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Eurosistema

CONTENTS

TESTIMONY BY THE GOVERNOR OF THE BANCO DE ESPAÑA, MIGUEL FERNÁNDEZ ORDÓÑEZ, BEFORE THE PARLIAMENTARY COMMITTEE ON BUDGET AFFAIRS

Ladies and gentlemen,

I appear today before this Committee as I have regularly done so each time the State Budget has been debated in Parliament. This picture of normality, however, is in stark contrast to the exceptional circumstances which, in my view, mark the economic background against which the 2012 Budget is being debated.

The Spanish economy is currently immersed in a complex and costly adjustment process which entails, among other things, a major fiscal consolidation drive. The adjustment must, moreover, be made in an external context strongly influenced by a sovereign debt crisis in the euro area which, for reasons not very different from those that have made this adjustment necessary, is affecting us most severely. Under these conditions, the State Budget for this year takes on singular importance.

Allow me first to remind you that the sovereign debt crisis in Europe, far from being resolved, took on a new dimension last summer. Then, tensions spread to the debt of certain Member States with sounder fundamentals and economic policies more in step with the patterns of behaviour befitting a monetary union than those of the countries initially affected. From being confined to a relatively limited group of particularly vulnerable economies, the crisis became systemic.

It is not easy to pinpoint the ultimate reasons behind this qualitative leap. True, at the root of the crisis as it initially unfolded, various macroeconomic imbalances of a fiscal, financial and competitiveness-related nature built up by some economies played a pivotal role. Yet, at the same time, the very accumulation of these imbalances and the difficulty of devising a widely accepted strategy to redress them in an orderly fashion within the euro area highlighted the existence of substantial weaknesses in the European economic governance framework. These included most notably the absence of a powerful and flexible crisis-management mechanism to provide financial support to members in difficulty. These mechanisms are essential for heading off tensions at a sufficiently early stage in the process, which is when tackling them is less difficult.

The duality of the problems, with one purely national component and another genuinely European one, coupled with the growing interrelatedness of euro area economies as a whole, created a breeding ground in which the tensions took on a systemic nature.

Moreover, it is widely known that, to correct the weaknesses detected in the initial design of the euro project, the Member State governments have embarked on a thorough revision of the mechanisms for European governance. This process has already yielded some results, including the legislative initiatives adopted in what is known as the “six plus two package”; the Treaty establishing the European Stability Mechanism, the new permanent European crisis-management mechanism; or the Treaty on Stability, Coordination and Governance in the euro area. But the flip-side is that this process has moved forward in fits and starts, it has not enjoyed a broad degree of consensus and it has sometimes failed to be as rigorous and ambitious as the gravity of the situation required.

Likewise, since the onset of the tensions there has been – occasionally notable – headway in the ongoing adjustment of the most vulnerable national economies, sometimes in step with the strict conditionality imposed under the financial support programmes under way. But here, too, action has broadly tended to be behind instead of ahead of events.

In these conditions, it is the European Central Bank that has positioned itself as the fundamental bulwark against the crisis. And, ultimately, this is buying time for the Member State governments, in both their responsibility for domestic economic policies and as co-managers of the common European Project, to make resolute progress in resolving the problems at the root of this crisis.

We should not forget that the extensive range of non-conventional measures deployed by the ECB since the start of the crisis – the 3-year LTROs being one of the most recent and successful examples here – are, by their very nature, limited over time. And, more important still, these measures do not affect the fundamental imbalances which are ultimately at the source of and responsible for the crisis.

Unfortunately, the tensions we have once again experienced in recent weeks are a powerful reminder that the crisis is still far from over and that our economy's situation remains a particular cause for concern in Europe.

And this despite the fact that since the start of the sovereign debt crisis, and more forcefully so in recent months, Spain has implemented major reforms.

A frequently voiced criticism of the ECB's 3-year LTROs is that such an extremely generous provision of liquidity will tend to mask the underlying problems of the most vulnerable financial systems, thereby weakening the thrust of governments' reforms in this area. This has not, of course, been Spain's experience. A glance at the measures adopted in Spain shows that the process to clean up, restructure and recapitalise the Spanish credit system has lost no momentum whatsoever. Rather, the opposite is true. Throughout last year and in the opening months of 2012 the process has been stepped up to adapt it to changing circumstances, marked by a growing deterioration in economic and funding conditions. After resolving the governance and ownership-structure problems affecting the system in the initial stages of the tensions, efforts have focused recently on further strengthening banks' capital and provisions, thereby keeping up the pressure for the necessary restructuring of the sector.

In a completely different sphere, a labour market reform has recently been approved which affects core aspects of this market's workings. On one hand, its aim is to decentralise collective bargaining and increase firms' internal flexibility. As I previously stated in this House, both of these aspects are essential for adapting labour market conditions to firms' specific circumstances and, ultimately, for allocating the productive resources available more efficiently, in particular labour, to different economic activities and sectors. On the other, by rationalising the conditions under which permanent contracts may be terminated, the reform shapes an environment which will be more conducive to job creation and job stability, once the current difficult circumstances are behind us. Overall, the labour market changes should help promote the adjustment of working and productivity conditions as means for restoring competitiveness.

However, it cannot be ruled out that some of the effects of this reform will not be immediately discernible and that, given the setting of sluggishness and uncertainty in which Spanish economic activity is currently unfolding, there may be some further adjustment in employment levels. This effect would be softened if firms were swiftly to use the various forms of internal flexibility provided by the new labour legislation.

In turn, the favourable effects of this reform will be amplified if they are accompanied by measures that enhance the competitive environment in which firms take decisions and that provide for the liberalisation of sectoral aspects that are key to ensuring efficient and flexible economic behaviour. Ambitious measures here would help bring about a virtuous circle which, through job creation and growth, would see more rapid progress in the difficult tasks of the financial deleveraging of the private sector, the normalisation of the banking system and fiscal consolidation. Confining myself to this latter consideration, without a recovery in employment it will prove costlier to further budgetary adjustment, since the increases in revenue will be limited and because turning expenditure around will require an additional effort to offset the necessary increase in unemployment benefit payments.

In any event, budgetary policy is key in circumstances such as the present. As I stated earlier, we are in the middle of a sovereign debt crisis. There is no doubt that the Spanish economy's vulnerability has a significant fiscal component, although our difficulties are compounded by the persisting downturn – and its dreadful impact on employment – and the still-high dependence on external funding. The budget deficit ended last year at a level of 8.5%, far off the 6% target set in the Stability Programme. And the year-end public debt/GDP ratio was 68.5%, more than 30 pp up on 2007, before the international financial crisis broke. In turn, the deficit targets have been set at 5.3% for 2012 and at 3% for 2013, which entails a most significant budgetary effort. It is crucial, however, to rigorously meet these targets. Attaining them is vital for restoring credibility in the Spanish economy, and here the overall interests of all economic and social agents and all levels of government converge. A high degree of unity and consensus among the respective parties will be pivotal to success in the arduous task ahead. Failure in fiscal consolidation would lead us to scenarios involving further contraction and further losses in employment and welfare.

The exceeding of the deficit targets last year has highlighted the difficulty of correcting fiscal dynamics in adverse cyclical situations. But it has also revealed the faults existing in the monitoring, early warning and budgetary control procedures then in force, especially for the regional governments, which the budgetary stability law currently before Parliament and which I shall refer to later must correct.

In this respect, the experience of the last two years shows how important it is that budgets be prepared on the basis of a prudent macroeconomic scenario and that the measures are suitably designed to ensure their effectiveness. It is also important to have early information available on the budget outturn, so that any deviations can be corrected in time. These principles affect both the Stage Budget, the reason for my appearance here today, and the regional government budgets, which I am not going to discuss, although I do wish to take this opportunity to convey my concern regarding the obsolescence of some of the assumptions on which the latter were prepared during the latter months of 2011. These assumptions need to be updated and the appropriate measures urgently adopted to ensure that the regional governments achieve their targets.

Allow me to refer briefly to the delicate cyclical situation that frames the context of the State budget for 2012. The intensification of the sovereign debt crisis from the summer of last year interrupted the mild recovery that the Spanish economy had begun a year earlier, with a decline in GDP of 0.3% in the final quarter of 2011. This pattern ran into the first quarter of this year, so that the Spanish economy is, once again, in recession.

As in the case of the 2008-09 recession, national demand is displaying the greatest weakness. All domestic demand components declined in the fourth quarter of 2011 and have continued to do so during the first few months of this year. A strongly negative factor during all these ups and downs has been the need to reverse the accumulated imbalances (the assignment of excessive resources to housing, high indebtedness and competitiveness losses), as part of an adjustment process that has still to be concluded. More recently the intensification of the sovereign debt crisis and its effects on the financial system has compounded matters, leading to a tightening of the economy's financing conditions and eroding agents' confidence. The downward revision of euro area growth prospects and the stepping up of fiscal consolidation have contributed to a further contraction in consumer demand and investment, and the acceleration in the decline in employment has further fuelled these trends.

In the face of slack national demand, the external sector has once again acted as a shock absorber, alleviating the negative impact of lower spending on output. In recent quarters, however, this relief has come about more through the channel of lower imports than that of more buoyant exports, which is attributable to the parallel weakness of some of our main European customers.

In these conditions, the outlook for 2012 is not favourable and remains subject to a high degree of uncertainty. Broadly, the Banco de España's view does not differ greatly from that of the Government implicit in the macroeconomic table accompanying the Budget. The process of adjustment of national demand will continue. Private consumption will be affected by the decline in employment and by the lower support that general government will be giving to household income. However, the impact of these two factors will be partly offset by more moderate price increases and, probably, by a continuation of the decline in the saving rate, although the margin available for this to smooth the pattern of private consumption is increasingly limited.

Business investment will undoubtedly be affected by the slackness of domestic spending and because many firms will continue aiming to reduce their level of indebtedness. Nor are significant changes in the ongoing adjustment of residential investment foreseeable. On the demand side, no improvement can be expected in affordability conditions given the outlook for private sector income and wealth and, on the supply side, the overhang of unsold housing will continue to hold back the launching of new construction projects.

The need to reduce the levels of indebtedness of all sectors and the prevailing conditions of access to external financing will continue to curb the possibilities for any expansion in domestic spending. Exports might be the only component of output to increase in 2012. Admittedly, the international situation is subject to a high degree of uncertainty and, in particular, the activity of the euro area as a whole is expected to flatline or fall slightly. But it is also true that the behaviour of exports has been very favourable over the last two years and Spanish firms have been increasingly diversifying their exports towards third markets with more dynamic demand.

Unfortunately, the stimulus provided by external demand will not suffice to offset the effect of the other contractionary forces on employment, which can be expected to fall further. If the labour reform were to begin to produce its effects soon, wages might grow somewhat slower than in 2011. And along with productivity gains, that would lead to further declines in unit labour costs, thus enabling competitiveness gains to be made. Prices will continue on the moderating path on which they embarked in the second half of last year, although the risk of rising energy prices has not disappeared.

To sum up: the scenario described indicates that domestic demand will continue to adjust in step with the ongoing financial deleveraging and fiscal consolidation. In these circumstances, it is vital that the gain in the share of our sales, both abroad and at home, should be the main driver of activity in Spain. And, accordingly, achieving sustained competitiveness gains, which must come from the implementation of ambitious supply-side reforms and measures, is crucial. If these reforms and measures should restore confidence in the Spanish economy, reduce financing costs and improve the foundations for future growth, 2013 may witness a recovery.

In this situation, the 2012 Budget forms part of a more general medium-term consolidation strategy, requiring the collaboration of all levels of government. Details will be available in a few weeks, when the Government presents the Stability and Growth Programme to the European authorities. The Stability Programme should contain precise and explicit details of all the elements on which this consolidation process will be based. The targets set by this Programme must anchor the budget measures of the coming years, ensuring that the general government deficit can be reduced to below 3% of GDP in 2013 and, subsequently, that a balanced budget can be achieved. In addition, they must seek to stabilise the public debt ratio and subsequently reduce it to below 60% in 2020.

The fiscal consolidation so defined must be considered unavoidable and necessary to restore economic growth in the medium term, although the size and timing of the adjustment required may have negative effects on activity in the short term. In an environment like the present one, characterised by the extreme sensitivity of economic agents to economies' fiscal situation, in particular in the euro area, any other strategy that might jeopardise the achievement of the fiscal targets in the terms established would have very negative consequences for market confidence in the Spanish economy, seriously damaging its growth possibilities both in the short and in the medium and long term. By contrast, strict compliance with the commitments made may generate a virtuous circle of improvements in confidence and expectations that is conducive to the recovery.

The 2012 Budget for the State and the Social Security system, along with the budgets of the regional and local governments, are the first link in this strategic chain. It is vital that these budgets be fully consistent with achievement of the target set for the budget deficit of 5.3% of GDP this year, down from 8.5% of GDP in 2011. This reduction in the budget deficit requires an unprecedented adjustment in the primary structural deficit, since it must offset the expected increase in the interest burden and the effect that the fall in economic activity is forecast to have on public finances.

The draft State Budget for 2012 details the measures proposed to meet targets in the case of the State and the Social Security system, distributing the adjustment on both the public revenue and expenditure sides. Admittedly, as I have noted on previous occasions in this House, the evidence on the effectiveness of previous fiscal consolidation processes implemented in other developed economies shows that it increases when they are concentrated on public expenditure, in unproductive expenditure. However, the magnitude of the adjustment required in our country is so great that we need to make use of all the instruments available, including taxes.

The 2012 Budget envisages an increase in revenue from tax measures falling basically on household and corporate income. Also, a special charge is imposed for the regularisation of hidden assets. The revenue-raising potential of these measures is expected to offset the fall in revenue due to the unfavourable trend in tax bases deduced from the macroeconomic scenario accompanying the Budget. Last year's experience, when the bulk of the budget deviation stemmed from the adverse performance of government revenue, showed that it is essential to budget prudently for this variable. In this respect, the projected course of overall budget revenue is subject to downside risks. The reasons for this are various. First, because both the expected corporate income tax receipts and any other tax revenue will depend on the ultimate effectiveness of the numerous legislative changes, which is particularly uncertain in the case of the special charge on undeclared income. It should also be emphasised that the Spanish economy is in the midst of a process of macroeconomic adjustment and, as noted above, its growth prospects depend on the external sector, which tends to yield only moderate increases in tax revenue in the short and medium term, particularly if this is accompanied, as in the Spanish case, by an adjustment in the real estate sector.

On the expenditure side, the draft Budget proposes highly significant reductions concentrated in capital expenditure and also in current transfers and goods and services purchases. In the case of transfers to government-owned corporations, it is important for the planned reduction to be accompanied by adjustments of similar size in the effective expenditure of these entities, so as to achieve a lasting reduction of the imbalances. Here, too, the Budget projections are generally not free from risk. First, because it is often difficult to restrain the high inertia of certain items, frequently resulting in the past in overshooting with respect to the initially budgeted figure, particularly in the case of goods and services purchases. Nor can we rule out further unfavourable changes in those items, such as unemployment or pension benefits, whose size depends on external factors, such as the unemployment rate, population or inflation. This is related to the fact that the risk of deviating from the budget is higher in social contributions.

It is essential to prevent these risks from materialising by ensuring a meticulous and rigorous budget outturn allowing budget deviations to be detected in time and any required remedial action to be taken. Should this be necessary, additional adjustments would have to be made in current expenditure, given that the freedom of action in relation to capital expenditure has shrunk enormously, and new tax measures would have to be taken, preferably in the area of indirect taxation, which has fewer distorting effects on growth and the allocation of resources and where the tax burden in Spain is lower than in other developed countries.

Simultaneously, it is important that the process of budgetary consolidation be accompanied by a strengthening of the national budgetary framework, so as to allow governments at all levels to meet their commitments. In this respect, the reform of the Constitution in September 2011 so as to include the deficit and debt ceilings set at European level, which was subsequently implemented in the draft budgetary stability law, was designed to meet this need and is fully consistent with the recent EU governance reforms.

Following the approval of the budgetary stability law by Parliament, it is crucial that all the instruments envisaged in it, particularly the monitoring and control mechanisms and those aimed at ensuring that the targets set are met by all levels of government, be set in train immediately. I think it is worth looking more closely at this law because the success of the consolidation process depends largely on whether it is applied properly.

The 2011 budget outturn highlighted the consequences of the unavailability of information, which prevented budget deviations from being detected in time and delayed the activation of mechanisms to ensure the consolidation targets were met. The new stability law should significantly improve the transparency of government action in at least three respects. First, it is essential for the budget outturn of local and regional governments to be published regularly, with the same periodicity, level of detail, lag and ease of access as that of the

State. Second, the information contained in the State and regional government budgets must be improved, so that the assumptions underlying revenue and expenditure projections are known and the information is made available on these items in national accounts terms, which is the relevant definition for the existing fiscal rules. Finally, the information in the adjustment plans at the various levels of government should be made public and presented in a format allowing it to be analysed and compared with the initial budgets.

In addition, the mechanisms obliging government deficits to be corrected have clearly proved to be insufficient. In this case, the draft stability law includes new coercive instruments to ensure the budget targets are met by all levels of government. Provision is made for imposing sanctions, regional government expenditure must be automatically adjusted in certain cases of non-compliance and it is even envisaged that the central government may impose compulsory adjustment measures on local and regional governments. I consider that these new legal mechanisms can be extremely effective in ensuring discipline if they are applied rigorously and appropriate procedures are established to supervise the budget outturn during the year. In this respect it is vital, as established in the law's passage through Parliament, that these provisions are applied as from their approval, in time to be used in the current consolidation process.

Finally, the draft stability law retains the clause stipulating "no bail-out" between governments which was introduced in the previous law. I consider that, as at European level, this clause is crucial to prevent the cost of a government's inadequate fiscal conduct from being passed on to others and to ensure that the capital market exercises disciplinary effects. At the same time this draft law allows regional and local governments to request extraordinary liquidity support measures from the State. In this case a plan to ensure that the fiscal targets will be fulfilled must be submitted and the payment of each tranche of financial aid must be dependent on such fulfilment. In this respect, in the opening months of this year, the Government set in train various regional and local government support mechanisms in order to smooth the refinancing of their existing debts or payment to trade creditors. The financing mechanisms agreed also require fulfilment of adjustment plans. It is now crucial to insist on strict compliance so that this type of aid does not provide inappropriate incentives.

The consolidation strategy must, finally, be completed while keeping in mind the medium- and long-term factors affecting public finances, particularly those deriving from the pressure exerted by population ageing on certain items of expenditure. In this connection, following the enactment in July 2011 of the Social Security Reform Law, an appropriate definition of sustainability is needed as soon as possible so that the system's parameters may be automatically adapted to demographic changes.

In short, the current budgetary imbalance has become one of the main obstacles to growth of the Spanish economy. Correcting it is urgent and unavoidable. What is thus needed is a fiscal adjustment strategy based on commitments made at European level. This strategy has to be accompanied by a strengthening of the national budgetary framework, as reflected in the constitutional reform, and by the application of the medium and long-term reforms that enable the challenge of population ageing to be addressed. The credibility of this strategy, which calls for absolute rigorous compliance with the short-term objectives set in the 2012 draft Budget law, will determine whether economic agents regain their confidence in our economy, which is the key to a sustained recovery of activity.

Thank you.

17.4.2012.

1 OVERVIEW

In 2012 Q1, Spanish economic activity continued on the declining path initiated in the closing months of 2011, in a setting of high financial tension. On the as-yet incomplete information available, the contraction in GDP is estimated to have been slightly higher than that in 2011 Q4, with a quarter-on-quarter rate of change of -0.4%. National demand fell once again (-0.9 pp), as has been the case over the past four years, although the decline was milder than in the preceding quarter, while the contribution of net external demand was positive once more (0.6 pp), but likewise lower than that in the previous three months. After posting rises for seven consecutive quarters in year-on-year terms, GDP fell back to a rate of -0.5% (0.3% in the previous quarter).

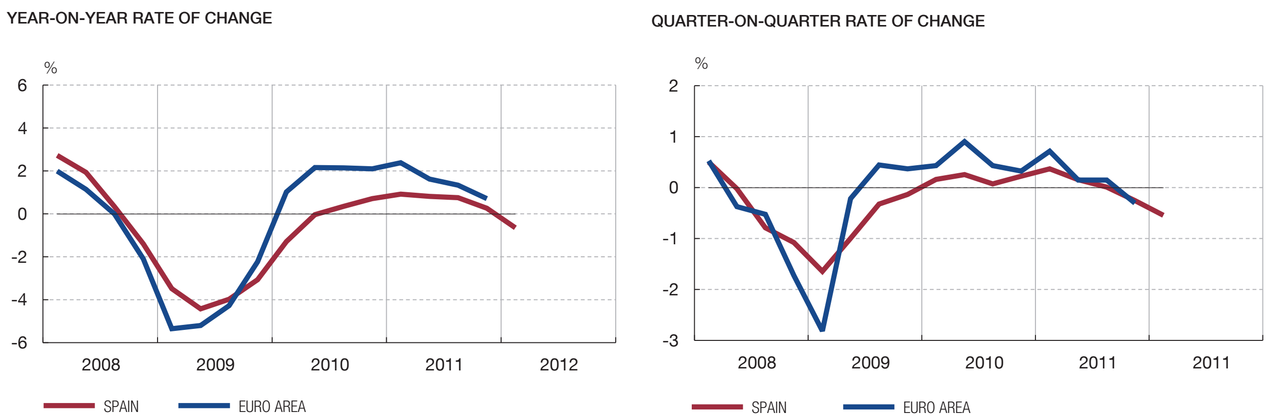
Employment fell once more, sharply so, posting an estimated year-on-year decline of close to 4%. And compensation per employee slowed across the economy, leading, in combination with high productivity growth, to a significant reduction in unit labour costs, prolonging the trajectory of the last eight quarters. The considerable sluggishness of domestic spending prompted a slowdown in the year-on-year rate of change of consumer prices from December to March, and the CPI stood at a 12-month growth rate of 1.9% in this latter month. Easing was more visible in the CPI excluding unprocessed food and energy, the year-on-year growth rate of which fell to 1.2%. In terms of the HICP, the inflation differential with the euro area stood in March at -0.9 pp, reflecting a reduction which was extensive to all the main HICP components.

On the international economic front, the situation on euro area markets improved somewhat compared with the stress peaks experienced in the closing months of 2011. Here, the ECB's conventional and non-conventional monetary policy measures contributed notably, as did the approval of the second bail-out programme for Greece following the restructuring of its debt in private hands and the progress in the ongoing reform of economic governance in the euro area. However, instability returned in the opening days of April, affecting Spain and Italy acutely owing to the doubts arising over the adjustment processes under way in both countries.

The indicators available suggest economic activity in the euro area stabilised – or fell off very moderately – in the opening months of 2012, following the fall in GDP in 2012 Q4; nonetheless, cyclical divergences between the member countries continued to widen. Outside the euro area there was a moderate recovery in the United States, some improvement in Japan and a gradual slowdown in activity in the emerging economies, which nevertheless remain very buoyant. Global inflation continued to slacken, although the rise in oil prices, which peaked at $125 per barrel in February to dip slightly thereafter, poses a risk.

Turning to economic policies, measures in the euro area played a key role throughout the quarter. In terms of European governance, the seriousness of the sovereign debt crisis led control over public finances to be strengthened. This took the form of the signing, on 2 March, of the Treaty of Stability, Coordination and Governance in the Economic and Monetary Union. The Treaty incorporates the Fiscal Compact, under which 25 Member States, including Spain, have committed themselves to transposing into national legal frameworks a balanced-budget rule and an automatic correction mechanism for deviations at national level. Further, to reinforce surveillance of non-fiscal macroeconomic imbalances, the Commission presented in February its first *Annual Alert Mechanism Report*, designed to detect

GROSS DOMESTIC PRODUCT (a) **CHART 1**



SOURCES: ECB, INE and Banco de España.

a Seasonally adjusted series.

and correct situations of risk in this area. The report identifies 12 EU countries, including Spain, which should be examined in greater depth to determine whether the degree of severity of the imbalances detected calls for the initiation of an excessive imbalance procedure. As to crisis-prevention and resolution mechanisms, significant headway in setting up the European Stability Mechanism (ESM) was also made. The ESM required amendments to the Treaty on European Union, and its full operationality as a permanent facility has been brought forward one year (to July 2012) and its financial capacity (€500 billion) has been temporarily raised with the resources not used by the European Financial Stability Facility (see Box 2).

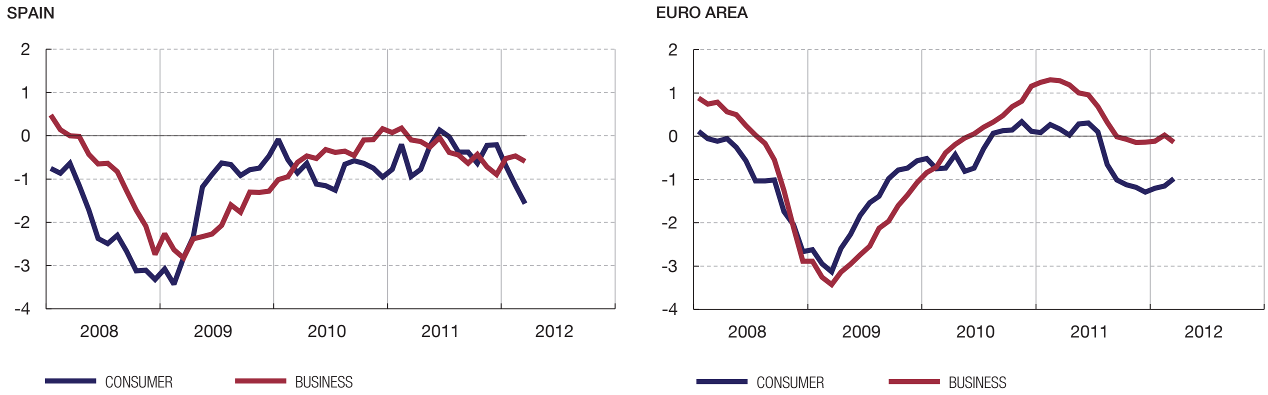
The ECB adopted a broad range of measures to restore monetary policy transmission channels and to reduce the likelihood of a traumatic contraction in credit supply that could have ensued given the growing feedback loop between sovereign risk and banking risk in the euro area that became discernible in the closing months of 2011. Among its standard policy measures, the ECB Governing Council held interest rates at an all-time low of 1% for its main refinancing operations, following the cuts made in November and December. This was in a setting in which euro area inflation, at 2.7% in March, was chiefly attributed to increases in the more volatile components, and in which inflation expectations remained anchored over the policy-relevant horizon. As to non-standard measures, in February the ECB approved specific criteria for the temporary acceptance of additional credit claims as collateral and implemented the second three-year longer-term refinancing operation with full allotment. Taken together, the two tenders considerably increased the liquidity buffer available to banks to undertake their refinancing operations, and they proved key to overcoming the moments of peak tension experienced last November.

Lastly, at the level of the countries most affected by the instability, major steps in economic reforms continued to be taken. In Spain, in particular, there was further headway in the ongoing clean-up, restructuring and recapitalisation of the credit system following a new Royal Decree-Law aimed at strengthening banks' capital and provisions.[1] On the structural reform front, an ambitious labour market reform was approved.[2] In terms of the greater possibilities for decentralising collective bargaining, the increase in internal flexibility

1 Royal Decree-Law 2/2012 of 3 February 2012 on the balance-sheet clean-up of the financial sector.
2 Royal Decree-Law 3/2012 of 10 February 2012 on urgent labour market reform measures.

CONFIDENCE INDICATORS (a)

CHART 2



SOURCE: European Commission.

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

and the rationalisation of the conditions governing the termination of permanent contracts it provides, the reform should contribute to the adjustment of working conditions to firms' specific circumstances and shape an environment more conducive to job creation and job stability, once the prevailing economic downturn has been overcome. Lastly, as regards the sustainability of public finances, key steps have been taken to strengthen the national budgetary framework through the approval of the Draft Organic Law on Budgetary Stability[3], currently in the final stages of its passage through Parliament. This legislation, implementing the changes introduced into the Constitution last autumn, sets ceilings on the budget deficit and public debt and strengthens the instruments for compliance by all levels of government with their fiscal commitments.[4]

However, in early April there was, as indicated, a fresh heightening of euro area financial tensions which singularly and severely affected Spain. Over this past quarter, 10-year government debt yields briefly rose to over 6%, widening the spread over the German benchmark bond to around 440 bp, and stock markets have slumped, with losses for the IBEX 35 in 2012 to date running at around 20%. Moreover, against a background of high financial uncertainty, the recent decline in interbank rates has not yet passed through to the cost of new loans extended to households and firms. On the information available to February, interest rates on loans to households edged up slightly while those on transactions with businesses dipped marginally. In the real estate market, according to data released by the Ministry of Development, house prices fell back in 2012 Q1. As a result, their year-on-year decline stood in March at 7.2%, compared with 6.8% in December, and the cumulative fall from their 2008 peak amounts to 21.5%. Over the quarter as a whole, therefore, net household wealth declined, as a result of the fall in value both of financial instruments and, above all, of real estate assets.

Overall, the prevailing instability on financial markets shapes a setting in which financing conditions remain strict and in which agents' confidence is still very weak. Against this backdrop, private-sector spending declined further in the opening months of the year. In the case of households, consumption was notably sluggish (falling at an estimated

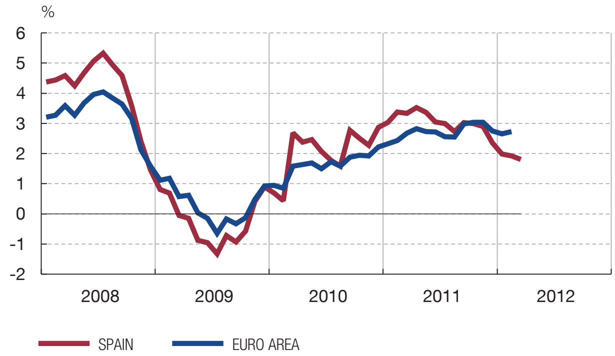
3 Draft Organic Law on Budgetary Stability and Financial Sustainability.

4 In addition, the Government has set in train changes relating to transparency in access to public information and good governance.

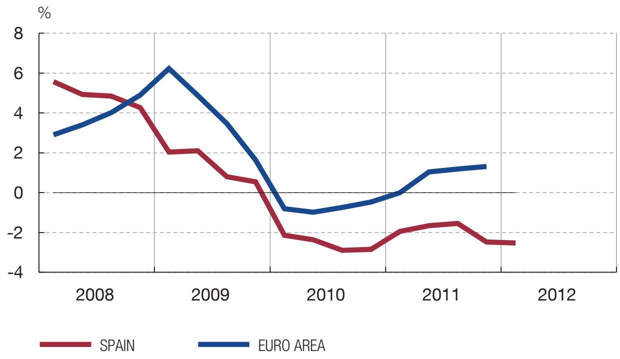
PRICES AND COSTS

CHART 3

HARMONISED INDICES OF CONSUMER PRICES (a)



UNIT LABOUR COSTS (b)



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.

quarter-on-quarter rate of 0.4%) due to the worsening labour market situation, to the effect of higher personal income tax rates on disposable income, to diminished wealth and, generally, to the climate of greater uncertainty. These same factors are an obstacle to any recovery in residential investment, which continued to contract in the early months of the year.

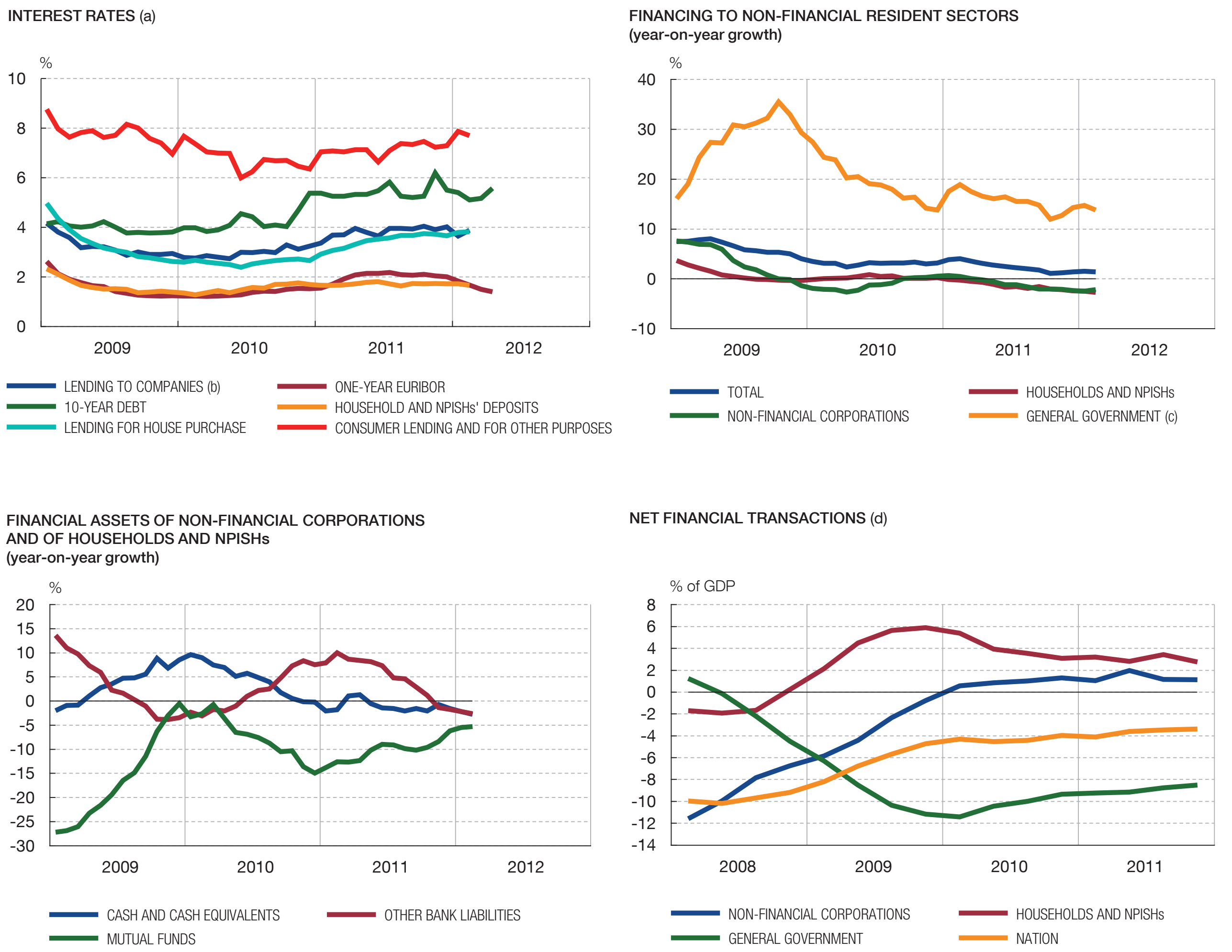
Household liabilities declined to February (the latest month for which information is available) by 2.7% year-on-year, a somewhat sharper fall than that at the close of 2011 owing to the behaviour both of loans for house purchases and of credit for consumption and other purposes. On preliminary figures, the fall in household debt should have allowed the declining path of this sector's debt ratio to continue into early 2012, following the pattern seen already in 2011.

Business investment was also affected by the economic downturn and worsening financial tensions. Investment in capital goods held on a declining trajectory in the opening months of the year, at an estimated quarter-on-quarter rate of -3.5%, influenced additionally by the slowdown in world trade. This contractionary behaviour likewise affected the component of investment in other construction, where the private sector is undertaking numerous projects in collaboration with general government, projects logically much affected by the fiscal consolidation plans under way. Corporate debt continued to decline, taking the year-on-year rate of contraction to 2.2% in February, practically unchanged on end-2011. Corporations' debt ratio is expected to have held on the declining trajectory observed the previous year, although it remains at historically high levels.

The contractionary course over recent quarters of the public component of national demand, namely government consumption and public investment, steepened. This reflected the impact of the fiscal adjustment plan and the measures adopted in late December, once the notable end-year deviation in public finances from the established target (6% of GDP) was confirmed. This deviation ultimately amounted to 2.5 pp of GDP, once it became known in late March that the general government deficit had risen to 8.5% of GDP. The fiscal package adopted in December included, in addition to temporary tax measures (with an estimated revenue-raising impact of €8.1 billion), public spending cuts (implemented through an agreement not to use appropriations for an estimated value of €8.9 billion), a

FINANCIAL INDICATORS OF THE SPANISH ECONOMY

CHART 4



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 signifcance 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 commissions 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.

freeze on public-sector wages and the introduction of a series of restrictions on public-sector employment.

This budgetary consolidation strategy will be further pursued in the coming months once the 2012 State Budget measures approved by the Council of Ministers on 30 March begin to be implemented, and once the regional and local government budget outturns are adjusted to the new Budgetary Stability targets and incorporate, where necessary, the additional adjustments to which they have committed as a condition for their participation in the financial support plan for payments to suppliers (see Box 4).[5] The Governor's testimony before Parliament, included in this Bulletin, offers a more detailed assessment of the Budget and the Draft Budgetary Stability Law. Overall, the conduct of all levels of government

5 On 24 February the Government approved Royal Decree-Law 4/2012, which sets in place an extraordinary financing plan to meet payments to local government suppliers. This was followed on 9 March by Royal Decree-Law 7/2012, creating a public fund for the execution of the plan and extending its application to regional governments.

must be consistent with the budget deficit target of 5.3% of GDP set for this year, compliance with which entails a most sizeable adjustment of the primary structural balance.

As regards trade with the rest of the world, the contribution of net external demand eased in the first quarter of this year, with a slight fall-off in exports and a somewhat sharper decline in imports compared with the previous quarter. The loss of momentum in exports witnessed in the last quarter came about amid the slowdown in our export markets – owing to the weakness of certain euro area countries – and despite the price-competitiveness gains that continue to accrue. The fall in imports shows, for its part, the sluggishness of domestic demand. On the whole, net external demand continued to make a significant contribution to GDP growth in Q1, of 3.2 pp in terms of the year-on-year rate of change.

On the supply side, all the productive sectors, except for agriculture, contributed to the decline in output. There was a slight reduction in the rate of contraction in industry and in construction, although the decline in this latter sector remains very high, turning principally on the non-residential segment, due to the effects of the fiscal austerity plans. Market services worsened slightly in the opening months of the year, meaning their related growth rate will almost have turned negative in quarter-on-quarter terms. On the basis of figures for Social Security registrations, the declining path of employment in the second half of 2011 continued, largely among foreigners and dependent employees. EPA data for Q1 are not yet available, but a further increase in the unemployment rate from the level of 22.8% recorded at end-2011 should not be ruled out.

Finally, in connection with labour costs, a moderate slowdown in compensation per employee is projected for 2012 Q1. This is as a result of some containment of wage settlements, the rate of which to March stood at 2.2%, still influenced by the delay that has built up the collective bargaining process and the high presence of multi-annual agreements signed in previous years. These wage increases are, in any event, high set against the conditions in the economy. Further moderation is, however, expected over the rest of the year once the labour market reform takes effect, through the prevalence of firm-level agreements, opt-out possibilities from the conditions set in agreements or through changes to such conditions.

In sum, the Spanish economy has begun 2012 in a renewed recessionary situation. The pattern of contraction of economic activity is marked, on the expenditure side, by very muted national demand, the impact of which on output is only softened by the greater relative resilience of the external sector. It is vital in the present circumstances to maintain the buoyancy of net external demand, meaning further gains in competitiveness must be secured using all the economic policy instruments available. The reforms rolled out in recent months, in particular concerning the labour market, are essential for placing the Spanish economy on a path of job creation and improved competitiveness, although their effects may not be immediate. Developments in the Spanish economy over the coming quarters will be subject to uncertainty and to downside risks associated with the possible ups and downs of the sovereign debt crisis. The priority should therefore be to dispel the doubts over the Spanish economy's adjustment capacity by concluding the clean-up, restructuring and recapitalisation of the banking system, and by strict compliance with the budgetary targets for 2012. Here it will be crucial to prevent the risks of a potential budgetary deviation in a setting of weaker-than-expected revenue or of difficulties in cutting specific expenditure items that are subject to high inertia. Rigorous application of the Budget is therefore required, which will be assisted by the improvements in transparency and monitoring provided for in the new Budgetary Stability Law.

In 2012 Q1 the international economic and financial developments were favourable overall, although the deterioration since end-March due to a fresh bout of instability associated with the European sovereign crisis partially reversed the earlier advances. Up to that time the financial markets posted a notable improvement, reflected in lower volatility, which took them back up to the levels prior to the Lehman Brothers bankruptcy. Also noteworthy was the rise in US long-term bond yields (which has reversed in the past month) and the surge in oil prices up to the beginning of March. On the economic front, growth steadied at moderate levels in the USA and improved somewhat in Japan, while the emerging economies held on a gradually slowing course, which was steeper in eastern Europe. Against this background, during the quarter the central banks of the United States, the United Kingdom and Japan took new measures to assist the recovery, while the monetary policies of emerging countries continued their accommodative stance, somewhat milder than expected at the beginning of the year, with the notable exception of Brazil, where interest rate cuts were more marked.

Despite the persistence of the sovereign debt crisis in Europe, the international financial markets ended 2012 Q1 with a certain improvement in the main indicators as a result of the good reception afforded to the European Central Bank's longer-term refinancing operations (LTROs) in December and February and of the publication of positive macroeconomic data in some advanced economies. The re-awakening of the appetite for risk was reflected in stock market gains, accompanied by lower volatility, and in the depreciation of the dollar against the main currencies except for the yen. However, the current situation of the markets remains fragile and in the past month these movements have been partially corrected amidst a fresh outbreak of instability associated with the European crisis and feeding off worse-than-expected economic data in the United States and China, which stimulated a fresh flight to quality. In this line, the 10-year interest rate in the United States, which rose to nearly 2.4% at the beginning of the quarter, coinciding with an improvement in domestic growth expectations, again approached 2% at the beginning of April. The emerging markets were also more buoyant, both in prices, with stock market gains and sovereign spread falls, and in volumes, with a strong recovery in flows to emerging economies (see Box 1) and in debt securities issued, which set a new record high in the quarter. However, as in the markets of the advanced economies, this positive trend was partly corrected from end-March. Meanwhile, industrial metal and oil prices on the commodity markets rose in the quarter. The price of Brent oil moved above US$ 125 per barrel in February and since then has dropped slightly to around US$ 120.

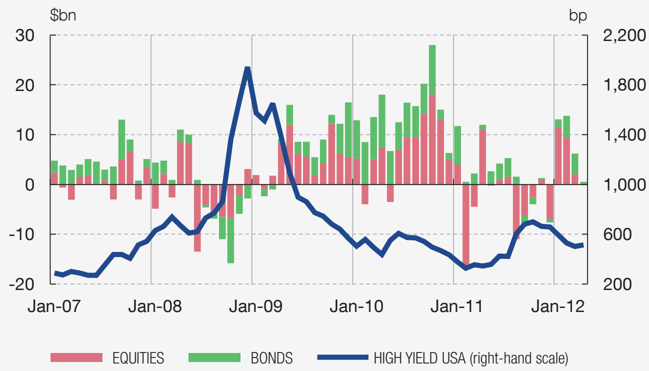
In the United States, GDP posted annualised quarterly growth of 3% (1.6% year-on-year) in Q4, driven basically by private consumption and stockbuilding, with negative contributions from external demand and public expenditure. The Q1 indicators continue to point to a moderate recovery. Industrial production, capacity utilisation and business confidence improved in the quarter as a whole, although they weakened somewhat as it drew to a close. The indicators of consumption remain firm, although the decrease in real disposable income casts some doubt on its strength. The information on the labour market points to a firming of the recovery in this market (although the March data weakened this signal), with an increase in the rate of net job creation and a reduction in the unemployment rate to 8.2%. In the housing market, the overhang of unsold housing decreased, spurred by the ongoing adjustment of house prices and by the improving labour market, despite the tight credit conditions. Inflation moderated to 2.7% year-on-year in March, while core inflation continued at 2.3%. The Federal Reserve maintained its expansionary monetary policy stance and changed its communication strategy

Capital flows to the emerging economies have been highly volatile since the crisis, with phases of net inflows alternating sharply with phases of net outflows (see left-hand panel of Chart 1). In particular, in 2011 capital flows showed a negative behaviour. At the beginning of the year, the improved growth outlook in the developed economies gave rise to outflows of funds from the stock market and to smaller inflows into the debt markets than in previous years. Subsequently, owing to the financial tensions during the summer, there was a retraction in flows (including also fixed-income flows) of an amount similar to that seen following the September 2008 crisis. However, since December inflows have picked up strongly, and in 2012 Q1 inflows into the debt market amounted to nearly US$ 10 bn and those channelled to the stock market to nearly US$ 23 bn, representing nearly 20% of the total flows received in 2010, when the all-time record was set. This behaviour is closely linked to the perception of global risk on the international markets –as reflected, for example, in US high-yield bond interest rates– and is obvious in the contrast between the second half of last year and the beginning of this year.

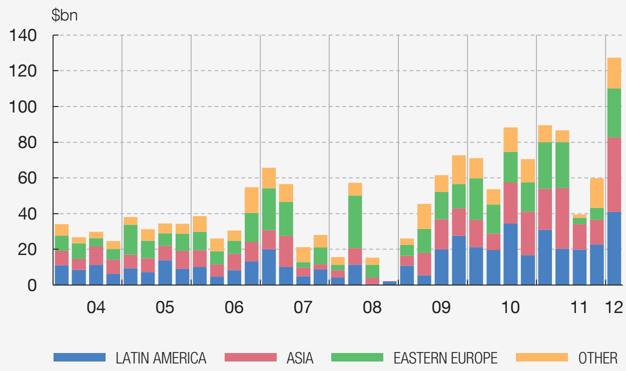
The intensity of the recovery of the appetite for risk at the beginning of 2012 is also reflected in the volume of corporate and sovereign debt securities issued by emerging economies. As seen in the right-hand panel of Chart 1, issues exceeded US$ 125 bn in the quarter, a new historical record for transactions of this type, in which all the regions shared more or less equally. Also notable was the access of firmly-entrenched companies to new markets (*dim-sum* in yuan), the two largest issues of emerging countries –the Brazilian oil company Petrobras and Russia, each for an amount of US$ 7 bn– and an increase in the companies accessing these markets for the first time. However, despite the sharp increase in securities issues, investors were somewhat more cautious than at other times of large-scale placements. Thus, firstly, sovereign bond issues –which, in principle,

1 INFLOWS TO EMERGING ECONOMIES

FUNDS TO EMERGING MARKETS



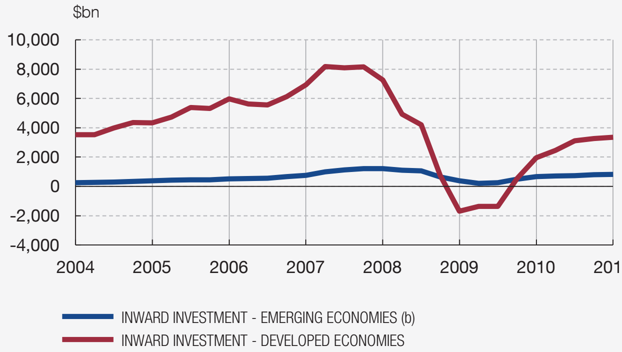
EMERGING ECONOMIES FIXED INCOME ISSUANCE



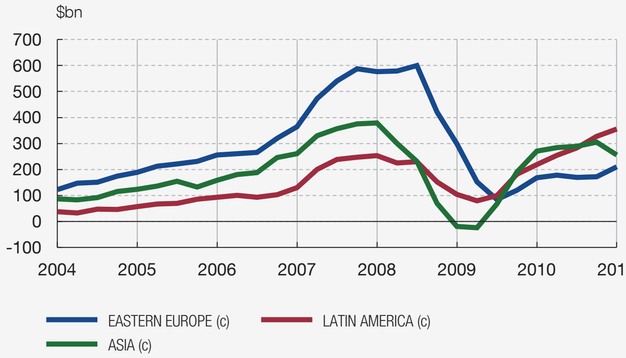
SOURCES: Dealogic, Datastream and IIF.

2 FINANCIAL INFLOWS

FINANCIAL INFLOWS - EMERGING AND DEVELOPED ECONOMIES (a)



FINANCIAL INFLOWS INTO EMERGING ECONOMIES BY AREA (a)



SOURCES: International Financial Statistics (IMF).

a Cumulative annual figures, quarterly data.
b Emerging economies do not include China.
c Sample of countries from the region. Asia does not include China.

represent a lower risk than corporate bonds– amounted to one-third of the total, somewhat more than the long-term average; and secondly, corporate issues were predominantly those of companies with a fairly high credit rating.

Although these developments correlate with the changing risk aversion of recent years, from a broader standpoint, it can be argued that the determinants of capital flows favour a trend increase in emerging country inflows. Firstly, the relative risk-return relationship between emerging and advanced economies has changed substantially in favour of the former; the vulnerabilities and growth difficulties in advanced economies contrast with the generally fairly solid fundamentals and the notably more favourable growth prospects of emerging economies. Secondly, in response to the crisis, the monetary policies of the developed economies have been extraordinarily expansionary and the related large liquidity injections hasten the transfer of flows to emerging economies.

The size of these changes is reflected in the behaviour of gross capital flows. The left-hand panel of Chart 2 shows capital inflows into developed and emerging economies from 2004 to the beginning of 2011.[1] In 2007 the developed economies received US$ 8 trillion annually, following sharp growth from the start of the century, particularly in the years before the crisis (at an annual rate exceeding 30%). The flows to emerging economies, at around US$ 1.2 trillion, accounted for a much lower share, although they were growing at an even faster rate (up five-fold since 2004). The financial crisis initiated in summer 2007 brought this to a halt and then prompted a sharp adjustment of capital flows, which became considerably negative in the developed economies (disinvestments exceeded investments) and were checked in the emerging economies. Yet more notable was the difference in the pattern of recovery. Whereas the developed countries levelled off at below US$ 4 trillion at the beginning of last year (a decrease of more than half with respect to the previous peak), the emerging economies were drawing near to US$ 1 trillion, one-third less than before the crisis, but growing. Hence the difference between the flows to emerging and to developed countries is decreasing notably.

The recovery of the emerging economies as a whole conceals significant differences between regions, depending on the impact of the crisis. The right-hand panel of Chart 2 shows that the eastern European economies, which were harder hit by the crisis and continue to be more highly exposed because of their proximity to the euro area, saw a greater decline in their inflows, from which they have scarcely recovered. By contrast, the Latin American countries have amply exceeded the level of inflows before the crisis and posted a new record high at the beginning of 2012. The sample of Asian countries (excluding China) is in an intermediate position: flows turned negative at the beginning of 2009, and, although recovering strongly, have not regained their previous levels.

In short, the crisis brought a regression and notable rearrangement in the process of international financial integration. Whereas the flows to (and between) developed economies have fallen notably, some emerging economies –particularly Latin America– continue to increase their financial integration. It is difficult to assess the extent to which these changes are structural or are the result of an overly rapid integration during the years preceding the crisis in the advanced economies (fuelled, for example, by the proliferation of complex financial products), or involve a downward over-reaction in a setting of crisis, readjustment and uncertainty. Unquestionably, these latter factors have also shaped the recent behaviour of flows to emerging economies. Nevertheless, this group of countries continues to make progress in international financial integration, in many cases thanks to the relative strength of their fundamentals.

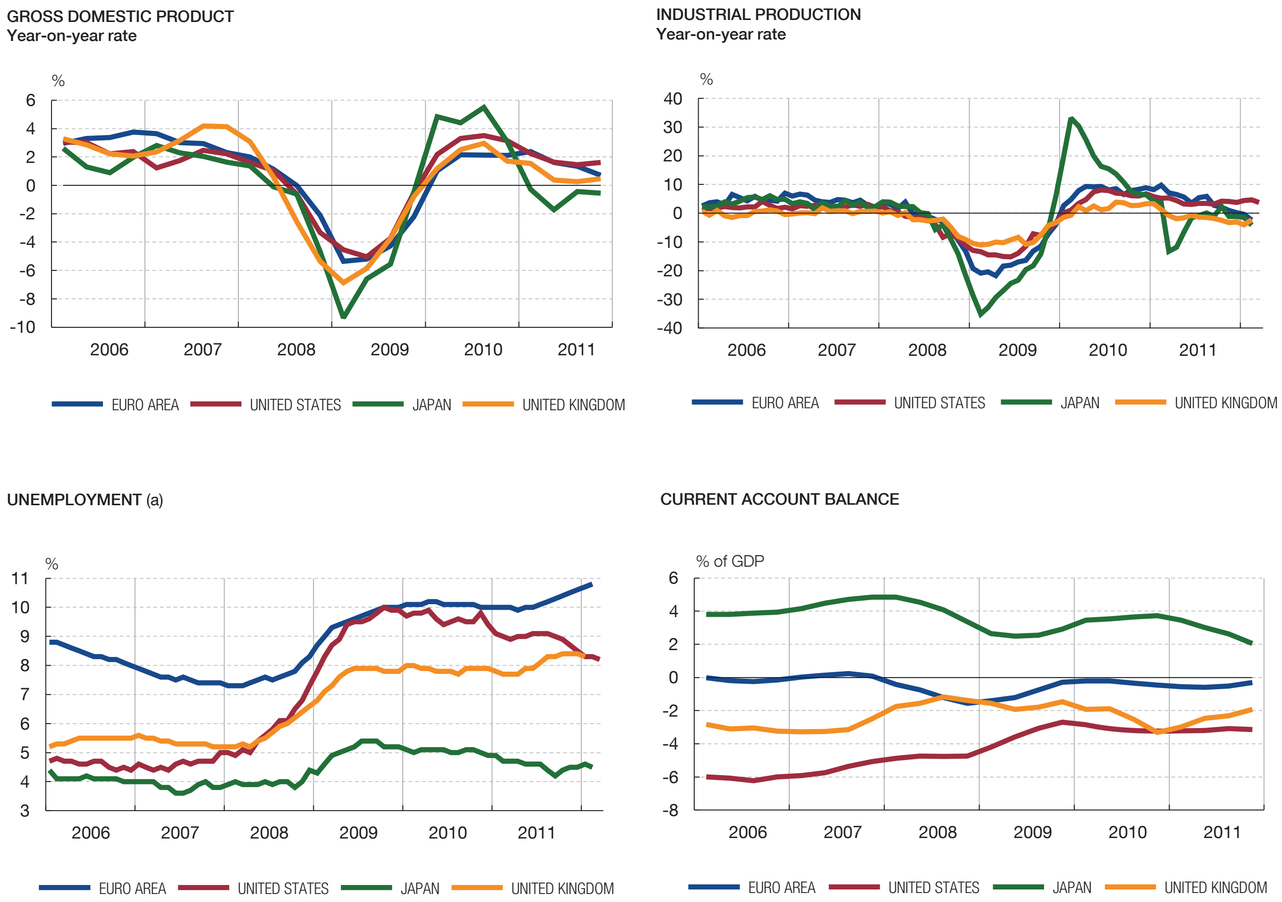
1 The sample used in each group is large, although (due to a lack of quarterly data) some major countries, such as China, are not included. Data are gross, i.e. they are aggregate annual inflows into each country (flows between countries are not netted off) and therefore indicate the level of financial integration of each group. The figures are cumulative annual flows, with a quarterly frequency.

by setting a numerical long-term inflation target —for the personal consumption expenditure deflator— of 2% and publishing the forecasts for the official rate, which are for it to remain at its current level until 2014. Notable in the fiscal arena are the agreement to extend certain fiscal aid to the end of 2012 and the submission of the draft budget law for 2013.

In Japan, GDP contracted by 0.2% quarter-on-quarter (-0.6% year-on-year) in Q4 due to the negative contribution from external demand and inventories, while private domestic demand held on its expansionary path. The higher-frequency indicators, such as industrial production and the business confidence surveys, indicate that activity recovered in Q1, although doubts persist as to the dynamism of external demand. On the demand side, consumption performed fairly strongly, partly because car purchases were boosted by government subsidies, and investment in housing began to rise, underpinned by reconstruction-driven demand. On the external front, the trade balance remained in deficit during the quarter, despite the incipient

MAIN MACROECONOMIC INDICATORS

CHART 5



SOURCES: Datastream and Banco de España.

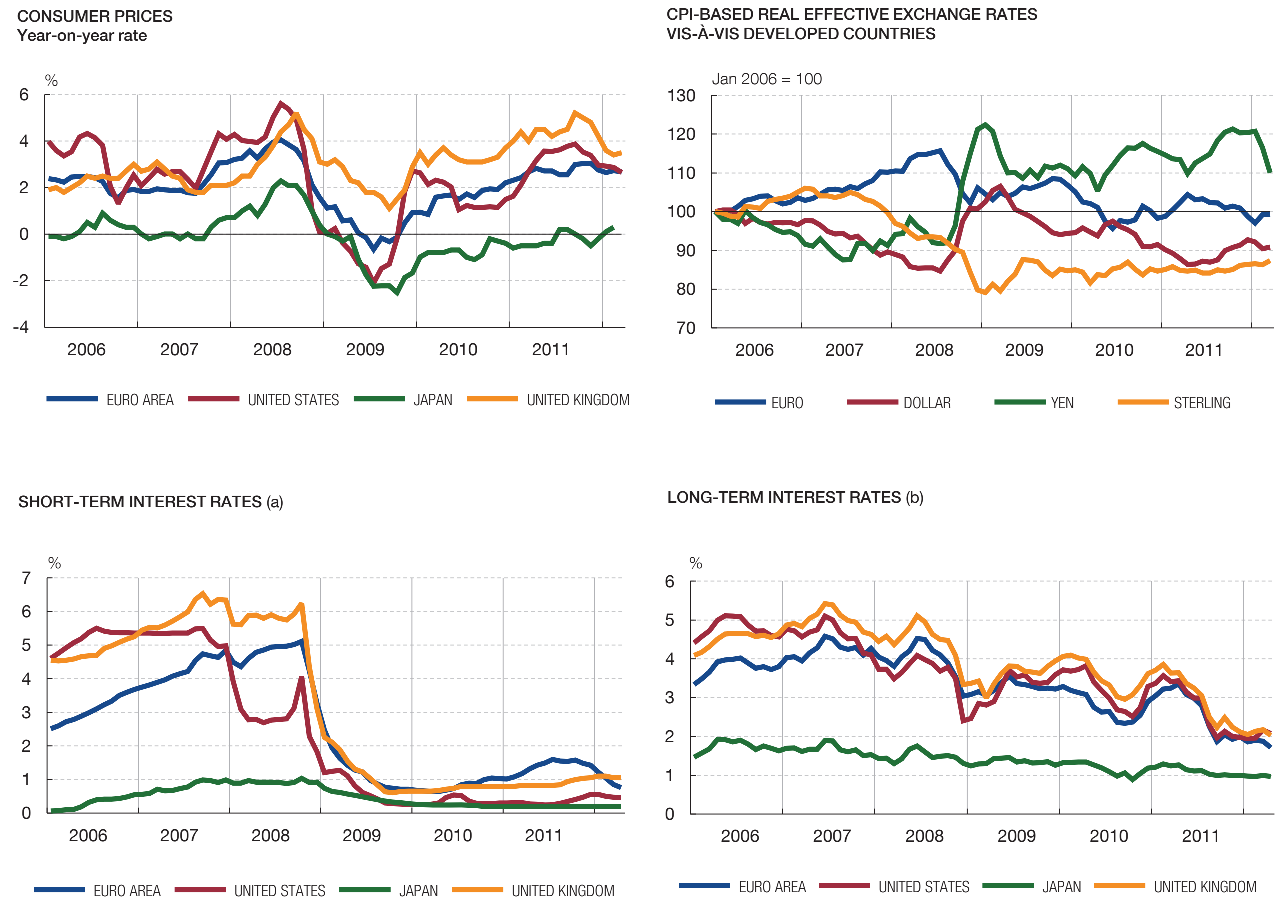
a Percentage of labour force.

improvement in exports. In the labour market, the unemployment rate stood at around 4.5% during the quarter, after a recovery in employment and in the labour force. Inflation stood at 0.3% year-on-year in February, while the core rate declined more slowly at -0.6% year-on-year. The Bank of Japan held its official interest rate in the 0-0.1% range, expanded its asset purchase programme to 30 trillion yen (equivalent to 6.4% of GDP) and fixed its long-term price stability target at 1% on average.

In the United Kingdom, GDP contracted in Q4 by 0.3% quarter-on-quarter (0.5% year-on-year) because of the negative contribution from the changes in inventories. The higher-frequency indicators for Q1 give varying signals. The business confidence indicators indicate a wide-spread expansion of activity across sectors, which in manufacturing has not been confirmed by the industrial production data. Retail sales fell in February after two months of rises, and consumer confidence followed suit in March. The labour market continues to show weakness, since the unemployment rate remained close to 8.3% in February, wages were moderating, and the level of employment, in spite of its recent pick-up, continues to be burdened by the public sector job losses. Inflation moderated over the quarter to 3.5% in March and the core rate dropped to 2.5%, although inflationary pressure is beginning to build up in industrial prices. The Bank of England held its official rate at 0.5% and expanded its asset purchase programme by 50 billion pounds to 325 billion pounds. Finally, in March the government submitted an austere budget for fiscal year 2012/2013, in line with its commitment to fiscal consolidation.

PRICES, REAL EXCHANGE RATE AND INTEREST RATES

CHART 6



SOURCES: Datastream and Banco de España.

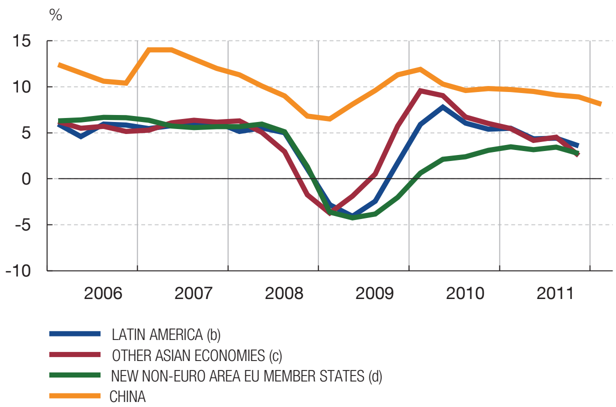
a Three-month interbank market interest rates.
b Ten-year government debt yields.

In the new EU Member States not belonging to the euro area, GDP grew on average by 2.8% year-on-year in 2011 Q4, down from 3.4% in Q3. The slowdown was widespread, with the most notable quarter-on-quarter contractions being in Romania and the Czech Republic (in the latter, for the second consecutive quarter). The most recent industrial production data point to a fresh moderation of activity in the opening months of 2012. Inflation in the region increased in the first two months of the year, mainly as a result of the higher tax rates in the Czech Republic and Hungary. The central banks held their official rates unchanged, with the exception of Romania, which trimmed them by 50 bp to 5.25% against a background of economic weakness and low inflation. Finally, mention should be made of the European Council's decision to suspend the grant of around €500 million (equivalent to 0.5% of GDP) by the Cohesion Fund to Hungary because of the lack of an effective commitment by its government to reducing the deficit.

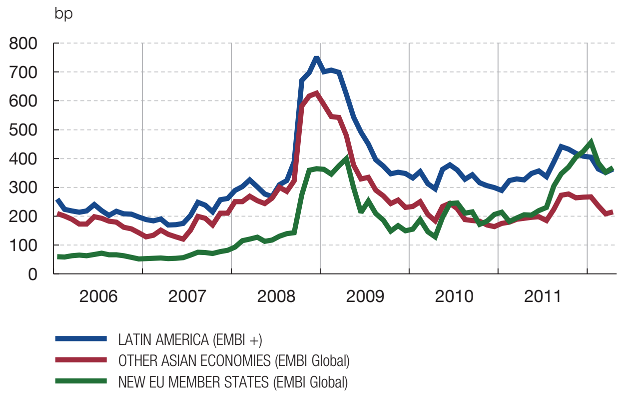
In China, GDP for 2012 Q1 increased by 8.1% year-on-year (compared with 9.1% in the previous quarter), the smallest rise in the last three years, evidencing an intensification of the moderating trend in growth, which continues to be based mainly on the strength of domestic demand, since external demand continued its adjustment, largely because of the fall in exports to Europe. The inflation rate continued its gradual decline during the quarter (with a certain resurgence in March) to 3.6%, due to the increase in food prices, although remaining below the target for 2012 (4%). Against a background of downside risk for growth, due to the slug-

EMERGING ECONOMIES: MAIN MACROECONOMIC INDICATORS (a) **CHART 7**

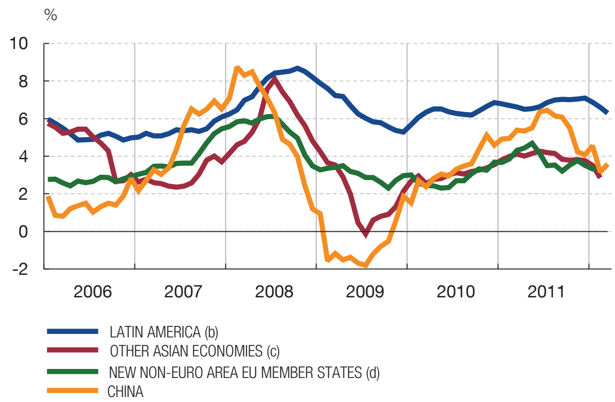
GROSS DOMESTIC PRODUCT
Year-on-year rate



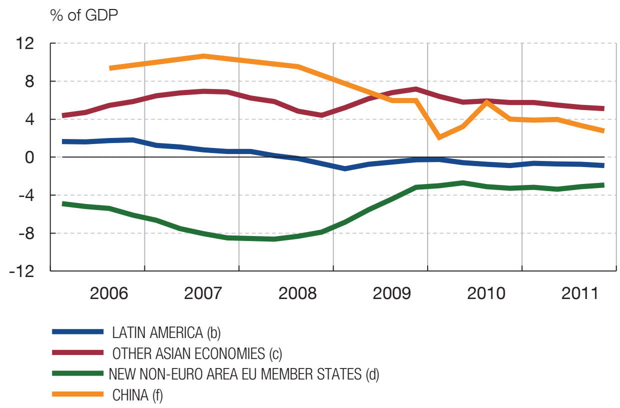
INTEREST RATE SPREADS OVER THE DOLLAR (e)



CONSUMER PRICES
Year-on-year rate



CURRENT ACCOUNT BALANCE



SOURCES: Datastream, Banco de España, IMF and JP Morgan.

a The aggregate of the different areas has been calculated using the weight of the countries that make up these areas in the world economy, drawing on IMF information.
b Argentina, Brazil, Chile, Mexico, Colombia, Venezuela and Peru.
c Malaysia, Korea, Indonesia, Thailand, Hong Kong, Singapore, Philippines and Taiwan.
d Poland, Hungary, Czech Republic, Slovak Republic, Latvia, Lithuania, Bulgaria and Romania.
e JP Morgan EMBI spreads. Latin America includes Argentina, Brazil, Colombia, Ecuador, Mexico, Panama, Peru and Venezuela. Asia includes China, Indonesia, Irak, Kazakhstan, Malaysia, Pakistan, Philippines, Sri Lanka and Vietnam. The data on the new EU Member States relate to Hungary and Poland.
f Annual data until 2009.

gish external demand and the lower activity in the real estate market, the central bank reduced the commercial bank reserve requirement by 50 bp (to 2 pp in some cases); it also doubled the daily fluctuation band of the yuan to 1%. Finally, the government reduced the official GDP growth target for 2012 to 7.5%, compared with the 8% in place since 2005, although this figure has been systematically exceeded. In the other emerging Asian economies, year-on-year GDP growth slowed to 4.3% year-on-year in 2011 Q4. The January and February industrial production figures suggest a prolongation of this moderation in activity. Also, in 2012 Q1 the gentle decrease in year-on-year inflation continued in most countries in the area, although it rose in India in February and in Thailand and Indonesia in March owing to higher food and energy prices. Official rates decreased in India, Thailand and the Philippines, and monetary policy stance remained unchanged in the rest of the region.

In Latin America, GDP grew by 0.6% quarter-on-quarter because of less dynamic activity in Mexico, Argentina and Brazil, confirming the decelerating trend first seen in the previous quarter and contrasting with the strength shown in 2011 H1. In year-on-year terms, growth was 3.6%, compared with 4.4% in the previous quarter. However, the higher-frequency indicators for 2012 Q1 suggest a certain recovery in activity. Meanwhile, inflation in the area showed an appreciable correction to 6.2% year-on-year in Q1, compared with 7.1% in the previous quarter. In the monetary policy arena, the Chilean central bank unexpectedly cut official interest rates by 25 bp to 5% in January and held them unchanged in subsequent meetings in view of the dynamism of domestic demand. In Brazil, the central bank continued the cycle of cuts in the official rate, which it reduced by a total of 200 bp to 9%. In Colombia the upward cycle continued until February, being interrupted in March. On the fiscal side, the Brazilian government announced an industrial investment stimulus plan which includes selective tax cuts and an injection of funds into the Brazilian Development Bank (BNDES) equivalent to 1% of GDP. Lastly, in Argentina the reform of the Convertibility Law and of the central bank Charter, which broadens the scope of the financing which the central bank can grant to the Treasury and allows a more discretionary use of international reserves; the central bank's objectives have been broadened beyond monetary stability and it has been afforded a bigger role in directing credit to certain activities. Also, the progressive withdrawal of many of YPF's operating licences by various Argentinean provinces culminated in the Argentinean government sending to Congress a draft law to expropriate from Repsol 51% of the capital of YPF (Repsol held 57.43%) and the seizure of control of the company by Decree *(Decreto de Necesidad de Urgencia).* The amount of compensation and the source of the funds for paying it are not known.

In 2012 Q1 there was a slight easing of the financial tensions which had affected the euro area particularly strongly in the second half of 2011. The relief was reflected in the performance of most financial indicators, although it was manifested most clearly in the improvement in the conditions for banks' access to financing, which reduced the risk of a credit crunch in the euro area as a whole (see Box 3). The standard and non-standard monetary policy measures adopted by the ECB in the closing months of 2011 and, in particular, the two three-year longer-term refinancing operations, the approval of the second programme of assistance for Greece following the successful restructuring of its debt to the private sector, and progress in the design of economic governance of the area represented important steps for restoring confidence. However, the situation remains unstable as shown by the fresh outbreak of tensions in April which have affected Spain and Italy in particular, as a result of uncertainty about the adjustment processes in which these economies are currently immersed.

Against this backdrop, the performance of the economic indicators published most recently points to a stagnation or a slight contraction of the area's activity in 2012 Q1. More in the medium term, the projections published by various international organisations and private analysts coincide in anticipating a slightly negative growth rate of GDP for 2012 as a whole which is compatible with a gradual recovery in the second half of the year that is estimated to be driven by the positive impact of low interest rates, the measures adopted on various fronts to restore the normal functioning of the financial system and to recover agents' confidence, and stronger world trade. However, this baseline scenario is surrounded by great uncertainty and downside risks prevail associated with a renewed intensification of tensions in the sovereign debt market and with a potential increase in commodity prices.

Inflation in the euro area is likely to remain at above 2% until the beginning of 2013, driven mainly by higher energy prices and the rises in indirect taxes. More in the medium term, as a result of modest growth in the euro area underlying inflationary tensions are not anticipated in a context in which long-term inflation expectations remain well-anchored at levels consistent with the price stability objective. Deeming that the risks in respect of this objective are balanced over the appropriate monetary policy horizon, the Governing Council of the ECB left interest rates unchanged at its February, March and April meetings.

The European Union has continued to take steps to reform governance of the euro area and to strengthen the crisis management and resolution mechanisms created during the current crisis. On 2 March 2012, 25 Member States signed the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, including the fiscal compact, whereby they undertook to transfer to their national legal frameworks a stricter balanced budget rule, than the existing one in the Stability and Growth Pact, which favours equilibrium in public finances throughout the cycle. The Treaty will foreseeably come into force on 1 March 2013, when at least 12 of the 17 Member States of the euro area will have ratified it. Along these lines of strengthening the surveillance function, on 14 February 2012 the Commission presented its first annual *Alert Mechanism Report*. The alert mechanism is designed to detect and correct risk situations in the macroeconomic sphere and will give rise in coming months to an in-depth revision by the Commission of the countries

EURO AREA ECONOMIC INDICATORS (a) — **TABLE 1**

	2010		2011				2012	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
NATIONAL ACCOUNTS (quarter-on-quarter growth, unless otherwise indicated)								
GDP	0.4	0.3	0.7	0.1	0.1	-0.3		
Private consumption	0.3	0.4	0.0	-0.5	0.2	-0.5		
Government consumption	0.1	0.1	0.0	0.0	-0.2	-0.3		
GFCF	0.1	-0.5	1.6	-0.2	-0.2	-0.5		
Imports	1.6	1.5	0.7	0.4	0.7	-1.4		
Exports	2.1	1.5	1.3	1.2	1.4	-0.4		
Contributions to quarter-on-quarter change in GDP (pp)								
Domestic demand, excluding stocks	0.2	0.2	0.3	-0.3	0.0	-0.4		
Stockbuilding	-0.1	0.1	0.1	0.1	-0.2	-0.3		
Net foreign demand	0.3	0.1	0.3	0.4	0.4	0.4		
GDP (year-on-year rate of change)	2.1	2.1	2.4	1.6	1.3	0.7		
ACTIVITY INDICATORS (quarterly average)								
IPI seasonally and working day adjusted	0.8	1.8	1.1	0.2	0.7	-2.0	-0.6	
Economic sentiment	101.9	105.3	106.9	105.2	98.4	93.6	94.1	
Composite PMI	55.7	54.9	57.6	55.6	50.3	47.2	49.6	
Employment	0.0	0.2	0.0	0.2	-0.2	-0.2		
Unemployment rate	10.1	10.1	10.0	10.0	10.2	10.5	10.8	
PRICE INDICATORS (year-on-year change in end-period data)								
HICP	1.9	2.2	2.7	2.7	3.0	2.7	2.7	
PPI	4.3	5.4	6.8	5.9	5.8	4.3	3.6	
Oil price (USD value)	78.4	92.3	115.4	114.9	114.8	108.7	126.8	121.6
FINANCIAL INDICATORS (end-period data)								
Euro area ten-year bond yield	3.5	4.1	4.6	4.4	4.0	4.1	3.3	3.4
US-euro area ten-year bond spread	-1.01	-0.78	-1.14	-1.30	-2.06	-2.17	-1.12	-1.39
Dollar/euro exchange rate	1.365	1.336	1.421	1.445	1.350	1.294	1.336	1.309
Appreciation/ depreciation of the NEER-20 (b)	-6.3	-8.2	3.4	3.7	0.7	-2.1	0.9	-0.4
Dow Jones EURO STOXX 50 index (b)	-7.4	-5.8	4.2	2.0	-22.0	-17.1	6.9	-1.4

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

a Information to 19 April 2012.
b Percentage change in year to date.

identified. On 30 March 2012, the Eurogroup decided to strengthen the lending capacity of the current crisis management mechanisms (see Box 2).

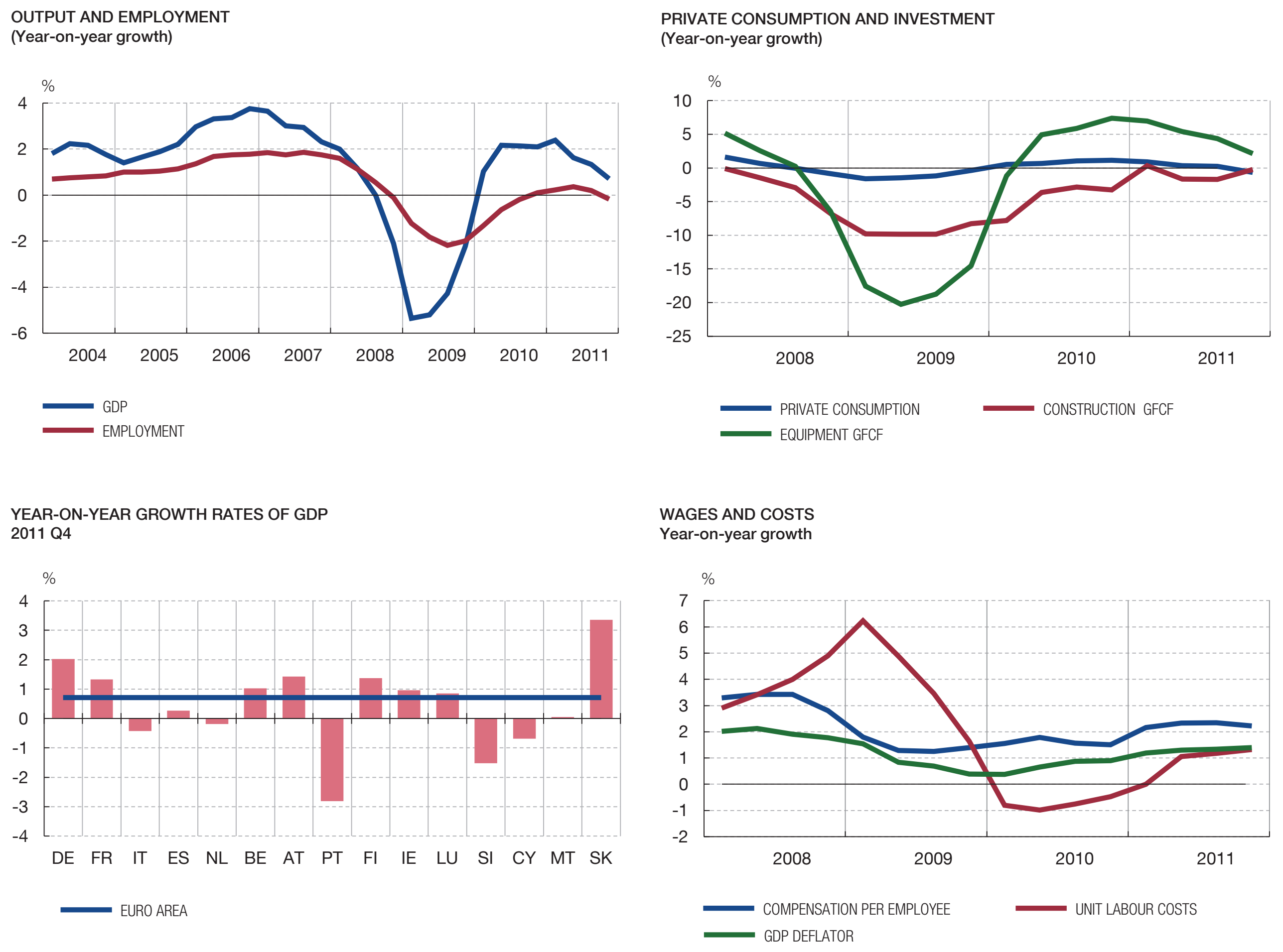
On the fiscal front, the widespread deterioration of public finances during the crisis has made fiscal consolidation the top priority of economic policy in those countries which have experienced greater difficulties. In a setting in which the adjustments required are highly substantial in several cases, it is essential that the measures to be implemented are designed with a view to ensuring the long-term growth capacity of the economies at the same time as attempts are made to minimise their inevitable short-term effects. The European Council meeting in March set out the strategy in this respect.

3.1 Economic developments

On euro area National Accounts data, GDP declined 0.3% in 2011 Q4, after having increased by 0.1% three months earlier; it thus decelerated sharply in the second half of 2011 (see Table 1). The contraction affected all domestic demand components, whereas net external demand made a positive contribution to GDP as a result of exports falling less than imports. Against this backdrop, employment was a further 0.2% down on the previous

EURO AREA NATIONAL ACCOUNTS

CHART 8



SOURCES: Eurostat and national statistics.

quarter which resulted in the first negative year-on-year rate of change since 2010 (see Chart 8). The decline in GDP was widespread among the large euro area countries except for France which posted moderate growth. For the year on average, the area as a whole grew by 1.5% (1.9% in 2010) although the cross-country differences were striking: Germany and Austria performed robustly, as did France to a lesser degree, while dynamism in Spain and Italy was muted and the countries under programmes, especially Greece and Portugal, were in recession.

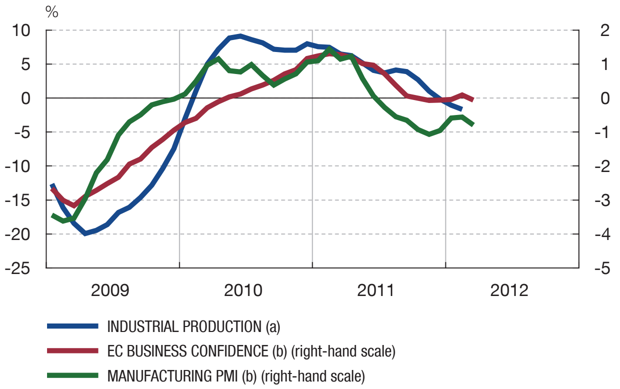
The latest conjunctural information suggests there are some signs of activity stabilising at a low level (see Chart 9). On the supply side, industrial production increased slightly in January and February, but new industrial orders remained very weak at the beginning of 2012. The confidence indicators compiled by the European Commission and those based on surveys of purchasing managers in industry and services held at levels below the theoretical threshold for growth, after rising in Q1 as a whole, and slipping slightly in March. Construction, despite the slight improvements with respect to Q4, remained extremely weak. As for employment, the indicators of job creation expectations in industry and services slightly stemmed the decline posted in the previous quarter, while the unemployment rate rose again by 0.1 pp in February to 10.8%.

On the demand side, consumption indicators showed considerable weakness similar to that in the closing months of 2011. Thus, the improvements in retail sales at the beginning

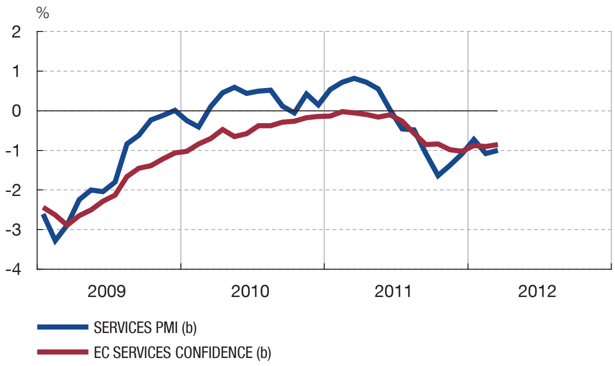
EURO AREA. ACTIVITY, DEMAND AND EMPLOYMENT INDICATORS

CHART 9

INDUSTRIAL ACTIVITY INDICATORS

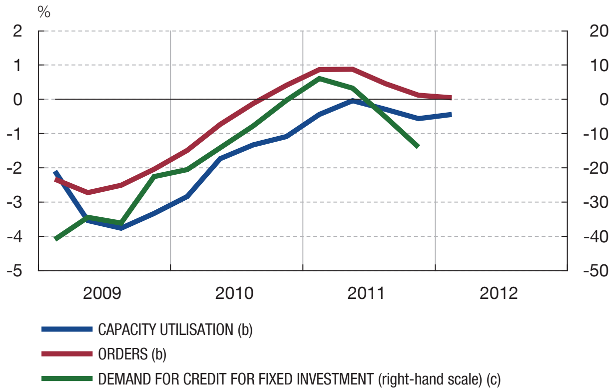


SERVICES SECTOR INDICATORS

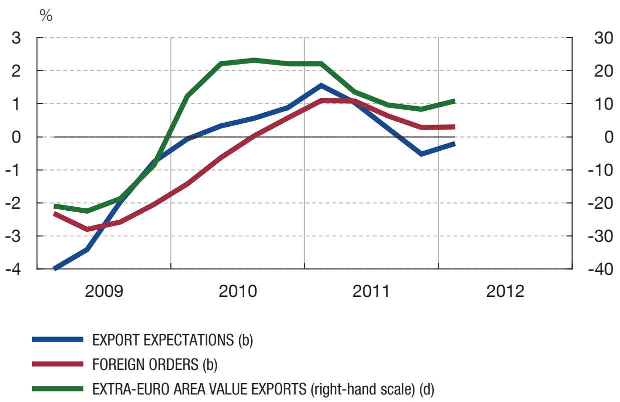


CONSUMPTION INDICATORS

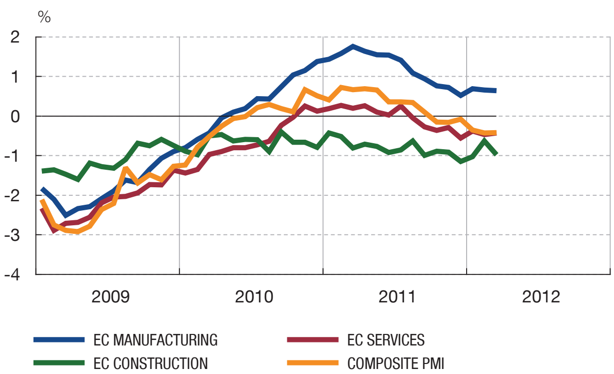
INVESTMENT INDICATORS



EXPORT INDICATORS



EMPLOYMENT EXPECTATIONS INDICATORS (b)

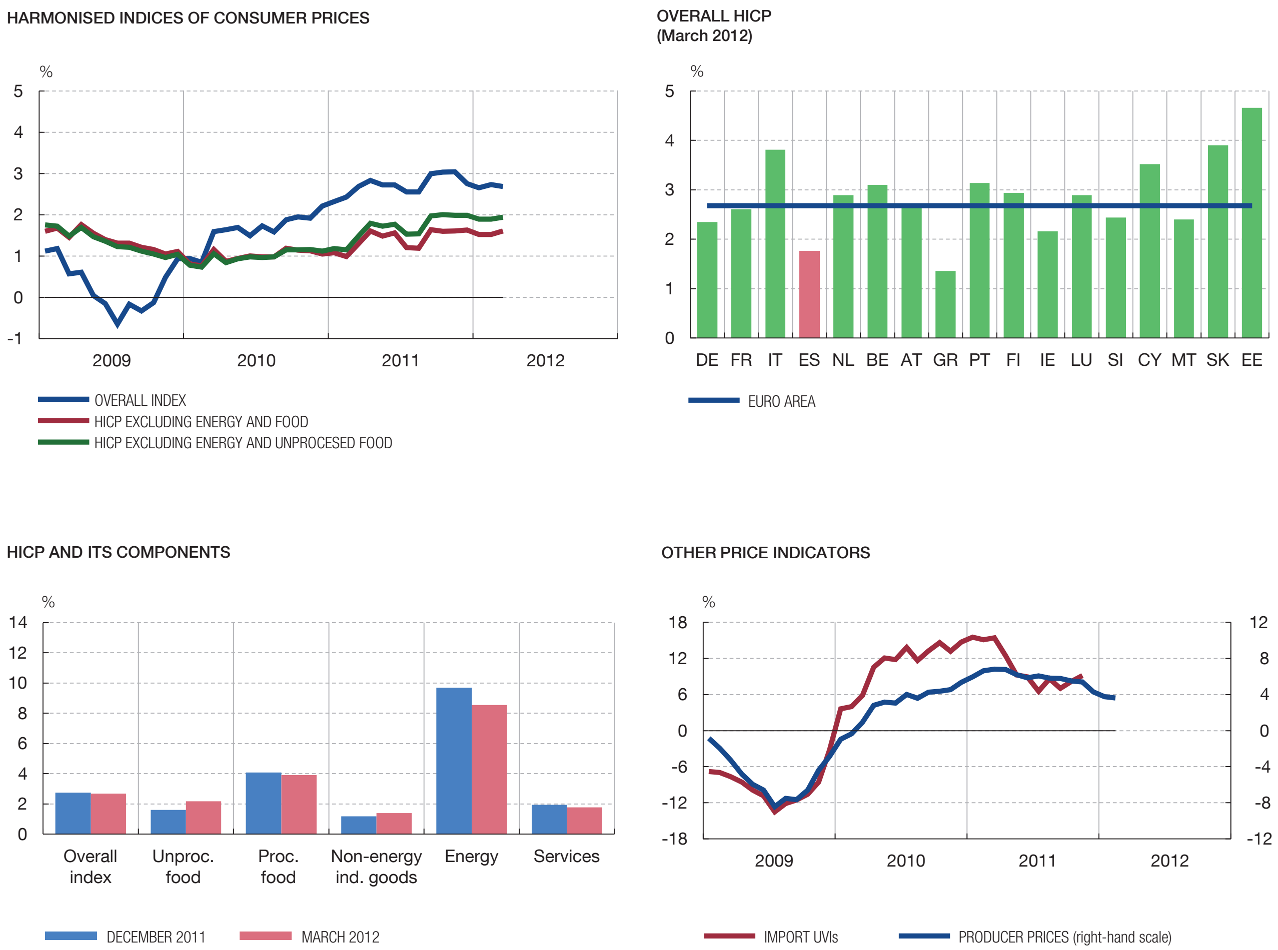


SOURCES: European Commission, Eurostat and Markit Economics.

a Non-centred annual percentage changes, based on the quarterly moving average of the seasonally adjusted series.
b Normalised data.
c Bank Lending Survey. Indicator = percentage of banks reporting a considerable increase + percentage of banks reporting some increase × 0.5 – percentage of banks reporting some decrease × 0.5 – percentage of banks reporting a considerable decrease. A positive value denotes an increase.
d Year-on-year rates of the original series. Quarterly average.

EURO AREA. PRICE INDICATORS CHART 10

Year-on-year percentage changes



SOURCES: Eurostat and ECB.

of the year were not consolidated in February and consumer confidence remained below its historic average. New car registrations and the readiness to buy durable goods remained very depressed over the quarter. In general, weak real income, as a result of the fragile labour market and the increase in inflation, is dampening any boost from private consumption to GDP growth. Against a backdrop in which several euro area countries are making considerable efforts in fiscal consolidation, government consumption and investment will not foreseeably become stronger either. As for private investment indicators, whose performance seems to be highly conditioned by the behaviour of external demand, although capacity utilisation held below its historical average, it rose slightly following the break seen from mid-2011 and quarterly average orders deteriorated further. Lastly, there was some positive data from the trade balance which suggests that exports increased for the period January-March in line with stronger world trade. An indication of that, is the trade surplus recorded in February. Export expectations gained strength at the beginning of the year, although export orders remained lacklustre, following the poor results in the closing months of the year.

In short, the available indicators point to a stagnation or slight contraction of GDP in the euro area in the first quarter of the year (see Table 1). More in the medium term, the most recent projections published by various international agencies and private analysts maintain a baseline scenario of a mild recession in 2012 overall, which is consistent with a slight

GDP AND HICP FORECASTS FOR THE EURO AREA (a) TABLE 2

	2012		2013	
	GDP	HICP	GDP	HICP
ECB (March 2012)	-0.5-0.3	2.1-2.7	0.0-2.2	0.9-2.3
European Commission (February 2012)	-0.3	2.1	1.3	1.6
IMF (January 2012)	-0.5	1.5	0.8	1.7
OECD (November 2012)	0.2	1.6	1.4	1.2
Consensus Forecast (April 2011)	-0.4	2.3	0.9	1.7
Eurobarometer (April 2012)	-0.3	2.3	0.9	1.8

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

a Year-on-year rate of change.

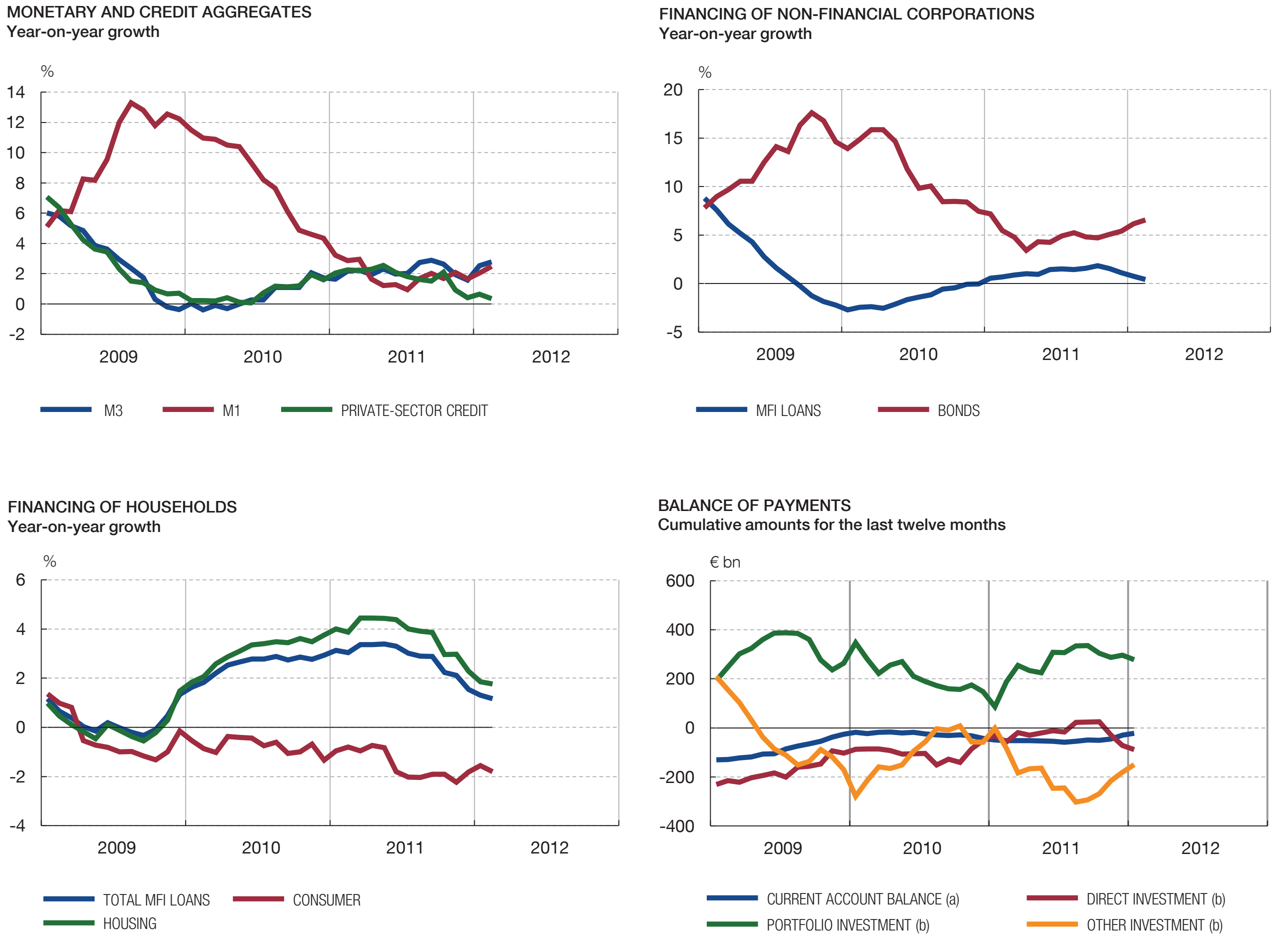
recovery in the second half of the year, boosted by the accommodative monetary policy stance, the deployment of a wide-ranging set of extraordinary measures adopted on different fronts to restore the normal functioning of the financial system and to improve confidence in the euro area along with stronger world trade. Conversely, the process of balance sheet adjustment in the financial and non-financial sectors and high unemployment in certain countries of the euro area may continue to act as a drag on the growth rate. Downside risks prevail around this baseline scenario, which are related in particular with the possible strains in euro area debt markets, their impact on credit conditions and the possibility that they might spread to the real economy, and – externally – to potential further rises in commodity prices.

HICP inflation in the euro area stood at 2.7% in March, coinciding with that recorded in the previous three months. This data was consistent with core inflation, measured by the CPI excluding unprocessed food and energy, which stabilised around 1.9% in 2012 Q1 (see Chart 10). In the short term inflation is likely to hold above 2% until the beginning of 2013, mainly due to recent increases in energy prices and tax rises. More in the medium term, however, the outlook indicates that it will be at levels that are consistent with price stability with risks broadly considered balanced (see Table 2). The long-term inflation expectations remain well-anchored at levels consistent with the price stability objective.

The euro area current account, according to estimates published by the ECB, built up a deficit of €16 billion (1% of euro area GDP) between January and February 2012, down on the shortfall of €22.3 billion (1.5% of GDP) seen in the same period of the previous year. This improvement was the result, with the exception of the services balance whose surplus decreased slightly, of the more favourable performance of the other components. As for the financial account during the same period, net capital outflows in the form of direct investment rose to €11.7 billion compared with €32.4 billion recorded between January and February 2011, while there was a net outflow of portfolio investment of €25.3 billion against inflows of €63.2 billion in the same period of the previous year. Consequently, the negative basic balance, which combines these two types of investment with the current account balance, increased to €53 billion following a surplus of €8.5 billion recorded between January and February 2011 (see Chart 11).

According to the measures included in the budgets, the fiscal policy stance for 2012 will remain markedly tight, it is envisaged that the public deficit will decline again for the area as a whole and that public debt will build up more slowly (see Table 3). In particular, on the

MONETARY AND CREDIT AGGREGATES AND BALANCE OF PAYMENTS CHART 11



SOURCES: ECB and Banco de España.

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

European Commission's projections of Autumn 2011, the deficit stood at 4.1% of GDP in 2011 and is expected to be 3.4% for 2012, while debt will climb to 90.4% this year. This aggregate performance conceals notable differences between euro area countries. In Greece the new programme anticipates a reduction of 2 pp in the deficit in 2012 to 7.3% of GDP, based on adjustments in spending on drugs, pensions, public investment and defence. For its part, in Portugal, the budget for 2012 includes new consolidation measures to bring the deficit to 4.5% of GDP, which include most notably a further cut to public wages and pensions. In Ireland, following the EU and IMF's positive assessment in the context of the financial assistance programme, more than half of the fiscal consolidation measures in 2012 involve spending cuts and the remainder include increases in VAT and certain administered prices. Likewise, the measures announced in Italy for this year include a pension reform and increases in indirect taxes to save 1.3 pp of GDP in 2012. By contrast, the general government finances in Germany were better than expected due to the favourable performance of revenue, whereas in France the government has approved a package of budget-neutral measures to support employment and competitiveness.

In April Member States must submit stability programmes which detail their medium-term budget plans to the European Commission. Countries against which an excessive deficit procedure has been initiated, which currently includes all EU countries except for Finland,

EURO AREA MEMBERS' GENERAL GOVERNMENT BUDGET BALANCES AND PUBLIC DEBT (a) TABLE 3

% of GDP

	2009	2010	2011			2012	
		EDP (b)	EC (d)	IMF (c)	EDP (b)	EC (d)	IMF (c)
Belgium	-5.8	-4.1	-3.6	-3.5	-3.5	-4.6	-3.4
Germany	-3.2	-4.3	-1.3	-1.7	-1.3	-1.0	-1.1
Estonia	-2.0	0.2	0.8	-0.1	0.2	-1.8	-2.3
Ireland	-14.2	-31.3	-10.3	-10.3	-10.0	-8.6	-8.6
Greece	-15.8	-10.6	-8.9	-8.0	-8.6	-7.0	-6.9
Spain	-11.2	-9.3	-6.6	-6.1	-6.0	-5.9	-5.2
France	-7.5	-7.1	-5.8	-5.9	-5.7	-5.3	-4.6
Italy	-5.4	-4.6	-4.0	-4.0	-3.9	-2.3	-2.4
Cyprus	-6.1	-5.3	-6.7	-6.6	-6.5	-4.9	-4.5
Luxembourg	-0.9	-1.1	-0.6	-0.7	-0.6	-1.1	-1.2
Malta	-3.7	-3.6	-3.0	-2.9	-2.8	-3.5	-2.9
Netherlands	-5.6	-5.1	-4.3	-3.8	-4.2	-3.1	-2.8
Austria	-4.1	-4.4	-3.4	-3.5	-3.6	-3.1	-3.2
Portugal	-10.1	-9.8	-5.8	-5.9	-5.9	-4.5	-4.5
Slovenia	-6.1	-5.8	-5.7	-6.2	-5.5	-5.3	-4.7
Slovakia	-8.0	-7.7	-5.8	-4.9	-5.8	-4.9	-3.8
Finland	-2.5	-2.5	-1.0	-1.0	-1.1	-0.7	0.3
MEMORANDUM ITEM: euro area							
Primary balance	-3.5		-1.3	-1.5		-0.3	-0.3
Total balance	-6.4	-6.2	-4.3	-4.1	-4.0	-3.4	-3.1
Public debt	79.3	85.6	88.0	88.6	87.6	90.4	90.0

SOURCES: European Commission, Eurostat and IMF.

a Deficit (–)/surplus (+). The deficits that exceed 3% of GDP have been shaded.
b EDP notification (autumn 2011).
c IMF forecasts (September 2011).
d European Commission forecasts (autumn 2011).

Luxembourg, Estonia and Sweden, also have to specify the measures which will be taken to correct them in the timeframe envisaged in each case.

Finally, in recent months steps have been taken to reform economic governance in the euro area reflecting member countries' greater commitment to moving towards increased coordination of national economic policies in keeping with the high degree of interdependence of their economies. In particular, following the signing on 2 March of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, which includes the fiscal compact that the Heads of State or Government had agreed upon on 9 December, the Member States undertook to introduce within one year, and preferably at constitutional level, a balanced budget rule and an automatic mechanism to take corrective action at national level. In practice, that means a strengthening of the budget rule above and beyond what had been agreed in the excessive deficit procedure within the SGP and considerable voluntary restraint of governments with respect to the debt and deficit criteria. The Treaty also contains the commitment to deepen economic coordination by institutionalising for this purpose specific euro area meetings. At the ECOFIN meeting of 21 February an important agreement was reached on the inclusion, foreseeably in summer of two new legislative proposals on budget supervision and greater surveillance of countries in the euro area. The first envisages aligning calendars for the preparation of national budgets to be assessed at European level, prior to their definitive approval and the second envisages increasing the surveillance of countries with difficulties in terms of financial stability. Furthermore, on 14 February the Commission published its first report on the alert mechanism within the framework of the new macroeconomic imbalances procedure so that, leaving aside the countries with a financial assistance programme, twelve countries must be subject to an in-depth revision to determine whether they present imbalances which require further action. Lastly, the creation of the European Stability Mechanism has been brought forward by one year and on 30 March the suitability of a global ceiling was reassessed, and it was decided to raise it at the same time as an agreement was reached on speeding up outstanding capital payments (see Box 2).

Lastly, at the March meeting of the European Council, within the new framework of the European semester, strategies were established jointly to design the respective national economic and budgetary policies and the need to adopt structural reforms to revive growth and employment was underlined. In order to make fiscal consolidation compatible with a programme of economic and employment growth, different approaches were indicated which included most notably: the design of unemployment benefits which provide greater incentives to looking for work, the fight against tax evasion and tax fraud and reconciling budget restraint with maintaining investment in education, research and development and in innovation. Ways of improving competitiveness were analysed, underlining positive experiences such as lowering the fiscal burden on employment, particularly for lower incomes, opening up protected sectors such as professional services and retail trade, improving the business environment and reducing administrative barriers and extending e-government. The need to take full advantage of the Single Market was emphasised.

3.2 Monetary and financial developments

The easing of tensions on sovereign debt markets during 2012 Q1 was reflected across the board in financial markets which experienced lower volatility in asset prices in the period as a whole, better financing conditions in capital markets and a recovery in stock market indexes and the euro exchange rate. Nevertheless, in April there were once again bouts of instability in response to idiosyncratic factors which affected Italy, in particular, and Spain especially. More generally, in addition to the progress which had continued in the area of governance, there were two more specific factors which contributed to largely reversing the situation of grave financial instability which affected the area, as a whole, in the second half of 2011. Firstly, the ECB's monetary policy decisions and, in particular, the two three-year operations to inject liquidity in December 2011 and February 2012, were decisive in reducing the refinancing risks facing the area's banking system in the context of fragmentation of financial markets. And, secondly, as a result of the successful completion of the bond exchange agreement with private bondholders in order to reduce Greek public debt, in March the second EU/IMF aid programme for Greece was approved with €130 billion of funds for the period 2012-2015. Consequently, one of the greatest sources of uncertainty which was affecting the performance of financial markets was removed. Greek debt was finally restructured successfully with a haircut, in discounted present value terms, of close to 78% for private creditors, most of whom participated. Following the far-reaching measures adopted in December, during the early months of 2012, the Governing Council of the ECB maintained the expansionary stance of monetary policy since it considered that the risks to meeting the price stability target were balanced and that inflationary pressures in prices and wages were unlikely in the current context of economic weakness. Thus, the rate on main refinancing operations held at 1% and the rate on credit and deposit facilities was 0.25% and

The euro area sovereign debt crisis has prompted a far-reaching response from economic authorities which has required combining action both at national and euro-area level. At the level of the euro area, as a whole, action has centred in turn on two interdependent fronts: on one hand, strengthening the governance of the euro area, and on the other, creating crisis management and resolution mechanisms which were not envisaged in the Treaty in order to provide financial assistance to troubled Member States by incorporating some elements of solidarity and mutualisation of risks. With regard to the latter, the European authorities have established firstly, on a temporary basis, the European Financial Stability Facility (EFSF) and, then on a permanent footing, the European Stability Mechanism (ESM).

The negotiation process which led to the creation of the EFSF and the ESM has been protracted and difficult, since the design of these mechanisms raises the politically delicate questions of moral hazard and *ex ante* burden sharing rules that the materialisation of the financial risks assumed would involve. From the outset a consensus was reached that strict conditionality, based on ambitious programmes of fiscal consolidation and structural reforms to facilitate medium-term growth should be combined with sufficient financial power to provide the necessary resources, potentially of a high magnitude, when required by one or more countries. Conversely, it was some time before opinions converged on the relative weight which should be assigned to each of these components. The initial design of the EFSF tended to weight the former more with the result that this device seemed to have been conceived to tackle localised liquidity problems, which would be resolved by extending loans on non-concessional terms. However, the increasingly systemic nature of the crisis underlined the need to increase its firepower, to make it function more flexibly and to moderate the conditions of financial assistance.

The process, which required amendments to the Treaty on the Functioning of the European Union, culminated in the signing of the Treaty establishing the European Stability Mechanism ("the Treaty") on 2 February 2012. The ESM, whose main characteristics are included in the table below, is structured as a supranational financial institution whose aim is to give financial assistance to those euro area countries which are experiencing or are threatened by serious financial difficulties, provided that doing so is essential to safeguarding the financial stability of the euro area as a whole. The Treaty will come into force once it has been ratified by euro area countries representing at least 90% of capital subscriptions which is expected to take place in July 2012.

This mechanism will have the operational flexibility granted to the EFSF at the summit of Heads of State or Government in July 2011. In particular, the ESM may grant precautionary financial assistance to resolve liquidity problems in countries with sound economic fundamentals, to purchase sovereign debt on primary and secondary markets, and to provide governments with loans for bank recapitalisations. The Treaty also envisages the possibility of leverage of the ESM. One substantial difference with respect to the EFSF is the ESM's capital structure which makes it sounder and more effective. In particular, compared

MAIN CHARACTERISTICS OF THE EUROPEAN STABILITY MECHANISM

Capital structure	Paid-in capital: €80 billion. It will be paid in 5 tranches: the first two in July and October 2012, the next two in 2013 and the last one in mid-2014. Callable capital: €620 billion.
Distribution by country of capital contributions	In proportion to their participating interest in the ECB with a temporary downward adjustment for lower-income countries.
Lending capacity	Maximum of €500 billion. The joint lending capacity of the ESM and EFSF is set at €700 billion. The rights, obligations and commitments of the EFSF will be transferred to the ESM until the former has been completely run down.
Financial assistance instruments	Loans. Precautionary credit lines. Loans extended specifically for recapitalisation of financial institutions. Purchase of bonds on primary and secondary markets.
Cost and term of financial assistance	The interest rate will be set so as to cover financial and operating costs and to ensure an appropriate margin. The term may be extended to 30 years.
Borrowing operations	The ESM may borrow on the capital markets from banks, financial institutions and other persons or institutions.
Main governing body	Council of Governors comprising the Ministers of Economy and Finance of ESM member countries.
Decision-making procedures	By mutual agreement of the Board of Govenors, defined as the unanimity of the members participating in the vote, excluding abstentions. An emergency procedure is envisaged which will be used where the European Commission and the ECB consider that the financial assistance must be granted urgently. In this case decisions will be taken by a qualified majority of 85% of the votes.

