Further contributing to heighten this episode were investors' doubts over the future growth capacity of the economies affected, as illustrated in the second panel, and the negative warnings about sovereign credit ratings. From November to December, Ireland's sovereign rating was downgraded several notches by the three main agencies, to BBB+(Baa1) by Fitch and Moody's, two levels below the A rating assigned by S&P. In December Fitch downgraded Portugal's sovereign rating by a step to A+, and in January it assigned a speculative or junk rating to Greek sovereign issues, a measure previously applied by the other two main rating agencies. There were also warnings by Moody's of possible downgrades for Spain's Aa1 and Greece's Ba1 rating, and by S&P for Belgium's AA+. These developments increased the risk of a large-scale debt crisis in the euro area and precipitated

TEN-YEAR SOVEREIGN SPREADS. DAILY DATA (a)



GDP FORECASTS FOR 2011



SOURCES: Consensus Forecast and Banco de España.

a. Greece and Ireland: the fine lines depict downgrades; the bold lines depict interventions or bail-outs.

IRISH ASSISTANCE PROGRAMME

FUNDS AVAILABLE	85.0
DRAWN FROM:	
Irish government	17.5
IMF	22.5
European Financial Stabilisation Mechanism (EFSM)	22.5
European Financial Stability Facility (EFSF)	17.7
Bilateral loans	
United Kingdom	3.8
Sweden	0.6
Denmark	0.4
EARMARKED FOR:	
Bank recapitalisation	10.0
Contingent funds. Banking sector	25.0
State financial needs	50.0

the Irish authorities' request for financial assistance, with the dual aim of stabilising the delicate situation of its banks and that of its public finances.

On 28 November, the ECOFIN approved the extension of financial assistance to Ireland for €85 billion (52% of GDP). As can be seen in the accompanying table, Ireland will contribute to the programme with funds from its National Pension Reserve Fund (NPRF) and with other domestic sources. For the remainder, funds will be provided by the European Financial Stabilisation Mechanism (EFSM) and the European Financial Stability Facility (EFSF), by the United Kingdom, Sweden and Denmark, and by the IMF. The loans will bear an annual average interest rate of 5.8%. In January, the EU and the EFSF launched issues to fund the initial outlays, for an amount of €5 billion in both cases.

The financial assistance is conditional upon compliance with a three-pronged programme of measures: the recovery of the banking sector, budgetary adjustment and structural reforms to promote economic growth. Furthermore, Ireland's participation in the loan facility extended to Greece in May has been suspended.

The aims of the measures geared to banking recovery are the re-dimensioning and reorganisation of the sector, to recapitalise it at the highest levels required by international standards and to improve its access to financial markets. The banking sector may receive up to €35 billion (over 20% of GDP), earmarking €10 billion to recapitalising the banks and €25 billion to a contingency fund. The Irish Central Bank raised capital requirements from 8% to 10.5%, although three ailing institutions (AIB, BOI and EBS) have immediately been required to comply with a figure of 12%. Further, it will perform liquidity tests to identify deleveraging needs and to reduce short-term funding, and it will call, before the end of April 2011, for sale or asset securitisation plans. It is also intended to finalise the restructuring plans for Anglo

Irish and INBS, and to add the finishing touches to a specific bank liquidation regime and to stricter regulations for credit cooperatives.

To restore the country's budgetary sustainability, the excessive deficit must be corrected by 2015 – an extra year on the term already agreed. The Irish State will receive €50 billion from the bail-out programme to stabilise public finances and it will pursue further adjustment measures in the next four years for an amount of €15 billion (€6 billion of which are for 2011). Two-thirds of the adjustment will fall on spending cuts (€7 billion on current expenditure and €3 billion on public investment), and the remaining third on revenue-raising measures (personal income tax, VAT and local taxes, the elimination of tax expenses and changes in the taxation of pensions).

The purpose of the structural reforms approved is to promote the sustainable growth of the economy, allowing competitiveness and job creation to be developed. Sectoral policies to encourage exports and the recovery of domestic demand in order to support economic growth and reduce long-term unemployment are also envisaged.

Instrumentation of the financial assistance to Ireland has had a limited impact on reducing sovereign debt spreads in the euro area. Among other reasons, because the markets appear to have adopted, as they did in the case of Greece, a wait-and-see attitude in the face of the bail-out measures, until doubts have been dispelled concerning the authorities' ability to correct imbalances and, in particular, the risks arising from the banking sector. The reaction by the markets also had to do with the discussions on the terms of the permanent mechanism that will come into force in 2013. Nonetheless, bond market tensions have recently eased significantly further to the comments on the possibility of the European authorities reaching agreement on an increase in the funds the EFSF might mobilise, and on them giving this Fund greater flexibility by means of an extension of the range of instruments through which the financial assistance can be implemented.

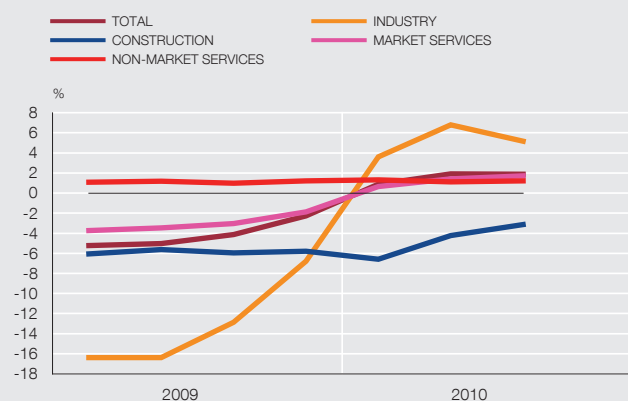
Financial Stability Facility, which it will replace, and its ultimate goal will be to safeguard financial stability in the euro area, granting assistance to member countries facing difficulties raising financing on the market. Such assistance will be subject to a unanimous approval procedure and strict conditionality, as stipulated in the reformed article 136 of the Treaty approved at this same Summit (see the article on the reform of governance included in the January edition of the *Boletín Económico*).

During the last three months, the euro area economies, which are perceived as the most vulnerable, have established ambitious structural reform and fiscal consolidation programmes and undertaken an extensive restructuring of their financial systems. It is necessary for these plans to be strictly complied with in order to eliminate imbalances and re-establish their competitive positions. Furthermore, in order to put the recovery of the area as a whole on a sounder and more resolute footing, labour markets must function better; the Services Directive requires full implementation to boost potential niches of activity; and the financial system needs to be restructured and normalised in order for credit to flow again. This was advocated by the Annual Growth Report recently presented by the Euro-

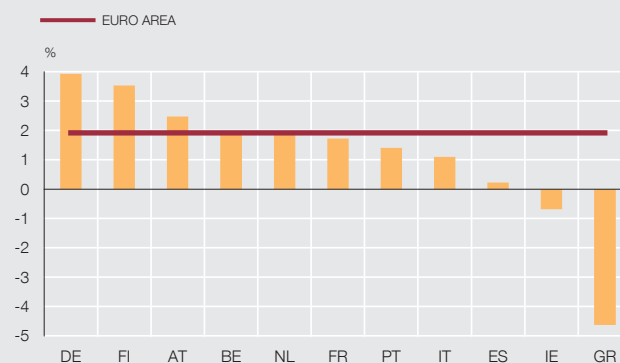
Over the course of 2010 the economic recovery that began the previous year in the euro area took root. Yet when the information for the area as a whole is broken down by branch of activity and by country, very heterogeneous rates of increase can be discerned, which run to the recent period. As the first panel shows, the year-on-year change

in total gross value added in the euro area was 1.9%, the result of an especially high increase in GVA in industry (of over 5%) and a more moderate one in services (1.7% for market services, and 1.2% for non-market services). Meantime, construction posted a year-on-year decline, in line with the previous quarters. In quarter-on-quarter terms,

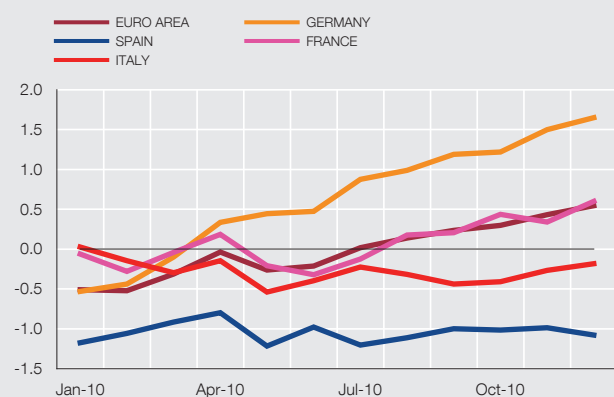
1. EURO AREA. GROSS VALUE ADDED
Year-on-year rates of change



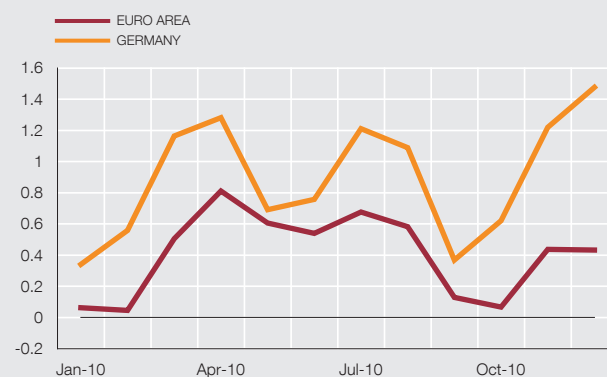
2. GROSS DOMESTIC PRODUCT
Year-on-year rates of change



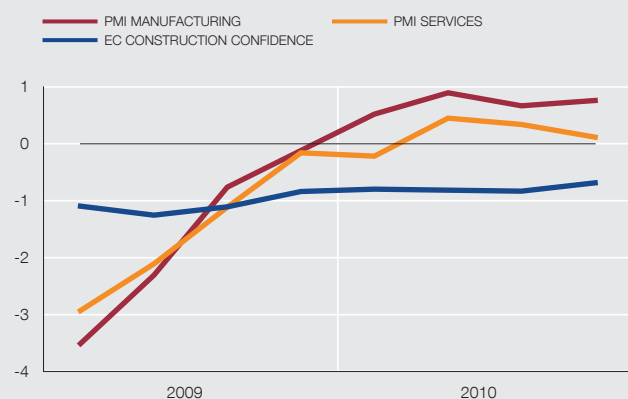
3. EC ECONOMIC SENTIMENT INDICATOR
Normalised series



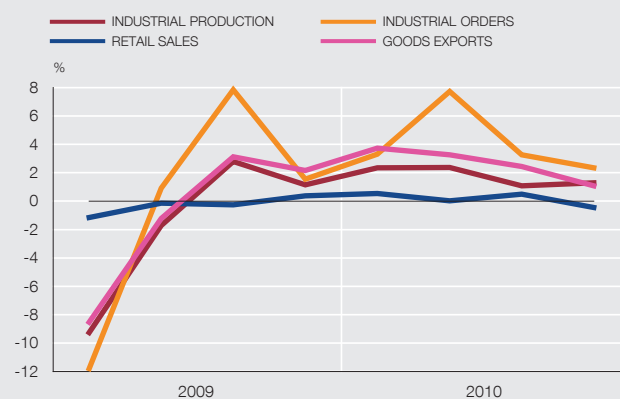
4. COMPOSITE PMI
Normalised series



5. EURO AREA. QUALITATIVE INDICATORS
Normalised series



6. EURO AREA. QUANTITATIVE INDICATORS (a)
Quarter-on-quarter rates of change



SOURCES: European Commission, CPB, Eurostat and Markit Economics.

a. The information for 2010 Q4 refers to the October-November period.

value added in construction also fell, while increases in industry and services were on a similar scale, at around 0.4%.

The change in GDP in 2010 Q3 also varied greatly from country to country. As can be seen in the second panel, the year-on-year increase in output was far greater than that in the euro area in Germany, Finland and, to a lesser extent, Austria. At the other extreme are countries such as Ireland and Greece, where GDP fell, sharply so in the latter case. In quarter-on-quarter terms, there was also marked heterogeneity, with rates of change ranging between 0.9% in Austria and -1.3% in Greece, compared with euro area growth of 0.3%.

On the conjunctural information available, some difference between the various countries' growth rates is expected to have continued in 2010 Q4. The European Commission's economic sentiment indicator in the third panel, which shows high correlation with the changes in GDP, evidenced an increase throughout the euro area in the closing months of the year. Taking the four major euro area economies, the figures were particularly high in France and Germany, whereas in Italy and Spain they were somewhat flat. Likewise, the composite PMI, depicted in the fourth panel, increased significantly in Germany in the

final quarter, in contrast to the more stable performance of the euro area as a whole, which reflects the greater dynamism of the German economy compared with that of the other members.

As regards sectoral developments, information from the qualitative indicators for Q4 (see Panel 5) would suggest that growth in economic activity continues largely to be underpinned by industry, driven by the favourable performance of exports, while the services indicator points to some slowing, and the construction indicator shows a slight improvement from relatively low levels. This divergence is confirmed by the behaviour of the real indicators of activity in Q4 (see Panel 6), which shows relatively high growth in production and industrial orders, and in goods exports, along with containment of retail sales.

Consequently, according to the latest information, the differences in the growth rates of activity by country and by branch that have been manifest since the start of the recovery will foreseeably continue in the final quarter of 2010. Broadly speaking, the trend of the indicators point to the continuation of comparatively high growth in Germany and to some stabilisation in other economies in the area, as well as to a more marked expansion in industrial than in services branches.

pean Commission, which represents the starting point for economic policy coordination within the European semester.

Lastly, on 1 January 2011 Estonia became the seventeenth country to adopt the euro as its currency.

3.1 *Economic developments*

In 2010 Q3, euro area GDP grew by 0.3% in quarter-on-quarter terms, following an increase of 1% in Q2, due to temporary factors (see Table 1). Output rose largely as a result of the growth of exports and government consumption, while private consumption and investment in capital goods increased but moderately and expenditure on construction fell. The breakdown by sector shows that value added increased in industry and in services while it decreased in agriculture and construction. In year-on-year terms, the seasonally adjusted rate of change in GDP stood at 1.9%, similar to that of the previous quarter (2%).

By country, the growth rate of activity in Germany moderated (to 0.7%), compared with its extraordinary buoyancy of the previous quarter, but it remained higher than in other large euro area economies. In addition to the greater momentum of the external sector in Germany, there was also a firmer recovery in domestic demand, especially in investment in capital goods, while consumer spending has been boosted by the improvement in the labour market and in consumer confidence. Conversely, in France and Italy activity posted more moderate rates of increase (close to 0.3% in both cases), reflecting the smooth growth of domestic demand and the ongoing positive contribution from stockbuilding, whereas net external demand contributed negatively to GDP (see Box 3).

The process of job destruction came to a halt in 2010 Q3 on National Accounts figures. Thus, the number of jobs remained stable in Q3 at similar levels to Q2 while the year-on-year rate of change stood at -0.1%, compared with -0.6% in Q2. This performance is consistent with the

	2009			2010			2011	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
NATIONAL ACCOUNTS (Quarter-on-quarter rates of change, unless otherwise indicated)								
GDP	-0.1	0.4	0.2	0.4	1.0	0.3		
Private consumption	0.0	-0.2	0.3	0.3	0.2	0.1		
Public consumption	0.6	0.5	-0.1	0.1	0.1	0.4		
GFCF	-2.3	-1.2	-1.2	-0.4	2.0	-0.3		
Imports	-2.7	2.1	1.2	4.2	4.3	1.5		
Exports	-1.3	2.2	2.0	2.6	4.4	1.9		
Contributions to quarter-on-quarter GDP growth (pp)								
Domestic demand (excl. stocks)	-0.3	-0.2	-0.1	0.1	0.5	0.1		
Change in stocks	-0.4	0.6	0.0	0.7	0.4	0.1		
Net foreign demand	0.4	-0.1	0.2	-0.5	0.1	0.3		
GDP (year-on-year rate of change)	-4.9	-4.0	-2.0	0.8	2.0	1.9		
ACTIVITY INDICATORS (quarterly average)								
IPI seasonally and working-day adjusted	-1.7	2.8	1.1	2.4	2.4	1.1	1.4	
Economic sentiment	75.6	84.1	91.9	96.6	99.2	102.1	105.3	106.5
Composite PMI	43.2	49.5	53.6	54.4	56.6	55.7	54.9	56.3
Employment	-0.6	-0.5	-0.2	0.0	0.1	0.0		
Unemployment rate	9.4	9.7	9.9	9.9	10.0	10.0	10.1	
PRICE INDICATORS (year-on-year change in end-of-period data)								
HICP	-0.1	-0.3	0.9	1.4	1.4	1.8	2.2	
PPI	-6.6	-7.7	-2.9	0.9	3.1	4.3	4.5	
Oil price (USD value)	68.8	67.7	74.4	78.8	75.0	78.4	92.3	97.4
FINANCIAL INDICATORS (end-of-period data)								
Euro area ten-year bond yield	4.2	3.8	4.0	4.0	3.7	3.5	4.1	4.1
US-euro area ten-year bond spread	-0.63	-0.47	-0.17	-0.08	-0.72	-1.01	-0.78	-0.57
Dollar/euro exchange rate	1.413	1.464	1.441	1.348	1.227	1.365	1.336	1.369
Appreciation/ depreciation of the NEER-20 (b)	-0.7	0.3	-0.9	-4.5	-10.3	-6.3	-8.2	1.3
Dow Jones EURO STOXX 50 index (b)	-2.0	17.2	21.0	-1.2	-13.2	-7.4	-5.8	5.8

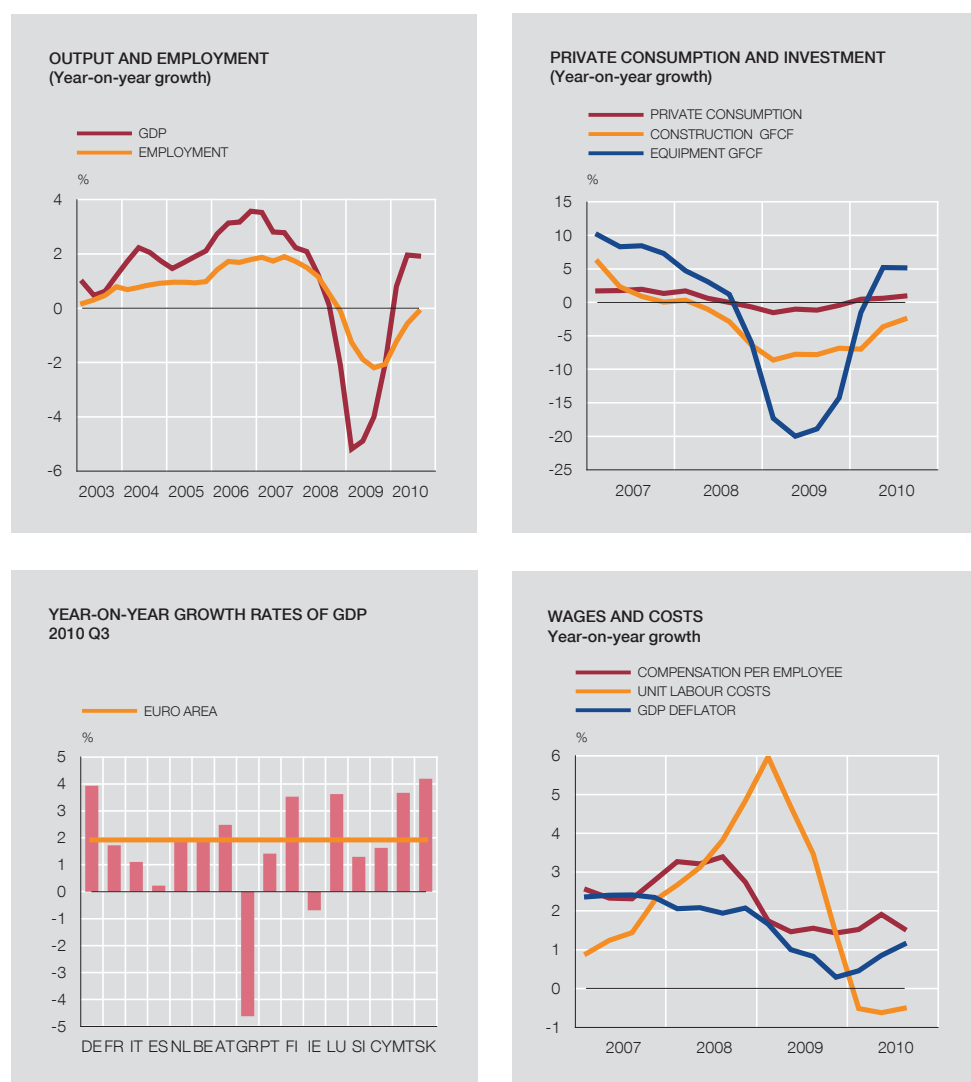
SOURCES: European Commission, Eurostat, Markit Economics, ECB and Banco de España.

a. Information available up to 31 January 2011.

b. Percentage change over the year.

recovery of employment usually lagging activity by two or three quarters, a lag which may have been extended during the current expansion owing to the adjustment in hours worked by employees throughout the crisis. For the moment, this variable has not returned to previous levels, despite the increase observed since mid-2009. This lag between the recovery of output and employment prompted apparent labour productivity to post rates of increase of more than 2%, for the third consecutive quarter, and led to unit labour costs falling further since growth in compensation per employee remained moderate. As a result of the rise in the GDP deflator and the decline in unit labour costs, business margins grew further for the third consecutive quarter (see Chart 8).

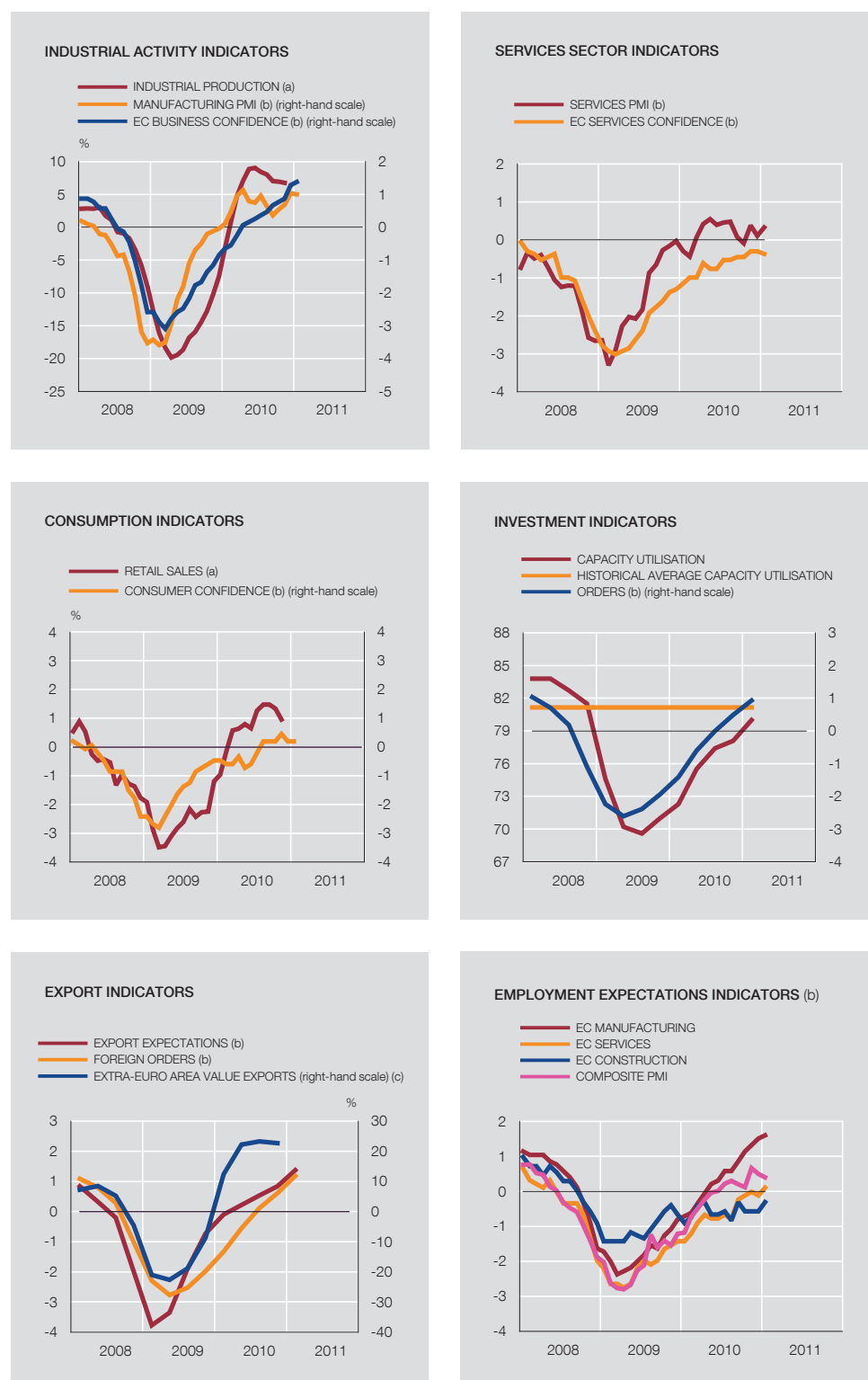
The latest conjunctural information suggests that in Q4 GDP held at a similar or slightly higher rate than in the previous quarter, driven by external demand and the industrial sector. Thus, following its decline in September, industrial production expanded again in October and November, while the sector's confidence indicators prepared by the European Commission showed positive figures until January 2011, for the first time since the beginning of the crisis, and the PMI indicators ended the year at 57.1, considerably higher than their historical average. Conversely, indicators gave mixed signals for services in 2010 Q4, since an improvement was seen in the European Commission's confidence indicators, which continued in January,



SOURCES: Eurostat and national statistics.

and a slight deterioration was observed in purchasing managers' opinions, although they held at considerably higher values than those recorded at the beginning of the year. It is estimated that the rate of contraction in construction may have decreased, although information is not yet available for analysing how its activity was affected by the adverse weather conditions in December 2010.

The recovery of industry seen in most economies (especially in Germany) is closely tied to the performance of exports which expanded again in the closing months of 2010, although without regaining their buoyancy of the first half of 2010, at the same time as the assessment of foreign order books and export expectations posted a fresh rise. The most recent domestic demand-related indicators show greater fluctuations. For instance, in 2010 Q4 retail sales decreased – on data to November – whereas new car registrations increased after the notable decline of previous quarters. The consumer confidence index held at negative values from summer 2010 until January 2011. As for investment indicators, the level of capacity utilisation for 2010 Q4 and 2011 Q1 remained on a rising trajectory (despite the fact it is still below its long-term average) and the assessment of industrial order books increased. Lastly, all the qualitative indicators point to an improvement in the labour market in Q4, even though the rate



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 data.
 c. Original series year-on-year rates. Quarterly average.

	2010		2011		2012	
	GDP	HICP	GDP	HICP	GDP	HICP
ECB (December 2010)	1.6-1.8	1.5-1.7	0.7-2.1	1.3-2.3	0.6-2.8	0.7-2.3
European Commission (November 2010)	1.7	1.5	1.5	1.8	1.8	1.7
IMF (January 2011 - October 2010) (b)	1.8	1.6	1.5	1.5	1.7	1.5
OECD (November 2010)	1.7	1.5	1.7	1.3	2.0	1.2
Consensus Forecast (January 2011)	1.7	1.6	1.5	1.8	1.6	1.7
Eurobarometer (January 2011)	1.6	1.5	1.5	1.7	1.6	1.7

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

a. Annual growth rates.

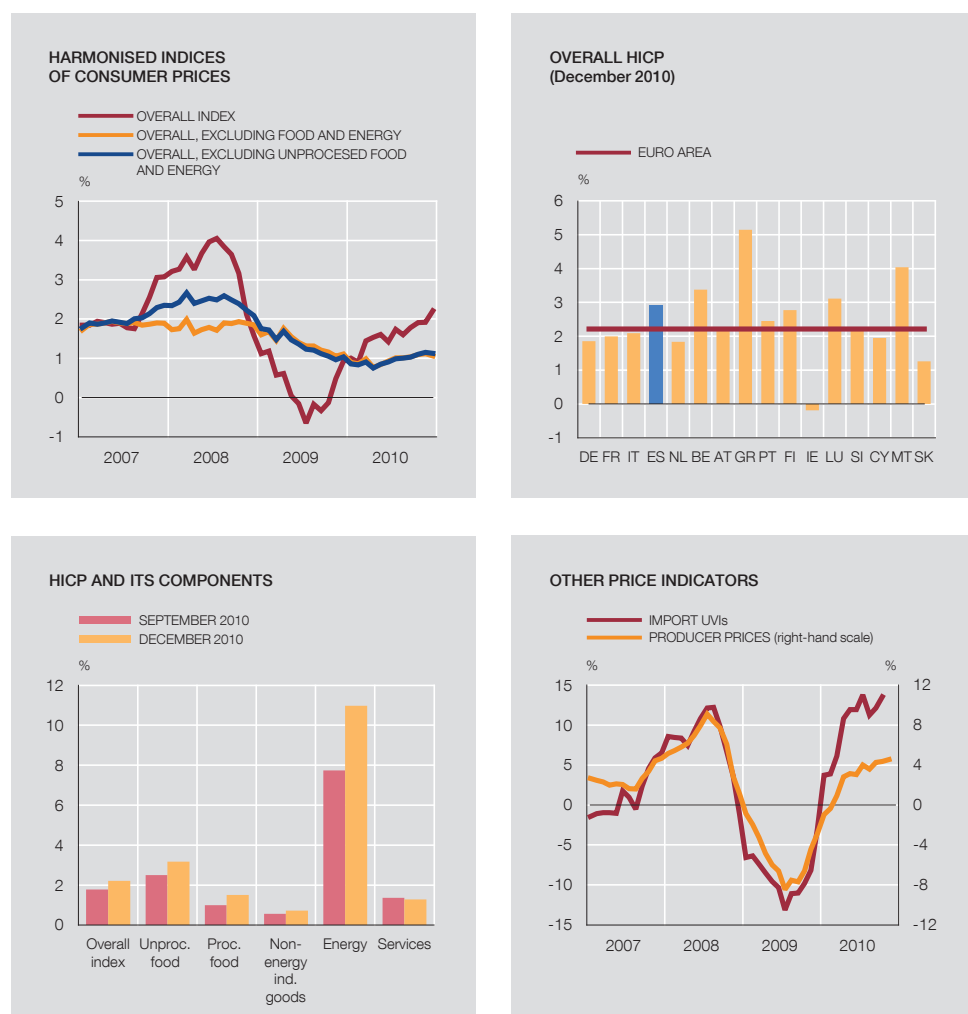
b. Interim estimate of January 2011 for GDP and of October 2010 for HICP.

of unemployment posted a slight rise to 10.1% in October and in November, compared with 10% in the two previous quarters.

In short, the latest economic information confirms that activity in the euro area continued to expand in the final stretch of 2010 at a lower rate than that posted mid-year, due to the petering out of economic policy stimulus, the slowdown in the growth of international trade and the end of the stockbuilding process observed in the first half of the year. Growth of activity continued to be firmly underpinned by industrial production and exports, which are expected to have been boosted by the recent depreciation of the euro exchange rate. Conversely, household spending remains weak, in a setting in which high rates of unemployment, wage moderation and the gradual rise of inflation rates are curtailing real disposable income. Business investment also rose modestly, despite the recent rise in business margins and the momentum of external demand, since the ongoing low levels of capacity utilisation are hampering the need to increase plant capacity.

In the medium term, on the forecasts of international organisations there will be a moderate recovery over the coming quarters, with rates expected to be close to 1.5% on average in 2011 and 2% at end-2012, in a setting in which fiscal consolidation requirements will trigger a contraction of consumption and public investment, and private spending will gradually take over from the momentum of external demand (see Table 2). However, this scenario is subject to considerable downside risks linked to the instability of debt markets which, if they continue, could ultimately affect household and business confidence and trigger a further tightening of financing conditions.

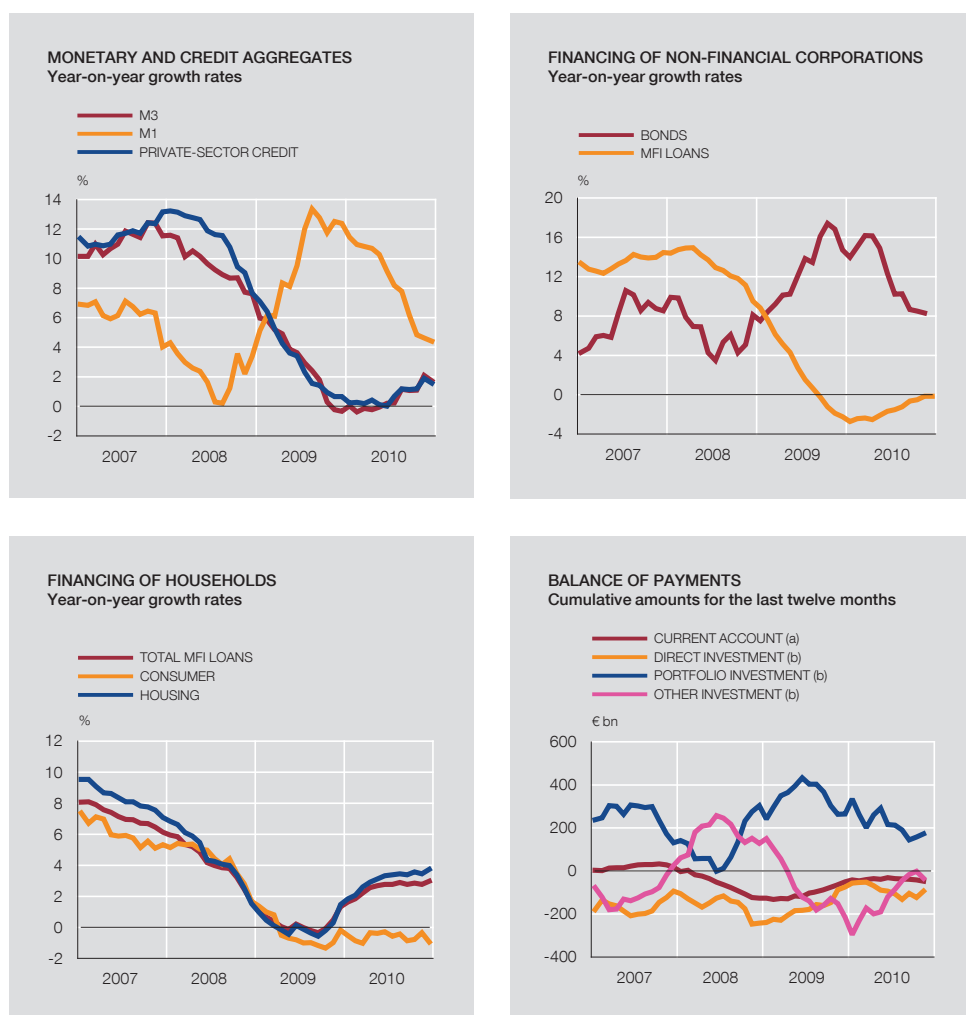
The 12-month inflation rate ended the year at 2.2%, more than double that seen at end-2009 (0.9%) and, according to the Eurostat preliminary estimate, it increased to 2.4% in January. The deterioration of inflation in recent months is largely due to the rise in food and energy prices in line with the increase of these products' prices on international markets, the effects of which have been amplified by the depreciation of the euro exchange rate. Nevertheless, core inflation measured by the CPI excluding energy and unprocessed food prices remained practically stable in Q4 at 1.1% (compared with 1% in Q3), and worth noting is the slight slowdown of services, the prices of which ended the year 1.3% higher, very close to their all-time low. By contrast, non-energy industrial goods inflation climbed 0.2 pp in Q4 to 0.7% (see Chart 10). Industrial prices grew by 4.5% in October and November, 0.5 pp up on the figure for 2010 Q3. All components quickened in the final stretch of 2010, although the rise in energy prices was higher. The short-term inflation outlook deteriorated slightly as reflected by the forecasts of



SOURCES: Eurostat and ECB.

various international organisations, although recent commodity price rises will foreseeably not trigger second-round effects on prices and wages due to the ongoing fragility of demand and the labour market (see Table 2). Against this backdrop, long-term inflation expectations remain moderate.

The euro area ran a current account deficit of €61.6 billion from January to November, practically the same as the deficit of €59 billion in the same period of 2009. By country, there has been a considerable correction of the current account imbalances of Ireland (where the sharp improvement in price and cost competitiveness notably boosted its exports) and of Spain. By contrast, the Portuguese and Greek deficits remained high, close to 10% of GDP, despite having been corrected to some degree. In terms of components, there were no major changes with respect to the previous year: goods and services recorded a surplus of above €20 billion and €30 billion, respectively, while income and current transfers posted a deficit of €10 billion and €104 billion, respectively. As for the financial account in the same period, there were more net capital outflows in the form of direct investment, which amounted to €103 billion compared with €84 billion in 2009, while net portfolio investment inflows fell from €240 billion to €147 billion. As a result, the basic balance, which is the sum of these two types of investment and the



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).

current account balance recorded a deficit of €15 billion between January and November 2010, compared with the surplus of €95 billion in the same period of 2009 (see Chart 11).

Turning to public finances, the results of the various countries were in line with the commitments undertaken within the framework of the SGP, and in certain cases they were exceeded (such as by Germany, where the correction of the deficit was favoured by its strong recovery). The countries facing more complex situations were forced to adopt further fiscal measures in the closing months of the year. Thus, the situation of the Irish banking system was ultimately reflected in the sharp deterioration of its public finances, despite the budget consolidation measures implemented since 2009, and led to its request for financial assistance from European institutions and the IMF, which was granted on 28 November (see Box 2). In Greece, the second review of the adjustment programme by the IMF, EC and ECB concluded that the fiscal adjustments and reforms implemented were on track, although, in order to guarantee that the fiscal targets for 2011 would be met, the Government introduced supplementary measures to broaden tax bases and rationalise spending. Lastly, Portugal, which came under constant pressure on debt markets, approved several measures in November to cut public-sector wages by 5% and raise VAT from 21% to 23%; and it introduced further supplementary measures in

% of GDP						
	BUDGET BALANCE (a)					
	2008	2009	2010		2011	
			EC (b)	IMF (c)	EC (b)	IMF (c)
Belgium	-1.4	-6.1	-4.9	-4.8	-4.7	-5.1
Germany	0.1	-3.0	-3.7	-4.5	-2.7	-3.7
Greece	-9.6	-15.4	-9.6	-7.9	-7.4	-7.3
Spain	-4.2	-11.1	-9.3	-9.3	-6.4	-6.9
France	-3.3	-7.6	-7.8	-8.0	-6.3	-6.0
Ireland	-7.3	-14.4	-32.3	-17.7	-10.3	-11.2
Italy	-2.7	-5.3	-4.9	-5.1	-4.2	-4.3
Luxembourg	3.0	-0.7	-1.8	-3.8	-1.3	-3.1
Netherlands	0.5	-5.4	-5.8	-6.0	-3.9	-5.1
Austria	-0.5	-3.5	-4.3	-4.8	-3.6	-4.1
Portugal	-3.0	-9.4	-7.3	-7.3	-4.9	-5.2
Finland	4.2	-2.7	-3.3	-3.4	-1.8	-1.8
Slovenia	-1.8	-5.8	-5.8	-5.7	-5.3	-4.3
Cyprus	0.9	-6.0	-5.9	-6.0	-5.7	-5.6
Malta	-4.8	-3.8	-4.2	-3.8	-3.0	-3.6
Slovakia	-2.1	-7.9	-8.2	-8.0	-5.4	-4.7
Estonia	-2.9	-1.8	-1.1	-1.1	-2.0	-1.7
PRO MEMORIA: Euro area						
Primary balance	1.0	-3.5	-3.5		-1.6	
Total balance	-2.0	-6.3	-6.3	-6.5	-4.6	-5.1
Public debt	69.7	79.1	84.1	84.1	86.5	87.0

SOURCES: European Commission, Eurostat and IMF.

a. Deficit (-) / surplus (+). The deficits that exceed 3% of GDP have been shaded.

b. European Commission forecasts (autumn 2010).

c. IMF forecasts (October 2010).

December to increase the control of general government spending and to set up a pluriannual budgetary framework.

As a result of the foregoing, the European Commission's autumn forecasts put the deficit for the euro area as a whole at 6.3% of GDP, which is below last spring's forecast (see Table 3). According to the projections and budgets approved for 2011, a further reduction (of up to 4.6%) is expected in the deficit for the area as a whole, which includes a 1.5 pp decrease in the cyclically adjusted deficit, and, consequently, it is estimated that the fiscal policy stance would become more restrictive. The public debt of the euro area in its entirety is estimated to be 84.1% of GDP for 2010 as a whole, on the Commission's estimates and could rise to 86.5% in 2011, with substantial cross-country differences.

3.2 Monetary and financial developments

Strains on sovereign debt markets in the euro area worsened again during 2010 Q4 and at the beginning of 2011. Throughout October, Greek, Irish and Portuguese sovereign spreads over the German *Bund* rose and, at the beginning of November, they breached 800 bp, 600 bp and 400 bp, respectively. In November the instability ultimately spread to other countries such as Spain, Italy and Belgium, whose spreads exceeded the highs during the turmoil of May 2010. These strains were apparent in the notable depreciation of the euro and, to differing degrees, in private risk premia and stock prices in the countries affected, particularly in the financial sector. The situation finally precipitated the Irish government's request for financial aid from the EU/IMF. As explained in detail in Box 2, the formalisation of the Irish aid

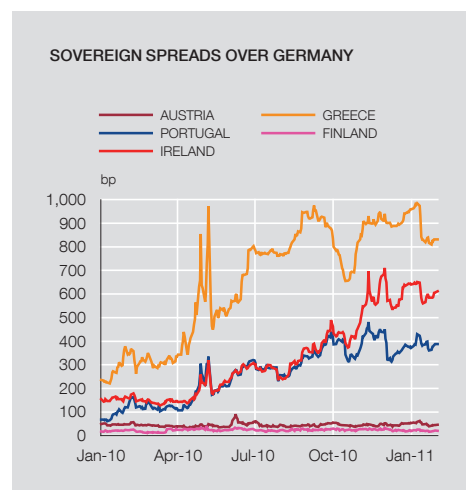
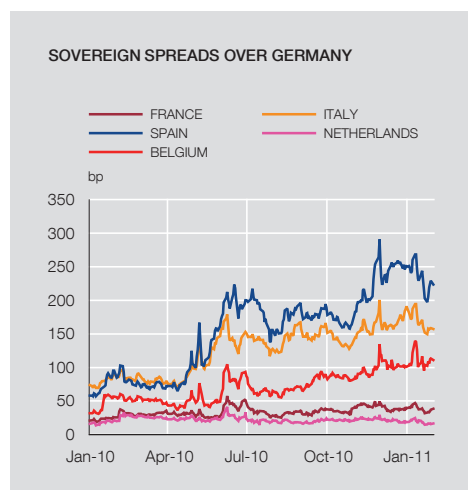
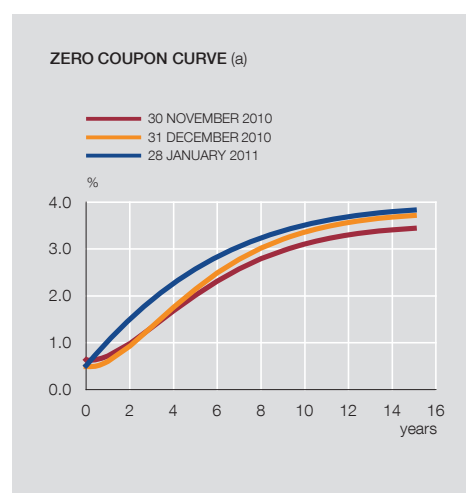
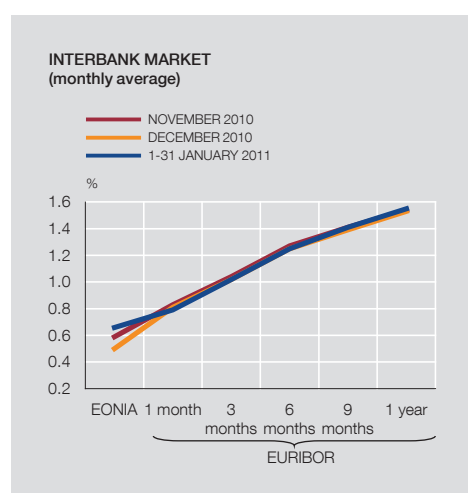
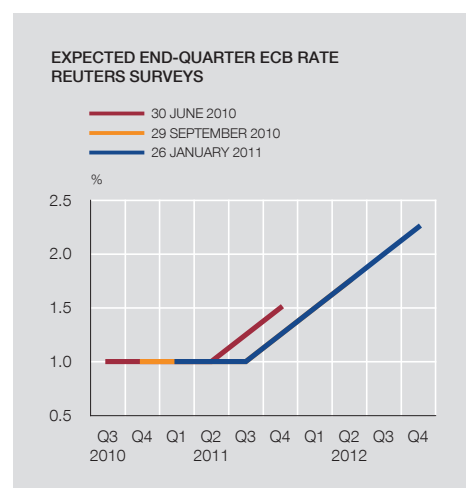
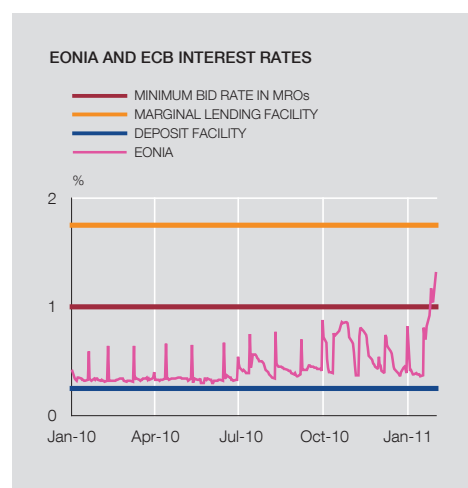
programme at end-November had a very limited impact on spreads, which did not begin to correct noticeably until the second half of January at the same time as the euro and stock markets recovered.

The ECB's monetary policy stance remained accommodative since, despite short-term price rises, medium-term inflationary pressures remained moderate and inflation expectations continued to be anchored at levels compatible with the definition of price stability. Thus, the Governing Council of the ECB decided to leave official interest rates unchanged at historically low levels at its last few meetings in 2010 and at its first two meetings in 2011. The rate on the main refinancing operations remained at 1%, its level since May 2009, and the rate on credit and deposit facilities held at 1.75% and 0.25%, respectively (see Chart 12). Similarly, the ECB pursued its credit support policy and granted liquidity through tender procedures with full allotment, which it will continue at least during 2011 Q1. In December it also arranged a liquidity facility with the Bank of England, under which it could provide sterling to the banking system until September 2011, although it has not been instrumented yet, and extended the agreement with the Federal Reserve until August, whereby it will continue to provide dollars through weekly tenders. Lastly, operations under the Securities Market Programme resumed, with purchases amounting to nearly €13 billion from mid-November, which raises the total portfolio acquired by the ECB to slightly more than €76 billion.

Interbank market interest rates continued to move on a smooth rising trend and increased by approximately 15 bp from end-September for operations with a maturity of more than one month. The three-month and one-year EURIBOR stood, respectively, at average levels of slightly more than 1% and 1.5% in January. The EURIBOR yield spread over repo operations at equivalent terms held at more than 60 bp for the one-year EURIBOR, which continues to point to strains on interbank funding markets. Long-term rates in the euro area rose more than 50 bp during Q4 and January to levels of more than 4% for the ten-year EURIBOR. The yield on the ten-year German *Bund* increased by more than 90 bp from end-September, to more than 3%. As discussed above, in the second half of January sovereign spreads narrowed markedly to levels similar to those seen in early November, although volatility continued to be very high.

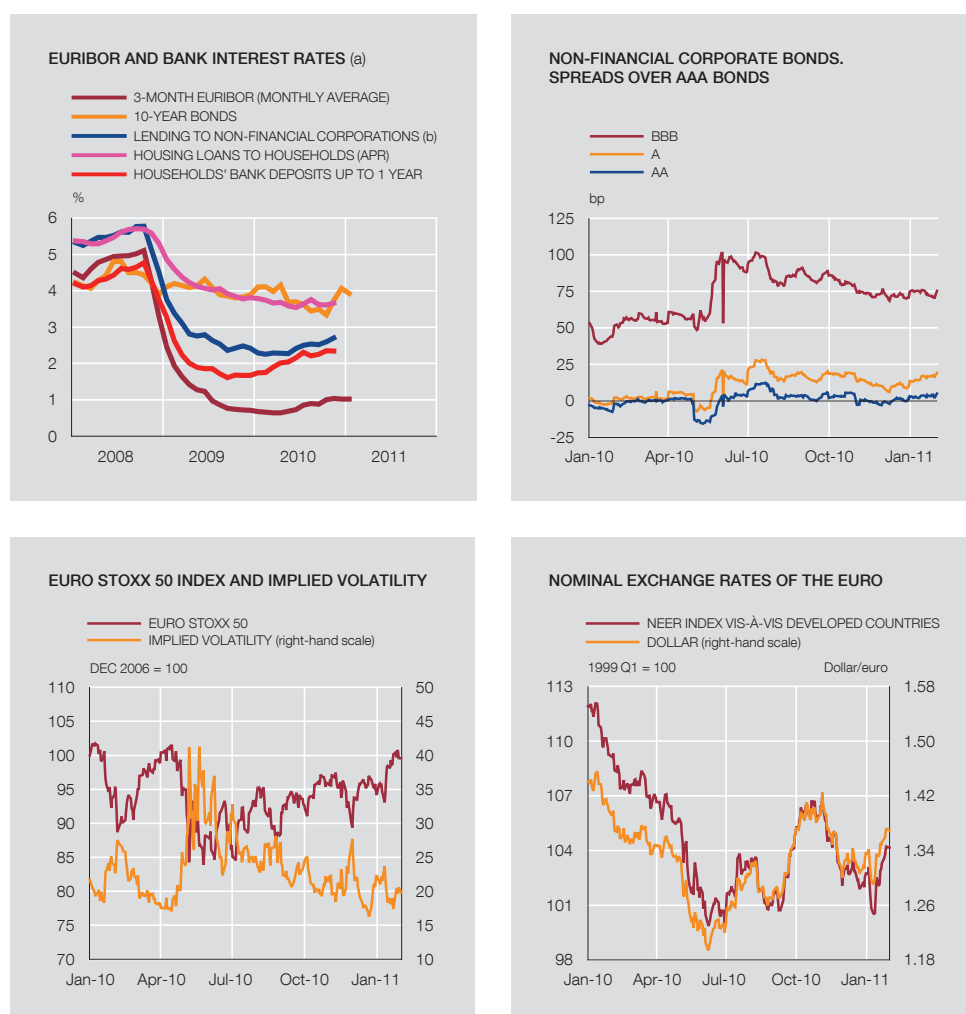
Risk premia rose slightly on private fixed-income markets particularly for financial sector securities and in countries hit hardest by the sovereign debt crisis. As for credit, the cost of private-sector bank loans to households held relatively unchanged during October and November, while it rose slightly in the case of corporations. For instance, the rate on new lending to non-financial corporations stood at 2.8% in November compared with the low of 2.4% in spring 2010; the increase was more pronounced for large loans of more than €1 million. The Bank Lending Survey (BLS) for Q4 indicates that the credit standards for new loans did not ease in Q4, nor are they expected to do so in coming months. The BLS confirms the smooth increase in the demand for loans by non-financial corporations, which is projected to step up in 2011 Q1.

As for private-sector financing, the total amount of debt issued by non-financial corporations grew at high rates, of more than 8% year-on-year in November, within the slightly moderating trend. Bank loans, by contrast, continued to recover smoothly in 2010 Q4, which is explained by the improvement in short-term financing, the type most closely linked to productive activity. In year-on-year terms, the decline in business loans decreased and stood at -0.2% in December. Lending to households performed stably and grew by approximately 3.7% year-on-year for home loans, whereas consumer loans continued to contract.



SOURCES: ECB and Banco de España.

a. ECB estimate using swap market data.



SOURCES: ECB and Banco de España.

a. On new operations.

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

The performance of stock markets was very mixed by country and sector. The EUROSTOXX appreciated by more than 1.5% in 2010 Q4, placing its cumulative fall in 2010 at approximately 6% (see Chart 13). Except for Germany's DAX, which was up by more than 16% in the year, the major European stock market indices posted declines, which were sharper in the financial sector and in the countries affected by sovereign strains. The change in sentiment in January, with an easing of tensions on debt markets and the publication of some positive economic data in the United States and Europe, prompted a widespread reversal of this trend, with the EUROSTOXX rising by approximately 6%.

The euro exchange rate was not insulated from sovereign debt market instability in the area and the loss of investor confidence resulted in a depreciation of the euro by 2% in Q4 in effective terms, which represents more than 8% in 2010 as a whole. This trend was partly corrected at the beginning of 2011.

Lastly, the growth of the M3 monetary aggregate increased substantially in Q4, to 1.7% in year-on-year terms in December, which was explained by base effects relating to the rate and specific factors which raised the less liquid marketable securities component.

4 The Spanish economy

On Quarterly National Accounts (QNA) estimates, there was a pause in the ongoing recovery in economic activity in 2010 Q3, as the quarter-on-quarter rate of GDP posted a zero change, compared with 0.3 % growth in Q2. National demand fell by 1.4 % in quarter-on-quarter terms, reflecting the impact exerted by the reversal of some of the temporary effects that boosted it in the first half of the year. In contrast, net external demand made a positive contribution of the same amount to GDP growth, this being due to the loss of momentum of national demand feeding through into a sharp reduction in imports. In year-on-year terms, output grew by 0.2 %, 0.2 pp up on the previous quarter.

On the latest available information, the Spanish economy is estimated in Q4 to have resumed the path of slow recovery seen in the first half of the year, posting quarter-on-quarter GDP growth of 0.2 % (see Chart 14). Unable to resume its dynamism of the first half of the year, national demand fell by 0.4 % in relation to the previous quarter, while the contribution of external demand was positive (at around 0.6 pp), underpinned by the strength of exports, against the background of the improvement in Spain's foreign markets. In year-on-year terms, GDP is estimated to have grown by 0.6 %, 0.4 pp up on the previous quarter.

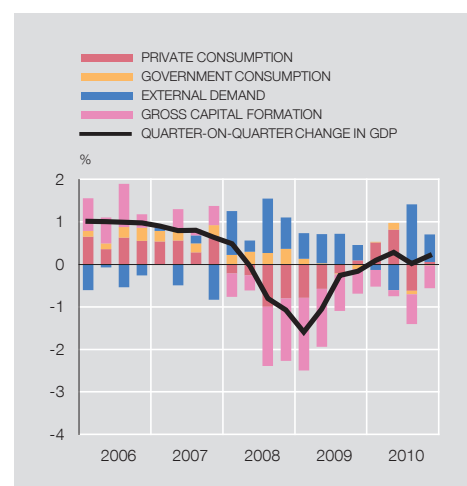
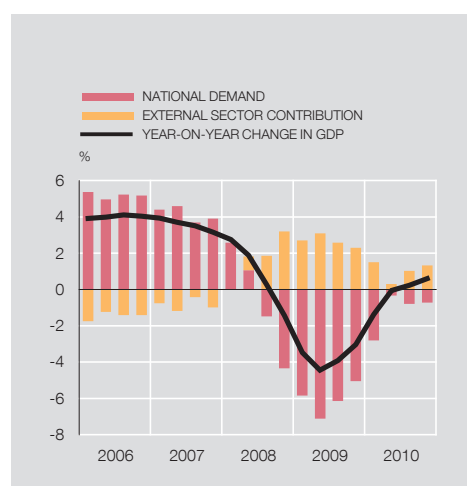
In line with these developments in activity, the fall in employment slowed in Q4 to an estimated rate of decline of 1.3 % year-on-year, 0.4 pp less marked than in the previous quarter. Given the estimated trend of output and employment, apparent labour productivity growth is expected to have remained sharp. Compensation per employee slowed again with the added impact of the cut in public-sector wages. As a result, the rate of decline of economy-wide unit labour costs, which had been falling since 2009 Q3, steepened slightly. Finally, the growth rate of the CPI rose notably during the last quarter of the year, placing year-on-year inflation at 3 % in December, 0.9 pp up on September. Chiefly behind this was the energy component. However, the CPI excluding energy and unprocessed food prices also quickened during the quarter (to 1.5 %, 0.4 pp more than at the start of Q4).

4.1 Demand

In 2010 Q4, private consumption is expected to have posted practically zero quarter-on-quarter growth following its sharp decline in the previous quarter, meaning its year-on-year rate will have held stable (see Chart 15). As previously indicated, there was a sharp slow-down in consumption in Q3 as a result of the reversal of the effects of a series of factors that had boosted this variable in the first half of the year. In part, the weakness of household consumer spending in the last three months of the year suggests a continuation of the adverse influence of these temporary factors. But it is also due to the fact that the prevailing circumstances, characterised as they are by the poorly performing labour market, the reduction in the value of real estate wealth, still-tight credit conditions and tax increases, are not very propitious for such spending decisions. Among the quantitative indicators, the quarter-on-quarter decline in new car registrations eased to 2.8 % (after having fallen 22 % in Q3). The retail trade index posted a quarter-on-quarter decline of 1.2 %, similar to that in Q3. Conversely, the year-on-year rate of decline of large corporations' sales eased in October and November. Among the qualitative indicators, the European Commission's consumer confidence index improved slightly on average in Q4, albeit moving on a deteriorating path, while retail traders' confidence worsened in the final quarter of the year. Into January 2011, the consumer indicator improved somewhat, while that for retailers held stable.

MAIN DEMAND AGGREGATES. CONTRIBUTIONS TO GDP GROWTH (a)

CHART 14

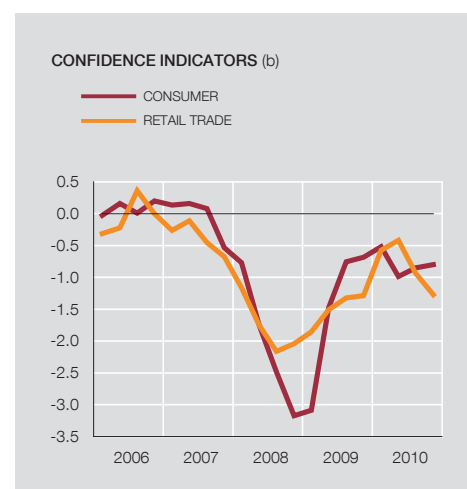
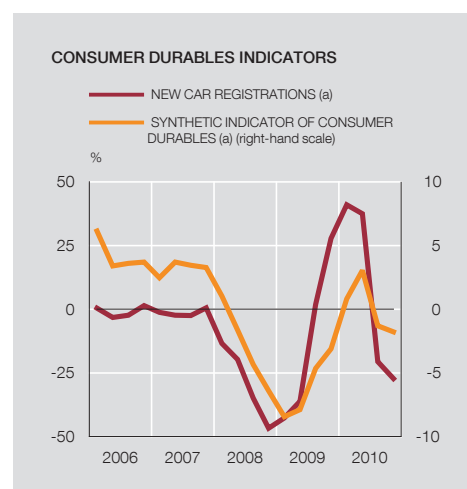
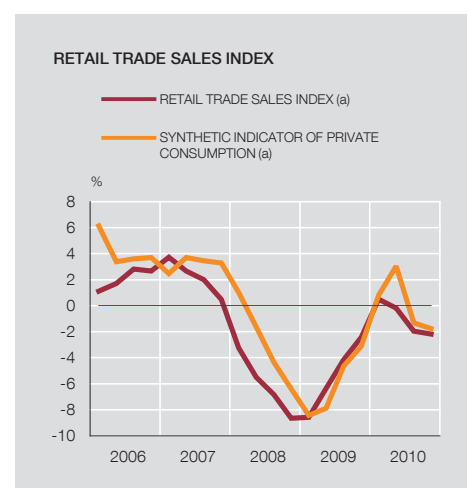
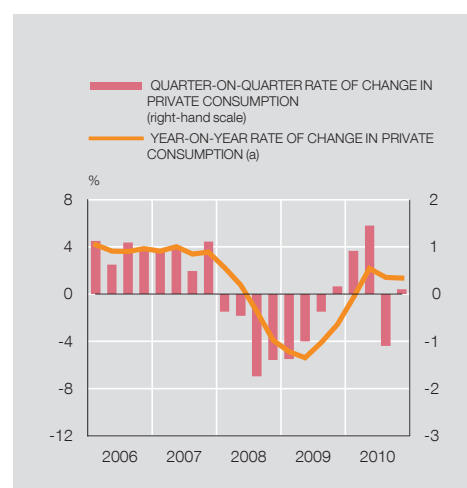


SOURCES: INE and Banco de España.

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

PRIVATE CONSUMPTION

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

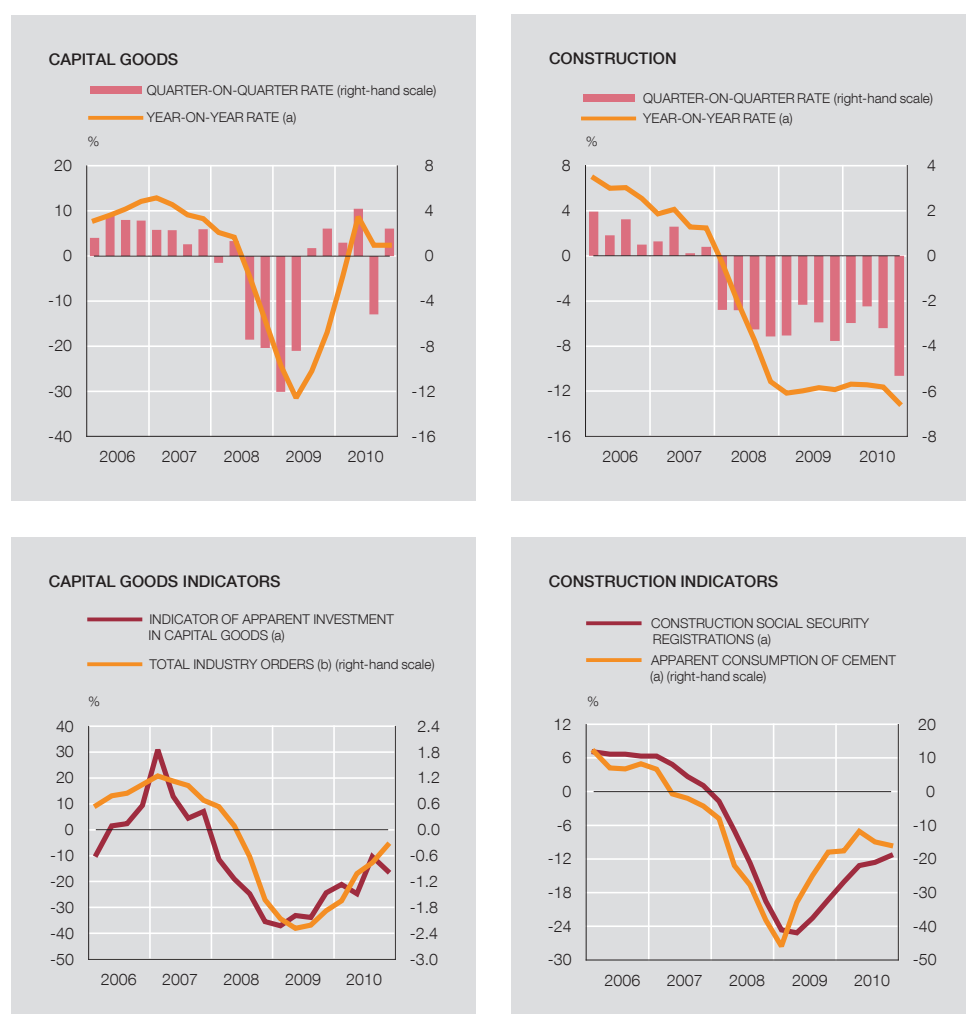
On the information available on the non-financial accounts of the institutional sectors (running to 2010 Q3), the rate of decline in four-quarter cumulated figures of household income steepened slightly. On one hand, this was the result of the decline in the contribution of property income, which turned negative, mainly as a consequence of the unfavourable trend of interest. On the other, there was a further reduction in the positive contribution of general government to upholding household income, owing to the behaviour of direct taxes and of social benefits. The trend of these two components was not offset by that of primary income (employee compensation and surplus), the rate of decline of which slackened. The course of disposable income, in step with an increase in the inflation rate, is expected to have constrained household purchasing power in the closing months and, thereby, the possibility of the pick-up in private consumption gaining momentum. Indeed, the trajectory of income and consumption to Q3 gave rise, once again, to a fall in the savings ratio, of the order on this occasion of 1.2 pp, down to 14.4 %, 3.6 pp less than at end-2009.

General government final consumption is expected once again to have posted a quarter-on-quarter decline in Q4, judging by the information available from the State budget outturn.

Investment in capital goods is estimated to have recorded positive quarter-on-quarter growth in Q4, while its year-on-year rate of change will have held stable. Among the quantitative indicators, new commercial vehicle registrations ended Q4 showing a quarter-on-quarter increase of 7.8 %, in contrast to the 13.3 % decline in Q3, while the year-on-year rate of decline of sales by large corporations (on information to November) is expected to have slowed by somewhat more than 2 pp. Figures on the domestic production of capital goods for October and November also reflect a slackening in their year-on-year contraction in the final stretch of the year, while imports remained very buoyant over these same months. Among the qualitative indicators, capacity utilisation is estimated to have increased by 1.1 pp at the start of the year. Further, business confidence in the industrial sector improved in Q4, both across the manufacturing branches as a whole and at capital goods producers. Conversely, services confidence worsened over the same period. In January, the trend of these indicators was in the opposite direction, although the changes were, in any event, small.

The information available on the non-financial accounts of non-financial corporations for 2010 Q3 is also conducive to a recovery in investment in capital goods. The figures suggest that these agents are rebuilding their financial positions, lowering their debt ratios and improving their profitability. On four-quarter cumulated figures, net borrowing was notably corrected, turning into what was marginally net lending, an unprecedented development in the time series. This was due to the increase in business saving, driven by the rise in the surplus, the reduction in the interest burden and fall in taxes paid, while investment by these agents continued to decline, albeit less sharply than in the preceding quarters.

The behaviour of investment in construction is, on the latest information (see Chart 16), estimated to have become more contractionary in Q4. The indicators for the sector as a whole relating to inputs, such as the apparent consumption of cement and the industrial production index for construction materials, showed a steepening of year-on-year rates of decline, while, in contrast, the employment indicators evidenced slightly more moderate year-on-year falls than those for the previous quarter. This divergence is compatible with the stepping up of the fiscal consolidation process in the public works arena, which is less labour-intensive than other construction segments. In addition, the business confidence indicators drawn from the European Commission's surveys reflected a significant deterioration in these agents' perception of the direction and outlook for the sector during the closing months of the year, a trend which was repeated in January.



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

a. Year-on-year percentage change based on the seasonally adjusted series, except in the case of social security registrations, which are based on the original series.

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

Across the different types of works, the quarter-on-quarter decline in investment in residential building is estimated to have eased in relation to the previous quarter, as a result of the narrowing of the negative gap between the number of housing starts and completions. Moreover, the current trends for housing starts and completions will see an extension of the path of less pronounced reductions in investment in housing in the coming quarters. On the demand side of residential assets, a significant fall in housing market transactions was discernible in the second half of the year, probably attributable to the effect of the bringing forward of some purchasing decisions to the months prior to the VAT rise in July. The latest information in this respect, for November, appears to substantiate the somewhat more dynamic behaviour of transactions in the closing months of last year. Such behaviour might intensify in December in light of the improvement in the affordability indicators arising from the fall in house prices and, above all, from the temporary impulse associated with the partial elimination of house-purchase tax relief for individuals as from 1 January. Non-residential building permits underwent a severe loss of momentum in Q4. Finally, investment in public works trended unfavourably during the final quarter of the year, the result of the intensification of the budgetary consolidation process across the different tiers of government.



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

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

The latest information available on net external demand points to a further positive contribution to GDP growth in 2010 Q4. Specifically, this contribution is estimated to be 0.6 pp in quarter-on-quarter terms and around 1.3 pp in year-on-year terms, 0.3 pp up on Q3. This improvement was the outcome of exports proving more buoyant than imports (see Chart 17). The mild slowdown in the year-on-year increase in imports is in keeping with the sluggishness of national demand, and especially of household consumption. The estimated year-on-year trend is consistent with a flattening out of the demand for imports in quarter-on-quarter terms. Exports remained notably robust in 2010 Q4, as evident in year-on-year growth that was analogous to that in Q3, against an international backdrop marked by the forceful momentum of the emerging economies – especially Asia and Latin America – and by the firming of the recovery in the developed economies, as can be inferred from the global merchandise trade data, which are holding at a high rate of growth. Turning to the competitiveness indicators, the information to November indicates that the depreciation of the nominal effective exchange rate enabled the slight increase in relative prices to be offset, which made for an improvement in the price-competitiveness indices vis-à-vis the developed countries.

According to Customs data, real goods exports increased by 15 % year-on-year on average in the October-November period, quickening in relation to Q3, in which they grew by 11.7 %. In the two months spanning October and November, the goods categories that performed most dynamically were, according to Customs, intermediate and capital goods, with rates of increase of 31.4 % and 25.8 %. By geographical area, the improvement was extensive both to real sales to the EU and, to a greater extent, to those intended for third markets (with respective increases of 13 % and 19.2 %). Notable on the Community front were the firmness of exports to Spain's main markets – France and Germany, with growth rates of around 13 % – and the even more marked buoyancy of exports to Italy and to the United Kingdom. Outside the Community there were sizeable increases in exports to the south-east Asian countries, China, Russia and Latin America, running at a year-on-year rate of around 30 % in all cases.

As to real exports of tourist services, information from the Balance of Payments to November points to a favourable performance in Q4, albeit with a less sharp increase than in Q3. The indicators of inbound tourism tended to ease off in year-on-year terms in Q4, this being related, at least in part, to the difficulties faced when travelling by air as a result of the dispute with the Spanish air traffic controllers and the bad weather in central and northern Europe. The indicator of overnight hotel stays by foreign visitors, drawn from the Hotel Occupancy Survey, grew by 8.9 % in Q4, entailing a slowdown of more than 3 pp on the previous quarter. The growth of incoming foreign tourists slowed by a similar amount, to 1.4 %, owing to the fall-off in British and German tourists, whereas the high rate of expansion shown by Nordic and Italian visitors in Q3 accelerated. According to EGATUR (the tourism expenditure survey), nominal spending by foreign visitors posted a year-on-year growth rate of 4.4 % over the October-November period (4.3 % in Q3), accompanied by a slight increase in spending per tourist (0.8 %). In the case of non-tourist services exports, the Balance of Payments indicators presage favourable figures in Q4, in step with the course of merchandise trade.

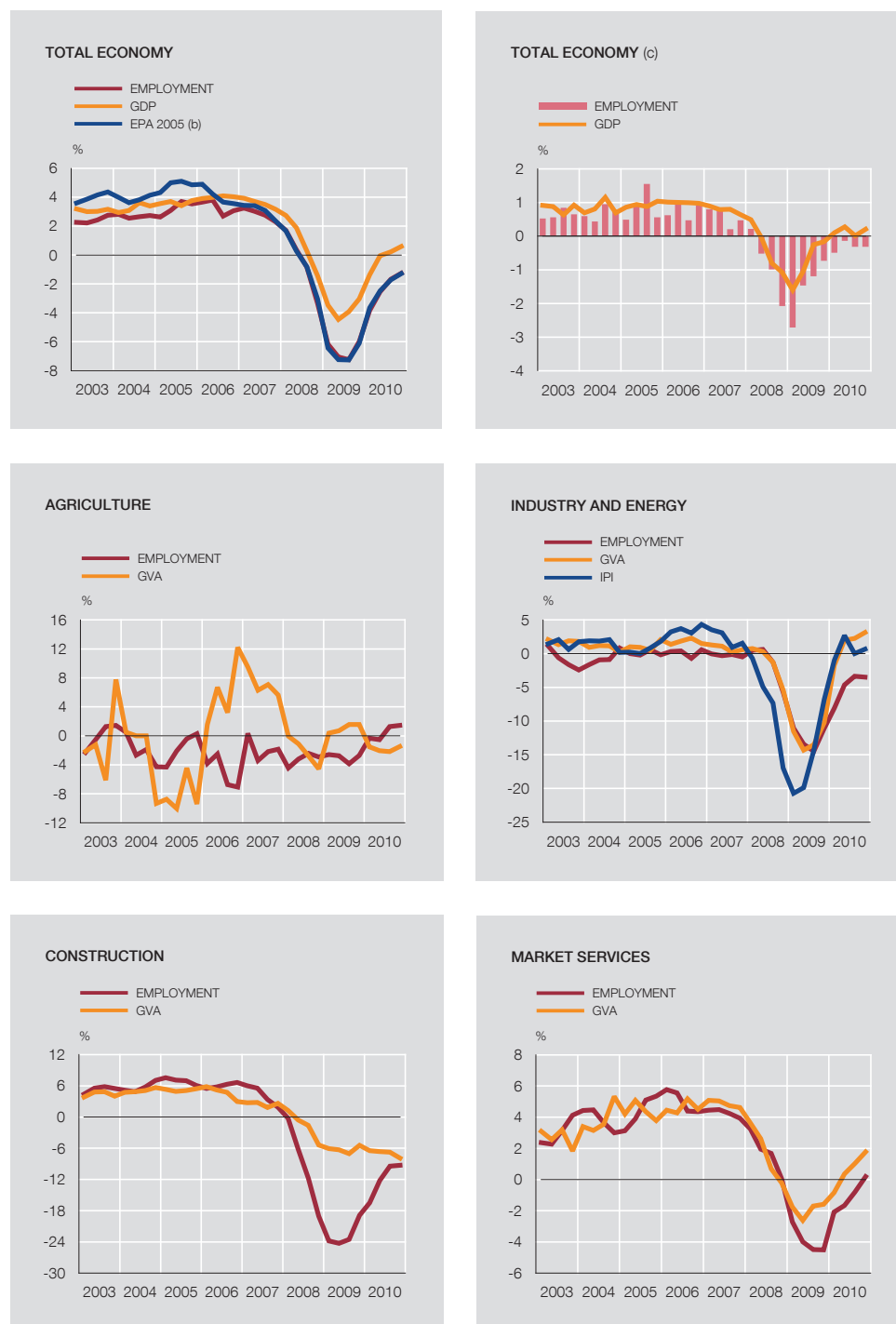
Turning to imports, goods purchases abroad, according to Customs figures, grew by 2.8 % year-on-year in the October-November period, entailing a 2 pp slowdown from the rate observed in Q3. For the first 11 months of the year, real imports increased by 8.6 %, in clear contrast to their collapse over the course of 2009 (-17.4 %). By product group, non-energy intermediate goods (13.9 %) and capital goods (9.1 %) proved to be the most buoyant in the October-November period. Conversely, the decline in consumer goods imports steepened to -17.3 % as a result of the fall-off in non-durable goods, since the year-on-year decline in durables eased following the heavy falls in Q3.

Regarding real services imports, the available indicators point to some worsening in 2010 Q4 owing to the weakening of the non-tourist services component. Tourist imports, in contrast, remain dynamic.

4.2 Output and employment

During Q4, gross value added in the market economy increased modestly in quarter-on-quarter terms, on a par with the previous quarter. Nonetheless, this would be the result of divergent branch-by-branch patterns, there having been an estimated strengthening of activity in the industrial and energy branches compared with the previous quarter, while in construction and market services, on the other hand, the performance was more unfavourable (see Chart 18).

Specifically, the information available on the indicators for industry points to a resumption of positive quarter-on-quarter growth rates in value added, following the slippage recorded in this branch in Q3. Indeed, the industrial production index regained some momentum in the final months of the year enabling it, pending the December figure, to close 2010 with positive rates of change for the year as a whole, after the contraction of almost 16 pp in 2009. The rate of



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

a. Year-on-year percentage rates based on seasonally adjusted series, except in the case of EPA gross 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 DG Economics, Statistics and Research on the basis of the control survey conducted using the methodology applied until 2004 Q4.

c. Quarter-on-quarter rates based on seasonally adjusted series.

decline of the employment indicators continued to slacken in Q4 and the survey-based indicators also trended more favourably in this period. The pace of decline of value added in the construction sector stepped up, as a result – as mentioned – of the strong contraction in civil engineering works associated with the fiscal consolidation process under way across the different tiers of government.

The indicators available in relation to market services showed less momentum than in the previous quarter. Among the qualitative indicators, the services PMI was once again clearly below the benchmark level of 50 in Q4, contrasting with the more favourable picture portrayed for the euro area as a whole. The European Commission's opinion-based survey for the services sector also fell back in Q4 (although the figure for January partially corrected this decline). Information on the quantitative indicators for Q4 corroborates the relative weakness of the sector. Specifically, the number of Social Security registrations, which held unchanged in quarter-on-quarter terms, posted modest year-on-year growth of 0.4 %. Lastly, figures drawn from the index of services sector activity and large corporations' sales, with information to November, continued to show year-on-year declines, although these are less pronounced than in Q3.

In the labour market, the monthly indicators showed a slight easing in the pace of the year-on-year decline in employment during Q4. Average Social Security registrations moved on a progressively – albeit mildly – improving path during the quarter, declining by a rate of 1.3 %, 0.3 pp less pronounced than in Q3. However, in quarter-on-quarter terms, the seasonally adjusted series is stable in terms of the pace of decline, with a similar fall to that in previous quarters (-0.3 %). New hires registered at the National Public Employment Service (SPEE by its Spanish abbreviation) trended similarly in Q4 as they did in Q3 (year-on-year growth of 2.5 %), and permanent contracts were seen to accelerate, thanks mainly to the favourable pattern involving conversions of temporary contracts into permanent ones (15.5 %), since initial permanent contracts continued to post declines, albeit at a lower pace.

The EPA figures for Q4 show a year-on-year decline in employment of -1.3 %, 0.4 pp down on Q3. Construction and non-market services are the only branches to have performed worse than in the previous quarter. The remaining branches fared better, with positive year-on-year rates in agriculture and services. The slowdown in the rate of decline of employment affected solely the self-employed, whose numbers declined by 1.9 %, compared with 4.0 % the previous quarter, whereas wage-earners continued to show a decline of 1.2 %, as in Q3. In terms of nationality, the intensity of job destruction slowed both among foreign workers, with a fall in employment of 1.5 %, and among Spanish nationals (-1.2 %). As regards contract duration, the year-on-year rate of decline among temporary wage-earners eased once again (-2.2 %), although the adjustment to the latter group is greater than that observed for permanent employees, where the related rate fell by 0.8 %. As a result, the proportion of temporary to permanent employees fell slightly to 24.8 %, 0.8 pp down on the previous quarter and 0.3 pp below the level a year earlier (25.1 %). Finally, part-time hires practically held at the growth rate they have posted since the start of the year, with an increase of 0.2 %, while the rate for full-time employees declined by 1.5 %. These developments placed the ratio of part-time to total employees at 13.4 %, against 13.3 % one year earlier.

The labour force increased at the same pace as the previous quarter (0.6 %), against the background of the stability of the working population aged over 16 (0.2 %) and a slight year-on-year increase in the participation rate, which stood at 60 %, compared with 59.8 % in 2009 Q4. In terms of the breakdown by sex, the female labour force increased by 2.1 % in Q4, while the declining path of the male labour force steepened slightly (from -0.4 % in Q3 to -0.6 % in Q4). By nationality, foreign workers fell by 0.6 %, in line with the ongoing reduction in the foreign

labour force (-0.6 % year-on-year). As a result, the participation rate of this latter group stood at 76.2 %, virtually unchanged on a year earlier. Spanish nationals, for their part, increased by 0.8 % and their participation rate held at 57.7 %.

Finally, the numbers of unemployed increased by 121,900 compared with Q3, placing the total number of jobless at 4.7 million. In year-on-year terms, the rise in unemployment eased to a rate of 8.6 %, below the figure of 10.9 % for the previous quarter. The unemployment rate increased by 0.5 pp during the quarter to 20.3 % of the labour force. Similarly, the SPEE registered unemployment figures confirmed the progressive easing in the deteriorating labour market path, with a 6 % increase in the number of unemployed in 2010 Q4, compared with 9.3 % in Q3.

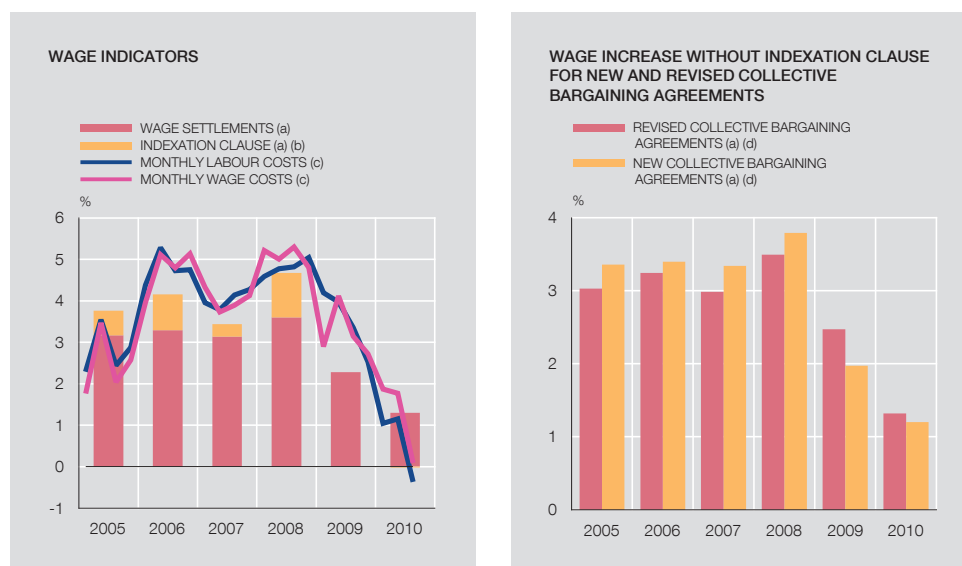
4.3 Costs and prices

Wage settlements in 2010 stood at 1.3 % (see Chart 19). The figure marks a notable easing in relation to 2009, more in keeping with the unfavourable labour market situation. Contributing to these smaller wage increases was the agreement entered into by the social partners in February last year, which set a ceiling of 1 % on the increase in wage rates in 2010. However, the rise set in newly signed collective bargaining agreements exceeded this rate slightly. Elsewhere, the unfavourable course of the CPI in recent months might already be affecting wage increases, as apparently signalled by the fact that the agreements signed in the closing months of 2010 should on the whole have included wage rises somewhat higher than those agreed in previous months. This slight rise in wage rates comes about, moreover, in a setting in which a significant proportion of agreements has yet to be signed. Specifically, the agreements registered to December affect 7.1 million workers, one-third down on the number recorded in 2009. Finally, the current inflationary surge might adversely affect wage moderation through the indexation clauses, whose presence, albeit less than in previous years, is still significant as it affects 45.8 % of workers, compared with 70.5 % in December 2009. Given the temporary nature of the current inflationary rebound, it would be desirable that margins and wages should not react to it by seeking to maintain their level in real terms (see the analysis on this point in the article “La evolución reciente de la inflación española y perspectivas a corto plazo” in the January edition of the *Boletín Económico*).

In terms of the QNA for 2010 Q4, the growth rate of compensation per employee economy-wide is expected to have eased further compared with the INE estimate for Q3, when this variable grew at a year-on-year rate of 0.5 %, 1 pp down on Q2 (see Chart 20). This slowing in the last quarter is due virtually in its entirety to the course of non-market services. Overall, the increase in compensation in the market economy in 2010 is higher than the wage increases agreed under collective bargaining. That reflects the phenomenon of positive drift habitually seen in periods of job destruction, owing to a composition effect whereby the loss in employment has a more than proportionate influence on jobs with less-than-average compensation. In Q4, and on National Accounts figures, the somewhat lower growth of wages, along with the continuing buoyancy of the rate of increase in productivity, is expected to have led to a decline in unit labour costs in the market economy, on a similar scale to that of the previous quarter.

The deflators of most demand components held, in Q4, at similar year-on-year growth rates to those in the previous quarter. Of most note was the slowdown in the government consumption deflator, attributable to the cut in public-sector wages. Both the rate of change of the domestic component of inflation and that of the external component (measured, respectively, by the GDP and imports deflators) are expected to have stabilised, albeit at higher levels than those at the start of the year.

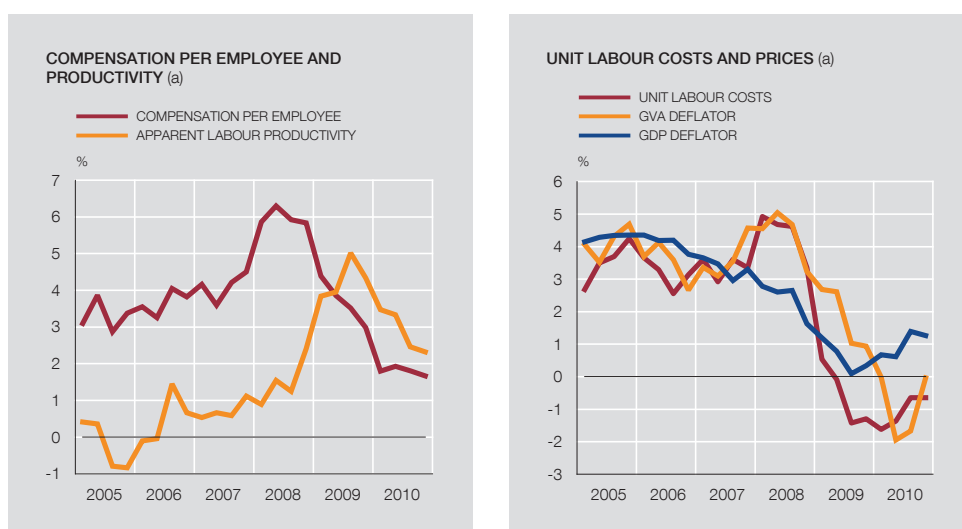
The various consumer price indicators continued to quicken during Q4. The year-on-year rate of the CPI grew to 3 % in December, 0.9 pp up on the end of Q3. While the rising behaviour of infla-



SOURCES: INE and Ministerio de Trabajo e Inmigración.

- a. The last year, with information from collective bargaining agreements to December 2010.
 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.

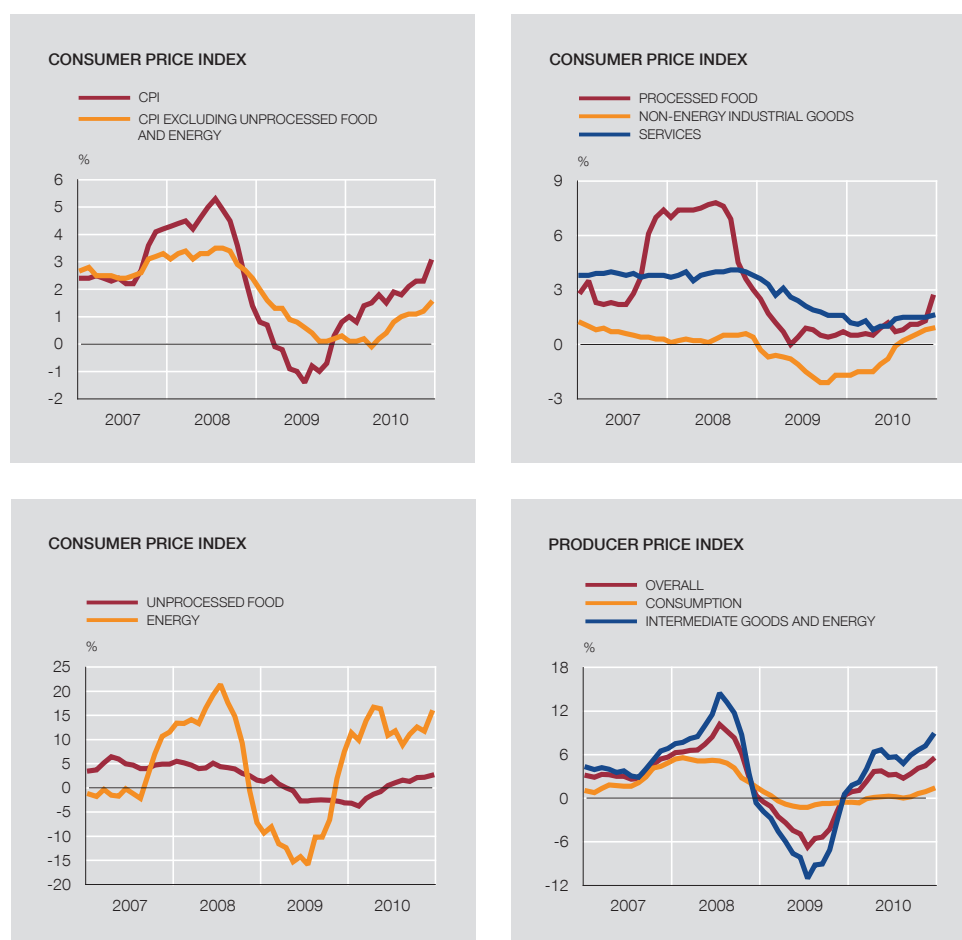
PRICES AND LABOUR COSTS IN THE MARKET ECONOMY



SOURCES: INE and Banco de España.

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

tion was, in terms of its components, across the board (see Chart 21), the essential determinant was energy, whose prices rose by 4.5 pp from September to December to 15.6%, reflecting the rise in fuels, but also in other sub-components such as electricity and gas. The acceleration in food prices was also notable (by 1.4 pp to 2.6%). Conversely, the increase was more moderate in the case of non-energy industrial goods and, above all, in that of services. As a result of the performance of the different components, the rate of change of core inflation – which excludes energy and unprocessed food prices – climbed to a lesser extent than the CPI (specifically, it was



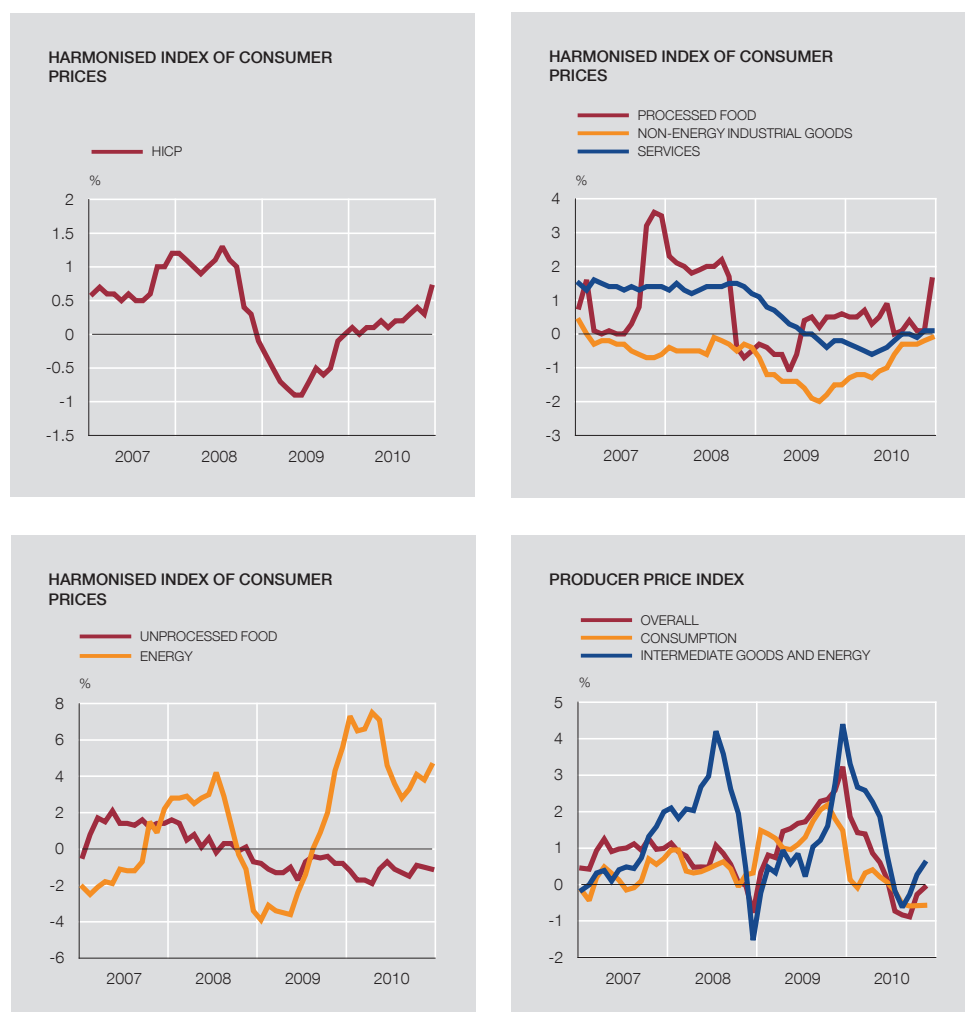
SOURCE: INE.

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

up by only 0.4 pp, to 1.5 %). INE has begun to publish a leading indicator of the CPI, and according to this the increase in consumer prices is estimated to have stood in January at 3.3 %.

The rebound in inflation, measured by the harmonised index of consumer prices (HICP), was sharper in Spain than in the euro area, whereupon the spread widened from September to December by 0.4 pp to 0.7 pp (see Chart 22). The growth rates of the prices of unprocessed food and non-energy industrial goods remained lower in Spain, albeit to a somewhat lesser extent. There was a visible widening of the positive differentials for energy components and processed food, while the spread for services remained close to zero. As a result, the difference in core inflation widened to 0.3 pp, after having stood at zero in September. With regard to the leading indicator of the HICP for January, this difference is expected to have narrowed by 0.1 pp, after posting a year-on-year rate of change of 3 % in Spain, compared with 2.9 % the previous month, while in the euro area as a whole the inflation rate is estimated to be 2.4 %, 0.2 pp up on December.

The producer price index also moved on a rising course during Q4, climbing from 3.4 % in September to 5.3 % in December. As in the case of the CPI, this acceleration was due to developments in all the components, although it was comparatively more pronounced in the case of energy. Relative to the euro area, the differences remained negative in all cases, except for energy and consumer durables. Finally, the year-on-year rates of increase in the import and export price



SOURCES: Eurostat and Banco de España.

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

indices for industrial products steepened, rising to 9.2% and 5.6%, respectively, in November. In both cases, the growth rates of energy prices dipped, although these remained high.

4.4 The State budget

On the latest information drawn from the Quarterly National Accounts for general government, in Q3 last year this sector posted a deficit of 10.2% of GDP in cumulated four-quarter terms, down from the peak of 11.6% of GDP in 2010 Q1. This improvement, which confirms the change in budgetary policy stance, was due above all to the considerable acceleration in revenue, to a year-on-year rate of 4.7%, although a further contributing factor was the containment of expenditure, whose growth rate fell to 1.3%.

In terms of agents, and according to a provisional estimate released by the Spanish Ministry of Economy and Finance, central government, which includes the State and the autonomous agencies reporting to it, is expected to have ended 2010 with a National Accounts-terms deficit of €53.44 billion, equivalent to 5.1% of GDP. This provisional figure is consistent with comfortable compliance by central government with its deficit target for last year, set at 5.9% of GDP. The latest full figures released are for November, to which month the State posted a deficit of €38.8 billion (3.7% of GDP) in National Accounts terms, far below the €71.5 billion

€m and %								
	Outturn 2009	Percentage change 2009/2008	Budget outturn projection	Percentage change 2010/2009	Outturn Jan-Sep. Percentage Change 2010/2009	Outturn		
	1	2	3	4 = 3 / 1	5	2009 Jan-Sep	2010 Jan-Sep	Percentage change
	1	2	3	4 = 3 / 1	5	6	7	8 = 7 / 6
1 REVENUE	102,038	-21.1	121,551	19.1	31.1	95,092	119,210	25.4
Direct taxes	54,096	-27.0	58,270	7.7	11.9	51,955	57,057	9.8
Personal income tax	30,432	-29.9	39,950	31.3	35.4	28,826	37,055	28.5
Corporate income tax	20,188	-26.1	14,648	-27.4	-21.3	19,947	16,489	-17.3
Other (a)	3,476	2.8	3,672	5.7	7.6	3,182	3,512	10.4
Indirect taxes	28,664	-26.9	48,769	70.1	99.1	27,900	49,735	78.3
VAT	15,784	-36.7	35,032	121.9	180.1	16,081	37,445	132.8
Excise duties	10,141	-9.6	10,884	7.3	6.4	9,297	9,515	2.4
Other (b)	2,739	-11.2	2,853	4.1	7.5	2,522	2,775	10.0
Other net revenue	19,277	20.4	14,511	-24.7	-19.5	15,237	12,419	-18.5
2 EXPENDITURE	189,319	27.8	183,654	-3.0	-2.2	163,601	162,257	-0.8
Wages and salaries	26,570	5.3	26,973	1.5	2.7	22,952	23,181	1.0
Goods and services	4,860	7.2	4,409	-9.3	-2.3	4,007	3,542	-11.6
Interest payments	17,650	10.8	22,237	26.0	9.1	17,342	19,516	12.5
Current transfers	112,412	35.8	105,297	-6.3	-2.9	95,659	95,404	-0.3
Investment	10,468	-1.6	8,458	-19.2	-11.0	8,900	7,352	-17.4
Capital transfers	17,360	94.1	16,280	-6.2	-14.1	14,741	13,263	-10.0
3 CASH-BASIS BALANCE (3 = 1-2)	-87,281	—	-62,103	—	—	-68,508	-43,047	—
MEMORANDUM ITEM: TOTAL TAXES (State plus share of regional and local governments)								
TOTAL	116,779	-15.9	133,578	14.4	19.8	109,866	127,752	16.3
Personal income tax	63,857	-10.5	67,601	5.9	5.6	59,809	62,610	4.7
VAT	33,573	-30.1	45,625	35.9	57.1	32,299	46,947	45.4
Excise duties	19,349	-1.1	20,352	5.2	4.2	17,758	18,195	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.

(6.8% of GDP) for the same period a year earlier. Under this accounting convention, State revenue increased by 25.4% to November, while expenditure contracted slightly, with a rate of change of -0.8%. Both rates are higher than those forecast in the budget outturn projection included in the State budget for 2011, in particular in the case of revenue (see Table 4).

In describing developments in government revenue, use is made of the figures on takings for the main taxes, having regard to the portion assigned to the State and to that corresponding to the ordinary-regime territorial governments. According to these figures, the buoyancy of revenue eased slightly in the closing months of 2010. In the case of personal income tax, the effect of the elimination of the tax credit of up to €400 was partly offset by the influence of the 5% cut in public-sector wages on tax withholdings. As to corporate income tax, its growth rate has improved recently owing to the second partial tax payment for the year. Despite this, tax takings between January and November were 17.3% down on the related figure in the same period of 2009.

Turning to indirect taxes, VAT continued posting the sharpest rises (45.4% on figures to November). This was due, above all, to the return to a level of takings more in keeping with that

	€m and %						
	Initial budget 2009	Percentage change 2009/2008	Initial budget 2010	Percentage change 2010/2009	Outturn		
					Jan - Sep 2009	Jan - Sep 2010	Jan - Sep 2010
	1	2	3	4 = 3 / 1	5	6	7 = 6 / 5
1 REVENUE	164,585	-2.0	150,887	-8.3	—	95,045	-13.5
Direct taxes	36,516	18.8	29,955	-18.0	—	22,158	-23.0
Indirect taxes	44,663	-20.3	36,114	-19.1	—	25,059	-12.7
Charges, prices and other revenue	4,819	4.5	4,882	1.3	—	3,763	3.9
Current transfers	68,502	1.5	71,088	3.8	—	41,167	-9.7
Interest and dividends	592	6.4	551	-6.9	—	222	-37.0
Disposal of investments	633	0.4	518	-18.1	—	131	-22.7
Capital transfers	8,861	8.4	7,778	-12.2	—	2,544	-3.7
2 EXPENDITURE	174,801	3.8	175,336	0.3	—	108,106	-2.5
Wages and salaries	55,335	5.7	56,506	2.1	—	43,106	-0.2
Goods and services	28,924	3.2	29,469	1.9	—	18,721	-4.7
Interest payments	2,741	10.1	3,714	35.5	—	1,887	12.4
Current transfers	55,752	4.9	55,722	-0.1	—	32,308	-2.4
Contingency fund	209	19.2	237	13.6	—	—	—
Investment	15,975	-2.5	13,280	-16.9	—	5,572	-10.8
Capital transfers	15,865	0.5	16,408	3.4	—	6,512	-6.6
3 BALANCE (3 = 1 - 2)	-10,215		-24,450	—	—	-13,061	—

SOURCE: Ministerio de Economía y Hacienda.

of the tax bases, after the decision to generalise the monthly refund regime in 2009 gave rise that year to a temporary increase in such refunds, which exceptionally reduced net revenue for that year. Combining with this effect, moreover, was a very marked reduction in applications for refunds in 2010. Excise duties, for their part, slowed in Q3, following the stripping out of the positive effect on revenue in the first half of the year exerted by the rises in rates on taxes on hydrocarbons and tobacco approved in 2009.

The slight reduction in State cash-basis expenditure in cumulative terms to November entails a mild acceleration on the previous months, which was due, above all, to transfers, especially those to other general government sectors. In the same respect, interest payments stepped up (to 12.5 %). Conversely, there has been notable containment in personnel costs (which grew at a rate of 1 %), following the wage cuts applied mid-year, and the strong reduction in investment spending, which fell by 17.4 %.

With regard to the regional governments, in December 2010 they published data for the first time on their respective budget outturns to September 2010 (in terms of recognised entitlements and obligations), along with the related year-on-year rates compared with the same period in 2009 (see Table 5). According to this information, the regional governments' deficit is estimated to have reached €13.1 billion in 2010 Q3 (1.2 % of GDP). This is the result of a decline both in revenue (-13.5 %) and in expenditure (-2.5 %). The fall in regional governments' tax revenue is due to the functioning of their financing system since, at the overall level of the State and regional governments, tax revenue increases most notably in 2010. As to expenditure, the interest payment item is the only one to have increased during the period. In respect of declines, mention should be made of the slight reduction in personnel costs and the 10.8 % fall in real investment, which is somewhat lower than that in the case of the State. Box 4 analyses the regional government budgets for 2011.

The regional (autonomous) governments have reached a very significant weight in general government. On the latest available figures, for 2009, the regional governments received 38.7 % of current taxes raised and managed 35.7 % of total expenditure. Notable regarding this expenditure was that the regional governments were responsible for more than 90 % of public spending on health and education. These figures highlight the need to pay attention to the budgetary conduct of the regional governments, in particular in relation to their necessary contribution to budgetary stability. The new ordinary-regime regional government financing system, which came fully into force on 1 January 2010, furthermore, significantly increased the percentages assigned to regional governments of personal income tax (from 33 % to 50 %), of VAT (from 35 % to 50 %) and excise duties on manufactured products (from 40 % to 58 %).

On the latest available information, the regional government deficit, in terms of National Accounts, amounted to -2.0 % of GDP at end-2009, and should stand on official projections at -3.1 % and at -3.3 % of GDP at end-2010 and end-2011, respectively. Stripping out the effect of regional government payment deferrals to the central government as a result of the final settlement of revenue for 2008 and 2009¹ would give

deficits of -2.4 % and -1.3 % of GDP in 2010 and 2011. The regional government budget outturn data to 2010 Q3 (published at end-2010) were, overall, in line with that target (see Section 4.4 of this report).

1. Nevertheless, it should be noted that in 2010 and 2011 there will be notable discrepancies between the estimated budget balance and the National Accounts balance for the regional governments. In fact, under the financing system of regional governments, the latter receive annually the funds from the taxes transferred to them based on forecasts of tax receipts included in the State Budget. Subsequently, with a two-year lag, this revenue is settled definitively on the basis of final receipts. As a result of optimistic revenue forecasts made in 2008 and 2009, in 2010 and 2011 the definitive revenue settlement is expected to mean that the regional governments should return the surplus funds received to the State. The State, however, has allowed the regional governments to delay these refunds until 2012 (and by up to 60 months), consequently, the regional governments' payments to the State are not reflected in their budgets for 2010 and 2011 and, consequently, are not reflected in their budget deficits for those years. The National Accounts' criterion, however, includes these payments in the years when they should be made, namely in 2010 and 2011; therefore, the above-mentioned deficits (-3.1 % of GDP and -3.3 % of GDP), net of those payments, would amount to -2.4 % of GDP in 2010 and to -1.3 % of GDP in 2011, ratios which are readily comparable with the budgeted figures of the regional governments, since they are also net of those payments.

€m and %

	2009	2010	2011	Rates of change			State
				2009/2008	2010/2009	2011/2010	2011/2010
1 REVENUE	135,716	124,559	123,241	-2.1	-8.2	-1.1	-12.5
Current revenue	126,539	116,628	114,472	-2.7	-7.8	-1.8	-11.5
— Direct taxes	28,553	22,834	31,083	17.4	-20.0	36.1	-16.8
— Indirect taxes	34,671	28,459	40,671	-20.0	-17.9	42.9	-11.3
— Charges, prices and other revenue	3,751	3,971	3,987	4.1	5.9	0.4	7.5
— Current transfers	59,040	60,878	38,257	1.2	3.1	-37.2	-14.1
— Interest and dividends	523	486	474	6.3	-7.1	-2.5	76.0
Capital	9,177	7,931	8,769	7.7	-13.6	10.6	-76.1
— Disposal of investments	633	518	1,760	2.0	-18.1	—	-2.5
— Capital transfers	8,544	7,413	7,009	8.2	-13.2	-5.5	-80.3
2 EXPENDITURE	143,338	142,248	132,536	3.8	-0.8	-6.8	-18.9
Current expenditure	114,592	115,658	111,189	4.8	0.9	-3.9	-16.2
— Wages and salaries	46,759	47,542	44,951	5.6	1.7	-5.4	-2.1
— Goods and services	21,095	21,120	20,231	3.3	0.1	-4.2	-3.7
— Interest payments	1,808	2,470	2,955	5.0	36.6	19.6	18.1
— Current transfers	44,831	44,438	42,975	4.6	-0.9	-3.3	-27.7
— Contingency fund	99	87	78	51.8	-11.7	-10.8	-28.7
Capital	28,746	26,590	21,347	-0.2	-7.5	-19.7	-37.1
— Investment	14,260	11,658	8,807	-1.7	-18.2	-24.5	-38.3
— Capital transfers	14,486	14,932	12,540	1.2	3.1	-16.0	-36.3
BALANCE	-7,622	-17,689	-9,295	—	—	—	—
% of GDP	-0.7	-1.7	-0.9	—	—	—	—
MEMORANDUM ITEMS (% of GDP):							
BALANCE (all regional governments)	-0.1	—	—	—	—	—	—
NAT. ACCOUNTS BALANCE	2.0	-3.1	-3.3	—	—	—	—
NAT. ACCOUNTS BALANCE with deferrals (% of GDP)	2.0	-2.4	-1.3	—	—	—	—

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

a. In 2011 the regional governments of Cataluña and the Balearic Islands extended the 2010 budget to 2011.

In this setting, the regional governments have submitted their draft budgets for 2011, the main headings of which are in the accompanying table,² with the exception of Catalonia and the Balearic Islands, which have extended the 2010 budget to 2011. The budgets indicate a notable improvement in the balance, to -0.9 % of GDP in 2011, in comparison with the initial budget for 2010 (-1.7 % of GDP). Should the Catalan and Balearic Islands' deficit perform similarly to the average of the other regional governments, the balance would stand at approximately -1.1 % of GDP in 2011, compared with -2.3 % of GDP for all regional government budgets for 2010 and would, in principle, be compatible with the public deficit target for that year. The improvement in the deficit budgeted for 2011 seems to suggest that there will be a slight fall in revenue, while expenditure will contract notably by -6.8 % with respect to the amount budgeted for 2010.

Notable on the current revenue side are the sharp increases expected in direct and indirect taxes and the projected fall in transfers, as a result of which these budgets are the first to fully reflect the new ordinary-regime regional government financing system.³ Thus, the budgets include the higher tax assignment percentages. It is estimated

that this higher tax revenue⁴ would be offset by lower current transfers.⁵ Also noteworthy is the expected fall in capital transfers, but in this case it is due, in particular, to fewer EU funds.

A greater fall has been budgeted in expenditure than in 2010. This affects all headings, except for interest payments. In the case of wages and salaries, the regional government budgets for 2011 envisage a decline in personnel costs, partly due to the wage cut applied mid-2010 and the freeze projected for 2011, and partly due to possible limitations on replacing retiring employees (compulsorily capped at 10 %, as at State level). Declines are also projected for expenditure on purchases and current transfers, which are very closely linked to the functions of healthcare and education. The interest burden is expected to grow strongly in 2011, as a result of the increase in debt issued and the downward path of interest rates having run its course. Lastly, in line with the previous year, capital expenditure was subject to the highest cuts in the regional government budgets and real investment slowed (to a rate of -24.5 %) as did capital transfers (to a rate of -16 %).

2. The table presents the aggregate figures of the initial budget of the regional governments and, in the last column, that of the State. They do not include, however, the budgets for Catalonia or the Balearic Islands, which have extended the 2010 budget to 2011. 3. The attendant legislation is published in the Official State Gazette of 19 December 2009.

4. From 2011 onwards all regional governments must approve their specific rate for personal income tax. When doing this, some regional governments such as Andalusia and Extremadura raised the marginal personal income tax rates. In the case of these two regional governments, the top rate was increased by 3 pp (to 24.5 %) from €120,000. 5. Not only due to the reduction of transfers from the State but also because the new system entails contributions from certain regional governments involving budgeting a negative figure for current transfers as in the case of Madrid which budgeted a negative figure of €1,536 million for the whole of this revenue item.

Finally, the Social Security system posted a surplus of €2.4 billion to December 2010, accounting for 0.22 % of GDP, compared with the forecast of 0.27 %. Compared with 2009, recognised entitlements fell by 1 %, while recognised obligations increased by 4.6 %. By component, revenues relating to contributions shrank by 0.8 %, reflecting the trend of Social Security registrations. Contributory pensions spending rose by 6.4 %, which includes the payment relating to the CPI inflation deviation from its forecast. Sickness benefit spending continued to decline, at a rate of 4.7 %. In the case of the SPPE (State Public Employment Service), revenue from contributions to September show a decline of 0.2 %. Regarding expenditure, unemployment benefits continued to slow to a rate of 4.8 % in December, in line with the observed trend of unemployment and with the changes in the characteristics of recipients, the reflection of which is lower average spending per beneficiary. According to a provisional estimate from the Ministry of Economy and Finance, the SPPE is expected to post a deficit of 0.3 % of GDP in 2010, compared with the balanced budget initially foreseen.

Overall, the information available on the general government budget outturn is estimated to be compatible with compliance with the government-set budget deficit targets for 2010 (9.3 % of GDP), with the better performance of the central government deficit enabling the deviations in other government levels to be offset.

4.5 Balance of payments

In the first 11 months of 2010, the overall current and capital account balance showed a deficit of €39 billion, 23 % down on the same period in the previous year (see Table 6). Taken indi-

€m		January-November		RATE OF CHANGE 2010/2009 (b)
		2009	2010	
CREDITS	Current account	277,884	304,770	9.7
	<i>Goods</i>	146,698	172,106	17.3
	<i>Services</i>	81,280	85,194	4.8
	— Tourism	36,084	37,532	4.0
	— Other services	45,197	47,662	5.5
	<i>Income</i>	34,981	33,001	-5.7
	<i>Current transfers</i>	14,924	14,469	-3.1
	Capital account	5,157	6,899	33.8
	Current + capital accounts	283,040	311,669	10.1
DEBITS	Current account	332,119	349,374	5.2
	<i>Goods</i>	188,100	213,518	13.5
	<i>Services</i>	57,331	58,720	2.4
	— Tourism	11,136	11,692	5.0
	— Other services	46,196	47,027	1.8
	<i>Income</i>	63,399	54,301	-14.4
	<i>Current transfers</i>	23,289	22,836	-1.9
	Capital account	1,888	1,447	-23.4
	Current + capital accounts	334,008	350,820	5.0
BALANCES	Current account	-54,236	-44,604	9,631
	<i>Goods</i>	-41,402	-41,411	-10
	<i>Services</i>	23,949	26,474	2,525
	— Tourism	24,948	25,839	891
	— Other services	-999	635	1,634
	<i>Income</i>	-28,419	-21,300	7,119
	<i>Current transfers</i>	-8,365	-8,367	-3
	Capital account	3,268	5,453	2,184
	Current + capital accounts	-50,967	-39,151	11,816

SOURCE: Banco de España.

a. Provisional data.

b. Absolute changes for balances.

vidually, both balances improved. The narrowing of the current account deficits is essentially due to the reduction in the income deficit and, to a lesser extent, to the widening of the services surplus, insofar as the balances on trade and current transfers remained virtually stable. The surplus on capital transactions increased substantially.

As regards the current account, the €41 billion deficit on the trade balance from January to November was practically identical to that in the same period in 2009, against a background of strong growth both in goods imports (14 %) and exports (17 %). The course of the trade deficit was the result of the opposite-running trajectories of the energy balance, which worsened further to the rise in oil prices, and of the non-energy balance, which was significantly corrected. The rise in crude oil prices in euro gave rise to a worsening in the terms of trade, while the trade balance in real terms improved over the first 11 months as a whole. The services balance posted a surplus of €26.5 billion, 11 % more than in the same period in 2009. This was chiefly due to the improvement in the balance of non-tourism services, although the tourism surplus also rose. In the income balance there was a much sharper decline in payments than in income, which made for a 25 % decline in the

deficit on year-on-year terms, to €21.3 billion. The deficit on current transfers also practically matched that of the same period the previous year, standing at €8.4 billion, in a setting of moderately declining income and payments. Finally, the capital account surplus rose in the first 11 months of 2010 to €5.5 billion, principally as a result of the climb in income received by general government from the various Community funds included in the capital balance.

5 Financial developments

5.1 Highlights

During 2010 Q4 there were further financial strains in the euro area. The trigger on this occasion was the problems of Ireland's financial system and public finances which led, at the end of November, to the approval of an aid programme by other European countries and the IMF. Spain was once again among the countries hardest hit by this bout, as reflected in the fall in share prices, which proved sharper in the financial sector, and the rise in risk premia on fixed-income securities issued by the public and private sectors.

In this setting, in 2010 Q4 the IBEX 35 posted a fall of 6.2% (which raised its cumulative loss for 2010, as a whole, to 17.4%), compared with increases of 1.6% in the EUROSTOXX 50 (but a decline of 5.8% for the whole year) and of 10.2% in the S&P 500 (12.8% in year-on-year terms) (see Chart 23). The yield on Spanish 10-year government bonds increased by 136 basis points (bp), at the same time as the spread over the 10-year German *Bund* rose by 63 bp to 250 bp, although it reached 290 bp at end-November. The risk premia on private-sector fixed-income securities also moved higher, especially those of financial corporations. By contrast, on the interbank market the twelve-month EURIBOR rose a meagre 8 bp to 1.51%.

In 2011 to date there has been some easing of the strains on financial markets. For instance, in January the Ibex 35 appreciated by 9.6%, while the spread over German ten-year bonds, which edged upwards again early in 2011, fell back at end-January to approximately 225 bp, 25 bp lower than the figure for end-2010. However, uncertainty and volatility remain high.

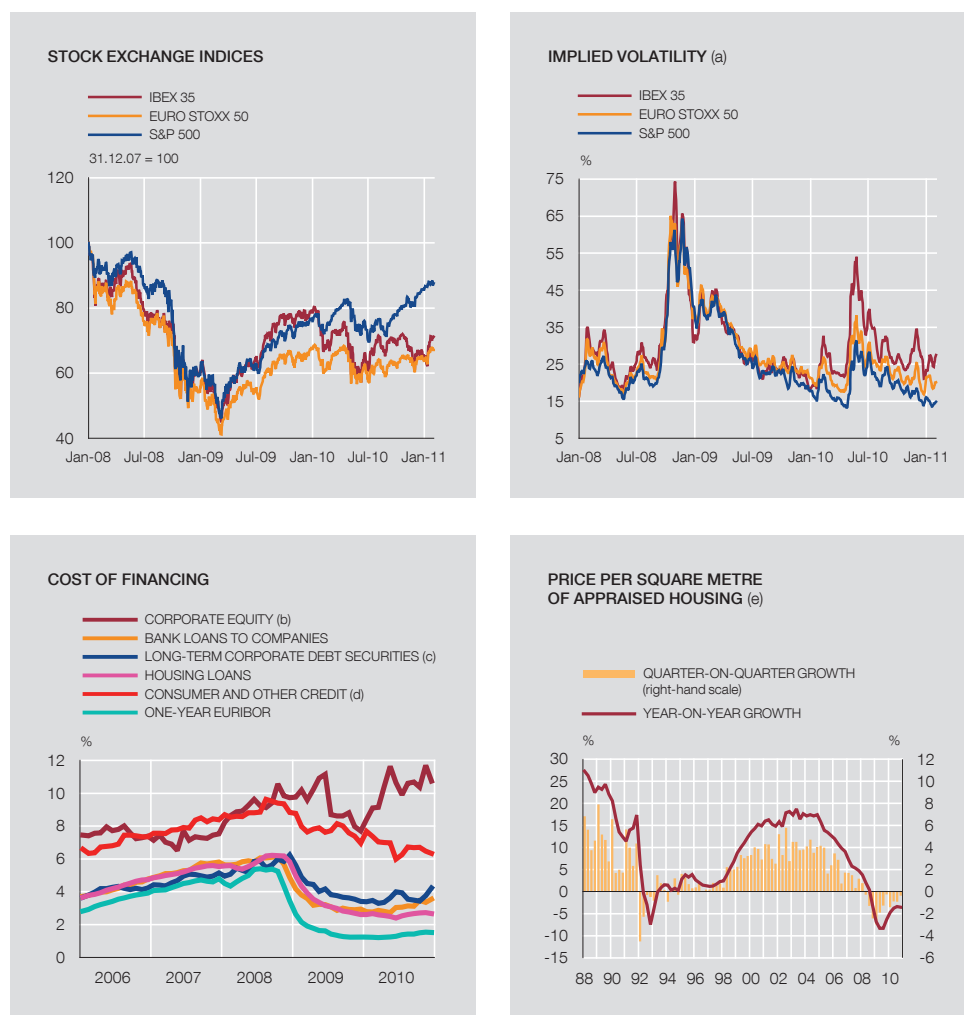
The financial strains were also apparent in the fall in activity on primary markets for credit institutions' debt during the last two months of 2010. As a result, and on available provisional figures, it is estimated that gross issuance was not sufficient to cover redemptions in December. However, unlike the events of spring 2010, this time there was no decline in interbank funding owing to certain banks having the possibility of obtaining funds through clearing houses, once they had registered with these systems.

In the real estate market, the latest data published by the Ministry of Infrastructure and Transport for end-2010 indicate that, in 2010 Q4, open-market house prices continued to fall at a year-on-year rate similar to that for Q3 (3.5%) (see Chart 23). The correction of this variable from its peak in March 2008 is 13% in nominal terms and 18% in real terms.

On available information the strains in financial markets do not seem to have been reflected to date in a tightening of private-sector financing conditions. Thus, according to the Bank Lending Survey (BLS) for January 2011, it is estimated that credit standards remained unchanged in all segments during 2010 Q4, while credit institutions did not envisage any changes for the early months of 2011.¹ Similarly, in general the margins applied increased very slightly, although the cost of business loans moved moderately upwards, partly as a result of interbank interest rate rises (see Chart 23). The cost of market-based financing through debt climbed sharply but hardly changed in the case of equity.

In Q4 household and corporate debt continued to rise weakly. The year-on-year growth rate of household liabilities fell back slightly (-0.1% in November, compared with 0.3% in September),

1. For more details see the article entitled "Encuesta sobre Préstamos Bancarios en España: enero de 2011", by Maristela Mulino, in the Banco de España's *Boletín Económico* January 2011.



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

a. Five-day moving averages.

b. The cost of equity is based on the three-stage Gordon dividend discount model.

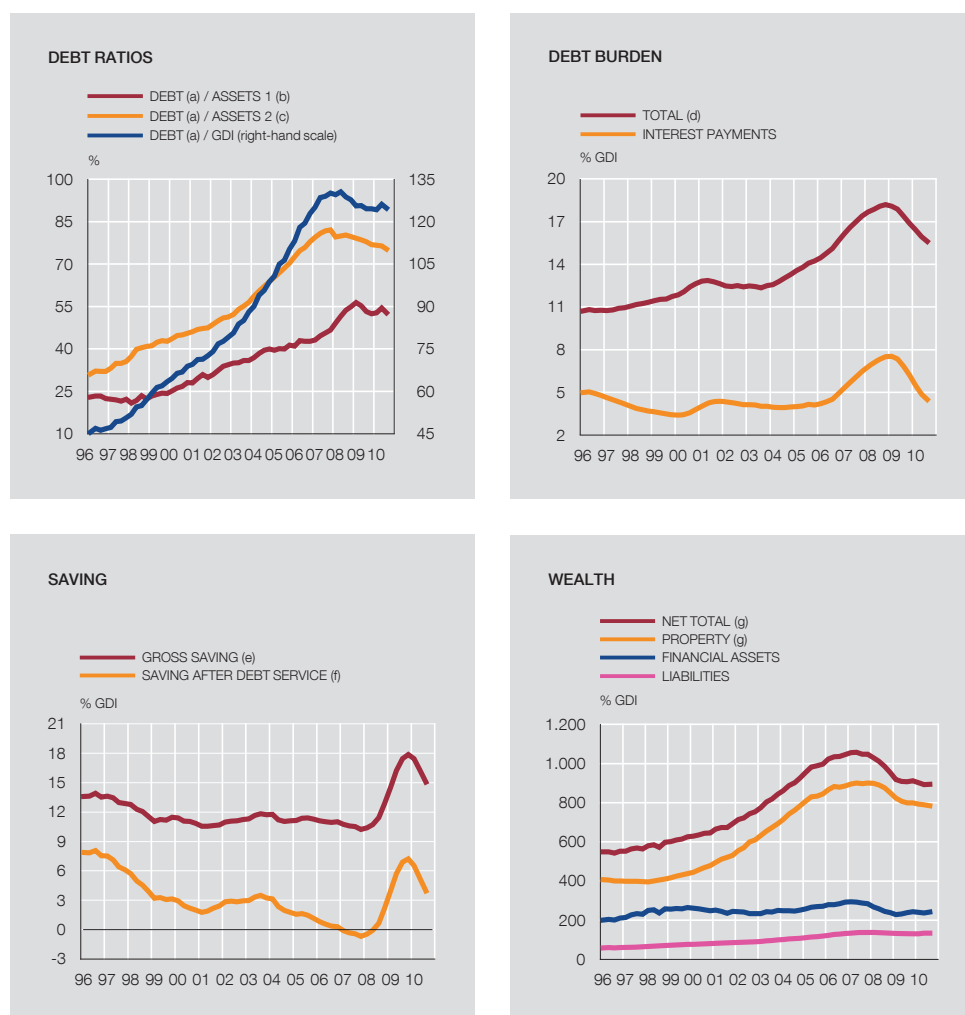
c. The cost of market-based long-term debt is calculated as the sum of the average 5-year CDS premium for Spanish non-financial corporations and the 5-year euro swap rate.

d. In June 2010 the statistical requirements relating to the interest rates applied by credit institutions to customers were changed, which may cause breaks in the time series. Particularly, significant was the change in the interest rate on consumer credit and other lending, as a result of which from that month onwards it does not include credit card transactions.

e. The base year is 2001 until December 2004, after which it is 2005.

due to the loss of momentum in loans for house purchase. Conversely, the buoyancy of funds raised by corporations increased from a year-on-year growth rate of zero at the end of Q3 to 0.7% on the latest available data. The breakdown by instrument shows that the rate of contraction of resident corporations' loans continued to moderate (down 0.5% on the previous year's level), while other lending resumed a slightly more expansive course. The provisional information for December points to a recovery in house purchase loans, which is possibly linked, at least in part, to the end of tax relief on house purchase for medium- and high-income earners, while there were no significant changes in the growth of corporate loans.

The latest information on lending by purpose for 2010 Q3 shows that the fall in total bank financing stepped up in construction and real estate services, while it moderated in industry and agriculture and posted positive growth in non-real estate services. This more buoyant profile of loans to sectors not linked to the real estate market also seemingly spread, within these

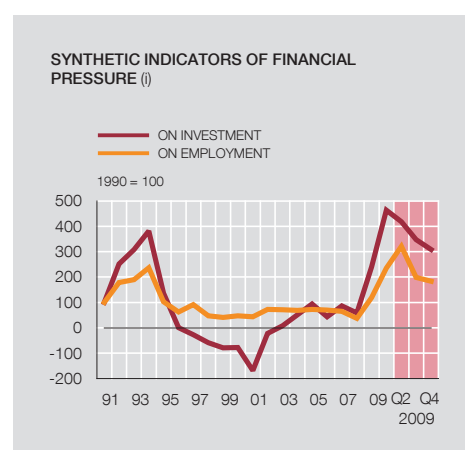
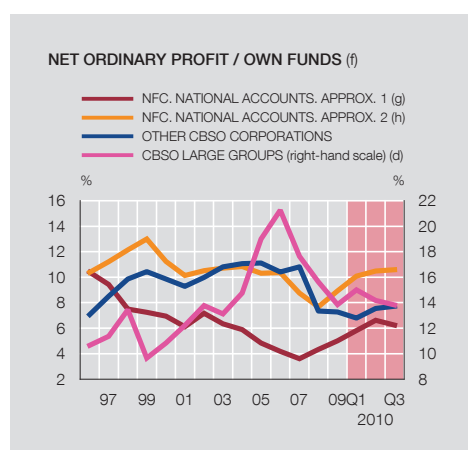
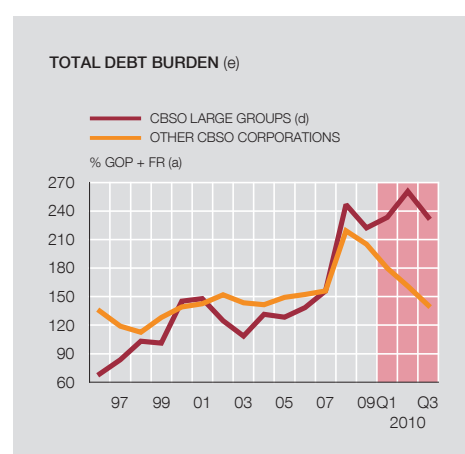
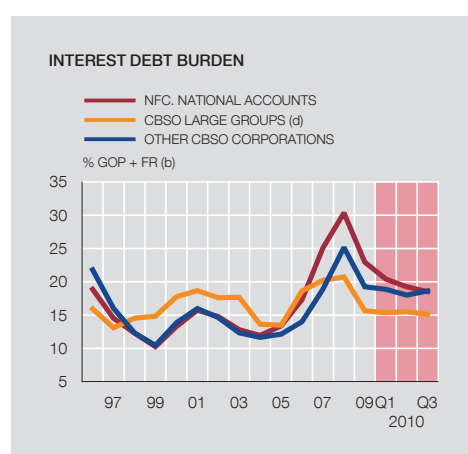
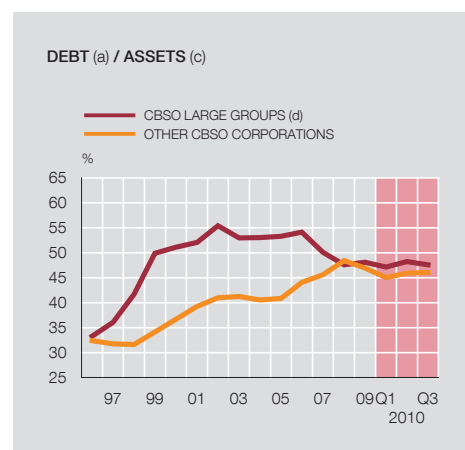
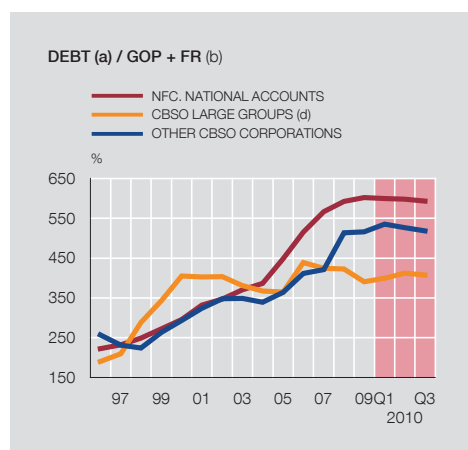


SOURCES: Ministerio de Vivienda, INE and Banco de España.

- a. Includes bank credit and off-balance-sheet securitised loans.
- b. Assets 1 = total financial assets - "other".
- c. Assets 2 = assets 1 - shares (excluding mutual fund shares) - shares in FIM.
- 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.

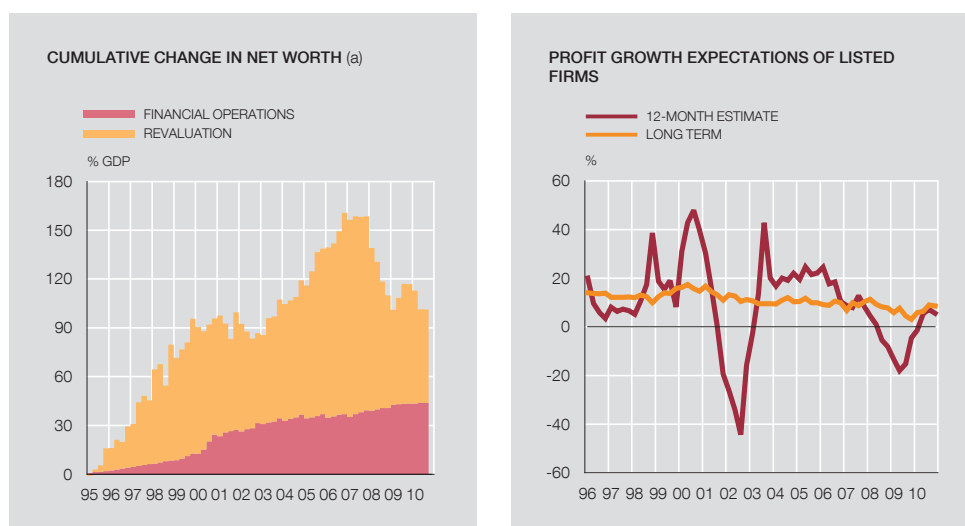
sectors, to smaller companies, a segment in which bank lending contracted particularly sharply at the height of the crisis.

The changes in household liabilities and income in 2010 Q4 prompted a slight decrease in the ratio of debt to gross disposable income (GDI) (see Chart 24). This, together with the declining profile of the average cost of on-balance-sheet liabilities during the last twelve months, led to a further decrease in the indicator of the debt burden as a percentage of GDI (which is calculated by aggregating the flows of the last twelve months). This sector's gross saving ratio and saving after debt service also declined (although the former remains at historically high levels), as did its net lending (on Financial Accounts data). Household net wealth continued to decrease moderately as a result of the decline in the value of real estate, which was partially cushioned by less buoyant liabilities and the recovery of financial asset prices during this period. The continuing pattern in indebtedness and developments in financial asset and real prices indicate that the aforementioned trends held during the closing months of 2010.



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 Telefónica 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 + interest and dividends received - interest paid - fixed capital consumption.
- g. Own funds valued at market prices.
- 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 (less) financial pressure than in the base year.



SOURCES: I/B/E/S and Banco de España.

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

The corporate debt ratio and, to a greater degree, the corporate debt burden ratio dropped during 2010 Q3 (see Chart 25), a pattern that also seems to have continued during the closing months of the year. For the sample of corporations reporting to the CBQ, among which the biggest have a notable weight, a recovery was seen in corporate income. As a result, and in conjunction with unchanged debt levels, the debt ratio and the debt burden decreased slightly. The combined outcome of this was that the indicators of financial pressure on investment and on employment once again fell back. Nevertheless, in Q4 analysts revised downwards their expectations for listed companies' profits, especially in the short term (see Chart 26).

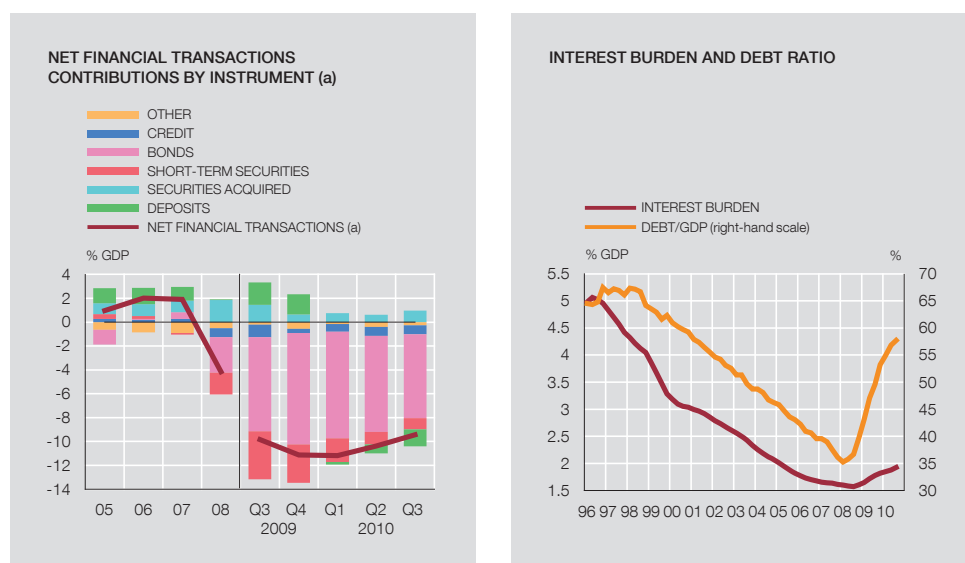
The volume of doubtful loans continued to increase which, together with the stability of the debt extended to the other resident sectors as a whole, placed the corporate sector's doubtful loans ratio at 5.68% in November (latest available figure), up 0.18 pp on September.

General government debt continued to increase at a high rate (14% year-on-year in November), albeit within a slowing profile (2 pp lower than in September). By instrument, the weight of funding with long-term securities has grown to the detriment of funding from short-term issues, while loans and other items were also notably buoyant. The rapid expansion of general government liabilities together with weak economic growth resulted in fresh increases in the debt ratio (approximately 58% of GDP in September) and the debt burden ratio (1.9% of GDP) (see Chart 27).

On the latest Financial Accounts data, the declining path of the nation's net borrowing, which had been interrupted in the previous quarter, resumed between July and September 2010. As a result, net borrowing stood at 4.2% of GDP, in cumulative 12-month terms, 0.3 pp less than in June (see Table 7). These developments were due to the decrease in the debit position of general government (to 9.4% of GDP, 1 pp less than at mid-year), which amply offset the reduction in the net saving of other sectors. Unlike Q2, when external funding was mainly through the reduction of the Banco de España's net assets and, to a lesser degree, through the raising of funds by general government in the rest of the world and divestment by households and institutional investments, between July and September, credit institutions were the main chan-

GENERAL GOVERNMENT
Four-quarter data

CHART 27



SOURCE: Banco de España.

a. A positive (negative) sign denotes an increase (decrease) in assets or a decrease (increase) in liabilities.

NET FINANCIAL TRANSACTIONS
Four-quarter data

TABLE 7

% GDP	2005	2006	2007	2008	2009		2010		
					Q3	Q4	Q1	Q2	Q3
National economy	-6.5	-8.4	-9.6	-9.2	-6.0	-5.1	-4.4	-4.5	-4.2
Non-financial corporations and households and NPISHs	-8.4	-11.1	-13.4	-6.8	2.4	4.6	5.6	4.8	4.2
Non-financial corporations	-7.1	-9.5	-11.5	-7.1	-2.6	-1.2	0.8	1.1	0.9
Households and NPISHs	-1.3	-1.7	-1.9	0.2	5.0	5.8	4.8	3.6	3.4
Financial institutions	0.9	0.7	1.9	1.8	1.5	1.4	1.2	1.1	1.0
General government	1.0	2.0	1.9	-4.2	-9.8	-11.1	-11.2	-10.4	-9.4
MEMORANDUM ITEM:									
Financing gap of non-financial corporations (a)	-11.4	-17.8	-15.9	-12.0	-3.8	-1.3	1.0	1.4	-0.5

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.

nel for the nation's borrowing (3.8% of GDP), while the Banco de España's net external assets increased by an amount equivalent to 4.5% of GDP (-6.2% in Q2). The still-incomplete balance of payments information available for Q4 (to November) points to this pattern continuing in the final stretch of 2010.

In short, in 2010 Q4 the Spanish economy was once again affected by a fresh bout of financial strains which resulted in tighter funding conditions on wholesale markets, but which have not fed through to banks and savings banks' lending to Spanish corporations and households. Although these tensions have eased in recent weeks, the risk premia remain at very high levels, meaning the continuation of this situation could ultimately affect the cost of and

access to non-financial private sector credit. These developments have occurred in a setting in which these agents' debt has continued to rise weakly, although in the case of corporations signs of greater buoyancy can be seen, especially in the segments not linked to the real estate sector.

5.2 Households

In December, the cost of bank borrowing for households in the home loans segment stood at the same level as in September, while the interest rate on consumer and other loans, which are more variable, partly due to seasonal factors, was 34 bp lower than three months earlier. According to the BLS for January 2011, credit standards remained stable in 2010 Q4, although the margins applied widened slightly. Banks envisage that current supply conditions will hold in the early months of 2011.

In this setting, the outstanding balance of household debt was virtually unchanged (-0.1% in November with respect to 12 months earlier). The breakdown by type continues to show negative growth rates in outstanding consumer and other loans (-0.8%), although they are decreasing at a more contained pace than at the end of Q3 (-1.9%), and a slight decline in the rate of increase of funds for house purchase, which in year-on-year terms decreased from 0.7% to 0.1%. However, the provisional information for December points to a rise in this rate which is surely linked, at least partly, to the removal of tax relief for house purchases for medium- and high-income earners.

The course of income and liabilities during 2010 Q3 pushed the household debt ratio slightly lower to just less than 125% of GDI (see Chart 24). Together with lower interest payments in the last twelve months, this enabled the debt burden ratio to continue to fall to less than 16% of GDI. In any event, these aggregate indicators conceal the high heterogeneity in the sector. Accordingly, the latest information at microeconomic level points to a slight widening of the dispersion of these ratios (see Box 5). Gross saving and saving after debt service fell back again, as did net lending (see Table 7). At the same time, household net wealth continued to fall, albeit slightly, since the reduction of the real estate component (associated with the drop in house prices) was partially offset by the concurrent appreciation of financial assets.

According to the Financial Accounts, for which information is available to 2010 Q3, household investment in financial assets held, in cumulated 12-month terms, at 4.1% of GDP (unchanged on June) (see Table 8). The analysis of assets shows that households further reduced their positions in mutual funds (-1.2% of GDP), while they increased deposits. Within deposits there was a shift towards term deposits (for an amount of 2.1% of GDP, 1.6 pp higher than the figure for the first half of the year), while flows to the shares and other equity and to insurance and pension plans held up (1.4% and 0.6% of GDP, respectively).

Lastly, there were no major changes in Q3 in household liabilities classified as doubtful by credit institutions, whereby doubtful assets ratios remained virtually unchanged at 2.62% in the case of home loans and at 6.89% for consumer and other loans.

5.3 Non-financial corporations

During 2010 Q4, interest rates on bank lending to corporations increased by 18 bp for loans below €1 million and by 60 bp for loans exceeding this amount. In line with these developments, financial institutions indicated in the latest BLS (January 2011) that they had slightly increased the margins applied to new loans in 2010 Q4, although lending standards remained stable. The costs of fixed-income security issuance rose during the same period by between 35 bp and 75 bp depending on the maturity, while the changes were lower for equities in Q4 as a whole, but varied notably in keeping with the volatility shown by share prices.

The Spanish Survey of Household Finances (EFF) is prepared by the Banco de España and contains information on the income, assets and debts of each household unit. The availability of the provisional results for the third edition of this survey means that an initial disaggregated analysis can be undertaken at micro level of the changes in the financial position of Spanish households during the period from the end of 2005 to the end of 2009 Q1, which is the time frame covered by the latest edition of the EFF (EFF 2008).¹ It should nevertheless be noted that, as it is constructed, the EFF 2008 does not fully include the impact of the crisis on household disposable income since households were asked about income for 2007.² Given the

downturn in the labour market between end-2007 and 2009, it is highly likely that the indicators of financial position constructed from the revenue data of the EFF 2008 underestimate the level of financial pressure borne by certain households in that period.

The first two columns of the accompanying table show the percentage of households with debts in late 2005 and early 2009, respectively. This percentage did not vary significantly during the period analysed (it increased from 49.5% to 50.1%), indicating, therefore, the end of the rising path followed by this variable since mid-1990. This stability is the result of mixed developments in the sector. For instance, the proportion of lower-income households with outstanding debts has declined, while the opposite has been the case for the intermediate-income group. There was a significant increase of more than 6 pp in the proportion of indebted households in which no member works, which is linked to the rise in unemployment since the beginning of the crisis.

The central columns of the table show information about the debt ratio (liabilities incurred as a percentage of income) of indebted

1. For a detailed description of the results of the EFF 2008, see the article «Encuesta Financiera de las Familias (EFF) 2008: métodos, resultados y cambios desde 2005», *Boletín Económico*, December 2010, Banco de España. 2. This is because in the EFF questions are asked about the income for the full year prior to the date on which the survey was conducted. Questions affecting other variables which are analysed in this box (labour market situation of household members, wealth, debts and debt-related payments) do refer, on the contrary, to the situation actually observed at the beginning of 2009.

PERCENTAGE OF INDEBTED HOUSEHOLDS AND MEASURES OF ASSOCIATED BURDEN FOR HOUSEHOLDS WITH LIABILITIES By household characteristics

%	Percentage of indebted households		Household debt/income ratio				Household debt service ratio			
			2005		2009 Q1		2005		2009 Q1	
	2005	2009 Q1	50	75	50	75	50	75	50	75
Household characteristics										
ALL INDEBTED HOUSEHOLDS	49.5	50.1	100.0	235.4	104.7	280.5	17.2	28.3	19.0	32.5
INCOME PERCENTILE										
Less than 20	18.7	16.5	137.0	732.1	147.7	517.2	37.7	82.5	39.3	66.5
Between 20 and 40	42.3	42.3	109.4	343.8	137.0	374.9	24.6	38.2	26.3	43.3
Between 40 and 60	57.5	63.6	113.4	277.6	148.0	339.8	20.6	30.2	23.9	33.8
Between 60 and 80	63.0	61.2	114.3	218.5	95.8	271.8	15.6	24.3	17.0	26.5
Between 80 and 90	66.5	68.5	93.1	186.6	84.6	207.1	11.8	18.1	14.4	22.1
Between 90 and 100	65.4	64.7	59.9	123.8	62.0	158.7	8.1	14.7	10.0	17.8
AGE OF HOUSEHOLD HEAD										
Under 35	65.2	68.6	192.6	414.1	217.4	450.0	21.7	32.8	25.6	39.8
35-44	70.4	72.3	114.4	230.7	142.7	319.7	18.5	28.4	21.5	35.0
45-54	63.1	60.0	81.2	192.6	89.9	234.6	15.2	25.7	17.7	29.7
55-64	48.5	48.5	53.2	140.1	41.0	128.2	13.6	25.2	12.1	22.5
65-74	19.8	22.9	46.0	125.8	55.3	187.3	12.5	26.0	15.9	28.8
75 and over	5.6	9.9	32.8	147.8	18.5	85.4	11.6	17.8	12.5	21.8
NUMBER OF HOUSEHOLD MEMBERS WORKING										
None	15.2	21.3	57.1	269.2	81.2	269.0	17.6	34.4	21.0	38.7
One	56.1	56.6	104.3	306.4	100.5	300.6	19.6	32.1	20.4	31.4
Two	70.2	69.9	113.4	211.9	137.4	165.9	16.3	25.4	19.0	32.9
Three or more	69.2	69.7	54.9	163.3	48.1	305.0	12.1	22.2	11.0	24.3
NET WEALTH PERCENTILE										
Less than 25	43.9	50.1	65.5	293.3	139.4	373.8	17.7	30.4	23.8	40.5
Between 25 and 50	56.8	53.5	144.1	296.1	151.7	319.0	20.5	30.6	22.5	32.9
Between 50 and 75	49.3	47.5	93.8	187.9	87.0	215.0	16.3	25.2	16.8	29.1
Between 75 and 90	48.0	51.3	82.5	177.7	61.8	167.0	14.4	23.4	13.6	23.7
Between 90 and 100	48.2	46.3	91.0	210.5	98.6	306.4	14.0	26.4	16.8	32.3

SOURCE: Banco de España.

households in the two periods analysed. Specifically, the table presents the 50th percentile of the distribution, or the median, which approximates the representative household, and the 75th percentile, which covers the position of greater relative fragility according to this indicator. As can be seen, the highest levels for this indicator are recorded in the lower-income and youngest households. The comparison between 2005 and the beginning of 2009 shows quite a widespread increase in leverage. Based on the age of the household head, this rise was more pronounced in the group aged 65 to 74, which is linked in part to changes in household composition (children who return to the parental home or who leave it later). By income level, there was a significant decline in the top quartile of the distribution of the debt ratio at lower-income households.

The last four columns in the table include information about the course of the household debt service ratio (payments associated with liabilities as a percentage of household income) for different household groups. Between the end of 2005 and the beginning of 2009 the increases in this ratio were, in general, proportionally higher than those in the indebtedness indicator, which reflects some rise in the cost of borrowing. This was accompanied by a rise in dispersion (which is also seen for indebtedness). The median increased 1.7 pp during this period to 19%, while the household debt service ratio corresponding to the 75th percentile climbed by 4.1 pp to 32.5%. Nevertheless, in the lower income segment there was a re-

duction of 16 pp, to 66.5%, among households subject to greater strains.

By age group, the largest rises in the debt burden ratio were recorded by the youngest indebted households, which had the highest values for this indicator. Furthermore, it is among these households that there has been a higher rise in the proportion of those whose regular debt service payments exceed 40% of their income. Specifically, in the group in which the household head is under 35, this proportion increased by 9.2 pp, to close to 25%. The analysis, based on the number of household members in employment, shows that, unlike in 2005, at the beginning of 2009 the ratio corresponding to households with no member in employment was the highest.

In short, the latest edition of the EFF shows that from late 2005 to early 2009 the degree of financial pressure borne by indebted households increased. This was a result of the amount of outstanding debt outgrowing income and of the slight rise in the cost of borrowing. Furthermore, these developments tended to be more pronounced in certain groups in a comparatively more vulnerable position, though not in the case of households in the lower income percentiles. In any event, as discussed above, since the income included in this survey refers to 2007 (before the rise in unemployment), it is possible that the financial position of these agents was less favourable at the beginning of 2009 than may be inferred from these results.

Despite the increase in costs, during 2010 Q4 the growth of corporate debt continued (in quarter-on-quarter seasonally adjusted terms), having initially resumed in the first half of the year. The result is that, on November figures, there is a positive year-on-year rate of change (0.7%, compared with 0% in September) for the first time since summer 2009. By instrument, rates of increase rose for lending from abroad (1.3%, 0.9 pp higher than at the end of Q3) and for lending by resident banks (-0.6%, compared with -1.3% posted two months earlier), while the buoyancy of funds raised through the issuance of securities other than shares moderated (17.9%, down 8.6 pp).

Credit extended to resident corporations shows two well-defined patterns according to the purpose for which it is used. Thus, in Q3 there was an acceleration in the contraction of the liabilities of firms operating in construction (9.3%, 1.5 pp more than in June) and real estate services (1.5%, 0.5 pp more than in mid-2010). By contrast, in other activities a recovery was seen, markedly so in non-real estate services (growth of 3.5%, 1.6 pp higher than in the previous period) and in industry, whose attendant rate, while still negative (-0.7%), was lower than the figure of -4% posted in Q2. It is estimated that this pattern of higher buoyancy spread within non-real estate services and industry to SMEs, whose bank borrowing fell sharply at the height of the crisis. These developments are consistent with the information provided by the ECB survey on SMEs' access to financing, which indicates that between March and September the percentage of corporations refused new loans fell.

Noteworthy among corporations' other liabilities is the increased buoyancy of trade and intercompany credit which, given its nature, was also reflected under the assets of the sec-

% GDP						
	2007	2008	2009	2010		
				Q1	Q2	Q3
HOUSEHOLDS AND NPISHs:						
Financial transactions (assets)	7.3	2.6	4.5	3.7	4.1	4.1
Cash and cash equivalents	-1.0	-0.4	4.1	3.3	1.9	0.7
Other deposits and fixed-income securities (a)	7.5	6.8	-1.2	-0.8	0.5	2.1
Shares and other equity (b)	0.5	-0.2	1.2	1.0	1.4	1.4
Mutual funds	-1.1	-3.4	0.0	0.0	-0.4	-1.2
Insurance technical reserves	0.9	0.2	0.9	0.7	0.6	0.6
<i>Of which:</i>						
<i>Life assurance</i>	<i>0.2</i>	<i>-0.2</i>	<i>0.6</i>	<i>0.4</i>	<i>0.3</i>	<i>0.2</i>
<i>Retirement</i>	<i>0.4</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.4</i>
Other	0.4	-0.3	-0.5	-0.5	0.1	0.5
Financial transactions (liabilities)	9.2	2.4	-1.3	-1.1	0.5	0.7
Credit from resident financial institutions (c)	9.4	3.4	-0.5	-0.1	0.6	0.0
<i>House purchase credit (c)</i>	<i>7.1</i>	<i>2.7</i>	<i>0.1</i>	<i>0.3</i>	<i>0.7</i>	<i>0.5</i>
<i>Consumer and other credit (c)</i>	<i>2.1</i>	<i>0.8</i>	<i>-0.4</i>	<i>-0.2</i>	<i>0.1</i>	<i>-0.4</i>
Other	-0.2	-1.0	-0.8	-0.9	-0.1	0.8
NON-FINANCIAL CORPORATIONS:						
Financial transactions (assets)	14.3	5.2	-8.9	-8.3	0.8	6.9
Cash and cash equivalents	-0.4	-1.1	-0.3	0.0	0.9	0.1
Other deposits and fixed-income securities (a)	2.0	2.3	-0.6	-0.7	-0.6	-0.1
Shares and other equity	7.8	3.2	-0.6	-0.5	0.2	1.7
<i>Of which:</i>						
<i>Vis-à-vis the rest of the world</i>	<i>6.6</i>	<i>3.1</i>	<i>0.1</i>	<i>0.2</i>	<i>0.6</i>	<i>1.8</i>
Trade and intercompany credit	3.4	0.1	-7.6	-6.7	0.8	4.9
Other	1.5	0.7	0.2	-0.4	-0.4	0.4
Financial transactions (liabilities)	25.8	12.3	-7.6	-9.1	-0.3	6.1
Credit from resident financial institutions (c)	13.8	5.5	-3.0	-3.7	-2.6	-1.3
Foreign loans	2.8	2.8	-0.1	-0.9	-1.6	-0.5
Fixed-income securities (d)	0.5	0.3	1.3	1.3	1.7	1.3
Shares and other equity	4.8	2.6	1.3	1.0	1.1	1.1
Trade and intercompany credit	4.3	-0.1	-7.7	-6.7	0.8	5.0
Other	-0.5	1.2	0.5	-0.1	0.3	0.5
MEMORANDUM ITEM: YEAR-ON-YEAR GROWTH RATES (%):						
Financing (e)	15.5	6.4	-1.0	-1.4	-0.5	0.1
Households and NPISHs	12.5	4.4	-0.3	0.1	0.9	0.1
Non-financial corporations	17.7	7.9	-1.5	-2.4	-1.5	0.0

SOURCE: Banco de España.

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

b. Excluding mutual funds.

c. Including derecognised securitised loans.

d. Includes the issues of resident financial subsidiaries.

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

tor's balance sheets. Thus, according to the Financial Accounts, the flow associated with these instruments accounted, between July and September 2010, for around 5% of GDP, in cumulated four-quarter terms, whereas hardly six months ago it showed negative amounts.

The Financial Accounts figures also show that the business sector's net financial transactions once again posted a credit balance in 2010 Q3, in cumulated four-quarter terms, amounting to the equivalent of 0.9% of GDP (0.2 pp less than in June). However, the financ-

ing gap, an indicator that approximates the funds needed to cover the difference between firms' gross saving and gross capital formation plus foreign investment of a permanent nature, recorded a negative balance as a result of the increase in Spanish firms' investment in equities abroad.

As a result of the containment of corporate debt, together with the improvement in business surpluses reflected in the National Accounts in 2010 Q3, the sector's debt ratio continued to slowly decrease for a further quarter from its peak in June 2009. Revenue growth and the decline in interest payments, in cumulated 12-month terms, also prompted a fall in the debt burden (see Chart 25). However, the market improvement in this period triggered a rise in equity values and, consequently, ROE decreased.

The corporate income of the sample of corporations reporting to the CBQ, among which the biggest have a notable weight, also recovered in 2010 Q3, with the result that the ordinary net profit of these corporations in the first nine months of the year was 6.9% higher than in the same period of 2009. Thanks to that, ROE also increased to 5.5%, 0.2 pp higher than in September 2009. These developments, combined with debt levels holding unchanged, enabled the debt ratio and debt burden to fall slightly. The overall outcome was that the indicators of financial pressure on investment and employment decreased again. Nevertheless, during the final stretch of 2010, analysts revised downwards their expectations for the profits of listed companies, especially in the short term and by slightly less for the longer term (see Chart 26).

The doubtful assets ratio of non-financial corporations continued to grow in 2010 Q3, and was stronger in the case of lending to construction and real estate services companies, rising by 54 bp for the latter, while for other companies it climbed by 20 bp. This gave rise to a widening in the difference between the indicators for the two sectors, which stood in September at 11.4% and 4%, respectively.

5.4 General government

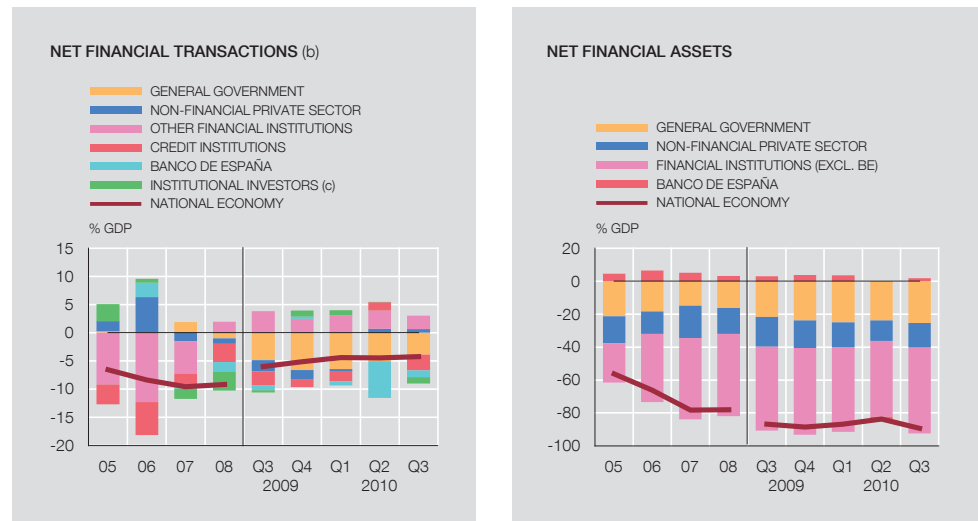
In 2010 Q3, according to the Financial Accounts, general government net borrowing decreased by the equivalent of 1% of GDP in cumulative annual terms, although it remains high at 9.4% of GDP (see Table 7).

Once again, the main means of financing used by general government was the issuance of fixed-income securities, whereby funds equivalent to 8% of GDP were obtained (7% at long term and 1% at short term), entailing 1 pp less than in June (see Chart 27). Loans contributed a further 0.7% of GDP, while on the assets side net purchases of securities grew (1% of GDP, 0.4 pp up on mid-2010) and deposits decreased (-1.4% of GDP, a further decline of 0.7 pp with respect to Q2).

As a result of the foregoing, the growth rate of general government indebtedness remains high (14.2% in November), although it has moderated considerably with respect to its end-2009 peak. The increase in liabilities led the debt/GDP ratio to stand, in September 2010, at close to 58% of GDP, almost 1 pp higher than in June. The debt burden associated with these liabilities also increased, although it is at relatively low levels (1.9% of GDP).

5.5 The rest of the world

The nation's net borrowing once again decreased in 2010 Q3 to 4.2% of GDP, in cumulated 12-month terms, 0.3 pp lower than the June figure according to the Financial Accounts. This decline was due to a decrease in the general government debit balance, which was partially offset by the reduction in households' and corporations' net financial saving, while that of financial institutions hardly changed.



SOURCE: Banco de España.

- a. Four-quarter data for transactions. End-period data for stocks. Unsectorised assets and liabilities are 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 sectoral breakdown of financial transactions vis-à-vis the rest of the world shows that, between July and September 2010, credit institutions were the main vehicle for the economy's borrowing; in only three months they raised abroad the equivalent of 3.8% of GDP (in net terms), in contrast to 2010 Q2 when a net outflow of funds was routed through them. Other sectors also improved their ability to borrow from abroad with respect to the spring figures; general government managed, in cumulated four-quarter terms, to borrow the largest sum of funds from the rest of the world (3.9% of GDP) (see Chart 28). As a result of this normalisation the net assets of the Banco de España vis-à-vis the rest of the world increased, following the previous months' decline by an amount equivalent to 4.5% of GDP. In Q4, and based on the incomplete balance of payments information (which only covers up to November), the net external assets of the Banco de España continued to recover.

The breakdown by instrument shows that the bulk of capital inflows was channelled through the interbank market which, in net terms, enabled credit institutions to raise funds equivalent to 2.2% of GDP. Concurrently, purchases by the rest of the world of securities other than shares, irrespective of issuer, also increased, when hardly three months earlier non-residents had unwound positions in these assets. Foreign direct investment in Spain also grew, returning, in cumulated four-quarter terms, to positive territory (0.3% of GDP, 0.5 pp higher than in June) (see Table 9).

Capital outflows were slightly negative (-0.3% of GDP in Q3), but by a lower amount than in Q2, when they stood at -1.6% of GDP. By instrument, securities other than shares evidenced negative flows of 1.8% of GDP (-5.8% of GDP in cumulated 12-month terms) (see Table 9). Conversely, purchases of shares and other equity continued to increase and between July and September stood at the equivalent of 1.6% of GDP. In line with this, Spanish foreign direct investment recovered with respect to three months earlier (1% of GDP, in cumulated four-quarter terms).

% GDP						
	2007	2008	2009	2010		
				Q1	Q2	Q3
NET FINANCIAL TRANSACTIONS	-9.6	-9.2	-5.1	-4.4	-4.5	-4.2
FINANCIAL TRANSACTIONS (ASSETS)	14.2	1.3	-1.5	-0.7	-2.6	-3.3
Gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	1.5	-1.3	-3.2	-2.1	-1.4	-2.3
Of which:						
Interbank (a)	4.2	-0.5	-1.7	-1.6	-1.1	-1.8
Securities other than shares	1.6	1.3	0.0	-0.3	-3.9	-5.8
Of which:						
Credit institutions	1.8	1.6	1.2	0.7	-2.0	-2.7
Institutional investors (b)	0.0	-1.3	-0.5	-0.2	-1.4	-2.3
Shares and other equity	8.8	1.9	1.5	1.3	1.7	2.7
Of which:						
Non-financial corporations	6.6	3.1	0.1	0.2	0.6	1.8
Institutional investors (b)	-1.1	-1.6	0.3	0.7	1.0	1.0
Loans	1.2	0.8	0.2	0.0	-0.7	-0.1
FINANCIAL TRANSACTIONS (LIABILITIES)	23.8	10.5	3.6	3.8	1.8	0.9
Deposits	6.7	8.0	-0.5	0.1	1.6	-0.2
Of which:						
Interbank (a)	6.7	6.2	0.7	-0.6	-4.7	-2.9
Securities other than shares	8.1	-2.7	3.8	3.4	0.6	0.6
Of which:						
General government	-1.3	1.1	5.4	5.7	4.2	3.4
Credit institutions	3.6	-1.9	1.1	0.9	-0.4	-0.6
Other non-monetary financial institutions	5.8	-1.9	-2.6	-3.1	-3.2	-2.2
Shares and other equity	4.6	3.2	0.8	1.3	0.8	0.3
Of which:						
Non-financial corporations	4.7	2.4	0.1	0.4	0.4	0.5
Loans	3.1	2.7	0.3	-0.5	-1.1	-0.1
Other, net (c)	0.3	0.6	-0.8	-1.1	-1.7	-1.8
MEMORANDUM ITEMS						
Spanish direct investment abroad	9.5	4.7	0.6	-0.9	-0.7	1.0
Foreign direct investment in Spain	4.5	4.6	0.5	0.7	-0.2	0.3

SOURCE: Banco de España.

a. Correspond only to credit institutions and include repos.

b. Insurance corporations and portfolio investment institutions.

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

As a result of financial flows with the rest of the world, and of changes in asset prices and in the exchange rate, the value of the net liabilities built up by the Spanish economy vis-à-vis the rest of the world were equal, according to the Financial accounts, to 89% of GDP in 2010 Q3, almost 6 pp higher than in June (see Chart 28). This increase was due to the rise (of 5.8% of GDP) in the debit balance of financial institutions (excluding the Banco de España) vis-à-vis non-residents and, to a lesser degree, of the non-financial private sector and general government, while the Banco de España restored its credit position vis-à-vis the rest of the world.

RESULTS OF NON-FINANCIAL CORPORATIONS IN 2009 AND IN THE FIRST THREE
QUARTERS OF 2010

Overview¹

In line with usual practice, this edition of the Banco de España's Economic Bulletin presents an analysis of the results for 2009 of the firms contributing to the Central Balance Sheet Data Office Annual Survey (CBA) and those for 2010 Q1-Q3, on the basis of the information from the Central Balance Sheet Data Office Quarterly Survey (CBQ). The latter can be considered a preliminary indicator of the results for the full year in the CBQ, which will be released in April 2011, and will be completed with annual data from the CBA in November of that year.

The CBA results for 2009 (see Table 1 and Chart 1) broadly confirm what has been anticipated by the CBQ sample for that period: that the productive activity of non-financial corporations contracted sharply in 2009, a period in which gross value added (GVA) dropped 7.2%, heightening the contractionary trend which had begun in 2008, when GVA fell 2.7%. This negative performance affected all sectors of activity without exception, against the backdrop of widespread crisis, although it proved particularly severe in the industrial sector, where GVA decreased by -15.4% (see Box 1).

Conversely, 2010 Q1-Q3 as a whole saw a recovery in the productive activity of the CBQ sample corporations, with 4.4% growth in GVA in nominal terms, in contrast with the decline of 11.8% in the same period of 2009. This change was evident in all sectors of activity, except for that of information and communication, the only one to continue to post negative rates of change in GVA (-4.3%) in 2010 Q1-Q3, although they are appreciably lower than those of the previous year (-7.8%). These changes in activity in 2010 reflect the performance of consumption and the rebound of external activity. However, the quarterly data point to a weakening of growth in activity in Q3 with respect to that posted in the first half of the year. These data were undoubtedly influenced by the expiry of the government's Plan 2000E to support new car purchases and by spending decisions being brought forward to the first half of the year, due to the rise in indirect taxes which came into force on 1 July 2010.

Personnel costs decreased by -3.2% in 2009 and by -1.5% in 2010 Q1-Q3. In both cases, this decline was due to the behaviour of employment, which posted negative rates of change in the two periods, and to the gradual moderation of growth in average compensation, which recorded increases of 1.5% in 2009 and of 0.8% to 2010 Q3. Indeed, as regards employment, widespread cuts have been made by firms in staff levels since 2009. This adjustment has affected firms of all sizes and sectors without exception, although the hardest hit have been the smaller ones (where staff numbers declined by 8.3% compared with 4.4% at large corporations in 2009). Turning to the various sectors, the industrial sector saw a sharp contraction of activity in 2009, as indicated above, and the steepest decline in the number of jobs, which fell by -6.5% and -3.3% in 2009 and 2010, respectively. Finally, workforce reductions were considerably higher among temporary employees, with rates of decline of -13.2% for 2009 and -6.6% to September 2010, compared with lower decreases of -1.7% and -1.5%, respectively, for permanent employees.

1. This article was prepared on the basis of information provided by the non-financial corporations reporting to the Central Balance Sheet Data Office, which sent in their annual data to 2009 (Central Balance Sheet Data Office Annual Survey - CBA), and quarterly data to 2010 Q3 (Central Balance Sheet Data Office Quarterly Survey - CBQ). The annual information is a summary of that included in the Banco de España publication *Central de Balances. Resultados anuales de las empresas no financieras, 2009*, released to the press on 29 November 2010. The annual survey included 6,910 corporations in 2009, and represents 26.2% of the GVA of the total non-financial corporations sector, while the quarterly survey comprises 743 corporations that, on average, reported their data to 2010 Q3 and account, in terms of GVA, for 12.8% of the sector total.

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

TABLE 1

	CBA STRUCTURE	CBA		CBQ (a)		
DATABASES	2009	2008	2009	09 Q1-Q4/ 08 Q1-Q4	09 Q1-Q3/ 08 Q1-Q3	10 Q1-Q3/ 09 Q1-Q3
Number of corporations		9,535	6,910	798	811	743
Total national coverage		31.2%	26.2%	12.6%	12.9%	12.8%
PROFIT AND LOSS ACCOUNT:						
1 VALUE OF OUTPUT (including subsidies)	100.0	-0.2	-13.2	-13.5	-17.9	10.9
<i>Of which:</i>						
— Net amount of turnover and other operating income	148.5	1.3	-13.8	-13.3	-16.6	12.1
2 INPUTS (including taxes)	65.4	1.2	-16.1	-16.1	-21.1	14.8
<i>Of which:</i>						
— Net purchases	90.7	0.8	-19.4	-22.5	-31.1	20.6
— Other operating costs	22.8	2.2	-6.6	-5.3	-4.7	7.2
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]	34.6	-2.7	-7.2	-8.3	-11.8	4.4
3 Personnel costs	20.1	3.9	-3.2	-2.0	-1.8	-1.5
S.2 GROSS OPERATING PROFIT [S.1 – 3]	14.5	-10.2	-12.3	-13.5	-19.5	9.7
4 Financial revenue	5.5	6.8	-17.5	-11.6	-15.8	-11.3
5 Financial costs	4.5	14.0	-29.8	-31.6	-30.4	0.8
6 Net depreciation, impairment and operating provisions	6.6	7.5	-4.6	-1.2	-0.0	2.7
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	8.9	-21.5	-9.7	-6.6	-20.4	6.9
7 Gains (losses) from disposals and impairment (c)	1.9	(b)	(b)	(b)	-16.1	41.9
7' As a percentage of GVA (7 / S.1)		-6.8	5.6	7.6	7.6	6.8
8 Changes in fair value and other gains (losses) (c)	-1.7	(b)	1.3	-29.1	78.3	-37.5
8' As a percentage of GVA (8 / S.1)		-4.3	-4.9	-8.5	-1.5	-1.9
9 Corporate income tax	1.0	-66.6	55.8	(b)	-23.4	42.0
S.4 NET PROFIT [S.3 + 7 + 8 - 9]	8.2	-56.8	63.8	55.4	-7.7	5.2
S. 4' As a percentage of GVA (S.4 / S.1)		12.5	23.6	29.6	32.8	33.0
PROFIT RATIOS						
	Formulas (d)					
R.1 Return on investment (before taxes)	(S.3 + 5.1) / NA	7.6	6.3	6.2	5.3	5.5
R.2 Interest on borrowed funds / interest-bearing borrowing	5.1 / IBB	5.1	3.5	3.3	3.4	3.2
R.3 Ordinary return on equity (before taxes)	S.3 / E	9.9	8.9	8.9	7.0	7.6
R.4 ROI - cost of debt (R.1 - R.2)	R.1 - R.2	2.5	2.8	2.9	1.9	2.3

SOURCE: Banco de España.

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

b. Rate not significant or not calculable because the relevant figures are of opposite sign.

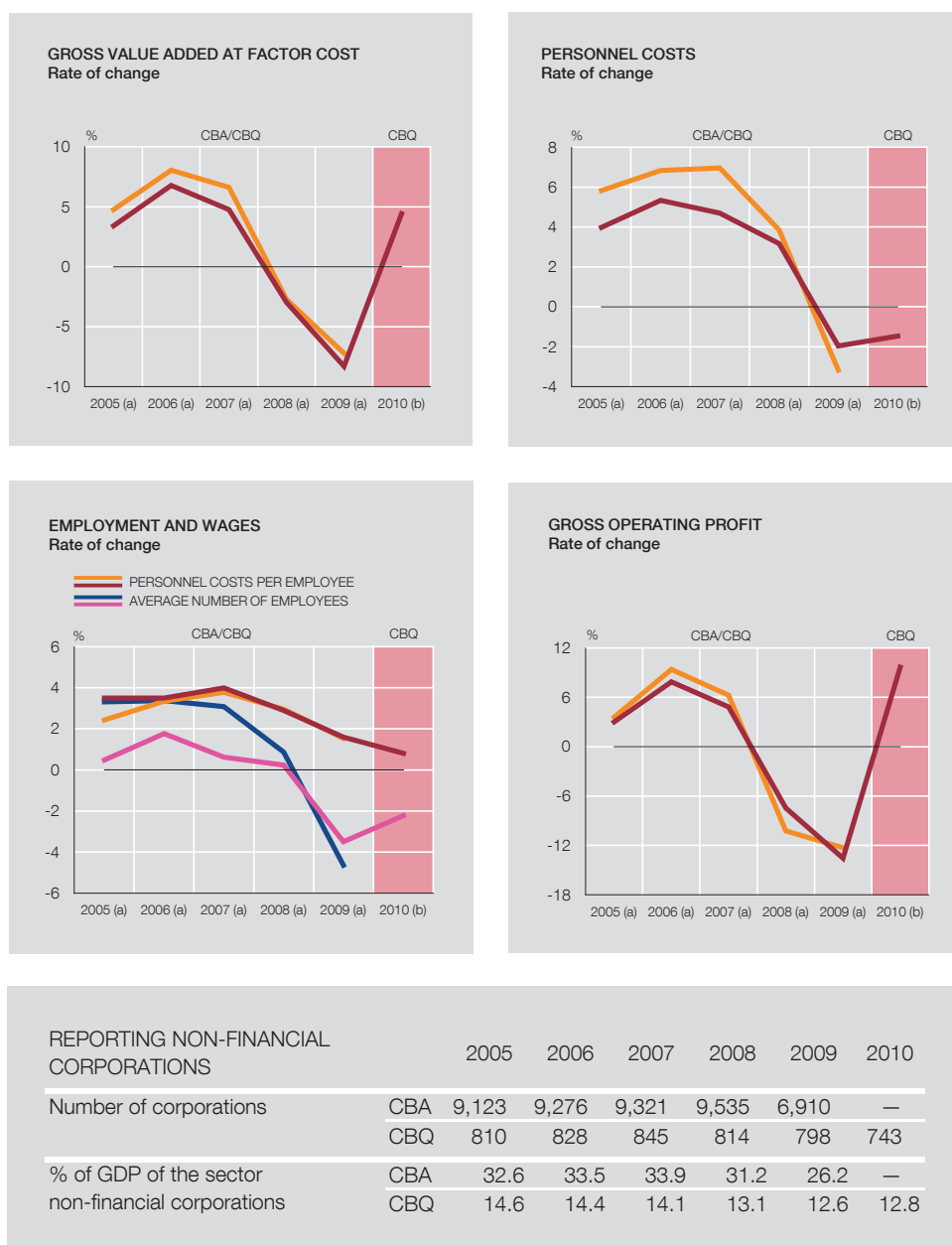
c. New P&L headings resulting from application of the new General Chart of Accounts (PGC 2007).

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.

In 2009, gross operating profit (GOP) fell sharply, by -12.3%, because the decline in productive activity was considerably higher than the decrease in personnel costs. By contrast, in 2010 Q1-Q3 GOP benefited from the recovery in activity and the ongoing reduction in personnel costs, which led it to grow by 9.7%. This trajectory seems to have moderated in Q3 due to the effect of the trend in GVA.

Financial revenue showed a downward trend both in 2009, when it fell by -17.5%, and in 2010 Q1-Q3, when it decreased by -11.3%. These declines are mainly attributable to the lower dividends from foreign subsidiaries and the decrease in interest received as consideration for loans. Financial costs also dropped sharply in 2009, by -29.8%, and stabilised in 2010 Q1-Q3, posting a rate of change of 0.8%. These developments are a result of the strong impact in 2009 of the interest rate falls, in the form of lower financial costs. In 2010, however, this effect petered



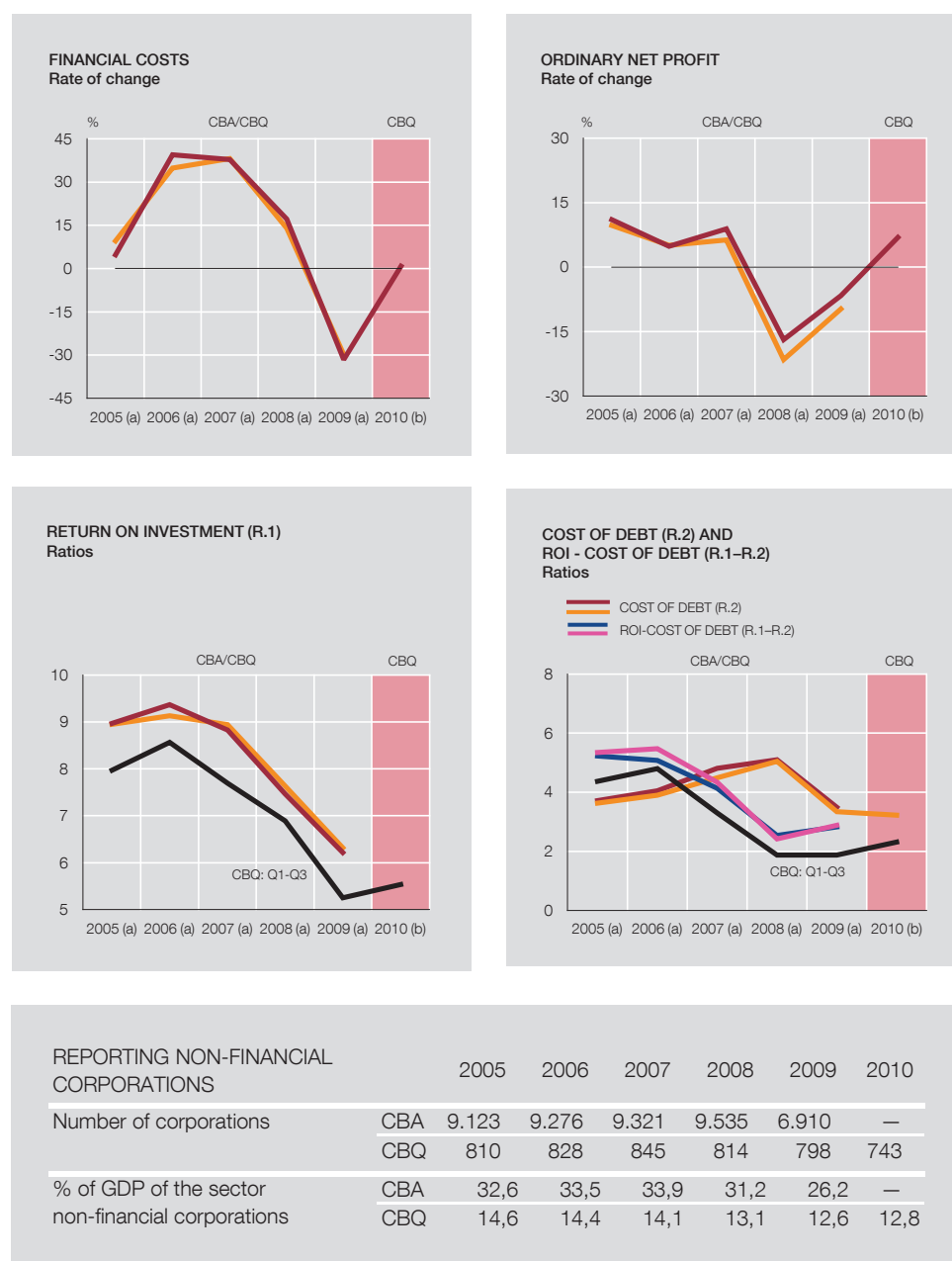
SOURCE: Banco de España.

a. 2005, 2006, 2007, 2008 and 2009 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 first three quarters of 2010 relative to the same period of 2009.

out, which, combined with the slight rise in borrowing by firms, led to financial costs remaining practically flat during the year. Relative debt levels remained stable in the two periods analysed and the slight increase in borrowing did not have a significant effect on the 2010 debt level. As a result of this performance of financial revenue and costs, ONP fell 9.7% in 2009, 2.6% less than GOP, whereas in 2010 the opposite occurred, when ONP grew 6.9%, 2.8% less than GOP. Investment fell both in 2009 and in the first three quarters of 2010.

The analysis of profit ratios also shows a mixed result in the two years. Thus, in 2009 the strong decrease in ONP resulted in a significant deterioration in return on investment and re-



SOURCE: Banco de España.

a. 2005, 2006, 2007, 2008 and 2009 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 first three quarters of 2010 relative to the same period of 2009.