SOURCE: European Commission.

with the former's cascade structure of guarantees, the existence of capital (both the initial paid-in capital and the additional callable capital) makes the ESM less vulnerable to the risk of a request for financial assistance from a Member State potentially unleashing successive downgrades of credit ratings of its members that ultimately result in the downgrade of the ESM's own credit rating.

The process whereby the ESM grants financial aid will begin with a request made by a Member State to the ESM's Board of Governors. The latter will entrust the Commission and the ECB to assess the risk to the financial stability of the euro area, the sustainability of the public finances of the country concerned and its actual and potential financing needs. On this basis, the ESM will decide whether it is necessary to provide financial assistance to the Member State. If so, it will entrust the Commission, in liaison with the ECB and, if appropriate, the IMF to negotiate and sign with the country a memorandum of understanding (MoU) that includes the conditions that must be met for the assistance to be granted. Finally, the ESM will approve the assistance agreement which will specify the financial aspects thereof.

The conditions included in the MoU will vary according to the severity of the difficulties faced by the country and also to the financial instrument used for the assistance to be granted. Thus, if the ESM's financial support is a loan, under the Treaty stricter conditionality in terms of economic policy must be established in the form of the implementation of a far-reaching programme of economic adjustment. Where other instruments of assistance are employed – credit lines, loans to recapitalise banks or bond purchases – the conditionality will not necessarily be as stringent and may be limited to continuous compliance with certain criteria set out in the MoU. In any of these cases, the Treaty establishes as a requirement for the granting of assistance that as of 1 March 2013, the country assisted has ratified the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (known as the fiscal compact and which is one of the tools for strengthening governance in the euro area) and implemented the balanced budget rule included therein.

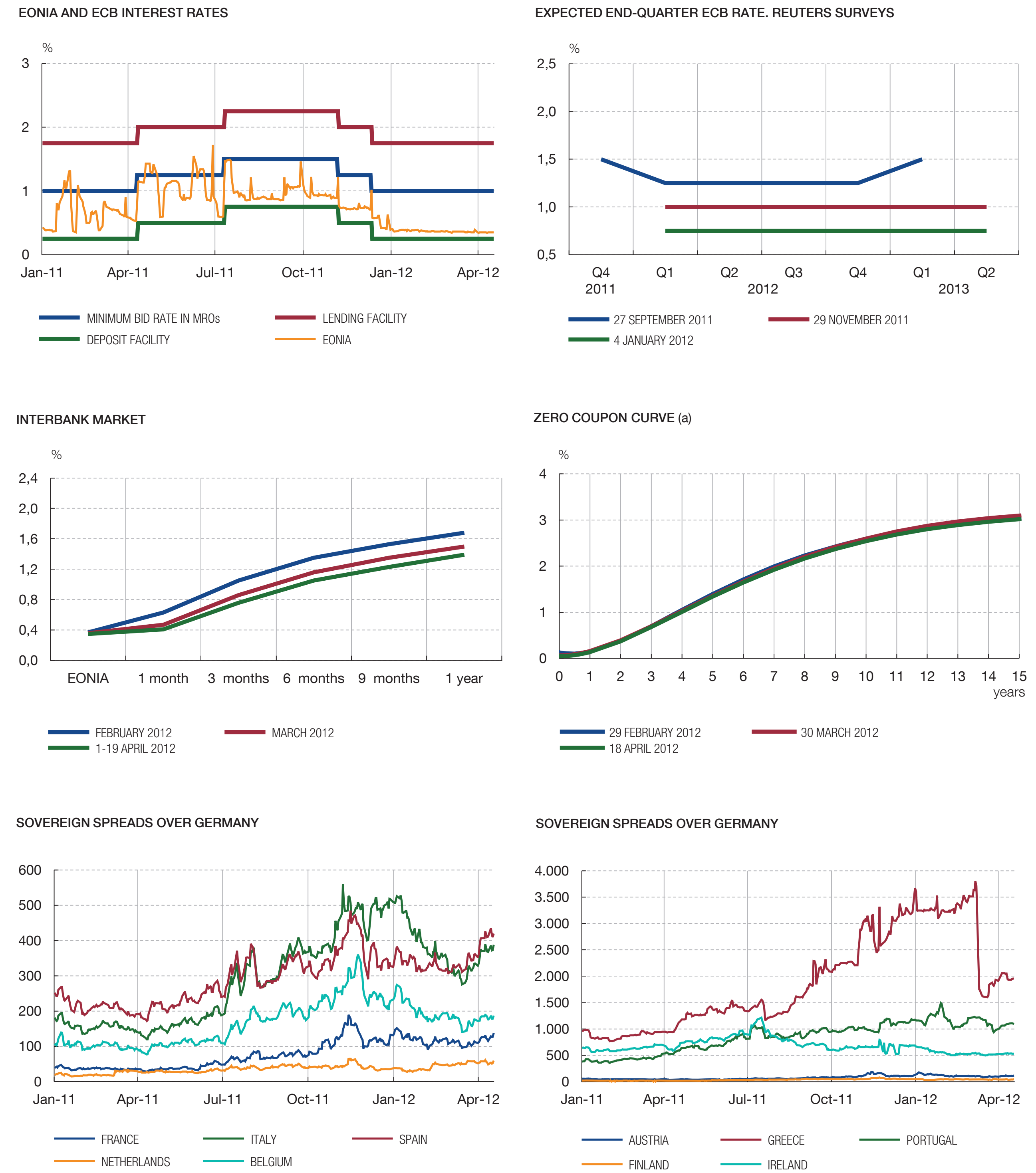
The ESM will cooperate closely with the IMF, seeking its active participation both at technical and financial level, as with the assistance programmes currently in force. The ESM will have preferred creditor status in respect of the financing granted, although the IMF will, in turn, enjoy seniority over the ESM. In accordance with IMF practice, the involvement of private creditors in the framework of aid programmes will be considered on a case-by-case basis so as to guarantee balanced burden sharing between the former and taxpayers. This involvement may take the form of voluntarily maintaining bond holdings of the country concerned or a renegotiation process of the payment conditions thereof. This process may include a moratorium, a lengthening of the maturity, a decrease of the interest rate or a partial default. In order to facilitate these negotiations, under the ESM Treaty "Collective Action Clauses" (CACs) must be included from 1 January 2013 in government securities with a maturity of more than one year issued by euro area countries, whereby any change to the conditions of the debt accepted by a specified majority of holders will be binding for all of them.

1.75%, respectively (see Chart 12). Furthermore, in February it approved specific national eligibility criteria for the temporary acceptance of additional credit claims as collateral. In February, 800 banks in total participated in the second three-year longer-term refinancing operation which was carried out with full allotment. This tender, together with the first one conducted on 21 December, contributed gross liquidity of slightly more than €1 trillion, or slightly more than €500 billion in net terms, aimed at overcoming the refinancing difficulties facing the banking system at end-2011.

The improvement in the financing conditions of banks was reflected, on one hand, by the increase in unsecured debt issuance in January and February and, on the other, by the fall in their short and long-term financing costs. Similarly, in government debt markets spreads over the German bund narrowed, initially across the board and ECB purchases within the Securities Market Programme were discontinued (see Chart 12). The initial easing was particularly sharp in Greece – following the debt restructuring – and more gradual in Italy, in line with progress made in fiscal policy and structural reforms. By contrast, the sovereign risk premium held relatively stable in Portugal, faced with doubts about the need to negotiate a second bailout, and in Spain. At end-March tensions suddenly flared up again

EURO AREA INTEREST RATES

CHART 12

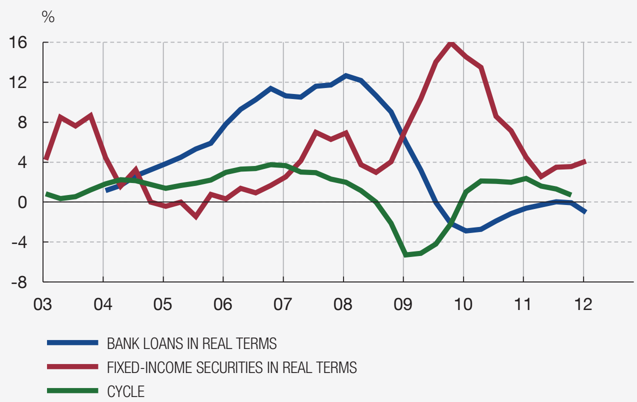


SOURCES: ECB and Banco de España.

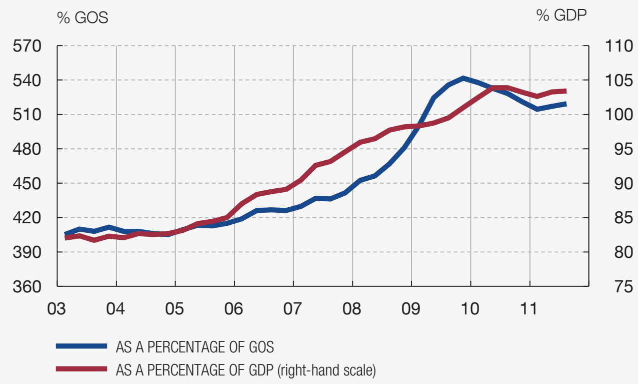
a ECB estimate using swap market data.

Credit extended to non-financial corporations (NFCs) in the euro area embarked on a smooth recovery in 2010, with its cyclical pattern duly lagging – by approximately three quarters – economic activity (see Panel 1). However, growth was subdued and recorded a year-on-year rate of increase of 2% in October 2011. Demand for financing was bolstered by the incipient improvement in economic activity and the accommodative stance of monetary policy, although these boosts were countered by the absence of an eas-

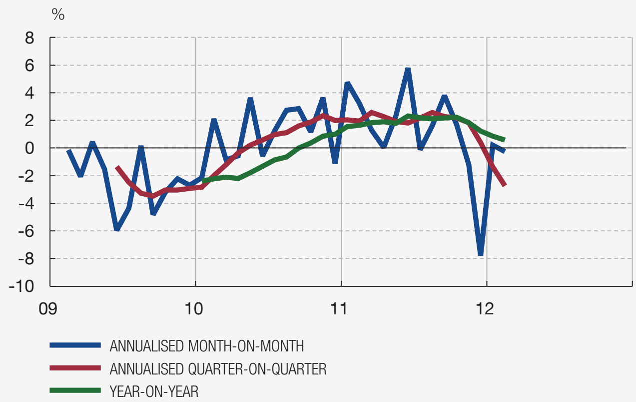
1 FINANCING AND THE CYCLE



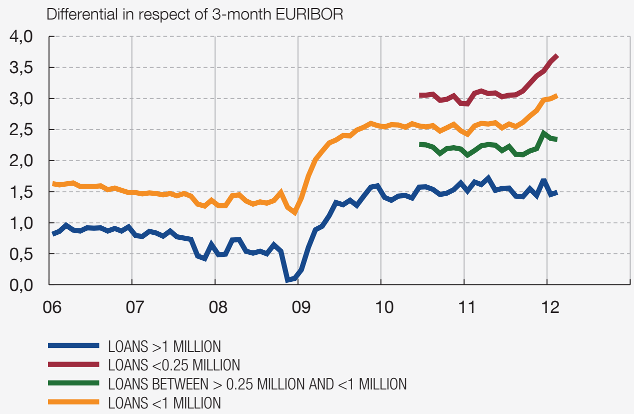
2 DEBT RATIOS



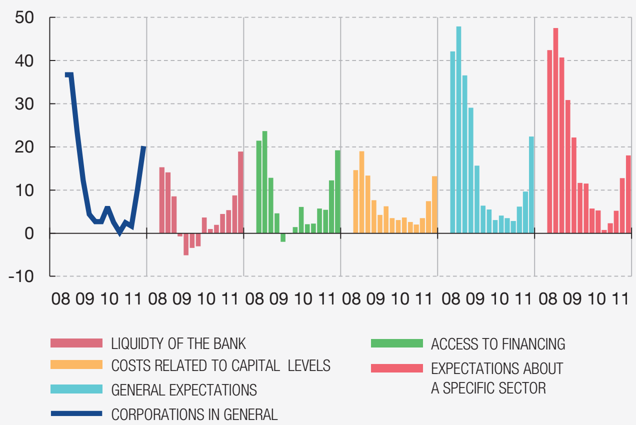
3 BANK LOANS



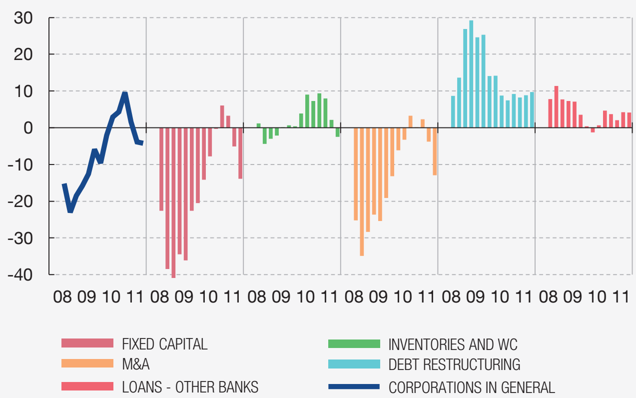
4 BANK RATES. NEW LOANS



5 BANK LENDING SURVEY AND SUPPLY FACTORS



6 BANK LENDING SURVEY AND DEMAND FACTORS



SOURCES: ECB and Banco de España.

ing of supply conditions and the high indebtedness of corporations (see Panel 2). The weak recovery of bank loans was accompanied by a slight slowdown of bond issuance, following relatively significant resort to this alternative source of financing during the crisis. Debt in the form of bonds issued by NFCs grew 5% year-on-year in 2011, although these operations were mainly conducted by large companies and this instrument only accounts for 10% of the sector's total outstanding debt, up from 9% in 2007.

The recovery of the financing of NFCs in the euro area was interrupted in autumn 2011. The annualised average month-on-month growth rate of bank loans in Q4 was -2.3%, which is equivalent to a negative quarterly net flow of €30 billion. The year-on-year rate of increase in loans declined to 0.6% in February 2012 from 2% in October 2011. This deterioration was quite widespread among countries, although a portion of the negative flow might have been temporary since it includes the decline in contracts in some countries due to year-end balance sheet operations and to their replacement by increased issuance on primary markets. Behind the change of trend in lending to corporations, there are supply and demand factors which are difficult to distinguish and are related to the worsening of the sovereign debt crisis and its impact on the fragile situation of the banking system, the double-dip in economic activity and the deterioration of the macroeconomic outlook.

Thus, according to the Bank Lending Survey (BLS) for 2011 Q3 and Q4, the tight credit conditions applied by banks to their customers became more restrictive in the second half of 2011. This will forseeably continue into 2012 Q1 (see Panel 3). The tightening of lending standards was sharper for longer maturities and in operations with large corporations. In general, the credit supply contracted in response, on one hand, to poorer expectations about economic activity and the specific circumstances of various sectors and, on the other, to the deteriorated situation of banks' capital and liquidity in a context marked by the intensification of the sovereign debt crisis in the area and the difficulties in meeting substantial large volumes of debt maturities and exceptionally tighter capital requirements. The margins applied to new credit transactions increased, reflecting the pass-through of sovereign tensions to the cost of loans and of the adjustment in risk valuation in line with the downturn in activity and higher uncertainty (see Panel 4). The interest rate on new transactions increased 21 bp in 2011 Q4 (26 bp on contracts of less than €1 million) to 3.5%. The latest available information on interest rates relating to February shows a fresh tightening of transactions for a lower amount, which is particularly significant for SMEs.

However, the weakness of loans in 2011 Q4 and the early months of 2012 also reflects a moderation in demand for funds from NFCs. According to the BLS, the factor that might have most contributed is the drop in the demand for funds for new investments in fixed capital, which became more important at end-2011 in keeping with the deterioration in the economic outlook. Likewise, there were other factors which triggered a reduction in demand, such as the smaller borrowing requirement for investment in inventories and working capital or for mergers and acquisitions and the increase in available own funds. However, as has been the case since the beginning of the crisis, debt restructuring requests continued to increase.

In short, the recovery of bank loans to NFCs in the euro area came to a halt in 2011 Q4, as a result of supply and demand factors connected to the financial situation of banks, the double dip in economic activity and the deterioration of the macroeconomic outlook. The ECB's reduction of official interest rates at end-2011 and the non-conventional measures introduced to guarantee the effectiveness of the monetary policy transmission mechanism are contributing, however, to limit the scope of some of these factors.

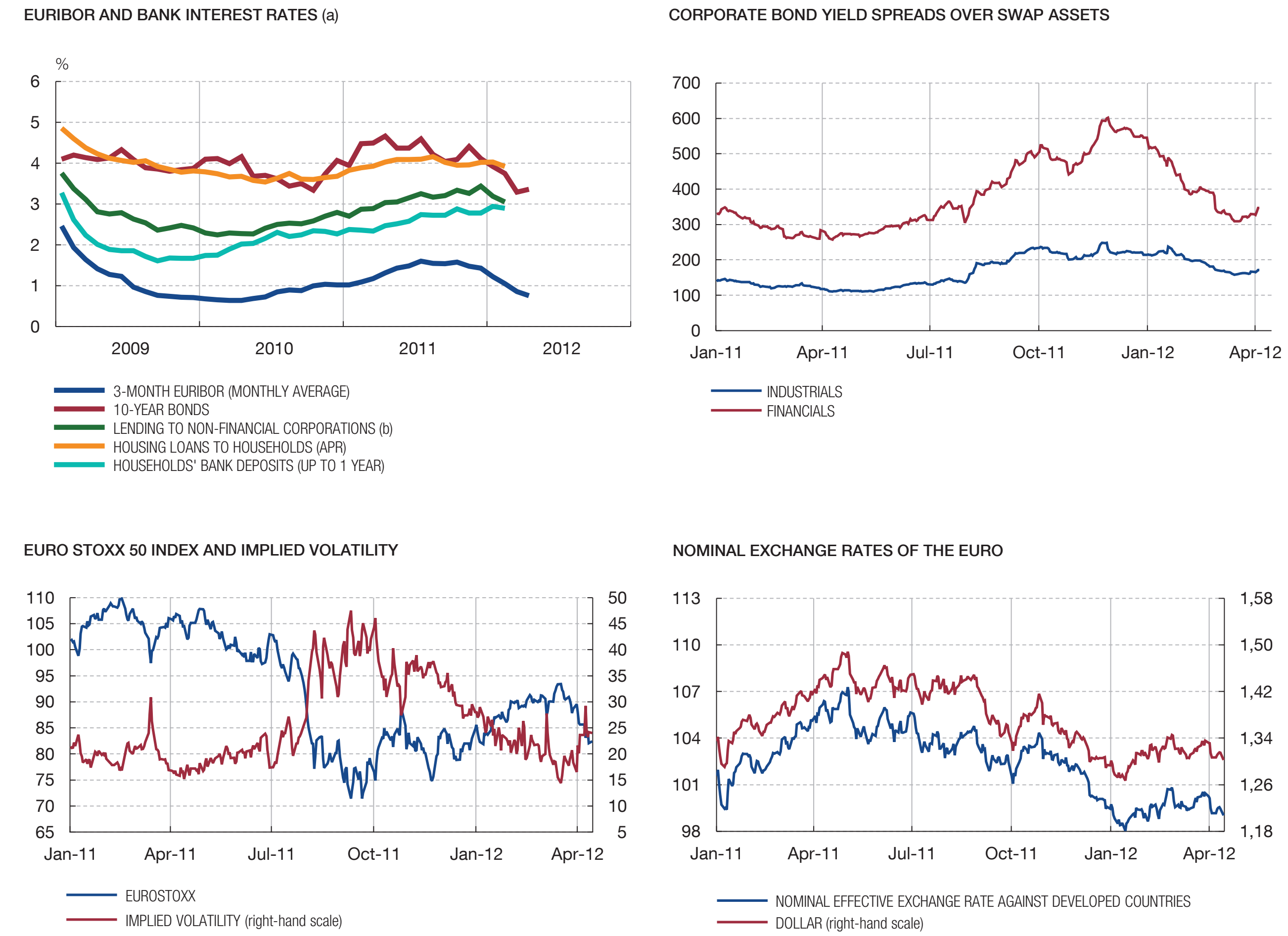
and had a particularly strong effect on Spain, whose risk premium rose again above Italy's, reversing the trend seen since the summer months.

Developments on the stock market have been similar, with significant improvements at the beginning of the year which, however, began to reverse in March with the result that so far this year the Eurostoxx 50 index has lost 3.3%, dragged down by the sharp fall in the IBEX 35 and to a lesser degree by the Italian bourse (see Chart 13). To date, the euro-dollar exchange rate appreciated 1.2% against a less volatile backdrop.

Interbank market interest rates continued along the downward path begun at end-2011. The 3-month and 1-year EURIBOR stood, respectively around 0.74% and 1.36% in April, their lowest levels since end-2010. The spread between the 1-year EURIBOR and the return on repo operations narrowed particularly significantly, although it remains at histori-

EURO AREA INTEREST RATES, EURO STOXX INDEX AND EURO EXCHANGE RATES

CHART 13



SOURCES: ECB and Banco de España.

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

cally very high levels above100 bp. However, the pass-through of this decline to rates on bank loans, for the moment, has been very limited.

According to the Bank Lending Survey, banks' lending policies tightened in 2011 Q4, a process which, based on the projections of participant institutions, is expected to continue during the early months of 2012. Demand for loans also weakened as a result of greater uncertainty and the worsening of macroeconomic conditions. In these circumstances, bank loans to households continued to slow down, posting a growth rate of less than 1.8% in February – adjusted for securitisations and sales –. As explained in greater detail in Box 3, the weakness was more acute in loans extended to non-financial corporations whose year-on-year growth rate stood at 0.6% in February.

On the still incomplete information currently available, economic activity is estimated to have shrunk in 2012 Q1 by slightly more than in 2011 Q4, with a quarter-on-quarter GDP decline of 0.4% (see Chart 14). The contributions of national demand and external demand to this rate of change had the same sign as a quarter earlier, but were somewhat smaller. Thus, national demand declined less sharply than in the period October-December (–0.9% quarter-on-quarter, as against –1.7%), while the positive contribution of external demand moderated to 0.6 pp, down 0.9 pp from 2011 Q4. Having risen for seven quarters in a row, GDP fell again, in year-on-year terms, at a rate of –0.5%, which was 0.8 pp less than in the previous period.

Employment declined sharply again. The quarter-on-quarter rate of fall was slightly less pronounced than in Q4, entailing a year-on-year decrease of close to 4%. At the same time, compensation per employee slowed in the economy as a whole. This, along with the high growth in observed productivity, led to a significant decline in unit labour costs. Consumer prices moderated by 0.5 pp between December and March, the CPI reaching a year-on-year rate of 1.9% in the latter month. The annual growth of the CPI excluding unprocessed food and energy fell by 0.4 pp, to 1.2%. These developments enabled Spanish inflation to be 0.8 pp lower in March than that of the euro area, with the annual growth rates of prices for all the main components below those observed in the euro area.

4.1 Demand

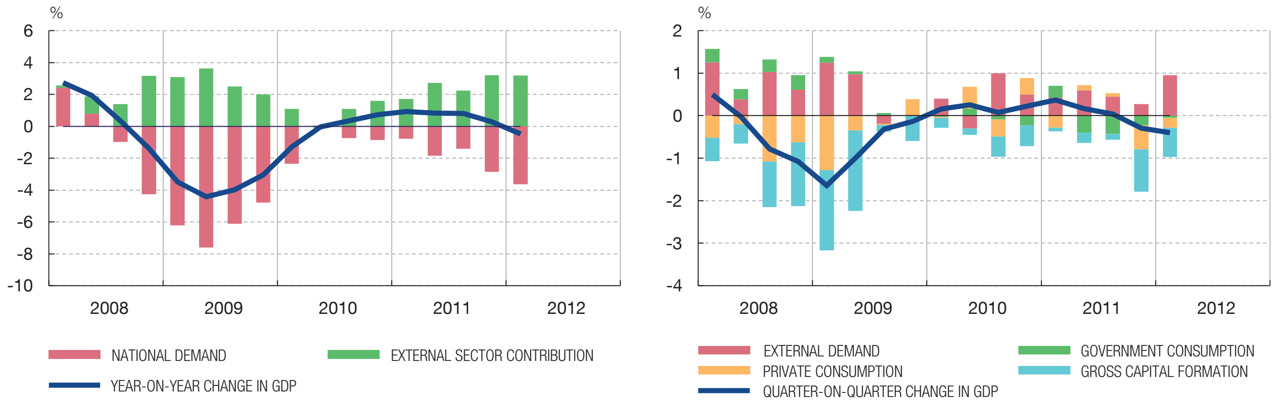
In 2012 Q1 household consumption continued to display notable weakness (see Chart 15). Specifically, this component of demand is estimated to have fallen by –0.4% quarter-on-quarter, an adverse performance that is attributable to the further deterioration in the labour market since autumn 2011, the fall in household wealth (both in its real estate component and in that part held in the form of financial instruments), the coming into effect of the increase in personal income tax rates and, in general, the climate of greater uncertainty. This latter aspect was reflected in a worsening of the retail confidence index and, especially, of the consumer confidence index, which at the end of Q1 stood at its lowest level since April 2009. As for quantitative indicators, the quarter-on-quarter decline in seasonally adjusted new private car registrations accelerated to –4.8%. In year-on-year terms, the decline accelerated by 1 pp, to –6.6%. For their part, sales of consumer goods and services by large firms, an indicator compiled by the tax authorities, declined on average by 2.5% year-on-year in real terms in January and February, a less pronounced decline than in 2011 Q4 (–3.8%). The average level of the retail trade index in January and February shows similar behaviour, a fall of 5.3%, which is somewhat less sharp than the one seen in the final quarter of last year.

In 2011 as a whole, nominal household income grew moderately, according to data of the non-financial accounts of the institutional sectors (0.4%). As against this low growth in nominal income, household consumption, also measured in nominal terms, continued to rise, leading to a further decline in the sector's saving rate, to 11.6% of disposable income, down 2.3 pp from 2010. In 2011 household net lending (the difference between the sector's saving and investment) was positive for the fourth year running, although, at 2.3% of GDP, its level was 1.5 pp lower than in 2010.

Investment in capital goods displayed a downward trend during Q1, with a quarter-on-quarter fall of 3.5%, similar to the one observed in 2011 Q4 (see Chart 16). The worse

MAIN DEMAND AGGREGATES. CONTRIBUTION TO GDP GROWTH

CHART 14

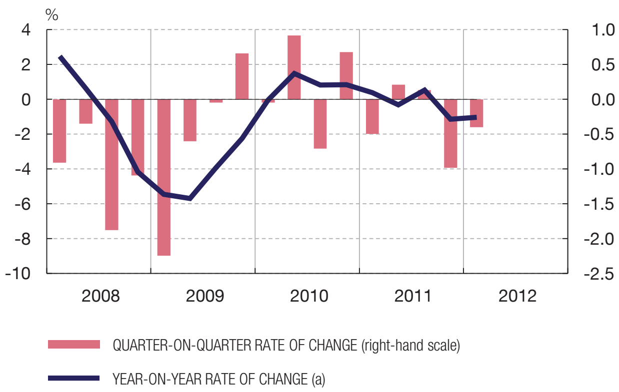


SOURCES: INE and Banco de España.

PRIVATE CONSUMPTION

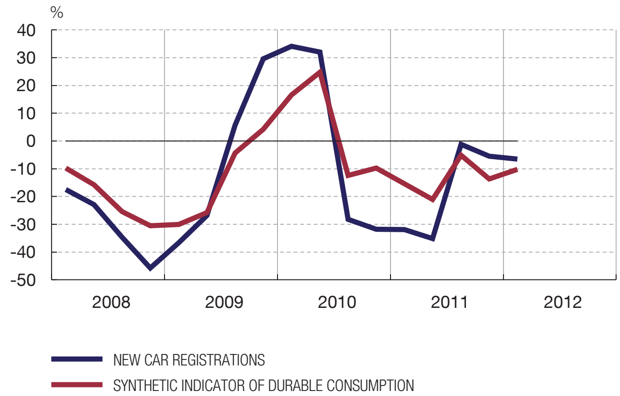
CHART 15

PRIVATE CONSUMPTION (QNA)

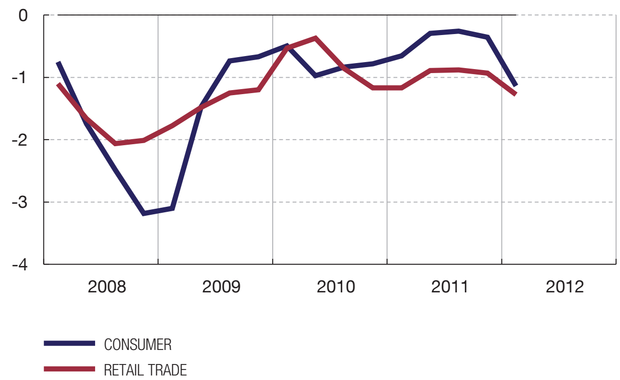


CONSUMPTION INDICATORS (a)

DURABLE CONSUMPTION INDICATORS (a)



CONFIDENCE INDICATORS (b)

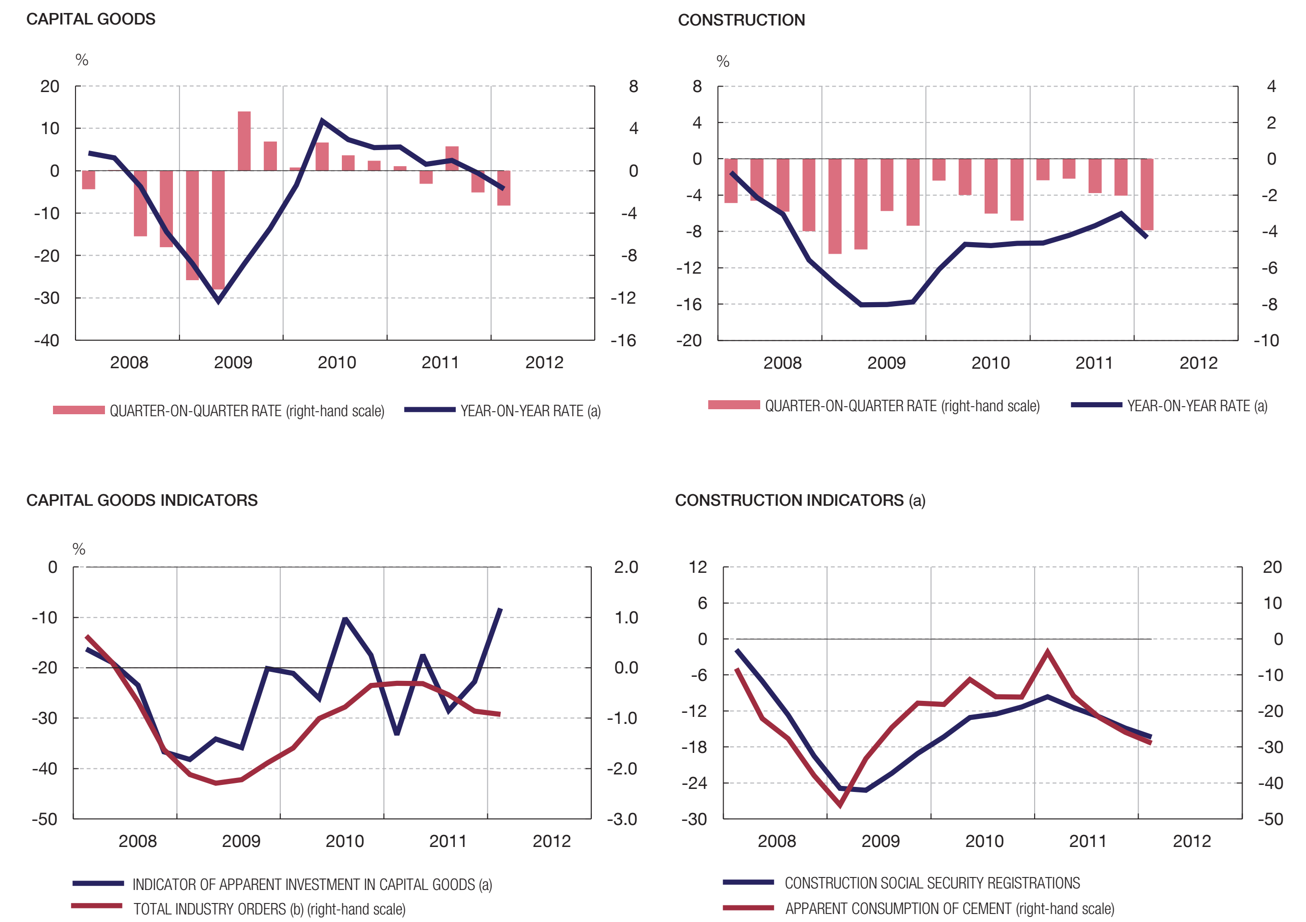


SOURCES: INE, European Commission, ANFAC and Banco de España.

a Year-on-year percentage change based on the seasonally adjusted series.
b Normalised confidence indicators (difference between the indicator and its mean value, divided by the standard deviation).

GROSS FIXED CAPITAL FORMATION

CHART 16



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

a Year-on-year percentage change based on the seasonally adjusted series, except for social security registrations, which are based on the original series.
b Normalised indicator (difference between the indicator and its mean, divided by the standard deviation).

economic outlook in Spain, the slowdown in world trade and the resurgence of financial tensions are some of the factors that may have dampened the launch of new investment projects. Both the industrial production of this type of good and imports fell sharply on average in January and February (–9.5% and –17.2%, respectively, in year-on-year terms). Also, commercial vehicle registrations displayed a high rate of contraction in the first few months of 2012. Also the industrial confidence indicator remained at low levels in the period January-March (both in the sector as a whole and in the capital goods segment), although it did not worsen with respect to 2011 Q4.

On information from the non-financial accounts of the institutional sectors, the net lending of non-financial corporations amounted to 1.6% of GDP in 2011 (up 1 pp from 2010). This improvement was essentially based on the profit margin and may be indicative of the firms' efforts to clean up their balance sheets and to strengthen their cash flow generation capacity given the difficulty of obtaining borrowed funds. However, in the final quarter of the year the gradual improvement observed during the year was interrupted, with lower saving attributable to the increase in taxes paid and dividends distributed.

Construction investment maintained the contractionary trend of recent quarters, associated with the process of adjustment in the residential segment and fiscal consolidation in the area of civil engineering works. In recent months, the employment indicators for the sector as a whole have displayed quarter-on-quarter declines similar to those of Q4, while the rate of fall of the indicators relating to the use of inputs slowed somewhat. By type of work, the quarter-on-quarter rate of fall of residential investment is estimated to have decelerated, although this adjustment process is projected to continue over the next few quarters, given the scant progress that had been made in reducing the gap between housing completions and starts by the end of 2011. As for transactions, in 2011 Q4 around 45,000 new homes were sold, 22% fewer than in the same period of 2010, although it should be remembered that the figure for the latter period was abnormally high owing to the partial disappearance of tax relief at the beginning of 2011. Meanwhile, permits for non-residential construction continued to fall sharply in January, as did the government tenders of civil engineering works. Finally, the direct contribution of general government to national demand remained negative in Q3, on account of the behaviour of both investment and government consumption.

Turning to developments in the external sector, the latest information available suggests that the contribution of net external demand to quarter-on-quarter GDP growth moderated in 2012 Q1, to 0.6 pp, with a slight decline in exports and a somewhat larger decline in imports. Year-on-year, the rate of growth of sales abroad was 3%, half of the rate at the end of 2011, while imports declined at a rate of close to 7.5%, as against –5.9% in Q4, so that, in year-on-year terms, net external demand continued to make a significant contribution to GDP growth in 2012 Q1, of 3.2 pp (see Chart 17). The loss of momentum in exports over the last half year has occurred against a background of slowing growth of world markets, in particular of Spanish markets (owing to the weakness of some euro area countries), and despite Spain's price-competitiveness gains, both vis-à-vis the developed countries and the euro area.

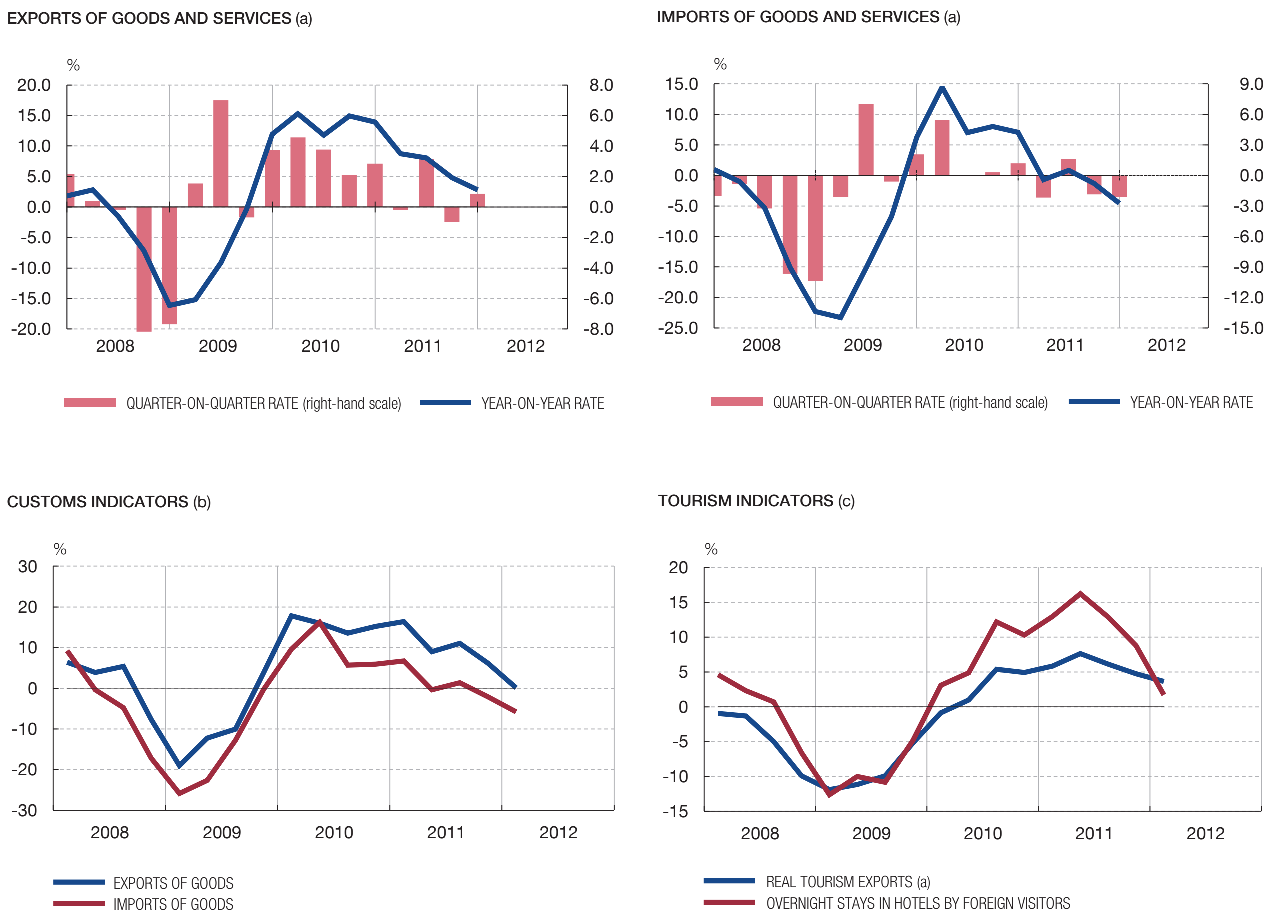
On Customs data, real goods exports continued to decelerate during the first two months of the year, with year-on-year growth of 0.8%, as against 5.4% in 2011 Q4. By product group, exports of intermediate goods were the most dynamic, while sales of capital goods and consumer durables declined. By geographical area, nominal exports to the euro area fell slightly in year-on-year terms (–1.3%) on average in January and February, held back by the decreases in exports to Portugal (–9%) and to Italy (–8%), despite the increase in sales to Germany (close to 8%). By contrast, exports to the rest of the EU and the rest of the world displayed positive growth rates (of 13% and 10%, respectively).

As for real exports of tourism services, the information available points to a certain moderation, in year-on-year terms, in the first quarter of the year, owing to the worsening of growth expectations in the main tourist source countries. Arrivals of foreign tourists and overnight hotel stays increased year-on-year in the period January-February (by 3.1% and 3.6%, respectively), but by less than in the previous quarter. By country of residence, the balance of developments in the main markets providing tourists was negative, since the number of tourists from Germany fell while that of British tourists barely increased. Also the nominal spending of tourists grew during the first two months of the year by 4.7% year-on-year, less than in 2011 Q4, according to the tourism expenditure survey (EGATUR). Balance of payments data, to January only, confirm the moderation in the rate of growth of nominal receipts. Also exports of non-tourism services are projected to have slowed in Q1, in line with the developments in goods exports and international passenger transport.

Purchases of goods from abroad declined on average in January and February by 4.7% year-on-year, according to Customs data, a somewhat more pronounced drop than in the

FOREIGN TRADE
Year-on-year rate of change

CHART 17



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

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

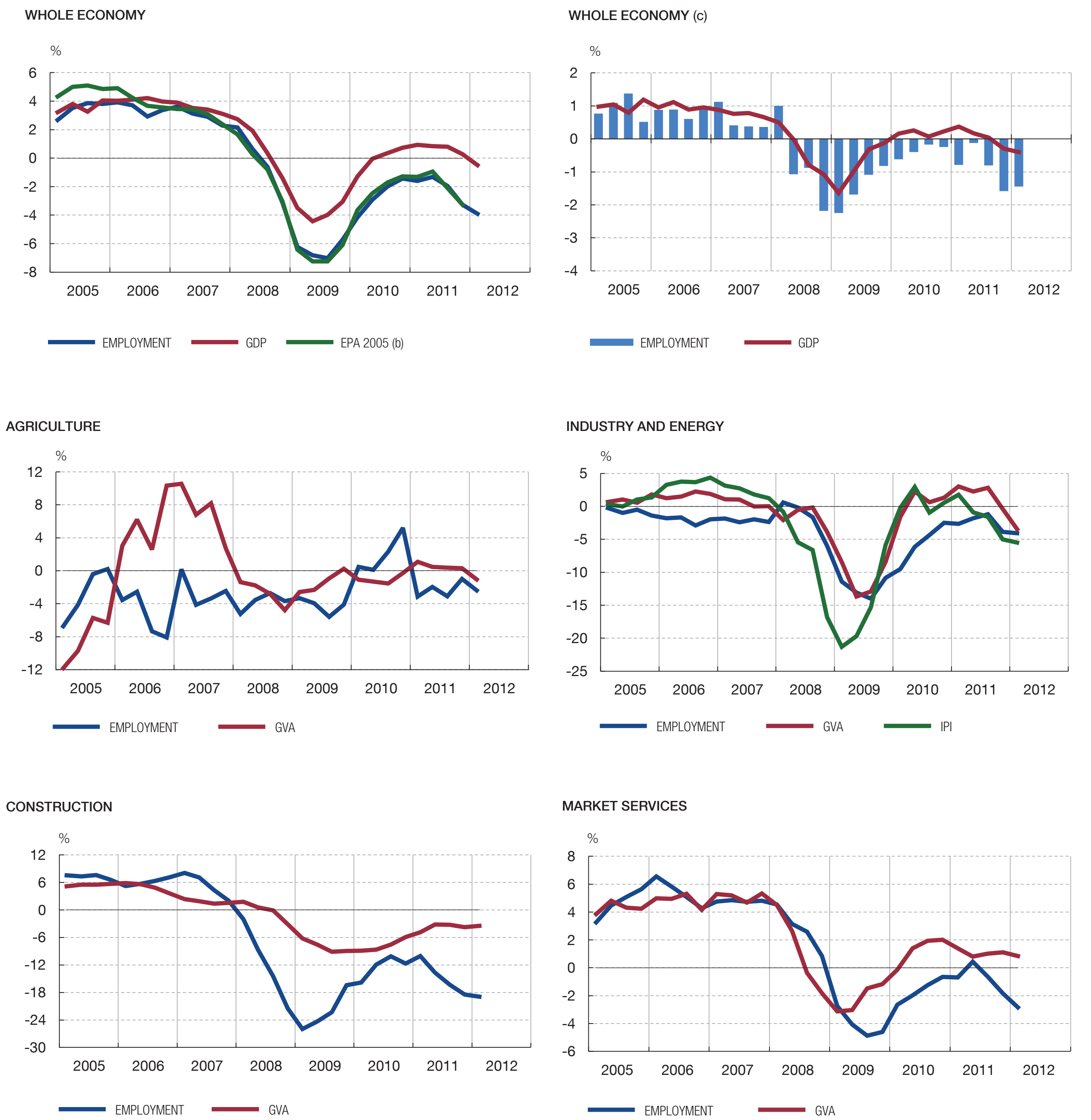
final quarter of 2011 (–3.1%). Only in the case of purchases of consumer durables (in particular, cars) was a year-on-year increase recorded, while the rest of the components displayed declines, which were especially pronounced in the case of capital goods imports (–9%). Finally, real services imports are projected to have fallen more sharply in the first quarter of the year, with decreases in both purchases of tourism services and other services, in line with the weakness of domestic demand.

4.2 Output and employment

During 2012 Q1, the contractionary trend in the gross value added of the market economy[6] remained practically unchanged from the previous quarter. The flow of indicators relating to developments in economic activity in the first few months of the year points to widespread weakness in all productive sectors, although the rate of decline may have moderated slightly in industry and construction (the sector that, nonetheless, continues to display the steepest declines), while it may have edged up in the case of market services (see Chart 18).

6 The Quarterly National Accounts (base 2008) do not provide estimates for the “market economy” aggregate. This branch is approximated by excluding from the whole economy services associated with education, defence, health and social services, compulsory social security and general government activities.

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



SOURCES: INE and Banco de España.

a Year-on-year rates based on seasonally adjusted series, except for the EPA which is based on unadjusted 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.

As regards industrial activity, the indicators available on the first quarter of the year suggest, with the exception of those relating to employment, a slight moderation in the quarter-on-quarter rate of decline. Despite its recent weakness, external demand would have helped to underpin the output of this sector, whose most dynamic branches were food consumer goods and intermediate goods. The manufacturing PMI recorded a slight improvement, although it remained clearly below 50, which is considered to indicate that the sector is contracting. This is confirmed by the Social Security registrations data, which showed an acceleration of their year-on-year fall during the quarter.

The indicators available for market services suggest that in the first quarter of the year there was a small quarter-on-quarter decline in the GVA of this sector. Among the qualitative indicators, although the services PMI rose from the previous quarter, it remained below 50. The number of Social Security registrations fell more sharply than in Q4, both in quarter-on-quarter and year-on-year terms. Finally, the indicator of the sales of large firms (on January and February data) and of the activity of the services sector (on January data only) recorded substantial rates of year-on-year decline, with more pronounced weakness in the wholesale and retail trade.

In relation to the labour market, the latest EPA information available corresponds to 2011 Q4 and shows a year-on-year decline in employment of 3.3%, which is 1.2 pp greater than that observed in the previous quarter. This reflects a deterioration across the various sectors, which was most pronounced in industry and services, including non-market services, where employment fell in year-on-year terms for the first time. As a result, the rate of unemployment at the end of 2011 stood at 22.8%, up 2.5 pp from 2010 Q4.

The latest information corresponds to monthly indicators of Social Security registrations, registered unemployment and hiring for the first quarter, which point to prolongation of the negative developments observed since mid-2011. The quarter-on-quarter fall in Social Security registrations in the first three months of the year is estimated to have been –0.9%, similar in magnitude to that observed in 2011 Q4 (see Chart 18). In year-on-year terms the fall in registrations was 2.6%, which was 0.7 pp larger than in the previous quarter. By sector, the deterioration in registrations in the first quarter of the year was broad-based, reflecting the net destruction of employment that took place in year-on-year terms in all sectors, except for general government services,[7] which displayed practically zero growth. Construction continued to be the sector with the largest falls in employment. The decline in registrations continued to be concentrated among foreign workers and the self-employed.

Developments in new hires registered at the National Public Employment Service (SEPE) were unfavourable in the first quarter of the year. The year-on-year decline in the number of contracts accelerated by 5 pp, to –7.8%. The fall in temporary contracts steepened to –6.7%, as compared with a slight moderation in the sharp decline in permanent employees, which enabled their weight in total new hires to rise to 9.6%, up 4 pp from the end of 2011, when it reached its lowest level since May 1997. It is still too soon to associate this development with the effects of the labour reform approved by means of Royal Decree-Law 3/2012 of February 2012, since, for one thing, there is no detailed information to allow the use of the new permanent contract designed for small and medium-sized enterprises to be assessed.[8] At the same time, part-time hiring remained more buoyant than full-time, with year-on-year growth of 1.5% in the first quarter of the year.

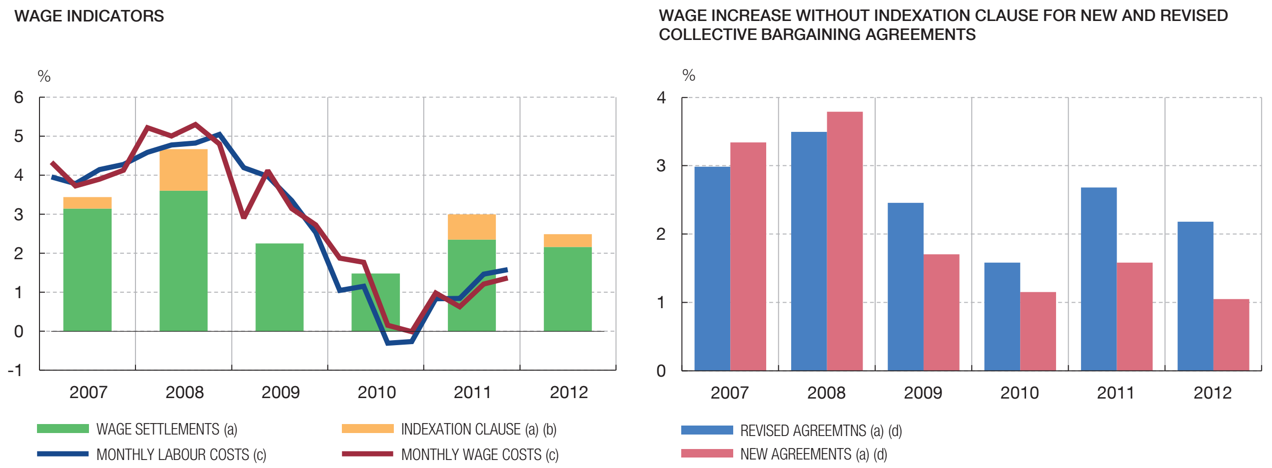
Finally, the number of persons registered as unemployed at the SEPE increased again substantially during the first quarter of the year (by almost 290,000). As a result, the

7 Aggregation of the sectors general government and defence, education and health of the general and autonomous regimes.

8 Among other measures, the labour reform approved the creation of a new type of permanent contract, designed for small and medium-sized enterprises, with various fiscal incentives and benefits, and with a trial period extended to one year from the maximum of six months in force hitherto.

WAGE INDICATORS AND LABOUR COSTS

CHART 19



SOURCES: INE and Ministerio de Empleo y Seguridad Social.

a Latest year, with information on collective bargaining agreements to March 2012.
b Previous year's indexation clause.
c Quarterly labour costs survey (ETCL). Year-on-year rates of change.
d Revised: agreements with economic effects for the current year, but which were entered into in previous years, and are in force for more than one year. New: agreements entered into during the year with economic effects in the same year, this being the first or only year in which they are applicable.

year-on-year growth rate of this group accelerated to 9.2%. These developments in unemployment would be compatible with an unemployment rate, according to the EPA, of around 24% in 2012 Q1, despite the slight decline projected for the participation rate, as a consequence of the net outflow of immigrants and the behaviour of male unemployment.

4.3 Costs and prices

The collective agreements registered between January and March 2012 incorporate an average settlement for this year of 2.2%. This is a large settlement, given current cyclical conditions, but the trend was one of smooth moderation over the quarter. In any case, it should be stressed that these data are hardly representative, since progress in collective bargaining has been scant. Specifically, the agreements registered to March affect only 2.1 million workers, a much lower figure than in the first quarter of previous years, and almost all of them correspond to revisions of multi-year agreements signed in previous years, in which the average settlement was 2.2%, in line with the annual growth in the CPI in December 2011 (2.4%). In newly signed agreements the settlement was substantially lower (1.1%), although these only affect 42,000 workers, so that it is not possible to assess the degree of compliance with the wage guidelines agreed in the latest Agreement for Employment and Collective Bargaining (AENC) for the period 2012-2014, or the impact of the latest labour market reform. Strict compliance with these recommendations and the use of the possibilities for internal flexibility provided by the latter, which permit employment conditions to be brought more closely into line with the cyclical situation, is crucial.

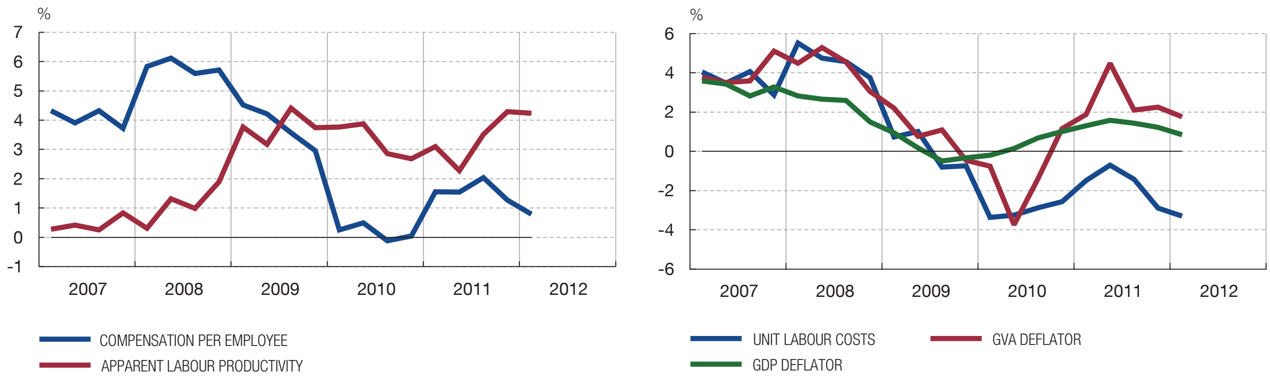
In comparison with collective agreements, other indicators of wage costs (such as the Quarterly Labour Costs Survey (ETCL), tax authority data and the compensation per employee statistic in the Quarterly National Accounts) show lower wage increases, which can be partly explained by the above-mentioned delay in bargaining (see Chart 19). In the market economy as a whole, year-on-year growth of compensation is estimated to have slowed slightly in Q1 (see Chart 20).

PRICES AND LABOUR COSTS IN THE MARKET ECONOMY

CHART 20

COMPENSATION PER EMPLOYEE AND PRODUCTIVITY (a)

UNIT LABOUR COSTS AND PRICES (a)



SOURCES: INE and Banco de España.

a Year-on-year rates based on seasonally adjusted QNA series.

During the first few months of 2012 the rates of change of the deflators of the main components of demand appear to have continued to decline, as a result of the slowdown both in domestic producer prices (approximated by the GDP deflator), the growth rate of which appears to have fallen by 0.4 pp with respect to the preceding quarter, and the prices of imported goods, which displayed somewhat more moderate growth.

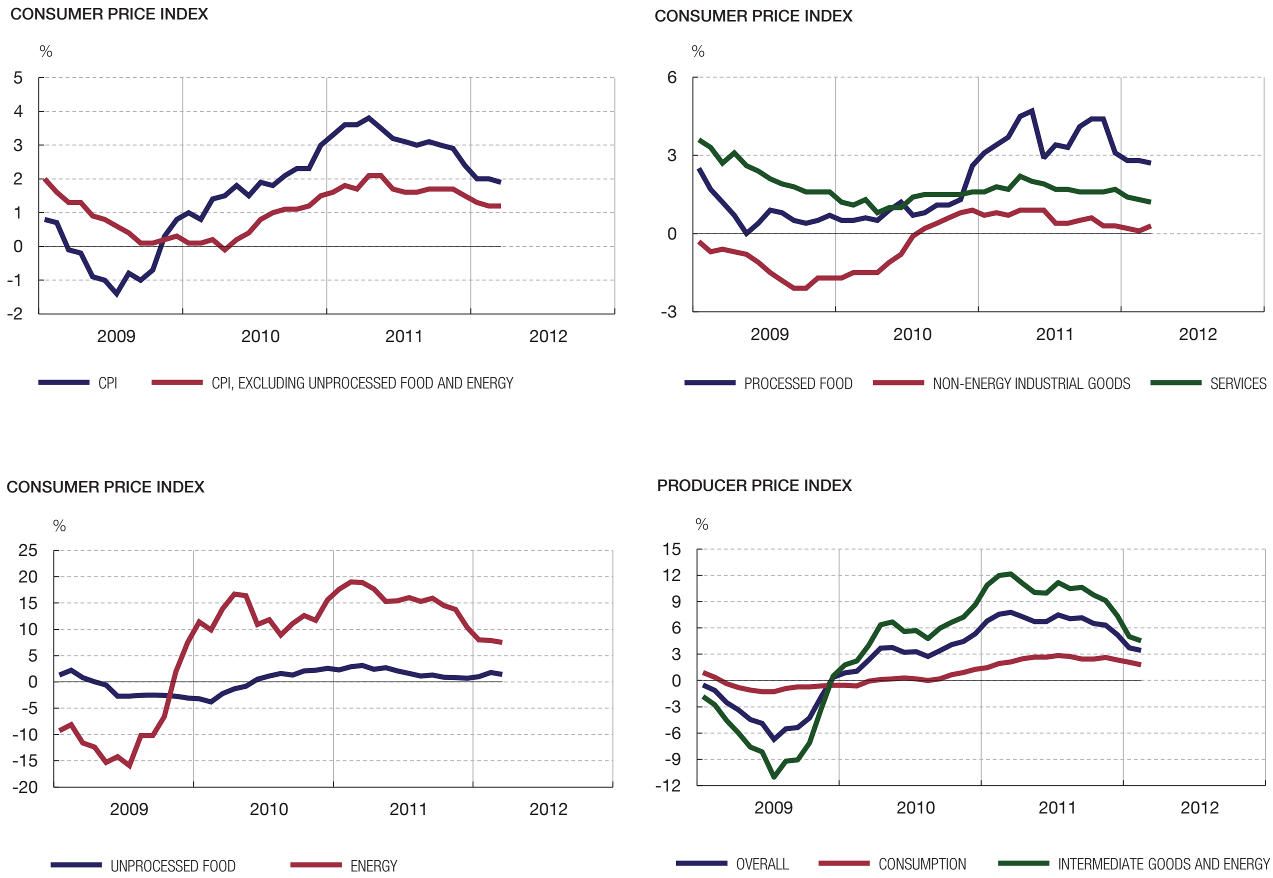
In 2012 Q1, consumer price inflation continued to follow a downward course as in previous months. The year-on-year growth rate of the CPI in March was 1.9%, down 0.5 pp from December 2011 (see Chart 21). In the same period the CPI excluding unprocessed food and energy slowed by 0.4 pp, to 1.2%. Notable among the components of this index was the slowdown of half a percentage point in services prices. The prices of non-energy industrial goods, for their part, maintained their rate of growth, against a background in which, although the domestic producer prices for this type of product moderated, the import prices grew at a higher rate. The slower rate of growth of processed food prices in 2012 Q1 stemmed from the moderation in domestic producer prices and import prices for this type of goods. At the same time the energy component of the CPI slowed sharply, by 3.8 pp to 7.5%, while the growth rate of unprocessed food prices increased.

In terms of the harmonised index of consumer prices (HICP), the moderation in inflation in the first few months of 2012 was more pronounced in Spain than in the euro area, so that the differential continued to be reduced. In March, Spanish inflation was 0.9 pp lower than in the euro area, almost the largest gap in Spain's favour since the euro was introduced, which was 0.9 pp (see Chart 22). The differential in terms of the CPI excluding unprocessed food and energy was also negative (–0.8 pp). The differentials for all the components were negative in March, their amount ranging from 0.7 pp in the case of services to 1 pp in that of energy products. At the same time the energy component of th CPI slowed sharply, by 3.8 pp, to 7.5%, while the growth rate of unprocessed food prices increased.

The year-on-year rate of change of the producer price index continued to decline in the first few months of 2012, to reach 3.4% in February, down 1.8 pp from December 2011. These developments are basically attributable to the downward path of energy and intermediate product prices. The rates of change of the prices of consumer industrial goods and capital goods also moderated, although to a lesser extent. For their part, the rates of change of the import and

PRICE INDICATORS (a)
Spain

CHART 21



SOURCE: INE.

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

export price indices for industrial products also fell, to 5.5% and 2.9% in January, respectively. In both cases, the prices of energy products continued to display very high rates of change.

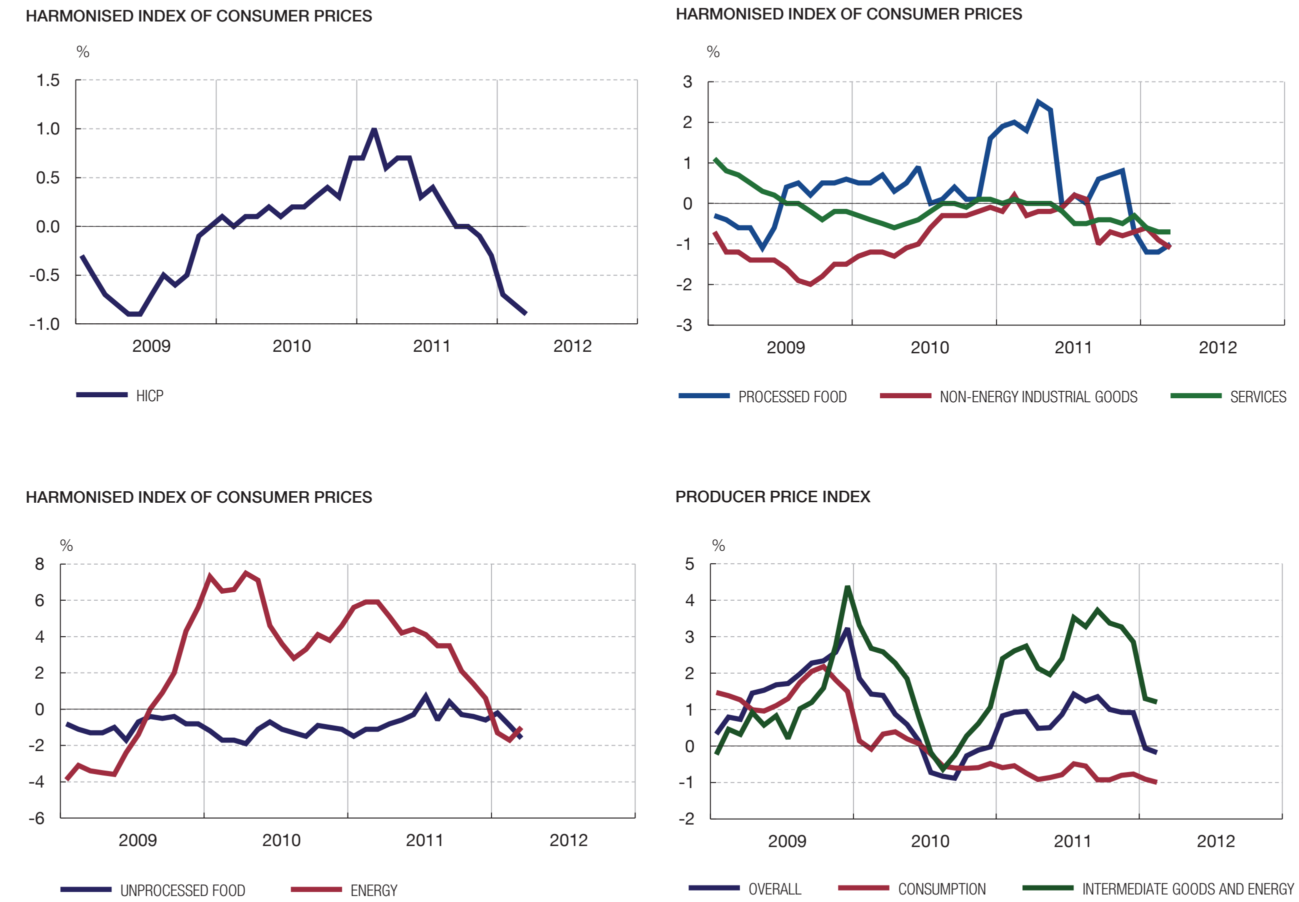
4.4 The State budget

The latest statistical data available for the general government sector as a whole is to end-2011 and indicates, as mentioned above, a substantial deviation (of 2.5 pp) from the deficit target, with an overall deficit of 8.5% of GDP. Around 90% of the budget deviation in 2011 was attributable to the extreme weakness of public revenue, which fell by somewhat more than one percentage point from 2010, to 35.1% of GDP. Public spending, for its part, fell by 2.3% in 2011, the under-execution of capital expenditure largely offsetting the upward deviations in interest payments. Central government exceeded its deficit target by 0.3 pp, with a deficit of 5.1% of GDP, while social security funds recorded a deficit of 0.1% of GDP, when a 0.4% surplus had been projected. Regional government, for its part exceeded its target by 1.6 pp, with a deficit of 2.9% of GDP. Finally, local government deviated from its initial target by 0.1 pp, recording a deficit of 0.4% of GDP.

Somewhat more recent information, for the first few months of 2012, is available for the State and for the Social Security system (see Tables 4, 5 and 6). As regards the State, the latest information (to February of this year) shows a deficit of €9.2 billion,

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

CHART 22



SOURCES: Eurostat and Banco de España.

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

which was higher than the deficit of €5.6 billion recorded in the same period of last year, largely on account of the early payment of current transfers to regional government and to the Social Security system. However, given that the figures for the first few months are highly erratic, they may not be representative of future trends in the budget outturn. Note, for example, that the corporate income tax figure is negative owing to higher refunds than gross revenues, which in these months are very small relative to the annual total. Even taking into account these caveats, negative rates are observed on the revenue side for the main items (including the shares of regional and local government), with falls of 2.7% in personal income tax (since the impact of higher rates was still indiscernible in February), of 9.8% in VAT and of 3.3% in excise duties. Notable on the expenditure side were the containment of wages and salaries and the large cuts in capital expenditure, while interest payments continued to increase at high rates.

Social Security system data are received with a somewhat longer lag than those for the State and are only available for January. That month the system showed a surplus of €2.6 billion, up from €1.6 billion in the same month last year, owing to the sharp increase in revenue. Part of this revenue, as mentioned above, arose from the early receipt of State transfers. Another part, however, was attributable to the increase in social contributions,

STATE-FUNDED EXTRAORDINARY FINANCING MECHANISMS FOR PAYMENT OF THE OTHER ACCOUNTS PAYABLE OF REGIONAL AND LOCAL GOVERNMENT

BOX 4

The economic crisis has seen an increase in the "trade debt" of general government (especially in the case of regional and local government), with the consequent negative effect on the liquidity of the creditor businesses. On the latest information available, the total other accounts payable of regional government vis-à-vis non-financial corporations and households amounted to €30,018 million and, in the case of local government, to €22,770 million, as compared with €23,167 million and €16,381 million at the end of 2007, respectively. To address this situation, the government has in recent months launched various initiatives to facilitate payment of the outstanding debts of regional and local governments with their suppliers. This box reviews the basic features of these initiatives.

First, in February 2012, a temporary mechanism was set up to provide financing directly to regional governments through the Official Credit Institute (ICO by its Spanish initials). The facility, with funds of €10 billion (extendable to €15 billion), has two tranches. The first one enables regional debt incurred before 1 January 2012 and falling due before 30 June 2012 to be repaid (refinancing tranche). The second is intended to supply liquidity to regional governments to enable them to settle other accounts payable vis-à-vis their suppliers. Regional governments using this credit facility will require authorisation from the Secretariat General of the Treasury for new borrowing transactions, including any change to a transaction prior to the arrangement of this credit facility. In the event that a regional government fails to observe the conditions set out, penalties may be applied such as early maturity of the credits granted through this facility.

The second initiative was taken at the Council of Ministers of 24 February and embodied in Royal Decree 4/2012, which establishes an extraordinary plan to finance the payment of local government suppliers. Subsequently, on 6 March, the Fiscal and Financial Policy Council resolved to extend this plan, on similar terms, to regional government. The mechanism for financing the plan was approved by Royal Decree 7/2012 of 9 March 2012, and consists of the creation of a Fund for the Financing of Payments to Suppliers, with capacity to borrow, with a State guarantee, up to €35 billion on the capital markets (€20 billion to pay local government suppliers and €15 billion to pay the unsettled bills of regional governments).

This Fund, through the ICO, and with prior authorisation from the Ministry for Finance and Public Administration (MHAP), will pay the suppliers of regional and local governments that wish to make use of the proposed financing mechanism, thereby generating a claim on the regional or local government in question. The latter will have 10 years in which to repay the credit, with a two-year grace period, interest accruing at the Treasury rate plus 115 basis points plus a maximum intermediation margin of 30 basis points. Payment of the amounts due to the Fund by the regional and local governments which use this financing mechanism will be guaranteed by their shares of State revenue. The outstanding debts eligible to be paid through this mechanism must be due and payable, as well as being net, enforceable and prior to 1 January 2012.[4] All local governments with debts that meet these requirements, as well as the regional governments that decide to use this mechanism, must send the MHAP a certified list of all their other accounts payable. In addition, contractors may consult this list and, in the event of disagreement or omissions, request individual certification.

After sending the list of outstanding bills, regional and local governments are required to approve an adjustment plan to ensure the availability of the revenues necessary to make the payments throughout the life of the credit. Both this adjustment plan and the annual report (quarterly in the case of regional governments and municipalities that have a population of more than 75,000 or are provincial capitals) on its implementation must be approved by the MHAP. Without such approval, the MHAP has the right to intervene and carry out checks, through the National Audit Office.

In terms of deadlines, local governments were required to send to the MHAP before 15 March a list certified by their internal auditor of all other accounts payable that meet the above-mentioned requirements. Local councils had to present before 31 March 2012 adjustments plans, which had to be approved by the MHAP within 30 days of receipt. In the case of regional governments, the deadline for presentation of the bills ended on 15 April, while the adjustment plan had to be sent to the MHAP before 30 April. The MHAP has presented an initial evaluation of the plan to pay suppliers. A total of 4,622 local governments had presented bills with a total amount of €9,584 million, corresponding to more than 177,000 firms. However, somewhat fewer than half of these local governments (with an aggregate debt of €900 million) did not present their adjustment plans by the deadline established for the purpose. In the case of regional governments, the unpaid bills amount to €17,255 million.

Overall, the measures taken may prove to be very effective in providing liquidity to the suppliers of local and regional governments, which have seen their unpaid bills increase significantly during the economic crisis. However, it is essential to ensure that this type of assistance does not give rise to the wrong incentives for regional and local governments. In this respect, as already mentioned, the financing mechanisms agreed require compliance with adjustment plans. It is now crucial to ensure that these plans are strictly complied with.

Finally, it is important to mention that these initiatives will have an impact on the composition of general government liabilities. Other accounts payable were recorded in the general government deficit for the respective years, in accordance with the accruals convention. At the same time, the debts of this nature were recorded, in accordance with the rules agreed by Eurostat within the context of the Excessive Deficit Procedure (EDP), as general government liabilities, but do not form part of public debt for the purposes of the EDP, as can be seen in the statistical publications of the Banco de España, which present both EDP debt and total general government liabilities. The mechanism for payment through the Fund for the Financing of Payments to Suppliers will lead to a change in composition as a consequence of the transformation of these commercial liabilities into EDP debt.

1 In addition, they must relate to contracts for work, services or supplies that come within the scope of application of the consolidated text of the Law on Public Sector Contracts.

GENERAL GOVERNMENT. NON-FINANCIAL ACCOUNT IN TERMS OF NATIONAL ACCOUNTS

TABLE 4

€m and %

	Outturn 2009	Outturn 2010	Percentage change 2010/2009	Outturn 2011	Percentage change 2011/2010	Change in level 2011-2010
	1	2	3 = 2/1	4	5 = 4/2	6 = 4 - 2
1 TOTAL RESOURCES	367,661	381,427	3.7	377,085	-1.1	-4,342
Current resources	367,525	381,293	3.7	378,391	-0.8	-2,902
Taxes on production and imports	92,355	108,699	17.7	104,971	-3.4	-3,728
Income and wealth taxes	101,078	99,698	-1.4	101,610	1.9	1,912
Social security contributions	140,144	140,170	0.0	139,868	-0.2	-302
Other current resources	33,948	32,726	-3.6	31,942	-2.4	-784
Captial resources	136	134	-1.5	-1,306	—	-1,440
2 TOTAL USES	484,759	479,645	-1.1	468,505	-2.3	-11,140
Current uses	422,763	426,997	1.0	429,216	0.5	2,219
Employee compensation	125,710	124,781	-0.7	122,926	-1.5	-1,855
Other final consumption expenditure (a)	93,717	91,355	-2.5	88,315	-3.3	-3,040
Social benefits (not in kind)	153,685	160,974	4.7	163,486	1.6	2,512
Interest payments	18,520	20,120	8.6	25,867	28.6	5,747
Subsidies	11,838	12,147	2.6	11,325	-6.8	-822
Other uses and current transfers	19,293	17,620	-8.7	17,297	-1.8	-323
Capital uses	61,996	52,648	-15.1	39,289	-25.4	-13,359
Gross capital formation	48,145	41,191	-14.4	28,700	-30.3	-12,491
Other capital expenditure (b)	13,851	11,457	-17.3	10,589	-7.6	-868
3 NET LENDING (+)/NET BORROWING (-) (3 = 1 – 2)	-117,098	-98,218	16.1	-91,420	6.9	6,798
(As a percentage of nominal GDP)	-11.2	-9.3		-8.5		
MEMORANDUM ITEM						
Primary balance	-98,578	-78,098	20.8	-65,553	16.1	12,545
Final consumption expenditure	223,603	221,715	-0.8	217,675	-1.8	-4,040

SOURCE: Ministerio de Hacienda y Administraciones Públicas.

a Includes intermediate consumption, market producers' social transfers in kind and other taxes on production. Excludes consumption of fixed capital, market output (residual sales) and payments for other market output.
b Includes net acquisitions of non-financial non-produced assets (K2).

SOCIAL SECURITY SYSTEM BUDGET OUTTURN

TABLE 5

€m and %

	Percentage change between budget 2011/2010	Initial budget 2012	Percentage change between budget 2012/2011	Outturn Jan-Dec. Percentage change 2011/2010	Outturn		
					2011 January	2012 January	Percentage change 2012/2011
	2	3	4 = 3/1	5	6	7	8 = 7/6
1 REVENUE	3.3	119,883	-2.9	-0.4	9,595	10,921	13.8
Social security contributions	3.2	107,725	-3.6	-0.4	8,887	9,195	3.5
Current transfers	-2.4	8,930	9.5	-3.9	705	1,665	136.2
Other revenue	25.6	3,228	-7.1	8.0	3	61	—
2 EXPENDITURE	1.9	119,882	0.9	2.2	7,947	8,279	4.2
Wages and salaries	-4.2	2,358	-0.8	-2.1	145	147	1.4
Goods and services	-15.4	1,541	-10.4	-8.8	47	53	14.2
Current transfers	2.4	115,683	1.2	2.6	7,755	8,077	4.2
Contributory pensions	4.0	101,954	2.9	4.0	6,943	7,268	4.7
Sickness	-4.9	5,799	-17.3	-8.0	153	145	-5.2
Other	-7.7	7,930	-3.1	-4.4	659	664	0.7
Other expenditure	-15.0	300	-33.2	-24.6	1	2	98.7
3 BALANCE (3 = 1 – 2)	—	1	—	—	1,647	2,642	—

SOURCES: Ministerio de Hacienda y Administraciones Públicas, Ministerio de Empleo y Seguridad Social and Banco de España.

STATE BUDGET OUTTURN — TABLE 6

€m and %

	Outturn 2011	Percentage change 2011/2010	Initital budget 2012	Percentage change 2011/2010	2011 Jan-Feb	2012 Jan-Feb	Percentage change
	1	2	3	4 = 3/1	5	6	7 = 6/5
1 REVENUE	104,145	-18.2	119,233	14.5	22,930	23,063	0.6
Direct taxes	53,382	-9.9	54,846	2.7	10,020	9,179	-8.4
Personal income tax	33,545	-14.7	29,232	-12.9	9,045	9,002	-0.5
Corporate income tax	16,611	2.5	19,564	17.8	354	-389	—
Other (a)	3,227	-13.7	6,050	87.5	621	566	-8.9
Indirect taxes	34,644	-33.2	21,095	-39.1	11,202	9,970	-11.0
VAT	25,355	-34.1	13,633	-46.2	9,668	8,544	-11.6
Excise duties	6,325	-38.8	4,502	-28.8	1,025	931	-9.2
Other (b)	2,965	-1.2	2,960	-0.2	509	496	-2.6
Other net revenue (c)	16,118	-0.8	43,292	168.6	1,708	3,914	129.2
2 EXPENDITURE	151,095	-15.9	152,630	1.0	28,512	32,258	13.1
Wages and salaries	27,420	1.7	27,339	-0.3	4,021	3,963	-1.4
Goods and services	4,319	-6.8	3,238	-25.0	604	331	-45.1
Interest payments	22,204	13.1	28,876	30.0	5,713	6,686	17.0
Current transfers	79,892	-23.7	80,498	0.8	13,644	19,337	41.7
Contingency fund	—	—	2,377	—	—	—	—
Investment	6,895	-21.5	5,280	-23.4	1,637	1,092	-33.3
Capital transfers	10,365	-30.4	5,022	-51.5	2,893	849	-70.7
3 CASH-BASIS BALANCE (3 = 1 – 2)	-46,950	—	-33,397	—	-5,582	-9,196	—
MEMORANDUM ITEM: TOTAL TAXES (State plus share of regional and local governments)							
TOTAL	**138,079**	**1.6**	**139,223**	**0.8**	**32,040**	**30,183**	**-5.8**
Personal income tax	69,803	4.2	73,106	4.7	15,219	14,811	-2.7
VAT	49,302	0.5	47,691	-3.3	13,690	12,343	-9.8
Excise duties	18,974	-4.2	18,426	-2.9	3,132	3,029	-3.3

SOURCE: Ministerio de Hacienda y Administraciones Públicas.

a Includes revenue from the tax on the income of non-residents.
b Includes taxes on insurance premiums and tariffs.
c Includes charges, profits and dividends, and current and capital transfers.

despite the weakness of registrations and of wage developments, so that a slowdown can be expected over the coming months. As regards expenditure, growth was determined by the trend in contributory pensions, which grew by 4.7% year-on-year. Notable among the other spending items was the continued contraction in expenditure on sickness benefits, as in previous years.

4.5 Current and capital account balances

In January 2012, the Spanish economy's net borrowing continued to fall (see Table 7). The overall deficit on current and capital accounts was €5.7 billion, down 5.5% from the same month of 2011. This decline is explained, above all, by the fall in the trade deficit and by the widening of the services surplus, which more than offset the deterioration in the income deficit. For its part, the capital account surplus fell.

The trade deficit decreased in the first month of the year by 27.5%, to €3.2 billion, basically on account of the improvement in its non-energy component which, on Customs data, moved into surplus. Goods trade with the rest of the euro area was again in surplus, BALANCE OF PAYMENTS: MAIN COMPONENTS (a)

TABLE 7

€m

		January 2011	January 2012	Rate of change 2012/2011(b)
CREDITS	Current account	27,283	28,395	4.1
	Goods	16,476	17,342	5.3
	Services	7,072	7,062	-0.1
	Tourism	2,591	2,677	3.3
	Other services	4,480	4,386	-2.1
	Income	2,631	2,838	7.9
	Current transfers	1,105	1,153	4.3
	Capital account	283	178	-37.0
	Current + capital accounts	27,566	28,573	3.7
DEBITS	Current account	33,454	34,122	2.0
	Goods	20,881	20,535	-1.7
	Services	5,436	5,221	-4.0
	Tourism	893	832	-6.8
	Other services	4,544	4,389	-3.4
	Income	4,924	6,118	24.3
	Current transfers	2,212	2,249	1.7
	Capital account	101	110	8.8
	Current + capital accounts	33,555	34,232	2.0
BALANCES	Current account	-6,171	-5,727	443
	Goods	-4,406	-3,193	1,213
	Services	1,635	1,842	207
	Tourism	1,698	1,845	146
	Other services	-63	-3	61
	Income	-2,293	-3,280	-987
	Current transfers	-1,107	-1,096	11
	Capital account	181	68	-113
	Current + capital accounts	-5,989	-5,659	330

SOURCE: Banco de España.

a Provisional data.
b Absolute changes for balances.

while the deficit with non-EU countries improved slightly. The services surplus reached €1.8 billion, up 12.6% from the same month of 2011, thanks to the improvement in the tourism surplus and the decline in the other services deficit. By contrast, the income deficit rose to €3.3 billion (from €2.3 billion in January 2011), reflecting the rise in interest rates and Spain's large external liabilities. Finally, there was a 1% correction in the current transfers deficit, which took it to €1.1 billion.

5.1 Highlights

Following the severe tensions afflicting the financial markets last year, the opening months of 2012 saw a more stable situation, not exempt from volatility. This allowed ten-year government debt yields and their spread over the German Bund of the same term to stand more clearly below the highs reached in November. However, both rose in the last few days of March and, at the end of the quarter, stood at 5.4% and 361 bp, respectively, somewhat more than 30 bp above the levels at the close of the previous year. During the quarter the Spanish State managed to raise large volumes of funds at a lower cost than in previous issues, given the high demand for these securities, and the wholesale funding conditions faced by banks also improved. Specifically, the funds raised on the fixed income markets increased after the marked sluggishness of the previous year. In the interbank market, the spread between 1-year EURIBOR and EUREPO (cost of secured transactions) of the same term narrowed to 125 bp from nearly 180 bp at the end of the previous year. This meant that EURIBOR fell by half a percentage point up to March, since EUREPO barely changed. However, fund raising in this market continued to decline in the early months of the year, against a background in which banks have built up a very high volume of funds through the liquidity provided by the ECB. By contrast, on the stock market, the IBEX 35 lost 7.6% from end-December to end-March, in contrast to the performance of the EUROSTOXX 50 and the S&P 500, which gained 5.9% and 11.6%, respectively (see Chart 23).

In April to date, however, financial tensions have broken out again. Ten-year government debt yields have risen, at one point exceeding 6%, and the spread over the German Bund has climbed to around 440 bp, these levels not being seen since last November. Stock market indices fell, most sharply in the IBEX 35 and the EUROSTOXX 50 (by 13.7% and 7.8%, respectively) and somewhat more moderately in the S&P 500, which was down by 2.2%.

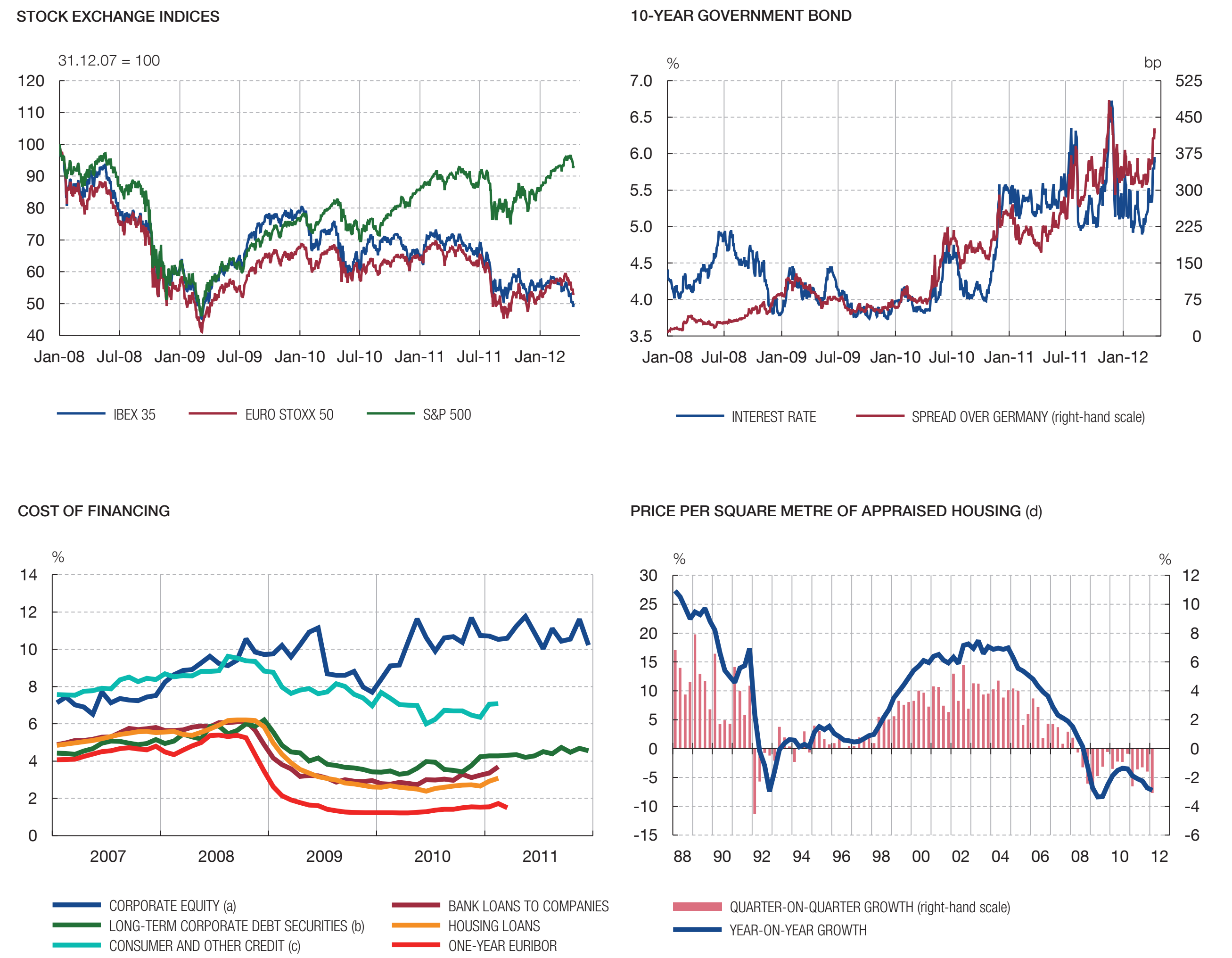
In the real estate market, on data published by the Ministry of Infrastructure and Transport, housing prices again fell in 2012 Q1. Thus the year-on-year rate of decline stood at 7.2% in March compared with 6.8% in December (see Chart 23). In quarter-on-quarter terms, the drop was 3.1%. Hence the cumulative fall from the peak in 2008 was 21.5% (26.8% in real terms).

The latest available information on private sector financing costs, which relates to February, shows that, against a backdrop characterised by a high degree of real and financial uncertainty, the recent decrease in interbank market interest rates has not passed through completely to corporate and household loans. Household loan interest rates increased slightly, while those of corporate loans dropped slightly.

Private sector financing continued its contractionary trend. The fall in household liabilities in February (the latest month for which data are available) was slightly sharper, in year-on-year terms, than that at the end of the previous year, due to the loss of vigour of house purchase loans and of consumer credit and other lending. By contrast, the year-on-year decline in corporate debt scarcely changed with respect to the December figure. By instrument, the balance of the loans granted by resident credit institutions continued to fall, although more slowly than at the end of last year, whereas debt securities accelerated. The most recent information on loan purpose, relating to 2011 Q4, confirms that bank financing kept falling in all productive sectors in this period.

FINANCING CONDITIONS AND ASSET PRICES

CHART 23



SOURCES: Bloomberg, Reuters, Datastream, MSCI Blue Book, Ministerio de Fomento and Banco de España.

a The cost of equity is based on the three-stage Gordon dividend discount model.
b The cost of 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.
c In June 2010 the statistical requirements relating to the interest rates applied by credit institutions to their customers were changed, which may cause breaks in the series. Particularly significant was the change in the interest rate on consumer credit and other lending, since, as a result, from that month it no longer includes credit card operations.
d Base 2001 to December 2004; base 2005 thereafter.

The decrease in firms' and households' debt further reduced the debt and debt burden ratios of these sectors in 2011 Q4. The preliminary estimates for 2012 Q1 point to a continuation of this trend. The net wealth of households dropped slightly as a result of decreases in the value of financial instruments and, above all, of real estate assets. In the case of firms, the data for the sample of corporations reporting to the Central Balance Sheet Data Office Quarterly Survey (CBQ), among which the biggest have a notable weight, reveal a fall in activity and in corporate profits in 2011 with respect to the previous year.

The volume of doubtful loans continued to rise in the early months of the year, and this, along with the decrease in debt, meant that the doubtful assets ratio moved further upwards. Specifically, for total other resident sectors (which includes households and firms), this indicator, at 8.2% in February, was 0.6 pp higher than in December 2011.

General government debt decelerated slightly, although its rate of expansion remained high, partly because in 2012 Q1 the State increased the volume of its issuances to take

NET FINANCIAL TRANSACTIONS
Four-quarter data

TABLE 8

% of GDP

	2006	2007	2008	2009	2010	2011			
					Q4	Q1	Q2	Q3	Q4
National economy	-8.4	-9.6	-9.2	-4.7	-4.0	-4.1	-3.6	-3.5	-3.4
Non-financial corporations and households and NPISHs	-11.5	-13.4	-6.5	5.1	4.4	4.3	4.8	4.6	3.9
Non-financial corporations	-9.8	-11.5	-6.7	-0.8	1.3	1.1	2.0	1.2	1.1
Households and NPISHs	-1.7	-1.9	0.2	5.9	3.1	3.2	2.8	3.4	2.8
Financial institutions	0.7	1.9	1.8	1.3	1.0	0.9	0.8	0.7	1.3
General government	2.4	1.9	-4.5	-11.2	-9.3	-9.2	-9.2	-8.8	-8.5
MEMORANDUM ITEM:									
Financing gap of non-financial corporations (a)	-17.4	-17.9	-11.4	-2.1	-2.1	-2.7	-1.1	-0.4	0.6

SOURCE: Banco de España.

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

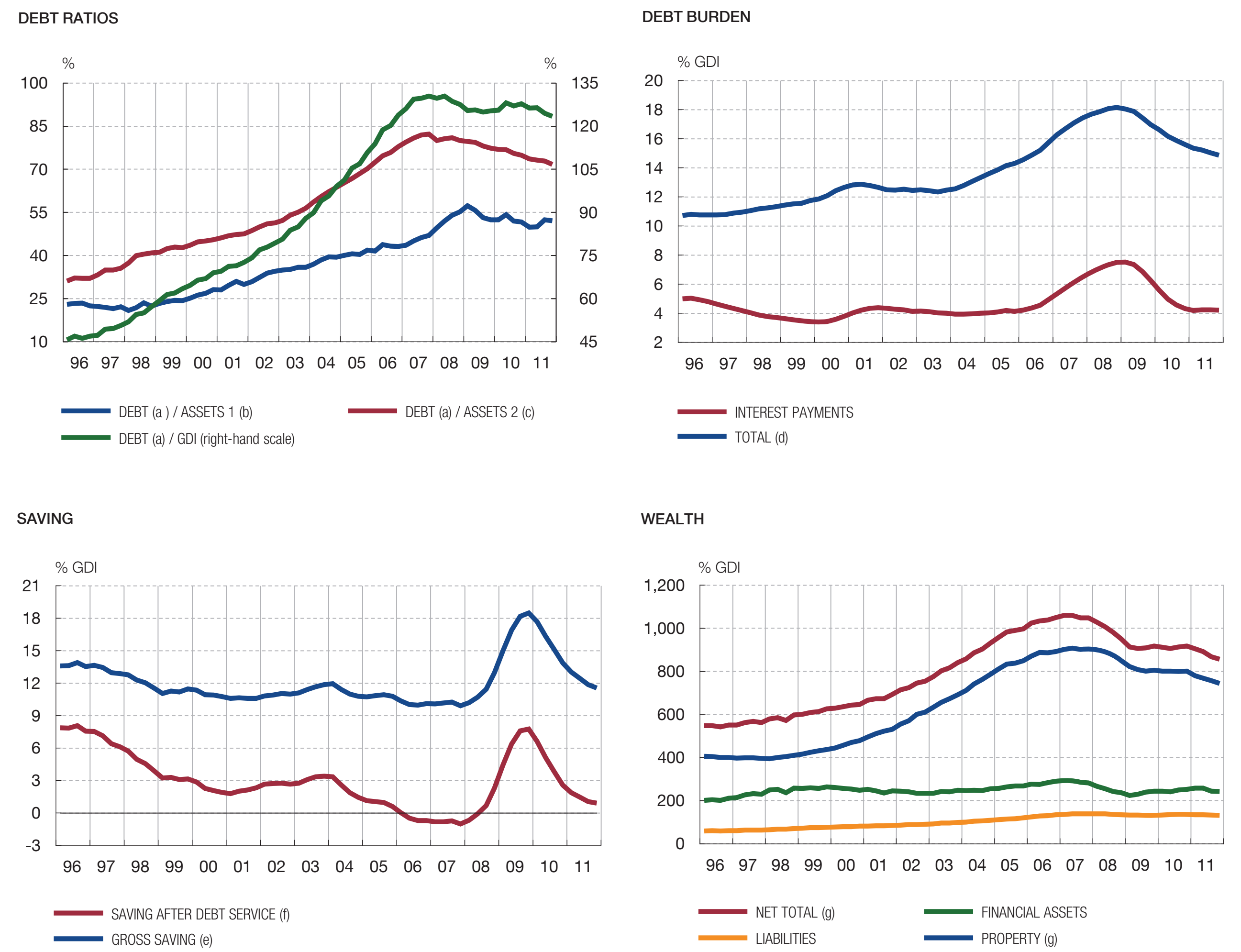
advantage of the more favourable conditions and the high demand for assets of this type. By instrument, the most notable development was the strong growth of long-term financing, while net short-term issues lost relative importance. The expansion of general government liabilities, along with the weakness shown by GDP, gave rise to further increases in the debt and debt burden ratios.

Meanwhile, according to the most recent Financial Accounts information, in 2011 Q4 the nation's net borrowing continued on its downward path to stand at 3.4% of GDP in 12-month cumulated terms, down 0.1 pp from September (see Table 8). This behaviour was the result of a decrease in the debtor position of general government (to 8.5% of GDP, down 0.3 pp from Q3), a decrease in corporate and household net lending, and a higher credit balance of financial institutions. The breakdown by instrument shows that in 2011 Q4 the bulk of foreign capital inflows were channelled through increases in the Banco de España's intra-system debtor position, while decreases were seen in both funds raised on the interbank market and those obtained from secured transactions settled in central counterparty clearing houses. These developments partly reflect the result of the ECB's extraordinary 3-year liquidity tender in December, in which resident institutions raised a large volume of funds to bolster their liquid assets and which they used, in part, to replace funding from other sources, such as, in particular, that from the interbank market in the broad sense (including that channelled through central counterparty clearing houses).

To summarise, in 2012 Q1 the financial markets were more stable and this allowed the wholesale funding conditions faced by resident sectors to improve. However, the strong re-emergence of tensions from end-March has been reflected in a further increase in long-term government debt yields and in the spread over the German bund, making conditions more difficult for raising funds on the markets. In the case of financial institutions, the higher liquidity obtained in the Eurosystem 3-year tenders provides a substantial buffer which reduces the refinancing risks faced by these institutions, mitigating the likelihood of a significant contraction in credit supply. However, the backdrop of economic weakness and the need to keep reducing the high levels of private sector debt continue to constrain the buoyancy credit in the short run.

INDICATORS OF THE FINANCIAL POSITION OF HOUSEHOLDS AND NPISHs

CHART 24



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

5.2 Households

The interest rates on loans to households trended slightly upwards until February. Thus, in the case of house purchase loans and of consumer credit and other lending, the cost increased by 16 bp and 42 bp, respectively, compared with the levels of December, to stand at 3.8% and 7.7%.

Household debt continued to decrease and in February the year-on-year rate of contraction stood at 2.7%, a slightly sharper fall than that at the end of the previous year (2.4%). This was a result of the loss of vigour both of house purchase loans and of consumer credit and other lending, which showed year-on-year declines of 2% and 5.2%, respectively, compared with decreases of 1.7% and 4.6% in December 2011. The annualised quarter-on-quarter rates are similar to those obtained from the year-on-year indicators.

The decrease in household liabilities, along with the stagnation of income, brought a further fall in the ratio of debt to gross disposable income (GDI) in this sector (see Chart 24). This decrease also explains the behaviour of the debt burden relative to GDI, which con-

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

TABLE 9

% of GDP

	2008	2009	2010	2011 Q2	2011 Q3	2011 Q4
HOUSEHOLDS AND NPISHs						
Financial transactions (assets)	2.4	4.6	3.3	1.7	1.8	1.2
Cash and cash equivalents	-0.4	4.2	-0.1	-0.3	-0.1	-0.1
Other deposits and fixed-income securities (a)	6.3	-0.8	3.0	2.9	2.2	1.2
Shares and other equity (b)	0.1	1.1	0.8	-0.6	0.3	0.1
Mutual funds	-3.5	-0.1	-1.7	-1.3	-0.7	-0.4
Insurance technical reserves	0.5	0.8	0.4	0.3	0.0	0.0
Of which:						
Life assurance	*0.3*	*0.6*	*0.1*	*0.3*	*0.3*	*0.6*
Retirement	*0.1*	*0.2*	*0.3*	*0.0*	*-0.3*	*-0.6*
Other	-0.6	-0.6	1.0	0.7	0.1	0.3
Financial transactions (liabilities)	2.2	-1.3	0.2	-1.1	-1.7	-1.5
Credit from resident financial institutions (c)	3.4	-0.5	0.1	-1.2	-1.3	-2.1
House purchase credit (c)	*2.7*	*0.1*	*0.5*	*-0.4*	*-0.5*	*-1.1*
Consumer and other credit (c)	*0.8*	*-0.4*	*-0.3*	*-1.0*	*-0.8*	*-0.9*
Other	-1.3	-0.8	0.1	0.1	-0.4	0.5
NON-FINANCIAL CORPORATIONS						
Financial transactions (assets)	-1.1	-9.9	7.1	5.8	2.6	1.1
Cash and cash equivalents	-1.1	-0.3	-0.1	-0.5	-0.7	-0.7
Other deposits and fixed-income securities (a)	2.0	-0.7	2.0	2.3	1.7	1.7
Shares and other equity	3.7	0.4	3.6	2.0	0.9	0.0
Of which:						
Vis-à-vis the rest of the world	*3.5*	*0.2*	*3.0*	*1.8*	*0.6*	*-0.1*
Trade and intercompany credit	-6.3	-9.6	1.0	0.4	0.1	-1.0
Other	0.6	0.3	0.4	1.6	0.6	1.1
Financial transactions (liabilities)	5.6	-9.2	5.7	3.8	1.4	0.0
Credit from resident financial institutions (c)	5.5	-3.0	-0.9	-2.2	-3.1	-3.7
Foreign loans	3.0	-0.1	1.0	1.3	0.9	0.5
Fixed-income securities (d)	0.3	1.3	0.5	0.6	0.5	0.5
Shares and other equity	2.4	2.5	3.3	3.2	3.5	3.0
Trade and intercompany credit	-6.4	-9.3	1.2	0.3	-0.1	-0.9
Other	0.8	-0.5	0.7	0.6	-0.2	0.6
MEMORANDUM ITEM: YEAR-ON-YEAR GROWTH RATES (%)						
Financing (e)	6.6	-0.9	0.4	-1.4	-1.8	-2.4
Households and NPISHs	4.4	-0.3	0.2	-1.6	-1.5	-2.4
Non-financial corporations	8.2	-1.4	0.6	-1.2	-2.0	-2.3

SOURCE: Banco de España.

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

tinued to diminish slightly due to the smaller debt principal repayments. The gross saving rate and the saving after debt service also continued to fall, in line with the trend prevailing since the beginning of 2010. Household net wealth also fell again as a result of a decline in the value of both financial instruments and real estate assets.

According to the Financial Accounts, household investment in financial assets decreased in 2011 Q4 to 1.2% of GDP in 12-month cumulated terms (see Table 9). Deposits declined again, prolonging the trend initiated three months earlier which basically reflects a certain shift towards other bank and non-bank instruments (see Box 5).

The balance of deposits held by the non-financial private sector at resident credit institutions showed a rising trend until June 2011, against a backdrop of strong competition among banks to raise retail funds. Since then this pattern has reversed, household deposits declined (3.2%, between June 2011 and February 2012) and corporations' deposits fell more sharply (12.7%), although the balance of the latter is considerably lower (see Panel 1).

The adverse macroeconomic conditions in the second half of the year contribute to partly explaining the most recent developments in deposits. Thus, in a setting in which household gross saving has decreased (as well as their liabilities and those of corporations), households and corporations have gradually reduced their investment in financial assets, although it remained positive in the last six month of 2011 (see Panel 2) and, consequently, the decline in deposits in this period also reflects a slight restructuring of both sectors' financial portfolios.

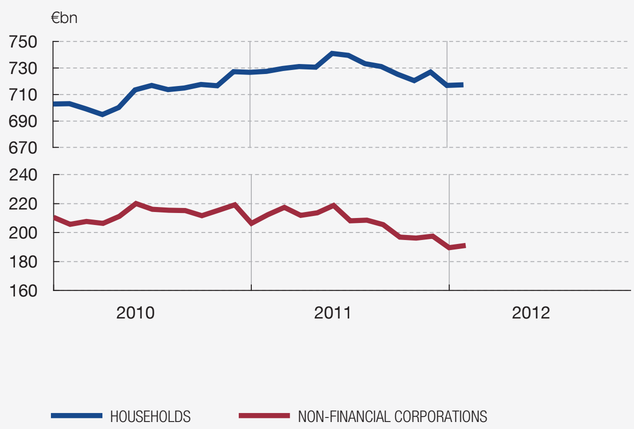
One initial factor which may have contributed to explaining the drop in households' and non-financial corporations' deposits at resident credit institutions from July 2011 is the regulatory changes introduced in relation to the contributions that these institutions must make to the Deposit Guarantee Fund (DGF) and, specifically, the entry into force of Royal Decree 771/2011 in July 2011 and Decree Law 16/2011 in December 2011. The former establishes additional contributions to the DGF for those banks which arrange these instruments or remunerate sight accounts in excess of specified interest rates, whereas under the latter the contributions that banks must make to the DGF were raised. Both decrees could have contributed to discouraging deposit-taking, by favouring, in return, more buoyancy in banks' issuance of fixed-income securities. In line with this assumption, the Financial Accounts data show high investment in this type of instruments by both sectors in the second half of 2011 (and, specifically, between October and December). Thus, in the case of corporations, it practically offset the decline in their deposits at resident credit institutions, while for households, it reached an amount equivalent to one third of this decrease (see Panel 2). For the latter, the acquisition of shares and other equity issued by the banks was highly notable and reached a historically high amount (more than €11,000 million, the bulk of «Other» in Panel 2). Accordingly, a large part of the contraction of deposits has been counterbalanced by an increase in credit institutions' other liability items.

The shift towards instruments issued by general government, in a period in which the latter have offered higher returns, also seems to have contributed to explaining the drop in the balance of deposits held at resident credit institutions, especially in the case of households. Thus, in the second half of 2011, this sector's investment in these securities amounted to 34% (29% in treasury bills and 5% in medium- and long-term bonds) of their divestment of resident institutions' deposits. As for corporations, this percentage was much smaller (9%).

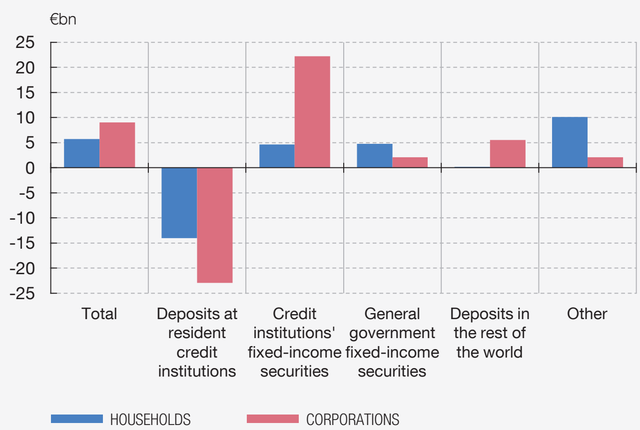
The Financial Accounts information also shows that deposits in the rest of the world, both of non-financial corporations and, to a lesser degree, of households have increased slightly in recent months. In the case of households, investment abroad in these liquid assets since mid-2011 has reached an amount equivalent to scarcely 1% of the decrease in deposits held in Spain. This percentage is higher for corporations (24%), although it must be considered that, in this case, the flows may be influenced by cash decisions adopted by large multinational groups as part of their global strategies.

In sum, the drop since mid-2011 in deposits held by households and non-financial corporations at resident credit institutions seems to be in response to a combination of factors. These factors include most notably, on one hand, an adverse macroeconomic setting, which has led to a reduction of their investment in financial assets, and on the other, households and non-financial corporations have reallocated their portfolios slightly towards resident institutions' other liabilities (such as fixed-income securities and equity issued by the latter); government debt securities; and – to a lesser degree – deposits in the rest of the world (especially in the case of corporations).

1 DEPOSITS AT RESIDENT CREDIT INSTITUTIONS



2 FINANCIAL ASSETS OF HOUSEHOLDS AND NON-FINANCIAL CORPORATIONS
Flow in second half of 2011 (a)



SOURCE: Banco de España.

a Does not include trade credit or inter-company loans.

Finally, in 2011 Q4 the doubtful assets ratio increased for house purchase loans (by 0.11 pp to 2.8%), but decreased somewhat for consumer credit and other lending (by 0.08 pp to 6.9%).

5.3 Non-financial corporations

Interest rates on loans to firms decreased slightly until February. Thus they dropped by 6 bp for loans up to €1 million and by 31 bp for loans exceeding this amount, to stand at 5.4% and 3.1%, respectively. The cost of debt security issuance decreased for both short-term maturities (by 30 bp) and long-term maturities (by 80 bp), while the cost of equity issuance increased (by 23 bp).

Corporate debt continued to fall in the opening months of 2012, and in February the year-on-year rate of contraction stood at 2.2%, this fall being practically the same as that seen at end-2011, which was 2.3%. The breakdown by instrument shows that in bank loans the year-on-year rate of decrease was 4.7%, i.e. 0.3 pp less than in December, while fund-raising through debt securities (the method used by the larger firms) accelerated, the balance growing by 9% with respect to the same month a year earlier. The latest information on lending by loan type, relating to end-2011, confirms that in the latter stages of last year the outstanding balance of bank financing continued to fall in all productive sectors. Once again, the largest year-on-year fall-off was in construction (14%), although it moderated somewhat with respect to previous quarters. In industry, however, the pace of contraction quickened to 6%, faster even that that of the real estate sector, which posted a fall of 5.5%. In other services, the diminution was more moderate (2.4%).

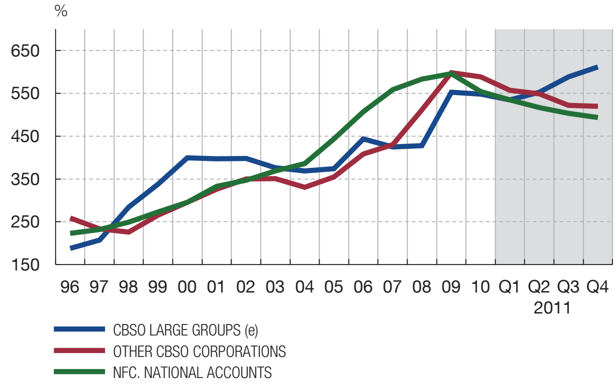
On the latest Financial Accounts information, relating to 2011 Q4, the credit balance of the corporate sector's net financial transactions decreased slightly to 1.1% of GDP in twelve-month cumulated terms, down 0.1 pp on September. Despite this, the drop in purchases in the rest of the world brought a widening of the financing gap, the indicator which approximates the funds required to bridge the difference between gross corporate saving and gross capital formation plus permanent foreign investment, which changed sign to post a positive balance equivalent to 0.6% of GDP, compared with -0.4% three months earlier.