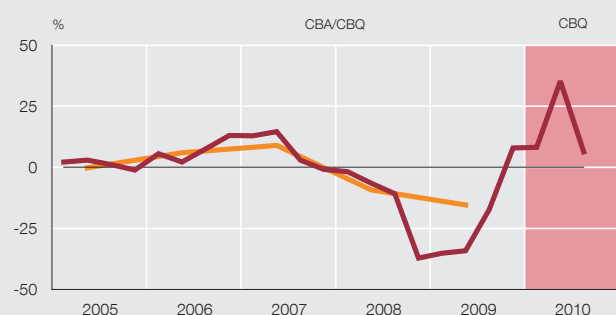
turn on equity, which fell by approximately 1 pp with respect to their values in 2008, to 6.3% and 8.9%, respectively. Ordinary profit picked up in 2010, enabling profitability levels to rise slightly with respect to the same period in 2009. Return on investment stood at 5.5% (0.2 pp higher than the value recorded to September 2009) and return on equity stood at 7.6%, slightly more than 0.5 pp higher than the figure posted one year earlier. The ratio R.2, which measures the cost of borrowing for firms, moved in line with the successive interest rate cuts in 2009 and declined to 3.5%, 1.5 pp lower than the previous year. In the first three quarters of 2010, the average cost of borrowing also fell back slightly to 3.2%, down 0.2 pp on the

The information from the Central Balance Sheet Data Office shows that the industrial sector's productive activity contracted sharply during 2009, with a 15.4% decline in GVA, which was offset by the increase in activity in 2010 Q1-Q3, when GVA rose by 16.7%. This change in trend occurred against a background of recovery in external activity which led to 23.4% growth of industrial sector exports to September 2010 compared with the decrease of -23.1% posted a year earlier. However, as also occurred in the total quarterly sample, analysis of activity in 2010 shows that the expansionary trend of the first two quarters slowed in Q3. This was extensive to all industrial sub-sectors, although it was more severe in the manufacture of transport equipment sub-sector, probably due to the end of the government assistance for car purchases (Plan 2000E). Personnel costs decreased very markedly in 2009 (-6.5%) and more smoothly in 2010 Q1-Q3 (-1.7%), essentially as a result of the decrease in employment in the industrial sector in recent years. For instance, the

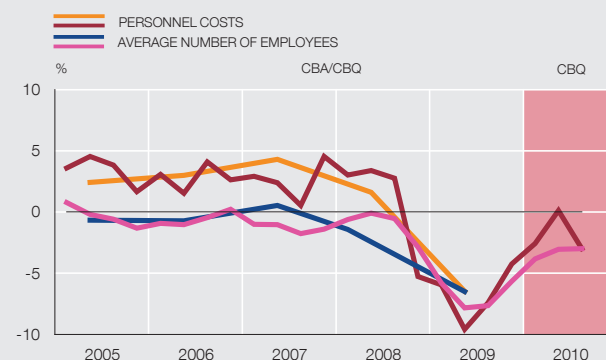
average number of employees declined in this sector by -6.5% in 2009 and by -3.3% to September 2010, as a result of the adjustment processes which have pervaded practically all industrial sub-sectors. In this setting, average compensation posted moderate rises, which were practically zero in 2009 and slightly lower than 2% in 2010 Q1-Q3, in line with the general pattern of lower wage increases, that were also recorded in the total sample. The changes in productive activity fed through to other ordinary surpluses, with the result that gross operating profit and ordinary net profit fell abruptly in 2009, then picked up in 2010 Q1-Q3, and that profit ratios also showed declines and recoveries in the two periods, although these were more contained. Thus, return on investment stood at 4.2% in 2009, down 3 pp from the previous year, which is the lowest level in the annual series for the industrial sector since 1993. During 2010 to date, profitability rose to 4.2%, nearly 2 pp higher than in the same period of the previous year. The ratio which

PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO

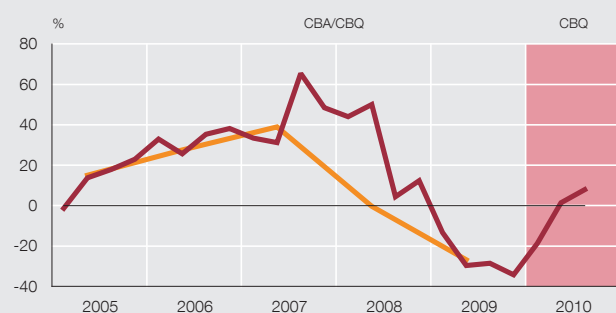
GROSS VALUE ADDED AT FACTOR COST
Rate of change



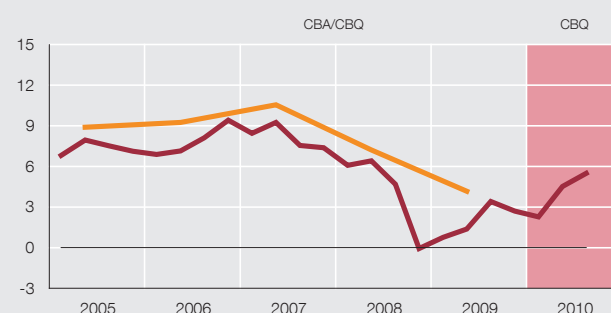
EMPLOYMENT AND WAGES
Rate of change



FINANCIAL COSTS
Rate of change



RETURN ON INVESTMENT
Ratios



REPORTING INDUSTRIAL CORPORATIONS

		2005	2006	2007	2008	2009	2010
Number of corporations	CBA	2,408	2,397	2,376	2,400	1,749	—
	CBQ	320 309 302 294	315 300 288 279	309 299 285 280	284 273 259 246	247 243 237 222	226 218 173 —
% of GDP of the sub-sector industrial corporations	CBA	27.7	28.5	30.2	25.7	21.9	—
	CBQ	19.1 19.6 16.9 17.1	18.5 17.5 16.3 17.4	19.4 19.6 16.6 17.0	16.3 16.1 12.7 8.7	10.8 11.0 11.9 10.3	11.0 12.3 8.5 —

SOURCE: Banco de España.

measures the cost of debt decreased to 3.6% in 2009, down from 5.1% in the previous year, due to lower interest rates, while the quarterly data show a very stable performance in 2010 of this ratio which held at approximately 3.7%. As a result of the foregoing, the difference between the rate of return and the cost of debt contracted significantly by 1.5 pp in 2009, holding at positive values albeit very close to zero (0.6). Conversely, due to the increase in profitability levels in 2010 Q1-Q3, this difference stood at 0.5 pp, whereas a

year earlier the industrial firms that make up the quarterly sample had shown a negative value of -1.4. This sums up developments in Spanish industry in the last two years, during which activity has gone from contracting sharply in 2009 to partially recovering in 2010. This enabled it to increase its surpluses and rates of return but not to resume the path of job creation. Furthermore, the data for Q3 have evidenced a slowdown in the expansionary trend shown until then.

same period in 2009. In this setting, the difference between the rate of return and the cost of debt performed stably and even grew slightly in 2009 and in 2010 Q1-Q3, although for different reasons in each of these two periods. In 2009, the difference stood at 2.8 pp, 0.3 pp higher than the previous year, due to the strong decrease in financial costs, which offset the fall in returns. In 2010, however, the slight rise in this indicator (2.3 to September 2010 compared with 1.9 in the same period in 2009) is due to a modest increase in returns and a reduction in the cost of borrowed funds.

Lastly, an analysis of extraordinary gains (losses) in 2009 identifies considerable changes, which offset the fall in ordinary profit and enabled strong growth in net profit. Specifically, in 2009 impairment decreased significantly with respect to 2008, when substantial unrealised losses were recorded on share portfolios and, furthermore, the value of inventories of construction and real estate firms fell. Furthermore, in 2009 substantial gains were generated on the disposal of financial and non-financial assets. As a result of the foregoing, net profit grew 63.8% and recovered approximately 50% of the previous year's decline due to these extraordinary transactions. As for 2010, the main feature of extraordinary results was the revenue growth due to gains on certain financial asset sales which, however, did not fully offset the increase in corporate income tax expense. This item grew on account of the increase in ordinary profit and because certain gains and extraordinary transactions in 2009 were exempt from corporate income tax. Thus, the changes in net profit in the first three quarters of 2010 were more moderate compared with those in ONP which grew by 5.2%. As a result of the declines in GVA (the denominator of the ratio) in the two previous years and the partial recovery of results in 2009 and their slight growth in 2010, net profit amounted to 33% of GVA, 0.2 pp higher than in the same period of the previous year.

In short, following a strong contraction in 2009, the productive activity of CBQ firms recovered somewhat in 2010 Q1-Q3. Furthermore, in 2010 they continued to undertake substantial work force adjustments which have enabled them to cut wage costs, generate surpluses and raise profit ratios slightly with respect to 2009.

Activity

The CBQ database information for the total reporting firms confirms that in the first three quarters of 2010 there was a recovery in productive activity, following the strong downturn in 2009, when value added fell in all the sectors of activity of the reporting firms. Thus, GVA for 2009 contracted by -7.2%, whereas it grew 4.4% up to 2010 Q3 (see Table 1 and Chart 1). Nevertheless, the quarterly rates of change in GVA for 2010 indicate that the recovery in 2010 Q1-Q2 moderated in Q3. The reasons for the slowdown in Q3 include the expiry of the government measures to support new car purchases (Plan 2000E) and the extent to which last July's

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

TABLE 2.A

	GROSS VALUE ADDED AT FACTOR COST				EMPLOYEES (AVERAGE FOR PERIOD)				PERSONNEL COSTS				PERSONNEL COSTS PER EMPLOYEE			
	CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)	
	2009	09 Q1- Q4	09 Q1- Q3	10 Q1- Q3	2009	09 Q1- Q4	09 Q1- Q3	10 Q1- Q3	2009	09 Q1- Q4	09 Q1- Q3	10 Q1- Q3	2009	09 Q1- Q4	09 Q1- Q3	10 Q1- Q3
Total	-7.2	-8.3	-11.8	4.4	-4.6	-3.5	-3.6	-2.2	-3.2	-2.0	-1.8	-1.5	1.5	1.6	1.9	0.8
SIZE:																
Small	-12.5	—	—	—	-8.3	—	—	—	-7.1	—	—	—	1.2	—	—	—
Medium	-7.6	-13.0	-14.2	5.5	-5.4	-5.9	-5.9	-3.3	-4.1	-5.0	-4.9	-1.6	1.3	1.0	1.1	1.7
Large	-7.1	-8.1	-11.7	4.4	-4.4	-3.4	-3.4	-2.2	-3.0	-1.8	-1.6	-1.5	1.5	1.6	1.9	0.7
BREAKDOWN BY ACTIVITY:																
Energy	-5.6	-7.1	-12.5	9.3	-1.8	-0.5	-0.3	-2.0	0.9	1.1	1.7	0.2	2.7	1.7	2.0	2.2
Industry	-15.4	-23.4	-29.5	16.7	-6.5	-6.8	-7.1	-3.3	-6.5	-6.8	-7.7	-1.7	0.0	-0.1	-0.6	1.6
Wholesale & retail trade and accommodation & food service activities	-6.4	-6.8	-7.6	6.1	-5.6	-5.6	-5.8	-1.1	-4.6	-4.8	-4.9	-0.7	1.0	0.9	1.0	0.4
Information and communication	-4.7	-6.9	-7.8	-4.3	-3.1	-1.0	-0.6	-1.7	-1.0	0.8	1.4	0.5	2.1	1.8	2.0	2.2
Other activities	-3.7	-4.1	-7.3	2.6	-3.9	-1.4	-1.3	-2.9	-1.9	0.1	0.8	-2.9	2.1	1.5	2.1	0.0

SOURCE: Banco de España.

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

indirect tax rises may have brought forward household spending decisions in the immediately preceding period.

The various sectors of activity showed uniform behaviour in both periods, although with a different sign (see Table 2.A). Whereas in 2009 activity declined and GVA fell in all sectors, in 2010 Q1-Q3 there was a clear improvement in the rates of change of GVA in nearly all sectors, which returned to positive values, except for information and communication. This sector posted negative rates in 2010, albeit less so than in the previous year (-4.3% in 2010 Q1-Q3, compared with -7.8% in the same period of 2009). Notably, the industrial sector underwent the steepest fall in GVA in 2009 (-15.4%) and, likewise, the sharpest recovery in 2010 Q1-Q3, with GVA growth of 16.7%, boosted by the greater buoyancy of external activity. The GVA of firms in the wholesale and retail (hereafter “distributive”) trade and accommodation and food service activities sector increased by 6.1% in 2010, in contrast with the decrease of -6.4% the previous year, due to the negative performance of private consumption in 2009. However, the recovery of this sector slackened considerably in Q3 due to the above-mentioned effect of consumers bringing forward their spending decisions due to the higher indirect taxes from July 2010. The energy sector switched from declining activity in 2009 (-5.6%) to strong increases in GVA in 2010 Q1-Q3 (9.3%) as a result of the favourable performance of the electricity, gas and water sub-sector (in which GVA rose 6.9% during 2010 Q1-Q3) and of the refining sub-sector, where, against a backdrop of rising crude oil prices, selling prices continued to perform strongly and, accordingly, GVA rose by 44.3% (see Chart 2). The expansion of the electricity sector’s GVA was based on growth in electricity demand (by 3% according to sources of Red Eléctrica de España) and the lower production costs of electricity generating companies, aided by the increased use of hydro-electric power stations in comparison with last year. Lastly, the “other activities” aggregate performed in a similar way to the sample total, with a negative

EMPLOYMENT AND PERSONNEL COSTS
Details based on changes in staff levels

TABLE 2.B

	TOTAL CBQ CORPORATIONS 2010 Q1 - Q3	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations	743	348	396
PERSONNEL COSTS:			
Initial situation 09 Q1-Q3 (€m)	21,226.3	7,830.8	13,395.5
Rate 10 Q1-Q3/ 09 Q1-Q3	-1.5	1.5	-3.2
AVERAGE COMPENSATION:			
Initial situation 09 Q1-Q3 (€)	33,557.4	35,955.4	32,401.2
Rate 10 Q1-Q3/ 09 Q1-Q3	0.8	-1.9	2.1
NUMBER OF EMPLOYEES:			
Initial situation 09 Q1-Q3 (000s)	631	218	413
Rate 10 Q1-Q3/ 09 Q1-Q3	-2.2	3.4	-5.2
Permanent			
Initial situation 09 Q1-Q3 (000s)	542	191	351
Rate 10 Q1-Q3/ 09 Q1-Q3	-1.5	2.1	-3.5
Non-permanent			
Initial situation 09 Q1-Q3 (000s)	89	27	62
Rate 10 Q1-Q3/ 09 Q1-Q3	-6.6	12.8	-15.0

SOURCE: Banco de España.

change in GVA in 2009, which contracted by -3.7%, and a subsequent recovery in 2010 to date, as a result of which this aggregate's GVA increased by 2.6%.

Finally, Chart 3 analyses the distribution of firms on the basis of the rate of change in their GVA, irrespective of their size and sector of activity. The main conclusion that can be drawn from this information is that the recovery in productive activity in 2010 was extensive to most firms. Thus, in 2010 Q1-Q3 the percentage of firms reporting GVA growth increased significantly to 51.2%, compared with 36.7% in the same period of the previous year. Furthermore, whereas in 2009 the segment with sharper falls in GVA (greater than 20%) accounted for 36.7% of firms, in 2010 to date this percentage has improved by 15 pp to 21.7%.

**Employment and
personnel costs**

Personnel costs decreased in 2009 and in 2010 Q1-Q3 by -3.2% and -1.5%, respectively, continuing the downward trend that began in 2008. This performance is a consequence of lower growth in average compensation and of reductions in the average number of employees.

Indeed, the employment data evidence the widespread staff reductions which, against a backdrop of declining productive activity, have affected most firms in the two periods analysed. Thus, in 2009 the average number of employees dropped by -4.6%, compared with a slight increase of 0.9% in the previous year, and in the first three quarters of 2010 employment continued to fall (-2.2%), although slightly more slowly than in the same period of the previous year, when the quarterly sample posted a decline of -3.6%. These decreases affected all sectors (see Table 2.A), albeit to differing degrees, with the result that in 2009 the industry and the distributive trade and accommodation and food service activities aggregates experienced the most severe workforce reductions with rates of change of -6.5% and -5.6%, respectively. In 2010 to date the industrial sector continues to be the sector with the largest falls in average workforce (-3.3%), although the pace of job destruction has slowed considerably in comparison with the same period of 2009, when it was twice as high (-7.1%). In terms

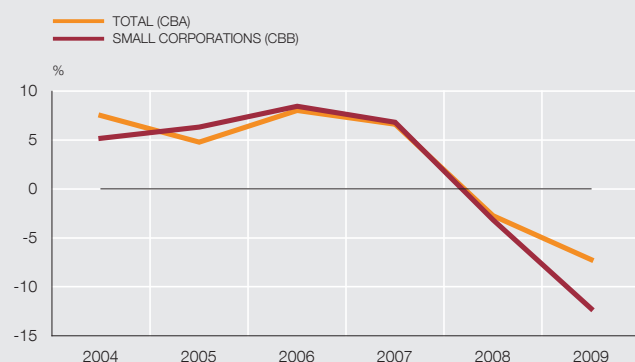
The information from the Central Balance Sheet Data Office's annual database (CBA) and quarterly database (CBQ) analyses larger non-financial corporations (the best represented firms in the related samples), however, it does not provide knowledge of the behaviour of small corporations, which is particularly important in the more segmented sectors of activity (such as the wholesale and retail trade, accommodation and food service activities, construction and real estate). Therefore, it is appropriate to complete the study performed using the two above-mentioned databases with another study based on the accounts lodged by smaller corporations with the Mercantile Registries. The Central Balance Sheet Data Office, thanks to an alliance with the Mercantile Registries, keeps a third database (CBBE/RM or CBB) with information on firms that have less than 50 employ-

ees, excluding those firms that report to the CBA in order to avoid duplication. Accordingly, a large amount of information is available on slightly less than 500,000 firms for 2008¹ and on approximately 120,000 firms for 2009. Data are still being received for 2009 (see the accompanying panel). However, this database has a constraint in that it is available with a certain time lag vis-à-vis the CBA database

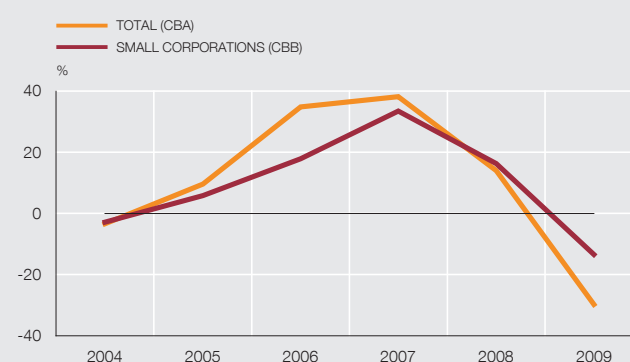
1. The number of firms' annual accounts available in the CBB at year-end stabilised at more than 600,000. However, for 2008 fewer firms suitable for analysis were available because there was no information for the first year of the database (2007 in this case). This was when firms prepared their annual accounts in accordance with the new Chart of Accounts (PGC 2007) for the first time and chose to omit the previous year's figures for comparison purposes.

RESULTS OF SMALL CORPORATIONS

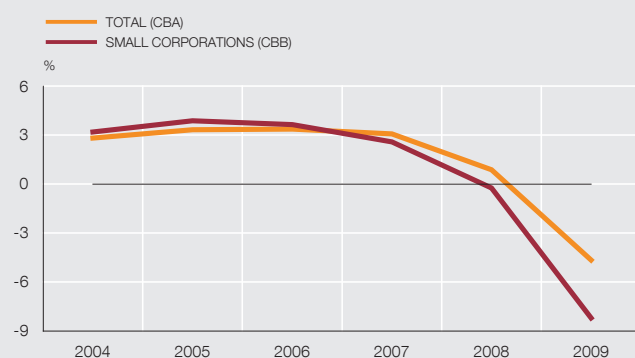
GROSS VALUE ADDED AT FACTOR COST
Rate of change



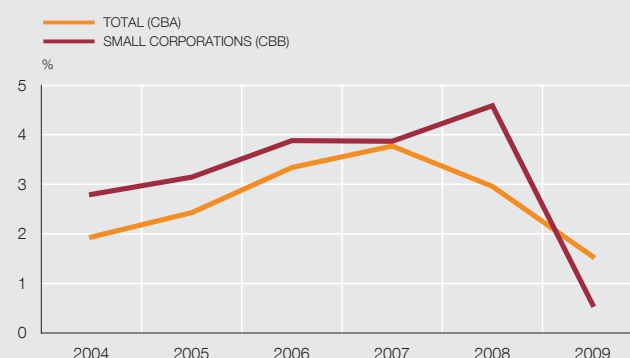
FINANCIAL COSTS
Rate of change



EMPLOYMENT
Rate of change



PERSONNEL COSTS PER EMPLOYEE
Rate of change



		2004	2005	2006	2007	2008	2009
Number of corporations	CBA	9,049	9,123	9,276	9,321	9,535	6,910
	CBB (a)	442,004	579,866	558,901	604,575	471,663	123,704
% of GDP of the sector non-financial corporations	CBA	32.3	32.6	33.5	33.9	31.2	26.2
	CBB (a)	16.4	21.7	19.3	20.1	13.6	3.1

SOURCE: Banco de España.

a. In the case of the "Employment" and "Personnel costs per employee" panels, the data relate to the sub-set of corporations with consistent employment figures (70% of the CBB total).

and the information it contains is not as detailed. In any event, together, the two databases (CBA and CBB) provide broad coverage of the total population of non-financial corporations, which in 2008 represented nearly 45% of the sector's total GVA (31.2% in the case of the CBA and 13.6% in the case of the CBB).

This box analyses the performance of Spanish SMEs based on a summary of the CBB information. According to the CBB's results, the activity of small Spanish corporations, as a whole, deteriorated sharply in 2009 by -12.2%. This was more pronounced than the deterioration of medium-sized and large corporations as a whole and thus resulted in a steeper decline than in the previous year when GVA decreased by -3.2%. This adverse performance, similar to that of CBA small firms, extended to almost all sectors of activity, but was particularly pronounced for certain sectors such as construction, which showed a contraction of -20.4% in GVA, and manufacturing industries, for which GVA fell -16.5%. Noteworthy was the utilities sector which bucked the trend of widespread declines and for the second year running showed strong growth of activity. This prompted its GVA to rise by 53.7% which, in any event, was lower than its growth rate of 89.1% in 2008. The upswing in this aggregate's activity is due to a high number of small firms coming into operation in the renewable energies sub-sector. Personnel costs recorded a fall of -7.9% in 2009, showing a negative rate of change for the first time in the CBB series. This was attributable to the sharp adjustment in employment at small corporations which caused a reduction of -8.2% in the average number of employees in 2009 and had a strong impact on non-permanent employment which de-

creased by -21.5% (nearly twice the figure recorded a year earlier), although permanent employment also declined notably by -4.1% in comparison with growth of 3.8% in 2008. The staff reductions pervaded almost all sectors of activity, in particular, the construction and manufacturing sectors, which saw their average workforce decrease by -14.3% and -11.1%, respectively. This was consistent with the strong deterioration of their productive activity. Financial revenue and costs recorded steep declines in 2009 (of -25.1% and -13.5%, respectively) due to the downward trend in interest rates. In any event, this decrease in financial revenue and costs did not have a significant influence on the performance of ordinary net profit which dropped by -81.2%. Consequently, profitability levels decreased significantly, which took the return on equity to 0.6%, almost 3 pp below the figure recorded a year earlier. The same downward trend in rates of return was seen in almost all sectors, notably certain sectors such as accommodation and food service activities and, once again, manufacturing and construction showed negative values (the return on equity stood at -6%, -2.7% and -2.1%, respectively).

In short, there was a severe contraction in 2009 in the activity of the aggregate of small corporations, which was steeper than the fall recorded in the previous year. This triggered a marked decrease in its generation of profits and rates of return as well as the vigorous destruction of permanent and, especially, temporary jobs. This adverse performance affected most sectors, although construction and manufacturing experienced the sharpest declines in all the areas analysed.

of type of contract, the staff reductions have affected most strongly the temporary jobs segment which contracted by -13.2% in 2009 and by -6.6% to September 2010. Permanent employment also decreased, generally less sharply, although the rate of change of -1.5% posted in 2010 is slightly worse than that of the previous year, when this type of employment fell by -0.9%.

The growth rate of average compensation fell. In this respect, the rate of change of 1.5% in 2009 was half the increase a year earlier, and that of 0.8% in 2010 Q1-Q3 was slightly more than 1 pp lower than the increase recorded in the same period of the previous year. In practically all sectors except industry, there was a similar trend of stability or containment of average compensation, although the data for 2010 allow two groups to be distinguished. On the one hand, the energy, industrial and information and communication sectors posted increases of approximately 2% in average wage costs to September 2010. On the other, the distributive trade and accommodation and food service activities aggregate recorded below-average growth of 0.4% (less than half that for the same period of 2009) and the aggregate comprising all other activities did not change. The stable compensation of firms in the other activities aggregate basically results from the impact of the downward revision in 2010 of the wages of certain large firms in the air transport sector. The information in Table 2.B shows the performance of firms, distinguishing between those which have increased or not changed average staff levels and those which have destroyed jobs in the period analysed. This table indicates

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

TABLE 3

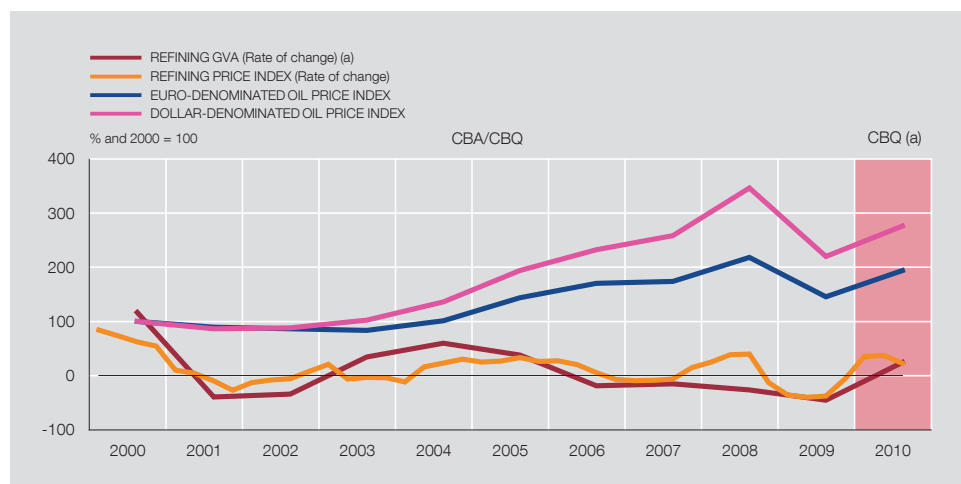
		CBA		CBQ (a)	
		2008	2009	09 Q1-Q3	10 Q1-Q3
Total corporations		6,910	6,910	743	743
Corporations reporting source/destination		6,910	6,910	695	695
Percentage of net purchases according to source	Spain	64.6	67.4	84.1	82.2
	Total abroad	35.4	32.6	15.9	17.8
	EU countries	18.0	17.2	11.0	12.2
	Third countries	17.5	15.4	4.9	5.6
Percentage of net turnover according to destination	Spain	84.4	84.9	92.0	90.5
	Total abroad	15.6	15.1	8.0	9.5
	EU countries	10.5	10.2	5.5	6.7
	Third countries	5.1	4.9	2.5	2.8
Change in net external demand (exports less imports), rate of change	Industry	-13.7	19.8	133.7	-38.1
	Other corporations	-5.0	39.8	40.9	56.6

SOURCE: Banco de España.

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

IMPACT OF OIL PRICES ON THE REFINING SECTOR

CHART 2

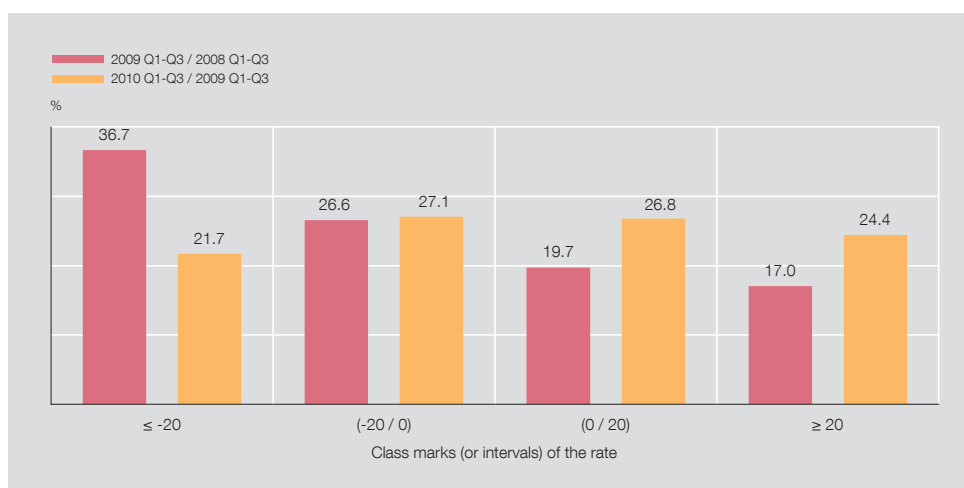


SOURCES: Banco de España and Ministerio de Industria, Turismo y Comercio (*Informe mensual de precios*).

a. 2010 data relate to the CBQ.

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

CHART 3



SOURCE: Banco de España.

PERSONNEL COSTS AND AVERAGE NUMBER OF EMPLOYEES Percentage of corporations in specific situations

TABLE 4

	CBA		CBQ (a)			
	2008	2009	08 Q1 - Q4	09 Q1 - Q4	09 Q1 - Q3	10 Q1 - Q3
Number of corporations	9,535	6,910	814	798	811	743
PERSONNEL COSTS	100	100	100	100	100	100
Falling	32.2	58.2	33.8	57.0	57.4	52.3
Constant or rising	67.8	41.8	66.2	43.0	42.6	47.7
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	42.0	54.6	46.6	62.8	62.4	56.6
Constant or rising	58.0	45.4	53.4	37.2	37.6	43.4

SOURCE: Banco de España.

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

that average compensation in 2010 was contained in both aggregates, although while firms which cut their average headcount saw wage costs grow by 2.1%, those which increased their headcount saw these costs fall by 1.9% in 2010 Q1-Q3, due to the lower wage levels associated with the new hires.

Lastly, the data in Table 4 confirm, firstly, that in 2009 the percentage of firms with staff reductions increased sharply compared with the previous year (on CBA data this percentage rises to 54.6%, up 14 pp on the previous year). Additionally, these data show that in 2010 Q1-Q3 the workforce adjustments continued to affect most of the firms in the quarterly sample (56.6%), although this percentage is somewhat lower than the figure of 62.4% a year earlier. In line with this, the percentage of firms which reported declines in personnel costs rose in 2009 by more than 25 pp to 58.2% in the annual sample and was slightly lower in 2010 at 52% of the sample.

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

TABLE 5

	GROSS OPERATING PROFIT				ORDINARY NET PROFIT				RETURN ON INVESTMENT (R.1)				ROI-COST OF DEBT (R.1-R.2)			
	CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)		
	2009	09 Q1 - Q4	09 Q1 - Q3	10 Q1 - Q3	2009	09 Q1 - Q4	09 Q1 - Q3	10 Q1 - Q3	2009	09 Q1 - Q4	09 Q1 - Q3	10 Q1 - Q3	2009	09 Q1 - Q4	09 Q1 - Q3	10 Q1 - Q3
Total	-12.3	-13.5	-19.5	9.7	-9.7	-6.6	-20.4	6.9	6.3	6.2	5.3	5.5	2.8	2.9	1.9	2.3
SIZE:																
Small	-25.1	—	—	—	-46.3	—	—	—	2.9	—	—	—	-0.4	—	—	—
Medium	-13.6	-24.1	-26.6	17.0	-18.6	-37.2	-40.3	35.0	4.9	4.3	4.1	6.0	1.6	0.6	0.5	3.3
Large	-12.0	-13.2	-19.3	9.5	-8.8	-5.6	-19.8	6.2	6.4	6.3	5.3	5.5	2.9	2.9	1.9	2.3
BREAKDOWN OF ACTIVITIES:																
Energy	-8.9	-9.3	-16.0	12.1	-9.5	-3.7	-14.6	-2.4	6.9	7.1	6.1	5.8	3.3	3.7	2.6	2.5
Industry	-28.4	-49.7	-57.4	74.5	-49.2	-56.2	-75.3	(b)	4.2	2.6	2.3	4.2	0.6	-1.1	-1.4	0.5
Wholesale & retail trade and accommodation & food service activities	-9.4	-10.6	-12.6	19.9	-0.3	-16.8	-26.4	39.2	7.3	4.9	5.0	6.1	3.8	1.5	1.6	2.8
Information and communication	-6.4	-8.9	-10.2	-5.8	-13.1	-16.1	-16.3	-8.3	21.0	28.5	28.5	29.8	16.1	23.4	23.6	25.1
Other activities	-8.3	-13.0	-22.5	15.0	43.0	(b)	44.4	26.5	5.3	5.1	3.9	4.0	2.0	2.0	0.7	0.9

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.

Profits, rate of return and debt

GOP decreased sharply by -12.3% in 2009 as a result of the much larger fall in productive activity than in personnel costs, whereas in 2010 Q1-Q3 this surplus grew by 9.7% due to the overall effect of the recovery of activity and the ongoing decrease in personnel costs (see Table 5). This path seems to have moderated in Q3 due to the behaviour of GVA. For their part, financial costs fell steeply in 2009 by approximately -30%, in contrast with the period to September 2010 during which they stabilised and posted a change that was even slightly positive (0.8%). The ratio that measures the interest burden (see Chart 4) shows, in keeping with the performance of financial costs described above, a sharp decline in 2009 and very stable behaviour in 2010, during which the ratio between interest on borrowed funds and income from ordinary activities (GOP plus financial revenue) stood at 22.3, down 0.6 pp on the figure for 2009. The following table shows in greater detail the reasons for the changes in financial costs:

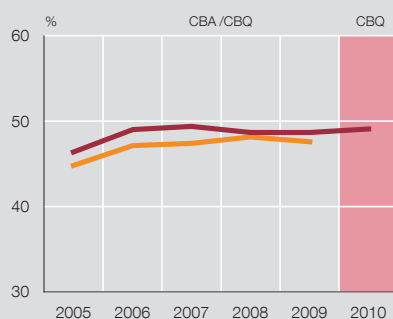
	2009/2008	10 Q1-Q3/09 Q1-Q3
Change in financial costs (%)	-29.8	0.8
<i>A Interest on borrowed funds</i>	<i>-31.2</i>	<i>0.3</i>
1 Due to the cost (interest rate)	-31.4	-4.5
2 Due to the amount of interest-bearing debt	0.2	4.8
<i>B Other financial costs</i>	<i>1.4</i>	<i>0.5</i>

As illustrated by the table above, the steep decline in financial costs in 2009 was due solely to interest rate falls which were progressively reflected in firms' financial costs, while the change in debt was non-existent in that period. In 2010 the virtually zero change in financial costs (+0.8%) is a consequence of slight falls in the cost of borrowing (-4.5%), which offset the effect of the increase in borrowed funds (4.8%). The ratio E1 (see Chart 4) of interest-bearing borrowing to total liabilities confirms that in 2010 debt levels have held at approximately 49% and

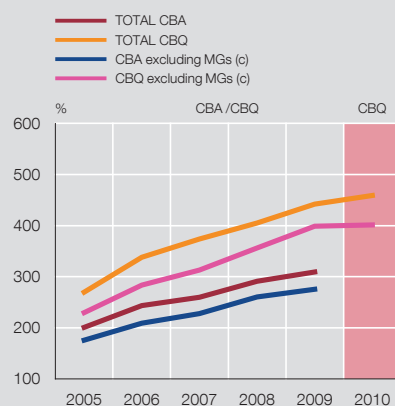
DEBT RATIOS

CHART 4

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



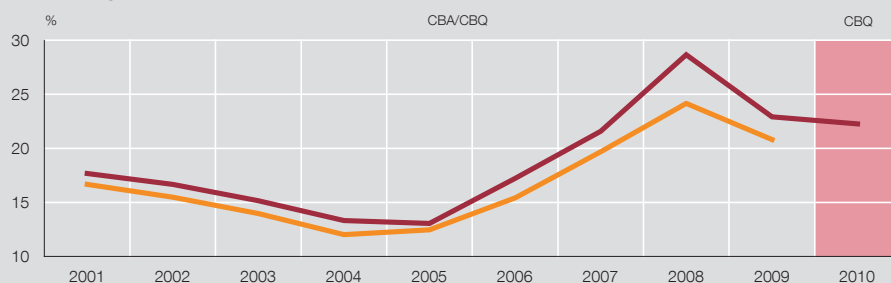
E2. INTEREST-BEARING BORROWING / GVA (b)
Ratios



	2005	2006	2007	2008	2009	2010
CBA	44.8	47.1	47.4	48.2	47.6	
CBQ	46.4	49.0	49.4	48.7	48.7	49.1

	2005	2006	2007	2008	2009	2010
CBA	200.9	243.8	259.9	291.4	309.0	
CBQ	269.6	338.1	374.1	405.4	442.2	459.1
CBA excl. MGs	176.0	208.9	227.6	260.4	275.3	
CBQ excl. MGs	229.5	283.9	313.1	356.0	399.0	401.3

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



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
CBA	16.7	15.5	14.0	12.0	12.5	15.4	19.7	24.2	20.8	
CBQ	17.7	16.7	15.2	13.3	13.0	17.2	21.6	28.7	22.9	22.3

SOURCE: Banco de España.

a. Ratio calculated from final balance sheet figures. Net assets 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. These do not include the large construction companies.

		CBQ (a)			
		RETURN ON INVESTMENT (R.1)		ORDINARY RETURN ON EQUITY (R.3)	
		09 Q1 - Q3	10 Q1 - Q3	09 Q1 - Q3	10 Q1 - Q3
Number of corporations		811	743	811	743
Percentage of corporations by profitability bracket	R ≤ 0	33.6	29.7	38.5	34.1
	0 < R ≤ 5	25.1	25.7	17.6	18.1
	5 < R ≤ 10	15.3	14.9	11.4	11.3
	10 < R ≤ 15	6.2	7.7	6.1	7.9
	15 < R	19.8	22.1	26.4	28.5
MEMORANDUM ITEM: Average return		5.3	5.5	7.0	7.6

SOURCE: Banco de España.

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

there have been no significant changes with respect to the average level in the last five years. This behaviour coincides with the ongoing sluggish investment by firms in the last two years according to the accounting data provided by the CBA and CBQ reporting firms. Thus in 2009 the CBA shows a clear decrease in gross fixed capital formation, which posted a rate of change of -27.2%. This trend continued in 2010 according to the CBQ data, which point to a fresh decline in the pace of investment, with a rate of change of -14.2% to September 2010. Finally, the ratio E2 completes the debt analysis. This ratio measures firms' ability to repay their debt out of the surpluses obtained from their ordinary activities (GVA). After worsening for several years (with sharp growth), it moderated its upward trend in 2010 as a result of debt containment and growth of GVA (the denominator of the ratio), which in this period increased at a similar rate to that of interest-bearing borrowing (the numerator).

Financial revenue trended downward in 2009 and in 2010 Q1-Q3 with rates of change of -17.5% and -11.3%, respectively. These declines are the result of lower dividends from foreign subsidiaries and, above all, the sharp decrease in interest receipts due to the change in interest rates mentioned in relation to financial costs. In 2009, although the overall positive effect of financial costs and revenue dampened the impact of the fall in GOP, it did not prevent a decrease in operating net profit (ONP), which fell by -9.7%. In 2010, however, the decrease in financial revenue to Q3 had a negative impact and reined in ONP growth slightly to 6.9%, below that of GOP in the same period (+9.7%). The behaviour of ONP and financial costs (the sum of which is the numerator of the return on investment ratio) in 2009 caused a sharp fall in ordinary profits, which in the case of return on investment fell to 6.3% from 7.6% in the previous year, and reined in the return on equity, which fell by 1 percentage point to 8.9% for 2009. By contrast, in 2010 Q1-Q3, the recovery of gross and ordinary profit raised profitability levels slightly with respect to the previous year (see Table 5). Thus return on investment stood at 5.5%, 0.2 pp higher than in 2009, and return on equity rose to 7.6%, slightly more than 0.5 pp higher than in the previous year. If the various productive sectors are analysed, a slight upward trend can generally be seen in profit ratios in 2010. For instance, in industry, in distributive trade and accommodation and food services activities and in information and communication there are clearer increases in return on investment than in the previous year, while in the other aggregates this ratio has remained practically stable or experienced small downward varia-

tions. The ratio that measures the cost of debt, denoted R.2 in Table 1, decreased sharply in 2009 from 5.1% to 3.5% as a result of the pass-through of interest rate falls to firms' costs during that year. In the first three quarters of 2010, by contrast, this ratio stabilised at 3.2%, down 0.2 pp on the same period a year earlier. The heavy fall in financial costs in 2009 offset the decline in rates of return that year and, consequently, the ratio that measures the difference between ROI and the cost of debt remained positive and was even slightly higher than in the previous year (2.8 compared with 2.5 in 2008). In 2010 to date, this difference also remained positive and slightly higher than in the previous year (2.3 percentage points, compared with 1.9 a year earlier) due, in this case, to the positive contribution of higher profitability levels and the gentle decline in financial costs.

Finally, the analysis of extraordinary results, the last component in the profit and loss account, shows their positive effect on net profit in 2009, a period in which the item that reflects asset impairment decreased sharply. The improvement, i.e. diminution, in this variable arises from the comparison with 2008, when there were sizeable losses on the financial asset portfolios and especially on the inventories of certain large construction and real estate firms. Along with this impairment respite, 2009 saw substantial gains from the sale of assets, mainly of a financial nature but also some tangible fixed assets, largely as a result of reorganisations in the electricity sector. Thanks to these extraordinary transactions, net profit rose by 63.8% in 2009, recouping half of the previous year's decline. In 2010 significant gains arose on share sales, although they did not fully offset the strong growth in corporate income tax, which posted a rate of change of 42% as a result of the increase in ordinary profit and the tax effect of certain extraordinary operations in 2009 which were exempt from corporate income tax. All this meant that the growth of net profit moderated in relation to that of ONP and posted an increase of 5.2% to September 2010. Finally, if net profit is calculated as a percentage of GVA, it can be seen that in 2009 the combined effect of the partial recovery of profits and the decline in GVA raised this percentage to 23.6%. On CBQ data for 2010 Q1-Q3, this percentage stood at 33%, only 0.2 pp higher than the figure of 32.8% which was posted in the same period in the previous year.

17.11.2010.

The authors of this article are Luis Ángel Maza and Juan M.^a Peñalosa of the Directorate General Economics, Statistics and Research.

Introduction

Residential investment played a key role in the long expansion of the Spanish economy for more than a decade to 2007 and in the crisis it has undergone in recent years. This variable is of great importance for analysis of the cycle, in booms and busts alike, for several reasons: its spillover effects on various productive branches; its impact on the prices of the main asset making up household wealth; and its influence on the shape of household and corporate financial flows, given the high level of leverage residential construction entails.

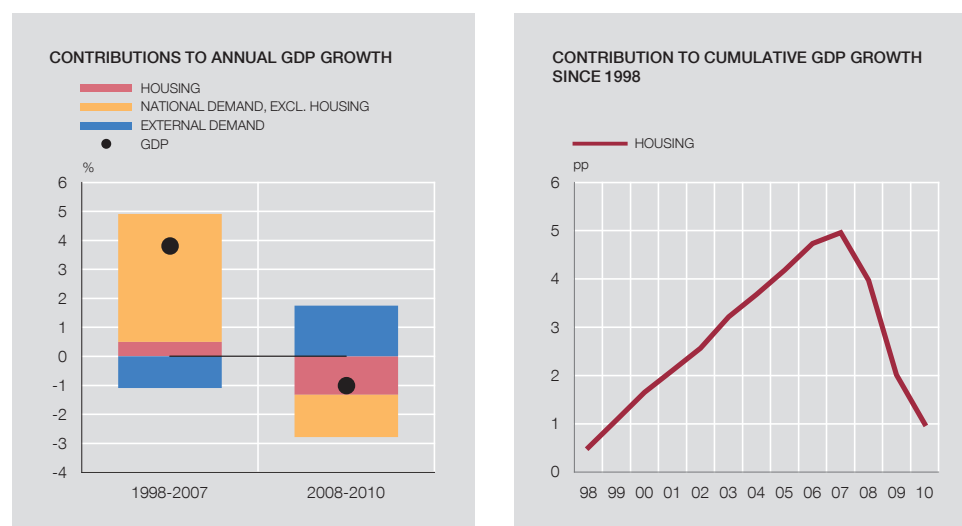
This article aims to review the current situation of the housing investment adjustment in Spain, following the sharp turnaround seen in recent years in real estate activity and prices. To do this it first examines the role residential investment has played in output since the start of the last expansion, from the standpoint of both supply and demand, and the main channels of transmission through which it affects other productive branches and also agents' spending decisions. Next, a more detailed analysis follows of the trajectory of the housing investment adjustment since 2007, and recent developments in real estate prices are set out. Finally, a general assessment is made of the state of the adjustment and of the outlook for this investment component. While this process has undoubted effects on financing flows in the economy and on financial stability, these matters will remain outside the scope of analysis of this article.

The role of the housing sector in the business cycle

In the recent period, the role of the housing market in cyclical developments in the Spanish economy has clearly been significant. Real investment in housing increased sharply in the expansion, more than doubling between 1998 and 2007, and it has since fallen abruptly, accounting in 2010 Q3 for scarcely half its level in 2007. As analysed in various papers, housing investment habitually shows a very marked cyclical profile, intensely affecting changes in GDP, of which it is occasionally a leading indicator [see Leamer (2007) for the case of the United States, and Álvarez and Cabrero (2010) for Spain]. However, it is no easy task to quantify the influence that residential investment may have exerted on the course of economic activity, owing to its multiple interactions with other areas of the economy and to the fact that its trajectory induces significant effects on other variables.

A starting point to measure such effects is to record the direct impact on activity that arises from changes in residential investment, through calculating its contributions to GDP growth. Under this approach, housing investment – which is a component of demand – contributed around 0.5 pp on average to annual GDP growth in the 1998-2007 period, which accounts for around 15% of the total increase in output in this expansionary phase. In the subsequent adjustment stage, the contraction in investment was faster and its negative contribution to GDP growth most significant, since it subtracted 1 pp in 2008, 2 pp in 2009 and, probably, around 1 pp in 2010. As a result, this decline represents a similar amount to the overall cumulative decline in GDP in this period (see Chart 1). If, in cumulative terms, the increase in housing investment contributed 5 pp to GDP growth in the decade from 1998 to 2007, this cumulative contribution fell to 1 pp over the period from 1998 to 2010.

An alternative for proxying the effects of changes in residential construction on activity would be to attempt to evaluate its direct impact on GDP from the supply standpoint, under the National Accounts framework. But the information available in this connection is limited. First, the



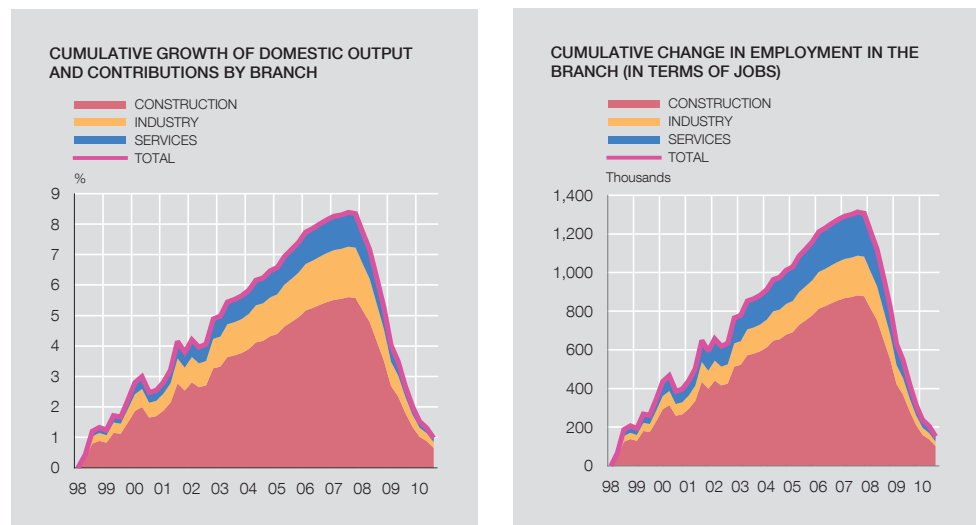
SOURCES: INE and Banco de España.

supply-side data refer to the value added of construction as a whole, without distinguishing between housing and other construction. Further, even if this distinction were made, it should be borne in mind that the concept of value added excludes inputs, which may be recorded under other branches (e.g. in industry, inasmuch as industrial inputs, such as cement and other materials, have been used in construction), whereby the measurement of the contribution of housing to output on the supply side would be biased downwards.

The input-output tables are a potential tool for proxying these spillover effects of residential investment on other productive branches.¹ On the basis of the 2005 National Accounts input-output tables, a simple exercise has been performed simulating the effects that would arise from the observed trajectory of housing investment in the 1998-2010 period. The results obtained suggest that the cumulative increase in residential investment from 1998 to 2007 would have contributed around 8 pp to total output growth² (including inputs), with a contribution from the construction sector of more than 5 pp, while the spillover effect on other branches, as a result of the supply of inputs for the real estate sector, would involve a contribution of 1.5 pp from industry and of 1 pp from services (see Chart 2). A similar analysis may be applied to employment. This has it that the increase in the production of housing allowed for economy-wide growth in employment of around 1.3 million people, accounting for 25% of the rise in employment in this period. Of this latter figure approximately 900,000 would have been concentrated in construction jobs, and the rest (400,000) distributed in equal proportions between industry and services.

Apart from these more accounting-based approximations, an evaluation can also be made of the macroeconomic implications of the adjustment process observed in housing investment. Here, an econometric model that takes into account the various transmission channels is of use. In particular, in the Spanish case, the effect of the decline in investment on employment in this

1. Despite the large-scale simplifications of an input-output model-based approach, which derive from the underlying assumptions made (the stability of the technical coefficients, the linearity of the relationships, the absence of changes induced by variations in relative prices, etc.), the symmetrical input-output tables contain worthwhile elements for the quantification and hierarchisation of specific disaggregated impacts in the area of the branches of activity. 2. An output concept such as that which GDP represents cannot be derived from the input-output tables; rather, a broader concept of *total output* is derived, in which the inputs that all branches draw from other branches feature. Accordingly, these estimates cannot be compared with those made in terms of GDP.



SOURCES: INE and Banco de España.

sector and its induced impact on employment in other branches have had very negative consequences for household demand and for income expectations, which have tended to heighten the scale of the adjustment in spending and in activity. These second-round effects have proven particularly significant in Spain, given the relatively high level that housing investment as a proportion of GDP and employment in this productive branch had come to account for. Moreover, a significant factor in the analysis of the influence of the residential market on the business cycle is the trajectory of house prices and their impact on private consumption, via the so-called “wealth effects”. These effects are substantial in Spain’s case, though less significant than in the Anglo-Saxon countries, such as the United States and the United Kingdom. There, households habitually take advantage of rises in house prices, using the greater value of their collateral to extend their mortgage loans and finance thereby greater consumption, a practice that is relatively infrequent in Spain. If, so as to take into account these and other complementary channels, the impact of the adjustment is simulated through the Banco de España Quarterly Macroeconomic Model (MTBE), it is estimated that the fall in housing investment would account for a sharper cumulative decline in GDP than that estimated using the purely accounting approach presented earlier on the demand side [see Banco de España (2010)]. This estimate does not incorporate the foreseeable effects linked to the sectoral reallocation of the productive resources in construction that will probably take place mostly over the same period.

The trajectory of the housing investment adjustment

As discussed in the previous section, the housing investment adjustment has proven particularly sharp in recent years. Compared with its peak, the cumulative decline in residential investment amounted to 45% in 2010 Q3, against 13% at the bottom of the crisis in the early 1990s (see Chart 3). This difference is essentially due to the fact that in the expansionary cycle in the second half of the 1980s, supply did not respond on the same scale as in the recent boom [see Artola and Montesinos (2006)]: the peak for housing starts in that cycle was 300,000 (observed in 1989), compared with 750,000 starts in 2007, which has meant that the collapse in the construction of new houses has had a much more significant effect on the current cycle. The outcome of this strong expansion was that housing investment came to account in Spain for a high percentage of GDP. This figure stood at 9.5% of GDP in nominal terms in 2007, higher than that of other economies undergoing an intense real estate boom, such as the United States and the United Kingdom, but less marked than that in others such as Ireland

(see Chart 4).³ Further to the subsequent adjustment, the weight of housing investment in GDP in Spain was close to 4% in 2010, thus below the level recorded in the previous cycle, and also below what this investment component accounts for in the euro area.

To characterise the current phase of the real estate market adjustment and to plot its potential course, various indicators must be consulted. But, previously, a clarification is perhaps needed to analyse this adjustment: in National Accounts, housing investment reflects more a supply-side than a demand-side concept, since all built houses, irrespective of whether they are finally sold, are included in residential investment as featured in these accounts.⁴ Hence, National Accounts reflect under residential investment an estimate of the houses that have been completed in each quarter. One simple means of approximating this item is to observe the difference between the number of housing starts and completed houses: when more houses are started than are completed, the number of houses under construction increases and, with it, the scale of residential investment (and vice versa).⁵ As Chart 4 shows, in recent quarters the difference between the number of housing starts and completions is gradually becoming less significant; accordingly, if the pace of housing starts were to hold at its current level, the rate of construction of new houses and, along with this, that of residential investment might stabilise over the course of 2011.

Consideration must also be given in the analysis of housing investment to the fact that real estate supply has singular features, with fairly prolonged maturity periods, given the need for prior land development, the requirements of medium-term urban planning and, finally, once the projects have been approved, a long lead-time, which on average stands at between 18 months and two years. These characteristics mean that the supply of housing can only respond with some lag to changes in demand. Thus, sharp changes in the demand for housing will only gradually affect investment as reflected in National Accounts, since the latter will only show how these changes in demand will influence new housing starts⁶ and, in short, construction dynamics in the following quarters.

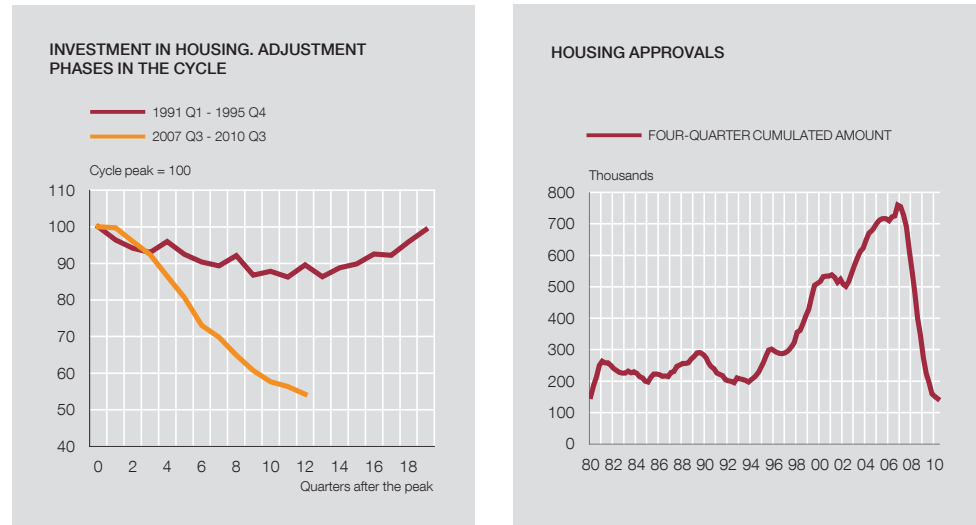
In the recent adjustment phase, the consequences of the natural lag in the supply response to changes in demand have been clearly apparent. Although housing starts began to fall back in the face of the first signs in early 2007 of some slowdown in the demand for housing, numerous projects started two years earlier were completed in this period. And adding to these, especially in 2008, were those begun when the market was still looking very buoyant (see Chart 5). This mismatch between the lower demand for new housing and the still-high completion of projects undertaken during the boom period led, therefore, to a sharp build-up in unsold new housing.

Estimating the trajectory and the number of new unsold houses is not straightforward; among other reasons, because the information on housing supply and demand in Spain is drawn from different statistical sources, based on different methodologies, which means that any comparison should be viewed with great caution. The estimate set out here is based on an indirect approach, which uses the available statistics on administrative records relating to housing supply and demand. In the case of supply, the number of completed houses is approximated using building completion certificates, published by the Spanish Ministry of Development, while on

3. See Marqués et al. (2010) and, for a broad overview of housing markets and of their macroeconomic implications in the main European countries, De Bandt et al. (2010). 4. Completed but unsold houses do not therefore feature under inventories in these accounts, but under residential investment itself. 5. The National Accounts estimates are more complex, since the rate at which investment is committed may differ in the different phases of the construction process. Moreover, included under housing investment is renovation work, which is not analysed here but which may account for around 20% of residential investment. 6. But, for instance, it cannot be ruled out that a sharp reduction in demand may lead certain projects already under way to grind to a halt, especially if they are at an incipient stage.

THE RESIDENTIAL INVESTMENT ADJUSTMENT. COMPARISON BETWEEN CYCLES

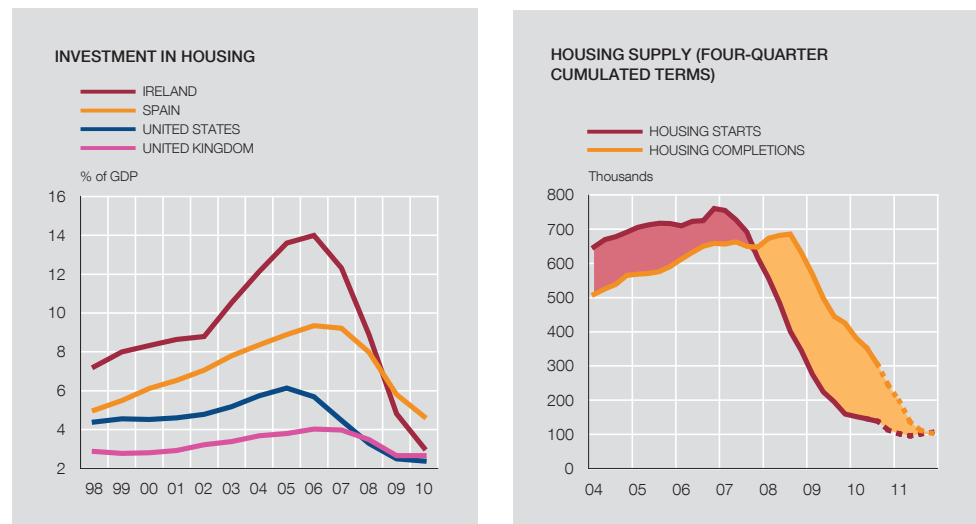
CHART 3



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

RESIDENTIAL INVESTMENT AND HOUSING SUPPLY

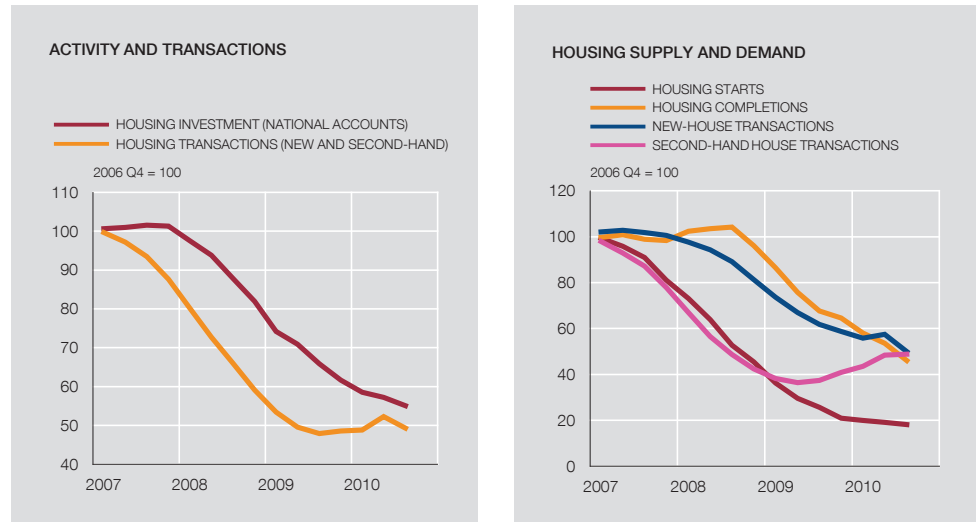
CHART 4



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

the demand side, the number of new-house transactions is estimated through notarial records on property transfers. Even during the boom years, these two statistics show different levels (with a greater level of supply than of demand), whereby the present estimates of the stock of unsold housing have been made by accumulating, since end-2003, the differences between the volume of finished housing and the number of new-house transactions, meaning that it is assumed that this stock was relatively insubstantial in 2003, which appears to be reasonable.

A further factor for consideration in this estimate is that a portion of the housing is constructed under a “build-it-yourself” regime, in which case the execution of the sale/purchase by means of public deed is not obligatory. This means that there is a certain number of housing units, ranging between 70,000 and 80,000 per year, which might feature in the statistic covering building completion certificates, but not in sale and purchase figures, which are drawn from notarial records. Although there is information on these “build-it-yourself” houses, it cannot be known to what extent owners public-deed the transaction or not. Accordingly, in the estimate



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

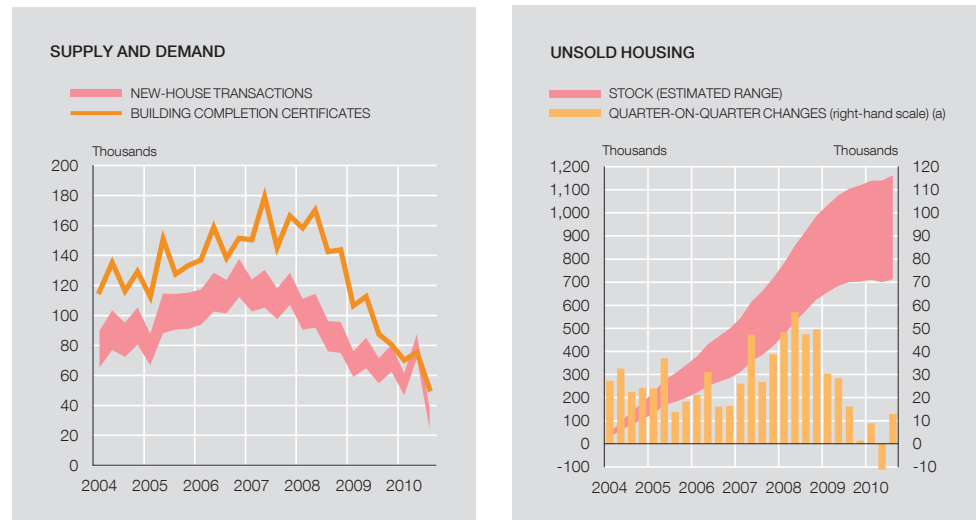
presented here, what are shown are bands depicting the possible scale of the stock of unsold housing, depending on whether it is considered that all houses constructed under the “build-it-yourself” regime were public-deeded (in which case the total number of houses built under this regime would have to be added to property transfers).

Under these assumptions, it is estimated that the stock of unsold housing expanded sharply in recent years, especially until late 2009. This is because although building completion certificates moved on a declining trend from 2008, so too did the demand for housing and with a lower level. In contrast, it is estimated that the stock of unsold housing has tended to stabilise in 2010, with some oscillations in the demand for new houses, especially in Q2 and Q3, which might be linked to the bringing forward of purchases to Q2 owing to the VAT rise in July this year. It was estimated this stock was standing at between 700,000 and 1.1 million housing units in 2010 Q3, accounting for between 2.8% and 4.6% of the estimated stock of housing in Spain (see Chart 6).⁷ Over the coming months a strong decline in completed housing is expected (corresponding to fewer housing starts in 2008 and 2009, following the outbreak of the crisis). As a result, if demand were to stabilise (it may even increase in the closing months of 2010 owing to the elimination of the personal income tax house purchase relief for incomes above a certain threshold, with effect from 1 January 2011), the stock of unsold housing would gradually be absorbed.

It is not possible to estimate with accuracy what are principal or second dwellings in this stock of unsold housing, just as it cannot be known exactly what the breakdown between these two types is.⁸ In any event, the regional and provincial data offer some idea of the relative significance of second homes, insofar as these are more abundant in the coastal provinces.

In fact, an estimate of the regional stock of unsold housing can be made on the basis of information providing such a breakdown. In this instance, the stocks of unsold housing above the

7. The former Ministry of Housing released in May 2010 an estimate of the stock of unsold housing in 2009 which is similar to the lower point of the range estimated in accordance with this methodology. 8. The latest direct estimate of their numbers is taken from the 2001 housing census, which showed that there were 3.4 million second dwellings (accounting for 16% of the total) and 3 million empty houses (15% of the total). The bulk of the housing subject to the census consisted of principal dwellings (14 million, 68% of the total stock of housing, which amounted to almost 21 million units that year).



SOURCES: Ministerio de Fomento and Banco de España.

a. The figures shown relate to the lower point of the estimated range of unsold housing.

national average, in terms of the existing stock of housing, can be seen to be concentrated in certain regions in which, presumably, the weight of second homes is high. This is consistent with the signs that the real estate boom substantially expanded this housing segment and also with the fact that the demand for second homes has possibly fallen back more significantly in the crisis (see Chart 7).

The presence of this sizeable stock of unsold housing is obviously a constraint on the speed of recovery of residential investment, insofar as a portion of the new demand will not have to be met through the construction of new property, but rather through the sale of housing that has already been built. Yet it should not be forgotten that there is no one, single housing market in Spain; rather, there are many local markets. Hence, situations of excess supply in some markets (whether provincial markets or, for example, coastal housing markets) may coincide with other situations involving unmet demand. This means it is not necessary for the stock of unsold housing to disappear completely in order for residential investment to grow again. By way of illustration, Chart 7 shows that in Spain there are regions accounting for around 40% of the country's total population that have a stock of unsold housing below 2% of the total stock of housing, which might be considered to be a level not far off the frictional mismatch that would always exist in this market.⁹

The rate of absorption of the housing overhang will depend on the buoyancy of demand, which, in turn, is influenced by numerous factors. These include financial conditions, the macroeconomic outlook and household income-growth and employment prospects, demographic movements and expectations regarding property price adjustment. In particular, affordability is a key factor that will affect residential demand in the future and which depends, as well as on some of the aforementioned factors, on the course of house prices, which are examined in detail in the following section.

Recent developments in house prices

During real estate booms, residential investment expands and, habitually, house prices rise strongly, given the short-term rigidity of supply in responding to these increases in demand, as

9. In this chart, the figures depicted correspond to the lower point of the estimated range of unsold housing, i.e. to the assumption that housing under the "build-it-yourself" regime have not been public-deeded.



This adjustment is similar when house prices are assessed using the data drawn from notarial transactions, as INE does in its house price index (IPV). In this case, the adjustment in real terms to Q3 was 17%, with a significant difference in the adjustment of new (-10%) as opposed to second-hand (-22%) house prices. It should also be noted that the real cumulative adjustment of house prices from 2007 to 2010 is similar to that which took place in the first

years following the recession in the early 1990s. In that cycle, the real-terms decline in prices continued for two years more (see Chart 8).

This average adjustment masks substantial differences in terms of the type of housing, its geographical or in-town location, etc. Second-hand house prices too have adjusted to a greater extent than new housing. Also, the price adjustment in the second-home market (such as the coastal regions) has been greater than that in the provincial-capital markets, where habitual dwellings are concentrated. Even within the same city, house prices in the outlying districts have been seen to have fallen more than in the centre.

In the provincial data, some divergences are discernible in the degree of adjustment of house prices from their maximum levels (see Chart 9). While some Mediterranean coastal provinces or provinces bordering the Madrid region have posted nominal-terms price declines of close to 20% from their peak, in other areas, in contrast, the cuts have been very small or even non-existent, in contrast to the national average fall of 12.8%. Perhaps one of the factors that has influenced the differing behaviour of house prices across Spanish provinces relates to the downward pressure exerted by the stock of unsold housing that has built up in the most recent period (see Chart 10). It can also be seen that this stock is inversely related to housing starts in recent years.

Outlook and conclusions

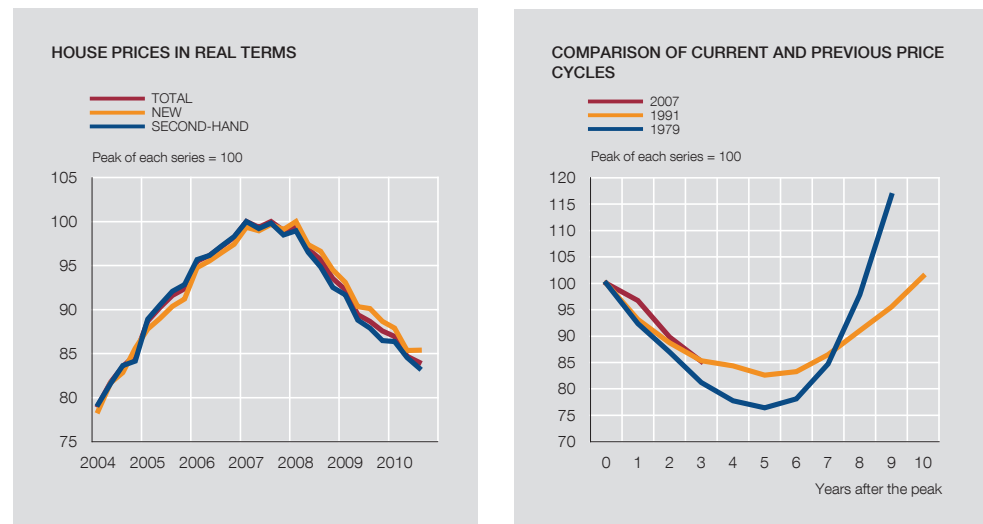
This article has reviewed the adjustment of residential investment and of house prices in recent years. If this real estate adjustment is analysed in terms of its impact on residential investment, the demand for housing or employment in the sector, it could be said that the bulk of the adjustment process is already over. The decline in these variables has been most sharp and swift: residential investment has dipped from accounting for 9.5% of GDP in 2007 to 4.5% in 2010 Q3, below the former low; housing starts in 2010 will probably be only one-sixth of starts scarcely three years earlier; the demand for housing represents only half of that observed in 2007. Although there are no data on employment in the housing sector, the strong decline in employment in construction (one million fewer workers since 2007) is probably concentrated in this sector. In all these cases, the latest developments suggest that these variables are close to stabilising, if they have not done so already.

However, in its wake this adjustment has left a high level of unsold housing, which weighs on the recovery in residential investment. In this respect, housing starts – the basic component of residential investment – might in the near future be on a rather limited scale, below the low reached in the recession in the early 1990s: in the 12 months to 2010 Q3, there have been only 137,000 housing starts, with a fairly stable profile that is consistent with the existing overhang and with the sluggishness of economic activity. While this figure might increase in the coming quarters, it does not seem likely that it will rapidly become more dynamic.

In light of the experience of past cycles, of other countries and of changes in the affordability indicators, which continue to suggest that house prices absorb an excessively high portion of household disposable income, the adjustment of house prices might continue. As earlier discussed, certain tax factors may have softened the adjustment of prices in 2010. But into 2011, it seems likely that prices will continue easing, meaning that the financial effort needed to purchase a house will not increase as the tax relief for higher-earning taxpayers disappears. In this respect certain regulatory changes, such as the greater tax neutrality between decisions to rent or buy, should tend to moderate house prices. At the same time, the very difficulties some owners encounter in selling their houses and the regulatory changes to provide greater legal security to rental contracts might encourage

THE ADJUSTMENT OF HOUSE PRICES

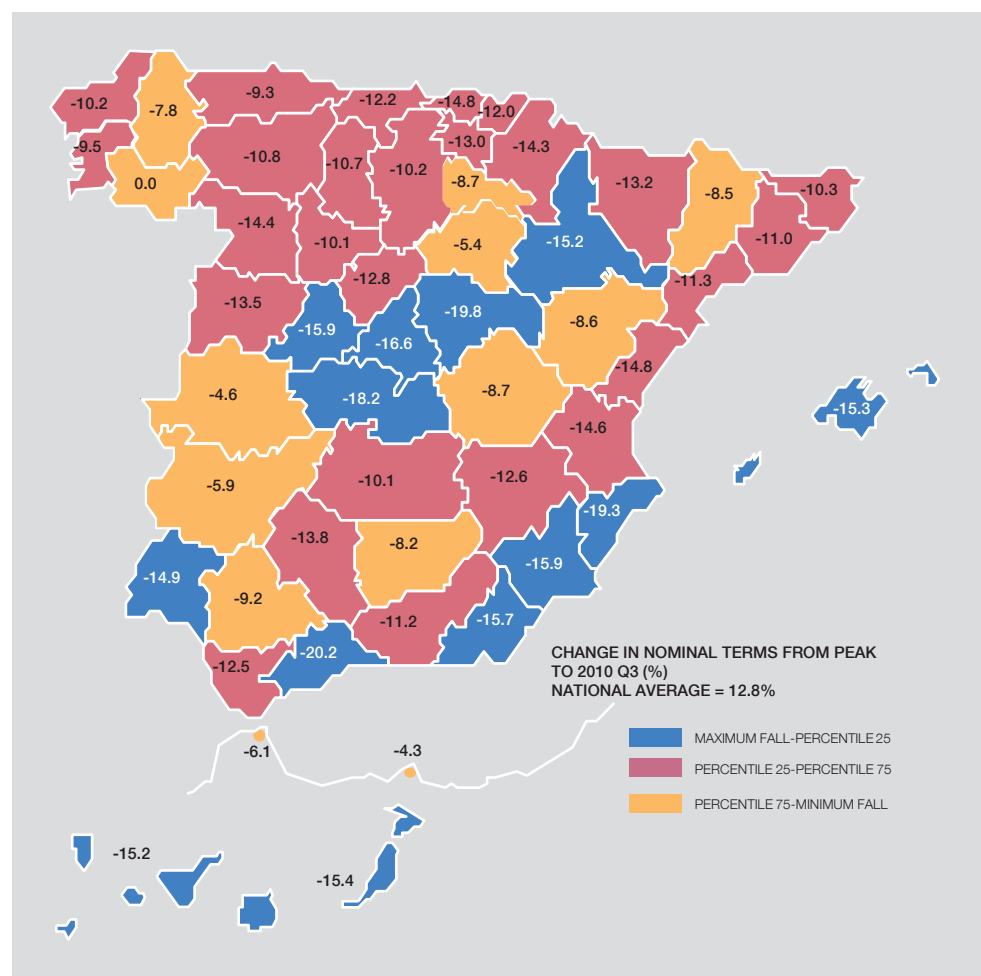
CHART 8



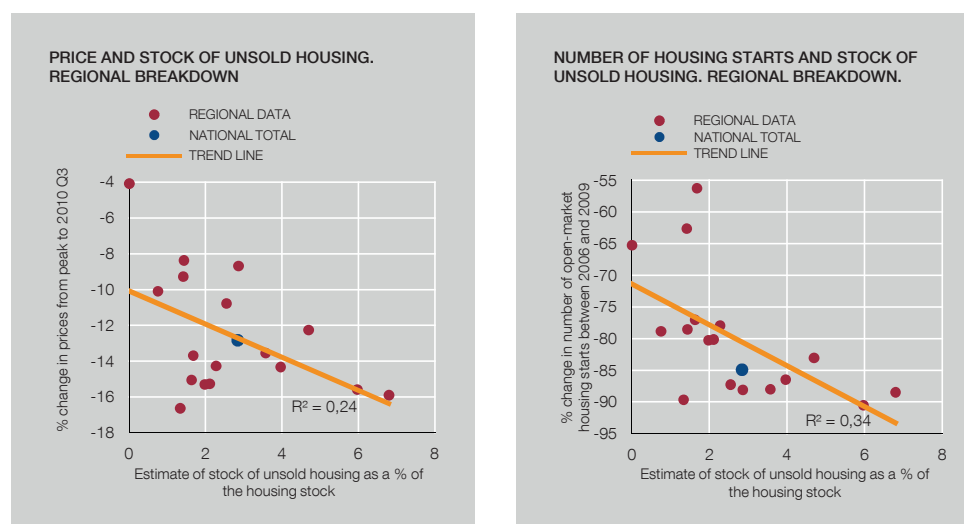
SOURCES: Ministerio de Fomento, INE and Banco de España.

PROVINCIAL BREAKDOWN OF ADJUSTMENT OF HOUSE PRICES

CHART 9



SOURCES: Ministerio de Fomento and Banco de España.



SOURCES: Ministerio de Fomento and Banco de España.

more owners to rent out their houses, increasing the existing supply and providing ready access by more households to residential services through this means, which does not require debt.

Evidently, the future trajectory of the adjustment will hinge essentially on the ensuing demand for housing. The potential demand for housing depends on various factors. Some, such as demographics, will not exert as expansionary an effect as they did in the boom period in light of the forecasts recently released by INE. These estimate a stabilisation of the population in the coming decade, with a positive but small contribution of migratory flows. All told, the trend observed during the expansion towards smaller household size, which came to a halt in the crisis, might be renewed, which would boost demand. In this respect, the high proportion of Spanish youths who live in the family home compared with those in other countries¹⁰ suggests that, if income prospects improve and house prices ease, pent-up demand might emerge. Nor can it be ruled out that in this adjustment period some level of demand may have held back awaiting a greater adjustment in prices, whereby a fall in prices might encourage new purchases.

All these factors indicate that we will witness a gradual absorption of the supply overhang that has built up. This will be slow, meaning that residential investment will not contribute to the expansion of economic activity in the near future, but it might progressively become more dynamic as prices adjust and economic prospects improve. It is also important to note that, set against these general features of the process at the national level, regional and provincial differences might be seen, in that certain key variables of this process (e.g. the supply overhang) differ substantially in local housing markets, meaning that this situation of slow improvement might run alongside a degree of buoyancy in some areas and more persistent sluggishness in others.

20.12.2010.

10. See Becker et al. (2010).

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HOLDINGS OF LIQUID ASSETS, FIRM SIZE AND ACCESS TO EXTERNAL FINANCING:
AN ANALYSIS FOR THE EURO AREA

Holdings of liquid assets, firm size and access to external financing: an analysis for the euro area

The author of this article is Carmen Martínez-Carrascal of the Directorate General Economics, Statistics and Research.¹

Introduction

Firms hold liquid financial instruments in spite of their opportunity cost (they yield a lower return than alternative uses of the funds), for two basic reasons. First, to be able to make regular payments in the course of their ordinary business without having to liquidate other assets, so saving on transaction costs. Second, to cover themselves against the risk of an unexpected liquidity shortage, connected with unforeseen changes in cash flow, or of not being able to exploit new investment opportunities sufficiently quickly owing to a lack of funds. This saving with a precautionary motive will generally be more relevant for firms that have limited access to external financing, since other firms will be able to obtain the necessary funds on the capital markets.

Given that the availability of external funds can affect firms' decisions to invest in liquid assets, studying such decisions may help to determine whether the business sector is affected by external financing constraints and whether these affect some segments of the sector more than others.

Against this background, this article analyses whether the relationship between liquidity ratios and their determinants (especially those linked to saving with a precautionary motive) differs according to the size of the firm, since this is a characteristic that, a priori, may be expected to affect the availability of external funds. In principle one would expect the access to external financing of SMEs to be more limited than that of large firms, insofar as information asymmetries between lenders and borrowers may be more significant in the case of the former. The study is based on a sample of firms from various countries that operated in the euro area during the period 1998-2005.

The article is structured as follows. The second section briefly describes the historical evidence available in this area at the international level, the third section sets out the results of the study, and the fourth section summarises the main conclusions.

Review of the literature

Most empirical papers which analyse firms' decisions on investment in liquid assets in order to identify possible financial constraints for certain groups of firms have used US firm data. These studies generally investigate the response of firms' liquidity ratios (i.e. the proportion of holdings of cash and cash equivalents in the balance sheet) to cash flow and its variability. If the access of firms to capital markets were perfect, their holdings of liquid assets should not depend on investment opportunities or on cash flow, or on the variability of the latter (which would be a sign of the existence of saving with a precautionary motive). If, instead, firms anticipate restrictions in the availability of financing, they will hold a larger amount of liquidity on their balance sheets to be able to cover their possible future needs. As it is not possible to identify which agents face constraints in their access to funds, these studies classify firms a priori in accordance with different criteria that may be related to the existence of such constraints: the size of the business, the absence of a credit rating and the dividends paid (a smaller volume of the latter may be a sign of less availability of financing).

1. This article summarises the main conclusions of the paper "Cash holdings, firm size and access to external finance. Evidence for the euro area", *Documentos de Trabajo* No 1034, Banco de España, 2010. The data used were provided by the European Central Bank while the author was on a temporary assignment to this institution to carry out a project, which gave rise to the paper summarised here.

The results obtained using US firm samples point to the existence of differences in liquid asset holding policies that seem to be linked to differences in the degree of access to external funds. Thus, smaller firms, those without a credit rating and those that pay lower dividends (a priori, those most likely to be affected by financial constraints) tend to have higher liquidity ratios when their cash flows are more volatile and larger, something that is not observed for other firms.²

The only study of this kind for the euro area is that by Pál and Ferrando (2010), which focuses on the relationship between liquidity ratios and cash flow (without studying the link between the former and the volatility of the latter) for different business groups, which are categorised, as in previous studies, on the basis of firm size and, alternatively, according to whether or not they are listed. Their results, however, differ from those obtained for the United States. They find that holdings of cash (and equivalent instruments) respond positively to cash flow for all firms, this response being stronger among those that, according to the hypotheses described above, should face fewer credit constraints.

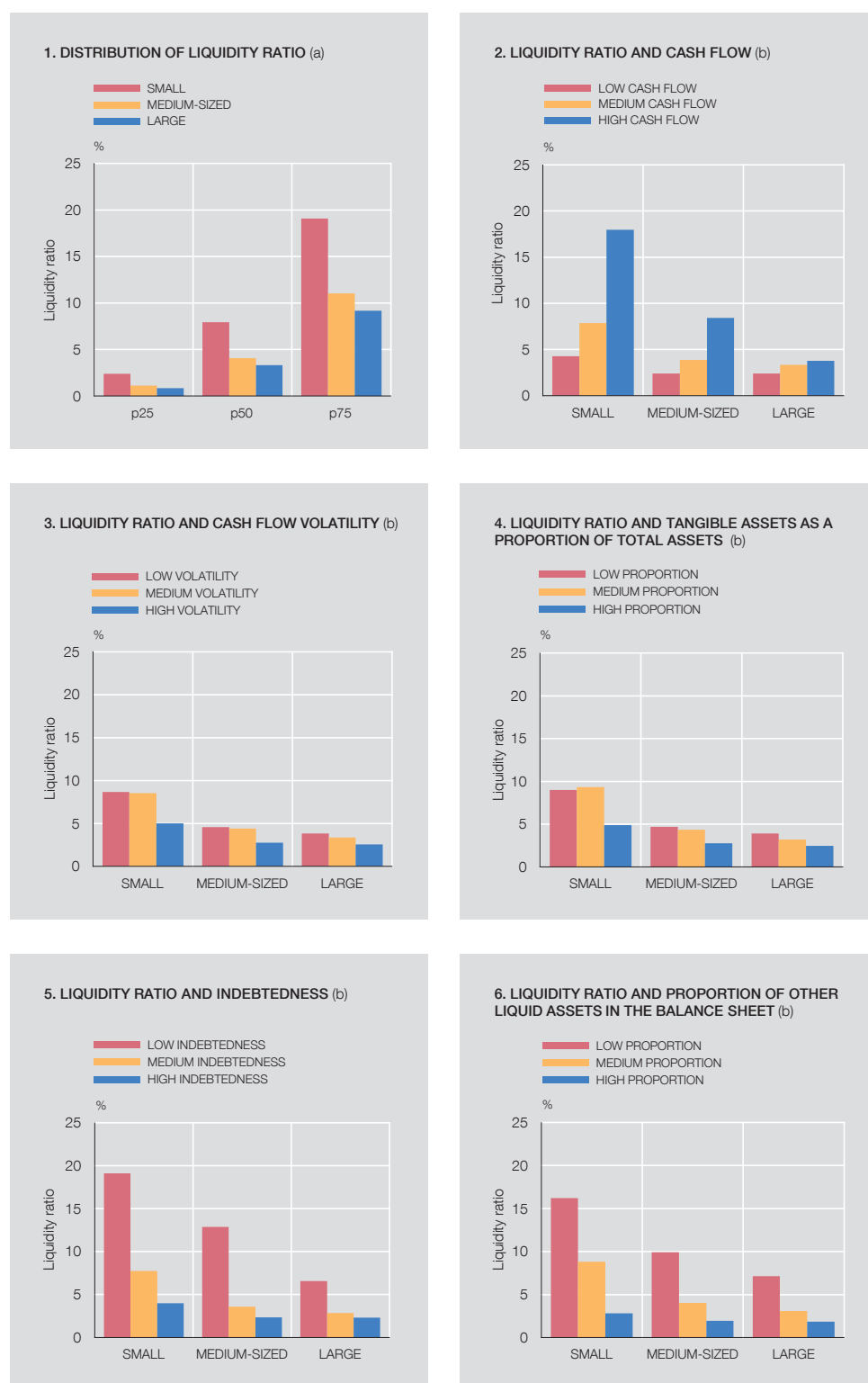
Descriptive evidence and econometrics

The analysis here is based on a sample of euro area firms drawn from Bureau van Dijk's AMA-DEUS database, during the period 1998-2005. There are 500,000 observations, corresponding to 85,000 firms, of which 82% are small, 14% medium-sized and 4% large.³ The variable of interest, as in previous studies in this field, is the liquidity ratio, which is defined as the ratio between cash and cash equivalents and total assets. In particular, the study considers the distribution of this variable within the sector and its relationship with a broader set of variables than in previous studies: the level and volatility of cash flow, the difference between the interest rate on bank loans to firms and that associated with M3⁴ (as a proxy for the opportunity cost of holding liquid assets), the level of indebtedness (which increases the opportunity cost of liquid instruments) and the proportion of total assets represented by other short-term instruments (which are the closest substitutes) and by tangible assets (which can be used as security and, therefore, facilitate the availability of external finance).

Panel 1 of Chart 1 shows the 25th, 50th and 75th percentiles of the liquidity ratio distribution for small, medium-sized and large firms. For each group and year, the 50th percentile can be considered illustrative of the situation of the typical firm, whereas the lower percentiles reflect that of firms with a smaller proportion of liquid funds on their balance sheets. As the chart shows, the values of this indicator are much higher for smaller firms. For example, for a representative small firm, its value is, on average, 2.5 times higher than that of a representative large firm.

The other panels of Chart 1 show the link, for each firm size, between the liquidity ratio and the different variables to which it is related. For example, Panel 2 shows the average value of this indicator for firms belonging to the highest, middle and lowest decile of the cash flow distribution (normalised by total assets). The first and last of these groups include the 10% of firms with the highest and lowest cash flow, respectively, for each year and size category. There is a positive relationship between these two variables, which is particularly marked in smaller firms.

2. See Almeida, Campello and Weisbach (2004) and Han and Qiu (2007). As indicated by Almeida, Campello and Weisbach (2009), the positive response of the liquidity ratio to cash flow in the case of firms with limited access to external funds would cease to exist if the possibility of investing in liquid instruments other than cash were introduced. For their part, Acharya, Almeida and Campello (2007) find that the relationship between these two variables depends on the correlation between the future cash flow and investment opportunities (if it is low, firms with restricted access to financing will tend to accumulate more liquid assets when they obtain larger cash flows). 3. The size of a firm has been defined in accordance with the criterion adopted by the European Commission, which takes into account the number of employees, the volume of assets and the volume of sales. 4. M3 includes cash in circulation in the euro area, bank deposits and other similar financial instruments.



SOURCES: AMADEUS and Banco de España.

a. p25, p50 and p75 denote, respectively, the average of the 25th, 50th and 75th percentiles of the liquidity ratio distribution for the period 1996-2005.

b. Average, for the period 1998-2005, of the median liquidity ratio for firms with the following levels of the relevant variable: high (above the 90th percentile of the distribution), medium (includes those firms for which the ratio is between the 45th and 55th percentiles) and low (comprises the 10% of the sample each year with the lowest level of this indicator).

	LARGE FIRMS	MEDIUM-SIZED FIRMS	SMALL FIRMS	Difference in coefficients: small vs large firms
	Coefficient	Coefficient	Coefficient	
Liquidity in the previous period	0.624***	0.570***	0.809***	**
Liquidity lagged by two periods	0.087***	0.188***	0.03	Not significant
Cash flow/total assets	0.082*	0.183***	0.235***	**
Difference in return (b)	-0.844***	-0.455**	-0.375**	**
Cash flow volatility _{it} (%)	0.07	0.18	0.305***	*
Other liquid assets/total assets	-0.069*	-0.041*	-0.01	*
Tangible assets/total assets	0.01	-0.049*	-0.046***	**
Indebtedness	-0.01	-0.01	-0.013*	Not significant
Number of firms	3,382	11,255	69,459	
Number of observations	21,477	71,853	421,200	

SOURCES: AMADEUS and Banco de España.

(a). *, **, *** indicates that the coefficient is significant for a confidence level of 90%, 95% and 99% respectively.

(b) Difference between the interest rate on bank loans to firms and that associated with the monetary aggregate M3.

The econometric results point in this same direction. Thus, Table 1, which gives the coefficients obtained when estimating an equation for the proportion of liquid instruments on the balance sheet as a function of their determinants, shows that the coefficient associated with cash flow is much higher (nearly three times as high) in small firms than in large firms, this difference being statistically significant (see the last column of the table).

Panel 3 of Chart 1 shows the median liquidity ratio for different groups of firms as a function of cash flow volatility, which is used here as a proxy for the risk of adverse shocks to firms' income flows. This descriptive evidence does not seem to indicate a positive link between these two variables. However, econometric analysis shows that, when we control for the other determinants, this relationship does become apparent, although it is only significant in smaller firms (see Table 1). Specifically, in the latter, an increase of one standard deviation in this variable is associated with a rise of 0.8 percentage points in the liquidity ratio (9.5% of the average value). This result, which is in line with that reported by Han and Qui (2007) for the United States, might suggest that access to external finance is more limited for smaller firms, which would lead them to hold more liquid assets on their balance sheets as the likelihood of a fall in income increases, despite the opportunity cost involved.

Further, Panel 4 of the chart shows a negative relationship between the proportion of liquid instruments and that of tangible assets on the balance sheet. The econometric results also point in the same direction in the case of small and medium-sized firms, but not in the case of large firms, for which there is no clear link between these variables (see Table 1). This may indicate that access to external finance is more tightly linked to the availability of collateral for smaller firms, in line with the evidence reported by Coluzzi, Ferrando and Martínez-Carrascal (2008).

Both the descriptive evidence presented in Panel 5 of Chart 1 and the econometric findings indicate a negative relationship between liquidity and indebtedness (which raises the opportunity cost of holding cash on the balance sheet). However, as in the case of cash flow volatility and the tangible assets ratio, the link between these two variables is more marked and statistically significant only for small firms (see Table 1).

Also, both the descriptive analysis in Panel 6 of Chart 1 and the econometric analysis show, as expected, a negative relationship between the liquidity ratio and the closest cash substitutes on the balance sheet (i.e. the assets that can most readily be converted into cash, which are those with maturities below one year). Again, the link is not the same for all corporate sizes. Here it is most marked for larger firms (see Table 1).