The debt ratio continued to decrease slowly in 2011 Q4 as a result of the fall in this sector's liabilities and of the rise in corporate income per the National Accounts. These same factors also explain the slightly downward trend in the debt burden (see Chart 25). By contrast, the Central Balance Sheet Data Office Quarterly Survey (CBQ) data show that the reporting firms' supluses fell in 2011. Thus ordinary net profit was down by 7%, compared with a rise of 8.9% in 2010. This led to a decrease of more than 1.5 pp in return on equity, which fell to 7.4%. The debt-to-earnings ratio showed, for sample firms excluding large groups,[1] a downward trend in 2011 as a result of the decline in their interest-bearing liabilities. The ratio of debt to assets underwent insignificant changes, growing slightly mainly due to a fall in the denominator. The adverse trend of surpluses, along with the higher interest expense, pushed up the debt burden, particularly in the fourth quarter of the year. Despite this, the indicators of financial pressure on investment and employment decreased somewhat as a result of the favourable performance of firms in a more vulnerable position. In any event, these indicators stand at historically high levels. Meanwhile, analysts have revised downwards their expectations regarding the short-term perfor-

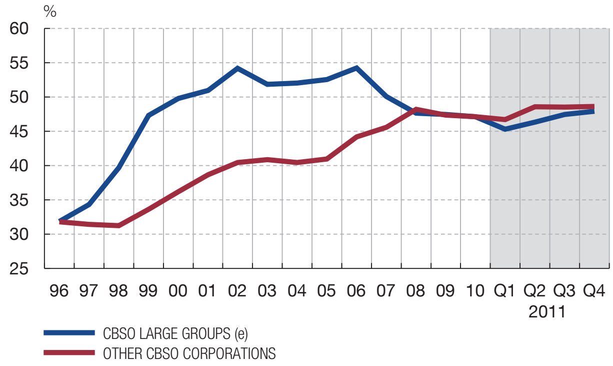
1 The debt-to-earnings ratio of the firms belonging to the so-called large groups (Endesa, Iberdrola, Repsol and Telefónica) increased. This was due to a slight rise in interest-bearing liabilities of these firms and to the strong impact on these firms of their weaker ordinary profit, particularly in the second half of the year.

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

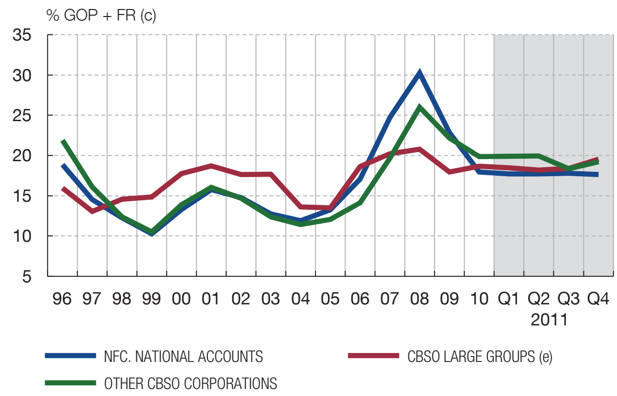
DEBT (b) / GOP + FR (c)



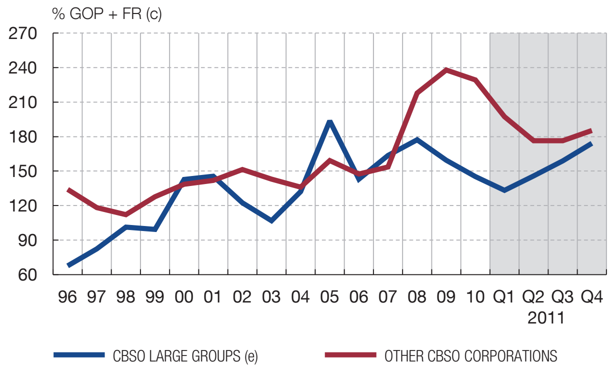
DEBT (b) / ASSETS (d)



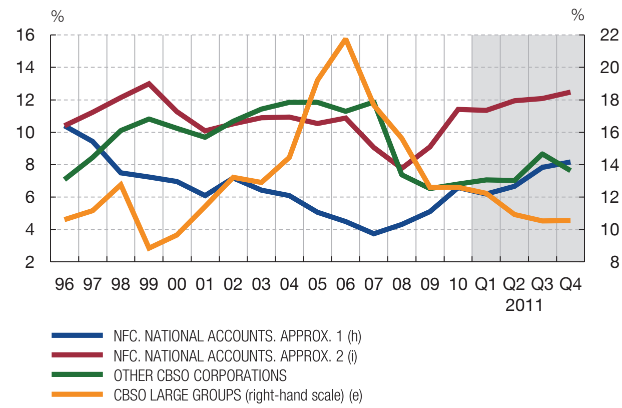
INTEREST DEBT BURDEN



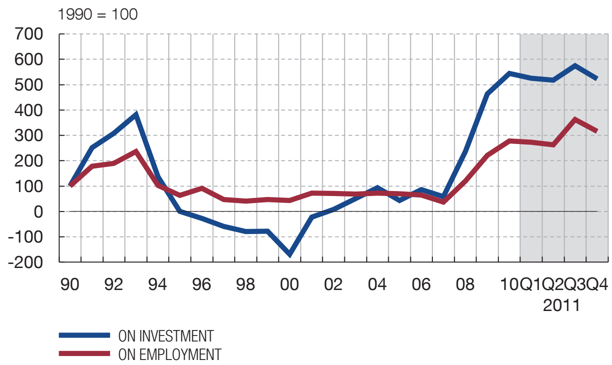
TOTAL DEBT BURDEN (f)



NET ORDINARY PROFIT / OWN FUNDS (g)



SYNTHETIC INDICATORS OF FINANCIAL PRESSURE (j)



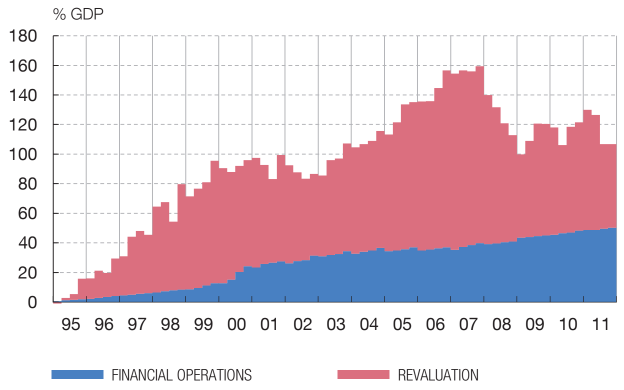
SOURCES: INE and Banco de España.

a The indicators calculated from the CBSO sample were constructed until 2009 using CBA information; thereafter they have been extrapolated using CBQ information.
b Interest-bearing borrowed funds.
c Gross operating profit plus financial revenue.
d Defined as total inflation-adjusted assets less non-interest-bearing liabilities.
e Aggregate of all corporations reporting to the CBSO that belong to the Endesa, Iberdrola, Repsol and Telefonica groups. Adjusted for intra-group financing to avoid double counting.
f Includes interest plus interest-bearing short-term debt.
g NOP, using National Accounts data, is defined as GOS +interest and dividends received - interest paid - fixed capital consumption.
h Own funds valued at market prices.
i Own funds calculated by accumulating flows from the 1996 stock onwards.
j Indicators estimated drawing on the CBA and CBQ surveys. A value above (below) 100 denotes more (less) financial pressure than in the base year.

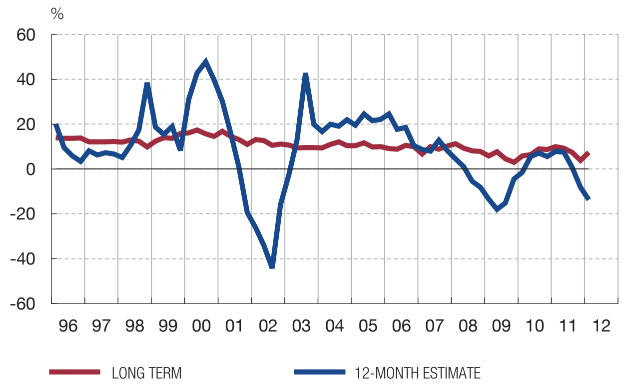
OTHER FINANCIAL INDICATORS OF NON-FINANCIAL CORPORATIONS

CHART 26

CUMULATIVE CHANGE IN NET WORTH (a)



PROFIT GROWTH EXPECTATIONS OF LISTED FIRMS



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.

mance of listed firms' profits, whereas those for the longer term reflect a slight improvement (see Chart 26).

The doubtful assets ratio of non-financial corporations continued to rise in the closing months of 2011. This increase was seen in all productive sectors. Thus, in construction and real estate services it rose by 1.85 pp to 20.1%, while in other productive activities it moved up by 0.27% to 5%.

5.4 General government

The Financial Accounts show that in 2011 Q4 general government borrowing decreased slightly by 0.3 pp of GDP in 12-month cumulated terms, although it remains high (8.5% of GDP; see Table 8).

As usual, the main method of financing used by general government was bond issuance, through which funds equivalent to 6.4% of GDP were obtained, down 0.8 pp from September (see Chart 27). The funds raised through short-term debt securities increased by 0.2 pp, while those obtained through loans decreased by 0.3 pp, to account for 0.5% and 0.4% of GDP, respectively. On the asset side, net acquisitions of securities decreased by 1.3 pp to -0.2% of GDP and the stock of deposits also dropped, this time by the equivalent of 1.6% of GDP, the same percentage as in Q3.

In the opening months of 2012 general government debt continued to grow quickly, albeit somewhat more moderately than at end-2011, the year-on-year rate of expansion standing at 13.8% in February. Noteworthy among the various instruments was the strong growth of long-term financing (up 16.4%) while net short-term issuance loss momentum, being up by 0.5% in year-on-year terms. The breakdown by holder shows that in the last few months resident credit institutions acquired most of the new issues, whereas non-residents continued to disinvest in these assets. The expansion of general government liabilities, together with the weakness of GDP, led to fresh rises in the debt ratio (68.5% of GDP in December) and in the debt burden (2.5% of GDP).

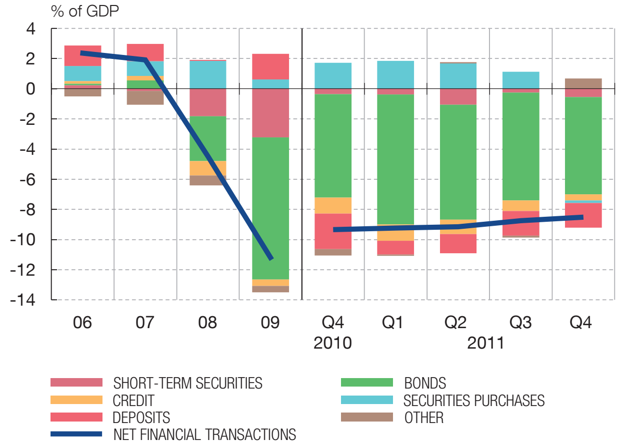
5.5 The rest of the world

On the latest Financial Accounts information, 2011 Q4 saw a continuation of the downward path of the nation's net borrowing, which stood at 3.4% of GDP in 12-month cumulated terms, down 0.1 pp from September (see Table 8). This behaviour was the result of a

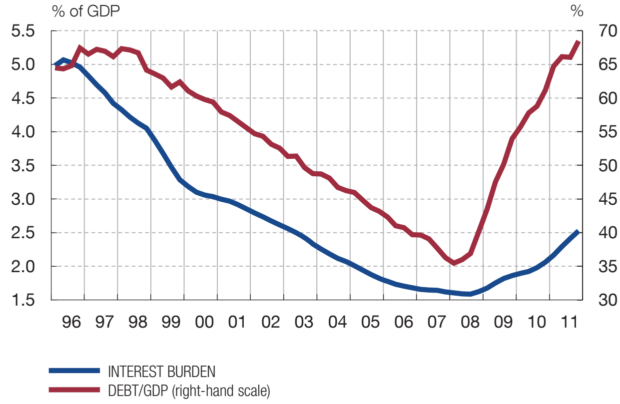
GENERAL GOVERNMENT
Four-quarter data

CHART 27

NET FINANCIAL TRANSACTIONS. CONTRIBUTIONS BY INSTRUMENT (a)



INTEREST BURDEN AND DEBT RATIO



SOURCE: Banco de España.

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

slight decrease in the debtor position of general government, a drop in net lending by non-financial corporations and particularly by households, and an increase in the credit balance of financial institutions.

The funds raised in the rest of the world by resident sectors other than the Banco de España were insufficient to cover the nation's net outflows of funds and its excess of expenditure over revenue. As a result, the Banco de España's net financial transactions with the rest of the world again showed a debit balance, this time for a considerable amount: €74 bn. As noted above, this development is partly influenced by the result of the extraordinary 3-year ECB liquidity tender, in which resident institutions raised a large volume of funds. The latest balance of payments information shows that this pattern did not persist in January, there being very moderate international flows.

The breakdown by instrument shows that in 2011 Q4 the bulk of external financing was channelled through the Banco de España intra-system position. €85 bn of funds were raised in this way. By contrast, there were significant falls in the balance of net interbank funding and in the debit position vis-à-vis central counterparty clearing houses, each amounting to 6.7% of GDP, although in the past year as a whole there was an increase in credit institutions' debt in the form of collateralised transactions settled with these clearing houses (see Table 10). Also seen was a disinvestment by non-residents in debt securities issued by credit institutions and general government. By contrast, the funds raised through shares and other equity continued to be positive, although they fell slightly in twelve-month cumulated terms and were basically in the form of assets issued by non-financial corporations,. Foreign direct investment in Spain fell by 0.1 pp to 1.8% of GDP in annual terms.

Financing by residents to the rest of the world decreased between September and December 2011 to 0.4% of GDP, and it also fell in twelve-month cumulated terms to 2.3% of GDP. Analysis by instrument shows that net investment in debt securities turned negative because disinvestment by institutional investors exceeded acquisition by other sectors.

FINANCIAL TRANSACTIONS OF THE NATION
Four-quarter data

TABLE 10

% of GDP

	2008	2009	2010	2011 Q2	2011 Q3	2011 Q4
NET FINANCIAL TRANSACTIONS	-9.2	-4.7	-4.0	-3.6	-3.5	-3.4
Financial transactions (assets)	0.8	-1.1	-2.5	2.0	2.9	2.3
Gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	-1.3	-3.2	-1.4	0.4	1.5	0.4
Of which:						
Interbank - credit institutions	*-0.5*	*-1.7*	*-1.3*	*0.2*	*0.9*	*0.0*
Securities other than shares	1.3	0.0	-7.1	-4.6	-2.5	-1.1
Of which:						
Credit institutions	*1.5*	*1.2*	*-3.1*	*-0.3*	*0.1*	*0.6*
Institutional investors	*-0.5*	*-1.0*	*-2.9*	*-2.8*	*-1.7*	*-1.2*
Shares and other equity	1.7	1.6	3.2	3.2	1.5	1.1
Of which:						
Non-financial corporations	*3.5*	*0.2*	*3.0*	*1.8*	*0.6*	*-0.1*
Institutional investors	*-2.3*	*0.5*	*1.0*	*1.0*	*0.6*	*0.5*
Loans	0.8	0.3	1.0	2.0	1.5	1.4
Financial transactions (liabilities)	10.0	3.6	1.5	5.6	6.4	5.6
Deposits	8.0	-0.5	-0.5	0.8	4.9	8.7
Of which:						
Interbank - credit institutions (a)	*6.2*	*0.7*	*-7.4*	*-1.8*	*-5.4*	*-3.6*
Repos - credit institutions (b)	*0.2*	*0.1*	*5.8*	*8.3*	*8.4*	*2.7*
Interbank - BE (intra-system position)	*1.9*	*-0.8*	*0.2*	*-6.5*	*1.7*	*10.5*
Securities other than shares	-2.7	3.5	-2.0	-0.3	-2.8	-6.9
Of which:						
General government	*1.1*	*5.1*	*1.9*	*2.0*	*1.4*	*-0.4*
Credit institutions	*-1.9*	*1.0*	*-1.3*	*-1.0*	*-1.7*	*-3.1*
Other non-monetary financial institutions	*-1.9*	*-2.6*	*-2.6*	*-1.2*	*-2.5*	*-3.4*
Shares and other equity	3.2	1.0	2.3	3.1	2.8	2.6
Of which:						
Non-financial corporations	*2.4*	*0.4*	*2.3*	*2.8*	*2.6*	*2.5*
Loans	2.9	0.1	1.3	1.6	1.2	1.0
Other, net (c)	0.3	-0.7	-1.5	-0.7	-0.6	-0.3
MEMORANDUM ITEMS						
Spanish direct investment abroad	4.7	0.7	1.6	3.5	1.8	2.4
Foreign direct investment in Spain	4.8	0.6	1.8	2.4	1.9	1.8

SOURCE: Banco de España.

a Including bilateral repos.
b Including transactions with central counterparty clearing houses.
c Includes, in addition to other items, the asset-side caption reflecting insurance technical reserves and the net flow of trade credit.

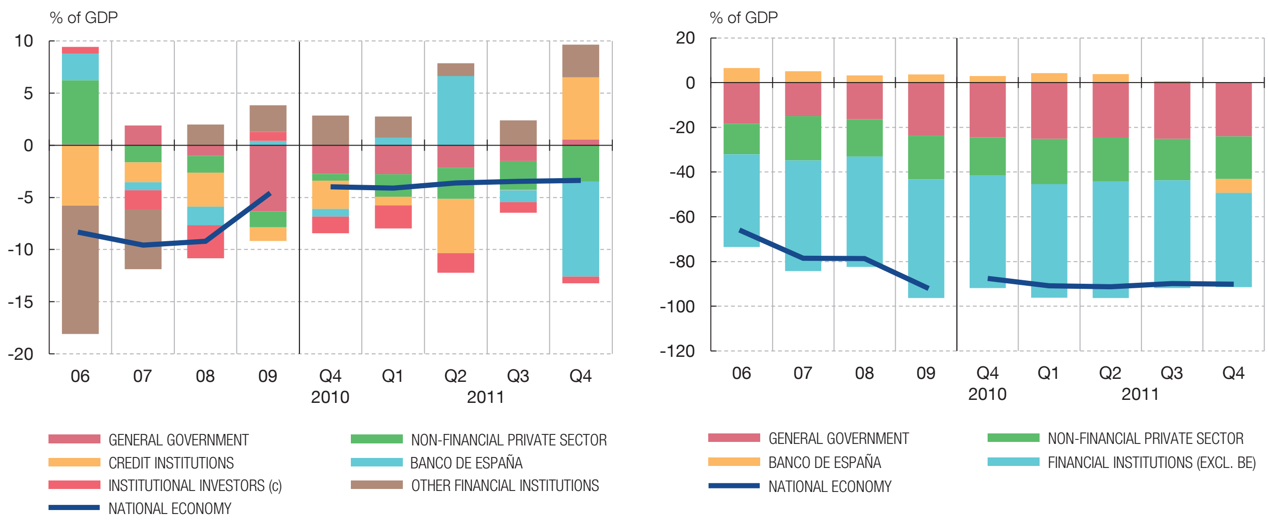
Contrastingly, purchases of shares and other equity increased slightly, compared with a decline in the previous quarter. Also up was Spanish foreign direct investment, which rose to 2.4% of GDP in annual terms, up 0.6 pp on September.

As a result of the developments in cross-border flows and of the changes in asset prices and in exchange rates, the value of the Spanish economy's net liabilities to the rest of the world was equivalent to 90.2% of GDP in December 2011, up 0.4 pp on September (see Chart 28). This slight increase was basically due to the Banco de España posting a debit

NET FINANCIAL TRANSACTIONS AND NET FINANCIAL ASSETS VIS-À-VIS THE REST OF THE WORLD (a) CHART 28

NET FINANCIAL TRANSACTIONS (b)

NET FINANCIAL ASSETS



SOURCE: Banco de España.

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

balance vis-à-vis the rest of the world (equal to 6.1% of GDP) after it had been practically zero in the previous quarter. By contrast, the financial sector (excluding the Banco de España) and general government reduced their debit position vis-à-vis non-residents, while the net external debt of the non-financial private sector showed no significant changes.

19.4.2012

RESULTS OF NON-FINANCIAL CORPORATIONS TO 2011 Q4 AND SUMMARY YEAR-END DATA

The authors of this article are Álvaro Menéndez and Maristela Mulino, of the Directorate General Economics, Statistics and Research.

Overview[1]

The information sent by the firms reporting to the Central Balance Sheet Data Office's Quarterly Survey (CBQ) reveals a contraction in productive activity in 2011, following the slight recovery the previous year. The CBQ data, which represent a preliminary estimate of those that will later be published on the basis of annual information, show that, in the year as a whole, the GVA of this sample declined by 1%, after growing by 2.9% in 2010. This fresh dip is consistent with the weakness displayed by national demand in this period, since it has affected to a greater degree sectors, such as wholesale and retail trade and accommodation and food service activities and information and communication, that more closely reflect the behaviour of private consumption. The external activity of the reporting firms, remained more buoyant, although it lost momentum as the year passed.

Personnel costs grew by 0.6% in 2011, following a decline of 1.2% in 2010. This change in sign was mainly due to the fall in the average rate of job destruction during 2011 for this sample of firms. By type of contract, temporary contracts continued to be the ones in which the workforce adjustment was concentrated, with a reduction of 6.9%, while permanent jobs showed little change, growing by 0.6%. By sector, there were reductions in the average number of workers in almost all sectors, although they were more moderate than in the previous year. The notable exception was wholesale and retail trade and accommodation and food service activities, the only sector to record an increase in employment, of 2.1%. Average compensation increased by 1.1%, a slightly higher rate than in 2010 (0.9%).

The contraction in productive activity, along with the slight increase in personnel costs, led to a 2.3% decline in gross operating profit in 2011, following growth of 6.9% in 2010. Financial revenue and financial costs increased by 7.6% and 9.6%, respectively, owing to the upward trend during the first half of the year in interest rates, which was progressively passed through to firms' results. The changes in debt had no appreciable impact on financial costs, given the low level of new borrowing by firms, against a background of marked slackness in investment. As regards financial revenue, the increase in 2011 was somewhat mitigated by the less expansionary behaviour of dividends received, which grew by only 2.2%, as compared with 10.8% the previous year. Finally, net depreciation and operating provisions increased by 3.3%, somewhat less than in the previous year, when they increased by 4.8%.

Ordinary net profit (ONP) fell by 7% in 2011, in contrast to the 8.9% growth recorded the previous year. The negative trend in ordinary profit resulted in a reduction in profitability levels, which extended to all the sectors of activity analysed. At the same time, the ratio that measures the cost of debt rose to 3.5%, up 0.3 percentage points from its 2010 level. The overall effect of the fall in profitability levels and the increase in the cost of

1 This article is based on a sample of 749 corporations which had sent their data to the Central Balance Sheet Data Office by 12 March 2012. In terms of GVA, these corporations represent 12% of the whole non-financial corporations sector.

debt costs was to narrow the difference between these two variables, to 2%, which was somewhat more than one percentage point less than the difference recorded a year earlier. Moreover, this value is the lowest since 1997, when the distance between the two ratios narrowed to 1.1%.

Finally, the analysis of extraordinary costs and revenues shows that in 2011 these items had a negative impact on net profit. The heading that includes the results of asset disposals reflected some significant capital losses arising from share sale transactions. To this should be added the existence, within the item that covers other extraordinary results, of large extraordinary provisions associated with redundancy schemes, which have affected some large firms in the sample. All this led to a 19.8% decline in net profit. As a percentage of GVA, net profit fell by 5 pp with respect to 2010, to 21.1%.

In short, the smooth recovery in business activity recorded in 2010 came to a halt in 2011, when activity resumed its downward course. This fresh dip extended to all the productive sectors, although it was those most closely linked to private consumption that recorded the strongest declines. In line with the weakness displayed by productive activity, firms continued to create no new jobs, although, on average over the year, the intensity of the workforce adjustment declined, while average compensation accelerated somewhat. At the same time, both financial revenues and costs increased, mainly as a consequence of the rise in interest rates. All this led to a deterioration in ordinary company profits and, as a result, in the return on investment, as well as a decline in the differential between this ratio and the cost of borrowing.

Activity

The sample of firms reporting to the CBQ recorded a reduction of 1% in GVA in 2011, which represents a return to a downward trend, following the slight recovery recorded in 2010, when this surplus grew by 2.9% (see Table 1 and Chart 1). This behaviour was largely due to the weakness displayed by national demand, against a background in which external activity made a more positive contribution, although it progressively lost momentum as the year passed. Table 2 confirms that the relative importance of exports increased, to reach 13.4% of total sales, up one percentage point from 2010.

An analysis at the sector level (see Table 3) shows that the decline in the buoyancy of activity extended to all sectors. However, the sharpest declines were recorded in wholesale and retail trade and accommodation and food service activities and in information and communication, which were more directly affected by the drop in private consumption. Thus, the GVA of the former sector fell by 2.2% in 2011, after growing by 3.2% in 2010, while in the information and communication sector the decline in GVA was more pronounced, at 5.3%, the same rate of contraction as recorded in 2010. In addition to the weakness of consumption, the existence of a highly competitive environment and the reduction in margins in telecommunications, as a result of the commercial strategies adopted by the large firms in this sector in recent years, also explains the magnitude of the decline in this aggregate. In other productive branches positive rates of change in GVA were recorded, although these were very low. Thus, GVA in the industrial sector grew by 0.1%, far below the rate of 20.7% that it grew by in 2010, despite the more expansionary behaviour displayed by this aggregate in the first few quarters, thanks to the boost from external activity. However, this component of demand lost momentum as the year passed, so that the rate of growth of the exports of industrial firms fell from 26.7% in 2011 Q1 to 1.1% in Q4. The subsectors other manufacturing, food, beverages and tobacco and manufacture of mineral and metal products were those that suffered the largest falls in GVA, of 7.9%, 6.8% and 3.4%, respectively.

PROFIT AND LOSS ACCOUNT. YEAR-ON-YEAR CHANGES AND PROFIT RATIOS

TABLE 1

Growth rates of the same corporations on the same period a year earlier. Percentages

	CBA Structure	CBA		CBQ (a)		
DATABASES	2010	2009	2010	2009 Q1-Q4/ 2008 Q1-Q4	2010 Q1-Q4/ 2009 Q1-Q4	2011 Q1-Q4/ 2010 Q1-Q4
Number of corporations		9,836	8,347	806	813	749
Total national coverage (% of GVA)		31.0	29.1	12.7	13.2	12.0
PROFIT AND LOSS ACCOUNT						
1 VALUE OF OUTPUT (including subsidies)	100.0	-12.9	4.8	-13.7	8.5	9.0
Of which:						
Net amount of turnover and other operating income	*147.7*	*-13.2*	*4.5*	*-13.5*	*9.3*	*11.7*
2 INPUTS (including taxes)	65.8	-15.5	6.5	-16.6	11.6	14.4
Of which:						
Net purchases	*93.4*	*-18.6*	*8.8*	*-23.1*	*17.0*	*21.0*
Other operating costs	*22.6*	*-6.6*	*1.5*	*-5.7*	*8.5*	*-0.1*
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]	34.2	-7.8	1.6	-7.9	2.9	-1.0
3 Personnel costs	19.7	-3.3	-0.3	-1.9	-1.2	0.6
S.2 GROSS OPERATING PROFIT [S.1 – 3]	14.5	-13.7	4.3	-13.0	6.9	-2.3
4 Financial revenue	5.0	-19.3	2.4	-15.2	3.9	7.6
5 Financial costs	4.3	-29.0	-2.2	-31.2	1.5	9.6
6 Depreciation and operating provisions	6.5	-5.1	1.5	-1.4	4.8	3.3
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	8.7	-13.9	8.9	-8.8	8.9	-7.0
7 Gains (losses) from disposals and impairment	-0.5	-	-	-	-	-
7' As a percentage of GVA (7/S.1)		4.5	-1.5	7.9	-2.7	-2.2
8 Changes in fair value and other gains (losses)	-0.9	3.8	38.5	-25.4	45.8	-97.4
8' As a percentage of GVA (8/S.1)		-4.5	-2.7	-7.8	-3.9	-6.1
9 Corporate income tax	1.1	31.2	30.2	-	20.4	-43.6
S.4 NET PROFIT [S.3 + 7 + 8 – 9]	6.2	44.6	-15.7	50.9	-14.6	-19.8
S. 4' As a percentage of GVA (S.4/S.1)		20.4	18.0	30.4	26.1	21.1
PROFIT RATIOS	Formulas (b)					
R.1 Return on investment (before taxes)	(S.3 + 5.1)/NA	6.2	6.1	6.2	6.3	5.6
R.2 Interest on borrowed funds/interest-bearing borrowing	5.1/IBB	3.5	3.3	3.3	3.2	3.5
R.3 Ordinary return on equity (before taxes)	S.3/E	8.7	8.8	8.8	9.0	7.4
R.4 ROI – cost of debt (R.1 – R.2)	R.1 – R.2	2.7	2.9	2.9	3.1	2.0

SOURCE: Banco de España.

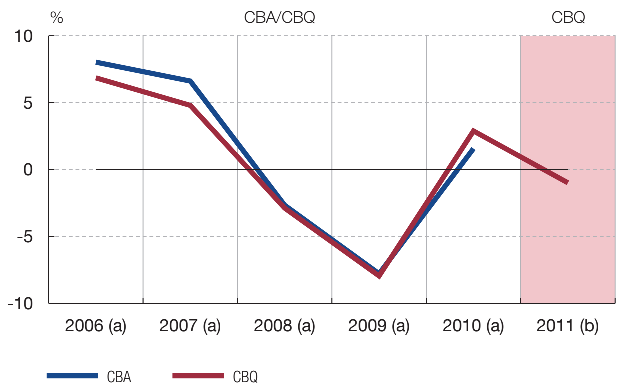
a All the data in these columns have been calculated as the weighted average of the quarterly data.
b NA = Net assets (net of non-interest-bearing borrowing); E = Equity; IBB = Interest-bearing borrowing; NA = E + IBB. The financial costs in the numerators of ratios R.1 and R.2 only include the portion 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, 7 and 8.

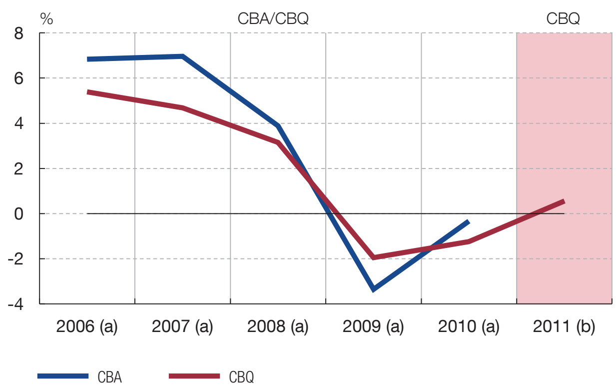
In energy, GVA grew at a moderate rate in 2011, of 0.8%, well below the 9% rate by which it had grown the previous year, constrained by the loss of momentum in electricity, gas and water and, especially in oil refining. GVA in the latter subsector declined by 5.6% in 2011, in sharp contrast to the 85.5% increase recorded a year earlier. The GVA of electricity, gas and water firms grew by 1.5%, less than in the previous year, when it grew by 4.2%. Both the change in demand for electricity, 1.1% lower than in the previous year, and the increase in costs explain the slowdown in the activity of this subsector. Lastly, the aggregate that covers the other sectors recorded moderate GVA growth, of 1.2%, an improvement

NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE — CHART 1

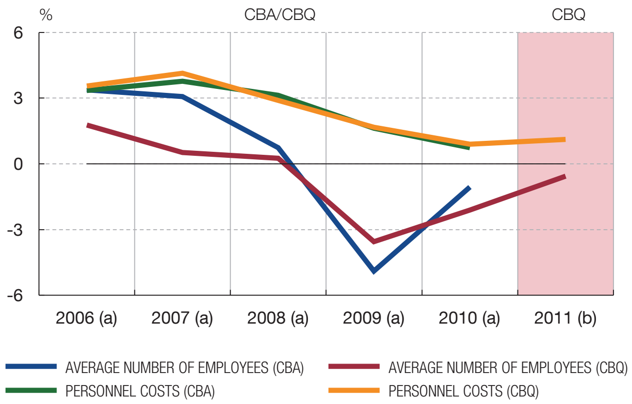
GROSS VALUE ADDED AT FACTOR COST
Rate of change



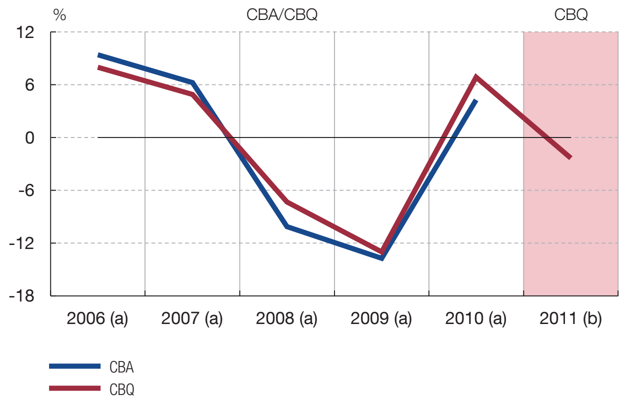
PERSONNEL COSTS
Rate of change



EMPLOYMENT AND WAGES
Rate of change



GROSS OPERATING PROFIT
Rate of change



NON-FINANCIAL CORPORATIONS		2006	2007	2008	2009	2010	2011
Number of corporations	CBA	9,276	9,321	9,639	9,836	8,347	—
	CBQ	832	851	819	806	813	749
% of GVA of the sector non-financial corporations	CBA	33.2	33.7	31.4	31.0	29.1	—
	CBQ	14.4	14.2	13.0	12.7	13.2	12.0

SOURCE: Banco de España.

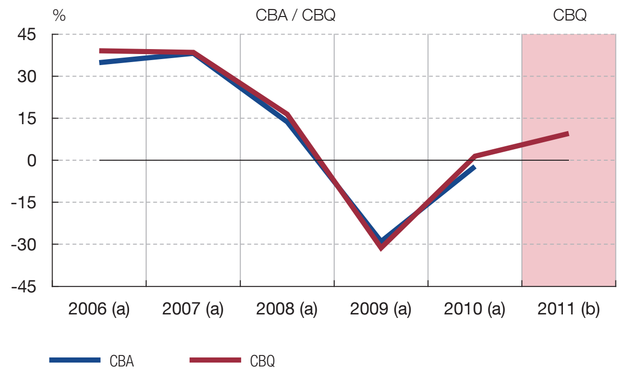
a The 2006, 2007, 2008, 2009 and 2010 data are for the corporations reporting to the annual survey (CBA) and the average for the four quarters of each year in relation to the previous year (CBQ).
b Average of the four quarters of 2011 vis-à-vis the same period in 2010.

on 2010 however, when this surplus fell by 1%, owing to the contraction that year in the construction and real estate sectors.

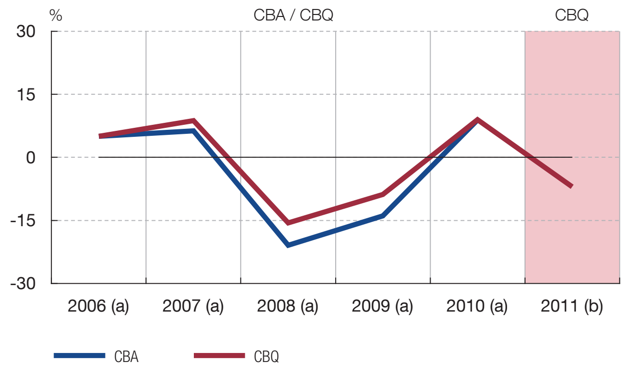
Finally, Chart 2 presents for the last two years, percentiles of the distribution of firms according to their GVA growth rates. This information shows that there was a decline in the rates of change of GVA in each percentile, with respect to 2010, which was most pronounced in the case of the 75th percentile (the GVA of this group of firms grew by 17.6%, almost 6 pp less than in 2010). Overall, the 2011 results show somewhat less heterogeneous behaviour than in the previous year, with a reduction in the degree of dispersion of the indicator among firms, as seen, for example, in the reduction of the distance between the extreme percentiles.

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

FINANCIAL COSTS
Rate of change

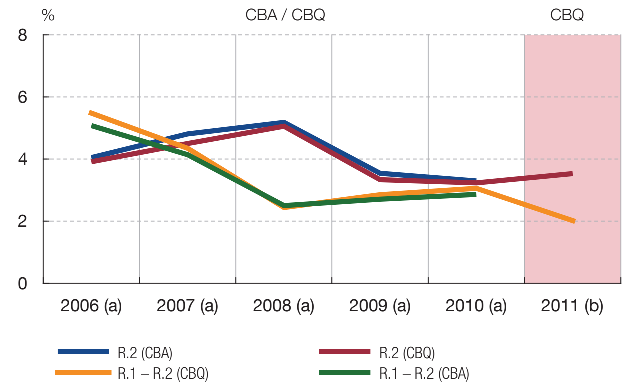


ORDINARY NET PROFIT
Rate of change



RETURN ON INVESTMENT (R.1)
Ratios

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



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	CBQ	14.4	14.2	13.0	12.7	13.2	12.0

SOURCE: Banco de España.

a The 2006, 2007, 2008, 2009 and 2010 data are for the corporations reporting to the annual survey (CBA) and the average for e four quarters of each year in relation to the previous year (CBQ).
b Average of the four quarters of 2011 vis-à-vis the same period in 2010.

Employment and personnel costs

Personnel costs grew in 2011 by 0.6%, having fallen by 1.2% in 2010 (see Table 3). The moderate acceleration in these costs is mainly a consequence of the lower rate of job destruction last year in the firms that make up the CBQ sample, since average compensation grew by 1.1%, only 0.2 pp more than in 2010.

The data on the average number of employees confirm that firms continued to reduce their workforces in 2011, although at a lower rate than in previous periods. Thus, employment fell by 0.6% in 2011, a 1.5 pp smaller fall than a year earlier. The Table 4 data also confirm this pattern, since although more than half of the firms (53.1%) continued to reduce their average workforces in 2011, the decline in this proportion, from its 2009

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

TABLE 2

Structure and rate of change. Percentages

		CBA		CBQ (a)	
		2009	2010	2010 Q1-Q4	2011 Q1-Q4
Total corporations		8,347	8,347	749	749
Corporations reporting source/destination		8,347	8,347	713	713
Percentage of net purchases according to source	Spain	68.5	65.6	82.0	82.6
	Total abroad	31.5	34.4	18.0	17.4
	EU countries	17.0	17.0	12.8	12.8
	Third countries	14.5	17.4	5.2	4.7
Percentage of net turnover according to destination	Spain	85.1	83.3	87.6	86.6
	Total abroad	14.9	16.7	12.4	13.4
	EU countries	10.1	11.2	8.2	9.1
	Third countries	4.8	5.5	4.2	4.2
Change in net external demand (exports less imports), rate of change	Industry	22.9	1.1	16.5	25.0
	Other corporations	39.3	-24.8	-	44.5

SOURCE: Banco de España.

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

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

TABLE 3

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

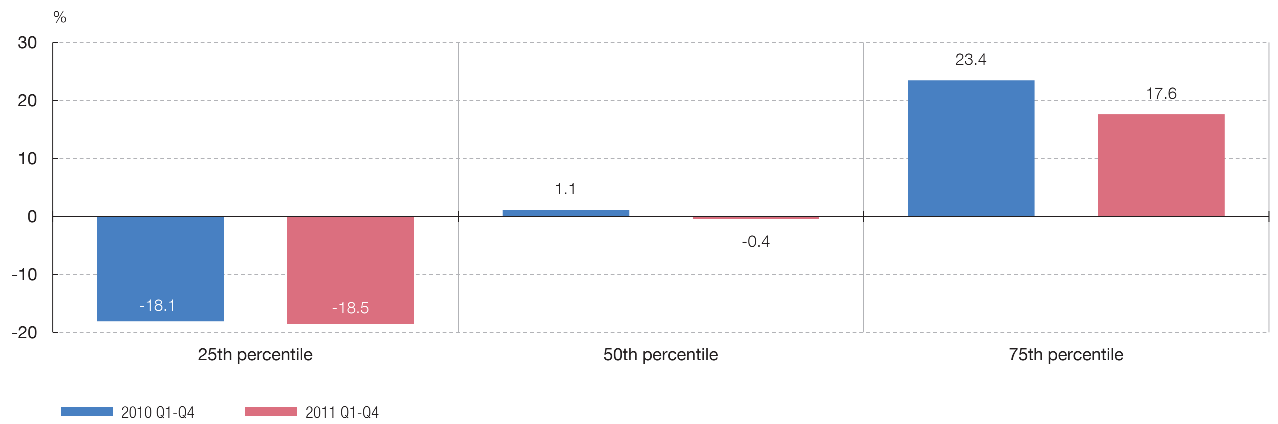
	Gross value added at factor cost				Employees (average for period)				Personnel costs				Personnel costs per employee			
	CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)	
	2009	2010	2010 Q1-Q4	2011 Q1-Q4	2009	2010	2010 Q1-Q4	2011 Q1-Q4	2009	2010	2010 Q1-Q4	2011 Q1-Q4	2009	2010	2010 Q1-Q4	2011 Q1-Q4
TOTAL	**-7.8**	**1.6**	**2.9**	**-1.0**	**-4.9**	**-1.1**	**-2.1**	**-0.6**	**-3.3**	**-0.3**	**-1.2**	**0.6**	**1.6**	**0.7**	**0.9**	**1.1**
SIZE																
Small	-11.4	-3.8	—	—	-7.1	-4.3	—	—	-6.2	-3.1	—	—	1.0	1.3	—	—
Medium	-8.7	0.9	4.9	0.8	-5.7	-2.0	-3.3	-1.6	-4.1	-0.7	-1.3	0.0	1.7	1.3	2.0	1.6
Large	-7.6	1.8	2.8	-1.1	-4.7	-0.8	-2.1	-0.5	-3.1	-0.2	-1.2	0.6	1.6	0.6	0.8	1.1
BREAKDOWN OF ACTIVITIES																
Energy	-6.6	7.6	9.0	0.8	-1.9	-2.1	-2.3	-1.8	0.7	0.5	0.3	0.4	2.6	2.6	2.6	2.2
Industry	-16.1	8.6	20.7	0.1	-7.1	-2.4	-2.4	-0.1	-6.8	-0.1	-0.9	1.8	0.3	2.3	1.5	1.9
Wholesale and retail trade and accommodation and food service activities	-6.4	1.8	3.2	-2.2	-5.1	-0.5	-0.8	2.1	-3.9	0.5	0.2	2.5	1.3	1.0	1.1	0.4
Information and communication	-5.3	-4.9	-5.3	-5.3	-2.8	-1.7	-1.7	-0.4	-0.8	-0.3	0.6	2.2	2.0	1.4	2.4	2.6
Other activities	-4.3	-2.3	-1.0	1.2	-4.4	-0.6	-3.0	-2.4	-2.2	-1.1	-2.9	-1.5	2.3	-0.5	0.1	1.0

SOURCE: Banco de España.

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

DISTRIBUTION OF CORPORATIONS BY RATE OF CHANGE IN GVA

CHART 2



SOURCE: Banco de España.

PERSONNEL COSTS AND EMPLOYEES
Percentage of corporations in specific situations

TABLE 4

	CBA			CBQ (a)		
	2008	2009	2010	2009 Q1-Q4	2010 Q1-Q4	2011 Q1-Q4
Number of corporations	9,639	9,836	8,347	806	813	749
PERSONNEL COSTS	100	100	100	100	100	100
Falling	32.1	57.4	48.6	57.3	49.5	48.2
Constant or rising	67.9	42.6	51.4	42.7	50.5	51.8
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	42.1	54.7	46.6	62.4	56.0	53.1
Constant or rising	57.9	45.3	53.4	37.6	44.0	46.9

SOURCE: Banco de España.

a Weighted average of the relevant quarters for each column.

peak of 62.4% of the sample firms, continued. This shows that, within the CBQ sample, a large and growing percentage of firms have managed during the last two years to maintain or increase their workforces. A more detailed analysis of this aggregate suggests that certain aspects associated with balance sheet soundness, moderation in the growth of average wages or a higher weight of external activity may have had a positive influence, encouraging the creation of jobs (see Box 1). Distinguishing by type of contract, the bulk of the adjustment continued to be concentrated in temporary employment, which declined by 6.9% in 2011 (see Table 5), while the number of workers with permanent contracts grew slightly (0.6%). At the sector level, there were reductions in employment almost right across the board, although they were more moderate than in 2010 (see Table 3). The wholesale and retail trade and accommodation and food service activities sector stands out as the one sector to show a positive change in the average number of workers (2.1%).

Average compensation grew by 1.1%, a slight acceleration from the previous year's growth rate of 0.9% (see Table 3). This acceleration is more apparent in some sectors, such as

One of the most negative consequences of the crisis affecting the Spanish economy in recent years has been the destruction of jobs. This phenomenon was especially severe in 2009, but continued in 2010 and in 2011. The latest CBQ data confirm this pattern, for the economy as a whole, reflecting a fall in average employment of 2.1% in 2010 and 0.6% in 2011. However, a more detailed analysis of this aggregate shows that these developments have been compatible with the existence of a certain proportion of companies that have reported, during these same years, no change or even increases in their average level of employment, which illustrates the high degree of heterogeneity in hiring decisions in the corporate sector. Specifically, around 12% of the firms reporting to the CBQ kept their staff levels unchanged in each of the last two years, while the percentage of those that increased their workforces stood at 32% in 2010 and 35% in 2011. Against this background, the purpose of this box is to analyse the differences between those firms that maintain or increase employment levels and those that reduce them in terms of a set of economic and financial variables, presenting a sectoral breakdown covering the sectors best represented in the sample (energy, industry, wholesale and retail trade, and information and communication). This exercise is useful to understand which characteristics have contributed over the last two years to the greater resilience of the employment figures of one group of firms vis-à-vis the others.

Panel 1 of the chart presents, for each sector, the proportion of firms that increased, maintained and reduced their average workforces in 2010 and in 2011. As in the case of the sample as a whole, the aggregate loss of employment was compatible in most sectors with the existence of a high proportion of firms in which no staff reductions were recorded. In energy, this proportion stood, notably, at around 60% in both years. When only those firms in which there was an increase in the number of workers are considered, the proportion is still above 25% in every sector, the information and communication sector standing out with 47% of its firms increasing their employment in 2011.

Turning to an analysis of the characteristics of the firms, the return on assets of those that maintained or increased their workforces is generally seen to be greater than that of those that reduced them. Thus, in 2010 and 2011 the median profitability of the first group was clearly higher than that of the second (4.8%, as against 3% in the first year, and 5.5% as against 3.2% in the second year), with the same pattern being repeated in practically all the sectors considered (see Panel 2 of the chart). The industrial sector, in both years, and information and communication, in the second, are those that show the clearest contrast between the two samples, with a difference of more than 3 pp in their median profitability.

Analysis of the ratio between the level of borrowing and ordinary profit (defined as gross operating profit plus financial revenue) also shows clearly contrasting behaviour between these two groups; firms with falling employment generally have higher levels of this indicator. Again, this pattern is detected in all sectors, with the sole exception of energy (see Panel 3 of the chart).

At the same time, it can be seen that the proportion of firms in a less favourable financial position (deemed to be those that report a negative gross operating profit, after financial revenue and financial costs are taken into account) is lower in the group of firms that increase or do not change their level of employment. Thus, in the two years analysed, while 22% of firms that did not destroy jobs were in a less favourable financial position, this proportion was 27% and 29% among firms that did destroy employment in 2010 and 2011, respectively. In this case too the difference between these two groups extends to most sectors (see Panel 4 of the chart).

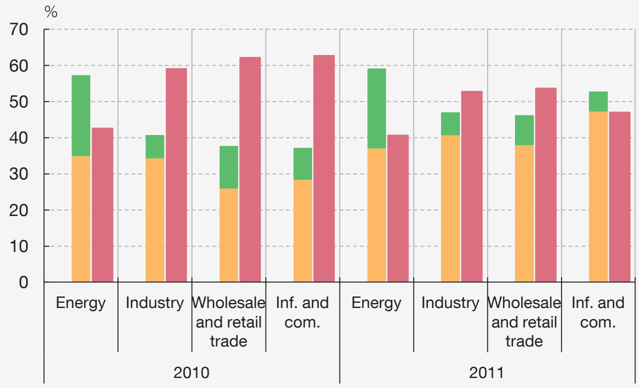
Significant differences are also discerned between the two groups of firms as regards the behaviour of average compensation per worker. Thus, for CBQ firms that increased or maintained their employment levels, the median increase in costs per worker was 0.7% in 2010, while for those that reduced their workforces it was 2.5%, a pattern that was also recorded last year (0.5%, as against 2.4%, respectively) and that is detected in all the sectors considered (see Panel 5 of the chart). This result probably reflects the favourable effects for job creation associated with wage moderation, although it cannot be ruled out that the differences between the two groups are also partly a consequence of changes in the composition of employment, according to levels of remuneration (for example, if the jobs that are destroyed and/or the new jobs pay below average wages).

Finally, the relative importance of external activity in the two samples analysed has been studied. Over the last two years, the firms that maintained or increased their workforces had a higher proportion of external sales than those that destroyed jobs (see Panel 6 of the chart), with the sole exception of the energy sector in 2011 (in which the opposite was the case) and wholesale and retail trade in 2010 (when differences are barely discerned).

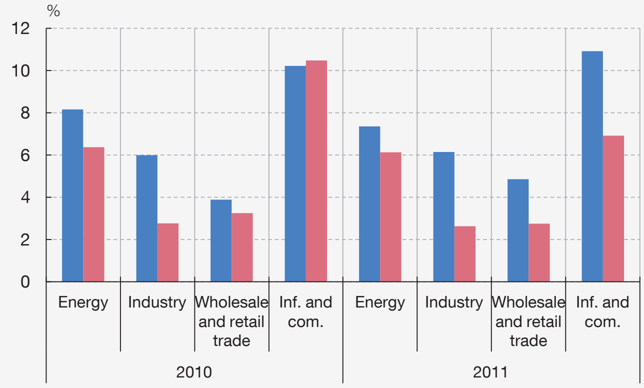
In short, the Central Balance Sheet Data Office information shows that, despite the present background of economic crisis and declining employment, in 2010 and 2011 a significant proportion of firms maintained or even increased their workforces. The companies in this situation are characterised by having, in comparison with those that report reductions in their workforces, higher profitability, lower levels of debt relative to profit generated, a less vulnerable financial position, smaller increases in their average personnel costs and a higher weight of exporting activity. Although merely based on a bivariate analysis, so that firm conclusions cannot be drawn regarding causality, these results point to a positive relationship between the soundness of firms' balance sheets, wage moderation and presence in external markets, on the one hand, and job creation, on the other.

FIRM INDICATORS ACCORDING TO CHANGE IN AVERAGE EMPLOYMENT (a)

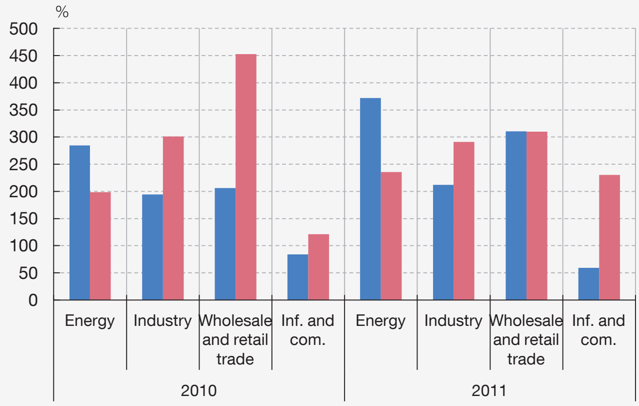
1 PERCENTAGE OF FIRMS ACCORDING TO CHANGE IN AVERAGE NUMBER OF EMPLOYEES



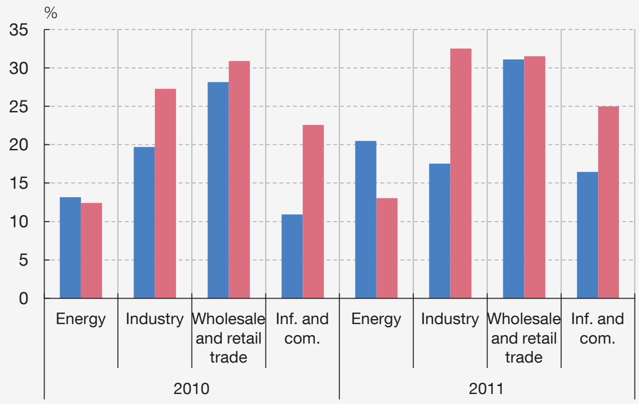
2 RETURN ON INVESTMENT (b)



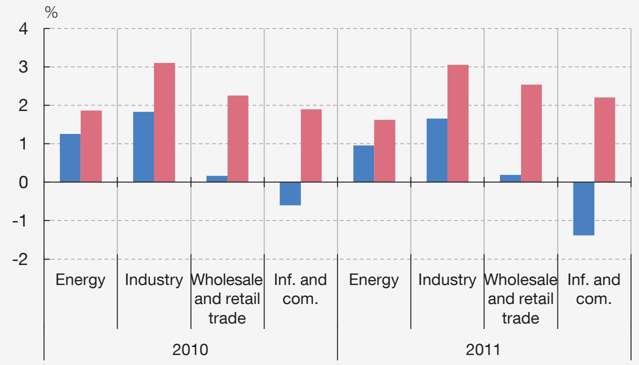
3 DEBT (c)



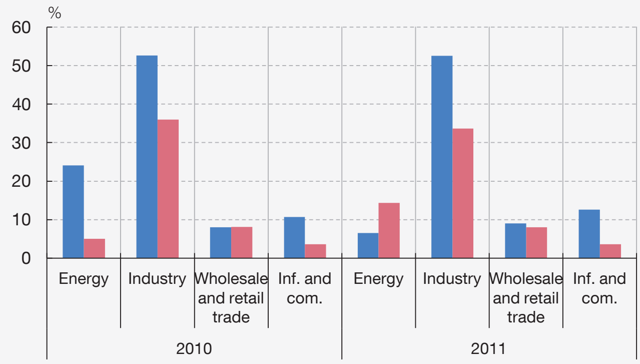
4 PERCENTAGE OF FIRMS IN A LESS FAVOURABLE FINANCIAL POSITION (d)



5 CHANGE IN AVERAGE COMPENSATION PER EMPLOYEE (b)



6 EXPORTS AS A PERCENTAGE OF TOTAL SALES (b)



FIRMS INCREASING OR MAINTAINING EMPLOYMENT
FIRMS REDUCING EMPLOYMENT
FIRMS INCREASING EMPLOYMENT
FIRMS MAINTAINING EMPLOYMENT LEVELS

SOURCE: Banco de España.

a Holding companies are not included.
b Median level of indicator.
c Median of the ratio interest-bearing borrowing/(GOP + financial revenue).
d Firms whose gross operating profit after financial revenue and costs (GOP + financial revenue – financial costs) is negative.

EMPLOYMENT

TABLE 5

		Total CBQ corporations 2011 Q1-Q4	Corporations increasing (or not changing) staff levels	Corporations reducing staff levels
Number of corporations		749	378	371
NUMBER OF EMPLOYEES				
Initial situation 2010 Q1-Q4 (000s)		675	343	332
Rate 2011 Q1-Q4/2010 Q1-Q4		-0.6	4.8	-6.1
Permanent	Initial situation 2010 Q1-Q4 (000s)	573	299	274
	Rate 2011 Q1-Q4/2010 Q1-Q4	0.6	4.2	-3.5
Non-permanent	Initial situation 2010 Q1-Q4 (000s)	102	44	58
	Rate 2011 Q1-Q4/2010 Q1-Q4	-6.9	8.7	-18.8

SOURCE: Banco de España.

industry, in which average wages rose by 1.9%, almost half a percentage point more than in 2010. In other sectors, such as energy, and information and communication, increases of more than 2% in compensation per employee were recorded, although these rates were similar to those recorded the previous year. At the other extreme, the wholesale and retail trade and accommodation and food service activities sector, stood out as being the one in which wage costs were most contained, with growth of 0.4%.

Profits, rates of return and debt

In line with the contractionary trend in activity, gross operating profit also declined in 2011, by 2.3%, in contrast to the growth of 6.9% in this surplus in 2010.

Financial revenues increased by 7.6% in 2011, due to the impact on this item of higher interest receipts, against a background of interest rate rises during the first half of the year, while dividend receipts slowed significantly, growing by only 2.2%, after growth of 10.8% in 2010.

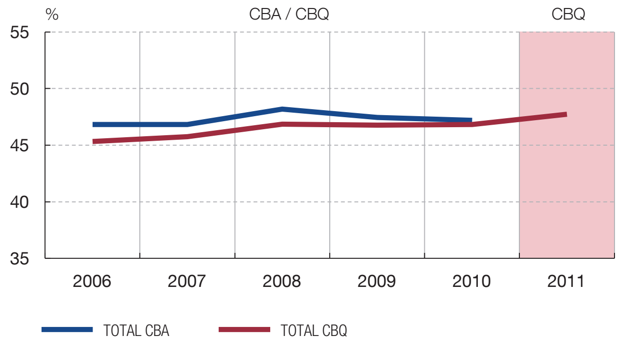
Financial costs also increased during the period analysed (by 9.6%), following the mild rise recorded in 2010 (1.5%), causing the ratio that measures the debt burden to rise (see Chart 3), after falling for two years running. The increase in such costs was in line with the upward trend in interest rates during the first half of the year, which raised the cost of debt for firms to 3.5% on average in 2011, up 0.3 pp from 2010. The information in Table 6 confirms that the main cause of the growth in financial costs in 2011 was the change due to the cost, while the changes in debt had a practically negligible effect, as a consequence of the low level of new borrowing. This is consistent with the slack investment climate existing in the Spanish economy, which was also corroborated by the data provided by the CBQ on the developments in gross fixed capital formation for this sample of firms, which show a sharp fall, of approximately 19% in this investment flow in 2011. Despite the stability of external liabilities, the ratio E1, between interest-bearing borrowing and net assets, and, to a lesser extent, E2, which approximates the ability to repay, rose slightly, as a consequence of the fall in the denominators of these indicators (see Chart 3).

The developments described caused ordinary net profit to fall in 2011 by 7%, as compared with a rise of 8.9% the previous year. The deterioration in ordinary net profit led to a reduction in profitability levels. Thus, the ratio that approximates the return on investment

DEBT RATIOS

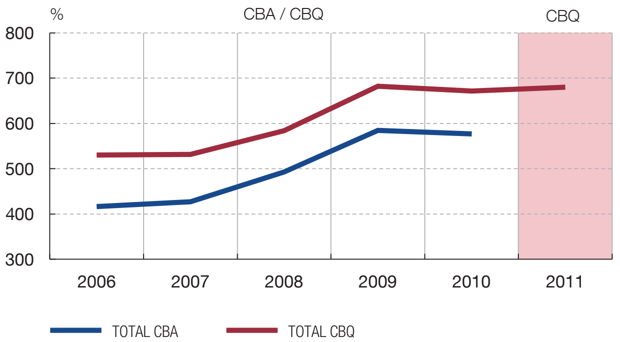
CHART 3

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



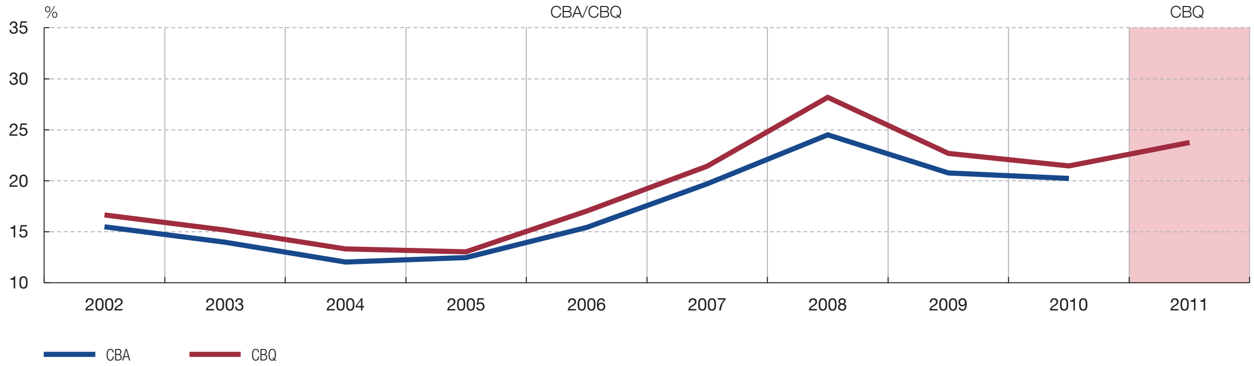
	2006	2007	2008	2009	2010	2011
CBA	46.8	46.8	48.2	47.5	47.2	
CBQ	45.3	45.8	46.9	46.8	46.8	47.7

E2. INTEREST-BEARING BORROWING/(GOP + financial revenue) (b)
Ratios



	2006	2007	2008	2009	2010	2011
CBA	416.4	427.0	492.6	584.5	576.7	
CBQ	530.1	531.6	583.8	682.1	671.3	680.1

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



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
CBA	15.5	14.0	12.0	12.5	15.4	19.7	24.5	20.8	20.2	
CBQ	16.7	15.2	13.3	13.0	17.0	21.4	28.2	22.7	21.4	23.8

SOURCE: Banco de España.

a Ratio calculated from final balance sheet figures. Own funds include an adjustment to current prices.
b Ratio calcualted from final balance sheet figures. Interest-bearing borrowing includes an adjustment to eliminate intragroup debt (approximation of consolidated debt).

ANALYSIS OF DEVELOPMENTS IN FINANCIAL COSTS
Percentages

TABLE 6

	CBA	CBQ
	2010/2009	2011 Q1-Q4/2010 Q1-Q4
Change in financial costs	**-2.2**	**9.6**
A Interest on borrowed funds	-2.8	10.9
1 Due to the cost (interest rate)	-6.9	11.3
2 Due to the amount of interest-bearing debt	4.1	-0.4
B Other financial costs	0.6	-1.3

SOURCE: Banco de España.

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. Percentages

TABLE 7

	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	2010	2010 Q1-Q4	2011 Q1-Q4	2009	2010	2010 Q1-Q4	2011 Q1-Q4	2009	2010	2010 Q1-Q4	2011 Q1-Q4	2009	2010	2010 Q1-Q4	2011 Q1-Q4
TOTAL	**-13.7**	**4.3**	**6.9**	**-2.3**	**-13.9**	**8.9**	**8.9**	**-7.0**	**6.2**	**6.1**	**6.3**	**5.6**	**2.7**	**2.9**	**3.1**	**2.0**
SIZE																
Small	-23.8	-5.9	—	—	-42.6	6.2	—	—	3.7	3.7	—	—	-0.9	0.2	—	—
Medium	-16.8	4.1	15.4	2.1	-22.7	18.2	39.4	8.7	4.7	5.0	5.8	6.4	0.8	1.7	2.7	3.1
Large	-13.3	4.5	6.6	-2.5	-12.9	8.4	8.3	-7.5	6.4	6.2	6.3	5.5	2.8	2.9	3.1	2.0
BREAKDOWN OF ACTIVITIES																
Energy	-9.9	11.1	11.6	1.0	-17.1	5.3	-0.4	-11.7	6.7	6.2	6.4	5.4	3.1	2.9	3.1	2.0
Industry	-30.2	25.5	92.4	-2.9	-51.0	73.4	-	-4.7	4.0	6.1	4.6	3.7	0.4	2.4	0.7	-0.4
Wholesale and retail trade and accommodation and food service activities	-10.7	4.4	8.7	-10.4	-4.3	5.2	14.7	-10.1	6.9	7.9	7.5	5.6	3.2	4.2	4.3	1.8
Information and communication	-7.5	-7.2	-7.2	-8.3	-15.0	-8.7	-10.4	-11.4	22.0	23.3	27.1	24.4	17.2	19.1	22.7	20.1
Other activities	-10.2	-5.8	3.6	6.6	33.3	1.7	38.2	17.6	5.2	4.8	5.1	4.7	1.9	1.6	2.0	1.2

SOURCE: Banco de España.

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

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

TABLE 8

		CBQ (a)			
		Return on investment (R.1)		Ordinary return on equity (R.3)	
		2010 Q1-Q4	2011 Q1-Q4	2010 Q1-Q4	2011 Q1-Q4
Number of corporations		813	749	813	749
Percentage of corporations by profitability bracket	R <= 0	30.4	30.2	34.6	34.7
	0 < R <= 5	24.8	23.8	17.5	16.0
	5 < R <= 10	14.8	15.3	10.7	11.0
	10 < R <= 15	7.4	8.3	7.9	8.6
	15 < R	22.7	22.4	29.3	29.7
MEMORANDUM ITEM: Average return		6.3	5.6	9.0	7.4

SOURCE: Banco de España.

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

fell by 0.7 pp, to 5.6%, while the return on equity fell more sharply, to stand at 7.4%, as against 9% in 2010. By sector, the same pattern of decline was seen across all sectors, without exception (see Table 7). However, the aggregate fall in average returns was compatible with a slight shift in the distribution of this indicator towards somewhat higher levels of profitability (see Table 8). Moreover, medium-sized firms displayed more favourable behaviour, their return on investment rising to 6.4% in 2011, up 0.6 pp from the previous year. All this suggests that the aggregate data for ordinary net profit are influenced by the behaviour of the larger firms. Finally, the difference between the return on investment and the cost of debt fell by somewhat more than one percentage point to 2%. This value is the lowest recorded in the quarterly sample since 1997, when it stood at 1.1%. The deterioration in this indicator occurred in every sector, and a negative value was even recorded in certain cases, such as industry (-0.4%).

Finally, the analysis of extraordinary costs and revenue shows that these had a negative impact on net profit. On one hand, the item reflecting the gains (losses) from disposals showed significant capital losses last year arising from share sales. In addition, under the heading that covers other extraordinary results, numerous extraordinary provisions were recorded, to provide for the expenses associated with workforce restructuring processes. As a consequence of all this, net profit fell by 19.8% in 2011. As a proportion of GVA, this surplus stood at 21.1%, down five percentage points from 2010.

13.3.2012

THE IMPORT CONTENT OF THE INDUSTRIAL SECTORS IN SPAIN

The authors of this article are Alberto Cabrero Bravo and Miguel Tiana Álvarez of the Directorate General Economics, Statistics and Research.

Introduction

During the last economic upturn the Spanish economy posted a sizable deficit on its balance of goods and services. Some of this deficit has been corrected during the recent economic crisis, as a result of the contractionary impact of the decline in national demand on imports and of some improvement in competitiveness. However, the persistence, even in these circumstances, of the external deficit suggests the presence of structural obstacles to adjustment, including shortcomings in the workings of goods and factor markets. Moreover, the imbalances built up during the expansionary phase prior to 2007 and, in particular, the excessive growth of construction have highlighted the need for the productive model to be underpinned by a broader and more competitive export base, not giving rise to such intensive resort to imports.

The aim of this article is to identify some of the distinguishing features of our economy from the prism of the industrial sectors, emphasising their dependence on imports. The findings for Spain are compared with those of the three biggest euro area economies (Germany, France and Italy). In this connection, information is taken from the input-output tables (IOTs) in the European System of Accounts (ESA 1995), taking as sources the OECD (Structural Analysis Databases) and Eurostat, down to an extensive level of detail (a breakdown of 40 productive sectors).[1] The analysis is conducted in nominal terms, since the information contained in the IOTs is at current prices, advising caution when assessing the results obtained.[2] It should further be borne in mind that the latest IOTs reflect the productive structure for 2007, whereby the analysis conducted in this article does not envisage the changes that may have taken place since then, which is another reason for caution when interpreting the results.

The article is structured as follows. After this introduction, the second section gives a descriptive view of the economy's structure from the supply side. Drawing on the main conclusions of this analysis, the third section introduces the concept of *import content*, which refers to the proportion of output value that relates to imported intermediate inputs. This indicator has a comparatively higher level in our country, helping explain why the characteristics of the Spanish productive model contribute to the persistence of the trade deficit. The fourth section builds on this exercise, setting out an analysis that shows that import content is also higher in Spain in terms of final demand components. Lastly, the fifth section draws together the main conclusions of the article.

The structure of economic activity in Spain and in the main European countries

Spain and the three main euro area countries evidence, like other developed countries, a high degree of *tertiarisation* (see top panel of Chart 1). In Spain, value added in services has progressively gained weight in output over the past decade, standing in 2010 at 72% of the total, while industry (encompassing the manufacturing and energy sectors) has lost

1 The latest official input-output tables (IOTs) available at the time of this article going to press are for 2007 (source-destination tables). The latest symmetric input-output table (SIOT) is for 2005. A description of the input-output framework for Spain can be found on the INE website. Specifically, INE describes in two methodological notes (2005 and 2009) the compilation of the source and destination tables (SDTs) and the SIOT. Further, a use of the input-output framework for Spain can be found in Cañada (2001). An application of the IOTs to the industrial sector can be found in Cañada (1994).

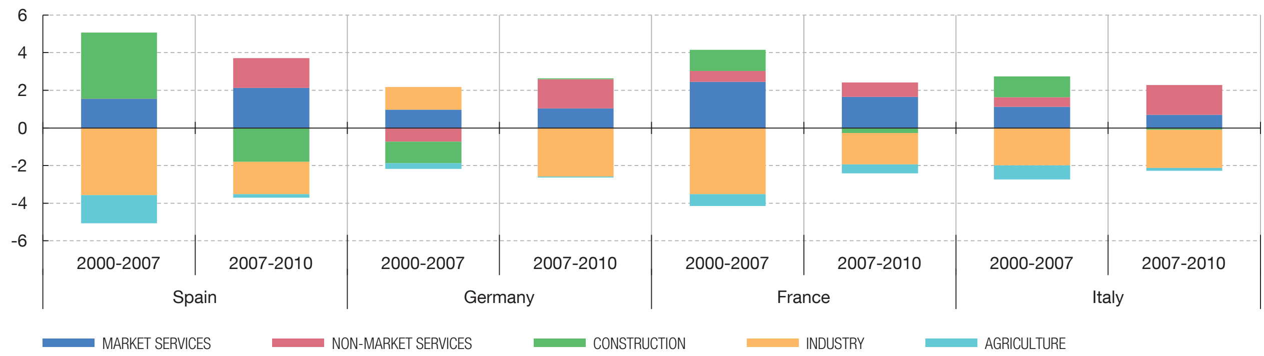
2 The concept of output used in the article – that under the input-output framework – differs from the concept of GDP in National Accounts. To obtain GDP on the basis of output, inputs must be deducted from the latter and net taxes on products added to it. Likewise, output and value added in the IOTs are valued at basic prices, while GDP is valued at market prices.

BREAKDOWN OF GROSS VALUE ADDED BY SECTOR

CHART 1

SECTORS. RELATIVE WEIGHT (PERCENTAGE OF ECONOMY-WIDE TOTAL GVA)

SECTORS. CHANGE IN RELATIVE WEIGHT



SOURCES: INE and Eurostat.

relative weight, accounting for 15.6% of the total in 2010. The weight of construction has fallen continuously since 2007, its value added at end-2010 standing at 10% (2 pp less than at the start of the crisis). In contrast, in the main euro area economies the share of construction has been lower and the weight of industry greater. In any event, there has been a progressive loss of relative weight of the industrial sectors, due to some extent to ongoing outsourcing by companies in the sector of part of their services activities, which were previously pursued in-house, to other companies belonging to this sector.

During the period of economic expansion to 2007, value added in Spain grew forcefully, underpinned mainly by the services sector and construction, while the contribution of industry was substantially lower than the other two sectors (see the lower panel in Chart 1). From the onset of the crisis to date, the lowest contribution to the growth in value added was by the industrial sector (which actually subtracted 2 pp from growth in 2009), compared with the more moderate negative contribution of construction. After the worst of the recession, the level of value added in Spanish industry – and also in services – has held virtually flat, while in the main euro area economies (particularly in Germany) both sectors have been more buoyant, revealing that the impact of the crisis is proving more lasting in Spain.[3]

3 The swift recovery in German industry is partly related to developments in car manufacturing. Indeed, the sharp improvement in this productive sector in Germany from April 2009 to the summer of 2011 accounts for around 30% of the cumulative growth differential in the overall index between Germany and Spain during this period. The related figures are even greater in the cases of France (38%) and Italy (46%).

CLASSIFICATION OF INDUSTRIAL SECTORS BY RELATIVE WEIGHT IN TOTAL OUTPUT
2007

TABLE 1

	Spain		Germany		France		Italy (2005)	
	Position	Weight in output (%)	Position	Weight in output (%)	Position	Weight in output (%)	Position	Weight in output (%)
MAIN SECTORS FROM THE SPANISH STANDPOINT								
Construction	1	15.4	7	4.7	4	7.3	4	6.4
Non-market services	2	13.7	1	15.6	1	16.7	1	14.0
Other business activities	3	6.6	2	9.2	2	11.5	2	7.7
Real estate activities	4	6.4	3	7.8	3	8.7	3	6.9
Hotels and restaurants	5	5.5	20	1.5	11	2.4	10	3.5
Food and beverages industry	6	4.5	11	3.2	7	4.0	9	3.9
Wholesale trade	7	4.1	8	4.2	6	5.0	5	5.4
Financial intermediation	8	3.7	6	4.8	5	5.2	8	3.9
Retail trade	9	3.3	9	3.5	8	3.3	6	4.2
Manufacture of motor vehicles and trailers	10	3.0	4	6.5	10	2.8	25	1.4
Electricity, gas, steam and air conditioning	11	2.7	15	2.3	12	2.3	13	2.5
Land and pipeline transport	12	2.5	19	1.6	14	2.1	11	3.5
Manufacture of metal products	13	2.2	12	2.7	17	1.9	12	2.9
Agriculture	14	2.2	26	1.1	13	2.2	18	1.7
Chemical industries	15	2.1	10	3.3	9	3.0	14	2.5
OTHER RELEVANT SECTORS								
Machinery and mechanical equipment	22	1.5	5	5.0	18	1.9	7	4.0
Manufacture of other transport equipment	28	0.6	28	0.8	19	1.7	33	0.6
Manufacture of computing, electronic and optical equipment	30	0.6	13	2.5	24	1.3	24	1.4
Air and space transport	32	0.5	31	0.6	31	0.5	35	0.3
Textile industry	34	0.4	34	0.3	33	0.3	26	1.3
Maritime transport	38	0.1	33	0.5	34	0.3	37	0.2

SOURCES: OECD, Eurostat and Banco de España.

Moving down to a greater level of detail, the relative significance of each productive sector in terms of its weight in total aggregate output can be examined. As Table 1 shows, the industrial sectors with most weight in Spain in 2007 were food and beverages (4.5%), car and trailer manufacturing (3%) and chemicals (2.1%). As regards market services, four sectors stand out: other business activities – essentially encompassing professional, scientific and technical activities, and the administrative and ancillary services – (6.6%), real estate activities (6.4%), accommodation and food service activities (5.5%) and wholesale trade (4.1%). Broadly, these sectors are those with most relative significance in the other countries analysed. In the case of industry, the main exception was the machinery and equipment sectors, which were in a leading position in Germany and in Italy, but had less relative weight in Spain. As to services, the exception is the accommodation and food service activities sector; while it is the third biggest in the Spanish economy, its relative significance in the other countries is substantially less.

INDUSTRIAL PRODUCTION. BREAKDOWN FROM THE SUPPLY-SIDE STANDPOINT (PERCENTAGE OF VALUE OF OUTPUT). 2007

CHART 2

SOURCE: Eurostat.

The international comparison of the breakdown of output into inputs – national and imported – and value added provided in the IOTs helps identify certain specific characteristics of each country's productive processes. At the aggregate level, the weight of value added in Spain's total output – 50% – does not differ greatly from that of other countries, but the differences are greater as regards the breakdown between imported and national inputs. Specifically, the share in total output of imported inputs stands in Spain at 19%, almost 4 pp above that of the other countries.

At a greater level of detail, the most notable differences in sectoral composition can be seen in industry. Specifically, in the main industrial sectors the relative weight of value added is clearly less in Spain, while that of imported intermediate inputs is substantially greater (see Chart 2). Although the sharpest differences are recorded for Germany (whose industrial sector shows a relative weight of value added that is 6 pp higher than that of Spain), the differences are likewise evident regarding the other two countries. The main services sectors have a fairly similar structure in all the countries, with a very low relative weight of imported inputs (in a range from 1% to 7%) and a predominant contribution of value added, which generally accounts for between 50% and 60% of the value of output. In construction, the higher content of national intermediate inputs in Spain as opposed to Germany or France[4] is notable; set against this, the relative weights of imported intermediate inputs and of value added are somewhat lower.

4 This channel for the propagation of the adjustment of the construction sector to other sectors played a significant role during the crisis in Spain [see Maza and Peñalosa (2011)].

Import content from the standpoint of the industrial sectors

In addition to the direct import of intermediate inputs, the industrial sectors incorporate intermediate inputs indirectly. When a sector decides to increase its output, it resorts to the use of imported inputs, but also uses national intermediate inputs from other sectors which, in turn, will comprise national and imported intermediate inputs. In this way, the output of a sector generates, in turn, knock-on effects on the demand for imported inputs from other sectors.[5] Both factors determine the portion of output of a specific productive sector that leaks out abroad via imports, which is known, in the input-output framework, as the import content (IC) of output.[6]

Analysis of the data in the input-output tables reveals that Spanish output had, throughout the 2000-2007 period, a significantly higher import content (IC) than that of the other countries considered. Specifically, the Spanish economy's IC amounted in 2007 to 20.7%, up 2 pp and 5 pp, respectively, on Germany and France[7] (see Chart 3). These differences are not attributable solely to Spain's traditional energy dependence. Indeed, if the energy sectors are excluded, Spain's import content falls by close to 2 pp, but so too does that of the other countries (1.2 pp in France, 1.5 pp in Germany and 1.8 pp in Italy), meaning that, even adjusting for the different influence of energy, the IC differences across the countries do not change substantially. Besides, the IC of output can generally be seen to be on a rising trend, which is probably due to the increasingly greater integration of economies into a framework in which comparative advantages are sought. In this respect, the fact that Germany is the country that showed, over the period analysed, the biggest increase in import content, might be related to the ongoing delocalisation of its industry towards the Eastern European countries which, with skilled labour forces, can compete favourably costwise.

The differences discernible in the import content of output between Spain and the other countries may, a priori, have two causes that are not mutually exclusive. One possibility is that the Spanish economy is more specialised than others in sectors evidencing a high IC. The other option is that, relative weight being equal, most industrial sectors tend to show a greater propensity to import in Spain. As Chart 4 reveals, in a comparative analysis at a level of disaggregation of 40 productive sectors of the divergences in terms of import content and of relative weight in output between Spain and the other countries under study, most sectors are very close to the source on the vertical axis, meaning they have a relative weight in Spain not very different from that of its euro area neighbours. However, they are to the right on the horizontal axis, indicating that most sectors have a higher-than-average import content.[8] These results suggest that the differences in terms of IC are possibly due to the greater propensity to import of Spanish industrial sectors, and not to the differences in productive structure.

By sector, the biggest differences in import content are found in market services and, above all, in industry (see once more Chart 3). If the 15 sectors with most import content in Spain are analysed, it can be seen that nearly all of them are in the industrial sector. And it is those with most technological content, besides the energy sectors, that are in the uppermost positions (see Table 2). For example, in the case of car and trailer manufacturing

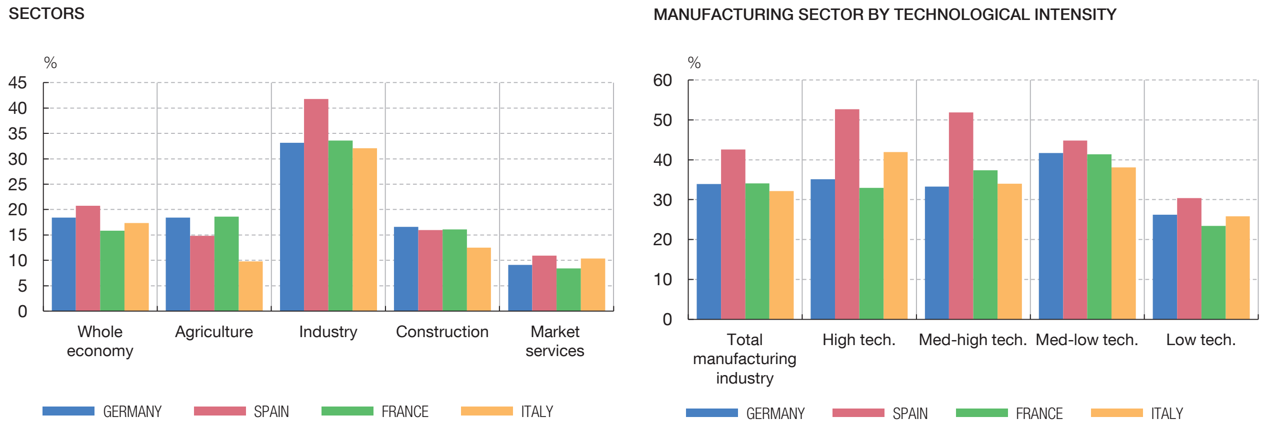
5 A description and interpretation of the different knock-on effects on the IOTs can be found in Reis and Rua (2009).

6 Annex 1 offers a somewhat more detailed description of the means of calculating import content.

7 While the input-output tables tend to reflect economies' more structural behaviours, it cannot be ruled out that these ratios may have undergone some changes following the recession in 2008 and 2009.

8 Indeed, Spanish IC would be even higher if our country had the productive structure of the other economies (and the IC of each sector were its own). Specifically, if Spain had the structure of the German economy, its IC would be 24% (3 pp more than actually observed). The figure would be 22.1% if the Spanish economic structure reflected the average of that for the other three countries.

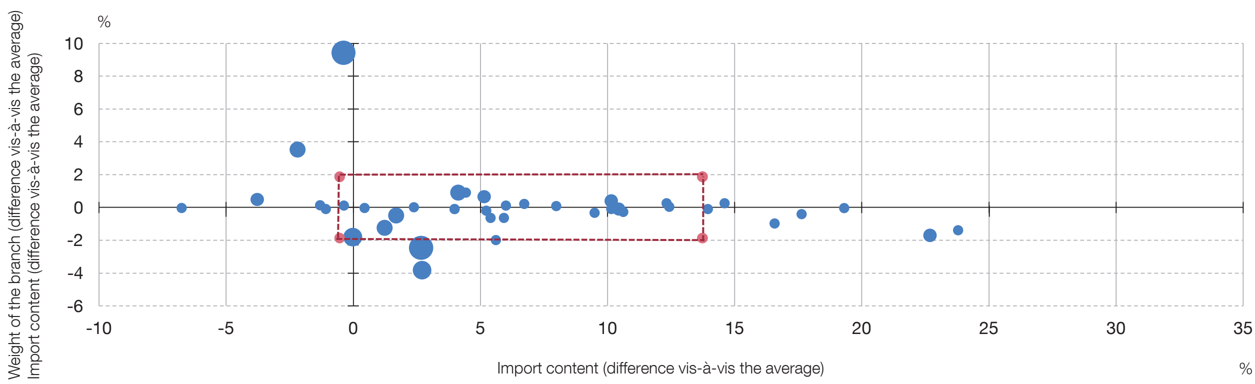
IMPORT CONTENT (a) CHART 3



SOURCES: Eurostat, OECD and Banco de España.

a Information based on 2007 IOTs for Germany, Spain and France, and 2005 IOTs for Italy.

DIFFERENCES IN IMPORT CONTENT AND RELATIVE WEIGHT IN OUTPUT. ANALYSIS BY PRODUCTIVE SECTOR. 2007 CHART 4



SOURCES: OECD, Eurostat and Banco de España.
NOTE: Inside the box are the values whose differences in relation to the average oscillate in a range of ± a standard deviation.

(an activity under the medium-high technology heading which includes car assembly), import content is 20 pp and 25 pp, respectively, higher than that observed in France and Germany. In the case of this industry, import dependence may be due, at least in part, to the fact that Spanish production is carried out entirely by subsidiaries of foreign firms, unlike the other countries considered, where it is localised at parent companies. This explanation could be applied to the aggregation of all the industrial sectors, since there appears to be some relationship between the extent to which multinational subsidiaries are present – measured by the volume of foreign direct investment (FDI) – and IC.[9]

Taking the technological content of the various activities, the biggest differences are found in the high- and medium-high technology content sectors[10], where the import content of manu-

9 Thus Spain, with a percentage of inward FDI in the country of 44% of GDP in 2010, is the country with the highest ratio of the economies analysed, almost doubling the weight observed in Germany.

10 Pharmaceuticals and IT, electronic and optical products are classified as high technological content activities. Activities of medium-high technological content include the chemical industry (excluding pharmaceuticals), and the manufacture of machinery and equipment, electrical equipment, motor vehicles and other transport equipment.

CLASSIFICATION OF SECTORS BY IMPORT CONTENT

TABLE 2

	Spain		Germany		France		Italy (2005)	
	Position	Imp. Cont. (%)	Position	Imp. Cont. (%)	Position	Imp. Cont. (%)	Position	Imp. Cont. (%)
MAIN SECTORS FROM THE SPANISH STANDPOINT								
Coke, refined petroleum products and nuclear fuels	1	82.8	1	82.2	1	70.0	1	74.0
Manufacture of motor vehicles and trailers	2	63.3	9	37.7	2	43.5	4	36.5
Chemical industry	3	54.8	14	33.6	14	28.5	2	46.7
Air and space transport	4	52.2	10	36.3	6	35.0	7	34.2
Manufacture of computing, electronic and optical equipment	5	48.5	4	44.8	18	24.3	8	33.6
Manufacture of other transport equipment	6	48.0	18	26.2	7	34.6	6	35.1
Textile industry	7	46.3	7	39.3	3	42.5	10	31.3
Paper industry	8	45.2	13	34.1	5	37.3	14	28.1
Rubber and plastic products industry	9	43.5	3	45.5	23	20.3	5	36.1
Manufacture of machinery and electrical equipment	10	42.5	12	36.0	9	33.2	13	28.9
Recycling	11	39.1	26	17.6	10	31.3	22	21.7
Wood and cork industry	12	38.8	11	36.0	8	33.6	18	26.6
Metallurgy	13	38.8	16	28.3	16	28.3	3	42.7
Maritime transport	14	38.5	2	50.1	4	40.4	21	22.3
Tobacco industry	15	36.7	6	43.1	11	31.1	36	10.4
OTHER RELEVANT SECTORS								
Machinery and mechanical equipment	22	27.3	19	25.4	18	21.0	17	26.6
Food and beverages industry	23	26.9	29	14.5	7	24.0	20	22.3
Construction	27	23.6	34	8.6	27	14.0	29	12.5

SOURCES: OECD, Eurostat and Banco de España.

facturing output in Spain exceeded the average level in Germany and France by around 20 pp in 2007 (see Chart 3). At the same time, productive activities of high- or medium-high-technology content accounted that year for 30% of Spanish industrial output, while this percentage amounted to 41% in France and 52% in Germany. Conversely, the differences between countries in the productive structure of the food and beverages industry, an activity classified as being of low technological content, are much smaller. The main conclusion from these results is that Spanish industrial sectors, in particular those of high- and medium-high technology content, show lower value added and greater dependence on intermediate goods imports.

The two sectors in Spain that have a far higher relative weight in overall output than that of the other countries – namely accommodation and food service activities, and construction – have a lower IC than that of the average for the Spanish economy. In this respect, the recent significant adjustment in the construction sector has, on its own, had a moderate impact on the correction of the external imbalance via imports.

In view of these results, it is worth asking what consequences the high import content of productive sectors in Spain may have on the functioning of the economy. On one hand, the degree of import penetration in an economy may be due to various factors, such as price and cost levels in relation to national output or the greater variety or quality of imported products. On the other, the fact that a country incorporates a comparatively higher proportion of imported intermediate inputs might be indicative of a more efficient use of the advantages of the international division of labour.[11] In this respect, a high demand for imported intermediate inputs cannot per se be considered as a sign of greater inefficiency of the national industrial sectors [Altamonte et al. (2008)]. Further, it can also be seen that the smaller a country is, the greater the proportion of imported intermediate inputs in the total value of its output [Bussière et al. (2011)]. That said, high and generalised external dependence in all the industrial sectors might also be interpreted as a structural shortcoming in domestic technology, which would be compensated for through the incorporation of a greater proportion of imported intermediate inputs [Banco de España (2008)].

In any event, a high import content has unequivocal implications for the scale of the knock-on effects from one industrial sector on others. Specifically, the greater a sector's IC, the lower the effect of an increase in the final demand of this sector on the economy's value added, since its knock-on effects will leak out to a greater extent abroad (via its direct and induced demand for imported intermediate inputs). Hence, given the greater import content of Spanish industry and the lower relative share of value added in industrial output, the elasticity of the economy's total value added to changes in the final demand of the industrial sector would conceivably be lower in Spain than in the other countries considered. In concrete terms, and according to the estimates of the demand model of the import-output tables for 2007[12], an increase of 1% in the final demand of the Spanish industrial sector would prompt an increase in the economy's total value added of 0.16%, while the related elasticities in Germany and in France would be more than double this (0.39% and 0.36%, respectively). These results therefore suggest that, in the absence of changes in the import content of Spanish manufactures, the industry's capacity to act as a growth catalyst is lower than in other countries.

Import content from the standpoint of the final destination of output

This section seeks to complete the analysis of import content from the standpoint of the various components of final demand (i.e. private consumption, government consumption, gross capital formation and exports). In this connection, and in addition to considering imports of intermediate goods and services, as was done in the estimate of import content, imports of *final* products must be taken into account. Accordingly, a broader concept must be used, namely the degree of *import intensity* which, for a given component of demand, is defined as the sum of import content and of the relative weight of final imports of goods and services in the total of that demand component.[13]

The analysis of imports of final products offers some worthwhile conclusions. As can be seen in Table 3, these imports accounted in Spain for a higher weight than that of the other three countries in the case of both private and government consumption. Conversely,

11 Moreover, that might result in a lower share of value added in the value of output, since the weight of employee compensation would also be lower, if in fact a lower proportion of the domestic labour factor were being incorporated.

12 The demand model uses the input-output framework to estimate the effect of changes in the final demand (or a component thereof) of one or several sectors on aggregate output, bearing in mind the knock-on effects. A fuller discussion of the different types of knock-on effects can be found in Reis and Rua (2009). For a brief introduction to the demand model of the input-output tables, see Annex 1. Muñoz Cidad (2000) offers a more detailed explanation.

13 See ECB (2005 and 2010) for an assessment of import content and the degree of import intensity for the euro area as a whole.

IMPORT INTENSITY BY FINAL DEMAND COMPONENT (a) TABLE 3

	Private consumption	Government consumption	Gross capital formation	Exports (b)
IMPORTS FOR FINAL USE (as a percentage of total component final demand)				
Germany	10.4	1.6	19.2	15.8
Spain	**12.1**	**2.3**	**13.6**	**—**
France	12.0	2.0	12.3	4.9
Italy	8.1	0.6	12.7	—
IMPORT CONTENT				
Germany	15.4	7.8	20.9	31.6
Spain	**17.0**	**11.1**	**22.2**	**39.0**
France	14.6	7.8	17.6	29.5
Italy	15.4	7.2	18.6	29.1
IMPORT INTENSITY				
Germany	25.8	9.4	40.0	47.4
Spain	**29.0**	**13.3**	**35.8**	**39.0**
France	26.6	9.8	29.8	34.4
Italy	23.5	7.8	31.3	29.1
Memorandum item: Imports for final use as a percentage of total imports				
Germany	42.4			
Spain	**32.9**			
France	38.1			
Italy	27.7			

SOURCES: INE and Eurostat.

a Data based on 2007 IOTs for Germany, Spain and France, and 2005 IOTs for Italy.
b To calculate technological intensity, Spanish and Italian direct imports intended for export are assumed to be zero.

in the case of investment, Germany is the country with the highest weight of final imports in the total. Finally, in the case of exports, the significant role in Germany and France of imports of final goods that are then re-exported is highlighted. This process would be due, at least in part, to the presence in these two countries of major seaports that would act as a gateway for goods earmarked for third markets, although it is difficult to explain why there is no similar information on these re-exports in Spain's and Italy's IOTs.[14]

All the various final demand components show a higher import content in Spain than in the other countries.[15] Specifically, the greater IC of exports in Spain than in the other countries considered should be highlighted.[16] This would be partly due to the high dependence of certain exporting sectors on imported intermediate inputs, although perhaps the smaller size of Spain's economy compared with Germany or France might be another explanatory factor, given the existence of an inverse relationship between size and import content [Bussière et al. (2011)].

Logically, Spain's high import intensity has played an important role in reducing the external imbalance during the recent crisis, given the strong contraction in expenditure. In a setting such as the present, in which the growth of domestic demand is constrained by

14 For the purposes of calculating import intensity, it is assumed in Table 3 that the unavailable figure in these cases is zero.
15 The differences between the values of this indicator for each of the final demand components can be attributed to the different relative weights of the different industrial sectors participating in the production of those goods.
16 A detailed analysis of the import content of exports in Spain can be found in Pérez-Raposo and Carabias (2010). Another international comparison exercise, in this case for the period 1995-2000, can be found in Breda et al. (2007).

household and corporate deleveraging needs, it is desirable that the recovery of the economy should be underpinned by a greater gearing of output towards the external sector, harnessing business opportunities in other more dynamic markets. However, the analysis here suggests that the knock-on effects of an increase in exports on national output will, other things being equal, be lower in Spain than in other countries, as a result of their higher import content.

Conclusions

The sectoral structure of the Spanish economy has certain differential aspects in relation to our main European partners. Over the past decade, the most significant particularities have been linked to construction and manufacturing industry. In construction, following a boom period, a sharp correction prompted a gradual but sustained reduction of its weight in productive activity in Spain, while this weight has held relatively stable in the other countries. The industrial sector has also been acutely affected by the crisis, evidencing a comparatively lower capacity for recovery than in other countries. Spanish industry shows three distinctive features compared with the other countries considered: its greater specialisation in industrial sectors of low and medium-low technology content, lower gross value added generated per unit of output and the larger amount of imported intermediate inputs per unit of output.

One of the characteristic factors of Spain's production structure is its high import content, which exceeds that of the main euro area economies even if the potential influence of the energy sectors is excluded. This phenomenon appears to be due essentially to Spanish sectors' greater propensity to import – particularly in the case of the industrial sectors of high and medium-high technological content – and not so much to differences in productive structure. The comparatively higher import content in a majority of sectors might partly be due to the fact that the Spanish economy is smaller, which would warrant a greater degree of external openness. Nonetheless, the fact that import content in Spanish industry is so high and generalised across the various sectors means that, given an increase in final demand, the knock-on effect on the other national productive sectors is less in Spain than in other countries with a lower dependence on the external sector.

The greater import content of Spanish exports might also be highlighted in a setting in which the volume of exports in relative output terms is lower than that of France or Germany. One of the causes that may explain these results is the smaller average size of companies in Spain, since that tends to restrict the possibilities both of supplying inputs in the domestic market and of competing in third markets. In any event, the analysis performed suggests that, in the absence of structural changes, Spanish industry has a more limited capacity to act as a dynamic force for the economy, if compared with the other euro area countries. For the external sector to potentially contribute more resolutely to the economic recovery, it would therefore be necessary to step up efforts to increase exports, through obtaining gains in competitiveness and opening up to new markets, and to reduce import dependence, which comes about due – among other factors – to the insufficiency of national innovation efforts, and which is a potential drag on growth in the Spanish economy.

13.2.2012.

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ANNEX: CALCULATION OF IMPORT CONTENT (IC)

Import content measures the impact that an increase in the final demand of a specific sector, of an economic sector or of the economy as a whole has on the intermediate inputs imported by an economy, all of which aspects are analysed in this article. This annex offers a more technical explanation of the procedure for calculating the import content of the whole economy.

To describe the import content calculation procedure, several fundamental concepts must first be introduced into input-output analysis.[1] The first of these concepts is that of "technical coefficient", which indicates which proportion of the value of output of sector j relates to national inputs from sector i. Therefore:

$$a_{ij}^{d} = z_{ij}^{d} / x_j \qquad [1]$$

where z_{ij}^{d} is the nominal value of intermediate inputs from sector i used by sector j, and x_i is the nominal value of the output of sector j. The total output of a sector can be allocated to the productive process of each of the sectors (as a domestic intermediate input) or to meeting final demand:

$$x_i = z_{i1}^{d} + z_{i2}^{d} + ...+ z_{in}^{d} + y_i^{d} \;\forall\; i = 1,...,n \qquad [2]$$

where y_i^{d} represents the final demand for sector i products. It is important to bear in mind that, given that z_{ij}^{d} and x_i are nominal values, the technical coefficients are sensitive to price changes.

1 A more exhaustive theoretical analysis of the input-output framework can be found in the previously mentioned reference Muñoz Cidad (2000).

Substituting [1] into [2] for the n sectors of an economy, a system of equations is obtained which, represented in matrix form, can be summarised in the following equation:

$$X = A^d X + Y^d \rightarrow X = (I - A^d)^{-1} Y^d \qquad [3]$$

where the expression $(I - A^d)^{-1}$ is known as the "Leontief inverse matrix", which is obtained from the A^d matrix, an n x n square matrix. Expression [3] therefore indicates how much the output of each sector increases (i.e. how much the column X vector changes) in the face of changes in final demand depicted by means of a change in vector Y^d. This expression is the basic equation of the "demand model" of the input-output tables, which allows for analysis of the repercussions on national output of changes in any of the final demand components of one or several productive sectors of an economy. On the basis of this expression, import content may be defined as follows:

$$\textit{Import content} = A^m (I - A^d)^{-1} Q$$

where A^m is a row vector (1 x n) of technical coefficients of imported intermediate inputs, in which each component a_j^m thereof measures the weight of intermediate inputs imported directly by sector j in the total value of that sector's output, expressed in percentage terms. $(I - A^d)^{-1}$ is the Leontief inverse matrix, calculated on the basis of the technical coefficients of the matrix of national intermediate inputs.[2] Lastly, Q is an n x 1 column vector that shows the relative weight of the output of each sector in aggregate output. In this way, multiplying the Leontief inverse matrix, which reflects the total increase in output in each sector in response to a unit increase in the final demand of all the sectors, by A^m gives the total increase in imported intermediate inputs in response to the increase in final demand. In turn, multiplying this result by Q (i.e. weighting each sector by its weight in aggregate output) gives the import content of output in percentage terms for the whole of the economy.

2 Dietzenbacher et al. (2005) discuss the importance of using the technical coefficients of the domestic matrix and not the total matrix.

A REAL-TIME DISAGGREGATED FORECASTING MODEL FOR EURO AREA GDP

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

Introduction

Forecasting GDP in the short term is a complex task, among other reasons, because the macroeconomic variables required are published with a substantial lag, and as a result the available data are incomplete or insufficient. In this context, real-time forecasting models have demonstrated that they are a useful way of selecting the signals obtained from the relevant monthly indicators and combining them into an overall vision of developments in GDP growth. Noteworthy in this field is the methodology developed by Camacho and Pérez Quirós (2008) and implemented in the EURO-STING model, which incorporates various relevant pieces of information for forecasting euro area GDP as this information becomes available.

The EURO-STING and other related models have focused on forecasting changes in euro area GDP from an aggregate or direct perspective. Alternatively, however, an estimate of the growth in activity can be obtained indirectly by aggregating the forecasts for its different components. One of the further advantages of this approach is that it also provides very useful information for the conjunctural analysis since it evaluates separately the performance of the main sectors of production, of the expenditure components and of the various countries which make up the euro area. This is particularly important at times of change of cycle or of high uncertainty such as at present, when indicators, including economic agents' sentiment, which are published with a longer lead and, consequently, are a basic part of forecasts, and those which reflect the actual performance of various sectors or quantitative indicators, on which the National Accounts are based, may provide a different vision of developments in activity at aggregate level.

In this article a new forecasting model for euro area GDP growth is proposed, namely, EURO-STING DISAGGREGATED, which combines the direct and indirect approaches. Firstly, models are developed for each GDP component from the perspective of production, expenditure and the various countries. The forecasts obtained are aggregated according to the National Accounts rules in order to obtain three independent indirect estimates of quarter-on-quarter euro area GDP growth, to which the direct estimate obtained with the EURO-STING model is added [see Camacho and Pérez-Quirós (2008 and 2010)]. Next, these forecasts are mixed efficiently, taking into account their relative accuracy over time so as to extract a sign of activity growth in the most precise way. This methodology develops a broad enough model for the orderly inclusion of relevant information on the euro area and which, at the same time, is flexible since it efficiently combines four different approximations of GDP growth.

According to the historic evaluation of its predictive power, on average, EURO-STING DISAGGREGATED produces the most exact forecasts of GDP growth in the euro area for the period 2004-2011 of all the alternatives considered, furthermore it is the model which captures best both the depth of the recent crisis and the subsequent recovery rate.

The structure of the remainder of the article is as follows: the main indicators used for analysing economic activity in the euro area, as well as some of the problems faced by

1 I would like to thank David García León for his excellent contribution to the development of the econometric model and the real time database on which this paper is based, and Isabel García Belmonte for her considerable support in preparing this article.

CORRELATION BETWEEN ECONOMIC INDICATORS AND EURO AREA GDP GROWTH

TABLE 1

	Correlation with quarter-on-quarter rate of change of euro area GDP (%)				
	1999-2011	1999-2007	2008-2011	08-09 Recession	Lag in publication (days) (a)
Preliminary GDP (quarterly)					45
		Qualitative indicators			
ESI (b)	85.7	71.8	84.1	88.1	0
Manufacturing PMI	86.6	83.9	88.6	91.7	-8
Services PMI	81.7	79.5	87.4	90.8	-8
IFO	54.0	66.5	70.7	79.9	-8
BNB	75.7	75.4	77.2	80.9	-8
		Quantitative indicators			
Industrial production	89.3	78.9	91.2	90.1	42
Nominal exports	81.3	78.9	91.4	94.1	45
Industrial orders	69.9	31.5	86.7	87.0	52
Retail sales	30.9	37.6	-16.5	10.7	35
Employment (quarterly)	68.9	60.9	66.3	82.4	45

SOURCE: Banco de España.

a Lag between publication and end of reference period (month/quarter).
b In the case of the ESI, the correlation is calculated using the year-on-year rate of change of GDP.

short-term forecasting in the recent period are described in section two; the model is outlined in section three; its predictive power and functioning as a forecasting tool at the Banco de España are assessed in section four; and the conclusions are included in the last section.

Economic activity indicators

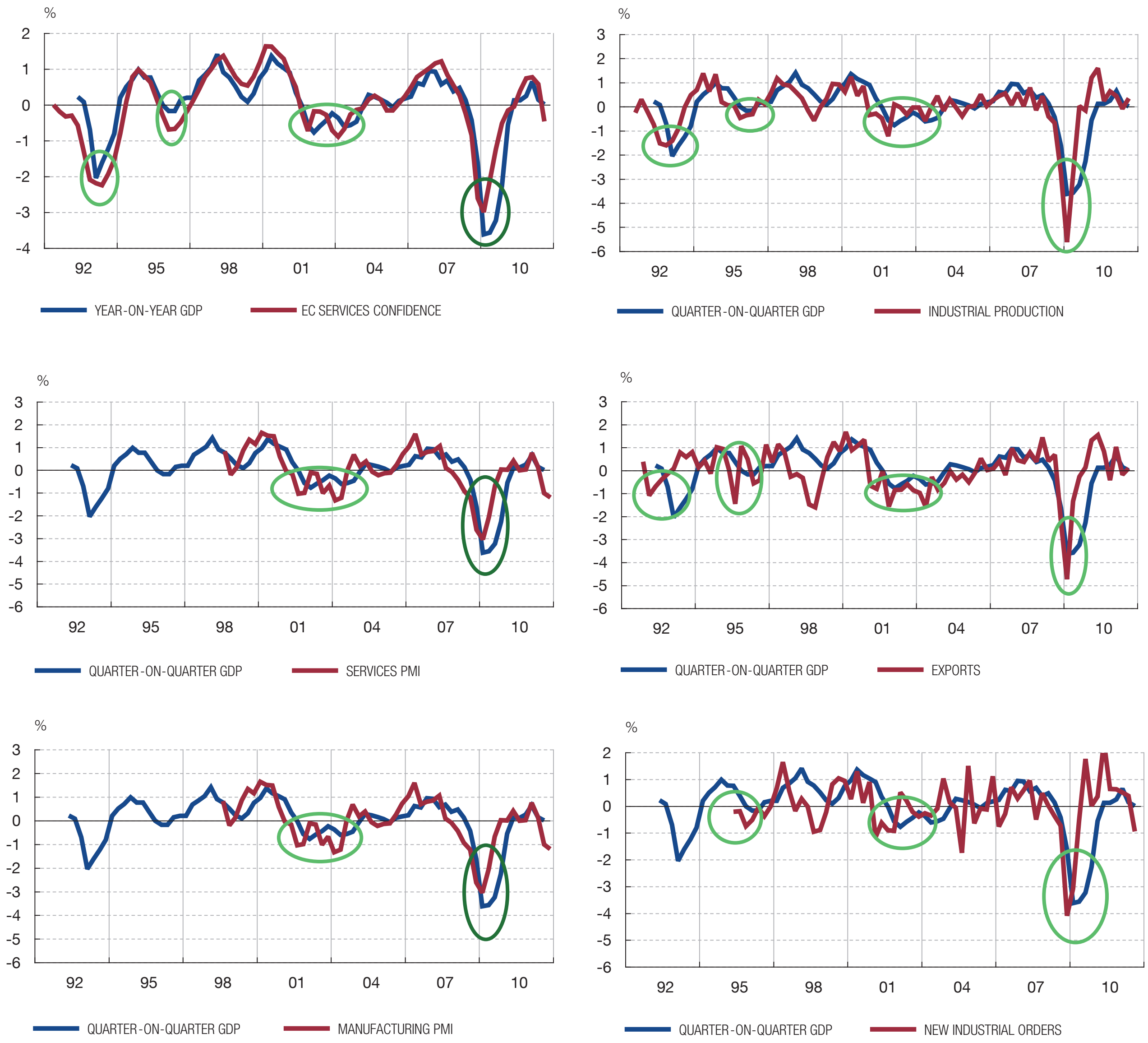
The short-term forecasting of economic activity is based on the analysis of various indicators that are closely related to GDP dynamics but which, in general, are published more frequently and with a slight lead with respect to the National Accounts. Among these indicators, there are qualitative indicators, which are released in the last few days of the reference month, thus anticipating the performance of activity with a substantial lead, and quantitative indicators, which are published later and are the basis for preparing the Quarterly National Accounts.

Table 1 includes the correlation between the quarter-on-quarter GDP growth rate in the euro area and the most relevant available leading indicators as well as the number of days of the lag between their release and the end of the reference period (month or quarter). In particular, the qualitative indicators which show the highest correlation with growth are the Economic Sentiment Indicator (ESI), published by the European Commission, and monthly surveys of purchasing managers in the manufacturing sector (PMIM) and in services (PMIS), published by Markit. The quantitative indicators most closely related to activity are industrial production and nominal exports which are released with a lag of approximately 45 days with respect to the end of the reference month. Note that all the correlations have increased considerably since the beginning of the last recession and peaked in 2008 and 2009 at values which were also higher than those seen during previous contractionary periods (1992 Q1-1993 Q1 and 2000 Q2-2001 Q4).[2]

However, as shown in Chart 1, the most important opinion indicators decreased less than GDP in the last recession, contrary to their performance in previous contractions, while

2 The PMI, retail sales and industrial orders began to be published after that date.

QUALITATIVE AND QUANTITATIVE INDICATORS IN THE CRISIS (a) (b) CHART 1



SOURCES: European Commission, Eurostat and Markit Economics.

a The series used include the first estimate of each data and are standardised for comparison purposes.
b The dark (light) circles show periods when the indicator slipped much less (more) than GDP.

this was not the case for the most relevant qualitative indicators such as industrial production and exports.[3] Since opinion surveys are the indicators which are released with the longest lead, making them a key element of any short-term forecast, their smaller decline may be the reason why most of the short-term forecasts of euro area GDP based on real-time models underestimated the depth of the recession in 2008 Q4 and overestimated the speed of the recovery in the early quarters of 2009. This problem, nevertheless, has also affected projections made by analysts and public and private institutions which are not necessarily based on this methodology.

The real-time forecasting model

"Real-time forecasting models" use various economic indicators to predict the variable of interest. In general, these models have focused on forecasting changes in GDP from an

3 The exception was employment, which declined less although this was due to extraordinary policies to maintain jobs.

aggregate or direct perspective. Alternatively, an estimate of activity growth can be obtained indirectly, by aggregating the forecasts for the GDP components. This perspective also provides very useful information for conjunctural analysis since it evaluates separately the performance of the main sectors of production, of expenditure components and, in the case of the euro area, of its various constituent countries.

The EURO-STING DISAGGREGATED model attempts to combine both approaches. In an initial phase, purely disaggregated modelling is adopted. Thus, although the final target variable remains the quarter-on-quarter GDP growth rate in the euro area, it is not forecast directly, but it is obtained by aggregating the projections of its most significant components from the perspective of production, expenditure and the various countries. In particular, 15 independent short-term forecasting models are developed following the EURO-STING methodology [see Camacho and Pérez-Quirós (2010)]. On the production side, the gross value added (GVA) of six sectors – agriculture, industry, construction, finance, the wholesale and retail trade, and other services – and taxes net of subsidies are modelled. On the expenditure side, total consumption, gross capital formation, exports and imports are considered. Finally, the four large countries are taken into account – Germany, France, Italy and Spain – which represent more than 80% of the euro area's GDP. In this way, all the relevant information about euro area activity is included in an orderly fashion, without the degree of correlation between the indicators of the various components being important.[4]

For this purpose, almost 100 indicators are used which are distributed among the 15 models estimated. Their size varies considerably, ranging from the GVA of agriculture, with only one indicator, to Germany's GDP, with 14. The starting point for selecting them was a broad set of variables which, in theory, should be related to the corresponding GDP component. On the production and expenditure side, the pre-selection made by Frale et al. (2011), plus the surveys of purchasing managers (PMI), is used. For the countries, the national component of the indicators considered in EURO-STING for the euro area is used together with the opinion surveys compiled by the most important institutions in each country, such as Germany's IFO and France's INSEE. The structure of the SPAIN-STING model developed at the Banco de España [see Camacho and Pérez-Quirós (2009)] is used for Spain. Subsequently, this list is reduced by analysing the degree of statistical correlation with the corresponding component and whether it contributes to improving the model's predictive power.

It should be underlined that the indicators included in each model can have a different frequency, release date and sample periods, thanks to the techniques developed by Camacho and Pérez-Quirós (2008).[5]

Next the projections of each component are aggregated according to the National Accounts rules in order to obtain three independent estimates of euro area GDP growth from the perspective of production, expenditure and the various countries. In addition to these three estimates there is the direct estimate of GDP growth provided by the EURO-STING model.

Finally, in order to obtain one single projection of activity growth in the euro area, the model efficiently mixes the projections obtained in the previous stage by using a measure

4 Álvarez et al. (2012) show that increasing the number of indicators included in a model does not necessarily improve its forecasts, especially when there is a high correlation with those indicators already included.
5 Annex 1 details the allocation of the 100 indicators to each of the 15 models and Annex 2 shows an example of the macro table with the projections of EURO-STING DISAGGREGATED for the 15 components and the various approximations of GDP.

of their relative accuracy as a weight. In econometric literature there is no unanimity as to the optimal weights for mixing independent projections [Timmermann (2006)], and it is often found that the simplest rules work best in empirical studies. In this article several straightforward rules are proposed, the one that generates the most accurate forecast in a pseudo real-time evaluation exercise for the period is chosen. The most relevant results of this analysis indicate that the rule that generates the most accurate forecast combines the four GDP estimates obtained previously by using a weight for each one of them which is the inverse of their mean square error, calculated as the average of the three months of the last quarter published. Nevertheless, in the customary use of the model as a forecasting tool, the validity of these weights is reassessed periodically.

Empirical results

When describing the empirical results, first the predictive power of EURO-STING DISAGGREGATED is tested along with its robustness in the face of the recent anomalous behaviour of opinion indicators and then the customary use of the model as a forecasting tool is described.

EVALUATION OF PREDICTIVE POWER

In order to evaluate how EURO-STING DISAGGREGATED functions in comparison with alternative tools, two complementary exercises were performed. The first exercise, which covers the period 2004-2011, uses a monthly database compiled at the end of 2011 and, consequently, is called a “pseudo real-time evaluation”. Thus, the information in that database as of that date is attributed to each moment in time in order to make the projection in each month of the period considered. By using the first of those 96 dates, euro area growth is projected for the following three months. The model is re-estimated each month and the projections are repeated until the last date in the database. The second exercise is similar but uses a daily database which has been compiled in the last twelve months. In this case, the model is re-estimated each day that one of its almost 100 constituent indicators is released and a forecast is made for the current and following quarter.

Table 2 analyses the predictive power of EURO-STING DISAGGREGATED compared with that achieved by other models which forecast short-term growth in the euro area. The forecasts included are those of: Eurocoin (probably the most frequently used indicator in literature related to Europe’s economic cycle which is published by the CEPR and the Banca d’Italia); the Euro-Zone Economic Outlook prepared jointly by the IFO, INSEE and INSAE research institutes; the European Commission; the OECD; the Euro Zone Barometer (the result of a monthly survey by MJEconomics of the main economic analysts); and EURO-STING.[6] In terms of the projection’s mean square error, EURO-STING DISAGGREGATED always produces the forecast with the lowest deviation from the data actually published by Eurostat. Specifically, it is a substantial improvement on alternative forecasts both for the complete sample and for before and during the last crisis. Similarly, this is the most precise model for the real-time exercise performed with daily data from 2011. In every case but one, the second best estimate corresponds to the Banco de España’s EURO-STING model which, in turn, is a component of the optimal estimate of EURO-STING DISAGGREGATED.

Finally, in order to evaluate the robustness of this model at times of change of cycle and high uncertainty, Chart 2 compares the estimate (in pseudo real time) of the best three projections for the last four years. In this period, EURO-STING DISAGGREGATED is the

6 In the real-time evaluation exercise the quarterly projections published by IFO-INSEE-INSAE, the European Commission and the OECD are excluded due to the low number of observations.

MEAN SQUARE ERROR RELATIVE TO EURO-STING DISAGGREGATED

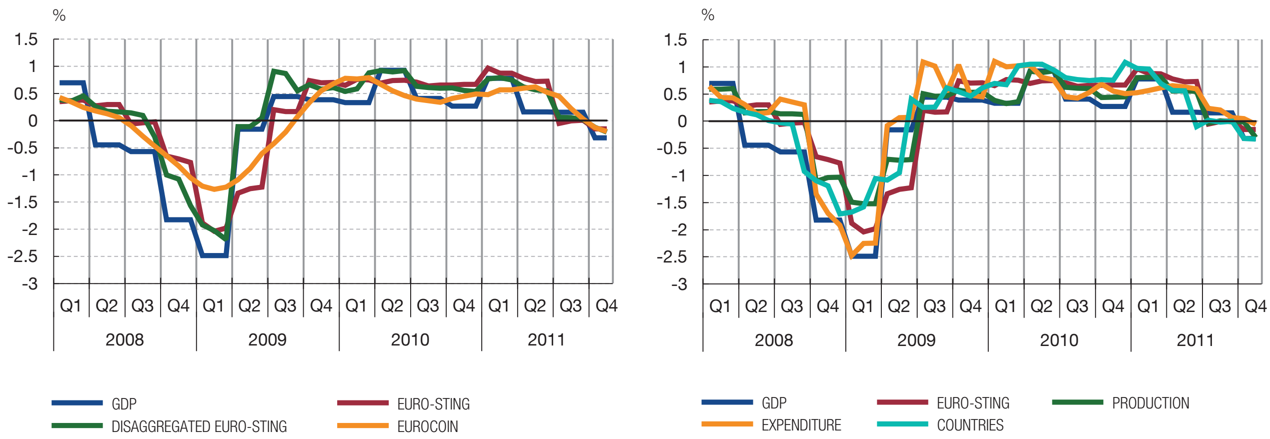
TABLE 2

	Pseudo real time			Real time
	2004-2011	2004-2007	2008-2011	1 Mar 2011-14 Feb 2012
Model/institution				
Eurocoin	2.18	2.77	2.05	4.06
Eurobarometer	8.77	—	5.05	4.87
IFO-INSEE-ISAE	3.78	4.07	3.89	—
OECD	4.51	1.92	4.66	—
European Commission	4.63	1.13	5.00	—
EURO-STING	2.06	1.46	2.16	1.24
DISAGGREGATED EURO-STING	1.00	1.00	1.00	1.00

SOURCE: Banco de España.

COMPARISON OF FORECASTS IN PSEUDO REAL TIME OF THE EURO AREA

CHART 2



SOURCES: Banco de España and CEPR.

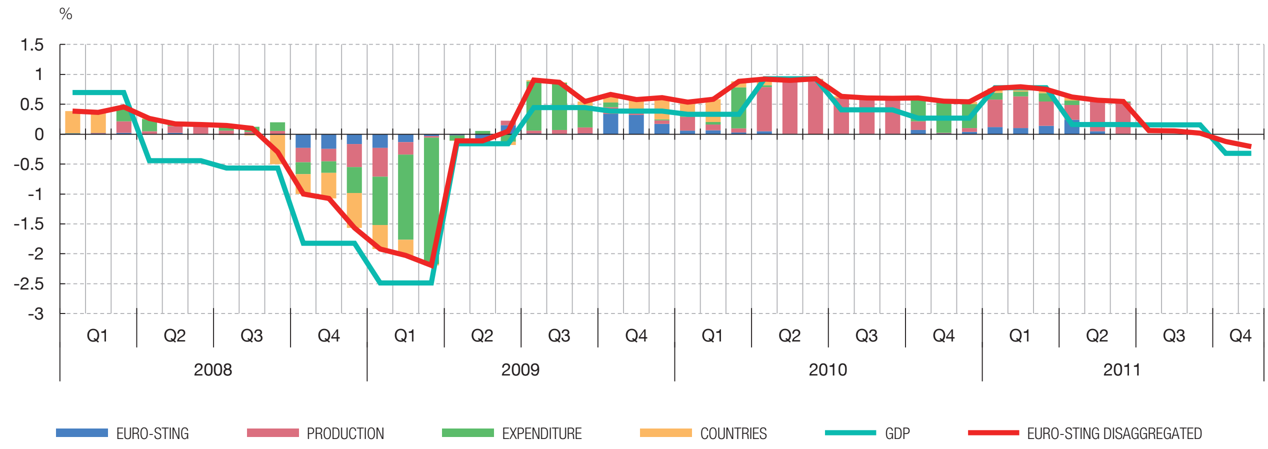
model which produces the best approximations of the depth of the crisis and the subsequent recovery rate. Furthermore, when this forecast is broken down into the part explained by each of the GDP approximations (see Chart 3), it is observed that the expenditure side captures the depth of the crisis best, whereas the production side contributes most during the low-growth period recorded in 2010 and 2011. This result confirms that the two characteristics which define the EURO-STING DISAGGREGATED model, namely the orderly incorporation of a very high number of indicators and the flexibility granted by efficiently mixing four different estimates of the target variable, make this model accurate and robust at the same time.

THE FUNCTIONING OF EURO-STING DISAGGREGATED AS A FORECASTING TOOL

As part of its customary use as a forecasting tool at the Banco de España, the projections of EURO-STING DISAGGREGATED are updated each day an indicator is published or when one published earlier is revised. On each occasion, the GDP data for the most recent quarter, which has not been published, and the following quarter is projected for the four approximations considered (production, expenditure, the various countries and the aggregate) and the best combination of the latter. Once the first estimate of the data which were being forecast is published – approximately 45 days after the end of the quarter for

CONTRIBUTION TO FORECAST IN PSEUDO REAL TIME OF THE EURO AREA

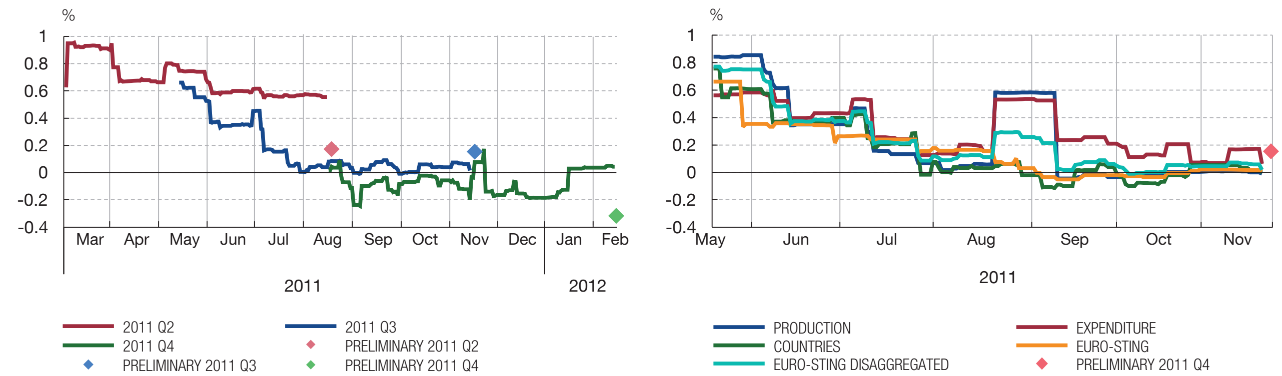
CHART 3



Sources: Banco de España and Eurostat.

THE FOUR ESTIMATES IN REAL TIME OF EURO AREA GDP AND THE BEST MIX

CHART 4



SOURCE: Banco de España.

the GDP of the euro area or the countries, and around 75 after for the other components – the forecasting window is moved one quarter. Each time the model is updated, the next data is forecast for each of the 100 indicators considered. Thus, when each indicator is published it is possible to identify which part of the data was in accordance with expectations and to calculate the impact of the unexpected part on the GDP component or components to which it is related, as well as on each of the growth approximations considered and the best combination of them. For this purpose, from 1 March 2011 a daily database has been compiled with the model's 100 constituent indicators.

By way of illustration, Chart 4 shows the estimates made of GDP growth in the area in the last three quarters (left-hand panel) and, for the third quarter of the year, the estimates resulting from the four GDP approximations of the EURO-STING DISAGGREGATED model (right-hand panel). Thus, for example, these charts make it possible to analyse the impact of the information associated with the turmoil due to the euro area sovereign debt crisis during 2011 Q3. The first day that the model provided projections for Q3 was 10 May, following the release of the GDP data for 2011 Q1. At that time the projections were for growth of 0.78%. The first information available on that period were Markit's purchasing managers' surveys and the

European Commission's surveys, which at end-July showed significant falls not anticipated by the model in all its components and sectors, both for the euro area and the large countries. As seen in the Chart, the growth projection, which had already slipped in previous months, recorded a considerable fall to 0.1%. The agreement reached at end-July by the Heads of State or government and the reactivation of the European Central Bank's programme of sovereign debt purchases eased market strains which was reflected in an improvement in the opinion surveys published at end-August and improved the forecast temporarily to 0.3%. However, the publication at the beginning of September of the first quantitative indicators referring to July, which recorded worse-than-expected values, led the forecast to values of close to zero where it held until the end of the sample in November. The preliminary data for Q3 published on 14 November recorded growth of 0.15%.

Conclusions

In this article EURO-STING DISAGGREGATED is proposed as a model for real-time short-term forecasting of the quarter-on-quarter growth rate of euro area GDP, as well as of 15 of its components from the perspective of production, expenditure and the various countries and their respective aggregates. EURO-STING DISAGGREGATED is broad enough to incorporate in an orderly fashion all the relevant conjunctural information for the short-term forecasting of euro area GDP (almost 100 indicators) and, at the same time, it is very flexible since it combines four different approximations of GDP. Due to these two characteristics the forecasting of EURO-STING DISAGGREGATED is particularly robust at times of change of cycle and of high uncertainty, when opinion indicators and monthly data are likely to show contradictory signs.

Similarly, it should be recalled that as a result of the methodology used by each of the models that make up EURO-STING DISAGGREGATED, it is possible to include indicators of varying frequency, with lags in the publication of information, short samples and even incomplete data. This approach, furthermore, efficiently uses the comparative advantages of the indicators which, such as those based on opinion surveys, appear relatively early and of those which, such as leading activity indicators, have a higher information content but appear with a longer lag.

Finally, this paper shows that EURO-STING DISAGGREGATED produces forecasts which are, on average, closer to the final value of the GDP growth rate than other models usually employed and has, furthermore, two additional advantages. The first is that its projections are updated daily. The second is that the model provides projections not only of GDP and its components but also of the almost 100 indicators used to forecast the latter, which makes it possible to assess the true information content of each piece of new information and to quantitatively analyse to what extent said information modifies short-term projections of euro area GDP.

9.3.2012.

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ANNEXES

Tables:

EURO-STING DISAGGREGATED INDICATORS

ANNEX 1

Approximation: production	
GVA: agriculture, hunting and fishing	q
GVA: industry (incl. energy)	q
Industrial production	m
IP: intermediate goods	m
Industry employment	m
Hours worked in industry	m
EC industrial confidence	m
EC order books assessment	m
Manufacturing PMI, output	m
Manufacturing PMI, orders	m
Manufacturing PMI, foreign orders	m
GVA: construction	q
IP: construction	m
Construction employment	m
Hours worked in construction	m
EC industrial confidence	m
Construction PMI, new orders	m
Construction PMI, real estate activity	m
Construction PMI, civil engineering activity	m
GVA: wholesale & retail trade, trans. & comm.	q
IP: consumer goods	m
Employment in wholesale and retail trade	m
Retail sales	m
EC price trend	m
EC wholesale and retail trade activity	m
EC confidence in consumption	m
EC industrial confidence	m
EC order books assessment	m
EC order books assessment (CDE)	m
Composite PMI output	m
Composite PMI incoming business	m
GVA: financial services	q
M3	m
EC output trend	m
Composite PMI output	m
Composite PMI incoming business	m
GVA: other services	q
Central government debt	m
GVA: net taxes	q
Industrial production	m
Retail sales	m
EC output trend	m
EC consumer confidence	m

Approximation: expenditure	
Final consumption	q
Retail sales	m
Unemployment rate	m
EC consumer confidence	m
EC financial situation	m
EC general economic situation	m
EC propensity to buy durable goods	m
Composite PMI output	m
Composite PMI incoming business	m
Gross capital formation	q
Industrial production	m
IP: capital goods	m
EC industrial confidence	m
EC output trend	m
EC order book assessment	m
Composite PMI output	m
Composite PMI incoming business	m
Exports	q
IP: intermediate goods	m
Real effective exchange rate	m
EC order book assessment	m
Imports	q
IP: intermediate goods	m
Real effective exchange rate	m
EC order book assessment (CDE)	m

Approximation: large countries	
GDP: Germany	q
Industrial production	m
New industrial orders	m
Retail sales	m
Total employment	q
Exports	m
Imports	m
EC industrial confidence	m
EC services confidence	m
ZEW indicator	m
IFO indicator	m
GFK indicator	m
Manufacturing PMI	m
Services PMI	m
GDP: France	q
Industrial production	m
New industrial orders	m
Retail sales	m
Total employment	q
Exports	m
Imports	m
EC industrial confidence	m
EC services confidence	m
INSEE industrial confidence	m
Manufacturing PMI	m
Services PMI	m
GDP: Italy	q
Industrial production	m
New industrial orders	q
Retail sales	m
Total employment	m
Exports	m
Imports	m
EC industrial confidence	m
EC services confidence	m
ISAE industrial confidence	m
Manufacturing PMI	m
Services PMI	m
GDP: Spain	q
Industrial production	m
VIGES	m
Overnight stays in hotels	m
Cement consumption	m
Social security registrations	m
Exports	m
Imports	m
EC industrial confidence	m
EC retail sales confidence	m
Services PMI	m

SOURCE: Banco de España.
NOTE: EC - European Commission; IFO - Information and Forschung (research); INSEE - Institute for Statistics and Economic Studies; ISAE - Istituto di Studi e Analisi Economica; m - monthly frequency; PMI - Purchasing Managers' Index; q - quarterly frequency; VIGES - Wholesale corporations' sales; ZEW - Centre for European Economic Research.

MACROECONOMIC TABLE WITH EURO-STING DISAGGREGATED FORECASTS OF 2 NOVEMBER 2011 (a) (b)

	2008	2009	2010	2010				2011			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Euro area production											
Agriculture	1.3	2.8	0.1	0.91	-0.61	-0.86	0.60	0.61	-0.21	0.18	0.25
Industry	-2.4	-13.1	6.3	2.19	1.91	0.75	1.28	1.77	0.39	-1.12	-1.61
Construction	-1.6	-6.2	-4.1	-1.70	1.04	-1.07	-1.32	2.50	0.10	0.34	-0.18
Trade, trnspt. and communications	1.4	-5.3	2.4	0.61	1.02	0.68	0.00	0.61	0.20	0.02	-0.40
Financial services	1.6	-1.6	1.0	0.14	0.38	0.59	0.32	0.21	0.17	0.31	0.09
Other services	2.0	1.3	0.9	0.11	0.13	0.08	0.12	0.25	0.17	0.33	0.36
Taxes less subsidies	-1.4	-3.9	1.3	-1.22	2.50	0.50	0.03	1.19	-0.23	0.18	0.23
Gross domestic product (production)	0.4	-4.2	1.8	0.33	0.93	0.41	0.27	0.78	0.16	0.01	-0.22
Euro area expenditure											
Consumption (private + government)	0.9	-0.2	0.8	0.15	0.21	0.22	0.22	0.22	-0.21	0.26	0.17
Gross capital formation	-1.5	-15.7	4.2	2.38	3.22	0.42	0.09	3.51	0.53	-0.88	-1.59
Exports	1.0	-12.8	10.1	3.01	4.16	1.83	1.23	1.38	0.73	1.03	1.78
Imports	0.9	-11.7	9.3	3.81	3.91	1.50	1.09	1.60	0.20	1.00	0.54
Gross domestic product (expenditure)	0.4	-4.2	1.8	0.33	0.93	0.41	0.27	0.78	0.16	0.07	0.35
Four large countries											
Germany	1.9	-4.0	4.3	0.51	1.95	0.79	0.48	1.35	0.12	-0.18	0.34
France	2.5	-2.3	2.3	0.15	0.50	0.42	0.33	0.91	0.01	-0.19	-0.01
Italy	1.3	-3.1	1.9	0.64	0.48	0.31	0.07	0.14	0.30	-0.77	-0.54
Spain	3.3	-3.7	0.3	0.09	0.32	-0.02	0.21	0.38	0.16	0.15	-0.23
Gross domestic product (countries)	0.4	-4.2	1.8	0.33	0.93	0.41	0.27	0.78	0.16	-0.26	-0.03
Euro area gross domestic product											
EURO-STING	0.4	-4.2	1.8	0.33	0.93	0.41	0.27	0.78	0.16	0.02	-0.14
Production + expenditure	0.4	-4.2	1.8	0.33	0.93	0.41	0.27	0.78	0.16	0.03	-0.09
Production + expenditure + countries	0.4	-4.2	1.8	0.33	0.93	0.41	0.27	0.78	0.16	0.04	-0.12
DISAGGREGATED EURO-STING	0.4	-4.2	1.8	0.33	0.93	0.41	0.27	0.78	0.16	0.04	-0.12

SOURCE: Banco de España.

a Quarter-on-quarter rates of change.
b The shaded areas relate to forecasts.

Introduction

In 2011 as a whole, Latin America posted annual growth of 4.4%. This figure, while marking a moderation of almost 2 pp in relation to 2010 (as was the case with the emerging economies as a whole), can be viewed as a good performance in a year in which the euro area crisis deepened, altering the course of the recovery in the world economy. Following a very dynamic first half to the year, regional growth slowed notably from Q3 to Q4, feeling the impact of the European crisis chiefly through financial-asset and commodities prices (see Chart 1). Moreover, this impact overlapped the lagged effect of the tightening of monetary policies as from 2010 in several Latin American countries. The slowdown was not, however, across the board, at least in terms of intensity. It particularly affected Brazil and, to a lesser extent, Argentina, which both showed signs of overheating in early 2011. In contrast, countries such as Colombia and Venezuela, further behind in the business cycle, and Peru showed notable buoyancy and greater resilience, too, in the second half of the year.

The higher-frequency indicators released in the opening months of 2012 show signs of a pick-up in activity, in line with PMIs and the global industrial cycle following the autumn flatness. But, above all, they reveal the thrust of domestic demand to be holding up in most countries. Along these same lines, Latin American financial markets have trended favourably in recent months. In this respect, the rapid adaptation of economic policies to the new higher-risk environment, after the summer, and the resumption of capital flows since early 2012 – in a setting marked by the adoption of new liquidity-expansion measures in the developed countries – have staved off the risk of a deeper slowdown in activity in the region, although they pose new dilemmas. Notwithstanding, growth in Latin America might ease further in 2012, towards a rate in line with potential, with downside risks arising from the external environment, including most notably a potential deterioration of the European situation.

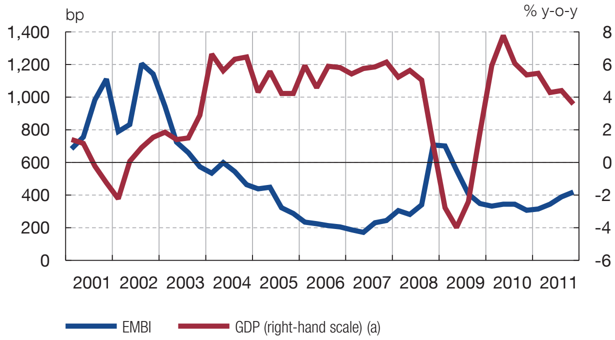
Inflation across the region posted a year-on-year rate of 7.1% at the close of 2011, up on the first half of the year and showing some downward stickiness in a setting of lower growth and the ongoing correction of commodities prices. This stickiness was more marked than that recorded in other emerging areas, such as Asia or Eastern Europe. Prices have only begun to show any correction recently (chiefly in Brazil), meaning that inflation measured as a regional average stood in March at 6.2% year-on-year. Three of the five countries with inflation targets (Brazil, Colombia and Mexico) fulfil them in 2011, although inflation in these three countries stood in the upper interval of the target range. In any event, the Brazilian central bank pursued the cycle of interest-rate reductions it had begun in August, making most significant cuts, and the Chilean central bank lowered its official rate by 25 bp in early 2012. While only Argentina and Venezuela continue to show notable vulnerability owing to their high inflation, there are concerns in several countries – more prominently so than in the past three years – about the risks to inflation stemming from the situation of near-full employment in the formal labour market and from incipient wage pressures, which might underpin a greater expansion in demand, and from dearer oil. Indeed, inflation expectations have been seen to rise somewhat in several countries in recent months.

Finally, vulnerabilities are also beginning to be seen in the external sector – with a growing number of countries in the region posting current-account deficits, despite the high de-

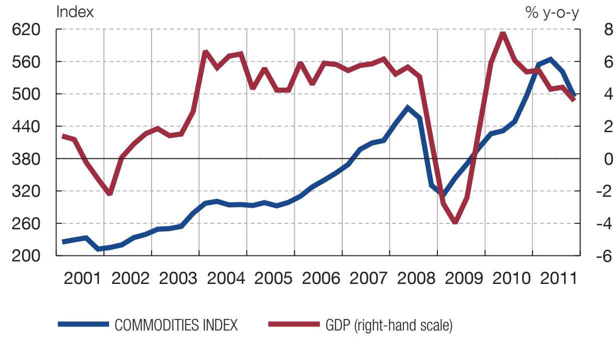
LATIN AMERICA: EMBI, COMMODITIES AND GDP
Basis points, index and year-on-year rate

CHART 1

EMBI AND GDP



COMMODITIES INDEX AND GDP



SOURCE: Datastream.

a Aggregate of the seven main economies: Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela.

mand for commodities – and in public finances, which have translated into bouts of financial pressure and the adoption of heterodox and/or protectionist measures in some cases (see the section "Trade integration processes and structural policies").

Economic and financial developments: external environment

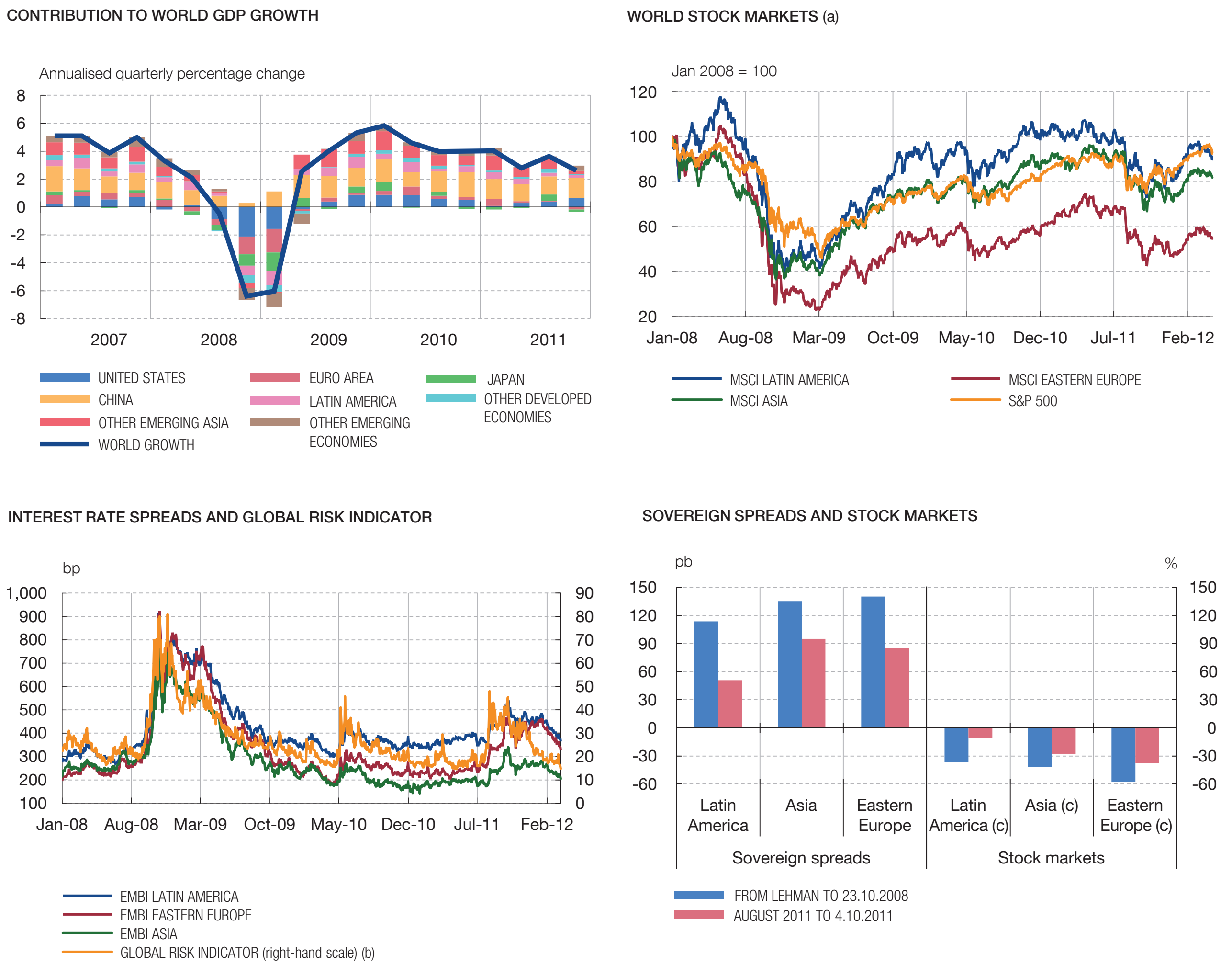
In the closing months of 2011, global economic and financial developments were marked by the sizeable tensions on international financial markets arising from the heightening of the euro area sovereign debt crisis and the potential consequences for the recovery of the world economy. In early 2012, these tensions on European markets eased, and economic indicators in various regions improved. Into April, however, a fresh bout of instability associated with the European crisis was recorded, so far exerting a limited impact on other areas.

In 2011 Q4 there was a notable slowdown in activity in the main advanced economies (Japan, the United Kingdom and the euro area posted quarterly declines in GDP), with the exception of the United States, which saw its growth rate rise (see Chart 2) and signs of improvement in its labour market. Nonetheless, there were signs of stabilisation at the onset of 2012, with rises in the higher-frequency and confidence indicators. Given the lesser leeway available to stimulus policies and the correction under way of the imbalances built up during the expansionary phase, the recovery is expected to remain moderate, meaning that the growth rate of the advanced economies as a whole will be slightly below that of 2011 in 2012 on average.

Inflation rates in the advanced economies reached a high late in 2011 Q3 and, thereafter, fell gradually, against a background of economic sluggishness and an easing in commodities prices from their peak in the spring. These prices have rebounded in early 2012, especially in the case of oil (with Brent exceeding $125 per barrel), as a result of certain specific supply-side factors, mainly the tensions in Iran, and of the emerging economies' demand. The central banks of the main advanced economies continued to implement expansionary policies, through quantitative easing and other non-conventional measures, and through changes in their communication strategies. On the fiscal front, the advanced economies continue to face major public finances consolidation challenges, with no room to introduce expansionary measures, although in some countries the decision has been taken to delay fiscal consolidation in the short run.

GLOBAL MACROECONOMIC AND FINANCIAL INDICATORS
Annualised quarterly rate, percentage, basis points and indices

CHART 2



SOURCES: National statistics and Datastream.

a Indices in dollars.
b VIX Index.

The emerging economies continued to show greater resilience, although the rise in global risk aversion in the second half of 2011, along with the weakness of external demand and the lagged effect of their restrictive economic policies, led to a less favourable economic performance. The slowdown was more marked in the emerging European economies, with their tighter trade and financial links with the euro area. At the other extreme was, once again, the notable resilience of the Chinese economy, which has nonetheless not been immune to the global situation and whose activity shows some easing. Inflation also tended to moderate in the second half of 2011 and early 2012, although it held a relatively high levels. In this setting of economic slowdown and lower inflation, several central banks tended to relax their monetary policy stance during the second half of the year and, above all, in early 2012.

Against this backdrop, in the final stretch of 2011 international financial markets remained under the influence of the European sovereign crisis, and in particular of the euro area banking sector's difficulties in funding itself on wholesale markets. These problems fed through to other areas, and were reflected in a flight to quality (which prompted the appreciation of the dollar and the decline in US and UK government debt yields). Early in

2012, some headway in the European situation and the dwindling of some of the more extreme risks were conducive to an improvement in confidence. In this context, most stock market values rose significantly and there was an increase in the appetite for risk (see Chart 2). However, in recent weeks there has been a fresh outbreak of tensions on European markets which highlights the fragility of the current situation.

Financial markets and external financing

In line with the developments on international financial markets, Latin American markets were affected in the final quarter of 2011 by the heightening of the euro area sovereign debt crisis as from the summer. The situation changed in January 2012, with a clear pick-up on stock markets, a fall in credit risk indicators, the resumption at a forceful pace of capital inflows, and the recovery in exchange rates. This improvement, which held up during the first quarter, went partly into reverse in the final weeks of March and the start of April as a result of the deterioration also observed on international markets.

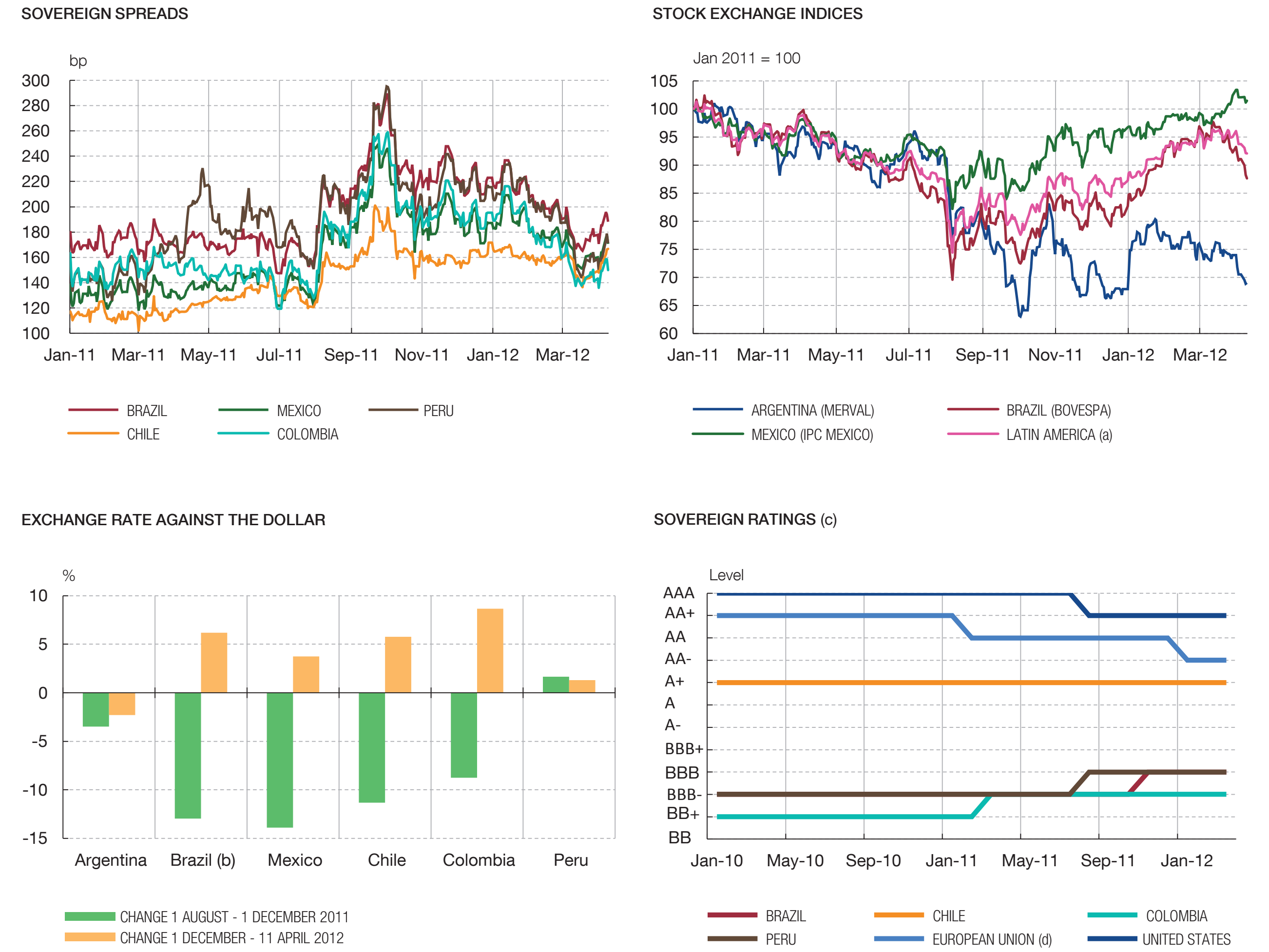
In any event, contagion from the euro crisis towards Latin America has proved relatively limited in intensity and duration. Contributing to this have been both external factors, which have allowed tensions on financial markets to ease (essentially the medium-term injection of liquidity by the ECB, in December, and the improved US growth outlook), and domestic factors. The latter include most notably the soundness of economic fundamentals, which has allowed countries in the region to navigate the global financial crisis without experiencing a significant deterioration in their financial systems or in their public sustainability or external indicators. Although some of the potential crisis transmission channels – the high European share in foreign direct investment in Latin America, in portfolio flows and in the ownership of some Latin American banking systems – were not unaffected by the tensions, nor did they transmit impacts on the scale of those seen in 2008 with the Lehman Brothers episode, and nor did they give rise to domestic credit restrictions in these economies. Thus, the declines in financial asset prices were of less intensity than those in September 2008 (see Chart 3), whereby the July 2011 levels prior to the tensions had been restored in March 2012.

The rise in the region's sovereign spreads (EMBI Latin America) from October to the end of the year was relatively limited, from 440 bp to 490 bp. The Latin American stock market posted a decline, measured in dollars, of more than 11%, similar to that in Asia and somewhat less than that in Eastern Europe, a region with closer ties to the euro area (Chart 2). Country by country, the biggest deterioration was in Argentina, traditionally one of the more vulnerable countries. The Argentine sovereign spread widened by more than 125 bp and its stock market fell by more than 17%, also influenced by idiosyncratic factors, including most notably those derived from the measures adopted to limit the demand for dollars. In Peru, by contrast, the widening of the spread was restricted to 27 bp, and in Chile and Brazil to somewhat over 10 bp. In this period, the exchange rates of the region's currencies underwent a notable correction, with declines of 9-16% from August to end-2011 (Chart 3), especially those with deeper markets more susceptible to harbouring carry trade operations. The uncertainty was likewise reflected in net capital inflows in Q4 that were substantially lower than those in Q3, in relation both to foreign direct investment (down around $5 billion for the regional aggregate) and to portfolio investment (down almost $9 billion), although they held at historically high levels. Further, bond issues on international markets, which had run at a high in 2010 and early 2011, fell in the last two quarters of the year.

The improved conditions on international markets as from January 2012 were reflected in a surge in international issues by the emerging economies, which exceeded $115 billion in Q1 (Chart 4), a new all-time high for a quarter, of which Latin American issuers accounted

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

CHART 3



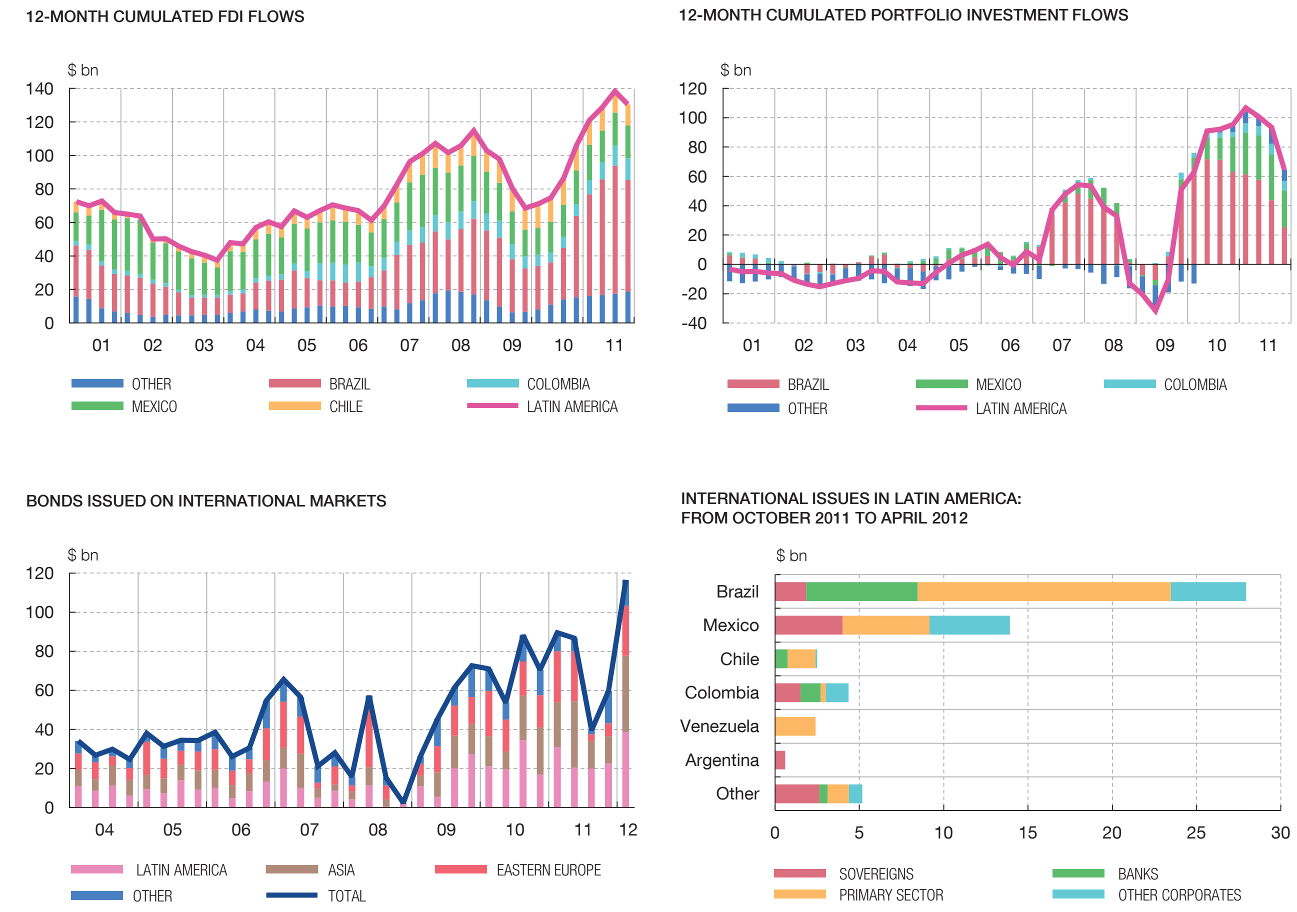
SOURCES: Datastream and JP Morgan.

a MSCI Latin America Index in local currency.
b For Brazil, change between 1 December and 28 February 2012, floor price.
c S&P ratings.
d Aggregate of 11 countries weighted according to their weight in world GDP: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy,Netherlands, Portugal and Spain.

for 33%. There were placements of local-currency-denominated sovereigns (Peru), numerous companies tapped the market for the first time or conducted transactions in new segments (for example in renminbi), and the biggest issue ever by an emerging sovereign or company took place, namely for $7 billion by the Brazilian state oil corporation. Against this background, the financial indicators recorded a reversal of previous movements, in terms of a narrowing of the region's credit risk spreads by more than 115 bp, between mid-January and mid-March, and a rise in stock market indices, measured in dollars, of 10%; this recovery was somewhat less than that of the other emerging regions, which had also been more affected by the euro area crisis. Investors' favourable view of the region was likewise reflected in the stability of or improvement in sovereign ratings (Brazil, Peru), at a time when the ratings of certain developed countries worsened, and of very low probabilities of default, measured by CDS premia. Thus, the average risk premia for the region, including Argentina and Venezuela, stood below that for the euro area. As earlier mentioned, the improvement on financial markets in Q1 has been checked since mid-March, with the worsening of the European sovereign crisis.

EXTERNAL CAPITAL FLOWS AND FINANCING
$ bn and %

CHART 4



SOURCES: Dealogic, JPMorgan, IMF and national statistics.

The rise in capital inflows prompted a strong appreciation in the region's currencies (Chart 3). That partly offset the depreciation recorded from August 2011 and re-ignited the monetary policy dilemmas that Latin American central banks faced in 2010, namely how to free monetary policy from external constraints, and in particular from the appreciation arising from the high interest rate differential with the developed countries. There were various responses: an increase in tax on capital inflows (Brazil); the reversal of prior measures to check the depreciation (Colombia); interest rate cuts (Brazil) and the build-up of international currency reserves (Peru, Colombia and Brazil) (see Box 1). Some of these measures appear to have had an effect. Thus, for instance, the Brazilian real has depreciated against the dollar by more than 7% over the past month.

Activity and demand

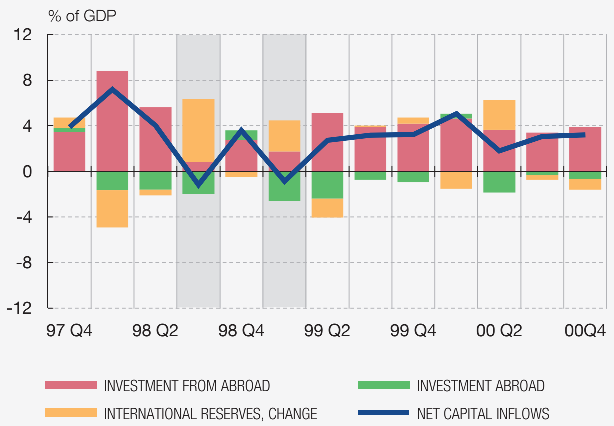
Over the course of 2011, Latin America grew by 4.4% on average. While this figure is down on 2010, it includes base effects and reflects considerable resilience on the part of the region, in a year in which the crisis in the euro area – South America's second trading partner in terms of export volumes – deepened, dampening the prospect of a global economic recovery. After a very buoyant first half of the year, with quarterly GDP growth rates exceeding 1%, activity in the region slowed appreciably in Q3 and Q4 to 0.7% and 0.6%, respectively (see Chart 5). The slowdown was more marked in Brazil, although it also made itself felt to a lesser extent in Argentina and, in Q3, in Chile. As a result, growth across the region moved on a declining path in year-on-year terms, dipping from 5.5% in

In the last 20 years there has been intense financial integration in the international economy, marked by the notable increase in international financial flows and by their global scope, spreading to most countries across the world, including the emerging economies. However, the process has been very irregular: international flows increase strongly in periods of global financial stability, and decline sharply in phases of instability. Partly for this reason, financial integration poses particularly marked risks in emerging countries where, in periods of strong investment from abroad, there may be an excessive appreciation of the exchange rate and, simultaneously, a sharp expansion in credit. In contrast, a sudden reversal of investment from abroad exposes these countries to exchange-rate depreciations and to funding shortfalls, which may eventually result in declines in GDP or in financial and foreign exchange crises. One factor that may mitigate these developments is the reduction by residents of financial assets abroad at times of financial stress.[1] This behaviour has been frequent in the advanced economies in such periods. In the emerging economies, the build-up of foreign assets by the private sector has been on a smaller scale and, perhaps for this reason, they have accumulated international reserves (external assets of public-sector institutions) as a mechanism to withstand these bouts of contraction in external funding. This Box reviews the course of financial flows in Latin America around the time of the 1998 and 2008 financial instability episodes, which are particularly interesting as they were exogenous to the region. The evidence confirms that, in the Latin American case, there was a reduction in investment abroad by residents, and in particular by the private sector, in the last episode of financial instability. And, on recent empirical evidence, this suggests the reduction might have been associated with the higher level of international reserves in the region.

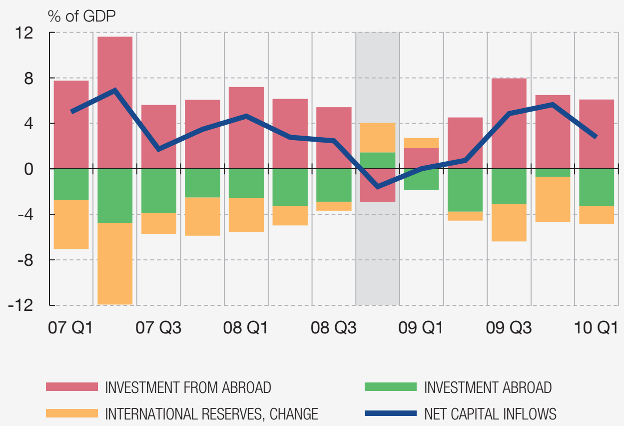
Panels 1.1 and 1.2 show financial flows around the quarters when net capital inflows were lowest, with the two episodes shaded. In

1 See F. Broner, A. Erce, J. Didier and S. Schmuckler, *Gross Capital Flows: Dynamics and Crises,* Documentos de Trabajo, no. 1039, Banco de España.

1.1 AROUND 1998 Q3

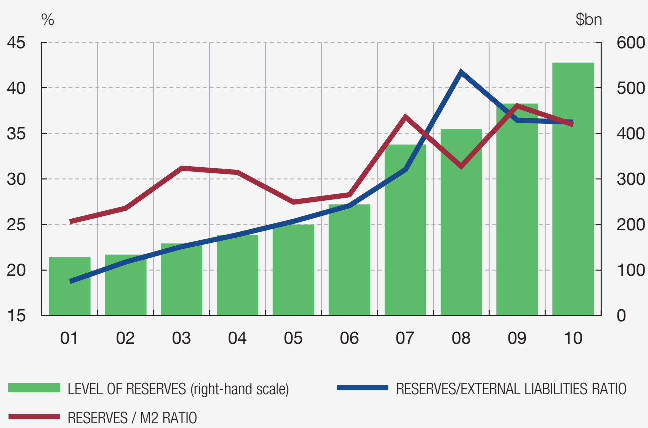


1.2 AROUND 2008 Q4

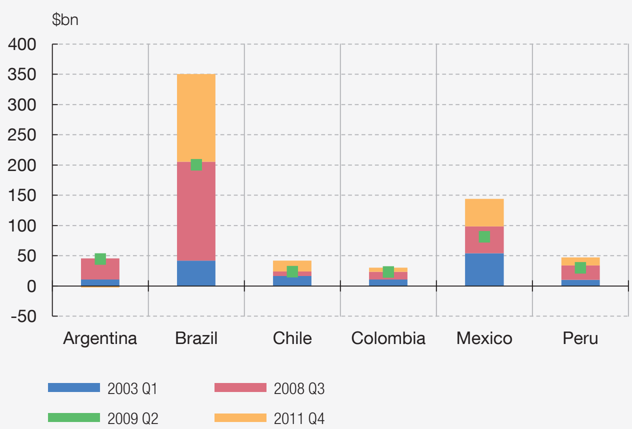


SOURCE: IFS (IMF).

2.1 RESERVES RATIO FOR THE REGION AS A WHOLE



2.2 INTERNATIONAL RESERVES BY COUNTRY



SOURCE: IFS (IMF).

1998 the trigger was debt restructuring in Russia, in the third quarter of the year, the impact of which spread sequentially to much of Latin America, proving particularly severe in Brazil, and worsening in 1999 Q1. In 2008 the Lehman Brothers bankruptcy in Q4 marked the start of an economic and financial crisis which most notably impacted financial flows in the region, continuing into early 2009. In both episodes there was a contraction in net capital inflows. Indeed, as the line in panel 1.1 reflects, in 1998 Q3 there were, in annualised terms, net capital outflows from Latin America of 1.2% of GDP, compared with net inflows of 4% of GDP in the previous quarter; and after stabilising slightly in the following quarter, net capital outflows were once again recorded in early 1999. The course of net capital inflows after the Lehman Brothers bankruptcy in 2008 was similar, with net outflows of 1.6% of GDP, in contrast to net inflows of over 5% in the preceding quarters. This reduction was relatively widespread across the various countries, but stood out for its intensity in Brazil and Chile, where financial integration was greater and bigger inflows had been received in the previous quarters.

As can be seen in panels 1.1 and 1.2, both in 1998 and in 2008 net capital outflows were associated with the reduction in investment from abroad, i.e. with the lower funding received, which is commonly called a "sudden stop" of capitals. In the 1998 episode, flows received from abroad did not turn negative, which was indeed the case in 2008. Residents' investment abroad shows a differentiated pattern in both episodes. In fact, in 1998 Q3, when external financing was at its most restricted, residents (the green bar in the panels), particularly in Brazil, increased their investment abroad (which is commonly known as "capital flight") and this accounted for much of the aggregate behaviour in Latin America.[2] Conversely, in 2008 residents reduced their investment abroad, repatriating assets. This change in residents' conduct in periods in which external financing is contracting is of great significance: when, as was the case in 1998, capital "flees" abroad coinciding with the external financing constraint, the contraction in net financing may be high and exert a very severe impact on credit conditions, the financing of public debt and, through various channels, the real economy. The different conduct by resident investors in 2008 also explains the differing need to use reserves on the part of the central bank (the other – publicly held – component of foreign assets) to mitigate the loss in financing. As a result, there were high sales of reserves in 1998, while in 2008 the need for these sales to offset foreign disinvestment was less, given the repatriation of investment by residents.

The higher repatriation of funds by residents during the bout of instability in 2008 meant similar behaviour to that of the developed countries and can be favourably interpreted: improved economic management and the reduction in vulnerabilities in this period were conducive to maintaining confidence in the country and in the stability of the exchange rate.

Indeed, the notable increase in international reserves in all countries in the region in absolute terms, as highlighted in panel 2.1, contributed to this reduction in vulnerability. Reserve ratios relative to international financial liabilities or to M2 –two habitual measures of the suitable level of international reserves – also rose. The build-up in reserves is partly driven by the perception as to their benefits in periods of financial instability: on one hand, they might play a mitigating role, allowing potential reductions in net capital inflows to be offset, as earlier indicated; and on the other, they have a preemptive role, if they prevent these reductions in net capital inflows or uphold residents' confidence in each country, thereby lessening the risk of capital flight, as shown in Obsteld et al. (2010)[3]. Jeanne and Rancière noted that the level of international reserves, which might be excessively high in many countries when regard is had exclusively to their positive role in net capital inflows or in foreign investment, might be appropriate if it contributed to easing investment abroad by residents in these periods.[4] However, on occasions the accumulation of reserves tends to exacerbate capital inflows in boom periods, by entrenching expectations of an exchange-rate appreciation or by reinforcing the sentiment of confidence in the recipient economy.

The beneficial effect of international reserves in periods of global financial instability is explored empirically by Alberola, Erce and Serena (2012)[5]. Their findings suggest that capital repatriation during episodes of financial instability (i.e. lowering investment abroad) does in fact depend positively on the level of international reserves, although their effect is a diminishing one. In contrast, the accumulation of reserves does not prevent sudden stops in capital inflows in such periods.

In short, high holdings of reserves might contribute to maintaining confidence in the country's macroeconomic and financial developments, or in the strength of the exchange rate, thus easing the way for the repatriation of residents' investment. Accordingly, the increase in reserves recorded in the decade spanning 1998-2008 might be an explanatory factor of the disinvestment abroad by Latin American residents in the last period of financial instability. This perception has perhaps contributed, as panel 2.2 shows, to the forceful resumption of reserves accumulation in all countries, with the exception of Argentina, following the economic and financial crisis of 2008. As a result, holdings of reserves in Latin America are currently notably higher than those in place before the crisis.

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2 Also in Chile's case, it has been highlighted how in 1999 as a whole residents' financial outflows were bigger than usual, which would account for the reduction in financing recorded (R. Caballero, K. Cowan and J. Kearns, *Fear of sudden stops: lessons from Australia and Chile,* 2004).

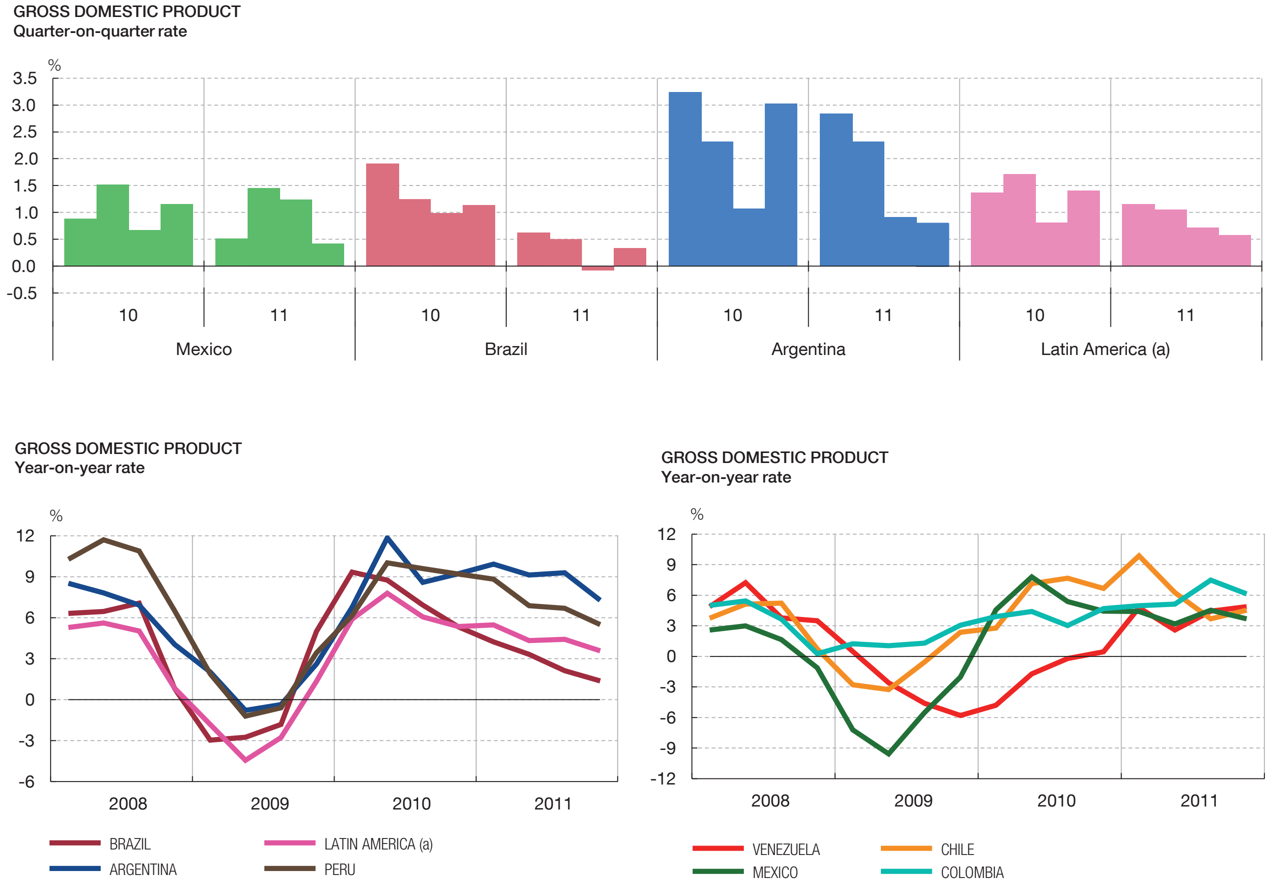
3 M. Obsteld, J. Shambaug and A. Taylor (2010), " Financial stability, the trilemma, and international reserves", *American Economic Journal: Macroeconomics,* vol. 2 (2), pp. 57-94.

4 O. Jeanne and R. Rancière (2011), "The Optimal Level of Reserves for Emerging Market Countries: a New Formula and Some Applications", *Economic Journal,* Royal Economic Society, vol. 121 (555) pp. 905-930.

5 E. Alberola, A. Erce and J. M. Serena (2012), *International reserves and growth capital flows. Dynamics during financial stress,*Documentos de Trabajo, no. 1211, Banco de España.

LATIN AMERICAN GDP
Year-on-year and quarter-on-quarter rates

CHART 5



SOURCE: National statistics.

a Aggregate of the seven main economies.

Q1 to 3.6% in Q4 and marking a notable slowdown on the figure of 6.3% recorded in 2010 (see Table 1).

In terms of components, domestic demand remained the chief underpinning of the expansion in activity (with a contribution of 5.5 pp to GDP growth), compared with a negative contribution of 1.3 pp by external demand (see Chart 6). However, it should be stressed that the slowdown in GDP in 2011 was due in its entirety to the cooling of domestic demand, and in particular of investment (whose growth fell by 5 pp to 8.6%), while net external demand, despite the complex external environment, subtracted somewhat less from growth because the slowdown in imports was greater than that in exports. This indicates that domestic demand, which grew in several countries at very high rates as a result, among other factors, of the countercyclical policies applied after the crisis, ultimately reacted to the tightening of monetary policies in 2010 and early 2011, to the depreciation of exchange rates and, in the second half of the year, to the greater uncertainty arising from the heightening of the euro area crisis. Accordingly, the risk of overheating in countries such as Brazil eased to some extent.

The slowdown in investment was particularly sharp in Brazil and in Peru, plummeting from rates of over 20% in 2010 to around 5% in 2011, in both countries. In Brazil's case, it was influenced by the appreciation of the exchange rate and by specific problems in the car industry; and in Peru, by a fall-off in confidence, and by the very level reached by the in-

LATIN AMERICA: MAIN ECONOMIC INDICATORS

TABLE 1

	2009	2010	2011	2010				2011				2012
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	March
GDP (year-on-year rate)												
Latin America (a)	-1.9	6.3	4.4	5.9	7.8	6.1	5.4	5.5	4.3	4.4	3.6	
Argentina (b)	0.9	9.2	8.9	6.8	11.8	8.6	9.2	9.9	9.1	9.3	7.3	
Brazil	-0.3	7.5	2.7	9.3	8.8	6.9	5.3	4.2	3.3	2.1	1.4	
Mexico	-6.2	5.5	3.9	4.5	7.8	5.4	4.4	4.4	3.2	4.5	3.7	
Chile	-1.0	6.1	6.0	2.8	7.1	7.7	6.7	9.9	6.3	3.7	4.5	
Colombia (c)	1.7	4.0	5.9	3.9	4.4	3.0	4.7	5.0	5.1	7.5	6.1	
Venezuela	-3.2	-1.5	4.2	-4.8	-1.7	-0.2	0.5	4.8	2.6	4.4	4.9	
Peru	0.9	8.8	6.9	6.2	10.0	9.6	9.2	8.8	6.9	6.7	5.5	
CPI (year-on-year rate)												
Latin America (a)	6.4	6.4	6.8	6.1	6.5	6.2	6.6	6.7	6.6	6.9	7.0	6.2
Argentina (b)	6.3	10.5	9.8	9.0	10.6	11.1	11.0	10.1	9.7	9.8	9.6	9.8
Brazil	4.9	5.0	6.6	4.9	5.1	4.6	5.6	6.1	6.6	7.1	6.7	5.2
Mexico	5.3	4.2	3.4	4.8	4.0	3.7	4.2	3.5	3.3	3.4	3.5	3.7
Chile	0.4	1.4	3.3	-0.3	1.2	2.2	2.5	2.9	3.3	3.1	4.0	3.8
Colombia	4.2	2.3	3.4	2.0	2.1	2.3	2.7	3.3	3.0	3.5	3.9	3.4
Venezuela	28.6	29.0	27.2	27.4	31.9	29.8	27.3	29.1	24.6	26.5	28.5	24.2
Peru	2.9	1.5	3.4	0.7	1.1	2.2	2.1	2.4	3.1	3.5	4.5	4.2
BUDGET BALANCE (% of GDP) (d)												
Latin America (a) (e)	-2.8	-2.2	-2.0	-2.7	-2.5	-2.0	-2.2	-1.8	-1.7	-1.8	-2.0	
Argentina	-0.6	0.2	-1.6	-0.8	-0.3	0.2	0.2	0.2	0.0	-0.4	-1.6	
Brazil	-3.3	-2.5	-2.6	-3.4	-3.3	-2.3	-2.5	-2.3	-2.1	-2.5	-2.6	
Mexico	-2.3	-2.9	-2.5	-1.8	-2.2	-2.4	-2.7	-2.8	-2.8	-2.6	-2.4	
Chile	-4.3	-0.3	1.5	-3.9	-1.1	0.0	-0.3	1.0	1.4	2.0	1.5	
Colombia	-3.8	-3.6	-2.1	-3.4	-4.0	-3.6	-3.5	-2.9	-1.4	-1.4	-2.1	
Venezuela	-5.1	-3.8	—	-4.8	-3.8	-3.5	-3.8	—	—	—	—	
Peru	-1.7	0.1	0.9	-1.3	-0.9	-0.3	0.1	0.4	0.3	0.9	0.9	
PUBLIC DEBT (% of GDP)												
Latin America (a)	34.5	33.4		34.1	33.3	33.5	33.1	33.1	33.0	32.4		
Argentina	47.9	44.6		47.9	40.5	46.1	44.6	44.8	42.9	40.8		
Brazil	42.1	39.2	36.5	41.9	40.9	39.4	39.2	38.9	38.6	36.3	36.5	
Mexico	28.0	27.5	26.5	27.7	27.7	27.3	26.1	27.1	26.8	27.5	26.5	
Chile	5.8	8.6	11.2	6.9	7.5	8.7	9.2	9.0	9.4	10.6	11.2	
Colombia	35.0	35.0	33.7	34.3	35.0	34.7	34.7	35.0	33.2	34.1	33.7	
Venezuela	22.6	28.1	25.1	19.0	22.4	25.9	28.1	26.9	33.8	37.2	25.1	
Peru	27.3	23.4	21.7	25.5	23.7	23.2	23.4	22.4	21.7	20.9	21.7	
CURRENT ACCOUNT BALANCE (% of GDP) (d)												
Latin America (a)	-0.3	-0.7	-0.8	-0.1	-0.4	-0.6	-0.8	-0.8	-0.7	-0.7	-0.8	
Argentina	3.6	0.8	0.0	2.9	2.3	1.3	0.7	0.6	0.2	0.0	0.0	
Brazil	-1.5	-2.2	-2.1	-1.8	-2.1	-2.3	-2.2	-2.2	-2.1	-2.0	-2.1	
Mexico	-0.6	-0.3	-0.8	-0.4	-0.5	0.0	-0.3	-0.3	-0.5	-0.7	-0.8	
Chile	2.0	1.5	-1.3	2.4	1.8	1.6	1.9	0.8	0.6	-0.4	-1.3	
Colombia	-2.1	-3.1	-3.0	-2.1	-2.2	-2.7	-3.1	-3.1	-3.2	-3.0	-3.0	
Venezuela	1.8	5.0	9.2	6.0	6.8	5.4	5.0	5.9	7.6	9.1	9.2	
Peru	0.2	-1.7	-1.3	0.0	-0.2	-1.1	-1.7	-1.8	-2.2	-1.4	-1.3	
EXTERNAL DEBT (% of GDP)												
Latin America (a)	20.6	20.9		19.7	19.1	20.4	20.7	20.6	19.9	20.0		
Argentina	37.6	35.0		36.9	31.5	34.4	32.4	33.9	27.9	30.4		
Brazil	12.2	12.0	12.0	11.9	12.0	12.0	12.0	12.3	12.2	12.0	12.0	
Mexico	18.9	19.0	18.2	17.9	17.8	18.4	19.0	18.5	18.4	17.9	18.2	
Chile	42.1	40.1	40.3	42.8	42.2	40.8	39.9	39.8	39.8	39.3	40.3	
Colombia	22.7	22.4	22.8	18.8	19.3	21.5	22.5	20.6	20.9	21.7	22.8	
Venezuela	22.6	35.5	36.4	23.8	25.1	33.8	38.8	37.5	37.6	37.2	36.4	
Peru	28.1	26.1	24.4	27.3	25.4	26.6	26.4	26.1	25.9	25.3	24.4	

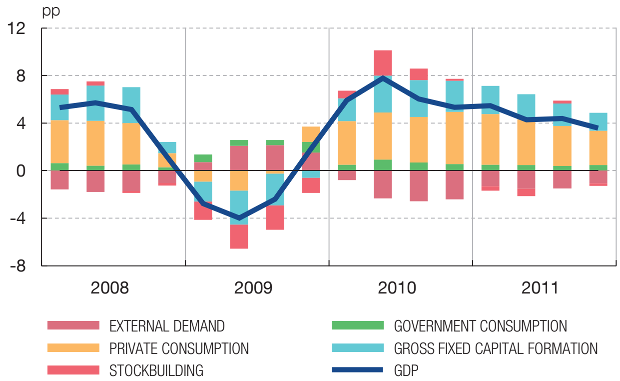
SOURCE: National statistics.

a Aggregate of the seven countries represented.
b Official figures.
c Seasonally adjusted.
d Four-quarter moving average.
e As from 2010 Q4, the budget balance aggregate does not include Venezuela.

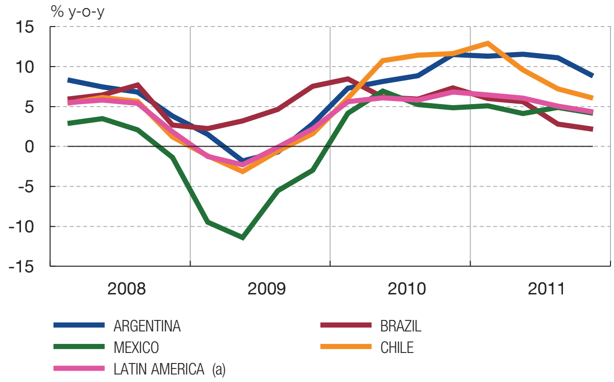
BREAKDOWN OF GDP AND INVESTMENT | **CHART 6**

Year-on-year rate and percentage points

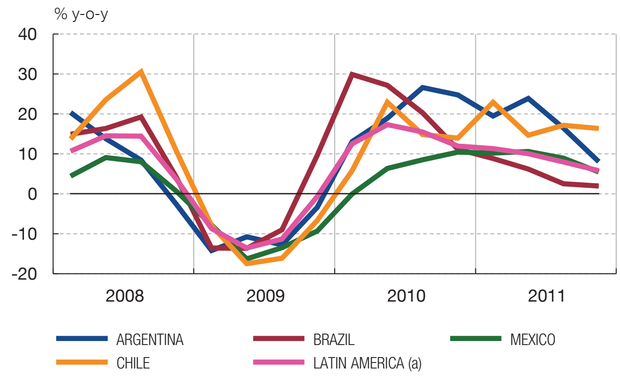
CONTRIBUTIONS TO YEAR-ON-YEAR GDP GROWTH (a)



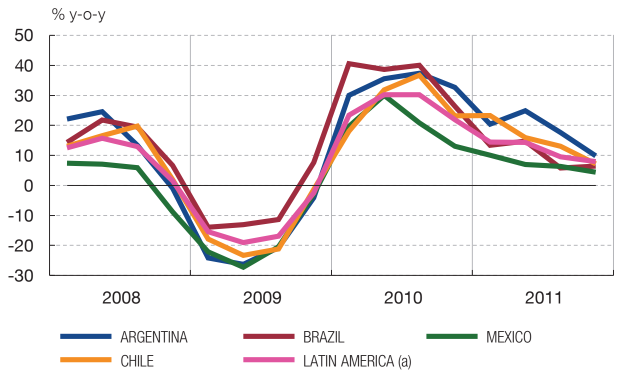
PRIVATE CONSUMPTION
Year-on-year rate



GROSS FIXED CAPITAL FORMATION



IMPORTS
Year-on-year rate



SOURCES: National statistics and IMF.

a Aggregate of the seven main economies.

vestment/GDP ratio in recent years (25%) and the slowdown in public investment. In Argentina, investment decelerated owing to the worse economic outlook, the uncertainty on financial markets from August to November, and the subsequent application of import barriers and capital controls. In contrast, investment spending quickened in Colombia (due especially to the strong growth in the oil industry), in Chile (owing to the pick-up in construction), in Venezuela (public-sector stimulus) and also in Mexico (although investment remains below pre-crisis levels).

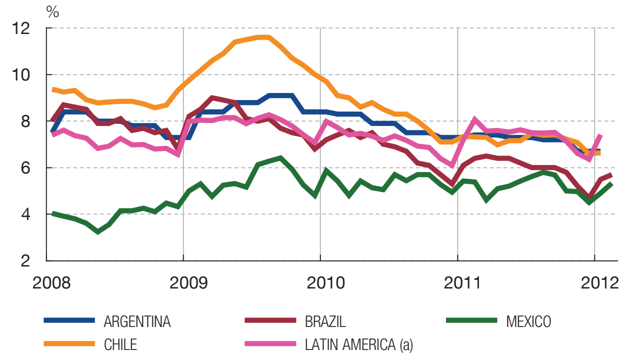
Private consumption growth remained robust in most of the countries, and the year-on-year rate of increase for the region on average was 5.5% in 2011 (compared with 6.1% in 2010). Indeed, in several countries (Argentina, Colombia, Venezuela and Peru) private consumption growth outpaced that in 2010, and in those countries in which it slowed (Brazil), it may be argued that it did so moving towards more sustainable rates, following strong growth in 2010. This behaviour was against a background of buoyant job creation (running at above an annual rate of 2% for the region on average), a decline in unemployment rates (see Chart 7) to levels not seen since the 1990s, namely 6.6% of the labour force, and growth in real wages. In Chile, where – despite slowing – private consumption grew at a year-on-year rate of 8.8% in 2011, the unemployment rate stood at 6.6%, and the growth of real wages at 2%-3%. In Mexico, where the pick-up in the labour market had been more

EMPLOYMENT, DEMAND AND CREDIT INDICATORS

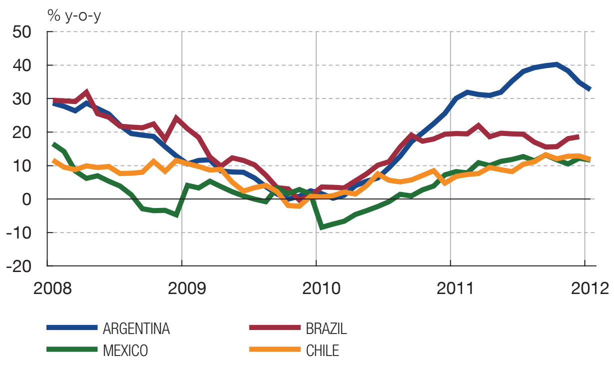
CHART 7

Three-month moving average of the year-on-year rate, and percentage

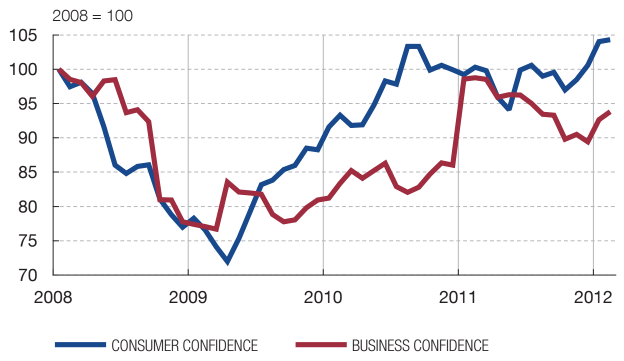
UNEMPLOYMENT RATE



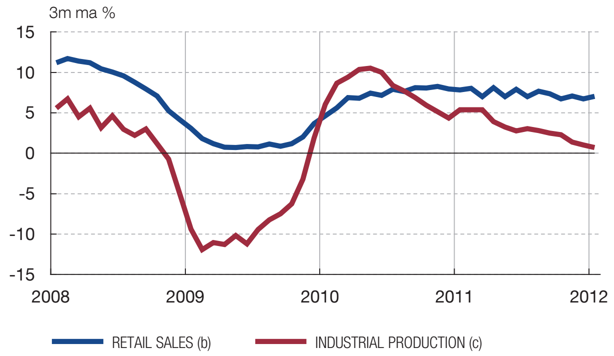
REAL CHANGE IN CREDIT TO THE PRIVATE SECTOR
Year-on-year rate



CONSUMER AND BUSINESS CONFIDENCE INDICES



DEMAND INDICATORS
Three-month moving average of the year-on-year rate



SOURCE: National statistics.

a Aggregate of the seven main economies.
b Argentina, Brazil, Mexico, Chile, Colombia and Venezuela.
c Aggregate of the eight main economies (the former plus Uruguay).

fragile, employment tended to quicken in the final quarter of the year, the participation rate rose and the unemployment rate dipped by 1 pp to 5%, a figure still 2 pp higher than that recorded before the crisis. Finally, a further supporting factor was domestic credit to the private sector, which grew by 17% year-on-year in real terms in the region as a whole in 2011. This rate of expansion is far higher than that of GDP, although it eased somewhat in the second half of the year (see Box 2).

Turning to the external sector, volume exports eased across the region (posting growth of 5.8% in 2011 compared with 11.3% in 2010), showing a more marked decline in the final quarter of the year that may be associated with the weakness of the global economy. The slowdown in imports was even greater: 11.3% in 2011, against 26% in 2010 (see Chart 6). Given the redirecting of Latin American trade in recent decades towards the United States and the Pacific,[1] the potential for the direct transmission of the recession in the euro area through the trade channel to the region as a whole is relatively limited. Exports to the euro area in the most exposed countries (Chile and Peru) account for 20% of total exports, but less than 6% of GDP; in Mexico they account for less than 5% of exports and 1.5% of

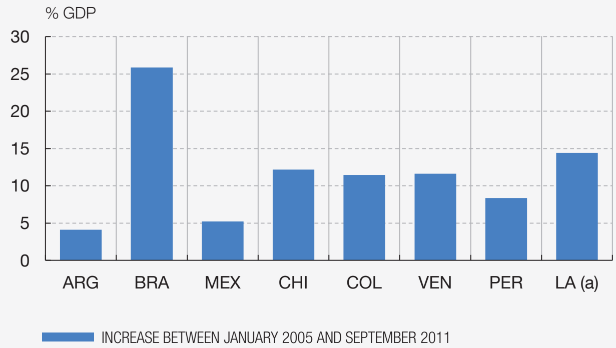
1 See Box 2 in the “Report on the Latin American economy. Second half of 2010”, *Economic Bulletin*, October 2010.

In the current setting of financial instability, concern over the cross-border effects of the measures adopted by European banks in order to strengthen their capital ratios has focused, above all, on certain emerging European countries, given their proximity and their close financial links. However, the notable presence of European banks – and of Spanish banks in particular – in Latin America, their importance in extending credit in the region, and the high correlation between credit and growth in several Latin American countries have given rise to some concern. This Box sets in context the recent changes in Spanish banks' exposure in Latin America and their possible effects in a setting of very dynamic credit growth.

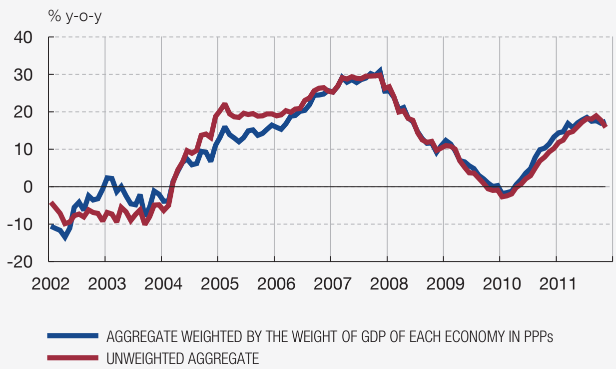
During 2011, the perception of credit developments in several Latin American countries (chiefly Brazil, but also Colombia, Chile and Peru) shifted from one of concern over the risk of a process of over-indebtedness in the first half of the year to one of fear about the effects of deleveraging in the second half of the year. The first risk was exacerbated by the fact that it coincided, as on previous occasions, with a phase of intense capital inflows, which contributed to easing financing conditions and access to credit, and which were manifest in a reduction in risk premia and in a significant increase both in the volumes issued and in the share of new issuers in the market.[1] Moreover, some of the indicators used in the literature for the purpose of determining whether excessive credit growth or a phase of "genuine" financial deepening in economies in the process of convergence was the case appeared also to indicate some type of warning (see the *Regional Economic Outlook: Western Hemisphere,* IMF, April 2010). Of particular concern was the rapid increase in credit/GDP ratios in countries such as Brazil (25 pp in five years), or to a lesser extent in Chile (12 pp) and Colombia (11 pp) (see panel 1.1). Likewise, growth was seen to be increasing above its long-term trend in Brazil, Chile, Colombia, Peru and Uruguay, and some specific market segments showed notable dynamism, such as the mortgage market (e.g. in Brazil, with growth of around 45% year-on-year, although its size was very limited, at around 4% of GDP, and was associated with specific regulations, such as those promoting directed credit) and the public-sector segment. Finally, the increase in the resort to wholesale markets as a means of financing the expansion in assets was seen as an additional vulnerability. That began to impair one of the traditional

1 See Box 1 of the "Report on the Latin American Economy: second half of 2011", *Economic Bulletin,* October 2011, Banco de España.

1.1 CHANGE IN CREDIT TO THE PRIVATE SECTOR



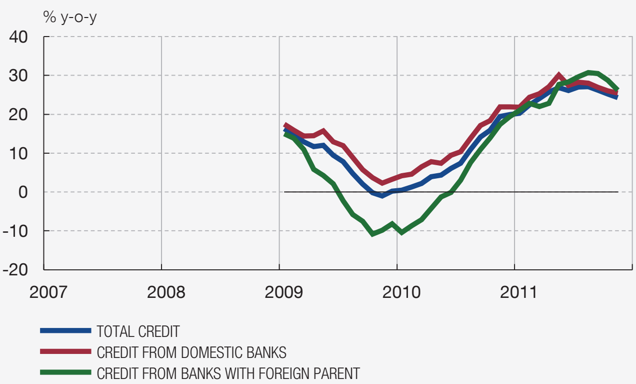
1.2 REAL CHANGE IN CREDIT TO THE PRIVATE SECTOR IN LATIN AMERICA (a)



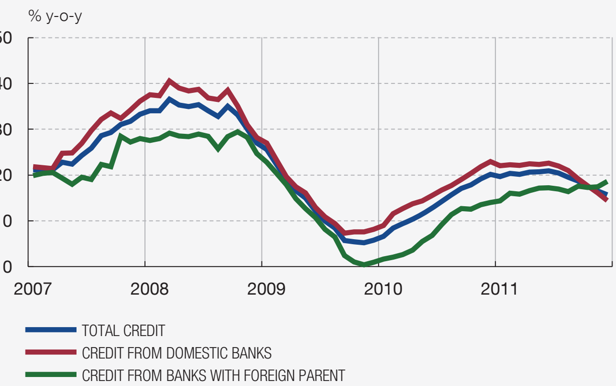
SOURCE: Datastream.

a Aggregate of the seven main economies.

2.1 COLOMBIA



2.2 BRAZIL



SOURCES: National supervisors.

strengths – the low level of the loan-to-deposit ratios – in some of the region's financial systems, after a relatively prolonged credit cycle by Latin American standards (over seven years, with the brief interruption in 2009). In Brazil's case, for instance, banks' issues in 2010 and 2011 were fourfold those of the previous years, accounting for around 40% of the country's total private fixed-income issues. This led to various warnings by international organisations to monitor and prevent, essentially with monetary and macroprudential policies, excessive credit growth and a potential over-indebtedness process destined for an abrupt ending. Some countries set in train corrective measures which had some effect in the course of 2011.[2]

Throughout the second half of the year, perceptions changed completely. The negative turn in the euro area crisis as from August, the growing difficulties for EU banks (Spain's among them) of raising funding on the wholesale markets and the European Banking Association's (EBA) requirement that capital ratios be strengthened significantly before June 2012 prompted fears that European banks' deleveraging process – understood as a reduction in the assets/equity ratio – might have some impact on Latin America. Nonetheless, domestic credit to the private sector in Latin America posted an end-2011 real year-on-year growth rate of 17% for the region on average, a far higher expansion than that in GDP, albeit moving on a moderating trend in the second half of the year (see panel 1.2). In this respect, although there was extensive disparity, it may generally be affirmed that the buoyancy of credit was generalised, following a swift recovery in 2010 that was surprisingly synchronised across the different countries, given the different impact of the crisis on each of them. In these circumstances, the moderation of their growth might even be beneficial.

There are several mechanisms through which banks may deleverage, with differing impacts on the supply of credit. Faced with the need to restore their capital ratios, banks may tap the markets to raise capital (or receive injections of public funds), sell assets (normally the most profitable ones, or non-essential business lines, almost always with a discount) or reduce them (e.g. by not rolling over short-term credit lines on their maturity, requiring the early cancellation of longer-dated lines or cutting the supply of new loans, among others). Some of these measures may reduce banks' cross-border exposure, but not all of them necessarily restrict the supply of credit. For instance, the sale of a subsidiary to another solvent institution need not entail a fall in the supply of credit. In emerging economies with relatively tight financial markets, as is the case with many of the Latin American countries, fear of the effects of deleveraging may stem also from the potential decline in valuations, which reduces capital and may prompt even greater deleveraging in the economy. This process is exacerbated when many institutions attempt to disinvest at the same time.

Spanish financial institutions have opted for a mix of options in their attempt to re-build capital above the 9% benchmark demanded by the EBA. These options include recapitalisation on the basis of retained earnings, new issues and selective asset sales (among which some Latin American assets).[3]

Of the two Spanish banks with a significant presence in Latin America, the exposure of one is concentrated in Mexico, and that of the other in Brazil. The former has not announced any decision involving disinvestment from the region. The latter, on the other hand, put forward a recapitalisation plan between September 2011 and January 2012 which included, in addition to capital-increasing measures (almost 90% of the plan), various sales of assets in Latin America. Its subsidiary in Colombia was sold to the sixth biggest Chilean banking group by volume of assets. Further, the sale of a 7.8% minority holding in the Chilean subsidiary, and of 4.4% in the Brazilian one, was announced. The subsidiary in Colombia had a relatively limited market share of deposits and loans, of around 3%. Its scant size, along with its acquisition by another banking group that may benefit from international diversification in an economy like Colombia with a favourable outlook, has not given rise to concern. On the contrary, at the aggregate level, credit in Colombia is running at a high growth rate (see panel 2.1), and although the credit/GDP ratio is at a low level of around 35%, the central bank is the only one in the region to have raised interest rates since the end of last year in order, inter alia, to moderate credit expansion. The disinvestment in Chile initially gave rise to some concern over its effect on the supply of credit, especially given the size of the bank, with a share in the market for credit of 20% (one of the country's two biggest banks). Further, the growth of credit at this subsidiary had outgrown market rates, although it was beginning to ease. However, the bank's high profitability, its majority holding (67%) and the environment of growth and macroeconomic stability in the country should cushion the effect on the supply of credit, in the absence of greater market pressures. Something similar is happening in Brazil, where the subsidiary accounts for only 9.6% of the credit market share and evidences very high profitability. The growth rates of credit to the private sector in the region reached a turning point in July (several months earlier in Brazil) and have moved on to a path of gradual moderation, which is not confined to more restrictive behaviour by foreign banks (see panel 2.2).

In sum, the worsening of the crisis in the euro area along with greater capital requirements have had some impact on the exposure of European banks, and of Spanish banks in particular, in the region. Nonetheless, given the limited volume of disinvestment, the eminently local financing of lending by the subsidiaries and the fact that other institutions can replace them makes it unlikely that they will have notable effects on the supply of credit in these countries. Moreover, high bank profitability in this region reinforces the strategic nature of investments, in a setting of depressed demand in Europe. Lastly, the recent pick-up in capital flows to the region in early 2012, which has once again prompted economic policy responses such as the accumulation of reserves, and the widening of capital controls, appear to reflect the maintenance of an extensive availability of foreign credit to Latin America.

2 The countries, such as Brazil, in which a higher correlation was seen between private consumption growth and credit growth were also those which applied a greater number of measures to check credit growth.

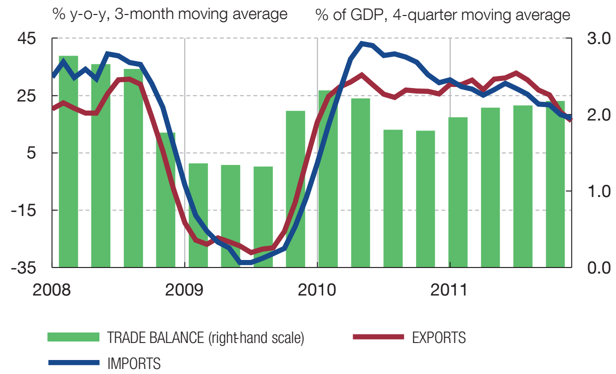
3 Other international banks have also divested their Latin American subsidiaries. The leading British bank sold some of its Central American subsidiaries, and one of the main Dutch banking groups sold its insurance and pension units in Latin America in 2011.

EXTERNAL ACCOUNTS AND DETERMINANTS
Year-on-year rates of change, indices and $m

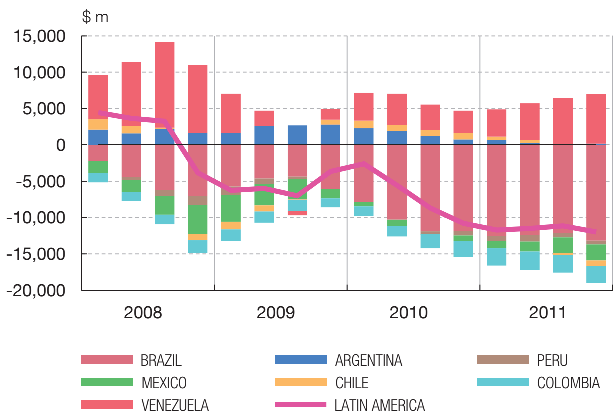
CHART 8

COMMODITIES PRICES
Indices

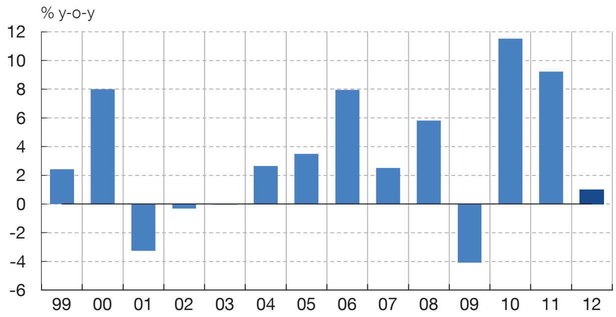
EXPORTS AND IMPORTS (a)
Year-on-year rate. Quarterly moving average. Percentage of GDP



CURRENT ACCOUNT BALANCE (b)



TERMS OF TRADE (c)



SOURCES: National statistics, central banks and Banco de España.

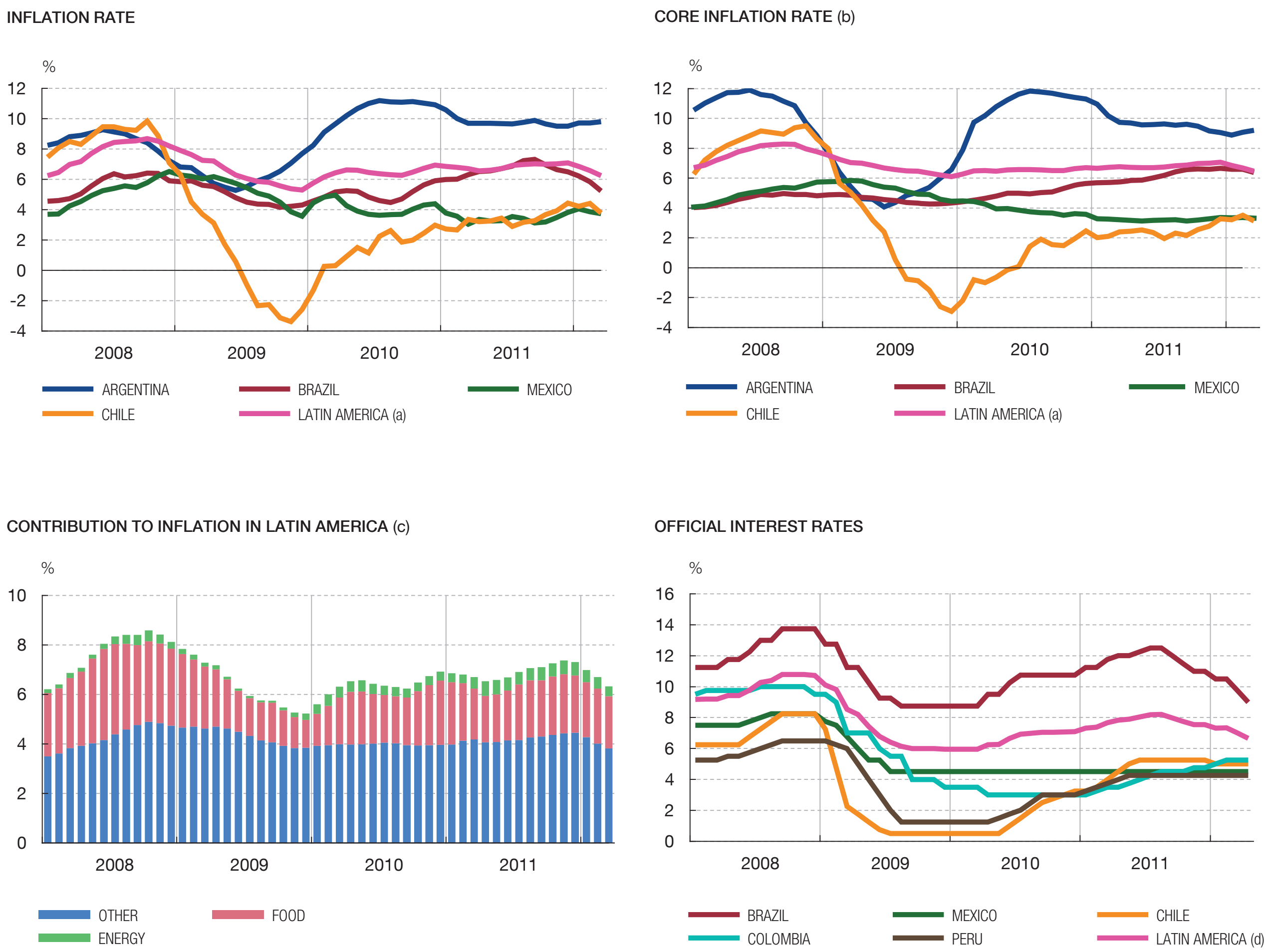
a Customs data in dollars, aggregate of the seven main economies.
b Four-quarter moving average.
c IIF data and 2012 estimates.

GDP. In any event, the main risk lies in the fact that the euro area recession may ultimately take on a global dimension, affecting China and world growth, and commodities prices. In that case, Chile and Peru, with their small open economies, would be the most vulnerable countries to the trade channel, given that their exposure to the Chinese economy amounts to 3.5% and 1% of their GDP, respectively, which must be added to their exposure to the euro area and to the rest of emerging Asia.

The performance of trade and current-account balances since September also reflects the influence of the downward correction of commodities prices and the decline in external demand. The slowdown in nominal exports was across the board, with average growth falling by half between July and December (from 32% to 16% year-on-year) (see Chart 8). Nonetheless, the trade surplus for the region as a whole increased in 2011 to 2.2% of GDP (due mainly to Venezuela), while the current-account deficit tended to stabilise at around $45 billion (0.8% of regional GDP), since the widening of Venezuela's current-account surplus (9% of GDP) offset the change in sign in this balance in Argentina and in Chile, and the widening of the deficit in Mexico. In Brazil, meantime, there were few changes in the current-account balance. At a greater level of detail, the widening of the trade surplus (or

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

CHART 9



SOURCES: National statistics and Banco de España.

a Aggregate of the seven main economies.
b Official rates.
c Banco de España calculations stripping out the food and energy indices from the overall index.
d Weighted average of the official rates of the five countries with inflation targets (see Table 2).

the reduction in the deficit) in most countries did not manage to offset the deterioration in the transfers and incomes balances (Brazil, Mexico, Chile and Peru), owing to interest payments and the repatriation of dividends.

The higher frequency indicators published since end-2011 offer signs of a gradual recovery in activity, in a setting of resilience of domestic demand and of its determinants, namely employment, consumer confidence and credit (see Chart 7), which appears to suggest some pick-up in GDP at the start of 2012.

Prices and macroeconomic policies

At the end of 2011, average inflation in the region stood at a year-on-year rate of 7.1%, up on the first half of the year and showing some downward stickiness, in a setting of slowing activity. However, the latest data (March) indicate some easing (to 6.2% year-on-year). The regional average masks cross-country divergences in the past months; while in Brazil prices fell considerably from the high rates posted in the summer, above 7%, to stand at 5.2% year-on-year in March, in the other countries with inflation targets (Chile, Colombia, Peru and Mexico) prices moved on a moderately rising course, albeit from very low rates (see Chart 9).

INFLATION
Year-on-year rates of change

TABLE 2

Country	2011 Target	2011 December	2011 Fulfillment	2012 March	2012 Expectations (a)	2013 Expectations (a)
Brazil	4.5 ± 2	6.5	Yes	5.2	5.4	5.3
Mexico	3 ± 1	3.8	Yes	3.7	3.8	3.7
Chile	3 ± 1	4.4	No	3.8	3.3	3.1
Colombia	3 ± 1	3.7	Yes	3.4	3.4	3.3
Peru	2 ± 1	4.7	No	4.2	2.7	2.7

SOURCES: National statistics and Consensus Forecasts.

a March 2012 Consensus Forecasts for the end of the year.

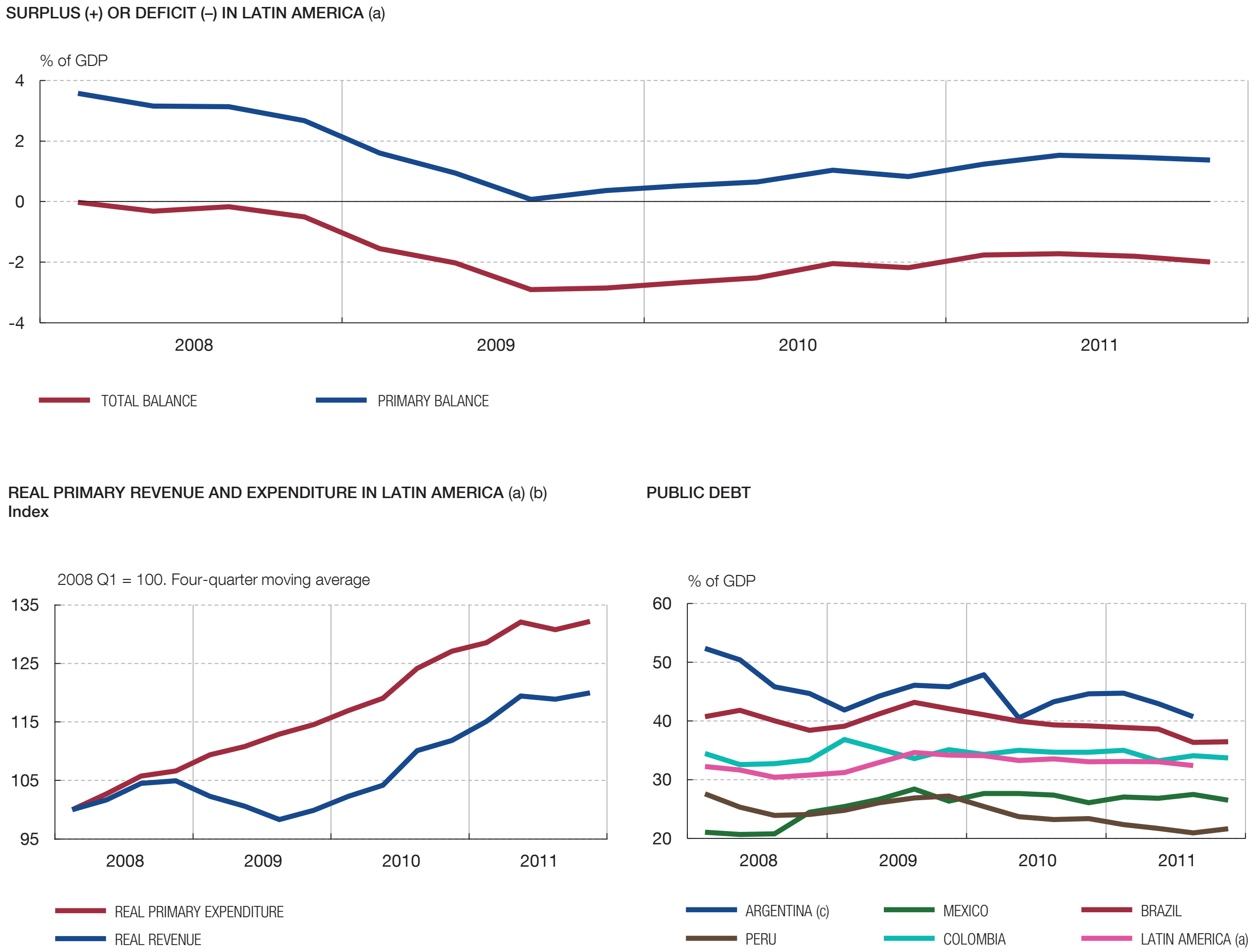
Thus, although none of the central banks with inflation targets strictly met their central targets in 2011, in three countries (Brazil, Colombia and Mexico) annual inflation ended the year within the target range, and in two (Chile and Peru) somewhat above the upper limit (see Table 2). Official inflation in Argentina held relatively stable at a rate of 9.5%-10%, although this figure remains far below the estimates made by private consultants, leading to a warning by the IMF that the quality of this statistic should be improved. In Venezuela, inflation fell back in February to a rate of 24.2%, the lowest figure since the start of last year, following the surge seen as from the summer owing to the rise in food prices, against a background of shortages.

Recent inflation developments across the region are notably heterogeneous, making it difficult to arrive at a common characterisation. On one hand, the easing seen in Brazil is mainly due to the correction of food prices, but also to base effects, the appreciation of the exchange rate and, possibly, to lower economic growth. In Mexico, by contrast, the recent upward trend towards 4% responds to the adjustment of electricity charges and to one-off supply-side factors in the agricultural sector, although the exchange-rate appreciation and the favourable course of unit labour costs, along with the signs of slackness in the labour market, suggests that inflation will continue to hold at moderate levels of around 3.5%. In Chile and in Peru, the rise in inflation has been partly due to the increase in food prices (and, to a lesser extent, in energy), but also to the underlying component, in a setting of forceful domestic demand, and in particular the strength of the labour market. Survey-based forecasts and expectations suggest that inflation will remain on a downtrend or will stabilise during 2012 in the countries with inflation targets, with downside pressures (growth in line with potential and a decline in non-energy commodities prices) prevailing over potentially upside demand-side factors. However, the tightness of the labour market and the recent rise in oil prices pose upside risks which should not be underestimated. Indeed, underlying inflation does not, so far, show clear signs of easing in practically any country (see Chart 9), and inflation expectations in some cases have risen recently.

These divergences are reflected, in turn, in interest rate movements. Over the past six months, two of the central banks with inflation targets cut their official interest rates (Brazil and Chile), two held them unchanged (Peru and Mexico), while the Colombian central bank resumed in November the cycle of rises that had been interrupted since the summer, extending it to mid-March (see Chart 9). The Brazilian central bank, which had initiated the cycle of reductions in August in the face of the risks posed by the international outlook to the Brazilian economy, cut its benchmark rate on four more occasions, placing it at 9% in April, with the perception that the economy's natural interest rate might have fallen in re-

MAIN PUBLIC SECTOR FIGURES
Percentage of GDP and index

CHART 10



SOURCES: National statistics.

a Aggregate of the seven biggest economies.
b Deflated by the CPI.
c Excludes untendered debt in the debt swap offers of 2005 and 2010.

cent years. Only Argentina and Venezuela continue to show signs of notable vulnerability owing to their high inflation. In Argentina, the official interest rate held unchanged (at 9.5%, where it has stood since October 2009), against a background of high credit growth (running at 45% year-on-year in nominal terms in early 2012).

There were few new developments in the fiscal policy field. In most countries the deficit targets included in the 2011 budgets were met, and what is known of the 2012 budgets broadly points to a line of continuity. Thus, in 2011 the budget deficit averaged 2% across the region as a whole (see Chart 10), somewhat down on 2010, although with major differences from country to country. On one hand, there were notable improvements in Chile (a surplus of 1.5% of GDP) and in Peru (0.9%), and, on the other, the shift from surplus to deficit in Argentina (1.5% of GDP). In Mexico, Colombia and Brazil the deficit narrowed moderately. The cyclically adjusted primary balance that the IMF calculates indicates that fiscal policy and 2011 remained countercyclical in most of the countries, although the fiscal margins consumed during the crisis have not been recovered (except in Brazil), partly due to the high increase in spending, supported in some countries by the revenue arising on commodities. With a view to 2012, Brazil has announced a cut in expenditure in order to make up for the envisaged reduction in revenue due to the slowdown in activity. Subsequently, the doubts raised by the weakness of the industrial sector led to the launch of an investment-boosting programme, which includes selective tax cuts. In Mexico, the expected consolidation has been delayed owing to the slowdown in activity. In Peru, however, public investment might be boosted in 2012, given the lower-than-forecast outturn in 2011. Finally, in Argentina the primary surplus fell appreciably to 0.3% of GDP, below the target of 1.5%, set against the sizeable increase in subsidies and the decline in revenues, which has made the dismantling of some such subsidies necessary. The budget deficit also widened considerably, due among other reasons to payment of the GDP-linked coupon corresponding to the performance of the economy in 2010.