Lastly, the econometric specification also includes the difference between the interest rate on bank loans to firms and that associated with the monetary aggregate M3, which proxies the cost of holding cash and other similar forms of investment. In line with expectations, evidence is found of a negative relationship between this variable and the liquidity ratio. An analysis of contributions shows that the changes in this indicator do in fact have a dominant influence when it comes to explaining the changes in firms' holdings of liquid assets in the period analysed. Although their impact on holdings of liquid assets is high for all firm sizes, it seems to vary considerably with their size, being more pronounced for large firms (the coefficient estimated for these is more than twice that for small firms). This result also points to greater financing difficulties for SMEs, whose liquid assets are less sensitive to changes in the opportunity cost of holding them than in the case of larger firms, which have less need to hold savings for precautionary reasons.

Conclusions

The evidence presented in this article points to major differences in firms' policies of investing in liquid assets depending on the size of the firm. This could have to do with firms' differing degrees of access to external financing. Thus, small firms' holdings of cash and equivalent instruments seem to be more influenced by the precautionary motive, since they show a stronger link to cash flow volatility. Furthermore, for these firms a negative relationship has been detected between the liquidity ratio and the proportion of tangible assets held on their balance sheet, which can be used as collateral and thus make it easier to obtain credit. By contrast, decisions to invest in liquid assets made by large firms with better access to the capital markets seem to depend more on variations in the opportunity cost of those funds.

These results seem to suggest that, in general, small firms tend to experience more restricted access to external financing in comparison with larger firms, a circumstance which could be related to the greater difficulty lenders have gathering enough reliable information on these borrowers. This would lead them to hold on their balance sheets a higher proportion of liquid assets, with a lower return than alternative investments. Given this situation, it may make sense to introduce economic policy measures to mitigate these problems. Although this objective is beyond the scope of this article, a course of action worth considering would be to improve the quantity and quality of the accounting information on small firms, whose accounts currently contain less detail than those of larger firms and, in addition, are mostly unaudited.

2.12.2010.

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THE REPOSITIONING OF THE LARGE EMERGING ECONOMIES
IN THE WORLD ECONOMY

The authors of this article are Carmen Carrasco, Luis Molina and Luis Orgaz, of the Associate Directorate General International Affairs.¹

Introduction

Over the past decade the emerging economies have grown much faster than the developed economies and, as a result, their share of world GDP and their relative weight in most economic, trade and financial variables have increased substantially. The most recent projections suggest this trend will continue in the coming years. The economic and financial crisis –which hit the advanced economies hardest, while the emerging economies showed notable resilience to its effects– has accelerated the rise in importance of the emerging economies. Moreover, the crisis has brought significant changes in world economic governance, most notably the replacement of the G7 by the G20 as the forum providing international leadership in economic matters. The accompanying map depicts the main groups of countries mentioned in this article.

These developments have given rise to new actors of crucial importance on the global stage (most notably China) and have consolidated the status of the group of large emerging economies formed by India, Brazil and Russia, in addition to China –the so-called BRICs [O’Neil (2001)]– which recently has even taken steps along the path to institutionalisation. The countries of this group have an increasing weight in the world economy and, in general, high growth potential, although they also exhibit significant productive, trade, financial and institutional differences.

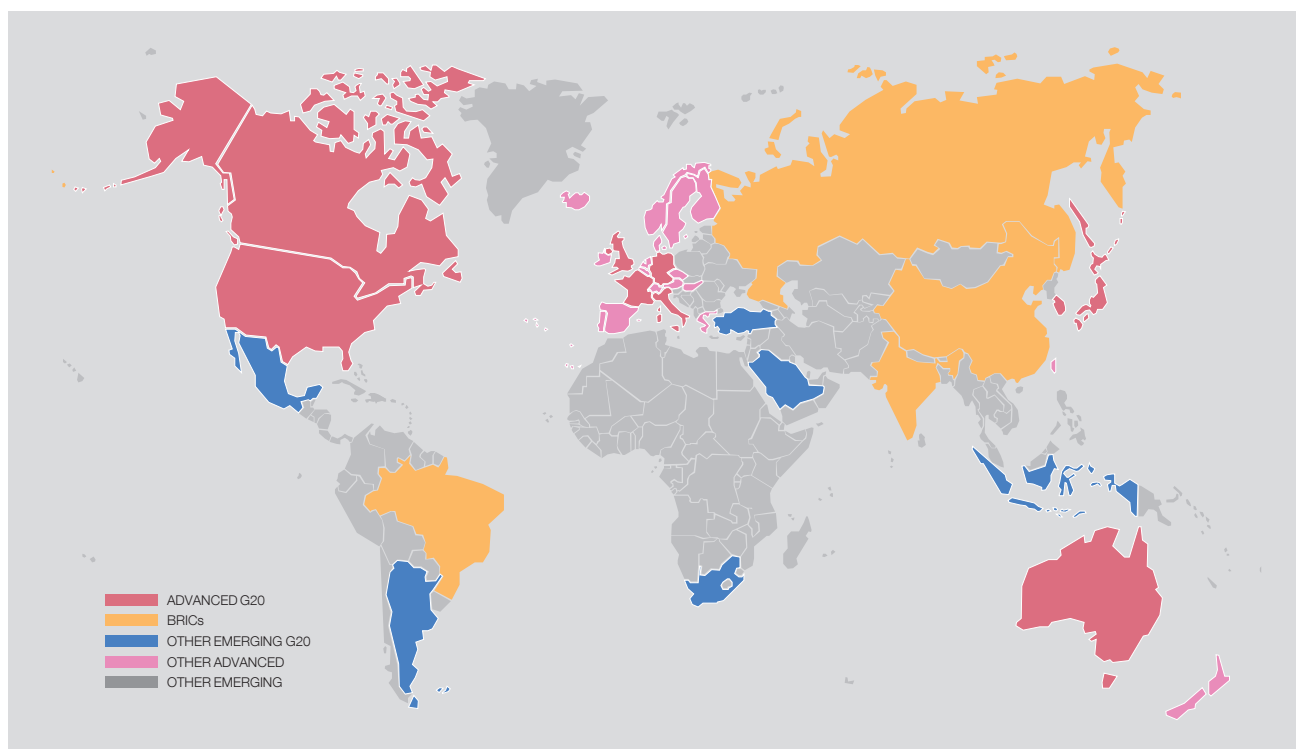
Overall, these events can be interpreted as signs that the world is moving towards a more multipolar international economic order in which the emerging countries will have –and in fact the BRICs already have– an ever larger and more important role.

This article seeks to put into perspective and calibrate the growing share of the emerging economies, particularly the BRICs, in the world economy. It also examines the changes in these economies’ participation in the main fora and key institutions of world economic government and whether their greater presence in these fora has been accompanied by the assumption of greater responsibility. For this purpose, following is a brief description of the position adopted by these countries on certain key subjects in the global sphere, such as the stability of the international monetary system, international trade and climate change.

The growing weight of the emerging economies in the world economy

Historically the emerging economies,² which account for most of the world population, have shown similar, albeit notably more volatile, economic growth rates to those of the advanced countries, a factor which limited real convergence between these two areas. However, the turn of the century saw a radical change in this situation. In the past decade the emerging economies have consistently posted higher growth rates, while their population growth rates have decreased. They have therefore recorded substantial rises in GDP per capita. This headway has come against a background in which the emerging economies are more fully integrated in

1. For greater detail, see *El reposicionamiento de las grandes economías emergentes en la economía mundial: los BRIC*, Documentos Ocasionales, Banco de España, forthcoming. 2. This article adopts the IMF World Economic Outlook’s current definitions of advanced, emerging and developing economies, which may not coincide with those of the World Bank or with those of the IMF itself for other types of analysis (such as the calculation of quotas and voting power by group of countries), or with what has traditionally been understood as such. Thus the advanced economies include the Czech Republic, Hong Kong, Israel, South Korea, Singapore, Slovakia, Slovenia and Taiwan.



SOURCE: Banco de España.

a. The groupings shown here are for the purposes of the article, since some advanced countries have been invited to the meetings of the G20 on several occasions, while Spain in particular has "permanent guest" status at those meetings. The ten emerging countries of the G20 are Brazil, Russia, India, China, Mexico, Argentina, Turkey, Indonesia, South Africa and Saudi Arabia. Also forming part of the G20 are the G7 countries, namely the United States, Canada, Japan, Germany, France, the United Kingdom and Italy, as well as Australia and South Korea, all advanced countries according to the classification of the IMF World Economic Outlook. The twentieth member is the European Union.

the world economy and have become simultaneously both the main beneficiaries and the driving force of globalisation. This integration has occurred in the areas of both trade and finance. Furthermore, in recent years the favourable growth outlook of the emerging economies, their growing share of the global economy and their improved macroeconomic fundamentals have significantly lowered the perception of risk associated with them.

As pointed out above, the emerging and developing economies (hereafter referred to simply as the "emerging economies") account for most of the world population. Furthermore, their population growth rates are far higher than those of the advanced countries, even taking into account the growing migration to the latter (see Table 1). In 1960, 76.7% of the world population lived in these areas, and on IMF estimates this percentage will be 85.4% by 2015. However, the population growth rate of the four BRIC countries has been below the world rate since 2000, basically due to China, and, as a result, the share of the BRICs in the world population has stabilised at around 44%.

Also, since the new century began the difference between the growth rates of the emerging and the more developed countries has widened. In the last two decades of the previous century, the average GDP growth rate was 2.9% in the advanced economies and 3.6% in the emerging economies, while in the past decade the averages have been 1.9% and 6.2%, respectively, and this difference will persist between 2011 and 2015 (6.6% in the emerging economies and 2.5% in the advanced economies) according to IMF long-term forecasts. In the emerging economies,

	Area (million km ²)	Population (million)		GDP PPP (\$bn)		GDP growth (%) (b)		GDP per capita (\$)	
		1990	2010	1990	2010	1990	2010	1990	2009
BRICs	38.4	2,297	2,867	3,611	16,788	4,8	8,0	5,873	6,851
Brazil	8.6	147	191	782	2,010	1,9	3,7	7,179	9,455
Russia	17.1	145	141	1,169	2,116	-2,1	4,9	12,630	13,554
India	3.3	862	1,199	750	3,615	5,6	7,4	1,249	2,970
China	9.6	1,143	1,335	910	9,047	9,8	10,5	1,101	6,200
Other emerging countries	60.9	1,993	2,793	5,332	15,861	3,3	4,5	7,709	10,304
Emerging countries (a)	99.3	4,290	5,660	8,943	32,649	3,9	6,2	6,941	8,542
Advanced countries (a)	30.5	891	1,011	16,437	37,391	2,9	1,6	27,230	35,183
World	129.9	5,182	6,671	25,380	70,040	3,2	3,6	20,081	22,764
MEMORANDUM ITEMS:									
BRIC / Emerging (%)	38.7	53.5	51	41.6	52.0	1.9	3.9	84.6	80.2
BRIC / World (%)	29.6	44.3	43	13.9	24.5	0.8	1.6	29.2	30.1
Emerging / World (%)	76.4	82.8	85	33.4	47.1	1.4	2.6	34.6	37.5

SOURCES: WEO, IMF and World Bank.

a. Classification of advanced, emerging and developing countries used by the IMF in the WEO. The whole of this table is consistent with that classification, which differs from that used officially by the World Bank and the IMF when these institutions calculate vote reallocations by country group.

b. Average of the periods 1990-2000 and 2001-2010. Memorandum items are contributions (in percentage points) to emerging country growth and to world growth.

the BRICs are among the countries which have grown most. The GDP of this group expanded by an average of 7.9% between 2000 and 2010, and is expected to grow at 8.1% between 2011 and 2015 (see Chart 1). This acceleration is due to a jump in the growth rates of Brazil (from 2.3% in 1980-1999 to 3.7% in 2000-2010 and to an estimated 4.1% until 2015) and, especially, of India (5.5%, 7.1% and 8.2% in the stated periods). To this must be added the growth of China, which has averaged 10% since the 1980s. The high investment rates of the group point, moreover, to potentially even higher growth in the future (see Chart 1). The strong growth of the last ten years has substantially raised the emerging economies' share of world GDP. Thus, expressing GDP in purchasing power parity (PPP) terms, which tends to increase the weight of these economies, given their lower price level, it can be seen that in 1980 66.6% of GDP originated in the advanced countries, while this percentage decreased sharply to 53% in 2010 and will foreseeably drop below 50% by 2015. Within the emerging economies, the BRICs are again those whose share has increased most, rising from 12.2% of world GDP in 1980 to 24.5% in 2010, and this percentage which may reach 29.1% in 2015.

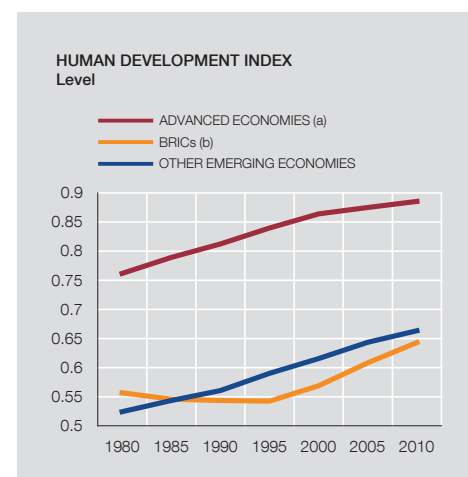
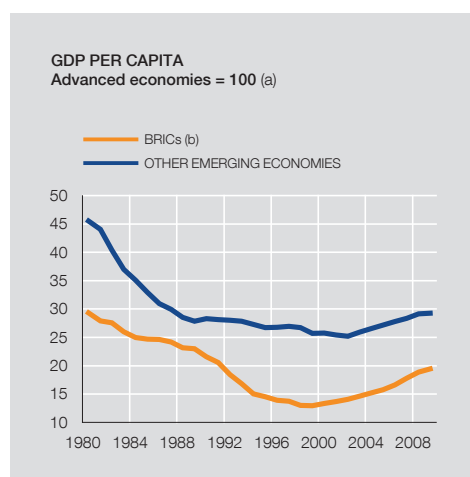
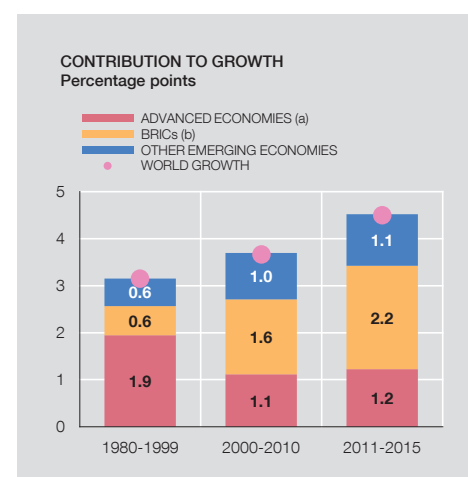
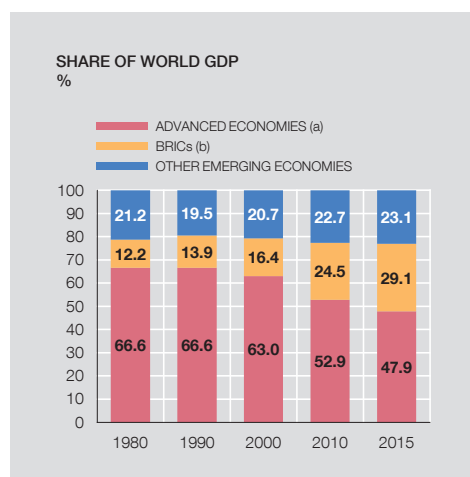
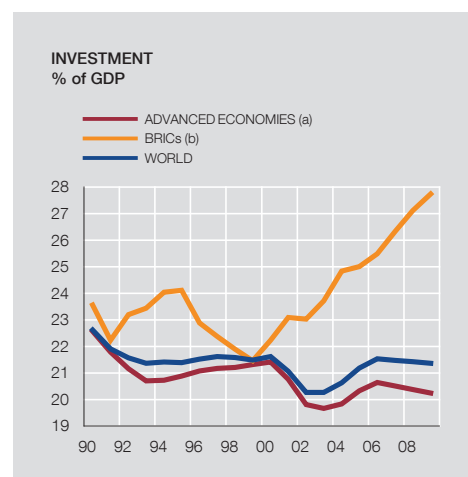
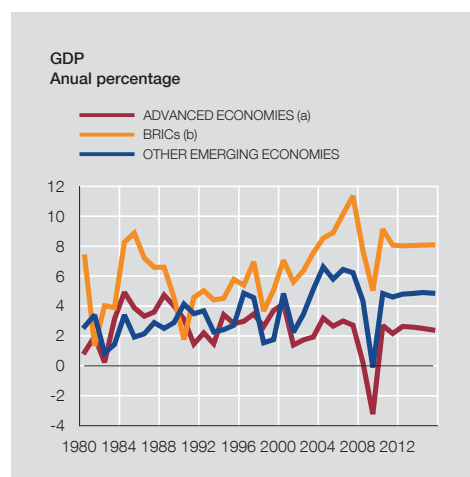
Hence the emerging economies have become the engines of world growth: Chart 1 shows that in the 1980s and 1990s the advanced economies accounted for more than half of world growth –1.9 percentage points (pp) against 1.2 pp for the emerging economies– while from 2000 to 2010 the opposite occurred, with the emerging economies accounting for 2.6 pp and the advanced economies barely 1.1 pp. It is expected that in the period 2011 to 2015 the emerging countries' share will increase even more (3.3 pp), so the projected higher growth of the global economy in the next five years is attributable solely to the higher contribution of the emerging economies. The BRICs, which contributed 1.6 pp to world growth in 2000-2010, will contribute 2.2 pp in 2011-2015.

The behaviour of the emerging economies' activity and population since 2000 has given rise to an increasing growth rate of GDP per capita, above that of the advanced economies,

EMERGING ECONOMIES: REAL VARIABLES

Annual rate, percentage of GDP, percentage and level

CHART 1



SOURCES: IMF, World Bank and United Nations.

a. Current definition of the IMF.
b. Brazil, Russia, India and China.

	1990	2007	IEA benchmark scenario (a)	IEA 450 scenario (b)
			2030	
China	11	21	29	27
India	3	5	8	8
Russia	10	5	5	5
Brazil	1	1	nd	nd
BRICs	25	32	42	40
United States	23	20	14	12
EU27	19	14	9	9
Japan	5	4	2	2
UNITED STATES + EU27 + JAPAN	47	38	25	23
REST OF THE WORLD	28	30	33	37
World total (Gt)	20,9	28,8	40,2	26,4

SOURCE: International Energy Agency.

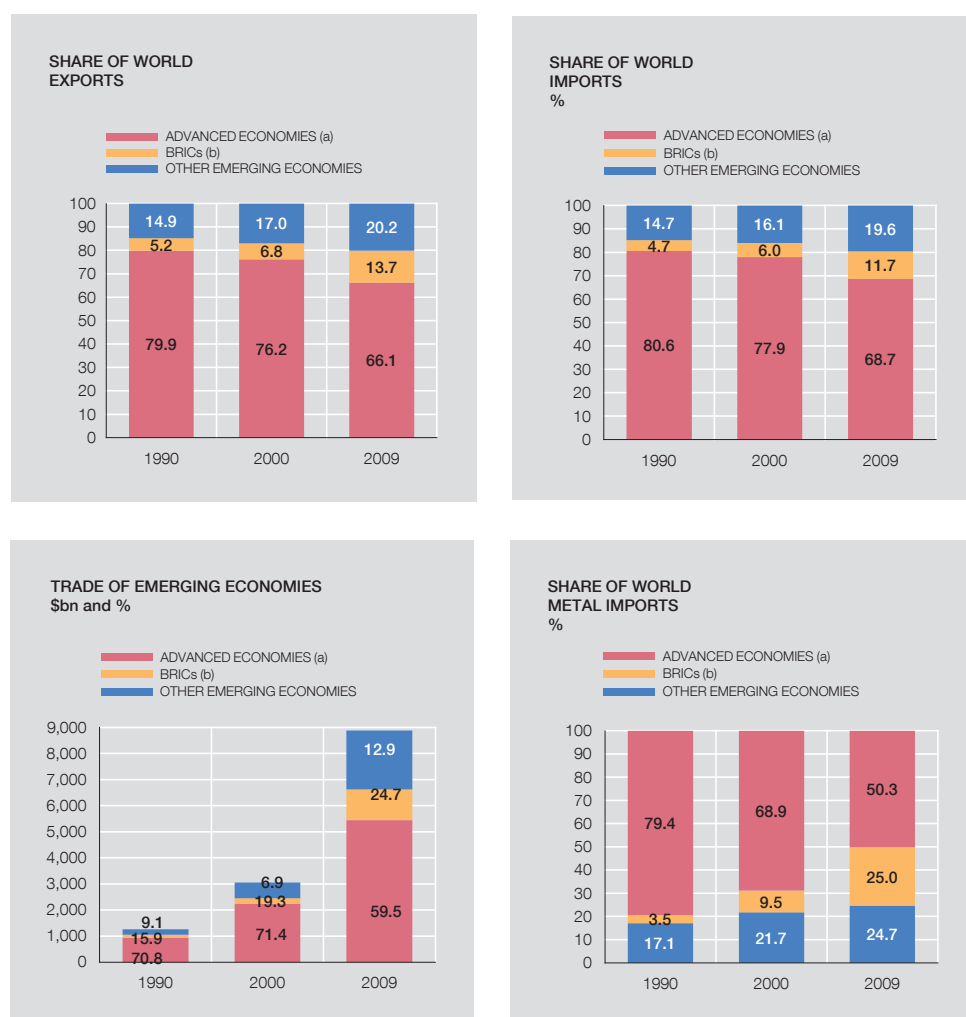
a. Without adoption of new mitigation measures or policies additional to those adopted or announced in mid-2009.

b. With adoption of new measures, including the adoption of cap-and-trade by the major emitters.

which has brought real convergence. This convergence has been much more marked in the BRICs. In terms of the human development index (a more comprehensive measure of welfare than per capita income), the emerging countries have also improved. And in the last 15 years the BRIC group has been moving much faster towards the levels of the advanced economies (see Chart 1).

A less benign aspect of this process of development is the rapid increase in greenhouse gas emissions, with its negative consequences for climate and ecological balance on a worldwide scale. Nowadays two thirds of emissions are by non-member countries of the OECD (see Table 2). The BRICs currently account for one third of world greenhouse gas emissions originating from fuel combustion, such as CO₂. Their share increased by seven percentage points (pp) between 1990 and 2007, from 25% to 32%. In that year China for the first time exceeded the United States as the world's largest emitter of CO₂, accounting for 21% of the world total; Russia, for its part, is the only BRIC whose CO₂ emissions decreased in that period, dropping by 27% as a result of the country's economic decline in the 1990s, despite which it continues to rank third worldwide among the CO₂ emitting countries. The fourth highest emitter is India, whose emissions have doubled between 1990 and 2007, with Brazil being ranked lower. The International Energy Agency [IEA (2009)] estimates that, without the adoption of new measures, the BRICs' share of world emissions will continue to increase and by 2030 will exceed 42%, compared with 25% for the United States, the EU and Japan together.

The change in growth trends took place against a background of rapid integration in the global commodity and capital markets. The emerging economies raised their openness to trade on a sustained basis. Exports rose from 19.4% of GDP in 1980 to 29.9% in 2009, and imports from 21.2% to 27.8%, which meant that their openness to trade went from 40.6% of GDP in 1980 to 57.7% in 2010, overtaking that of the advanced economies (36.7% in 1980 and 50.8% in 2009). Again, the BRIC group, led by the two Asian countries, underwent the most pronounced changes, with its trade openness rising from 20.5% in 1980 to 47% in 2009. As a result, the emerging economies play an increasing role in world trade (see Chart 2); in particular, China became the third largest world exporter in 2009. The increase in the trade openness of the developing economies



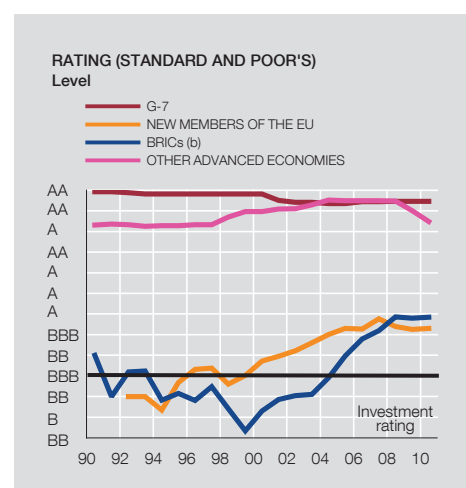
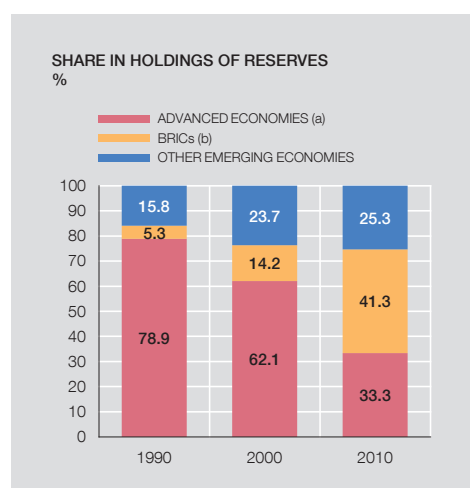
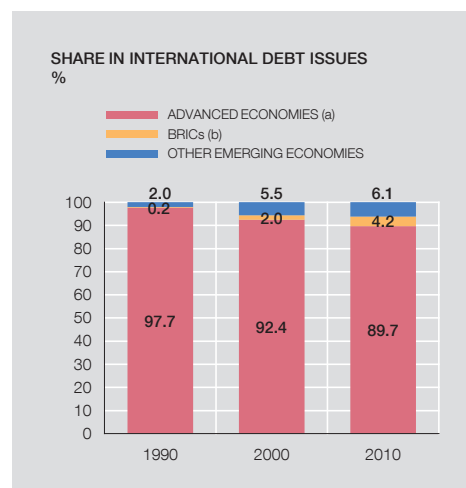
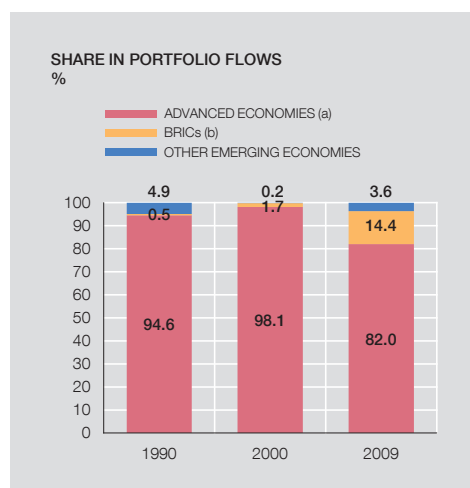
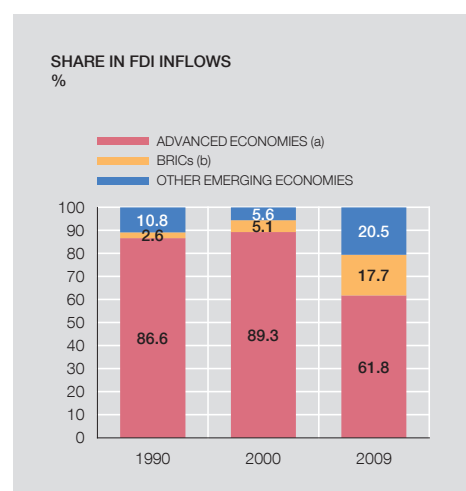
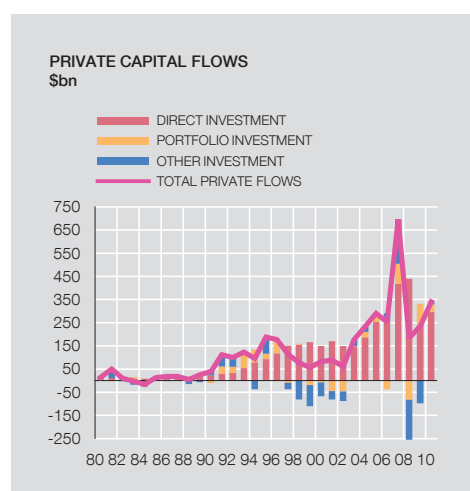
SOURCES: IMF and World Bank.

a. Current definition of the IMF.
b. Brazil, Russia, India and China.

largely reflects greater trade between the emerging regions themselves, which, as shown by Chart 2, rose from 25.1% of the external trade of the emerging economies in 1990 to 37.6% in 2009. This trade basically centres on commodities, and the BRIC countries are especially active, either as exporters (Brazil and Russia) or as importers (China and India). However, China (in manufacturing) and India (in services) are rapidly raising the technological content of their exports.

As with their trade integration, the financial integration of the emerging economies has accelerated substantially in recent years, although at a lower pace than in the advanced economies. Chart 3 shows that net private capital flows to these economies have been very high from 1991 and have intensified since 2000. As a result of all this, the sum of assets and liabilities as a percentage of GDP in the emerging economies rose from 66.9% to 114.5% between 1990 and 2009, while these percentages were 144.4% and 455.6%, respectively, for the advanced economies. The largest increases were in eastern Europe and in the BRICs (particularly in Russia), whose financial openness surged from 32% to 101.4%.

Direct investment played a notable role. Thus, while in 1990 direct investment flows moved between the advanced economies (99% of outflows and 87% of inflows of this type of capital),



SOURCES: Dealogic, IMF and Standard and Poor's.

a. Current definition of the IMF.
b. Brazil, Russia, India and China.

the current century has seen this picture change radically. Thus in 2009 the developing economies received 38.2% of total direct investment inflows, i.e. an increase of 25 pp in their share. Likewise, the emerging economies saw their share of direct foreign investment outflows rise to 15% of the total in 2009. Nearly half of the emerging economies' direct investment inflows and outflows are accounted for by the BRICs (see Chart 3), most notably China, which is the second recipient of direct investment and is rapidly scaling positions amongst outward investors.

Portfolio flows have behaved similarly, with Brazil standing out amongst the recipients, while the emerging economies' share of world fixed income issues has increased less markedly (from 2.3% of total issues in 1990 to 10.3% in 2010). Brazil, with 1.8% of world issues, is the largest emerging economy issuer, followed by Russia, with 1.5% of the total. Much more marked is the role of the emerging economies in the accumulation of foreign reserves, since they have gone from holding 21% of international reserves in 1990 to a share of 66.7% at present. China, with \$2.6 trillion, accounts for 30% of total world reserves, and the other three BRIC countries also hold large amounts, accounting for another 11.5% of the world total. This accumulation, as will be seen below, entails risks for international financial stability.

Overall, the emerging economies' good outlook for short- and medium-term growth, their role in international trade and financial flows and their progress in macroeconomic management and stability have reduced the perception of risk traditionally associated with them, particularly the BRICs. Thus their sovereign debt rating has amply exceeded the investment rating level since 2005 (see Chart 3). This poses new challenges and responsibilities for these economies, in terms of contributing actively and positively to economic and financial stability and to global governance.

Participation of the large emerging economies in the international economic institutions

The growing economic, trade and financial weight of the emerging economies has made it inevitable and necessary for the institutions leading world economic governance to reflect that new reality. The outbreak of the international financial crisis precipitated that process, first with the launch of the G20 as the key crisis management group at the Washington Summit (November 2008), and its subsequent self-proclamation as the principal forum for international economic cooperation (at the Pittsburgh Summit in November 2009), and second with the renovation drive of the IMF and the World Bank. Furthermore, the BRIC group of countries has taken steps towards a more institutionalisation nature by holding two summits at the level of heads of state and of government in Ekaterimburg in June 2009 and in Brasilia in June 2010, with another scheduled in China in 2011.

The four BRIC countries share a series of characteristics and interests that lend the group a certain coherence and explain the formation of this coalition, which can be described as "soft". All of them are, to a greater or lesser extent, countries below average world per capita income (see Table 1), highly populated, economically large, of growing weight in the world economy and high potential. They are, in addition, systemically important countries [Truman (2006)] with the intent and ability to exercise significant influence in world economic governance. Furthermore, their public sectors still predominate in many productive and financial activities and they occupy a relatively low position in terms of institutional robustness and development. But the BRIC countries also exhibit very important differences in their production structure, their export specialisation, the size and sign of their current account balances and their foreign exchange regime, to mention just a few examples.

China's largest size gives it a leadership role in the group, although in the global context vis-à-vis the G7 countries, the dilution of China's predominance in a group of nominally equal devel-

oping countries with only loose common commitments is advisable, both for China and for the other BRICs. Thus, in matters in which there are diverging, or simply non-coincident, interests among the BRICs, the structure of a soft coalition enables its members to opt out, avoiding the costs of a stricter alliance, and even to enlist other emerging countries in a common position when feasible. It should be kept in mind that there are other emerging countries with characteristics akin to those of the BRIC countries, such as Mexico, South Africa, Indonesia and even Turkey, all members of the G20. In this respect, the BRIC group could be termed a coalition of variable geometry.

The G20

The most visible sign of the growing influence of the BRICs and other emerging economies in world economic governance has been the replacement of the G7 by the G20 as the central forum for international economic cooperation. The reasons for this decision and the rapidness with which it was accepted and became operative are several. The first was its timeliness and had to do with the state of emergency following the outbreak of the crisis and the need for a rapid and forceful response. Thus, what in a more normal situation would have been interpreted as the relinquishment of international leadership by the G-7 countries was regarded as a timely and necessary movement by them.

Another reason is that, in comparison with the G7, the G20 is much more representative because its 19 member countries account for 75% of world GDP in PPP terms and 62% of the world population, although it has also been accused of a lack of legitimacy because it omits many countries and has no predefined objective criteria for determining membership. In this respect, the prior existence of the G20 as a group already in place circumvented this issue and facilitated its choice as the new decision-making forum.

A new stage in the history of the G20 began in 2008, when it held its first meeting attended by heads of state and of government, rather than by ministers of economy and central bank governors, as had been the case since it was created in 1999. The new reinforced G20 decided to set up a Financial Stability Board (FSB), of which the 10 emerging countries of the G20, plus Korea, Spain and the EU, became members. This, along with the inclusion in the Basel Committee on Banking Supervision of the G20 emerging countries which previously had not formed part of it,³ notably expanded the number of countries participating directly in the international fora responsible for international financial regulation.

In these fora each member country has the right to be heard and decisions are adopted by consensus, so each country is on an equal footing, which is of particular interest to the emerging countries. This avoids the problem of determining different countries' weights, which complicates the functioning of the more regimented institutions such as the IMF. Indeed, from the standpoint of the composition of the group, the G20 has a membership structure characterised by virtual parity: in addition to the EU, there are nine developed countries and 10 emerging countries (see map at the beginning of the article).

Lastly, another reason for the G7 giving way to the G20 is the expectation of greater effectiveness. Although it has been argued that the larger size of the G20 may impede consensus, it is also true that consensus would be largely ineffective if it did not encompass systemic economies such as the BRICs and other emerging countries, which have to be taken into account in the coordination of national economic policies, due to their effects on other countries. The general acceptance of the G20 signifies, in short, the acknowledge-

3. Argentina, Indonesia, Saudi Arabia, South Africa and Turkey. Other new members of the Basel Committee on Banking Supervision are Singapore and Hong Kong.

ment by the developed countries that the exit from the crisis and the resolution of the problems besetting the world economy in recent years necessarily require greater international coordination and more active involvement of the emerging countries. In exchange, it is to be expected that these will assume greater responsibility in the area of international coordination and will take into consideration the global effects of their national economic policies.

***The IMF, the World Bank
and other agents of
international cooperation***

The desire to increase their voting power, right to be heard and representation in the IMF and the World Bank is one of the most solid common positions of the emerging countries and the BRICs. The latter group in particular assert that their voting power should reflect their growing weight in world GDP and propose that the formulas for calculating quotas in the multilateral institutions give more weight to this variable, measured in PPP terms, and less to others representing their weight in financial flows.⁴ Table 3 shows that the latest revisions of voting power in the IMF and the World Bank put the BRICs at percentages of 13.5% and 12.3%, respectively, which are below their weight in world GDP. This is explained basically by the situation of China and, to a much lesser extent, Brazil. However, in both the IMF and the World Bank, the emerging and developing countries as a whole have an aggregate voting power above their weight in world GDP in current terms.

The revisions of voting power in the IMF and World Bank to adapt their structure to changes in the economic and financial weight of countries are enormously complex processes in which the gains of some countries inevitably mean losses for others. In any event, the reallocations of votes in the World Bank in recent years have raised the weight of the emerging and developing countries (up by 4 pp) and of the BRICs (up by 2 pp). In the IMF, the quotas and voting rights of the dynamic emerging economies and of developing countries will substantially increase following the resolution of the G20 passed in Korea last October. This resolution, which will come into force by end-2012 following the ratification process, in unison with the change agreed in April 2008, will raise the voting power of the four BRICs by 3.8 pp (2.4 pp of which correspond to China), putting all of them amongst the top 10 countries of the IMF in terms of voting power.

There are other aspects of the governance of the IMF and of the World Bank criticised by the emerging countries which are important in the decision-making process [IMF (2009)]. First, the emerging countries consider that the developed countries, particularly European ones, are overrepresented on the IMF board. By way of responding to their claim, in Korea the developed European countries undertook to reduce their representation on the board and raise that of the emerging and developing countries. However, it is hard to improve the situation of the BRICs, since China and Russia have their own seat (as does Saudi Arabia) and thus a permanent representative, while Brazil and India, although they share a seat with other countries, always hold the position of executive director.

There are two other issues in the governance of Bretton Woods institutions which have attracted criticism: the voting power of the United States and the selection of the persons heading them. The first is that certain matters, defined in the articles of association as very important, require a qualified majority of 85% of the total votes, and the United States is the only country with a percentage of votes above 15%. The amendment of this rule is precisely one of the matters which requires a qualified majority to be changed. The second issue relates to the tradition that the managing director of the IMF is a European and the president of the World

4. The formulas include GDP in current terms and in PPP terms, as well as other economic and financial variables associated with the specific functions of each institution.

	World GDP in PPPs. 2010	World GDP in \$. 2010	Current IMF	IMF yet to be ratified (b)	Current WB	WB yet to be ratified (c)
China	13,3	9,3	3,7	6,1	2,8	4,4
India	5,3	2,3	1,9	2,6	2,8	2,9
Russia	3,0	2,4	2,7	2,6	2,8	2,8
Brazil	2,9	3,3	1,4	2,2	2,1	2,2
<i>BRICs</i>	24,5	17,2	9,7	13,5	10,5	12,3
EMERGING & DEVELOPING COUNTRIES	47,1	33,5	38,0	41,3	40,9	44,6
United States	20,2	23,6	16,7	16,5	16,4	15,9
G7	40,1	51,2	44,4	41,2	42,9	39,3
Spain	1,9	2,2	1,4	1,9	1,7	1,9
ADVANCED COUNTRIES (a)	52,9	66,5	62,0	58,7	59,2	55,4
<i>EU countries</i>	20,6	26,0	32,0	29,4	28,5	26,3

SOURCES: WEO, IMF and World Bank.

a. Classification of advanced, emerging and developing countries used by the IMF in the WEO, which considers South Korea and Singapore to be advanced countries. The whole of this table is consistent with that classification, which differs from that used officially by the World Bank and the IMF when these institutions calculate vote reallocations by country group. The data included here are for illustrative purposes only.

b. The agreements reached in April 2008 and November 2010 have yet to be ratified by countries representing at least 85% of total votes.

c. The October 2008 and April 2010 agreements have yet to be ratified by countries representing at least 85% of total votes.

Bank is from the United States, although the articles of association only stipulate that the respective boards have to elect the persons in these posts by simple majority.

The growing importance of the emerging countries is being reflected to differing degrees in other areas of international cooperation, such as the multilateral regional development banks (MDBs), the Paris Club or the OECD. Regarding the former, the BRICs have a scant presence in the capital of the MDBs outside their region, although China has recently entered the Inter-American Development Bank and the structure is highly consolidated, so there are notable restrictions on a substantially higher presence. The Paris Club, the group of creditor countries which renegotiate the bilateral official debt of countries in payment difficulties, only has Russia as a permanent member (Brazil is an associate member), although steps are being taken to increase the involvement of the other BRICs and of other emerging country creditors in this forum. Finally, membership of the OECD, traditionally a club of advanced countries, requires compliance with democratic and market economy principles, a condition which limits access by many emerging countries, regardless of their advances in economic development. Nevertheless, Russia is a candidate country, and progress is being made on a strategy of strengthened commitment and greater cooperation with various emerging economies, including the other BRICs.

The large emerging economies vis-à-vis certain global challenges

The shared interests of the major emerging economies can be roughly determined from the common positions set out in the communiqués published following the BRIC summits. With regard to global and economic governance, they favour a multipolar world order in which the United Nations plays a central role, and support the aspirations of Brazil and India to become permanent members of its Security Council. They also recognise the leadership of the G20 and emphasise the need for substantial change in voting powers in the IMF and World Bank in favour of the emerging and developing economies. In any event, leaving aside these matters of governance, below is a general review of the positions of the BRICs and the emerging economies on some of the key issues for the global economy: the stability of the international monetary system, the Doha trade negotiations and the fight against climate change.

Stability of the international monetary system

The BRIC countries favour a more stable, predictable and diversified international monetary system designed to maintain the relative stability of the major reserve currencies. The Chinese authorities have even undertaken initiatives in this respect [Zhou Xiaochuan (2009)], proposing a system in which the international reserve currency is supranational. However, it should be noted that some of their policies (such as excessive accumulation of reserves or exchange-rate rigidity, in some cases) do not contribute to the stability of the system.

The changes in the international monetary system in the past decade have been marked by a sharp rise in the accumulation of foreign reserves (to a level equivalent to 14% of world GDP) and by their growing concentration in the emerging countries (particularly China and the BRICs), as noted in Section 2. So far most of these reserves are denominated in dollars, but the possibility of sharp adjustments in their level or in the mix of assets and currencies in such a large volume of reserves is invested means that the countries with large reserves have a notable ability to affect international financial stability. An example is the recent controversy over the tendency for Chinese purchases of yen-denominated assets to cause this currency to appreciate. In this respect, international reserve management must be exercised prudently and the mitigation of the factors behind the excessive growth of world reserves should be a shared responsibility of the international community, including the main reserve-accumulating countries.

The escalation of reserve accumulation among the emerging countries has been prompted by the benefits, whether actual or perceived, of the above-mentioned accumulation, which, in part, drive them to not fall behind their peers. For that reason, it is essential to prevent reserve accumulation from becoming an indicator of the vulnerability and external solvency of countries. Furthermore, the accumulating countries themselves should avoid manipulating exchange rates to gain competitiveness. Finally, for the BRICs to take an international economic leadership role, their currencies would have to move towards full convertibility, which necessarily requires greater openness of the capital account. Here Brazil and Russia are more advanced than the other two BRICs. In the case of China, which because of its size is more likely to spawn an international reserve currency, more audacious steps will be needed than those taken so far in this respect, and they will have to be directed to refocusing its development model on the domestic market and to raising exchange-rate flexibility.

International trade

The emerging countries, particularly the BRICs, have significantly liberalised their trade in the last two decades and, accordingly, its volume has grown considerably. The liberalisation has been based mainly on tariff reductions. These cuts have not been made linearly, but rather have fluctuated over time depending on the country involved, and even moved backwards at certain moments. Currently China is the country with the most open tariff regime of the four BRICs [it is ranked 63rd out of 125 in the 2007 MFN Tariff Restrictiveness Index (TTRI)]⁵ and, at the other extreme, India, ranked 102nd, is the most protectionist country of the four, while Russia is ranked 70th and Brazil 93rd. Therefore, despite the sharp tariff reductions of the last 20 years, there is still much room for trade liberalisation in the four countries. The BRICs joined the WTO fairly recently: India and Brazil have been members since 1995 and China since 2001, while Russia, which began membership negotiations in 1993, concluded bilateral conversations with the United States in October 2010, and foreseeably its admission, supported by the other BRICs in their communiqués, will be formalised in the next few months.

The global prospects of trade liberalisation are largely based on the consummation of the Doha Round, also known as the “development round”, which began in 2001 and should have

5. The Most Favoured Nation Trade Tariff Restrictiveness Index (MFN TTRI) summarises the trade restraints exercised by the MFN trade structure of the country. It is calculated by the World Bank Development Economics Research Group.

finished in 2004. The positions in play allow a first broad distinction to be drawn between developed countries and emerging countries. The latter insist that the developed countries practically remove subsidies on agricultural production and on the export of agricultural products. By contrast, the developed countries are asking for greater tariff reductions for industrial products in the emerging countries, particularly China, Brazil, South Africa, Argentina and India, and greater liberalisation in trade in services. From the outset of the negotiations, both India and Brazil have played a notably active role and more recently they have been joined by China.

The growing role of the BRICs has been reflected particularly in agricultural negotiations, which are of great importance for China, India and Brazil, and for the developing countries as a whole. In this respect, it is interesting to note that, although these three countries have partly opposing interests, they have managed to reach common positions since 2003, within the G20 group of countries in the negotiations of the Round, composed solely of emerging countries. In industrial products, the positions of Brazil and India are more defensive and seek to limit the openness of their markets. For its part, China, as a major exporter, defends a substantial tariff reduction, although it considers that it already made significant commitments when it joined the WTO, and is more active in negotiations on rules, particularly against dumping, since it is often subjected to this practice. Finally, as regards access to services markets, India holds more open positions in specific cases, such as the provision of information technology services, whereas China opts for gradual liberalisation and Brazil strongly resists significant liberalisation in sectors considered strategic (education, health, insurance and financial services).

Outside the strict Doha environment, it will also be desirable for the BRICs (and particularly China) to adapt their export credit practices to international standards, since none of them has committed itself to the "OECD consensus" which sets the common rules on the financing of exports with official support.

In short, there is room for a more ambitious contribution from the BRICs to help bring the Doha Round to a successful conclusion. In particular, as part of the necessary quid pro quo of the negotiations, greater commitments would be required from them on access to the market for non-agricultural products and on services.

Combating climate change

Given the growing weight of the emerging and developing countries in greenhouse gas emissions, they will have to adopt new measures also in this area and to participate more actively in the global fight against climate change.

Their stance on this issue highlights the principles of equality and differing responsibilities. Their main arguments are: that regard should be had not only to present and future emissions, but also to those in the past; that the limitation of their CO₂ and other greenhouse gas emissions would restrict their possibilities of economic growth and development; and that their emissions per capita are lower than those of the developed countries, especially the United States. According to these arguments, the BRICs did not commit themselves to limit emissions under the Kyoto Protocol, with the exception of Russia. Its case was special, since, given the sharp fall in its emissions in the nineties, it could accept a binding commitment to ensure that its emissions would not exceed those of 1990, which is actually an unambitious commitment.

The Copenhagen Accord of December 2009 failed to live up to expectations, following the intense preparatory work led by the European countries. Unlike the Kyoto Protocol, it is not an international agreement in the United Nations framework and the targets announced by the countries are not binding. Thus, although the result of the recent Cancun Summit was encour-

KYOTO PROTOCOL (a)	COPENHAGEN ACCORD (b)
China	-40% to -45% in CO ₂ emissions per unit of GDP with respect to 2005
India	-20% to -25% in carbon emission intensity with respect to 2005
Russia	-15% to -25%
Brazil	-35% to -39% with respect to emissions expected in 2020
USA	-17% with respect to 2005
EU	-20% to -30%
Japan	-25%

SOURCE: United Nations Framework Convention on Climate Change.

a. GHG emission levels in the 2008-2012 commitment period with respect to 1990.

b. 2020 levels with respect to 1990, except where indicated otherwise.

aging, the legal framework which will govern the fight against climate change after 2012 has yet to be determined. The positive results of Copenhagen include a significant expansion of the number of countries which have assumed voluntary quantitative targets to be met in 2020, such as the United States, the BRICs (see Table 4) and many other emerging countries. China and India, maintaining their position of not accepting quantitative limitations on emissions, has specified their targets in terms of a reduction in their GDP emission intensity; Brazil has announced, among other actions, the reduction of deforestation in the Amazon Basin; and Russia will seek to reduce its total emissions with respect to those of 1990. However, although the objectives announced by many countries are significant and represent a step forward in the global solution, especially if the upper range of the announced bands is reached, additional measures will be required by both the developed and the emerging and developing countries. These additional measures will include the reduction of solid fuel subsidies, commonplace in the developing economies, and the widespread application of the system of emission rights trading.

Conclusions

The emerging economies, and, among them, China and the other three countries of the BRIC group, have, with the turn of the century, become increasingly important actors in the global economy, raising their share of world GDP and trade, and of financial flows of all types, be they direct investment, portfolio investment or debt security issues. Their resilience to the crisis, in contrast to the strong impact suffered by the developed economies (where the effects will limit growth in the coming years), will hasten the consolidation of the increasingly important positions of the emerging countries in the global economy. Indeed, on recent estimates, the buoyancy of their activity will make them the powerhouses of world growth over the next five years. The achievement of an ongoing growth rate which is high but also more stable, along with slower population growth, has, moreover, brought sharp rises in income per capita and an acceleration of the process of convergence with the advanced economies.

These significant changes in the governance of the international economic institutions in the last two years reflect the growing weight of the BRICs and other emerging countries in the world economy, a process which has accelerated drastically with the international financial crisis, and respond to the need to take them into account in designing the exit from the crisis. Moreover, the BRICs (the systemically most important emerging countries) have forged a certain coalition amongst themselves to defend common interests, and have achieved unquestionable progress in the most important one, namely increased participation in the institutions of international governance so as to better reflect their economic weight. These changes are more complicated to make in the institutions where country representation is a zero sum

game, such as the IMF and the World Bank, but even in these cases they have made substantial progress. However, the interests of these countries do not extend with the same intensity to other international fields and institutions where their active participation would also be desirable and beneficial. In particular, an increased contribution to development aid channelled through the multilateral financial institutions, the express assumption of the costs and discipline associated with the Paris club, and the acceptance and internal application of the OECD general framework for best policy practices, would help to lend greater legitimacy and substance to the BRICs' desire to increase their participation in world governance.

Similarly, a movement of these countries towards positions which more accurately reflect global interests in key matters for the international economy, such as the accumulation of international reserves, the Doha Round and the fight against climate change, would be highly beneficial, particularly at the present time, when the world economy needs collective agreements which can raise confidence in the measure needed to consolidate the recovery. More generally, it can be expected that the large emerging economies will involve themselves in world government in a constructive way, befitting the responsibility and institutional maturity which should accompany their greater weight in the global economy. This attitude, which is already becoming evident in some areas, can only result in a better situation for all.

14.12.2010

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Introduction

In 2010 Q4 numerous pieces of financial legislation were published, as is usual in the final quarter of the year.

The European Central Bank (ECB) made certain changes to the monetary policy instruments and procedures of the Eurosystem. It also updated the conditions for participating in TARGET2, which have subsequently been adapted by the Banco de España.

In relation to credit institutions, five pieces of legislation were published containing the following changes: amendment of the regulations on minimum own funds in order to transpose two recent EU directives; the adaptation of accounting policies to the new rules for the preparation of consolidated annual accounts; the development of certain aspects of the mortgage market; certain technical refinements to the rules on the advertising of banks' services and products; and the introduction of a series of clarifications of the new legal framework for savings banks.

In the area of financial institutions, development of the rules on qualifying holdings in accordance with EU law was completed and, as in the case of credit institutions, the general chart of accounts for insurance companies was adapted to the new rules for the preparation of annual accounts.

In the context of securities markets, three pieces of legislation were promulgated: reform of the regulation of official secondary markets for futures, options and other derivatives; an update of certain administrative procedures and authorisations of venture capital entities; and an update of the accounting rules and financial statements of securitisation SPEs.

In the European sphere, the European System of Financial Supervisors was set up, in order to preserve financial stability and strengthen the coordination of supervision in the EU. In addition, the law on public offerings and the admission of securities to trading has been amended, and the capital requirements for the trading portfolio and resecuritisations have been updated.

Also, the rules on preparation of the consolidated annual accounts and the general chart of accounts have been amended to incorporate the accounting changes in two EU regulations in relation to consolidated and separate financial statements, and business combinations.

Finally, the monetary, financial and fiscal changes contained in the State budget for 2011 are analysed.

European Central Bank: amendment of the regulations on the monetary policy instruments and procedures of the Eurosystem

Guideline ECB/2010/13 of 16 September 2010 (OJ L of 9 October 2010) and Guideline ECB/2010/30 of 13 December 2010 (OJ L of 21 December 2010), which amend Guideline ECB/2000/7 of 31 August 2000 on monetary policy instruments and procedures of the Eurosystem, were published in 2010 Q4.

This guideline contains the changes to the definition and implementation of the Eurosystem's monetary policy procedures and operations that the Governing Council of the ECB has decided to make in recent months and which are now incorporated into the text of Guideline ECB/2000/7. The most important changes are discussed below.

The Eurosystem can adopt new measures vis-à-vis counterparties that fail to perform their obligations, both in tenders and in bilateral operations. Specifically, the Eurosystem can impose financial penalties on a counterparty or suspend it from open market operations for a specific period of time when it fails to transfer a sufficient amount of underlying assets or cash to settle or secure the amount of a liquidity providing or absorbing transaction.

The discretionary measures available to the Eurosystem to address concerns regarding the financial soundness of a counterparty are enhanced and strengthened. Thus, on the grounds of prudence, it may suspend, limit or exclude counterparties' access to monetary policy instruments, reject assets, limit the use of assets or apply supplementary haircuts to assets submitted as collateral.

In exceptional circumstances the ECB is permitted, in the case of open market operations, to carry out outright transactions in a centralised manner.¹

In the section on collateral, the Eurosystem strengthens the requirements that the assets underlying asset-backed securities must meet to be admitted as collateral in its transactions, in order to reduce the claw back risk associated with such bonds. Thus, in addition to those already established,² the following now also apply: a) both the originator of the assets and the issuer or, where applicable, the intermediary of the bonds must be incorporated in the European Economic Area (EEA),³ and b) if they are credit claims, the obligors and the creditors must be resident in the EEA (natural persons) or incorporated in the EEA (legal persons) and, if relevant, the related security must also be located in the EEA.

Where originators or intermediaries have been incorporated in the euro area or in the United Kingdom, the Eurosystem must verify the absence of claw back clauses in those jurisdictions. If the originator or the intermediary, is incorporated in another EEA country, the asset-backed securities can only be considered eligible if the Eurosystem ascertains that its rights would be protected in an appropriate manner against claw back provisions considered relevant by the Eurosystem under the law of the relevant EEA country.⁴

1. Previously they were only executed in a decentralised manner by the national central banks. 2. The requirements previously established are the following: a) their acquisition must be governed by the law of an EU Member State; b) they must be acquired by the securitisation special purpose vehicle (or similar entity) from the originator or an intermediary in a manner which the Eurosystem considers to be a "true sale", and be beyond the reach of the originator or its creditors; and c) they must be original, i.e. they must not consist, in whole or in part, actually or potentially, of tranches of other asset-backed securities, credit-linked notes, swaps or other derivatives instruments, or synthetic securities. 3. The EEA came into existence on 1 January 1994, as the result of an agreement between member countries of the European Union (EU) and the European Free Trade Association (EFTA). Its creation enabled EFTA countries to participate in the EU's single market without having to join the EU. It is made up of the 27 EU countries and the following members of EFTA: Iceland, Liechtenstein and Norway. 4. An independent legal assessment in a form acceptable to the Eurosystem must be submitted setting out the applicable claw back rules in the country, before the asset-backed securities can be considered eligible. Claw back rules which the Eurosystem considers to be severe and therefore not acceptable include rules whereby the sale of underlying assets can be invalidated by the liquidator solely on the basis that it was concluded within a certain period (suspect period) before the declaration of insolvency of the seller (originator/intermediary), or where such invalidation can only be prevented by the transferee if they can prove that they were not aware of the insolvency of the seller (originator/intermediary) at the time of the sale

As regards the Eurosystem's credit assessment system,⁵ the criteria applicable to asset-backed securities are maintained and their credit standards requirements are specified. These securities are required to have two external "triple A" ratings at issuance and to retain a minimum threshold "single A" rating over their lifetime.

Under the rules for the use of eligible assets, as was already the case, counterparties cannot submit assets issued by another entity with which they have close links as collateral, although there have always been a number of exceptions to this. A further exception is now added, namely residential real estate loan-backed structured covered bonds, i.e. certain covered bonds not declared UCITS (undertakings for collective investment in transferable securities)⁶ compliant by the European Commission, that fulfil all the criteria that apply to asset-backed securities, together with certain additional criteria⁷ that are now introduced.

In addition, the Eurosystem may limit the use of unsecured debt instruments issued by a credit institution or by any other entity with which the credit institution has close links. Thus, such assets may only be used as collateral by a counterparty to the extent that the value assigned to that collateral by the Eurosystem after the application of haircuts does not exceed 10% of the total value of the collateral submitted by that counterparty. This limit does not apply to such assets if they are guaranteed by a public sector entity which has the right to levy taxes, or if the value after haircuts of the assets does not exceed €50 million.

The risk control framework for credit operations is revised. Thus, the Eurosystem may not only exclude certain assets from use in its monetary policy operations, but also counterparties, in particular if the credit quality of the counterparty appears to exhibit a high correlation with the credit quality of the collateral submitted by the counterparty.

Finally, new terms are added and other terms are defined more precisely, changes in statistical regulations are reflected and certain provisions are harmonised to improve coherence and transparency.

CHANGES MADE BY GUIDELINE ECB/2010/30

The most important changes made by Guideline ECB/2010/30 are the following:

Fixed term deposits are added as eligible collateral for Eurosystem monetary policy operations and intraday credit.

A new exception is made to the rules for the use of eligible assets, allowing counterparties to submit commercial mortgage loan-backed covered bank bonds issued by another entity with which they have close links as collateral. In parallel with the previous section, these are covered bank bonds not declared UCITS compliant by the European Commission, that fulfil all the criteria that apply to asset-backed securities and certain additional criteria.⁸

5. The Eurosystem's credit assessment system defines the procedures, rules and techniques which ensure that the requirement for high credit standards imposed by the Eurosystem for all eligible assets is met. 6. See Council Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS). 7. Including, that any residential real estate loans underlying the structured covered bonds must be denominated in euro; the issuer (and the debtor and guarantor, if they are legal persons), must be incorporated in a Member State, their underlying assets must be located in a Member State and the law governing the loan must be that of a Member State. Also, High quality substitute collateral up to 10 % of the cover pool is accepted. 8. Including, that any commercial mortgage loans underlying the structured covered bank bonds must be denominated in euro; the issuer (and the debtor and guarantor, if they are legal persons), must be incorporated in a Member State, their underlying assets must be located in a Member State and the law governing the loan must be that of a Member State. Also, high quality substitute collateral, for up to 10% of the cover pool, is accepted. This threshold can only be exceeded after an in-depth review by the relevant NCB.

Guideline ECB/2010/13 entered into force on 18 September 2010 and has applied from 10 October 2010, except for Annex II which has applied from 1 January 2011. Guideline ECB/2010/30 entered into force on 15 December 2010 and has applied from 1 January 2011, except for Paragraph 2 of the Annex which will apply from 1 February 2011.

TARGET2: updating of its regulations

Guideline ECB/2010/12 of 15 September 2010 (OJ L of 5 October 2010) was published. This amends Guideline ECB/2007/2 of 26 April 2007 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2),⁹ in order to take into account the updates for TARGET2 release 4.0, in particular to allow participants to access one or more Payments Module (PM) accounts using internet-based access;¹⁰ and (b) to reflect a number of technical changes following the entry into force of the Treaty on the Functioning of the European Union¹¹ and clarify a few issues. Also, the Resolution of the Banco de España of 6 October 2010 (BOE of 16 November 2010) was published. This amends the Resolution of 20 July 2007¹², approving the general clauses relating to the harmonised conditions for participation in TARGET2-Banco de España (TARGET2-BE),¹³ to adapt it to the Guideline ECB/2010/12.

CHANGES MADE BY GUIDELINE ECB/2010/12

Apart from the harmonised conditions for participation in TARGET2,¹⁴ which have already been adopted by each participating national central bank (NCB), the arrangements and supplemental harmonised conditions for participation in TARGET2 using internet-based access (see the new Annex V added to Guideline ECB/2007/2) must now be introduced.

This method of access to the PM account will be incompatible with that provided via the network service provider.¹⁵ However, the participating NCB may choose to have one or more PM accounts, each of which will be accessible by either the internet or the network service provider.

Also, the Governing Council of the ECB is charged with specifying the principles applicable to the security of certificates used for internet-based access.¹⁶

CHANGES MADE BY THE RESOLUTION OF 6 OCTOBER 2010

It is explicitly established as a condition for accessing TARGET2-BE that participating credit institutions are not subject to restrictive measures adopted by the Council of the European Union or Member States pursuant to the Treaty on the Functioning of the European Union, the implementation of which, in the view of the Banco de España after informing the ECB, is incompatible with the smooth functioning of TARGET2. These same conditions apply to participating entities for access to intraday credit.

9. TARGET2 is characterised by being a single shared platform, through which all payment orders are submitted and processed and through which payments are received in the same technical manner. 10. Internet-based access involves participants opting for a Payments Module account that can only be accessed via the internet and submitting payment messages or control messages to TARGET2 by means of the internet. 11. The consolidated versions of the Treaty on European Union and of the Treaty on the Functioning of the European Union, together with the protocols and annexes thereto, as they result from the amendments introduced by the Treaty of Lisbon signed on 13 December 2007 in Lisbon and which entered into force on 1 December 2009 may be consulted in the Official Journal of the European Union, series C, number 83 of 30 March 2010. 12. See "Financial regulation: 2007 Q4", *Economic Bulletin*, January 2008, Banco de España, pp. 172-173. 13. TARGET2 is characterised by being a single shared platform, through which all payment orders are submitted and processed and through which payments are received in the same technical manner. 14. See Annex II to the Guideline. 15. The network service provider is the undertaking appointed by the Governing Council of the ECB to supply computerised network connections for the purpose of submitting payment messages in TARGET2. 16. "Certificate" or "electronic certificate" means an electronic file, issued by the certification authorities, that binds a public key with an identity and which is used for the following: to verify that a public key belongs to an individual, to authenticate the holder, to check a signature from this individual or to encrypt a message addressed to this individual. Certificates are held on a physical device such as a smart card or USB stick, and references to certificates include such physical devices. The certificates are instrumental in the authentication process of the participants accessing TARGET2 through the internet and submitting payment messages or control messages

New events of default by entities are added, on the basis of which the Banco de España will suspend or terminate access to intraday credit, such as where a decision is made by a competent judicial or other authority to implement in relation to the entity a procedure for the winding-up of the entity or any other analogous procedure, or where the entity becomes subject to the freezing of funds and/or other measures imposed by the Union restricting the entity's ability to use its funds. Also new cases are added in which the Banco de España may suspend or terminate, without prior notice, an entity's participation in TARGET2-BE, such as where the participating entity fails to carry out any material obligation or any other participant-related event occurs that threatens the overall stability, soundness and safety of TARGET2-BE.

A new set of clauses is introduced with the harmonised conditions for participation in TARGET2-BE using internet-based access in accordance with Guideline ECB/2010/12. Certain clauses are no longer applicable, others are modified and some supplemental ones are established for the use of internet-based access.

Certain technical requirements are established for entities that wish to open an internet-accessible PM account in TARGET2-BE. Specifically, they must specify whether, in addition to internet-based access, they wish to continue accessing TARGET2 through the network service provider, in which case they will have to apply for a separate PM account in TARGET2.

Participants using internet-based access must implement adequate security controls, in particular those specified in the technical specifications that the Banco de España may issue, to protect their systems from unauthorised use.

The Guideline entered into force on 7 October 2010 and has applied from 22 November 2010, the date on which the Resolution of 6 October 2010 entered into force.

***Credit institutions:
amendment of the
regulations on the
determination and control
of minimum own funds***

CBE 9/2010 of 22 December 2010 (BOE of 30 December 2010) has been published. This amends CBE 3/2008 of 22 May¹⁷ on the determination and control of minimum own funds, in order to transpose two EU directives: Commission Directive 2009/27/EC of 7 April 2009 amending certain Annexes to Directive 2006/49/EC of the European Parliament and of the Council as regards technical provisions concerning risk management, and Commission Directive 2009/83/EC of 27 July 2009 amending certain Annexes to Directive 2006/48/EC of the European Parliament and of the Council¹⁸ as regards technical provisions concerning risk management.

The Circular amends certain rules of CBE 3/2008 with regard to: the capital requirements for credit risk, under both the standardised approach and the internal ratings based approach; credit risk mitigation techniques; securitisation; the treatment of counterparty and trading book risk; and market disclosure obligations. In addition, it takes the opportunity to introduce some technical improvements and some improvements to the wording of the text.

Some changes have been made in relation to securitisation. The circumstances in which it is assumed that there has been a significant transfer of risk to third parties are qualified. Along with the requirement that no implicit support may be provided to the securitisation, one of the following two conditions must be fulfilled:

¹⁷. See "Financial regulation: 2008 Q2", *Economic Bulletin*, July 2008, Banco de España, pp.143-153. ¹⁸. See "Financial regulation: 2006 Q2", *Economic Bulletin*, July 2006, Banco de España, pp.142-144.

- a) The originator entity's share of the total capital requirements corresponding to the first loss tranches is 20% or less, when there are no mezzanine tranches, and the originator entity can show that the amount of the first loss tranches exceeds by a substantial margin a reasoned estimate of the expected loss arising from the securitised exposures,¹⁹ or
- b) The originator entity's share in the capital requirements for the mezzanine tranches is 50% or less (previously it had to be less than 50%).

If the requirements are not fulfilled, but the originator entity considers that the transfer of credit risk is significant, it must demonstrate this to the Banco de España. The Circular specifies that, in order to do this, the originator entity must show that it has policies and methodologies to ensure that the possible reduction in capital requirements resulting from the securitisation is commensurate with the transfer of risk.

Certain changes are made to the way in which the exposure value of liquidity facilities is calculated. A general credit conversion factor of 50% of nominal value is established. Thus a conversion factor of 0% is no longer applied to eligible liquidity facilities granted to asset-backed commercial paper that are drawable in the event of general market disruption.

The technical criteria applicable in relation to the exemption from individual requirements for subsidiary or parent entities of a consolidatable group of credit institutions are clarified, the identification of public sector entities subject to special weighting is facilitated and the rules for weighting tangible assets received as dation in payment are also clarified.

Other technical improvements made by the Circular arise from adopting the criteria established by the Committee of European Banking Supervisors in the guides it has been releasing on the application of banking directives. These include the elimination of any exemption for the own shares that must be deducted from regulatory capital, as well as for financing to third parties for the acquisition of shares, contributions or other securities that are eligible capital of the entity that has granted it or of other entities of its consolidatable group.²⁰ Also credit institutions now have the option of not including in their capital the amount of the capital gains (losses)²¹ on debt instruments that are recorded as valuation adjustments for available-for-sale financial assets in equity, in order to avoid excessive fluctuations in eligible capital.

Finally, in relation to liquidity risk and the risks arising from securitisation operations, for the period while the transposition of Directive 2009/111/EC of the European Parliament and of the Council of 16 September 2009²² has still to be completed, an annex is introduced containing certain "Guidelines supplementing the rules contained in the Circular", establishing a number of provisions tending to strengthen internal organisation, risk management and internal control, and other relevant aspects.

Apart from some specific exceptions, the Circular entered into force on 31 December 2010.

19. Previously the only requirement was that the first losses tranches were below 20%. **20.** Previously, shares or the financing of shares for staff of the entity or of its economic group, and shares acquired to hedge other market operations, provided that they did not exceed 1% of the total share capital of the acquiring or financing entity itself, were exempt from the deduction from regulatory capital. **21.** These gross amounts will be made up of the credit balance (in accordance with the provisions of CBE 4/2004) of each of the accounts of the adjustments arising from debt or capital instruments, plus the tax correction applied for their integration in such accounts. **22.** Directive 2009/111/EC of the European Parliament and of the Council of 16 September 2009 amending Directives 2006/48/EC, 2006/49/EC and 2007/64/EC as regards banks affiliated to central institutions, certain own funds items, large exposures, supervisory arrangements, and crisis management, established in its Annex V a series of provisions tending to strengthen internal organisation, risk management and internal control, and the supervision thereof.

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

CBE 8/2010 of 22 December 2010 (BOE of 30 December 2010), amending CBE 4/2004 of 22 December 2004 on public and confidential financial reporting rules and formats,²³ has been published.

The purpose of the Circular is to adapt CBE 4/2004 to Commission Regulations (EC) No 494/2009 and No 495/2009 of 3 June 2009, which implemented the revisions of the international financial reporting standard (IFRS) 3 and international accounting standard (IAS) 27, approved by Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards, in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council.²⁴

The most important changes introduced by the Circular relate to Chapter three “business combination and consolidation”.

The new IFRS 3 emphasises the moment of the taking of control as an event that significantly modifies the economic nature and circumstances of the investment. Thus, the new standard specifies issues previously left undefined, such as the estimation of goodwill when control is taken in stages, transactions with the external shareholders and business combinations carried out exclusively by agreement. At the same time, it introduces certain changes in terms of valuation that affect contingent consideration and contingent liabilities.

To facilitate the application of the acquisition method, already used before the modification, a scheme has been introduced for its application: a) to identify the acquirer entity; b) to establish the date of acquisition; c) to identify, if they exist, assets and liabilities that require a separate accounting treatment to the business combination; d) to identify the assets acquired and liabilities assumed that require, as at the date of acquisition, the adoption of decisions, that should be adequately documented, in order to facilitate the future application of other rules of this Circular;²⁵ e) to recognise and value the identifiable assets acquired and the liabilities assumed; f) to recognise and value, where appropriate, the minority interest in the business acquired; g) to value the consideration paid, and h) to recognise and value the goodwill or, in the case of a worthwhile acquisition, the profit obtained.

The Circular also introduces the cases that do not comply with the definition of business combination, which are limited to the following: the combination of entities that, both before and after the combination, are under common control; the acquisition of assets and liabilities that do not constitute a business and the creation of a joint venture.

As already established, one of the combined entities, in every business combination, must be identified as the acquirer. The Circular now widens the criteria for identifying which of the entities participating in the combination is the acquirer, when the identification involves doubts or difficulties.

On the acquisition date, as already established, the acquirer must value the identifiable assets acquired and liabilities assumed in a business combination at their fair value.²⁶ The minority

²³. See “Financial regulation: 2004 Q4”, *Economic Bulletin*, January 2005, Banco de España, pp.127-132. ²⁴. This revision is the result of work performed jointly by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) to converge accounting standards for business combinations and consolidation. ²⁵. Such as the designation of a derivative financial instrument as subject to hedge accounting, the classification of a financial instrument as held for trading or the separation of an embedded derivative in a hybrid financial instrument. ²⁶. As defined by CBE 4/2004, fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction. In determining the fair value, no deduction shall be made for the transaction costs that might be incurred due to sale or other disposal. The best evidence of fair value is the market price in an active market.

interest will be measured as the proportional part that external shareholders represent in the difference between the identifiable assets acquired and the liabilities assumed. Guidance is now introduced on locating and treating separate transactions, i.e. those that do not form part of the business combination.²⁷

The valuation criteria are introduced in those cases in which there has been delivery of consideration to obtain control of an entity. This consideration shall be valued at fair value on the date of acquisition, unless it remains, as an asset or liability, in the combined entity following the business combination, in which case it shall be measured as its book value before the combination, with the additional clarifications introduced by the Circular.

Another change is introduced in relation to the treatment of acquisition-related expenses, such as advisers' fees. These should be recorded as expenses instead of being capitalised.

Another area that is updated is the recognition and valuation of goodwill or the gain on a worthwhile acquisition. On the acquisition date, the acquirer will compare the sum of the consideration paid plus, where applicable, the fair value at that date of its prior equity interest in the acquired business and the amount of the minority interest, with the net fair value of the identified acquired assets less the assumed liabilities.²⁸ The treatment of goodwill in business combinations in stages is therefore consistent with the idea that the taking of control is an event that significantly modifies the investment.²⁹

Also, the general consolidation criteria are revised, as regards the valuations of the investments in entities classified as associates or jointly controlled entities which lose such status; the measurement bases are updated in the full consolidation method, especially to reflect cases of loss of control of a subsidiary; and the information that the acquirer entity must include in the explanatory notes of the individual accounts in relation to each business combination that has been carried out during the accounting period is added. In turn, the valuation of the impairment of the investments measured by the equity method is revised.

Finally, certain updates are made to the references to previous regulations of mercantile companies, whose consolidated text has been included in the recent Law on Share Capital Companies.³⁰

The Circular, which entered into force on 31 December 2010, shall apply to all transactions carried out from 1 January 2011.

***Credit institutions:
development of certain
aspects of the mortgage
market***

CBE 7/2010 of 30 November 2010 (BOE of 6 December 2010), which develops certain aspects of the mortgage market, regulated by Law 2/1981 of 25 March 1981 on mortgage market regulation,³¹ has been published. It also amends CBE 4/2004 of 22 December 2004 on public and confidential financial reporting rules and formats, in accordance with the requirements of the new legislation.

²⁷. In a business combination separate transactions are, in general, those initiated before the date of the combination and that, essentially, have not been carried out for the benefit of the acquired business or of its previous owners. All transactions carried out for the benefit of the acquirer or the combined entity will be considered to be separate transactions in the business combination. Separate transactions may be the result of relationships or contractual agreements existing prior to the start of negotiations to achieve a business combination or may have been carried out during the negotiation period. ²⁸. Previously, the acquirer compared the cost of the business combination with the acquired percentage of the net fair value of the assets, liabilities and contingent liabilities of the acquired entity. ²⁹. A business combination in stages is one in which the acquirer has an equity interest in the acquired entity immediately before the date on which it obtains control. ³⁰. Contained in Royal Legislative Decree 1/2010 of 2 July 2010, approving the consolidated text of the Law on Share Capital Companies. ³¹. This Law was extensively amended by Law 41/2007 of 7 December 2007, and some of its aspects were implemented by Royal Decree 716/2009 of 24 April 2009. See "Financial regulation: 2007 Q4", *Economic Bulletin*, January 2008, Banco de España, pp. 176-182.

The essential data for the special accounting register³² that issuers of covered bonds or mortgage bonds must keep, and that must be included in their annual reports, are established. Specifically, in relation to their lending, among other data, certain information on total mortgage loans and credits shall be gathered, distinguishing those that are eligible to back issues of mortgage bonds or collateralised mortgage bonds or to serve to calculate the limit for the issuance of mortgage covered bonds. As for borrowing, certain information on mortgage bonds shall be included, broken down by issue; as well as on mortgage covered bonds, collateralised mortgage bonds and mortgage transfer certificates, broken down in these cases between securities or certificates issued with and without a public offering, as well as, in both cases, according to their residual maturity.

Technical details are given of the minimum content of the note in the annual report that includes an express declaration of the board of directors or equivalent body of the credit institution on the existence of express policies and procedures in relation to its activities in the mortgage market, so that this body expressly takes responsibility for compliance with mortgage market legislation.³³

Finally, certain technical criteria are included on issues relating to the securitisation of mortgages guaranteed by a credit institution or insurance company,³⁴ and in relation to the judgment that must be made regarding the possible equivalence of guarantees granted over real estate located in other EU countries. In both cases the documentation the creditor credit institutions or associations that represent them must submit to the Banco de España are specified.

The Circular entered into force on 26 December 2010.

***Credit institutions:
advertising of banking
services and products***

CBE 6/2010 of 28 September 2010 (BOE of 11 October 2010) on the advertising of banking services and products has been published. This Circular is addressed to Spanish credit institutions, to the branches in Spain of foreign credit institutions and also to payment institutions regulated by Law 16/2009 of 13 November 2009 on payment services.³⁵ The Circular implements those aspects of Ministerial Order EHA/1718/2010 of 11 June 2010³⁶ on regulation and control of advertising for banking products and services which, by express authorisation, are within the remit of the Banco de España.

Specifically, and given the elimination of the prior administrative authorisation regime by the Ministerial Order mentioned above, the Circular determines the principles which advertising must follow, and the general criteria on the minimum content and format of advertising messages, which are set out in its annex. These criteria should be applied in proportion to the complexity of the banking product or service offered and the characteristics of the medium used to disseminate the advertising.

³². As established by Royal Decree 716/2009, issuers of mortgage covered bonds or mortgage bonds must keep a special accounting register for the mortgage loans and credits that back such issues, of the substitute collateral and of the financial derivative instruments linked to each issue. ³³. Under Royal Decree 716/2009, institutions issuing mortgage covered bonds or mortgage bonds must include a specific note in their annual report containing, inter alia, an express declaration to this effect. ³⁴. As regards the conditions that mortgage loans and credits must meet to be eligible to back the issuance of mortgage market securities (mortgage covered bonds, mortgage bonds and collateralised mortgage bonds), Royal Decree 716/2009 established that the ratio between the loan and the appraisal value of the mortgaged asset may exceed the general limit of 80%, without exceeding 95%, if the operation enjoys insurance or a bank guarantee provided by an entity other than the creditor, which must fulfil certain requirements. ³⁵. See "Financial regulation 2009 Q4" *Economic Bulletin*, January 2010, Banco de España, pp. 150-55. ³⁶. See "Financial regulation: 2010 Q2", *Economic Bulletin*, July 2010, Banco de España, pp.136-38.

At the same time, the Circular regulates the internal procedures and controls, and the commercial communication policy of credit institutions. This policy must incorporate the general principles mentioned in the annex and, in general, the legislation applicable to their advertising activity. It must also set out the procedures necessary to adapt the products offered and the way in which they are presented to the characteristics of the target group.

A presumption is established, that institutions belonging to certain “advertising self-regulation systems” have adequate internal procedures and controls in the area in question. Among other aims, the intention is to encourage credit institutions to join an approved advertising self-regulating body. For this purpose, the Banco de España will publish on its website, a list of institutions belonging to “advertising self-regulation systems” that comply with certain requirements laid down by the Circular. It will also indicate the system to which each institution belongs, along with its code of conduct.

Credit institutions that are not members of an approved “advertising self-regulation system”, or whose advertising does not remain subject to the regime of prior authorisation by the regional government (as is the case of savings banks and certain credit cooperatives), must submit their commercial communication policy and their alternative internal controls to minimise the risks associated with inappropriate advertising to supervision by the Banco de España.

The characteristics and minimum content of the internal register that each institution must keep are specified. This register will be used to conserve and record all documentation corresponding to each advertising campaign and it will be accessible by the Banco de España. In certain cases, the group to which the institution belongs may have a centralised register.

Finally, in the exercise of its administrative power to require the cessation or rectification of banking advertising, the Banco de España will contact credit institutions whose products are advertised in the relevant campaign, indicating, with reasons, those aspects of the advertising that do not comply with the applicable legislation and any rectification it may consider appropriate. In this respect, the deadlines and procedures for institutions to object or present submissions are established. Where applicable, the rectification is made by the same means used to disseminate the campaign and with the same scope. All this is without prejudice to any liability they may have incurred under the penalty regime established by Law 26/1988 of 29 July 1988 on discipline and intervention of credit institutions.

The Circular entered into force on 11 December 2010.

Modification of the legal regime for savings banks

Final provisions three and four of Law 36/2010 of 22 October 2010 (BOE of 23 October 2010) on the Fund for the Promotion of Development³⁷ have made a number of clarifications to the new legal regime for savings banks, which is now regulated by Law 31/1985 of 2 August 1985 on regulation of the basic rules on governing bodies of savings banks³⁸ and by Royal Decree-Law 11/2010 of 9 July 2010 on governing bodies and other aspects of the legal regime of savings banks.³⁹

³⁷ The purpose of the Law is to create and establish the legal regime for the Fund for the Promotion of Development as an instrument for cooperation and development, managed by the Ministry for Foreign Affairs and Cooperation, through the State Secretariat for International Cooperation. This Fund assumes and extends the functions of the Fund to Aid Development, which was created by Royal Decree-Law 16/1976 of 24 August 1976, on economic regulation, fiscal measures, promotion of exports and domestic trade. ³⁸ See “Regulación financiera: tercer trimestre de 1985”, *Boletín Económico*, October 1985, Banco de España, pp. 61-62. ³⁹ See “Financial regulation: 2010 Q3”, *Economic Bulletin*, October 2010, Banco de España, pp.139-144.

The percentage representation of entities representing collective interests on the governing bodies of savings banks is modified. From now on it will be at least 5% of the voting rights in each body (previously it was subject to a maximum of 10%).

Resolutions of the assembly must be adopted, as a general rule, by a simple majority of the votes of those present (previously only the existence of a simple majority was specified).⁴⁰

Finally, a new exception is envisaged to the limit on the length of the terms of office of members of the governing bodies of savings banks which, generally, cannot exceed 12 years. In those savings banks that resolve to combine with other institutions or to carry on their financial activity indirectly, the appointments in force upon the entry into force of this law may be extended beyond the limit of 12 years and until completion of the term of office in question.

**Financial institutions:
development of the
regime governing
qualifying holdings**

The following new legal provisions have been promulgated: *CBE 5/2010 of 28 September 2010* (BOE of 11 October 2010) on the list of information which the potential acquirer of a qualifying holding⁴¹ in a credit institution has to send to the Banco de España;⁴² *CNMV Circular 5/2010 of 18 November 2010* (BOE of 6 December 2010) on information to be submitted by the potential acquirer for the prudential assessment of purchases of qualifying holdings and of increases in holdings in investment firms and in management companies of collective investment institutions;⁴³ and Ministerial Order EHA/3241/2010 of 13 December 2010 (BOE of 17 December 2010) approving the list of information to be submitted in the event of acquisition or increase of qualifying holdings and by those intending to hold administrative and management posts in insurance and reinsurance companies and in firms engaging primarily in the holding of ownership interests in such companies.⁴⁴

The requirement for this information is extended to the cases in which such a holding is directly or indirectly increased such that the voting rights or capital held are equal to or more 20%, 30% or 50% or the target entity can be controlled.

40. The requirement for the attendance of general assembly members and, if applicable, non-voting equity unit holders with a majority of the voting rights is maintained, and also the favourable vote of at least two thirds of the voting rights of those attending is required for the approval and amendment of the articles of association and the internal rules of the savings bank, for the winding-up and liquidation of the institution, its merger or integration with other institutions, its transformation into a special foundation and the decision to carry on its activity indirectly, as provided for in Royal Decree-Law 11/2010. **41.** A qualifying holding in an undertaking is one which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that undertaking, defined as the ability to appoint or remove members of the Board of Directors. **42.** Royal Decree 1817/2009 of 27 November 2009 amending Royal Decree 1245/1995 of 14 July 1995 on the creation of banks, cross-border activity and other matters relating to the legal regime of credit institutions and Royal Decree 692/1996 of 26 April 1996 on the legal regime of specialised credit institutions entrusted the Banco de España with preparing, through a circular, a list of the information to be provided by the potential acquirer of a qualifying holding in order to assess the latter's suitability and the financial soundness of the proposed acquisition. Also, it was stipulated that the Banco de España had to make public the content of that list on its website. See "Financial Regulation: 2009 Q4", Economic Bulletin, January 2010, Banco de España, pp. 144-146. **43.** In the collective investment institution (CII) area, Royal Decree 1818/2009 of 27 November 2009, which amended the Regulations of CII Law 35/2003 of 4 November 2003 approved by Royal Decree 1309/2005 of 4 November 2005, and, in the investment firm area, Royal Decree 1820/2009 of 27 November 2009, which amended Royal Decree 361/2007 of 16 March 2007 implementing Securities Market Law 24/1988 of 28 July 1988 and Royal Decree 217/2008 of 15 February 2008, entrusted the CNMV with preparing, through a circular, a list of the information to be provided by the potential acquirer for the prudential assessment of qualifying holdings and of the increase in holdings in investment firms and in CII management companies, respectively. Also, it was stipulated that the CNMV had to make public the content of that list on its website. **44.** In the insurance area, Royal Decree 1821/2009 of 27 November 2009, amending the Regulation on the Ordering and Supervision of Private Insurance approved by Royal Decree 2486/1998 of 20 November 1998, on qualifying holdings entrusted the Ministry of Economic Affairs and Finance with approving a list of the information to be provided by the potential acquirer of a qualifying holding in the notification for prudential assessment of qualifying holdings and of the increase in holdings in insurance companies. Also, it was stipulated that the Directorate General of Insurance and Pension Funds (DGSFP) had to make public the content of that list on its website.

The list of all the information to be provided by the potential acquirer, which is located in the annexes of the respective legal provisions, is divided into two parts.

The first part consists of the following: 1) general information on the identity of potential acquirers which, in the case of legal persons, includes a list of the members of the Board of Directors or equivalent body and of the senior officers; 2) additional information to assess the integrity of acquirers, including a description of their professional activities and of the companies they direct or control and, where appropriate, their links or relationships of a financial nature (e.g. credit operations, guarantees, pledges) or of a non-financial type (family relationships, among others) with the entity it is intended to acquire; 3) information on the acquisition and on its basic purpose (strategic investment, portfolio investment, etc.); and 4) information about the financing of the acquisition (i.e. the own and borrowed funds used to acquire the holding).

The second part of the list is devoted to information on the level of holding it is intended to acquire, specifying whether the acquisition of the holding will or will not entail a change in control of the entity. If there is a change in control, the acquirer must submit to the relevant supervisory authority,⁴⁵ among other documentation, a business plan containing information on the strategic development plan⁴⁶ relating to the acquisition. If the acquisition does not give rise to change in control of the entity, the potential acquirer should provide a document on strategy with detailed information on his intentions and on the objectives and strategies pursued through the proposed acquisition.

Potential acquirers shall give prior notice in writing of their decision to the supervisory authority, indicating the amount of the proposed holding and shall include in that notification the information included in the list. In the event of the absence of any of the circumstances about which information is requested, this shall be expressly confirmed by the person providing the information. For its part, the supervisory authority may, if it sees fit, ask the direct acquirer to provide information on one or more of the persons or entities through which the holding has been acquired.

If the direct or indirect potential acquirer is another credit institution or a supervised financial institution, it is exempted from submitting certain information contained in the first part of the list, in application of the principle of proportionality.

Should the potential acquirer have been assessed in the previous two years, its notifications of subsequent acquisitions should only furnish information constituting an update of that already submitted, along with a declaration that the other information has not changed.

Should the acquisition have taken place involuntarily, for example as a result of the repurchase by the financial institution of its own shares held by other shareholders, or in the event of an increase in capital in which existing shareholders do not participate, the required notification must be made as soon as the shareholder becomes aware that any of the aforementioned thresholds has been crossed (20%, 30% or 50% or the target entity can be controlled), even if it is intended to reduce the level of shareholding so

⁴⁵ The Banco de España, CNMV or Directorate General of Insurance and Pension Funds. ⁴⁶ The strategic development plan has to indicate the main objectives of the proposed acquisition and how to achieve them, including, among other things: the detailed purpose of the acquisition, the medium-term financial goals (return on equity, cost-benefit ratio, earnings per share, etc.), the main synergies to be pursued within the target financial institution, the possible redirection of activities within the target institution; and general modalities for including and integrating the target institution in the group structure of the acquirer.

that it once again falls below the threshold level,⁴⁷ so that its suitability can be assessed.

A specific section of Ministerial Order EHA/3241/2010 details the information to be provided to the Directorate General of Insurance and Pension Funds by the aforementioned natural or legal persons intending to hold administrative or management posts in insurance and reinsurance companies and in firms engaging primarily in the holding of ownership interests in such companies. This information is specified in the list included as Annex II to the Ministerial Order.⁴⁸ Should those persons be subjected to supervision by the Directorate General of Insurance and Pension Funds, they would only have to provide the information that had not previously been submitted or that had to be updated.

CBE 5/2010 came into force on 31 October 2010; CNMV Circular 5/2010 came into force on 26 December 2010; and Ministerial Order EHA/3241/2010 came into force on 1 January 2011.

***Insurance companies:
amendment of the chart of
accounts***

Royal Decree 1736/2010 of 23 December 2010 (BOE of 30 December 2010) amended the chart of accounts for insurance companies approved by Royal Decree 1317/2008 of 24 July 2008⁴⁹ so as to include the changes made by Royal Decree 1159/2010 of 17 September 2010 establishing rules for the preparation of consolidated annual accounts.

As with credit institutions, the incorporation of the acquisition method is the keystone of consolidation, since it sets the general criteria for including the assets and liabilities of subsidiaries in the consolidated accounts on the date that control is taken. The other changes are similar to those described for credit institutions.

The content of the chart of accounts is adapted to Commission Regulation 1004/2008 amending Regulation 1725/2003 adopting certain international accounting standards and, in particular, the changes to IAS 39 and IFRS 7 approved by the International Accounting Standards Board on 13 October 2008. The adaptation consists of a partial revision of Recording and Valuation Rule 8 (financial instruments) as regards financial asset reclassification, including, in this respect, additional supplementary disclosures in the notes to annual accounts.

The Royal Decree came into force on 31 December 2010 and is to be applied in preparing the individual annual accounts for the accounting periods starting on or after 1 January 2010. If the entities include comparative information from the previous accounting period adapted to the new criteria, the date of first-time application would be that of the previous year, i.e. 1 January 2009.

***Official secondary markets
for futures, options and
other derivatives: new
regulations***

Royal Decree 1282/2010 of 15 October 2010 (BOE of 16 October 2010) regulating the official secondary markets for futures, options and other derivatives repealed the previous regulations contained in Royal Decree 1814/1991 of 20 December 1991.⁵⁰

⁴⁷ If the shareholder intends to reduce the level of shareholding so that it once again falls below the threshold level within a period of less than three months, it should state how it intends to do so and expressly undertake not to exercise the voting rights carried by the excess shares. ⁴⁸ Basically, the list in Annex II refers to the following information: identity of the natural or legal persons; detailed description of their activities; list, where applicable, of the members of the Board of Directors or equivalent body and of the senior officers; relevant information for assessing integrity; description of links or relationships of a financial nature (loans, guarantees and collateral) or of a non-financial nature (including family relationships) and description of any other link, interest, relationship or activity which could give rise to a conflict of interest with the insurance company, reinsurance company or the group of which it forms part; and, in this case, the measures to be adopted to remedy that conflict of interest. ⁴⁹ See "Financial Regulation: 2008 Q3", Economic Bulletin, October 2008, Banco de España, pp. 137-139. ⁵⁰ See "Regulación financiera: cuarto trimestre de 1991", Boletín Económico, January 1992, Banco de España, pp. 63 and 64.