Trade integration processes and structural policies

During the period under study, protectionist tensions heightened in Mercosur, due ultimately to the strong appreciation of certain currencies – despite the turbulence on international financial markets in August – and to the apparent massive inflow of industrial products that cannot be marketed in the developed countries, as a result of low growth or recession in these economies. The Brazilian authorities raised vehicle import taxes, announced a levy on Chinese steel products and reintroduced a tax on Mexican automobiles, which puts the free trade agreement announced in early 2011 between both countries on a very difficult footing. The Mercosur summit meeting held at the end of the year provided for the possibility of each member individually raising tariffs under the Common External Tariff system, whose scope was widened to improve the strategic management of international trade, according to Mercosur leaders. Along the same lines, Argentina began to demand import licences from 1 February 2012, affecting 80% of Brazilian exports to its southern neighbour. Argentina further required importing companies to equal their purchases abroad with exports. Such measures, even if temporary, limit the scope of the common external tariff and raise barriers to trade among Mercosur members. Ecuador, faced with difficulties in moving forward an agreement with the European Union and the practical paralysis of the Andean Community, announced its intention to join Mercosur. Venezuela, meanwhile, renewed the preferential tariff treatment it enjoyed within the Andean community with Peru and Colombia.

Columbia made progress in talks with South Korea on the signing of a free trade treaty, and initiated negotiations with Japan. Further, the agreements between Peru and Panama, Japan and Mexico were ratified. Finally, on 1 December the CELAC (Community of Latin American and Caribbean States) was launched, an intergovernmental body in which all the countries of the Americas except the United States and Canada are present, and whose first resolutions had a clearly political content, whereas no agreements were reached on resolutions of an economic nature (the creation of a regional reserve fund to address sudden capital outflows).

With regard to structural reforms, those aimed at increasing the State's share in economic policy decisions or in the allocation of resources were once again prevalent. As regards energy policies, the withdrawal of territorial operating concessions from YPF by several Argentine provinces, against the background of the widening deficit on the energy balance, culminated in an announcement of expropriation by the Argentine Government. The announcement poses clear regulatory and legal security-related risks.

In Venezuela, legislation limiting rental prices and lessor property rights was passed, and a Rent Authority was set up. All owner-lessee relations and issues will come under the jurisdiction of this Authority. The Venezuelan executive is also drafting a new labour law. Bolivia announced the setting up of a public investment fund, financed initially by 10% of international reserves.

In Peru, the Government will allow the state oil company to undertake exploration work and will list 20% of its capital. Moreover, a task force was created to reform the Private Pensions System, with the aim of extending coverage (only 40% of the labour force is affiliated to a pension fund, and only half, approximately, make regular contributions), broadening social protection and raising competition among administrators. In Chile, the Government added 10 measures to its Competitive Impulse Agenda – geared to improving competitiveness with the aim of achieving growth of 6% per annum – and set up an office to monitor its application. To date, only 22% of the measures announced have been set in train. Finally, in Colombia the executive branch made headway in defining its fiscal rule, and in Brazil the Congress approved the reform of the public-sector employee pension system, which has still to be ratified by the Senate, limiting pensions funded by employee contributions and setting in place a complementary system of individual contributions for new employees.

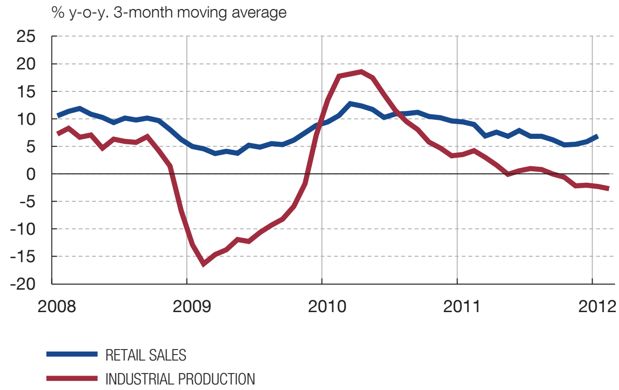
Economic developments by country

In *Brazil*, the economy showed signs of picking up in 2011 Q4, expanding at a quarter-on-quarter rate of 0.3% following the strong slowdown in Q3 (when it contracted at a quarterly rate of 0.1%). However, the year-on-year rate eased once more, to 1.4%, from 2.1% the previous quarter, meaning growth for 2011 as a whole stood at 2.7% (7.5% in 2010). The diminished dynamism was due to the slowdown in domestic demand, which contributed 2.4 pp and 1.9 pp in Q3 and Q4, respectively, compared with 5 pp on average in the first half of the year. The negative contribution of external demand dipped to 0.5 pp from 1.2 pp in the first half of the year, principally due to the easing in imports. The indicators for 2012 Q1 point to the continuing favourable situation of the labour market, although the unemployment rate, after reaching an all-time low of 4.7% of the labour force on December 2011, currently stands at 5.7%. The rising trend of real wages is also holding, and will moreover foreseeably be strengthened by the 14% increase in the minimum wage set by the Government for 2012. Industrial production continued to be weak in January, owing to the adverse impact of external competition on the manufacturing sector, related in part to the level of appreciation of the exchange rate. Against this backdrop, and despite a pick-up in industrial production in February, the Government announced the launch of an economic stimulus plan aimed at boosting investment. The programme includes selective tax allowances for specific industrial and exporting sectors, with an estimated impact of 7.2 billion reales. However, the bulk of the programme will be quasi-fiscal in nature, and will comprise the provision of funds by the Treasury to the BNDES for an amount of close to 1% of GDP. These developments are in contrast to retail sales, which have posted greater resilience in recent quarters and whose strength has run into early 2012 (see Chart 11). Inflation, after peaking at 7.3% in September, eased to 5.2% in March, but remains in the upper interval of the central bank's target range (4.5% + 2%), as does core inflation. Inflation expectations for 2012 and 2013 remain in this range. Nonetheless, the central bank cut its official interest rate by 350 bp from August, taking it to 9% in April, and it adopted other macro-prudential measures to ease monetary and credit conditions: i) changes to the reserve requirements system in January to lessen small and medium-sized banks' liquidity problems; ii) reduction in the tax on financial transactions (IOF by its Portuguese acronym) on personal loans (from 3% to 2.5%) in December, and iii) amendments to the regulation on capital requirements for certain individual credit transactions in November. The buoyancy of lending to the private sector held up, generally, although it eased somewhat in the opening months of 2012 to a year-on-year rate of 17.3%. There was a more robust expansion in directed credit, at 21.4%, and a greater slowdown in the growth of free credit, to 15%. On the fiscal front, the primary surplus in 2011 was 3.1% of GDP; that matched the target for that year and was up on the preceding years (2% in 2009 and 2.7% in 2010). The budget deficit stood at 2.6% of GDP. For 2012, the Government has a target surplus of

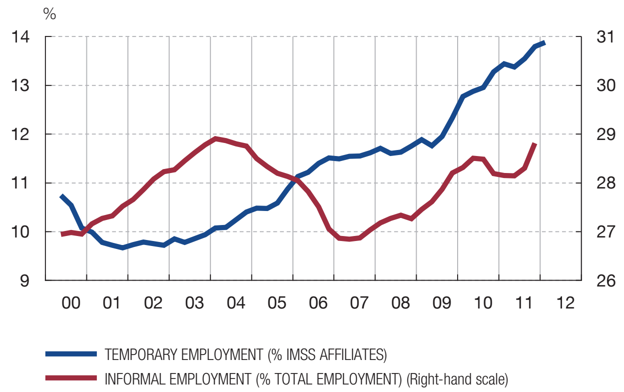
BRAZIL AND MEXICO

CHART 11

BRAZIL. DEMAND INDICATORS



MEXICO: LABOUR MARKET



SOURCES: National statistics.

3.1% of GDP and, in this connection, it has approved a reduction in spending of 1.2% of GDP, given the expected reduction in revenue, although the growth forecast used (4.7%) still seems ambitious. Turning to the external sector, the current-account deficit stood at $52 billion in 2011, at 2.1% of GDP. Capital inflows amounted to $111.9 billion, up on 2010. Foreign direct investment ($76 billion) contributed notably, while portfolio investment and other investment were lower. In 2011 international reserves exceeded $350 billion, after increasing by almost $59 billion during the year, despite the fact that, coinciding with an easing in capital inflows in the final months of the year, the central bank suspended interventions. In 2012, when inflows picked up once more, the central bank resumed dollar purchases. Indeed, to withstand the upward pressures on the real, the Ministry of Economy tightened capital controls via prices, extending the scope of application of the IOF to issues of debt with maturities of more than two and less than five years, which were formerly exempt, and to export prepayment loans in excess of 360 days. Standard and Poor's upgraded the country's sovereign debt rating, placing it a notch above investment-grade.

In *Mexico*, the economy posted growth of 2.9% in 2011, compared with 5.5% in 2010. The diminished dynamism was notable especially in Q4, when the quarterly rate of increase stood at 0.4%, compared with 1.2% in Q3. The respective year-on-year rates were 4.5% and 3.7% in the last two quarters of the year. On the demand side, investment was the most buoyant component, growing at 8.8%, compared with 6.3% in 2010, although it slowed gradually to 5.5% in Q4. Private consumption progressively lost steam over the course of the year (4.2% in Q4, down from 4.9%), while exports grew at a lower rate than imports, which gave rise to a negative contribution of external demand of 0.8 pp, on average, in the second half of the year. The Mexican economy thus closed in 2011 the negative output gap which opened up at end-2008, confirming a less dynamic recovery than in the rest of the region. The data released for 2012 Q1 point to the continuance of a growth rate similar to that in 2011 Q4, with greater resilience in private consumption and somewhat less strength in industrial production and investment. The labour market performed somewhat more positively in 2011 than in 2010, with job creation standing at 2.2%, but with a higher rate in the informal sector of the economy and, hereunder, in the lowest-quality segment (see Chart 11). Remittances, another of the determinants of private consumption, grew by 9.1% year-on-year during the second half of 2011, but they stood close to 2005 levels both in dollars and in pesos. Inflation held in the upper interval of the central bank's target range (3% + 1%), after having failed to meet the 2010 target. Core inflation (at 3.4%

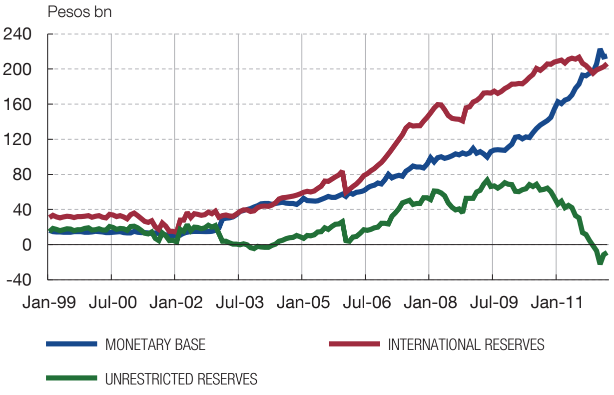
in February) was below headline inflation during the period under analysis, and medium and long-term inflation expectations remained anchored at around 3.5%. Against this background, the central bank kept its official rate unchanged at 4.5%, where it has held since July 2009, although in the closing months of 2011, following the resurgence of global financial turbulence, the tone of its statements was modified and the possibility of lowering the official interest rate was considered. This bias was corrected in 2012, given the improvement in US economic activity indicators and the reduction in volatility on international financial markets. Bank lending to the private sector continued to show real year-on-year growth rates close to 10%, and these were higher in the consumer segment. In the fiscal realm, public finances improved slightly since, excluding the investment by the State-held company PEMEX, the deficit stood at 0.6% of GDP, down 0.2 pp on 2010 as a result of the fact that public revenue rose slightly above expenditure. The budget approved for 2012 envisages a similar outlook involving a very gradual reduction in the deficit. The current-account balance posted a deficit in 2011 of 0.8% of GDP, against 0.3% in 2010. The financial account showed a surplus of 4.8% of GDP, chiefly reflecting portfolio investment for the purchase of bonds. That entailed an increase in international reserves during the year, a process which was interrupted in the closing months of 2011 (when dollar auctions were announced if the exchange rate depreciated by more than 2% per day, although these were not ultimately resorted to), but which was resumed during the first three months of 2012. As a result, international reserves stood close to $148 billion, a new all-time high, although in relative terms (12% of GDP) they stood below the other economies in the region. In any event, the credit line (FCL) with the IMF remains in force (up to $73 billion). The Government continued to maintain fluid access to international fixed-income markets with several global issues in local currency and in foreign currency, and it indicated that as at late February it had met its funding objective for the year on international markets. Lastly, July will see presidential elections in which the opposition candidate, who has been favourable to moving forward some of the structural reforms pending, might win.

Economic activity in *Argentina* lost momentum markedly in the second half of the year. Quarterly growth in Q4 was 0.8% (0.9% in Q3), compared with 2.8% and 2.3% in the first two quarters. In year-on-year terms, growth stood at 7.3% in Q4 (9.3% in Q3, owing to a favourable base effect). The key factor behind the slowdown was the behaviour of domestic demand, which dipped from year-on-year growth of over 11% to 7.7% in Q4. The growth rates of both private consumption (which nevertheless continued to show enormous resilience, at 8.8%) and, especially, investment dipped, while government consumption quickened slightly. In contrast, the negative contribution of the external sector was only 0.6 pp, after having stood at 2.1 pp in the previous quarter, owing both to the acceleration in exports and, above all, to the slowdown in imports (whose year-on-year rate was 9.8%, against 17.7% in Q3, partly due to the import controls set in place by the Government). In 2011 as a whole, GDP growth was 8.9%, compared with 9.2% in 2010. The slowdown in activity continued into the early 2012, according to various indicators. However, mention should be made of the favourable labour market situation, which is holding the unemployment rate at a historical low. The year 2011 was of note as it witnessed a departure from the twin surpluses. Thus, the current-account posted a deficit in the second half of the year as a result of the increase in the negative balance on services and on incomes, since the trade balance improved slightly, despite the increase in the energy deficit. Nonetheless, over the year as a whole the current-account balance still posted a small surplus ($17 million, compared with $2.82 billion in 2010). The primary public surplus stood at around 0.3% of GDP in 2011, notably down from 1.7% in 2010. The narrowing of both surpluses, along with the step-up in capital outflows from August (over the year as a whole outflows exceeded $21 billion), led the Government to adopt a range of measures

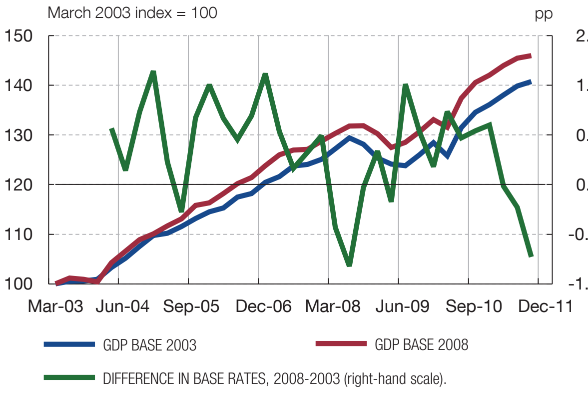
ARGENTINA AND CHILE

CHART 12

ARGENTINA: UNRESTRICTED RESERVES



CHILE: GDP AT CONSTANT PRICES



SORUCES: BCRA and Banco Central de Chile.

following the October presidential elections. As regards the trade balance, import controls were deepened and higher exports of wheat and maize were authorised. In relation to the current and financial balances, controls on residents' investment in foreign assets were increased, exceptions to the obligation affecting foreign currency proceeds on hydrocarbons and mining exports were eliminated, insurance companies were obliged to transfer to Argentina investments abroad, foreign exchange operations entailing significant volumes were monitored more closely, and prior approval was required for the repatriation of profits by foreign companies, among other unorthodox provisions. These measures sought to increase the supply of dollars and reduce the demand for the US currency, given the loss of international reserves ($5.81 billion in 2011 as a whole). They were successful to some extent, judging by the slowdown in capital outflows, the reduction in the parallel exchange rate premium (a measure of the expected depreciation of the peso) and the reduction in interbank interest rates on operations in pesos, which had increased from 12% in early September to 23% by mid-November. Further, the measures were able to check the withdrawal of local foreign-currency-denominated deposits by the private sector (for some $2.5 billion) which took place in November and which led the dollarisation of deposits to fall by about 4 pp, to stand slightly above 16%, by means of the approval of a central bank regulation which added flexibility to the minimum requirement governing the amount of dollars commercial banks have to have deposited at the central bank. Before the deterioration in public finances, the Government announced a series of measures to progressively reduce the high level of transport and energy consumption subsidies (4.2% of GDP in 2011). Official inflation held in the range of 9.5%-10%, several points below private estimates and official inflation in the provinces. Finally, both chambers approved draft legislation amending several articles of the Convertibility Law and reforming the central bank's charter. Among other aspects, the level of " unrestricted reserves" (those used during 2010 and 2011 for servicing foreign-currency-denominated debt) was amended, meaning that these reserves will cease to be based on an objective figure (those that exceeded the monetary base) and will now be set by the central bank board (see Chart 12). Moreover, the temporary advances that the central bank may grant to the Treasury have been increased, which will probably translate into a further reduction in tradeable debt on the market and to an increase in gross debt held by the central bank, in Social Security funds and by other public corporations. Finally, the Argentine Government moved draft legislation before Congress to expropriate 51% of the capital of YPF from REPSOL (the latter's holding was 57.43%). The draft legislation also considers that the 51% expropriated shall be divided between the State (51%) and the Federal Organisation of Hydrocarbons-Producing States (49%), which encompasses the Argentine producer provinces. The amount of the payment for the expropriation shall be determined by the Argentine valuation authorities, it not being known from where the funds to compensate REPSOL will be found. The Argentine president signed an emergency decree providing for the temporary placing of YPF under State control for 30 days, appointing two members of her Government as administrators in this connection.

Economic activity in Chile quickened notably in Q4, posting a quarter-one-quarter growth rate of 2%, against the meagre figure of 0.3% in Q3. In 2011 as a whole, growth stood at 6% (6.1% in 2010). The new National Accounts series for the period 2003-2011 were published (re-based in 2008), with a significant methodological change: the prices base for estimating variables in terms of volume is now a moving base (chained indices) (see Chart 12). On the supply side, the revisions entailed an increase in the weighting of mining activity for the calculation of GDP (5.6 pp), and a decline in that of industry (5.2 pp); and, on the demand side, an appreciable reduction in the weighting of domestic demand. Domestic demand slowed in Q4 (5.5%, against 8.6% the previous quarter), chiefly as a result of the lower contribution of stockbuilding, but the negative contribution of external demand to growth also fell notably (from 5.9 pp in Q3 to 1.2 pp), owing both to the acceleration in exports and to the slowdown in imports. However, the surplus on the trade balance narrowed owing to the decline in the terms of trade, which led the current account deficit to widen and to account for 1.3% of GDP in 2011 as a whole, with the surplus on the balance of transfers also a contributing factor here. Inflation rose above 4% (the upper limit of the target range) in December, as a result of energy and, especially, food. It held at this level until March (when it stood at 3.8%), although core inflation and inflation expectations remain anchored close to the central bank target (3%). The increase in overall inflation, along with concern over the tightness of the labour market and the buoyancy of domestic demand, contributed to the official interest rate holding at 5% at the February and March meetings, following the 25 bp reduction in January. The yield curve has discounted rises in the coming months. The central bank finalised its reserves accumulation programme in December ($12 billion in 2012) and implemented a temporary programme of variable-yield repos with a maturity of up to 28 days (from end-December to early February), aimed at smoothing peso-liquidity management in the financial system, against the background of the greater tensions observed on the money market. Bank lending quickened during 2011, ending the year with annual growth of close to 13% in real terms. On the fiscal front, there was a central government surplus of 1.4% of GDP in 2011 (against a deficit of 0.4% in 2010), with capital expenditure notably buoyant. That entails a structural deficit of 1.5% (2% in 2010), in line with the Government target of 1% in 2014.

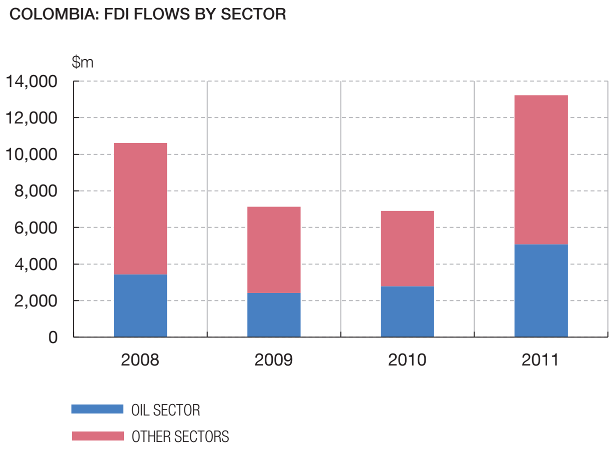
In *Colombia*, activity remained exceptionally buoyant in the second half of the year, registering year-on-year growth rates of 7.5% and 6.1% in Q3 and Q4, respectively. In 2011 as a whole, growth was 5.9% as a result of the strength of private consumption, which grew by 6.5%, compared with 5% in 2010, and of gross capital formation, which climbed 166%, compared with 4.6% in 2010. Accordingly, private investment came to account for almost 28% of GDP. The mining sector led growth in 2011, with a rate of 14.3%. The negative contribution of external demand increased as a consequence of the acceleration in imports outpacing that in exports. Nonetheless, the surplus on the trade balance widened, due mainly to higher exports of oil and oil derivatives, which posted an increase of 61.9% in value terms and 28.1% in volume terms during the year. The current account deficit as a percentage of GDP held at - 3%. Inflation has stood since March 2010 in the upper part of the central bank's target range, hitting the ceiling of 4% in October and November, although it eased subsequently to 3.4% in March thanks to the behaviour of the non-core items. In the period under analysis, the central bank raised interest rates on three occasions (25 bp each time), taking them up to 5.25%. It did so in light of the strength of demand, the developments in inflation and the dynamism of credit which, though it eased during 2011, posted real year-on-year growth of over 15%. Also, to combat the upward pressure on the Colombian peso, the central bank set in place various foreign exchange intervention mechanisms, and the Treasury announced that the funds obtained from the issue of global bonds would not be converted into pesos. The central government deficit narrowed in 2011 to 2.9% of GDP (compared with 3.8% in 2010) as a result of the 25.4% increase in tax revenue and the 16.8% rise in expenditure (with investment spending particularly buoyant).

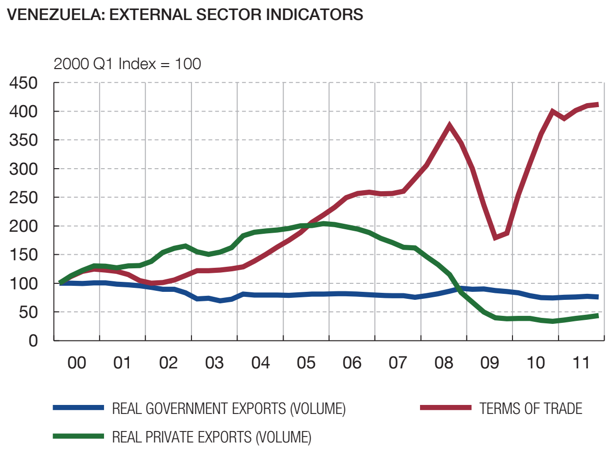
In *Peru*, GDP maintained a very robust pace of growth during 2011, with quarterly growth rates between 1.3% and 1.5% in the last two quarters of the year. That took growth to 6.9% for the year (8.8% in 2010). The contribution of external demand turned from negative in the first half of the year to positive in the second, given the extraordinary easing in imports in the latter period, which was due mainly to the slowdown in investment. By contrast, private consumption remained strong (6.4% year-on-year) and government consumption rose. The current account deficit narrowed in 2011 to 1.3% of GDP (-1.7% in 2010), owing to the improved trade surplus, underpinned in turn by a notable improvement in the terms of trade. However, the incomes balance remained strongly in deficit. The financial account posted a surplus of 4.8% of GDP, down from 8.3% in 2010, owing to lower direct investment and net short-term capital outflows. Inflation increased, especially during the second half of the year. It stood at 4.2% in March, above the central bank's target range ceiling (1%-3%), mainly as a result of the rise in food and energy prices, against the backdrop of strong domestic demand and an increase in real wages. The central bank held its official rate unchanged at 4.25% from May. In the period under analysis, the central bank intervened on the foreign exchange market purchasing large amounts of dollars in order to combat the upward pressures on the new sol. As a result, Peru continued to be the country with the highest proportion of international reserves relative to GDP (over 30%). In the fiscal sphere, the non-financial public sector posted a surplus equivalent to 1.8% of GDP in 2011, reversing the deficits of the two previous years (-1.3% in 2009 and -0.3% in 2010). Revenue increased by 13.9% in real terms and expenditure by only 2%, due in part to the legal limitations imposed in election years and to the non-application by certain local and regional governments of all their budget. The amounts not applied, along with certain additional packages, constitute a fiscal stimulus plan of close to 2% of GDP for 2012. Fitch upgraded the Peruvian credit rating from BBB- to BBB, a notch above investment grade.

Venezuela's economy picked up strongly in 2011, with GDP growth of 4.2%, following the decline of 1.5% in 2010. That said, there was a halt in Q4 with zero quarterly growth recorded. Domestic demand grew by 9.1% in the second half of the year (5.9% in the first half), thanks to the acceleration in government and private consumption and in investment, but also because of greater stockbuilding. The second half of the year saw the negative contribution of external demand increase (to above 6.5 pp), due both to the greater buoyancy of imports and to the diminished momentum of exports, which actually posted a year-on-year decline in the final quarter of the year. For the first time since 2007, private-sector growth outpaced that of the public sector, albeit only slightly. In the closing months of 2011 there was a fresh rise in inflation, which ended the year at 29% (27.4% in December 2010), prompted by the rise in food prices, although the inflation rate eased once more between January and March to 24.2%. Monetary policy did not undergo relevant changes in the period under study. In the official SITME parallel market, the bolívar

COLOMBIA AND VENEZUELA

CHART 13





SOURCES: National statistics.

traded at 19% below the official exchange rate (4.3 bolívares per dollar). According to central bank figures, public revenue is estimated to have increased in 2011 by 3.2 pp of GDP as a result of an increase in oil royalties and of higher revenue from oil companies, while expenditure accounted for 3.1% of GDP, essentially because debt service payments doubled in relation to 2010. The deficit stood at 3.4% of GDP, 0.1 pp less than in 2010. The Government continued to fund itself through dollar-denominated issues on the domestic market payable in bolívares. The current account surplus exceeded $27 billion in 2011 ($12 billion in 2010), while the trade surplus posted a historical high thanks to the increase in the terms of trade (see Chart 13). The financial account showed a deficit in absolute terms that was similar to the current surplus. Foreign direct investment inflows were notably far higher than in previous years, and linked chiefly to the public oil sector. The Government continued increasing its degree of intervention in the economy during the period under analysis: gold mining was nationalised, the central bank's international reserves were repatriated, and a new law on price control and another on the control of house rentals were drawn up. In October presidential elections were held, set against the uncertainty of the president's health and with a somewhat more favourable outlook for the opposition candidate than in previous elections.

18.4.2012.

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Introduction

In 2012 Q1 numerous financial provisions were published.

With respect to monetary policy, the Banco de España made a number of temporary changes to the collateral eligibility requirements for its operations.

In relation to credit institutions, various provisions were published to institute a number of measures: 1) to clean up balance sheets affected by the impairment of real estate-related assets; 2) to modify the public and confidential financial reporting rules, and financial statement formats, and in particular to reflect the provisioning requirements for real estate-related loans; 3) to revise the rules relating to notification to the Banco de España of transactions between residents and non-residents, in accordance with the latest legislation, and 4) to give a new wording to certain financial provisions in relation to the powers of the European supervision authorities.

In the EU sphere, changes were made to the legal regime for the accounting and financial reporting of the European System of Central Banks and to the reporting requirements in relation to external statistics.

As usual in this period, in the field of the securities market, the terms of issuance of State debt were published for 2012 and January 2013.

Finally, the government published various royal decree-laws: the labour market reform; certain measures to protect mortgage debtors who have no resources; certain tax and administrative provisions designed to reduce the budget deficit; an extraordinary mechanism to finance the payment of suppliers of local governments and, where applicable, regional governments; and the adaptation to European law in relation to the reporting and documentation obligations for mergers and spin-offs of share capital companies.

Banco de España: temporary changes to the collateral eligibility requirements for monetary policy operations

The Resolution of 15 February 2012 of the Executive Commission of the Banco de España (BOE of 17 February 2012) on temporary changes to the collateral eligibility requirements for monetary policy operations of the Banco de España was published.

In accordance with the decisions of the Governing Council of the European Central Bank (ECB) of 9 February 2012,[1] the Banco de España has temporarily widened the collateral eligibility requirements laid down in the "General clauses applicable to monetary policy operations", approved by the Resolution of the Executive Commission of the Banco de España of 11 December 1998.

Thus, performing non-mortgage credit claims vis-à-vis non-financial corporations and public-sector bodies, denominated in euro or some other main currency, whose estimated credit risk, as assessed by the Banco de España on the basis of reliable sources, involves

1 Adopted in accordance with the Decision of the ECB of 14 December 2011 on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral.

a probability of default of 0.4% or less within a one-year time horizon are eligible collateral for monetary policy operations.

At a later date, the above-mentioned credit claims that fulfil the following conditions may also be eligible collateral: 1) the estimated credit risk, as assessed by the Banco de España on the basis of reliable sources, involves a probability of default of 1% or less within a one-year time horizon, and/or 2) they are not subject to Spanish law (in this latter case, provided the relevant legal analysis has been performed). Where applicable, the decision to accept these loans will be published on the Banco de España's website.

The resolution entered into force on 17 February 2012.

Balance sheet clean-up of the financial sector

Royal Decree-Law 2/2012 of 3 February 2012 (BOE of 4 February 2012) on balance sheet clean-up of the financial sector was published. This legislation seeks to achieve three objectives: 1) to clean up the balance sheets of credit institutions, which have been adversely affected by the impairment of their real estate-related assets; 2) to create incentives for an appropriate and efficient adjustment of excess capacity, and 3) to strengthen the governance of the institutions resulting from integration processes. By these means, it is sought to restore confidence in the Spanish financial system and to bring about a recovery in lending.

The following is a brief summary of the most relevant provisions of this Royal Decree-Law.

MEASURES TO CLEAN UP CREDIT INSTITUTIONS' BALANCE SHEETS

With regard to the business in Spain of credit institutions, new provisions and additional capital requirements have been established to cover the impairment of loans and of assets foreclosed or received in payment of debts relating to development land and to real estate construction or development (hereinafter, special assets) existing at the end of 2011. This is a specific and extraordinary write-down of a specific portfolio of assets and, therefore, does not affect new loans for real estate development granted since 31 December 2011, unless these are to refinance existing loans.

New provisions

For the special assets classified as standard exposures, a one-off general provision equal to 7% of their outstanding amount as at 31 December 2011 will be set aside. The amount of this provision may only be used by institutions to create the specific provisions that may be necessary as a consequence of subsequent reclassification as doubtful or substandard assets of any such loans or of the foreclosure or receipt of assets in payment of such debts.

To determine the impairment of special assets classified other than as standard exposures, the estimation rules in Annex I of the Royal Decree-Law will be applicable.

The Royal Decree-Law establishes provisioning requirements for all loans and foreclosed assets classified other than as standard exposure existing as at 31 December 2011, which may in no case be less than the following percentages:

	Classified as	
	Doubtful	Substandard
Development land	60%	60%
Real estate construction and development:		
In progress but halted	50%	50%
In progress and ongoing	50%	24%
Completed all types of assets	25%	20%

Unsecured loans for real estate construction and development classified as substandard will have a provision of at least 24%.

The Royal Decree-Law increases the provisions for real estate assets acquired in payment of debts consisting of completed real estate construction or developments, as well as houses arising from loans to households that have not been the borrowers' principal residence, that exist as at 31 December 2011, to a minimum of 25% of the outstanding exposure, or on the basis of the time elapsed up to that date, in accordance with the following percentages:

Period since acquisition	%
Over 12 months and up to 24	30
Over 24 months and up to 36	40
Over 36 months	50

The Royal Decree-Law also establishes a minimum provision, irrespective of the time on the balance sheet, of 60% for development land, and of 50% for real estate construction or developments in progress.

Additional capital requirements

According to the previous legislation (Royal Decree-Law 2/2011 of 18 February 2011 on strengthening the financial system), credit institutions had to have, in general, core capital[2] equal to at least 8%[3] of total risk-weighted exposure.[4] Now, in addition, they must have an additional surplus equal to the amount that results from the calculations envisaged in Annex II of Royal Decree-Law 2/2012 in relation to special assets. Specifically, this surplus must be equivalent to the sum of the amounts resulting from the calculations detailed below:

1 The financing of land (classified as doubtful or substandard): 80% of the amount of the outstanding exposure.

2 The financing of developments in progress (classified as doubtful or substandard): 65% of the amount of the outstanding exposure.

3 Assets received in payment of debts: 80% of the book value if they are land, and 65% of the book value if they are developments in progress.

In all cases, the provisions already set aside for these assets will be deducted from the resulting amounts.

These provisioning and capital requirements must be complied with before 31 December 2012, except in the case of those institutions that carry out integration processes, as men-

2 Core capital, equivalent to "common equity tier 1" in Basel III with certain differences, is made up basically of the following elements: 1) share capital, excluding non-voting redeemable shares and own shares; 2) paid-in share premium; 3) disclosed reserves, as well as those elements classified as reserves in accordance with the legislation on the own funds of credit institutions and the retained earnings for the period; 4) holdings representing minority interests that correspond to ordinary shares of consolidable group companies; 5) the eligible instruments subscribed for by the FROB within the framework of its regulations, and 6) temporarily, instruments that are mandatorily convertible into shares before 31 December 2014 that comply with certain requirements that guarantee a high loss-absorbing capacity and that do not represent more than 25% of core capital. From the above sum will be deducted, inter alia, losses from previous years, current year losses and intangible assets.

3 This requirement is 10% for those institutions that do not have securities representing at least 20% of their capital held by third parties and that also have a wholesale funding ratio of over 20%.

4 Calculated in accordance with the provisions of Law 13/1985 of 25 May 1985 on investment ratios, own funds and reporting obligations of financial intermediaries and of its implementing legislation.

tioned below. Also, before 31 March they must submit to the Banco de España a plan setting out the measures that they plan to adopt for such compliance.

INTEGRATION PROCESSES

Credit institutions that carry out integration processes during 2012 will have 12 months from authorisation of the integration operation to comply with the requirements mentioned above. Integration processes initiated on or since 1 September 2011 may also be subject to these rules. In both cases, they must comply with certain conditions, including the following:

1 The integration of the institutions participating in the operation must generate an initial total balance sheet that is at least 20% larger than the total balance sheet of the business in Spain of the largest of the participating institutions. Upon a proposal from the Banco de España this condition may be waived, when this figure is not achieved, depending on the circumstances of operations of a similar size, although in no event shall the increase be less than 10% of the above-mentioned balance sheet.

2 The integration process must be carried out through operations that involve structural modifications in accordance with current legislation, or operations to acquire institutions in which the FROB has a majority shareholding. These rules will not apply to integration processes based exclusively on contractual links, unless the only participants are credit cooperatives.

3 The participating institutions must adopt measures designed to improve corporate governance and must present a remuneration plan for managers and directors.[5]

4 The integration project must include a quantified objective for the increase in credit to households and small and medium-sized enterprises during the three years following the integration, as well as a plan for disposing of real estate-related assets during the three years following the integration.

The general meetings of shareholders or general assemblies of the integrating institutions must vote in favour of the integration resolution before 30 September 2012. In all cases the integration must be completed before 1 January 2013.

Applications must be presented in the Treasury no later than 31 May 2012, although they will not be required for operations involving the takeover of institutions in which the FROB has a majority holding.

REMUNERATION POLICY AT CREDIT INSTITUTIONS WHICH RECEIVE PUBLIC FINANCIAL SUPPORT FOR THEIR REORGANISATION OR RESTRUCTURING

The directors and managers of credit institutions which are majority-owned by the FROB shall not receive variable remuneration or discretionary pension benefits during 2012.

The variable remuneration of directors and managers of institutions, which are not majority-owned by the FROB but are recipients of the latter's financial support, corresponding to the years during which public financial support is given, will be deferred for three years. This variable remuneration shall be conditional upon results being posted that warrant its

5 In general, they will be in line with the provisions of the Unified Corporate Governance Code for listed companies, and in particular must comply with the provisions of Article 13 of Royal Decree-Law 9/2009 of 26 June 2009 on bank restructuring and strengthening of the capital of credit institutions.

payment and shall be subject to compliance with a plan submitted previously to obtain the above-mentioned support. The Banco de España shall determine whether these conditions are met.

Institutions which are going to request financial support from the FROB for their reorganisation or restructuring, as a prerequisite for obtaining such aid, must include in the contracts regulating their relationship with their directors and managers the minimum content determined by the Minister of Economic Affairs and Competitiveness, which shall include the following rules, among others:

1 Limitations on remuneration according to the various situations mentioned below:

   Institutions which are majority-owned by the FROB: the maximum amount of fixed remuneration for all salary items[6] of executive chairmen, managing directors and managers amounts to €300,000 per year. The maximum amount of the total remuneration of other members of collegiate management bodies shall be €50,000 per year.

   Institutions which are not majority-owned by the FROB but are recipients of its financial support: the maximum amounts for the posts and items indicated in the previous paragraph shall be €600,000 and €100,000 per year, respectively.

   For the purposes of calculating these limits, all the remuneration earned within the group to which the credit institution belongs shall be taken into account.

   These limitations shall also apply to institutions which, when this Royal Decree-Law came into force, were already investees of the FROB or had received support from it.

2 Limitations on variable remuneration, expressed as a percentage of fixed remuneration, taking into account the average applied to similar employee categories at institutions comparable in terms of size and complexity, pursuant to the rules established for the above-mentioned credit institutions which are not majority-owned by the FROB, but have received financial support from it:

   The limitations may be lifted once the institution has been restructured, through the payment, redemption or disposal of the securities subscribed by the FROB, or when it is considered that the financial support provided has been repaid to the FROB in any other way.

REFORMS OF THE FUND FOR THE ORDERLY RESTRUCTURING OF THE BANKING SECTOR (FROB)

Royal Decree-Law 9/2009 of 26 June 2009 on bank restructuring and strengthening of the capital of credit institutions was amended in order to introduce certain reforms in the FROB.

The deadline for divestment by the FROB of the securities representing capital acquired from the issuer institutions through their disposal via the competitive procedures estab-

6 This shall include per diems earned for membership of the Board of Directors or bodies reporting to the latter.

lished in the above-mentioned regulation is reduced from five to three years. The foregoing is within the performance of its functions to strengthen the capital of credit institutions (Article 9 of Royal Decree-Law 9/2009 of 26 June 2009).

The possibility has been eliminated of the FROB divesting, within one or two years, the securities representing capital acquired from the issuer institutions in favour of third-party investors proposed by the institution benefiting from the FROB's actions.

The instruments which the FROB can acquire within the framework of the measures to support the integration processes of credit institutions are extended (Article 10 of Royal Decree-Law 9/2009 of 26 June 2009) to include instruments which can be converted into shares, compared with the previous situation, in which they were restricted to preference shares. Accordingly, the requirement that issuer institutions agree to the elimination of the preferential subscription right of shareholders or holders of non-voting equity units when the decision to increase capital is adopted or their waiver of this right is extended to the other convertible securities acquired by the FROB.

It is specifically provided that the securities issued and acquired by the FROB are eligible as Tier 1 capital and as core capital without any need for them to be listed on an organised secondary market. For these purposes, the restrictions established by law in relation to the eligibility of capital and core capital shall not be applicable to them.

Finally, the provision assigned to the FROB and charged to the State Budget was increased by €6 billion.

AMENDMENTS TO THE LEGAL REGIME OF SAVINGS BANKS WHICH PERFORM THEIR FINANCIAL ACTIVITY THROUGH A COMMERCIAL BANK

Certain amendments are introduced in Royal Decree-Law 11/2010 of 9 July 2010 on governing bodies and other aspects of the legal regime of savings banks in relation to the regime created for those savings banks which indirectly pursue their financial activity through a commercial bank.

For instance, their organisational structure is simplified by limiting the governing bodies to the General Assembly and the Board of Directors and the existence of the Control Committee is now optional. Similarly, the number of members of the governing bodies and the frequency of their sessions shall be determined by the bylaws of the savings banks in accordance with their economic size and activity.

Also, a limit is set for the distribution of surpluses obtained by savings banks, so that they may not earmark more than 10% of their freely distributable surplus to expenses other than those of welfare projects. However, the Banco de España may authorise higher percentages, if necessary, to meet essential operating expenses of the institutions. Provisions are also introduced to simplify the functioning, frequency and form of calling General Assembly meetings.

They are specifically exempt from complying with obligations referring to customer service departments[7] which, in any event, shall be fulfilled by the commercial bank through which they perform their activity. Similarly, the Banco de España may, on a bank-by-bank basis,

7 Savings banks, like other credit institutions, must attend to and resolve the complaints and claims which users of financial services may submit, in relation to their legally recognised interests and rights. For these purposes, institutions must have a customer service department responsible for attending to and resolving complaints and claims. Furthermore, such institutions may, either individually or in groups based on branches of activity, geographical proximity, turnover or any other criteria, appoint an ombudsman.

adapt compliance with organisational requirements on internal control, audit and risk management or offer exemption from such compliance.

TRANSFORMATION OF SAVINGS BANKS INTO "SPECIAL FOUNDATIONS"

A new arrangement is introduced whereby savings banks may lose their status of credit institutions and be transformed into "special foundations". In accordance with Royal Decree-Law 11/2010 of 9 July 2010, amended by Royal Decree-Law 20/2011 of 30 December 2011, this situation would arise when the savings bank no longer exercised control in the commercial bank in the terms envisaged in Article 42 of the Commercial Code.[8] Now, furthermore, they lose such status when the savings bank reduces its holding so that it does not have 25% of the commercial bank's voting rights, although it maintains a position of control.

These arrangements also apply to savings banks which, in concert, engage solely in their activity as credit institutions through a commercial bank controlled jointly by all of them, forming an institutional protection scheme (IPS). Thus, the loss of control or reduction of the joint holding to below the above-mentioned limit will give rise to the loss, for all of them, of their status of credit institution and their transformation into "special foundations".

Lastly, certain specific legal provisions are established in relation to country-wide "special foundations". Specifically, the State shall be responsible for the supervision and monitoring of "special foundations", whose main scope of action goes beyond a single autonomous community, through the Ministry of Economic Affairs and Competitiveness. Similarly, they shall have legal personality from the registration of their public deed of formation in the corresponding special Register created for this purpose at the Ministry of Economic Affairs and Competitiveness.

OTHER CHANGES

The requirements are modified slightly for instruments mandatorily convertible into ordinary shares, as envisaged in Transitional Provision Three of Royal Decree-Law 2/2011, in relation to their inclusion in core capital. The essential change is that the timeframe for mandatory conversion into ordinary shares is extended from 2014 to 2018; furthermore, the share exchange ratio is not fixed from the outset, provided that the maximum nominal amount that must be delivered has been predetermined.

Finally, provision is made for the smoother management of financial collateral provided by financial institutions to the Banco de España, the ECB or other national central banks (NCBs) of the European Union and, consequently, the Sixth Additional Provision of Law 13/1994 of 1 June 1994 of Autonomy of the Banco de España is amended. Thus, in order to grant the collateral, a statement in writing, or in a legally equivalent form, or a unilateral declaration by the guarantor shall suffice. Also, in order to demonstrate that the asset subject to the collateral has been provided, a statement in writing, or in a legally equivalent form, will suffice without the need for it to be registered in the corresponding register by the institution entrusted with it. For these purposes, a record or note sent by electronic

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8 According to Article 42 of the Spanish Commercial Code, control shall be presumed to exist when a company, denoted the parent, has any of the following relationships with another one, denoted the subsidiary: 1) the parent holds a majority of the voting rights in the subsidiary; 2) the parent has the power to appoint or remove a majority of the members of the board of directors of the subsidiary; 3) through agreements with third parties, the parent can exercise a majority of the voting rights in the subsidiary; and 4) the parent has, with its votes, appointed most of the members of the board of directors of the subsidiary in office at the time the consolidated accounts have to be prepared and during the two immediately preceding accounting periods. In particular, this will be presumed to be so if the majority of the members of the subsidiary's board of directors are members of the board of directors or senior managers of the parent or another company controlled by the parent.

means or via any durable media shall be deemed to be a legally equivalent form to a statement in writing.

Where necessary, the collateral may be realised through any of the procedures recognised by the legal system in force, whereas previously it was realised through the corresponding market authority. In the other instances, it continues to be realised through an auction organised by the Banco de España.

The Royal Decree-Law came into force on 4 February 2012.

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

CBE 2/2012 of 29 February 2012 (BOE of 6 March 2012) (corrigendum, BOE of 14 March 2012) amending CBE 4/2004 of 22 December 2004[9] on public and confidential financial reporting rules and formats was published. Its purpose is to adapt it to the requirements laid down in Royal Decree-Law 2/2012 of 3 February 2012 on balance sheet clean-up of the financial sector.[10]

For this purpose, a new Section V is introduced into Annex IX of CBE 4/2004, which practically reproduces the new provisioning requirements for real estate sector-related loans (hereinafter, special assets) introduced by Royal Decree-Law 2/2012.[11]

The sole exception is contained in Section 1 of Annex I of the Royal Decree-Law, whereby real-estate assets foreclosed or received in payment of debt by credit institutions, which have been on their balance sheet for more than 36 months, must be covered by provisions of at least 40%. This requirement is incorporated into the general treatment in Section IV of the aforementioned Annex IX, so as not to limit it to the assets of that nature existing as at 31 December 2011.

The composition of the types of risk into which operations included in the normal risk category must be classified is modified so that special assets are included in the category “medium-high risk”, even when they are secured.

Finally, the confidential statements are updated, with the addition of some new ones and the introduction of certain changes into the special way in which mortgage transactions are recorded in the accounts so as to include the information arising from special assets.

The Circular entered into force on 7 March.

Regime for cross-border transactions: updating of the regulations

CBE 1/2012 of 29 February 2012 (BOE of 6 March 2012) on rules for the notification of cross-border financial transactions was published, which replaces CBE 15/1992 of 22 July 1992 on notification to the Banco de España of transactions between residents and non-residents, and CBE 1/1994 of 25 February 1994 on the accounts in Spain of non-residents, and transactions with banknotes and bills. Its purpose is to adapt the rules on notification to the Banco de España of such transactions by registered institutions to the new regime for the reporting of cross-border financial transactions established by Royal Decree 1360/2011 of 7 October 2011, which amends Royal Decree 1816/1991 of 20 December 1991 on cross-border financial transactions, and Order EHA/2670/2011 of 7 October

9 See “Financial regulation: 2004 Q4”, *Economic bulletin,* January 2005, Banco de España, pp. 109-114.
10 See the second section of this article.
11 Specifically, the loans and assets foreclosed or received in payment of debts relating to development land and to real estate construction or development forming part of the business in Spain of credit institutions, which exist as at 31 December 2011 or which arise from the refinancing of the same at a later date.

2011, which amends the Order of 27 December 1991 on the implementation of Royal Decree 1816/1991 of 20 December 1991.

Payment service providers registered with the Banco de España (hereinafter, “registered institutions”),[12] are obliged to notify the Banco de España on a monthly basis, within ten business days of the end of each month, of the following transactions:

1. Cross-border receipts and payments, as well as transfers to and from abroad, denominated in euro or in foreign currency, made on behalf of their customers, when such receipts or payments originate from or are made to accounts held with a payment service provider in another EU Member State or in any other country. Transactions on behalf of other payment service providers are not included.

2. Credits and debits in the accounts of their non-resident customers. Movements in accounts held by other payment service providers will not be included.

3. Shipments and receipts of euro banknotes and coins to/from their foreign correspondents.

In the first two cases, the information that must be supplied includes: identification of the customer; the amount, the currency and the country of origin or destination; the account debited or credited, and other available data, provided that their collection does not affect the automated direct treatment of the payments and can be made automatically. Transactions where the amount is less than €50,000, or such other amount as may be determined by the legislation in force from time to time, are exempt, provided that they do not constitute partial payments.[13]

In the third case, the following data on shipments of banknotes and coins shall be supplied: date of shipment or receipt, dates on which the account is debited or credited, amounts of the banknotes and coins, classified by their denomination, and identification of the foreign correspondent and of the customs or border post through which the shipment is made.

This information must be sent to the Banco de España, by electronic means, in accordance with the formats, conditions and requirements established in the “technical applications” of this Circular.

As for the accounts held with deposit institutions in Spain, registered institutions must identify the holder of the account in euro or foreign currency and must specify whether they are resident in Spain or non-resident. However, they will modify the status of the accounts concerned when they have evidence that there have been changes in the resident or non-resident status in Spain of the customers who hold them. The obligation for registered institutions to request account holders to confirm their non-resident status every two years has been removed.

Registered institutions which, prior to the entry into force of CBE 1/2012, expected to take place on 1 June 2012, are obliged to supply the information required by CBE 15/1992 of

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12 Payment institutions are also included now.

13 There were no exemptions under the previous regulations, only the obligation to report transactions individually, in the event that their amount was higher than €3,000, or to report their net amount, if the individual amounts were below this level, provided that they were not partial payments.

22 July 1992 and by CBE 1/1994 of 25 February 1994, must continue to report it for the periods up to 31 December 2013 (the date on which these circulars are repealed), as well as complying with the new obligations laid down in CBE 1/2012.

Powers of the European Supervisory Authorities: amendment of certain financial legislation

Royal Decree-Law 10/2012 of 23 March 2012 (BOE of 24 March 2012) amending certain financial legislation in relation to the powers of the European Supervisory Authorities[14] was published. Its purpose is to adapt national supervisory arrangements to the new European supervisory framework so that Spain acts in coordination with the new European Supervisory Authorities, as well as with other Member States.

The most important changes are as follows.

In general, this Royal Decree-Law introduces the obligation for the Spanish supervisory authorities of the different financial institutions (Banco de España, CNMV and Directorate General of Insurance and Pension Funds) to cooperate with their European counterparts (European Banking Authority, European Securities and Markets Authority, and European Insurance and Occupational Pensions Authority, respectively), as well as with the European Systemic Risk Board. Furthermore, they shall provide these authorities with all the information that they need in order to perform their functions as conferred under European regulations.

BANKING SYSTEM

In the area of credit institutions, Spanish regulations recognise certain powers of the European Banking Authority and the European Systemic Risk Board, which include, most notably, the following:

1 When the Banco de España must take a decision regarding an application for authorisation to use internal credit ratings or internal operational risk measurement methods submitted by a parent credit institution of the European Union and its subsidiaries or, jointly by the subsidiaries of a parent financial holding company, it will promote joint decision-taking in respect of the application with the other supervisory authorities responsible for the supervision of the various entities which are part of the group. In the absence of a joint decision, if any of the competent authorities involved had sent the matter to the European Banking Authority, the Banco de España shall postpone its judgment and shall await the decision that the European Banking Authority may adopt. Subsequently, it will decide in accordance with the European Banking Authority's decision.

2 If the Banco de España enters into bilateral agreements to delegate its responsibility for supervision of a subsidiary to the competent authorities which have authorised said subsidiary and they are supervising the parent, it must inform the European Banking Authority of the existence and the content of such agreements.

3 The Banco de España must also warn, as soon as possible, the European Banking Authority and the European Systemic Risk Board (in addition to the Ministry of Economic Affairs and Competitiveness, and the other supervisory authorities affected) of emergency situations which arise, in particular in those

14 This Royal Decree-Law transposes into Spanish legislation Directive 2010/78/EU of the European Parliament and of the Council of 24 November 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 European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority).

cases where there are adverse developments in financial markets which may compromise market liquidity and the stability of the financial system.

4 When the Banco de España detects that credit institutions, whose parent is a financial institution domiciled outside the European Union, do not have a system of consolidated supervision similar to that established in Spanish regulations, the system of consolidated supervision envisaged in Spanish regulations will be applicable to these institutions. However, the Banco de España may establish other methods for the consolidated supervision of these groups, which will include the power of the Banco de España to require that a parent financial institution be set up which has its registered office in the European Union. In order to check this equivalence, the Banco de España must take into account the guidelines prepared by the European Banking Authority in this connection. Furthermore, the Banco de España must consult the European Banking Authority before taking a decision.

5 As for the supervisory colleges promoted by the Banco de España to facilitate exercising supervisory functions, it must exchange information with the European Banking Authority, in addition to with the other competent authorities of third countries.

6 If the request to open a branch or the freedom to provide services in other Member States by Spanish credit institutions is denied,[15] the Banco de España must inform the European Banking Authority in addition to the European Commission.

7 In the area of sanctions, if disciplinary proceedings are brought which affect a branch of a credit institution authorised in another Member State of the European Union and involve a serious or very serious infringement, the European Commission as well as the European Banking Authority must be notified.

SECURITIES MARKET

In the area of the securities market, most of the above-mentioned obligations are extended to the CNMV in relation to the European Securities and Markets Authority. Furthermore, the CNMV is required to notify said authority in certain specific cases. These include, most notably, the following: 1) prospectuses previously approved by the CNMV so that they have cross-border validity; 2) irregularities or breach of the obligations of issuers of other Member States, arising from the admission to trading on an official secondary market, even prior to adopting the measures to protect investors; 3) the suspension or, if appropriate, the exclusion from trading of certain financial instruments; preventive measures that it may adopt in relation to issuers or holders of financial instruments which may have committed irregularities or failed to comply with the obligations established by Spanish regulations; 4) the authorisation granted to investment services firms and the information about their related programme of activities; 5) the entering into cooperation agreements with the competent authorities of third countries, and 6) the refusal to cooperate or exchange information with other competent authorities in certain cases envisaged in Spanish regulations.

Finally, all the references made in the regulations to the Committee of European Securities Regulators (CESR) are replaced by the European Securities and Markets Authority (its successor).

15 The refusal may arise because the Banco de España has reasons to question, given the specific project, the suitability of the administrative structures or the financial situation of the credit institution.

PENSION PLANS AND FUNDS

Similarly, the reporting obligations to the European Insurance and Occupational Pensions Authority are extended to the Directorate General of Insurance and Pension Funds.

Specifically, note that in the case of the cross-border activity of occupational pension funds, the Member States where the pension funds perform this activity will be stated in the administrative register. The Directorate General of Insurance and Pension Funds will communicate this information to European Insurance and Occupational Pensions Authority.

It will also be notified of the decisions adopted to prohibit the activities of occupational pension funds, the reasons for which must be stated and communicated to the corresponding fund. Likewise, this Authority will also be notified of requirements for the discontinuation of activity made to unauthorised occupational pension funds and the special monitoring administrative measures comprising the prohibition on admitting new plans into the funds or new members or contributions, and the ban on cross-border activity.

SECURITIES PAYMENT AND SETTLEMENT SYSTEMS

It should be underlined that the Banco de España and the CNMV, plus the European Commission, must notify the European Securities and Markets Authority, at its request, of all the information necessary for it to perform its functions in relation to the securities payment and settlement systems recognised by them. Finally, if an insolvency proceeding is brought against a participant in a securities payment and settlement system, both supervisory bodies will notify the European Systemic Risk Board, the other Member States and the European Securities and Markets Authority.

Lastly, in the case of financial conglomerates, the competent Spanish authorities shall cooperate among themselves, with the Joint Committee of the European Supervisory Authorities and with the rest of the competent authorities in the framework of the additional supervision of entities belonging to these conglomerates. This system for exchanging information may be extended to the European Systemic Risk Board, in addition to the NCBs, the European System of Central Banks (ESCB) and to the ECB.

The Royal Decree-Law came into force on 24 March.

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

Guideline ECB/2011/27 of 21 December 2011 (OJ L of 24 January 2011) amending Guideline ECB/2010/20 of 11 November 2010 on the legal framework for accounting and financial reporting in the ESCB was published.

Given the diversity of monetary policy operations, it needs to be clarified in Annex IV to Guideline ECB/2010/20, "*Composition and valuation rules for the balance sheet*", that certain provisions related to monetary policy operations may differ and may not necessarily be Eurosystem provisions.

From the entry into force of this Guideline, the provisions for credit exposures arising from monetary policy operations which are recorded on the liabilities side of the balance sheet of central banks in the ESCB include provisions recorded in proportion to the ECB's subscribed capital (Eurosystem provisions) and provisions recorded for other monetary policy operations.

The Guideline came into force on 31 December 2011.

Guideline of the European Central Bank on the statistical reporting requirements in the field of external statistics

Guideline ECB/2011/23 of 9 December 2011 (OJ L of 3 March 2012), on the statistical reporting requirements of the ECB in the field of external statistics was published which replaces Guideline ECB/2004/15 of 16 July 2004. As this latter Guideline – which is now repealed – was subject to various changes and as new amendments are currently being introduced, it is appropriate to recast it in one text for the purposes of clarity.

The previous statistics are maintained: balance of payments statistics (monthly and quarterly); international reserves statistics; international investment position statistics, and new monthly statistics on cross-border shipments of euro banknotes are introduced.

The biggest change in the quarterly balance of payments statistics is the more detailed sectoral breakdown required. For direct investment NCBs are required to submit the following sectoral breakdown: deposit-taking corporations except the central bank; general government; financial corporations other than MFIs; and, now non-financial corporations, households and non-profit institutions serving households are added. For the portfolio investment assets and other investment items the breakdown by institutional sector follows the standard components of the IMF comprising: the central bank; deposit-taking corporations except the central bank; money market funds; general government; and now financial corporations other than MFIs and non-financial corporations, households, and non-profit institutions serving households are added.

For the new monthly statistics on cross-border shipments of euro banknotes, the NCBs must provide, from now on, information on the monthly imports and exports of euro banknotes by euro area Member States to countries outside the euro area, as specified in Annex II. A breakdown by denomination is required on a best estimate basis.

Their objective is to estimate holdings of euro banknotes by entities outside the euro area. These statistics are necessary to facilitate decision-making regarding the issuance of euro banknotes in particular with respect to planning euro banknote production, management of stocks and the coordination of the issuance and transfers of euro banknotes between NCBs and the ECB in accordance with their respective competencies. They also contribute to the assessment of monetary and foreign exchange developments and the role of the euro as an investment currency outside the euro area.

The same criteria are maintained as those described in the previous regulations as regards the quality of statistical information. However, the Guideline permits the use of optimum estimates based on sound statistical methodologies for data of insignificant or negligible size for the euro area, or for data that cannot be collected at a reasonable cost provided that the analytical value of the statistics is not compromised.

The deadlines for data transmission have also changed. Thus, the data required for compiling the monthly balance of payments shall be provided to the ECB by the forty-fourth calendar day 44th) following the end of the month to which the data relate (previously it was the 30th business day following the end of the month to which they refer).

The data required for the compilation of the quarterly balance of payments and the quarterly international investment position which were provided previously to the ECB in the three months following the end of the quarter to which the data refer, will now be submitted in accordance with the following time frame:

1 By the eighty-fifth (85th) calendar day following the end of the quarter to which the data relate, from 2014 to 2016;

2 By the eighty-second (82nd) calendar day following the end of the quarter to which the data relate, in 2017 and 2018;

3 By the eightieth (80th) calendar day following the end of the quarter to which the data relate, from 2019.

The data required for the compilation of the international reserves statistics shall be made available to the ECB by the tenth calendar day following the end of the month to which the data relate (previously it was three weeks).

Lastly, the data required on the cross-border shipments of euro banknotes shall be made available to the ECB by the thirty-fifth (35th) day following the end of the month to which they refer.

The first transmission of data relating to balance of payments, international investment position and international reserves statistics, in accordance with the Guideline, shall take place in June 2014, and the first transmission of data relating to cross-border shipments of euro banknotes shall take place in March 2013.

The Guideline came into force on 1 March 2012.

State debt: terms of issuance for 2012 and January 2013

Law 39/2010 on the State Budget for 2011 authorised the Minister for Economic Affairs and Finance to increase State debt in 2011 with the limitation that the outstanding balance thereof at end-2011 should not exceed the balance as at 1 January 2011 by more than €43,626 million. This authorisation of indebtedness can be extended, for the same amount and in the same terms, for 2012 since the previous year's budget has been automatically extended until the new budget is approved.

In line with usual practice as this time of year, *Ministerial Order ECC/41/2012 of 16 January 2012* providing for the creation of State debt during 2012 and January 2013 was published and certain powers were delegated to the General Secretary of the Treasury and Financial Policy (BOE of 17 January 2012) and the *Resolutions of 18 and 23 January 2012 of the GeneralSecretariat of the Treasury and Financial Policy* (BOE of 23 and 27 January 2012), providing for certain issues of Treasury bills and of medium- and long-term government bonds, and the schedule of tenders for 2012 and for January 2013, were published.

Broadly, the existing instruments and issuance techniques remain in place. Thus issuance continues to be through ordinary and special tenders (competitive and non-competitive bids),[16] and by other procedures. In particular, a portion or the full amount of an issue could be transferred at an agreed price to one or several financial institutions which underwrite its placement. Similarly, outright sales or the sale under repos of newly issued securities or expanded existing issues that the Treasury might have in its securities account may be performed.

In competitive tenders, bidders shall state the nominal amount and the interest rate requested by them. The minimum nominal amount continues to be €1,000 and bids above that amount shall be expressed in whole-number multiples thereof and the bids accepted

16 Competitive tenders are those indicating the price, expressed as a percentage of the nominal value, that the bidder is willing to pay for the debt, or the percentage interest rate desired by the bidder; non-competitive tenders are those indicating neither price nor interest rate. Non-competitive bids shall be accepted in full and shall be allotted at the weighted average price or at the price equivalent to the weighted average interest rate.

shall be allotted in each case at the price equivalent to the requested interest rate or at the weighted average interest rate, as applicable on the basis of the result of the tender.[17]

In non-competitive tenders, the minimum nominal amount also remains at €1,000 and bids for higher amounts must be whole-number multiples of this, with the provision that the total nominal amount of the non-competitive bids submitted by a single bidder in each tender may not exceed €1 million, although this limit is raised to €300 million in the case of certain institutions.[18] The bids accepted shall in all cases be allotted at the price equivalent to the weighted average interest rate.

Provision is again made to exclude, for the purpose of calculating weighted average price and interest rate, any competitive bids for Treasury bills and medium- and long-term government bonds not considered to be representative of the market situation, so as not distort the result of the tenders.

Lastly, as in previous years, tenders will be followed by a second round reserved for those financial institutions that have acquired market-maker status which will be conducted in accordance with the regulations governing market makers.

TREASURY BILLS

As in previous years, the Resolution sets out the schedule of tenders to be held in 2012 and January 2013. The schedule states the dates of ordinary tenders and the maturity of Treasury bills, setting the issues and the calls-for-tender simultaneously with the publication of the schedule. However, for reasons of demand or issuance policy, the Treasury may hold additional tenders to those announced.

As in 2011, three-, six-, twelve- and 18-month Treasury bills will be auctioned regularly every month, and the grouping of issues in monthly maturities has been retained to improve their liquidity.[19] The 18-month Treasury bills offered for sale in odd months will have the same maturity as those issued in the previous month, so as to allow a sufficient degree of liquidity from the moment they are issued.

Tenders will continue to be held on the third Tuesday of each month for twelve-month and 18-month bills, and on the following Tuesday for three- and six-month bills. Original maturities may differ from the stated periods by the number of days necessary to allow the grouping of bills in a single monthly maturity, coinciding with the issue date of twelve-month and 18-month bills to make for more convenient reinvestment.

As regards other features, the procedure and allotment of tenders will be the same as in 2011, including the submission of bids in terms of the interest rate quoted on secondary markets, so as to simplify bidding for subscribers. Thus, in competitive tenders bidders will indicate the interest rate desired and the bids which are accepted will be allotted, in

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17 The competitive bids accepted are used to calculate the weighted average price of the tender, expressed as a percentage of the nominal value and rounded up to three decimal places. The allotment price is determined as follows: bids made at the minimum price are allotted at that price; bids between the minimum price and the weighted average price are allotted at the bid price; and bids above the weighted average price, along with non-competitive bids, shall pay the weighted average price.

18 The Wage Guarantee Fund, the Commercial Bank Deposit Guarantee Fund, the Social Security Reserve Fund, the Investment Guarantee Fund, Sociedad Estatal de Correos y Telégrafos and Sociedad Estatal de Participaciones Industriales (SEPI), or any other public-sector entity or government-owned firm designated by the Treasury.

19 In shorter-term bill issues (three or six months), the Treasury uses the same classes of securities as it used in the past for longer-term (generally eighteen-month) bills in order to keep the same range of securities on the market but with a higher volume, and thus improve their liquidity

each case, at the price equivalent to the interest rate bid or the weighted average as appropriate, based on the outcome of the auction.

MEDIUM- AND LONG-TERM GOVERNMENT BONDS

The Resolution sets out the schedule of tenders to be held in 2012 and January 2013, indicating the dates of the ordinary tenders and the maturity, setting the issues and the call for bids simultaneously with the publication of the schedule. The issuance criteria and procedures are essentially the same as in 2011. The initial maturities will be three and five years for medium-term bonds, and ten, fifteen and thirty years for long-term bonds. Also, bond classes issued in the past will be re-opened with new tranches in order to ensure their liquidity and meet investor demand in the relevant segments by increasing the average volume of outstanding issues. The new issues will bear the nominal interest rate specified in the related Resolution. Provision is also made for the issuance of medium- and long-term bonds tied to some index.

As in the previous year, tenders will, save exceptions, take place on the first Thursday of each month for medium-term bonds and on the third Thursday for long-term bonds. The procedure and allotment of tenders will be unchanged.

The Ministerial Order came into force on 17 January 2011 and the Resolutions on 19 and 24 January 2011.

Urgent labour market reform measures

Royal Decree-Law 3/2012 of 10 February 2012 (BOE of 11 February 2012 on urgent labour reform measures was enacted.

From the standpoint of financial regulation, the seventh additional provision of Royal Decree-Law 3/2012 complements Royal Decree-Law 2/2012 of 3 February 2012 on clean-up of the financial sector balance sheet in respect of the establishment of a specific remuneration regime applicable to the directors and managers of credit institutions that receive government financial support for balance sheet clean-up and restructuring, as regards limitations on severance payments. Additionally, it sets certain rules on the termination of credit institution directors' or managers' contracts due to the imposition of sanctions and on the suspension of those contracts due to suspension of the directors or managers or certain cases of provisional replacement thereof.

SEVERENCE PAYMENTS FOR TERMINATION OF CONTRACT

Credit institutions majority owned or financially supported by the FROB may in no case make severance payments for contract termination exceeding the lower of the following amounts: a) twice the maximum bases set in Royal Decree-Law 2/2012 of 3 February 2012 on clean-up of the financial sector balance sheet;[20] or b) two years of stipulated fixed remuneration.

Exempted from this ceiling are those directors and managers who joined the institution or group after or at the same time as the FROB took a holding or extended financial support to it. In this case, the Banco de España may, in view of the contractually stipulated conditions and of the results of the balance-sheet clean-up plan, authorise higher amounts than those established in Royal Decree-Law 2/2012, subject always to the limit of two years of the originally stipulated remuneration.

20 The maximum bases are set out in Rules 3 and 4 of Article 5.3.a) of Royal Decree-Law 2/2012 of 3 February 2012 on clean-up of the financial sector balance sheet. Rule 3 sets a maximum fixed remuneration of €300,000 for executive chairpersons, managing directors and managers of credit institutions majority owned by the FROB. Rule 4 stipulates that for credit institutions not majority owned by the FROB but which receive financial support from it, such maximum fixed remuneration shall be €600,000.

TERMINATION OF CONTRACT DUE TO IMPOSITION OF SANCTIONS

The imposition of sanctions for very serious infringements[21] on persons holding the post of director or manager of a credit institution under an employment contract, including the labour relationships of a special nature of senior managers, shall, for the purposes of labour legislation, be considered to be a serious breach of duty, which shall be cause for disciplinary dismissal and may give rise to termination of the contract. Also, the imposition of such sanctions shall be deemed to be due cause for extinguishment or termination of contracts other than employment contracts.

In these cases, the persons referred to above shall not be entitled to compensation of any amount or in any form, regardless of the legal provision, individual or collective employment contract or agreement, or civil or commercial contract or agreement in which payment of compensation is envisaged.

SUSPENSION OF CONTRACT DUE TO IMPOSITION OF SANCTIONS

The suspension of contract of persons holding the post of director or manager of a credit institution may take place for the following reasons: 1) the persons holding the post of director or manager of a credit institution are found to be presumably responsible for very serious infringements and provisionally suspended from their duties, and 2) there is serious non-compliance with the implementation schedule or the specific measures envisaged in the action plan,[22] and the Banco de España decides to replace provisionally the board or management of the credit institution.

The suspension of contract shall entail mutual exoneration from the obligations to work or provide services and to remunerate such work or provision of services.

The Royal Decree came into force on 12 February 2012.

Urgent measures to protect mortgagors without funds

Royal Decree-Law 6/2012 of 9 March 2012 (BOE of 10 March 2012) on urgent measures to protect mortgagors without funds was enacted. Its purpose is to establish measures to foster the restructuring of the mortgage debt of persons suffering extraordinary difficulty in meeting payments, and to set in place mechanisms to make mortgage foreclosure procedures more flexible.

MEASURES TO FOSTER THE RESTRUCTURING OF MORTGAGE DEBT

The protection model designed is based on a code of good practices for the viable restructuring of mortgage debts on the principle residence, which is supplemented by tax measures.

Code of good practices

The code of good practices ("the Code") set out in the annex to Royal Decree-Law 6/2012 (see summary in Table 1) may be voluntarily followed by credit institutions and others whose professional activities include the granting of mortgage loans. Compliance by them will be supervised by a control committee consisting of representatives of the Ministry of Economic Affairs and Competitiveness, the Banco de España, the CNMV and the Spanish Mortgage Association.

It shall be applied to debtors within the exclusion threshold who hold loans for the purchase of houses the purchase price of which does not exceed certain levels[23] applicable at the date of its entry into force.

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21 See Article 12.1 of Law 26/1988 of 29 July 1988 on credit institution discipline and intervention.

22 Provided in Articles 6 and 7 of Royal Decree-Law 9/2009 of 26 of June 2009 on bank restructuring and strengthening of the capital of credit institutions.

23 The values are as follows: 1) municipalities of more than 1,000,000 inhabitants: €200,000; 2) municipalities of between 500,001 and 1,000,000 inhabitants or forming part of the metropolitan areas of municipalities of more than 1,000,000 inhabitants: €180,000; 3) municipalities of between 100,001 and 500,000 inhabitants: €150,000; and 4) municipalities of up to 100,000 inhabitants: €120,000.

SUMMARY OF THE "CODE OF GOOD PRACTICES FOR THE VIABLE RESTRUCTURING OF MORTGAGE DEBTS ON THE PRINCIPLE RESIDENCE" TABLE 1

1. Measures prior to mortgage foreclosure: mortgage debt restructuring	
Scope	Debtors within the exclusion threshold may request and obtain from the creditor institution the restructuring of their mortgage debt so as to make it viable in the medium and long term.
Characteristics of the restructuring plan:	The institution must notify and offer to the debtor a restructuring plan providing for the implementation and overall financial consequences of application of the following measures:
	— Four-year principal repayment grace period.
	— Lengthening of repayment term to a total of 40 years from the loan origination date.
	— Reduction of the applicable interest rate to Euribor + 0.25% during the grace period.
	— Also, institutions may consolidate the mortgagor's debts.
2. Supplementary measures for cases in which the restructuring plan is inviable	
Scope	To be applied when the restructuring plan is inviable. An inviable plan is deemed to be one in which the monthly mortgage instalment exceeds 60% of the combined income of all members of the household unit.
Partial acquittance whereby outstanding principal is reduced:	In this case the debtor may request a partial acquittance whereby the outstanding principal is reduced. The institution has the power to accept or reject it within one month.
	To determine the partial acquittance, the institution shall use one of the following calculation methods and, in any event, notify the result to the debtor, regardless of whether or not the institution decides to grant the partial acquittance:
	— Reduction of 25%.
	— Reduction equal to the difference between the principal repaid and the proportional part of the total loan principal defined by the ratio of the number of instalments paid by the debtor to the total number of instalments due.
	— Reduction equal to the difference between the present value of the house and the value which results from subtracting from the initial appraisal vaue twice the difference from the loan.
3. Measures to replace mortgage foreclosure: dation of principal residence in payment	
Scope	Uses when neither the restructuring plan nor the supplementary measures, if any, are viable.
Effect of dation in payment:	In these cases, the institution is obliged to accept delivery of the mortgaged asset by the debtor either to the institution or to such third party as it may designate, and, as a result, the debt shall be definitively settled (both that secured by the mortgage and any personal liability of the debtor and of third parties to the insitution as a consequence thereof).
	The debtor, if he so requests when he applies for the dation in payment, may remain in the house as a tenant, paying an annual rent of 3% of the total amount of the debt at the date of dation in payment. During this time, past-due rent shall incur late-payment interest of 20%.
	Institutions may agree with debtors on the assignment of a portion of the gain arising on the sale of the house, as consideration for any cooperation of the debtor in that disposal.
	This measure shall be be applicable if a foreclosure procedure is under way in which an auction has been announced of if the house is subject to subsequent liens.

SOURCES: Boletín Oficial del Estado (Spanish Official State Gazette) and Banco de España.

For the purposes of the Royal Decree-Law, the debtors under a loan secured by a mortgage on their principle residence are deemed to be within the exclusion threshold if all the following circumstances apply to them: 1) all members of the household unit[24] lack income from employment or from economic activities; 2) the mortgage instalment exceeds 60% of the total net income received by all members of the household unit; 3) the members of the household unit lack any other assets or proprietary rights sufficient to satisfy the debt; 4) the loan in question is secured by a mortgage on the only house owned by the debtor and was granted for the purchase of that house; 5) the loan is not backed by any other collateral or guarantee, or, should there be a guarantee, with all the guarantors are in circumstances 2) and 3) above; and 6) if there are co-debtors not in the household unit, they are in circumstances 1), 2) and 3) above.

The Code includes three phases of action. The first, designed to enable the viable restructuring of the mortgage debt through submission to the requesting debtor of a plan setting out

24 A household unit comprises the debtor, the debtor's not legally separated spouse or registered partner and any children of whatever age who live in the dwelling.

measures (such as a principal repayment grace period, temporary reduction of the interest rate or lengthening of the total repayment period) to assist in repayment of the debt. The second phase is envisaged for cases in which the restructuring plan is not viable. In this situation, the institutions may optionally offer debtors a partial acquittance of debt. And the third, intended for when neither of the first two measures is able to reduce debtors' mortgage obligations to a financially viable level, provides that the debtors may request, and the institutions must accept, dation in payment as the definitive means of releasing the debtor from his debt. In this case, households may remain in their house for two years paying a bearable rent.

From the time a credit institution agrees to adhere to the Code, either of the parties (institution or debtor) may compel the other to execute a public deed of novation of contract resulting from application of the provisions in the Code. The cost of that deed execution shall be borne by the party that requests it.

The parties adhering to the Code shall send quarterly to the Banco de España certain information including, inter alia, the number, volume and characteristics of the transactions requested, executed and denied in application of the Code and the complaints processed, if any, for non-compliance with the Code by credit institutions. Lastly, they shall ensure that the Code is made known as widely as possible, particularly among customers.

Regardless of whether the Code is applied, the penalty interest applicable to all mortgage loans is made more moderate from the time the debtor accredits to the institution that he is within the exclusion threshold. It shall be, at a maximum, the result of adding to the interest under the loan a rate of 2.5% on the outstanding loan principal.

Tax measures

The consolidated text of the Transfer Tax and Stamp Tax Law enacted by Legislative Royal Decree 1/1993 of 24 September 1993 was amended to make the public deeds of mortgage loan novation pursuant to this Royal Decree-Law exempt from the progressive stamp tax on notarial deeds.

The consolidated text of the Law Regulating Local Government Finances enacted by Legislative Royal Decree 2/2004 of 5 March 2004 was amended so that, in the transfers made for the dation in payment envisaged in the Code of Good Practices, the party responsible for paying in the tax charge is deemed to be the institution acquiring the building, and that institution may not demand from the taxpayer the amount of the tax obligations paid.

Law 35/2006 of 28 November 2006 relating to personal income tax and partially amending the laws on corporate income tax, on non-resident income tax and on wealth tax so that any capital gain of debtors arising from the dation in payment of their house is exempt from personal income tax.

The notarial and registration fees derived from settlement of mortgage rights in rem in cases of dation in payment of a mortgage debtor within the exclusion threshold of this Royal Decree Law shall be paid in the proportion of 50%.

The debtor shall not bear any additional cost of the financial institution that acquires, free of mortgage lien, the ownership of the asset previously subject to mortgage.

MECHANISMS FOR MAKING MORTGAGE FORECLOSURE PROCEDURES MORE FLEXIBLE

The Royal Decree-Law introduces basically two mechanisms to enhance the flexibility of procedures for foreclosing on the debtor's principle residence, including the collective one subject to the Code. The first mechanism tends to simplify the out-of-court foreclosure procedure, and the second extends the aid to tenants under the Housing and Refurbishment Plan 2009-2011 to the persons subject to a court decision of eviction as a result of mortgage foreclosure processes.

Out-of-court foreclosure procedure

The procedure for out-of-court mortgage foreclosure[25] on a debtor's principle residence has been changed. The law provided that, inter alia, this procedure must have been agreed on by the parties when they entered into the mortgage. Another of its features is that mortgage foreclosure takes place before a notary public (the main difference from court-mandated mortgage foreclosure).

The new features now introduced are that foreclosure on an asset takes place through a single auction[26] with a reserve price equal to 70% of the foreclosure value specified in the mortgage deed. If bids are received for an amount equal to or greater than 70% of the value at which the asset would have been auctioned, the asset will be awarded to the highest bidder. If the bids are below that percentage, the debtor has a period of ten days to find a third party offering at least that amount or a lower amount sufficient to satisfy in full the forecloser's claim. Otherwise, the creditor may request that the property be foreclosed for 60% of the appraisal value. If the creditor does not exercise this right, the property will be foreclosed to the highest bidder, provided that the amount offered exceeds 50% of the appraisal value or, if less, covers at least the total amount claimed.

If there are no bidders in the auction, the creditor may, within a period of 20 days, request foreclosure for an amount equal to or greater than 60% of the appraisal value.[27]

The Government shall, within six months from the entry into force of the Royal Decree-Law, enact regulations to simplify the out-of-court sale procedure. Such regulations shall provide for, among other measures, electronic auctions.

Availability of rental housing to persons evicted and those subject to mortgage foreclosure flexibility measures

The persons subject to a court decision of eviction from their principal residence as a result of court or out-of-court mortgage foreclosure proceedings may, after 1 January 2012, benefit from the aid to tenants on the terms set in Royal Decree 2066/2008 of 12 December 2008 regulating the State Housing and Renovation Plan 2009-2012.[28]

Aid is also available to applicants who enter into rental contracts as a result of application of the dation in payment (*dación en pago*) envisaged in the Code of Good Practices when their household income does not exceed 2.5 times the Multipurpose Public Indicator of Income (*Indicador Público de Renta de Efectos Múltiples*) defined in Royal Decree 2066/2008.

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25 The out-of-court foreclosure procedure is set out in Articles 234 to 236 of the Decree of 14 February 1947 enacting the Mortgage Regulation.

26 Previously there was a maximum of three auctions: in the first auction the minimum foreclosure value (reserve price) was that specified in the mortgage deed; if the auction was declared void, the second auction was held with a reserve price equal to 75% of that of the first; if the second auction also failed to attract bids, a third auction was held without a reserve price. In any of those auctions, the creditor was empowered to request that the asset be foreclosed at the value specified in the mortgage deed.

27 The amount at which the creditor may request foreclosure was raised by Royal Decree-Law 8/2011 of 1 July 2011 from 50% to 60% of the property's appraisal value.

28 The requirements are set out in Articles 38 and 39 of that Royal Decree. Thus, the conditions applying to beneficiaries include the requirement that their household income does not exceed 2.5 times the IPREM. The aid may not be granted if, for example, the applicant owns another dwelling or is a partner or equity holder of the legal person acting as landlord. The amount of the aid shall consist of a subsidy whose annual maximum shall be 40% of the annual rent to be paid and subject to a limit of €3,200 per dwelling, regardless of the number of rental contract holders. The maximum duration of this subsidy shall be two years, provided there is no change in the circumstances that gave rise to the initial recognition of entitlement to aid. This subsidy may not be obtained again until at least five years have elapsed from the date of said recognition.

In particular, the rental contracts entered into as a result of application of the Code shall be deemed to be house rental contracts and subject to Law 29/1994 of 24 November 1994 on urban tenancy, with certain special features. Thus, the term of these rental contracts shall be two years, without renewal rights unless there is a written agreement between the parties. The rent during the two-year period shall be set in conformity with Code.

At the end of the two-year contract period, if the tenant does not vacate the house, the landlord may initiate the eviction procedure. That procedure shall include claiming at the market rate any unpaid rent for the months in which the house was improperly occupied.

OTHER DEVELOPMENTS

Amendments were made to Royal Decree-Law 11/2010 of 9 July on governing bodies and other aspects of the legal regime of savings banks. Thus, regarding the transformation of savings banks into special foundations, Royal Decree-Law 2/2012 of 3 February on clean-up of the financial sector balance sheet stipulated that it falls to the Spanish State to supervise and control special foundations whose primary area of operations extends beyond an autonomous region, through the oversight to be exercised by the Ministry of Economic Affairs and Competitiveness. Now it is specified that in cases of segregation, the special foundation's area of operations shall be deemed to be that of the bank resulting from the segregation.

The Royal Decree-Law came into force on 11 March 2012.

Tax and administrative measures to reduce the government deficit

Royal Decree-Law 12/2012 of 30 March 2012 (BOE del 31) introduced diverse tax and administrative measures to reduce the government deficit. These measures supplement those contained in Royal Decree-Law 20/2011 of 30 December 2011 on urgent budgetary, tax and financial measures to correct the budget deficit.

The most notable measures from the standpoint of financial regulation are as follows.

MEASURES RELATING TO THE FINANCIAL SYSTEM

Given the special features of the activity of the *Instituto de Crédito Oficial* (due to the high proportion of financing to SMEs and to the self-employed through government-funded credit facilities), it was decided to set – for the purpose of determination and control of its minimum own funds – a risk weight of 20% for exposures to financial institutions of EU Member States, regardless of their original or residual maturity.

TAX MEASURES

The bulk of the measures are in the area of corporate income tax, governed by Legislative Royal Decree 4/2004 of 5 March 2004. Specifically, the following changes have been made for the tax periods of 2012 and 2013:

1 The maximum annual limit on goodwill deductibility is reduced from 5% to 1% for both corporate acquisitions and business restructurings.

2 The maximum annual limit on the deductibility of the difference between the acquisition cost of the acquirer's holding and the own funds of the transferor that has not been attributed to acquired assets and rights is reduced from 5% to 1%.

3 The upper limit on tax credits to encourage certain activities is reduced from 35% to 25% of gross tax payable, less tax credits to prevent domestic and international double taxation and rebates. This limit also includes the tax credit for reinvestment of extraordinary income.

4 A floor is set on partial payments for taxpayers whose net turnover in the previous twelve months is €20 million or more. In these cases, such payments may not be less than 8% of the net income per the period income statement for the first 3, 9 or 11 months of each calendar year, less any tax losses not yet offset by the taxpayer.

The following corporate income tax measures are instituted indefinitely:

1 Financial expenses arising from debts to group companies are deemed to be non-deductible regardless of residence and of the obligation to prepare consolidated financial statements if those debts are for the acquisition from other group companies of holdings in the capital or own funds of any firm, or for the making of contributions to the capital or own funds of other group companies, unless the taxpayer provides evidence of valid economic reasons for such transactions.

2 The overall limit on the deduction of net financial expenses is set at 30% of operating profit for the year.[29] However, any undeducted net financial expenses may be deducted in the tax periods ending in the following 18 years, together with those of the current tax period, subject to the aforementioned overall limit. By contrast, if the net financial expenses of the tax period do not reach the overall limit, the difference from that limit will be added to the deduction in the next five tax periods until that difference is exhausted.

3 The rules on exemptions in transfers of holdings in companies not resident in Spain are changed so as to make the exemption dependent on the proportion of the total period of ownership of the holding represented by the time during which the exemption requirements have been complied.[30]

4 Progressive elimination of accelerated depreciation with maintenance of employment (regulated in the eleventh additional provision of the Corporate Income Tax Law), which is extended to personal income tax. Also, taxation is imposed on the income obtained in the subsequent transfer of the asset subject to that accelerated depreciation.

Meanwhile, exclusively for 2012, a special levy (8%) is imposed on dividends and income of foreign origin derived from the transfer of equity securities of companies not resident in Spain. Such income does not carry entitlement to apply the double taxation tax credit.

Finally, special tax reporting is established for certain incomes, such that taxpayers[31] that own assets or rights not corresponding to the income declared under certain taxes may submit an additional return (provided for in this Royal Decree-Law) to regularise their tax situation, provided that they owned those assets or rights prior to the end of the last tax

29 For these purposes, net financial expenses are defined as the excess of financial expenses over revenues derived from the assignment to third parties of proprietary capital accrued in the tax period, excluding certain expenses specified in Article 14 of the Corporate Income Tax Law. The operational beneficiary shall be determined on the basis of the operating profit per the period income statement, after removing certain items such as fixed asset depreciation and adding others such as financial income from interests in equity instruments, subject to certain limitations.

30 These requirements are as follows: 1) the percentage of direct or indirect holding in the capital or own funds of the non-resident entity is at least 5%; 2) the investee was taxed under a foreign tax of the same or similar nature to this tax in the period in which the profit distributed or subject to an equity interest was earned; and 3) the profit distributed or subject to an equity interest arises from the performance of business activities abroad.

31 Be they taxpayers under personal income tax, corporate income tax or non-resident income tax.

period whose reporting deadline expired before the Royal Decree-Law came into force. In this case, they must submit a return or pay in the amount which results from applying a percentage of 10% to its amount or acquisition cost. Compliance shall not carry claimability of penalties, interest or surcharges.

The Royal Decree-Law came into force on 31 March 2012.

Extraordinary financing mechanisms for payment of local and regional government suppliers

Royal Decree-Law 4/2012 of 24 February 2012 (BOE of 25 February 2012) set out information obligations and procedures necessary to establish a financing mechanism for payments to local government suppliers, and *Royal Decree-Law 7/2012 of 9 March 2012* (BOE of 10 March 2012), amended by *Royal Decree-Law 10/2012 of 23 March 2012* (BOE del 24), set up the Fund for Financing Payments to Suppliers.

Royal Decree-Law 4/2012 aims to provide the conditions necessary for local governments to meet their outstanding payment obligations to suppliers stemming from the tendering out of works, supplies or services. For this purpose it sets in place an extraordinary financing mechanism, of which regional governments can also avail themselves.

Royal Decree-Law 7/2012 sets up the *Fondo para la Financiación de los Pagos a Proveedores* (Fund for Financing Payments to Suppliers, hereafter "the Fund") and regulates the terms and conditions of transactions for paying the outstanding obligations of local governments and, where applicable, of the regional governments that have availed themselves of this financing mechanism.

SCOPE

The outstanding payment obligations to suppliers and contractors[32] have to meet the following conditions: 1) they must be due, net and claimable; 2) the related invoice or demand for payment was issued before 1 January 2012 and 3) they relate to works, services or supplies falling within the scope of the consolidated Public Sector Contracts Law enacted by Legislative Royal Decree 3/2011 of 14 November 2011.

Excluded are local government agents' obligations to State general government or any of its constituent bodies or agents, to regional governments or any of their constituent bodies or agents, to other local government agents and to the social security system.

PROVISION OF INFORMATION BY LOCAL GOVERNMENTS

Local governments must, by 15 March, send electronically to the Ministry of Financial Affairs and Public Administration a certified list of all outstanding payment obligations meeting the aforementioned three requirements accompanied by the following information: 1) identification of contractor, which shall include employer or tax identification number, company name and registered office; 2) principal amount of the outstanding payment obligation and any VAT or Canary Islands general indirect tax, not including interest, legal costs or any other ancillary costs; 3) date of recording in the administrative register of the invoice, any supplementary invoice for rectification purposes or equivalent demand for payment prior to 1 January 2012; and 4) evidence of whether the contractor initiated legal proceedings to enforce payment before 1 January 2012.

If partial payments of debts to contractors were agreed with them, the aforementioned certificate shall state the total outstanding amount at the time it was issued. In such cases, the local governments must inform of any maturities occurring up to 31 December 2012.

32 A contractor is defined as the successful tenderer for a contract and also the assignee to whom receivables under the contract have been transferred.

ADJUSTMENT PLAN

The financial controller shall submit to the plenary session of the local government an adjustment plan for approval by 31 March. It must contain, inter alia, the following: 1) sufficient current revenue to finance its current expenses and debt repayments, including the debt entered into within the framework of this Royal Decree-Law; 2) current revenue projections; 3) description and application schedule of the structural reforms to be implemented; and 4) measures for reducing the administrative burden of citizens and firms to be adopted as provided by Resolution of the government's Standing Committee for Economic Affairs. This plan may include, inter alia, changes to the organisation of the local government.

Once approved by the plenary session, the adjustment plan shall be sent electronically to the competent body of the Ministry of Financial Affairs and Public Administration, which will assess it and communicate the assessment to the local government within 30 calendar days from the date the plan was received. That assessment, if not communicated within said time period, shall be deemed to be unfavourable.

EXTRAORDINARY FINANCING MECHANISM

If the assessment is favourable, the adjustment plan shall be deemed to be authorised and the financing mechanism shall be set in motion. The final details of the adjustment plan shall be specified immediately by Resolution of the government's Standing Committee for Economic Affairs. This mechanism may be implemented over time in successive phases which may not extend beyond this year. The criteria for priority in the payment of obligations shall include the following: 1) discount offered on the principal amount of the outstanding payment obligation; 2) legal proceedings to enforce payment of the obligation in question were initiated before 1 January 2012, and 3) age of the outstanding payment obligation. However, in a press release of 8 March 2012, the Ministry of Financial Affairs and Public Administration rectified these criteria to give preference to the payment of the oldest debts. In addition, it ruled out the possibility of compulsory partial acquittance of debt.

To finance their payment obligations, local governments shall enter into a long-term debt-incurrence transaction the financial conditions of which shall be set by the government's Standing Committee for Economic Affairs. This transaction could entail the assignment to the State of the local government's share in State taxes in the amount necessary to meet those payment obligations, provided that it does not affect compliance with other obligations derived from the debt-incurrence transactions envisaged in the adjustment plan.

The generation of a cash deficit for overheads in the period of repayment of the debt-incurrence transaction shall entail the prohibition to make further investments in the following year financed by debt (irrespective of whether those investments are tangible, intangible or financial, direct or indirect through subsidies granted to subsidiaries).

If local governments do not enter into the aforementioned debt-incurrence transaction, of if they enter into it but default on the related payment obligations, the competent body of the Ministry of Financial Affairs and Public Administration or the competent public agent shall make the appropriate withholdings with a charge to the payment orders issued to satisfy its share in State taxes, provided that this does not affect compliance with other obligations derived from the debt-incurrence transactions envisaged in the adjustment plan.

Also, arrangements are set in place to monitor the adjustment plan. In accordance with this monitoring, the local governments entering into debt-incurrence transactions must submit annually to the Ministry of Financial Affairs and Public Administration a report on the execution of adjustment plans. This report will be quarterly in some local governments.

To ensure repayment of the amounts derived from the debt-incurrence transactions entered into, local governments may be subjected to control actions by the National Audit Office.

FUND FOR FINANCING PAYMENTS TO SUPPLIERS

This Fund is a public law entity within the Ministry of Economic Affairs and Competitiveness, to which it is attached through the State Secretariat for Economic Affairs and Business Support, and will be under the stewardship of the Ministry of Financial Affairs and Public Administration Ministry of Financial Affairs and Public Administration, to which it reports operationally.

It has an endowment of €35,000 million charged to the State budget for 2011. It is empowered to raise funds through any type of debt-incurrence transaction in the capital markets, and those transactions will be guaranteed by the State.

The Fund will be administered, managed and directed by a Steering Council consisting of representatives of the State Secretary for the Budget and Expenditure, of the State Secretary for Public Administration, of the State Secretary for Economic Affairs and Business Support and of the State Secretary for the Treasury and Financial Policy. Also forming part of the Steering Council, with the right to speak but not to vote, will be a representative of the Attorney General and a representative of the National Audit Office.

The Steering Council shall have, inter alia, the following functions: 1) to establish management guidelines; 2) to monitor and assess the Fund's activity; 3) to decide on how to use the income obtained; 4) to approve the draft operational and capital budgets; 5) to prepare and approve the annual accounts; and 6) to adopt the relevant resolutions, including the procurement of services from private or public entities, to provide the Fund with the necessary human and physical resources.

The Fund shall enter into credit transactions with local governments and, where appropriate, with the regional governments that avail themselves of the extraordinary financing mechanism to pay their outstanding obligations.

The utilisation of the financing granted to local and regional governments shall be through direct payments to suppliers, the Fund being subrogated to such claims as the suppliers may have on those local and regional governments for the amount effectively paid.

The credit transactions entered into by local government shall be guaranteed by the withholdings envisaged in Royal Decree-Law 4/2012. Should the local government not have entered into the debt-incurrence transaction, the withholding shall be used to offset the financial expenses and costs incurred.

Finally, the debts incurred by the Fund to raise funds shall be subject to the same tax regime as State debt, both for residents and for non-residents.

Royal Decree-Law 4/2012 and Royal Decree-Law 7/2012 came into force on 26 February 2012 and 11 March 2012, respectively.

Share capital companies: simplification of reporting and documentation requirements in the case of mergers and divisions

Royal Decree-Law 9/2012 of 16 March 2012 (BOE of 17 March 2012) on simplification of reporting and documentation requirements in the case of mergers and divisions of share capital companies amended the consolidated text of the Share Capital Companies Law enacted by Legislative Royal Decree 1/2010 of 2 July 2010 and Law 3/2009 of 3 April 2009 on structural changes to companies. Its purpose is to transpose into Spanish law Directive

2009/109/EC of the European Parliament and of the Council of 16 September 2009 amending Council Directives 77/91/EEC, 78/855/EEC and 82/891/EEC, and Directive 2005/56/EC as regards reporting and documentation requirements in the case of mergers and divisions.

The most significant new developments are as follows.

WEBSITE AND ELECTRONIC COMMUNICATIONS

The status of websites and electronic communications is enhanced in order to facilitate the functioning of companies and enable greater cost savings. Having a website is made compulsory for listed companies, while it continues to be optional for other share capital companies.

The resolution to create, change, transfer or remove a website shall be entered in the competent Mercantile Register and published in the Official Gazette of the Mercantile Register (*Boletín Oficial del Registro Mercantil* – BORM). The company shall ensure the security of the website, the authenticity of the documents published, free access to the website and the possibility of downloading and printing its contents.

Communications between the company and equity holders, including remittance of documents and information, may be by electronic means if the equity holder has expressly agreed to it.

CHANGES REGARDING COMPANY MERGERS

If various listed public limited companies whose securities are admitted to trading on an official secondary market or on a regulated market domiciled in the European Union participate in a merger, the merger balance sheet may be replaced by the 6-monthly financial report of each of them, provided that the report relates to a period ended and was made public in the six months preceding the date of the draft terms of merger. The report shall be made available to the shareholders in the same way as that stipulated for the merger balance sheet.

If the merging companies have a website, the directors must include on that website the common draft terms of merger, which shall be published free of charge in the BORM along with the identification of the website where they are located. They shall remain on the website until expiry of the deadline for creditors to exercise their right to oppose the merger. Similarly, the website shall also include the notice of the general meeting which is to decide on the merger or the individual communication of that announcement to equity holders, along with the related documentations stipulated in the previous legislation.[33]

The independent experts' report on the draft terms of merger is substantially shortened in the following cases: 1) if so agreed unanimously by the voting equity holders of all the merging companies, and 2) if the acquiring company owns directly or indirectly all the shares or other equity of the acquired company or companies. In these situations, the report shall be limited to stating an opinion on whether the assets and liabilities contributed by the companies being dissolved is at least equal to the capital of the new company or to the amount of the increase in capital of the acquiring company.

Provision is made for the right of creditors to oppose the merger in respect of the financial claims existing before the draft terms of merger were lodged with the Mercantile Register

33 Including the common draft terms of merger or, where applicable, the directors' reports of each company on the draft terms of merger; the reports of independent experts; the annual accounts and management reports of the last three years; the merger balance sheet of each of the merging companies, etc.

and, now, where applicable, before the date that the draft terms of merger are made available on the companies' respective websites. If the merger took place despite the exercise, in accordance with law, of a legitimate creditor's right to oppose it, without the debtor company submitting collateral or providing a joint and several guarantee in its favour, the creditor may approach the Mercantile Register in which the merger was recorded to demand that a margin note be inserted in the entry made to evidence the exercise of that right. Accordingly, it is permitted that, in the six months following the date of that margin note, proceedings may be initiated before the commercial courts against the acquiring company or against the new company to demand the provision of security for payment of the claim.

CHANGES REGARDING DIVISIONS OF COMPANIES

The main new development is the simplification of the formalities required in the case of a division due to the formation of new companies. Thus it is no longer necessary to submit the directors' report on the draft terms of merger, the independent experts' report or the division balance sheet if the shares or other equity units of each of the new companies are allocated to the equity holders of the company being divided in proportion to their rights in the capital of that company.

VALUATION OF NON-MONETARY CONTRIBUTIONS IN PUBLIC LIMITED COMPANIES

The new legislation raises to three the number of new cases in which it is not necessary to submit an independent experts' report to value the non-monetary contributions in the formation or in capital increases of public limited companies. They are as follows: 1) if, in the formation of a new company by merger or division, an independent experts' report has been prepared on the draft terms of merger or division; 2) if the capital increase is made for the purpose of delivering the new shares or other equity units to the equity holders of the acquired or spun-off company and an independent experts' report has been prepared on the draft terms of merger or division; and 3) if the capital increase is made for the purpose of delivering the new shares to the equity holders of the company targeted by a takeover bid.

Lastly, the Royal Decree-Law makes certain changes to the wording of the rules on equity holders' entitlement to be insulated against the claims of other creditors in cases of cross-border merger and of transferral of registered office abroad.

The Royal Decree-Law came into force on 18 March 2012.

31.3.2012.

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

1 IMF Special Data Dissemination Standard (SDDS).

INTEREST RATES
AND INDICES OF SPANISH
COMPETITIVENESS

1 IMF Special Data Dissemination Standard (SDDS).

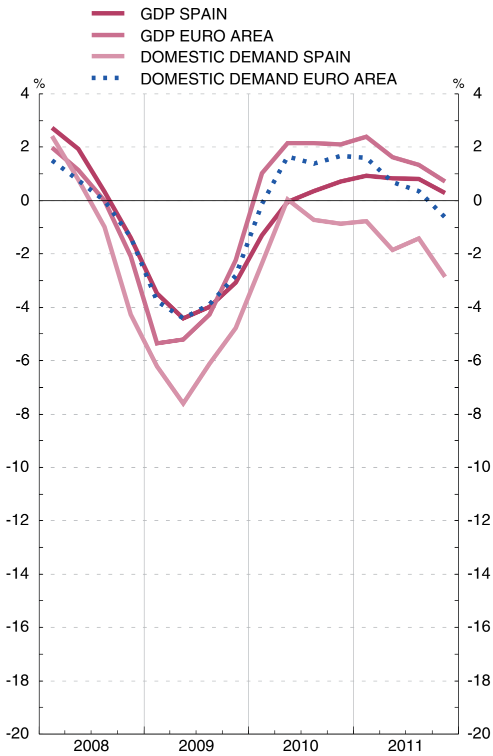
1.1. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES, REFERENCE YEAR 2008=100. DEMAND COMPONENTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

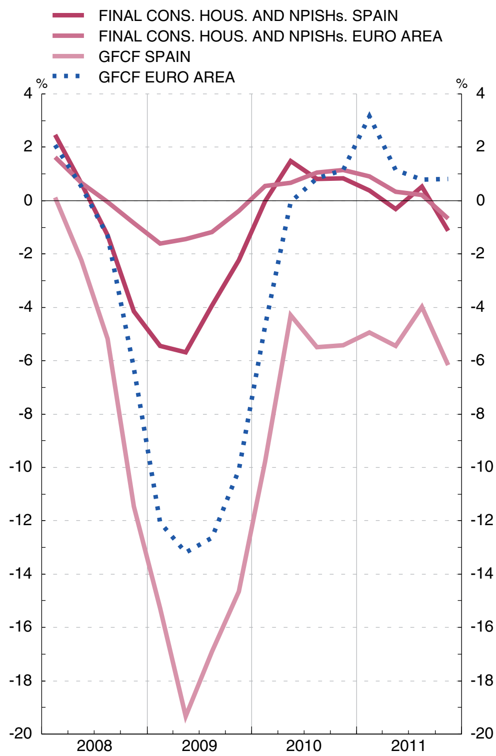
Annual percentage changes

		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
09	P	-3.7	-4.3	-4.3	-1.1	3.7	2.6	-16.6	-12.0	-6.2	-3.7	-10.4	-12.6	-17.2	-11.5	1 048	8 921
10	P	-0.1	1.9	0.8	0.9	0.2	0.5	-6.3	-0.7	-1.0	1.1	13.5	11.1	8.9	9.4	1 051	9 151
11	P	0.7	1.5	-0.1	0.2	-2.2	-0.0	-5.1	1.5	-1.7	0.5	9.0	6.4	-0.1	4.0	1 073	9 410
09 *Q1*	P	-3.5	-5.3	-5.5	-1.6	5.7	2.7	-15.3	-12.1	-6.2	-3.8	-16.1	-16.3	-22.3	-12.9	265	2 225
Q2	P	-4.4	-5.2	-5.7	-1.4	4.6	2.6	-19.3	-13.2	-7.6	-4.4	-15.2	-16.3	-23.3	-14.8	262	2 221
Q3	P	-4.0	-4.3	-3.9	-1.2	3.3	2.6	-16.9	-12.6	-6.1	-3.9	-9.1	-12.6	-15.2	-11.9	261	2 232
Q4	P	-3.1	-2.2	-2.2	-0.4	1.4	2.4	-14.6	-10.1	-4.8	-2.8	-0.4	-5.0	-6.7	-6.4	260	2 242
10 *Q1*	P	-1.3	1.0	-0.0	0.5	0.6	1.2	-9.8	-4.7	-2.3	-0.1	11.9	7.3	6.3	4.3	261	2 257
Q2	P	-0.0	2.2	1.5	0.7	1.0	0.7	-4.3	-0.1	0.1	1.6	15.3	13.0	14.5	11.9	262	2 284
Q3	P	0.4	2.1	0.8	1.0	0.2	0.3	-5.5	0.8	-0.7	1.4	11.8	12.1	7.0	10.4	263	2 300
Q4	P	0.7	2.1	0.8	1.2	-0.9	-0.2	-5.4	1.1	-0.9	1.7	14.9	11.8	8.0	11.1	265	2 310
11 *Q1*	P	0.9	2.4	0.4	0.9	0.6	0.3	-4.9	3.2	-0.8	1.6	13.1	9.9	6.0	8.1	267	2 338
Q2	P	0.8	1.6	-0.3	0.3	-2.1	0.1	-5.4	1.1	-1.8	0.7	8.8	6.4	-1.3	4.2	268	2 351
Q3	P	0.8	1.3	0.5	0.2	-3.6	-0.1	-4.0	0.8	-1.4	0.4	9.2	5.6	0.9	3.3	269	2 362
Q4	P	0.3	0.7	-1.1	-0.7	-3.6	-0.4	-6.2	0.8	-2.9	-0.6	5.2	3.6	-5.9	0.4	269	2 359

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 2008) 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.

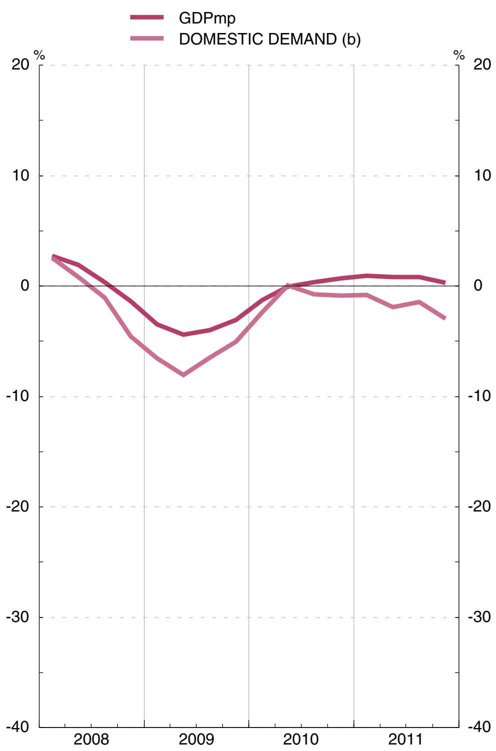
1.2. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2008=100. DEMAND COMPONENTS. SPAIN: BREAKDOWN (a)

■ Series depicted in chart.

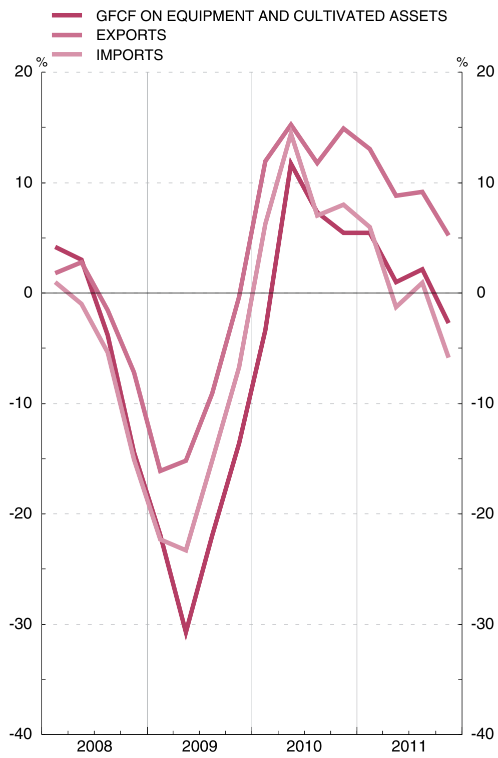
Annual percentage changes

		Gross fixed capital formation					Change in Stocks (b)	Exports of goods and services				Imports of goods and services				Memorandum items	
		Total	Tangible fixed assets			Intangible fixed assets		Total	Goods	Services	Of which: Final consumption of non-residents in economic territory	Total	Goods	Services	Of which: Final consumption of residents in the rest of the world	Domestic demand (b) (c)	GDP
			Total	Construction	Equipment and cultivated assets												
		1	2	3	4 ■	5	6	7 ■	8	9	10	11 ■	12	13	14	15 ■	16 ■
09	P	-16.6	-17.2	-15.4	-22.3	-3.9	-0.0	-10.4	-10.8	-9.6	-9.6	-17.2	-18.6	-12.0	-13.3	-6.5	-3.7
10	P	-6.3	-6.4	-10.1	5.1	-4.8	0.0	13.5	13.9	12.6	2.6	8.9	11.3	1.1	0.4	-1.0	-0.1
11	P	-5.1	-5.4	-8.1	1.4	0.0	-0.0	9.0	9.5	7.8	6.4	-0.1	0.6	-2.9	-4.6	-1.8	0.7
09 *Q1*	P	-15.3	-15.8	-13.7	-21.9	-2.9	0.0	-16.1	-20.6	-6.9	-11.9	-22.3	-24.8	-12.3	-18.6	-6.6	-3.5
Q2	P	-19.3	-20.0	-16.1	-30.7	-5.9	-0.0	-15.2	-17.1	-11.2	-11.1	-23.3	-25.7	-14.1	-14.5	-8.0	-4.4
Q3	P	-16.9	-17.6	-16.0	-22.0	-3.2	-0.1	-9.1	-8.5	-10.3	-9.9	-15.2	-16.3	-11.1	-11.9	-6.5	-4.0
Q4	P	-14.6	-15.2	-15.8	-13.6	-3.6	-0.0	-0.4	4.9	-10.2	-5.2	-6.7	-5.6	-10.6	-7.1	-5.1	-3.1
10 *Q1*	P	-9.8	-10.0	-12.2	-3.4	-5.4	-0.0	11.9	14.9	6.5	-0.9	6.3	7.8	1.3	-1.3	-2.4	-1.3
Q2	P	-4.3	-4.5	-9.4	11.7	-0.5	0.0	15.3	16.0	13.8	1.0	14.5	17.8	3.9	0.1	0.1	-0.0
Q3	P	-5.5	-5.4	-9.5	7.3	-7.8	0.0	11.8	10.8	13.9	5.4	7.0	9.6	-1.2	2.4	-0.7	0.4
Q4	P	-5.4	-5.4	-9.3	5.4	-5.4	0.1	14.9	14.3	16.4	4.9	8.0	10.4	0.4	0.3	-0.9	0.7
11 *Q1*	P	-4.9	-5.3	-9.2	5.5	1.5	0.0	13.1	17.0	5.5	6.0	6.0	8.3	-1.8	-2.8	-0.8	0.9
Q2	P	-5.4	-5.6	-8.1	1.0	-3.1	-0.0	8.8	9.6	7.4	8.3	-1.3	-0.2	-5.3	-5.7	-1.9	0.8
Q3	P	-4.0	-4.3	-7.0	2.2	2.0	-0.1	9.2	9.5	8.2	6.3	0.9	1.4	-1.0	-5.6	-1.4	0.8
Q4	P	-6.2	-6.5	-8.2	-2.7	-0.3	-0.1	5.2	2.9	10.1	5.1	-5.9	-6.6	-3.3	-4.3	-2.9	0.3

GDP. DOMESTIC DEMAND
Annual percentage changes



GDP. DEMAND COMPONENTS
Annual percentage changes



Source: INE (Quarterly National Accounts of Spain. Base year 2008).
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.