The aims of this Royal Decree are: to bring Spanish regulation into line with the regulatory standards prevailing in the relevant international markets; to promote the introduction of new products, services and lines of business in the Spanish derivatives markets; to reduce the systemic risk associated mainly with the clearing and settlement of derivatives contracts; and to help deepen the single European market through the establishment of agreements and links with other Union derivatives markets to promote interoperability, efficiency gains and the choice of market infrastructure by users.

The main changes introduced by the Royal Decree are as follows:

BROADENING OF SCOPE OF APPLICATION

The Royal Decree extends the range of products that can be traded and registered in these markets, which are not limited to futures and options, but also include all the derivatives defined in Securities Market Law 24/1988 of 28 July 1988,⁵¹ whatever the underlying asset may be.

The Royal Decree provides that the market operator may offer trading, registration, clearing, settlement and counterparty services. Also, the market operator may carry out central counterparty activities in accordance with the provisions of the Securities Market Law, subject to the specificities of and as may be provided by market regulations.⁵²

Further, it is provided that the market operator may carry out counterparty functions in respect of contracts traded in markets or in trading systems not managed by the market operator, when the latter has entered into the appropriate agreements to carry out the functions of a central counterparty clearing house, in accordance with the provisions regulating that market or trading system.

UPDATING OF MARKET REGULATION

The content of the market regulations and of the general terms and conditions of contracts are updated and certain references, such as those to order type and trading hours, are omitted.

The compulsory intervention of the operators of the markets in which the underlying assets of futures and options are traded is discontinued.⁵³ This intervention shall only be made at the initiative of the CNMV when special circumstances may disrupt normal market operations or such a measure is warranted to protect investors.

The market regulations provide for the division of the central register into various sub-registers containing details of the contracts of customers of market members.⁵⁴

Each futures and options market is no longer required to have its own market operator and the definition thereof is updated as required by the Securities Market Law.

51. See "Regulación financiera: tercer trimestre de 1988", Boletín Económico, October 1988, Banco de España, pp. 61 and 62. 52. In the exercise of those activities, the market operator may establish agreements with other resident and non-resident entities whose functions are similar or which manage securities clearing and settlement systems, are shareholders of those entities or admit them as shareholders. Such agreements shall require the prior approval of the CNMV or, where applicable, of the government. 53. Under the previous legislation, the Minister for Economic Affairs and Finance, for economic policy reasons and upon a prior report from or at the proposal of the CNMV, with a report from the operators of the futures and options markets and of the markets in which the underlying assets of the futures or options are traded, could suspend trading in one or more traded contracts or even temporarily suspend all activity in them in the event of special circumstances which could seriously disrupt normal operations. 54. Thus the accounting register for contracts will be made up of a central register (current system) kept by the market operator and of sub-registers kept by the members authorised to do so. These have to comply with the requirements set in the market regulations for managing those registers, without prejudice to any obligations imposed on them by this Royal Decree for the keeping of such registers.

MARKET OPERATORS

The own funds of market operators are strengthened. They must not be less than €18 million (previously €9 million) or than the total collateral provided by the market operator. However, it is provided that the Ministry of Economic Affairs and Finance or, with its express consent, the CNMV may determine a lower minimum amount of own funds depending on the characteristics of the market in question and on the adequacy of those own funds and their liquidity, in accordance with the risks assumed at any time and the stress tests and other similar techniques used.

OFFICIAL SECONDARY FUTURES AND OPTIONS MARKET MEMBERS

The Royal Decree updates the entities eligible to become market members and the regulation of access to such status, which will continue to be granted by the market operator. As a new development, the conditions are specified for becoming a member with restricted trading and registration-requesting capacity for counterparty purposes solely in futures and options and other financial instruments with a non-financial underlying asset.⁵⁵

Also, should the market operator carry out central counterparty functions, it is provided that the entities acting as central securities depository and other central counterparty clearing houses may become market members. In any event, the market operator may reject the participation of those entities that do not admit the participation, on a reciprocal basis, of the market operator in their systems.

COLLATERAL

The regulations on collateral to be provided by members and by customers are updated. The collateral depends on the open positions taken by them or for which they are liable, the type of member in question and the functions carried out by those members in accordance with market regulations.

Further, a collective collateral regime is established. This will be compulsory either for all members or, where appropriate, for certain types of members. The market regulations must specify the criteria for determining the members required to make contributions, the criteria for determining the amount of those contributions and the purpose thereof.⁵⁶

Lastly, the basic principles of the regime governing non-compliance by members and customers, which will be included in the market regulations, are laid down. Specifically, the reasons for non-compliance, the measures to be taken and the procedures and actions to be carried out by the market operator or market members are specified. In the event of non-compliance, the measures may consist of temporary suspension of the member or customer, termination or transfer of registered contracts, realisation of collateral and, ultimately, loss of market member or customer status.

The Royal Decree came into force on 17 October 2010, although the authorised financial futures and options markets have an adaptation period of six months from that date.

Venture capital entities: update of certain administrative procedures and authorisations

CNMV Circular 3/2010 of 14 October 2010 (BOE of 29 October 2010) on administrative procedures for the authorisation of venture capital entities ("ECRs" by their Spanish abbreviation) and their management companies ("SGECRs" by their Spanish abbreviation), for amendment

⁵⁵. Thus they have to: a) have recognised and accredited experience and professionalism in the sector of the related non-financial underlying asset; b) have minimum own funds of €50,000; c) have the necessary organisational resources to adequately perform the function of market member; and d) comply with any additional requirements of solvency, organisation and specialisation that may be set by the market operator. ⁵⁶. It is also provided that the market regulations may establish a regime governing the contribution of collateral by the market operator based on the functions performed by it, on the nature of the contracts subjected to registration, trading, clearing and settlement and counterparty services, on the types of members participating in the market and on the functions performed by them.

of their internal rules and articles of association and for the communication of changes in directors and managers replaced CNMV Circular 4/1999 of 22 September 1999 in order to adapt its content to the new legal framework established by Law 25/2005 of 24 November 2005⁵⁷ regulating venture capital entities and their management companies.

The formal steps of the projects to set up ECRs and SGECRs must be submitted to the CNMV, which, once it has verified that the proposed project complies with current legislation, will issue the compulsory administrative authorisation. However, in the case of venture capital funds not to be created under a public deed, the CNMV can be requested to combine in a single act the authorisation of the fund and its registration in the related administrative register.⁵⁸

The Circular updates and expands the information to be included in the management rules and articles of association. Specifically, in addition to the information stipulated in previous legislation, they must include the basic characteristics of the units/shares, indicating the regime governing the issuance and redemption of units/shares, the frequency with which the value of units/shares is to be calculated for subscription and redemption purposes, and the reasons for winding up venture capital funds and how they are to be liquidated, stipulating how the assets are to be distributed and the notification requirements to be met previously.

The standards of commercial, business or professional integrity for the people taking up senior management positions (directors, general managers or similar officers) in venture capital companies are strengthened, and an internal code of conduct is required.

As a new feature, the Circular requires a manual for the prevention of money laundering. For this purpose, the CNMV draws on the compulsory report from the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences as regards the suitability of the procedures included in that manual.⁵⁹

Amendments to the management rules or articles of association generally have to follow the same procedure as that envisaged for their authorisation and require, among other things, an explanation of the reasons for the requested changes to the articles of association or management rules.

Unlike the previous circular, the new Circular lists a series of changes to the management rules or articles of association of ECRs considered to be of minor importance and thus not requiring prior authorisation, such as change of domicile, change of name, capital increases with a charge to venture capital company reserves and asset increases at venture capital funds up to the level of their commitment.

The Circular came into force on 30 October 2010.

**Securitisation SPVs:
update of accounting
rules, annual accounts
and financial statements**

CNMV Circular 4/2010 of 14 October 2010 (BOE of 5 November 2010) amended CNMV Circular 2/2009 of 25 March 2009⁶⁰ on accounting rules, annual accounts, public financial statements and confidential statistical returns of securitisation SPVs.

⁵⁷. See "Financial Regulation: 2005 Q4", Economic Bulletin, January 2006, Banco de España, pp. 120-123. ⁵⁸. Previously, in all cases, once the CNMV had verified that the proposed project complied with current legislation, it sent to the Ministry of Economic Affairs and Finance the related report and authorisation proposal together with the documentation submitted for that purpose. ⁵⁹. Law 10/2010 of 28 April 2010 on the prevention of money laundering and terrorist financing included SGECRs and those venture capital companies not managed by a management company among the entities subject to the obligations established by this Law. They must therefore have procedures and bodies for the prevention of money laundering. ⁶⁰. See "Financial Regulation: 2009 Q1", Economic Bulletin, April 2009, Banco de España, pp. 197-198.

The main new feature in this Circular is the amendment, for fiscal reasons, of Rule 13 on impairment of securitised assets.

Until it was amended, Rule 13 on asset impairment of Circular 2/2009 stipulated that models based on statistical methods could be used to determine impairment losses on financial assets. The amendment by the CNMV specifies those statistical models, for which purpose it establishes a methodology similar to that currently required by the Banco de España in Annex IX of CBE 4/2004 in respect of specific provisioning for doubtful assets due to customer arrears.⁶¹

In this respect, a general treatment is introduced which consists in applying certain percentages of impairment based on the age of the past-due outstandings⁶² of any single loan, such that the provision reaches 100% from the age of 12 months.

Specific treatments are stipulated for real estate mortgage loans, finance leases, loans secured by certain collateral and available-for-sale financial assets. In the first, the impairment of financial assets classified as doubtful will be estimated based on the nature of the asset subject to the right in rem.⁶³ In the second, this same impairment estimation method shall be applied if the leased asset is real estate; if it is personal property, the loss shall be that estimated, which shall, at a minimum, be the difference between the carrying amount of the financial assets and 75% of the fair value of the leased assets.

To record provisions for the impairment of specific loans with partial cash collateral, the allowance percentages listed in the general treatment shall be applied to the difference between the amount at which they are recorded in assets and the present value of the deposits. The impairment of loans with partial collateral consisting of holdings in monetary financial institutions or government debt securities or other financial instruments quoted on active markets shall be provisioned by applying these percentages to the difference between the amount at which they are recorded in assets and 90% of the fair value of such financial instruments.

The amount of the impairment losses on securities included in the available-for-sale financial asset portfolio shall be the positive difference between their acquisition cost, net of any principal repayment and amortisation, and their fair value, less any impairment loss previously recognised in the income statement.

Lastly, the new Circular updates certain annexes to Circular 2/2009 as a result of the amendment of asset impairment rules, and makes certain changes to the public financial statements sent to the CNMV in order to make them easier to complete.

The Circular came into force on 6 November 2010.

European System of Financial Supervisors

The Union adopted *Regulation 1092/2010 of the European Parliament and of the Council of 24 November 2010* (OJ L of 15 December 2010) on European Union macro-prudential over-

⁶¹. The methodology is based on CBE 4/2004 of 22 December 2004 amended by CBE 3/2010 of 29 June 2009 in order to allow a treatment consistent with that used by institutions with similar assets. ⁶². Specifically, 25% of the doubtful asset when the first instalment is up to 6 months past-due, 50% when it is up to 9 months past-due, 75% when it is up to 12 months past-due and 100% thereafter. ⁶³. The estimate of the value of the financial claims received as security will, at a maximum, be the appraisal value, weighted as follows: by 80% for completed housing constituting the borrower's principal residence; by 70% for rural property in use and completed multi-purpose offices and commercial and industrial premises; by 60% for other completed housing; and by 50% for land parcels, building plots and other real estate assets.

sight of the financial system and establishing a European Systemic Risk Board (ESRB) and *Council Regulation 1096/2010 of 17 November 2010* (OJ L of 15 December 2010) conferring specific tasks upon the European Central Bank (ECB) concerning the functioning of the ESRB.

Also adopted were *Regulation 1093/2010 of the European Parliament and of the Council of 24 November 2010* (OJ L of 15 December 2010) establishing a European Supervisory Authority (European Banking Authority); *Regulation 1094/2010 of the European Parliament and of the Council of 24 November 2010* (OJ L of 15 December 2010) establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority); *Regulation 1095/2010 of the European Parliament and of the Council of 24 November 2010* (OJ L of 15 December 2010) establishing a European Supervisory Authority (European Securities and Markets Authority); and *Directive 2010/78/EU of the European Parliament and of the Council of 24 November 2010* (OJ L of 15 December 2010) amending Directives 98/26/EC, 2002/87/EC, 2003/6/EC, 2003/41/EC, 2003/71/EC, 2004/39/EC, 2004/109/EC, 2005/60/EC, 2006/48/EC, 2006/49/EC and 2009/65/EC in respect of the powers of the European Supervisory Authorities.

The main new feature of this raft of legislation is the creation of the European System of Financial Supervisors (ESFS). Its main aim is to ensure proper application of rules and regulations in the financial sector, preserve its stability and confidence, and ensure that the consumers of financial services are appropriately and sufficiently protected.

The ESFS will comprise the aforementioned three new European Supervisory Authorities (ESAs), the ESRC, the Joint Committee of the European Supervisory Authorities (Joint Committee) and the competent supervisory authorities of the Member States.

The Joint Committee shall be composed of the ESAs and the ESRC. The former shall cooperate regularly and closely with the ESRC to ensure cross-sectoral consistency of activities and reach common positions in the supervision of financial conglomerates and in other cross-sectoral matters.

EUROPEAN SUPERVISORY AUTHORITIES

The respective ESAs replace the Committee of European Banking Supervisors,⁶⁴ the Committee of European Insurance and Occupational Pensions Supervisors⁶⁵ and the Committee of European Securities Regulators.⁶⁶ Also, the authorities assume all the tasks and competences of those committees including the continuation of ongoing work and projects, where appropriate.

Their main aim is to ensure consistent application of financial sector rules and regulations with the same objectives as the ESFS. They will especially contribute to: a) improving the functioning of the internal market, including in particular a sound, effective and consistent level of regulation and supervision, b) ensuring the integrity, transparency, efficiency and orderly functioning of financial markets, c) strengthening international supervisory coordination, d) preventing regulatory arbitrage and promoting equal conditions of competition, e) ensuring the taking of investment and other risks are appropriately regulated and supervised, and f) enhancing customer protection.

⁶⁴. Created pursuant to Commission Decision 2009/78/EC. ⁶⁵. Created pursuant to Commission Decision 2009/79/EC. ⁶⁶. Created pursuant to Commission Decision 2009/77/EC.

In the exercise of their tasks, they shall pay particular attention to any systemic risk⁶⁷ posed by financial institutions, the failure or poor functioning of which may impair the operation of the financial system or the real economy.

The ESAs were created on 1 January 2011⁶⁸ and will each comprise: a Board of Supervisors, a Management Board, a Chairperson, an Executive Director and a Board of Appeal.

The respective regulations set out in detail the functions and competences of the ESAs. These include most notably the following: a) to contribute to the establishment of high-quality common regulatory and supervisory standards and practices, in particular by providing opinions to the Union institutions; b) to develop guidelines, recommendations, and draft regulatory and implementing technical standards; c) to contribute to the consistent application of legally binding Union acts, in particular by contributing to a common supervisory culture; d) to monitor and assess market developments in their areas of competence, including where appropriate trends in credit, in particular, to households and SMEs; and e) to foster depositor and investor protection.

Regarding tasks related to consumer protection, they shall promote transparency, simplicity and fairness in the market for consumer financial products or services across the internal market, particularly by: a) collecting, analysing and reporting on consumer trends; b) reviewing and coordinating financial literacy and education initiatives by the competent authorities; c) developing training standards for the industry; and d) contributing to the development of common disclosure rules.

ESAs may adopt guidelines and recommendations addressed to competent authorities or financial market participants with a view to promoting the safety and soundness of markets and convergence of regulatory practice, and may establish consistent, effective and efficient supervisory policies. They may temporarily prohibit or restrict certain financial activities that threaten the orderly functioning and integrity of financial markets or the stability of the whole or part of the Union's financial system.

Regarding emergency action, in the case of adverse developments which may seriously jeopardise the orderly functioning and integrity of financial markets or the stability of the whole or part of the financial system in the Union, ESAs shall actively facilitate and coordinate any actions undertaken by the national competent supervisory authorities of Member States. In certain conditions, ESAs may urge the competent authorities to take the measures needed to deal with the situation. If they do not take those measures, the ESAs may adopt decisions addressed to the financial institutions directly subject under Union law, including the cessation of any financial practice when necessary to urgently remedy the situation.

EUROPEAN SYSTEMIC RISK BOARD (ESRB)

The ESRB⁶⁹ will ensure the supervision of the Union's financial system, assuming responsibility for the macro-prudential oversight of the financial system within the Union in order to prevent or mitigate systemic risks and avoid periods of widespread financial distress.

The ESRB shall have a General Board, a Steering Committee, a Secretariat, an Advisory Scientific Committee and an Advisory Technical Committee. The ESRB's tasks will include the following: a) determining and/or collecting and analysing all the relevant and necessary infor-

⁶⁷. Systemic risk means a risk of disruption in the financial system with the potential to have serious negative consequences for the internal market and the real economy. All types of financial intermediaries, markets and infrastructure may be potentially systemically important to some degree. ⁶⁸. The headquarters of the European Banking Authority will be in London, those of the European Securities and Markets Authority in Paris and those of the European Insurance and Occupational Pensions Authority in Frankfurt am Main. ⁶⁹. The ESRC's headquarters will be in Frankfurt am Main.

mation for achieving its objectives; b) identifying and prioritising systemic risks; c) issuing warnings where such systemic risks are deemed to be significant and, where appropriate, making those warnings public; d) issuing recommendations for remedial action in response to the risks identified and, where appropriate, making those recommendations public; and g) cooperating closely with all the other parties to the ESFS and, in particular, providing the ESAs with the information on systemic risks required for the performance of their tasks.

When significant risks in the financial system are identified, the ESRB shall provide warnings and, where appropriate, issue recommendations for remedial action, including, where appropriate, for legislative initiatives. These warnings or recommendations may be of either a general or a specific nature and shall be addressed in particular to the Union as a whole or to one or more Member States, or to one or more of the ESAs, or to one or more of the national supervisory authorities.

The ESRB, in close cooperation with the other parties to the ESFS, shall elaborate a colour-coded system corresponding to situations of different risk levels, so as to classify them by seriousness.

The ECB shall carry out the functions of the ESRB Secretariat, providing analytical, statistical, logistical and administrative support to the ESRB. Among others, the Secretariat's tasks are as follows: the collection and processing of information, including statistical information, determined by the ESRB; the preparation of the analyses necessary to carry out the tasks of the ESRB; and making available to the ESAs the risk information required by them to carry out their tasks.

The regulations came into force on 16 December 2010 (general application from 1 January 2011) and Directive 2010/78/EU came into force on 4 January 2011.

Amendment of European legislation on public offerings and on the admission of securities to trading

The Union adopted *Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010* (OJ L of 11 December 2010) amending Directives 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

The changes to Directive 2003/71/EC are as follows. The threshold amount of securities included in an offering above which the Directive is applicable is raised from €2.5 million to €5 million, offerings for lower amounts being outside its scope of application. Similarly, the threshold total amount of the offering of non-equity securities issued in a continuous or repeated manner by credit institutions above which the Directive is applicable is raised from €50 million to €75 million.

The threshold above which it is required to publish a prospectus in an offer of securities addressed to individual investors is raised to an acquisition of €100,000 per investor (previously the threshold was €50,000).

For the purposes of private placement of securities, the definition of "qualified investors" is broadened to include existing professional clients considered as such in accordance with Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments.

The prospectus shall contain information concerning the issuer and the securities to be offered to the public, along with a summary that concisely provides key information in the language in which the prospectus was originally drawn up. However, where the prospectus relates to the admission to trading on a regulated market of non-equity securities having a denomination of at least €100,000 (previously €50,000), there shall be no requirement to provide a summary.

Where securities are guaranteed by a Member State, an issuer, an offeror or a person asking for admission to trading on a regulated market shall be entitled to omit information about such guarantor when drawing up the prospectus.

The changes to Directive 2004/109/EC are as follows. The exemptions from its scope of application continue to include issuers that issue solely debt securities admitted to trading on a regulated market, but the threshold denomination per unit is raised from €50,000 to €100,000; also exempt are issuers of debt securities denominated in a currency other than euro where the value of such denomination per unit is, at the date of the issue, equivalent to at least €100,000 (previously €50,000). However, temporarily, the previous amounts remain in force for those debt securities which had already been admitted to trading on a regulated market in the Union before 31 December 2010.

Where only holders of debt securities whose denomination per unit amounts to at least €100,000 (previously €50,000) or, in the case of debt securities denominated in a currency other than euro whose denomination per unit is, at the date of the issue, equivalent to at least €100,000 (previously €50,000), are to be invited to a meeting, the issuer may choose as venue any Member State, provided that all the facilities and information necessary to enable such holders to exercise their rights are made available in that Member State. Likewise, the previous amounts temporarily remain in force for those debt securities which had already been admitted to trading on a regulated market in the Union before 31 December 2010, for as long as such debt securities are outstanding.

The Directive came into force on 31 December 2010 and the Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 1 July 2012.

Community directive on capital requirements for the trading book and for securitisations, and the supervisory review of remuneration policies

The Union adopted *Directive 2010/76/EU of the European Parliament and of the Council of 24 November 2010* (OJ L of 14 December 2010) amending Directives 2006/48/EC⁷⁰ and 2006/49/EC⁷¹ as regards capital requirements for the trading book and for securitisations, and the supervisory review of remuneration policies.

SUPERVISORY REVIEW OF REMUNERATION POLICIES

In order to address the potentially detrimental effect of poorly designed remuneration structures on the sound management of risk and control of risk-taking behaviour by individuals, the requirements of Directive 2006/48/EC to have in place systems, strategies, procedures and mechanisms for effective risk management were reviewed and supplemented by an express obligation for credit institutions and investment firms (hereafter “institutions”) to establish and maintain, for categories of staff whose professional activities have a material impact on their risk profile, remuneration policies and practices that are consistent with effective risk management.

⁷⁰. Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions. ⁷¹. Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions.

Those categories of staff should include at least senior management, risk takers, staff engaged in control functions and any employee whose total remuneration, including discretionary pension benefit provisions, takes them into the same remuneration bracket as senior management and risk takers.

Having regard to the principle of proportionality, remuneration policies and practices should be applied to all aspects of remuneration including salaries, discretionary pension benefits⁷² and any similar benefits.

In application of said principle of proportionality, only institutions that are significant in terms of their size, internal organisation and the nature, the scope and the complexity of their activities are required to establish a *remuneration committee* as an integral part of their governance structure and organisation.

The assessment of the performance-based components of remuneration should be based on longer-term performance and take into account the outstanding risks associated with the performance. The assessment of performance should be set in a multi-year framework of at least three to five years, in order to ensure that the assessment process is based on longer term performance and that the actual payment of performance-based components of remuneration is spread over the institutions' business cycle.

A substantial portion of the variable remuneration component, such as 40% to 60%, should be deferred over an appropriate period of time. Moreover, a substantial portion of the variable remuneration component must consist of shares or other share-linked instruments, subject to the legal structure of the institution concerned or, in the case of a non-listed institution, other equivalent non-cash instruments and, where appropriate, other long-dated financial instruments that adequately reflect the credit quality of the institution.

Institutions must ensure that the total variable remuneration does not limit their ability to strengthen their capital base. If this occurs, Member States' competent authorities are empowered to limit variable remuneration, inter alia, as a percentage of total net revenue. Also, the authorities are empowered to impose, whenever the situation so requires, qualitative or quantitative measures on the relevant institutions that are designed to address problems that have been identified in relation to their remuneration policies. Qualitative measures available to the competent authorities include requiring the institutions to reduce the risk inherent in their activities, products or systems, including by introducing changes to their structures of remuneration or freezing the variable parts of remuneration. Quantitative measures include a requirement to hold additional own funds. In the event of non-compliance, the competent authorities shall have the power to impose or apply financial and non-financial penalties or other measures. Those penalties or measures shall be effective, proportionate and dissuasive.

Lastly, institutions should disclose detailed information on their remuneration policies, practices and, for reasons of confidentiality, aggregated amounts for those members of staff whose professional activities have a material impact on the risk profile of the credit institution or investment firm. That information should be made available to all stakeholders (shareholders, employees and the general public).

TRADING PORTFOLIO AND
RESECURITISATION

The provisions on prudent valuation in Directive 2006/49/EC are extended to all instruments measured at fair value, whether in the trading book or non-trading book of institutions. Where the

⁷². "Discretionary pension benefits" means enhanced pension benefits granted on a discretionary basis by a credit institution to an employee as part of that employee's variable remuneration package, which do not include accrued benefits granted to an employee under the terms of the company pension scheme.

application of prudent valuation would lead to a lower carrying value than actually recognised in the accounting, the absolute value of the difference has to be deducted from own funds.

The standards for internal models to calculate market risk capital requirements are strengthened. Similarly, the use of internal models to calculate securitisation risks in the trading book has had limits placed on it and a standardised capital charge for securitisation positions in the trading book is now required by default.

The Directive extends for a further year, i.e. until 31 December 2011, the transitional floors being applied to credit institutions which calculate risk-weighted exposures by the Internal Ratings Based Approach (the IRB Approach) or Advanced Measurement Approaches.

Specific risk charges for securitisation positions have to be aligned with the capital requirements in the banking book since the latter provide for a more differentiated and risk-sensitive treatment of securitisation positions.

In the field of securitisation, disclosure requirements of institutions have been considerably strengthened. Institutions must particularly take into account the risks of securitisation positions in the trading book.

The term “resecuritisation” is introduced. It means a securitisation where the risk associated with an underlying pool of exposures is tranching and at least one of the underlying exposures is a securitisation position. Credit institutions investing in resecritisations are required to exercise due diligence also with regard to the underlying securitisations and the non-securitisation exposures ultimately underlying the former.

Credit institutions must assess whether exposures in the context of asset-backed commercial paper programmes constitute resecritisation exposures, including those in the context of programmes which acquire senior tranches of separate pools of whole loans where none of those loans is a securitisation or resecritisation exposure, and where the first-loss protection for each investment is provided by the seller of the loans.

Institutions are permitted to choose whether to apply a capital requirement to or deduct from own funds those securitisation positions that receive a 1,250% risk weight, irrespective of whether the positions are in the trading or the non-trading book.

The powers granted to the Commission are broadened so that it can carry out the appropriate technical adjustments to the two directives to ensure uniform application thereof and to take account of developments on financial markets.

The Directive came into force on 15 December 2010.

Changes in the rules for preparing consolidated annual accounts and in the chart of accounts

Royal Decree 1159/2010 of 17 September 2010 (BOE of 24 September 2010) repealed Royal Decree 1815/1991 of 20 December 1991, laid down rules for preparing consolidated annual accounts and altered the Spanish general chart of accounts (*Plan General de Contabilidad* or “PGC” by its Spanish abbreviation) approved by Royal Decree 1514/2007 of 16 November 2007⁷³ and the general chart of accounts for small and medium-sized enterprises approved by Royal Decree 1515/2007 of 16 November 2007.⁷⁴

⁷³. See “Financial Regulation: 2007 Q4”, Economic Bulletin, January 2008, Banco de España, pp. 196-198. ⁷⁴. See “Financial Regulation: 2007 Q4”, Economic Bulletin, January 2008, Banco de España, pp. 198 and 199.

The purpose of the Royal Decree is to transpose to Spanish law Commission Regulations 494/2009 and 495/2009 of 3 June 2009 amending Regulation 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation 1606/2002 of the European Parliament and of the Council as regards, respectively, International Accounting Standard 27 (Consolidated and Separate Financial Statements) and International Financial Reporting Standard 3 (Business Combinations).

The new rules for the preparation of consolidated financial statements are structured, as previously, in six sections: i) parties to consolidation, ii) obligation to prepare consolidated financial statements, consolidation methods and equity method, iii) full consolidation method, iv) proportionate consolidation method and equity method, v) other rules applicable to consolidation, and vi) rules for preparing consolidated financial statements.

It should be noted that the consolidation rules regulate the criteria used to account for elimination of investment and equity by reference to the *acquisition method* set forth in the PGC, with such adaptations and clarifications as are needed for consolidated entities.

The acquisition method regulated in Recording and Valuation Rule 19 “Business Combinations” of the PGC⁷⁵ is the keystone of consolidation, since it sets the general criteria for including the assets and liabilities of subsidiaries in the consolidated accounts on the date that control is obtained. Once the criteria for recognising and measuring the financial statement items of the group companies have been unified, the acquisition method requires those items to be aggregated and subsequently eliminated from the standpoint of the group as the reporting entity, and not as a mere prolongation of the individual financial statements of the controlling company.

The Royal Decree came into force on 25 September 2010 and is to be applied in preparing the consolidated financial statements for the first accounting period starting on or after 1 January 2010. If the entities include comparative information from the previous accounting period adapted to the new criteria, the date of first-time application would be that of the previous year, i.e. 1 January 2009.

State budget for 2011

Following the usual practice in December, *Law 39/2010 of 22 December 2010* (BOE of 23 December 2010) on the State budget for 2011 was promulgated. Notable from the standpoint of financial regulation were the following.

GOVERNMENT DEBT

The government is authorised to increase the outstanding State debt in 2011, subject to the condition that it shall not exceed the level at the beginning of the year by more than €43,626 million (the limit for last year's budget was €78,136 million). This limit may be exceeded during the course of the year with prior authorisation of the Ministry of Economic Affairs and Finance, and those cases in which it shall be automatically revised are laid down.

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

⁷⁵ The PGC continues to set the acquisition method as the only possible alternative for accounting for business combinations. The PGC explains how to identify the acquirer in accordance with IAS 27. The equity of the acquirer will continue to be recorded at the same carrying amount, unlike that of the acquiree, which must generally be recorded at fair value.

With regard to personal income tax, the individual and household minimums and the employment income deduction remain unchanged. The tax rates applicable to incomes above €120,000 and €175,000 are raised moderately from 43% to 44% and from 43% to 45%, respectively.

The taxation of multi-year compensation was also changed, a limit of €300,000 being introduced on the amount of gross income to which the 40% rebate will be applied.⁷⁶

The rebate for birth or adoption of children (set at €2,500) was struck down and the tax credit for house purchase or rental changed. Thus, with effect from 1 January 2011 the personal income tax credit for investment in principal residence will only apply to taxpayers whose taxable income is less than €24,107.20 per year, although it remains in place temporarily for purchasers who bought their house before that date. The tax credit for rental of principal residence was also changed to put it on an equal footing with that for house purchase. In addition, the reduction in the net income from renting out residential real estate is raised from 50% to 60%. This reduction will be 100% when the tenant is between 18 and 30 years of age (previously between 18 and 35 years of age).

The rebates to compensate for the loss of tax benefits affecting certain taxpayers under the current personal income tax law, regulated by Law 35/2006 of 28 November 2006, remain in place. The first establishes for 2010 a tax credit for purchase of principal residence for taxpayers who purchased their principal residence before 20 January 2006. The amount is equal to the difference between the tax credit resulting from application of the previous personal income tax legislation (Legislative Royal Decree 3/2004 of 5 March 2004),⁷⁷ in force until end-2006, and that under Law 35/2006.⁷⁸

The second rebate will affect those receiving in 2010 certain income from capital arising over a period exceeding two years. On one hand, income from capital obtained from transfer to third persons of capital from financial instruments entered into prior to 20 January 2006 shall qualify for a reduction of 40%, as it did under the previous personal income tax law. On the other, income received in the form of deferred capital arising from life and disability insurance policies taken out prior to 20 January 2006 shall qualify for a 40% or 75% reduction, as envisaged under the previous personal income tax law.

For transfers of real estate not used in business activities, the updated acquisition cost adjustment coefficient of 1% remains in place.

Another change affects open-end investment companies. Specifically, a tax rate equal to that on savings income (between 19% and 21%) will be levied on revenue derived from share capital reductions with refund of shareholders' contributions⁷⁹ and on distributions of share

⁷⁶. Previously a 40% rebate was generally applied to gross income arising over a period of more than two years not obtained on a periodic or recurring basis and to that legally deemed to have been obtained manifestly irregularly over time. ⁷⁷. See "Financial Regulation: 2004 Q1", Economic Bulletin, April 2004, Banco de España, pp. 99 and 100.

⁷⁸. During 2010 a tax credit may be taken, in general, for 15% of the amounts paid for the purchase or renovation of the principal residence, with a maximum of €9,015.18 per annum. In 2006, although the same tax credit was available, in general, when the purchase was made using borrowed funds, in the two years following the purchase the tax credit was for 25% of the first €4,507.59 and for 15% of the remainder up to €9,015.18. Subsequently, these percentages were 20% and 15%, respectively. ⁷⁹. In this case a limit is set, which is the larger of the following amounts: a) the increase in the net asset value of the shares from their acquisition or subscription date to the date of the capital reduction, and b) when the capital reduction is carried out using undistributed earnings, the amount of those earnings. In this respect, capital reductions, whatever their purpose, are deemed to affect first the portion of the share capital originating from undistributed earnings, until it is cancelled. The excess over this limit shall reduce the acquisition cost of the shares involved until they are cancelled. In turn, any resulting excess shall be included as investment income from share holdings in any type of firm, as stipulated for the distribution of share premiums.

premiums to shareholders (this measure is applied in an equivalent manner in corporate income tax).

In corporate income tax, the main new measure is intended to allow SMEs to continue under the applicable special regime for the three years immediately following that in which they exceed the threshold of €8 million of turnover.⁸⁰ This measure is extended to firms that exceed the threshold as a result of a corporate restructuring, provided that all the firms involved meet the aforesaid condition. Furthermore, capital increases in 2011 and 2012 by firms eligible under this measure are exempt from transfer tax under the “corporate transactions” heading.

Also, Spanish legislation is adapted to Community law in respect of the financial goodwill deduction, which will cease to apply for purchases of securities representing holdings in the own funds of entities resident in another Union Member State made from 21 December 2007.

The tax on the income of non-residents is modified to adapt Spanish legislation to Union law. To do this, the percentage of holding required for exemption of dividends distributed by subsidiaries resident in Spain to parents resident in the European Union or to their permanent establishments is made equal to the percentage of holding required under the corporate income tax law in respect of the application of the 100% tax credit to avoid double domestic taxation of dividend payments.

Other financial measures relate to the legal interest rate and the late-payment interest rate, which are unchanged at 4% and 5%, respectively.

10.1.2011.

⁸⁰. This amount has risen to €10 million under Royal Decree-Law 13/2010 of 3 December 2010 on fiscal, labour and deregulatory actions to foster investment and job creation. This legislation has also improved the tax thresholds of that special regime. Thus the tax rate is 25% on the portion of taxable income between €0 and €300,000 (previously that rate applied to the portion between €0 and €120,202.41). The rate on the rest of taxable income is 30%.

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1. IMF Special Data Dissemination Standard (SDDS).

INTEREST RATES
AND INDICES OF SPANISH
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1. IMF Special Data Dissemination Standard (SDDS).

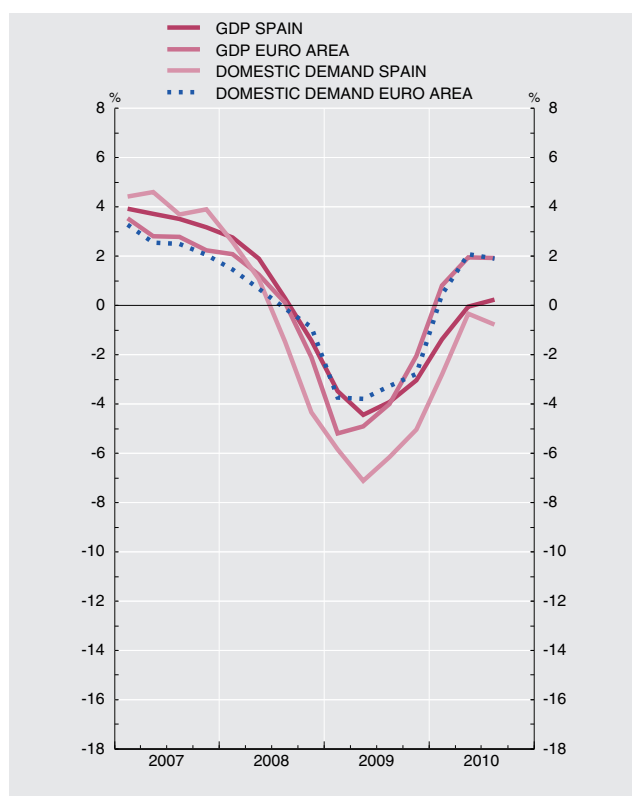
1.1. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES, REFERENCE YEAR 2000=100. DEMAND COMPONENTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

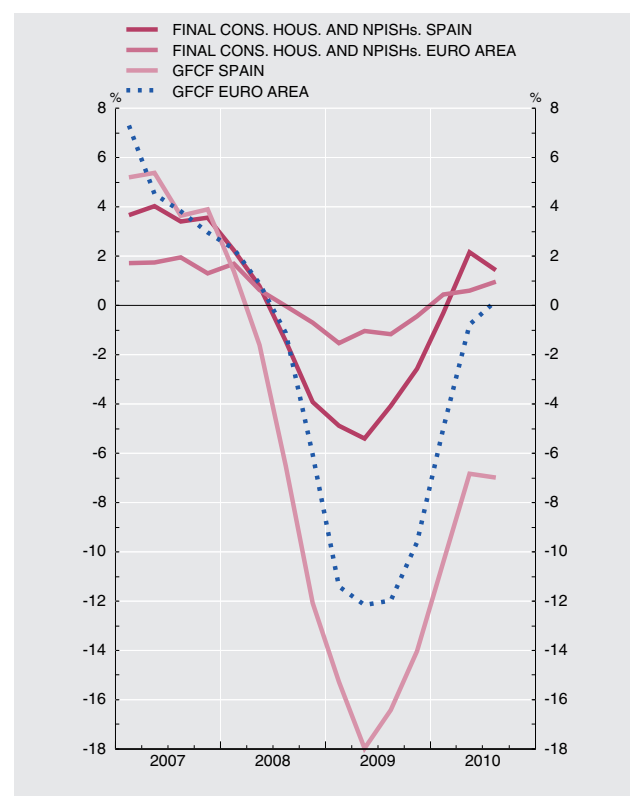
Annual percentage changes

		GDP		Final consumption of households and NPISHs		General government final consumption		Gross fixed capital formation		Domestic demand		Exports of goods and services		Imports of goods and services		Memorandum item: GDPmp (current prices) (g)	
		Spain	Euro area	Spain (b)	Euro area (c)	Spain	Euro area (d)	Spain	Euro area	Spain (e)	Euro area	Spain	Euro area (f)	Spain	Euro area (f)	Spain	Euro area
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
07	P	3.6	2.8	3.7	1.7	5.5	2.2	4.5	4.6	4.1	2.6	6.7	6.3	8.0	5.8	1 054	9 022
08	P	0.9	0.3	-0.6	0.4	5.8	2.3	-4.8	-1.0	-0.5	0.3	-1.1	0.8	-5.3	0.6	1 088	9 240
09	P	-3.7	-4.0	-4.2	-1.0	3.2	2.4	-16.0	-11.3	-6.0	-3.4	-11.6	-13.0	-17.8	-11.7	1 054	8 952
07 Q4	P	3.2	2.2	3.6	1.3	5.4	2.3	3.9	3.0	3.9	2.0	3.3	4.4	5.6	4.0	269	2 287
08 Q1	P	2.8	2.1	2.2	1.7	5.2	1.8	1.4	2.3	2.6	1.5	4.2	5.6	3.4	4.1	272	2 316
Q2	P	1.9	1.2	0.8	0.6	5.7	2.4	-1.6	0.9	1.1	0.7	2.6	3.8	-0.2	2.5	273	2 321
Q3	P	0.3	0.1	-1.5	-0.0	6.0	2.5	-6.5	-1.1	-1.5	-0.1	-3.4	0.9	-8.2	0.3	273	2 315
Q4	P	-1.4	-2.1	-3.9	-0.7	6.4	2.5	-12.1	-6.0	-4.3	-0.9	-7.8	-7.1	-15.6	-4.4	270	2 287
09 Q1	P	-3.5	-5.2	-4.9	-1.5	5.9	2.8	-15.3	-11.4	-5.8	-3.7	-16.5	-16.2	-21.5	-13.1	266	2 234
Q2	P	-4.4	-4.9	-5.4	-1.0	4.4	2.5	-18.0	-12.2	-7.1	-3.8	-15.8	-16.7	-22.2	-14.4	263	2 230
Q3	P	-3.9	-4.0	-4.1	-1.2	2.7	2.6	-16.4	-12.0	-6.1	-3.3	-11.0	-13.7	-17.2	-12.3	262	2 241
Q4	P	-3.0	-2.0	-2.6	-0.4	0.2	1.7	-14.0	-9.6	-5.0	-2.8	-2.1	-5.3	-9.2	-7.1	263	2 247
10 Q1	P	-1.4	0.8	-0.3	0.4	-0.5	1.1	-10.4	-5.0	-2.8	0.4	9.1	5.7	2.3	4.8	264	2 262
Q2	P	-0.0	2.0	2.2	0.6	0.1	0.6	-6.8	-0.8	-0.3	2.1	11.6	11.7	9.3	12.4	265	2 293
Q3	P	0.2	1.9	1.4	1.0	-0.1	0.4	-7.0	0.2	-0.8	1.9	8.7	11.3	3.9	11.7	267	2 310

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



DEMAND COMPONENTS. SPAIN AND EURO AREA
Annual percentage changes



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

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

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

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

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

■ Series depicted in chart.

Annual percentage changes

		Gross fixed capital formation					Exports of goods and services				Imports of goods and services				Memorandum items:	
		Total	Capital goods	Construction	Other products	Change in Stocks (b)	Total	Goods	Final consumption of non-residents in economic territory	Services	Total	Goods	Final consumption of residents in the rest of the world	Services	Domestic demand (b) (c)	GDP
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
07	P	4.5	10.4	3.2	0.8	-0.1	6.7	7.5	-0.7	10.6	8.0	7.7	7.2	9.4	4.4	3.6
08	P	-4.8	-2.5	-5.9	-4.1	0.1	-1.1	-1.9	-4.3	4.6	-5.3	-6.0	-6.0	-1.6	-0.6	0.9
09	P	-16.0	-24.8	-11.9	-16.2	-0.0	-11.6	-12.5	-9.6	-10.0	-17.8	-19.2	-13.4	-12.5	-6.4	-3.7
07 Q4	P	3.9	8.3	2.5	2.7	-0.1	3.3	3.9	0.4	3.2	5.6	6.0	2.7	4.1	4.2	3.2
08 Q1	P	1.4	5.2	-0.6	2.7	0.1	4.2	3.9	0.8	8.7	3.4	3.7	3.6	2.0	2.7	2.8
Q2	P	-1.6	4.2	-4.3	-1.1	0.2	2.6	2.2	-3.1	9.5	-0.2	0.2	-2.6	-1.6	1.1	1.9
Q3	P	-6.5	-4.6	-7.5	-6.0	0.2	-3.4	-2.8	-4.7	-4.2	-8.2	-9.3	-11.6	-2.2	-1.6	0.3
Q4	P	-12.1	-14.4	-11.1	-11.7	0.1	-7.8	-10.6	-10.1	5.4	-15.6	-18.0	-13.1	-4.6	-4.6	-1.4
09 Q1	P	-15.3	-24.2	-12.2	-12.1	0.0	-16.5	-20.0	-13.9	-5.3	-21.5	-23.7	-19.5	-11.1	-6.2	-3.5
Q2	P	-18.0	-31.5	-12.0	-16.9	-0.0	-15.8	-18.4	-9.4	-10.9	-22.2	-24.4	-18.3	-12.0	-7.5	-4.4
Q3	P	-16.4	-25.5	-11.7	-18.7	-0.0	-11.0	-11.5	-9.3	-10.2	-17.2	-18.4	-8.7	-13.5	-6.5	-3.9
Q4	P	-14.0	-16.9	-11.9	-17.2	-0.1	-2.1	2.1	-5.4	-13.3	-9.2	-8.3	-5.6	-13.4	-5.3	-3.0
10 Q1	P	-10.4	-4.4	-11.4	-15.4	0.0	9.1	14.5	-0.8	-0.1	2.3	3.5	-0.5	-1.6	-2.9	-1.4
Q2	P	-6.8	8.7	-11.4	-11.2	0.1	11.6	16.0	-0.9	7.4	9.3	10.0	3.0	7.9	-0.3	-0.0
Q3	P	-7.0	2.4	-11.6	-3.3	0.1	8.7	10.5	5.4	5.4	3.9	5.6	5.2	-2.5	-0.8	0.2

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.

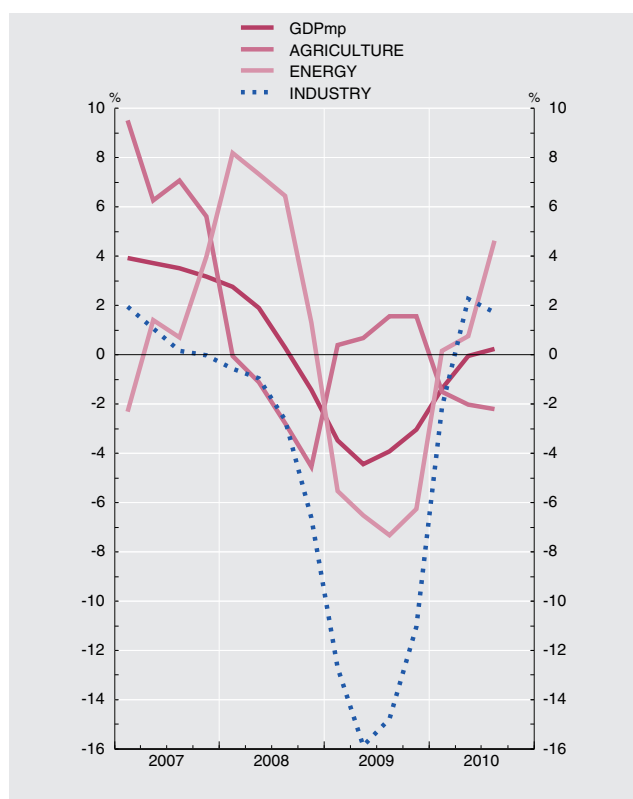
1.3. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. BRANCHES OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

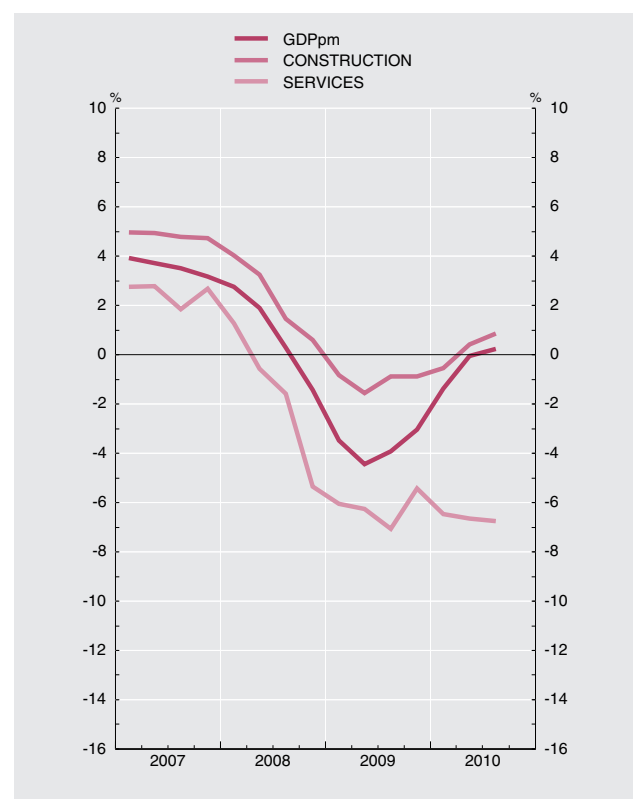
Annual percentage changes

			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
07	P		3.6	7.1	0.9	0.8	2.5	4.8	4.9	4.8	2.8	3.3	-2.0
08	P		0.9	-2.1	5.8	-2.7	-1.6	2.3	1.7	4.7	-1.3	-1.0	-0.7
09	P		-3.7	1.0	-6.4	-13.6	-6.2	-1.0	-1.9	2.1	-5.0	-9.9	-7.4
07 Q4	P		3.2	5.6	4.0	-0.0	2.7	4.7	4.6	5.1	1.9	3.8	-7.1
08 Q1	P		2.8	-0.1	8.2	-0.6	1.3	4.0	3.6	5.4	0.6	4.4	0.3
Q2	P		1.9	-1.1	7.3	-1.0	-0.6	3.3	2.6	5.6	-0.2	1.6	-0.6
Q3	P		0.3	-2.8	6.4	-2.6	-1.6	1.5	0.7	4.3	-2.0	-3.1	-1.2
Q4	P		-1.4	-4.6	1.3	-6.6	-5.4	0.6	-0.2	3.6	-3.6	-6.7	-1.3
09 Q1	P		-3.5	0.4	-5.5	-12.7	-6.1	-0.8	-1.8	2.5	-4.8	-10.6	-7.2
Q2	P		-4.4	0.7	-6.5	-15.9	-6.3	-1.6	-2.6	2.2	-6.0	-12.3	-8.1
Q3	P		-3.9	1.6	-7.3	-14.8	-7.1	-0.9	-1.7	2.0	-5.2	-10.7	-8.4
Q4	P		-3.0	1.6	-6.3	-11.0	-5.4	-0.9	-1.6	1.6	-4.0	-5.7	-6.1
10 Q1	P		-1.4	-1.5	0.2	-2.1	-6.5	-0.5	-0.8	0.5	-1.8	2.6	0.4
Q2	P		-0.0	-2.0	0.8	2.3	-6.7	0.4	0.4	0.6	-0.1	11.3	4.0
Q3	P		0.2	-2.2	4.6	1.7	-6.8	0.8	1.0	0.3	-0.2	20.4	1.4

GDP. BRANCHES OF ACTIVITY
Annual percentage changes



GDP. BRANCHES OF ACTIVITY
Annual percentage changes



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

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

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

■ Series depicted in chart.

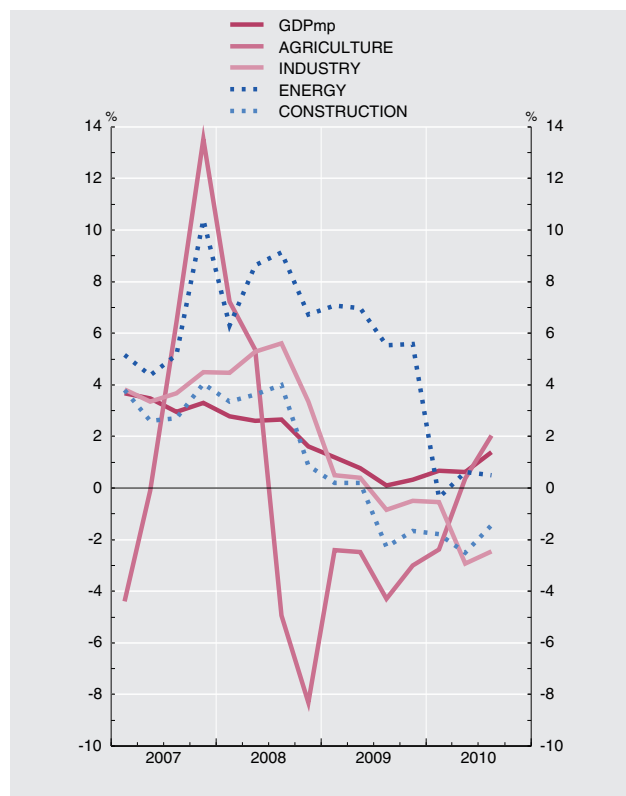
Annual percentage changes

		Demand components							Branches of activity						
		Final consumption of households and NPISHs (b)	General government final consumption	Gross fixed capital formation			Exports of goods and services	Imports of goods and services	Gross domestic product at market prices	Agriculture and fisheries	Energy	Industry	Construction	Of which	
				Capital goods	Construction	Other products								Services	Market services
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
07	P	3.3	3.3	1.6	3.0	3.2	2.5	1.9	3.4	3.8	6.3	3.8	3.3	3.6	3.5
08	P	3.5	3.7	0.9	1.4	1.4	2.8	4.5	2.4	-0.5	7.7	4.7	2.9	4.5	4.7
09	P	0.1	1.7	-0.8	-4.7	-2.9	-3.3	-6.7	0.6	-3.0	6.3	-0.1	-0.9	2.8	2.8
07 Q4	P	3.8	3.7	2.3	3.3	2.7	2.2	3.0	3.3	13.5	10.4	4.5	4.0	4.0	4.0
08 Q1	P	4.0	4.2	1.6	2.6	2.4	2.2	4.8	2.8	7.2	6.3	4.5	3.3	4.5	4.6
Q2	P	4.2	4.0	1.4	2.7	1.5	2.5	5.6	2.6	5.3	8.6	5.3	3.6	4.9	5.1
Q3	P	4.0	3.5	0.7	2.0	1.5	4.3	6.0	2.6	-4.9	9.1	5.6	4.0	4.6	4.9
Q4	P	2.0	3.1	0.3	-1.6	0.1	2.2	1.7	1.6	-8.3	6.7	3.4	0.9	4.0	4.1
09 Q1	P	0.8	2.3	-0.0	-2.8	-2.5	-1.9	-4.5	1.2	-2.4	7.1	0.5	0.2	3.4	3.8
Q2	P	-0.3	2.2	-1.0	-5.7	-3.4	-2.7	-7.8	0.8	-2.5	7.0	0.4	0.2	3.6	3.6
Q3	P	-0.5	1.4	-1.3	-5.9	-4.0	-4.7	-8.5	0.1	-4.3	5.5	-0.8	-2.3	2.3	2.2
Q4	P	0.6	0.9	-0.9	-4.4	-1.9	-3.8	-5.7	0.3	-3.0	5.6	-0.5	-1.7	1.8	1.7
10 Q1	P	1.7	0.9	1.1	-0.9	1.3	0.9	2.4	0.7	-2.4	-0.4	-0.6	-1.8	0.6	0.6
Q2	P	2.5	0.7	2.1	1.0	4.8	2.2	7.3	0.6	0.4	0.6	-2.9	-2.5	-1.4	-1.9
Q3	P	3.0	-0.9	3.0	2.1	5.5	4.1	7.1	1.4	2.0	0.5	-2.5	-1.4	-1.8	-1.8

GDP. IMPLICIT DEFLATORS
Annual percentage changes



GDP. IMPLICIT DEFLATORS
Annual percentage changes



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

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

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

2.1. INTERNATIONAL COMPARISON. GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

■ Series depicted in chart.

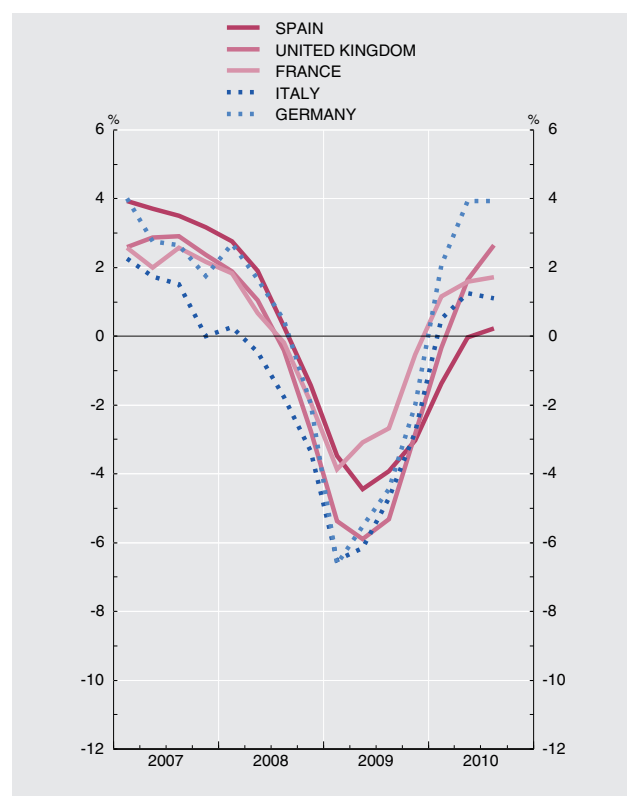
Annual percentage changes

	OECD	EU-27	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
07	2.7	3.0	2.8	2.8	3.6	1.9	2.3	1.4	2.3	2.7
08	0.3	0.4	0.3	0.7	0.9	-	0.1	-1.3	-1.2	-0.1
09	-3.4	-4.2	-4.0	-4.7	-3.7	-2.6	-2.5	-5.1	-6.3	-4.9
07	2.8	2.9	2.8	2.6	3.5	2.3	2.6	1.5	1.8	2.9
Q4	2.6	2.5	2.2	1.8	3.2	2.3	2.2	0.0	1.8	2.4
08	2.2	2.2	2.1	2.7	2.8	1.9	1.8	0.3	1.2	1.9
Q1	1.3	1.4	1.2	1.7	1.9	1.2	0.7	-0.5	-0.1	1.0
Q2	0.1	0.3	0.1	0.5	0.3	-0.3	-0.2	-1.8	-1.1	-0.4
Q3	-2.5	-2.1	-2.1	-2.0	-1.4	-2.8	-1.9	-3.3	-4.7	-2.7
Q4										
09	-5.0	-5.1	-5.2	-6.6	-3.5	-3.8	-3.9	-6.5	-10.1	-5.4
Q1	-4.6	-5.1	-4.9	-5.5	-4.4	-4.1	-3.1	-6.1	-7.0	-5.9
Q2	-3.4	-4.3	-4.0	-4.4	-3.9	-2.7	-2.7	-4.7	-6.2	-5.3
Q3	-0.6	-2.2	-2.0	-2.0	-3.0	0.2	-0.5	-2.8	-1.8	-2.8
Q4										
10	2.4	0.6	0.8	2.1	-1.4	2.4	1.2	0.5	5.5	-0.3
Q1	3.1	2.0	2.0	3.9	-0.0	3.0	1.6	1.2	3.5	1.6
Q2	...	2.2	1.9	3.9	0.2	3.2	1.7	1.1	5.0	2.7
Q3										

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.

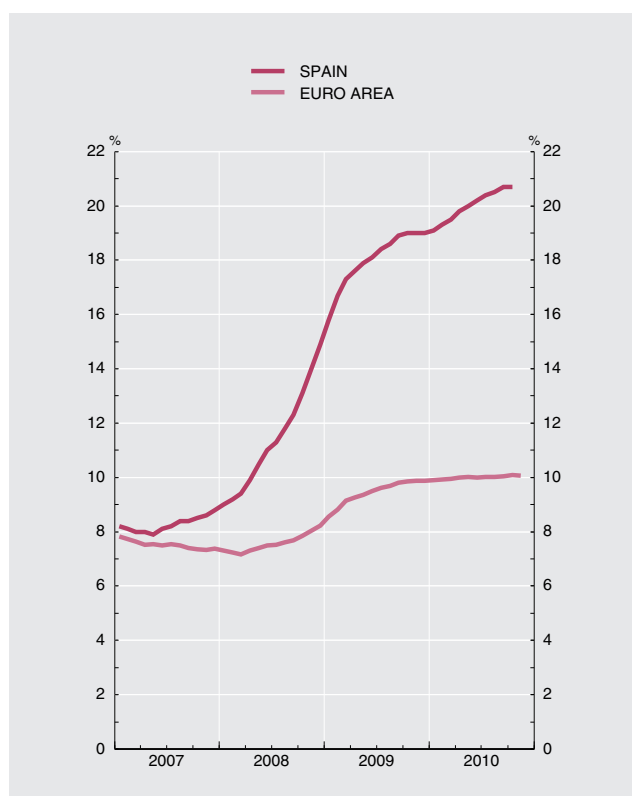
2.2. INTERNATIONAL COMPARISON. UNEMPLOYMENT RATES

■ Series depicted in chart.

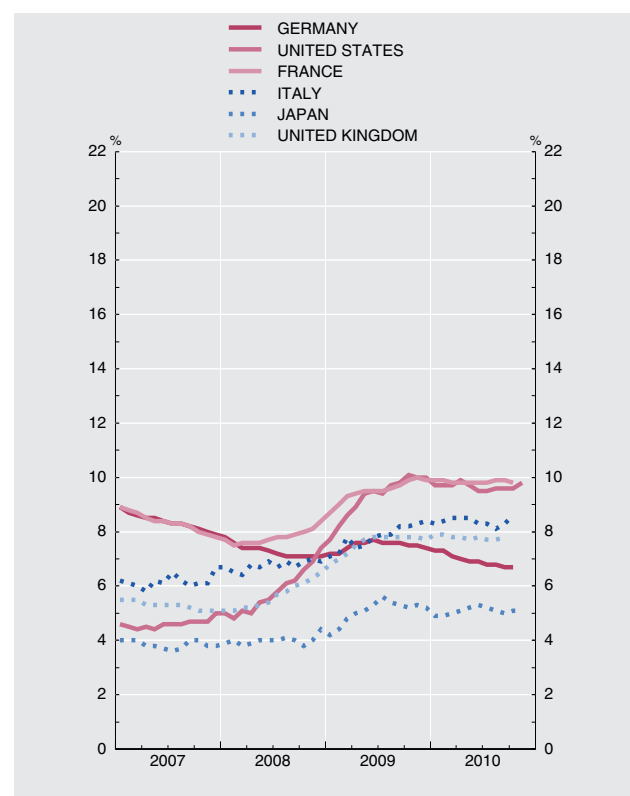
Percentages

	OECD	EU-27	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
07	5.8	7.2	7.5	8.4	8.3	4.6	8.3	6.2	3.8	5.3
08	6.1	7.0	7.6	7.3	11.4	5.8	7.8	6.8	4.0	5.6
09	8.3	8.9	9.5	7.5	18.0	9.3	9.5	7.8	5.1	7.6
09 Jun	8.5	9.0	9.5	7.7	18.1	9.5	9.5	7.8	5.3	7.8
Jul	8.5	9.1	9.6	7.6	18.4	9.4	9.5	7.9	5.6	7.8
Aug	8.6	9.2	9.7	7.6	18.6	9.7	9.6	7.9	5.4	7.8
Sep	8.7	9.3	9.8	7.6	18.9	9.8	9.7	8.2	5.3	7.8
Oct	8.8	9.4	9.9	7.5	19.0	10.1	9.9	8.2	5.2	7.8
Nov	8.7	9.4	9.9	7.5	19.0	10.0	10.0	8.3	5.3	7.8
Dec	8.7	9.5	9.9	7.4	19.0	10.0	9.9	8.4	5.2	7.7
10 Jan	8.7	9.5	9.9	7.3	19.1	9.7	9.9	8.3	4.9	7.9
Feb	8.6	9.6	9.9	7.3	19.3	9.7	9.9	8.4	4.9	7.9
Mar	8.6	9.6	9.9	7.1	19.5	9.7	9.8	8.5	5.0	7.8
Apr	8.7	9.6	10.0	7.0	19.8	9.9	9.8	8.5	5.1	7.8
May	8.6	9.6	10.0	6.9	20.0	9.7	9.8	8.5	5.2	7.7
Jun	8.5	9.6	10.0	6.9	20.2	9.5	9.8	8.3	5.3	7.8
Jul	8.5	9.6	10.0	6.8	20.4	9.5	9.8	8.3	5.2	7.7
Aug	8.5	9.5	10.0	6.8	20.5	9.6	9.9	8.1	5.1	7.7
Sep	8.5	9.6	10.0	6.7	20.7	9.6	9.9	8.3	5.0	7.8
Oct	8.6	9.6	10.1	6.7	20.7	9.6	9.8	8.6	5.1	...
Nov	...	...	...	...	...	9.8	...	...	5.1	...

UNEMPLOYMENT RATES



UNEMPLOYMENT RATES



Source: OECD.

2.3. INTERNATIONAL COMPARISON. CONSUMER PRICES (a)

■ Series depicted in chart.

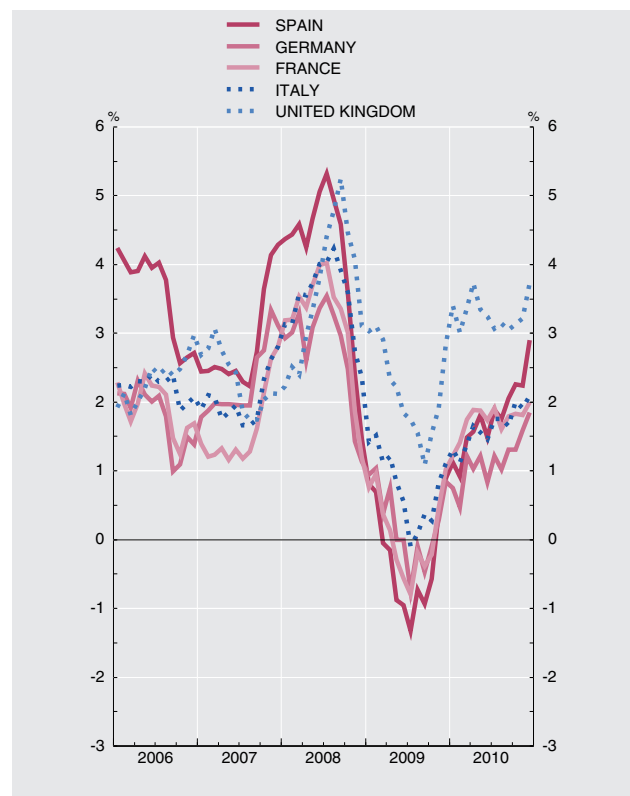
Annual percentage changes

	OECD	EU-27	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
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
09	0.6	1.0	0.3	0.2	-0.2	-0.3	0.1	0.8	-1.4	2.2
09 Jul	-0.6	0.2	-0.6	-0.7	-1.3	-2.0	-0.8	-0.1	-2.2	1.7
Aug	-0.2	0.6	-0.2	-0.1	-0.7	-1.5	-0.2	0.1	-2.2	1.5
Sep	-0.3	0.3	-0.3	-0.5	-0.9	-1.3	-0.4	0.4	-2.2	1.1
Oct	0.3	0.5	-0.1	-0.1	-0.6	-0.2	-0.2	0.3	-2.5	1.5
Nov	1.3	1.0	0.5	0.3	0.4	1.8	0.5	0.8	-1.9	1.9
Dec	1.9	1.5	0.9	0.8	0.9	2.8	1.0	1.1	-1.7	2.8
10 Jan	2.0	1.7	1.0	0.8	1.1	2.7	1.2	1.3	-1.3	3.4
Feb	1.9	1.5	0.9	0.5	0.9	2.1	1.4	1.1	-1.1	3.0
Mar	2.1	1.9	1.4	1.2	1.5	2.3	1.7	1.4	-1.1	3.4
Apr	2.1	2.1	1.5	1.0	1.6	2.2	1.9	1.6	-1.2	3.7
May	2.0	2.0	1.6	1.2	1.8	2.0	1.9	1.6	-0.9	3.3
Jun	1.5	1.9	1.4	0.8	1.5	1.1	1.7	1.5	-0.7	3.2
Jul	1.6	2.1	1.7	1.2	1.9	1.2	1.9	1.8	-0.9	3.1
Aug	1.5	2.0	1.6	1.0	1.8	1.2	1.6	1.8	-0.9	3.1
Sep	1.7	2.2	1.8	1.3	2.1	1.2	1.8	1.6	-0.6	3.0
Oct	1.9	2.3	1.9	1.3	2.3	1.2	1.8	2.0	0.2	3.1
Nov	1.8	2.3	1.9	1.6	2.2	1.1	1.8	1.9	0.1	3.2
Dec	...	2.6	2.2	1.9	2.9	...	2.0	2.1	...	3.7

CONSUMER PRICES
Annual percentage changes



CONSUMER PRICES
Annual percentage changes



Sources: OECD, INE and Eurostat.

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

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

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

■ Series depicted in chart.

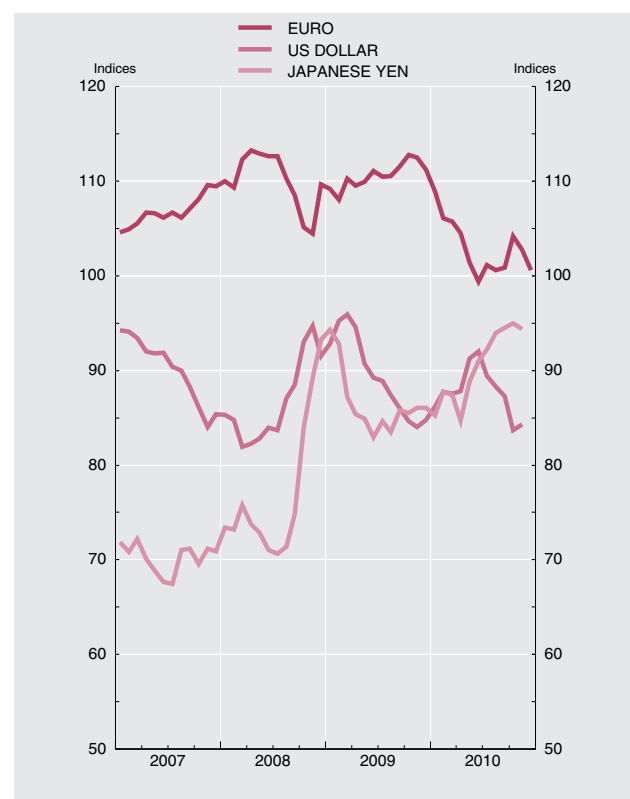
Average of daily data

	Exchange rates			Indices of the nominal effective exchange rate vis-à-vis the (a) developed countries 1999 Q1=100			Indices of the real effective exchange rate vis-à-vis the developed countries (b) 1999 Q1=100					
	US dollar per ECU/euro	Japanese yen per ECU/euro	Japanese yen per US dollar	Euro	US dollar	Japanese yen	Based on consumer prices			Based on producer prices		
							Euro	US dollar	Japanese yen	Euro	US dollar	Japanese yen
	1	2	3	4	5	6	7	8	9	10	11	12
07	1.3710	161.26	117.74	106.4	82.2	88.0	106.8	90.1	70.2	105.2	92.5	68.4
08	1.4707	152.31	103.36	110.6	78.2	98.4	110.1	86.6	77.0	107.8	90.6	75.0
09	1.3940	130.30	93.57	111.7	81.2	112.4	110.6	89.5	86.6	105.0	92.7	85.1
09 J-D	1.3940	130.30	93.57	111.7	81.2	112.4	110.6	89.5	86.6	105.0	92.7	85.1
10 J-D	1.3267	116.42	87.78	104.7	79.1	120.7	103.0	87.8	90.5	98.9	93.3	87.8
09 Oct	1.4816	133.91	90.38	114.3	76.3	112.0	112.8	84.6	85.5	107.5	88.2	84.0
Nov	1.4914	132.97	89.16	114.0	75.8	113.1	112.5	84.1	86.1	106.8	88.4	84.4
Dec	1.4614	131.21	89.81	113.0	76.6	113.4	111.2	84.8	86.1	105.4	89.2	84.5
10 Jan	1.4272	130.34	91.32	110.8	77.4	112.5	108.9	86.2	85.3	104.1	91.2	83.4
Feb	1.3686	123.46	90.21	108.0	79.1	116.2	106.1	87.8	87.7	101.7	92.6	86.1
Mar	1.3569	123.03	90.68	107.4	78.9	115.9	105.7	87.6	87.4	101.1	93.0	85.3
Apr	1.3406	125.33	93.49	106.1	79.3	112.6	104.5	87.8	84.7	100.2	93.4	82.5
May	1.2565	115.83	92.15	102.8	82.4	118.1	101.4	91.3	88.8	97.1	97.2	86.5
Jun	1.2209	110.99	90.92	100.7	83.1	121.0	99.4	92.0	91.0	95.3	97.6	88.4
Jul	1.2770	111.73	87.50	102.5	80.7	123.0	101.1	89.4	92.2	97.0	94.8	89.6
Aug	1.2894	110.04	85.33	102.1	79.7	125.3	100.6	88.3	94.0	96.7	93.7	91.0
Sep	1.3067	110.26	84.38	102.5	78.8	125.8	100.8	87.3	94.5	97.2	92.7	90.9
Oct	1.3898	113.67	81.79	106.1	75.8	126.2	104.2	83.7	95.0	100.5	89.7	91.0
Nov	1.3661	112.69	82.51	104.8	76.4	125.8	102.8	84.3	94.4	99.1	90.5	90.4
Dec	1.3220	110.11	83.29	102.6	77.5	126.3	100.6	...	...	96.9	...	...

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 (1995-1997), (1998-2000), (2001-2003), and (2004-2006) manufacturing trade of changes in the spot price of each currency against the currencies of the other developed countries. A fall in the index denotes a depreciation of the currency against those of the other developed countries.

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

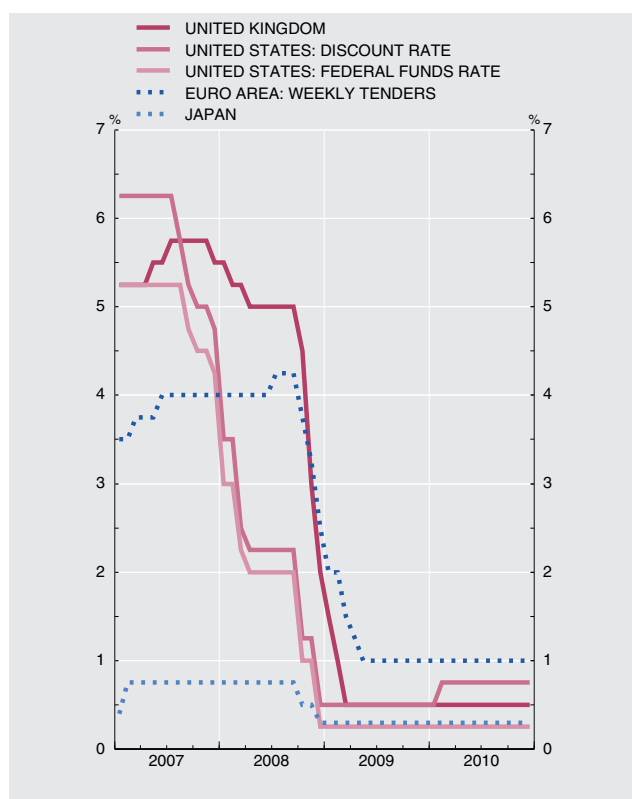
2.5. OFFICIAL INTERVENTION INTEREST RATES AND SHORT-TERM INTEREST RATES

■ Series depicted in chart.

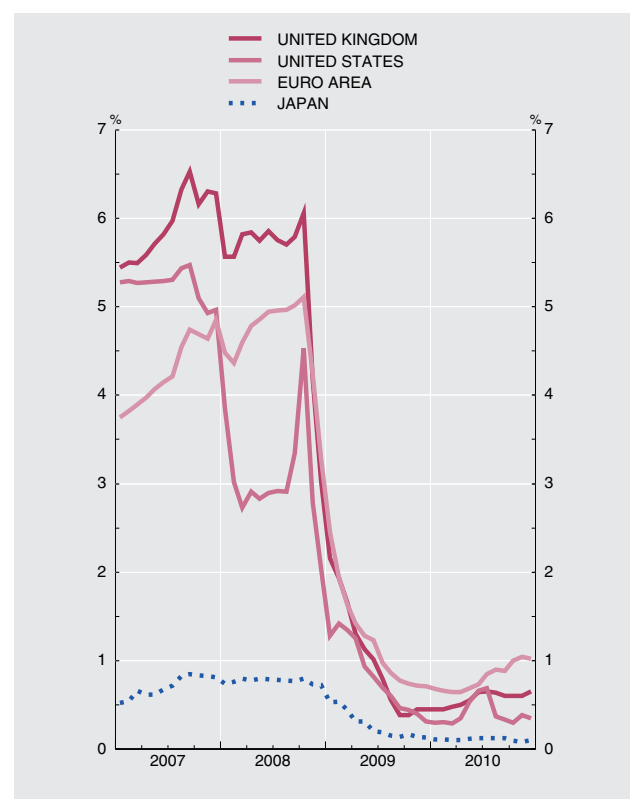
Percentages

	Official intervention interest rates					3-month interbank rates									
	Euro area	United States		Japan	United Kingdom	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
		Discount rate (b)	Federal funds rate												
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
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
09	1.00	0.50	0.25	0.30	0.50	0.93	1.19	1.22	-	-	0.83	-	-	0.27	1.01
09 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
Oct	1.00	0.50	0.25	0.30	0.50	0.56	0.68	0.74	-	-	0.44	-	-	0.16	0.38
Nov	1.00	0.50	0.25	0.30	0.50	0.53	0.67	0.72	-	-	0.40	-	-	0.14	0.45
Dec	1.00	0.50	0.25	0.30	0.50	0.50	0.67	0.71	-	-	0.31	-	-	0.13	0.45
10 Jan	1.00	0.50	0.25	0.30	0.50	0.48	0.64	0.68	-	-	0.30	-	-	0.11	0.45
Feb	1.00	0.75	0.25	0.30	0.50	0.48	0.62	0.66	-	-	0.30	-	-	0.11	0.45
Mar	1.00	0.75	0.25	0.30	0.50	0.48	0.61	0.65	-	-	0.29	-	-	0.10	0.48
Apr	1.00	0.75	0.25	0.30	0.50	0.51	0.62	0.65	-	-	0.35	-	-	0.10	0.50
May	1.00	0.75	0.25	0.30	0.50	0.61	0.66	0.69	-	-	0.54	-	-	0.11	0.55
Jun	1.00	0.75	0.25	0.30	0.50	0.70	0.74	0.73	-	-	0.66	-	-	0.12	0.64
Jul	1.00	0.75	0.25	0.30	0.50	0.75	0.83	0.85	-	-	0.69	-	-	0.12	0.65
Aug	1.00	0.75	0.25	0.30	0.50	0.64	0.86	0.90	-	-	0.37	-	-	0.12	0.64
Sep	1.00	0.75	0.25	0.30	0.50	0.63	0.84	0.88	-	-	0.33	-	-	0.13	0.60
Oct	1.00	0.75	0.25	0.30	0.50	0.64	0.93	1.00	-	-	0.30	-	-	0.09	0.60
Nov	1.00	0.75	0.25	0.30	0.50	0.69	0.98	1.04	-	-	0.38	-	-	0.08	0.60
Dec	1.00	0.75	0.25	0.30	0.50	0.69	0.98	1.02	-	-	0.35	-	-	0.10	0.65

OFFICIAL INTERVENTION INTEREST RATES



3-MONTH INTERBANK RATES



Sources: ECB, Reuters and BE.

a. Main refinancing operations.

b. As from January 2003, the Primary Credit Rate.

c. Discount rate.

d. Retail bank base rate.

2.6. 10-YEAR GOVERNMENT BOND YIELDS ON DOMESTIC MARKETS

■ Series depicted in chart.

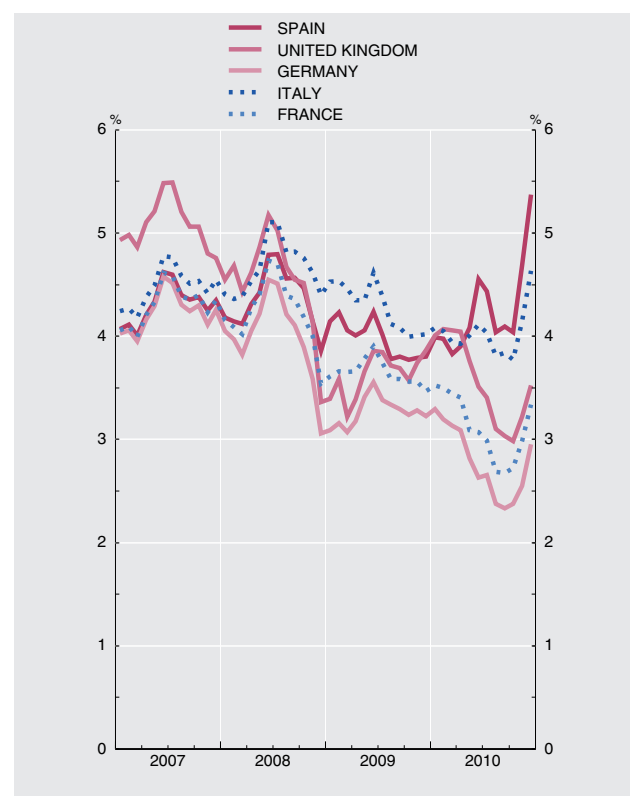
Percentages

	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
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
09	3.18	3.74	4.03	3.27	3.97	3.27	3.65	4.28	1.35	3.63
09 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
Oct	3.20	3.61	3.80	3.24	3.77	3.40	3.56	3.99	1.33	3.57
Nov	3.23	3.65	3.83	3.28	3.79	3.42	3.56	4.01	1.36	3.74
Dec	3.28	3.65	3.88	3.23	3.80	3.59	3.47	4.02	1.27	3.86
10 Jan	3.40	3.75	4.10	3.30	3.99	3.75	3.53	4.08	1.34	4.01
Feb	3.36	3.73	4.11	3.19	3.98	3.71	3.50	4.05	1.34	4.07
Mar	3.36	3.65	3.99	3.14	3.83	3.76	3.45	3.94	1.35	4.05
Apr	3.42	3.67	4.16	3.09	3.90	3.87	3.41	3.93	1.35	4.05
May	3.16	3.49	3.68	2.82	4.08	3.46	3.09	4.01	1.28	3.76
Jun	3.05	3.49	3.70	2.63	4.56	3.24	3.07	4.11	1.21	3.51
Jul	2.92	3.45	3.62	2.65	4.43	3.01	2.99	4.03	1.10	3.41
Aug	2.67	3.18	3.44	2.38	4.04	2.71	2.69	3.81	0.98	3.10
Sep	2.67	3.21	3.50	2.33	4.09	2.65	2.67	3.84	1.07	3.03
Oct	2.58	3.18	3.34	2.38	4.04	2.52	2.72	3.77	0.89	2.99
Nov	2.83	3.52	3.73	2.55	4.69	2.75	2.99	4.14	1.05	3.22
Dec	3.24	3.92	4.07	2.95	5.37	3.30	3.34	4.63	1.19	3.53

10-YEAR GOVERNMENT BOND YIELDS



10-YEAR GOVERNMENT BOND YIELDS



Sources: ECB, Reuters and BE.

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

■ Series depicted in chart.

Base 2000 = 100

	Non-energy commodity price index (a)						Oil		Gold		
	Euro index	US dollar index					Index (b)	Brent North sea	Index (c)	US dollars per troy ounce	Euro per gram
	General	General	Food	Industrial products				US dollars per barrel			
				Total	Non-food agricultural products	Metals					
	1	2	3	4	5	6	7	8	9	10	11
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
09	120.8	182.3	198.0	162.2	136.0	176.4	219.2	61.7	348.8	973.0	22.42
09 J-D	120.8	182.3	198.0	162.2	136.0	176.4	219.2	61.7	348.8	973.0	22.42
10 J-D	158.6	213.1	207.9	220.2	211.2	225.9	...	79.9	439.2	1 225.3	29.76
09 Nov	126.1	202.6	206.2	198.1	165.5	215.8	274.7	76.9	404.0	1 127.0	24.28
Dec	134.4	210.9	211.6	212.6	177.2	231.9	265.2	74.4	406.8	1 134.7	24.90
10 Jan	139.8	216.4	211.3	223.0	185.8	243.3	273.1	76.4	400.6	1 117.7	25.19
Feb	140.6	208.9	204.6	214.5	190.8	227.4	264.6	74.1	392.7	1 095.4	25.75
Mar	144.3	211.7	197.2	230.6	202.0	246.1	280.9	78.8	399.1	1 113.3	26.37
Apr	150.6	218.7	197.0	246.7	219.3	261.7	298.1	84.5	411.8	1 148.7	27.52
May	151.9	206.7	195.0	222.0	210.7	228.1	267.6	75.8	432.1	1 205.4	30.96
Jun	152.4	201.1	193.9	210.5	206.2	212.9	264.7	75.0	442.0	1 232.9	32.45
Jul	150.4	208.1	205.4	211.4	198.1	218.7	263.8	76.4	427.6	1 193.0	30.01
Aug	159.6	222.9	220.2	226.4	203.5	238.9	268.9	77.9	435.8	1 215.8	30.31
Sep	166.1	235.2	231.7	239.6	223.0	248.8	269.7	78.4	455.6	1 271.0	31.25
Oct	168.6	219.0	216.8	222.6	223.0	223.5	289.4	83.0	481.1	1 342.0	31.04
Nov	180.1	196.8	203.2	190.1	223.5	175.7	...	85.7	491.1	1 369.9	32.27
Dec	198.3	211.3	217.6	204.8	248.0	186.2	...	92.3	498.2	1 389.7	33.80

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.

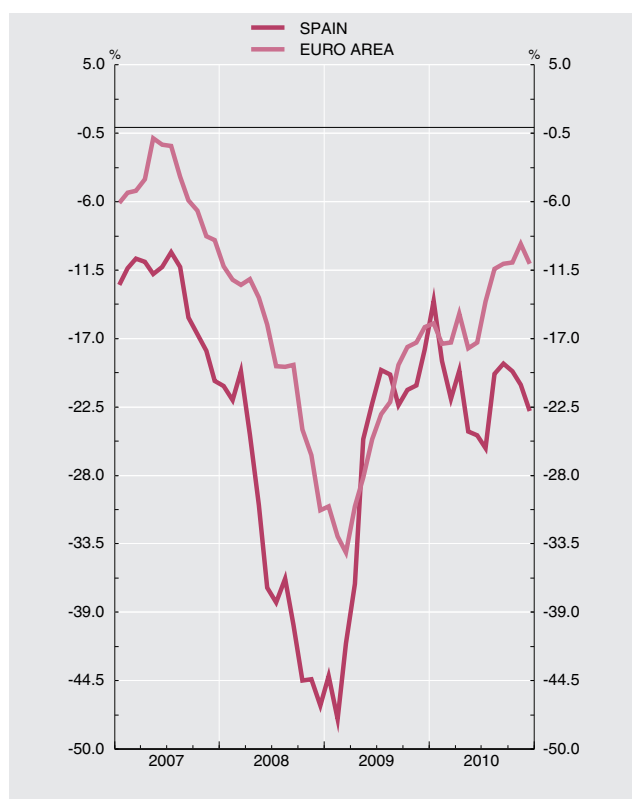
3.1 INDICATORS OF PRIVATE CONSUMPTION. SPAIN AND EURO AREA

■ Series depicted in chart.

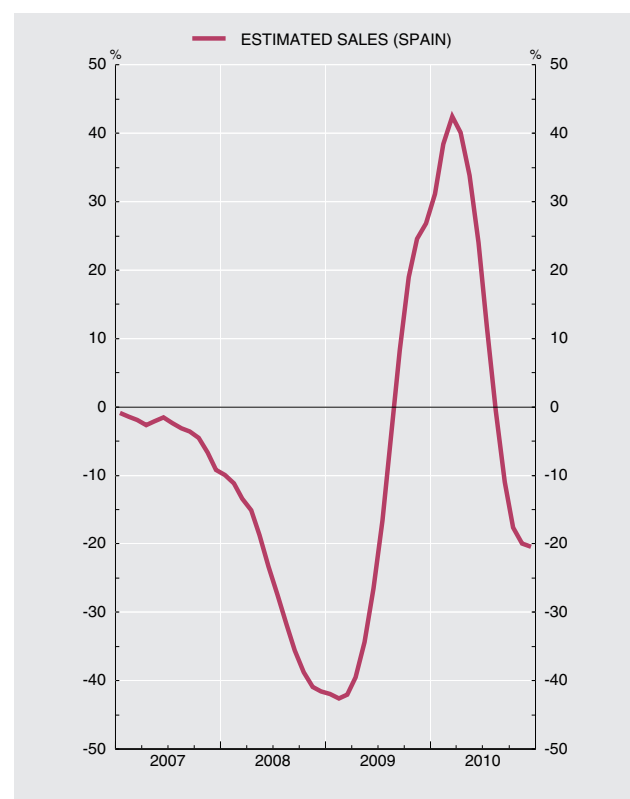
Annual percentage changes

	Opinion surveys (net percentages)						New car registrations and sales				Retail trade indices (2005=100, NACE 2009) (Deflated indices)								
	Consumers			Retail trade confidence index (a)	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 (a)	Registrations	Private use				Registrations	Total	Food	Large retail outlets	Large chain stores	Small chain stores	Single-outlet retailers	Memorandum item: euro area (b)
07		-13.3		-12.1	-4.0	-4.9	0.9	-1.6	-2.2	-1.2	-0.8	2.8	2.4	1.3	1.8	6.2	3.2	0.5	1.9
08		-33.7		-32.6	-20.4	-27.3	-18.1	-6.9	-27.4	-30.0	-28.1	-8.0	-5.7	-5.7	-2.3	-5.2	1.1	-8.6	-8.0
09	P	-28.2		-26.2	-13.2	-24.3	-24.7	-15.5	-18.1	-10.7	-17.9	4.4	-5.7	-5.8	-3.4	-6.0	-1.6	-7.1	-7.2
09 J-D	P	-28.2		-26.2	-13.2	-24.3	-24.7	-15.5	-18.1	-10.7	-17.9	4.4	-5.7	-5.8	-3.4	-6.0	-1.6	-7.1	-7.2
10 J-D	P	-20.9		-18.0	-9.7	-17.0	-14.0	-3.3	3.0	-1.3	3.1	-8.2	...	...	...	...	...	...	...
10 Jan	P	-14.0		-8.4	-4.1	-20.5	-15.8	-5.0	17.4	16.6	18.1	17.3	-4.5	-3.2	-3.1	-2.3	-0.8	-5.6	-4.7
Feb	P	-18.8		-11.1	-4.7	-11.2	-17.4	-8.5	47.0	33.0	47.0	3.1	-0.9	0.2	0.9	1.6	4.2	-5.2	-1.4
Mar	P	-21.8		-17.1	-8.6	-11.8	-17.3	-6.3	64.2	53.4	63.1	3.5	3.6	5.3	4.9	7.3	9.6	1.5	2.1
Apr	P	-19.6		-13.3	-8.6	-9.5	-15.0	-1.3	40.7	38.3	39.3	-10.4	-2.4	-1.2	-2.5	-2.7	-0.3	-3.8	-1.3
May	P	-24.5		-27.1	-12.3	-15.1	-17.8	-5.9	44.5	39.9	44.6	-14.4	-1.6	-0.6	-0.7	-3.3	0.6	-2.2	-1.4
Jun	P	-24.8		-25.0	-13.8	-14.4	-17.3	-5.6	24.7	22.1	25.6	-13.1	1.0	1.5	-1.1	0.2	0.8	2.6	1.9
Jul	P	-25.8		-27.2	-15.9	-21.2	-14.0	-4.2	-23.9	-31.0	-24.1	-18.4	-2.2	-2.0	1.5	-2.2	3.9	-4.2	-4.3
Aug	P	-19.9		-18.0	-11.9	-20.8	-11.4	-3.3	-22.9	-25.5	-23.8	-20.5	-1.3	-1.2	-0.9	-5.4	1.3	-1.0	1.8
Sep	P	-19.0		-15.5	-8.4	-13.1	-11.0	-0.9	-27.1	-27.3	-27.3	-12.8	-3.0	-2.9	-0.8	-5.8	0.6	-6.3	-3.6
Oct	P	-19.7		-17.3	-8.4	-22.9	-10.9	-1.1	-37.9	-36.1	-37.6	-14.9	-2.9	-2.6	-2.1	-1.0	0.4	-5.0	-5.1
Nov	P	-20.7		-16.3	-10.0	-20.5	-9.4	-1.5	-25.8	-22.1	-25.5	-10.4	-1.0	-0.6	0.8	-0.8	3.3	-4.4	-2.4
Dec	P	-22.8		-20.2	-9.8	-22.4	-11.0	4.6	-24.0	-19.9	-23.9	-7.8	...	...	...	...	...	...	...

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. To April 2010, NACE 1993. From May 2010, NACE 2009.

b. Data adjusted by working days.

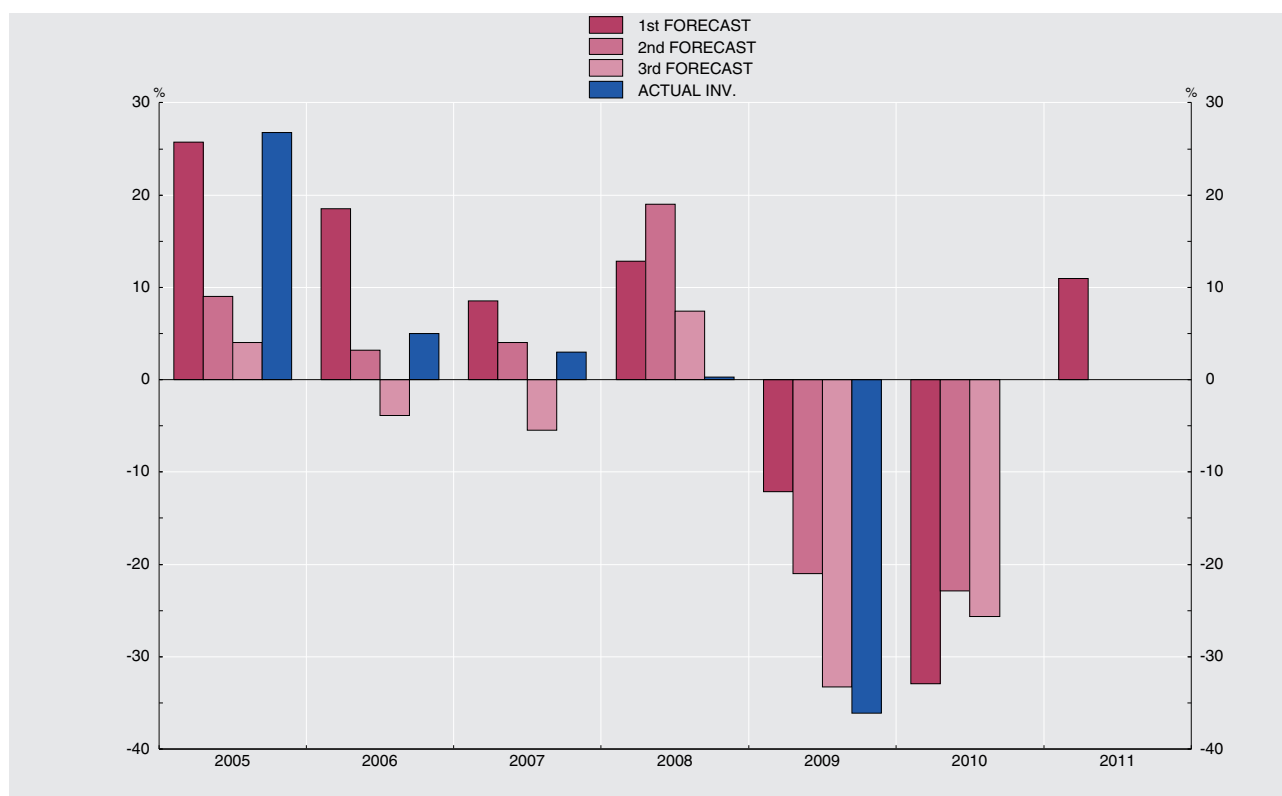
3.2. INVESTMENT IN INDUSTRY (EXCLUDING CONSTRUCTION): OPINION SURVEYS. SPAIN

■ Series depicted in chart.

Annual percentage changes at current prices

	1	2	3	4	
	ACTUAL INV.	1st FORECAST	2nd FORECAST	3rd FORECAST	
05	1	27	26	9	4
06		5	19	3	-4
07		3	9	4	-6
08		0	13	19	7
09		-36	-12	-21	-33
10		...	-33	-23	-26
11		...	11	...	...

INVESTMENT IN INDUSTRY Annual rates of change



Source: Ministerio de Industria, Turismo y Comercio.

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

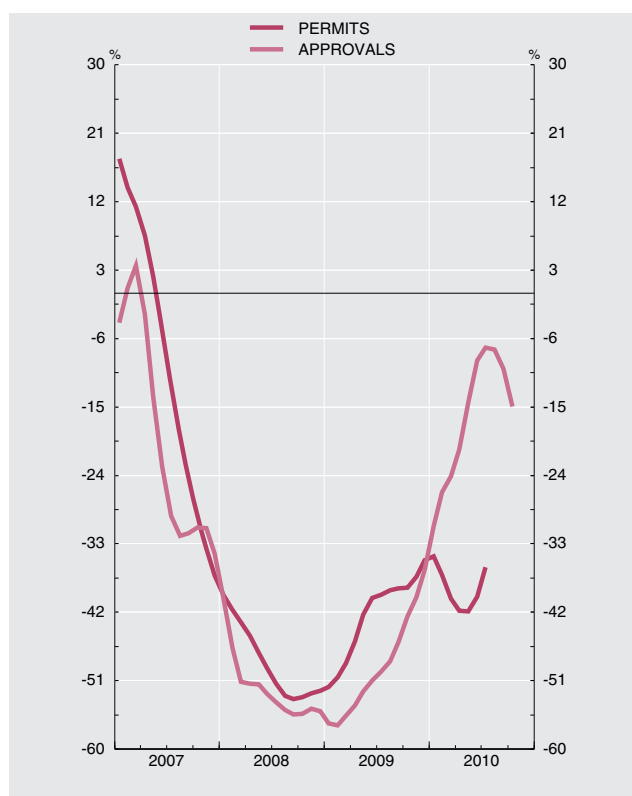
3.3. CONSTRUCTION. INDICATORS OF BUILDING STARTS AND CONSUMPTION OF CEMENT. SPAIN

■ Series depicted in chart.

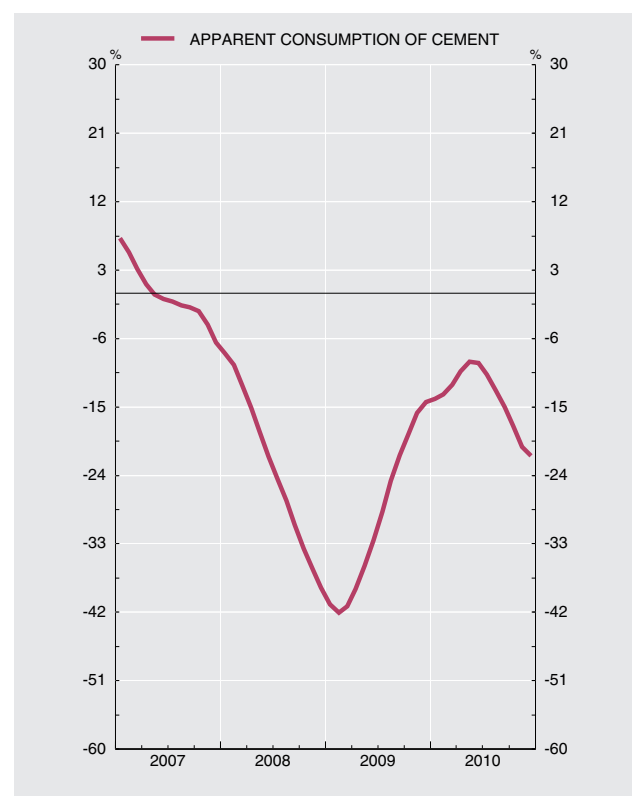
Annual percentage changes

		Permits: buildable floorage				Approvals: buildable floorage		Government tenders (budget)							Apparent consumption of cement
		Total	of which		Non-residential	Total	of which		Total		Building			Civil engineering	
			Residential	Housing			For the month	Year to date	Total	of which		Non-residential			
										Residential	Housing				
1		2	3	4	5	6	7	8	9	10	11	12	13	14	
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
09	P	-43.4	-49.3	-49.2	-27.2	-51.4	-56.8	-8.2	-8.2	1.1	3.7	-19.9	0.3	-11.5	-32.3
09 J-D	P	-43.4	-49.3	-49.2	-27.2	-51.4	-56.8	-8.2	-8.2	1.1	3.7	-19.9	0.3	-11.5	-32.3
10 J-D	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-15.1
09 Sep	P	-29.6	-40.5	-43.1	-5.4	-47.0	-52.5	-12.8	-5.1	-7.5	-44.8	-68.0	4.2	-14.5	-21.6
Oct	P	-53.0	-55.0	-54.4	-48.0	-42.4	-45.6	-35.1	-7.6	-8.6	-13.3	-24.7	-7.7	-41.8	-20.9
Nov	P	-30.8	-34.4	-31.8	-22.2	-37.1	-39.7	-32.3	-9.9	-35.3	-35.3	-96.7	-35.3	-30.9	-10.5
Dec	P	-36.3	-35.0	-37.2	-39.1	-42.4	-50.7	5.2	-8.2	-5.6	45.0	55.0	-19.7	7.4	-21.6
10 Jan	P	-10.0	-9.7	-13.0	-10.6	-29.5	-40.6	-55.0	-55.0	-46.4	-63.0	-48.2	-39.2	-59.3	-15.6
Feb	P	-42.5	-34.0	-34.1	-56.5	-20.9	-24.0	-54.7	-54.8	-38.5	-54.9	-50.8	-36.1	-61.5	-24.0
Mar	P	-42.4	-39.3	-39.2	-48.3	-24.5	-11.6	-42.8	-50.5	-11.3	93.8	80.6	-28.6	-56.7	-21.9
Apr	P	-48.7	-53.1	-53.4	-37.8	-23.7	-23.7	-9.0	-43.3	7.8	-67.3	-64.8	38.5	-16.3	-10.4
May	P	-44.1	-50.6	-51.1	-29.1	-15.1	-14.4	0.4	-38.2	26.6	-15.7	-41.0	42.2	-10.6	-10.1
Jun	P	-52.2	-39.5	-40.0	-67.6	3.0	9.0	-22.3	-36.1	-39.7	-36.2	-9.9	-40.3	-12.5	-9.4
Jul	P	-30.0	-28.2	-25.7	-34.4	-13.1	-23.6	-55.4	-39.0	-28.7	-56.9	-66.7	-11.4	-67.1	-15.1
Aug	P	...	...	...	...	-1.6	2.0	-28.9	-38.0	-30.0	-43.5	-46.3	-25.5	-28.4	-10.4
Sep	P	...	...	...	...	1.4	-0.7	-13.4	-36.2	-25.4	20.6	125.8	-33.1	-9.2	-16.1
Oct	P	...	...	...	...	-26.9	-30.5	0.1	-34.0	38.5	55.8	-49.7	35.2	-15.2	-16.6
Nov	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-20.5
Dec	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-9.6

CONSTRUCTION
Trend obtained with TRAMO-SEATS



CONSTRUCTION
Trend obtained with TRAMO-SEATS



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

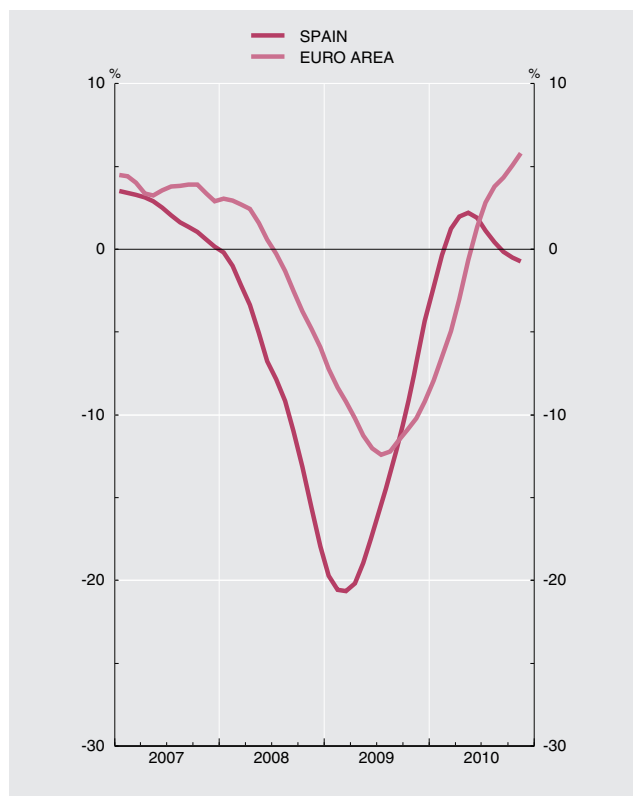
3.4. INDUSTRIAL PRODUCTION INDEX. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

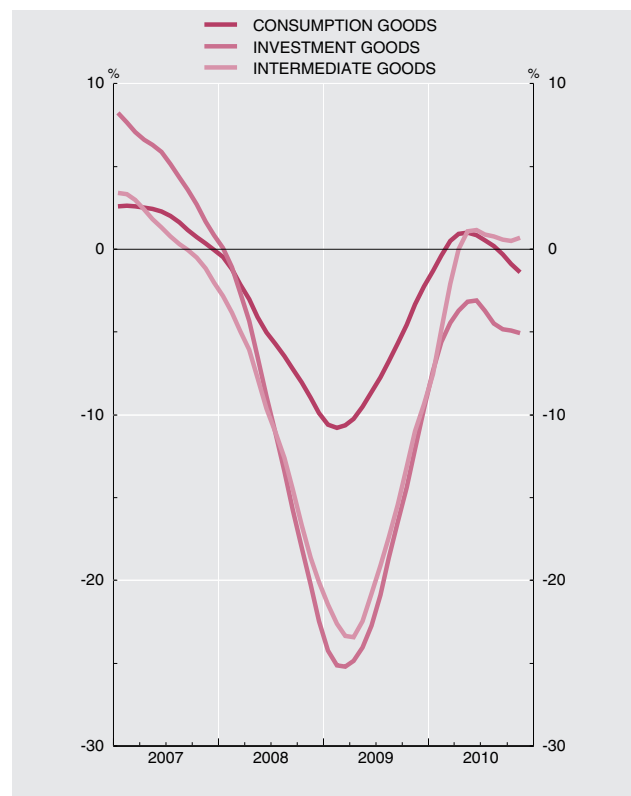
Annual percentage changes

		Overall Index		By end-use of goods				By branch of activity (NACE 2009)			Memorandum item: euro area				
		Total		Consumer goods	Capital goods	Intermediate goods	Energy	Mining and quarrying	Manufacturing	Electricity and gas supply	of which		By end-use of goods		
		Original series	12-month %change 12								Total	Manufacturing	Consumer goods	Capital goods	Intermediate goods
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
07	MP	106.2	2.4	2.2	5.0	1.6	0.8	0.9	2.5	2.0	3.7	4.1	2.4	6.6	3.8
08	MP	98.6	-7.1	-4.6	-8.7	-11.0	1.6	-13.7	-7.8	1.1	-1.8	-1.9	-2.0	-0.2	-3.5
09	MP	82.6	-16.2	-8.8	-22.5	-21.4	-8.6	-24.3	-17.0	-7.6	-14.9	-15.9	-5.0	-20.8	-19.2
09 J-N	MP	82.9	-17.3	-9.6	-23.6	-22.9	-8.6	-24.5	-18.2	-7.7	-15.7	-16.8	-5.4	-21.6	-20.4
10 J-N	MP	83.6	0.8	0.6	-3.2	2.9	2.3	5.1	0.6	2.9	7.0	7.4	3.3	8.1	9.9
09 Aug	P	61.8	-10.6	-5.7	-11.1	-16.9	-6.7	-16.9	-11.5	-3.5	-15.0	-16.1	-5.7	-21.6	-19.6
Sep	P	87.1	-12.7	-5.3	-17.5	-17.7	-7.1	-16.3	-13.6	-4.0	-12.7	-13.1	-3.0	-18.2	-15.6
Oct	P	88.0	-12.8	-9.8	-16.4	-14.9	-8.0	-20.3	-13.2	-6.3	-11.1	-11.8	-4.7	-17.2	-12.2
Nov	P	87.3	-4.0	1.3	-8.0	-3.7	-10.2	-4.3	-3.3	-9.8	-6.9	-7.2	-2.2	-12.9	-5.7
Dec	P	79.1	-1.5	0.9	-8.4	4.8	-8.1	-20.9	-0.4	-6.8	-3.6	-4.2	-0.8	-10.7	-0.1
10 Jan	P	76.7	-5.0	-5.1	-7.0	-3.3	-5.7	-7.1	-5.1	-3.5	1.9	1.9	1.4	-0.8	4.7
Feb	P	80.8	-1.9	-3.1	-3.5	1.1	-3.6	4.1	-2.5	2.6	4.2	4.3	2.0	3.2	7.2
Mar	P	91.2	6.8	8.5	2.0	8.0	7.7	7.8	6.4	11.0	7.7	8.0	5.8	4.8	11.8
Apr	P	82.2	3.0	4.4	-4.8	8.4	-0.3	7.7	2.9	4.0	9.1	9.3	2.7	8.8	15.5
May	P	86.1	5.1	4.0	0.7	9.7	2.0	15.4	5.0	3.8	9.8	9.7	4.2	9.1	14.5
Jun	P	89.0	3.2	2.1	1.9	4.6	4.1	7.4	3.6	-0.3	8.2	8.8	4.3	8.9	11.8
Jul	P	89.7	-2.3	-3.2	-5.9	-2.5	6.0	3.4	-2.9	2.5	7.4	7.8	3.9	9.5	9.7
Aug	P	63.9	3.4	5.7	-7.4	6.5	3.9	14.8	3.6	1.5	8.5	9.5	4.4	12.4	11.5
Sep	P	86.1	-1.1	-0.3	-6.7	0.1	2.5	4.6	-1.5	2.2	5.6	6.1	1.7	8.3	7.6
Oct	P	84.7	-3.8	-3.7	-8.8	-3.3	2.9	4.7	-4.6	2.7	7.1	7.7	3.3	12.2	7.8
Nov	P	89.7	2.7	-0.7	1.9	4.5	7.8	-5.7	2.5	6.4	7.5	7.8	2.5	12.2	7.9

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.

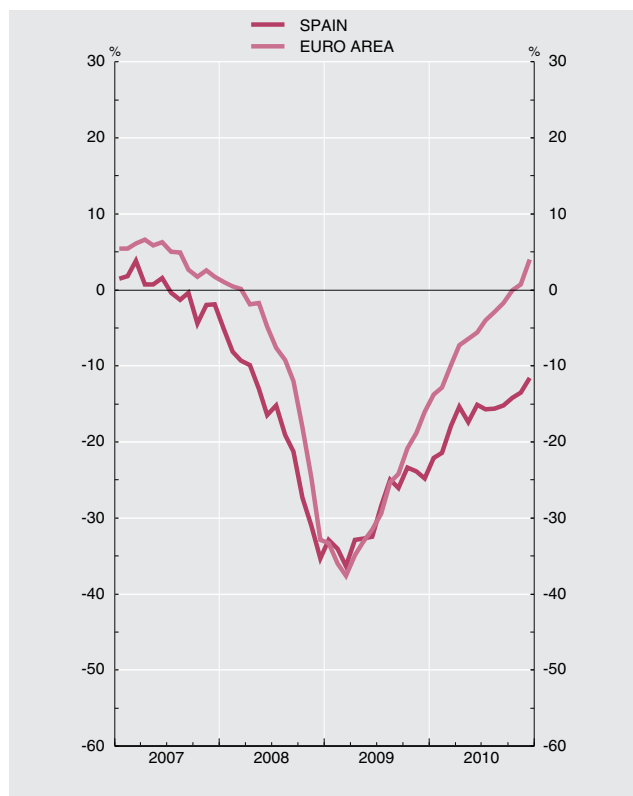
3.5. MONTHLY BUSINESS SURVEY: INDUSTRY AND CONSTRUCTION. SPAIN AND EURO AREA (NACE 2009)

■ Series depicted in chart.

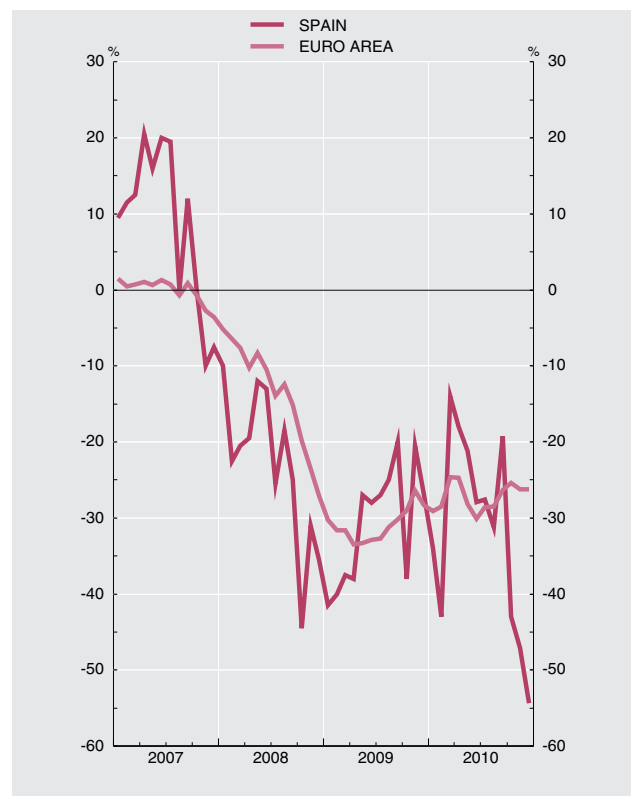
Percentage balances

		Industry, excluding construction										Construction					Memorandum item: euro area (b)		
		Business climate indicator	Production over the last three months	Trend in production	Total orders	Foreign orders	Stocks of finished products	Business climate indicator				Business climate indicator	Production	Orders	Trend		Industry, excluding construction		Construction climate indicator
								Consumption	Investment	Intermediate goods (a)	Other sectors				Production	Orders	Business climate indicator	Order Book	
1		(a)		(a)	(a)	(a)	(a)	(a)	(a)	(a)	11		12	13	14	15	16	17	18
07	M	-0	7	6	3	-0	9	-2	6	-2	-1	9	20	11	18	21	5	5	-0
08	M	-18	-16	-8	-24	-17	21	-12	-8	-28	-3	-23	-2	-20	-16	-16	-9	-15	-13
09	M	-29	-34	-11	-55	-52	23	-19	-26	-37	-44	-31	-20	-32	-13	-19	-28	-56	-31
09 J-D	M	-29	-34	-11	-55	-52	23	-19	-26	-37	-44	-31	-20	-32	-13	-19	-28	-56	-31
10 J-D	M	-16	-8	-1	-37	-29	11	-10	-14	-18	-52	-32	-19	-31	-26	-33	-5	-25	-27
09 Sep		-26	-26	-6	-53	-45	20	-20	-23	-27	-54	-20	-22	-27	9	-23	-24	-56	-30
Oct		-23	-20	-3	-51	-47	16	-17	-19	-27	-54	-38	-23	-47	-25	-21	-21	-53	-29
Nov		-24	-20	-3	-52	-49	18	-17	-21	-29	-72	-21	-15	-23	-32	-13	-19	-51	-26
Dec		-25	-22	-6	-51	-49	17	-14	-26	-29	-60	-27	2	-29	-23	-20	-16	-47	-28
10 Jan		-22	-25	0	-51	-47	16	-15	-24	-23	-56	-34	-48	-26	-40	-26	-14	-44	-29
Feb		-21	-26	-1	-49	-44	15	-12	-22	-26	-54	-43	-35	-41	-36	-41	-13	-42	-29
Mar		-18	-21	2	-44	-36	11	-12	-15	-20	-57	-14	-57	-20	12	-28	-10	-39	-25
Apr		-15	-9	5	-40	-30	11	-10	-12	-17	-52	-18	9	-25	6	-12	-7	-32	-25
May		-17	-4	-1	-37	-33	14	-11	-11	-21	-52	-21	11	-27	-8	-7	-6	-28	-28
Jun		-15	-1	1	-36	-27	11	-10	-17	-14	-55	-28	9	-39	-26	-37	-6	-26	-30
Jul		-16	7	-1	-34	-29	12	-9	-11	-18	-55	-28	0	-30	-6	-4	-4	-21	-29
Aug		-16	1	-3	-33	-22	11	-6	-13	-17	-58	-31	1	-18	-46	-47	-3	-18	-29
Sep		-15	1	-4	-32	-22	9	-9	-12	-20	-22	-19	-34	-21	-2	-43	-2	-16	-26
Oct		-14	-7	-3	-30	-9	10	-9	-14	-14	-37	-43	-25	-32	-55	-55	-	-13	-25
Nov		-14	-7	-4	-29	-24	8	-9	-13	-15	-68	-47	-29	-43	-56	-44	1	-12	-26
Dec		-12	-7	2	-27	-26	10	-7	-7	-15	-57	-54	-29	-51	-51	-48	4	-7	-26

INDUSTRIAL BUSINESS CLIMATE
Percentage balances



CONSTRUCTION BUSINESS CLIMATE
Percentage balances



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

a. Seasonally adjusted.

b. To April 2010, NACE 1993; from May 2010, NACE 2009.

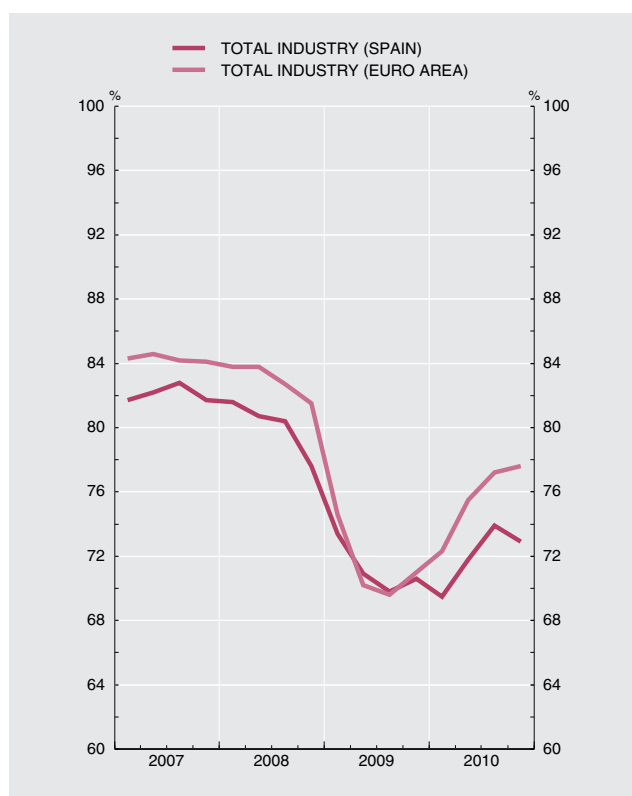
3.6. BUSINESS SURVEY: CAPACITY UTILISATION. SPAIN AND EURO AREA (NACE 2009)

■ Series depicted in chart.

Percentages and percentage balances

	Total industry			Consumer goods			Investment goods			Intermediate goods			Other sectors (a)			Memo- randum item: euro area capacity utilisa- tion
	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	
	Over last three months	Forecast		Over last three months	Forecast		Over last three months	Forecast		Over last three months	Forecast		Over last three months	Forecast		
	(%)	(%)	(Per- centage balan- ces)	(%)	(%)	(Per- centage balan- ces)	(%)	(%)	(Per- centage balan- ces)	(%)	(%)	(Per- centage balan- ces)	(%)	(%)	(Per- centage balan- ces)	(b) (%)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
07	82.1	83.3	1	77.0	78.6	3	83.9	84.8	-0	83.2	84.5	1	95.1	96.0	-	84.3
08	80.1	80.4	7	76.2	77.3	8	83.4	83.3	6	79.6	79.7	7	94.0	94.5	-0	83.0
09	71.2	71.4	26	69.6	70.7	18	73.3	73.6	25	69.0	68.5	34	93.1	94.3	1	71.4
09 Q1-Q4	71.2	71.4	26	69.6	70.7	18	73.3	73.6	25	69.0	68.5	34	93.1	94.3	1	71.4
10 Q1-Q4	72.0	72.8	22	69.8	70.5	18	73.0	72.5	23	71.4	72.9	24	88.6	90.5	18	75.7
08 Q2	80.7	81.8	5	76.7	79.0	6	83.4	83.3	4	80.7	81.7	5	93.6	94.1	-	83.8
Q3	80.4	80.8	6	77.4	78.1	11	85.0	84.7	5	78.7	79.3	4	94.3	94.1	-	82.7
Q4	77.6	76.5	12	73.6	73.5	12	80.5	78.8	7	77.2	75.6	16	93.4	94.1	-0	81.5
09 Q1	73.4	72.9	22	72.1	71.8	9	77.8	76.2	17	70.3	70.1	36	90.4	92.7	-	74.6
Q2	70.9	71.4	26	68.1	69.8	20	73.9	73.9	22	68.8	68.7	35	96.2	96.7	-	70.2
Q3	69.8	70.7	30	69.3	70.8	19	69.9	70.6	38	67.6	68.4	36	94.8	95.8	3	69.6
Q4	70.6	70.4	24	69.0	70.4	23	71.4	73.7	22	69.2	66.7	28	90.9	91.9	-	71.0
10 Q1	69.5	70.7	25	66.4	67.1	20	70.0	71.0	26	69.2	70.9	30	92.1	92.8	0	72.3
Q2	71.8	73.9	21	69.0	70.1	19	73.9	74.3	22	70.6	74.3	24	92.8	93.6	-	75.5
Q3	73.9	74.6	15	72.6	73.6	10	74.1	74.5	19	72.9	73.8	18	90.6	90.9	0	77.2
Q4	72.9	72.1	26	71.1	71.3	21	73.9	70.3	25	73.0	72.4	24	78.8	84.5	73	77.6

CAPACITY UTILISATION. TOTAL INDUSTRY
Percentages



CAPACITY UTILISATION. BY TYPE OF GOOD
Percentages



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

a. Includes mining and quarrying, manufacture of coke and refined petroleum products, and nuclear fuels.

b. To April 2010, NACE 1993; from May 2010, NACE 2009.

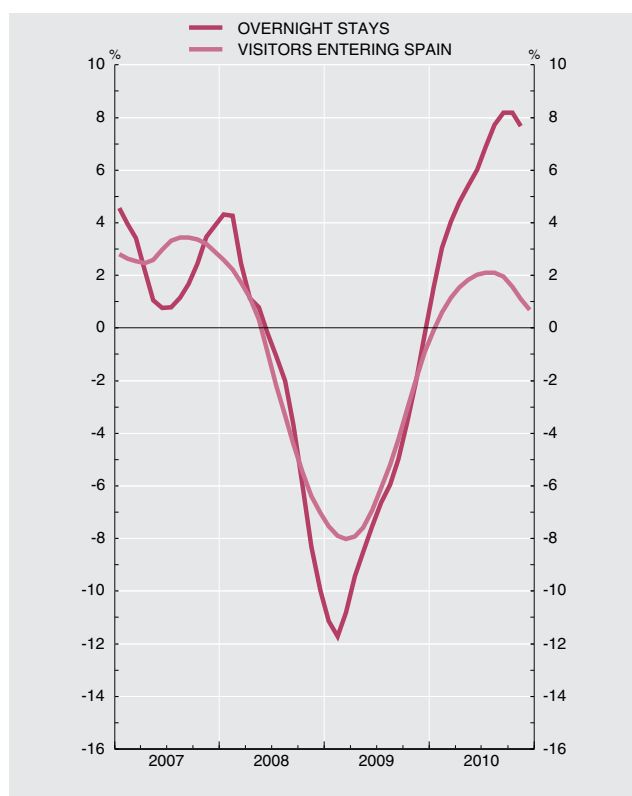
3.7. TOURISM AND TRANSPORT STATISTICS. SPAIN

■ Series depicted in chart.

Annual percentage changes

		Hotel stays (a)		Overnight stays		Visitors entering Spain			Air transport				Maritime transport		Rail transport	
		Total	Foreigners	Total	Foreigners	Total	Tourists	Day-trip-ers	Passengers			Freight	Passen- gers	Freight	Passen- gers	Freight
									Total	Domestic flights	Internat- ional flights					
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
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	-1.3	-1.5
08		-1.7	-0.1	-1.2	0.2	-1.3	-2.5	0.6	-3.0	-7.5	0.3	0.0	-1.5	-2.1	-0.7	-10.3
09	P	-7.1	-10.6	-6.8	-9.5	-5.9	-8.8	-1.9	-8.0	-8.0	-8.0	-9.6	-2.2	-12.9	-5.7	-24.8
09 J-D	P	-6.6	-9.9	-6.6	-9.1	-5.9	-8.8	-1.9	-8.0	-8.0	-8.0	-9.6	-2.2	-12.9	-5.7	-24.8
10 J-D	P	6.1	11.2	5.9	8.1	2.0	1.0	3.3	...	...	...	...	...	...	...	...
09 Sep	P	-6.5	-10.0	-6.9	-9.1	-7.6	-9.7	-4.0	-5.1	-1.3	-7.3	-2.9	-3.6	-10.8	-5.8	-19.1
Oct	P	-0.6	-4.8	-2.8	-6.7	1.8	-3.6	10.5	-2.7	-0.2	-4.1	0.1	4.3	-10.4	-6.6	-27.6
Nov	P	-3.6	-4.9	-3.9	-6.2	-0.1	-3.1	3.3	-0.8	1.2	-2.3	4.0	5.4	-0.5	-2.1	-3.4
Dec	P	2.2	-0.5	0.0	-1.5	0.9	-3.7	5.5	2.1	3.8	0.6	17.9	-0.4	-1.2	-4.3	22.0
10 Jan	P	1.4	1.7	0.3	-1.5	2.4	1.1	3.7	3.3	6.4	1.0	13.6	25.6	4.8	-6.5	7.7
Feb	P	4.0	7.0	4.3	4.8	-0.1	-3.8	4.1	1.4	1.8	1.1	19.5	-5.5	-1.7	-4.1	-14.0
Mar	P	7.5	6.9	7.5	5.9	8.1	3.2	14.4	5.5	5.4	5.6	29.8	10.7	1.9	-3.2	-9.2
Apr	P	3.6	8.4	1.0	0.1	-5.4	-13.3	6.2	-8.6	-3.3	-12.4	40.7	-5.3	2.7	3.6	2.3
May	P	5.8	9.4	5.7	6.1	-1.3	1.1	-4.9	3.2	1.9	4.1	30.6	3.6	3.6	-4.2	10.7
Jun	P	6.9	9.2	5.4	5.4	4.5	1.7	9.4	3.4	1.0	4.9	17.6	4.5	3.5	-3.6	4.7
Jul	P	8.8	16.0	7.2	11.1	2.9	4.5	0.6	3.8	-1.6	7.0	10.0	4.4	7.1	-3.4	5.3
Aug	P	7.0	15.6	9.3	16.3	2.8	4.0	1.4	3.8	-1.5	7.0	10.6	-0.4	3.7	-1.6	-0.9
Sep	P	7.1	15.0	8.3	13.5	8.0	4.2	14.1	5.8	2.4	7.9	4.1	9.8	2.7	0.0	-14.4
Oct	P	9.3	14.3	9.9	12.5	3.6	4.2	2.7	8.9	6.5	10.4	6.7	1.5	7.7	-2.0	-3.7
Nov	P	5.2	15.1	7.2	15.3	0.2	2.7	-2.5	...	...	...	...	...	...	-1.5	...
Dec	P	...	...	...	...	-4.9	-4.6	-5.1	...	...	...	...	...	...	...	...

TOURISM
Trend obtained with TRAMO-SEATS



TRANSPORT
Trend obtained with TRAMO-SEATS



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

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

a. Information from hotel directories. Since January 2006, the frequency of data collection has been increased to every day of the month.

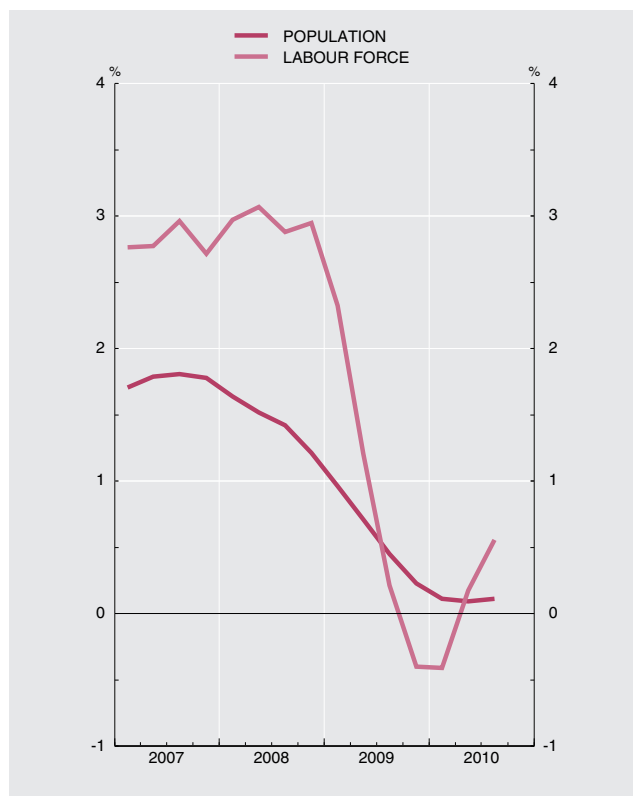
4.1. LABOUR FORCE. SPAIN

■ Series depicted in chart.

Thousands and annual percentage changes

Population over 16 years of age					Labour force					
		Thousands	Annual change	4-quarter % change	Participation rate (%) (a)	Thousands (a)	Annual change (b)			4-quarter % change
		1	2	3			Total	Due to change in population over 16 years of age	Due to change in participation rate	
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
09	M	38 432	224	0.6	59.95	23 037	189	134	55	0.8
09	Q1-Q3M	38 428	269	0.7	60.01	23 059	849	485	364	1.2
10	Q1-Q3M	38 468	40	0.1	60.01	23 084	73	73	1	0.1
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
	Q3	38 443	172	0.4	59.81	22 994	48	103	-54	0.2
	Q4	38 443	87	0.2	59.76	22 973	-92	52	-144	-0.4
10	Q1	38 451	42	0.1	59.83	23 007	-95	25	-120	-0.4
	Q2	38 468	36	0.1	60.11	23 122	40	22	18	0.2
	Q3	38 485	43	0.1	60.08	23 122	128	26	102	0.6

LABOUR FORCE SURVEY
Annual percentage change



LABOUR FORCE
Annual changes



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

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

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

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

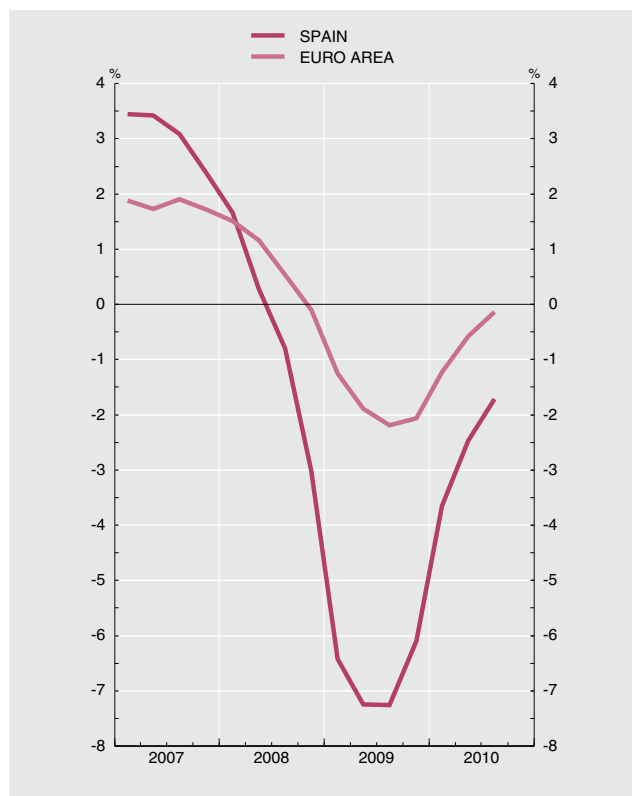
4.2. EMPLOYMENT AND WAGE-EARNERS. SPAIN AND EURO AREA

■ Series depicted in chart.

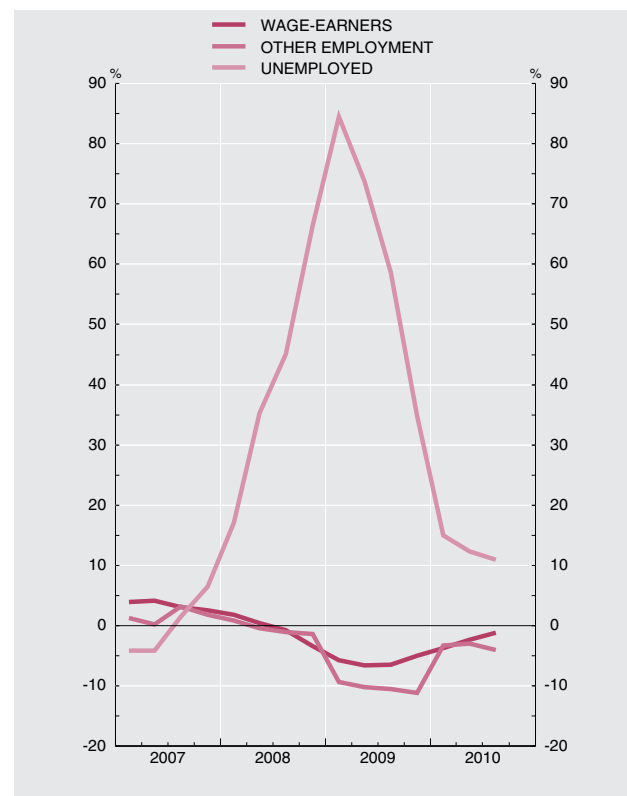
Thousands and annual percentage changes

		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	Annual change	4-quarter % change	Unemployment rate	Employment 4-quarter % change	Unemployment rate
		1	2	3	4	5	6	7	8	9	(a)	11	12	(a)	14	15
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	7.52
08	M	20 258	-98	-0.5	16 681	-79	-0.5	3 576	-20	-0.5	2 591	757	41.3	11.33	0.8	7.57
09	M	18 888	-1 370	-6.8	15 681	-1 001	-6.0	3 207	-369	-10.3	4 150	1 559	60.2	18.01	-1.8	9.45
09	Q1-Q3M	18 969	-1 423	-7.0	15 743	-1 062	-6.3	3 225	-360	-10.1	4 091	1 706	71.5	17.74	-1.8	9.30
10	Q1-Q3M	18 473	-496	-2.6	15 358	-386	-2.4	3 115	-110	-3.4	4 611	520	12.7	19.98	-0.6	9.98
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	1.2	7.39
	Q3	20 346	-164	-0.8	16 746	-124	-0.7	3 600	-41	-1.1	2 599	807	45.0	11.33	0.5	7.61
	Q4	19 857	-620	-3.0	16 308	-568	-3.4	3 549	-52	-1.4	3 208	1 280	66.4	13.91	-0.1	8.04
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	8.84
	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	-1.9	9.37
	Q3	18 870	-1 476	-7.3	15 650	-1 096	-6.5	3 220	-380	-10.6	4 123	1 525	58.7	17.93	-2.2	9.70
	Q4	18 646	-1 211	-6.1	15 493	-816	-5.0	3 153	-395	-11.1	4 327	1 119	34.9	18.83	-2.1	9.87
10	Q1	18 394	-697	-3.6	15 253	-590	-3.7	3 141	-107	-3.3	4 613	602	15.0	20.05	-1.2	9.92
	Q2	18 477	-468	-2.5	15 363	-373	-2.4	3 113	-95	-3.0	4 646	508	12.3	20.09	-0.6	10.00
	Q3	18 547	-323	-1.7	15 456	-194	-1.2	3 090	-130	-4.0	4 575	451	10.9	19.79	-0.1	10.02

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.

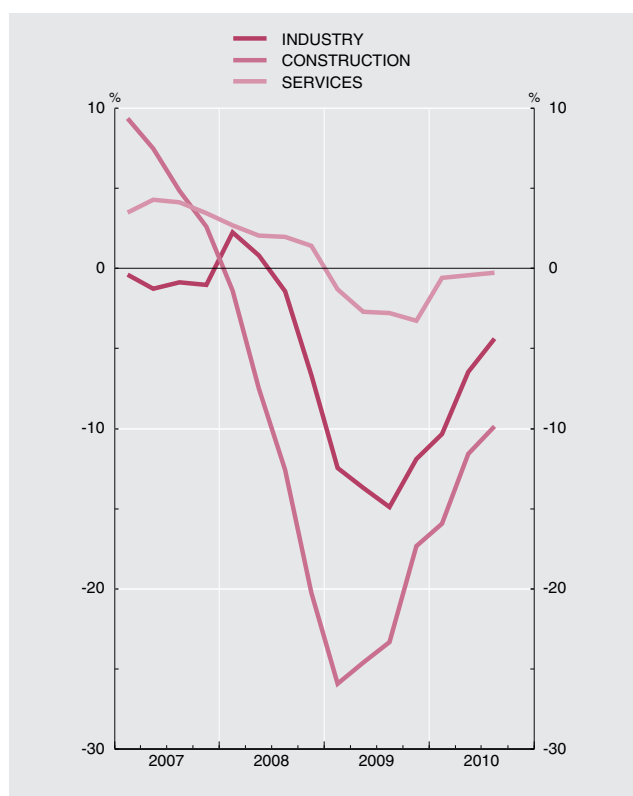
4.3. EMPLOYMENT BY BRANCH OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

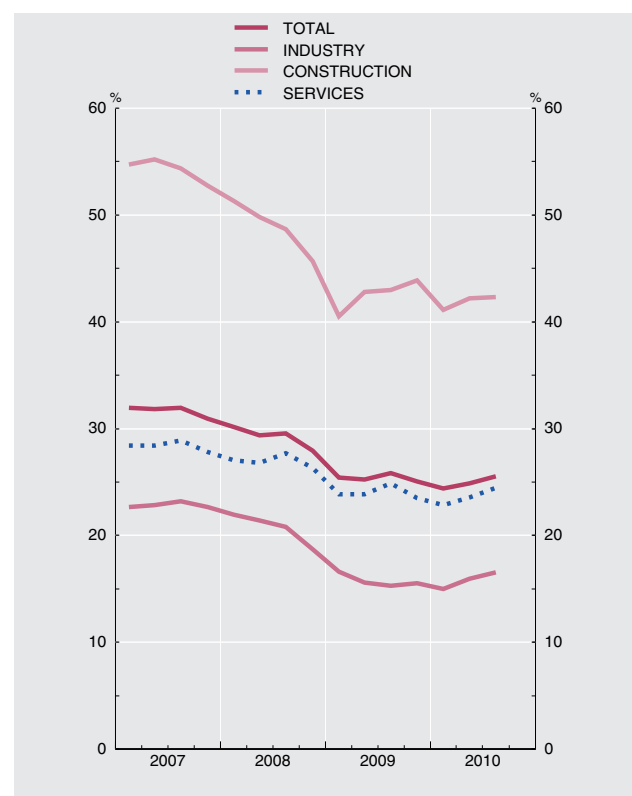
Annual percentage changes

		Total			Agriculture			Industry			Construction			Services			Memorandum item:
		Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment in branches other than agriculture
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
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
09	M	-6.8	-6.0	25.4	-4.0	-0.1	59.0	-13.3	-13.1	15.8	-23.0	-25.0	42.6	-2.5	-1.3	24.0	-6.9
09	Q1-Q3M	-7.0	-6.3	25.5	-4.5	0.4	59.0	-13.7	-13.6	15.8	-24.7	-27.0	42.1	-2.3	-1.1	24.2	-7.3
10	Q1-Q3M	-2.6	-2.4	24.9	0.2	4.6	58.4	-7.1	-6.7	15.8	-12.5	-14.8	41.9	-0.4	-0.2	23.6	-1.9
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
	Q3	-7.3	-6.5	25.9	-6.4	-3.5	56.9	-14.9	-15.0	15.3	-23.3	-24.5	43.0	-2.8	-1.7	24.9	-7.3
	Q4	-6.1	-5.0	25.1	-2.6	-1.5	59.2	-11.9	-11.4	15.5	-17.3	-17.6	43.9	-3.3	-1.8	23.5	-6.2
10	Q1	-3.6	-3.7	24.4	-0.3	2.4	62.7	-10.4	-10.9	15.0	-15.9	-17.2	41.1	-0.6	-0.5	22.8	-3.8
	Q2	-2.5	-2.4	24.9	-1.1	1.1	57.1	-6.4	-5.6	15.9	-11.6	-14.8	42.2	-0.4	-0.2	23.6	-2.5
	Q3	-1.7	-1.2	25.6	2.3	11.2	55.4	-4.4	-3.2	16.5	-9.8	-12.3	42.3	-0.3	0.2	24.5	-1.9

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.

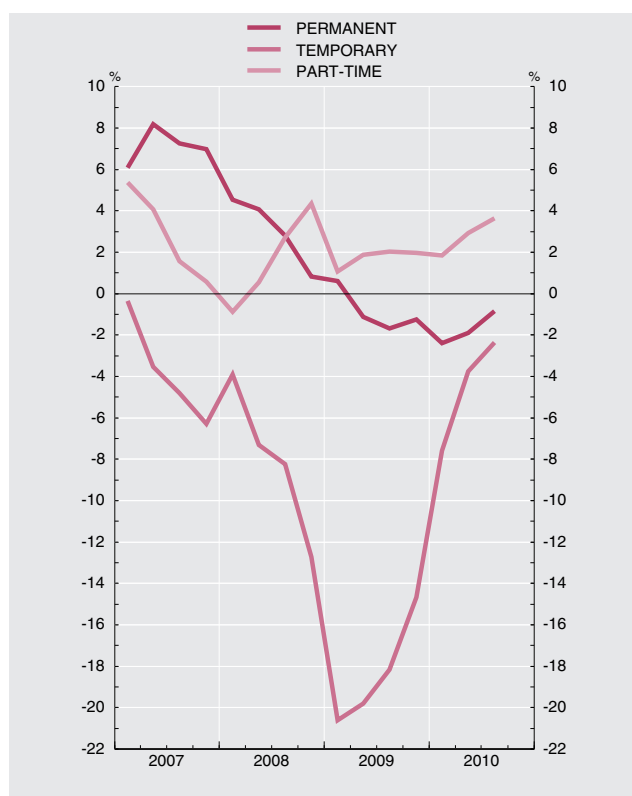
4.4. WAGE-EARNERS BY TYPE OF CONTRACT AND UNEMPLOYMENT BY DURATION. SPAIN. (a)

■ Series depicted in chart.

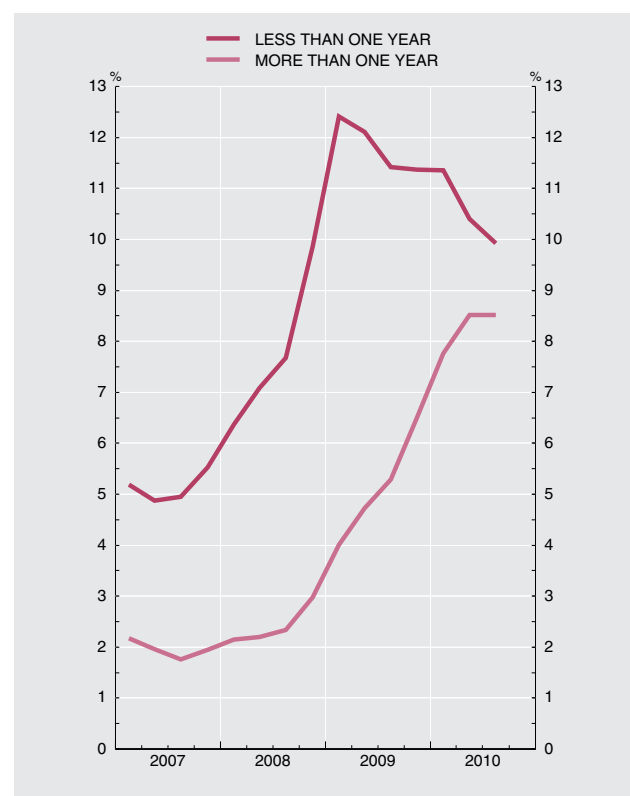
Thousands, annual percentage changes and %

		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	4-quar-ter % change	Annual change	4-quar-ter % change	Proportion of tempo-rary em-ployment	Annual change	4-quar-ter % change	Annual change	4-quar-ter % change	As % for wage earners	Unem-ployment rate	4-quar-ter % change	Unem-ployment rate	4-quar-ter % change
		Thousands		Thousands			Thousands		Thousands			(a)		(a)	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
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
09	M	-102	-0.9	-898	-18.4	25.40	-1 036	-7.1	36	1.7	13.34	11.83	53.8	5.13	114.0
09	Q1-Q3M	-87	-0.7	-975	-19.5	25.50	-1 136	-7.7	34	1.6	13.16	11.98	72.2	4.67	112.3
10	Q1-Q3M	-202	-1.7	-184	-4.6	24.94	-266	-2.0	58	2.8	13.87	10.56	-11.8	8.27	77.1
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
	Q3	-197	-1.7	-899	-18.2	25.85	-1 136	-7.7	40	2.0	12.79	11.42	49.2	5.29	127.2
	Q4	-148	-1.3	-668	-14.7	25.08	-857	-6.0	42	2.0	13.87	11.37	14.8	6.50	117.8
10	Q1	-285	-2.4	-305	-7.6	24.39	-628	-4.6	39	1.8	13.99	11.36	-8.9	7.77	93.0
	Q2	-224	-1.9	-149	-3.8	24.88	-436	-3.2	62	2.9	14.21	10.40	-14.0	8.51	80.6
	Q3	-98	-0.8	-96	-2.4	25.56	-266	-2.0	73	3.6	13.42	9.92	-12.7	8.52	61.9

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.

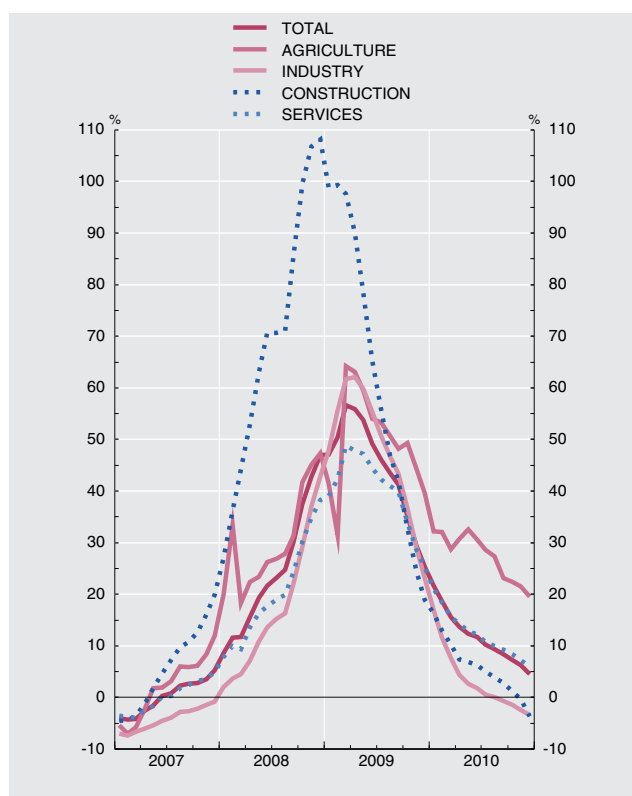
4.5. REGISTERED UNEMPLOYMENT BY BRANCH OF ACTIVITY. CONTRACTS AND PLACEMENTS. SPAIN

■ Series depicted in chart.

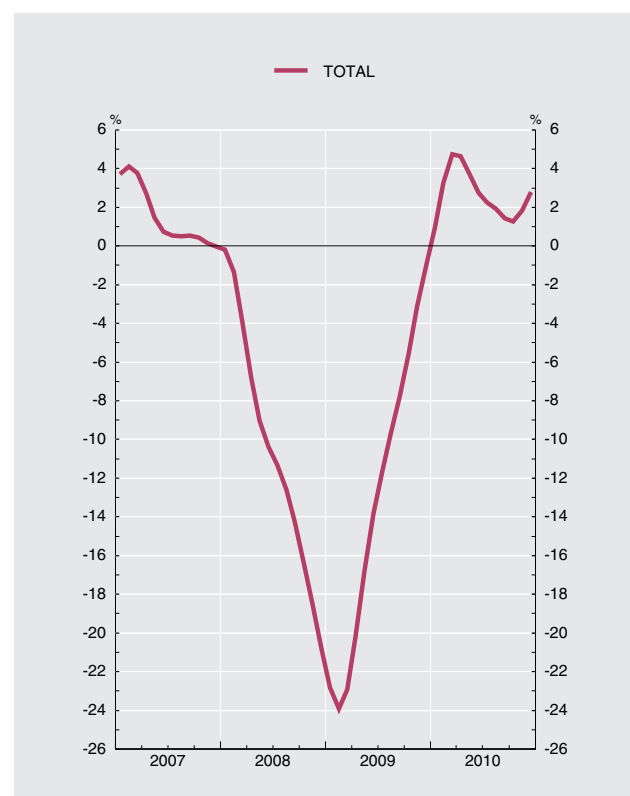
Thousands, annual percentage changes and %

		Registered unemployment										Contracts					Placements	
		Total			First time job-seekers(a)	Previously employed (a)						Total		Percentage of total			Total	
		Thousands	Annual change Thousands	12 month % change		12 month % change	12-month % change						Thousands	12 month % change	Perma- nent	Part time	Tempo- rary	Thou- sands	12 month % change
Total	Agri- culture				Branches other than agriculture													
						Total	Industry	Construc- tion	Services									
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
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
09	M	3 644	1 104	43.5	35.7	45.3	49.9	45.2	47.7	62.5	40.0	1 168	-15.5	9.41	27.97	90.59	1 165	-14.2
09 J-D	M	3 644	1 104	43.5	35.7	45.3	49.9	45.2	47.7	62.5	40.0	1 168	-15.5	9.41	27.97	90.59	1 165	-14.2
10 J-D	M	4 061	417	11.4	35.1	9.9	27.4	9.4	3.1	5.7	12.1	1 201	2.8	8.55	29.26	91.45	1 191	2.3
09 Nov		3 869	880	29.4	46.2	28.2	44.4	27.8	29.1	24.5	28.6	1 204	3.6	8.92	29.75	91.08	1 189	4.8
Dec		3 924	795	25.4	49.0	23.9	39.6	23.4	23.1	18.9	25.2	1 138	1.8	7.54	28.34	92.46	1 106	1.1
10 Jan		4 048	721	21.7	53.8	19.7	32.2	19.4	16.9	16.3	21.0	1 050	-6.7	9.01	25.01	90.99	1 030	-7.3
Feb		4 131	649	18.6	50.9	16.6	32.0	16.2	11.6	13.0	18.4	1 028	1.1	9.84	26.74	90.16	1 024	2.5
Mar		4 167	561	15.6	44.3	13.7	28.8	13.2	7.6	10.3	15.6	1 189	12.1	9.92	28.08	90.08	1 178	12.5
Apr		4 142	498	13.7	40.0	11.8	30.8	11.3	4.5	7.4	14.3	1 079	4.6	9.55	28.66	90.45	1 069	3.7
May		4 066	446	12.3	36.1	10.6	32.6	10.0	2.7	6.9	12.8	1 182	6.5	9.16	28.97	90.84	1 198	7.9
Jun		3 982	417	11.7	35.3	9.9	30.6	9.3	1.8	6.3	12.2	1 298	1.8	7.61	29.42	92.39	1 244	-1.2
Jul		3 909	364	10.3	32.3	8.6	28.6	8.0	0.5	5.0	10.8	1 397	-0.4	6.86	31.51	93.14	1 386	0.3
Aug		3 970	341	9.4	30.1	7.8	27.3	7.2	0.0	3.9	10.0	1 010	6.9	6.62	28.59	93.38	1 021	6.0
Sep		4 018	308	8.3	26.3	6.9	23.1	6.4	-0.7	2.8	9.2	1 390	2.6	8.78	31.88	91.22	1 442	3.1
Oct		4 086	278	7.3	23.9	5.9	22.4	5.4	-1.4	1.1	8.4	1 346	-0.9	8.80	33.12	91.20	1 295	-6.1
Nov		4 110	241	6.2	24.1	4.8	21.5	4.2	-2.4	-0.4	7.2	1 257	4.4	8.60	30.86	91.40	1 243	4.5
Dec		4 100	176	4.5	24.7	2.9	19.5	2.4	-3.4	-3.7	5.8	1 190	4.6	7.83	28.24	92.17	1 165	5.4

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.

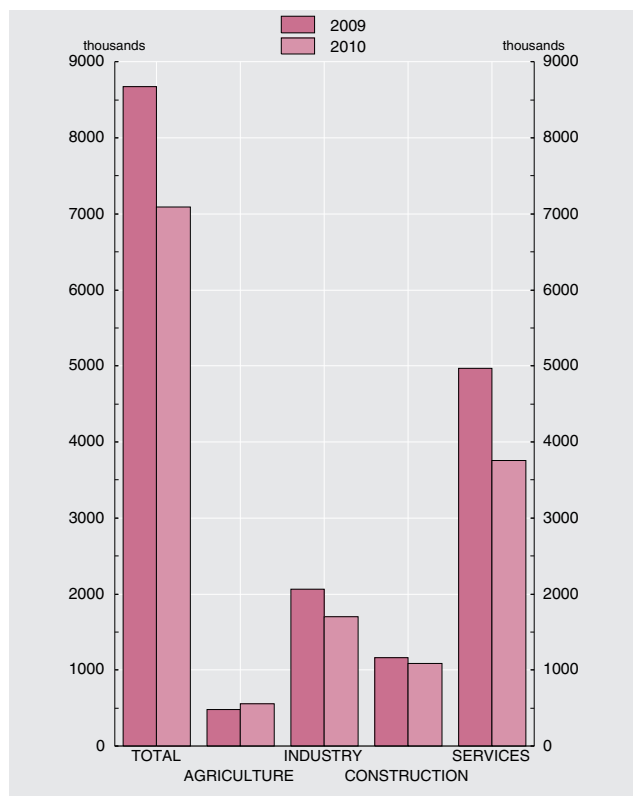
4.6. COLLECTIVE BARGAINING AGREEMENTS

■ Series depicted in chart.

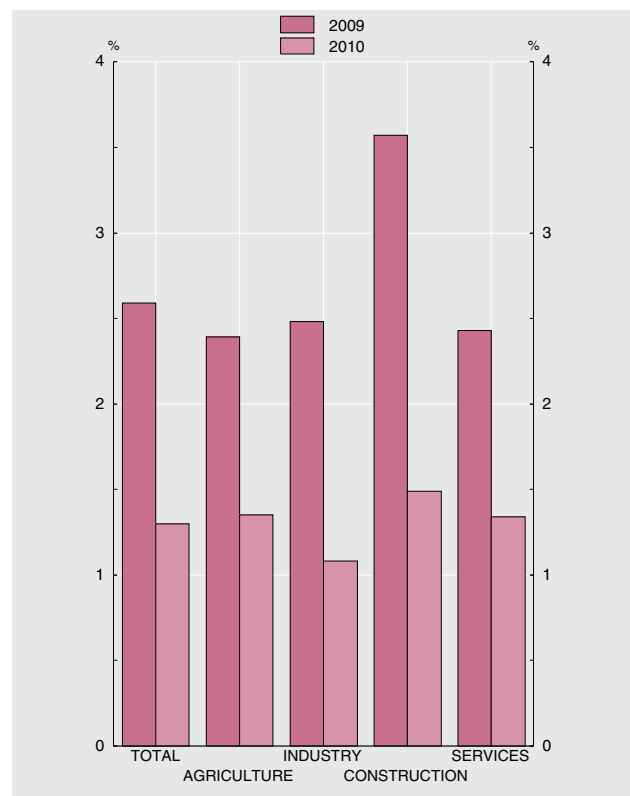
Thousands and %

	As per month economic effects come into force(a)		As per month recorded														
			Employees affected (a)								Average wage settlement (%)						
	Em- ployees affected	Average wage settle- ment (b)	Auto- matic adjust- ment	Newly- signed agree- ments	Total	Annual change	Agricul- ture	Indus- try	Construc- tion	Services	Auto- matic adjust- ment	Newly signed agree- ments	Total	Agricul- ture	Indus- try	Construc- tion	Services
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
							(c)	(c)	(c)	(c)				(c)	(c)	(c)	(c)
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	11 968	3.60	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	11 078	2.28	7 611	1 064	8 676	-126	483	2 063	1 158	4 971	2.62	2.35	2.59	2.39	2.48	3.57	2.43
09 Jul	10 944	2.29	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	10 946	2.29	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	11 070	2.27	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
Oct	11 077	2.27	7 491	895	8 386	19	480	2 005	1 146	4 755	2.63	2.30	2.59	2.40	2.48	3.58	2.42
Nov	11 077	2.27	7 537	1 052	8 589	4	481	2 038	1 158	4 913	2.63	2.35	2.60	2.40	2.48	3.57	2.44
Dec	11 078	2.28	7 611	1 064	8 676	-126	483	2 063	1 158	4 971	2.62	2.35	2.59	2.39	2.48	3.57	2.43
10 Jan	6 741	1.29	1 154	-	1 154	-2 340	131	241	4	778	1.62	-	1.62	1.30	1.12	1.96	1.82
Feb	6 746	1.29	1 393	0	1 393	-4 590	151	337	39	866	1.52	1.54	1.52	1.20	1.18	0.90	1.73
Mar	6 782	1.29	1 754	126	1 879	-4 355	152	366	40	1 321	1.38	1.04	1.36	1.20	1.15	0.90	1.45
Apr	7 053	1.30	2 625	156	2 781	-3 993	224	715	40	1 802	1.29	1.04	1.27	1.46	0.94	0.90	1.39
May	7 057	1.30	2 890	194	3 083	-3 915	234	831	41	1 978	1.33	1.06	1.31	1.59	1.04	0.90	1.40
Jun	7 091	1.30	3 396	208	3 604	-3 781	234	1 060	81	2 229	1.31	1.06	1.30	1.59	1.00	1.76	1.39
Jul	7 092	1.30	3 548	224	3 771	-3 665	235	1 100	66	2 371	1.30	1.13	1.29	1.58	1.02	1.41	1.38
Aug	7 092	1.30	3 766	290	4 056	-3 391	236	1 319	66	2 435	1.29	1.10	1.28	1.58	1.01	1.41	1.39
Sep	7 093	1.30	4 786	344	5 130	-2 698	238	1 354	910	2 628	1.32	1.09	1.31	1.58	1.02	1.49	1.37
Oct	7 093	1.30	5 381	821	6 202	-2 183	429	1 537	1 084	3 153	1.33	1.10	1.30	1.39	1.04	1.49	1.34
Nov	7 093	1.30	6 047	917	6 964	-1 625	520	1 664	1 084	3 696	1.32	1.09	1.29	1.32	1.08	1.49	1.32
Dec	7 093	1.30	6 071	1 023	7 093	-1 583	557	1 699	1 084	3 753	1.32	1.20	1.30	1.35	1.08	1.49	1.34

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 2010.

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

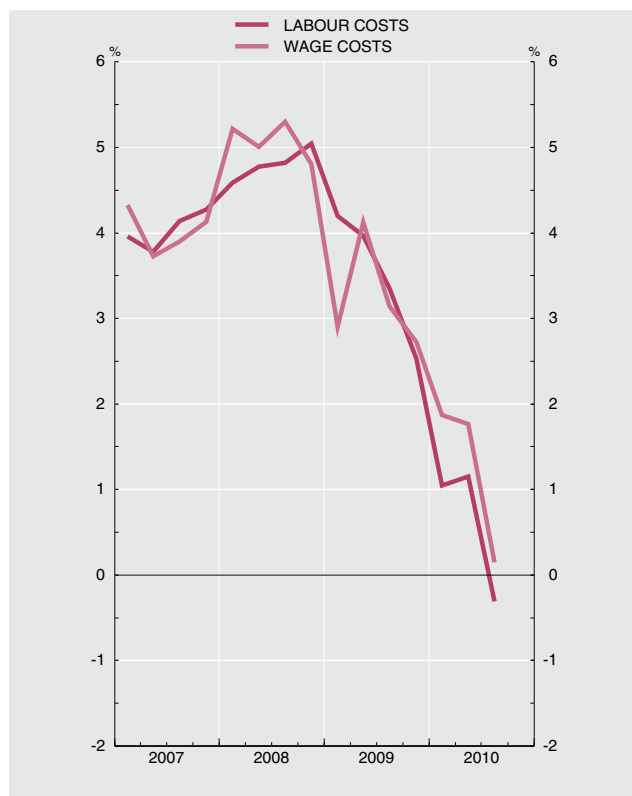
4.7. QUARTERLY LABOUR COSTS SURVEY

■ Series depicted in chart.

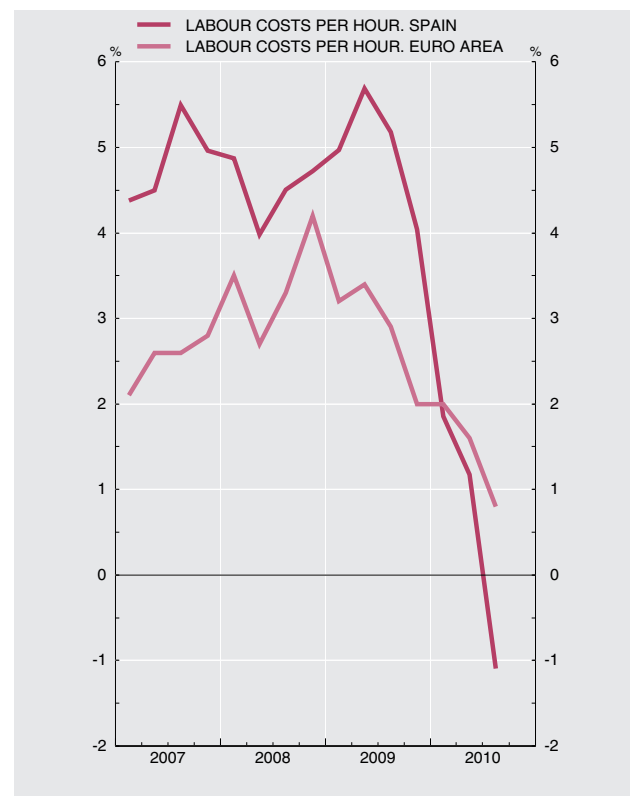
Annual percentage change

		Labour costs					Wage costs					Other costs per worker and month	memorandum item: total hourly costs (a)	
		Per worker and per month				Per hour worked	Per worker and per month				Per hour worked		Spain (b)	Euro area (c)
		Total	Industry	Construction	Services		Total	Industry	Construction	Services				
		1	2	3	4	5	6	7	8	9	10	11	12	13
07	M	4.0	3.6	4.9	4.1	4.6	4.0	3.4	4.6	4.2	4.5	4.1	4.9	2.5
08	M	4.8	4.4	6.3	4.9	4.6	5.1	4.8	6.3	5.0	4.9	4.1	4.5	3.4
09	M	3.5	3.1	5.4	3.5	5.6	3.2	2.1	5.2	3.2	5.3	4.3	5.0	2.9
09	Q1-Q3M	3.8	3.2	5.9	3.9	5.8	3.4	1.9	5.1	3.5	5.4	5.1	5.3	3.2
10	Q1-Q3M	0.6	2.2	0.1	0.5	0.4	1.3	2.9	0.8	0.9	1.1	-1.1	0.6	1.5
08	Q1	4.6	3.6	5.4	4.9	8.6	5.2	5.3	5.5	5.1	9.3	2.9	4.9	3.5
	Q2	4.8	5.5	6.0	4.6	1.8	5.0	4.9	7.1	4.7	2.0	4.1	4.0	2.7
	Q3	4.8	3.9	5.7	5.2	5.4	5.3	4.6	6.1	5.4	6.0	3.5	4.5	3.3
	Q4	5.0	4.6	7.9	5.0	3.0	4.8	4.5	6.6	4.7	2.7	5.8	4.7	4.2
09	Q1	4.2	3.8	6.5	4.1	3.7	2.9	1.2	4.6	3.0	2.4	7.8	5.0	3.2
	Q2	4.0	3.1	6.3	4.1	9.6	4.1	2.4	5.8	4.3	9.8	3.5	5.7	3.4
	Q3	3.4	2.9	5.0	3.5	4.2	3.1	2.0	4.9	3.2	3.9	3.9	5.2	2.9
	Q4	2.5	2.7	4.1	2.5	5.1	2.7	2.5	5.3	2.5	5.3	1.9	4.0	2.0
10	Q1	1.0	2.1	0.7	1.0	2.1	1.9	2.8	1.9	1.6	2.9	-1.1	1.9	2.0
	Q2	1.2	2.5	0.4	1.1	0.8	1.8	3.0	1.4	1.6	1.4	-0.6	1.2	1.6
	Q3	-0.3	2.1	-0.9	-0.6	-1.4	0.1	2.9	-0.9	-0.4	-0.9	-1.5	-1.1	0.8

PER WORKER AND MONTH
Annual percentage change



PER HOUR WORKED
Annual percentage change



Sources: INE (Quarterly Labour Costs Survey and Harmonised Labour Costs Index) 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. Working day adjusted.

b. Harmonised Labour Costs Index.

c. Whole economy, excluding agriculture, public administration, education, health and services not classified elsewhere.

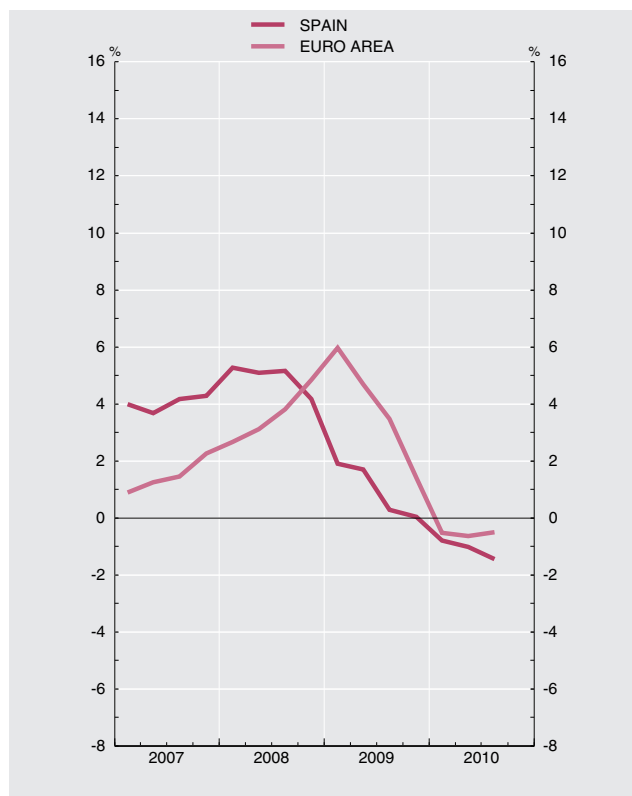
4.8. UNIT LABOUR COSTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

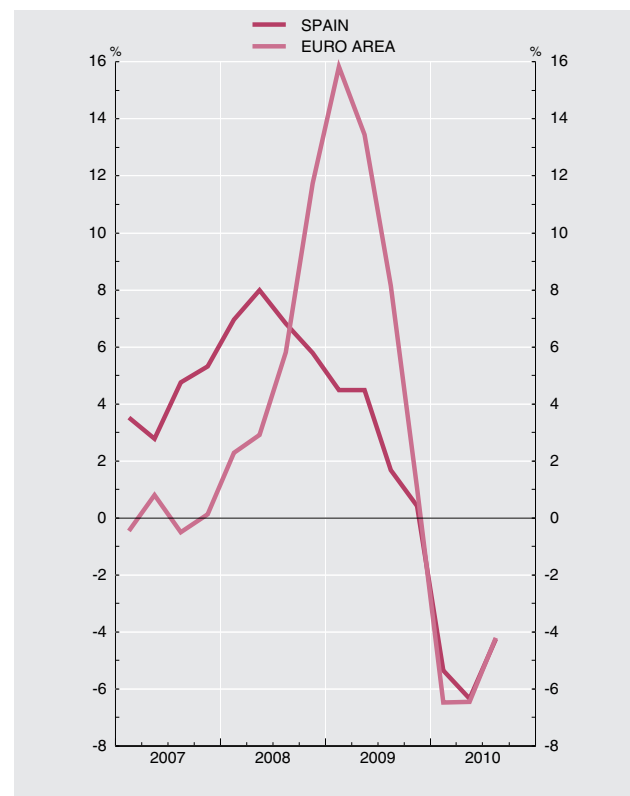
Annual percentage changes

		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
07	P	4.0	1.5	4.8	2.5	0.7	1.0	3.6	2.8	2.8	1.8	4.1	-0.0
08	P	4.9	3.6	6.4	3.2	1.4	-0.4	0.9	0.3	-0.5	0.8	6.9	5.7
09	P	1.0	3.9	4.1	1.5	3.1	-2.2	-3.7	-4.0	-6.6	-1.8	2.8	9.6
07 Q4	P	4.3	2.3	5.2	2.8	0.8	0.5	3.2	2.2	2.3	1.7	5.3	0.1
08 Q1	P	5.3	2.7	6.3	3.3	1.0	0.6	2.8	2.1	1.7	1.5	7.0	2.3
Q2	P	5.1	3.1	6.7	3.2	1.5	0.1	1.9	1.2	0.4	1.2	8.0	2.9
Q3	P	5.2	3.8	6.3	3.4	1.1	-0.4	0.3	0.1	-0.8	0.5	6.8	5.8
Q4	P	4.2	4.8	6.2	2.7	2.0	-2.0	-1.4	-2.1	-3.3	-0.1	5.8	11.7
09 Q1	P	1.9	6.0	4.8	1.7	2.9	-4.0	-3.5	-5.2	-6.2	-1.3	4.5	15.8
Q2	P	1.7	4.7	4.5	1.5	2.8	-3.1	-4.4	-4.9	-7.1	-1.9	4.5	13.5
Q3	P	0.3	3.5	3.9	1.6	3.6	-1.8	-3.9	-4.0	-7.2	-2.2	1.7	8.1
Q4	P	0.0	1.4	3.2	1.4	3.1	0.0	-3.0	-2.0	-6.0	-2.1	0.4	1.1
10 Q1	P	-0.8	-0.5	1.8	1.5	2.6	2.1	-1.4	0.8	-3.8	-1.2	-5.3	-6.5
Q2	P	-1.0	-0.6	1.5	1.9	2.6	2.5	-0.0	2.0	-2.5	-0.6	-6.3	-6.5
Q3	P	-1.4	-0.5	0.5	1.5	1.9	2.1	0.2	1.9	-1.7	-0.1	-4.2	-4.2

UNIT LABOUR COSTS: TOTAL
Annual percentage changes



UNIT LABOUR COSTS: MANUFACTURING
Annual percentage changes



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

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

b. Full-time equivalent employment.

c. Industry.

d. Industry and energy.

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

■ Series depicted in chart.

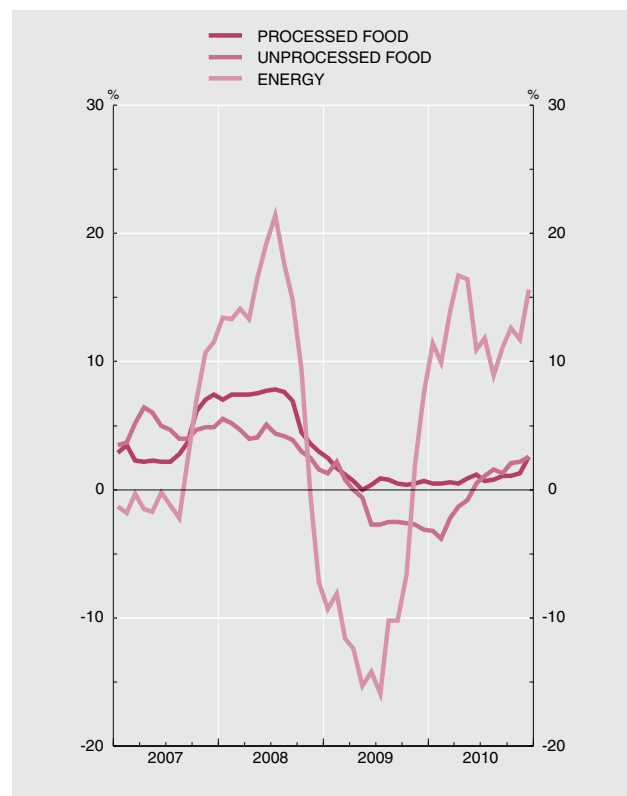
Indices and annual percentage changes

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
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
09 M	106.7	—	-0.3	0.8	-1.3	0.9	-1.3	-8.7	2.4	0.8	94.9	-11.3
09 J-D	M	106.7	0.1	-0.3	-0.2	-1.3	0.9	-8.7	2.4	0.8	95.7	-11.1
10 J-D	M	108.6	0.3	1.8	0.8	0.0	1.0	-0.4	12.6	1.3	...	...
09 Sep	106.4	-0.2	-1.0	-0.4	-2.5	0.5	-2.1	-10.2	1.8	0.1	90.4	-14.0
Oct	107.2	0.7	-0.7	0.3	-2.6	0.4	-2.1	-6.6	1.6	0.1	91.4	-12.2
Nov	107.8	0.5	0.3	0.8	-2.7	0.5	-1.7	1.9	1.6	0.2	92.2	-9.3
Dec	107.8	-	0.8	0.8	-3.1	0.7	-1.7	7.5	1.6	0.3	95.0	-5.5
10 Jan	106.7	-1.0	1.0	-1.0	-3.2	0.5	-1.7	11.4	1.2	0.1	95.4	-5.5
Feb	106.5	-0.2	0.8	-1.2	-3.8	0.5	-1.5	9.9	1.1	0.1	103.9	1.0
Mar	107.3	0.7	1.4	-0.5	-2.2	0.6	-1.5	13.9	1.3	0.2	111.4	5.6
Apr	108.4	1.1	1.5	0.6	-1.3	0.5	-1.5	16.7	0.8	-0.1	110.9	2.8
May	108.7	0.2	1.8	0.8	-0.8	0.9	-1.1	16.4	1.0	0.2	115.8	13.7
Jun	108.9	0.2	1.5	1.0	0.5	1.2	-0.8	10.9	1.0	0.4	101.8	8.6
Jul	108.4	-0.4	1.9	0.6	1.1	0.7	-0.1	11.8	1.4	0.8	87.0	4.5
Aug	108.6	0.3	1.8	0.8	1.6	0.8	0.2	8.9	1.5	1.0	88.5	5.1
Sep	108.7	0.1	2.1	0.9	1.3	1.1	0.4	11.1	1.5	1.1	97.6	8.0
Oct	109.7	0.9	2.3	1.8	2.1	1.1	0.6	12.6	1.5	1.1	...	...
Nov	110.3	0.5	2.3	2.4	2.2	1.3	0.8	11.7	1.5	1.2	...	...
Dec	111.0	0.6	3.0	3.0	2.6	2.6	0.9	15.6	1.6	1.5	...	...

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.

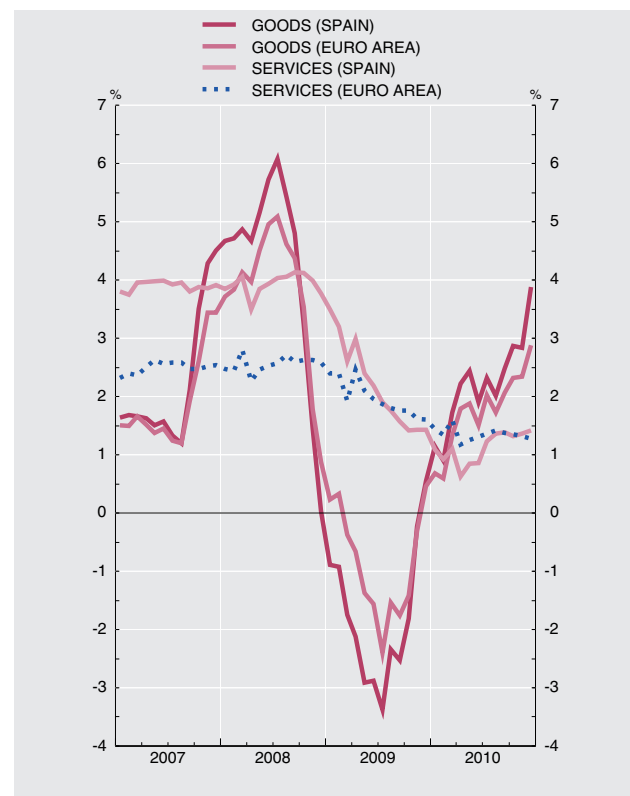
Annual percentage changes

		Total		Goods														Services		
		Spain	Euro area	Spain	Euro area	Food						Industrial						Spain	Euro area	
						Total		Processed		Unprocessed		Spain	Euro area	Non-energy		Energy				
						Spain	Euro area	Spain	Euro area	Spain	Euro area			Spain	Euro area	Spain	Euro area			
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
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	
09	M	-0.2	0.3	-1.8	-0.9	0.2	0.7	1.0	1.1	-0.7	0.2	-2.9	-1.7	-0.9	0.6	-9.0	-8.1	2.2	2.0	
09	J-D	M	-0.2	0.3	-1.8	-0.9	0.2	0.7	1.0	1.1	-0.7	0.2	-2.9	-1.7	-0.9	0.6	-9.0	-8.1	2.2	2.0
10	J-D	MP	1.8	1.6	2.2	1.8	0.7	1.0	1.4	0.9	-0.1	1.2	3.0	2.1	-0.3	0.4	12.5	7.4	1.1	1.4
09	Sep		-0.9	-0.3	-2.5	-1.8	-0.5	-0.2	0.7	0.5	-1.8	-1.3	-3.7	-2.6	-1.5	0.5	-10.1	-11.0	1.6	1.8
	Oct		-0.6	-0.1	-1.8	-1.4	-0.5	-0.4	0.8	0.3	-2.0	-1.6	-2.6	-1.9	-1.5	0.3	-6.5	-8.5	1.4	1.8
	Nov		0.4	0.5	-0.2	-0.3	-0.5	-0.1	1.0	0.5	-2.1	-1.3	-0.2	-0.4	-1.2	0.3	1.9	-2.4	1.4	1.6
	Dec		0.9	0.9	0.5	0.5	-0.5	-0.2	1.3	0.7	-2.4	-1.6	1.1	0.8	-1.1	0.4	7.4	1.8	1.4	1.6
10	Jan		1.1	1.0	1.1	0.7	-0.6	-0.1	1.1	0.6	-2.5	-1.3	2.0	1.1	-1.2	0.1	11.3	4.0	1.1	1.4
	Feb		0.9	0.9	0.9	0.6	-0.9	-0.1	1.1	0.6	-2.9	-1.2	1.8	0.9	-1.1	0.1	9.8	3.3	0.9	1.3
	Mar		1.5	1.4	1.7	1.3	-0.3	0.3	1.2	0.5	-1.8	-0.1	2.8	1.8	-1.1	0.1	13.8	7.2	1.1	1.6
	Apr		1.6	1.5	2.2	1.8	-0.1	0.7	0.9	0.6	-1.2	0.7	3.5	2.3	-1.1	0.2	16.6	9.1	0.6	1.2
	May		1.8	1.6	2.4	1.9	0.4	0.7	1.4	0.9	-0.7	0.4	3.6	2.5	-0.8	0.3	16.3	9.2	0.8	1.3
	Jun		1.5	1.4	1.9	1.5	1.0	0.9	1.8	0.9	0.2	0.9	2.4	1.8	-0.6	0.4	10.8	6.2	0.9	1.3
	Jul		1.9	1.7	2.3	2.0	0.8	1.3	0.9	0.9	0.8	1.9	3.1	2.4	-0.1	0.5	11.7	8.1	1.2	1.4
	Aug		1.8	1.6	2.0	1.7	1.1	1.5	1.1	1.0	1.1	2.4	2.5	1.8	0.1	0.4	8.9	6.1	1.4	1.4
	Sep		2.1	1.8	2.5	2.1	1.2	1.6	1.4	1.0	1.0	2.5	3.1	2.3	0.3	0.6	11.0	7.7	1.4	1.4
	Oct		2.3	1.9	2.9	2.3	1.4	1.7	1.3	1.2	1.5	2.4	3.6	2.6	0.4	0.7	12.6	8.5	1.3	1.4
	Nov		2.2	1.9	2.8	2.3	1.6	1.8	1.4	1.3	1.7	2.7	3.5	2.6	0.6	0.8	11.7	7.9	1.4	1.3
	Dec	P	2.9	2.2	3.9	2.9	2.6	2.1	3.1	1.5	2.1	3.2	4.6	3.3	0.6	0.7	15.6	11.0	1.4	1.3

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.