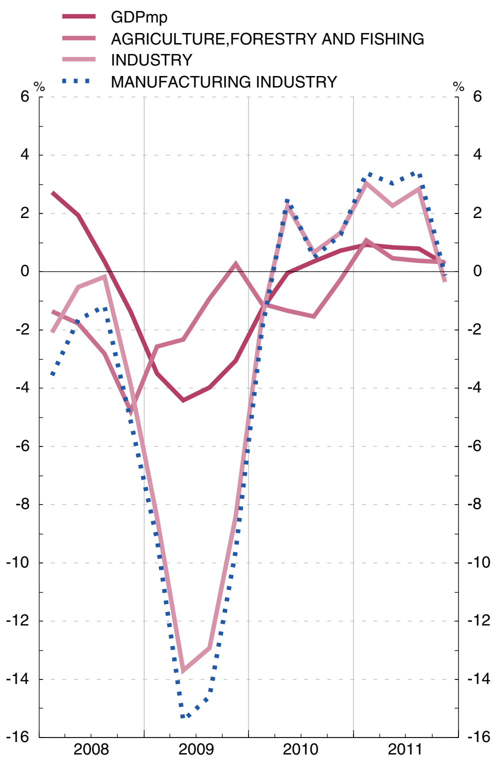
1.3. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2008=100. BRANCHES OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

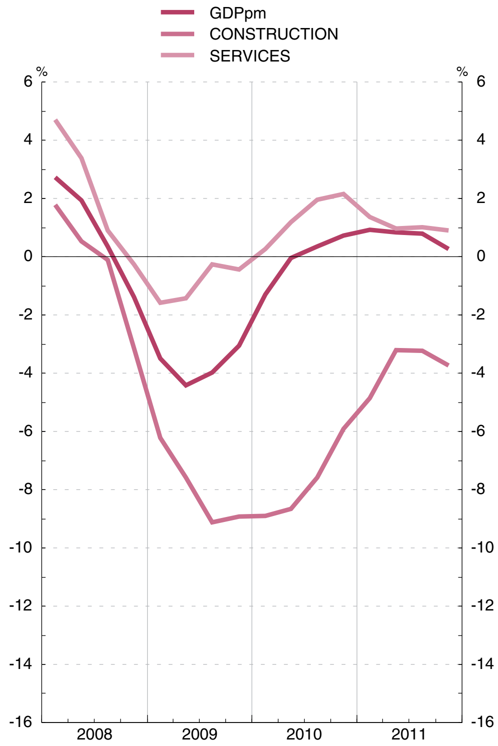
Annual percentage changes

		Gross domestic product at market prices	Agri-culture livestock breeding, forestry and fishing	Industry		Construc-tion industry	Services								Net taxes on products
				Total	Of which: Manufac-turing industry		Total	Trade, transport and acomoda-tion	Informa-tion and communi-cations	Financial and insurance activities	Real estate activities	Profes-sional activities	Public Ad-ministra-tion, Health and Education	Artistic, recreational and other services activities	
		1 ■	2 ■	3 ■	4 ■	5 ■	6 ■	7	8	9	10	11	12	13	14
09	P	-3.7	-1.4	-10.9	-12.2	-8.0	-0.9	-2.4	-1.2	-3.8	-1.0	-3.1	2.9	-0.3	-5.4
10	P	-0.1	-1.1	0.6	0.5	-7.8	1.4	0.9	1.2	6.6	1.5	0.4	1.6	-3.2	-1.2
11	P	0.7	0.6	1.9	2.4	-3.8	1.1	1.5	0.7	-1.0	1.1	2.5	1.0	-1.8	1.7
09 *Q1*	P	-3.5	-2.6	-8.4	-9.2	-6.2	-1.6	-3.8	-1.9	-3.0	-2.4	-3.0	3.2	-1.6	-4.6
Q2	P	-4.4	-2.3	-13.7	-15.4	-7.6	-1.4	-3.4	-2.0	-5.4	-1.3	-3.6	3.5	-0.5	-5.1
Q3	P	-4.0	-0.9	-12.9	-14.6	-9.1	-0.3	-2.1	-1.8	0.0	-0.4	-2.7	3.3	1.3	-7.1
Q4	P	-3.1	0.3	-8.4	-9.6	-8.9	-0.4	-0.1	0.8	-6.7	-0.1	-3.0	1.7	-0.3	-4.8
10 *Q1*	P	-1.3	-1.1	-1.6	-2.0	-8.9	0.3	-0.5	-0.9	1.8	0.0	-0.2	1.4	-1.9	-1.1
Q2	P	-0.0	-1.3	2.3	2.5	-8.7	1.2	1.1	2.7	6.4	0.6	0.0	0.6	-2.6	-0.6
Q3	P	0.4	-1.5	0.6	0.5	-7.6	2.0	1.5	2.2	10.0	0.9	0.7	2.0	-3.4	-0.9
Q4	P	0.7	-0.3	1.3	1.3	-5.9	2.2	1.4	0.7	8.9	4.4	1.3	2.6	-4.8	-2.2
11 *Q1*	P	0.9	1.1	3.0	3.4	-4.9	1.4	2.7	1.2	-4.7	2.6	3.1	1.2	-3.1	1.2
Q2	P	0.8	0.5	2.3	3.0	-3.2	1.0	2.0	-0.4	-2.3	1.0	1.7	1.4	-3.8	2.5
Q3	P	0.8	0.4	2.8	3.4	-3.2	1.0	0.9	0.9	-0.1	1.3	2.8	1.0	-1.1	1.3
Q4	P	0.3	0.3	-0.4	-0.1	-3.7	0.9	0.3	1.1	3.5	-0.3	2.6	0.3	0.7	2.0

GDP. BRANCHES OF ACTIVITY
Annual percentage changes



GDP. BRANCHES OF ACTIVITY
Annual percentage changes



Source: INE (Quarterly National Accounts of Spain. Base year 2008).
a. Prepared in accordance with ESA95, seasonally- and working-day-adjusted series (see Economic bulletin April 2002).

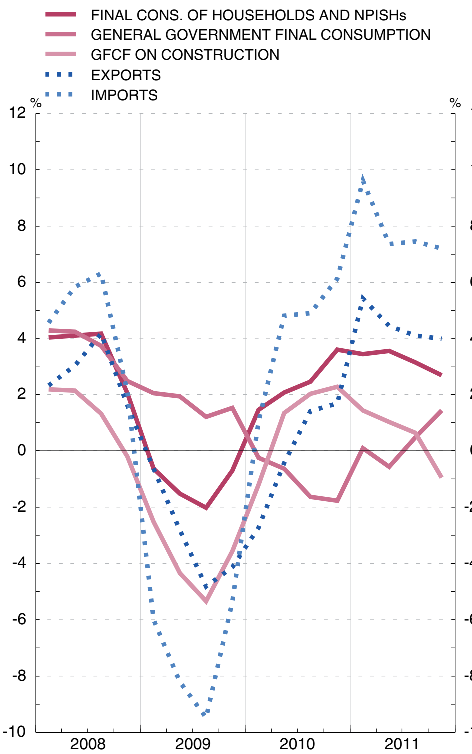
1.4. GROSS DOMESTIC PRODUCT. IMPLICIT DEFLATORS. SPAIN (a)

■ Series depicted in chart.

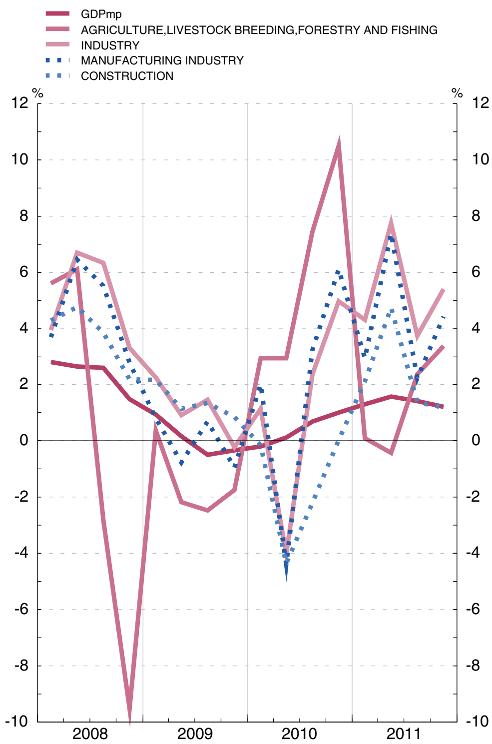
Annual percentage changes

		Demand components								Gross domestic product at market prices	Branches of activity											
		Final consumption of households and NPISHs (b)	General government final consumption	Gross fixed capital formation: Total	Gross fixed capital formation: Tangible fixed assets: Construction	Gross fixed capital formation: Tangible fixed assets: Equipment and cultivated assets	Gross fixed capital formation: Intangible fixed asstes	Exports of goods and services	Imports of goods and services		Agriculture, livestock breeding, forestry and fishing	Industry: Total	Industry: On which Manufacturing industry	Construction	Services: Total	Services: Trade, transport and accommodation	Services: Information and communications	Services: Financial and insurance activities	Services: Real estate activities	Services: Professional activities	Services: Public administration, Health and Education	Services: Artistic recreational and other services activities
		1 ■	2 ■	3	4 ■	5	6	7 ■	8 ■	9 ■	10 ■	11 ■	12 ■	13 ■	14	15	16	17	18	19	20	21
09	P	-1.2	1.7	-3.4	-3.9	-2.5	-0.3	-3.1	-7.3	0.1	-1.5	1.1	-0.1	1.4	1.4	1.5	-0.0	10.1	-8.2	0.7	2.8	1.4
10	P	2.4	-1.1	2.0	1.1	4.4	2.1	0.0	4.3	0.4	5.9	1.1	1.7	-1.7	-1.9	0.7	-6.7	-29.4	13.2	-0.4	-1.2	0.9
11	P	3.2	0.4	2.0	0.6	5.2	1.6	4.5	7.8	1.4	1.4	5.2	4.2	2.3	1.1	3.2	-0.8	-5.4	4.5	1.1	-1.2	2.2
09 *Q1*	P	-0.6	2.1	-2.3	-2.5	-2.0	-0.2	-0.6	-6.0	0.9	0.4	2.3	0.8	2.2	2.4	3.3	0.5	11.9	-8.0	2.4	3.0	1.8
Q2	P	-1.5	1.9	-3.8	-4.3	-3.0	0.0	-2.8	-8.2	0.2	-2.2	0.9	-0.8	1.1	1.4	1.4	0.2	13.1	-10.0	0.7	3.1	0.6
Q3	P	-2.0	1.2	-4.7	-5.3	-3.8	-0.2	-4.8	-9.5	-0.5	-2.5	1.5	0.7	1.3	1.5	1.3	2.0	8.2	-5.8	0.6	2.7	2.4
Q4	P	-0.7	1.5	-2.9	-3.6	-1.3	-0.7	-4.1	-5.4	-0.3	-1.7	-0.2	-1.0	0.8	0.1	0.2	-2.9	7.3	-9.2	-0.9	2.6	0.7
10 *Q1*	P	1.5	-0.2	-0.3	-1.2	1.7	2.3	-2.7	1.0	-0.2	2.9	1.2	2.0	-0.1	-1.0	1.1	-5.7	-27.5	14.5	-0.8	0.7	2.0
Q2	P	2.1	-0.6	2.1	1.4	4.1	1.8	-0.4	4.8	0.1	3.0	-4.0	-4.4	-4.4	-2.7	-1.1	-8.4	-29.1	10.5	-2.6	0.4	-0.2
Q3	P	2.4	-1.6	3.0	2.0	5.6	2.0	1.4	4.9	0.7	7.5	2.4	3.2	-2.2	-2.6	0.1	-7.9	-31.5	13.3	0.2	-2.1	-0.7
Q4	P	3.6	-1.8	3.4	2.3	6.1	2.2	1.7	6.1	1.0	10.5	5.0	6.1	0.0	-1.2	2.7	-4.5	-29.6	14.4	1.8	-3.9	2.9
11 *Q1*	P	3.4	0.1	2.6	1.4	5.8	1.2	5.4	9.6	1.3	0.1	4.3	2.9	2.1	0.5	2.6	-1.4	-13.2	4.4	1.9	-1.2	1.9
Q2	P	3.5	-0.5	2.4	1.0	5.7	2.0	4.4	7.3	1.6	-0.4	7.7	7.4	4.7	2.0	4.7	0.5	-6.1	8.7	3.1	-2.4	2.4
Q3	P	3.1	0.5	2.0	0.6	5.1	1.4	4.1	7.5	1.4	2.4	3.7	2.2	1.4	1.0	3.1	-1.1	-1.2	2.3	-0.3	-1.0	1.5
Q4	P	2.7	1.5	0.8	-1.0	4.5	1.9	4.0	7.2	1.2	3.4	5.4	4.4	1.2	1.0	2.5	-1.3	-0.9	3.1	-0.1	-0.3	2.7

GDP. IMPLICIT DEFLATORS
Annual percentage changes



GDP. IMPLICIT DEFLATORS
Annual percentage changes



Source: INE (Quarterly National Accounts of Spain. Base year 2008).

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

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

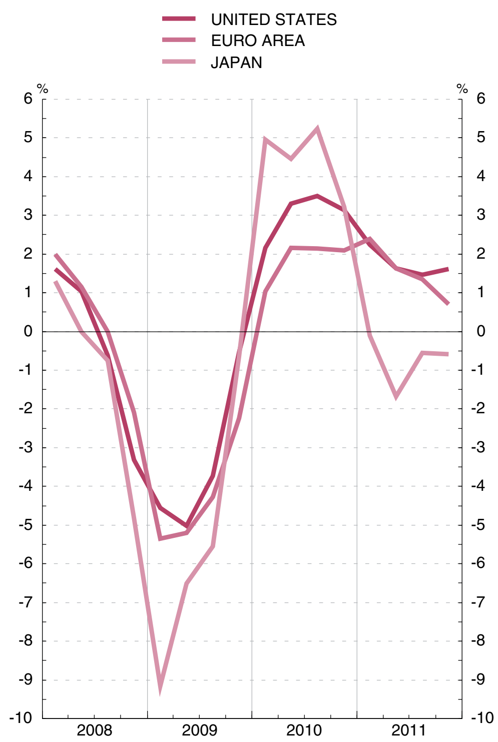
2.1. INTERNATIONAL COMPARISON. GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

■ Series depicted in chart.

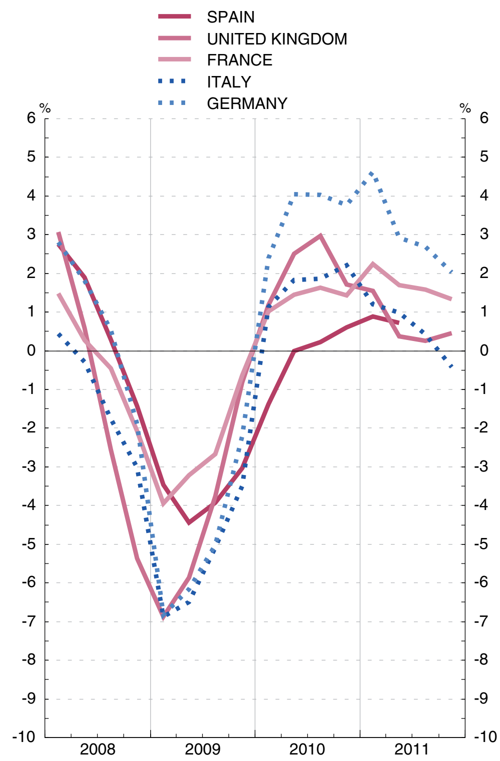
Annual percentage changes

	OECD 1	EU-27 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
09	-3.7	-4.3	-4.3	-5.1	-3.7	-3.5	-2.6	-5.5	-5.5	-4.4
10	3.1	2.0	1.9	3.6	-0.1	3.0	1.4	1.8	4.5	2.1
11	1.9	1.6	1.5	3.1	0.7	1.7	1.7	0.5	-0.7	0.7
08 *Q4*	-2.9	-2.6	-2.1	-1.9	-1.4	-3.3	-2.1	-3.0	-4.8	-5.4
09 *Q1*	-5.4	-5.4	-5.3	-6.8	-3.5	-4.5	-3.9	-6.9	-9.2	-6.9
Q2	-5.0	-5.3	-5.2	-6.2	-4.4	-5.0	-3.2	-6.5	-6.5	-5.9
Q3	-3.8	-4.3	-4.3	-5.0	-4.0	-3.7	-2.7	-5.1	-5.6	-3.8
Q4	-0.7	-2.0	-2.2	-2.2	-3.1	-0.5	-0.6	-3.5	-0.6	-0.8
10 *Q1*	2.6	1.0	1.0	2.4	-1.3	2.2	1.0	1.1	5.0	1.2
Q2	3.5	2.3	2.2	4.1	-0.0	3.3	1.4	1.8	4.5	2.5
Q3	3.4	2.4	2.1	4.0	0.4	3.5	1.6	1.9	5.2	3.0
Q4	3.1	2.3	2.1	3.8	0.7	3.1	1.4	2.2	3.2	1.7
11 *Q1*	2.5	2.4	2.4	4.6	0.9	2.2	2.3	1.2	-0.1	1.5
Q2	1.7	1.6	1.6	2.9	0.8	1.6	1.7	1.0	-1.7	0.4
Q3	1.7	1.4	1.3	2.7	0.8	1.5	1.6	0.4	-0.5	0.3
Q4	...	0.8	0.7	2.0	0.3	1.6	1.3	-0.4	-0.6	0.5

GROSS DOMESTIC PRODUCT
Annual percentage changes



GROSS DOMESTIC PRODUCT
Annual percentage changes



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

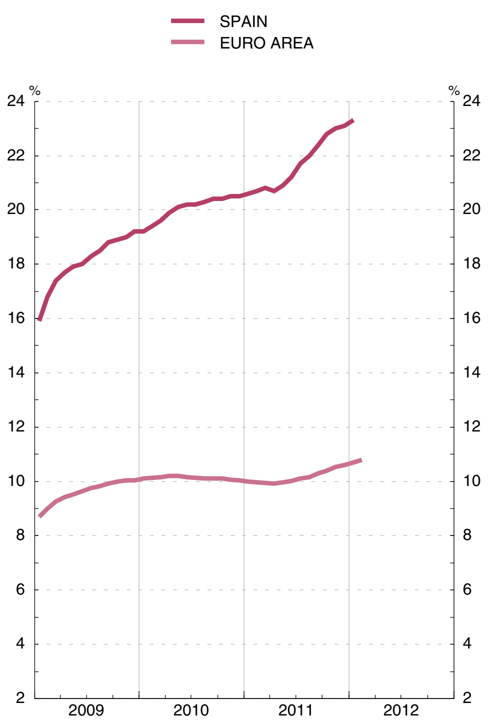
2.2. INTERNATIONAL COMPARISON. UNEMPLOYMENT RATES

■ Series depicted in chart.

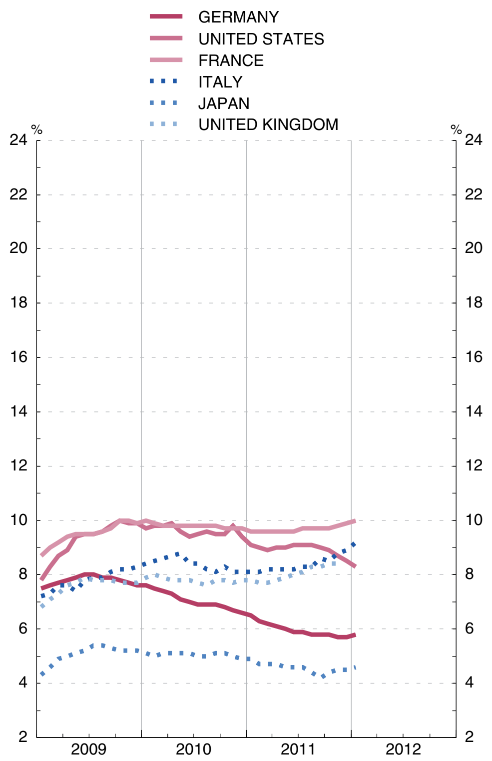
Percentages

	OECD	EU-27	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3 ■	4 ■	5 ■	6 ■	7 ■	8 ■	9 ■	10 ■
09	8.4	9.0	9.6	7.8	18.0	9.3	9.5	7.8	5.1	7.6
10	8.6	9.7	10.1	7.1	20.1	9.6	9.8	8.4	5.1	7.8
11	8.2	9.7	10.2	6.0	21.7	8.9	9.7	8.4	4.6	8.0
10 *Aug*	8.5	9.6	10.1	6.9	20.3	9.6	9.8	8.2	5.0	7.6
Sep	8.5	9.6	10.1	6.9	20.4	9.5	9.8	8.1	5.1	7.8
Oct	8.5	9.6	10.1	6.8	20.4	9.5	9.7	8.3	5.1	7.8
Nov	8.5	9.6	10.1	6.7	20.5	9.8	9.7	8.1	5.0	7.7
Dec	8.4	9.6	10.0	6.6	20.5	9.4	9.7	8.1	4.9	7.8
11 *Jan*	8.3	9.5	10.0	6.5	20.6	9.1	9.6	8.1	4.9	7.8
Feb	8.2	9.5	10.0	6.3	20.7	9.0	9.6	8.1	4.7	7.7
Mar	8.2	9.5	10.0	6.2	20.8	8.9	9.6	8.2	4.7	7.7
Apr	8.2	9.5	9.9	6.1	20.7	9.0	9.6	8.2	4.7	7.8
May	8.2	9.5	10.0	6.0	20.9	9.0	9.6	8.2	4.6	7.9
Jun	8.3	9.6	10.0	5.9	21.2	9.1	9.6	8.2	4.6	8.0
Jul	8.3	9.6	10.1	5.9	21.7	9.1	9.7	8.3	4.6	8.1
Aug	8.2	9.7	10.2	5.8	22.0	9.1	9.7	8.3	4.4	8.3
Sep	8.2	9.8	10.3	5.8	22.4	9.0	9.7	8.6	4.2	8.3
Oct	8.3	9.9	10.4	5.8	22.8	8.9	9.7	8.5	4.4	8.4
Nov	8.2	10.0	10.5	5.7	23.0	8.7	9.8	8.8	4.5	8.4
Dec	8.2	10.0	10.6	5.7	23.1	8.5	9.9	8.9	4.5	...
12 *Jan*	8.2	10.1	10.7	5.8	23.3	8.3	10.0	9.2	4.6	...

UNEMPLOYMENT RATES



UNEMPLOYMENT RATES



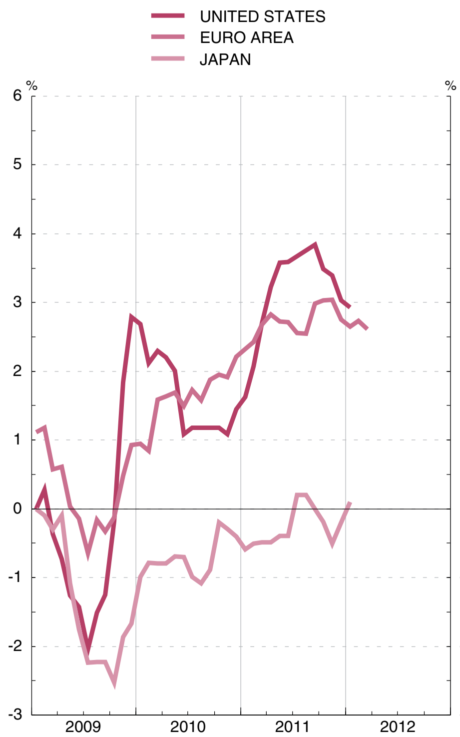
Source: OECD.

2.3. INTERNATIONAL COMPARISON. CONSUMER PRICES (a)

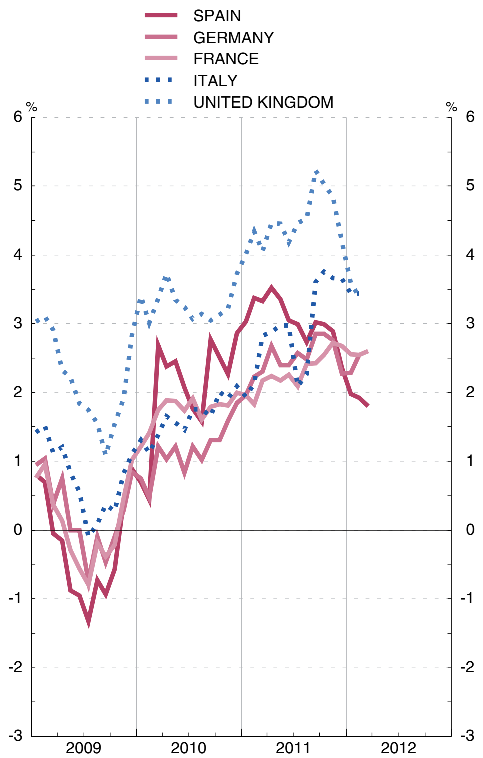
■ Series depicted in chart. *Annual percentage changes*

	OECD 1	EU-27 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
09	0.6	1.0	0.3	0.2	-0.2	-0.3	0.1	0.8	-1.3	2.2
10	1.9	2.1	1.6	1.2	2.0	1.6	1.7	1.6	-0.7	3.3
11	2.9	3.1	2.7	2.5	3.1	3.2	2.3	2.9	-0.3	4.5
10 *Oct*	1.8	2.3	1.9	1.3	2.5	1.2	1.8	2.0	-0.2	3.1
Nov	1.8	2.3	1.9	1.6	2.3	1.1	1.8	1.9	-0.3	3.2
Dec	2.0	2.7	2.2	1.9	2.9	1.4	2.0	2.1	-0.4	3.7
11 *Jan*	2.1	2.7	2.3	2.0	3.0	1.6	2.0	1.9	-0.6	4.0
Feb	2.3	2.9	2.4	2.2	3.4	2.1	1.8	2.1	-0.5	4.3
Mar	2.6	3.1	2.7	2.3	3.3	2.7	2.2	2.8	-0.5	4.1
Apr	2.9	3.3	2.8	2.7	3.5	3.2	2.2	2.9	-0.5	4.5
May	3.1	3.2	2.7	2.4	3.4	3.6	2.2	3.0	-0.4	4.5
Jun	3.0	3.1	2.7	2.4	3.0	3.6	2.3	3.0	-0.4	4.2
Jul	3.1	2.9	2.6	2.6	3.0	3.7	2.1	2.1	0.2	4.5
Aug	3.2	3.0	2.5	2.5	2.7	3.8	2.4	2.3	0.2	4.5
Sep	3.2	3.3	3.0	2.9	3.0	3.8	2.4	3.6	-	5.2
Oct	3.1	3.4	3.0	2.9	3.0	3.5	2.5	3.8	-0.2	5.0
Nov	3.1	3.3	3.0	2.8	2.9	3.4	2.7	3.7	-0.5	4.8
Dec	2.9	3.0	2.7	2.3	2.4	3.0	2.7	3.7	-0.2	4.2
12 *Jan*	2.8	2.9	2.7	2.3	2.0	2.9	2.6	3.4	0.1	3.6
Feb	...	2.9	2.7	2.5	1.9	...	2.5	3.4	...	3.4
Mar	...	...	2.6	...	1.8	...	2.6	...	...	...

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: US dollar per ECU/euro 1 ■	Exchange rates: Japanese yen per ECU/euro 2 ■	Exchange rates: Japanese yen per US dollar 3 ■	Indices of the nominal effective exchange rate vis-à-vis the (a) developed countries 1999 QI=100: Euro 4	Nominal: US dollar 5	Nominal: Japanese yen 6	Indices of the real effective exchange rate vis-à-vis the developed countries (b) 1999 QI=100, Based on consumer prices: Euro 7 ■	Consumer prices: US dollar 8 ■	Consumer prices: Japanese yen 9 ■	Based on producer prices: Euro 10	Producer prices: US dollar 11	Producer prices: Japanese yen 12
09	1.3940	130.30	93.57	110.6	80.8	111.7	109.2	88.9	86.1	104.3	92.6	84.9
10	1.3267	116.42	87.78	103.7	78.6	119.9	101.6	86.7	90.2	98.1	93.0	88.0
11	1.3918	111.00	79.74	103.4	74.0	127.5	100.7	82.4	92.8	97.6	90.4	89.3
11 *J-M*	1.3670	112.51	82.31	102.7	75.1	124.6	100.1	83.2	91.9	97.1	90.1	88.6
12 *J-M*	1.3107	103.99	79.32	99.5	76.1	131.5	96.7	85.5	98.7	93.3	94.0	93.8
11 *Jan*	1.3360	110.38	82.63	101.4	76.1	125.5	98.9	84.3	93.0	96.0	90.7	90.0
Feb	1.3649	112.77	82.63	102.4	75.2	124.1	99.7	83.3	91.6	96.9	90.0	88.3
Mar	1.3999	114.40	81.72	104.1	74.0	124.1	101.6	82.0	90.9	98.5	89.6	87.5
Apr	1.4442	120.42	83.39	105.9	72.7	119.6	103.4	80.9	87.2	100.0	88.9	84.1
May	1.4349	116.47	81.17	104.9	72.7	123.1	102.2	81.0	89.5	98.8	89.8	86.1
Jun	1.4388	115.75	80.45	105.0	72.7	124.0	102.3	81.1	90.1	99.0	89.5	86.8
Jul	1.4264	113.26	79.40	104.0	72.3	125.9	101.1	80.9	91.6	98.1	89.2	87.9
Aug	1.4343	110.43	77.00	103.9	72.1	129.4	100.9	80.7	94.2	97.9	88.5	90.4
Sep	1.3770	105.75	76.79	102.8	74.2	132.9	100.0	82.8	96.3	96.8	91.2	92.4
Oct	1.3706	105.06	76.65	103.0	74.8	133.7	100.3	83.1	97.0	97.0	91.5	92.7
Nov	1.3556	105.02	77.47	102.6	75.4	133.0	99.9	83.7	95.8	96.7	92.4	92.0
Dec	1.3179	102.55	77.81	100.8	76.3	134.1	98.1	84.7	96.6	95.0	93.5	92.7
12 *Jan*	1.2905	99.33	76.97	98.9	76.6	136.5	96.4	85.5	98.7	93.0	94.0	93.8
Feb	1.3224	103.77	78.46	99.6	75.5	132.1	97.1	...	...	93.5	...	...
Mar	1.3201	108.88	82.48	99.8	76.3	125.8	...	...	...	...	...	...

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.

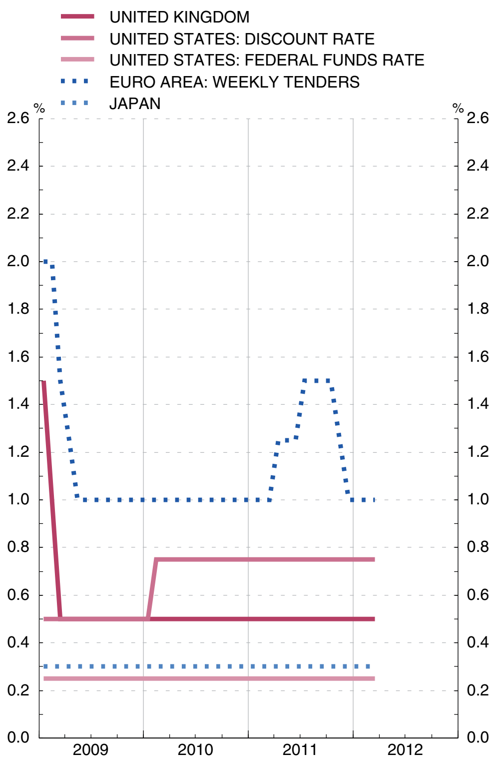
b. Obtained by multiplying the relative prices of each area/country (relation betwen its price index and the price index of the group) by the nominal effective exchange rate. A decline in the index denotes a depreciation of the real effective exchange rate and, may be interpreted as an improvement in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

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

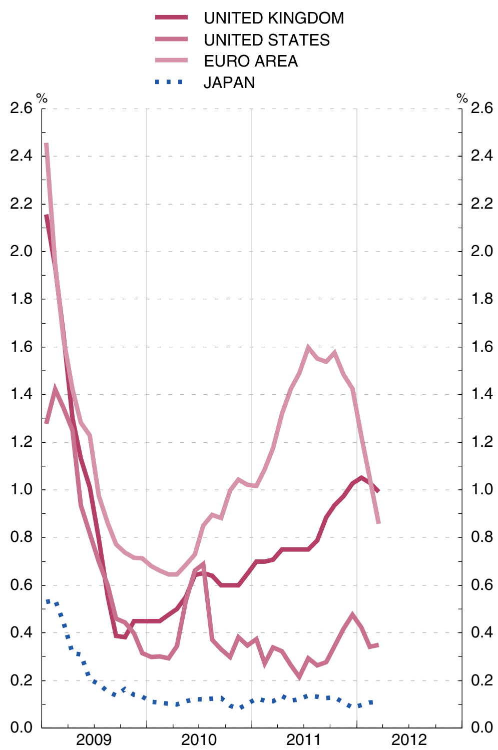
■ Series depicted in chart. *Percentages*

	Official intervention interest rates					3-month interbank rates									
	Euro area (a)	United States: Discount rate (b)	United States: Federal funds rate	Japan (c)	United Kingdom (d)	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1 ■	2 ■	3 ■	4 ■	5 ■	6	7	8 ■	9	10	11 ■	12	13	14 ■	15 ■
09	1.00	0.50	0.25	0.30	0.50	0.93	1.19	1.22	-	1.23	0.83	-	-	0.27	1.01
10	1.00	0.75	0.25	0.30	0.50	0.61	0.78	0.81	-	0.87	0.40	-	-	0.11	0.57
11	1.00	0.75	0.25	0.30	0.50	0.81	1.32	1.39	-	1.34	0.32	-	-	0.12	0.81
10 *Oct*	1.00	0.75	0.25	0.30	0.50	0.64	0.93	1.00	-	0.95	0.30	-	-	0.09	0.60
Nov	1.00	0.75	0.25	0.30	0.50	0.69	0.98	1.04	-	1.03	0.38	-	-	0.08	0.60
Dec	1.00	0.75	0.25	0.30	0.50	0.69	0.98	1.02	-	1.08	0.35	-	-	0.10	0.65
11 *Jan*	1.00	0.75	0.25	0.30	0.50	0.71	0.99	1.02	-	1.03	0.37	-	-	0.12	0.70
Feb	1.00	0.75	0.25	0.30	0.50	0.68	1.05	1.09	-	1.08	0.27	-	-	0.12	0.70
Mar	1.00	0.75	0.25	0.30	0.50	0.74	1.13	1.18	-	1.17	0.34	-	-	0.11	0.71
Apr	1.25	0.75	0.25	0.30	0.50	0.78	1.25	1.32	-	1.31	0.32	-	-	0.14	0.75
May	1.25	0.75	0.25	0.30	0.50	0.79	1.34	1.43	-	1.43	0.26	-	-	0.12	0.75
Jun	1.25	0.75	0.25	0.30	0.50	0.79	1.39	1.49	-	1.49	0.21	-	-	0.12	0.75
Jul	1.50	0.75	0.25	0.30	0.50	0.86	1.48	1.60	-	-	0.29	-	-	0.14	0.75
Aug	1.50	0.75	0.25	0.30	0.50	0.83	1.44	1.55	-	1.45	0.26	-	-	0.13	0.79
Sep	1.50	0.75	0.25	0.30	0.50	0.84	1.46	1.54	-	1.68	0.28	-	-	0.13	0.88
Oct	1.50	0.75	0.25	0.30	0.50	0.88	1.49	1.58	-	-	0.34	-	-	0.13	0.93
Nov	1.25	0.75	0.25	0.30	0.50	0.88	1.42	1.48	-	1.46	0.42	-	-	0.11	0.97
Dec	1.00	0.75	0.25	0.30	0.50	0.88	1.38	1.43	-	-	0.48	-	-	0.09	1.03
12 *Jan*	1.00	0.75	0.25	0.30	0.50	0.79	1.21	1.22	-	1.16	0.42	-	-	0.10	1.05
Feb	1.00	0.75	0.25	0.30	0.50	0.71	1.07	1.05	-	1.07	0.34	-	-	0.11	1.03
Mar	1.00	0.75	0.25	0.30	0.50	-	0.91	0.86	-	0.94	0.35	-	-	0.11	0.99

OFFICIAL INTERVENTION INTEREST RATES



3-MONTH INTERBANK RATES



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

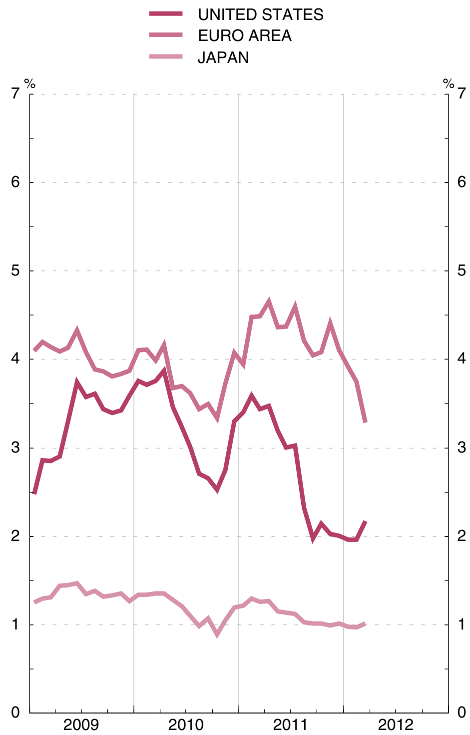
2.6. 10-YEAR GOVERNMENT BOND YIELDS ON DOMESTIC MARKETS

■ Series depicted in chart.

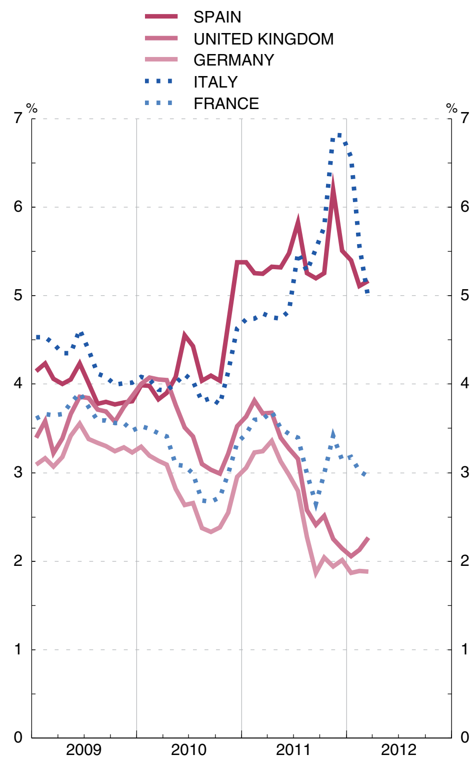
Percentages

	OECD 1	EU-15 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
09	3.18	3.74	4.03	3.27	3.97	3.27	3.65	4.28	1.35	3.63
10	3.05	3.52	3.78	2.78	4.25	3.22	3.12	4.03	1.18	3.56
11	3.03	4.02	4.31	2.66	5.44	2.80	3.32	5.36	1.12	3.04
10 *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
11 *Jan*	3.32	4.02	3.94	3.05	5.38	3.41	3.44	4.73	1.22	3.63
Feb	3.46	4.13	4.48	3.23	5.26	3.59	3.60	4.74	1.29	3.81
Mar	3.40	4.15	4.49	3.24	5.25	3.44	3.60	4.80	1.26	3.67
Apr	3.46	4.26	4.66	3.36	5.33	3.47	3.69	4.75	1.27	3.68
May	3.28	4.15	4.37	3.13	5.32	3.19	3.50	4.74	1.15	3.40
Jun	3.18	4.14	4.37	2.98	5.48	3.00	3.44	4.82	1.14	3.27
Jul	3.21	4.22	4.59	2.79	5.82	3.03	3.40	5.49	1.12	3.15
Aug	2.70	3.74	4.21	2.27	5.25	2.32	2.99	5.28	1.03	2.57
Sep	2.49	3.58	4.04	1.87	5.20	1.98	2.65	5.53	1.01	2.41
Oct	2.63	3.77	4.09	2.04	5.25	2.14	2.99	5.77	1.01	2.51
Nov	2.68	4.05	4.41	1.94	6.19	2.02	3.42	6.82	0.99	2.25
Dec	2.64	4.00	4.11	2.01	5.50	2.00	3.14	6.81	1.01	2.14
12 *Jan*	2.62	4.00	3.92	1.87	5.40	1.96	3.18	6.56	0.98	2.05
Feb	2.56	3.83	3.75	1.89	5.11	1.96	3.02	5.56	0.97	2.13
Mar	...	...	3.29	1.88	5.17	2.17	2.96	4.96	1.01	2.26

10-YEAR GOVERNMENT BOND YIELDS



10-YEAR GOVERNMENT BOND YIELDS



Sources: ECB, Reuters and BE.

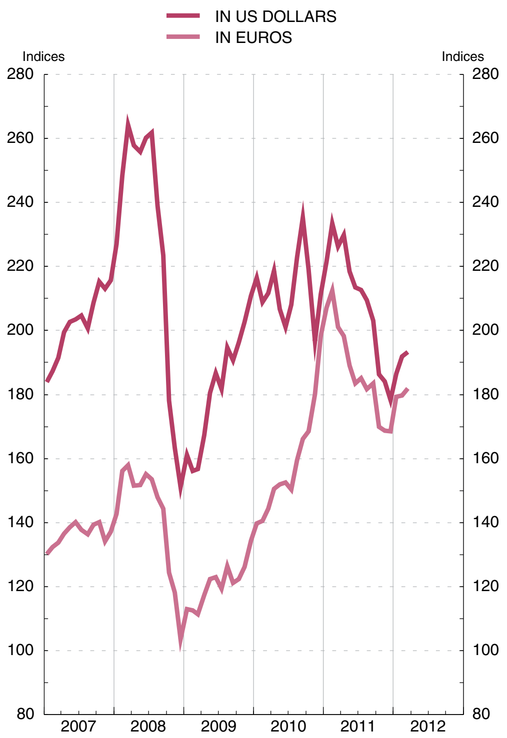
2.7 INTERNATIONAL MARKETS. NON-ENERGY COMMODITIES PRICE INDEX. CRUDE OIL AND GOLD PRICE.

■ Series depicted in chart.

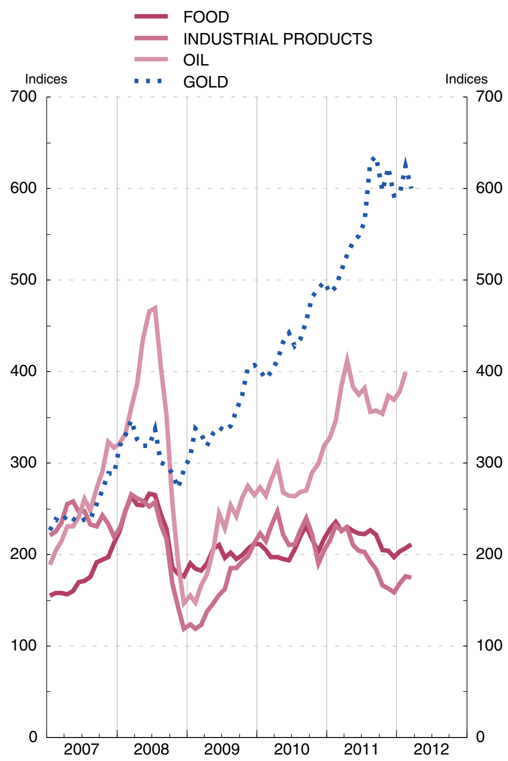
Base 2000 = 100

	Non-energy commodity price index (a)						Oil		Gold		
	Euro index	US dollar index					Index (b)	Brent North sea	Index (c)	US dollars per troy ounce	Euro per gram
	General	General	Food	Industrial products				US dollars per barrel			
				Total	Non-food agricul-tural products	Metals					
	1 ■	2 ■	3 ■	4 ■	5	6	7 ■	8	9 ■	10	11
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
10	158.6	213.1	207.9	220.2	211.2	225.9	280.0	79.9	439.2	1 225.3	29.76
11	187.3	209.6	220.3	198.5	239.6	180.9	368.4	112.2	562.6	1 569.5	36.29
11 *J-M*	206.7	226.9	229.5	224.2	288.4	196.7	353.3	105.6	496.4	1 384.8	32.58
12 *J-M*	180.4	190.5	207.1	173.1	189.7	166.0	...	119.5	605.7	1 689.7	41.47
11 *Feb*	212.5	233.5	235.4	231.5	301.3	201.5	346.1	103.7	492.1	1 372.7	32.35
Mar	201.2	226.3	226.0	226.8	298.4	196.1	384.8	115.4	510.5	1 424.0	32.66
Apr	198.4	229.9	230.2	229.5	300.8	199.0	411.9	124.4	528.3	1 473.8	32.88
May	189.0	218.4	226.0	210.6	258.1	190.2	383.2	116.2	541.4	1 510.4	33.90
Jun	183.4	213.5	222.8	203.9	244.5	186.5	374.9	114.9	548.0	1 528.7	34.15
Jul	185.2	212.7	222.2	202.8	224.2	193.6	382.1	117.3	563.8	1 572.8	35.41
Aug	181.8	209.5	226.3	192.1	215.9	181.8	355.8	111.3	629.4	1 755.8	39.41
Sep	183.5	203.2	221.7	183.9	214.1	171.0	357.1	114.8	635.1	1 771.9	41.36
Oct	170.0	186.3	205.2	166.7	198.3	153.1	353.9	110.9	596.9	1 665.2	39.04
Nov	168.7	184.1	204.4	163.0	183.6	154.1	373.2	111.1	623.4	1 739.0	41.24
Dec	168.6	178.4	197.0	158.9	174.5	152.3	369.3	108.7	592.3	1 652.3	40.18
12 *Jan*	179.4	186.5	203.6	168.7	183.8	162.3	378.6	111.1	593.7	1 656.1	41.35
Feb	179.8	191.8	206.9	176.2	192.6	169.2	399.2	120.6	624.7	1 742.6	42.37
Mar	181.9	193.2	210.9	174.5	192.8	166.7	...	126.8	600.0	1 673.8	40.75

NON-ENERGY COMMODITY PRICE INDEX



PRICE INDICES FOR NON-ENERGY COMMODITIES, OIL AND GOLD



Sources: The Economist, IMF, ECB and BE.

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

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

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

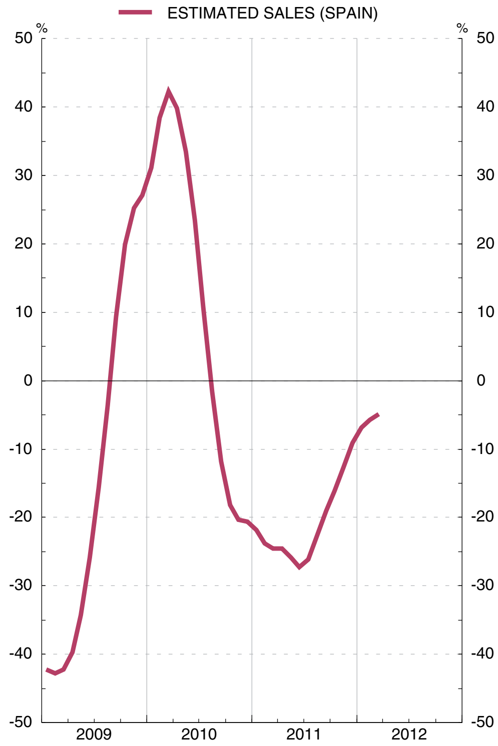
3.1 INDICATORS OF PRIVATE CONSUMPTION. SPAIN AND EURO AREA

■ Series depicted in chart. *Annual percentage changes*

		Opinion surveys (net percentages): Consumers: Confidence index ■	Opinion surveys: Consumers: General economic situation: anticipated trend	Opinion surveys: Consumers: Household economic situation: anticipated trend	Opinion surveys: Retail trade confidence index	Opinion surveys: Memorandum item: euro area: Consumer confidence index ■	Opinion surveys: Memorandum item: euro area: Retail trade confidence index	New car registrations and sales: Registrations	New car registrations and sales: of which: Private use	New car registrations and sales: Estimated sales ■	New car registrations and sales: Memorandum item: euro area: Registrations	Retail trade indices (2005=100, NACE 2009) (Deflated indices): General retail trade index	Retail trade indices: General index without petrol stations: Total	Retail trade indices: General index without petrol stations: of which: Food	Retail trade indices: General index without petrol stations: Large retail outlets	Retail trade indices: General index without petrol stations: Large chain stores	Retail trade indices: General index without petrol stations: Small chain stores	Retail trade indices: General index without petrol stations: Single-outlet retailers	Retail trade indices: General index without petrol stations: Memorandum item: euro area (a)
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
09		-28.2	-26.2	-13.2	-24.6	-24.8	-15.5	-18.1	-10.7	-17.9	4.4	-5.7	-5.8	-3.4	-6.0	-1.6	-7.1	-7.2	-2.2
10		-20.9	-18.0	-9.7	-17.2	-14.2	-4.1	3.0	...	3.1	-8.1	-1.6	-0.9	-0.4	-1.6	1.9	-3.1	-2.0	1.3
11	P	-17.1	-13.8	-6.7	-19.8	-14.6	-5.5	-18.3	...	-17.7	-0.8	-5.7	-5.6	-2.8	-7.2	-0.7	-7.2	-7.0	-0.3
11 *J-M*	P	-19.6	-18.6	-8.9	-21.8	-11.0	-0.9	-27.7	...	-27.3	-2.9	-5.7	-5.7	-3.9	-8.6	-1.4	-5.5	-7.0	0.3
12 *J-M*	P	-24.6	-20.4	-10.1	-23.0	-20.0	-13.9	-2.2	...	-1.9	...	...	...	...	...	...	...	...	...
11 *Apr*	P	-21.0	-15.2	-11.0	-21.7	-12.0	-2.0	-24.1	...	-23.3	-0.1	-2.1	-1.5	1.1	0.5	6.4	-3.4	-6.1	1.5
May	P	-15.5	-11.5	-6.2	-18.7	-10.2	-2.5	-24.1	...	-23.3	-1.2	-5.9	-5.8	-3.6	-8.4	-	-8.4	-6.9	-1.6
Jun	P	-11.9	-6.3	-2.9	-16.5	-10.0	-2.7	-31.5	...	-31.4	-3.8	-7.5	-7.4	-2.2	-9.7	0.3	-12.2	-8.8	-0.5
Jul	P	-13.4	-8.1	-2.2	-17.3	-11.5	-3.7	-5.5	...	-4.0	2.2	-6.2	-5.8	-5.7	-5.5	-4.0	-7.0	-6.3	-
Aug	P	-17.0	-14.4	-6.0	-20.3	-16.8	-8.8	3.6	...	5.9	6.1	-3.8	-3.4	-0.9	-3.3	1.7	-6.8	-5.6	0.2
Sep	P	-17.0	-16.1	-6.9	-19.0	-19.3	-9.9	-2.4	...	-1.3	1.3	-5.3	-5.1	-1.4	-4.5	-0.8	-7.1	-6.7	-1.0
Oct	P	-19.6	-16.0	-8.1	-19.3	-20.1	-9.9	-6.9	...	-6.7	-0.6	-7.1	-6.9	-2.7	-10.3	-2.3	-9.0	-7.3	-0.7
Nov	P	-15.4	-12.0	-5.6	-18.4	-20.5	-11.2	-6.9	...	-6.4	-3.3	-7.3	-7.2	-3.9	-9.9	-2.9	-8.5	-8.1	-1.2
Dec	P	-15.3	-9.8	-4.8	-20.4	-21.3	-12.2	-4.2	...	-3.6	-1.1	-6.5	-6.4	-2.4	-9.1	-2.4	-7.0	-7.4	-1.6
12 *Jan*	P	-20.2	-17.6	-9.5	-24.6	-20.7	-15.5	1.9	...	2.5	-13.3	-4.6	-4.2	-1.1	-8.2	-1.3	-4.3	-4.0	-0.9
Feb	P	-24.7	-19.9	-7.5	-22.2	-20.3	-14.0	-2.7	...	-2.1	-14.8	-3.4	-2.9	0.1	-4.6	2.7	-4.5	-5.5	...
Mar	P	-28.9	-23.8	-13.3	-22.2	-19.1	-12.2	-4.4	...	-4.5	...	...	...	...	...	...	...	...	...

CONSUMER CONFIDENCE INDEX

CAR SALES
Trend obtained with TRAMO-SEATS



Sources: European Commission, European Economy, Supplement B, INE, Dirección General de Tráfico, Asociación Nacional de Fabricantes de Automóviles y Camiones and ECB.
a. Data adjusted by working days.

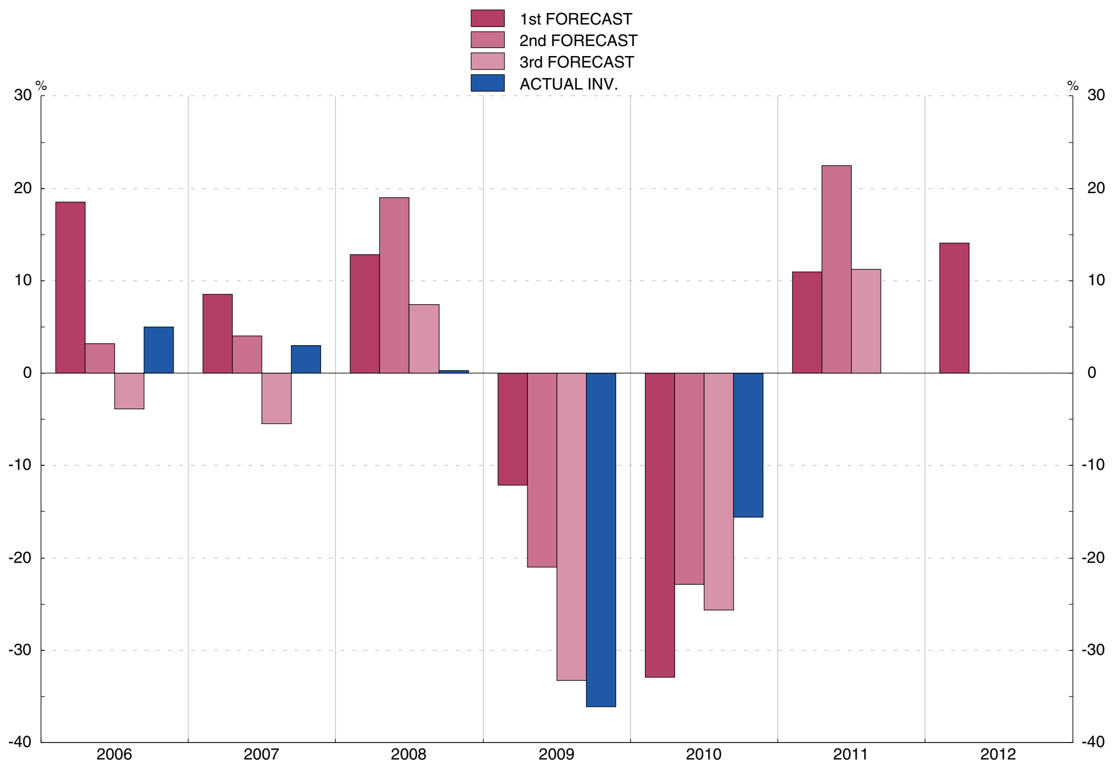
3.2. INVESTMENT IN INDUSTRY (EXCLUDING CONSTRUCTION): OPINION SURVEYS. SPAIN

■ Series depicted in chart.

Annual percentage changes at current prices

	ACTUAL INV. 1 ■	1st FORECAST 2 ■	2nd FORECAST 3 ■	3rd FORECAST 4 ■
06	5	19	3	-4
07	3	9	4	-6
08	0	13	19	7
09	-36	-12	-21	-33
10	-16	-33	-23	-26
11	...	11	23	11
12	...	14	...	...

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.

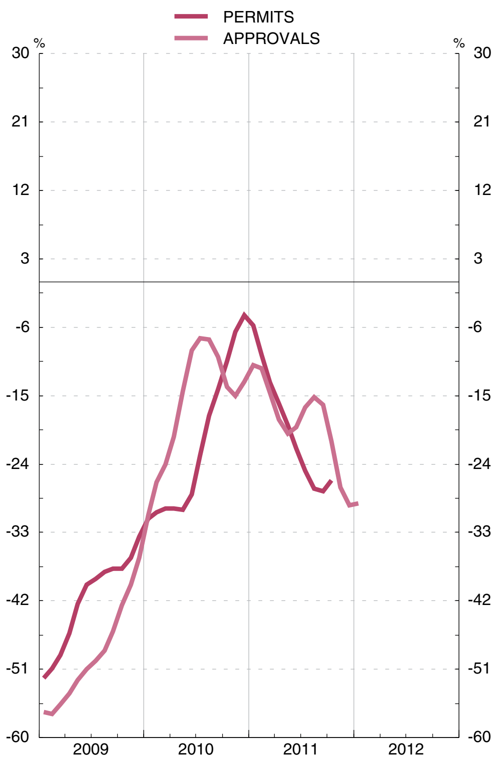
3.3. CONSTRUCTION. INDICATORS OF BUILDING STARTS AND CONSUMPTION OF CEMENT. SPAIN

■ Series depicted in chart.

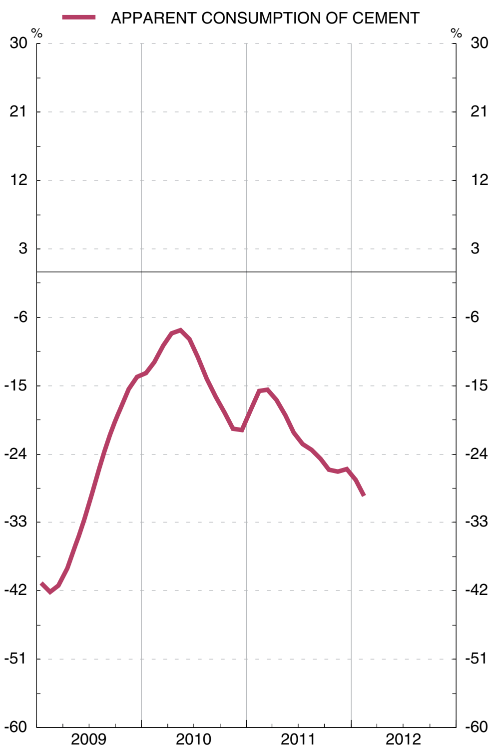
Annual percentage changes

		Permits: buildable floorage				Approvals: buildable floorage		Government tenders (budget)							Apparent consumption of cement
			of which				of which	Total		Building					
											of which				
		Total	Residential	Housing	Non-residential	Total	Housing	For the month	Year to date	Total	Residential	Housing	Non-residential	Civil engineering	
		1 ■	2	3	4	5 ■	6	7 ■	8	9	10	11	12	13	14 ■
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	-11.4	-32.3
10	P	-28.7	-24.3	-25.2	-36.9	-16.0	-16.1	-38.0	-38.0	-20.3	-38.5	-38.7	-14.6	-45.2	-15.4
11	P	...	...	...	...	-18.6	-13.2	-46.2	-46.2	-56.6	-47.8	-51.0	-58.5	-40.1	-16.6
11 *J-F*	P	-1.5	1.9	-1.4	-10.4	-5.6	9.0	-36.5	-36.5	-46.0	-51.2	-27.9	-45.2	-29.6	2.3
12 *J-F*	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-28.0
10 *Nov*	P	2.0	10.2	2.2	-14.8	-13.2	-13.7	-15.1	-35.2	-27.8	-61.1	347.5	-4.3	-9.3	-22.1
Dec	P	11.1	10.0	11.3	13.7	-15.6	-4.4	-57.3	-38.0	-10.7	-73.4	-66.8	21.0	-65.6	-7.6
11 *Jan*	P	14.4	22.7	21.8	-8.2	-4.8	13.9	-22.5	-22.5	-27.6	-45.8	30.1	-22.9	-19.1	0.8
Feb	P	-17.7	-19.9	-24.7	-12.4	-6.3	5.0	-45.9	-36.5	-57.6	-58.6	-72.0	-57.4	-37.1	3.7
Mar	P	25.4	17.7	20.7	42.5	-16.2	-23.3	-57.9	-45.5	-66.5	-65.8	-92.6	-66.8	-49.7	-3.1
Apr	P	6.2	-10.0	-11.6	36.9	-22.9	-25.0	-52.1	-47.0	-62.5	33.6	98.4	-71.7	-43.2	-17.1
May	P	2.6	17.2	16.9	-21.0	-21.9	-20.1	1.5	-37.0	-56.3	-64.9	19.5	-54.4	35.6	-10.7
Jun	P	-13.0	-24.2	-21.8	12.4	-20.7	-11.2	-56.3	-40.3	-50.1	3.6	-46.2	-60.6	-58.7	-20.3
Jul	P	-24.1	-30.7	-31.5	-6.6	-19.0	-12.9	-44.2	-40.7	-61.3	-54.2	-38.8	-63.4	-27.9	-26.1
Aug	P	-24.9	-27.4	-28.8	-19.5	-4.6	-9.0	-50.9	-41.9	-47.4	-48.6	-59.5	-47.1	-52.4	-16.7
Sep	P	-37.8	-32.6	-29.9	-49.5	-14.8	4.8	-40.0	-41.8	-43.3	-40.4	-50.5	-44.2	-39.1	-21.1
Oct	P	-18.7	-19.7	-17.3	-16.9	-7.4	-0.7	-66.7	-44.1	-48.4	-13.8	-82.1	-56.2	-78.3	-29.8
Nov	P	...	...	...	...	-41.4	-35.8	-39.7	-43.7	-65.8	-79.8	-85.1	-61.8	-30.2	-29.3
Dec	P	...	...	...	...	-32.6	-30.4	-72.0	-46.2	-71.6	-67.4	-77.9	-72.1	-72.1	-21.9
12 *Jan*	P	...	...	...	...	-25.5	-30.9	-67.6	-67.6	-65.2	-83.4	-87.7	-61.9	-69.0	-23.3
Feb	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-32.0

CONSTRUCTION
Trend obtained with TRAMO-SEATS



CONSTRUCTION
Trend obtained with TRAMO-SEATS



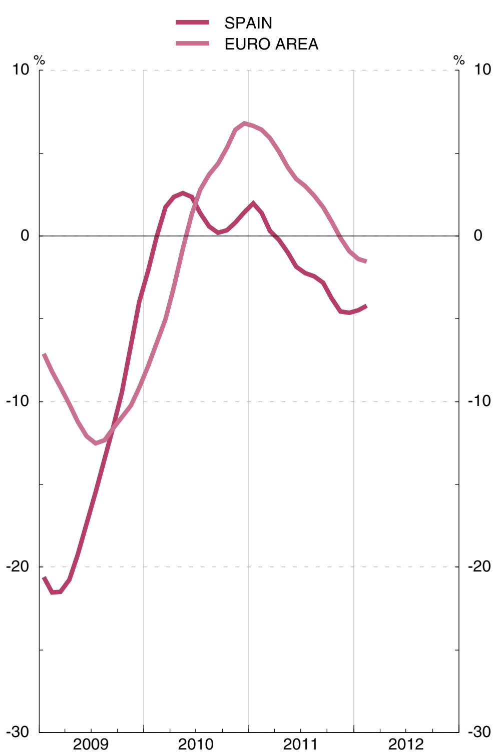
Sources: Ministerio de Fomento and Asociación de Fabricantes de Cemento de España.
Note: The underlying series for this indicator are in Tables 23.7, 23.8, and 23.9 of the BE Boletín estadístico.

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

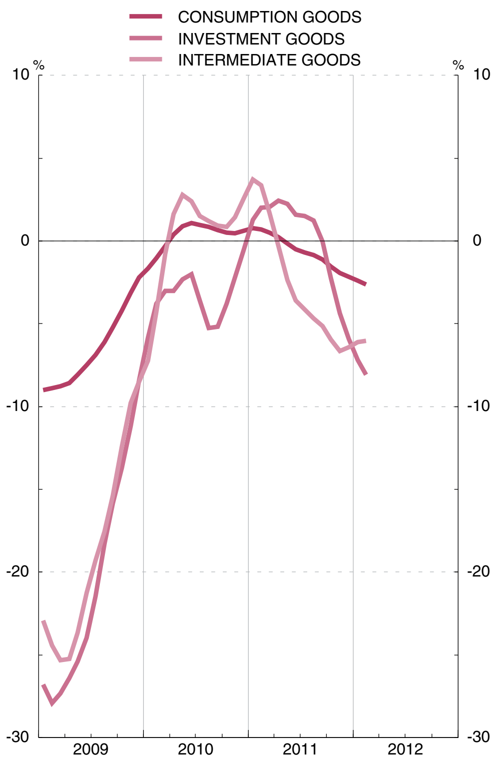
■ Series depicted in chart. *Annual percentage changes*

		Overall Index		By end-use of goods				By branch of activity (NACE 2009)			Memorandum item: euro area				
		Total		Consumer goods	Capital goods	Inter-mediate goods	Energy	Mining and quarrying	Manufac-turing	Electrity and gas supply	Total	of which	By end-use of goods		
		Original series	12-month %change 12									Manufac-turing	Consumer goods	Capital goods	Inter-mediate goods
		1	2 ■	3 ■	4 ■	5 ■	6	7	8	9	10 ■	11	12	13	14
09	M P	82.6	-16.2	-8.8	-22.5	-21.4	-8.6	-24.3	-17.0	-7.6	-14.9	-15.9	-5.0	-20.9	-19.2
10	M P	83.4	0.9	0.9	-3.3	2.7	2.5	4.4	0.6	2.9	7.3	7.7	3.0	9.2	10.0
11	M P	81.9	-1.8	-1.4	0.3	-2.6	-3.6	-14.6	-1.4	-3.6	3.5	4.7	0.6	8.8	4.3
11 *J-F*	M P	82.0	4.1	1.8	5.0	6.8	2.1	-7.6	4.8	0.6	6.8	8.7	1.1	14.0	10.0
12 *J-F*	M P	79.8	-2.7	-0.8	-7.1	-4.1	1.6	-2.2	-3.4	1.2	-1.8	-1.7	-4.0	1.2	-3.1
10 *Nov*	P	90.3	3.4	1.4	2.0	4.1	8.5	-7.6	3.2	7.3	8.0	8.4	3.5	12.7	8.1
Dec	P	79.4	0.4	0.8	-3.5	0.9	3.7	-2.1	0.1	2.6	8.7	9.1	1.6	16.5	7.9
11 *Jan*	P	80.5	5.0	3.5	5.0	7.1	3.8	-3.8	5.4	3.3	6.0	7.8	-0.1	12.9	9.6
Feb	P	83.5	3.3	0.1	5.1	6.6	0.2	-10.9	4.3	-2.3	7.7	9.6	2.3	15.1	10.4
Mar	P	92.4	1.3	-3.2	3.1	5.6	-1.8	-9.0	1.7	-0.6	5.8	6.9	0.5	11.8	7.7
Apr	P	78.9	-4.0	-6.1	-1.4	-4.1	-3.2	-15.9	-3.7	-5.5	5.3	6.7	3.5	10.6	5.7
May	P	87.1	1.2	2.9	6.4	-2.2	-1.0	-14.8	1.9	-1.7	4.2	5.8	1.8	10.8	4.5
Jun	P	86.7	-2.6	-1.5	0.3	-4.2	-5.2	-14.7	-2.4	-2.3	2.7	3.4	-0.2	6.9	3.0
Jul	P	85.0	-5.2	-4.3	-1.3	-6.2	-10.2	-15.3	-4.6	-9.3	4.2	5.1	-0.6	11.6	4.2
Aug	P	64.1	0.3	3.0	7.3	-3.4	-3.1	-23.3	1.5	-4.1	5.7	6.8	2.6	12.7	5.6
Sep	P	84.9	-1.4	0.7	1.1	-4.3	-2.9	-17.8	-1.2	-1.6	2.1	2.7	0.0	5.9	2.1
Oct	P	81.1	-4.5	-2.4	-1.9	-6.3	-7.6	-20.7	-4.0	-6.0	0.9	1.8	0.0	4.9	0.2
Nov	P	84.0	-7.0	-4.0	-7.8	-9.9	-5.2	-16.2	-6.9	-6.3	-	0.9	-2.0	4.7	-0.3
Dec	P	74.2	-6.5	-4.0	-8.1	-8.1	-6.4	-8.5	-6.4	-7.2	-1.6	0.4	-0.8	2.3	0.1
12 *Jan*	P	78.5	-2.5	0.9	-5.5	-3.5	-3.7	-0.9	-2.2	-5.3	-1.7	-0.7	-2.4	1.6	-1.6
Feb	P	81.0	-3.0	-2.5	-8.6	-4.7	7.7	-3.4	-4.5	8.7	-1.8	-2.7	-5.6	0.8	-4.5

INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS



INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS



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

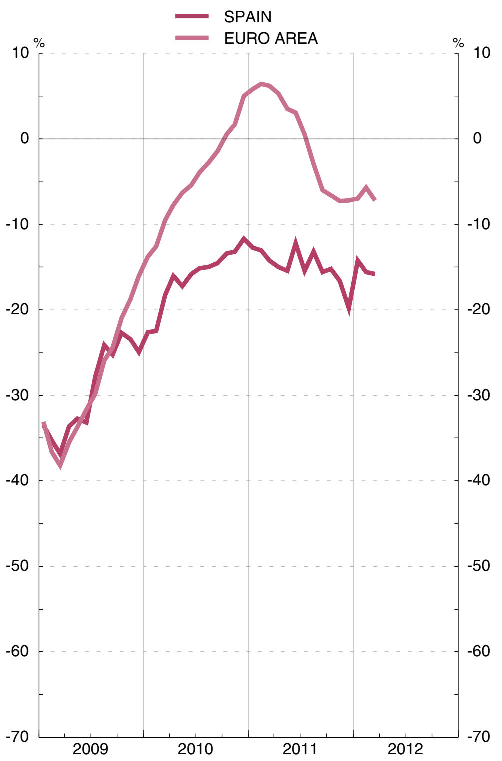
3.5. MONTHLY BUSINESS SURVEY: INDUSTRY AND CONSTRUCTION. SPAIN AND EURO AREA (NACE 2009)

■ Series depicted in chart.

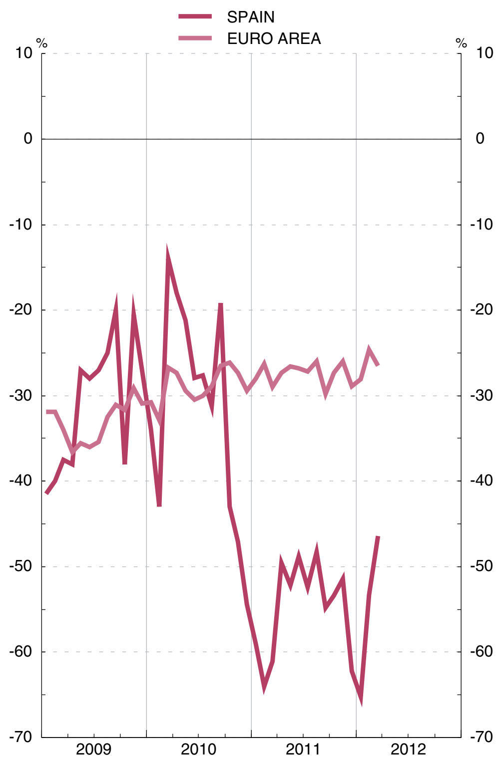
Percentage balances

	Industry, excluding construction										Construction					Memorandum item:euro area (b)		
							Business climate indicator							Trend		Industry, excluding construction		
	Business climate indi-cator- (a) 1 ■	Produc-tion over the last three months 2	Trend in pro-duction (a) 3	Total orders (a) 4	Foreign orders 5	Stocks of finished products (a) 6	Con-sum-ption (a) 7	In-vest-ment (a) 8	In-ter-me-diate goods (a) 9	Other sec-tors (a) 10	Business climate indicator 11 ■	Produc-tion 12	Orders 13	Produc-tion 14	Orders 15	Business climate indicator 16 ■	Order Book 17	Construc-tion climate indicator 18 ■
09 M	-29	-34	-11	-54	-52	23	-19	-26	-37	-44	-31	-20	-32	-13	-19	-29	-57	-33
10 M	-16	-8	-1	-37	-29	11	-10	-14	-18	-52	-32	-19	-31	-26	-33	-5	-25	-29
11 M	-15	-12	-3	-31	-24	11	-10	-12	-17	-45	-55	-23	-48	-46	-45	0	-7	-27
11 *J-M* M	-13	-9	-1	-29	-23	10	-10	-9	-14	-57	-61	-42	-61	-45	-32	6	-2	-28
12 *J-M* M	-15	-23	-4	-34	-24	7	-11	-15	-19	-8	-55	-28	-42	-50	-59	-7	-16	-26
10 *Dec*	-12	-7	2	-27	-26	10	-7	-5	-15	-57	-54	-29	-51	-51	-48	5	-6	-29
11 *Jan*	-13	-7	-1	-28	-20	9	-9	-4	-15	-56	-59	-35	-67	-41	-24	6	-3	-28
Feb	-13	-14	-0	-29	-27	10	-8	-10	-13	-61	-64	-42	-58	-50	-51	6	-2	-26
Mar	-14	-7	-1	-30	-24	11	-12	-13	-13	-53	-61	-48	-58	-43	-21	6	-1	-29
Apr	-15	-6	-4	-29	-21	12	-9	-14	-12	-67	-50	-10	-47	-43	-27	5	-1	-27
May	-15	-7	-5	-30	-22	12	-11	-12	-16	-65	-52	-6	-47	-24	-31	4	-3	-27
Jun	-12	-6	-2	-28	-17	6	-10	-4	-13	-33	-49	-6	-41	-27	-31	3	-2	-27
Jul	-15	-6	-4	-29	-20	13	-10	-13	-17	-45	-52	-9	-40	-62	-65	1	-5	-27
Aug	-13	-7	0	-30	-24	10	-12	-6	-16	-34	-48	-10	-45	-47	-49	-3	-10	-26
Sep	-16	-11	-3	-31	-28	12	-9	-15	-21	-28	-55	-38	-46	-51	-56	-6	-12	-30
Oct	-15	-19	-3	-32	-23	11	-7	-9	-22	-35	-53	-12	-46	-31	-54	-7	-14	-27
Nov	-17	-26	-6	-36	-29	9	-9	-19	-23	-29	-51	-37	-33	-71	-74	-7	-14	-26
Dec	-20	-30	-6	-37	-30	16	-11	-26	-26	-34	-62	-19	-43	-65	-62	-7	-16	-29
12 *Jan*	-14	-26	-3	-36	-26	4	-10	-15	-18	-10	-65	-14	-50	-67	-66	-7	-16	-28
Feb	-16	-26	-3	-34	-26	10	-13	-14	-18	-6	-53	-40	-46	-49	-51	-6	-14	-25
Mar	-16	-19	-7	-32	-19	8	-10	-15	-21	-7	-46	-29	-31	-34	-61	-7	-17	-27

INDUSTRIAL BUSINESS CLIMATE
Percentage balances



CONSTRUCTION BUSINESS CLIMATE
Percentage balances



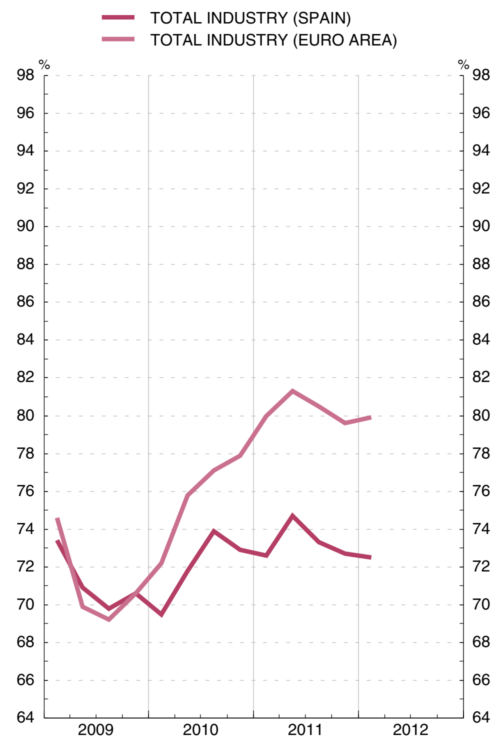
Sources: Ministerio de Industria, Energía y Turismo and ECB.
a. Seasonally adjusted.
b. To April 2010, NACE 1993; from May 2010, NACE 2009.

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

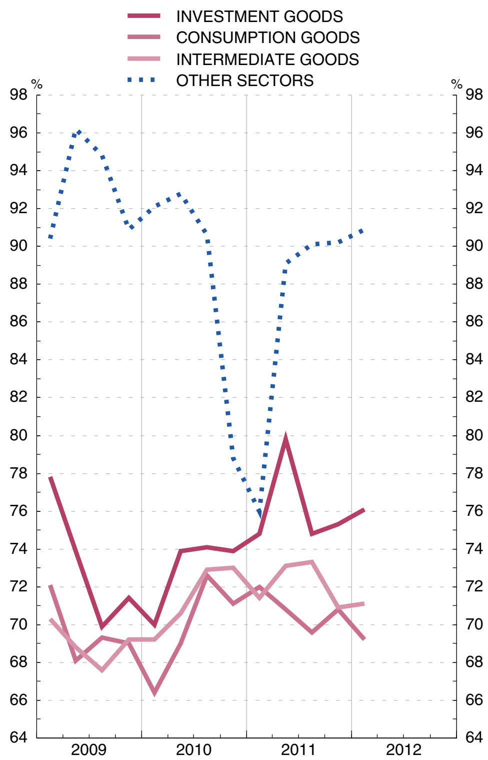
■ Series depicted in chart. *Percentages and percentage balances*

	Total industry			Consumer goods			Investment goods			Intermediate goods			Other sectors (a)			Memo-ramdum item: euro area capacity utilisa-tion
	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	
	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	(b) (%)
	1 ■	2	3	4 ■	5	6	7 ■	8	9	10 ■	11	12	13 ■	14	15	16 ■
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	71.1
10	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	75.8
11	73.3	73.7	18	70.8	71.8	17	76.2	75.2	16	72.2	72.7	22	86.4	87.6	4	80.4
11 *Q1-Q1*	72.6	73.4	16	72.0	72.6	13	74.8	75.0	15	71.4	72.7	20	76.0	78.4	3	80.0
12 *Q1-Q1*	72.5	73.4	23	69.2	70.3	20	76.1	75.9	15	71.1	72.3	31	90.9	90.9	4	79.9
09 *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	69.2
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	-	70.6
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	72.2
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	-	75.8
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	77.1
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	77.9
11 *Q1*	72.6	73.4	16	72.0	72.6	13	74.8	75.0	15	71.4	72.7	20	76.0	78.4	3	80.0
Q2	74.7	75.8	17	70.8	72.7	20	79.8	79.6	9	73.1	74.2	21	89.1	91.9	-	81.3
Q3	73.3	73.4	20	69.6	70.7	20	74.8	73.5	16	73.3	73.5	22	90.1	90.0	6	80.5
Q4	72.7	72.0	21	70.8	71.3	17	75.3	72.6	24	70.9	70.4	23	90.2	90.1	8	79.6
12 *Q1*	72.5	73.4	23	69.2	70.3	20	76.1	75.9	15	71.1	72.3	31	90.9	90.9	4	79.9

CAPACITY UTILISATION. TOTAL INDUSTRY
Percentages



CAPACITY UTILISATION. BY TYPE OF GOOD
Percentages



Sources: Ministerio de Industria, Energía y Turismo 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.

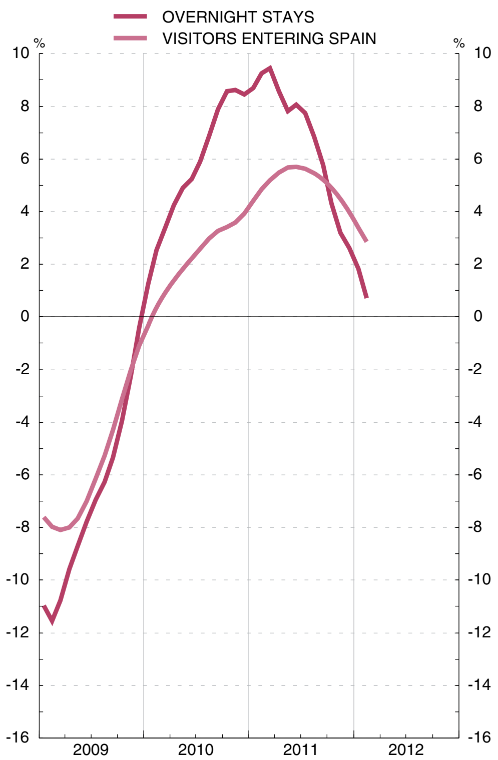
3.7. TOURISM AND TRANSPORT STATISTICS. SPAIN

■ Series depicted in chart.

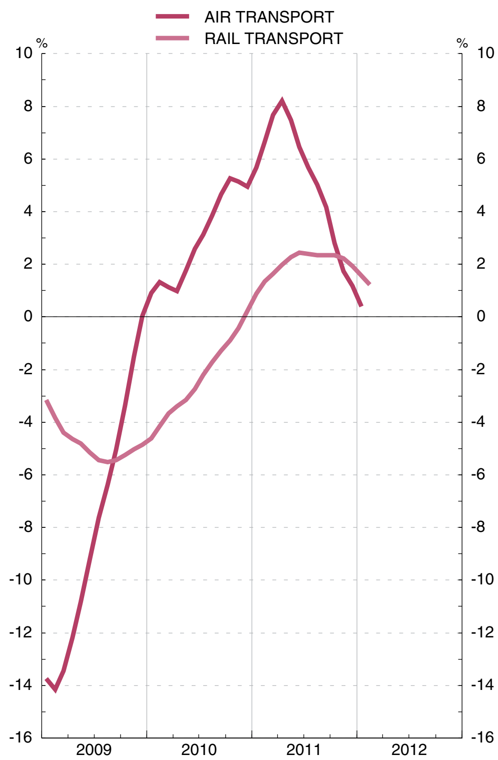
Annual percentage changes

		Hotel stays (a)		Overnight stays		Visitors entering Spain			Air transport				Maritime transport		Rail transport	
									Passengers							
		Total	Foreig-ners	Total	Foreig-ners	Total	Tourists	Day-trip-pers	Total	Domestic flights	Interna-tional flights	Freight	Passen-gers	Freight	Passen-gers	Freight
		1	2	3 ■	4	5 ■	6	7	8 ■	9	10	11	12	13	14 ■	15
09	P	-7.2	-10.8	-6.9	-9.6	-5.9	-8.8	-1.9	-8.0	-8.0	-8.0	-9.6	-4.1	-12.9	-5.5	-24.8
10	P	5.7	10.6	5.5	7.6	2.0	1.0	3.4	3.0	1.3	4.1	15.8	2.8	4.6	-2.8	-3.0
11	P	3.8	10.6	6.4	12.7	6.6	7.5	5.4	6.1	-0.4	10.5	2.2	-5.4	5.8	2.6	7.9
11 *J-F*	P	3.4	7.7	5.2	9.5	5.4	3.3	7.5	5.6	1.0	9.4	7.5	-16.6	6.8	3.0	2.9
12 *J-F*	P	0.5	3.1	1.2	3.6	-0.8	2.7	-4.0	...	...	...	...	...	...	2.4	...
10 *Nov*	P	4.6	13.1	5.6	12.0	0.4	2.6	-2.0	5.5	4.0	6.7	10.9	1.1	8.1	-1.6	-3.9
Dec	P	3.8	7.5	3.5	3.4	-4.9	-4.5	-5.2	-2.0	-4.6	0.2	5.9	-1.2	9.8	-0.3	-14.6
11 *Jan*	P	3.1	8.3	4.6	8.9	5.8	4.4	7.1	6.4	2.7	9.3	9.2	-24.6	6.0	3.0	-7.6
Feb	P	3.6	7.3	5.7	10.0	5.0	2.2	7.9	4.9	-0.6	9.5	5.9	-5.3	7.8	3.1	14.7
Mar	P	1.0	11.1	4.9	13.5	0.2	0.6	-0.2	4.8	0.5	8.3	4.0	-19.8	2.5	4.4	17.3
Apr	P	8.5	13.3	11.9	20.6	13.3	20.9	4.1	20.7	4.3	33.5	-8.8	-1.4	5.5	-1.5	2.7
May	P	-0.8	6.9	1.6	9.3	3.5	4.2	2.3	6.4	0.9	9.7	2.9	-1.2	6.9	3.6	11.4
Jun	P	8.4	18.0	10.9	18.1	11.1	8.5	15.4	6.8	-0.2	11.0	3.6	-4.3	4.6	5.3	8.3
Jul	P	7.2	13.5	8.9	14.1	6.0	7.2	4.1	6.7	0.5	10.3	4.5	-4.4	1.3	1.3	6.9
Aug	P	5.6	13.0	6.2	12.2	6.8	9.4	3.8	4.6	-0.3	7.4	4.3	-11.8	8.5	0.5	18.4
Sep	P	6.0	10.3	8.4	12.4	8.1	9.2	6.5	7.6	1.8	10.9	8.0	8.4	5.3	2.4	23.5
Oct	P	-0.2	8.2	3.2	11.1	8.0	8.0	7.9	2.3	-6.3	7.5	0.4	2.9	1.9	3.2	4.3
Nov	P	-1.5	2.5	1.7	6.2	3.8	3.6	4.0	-2.1	-7.0	1.9	-1.6	-0.5	6.9	3.4	4.8
Dec	P	-1.2	3.6	2.0	8.0	4.3	5.5	3.2	4.1	-1.5	8.8	-2.3	-5.9	12.8	2.3	-9.7
12 *Jan*	P	2.6	4.3	3.5	6.1	1.0	4.6	-2.3	-3.0	-7.4	0.2	-5.0	8.3	8.7	2.4	3.6
Feb	P	-1.2	2.0	-0.7	1.3	-2.5	0.8	-5.9	...	...	...	...	...	...	2.5	...

TOURISM
Trend obtained with TRAMO-SEATS



TRANSPORT
Trend obtained with TRAMO-SEATS



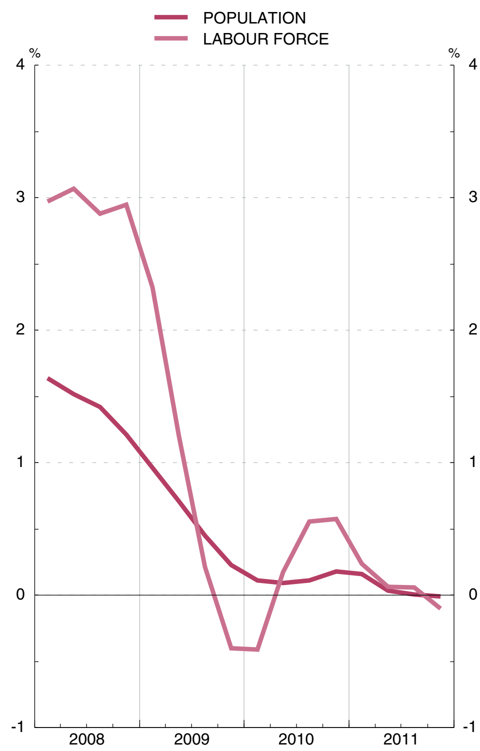
Sources: INE and Instituto de Estudios Turísticos, Estadística de Movimientos Turísticos en Frontera.
Note: The underlying series for this indecator are in Tables 23.14 and 23.15 of the BE Boletín estadístico .
a. Information from hotel directories. Since January 2006, the frequency of data collection has been increased to every day of the month. Because hotel directories are updated at different times, data for different years are not directly comparable. Chaining coefficients are available for the periods 2005, June 2009-May 2010 and July 2010-July 2011.

4.1. LABOUR FORCE. SPAIN

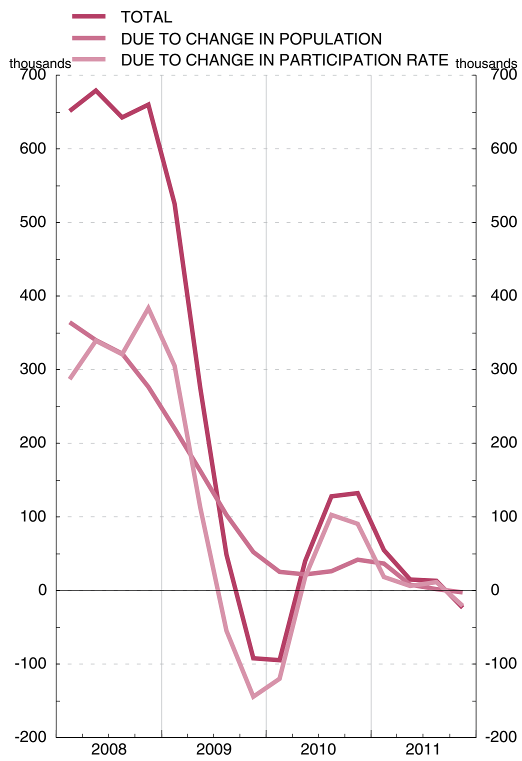
■ Series depicted in chart. *Thousands and annual percentage changes*

	Population over 16 years of age			Participation rate (%) (a)	Labour force				
						Annual change (b)			
	Thousands	Annual change	4-quarter % change		Thousands (a)	Total	Due to change in population over 16 years of age	Due to change in partici-pation rate	4-quarter % change
	1	2	3 ■	4	5	6 ■	7 ■	8 ■	9 ■
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
10 M	38 479	48	0.1	60.00	23 089	51	29	23	0.2
10 *Q1-Q4* M	38 479	48	0.1	60.00	23 089	206	114	92	0.2
11 *Q1-Q4* M	38 497	18	0.0	60.01	23 104	59	44	15	0.1
09 *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
Q4	38 512	69	0.2	59.99	23 105	132	42	91	0.6
11 *Q1*	38 512	61	0.2	59.88	23 062	55	37	18	0.2
Q2	38 481	13	0.0	60.12	23 137	14	8	6	0.1
Q3	38 488	2	0.0	60.11	23 135	13	1	12	0.1
Q4	38 508	-4	-0.0	59.94	23 081	-24	-3	-21	-0.1

LABOUR FORCE SURVEY
Annual percentage change



LABOUR FORCE
Annual changes



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

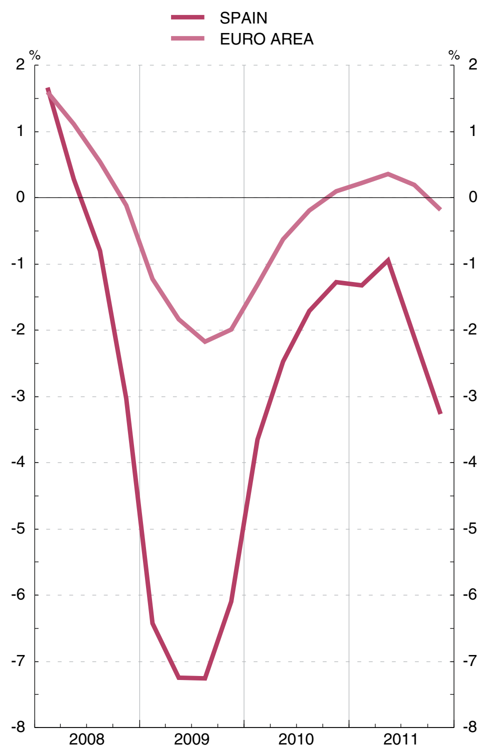
4.2. EMPLOYMENT AND WAGE-EARNERS. SPAIN AND EURO AREA

■ Series depicted in chart.

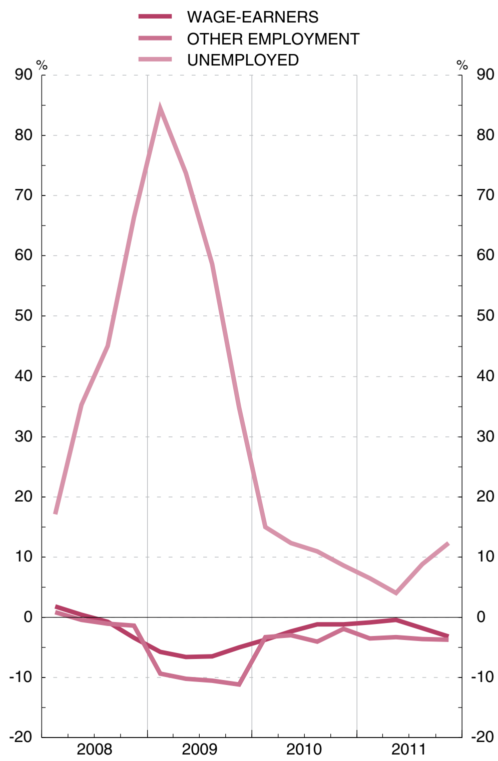
Thousands and annual percentage changes

	Employment									Unemployment				Memorandum item: euro area	
	Total			Wage-earners			Other								
	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands (a)	Annual change	4-quarter % change	Unem-ployment rate (a)	Employ-ment 4-quarter % change	Unem-ployment rate
	1	2	3 ■	4	5	6 ■	7	8	9 ■	10	11	12 ■	13	14	15
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	7.65
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	9.59
10 M	18 457	-431	-2.3	15 347	-334	-2.1	3 110	-98	-3.0	4 632	483	11.6	20.07	-0.5	10.13
10 *Q1-Q4* M	18 457	-431	-2.3	15 347	-334	-2.1	3 110	-98	-3.0	4 632	483	11.6	20.07	-0.5	10.13
11 *Q1-Q4* M	18 105	-352	-1.9	15 105	-241	-1.6	2 999	-110	-3.6	4 999	367	7.9	21.64	0.1	10.16
09 *Q2*	18 945	-1 480	-7.2	15 737	-1 116	-6.6	3 208	-364	-10.2	4 138	1 756	73.7	17.92	-1.8	9.53
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	9.84
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	-2.0	10.02
10 *Q1*	18 394	-697	-3.6	15 253	-590	-3.7	3 141	-107	-3.3	4 613	602	15.0	20.05	-1.3	10.14
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	10.19
Q3	18 547	-323	-1.7	15 456	-194	-1.2	3 090	-130	-4.0	4 575	451	10.9	19.79	-0.2	10.12
Q4	18 408	-238	-1.3	15 314	-178	-1.2	3 094	-59	-1.9	4 697	370	8.6	20.33	0.1	10.07
11 *Q1*	18 152	-243	-1.3	15 121	-133	-0.9	3 031	-110	-3.5	4 910	298	6.4	21.29	0.2	9.97
Q2	18 303	-174	-0.9	15 292	-71	-0.5	3 011	-103	-3.3	4 834	188	4.1	20.89	0.4	9.97
Q3	18 156	-391	-2.1	15 179	-277	-1.8	2 977	-114	-3.7	4 978	404	8.8	21.52	0.2	10.19
Q4	17 808	-601	-3.3	14 829	-485	-3.2	2 978	-116	-3.7	5 274	577	12.3	22.85	-0.2	10.51

EMPLOYMENT
Annual percentage changes



LABOUR FORCE: COMPONENTS
Annual percentage changes



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

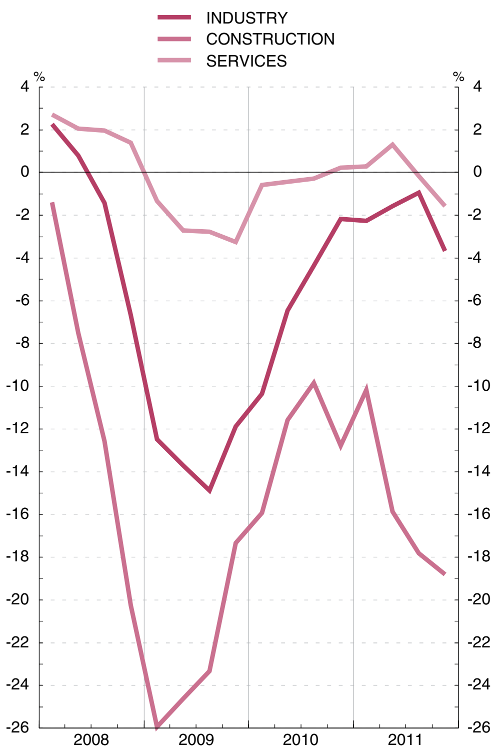
4.3. EMPLOYMENT BY BRANCH OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

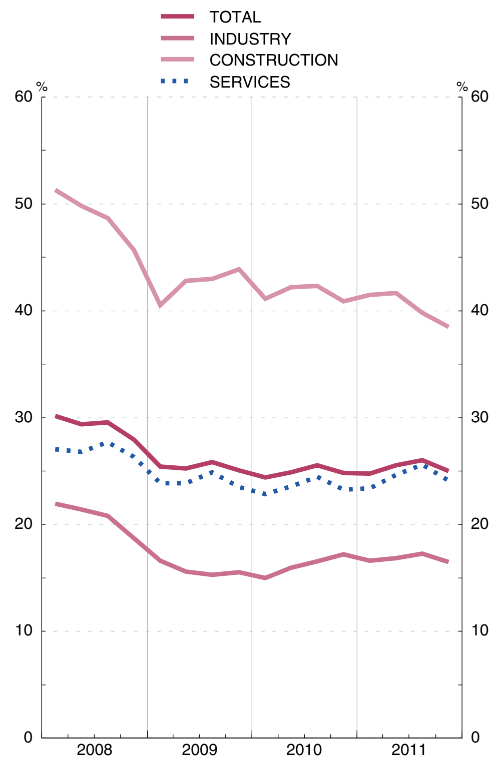
Annual percentage changes

	Total			Agriculture			Industry			Construction			Services			Memorandum item:
	Employ-ment	Wage-earners	Propor-tion of tempora ry em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of tempora ry em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of tempora ry em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of tempora ry em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of tempora-ry em-ployment	Employment in branches other than agriculture
	1	2	3 ■	4	5	6	7 ■	8	9 ■	10 ■	11	12 ■	13 ■	14	15 ■	16
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
10 M	-2.3	-2.1	24.9	0.9	5.4	59.1	-5.9	-5.2	16.2	-12.6	-14.9	41.6	-0.3	-0.1	23.5	-2.4
10 *Q1-Q4* M	-2.3	-2.1	24.9	0.9	5.4	59.1	-5.9	-5.2	16.2	-12.6	-14.9	41.6	-0.3	-0.1	23.5	-1.5
11 *Q1-Q4* M	-1.9	-1.6	25.3	-4.1	-3.3	57.3	-2.1	-2.0	16.8	-15.6	-15.7	40.4	-0.0	0.1	24.4	-3.4
09 *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
Q4	-1.3	-1.2	24.8	2.8	7.7	61.3	-2.2	-0.7	17.2	-12.8	-15.1	40.9	0.2	0.1	23.3	-1.5
11 *Q1*	-1.3	-0.9	24.8	-6.2	-4.6	59.1	-2.3	-1.1	16.6	-10.2	-9.0	41.5	0.3	0.2	23.4	-1.1
Q2	-0.9	-0.5	25.5	-4.8	-3.8	56.2	-1.6	-1.8	16.8	-15.9	-15.6	41.7	1.3	1.6	24.7	-0.8
Q3	-2.1	-1.8	26.0	-6.1	-8.4	54.2	-0.9	-0.5	17.3	-17.8	-18.5	39.8	-0.2	0.0	25.6	-1.9
Q4	-3.3	-3.2	25.0	0.5	3.2	59.8	-3.7	-4.5	16.5	-18.8	-20.0	38.5	-1.6	-1.4	24.1	-3.4

EMPLOYMENT
Annual percentage changes



TEMPORARY EMPLOYMENT
Percentages



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

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

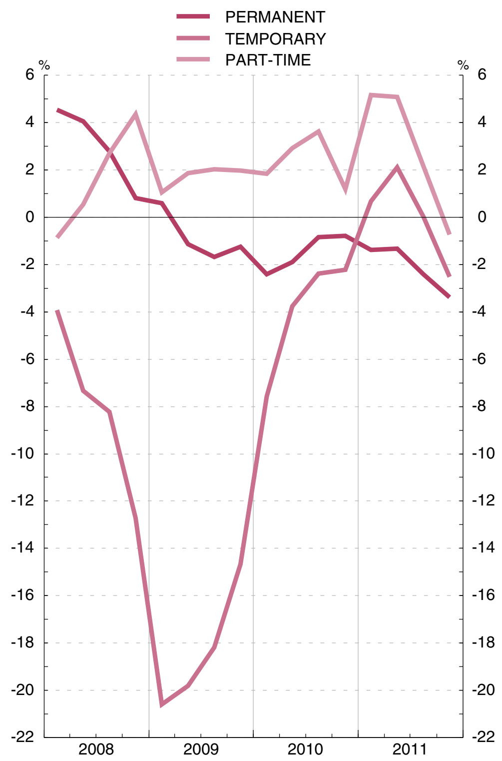
General note to the tables:As a result of the change in the population base (2001 Census), all the series in this table have been revised as from 1996. In addition, since 2005 Q1 the new obligatory variables referred to in Regulation (EC) 2257/2003 (on the adaptation of the list of labour force survey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

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

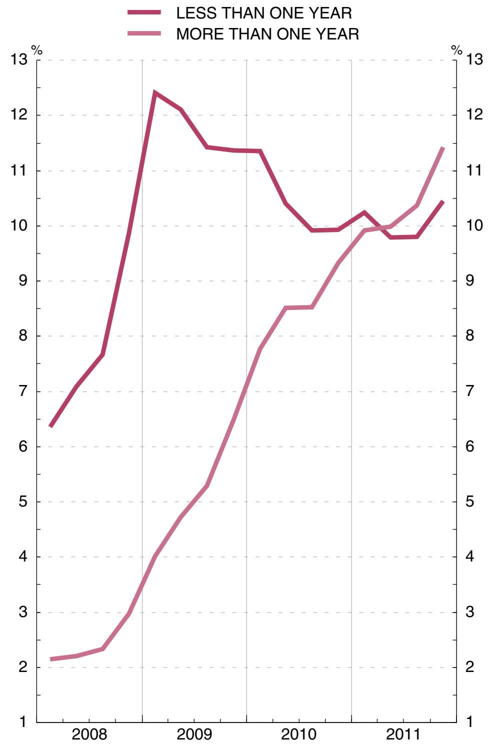
■ Series depicted in chart. *Thousands, annual percentage changes and %*

	Wage-earners										Unemployment			
	By type of contract					By duration of working day					By duration			
	Permanent		Temporary			Full-time		Part-time			Less than one year		More than one year	
	Annual change Thousands	4-quarter % change	Annual change Thousands	4-quarter % change	Proportion of temporary employment	Annual change Thousands	4-quarter % change	Annual change Thousands	4-quarter % change	As % for wage earners	Unemployment rate (a)	4-quarter % change	Unemployment rate (a)	4-quarter % change
	1	2 ■	3	4 ■	5	6	7	8	9 ■	10	11 ■	12	13 ■	14
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
10 M	-175	-1.5	-159	-4.0	24.91	-384	-2.8	50	2.4	13.95	10.40	-11.9	8.53	66.7
10 *Q1-Q4* M	-175	-1.5	-159	-4.0	24.91	-204	-1.5	50	2.4	13.95	10.40	-11.9	8.53	66.7
11 *Q1-Q4* M	-244	-2.1	3	0.1	25.33	-469	-3.6	63	2.9	14.59	10.07	-3.1	10.42	22.2
09 *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
Q4	-93	-0.8	-86	-2.2	24.82	-204	-1.5	26	1.2	14.20	9.93	-12.2	9.33	44.3
11 *Q1*	-158	-1.4	26	0.7	24.77	-243	-1.8	110	5.2	14.84	10.24	-9.6	9.92	27.9
Q2	-152	-1.3	81	2.1	25.52	-182	-1.4	111	5.1	15.01	9.79	-5.8	9.98	17.4
Q3	-278	-2.4	1	0.0	26.02	-322	-2.4	45	2.2	13.96	9.80	-1.1	10.37	21.7
Q4	-389	-3.4	-96	-2.5	24.98	-469	-3.6	-16	-0.7	14.56	10.45	5.2	11.43	22.4

WAGE-EARNERS
Annual percentage changes



UNEMPLOYMENT
Unemployment rate



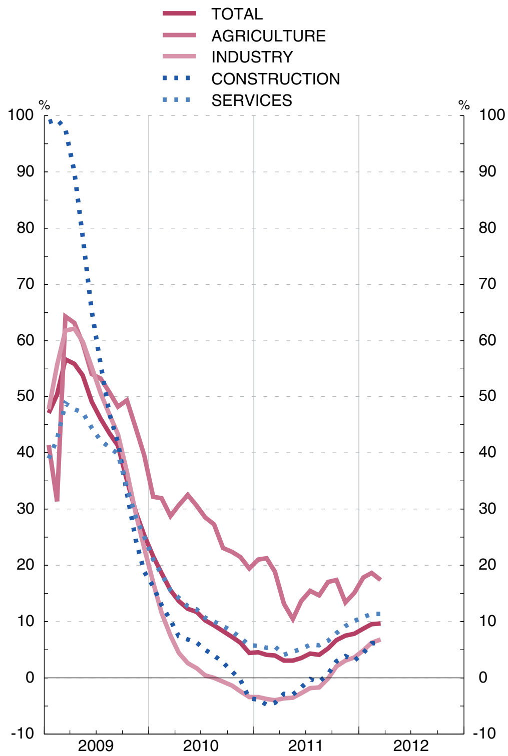
Source: INE (Labour Force Survey: 2005 methodology).
a. The new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See www.ine.es).
General note to the tables: As a result of the change in the population base (2001 Census), all the series in this table have been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

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

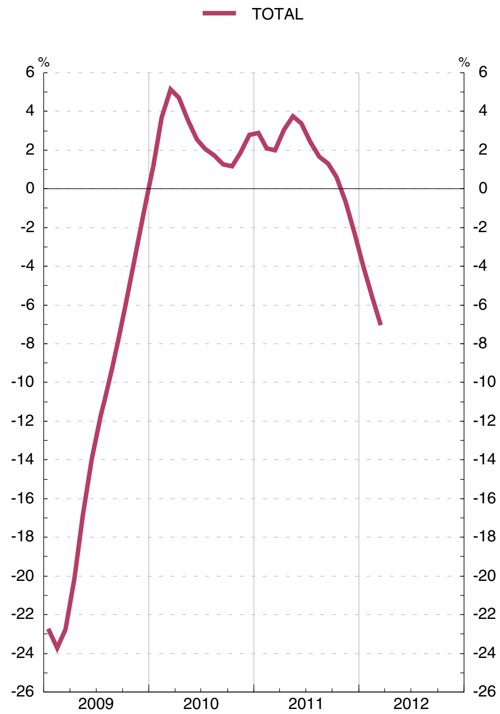
■ Series depicted in chart. *Thousands, annual percentage changes and %*

	Registered unemployment										Contracts					Placements	
	Total			First time job-seekers(a)	Previously employed (a)						Total		Percentage of total			Total	
					12-month % change												
							Branches other than agriculture										
	Thousands	Annual change Thousands	12 month % change	12 month % change	Total	Agriculture	Total	Industry	Construction	Services	Thousands	12 month % change	Permanent	Part time	Temporary	Thousands	12 month % change
	1	2	3 ■	4	5	6 ■	7	8 ■	9 ■	10 ■	11	12	13	14	15	16	17 ■
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
10 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
11 M	4 257	196	4.8	12.9	4.1	16.0	3.8	-1.3	-0.9	6.3	1 203	0.1	7.74	30.69	92.26	1 213	1.9
11 *J-M* M	4 288	173	4.2	23.4	2.7	20.4	2.1	-3.7	-4.3	5.5	1 094	0.4	9.39	28.02	90.61	1 089	1.1
12 *J-M* M	4 688	400	9.3	5.4	9.7	18.0	9.4	6.0	5.6	11.2	1 008	-7.8	8.22	30.89	91.78	1 020	-6.4
11 *Feb*	4 299	169	4.1	24.0	2.5	21.3	1.9	-3.7	-4.7	5.4	1 011	-1.6	9.33	28.08	90.67	1 004	-1.9
Mar	4 334	167	4.0	20.8	2.6	18.9	2.1	-3.9	-4.4	5.5	1 155	-2.9	9.62	29.94	90.38	1 148	-2.5
Apr	4 269	127	3.1	16.3	1.9	13.2	1.5	-3.6	-2.8	4.1	1 067	-1.1	9.02	31.13	90.98	1 083	1.3
May	4 190	123	3.0	12.5	2.2	10.5	1.9	-3.5	-3.0	4.7	1 289	9.0	8.00	30.28	92.00	1 306	9.0
Jun	4 122	139	3.5	9.3	3.0	13.7	2.6	-2.7	-1.7	5.1	1 313	1.1	7.23	31.54	92.77	1 304	4.8
Jul	4 080	171	4.4	8.8	4.0	15.5	3.6	-1.8	-0.2	5.9	1 349	-3.4	6.66	33.44	93.34	1 346	-2.9
Aug	4 131	161	4.1	7.2	3.8	14.7	3.4	-1.7	-0.6	5.8	1 061	5.1	6.23	30.37	93.77	1 075	5.3
Sep	4 227	209	5.2	8.9	4.8	17.0	4.4	-0.1	0.7	6.6	1 394	0.2	7.51	33.30	92.49	1 473	2.2
Oct	4 361	275	6.7	8.7	6.5	17.5	6.1	2.0	3.0	8.0	1 295	-3.8	7.51	35.30	92.49	1 333	2.9
Nov	4 420	310	7.5	7.3	7.6	13.4	7.4	3.1	3.9	9.3	1 218	-3.2	6.89	31.05	93.11	1 206	-2.9
Dec	4 422	322	7.9	6.1	8.0	15.1	7.8	3.6	3.0	10.1	1 165	-2.0	5.64	27.79	94.36	1 165	0.0
12 *Jan*	4 600	369	8.7	5.2	9.1	17.9	8.7	4.9	4.5	10.8	1 039	-6.9	7.31	29.38	92.69	1 054	-5.6
Feb	4 712	413	9.6	5.5	10.0	18.7	9.7	6.2	6.2	11.4	959	-5.2	7.77	30.87	92.23	970	-3.4
Mar	4 751	417	9.6	5.6	10.0	17.4	9.8	6.9	6.3	11.4	1 027	-11.1	9.59	32.41	90.41	1 036	-9.7

REGISTERED UNEMPLOYMENT
Annual percentage changes



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



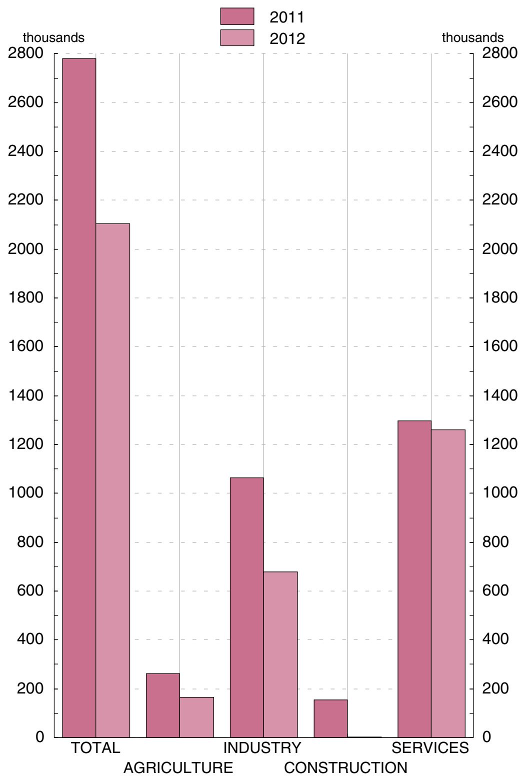
Source: Instituto de Empleo Servicio Público de Empleo Estatal (INEM).
Note: The underlying series for this indicator are in Tables 24.16 and 24.17 of the BE Boletín estadístico.
a. To December 2008, NACE 1993; from January 2009, NACE 2009.