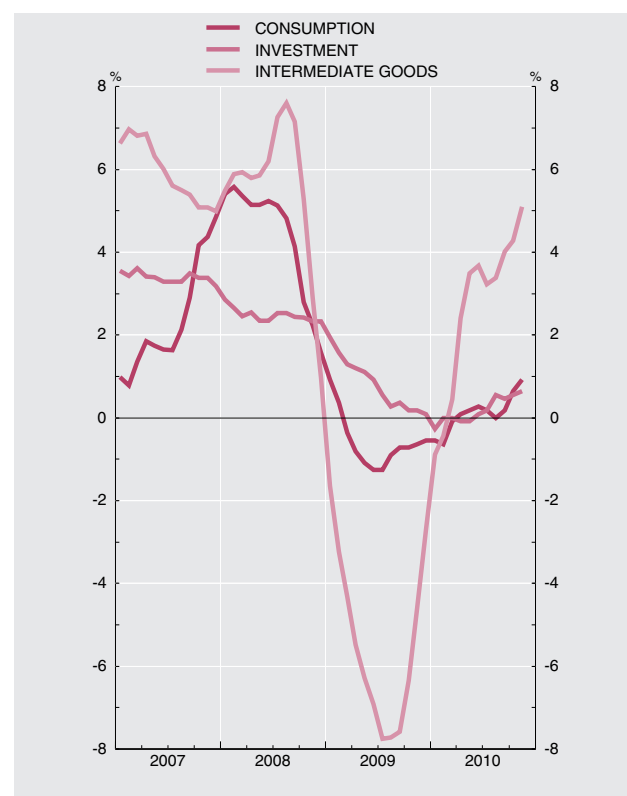
Annual percentage changes

		Total			Consumer goods		Capital goods		Intermediate goods		Energy		Memorandum item: euro area				
		Original series	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Total	Consumer goods	Capital goods	Intermediate goods	Energy
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
07	MP	109.2	—	3.6	—	2.4	—	3.4	—	5.9	—	1.6	2.7	2.2	2.2	4.6	1.2
08	MP	116.3	—	6.5	—	4.4	—	2.5	—	5.5	—	14.3	6.1	3.9	2.1	3.9	14.3
09	MP	112.4	—	-3.4	—	-0.6	—	0.8	—	-5.4	—	-6.8	-5.1	-2.1	0.5	-5.2	-11.5
09 J-N	MP	112.3	—	-3.7	—	-0.6	—	0.9	—	-5.7	—	-7.9	-5.3	-2.1	0.5	-5.4	-12.1
10 J-N	MP	115.7	—	3.0	—	0.1	—	0.2	—	2.6	—	9.5	2.7	0.2	0.2	3.2	6.0
09 Aug	P	113.0	0.6	-5.5	0.5	-0.9	-0.2	0.3	0.4	-7.7	1.6	-11.5	-7.5	-2.6	-0.1	-7.5	-17.1
Sep	P	112.5	-0.4	-5.4	0.1	-0.7	0.2	0.4	-0.1	-7.6	-2.2	-11.5	-7.7	-2.8	-0.4	-7.4	-17.5
Oct	P	112.4	-0.1	-4.3	-0.4	-0.7	-0.1	0.2	-0.1	-6.3	0.6	-8.4	-6.6	-2.9	-0.6	-6.5	-14.5
Nov	P	112.4	-	-1.8	-0.3	-0.6	-	0.2	-0.4	-4.6	0.8	-0.7	-4.4	-2.4	-0.6	-4.9	-8.7
Dec	P	112.5	0.1	0.4	-0.1	-0.5	-0.1	0.1	0.1	-2.7	0.2	6.3	-2.9	-2.0	-0.5	-3.5	-5.0
10 Jan	P	113.6	1.0	0.9	0.3	-0.5	0.2	-0.3	0.6	-0.9	3.2	6.3	-1.0	-0.7	-0.6	-1.5	-1.5
Feb	P	113.8	0.2	1.1	-	-0.6	0.2	-	0.3	-0.4	0.4	6.8	-0.4	-0.5	-0.5	-0.4	-0.5
Mar	P	114.6	0.7	2.3	0.1	-0.1	-0.1	-	0.4	0.4	2.2	10.1	0.9	-0.4	-0.3	0.8	3.1
Apr	P	115.8	1.0	3.7	-	0.1	-	-0.1	1.3	2.4	2.4	13.1	2.8	-0.3	-0.0	2.7	7.9
May	P	116.0	0.2	3.8	-0.1	0.2	-	-0.1	0.8	3.5	0.2	12.0	3.1	-0.0	0.3	3.9	7.4
Jun	P	116.1	0.1	3.2	0.1	0.3	0.1	0.1	-	3.7	0.2	8.7	3.1	0.2	0.4	4.3	6.2
Jul	P	116.0	-0.1	3.3	-	0.2	-	0.2	-0.3	3.2	-0.1	9.8	4.0	0.4	0.6	4.5	9.6
Aug	P	116.1	0.1	2.7	0.3	-	0.2	0.5	0.6	3.4	-0.9	7.0	3.6	0.5	0.7	4.7	7.4
Sep	P	116.3	0.2	3.4	0.3	0.2	0.1	0.5	0.5	4.0	-0.2	9.1	4.3	0.8	0.7	5.1	9.4
Oct	P	117.0	0.6	4.1	0.1	0.6	-	0.5	0.2	4.3	1.9	10.5	4.4	1.2	0.8	5.5	8.8
Nov	P	117.4	0.3	4.4	-	0.9	0.1	0.6	0.4	5.1	0.9	10.6	4.5	1.5	0.8	5.8	8.8

PRODUCER PRICE INDEX. TOTAL
Annual percentage changes



PRODUCER PRICE INDEX. COMPONENTS
Annual percentage changes



Sources: INE and ECB.

Note: The underlying series for this indicator, for Spain, are in Table 25.3 of the BE Boletín estadístico.

a. For annual periods: average growth for each year on the previous year.

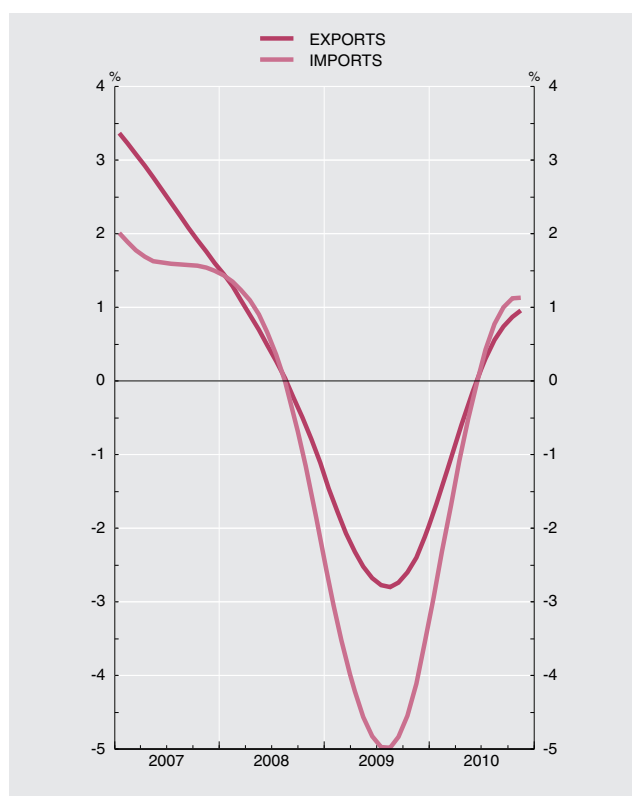
5.4. UNIT VALUE INDICES FOR SPANISH FOREIGN TRADE

■ Series depicted in chart.

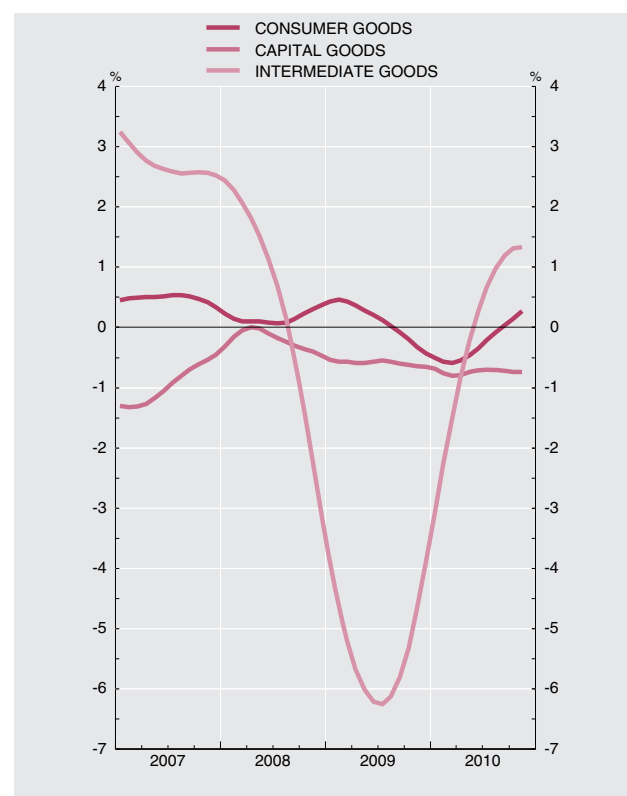
Annual percentage changes

	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
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
09	-6,8	-2,8	-6,3	-9,6	-29,8	-7,0	-10,6	-3,2	-5,1	-14,4	-27,5	-8,9
09 J-N	-6,8	-2,8	-5,4	-9,7	-30,1	-7,2	-11,0	-2,8	-5,2	-15,1	-29,9	-9,0
10 J-N	2,4	2,3	-5,3	3,8	12,8	3,4	4,8	1,6	3,3	6,5	23,9	2,3
09 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
Aug	-11,2	-5,1	-8,5	-14,9	-42,1	-10,2	-16,4	-11,3	-15,0	-18,7	-29,7	-12,8
Sep	-8,6	-2,4	-16,6	-11,5	-37,8	-7,7	-12,9	-0,5	-17,6	-17,8	-31,3	-12,0
Oct	-6,6	-4,7	11,8	-10,7	-38,5	-7,6	-13,8	-12,1	-4,4	-15,8	-26,0	-11,7
Nov	-8,6	-5,7	-4,4	-11,4	-37,4	-7,9	-12,5	-14,5	-9,8	-12,0	-15,8	-9,8
Dec	-6,7	-2,5	-15,2	-7,9	-26,7	-5,3	-7,2	-8,0	-4,6	-7,3	-2,3	-7,6
10 Jan	-2,9	-3,1	-6,2	-2,3	-8,1	-1,3	-1,5	-6,3	4,5	0,2	14,6	-3,7
Feb	-1,8	1,8	-7,7	-3,1	-3,7	-2,2	-0,8	-8,0	-6,7	4,3	24,9	0,3
Mar	-1,9	1,6	-13,5	-2,3	0,6	-2,3	-1,2	-8,6	-9,9	4,1	26,5	-1,1
Apr	0,3	-4,3	2,2	3,1	13,8	2,4	1,1	-5,3	-5,9	4,6	30,2	-2,0
May	4,1	3,0	-15,0	8,8	19,0	8,6	5,2	-7,3	4,8	10,7	38,4	4,5
Jun	2,7	1,5	-10,2	6,1	11,4	6,2	6,5	0,6	-2,0	9,5	30,5	3,8
Jul	3,8	2,6	-8,0	6,9	17,6	6,0	5,1	7,6	1,3	4,0	17,9	0,6
Aug	6,8	4,3	0,2	8,8	26,1	6,9	12,2	13,4	18,5	10,9	21,2	8,8
Sep	5,6	4,7	7,7	5,6	17,2	5,0	6,6	4,6	16,0	6,9	20,6	3,6
Oct	5,0	6,9	1,0	4,5	21,0	3,5	9,0	12,3	0,4	8,6	22,0	5,2
Nov	4,5	6,3	-8,2	5,3	25,0	4,0	10,0	13,7	14,4	7,6	16,2	5,0

EXPORT AND IMPORT UNIT VALUE INDICES (a)



IMPORT UNIT VALUE INDICES BY PRODUCT GROUP (a)



Sources: ME and BE.

Note: The underlying series for this indicator are in the Tables 18.6 and 18.7 of the Boletín Estadístico.

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

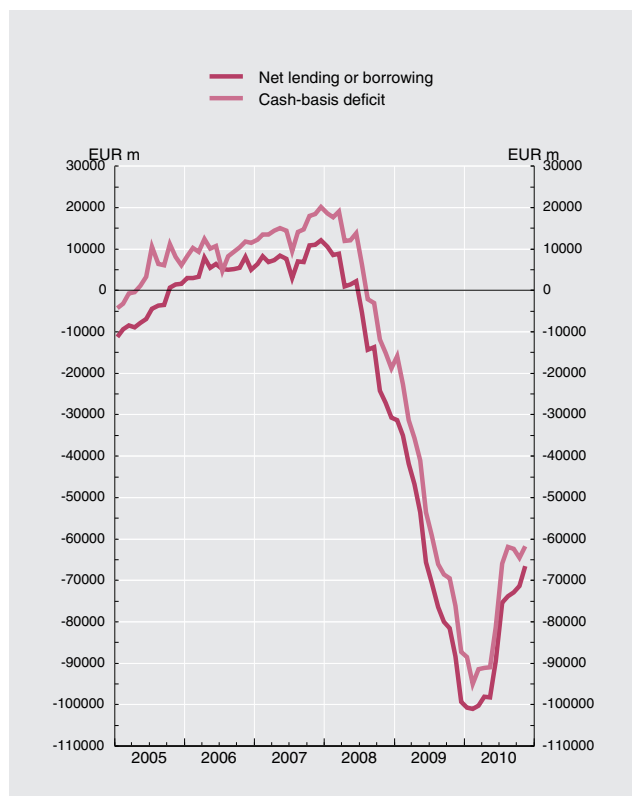
6.1. STATE RESOURCES AND USES ACCORDING TO THE NATIONAL ACCOUNTS. SPAIN

■ Series depicted in chart.

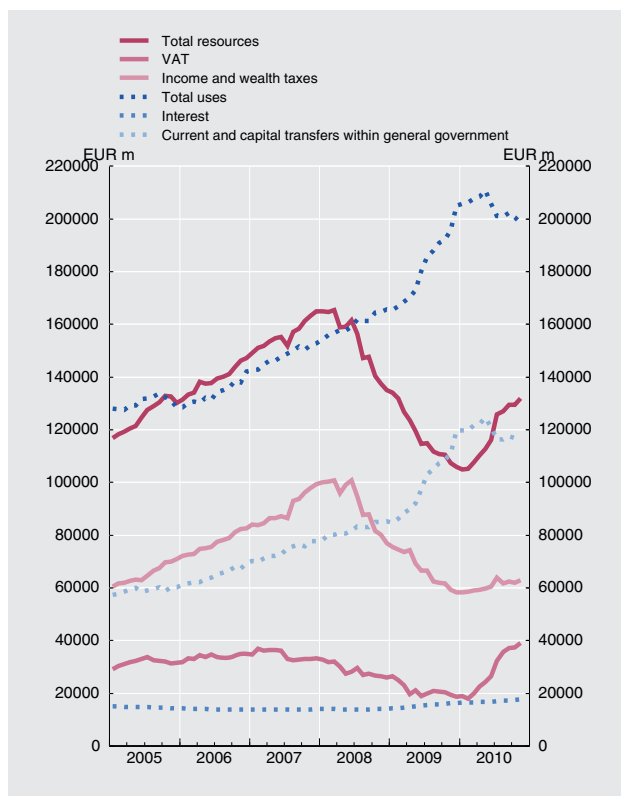
EUR millions

	Net lending (+) or borrowing (-)	Current and capital resources						Current and capital uses						Memorandum item: cash-basis deficit		
		Total	Value added tax (VAT)	Other taxes on products and imports	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+7	3	4	5	6	7	8=9+13	9	10	11	12	13	14=15-16	15	16
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	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	-30 642	135 104	26 065	12 715	7 006	76 927	12 391	165 746	19 179	14 147	85 333	5 911	41 176	-18 747	129 336	148 082
09	P -99 258	105 827	18 767	11 563	8 144	58 234	9 119	205 085	20 141	16 318	119 693	5 988	42 945	-87 281	102 038	189 319
09 J-N	P -71 573	97 286	19 093	10 633	4 868	55 325	7 367	168 859	17 349	14 889	101 097	2 515	33 009	-68 508	95 092	163 601
10 J-N	A -38 902	123 360	39 505	10 811	5 111	60 004	7 929	162 262	17 362	16 288	97 325	1 572	29 715	-43 047	119 210	162 257
09 Nov	P -12 226	5 132	-19	1 020	202	2 447	1 482	17 358	1 476	1 371	9 796	598	4 117	-10 907	5 575	16 482
Dec	P -27 685	8 541	-326	930	3 276	2 909	1 752	36 226	2 792	1 429	18 596	3 473	9 936	-18 773	6 946	25 719
10 Jan	A -719	9 217	-496	1 006	330	9 477	-1 100	9 936	1 418	1 453	4 921	120	2 024	-3 590	10 725	14 315
Feb	A 3 971	18 302	12 454	945	220	2 946	1 737	14 331	1 451	1 259	8 322	98	3 201	-4 169	16 805	20 974
Mar	A -11 940	4 278	562	697	1 220	2 690	-891	16 218	1 479	1 430	10 651	18	2 640	-7 787	5 229	13 016
Apr	A 2 886	17 362	5 097	1 099	439	10 181	546	14 476	1 602	1 408	8 517	405	2 544	3 153	16 801	13 648
May	A -13 082	2 529	710	914	264	-229	870	15 611	1 521	1 479	9 877	88	2 646	-10 485	1 746	12 231
Jun	A -10 910	5 090	787	1 108	416	597	2 182	16 000	2 695	1 464	8 690	-57	3 208	-7 916	4 080	11 996
Jul	A 3 928	21 121	9 606	993	546	9 346	630	17 193	1 395	1 568	11 471	187	2 572	1 114	20 944	19 831
Aug	A -9 084	3 952	-1 965	975	522	3 767	653	13 036	1 409	1 539	7 525	108	2 455	-7 374	2 599	9 973
Sep	A -1 526	14 284	4 931	1 084	625	6 366	1 278	15 810	1 470	1 509	9 850	162	2 819	-885	13 747	14 632
Oct	A 5 088	19 562	6 173	1 004	306	11 369	710	14 474	1 460	1 602	8 512	270	2 630	3 090	19 220	16 131
Nov	A -7 514	7 663	1 646	986	223	3 494	1 314	15 177	1 462	1 577	8 989	173	2 976	-8 198	7 313	15 511

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).

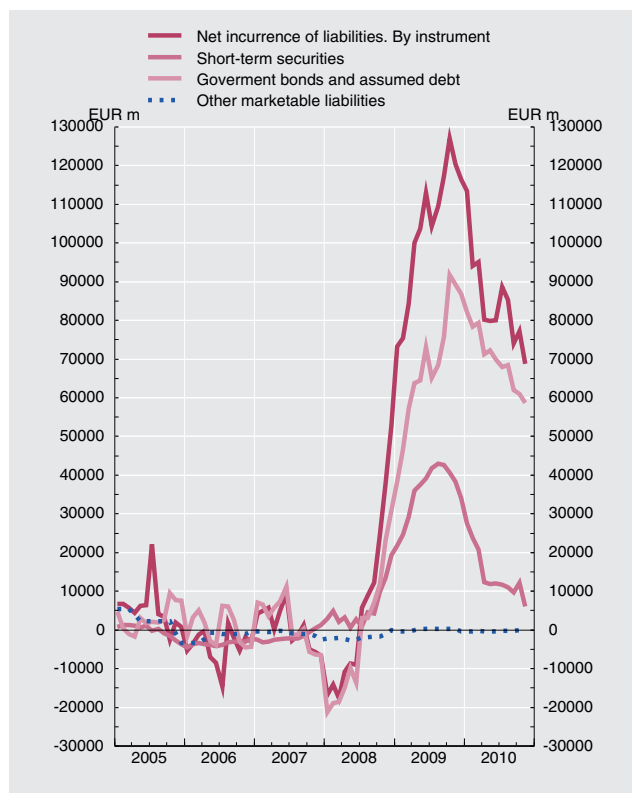
6.2. STATE FINANCIAL TRANSACTIONS. SPAIN

■ Series depicted in chart.

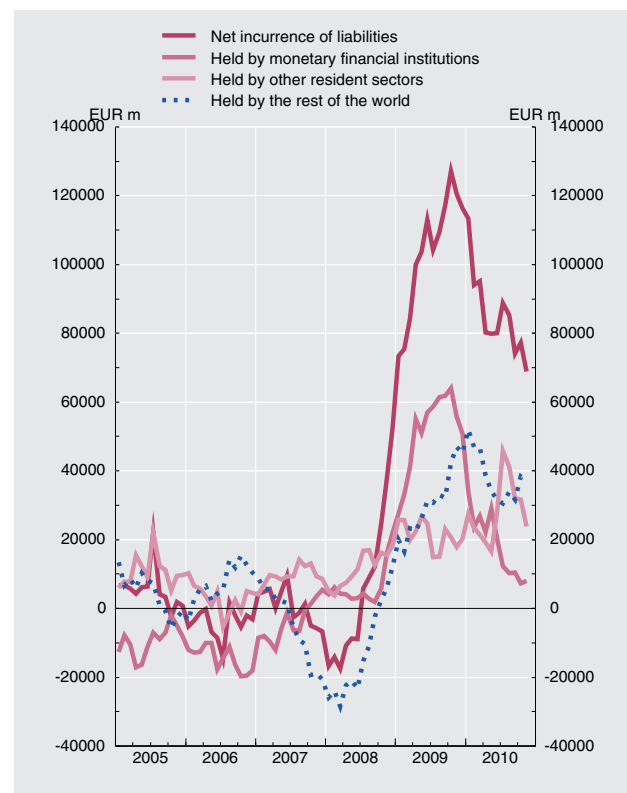
EUR millions

	Net lending (+) or net borrowing(-)	Net acquisition of financial assets		Net incurrence of liabilities										Net incurrence of liabilities (excluding other accounts payable)	
				Of which		By instrument					By counterpart sector				
		Total	In currencies other than the peseta/euro			Short-term securities	Government bonds and assumed debt	Banco de España loans	Other marketable liabilities (a)	Other accounts payable	Held by resident sectors				Rest of the world
				Total	Monetary financial institutions						Other resident sectors				
		1	2	3	4	5	6	7	8	9	10	11	12		13	14	15
05	1 590	2 292	0	702	-1 910	-3 771	7 526	-486	-3 411	844	1 460	-8 257	9 717	-758	-142
06	5 005	1 917	-200	-3 088	-1 197	-2 198	-4 348	-486	-418	4 361	-13 445	-18 000	4 555	10 357	-7 449
07	12 098	5 382	65	-6 716	-120	1 206	-6 477	-519	-2 495	1 569	13 867	5 342	8 525	-20 582	-8 285
08	-30 642	22 314	4 337	52 956	1 175	19 355	30 817	-520	-40	3 344	40 724	22 233	18 490	12 232	49 612
09	P -99 258	17 125	-4 197	116 383	1 503	34 043	86 813	-535	-412	-3 527	71 081	50 819	20 262	45 302	119 910
09 J-N	P -71 573	32 158	2 932	103 731	1 500	33 632	79 593	-535	-69	-8 890	60 425	48 116	12 309	43 306	112 621
10 J-N	A -38 902	17 274	-10	56 176	-884	5 732	51 530	-544	480	-1 023	21 132	5 250	15 882	35 044	57 199
09 Nov	P -12 226	-910	-2 563	11 316	2	4 190	10 655	-	-1	-3 528	2 272	4 977	-2 706	9 044	14 844
Dec	P -27 685	15 033	-7 129	12 652	2	411	7 221	-	-343	5 363	10 656	2 703	7 953	1 996	7 289
10 Jan	A -719	6 902	1 176	7 621	3	-591	-11 818	-	16	20 014	-1 088	-11 267	10 179	8 709	-12 393
Feb	A 3 971	-10 984	-1 280	-14 955	2	-2 128	9 925	-	-17	-22 734	-8 163	-3 947	-4 216	-6 792	7 780
Mar	A -11 940	479	-2	12 419	-62	947	12 489	-	22	-1 039	8 185	9 085	-899	4 234	13 458
Apr	A 2 886	4 329	-100	1 443	-15	-3 070	3 173	-544	-32	1 916	5 664	3 467	2 198	-4 221	-472
May	A -13 082	-4 889	100	8 193	2	597	7 886	-	4	-295	9 626	7 807	1 819	-1 434	8 487
Jun	A -10 910	3 133	20	14 043	2	1 222	9 090	-	19	3 712	12 463	-106	12 569	1 580	10 332
Jul	A 3 928	7 599	257	3 671	-818	2 500	-8 528	-	175	9 523	5 157	-10 456	15 614	-1 487	-5 853
Aug	A -9 084	-7 088	23	1 996	2	2 495	4 967	-	-6	-5 459	-3 979	-1 035	-2 944	5 975	7 455
Sep	A -1 526	5 173	-1	6 699	2	644	8 864	-	-33	-2 776	-131	5 548	-5 679	6 830	9 475
Oct	A 5 088	17 265	2 497	12 177	-4	5 037	7 102	-	190	-152	-1 695	567	-2 262	13 872	12 329
Nov	A -7 514	-4 645	-2 700	2 869	2	-1 919	8 379	-	142	-3 733	-4 909	5 588	-10 497	7 778	6 602

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



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



Source: BE.

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

6.3. STATE: LIABILITIES OUTSTANDING. SPAIN

■ Series depicted in chart.

EUR millions

		Liabilities outstanding (excluding other accounts payable)										Memorandum item:		
		State debt according to the methodology of the excessive deficit procedure 1		of which In currencies other than the peseta/euro 2	By instrument				By counterpart sector				Deposits at the Banco de España 11	Guarantees given (contingent liabilities). Outstanding level 12
					Short-term securities 3	Government bonds and assumed debt 4	Banco de España loans 5	Other marketable liabilities (a) 6	Held by resident sectors			Rest of the world 10		
									Total 7	General government 8	Other resident sectors 9			
		1	2	3	4	5	6	7	8	9	10	11	12	
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		286 090	355	31 644	243 246	5 832	5 367	171 398	25 551	145 847	140 243	165	6 162	
08		327 938	63	50 788	266 334	5 249	5 567	200 670	34 511	166 159	161 779	4 502	8 152	
09	Nov	P 426 923	66	83 554	333 205	4 665	5 498	258 770	46 469	212 301	214 622	7 434	53 565	
	Dec	P 433 093	68	84 303	338 969	4 665	5 155	262 957	46 105	216 852	216 241	305	58 854	
10	Jan	A 424 935	69	83 697	331 401	4 665	5 172	245 942	46 105	199 837	225 098	1 481	60 667	
	Feb	A 429 506	67	81 306	338 380	4 665	5 155	256 776	48 386	208 391	221 116	201	61 278	
	Mar	A 440 375	0	82 276	348 256	4 665	5 177	263 708	49 533	214 175	226 200	200	61 326	
	Apr	A 440 071	0	79 233	351 611	4 082	5 145	269 388	51 648	217 740	222 331	99	62 765	
	May	A 446 838	0	79 922	357 684	4 082	5 150	278 836	52 145	226 691	220 147	199	64 284	
	Jun	A 453 874	0	80 076	364 547	4 082	5 169	287 771	54 580	233 191	220 683	219	65 418	
	Jul	A 453 181	0	81 658	362 097	4 082	5 344	280 603	54 623	225 980	227 202	476	63 794	
	Aug	A 454 894	0	83 082	362 392	4 082	5 338	280 670	58 952	221 718	233 176	500	64 760	
	Sep	A 462 742	0	83 952	369 403	4 082	5 304	281 885	59 102	222 783	239 959	499	65 267	
	Oct	A 476 034	0	89 354	377 104	4 082	5 494	281 361	59 344	222 017	254 017	2 996	65 183	
	Nov	A 480 449	0	87 787	382 944	4 082	5 636	278 710	60 244	218 465	261 984	296	69 311	

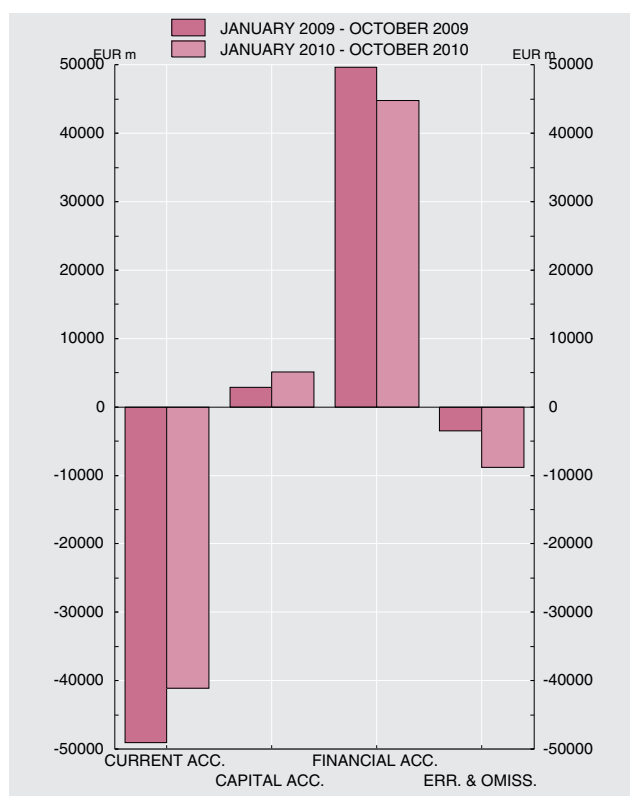
7.1. SPANISH BALANCE OF PAYMENTS VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. CURRENT ACCOUNT

■ Series depicted in chart.

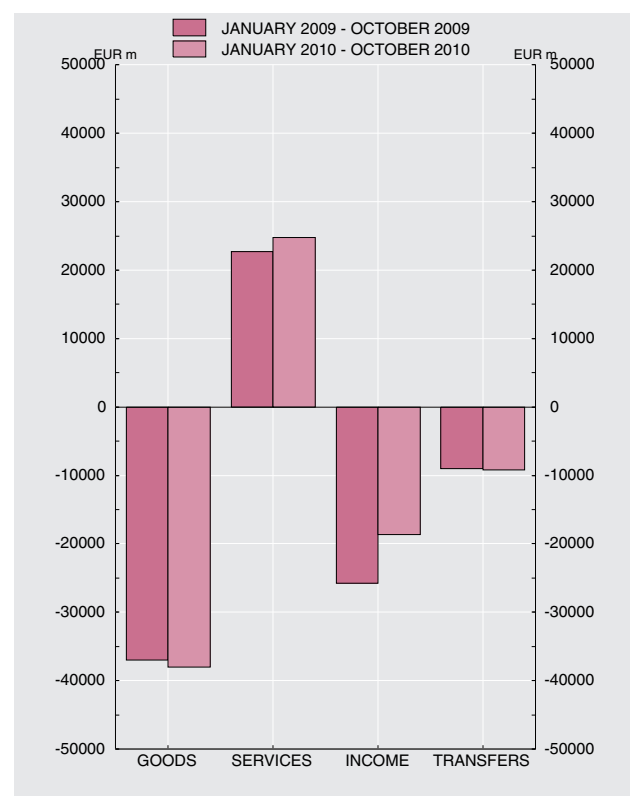
EUR millions

	Current account (a)													Capital account (balance)	Current account plus capital account	Financial account (balance) (b)	Errors and omis sion	
	Total (balance)	Goods			Services				Income			Current trans- fers (bal- ance)						
		Balance	Receipts	Payments	Balance	Receipts		Payments	Balance	Receipts	Pay- ments							
						Of which							Of which					
						Total	Travel						Total					Travel
1=2+5+ 10+13	2=3-4	3	4	5=6-8	6	7	8	9	10=- 11-12	11	12	13	14	15=1+14	16	17=- (15+16)		
07	-105 266	-91 116	192 685	283 801	23 051	93 306	42 061	70 255	14 360	-30 055	57 961	88 016	-7 146	4 577	-100 689	101 004	-315	
08	P -105 973	-86 724	192 740	279 464	26 144	97 437	41 901	71 293	13 834	-36 034	54 034	90 067	-9 360	5 474	-100 499	101 975	-1 477	
09	P -58 299	-45 111	160 546	205 657	25 328	88 057	38 125	62 729	12 086	-30 536	40 679	71 215	-7 980	4 057	-54 241	57 580	-3 339	
09 J-O	P -49 070	-36 965	132 382	169 347	22 731	75 149	33 719	52 418	10 116	-25 781	32 542	58 324	-9 055	2 872	-46 197	49 694	-3 497	
10 J-O	P -41 083	-37 980	154 346	192 326	24 734	78 139	34 990	53 406	10 596	-18 655	30 771	49 426	-9 182	5 096	-35 987	44 800	-8 813	
09 Jul	P -2 056	-2 820	14 659	17 479	3 573	9 629	4 709	6 056	1 230	-2 388	4 561	6 949	-420	162	-1 895	2 947	-1 053	
Aug	P -3 344	-4 236	10 206	14 442	3 535	8 539	4 906	5 004	1 280	-1 650	2 218	3 869	-992	431	-2 913	3 330	-417	
Sep	P -4 671	-4 981	14 051	19 033	2 489	7 942	4 006	5 453	1 222	-1 472	3 263	4 734	-706	69	-4 602	4 951	-349	
Oct	P -4 923	-3 499	15 211	18 710	2 302	7 928	3 595	5 626	1 131	-2 006	2 650	4 657	-1 720	-4	-4 927	6 415	-1 489	
Nov	P -5 166	-4 437	14 316	18 753	1 218	6 132	2 365	4 914	1 020	-2 637	2 438	5 076	690	396	-4 770	5 531	-761	
Dec	P -4 063	-3 710	13 847	17 557	1 379	6 777	2 041	5 397	951	-2 117	5 698	7 815	384	789	-3 274	2 355	919	
10 Jan	P -5 330	-4 097	12 237	16 334	1 237	6 312	2 433	5 075	877	-1 116	3 078	4 193	-1 354	1 293	-4 037	3 239	798	
Feb	P -6 260	-3 009	14 193	17 202	1 148	6 089	2 087	4 941	910	-2 054	2 217	4 270	-2 345	253	-6 007	6 547	-540	
Mar	P -4 665	-3 723	16 864	20 588	1 540	7 182	2 552	5 642	899	-1 803	2 513	4 316	-679	350	-4 315	7 159	-2 844	
Apr	P -4 622	-4 395	14 837	19 232	1 395	6 505	2 400	5 110	860	-1 031	4 023	5 054	-591	-236	-4 859	3 327	1 532	
May	P -4 785	-3 625	16 432	20 057	2 490	7 779	3 236	5 289	660	-3 106	3 791	6 897	-544	1 832	-2 952	5 485	-2 533	
Jun	P -3 417	-4 086	16 460	20 545	2 837	8 527	3 846	5 690	1 207	-2 250	3 179	5 428	81	124	-3 293	3 403	-111	
Jul	P -2 436	-3 822	16 522	20 344	3 864	9 673	5 006	5 809	1 246	-1 784	3 794	5 578	-694	564	-1 872	4 399	-2 527	
Aug	P -2 979	-4 048	13 062	17 110	4 000	9 217	5 269	5 217	1 378	-1 947	1 994	3 941	-984	237	-2 742	3 122	-380	
Sep	P -3 876	-3 931	16 080	20 011	3 241	8 804	4 299	5 563	1 349	-2 089	3 137	5 226	-1 097	557	-3 319	5 107	-1 788	
Oct	P -2 713	-3 244	17 659	20 902	2 981	8 052	3 861	5 071	1 209	-1 475	3 046	4 521	-975	122	-2 591	3 012	-421	

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).

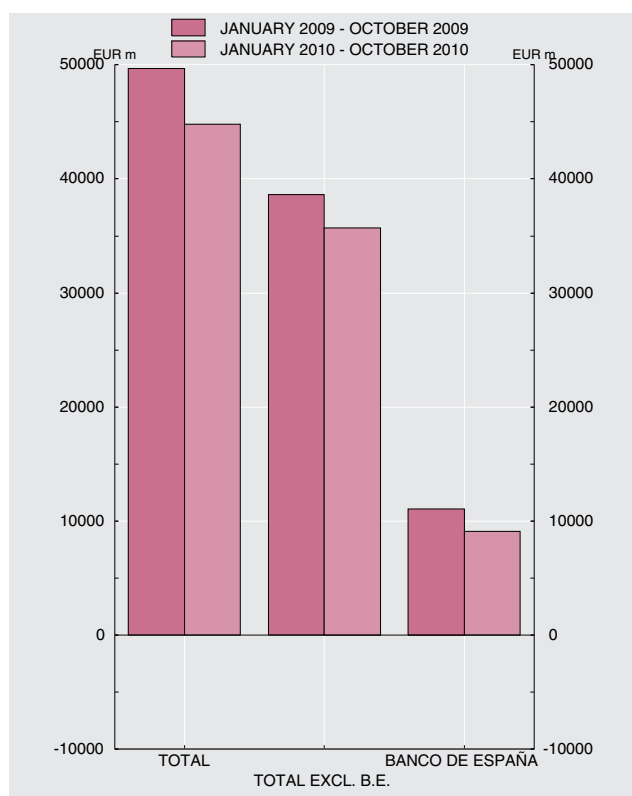
7.2. SPANISH BALANCE OF PAYMENTS VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. FINANCIAL ACCOUNT (a)

■ Series depicted in chart.

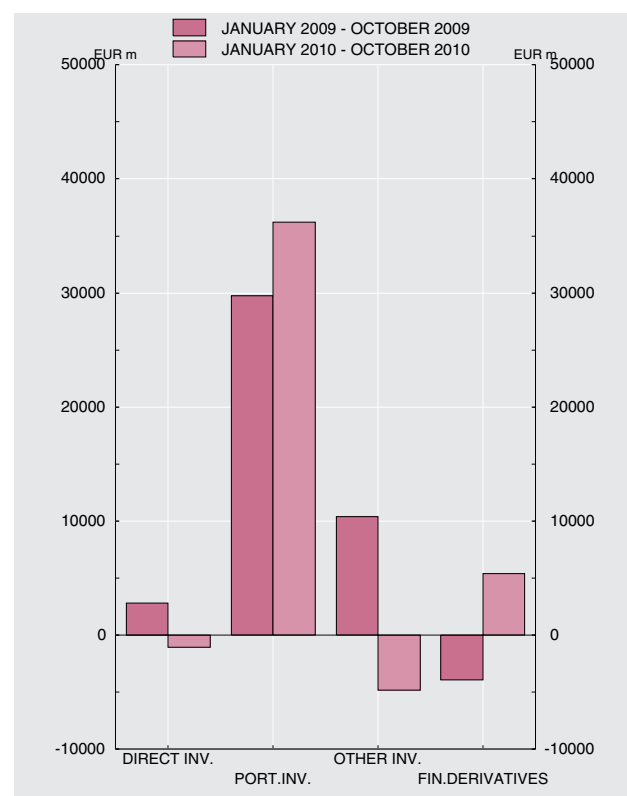
EUR millions

	Financial account (NCL-NCA) 1= 2+13	Total, excluding Banco de España												Banco de España			
		Total (NCL-NCA) 2=3+6+ 9+12	Direct investment			Portfolio investment			Other investment (d)			Net financial derivatives (NCL-NCA) 12	Balance (NCL-NCA) 13=14+ 15+16	Re-serves (e) 14	Net claims with the Euro-system (e) 15	Other net assets (NCL-NCA) 16	
			Balance (NCL-NCA) 3=5-4	Spanish investment abroad (NCA) 4	Foreign investment in Spain (NCL) (b) 5	Balance (NCL-NCA) 6=8-7	Spanish investment abroad (NCA) 7	Foreign investment in Spain (NCL) (c) 8	Balance (NCL-NCA) 9=11-10	Spanish investment abroad (NCA) 10	Foreign investment in Spain (NCL) 11						
07		101 004	86 682	-53 181	100 135	46 954	104 264	-8 746	95 517	39 693	56 134	95 827	-4 094	14 322	-164	28 329	-13 843
08	P	101 975	71 757	-1 067	51 102	50 036	378	-21 928	-21 550	78 903	12 781	91 684	-6 457	30 218	-645	31 713	-850
09	P	57 580	47 116	-1 103	6 227	5 124	44 921	4 580	49 501	8 964	797	9 761	-5 666	10 464	-1 563	6 146	5 882
09 J-O	P	49 694	38 639	2 781	8 276	11 056	29 757	4 795	34 552	10 357	-6 368	3 988	-4 255	11 055	-1 191	6 228	6 018
10 J-O	P	44 800	35 690	-1 053	12 720	11 667	36 211	-52 405	-16 194	-4 821	12 132	7 312	5 353	9 109	-773	1 903	7 979
09 Jul	P	2 947	-584	-1 464	480	-984	8 838	-3 707	5 131	-6 639	-7 852	-14 492	-1 319	3 531	-348	4 015	-136
Aug	P	3 330	-2 828	1 903	695	2 597	6 568	-144	6 424	-9 186	7 093	-2 093	-2 112	6 158	-220	6 099	279
Sep	P	4 951	3 295	1 379	-858	521	3 304	4 008	7 311	-399	7 165	6 766	-988	1 657	6	2 001	-351
Oct	P	6 415	12 607	403	-416	-13	11 916	-321	11 595	448	-383	65	-160	-6 191	-38	-6 159	6
Nov	P	5 531	16 834	-2 395	2 628	233	15 453	848	16 301	4 747	-6 885	-2 139	-971	-11 302	71	-11 663	289
Dec	P	2 355	-8 357	-1 489	-4 677	-6 165	-289	-1 063	-1 352	-6 139	14 051	7 911	-441	10 712	-444	11 581	-425
10 Jan	P	3 239	6 558	-1 244	-11	-1 255	13 698	-3 283	10 415	-6 251	7 243	992	355	-3 319	-2	-3 730	413
Feb	P	6 547	1 858	8 239	-7 269	970	-20 636	-702	-21 338	13 575	-12 348	1 227	680	4 689	-113	4 298	504
Mar	P	7 159	5 383	1 066	441	1 507	817	3 806	4 623	928	-2 557	-1 629	2 572	1 776	1	1 603	172
Apr	P	3 327	10 359	1 562	-1 202	361	4 777	-8 407	-3 630	3 476	1 037	4 513	544	-7 032	-6	-7 566	540
May	P	5 485	-34 452	-2 401	3 887	1 486	-9 840	-6 966	-16 805	-23 205	10 040	-13 164	993	39 937	-413	42 402	-2 051
Jun	P	3 403	-31 692	-63	-978	-1 040	-5 076	-8 997	-14 073	-29 217	1 685	-27 531	2 663	35 096	-9	27 477	7 627
Jul	P	4 399	6 664	-709	2 251	1 542	7 315	-9 854	-2 539	-1 188	-299	-1 487	1 246	-2 265	-52	-3 552	1 338
Aug	P	3 122	21 026	-5 823	6 090	267	13 166	-3 753	9 414	14 167	5 345	19 512	-484	-17 904	32	-17 970	34
Sep	P	5 107	29 969	-4 614	9 804	5 189	8 864	-5 245	3 618	26 542	-14 952	11 589	-822	-24 862	-2	-24 966	106
Oct	P	3 012	20 018	2 934	-294	2 640	23 125	-9 005	14 120	-3 647	16 938	13 291	-2 393	-17 007	-212	-16 092	-703

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 EXPORTS AND DISPATCHES

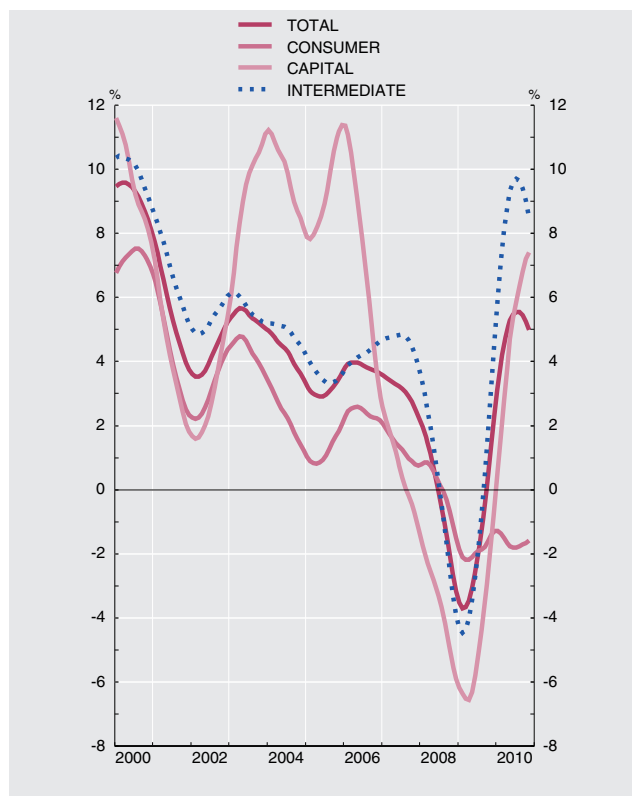
■ Series depicted in chart.

Eur millions and annual percentage changes

		Total			By product (deflated data) (a)						By geographical area (nominal data)							
		EUR millions	Nom- inal	De- flated (a)	Con- sumer	Capital	Intermediate			EU 27		OECD		OPEC	Other Amer- ican coun- tries	China	Newly indus- trial- ised coun- tries	
							Total	Energy	Non- energy	Total	Euro Area	Total	of which: <div>United States</div>					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16			
03		138 119	3.6	5.2	4.2	11.9	4.8	24.7	3.9	4.5	5.1	3.8	-1.7	-5.9	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	12.5	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	9.1	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	6.0	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	22.3	-12.5	23.5	-0.8	
08		189 228	2.3	0.5	2.2	-6.6	0.5	17.0	-0.2	-0.1	-0.5	-0.4	1.4	30.1	1.0	1.2	4.2	
09		159 890	-15.5	-9.4	-4.1	-13.3	-12.5	-21.0	-12.1	-15.5	-13.2	-15.2	-24.4	-11.4	-17.9	-7.7	8.5	
09	Oct	P	14 918	-10.5	-4.2	0.1	-18.2	-4.4	-5.8	-4.4	-9.3	-7.0	-8.7	-27.0	-29.7	-18.4	16.9	-8.6
	Nov	P	14 068	-1.5	7.7	7.7	-4.8	9.7	-10.9	11.0	1.7	3.0	0.1	-32.1	-26.3	-7.3	37.6	8.4
	Dec	P	13 661	4.0	11.4	10.8	9.6	12.2	-11.2	13.5	4.4	5.0	1.8	-29.0	-23.7	-8.0	13.0	200.9
10	Jan	P	12 092	9.0	12.3	5.1	1.8	19.6	-1.6	20.8	8.7	7.1	7.9	-24.8	-2.7	29.5	47.9	43.6
	Feb	P	13 986	12.8	14.8	1.5	16.6	25.6	-16.6	27.6	11.8	13.0	11.7	-3.7	-18.5	30.1	41.2	168.8
	Mar	P	16 652	21.4	23.8	0.0	42.2	42.3	28.9	42.9	19.3	21.8	19.9	11.4	17.8	22.2	46.8	12.4
	Apr	P	14 623	10.8	10.5	-8.9	24.9	24.3	29.9	24.0	7.1	4.6	9.0	10.0	12.0	13.5	18.9	17.0
	May	P	16 213	25.7	20.7	-4.1	88.7	30.7	10.2	31.8	22.9	23.4	23.2	3.3	-5.9	25.1	24.4	35.5
	Jun	P	16 203	16.6	13.5	-4.4	40.3	23.3	2.5	24.2	14.1	13.5	16.1	17.0	10.9	52.2	15.2	36.0
	Jul	P	16 379	13.2	9.0	-8.3	-4.5	25.6	38.8	25.0	11.2	12.8	12.7	5.3	3.9	32.3	48.3	47.9
	Aug	P	12 874	27.8	19.7	3.0	31.2	29.5	39.5	28.9	23.4	19.4	25.4	48.6	27.8	61.8	69.1	38.7
	Sep	P	15 902	14.6	8.6	-3.9	4.9	18.7	7.4	19.3	10.8	10.2	12.5	29.1	16.7	49.3	35.7	48.8
	Oct	P	17 393	16.6	11.0	-5.5	27.2	20.7	11.7	21.1	16.8	15.2	15.3	26.0	16.9	29.9	10.9	31.9
	Nov	P	17 525	24.6	19.2	1.7	36.5	30.9	34.2	30.8	20.1	20.4	21.9	35.7	53.8	50.0	50.6	33.9

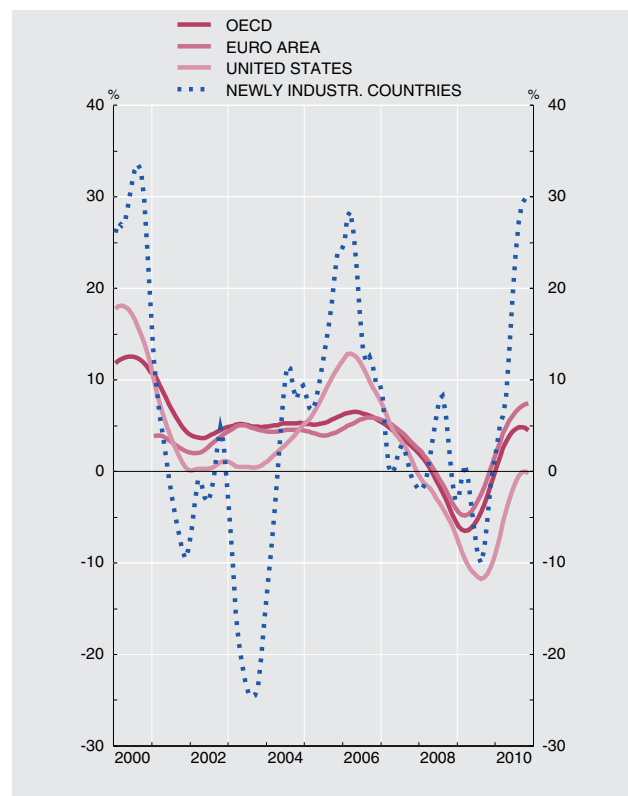
BY PRODUCT

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



BY GEOGRAPHICAL AREA

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



Sources: ME y BE.

Note: The underlying series for this indicator are in Tables 18.4 and 18.5 of the Boletín estadístico.

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

a. Series deflated by unit value indices.

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

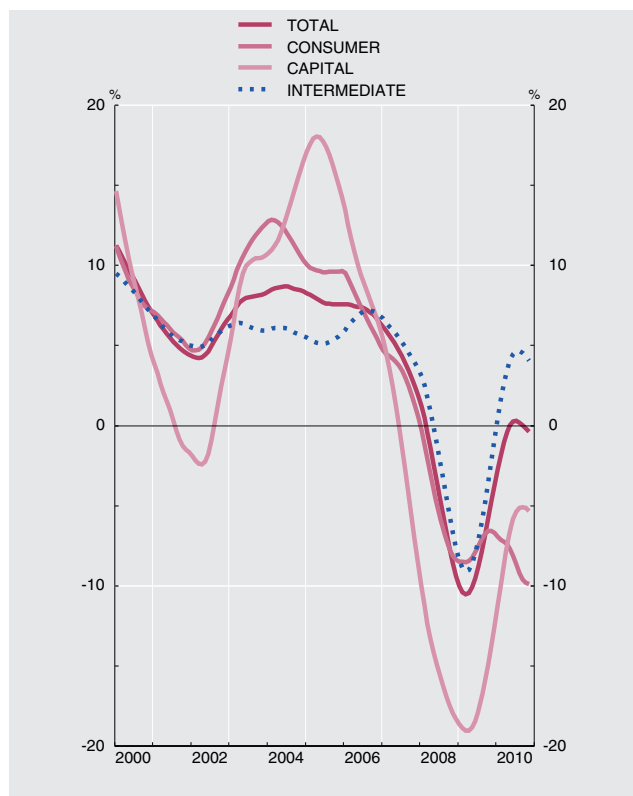
■ Series depicted in chart.

Eur millions and annual percentage changes

		Total			By product (deflated data) (a)						By geographical area (nominal data)							
		EUR millions	Nom- inal	De- flated (a)	Con- sumer	Capital	Intermediate			EU 27		OECD		OPEC	Other Amer- ican coun- tries	China	Newly indus- trialised coun- tries	
							Total	Energy	Non- energy	Total	Euro Area	of which:						
												Total	United States					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16			
03		185 114	5.6	7.1	9.6	12.9	4.8	1.0	5.7	5.8	5.3	5.8	-4.8	-1.0	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	17.9	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	40.8	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	25.3	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	-6.3	-6.8	28.7	-3.7	
08		283 388	-0.6	-4.1	-7.4	-13.7	-1.1	8.2	-2.9	-8.2	-8.8	-7.4	12.9	37.4	16.6	10.8	-16.1	
09		206 116	-27.3	-18.6	-12.4	-32.0	-19.1	-13.4	-20.7	-23.8	-25.6	-24.6	-25.1	-38.6	-31.1	-29.5	-31.6	
09	Oct	P	18 828	-19.3	-6.4	6.5	-25.1	-8.9	-7.0	-9.3	-14.5	-17.5	-15.7	-11.3	-34.0	-32.4	-20.8	-31.1
	Nov	P	18 923	-6.5	6.8	11.1	-5.3	6.8	0.6	8.4	-4.9	-6.7	-5.5	-5.5	-14.5	-20.8	-10.2	-28.2
	Dec	P	17 733	-11.7	-4.8	-6.0	-18.2	-1.7	-16.3	3.0	-7.6	-7.7	-12.3	-34.2	-15.8	-6.3	-10.8	-21.7
10	Jan	P	16 601	6.5	8.1	-9.1	-10.3	19.4	8.0	22.7	7.9	3.2	6.0	-12.0	41.1	-3.6	0.0	-6.0
	Feb	P	17 548	-3.9	-3.2	-24.5	-2.6	8.2	-18.5	17.4	-8.6	-15.0	-9.1	-31.6	12.8	4.0	8.5	-2.8
	Mar	P	20 945	20.6	22.0	2.9	8.3	33.8	11.2	40.2	17.0	12.6	15.6	6.1	49.2	36.4	47.0	47.2
	Apr	P	19 628	16.6	15.4	-0.2	11.1	23.6	6.7	28.4	8.6	5.9	9.9	-1.8	79.6	25.2	22.9	13.0
	May	P	20 378	26.1	19.9	11.8	9.2	25.4	1.0	32.4	19.3	10.1	19.9	17.2	27.1	64.3	52.6	8.4
	Jun	P	20 914	22.1	14.7	-2.4	19.4	22.7	13.8	24.9	12.1	10.0	13.3	10.1	71.9	41.1	44.1	26.7
	Jul	P	20 666	16.7	11.0	-13.4	15.8	22.9	9.9	26.4	9.1	10.5	11.3	49.5	55.7	35.1	44.2	-18.2
	Aug	P	17 334	18.8	5.8	-11.9	11.1	14.3	-0.4	19.2	8.2	8.1	7.9	21.8	41.5	57.5	41.8	4.0
	Sep	P	20 248	4.9	-1.6	-22.1	-5.3	9.5	1.1	11.4	-3.3	-1.9	-2.2	13.5	19.0	1.6	40.9	9.3
	Oct	P	21 093	12.0	2.8	-20.4	14.5	13.4	3.1	16.0	3.1	3.9	6.7	17.6	32.5	38.5	28.4	-5.6
	Nov	P	21 405	13.1	2.8	-14.1	4.0	11.0	7.6	11.8	4.2	2.9	6.1	17.2	20.9	69.3	26.7	9.9

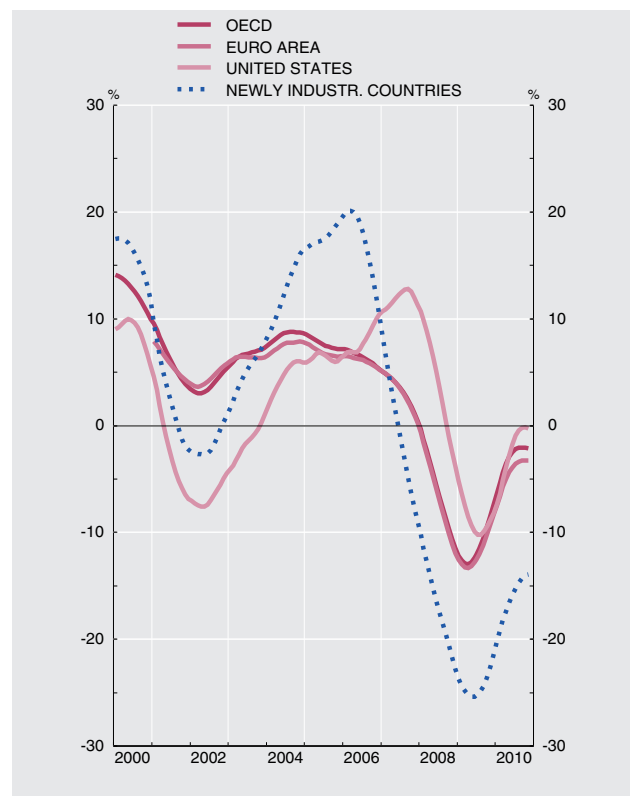
BY PRODUCTS

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.

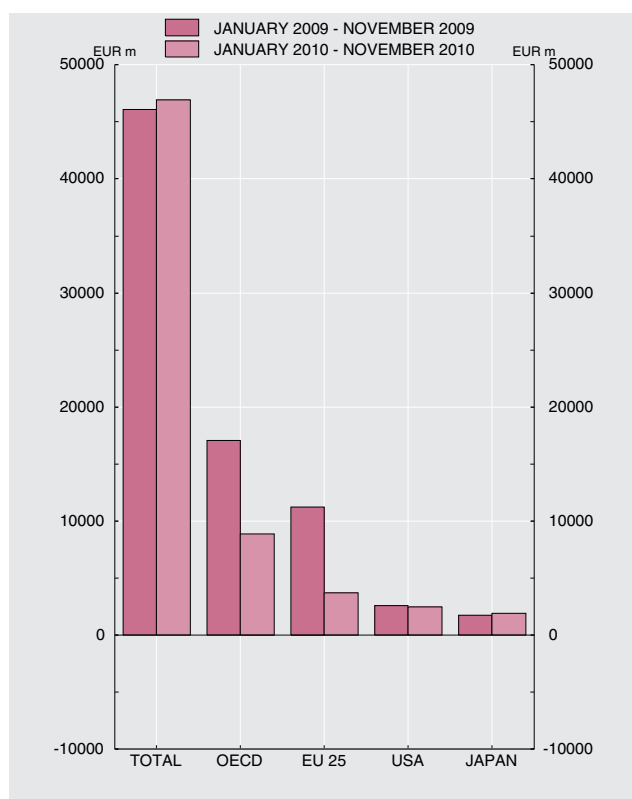
a. Series deflated by unit value indices.

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

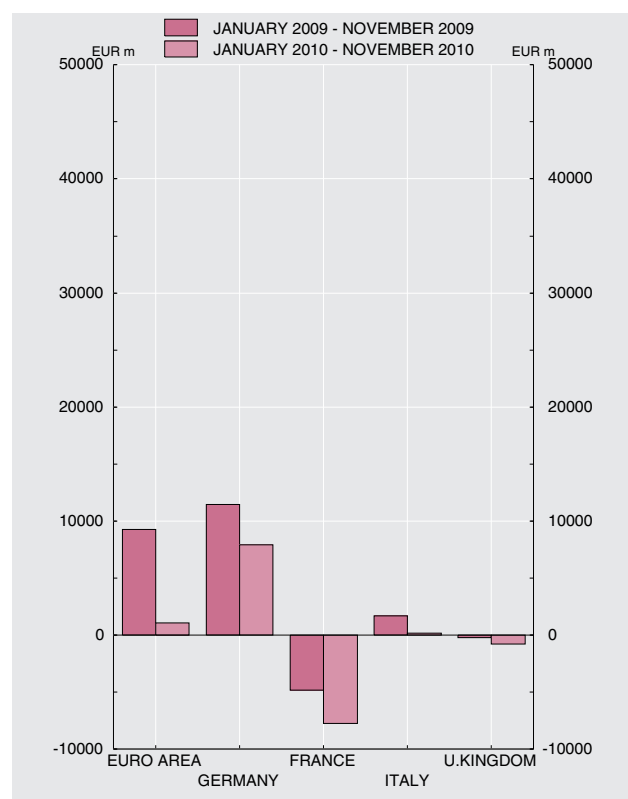
EUR millions

		World total	European Union (EU 27)							OECD				OPEC	Other American countries	China	Newly industrialised countries
			Total	Euro area					Other EU 27	Of which:							
				Of which:						Total	United States	Japan					
				Total	Germany	France	Italy	Of which:									
								Total					United Kingdom				
1		2=3+7	3	4	5	6	7	8	9	10	11	12	13	14	15		
04		-61 486	-25 991	-25 267	-16 282	-3 353	-5 671	-724	472	-36 990	-1 692	-4 583	-8 325	-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	-12 938	-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	-17 031	-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	-14 682	-3 477	-16 366	-4 347	
08		-94 160	-26 262	-26 264	-19 612	3 019	-6 608	1	356	-39 284	-3 739	-3 663	-20 561	-4 971	-18 340	-3 296	
09		-46 227	-9 068	-6 762	-9 980	6 787	-1 847	-2 306	187	-15 547	-2 742	-1 958	-10 701	-2 641	-12 471	-1 532	
09 Oct	P	-3 909	-939	-533	-839	497	-146	-406	-94	-1 311	-269	-209	-1 227	-149	-1 083	-153	
Nov	P	-4 855	-1 202	-902	-879	389	-308	-299	47	-1 910	-294	-213	-1 177	-259	-1 101	-159	
Dec	P	-4 071	-1 341	-978	-879	338	-285	-363	20	-1 865	-140	-142	-1 191	-205	-1 104	129	
10 Jan	P	-4 510	-489	-292	-656	540	-59	-198	44	-1 141	-293	-187	-1 314	-239	-1 218	-128	
Feb	P	-3 562	-393	-15	-713	874	-89	-378	50	-757	-195	-157	-1 324	-109	-1 172	133	
Mar	P	-4 292	-242	75	-874	808	-77	-317	57	-813	-263	-225	-1 434	-534	-1 279	-239	
Apr	P	-5 004	-1 040	-868	-891	665	-201	-172	69	-1 665	-234	-181	-1 570	-368	-1 094	-169	
May	P	-4 165	-620	42	-652	757	78	-662	-119	-1 030	-229	-221	-1 252	-430	-1 257	-114	
Jun	P	-4 711	-728	-372	-859	753	-48	-356	114	-1 089	-225	-177	-1 599	-291	-1 330	-128	
Jul	P	-4 288	-258	-121	-760	567	-118	-137	240	-596	-151	-111	-1 610	-201	-1 551	-75	
Aug	P	-4 460	-510	-460	-553	156	8	-50	-18	-688	-106	-133	-1 457	-342	-1 503	-74	
Sep	P	-4 346	-134	62	-817	934	-10	-197	46	-404	-256	-179	-1 196	-408	-1 695	-102	
Oct	P	-3 700	422	401	-564	843	153	21	257	-388	-276	-148	-1 484	-246	-1 427	-87	
Nov	P	-3 880	314	478	-548	873	189	-164	64	-268	-261	-180	-1 174	-522	-1 355	-139	

CUMULATIVE TRADE DEFICIT



CUMULATIVE TRADE DEFICIT



Source: ME.

Note: The underlying series for this indicator are in Tables 18.3 and 18.5 of the Boletín Estadístico.

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

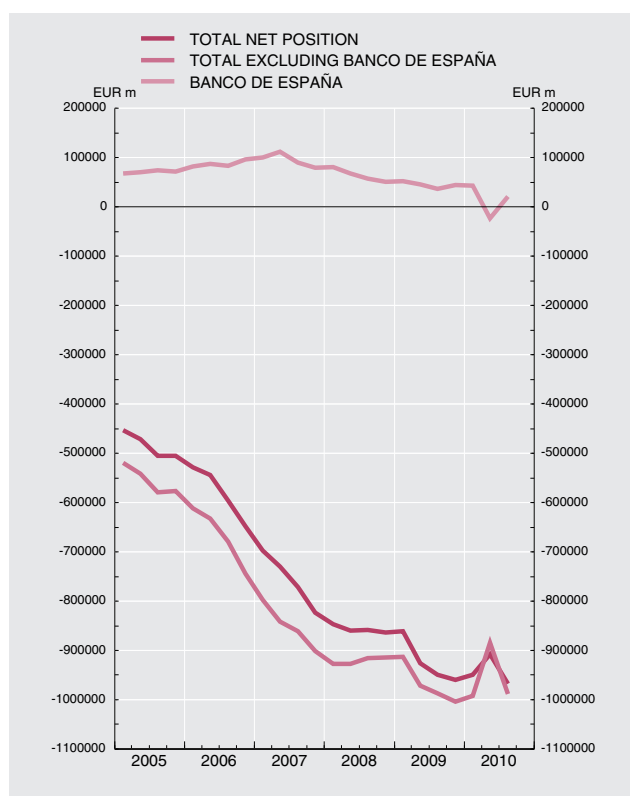
7.6. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD SUMMARY

■ Series depicted in chart.

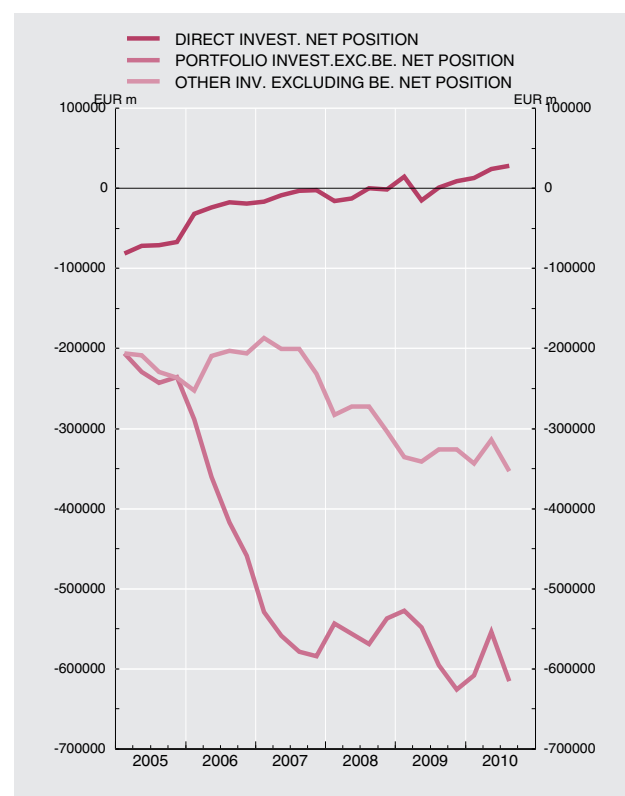
End-of-period stocks in EUR billions

		Net international investment position (assets-liabil.)	Total excluding Banco de España											Banco de España				
			Net position excluding Banco de España (assets - liabil.)	Direct investment			Portfolio investment			Other investment			Financial derivatives Net position (assets-liabil.)	Banco de España Net position (assets-liabil.)	Reserves	Net assets vis-à-vis the Euro-system	Other net assets (assets-liabil.) (a)	
				Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)	Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)	Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)						
		1=2+13	2=3+6+9+12	3=4-5	4	5	6=7-8	7	8	9=10-11	10	11	12	13=14 to 16	14	15	16	
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		-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	Q3	-771.4	-861.1	-2.8	364.4	367.2	-640.1	453.7	1 093.9	-200.3	384.5	584.8	-17.9	89.6	12.5	14.8	62.4	
	Q4	-822.8	-901.7	-2.6	395.4	398.0	-648.5	438.4	1 086.9	-231.8	379.5	611.3	-18.8	78.9	12.9	1.1	64.9	
08	Q1	-846.5	-927.1	-16.2	393.8	409.9	-607.6	414.2	1 021.9	-282.6	381.2	663.8	-20.7	80.6	13.0	2.8	64.8	
	Q2	-859.8	-927.0	-12.3	408.4	420.7	-618.4	395.7	1 014.1	-272.8	417.0	689.8	-23.4	67.2	12.7	-7.5	62.0	
	Q3	-859.1	-916.1	0.1	423.2	423.1	-631.8	382.3	1 014.1	-272.7	422.9	695.6	-11.7	57.0	13.8	-19.6	62.8	
	Q4	-864.0	-914.9	-1.1	424.4	425.5	-603.5	354.5	958.0	-303.9	386.4	690.4	-6.4	50.9	14.5	-30.6	67.0	
09	Q1	-860.6	-912.9	14.1	428.1	414.0	-591.3	342.6	933.8	-335.8	374.4	710.2	0.0	52.3	15.7	-27.4	64.0	
	Q2	-926.6	-972.0	-15.4	438.5	453.9	-608.6	363.7	972.2	-340.8	370.5	711.3	-7.3	45.4	15.1	-30.5	60.7	
	Q3	-949.5	-986.4	0.7	446.1	445.4	-656.2	377.5	1 033.7	-326.1	364.6	690.7	-4.9	36.9	18.3	-42.6	61.2	
	Q4	-959.3	-1 003.4	9.2	448.0	438.8	-686.1	380.6	1 066.7	-325.6	370.2	695.8	-1.0	44.1	19.6	-36.4	60.9	
10	Q1	-950.0	-992.3	13.0	454.0	441.0	-667.8	387.0	1 054.8	-343.3	364.0	707.3	5.7	42.4	20.9	-38.5	60.0	
	Q2	-908.3	-884.9	23.7	467.4	443.6	-606.5	360.3	966.8	-314.1	373.0	687.1	12.0	-23.4	24.4	-100.8	53.1	
	Q3	-967.5	-987.7	28.1	479.7	451.5	-666.9	341.4	1 008.3	-353.2	355.2	708.4	4.3	20.2	22.6	-54.3	51.9	

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.

a. See note b to table 17.21 of the Boletín Estadístico.

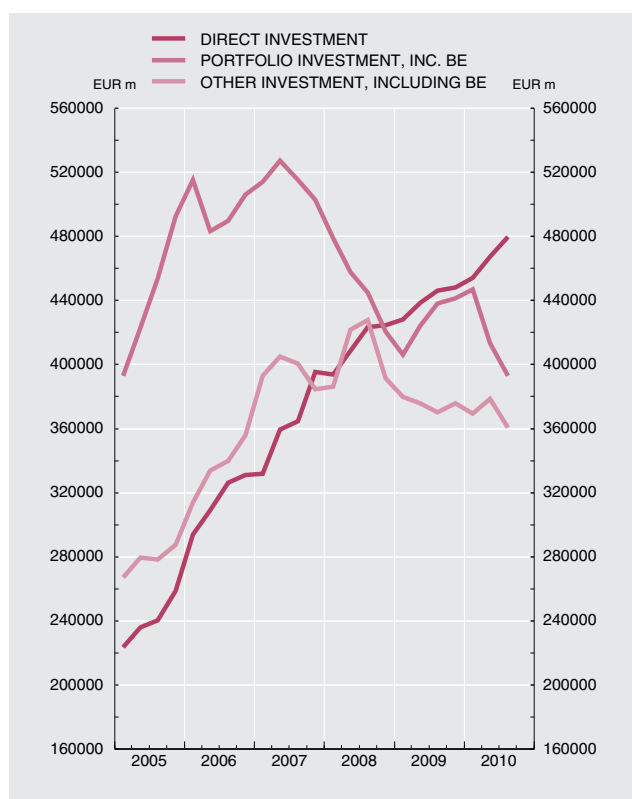
7.7. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD BREAKDOWN BY INVESTMENT

■ Series depicted in chart.

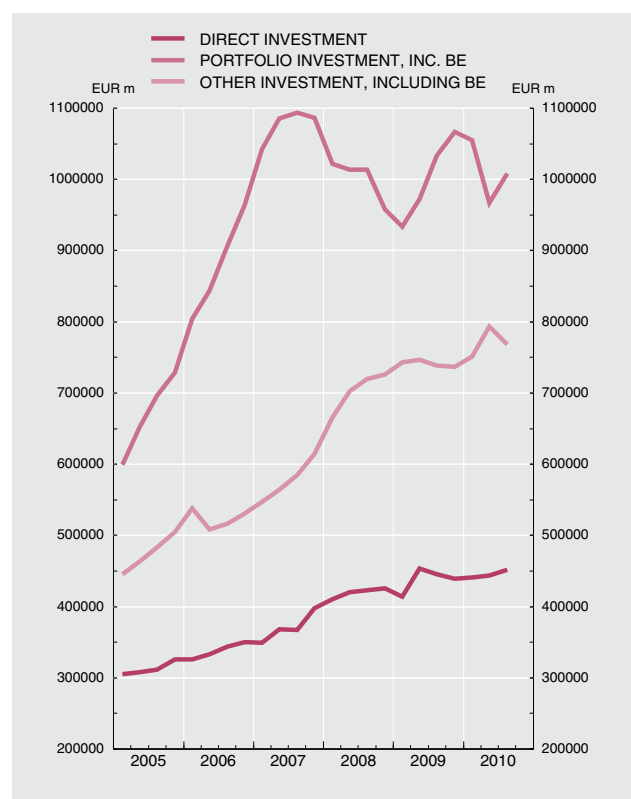
End-of-period stocks in EUR millions

		Direct investment				Portfolio investment, including Banco de España				Other investment, including Banco de España		Financial derivatives including BE	
		Spanish investment abroad		Foreign investment in Spain		Spanish investment abroad		Foreign investment in Spain		Spanish investment abroad	Foreign investment in Spain (a)	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				
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		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	Q3	342 733	21 695	284 973	82 250	142 096	373 186	269 798	824 065	400 443	585 099	44 181	62 069
	Q4	368 306	27 086	307 278	90 696	132 955	369 758	282 331	804 609	384 714	614 829	44 642	63 487
08	Q1	367 154	26 624	322 384	87 559	103 793	374 981	235 984	785 876	386 110	665 607	53 297	74 001
	Q2	380 787	27 597	329 361	91 363	97 664	360 046	216 631	797 428	421 832	702 168	58 579	82 016
	Q3	392 496	30 670	324 109	98 941	82 946	362 029	200 218	813 893	427 684	719 855	70 066	81 757
	Q4	393 450	30 963	320 784	104 746	62 823	357 842	170 143	787 812	391 224	725 592	108 278	114 027
09	Q1	395 602	32 486	308 022	105 940	54 657	351 435	142 151	791 674	379 881	742 693	111 670	111 538
	Q2	407 386	31 138	332 183	121 740	62 356	361 619	177 670	794 571	375 925	746 870	92 879	100 032
	Q3	417 770	28 336	325 417	119 940	73 709	364 469	218 943	814 718	370 070	738 269	85 194	90 098
	Q4	419 421	28 596	324 970	113 823	81 059	360 142	223 162	843 508	375 647	737 181	77 449	78 498
10	Q1	425 341	28 623	328 409	112 573	91 843	354 988	199 893	854 885	369 459	750 950	93 867	88 286
	Q2	438 799	28 554	331 019	112 626	90 003	323 228	170 790	796 025	378 497	793 008	118 304	106 522
	Q3	449 558	30 109	334 610	116 920	92 774	300 130	196 108	812 218	360 603	767 832	121 434	117 049

SPANISH INVESTMENT ABROAD



FOREIGN INVESTMENT IN SPAIN



Source: BE.

Note: See footnote to Indicator 7.6

a. See note b to table 17.21 of the Boletín Estadístico.

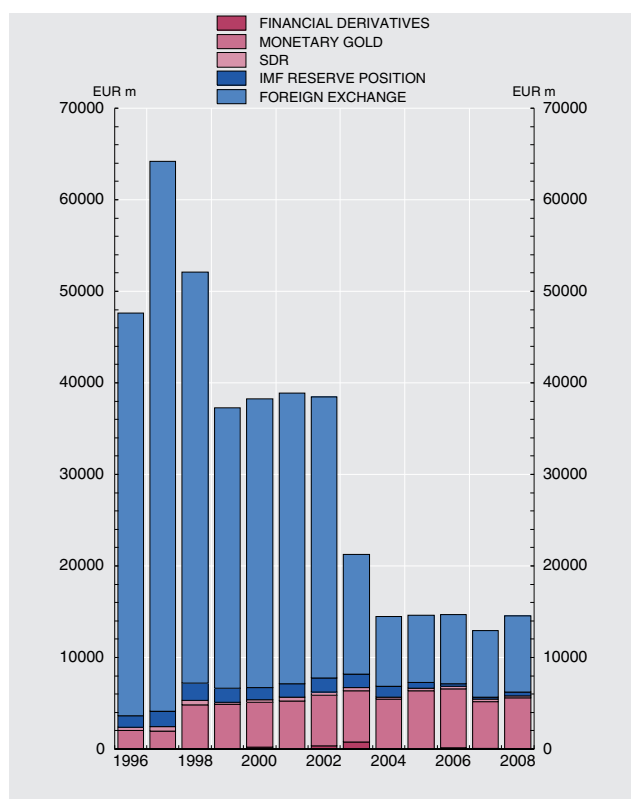
7.8. SPANISH RESERVE ASSETS

■ Series depicted in chart.

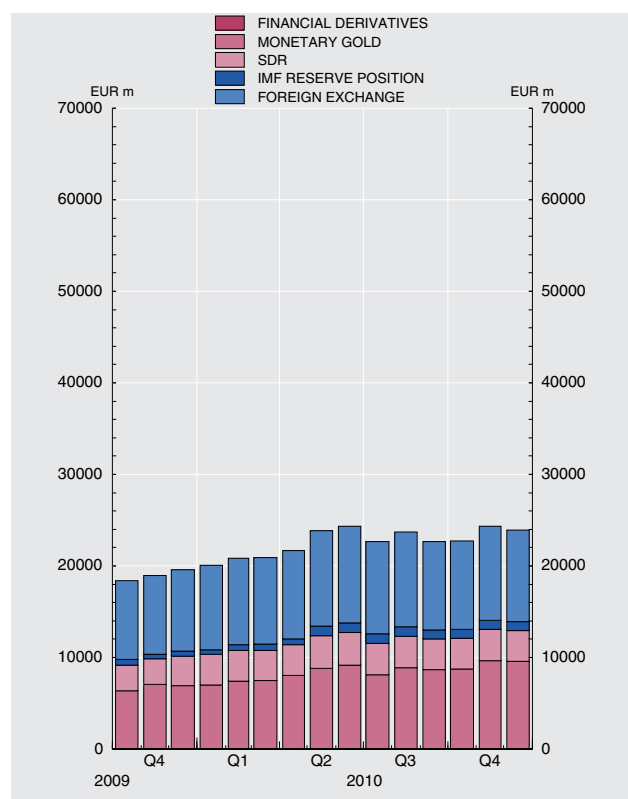
End-of-period stocks in EUR millions

	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
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	14 546	8 292	467	160	5 627	-	9.1
09 Jul	15 454	8 693	693	51	6 017	-	9.1
<i>Aug</i>	18 106	8 860	692	2 531	6 023	-	9.1
<i>Sep</i>	18 301	8 644	682	2 785	6 191	-	9.1
<i>Oct</i>	18 402	8 578	678	2 767	6 379	-	9.1
<i>Nov</i>	18 946	8 570	533	2 761	7 083	-	9.1
<i>Dec</i>	19 578	8 876	541	3 222	6 938	-	9.1
10 Jan	20 047	9 177	554	3 296	7 020	-	9.1
<i>Feb</i>	20 859	9 456	662	3 344	7 396	-	9.1
<i>Mar</i>	20 918	9 473	661	3 332	7 452	-	9.1
<i>Apr</i>	21 657	9 627	644	3 352	8 034	-	9.1
<i>May</i>	23 870	10 444	1 078	3 509	8 839	-	9.1
<i>Jun</i>	24 353	10 555	1 091	3 537	9 169	-	9.1
<i>Jul</i>	22 626	10 029	1 055	3 412	8 130	-	9.1
<i>Aug</i>	23 717	10 368	1 018	3 466	8 865	-	9.1
<i>Sep</i>	22 641	9 629	995	3 320	8 697	-	9.1
<i>Oct</i>	22 754	9 696	990	3 302	8 766	-	9.1
<i>Nov</i>	24 351	10 279	1 024	3 416	9 632	-	9.1
<i>Dec</i>	23 905	9 958	995	3 396	9 555	-	9.1

RESERVE ASSETS
END-OF-YEAR POSITIONS



RESERVE ASSETS
END-OF-MONTH POSITIONS



Source: BE.

Note: From January 1999 the assets denominated in euro and other currencies vis-à-vis residents of other euro area countries are not considered reserve assets. To December 1998, data in pesetas have been converted to euro using the irrevocable euro conversion rate. Since January 1999, all reserve assets are valued at market prices. As of January 2000 reserve assets data have been compiled in accordance with the IMF's new methodological guidelines published in the document 'International Reserves and Foreign Currency Liquidity Guidelines for a Data Template', October 2001 (<http://dsbb.imf.org/Applications/web/sddsguide>). Using this new definition, total reserve assets as at 31.12.99 would have been EUR 37835 million instead of the amount of EUR 37288 million published in this table.

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

End-of-period positions								EUR millions				
	Total	General government						Other monetary financial institutions				
		Total	Short-term		Long-term			Total	Short-term		Long-term	
			Money market instruments	Loans	Bonds and notes	Loans	Trade credits		Money market instruments	Deposits	Bonds and notes	Deposits
	1	2	3	4	5	6	7	8	9	10	11	12
06 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	1 462 506	219 394	4 901	40	195 781	18 672	-	658 096	11 331	295 528	252 211	99 027
Q2	1 523 843	215 134	5 446	443	190 503	18 742	-	684 742	11 316	294 402	269 682	109 341
Q3	1 542 085	207 145	4 820	1 329	182 455	18 541	-	707 016	15 079	308 889	273 907	109 140
Q4	1 563 730	197 835	4 653	878	173 266	19 038	-	724 116	21 248	327 391	261 177	114 300
08 Q1	1 596 258	200 163	6 329	558	173 668	19 607	-	768 529	20 424	380 522	256 302	111 281
Q2	1 650 936	202 266	5 594	162	177 009	19 501	-	794 086	22 729	399 932	258 374	113 051
Q3	1 689 698	217 754	9 722	494	187 624	19 914	-	792 491	21 269	400 051	258 393	112 778
Q4	1 672 855	233 756	12 480	2 099	198 366	20 812	-	766 311	12 224	400 691	249 210	104 187
09 Q1	1 695 251	242 470	15 801	480	204 659	21 530	-	783 746	15 198	411 446	248 405	108 696
Q2	1 723 765	255 944	21 125	978	211 201	22 640	-	785 211	14 200	409 692	250 957	110 363
Q3	1 736 787	275 051	31 005	709	219 327	24 010	-	769 701	14 217	391 123	256 689	107 671
Q4	1 758 160	298 932	44 479	532	229 481	24 440	-	782 587	14 873	384 509	260 047	123 157
10 Q1	1 789 113	317 677	51 915	117	240 280	25 365	-	790 534	16 642	392 162	257 003	124 728
Q2	1 774 296	295 760	40 680	195	227 970	26 915	-	743 559	12 157	379 077	240 925	111 400
Q3	1 767 557	308 036	41 676	934	237 884	27 542	-	757 808	11 057	396 539	242 273	107 939

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
(a)	14	15	16	17	18	19	20	21	22	23	24	25
06 Q3	316	316	374 113	4 641	22 224	838	244 071	101 073	348	918	117 140	65 999
Q4	281	281	411 407	4 786	22 967	702	275 114	106 946	338	555	120 168	70 581
07 Q1	322	322	456 149	5 303	21 653	550	317 258	109 572	334	1 479	128 544	78 504
Q2	423	423	482 312	5 418	27 035	1 066	336 291	110 523	331	1 647	141 233	90 769
Q3	277	277	494 727	2 553	22 020	854	345 252	122 021	339	1 688	132 920	80 714
Q4	3 550	3 550	493 937	701	20 981	314	343 564	126 473	331	1 573	144 292	89 128
08 Q1	1 855	1 855	480 937	927	19 625	473	328 226	129 235	320	2 132	144 774	88 773
Q2	12 326	12 326	490 919	6 217	20 613	1 465	327 505	132 753	317	2 047	151 339	90 120
Q3	24 276	24 276	499 227	18 093	22 846	1 342	318 792	135 965	323	1 865	155 950	93 515
Q4	35 233	35 233	478 104	13 329	20 939	2 668	302 204	136 854	333	1 777	159 452	93 315
09 Q1	32 491	32 491	475 661	20 066	17 457	3 275	287 545	144 669	366	2 283	160 885	90 027
Q2	35 596	35 596	464 691	18 962	15 879	2 416	278 126	146 391	359	2 557	182 324	90 449
Q3	47 538	47 538	460 697	13 242	14 633	2 322	280 237	147 183	393	2 687	183 800	92 690
Q4	41 400	41 400	457 771	17 975	12 303	2 052	276 653	145 579	393	2 816	177 471	102 441
10 Q1	43 673	43 673	453 951	14 634	12 967	2 895	274 411	145 094	399	3 550	183 278	113 114
Q2	105 881	105 881	443 832	13 015	15 620	4 033	261 277	145 533	406	3 949	185 264	118 007
Q3	59 477	59 477	454 729	14 342	15 046	4 337	264 987	151 673	395	3 949	187 507	117 767

Source: BE.

a. See note b to table 17.21 of the Boletín Estadístico.

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

Average of daily data, EUR millions

	Net lending in euro							Counterparts					
Total	Open market operations				Standing facilities		Autonomous factors						Actual reserves of credit institutions
	Main refinancing operations	Longer-term refinancing operations	Fine-tuning reverse operations (net)	Structural reverse operations (net)	Marginal lending facility	Deposit facility	Total	Bank-notes	Deposits to general government	Gold and net assets in foreign currency	Other assets (net)		
1=2+3+4+5+6+7	2	3	4	5	6	7	8=9+10+11+12	9	10	11	12	13	
09 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
Oct	586 961	58 731	637 669	-7 713	-	250	101 977	373 107	770 074	146 353	416 440	126 880	213 854
Nov	580 453	52 295	604 677	-9 113	-	698	68 104	367 577	772 428	148 924	409 556	144 220	212 876
Dec	575 400	58 968	623 882	-5 640	-	349	102 159	355 555	794 597	128 705	402 181	165 567	219 846
10 Jan	541 473	61 899	664 650	-12 329	-	406	173 153	334 353	789 929	118 932	427 124	147 384	207 120
Feb	534 339	72 624	647 446	-13 528	-	930	173 132	319 842	783 511	116 580	426 226	154 023	214 497
Mar	521 898	79 925	644 676	-12 804	-	500	190 400	303 560	788 465	109 183	429 090	164 999	218 338
Apr	518 251	72 798	663 740	-13 286	-	183	205 184	306 870	795 902	117 289	457 309	149 012	211 381
May	518 635	97 546	692 289	-24 199	-	1 178	248 178	293 449	803 187	117 440	461 565	165 612	225 187
Jun	496 616	129 940	713 202	-58 607	-	304	288 223	275 553	808 910	133 527	463 359	203 525	221 063
Jul	447 504	197 804	418 108	-43 633	-	261	125 035	245 431	817 565	103 637	543 196	132 575	202 074
Aug	428 464	156 847	436 311	-69 674	-	569	95 589	220 146	817 554	81 380	543 363	135 425	208 318
Sep	447 722	154 228	432 260	-67 794	-	547	71 520	223 098	813 964	97 492	543 285	145 074	224 624
Oct	400 207	184 986	327 455	-64 198	-	662	48 697	202 036	813 259	95 670	511 143	195 750	198 171
Nov	409 030	179 522	338 925	-68 984	-	1 776	42 207	193 808	813 937	91 614	511 275	200 469	215 222
Dec	404 267	194 560	333 046	-69 023	-	819	55 135	175 471	832 289	82 373	512 369	226 822	228 797

8.1.b BALANCE SHEET OF THE BANCO DE ESPAÑA. NET LENDING TO CREDIT INSTITUTIONS AND ITS COUNTERPARTS

Average of daily data, EUR millions

	Net lending in euro							Counterparts							
Total	Open market operations				Standing facilities		Intra-ESCB		Autonomous factors					Actual reserves of credit institutions	
	Main refinancing operations	Longer-term refinancing operations	Fine-tuning reserve operations (net)	Structural reserve operations (net)	Marginal lending facility	Deposit facility	Target	Rest	Total	Bank-notes	Deposits to general government	Gold and net assets in foreign currency	Other assets (net)		
	14=15+16+17+18+19+20	15	16	17	18	19	20	21	22	23=24+25+26+27	24	25	26		27	28
09 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
Oct	82 534	5 940	82 025	-579	-	-	4 852	44 070	-5 447	16 653	77 235	23 601	14 900	69 283	27 257
Nov	79 011	6 453	74 472	-755	-	-	1 159	32 264	-5 447	27 120	76 566	40 008	14 921	74 533	25 073
Dec	76 105	2 801	78 640	-495	-	-	4 841	33 623	-5 447	21 154	78 779	33 805	14 918	76 513	26 775
10 Jan	77 318	591	88 649	-1 383	-	3	10 543	38 790	-5 447	17 774	78 093	31 878	16 160	76 037	26 201
Feb	76 269	1 118	87 564	-1 254	-	2	11 161	40 278	-5 447	15 831	76 555	32 241	16 195	76 770	25 607
Mar	81 881	1 504	88 688	-759	-	0	7 552	47 978	-5 447	13 216	76 922	30 454	16 266	77 895	26 134
Apr	74 603	1 351	89 436	-861	-	-	15 323	41 475	-5 447	12 505	76 714	30 938	17 390	77 757	26 070
May	85 618	7 984	97 566	-1 785	-	2	18 150	53 407	-5 447	10 853	76 313	30 862	17 638	78 683	26 805
Jun	126 300	30 119	106 371	-607	-	55	9 638	92 411	-5 447	13 914	76 968	31 662	17 802	76 914	25 422
Jul	130 209	31 057	108 960	-305	-	-	9 503	102 620	-5 447	8 311	78 104	21 305	20 533	70 565	24 725
Aug	109 793	15 500	110 128	-5 902	-	-	9 933	88 651	-5 447	3 398	77 088	17 100	20 528	70 262	23 191
Sep	97 682	7 334	104 423	-5 454	-	-	8 620	77 026	-5 447	-368	75 443	15 414	20 479	70 746	26 471
Oct	67 947	13 512	57 773	662	-	1	4 002	49 480	-5 447	-170	74 449	18 195	19 186	73 628	24 084
Nov	61 138	13 352	51 105	-235	-	-	3 084	42 571	-5 447	-520	73 297	20 212	19 224	74 805	24 534
Dec	66 986	22 197	47 538	241	-	-	2 990	50 767	-5 465	-6 565	75 356	14 283	19 258	76 945	28 241

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

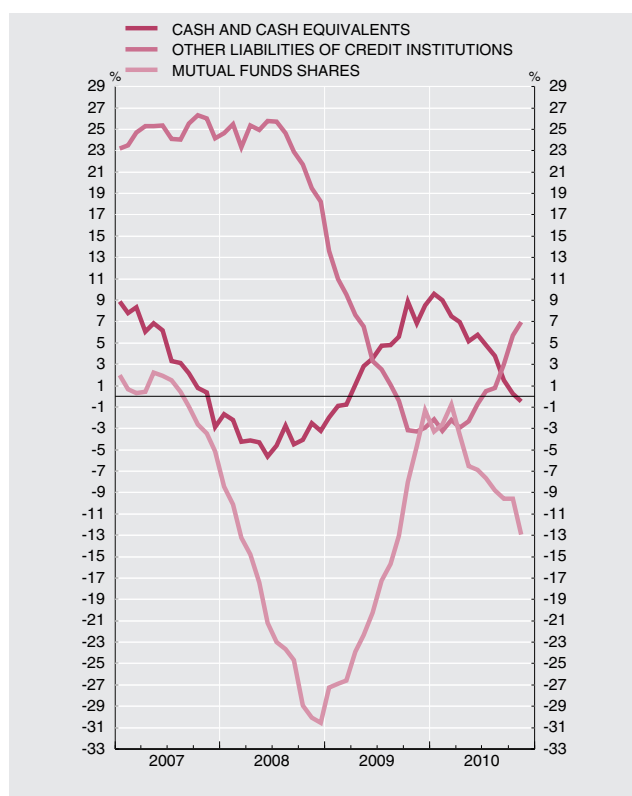
8.2 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

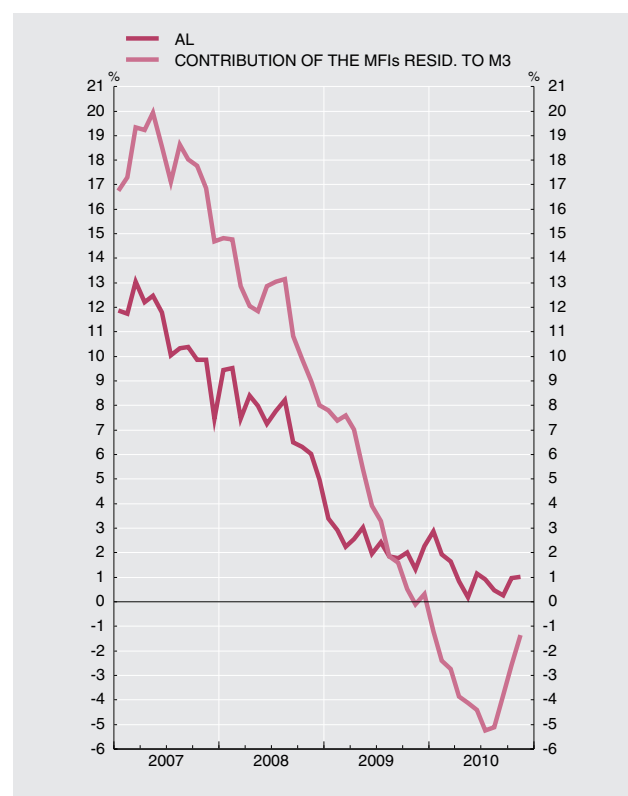
EUR millions and %

	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	Contribution of the MFIs resid. to M3
			Cash	Deposits (b)			Other deposits (c)	Repos + credit institutions' securities	Deposits in branches abroad			Fixed income in EUR (d)	Other		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
07	497 886	-2.9	2.3	-4.1	462 466	24.2	29.8	1.3	-10.7	213 263	-5.2	-2.3	-7.3	7.5	14.7
08	481 724	-3.2	0.6	-4.2	546 746	18.2	24.3	-19.1	-8.9	148 107	-30.6	-16.7	-41.3	5.0	8.0
09	522 693	8.5	0.5	10.6	530 639	-2.9	-1.3	-12.1	-39.8	146 214	-1.3	0.5	-3.2	2.3	0.3
09 Aug	501 010	4.8	3.9	5.0	541 938	1.1	4.2	-14.8	-42.0	145 748	-15.7	-9.7	-21.9	1.8	1.9
Sep	505 291	5.6	3.8	6.0	536 424	-0.4	2.6	-18.2	-35.2	145 654	-13.0	-5.9	-20.5	1.8	1.6
Oct	506 846	8.9	-0.5	11.4	526 418	-3.2	-0.3	-22.3	-31.2	144 387	-8.0	-2.5	-13.9	2.0	0.5
Nov	508 253	6.8	-0.0	8.6	525 386	-3.3	-1.4	-16.9	-28.2	144 514	-4.7	-0.1	-9.7	1.3	-0.1
Dec	522 693	8.5	0.5	10.6	530 639	-2.9	-1.3	-12.1	-39.8	146 214	-1.3	0.5	-3.2	2.3	0.3
10 Jan	518 415	9.6	1.0	11.9	527 414	-2.1	-1.2	-7.6	-29.8	144 932	-3.3	-3.2	-3.4	2.9	-1.2
Feb	519 032	9.0	0.8	11.1	521 886	-3.3	-2.2	-8.8	-38.5	143 869	-2.6	-5.4	0.7	1.9	-2.4
Mar	512 629	7.5	1.0	9.2	527 762	-2.2	-1.4	-4.0	-40.3	143 517	-0.7	-7.5	7.3	1.6	-2.7
Apr	509 239	7.0	-0.2	8.9	526 752	-2.9	-1.8	-10.5	-30.2	142 177	-3.6	-10.4	4.5	0.8	-3.9
May	515 854	5.2	0.4	6.4	531 310	-2.3	-0.1	-18.2	-40.7	137 385	-6.5	-13.2	1.4	0.2	-4.1
Jun	534 480	5.8	0.9	7.0	537 678	-0.7	1.4	-17.5	-22.1	133 721	-6.9	-16.4	4.2	1.1	-4.4
Jul	526 671	4.8	0.4	5.9	544 958	0.5	2.7	-16.9	-30.8	133 429	-7.7	-20.9	8.0	0.9	-5.2
Aug P	519 974	3.8	-0.2	4.8	546 258	0.8	2.7	-14.0	-29.3	132 952	-8.8	-22.7	8.0	0.5	-5.1
Sep P	512 998	1.5	-0.4	2.0	552 498	3.0	4.9	-10.0	-36.3	131 753	-9.5	-25.7	10.5	0.3	-3.8
Oct P	508 198	0.3	-1.3	0.6	556 563	5.7	7.2	-3.9	-33.3	130 529	-9.6	-26.3	10.8	1.0	-2.6
Nov P	505 786	-0.5	-1.9	-0.2	562 066	7.0	7.5	6.3	-24.9	125 809	-12.9	-28.8	6.4	1.0	-1.4

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.

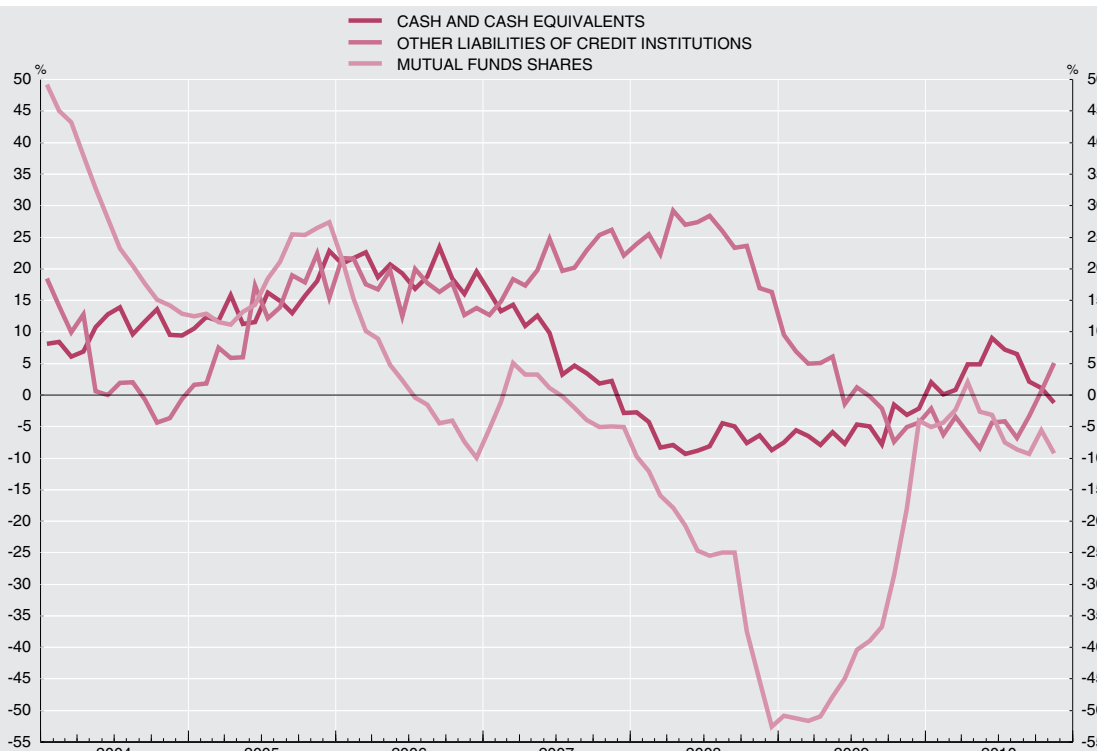
8.3 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ 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
07	133 469	-2.8	101 538	22.1	37.4	0.8	25 188	-5.0	-2.2	-7.1
08	121 783	-8.8	118 154	16.4	25.1	-0.3	11 959	-52.5	-42.7	-60.1
09	119 182	-2.1	113 047	-4.3	9.2	-36.7	11 475	-4.0	-6.4	-1.4
09 Aug	114 472	-5.0	118 423	-0.3	12.3	-26.4	11 860	-38.9	-34.7	-43.4
Sep	116 115	-7.8	117 057	-2.2	13.2	-32.1	11 847	-36.8	-31.1	-42.6
Oct	114 176	-1.6	112 319	-7.4	7.9	-38.6	11 265	-28.6	-27.0	-30.4
Nov	117 057	-3.2	111 084	-5.1	9.3	-37.0	11 304	-18.0	-17.2	-18.8
Dec	119 182	-2.1	113 047	-4.3	9.2	-36.7	11 475	-4.0	-6.4	-1.4
10 Jan	118 079	2.0	109 039	-2.1	9.6	-33.5	11 443	-5.1	-8.8	-0.8
Feb	117 446	0.1	104 530	-6.3	4.9	-38.1	11 376	-4.4	-10.8	3.3
Mar	116 153	0.8	107 890	-3.4	6.3	-33.4	11 368	-2.4	-12.5	10.2
Apr	114 573	4.9	108 450	-6.0	4.0	-34.8	11 585	2.0	-2.4	6.9
May	119 406	4.8	108 495	-8.5	3.4	-41.7	11 195	-2.7	-8.3	3.8
Jun	125 742	9.0	111 433	-4.4	5.9	-34.7	10 897	-3.2	-11.8	6.7
Jul	120 530	7.2	112 492	-4.2	6.9	-38.0	10 875	-7.5	-20.7	8.0
Aug P	121 877	6.5	110 357	-6.8	2.5	-36.4	10 836	-8.6	-22.5	8.0
Sep P	118 642	2.2	113 165	-3.3	5.8	-32.9	10 739	-9.4	-25.5	10.5
Oct P	115 495	1.2	112 982	0.6	8.6	-28.1	10 640	-5.5	-20.1	10.8
Nov P	115 648	-1.2	116 755	5.1	9.6	-12.2	10 255	-9.3	-23.2	6.4

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.

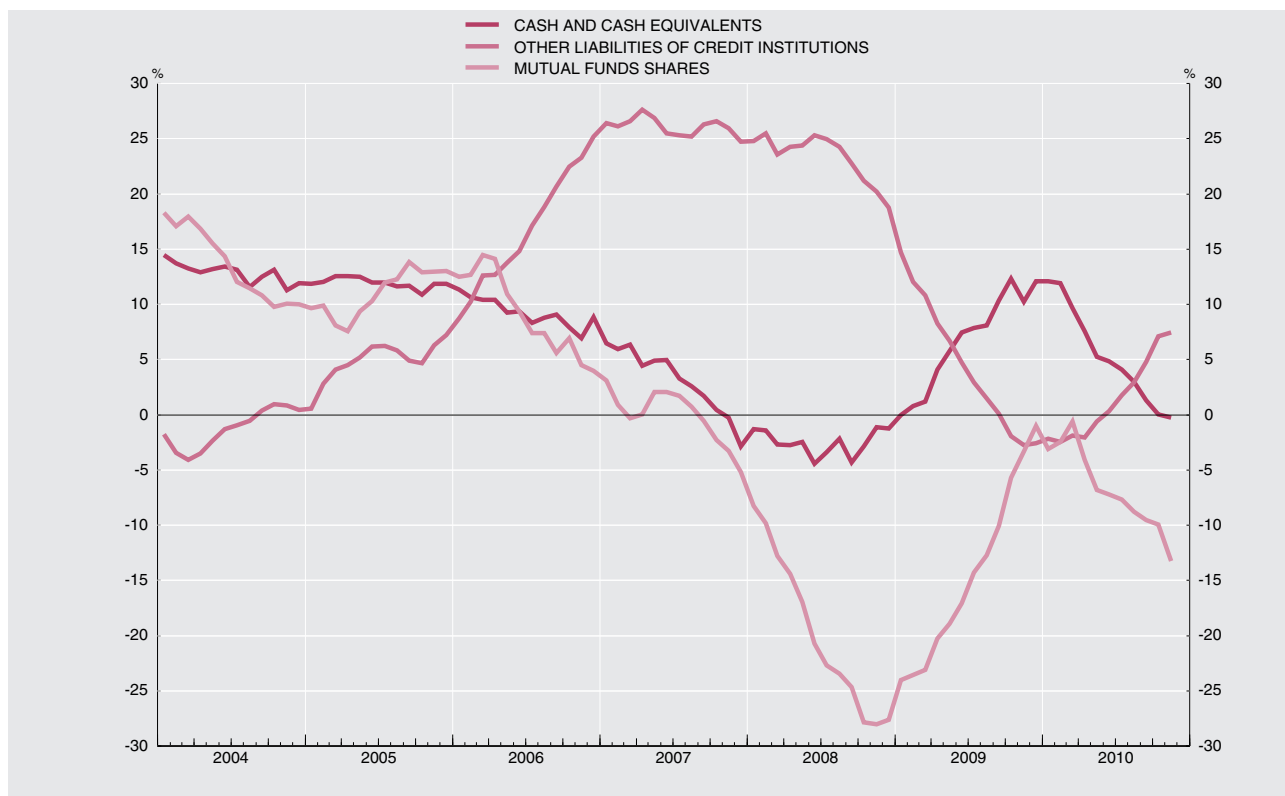
8.4 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ 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
07	364 417	-2.9	2.9	-4.6	360 928	24.7	28.4	-2.8	188 075	-5.2	-2.3	-7.3
08	359 941	-1.2	3.4	-2.7	428 592	18.7	24.2	-35.6	136 148	-27.6	-13.3	-38.7
09	403 512	12.1	2.7	15.3	417 592	-2.6	-3.5	14.7	134 738	-1.0	1.1	-3.4
09 Aug	386 538	8.1	6.3	8.7	423 516	1.5	2.5	-11.6	133 888	-12.7	-6.5	-19.1
Sep	389 176	10.3	6.1	11.7	419 367	0.1	0.5	-5.3	133 807	-10.1	-2.8	-17.7
Oct	392 670	12.3	1.8	16.0	414 099	-2.0	-2.0	-0.6	133 122	-5.7	0.2	-12.1
Nov	391 196	10.2	2.2	13.0	414 302	-2.7	-3.5	10.5	133 210	-3.3	1.6	-8.8
Dec	403 512	12.1	2.7	15.3	417 592	-2.6	-3.5	14.7	134 738	-1.0	1.1	-3.4
10 Jan	400 336	12.1	3.0	15.1	418 375	-2.1	-3.3	21.1	133 489	-3.1	-2.7	-3.6
Feb	401 586	11.9	2.8	15.0	417 356	-2.5	-3.6	19.8	132 493	-2.5	-4.9	0.4
Mar	396 476	9.6	2.9	11.9	419 872	-1.9	-3.0	19.2	132 148	-0.6	-7.0	7.1
Apr	394 666	7.6	1.5	9.6	418 302	-2.1	-3.0	13.4	130 592	-4.1	-11.0	4.3
May	396 449	5.3	2.0	6.3	422 815	-0.6	-0.9	3.2	126 190	-6.8	-13.6	1.2
Jun	408 738	4.8	2.3	5.6	426 245	0.3	0.4	-0.4	122 824	-7.2	-16.8	4.0
Jul	406 142	4.1	1.7	4.9	432 466	1.8	1.7	2.0	122 554	-7.7	-20.9	8.0
Aug P	398 097	3.0	0.9	3.6	435 901	2.9	2.8	5.5	122 116	-8.8	-22.7	8.0
Sep P	394 356	1.3	0.5	1.6	439 333	4.8	4.7	6.2	121 014	-9.6	-25.7	10.5
Oct P	392 703	0.0	-0.6	0.2	443 581	7.1	6.9	11.0	119 889	-9.9	-26.8	10.8
Nov P	390 138	-0.3	-1.3	0.0	445 311	7.5	7.0	14.8	115 554	-13.3	-29.2	6.4

HOUSEHOLDS AND NPISH Annual percentage change



Source: BE.

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

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

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

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

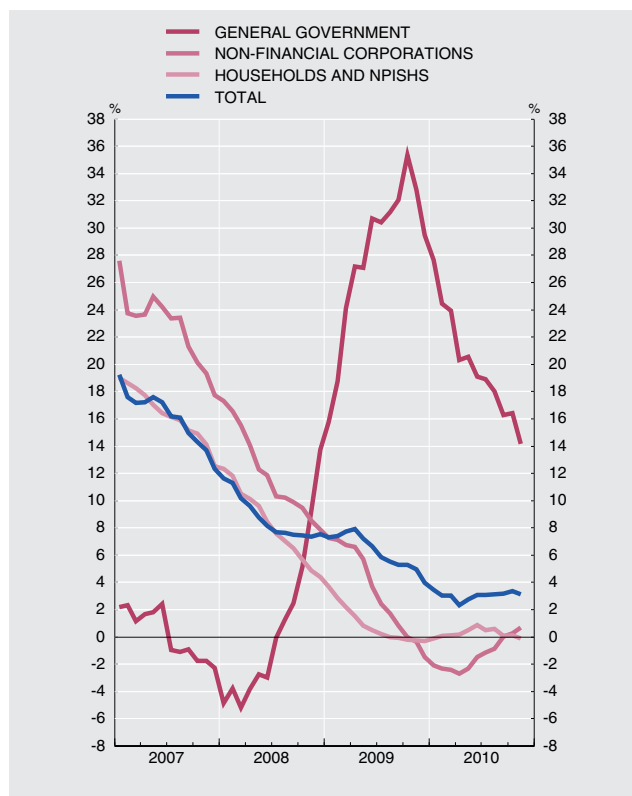
8.5. FINANCING OF NON-FINANCIAL SECTORS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

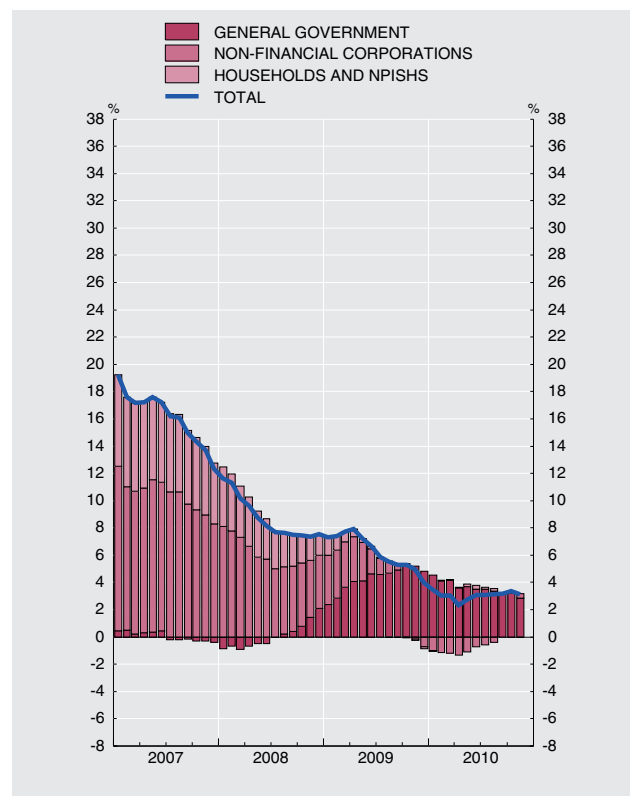
EUR millions and %

	Total			Annual growth rate							Contribution to col. 3						
	Stocks	Effective flow	Annual growth rate	General government (b)	Non-financial corp. and households and NPISHs					General government (b)	Non-financial corp. and households and NPISHs						
					By sectors		By instruments				By sectors		By instruments				
					Non-financial corporations	Households and NPISHs	Credit institutions' loans & securit. funds	Securities other than shares	External loans		Non-financial corporations	Households and NPISHs	Credit institutions' loans & securit. funds	Securities other than shares	External loans		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
07	2 470 505	270 478	12.3	-2.3	15.5	17.7	12.5	15.9	18.4	12.4	-0.4	12.7	8.3	4.4	11.1	0.3	1.4
08	2 649 433	186 684	7.6	13.7	6.4	7.9	4.4	5.6	12.1	10.9	2.1	5.4	3.9	1.6	4.0	0.2	1.3
09	2 773 580	105 406	4.0	29.5	-1.0	-1.5	-0.3	-2.0	36.9	-0.3	4.8	-0.8	-0.7	-0.1	-1.4	0.6	-0.0
09 Aug	2 728 905	-8 095	5.5	31.2	1.0	1.7	-0.0	-0.6	25.1	7.4	4.7	0.8	0.9	-0.0	-0.4	0.4	0.9
Sep	2 741 619	16 758	5.3	32.0	0.5	0.8	-0.1	-1.0	26.6	6.1	4.9	0.4	0.4	-0.0	-0.7	0.4	0.7
Oct	2 754 741	11 076	5.3	35.3	-0.1	-0.0	-0.2	-1.5	29.2	4.8	5.4	-0.1	-0.0	-0.1	-1.1	0.4	0.6
Nov	2 774 192	20 177	4.9	32.8	-0.3	-0.3	-0.2	-1.7	33.6	3.9	5.2	-0.3	-0.2	-0.1	-1.2	0.5	0.5
Dec	2 773 580	-5 763	4.0	29.5	-1.0	-1.5	-0.3	-2.0	36.9	-0.3	4.8	-0.8	-0.7	-0.1	-1.4	0.6	-0.0
10 Jan	2 759 185	-13 452	3.5	27.7	-1.3	-2.1	-0.1	-2.3	33.4	-0.3	4.5	-1.1	-1.0	-0.0	-1.6	0.5	-0.0
Feb	2 763 691	5 770	3.0	24.5	-1.3	-2.3	0.1	-2.2	29.7	-0.9	4.1	-1.1	-1.1	0.0	-1.5	0.5	-0.1
Mar	2 781 677	18 162	3.0	23.9	-1.4	-2.4	0.1	-2.1	32.6	-2.0	4.2	-1.1	-1.2	0.0	-1.4	0.6	-0.2
Apr	2 787 811	5 237	2.3	20.3	-1.5	-2.7	0.2	-2.3	39.8	-2.8	3.6	-1.3	-1.3	0.1	-1.6	0.7	-0.3
May	2 801 995	12 726	2.7	20.6	-1.2	-2.3	0.5	-2.0	43.0	-2.5	3.7	-0.9	-1.1	0.2	-1.4	0.7	-0.3
Jun	2 825 332	24 474	3.1	19.1	-0.5	-1.5	0.9	-1.0	43.7	-3.5	3.5	-0.4	-0.7	0.3	-0.7	0.7	-0.4
Jul	P 2 821 803	-2 502	3.1	18.9	-0.5	-1.2	0.5	-1.0	25.8	-1.7	3.5	-0.4	-0.6	0.2	-0.7	0.5	-0.2
Aug	P 2 814 620	-6 958	3.1	18.0	-0.3	-0.9	0.6	-0.8	26.6	-1.4	3.4	-0.2	-0.4	0.2	-0.5	0.5	-0.2
Sep	P 2 825 593	17 926	3.2	16.3	0.1	0.0	0.1	-0.7	28.1	-0.2	3.1	0.1	0.0	0.0	-0.4	0.5	-0.0
Oct	P 2 841 801	16 961	3.4	16.4	0.2	0.2	0.1	-0.6	26.4	0.5	3.2	0.2	0.1	0.0	-0.4	0.5	0.1
Nov	P 2 854 450	14 213	3.1	14.2	0.4	0.7	-0.1	-0.3	17.8	1.3	2.8	0.3	0.3	-0.0	-0.2	0.4	0.2

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). Inter-general government liabilities are deduced.

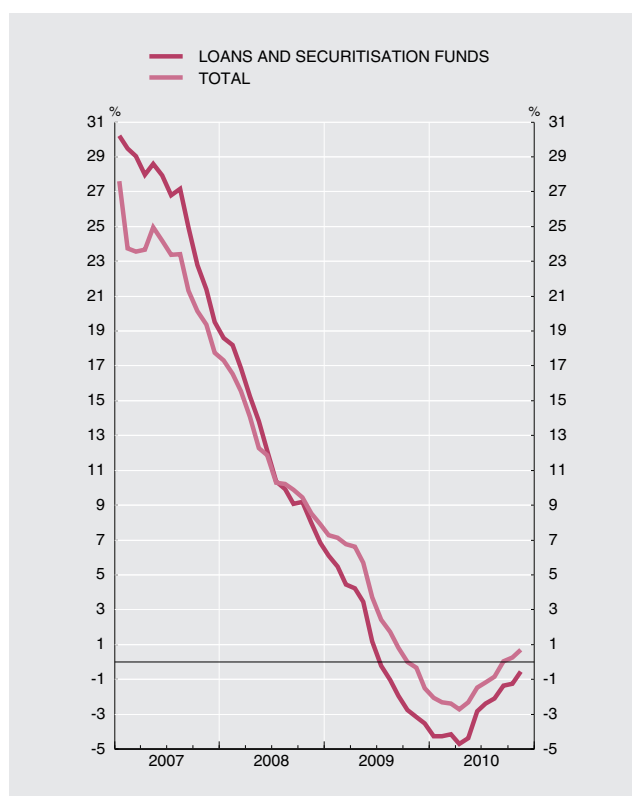
8.6. FINANCING OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

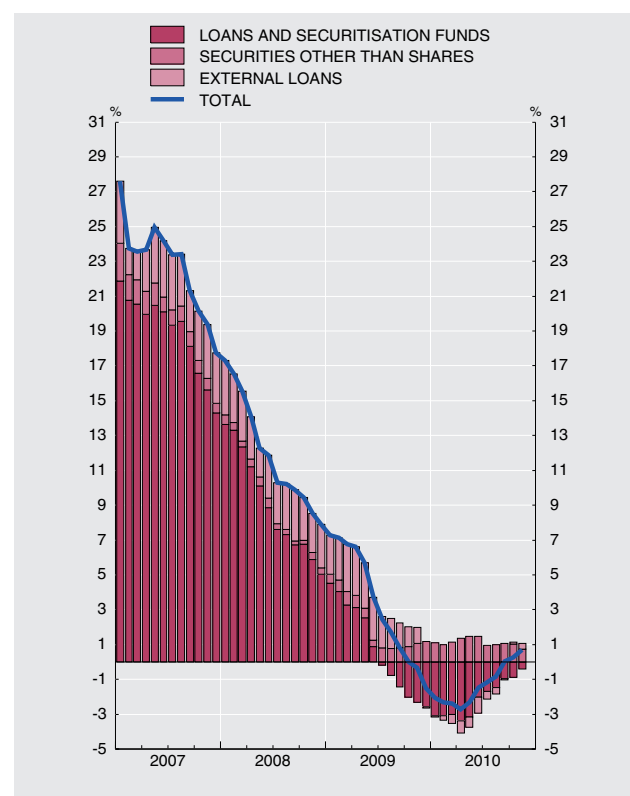
EUR millions and %

	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	of which		Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	
							Stocks	Issues by resident financ. subsid.						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
07	1 215 441	181 829	17.7	895 668	19.5	14.3	36 636	23 056	18.4	0.6	283 137	12.2	2.9	2 678
08	1 305 918	95 981	7.9	954 134	6.8	5.0	41 063	25 648	12.1	0.4	310 721	10.8	2.5	2 060
09	1 309 201	-19 512	-1.5	916 361	-3.5	-2.6	56 199	40 095	36.9	1.2	336 642	-0.3	-0.1	1 256
09 Aug	1 316 545	-9 530	1.7	926 641	-1.0	-0.8	49 400	35 444	25.1	0.8	340 504	7.3	1.7	1 465
Sep	1 312 271	-890	0.8	924 951	-1.9	-1.4	49 278	35 363	26.6	0.8	338 041	6.1	1.4	1 447
Oct	1 312 650	-1 998	-0.0	922 856	-2.8	-2.0	50 739	35 330	29.2	0.9	339 055	4.8	1.1	1 406
Nov	1 310 944	-1 302	-0.3	918 859	-3.1	-2.3	55 029	39 262	33.6	1.1	337 056	3.8	0.9	1 418
Dec	1 309 201	-7 856	-1.5	916 361	-3.5	-2.6	56 199	40 095	36.9	1.2	336 642	-0.3	-0.1	1 256
10 Jan	1 302 686	-5 844	-2.1	909 624	-4.3	-3.1	57 569	41 388	33.4	1.1	335 492	-0.3	-0.1	1 220
Feb	1 300 915	-785	-2.3	908 079	-4.3	-3.1	57 812	41 445	29.7	1.0	335 023	-1.0	-0.2	1 187
Mar	1 303 978	2 745	-2.4	907 617	-4.2	-3.0	60 093	43 130	32.6	1.1	336 268	-2.1	-0.5	1 140
Apr	1 308 492	3 294	-2.7	904 876	-4.7	-3.4	63 855	45 873	39.8	1.4	339 761	-2.8	-0.7	1 187
May	1 312 059	1 850	-2.3	906 048	-4.4	-3.1	64 350	46 658	43.0	1.5	341 662	-2.5	-0.6	1 351
Jun	1 314 261	2 037	-1.5	907 970	-2.8	-2.0	63 777	46 358	43.7	1.5	342 514	-3.6	-0.9	1 856
Jul	P 1 316 400	2 856	-1.2	907 752	-2.4	-1.7	62 602	45 523	25.8	1.0	346 047	-1.7	-0.4	1 783
Aug	P 1 311 108	-5 384	-0.9	900 944	-2.1	-1.5	62 520	45 826	26.6	1.0	347 643	-1.5	-0.4	1 697
Sep	P 1 315 917	10 800	0.0	904 900	-1.4	-1.0	63 136	45 941	28.1	1.1	347 881	-0.2	-0.1	1 493
Oct	P 1 316 583	826	0.2	904 310	-1.3	-0.9	64 109	46 973	26.4	1.0	348 164	0.4	0.1	1 589
Nov	P 1 320 019	4 532	0.7	905 797	-0.6	-0.4	64 808	47 763	17.8	0.7	349 415	1.3	0.3	1 553

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.

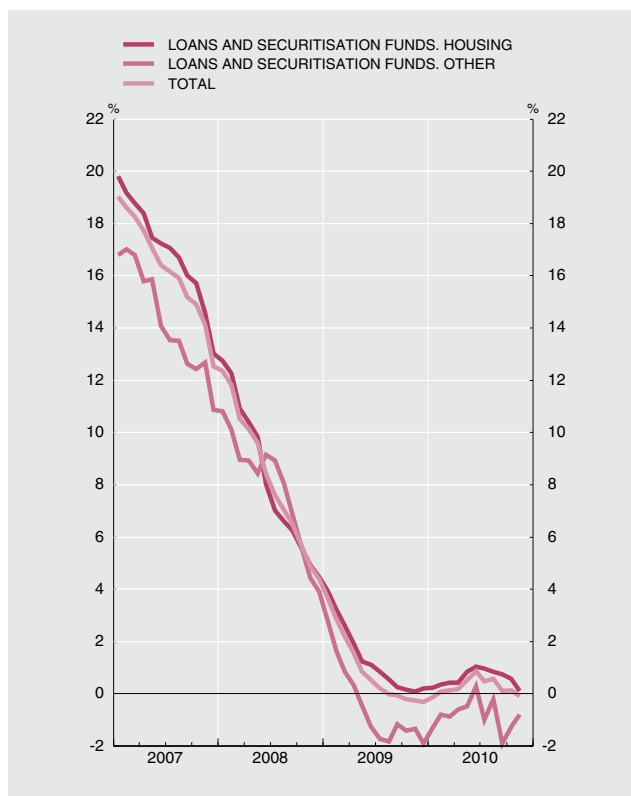
8.7. FINANCING OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

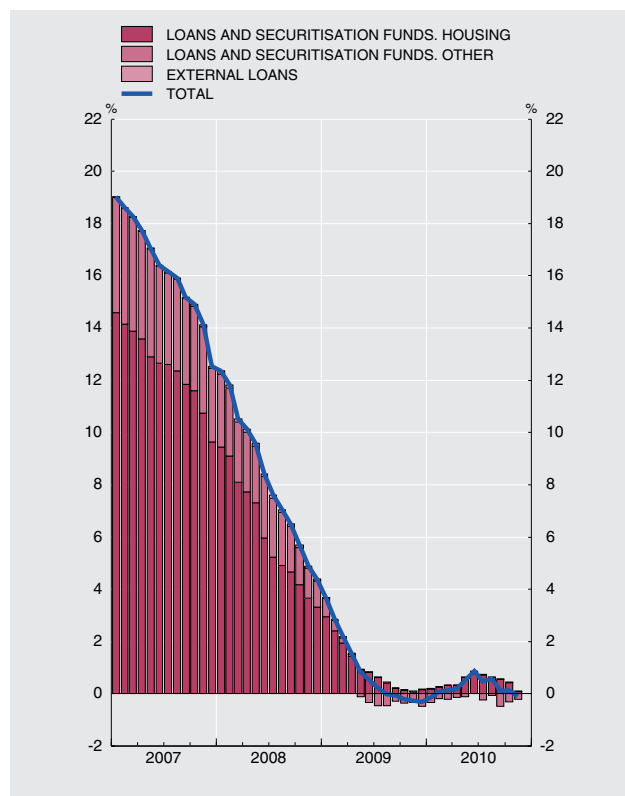
EUR millions and %

	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
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	910 537	38 386	4.4	678 448	4.5	3.3	229 712	3.9	1.0	2 376	33.6	0.1	23 304	4 436
09	903 756	-2 726	-0.3	678 552	0.2	0.1	221 824	-1.9	-0.5	3 381	11.0	0.0	23 986	2 986
09 Aug	903 763	-2 323	-0.0	676 883	0.5	0.4	223 520	-1.8	-0.5	3 361	13.0	0.0	24 599	3 424
Sep	903 646	543	-0.1	676 739	0.3	0.2	223 538	-1.2	-0.3	3 370	13.0	0.0	24 305	3 310
Oct	904 199	884	-0.2	677 498	0.2	0.1	223 319	-1.4	-0.4	3 382	12.2	0.0	24 155	3 210
Nov	909 509	5 631	-0.2	678 402	0.1	0.1	227 716	-1.3	-0.3	3 390	12.0	0.0	24 623	3 040
Dec	903 756	-4 790	-0.3	678 552	0.2	0.1	221 824	-1.9	-0.5	3 381	11.0	0.0	23 986	2 986
10 Jan	902 421	-1 065	-0.1	678 682	0.2	0.2	220 331	-1.3	-0.3	3 409	5.1	0.0	23 798	2 894
Feb	901 351	-793	0.1	678 908	0.4	0.3	219 020	-0.8	-0.2	3 423	4.8	0.0	23 564	2 784
Mar	899 768	-1 090	0.1	678 919	0.4	0.3	217 407	-0.9	-0.2	3 442	3.3	0.0	23 445	2 705
Apr	900 953	1 507	0.2	678 955	0.4	0.3	218 546	-0.6	-0.1	3 452	3.1	0.0	23 175	2 603
May	902 715	2 022	0.5	680 525	0.8	0.6	218 728	-0.5	-0.1	3 462	3.0	0.0	22 777	2 488
Jun	911 169	9 757	0.9	680 328	1.0	0.8	227 379	0.3	0.1	3 462	2.5	0.0	19 891	2 407
Jul	904 987	-5 872	0.5	680 760	1.0	0.7	220 755	-1.0	-0.2	3 471	2.4	0.0	19 834	2 311
Aug	903 219	-1 451	0.6	679 165	0.8	0.6	220 542	-0.2	-0.1	3 512	3.4	0.0	19 271	2 156
Sep	898 411	-3 845	0.1	678 448	0.7	0.6	216 448	-1.9	-0.5	3 515	3.1	0.0	19 216	2 070
Oct	899 000	1 180	0.1	677 985	0.6	0.4	217 439	-1.3	-0.3	3 575	4.5	0.0	19 021	2 019
Nov	902 057	3 527	-0.1	675 838	0.1	0.1	222 632	-0.8	-0.2	3 587	4.6	0.0	17 041	1 743

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.

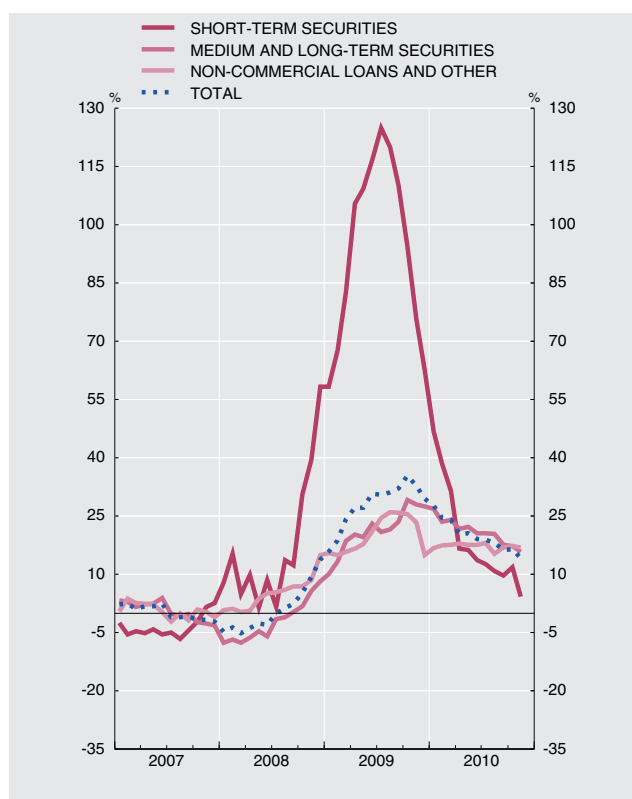
8.8. GROSS FINANCING OF SPAIN'S GENERAL GOVERNMENT

■ Series depicted in chart.

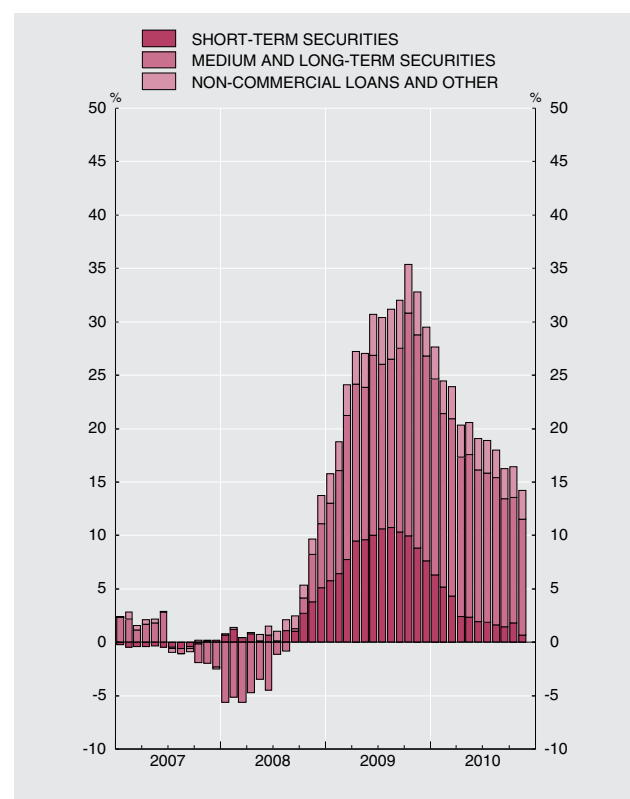
EUR millions and %

	Gross financing			Short-term securities				Medium and long term securities				Non Commercial Loans and Others (b)			
	EDP Debt (a)	Monthly change	12 month % change	Total	Monthly change	12 month % change	Contribution to 12-month % change	Total	Monthly change	12 month % change	Contribution to 12-month % change	Total	Monthly change	12 month % change	Contribution to 12-month % change
	1=4+8+12	2=5+9+13	3	4	5	6	7	8	9	10	11	12	13	14	15
06	389 507	-1 575	-0.4	32 574	-770	-2.3	-0.2	288 873	-1 217	-0.4	-0.3	68 061	412	0.6	0.1
07	380 660	-8 847	-2.3	33 397	823	2.5	0.2	279 872	-9 001	-3.1	-2.3	67 392	-669	-1.0	-0.2
08	432 978	52 318	13.7	52 876	19 479	58.3	5.1	302 656	22 784	8.1	6.0	77 446	10 055	14.9	2.6
09	P 560 622	127 644	29.5	86 003	33 127	62.7	7.7	385 561	82 905	27.4	19.1	89 058	11 612	15.0	2.7
09 Jun	P 503 702	16 643	30.7	71 808	1 446	116.6	10.0	346 582	11 707	23.0	16.8	85 313	3 490	21.0	3.8
Jul	P 504 840	1 137	30.4	74 013	2 206	124.9	10.6	344 480	-2 102	20.9	15.4	86 346	1 034	24.5	4.4
Aug	P 508 597	3 757	31.2	76 512	2 499	120.0	10.8	345 121	641	21.5	15.8	86 963	617	26.0	4.6
Sep	P 525 702	17 105	32.0	78 476	1 964	110.3	10.3	359 155	14 033	23.5	17.2	88 071	1 108	25.8	4.5
Oct	P 537 892	12 191	35.3	81 328	2 852	94.3	9.9	367 883	8 729	29.1	20.9	88 681	610	25.5	4.5
Nov	P 553 739	15 847	32.8	85 523	4 195	75.6	8.8	379 926	12 043	28.0	20.0	88 290	-391	23.4	4.0
Dec	P 560 622	6 883	29.5	86 003	480	62.7	7.7	385 561	5 635	27.4	19.1	89 058	768	15.0	2.7
10 Jan	P 554 078	-6 544	27.7	85 772	-231	46.8	6.3	377 661	-7 900	26.7	18.4	90 645	1 587	16.8	3.0
Feb	P 561 425	7 347	24.5	83 533	-2 238	38.6	5.2	385 513	7 852	23.5	16.3	92 378	1 733	17.4	3.0
Mar	P 577 864	16 440	23.9	84 644	1 111	31.4	4.3	399 788	14 274	24.0	16.6	93 432	1 054	17.5	3.0
Apr	P 578 300	436	20.3	81 354	-3 290	16.7	2.4	402 724	2 936	21.7	14.9	94 223	790	17.9	3.0
May	P 587 154	8 854	20.6	81 750	397	16.2	2.3	409 152	6 428	22.2	15.3	96 252	2 029	17.6	3.0
Jun	P 599 835	12 681	19.1	81 616	-135	13.7	1.9	417 901	8 749	20.6	14.2	100 319	4 067	17.6	3.0
Jul	A 600 349	514	18.9	83 409	1 793	12.7	1.9	414 997	-2 904	20.5	14.0	101 943	1 624	18.1	3.1
Aug	A 600 226	-123	18.0	84 768	1 359	10.8	1.6	415 245	248	20.3	13.8	100 213	-1 730	15.2	2.6
Sep	A 611 198	10 972	16.3	86 110	1 342	9.7	1.5	422 179	6 934	17.5	12.0	102 909	2 696	16.8	2.8
Oct	A 626 152	14 954	16.4	90 961	4 852	11.8	1.8	431 168	8 989	17.2	11.8	104 023	1 114	17.3	2.9
Nov	A 632 306	6 154	14.2	89 194	-1 768	4.3	0.7	439 888	8 720	15.8	10.8	103 225	-798	16.9	2.7

GROSS FINANCING OF GENERAL GOVERNMENT
Annual percentage changes



GROSS FINANCING OF GENERAL GOVERNMENT
Contributions to the annual percentage change



FUENTE: BE.

a. Debt according to Excessive Deficit Procedure (EDP). Consolidated nominal gross debt.

b. Including coined money and Caja General de Depósitos

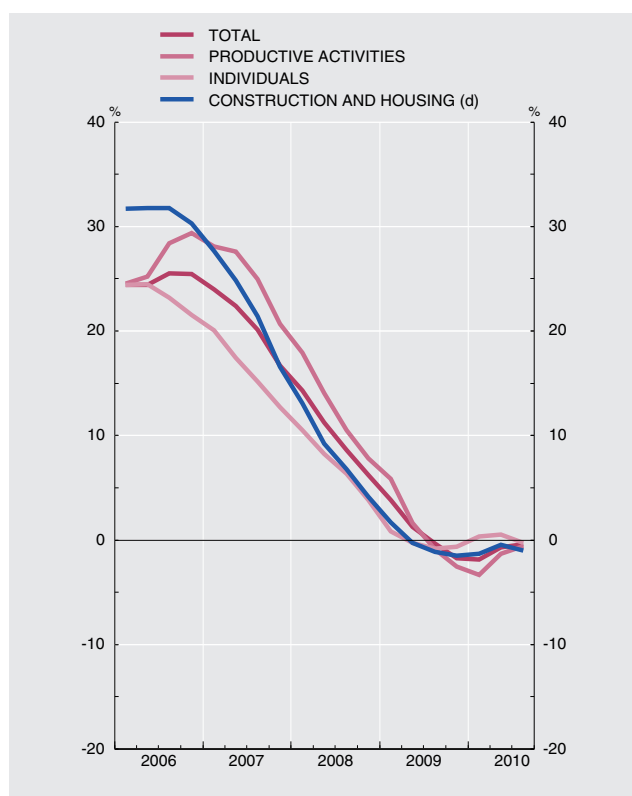
8.9 LENDING BY CREDIT INSTITUTIONS TO OTHER RESIDENT SECTORS. BREAKDOWN BY END-USE.

■ Series depicted in chart.

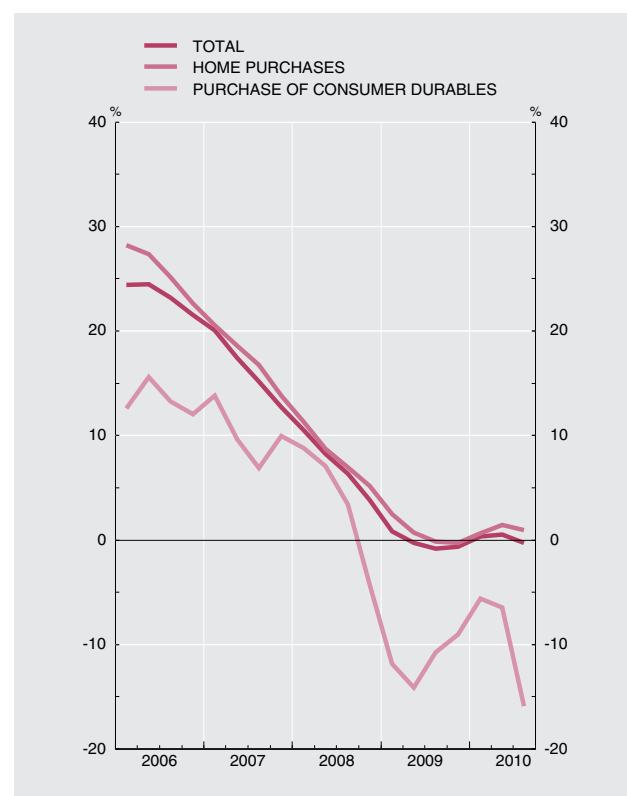
EUR millions and percentages

	Financing of productive activities							Financing of individuals					Financing of private non-profit institutions	Unclassified	Memo-randum item: construction and housing (d)
	Total (a)	Total	Agriculture and fisheries	Industry excluding construction	Construction	Services		Total	Home purchases and improvements	Purchases of consumer durables	Other (b)				
						Total	Of which								
												Real estate activities			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
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
09	1 837 038	991 363	23 123	152 199	130 438	685 602	322 984	813 939	654 566	624 755	49 273	110 101	5 523	26 213	1 107 988
06 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
Q3	1 846 010	996 650	23 576	153 070	134 045	685 959	324 439	810 149	652 434	622 122	49 840	107 875	5 457	33 754	1 110 918
Q4	1 837 038	991 363	23 123	152 199	130 438	685 602	322 984	813 939	654 566	624 755	49 273	110 101	5 523	26 213	1 107 988
10 Q1	1 827 087	985 197	22 791	149 368	126 464	686 574	322 820	811 242	655 474	625 856	47 716	108 053	5 372	25 276	1 104 758
Q2	1 850 230	994 441	23 366	152 413	124 054	694 607	321 946	821 460	660 436	630 104	44 712	116 312	5 840	28 489	1 106 436
Q3	1 840 820	991 373	23 456	152 031	121 514	694 373	320 089	810 037	658 552	628 016	40 259	111 225	5 743	33 667	1 100 155

CREDIT BY END-USE
Annual percentage changes (c)



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



SOURCE: BE.

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

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

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

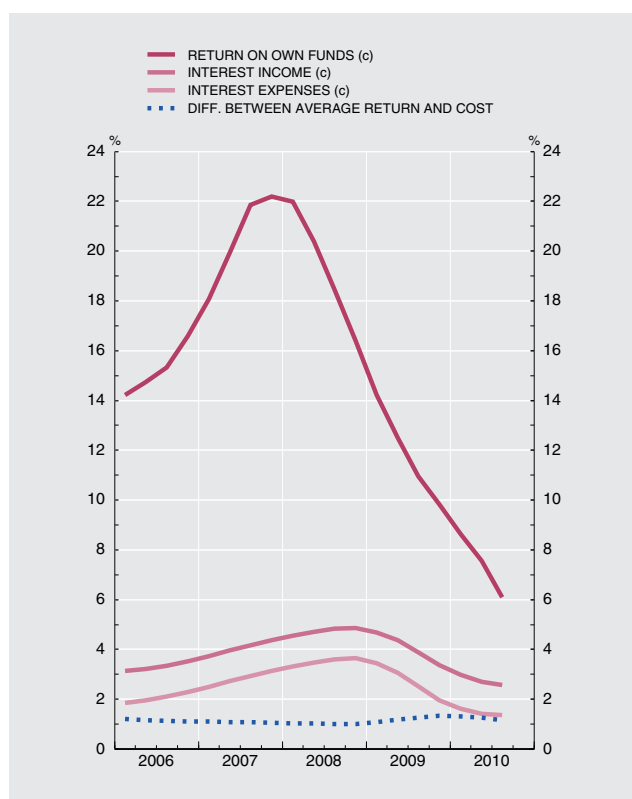
d. Including: construction, real estate activities and home purchases and improvements

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

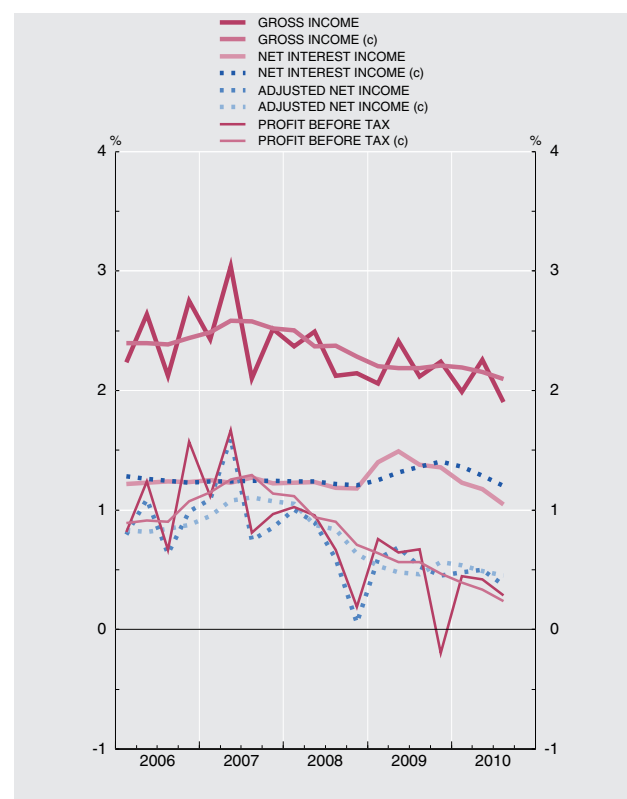
■ Series depicted in chart.

	As a percentage of the adjusted average balance sheet											Percentages			
	Interest income	Interest expenses	Net interest income	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
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
09	2.8	1.4	1.4	0.9	2.2	1.0	0.6	0.8	0.5	0.8	-0.2	8.0	3.6	2.3	1.3
07 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
Q3	3.0	1.6	1.4	0.7	2.1	0.9	0.6	0.6	0.5	0.3	0.7	9.9	4.2	2.9	1.3
Q4	2.8	1.4	1.4	0.9	2.2	1.0	0.6	0.8	0.5	0.8	-0.2	8.0	3.6	2.3	1.3
10 Q1	2.5	1.3	1.2	0.8	2.0	0.9	0.6	0.6	0.5	0.1	0.4	6.6	3.2	1.9	1.3
Q2	2.5	1.3	1.2	1.1	2.3	0.9	0.6	0.8	0.5	0.2	0.4	5.7	2.9	1.6	1.3
Q3	2.4	1.4	1.0	0.9	1.9	0.9	0.6	0.6	0.4	0.2	0.3	4.0	2.7	1.6	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 average return and cost.

c. Average of the last four quarters.

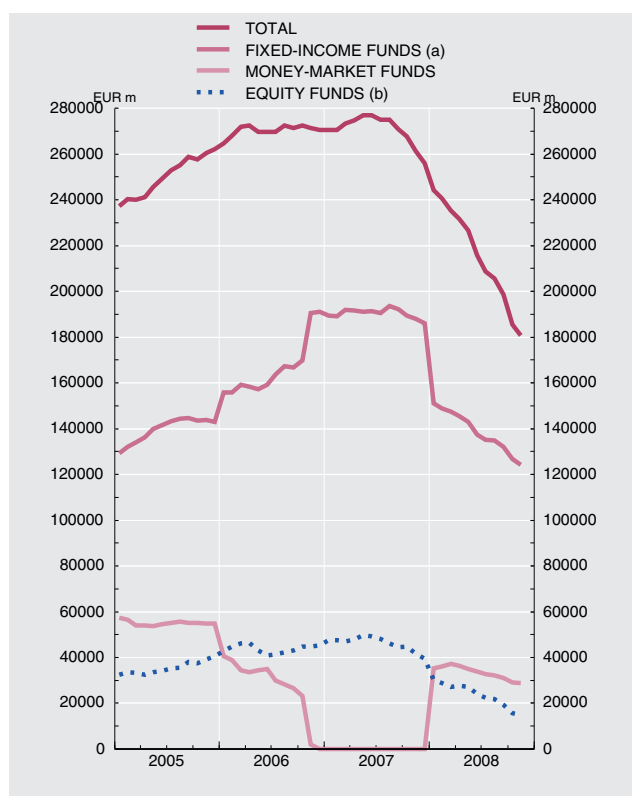
8.11. MUTUAL FUNDS RESIDENT IN SPAIN

■ Series depicted in chart.

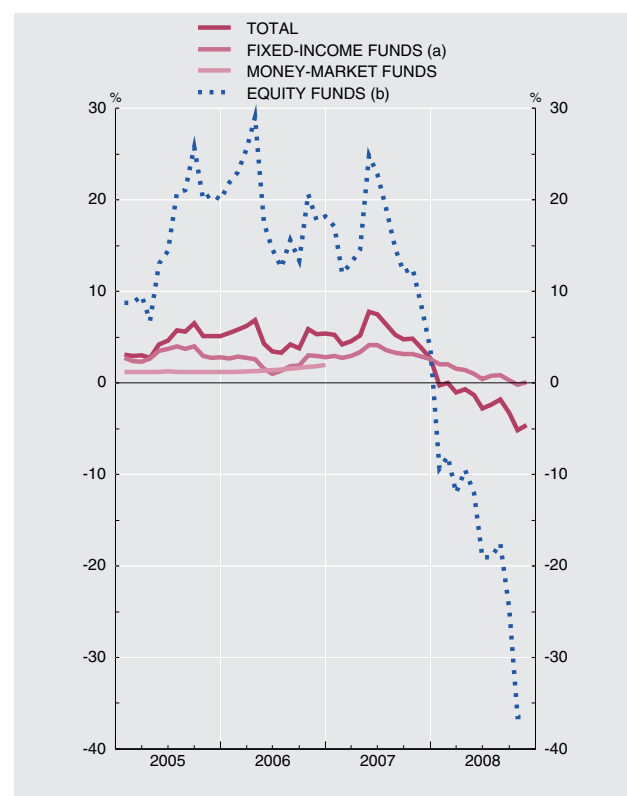
EUR millions

	Total				Money-market funds				Fixed-income funds (a)				Equity funds (b)				Others funds (c)
	Net asset value	Monthly change	Net funds invested	Return over last 12 months	Net asset value	Monthly change	Net funds invested	Return over last 12 months	Net asset value	Monthly change	Net funds invested	Return over last 12 months	Net asset value	Monthly change	Net funds invested	Return over last 12 months	Net asset value
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
05	262 201	26 113	14 270	5.1	54 751	-3 237	-3 881	1.2	143 047	15 312	12 061	2.8	40 672	8 649	2 303	20.0	23 730
06	270 407	8 206	-10 861	5.4	106	-54 645	-55 113	2.0	191 002	47 954	39 212	2.8	45 365	4 693	-2 189	18.2	33 934
07	256 055	-14 352	-22 008	2.6	-	-106	-106	...	185 963	-5 039	-8 287	2.6	39 449	-5 916	-7 179	3.6	30 643
07 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.

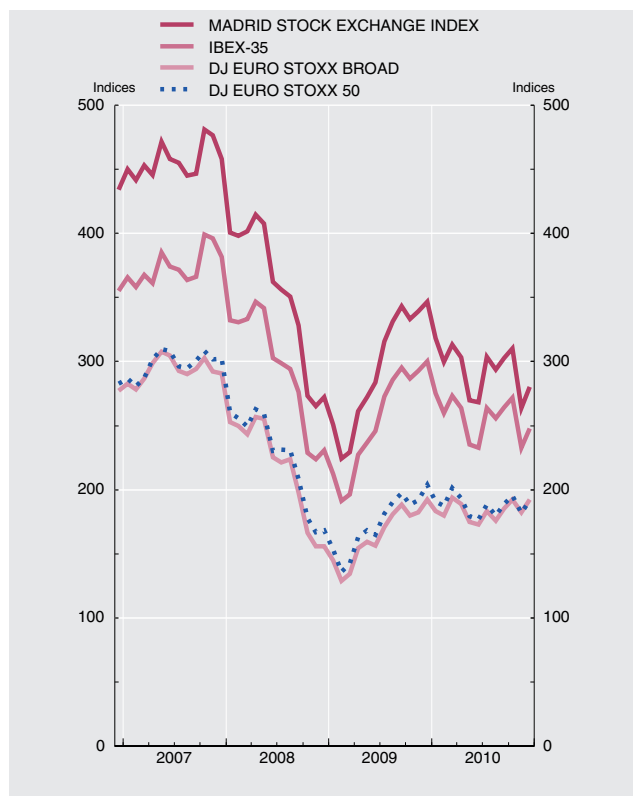
8.12. SHARE PRICE INDICES AND TURNOVER ON SECURITIES MARKETS. SPAIN AND EURO AREA

■ Series depicted in chart.

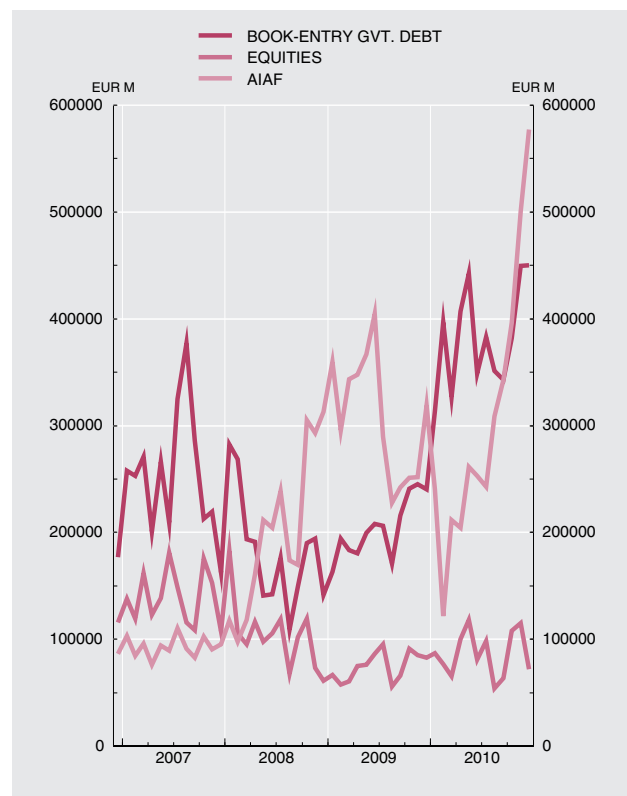
Indices, EUR millions and thousands of contracts

	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
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	1 055.69	10 107.91	235.02	2 529.03	898 195	75 103	2 448 490	3 699 008	-	33 946	-	5 752
10	P 1 053.39	10 203.05	262.36	2 737.05	1 038 259	67 454	4 594 232	3 660 872	-	37 904	-	6 639
09 Sep	1 229.35	11 756.10	269.14	2 872.63	65 772	7 226	215 553	241 874	...	4 438	...	469
Oct	1 194.17	11 414.80	256.63	2 743.50	91 389	6 713	241 093	250 942	...	3 648	...	495
Nov	1 215.11	11 644.70	260.35	2 797.25	84 933	5 151	245 345	251 937	...	1 455	...	475
Dec	1 241.72	11 940.00	274.78	2 966.24	82 938	6 319	240 634	319 010	...	3 727	...	423
10 Jan	1 140.57	10 947.70	261.87	2 776.83	86 985	5 193	313 732	240 235	...	3 461	...	482
Feb	1 074.18	10 333.60	256.81	2 728.47	76 836	9 121	396 603	121 869	...	3 158	...	545
Mar	1 123.08	10 871.30	277.00	2 931.16	65 520	4 485	326 695	211 340	...	3 283	...	528
Apr	1 086.68	10 492.20	269.34	2 816.86	100 108	5 352	406 736	204 246	...	2 088	...	667
May	966.64	9 359.40	249.82	2 610.26	118 350	4 176	442 094	261 511	...	3 036	...	872
Jun	960.79	9 263.40	246.38	2 573.32	80 641	5 013	349 054	253 096	...	3 866	...	642
Jul	1 088.62	10 499.80	261.65	2 742.14	98 411	4 761	383 009	242 812	...	2 610	...	532
Aug	1 052.73	10 187.00	251.15	2 622.95	53 667	4 420	351 521	308 542	...	2 280	...	415
Sep	1 085.03	10 514.50	264.43	2 747.90	63 353	5 259	342 963	342 945	...	3 296	...	450
Oct	1 111.28	10 812.90	274.34	2 844.99	107 818	4 759	381 546	396 506	...	2 359	...	454
Nov	944.91	9 267.20	260.19	2 650.99	114 931	10 151	449 857	500 240	...	4 053	...	570
Dec	P 1 003.73	9 859.10	274.45	2 792.82	71 638	4 765	450 423	577 528	...	4 412	...	481

SHARE PRICE INDICES
JAN 1994 = 100



TURNOVER ON SECURITIES MARKETS



Sources: Madrid, Barcelona, Bilbao and Valencia Stock Exchanges (columns 1, 2, 5 and 6); Reuters (columns 3 and 4); AIAF (column 8) and Spanish Financial Futures Market (MEFFSA) (columns 9 to 12)

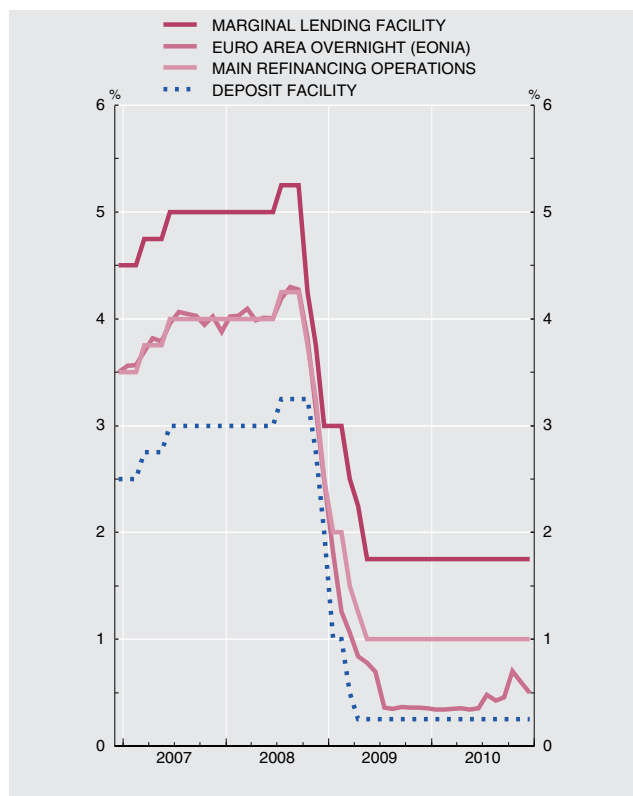
9.1. INTEREST RATES. EUROSISTEM AND MONEY MARKET. EURO AREA AND SPAIN

■ Series depicted in chart.

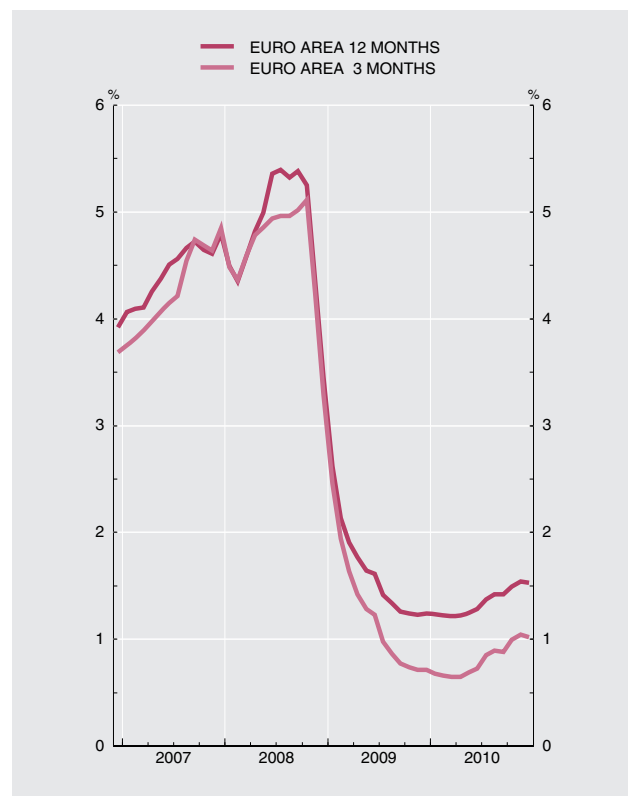
Averages of daily data. Percentages per annum

	Eurosistem monetary policy operations				Money market													
	Main refinancing operations: weekly tenders	Longer term refinancing operations: monthly tenders	Standing facilities		Euro area: deposits (Euribor) (a)					Spain								
			Marginal lending	Deposit	Over-night (EONIA)	1-month	3-month	6-month	1-year	Non-transferable deposits					Government-securities repos			
										Over-night	1-month	3-month	6-month	1-year	Over-night	1-month	3-month	1-year
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
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	1.00	1.00	1.75	0.25	0.714	0.89	1.22	1.43	1.62	0.67	0.94	1.23	1.41	1.62	0.61	0.63	0.67	0.84
10	1.00	1.00	1.75	0.25	0.437	0.57	0.81	1.08	1.35	0.46	0.71	0.87	1.04	1.36	0.39	0.57	0.74	0.98
09 Sep	1.00	1.00	1.75	0.25	0.363	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
Oct	1.00	1.00	1.75	0.25	0.359	0.43	0.74	1.02	1.24	0.30	0.43	0.75	1.00	-	0.27	0.29	0.42	0.81
Nov	1.00	1.00	1.75	0.25	0.362	0.44	0.72	0.99	1.23	0.33	0.44	0.72	0.97	1.23	0.31	0.34	0.41	0.82
Dec	1.00	1.00	1.75	0.25	0.355	0.48	0.71	1.00	1.24	0.32	0.50	0.70	0.96	1.24	0.27	0.32	0.40	0.70
10 Jan	1.00	1.00	1.75	0.25	0.344	0.44	0.68	0.98	1.23	0.30	0.42	0.67	0.98	1.23	0.26	0.29	0.31	0.81
Feb	1.00	1.00	1.75	0.25	0.341	0.42	0.66	0.97	1.23	0.31	0.42	0.65	0.94	1.33	0.27	0.31	0.36	0.80
Mar	1.00	-	1.75	0.25	0.348	0.41	0.64	0.95	1.22	0.32	0.40	0.61	0.87	1.17	0.26	0.29	0.36	-
Apr	1.00	1.00	1.75	0.25	0.353	0.40	0.64	0.96	1.23	0.32	0.42	0.64	0.84	1.21	0.26	0.27	0.33	0.79
May	1.00	1.00	1.75	0.25	0.344	0.42	0.69	0.98	1.25	0.38	0.46	0.69	0.97	-	0.30	0.38	0.50	-
Jun	1.00	1.00	1.75	0.25	0.354	0.45	0.73	1.01	1.28	0.55	0.80	1.07	1.00	1.27	0.42	0.72	0.97	-
Jul	1.00	1.00	1.75	0.25	0.481	0.58	0.85	1.10	1.37	0.48	0.77	1.12	1.10	1.39	0.41	0.78	0.99	-
Aug	1.00	1.00	1.75	0.25	0.426	0.64	0.90	1.15	1.42	0.38	0.85	1.00	1.16	1.43	0.33	0.65	0.87	1.50
Sep	1.00	1.00	1.75	0.25	0.454	0.62	0.88	1.14	1.42	0.44	0.87	0.93	1.14	1.41	0.37	0.55	0.82	-
Oct	1.00	1.00	1.75	0.25	0.701	0.78	1.00	1.22	1.50	0.69	1.01	0.95	1.20	1.48	0.64	0.78	1.11	-
Nov	1.00	1.00	1.75	0.25	0.593	0.83	1.04	1.27	1.54	0.60	1.08	1.03	-	1.54	0.56	0.79	0.90	-
Dec	1.00	1.00	1.75	0.25	0.498	0.81	1.02	1.25	1.53	0.67	1.04	1.08	1.25	1.52	0.57	1.00	1.31	-

EUROSISTEM: MONETARY POLICY OPERATIONS AND EURO AREA OVERNIGHT DEPOSITS



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



Source: ECB (columns 1 to 8).

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

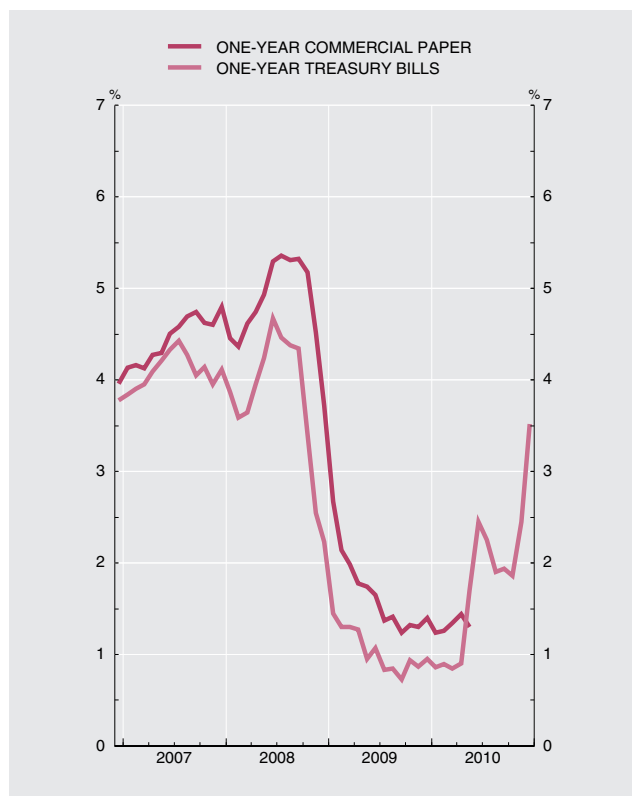
9.2. INTEREST RATES: SPANISH SHORT-TERM AND LONG-TERM SECURITIES MARKETS

■ Series depicted in chart.

Percentages per annum

	Short-term securities				Long-term securities							
	One-year Treasury bills		One-year commercial paper		Central Government debt							Private bonds with a maturity of over two years traded on the AIAF
	Marginal rate at issue	Secondary market: outright spot purchases between market members	Rate at issue	Secondary market: outright spot purchases	Marginal rate at issue					Secondary market. Book-entry debt. Outright spot purchases between market members		
					3-year bonds	5-year bonds	10-year bonds	15-year bonds	30-year bonds	At 3-years	At 10-years	
	1	2	3	4	5	6	7	8	9	10	11	12
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	1.04	0.99	1.67	1.67	2.30	2.98	3.99	4.45	4.86	2.23	3.97	3.46
10	1.80	1.70	1.32	1.62	2.79	3.20	4.46	5.04	5.11	2.64	4.25	3.74
09 Sep	0.73	0.78	1.24	1.32	1.53	2.80	3.88	-	4.70	1.90	3.80	3.26
Oct	0.94	0.86	1.32	1.25	2.28	2.87	3.88	-	-	1.92	3.77	3.79
Nov	0.87	0.85	1.30	1.24	-	2.76	-	4.26	-	1.93	3.79	3.17
Dec	0.95	0.88	1.40	1.19	2.15	-	3.90	-	-	2.02	3.80	2.80
10 Jan	0.86	0.81	1.24	1.15	-	2.86	4.10	-	4.86	2.16	3.99	3.23
Feb	0.90	0.83	1.26	1.17	2.66	-	-	-	4.81	2.23	3.98	3.30
Mar	0.85	0.74	1.34	1.17	-	2.84	3.86	-	4.77	1.90	3.83	3.04
Apr	0.90	1.08	1.44	1.18	2.03	-	-	4.45	-	2.11	3.90	2.67
May	1.70	1.58	1.30	1.24	-	-	4.08	-	-	2.51	4.08	3.74
Jun	2.45	2.27	-	1.32	3.39	-	4.91	-	5.94	3.30	4.56	4.25
Jul	2.25	2.10	-	1.92	-	3.73	-	5.15	-	2.82	4.43	4.44
Aug	1.90	1.73	-	1.89	2.31	-	-	-	-	2.34	4.04	4.45
Sep	1.94	1.79	-	2.05	-	3.00	4.17	-	5.08	2.59	4.09	3.57
Oct	1.86	1.83	-	2.32	2.55	-	-	4.55	4.79	2.49	4.04	3.64
Nov	2.45	2.30	-	1.93	-	3.60	4.63	-	5.50	3.28	4.69	4.13
Dec	3.52	3.26	-	2.11	3.80	-	5.49	5.99	-	3.90	5.37	4.36

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)								
	Syn- thetic rate (d)	Households and NPISH			Non-financial corporations			Syn- thetic rate (d)	Households and NPISH				Non-financial corporations			
		Syn- thetic rate	House pur- chase	Con- sump- tion and other	Syn- thetic rate	Up to EUR 1 million	Over EUR 1 million (c)		Syn- thetic rate	Over- night and re- deemable at notice	Time	Repos	Syn- thetic rate	Over- night	Time	Repos
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
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
09		3.32	3.71	2.62	6.96	2.95	4.24	2.47	1.28	1.39	0.36	2.21	0.33	0.92	0.55	1.44
10	A	3.53	3.72	2.79	6.47	3.35	4.41	2.83	1.65	1.76	0.29	2.82	0.65	1.32	0.58	2.14
09 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
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
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
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
Aug		3.56	4.30	2.99	8.16	2.87	4.44	2.26	1.36	1.50	0.42	2.31	0.35	0.91	0.64	1.31
Sep		3.55	4.13	2.82	8.01	3.01	4.60	2.27	1.25	1.37	0.37	2.13	0.37	0.88	0.54	1.34
Oct		3.44	3.99	2.78	7.59	2.91	4.50	2.21	1.26	1.39	0.35	2.19	0.34	0.86	0.54	1.30
Nov		3.39	3.91	2.70	7.40	2.91	4.39	2.26	1.31	1.42	0.40	2.22	0.33	0.94	0.58	1.42
Dec		3.32	3.71	2.62	6.96	2.95	4.24	2.47	1.28	1.39	0.36	2.21	0.33	0.92	0.55	1.44
10 Jan		3.32	3.87	2.60	7.68	2.79	4.36	2.08	1.24	1.35	0.31	2.18	0.29	0.87	0.53	1.34
Feb		3.29	3.84	2.67	7.37	2.76	4.29	2.06	1.18	1.27	0.31	2.04	0.30	0.88	0.54	1.33
Mar		3.27	3.70	2.60	7.04	2.86	4.21	2.27	1.30	1.37	0.31	2.19	0.33	1.05	0.57	1.68
Apr		3.22	3.66	2.55	7.00	2.80	4.22	2.11	1.36	1.45	0.29	2.34	0.32	1.08	0.59	1.70
May		3.16	3.61	2.50	6.98	2.73	4.33	2.07	1.30	1.37	0.27	2.21	0.39	1.08	0.57	1.74
Jun		3.17	3.31	2.39	5.99	3.03	4.08	2.56	1.37	1.48	0.28	2.43	0.57	1.04	0.53	1.71
Jul		3.26	3.45	2.53	6.25	3.06	4.19	2.59	1.51	1.58	0.29	2.57	0.62	1.28	0.58	2.12
Aug		3.38	3.63	2.60	6.73	3.13	4.23	2.61	1.46	1.55	0.30	2.50	0.43	1.18	0.55	1.97
Sep		3.38	3.66	2.66	6.68	3.12	4.22	2.57	1.61	1.70	0.30	2.73	0.42	1.33	0.54	2.27
Oct		3.57	3.69	2.70	6.70	3.46	4.37	2.93	1.63	1.71	0.29	2.75	0.68	1.34	0.56	2.19
Nov	P	3.53	3.72	2.79	6.47	3.35	4.41	2.83	1.65	1.76	0.29	2.82	0.65	1.32	0.58	2.14

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 NEDR 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.

e. Up to the reference month May 2010, this column includes credit granted through credit cards (see the 'Changes' note in the July-August 2010 Boletín Estadístico).

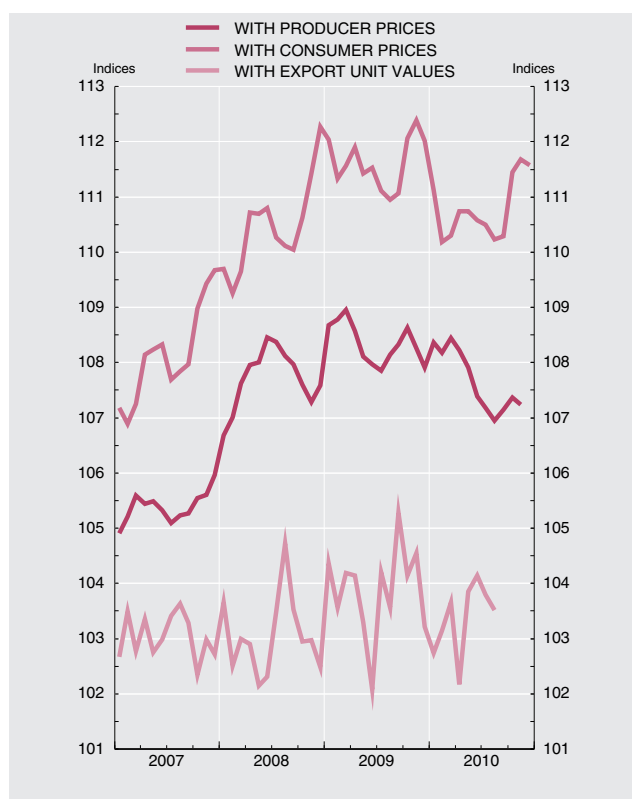
9.4 INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE EU-27 AND THE EURO AREA

■ 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
07	105.4	108.1	110.7	103.0	100.0	105.4	108.2	110.8	103.2	105.9	109.1	113.0	121.8	104.4
08	107.7	110.5	113.8	103.1	101.3	106.3	109.0	112.3	101.8	107.1	110.2	114.6	123.1	104.4
09	108.3	111.6	112.2	103.9	103.2	105.0	108.1	108.7	100.7	107.1	109.6	110.9	114.7	105.2
08 Q4	107.5	111.4	112.9	102.8	102.2	105.2	109.1	110.6	100.7	106.5	110.3	112.7	116.4	103.6
09 Q1	108.8	111.7	112.6	104.1	103.7	104.9	107.7	108.6	100.4	107.0	109.0	110.7	111.9	105.0
Q2	108.2	111.6	112.1	103.2	103.2	104.8	108.1	108.6	100.0	107.2	109.6	110.9	114.0	104.5
Q3	108.1	111.0	111.6	104.3	102.8	105.1	108.0	108.5	101.5	107.3	109.5	110.9	115.9	105.8
Q4	108.3	112.2	112.4	104.0	103.2	104.9	108.7	108.9	100.8	107.1	110.2	111.2	116.7	105.5
10 Q1	108.3	110.6	110.8	103.2	102.8	105.3	107.5	107.7	100.4	107.2	109.2	110.1	114.6	105.1
Q2	107.8	110.7	110.7	103.4	102.4	105.3	108.1	108.1	101.1	107.2	109.8	110.4	116.1	105.6
Q3	107.1	110.3	109.3	...	102.1	104.9	108.1	107.0	...	106.7	109.8	109.3	117.2	...
10 Mar	108.4	110.3	...	103.7	102.9	105.4	107.2	...	100.8	107.2	108.9	...	...	105.6
Apr	108.2	110.7	...	102.2	102.5	105.5	108.0	...	99.7	107.4	109.7	...	...	104.4
May	107.9	110.7	...	103.9	102.5	105.3	108.1	...	101.4	107.2	109.8	...	...	106.0
Jun	107.4	110.6	...	104.1	102.2	105.1	108.3	...	102.0	107.0	110.0	...	...	106.4
Jul	107.2	110.5	...	103.8	102.2	104.9	108.1	...	101.6	106.7	109.9	...	...	105.8
Aug	106.9	110.2	...	103.5	102.0	104.9	108.1	...	101.6	106.7	109.9	...	...	105.7
Sep	107.1	110.3	...	...	102.1	104.9	108.0	...	...	106.7	109.8	...	...	...
Oct	107.4	111.5	...	...	102.5	104.7	108.7	...	...	106.5	110.5	...	...	...
Nov	107.2	111.7	...	...	102.3	104.8	109.2	...	...	106.6	111.0	...	...	...
Dec	...	111.6	...	...	102.2	...	109.2	...	...	...	111.0	...	...	...

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), (1998-2000), (2001-2003), and (2004-2006) 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 Q1 = 100

	Vis-à-vis developed countries									Vis-à-vis industrialised countries				
	Total (a)				Nominal component (b)	Prices component (c)				Total (a)		Nominal component (b)	Prices component (c)	
	Based on producer prices	Based on consumer prices	Based on manufacturing unit labour costs (d)	Based on export unit values		Based on producer prices	Based on consumer prices	Based on manufacturing unit labour costs (d)	Based on export unit values	Based on producer prices	Based on consumer prices		Based on producer prices	Based on consumer prices
	1	2	3	4		6	7	8	9	10	11		13	14
07	■	■	■	■	■	■	■	■	■	■	■	■	■	■
08	109.7	112.4	126.2	105.5	101.8	107.8	110.4	124.0	103.7	110.5	113.7	102.8	107.5	110.6
09	112.4	115.3	130.4	105.7	103.4	108.7	111.5	126.1	102.3	113.2	116.7	104.8	108.0	111.3
09	111.3	114.9	122.7	105.5	103.7	107.3	110.8	118.4	101.9	111.7	115.8	104.8	106.6	110.5
08 Q4	110.5	114.7	123.3	104.3	102.7	107.6	111.7	120.2	101.7	110.6	115.2	103.4	106.9	111.4
09 Q1	111.0	114.0	119.4	105.0	103.3	107.4	110.4	115.6	101.7	111.1	114.4	104.0	106.8	110.0
09 Q2	111.0	114.8	122.6	104.7	103.5	107.2	110.9	118.4	101.2	111.3	115.5	104.5	106.6	110.6
09 Q3	111.4	114.8	123.8	106.3	103.7	107.4	110.7	119.4	102.6	112.1	115.9	105.1	106.7	110.3
09 Q4	111.6	116.0	125.0	106.1	104.1	107.2	111.4	120.0	101.9	112.2	117.2	105.6	106.3	111.0
10 Q1	111.0	113.7	120.8	104.6	103.1	107.6	110.3	117.2	101.5	110.7	114.1	103.9	106.6	109.8
10 Q2	109.7	112.9	120.6	104.0	101.7	107.8	111.0	118.6	102.3	108.6	112.4	101.7	106.8	110.6
10 Q3	108.8	112.4	121.0	...	101.2	107.5	111.0	119.5	...	107.9	112.0	101.4	106.5	110.5
10 Mar	110.9	113.3	...	104.9	103.0	107.7	110.1	...	102.0	110.4	113.5	103.5	106.7	109.6
10 Apr	110.7	113.8	...	103.4	102.6	107.9	110.9	...	100.9	110.1	113.7	102.9	106.9	110.5
10 May	109.6	112.8	...	104.2	101.7	107.8	111.0	...	102.6	108.4	112.2	101.5	106.8	110.5
10 Jun	108.7	112.2	...	104.4	100.9	107.7	111.2	...	103.5	107.4	111.4	100.6	106.7	110.7
10 Jul	108.8	112.5	...	104.4	101.3	107.5	111.1	...	103.2	107.9	112.0	101.4	106.4	110.5
10 Aug	108.7	112.3	...	104.1	101.1	107.5	111.0	...	103.0	107.8	111.9	101.3	106.4	110.5
10 Sep	108.9	112.4	...	...	101.3	107.6	110.9	...	...	108.1	112.0	101.5	106.5	110.4
10 Oct	109.7	114.2	...	...	102.3	107.3	111.7	...	...	109.3	114.2	102.8	106.3	111.1
10 Nov	109.5	114.3	...	...	101.9	107.4	112.2	...	...	108.9	114.2	102.3	106.4	111.6
10 Dec	...	113.8	...	...	101.3	...	112.3	...	...	...	113.3	101.4	...	111.7

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), (1998-2000), (2001-2003), and (2004-2006) 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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BANCODE ESPAÑA
Eurosistema

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