4.6. COLLECTIVE BARGAINING AGREEMENTS

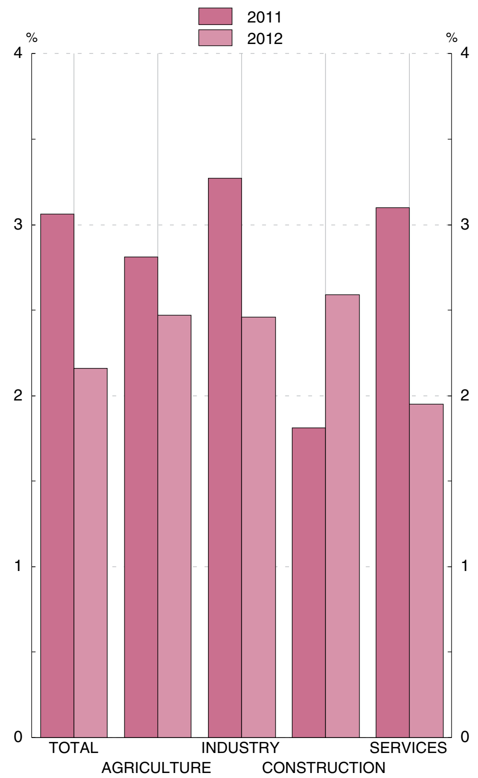
■ Series depicted in chart. *Thousands and %*

	As per month economic effects come into force(a)		As per month recorded														
			Employees affected (a)								Average wage settlement (%)						
	Em-ployees affec-ted	Average wage settle-ment (b)	Automa-tic adjust-ment	Newly-signed agree-ments	Total	Annual change	Agricul-ture (c)	Indus-try (c)	Construc-tion (c)	Services (c)	Auto-matic adjust-ment	Newly signed agree-ments	Total	Agricul-ture (c)	Indus-try (c)	Construc-tion (c)	Services (c)
	1	2	3	4	5 ■	6	7 ■	8 ■	9 ■	10 ■	11	12	13 ■	14 ■	15 ■	16 ■	17 ■
09	11 558	2.24	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	10 215	2.13	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
11	7 049	2.68	5 110	1 157	6 267	-826	415	1 752	1 026	3 075	2.68	1.58	2.48	2.49	2.71	1.52	2.67
10 *Oct*	10 214	2.13	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	10 215	2.13	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	10 215	2.13	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
11 *Jan*	6 553	2.67	1 372	0	1 373	219	210	438	12	712	2.98	0.50	2.98	2.90	2.95	1.62	3.04
Feb	6 570	2.67	2 230	0	2 230	837	263	712	32	1 223	3.12	0.50	3.12	2.81	3.16	3.45	3.15
Mar	6 701	2.69	2 754	26	2 780	901	263	1 064	155	1 298	3.08	1.66	3.06	2.81	3.27	1.81	3.10
Apr	6 819	2.71	2 984	41	3 025	244	263	1 149	228	1 384	3.03	1.63	3.01	2.81	3.17	1.72	3.14
May	6 826	2.71	3 935	71	4 007	923	263	1 193	644	1 906	2.82	1.95	2.80	2.81	3.11	1.58	3.02
Jun	6 839	2.70	4 355	365	4 719	1 116	345	1 270	854	2 251	2.82	1.41	2.71	2.55	3.08	1.52	2.97
Jul	6 958	2.69	4 495	509	5 004	1 232	351	1 306	918	2 429	2.77	1.59	2.65	2.53	3.04	1.52	2.89
Aug	6 958	2.69	4 506	518	5 024	968	351	1 309	919	2 445	2.77	1.60	2.65	2.53	3.04	1.52	2.88
Sep	6 999	2.68	4 513	609	5 122	-7	352	1 374	919	2 476	2.77	1.64	2.63	2.54	2.99	1.52	2.87
Oct	7 044	2.68	4 777	731	5 508	-694	372	1 404	932	2 800	2.73	1.73	2.60	2.51	2.99	1.52	2.78
Nov	7 045	2.68	4 972	1 092	6 064	-900	412	1 693	964	2 994	2.71	1.61	2.51	2.49	2.76	1.52	2.69
Dec	7 049	2.68	5 110	1 157	6 267	-826	415	1 752	1 026	3 075	2.68	1.58	2.48	2.49	2.71	1.52	2.67
12 *Jan*	2 094	2.16	1 225	15	1 240	-133	162	587	2	490	2.45	1.71	2.44	2.45	2.54	2.50	2.32
Feb	2 095	2.16	1 641	29	1 671	-559	164	648	2	856	2.33	1.13	2.31	2.47	2.49	2.50	2.14
Mar	2 095	2.16	2 063	41	2 105	-676	164	678	2	1 260	2.18	1.05	2.16	2.47	2.46	2.59	1.95

EMPLOYEES AFFECTED
January-March



AVERAGE WAGE SETTLEMENT
January-March



Source: Ministerio de Empleo y Seguridad Social, Estadística de Convenios Colectivos de Trabajo. Avance mensual.
a. Cumulative data.
b. Includes revisions arising from indexation clauses, except in 2012.
c. To December 2008, NACE 1993; from January 2009, NACE 2009.

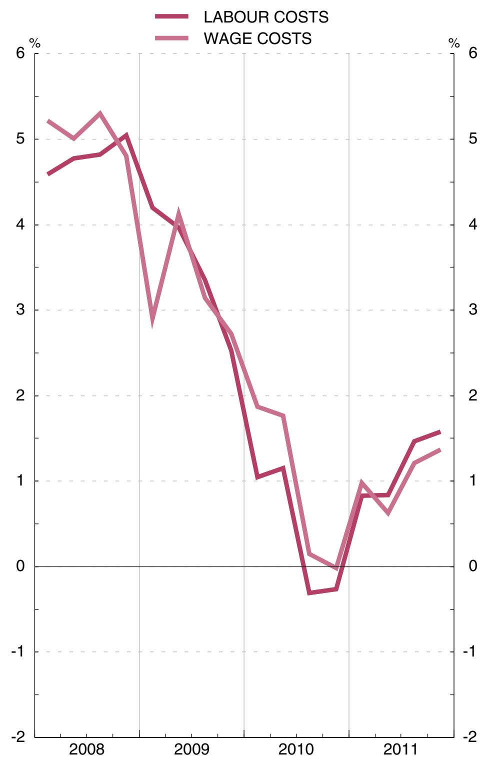
4.7. QUARTERLY LABOUR COSTS SURVEY

■ Series depicted in chart.

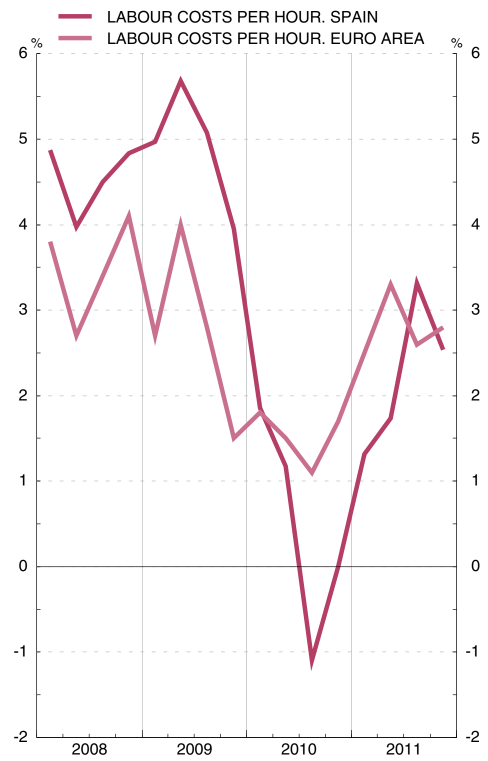
Annual percentage change

	Labour costs					Wage costs					Other costs per worker and month	memoramdum 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	Construc-tion	Services		Total	Industry	Construc-tion	Services				
	1 ■	2	3	4	5	6 ■	7	8	9	10	11	12 ■	13 ■
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	3.5
09 M	3.5	3.1	5.4	3.5	5.6	3.2	2.1	5.2	3.2	5.3	4.3	4.9	2.8
10 M	0.4	2.3	0.1	0.2	0.6	0.9	2.9	0.8	0.5	1.1	-1.1	0.4	1.5
10 *Q1-Q4* M	0.4	2.3	0.1	0.2	0.6	0.9	2.9	0.8	0.5	1.1	-1.1	0.4	1.5
11 *Q1-Q4* M	1.2	1.7	2.8	1.0	2.2	1.0	2.8	2.5	0.5	2.1	1.6	2.3	2.8
09 *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	4.0
Q3	3.4	2.9	5.0	3.5	4.2	3.1	2.0	4.9	3.2	3.9	3.9	5.1	2.8
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	1.5
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	1.8
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	1.5
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	1.1
Q4	-0.3	2.3	0.2	-0.8	1.1	-	2.8	0.6	-0.7	1.3	-1.0	-	1.7
11 *Q1*	0.8	1.3	2.8	0.6	-	1.0	3.0	2.3	0.3	0.2	0.4	1.3	2.5
Q2	0.8	1.6	3.0	0.6	1.5	0.6	3.1	3.2	-0.2	1.3	1.5	1.7	3.3
Q3	1.5	2.2	1.8	1.4	4.8	1.2	2.8	1.9	0.8	4.5	2.2	3.3	2.6
Q4	1.6	1.8	3.3	1.5	2.5	1.4	2.3	2.4	1.1	2.2	2.2	2.5	2.8

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.

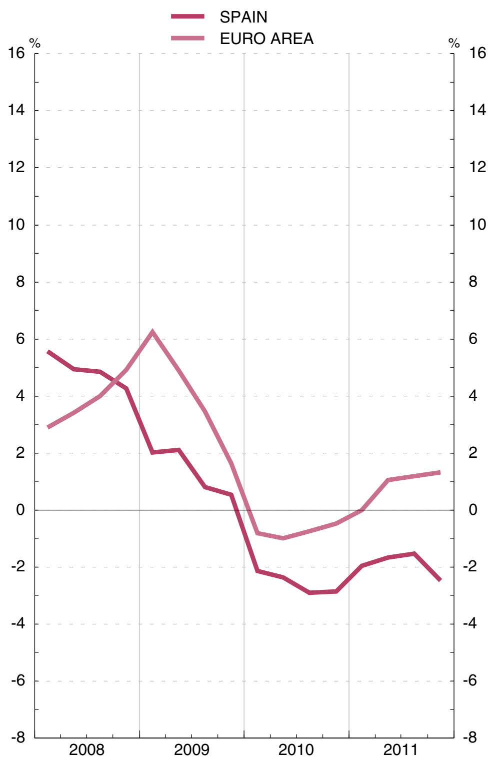
c. Whole economy, excluding agriculture, public administration, education, health and services not classified elsewhere.

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

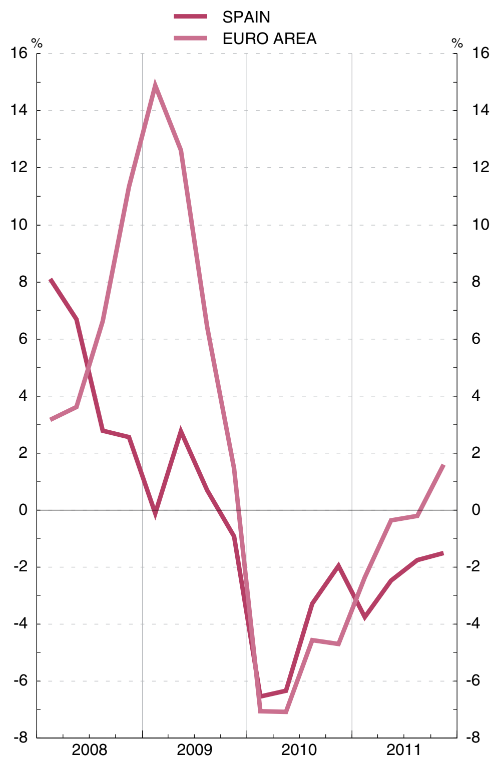
■ Series depicted in chart. *Annual percentage changes*

		Unit labour costs				Whole-economy				Memorandum items			
		Whole-economy		Industry		Compensation per employee		Productivity		GDP (volume measures)		Employment Whole-economy	
		Spain	Euro area	Spain	Euro area	Spain (b)	Euro area	Spain	Euro area	Spain	Euro area	Spain (b)	Euro area
		1 ■	2 ■	3 ■	4 ■	5	6	7	8	9	10	11	12
08	P	4.9	3.8	5.0	6.2	6.1	3.2	1.1	-0.5	0.9	0.3	-0.2	0.8
09	P	1.4	4.1	0.6	8.8	4.3	1.4	2.9	-2.5	-3.7	-4.3	-6.5	-1.8
10	P	-2.6	-0.8	-4.6	-5.8	0.0	1.6	2.6	2.4	-0.1	1.9	-2.6	-0.5
09 *Q1*	P	2.0	6.2	-0.1	14.9	5.0	1.8	2.9	-4.2	-3.5	-5.3	-6.2	-1.2
Q2	P	2.1	4.9	2.8	12.6	4.7	1.3	2.6	-3.4	-4.4	-5.2	-6.8	-1.8
Q3	P	0.8	3.5	0.7	6.4	4.1	1.3	3.3	-2.1	-4.0	-4.3	-7.0	-2.2
Q4	P	0.5	1.6	-0.9	1.4	3.4	1.4	2.8	-0.2	-3.1	-2.2	-5.7	-2.0
10 *Q1*	P	-2.1	-0.8	-6.5	-7.1	0.8	1.5	3.0	2.4	-1.3	1.0	-4.2	-1.3
Q2	P	-2.4	-1.0	-6.3	-7.1	0.5	1.8	3.0	2.8	-0.0	2.2	-2.9	-0.6
Q3	P	-2.9	-0.7	-3.3	-4.6	-0.6	1.6	2.4	2.3	0.4	2.1	-2.0	-0.2
Q4	P	-2.9	-0.5	-2.0	-4.7	-0.7	1.5	2.2	2.0	0.7	2.1	-1.4	0.1
11 *Q1*	P	-2.0	-	-3.8	-2.4	0.6	2.2	2.6	2.2	0.9	2.4	-1.6	0.2
Q2	P	-1.7	1.0	-2.5	-0.4	0.5	2.3	2.2	1.3	0.8	1.6	-1.3	0.4
Q3	P	-1.5	1.2	-1.8	-0.2	1.2	2.3	2.8	1.1	0.8	1.3	-2.0	0.2
Q4	P	-2.5	1.3	-1.5	1.6	1.1	2.2	3.7	0.9	0.3	0.7	-3.3	-0.2

UNIT LABOUR COSTS: TOTAL
Annual percentage changes



UNIT LABOUR COSTS: INDUSTRY
Annual percentage changes



Sources: INE (Quarterly National Accounts of Spain. Base year 2008) 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.

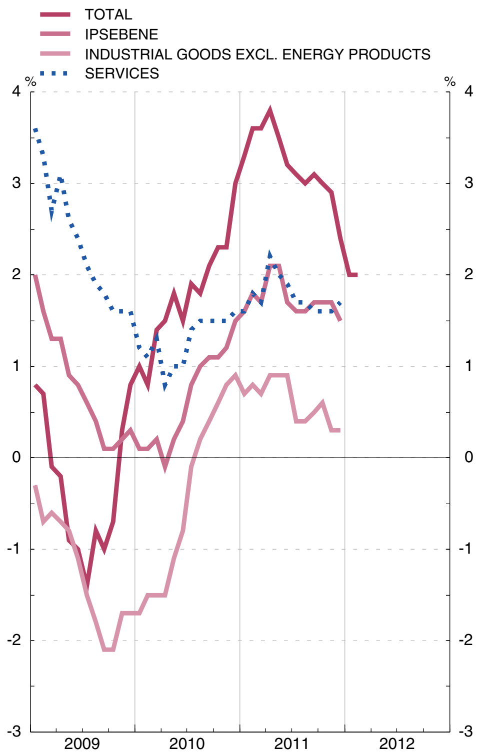
5.1. CONSUMER PRICE INDEX. SPAIN (2011=100)

■ Series depicted in chart.

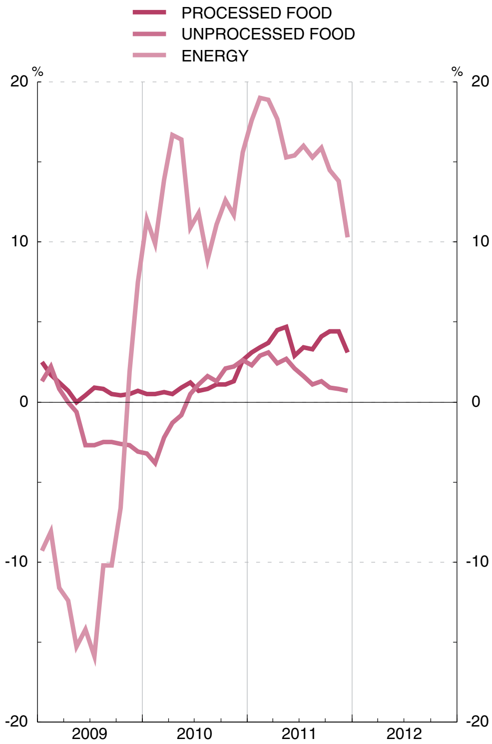
Indices and annual percentage changes

		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
09	M	95.2	_	-0.3	0.8	-1.3	0.9	-1.3	-8.7	2.4	0.8	94.9	-11.3
10	M	96.9	_	1.8	3.0	0.0	1.0	-0.4	12.6	1.3	0.6	100.8	6.2
11	M	100.0	_	3.2	2.4	1.8	3.8	0.6	15.8	1.8	1.7	101.5	0.7
11 *J-M*	M	98.6	0.0	3.5	-0.4	2.8	3.4	0.7	18.5	1.7	1.7	103.2	-0.1
12 *J-M*	M	100.6	-0.1	2.0	-0.8	1.4	2.8	0.2	7.8	1.3	1.2	...	...
10 *Dec*		99.0	0.6	3.0	3.0	2.6	2.6	0.9	15.6	1.6	1.5	103.1	8.5
11 *Jan*		98.3	-0.7	3.3	-0.7	2.3	3.1	0.7	17.6	1.6	1.6	99.0	3.7
Feb		98.4	0.1	3.6	-0.6	2.9	3.4	0.8	19.0	1.8	1.8	105.2	1.3
Mar		99.2	0.7	3.6	0.1	3.1	3.7	0.7	18.9	1.7	1.7	105.5	-5.2
Apr		100.4	1.2	3.8	1.4	2.4	4.5	0.9	17.7	2.2	2.1	105.7	-4.7
May		100.4	-	3.5	1.3	2.7	4.7	0.9	15.3	2.0	2.1	106.5	-8.1
Jun		100.2	-0.1	3.2	1.2	2.1	2.9	0.9	15.4	1.9	1.7	108.6	6.7
Jul		99.7	-0.5	3.1	0.7	1.6	3.4	0.4	16.0	1.7	1.6	91.5	5.1
Aug		99.8	0.1	3.0	0.8	1.1	3.3	0.4	15.3	1.7	1.6	92.2	4.2
Sep		100.1	0.2	3.1	1.0	1.3	4.1	0.5	15.9	1.6	1.7	102.7	5.2
Oct		100.9	0.8	3.0	1.8	0.9	4.4	0.6	14.5	1.6	1.7	103.5	2.6
Nov		101.3	0.4	2.9	2.2	0.8	4.4	0.3	13.8	1.6	1.7	101.6	-0.2
Dec		101.4	0.1	2.4	2.4	0.7	3.1	0.3	10.3	1.7	1.5	100.3	-2.7
12 *Jan*		100.3	-1.1	2.0	-1.1	1.0	2.8	0.2	8.0	1.4	1.3	...	...
Feb		100.4	0.1	2.0	-1.0	1.8	2.8	0.1	7.9	1.3	1.2	...	...
Mar		101.1	0.7	1.9	-0.3	1.4	2.7	0.3	7.5	1.2	1.2	...	...

CONSUMER PRICE INDEX. TOTAL AND COMPONENTS
Annual percentage changes



CONSUMER PRICE INDEX. COMPONENTS
Annual percentage changes



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

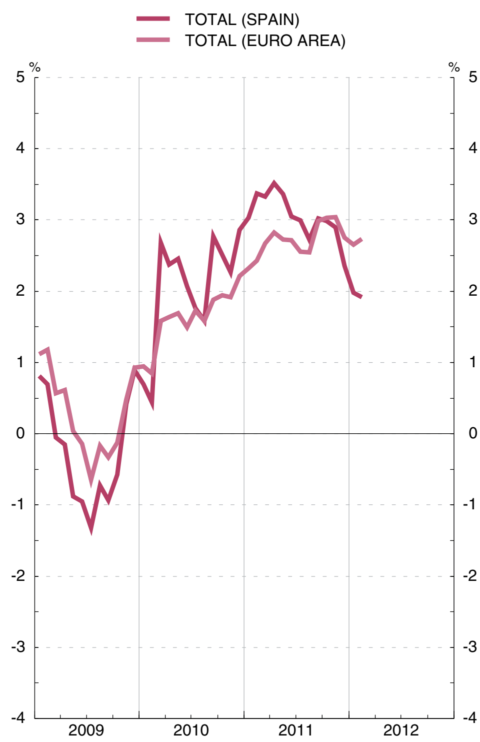
5.2. HARMONISED INDEX OF CONSUMER PRICES. SPAIN AND EURO AREA (2005=100) (a)

■ Series depicted in chart.

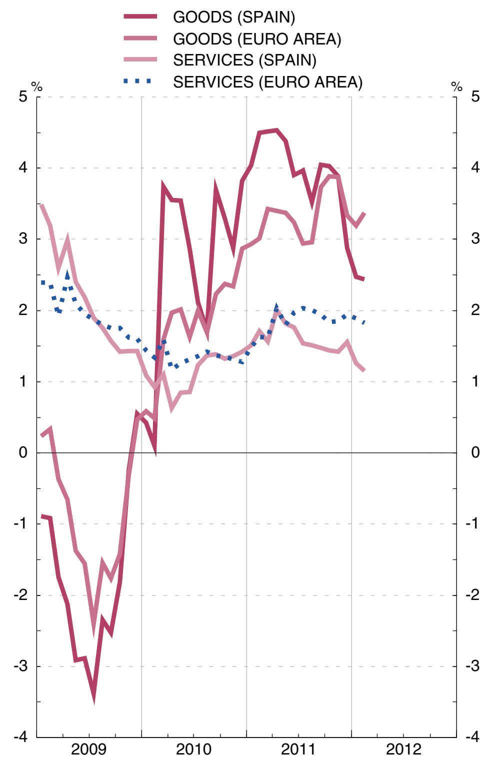
Annual percentage changes

		Total		Goods														Services	
						Food						Industrial							
						Total		Processed		Unprocessed				Non-energy		Energy			
		Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area
		1 ■	2 ■	3 ■	4 ■	5	6	7	8	9	10	11	12	13	14	15	16	17 ■	18 ■
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
10	M	2.0	1.6	2.7	1.8	1.1	1.1	1.4	0.9	0.7	1.3	3.5	2.2	0.3	0.5	12.5	7.4	1.1	1.4
11	M	3.1	2.7	4.0	3.3	2.8	2.7	4.2	3.3	1.3	1.8	4.7	3.7	0.5	0.8	15.7	11.9	1.6	1.8
11 *J-F*	M	3.2	2.4	4.3	3.0	2.5	2.1	3.8	1.9	1.2	2.4	5.2	3.4	0.3	0.3	18.3	12.5	1.6	1.6
12 *J-F*	M P	1.9	2.7	2.5	3.3	2.2	3.2	2.9	4.1	1.4	1.9	2.6	3.3	0.3	1.0	7.9	9.4	1.2	1.9
10 *Nov*		2.3	1.9	2.9	2.3	1.5	1.8	1.4	1.3	1.6	2.6	3.6	2.6	0.7	0.9	11.7	7.9	1.4	1.3
Dec		2.9	2.2	3.8	2.9	2.6	2.1	3.1	1.5	2.0	3.2	4.5	3.2	0.5	0.7	15.6	11.0	1.4	1.3
11 *Jan*		3.0	2.3	4.0	2.9	2.2	1.9	3.7	1.8	0.7	2.2	5.0	3.4	0.3	0.5	17.6	12.0	1.5	1.5
Feb		3.4	2.4	4.5	3.0	2.8	2.3	4.0	2.0	1.6	2.7	5.4	3.4	0.3	0.1	19.0	13.1	1.7	1.6
Mar		3.3	2.7	4.5	3.4	2.7	2.4	4.3	2.5	1.1	2.2	5.5	4.0	0.6	0.9	18.9	13.0	1.6	1.6
Apr		3.5	2.8	4.5	3.4	3.0	2.2	5.3	2.8	0.6	1.4	5.4	4.0	0.8	1.0	17.6	12.5	2.0	2.0
May		3.4	2.7	4.4	3.4	3.7	2.8	5.5	3.2	1.8	2.4	4.8	3.6	0.8	1.0	15.3	11.1	1.8	1.8
Jun		3.0	2.7	3.9	3.2	2.4	2.7	3.0	3.1	1.7	2.0	4.8	3.5	0.8	0.9	15.3	10.9	1.8	2.0
Jul		3.0	2.6	4.0	2.9	2.9	2.6	3.6	3.4	2.0	1.3	4.5	3.1	0.2	-	15.9	11.8	1.5	2.0
Aug		2.7	2.5	3.5	3.0	2.1	2.7	3.6	3.6	0.5	1.1	4.3	3.1	0.1	-	15.3	11.8	1.5	2.0
Sep		3.0	3.0	4.0	3.7	3.3	3.0	4.6	4.0	1.8	1.4	4.5	4.1	0.2	1.2	15.9	12.4	1.5	1.9
Oct		3.0	3.0	4.0	3.9	3.3	3.3	5.0	4.3	1.5	1.8	4.4	4.2	0.6	1.3	14.5	12.4	1.4	1.8
Nov		2.9	3.0	3.9	3.9	3.3	3.4	5.1	4.3	1.5	1.9	4.2	4.1	0.5	1.3	13.7	12.3	1.4	1.9
Dec		2.4	2.7	2.9	3.3	2.3	3.1	3.4	4.1	1.0	1.6	3.2	3.4	0.5	1.2	10.3	9.7	1.6	1.9
12 *Jan*		2.0	2.7	2.5	3.2	2.2	3.1	2.9	4.1	1.4	1.6	2.6	3.2	0.3	0.9	7.9	9.2	1.3	1.9
Feb	P	1.9	2.7	2.4	3.4	2.1	3.3	2.9	4.1	1.3	2.2	2.6	3.4	0.2	1.1	7.8	9.5	1.1	1.8

HARMONISED INDEX OF CONSUMER PRICES. TOTAL
Annual percentage changes



HARMONISED INDEX OF CONSUMER PRICES. COMPONENTS
Annual percentage changes



Source: Eurostat.

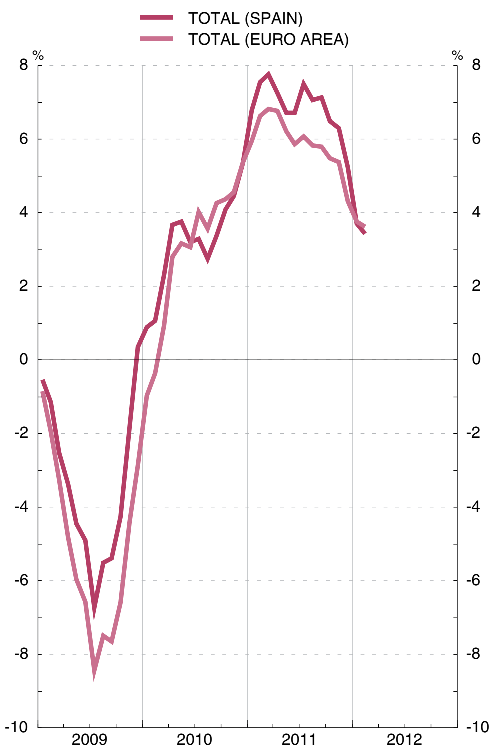
a. Since January 2011 the rules of Commission Regulation (EC) No 330/2009 on the treatment of seasonal products have been incorporated. This has prompted a break in the series. The series constructed with the new methodology are only available from January 2010. The year-on-year rates of change presented here for 2010 are those disseminated by Eurostat, wich were constructed using the series prepared with the new methodology for 2010 and using the series prepared with the old methodology for 2009. Thus, these rates give a distorted view since they compare price indices prepared using two different methodologies. The year-on-year rates of change in the HICP in 2010, calculated on a uniform basis using solely the previous methodology and wich are consequently consistent, are as follows: Jan:1,1; Feb:0,9; Mar:1,5; Apr:1,6; May:1,8; Jun:1,5; Jul:1,9; Aug:1,8; Sep:2,1; Oct:2,3; Nov:2,2; Dec:2,9. More detailed methodological notes can be consulted on the Eurostat Internet site (www.europa.eu.int).

5.3. PRODUCER PRICE INDEX. SPAIN AND EURO AREA (2005 = 100)

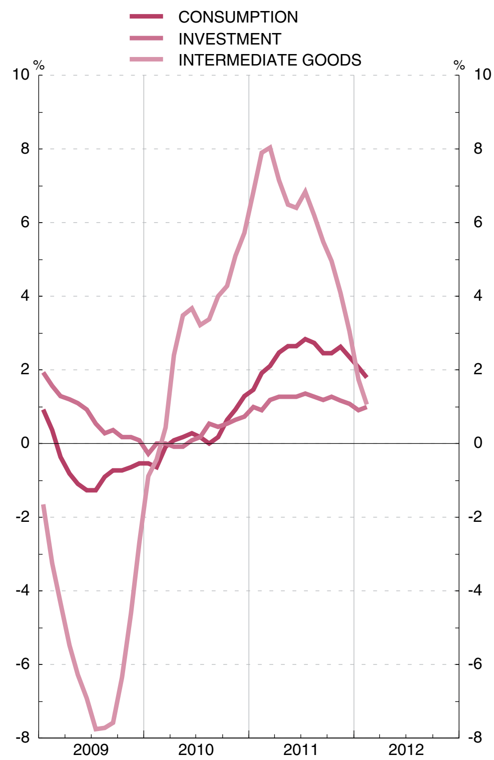
■ Series depicted in chart. *Annual percentage changes*

		Total			Consumer goods		Capital goods		Intermediate goods		Energy		Memorandum item: euro area				
													Total	Consumer goods	Capital goods	Intermediate goods	Energy
		Original series	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	12-month % change	12-month % change	12-month % change	12-month % change	12-month % change
		1	2	3 ■	4	5 ■	6	7 ■	8	9 ■	10	11	12 ■	13	14	15	16
09	MP	112.4	_	-3.4	_	-0.6	_	0.8	_	-5.4	_	-6.8	-5.1	-2.1	0.5	-5.2	-11.5
10	MP	115.9	_	3.2	_	0.2	_	0.2	_	2.9	_	9.8	2.9	0.4	0.3	3.5	6.5
11	MP	123.9	_	6.9	_	2.4	_	1.2	_	6.1	_	17.0	5.9	3.1	1.4	5.9	11.9
11 *J-F*	MP	121.9	_	7.2	_	1.7	_	1.0	_	7.4	_	17.9	6.3	2.3	1.3	7.7	12.2
12 *J-F*	MP	126.2	_	3.6	_	1.9	_	0.9	_	1.4	_	9.6	3.7	2.9	1.4	1.3	9.2
10 *Nov*	P	117.4	0.3	4.4	-	0.9	0.1	0.6	0.4	5.1	1.0	10.7	4.6	1.5	0.9	5.8	8.8
Dec	P	118.5	0.9	5.3	0.3	1.3	-	0.7	0.7	5.7	2.7	13.5	5.4	1.8	0.7	6.3	11.2
11 *Jan*	P	121.3	2.4	6.8	0.5	1.5	0.5	1.0	1.7	6.8	6.7	17.3	5.9	2.1	1.2	7.3	11.7
Feb	P	122.4	0.9	7.6	0.5	1.9	0.1	0.9	1.2	7.9	1.4	18.5	6.6	2.5	1.4	8.2	12.6
Mar	P	123.5	0.9	7.8	0.3	2.1	0.2	1.2	0.6	8.0	2.3	18.6	6.8	2.8	1.4	8.1	13.0
Apr	P	124.2	0.6	7.3	0.4	2.5	0.1	1.3	0.5	7.1	1.1	17.1	6.8	3.4	1.4	7.3	13.2
May	P	123.8	-0.3	6.7	0.1	2.6	-	1.3	0.2	6.5	-1.3	15.4	6.2	3.5	1.2	6.6	11.8
Jun	P	123.9	0.1	6.7	0.1	2.6	0.1	1.3	-0.1	6.4	0.1	15.4	5.9	3.4	1.3	6.3	10.7
Jul	P	124.7	0.6	7.5	0.2	2.8	0.1	1.4	0.2	6.8	2.1	17.9	6.1	3.3	1.5	6.1	11.9
Aug	P	124.3	-0.3	7.1	0.2	2.7	0.1	1.3	-	6.2	-1.5	17.2	5.8	3.3	1.5	5.7	11.4
Sep	P	124.6	0.2	7.1	-	2.5	-	1.2	-0.2	5.5	1.1	18.8	5.8	3.4	1.5	5.0	12.2
Oct	P	124.6	-	6.5	0.1	2.4	0.1	1.3	-0.3	5.0	0.3	17.0	5.5	3.4	1.6	4.1	12.3
Nov	P	124.8	0.2	6.3	0.2	2.6	-	1.2	-0.4	4.1	0.9	17.0	5.4	3.4	1.4	3.5	12.3
Dec	P	124.7	-0.1	5.2	-	2.4	-0.1	1.1	-0.3	3.0	0.1	14.0	4.3	3.1	1.6	2.7	9.4
12 *Jan*	P	125.8	0.9	3.7	0.2	2.1	0.3	0.9	0.4	1.7	2.7	9.7	3.8	3.0	1.4	1.6	9.2
Feb	P	126.6	0.6	3.4	0.2	1.8	0.2	1.0	0.6	1.1	1.3	9.6	3.6	2.8	1.4	1.1	9.3

PRODUCER PRICE INDEX. TOTAL
Annual percentage changes



PRODUCER PRICE INDEX. COMPONENTS
Annual percentage changes



Sources: INE and ECB.
Note: The underlying series for this indicator, for Spain, are in Table 25.3 of the BE Boletín estadístico.
a. For annual periods: average growth for each year on the previous year.

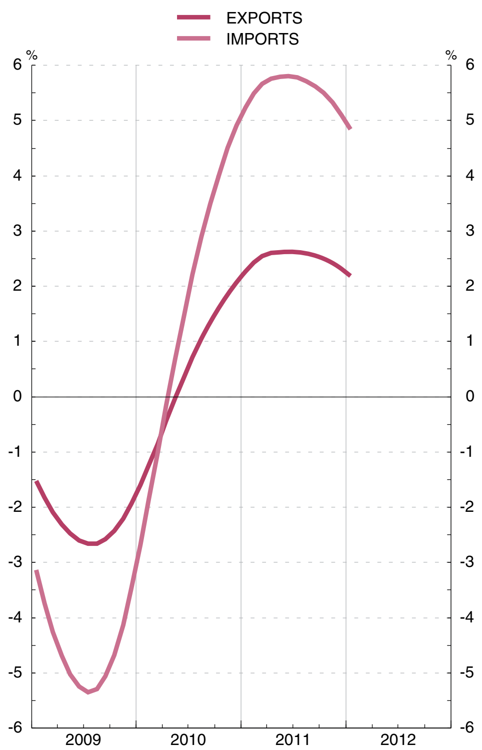
5.4. UNIT VALUE INDICES FOR SPANISH FOREIGN TRADE

■ Series depicted in chart.

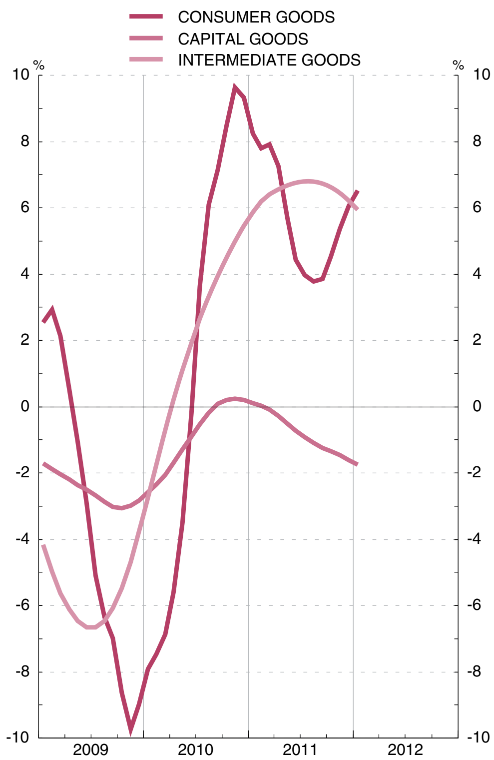
Annual percentage changes

	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
10	1,6	3,1	-5,2	1,8	16,8	0,9	4,7	1,7	2,4	6,2	25,8	0,5
11	4,9	3,9	1,5	6,0	30,2	3,5	8,5	5,5	-0,8	10,6	25,6	5,2
12 A	2,0	3,2	14,0	-0,1	0,5	-0,7	5,5	6,9	-2,4	5,9	17,9	1,4
11 *J-J*	5,8	5,3	-3,9	7,9	48,3	5,5	11,5	6,5	-7,8	15,4	30,5	9,0
12 *J-J*	2,0	3,2	14,0	-0,1	0,5	-0,7	5,5	6,9	-2,4	5,9	17,9	1,4
10 *Aug*	6,9	4,4	-1,5	9,1	27,4	7,4	11,1	12,2	7,0	10,7	20,8	7,4
Sep	4,3	5,0	9,6	2,9	17,9	2,0	6,2	3,4	14,8	6,7	20,6	2,9
Oct	4,0	7,7	1,5	2,1	23,9	0,8	8,0	10,3	6,3	7,0	22,9	2,5
Nov	3,6	5,7	-6,8	3,8	24,6	2,4	8,6	12,0	6,1	7,1	19,4	3,4
Dec	2,8	5,7	-4,5	2,2	13,4	1,3	9,5	11,4	9,4	8,3	26,8	1,7
11 *Jan*	5,8	5,3	-3,9	7,9	48,3	5,5	11,5	6,5	-7,8	15,4	30,5	9,0
Feb	6,7	5,1	3,6	8,3	24,1	6,8	10,1	6,0	0,6	12,5	30,4	6,9
Mar	6,6	2,6	4,0	10,0	41,4	8,1	11,4	10,1	12,9	11,6	33,7	5,9
Apr	9,5	11,8	1,6	9,4	29,6	7,2	11,0	9,7	2,7	12,1	25,9	7,2
May	0,7	4,6	4,0	-2,8	27,6	-5,0	3,9	4,7	-5,1	4,3	19,0	0,6
Jun	4,2	0,8	2,9	6,3	27,5	4,3	7,3	2,4	-1,7	9,8	20,4	5,3
Jul	4,6	2,9	4,7	5,6	29,1	3,6	9,3	4,2	-1,2	12,3	26,7	7,2
Aug	2,1	2,1	-6,3	3,3	21,5	2,0	5,3	3,8	-3,3	6,8	21,3	1,2
Sep	3,7	5,3	-3,8	4,0	24,4	2,2	7,1	1,7	-8,3	10,8	25,9	3,7
Oct	6,1	3,3	4,0	7,9	28,1	2,9	8,6	5,1	2,3	10,9	24,4	6,4
Nov	4,2	0,4	4,0	6,6	36,4	0,7	10,7	5,1	1,8	13,8	29,4	7,3
Dec	4,4	2,3	3,5	5,7	23,4	4,5	6,4	6,6	-1,9	7,3	20,0	1,5
12 *Jan*	2,0	3,2	14,0	-0,1	0,5	-0,7	5,5	6,9	-2,4	5,9	17,9	1,4

EXPORT AND IMPORT UNIT VALUE INDICES (a)



IMPORT UNIT VALUE INDICES BY PRODUCT GROUP (a)



Sources: ME and BE.
Note: The underlying series for this indicator are in the Tables 18.6 and 18.7 of the Boletín Estadístico.
a. Annual percentage changes (trend obtained with TRAMO-SEATS).

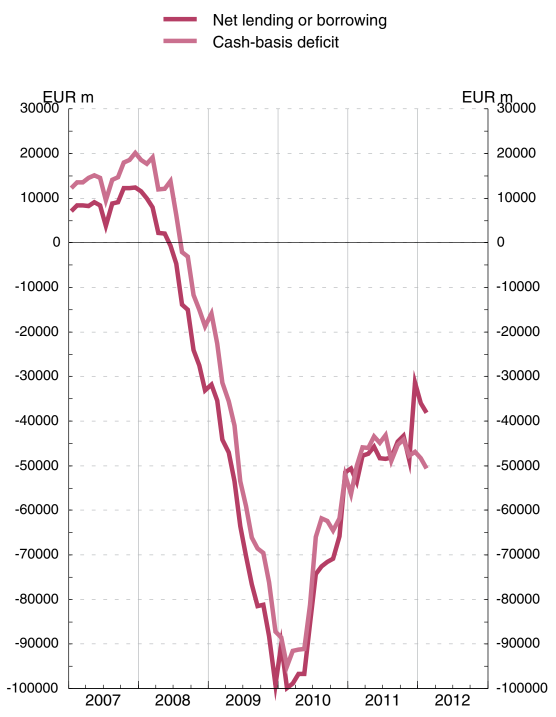
6.1. STATE RESOURCES ANS USES ACCORDING TO THE NACIONAL ACCOUNTS. SPAIN

■ Series depicted in chart.

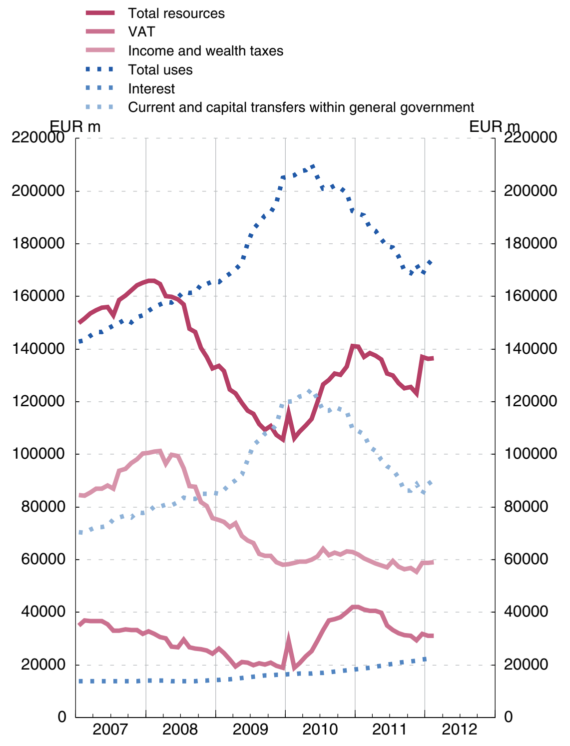
EUR millions

	Net lending (+) or borrowing (-)	Current and capital resources						Current and capital uses						Memorandum item: cash-basis deficit		
		Total	Value added tax (VAT)	Other taxes on products and imports	Interest and other income on property	Income and wealth taxes	Other	Total	Compensation of employees	Interest	Current and capital transfers within general government	Investment grants and other capital transfers	Other	Cash-basis deficit	Revenue	Expenditure
	1=2-8 ■	2=3 a 7 ■	3 ■	4	5	6 ■	7	8=9 a13 ■	9	10 ■	11 ■	12	13	14=15-16 ■	15	16
07	12 365	165 285	31 885	12 938	6 636	100 446	13 380	152 920	18 006	14 032	77 833	6 092	36 957	20 135	159 840	139 704
08	-33 125	132 614	24 277	12 715	6 989	75 803	12 830	165 739	19 179	14 224	85 576	5 724	41 036	-18 747	129 336	148 082
09	-99 130	105 783	18 919	11 586	8 125	58 156	8 997	204 913	20 176	16 392	120 013	5 617	42 715	-87 281	102 038	189 319
10	P -51 448	141 061	41 995	11 798	7 722	62 838	16 708	192 509	20 125	18 103	109 650	4 243	40 388	-52 235	127 337	179 572
11	A -31 348	137 056	31 712	8 021	7 338	58 816	31 169	168 404	20 147	22 110	84 923	4 369	36 855	-46 950	104 145	151 095
11 *J-F*	A -13 862	9 637	4 097	1 279	533	3 068	660	23 499	2 790	3 303	11 271	9	6 126	-5 582	22 930	28 512
12 *J-F*	A -20 676	9 139	3 504	1 195	648	3 350	442	29 815	2 832	4 014	16 648	11	6 310	-9 196	23 063	32 258
11 *Feb*	A -9 184	4 594	2 253	464	235	1 458	184	13 778	1 418	1 433	7 254	9	3 664	2 125	13 447	11 322
Mar	A 2 455	14 470	4 784	446	1 379	6 227	1 634	12 015	1 484	1 805	5 804	364	2 558	-3 579	4 522	8 101
Apr	A -5 537	7 326	693	659	372	4 496	1 106	12 863	1 490	1 791	6 983	218	2 381	3 018	16 196	13 178
May	A -11 070	1 584	-111	631	83	-786	1 767	12 654	1 500	1 842	6 649	166	2 497	-7 939	958	8 897
Jun	A -71	13 767	4 322	773	392	6 095	2 185	13 838	2 623	1 829	6 200	112	3 074	-9 414	1 081	10 495
Jul	A -10 922	6 117	-142	810	17	5 094	338	17 039	1 460	1 920	10 421	249	2 989	2 886	15 698	12 812
Aug	A -1 854	8 102	171	524	375	5 465	1 567	9 956	1 411	1 873	4 348	41	2 283	-13 073	2 277	15 350
Sep	A 3 170	13 837	5 173	934	528	5 939	1 263	10 667	1 521	1 849	5 109	222	1 966	2 602	10 419	7 818
Oct	A -2 460	11 379	1 376	564	265	7 391	1 783	13 839	1 501	1 849	8 302	197	1 990	4 347	19 165	14 818
Nov	A -12 323	5 975	166	550	757	2 662	1 840	18 298	1 488	1 845	11 589	229	3 147	-11 815	4 068	15 882
Dec	A 21 126	44 862	11 183	851	2 637	13 165	17 026	23 736	2 879	2 204	8 247	2 562	7 844	-8 401	6 830	15 231
12 *Jan*	A -9 316	4 309	1 339	681	547	1 525	217	13 625	1 396	2 057	7 864	-	2 308	-9 040	9 194	18 235
Feb	A -11 360	4 830	2 165	514	101	1 825	225	16 190	1 436	1 957	8 784	11	4 002	-155	13 868	14 024

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



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



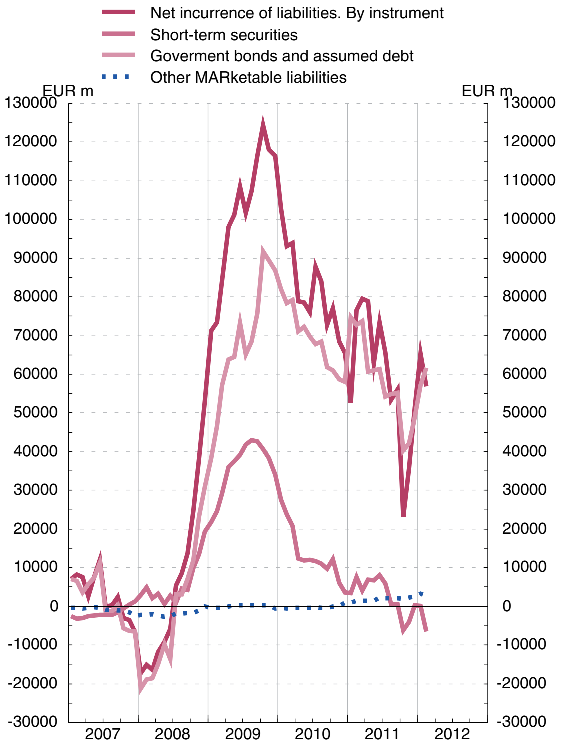
Source: Ministerio de Economía y Hacienda (IGAE).

6.2. STATE FINANCIAL TRANSACTIONS. SPAIN

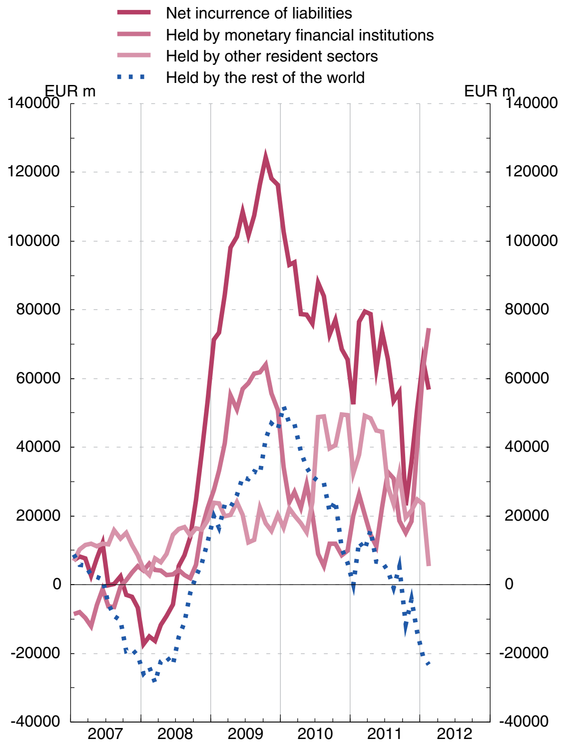
■ Series depicted in chart. *EUR millions*

	Net lending (+) or net borrowing(-)	Net acquisition of financial assets		Net incurrence of liabilities											Net incurrence of liabilities (excluding other accounts payable)
			Of which		Of which	By instrument					By counterpart sector				
											Held by resident sectors			Rest of the world	
		Total	Deposits at the Banco de España	Total	In currencies other than the peseta/ euro	Short-term securities	Goverment bonds and assumed debt	Banco de España loans	Other marketable liabilities (a)	Other accounts payable	Total	Monetary financial institutions	Other resident sectors		
	1	2	3	4 ■	5	6 ■	7 ■	8	9 ■	10	11	12 ■	13 ■	14 ■	15
07	12 365	5 657	65	-6 708	-118	1 206	-6 475	-519	-2 495	1 575	13 875	5 342	8 533	-20 582	-8 282
08	-33 125	19 881	4 337	53 006	1 227	19 355	30 868	-520	-40	3 343	40 774	22 233	18 541	12 232	49 664
09	-99 130	17 203	-4 197	116 333	1 524	34 043	86 835	-535	-510	-3 500	71 031	50 819	20 212	45 302	119 833
10	P -51 448	14 015	-5	65 463	-726	3 616	57 958	-544	907	3 525	59 166	9 809	49 357	6 297	61 938
11	A -31 348	20 010	-75	51 358	-1 442	312	48 941	-537	2 637	5	65 268	40 474	24 794	-13 910	51 353
11 *J-F*	A -13 862	4 804	-5	18 666	29	1 173	12 738	-	536	4 219	10 627	1 594	9 032	8 039	14 447
12 *J-F*	A -20 676	3 426	19 274	24 102	12	-5 648	25 496	-	577	3 677	25 363	35 696	-10 333	-1 261	20 425
11 *Feb*	A -9 184	10 067	-4	19 251	14	1 979	7 972	-	530	8 770	13 635	2 273	11 362	5 616	10 481
Mar	A 2 455	9 416	-195	6 961	-5	-2 423	13 480	-	-23	-4 074	4 928	2 822	2 106	2 033	11 034
Apr	A -5 537	3 936	18 220	9 473	-4	-259	-9 917	-537	-4	20 189	8 021	-2 242	10 263	1 452	-10 716
May	A -11 070	-19 172	-18 220	-8 102	15	436	8 307	-	0	-16 845	2 491	4 537	-2 046	-10 593	8 743
Jun	A -71	11 067	80	11 138	-37	2 444	9 324	-	918	-1 548	10 056	11 141	-1 085	1 082	12 686
Jul	A -10 922	-298	-82	10 624	-1 454	336	-15 631	-	5	25 914	14 410	-3 794	18 205	-3 786	-15 290
Aug	A -1 854	-19 020	1	-17 166	11	-2 795	5 710	-	14	-20 095	-13 973	-4 216	-9 757	-3 193	2 929
Sep	A 3 170	11 497	1	8 327	-25	707	9 217	-	-38	-1 559	1 449	-395	1 844	6 877	9 886
Oct	A -2 460	-14 364	0	-11 904	5	-1 682	-7 751	-	-15	-2 456	-5 587	167	-5 753	-6 317	-9 448
Nov	A -12 323	2 687	0	15 010	11	203	10 119	-	388	4 300	12 866	4 984	7 882	2 144	10 710
Dec	A 21 126	29 458	125	8 332	12	2 173	13 344	-	854	-8 039	19 980	25 876	-5 896	-11 648	16 371
12 *Jan*	A -9 316	4 062	-210	13 378	12	-937	12 945	-	581	789	17 958	21 670	-3 712	-4 580	12 589
Feb	A -11 360	-636	19 483	10 724	-	-4 712	12 551	-	-4	2 888	7 405	14 026	-6 621	3 318	7 836

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



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



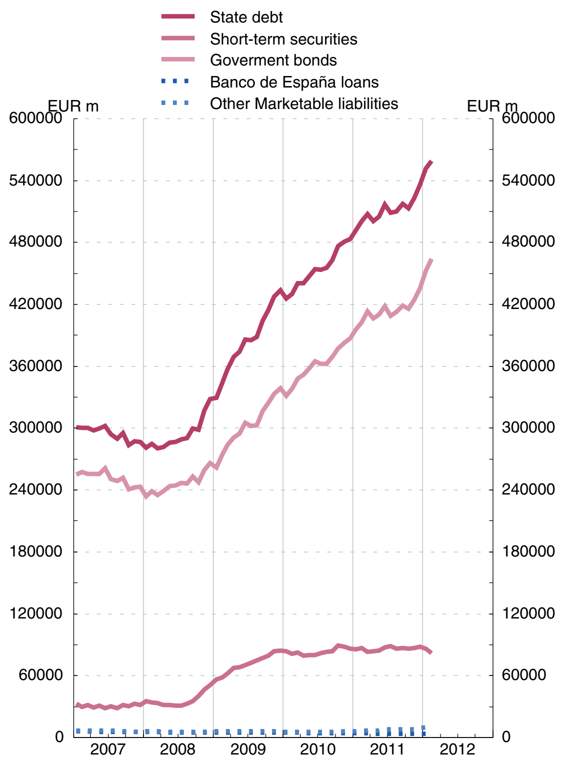
Source: BE.
a.Includes other loans, non-negotiable securities, coined money and Caja General de Depósitos (General Deposit Fund).

6.3. STATE: LIABILITIES OUTSTANDING. SPAIN

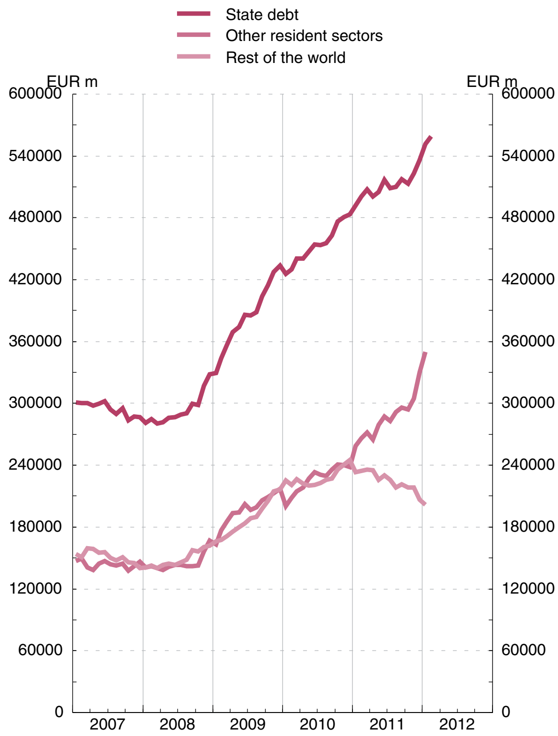
■ Series depicted in chart. *EUR millions*

	Liabilities outstanding (excluding other accounts payable): State debt according to the methodolofy of the excessive deficit procedure ■	of which: In currencies other than the peseta/ euro	By instrument: Short-term securities ■	By instrument: Government bonds and assumed debt ■	By instrument: Banco de España loans ■	By instrument: Other marketable liabilities (a) ■	By counterpart sector: Held by resident sectors: Total	By counterpart sector: Held by resident sectors: General government	By counterpart sector: Held by resident sectors: Other resident sectors ■	By counterpart sector: Rest of the world ■	Memorandum item: Deposits at the Banco de España	Memorandum item: Other deposits: Treasury liquidity tenders (b)	Memorandum item: Guarantees given (contingent liabilities). Outstanding level
	1	2	3	4	5	6	7	8	9	10	11	12	13
07	286 531	355	31 644	243 246	5 832	5 808	171 839	25 551	146 288	140 243	165	15 018	6 162
08	328 379	63	50 788	266 334	5 249	6 008	201 112	34 511	166 601	161 779	4 502	21 403	8 152
09	433 436	68	84 303	338 969	4 665	5 498	263 300	46 105	217 195	216 241	305	24 486	58 854
10	P 483 382	0	85 980	386 915	4 082	6 406	299 410	61 170	238 240	245 142	300	28 598	73 560
11 *Feb*	A 500 486	0	87 018	402 444	4 082	6 942	327 782	61 764	266 018	234 468	295	45 108	81 961
Mar	A 507 343	0	83 408	412 935	4 082	6 919	336 158	64 409	271 749	235 594	100	47 541	83 500
Apr	A 500 417	0	83 479	406 524	3 499	6 915	328 267	63 126	265 140	235 276	18 320	41 459	84 677
May	A 505 020	0	84 462	410 145	3 499	6 915	345 159	65 894	279 264	225 756	100	39 911	85 531
Jun	A 516 898	0	87 532	418 034	3 499	7 833	352 297	65 312	286 985	229 913	180	40 164	87 329
Jul	A 508 706	0	88 799	408 570	3 499	7 838	345 975	63 203	282 772	225 934	98	48 068	88 994
Aug	A 509 954	0	86 095	412 508	3 499	7 853	354 936	63 361	291 574	218 380	99	19 953	88 644
Sep	A 517 180	0	87 096	418 771	3 499	7 815	360 287	64 546	295 740	221 440	100	31 403	88 606
Oct	A 512 796	0	85 927	415 570	3 499	7 800	355 899	61 553	294 345	218 450	100	27 091	91 381
Nov	A 522 769	0	86 551	424 531	3 499	8 188	365 709	61 032	304 677	218 092	100	24 381	92 063
Dec	A 536 198	0	88 363	435 294	3 499	9 043	392 391	62 613	329 778	206 420	225	30 391	98 348
12 *Jan*	A 551 692	0	86 371	452 199	3 499	9 623	413 330	63 478	349 852	201 840	15	36 152	100 274
Feb	A 559 181	0	81 892	464 171	3 499	9 620	...	63 617	...	...	19 499	35 267	98 287

STATE. LIABILITIES OUTSTANDING
By instrument



STATE. LIABILITIES OUTSTANDING
By counterpart sector



Source: BE.

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

b. Including the daily liquidity tenders of the Treasury recorded in its accounts at the Banco de España and the repurchase agreements carried out by the Treasury with a one-month maturity.

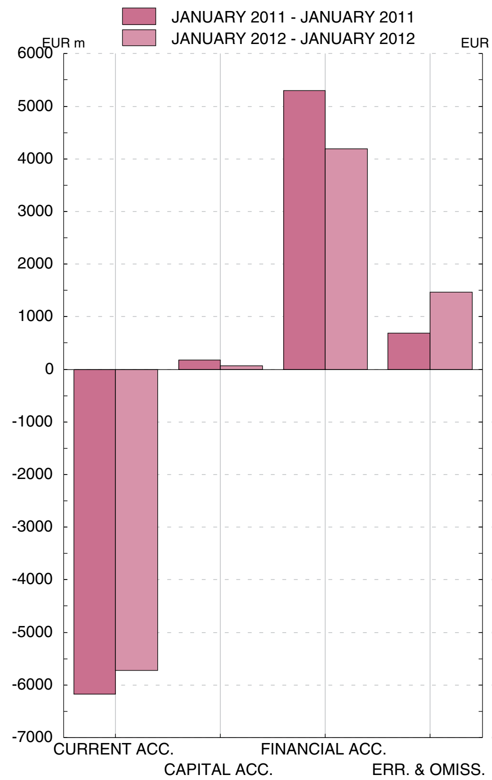
7.1. SPANISH BALANCE OF PAYMENTS VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. CURRENT ACCOUNT

■ Series depicted in chart.

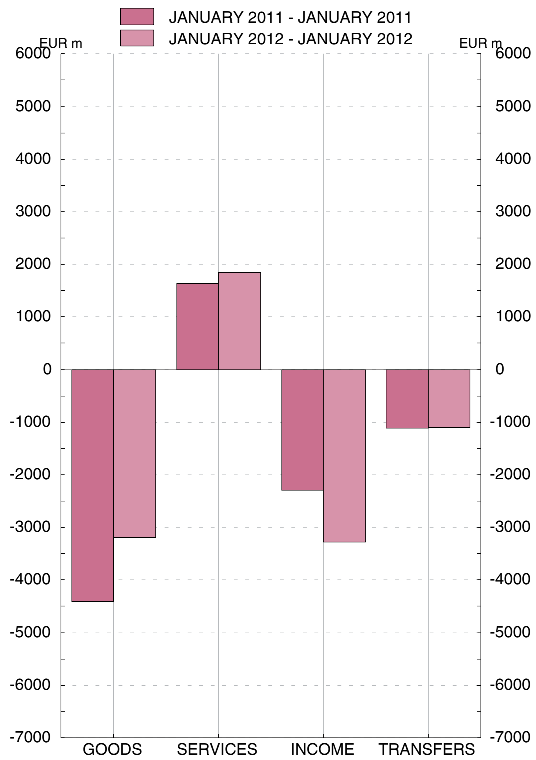
EUR millions

		Current account (a)													Capital account (balance)	Current account plus capital account	Financial account (balance) (b)	Errors and omission
		Total (balance)	Goods			Services					Income			Current transfers (balance)				
			Balance	Receipts	Payments	Balance	Receipts		Payments		Balance	Receipts	Payments					
							Total	Of which: Travel	Total	Of which: 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) ■
09		-50 539	-41 611	164 083	205 693	25 032	88 754	38 125	63 722	12 086	-25 931	45 338	71 269	-8 030	4 224	-46 315	51 982	-5 667
10	P	-47 427	-47 779	193 666	241 445	27 514	93 870	39 621	66 356	12 663	-19 849	46 051	65 901	-7 313	6 289	-41 138	43 174	-2 036
11	P	-37 766	-39 701	222 635	262 336	33 997	102 000	43 026	68 002	12 422	-26 134	42 269	68 403	-5 928	5 487	-32 278	33 846	-1 567
11 *J-J*	P	-6 171	-4 406	16 476	20 881	1 635	7 072	2 591	5 436	893	-2 293	2 631	4 924	-1 107	181	-5 989	5 295	694
12 *J-J*	P	-5 727	-3 193	17 342	20 535	1 842	7 062	2 677	5 221	832	-3 280	2 838	6 118	-1 096	68	-5 659	4 191	1 468
10 *Oct*	P	-2 770	-3 304	17 810	21 114	2 779	8 214	3 850	5 435	1 209	-1 235	3 394	4 629	-1 010	128	-2 643	2 109	533
Nov	P	-4 317	-3 665	18 282	21 947	1 474	6 954	2 520	5 480	1 096	-2 945	2 472	5 417	819	322	-3 995	1 221	2 774
Dec	P	-3 473	-5 096	16 935	22 032	989	7 274	2 064	6 285	971	-361	8 784	9 145	995	871	-2 602	1 171	1 431
11 *Jan*	P	-6 171	-4 406	16 476	20 881	1 635	7 072	2 591	5 436	893	-2 293	2 631	4 924	-1 107	181	-5 989	5 295	694
Feb	P	-5 297	-2 714	17 713	20 426	981	6 403	2 243	5 422	924	-1 285	3 047	4 332	-2 279	1 250	-4 047	1 651	2 396
Mar	P	-5 388	-4 020	20 537	24 557	1 593	7 464	2 733	5 872	872	-2 290	2 602	4 892	-671	132	-5 256	2 901	2 354
Apr	P	-2 975	-3 410	17 990	21 400	2 326	7 364	2 850	5 038	838	-1 358	3 044	4 403	-532	284	-2 692	683	2 009
May	P	-3 418	-2 987	18 961	21 948	3 229	8 384	3 526	5 155	651	-3 130	4 648	7 778	-530	619	-2 800	5 918	-3 119
Jun	P	-1 322	-3 406	19 051	22 457	3 986	9 776	4 298	5 790	1 119	-1 462	4 561	6 022	-441	440	-882	841	41
Jul	P	-880	-1 105	19 332	20 437	4 376	10 577	5 481	6 201	1 272	-3 501	3 920	7 421	-650	351	-528	6 236	-5 708
Aug	P	-1 119	-4 400	16 044	20 445	5 064	10 471	5 734	5 407	1 368	-1 661	2 409	4 070	-121	935	-184	-334	518
Sep	P	-3 726	-4 550	18 721	23 271	3 658	9 589	4 653	5 931	1 237	-2 325	3 369	5 694	-509	-19	-3 745	2 356	1 389
Oct	P	-1 327	-3 023	19 858	22 880	3 666	9 443	4 154	5 777	1 172	-1 433	3 517	4 950	-538	280	-1 047	3 609	-2 562
Nov	P	-2 109	-1 779	20 530	22 308	1 915	7 471	2 606	5 556	1 103	-2 619	3 168	5 787	374	869	-1 240	4 808	-3 568
Dec	P	-4 034	-3 902	17 423	21 325	1 569	7 986	2 156	6 417	974	-2 778	5 352	8 129	1 077	165	-3 869	-118	3 987
12 *Jan*	P	-5 727	-3 193	17 342	20 535	1 842	7 062	2 677	5 221	832	-3 280	2 838	6 118	-1 096	68	-5 659	4 191	1 468

SUMMARY



CURRENT ACCOUNT



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

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

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

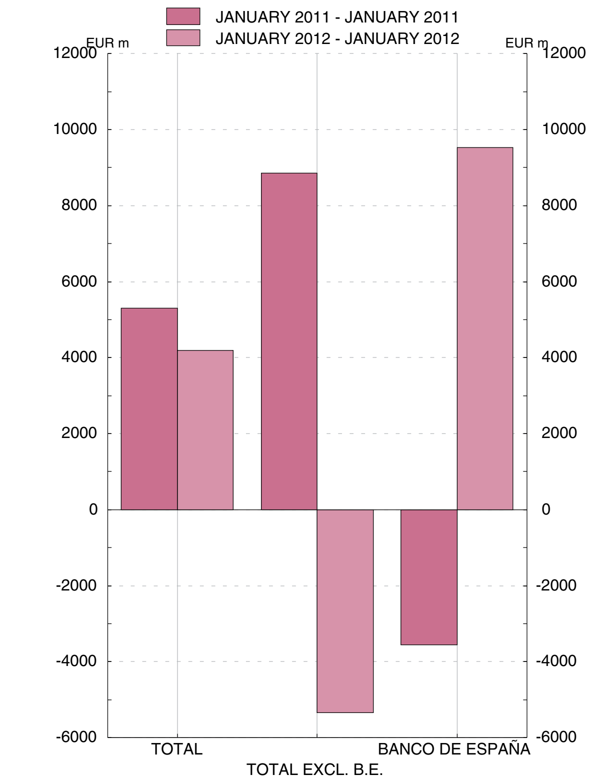
7.2. SPANISH BALANCE OF PAYMENTS VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. FINANCIAL ACCOUNT (a)

■ Series depicted in chart.

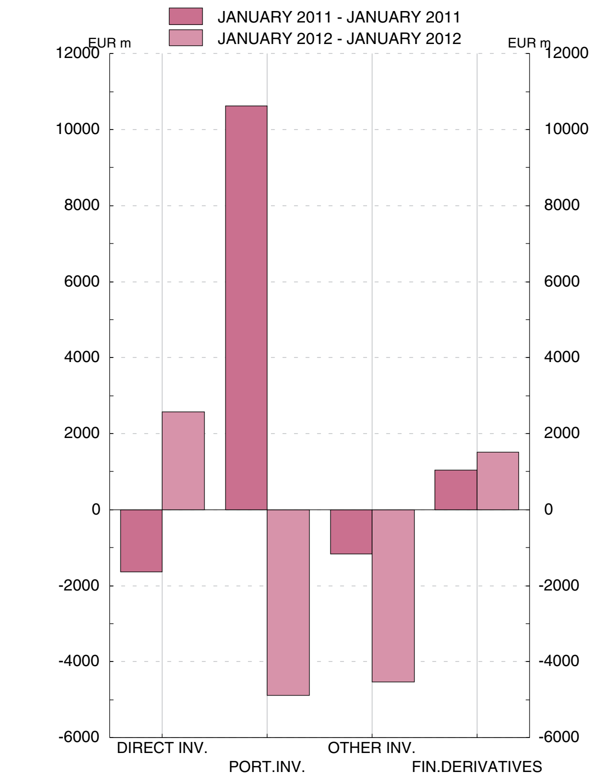
EUR millions

		Financial account (NCL-NCA)	Total, excluding Banco de España											Banco de España			
			Total (NCL-NCA)	Direct investment			Portfolio investment			Other investment (d)			Net financial derivatives (NCL-NCA)	Balance (NCL-NCA)	Reserves (e)	Net claims with the Eurosystem (e)	Other net assets (NCL-NCA)
				Balance (NCL-NCA)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL) (b)	Balance (NCL-NCA)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL) (c)	Balance (NCL-NCA)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL)					
		1=2+13 ■	2=3+6+9+12 ■	3=5-4 ■	4	5	6=8-7 ■	7	8	9=11-10 ■	10	11	12 ■	13=14+15+16 ■	14	15	16
09		51 982	41 517	-1 917	9 409	7 491	44 824	3 491	48 315	4 665	4 009	8 674	-6 054	10 464	-1 563	6 146	5 882
10	P	43 174	27 478	1 827	28 949	30 776	27 671	-63 711	-36 040	-10 610	17 439	6 829	8 589	15 696	-814	9 788	6 722
11	P	33 846	-75 307	-6 428	25 472	19 044	-23 948	-42 336	-66 284	-47 437	42 464	-4 972	2 505	109 153	-10 010	124 056	-4 893
11 *J-J*	P	5 295	8 852	-1 645	5 171	3 526	10 631	-6 560	4 071	-1 174	13 779	12 605	1 040	-3 557	-216	-2 836	-506
12 *J-J*	P	4 191	-5 342	2 567	-1 471	1 096	-4 892	-155	-5 047	-4 540	-126	-4 667	1 524	9 533	-71	8 808	797
10 *Oct*	P	2 109	19 116	3 015	697	3 712	22 660	-7 775	14 886	-4 705	17 967	13 262	-1 854	-17 007	-212	-16 092	-703
Nov	P	1 221	2 104	2 127	4 081	6 208	-4 425	-4 750	-9 175	3 965	-10 550	-6 585	437	-883	-5	-83	-795
Dec	P	1 171	-6 299	2 524	3 683	6 208	-1 848	-7 810	-9 658	-7 754	12 604	4 850	779	7 470	-35	7 967	-462
11 *Jan*	P	5 295	8 852	-1 645	5 171	3 526	10 631	-6 560	4 071	-1 174	13 779	12 605	1 040	-3 557	-216	-2 836	-506
Feb	P	1 651	6 651	1 235	937	2 171	15 762	-3 425	12 337	-10 876	-3 266	-14 142	530	-5 000	-58	-5 121	180
Mar	P	2 901	5 384	-3 110	5 047	1 937	-3 575	1 573	-2 003	10 891	-430	10 461	1 178	-2 483	-218	-2 938	673
Apr	P	683	3 269	-3 758	6 179	2 420	-5 278	737	-4 540	14 179	663	14 842	-1 874	-2 586	-50	-2 495	-41
May	P	5 918	-9 557	-2 011	1 478	-534	-8 773	-4 018	-12 791	1 066	15 632	16 698	161	15 476	-59	15 530	5
Jun	P	841	7 859	-1 741	-5 212	-6 953	-5 819	-5 247	-11 066	15 755	-2 586	13 169	-336	-7 018	-27	-7 702	711
Jul	P	6 236	-4 768	763	2 150	2 913	-3 099	-4 804	-7 903	-2 216	-4 041	-6 258	-216	11 004	-1 462	11 311	1 156
Aug	P	-334	-18 087	-1 117	-1 099	-2 216	-8 352	-1 554	-9 907	-7 454	4 919	-2 535	-1 165	17 753	-43	21 553	-3 756
Sep	P	2 356	-7 908	2 516	1 439	3 955	-3 152	-1 900	-5 052	-7 682	-878	-8 560	410	10 264	-92	10 396	-40
Oct	P	3 609	-15 237	1 499	2 283	3 782	-5 451	-3 711	-9 162	-11 747	4 979	-6 768	462	18 845	-948	19 867	-73
Nov	P	4 808	-17 662	1 144	1 896	3 040	5 801	-8 477	-2 677	-25 797	10 311	-15 486	1 191	22 469	-3 694	28 690	-2 527
Dec	P	-118	-34 102	-201	5 203	5 002	-12 642	-4 949	-17 591	-22 382	3 382	-19 000	1 123	33 984	-3 142	37 801	-675
12 *Jan*	P	4 191	-5 342	2 567	-1 471	1 096	-4 892	-155	-5 047	-4 540	-126	-4 667	1 524	9 533	-71	8 808	797

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.

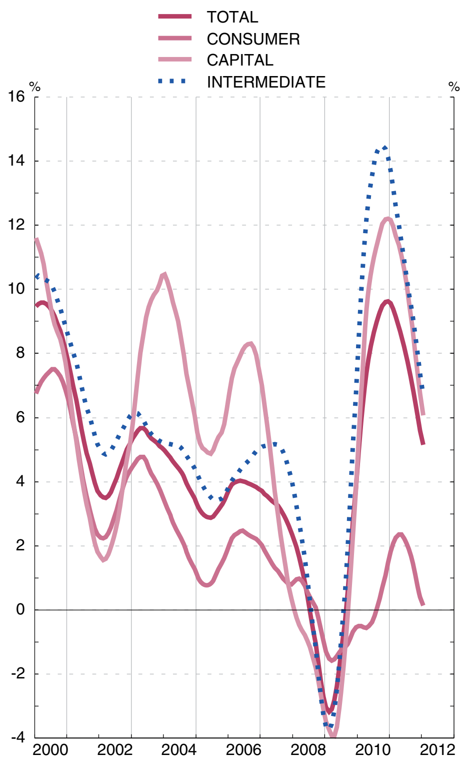
7.3. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD EXPORTS AND DISPATCHES

■ Series depicted in chart.

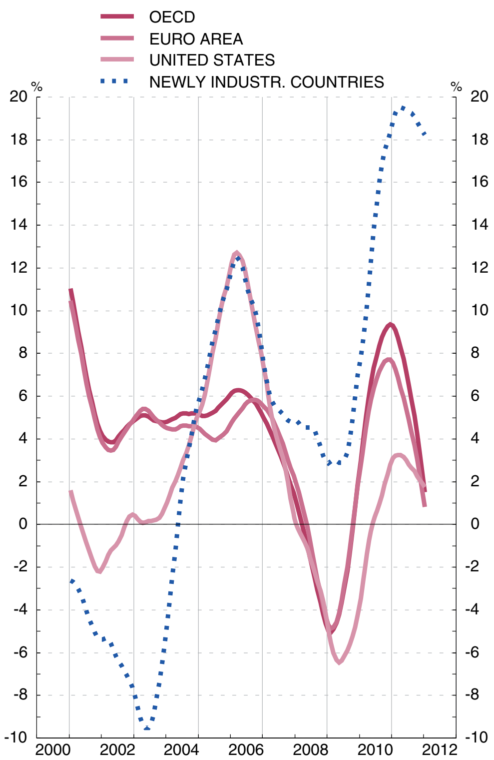
Eur millions and annual percentage changes

		Total			By product (deflated data) (a)		Intermediate			By geographical area (nominal data)							
										EU 27		OECD					
													of which:				
		EUR millions	Nom-inal	De-flated (a)	Con-sumer	Capital	Total	Energy	Non-energy	Total	Euro Area	Total	United States	OPEC	Other Amer-ican coun-tries	China	Newly industri-alised coun-tries
		1	2	3 ■	4 ■	5 ■	6 ■	7	8	9	10 ■	11 ■	12 ■	13	14	15	16 ■
04		146 925	6.4	5.3	2.2	13.1	6.6	10.2	6.3	5.0	5.0	5.8	2.0	12.5	3.3	5.6	4.7
05		155 005	5.5	0.8	-0.8	5.5	1.4	-8.7	2.2	2.6	2.3	4.3	10.2	9.1	11.8	31.4	14.5
06		170 439	10.0	5.2	2.9	12.7	5.6	-3.7	6.2	8.1	7.8	8.4	17.7	6.0	34.5	12.8	16.5
07		185 023	8.6	5.8	3.0	4.4	8.1	6.6	8.1	8.0	8.4	7.1	-1.1	22.3	-12.5	23.5	-0.8
08		189 228	2.3	0.7	2.4	-5.6	0.6	19.0	-0.6	-0.1	-0.5	-0.4	1.4	30.1	1.0	1.2	4.2
09		159 890	-15.5	-9.4	-3.4	-14.1	-12.8	-19.9	-12.2	-15.5	-13.2	-15.1	-24.4	-11.4	-17.9	-7.7	8.5
10		186 780	16.8	15.0	-3.4	22.4	28.6	15.4	29.6	14.3	13.6	15.2	15.5	9.6	35.7	34.1	27.0
10 *Dec*	P	15 956	16.8	13.6	2.3	-0.3	25.7	44.7	24.5	20.2	20.3	20.9	11.4	8.8	19.2	15.9	-53.3
11 *Jan*	P	15 955	32.0	24.7	13.8	58.0	28.3	16.1	29.0	25.3	24.2	30.9	62.9	22.2	38.4	60.5	-7.1
Feb	P	17 137	22.5	14.8	8.9	18.8	18.3	70.3	16.2	19.9	18.3	21.7	56.9	39.3	60.7	51.5	-54.1
Mar	P	19 645	18.0	10.7	10.5	39.4	6.6	12.8	6.3	13.4	9.8	17.2	33.4	2.1	29.1	12.6	31.0
Apr	P	17 344	18.6	8.4	7.2	23.1	6.9	35.3	5.5	15.2	10.8	15.8	50.4	34.7	23.7	17.0	-3.5
May	P	18 328	13.0	12.3	10.0	-13.2	19.4	17.4	19.5	10.8	7.0	13.4	19.0	25.7	25.4	44.0	10.3
Jun	P	17 954	10.8	6.3	8.2	9.1	4.9	29.4	3.7	7.9	5.1	8.6	35.3	5.0	13.9	38.6	12.1
Jul	P	18 635	13.8	8.8	1.6	34.5	9.4	15.8	8.9	14.3	8.1	10.0	-10.1	21.3	8.0	6.5	5.6
Aug	P	15 444	20.0	17.4	17.0	15.0	18.0	-1.4	19.8	19.3	16.3	20.2	16.4	25.6	21.3	25.1	34.6
Sep	P	17 780	11.8	7.8	4.1	22.8	7.9	18.4	7.2	4.8	1.0	7.3	20.6	27.0	14.2	22.4	17.0
Oct	P	19 394	11.5	5.1	0.9	-9.2	9.9	124.6	2.6	12.1	10.0	11.1	-7.6	9.3	7.3	38.1	16.3
Nov	P	19 866	13.4	8.7	0.2	15.4	13.2	102.0	7.3	14.3	14.5	12.7	-1.8	14.1	3.8	27.0	14.8
Dec	P	17 004	6.6	2.1	-11.4	10.0	10.1	-0.8	10.8	-0.7	-4.6	1.0	14.6	75.4	13.6	15.8	10.3
12 *Jan*	P	16 579	3.9	1.9	-5.2	-4.5	7.2	29.8	5.9	0.8	-1.3	-0.5	6.4	42.5	16.2	14.6	37.3

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.

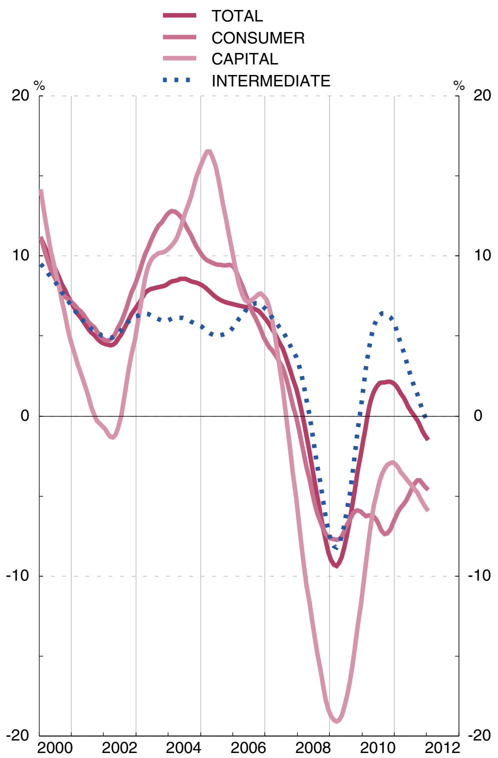
7.4. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD IMPORTS AND ARRIVALS

■ Series depicted in chart.

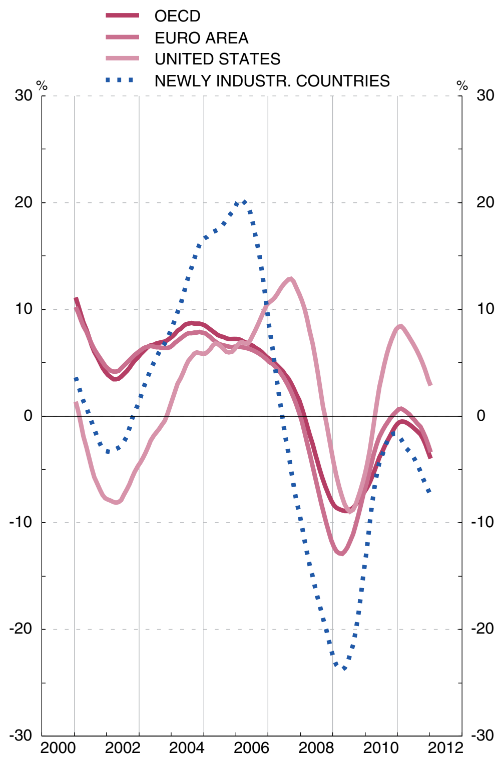
Eur millions and annual percentage changes

	Total: EUR millions	Total: Nom-inal	Total: De-flated (a)	By product (deflated data) (a): Con-sumer	By product: Capital	By product: Intermediate: Total	By product: Intermediate: Energy	By product: Intermediate: Non-energy	By geographical area (nominal data): EU 27: Total	EU 27: Euro Area	OECD: Total	OECD: of which: United States	OPEC	Other Amer-ican coun-tries	China	Newly industri-alised coun-tries
	1	2	3 ■	4 ■	5 ■	6 ■	7	8	9	10 ■	11 ■	12 ■	13	14	15	16 ■
04	208 411	12.6	9.9	13.5	14.4	7.3	10.6	6.4	9.9	10.0	11.4	9.3	17.9	7.9	26.8	14.6
05	232 954	11.8	6.4	8.4	17.6	3.3	11.1	1.1	5.6	5.3	6.2	-0.1	40.8	29.3	37.3	11.2
06	262 687	12.8	8.5	7.3	2.5	10.2	6.1	11.5	8.4	8.0	8.8	14.7	25.3	24.1	22.7	28.6
07	285 038	8.5	7.6	5.8	10.8	7.8	4.0	8.9	10.5	11.0	9.7	16.4	-6.3	-6.8	28.7	-3.7
08	283 388	-0.6	-4.5	-6.4	-14.3	-1.9	5.8	-3.9	-8.2	-8.8	-7.3	12.9	37.4	16.6	10.8	-16.1
09	206 116	-27.3	-17.5	-12.1	-31.4	-17.5	-9.9	-20.0	-23.8	-25.6	-24.6	-25.1	-38.6	-31.1	-29.5	-31.6
10	240 056	16.5	11.3	-4.1	9.0	19.0	3.3	24.5	9.8	7.5	10.5	14.2	36.0	44.8	30.8	7.1
10 *Dec* P	21 321	20.2	9.8	-8.8	-4.5	21.5	18.6	22.4	9.5	8.5	10.5	40.8	41.9	51.1	20.5	7.3
11 *Jan* P	20 882	25.8	12.8	-2.1	21.1	17.4	22.6	15.7	15.4	15.0	17.7	32.9	39.8	49.6	22.4	-2.9
Feb P	20 387	16.2	5.5	-0.1	-1.9	8.4	1.5	10.4	11.0	13.6	12.4	36.4	26.8	19.8	9.6	8.1
Mar P	24 239	15.7	3.9	-1.2	-8.0	7.3	-6.0	11.0	13.6	15.5	13.4	19.9	3.4	4.2	-4.4	7.8
Apr P	21 306	8.5	-2.2	-8.0	-11.7	1.0	-1.3	1.7	2.2	2.2	3.3	21.4	12.1	68.5	0.7	-20.1
May P	21 738	6.7	2.6	-10.4	2.5	7.8	-3.5	10.9	2.0	5.6	3.1	-3.0	16.4	3.4	5.7	7.0
Jun P	21 878	4.6	-2.5	-7.7	-5.8	-0.3	2.5	-1.1	-4.0	-4.3	-2.6	11.9	-1.0	20.7	2.1	-8.4
Jul P	20 277	-1.9	-10.3	-10.1	-14.7	-10.0	-12.3	-9.3	-6.7	-6.2	-5.8	1.1	9.8	26.1	-16.4	-3.8
Aug P	20 366	17.5	11.5	12.1	8.4	11.8	6.2	13.7	15.3	15.2	15.3	28.7	13.5	18.9	8.8	23.8
Sep P	22 633	11.8	4.4	2.9	3.1	5.1	18.6	1.6	5.0	3.5	7.7	14.8	44.0	15.6	-9.2	-16.6
Oct P	23 026	9.2	0.5	24.6	-8.7	-7.0	-10.0	-6.2	17.4	19.5	11.6	-3.7	-4.2	41.0	-3.6	-9.2
Nov P	22 540	5.3	-4.9	-10.0	-4.2	-3.1	1.5	-4.4	3.1	3.3	3.8	25.4	31.9	4.2	-7.2	-17.2
Dec P	21 552	1.1	-5.0	-13.4	-9.0	-1.4	-1.5	-1.4	0.5	1.5	4.6	-13.4	3.2	29.3	-13.8	-4.3
12 *Jan* P	20 234	-3.1	-8.2	-2.2	-11.3	-9.7	-14.9	-8.0	-4.9	-4.4	-5.9	-18.9	21.3	30.4	-0.2	-3.5

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



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



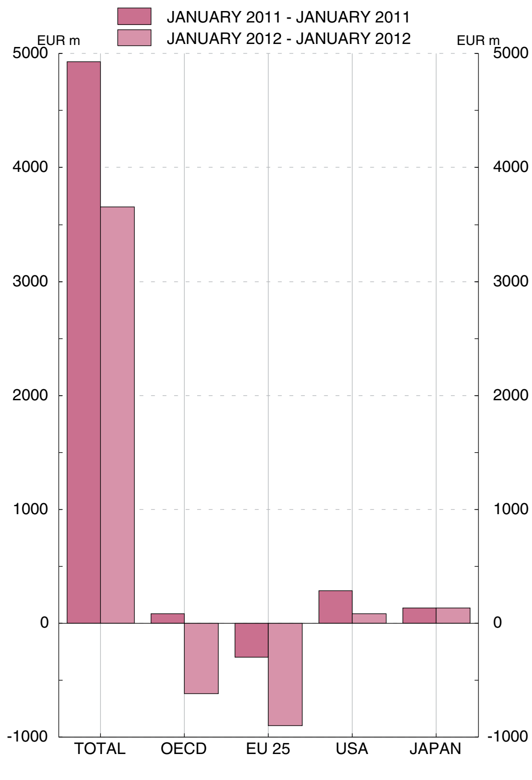
Sources: ME y BE.
Note: The underlying series for this indicator are in Tables 18.2 and 18.3 of the Boletín estadístico.
The monthly series are provisional data, while the annual series are the final foreign trade data.
a. Series deflated by unit value indices .

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

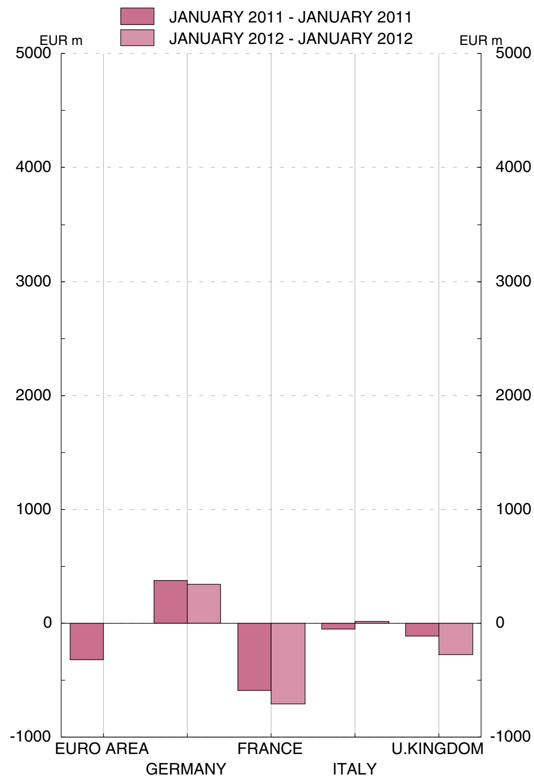
EUR millions

			European Union (EU 27)							OECD						
		World total	Total	Euro area				Other EU 27		Total	Of which:		OPEC	Other American coun-tries	China	Newly indus-trialised countries
				Total	Of which: Germany	France	Italy	Total	Of which: United Kingdom		United States	Japan				
		1	2=3+7	3	4	5	6	7	8	9	10	11	12	13	14	15
05		-77 950	-30 703	-29 422	-16 749	-3 112	-6 938	-1 281	-210	-41 860	-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	-45 995	-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	-54 211	-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	-39 729	-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	-15 709	-2 742	-1 958	-10 701	-2 641	-12 471	-1 532
10		-53 276	-4 960	-2 248	-8 598	7 904	-477	-2 712	597	-11 261	-3 058	-2 054	-16 216	-4 267	-16 253	-1 252
11	P	-46 338	4 060	1 661	-8 917	10 180	-90	2 399	3 189	-453	-2 675	-1 338	-18 991	-5 340	-15 252	-1 068
10 *Dec*	P	-5 365	-513	-208	-600	630	-225	-305	-94	-1 025	-345	-150	-1 873	-472	-1 339	-122
11 *Jan*	P	-4 927	299	322	-374	591	50	-23	111	-84	-284	-134	-1 901	-398	-1 434	-131
Feb	P	-3 250	413	362	-625	767	-79	51	230	198	-174	-168	-1 618	70	-1 209	-109
Mar	P	-4 594	-300	-451	-1 091	741	-38	151	376	-521	-237	-181	-1 491	-419	-1 181	-216
Apr	P	-3 962	240	-173	-866	743	-75	413	274	-251	-141	-118	-1 428	-822	-1 069	-107
May	P	-3 410	338	174	-754	759	69	164	290	231	-100	-66	-1 410	-336	-1 250	-116
Jun	P	-3 925	597	492	-699	1 003	40	105	207	383	-116	-114	-1 542	-391	-1 277	-78
Jul	P	-1 642	2 013	1 159	-528	989	181	854	532	1 500	-237	-103	-1 695	-371	-1 235	-52
Aug	P	-4 922	-264	-461	-859	463	-53	198	326	-374	-197	-109	-1 583	-394	-1 599	-74
Sep	P	-4 853	-163	-166	-840	738	-3	3	178	-483	-266	-86	-1 808	-480	-1 467	-21
Oct	P	-3 632	-131	-440	-1 171	1 495	-58	309	190	-461	-290	-52	-1 338	-546	-1 278	-27
Nov	P	-2 674	1 653	1 589	-559	1 570	70	64	149	936	-492	-122	-1 678	-546	-1 172	-50
Dec	P	-4 549	-636	-747	-552	322	-195	111	328	-1 527	-141	-85	-1 499	-706	-1 081	-87
12 *Jan*	P	-3 655	900	586	-340	706	-15	315	276	620	-85	-134	-2 209	-589	-1 398	-61

CUMULATIVE TRADE DEFICIT



CUMULATIVE TRADE DEFICIT



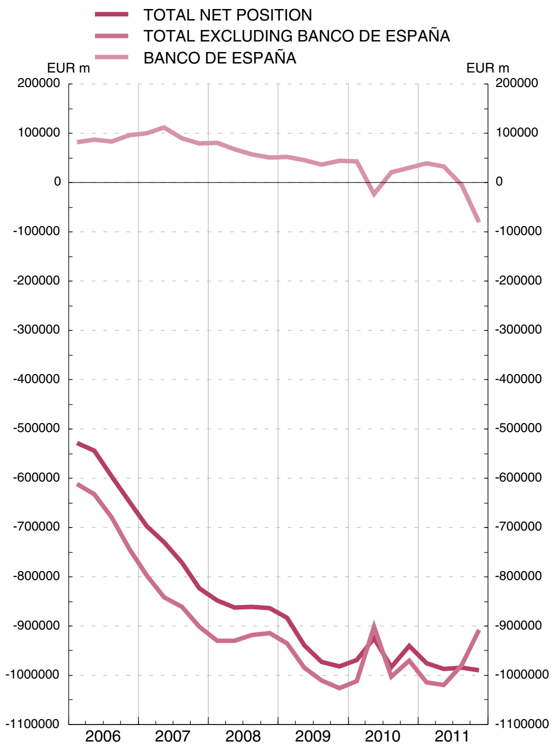
Source: ME.
Note: The underlying series for this indicator are in Tables 18.3 and 18.5 of the Boletín Estadístico.
The monthly series are provisional data, while the annual series are the final foreign trade data.

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

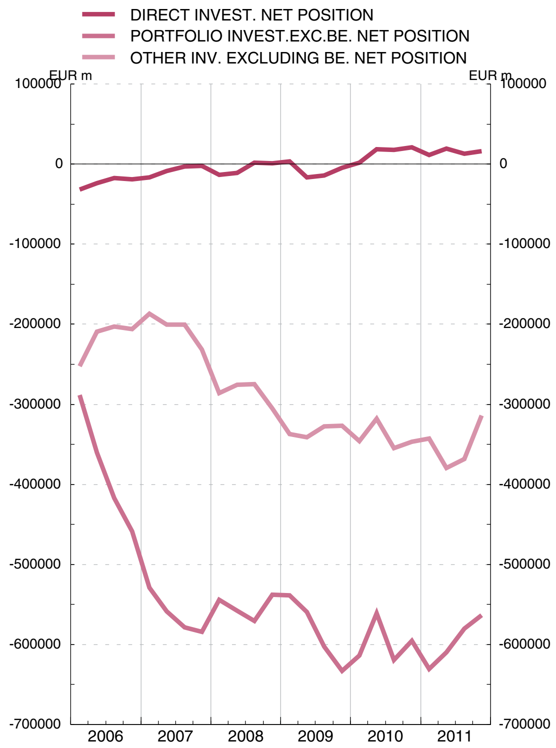
■ Series depicted in chart. *End-of-period stocks in EUR billions*

	Net international investment position (assets-liabil.)	Total excluding Banco de España: Net position excluding Banco de España (assets - liabil.)	Direct investment: Net position (assets-liabil.)	Direct investment: Spanish investment abroad (assets)	Direct investment: Foreign investment in Spain (liabil.)	Portfolio investment: Net position (assets-liabil.)	Portfolio investment: Spanish investment abroad (assets)	Portfolio investment: Foreign investment in Spain (liabil.)	Other investment: Net position (assets-liabil.)	Other investment: Spanish investment abroad (assets)	Other investment: Foreign investment in Spain (liabil.)	Financial derivatives Net position (assets-liabil.)	Banco de España: Banco de España Net position (assets-liabil.)	Banco de España: Reserves	Banco de España: Net assets vis-à-vis the Euro-system	Banco de España: Other net assets (assets-liabil.) (a)
	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
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	-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 *Q4*	-863.1	-914.0	1.3	424.4	423.2	-603.7	354.2	958.0	-305.1	386.6	691.8	-6.4	50.9	14.5	-30.6	67.0
09 *Q1*	-883.2	-935.4	3.3	415.8	412.5	-601.9	337.0	938.8	-336.9	374.6	711.6	0.0	52.3	15.7	-27.4	64.0
Q2	-939.2	-984.6	-16.5	425.4	441.9	-619.5	357.9	977.4	-341.4	370.4	711.8	-7.3	45.4	15.1	-30.5	60.7
Q3	-973.2	-1 010.1	-14.7	430.7	445.4	-663.2	371.4	1 034.6	-327.3	364.4	691.7	-4.9	36.9	18.3	-42.6	61.2
Q4	-982.2	-1 026.3	-4.5	434.4	438.9	-693.7	374.3	1 068.1	-327.1	369.6	696.8	-1.0	44.1	19.6	-36.4	60.9
10 *Q1*	-969.4	-1 011.7	2.0	442.1	440.0	-673.5	380.8	1 054.3	-346.0	362.1	708.1	5.7	42.4	20.9	-38.5	60.0
Q2	-924.9	-901.5	18.1	461.9	443.8	-613.9	353.1	967.0	-317.6	370.8	688.4	12.0	-23.4	24.4	-100.8	53.1
Q3	-982.9	-1 003.1	18.0	469.7	451.6	-670.6	334.5	1 005.1	-354.8	354.1	708.9	4.3	20.2	22.6	-54.3	51.9
Q4	-939.8	-970.1	21.2	490.5	469.4	-647.6	312.9	960.5	-346.4	372.6	718.9	2.7	30.3	23.9	-46.1	52.5
11 *Q1*	-975.2	-1 014.7	11.3	488.4	477.1	-681.8	302.0	983.9	-342.6	378.6	721.2	-1.5	39.5	23.2	-35.2	51.5
Q2	-987.3	-1 019.4	19.2	488.9	469.6	-658.6	293.6	952.2	-379.8	382.3	762.1	-0.3	32.2	23.5	-40.6	49.3
Q3	-984.2	-979.1	12.7	480.3	467.6	-631.2	273.9	905.1	-368.1	388.0	756.1	7.6	-5.2	27.6	-83.8	51.1
Q4	-989.1	-908.1	16.3	496.4	480.1	-616.0	257.5	873.6	-314.4	399.1	713.5	6.0	-81.0	36.4	-170.2	52.8

INTERNATIONAL INVESTMENT POSITION



COMPONENTS OF THE POSITION



Source: BE.

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

a. See note b to table 17.21 of the Boletín Estadístico.

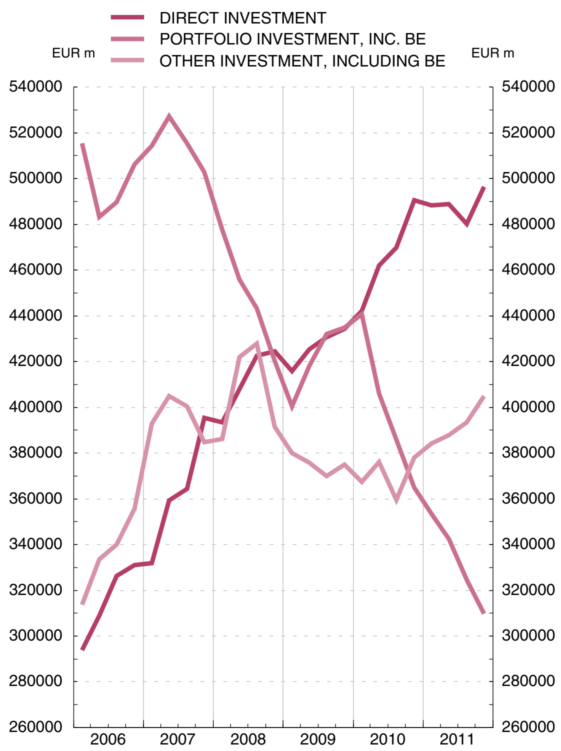
7.7. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-à-VIS OTHER EURO AREA RESIDENTES AND THE REST OF THE WORLD BREAKDOWN BY INVESTMENT

■ Series depicted in chart.

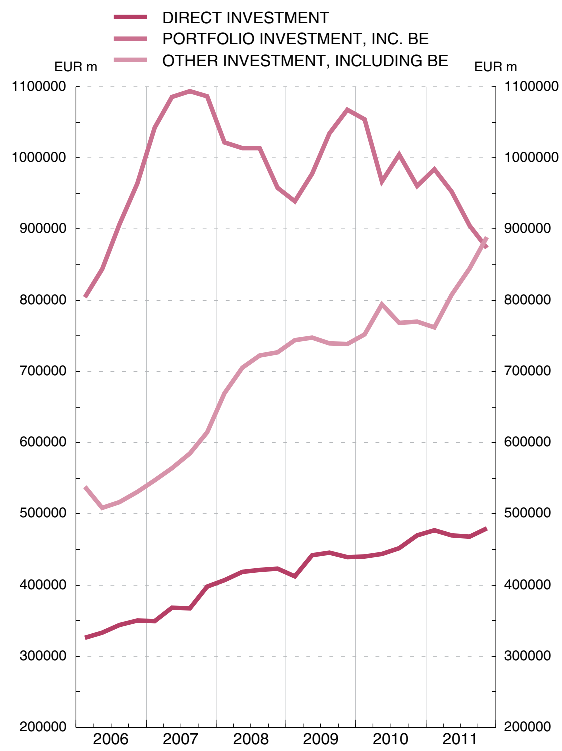
End-of-period stocks in EUR millions

	Direct investment				Portfolio investment, including Banco de España				Other investment, including Banco de España		Financial derivatives including BE	
	Spanish investment abroad		Foreign investment in Spain		Spanish investment abroad		Foreign investment in Spain		Spanish investment abroad	Foreign investment in Spain (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	9 ■	10 ■	11	12
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	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 *Q4*	393 430	31 011	320 664	102 489	63 146	357 229	170 143	787 812	391 414	726 987	108 278	114 027
09 *Q1*	383 808	32 027	309 053	103 443	52 268	348 226	142 042	796 767	380 059	744 043	111 670	111 538
Q2	389 679	35 700	321 139	120 735	59 963	358 187	177 536	799 835	375 889	747 409	92 879	100 032
Q3	397 659	33 053	327 809	117 569	71 192	360 879	218 231	816 410	369 856	739 197	85 194	90 098
Q4	404 194	30 207	327 215	111 662	78 591	356 340	222 620	845 431	375 092	738 182	77 449	78 498
10 *Q1*	411 467	30 598	332 164	107 860	89 505	351 095	199 350	854 927	367 553	751 768	93 867	88 286
Q2	429 194	32 695	335 839	107 950	87 547	318 418	170 392	796 639	376 221	794 278	118 304	106 522
Q3	432 827	36 840	341 931	109 690	88 917	297 025	195 473	809 595	359 510	768 336	121 434	117 049
Q4	452 001	38 524	356 327	113 049	92 593	272 442	182 626	777 853	378 142	770 233	95 116	92 459
11 *Q1*	450 308	38 054	366 640	110 460	92 555	260 757	206 111	777 742	384 224	761 880	80 724	82 170
Q2	450 211	38 647	364 862	104 758	91 621	250 818	195 845	756 358	387 925	807 844	83 747	84 040
Q3	440 270	40 008	365 533	102 084	78 060	246 552	160 673	744 434	393 545	845 109	134 796	127 191
Q4	454 261	42 122	373 113	106 960	77 192	232 706	165 541	708 018	404 828	888 811	140 225	134 353

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.

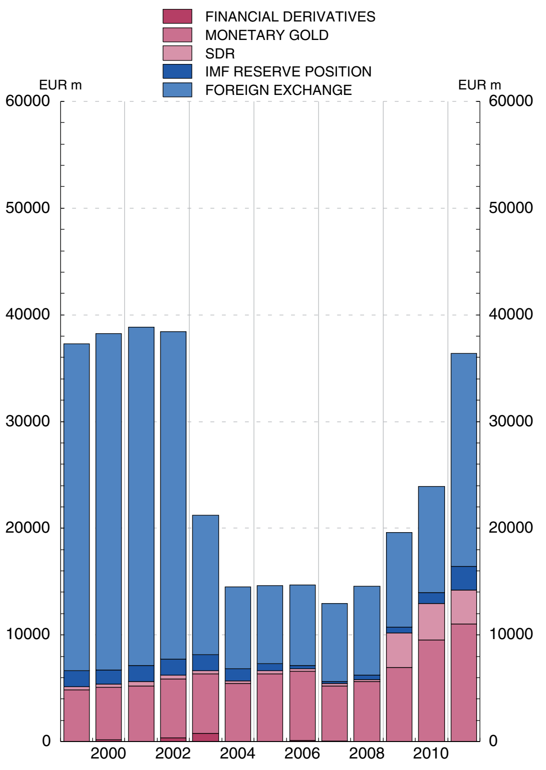
7.8. SPANISH RESERVE ASSETS

■ Series depicted in chart.

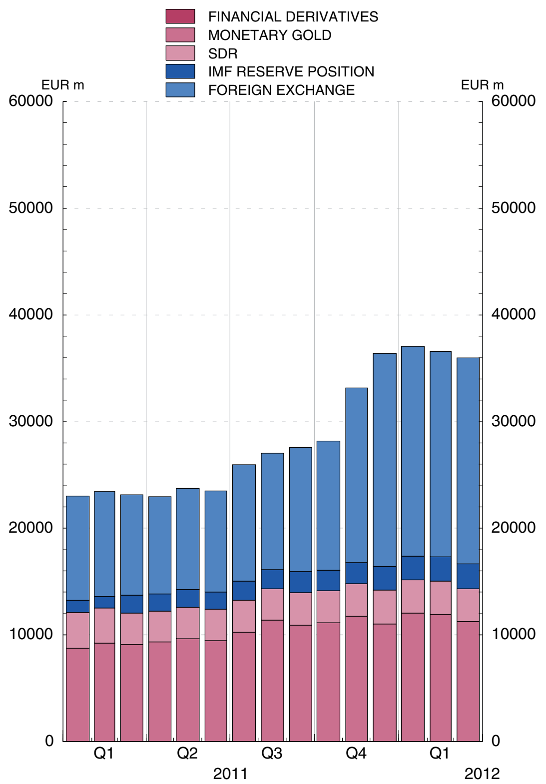
End-of-period stocks in EUR millions

	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
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	19 578	8 876	541	3 222	6 938	-	9.1
10	23 905	9 958	995	3 396	9 555	-	9.1
10 *Oct*	22 754	9 696	990	3 302	8 766	-	9.1
Nov	24 351	10 279	1 024	3 416	9 632	-	9.1
Dec	23 905	9 958	995	3 396	9 555	-	9.1
11 *Jan*	23 034	9 769	1 158	3 345	8 762	-	9.1
Feb	23 410	9 812	1 040	3 322	9 235	-	9.1
Mar	23 159	9 439	1 643	2 957	9 119	-	9.1
Apr	22 965	9 102	1 606	2 891	9 365	-	9.1
May	23 734	9 452	1 676	2 943	9 664	-	9.1
Jun	23 471	9 420	1 667	2 938	9 447	-	9.1
Jul	25 955	10 908	1 809	2 979	10 259	-	9.1
Aug	27 004	10 878	1 796	2 958	11 373	-	9.1
Sep	27 566	11 619	1 953	3 072	10 922	-	9.1
Oct	28 197	12 124	1 913	3 010	11 150	-	9.1
Nov	33 157	16 393	1 952	3 072	11 740	-	9.1
Dec	36 402	19 972	2 251	3 163	11 017	-	9.1
12 *Jan*	37 017	19 620	2 233	3 139	12 025	-	9.1
Feb	36 582	19 242	2 305	3 087	11 949	-	9.1
Mar	35 977	19 312	2 312	3 095	11 258	-	9.1

RESERVE ASSETS
END-OF-YEAR POSITIONS



RESERVE ASSETS
END-OF-MONTH POSITIONS



Source: BE.

Note: From January 1999 the assets denominated in euro and other currencies vis-à-vis residents of other euro area countries are not considered reserve assets. To December 1998, data in pesetas have been converted to euro using the irrevocable euro conversion rate. Since January 1999, all reserve assets are valued at market prices. As of January 2000 reserve assets data have been compiled in accordance with the IMF´s new methodological guidelines published in the document 'International Reserves and Foreign Currency Liquidity
Guidelines for a Data Template', October 2001 (http://dsbb.imf.org/Applications/web/sddsguide). Using this new definition, total reserve assets as at 31.12.99 would have been EUR 37835 million instead of the ammount of EUR 37288 million published in this table.

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

End-of-period positions *EUR millions*

		General government						Other monetary financial institutions				
	Total	Total	Short-term		Long-term			Total	Short-term		Long-term	
			Money market instru- ments	Loans	Bonds and notes	Loans	Trade credits		Money market instru- ments	Deposits	Bonds and notes	Deposits
	1	2	3	4	5	6	7	8	9	10	11	12
07 *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*	1 596 725	200 163	6 329	558	173 668	19 607	-	768 529	20 424	380 522	256 302	111 281
Q2	1 651 445	202 260	5 594	162	177 009	19 495	-	794 086	22 729	399 932	258 374	113 051
Q3	1 690 245	217 747	9 722	494	187 624	19 907	-	792 491	21 269	400 051	258 393	112 778
Q4	1 672 021	233 755	12 480	2 099	198 366	20 810	-	766 311	12 224	400 691	249 210	104 187
09 *Q1*	1 699 703	243 632	15 801	480	204 677	22 675	-	784 094	15 149	411 446	248 803	108 696
Q2	1 722 777	257 152	21 125	979	211 224	23 825	-	786 229	14 200	409 692	251 975	110 363
Q3	1 732 303	276 333	31 005	709	219 260	25 359	-	770 038	14 217	391 123	257 026	107 671
Q4	1 757 372	299 770	44 479	532	229 085	25 674	-	782 874	14 903	384 509	260 304	123 157
10 *Q1*	1 786 151	317 453	51 915	117	238 554	26 866	-	790 837	16 642	399 817	257 305	117 073
Q2	1 771 459	294 015	39 746	195	225 561	28 513	-	743 955	12 157	378 888	241 321	111 589
Q3	1 755 001	304 274	39 461	935	234 645	29 233	-	759 772	10 926	396 110	244 563	108 173
Q4	1 727 443	291 454	36 687	980	223 117	30 671	-	762 044	9 906	413 379	240 476	98 283
11 *Q1*	1 717 426	293 224	37 927	489	223 501	31 307	-	765 679	10 638	395 695	240 727	118 619
Q2	1 741 164	287 894	37 349	11	217 811	32 722	-	796 722	7 547	425 267	235 873	128 035
Q3	1 767 509	294 170	36 693	511	224 087	32 879	-	772 755	6 203	402 061	228 074	136 418
Q4	1 775 187	282 299	29 566	432	218 006	34 296	-	716 442	3 494	362 532	219 461	130 955

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 (a)	Short-term	Total	Short-term			Long-term				Total	Vis-à-vis	
		Deposits		Money market instru- ments	Loans	Other liabilities	Bonds and notes	Loans	Trade credits	Other liabilities		Direct investors	Subsidia- ries
	13	14	15	16	17	18	19	20	21	22	23	24	25
07 *Q4*	3 550	3 550	493 937	701	20 981	314	343 564	126 473	331	1 573	144 292	55 165	89 128
08 *Q1*	1 855	1 855	484 555	927	22 022	473	328 226	130 418	358	2 132	141 624	56 104	85 520
Q2	12 326	12 326	493 741	6 217	22 786	1 465	327 505	133 364	355	2 047	149 032	61 350	87 683
Q3	24 276	24 276	501 587	18 093	25 024	1 342	318 792	136 110	362	1 865	154 144	62 559	91 585
Q4	35 233	35 233	479 500	13 329	22 307	2 668	302 204	136 854	361	1 777	157 223	65 142	92 080
09 *Q1*	32 491	32 491	480 593	20 122	19 430	3 275	292 216	143 518	393	1 639	158 893	69 975	88 918
Q2	35 596	35 596	468 268	18 969	17 448	2 416	282 343	145 040	385	1 667	175 532	90 696	84 836
Q3	47 538	47 538	461 698	13 249	16 429	2 552	281 652	145 875	419	1 522	176 696	89 842	86 854
Q4	41 400	41 400	459 569	18 059	14 269	2 375	278 601	144 393	419	1 454	173 759	73 851	99 908
10 *Q1*	43 673	43 673	454 733	14 758	15 156	3 179	275 753	144 190	424	1 273	179 455	69 133	110 323
Q2	105 881	105 881	447 066	12 714	17 969	4 462	265 140	145 178	431	1 172	180 542	66 633	113 909
Q3	59 477	59 477	454 407	14 032	17 523	4 762	265 968	150 569	421	1 134	177 070	66 796	110 275
Q4	51 323	51 323	443 265	11 929	18 327	3 974	255 738	151 644	422	1 231	179 356	66 747	112 609
11 *Q1*	40 665	40 665	440 053	11 724	19 511	3 508	253 224	150 279	415	1 391	177 804	67 050	110 754
Q2	45 732	45 732	433 855	11 840	19 906	3 882	245 937	150 878	414	997	176 962	67 701	109 260
Q3	89 019	89 019	433 599	7 466	20 310	6 076	241 912	156 419	420	997	177 966	67 908	110 059
Q4	175 360	175 360	422 729	5 343	21 229	6 234	232 149	156 355	423	997	178 357	68 867	109 491

Source: BE.

a. See note b to table 17.21 of the Boletín Estadístico.

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

Average of daily data, EUR millions

	Net lending in euro							Counterparts					
	Total	Open market operations				Standing facilities		Autonomous factors					Actual reserves of credit institu-tions
		Main refinan-cing opera-tions	Longer-term refinan-cing opera-tions	Fine-tuning reverse opera-tions (net)	Structu-ral re-verse opera-tions (net)	Marginal lending facility	Deposit facility	Total	Bank-notes	Deposits to general govern-ment	Gold and net as-sets 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
10 *Oct*	463 422	184 986	327 455	-984	-	662	48 697	265 250	813 259	95 670	511 143	132 536	198 171
Nov	473 553	179 522	338 925	-4 462	-	1 776	42 207	258 331	813 937	91 614	511 275	135 946	215 222
Dec	473 174	194 560	333 046	-116	-	819	55 135	244 377	832 289	82 373	512 369	157 916	228 797
11 *Jan*	423 017	184 834	303 292	-4 467	-	65	60 707	239 928	827 363	94 746	548 751	133 430	183 089
Feb	448 819	159 033	323 186	-7 933	-	6 539	32 007	223 843	820 280	89 194	549 375	136 256	224 976
Mar	416 301	106 478	336 508	-4 166	-	1 478	23 997	205 766	822 946	81 378	552 327	146 232	210 536
Apr	396 372	96 912	322 853	-3 756	-	378	20 016	194 759	831 108	64 758	526 450	174 657	201 613
May	406 998	121 578	315 687	-6 504	-	252	24 016	190 096	833 005	53 806	526 287	170 428	216 902
Jun	431 648	134 617	315 438	-1 346	-	158	17 219	217 454	842 535	75 422	528 083	172 420	214 194
Jul	428 135	155 735	314 193	-3 563	-	123	38 354	218 792	851 836	74 499	541 021	166 522	209 343
Aug	415 158	152 276	371 089	-6 310	-	467	102 365	198 249	854 163	56 888	540 662	172 140	216 908
Sep	385 451	159 698	379 582	-7 589	-	613	146 852	184 329	852 472	47 300	543 854	171 590	201 122
Oct	381 055	201 431	381 245	-13 039	-	2 860	191 442	166 392	858 960	57 290	611 521	138 337	214 663
Nov	373 525	214 687	393 440	-12 911	-	2 392	224 082	157 921	865 195	62 105	614 105	155 275	215 605
Dec	394 459	229 993	481 184	-5 277	-	7 807	319 248	175 162	882 268	60 738	657 215	110 629	219 297
12 *Jan*	356 284	126 500	698 255	-	-	3 707	472 178	211 324	875 501	94 231	695 754	62 654	144 961
Feb	322 045	128 613	663 720	6 376	-	1 683	478 347	215 315	868 647	106 706	700 664	59 374	106 730
Mar	361 695	40 792	1 096 956	-	-	3 718	779 771	249 711	868 490	142 720	672 633	88 867	111 984

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 institu-tions
		Main refinan-cing opera-tions	Longer-term refinan-cing opera-tions	Fine-tuning reserve opera-tions (net)	Struc-tural reserve opera-tions (net)	Margi-nal lending facility	Deposit facility	Target	Rest	Total	Bank-notes	Deposits to general govern-ment	Gold and net assets in foreign curren-cy	Other assets (net)	
	14=15+16 +17+18 +19-20	15	16	t 17	18	19	20	21	22	23=24+25 -26-27	24	25	26	27	28
10 *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	61 527	13 352	51 105	155	-	-	3 084	42 571	-5 447	-131	73 297	20 212	19 224	74 416	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	28 249
11 *Jan*	53 646	17 882	39 237	-347	-	4	3 131	51 551	-5 585	-13 806	74 555	8 039	20 445	75 955	21 486
Feb	49 268	14 803	36 141	-402	-	-	1 273	43 382	-5 585	-13 975	73 006	10 280	20 545	76 716	25 447
Mar	42 244	9 090	34 734	-240	-	-	1 340	40 606	-5 585	-17 499	72 689	7 193	20 785	76 596	24 721
Apr	42 227	10 830	32 991	-544	-	-	1 050	43 621	-5 585	-18 560	73 096	6 828	19 781	78 702	22 751
May	53 134	18 422	39 430	-487	-	0	4 231	50 085	-5 585	-16 970	71 609	8 699	19 822	77 456	25 604
Jun	47 777	11 506	37 949	-127	-	40	1 591	47 536	-5 585	-17 618	71 283	9 185	19 886	78 200	23 444
Jul	52 053	21 686	35 678	-206	-	74	5 179	53 344	-5 585	-20 478	71 836	6 329	21 185	77 459	24 772
Aug	69 918	36 767	44 840	-435	-	51	11 304	69 880	-5 585	-18 545	70 845	11 743	21 543	79 590	24 169
Sep	69 299	32 965	46 394	-225	-	0	9 835	82 810	-5 585	-30 491	68 987	8 879	21 636	86 721	22 565
Oct	76 048	43 185	42 994	-461	-	0	9 670	93 640	-5 585	-36 331	68 456	5 754	24 147	86 395	24 324
Nov	97 970	54 449	51 831	-465	-	110	7 956	119 540	-5 585	-38 879	67 709	8 302	26 705	88 185	22 894
Dec	118 861	47 109	85 302	1 976	-	395	15 921	150 831	-5 604	-50 033	69 568	5 016	33 204	91 414	23 668
12 *Jan*	133 177	6 445	154 976	-0	-	-	28 244	175 940	-5 724	-53 051	68 708	5 847	37 116	90 489	16 012
Feb	152 432	17 505	152 297	2 293	-	1	19 665	196 896	-5 724	-49 527	67 114	10 035	37 120	89 556	10 787
Mar	227 600	1 037	315 306	-	-	-	88 742	252 097	-5 724	-30 159	66 912	24 829	35 054	86 847	11 386

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

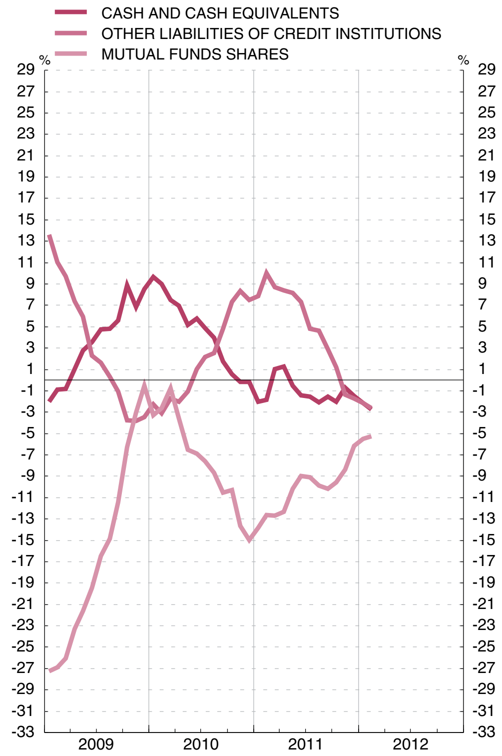
8.2 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

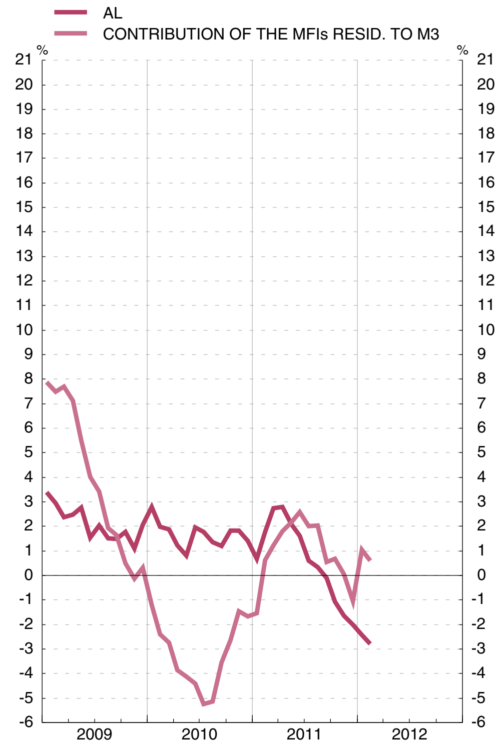
EUR millions and %

		Cash and cash equivalents				Other liabilities of credit institutions					Mutual funds shares				Memorandum items	
		Stocks	12-month % change	12-m. % change: Cash	12-m. % change: Deposits (b)	Stocks	12 month % change	12-month % change: Other deposits (c)	12-month % change: Repos + credit institutions' securities	12-month % change: Deposits in branches abroad	Stocks	12-month % change	12-month % change: Fixed income in EUR (d)	12-month % change: Other	12-month % change: AL (e)	12-month % change: Contribution of the MFIs resid. to M3
		1	2 ■	3	4	5	6 ■	7	8	9	10	11 ■	12	13	14 ■	15 ■
09		519 299	8.5	0.6	10.6	527 987	-3.5	-1.3	-18.0	-39.8	146 214	-0.6	1.1	-2.4	2.1	0.3
10		518 340	-0.2	-0.3	-0.1	567 698	7.5	6.4	27.4	-22.2	124 357	-14.9	-29.5	1.6	1.4	-1.7
11	P	510 499	-1.5	-1.7	-1.5	557 909	-1.7	-2.3	7.0	-28.9	116 665	-6.2	-9.7	-3.4	-2.0	-1.1
10 *Nov*		503 973	-0.2	-0.4	-0.1	565 639	8.4	7.5	26.0	-24.9	125 886	-13.6	-28.6	4.3	1.8	-1.5
Dec		518 340	-0.2	-0.3	-0.1	567 698	7.5	6.4	27.4	-22.2	124 357	-14.9	-29.5	1.6	1.4	-1.7
11 *Jan*		504 577	-2.0	-0.4	-2.4	567 652	7.9	7.1	22.7	-20.5	124 909	-13.8	-30.5	5.2	0.7	-1.5
Feb		506 132	-1.8	-0.4	-2.1	573 986	10.0	8.8	27.9	-11.5	125 719	-12.6	-30.6	7.1	1.8	0.6
Mar		514 331	1.0	-1.3	1.6	575 163	8.7	7.5	24.7	1.8	125 307	-12.7	-28.5	3.7	2.7	1.2
Apr		512 069	1.3	-0.7	1.8	572 624	8.4	7.9	18.6	-16.1	124 660	-12.3	-28.0	3.8	2.8	1.8
May		509 713	-0.5	-1.9	-0.2	576 138	8.2	7.4	18.5	0.5	123 436	-10.2	-25.8	5.6	2.1	2.2
Jun		523 525	-1.4	-2.3	-1.2	578 575	7.3	7.0	14.1	-13.4	121 717	-9.0	-21.1	2.4	1.6	2.6
Jul		515 634	-1.5	-2.6	-1.3	573 704	4.8	4.4	11.9	-17.0	121 283	-9.1	-18.6	-0.8	0.6	2.0
Aug		506 611	-2.1	-2.7	-1.9	575 021	4.6	4.5	9.9	-24.0	119 785	-9.9	-17.4	-3.4	0.3	2.0
Sep		502 856	-1.5	-2.0	-1.4	573 185	2.9	2.9	5.0	-14.3	117 938	-10.2	-15.8	-5.4	-0.1	0.5
Oct	P	495 872	-2.0	-1.8	-2.1	567 256	1.2	0.8	7.9	-13.8	118 090	-9.6	-14.3	-5.8	-1.1	0.7
Nov	P	500 274	-0.7	-1.5	-0.6	557 987	-1.4	-1.6	3.3	-20.1	115 330	-8.4	-12.8	-4.7	-1.7	0.1
Dec	P	510 499	-1.5	-1.7	-1.5	557 909	-1.7	-2.3	7.0	-28.9	116 665	-6.2	-9.7	-3.4	-2.0	-1.1
12 *Jan*	P	493 657	-2.2	-2.4	-2.1	555 318	-2.2	-3.2	13.2	-31.7	118 041	-5.5	-7.4	-4.1	-2.4	1.0
Feb	P	492 112	-2.8	-2.6	-2.8	558 781	-2.6	-3.4	9.2	-33.1	119 071	-5.3	-4.3	-6.0	-2.8	0.6

NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change



NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change



Source: BE.

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

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

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

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

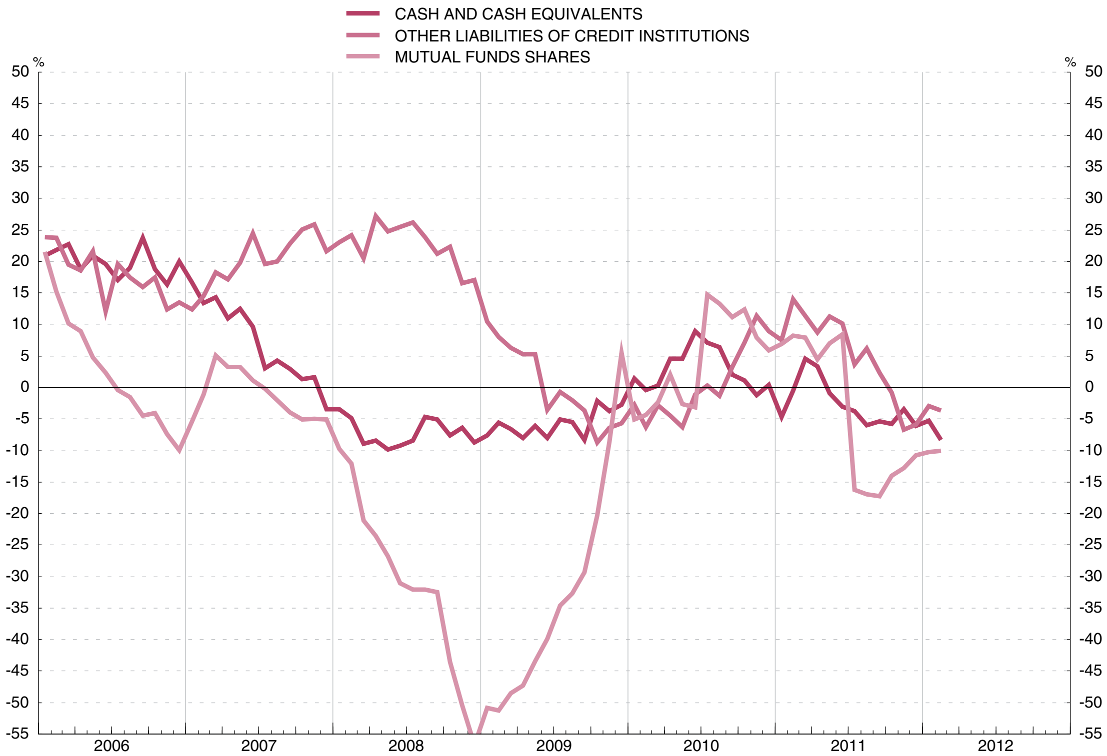
e. Defined as cash and cash equivalents, other liabilities of credit institutions and Fixed income mutual funds shares in euros.

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

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

		Cash and cash equivalents (b)		Other liabilities of credit institutions				Mutual funds shares			
		Stocks	Annual growth rate	Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate	
						Other depo-sits (c)	Repos + credit instit.' securit.+ dep. in branches abroad			Fixed income in EUR (d)	Other
		1	2 ■	3	4 ■	5	6	7	8 ■	9	10
09		117 418	-2.8	113 352	-5.7	9.2	-39.4	11 475	5.5	1.0	10.8
10		117 930	0.4	123 451	8.9	6.1	20.5	12 153	5.9	-9.4	22.1
11	P	110 736	-6.1	116 197	-5.9	-10.9	12.1	10 851	-10.7	-13.8	-8.3
10 *Nov*		113 996	-1.2	123 165	11.4	9.6	18.6	12 302	7.9	-7.9	25.3
Dec		117 930	0.4	123 451	8.9	6.1	20.5	12 153	5.9	-9.4	22.1
11 *Jan*		110 939	-4.6	118 255	7.5	5.4	16.5	12 228	6.9	-11.3	26.2
Feb		115 172	-0.5	120 760	14.0	10.1	31.6	12 307	8.2	-11.5	28.5
Mar		119 598	4.5	122 424	11.4	7.3	29.6	12 267	7.9	-9.1	24.5
Apr		116 673	3.4	119 920	8.8	5.2	23.7	12 103	4.5	-13.3	22.7
May		116 667	-0.9	122 279	11.2	5.9	35.8	11 983	7.0	-10.7	24.8
Jun		120 261	-3.1	124 051	10.1	5.0	32.8	11 817	8.4	-5.1	21.1
Jul		114 312	-3.8	119 445	3.7	-2.1	30.2	11 282	-16.3	-25.1	-8.6
Aug		113 012	-5.9	121 566	6.2	1.3	26.4	11 142	-17.0	-24.1	-10.9
Sep		110 571	-5.4	121 374	2.3	-1.9	19.1	10 970	-17.3	-22.6	-12.8
Oct	P	107 271	-5.7	117 889	-0.8	-6.4	22.1	10 984	-14.0	-18.1	-10.6
Nov	P	110 026	-3.5	114 961	-6.7	-11.0	9.1	10 727	-12.8	-16.7	-9.6
Dec	P	110 736	-6.1	116 197	-5.9	-10.9	12.1	10 851	-10.7	-13.8	-8.3
12 *Jan*	P	105 055	-5.3	114 757	-3.0	-10.5	26.1	10 976	-10.2	-12.0	-8.9
Feb	P	105 638	-8.3	116 376	-3.6	-10.7	22.8	11 072	-10.0	-9.1	-10.7

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.

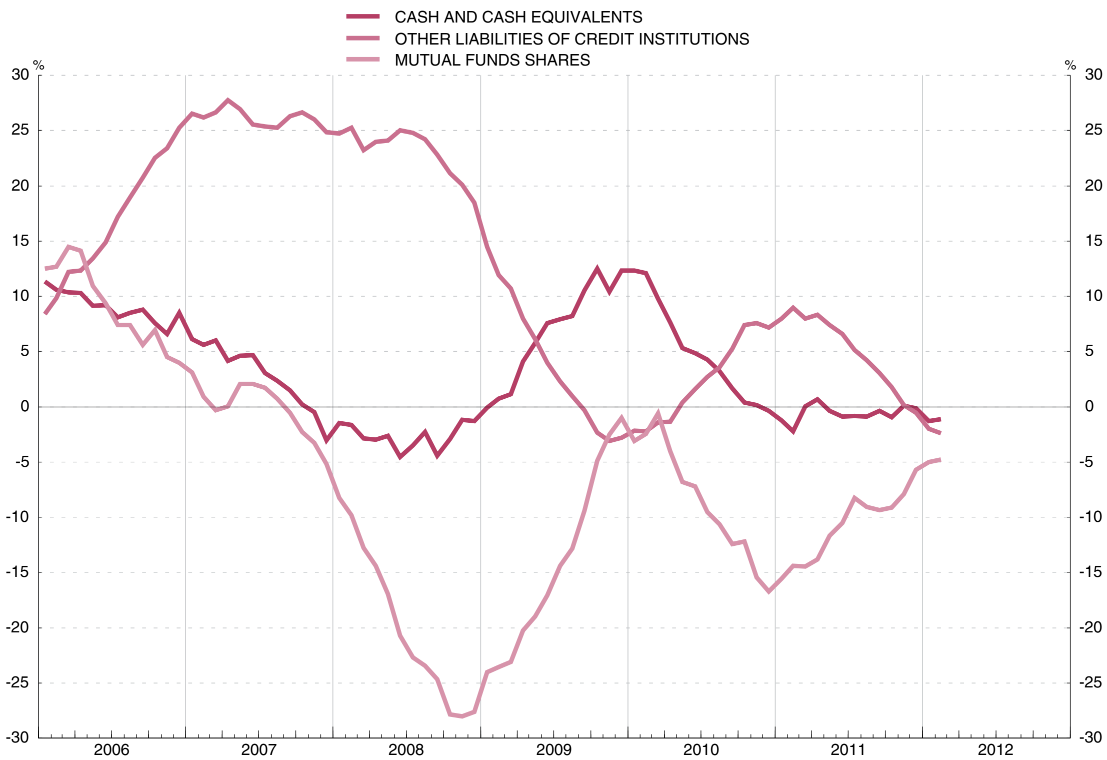
8.4 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ 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
09		401 881	12.3	3.5	15.3	414 635	-2.8	-3.5	10.9	134 738	-1.0	1.1	-3.4
10		400 409	-0.4	0.2	-0.5	444 247	7.1	6.5	19.4	112 204	-16.7	-31.1	-0.2
11	P	399 762	-0.2	-1.4	0.2	441 712	-0.6	-0.3	-5.4	105 814	-5.7	-9.3	-2.8
10 *Nov*		389 977	0.1	0.3	0.1	442 474	7.5	7.0	17.4	113 584	-15.4	-30.3	2.4
Dec		400 409	-0.4	0.2	-0.5	444 247	7.1	6.5	19.4	112 204	-16.7	-31.1	-0.2
11 *Jan*		393 638	-1.3	0.2	-1.7	449 397	8.0	7.5	16.3	112 681	-15.6	-32.1	3.3
Feb		390 960	-2.2	0.1	-2.9	453 225	9.0	8.6	15.7	113 412	-14.4	-32.1	5.2
Mar		394 733	0.0	-0.7	0.3	452 738	8.0	7.5	15.6	113 040	-14.5	-30.1	1.9
Apr		395 397	0.7	-0.2	1.0	452 704	8.3	8.5	6.6	112 557	-13.8	-29.3	2.1
May		393 045	-0.4	-1.5	-0.1	453 859	7.4	7.7	2.4	111 452	-11.7	-27.1	3.9
Jun		403 265	-0.9	-1.8	-0.6	454 524	6.6	7.4	-5.1	109 900	-10.5	-22.5	0.8
Jul		401 322	-0.8	-2.2	-0.5	454 259	5.1	6.0	-7.1	110 002	-8.3	-17.8	0.1
Aug		393 599	-0.9	-2.2	-0.5	453 456	4.2	5.2	-10.1	108 644	-9.1	-16.7	-2.5
Sep		392 285	-0.4	-1.6	0.0	451 811	3.0	4.0	-11.1	106 968	-9.4	-15.1	-4.6
Oct	P	388 602	-1.0	-1.5	-0.8	449 367	1.8	2.4	-8.7	107 106	-9.1	-13.9	-5.2
Nov	P	390 247	0.1	-1.1	0.4	443 027	0.1	0.6	-7.5	104 603	-7.9	-12.4	-4.2
Dec	P	399 762	-0.2	-1.4	0.2	441 712	-0.6	-0.3	-5.4	105 814	-5.7	-9.3	-2.8
12 *Jan*	P	388 602	-1.3	-2.1	-1.0	440 561	-2.0	-1.6	-7.4	107 065	-5.0	-6.8	-3.6
Feb	P	386 474	-1.1	-2.3	-0.8	442 406	-2.4	-1.8	-11.1	107 999	-4.8	-3.8	-5.5

HOUSEHOLDS AND NPISH
Annual percentage change



Source: BE.

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

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

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

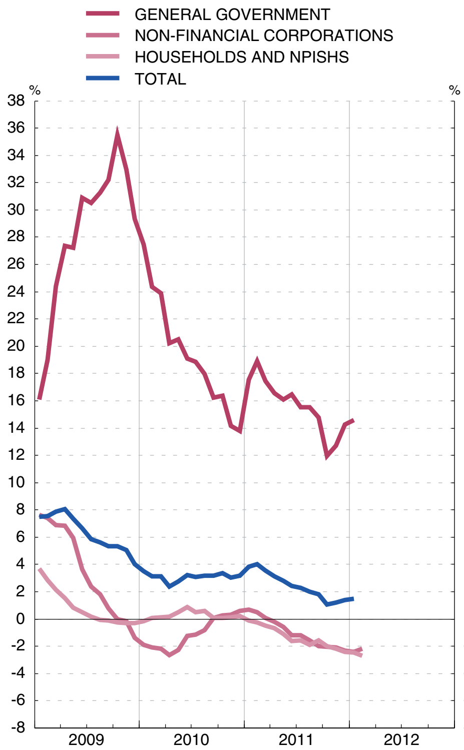
d. The series includes the old categories of Money market funds and Fixed income mutual funds in euros.

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

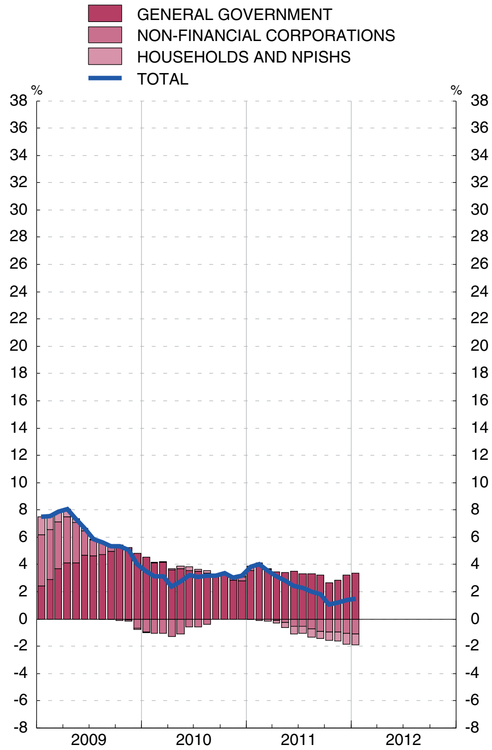
■ Series depicted in chart. *EUR millions and %*

		Total: Stocks	Total: Effective flow	Total: Annual growth rate	Annual growth rate: General government (b)	Annual growth rate: Non-financial corp. and households and NPISHs	By sectors: Non-financial corporations	By sectors: Households and NPISHs	By instruments: Credit institutions' loans & securit. funds	By instruments: Securities other than shares	By instruments: External loans	Contribution to col. 3: General government (b)	Contribution to col. 3: Non-financial corp. and households and NPISHs	By sectors: Non-financial corporations	By sectors: Households and NPISHs	By instrumentss: Credit institutions' loans & securit. funds	By instrumentss: Securities other than shares	By instrumentss: External loans
		1	2	3 ■	4 ■	5	6 ■	7 ■	8	9	10	11 ■	12	13 ■	14 ■	15	16	17
09		2 767 886	107 334	4.0	29.3	-0.9	-1.4	-0.3	-2.0	36.3	0.4	4.8	-0.8	-0.7	-0.1	-1.4	0.5	0.1
10		2 843 823	87 706	3.2	13.8	0.4	0.6	0.2	-0.4	10.6	3.4	2.8	0.3	0.3	0.1	-0.3	0.2	0.4
11	P	2 864 929	39 874	1.4	14.3	-2.4	-2.3	-2.4	-3.7	7.8	2.7	3.2	-1.8	-1.1	-0.8	-2.3	0.2	0.3
10 *Nov*		2 850 034	14 242	3.0	14.2	0.2	0.3	0.1	-0.4	14.7	1.0	2.8	0.2	0.1	0.0	-0.2	0.3	0.1
Dec		2 843 823	166	3.2	13.8	0.4	0.6	0.2	-0.4	10.6	3.4	2.8	0.3	0.3	0.1	-0.3	0.2	0.4
11 *Jan*		2 846 347	4 247	3.8	17.6	0.4	0.7	-0.1	-0.5	7.5	3.7	3.6	0.3	0.3	-0.0	-0.3	0.2	0.4
Feb		2 856 480	11 174	4.0	18.9	0.2	0.5	-0.3	-0.9	10.9	4.5	3.9	0.2	0.2	-0.1	-0.6	0.2	0.5
Mar		2 859 632	5 643	3.5	17.5	-0.1	0.1	-0.5	-1.1	9.0	3.3	3.7	-0.1	0.0	-0.1	-0.7	0.2	0.4
Apr		2 850 030	-7 575	3.1	16.5	-0.4	-0.2	-0.7	-1.2	4.2	3.2	3.5	-0.3	-0.1	-0.2	-0.8	0.1	0.4
May		2 851 679	1 770	2.8	16.1	-0.8	-0.6	-1.1	-1.7	5.4	3.2	3.4	-0.6	-0.3	-0.4	-1.1	0.1	0.4
Jun		2 866 898	16 924	2.4	16.4	-1.4	-1.2	-1.6	-2.4	4.9	3.0	3.5	-1.1	-0.6	-0.5	-1.5	0.1	0.4
Jul		2 854 698	-11 681	2.3	15.5	-1.3	-1.2	-1.6	-2.4	7.5	2.9	3.3	-1.1	-0.5	-0.5	-1.6	0.2	0.4
Aug		2 839 694	-14 707	2.0	15.5	-1.7	-1.6	-1.9	-2.8	7.0	2.7	3.3	-1.3	-0.7	-0.6	-1.8	0.1	0.3
Sep		2 852 608	14 523	1.8	14.8	-1.8	-2.0	-1.5	-3.0	7.1	2.6	3.2	-1.4	-0.9	-0.5	-1.9	0.2	0.3
Oct	P	2 843 245	-3 945	1.1	12.0	-2.0	-2.0	-2.0	-3.2	5.6	2.8	2.7	-1.6	-0.9	-0.6	-2.0	0.1	0.3
Nov	P	2 860 935	17 728	1.2	12.7	-2.1	-2.1	-2.2	-3.3	4.9	3.0	2.8	-1.6	-1.0	-0.7	-2.1	0.1	0.4
Dec	P	2 864 929	5 774	1.4	14.3	-2.4	-2.3	-2.4	-3.7	7.8	2.7	3.2	-1.8	-1.1	-0.8	-2.3	0.2	0.3
12 *Jan*	P	2 871 483	6 474	1.5	14.6	-2.4	-2.4	-2.5	-3.8	8.8	2.6	3.4	-1.9	-1.1	-0.8	-2.4	0.2	0.3
Feb	P	...	...	...	...	-2.4	-2.2	-2.7	-3.7	9.0	2.3	...	...	...	...	...	...	...

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.

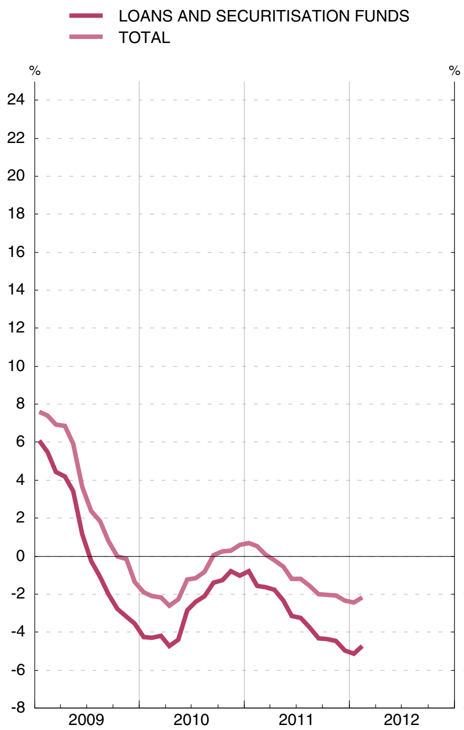
8.6. FINANCING OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

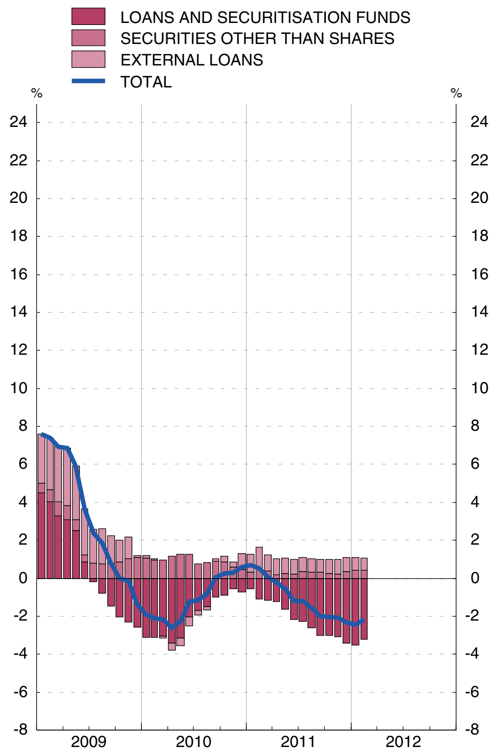
EUR millions and %

	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	Stocks	of which: Issues by resident financ. subsid.	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	
	1	2	3 ■	4	5 ■	6 ■	7	8	9	10 ■	11	12	13 ■	14
09	1 299 462	-17 898	-1.4	915 757	-3.5	-2.6	54 618	40 095	36.3	1.1	329 086	0.4	0.1	1 256
10	1 302 541	7 536	0.6	896 830	-1.0	-0.7	60 413	46 895	10.6	0.4	345 298	3.3	0.8	1 581
11	P 1 258 951	-30 456	-2.3	841 834	-5.0	-3.4	65 106	50 867	7.8	0.4	352 011	2.7	0.7	1 332
10 *Nov*	1 310 912	2 379	0.3	903 094	-0.8	-0.6	61 483	47 763	14.7	0.6	346 335	1.0	0.3	1 597
Dec	1 302 541	-3 459	0.6	896 830	-1.0	-0.7	60 413	46 895	10.6	0.4	345 298	3.3	0.8	1 581
11 *Jan*	1 297 253	-3 523	0.7	891 879	-0.8	-0.6	60 153	46 675	7.5	0.3	345 221	3.7	0.9	1 447
Feb	1 293 746	-2 798	0.5	883 225	-1.6	-1.1	62 315	48 905	10.9	0.5	348 206	4.5	1.1	1 342
Mar	1 287 614	-4 374	0.1	880 835	-1.6	-1.1	62 246	48 655	9.0	0.4	344 533	3.2	0.8	1 317
Apr	1 285 153	-841	-0.2	877 078	-1.8	-1.2	62 753	48 869	4.2	0.2	345 322	3.2	0.8	1 454
May	1 281 374	-3 992	-0.6	872 090	-2.3	-1.6	64 018	49 798	5.4	0.3	345 266	3.1	0.8	1 431
Jun	1 273 702	-6 535	-1.2	866 068	-3.1	-2.2	63 128	48 915	4.9	0.2	344 506	2.9	0.8	1 427
Jul	1 273 674	125	-1.2	864 721	-3.3	-2.3	63 434	49 181	7.5	0.3	345 520	2.9	0.7	1 386
Aug	1 263 651	-9 980	-1.6	853 825	-3.8	-2.6	63 217	49 002	7.0	0.3	346 610	2.7	0.7	1 328
Sep	1 267 915	5 153	-2.0	853 160	-4.3	-3.0	64 018	49 802	7.1	0.3	350 737	2.5	0.7	1 212
Oct	P 1 264 173	1 247	-2.0	851 807	-4.4	-3.0	64 152	49 985	5.6	0.3	348 214	2.8	0.7	1 294
Nov	P 1 266 535	1 897	-2.1	850 767	-4.5	-3.1	64 516	50 363	4.9	0.2	351 252	2.9	0.8	1 275
Dec	P 1 258 951	-6 836	-2.3	841 834	-5.0	-3.4	65 106	50 867	7.8	0.4	352 011	2.7	0.7	1 332
12 *Jan*	P 1 254 707	-4 583	-2.4	835 856	-5.1	-3.5	65 456	51 080	8.8	0.4	353 395	2.6	0.7	1 323
Feb	P 1 254 893	626	-2.2	831 183	-4.7	-3.2	67 937	53 296	9.0	0.4	355 773	2.3	0.6	1 160

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.

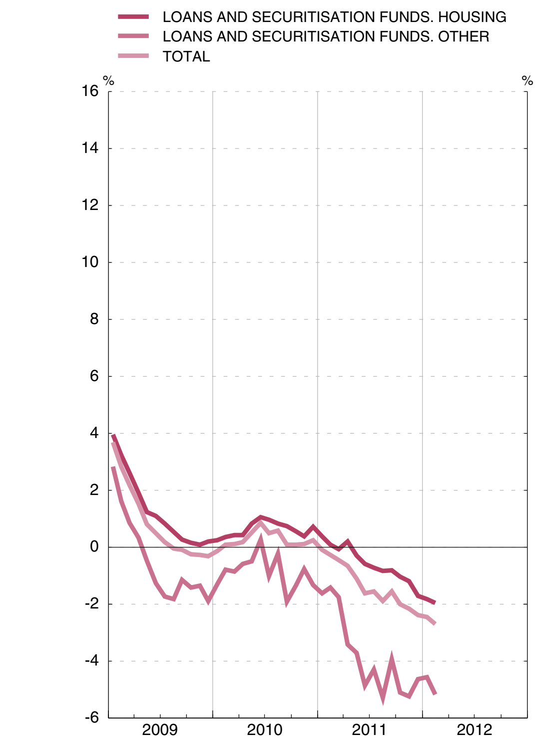
b. Includes issues of resident financial subsidiaries of non-financial corporations, insofar as the funds raised in these issues are routed to the parent company as loans. The issuing institutions of these financial instruments are classified as Other financial intermediaries in the Boletín Estadístico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

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

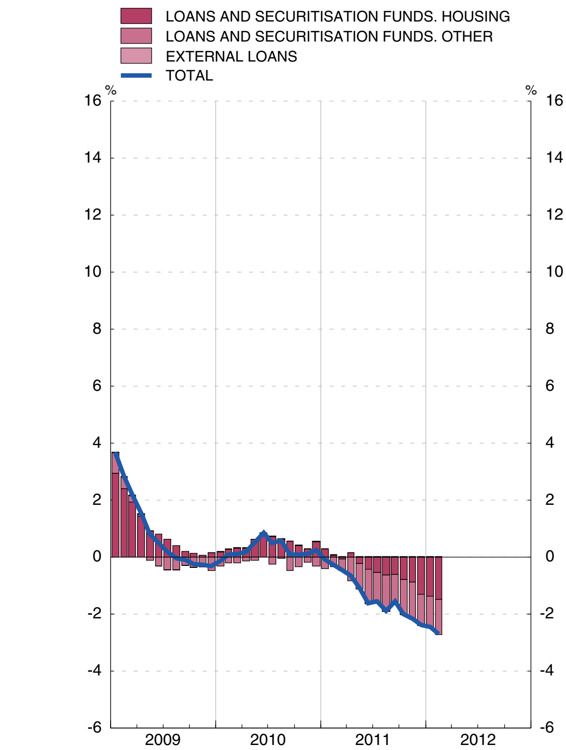
■ Series depicted in chart. *EUR millions and %*

	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
09	903 342	-2 867	-0.3	678 552	0.2	0.1	221 824	-1.9	-0.5	2 966	3.8	0.0	23 986	2 986
10	898 146	2 116	0.2	679 958	0.7	0.5	215 285	-1.3	-0.3	2 902	5.8	0.0	17 161	1 637
11 P	871 017	-21 494	-2.4	666 839	-1.7	-1.3	201 123	-4.6	-1.1	3 055	4.9	0.0	10 336	547
10 *Nov*	903 246	5 720	0.1	677 590	0.4	0.3	222 772	-0.8	-0.2	2 883	5.6	0.0	17 285	1 773
Dec	898 146	-3 636	0.2	679 958	0.7	0.5	215 285	-1.3	-0.3	2 902	5.8	0.0	17 161	1 637
11 *Jan*	894 108	-4 080	-0.1	677 703	0.4	0.3	213 493	-1.6	-0.4	2 912	5.6	0.0	16 634	1 517
Feb	891 494	-2 282	-0.3	675 957	0.1	0.1	212 617	-1.4	-0.3	2 919	5.2	0.0	16 738	1 543
Mar	887 901	-2 860	-0.5	674 687	-0.1	-0.1	210 271	-1.7	-0.4	2 943	6.4	0.0	16 553	1 383
Apr	887 178	-317	-0.7	676 532	0.2	0.1	207 699	-3.4	-0.8	2 947	6.1	0.0	16 211	1 300
May	884 889	-1 954	-1.1	674 603	-0.3	-0.2	207 319	-3.7	-0.9	2 967	6.4	0.0	16 028	929
Jun	889 194	4 872	-1.6	674 734	-0.6	-0.4	211 480	-4.9	-1.2	2 980	7.2	0.0	15 735	760
Jul	883 669	-5 158	-1.6	674 240	-0.7	-0.5	206 425	-4.3	-1.0	3 005	7.6	0.0	15 670	714
Aug	878 962	-4 454	-1.9	671 878	-0.8	-0.6	204 077	-5.3	-1.3	3 007	6.2	0.0	15 627	648
Sep	877 623	-618	-1.5	671 201	-0.8	-0.6	203 403	-3.9	-0.9	3 018	6.4	0.0	15 475	605
Oct P	873 974	-3 219	-2.0	669 149	-1.0	-0.8	201 797	-5.1	-1.2	3 028	5.0	0.0	15 305	610
Nov P	877 643	4 172	-2.2	667 909	-1.2	-0.9	206 696	-5.2	-1.3	3 039	4.7	0.0	15 250	570
Dec P	871 017	-5 596	-2.4	666 839	-1.7	-1.3	201 123	-4.6	-1.1	3 055	4.9	0.0	10 336	547
12 *Jan* P	866 204	-4 554	-2.5	663 761	-1.8	-1.4	199 377	-4.6	-1.1	3 065	4.9	0.0	10 245	497
Feb P	861 438	-4 447	-2.7	661 005	-2.0	-1.5	197 356	-5.2	-1.2	3 077	5.2	0.0	10 164	446

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.

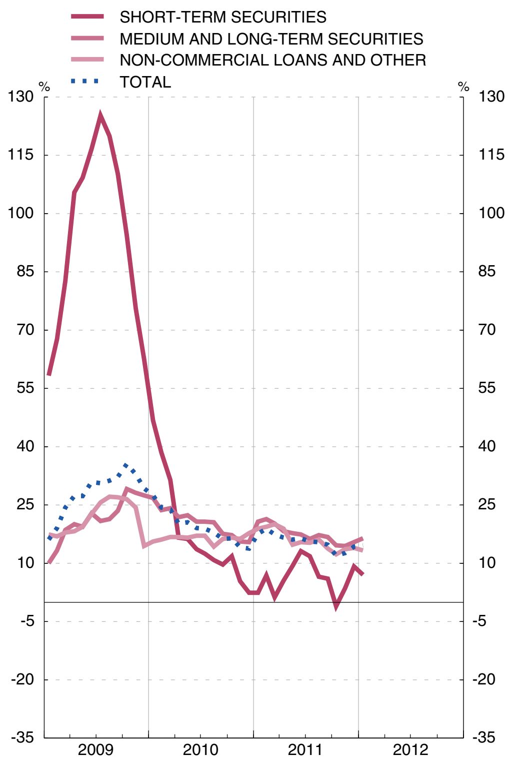
8.8. GROSS FINANCING OF SPAIN'S GENERAL GOVERMENT

■ Series depicted in chart.

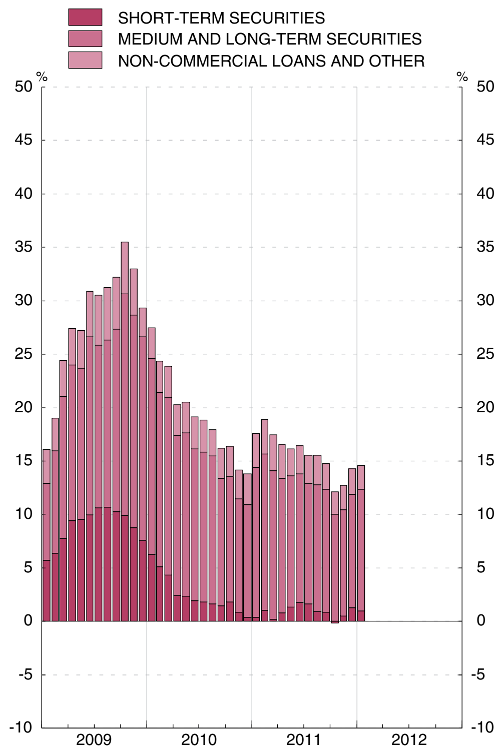
EUR millions and %

		Gross financing			Short-term securities				Medium and long term securities				Non Comercial Loans and Others (b)			
		EDP Debt (a)	Monthly change	12 month % change	Total	Monthly change	12 month % change	Contribu-tion to 12-month % change	Total	Monthly change	12 month % change	Contribu-tion to 12-month % change	Total	Monthly change	12 month % chage	Contribu-tion 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 ■
08		436 984	54 677	14.3	52 876	19 479	58.3	5.1	302 656	22 784	8.1	6.0	81 453	12 414	18.0	3.2
09		565 082	128 098	29.3	86 003	33 127	62.7	7.6	385 825	83 170	27.5	19.0	93 255	11 802	14.5	2.7
10	P	643 136	78 054	13.8	88 124	2 121	2.5	0.4	445 252	59 427	15.4	10.5	109 760	16 505	17.7	2.9
11	A	734 961	91 825	14.3	96 153	8 029	9.1	1.2	513 696	68 444	15.4	10.6	125 112	15 352	14.0	2.4
10 *Aug*	P	603 434	-123	18.0	84 768	1 359	10.8	1.6	415 599	248	20.5	13.8	103 067	-1 730	14.3	2.5
Sep	P	616 028	12 594	16.2	86 110	1 342	9.7	1.4	422 533	6 934	17.6	12.0	107 385	4 318	16.2	2.8
Oct	P	629 732	13 704	16.4	90 961	4 852	11.8	1.8	431 521	8 988	17.3	11.8	107 249	-136	16.7	2.8
Nov	P	635 875	6 144	14.2	90 112	-849	5.4	0.8	439 313	7 792	15.6	10.6	106 450	-799	16.3	2.7
Dec	P	643 136	7 261	13.8	88 124	-1 988	2.5	0.4	445 252	5 939	15.4	10.5	109 760	3 310	17.7	2.9
11 *Jan*	P	654 986	11 850	17.6	87 890	-234	2.5	0.4	455 992	10 740	20.7	14.0	111 104	1 343	18.9	3.2
Feb	P	671 240	16 255	18.9	89 203	1 312	6.8	1.0	468 380	12 388	21.4	14.6	113 658	2 555	19.4	3.3
Mar	P	684 117	12 877	17.5	85 654	-3 549	1.2	0.2	481 216	12 836	20.3	13.9	117 247	3 589	20.1	3.4
Apr	P	677 700	-6 417	16.5	85 864	210	5.5	0.8	476 416	-4 800	18.2	12.6	115 420	-1 827	19.0	3.2
May	P	685 415	7 716	16.1	89 427	3 564	9.4	1.3	482 293	5 877	17.8	12.3	113 695	-1 725	14.8	2.5
Jun	P	704 002	18 587	16.4	92 275	2 847	13.1	1.8	490 935	8 642	17.4	12.0	120 793	7 098	15.4	2.7
Jul	P	697 355	-6 648	15.5	93 311	1 037	11.9	1.6	483 170	-7 765	16.3	11.2	120 874	81	15.3	2.7
Aug	P	697 081	-273	15.5	90 266	-3 045	6.5	0.9	487 189	4 019	17.2	11.9	119 626	-1 247	16.1	2.7
Sep	P	707 069	9 988	14.8	91 271	1 005	6.0	0.8	493 559	6 370	16.8	11.5	122 239	2 613	13.8	2.4
Oct	A	705 097	-1 973	12.0	90 010	-1 262	-1.0	-0.2	494 561	1 002	14.6	10.0	120 527	-1 713	12.4	2.1
Nov	A	716 756	11 659	12.7	93 364	3 354	3.6	0.5	502 472	7 911	14.4	9.9	120 921	394	13.6	2.3
Dec	A	734 961	18 205	14.3	96 153	2 790	9.1	1.2	513 696	11 224	15.4	10.6	125 112	4 191	14.0	2.4
12 *Jan*	A	750 572	15 611	14.6	94 128	-2 026	7.1	1.0	530 561	16 865	16.4	11.4	125 884	771	13.3	2.3

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 Depositos

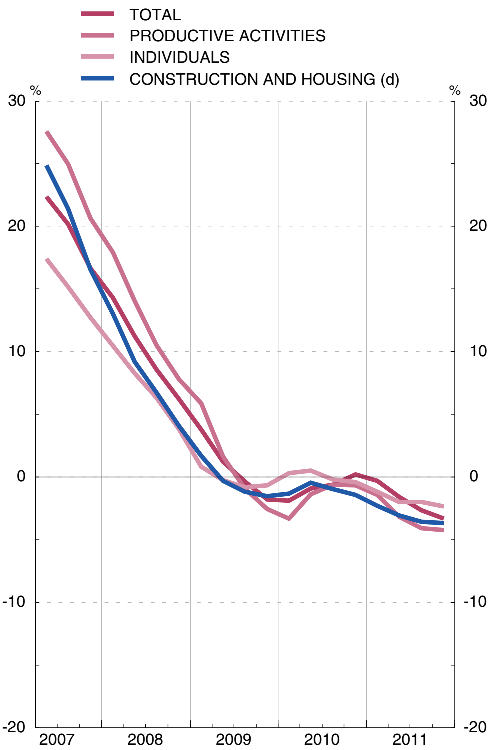
8.9 LENDING BY CREDIT INSTITUTIONS TO OTHER RESIDENT SECTORS. BREAKDOWN BY END-USE.

■ Series depicted in chart.

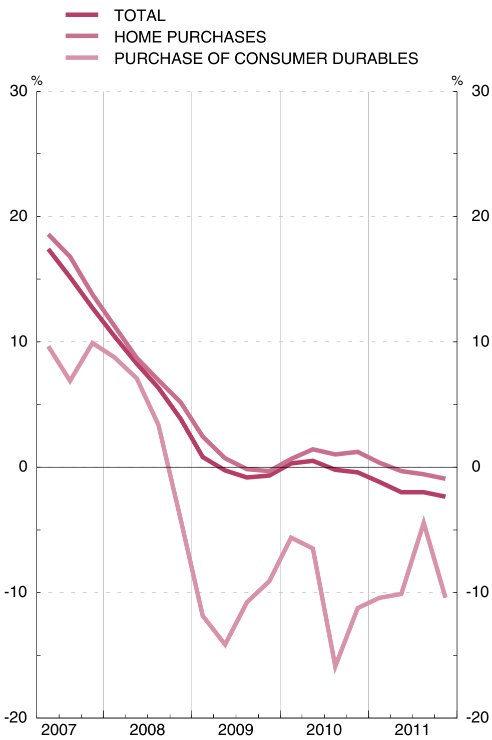
EUR millions and percentages

	Total (a)	Financing of productive activities						Financing of individuals					Financing of private non-profit institutions	Unclassified	Memorandum item: construction and housing (d)
		Total	Agriculture and fisheries	Industry excluding construction	Construction	Services		Total	Home purchases and improvements		Purchases of consumer durables	Other (b)			
						Total	Of which: Real estate activities		Total	Of which: Purchases					
	1 ■	2 ■	3	4	5	6	7	8 ■	9	10 ■	11 ■	12	13	14	15 ■
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
10	1 843 952	985 157	23 128	152 376	114 519	695 134	315 782	812 781	662 798	632 449	42 068	107 916	6 096	39 918	1 093 099
07 *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	1 847 066	994 441	23 366	152 413	124 054	694 607	321 946	821 460	660 436	630 104	44 712	116 312	5 840	25 326	1 106 436
Q3	1 837 278	991 374	23 456	152 031	121 514	694 374	320 090	810 717	659 232	628 696	40 259	111 225	5 743	29 444	1 100 836
Q4	1 843 952	985 157	23 128	152 376	114 519	695 134	315 782	812 781	662 798	632 449	42 068	107 916	6 096	39 918	1 093 099
11 *Q1*	1 824 256	971 962	22 618	145 796	109 582	693 966	312 152	804 029	658 133	628 138	41 073	104 823	5 710	42 554	1 079 867
Q2	1 817 801	963 039	22 435	146 481	105 489	688 634	308 425	805 058	658 999	628 377	40 201	105 858	5 898	43 806	1 072 912
Q3	1 788 847	951 096	22 203	145 503	102 258	681 132	303 506	794 554	655 726	625 101	38 478	100 350	6 557	36 639	1 061 491
Q4	1 782 548	943 706	21 757	143 231	98 505	680 213	298 267	793 687	656 503	626 601	37 686	99 498	7 000	38 156	1 053 275

CREDIT BY END-USE
Annual percentage changes (c)



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



SOURCE: BE.

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

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

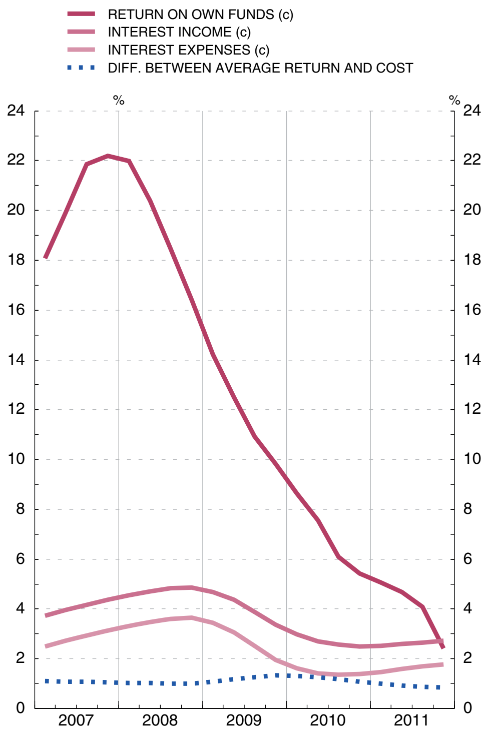
c. Asset-backed securities brought back onto the balance sheet as a result of the entry into force of Banco de España Circular BE 4/2004 have caused a break in the series in June 2005. The rates depicted in the chart have been adjusted to eliminate this effect. d. Including: construction, real estate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

8.10. PROFIT AND LOSS ACCOUNT OF DEPOSIT-TAKING INSTITUTIONS RESIDENT IN SPAIN

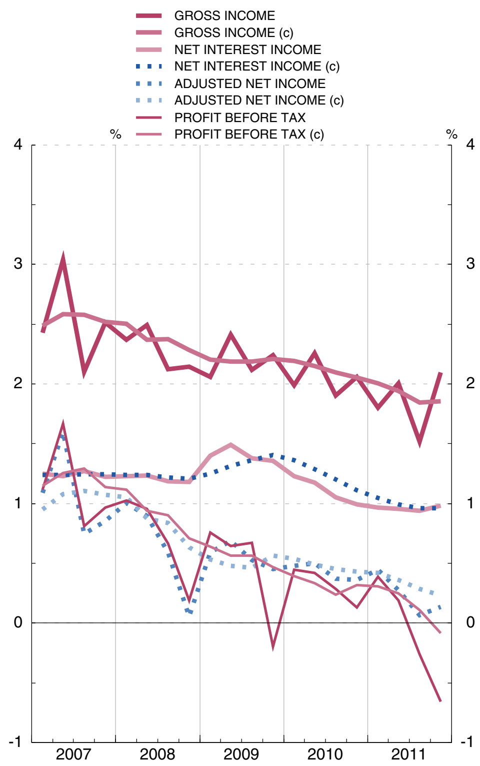
■ Series depicted in chart.

	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 ■
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
10	2.5	1.6	1.0	1.1	2.1	1.0	0.6	0.7	0.4	0.5	0.1	5.4	2.7	1.6	1.1
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	2.5	1.4	1.1	0.9	1.9	0.9	0.6	0.6	0.4	0.2	0.3	4.0	2.7	1.6	1.2
Q4	2.5	1.6	1.0	1.1	2.1	1.0	0.6	0.7	0.4	0.5	0.1	5.4	2.7	1.6	1.1
11 *Q1*	2.6	1.6	1.0	0.8	1.8	0.9	0.6	0.4	0.4	0.1	0.4	5.2	2.7	1.7	1.0
Q2	2.7	1.8	1.0	1.1	2.0	1.0	0.6	0.8	0.3	0.1	0.2	4.1	2.8	1.8	0.9
Q3	2.8	1.8	0.9	0.6	1.5	0.9	0.5	0.5	0.1	0.3	-0.3	1.7	2.8	2.0	0.9
Q4	2.8	1.8	1.0	1.1	2.1	0.9	0.5	1.1	0.1	0.7	-0.7	-1.4	2.9	2.1	0.9

PROFIT AND LOSS ACCOUNT
Percentages of the adjusted average balance sheet and returns



PROFIT AND LOSS ACCOUNT
Percentages of the adjusted average balance sheet



Source: BE.

Note: The underlying series for this indicator are in Table 4.36 of the BE Boletín estadístico.

a. Profit before tax divided by own funds.

b. Only those financial assets and liabilities which respectively give rise to financial income and costs have been considered to calculate the averge return and cost.

c. Average of the last four quarters.

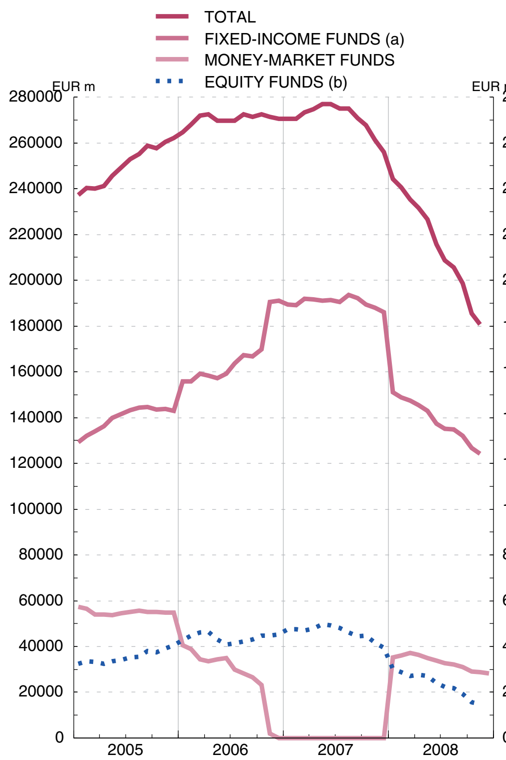
8.11. MUTUAL FUNDS RESIDENT IN SPAIN

■ Series depicted in chart.

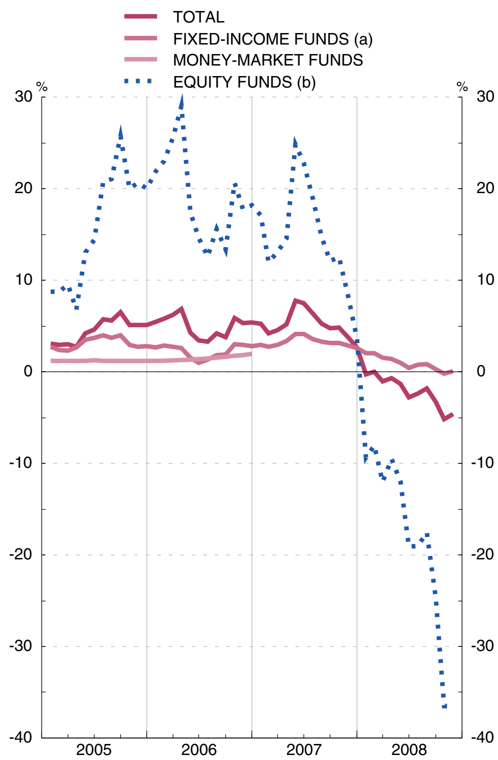
EUR millions

	Total				Money-market funds				Fixed-income funds (a)				Equity funds (b)				Others funds (c)
	Net asset value	Of which: Monthly change	Of which: Net funds invested	Return over last 12 months	Net asset value	Of which: Monthly change	Of which: Net funds invested	Return over last 12 months	Net asset value	Of which: Monthly change	Of which: Net funds invested	Return over last 12 months	Net asset value	Of which: Monthly change	Of which: 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

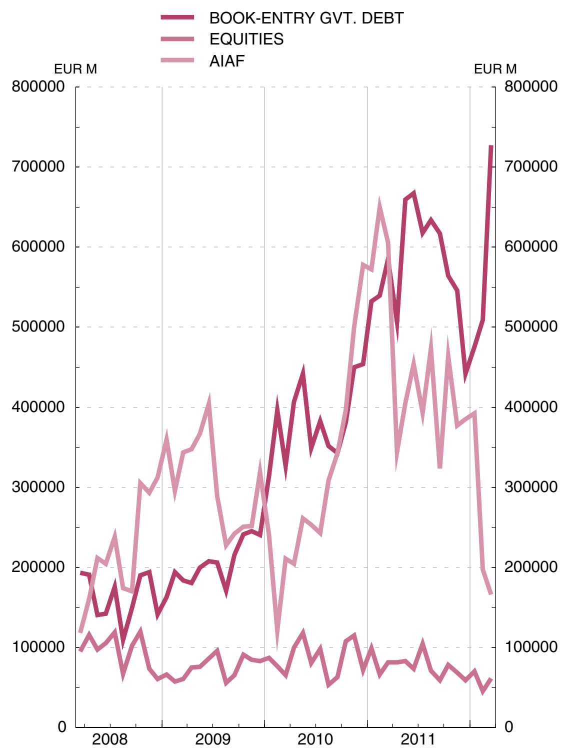
■ Series depicted in chart.

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
10		1 053.39	10 203.05	262.36	2 737.05	1 038 259	67 454	4 597 749	3 660 872	-	37 904	-	6 639
11		986.15	9 727.31	258.92	2 646.26	926 265	70 978	6 911 206	5 448 503	-	29 630	-	5 591
12	A	838.05	8 324.66	244.29	2 467.73	176 999	15 293	1 711 728	756 200	-	9 493	-	693
10 *Dec*		1 003.73	9 859.10	274.45	2 792.82	71 638	4 765	453 940	577 528	...	4 412	...	481
11 *Jan*		1 105.31	10 806.00	286.41	2 953.63	98 865	4 101	532 103	572 367	...	2 992	...	581
Feb		1 111.25	10 850.80	291.83	3 013.09	66 520	3 982	539 541	649 957	...	2 243	...	511
Mar		1 079.01	10 576.50	284.36	2 910.91	81 839	5 217	585 212	605 845	...	3 182	...	573
Apr		1 109.35	10 878.90	293.20	3 011.25	81 814	6 855	506 668	344 493	...	1 369	...	412
May		1 066.37	10 476.00	282.60	2 861.92	82 857	7 455	659 698	405 338	...	2 267	...	446
Jun		1 049.76	10 359.90	279.46	2 848.53	73 411	4 294	667 286	454 088	...	2 579	...	495
Jul		973.30	9 630.70	262.76	2 670.37	104 705	6 551	617 918	393 327	...	1 292	...	524
Aug		881.40	8 718.60	228.82	2 302.08	70 892	5 279	633 792	473 063	...	1 523	...	602
Sep		862.85	8 546.60	214.77	2 179.66	58 839	5 331	617 152	323 864	...	3 030	...	441
Oct		901.18	8 954.90	232.83	2 385.22	78 397	4 071	564 362	463 770	...	1 994	...	356
Nov		845.97	8 449.50	226.68	2 330.43	68 702	13 191	545 551	377 003	...	2 949	...	367
Dec		857.65	8 566.30	225.78	2 316.55	59 425	4 652	441 925	385 388	...	4 211	...	283
12 *Jan*		855.17	8 509.20	237.81	2 416.66	70 057	4 595	475 268	392 335	...	2 990	...	304
Feb		852.45	8 465.90	248.09	2 512.11	45 692	5 239	509 249	197 260	...	1 977	...	327
Mar	P	807.46	8 008.00	247.21	2 477.28	61 251	5 458	727 211	166 605	...	4 527	...	62

SHARE PRICE INDICES
JAN 1994 = 100

TURNOVER ON SECURITIES MARKETS



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

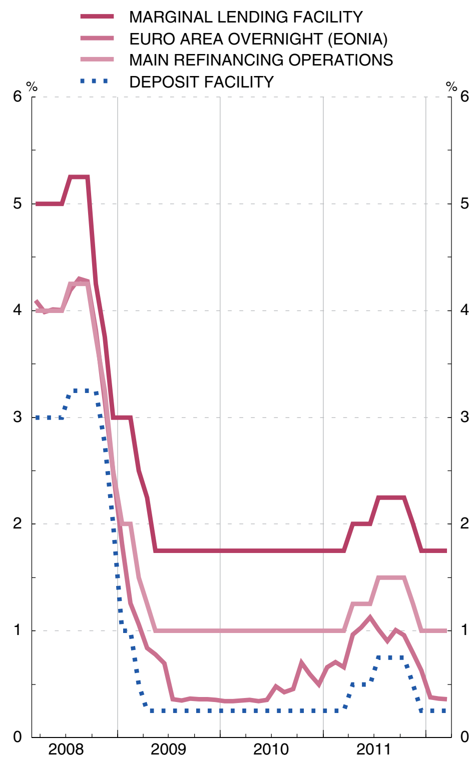
9.1. INTEREST RATES. EUROSYSTEM AND MONEY MARKET. EURO AREA AND SPAIN

■ Series depicted in chart.

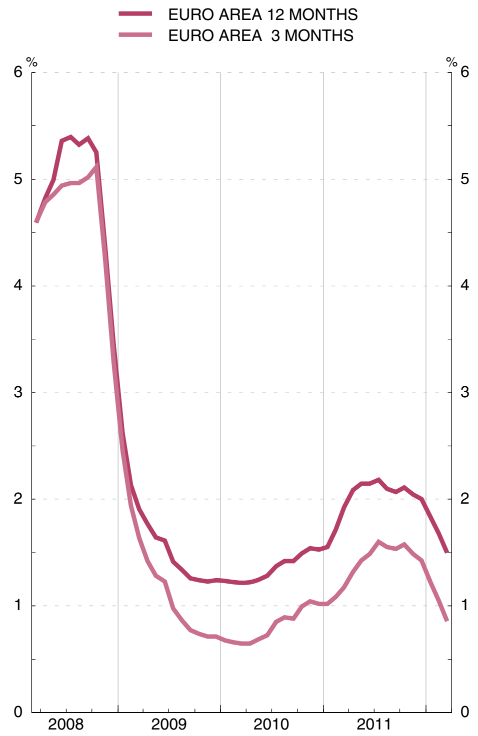
Averages of daily data. Percentages per annum

	Eurosystem monetary policy operations				Money market													
	Main refinancing operations: weekly tenders	Longer term refinancing operations: monthly tenders	Standing facilities		Euro area: deposits (Euribor) (a)					Spain								
										Non-transferable deposits					Government-securities repos			
			Marginal lending	Deposit	Overnight (EONIA)	1-month	3-month	6-month	1-year	Overnight	1-month	3-month	6-month	1-year	Overnight	1-month	3-month	1-year
	1 ■	2	3 ■	4 ■	5 ■	6	7 ■	8	9 ■	10	11	12	13	14	15	16	17	18
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
11	1.00	1.00	1.75	0.25	0.871	1.18	1.39	1.64	2.01	1.02	1.33	1.34	1.57	2.64	0.88	1.17	1.39	2.04
12 A	1.00	1.00	1.75	0.25	0.368	0.64	1.04	1.34	1.67	0.33	0.83	1.06	-	1.72	0.23	0.27	0.54	-
10 *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	-
11 *Jan*	1.00	1.00	1.75	0.25	0.659	0.79	1.02	1.25	1.55	0.64	0.99	1.03	1.28	-	0.58	0.95	1.16	-
Feb	1.00	1.00	1.75	0.25	0.707	0.89	1.09	1.35	1.71	0.70	1.11	1.08	1.34	1.68	0.65	0.90	1.07	-
Mar	1.00	1.00	1.75	0.25	0.659	0.90	1.18	1.48	1.92	0.66	1.12	1.17	1.47	-	0.59	0.86	1.10	-
Apr	1.25	1.25	2.00	0.50	0.966	1.13	1.32	1.62	2.09	0.98	1.25	1.31	1.64	2.08	0.94	1.15	1.23	-
May	1.25	1.25	2.00	0.50	1.033	1.24	1.43	1.71	2.15	1.03	1.43	1.43	1.72	2.23	0.99	1.16	1.25	-
Jun	1.25	1.25	2.00	0.50	1.124	1.28	1.49	1.75	2.14	1.20	1.39	1.49	1.72	-	1.12	1.25	1.44	1.77
Jul	1.50	1.50	2.25	0.75	1.012	1.42	1.60	1.82	2.18	1.08	1.47	-	-	3.10	1.00	1.48	1.67	2.00
Aug	1.50	1.50	2.25	0.75	0.906	1.37	1.55	1.76	2.10	1.06	1.39	1.45	1.82	3.10	0.93	1.37	1.49	3.34
Sep	1.50	1.50	2.25	0.75	1.005	1.35	1.54	1.74	2.07	1.27	1.60	1.68	-	3.10	1.00	1.23	1.37	-
Oct	1.50	1.50	2.25	0.75	0.960	1.36	1.58	1.78	2.11	1.40	1.52	-	-	-	1.06	1.30	1.44	-
Nov	1.25	1.25	2.00	0.50	0.790	1.23	1.48	1.71	2.04	1.38	1.30	1.46	-	3.10	1.01	1.28	1.65	1.00
Dec	1.00	1.00	1.75	0.25	0.627	1.14	1.43	1.67	2.00	0.81	1.38	-	-	-	0.64	1.08	1.77	-
12 *Jan*	1.00	1.00	1.75	0.25	0.380	0.84	1.22	1.51	1.84	0.34	1.14	1.16	-	-	0.24	0.37	0.50	-
Feb	1.00	1.00	1.75	0.25	0.366	0.63	1.05	1.35	1.68	0.35	0.84	1.07	-	1.72	0.27	0.28	0.53	-
Mar	1.00	1.00	1.75	0.25	0.357	0.47	0.86	1.16	1.50	0.31	0.50	0.94	-	-	0.17	0.16	0.60	-

EUROSYSTEM: MONETARY POLICY OPERATIONS AND EURO AREA OVERNIGHT DEPOSITS



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



Source: ECB (columns 1 to 8).

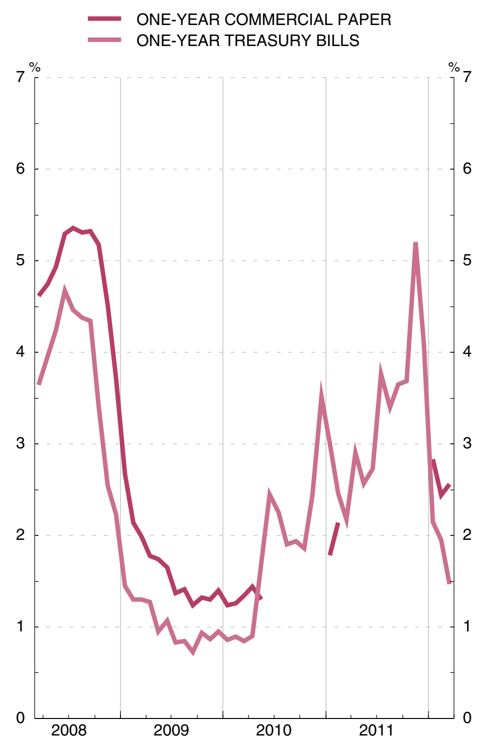
a. To December 1998, synthetic euro area rates have been calculated on the basis of national rates weighted by GDP

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

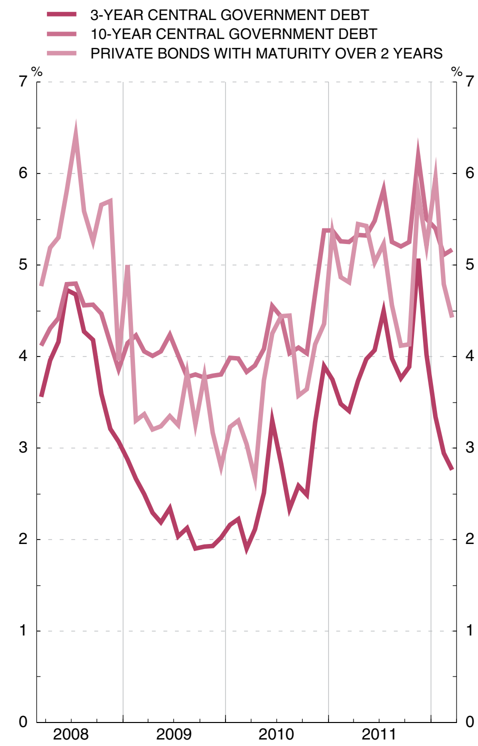
■ Series depicted in chart. *Percentages per annum*

	Short-term securities				Long-term securities							
	One-year Treasury bills		One-year commercial paper		Central Government debt							Private bonds with a maturity of over two years traded on the AIAF
	Marginal rate at issue	Secondary market: outright spot purchases between market members	Rate at issue	Secondary market: outright spot purchases	Marginal rate at issue					Secondary market. Book-entry debt. Outright spot purchases between market members		
					3-year bonds	5-year bonds	10-year bonds	15-year bonds	30-year bonds	At 3-years	At 10-years	
	1 ■	2	3 ■	4	5	6	7	8	9	10 ■	11 ■	12 ■
10	1.80	1.70	1.32	1.62	2.79	3.27	4.51	4.97	5.11	2.64	4.25	3.74
11	3.31	3.04	1.95	3.11	4.11	4.64	5.55	5.99	5.96	3.97	5.44	5.00
12 A	1.85	1.70	2.61	3.43	3.07	3.97	5.19	-	-	3.02	5.23	5.06
10 *Dec*	3.52	3.26	-	2.11	3.80	-	5.49	5.99	-	3.90	5.37	4.36
11 *Jan*	3.01	2.77	1.78	2.99	-	4.59	5.60	-	-	3.75	5.38	5.35
Feb	2.46	2.22	2.14	2.86	3.30	4.08	5.22	-	5.98	3.49	5.26	4.87
Mar	2.18	2.14	-	2.88	3.61	4.41	5.18	6.01	5.89	3.41	5.25	4.81
Apr	2.90	2.55	-	3.07	3.60	-	5.48	5.70	-	3.73	5.33	5.45
May	2.57	2.51	-	2.19	-	4.56	5.41	-	6.01	3.97	5.32	5.43
Jun	2.73	2.69	-	2.80	4.05	4.25	5.37	6.04	-	4.07	5.48	5.03
Jul	3.76	3.29	-	3.10	4.32	4.89	5.92	6.22	-	4.50	5.82	5.23
Aug	3.40	3.25	-	3.50	4.90	-	5.05	-	-	3.98	5.25	4.56
Sep	3.65	3.33	-	3.34	-	4.52	5.20	-	-	3.76	5.20	4.12
Oct	3.69	3.47	-	3.44	3.52	-	5.45	-	-	3.89	5.25	4.13
Nov	5.20	4.75	-	3.53	4.36	4.89	7.09	-	-	5.07	6.19	5.78
Dec	4.09	3.45	-	3.66	5.20	5.56	5.57	-	-	4.02	5.50	5.21
12 *Jan*	2.15	2.04	2.83	3.65	3.58	3.95	5.47	-	-	3.34	5.40	5.95
Feb	1.95	1.63	2.44	3.42	3.13	3.70	4.90	-	-	2.95	5.11	4.79
Mar	1.47	1.43	2.56	3.23	2.52	4.24	-	-	-	2.76	5.17	4.43

PRIMARY MARKET



SECONDARY MARKET



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

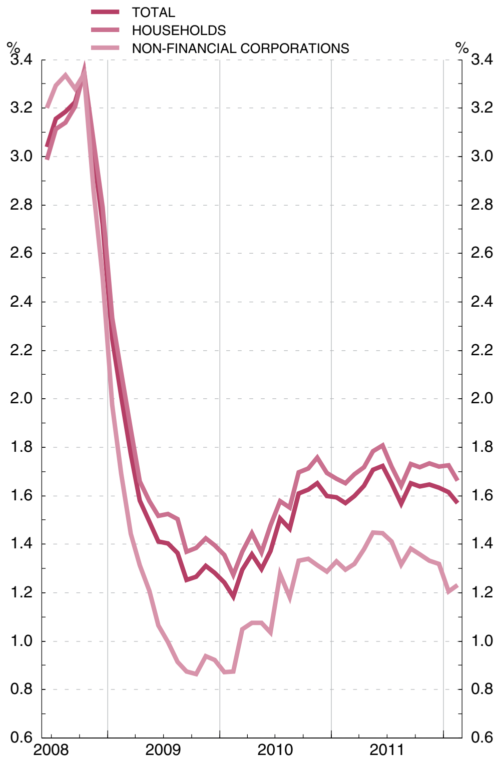
9.3. INTEREST RATES ON NEW BUSINESS. CREDIT INSTITUTIONS. (CBE 4/2002) SDDS (a)

■ 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-deema-ble 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
10	3.40	3.56	2.66	6.35	3.24	4.40	2.73	1.60	1.70	0.27	2.74	1.21	1.29	0.68	1.98	0.79
11	4.27	4.51	3.66	7.29	4.02	5.48	3.45	1.63	1.72	0.28	2.79	0.86	1.32	0.61	2.13	1.00
12 A	4.30	4.72	3.82	7.70	3.88	5.42	3.14	1.57	1.66	0.26	2.66	0.49	1.23	0.60	1.94	0.50
10 *Jul*	3.22	3.45	2.53	6.25	2.99	4.19	2.48	1.51	1.58	0.29	2.57	0.62	1.28	0.58	2.12	0.54
Aug	3.32	3.63	2.60	6.73	3.03	4.23	2.46	1.46	1.55	0.30	2.50	0.43	1.18	0.55	1.97	0.43
Sep	3.31	3.65	2.66	6.69	2.98	4.22	2.35	1.61	1.70	0.30	2.73	0.42	1.33	0.54	2.27	0.45
Oct	3.49	3.69	2.70	6.70	3.29	4.37	2.66	1.63	1.71	0.29	2.75	0.68	1.34	0.56	2.19	0.69
Nov	3.38	3.66	2.72	6.47	3.11	4.41	2.47	1.65	1.76	0.29	2.82	0.65	1.31	0.58	2.14	0.62
Dec	3.40	3.56	2.66	6.35	3.24	4.40	2.73	1.60	1.70	0.27	2.74	1.21	1.29	0.68	1.98	0.79
11 *Jan*	3.64	3.92	2.92	7.04	3.36	4.58	2.79	1.59	1.67	0.29	2.66	1.18	1.33	0.58	2.14	0.77
Feb	3.87	4.05	3.07	7.09	3.69	4.81	3.10	1.57	1.65	0.29	2.61	1.29	1.30	0.57	2.10	0.71
Mar	3.89	4.09	3.15	7.04	3.70	4.90	3.06	1.60	1.69	0.30	2.68	0.81	1.32	0.59	2.12	0.74
Apr	4.09	4.22	3.31	7.13	3.95	5.01	3.37	1.64	1.72	0.30	2.73	1.24	1.38	0.63	2.23	1.03
May	4.07	4.34	3.46	7.13	3.80	5.08	3.12	1.71	1.79	0.31	2.83	1.16	1.45	0.65	2.32	1.01
Jun	3.96	4.28	3.53	6.64	3.65	5.09	3.08	1.72	1.81	0.30	2.91	1.23	1.45	0.64	2.34	1.18
Jul	4.19	4.42	3.58	7.10	3.96	5.23	3.29	1.65	1.72	0.30	2.75	1.23	1.41	0.64	2.27	1.13
Aug	4.26	4.55	3.68	7.38	3.96	5.18	3.36	1.57	1.64	0.33	2.57	1.12	1.32	0.65	2.04	0.98
Sep	4.23	4.54	3.67	7.34	3.93	5.19	3.27	1.65	1.73	0.30	2.74	1.14	1.38	0.63	2.20	1.10
Oct	4.33	4.62	3.75	7.47	4.05	5.34	3.31	1.64	1.72	0.30	2.72	1.22	1.36	0.66	2.10	1.20
Nov	4.23	4.56	3.72	7.22	3.91	5.36	3.16	1.65	1.73	0.29	2.77	1.16	1.33	0.63	2.13	1.19
Dec	4.27	4.51	3.66	7.29	4.02	5.48	3.45	1.63	1.72	0.28	2.79	0.86	1.32	0.61	2.13	1.00
12 *Jan*	4.20	4.75	3.80	7.87	3.65	5.52	2.96	1.62	1.73	0.27	2.78	0.51	1.20	0.60	1.91	0.49
Feb P	4.30	4.72	3.82	7.70	3.88	5.42	3.14	1.57	1.66	0.26	2.66	0.49	1.23	0.60	1.94	0.50

LOANS SYNTHETIC RATES

DEPOSITS SYNTHETIC RATES



Source: BE.

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

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

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

d. The synthetic rates of loans and deposits are obtained as the average of the interest rates on new business weighted by the euro-denominated stocks included in the balance sheet for all the instruments of each sector.

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).

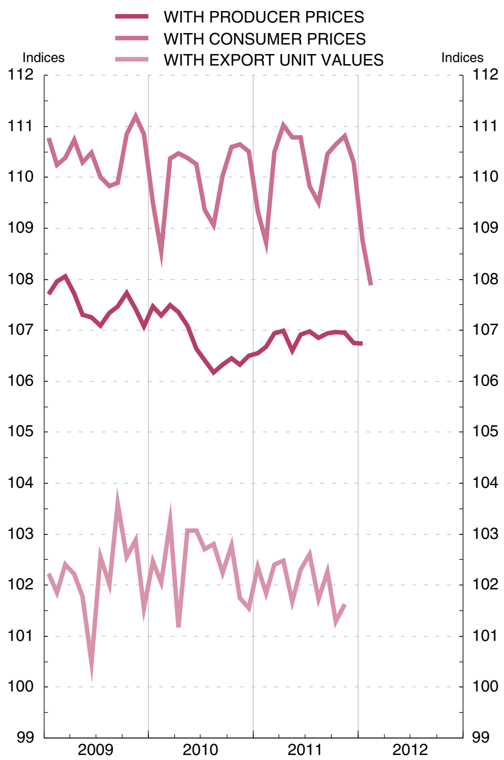
9.4 INDICES OF SPANISH COMPETITIVENESS VIS-à-VIS THE EU-27 AND THE EURO AREA

■ Series depicted in chart.

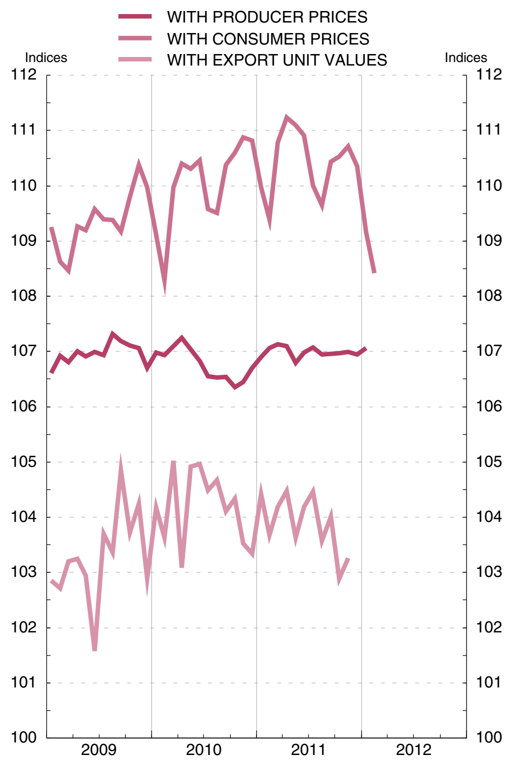
Base 1999 QI = 100

	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 (d)	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 (d)	Based on export unit values		Based on producer prices	Based on consumer prices	Based on total unit labour costs (d)	Based on export unit values					
	1 ■	2 ■	3	4 ■	5	6	7	8	9	10 ■	11 ■	12	13	14 ■
09	107.5	110.5	112.6	102.2	102.6	104.7	107.6	109.7	99.6	107.0	109.4	111.9	111.4	103.3
10	106.8	110.0	110.2	102.4	101.9	104.8	108.0	108.2	100.6	106.8	110.0	110.3	112.6	104.2
11	106.8	110.2	106.9	...	101.9	104.9	108.2	104.9	...	107.0	110.4	107.0	111.2	...
10 *Q1*	107.4	109.5	110.8	102.6	102.2	105.1	107.2	108.4	100.4	107.0	109.1	110.6	109.4	104.3
Q2	107.0	110.4	110.7	102.4	101.8	105.1	108.4	108.7	100.6	107.0	110.4	110.9	111.9	104.3
Q3	106.3	109.5	110.0	102.6	101.6	104.6	107.7	108.2	101.0	106.5	109.8	110.4	114.0	104.4
Q4	106.4	110.6	109.2	102.0	101.8	104.6	108.7	107.3	100.3	106.5	110.8	109.5	114.9	103.7
11 *Q1*	106.7	109.5	108.1	102.2	101.6	105.1	107.8	106.4	100.6	107.0	110.1	108.5	108.5	104.1
Q2	106.8	110.9	107.6	102.1	101.8	104.9	108.8	105.7	100.3	107.0	111.1	107.7	110.6	104.1
Q3	106.9	109.9	107.0	102.2	102.0	104.8	107.8	104.9	100.2	107.0	110.0	107.0	112.3	104.0
Q4	106.9	110.6	104.9	...	102.1	104.7	108.3	102.7	...	107.0	110.5	104.8	113.3	...
11 *Jun*	106.9	110.8	107.6	102.3	101.9	104.9	108.7	105.7	100.4	107.0	110.9	107.7	110.6	104.2
Jul	107.0	109.8	...	102.6	101.9	104.9	107.7	...	100.7	107.1	110.0	...	...	104.5
Aug	106.9	109.5	...	101.7	102.0	104.8	107.4	...	99.8	106.9	109.7	...	...	103.6
Sep	106.9	110.5	107.0	102.3	102.1	104.7	108.2	104.9	100.2	107.0	110.4	107.0	112.3	104.0
Oct	107.0	110.7	...	101.3	102.2	104.7	108.3	...	99.1	107.0	110.5	...	...	102.9
Nov	107.0	110.8	...	101.6	102.2	104.7	108.4	...	99.4	107.0	110.7	...	...	103.3
Dec	106.8	110.3	104.9	...	102.0	104.6	108.1	102.7	...	106.9	110.4	104.8	113.3	...
12 *Jan*	106.7	108.8	...	...	101.8	104.8	106.8	...	...	107.1	109.2	...	...	...
Feb	...	107.9	...	...	101.7	...	106.1	...	...	...	108.4	...	...	...
Mar	...	...	...	...	101.6	...	...	...	...	...	...	...	...	...

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. Quarterly series. Indices for Spain have been calculated using data for Unit Labour Costs (total and manufacturing) compiled from Quarterly Spanish National Accounts. Base 2008. Source INE.

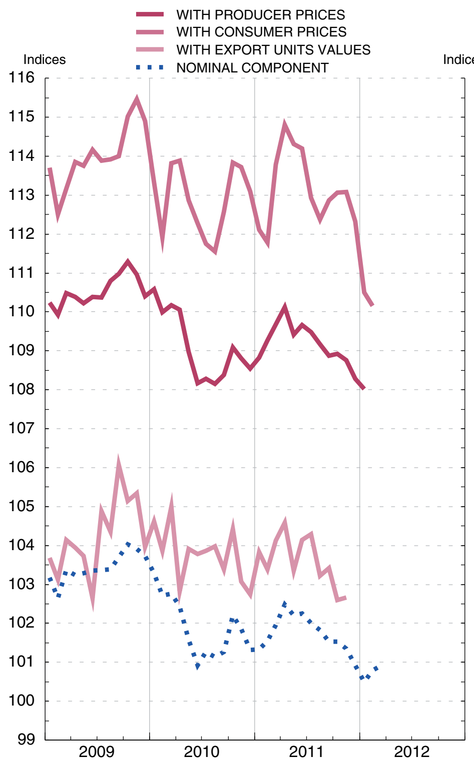
9.5 INDICES OF SPANISH COMPETITIVENESS VIS-à-VIS THE DEVELOPED COUNTRIES AND INDUSTRIALISED COUNTRIES

■ Series depicted in chart.

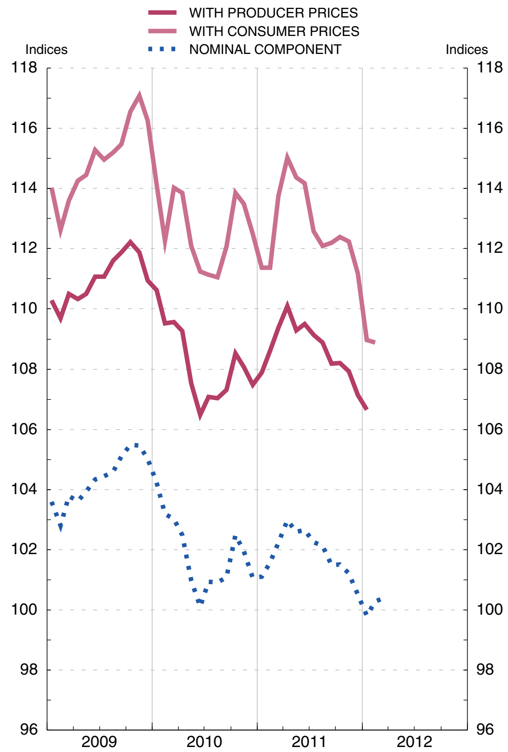
Base 1999 QI = 100

	Vis-à-vis developed countries									Vis-à-vis industrialised countries				
	Total (a)				Nominal compon-ent (b)	Prices component (c)				Total (a)		Nominal compon-ent (b)	Prices component(c)	
	Based on producer prices	Based on consumer prices	Based on manufac - turing unit labour costs (d)	Based on export unit values		Based on producer prices	Based on consumer prices	Based on manufac - turing unit labour costs (d)	Based on export unit values	Based on producer prices	Based on consumer prices		Based on producer prices	Based on consumer prices
	1 ■	2 ■	3	4 ■	5 ■	6	7	8	9	10 ■	11 ■	12 ■	13	14
09	110.5	114.0	118.5	104.3	103.4	106.9	110.2	114.6	100.8	111.0	115.0	104.4	106.4	110.2
10	109.1	112.9	117.3	103.8	101.9	107.1	110.8	115.1	101.9	108.2	112.6	101.9	106.2	110.6
11	109.2	113.1	115.0	...	101.7	107.3	111.2	113.0	...	108.7	112.7	101.8	106.7	110.7
10 *Q1*	110.3	113.1	115.4	104.5	102.9	107.1	109.8	112.1	101.5	109.9	113.5	103.5	106.2	109.7
Q2	109.1	113.0	116.4	103.5	101.6	107.3	111.2	114.6	101.8	107.8	112.4	101.2	106.5	111.1
Q3	108.3	112.0	117.9	103.7	101.2	107.0	110.6	116.5	102.5	107.1	111.4	101.0	106.1	110.3
Q4	108.8	113.6	119.2	103.4	101.8	106.9	111.6	117.1	101.6	108.0	113.3	101.8	106.1	111.2
11 *Q1*	109.3	112.6	112.1	103.8	101.6	107.5	110.8	110.4	102.1	108.6	112.2	101.6	106.9	110.4
Q2	109.7	114.4	115.0	104.0	102.3	107.3	111.9	112.4	101.7	109.6	114.5	102.7	106.7	111.5
Q3	109.2	112.7	116.2	103.6	101.8	107.3	110.7	114.1	101.8	108.7	112.3	102.0	106.7	110.1
Q4	108.7	112.8	116.6	...	101.3	107.3	111.4	115.2	...	107.8	111.9	101.1	106.6	110.8
11 *Jun*	109.7	114.2	115.0	104.1	102.2	107.2	111.7	112.4	101.9	109.5	114.2	102.6	106.7	111.2
Jul	109.5	112.9	...	104.3	102.0	107.3	110.7	...	102.2	109.1	112.6	102.2	106.7	110.1
Aug	109.2	112.4	...	103.2	101.8	107.2	110.4	...	101.4	108.9	112.1	102.1	106.6	109.8
Sep	108.9	112.9	116.2	103.4	101.5	107.2	111.2	114.1	101.9	108.2	112.2	101.5	106.6	110.6
Oct	108.9	113.1	...	102.6	101.5	107.3	111.4	...	101.0	108.2	112.4	101.5	106.6	110.7
Nov	108.8	113.1	...	102.7	101.4	107.3	111.6	...	101.3	107.9	112.2	101.2	106.6	110.9
Dec	108.3	112.3	116.6	...	100.9	107.3	111.3	115.2	...	107.1	111.2	100.5	106.6	110.6
12 *Jan*	108.0	110.5	...	...	100.5	107.5	110.0	...	...	106.7	109.0	99.8	106.9	109.2
Feb	...	110.2	...	...	100.8	...	109.3	...	...	...	108.9	100.3	...	108.6
Mar	...	...	...	...	100.9	...	...	...	...	...	...	100.4	...	...

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.

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ABBREVIATIONS

BCBS	Basel Committee on Banking Supervision
BE	Banco de España
BIS	Bank for International Settlements
BLS	Bank Lending Survey
BOE	Official State Gazette
BRICs	Brazil, Russia, India and China
CBFA	Collective Bargaining Framework Agreement
CBSO	Central Balance Sheet Data Office
CCR	Central Credit Register
CDSs	Credit default swaps
CEIPOS	Committee of European Insurance and Occupational Pensions Supervisors
CESR	Committee of European Securities Regulators
CNE	Spanish National Accounts
CNMV	National Securities Market Commission
CPI	Consumer Price Index
DGF	Deposit Guarantee Fund
EBA	European Banking Authority
ECB	European Central Bank
ECOFIN	Council of the European Communities (Economic and Financial Affairs)
EDP	Excessive Deficit Procedure
EFF	Spanish Survey of Household Finances
EFSF	European Financial Stability Facility
EMU	Economic and Monetary Union
EONIA	Euro overnight index average
EPA	Official Spanish Labour Force Survey
ESA 79	European System of Integrated Economic Accounts
ESA 95	European System of National and Regional Accounts
ESCB	European System of Central Banks
ESFS	European System of Financial Supervisors
ESM	European Stability Mechanism
ESRB	European Systemic Risk Board
EU	European Union
EURIBOR	Euro interbank offered rate
EUROSTAT	Statistical Office of the European Communities
FASE	Financial Accounts of the Spanish Economy
FDI	Foreign direct investment
FROB	Fund for the Orderly Restructuring of the Banking Sector
FSB	Financial Stability Board
FSF	Financial Stability Forum
GDI	Gross disposable income
GDP	Gross domestic product
GFCF	Gross fixed capital formation
GNP	Gross national product
GVA	Gross value added
HICP	Harmonised Index of Consumer Prices
IASB	International Accounting Standards Board
ICO	Official Credit Institute
IFRSs	International Financial Reporting Standards
IGAE	National Audit Office
IIP	International Investment Position
IMF	International Monetary Fund
INE	National Statistics Institute
SPEE	National Public Employment Service
LTROs	Longer-term refinancing operations
MFIs	Monetary financial institutions
MMFs	Money market funds
MROs	Main refinancing operations
MTBDE	Banco de España quarterly macroeconomic model
NAIRU	Non-accelerating-inflation rate of unemployment
NCBs	National central banks
NFCs	Non-financial corporations
NPISHs	Non-profit institutions serving households
OECD	Organisation for Economic Co-operation and Development
OPEC	Organisation of Petroleum Exporting Countries
PMI	Purchasing Managers' Index
PPP	Purchasing power parity
QNA	Quarterly National Accounts
RDL	Royal Decree-Law
SEPA	Single Euro Payments Area
SGP	Stability and Growth Pact
SMEs	Small and medium-sized enterprises
TARGET	Trans-European Automated Real-time Gross settlement Express Transfer system
TFP	Total factor productivity
ULCs	Unit labour costs
VAT	Value Added Tax
WTO	World Trade Organisation
XBRL	Extensible Business Reporting Language

COUNTRIES AND CURRENCIES

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

BE	Belgium	EUR (euro)
BG	Bulgaria	BGN (Bulgarian lev)
CZ	Czech Republic	CZK (Czech koruna)
DK	Denmark	DKK (Danish krone)
DE	Germany	EUR (euro)
EE	Estonia	EEK (Estonian kroon)
IE	Ireland	EUR (euro)
GR	Greece	EUR (euro)
ES	Spain	EUR (euro)
FR	France	EUR (euro)
IT	Italy	EUR (euro)
CY	Cyprus	EUR (euro)
LV	Latvia	LVL (Latvian lats)
LT	Lithuania	LTL (Lithuanian litas)
LU	Luxembourg	EUR (euro)
HU	Hungary	HUF (Hungarian forint)
MT	Malta	EUR (euro)
NL	Netherlands	EUR (euro)
AT	Austria	EUR (euro)
PL	Poland	PLN (Polish zloty)
PT	Portugal	EUR (euro)
RO	Romania	RON (New Romanian leu)
SI	Slovenia	EUR (euro)
SK	Slovakia	EUR (euro)
FI	Finland	EUR (euro)
SE	Sweden	SEK (Swedish krona)
UK	United Kingdom	GBP (Pound sterling)
JP	Japan	JPY (Japanese yen)
US	United States	USD (US dollar)

CONVENTIONS USED

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